HSBC at a glance

We are one of the most international banking and financial services organisations in the world.

Group

Our operating model consists of four global businesses and five geographical regions supported by 11 global functions.

Reported profit before tax
(2014: $18.7bn)

$18.9bn

Reported revenue
(2014: $61.2bn)

$59.8bn

Key highlights

- We grew adjusted revenue by 1%, primarily in client-facing GB&M, CMB and Principal RBWM.
- Adjusted operating expenses increased by 5% from 2014. However, costs in the second half of the year were in line with the first half as our cost saving initiatives began to take effect.
- Through management initiatives, we were able to reduce risk-weighted assets ('RWAs') by $124bn in 2015 and therefore also the amount of capital we are required to hold.

Adjusted profit before tax
(2014: $22.0bn)

$20.4bn

Risk-weighted assets
(2014: $1,220bn)

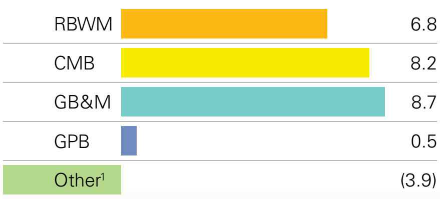
$1,103bn

Global businesses

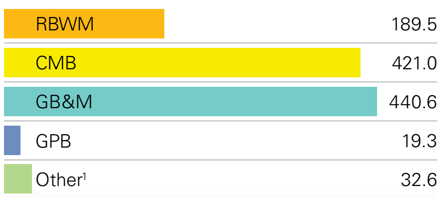
Our global businesses set globally consistent business strategies and operating models. They manage the products and business propositions offered to our customers.

Retail Banking and Wealth Management ('RBWM')	Commercial Banking ('CMB')	Global Banking and Markets ('GB&M')	Global Private Banking ('GPB')
We help millions of people across the world to manage their finances, buy their homes, and save and invest for the future. Our Insurance and Asset Management businesses support all our global businesses in meeting their customers' needs.	We support more than two million business customers in 55 countries with banking products and services to help them operate and grow. Our customers range from small enterprises focused primarily on their domestic markets, through to large companies operating globally.	We provide financial services and products to companies, governments and institutions. Our comprehensive range of products and solutions, across capital financing, advisory and transaction banking services, can be combined and customised to meet our clients' specific objectives.	We help high net worth individuals and their families to grow, manage and preserve their wealth.
Further details on page 30	**Further details on page 28**	**Further details on page 29**	**Further details on page 31**
Reported profit before tax			
$5.0bn	$8.0bn	$7.9bn	$0.3bn

Adjusted profit before tax
($bn)



Risk-weighted assets
($bn)



[1] **Other –** main items are property activities, unallocated investment activities, centrally held investment companies, and movement in fair value of own debt.

For further details, see page 73 and 99.

Key metrics

7.2%
Return on equity

-3.7%
Adjusted jaws

$0.51
Dividends per ordinary share in respect of 2015

Geographical regions

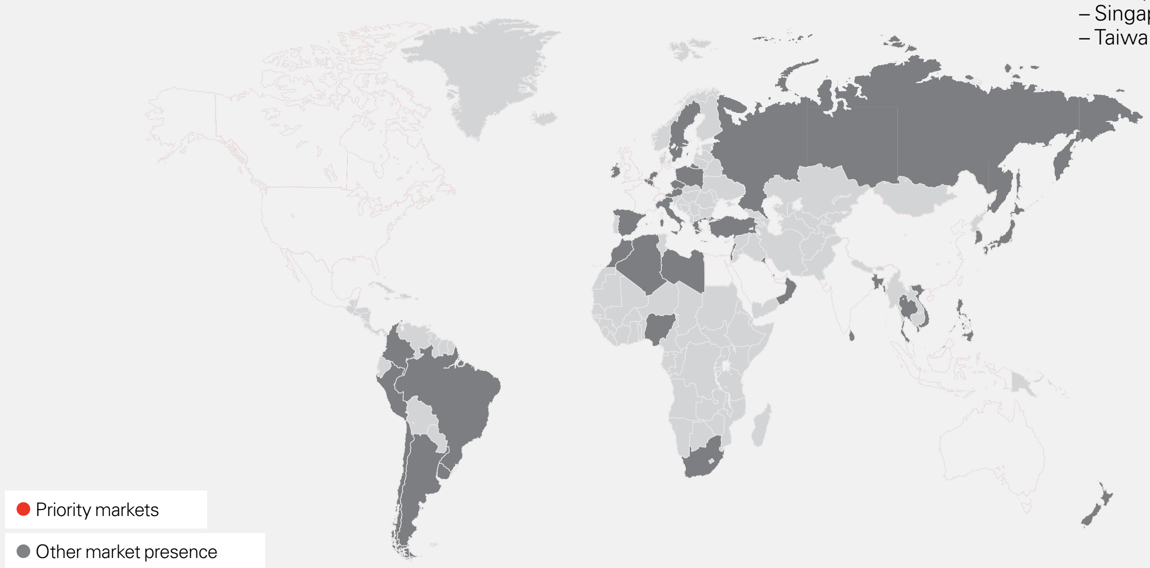
We operate in 71 countries and territories around the world. Our operating entities represent HSBC to customers, regulators, employees and other stakeholders.

For further details on our regions, see page 32.

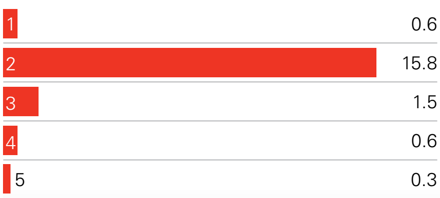
Market presence

Priority markets:

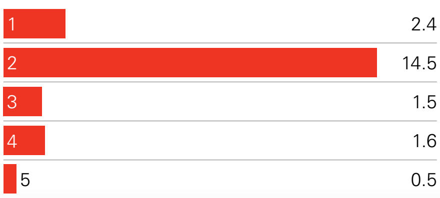
North America	Latin America	Europe	Middle East and North Africa	Asia
– Canada – US	– Mexico	– UK – France – Germany – Switzerland	– Egypt – Saudi Arabia – UAE	– Hong Kong – Australia – Mainland China – India – Indonesia – Malaysia – Singapore – Taiwan



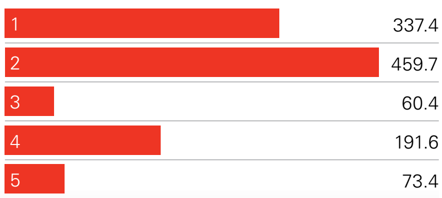
Reported profit before tax
($bn)



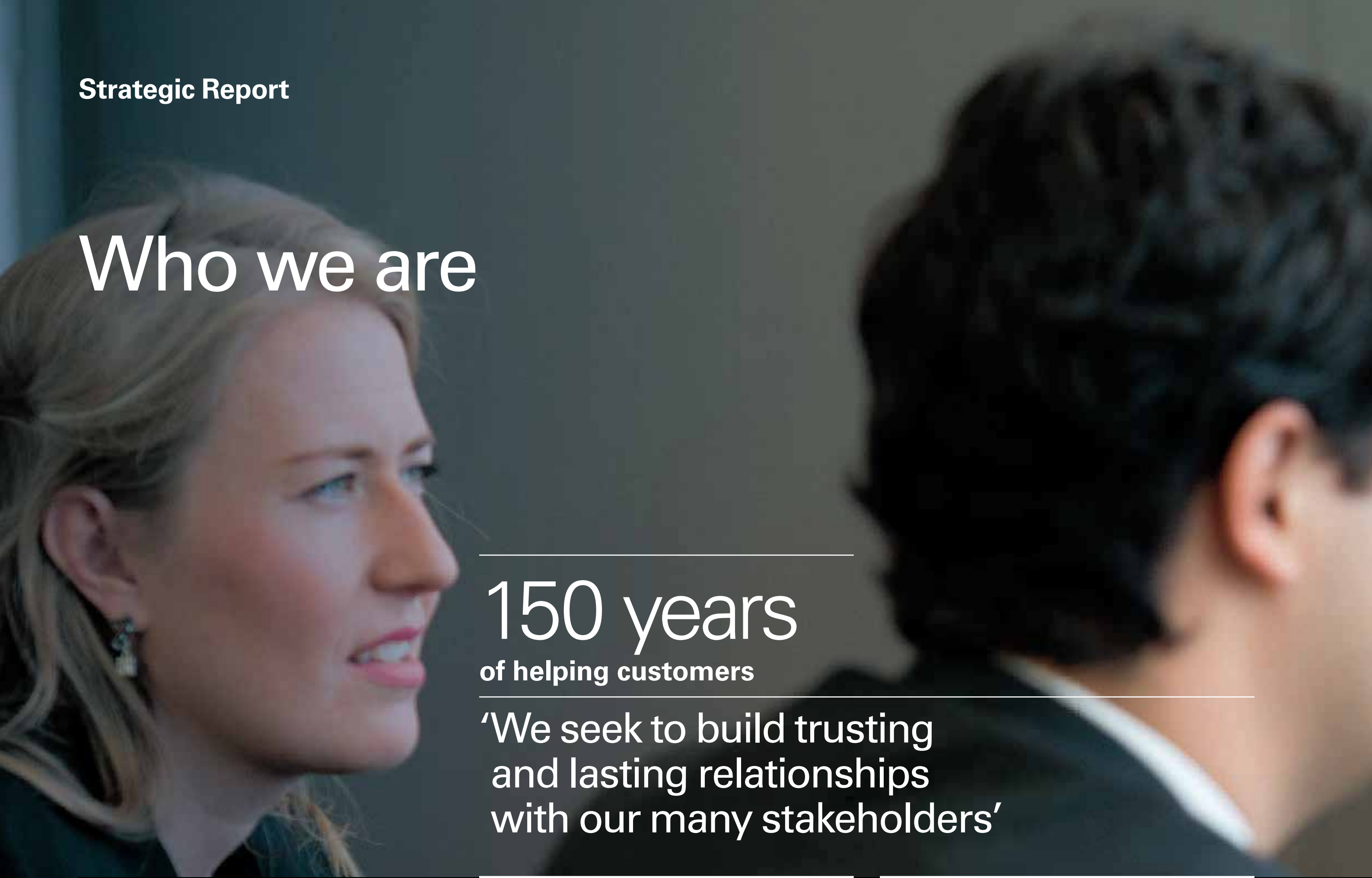
Adjusted profit before tax
($bn)



Risk-weighted assets
($bn)



Key
1. Europe
2. Asia
3. Middle East and North Africa
4. North America
5. Latin America



Who we are

150 years
of helping customers

‘We seek to build trusting and lasting relationships with our many stakeholders’

We are more than 250,000 employees working around the world to provide over 47 million customers with a broad range of banking products and services to meet their financial needs.

Our values

Our values define who we are as an organisation and make us distinctive.

Open
We are open to different ideas and cultures, and value diverse perspectives.

Connected
We are connected to our customers, communities, regulators and each other, caring about individuals and their progress.

Dependable
We are dependable, standing firm for what is right and delivering on commitments.

150-year heritage

These values reflect the best aspects of our 150-year heritage. They are critical to fulfilling our purpose to help businesses to thrive, economies to prosper and people to realise their ambitions.

Our role in society

How we do business is as important as what we do. We seek to build trusting and lasting relationships with our many stakeholders to generate value in society and deliver long-term shareholder returns.

The scale of our operations makes this all the more important. We serve more than 47 million customers around the world, ranging from individuals to the largest of companies. We are committed to conducting our business in a way that delivers fair value to customers, strengthens our communities and helps ensure a properly functioning financial system.

We employ more than a quarter of a million people, and provide opportunities for professional development and personal growth. Our people represent more than 150 nationalities and reflect our diversity and reach. We value diversity as essential to who we are and our ability to fulfil our purpose.

We also recognise the significant role that the financial system plays in tackling challenges such as financial crime and climate change. We are strengthening our ability to safeguard customers and ourselves against financial crime, and believe this will be a source of long-term advantage for our business. We are also committed to helping enable a transition to a low-carbon economy through our business activities and our own operations.

For further details, see ‘How we do business’ on page 34.

Who we are

Our heritage, diversity and scale make us unique

Our network of businesses connects customers to opportunities…

…and we are mindful of our responsibilities to multiple stakeholders

Established
1865

Facilitate more than
$500bn
in trade and receivables finance

Employees
255,000
full-time equivalent ('FTE')

New mortgage lending
$49bn

Present in
71
countries and territories

More than
4,700
branches

More than
55,000
internal employee movements

More than
145
languages spoken

More than
205m
digital retail payments

More than
40,000
supplier relationships

More than
300,000
hours volunteering

Serving more than
47m
customers

100
payments processed each second

More than
550
regulatory relationships

Group Chairman's Statement

We enter 2016 with a clear strategy and with a plan for its implementation already well under way. Our diversified business model and balance sheet strength form the foundation for our future progress, and position HSBC well to deal with today's challenging economic and financial conditions.

2015 was marked by some seismic shifts in global economic conditions, most notably the continuation of a sharp decline in commodity and oil prices, in part attributable to growing concerns over China's slowing economic growth. As a consequence, monetary policy remained accommodative throughout the major developed economies and key currency interest rates remained at historically low levels. Fiscal priorities continued to focus on controlling spending, an emphasis replicated in the private sector as weak revenue growth persisted in many industries.

Against this backdrop, the Group's financial performance in 2015 was broadly satisfactory, with reported profit before tax rising 1% to $18.9bn. On the adjusted basis used to measure management and business performance, profit before tax of $20.4bn was 7% lower than that achieved in 2014, driven by higher costs and credit charges.

Earnings per share of $0.65 compared with $0.69 in 2014. Sound management of capital, accelerated run-off of legacy books and shrinking the balance sheet in areas that can no longer support the expanded capital requirements now in force, contributed to the common equity tier 1 ratio increasing by 0.8 percentage points to 11.9%. This capital released from managing the asset base, together with that generated from operations, allowed the Board to approve a fourth interim dividend in respect of 2015 of $0.21 per ordinary share. This took dividends per ordinary share in respect of the year to $0.51, $0.01 higher than 2014. Total dividends in respect of 2015 amounted to $10.0bn, $0.4bn higher than in respect of 2014.

In approving the dividend increase, the Board noted that prospective dividend growth remained dependent upon the long-term overall profitability of the Group and delivering further release of less efficiently deployed capital. Actions to address these points are core elements of the Investor Update provided last June.

Sound progress on strategic initiatives

The *Strategic Report* highlights delivery to date against the strategic objectives laid out in last June's Investor Update.

When assessing management performance during 2015, outside of the financial results, the Board took particular account of the following aspects.

The successful negotiation of a majority stake in a new nationally licensed securities joint-venture in mainland China is the culmination of more than a decade of seeking out an appropriate platform through which to participate in the country's fast-developing securities markets. Once final approvals have been received, we believe this will establish a landmark opportunity for HSBC to contribute to the development of China's capital markets.

'Our three major businesses generated higher revenue, notwithstanding the uncertain economic environment and the considerable reshaping necessitated by regulatory changes'

During 2015, the Group maintained, reinforced and broadened its leadership position in all aspects of the internationalisation of the renminbi. This position has been built over the past five years to establish a highly competitive platform to service China's international trade and investment flows as it pursues the financial liberalisation and outgoing investment priorities laid out in the recent 13th five-year plan. The recent highly successful State visit to the UK, following an equally successful Economic and Financial dialogue in China, served to illustrate the huge potential for mutually beneficial cooperation between the UK and China from which HSBC is uniquely positioned to benefit in the realm of financial services.

The disposal of our Brazilian operations, which is expected to complete shortly, was both timely and well executed. This divestment was a key element of the Board's desire to simplify the Group and redeploy capital to geographic areas where we have greater competitive strength, most particularly in Asia.

Our three major businesses generated higher revenue, notwithstanding the uncertain economic environment and the considerable reshaping necessitated by regulatory changes. Global Banking and Markets and Retail Banking and Wealth Management, in particular, have made significant changes to their business models and are now beginning to see the benefits. Commercial Banking continued to leverage the value of the Group's international network and product capabilities. Global Private Banking, chastened by the exposure of historical failings in Switzerland, accelerated disposal of a number of customer portfolios as it refocused its business model on core customer segments within a fully transparent operating model.

Across all businesses, the Board recognised a heightened emphasis on customer focus, which permeated recruitment, training, product design and incentives. This is essential to the restoration of trust.

Finally, and underpinning the above, we made further progress embedding the standards now expected to protect customers and the financial system from bad actors and financial crime. We are, however, not yet where we need to be. There is still more investment to make with ever greater urgency as more and more activity takes place digitally through multiple channels and via increasingly sophisticated mobile devices. HSBC's determination to address emerging risks and identify bad actors remains resolute. The Board has made it one of its top priorities to oversee and ensure management's delivery of the necessary enhancements to customer and transaction screening systems.

The regulatory landscape has become clearer

The second half of 2015 saw completion of some of the most important and complex initiatives undertaken to repair the fault lines that contributed to the global financial crisis. International agreement was reached on the amount of total loss-absorbing capacity that global systemically important banks, such as HSBC, need for orderly resolution, without risks to public funds. This allowed the Financial Stability Board to report to G20 leaders that they had finalised the tools needed to end 'too big to fail' in the banking sector. There is still much to do to build these tools into national legislative and regulatory frameworks; however, this international agreement is an important step forward towards finally settling the capital base against which we can assess our target returns.

There is now broad agreement that the implementation of the suite of regulatory reforms introduced post-crisis has made the financial system more resilient. Accordingly, public policy priorities are now focusing on harnessing this greater strength and resilience to support economic growth, which we welcome.

Concentration within the current regulatory agenda is increasingly on new and emerging risks and vulnerabilities. There is growing industry participation in dialogue around these emerging threats, most notably regarding cyber risk, the changing liquidity dynamics resulting from more market-based finance and financial exclusion stemming from excessive risk aversion.

Likewise, addressing the root causes of the misconduct issues that have bedevilled our industry in recent years has led to growing cooperation arising out of the multiplicity of joint working groups and enquiries that have examined the most serious failings. 2016 sees the introduction of the new Senior Managers' Regime in the UK, which will reinforce individual responsibility and accountability, which we welcome.

Also in the UK, 2015 saw further clarity given to the operation of the 'ring-fenced' bank structure and a welcome announcement of a reduction in the scope and rate of the bank levy going forward.

It is too early to say whether this amounts to a new understanding between the industry and the public, but it is encouraging that the industry is once again gaining a voice at a time of great economic and geopolitical uncertainty. We can only fulfil our essential role if we have regained trust, a fact that is now fully understood.

Review of headquarters' location

As we announced last week, the Board concluded its review of domicile alternatives and decided unanimously to remain headquartered in the UK. As we evaluated jurisdictions against the specified criteria, it became clear that the combination of our strategic focus on Asia and maintaining our hub in one of the world's leading international financial centres, London, was not only compatible, but offered the best outcome for our customers and shareholders. This decision was taken after some 10 months of careful analysis and assessment of geopolitical, economic, regulatory and financial factors. Advice was taken from internationally respected experts and from leading financial advisers. After considering all the relevant factors, the Board concluded that having our headquarters in the UK and our significant business in Asia Pacific led from Hong Kong, delivers the best of both worlds to our stakeholders. The completion of this review closes out one of the 10 strategic actions set out at our Investor Update last June.

Board changes

Subsequent to the changes announced with our interim results, we have made further changes to the Board. Safra Catz stepped down from the Board at the end of 2015 and Sir Simon Robertson, our Deputy Chairman, and Rona Fairhead will retire at the forthcoming Annual General Meeting.

'There is now broad agreement that the implementation of the suite of regulatory reforms introduced post-crisis has made the financial system more resilient'

Safra served on the Board for nearly eight years while Simon and Rona are HSBC's longest serving non-executive Directors, having served for close to 10 and 12 years, respectively. Over their respective periods of service, they have made invaluable contributions to the Group, not least during the global financial crisis, for which the Board is extremely grateful. Their combined expertise and experience in matters of governance, audit and risk, remuneration, technology, and international business affairs has been invaluable to HSBC and they will, upon their retirement, be sorely missed. On behalf of shareholders and the Board, I want to take this further opportunity to recognise their immense contributions to HSBC.

The Board was delighted to announce the appointments of Paul Walsh and Henri de Castries as independent non-executive Directors. Paul joined the Board on 1 January 2016 and Henri's appointment takes effect from 1 March 2016.

Paul Walsh was Group CEO of Diageo plc between 2000 and 2013. Under his leadership, Diageo was refocused from a diversified food, beverage and hotels conglomerate into one of the world's leading global alcoholic beverage businesses. In building this position, Paul took Diageo from a largely European and US business into emerging markets and to global leadership through the acquisition of many of the world's leading brands.

Henri de Castries has more than 25 years of international experience in the finance industry. Henri has been Chairman and Chief Executive Officer of AXA, one of the world's leading global insurance and asset management companies since April 2010 after serving as Chairman of its Management Board from May 2000.

Their international experience and track record in leading the reshaping of growing businesses, including undertaking business portfolio realignments, will be of great value to the Board as we address the opportunities and challenges ahead.

Looking back – our 150th anniversary

In 2015, HSBC marked its 150th anniversary by recognising its staff for their essential contributions through the ages, and its customers for their shared commitment and loyalty. As we enter the next period of our history, I want to reiterate these messages of gratitude and underline our recognition that such commitment and loyalty have to be earned.

HSBC has also always recognised its responsibilities to the communities it serves and so in this special year committed $150m of additional funding to community projects around the world over three years.

We also wanted to identify a distinctive cause with global significance to mark our special anniversary.

> 'We enter 2016 with a clear strategy and with much of the Group's required reshaping completed or under way'

We were delighted, therefore, to announce a partnership with Cancer Research UK to support the scientific leaders of tomorrow through a $25m contribution towards the development and construction of the Francis Crick Institute. This state-of-the-art biomedical research facility will open in the heart of London in 2016 and support more than 1,200 scientists, collaborating to tackle the diseases that pose the greatest threat to humanity – cancer, heart disease, lung disease and infectious diseases, including HIV and malaria.

To mark HSBC's support, 150 PhD students, selected from across the world, will have the opportunity to conduct vital research at the new institute.

Looking ahead

Current market conditions are inevitably concentrating attention on the risks that exist within the global economy. It is, however, important also to recognise again the resilience that our diversified business model and balance sheet strength provide, as well as noting the many counterbalances that should help to underpin the global economy.

China's slower economic growth will undoubtedly contribute to a bumpier financial environment, but it is still expected to be the largest contributor to global growth as its economy transitions to higher added value manufacturing and services and becomes more consumer driven. This transition is driving our focus on the Pearl River Delta as a priority growth opportunity given its concentration of high tech, research focused and digital businesses.

There is a real possibility of meaningful stimulus for the global economy to come from further trade liberalisation initiatives such as the Trans-Pacific Partnership agreement, which was signed earlier this month.

The global focus on infrastructure development, most notably the Belt and Road initiative in China and the Juncker plan in Europe will expand public/private financing opportunities.

Similarly, the agreements reached on climate change at the recent COP21 conference in Paris will require further significant infrastructure renewal. They will also greatly expand the market for sustainable financing options such as green bonds where HSBC is a leading participant. Reinforcing this position, the Group recently committed $1bn to a green bond portfolio to fund projects in sectors such as renewable energy, energy efficiency, clean transportation and climate change adaption as well as SME financing in sectors such as public transport, education and healthcare.

Technology advancements in financial services are broadening access, improving customer service and lowering the costs of service delivery. At the same time, the amount of data held digitally is exploding, reinforcing the need to bolster cyber security. There is an urgent public policy need to clarify how responsibility is to be shared, given the growing number of routes through which customers can authorise movement of money from their accounts or the sharing of data within these accounts.

We enter 2016 with a clear strategy and with much of the Group's required reshaping completed or under way. Our 264,000 staff, like their predecessors, went the extra mile consistently throughout 2015 to meet the demands placed on them by our customers, regulators and the public. I want to place on the record the Board's appreciation of that commitment and our gratitude for what they have achieved to make HSBC fit for the next 150 years.

Douglas Flint
Group Chairman
22 February 2016

Group Chief Executive's Review

HSBC is better balanced, better connected and better placed to capitalise on higher return businesses than it was 12 months ago.

Business performance

Our performance in 2015 again demonstrated the fundamental strength of our business. Targeted investment, prudent lending and our diversified, universal banking business model helped us achieve revenue growth in a difficult market environment whilst also reducing risk-weighted assets. We also started to implement the actions that we announced at our Investor Update in June to adapt HSBC to new operating conditions. Completing these plans will refocus the business to achieve stronger, sustainable growth and we are acting on them quickly and efficiently.

On an adjusted basis, we grew revenue over the course of the year. Global Banking and Markets performed strongly and Commercial Banking grew steadily in spite of slower trade. Principal Retail Banking and Wealth Management also grew following a strong Wealth Management performance in the first half. Global Private Banking grew in Asia, but was down overall due to the impact of the continued repositioning of the business.

Our adjusted operating expenses increased as we continued to strengthen our compliance capability whilst also investing for growth. However, a combination of strict cost management and the cost reduction programmes that we started in the middle of the year helped us keep second half costs flat relative to the first half, excluding the bank levy.

Loan impairment charges remained generally low despite an increase in provisions towards the end of the year. This demonstrates again our prudent approach to lending and the benefit of our de-risking measures since 2011.

In total, we generated $11.3bn of capital in 2015, which enabled us to increase the dividend and strengthen the common equity tier 1 ratio.

Adapting HSBC

The plans that we announced at our Investor Update are designed to grow income, reduce costs and thereby increase our return on equity. There is a lot to do to achieve our targets but we have made a good start.

Reducing our risk-weighted assets ('RWAs') is vital to achieving a better return for shareholders. In 2015, management action reduced RWAs by $124bn, which takes us nearly half-way towards our target to be achieved by the end of 2017. Much of this reduction came from Global Banking and Markets, although a large proportion also came from Commercial Banking, accelerated asset sales in our US Consumer and Mortgage Lending portfolio and the sale of our investment in Industrial Bank. We expect to deliver further RWA reductions in 2016, in addition to a decrease of around $33bn from the sale of our business in Brazil.

> 'The plans that we announced at our Investor Update are designed to grow income, reduce costs and increase our return on equity. There is a lot to do to achieve our targets but we have made a good start'

We have received a number of offers for our business in Turkey since June, none of which were deemed to be in the best interests of shareholders. We have therefore decided to retain and restructure our Turkish operations, maintaining our wholesale banking business and refocusing our retail banking network. This will provide better value for shareholders and continue to allow our clients to capitalise on HSBC's international footprint.

Our cost-reduction measures are already having an impact on our cost base and HSBC is now a leaner business than at the half-year. All of our initiatives to reduce costs are under way and we expect further progress in 2016.

We continued to redevelop our businesses in the US and Mexico over the course of 2015. These are important businesses in the context of the wider Group and we are committed to turning them around. An increase in cross-border business across the NAFTA area and improved collaboration between global businesses helped to generate increased revenue. They remain works in progress.

We are investing in areas of the business that extract the greatest gain from our international network and market-leading strength in Asia.

Investment in flagship transaction banking products helped to increase our market share, particularly in Payments and Cash Management, Foreign Exchange and Securities Services.

The development of our Asia businesses is gaining momentum and we achieved growth in excess of GDP in seven out of eight of our priority Asia markets.

We continue to expand our business in the Pearl River Delta and reached a number of milestones in 2015, including the signing of an agreement to form the first majority foreign-owned securities company in mainland China. When approved, this will allow us to engage in the full spectrum of securities business in the country.

We remain the world's number one bank for offshore renminbi services and increased revenue by 3% year-on-year in this vitally important growth market.

Summary and outlook

HSBC is better balanced, better connected and better placed to capitalise on higher return businesses than it was 12 months ago. Our universal banking model is generating higher income from collaboration between businesses and our operating expenses and capital ratio are trending in the right direction. Maintaining these trends while boosting revenue will be the principal challenge in the year ahead.

The current economic environment is uncertain, but our diversified banking model, low earnings volatility and strong capital generation give us strength and resilience that will stand us in good stead.

We remain focused on delivering our nine remaining strategic actions by the end of 2017.

Stuart Gulliver

Stuart Gulliver
Group Chief Executive
22 February 2016

Strategic Report
Financial Review
Corporate Governance
Financial Statements
Shareholder Information

Our strategy

Capturing value from our international network

Our ambition is to be recognised as the world's leading and most respected international bank. We will achieve this by focusing on the needs of our customers and the societies we serve, thereby delivering long-term sustainable value to all of our stakeholders.

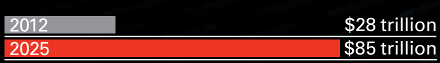
We aim to provide an unparalleled international network to connect faster-growing and developed markets. We seek to develop our wealth and retail banking businesses in markets where we can achieve profitable scale. Our strategy is built around long-term trends and reflects our distinctive advantages.

Long-term trends

Increasing global connectivity

The international flow of goods, services and finance continues to expand, aided by the development of technology and data in personal and commercial exchanges.

The international flow of goods, services and finance, 2012 to 2025

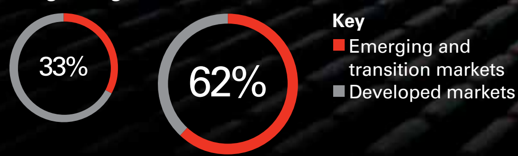


Source: McKinsey Global Institute, 'Global flows in a digital age' (2014)

Shifting economic powers

Of the world's top 30 economies, we expect those of Asia, the Middle East and Africa to grow about three-fold by 2050.

Shipping volumes, measured by weight of goods unloaded



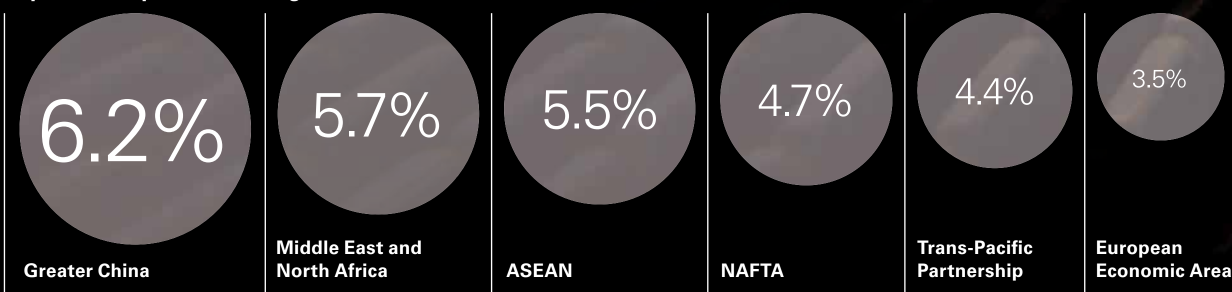
1990: 4,126m metric tonnes

2014: 9,808m metric tonnes

Source: United Nations Conference on Trade and Development

Major trade and economic zones

Exports, compound annual growth rate 2014 to 2025



Source: Oxford Economics

Distinctive advantages

Unrivalled global presence

Our network provides access to more than 90% of global GDP, trade and capital flows. We use it to offer products that facilitate trade and investment, and help clients participate in global growth opportunities. Our global presence helps us build deeper and more enduring relationships with businesses and individuals with international needs.

Universal banking model

Our four global businesses serve the full range of banking customers, from individual savers to large multinational companies. This universal banking model enables us to meet clients' diverse financial needs effectively. Our balanced mix of businesses supports a strong capital and funding base, reduces our risk profile and volatility, and generates stable shareholder returns.

Long-term strategy

Develop our international network

We have an unparalleled presence in, and a long-term commitment to, our strategic markets. We aim to develop our network of businesses to support future growth and increasing global connectivity. Our global reach and range of services place us in a strong position to connect customers to opportunities, helping both businesses and individuals to grow and prosper.

Invest in wealth management and select retail businesses

We aim to capture opportunities arising from social mobility, wealth creation and long-term demographic changes in our priority markets. We invest in full-scale retail businesses in markets where we can achieve profitable scale.

We defined a series of strategic actions to deliver our long-term strategy through 2017. For details, see page 18.

Growing middle class

Economic growth in the world's fast-growing economies is bringing millions of people into the middle class, especially in Asia.

Size of middle class population

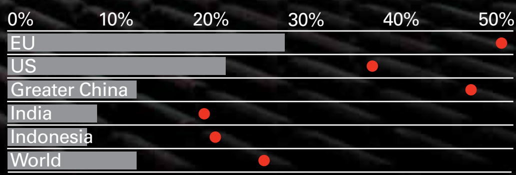
Key
Asia
Rest of the world

Source: OECD Development Centre, 'Emerging middle class in developing countries' (2010)

Ageing populations

The world's population aged 60 and above will more than double from less than one billion in 2015 to more than two billion by 2050.

Over 64s as a share of working age population (%)



Key
2015
2050

Source: United Nations, 2015 Revision of World Population Prospects

Value of the network

Unrivalled global presence

Our network of businesses covers the world's largest and fastest-growing trade corridors and economic zones. More than 40% of our client revenue derives from businesses and individuals with an international presence.

Mexico: Agriculture

Financing growth – ALSA

Tomato producer with 80% of product exported to the US and Canada. Our financing products helped ALSA grow production capacity by 50% and incorporate eco-friendly technology. ALSA manages foreign exchange through our digital platform, HSBCnet.

Our market presence

Countries and territories

71

accounting for more than

90%

of global GDP, trade and capital flows

Sources: Global Insight (2015) and United Nations Conference on Trade and Development (2014)

Transaction banking products

Transaction banking product revenue

$15.7bn

Our transaction banking products help clients participate in global trade and capital flows. We are an industry leader in: global trade and receivables finance, payments and cash management, and foreign exchange. We also provide securities services to help financial institutions access international markets.

Simplified international banking – Somfy

World leader in door and window automation, operating in 60 countries. For more than 10 years, we have simplified Somfy's banking arrangements across the Americas, Europe, the Middle East and Asia. We provide Somfy with cash and liquidity management in 23 countries, including renminbi cash flows into and out of China.

France:
Motors and automatic controls

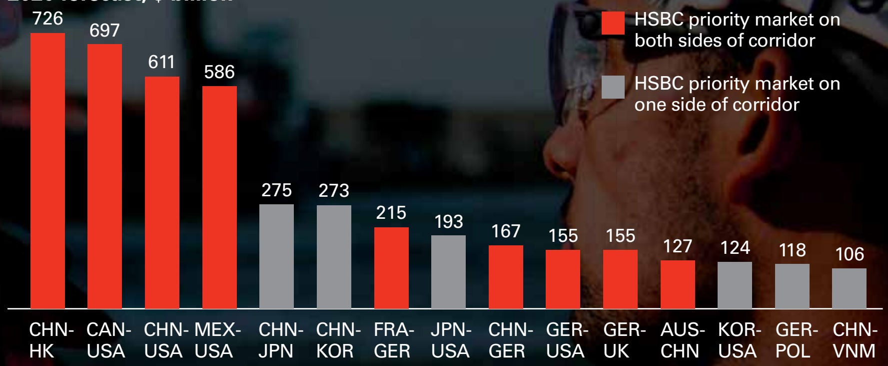
Hong Kong:
Design and manufacturing

Tailored financing – Cosmosupplylab

Producer of smart accessories for global computer and electronics brands. Our relationships across Cosmosupplylab's supply chain in Asia and the US allowed us to provide tailored financing to help increase production to meet fast-growing demand.

Largest trade corridors and market presence

2020 forecast, $ billion



Source: Oxford Economics

Our priority markets cover both sides of nine of the world's 15 largest bilateral trade corridors, and represent at least one side of the other six corridors. These corridors represent nearly 50% of global trade. Five of the 15 corridors are within Asia and six connect countries between two geographic regions.

Delivering our network to customers

Services around the world

Engaging in the global economy

The value of our international network comes from our connections to the people and companies that drive economic activity. We provide products and services to meet diverse financial needs – from purchasing a music download to financing the construction of an international airport. Our relationships reflect the geographic reach of our network and the range of customers we support. For further details on our global businesses, see pages 28 to 31.

Our network of clients enables us to have greater insight into trade and capital flows across supply chains. When we bank clients on both sides of a transaction, we can help them overcome obstacles and manage risk and liquidity costs more effectively. We are uniquely positioned to be the bridge between customers, both large and small, around the world.

We develop our products and services to be globally consistent and to represent the highest standards across all of our markets. This allows us to serve our clients efficiently and in a consistent way wherever we serve them.

Business synergies

Delivering the whole of HSBC

By providing a wide range of product capabilities and resources, we bring additional benefits to customers and efficiencies to the Group. Our global businesses work together to offer tailored solutions to the various client segments we serve across the Group with a higher level of performance and greater ease of use.

For example, we can provide Markets products to small businesses as well as large multinational companies. We insure risks for individuals and corporations alike.

We aim to develop long-term relationships that lead to us supplying products and services from across our global businesses. Many of our private banking clients, for example, own companies that are Commercial Banking or Global Banking and Markets ('GB&M') clients. By sharing knowledge and expertise, our businesses continuously enhance our capabilities and operations.

In 2015, business synergy revenue were equivalent to 19% of total revenue for the Group. We grew revenue across the majority of the cross-business synergies we track, including a 7% increase in revenue from Payments and Cash Management ('PCM') products sold to GB&M customers.

Business synergies
(equivalent % of total reported revenue 2015)

19%

Business synergies revenue
($bn)

> 'Our relationships reflect the geographic reach of our network'

Hong Kong: Diversified multinational

Hongkong Land's Central portfolio: A major listed company of the Jardine Matheson Group with a portfolio of prime office and luxury retail property in key Asian cities.

Case study: Jardine Matheson

For more than 100 years, we have been a trusted banking partner of the Jardine Matheson Group, providing a full spectrum of banking services and capital to support it in achieving its strategic goals.

Comprehensive solutions
We serve Jardine Matheson globally with a wide range of products including debt and equity capital financing, trade and receivables financing, foreign exchange, cash management and asset management. Our financing and foreign exchange services have supported Jardine Matheson in making strategic acquisitions across Asia.

In 2015, we became the sole provider of cash management for Jardine Matheson's retail subsidiary, Dairy Farm, across 10 markets in the ASEAN region and Greater China. We also help Jardine Matheson manage part of its group pension portfolio with our asset management products.

Number of markets served

17

Number of products provided

12

Strategic Report
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Strategic actions

At our Investor Update in June 2015, we outlined a series of actions to deliver our strategy and capture value from our global network.

Delivering our strategy

Since 2011, we have restructured the Group to make it simpler and leaner. This means we have a consistent global structure and a better platform for growth, increasing our efficiency and responsiveness to changing conditions.

Today, the Group is financially stronger, and we are establishing rigorous controls to protect against financial crime and misconduct. This is underpinned by a clear strategy built around serving tens of millions of loyal customers. As the world changes, it is vital that we evolve to meet challenges and make the most of opportunities.

Adapting to a changed world

Our industry is dynamic, and a series of important changes to our environment has taken place since the transformation we began five years ago. Regulatory changes have been introduced to make the financial services industry more resilient. Greater capital and funding requirements, increased local regulation and a sharper focus on conduct and compliance have materially altered our business.

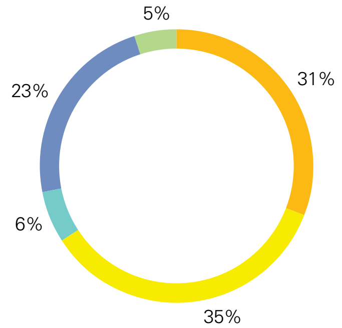
The competitive landscape has also changed, with large global banks retreating from some markets as local banks emerge as regional competitors. Technology is reshaping customer expectations and providing opportunities to engage in new and more efficient ways, while also introducing new forms of competition from non-bank service providers.

Meanwhile, long-term trends continue to shift the global economy through increased international connectivity, an expansion of capital markets and larger affluent populations.

Our strategic actions

In response to these changes, we announced a series of strategic actions in June 2015. They are designed to capture value from our global network and universal banking model. Each has a clear outcome targeted for 2017, and is designed to help achieve our medium-term financial targets. These are: increasing our return on equity to above 10; achieving positive jaws, as described on page 27; and maintaining a progressive dividend. The strategic actions are set out in the table opposite, which also shows our progress in 2015.

Outbound client revenue
Regional split of total CMB and GB&M corporate client revenue (excluding financial institutions) booked outside of the client's home market



Key
- Asia
- Europe
- Middle East and North Africa
- North America
- Latin America

Source: Internal HSBC client data

Selected awards and recognition 2015

Trade Finance Awards for Excellence	*FinanceAsia* Achievement Awards	*Asiamoney* Offshore RMB Poll	*Euromoney* Cash Management Survey	*Euromoney* FX Survey
Best Overall Global Trade Finance Bank	Best Bank	Best Overall Offshore RMB Products/ Services	Best Global Cash Manager (for Non-Financial Institutions)	No. 1 Bank for Corporates (Global Market Share)

Progress against strategic actions

Strategic actions	Targeted outcome by 2017	Progress during 2015	Key performance indicators
Actions to resize and simplify the Group			
Reduce Group risk-weighted assets ('RWAs') by circa $290bn **See page 20**	– Group RWA reduction: $290bn – GB&M return to Group target profitability; <1/3 of Group RWAs	– GB&M: achieved over 50% of 2015–17 target – CMB: achieved over 75% of 2015–17 target – US Consumer and Mortgage Lending: accelerated asset sales achieving nearly 40% of 2015–17 RWA reduction target	– RWA reduction from management actions: circa $124bn (circa 45% of 2015–17 target on a constant currency basis)
Optimise global network	– Reduced footprint	– Signed agreement to sell operations in Brazil, subject to regulatory approval	– Presence reduced to 71 countries and territories in 2015
Rebuild NAFTA region profitability **See page 20**	– US profit before tax circa $2bn – Mexico profit before tax circa $0.6bn	– Grew US CMB and GB&M adjusted revenue by 4% and 12%, respectively – Increased cross-border NAFTA region revenue by more than 30%	– US (excluding CML run-off portfolio) adjusted profit before tax: $494m (up 6% on 2014) – Mexico adjusted profit before tax: $67m (down 1% on 2014)
Set up UK ring-fenced bank	– Completed by 2018	– Confirmed Birmingham as head office location for the UK ring-fenced bank (HSBC UK) – Established shared services entity in the UK to remove critical interdependencies between ring-fenced and non-ring-fenced businesses	– Implementation in progress
Deliver $4.5–5.0bn of cost savings **See page 21**	– 2017 exit rate to equal 2014 operating expenses	– Second-half costs in line with the first half from tight cost control and effect of cost saving plans – Cost-to-achieve expense of $0.9bn during 2015	– Adjusted costs (excluding Brazil): up 5% on 2014 – FTE: 255,203 (down 1% on 2014)
Actions to redeploy capital and invest			
Deliver growth above GDP from international network **See page 46**	– Revenue growth of international network above GDP	– Average PCM deposits increased by 8%. Revenue growth in FX and Securities Services businesses – Strategic investment in receivables finance platform (now live in more than 20 markets) and launch of single dealer global FX platform	– Transaction banking revenue: $15.7bn (up 4% on 2014) – Revenue synergies: $11.6bn (up 6% on 2014)
Investments in Asia – prioritise and accelerate **See page 21**	– Market share gains – Circa 10% growth p.a. in assets under management in Asia	– Pearl River Delta: management team in place and new licences obtained (details on page 21) – ASEAN: Enhanced capabilities and digital propositions; *Euromoney* Best Domestic Cash Manager Award for seven ASEAN markets – Asset Management Global CEO relocated to Hong Kong – Among first fund managers selected for the Mutual Recognition of Funds Programme between Hong Kong and mainland China	– Guangdong loans: $4.3bn (up 5% on 2014) – ASEAN adjusted revenue: $3.2bn (up 5% on 2014) – Asset Management AUM distributed in Asia: $129bn (up 13% on 2014) – Insurance manufacturing new business premiums in Asia: $2.0bn (up 7% on 2014)
Grow business from renminbi ('RMB') internationalisation	– $2–2.5bn revenue	– Among first banks to connect to the CIPS (Cross-border Inter-bank Payment System) – Joint global coordinator and bookrunner for the People's Bank of China's RMB5bn bond issued in London, its first debt offering outside China	– Renminbi internationalisation revenue, from offshore business partly or wholly denominated in RMB as well as selected products in mainland China: $1.7bn (up 3% on 2014)
Global Standards – safeguarding against financial crime **See page 21**	– Completed implementation	– Updated procedures in line with new anti-money laundering and sanctions policies – Enhanced infrastructure, including systems related to customer due diligence, transaction monitoring and screening	– Implementation in progress
Domicile			
Headquarters review	– Completed review by end of 2015	– Review completed	– Decision announced February 2016 to keep London as global headquarters location

Progress on selected strategic actions

We have mobilised resources throughout our organisation to deliver the results we have committed to achieving by 2017.

We aim to capture value from our network by adapting to structural changes in our operating environment and pursuing growth opportunities. In 2015, we took our first steps towards achieving the targets we set out in June. These pages contain additional information on five selected actions. For further details on revenue growth from our international network, see page 46.

Reduce risk-weighted assets

We made significant progress in meeting our risk-weighted asset ('RWA') reduction targets in 2015. We did this primarily by: exiting or disposing of low returning portfolios; better managing processes, calculations and positions; and being more selective in the business we undertake.

Exit/disposal of low returning portfolios

Nearly $42bn of our total RWA reduction came from the partial sale of our investment in China's Industrial Bank, and the accelerated sell-down of our consumer mortgage portfolio in the US and our GB&M legacy credit portfolio.

Management of positions, processes and calculations

We have refined our RWA calculations, and implemented process improvements and exposure reductions in GB&M and CMB. This reduced RWAs by a further $82bn, two-thirds of which was in GB&M.

Group RWA reduction
Change from 2014

-10%

GB&M risk-weighted assets
($bn)

2015	440.6
2014	516.1

US and Mexico

We are strengthening our businesses in Mexico and the US to rebuild profitability. We seek to grow revenue from cross-border banking opportunities across the North American Free Trade Agreement ('NAFTA') area.

US growth

We grew revenue from transaction banking products, including a 9% increase in Global Trade and Receivables Finance, and increased collaboration between our GB&M and CMB businesses. We improved cost efficiency by consolidating data centres and moving to lower-cost office locations.

Mexico growth

We grew RBWM's adjusted revenue in Mexico by 7%, growing faster than the market in cards, mortgages and personal loans. We increased revenue from business synergies in 2015, including an 18% increase in revenue from Global Trade and Receivables Finance products provided to GB&M clients.

NAFTA area initiatives

We increased the number of clients we serve who conduct business across the NAFTA area. We are developing our products to better serve customers and connect supply chains. Our cross-border revenue between the US and Mexico grew by more than 10% in 2015.

NAFTA area revenue
(% of Group revenue)

14%

NAFTA area revenue
($bn; includes intercompany revenue)

2015	8.3
2014	8.2

Cost savings

We continue to take action to manage our costs better. We are growing our digital capabilities and realising efficiency gains through automating and re-engineering processes. We are also simplifying our technology and reshaping our global functions.

Our cost saving plans and tighter cost controls have slowed cost growth in 2015. Costs in the second half of the year were in line with the first half.

Increased efficiency

We removed the requirement for nearly 3,000 roles by automating and eliminating processes in 2015. We completed over 13% of our target to remove 750 software applications by the end of 2017. We are optimising our branch network, and we closed more than 130 branches in 2015 in six of our largest retail banking markets. We also introduced a new IT operating model that achieved a 4% cost reduction in the IT run rate compared with 2014.

Using technology to enhance productivity

We increased productivity in our UK branches through online customer support and appointment booking. In CMB, we simplified our processes and are using technology better to open new accounts globally. We significantly reduced the time taken to approve personal loans from an average of 20 days to two days, and in some cases instantly, in four of our priority markets.

Reduction in manual payments
(% reduced through automation)

25%

Adjusted costs
($bn)

2015	36.2
2014	34.6

Investment in Asia

We are in a leading position to capture growth in Asia. Our priorities include accelerating our business growth in China's Pearl River Delta ('PRD'), and developing our Asset Management and Insurance businesses to benefit from Asia's growing middle class. We also aim to grow our business in the Association of Southeast Asian Nations ('ASEAN') region as trade and investment flows increase in key markets such as Singapore and Malaysia, and we are expanding our Indonesian business.

Pearl River Delta

We are developing our business in the PRD, in Guangdong, the Chinese province bordering Hong Kong. The province's increasingly sophisticated economy and links with Hong Kong provide us with a unique opportunity to create a full-scale banking business there.

In 2015, we appointed a CEO for Guangdong and continued to build infrastructure and recruit staff. We grew our RBWM mortgage business and established a branch of HSBC Life Insurance in Guangzhou. We also agreed to establish a majority-owned joint-venture securities company in Qianhai, Shenzhen, which, if approved by regulators, will potentially allow us to engage in the full spectrum of the securities business in mainland China.

HSBC branches in Guangdong

64

Guangdong loans
($bn)

2015	4.3
2014	4.1

Global Standards – safeguarding against financial crime

We are committed to implementing the most effective global standards to combat financial crime. We are therefore putting in place robust controls aimed at enabling us to understand more about our customers, what they do, and where and why they do it. This comprehensive approach is designed to help us detect, deter, and prevent financial crime.

Enhancing infrastructure and systems

We are rolling out improved systems and infrastructure to manage financial crime risk, and improved transaction monitoring and sanctions screening capabilities.

Expanding capabilities

We are strengthening our financial crime detection and investigation capabilities within our business teams, including delivering enhanced training to appropriate staff.

While significant work remains to be done, we continue to make progress towards putting in place a robust and sustainable anti-money laundering and sanctions compliance programme.

Global Standards employee training

Over 2.1m hours

Investment in Global Standards
($bn)

2015	1.5
2014	0.9

Financial overview

Reported results

This table shows our reported results for the last three years. The results for 2015 are described below.

Reported results	2015 $m	2014 $m	2013 $m
Net interest income	**32,531**	34,705	35,539
Net fee income	**14,705**	15,957	16,434
Net trading income	**8,723**	6,760	8,690
Other income	**3,841**	3,826	3,982
Net operating income before loan impairment charges and other credit risk provisions (revenue)	**59,800**	61,248	64,645
Loan impairment charges and other credit risk provisions ('LICs')	**(3,721)**	(3,851)	(5,849)
Net operating income	**56,079**	57,397	58,796
Total operating expenses	**(39,768)**	(41,249)	(38,556)
Operating profit	**16,311**	16,148	20,240
Share of profit in associates and joint ventures	**2,556**	2,532	2,325
Profit before tax	**18,867**	18,680	22,565

Reported profit before tax

Reported profit before tax was $18.9bn, up by $0.2bn or 1% from 2014. This was driven by a favourable movement in significant items of $2.6bn partly offset by $0.9bn of adverse effects of foreign currency translation between the years. The favourable movement in significant items included lower fines, settlements, UK customer redress and associated provisions (down by $1.3bn in total) and a gain on the partial disposal of Industrial Bank ($1.4bn).

Excluding the effects of significant items and currency translation, profit before tax was down by 7% from 2014. We describe the drivers of our performance under 'Adjusted performance' on page 23.

Reported revenue

Revenue of $59.8bn was $1.4bn or 2% lower than in 2014. Revenue benefited from a favourable movement in significant items but this was more than offset by the adverse effect of currency translation of $4.8bn between the years.

Significant items affecting revenue in 2015 included:

- a $1.4bn gain on the partial sale of our shareholding in Industrial Bank;
- lower provisions and charges relating to the ongoing review of compliance with the Consumer Credit Act in the UK ($0.6bn lower than in 2014); and
- an increase in favourable movements on our own debt designated at fair value from changes in credit spreads of $0.6bn.

Reported LICs

Loan impairment charges and other credit risk provisions ('LICs') of $3.7bn were $0.1bn or 3% lower than in 2014, reflecting the favourable impact of currency translation between the years.

Reported operating expenses

Operating expenses of $39.8bn were $1.5bn or 4% lower than in 2014. This reduction primarily reflected the favourable effect of currency translation of $3.3bn between the years.

The total of significant items was broadly in line with 2014, although there were notable movements as follows:

- lower provisions and charges relating to UK customer redress ($0.7bn lower than in 2014); and
- the non-recurrence of a charge of $0.6bn in 2014 relating to a settlement with the US Federal Housing Finance Agency; broadly offset by
- settlements and provisions in connection with legal matters ($0.5bn higher than in 2014); and
- costs-to-achieve relating to business transformation of $0.9bn in 2015 (for further details, see page 58).

Reported income from associates

Income from associates of $2.6bn was in line with 2014.

Adjusted performance

Our reported results are prepared in accordance with IFRSs as detailed in the Financial Statements on page 347. We also present adjusted performance measures as we believe these help explain our performance and these are highlighted with the following symbol:

To arrive at adjusted performance, we adjust for:

- the year-on-year effects of foreign currency translation; and
- the effect of significant items that distort year-on-year comparisons and are excluded in order to understand better the underlying trends in the business.

For reconciliations of our reported results to an adjusted basis, including lists of significant items, see pages 66–67 and 77–78.

Adjusted results

This table shows our adjusted results for 2015. These are discussed in more detail on the following pages.

Adjusted results	2015 $m	2014 $m
Net operating income before loan income charges and other credit risk provisions (revenue)	**57,765**	57,227
Loan impairment charges and other credit risk provisions ('LICs')	**(3,721)**	(3,168)
Total operating expenses	**(36,182)**	(34,576)
Operating profit	**17,862**	19,483
Share of profit in associates and joint ventures	**2,556**	2,493
Profit before tax	**20,418**	21,976

Adjusted profit before tax

- Our adjusted profit before tax fell by $1.6bn or 7%.
- We grew adjusted revenue by $0.5bn or 1%, notably in GB&M (up by $1.2bn or 7%), CMB (up by $0.4bn or 3%) and Principal RBWM, which is our RBWM business excluding the US run-off portfolio (up by $0.4bn or 2%). These increases were partly offset in GPB (down by $0.1bn or 6%) and Other (down by $0.3bn).
- Our LICs were $0.6bn or 17% higher than in 2014, primarily due to increases in CMB ($0.5bn) and RBWM ($0.3bn), partly offset by a reduction in GB&M ($0.3bn).
- Our adjusted operating expenses increased by $1.6bn or 5%. Excluding the bank levy, operating expenses in the second half of 2015 were broadly in line with the first half of the year. This was despite investment and inflationary pressures, and partly reflects the initial effect of our cost saving initiatives as well as a strong focus on cost management.

Movement in adjusted profit before tax compared with 2014

	2015 ($m)	**Change** ($m)	(%)
Revenue	57,765	538	1
LICs	(3,721)	(553)	(17)
Operating expenses	(36,182)	(1,606)	(5)
Share of profits in associates and joint-ventures	2,556	63	3
Profit before tax	20,418	(1,558)	(7)

1%
growth in GB&M, CMB and Principal RBWM

Adjusted performance (continued)

Adjusted revenue

Adjusted revenue rose by 1% in part due to growth in GB&M, CMB and Principal RBWM reflecting the following:

Movement in adjusted revenue compared with 2014

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

Total includes Intersegment revenue of $(6,595)m.

- **GB&M:** Revenue of $18.0bn was $1.2bn or 7% higher than in 2014. This was driven by higher revenue in all client-facing businesses except Principal Investments. In Equities, revenue increased by $0.5bn, reflecting higher client flows and increased market volatility. Revenue from transaction banking products rose $0.4bn as volatility drove higher client flows in Foreign Exchange, as assets under custody in Asia rose in Securities Services, and as deposits rose in Payments and Cash Management ('PCM'). Revenue was also higher in Balance Sheet Management ('BSM'), rising $0.1bn.
- **CMB:** We grew revenue by $0.4bn or 3%, in particular in Credit and Lending (up by $0.4bn) and PCM (up by $0.1bn). This growth was mainly in Hong Kong and the UK, reflecting average balance sheet growth. In Hong Kong, lending balance growth was primarily in 2014 and the first half of 2015. Balances were broadly unchanged for the remainder of 2015 reflecting subdued demand for credit. In Global Trade and Receivables Finance, performance was resilient (revenue down $44m or 2%) despite a significant decline in commodity prices (approximately 40%) and stagnant world trade.
- **RBWM:** Our revenue was broadly unchanged from 2014. We continued to reduce the size of the balances in our US Consumer and Mortgage Lending ('CML') run-off portfolio, resulting in a fall in revenue of $0.3bn. However, in our Principal RBWM business, revenue was higher (up by $0.4bn or 2%). This was driven by increased Wealth Management revenue in Asia (up by $0.2bn) in the first half of 2015, from growth in investment distribution, which more than offset weaker investor sentiment in the second half of 2015. There was also growth in Europe (up by $0.3bn), notably from insurance manufacturing. We also increased our current account, savings and deposit revenue by $0.1bn, notably in Hong Kong and the UK, from an increase in customer deposit balances of $32bn. This was partly offset by a decrease in Personal Lending revenue of $0.3bn, primarily from lower overdraft fees in the UK after the introduction of a text message alert service in late 2014.
- **GPB:** Our revenue fell by $0.1bn or 6% reflecting lower brokerage and account services fee income from a managed reduction in client assets. However, revenue increased in Asia, notably in the first half of 2015, due to higher client activity as a result of stock market performance.
- **Other:** Revenue was $0.3bn or 4% lower, reflecting adverse hedging ineffectiveness movements compared with favourable movements in 2014 (a net adverse movement of $0.2bn), together with the non-recurrence of a gain on the external hedging of an intra-Group financing transaction of $0.2bn. In addition, dividend income was $0.1bn lower following the partial sale of our shareholding in Industrial Bank.

Adjusted performance (continued)

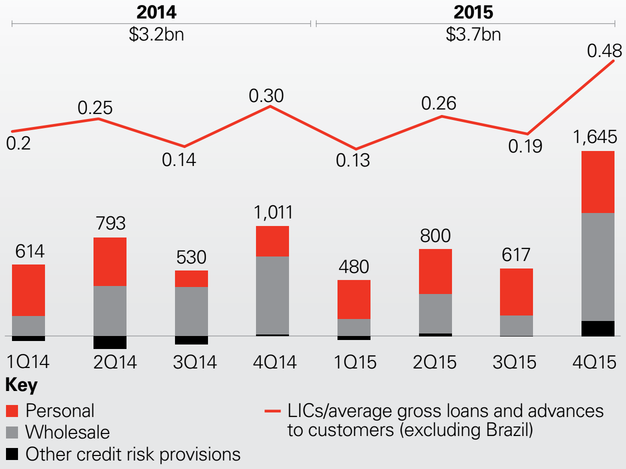
Adjusted LICs

- Our LICs were $0.6bn or 17% higher than in 2014, mainly in CMB ($0.5bn). This included a fourth quarter increase in specific LICs in a small number of countries, largely reflecting local factors, as well as LICs related to oil and gas.
- LICs increased in RBWM by $0.3bn, mainly in Brazil as delinquency rates increased; while in the UAE, impairments on mortgages rose, following a review of the quality and value of collateral.
- In GB&M, there was a reduction of $0.3bn in specific impairments as 2014 included a small number of significant charges, notably in Brazil and Hong Kong.

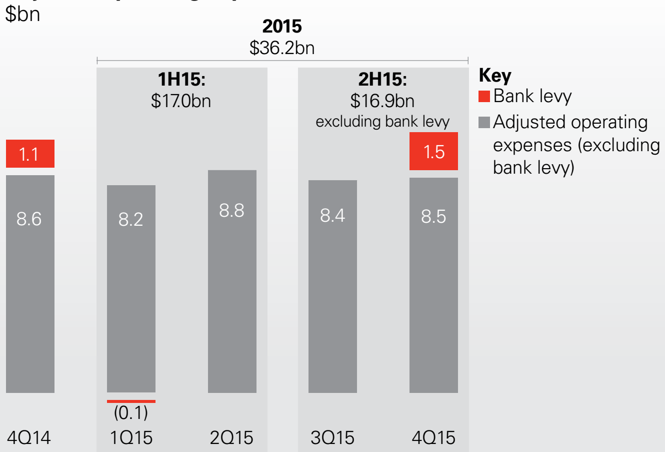
Adjusted operating expenses

- Our adjusted operating expenses in 2015 were up $1.6bn or 5% on 2014.
- Run-the-bank costs rose by $0.8bn or 2%. This was mainly due to wage inflation in Latin America and Asia. We also recruited additional staff across the Group to support business growth.
- Change-the-bank costs rose by $0.5bn or 16% on 2014. This reflected investment in regulatory programmes and compliance, including infrastructure and systems.
- The bank levy of $1.4bn was $0.4bn or 34% higher than in 2014. Excluding the bank levy, adjusted operating expenses in the second half of 2015 were broadly in line with the first half of the year. This was despite investment and inflation, and reflected the initial effect of our cost-saving initiatives and a strong focus on cost management. This included a reduction in full-time equivalent staff in the second half of the year of 4,585 and lower travel costs.

Adjusted LICs
$bn



Adjusted operating expenses
$bn



The quarterly and half-yearly operating expense figures shown above are stated at the average exchange rate for the quarter ended 31 December 2015.

5%

Costs up year-on-year; however, costs excluding the bank levy were broadly unchanged in the second half of the year.

For further details on the categorisation of run-the-bank and change-the-bank costs, see page 58.

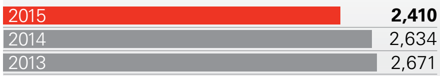
Adjusted income from associates

- Our share of profit from associates and joint-ventures was broadly unchanged in 2015. The majority of this profit was from our investments in Bank of Communications Co. ('BoCom') and The Saudi British Bank.

Balance sheet and capital strength

Balance sheet

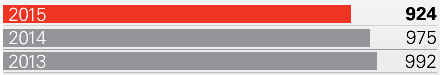
Total assets
($bn)



$2,410bn

2014 to 2015 movement includes adverse currency effects of $133bn.

Loans and advances to customers
($bn)

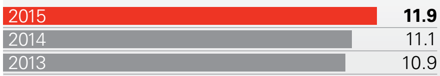


$924bn

2014 to 2015 movement includes adverse currency effects of $52bn and the reclassification to 'held for sale' of $17bn of assets relating to Brazil in 2015.

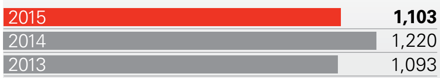
Capital strength

Common equity tier 1 ratio (end point)
(%)



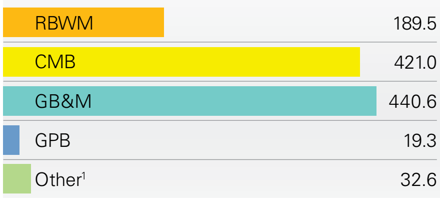
11.9%

Risk-weighted assets
($bn)



Decrease of $117bn

Risk-weighted assets by global business
($bn)



[1] **Other –** main items are property activities, unallocated investment activities, centrally held investment companies, and movement in fair value of own debt.

For further details on RWAs, see page 228.

Balance sheet strength

Total reported assets were $2.4 trillion, 8.5% lower than at 31 December 2014. On a constant currency basis, total assets were $91bn or 4% lower. This reduction in part reflects the efficient use of our balance sheet to maximise shareholder returns.

We are focused on reducing our use of the balance sheet in areas that are capital intensive relative to returns. This provides capacity for growth in higher returning business areas and regions. For example, in GB&M, we have reduced trading assets by decreasing holdings of debt securities in our Rates business in Europe and North America.

Capital strength

We manage our capital in an effort to ensure we exceed current regulatory requirements and are well placed to meet those expected in the future.

We monitor our position by using capital ratios. These measure capital relative to a regulatory assessment of risks taken. We quantify how these risks relate to our businesses using risk-weighted assets. Details of these risks are included on page 227.

Our common equity tier 1 ('CET1') ratio at 31 December 2015 was 11.9%, up from 11.1% at 31 December 2014.

Distributable reserves

The distributable reserves of HSBC Holdings plc at 31 December 2015 were $47bn, and at 31 December 2014 were $49bn.

The strategic actions set out on page 18 have been undertaken to support our aim of achieving our medium-term financial targets.

For detailed information on our financial performance, see pages 50 to 60.

Delivering on our Group financial targets

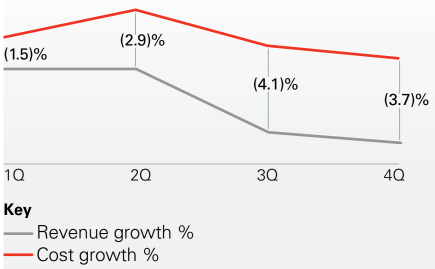
Return on equity (%)

2015	**7.2**
2014	7.3
2013	9.2

Target:

>10%

Adjusted jaws (2015 year to date)



Target:

Positive

We calculate jaws on an adjusted basis, excluding currency translation and significant items, as described on page 48.

2015 adjusted jaws:

-3.7%

Understanding jaws

Jaws measures the difference between revenue and cost growth rates.
Positive jaws is where the revenue growth rate exceeds the cost growth rate.

Total dividends declared in respect of the year ($m)

2015	**10,000**
2014	9,583
2013	9,180

Dividends per ordinary share in respect of year ($)

2015	**0.51**
2014	0.50
2013	0.49

Target:

Progressive

We are committed to increasing the dividend we pay to shareholders. This is measured by dividends per ordinary share declared in respect of the calendar year. Prospective dividend growth remains dependent upon the long-term overall profitability of the Group and delivering further release of less efficiently deployed capital. Actions to address these points are core elements of the Investor Update provided last June.

Return on equity

Our medium-term target is to achieve a return on equity ('RoE') of more than 10%. This target is modelled on a CET1 ratio in the range of 12% to 13%.

In 2015, we achieved an RoE of 7.2% compared with 7.3% in 2014. The bank levy and significant items, such as fines, penalties, customer redress and associated provisions, had a significant effect on our 2015 RoE, reducing the return achieved by 190 basis points.

Adjusted jaws

Our target is to grow revenue faster than operating expenses on an adjusted basis. This is referred to as positive jaws. In 2015, we grew adjusted revenue by 0.9% whilst our adjusted operating expenses rose by 4.6%. Jaws was therefore negative 3.7%.

Jaws for 2015 was affected by the revenue performance in the second half of the year. Adjusted revenue growth in the first half of 2015 was 4.5% but fell in the second half of 2015, reflecting the economic environment, including slowing GDP growth in China. This resulted in overall revenue growth of 0.9% for 2015.

The increase in adjusted operating expenses in 2015 included a $0.4bn rise in the bank levy (to $1.4bn). Excluding this increase, jaws in 2015 would have been negative 2.8%. During the second half of 2015, we made progress on our cost saving plans set out at our Investor Update. We reduced the growth rate in adjusted operating expenses, down from 7.3% in the first half of 2015 to 4.7% for the year.

Progressive dividend

In 2015, we increased the dividends per ordinary share in respect of the year to $0.51 from $0.50 in 2014.

Global businesses

We manage our products and services globally through four global businesses.

For further details on the financial performance of our global businesses, see pages 68 to 73.

Commercial Banking ('CMB')

Customers

CMB serves more than two million customers in 55 countries and territories. Our customers range from small enterprises focused primarily on their domestic markets through to corporates operating globally.

We have been simplifying our product range and services to meet clients' needs better. Since 2013, we have reduced the number of products we offer around the world from 975 to fewer than 410. We have also completed role-specific conduct training for more than 20,000 employees to help ensure that products are sold appropriately.

Products and services

We support our customers with tailored financial products and services to allow them to operate efficiently and to grow. This includes providing them with working capital, term loans, payment services and international trade facilitation, among other services. We offer expertise in mergers and acquisitions, and provide access to financial markets.

In 2015, the quality of our service was recognised by several leading awards. For the fourth consecutive year, we were recognised as the Best Global Cash Manager (for Non-Financial Institutions) in the *Euromoney* Cash Management survey. We were also recognised as the Best Overall Global Trade Finance Bank, among other awards, in the *Trade Finance* Awards for Excellence.

Business synergies

CMB is at the centre of business synergies within the Group, enabling nearly $6bn of business synergy revenue in 2015. For example, it provides trade finance, working capital and liquidity management solutions to GB&M clients. It also provides Capital Finance expertise, and Insurance and Asset Management capabilities from across the Group to benefit customers.

Areas of focus

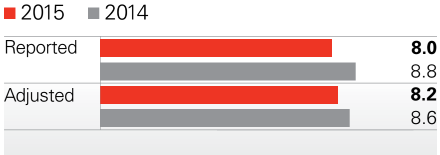
We are focused on creating value from our network, which covers 90% of global trade and capital flows. We are therefore investing in digital and technology aspects of our core Payments and Cash Management ('PCM'), and Global Trade and Receivables Finance propositions, as well as in the Pearl River Delta, ASEAN and NAFTA growth areas.

We achieved significant risk-weighted asset efficiencies through management initiatives in 2015 and continue to ensure our capital is deployed effectively.

Continued revenue growth in Hong Kong and the UK

- Adjusted profit before tax of $8.2bn was $0.4bn or 5% lower than in 2014, as revenue growth was more than offset by a rise in LICs and higher costs.
- We grew revenue by $0.4bn or 3%, in particular in Credit and Lending, and PCM. This was mainly in Hong Kong and the UK, reflecting average balance sheet growth, although demand for credit in Hong Kong was subdued in the second half of 2015, with balances remaining broadly unchanged.
- LICs were $0.5bn or 36% higher, reflecting enhanced credit risk in the oil and gas sector, notably in North America, Asia, and Middle East and North Africa. In addition, we raised LICs against a small number of specific clients in Indonesia, the UAE and the UK.
- Costs increased by $0.4bn or 6%, notably in Asia and the US, due to wage inflation and investment in growth initiatives, regulatory programmes and compliance.
- Management initiatives set out in our Investor Update in June 2015 contributed a reduction in risk-weighted assets ('RWAs') of $23.0bn or more than 75% of our 2015–2017 target.

Profit before tax ($bn)



Adjusted profit before tax

-5%

Best Overall Global Trade Finance Bank
Trade Finance

Most Innovative Investment Bank
The Banker

Global Banking and Markets ('GB&M')

Customers

GB&M supports major government, corporate and institutional clients worldwide in achieving their long-term strategic goals through tailored and innovative solutions. Our deep sector expertise extends across transaction banking, financing, advisory, capital markets and risk management. We serve nearly 4,000 clients in more than 50 countries and territories, helping them to realise opportunities in the markets that matter to them.

We continue to strengthen the services we provide and our relationships with clients. We regularly assess these relationships, using benchmarking and internal programmes. As a result, in 2015 we improved the on-boarding experience for clients and enabled relationship bankers to spend more time understanding clients' needs. Customer feedback allows us to identify opportunities to further improve our business and the wider client experience.

Products and services

Our product specialists continue to deliver a comprehensive range of transaction banking, financing, advisory, capital markets and risk management services. In 2015, our product strengths were recognised by numerous accolades, including Most Innovative Investment Bank and Best Bank for Securities Services in *The Banker* awards. We were ranked number one Bank for Corporates (Global Market Share) in the *Euromoney* FX Survey, and for the third consecutive year we were voted Best Bond House in Asia by *FinanceAsia*.

In addition, we provide award-winning research to investors with an emphasis on emerging markets.

Business synergies

In 2015, GB&M enabled business synergies of $8.4bn, supporting growth in a number of areas. For example, we provide Markets products to CMB and RBWM customers, Capital Financing products to CMB customers, and also use CMB and Asset Management products to serve GB&M clients.

Areas of focus

Deepening relationships with clients in both event and transaction banking products remains a priority. We will focus on regions where we see the greatest growth opportunities such as NAFTA, ASEAN and the Pearl River Delta. We also plan to grow our business from the internationalisation of China's renminbi currency and by investing in digital capabilities.

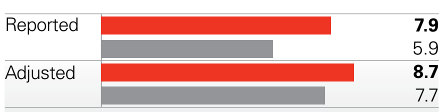
We made significant progress towards reducing RWAs in 2015. This will remain a focus as we continue to exit legacy credit, manage our Markets and Capital Financing businesses and employ a disciplined approach to new client business.

Our continued focus on cost discipline will result in further simplification of the business from streamlining of our business lines, operations and technology.

Adjusted profit growth of 14% compared with 2014

- Adjusted profit before tax was higher by $1.1bn due to higher revenue and lower LICs, partly offset by increased costs.
- Our revenue increased by $1.2bn or 7%, with higher revenue in all businesses except Principal Investments. In client-facing GB&M, revenue rose due to increased client flows and volatility in Equities (up by $0.5bn) and in transaction banking products (up by $0.4bn). Revenue was also higher in Balance Sheet Management (up $0.1bn).
- LICs were $0.3bn lower. This reflected minimal impairments in 2015 compared with a net charge in 2014 in client-facing GB&M. However, in 2015 we had lower net releases of credit risk provisions, primarily on available-for-sale asset-backed securities in legacy credit.
- Our operating expenses increased by $0.4bn or 5%, mainly from higher performance-related costs and higher staff costs reflecting wage inflation. In addition, we continued to invest in our PCM and Foreign Exchange businesses, as well as in regulatory programmes and compliance.
- Management initiatives identified in our Investor Update in June 2015 contributed to an overall reduction in RWAs of $72bn this year. This is 54% of our target of $134bn (stated at December 2015 exchange rates).
- The graph below shows reported and adjusted profit before tax. The difference between these figures primarily reflects fines, penalties and charges in relation to legal matters, which totalled $1.9bn and $0.9bn in 2014 and 2015, respectively. Significant items are detailed on page 66.

Profit before tax ($bn)



Adjusted profit before tax

+14%

$419bn
assets under management

45m
customers served

Retail Banking and Wealth Management ('RBWM')

Customers

RBWM serves close to 45 million customers worldwide through four main business areas: Retail Banking, Wealth Management, Asset Management and Insurance.

Since 2012, we have taken numerous actions to improve the way we conduct our business. We have removed the formulaic link between product sales and remuneration, paying all staff on a discretionary basis, which includes assessment of their behaviour and the satisfaction of our customers. We have simplified our product range, reviewed the fairness of our product features and pricing, and enhanced the way we monitor the quality of our sales.

Products and services

RBWM provides services to individuals under the HSBC Premier and Advance propositions aimed at mass affluent and emerging affluent customers who value international connectivity and benefit from our global reach and scale. For customers who have simpler everyday banking needs, RBWM offers a full range of banking products and services reflecting local requirements.

Asset Management and Insurance

We operate our own Asset Management and Insurance businesses. By owning these businesses directly, we can tailor their products to the needs of customers and maintain end-to-end control over their quality. We are investing for growth in these businesses, leveraging our network and strong client relationships.

Business synergies

RBWM makes a significant contribution to the overall success of the Group. In 2015, Insurance Manufacturing (within Wealth Management) and Asset Management generated revenue of $1.7bn and $1.1bn, respectively, from the provision of services to clients across all of our global businesses. In addition, the foreign exchange and wealth management needs of our RBWM clients create opportunities for GB&M.

RBWM's strong deposit franchise supports a stable and diversified core funding base for the Group, and the branch network supports the needs of other global business clients while enhancing the visibility of the HSBC brand.

Areas of focus

RBWM's focus is on growing the business through relationship-led personal lending and wealth management, while transforming our customer experience and cost base through investment in digital infrastructure.

Despite a challenging second half of 2015, Wealth Management revenue grew by 8%

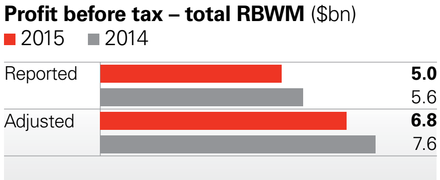
Total RBWM – Total RBWM adjusted profit before tax fell by $0.7bn or 10%, with a decrease in profit before tax in both Principal RBWM and from the continued reduction in our US run-off portfolio.

The graph below shows reported and adjusted profit before tax. The difference between them primarily reflects fines, penalties and charges in relation to legal matters, which totalled $1.6bn and $1.3bn in 2014 and 2015, respectively. Significant items are detailed on page 66.

Principal RBWM – In our Principal RBWM business, profit before tax was down by $0.5bn or 7%, reflecting higher costs and LICs. Revenue grew.

- Revenue rose $0.4bn in Wealth Management in Asia in the first half of the year from investment distribution, offsetting weaker investor sentiment in the second half of 2015. Wealth Management income in Europe also grew as insurance manufacturing increased. Deposit and savings income grew in Asia and the UK as deposits increased by $32bn. This was partly offset by lower overdraft fees in the UK.
- LICs increased by $0.3bn or 20%, mainly in Brazil from increased impairment charges following the economic slowdown, and the UAE following a review of collateral in the mortgage book.
- Costs rose by $0.5bn or 4%, driven by inflation in Asia and Latin America. Our marketing costs also increased as we relaunched our Global Advance account proposition with notable investment in the UK, and we continued to invest in regulatory programmes and compliance.

Profit before tax – total RBWM ($bn)



Adjusted profit before tax – total RBWM

-10%

$349bn
client assets

$14bn
net new money (areas targeted for growth)

Global Private Banking ('GPB')

Customers

GPB serves high net worth individuals and families, including those with international banking needs, through 18 booking centres covering our priority markets.

Since 2011, GPB has taken significant steps to simplify and improve the way it conducts its business. We have reduced the number of booking centres to refocus resources on a smaller number of locations where we have the scale to support our new client service model and enhanced sales quality standards.

We have also reduced the number of offshore markets we cover to ensure appropriate focus is given to key growth areas.

GPB remains committed to implementing the most effective global standards, including customer due diligence, a tax transparency framework and financial crime compliance measures.

Products and services

We work closely with our clients to provide solutions to grow, manage and preserve wealth. Our products and services include: Investment Management, incorporating advisory, discretionary and brokerage services; Private Wealth Solutions, comprising trusts and estate planning, designed to protect wealth and preserve it for future generations; and a full range of Private Banking services.

Business synergies

GPB aims to bring the best of the Group's research, product and service capabilities to GPB clients.

To achieve this, we have three client service groups: the Corporate Client Group, enhancing connectivity with CMB and GB&M; the Wealth Client Group, delivering a seamless transition across the RBWM and GPB wealth franchises; and the Global Solutions Group, delivering non-traditional wealth management solutions.

Wherever possible, GPB uses product capabilities within GB&M, CMB and RBWM, including asset management, research, insurance, trade finance and capital financing, to offer a unique proposition to our clients.

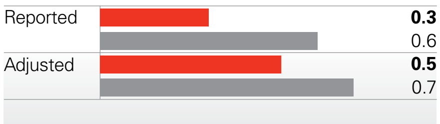
Areas of focus

GPB aspires to build on HSBC's commercial banking heritage and be the leading private bank for high net worth business owners and principals. We work closely and systematically with CMB and GB&M to deliver a coordinated private and corporate coverage model for our clients.

Continued repositioning of our GPB business

- Adjusted profit before tax fell by 26% to $0.5bn, mainly because revenue fell by 6% as we continued to reposition the GPB business.
- However, revenue increased in Asia, notably in the first half of 2015, due to higher client activity as a result of a strong stock market performance, which more than offset the weaker investor sentiment in the second half of the year.
- We attracted positive net new money of $14bn in 2015 in the parts of the business that fit our target model, mainly in Hong Kong, the UK, Singapore and the US.

Profit before tax ($bn)
2015 2014



Adjusted profit before tax

-26%

Regions

We coordinate activities across global businesses and supporting functions through a regional structure.

For further details on our financial performance by region, see pages 79 to 95.

Europe

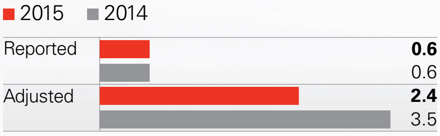
Strong revenue growth in GB&M

We serve European clients with a broad range of services and facilitate international trade and investment. London is the strategic hub for our GB&M business. We are creating a ring-fenced bank based in Birmingham to serve UK retail and business clients.

Europe generated $2.4bn of adjusted profit before tax

- Adjusted profit before tax fell $1.1bn or 32%, as revenue growth of $0.1bn or 1% was more than offset by an increase in costs (up by $1.2bn or 8%), of which $0.4bn related to an increase in the bank levy. Excluding the bank levy, costs rose by $0.9bn or 6% as regulatory programmes, compliance and staff costs increased.
- We increased revenue in GB&M by $0.7bn or 11%, mainly in client-facing businesses, such as Equities and Foreign Exchange, and in Balance Sheet Management. In CMB, revenue grew marginally by $0.1bn or 1%, in part due to balance sheet growth in term lending and PCM, although fees from overdrafts fell. Revenue in RBWM was broadly unchanged. However, revenue fell in GPB by $0.2bn or 12%, reflecting the ongoing repositioning of the business. 'Other', which includes revenue relating to central financing activities, reported a fall in revenue of $0.4bn.
- The graph below shows reported and adjusted profit before tax. The difference between them primarily reflects fines, penalties, redress and charges in relation to legal matters, which totalled $3.1bn and $1.7bn in 2014 and 2015, respectively.

Profit before tax ($bn)



Asia

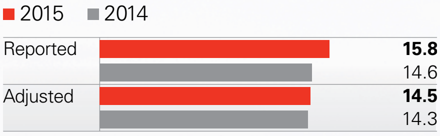
Revenue growth across all global businesses

Our history as a bank is founded on financing trade with Asia, and the continent remains central to our strategy. In 2015, our businesses in Asia accounted for 70% of adjusted profit before tax. We aim to grow our business in China's Pearl River Delta and the ASEAN region, as well as strengthen our leadership position in the internationalisation of China's renminbi currency.

GB&M and Wealth Management revenue growth despite a challenging second half

- Adjusted profit before tax was $0.2bn or 1% higher as we grew revenue in all of our businesses by $0.9bn, partly offset by an increase in costs of $0.7bn.
- Our revenue increased by $0.9bn or 4%. In GB&M, this was notably in Foreign Exchange, Equities, Capital Financing and Securities Services. Revenue in RBWM also rose, mainly in Hong Kong from investment distribution income notably in the first half of 2015, which more than offset weaker market sentiment in the second half of the year, and a rise in interest income from average lending and deposit balance growth. We also increased revenue in CMB (up by $0.2bn or 4%) mainly from average balance sheet growth, although balances remained broadly unchanged in the second half of the year, reflecting subdued demand for credit.
- Our costs grew across all businesses, notably from higher staff costs due to wage inflation. We increased staff numbers in RBWM to support business growth, and in Risk and Compliance.
- The graph below shows reported and adjusted profit before tax. The difference between them was primarily due to the gain of $1.4bn on the partial disposal of our shareholding in Industrial Bank in 2015.

Profit before tax ($bn)



Middle East and North Africa

Revenue growth across all businesses despite geopolitical uncertainties and falling oil prices

HSBC is the longest serving international bank with one of the largest networks in the region, offering a universal banking model and playing a vital role in facilitating international trade. Our priority markets in the region are Saudi Arabia, Egypt and the United Arab Emirates ('UAE').

Despite revenue growth, profit before tax fell due to higher LICs and costs

- Adjusted profit before tax fell by $0.3bn, or 15%, mainly due to an increase in LICs of $0.3bn reflecting net charges in 2015 compared with net releases in 2014. LICs in 2015 included higher charges in CMB on individually assessed UAE-related exposures, and in RBWM on mortgages in the UAE, reflecting the impact of a review of portfolio collateral.
- We increased our revenue by $0.1bn, or 2%, across all businesses, mainly in GB&M in Egypt from growth in lending and investments, and in RBWM in the UAE from higher fee income on cards and wealth products.
- Our costs were $0.1bn or 5% higher, mainly in the UAE and Egypt due to higher staff costs, in part reflecting continued investment in Global Standards and wage inflation.

Profit before tax ($bn)

	2015	2014
Reported	1.5	1.8
Adjusted	1.5	1.8

North America

Growing revenue from cross-border banking in the NAFTA area

The US is a key partner in global trade and the US dollar remains the primary currency for global trade and payments. We support our North American customers within the NAFTA area and around the world, helping them grow their businesses.

GB&M revenue rose 9% and run-off of the US CML portfolio continued

- Adjusted profit before tax fell $0.4bn or 22% as the decrease in profit before tax from the continued reduction in our US CML portfolio more than offset growth in our principal business.
- Total revenue was $0.3bn lower. We grew revenue in GB&M by 9%, notably from increased income in Markets and Balance Sheet Management. However, this was more than offset by a decrease in revenue in the US CML run-off portfolio, reflecting lower lending balances from the continued run-off and loan sales.
- LICs increased by $0.2bn in CMB from the oil and gas sector, and in RBWM from lower favourable market value adjustments in the US CML run-off portfolio as improvements in housing market conditions were less pronounced.
- We kept costs broadly unchanged, as higher staff costs in CMB and GB&M were offset in RBWM, notably in the US CML run-off portfolio.
- The graph below shows reported and adjusted profit before tax. The difference between them in part reflects the effect of fines, penalties and charges in relation to legal matters, which totalled $0.6bn and $0.7bn in 2014 and 2015, respectively.

Profit before tax ($bn)

	2015	2014
Reported	0.6	1.4
Adjusted	1.6	2.0

Latin America

Revenue growth driven by RBWM and CMB

We are focusing on growing our business in Mexico, where we are among the top five banks by assets and provide connectivity for businesses around the world, including ones in the US. In 2015, we announced the sale of our operations in Brazil. We aim to continue to provide access to the region for large multinational companies.

Revenue growth and lower LICs

- Adjusted profit before tax rose by $0.1bn due to higher revenue and lower LICs, offset by higher costs.
- Our revenue was $0.2bn higher (up by 3%). We increased revenue in CMB by $97m, as lending and deposit balances grew in Argentina, and in RBWM we grew lending across all core products in Mexico and grew deposit balances in Argentina. In RBWM in Brazil, revenue fell (down by $21m) reflecting the economic slowdown and our decision to sell the business there.
- LICs fell by $0.1bn due to lower specific LICs as the prior year included a significant GB&M charge, while LICs also fell in CMB. This was partly offset by higher LICs in RBWM in Brazil reflecting a rise in delinquency rates.
- Costs increased in all of our businesses (up by $0.2bn or 4%) at below the average rate of inflation in the region. This was despite continued investment in Global Standards.

Profit before tax ($bn)

	2015	2014
Reported	0.3	0.2
Adjusted	0.5	0.4

How we do business

Building long-term relationships

We conduct our business intent on supporting the sustained success of our customers, people and communities. We see investment in our capabilities, employees and processes as a source of long-term competitive advantage.

How we do business strengthens the durability of our earnings and our ability to return value to shareholders.

Our values underpin how we do business. We are open to differences and believe diversity makes us stronger. We are connected, and our personal relationships are essential to our business. We aim to be always dependable in fulfilling our responsibilities in society and delivering on commitments.

Building lasting business relationships

Empowering people

Ensuring sustainable outcomes

- Ensuring fair outcomes
- Increasing quality of service
- Developing long-term opportunities

- Equipping our employees
- Valuing diversity
- Encouraging ownership
- Rewarding positive behaviours

- Managing environmental and social impacts
- Respecting human rights
- Investing in our communities

Building lasting business relationships

Ensuring fair outcomes

We recognise that delivering fair outcomes for customers and upholding financial market integrity is critical to a sustainable business model.

We continue to enhance our product governance processes to further ensure products are designed to meet customers' needs and are sold appropriately. In the UK, for example, we have started to alert customers by text message when they are about to go into overdraft. As a result, customer complaints in this area have declined by 67% and customers have saved more than $129.9m in fees.

For further details on the steps we have taken to strengthen conduct across the Group, see page 40. For further details on compliance risk and for further details on conduct-related costs included in significant items, see pages 178 and 97, respectively.

Increasing quality of service

We seek feedback from customers in order to assess how well we are doing and what we can do better. In 2015, we improved our processes for responding to customer complaints and tools for understanding their causes. For example, in India our analysis of customer complaints led us to improve customer communication regarding minimum balances and change our fee structure. Complaints in this area subsequently reduced by 62%.

Through our commercial banking research programmes, we have spoken to more than 50,000 businesses to gather feedback on our products and services from existing and potential customers. We use competitor benchmarking, brand tracking and customer surveys to evaluate our performance. In RBWM, we conducted more than 350,000 individual customer surveys.

Developing long-term opportunities

Technology and climate change are two areas that present both challenges and opportunities to us and our customers.

Investing in technology
We are investing in innovation and digital capabilities to serve customers better, and enhancing security around financial transactions and customer data.

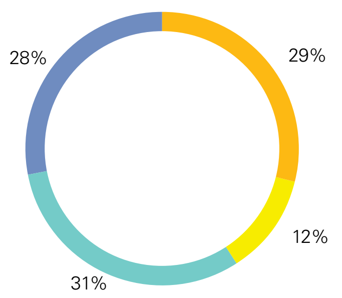
In 2015, we enabled the Apple Pay mobile payment service for customers in the UK and the US, and launched live-chat online customer service in six markets including the UK, Hong Kong and France. We made digital secure keys available in the UK to simplify the customer login experience. In Argentina and the Philippines, we launched our new online banking platform, which will be deployed in additional countries in 2016.

Facilitating a low-carbon economy
Reducing global carbon dioxide emissions is a critical challenge for society. We see the potential for financial services to facilitate investment that can help the world transition to a low-carbon economy.

In 2015, our Global Research team was ranked number one for Integrated Climate Change for the second year running in the Extel Survey. Furthermore, our Asset Management business joined the Montreal Pledge to disclose the carbon intensity of its portfolio.

For more information about our climate business, see page 37.

Complaint types
(RBWM)



Key
- Product – features and policy
- Product – fees and charges
- Other product-related complaints
- Service complaints

HSBC Global Research

1st

for integrated climate change research, ranked by Extel Survey 2015.

Geothermal plant, Nevada, US

The Enel Group pioneered the use of geothermal electricity generation more than 100 years ago in Italy and remains a global leader in the sector.

Case study: Enel

Italy, Energy multinational

One of the leading integrated global operators in the gas and electricity sectors with operations in more than 30 countries across four continents. Enel is one of the world's major producers of clean energy.

Enel Green Power

Enel Green Power ('EGP') is a publicly traded Enel Group company dedicated to the production of energy from renewable sources. In 2015, HSBC assisted EGP as financial adviser on its acquisition of a majority stake in the Indian wind and solar company BLP Energy. The transaction marks EGP's entry into the Indian renewable energy market and its first move into the Asia-Pacific region.

HSBC also acted as lead arranger in securing export financing for EGP's delivery of four solar power projects in South Africa. The financing of €145m was fully covered by SACE, the Italian export credit agency, and underlines our capabilities in export finance and the renewable energy sector.

Number of markets where served

9

Number of products provided

8

Climate business

HSBC helps facilitate investment in areas including infrastructure and renewable energy that help lower carbon dioxide emissions.

In 2015, the Group issued a green bond for the first time when HSBC France raised €500m ($554m) to fund customers and projects in the following sectors: renewables, energy efficiency, sustainable waste and water management, sustainable land use, climate change adaptation, and clean buildings and transportation.

HSBC also pledged to invest $1bn in a portfolio of green, social or sustainable bonds.

We also helped CLP Windfarms become the first Indian corporate to issue a public green bond, and Vestas Wind Systems, based in Denmark, issue the first green bond by a wind turbine manufacturer. We also helped Agricultural Bank of China issue the first international green bond from a Chinese bank.

Another example of our work facilitating a low-carbon economy involves our team dedicated to bus rapid transit systems. These use prioritised bus lanes in urban areas to cut journey times, reduce pollution and increase road safety.

We helped finance 466 efficient buses in 2015, in countries including Ghana and South Africa. Since the team was created in 2005, it has helped finance 4,500 buses and equipment such as workshops and ticketing systems. We are also a member of the United Nations Partnership on Sustainable, Low Carbon Transport.

In 2015, we also helped finance three renewable energy deals in the US, and an energy efficiency programme in the UK to install around seven million electricity and gas smart meters in homes and businesses.

Empowering people

Valuing diversity

We are proud to provide an open, supportive and inclusive workplace where people can grow and achieve their potential. Our commitment to diversity and inclusion helps us attract, develop and retain employees. We are also committed to reflecting the communities we serve.

Our employees lead and organise seven global employee networks to promote diversity. They focus on gender, age, ethnicity, sexual orientation, religion, working parents and disability.

To help managers address bias in hiring, promotion and talent identification, we use education programmes and have expanded mentoring initiatives for under-represented groups.

In 2015, we won Diversity Team of the Year at the European Diversity Awards. We were also one of 10 companies recognised as a Top Global Employer in Stonewall's Global Workplace Equality Index.

We continue to address gender representation, particularly at senior levels, with additional focus on promotions and hiring. We also continue to expand support and flexible working programmes for parents returning to work.

Our award-winning Balance employee network aims to address gender diversity across HSBC, encouraging dialogue and a better understanding of the challenges and opportunities in promoting a gender-balanced workforce throughout the Group. It is available to staff of all genders, and had active groups in more than 30 offices around the world in 2015.

Encouraging ownership

We promote individual ownership and responsibility, and have created forums to encourage dialogue. In 2015, we continued to facilitate agenda-free exchange meetings across the Group for employees to collaborate on ideas and initiatives to improve our work. We also held 14 webcasts with senior executives to promote understanding of our strategic actions and allow employees to ask questions.

Equipping employees

Our training programmes reinforce a culture grounded in our values. In 2015, we completed a three-year programme of values-led leadership training for all employees.

We are building employee training centres in Birmingham, Dubai and mainland China. These will operate alongside HSBC University, our online training service.

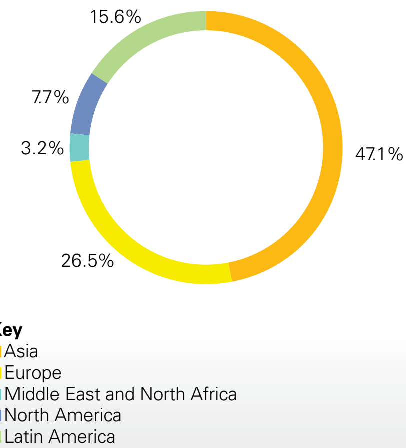
In 2015, we also launched HSBC Confidential, which brought together all our existing whistleblowing channels on to a global platform that allows employees to raise concerns confidentially without fear of personal repercussions. The global channel can be accessed by telephone, email, web or mail. For further details, see 'Whistleblowing' on page 179.

Rewarding positive behaviours

We have embedded behaviour ratings in our performance review processes, which are factored into variable pay considerations.

In 2015, we introduced an At Our Best online recognition tool for all employees. It allows them to recognise colleagues' actions by awarding points that are redeemed for gifts and benefits.

Employees (FTE) by region



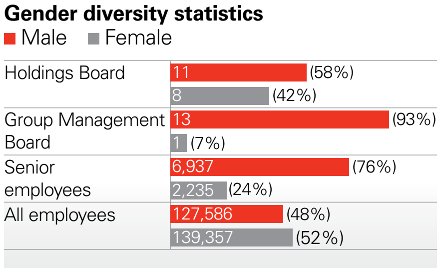
Exchange meeting participation
(% of employees that attended a 2015 meeting)

53%

Employee retention

84.1%

Gender diversity statistics



22% reduction in our carbon dioxide emissions since 2011

$205m donated to charity in 2015

Ensuring sustainable outcomes

Managing environmental and social impacts

We continue to reduce the environmental impact of our operations and have robust policies and processes to manage sustainability risks in our business activities.

We are reducing the amount of energy we consume, and increasing the proportion from renewable sources. We have signed agreements to increase the percentage of our electricity from new wind and solar sources to 9%, and have a target of 25% by 2020. We report on our carbon dioxide emissions for the year in the Report of the Directors on page 98.

Our sustainability risk policies cover a number of sensitive industries and themes. After we issued new standards in our forestry and agricultural commodities policies in 2014, we took the decision to stop banking more than 160 customers as soon as possible because they did not comply. In 2015, HSBC was recognised as a leader in the Forest 500 ranking of 150 investors' policies on the sustainability of forest commodity supply chains.

We also support a transition to certified, sustainable palm oil. Our standards require our palm oil customers to have all their operations certified as sustainable by the end of 2018, and we continue to support them in meeting this goal.

In 2015, there were more than 2,300 attendances by relationship and risk managers of training on our sustainability risk policies to help ensure their implementation is robust.

Details on our sustainability risk framework and policies are available online at www.hsbc.com/citizenship/sustainability/finance.

Respecting human rights

We apply human rights considerations directly as they affect our employees and indirectly through our suppliers and customers, and through our action to prevent bribery and corruption. For example, our code of conduct for suppliers includes elements related to human rights, as do our project finance lending and sustainability risk policies. Our Statement on Human Rights, issued in 2015, explains how we do this and is available on our website. We will integrate the provisions of the Modern Slavery Act 2015 into our business and supply chain, and will report in line with the guidelines published by the UK government.

We are guided by the International Bill of Human Rights, and support the UN Declaration of Human Rights and the principles concerning fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

Investing in our communities

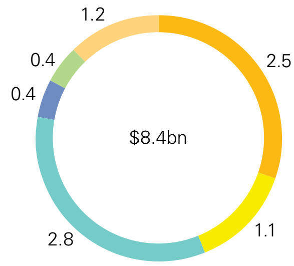
We believe that education and the environment are essential to resilient communities and thriving economies. For more than 10 years, we focused our community investment activities on these two areas. In 2015, following survey responses from employees, we decided to add medical charities to the causes we support.

In 2015, we contributed a total of $205m to charitable programmes and our employees volunteered 304,555 hours in community activities during the working day.

We marked our 150th year by setting up an additional fund of $150m to support causes selected by our employees. It will support 140 charities across the world over three years. We also made a one-off $62m donation to charities in Hong Kong from the sale of commemorative HK$150 bank notes.

Tax

Taxes paid by region
($bn)



Key
- UK
- Rest of Europe
- Asia
- Middle East and North Africa
- North America
- Latin America

Our approach to tax

We apply the spirit as well as the letter of the law in all territories where we operate, and have adopted the UK Code of Practice for the Taxation of Banks. As a consequence, we pay our fair share of tax in the countries in which we operate. We continue to strengthen our processes to help ensure our banking services are not associated with any arrangements known or suspected to be designed to facilitate tax evasion.

HSBC continued to support global initiatives to improve tax transparency such as:

– the US Foreign Account Tax Compliance Act ('FATCA');

– the OECD Standard for Automatic Exchange of Financial Account Information (also known as the Common Reporting Standard);

– the Capital Requirements Directive IV ('CRD IV') Country by Country Reporting; and

– the OECD Base Erosion and Profit Shifting ('BEPS') initiative.

We do not expect the BEPS initiative or similar initiatives adopted by national governments to adversely impact HSBC's results.

Our conduct

Operating with high standards of conduct is central to our long-term success. We have processes, policies and a culture designed to ensure fair outcomes for customers and protect the integrity of financial markets.

Improving conduct continuously

We have undertaken a series of initiatives in recent years to strengthen and develop our measures to encourage and ensure good conduct.

In 2014, we established a Conduct & Values Committee to provide Board oversight of our multiple efforts to raise standards of conduct and to embed the behavioural values we stand for.

Later that year, we introduced our global Conduct Framework, which sets out five pillars on which our conduct is based, and links each to specific behaviours. This guides activities to strengthen our business, and increases our understanding and awareness of how the decisions we make affect customers and other stakeholders.

Raising standards further in 2015

We completed a broad programme of activities during the year to further raise standards of conduct, and help ensure their effectiveness across the Group.

Key developments included introducing the assessment of values in recruitment, embedding customer perspective in decision making, refining the value proposition of products and improving the reporting of misconduct.

Selected initiatives and the pillars they relate to are shown along the timeline below.

For further details of the work of the Conduct & Values Committee, see page 272.

Selected initiatives

Figures in diamonds refer to pillars in our Conduct Framework

2012 to 2014

5 Updated RBWM new product review process to assess against fair exchange of value criteria

2 Revised incentives structure in RBWM and CMB to remove formulaic link with sales volumes, and instead focus on customer needs

5 Established Board-level Conduct & Values Committee to promote and oversee activities across the Group

1 Introduced a global conduct framework to define and guide initiatives across five areas of activity

2015

3 Defined global policy in RBWM on potentially vulnerable customers to help us identify and appropriately serve those whose circumstances could impair their decision making

2 Introduced values assessment in recruitment for senior roles across the Group to help ensure candidates reflect our standards of behaviour

4 Integrated our GB&M surveillance teams and tested new technologies to strengthen our capabilities to detect suspicious trading activity and misconduct

Our Conduct Framework

Key	The Pillars	Global conduct outcomes	
1	**Pillar 1: Strategy and business models**	– Our strategy, business models, and the decisions we make deliver fair treatment of customers and do not disrupt market integrity	
2	**Pillar 2: Culture and behaviours**	– Our culture supports our people and empowers them to consistently do the right thing for our customers and markets in which we operate – Our people are competent and committed to the fair treatment of customers and not disrupting the integrity of markets	– We are open to challenge, we acknowledge when things go wrong, we fix things and we learn from our mistakes – We reward and incentivise performance, behaviours and attitudes which deliver the fair treatment of customers and uphold market integrity
3	**Pillar 3: Customer**	– We know our customers and understand their needs – we actively listen to them and ask the right questions – Our products are designed to meet the different needs of our customers, to be competitive and to be understandable – Our products and services provide a balanced exchange of value between HSBC and our customers	– Throughout our sales and servicing we are efficient, transparent and customer-focused – We manage our products and services so that our customers' experience is in line with the expectations we set
4	**Pillar 4: Markets**	– We seek to prevent and will proactively identify actions and behaviours that constitute market misconduct, and respond appropriately – Trades are executed in a timely, clear and controlled manner ensuring that optimal execution is achieved for our customers and that HSBC trades are not manipulative	– We manage conflicts of interest and appropriately handle information to reduce the opportunity for misuse
5	**Pillar 5: Governance and oversight**	– Our governance framework provides effective oversight of how we fairly treat customers and uphold market integrity	– We engage with regulatory bodies in a timely, open and transparent manner

2015

3	3	2	3	3	5	2
Introduced a tone-of-voice communications toolkit to simplify and improve clarity of interactions with customers	Reviewed all RBWM products to assess fair value for customers resulting in reductions or removal of certain fees for 83 retail banking products across 24 countries	Launched 'Rebuilding trust in banking' mandatory training for all employees globally; completed by more than 270,000 people	Expanded customer feedback and complaint handling capabilities; increased analysis of root causes to address recurring customer concerns more effectively	Streamlined inventory of CMB products offered to customers globally (more than 50% reduction since 2013)	Submitted attestation to the Financial Conduct Authority on our systems and controls in GB&M to mitigate risks identified in our foreign exchange and commodities businesses	Launched employee gratitude project to promote culture of appreciation; 40,000 employee 'thank you' notes sent in a single month

Risk overview

We actively manage risk to protect and enable the business.

Managing risk

As a provider of banking and financial services, managing risk is part of our core day-to-day activities. Our success in doing so is due to our clear risk appetite, which is aligned to our strategy. We set out the aggregate level and types of risk that we are willing to accept in order to achieve our medium- and long-term strategic objectives in our risk appetite statement, which is approved by the Board, covering:

- risks that we accept as part of doing business, such as credit risk and market risk;
- risks that we incur to generate income, such as operational risk and capital and liquidity risk, which are managed to remain below an acceptable tolerance; and
- risks that we have zero tolerance for, such as reputational risk.

Our risk management framework and its key components, and our exposure to risks arising from the business activities of the global businesses are shown on pages 101 and 109, respectively.

The strategic actions designed to increase our return on equity are described on page 18.

To ensure that risks are managed in a consistent way across the Group, we employ a risk management framework that is applicable to all levels of the organisation and across all risk types. It sets out governance and structures, responsibilities and processes. Global Risk, led by the Group Chief Risk Officer, who is an executive Director, is responsible for enterprise-wide risk oversight and is independent from the sales and trading functions of the Group's businesses. This independence ensures the necessary balance in risk/return decisions.

Key risk appetite metrics

Component	Measure	Risk appetite	2015
Returns	Return on average ordinary shareholders' equity in excess of our estimated cost of equity of 9%	≥10%	7.2%
Capital	Common equity tier 1 ratio – CRD IV end point basis	≥10%	11.9%
Liquidity	HSBC consolidated balance sheet advances-to-deposits ratio	≤90%	72%
Loan impairment charges	RBWM loan impairment charges as % of advances[1]	<0.65%	0.58%
	Wholesale loan impairment charges as % of advances	<0.45%	0.26%

[1] Including the loans of the Brazilian operations held for sale.

Risk management and stress testing

Stress testing is an integral component of our risk management framework. It is an important tool for us to assess potential vulnerabilities in our businesses, business model or portfolios. It allows us to understand the sensitivities of the core assumptions in our strategic and capital plans, and improve decision-making through balancing risk and return.

Internal stress test scenarios are closely aligned to our assessment of top and emerging risks. The potential impact from these scenarios, were they to occur, may prompt pre-emptory management actions including a reduction in limits or direct exposures, or closer monitoring of exposures sensitive to stress.

Our approach to stress testing and the results of regulatory stress testing programmes are discussed on pages 103 and 116, respectively.

We also participate in regulatory stress test exercises in a number of jurisdictions. The primary Group-wide exercise is requested by the Bank of England. The 2015 scenario incorporated a synchronised global downturn affecting Asia, Brazil and the eurozone in particular, a reduction in global risk appetite and market liquidity, and a recession in the UK.

The results were published by the Bank of England on 1 December 2015 and are summarised below. Our CET1 ratio remained well above the regulatory minimum despite our significant presence in the countries and regions affected by the scenario, demonstrating our resilience to a severe stress situation in our core markets.

2015 Bank of England Stress Test Results
Group Common Equity Tier 1 Ratio

31 December 2014 actual (end point)	11.1%
Minimum stressed ratio before management actions	7.0%
Minimum stressed ratio after management actions	7.7%
Bank of England minimum ratio	4.5%
31 December 2015 actual (end point)	11.9%

Top and emerging risks

We employ a top and emerging risks framework at all levels of the organisation to identify current and forward-looking risks so that we may take action that either prevents them materialising or limits their effect.

Top risks are those that may have a material impact on the financial results, reputation or business model of the Group in the year ahead. Emerging risks are those that have large unknown components and may form beyond a one-year horizon. If these risks were to occur, they could have a material effect on HSBC.

Our current top and emerging risks are summarised below.

During 2015, we made two changes to our top and emerging risks to reflect our assessment of their effect on the Group. 'Turning of the credit cycle' was added as a new risk, reflecting the risk of deterioration in the credit environment. 'Internet crime and fraud' was removed as mitigating actions taken have reduced credit and fraud losses through digital channels.

In addition, four risks were renamed to better reflect the issues facing HSBC. We use the new names below.

Our top and emerging risks are discussed in more detail on page 110.

Risk	Trend	Mitigants
Externally driven		
Economic outlook and capital flows	▶	We closely monitor economic developments in key markets, undertaking business or portfolio reviews or stress tests as required, and take appropriate action as circumstances evolve.
Geopolitical risk	▲	We continuously assess the impact of the geopolitical outlook on our country limits and exposures to ensure we remain within our risk appetite.
Turning of the credit cycle	▲	We undertook portfolio and limit reviews and conducted stress tests on the sectors and portfolios that are most sensitive to the credit cycle.
Regulatory developments affecting our business model and profitability	▶	We actively assess the effect of relevant developments and engage closely with governments and regulators, seeking to ensure that requirements are considered properly and implemented in an effective manner.
US DPA and related agreements and consent orders	▲	We are continuing to take concerted action to remedy anti-money laundering and sanctions compliance deficiencies and to implement Global Standards.
Regulatory focus on conduct of business and financial crime	▶	We are enhancing our financial crime and regulatory compliance controls and resources and are implementing significant programmes to enhance the management of conduct and financial crime risks.
Dispute risk	▶	We continue to focus on identifying emerging regulatory and judicial trends, and sharing lessons learned globally in an effort to avoid or limit future litigation exposure.
Cyber threat and unauthorised access to systems	▲	We continue to improve our governance and controls framework to protect HSBC's information and technical infrastructure against ever-increasing and sophisticated cyber threats.
Internally driven		
People risk	▶	We continue to focus on attracting and retaining key talent and are implementing a number of initiatives to improve employee capability, collaboration and engagement.
Execution risk	▲	We have strengthened our prioritisation and governance processes for significant strategic, regulatory and compliance projects. Risks related to the disposals of our operations in Brazil and Turkey were subject to close management oversight.
Third-party risk management	▶	We are enhancing our third-party risk management governance, processes and procedures and have conducted enhanced risk assessments of our most critical third parties.
Model risk	▶	We have strengthened our governance framework, created centralised global analytical functions and recruited additional subject matter experts in our modelling and independent model review teams.
Data management	▶	A number of key initiatives and projects are in progress to implement our data strategy to enable consistent data aggregation, reporting and management.

▲ Risk heightened during 2015
▶ Risk remained at the same level as 2014

Remuneration

Our remuneration policy supports the achievement of our strategic objectives through balancing reward for both short-term and long-term sustainable performance.

Remuneration principles

The remuneration strategy for our employees is based on a series of key principles.

For full details of our remuneration policy, see www.hsbc.com/~/media/HSBC-com/InvestorRelationsAssets/governance/151023-remuneration-policy.

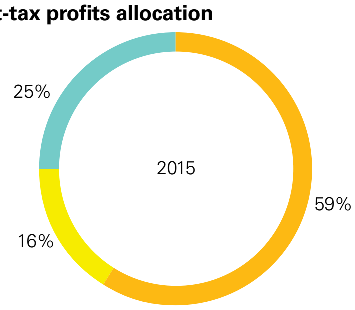
What we do

- Focus on total compensation with a strong link between pay and performance
- Judge not only what is achieved but how it is achieved in line with HSBC Values
- Operate a thorough performance management and HSBC Values assessment process
- Recognise and reward our employees for outstanding positive behaviour
- Design our policy to align compensation with long-term shareholder interests
- Apply consequence management to strengthen the alignment between risk and reward

What we don't do

- Reward inappropriate or excessive risk taking or short-term performance at the expense of long-term company sustainability
- Use only a formulaic approach to determine bonuses for our executives
- Award discretionary bonuses to employees rated unacceptable against our HSBC Values and behaviours
- Allow our employees to hedge against their unvested or retained awards
- Offer employment contracts with a notice period of more than 12 months
- Have pre-arranged individual severance agreements

Post-tax profits allocation



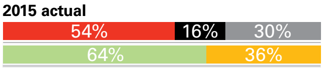
Key
- Dividends[1]
- Variable pay[2]
- Retained earnings/capital

[1] 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.
[2] Total variable pay pool net of tax and portion to be delivered by the award of HSBC shares.

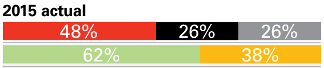
Single figure of remuneration for our executive Directors

(£000)

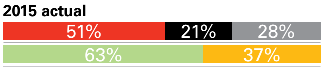
Stuart Gulliver
2015 actual



Iain Mackay
2015 actual



Marc Moses
2015 actual



Key
Components of pay:
- Fixed pay
- Annual incentive
- Group Performance Share Plan ('GPSP')

Settled in:
- Shares
- Cash

For full details of our Directors' pay and performance for 2015, see the Directors' Remuneration Report on page 285.

How much our executive Directors earned in 2015 (£000)

	Douglas Flint Group Chairman		**Stuart Gulliver** Group Chief Executive		**Iain Mackay** Group Finance Director		**Marc Moses** Group Chief Risk Officer	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Fixed pay								
Base salary	**1,500**	1,500	**1,250**	1,250	**700**	700	**700**	700
Fixed pay allowance	**–**	–	**1,700**	1,700	**950**	950	**950**	950
Pension	**750**	750	**625**	625	**350**	350	**350**	350
Total fixed pay	**2,250**	2,250	**3,575**	3,575	**2,000**	2,000	**2,000**	2,000
Variable pay								
Annual incentive	**–**	–	**1,072**	1,290	**1,068**	867	**827**	1,033
GPSP	**–**	–	**1,969**	2,112	**1,101**	1,131	**1,101**	1,131
Total variable pay	**–**	–	**3,041**	3,402	**2,169**	1,998	**1,928**	2,164
Total fixed and variable pay	**2,250**	2,250	**6,616**	6,977	**4,169**	3,998	**3,928**	4,164
Benefits	**151**	136	**662**	589	**54**	43	**6**	6
Non-taxable benefits	**95**	105	**53**	53	**28**	28	**29**	33
Notional return on deferred cash	**–**	41	**9**	–	**5**	11	**5**	36
Total single figure of remuneration	**2,496**	2,532	**7,340**	7,619	**4,256**	4,080	**3,968**	4,239

Policy for executive Directors

We are making changes to our Directors' remuneration policy

Our current remuneration policy was approved by shareholders at the 2014 Annual General Meeting ('AGM') and was applied for 2015. Due to increased regulatory requirements, we are putting forward a new remuneration policy for shareholder approval at the AGM this year. For further details, see page 288.

The table below summarises how each element of pay was implemented in 2015 and how it will change for 2016 if the new policy is approved.

For full details of the current Directors' remuneration policy, see page 381 of the 2013 Directors' Remuneration Report.

Pay	Element	Implementation in 2015	Proposed changes to policy for 2016
Fixed	**Base salary**	– Benchmarked on an annual basis – Increases will not exceed more than 15% of base salary levels as at 2013 during the term of the policy – Amounts have not changed since 2010	No change to policy: – Increase will not exceed more than 15% of base salary levels as at 2016 during the term of the policy
	Fixed pay allowance	– Fixed pay allowances introduced in 2014 to ensure the total compensation package remains competitive as a consequence of new regulatory requirements in 2013 – Granted in immediately vested shares, subject to a retention period with 20% released after one year and the remainder after five years	– Maximum fixed pay allowance for each executive Director is 150% of base salary – Granted in immediately vested shares, subject to a retention period released pro-rata over a period of five years
	Pension	– Cash allowance in lieu of pension of up to 50% of base salary	– Reduced to a maximum of 30% of base salary
	Benefits	– Takes account of local market practice, including but not limited to medical and income protection insurance	– No change to current provided benefits – Post-departure benefits introduced for up to seven years from date of departure
Variable	**Annual incentive**	– Maximum is 67% of fixed pay (equal to approximately 181% of base salary) – Measured against an annual scorecard – A minimum of 60% will be deferred and vest over a three-year period – Delivered in cash and shares, with a minimum of 50% delivered in shares	– Maximum is 215% of base salary – 100% delivered in shares subject to a retention period, with the Remuneration Committee to have discretion to defer a portion of the awards or apply a longer retention period
	Long-term incentive	– Group Performance Share Plan – Maximum of 133% of fixed pay (equal to approximately 381% of base salary) – Measured against 2014 long-term scorecard – Delivered in shares with a five-year vesting period – Required to hold shares until retirement	– New long-term incentive plan – Maximum is 320% of base salary – Performance targets set annually for each three-year forward-looking performance period – Introduction of relative total shareholder return as a performance measure – Delivered in shares, subject to the outcome of the performance conditions at the end of the three-year performance period, in equal instalments between the third and seventh anniversary of the grant date – A retention period may be applied to ensure compliance with regulatory requirements

Value of the international network

Our international network is a distinctive advantage and underpins our strategy. It enables us to serve clients in a large number of countries.

Our global footprint gives us a strong position in transaction banking products, which support global trade and capital flows. The scale of our network means we can offer these products to a larger number of customers, including companies that operate in many countries.

Details can be found on pages 14 to 17.

By serving a wide range of customers, we also create business synergies. Cross-business synergies come from providing products from one of our global businesses to customers of another. In-business synergies come from owning our Securities Services business, and our Asset Management and Insurance businesses that manufacture their own products, and support our global businesses.

We are building on these strengths, and saw their effects during 2015.

Growth from transaction banking products

We grew revenue from our transaction banking products by 4% in 2015 to $15.7bn, driven in particular by Foreign Exchange, and Payments and Cash Management ('PCM'). In Global Trade and Receivables Finance, we maintained revenue despite a decline of approximately 40% in commodity prices and stagnant world trade. We continue to benefit from our presence along strategic trade corridors and synergies across global businesses.

Payments and Cash Management

We increased average deposits by 8% in 2015, aided by: investment in sales and client management; new and enhanced products; and access through digital channels including HSBCnet mobile, which is now available in 34 markets.

Business synergies

We grew business synergy revenue by $0.6bn to $11.6bn in 2015. In-business synergies grew 8%, including 7% growth in Securities Services revenue. Growth in cross-business synergies revenue was led by a 7% increase in revenue from PCM products sold to GB&M customers.

Business synergies revenue growth (% change 2014 to 2015)

6%

Transaction banking product revenue ($bn)

2015	15.7
2014	15.1