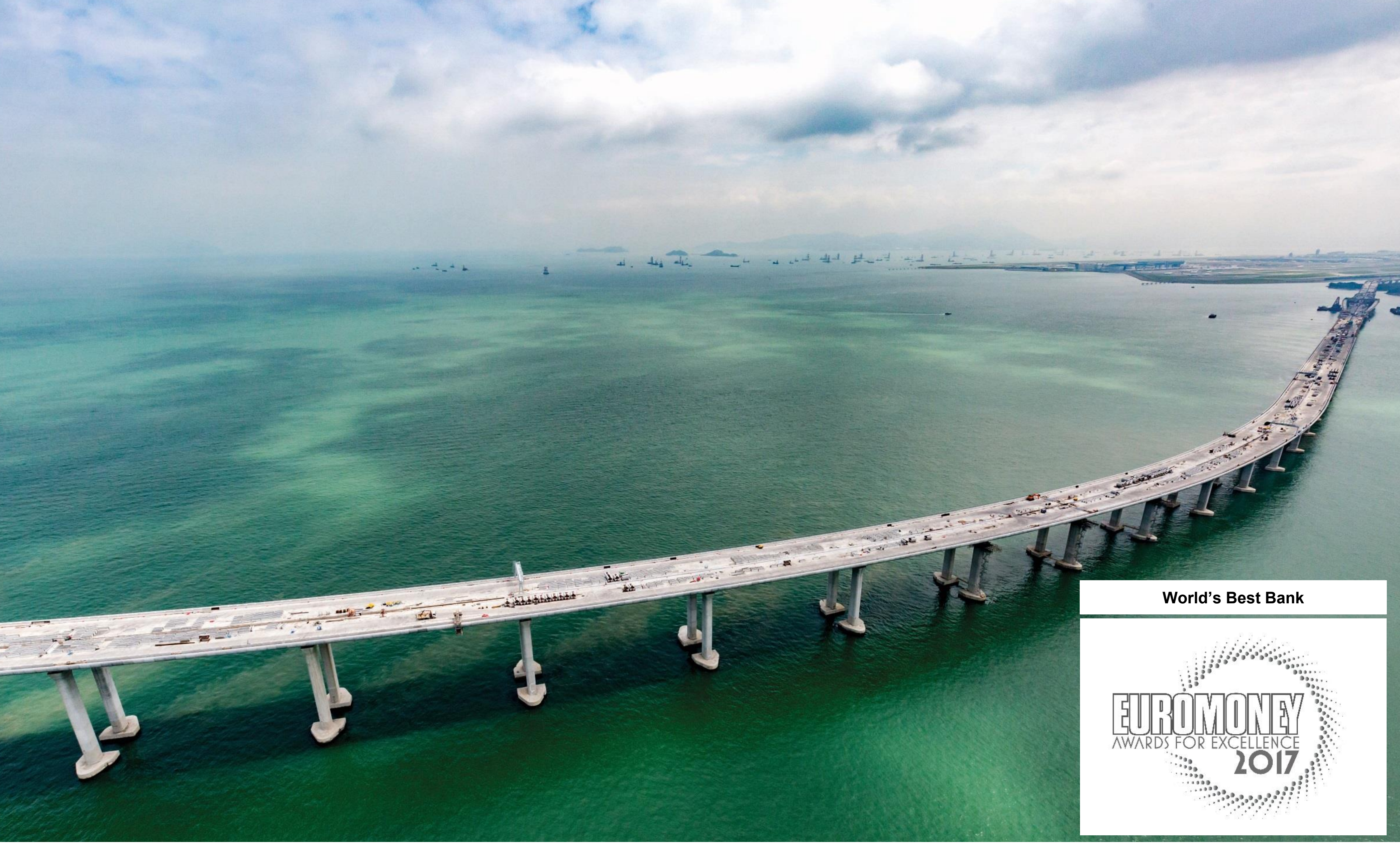


HSBC Holdings plc Interim Results 2017

Presentation to Investors and Analysts

HSBC

Our highlights

1st Half 2017

Reported PBT
(1H16: $9.7bn)
$10.2bn

Adjusted PBT
(1H16: $10.7bn)
$12.0bn

Reported RoE[1]
(1H16: 7.4%)
8.8%

Adjusted Jaws[2]
0.5%

A/D ratio
(1H16: 68.8%)
70.1%

CET1 ratio[3]
(1H16: 12.1%)
14.7%

1H17 Financial Performance (vs. 1H16 unless otherwise stated)	– Reported PBT of $10.2bn was $0.5bn higher than 1H16
	– Adjusted PBT of $12.0bn up $1.3bn; up in all three of our largest global businesses
	  – Revenue of $26.1bn up $0.8bn or 3%:
	    – RBWM up $1.1bn or 12% primarily from increased deposit revenue and included favourable market impacts; excluding these market impacts, revenue was up 6%
	    – GB&M up $0.6bn or 8% driven by our FICC, Equities and Global Banking businesses
	    – CMB up $0.1bn or 1% driven by our Global Liquidity and Cash Management business
	    – Corporate Centre down $0.9bn mainly due to lower revenue from the run-off of the CML portfolio and lower valuation differences on long term debt and associated swaps
	  – Delivered positive jaws of 0.5%; on track to deliver targeted saves whilst we continue to invest in growth
	  – Lower LICs reflecting improved credit conditions, primarily in the oil and gas sector
	– $41bn of lending growth since 4Q16 (excluding CML run-off and red-inked balances), in Asia ($31bn) and Europe ($12bn)

Capital and liquidity	– Strong capital position with a CET1 ratio of 14.7% and a leverage ratio of 5.7% – The Board has determined to return to shareholders up to a further $2bn by way of a share buy-back which is expected to commence shortly and complete in the second half of 2017
Strategy execution	– Delivered growth from our international network with 7% increase in revenues from transaction banking products; 17% rise in synergies between Global Businesses – Achieved annualised run-rate savings of $4.7bn since inception, while continuing to invest in growth, and regulatory programmes and compliance. Incremental savings in 1H17 were $0.9bn – Targeted initiatives removed a further $29bn of low return RWAs in 1H17. Exceeded our RWA reduction target (FX rebased) bringing the total to $296bn since the start of 2015 – Obtained regulatory approval to establish HSBC Qianhai Securities, the first securities company in mainland China to be majority-owned by an international bank – Maintained momentum in Asian Insurance and Asset Management businesses with annualised new business premiums and AuM up 14% and 17% respectively – Successfully achieved a non-objection to our US capital plan as part of the Comprehensive Capital Analysis and Review (CCAR)

1H17 Key financial metrics

Key financial metrics	1H16	1H17
Return on average ordinary shareholders' equity[1]	7.4%	8.8%
Return on average tangible equity[1]	9.3%	9.9%
Jaws (adjusted)[2, 4]	(0.5)%	0.5%
Dividends per ordinary share in respect of the period	$0.20	$0.20
Earnings per share	$0.32	$0.35
Common equity tier 1 ratio	12.1%	14.7%
Leverage ratio	5.1%	5.7%
Advances to deposits ratio	68.8%	70.1%
Net asset value per ordinary share (NAV)	$8.75	$8.30
Tangible net asset value per ordinary share (TNAV)	$7.53	$7.26

Reported Income Statement, $m

	2Q17	Δ 2Q16	Δ %	1H17	Δ 1H16	Δ %
Revenue	13,173	(1,321)	(9)%	26,166	(3,304)	(11)%
LICs	(427)	778	65%	(663)	1,703	72%
Costs	(8,115)	2,249	22%	(16,443)	2,185	12%
Associates	651	(32)	(5)%	1,183	(55)	(4)%
PBT	5,282	1,674	46%	10,243	529	5%

Adjusted Income Statement, $m

	2Q17	Δ 2Q16	Δ %	1H17	Δ 1H16	Δ %
Revenue	13,210	546	4%	26,053	818	3%
LICs	(427)	330	44%	(663)	893	57%
Costs	(7,404)	(197)	(3)%	(14,606)	(384)	(3)%
Associates	651	(9)	(1)%	1,183	(11)	(1)%
PBT	6,030	670	13%	11,967	1,316	12%

Financial overview

Reconciliation of Reported to Adjusted PBT

		Discrete quarter			Half year		
		2Q16	2Q17	∆ 2Q16	1H16	1H17	∆ 1H16
Reported profit before tax		**3,608**	**5,282**	**1,674**	**9,714**	**10,243**	**529**
Includes:							
Currency translation		245	-	(245)	520	-	(520)
Significant items:							
FVOD[5]	Fair value gains / losses on own debt	75	-	(75)	1,226	-	(1,226)
Brazil disposal	Trading results from disposed operations in Brazil	(220)	-	220	(338)	-	338
Disposal of membership interest in Visa	Europe	584	-	(584)	584	-	(584)
	US	-	166	166	-	312	312
DVA	DVA on derivative contracts	(7)	(178)	(171)	151	(275)	(426)
NQHs	Fair value movements on non-qualifying hedges	(164)	(61)	103	(397)	30	427
Cost-related	Settlements and provisions in connection with legal matters	(723)	322	1,045	(723)	322	1,045
	Impairment of GPB Europe goodwill	(800)	-	800	(800)	-	800
	Costs to achieve (CTA)	(677)	(837)	(160)	(1,018)	(1,670)	(652)
	UK customer redress	(33)	(89)	(56)	(33)	(299)	(266)
	Costs to establish UK ring-fenced bank	(63)	(93)	(30)	(94)	(176)	(82)
Other	Other significant items	34	22	(12)	(15)	32	47
Adjusted profit before tax		**5,360**	**6,030**	**670**	**10,651**	**11,967**	**1,316**

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

1H17 Profit before tax

Adjusted PBT higher from increased revenue and reduced LICs

1H17 vs. 1H16

Adjusted PBT by item

	1H17	Δ 1H16 (adverse / favourable)	
Revenue	$26,053m	818	3%
LICs	$(663)m	893	57%
Operating expenses	$(14,606)m	(384)	(3)%
Share of profits in associates and joint ventures	$1,183m	(11)	(1)%
Profit before tax	**$11,967m**	1,316	12%

Jaws[2]

+ 0.5%

Adjusted PBT by global business, $m	1H16	1H17	Δ 1H16	Δ %
RBWM	2,539	3,355	816	32%
CMB	2,945	3,443	498	17%
GB&M	2,558	3,403	845	33%
GPB	182	143	(39)	(21)%
Corporate Centre	2,427	1,623	(804)	(33)%
Group	**10,651**	**11,967**	**1,316**	**12%**

Adjusted PBT by geography, $m	1H16	1H17	Δ 1H16	Δ %
Europe	1,647	1,801	154	9%
Asia	7,157	8,106	949	13%
Middle East and North Africa	863	820	(43)	(5)%
North America	683	926	243	36%
Latin America	301	314	13	4%
Group	**10,651**	**11,967**	**1,316**	**12%**

2Q17 Profit before tax

Adjusted PBT up in all regions

2Q17 vs. 2Q16

Adjusted PBT by item

	2Q17	Δ 2Q16 (adverse / favourable)	
Revenue	$13,210m	546	4%
LICs	$(427)m	330	44%
Operating expenses	$(7,404)m	(197)	(3)%
Share of profits in associates and joint ventures	$651m	(9)	(1)%
Profit before tax	**$6,030m**	670	13%

Jaws[2]

+ 1.6%

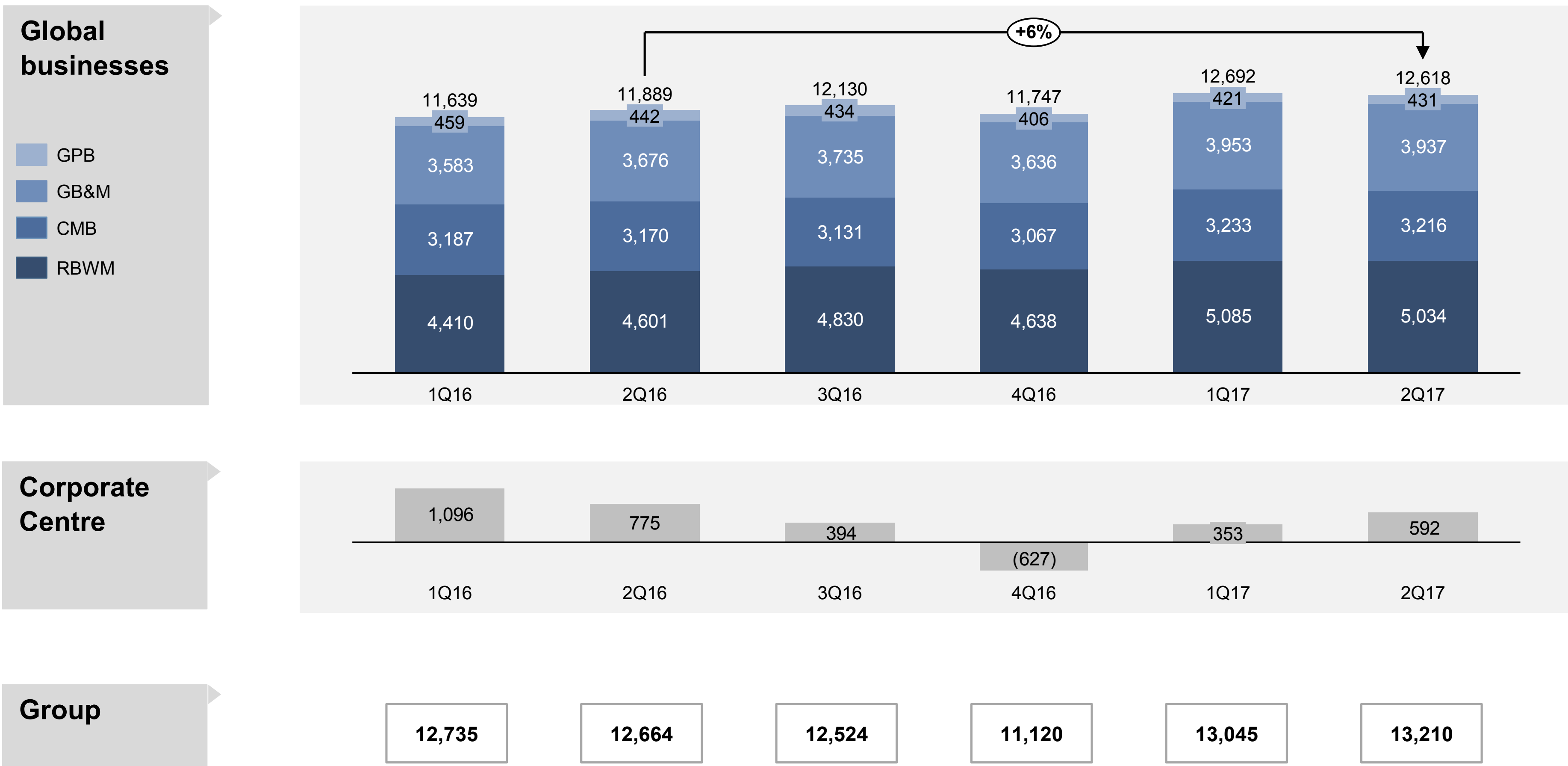
Adjusted PBT by global business, $m	2Q16	2Q17	Δ 2Q16	Δ %
RBWM	1,324	1,574	250	19%
CMB	1,457	1,648	191	13%
GB&M	1,296	1,694	398	31%
GPB	96	73	(23)	(24)%
Corporate Centre	1,187	1,041	(146)	(12)%
Group	**5,360**	**6,030**	**670**	**13%**

Adjusted PBT by geography, $m	2Q16	2Q17	Δ 2Q16	Δ %
Europe	744	1,206	462	62%
Asia	3,719	3,799	80	2%
Middle East and North Africa	419	425	6	1%
North America	315	414	99	31%
Latin America	162	186	24	15%
Group	**5,360**	**6,030**	**670**	**13%**

Revenue performance

Revenue up across our three largest businesses vs. 2Q16

Quarterly revenue trend[6], $m



Retail Banking and Wealth Management performance

Strong revenue growth in 1H17

1H17 highlights

Adjusted PBT
(1H16: $2.5bn)
$3.4bn

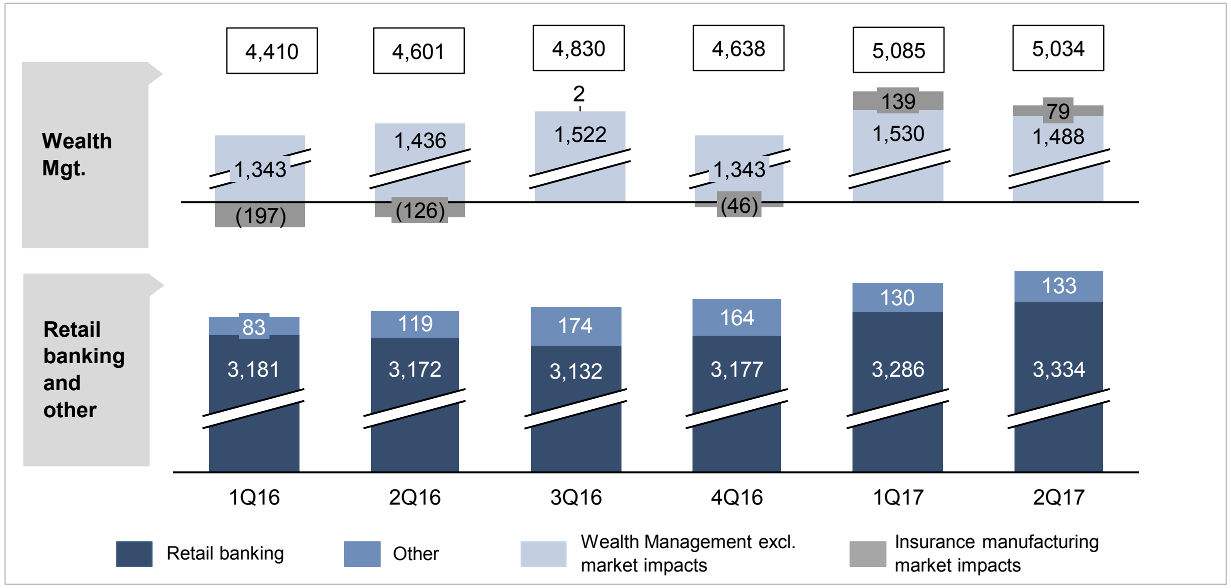
Adjusted revenue
(1H16: $9.0bn)
$10.0bn

Adjusted LICs
(1H16: $0.5bn)
$0.6bn

Adjusted costs
(1H16: $5.9bn)
$6.1bn

Adjusted Jaws
+8.3%

Revenue performance, $m[6]



2Q17 vs. 2Q16: Adjusted revenue up 9%

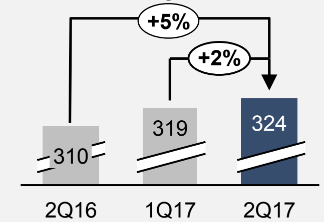
- Wider liability margins and higher balances (mainly in Hong Kong) driving deposit revenues (up $235m)
- Partly offset by lower lending revenue (down $74m) in Asia and Europe due to margin compression, despite volume growth
- Investment distribution (up $73m), mainly in Hong Kong due to higher sales from renewed investor confidence
- Insurance manufacturing (up $159m), reflecting positive market impacts in Asia

2Q17 vs. 1Q17: Adjusted revenue down 1%

- Deposits up $74m, due to wider margins and higher balances
- Lending down $26m, due to margin compression in Asia and Europe, despite volume growth
- Insurance manufacturing (down $104m), reflecting less favourable market impacts ($60m) and lower insurance sales ($30m)

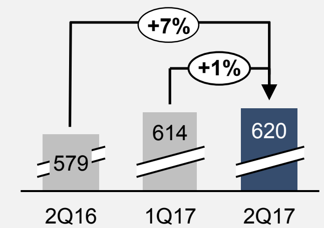
Balance Sheet, $bn[7]

Customer lending:



- Lending growth up 2% compared to 1Q17, mainly in Hong Kong, the UK and Mexico
- Up 5% versus 2Q16

Customer deposits:



- Customer deposits growth up 7% vs. 2Q16, notably in the UK and Hong Kong

Commercial Banking performance

Growth in GLCM and Lending; Trade stabilising

1H17 highlights

Adjusted PBT
(1H16: $2.9bn)
$3.4bn

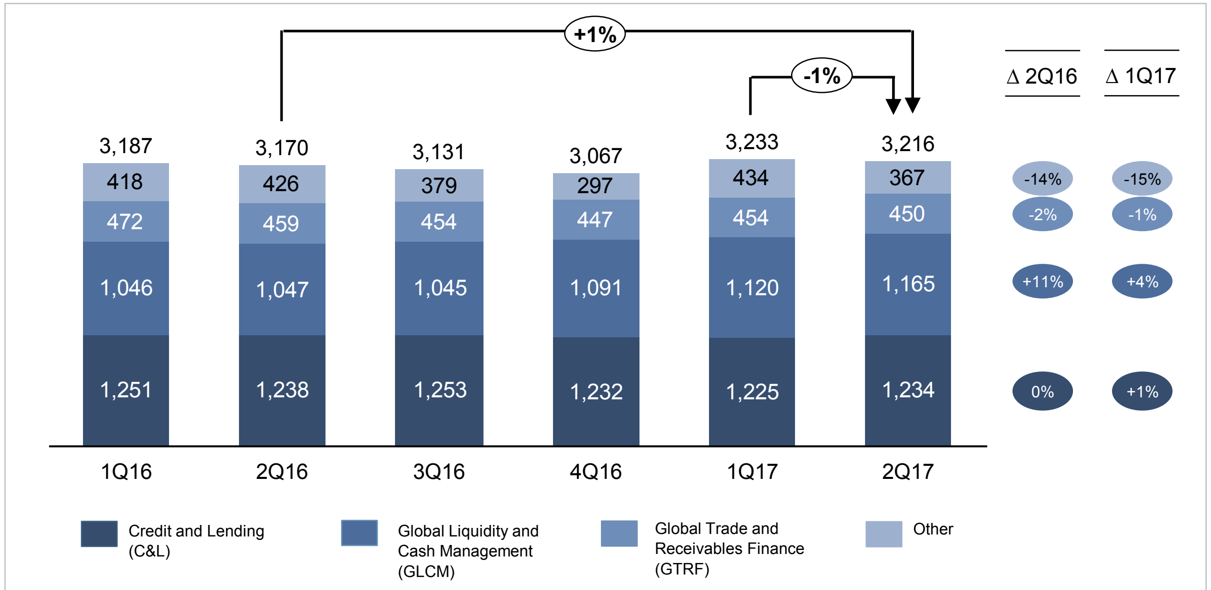
Adjusted revenue
(1H16: $6.3bn)
$6.4bn

Adjusted LICs
(1H16: $0.5bn)
$0.1bn

Adjusted costs
(1H16: $2.8bn)
$2.8bn

Adjusted Jaws
+1.5%

Revenue performance, $m[6]



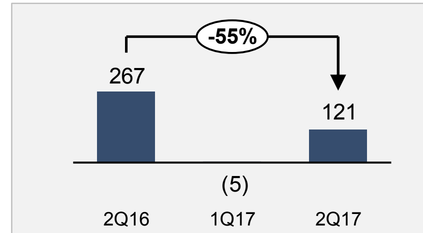
2Q17 vs. 2Q16: Adjusted revenue up 1%

- GLCM up 11%, primarily due to wider spreads and balance sheet growth in Asia
- C&L stable as balance sheet growth in Asia and the UK was offset by compressed lending spreads in Asia
- GTRF marginally lower as balance sheet growth in Asia was largely offset by the impact of repositioning in MENA

2Q17 vs. 1Q17: Adjusted revenue down 1%

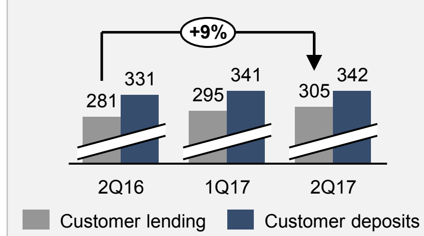
- GLCM up 4%, primarily due to wider spreads in Asia
- C&L was 1% higher reflecting growth in Europe
- GTRF marginally lower as balance sheet growth in Asia was offset by lower revenue in MENA
- Other down 15%, which includes lower sales of insurance and investment products in Asia

Loan impairment charges, $m



- Continued low level of LICs, notably relating to lower charges in the oil and gas sector

Balance Sheet, $bn[7]



- Strong and sustained balance sheet growth driven by Asia and the UK
- Lending balances increased in both GTRF and C&L

Global Banking & Markets performance

Strong YTD PBT performance driven by 8% revenue growth

1H17 highlights

Adjusted PBT
(1H16: $2.6bn)

$3.4bn

Adjusted revenue
(1H16: $7.2bn)

$7.8bn

Adjusted LICs
(1H16: $0.4bn)

$0.0bn

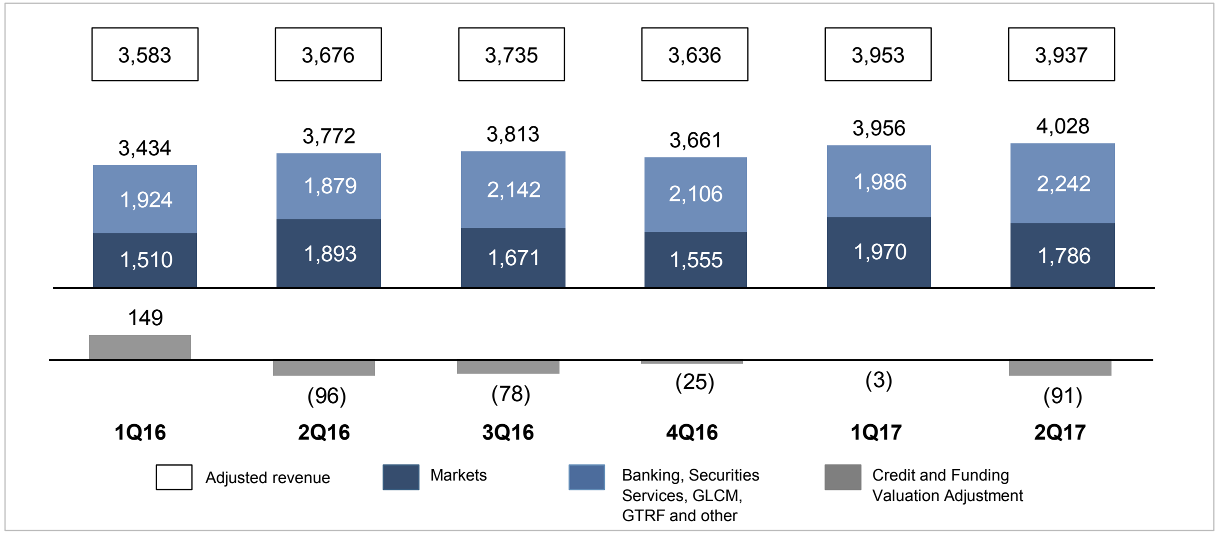
Adjusted costs
(1H16: $4.2bn)

$4.4bn

Adjusted Jaws

+4.9%

Revenue performance, $m[6]



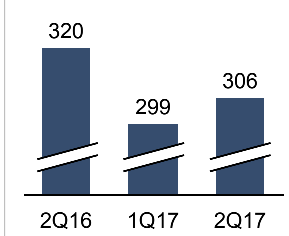
2Q17 vs. 2Q16: High single-digit (7%) revenue growth

- Strong Global Banking performance up 16%, from investment banking fees and higher restructuring recoveries offsetting spread compression in lending
- GLCM and Securities Services continue to perform well as we won new mandates, grew balances and benefited from positive interest rate movements
- Markets down 6% impacted by industry wide reduction in fixed income activity; FX and Equities performed well driven by strong client activity

1H17 vs 1H16: Strong performance driven by 8% revenue growth

- Double digit revenue growth excluding Credit and Funding valuation adjustments
- Strong YTD PBT performance, 33% up with all businesses' revenues up and an improvement in LICs
- RoRWA improved to 2.3% vs. 1.6% in 1H16

Adjusted RWAs



Management view of adjusted revenue

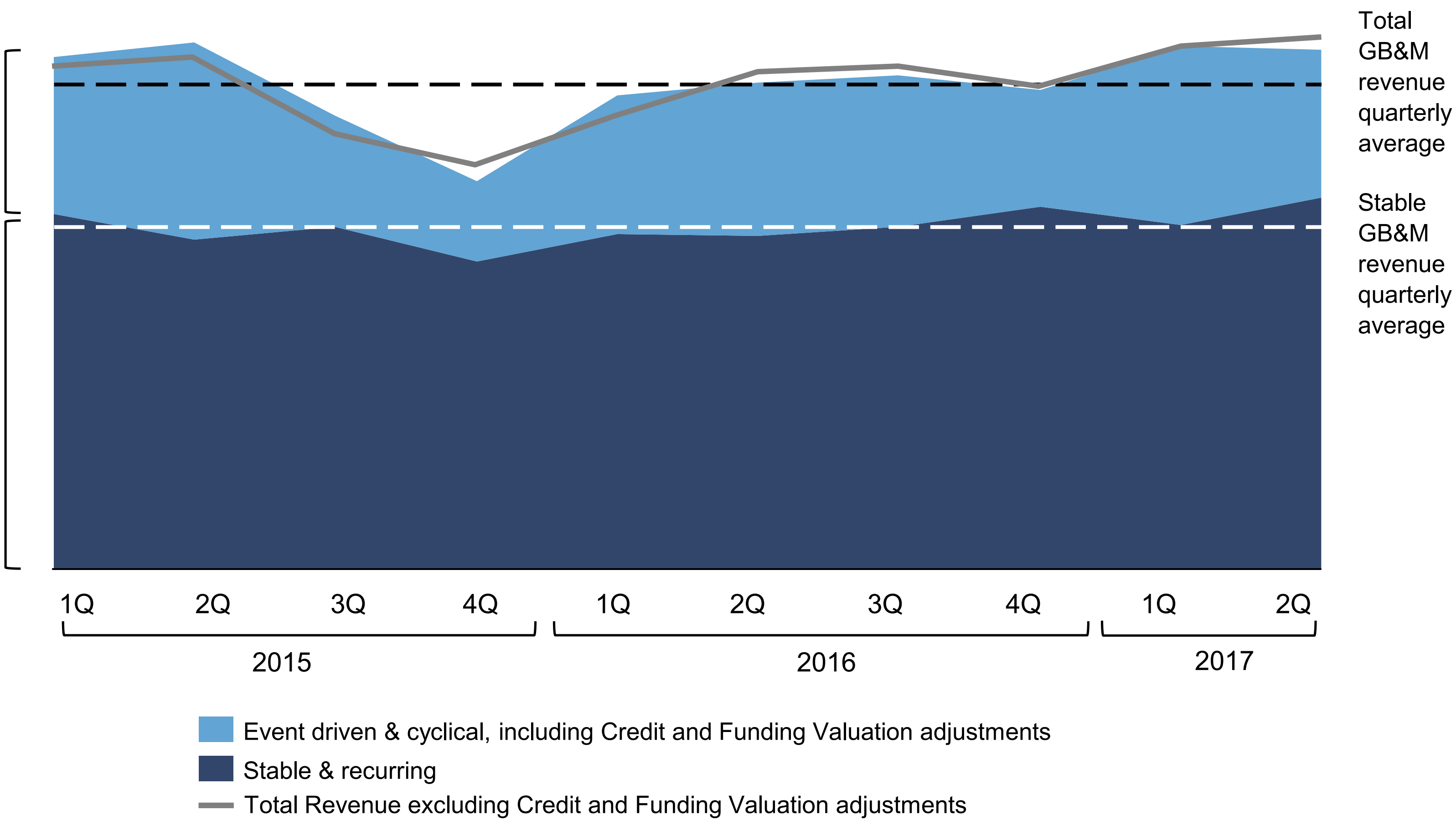
$m	2Q17	∆ 2Q16
Markets	**1,786**	**(6)%**
Of which:		
FX	723	9%
Rates	499	(22)%
Credit	239	(27)%
FICC	**1,461**	**(11)%**
Equities	**325**	**25%**
Global Banking	**1,056**	**16%**
GLCM	**524**	**15%**
Securities Services	**434**	**13%**
GTRF	**177**	**4%**
Principal Investments	**49**	**>100%**
Other revenue	**2**	**>100%**
Credit and Funding Valuation Adjustment	(91)	5%
Total	**3,937**	**7%**

Low volatility GB&M business delivering stable and growing revenues

Quarterly GB&M Revenue[8]

c.30% Revenue
- Equities
- M&A
- Rates & Credit
- ECM
- Principal Investments
- Other Revenue

c.70% Revenue
- FX
- Lending
- DCM
- Global Liquidity & Cash Management
- Global Trade & Receivables Finance
- Securities Services



Global Private Bank performance

Business now positioned for growth; $7.8bn of positive inflows in 1H17

1H17 highlights

Adjusted PBT
(1H16: $0.2bn)

$0.1bn

Adjusted revenue
(1H16: $0.9bn)

$0.8bn

Adjusted LICs
(1H16: $0.0bn)

$0.0bn

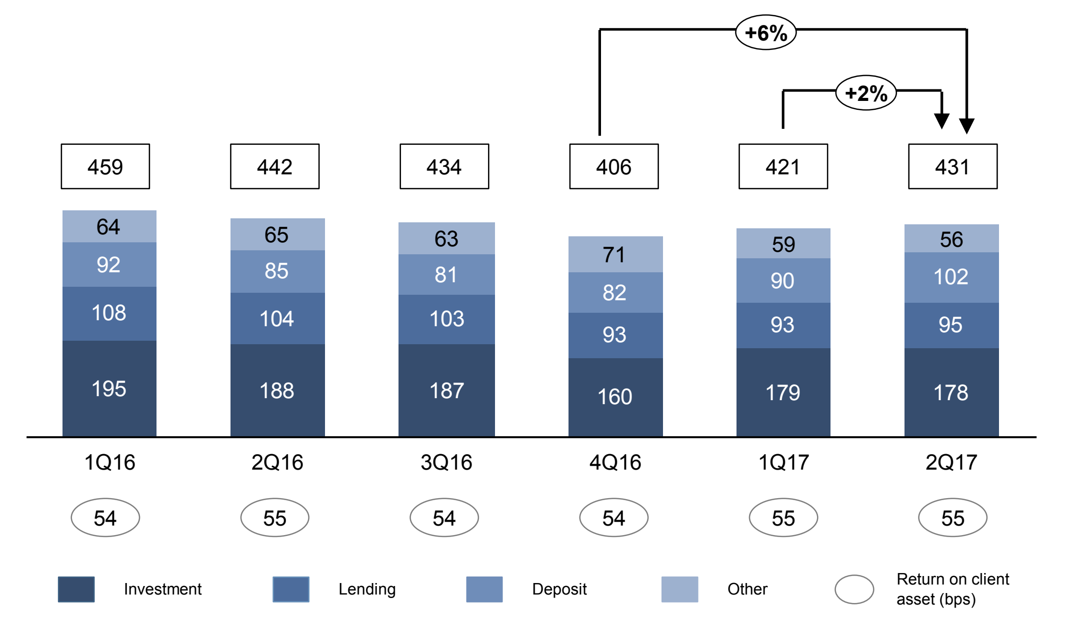
Adjusted costs
(1H16: $0.7bn)

$0.7bn

Adjusted Jaws

(2.7)%

Revenue performance, $m[6]



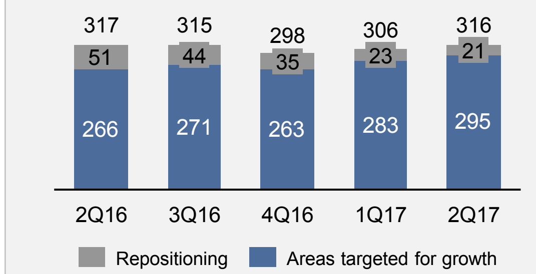
2Q17 vs. 2Q16: Adjusted revenue down 2%

- Lower revenue reflecting the impact of repositioning actions
- Revenue in areas targeted for growth up 16%, mainly in Hong Kong reflecting higher client investment activity (mandates and brokerage) and wider deposit spreads

2Q17 vs. 1Q17: Adjusted revenue up 2%

- Growth driven by Hong Kong reflecting wider deposit spreads
- Positive momentum with strong growth in client mandates

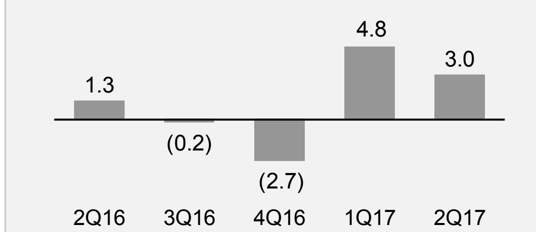
Client assets, $bn



- Repositioning largely completed
- $316bn client assets include $295bn in areas targeted for growth and $21bn in repositioning

Net new money, $bn

Net new money in areas targeted for growth



- In 2017, positive inflows of $7.8bn in key markets targeted for growth, mainly in Hong Kong

Corporate Centre performance

Lower revenue from the run-off of the CML portfolio and lower valuation differences on long term debt and associated swaps

1H17 highlights

Adjusted PBT
(1H16: $2.4bn)

$1.6bn

Adjusted revenue
(1H16: $1.9bn)

$0.9bn

Adjusted LICs
(1H16: $0.1bn)

$(0.1)bn

Adjusted costs
(1H16: $0.5bn)

$0.6bn

Quarterly revenue performance, $m[6]

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Central Treasury	**736**	**625**	**358**	**(281)**	**384**	**425**
Of which:						
Balance Sheet Management	718	764	734	771	854	636
Interest expense	(155)	(244)	(292)	(274)	(332)	(295)
Valuation differences on long-term debt and associated swaps	251	110	108	(741)	(29)	126
Other	(78)	(5)	(192)	(37)	(109)	(42)
US run-off portfolio (CML)	239	181	150	122	28	47
Legacy Credit	(38)	(54)	123	(3)	-	58
Other	159	23	(237)	(465)	(59)	62
Total	**1,096**	**775**	**394**	**(627)**	**353**	**592**

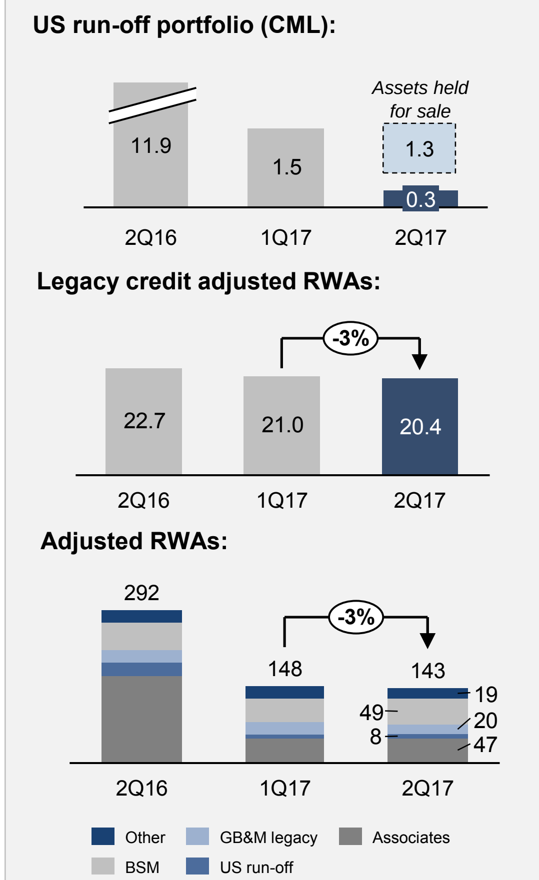
2Q17 vs. 2Q16: Adjusted revenue down 24%

- US CML (down $134m) due to continued run-off
- BSM (down $128m), including lower income from hedges in France and lower NII in the US
- Legacy credit (up $112m) driven by net favourable credit and funding valuation adjustments

2Q17 vs. 1Q17: Adjusted revenue up 68%

- Valuation differences (up $155m) on long-term debt and associated swaps
- Legacy credit (up $58m) driven by net favourable credit and funding valuation adjustments
- BSM (down $218m), due primarily to lower gains on the disposal of AFS debt securities and lower NII in Asia and Europe

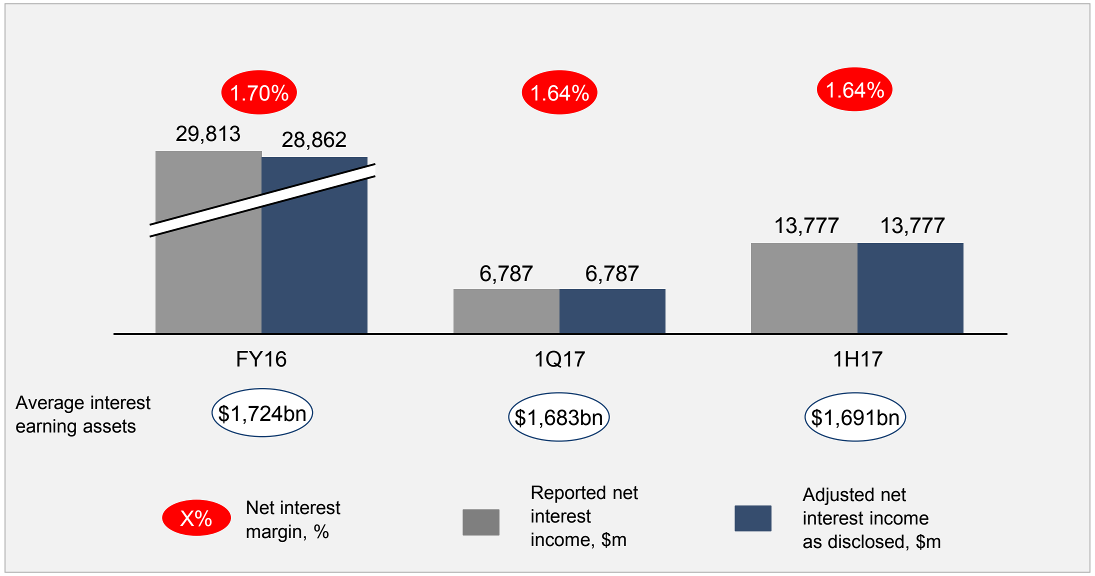
Balance Sheet, $bn[7]



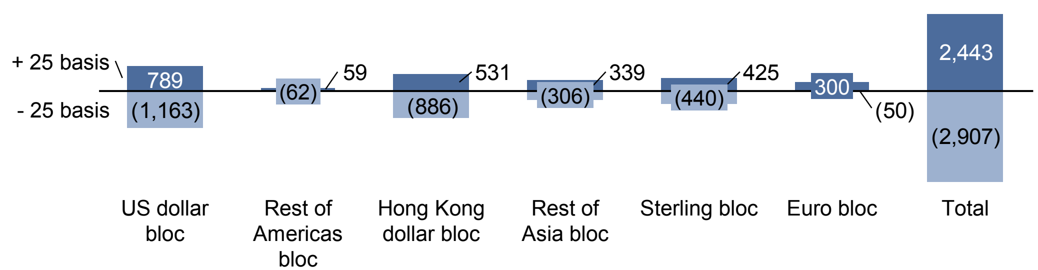
Net interest margin

Net interest margin has stabilised since FY16; well positioned for NII to benefit as rates move higher

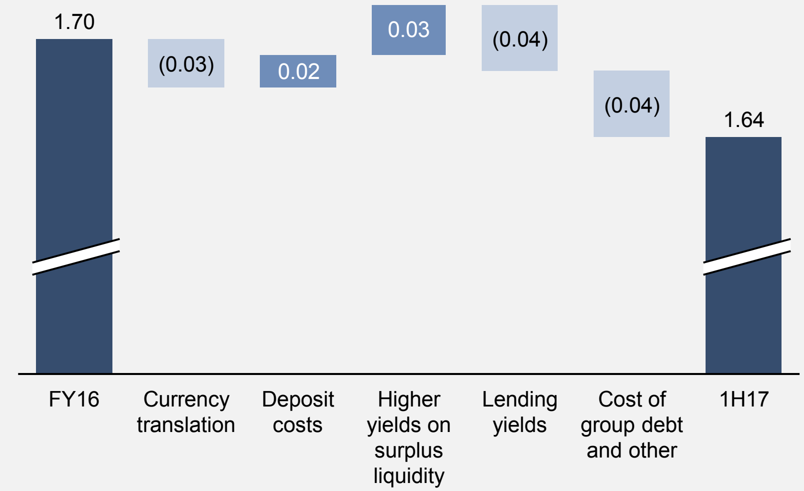
Net interest income and margin



NII sensitivity, $m: 25 basis point shift in yield curves at the beginning of each quarter. *Equivalent to 62.5 basis points parallel shift in year 1 (see page 69 of the 1H17 Interim Report):*



Main drivers, %:

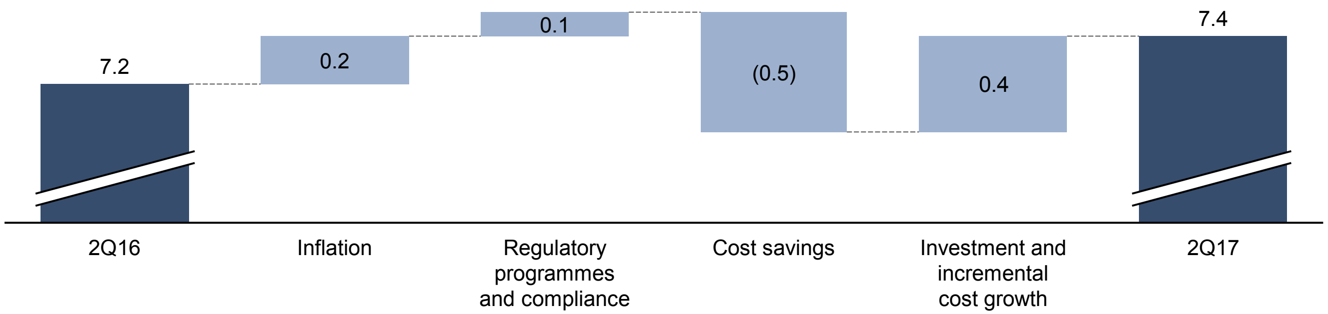


1H17 vs. FY16	Net Interest Margin of 1.64% was 9bps lower than FY16 or 6bps excluding Brazil – Currency translation of 3bps – Lower yields on customer lending contributed to a 4bps reduction reflecting margin compression in Asia and Europe, and the impact of CML run-off – Increase in the cost of debt including MREL and on other interest bearing liabilities contributed to a 4bps reduction; partly offset by – Lower costs of deposits and higher surplus liquidity yields which together contributed to an increase of 5bps
1H17 vs. 1Q17	Net Interest Margin broadly unchanged compared with 1Q17

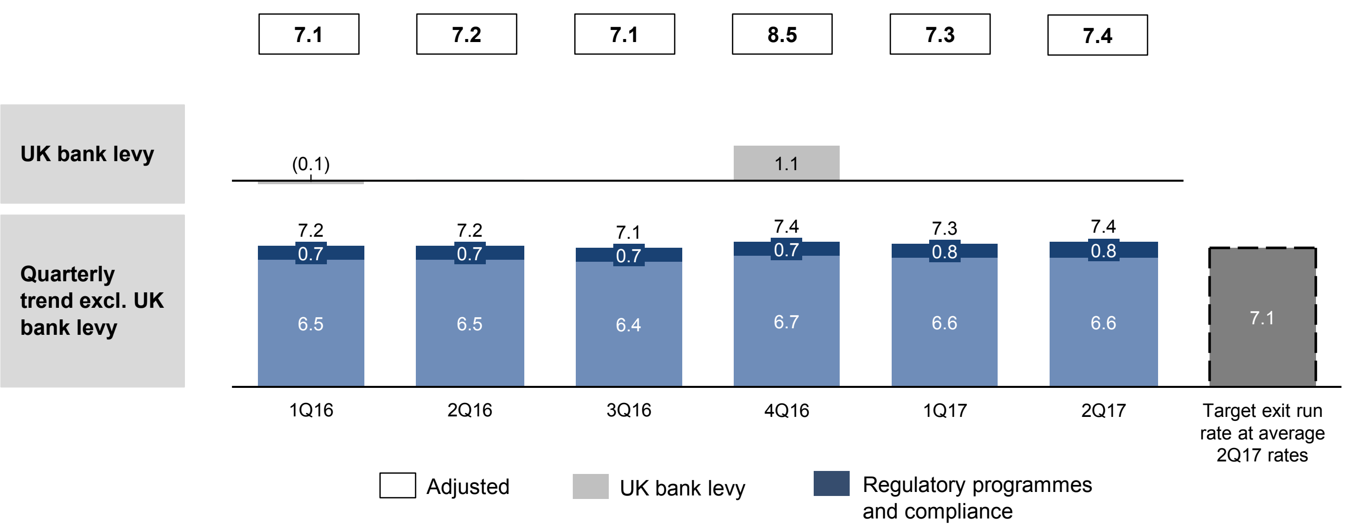
Operating expenses

Delivered positive jaws; on track to deliver targeted saves whilst we continue to invest in growth

2Q17 vs. 2Q16, $bn



Quarterly trend, $bn



Operating Expenses

- Delivered positive jaws in 1H17; continued focus on delivering positive jaws in FY17
- Remain on track to deliver c. $6bn of savings and exit run rate commitment
- 2H17 cost-to-achieve spend to be c. $1bn; cost-to-achieve spending will end by 31 Dec 2017
- $0.3bn of incremental investment in growth initiatives will be made during 2H17, mainly in RBWM, primarily funded by gains from the disposal of our shares in Visa, Inc.

Loan impairment charges

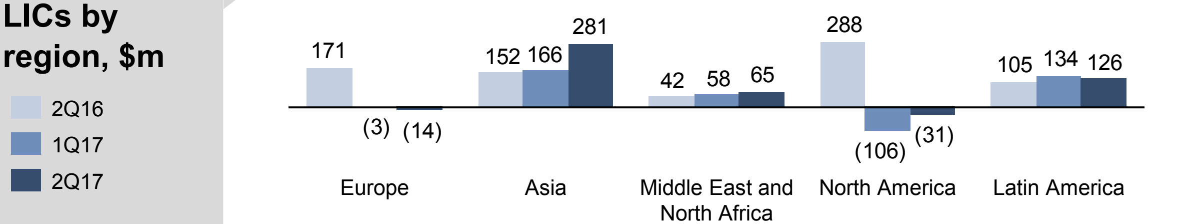
Credit standards remain robust; stable outlook

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

LICs by global business

	2Q16	1Q17	2Q17	vs.2Q16	vs.1Q17
Group, $m	**757**	**249**	**427**	**330**	**(178)**
as a % of gross loans and advances to customers	*0.34*	*0.11*	*0.19*	*0.15*	*(0.08)*
RBWM, $m	**280**	**308**	**260**	**20**	**48**
as a % of gross loans	*0.36*	*0.39*	*0.32*	*0.04*	*0.07*
CMB, $m	**267**	**(5)**	**121**	**146**	**(126)**
as a % of gross loans	*0.38*	*(0.01)*	*0.16*	*0.22*	*(0.17)*
GB&M, $m	**251**	**(19)**	**61**	**190**	**(80)**
as a % of gross loans	*0.43*	*(0.03)*	*0.10*	*0.33*	*(0.13)*
GPB, $m	**(9)**	**1**	**-**	**(9)**	**1**
as a % of gross loans	*(0.09)*	*0.02*	*0.00*	*(0.09)*	*0.02*
Corporate Centre, $m	**(32)**	**(37)**	**(15)**	**(17)**	**22**
as a % of gross loans	*(0.56)*	*(1.46)*	*(0.63)*	*(0.07)*	*0.83*
Of which:					
- Oil and gas	*$0.3bn*	*$(0.1)bn*	*< $0.1bn*		
- Metals and mining	*$0.2bn*	*$nil*	*< $0.1bn*		

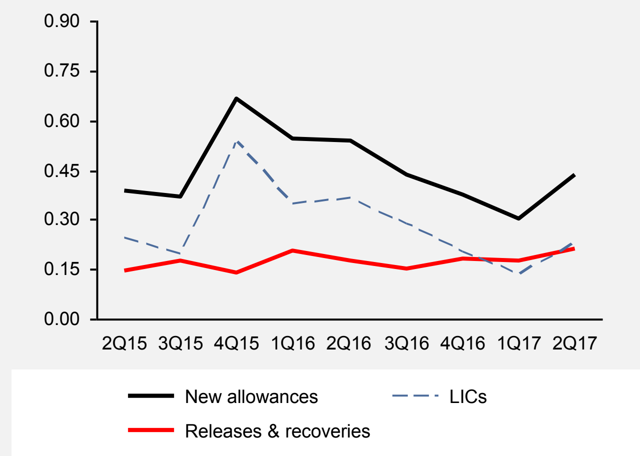
LICs by region, $m



Credit environment remains stable

- 2Q17 LICs as a % of gross loans are c.0.19%
- Prudent underwriting standards, affordability processes and conservative LTVs

New allowances, allowance releases and recoveries as a % of gross loans and advances to customers[9]



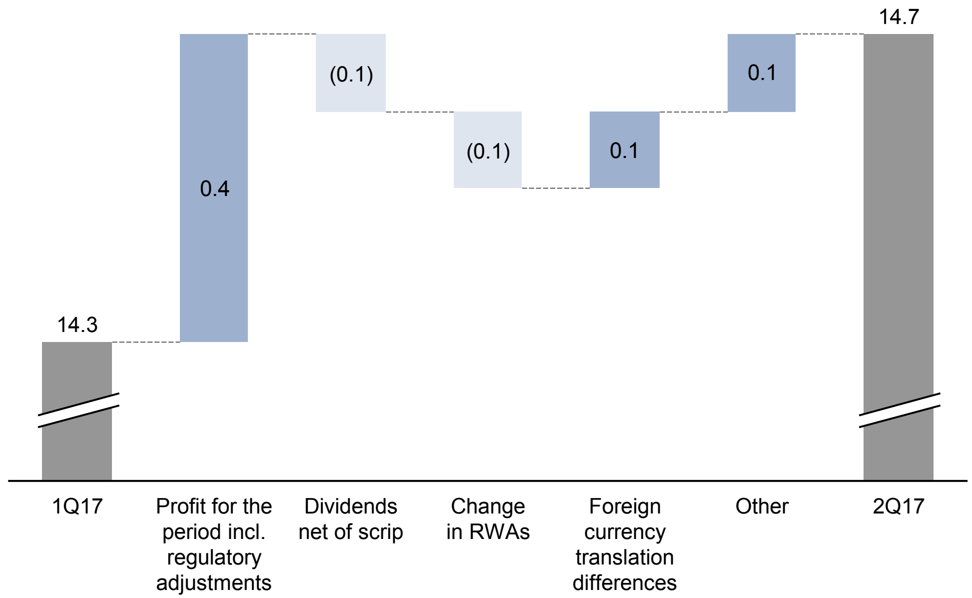
Capital adequacy

Strong capital base: common equity tier 1 ratio – 14.7%

Regulatory capital and RWAs ($bn)

Reported basis	1Q17	2Q17
Common equity tier 1 capital	122.4	128.9
Total regulatory capital	173.3	183.9
Risk-weighted assets	857.9	876.1

CET1 ratio movement (%)



2Q17 CET1 movement ($bn)

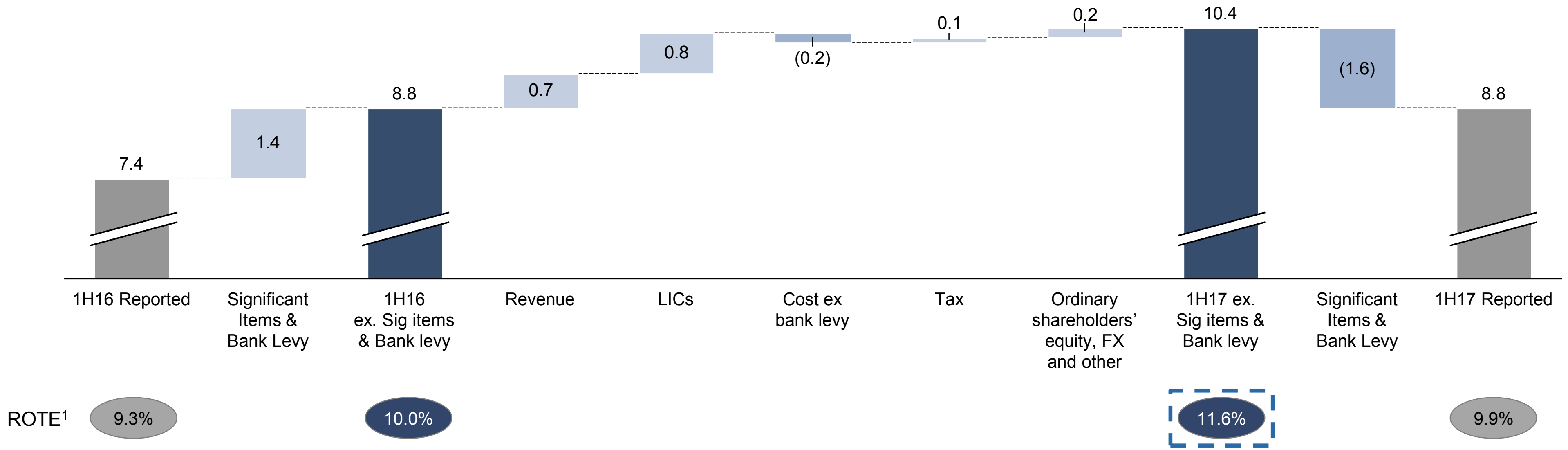
At 31 Mar 2017	**122.4**
Capital generation	2.8
Profit for the period including regulatory adjustments	4.0
Dividends[10] net of scrip	(1.6)
First interim scrip take-up higher than plan	0.4
Foreign currency translation differences	2.1
Other movements	1.6
At 30 Jun 2017	**128.9**

Quarterly CET1 ratio and leverage ratio progression

	2Q16	3Q16	4Q16	1Q17	2Q17
CET1 ratio	12.1%	13.9%	13.6%	14.3%	14.7%
Leverage ratio	5.1%	5.4%	5.4%	5.5%	5.7%

Return metrics

1H17 Group ROE[1], %



Group RoRWA[1]

	1H16	1H17
Reported	1.8%	2.4%
Adjusted RoRWA	2.1%	2.8%

Adjusted RoRWA[1]

	1H16	1H17
RBWM	4.5%	5.9%
CMB	2.2%	2.5%
GB&M	1.6%	2.3%
GPB	2.1%	1.8%

Significant progress in the execution of the "Strategic Actions to capture value from our international network" announced in June 2015

✓ On track to meet target

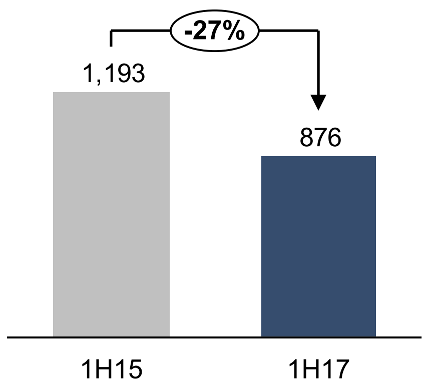
Strategic actions	Targeted outcome by 2017	Progress	Status
Actions to re-size and simplify			
Reduce Group RWAs by c.$290bn	– Group RWA reduction: $290bn – GB&M <1/3 of Group RWAs	– RWA: $296bn gross reduction through management actions (>100% of our FX adjusted target)	✓
Optimise global network	– Reduced footprint	– Realised three further country exits in 1H17; present in 67 countries as of end-Jun 2017 – Turkey legal entity transfer complete in June 2017; 1H17 costs down 27% and PBT up >400% on 1H16 – Progressing previously announced transactions/ closures	✓
Rebuild NAFTA profitability	– US PBT c. $2bn	– Material adjusted PBT improvement v. 1H16 in all three countries: Canada +52%, US excl. legacy +122%, Mexico +61% – Completed asset sales of CML legacy portfolio totaling $5.5bn; remaining CML portfolio reduced to US$1.6bn with plans to complete the sale / wind-down of the portfolio by end 2017	–
	– Mexico PBT c. $0.6bn	– Mexico adjusted PBT gains over prior year in RBWM +37%, CMB +29%, GB&M +150%; continue market share gain in strategic product areas	✓
Set up UK ring-fenced bank	– Completed in 2018	– Received a restricted banking licence from the UK FCA and the PRA to set up our UK ring-fenced bank – On track to have a fully functioning team in place for the opening of our new UK headquarters in the first quarter of 2018	✓
Deliver $4.5-5.0bn cost savings	– 2017 exit rate to equal 2014 operating expenses	– Achieved annualised run-rate savings of $4.7bn – Continued to migrate activities to global service centres with 26% of staff now in lower cost locations – Now one of the biggest financial services users of biometrics globally; continue to introduce voice recognition and fingerprint technology across our network	✓
Actions to redeploy capital and invest			
Deliver growth above GDP from international network	– Revenue growth of international network above GDP	– Transaction banking adjusted revenue up 7% in 1H17 vs. prior year, with GLCM adjusted revenues increasing by 11% driven by growth in deposits and the impact of US rate rises – Synergies revenue grew 17% in 1H17 vs. 1H16 – Named 'World's Best Bank' by *Euromoney* Awards for Excellence 2017	✓
Investments in Asia – prioritise and accelerate	– Market share gains – c. 10% growth p.a. in assets under management	– Since our launch of credit cards in China at the end of last year, we have reached nearly 250,000 cards in circulation – Insurance annualised new business premiums and Asset Management AuM up 14% and 15% respectively vs. 1H16 – Awarded 'Asia's Best Bank' and 'Hong Kong's Best Bank' by *Euromoney* Awards for Excellence 2017	✓
RMB internationalisation	– $2.0-2.5bn revenue	– Ranked #1 among all banks (53.7% market share) in terms of market share in RMB Qualified Foreign Institutional Investor ("RQFII") custodian business as of June 2017 – Ranked #1 in offshore RMB bond underwriting in 1H17 with 28.5% of market share – Ranked #1 for the 6th consecutive year in Asiamoney Offshore RMB Poll 2017, also winning across all 10 sub-categories – Largest fund house in terms of AuM in the Mutual Recognition of Fund scheme (southbound) with 43.1% share as of March 2017 (Source: WIND Information Co.)	–
Global Standards – safeguarding against financial crime[11]	– End of 2017: Introduction of major compliance IT systems; anti-money laundering ('AML') and sanctions policy framework in place; assessment against the capabilities of our financial crime risk framework to enable the capabilities to be fully integrated in our day-to-day operations	– We remain on track to complete the introduction of the major compliance IT systems, to have our AML and sanctions policy framework in place, and to complete all actions committed to as part of the Global Standards programme in 2013 by the end of 2017 – Post 2017: Policy framework and associated operational processes fully integrated into day-to-day financial crime risk management practices in an effective and sustainable way. Target end state agreed with the UK Financial Conduct Authority to be achieved. Major compliance IT systems continue to be fine-tuned, and recommendations from the Monitor continue to be implemented	✓ *

*As set out under 'Targeted outcome by 2017'

Good progress on RWA reductions, capital management, and cost discipline

RWA reduction target achieved

Group Reported RWAs, $bn

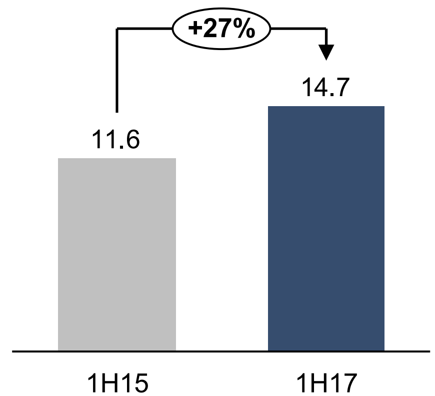


	1H15	1H17
GB&M RWAs	377	306
US CML Loans & Advances	23	1.6[13]

- Achieved 100% of target $290bn RWA reduction target while growing in target areas
- Further reductions planned in GB&M over the medium term
- RWA discipline an ongoing management focus

Strong capital position

Group CET1 ratio, %

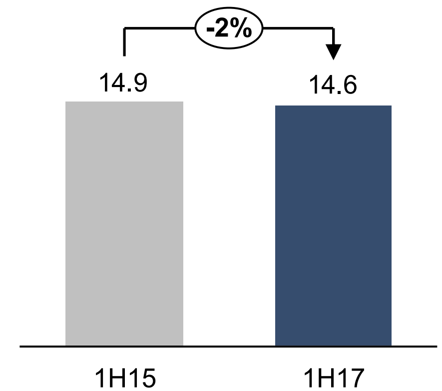


	1H15	1H17
Total Capital Ratio	16.3%	20.1%
Dividend	$3.9bn	$4.0bn

- Strong capital position (target: 12-13%)
- Completed $3.5bn share buyback
- Further $2bn buyback announced today to be completed by year end

Cost discipline

Group Operating Expenses[12], $bn



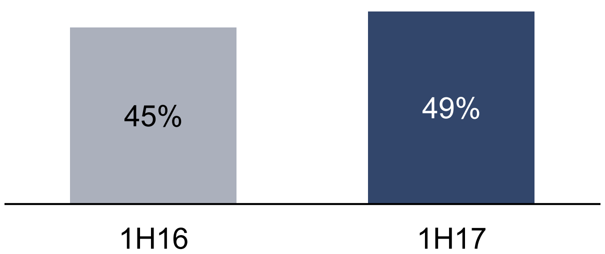
	1H15	1H17
FTE	240k	233k
CER	57%	56%

- Annualised run-rate save of $4.7bn since start of the cost-to-achieve programme
- On-track to deliver c.$6.0bn run rate cost savings by end of 2017; 2H17 cost-to-achieve spend to be c. $1.0bn
- Positive adjusted jaws maintained in 1H17 at +0.5%

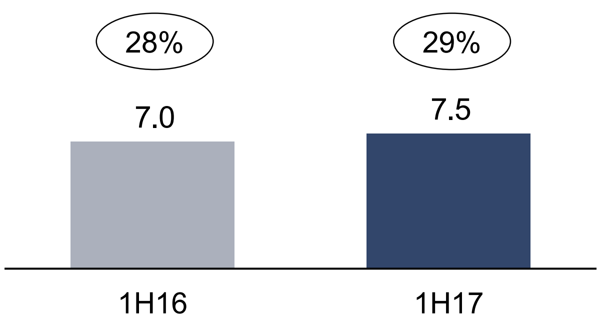
Increased international connectivity within Group and further strengthened global position

Increased international connectivity and transaction banking revenue

Revenue from international clients[14], %



Transaction banking adjusted revenue, $bn
% of total



Global trade growth[15]	*-4%*	*+9%*

Market share and rank, %

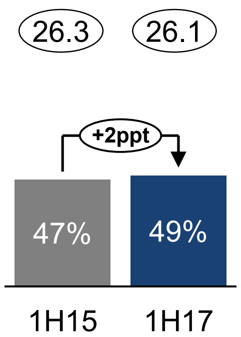
		1H15	1H17	
Global Liquidity and Cash Management	GLCM rank[16]	#3	#3	–
	GLCM market share[16]	2.8%	2.9%	↑
	International commercial payments[17]	10.8%	10.9%	↑
Global Trade and Receivables Finance	Trade Finance rank[16]	#1	#1	–
	Hong Kong market share[18]	9.1%	12.6%	↑
	Singapore market share[18]	6.9%	11.7%	↑
FX	FX rank[19]	#2	#2	–
Cross-Border Transactions	Cross-border DCM Rank[20]	#7	#6	↑

Shifted the Group's business mix towards Asia

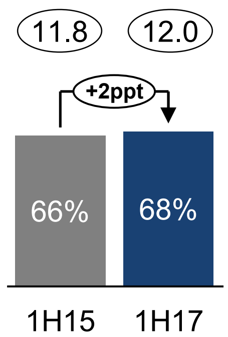
Pivot to Asia

Total $bn

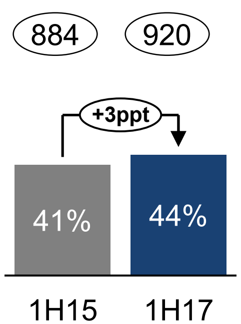
Adjusted Revenues,
% of Group total



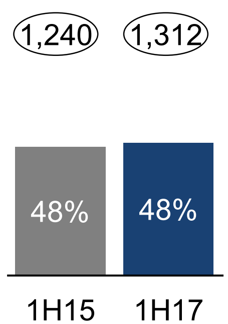
Adjusted PBT,
% of Group total



Net Loans and Advances,
% of Group total



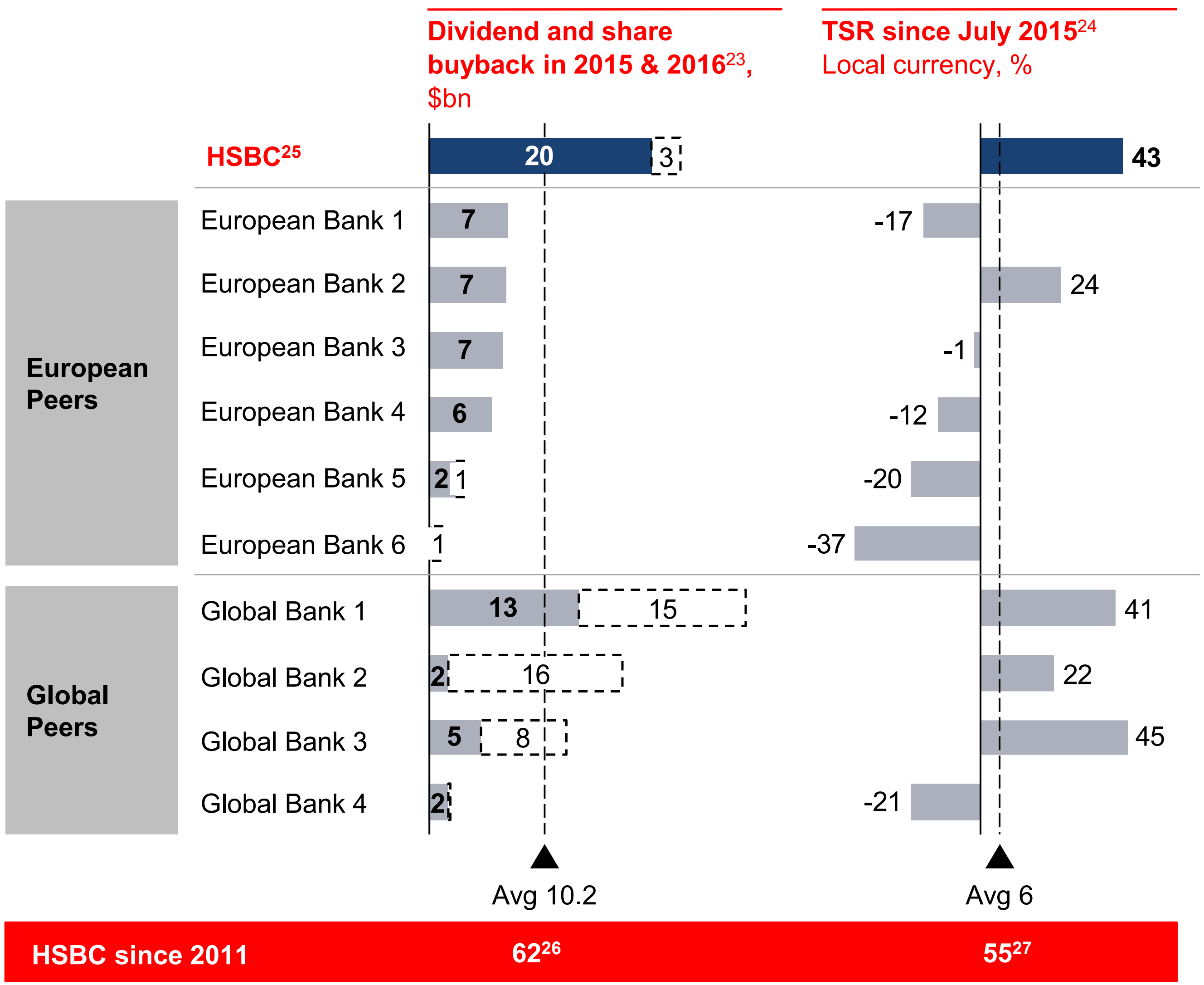
Deposits,
% of Group total



Drivers of growth

Hong Kong	▪ Total customer loan growth across both retail and corporate segment, up 19% 1H17 vs. 1H16 ▪ Trade finance market share grew from 10.6% to 12.6% over past year[21] ▪ Insurance premium income up 12.4% 1H17 vs. 1H16
China and PRD	▪ Majority owned Securities JV with Qianhai Financial approved by local authority ▪ Ranked #1 among foreign banks at 1H17 in Panda bond underwriting league table ▪ $290m Innovation Growth Fund rolled out to support leading names in the PRD high-tech sector ▪ Launched personal loans to existing customers in PRD ▪ Almost 250k credit cards in circulation since launch in December 2016
Asset management and insurance	▪ Asia AUM at record high at $161bn and up 17% YoY (1H17) ▪ Leading foreign-bank distributor of life insurance in China ▪ Asia Insurance annualised new business premiums up 14% 1H17 vs. 1H16
Belt and Road and China Outbound	▪ Supporting Chinese clients as the largest foreign bank in China and with 24 China desks across our international network. Transactions include: ▪ Sole Arranger of Sinosure facility for financing of works at Bandaranaike International Airport in Colombo, Sri Lanka, for Airport and Aviation Services (Sri Lanka) Ltd ("AASL") ▪ Sole Financial Adviser to Zhejiang Geely Holding Group Co, Ltd on its China outbound acquisition of 49.9% of Proton Holdings in Malaysia and 51% of Lotus Advance Technologies Sdn Bhd
RMB International-isation	▪ Ranked #1 among all banks (53.7% market share) in terms of market share in RMB Qualified Foreign Institutional Investor ("RQFII") custodian business as of June 2017[22] ▪ Ranked #1 for the 6th consecutive year in Asiamoney Offshore RMB Poll 2017, also winning across all 10 sub-categories

Our award winning global franchise is the key driver of our robust shareholder returns with higher dividends than peers



World's Best Bank

Asia's Best Bank

#1 SRI & Sustainability

#1 Integrated Climate Change

Best Trade Bank in the World 2017 & 2016

World's Best Investment Bank

Looking ahead

Delivering our strategy

- **Unrivalled footprint in Asia and the Middle East** driving strong returns and good business momentum
- **Investing for growth ;** 4% revenue growth and > 7% ($62bn) loan growth[28] compared with Q2 2016
- **Deliver Global Standards,** fulfil Deferred Prosecution Agreement obligations, implement regulatory and compliance programs
- Will **achieve c.$6bn cost savings target** as updated at 2016 annual results
- **Positive jaws** in 2016 and 2017
- **Strong capital generation**, well funded, and well diversified balance sheet; **Exceeded our RWA reduction target**
- Delivering **industry leading dividend** and **shareholder returns**
- **Financial targets unchanged**

Diversified business, strong capital position and positive business momentum

Group financial targets

ROE	>10%
Costs	Positive jaws (adjusted)
Dividend and capital	– Sustain dividend through long-term earnings capacity of the businesses[29] – Share buy-backs as and when appropriate, subject to the execution of targeted capital actions and regulatory approval

Appendix

Appendix

Global business management view of adjusted revenue

RBWM, $m	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	∆ 2Q16	∆ 1Q17
Retail Banking	**3,181**	**3,172**	**3,132**	**3,177**	**3,286**	**3,334**	5%	1%
Current accounts, savings and deposits	1,281	1,320	1,280	1,339	1,481	1,555	18%	5%
Personal lending	1,900	1,852	1,852	1,838	1,805	1,779	(4)%	(1)%
Mortgages	654	634	629	620	602	560	(12)%	(7)%
Credit cards	791	750	759	744	739	757	1%	2%
Other personal lending	455	468	464	474	464	461	(1)%	(1)%
Wealth Management	**1,146**	**1,310**	**1,524**	**1,297**	**1,669**	**1,567**	20%	(6)%
Investment distribution	695	726	798	679	805	799	10%	(1)%
Life insurance manufacturing	210	348	465	372	611	507	46%	(17)%
Asset management	241	235	261	246	253	262	11%	4%
Other	83	119	174	164	130	133	12%	2%
Total	**4,410**	**4,601**	**4,830**	**4,638**	**5,085**	**5,034**	9%	(1)%
Adjusted revenue as previously disclosed[30]	4,597	4,819	4,921	4,590	5,009	5,034	4%	0%

CMB, $m	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	∆ 2Q16	∆ 1Q17
Global Trade and Receivables Finance	472	459	454	447	454	450	(2)%	(1)%
Credit and Lending	1,251	1,238	1,253	1,232	1,225	1,234	0%	1%
Global Liquidity and Cash Management	1,046	1,047	1,045	1,091	1,120	1,165	11%	4%
Markets products, Insurance and Investments and other	418	426	379	297	434	367	(14)%	(15)%
Total	**3,187**	**3,170**	**3,131**	**3,067**	**3,233**	**3,216**	1%	(1)%
Adjusted revenue as previously disclosed[30]	3,318	3,326	3,201	3,041	3,191	3,216	(3)%	1%

GPB, $m	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	∆ 2Q16	∆ 1Q17
Investment	195	188	187	160	179	178	(5)%	(1)%
Lending	108	104	103	93	93	95	(9)%	2%
Deposit	92	85	81	82	90	102	20%	13%
Other	64	65	63	71	59	56	(14)%	(5)%
Total	**459**	**442**	**434**	**406**	**421**	**431**	(2)%	2%
Adjusted revenue as previously disclosed[30]	465	453	440	399	415	431	(5)%	4%

GB&M, $m	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	∆ 2Q16	∆ 1Q17
Global Markets	**1,510**	**1,893**	**1,671**	**1,555**	**1,970**	**1,786**	(6)%	(9)%
Equities	237	260	259	229	341	325	25%	(5)%
FICC	**1,273**	**1,633**	**1,412**	**1,326**	**1,629**	**1,461**	(11)%	(10)%
Foreign Exchange	700	661	645	744	636	723	9%	14%
Rates	419	643	543	508	660	499	(22)%	(24)%
Credit	154	329	224	74	333	239	(27)%	(28)%
Global Banking	**888**	**907**	**977**	**991**	**908**	**1,056**	16%	16%
GLCM	**464**	**454**	**468**	**490**	**525**	**524**	15%	0%
Securities Services	**369**	**384**	**402**	**398**	**411**	**434**	13%	6%
GTRF	**172**	**171**	**172**	**171**	**183**	**177**	4%	(3)%
Principal Investments	**2**	**(4)**	**173**	**51**	**29**	**49**	>100%	69%
Other revenue	29	(33)	(50)	5	(70)	2	>100%	>100%
Credit and Funding Valuation Adjustment	149	(96)	(78)	(25)	(3)	(91)	5%	<100%
Total	**3,583**	**3,676**	**3,735**	**3,636**	**3,953**	**3,937**	7%	0%
Adjusted revenue as previously disclosed[30]	3,677	3,834	3,817	3,591	3,886	3,937	3%	1%

Corporate Centre, $m	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	∆ 2Q16	∆ 1Q17
Central Treasury	**736**	**625**	**358**	**(281)**	**384**	**425**	(32)%	11%
Balance Sheet Management	718	764	734	771	854	636	(17)%	(26)%
Interest expense	(155)	(244)	(292)	(274)	(332)	(295)	(21)%	11%
Valuation differences on long-term debt and associated swaps	251	110	108	(741)	(29)	126	15%	>100%
Other	(78)	(5)	(192)	(37)	(109)	(42)	<(100)%	62%
US run-off portfolio	**239**	**181**	**150**	**122**	**28**	**47**	(74)%	68%
Legacy credit	**(38)**	**(54)**	**123**	**(3)**	**-**	**58**	>100%	0%
Other	159	23	(237)	(465)	(59)	62	>100%	>100%
Total	**1,096**	**775**	**394**	**(627)**	**353**	**592**	(24)%	67%
Adjusted revenue as previously disclosed[30]	1,122	756	408	(621)	342	592	(22)%	73%

Appendix
Currency translation and significant items

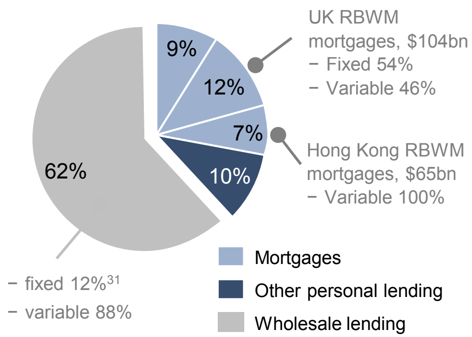
$m	2Q16	2Q17	1H16	1H17
Revenue				
Currency translation	522	-	994	-
Trading results from disposed operations in Brazil	748	-	1,470	-
*Portfolio disposals	68	(42)	68	(32)
(Adverse) / Favourable debit valuation adjustment on derivative contracts	(7)	(178)	151	(275)
(Adverse) / Favourable fair value movements on non-qualifying hedges	(164)	(61)	(397)	30
*Releases arising from the ongoing review of compliance with the Consumer Credit Act in the UK	2	-	2	-
Favourable / (Adverse) movements on own credit spread	75	-	1,226	-
Gain on disposal of our membership interest in Visa - Europe	584	-	584	-
Gain on disposal of our membership interest in Visa - US	-	166	-	312
*Other acquisitions, disposals and dilutions	-	78	-	78
*Currency translation of significant items	3	-	137	-
	1,831	(37)	4,235	113
Loan impairment charges				
Currency translation	3	-	57	-
Trading results from disposed operations in Brazil	(414)	-	(748)	-
*Currency translation of significant items	(37)	-	(119)	-
	(448)	-	(810)	-
Operating expenses				
Currency translation	(304)	-	(576)	-
Trading results from disposed operations in Brazil	(555)	-	(1,059)	-
*Regulatory provisions in GPB	(3)	-	(4)	-
Impairment of GPB Europe goodwill	(800)	-	(800)	-
Settlements and provisions in connection with legal matters	(723)	322	(723)	322
UK customer redress programmes	(33)	(89)	(33)	(299)
Costs-to-achieve	(677)	(837)	(1,018)	(1,670)
*Costs associated with portfolio disposals	-	(10)	-	(10)
Costs to establish UK ring-fenced bank	(63)	(93)	(94)	(176)
*Costs associated with the UK's exit from the EU		(4)	-	(4)
*Currency translation of significant items	1	-	(99)	-
	(3,157)	(711)	(4,406)	(1,837)
Share of profit in associates and joint ventures				
Currency translation	24	-	45	-
*Other acquisitions, disposals and dilutions	-	-	(1)	-
	24	-	44	-
Currency translation and significant items	**(1,750)**	**(748)**	**(937)**	**(1,724)**

* Items summarised on slide 5 as 'Other significant items'

Appendix

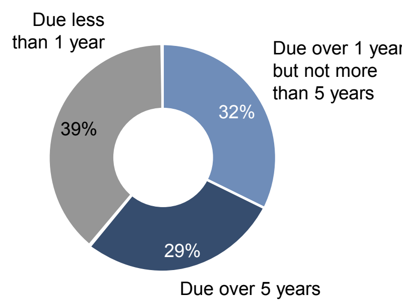
Net interest margin supporting information

Gross customer lending analysis - $927bn:

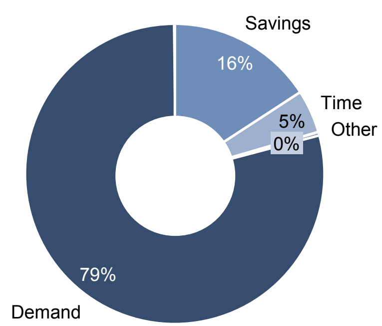


Of our customer lending:

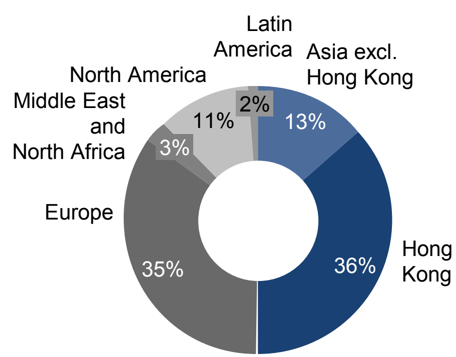
As at 31 Dec 2016



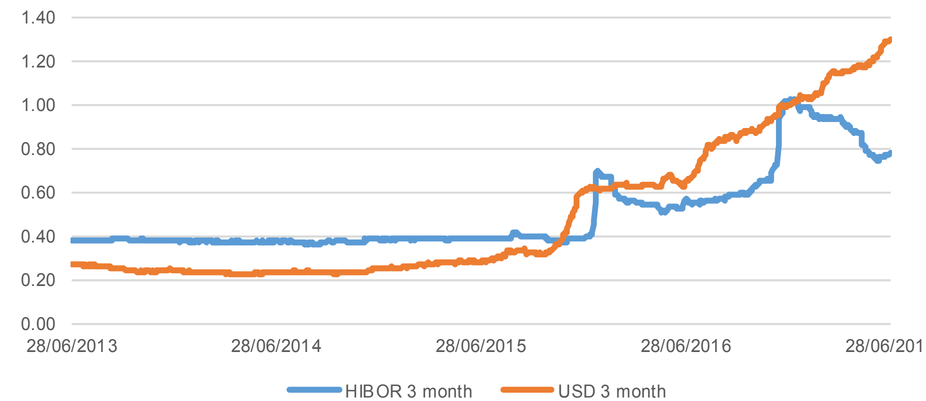
Deposit analysis[32] - $1,312bn:



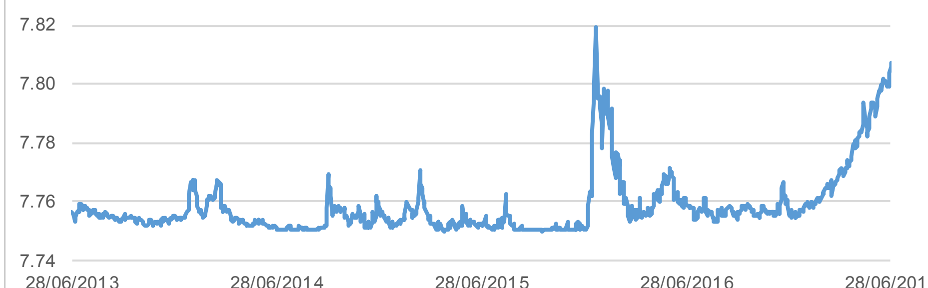
Regional breakdown:



HIBOR / USD 3 month rate[33]



HKD / USD exchange rate[33]



Appendix

Transformation Programme: $4.7bn of annualised savings achieved; on track to achieve our target

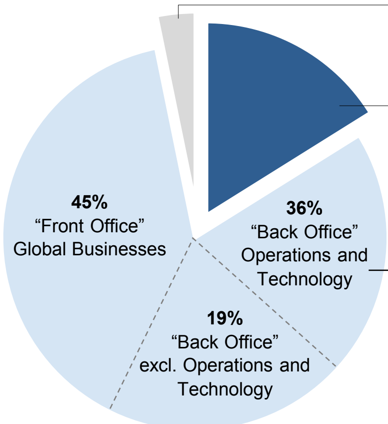
Saves ($bn)

	Realised Savings (savings recognised in the Income Statement during the time period)				Run Rate Saves
Saves, $bn	2015 to 2016	1Q17	2Q17	Life to date	Life to date
Global Businesses	0.6	0.1	0.2	0.9	1.2
Operations and Technology	1.7	0.2	0.3	2.2	2.7
Global Functions	0.8	0.1	0.1	0.9	0.8
Total	**3.1**	**0.4**	**0.5**	**4.0**	**4.7**

Numbers will not sum due to roundings

CTA: Programme to date ($bn)

$0.8bn in 2Q17; c. $1bn still to spend in 2H17



Programmes to improve returns: $0.0bn in 2Q17; $0.2bn life to date

Severance: $0.1bn in 2Q17; $1.1bn life to date

Investment to achieve cost savings: $0.7bn in 2Q17; $4.3bn life to date

Examples of Q2 achievements

Digital investment and productivity improvement

- US customers can receive instant help with online banking through Live Chat and Live Share; contact centre agents can see what customers are seeing, doing on screen and offer to guide them through any issues
- CMB: Business customers in Mexico and the US can apply for loans faster and from comfort of their own office through LinkScreen, a platform that delivers all the key elements of a traditional face-to-face meeting online. This service is available in the UK and will be launched in France, Canada and Hong Kong in September

Automate and re-engineer operations

- Pre-approved customers for Visa Signature, Visa Platinum and Visa Gold credit cards in Hong Kong receive full approval for their application in as little as 5 seconds
- Credit card users in China can view payment status in real-time, with instant notifications through mobile app, text message, or WeChat. Payment status calls to our contact centre are down 54% as a result
- CMB: customers in Hong Kong and Spain are the latest to get faster access to funds as a result of Hotdocs – automated production of post-approval lending documents – cutting time to draft letters by a third and is now available in 22 markets

Simplify software development and optimise IT infrastructure

- Customers in the UAE can now apply for an account, card or personal loan online and receive a decision within minutes, rather than 5 days

Re-shape global functions

- HR: launch of Career Suite 1 which automates talent data management, enhances insights and allows for consistent approach to develop future leaders

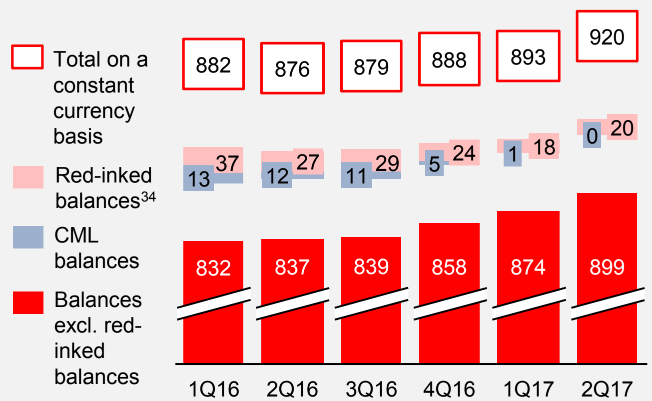
Appendix
Balance sheet

2Q17 Loans and advances to customers, $bn

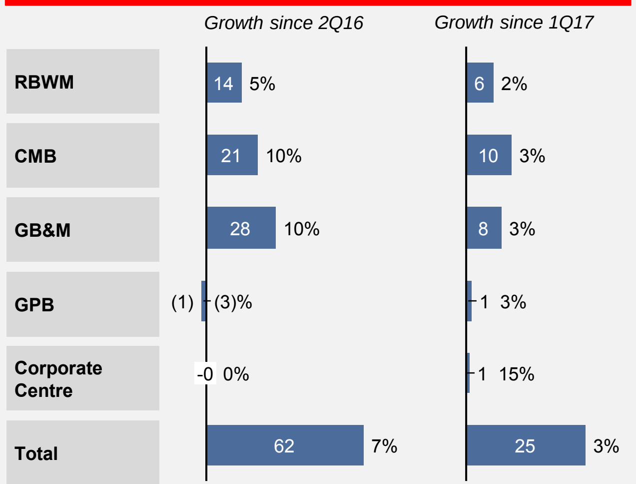
Balances increased by $27bn vs. 1Q17. Excluding CML and red-inked balances, lending increased by $25bn or 3%:

- Growth in term lending in Asia
- $2.4bn or 3.6% mortgage growth in Hong Kong
- $1.4bn or 1% mortgage growth in the UK

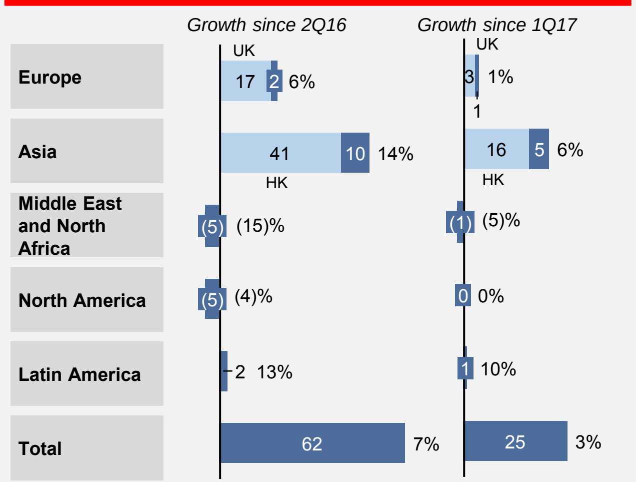
Balances increased by $44bn vs. 2Q16. Excluding CML and red-inked balances, lending increased by $62bn or 7%.



By global business *(excluding red-inked balances and CML)*

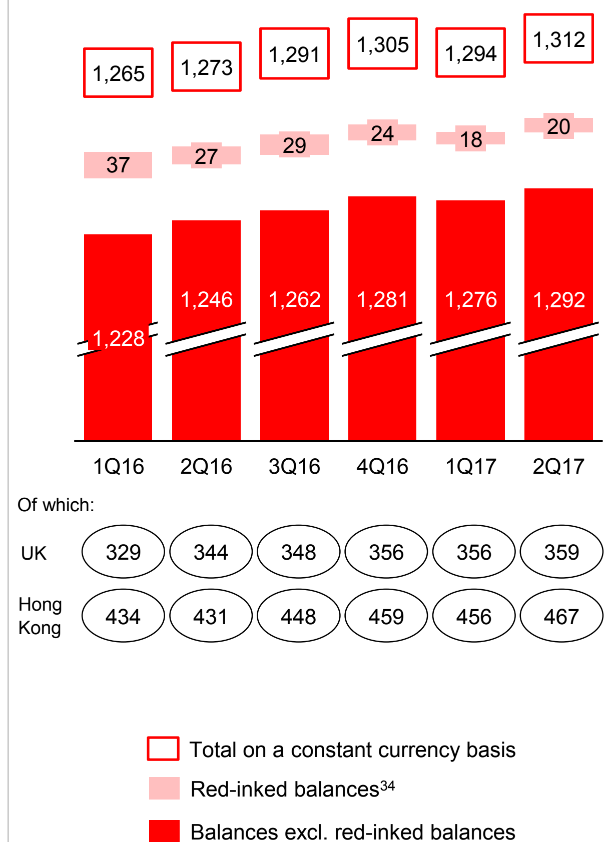


By region *(excluding red-inked balances and CML)*



Customer accounts, $bn

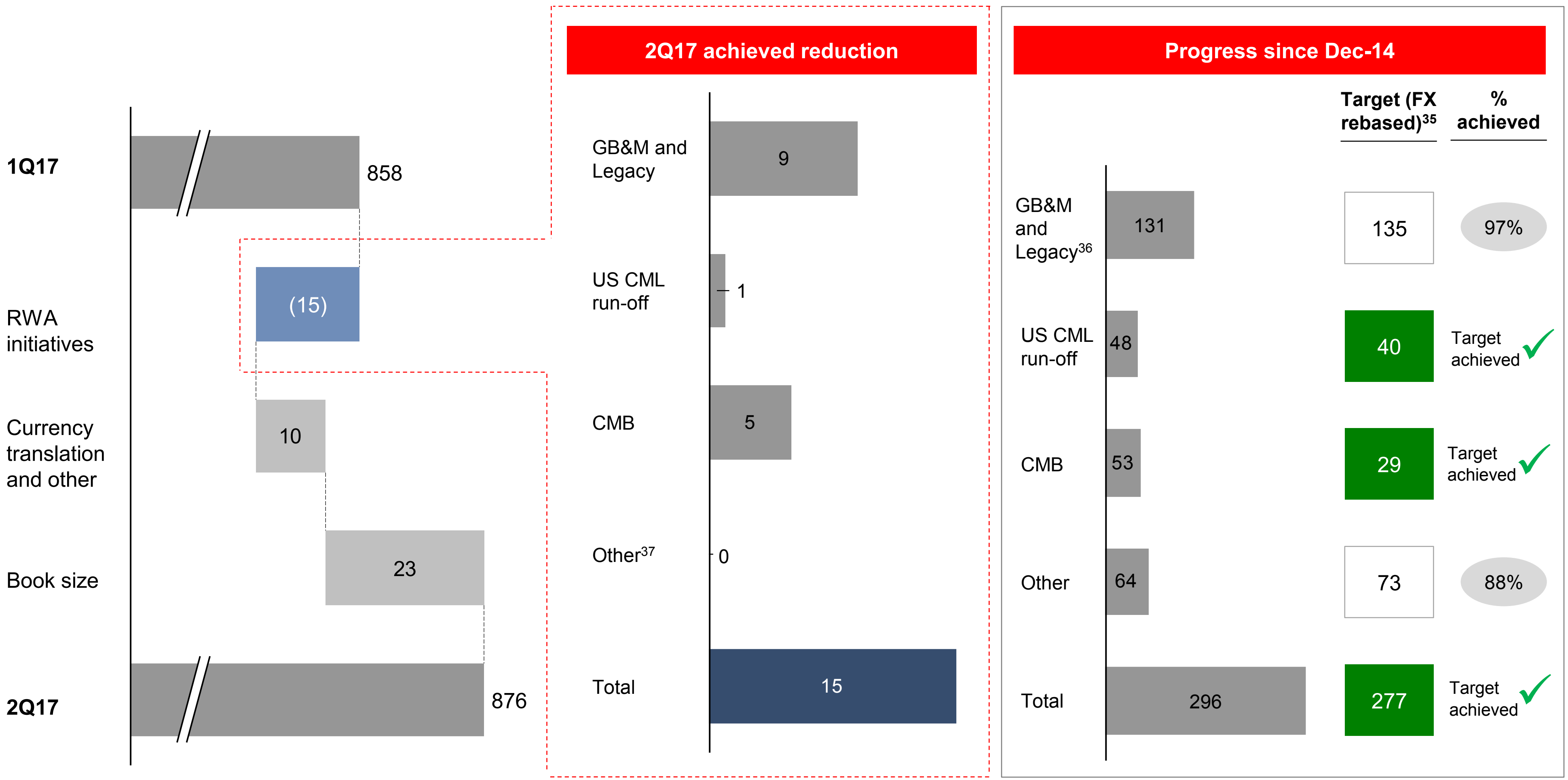
Excluding red-inked balances, customer accounts increased by $16bn vs. 1Q17, notably in Hong Kong and the UK



Appendix

Exceeded our FX rebased RWA target[35]

Key movements in Group RWAs ($bn)



Appendix

Equity drivers

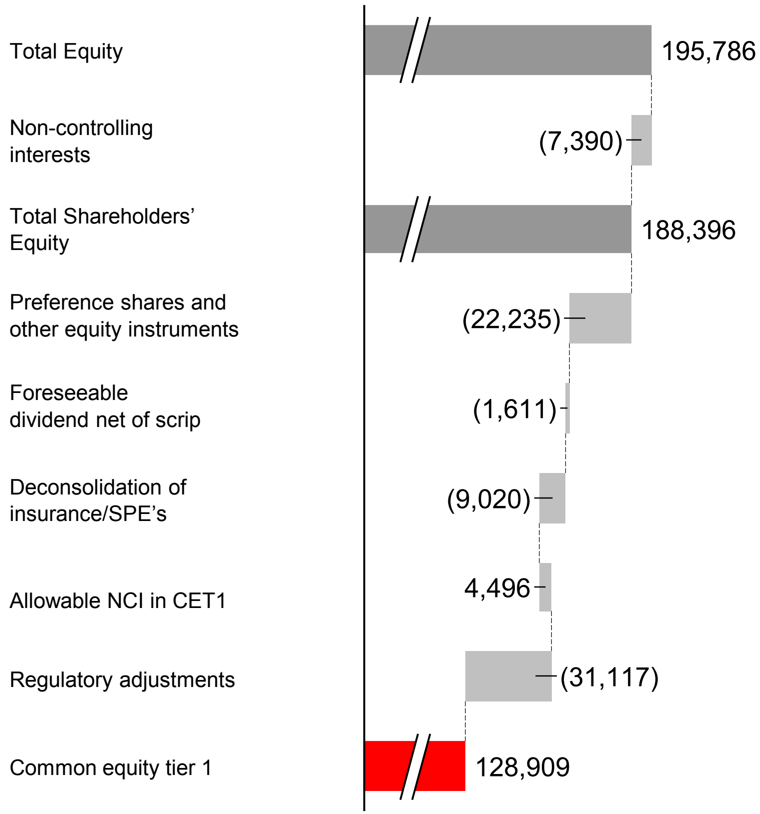
2Q17 vs. 1Q17 Equity drivers

	Shareholders' Equity, $bn	Tangible Equity, $bn	TNAV per share, $	No. of shares (excl. treasury shares), million
As at 31 March 2017	**178.8**	**140.2**	**7.08**	**19,793**
Profit to shareholders	4.0	4.0	0.20	-
Dividends net of scrip[38]	(1.4)	(1.4)	(0.15)	241
AT1 issuances	3.7	-	-	-
FX	3.2	2.8	0.14	-
Net gains on AFS investments and Actuarial gains on defined benefit plans	0.8	0.8	0.04	-
Adverse fair value movements from own credit risk	(0.8)	(0.8)	(0.04)	-
Other	0.1	(0.3)	(0.01)	(19)
As at 30 June 2017	**188.4**	**145.3**	**7.26**	**20,015**

Appendix

Total Shareholders' Equity to CET1 capital

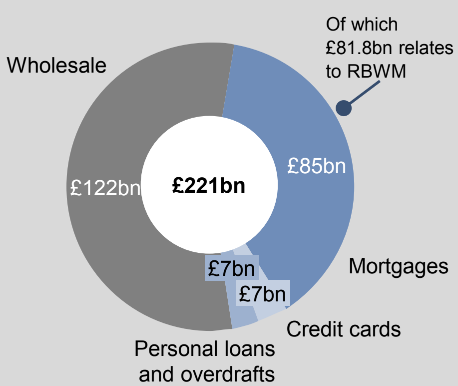
Total Equity to Common equity tier 1 capital, as at 2Q17



$m	4Q16	2Q17
Total equity (per balance sheet)	**182,578**	**195,786**
- Non-controlling interests	(7,192)	(7,390)
Total shareholders' equity	**175,386**	**188,396**
- Preference share premium	(1,405)	(1,405)
- Perpetual capital Securities	(5,851)	(5,851)
- Additional Tier 1	(11,259)	(14,979)
Total shareholders' equity less preference shares premium and other equity instruments	**156,871**	**166,161**
- Foreseeable dividend (net of scrip)	(3,751)	(1,611)
- Deconsolidation of insurance/SPE's	(7,707)	(9,020)
- Allowable NCI in CET1	3,878	4,496
CET1 before regulatory adjustments	**149,291**	**160,026**
- Additional value adjustments (prudential valuation adjustment)	(1,358)	(1,201)
- Intangible assets	(15,037)	(16,114)
- Deferred tax asset deduction	(1,696)	(1,476)
- Cash flow hedge adjustment	(52)	55
- Excess of expected loss	(4,025)	(3,426)
- Own credit spread and debit valuation adjustment	1,052	2,656
- Defined-benefit pension fund assets	(3,680)	(5,513)
- Direct and indirect holdings of CET1 instruments	(1,573)	(40)
- Threshold deductions	(6,370)	(6,058)
- Regulatory adjustments	**(32,739)**	**(31,117)**
CET1	**116,552**	**128,909**

Appendix
UK credit quality

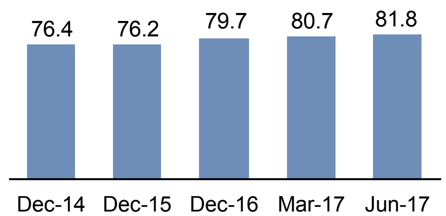
Total UK[39] gross customer advances - £221bn



Total UK gross customer advances of £221bn or ($286bn) which represents 31% of the Group's gross customer advances:

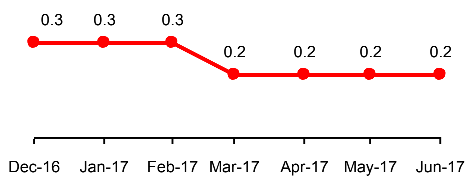
- Continued mortgage growth whilst maintaining extremely conservative loan-to-value (LTV) ratios
- Low levels of buy-to-let mortgages and mortgages on a standard variable rate (SVR)
- Low levels of delinquencies across mortgages and unsecured lending portfolios
- Commercial real estate lending to high quality operators and conservative LTV levels

RBWM residential mortgages[40], £bn



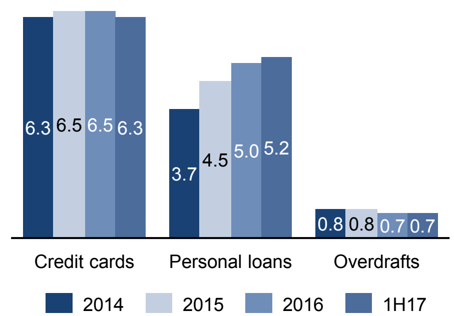
By Loan to Value (LTV)	
Less than 50%	£45.2bn
50% - < 60%	£13.7bn
60% - < 70%	£10.5bn
70% - < 80%	£7.8bn
80% - < 90%	£3.8bn
90% +	£0.7bn

90+ day delinquency trend, %

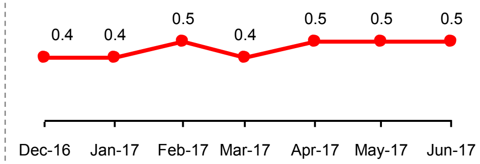


- c.30% of mortgage book is in Greater London
- LTV ratios:
  - c. 55% of the book < 50% LTV
  - new originations average LTV of 60%;
  - average LTV of the total portfolio of 40%
- Buy-to-let mortgages of £2.8bn
- Mortgages on a standard variable rate of £4.0bn
- Interest-only mortgages of £21.7bn

RBWM unsecured lending[41], £bn

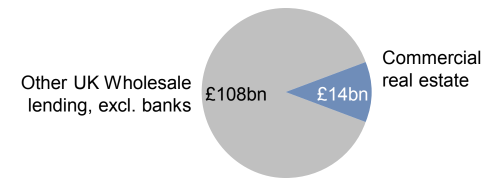


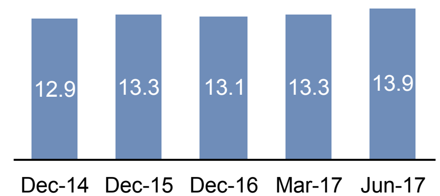
Credit cards: 90+ day delinquency trend, %



- Only c. 16% of outstanding credit card balances are on a 0% balance transfer offer
- HSBC does not provide a specific motor finance offering to consumers although standard personal loans may be used for this purpose
- Growth in unsecured lending has been confined to the personal loans portfolio with tight risk controls
- 1H17 credit card balances are lower than 2016 year end due to higher seasonal spend in the year end numbers. Compared to end 1H16 balances are marginally higher

Commercial real estate, £bn





We lend to high quality real estate operators:

- 41% general financing vs. 59% specific property-related financing
- 53% in London and the south east
- 88% investment grade
- We have maintained conservative LTV levels and have strong interest cover

Appendix
Oil and gas

Oil and gas, $bn

Overall drawn risk exposure

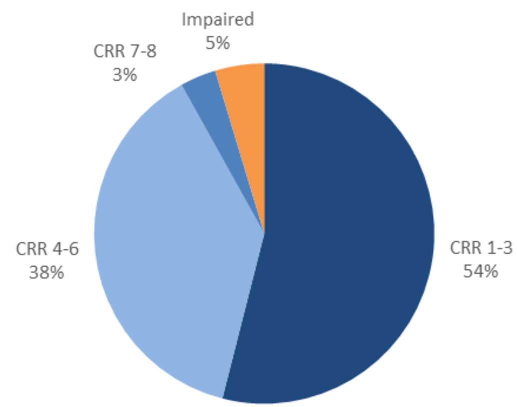
$28bn *(Dec 2016: $28bn)*

Integrated Producers	Service companies	Pure producers	Infrastructure companies
$15bn	$8bn	$4bn	$1bn

- $28bn represents c. 2% of wholesale drawn risk exposures
- 3% of the portfolio is CRR (credit risk rating) 7-8, the majority of which is in service companies and pure producers
- 5% of the portfolio is impaired
- Loan impairment charges and other credit risk provisions of less than $50m YTD
- Impairment allowances against the oil and gas portfolio of c. $0.6bn

Exposure by region	$bn
Europe	7
Asia	7
Middle East and North Africa	5
North America	8
Latin America	1
Group	**28**

Credit quality (%)



- CRR 1-3 broadly equivalent to investment grade
- CRR 4-6 broadly equivalent to BB+ to B-
- CRR 7-8 broadly equivalent to an external rating ranging from CCC+ to C

Appendix

Metals and mining

Metals and mining, $bn

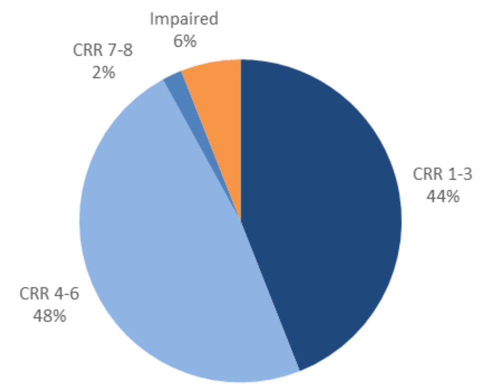
Overall drawn risk exposure **$15bn** *(Dec 2016: $16bn)*

Base / diversified	Bulk	Precious metals	Steel / Aluminium
$4bn	$2bn	$1bn	$8bn
Copper, Zinc and Nickel	Iron ore and metallurgical coal	Gold and Silver	

- $15bn represents c.1% of wholesale drawn risk exposure
- Specific impairment allowances of c. $0.5bn, concentrated on a few counterparties
- Loan impairment charges and other credit risk provisions of less than $50m YTD

Exposure by region	$bn
Europe	3
Asia	8
Middle East and North Africa	1
North America	2
Latin America	1
Group	**15**

Credit quality (%)



- CRR 1-3 broadly equivalent to investment grade
- CRR 4-6 Broadly equivalent to BB+ to B-
- CRR 7-8 Broadly equivalent to an external rating ranging from CCC+ to C

Appendix

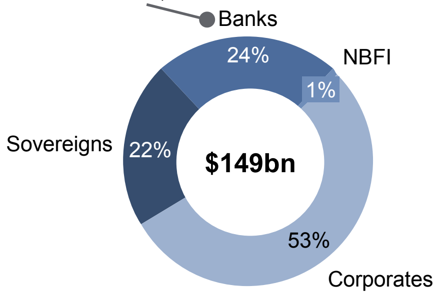
China

Mainland China drawn risk exposure[42]

- Total China exposure of $158bn of which 54% is onshore
- Wholesale: $149bn; Retail: $9bn
- Gross loans and advances to customers of $38bn in Mainland China (by country of booking, excluding Hong Kong and Taiwan)
- Losses remain low (onshore loan impairment charges of less than $100m year-to-date)
- Impaired loans and days past due trends remain low
- HSBC's onshore corporate lending market share is 0.2% which allows us to be selective in our lending

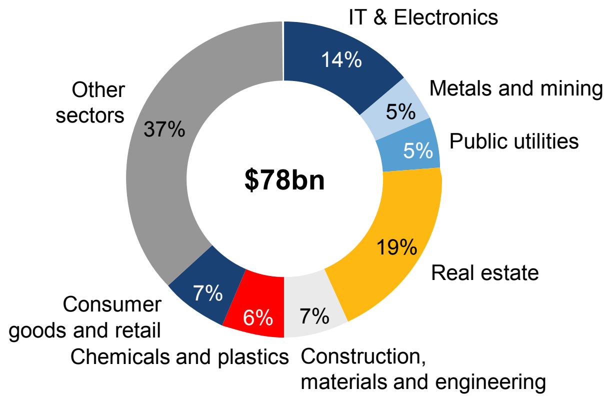
Wholesale lending by type:

Our top 5 exposures to banks amounted to $26bn



CRRs	1-3	4-6	7-8	9+	
Sovereigns	32.8	-	-	-	**$32.8bn**
Banks	35.6	0.3	-	-	**$35.9bn**
NBFI	1.6	0.2	-	-	**$1.8bn**
Corporates	45.7	31.8	0.2	0.5	**$78.2bn**
Total, $bn	**115.7**	**32.3**	**0.2**	**0.5**	**$148.7bn**

Corporate Lending by sector



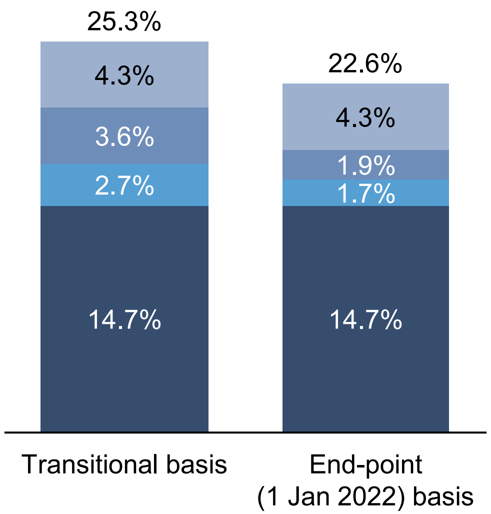
- c. 25% of lending is to Foreign Owned Enterprises, c. 33% of lending is to State Owned Enterprises
- Corporate real estate
  - 52% sits within CRR 1-3 (broadly equivalent to investment grade)
  - Highly selective, focusing on top tier developers with strong performance track records
  - Focused on Tier 1 and selected Tier 2 cities

Appendix – Fixed Income

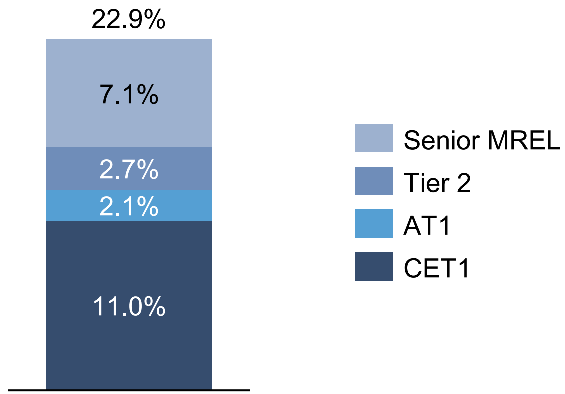
Appendix

HSBC capital structure[43]

HSBC capital structure as at 30 June 2017 (% of RWAs)

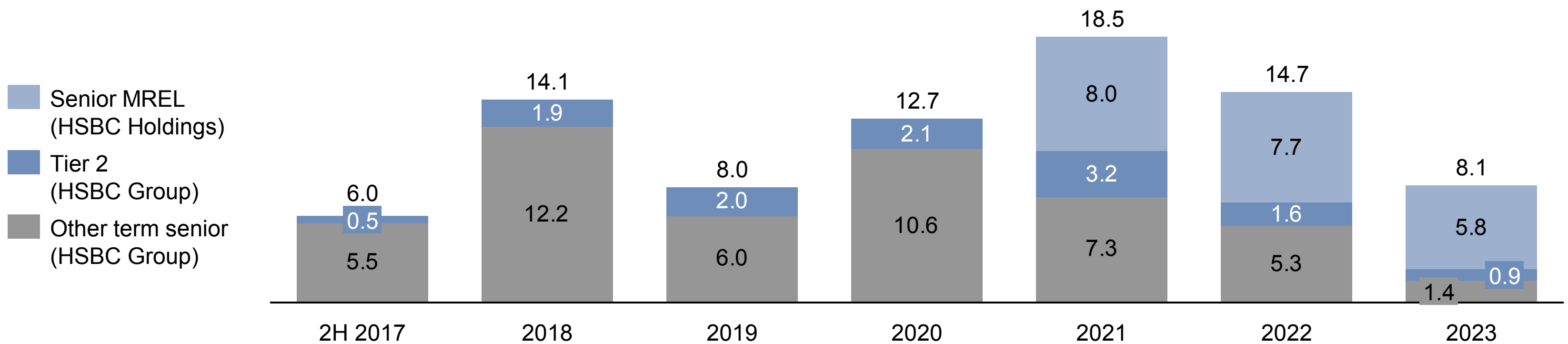


End-point (1 Jan 2022) regulatory requirements, including buffers

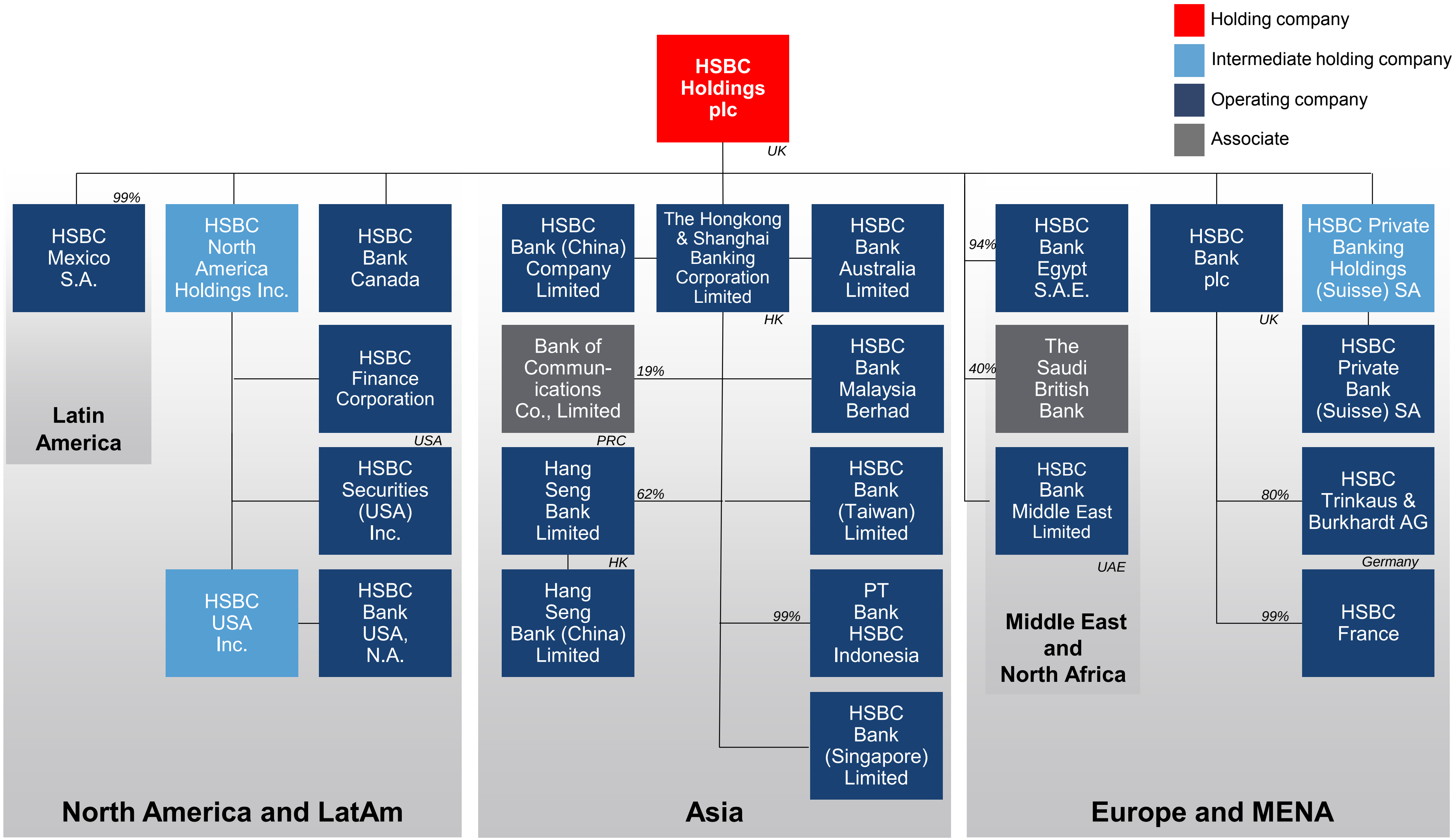


- HSBC meets its 2019 MREL requirements
- HSBC had $37bn of senior MREL in issue at 30 June 2017
- We will issue senior MREL to meet regulatory requirements and to refinance existing maturities
- Issuance of senior MREL to be at the lower end of our $60-80bn guided range

Contractual maturity profile, $bn



Appendix
Simplified structure chart

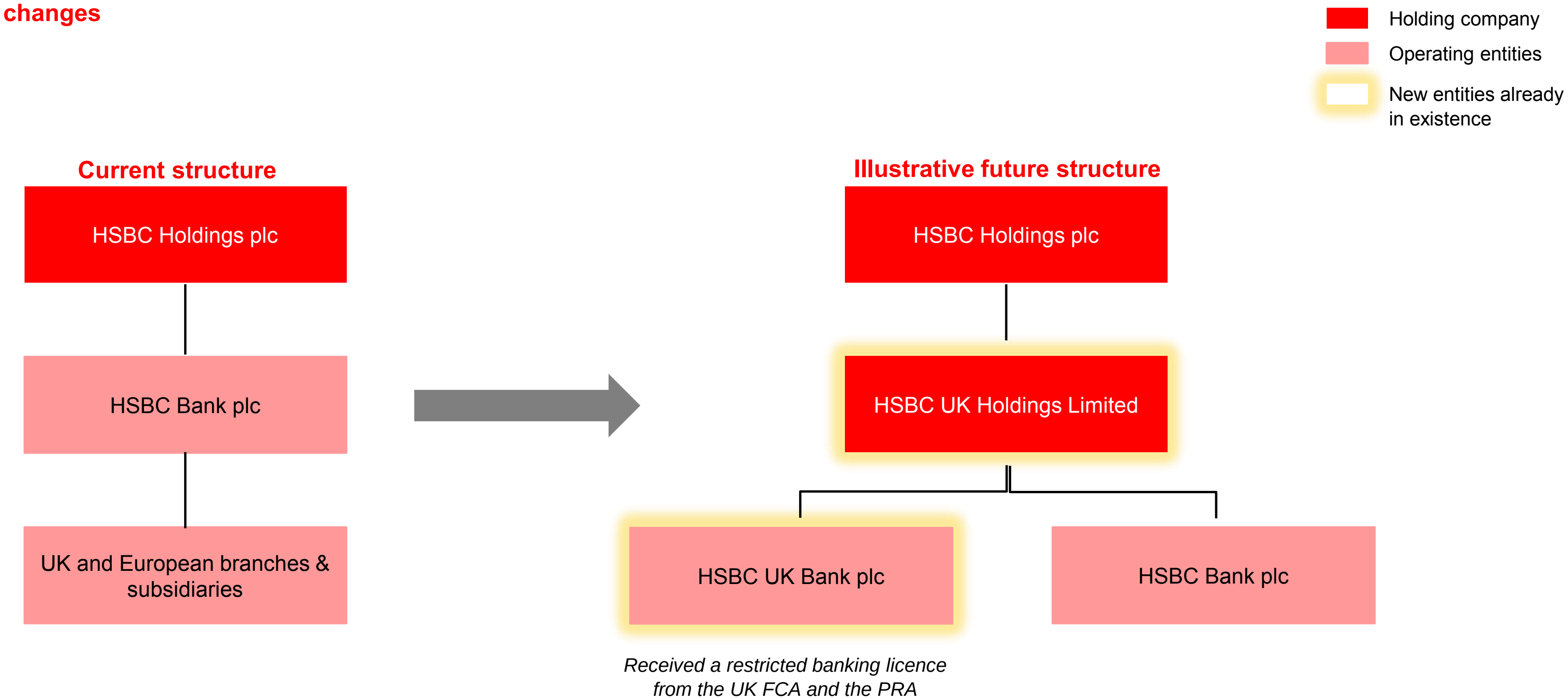


Appendix: Establishing the UK Ring-Fenced Bank

Changes to the legal structure in Europe and to the business of HSBC Bank plc as at 30 June 2017

- HSBC's ring-fenced bank, HSBC UK Bank plc, will be a new entity and will not be a subsidiary of HSBC Bank plc
- We intend to transfer into HSBC UK Bank plc the qualifying components of HSBC Bank plc's UK RBWM, CMB and GPB businesses. The UK GB&M business will remain in HSBC Bank plc
- HSBC Bank plc will remain the issuer under its debt issuance programmes and outstanding securities issued under such programmes will continue to be obligations of HSBC Bank plc and will not transfer to HSBC UK Bank plc

Legal structure changes

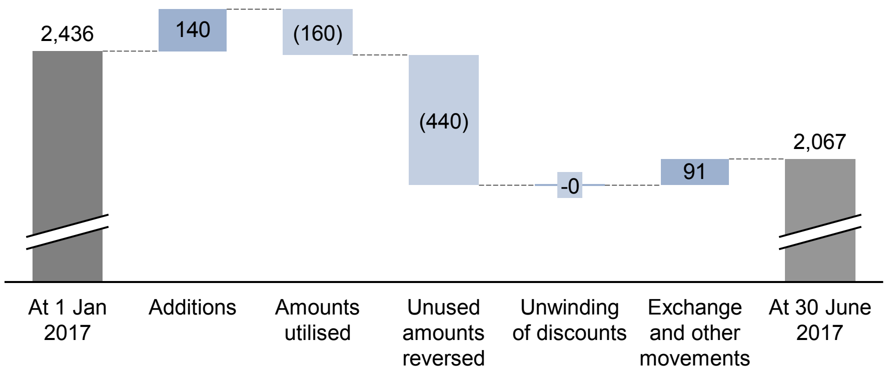


Appendix

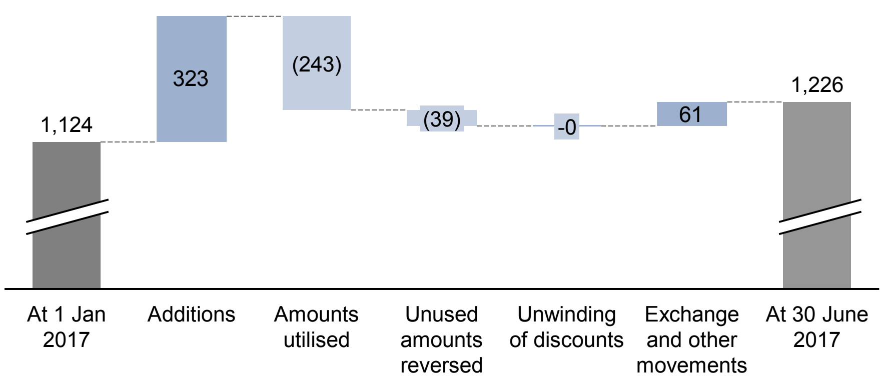
Legal proceedings and regulatory matters

- This slide should be read in conjunction with Note 10 and Note 13 of the HSBC Holdings plc Interim Report 2017.

Provisions relating to legal proceedings and regulatory matters, $m



Provisions relating to customer remediation, $m



Commentary on selected items[44]

Foreign exchange rate investigation[45]	As at 30 June 2017, HSBC held a provision of $865m for foreign exchange rate investigations and litigation.
Madoff[45]	Based upon the information currently available, management's estimate of possible aggregate damages that might arise as a result of all claims in the various Madoff-related proceedings is up to or exceeding $800m, excluding costs and interest.
US mortgage securitisation activity and litigation	Due to the high degree of uncertainty involved, it is not practicable to estimate the possible financial impact of these matters, which could be significant.
Tax-related investigations[45]	HSBC is cooperating with the relevant authorities. As at 30 June 2017, HSBC has recognised a provision for these various matters in the amount of $796m.
PPI	As at 30 June 2017, a provision of $1,056m (31 December 2016: $919m) was held relating to the estimated liability for redress in respect of the possible mis-selling of Payment Protection Insurance ('PPI') policies in previous years. An increase to provisions of $300m was recognised during the year, primarily reflecting a recent increase in complaint volumes, along with a delay to the inception of the expected time bar on inbound complaint volumes.

Appendix
Footnotes

1. Annualised
2. Includes the impact of UK bank levy
3. Unless otherwise stated, risk-weighted assets and capital are calculated and presented on a transitional CRD IV basis as implemented in the UK by the Prudential Regulation Authority
4. 1H16 jaws as reported in 1H16
5. 'Own credit spread' includes the fair value movements on our long-term debt attributable to credit spread where the net result of such movements will be zero upon maturity of the debt. On 1 January 2017, HSBC adopted the requirements of IFRS 9 relating to the presentation of gains and losses on financial liabilities designated at fair value. As a result, the effects of changes in those liabilities' credit risk is presented in other comprehensive income
6. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 2Q17 exchange rates
7. Where a quarterly trend is presented on Balance sheet data, all comparatives are re-translated at 30 Jun 2017 exchange rates
8. GB&M Adjusted Revenue, translated at 2Q17 FX rates, post-Corporate Centre re-segmentation; Source: HSBC Management View of Adjusted Revenue as reported in the Annual and Interim Report and Accounts between 2014 and 1H17
9. In the 1Q17 Results Presentation, new individually assessed and collectively assessed allowances were presented as new allowances; in the current disclosure new allowances includes new individually assessed allowances and new collectively assessed allowances net of allowance releases
10. This includes dividends on ordinary shares
11. Further detail on the Monitor and the US deferred prosecution agreement and related agreements and consent orders can be found in our 'Annual Report and Accounts 2016' on pages 82 and 66, respectively
12. Includes UK bank levy
13. $1.3bn resides in 'Assets held for sale'
14. Revenue from international clients is derived from an allocation of Adjusted revenue based on internal management information. International clients are businesses and individuals with an international presence
15. Global Insight, Jun17; Merchandise Exports by value
16. Oliver Wyman analysis, Global Ranking, YE2014 & YE2016
17. Market share of SWIFT payments
18. Hong Kong Monetary Authority statistics; Monetary Authority of Singapore, Monthly Statistical Bulletin; June 2015 to May 2017
19. Source: Coalition FY2014 and FY2016. Peer group: Bank of America Merrill Lynch, Barclays, BNP Paribas, Citi, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, J.P. Morgan, Morgan Stanley, Société Générale and UBS. Rankings are based upon HSBC's product taxonomy and include all Group-wide FX revenues.
20. Dealogic, 1H2017
21. May 2016 to May 2017; Excluding Hang Seng Bank
22. Market share calculated based on China Securities Regulatory Commission (CSRC) published data

Appendix
Footnotes

23. Total dividend paid in cash and scrip; Peers include: Banco Santander, Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, JP Morgan Chase & Co, Standard Chartered, UBS, Lloyds; Source: Bloomberg and HSBC Annual Reports
24. Date range 01/07/2015 - 30/06/2017
25. Based on shares listed on the London Stock Exchange
26. Date range 01/01/2011 - 30/06/2017; Includes 2Q17 dividends
27. Date range 01/01/2011 - 30/06/2017
28. Excluding CML and red-inked balances
29. Dividend per ordinary share
30. 1Q17 as reported at 1Q17 Results; 1Q16 to 4Q16 included in the '4Q 2016 Global Business Management View of Income' published at 2016FY Results.
31. Assumes the FY2016 split of fixed and variable for commercial lending including lending to banks with greater than 1 year maturity as published in 'Form 20-F'
32. Based on the average balance sheet at 1H17. Of the 79% that relates to Demand, 64% is interest bearing with the remaining 15% non-interest bearing
33. Source: Bloomberg
34. Red-inked balances relate to corporate customers in the UK, who settle their overdraft and deposit balances on a net basis
35. Investor day target of $290bn rebased for exchange rates at 30 Jun 2017
36. Includes BSM
37. Includes reductions related to Legacy credit, which following re-segmentation now resides in Corporate Centre
38. Includes dividends to preference shareholders and other equity holders
39. Where the country of booking is the UK
40. Includes First Direct balances
41. Includes First Direct, M&S and John Lewis Financial Services
42. Retail drawn exposures represent retail lending booked in mainland China; wholesale drawn exposures represents wholesale lending where the ultimate parent or beneficial owner is Chinese. Drawn exposures incorporates all forms of on balance sheet lending such as loans and advances to customers and banks and debt securities as well as issued non-cash products such as guarantees and letters of credit.

Appendix
Footnotes

43. The following should be read in conjunction with slide 39:
    - End-point MREL requirements calculated as a % of Group consolidated RWAs. The Bank of England (BOE) has written to HSBC outlining its current expectation with regard to the Group's Multiple Point of Entry resolution strategy and the Group's MREL to be issued by 2019 and 2022. The Group's MREL requirements are expected to be set at the higher of (i) 16% of RWAs (consolidated) from 1 Jan 2019 and 18% of RWAs (consolidated) from 1 Jan 2022; (ii) 6% of leverage exposures (consolidated) from 1 Jan 2019 and 6.75% from 1 Jan 2022; and (iii) the sum of requirements relating to other Group entities or sub-groups, which are as yet unknown.
    - MREL-qualifying instruments are estimated based on the Bank of England published Statement of Policy on the Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL) and the Financial Stability Board's TLAC term sheet. It includes senior debt issued by HSBC Holdings plc with effective remaining maturity greater than 1 year and excludes structured notes. Own funds instruments are included to the extent they are eligible per the Capital Requirements Regulation (CRR), whilst instruments issued by subsidiaries are only allowed to be included until 2022 (beyond 1 January 2022 only CET1 instruments issued by those subsidiaries can count towards the Group's external MREL requirement).
    - The finalisation of the CRR proposals and changes in the regulatory environment in the UK may change the above requirements and eligibility criteria, in the future.
    - The final 2019 and 2022 MREL eligible debt requirements are subject to a number of caveats including: changes to the firm and its balance sheet (RWAs, FX and leverage); liability management and share buy backs; changes in accounting and regulatory policy; stress test requirements and, not least, confirmation of the final requirements from the Bank of England and other regulators, including the resolution strategy which is subject to revision on a regular basis.
    - Regulatory requirements comprise the minimum ratios set under the CRR and the Pillar 2A requirements set by the PRA. At June 2017, the total Pillar 2A corresponds to 2.9% of RWA (to be met with at least 56% CET1 capital and no more than 25% Tier 2 capital). Pillar 2A requirements are subject to change.
    - The capital buffers on an end point basis include: a) the fully phased-in capital conservation buffer of 2.5% of RWAs; b) the countercyclical capital buffer, which is dependent on the prevailing rates set in the jurisdictions where HSBC has relevant credit exposures (this buffer amounts to 0.4% of RWAs on an end-point basis, based on confirmed rates as of June 2017); c) the fully phased-in Global Systemically Important Institutions Buffer (G-SII buffer) of 2% of RWAs. With the exception of the capital conservation buffer, the remaining buffers are subject to change.
    - In the table 'Contractual maturity profile', "Other term senior" means senior unsecured debt securities with an original term to maturity of >1.5 years and an original principal balance of > $250mn issued by HSBC Group entities.
44. This slide contains selected items only, as at 30 June 2017. For further information, please refer to Note 10 and Note 13 of the HSBC Holdings plc Interim Report 2017.
45. There are many factors that may affect the range of outcomes, and the resulting financial impact, of these matters. Due to uncertainties and limitations of these estimates, the ultimate penalties could differ significantly from the amount provided.

Appendix

Important notice and forward-looking statements

Important notice

The information set out in this presentation and subsequent discussion does not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any recommendation in respect of such securities or instruments.

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This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is ‘adjusted performance’ which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business. Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in the Interim Report 2017 and the Reconciliations of Non-GAAP Financial Measures document which are both available at www.hsbc.com.

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Cover image: The Hong Kong-Zhuhai-Macau Bridge: one of the most ambitious infrastructure projects in the Pearl River.

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