Value of the network

Connecting customers to opportunities

1. **Reduce Group RWAs by c. $290bn and re-deploy towards higher performing businesses; return GB&M to Group target profitability**
2. **Optimise global network**
3. Rebuild **NAFTA profitability**
4. Set up **UK Ring-Fenced Bank**
5. Realise **$4.5-5.0bn cost savings**, deliver an exit rate in 2017 equal to 2014 operating expenses
6. Revenue growth above GDP from **our international network**
7. Capture **growth opportunities in Asia**: Pearl River Delta, ASEAN, Asset Management, Insurance
8. Extend **leadership in RMB** internationalisation
9. Complete **Global Standards** implementation

HSBC Holdings plc Interim Results 2016

Presentation to Investors and Analysts

HSBC

Our highlights

1st Half 2016

Reported PBT
(1H15: $13.6bn)

$9.7bn

Adjusted PBT
(1H15: $12.6bn)

$10.8bn

Reported RoE[1]
(1H15: 10.6%)

7.4%

Adjusted Jaws

(0.5)%

CET1 ratio[2]
(2015: 11.9%)

12.1%

1H16 Financial Performance (vs. 1H15)	– Reported PBT of $9.7bn down $3.9bn
	– Adjusted PBT of $10.8bn down $1.8bn; a reasonable performance in the face of considerable uncertainty:
	  – Revenue down $1.3bn or 4% versus a strong 1H15: Client-facing GB&M and BSM down 7% and Principal RBWM down 6%
	  – Continued momentum in CMB with revenue up 2%
	  – Higher LICs, up $1.1bn from increased charges in the oil & gas and metals & mining sectors and from Brazil; LICs in 2Q16 broadly unchanged compared with 1Q16
	  – 4% fall in costs: tight cost control with run-rate saves of more than $2.0bn since commencement of our cost savings programme

Capital and liquidity	– Strong capital position with a common equity tier one ratio[2] of 12.1% and a strong leverage ratio of 5.1% – Post Brazil disposal, common equity tier one ratio of 12.8%
Strategy	– Announcing a share buy-back of $2.5bn in 2H16 following the successful disposal of HSBC Bank Brazil[3] on 1 July 2016 – US successfully achieved a non-objection to its capital plan, which included a dividend payment in 2017, as part of the Comprehensive Capital Analysis and Review (CCAR) – Further reduced RWAs in1H16 by $48bn through management actions bringing the total since 2014 to $172bn – Continued to capture value from our international network and gained market share in key Asian markets and businesses – Commitment to sustain annual ordinary dividend in respect of the year at current levels for the foreseeable future

1H16 Key metrics

Key financial metrics	1H15	1H16
Return on average ordinary shareholders' equity[1]	10.6%	7.4%
Return on average tangible equity[1]	12.0%	9.3%
Jaws (adjusted)	-	(0.5)%
Dividends per ordinary share in respect of the period	$0.20	$0.20
Earnings per share	$0.48	$0.32
Common equity tier 1 ratio[2]	11.6%	12.1%
Leverage ratio	4.9%	5.1%
Advances to deposits ratio	71.4%	68.8%
Net asset value per ordinary share (NAV)	$9.11	$8.75
Tangible net asset value per ordinary share (TNAV)	$7.81	$7.53

Reported Income Statement, $m

	2Q16	vs. 2Q15	%	1H16	vs. 1H15	%
Revenue	14,494	(2,557)	(15)%	29,470	(3,473)	(11)%
LICs	(1,205)	(336)	(39)%	(2,366)	(927)	(64)%
Costs	(10,364)	(22)	0%	(18,628)	559	3%
Associates	683	(46)	(6)%	1,238	(73)	(6)%
PBT	3,608	(2,961)	(45)%	9,714	(3,914)	(29)%

Adjusted Income Statement, $m

	2Q16	vs. 2Q15	%	1H16	vs. 1H15	%
Revenue	13,954	(783)	(5)%	27,868	(1,310)	(4)%
LICs	(1,205)	(394)	(49)%	(2,366)	(1,087)	(85)%
Costs	(8,071)	584	7%	(15,945)	660	4%
Associates	683	(14)	(2)%	1,238	(18)	(1)%
PBT	5,361	(607)	(10)%	10,795	(1,755)	(14)%

Financial overview

Reconciliation of Reported to Adjusted PBT

$m	Discrete quarter 2Q15	2Q16	vs. 2Q15	Half year 1H15	1H16	vs. 1H15
Reported profit before tax	**6,569**	**3,608**	**(2,961)**	**13,628**	**9,714**	**(3,914)**
Includes						
Currency translation	**142**	**-**	**(142)**	**452**	**-**	**(452)**
Significant items:						
Fair value gains / (losses) on own debt (credit spreads only)	352	75	(277)	650	1,226	576
Gain on the partial sale of shareholding in Industrial Bank	1,009	-	(1,009)	1,372	-	(1,372)
Gain on disposal of our membership interest in Visa Europe	-	584	584	-	584	584
Other revenue-related significant items[4]	324	(119)	(443)	149	(208)	(357)
Revenue-related significant items	**1,685**	**540**	**(1,145)**	**2,171**	**1,602**	**(569)**
Settlements and provisions in connection with legal matters	(1,144)	(723)	421	(1,144)	(723)	421
Impairment of GPB Europe goodwill	-	(800)	(800)	-	(800)	(800)
UK customer redress programmes	-	(33)	(33)	(137)	(33)	104
Costs-to-achieve	-	(677)	(677)	-	(1,018)	(1,018)
Costs to establish UK ring-fenced bank	-	(63)	(63)	-	(94)	(94)
Other operating expenses-related significant items[4]	(82)	3	85	(264)	(15)	249
Operating expenses-related significant items	**(1,226)**	**(2,293)**	**(1,067)**	**(1,545)**	**(2,683)**	**(1,138)**
Adjusted profit before tax	**5,968**	**5,361**	**(607)**	**12,550**	**10,795**	**(1,755)**

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

2Q16 Profit before tax performance

Reduced costs more than offset by a fall in revenue and increased LICs

2Q16 vs 2Q15 PBT analysis[5], $m

	2Q15			2Q16			vs. 2Q15	
	Group	Brazil	Group excl. Brazil	Group	Brazil	Group excl. Brazil	Group	Group excl. Brazil
Revenue	14,737	878	13,859	13,954	795	13,159	(783)	(700)
LICs	(811)	(226)	(585)	(1,205)	(414)	(791)	(394)	(206)
Operating expenses	(8,655)	(571)	(8,084)	(8,071)	(570)	(7,501)	584	583
Income from associates	697	-	697	683	-	683	(14)	(14)
Adjusted PBT	**5,968**	**81**	**5,887**	**5,361**	**(189)**	**5,550**	**(607)**	**(337)**

Adjusted PBT by global business, $m	2Q15	2Q16	vs. 2Q15	%
RBWM	1,908	1,480	(428)	(22)%
CMB	2,140	2,052	(88)	(4)%
GB&M	2,434	2,118	(316)	(13%)
GPB	134	134	-	-%
Other	(648)	(423)	225	(35)%
Group	**5,968**	**5,361**	**(607)**	**(10%)**

Adjusted PBT by geography, $m	2Q15	2Q16	vs. 2Q15	%
Europe	957	865	(92)	(10)%
Asia	3,996	3,739	(257)	(6)%
Middle East and North Africa	425	470	45	11%
North America	452	323	(129)	(29)%
Latin America	137	(36)	(173)	<(100)%
- Latin America ex Brazil	56	153	97	>100%

2Q16 revenue performance

Lower revenue in 2Q16 versus a very strong performance in 2Q15

Revenue analysis[6], $m

		1Q14	2Q14	1Q15	2Q15	1Q16	2Q16	
Principal RBWM	Total	5,273	5,476	5,428	5,774	5,153	5,352	
	Wealth Management	1,471	1,539	1,619	1,961	1,251	1,411	Wealth Management vs. 2Q15: (28)%
	Other	3,802	3,937	3,809	3,813	3,902	3,941	Non Wealth Management related revenue vs. 2Q15: 3%
CMB		3,409	3,481	3,604	3,585	3,668	3,656	vs. 2Q15: 2%; vs. 1Q16: -%
Client-facing GB&M and BSM	Total	4,443	4,211	4,867	4,761	4,410	4,527	
	Markets (excl. Legacy credit)	1,838	1,416	2,076	2,040	1,791	1,924	vs. 2Q15: (5)%
	Other	2,605	2,795	2,791	2,721	2,619	2,603	vs. 1Q16: 3%
GPB		580	549	583	551	491	484	
Other, US CML run-off & Legacy credit		315	364	167	66	374	(64)	
Group		14,020	14,081	14,649	14,737	14,096	13,955	vs. 2Q15: (5)%; vs. 1Q16: (1)%

Lower Wealth Management revenue vs. 2Q15:

– A strong performance in 1H15, notably in Asia

Non-Wealth management revenue vs. 2Q15 up 3%

– Deposit balance growth in Hong Kong and the UK

– Personal lending revenue broadly flat: growth in Mexico, offset by declines in Europe and Asia.

Revenue stabilisation vs. 1Q16

Continued momentum vs. 2Q15

– Growth in lending and deposit balances in the UK;

– Headwinds in Global Trade & Receivables Finance (GTRF) from lower commodity prices and weak demand

1H16 performance vs. 1H15:

Revenue down in Client-facing GB&M

– Strong performance in1Q15 and 2Q15

– Lower revenue, notably in Equities due to market volatility which led to lower client activity

– Higher Rates and Global Liquidity & Cash Management (GLCM) income

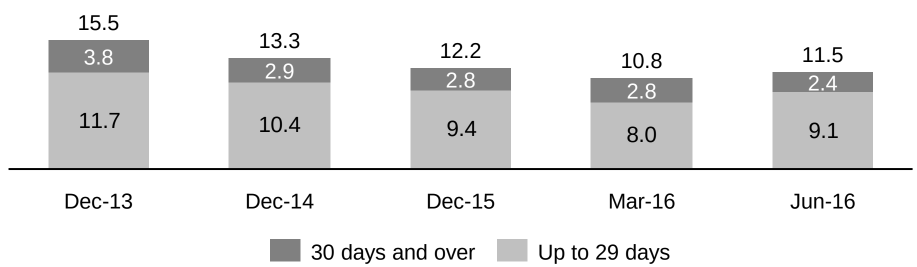
2Q16 Loan impairment charges

Higher specific LICs vs. 2Q15; LICs broadly unchanged compared with 1Q16

LICs analysis[5] by type

$m	2Q15	1Q16	2Q16	vs. 2Q15	vs. 1Q16
Group	**(811)**	**(1,209)**	**(1,205)**	**(394)**	**4**
Brazil	(226)	(373)	(414)	(188)	(41)
Group excl. Brazil	**(585)**	**(836)**	**(791)**	**(206)**	**45**
Of which:					
Personal	**(281)**	**(352)**	**(288)**	**(7)**	**64**
Collective	(280)	(316)	(231)	49	84
Specific	(1)	(36)	(57)	(55)	(21)
Wholesale	**(280)**	**(423)**	**(543)**	**(263)**	**(120)**
Collective	(41)	(57)	101	142	158
Specific	(239)	(366)	(644)	(405)	(278)
Impairment on AFS debt securities	**(1)**	**(24)**	**35**	**36**	**60**
Other credit-risk provisions	**(23)**	**(36)**	**4**	**27**	**40**

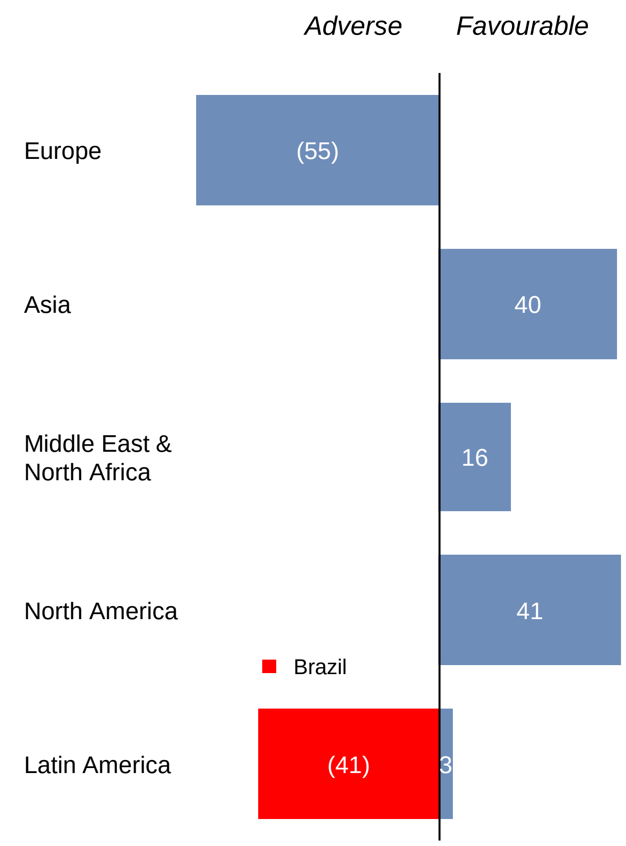
Reported past due but not impaired, $bn



2Q16 vs. 1Q16 by region

LICs broadly unchanged

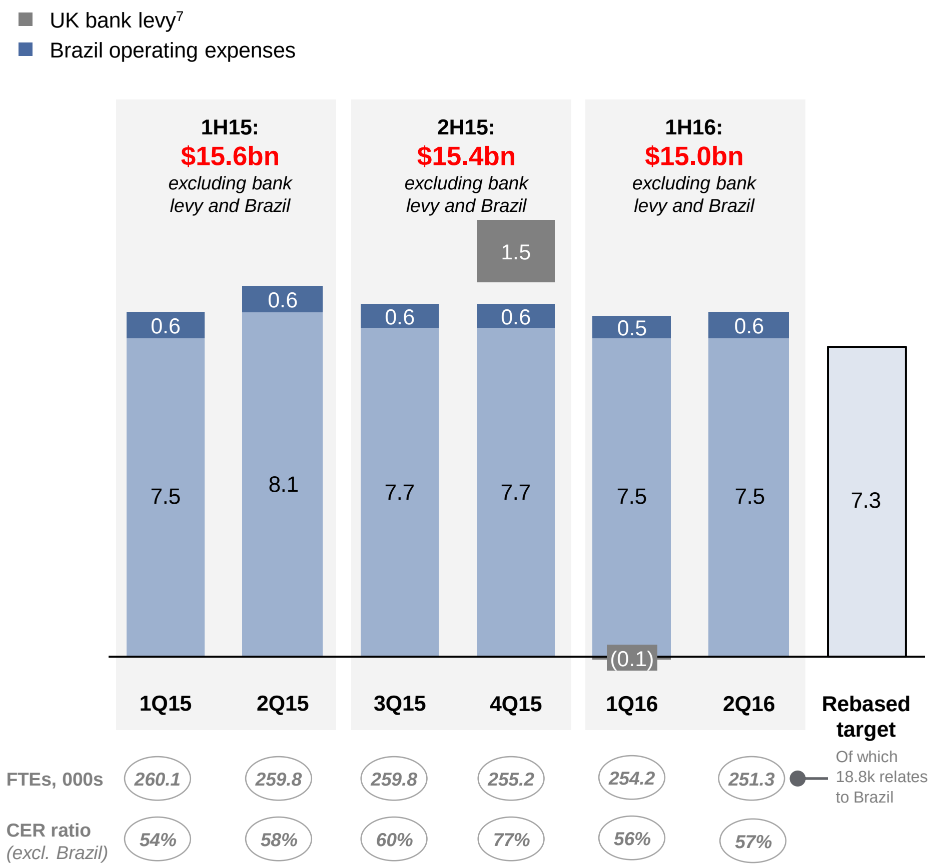
(excl. Brazil – down $45m)



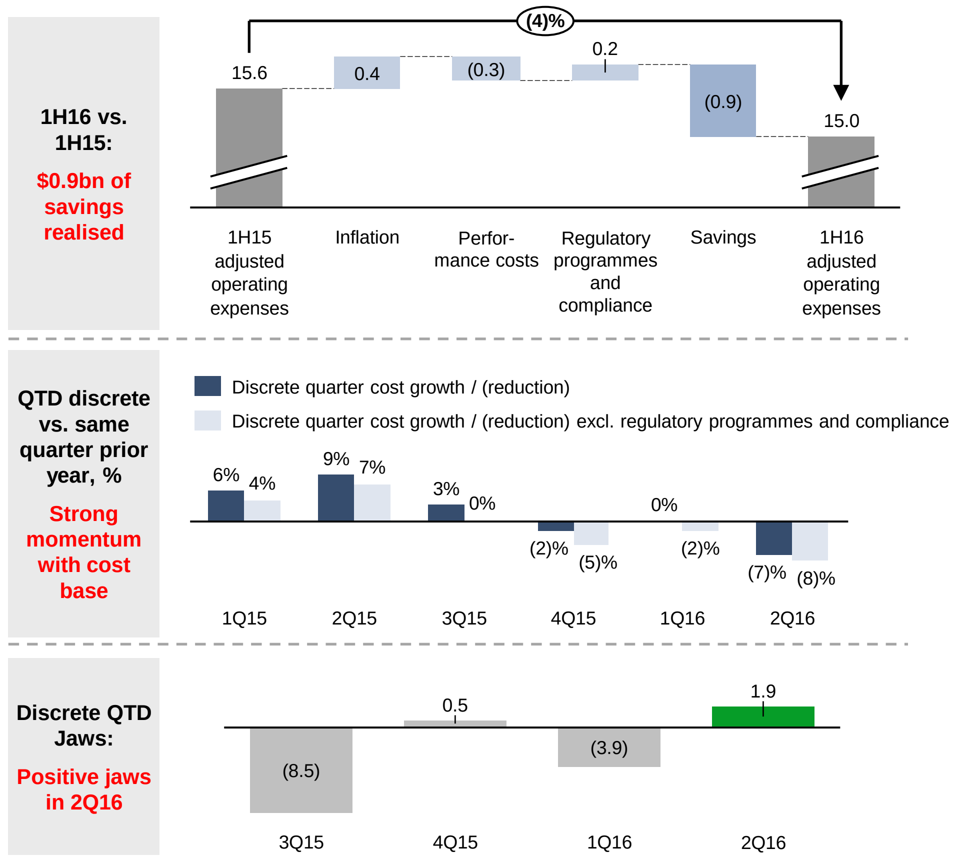
1H16 operating expenses

Continued progress with our cost base with a 4% decrease excluding Brazil

Operating expenses trend[6]



Analysis (excluding bank levy and Brazil)



Operating expenses

Improving efficiency and customer experience through process enhancements and use of digital platforms

Selected achievements

Increasing customer connectivity

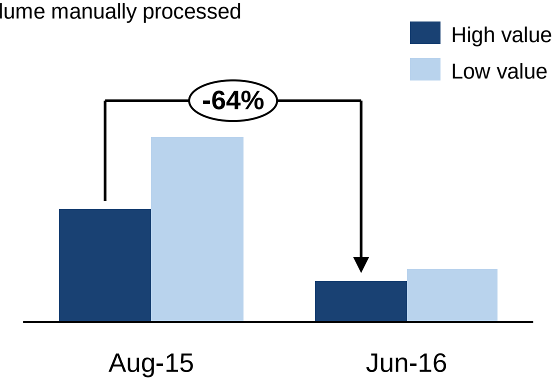
- Over 5 million logins using **Touch ID** across the US, UK and France with c.350,000 customers enrolled
- **Live Connect Video** in UK branches to connect customers to mortgage advisors more easily
- **Live Chat** encouraged 80% of customers to switch from traditional service channels; nearly 1 million live chats occurring since launch
- Introduced **Apple Pay** in 2015, now rolled out **Android Pay** in US and UK
- Customers across China **can now link their WeChat ID with their HSBC account**
- Developed **cloud based Treasury Management system** for business customers through our Singapore innovation lab

Improving process efficiency

- 15% reduction in average **time to credit decision** in key CMB markets (accounting for c.70% of credit application volumes)
- **Paperless account opening in Hong Kong** for personal accounts; more than 10,000 accounts opened using tablets
- New **Multi-Channel Appointment Booking Tool** has reduced time to book an appointment and lowered appointment no-shows by over 30%

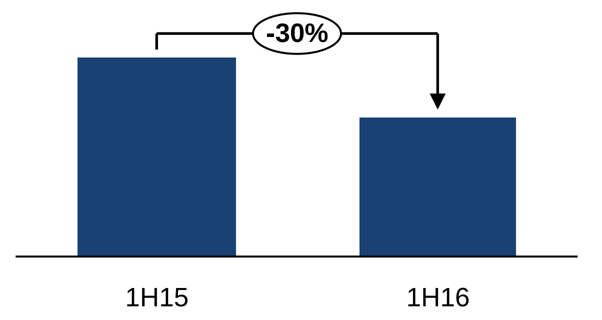
Automation of manual payments

Volume manually processed



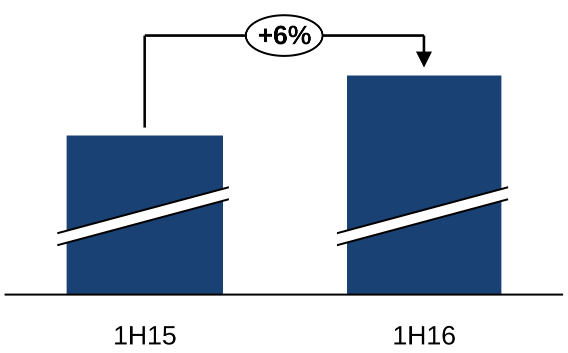
Accelerating client onboarding

Average calendar days to open a domestic account[8]

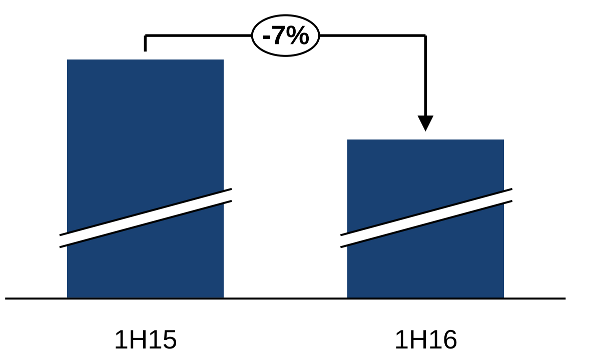


Digitally active customers

Proportion of RBWM customers



No. of branches in 6 largest markets



1H16 vs. 1H15 profit before tax performance

Lower adjusted PBT from a fall in revenue and increased LICs; continued progress with our cost base

1H16 vs. 1H15 adjusted PBT analysis, $m

	1H15			1H16			vs. 1H15	
	Group	Brazil	Group excl. Brazil	Group	Brazil	Group excl. Brazil	Group	Group excl. Brazil
Revenue	29,178	1,631	27,547	27,868	1,531	26,337	(1,310)	(1,210)
LICs	(1,279)	(402)	(877)	(2,366)	(748)	(1,618)	(1,087)	(741)
Operating expenses	(16,605)	(1,083)	(15,522)	(15,945)	(1,059)	(14,886)	660	636
Income from associates	1,256	(1)	1,257	1,238	(1)	1,239	(18)	(18)
Adjusted PBT	**12,550**	**145**	**12,405**	**10,795**	**(277)**	**11,072**	**(1,755)**	**(1,333)**

Adjusted PBT by global business, $m	1H15	1H16	vs. 1H15	%
RBWM	3,753	2,839	(914)	(24)%
CMB	4,371	4,128	(243)	(6)%
GB&M	5,204	4,118	(1,086)	(21)%
GPB	320	246	(74)	(23)%
Other	(1,098)	(536)	562	51%
Group	**12,550**	**10,795**	**(1,755)**	**(14)%**

Adjusted PBT by geography, $m	1H15	1H16	vs. 1H15	%
Europe	2,636	1,898	(738)	(28)%
Asia	7,834	7,203	(631)	(8)%
Middle East and North Africa	875	983	108	12%
North America	904	684	(220)	(24)%
Latin America	301	27	(274)	(91)%
- Latin America ex Brazil	156	304	148	95%

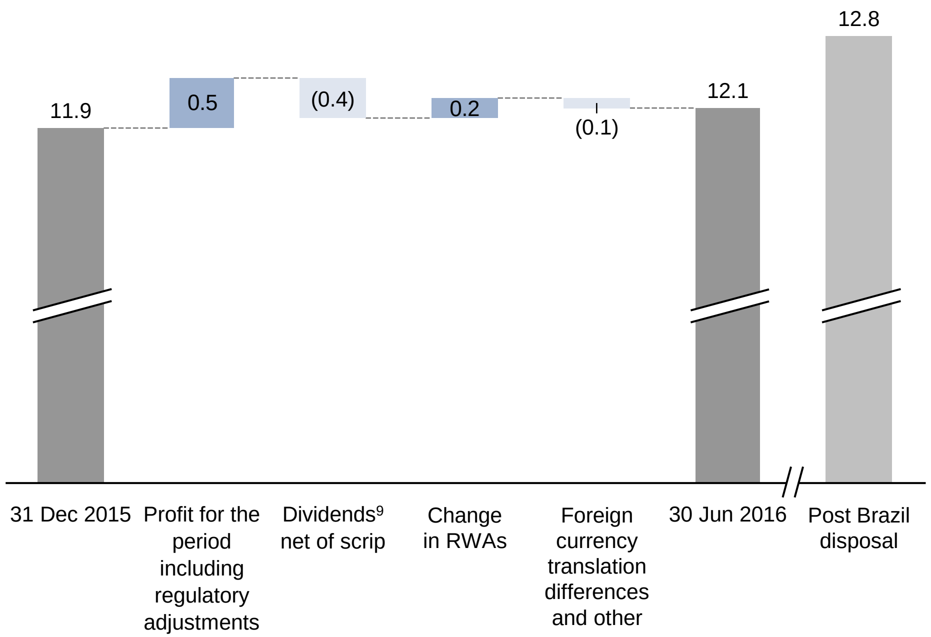
Capital adequacy

Strong capital base: common equity tier 1 ratio[2] – 12.1%

Regulatory capital and RWAs $bn

	31 Dec 2015	31 Mar 2016	**30 Jun 2016**
Common equity tier 1 capital	130.9	132.9	130.7
Total regulatory capital on a transitional basis	189.8	187.1	186.8
Risk-weighted assets	1,103.0	1,115.2	1,082.2

1H16 CET1 ratio movement %



1H16 CET1 movement, $bn

At 31 Dec 2015	**130.9**
Capital generation from profit	1.5
Profit for the period (including regulatory adjustments)	5.4
Dividends[9] net of scrip	(3.9)
Foreign currency translation differences	(2.3)
Other movements	0.6
At 30 Jun 2016	**130.7**

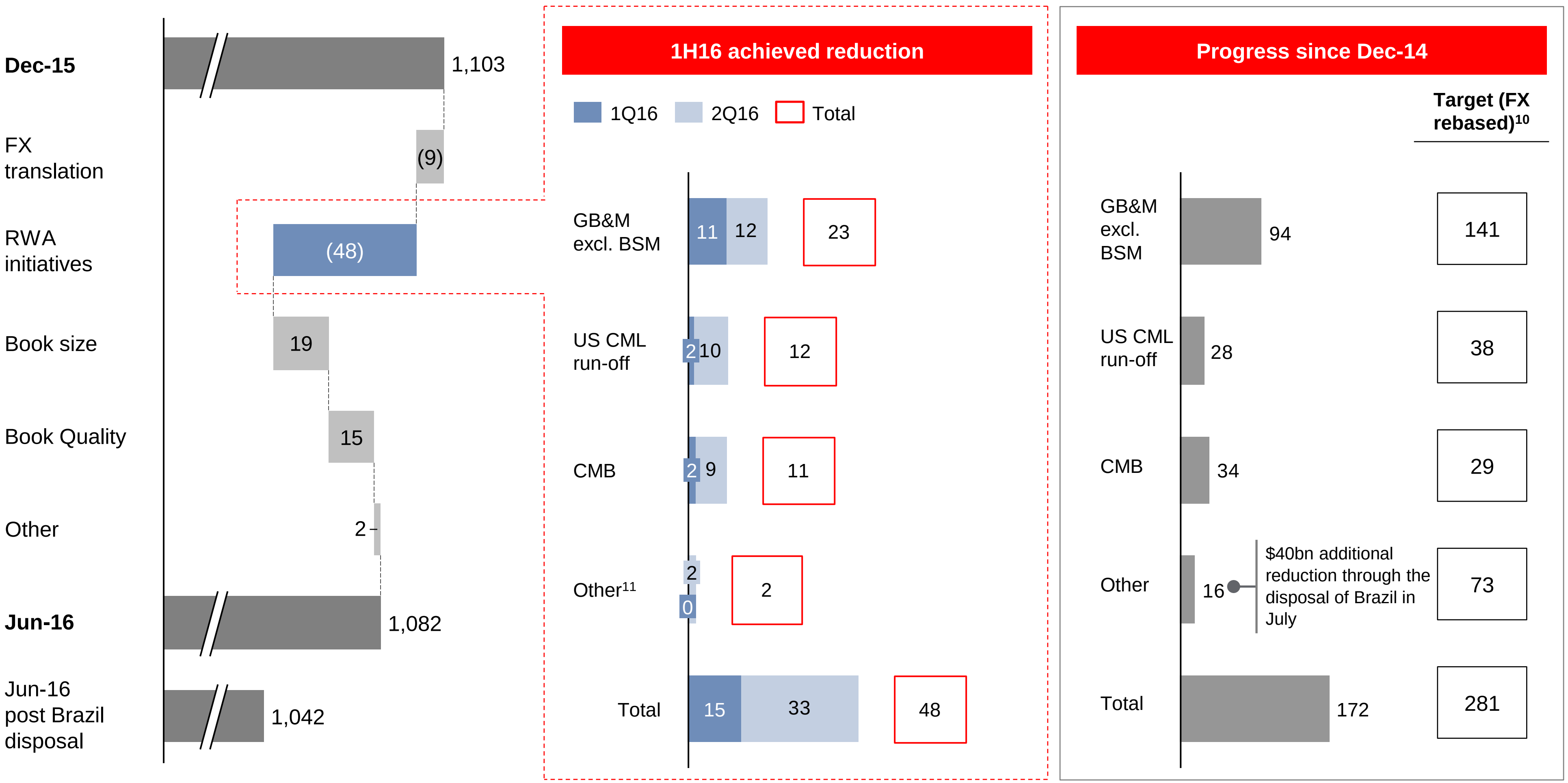
Quarterly CET1 ratio and leverage ratio progression

	1Q15	2Q15	3Q15	4Q15	1Q16	**2Q16**
CET1 ratio	11.2%	11.6%	11.8%	11.9%	11.9%	12.1%
Leverage ratio	4.9%	4.9%	5.0%	5.0%	5.0%	5.1%

Reduce RWAs by $290bn[10]

More than 60% of our target achieved

Key movements in Group RWA ($bn)



Strategy Update

Diversified universal banking model with unrivalled global presence

	Distinctive advantages	Benefits	1H 2015	1H 2016
Unrivalled global presence	– Access to c.90% of **global trade and capital flows** – Banking operations in **highest growth geographies** – Leading **product capabilities** to support global flows	– Percent of client revenues linked to international clients[12], %	***>45***	***>45***
		– Transaction banking revenue[13], $	***7.8bn***	***7.7bn***
		– Trade Finance[14]	***#1***	***#1***
		– Global Liquidity & Cash Management[15]	***#1***	***#1***
Diversified, universal banking model	– Balanced **universal banking** model – Low risk business model, resulting in **low earnings volatility** – **Multiple point of entry** (MPE) structure	– Advances to deposits, %	***71***	***69***
		– Leverage ratio, %	***4.9***	***5.1***
		– 10-year PBT volatility[16]	***0.9x***	***0.9x***
Strong capital generation with industry leading dividends	– Strong **intrinsic capital generation** – Increased shareholders equity by c.**$43bn** since the end of 2010 – Industry leading dividend (c.**$48bn declared since 2011**)	– CET1 ratio, %	***11.6***	***12.1*** ***12.8 post Brazil disposal***
		– Dividends paid in 1H[17], $	***5.8bn***	***6.1bn***

Progress on strategic actions to capture value from our international network

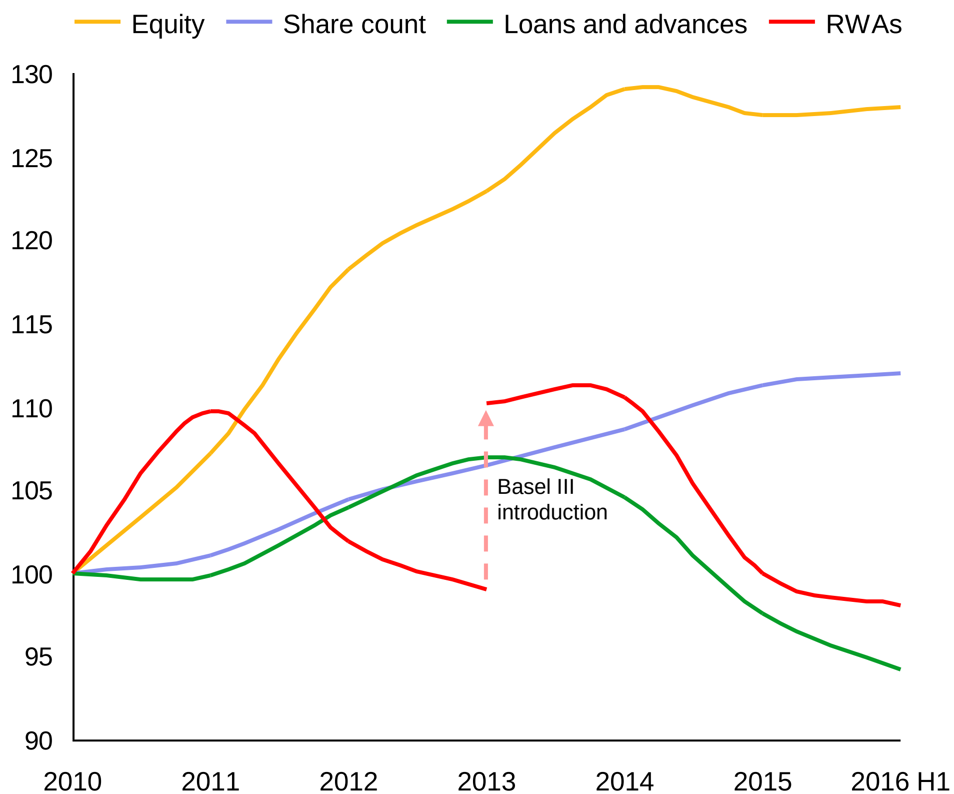
✓ ***On track to meet 2017 target***

Strategic actions	Progress during 1H16	Targeted outcome by 2017	Status
Actions to re-size and simplify			
Reduce Group RWAs by c.$290bn	– $48bn further reduction in 1H16, notably in GB&M – CML asset sales totalling $4.7bn in 1H16 – More than 60% of Group reduction target achieved	– Group RWA reduction: $290bn – GB&M <1/3 of Group RWAs	✓
Optimise global network	– Completed sale of Brazil business (announced 1 July 2016); maintained a Brazil presence to serve large corporate clients' international needs	– Reduced footprint	✓
Rebuild NAFTA profitability	– US Principal – Successfully achieved a non-objection to its capital plan, which included a dividend payment in 2017, as part of CCAR – Revenue: $2.5bn (up 4% on 1H15; up 7% on 2H15); Continued growth in outbound revenues (up 13% on 1H15) – PBT: $0.2bn (down 27% on 1H15; up 20% on 2H15) – Mexico – Revenue: $1.0bn (up 12% on 1H15; up 10% on 2H15) – PBT: $0.1bn (up 37% on 1H15; up >100% on 2H15) – Market share gains (Mortgages 5.3% vs. 3.0% at 1H15, personal loans 10.2% vs. 6.0% at 1H15, payroll loans 8.6% vs.7.0% at 1H15)	– US Principal PBT c. $2bn – Mexico PBT c. $0.6bn	✓
Set up UK ring-fenced bank	– Implementation in progress	– Completed by 2018	✓
Deliver $4.5-5.0bn cost savings	– 4% reduction in cost base on 1H15; 4k FTE reduction since Dec15 – Positive jaws in 2Q16 – Achieved cost saves of $0.9bn in 1H16; more than $2.0bn total saves on run-rate basis	– 2017 exit rate to equal 2014 operating expenses	✓
Actions to redeploy capital and invest			
Deliver growth above GDP from international network	– Transaction banking revenue: $7.7bn (down 1% on 1H15) – GLCM revenue up 7% vs. 1H15; average deposits up 3% on prior year – GTRF revenue down 6% on 1H15, reflecting decline in market conditions – Retained global leadership position in trade finance and cash management	– Revenue growth of international network above GDP	
Pivot to Asia – prioritise and accelerate investments	– Asia share of adjusted PBT increased to 67% in 1H16 versus 62% in 1H15 – Awarded Asia's Best Investment Bank, Asia's Best Bank for Financing by *Euromoney* – Insurance manufacturing new business premiums: $1.2bn (up 13% on 1H15) – Asset Mgt. AUM distributed in Asia: $138bn (up 7% on 1H15)	– Market share gains – c.10% growth p.a. in assets under management	✓
RMB internationalisation	– Renminbi internationalisation revenue: $0.7bn (down 32% on 1H15) – 52% Securities Services RQFII custodian market share – Joint lead manager for China's Ministry of Finance RMB3bn bond in the UK, the first sovereign RMB bond issued outside of China	– $2.0-2.5bn revenue	
Global Standards	– Implementation in progress	– Completed implementation	✓

Aim to return capital to shareholders

Development of balance sheet and equity position

Balance sheet items and share count indexed to 100 in 2010[18]



Reduce low-return portfolios

- Reduce low-return activities from legacy portfolios and low-return businesses
- Continue to execute against $290bn RWA reduction

Reinvest in higher return client opportunities

- Aim to re-invest capital into higher return client opportunities
- Support the Group's pivot to Asia

Sustain dividend

- Sustain dividend through long-term earnings capacity of the businesses[19]

Buy-back shares

- Introduce share buy-backs as and when appropriate, subject to the execution of targeted capital actions and regulatory approval
- $2.5bn buy-back in 2H16 following the successful disposal of our business in Brazil

Conclusion

Strong franchise in challenging operating environment

Strength of franchise and universal banking model

- Continued to capture value from international network:
  - Sustained growth in Commercial Banking underpinned by our international network and global product offering
  - Maintained leadership position in transaction banking products
- Gained market share in key Asian markets and businesses
- Sustainable business model with long-term earnings capacity to support our dividend[19]

Good progress on operating expenses

- Positive jaws in 2Q16
- Achieved cost saves of $0.9bn in 1H16; more than $2.0bn total saves on run-rate basis
- On track to hit top end of $4.5-5bn cost target

Strong capital position

- Reduced RWAs by c.$172bn since start of programme (more than 60% of target); on track to deliver our target[10]
- Strengthened CET1 ratio to 12.1%, 12.8% post Brazil disposal
- US successfully achieved a non-objection to its capital plan, which included a dividend payment in 2017, as part of CCAR

Challenging operating environment

- Uncertain economic, regulatory, and political outlook
- Highly geared to increases in interest rates (Advances to deposits 69%)

Group financial targets

ROE	>10%
Costs	Positive jaws (adjusted)
Dividend and capital	– Sustain dividend through long-term earnings capacity of the businesses[19] – Introduce share buy-backs as and when appropriate, subject to the execution of targeted capital actions and regulatory approval – $2.5bn buy-back in 2H16 following the successful disposal of our business in Brazil

Appendix

Appendix – Oil and gas, as of June 2016

Oil and gas[20], $bn

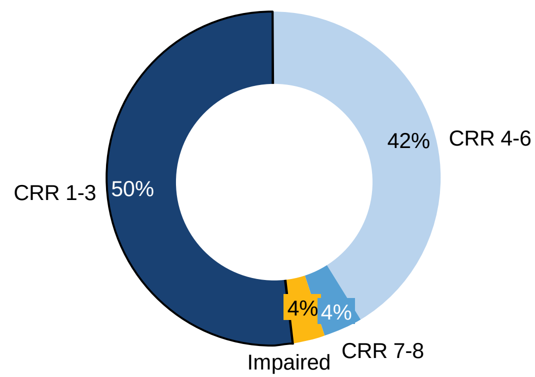
Overall drawn risk exposure **$31bn** ***7% higher than Dec-15***

Integrated Producers	Service companies	Pure producers	Infrastructure companies
$15bn	**$9bn**	**$5bn**	**$2bn**

- Overall exposure of $31bn represents c. 2% of wholesale drawn risk exposures
- Large integrated producers remain resilient
- 4% of the portfolio is CRR 7-8, the majority of which is in service companies and pure producers
- 4% of the portfolio is impaired
- Loan impairment charges and other credit risk provisions of c. $0.4bn in 1H16, mainly individually assessed charges
- Past due but not impaired is insignificant
- Impairment allowances against the oil and gas portfolio of c. $1bn

Exposure by region	$bn
Europe	8
Asia	7
Middle East and North Africa	5
North America	9
Latin America	2
Group	**31**

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, as of June 2016

Metals and mining[20], $bn

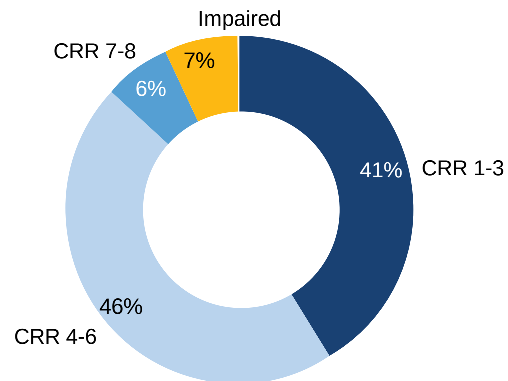
Overall drawn risk exposure **$18bn** *In line with Dec-15*

Base / diversified	Bulk	Precious metals	Steel / Aluminium
$4.5bn	**$2.5bn**	**$1bn**	**$10bn**
Copper, Zinc and Nickel	Iron ore and metallurgical coal	Gold and Silver	

Exposure by region	$bn
Europe	4
Asia	9
Middle East and North Africa	1
North America	3
Latin America	1
Group	**18**

- $18bn represents c.1% of wholesale drawn risk exposure
- Precious metals, copper, nickel and zinc prices rose in 1H16. Prices are generally forecast to continue improving.
- Steel, aluminium and bulk metal prices also increased, but to a lesser extent. The outlook remains challenging due to a combination of oversupply and reduction in demand
- Loan impairment charges of c. $0.3bn in 1H16

Credit quality (%)



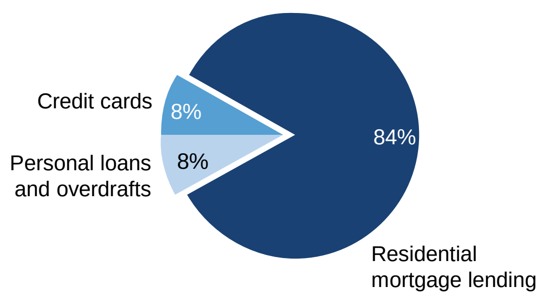
- CRR 1-3 broadly equivalent to investment grade
- CRR 4-6 Broadly equivalent to BB+ to B-
- CRR 7-8 Broadly equivalent to an external rating ranging from CCC+ to C

UK loans and advances to customers, as of June 2016

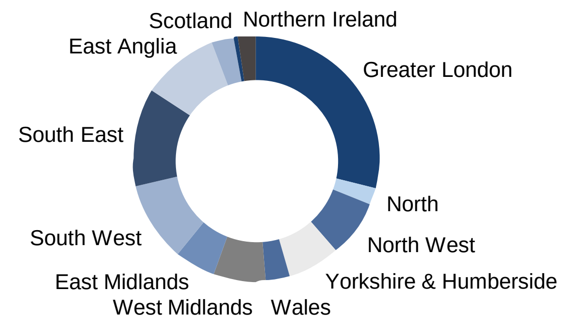
UK loans and advances to customers

- Total UK lending of $285bn which represents c. 30% of Group exposure
- Wholesale: $158bn; Personal: $127bn
- c.30% of the UK retail mortgage exposure is in Greater London; over half of the UK book is at LTV of less than 50%
- Corporate real estate lending of $17bn represents c. 11% of our UK wholesale portfolio
- Exposure to UK agricultural sector of c.$4bn at 1H16; 39% of the portfolio is CRR1-3 (broadly equivalent to investment grade), 47% is CRR4-6, with the remainder rated CRR7+

UK Personal of $127bn



UK Mortgage lending



UK Corporate real estate loans and advances of US$17bn

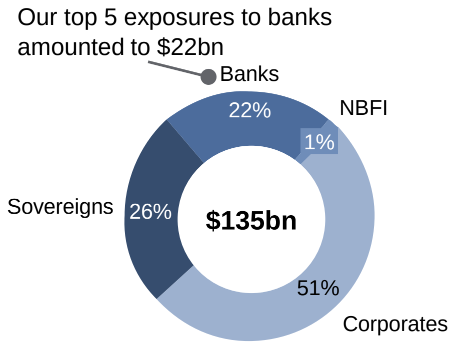
- We lend to high quality real estate operators – typically publicly quoted firms, private family operators, Sovereign Wealth Funds, Overseas Investors, Family Offices
- We have maintained conservative LTV levels and have strong interest cover
- The following %s are based on risk limits:
  - Portfolio comprises lending for general financing (c. 35%) and specific property-related financing (c. 65%)
  - c. 50% of specific property-related lending is in London and the South East
  - General financing is focused on larger high quality names with 77% of the portfolio in CRRs 1-3, (broadly equivalent to investment grade)

Mainland China exposure, as of June 2016

Mainland China drawn risk exposure[21]

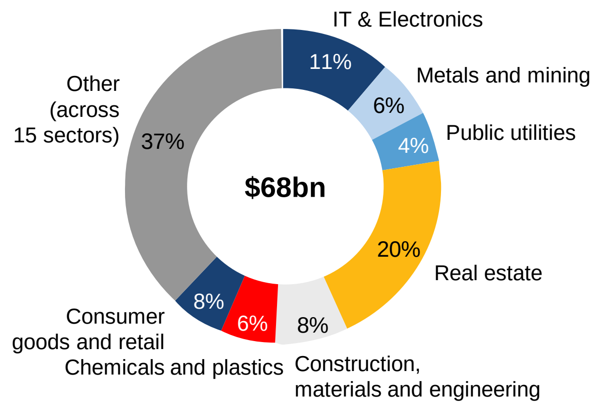
- Total China exposure of $143bn of which 55% is onshore
- Wholesale: $135bn; Retail: $8bn
- HSBC's onshore market share is 0.2% which allows us to be selective in our lending
- Losses remain low
- Impaired loans and days past due trends are also stable

Wholesale lending by type:



CRRs	1-3	4-6	7-8	9+	
Sovereigns	35	-	-	-	**$35bn**
Banks	29	1	-	-	**$30bn**
NBFI	2	-	-	-	**$2bn**
Corporates	40	27	0.7	0.4	**$68bn**
	$106bn	**$28bn**	**$0.7bn**	**$0.4bn**	**$135bn**

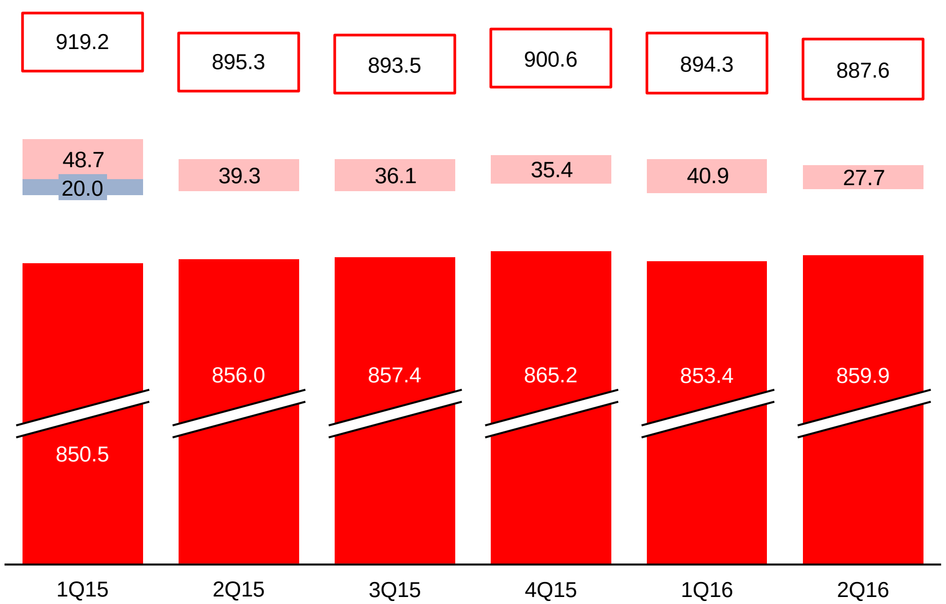
Corporate Lending by sector



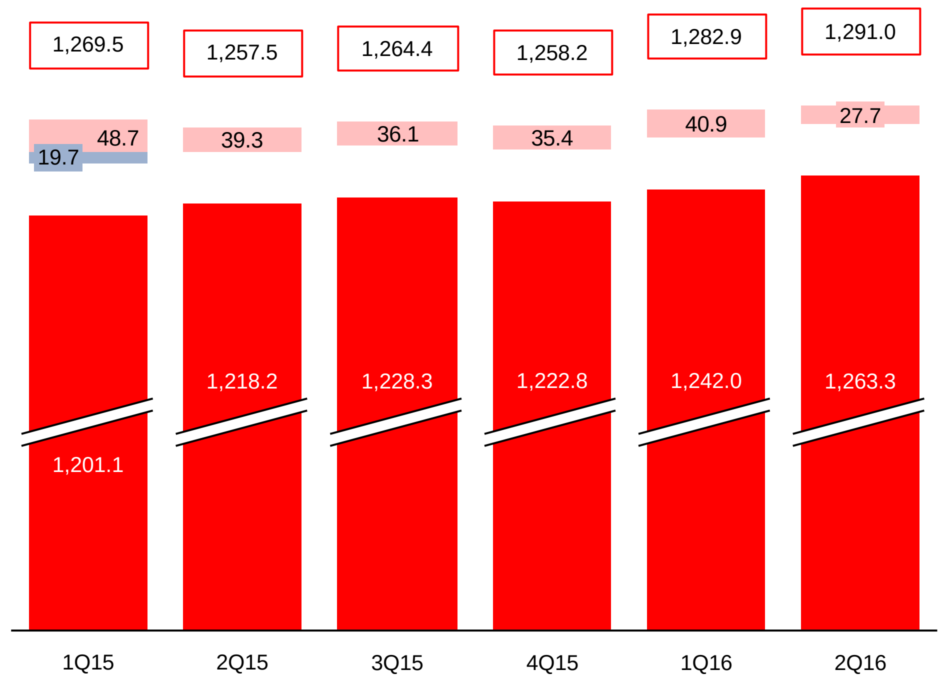
- 31% state owned enterprises, 45% privately owned enterprises and 24% foreign owned enterprises
- Corporate real estate: 68% sits within in CRR 1-3 (broadly equivalent to investment grade)

Appendix – Balance sheet

Loans and advances to customers, $bn (constant currency)



Customer accounts, $bn (constant currency)



Total on a constant currency basis | Red-inked balances | Brazil – balances reclassified to held for sale | Balances excl. red-inked balances

Appendix

Currency translation and significant items

$m	2Q15	2Q16	1H15	1H16
Currency translation	**142**	**-**	**452**	**-**
Significant items:				
Revenue				
Gain on sale of several tranches of real estate secured accounts in the US	17	68	17	68
Gain on the partial sale of shareholding in Industrial Bank	1,009	-	1,372	-
(Adverse) / Favourable debit valuation adjustment on derivative contracts	67	(7)	165	151
(Adverse) / Favourable fair value movements on non-qualifying hedges	240	(164)	(45)	(397)
Provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK	-	2	12	2
Favourable / (Adverse) movements on own credit spread	352	75	650	1,226
Gain on disposal of our membership interest in Visa Europe	-	584		584
Disposal costs of Brazilian operations	-	(18)		(32)
	1,685	**540**	**2,171**	**1,602**
Operating expenses				
Regulatory provisions in GPB	(8)	(3)	(147)	(4)
Impairment of GPB Europe goodwill	-	(800)	-	(800)
Settlements and provisions in connection with legal matters	(1,144)	(723)	(1,144)	(723)
UK customer redress programmes	-	(33)	(137)	(33)
Restructuring and other related costs	(74)	-	(117)	-
Costs-to-achieve	-	(677)		(1,018)
Costs to establish UK ring-fenced bank	-	(63)		(94)
Disposal costs of Brazilian operations	-	6		(11)
	(1,226)	**(2,293)**	**(1,545)**	**(2,683)**
Currency translation and significant items	**601**	**(1,753)**	**1,078**	**(1,081)**

Appendix

Reported Consolidated Income statement

$m	2Q15	2Q16	1H15	1H16
Net interest income	8,170	7,847	16,444	15,760
Net fee income	4,041	3,389	7,725	6,586
Net trading income	1,990	2,488	4,573	5,324
Other income	2,850	770	4,201	1,800
Net operating income before loan impairment charges and other credit risk provisions	**17,051**	**14,494**	**32,943**	**29,470**
Loan impairment charges and other credit risk provisions	(869)	(1,205)	(1,439)	(2,366)
Net operating income	**16,182**	**13,289**	**31,504**	**27,104**
Total operating expenses	(10,342)	(10,364)	(19,187)	(18,628)
Operating profit	**5,840**	**2,925**	**12,317**	**8,476**
Share of profit in associates and joint ventures	729	683	1,311	1,238
Profit before tax	**6,569**	**3,608**	**13,628**	**9,714**

Cost efficiency ratio %	60.7%	71.5%	58.2%	63.2%

Appendix

Reported Consolidated Income statement by global business: 2Q16 vs 2Q15

$m

	RBWM		CMB		GB&M		GPB		Other		Total[22]	
	2Q15	2Q16	2Q15	2Q16	2Q15	2Q16	2Q15	2Q16	2Q15	2Q16	2Q15	2Q16
Net operating income before loan impairment charges and other credit risk provisions	6,531	5,957	3,748	3,886	5,019	4,447	564	486	2,856	1,370	17,051	14,494
Loan impairment charges and other credit risk provisions	(474)	(539)	(295)	(443)	(97)	(232)	(3)	11	-	(2)	(869)	(1,205)
Net operating income	6,057	5,418	3,453	3,443	4,922	4,215	561	497	2,856	1,368	16,182	13,289
Total operating expenses	(4,426)	(4,276)	(1,682)	(1,619)	(3,353)	(2,471)	(450)	(1,166)	(2,098)	(2,484)	(10,342)	(10,364)
Operating profit	1,631	1,142	1,771	1,824	1,569	1,744	111	(669)	758	(1,116)	5,840	2,925
Share of profit in associates and joint ventures	121	107	458	430	144	141	4	2	2	3	729	683
Profit before tax	**1,752**	**1,249**	**2,229**	**2,254**	**1,713**	**1,885**	**115**	**(667)**	**760**	**(1,113)**	**6,569**	**3,608**

Appendix

Reported Consolidated Income statement by global business: 1H16 vs 1H15

$m

	RBWM		CMB		GB&M		GPB		Other		Total[22]	
	1H15	1H16	1H15	1H16	1H15	1H16	1H15	1H16	1H15	1H16	1H15	1H16
Net operating income before loan impairment charges and other credit risk provisions	12,442	11,117	7,534	7,509	10,261	8,913	1,177	973	4,687	4,028	32,943	29,470
Loan impairment charges and other credit risk provisions	(934)	(1,120)	(511)	(833)	11	(425)	(5)	11	-	1	(1,439)	(2,366)
Net operating income	11,508	9,997	7,023	6,676	10,272	8,488	1,172	984	4,687	4,029	31,504	27,104
Total operating expenses	(8,354)	(7,808)	(3,321)	(3,143)	(5,790)	(4,749)	(1,001)	(1,545)	(3,879)	(4,453)	(19,187)	(18,628)
Operating profit	3,154	2,189	3,702	3,533	4,482	3,739	171	(561)	808	(424)	12,317	8,476
Share of profit in associates and joint ventures	208	193	821	771	272	267	9	4	1	3	1,311	1,238
Profit before tax	**3,362**	**2,382**	**4,523**	**4,304**	**4,754**	**4,006**	**180**	**(557)**	**809**	**(421)**	**13,628**	**9,714**

Appendix

Reported Consolidated Balance Sheet

$m	At 31 Dec 2015	At 31 Mar 2016	At 30 Jun 2016
Assets			
Cash and balances at central banks	98,934	126,265	128,272
Trading assets	224,837	268,941	280,295
Financial assets designated at fair value	23,852	23,957	23,901
Derivatives	288,476	342,681	369,942
Loans and advances to banks	90,401	97,991	92,199
Loans and advances to customers	924,454	920,139	887,556
Reverse repurchase agreements – non trading	146,255	170,966	187,826
Financial investments	428,955	444,297	441,399
Assets held for sale	43,900	54,260	50,305
Other assets	139,592	146,169	146,454
Total assets	**2,409,656**	**2,595,666**	**2,608,149**
Liabilities			
Deposits by banks	54,371	68,760	69,900
Customer accounts	1,289,586	1,315,058	1,290,958
Repurchase agreements – non trading	80,400	93,934	98,342
Trading liabilities	141,614	184,865	188,698
Financial liabilities designated at fair value	66,408	73,433	78,882
Derivatives	281,071	338,433	368,414
Debt securities in issue	88,949	99,093	87,673
Liabilities under insurance contracts	69,938	72,694	73,416
Liabilities of disposal groups held for sale	36,840	40,179	43,705
Other liabilities	102,961	108,850	109,864
Total liabilities	**2,212,138**	**2,395,299**	**2,409,852**
Equity			
Total shareholders' equity	188,460	191,568	191,257
Non-controlling interests	9,058	8,799	7,040
Total equity	**197,518**	**200,367**	198,297
Total equity and liabilities	**2,409,656**	**2,595,666**	**2,608,149**
Net assets value per ordinary share (NAV) - $	**8.73**	**8.86**	**8.75**
Tangible assets value per ordinary share (TNAV) - $	**7.48**	**7.59**	**7.53**

Appendix
Footnotes

1. On an annualised basis
2. Since 1 January 2015 the CRD IV transitional CET1 and end point CET1 capital ratios have been aligned for HSBC holdings plc
3. We plan to maintain a corporate presence in Brazil to serve our international clients
4. Refer to slide 24 for a complete list of significant items
5. Significant items for 2Q15 and 1Q16 can be found in the '2Q 2016 Data Pack' on our website at www.hsbc.com. Any differences between reported numbers excluding significant items and the figures presented relate to foreign currency translation
6. Revenue and operating expenses trends are calculated based on 2Q16 foreign exchange rates and exclude significant items
7. 1Q15, 1Q16 and 2Q16 included credits relating to the prior year's bank levy charge of $44m, $106m and $22m respectively
8. Global averages for CMB clients during the half-year period excluding Brazil and portfolio managed Business Banking customers in the UK and Hong Kong
9. This includes dividends on ordinary shares, quarterly dividends on preference shares and coupons on capital securities, classified as equity
10. Investor day target of $290bn rebased for exchange rates at 30 June 2016
11. Includes BSM, CMB Turkey and Brazil RWA initiatives
12. Revenue from International Clients is an estimate based on information held in our client system applied to adjusted revenue. Client Revenue is defined as Group adjusted revenue excluding Other Global Business / Inter-segment, BSM, Principal Investments, Legacy Credit and US CML Run Off. International clients are businesses and individuals with an international presence
13. Includes revenue from our Global Liquidity & Cash Management, Global Trade & Receivables Finance, Foreign Exchange and Securities Services across all global businesses
14. Source: SWIFT; volume of documentary credit issued
15. HSBC Analysis of global competitor product revenues as disclosed in company financial reports
16. Peer group average calculated using latest available reported financials for sample set of 5 global banks (JP Morgan, BNP Paribas, Citigroup, Deutsche Bank, Standard Chartered) and 5 regional banks (DBS, Santander, Itau, ICBC and Barclays)
17. Relates to interim dividends declared in 4Q15 and 1Q16 and paid in 1H16; and 4Q14 and 1Q15 paid in 1H15
18. Based on reported year-end positions
19. Dividend per ordinary share
20. Excludes Brazil
21. 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
22. Amounts are non-additive across global businesses due to intercompany transactions within the Group

Appendix

Important notice and forward-looking statements

Important notice

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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 2016 and the Reconciliations of Non-GAAP Financial Measures document which are both available at www.hsbc.com.

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