HSBC Holdings plc 4Q17 Results

Presentation to Investors and Analysts

Our highlights

2017 Full Year highlights

Reported PBT
(2016: $7.1bn)
$17.2bn

Adjusted PBT
(2016: $18.9bn)
$21.0bn

Reported RoE
(2016: 0.8%)
5.9%

Reported RoTE
(2016: 2.6%)
6.8%

A/D ratio
(2016: 68.2%)
70.6%

CET1 ratio[1]
(2016: 13.6%)
14.5%

4Q17 Financial Performance

- Reported PBT of $2.3bn was $5.7bn higher than 4Q16
- Adjusted PBT of $3.6bn up $0.8bn vs. 4Q16:
  - Revenue of $12.4bn up $1.1bn or 10%
    - RBWM up $366m or 8% primarily from increased deposit revenue; excluding favourable market impacts in insurance manufacturing, revenue increased by 6%
    - CMB up $349m or 11% mainly from our GLCM business
    - GB&M down $323m or 9% and included adverse credit and funding valuation movements; Global Markets revenue was down $300m or 19% reflective of the subdued trading conditions; GLCM and Securities Services continued to perform well
    - Corporate Centre up $695m as 4Q16 included significant adverse valuation differences on long-term debt and associated swaps, compared with minimal movements in 4Q17
  - LICs increased by $188m mainly driven by 2 individual corporate exposures
  - Increase in operating costs of 2% in part reflecting planned investment in business growth

Full year

- Reported PBT of $17.2bn was $10.1bn higher than 2016
- Adjusted PBT of $21.0bn was $2.1bn or 11% higher than 2016 with gains in all 4 global businesses
- Adjusted revenue of $51.5bn was $2.2bn or 5% higher than 2016 reflecting increases in our 3 main global businesses: increased deposit margins across RBWM and CMB; revenue growth in all GB&M businesses, notably GLCM and Securities Services
- Adjusted costs of $31.1bn increased by $1.1bn or 4% from an increase in investments for growth and performance-related pay
- Delivered positive jaws of 1.0%

Balance Sheet and capital

- $12bn or 1% lending growth since 3Q17 (excluding CML run-off and red-inked balances); $20bn or 2% growth in deposit balances
- Strong capital position with a CET1 ratio of 14.5% and a leverage ratio of 5.6%
- $1.6bn impact to NAV ($1.3bn through the Income Statement; $0.3bn through OCI) and 9bps impact to CET1 following US tax reforms
- Share buybacks as and when appropriate, subject to the execution of targeted capital actions and regulatory approval
- Additional Tier 1 capital issuance of between $5bn and $7bn planned during the first half of 2018

Strategy execution

- Delivered growth from our international network with a 6% increase in transaction banking product revenue and a 13% rise in revenue synergies between global businesses compared with 2016
- Achieved annualised run-rate savings of $6.1bn since our Investor Update in 2015, while continuing to invest in growth and regulatory programmes and compliance; 2017 exit run-rate in line with 2014 adjusted cost base
- Targeted initiatives removed a further $71bn of RWAs in 2017. Exceeded our RWA reduction target; extracting a total of $338bn of RWAs from the business since the start of 2015
- Shifted the Group's business mix towards Asia with growth of 15% and 20% vs. 2014 in revenue and customer lending respectively

2017 Key financial metrics

Key financial metrics	2016	2017
Return on average ordinary shareholders' equity	0.8%	5.9%
Return on average tangible equity	2.6%	6.8%
Jaws (adjusted)[2, 3]	1.2%	1.0%
Dividends per ordinary share in respect of the period	$0.51	$0.51
Earnings per share	$0.07	$0.48
Common equity tier 1 ratio	13.6%	14.5%
Leverage ratio	5.4%	5.6%
Advances to deposits ratio	67.7%	70.6%
Net asset value per ordinary share (NAV)	$7.91	$8.35
Tangible net asset value per ordinary share (TNAV)	$6.92	$7.26

Reported results, $m

	4Q17	∆ 4Q16	∆ %	2017	∆ 2016	∆ %
Revenue	12,301	3,317	37%	51,445	3,479	7%
LICs	(658)	(190)	(41)%	(1,769)	1,631	48%
Costs	(9,895)	2,564	21%	(34,884)	4,924	12%
Associates	556	58	12%	2,375	21	1%
PBT	2,304	5,749	>100%	17,167	10,055	>100%

Adjusted results, $m

	4Q17	∆ 4Q16	∆ %	2017	∆ 2016	∆ %
Revenue	12,440	1,095	10%	51,524	2,234	5%
LICs	(658)	(188)	(40)%	(1,769)	825	32%
Costs	(8,758)	(144)	(2)%	(31,140)	(1,056)	(4)%
Associates	556	44	9%	2,375	53	2%
PBT	3,580	807	29%	20,990	2,056	11%

Financial overview
Reconciliation of Reported to Adjusted PBT

		Discrete quarter		Full Year	
		4Q16	4Q17	2016	2017
Reported profit before tax		**(3,445)**	**2,304**	**7,112**	**17,167**
Includes:					
Currency translation		(102)	-	499	-
Significant items:					
FVOD[4]	Fair value gains / losses on own debt	(1,648)	-	(1,792)	-
Brazil disposal	Loss and trading results from disposed operations in Brazil	-	19	(2,081)	19
Disposal of membership interest in Visa	Europe	-	-	584	-
	US	116	(4)	116	308
DVA	DVA on derivative contracts	(70)	(33)	26	(373)
NQHs	Fair value movements on non-qualifying hedges	(302)	78	(687)	128
Cost-related	Settlements and provisions in connection with legal matters	42	(64)	(681)	362
	Impairment of GPB Europe goodwill	(2,440)	-	(3,240)	-
	Costs to achieve (CTA)	(1,086)	(655)	(3,118)	(3,002)
	Customer redress programmes	(70)	(272)	(559)	(655)
	Costs to establish UK ring-fenced bank	(76)	(115)	(223)	(392)
Other	Other significant items	(581)	(230)	(666)	(218)
Adjusted profit before tax		**2,773**	**3,580**	**18,934**	**20,990**

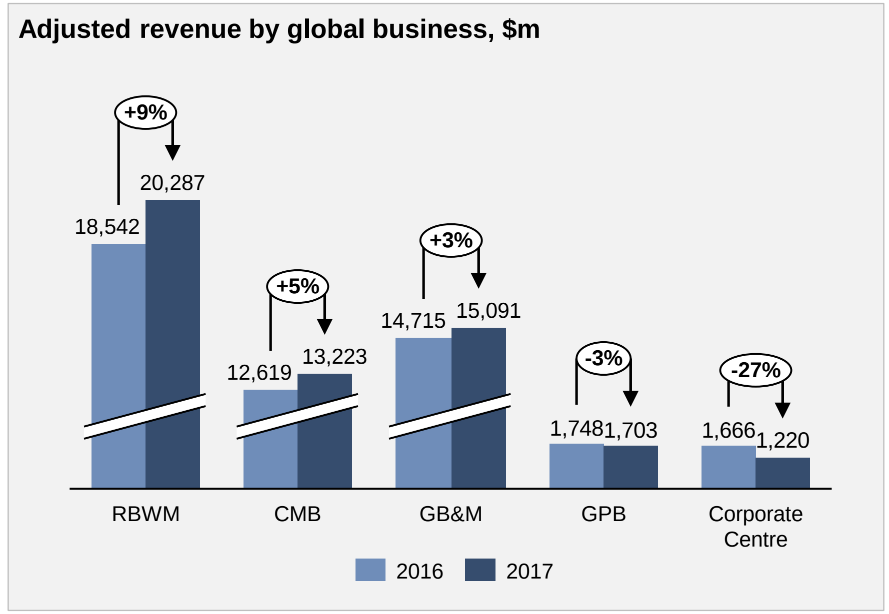
The remainder of the presentation, unless otherwise stated, is presented on an adjusted basis

2017 Profit before tax

Revenue growth in our three main global businesses

	2017	Δ 2016 (adverse / favourable)	
Revenue	$51,524m	2,234	5%
LICs	$(1,769)m	825	32%
Operating expenses	$(31,140)m	(1,056)	(4)%
Share of profits in associates and joint ventures	$2,375m	53	2%
Profit before tax	**$20,990m**	2,056	11%

Jaws[2]
1.0%



Adjusted PBT by global business, $m	2016	2017	Δ 2016	Δ %
RBWM	5,236	6,478	1,242	24%
CMB	5,904	6,780	876	15%
GB&M	5,509	5,774	265	5%
GPB	272	296	24	9%
Corporate Centre	2,013	1,662	(351)	(17)%
Group	**18,934**	**20,990**	**2,056**	**11%**

Adjusted PBT by geography, $m	2016	2017	Δ 2016	Δ %
Europe[5]	1,468	1,004	(464)	(32)%
Asia	14,188	16,090	1,902	13%
Middle East and North Africa	1,391	1,536	145	10%
North America	1,343	1,708	365	27%
Latin America	544	652	108	20%
Group	**18,934**	**20,990**	**2,056**	**11%**

4Q17 Profit before tax

Higher adjusted PBT from increased revenue, partly offset by increased LICs and higher costs

4Q17 vs. 4Q16

Adjusted PBT by item

	4Q17	Δ 4Q16 (adverse / favourable)	
Revenue	$12,440m	1,095	10%
LICs	$(658)m	(188)	(40)%
Operating expenses	$(8,758)m	(144)	(2)%
Share of profits in associates and joint ventures	$556m	44	9%
Profit before tax	**$3,580m**	807	29%

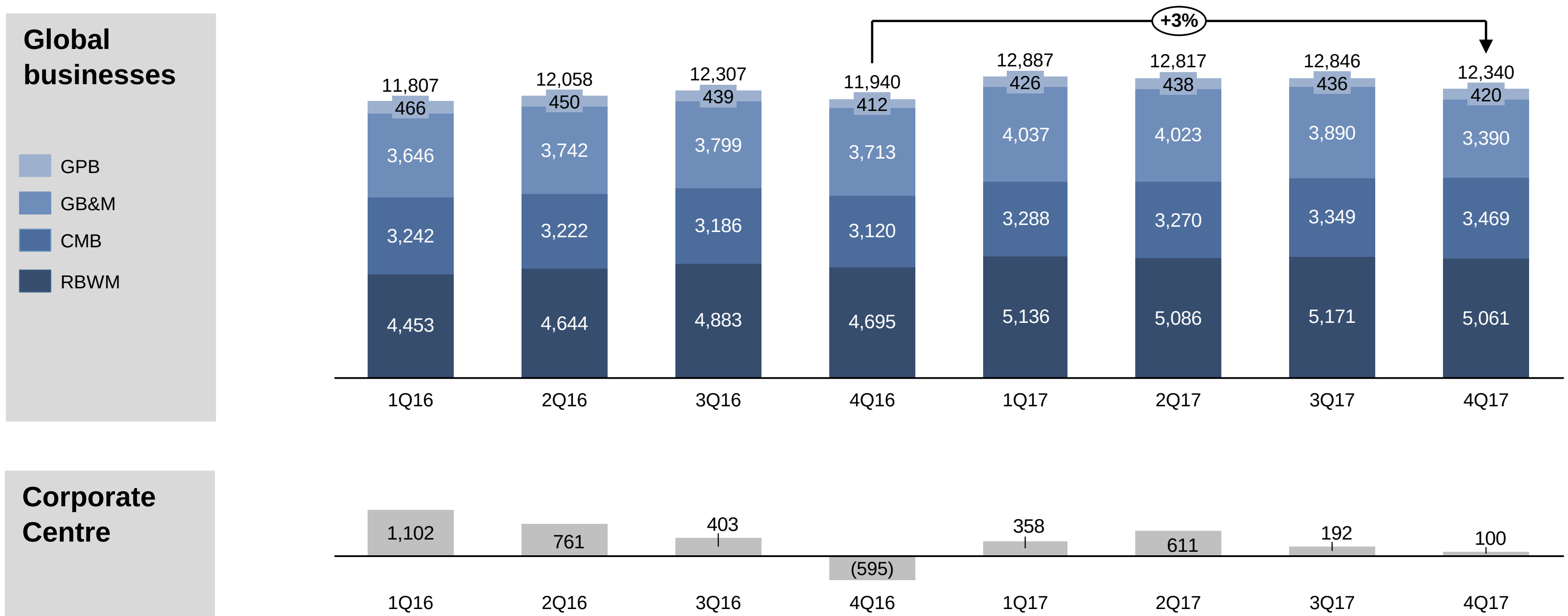
Adjusted PBT by global business, $m	4Q16	4Q17	Δ 4Q16	Δ %
RBWM	1,162	1,420	258	22%
CMB	1,431	1,694	263	18%
GB&M	1,380	836	(544)	(39)%
GPB	16	98	82	>100%
Corporate Centre	(1,216)	(468)	748	62%
Group	**2,773**	**3,580**	**807**	**29%**

Adjusted PBT by geography, $m	4Q16	4Q17	Δ 4Q16	Δ %
Europe	(1,038)	(1,337)	(299)	(29)%
Asia	3,240	3,975	735	23%
Middle East and North Africa	210	346	136	65%
North America	272	421	149	55%
Latin America	89	175	86	98%
Group	**2,773**	**3,580**	**807**	**29%**

Revenue performance

4Q17 revenue up vs. 4Q16 in RBWM and CMB partly offset by subdued trading conditions in GB&M

Revenue performance, $m[6]



	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Group revenue	**12,909**	**12,819**	**12,710**	**11,345**	**13,245**	**13,428**	**13,038**	**12,440**

RBWM performance

4Q17 revenue growth driven by deposit revenues and wealth management

2017 Full Year highlights

Adjusted PBT
(2016: $5.2bn)
$6.5bn 24%

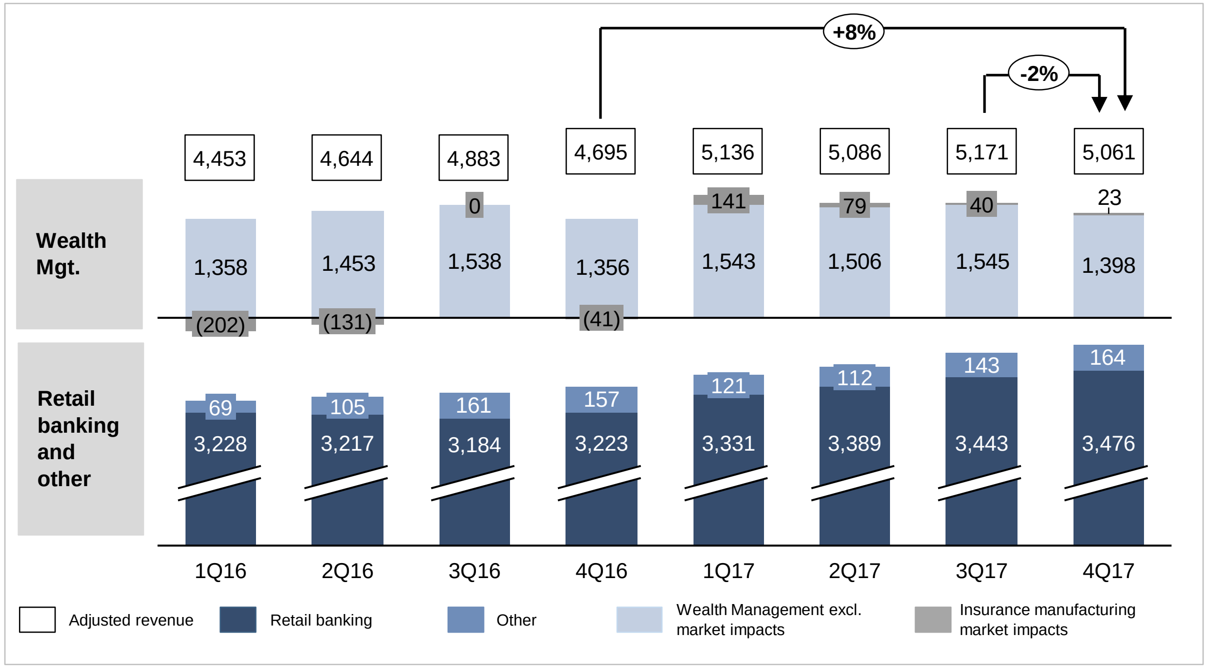
Adjusted revenue
(2016: $18.5bn)
$20.3bn 9%

Adjusted LICs
(2016: $1.1bn)
$1.0bn 14%

Adjusted costs
(2016: $12.2bn)
$12.8bn 5%

Adjusted Jaws
4.0%

Revenue performance, $m[6]



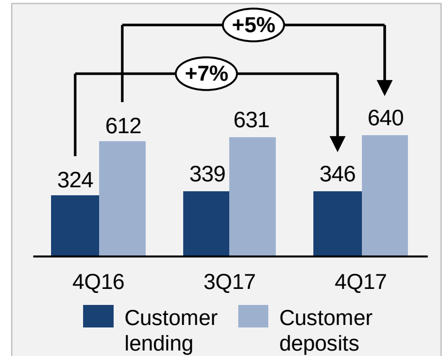
4Q17 vs. 4Q16: Adjusted revenue up 8%

- Higher balances and margins driving deposit revenues (up $370m)
- Lower lending revenue (down $117m) driven by margin compression partly offset by higher balances
- Investment distribution (up $98m), mainly in Hong Kong
- Insurance manufacturing (down $21m) driven primarily by the adverse impact of PVIF non-economic assumption changes in 4Q17 of $68m, partly offset by net favourable market impacts

4Q17 vs. 3Q17: Adjusted revenue down 2%

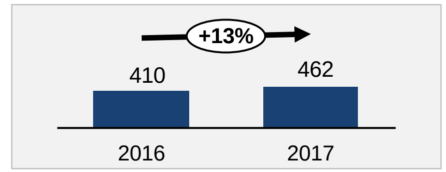
- Lower Investment distribution revenue (down $111m), mainly in Hong Kong and the UK due to seasonality
- Insurance manufacturing (down $69m), reflecting lower sales volumes due to seasonality, notably in Asia
- Lower lending revenue (down $76m) driven by margin compression partly offset by higher volumes
- Higher deposit revenues (up $109m) from higher margins and balances

Balance Sheet, $bn[7]

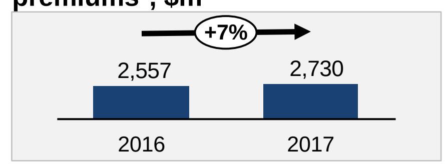


- Lending up 7% compared to 4Q16, mainly in Hong Kong and the UK
- Customer deposits up 5% vs. 4Q16, notably in the UK and Hong Kong

Funds under management[8], $bn



Annualised new business premiums[9], $m



CMB performance

Continued positive performance, driven by GLCM

2017 Full Year highlights

Adjusted PBT
(2016: $5.9bn)

$6.8bn 15%↑

Adjusted revenue
(2016: $12.6bn)

$13.2bn 5%↑

Adjusted LICs
(2016: $1.0bn)

$0.5bn 49%↓

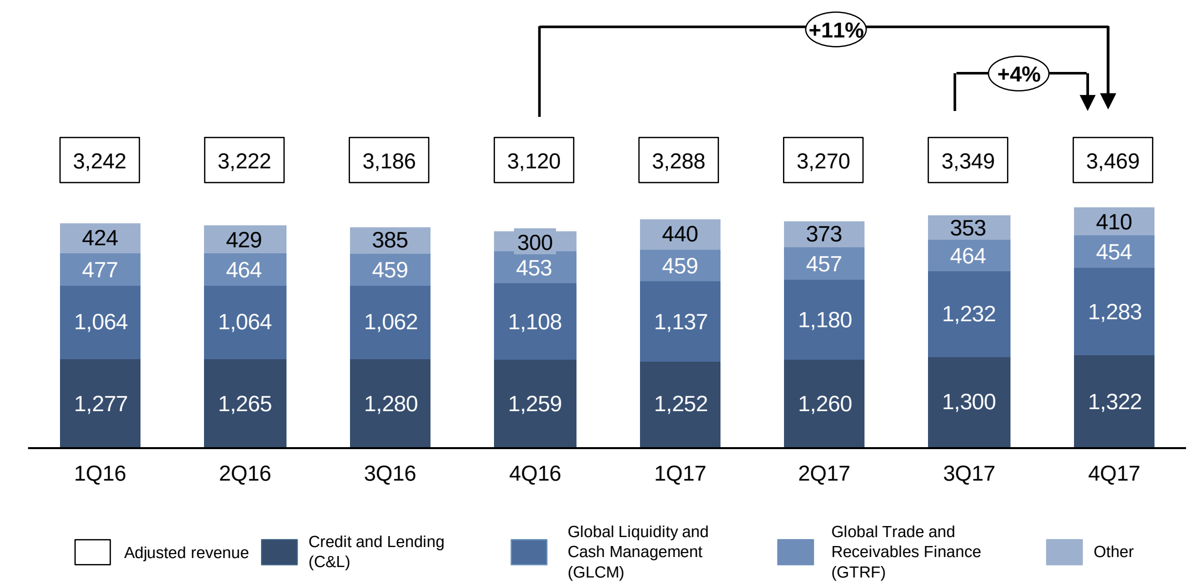
Adjusted costs
(2016: $5.7bn)

$5.9bn 3%↑

Adjusted Jaws

1.3%

Revenue performance, $m[6]



4Q17 vs. 4Q16: Adjusted revenue up 11%

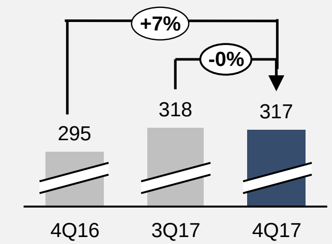
- GLCM up 16%, notably in Asia, from wider spreads and average balance sheet growth
- C&L up 5%, primarily due to balance sheet growth in the UK and Hong Kong, as well as interest recoveries in Asia and North America, excluding these recoveries, revenue was up 3%
- GTRF stable, as strong asset growth in Asia was offset by the effect of repositioning in MENA
- Other up $110m, notably in Asia, reflecting market movements in Insurance and growth in DCM revenue

4Q17 vs. 3Q17: Adjusted revenue up 4%

- GLCM up 4%, primarily due to wider spreads as well as average balance sheet growth in both Asia and the UK
- C&L up 2%, due to interest recoveries in Asia and North America - excluding this, revenue was stable
- GTRF down 2%, notably in Asia, reflecting lower volumes due to seasonality
- Other up $57m, in part due to higher Markets revenue in Europe and ECM in Asia

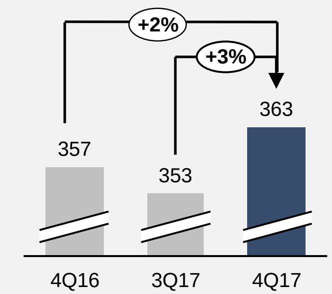
Balance Sheet, $bn[7]

Customer lending:



- Year-on-year growth driven by Asia and the UK
- Excluding the reduction in red-inked balances in the UK, balances were stable in 4Q17

Customer deposits:



- Year-on-year growth driven by the UK and the US
- Balances also grew in Asia in 4Q17

GB&M performance

All GB&M businesses grew revenues in 2017. Resilient 4Q17 performance as our diverse product offering enabled us to weather subdued trading conditions

2017 Full Year highlights

Adjusted PBT
(2016: $5.5bn)
$5.8bn 5%

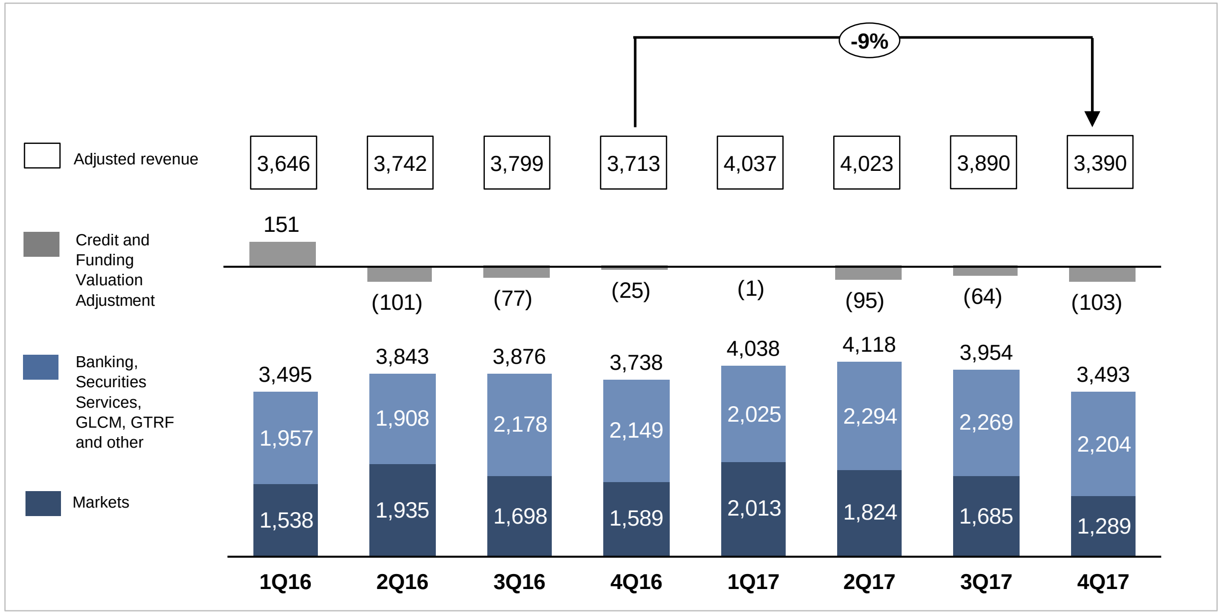
Adjusted revenue
(2016: $14.7bn)
$15.1bn 3%

Adjusted LICs
(2016: $0.5bn)
$0.5bn 0%

Adjusted costs
(2016: $8.7bn)
$8.9bn 1%

Adjusted Jaws
1.3%

Revenue performance, $m[6]



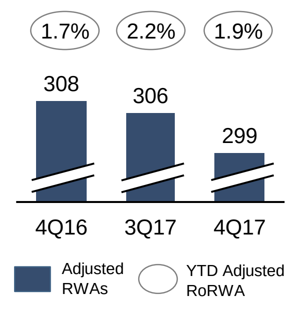
4Q17 vs. 4Q16: Positive within the context of subdued trading conditions in 4Q17

- Our diverse and unique wholesale banking proposition allowed us to weather subdued trading conditions
- Markets revenues were adversely impacted by industry wide reduced trading volumes, and low volatility within FICC, partly offset by increased prime financing activity
- GLCM and Securities Services continued to perform well from increased balances as we expanded our client relationships, and positive interest rate movements

4Q17 vs. 3Q17: Resilient

- GLCM and Securities Services continued to perform well
- FICC, in particular Rates, experienced reduced client activity due to a lack of market volatility
- Global Banking revenues were largely stable, as our financing activity offset lower advisory volumes

Returns and RWAs



Management view of adjusted revenue

$m	4Q17	Δ 4Q16
Markets	**1,289**	**(19)%**
Of which:		
FX	613	(19)%
Rates	273	(48)%
Credit	143	91%
FICC	**1,029**	**(24)%**
Equities	**260**	**11%**
Global Banking	**914**	**(10)%**
GLCM	**588**	**18%**
Securities Services	**466**	**15%**
GTRF	**168**	**(3)%**
Principal Investments	**63**	**19%**
Other	**5**	**(60)%**
Credit and Funding Valuation Adjustment	(103)	n/a
Total	**3,390**	**(9)%**

GPB performance

2017 revenue up 10% in areas targeted for growth; $15bn of positive inflows in 2017

2017 Full Year highlights

Adjusted PBT
(2016: $0.3bn)

$0.3bn 9%

Adjusted revenue
(2016: $1.7bn)

$1.7bn 3%

Adjusted LICs
(2016: $0.0bn)

$0.0bn nm

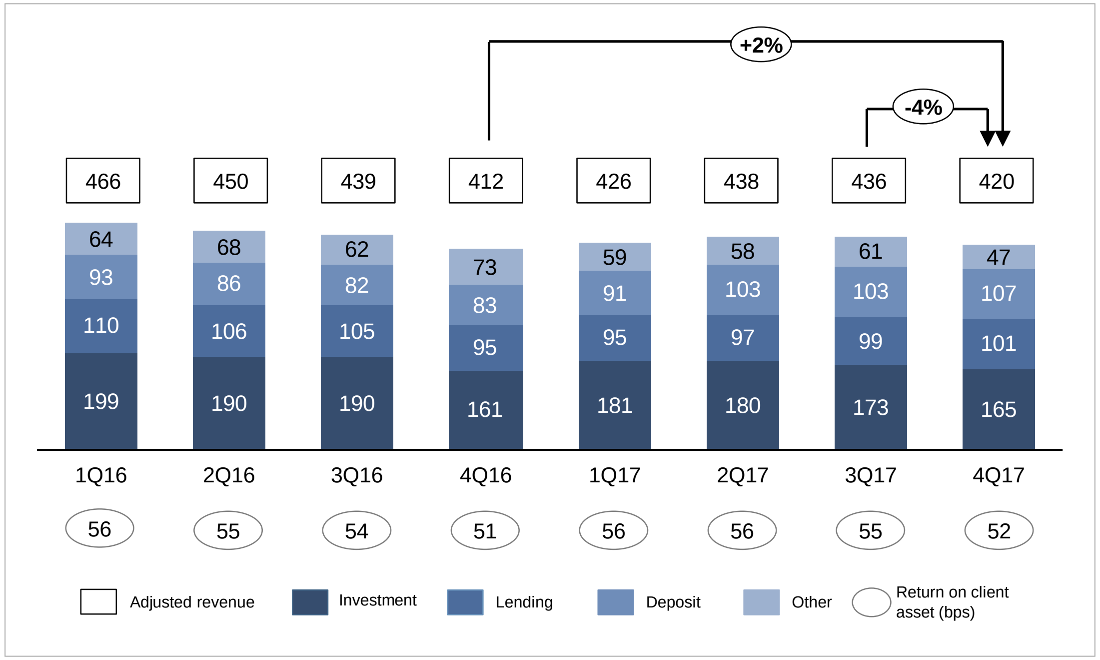
Adjusted costs
(2016: $1.5bn)

$1.4bn 6%

Adjusted Jaws

3.2%

Revenue performance, $m[6]



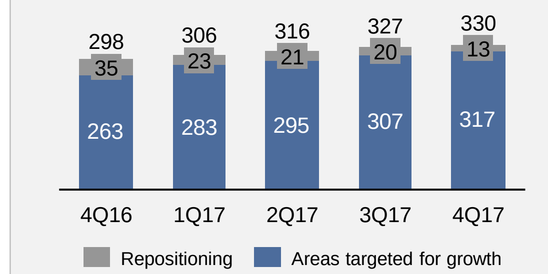
4Q17 vs. 4Q16: Adjusted revenue up 2%

- Revenue in areas targeted for growth up 8%, mainly in Hong Kong reflecting higher client investment activity (mandates and brokerage) and wider deposit spreads
- This is partly offset by lower revenue reflecting the $22bn reduction in client assets from repositioning

4Q17 vs. 3Q17: Adjusted revenue down 4%

- Lower due to the non-recurrence of a $9m gain on sale reported in 3Q17, and lower client activity in Hong Kong in December

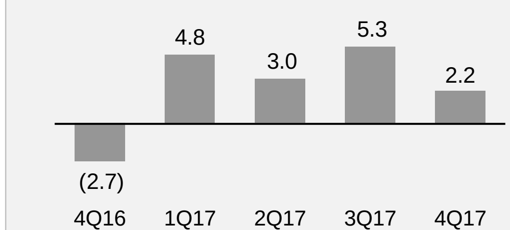
Client assets, $bn



- Launched new products; front office positioned for growth

Net new money, $bn

Net new money in areas targeted for growth



- In 2017, positive net inflows of $15bn in key markets targeted for growth, particularly in Hong Kong

Corporate Centre performance

Lower revenue in 2017 from the run-off of CML and other legacy portfolios

2017 Full Year highlights

Adjusted PBT
(2016: $2.0bn)

$1.7bn 17%⬇

Adjusted revenue
(2016: $1.7bn)

$1.2bn 27%⬇

Adjusted LICs
(2016: $0.0bn)

$(0.2)bn nm⬆

Adjusted costs
(2016: $1.9bn)

$2.1bn 8%⬆

Revenue performance, $m[6]

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Central Treasury	**745**	**632**	**364**	**(267)**	**395**	**429**	**316**	**256**
Of which:								
Balance Sheet Management	729	773	744	788	865	643	583	621
Interest expense	(156)	(245)	(293)	(275)	(333)	(296)	(332)	(280)
Valuation differences on long-term debt and associated swaps	250	110	108	(741)	(27)	125	81	(57)
Other	(78)	(6)	(195)	(39)	(110)	(43)	(16)	(28)
US run-off portfolio (CML)	239	181	150	122	28	47	(28)	(7)
Legacy Credit	(38)	(56)	127	(4)	0	60	(18)	(73)
Other	156	4	(238)	(446)	(65)	75	(78)	(76)
Total	**1,102**	**761**	**403**	**(595)**	**358**	**611**	**192**	**100**

4Q17 vs. 4Q16: Adjusted revenue up $695m to $100m

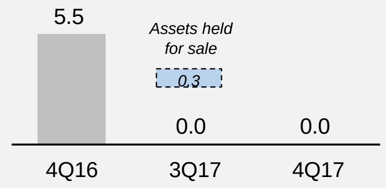
- Minimal valuation differences on long-term debt and associated swaps in 4Q17 compared with adverse movements of $741m in 4Q16
- BSM (down $167m) due to non-recurrence of a gain in 4Q16 and de-risking activities carried out earlier in 2017 as BSM repositioned itself for rising rates
- US CML (down $129m) due to completion of run-off in 4Q17
- Other (up $368m) reflects the phasing of intercompany income and expenses in 2016

4Q17 vs. 3Q17: Adjusted revenue down $92m to $100m

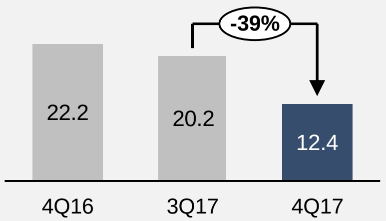
- Valuation differences on long-term debt and associated swaps (4Q17: $(57)m, 3Q17: $81m resulting in a net decrease in revenue of $138m)
- Legacy Credit (down $55m) reflecting loss on sale of assets and unfavourable funding fair value adjustments in 4Q17
- In BSM higher revenue (up $38m) due to higher reinvestment yields in Asia

Balance Sheet, $bn[7]

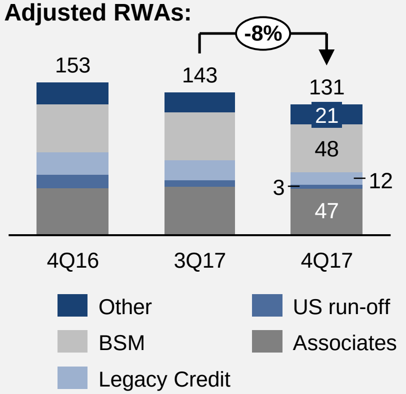
US run-off portfolio (CML):



Legacy Credit adjusted RWAs:



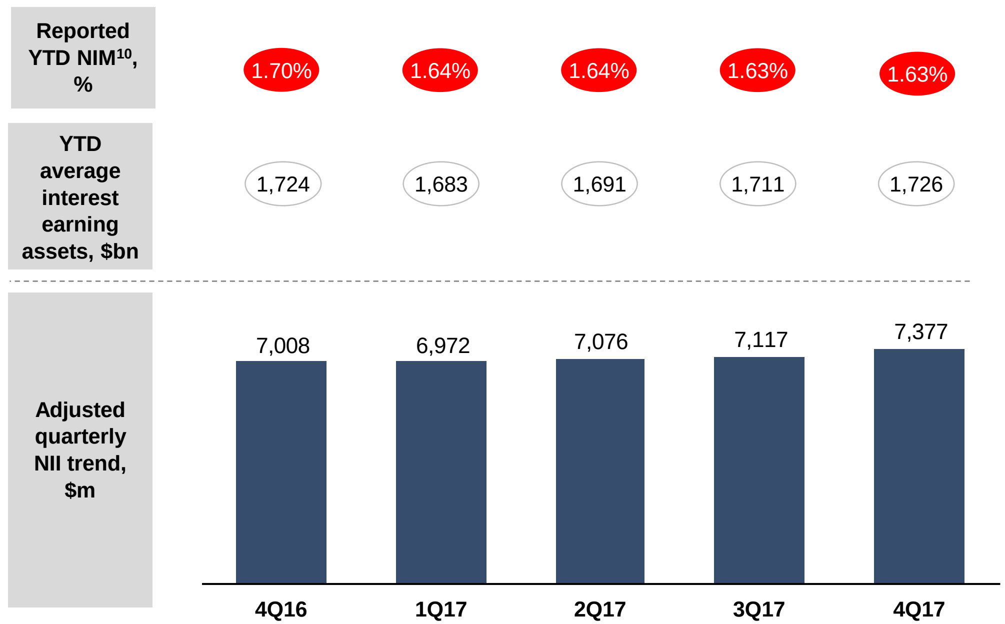
Adjusted RWAs:



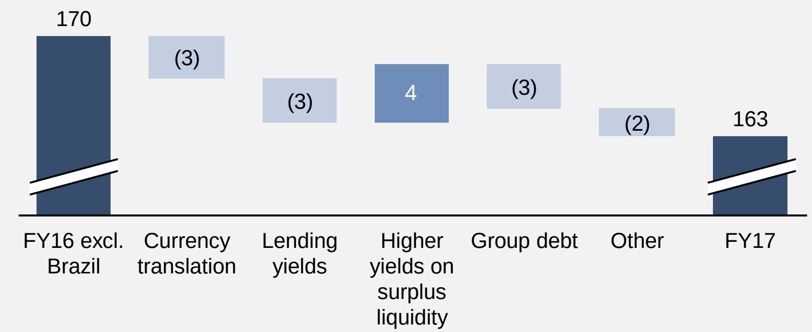
Net interest margin

Net interest margin of 1.63%; well positioned to benefit as rates move higher

Net interest income and margin



Main drivers, bps:



NII

- 4Q17 NII of $7,377m increased by $260m vs. 3Q17 mainly driven by Hong Kong

FY17 vs. FY16

Net interest margin of 1.63% was 10bps lower than 2016 or 7bps excluding Brazil:

- Lower customer lending yields (-3bps) due to the impact of CML and margin compression in Europe and Asia
- Higher MREL issuance (-3bps)
- Currency translation (-3bps), partly offset by
- Higher yields on surplus liquidity (+4bps) leading to wider deposit spreads

Outlook

- MREL costs are expected to be c$0.2bn higher in 2018 vs. 2017
- Mid single digit % loan growth expected

NII sensitivity, $m: *Sensitivity of NII to a 25bps / 100bps instantaneous change in yield curves (12 months), for further commentary and information, refer to pages 108 and 109 of the Annual Report and Accounts 2017*

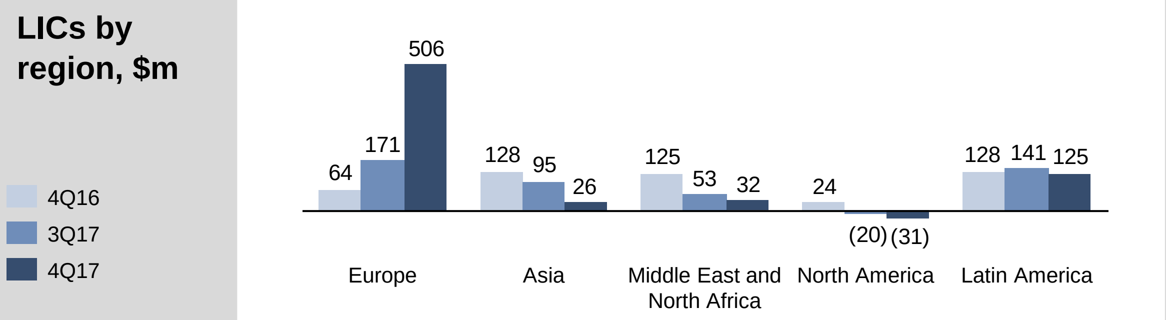
	USD	HKD	GBP	EUR	Other	Total
+25bps	227	179	147	50	203	806
-25bps	(287)	(305)	(181)	8	(160)	(925)
+100bps	845	711	600	412	731	3,299
-100bps	(1,444)	(1,425)	(631)	31	(732)	(4,201)

Loan impairment charges

Loan impairment charges by global business

	4Q16	3Q17	4Q17	Δ 4Q16	Δ 3Q17
Group, $m	**470**	**440**	**658**	**188**	**218**
as a % of gross loans and advances to customers	*0.21*	*0.18*	*0.27*	*0.06*	*0.09*
RBWM, $m	**261**	**232**	**186**	**(75)**	**(46)**
as a % of gross loans	*0.32*	*0.27*	*0.21*	*(0.11)*	*(0.06)*
CMB, $m	**202**	**186**	**190**	**(12)**	**4**
as a % of gross loans	*0.27*	*0.23*	*0.23*	*(0.04)*	*0.00*
GB&M, $m	**10**	**46**	**373**	**363**	**327**
as a % of gross loans	*0.02*	*0.07*	*0.59*	*0.57*	*0.52*
GPB, $m	**10**	**16**	**(1)**	**(9)**	**(17)**
as a % of gross loans	*0.10*	*0.17*	*0.01*	*(0.09)*	*(0.16)*
Corporate Centre, $m	**(13)**	**(41)**	**(90)**	**(77)**	**(49)**
as a % of gross loans	*(0.33)*	*(2.12)*	*(4.86)*	*(4.53)*	*(2.74)*

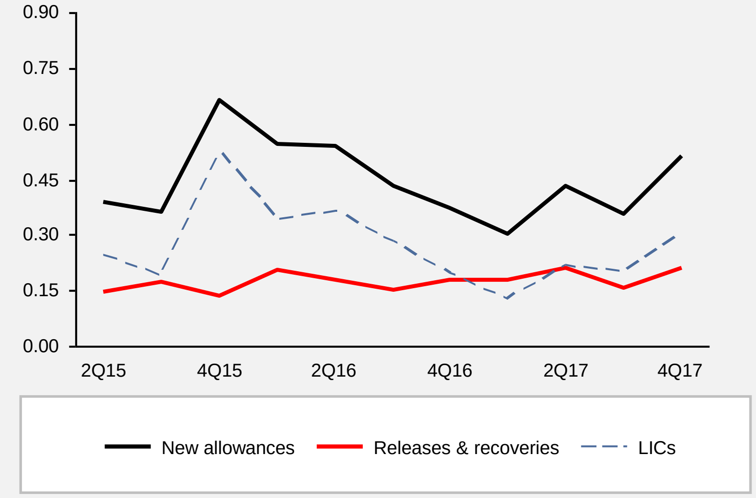
LICs by region, $m



Credit environment remains stable

- 4Q17 LICs are $218m higher than 3Q17, largely driven by two individual corporate exposures in Europe. Excluding these, LICs were lower, primarily in RBWM

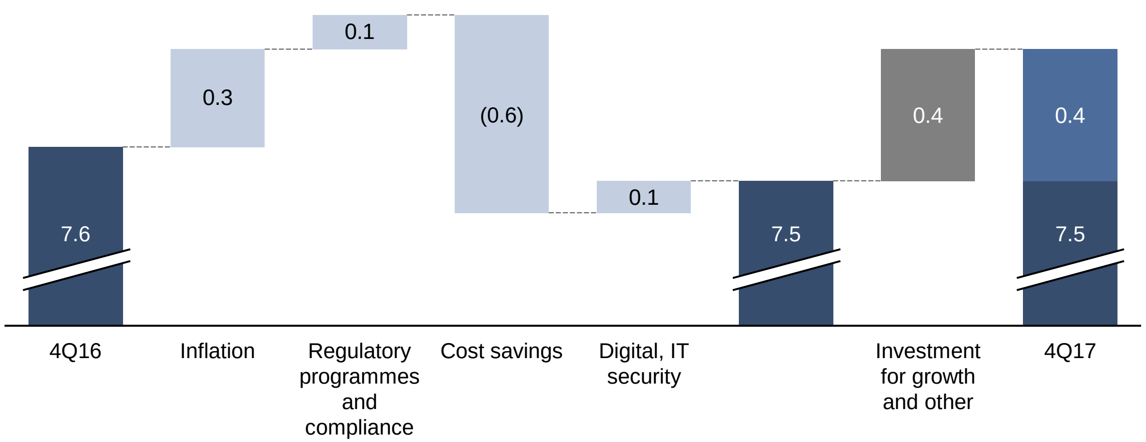
New allowances, allowance releases and recoveries as a % of gross loans and advances to customers[11]



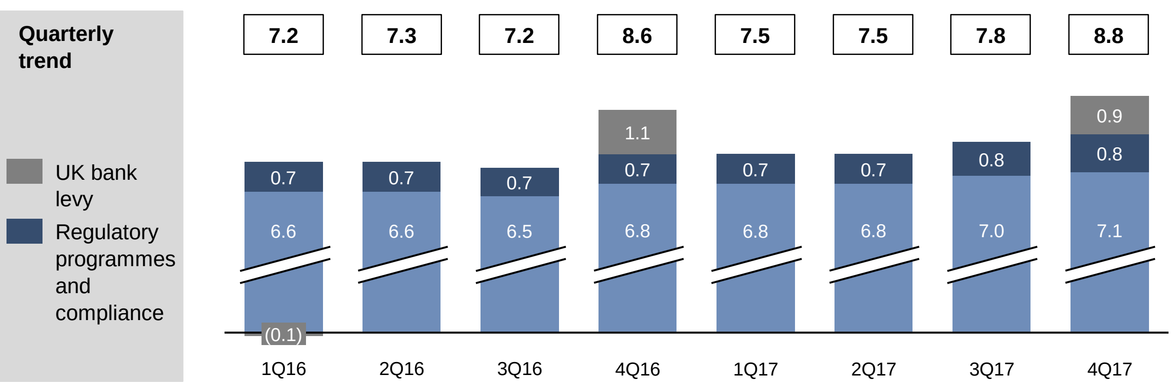
Operating expenses

Delivered positive jaws for 2017 while continuing to invest in growth

4Q17 vs. 4Q16 excluding UK bank levy, $bn



Quarterly trend



- **FY positive jaws of 1.0% for the Group;** all four global businesses delivered FY positive jaws
- **$0.3bn investment for growth in 4Q17** mainly in RBWM
  - grow the franchise and enhance credit card and personal loan propositions in the UK
  - improve distribution capacity across Asia
  - enhance Retail Banking products for small businesses and international customers
- Using FX rates as at 14th February 2018, **2017 adjusted costs would increase by c$1.3bn,** primarily due to the weakness of USD against GBP, with a slightly greater benefit to revenue

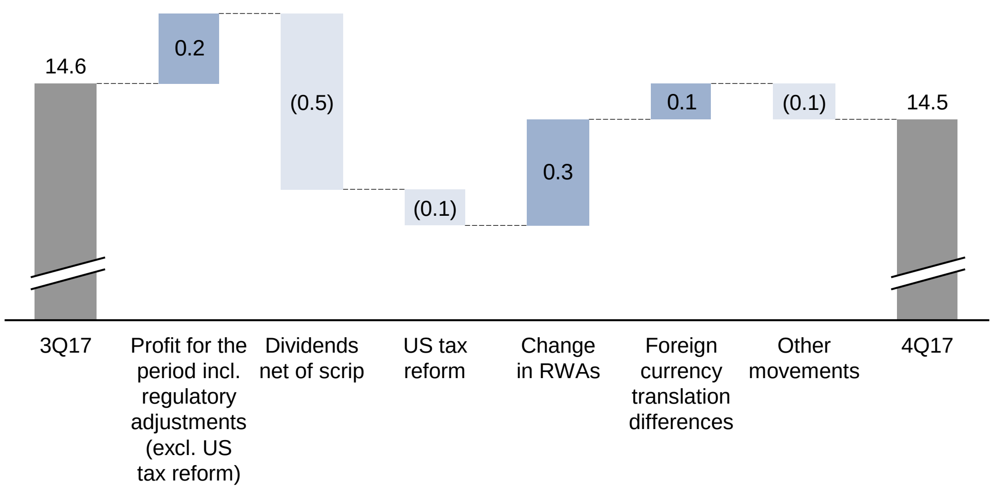
Capital adequacy

Strong capital base: Common Equity Tier 1 ratio of 14.5%

Regulatory capital and RWAs, $bn:

	3Q17	4Q17
Common equity tier 1 capital	129.8	126.1
Total regulatory capital	186.4	182.4
Risk-weighted assets	888.6	871.3

CET1 ratio movement, %:



4Q17 CET1 movement, $bn:

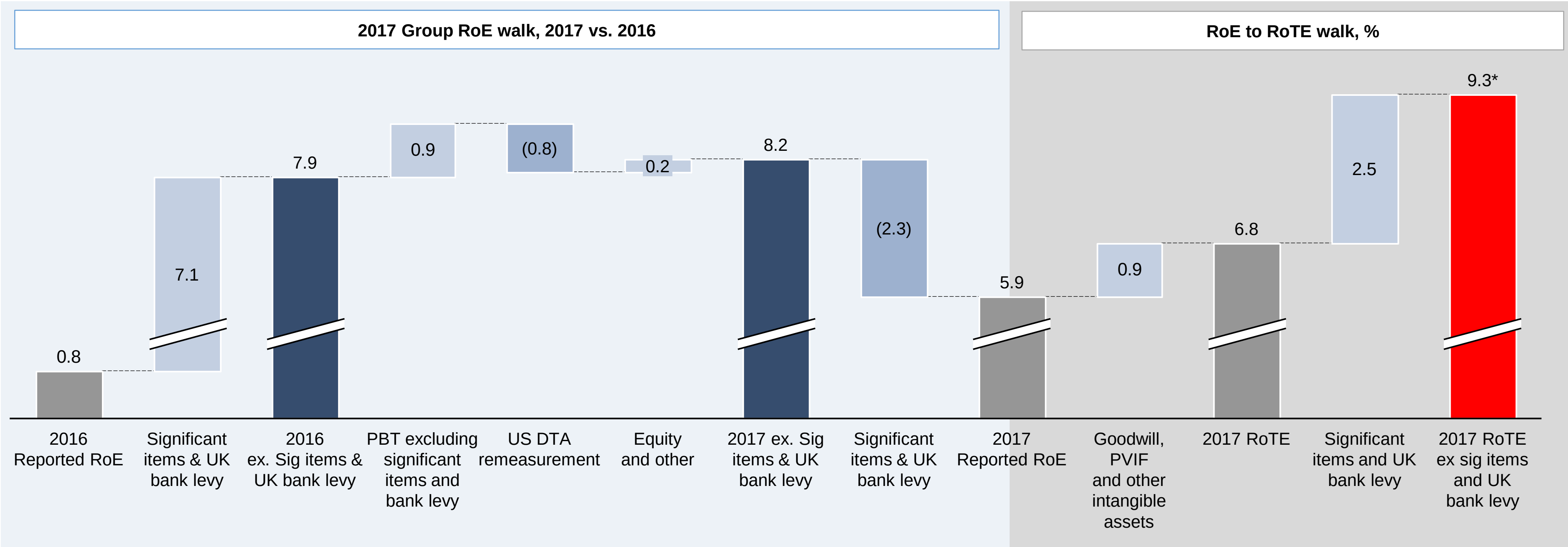
At 30 Sep 2017	**129.8**
Profit for the period including regulatory adjustments (excluding US tax reform)	1.4
Dividends[12] net of scrip	(3.9)
US tax reform	(1.2)
Foreign currency translation differences	0.8
Other movements	(0.8)
At 31 Dec 2017	**126.1**

Quarterly CET1 ratio and leverage ratio progression:

	4Q16	1Q17	2Q17	3Q17	4Q17
CET1 ratio	13.6%	14.3%	14.7%	14.6%	**14.5%**
Leverage ratio	5.4%	5.5%	5.7%	5.7%	**5.6%**

US tax reform	This movement in CET1 primarily reflects a reduction in the value of our deferred tax assets as a result of the change in legislation
IFRS 9	Implementation of IFRS 9, including benefits from classification and measurement changes, is expected to result in a favourable impact on our CET1 ratio applying the European Union's capital transitional arrangements. The fully loaded day one impact is expected to be negligible
Basel III reform	We are currently evaluating the final Basel III reform package, which we expect will be implemented from 1 Jan 2022

Return metrics



Group return metrics

	2016	2017
Reported RoE	0.8%	5.9%
Reported RoRWA	0.7%	2.0%
Adjusted RoRWA[13]	1.9%	2.4%
RoTE	2.6%	6.8%
RoTE excluding significant items and UK bank levy	8.7%	9.3%

Global business return metrics

	2016		2017	
	Adjusted RoRWA	RoTE (ex sig items and UK bank levy)	Adjusted RoRWA	RoTE (ex sig items and UK bank levy)
RBWM	4.6%	16.3%	5.5%	21.6%
CMB	2.1%	13.0%	2.3%	14.0%
GB&M	1.7%	10.2%	1.9%	10.6%
GPB[14]	1.6%	5.6%	1.8%	7.1%
Corporate Centre	0.8%	(1.9)%	1.2%	(5.2)%

*2017 RoTE (ex significant items and UK bank levy) of 9.3% includes an adverse c90bps impact of US DTA re-measurement

Strategy Update

Achieved eight out of ten of the actions we set out at our 2015 Investor Update

Strategic actions	Targeted outcome by 2017	Outcomes	Status
Actions to re-size and simplify			
Reduce Group RWAs by c.$290bn	– Group RWA reduction: $290bn	– RWA: $338bn gross reduction through management actions (>100% of our FX adjusted target)	✓
Optimise global network	– Reduced footprint	– Present in 67 countries at the end of 2017 (compared to 73 at the end of 2014)	✓
Rebuild NAFTA profitability	– US PBT c. $2bn	– US adjusted PBT excluding CML run-off portfolio increased 98% vs. 2014 to $0.9bn – $4.5bn in dividends to the Group, the first dividends from the US since 2006 – Completed the run-off of the CML legacy portfolio; reduced receivables from $24bn at 31 Dec 2014 to $0bn at 31 Dec 2017	-
	– Mexico PBT c. $0.6bn	– Mexico adjusted PBT of $0.4bn increased over ten-fold vs. 2014, supported by strong RBWM market share gains	✓
Set up UK ring-fenced bank	– Completed in 2018	– Received a restricted banking licence from regulators for 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 half of 2018	✓
Deliver $4.5-5.0bn cost savings	– 2017 exit rate to equal 2014 adjusted operating expenses	– Achieved annualised run-rate saves of $6.1bn – Realised positive adjusted jaws of 1.0% in 2017 and 1.2% in 2016 – We have shifted our Onshore/Offshore FTE mix; 26% of group FTEs are now located offshore (in lower cost / high quality locations), up from 22% at the end of 2014	✓
Actions to redeploy capital and invest			
Deliver growth above GDP from international network	– Revenue growth of international network above GDP	– Transaction banking adjusted revenue +5% vs. 2015; gained GTRF share in key markets, including Hong Kong in 2017 – Revenue from collaboration between our businesses grew +8% vs. 2015; particularly strong cross-sell to GB&M clients in 2017 – Awarded '#1 Global Trade Finance Bank' by 2018 *Euromoney* Trade Finance Survey	✓
Investments in Asia – prioritise and accelerate	– Market share gains – c. 10% growth p.a. in assets under management	– Guangdong customer advances of $6.2bn is +50% vs. 2014 – Asset management AuM and insurance annualised new business premiums +49% and +32% vs. 2014, respectively – Launched HSBC Qianhai Securities, the first securities JV in mainland China to be majority-owned by an international bank – Awarded 'Asia's Best Bank' by *Euromoney* Awards for Excellence 2017	✓
RMB internationalisation	– $2.0-2.5bn revenue	– RMB internationalisation revenues of $1.2bn, -26% vs. 2014; impacted by a decrease in overall market volumes – Ranked #1 in offshore RMB bond underwriting, with market share nearly doubling since 2015 to 28% as per Bloomberg; first in Bloomberg league table in each year from 2011 to 2017 – Obtained the first Panda bond license to underwrite bonds for non-financial companies among foreign banks – Best Overall Offshore RMB Products and Services in the *Asiamoney* Offshore RMB Poll for the past six years	-
Global Standards – safeguarding against financial crime[15]	– Implementation completed	– We have completed the introduction of the major compliance IT systems, put in place our AML and sanctions policy framework, and assessed our current financial crime risk management capabilities to identify any gaps and enable integration into our day-to-day operations. All of the actions that we committed to in 2013 as part of the Global Standards programme have been completed or superseded. Further improvements are underway to make our reforms more effective and sustainable. – By end 2017: Introduction of major compliance IT systems; 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.	✓ *
		– Post 2017: Fully integrate the policy framework and associated operational processes into day-to-day financial crime risk management practices in an effective and sustainable way. Target end state, which has been agreed with the Financial Conduct Authority, to be achieved. Major IT systems continue to be fine-tuned and recommendations from the Monitor/Skilled Person continue to be implemented.	
Headquarters review	– Completed review by end of 2015	– Review completed: Decision announced February 2016 to keep London as global HQ location	✓

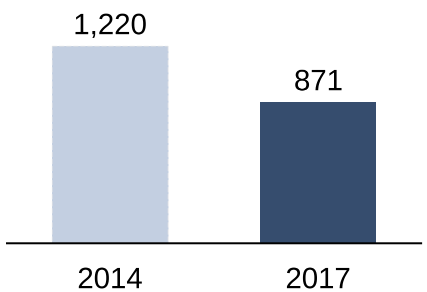
*As set out under 'Outcomes'

Realised RWA reductions, strengthened capital position while delivering strong dividends

RWA reduction target achieved

Group Reported RWAs, $bn

	2014	2017
RoRWA	1.5%	2.0%

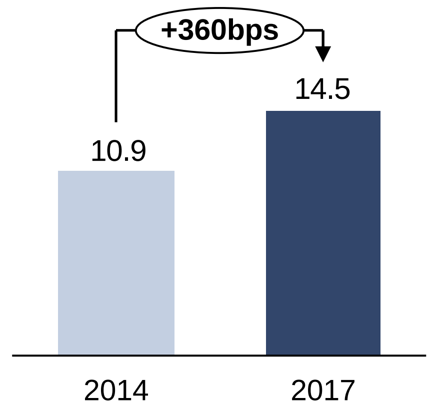


	2014	2017
GB&M RWAs	386	299
US CML RWAs	55	3[17]

- Gross RWA reduction of $338bn exceeded FX-adjusted target by $60bn
- Gross GB&M RWA reduction of $128bn exceeded target by $30bn; further reductions planned in GB&M over the medium-term

Strong capital, funding and liquidity position

Group CET1 ratio, %

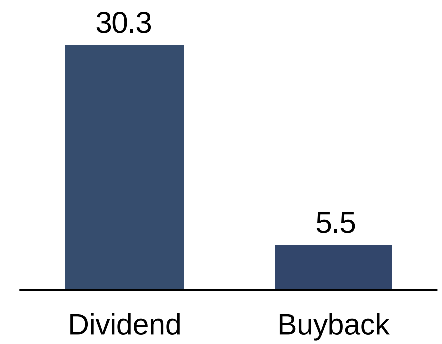


	2014	2017
Total Capital Ratio	15.6%	20.9%

- Robust funding position with Net Stable Funding Ratio > 105% for all principal HSBC operating entities as at end-2017
- Strong liquidity position with Group consolidated Liquidity Coverage Ratio of 142% as at 31 Dec 2017

Robust shareholder returns

Dividend and share buyback since 2015[16], $bn



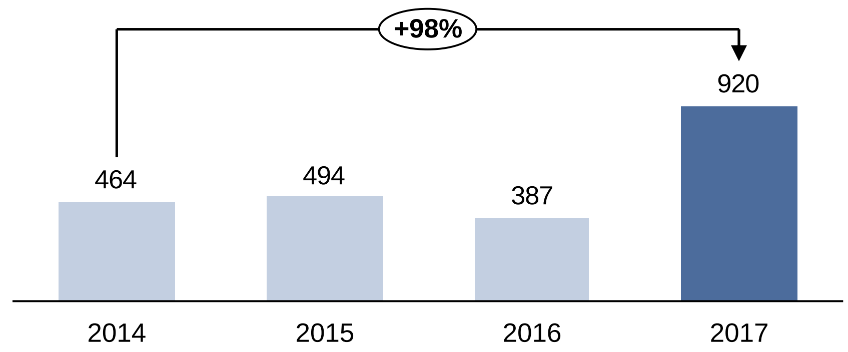
	Dividend	Buyback
HSBC since 2011	65[18]	5.5[19]

- 52% total shareholder return since 2015; 70% since 2011
- Peer group leading dividend – over $10bn dividends in 2017
- Completed three share buybacks from 2016 to 2017 totalling $5.5bn

US profitability improved; US CML run-off completed; Mexico turnaround delivered

USA[20]

Adjusted PBT, $m

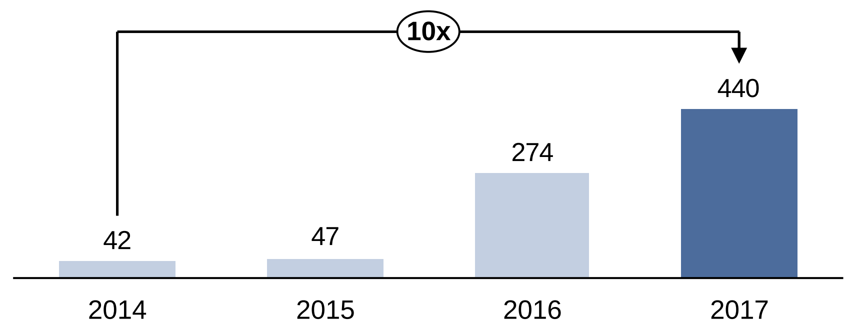


Adjusted RoRWA 0.4% 0.4% 0.3% 0.9%

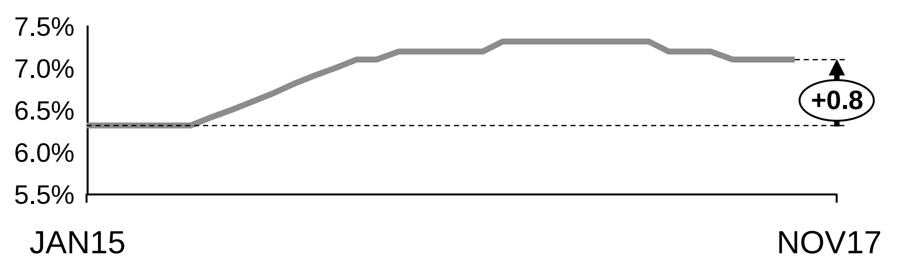
- Completed the run-off of the CML legacy portfolio; reduced receivables from $24bn at end-2014 to $0bn at end-2017
- Awarded **Best Bank for Transaction Services** in North America and **Best Domestic Cash Manager for corporates** in the US[22]
- Achieved non-objection to **US capital plan** as part of CCAR in 2016 and 2017; first dividends to the Group ($4.5bn) since 2006
- **International client revenue**[23] booked in the US up c10% YoY; US client revenue booked outside of the US (outbound) is up c15% YoY

Mexico[21]

Adjusted PBT $m



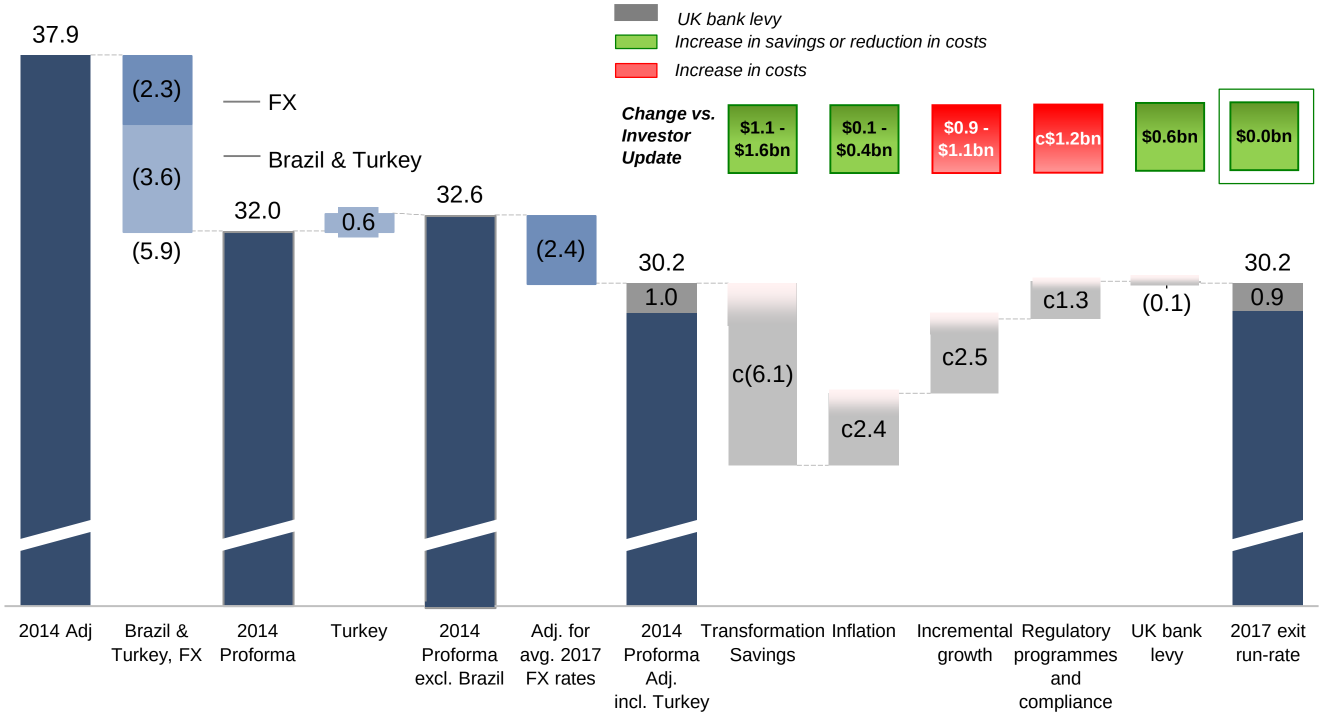
Retail loan market share[24], %



- **Market share gains** since January 2015:
  - Mortgage lending: up 0.5ppt to 6.4%[24]
  - Personal loans: up 4.8ppt to 10.7%[24]
- Double digit revenue growth in the **International Subsidiary Banking and Multinationals** franchises

Delivered on operating expenses; 2017 exit run-rate in line with 2014 adjusted cost base

Cost walk: 2014 to 2017 exit run-rate ($bn)



Original target		Actual
$4.5bn-$5.0bn	Annualised savings	*c$6.1bn*
$4.0bn-$4.5bn	CTA	*c$7.0bn*

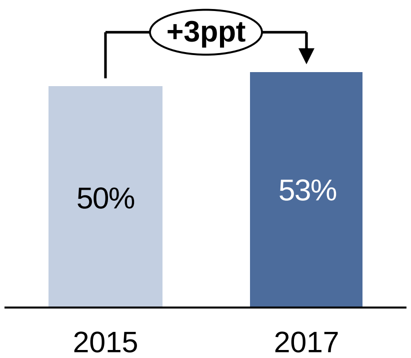
Delivered on our 2015 Investor Update commitment

- **2017 exit run-rate adjusted costs flat** vs 2014 adjusted cost base
- **Costs-to-achieve transformation programme is now complete**; c$7bn spent since the start of the programme (c$3.0bn CTA in 2017)
- Delivered **$6.1bn of run-rate savings**
- **Delivered improvements** in:
  - i. digital
  - ii. automation and re-engineering
  - iii. software development and IT infrastructure
  - iv. use of offshore and near-shore locations

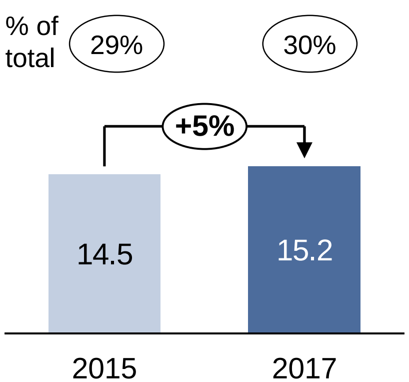
Increased international connectivity and strengthened global market position

International connectivity

International client revenue[23], %



Transaction banking adjusted revenue, $bn



Market share and rank, %

		2015	2017	
Global Trade and Receivables Finance	– Trade Finance rank[25]	#1	#1	–
	– Hong Kong market share[26]	10.8%	13.8%	↑
	– Singapore market share[27]	8.6%	10.0%	↑
Global Liquidity and Cash Management	– Average GLCM balances	c$470bn	c$530bn	↑
	– International commercial payments[28]	10.8%	10.8%	–
	– Hong Kong market share[29]	22.8%	26.3%	↑
FX	– FX corporates rank[30]	#1	#1	–
	– FX institutional rank[30]	#7	#3	↑
Cross-Border Transactions	– Cross-border DCM Rank[31]	#7	#6	↑

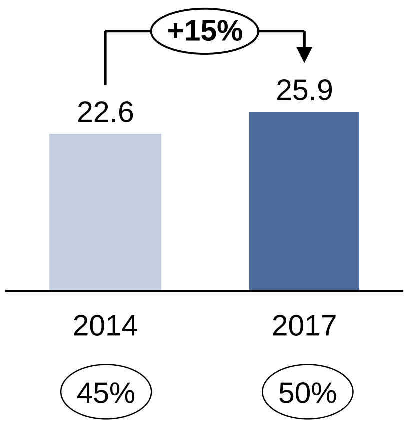
External recognition

- #1 global **trade finance** bank
- Best global **cash manager** (Corporates) from 2015 to 2017[32]
- #1 global for all transactions (Financial Institutions) in 2016/17[33]
- North America's best bank for **transaction services**
- **Best Trade Finance bank**
- **Most Innovative Bank**
- Global bank of the year for **cash & liquidity** management
- #1 bank for corporate clients market share (in **foreign exchange**)
- Best bank for **security services** in 2015/17

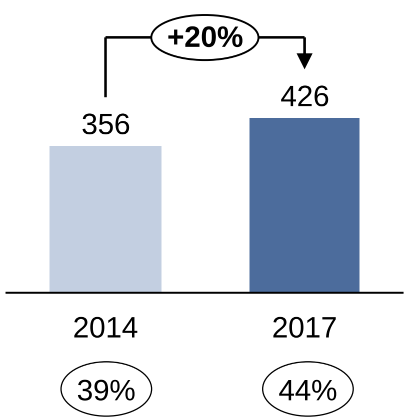
Pivot to Asia

Pivot to Asia

Revenue, $bn   % of Group



Net loans and advances to customers, $bn



Growth initiatives

Hong Kong

- **Loan growth** up 27% since 2014[34]
- Insurance **annualised new business premiums up 31%** since 2014; regained #1 position in 3Q17[35]

Mainland China and the Pearl River Delta

- **Credit cards** launched at end of 2016; over 400k cards in circulation in mainland China
- **Guangdong loan book** up 50% from 2014 to 2017
- Launched first **majority-owned JV securities** firm by a foreign bank
- 1st foreign bank to use facial recognition for small funds transfer in mobile banking

Asia AMG and insurance

- Grew **AUM distributed in Asia** by 49% from $116bn in 2014 to $172bn in 2017
- Asia Insurance annualised new business **premiums up** 32% in 2017 vs. 2014

RMB internation-alisation

- #1 in **offshore RMB bond** underwriting and nearly doubled market share from 15% in 2015 to 28% in 2017[36]
- Led the market in supporting China's **Stock Connect** and **Bond Connect**
- First foreign bank to obtain **Panda bond** underwriting license for corporates[37]

External recognition

- Asia's best bank
- Asia's best investment bank
- Best international bank in China
- Best overall international bank for belt and road initiative
- Best overall offshore RMB products/services (for past 6 years)
- Asia bond house of the year

Looking ahead

Group financial targets unchanged

ROE	>10%
Costs	Positive jaws (adjusted)
Dividend and capital	– Sustain dividend through long-term earnings capacity of the businesses[38] – Share buy-backs as and when appropriate, subject to the execution of targeted capital actions and regulatory approval

Our strategy is working...continue to evolve and deliver it at pace

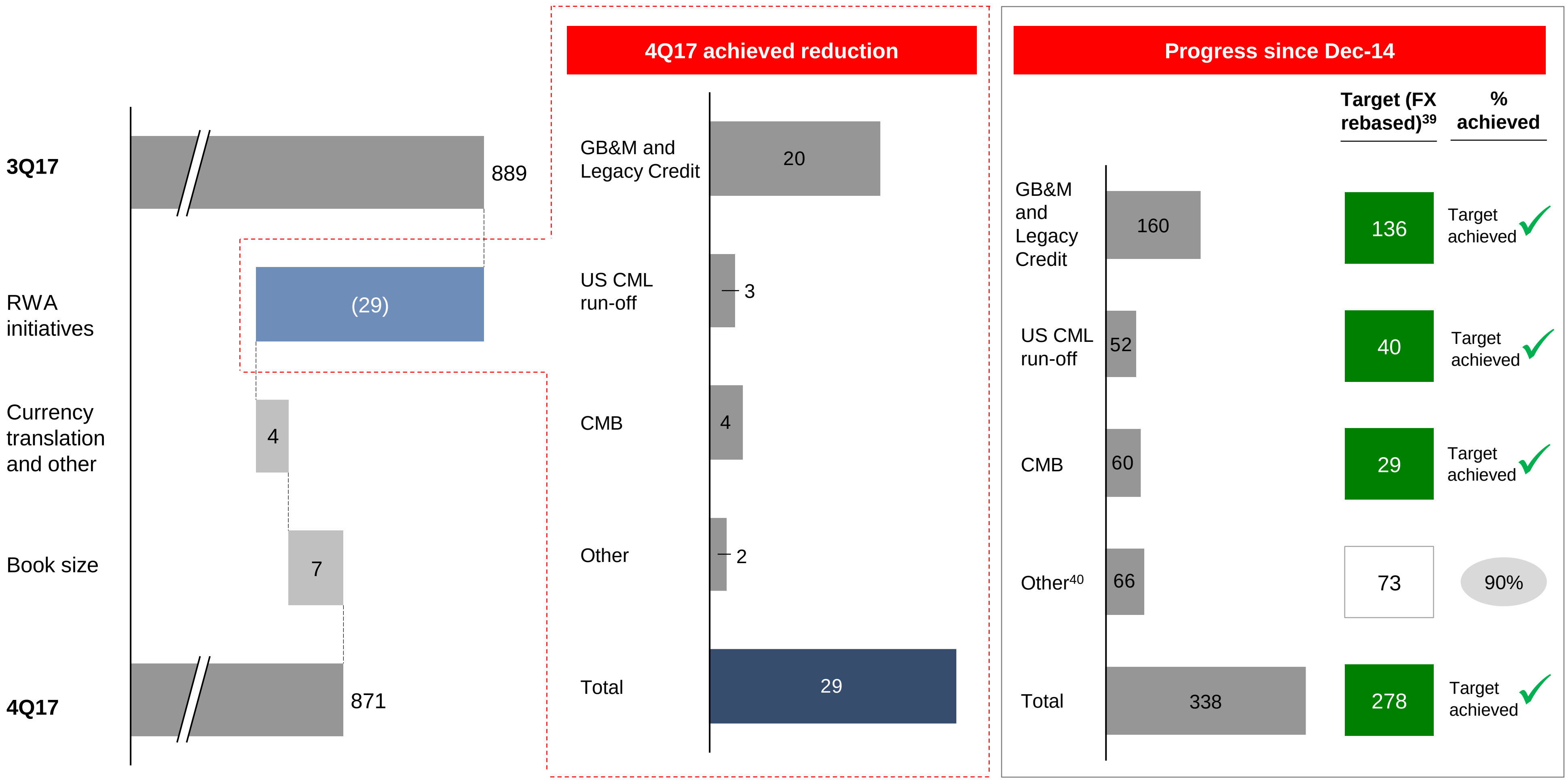
- **Invest in growing the business,** subject to positive jaws
- **Improve customer satisfaction** across the board
- **Accelerate digitalisation** to make banking **faster**, **easier** and **safer**
- **Drive capital efficiency**; enhance returns
- **Run the business more efficiently**, absorbing inflation and the cost of investment
- **Global Standards:** be the **industry leader** for risk management and compliance

Strong funding and liquidity, strong capital and conservative approach to credit

Appendix

Appendix

Key movements in Group RWAs ($bn)



Appendix

Global business management view of adjusted revenue

RBWM, $m	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Retail Banking	**3,228**	**3,217**	**3,184**	**3,223**	**3,331**	**3,389**	**3,443**	**3,476**
Current accounts, savings and deposits	1,295	1,335	1,291	1,350	1,493	1,571	1,611	1,720
Personal lending	1,933	1,882	1,893	1,873	1,838	1,818	1,832	1,756
Mortgages	670	649	644	635	616	576	603	587
Credit cards	795	754	763	748	743	764	740	679
Other personal lending	468	479	486	490	479	478	489	490
Wealth Management	**1,156**	**1,322**	**1,538**	**1,315**	**1,684**	**1,585**	**1,585**	**1,421**
Investment distribution	703	734	806	687	814	808	896	785
Life insurance manufacturing	206	348	465	376	612	507	424	355
Asset management	247	240	267	252	258	270	265	281
Other	69	105	161	157	121	112	143	164
Total	**4,453**	**4,644**	**4,883**	**4,695**	**5,136**	**5,086**	**5,171**	**5,061**
Adjusted revenue as previously disclosed[41]	4,597	4,819	4,921	4,590	5,009	5,034	5,183	5,061

CMB, $m	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Global Trade and Receivables Finance	477	464	459	453	459	457	464	454
Credit and Lending	1,277	1,265	1,280	1,259	1,252	1,260	1,300	1,322
Global Liquidity and Cash Management	1,064	1,064	1,062	1,108	1,137	1,180	1,232	1,283
Markets products, Insurance and Investments and other	424	429	385	300	440	373	353	410
Total	**3,242**	**3,222**	**3,186**	**3,120**	**3,288**	**3,270**	**3,349**	**3,469**
Adjusted revenue as previously disclosed[41]	3,318	3,326	3,201	3,041	3,191	3,216	3,347	3,469

GPB, $m	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Investment	199	190	190	161	181	180	173	165
Lending	110	106	105	95	95	97	99	101
Deposit	93	86	82	83	91	103	103	107
Other	64	68	62	73	59	58	61	47
Total	**466**	**450**	**439**	**412**	**426**	**438**	**436**	**420**
Adjusted revenue as previously disclosed[41]	465	453	440	399	415	431	437	420

GB&M, $m	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Global Markets	**1,538**	**1,935**	**1,698**	**1,589**	**2,013**	**1,824**	**1,685**	**1,289**
Equities	241	268	266	234	351	332	332	260
FICC	**1,297**	**1,667**	**1,432**	**1,355**	**1,662**	**1,492**	**1,353**	**1,029**
Foreign Exchange	711	672	657	757	645	735	607	613
Rates	430	660	548	523	676	513	553	273
Credit	156	335	227	75	341	244	193	143
Global Banking	**906**	**924**	**997**	**1,013**	**927**	**1,080**	**945**	**914**
GLCM	**469**	**459**	**475**	**498**	**532**	**530**	**567**	**588**
Securities Services	**376**	**392**	**409**	**406**	**420**	**443**	**443**	**466**
GTRF	**174**	**173**	**175**	**174**	**186**	**180**	**174**	**168**
Principal Investments	**2**	**(4)**	**174**	**53**	**30**	**51**	**179**	**63**
Other revenue	30	(36)	(52)	5	(70)	10	(39)	5
Credit and Funding Valuation Adjustment	151	(101)	(77)	(25)	(1)	(95)	(64)	(103)
Total	**3,646**	**3,742**	**3,799**	**3,713**	**4,037**	**4,023**	**3,890**	**3,390**
Adjusted revenue as previously disclosed[41]	3,677	3,834	3,817	3,591	3,886	3,937	3,878	3,390

Corporate Centre, $m	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Central Treasury	**745**	**632**	**364**	**(267)**	**395**	**429**	**316**	**256**
Balance Sheet Management	729	773	744	788	865	643	583	621
Interest expense	(156)	(245)	(293)	(275)	(333)	(296)	(332)	(280)
Valuation differences on long-term debt and associated swaps	250	110	108	(741)	(27)	125	81	(57)
Other	(78)	(6)	(195)	(39)	(110)	(43)	(16)	(28)
US run-off portfolio	**239**	**181**	**150**	**122**	**28**	**47**	**(28)**	**(7)**
Legacy Credit	**(38)**	**(56)**	**127**	**(4)**	**0**	**60**	**(18)**	**(73)**
Other	156	4	(238)	(446)	(65)	75	(78)	(76)
Total	**1,102**	**761**	**403**	**(595)**	**358**	**611**	**192**	**100**
Adjusted revenue as previously disclosed[41]	1,122	756	408	(621)	342	592	186	100

Appendix

Currency translation and significant items

$m	4Q16	4Q17	2016	2017
Revenue				
Currency translation	(336)	-	736	-
Trading results from disposed operations in Brazil	-	-	(273)	-
Portfolio disposals	(112)	5	(163)	(158)
(Adverse) / Favourable debit valuation adjustment on derivative contracts	(70)	(33)	26	(373)
(Adverse) / Favourable fair value movements on non-qualifying hedges	(302)	78	(687)	128
Customer redress programmes	-	(105)	2	(108)
Favourable / (Adverse) movements on own credit spread	(1,648)	-	(1,792)	-
Gain on disposal of our investment in Vietnam Technological and Commercial Joint Stock Bank	-	-	-	126
Gain on disposal of our membership interest in Visa - Europe	-	-	584	-
Gain on disposal of our membership interest in Visa - US	116	(4)	116	308
Investment in new businesses	-	(99)	-	(99)
Gain on disposal of operations in Brazil	-	19	-	19
Other acquisitions, disposals and dilutions	-	-	-	78
Currency translation of significant items	(8)	-	127	-
	(2,360)	(139)	(1,324)	(79)
Loan impairment charges				
Currency translation	2	-	61	-
Trading results from disposed operations in Brazil	-	-	(748)	-
Currency translation of significant items	-	-	(119)	-
	2	-	(806)	-
Operating expenses				
Currency translation	245	-	(331)	-
Trading results from disposed operations in Brazil	-	-	(1,059)	-
Regulatory provisions in GPB	(390)	(164)	(344)	(164)
Impairment of GPB Europe goodwill	(2,440)	-	(3,240)	-
Settlements and provisions in connection with legal matters	42	(64)	(681)	362
Customer redress programmes	(70)	(272)	(559)	(655)
Costs-to-achieve	(1,086)	(655)	(3,118)	(3,002)
Costs associated with portfolio disposals	(28)	(39)	(28)	(53)
Costs to establish UK ring-fenced bank	(76)	(115)	(223)	(392)
Costs associated with the UK's exit from the EU	-	(16)	-	(28)
Gain on the partial settlement of pension obligations	-	188	-	188
Currency translation of significant items	(43)	-	(141)	-
	(3,846)	(1,137)	(9,724)	(3,744)
Share of profit in associates and joint ventures				
Currency translation	(14)	-	33	-
Other acquisitions, disposals and dilutions	-	-	(1)	-
	(14)	-	32	-
Currency translation and significant items	**(6,218)**	**(1,276)**	**(11,822)**	**(3,823)**

Appendix

RoTE by global business

2017 $m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	**5,823**	**6,623**	**5,435**	**121**	**(835)**	**17,167**
Significant items	655	157	339	175	2,497	3,823
Bank levy	-	-	-	-	916	916
BSM allocation and other adjustments[42]	713	727	652	127	(2,219)	-
Profit before tax ex sig items and bank levy	**7,191**	**7,507**	**6,426**	**423**	**359**	**21,906**
Tax allocated to GBs[43]	(1,326)	(1,668)	(1,159)	(87)	(1,930)	(6,170)
Profit after tax ex sig items and bank levy	**5,865**	**5,839**	**5,267**	**336**	**(1,571)**	**15,736**
PVIF, Coupon on capital securities classed as equity, non-controlling interest	(706)	(678)	(523)	(22)	(282)	(2,210)
RoTE profit attributable to ordinary shareholders (PAOS)	**5,159**	**5,161**	**4,744**	**314**	**(1,852)**	**13,526**
Total Shareholders' Equity at 31st December 2017						197,871
Reported Average Tangible Shareholders' Equity at 31st December 2017						142,698
Other adjustments[42]						2,788
Average Tangible Shareholders' Equity at 31st December 2017 [44]	**23,838**	**36,935**	**44,664**	**4,400**	**35,649**[45]	**145,486**
RoTE	**21.6%**	**14.0%**	**10.6%**	**7.1%**	**(5.2)%**	**9.3%**

2016 $m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	**4,587**	**6,046**	**5,440**	**(3,328)**	**(5,633)**	**7,112**
Significant items	747	6	158	3,617	7,661	12,189
Bank levy	-	-	-	-	922	922
BSM allocation and other adjustments[42]	770	784	693	123	(2,370)	-
Profit before tax ex sig items and bank levy	**6,104**	**6,836**	**6,291**	**412**	**581**	**20,223**
Tax allocated to GBs[43]	(1,167)	(1,543)	(1,208)	(98)	(958)	(4,974)
Profit after tax ex sig items and bank levy	**4,937**	**5,293**	**5,083**	**314**	**(378)**	**15,249**
PVIF, Coupon on capital securities classed as equity, non-controlling interest	(1,202)	(629)	(479)	(20)	(307)	(2,637)
RoTE profit attributable to ordinary shareholders (PAOS)	**3,735**	**4,664**	**4,604**	**294**	**(685)**	**12,612**
Total Shareholders' Equity at 31st December 2016						182,578
Reported Average Tangible Shareholders' Equity at 31st December 2016						146,591
Other adjustments[42]						(1,171)
Average Tangible Shareholders' Equity at 31st December 2016 [44]	**22,933**	**35,971**	**44,987**	**5,238**	**36,290**[45]	**145,420**
RoTE	**16.3%**	**13.0%**	**10.2%**	**5.6%**	**(1.9)%**	**8.7%**

Appendix

RoTE: basis of preparation

Return on tangible equity	Profit Attributable to Ordinary Shareholders / Average Tangible Shareholders' Equity

=

PAOS

- Profit Attributable to Ordinary Shareholders excludes significant items, UK bank levy, change in present value of in force insurance contracts (PVIF), coupons on Tier 1 capital classed as equity (AT1) and profit attributable to non-controlling interest. Local legal entity tax rate applied
- BSM profits are allocated out of Corporate Centre to the Global Businesses

/

Allocated equity

Average Tangible Shareholders' Equity

- Tangible Equity comprises Ordinary Shareholders Equity, excluding goodwill, PVIF, AT1 capital instruments classed as equity, other intangible assets and accumulated own credit spread

Allocation of equity to Global Businesses

- Tangible Equity is allocated to Global Businesses at legal entity level using UK PRA RWAs and equivalents, or a more suitable local approach
- Allocation of insurance tangible equity is based on insurance liabilities
- BSM tangible equity is allocated out of Corporate Centre to the Global Businesses

Appendix

Balance sheet – Customer lending

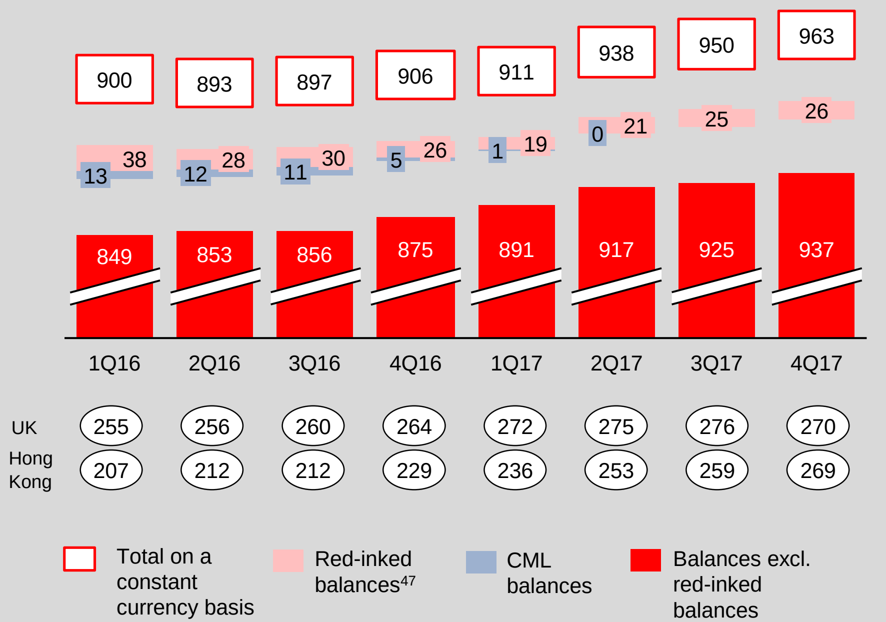
4Q17 Loans and advances to customers[46], $bn

Balances increased by $13bn vs. 3Q17. Excluding CML and red-inked balances, lending increased by $12bn or 1%:

- Growth in term lending in Asia
- $1.5bn or 2% growth in mortgage balances in Hong Kong
- $2.3bn or 2% growth in mortgage balances in the UK

Balances increased by $57bn vs. 4Q16. Excluding CML and red-inked balances, lending increased by $62bn or 7%:

- $8.0bn or 12% growth in mortgage balances in Hong Kong
- $8.2bn or 7% growth in mortgage balances in the UK



Growth by global business excluding red-inked and CML balances

		Growth since 4Q16		Growth since 3Q17	
RBWM	$346.1bn	22	7%	7	2%
CMB	$310.9bn	24	8%	0	0%
GB&M	$232.5bn	12	6%	4	2%
GPB	$40.3bn	3	9%	1	3%
Corporate Centre	$7.5bn	-0	1%	0	5%
Total	$937.3bn	62	7%	12	1%

Growth by region excluding red-inked and CML balances

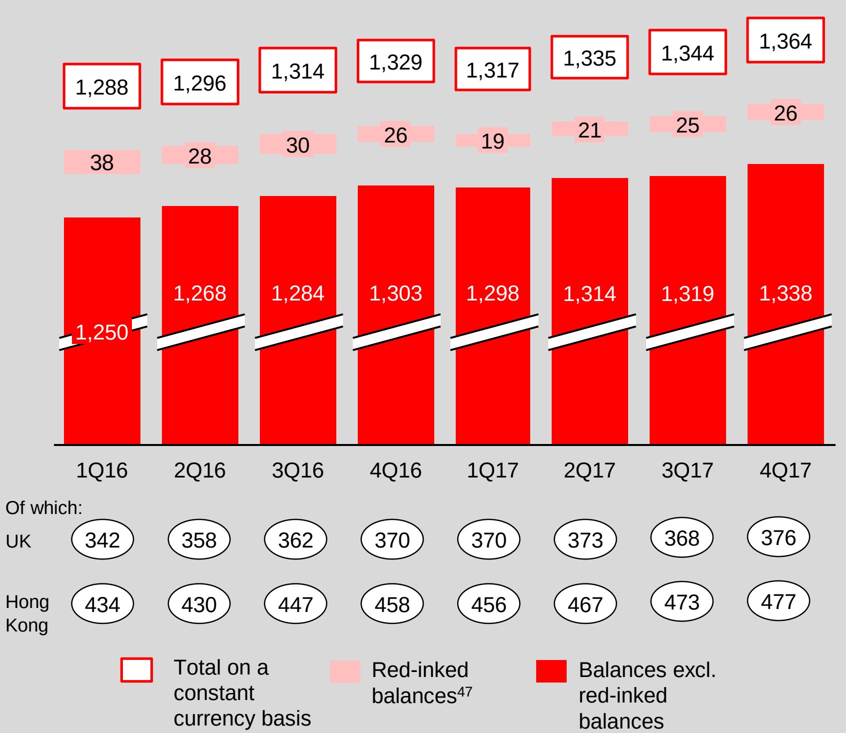
		Growth since 4Q16		Growth since 3Q17	
Europe	$355.8bn	10	3%	(4)	(1)%
Asia	$426.0bn	53	14%	13	3%
Middle East and North Africa	$28.1bn	(3)	(8)%	0	1%
North America	$107.6bn	(1)	(1)%	1	1%
Latin America	$19.8bn	3	16%	2	10%
Total	$937.3bn	62	7%	12	1%

Appendix

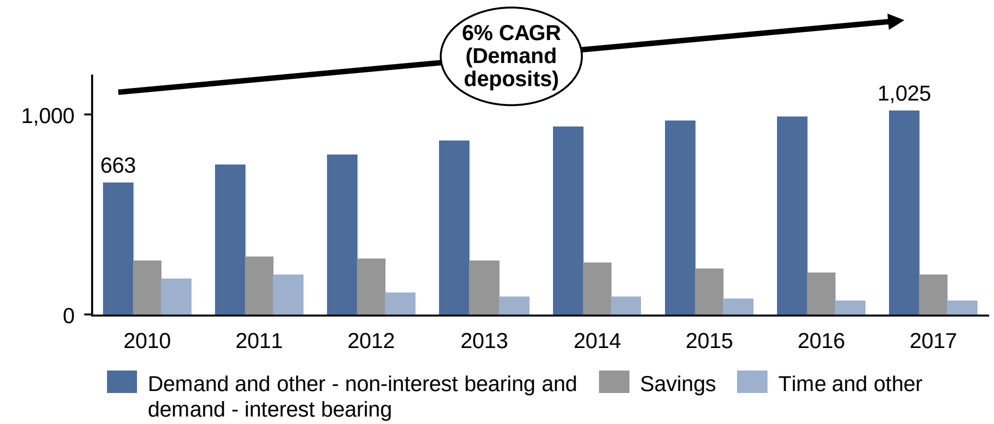
Balance sheet – Customer accounts

4Q17 Customer accounts[46], $bn

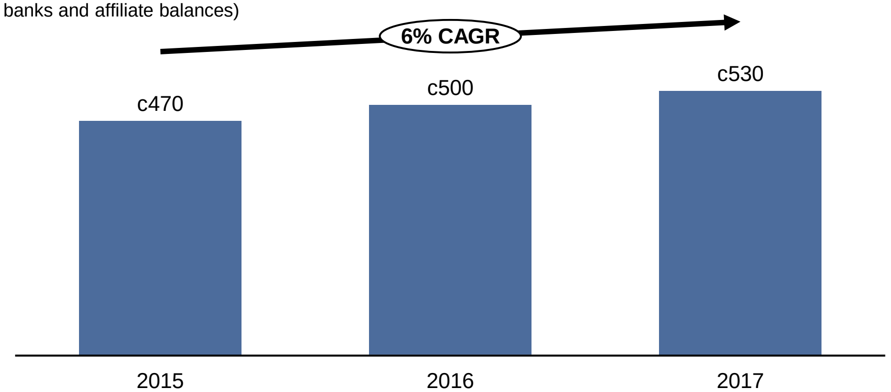
Excluding red-inked balances, customer accounts increased by $20bn vs. 3Q17 and $36bn vs. 4Q16 notably in the UK and Hong Kong



Customer accounts[48], US$bn



Average GLCM deposits, US$bn
(Includes banks and affiliate balances)



Appendix

Net interest income sensitivity

Net interest income sensitivity

For further commentary and information, refer to pages 108 and 109 of the Annual Report and Accounts 2017

NII sensitivity 25 basis point shift in yield curves at the beginning of each quarter. Equivalent to 62.5 basis points parallel shift in year 1

$m		USD	HKD	GBP	EUR	Other	Total
Change in 2018 net interest income	+25bps	563	511	407	249	448	2,178
	-25bps	(821)	(789)	(494)	17	(405)	(2,492)

NII sensitivity following a 25bps and 100bps instantaneous change in yield curves (5 years)

$m	Year 1	Year 2	Year 3	Year 4	Year 5	Total
+25bps	806	1,153	1,326	1,439	1,507	6,231
-25bps	(925)	(872)	(1,154)	(1,271)	(1,381)	(5,603)
+100bps	3,299	4,463	5,105	5,472	5,759	24,098
-100bps	(4,201)	(4,538)	(5,102)	(5,498)	(5,813)	(25,152)

Key assumptions:

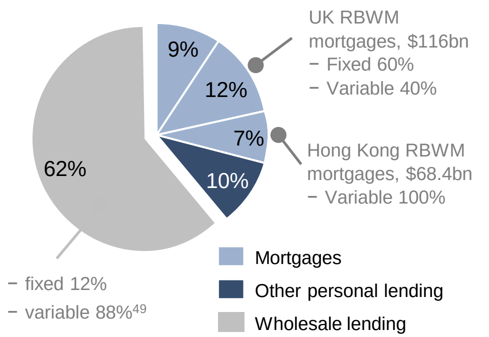
- Static Balance Sheet
- No changes to product re-pricing assumptions after Year 1
- Sensitivity presented above is incremental to current yield curves

Appendix

Net interest margin supporting information

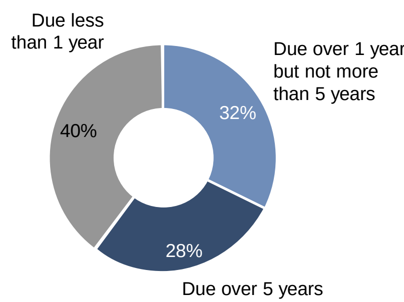
Gross customer lending analysis - $970bn

As at 31 Dec 2017



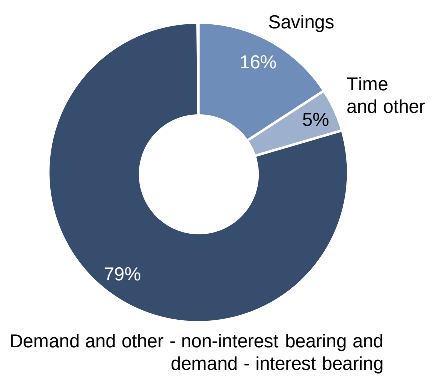
Of our customer lending:

As at 31 Dec 2017

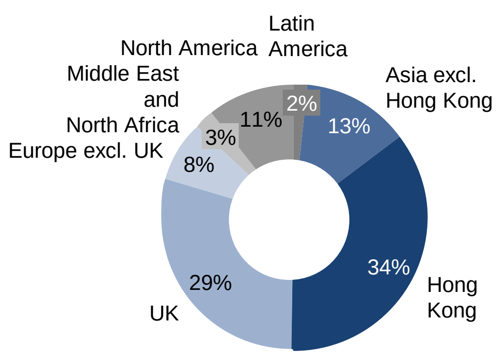


Customer accounts - $1,364bn[50]:

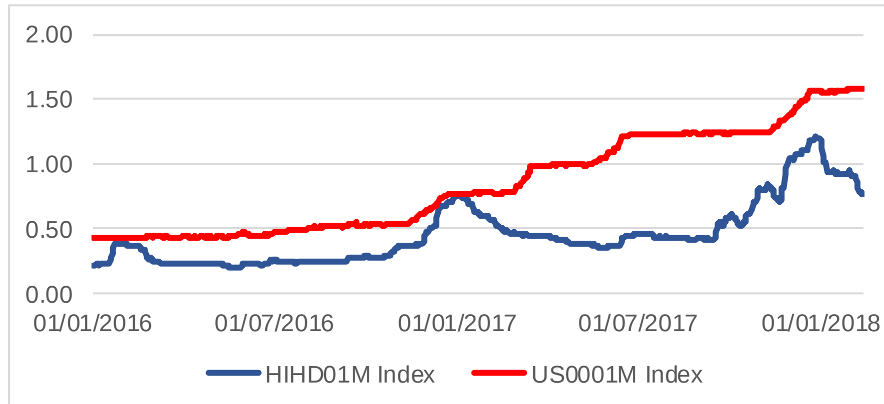
As at 31 Dec 2017



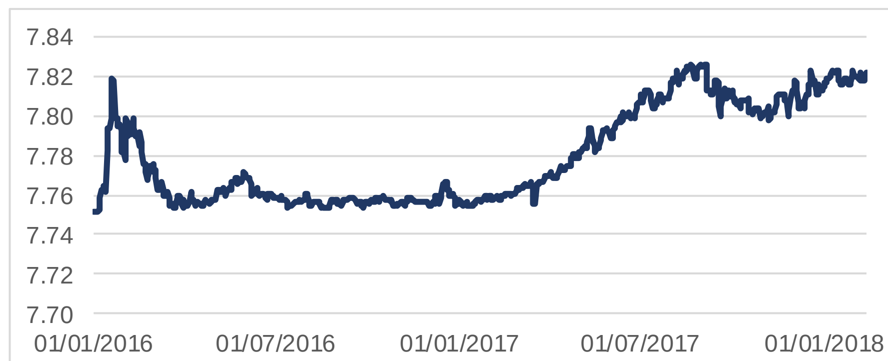
Regional breakdown:



HIBOR / USD 1 month rate



HKD / USD exchange rate



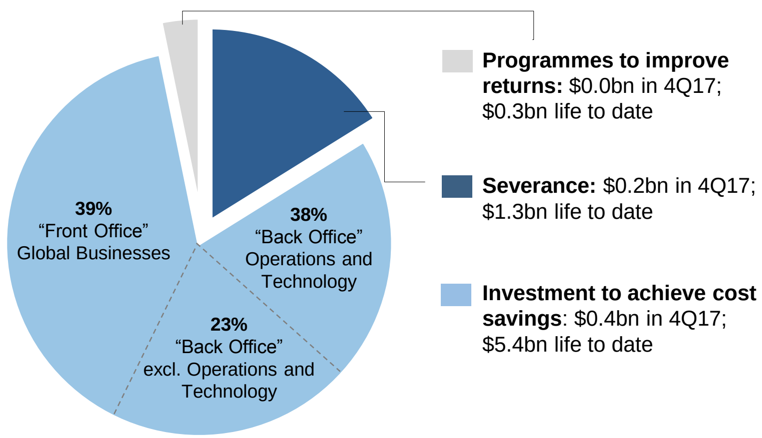
Appendix

Completed CTA transformation programme; achieved $6.1bn of annualised savings

Saves ($bn)

	Realised Savings (savings recognised in the Income Statement during the time period)					Run Rate Saves
Saves, $bn	2015 to 2016	1H17	3Q17	4Q17	Life to date	Life to date
Global Businesses	0.6	0.3	0.1	0.2	1.3	1.6
Operations and Technology	1.7	0.5	0.4	0.3	2.9	3.4
Global Functions	0.8	0.1	0.1	0.1	0.9	1.1
Total	**3.1**	**0.9**	**0.6**	**0.6**	**5.1**	**6.1**

CTA: Total $7.0bn with $0.6bn in 4Q17



Key Transformation Programmes:

Digital investment and productivity improvement

- Significantly improved customer service and clients' ability to self-serve – through digital multi-channel capabilities (e.g., Live Sign, Live Chat, Live Connect), Mobile Payment services and revamped mobile banking apps in the UK, HK & China
- Reduced the number of branches by more than 20% (over 680 branches) across our key markets; largely enabled by advances in digital capabilities and in response to changing customer behaviour
- Continued to digitise our client onboarding experience and therefore reduced Commercial Banking turnaround time to 10 days for both domestic and international account openings

Automate and re-engineer operations

- 1.2 million transactions were processed by robots in 2017 – enabling faster service to customers e.g. UK student accounts now opened within 24 hours vs previous lead time of 2-3 weeks
- Shifted Onshore/Offshore FTE mix: in Operations alone, migrated c2000 FTEs to lower cost/high quality locations; overall 26% of group FTEs are now located offshore up from 22% in Jan15

Simplify software development and optimise IT infrastructure

- Transformed how we work in IT – adopting DevOps and Agile ways of working have reduced IT costs by 7% while delivering large scale infrastructure upgrades and improved IT security
- Replaced and upgraded core banking platforms: full replacements in the US, France and Turkey; upgrades in six other countries

Re-shape global functions

- Delivered over $1bn cost savings in Global Functions including Risk, Finance, Financial Crime Risk (FCR) and HR - through process re-engineering and better use of near-shore and offshore locations

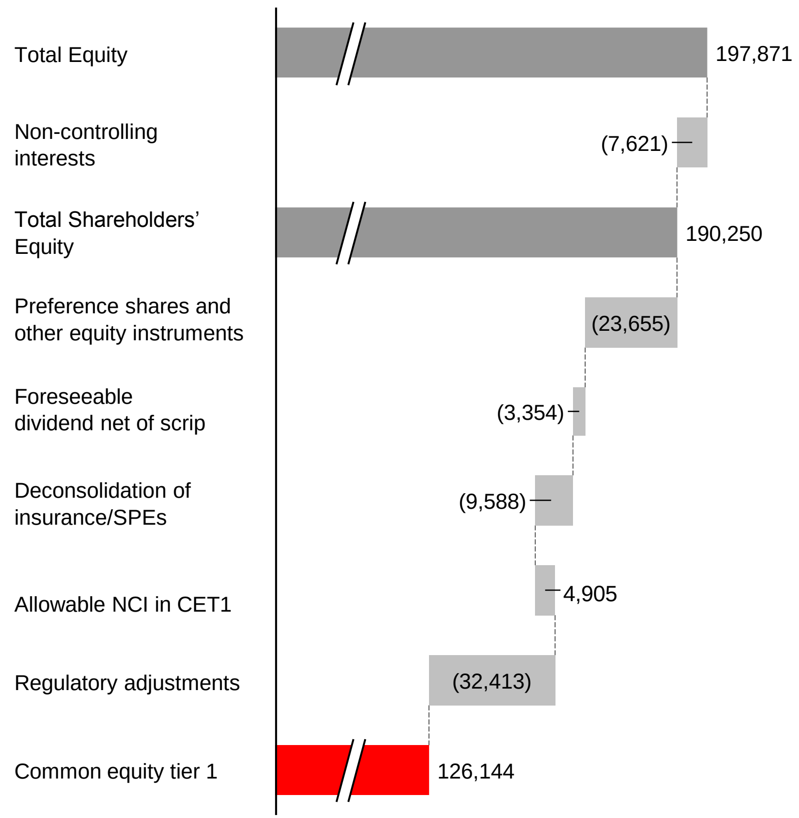
Appendix
Equity drivers

4Q17 vs. 3Q17 Equity drivers

	Shareholders' Equity, $bn	Tangible Equity, $bn	TNAV per share, $	No. of shares (excl. treasury shares), million
As at 30 September 2017	**191.0**	**146.1**	**7.29**	**20,031**
Profit to shareholders excluding impact of US tax reform	1.3	1.3	0.07	-
Dividends net of scrip[51]	(2.1)	(2.1)	(0.11)	25
FX	1.2	0.8	0.04	-
Impact of US tax reform	(1.6)	(1.6)	(0.08)	
Adverse fair value movements from own credit risk	(0.4)	(0.4)	(0.02)	-
Buybacks	-	-	0.04	(105)
Other	0.8	0.9	0.04	9
As at 31 December 2017	**190.3**	**144.9**	**7.26**	**19,960**

Appendix
Total Shareholders' Equity to CET1 Capital

Total Equity to Common equity tier 1 capital, as at 4Q17, $m

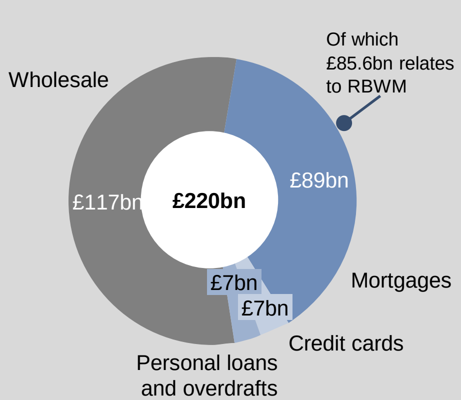


Total Equity to CET1 walk, $m

	2Q17	4Q17
Total equity (per balance sheet)	**195,786**	**197,871**
- Non-controlling interests	(7,390)	(7,621)
Total shareholders' equity	**188,396**	**190,250**
- Preference share premium	(1,405)	(1,405)
- Perpetual capital securities	(5,851)	(5,851)
- Additional Tier 1	(14,979)	(16,399)
Total shareholders' equity less preference shares premium and other equity instruments	**166,161**	**166,595**
- Foreseeable dividend (net of scrip)	(1,611)	(3,354)
- Deconsolidation of insurance/SPE's	(9,020)	(9,588)
- Allowable NCI in CET1	4,496	4,905
CET1 before regulatory adjustments	**160,026**	**158,557**
- Additional value adjustments (prudential valuation adjustment)	(1,201)	(1,146)
- Intangible assets	(16,114)	(16,872)
- Deferred tax asset deduction	(1,476)	(1,181)
- Cash flow hedge adjustment	55	208
- Excess of expected loss	(3,426)	(2,820)
- Own credit spread and debit valuation adjustment	2,656	3,731
- Defined benefit pension fund assets	(5,513)	(6,740)
- Direct and indirect holdings of CET1 instruments	(40)	(40)
- Threshold deductions	(6,058)	(7,553)
- Regulatory adjustments	**(31,117)**	**(32,413)**
CET1	**128,909**	**126,144**

Appendix
UK credit quality

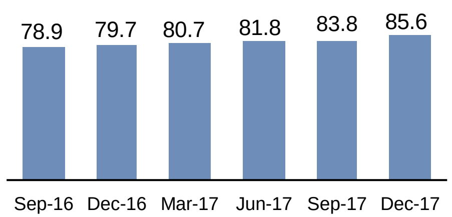
Total UK[52] gross customer advances - £220bn



Total UK gross customer advances of £220bn ($298bn) which represents 31% of the Group's gross customer advances:

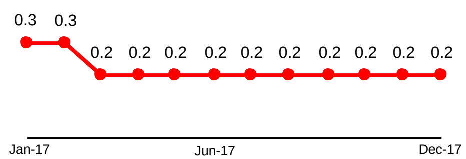
- Continued mortgage growth whilst maintaining extremely conservative loan-to-value (LTV) ratios
- Low levels of buy-to-let mortgages and mortgages on a standard variable rate (SVR)
- Low levels of delinquencies across mortgages and unsecured lending portfolios
- Commercial real estate lending to high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

RBWM residential mortgages[53], £bn



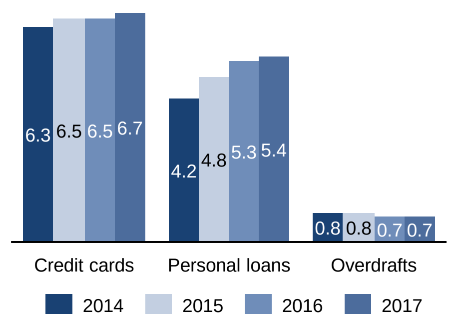
By Loan to Value (LTV)	
Less than 50%	£46.2bn
50% - < 60%	£14.2bn
60% - < 70%	£11.3bn
70% - < 80%	£8.9bn
80% - < 90%	£4.4bn
90% +	£0.6bn

90+ day delinquency trend, %

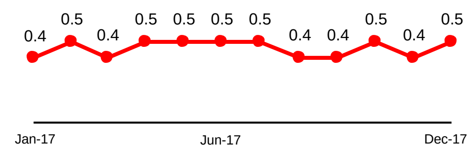


- c.28% of mortgage book is in Greater London
- LTV ratios:
  - c54% of the book < 50% LTV
  - new originations average LTV of 59%;
  - average LTV of the total portfolio of 40%
- Buy-to-let mortgages of £2.8bn
- Mortgages on a standard variable rate of £3.9bn
- Interest-only mortgages of £21.1bn
- 2017 net mortgage lending market share of 13.7%

RBWM unsecured lending[54], £bn

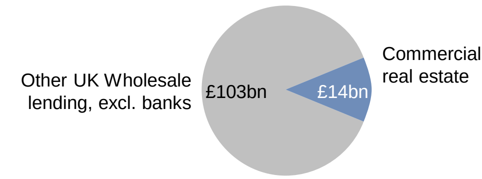


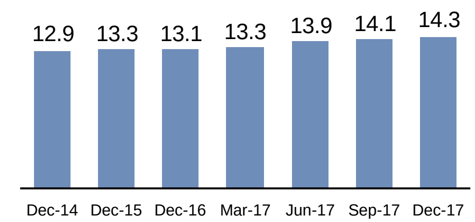
Credit cards: 90+ day delinquency trend, %



- Only c16% 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 across both personal loans and credit cards with tight risk controls. Credit cards have moved to slightly higher risk segments than previously booked

Commercial real estate, £bn





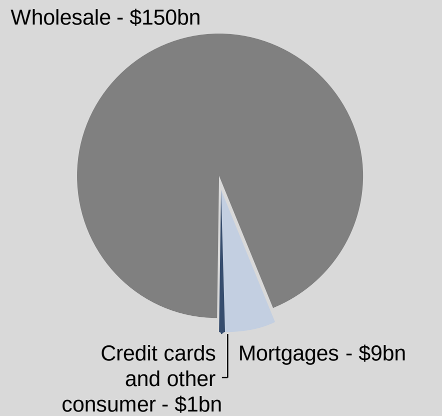
We lend to high quality real estate operators:

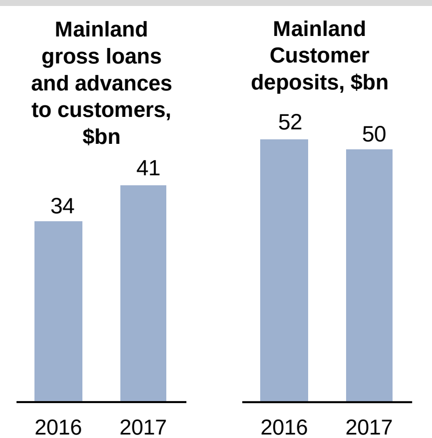
- 41% general financing vs. 59% specific property-related financing
- 51% in London and the South East
- 88% investment grade
- We have maintained conservative LTV levels and have strong interest cover

Appendix

Mainland China drawn risk exposure[55]

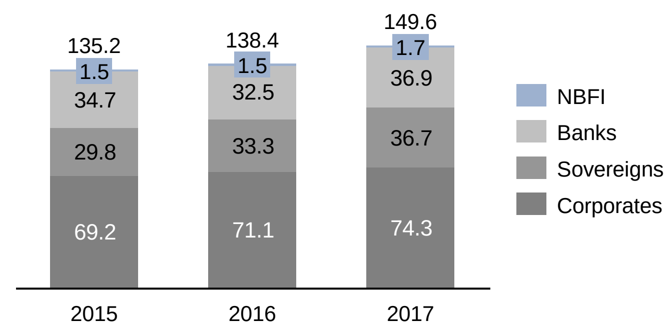
Total China drawn risk exposure of $160bn





- Total China drawn risk exposure of $160bn of which 58% of wholesale is onshore.
- Wholesale: $150bn; Retail: $10bn
- Gross loans and advances to customers of c$41bn in Mainland China (by country of booking, excluding Hong Kong and Taiwan)
- Losses remain low (onshore loan impairment charges of less than $100m in FY17)
- Impaired loans and days past due trends remain low
- HSBC's onshore corporate lending market share is 0.14% which allows us to be selective in our lending

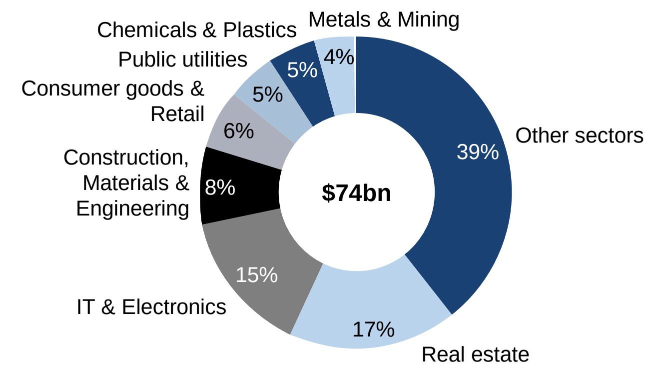
Wholesale analysis, $bn



Wholesale lending by risk type:

CRR	1-3	4-6	7-8	9+	Total
Sovereigns	36.7				36.7
Banks	36.4	0.5			36.9
NBFI	1.4	0.3			1.7
Corporates	46.7	27.1	0.2	0.3	74.3
Total	**121.2**	**27.9**	**0.2**	**0.3**	**149.6**

Corporate Lending by sector:



- c28% of lending is to Foreign Owned Enterprises, c33% of lending is to State Owned Enterprises, c39% to Private sector owned Enterprises
- Corporate real estate
  - 57% 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
Glossary

AUM	Assets under management
AMG	Asset Management Group
BSM	Balance Sheet Management
CET1	Common Equity Tier 1
CMB	Commercial Banking, a global business
CML	Consumer Mortgage Lending portfolio
CTA	Costs-to-Achieve
CVA	Credit Valuation Adjustment
DCM	Debt Capital Markets
DPA	Deferred Prosecution Agreement
DVA	Debit Valuation Adjustment
FICC	Fixed Income, Currencies and Commodities
FVOD	Fair Value of Own Debt
GB&M	Global Banking and Markets, a global business
GLCM	Global Liquidity and Cash Management
GPB	Global Private Banking, a global business
GTRF	Global Trade and Receivables Finance
IFRS	International Financial Reporting Standard
Jaws	A ratio which measures the difference between the rates of change for revenue and costs

LICs	Loan Impairment charges and other credit risk provisions
MENA	Middle East and North Africa
MREL	Minimum requirement for own funds and eligible liabilities
NAV	Net Asset Value
NIM	Net interest margin
nm	Not meaningful
NQH	Non-qualifying hedges
PBT	Profit before tax
PRD	Pearl River Delta
PVIF	Present value of in-force insurance contracts
RBWM	Retail Banking and Wealth Management, a global business
RMB	Renminbi
RoE	Return on Equity
RoRWA	Return on average Risk-Weighted Assets
RoTE	Return on Tangible Equity
RWA	Risk-Weighted Asset
TNAV	Tangible Net Asset Value
Transaction Banking	Products including Foreign Exchange, GLCM, GTRF and Securities Services

Appendix
Footnotes

1. 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
2. Includes the impact of UK bank levy
3. 2016 jaws as reported in our 2016 Results
4. '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
5. Europe's adjusted 2017 profit of $1.0bn includes a number of items incurred centrally on behalf of the Group as a whole, but which are disclosed in the Europe segment, including consolidation adjustments and Holdings costs such as interest costs on Group debt and the UK bank levy
6. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 4Q17 exchange rates
7. Where a quarterly trend is presented on the Balance sheet, all comparatives are re-translated at 31 Dec 2017 exchange rates
8. Global Asset Management funds under management. Total Group funds under management of $943bn at 31 Dec 2017 vs. $831bn at 31 Dec 2016
9. Represents annualised new business premiums in Insurance Manufacturing, related to RBWM.
10. 2016 Reported NIM of 1.73%, excluding Brazil NIM was 1.70%
11. 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
12. This includes dividends on ordinary shares, dividends on preference shares and coupons on capital securities, classified as equity
13. Adjusted RoRWA is calculated using annualised profit before tax and reported average risk-weighted assets at constant currency, adjusted for the effects of significant items
14. Due to the nature of its business, GPB measures the performance of its business through other measures including Net New Money and Return on Client Assets
15. Further detail on the Monitor can be found on page 78 of the Annual Report and Accounts 2017
16. Total dividend declared in cash and scrip
17. RWAs consist of current tax, deferred tax and operational risk
18. Date range 01/01/2011 - 31/12/2017; Includes dividends in respect of 4Q17
19. Date range 01/01/2011 - 31/12/2017
20. Results for US Principal: 2017 Adjusted results: Revenue $4,737m, LICs $118m, Costs $(3,936)m, PBT $920m; 2016 Adjusted results: Revenue $4,698m, LICs $(503)m, Costs $(3,808)m, PBT $387m; 2017 Adjusted revenue by global business: RBWM $1,194m, CMB $947m, GB&M $1,951m, GPB $317m, Corporate Centre $328m; 2017 Adjusted PBT by global business: RBWM $(58)m, CMB $432m, GB&M $527m, GPB $64m, Corporate Centre $(45)m; 2016 Adjusted revenue by global business: RBWM $1,161m, CMB $981m, GB&M $1,979m, GPB $303m, Corporate Centre $274m; 2016 Adjusted PBT by global business: RBWM $(81)m, CMB $341m, GB&M $100m, GPB $67m, Corporate Centre $(40)m; Customer advances: 2017 $65.2bn, 2016 $69.1bn; Mortgages: 2017 $17.4bn, 2016 $17.3bn; 2017 Adjusted RWAs by global business: RBWM $11.0bn, CMB $25.1bn, GB&M $45.2bn, GPB $4.2bn, Corporate Centre $10.0bn; 2016 Adjusted RWAs by global business: RBWM $11.0bn, CMB $26.8bn, GB&M $48.3bn, GPB $4.1bn, Corporate Centre $13.6bn
21. Results for Mexico: 2017 Adjusted results: Revenue $2,164m, LICs $(473)m, Costs $(1,251)m, PBT $440m; 2016 Adjusted results: Revenue $1,949m, LICs $(450)m, Costs $(1,225)m, PBT $274m; 2017 Adjusted revenue by global business: RBWM $1,442m, CMB $350m, GB&M $284m, GPB $0m, Corporate Centre $88m; 2017 Adjusted PBT by global business: RBWM $147m, CMB $105m, GB&M $162m, GPB $0m, Corporate Centre $26m; 2016 Adjusted revenue by global business: RBWM $1,285m, CMB $336m, GB&M $217m, GPB $13m, Corporate Centre $98m; 2016 Adjusted PBT by global business: RBWM $100m, CMB $83m, GB&M $79m, GPB $5m, Corporate Centre $7m; Customer advances: 2017 $15.2bn, 2016 $13.5bn; Mortgages: 2017 $2.1bn, 2016 $1.9bn; 2017 Adjusted RWAs by global business: RBWM $6.9bn, CMB $5.9bn, GB&M $8.3bn, GPB $0.0bn, Corporate Centre $2.8bn; 2016 Adjusted RWAs by global business: RBWM $6.4bn, CMB $6.3bn, GB&M $6.7bn, GPB $0.0bn, Corporate Centre $1.7bn

Appendix
Footnotes

22. Awarded Best Domestic Cash Manager for Corporates in the US by Euromoney Market Leader Cash Management 2017; awarded Best Bank for Transactions Services in North America by Euromoney Awards for Excellence 2017
23. 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
24. Source: CNBV (National Banking and Securities Commission), market share based on 6 major banks in Mexico
25. Source: Oliver Wyman analysis, Trade Finance Global Ranking is for 2014 & 2016
26. Source: Hong Kong Monetary Authority statistics, Monthly Statistical Bulletin; December 2015 & November 2017
27. Source: Monetary Authority of Singapore, Monthly Statistical Bulletin; December 2015 & November 2017
28. Market share of SWIFT payments, 2015 & 2017
29. Source: Oliver Wyman analysis, 26.3% refers to 2016 market share. Both periods include Hang Seng
30. Source: Greenwich Survey; G10 + EM countries for 2015 and 2016; FX Corporates rank is based on total penetration of all accounts; FX institutional rank is based on total penetration of top tier accounts
31. Source: Dealogic; Cross- Border DCM excludes all Domestic Deals
32. As voted by corporates
33. As voted by financial institutions
34. Constant currency basis
35. Measured by annualised new business premiums market share
36. Bloomberg offshore RMB bond underwriting league tables as of the end of each year from 2011 to 2017
37. Non-financial companies
38. Dividend per share
39. Investor day target of $290bn rebased for exchange rates at 31 Dec 2017
40. Includes BSM
41. 3Q17 as reported at 3Q17 Results; 2Q17 as reported at 2Q17 Results; 1Q17 as reported at 1Q17 Results; 1Q16 to 4Q16 included in the ‘4Q 2016 Global Business Management View of Income’ published at 2016FY Results
42. BSM profits and equity are allocated from the Corporate Centre to the Global Businesses; ‘Other adjustments’ in Equity include movements on accumulated own credit spreads
43. Allocated tax for RoTE includes the reported tax charge, as well as the tax impact of significant items. The Group reported tax charge was $5.3bn for FY17 and $3.7bn for FY16
44. Tangible Equity is allocated to global businesses at a legal entity level, using RWAs, or a more suitable local approach, where appropriate.
45. Includes associates, mainly BoCom and Saudi British Bank, as well as the equity relating to the US run-off and legacy credit portfolios
46. Balances presented by quarter are on a constant currency basis. Reported equivalents for ‘Loans and advances to customers’ are as follows: 1Q16: $920bn, 2Q16: $888bn, 3Q16: $881bn, 4Q16: $862bn, 1Q17: $876bn, 2Q17: $920bn, 3Q17: $945bn. Reported equivalents for ‘Customer Accounts’ are as follows: 1Q16: $1,315bn, 2Q16: $1,291bn, 3Q16: $1,296bn, 4Q16: $1,272bn, 1Q17: $1,273bn, 2Q17: $1,312bn, 3Q17: $1,337bn
47. Red-inked balances relate to corporate customers in the UK, who settle their overdraft and deposit balances on a net basis. CMB red-inked balances: 1Q16: $10bn, 2Q16: $10bn, 3Q16: $10bn, 4Q16: $8bn, 1Q17: $5bn, 2Q17: $5bn, 3Q17: $7bn and 4Q17: $6bn; GB&M red-inked balances: 1Q16: $28bn, 2Q16: $18bn, 3Q16: $20bn, 4Q16: $18bn, 1Q17: $13bn, 2Q17: $16bn, 3Q17: $19bn and 4Q17: $20bn.
48. Source: Form 20-F; Average balances on a reported basis

Appendix

Footnotes

49. Assumes the 2017 split of fixed and variable for commercial lending including lending to banks with greater than 1 year maturity as published in 'Form 20-F'
50. Customer accounts as at 31 December 2017
51. Includes dividends to preference shareholders and other equity holders and scrip issuances relating to the third interim dividend in 2017
52. Where the country of booking is the UK
53. Includes First Direct balances
54. Includes First Direct, M&S and John Lewis Financial Services
55. Retail drawn exposures represent retail lending booked in Mainland China; wholesale drawn exposures represents wholesale lending where the ultimate parent or beneficial owner is Chinese

Appendix

Important notice and forward-looking statements

Important notice

The information, statements and opinions set out in this presentation and subsequent discussion do 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 advice or recommendation in respect of such securities or other financial instruments.

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This presentation and subsequent discussion may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position and business of the Group (together, "forward-looking statements"). Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant assumptions and subjective judgements which may or may not prove to be correct and there can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. Forward-looking statements are statements about the future and are inherently uncertain and generally based on stated or implied assumptions. The assumptions may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions or regulatory changes). Any such forward-looking statements are based on the beliefs, expectations and opinions of the Group at the date the statements are made, and the Group does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management's beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report and Accounts on Form 20-F for the fiscal year ended 31 December 2016 filed with the Securities and Exchange Commission on 21 February 2017 and our Annual Report and Accounts 2017, as well as in our Annual Report and Accounts on Form 20-F for the fiscal year ended 31 December 2017 which we expect to file with the Securities and Exchange Commission on 20 February 2018.

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 our Annual Report and Accounts 2017 and the Reconciliations of Non-GAAP Financial Measures document which are both available at www.hsbc.com.

Information in this presentation was prepared as at 19 February 2018.

Issued by HSBC Holdings plc
Group Investor Relations
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Cover image: Guangzhou is located at the heart of China's Pearl River Delta, one of the country's fastest growing economic regions.

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