



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 2015

HSBC Holdings plc Interim Results 2015

Presentation to Investors and Analysts



Key messages

Highlights

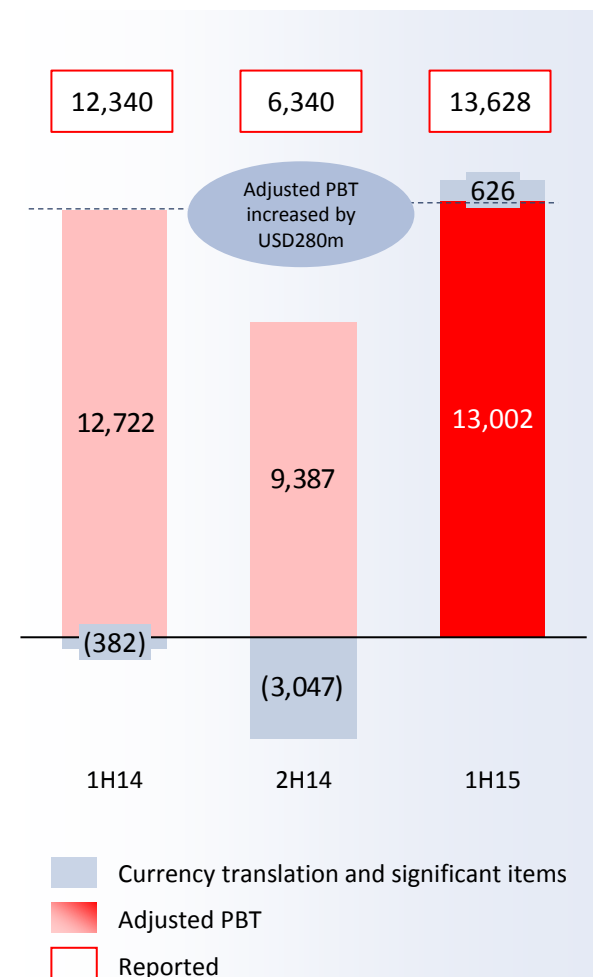
Financial (in respect of 1H15)

- 1H15 reported PBT of USD13,628m up 10% compared with 1H14
- Increase in adjusted revenue of USD1,316m or 4% and an increase in adjusted PBT of USD280m or 2% driven by a strong performance in Asia
- Growth in adjusted revenue driven by Client-facing GB&M, Principal RBWM, and CMB
- Adjusted costs up USD1,206m or 7% from higher staff costs
- Strong capital base with a common equity tier 1 ratio of 11.6%
- Two interim dividends declared amounting to USD0.20 per ordinary share in respect of the first half of 2015

Strategy execution

- Clearly defined actions to capture value from our global network in a changed world
 - Growth of 6% in global business revenue synergies, demonstrating the strength of our universal banking model
 - Revenue from transaction banking products grew 8% highlighting the value and potential of our international network
 - Progress on reducing Group RWAs with a USD50bn reduction mainly relating to GB&M
 - Entered into an agreement to sell entire business in Brazil¹
 - Commenced initiatives to reduce costs

Reported and adjusted PBT (USDm)



For footnotes, please see slide 15.

1H15 Financial Highlights

Financial Highlights (USDbn)

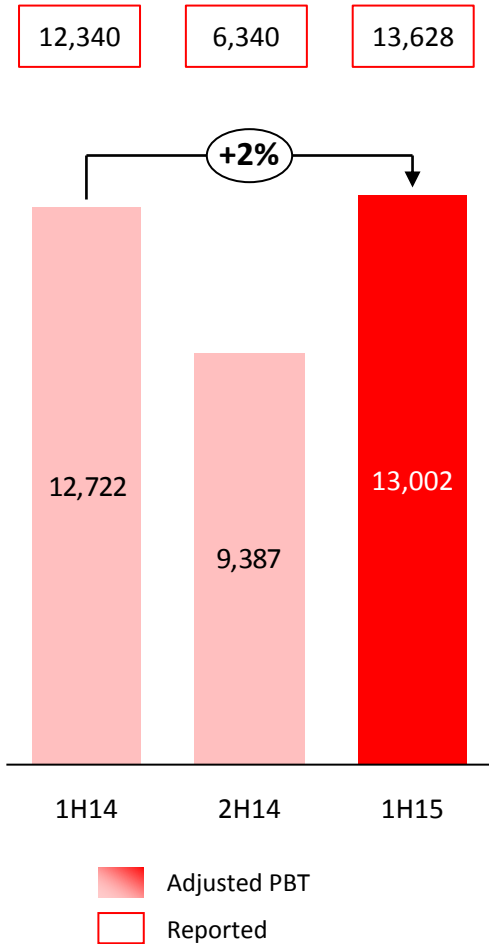
	1H14	2H14	1H15	1H15 vs 1H14	1H15 vs 2H14
Reported PBT	12.3	6.3	13.6	1.3	7.3
Adjusted PBT	12.7	9.4	13.0	0.3	3.6

	1H14	2H14	1H15	Target (if applicable)
Return on average ordinary shareholders' equity ²	10.7%	4.0%	10.6%	> 10%
Return on average tangible equity ²	12.6%	4.7%	12.0%	n/a
Jaws (adjusted)	-	-	(2.9)%	Positive
Advances to deposits ratio	74.0%	72.2%	71.4%	n/a
Common equity tier 1 ratio (end point basis)	11.3%	11.1%	11.6%	n/a

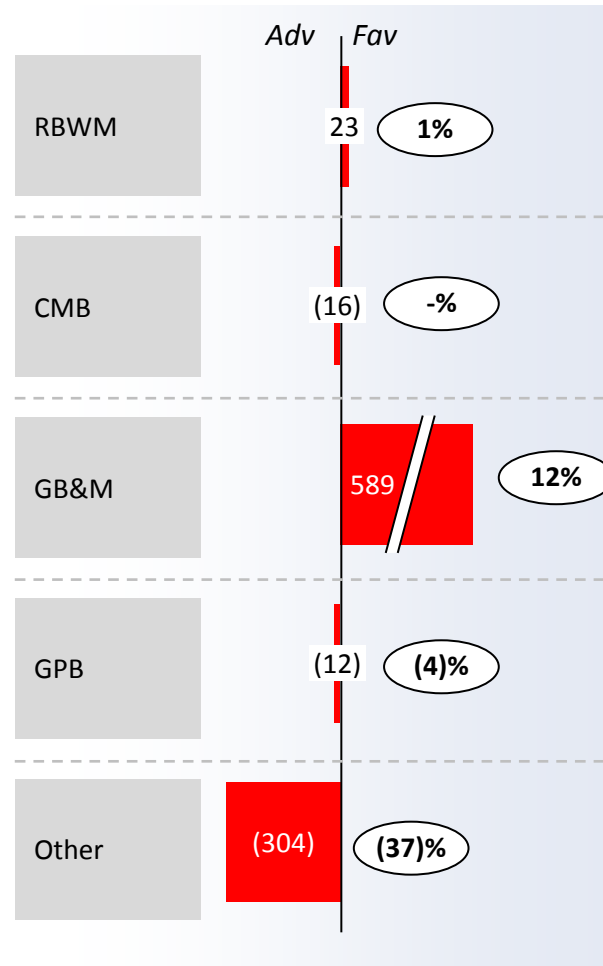
Profit before tax

Increase in adjusted PBT driven by Asia, which contributed over 60% of Group adjusted PBT

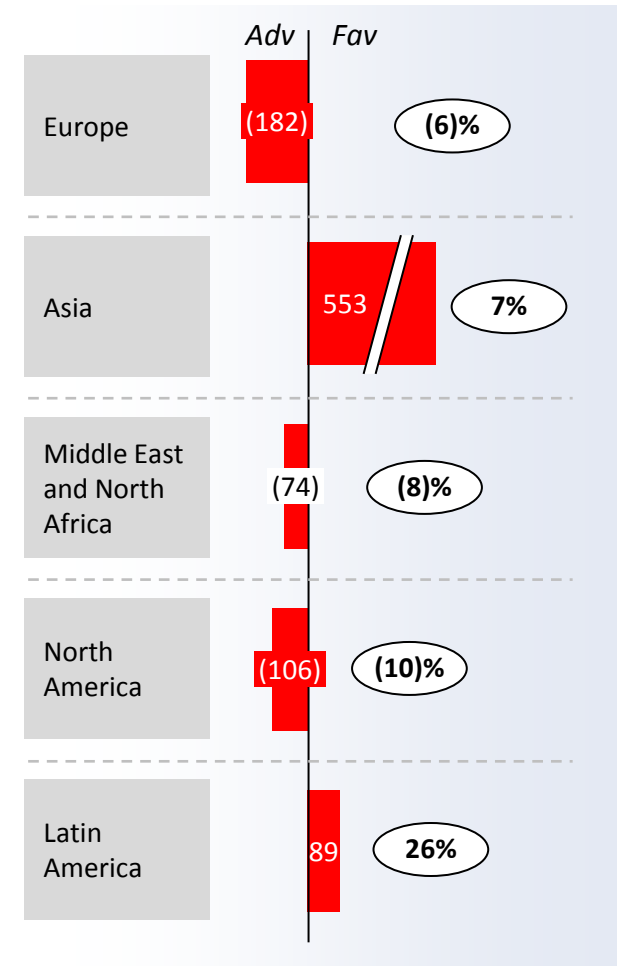
Reported and adjusted PBT (USDm)



Adjusted PBT growth by global business 1H15 vs. 1H14 (USDm)



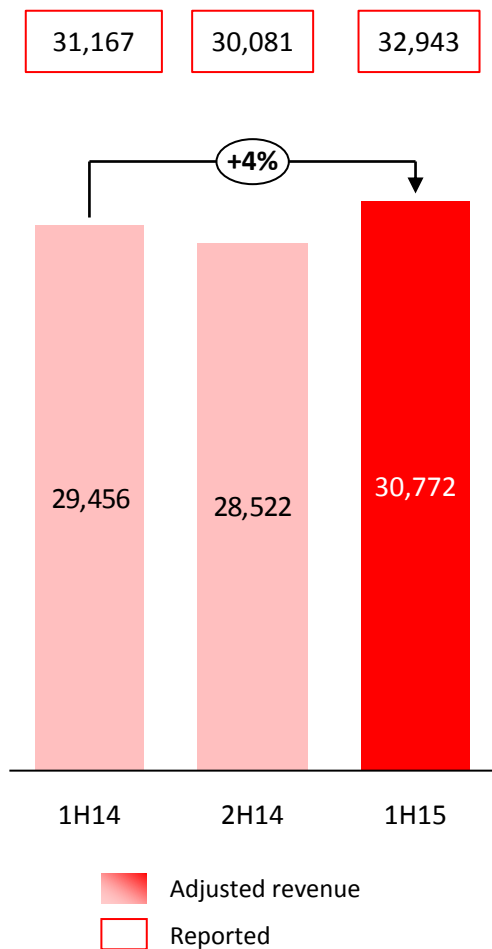
Adjusted PBT growth by region 1H15 vs. 1H14 (USDm)



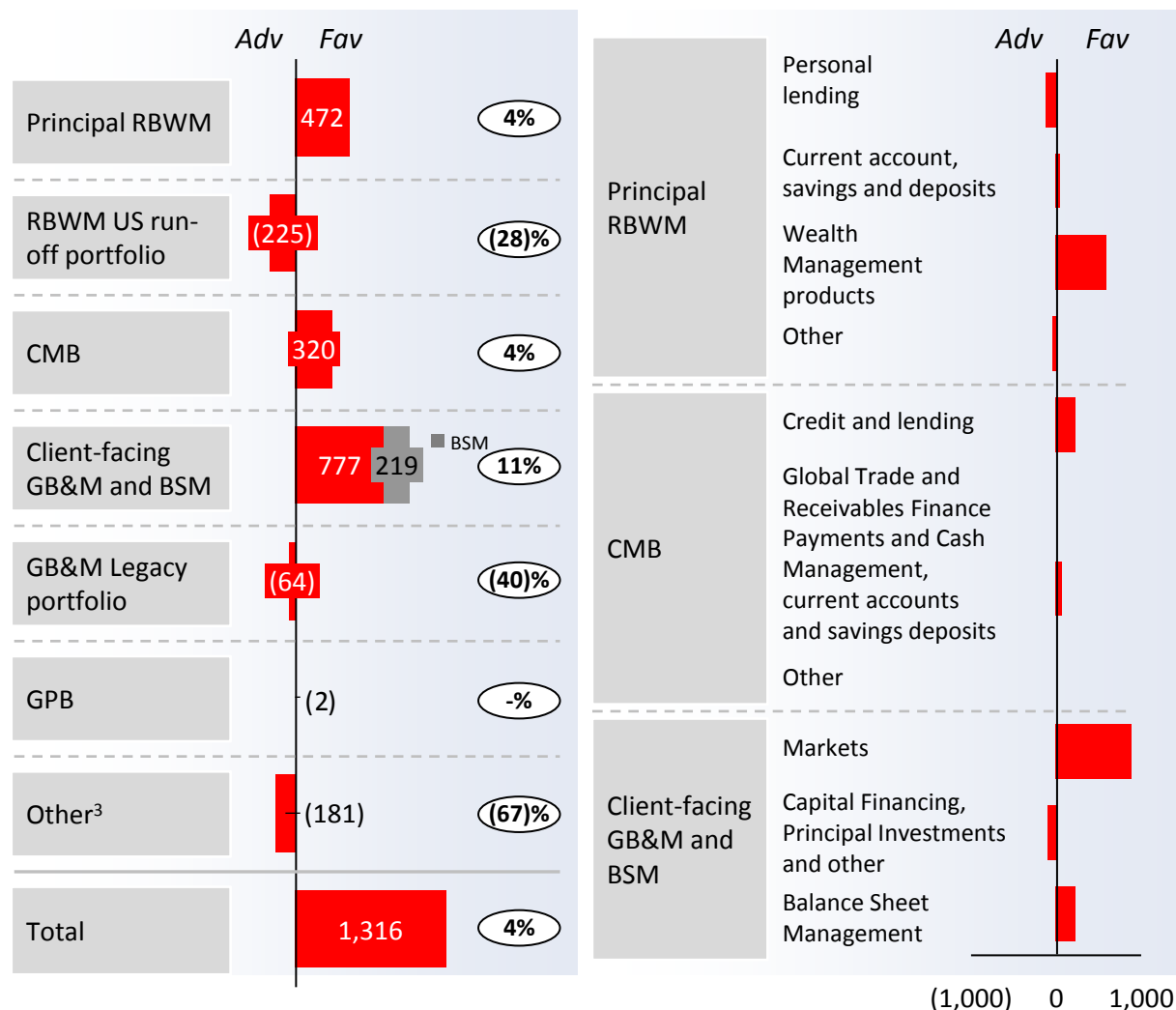
Revenue

Higher adjusted revenue in Client-facing GB&M, Principal RBWM and CMB

Reported and adjusted revenue (USDm)



Adjusted revenue by global business 1H15 vs. 1H14 (USDm)

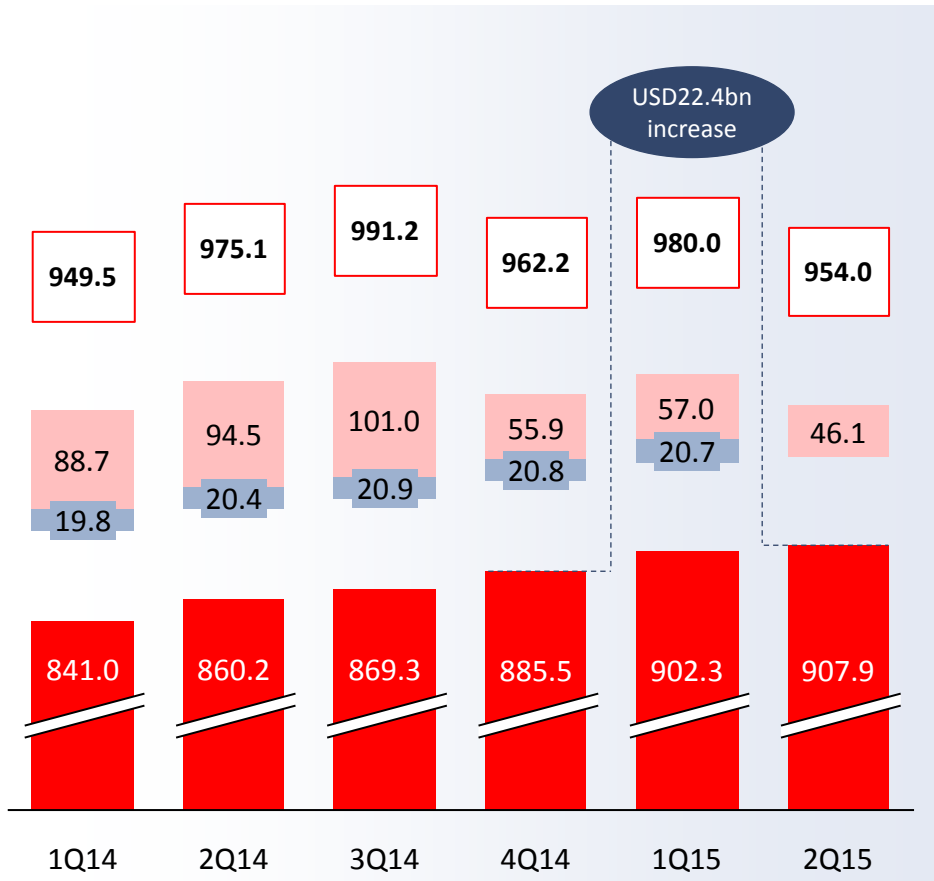


Balance sheet

Growth in customer lending of USD22bn since 4Q14

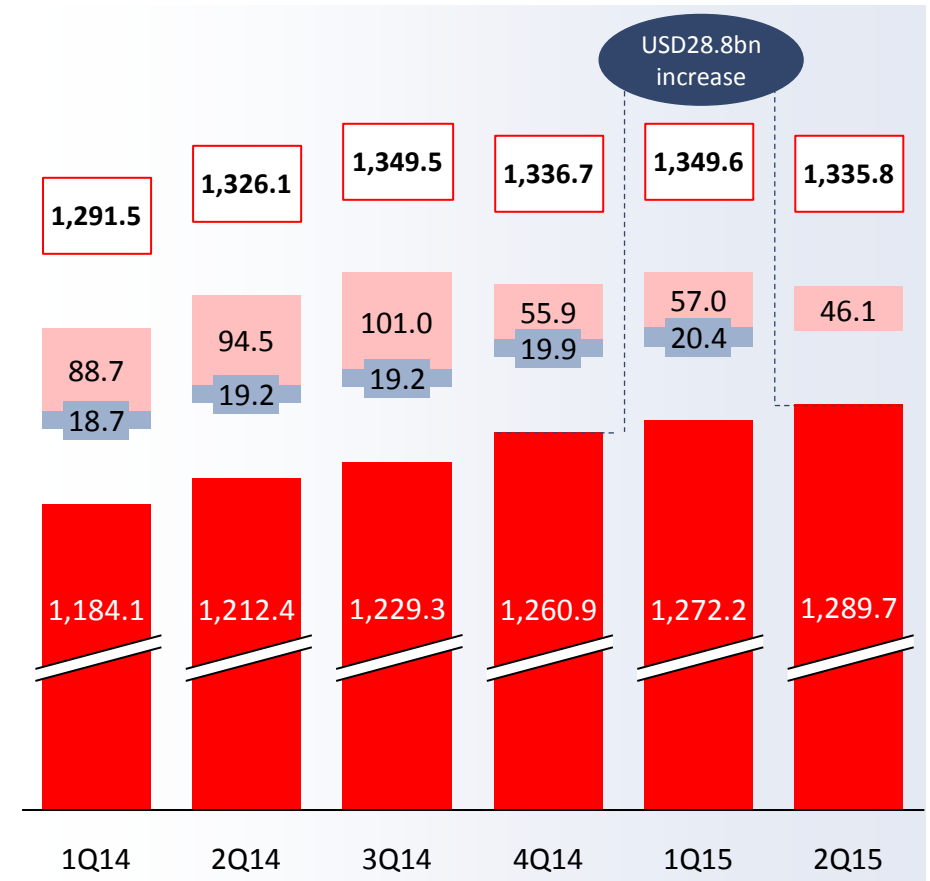
Loans and advances to customers (USDbn)

Constant currency basis⁴



Customer accounts (USDbn)

Constant currency basis⁴

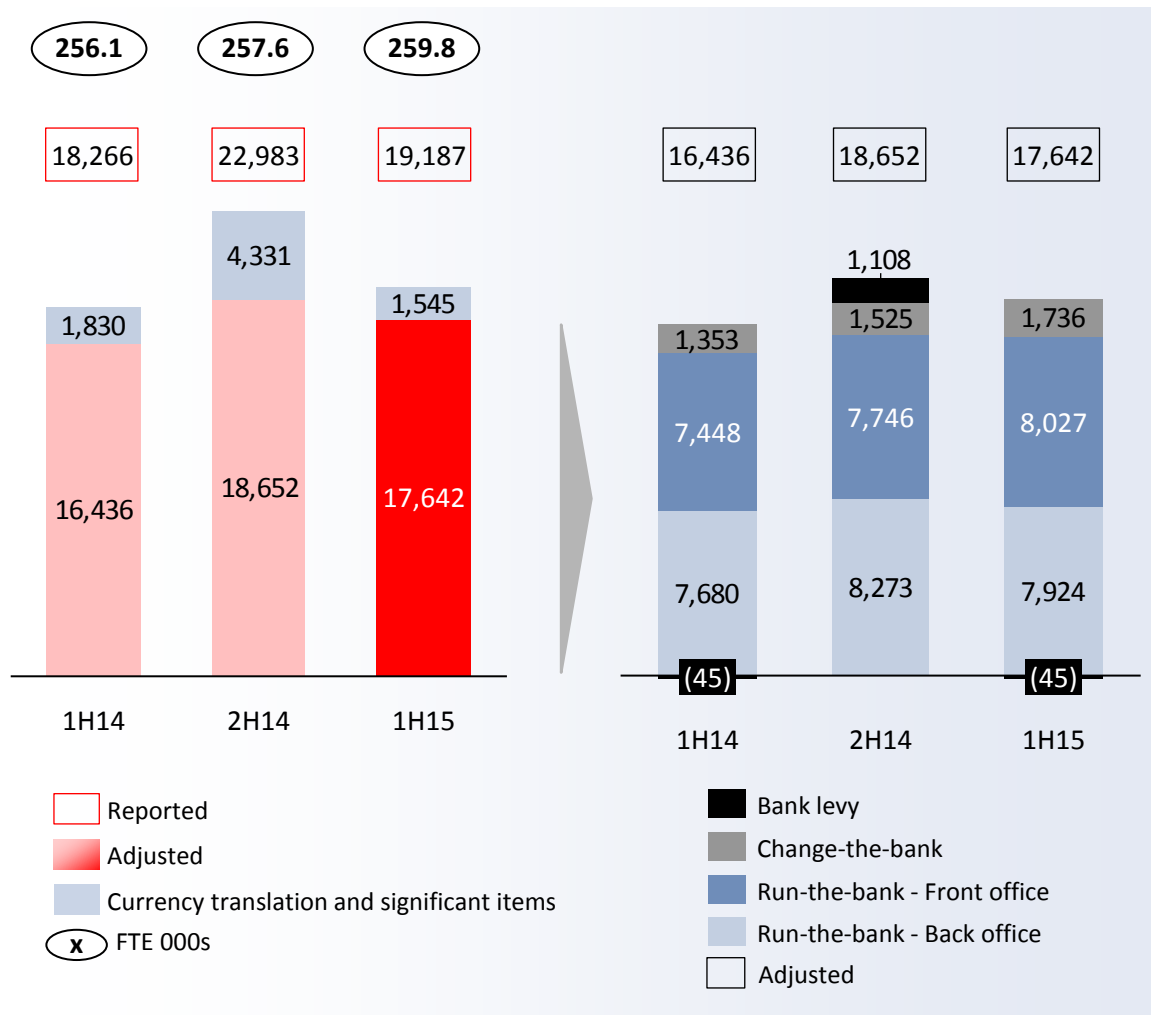


- Balances excluding red-inked balances⁵ and Brazil⁶ balances
- Red-inked balances⁵
- Brazil⁶ – balances were reclassified as 'Held for Sale' in 2Q15

Operating expenses

Operating expenses in line with 2H14

Reported and adjusted operating expenses (USDm)



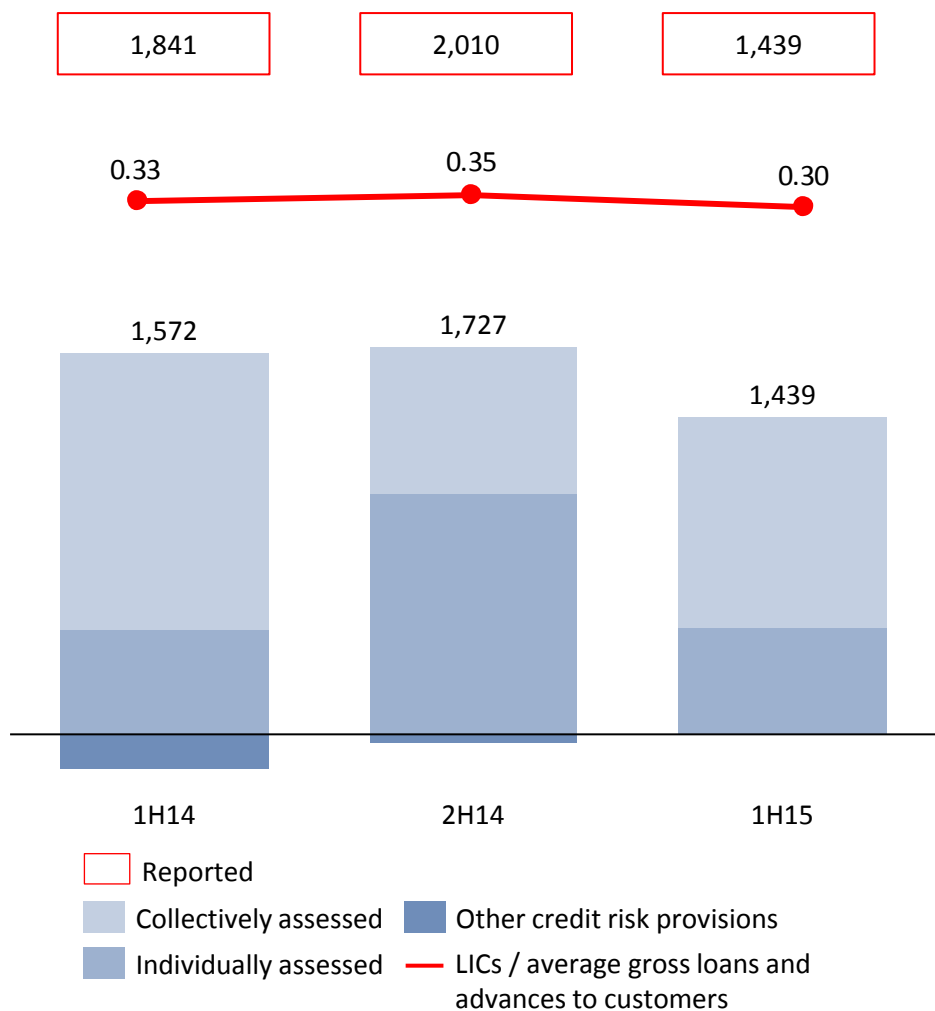
Key cost reduction actions launched

	Target savings, USDbn
Digital investment and productivity improvement	0.9 – 1.0
Automate and re-engineer operations	0.8 – 0.9
Simplify software development and optimise IT infrastructure	1.1 – 1.2
Re-shape Global Functions	0.6 – 0.7
Procurement	0.4 – 0.5
Other initiatives	0.6 – 0.7

Loan impairment charges

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

Reported and adjusted Loan impairment charges and other credit risk provisions (LICs) – (USDm)



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

Regions %	1H14	1H15
Europe	0.10	0.14
Asia	0.12	0.14
Middle East and North Africa	(0.35)	0.20
North America	0.65	0.23
Latin America	4.22	4.31
Total	0.33	0.30

Global businesses %	1H14	1H15
Principal RBWM	0.57	0.53
RBWM US run-off portfolio	1.27	0.41
CMB	0.29	0.33
GB&M	0.02	(0.01)
GPB	0.02	0.02
Other	(0.05)	0.01
Total	0.33	0.30

Capital Adequacy

Strong capital base with a common equity tier 1 ratio of 11.6%

CRD IV End-point⁷

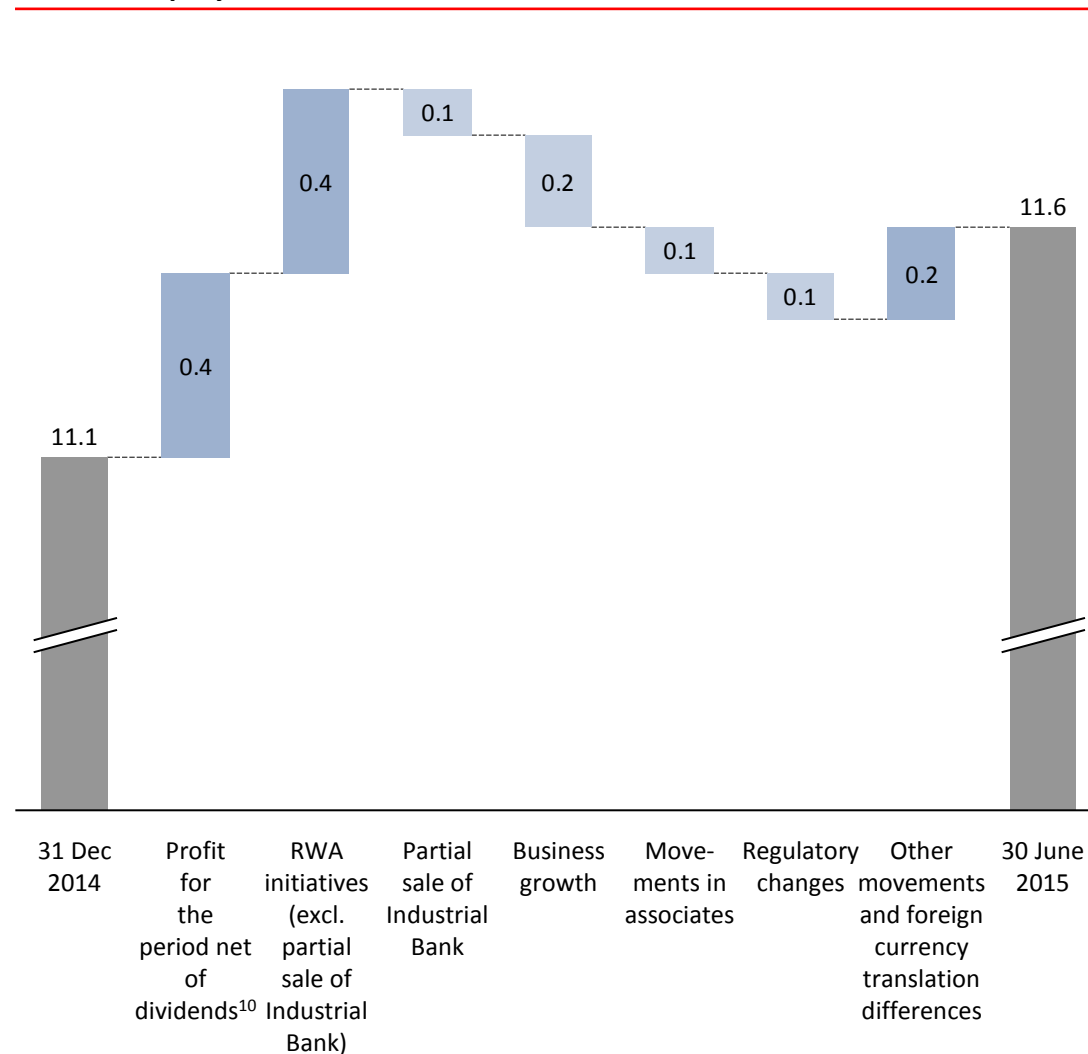
Movement in common equity tier 1 capital (USDbn)

At 31 December 2014	136.0
Capital generation from profit	5.6
Profit for the period (including regulatory adjustments) of which US\$1.4bn gain on the partial sale of our shareholding in Industrial Bank including fair value gains reclassified to the income statement	8.2
Dividends net of scrip ^{8,9}	(0.7)
Second interim dividend ⁸ (net of planned scrip)	(1.9)
Partial sale of shareholding in Industrial Bank including fair value gains reclassified to the income statement and lower allowable non-controlling interests	(3.6)
Foreign currency translation differences	(1.8)
Other movements	1.9
At 30 June 2015	138.1

Movement in RWAs (USDbn)

At December 2014	1,220
Regulatory changes	6
RWA initiatives	(50)
Business growth	22
Movement in associates	8
Foreign currency translation differences	(14)
Other movements	1
At 30 June 2015	1,193

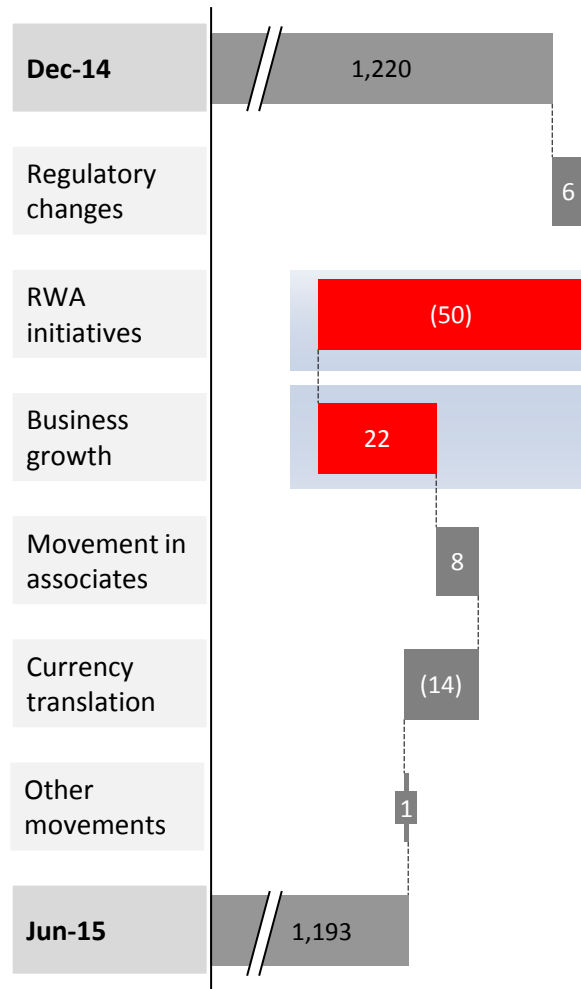
Common equity tier 1 ratio movement %



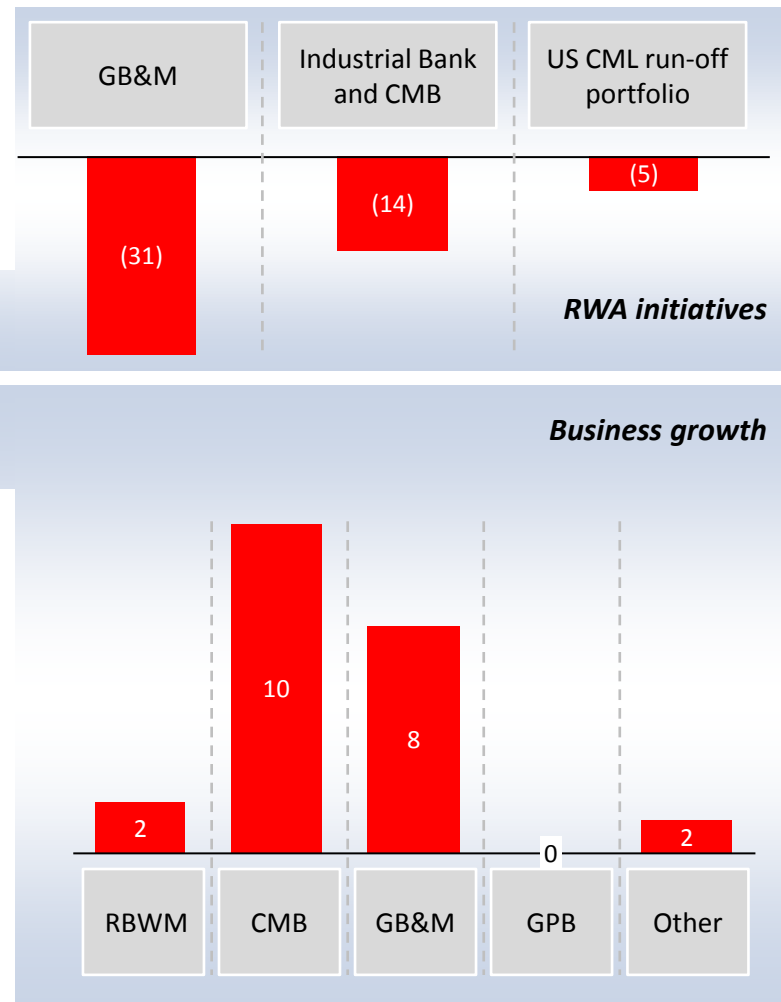
Risk-weighted assets

Net fall in RWAs driven by RWA initiatives of \$50bn together with \$22bn business growth

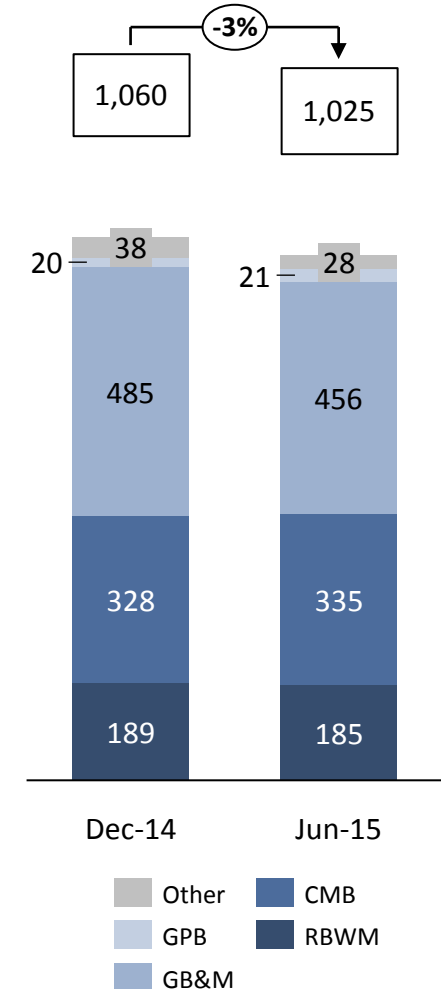
Reported RWAs (USDbn)



Movement excl. associates (USDbn)

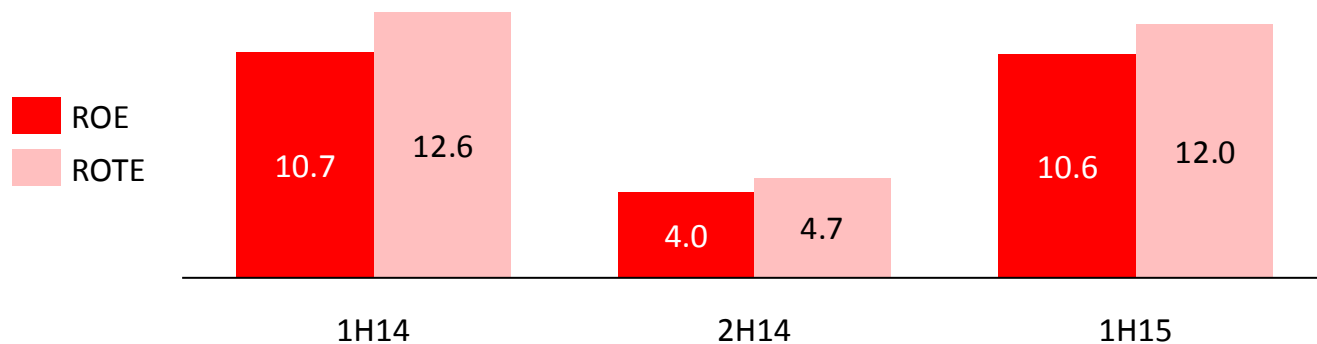


RWAs by global business, Excl. associates (USDbn)

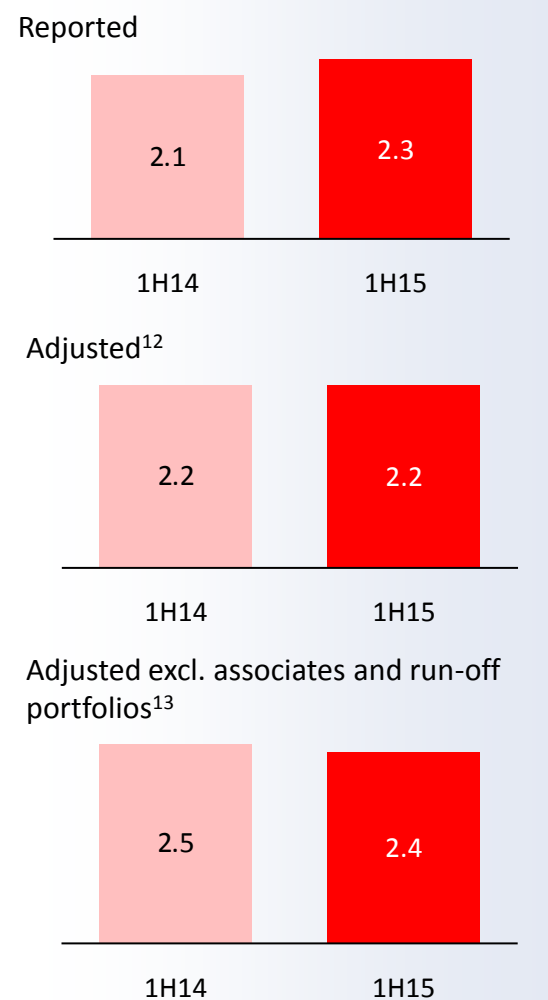


Return metrics

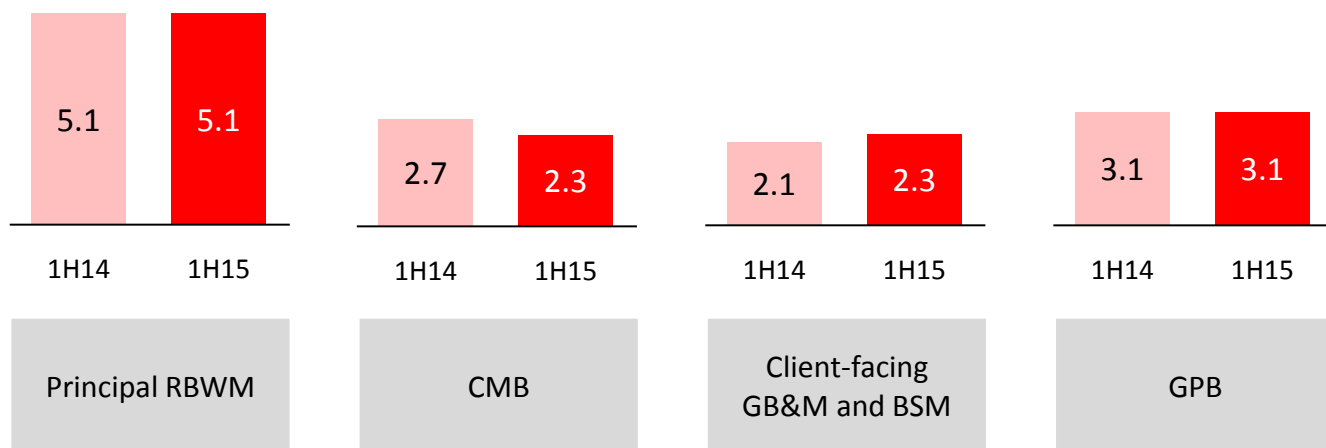
Group ROE and ROTE²



Group RoRWA¹¹ (%)



Adjusted RoRWA by global business (ex associates)



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- 10 Complete Headquarters review** by year end 2015

Group financial targets

ROE¹⁴

>10%

Jaws

Positive
(adjusted,
excluding cost
to achieve)

Dividend

Progressive¹⁵

This is the story
of human ambition



Knocking expectation out cold



The next big IPO



The true meaning of life

This is the story
of human ambition



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.

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”). 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 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. Forward-looking statements are statements about the future and are inherently uncertain and generally based on stated or implied assumptions. The assumptions may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions or regulatory changes). 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. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Interim Report 2015.

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

Appendix

Footnotes

1. We plan to maintain a corporate presence in Brazil to serve our international clients
 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. Comparatives have been retranslated at 30 June 2015 rates. The reported quarterly balances for Loans and advances to customers are as follows: 1Q14 USD1,010bn; 2Q14 USD1,047bn; 3Q14 USD1,029bn; 4Q14 USD975bn; 1Q15 USD956bn. The reported quarterly balances for Customer accounts are as follows: 1Q14 USD1,366bn; 2Q14 USD1,416bn; 3Q14 USD1,395bn; 4Q14 USD1,351bn; 1Q15 USD1,319bn
 5. 'Red-inked' balances refer to a number of corporate overdraft and corresponding deposit positions where clients benefit from net interest arrangements, but where net settlement is not intended to occur
 6. During 2Q15, customer lending and customer account balances relating to our Brazil operations were reclassified to 'Assets held for sale' or 'Liabilities of disposal groups held for sale' respectively
 7. 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
 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 are in respect of the 2015 first interim dividend and an update for a higher 2014 fourth interim dividend scrip take-up in excess of plan
 10. Including regulatory adjustments and excluding the gain on partial sale of Industrial Bank separately disclosed
 11. RoRWAs are calculated on an annualised basis and using average RWAs based on CRD IV basis for all periods from 1st January 2014 and on a Basel 2.5 basis for 31st December 2013
 12. Adjusted RoRWAs are calculated using annualised adjusted PBT and reported RWAs at constant currency, adjusted for disposals
 13. Run-off portfolios mainly comprise GB&M Legacy Credit and RBWM US run-off portfolios
 14. ROE target modelled on a 12% – 13% CET1 ratio
 15. 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

Currency translation and significant items

USDm	1H14	2H14	1H15
Currency translation	586	134	-
Significant items:			
Revenue			
(Loss) / gain on sale of several tranches of real estate secured accounts in the US	(15)	183	17
Gain on the partial sale of shareholding in Industrial Bank	-	-	1,372
Favourable / (adverse) debit valuation adjustment on derivative contracts	(155)	(177)	165
Adverse fair value movements on non-qualifying hedges	(322)	(219)	(45)
(Provisions) / releases arising from the ongoing review of compliance with the Consumer Credit Act in the UK	(367)	(265)	12
Own credit spread	(215)	632	650
Gain on sale of shareholding in Bank of Shanghai	428	-	-
Impairment of our investment in Industrial Bank	-	(271)	-
Acquisition, disposals and dilutions	31	(22)	-
	(615)	(139)	2,171
Loan impairment charges and other credit risk provisions	(2)	2	-
Operating expenses			
Charge in relation to settlement agreement with Federal Housing Finance Authority	-	(550)	-
Regulatory provisions in GPB	-	(65)	(147)
Settlements and provisions in connection with legal matters	-	(1,187)	(1,144)
UK customer redress programmes	(234)	(1,041)	(137)
Restructuring and other related costs	(82)	(196)	(117)
Acquisition, disposals and dilutions	(35)	(5)	-
	(351)	(3,044)	(1,545)
Currency translation and significant items	(382)	(3,047)	626

Appendix

Reported Consolidated Income statement

USDm	1H14	2H14	1H15
Net interest income	17,405	17,300	16,444
Net fee income	8,177	7,780	7,725
Net trading income	3,275	3,485	4,573
Net income from financial instruments designated at fair value	1,660	813	2,666
Gains less losses from financial investments	946	389	1,874
Dividend income	88	223	68
Net insurance premium income	6,137	5,784	5,607
Other operating income	538	593	836
Total operating income	38,226	36,367	39,793
Net insurance claims and benefits paid and movements in liabilities to policyholders	(7,059)	(6,286)	(6,850)
Net operating income before loan impairment charges and other credit risk provisions	31,167	30,081	32,943
Loan impairment charges and other credit risk provisions	(1,841)	(2,010)	(1,439)
Net operating income	29,326	28,071	31,504
Total operating expenses	(18,266)	(22,983)	(19,187)
Operating profit	11,060	5,088	12,317
Share of profit in associates and joint ventures	1,280	1,252	1,311
Profit before tax	12,340	6,340	13,628
Cost efficiency ratio %	58.6	76.4	58.2

Appendix

Reported Consolidated Balance Sheet

USDm	At 30 Jun 2014	At 31 Dec 2014	At 30 Jun 2015
Assets			
Cash and balances at central banks	132,137	129,957	144,324
Trading assets	347,106	304,193	283,138
Financial assets designated at fair value	31,823	29,037	25,168
Derivatives	269,839	345,008	296,942
Loans and advances to banks	127,387	112,149	109,405
Loans and advances to customers	1,047,241	974,660	953,985
Reverse repurchase agreements – non trading	198,301	161,713	149,384
Financial investments	423,710	415,467	404,682
Assets held for sale	10,248	7,647	60,929
Other assets	165,801	154,308	143,756
Total Assets	2,753,593	2,634,139	2,571,713
Liabilities			
Deposits by banks	92,764	77,426	71,140
Customer accounts	1,415,705	1,350,642	1,335,800
Repurchase agreements – non trading	165,506	107,432	81,506
Trading liabilities	228,135	190,572	181,435
Financial liabilities designated at fair value	82,968	76,153	69,485
Derivatives	263,494	340,669	289,984
Debt securities in issue	96,397	95,947	102,656
Liabilities under insurance contracts	75,223	73,861	69,494
Liabilities of disposal groups held for sale	12,361	6,934	53,226
Other liabilities	122,318	114,525	115,605
Total liabilities	2,554,871	2,434,161	2,370,331
Equity			
Total shareholders' equity	190,281	190,447	192,427
Non-controlling interests	8,441	9,531	8,955
Total equity	198,722	199,978	201,382
Total equity and liabilities	2,753,593	2,634,139	2,571,713
Net assets value per share (NAV) - USD	9.64	9.28	9.11
Tangible assets value per share (TNAV) - USD	8.17	7.91	7.81

Appendix

Brazil Reported Financials

USDm

	1H14	2H14	1H15
Revenue	2,473	2,346	2,042
Loan impairment charges and other credit risk provisions	(684)	(815)	(498)
Total operating expenses	(1,734)	(1,833)	(1,353)
Share of profit in associates and joint ventures	-	-	-
Profit / (Loss) before tax	55	(302)	191



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 photo shows Hong Kong harbour, with the HSBC office (extreme left) a few years after it was established in 1865. The bottom 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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