

Cover slide – Introduction

- Good afternoon.
- My remarks today will focus on the core strengths of the Group and how the actions we have taken strengthened the business and positioned us well for the future
- My comments will mainly benefit those of you who don't cover our stock day to day, and I'll keep them brief so we can have more time for Q&A
- The usual caveats about forward looking statements apply, and I encourage you to read the disclaimer on slide 14 in full.
- Finally, the financial information in these slides is presented on an adjusted basis.
 - We have included three slides from our full year results presentation in the appendix.
 - These slides include key financial metrics on a reported basis and show the reconciliation between reported and adjusted profit before tax.
 - The full 2016 results presentation and associated commentary may be found in the investor relations section of our website

Slide 2 (Universal & Global)

- HSBC is a universal, global bank.
 - As we'll see in just a few moments, being diversified by customer type and geography not only provides stability to our earnings, it offers the Group unique opportunities to generate revenue

- Being universal means that we serve a full range of customers, from the approximately 36 million individuals we serve in our Retail Banking and Wealth Management and Private Banking businesses, to the approximately two million corporates and institutions we serve in our Commercial Banking and Global Banking and Markets businesses
 - As you can see from the chart on the upper right hand corner of the slide, there is a rough parity between Group's three main businesses, which together accounted for 93% of the Group's adjusted revenues in 2016
 - None of our global businesses accounted for more than 38% of the Group's 2016 adjusted revenues, risk weighted assets or profit before tax, and each business generated a deposit surplus
- Being global means we serve our customers in 70 markets in five regions around the world
 - The chart on the bottom right reflects HSBC's strength in our two home markets of the UK and Hong Kong, which together accounted for just over half of the Group's adjusted revenues in 2016
 - Nevertheless, our presence in the Middle East, North America, Latin America and the other markets in Europe and Asia is particularly valuable to our corporate customers, as I'll demonstrate in a few moments
- The countries in our network account for more than 90% of global GDP, trade and capital flows.
 - We have completed 18 full-country exits and sold or closed 95 businesses since 2011
 - We believe a network of approximately 60 countries is required to support our international customers and we expect – over time – to re-shape our network towards this number of countries

Slide 3 (Universal)

- Being a universal bank enables us to form deeper relationships with our customers, and creates unique opportunities for cross-selling
 - For example, our Commercial Banking customers benefit from the capabilities of our Global Banking and Markets business, including FX and rates hedging and capital markets advisory and execution; and
 - Our Global Banking and Markets customers benefit from our Commercial Banking business's market-leading trade finance and global liquidity and cash management solutions
- In all, synergies accounted for approximately 20% of our adjusted revenues last year

Slide 4 (Global)

- Our global network is a key driver of our revenues – more than 45% of our client revenue comes from businesses and individuals with an international presence
 - Our network also gives us a distinct competitive advantage in transaction banking businesses such as trade and receivables finance, foreign exchange, securities services and liquidity and cash management
 - We are the number one bank for trade globally, and last year our Global Liquidity and Cash Management business won Euromoney's award for Best Global Cash Manager for non-financial institutions for the fifth year in a row.
 - We also won Best Global Cash Manager for financial institutions, for the fourth time in the last five years
 - In all, we generated an industry-leading 14.7 billion dollars of adjusted revenues from transaction banking last year.

Slide 5 (Market share)

- Our strong balance sheet and strategic focus has allowed us to gain market share in key segments in both our retail and wholesale businesses
- This has been particularly noticeable in Asian trade finance, as we benefited from the retrenchment of key competitors
- In Global Banking and Markets, continued investment in our cross-border event capabilities has been recognised with high-profile mandates:
 - We were the Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager on the Kingdom of Saudi Arabia's 17.5 billion dollar inaugural bond issue in Q4 – the largest-ever from an Emerging Markets issuer
 - We were one of two active joint bookrunners on Microsoft's 17 billion dollar global bond offering in January – the largest bond issue of 2017 thus far and the seventh largest of all time;
 - We are the only bank to have taken a lead role in all five 20 billion dollar plus underwritten M&A financings completed in Europe, the Middle East and Africa since the start of 2015

Slide 6 (Revenue growth in key businesses)

- Over the last two years, the performance of the Group has been impacted by the disposal of legacy assets, the restructuring of the Private Bank and certain other notable items
- Overall, adjusted revenues fell by 1 billion dollars between 2014 and 2016
- However, this reflects a 2.5 billion dollar decline in revenues from our Corporate Centre and Private Bank, which more than off-set gains of 1.5 billion dollars in our three largest businesses

- In the Private Bank, revenues fell by roughly 300 million dollars over the period as we restructured the business to position it for sustainable growth, with a focus on serving the personal wealth management needs of the leadership and owners of the Group's corporate clients.
- As you can see from the chart on the right hand side, the 2.2 billion dollar decline in Corporate Centre revenues was driven by the run-off of legacy U.S. sub-prime assets, valuation differences on long-term debt and associated swaps and certain other notable items.
- The 1.5 billion dollar revenue growth in our three largest businesses was driven by Global Banking and Markets and Commercial Banking; Retail Banking and Wealth Management revenues were broadly unchanged during the period.

Slide 7 (Strong balance sheet)

- HSBC's balance sheet has always been one of our core strengths
- Our strong capital ratios give us a competitive advantage by reducing our cost of funds and helping us attract customer business.
 - Over the past two years we have strengthened our common equity tier 1 ratio by two-and-a-half percentage points, which now sits slightly above the top end of our CET1 ratio target range of 12-13%
 - We have achieved this through a combination of organic capital generation and management actions that reduced risk weighted assets by 267 billion dollars
 - These actions included the disposal of legacy asset portfolios, the sale of our Brazilian subsidiary and the change in the regulatory capital treatment of our investment in Bank of Communications
- Our strong liquidity position is led by our customer deposit franchise

- Our 1.3 trillion dollar deposit base is highly diversified, both by customer type and by geography
- We generate deposit surpluses in all five regions, and in all four of our global businesses
- At a consolidated level, our advances to deposits ratio was 67.7% at the end of 2016, representing surplus deposits of more than 400 billion dollars relative to customer loans and advances
- This will be a key advantage as and when interest rates rise, and we can take a lot of encouragement from recent signs of a turn in the rate cycle in the US, Hong Kong and the Eurozone.
- Our strong deposit base also gives us the ability to grow lending, where we can do so within our risk appetite and at margins which are accretive to Group returns

Slide 8 (Consistency)

- Our diversification by business and geography, and our strong balance sheet, have helped make us one of the most consistently profitable banks in the world
- This, and our strong organic capital generation, have enabled us to be one of the top dividend payers in the FTSE 100, and one of the top dividend payers amongst banks globally, over the last 10 years
- It has also enabled us to buy back 2.5 billion dollars of shares in the second half of 2016, and to undertake a further buyback of up to 1 billion dollars in the first half of this year.

Slide 9 (Conclusion)

- Despite geopolitical uncertainties, which remain a significant consideration, our medium term revenue prospects remain good
- We saw good loan and deposit growth in 2016, with some acceleration into the fourth quarter, and expect to grow loans and advances by 3-4% in 2017
- Rising policy rates and steeper yield curves, particularly in the US and Hong Kong, augur well for deposit margins
- Our restructured business is increasingly well positioned to capture further opportunities, and our global businesses look to have carried momentum from the fourth quarter into the start of 2017

Thank you very much for your attention – I'll now take questions