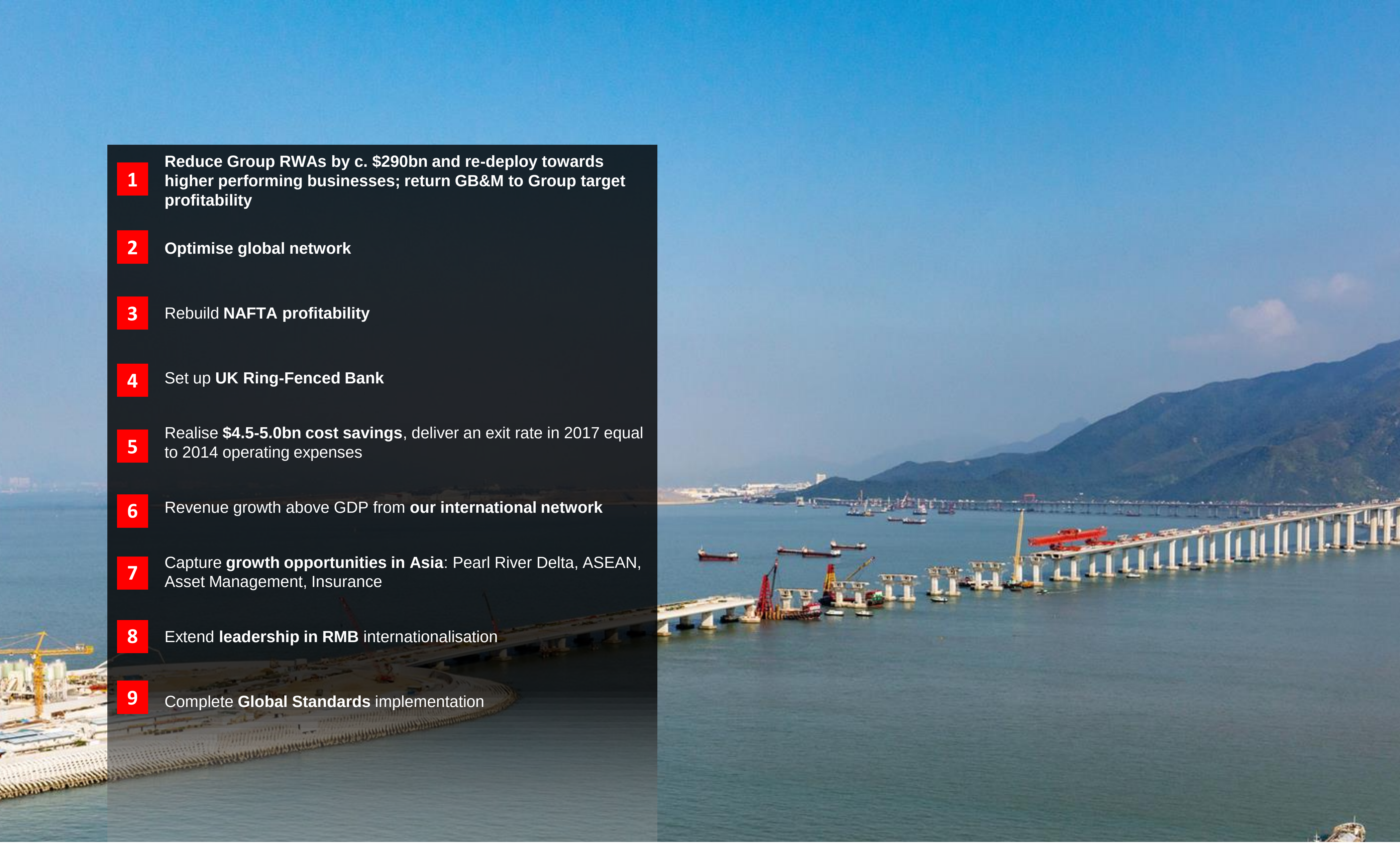


1. **Reduce Group RWAs by c. $290bn and re-deploy towards higher performing businesses; return GB&M to Group target profitability**
2. **Optimise global network**
3. Rebuild **NAFTA profitability**
4. Set up **UK Ring-Fenced Bank**
5. Realise **$4.5-5.0bn cost savings**, deliver an exit rate in 2017 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 1Q17 Results

Presentation to Investors and Analysts

HSBC

Our highlights

1st Quarter 2017

Reported PBT
(1Q16: $6.1bn)
$5.0bn

Adjusted PBT
(1Q16: $5.3bn)
$5.9bn

Reported RoE[1]
(1Q16: 9.0%)
8.0%

Adjusted Jaws[2]
(0.6)%

A/D ratio
(1Q16: 70.0%)
68.8%

CET1 ratio[3]
(2016: 13.6%)
14.3%

1Q17 Financial Performance

(vs. 1Q16 unless otherwise stated)

- Reported PBT of $5.0bn was $1.1bn lower than 1Q16
- Adjusted PBT of $5.9bn up $0.6bn or 12%; up in all 3 of our largest global businesses:
  - Revenue of $12.8bn up $0.3bn or 2%:
    - RBWM up 15% primarily in insurance manufacturing in Asia reflecting market impacts in our insurance business (up 8% excluding these impacts)
    - GB&M up 10% from our Rates, Credit and Global Liquidity and Cash Management businesses
    - CMB up 1% due to higher revenue in our Global Liquidity and Cash Management business
    - Corporate Centre down $0.7bn reflecting an increase in interest expense on our debt, lower revenue from the CML run-off portfolio and less favourable valuation differences on long-term debt and associated swaps
  - Operating expenses up $0.2bn mainly due to a credit in the prior year relating to the UK bank levy
  - LICs fell by 71% to $0.2bn vs. 1Q16 and by 48% compared with 4Q16
- Continued growth in lending in Asia (3% vs. 4Q16, 10% vs 1Q16) and Europe (1% vs 4Q16)

Capital and liquidity

- Strong capital position with a CET1 ratio of 14.3% and a leverage ratio of 5.5%

Strategy execution

- Strong momentum in Asia with customer advances in the Pearl River Delta up 17% on 1Q16, annualised new business premiums in our insurance business up 13% and assets under management up 15%
- Achieved annualised run-rate savings of $4.3bn since inception, while continuing to invest in growth and regulatory programmes and compliance. Incremental $0.4bn savings realised in 1Q17
- Material adjusted PBT improvement in all three NAFTA countries vs. 1Q16: Canada +72%, US +32%, Mexico +15%, predominantly lower LICs in the US and Canada, and improved revenue in Mexico
- Exceeded our RWA reduction target (FX rebased)
- Completed the $1.0bn share buy-back in April

1Q17 Key financial metrics

Key financial metrics	1Q16	4Q16	1Q17
Return on average ordinary shareholders' equity[1]	9.0%	(10.9)%	8.0%
Return on average tangible equity[1]	10.3%	(5.8)%	9.1%
Jaws (adjusted)[2, 4]	(2.8)%	0.3%	(0.6)%
Dividends per ordinary share in respect of the period	$0.10	$0.21	$0.10
Earnings per share	$0.20	$(0.22)	$0.16
Common equity tier 1 ratio	11.9%	13.6%	14.3%
Leverage ratio	5.0%	5.4%	5.5%
Advances to deposits ratio	70.0%	67.7%	68.8%
Net asset value per ordinary share (NAV)	$8.86	$7.91	$8.10
Tangible net asset value per ordinary share (TNAV)	$7.59	$6.92	$7.08

Reported Income Statement, $m

	1Q16	4Q16	1Q17	vs. 1Q16	vs. 4Q16
Revenue	14,976	8,984	12,993	(13)%	45%
LICs	(1,161)	(468)	(236)	80%	50%
Costs	(8,264)	(12,459)	(8,328)	(1)%	33%
Associates	555	498	532	(4)%	7%
PBT	6,106	(3,445)	4,961	(19)%	>100%

Adjusted Income Statement, $m

	1Q16	4Q16	1Q17	vs. 1Q16	vs. 4Q16
Revenue	12,579	10,925	12,843	2%	18%
LICs	(800)	(456)	(236)	71%	48%
Costs	(7,016)	(8,375)	(7,202)	(3)%	14%
Associates	533	494	532	(0)%	8%
PBT	5,296	2,588	5,937	12%	>100%

Financial overview

Reconciliation of Reported to Adjusted PBT

		Discrete quarter				
		1Q16	**4Q16**	**1Q17**	**vs. 1Q16**	**vs. 4Q16**
Reported profit before tax		**6,106**	**(3,445)**	**4,961**	**(1,145)**	**8,406**
Includes:						
Currency translation		270	24	-	(270)	(24)
Significant items:						
FVOD[5]	Fair value gains / losses on own debt (credit spreads only)	1,151	(1,648)	-	(1,151)	1,648
Brazil disposal	Trading results from disposed operations in Brazil	(118)	-	-	118	-
DVA	DVA on derivative contracts	158	(70)	(97)	(255)	(27)
NQHs	Fair value movements on non-qualifying hedges	(233)	(302)	91	324	393
Cost-related	Regulatory provisions in GPB	(1)	(390)	-	1	390
	Impairment of GPB Europe goodwill	-	(2,440)	-	-	2,440
	Costs to achieve (CTA)	(341)	(1,086)	(833)	(492)	253
	UK customer redress	-	(70)	(210)	(210)	(140)
Other	Other significant items*	(76)	(51)	73	149	124
Adjusted profit before tax		**5,296**	**2,588**	**5,937**	**641**	**3,349**

*Other significant items are on slide 24 and include portfolio disposals and the costs associated with these, restructuring, and provisions arising from the on-going review of compliance with the Consumer Credit Act in the UK.

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

1Q17 Profit before tax performance

Higher profit before tax from higher revenue and reduced LICs

1Q17 vs. 1Q16 PBT analysis

Adjusted PBT by item

	1Q17	vs. 1Q16 (adverse / favourable)	
Revenue	$12,843m	264	2%
LICs	$(236)m	564	71%
Operating expenses	$(7,202)m	(186)	(3)%
Share of profits in associates and joint ventures	$532m	(1)	0%
Profit before tax	**$5,937m**	641	12%

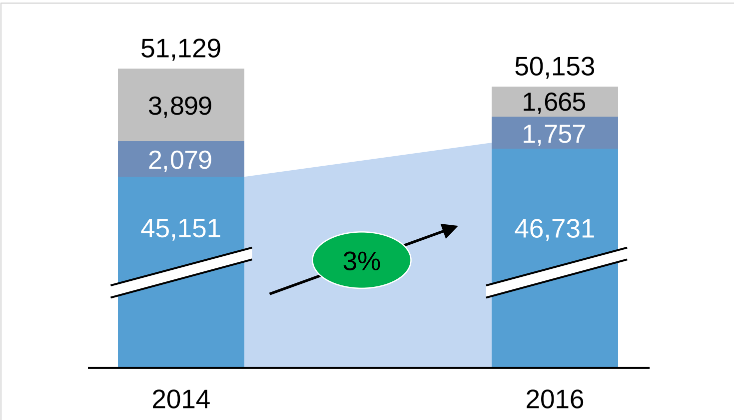
Adjusted PBT by global business, $m	1Q16	1Q17	vs. 1Q16	%
RBWM	1,216	1,781	565	46%
CMB	1,487	1,795	308	21%
GB&M	1,262	1,709	447	35%
GPB	85	70	(15)	(18)%
Corporate Centre	1,246	582	(664)	(53)%
Group	**5,296**	**5,937**	**641**	**12%**

Adjusted PBT by geography, $m	1Q16	1Q17	vs. 1Q16	%
Europe	908	595	(313)	(34)%
Asia	3,437	4,307	870	25%
Middle East and North Africa	446	395	(51)	(11)%
North America	366	512	146	40%
Latin America	139	128	(11)	(8)%
Group	**5,296**	**5,937**	**641**	**12%**

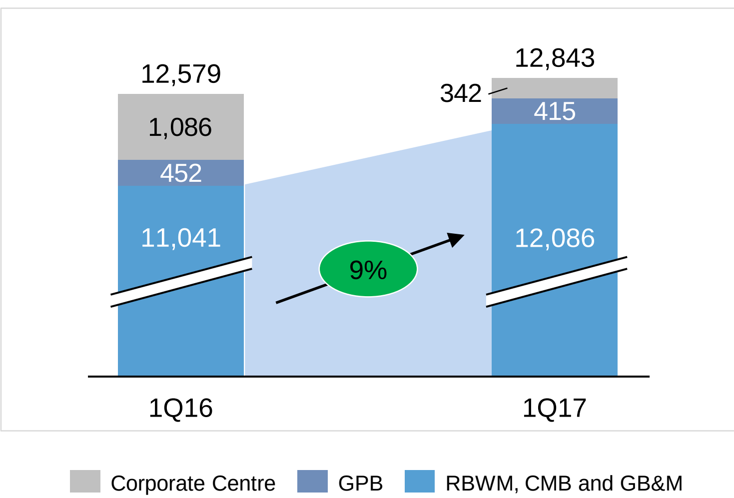
Revenue performance

Growth in all 3 of our largest global businesses

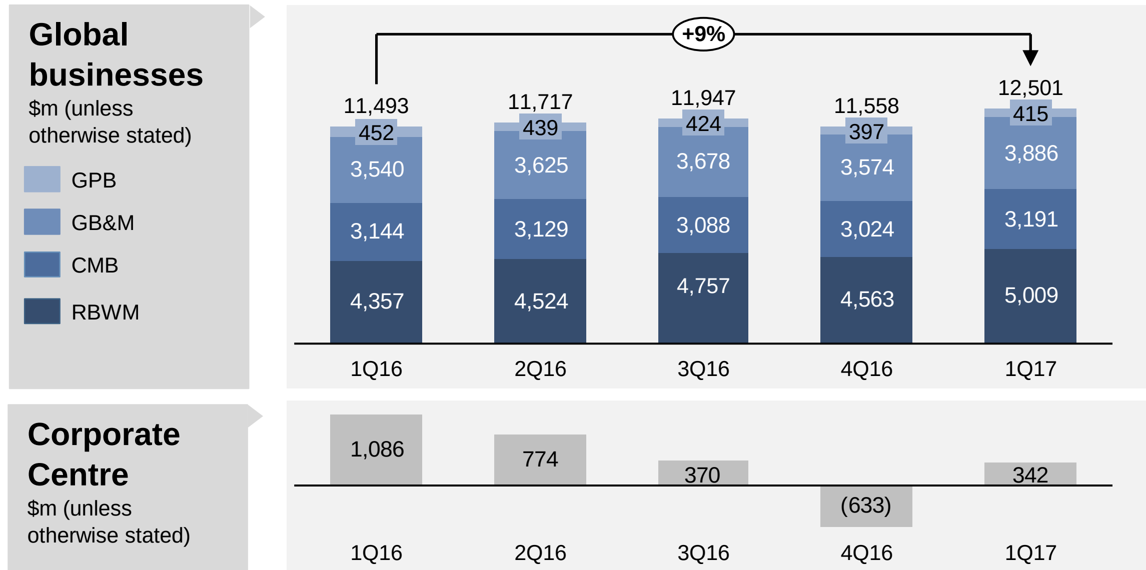
Solid momentum over the last 2 years[6]…



….accelerated into the first quarter of 2017



1Q17 vs. 1Q16 adjusted revenue trend[7]



Group	12,579	12,491	12,317	10,925	12,843

1Q17 vs. 1Q16

Increases in RBWM and GB&M, partly offset in Corporate Centre

- RBWM up 15% supported by deposit revenues and wealth management
- GB&M up 10%, mainly Rates and Credit and GLCM
- CMB revenue grew by 1%, primarily in GLCM
- GPB down 8% reflecting repositioning; positive net new money of $4.8bn in 1Q17
- Corporate Centre down $0.7bn reflecting an increase in interest expense on our debt, lower revenue from the CML run-off portfolio and from less favourable valuation differences on long term debt and associated swaps

Retail Banking and Wealth Management performance

Strong revenue growth supported by deposit revenues and wealth management

RBWM highlights

Adjusted PBT
(1Q16: $1.2bn)

$1.8bn

Adjusted revenue
(1Q16: $4.4bn)

$5.0bn

Adjusted LICs
(1Q16: $0.3bn)

$0.3bn

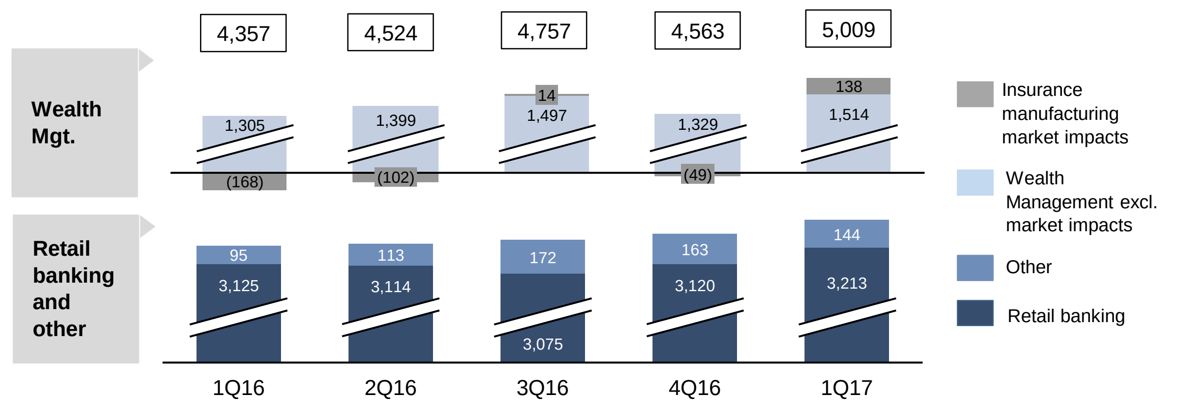
Adjusted costs
(1Q16: $2.9bn)

$2.9bn

Adjusted Jaws

+13.5%

Quarterly revenue performance, $m[7]



1Q17 vs. 1Q16

Adjusted revenue up 15%

- Higher current accounts, savings and deposits ($192m) mainly in Hong Kong from wider spreads and higher balances
- Investment distribution (up $110m) mainly in Hong Kong due to higher mutual fund sales (up $52m) from increased investor confidence
- Insurance manufacturing (up $394m), reflecting positive market impacts in Asia and Europe (1Q17: $138m vs. 1Q16: adverse $168m), and higher insurance sales (up $62m) in Asia
- Partly offset by lower lending revenue (down $104m) mainly in Asia due to spread compression

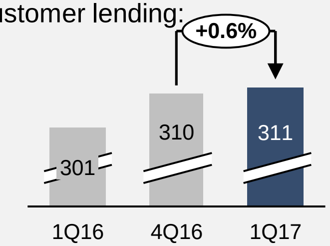
1Q17 vs. 4Q16

Adjusted revenue up 10%

- Retail Banking (up $93m), driven by current accounts, savings and deposits (up $134m) reflecting wider spreads in Hong Kong and higher balances mainly in Hong Kong and in the UK
- Investment distribution (up $125m), due to higher mutual fund and retail securities turnover in Hong Kong from renewed investor confidence
- Wealth Management (up $372m) driven by insurance manufacturing (up $241m) following positive market impacts (1Q17: $138m vs. 4Q16: adverse $49m)
- Partly offset by decrease in personal lending revenue (down $41m) due to lower spreads in Asia and Europe

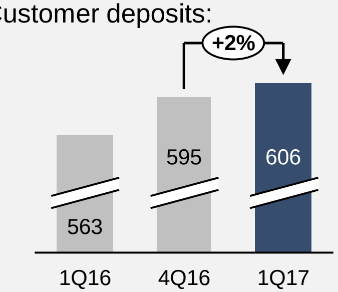
Balance Sheet, $bn[8]

Customer lending:



- Lending growth was slightly positive in 1Q17 vs 4Q16 and up 4% versus 1Q16, notably in the UK, Hong Kong, China and Mexico

Customer deposits:



- Increase in customer deposits, up 2% compared to 4Q16, mainly in Hong Kong and the UK, and up 7% versus 1Q16

Global Banking & Markets performance

Strong revenue performance in the quarter, notably in Rates and Credit

GB&M highlights

Adjusted PBT
(1Q16: $1.3bn)

$1.7bn

Adjusted revenue
(1Q16: $3.5bn)

$3.9bn

Adjusted LICs
(1Q16: $0.2bn)

$0.0bn

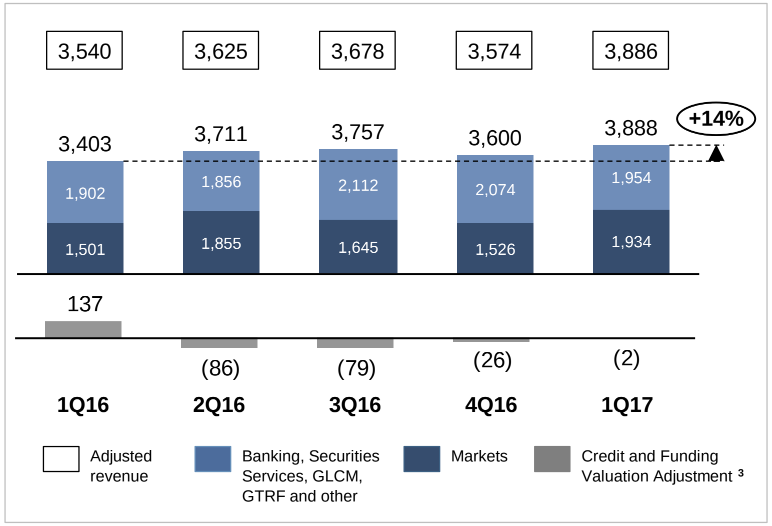
Adjusted costs
(1Q16: $2.1bn)

$2.2bn

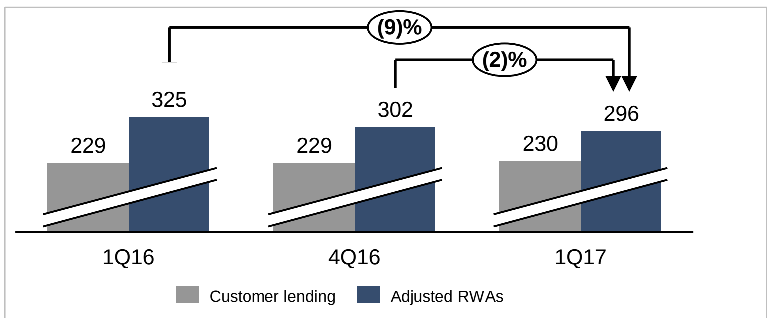
Adjusted Jaws

+5.2%

Quarterly revenue performance, $m[7]



Balance Sheet, $bn[8]



1Q17 vs. 1Q16

Revenue increased by 14%, excluding credit and funding valuation adjustments, **with increases in the majority of our businesses**:

- Markets up, notably Rates and Credit, as we captured increased client flows
- 1Q16 Markets revenue was impacted by market uncertainty which led to reduced client activity
- FX revenue fell by $67m reflecting reduced market volatility in 1Q17
- GLCM revenue increased (up 13%) as we won client mandates, grew balances in mainland China and benefited from wider spreads in Asia. We additionally grew balances in the UK, but this was offset by narrower spreads
- Securities Services and GTRF revenues grew by 12% and 6% respectively

1Q17 vs. 4Q16

Revenue rose by $0.3bn, primarily driven by Markets (up $0.4bn) notably Rates and Credit, as we captured increased client flows

Management view of adjusted revenue

$m	1Q17	vs. 1Q16	vs. 4Q16
Markets	**1,934**	**29%**	**27%**
Of which:			
FX	625	(10)%	(15)%
Rates	648	53%	31%
Credit	327	>100%	>100%
Equities	334	44%	49%
Global Banking	**894**	**2%**	**(9)%**
GLCM	**518**	**13%**	**7%**
Securities Services	**405**	**12%**	**4%**
GTRF	**180**	**6%**	**7%**
Principal Investments	**29**	**>100%**	**(41)%**
Other revenue	**(72)**	**<(100)%**	**<(100)%**
Credit and Funding Valuation Adjustment	(2)	<(100)%	92%
Total	**3,886**	**10%**	**9%**

Commercial Banking performance

Continued revenue growth and lower LICs; operating expenses remain unchanged

CMB highlights

Adjusted PBT
(1Q16: $1.5bn)

$1.8bn

Adjusted revenue
(1Q16: $3.1bn)

$3.2bn

Adjusted LICs
(1Q16: $0.3bn)

$(0.0)bn

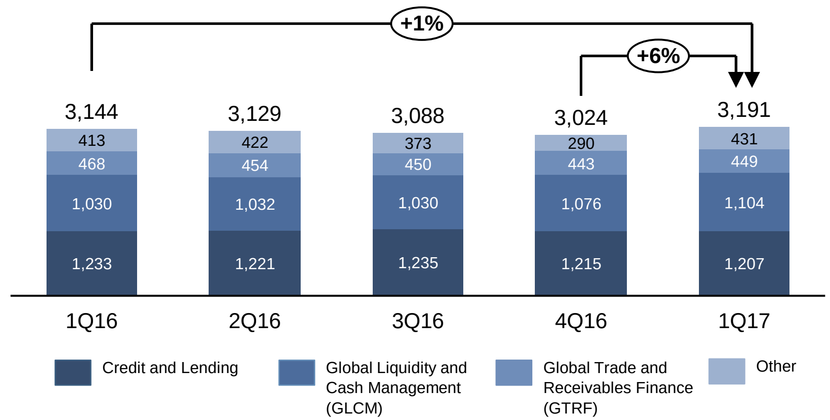
Adjusted costs
(1Q16: $1.4bn)

$1.4bn

Adjusted Jaws

+1.5%

Quarterly revenue performance, $m[7]



1Q17 vs. 1Q16

Adjusted revenue up 1%

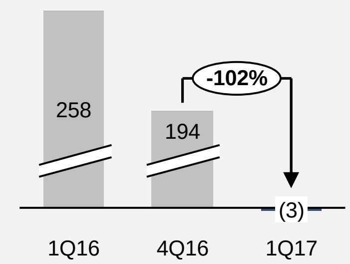
- GLCM up 7% from wider spreads and balance sheet growth, mainly in Hong Kong
- Credit and Lending down 2% as spread compression outweighed balance sheet growth, particularly in Asia

1Q17 vs. 4Q16

Adjusted revenue up 6%

- GLCM up 3%, notably in Hong Kong from wider spreads
- Credit and Lending revenue flat as balance sheet growth was offset by compressed spreads
- GTRF revenues have stabilised since 4Q16 supported by balance sheet growth
- Other up 49%, notably in Asia, reflecting higher insurance revenue, with unfavourable market movements in 4Q16 and higher sales in 1Q17

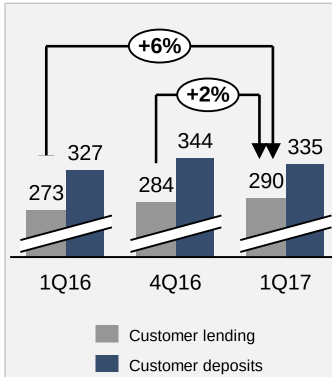
Loan Impairment charges, $m[7]



Asset quality remains robust:

- Net recoveries in 1Q17, primarily in the UK, Canada and the US notably relating to the oil and gas sector

Balance Sheet, $bn[8]



Strong year-on-year lending growth:

- Strong growth in lending balances, notably in Asia in 4Q16
- Balance growth continued in both GTRF and C&L in 1Q17
- Growth was primarily driven by Hong Kong and the UK

Global Private Bank performance

Positive net new money in areas targeted for growth during 1Q17

GPB highlights

Adjusted PBT
(1Q16: $0.1bn)

$0.1bn

Adjusted revenue
(1Q16: $0.5bn)

$0.4bn

Adjusted LICs
(1Q16: $0.0bn)

$0.0bn

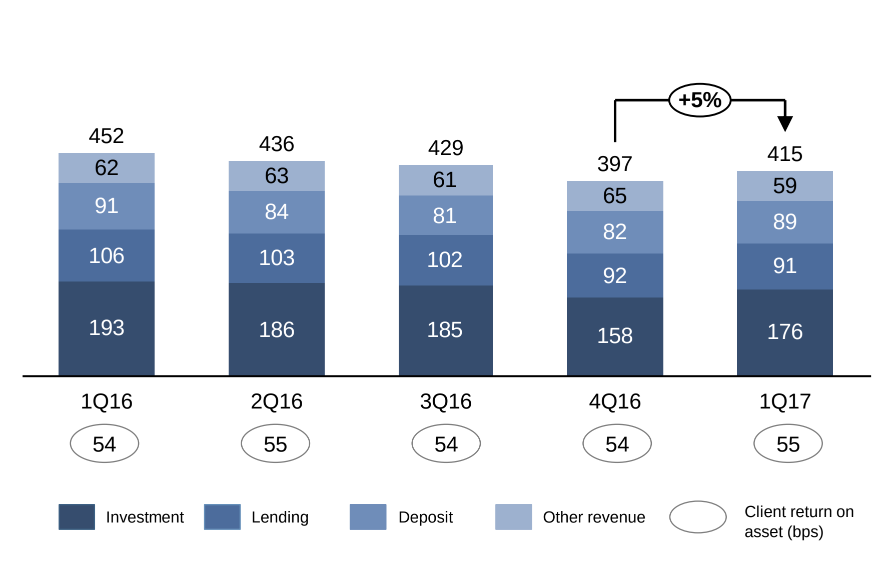
Adjusted costs
(1Q16: $0.4bn)

$0.3bn

Adjusted Jaws

-1.9%

Quarterly revenue performance, $m[7]



1Q17 vs. 1Q16

Adjusted revenue down $37m or 8%

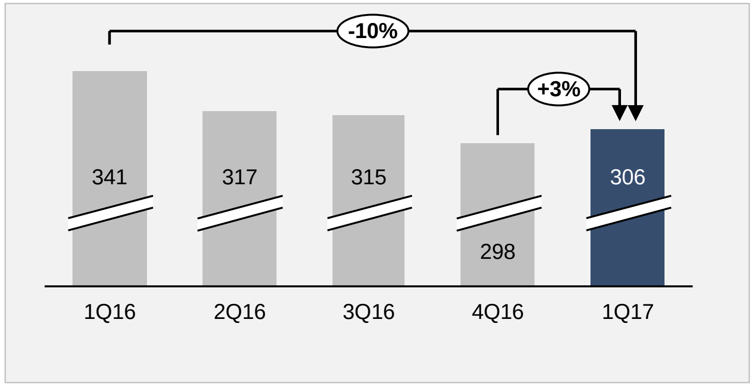
– Lower revenue mainly due to repositioning ($44m).

1Q17 vs. 4Q16

Adjusted revenue up $18m or 5%

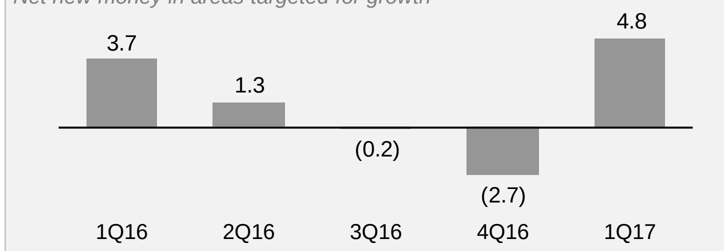
– Increased investment revenue reflecting higher client activity and deposit revenue growth due to wider spreads. This was partly offset by $11m due to the repositioning.

Client assets, $bn



Net new money, $bn

Net new money in areas targeted for growth



– Strong net new money in areas targeted for growth, $4.8bn in 1Q17

Corporate Centre performance

Lower revenue from an increase in interest expense on our debt, continued US run-off and valuation differences on long-term debt and associated swaps

Highlights

Adjusted PBT
(1Q16: $1.2bn)

$0.6bn

Adjusted revenue
(1Q16: $1.1bn)

$0.3bn

Adjusted LICs
(1Q16: $0.1bn)

$0.0bn

Adjusted costs
(1Q16: $0.3bn)

$0.3bn

Adjusted Jaws

-95.9%

Quarterly revenue performance, $m[7]

	1Q16	2Q16	3Q16	4Q16	1Q17	vs. 1Q16 %	vs. 4Q16 %
Central Treasury	**736**	**627**	**362**	**(289)**	**373**	**(49)%**	**>100%**
Of which:							
Balance Sheet Management	719	769	739	763	845	18%	11%
Interest expense	(155)	(244)	(292)	(273)	(331)	<(100)%	(21)%
Valuation differences on long-term debt and associated swaps	249	107	108	(742)	(32)	<(100)%	96%
Other	(77)	(5)	(193)	(37)	(109)	(42)%	<(100)%
US run off portfolio	248	185	155	125	33	(87)%	(74)%
Legacy Credit	(38)	(52)	119	(2)	0	100%	100%
Other	140	14	(266)	(467)	(64)	<(100)%	86%
Total	**1,086**	**773**	**370**	**(633)**	**342**	**(69)%**	**>100%**

1Q17 vs. 1Q16

Adjusted revenue down $0.7bn

- $0.3bn valuation differences: during 1Q16 credit spreads and interest rate movements created valuation differences between bonds and swaps
- $0.2bn due to portfolio disposals in our US CML business
- $0.2bn higher interest expenses on own debt

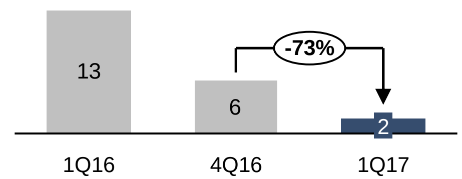
1Q17 vs. 4Q16

Adjusted revenue up $1.0bn

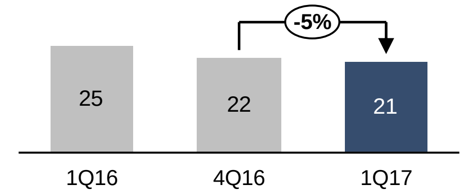
- $0.7bn valuation differences
- $0.4bn other revenue mainly driven by 4Q16 adverse movements in intercompany eliminations / recoveries, together with favourable adjustments to eliminate profit and loss on own shares and property revaluation adjustments

Balance Sheet, $bn[8]

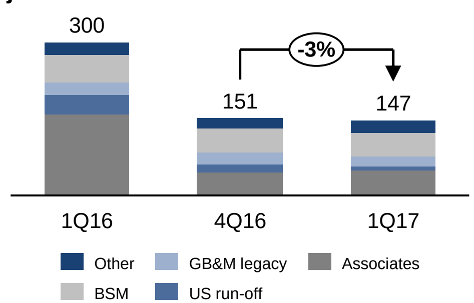
US run-off portfolio:



Legacy credit adjusted RWAs:



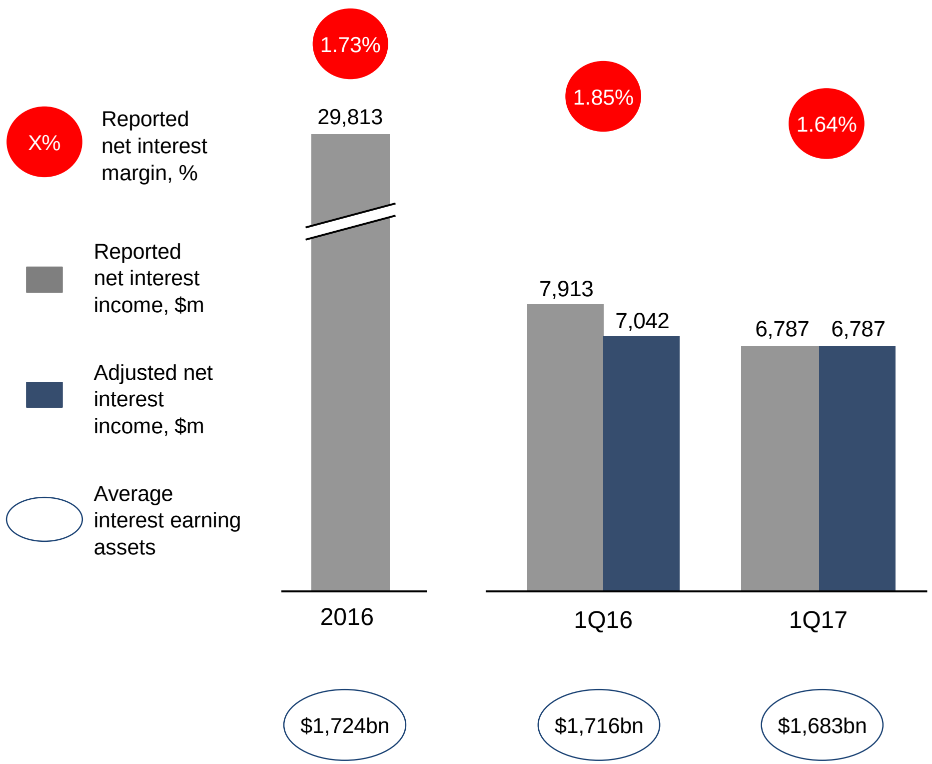
Adjusted RWAs:



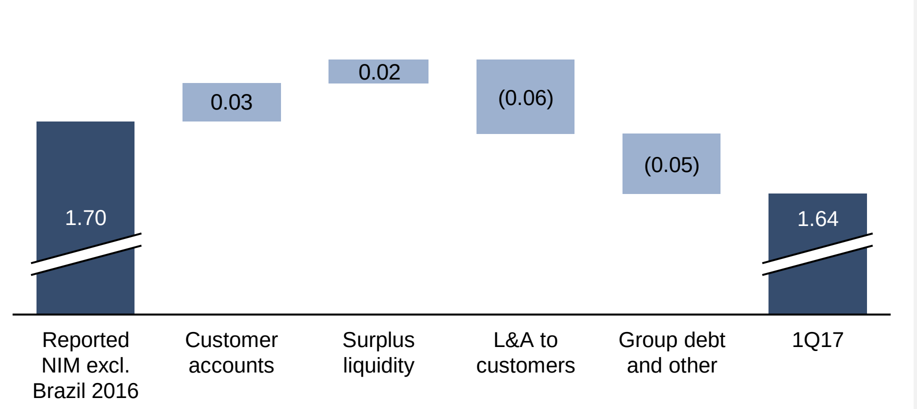
Net interest margin

A fall of 6bps in NIM compared with FY16, excluding Brazil

Net interest income and margin



Main drivers:



Net Interest Margin of 1.64% was 9 bps lower than FY 2016, or 6 bps excluding Brazil

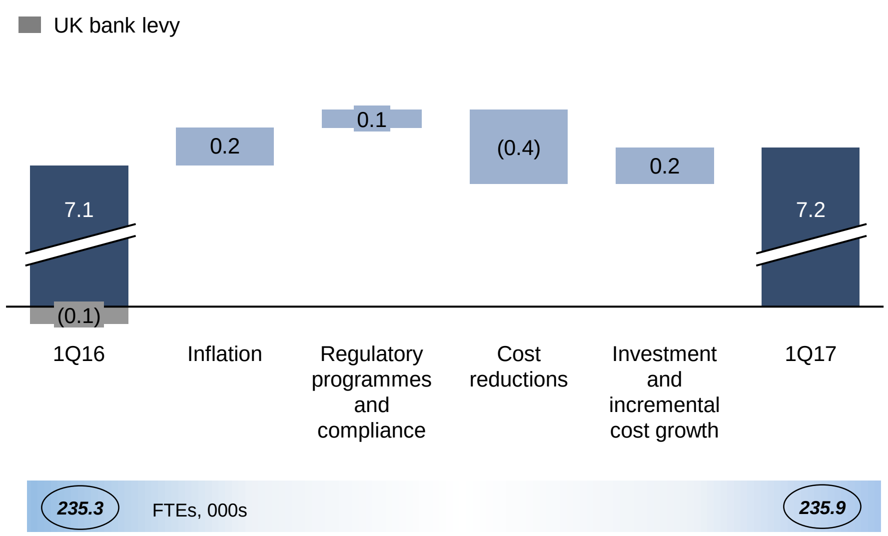
Net Interest Margin rose 4bps between 4Q16 (QTD) and 1Q17:

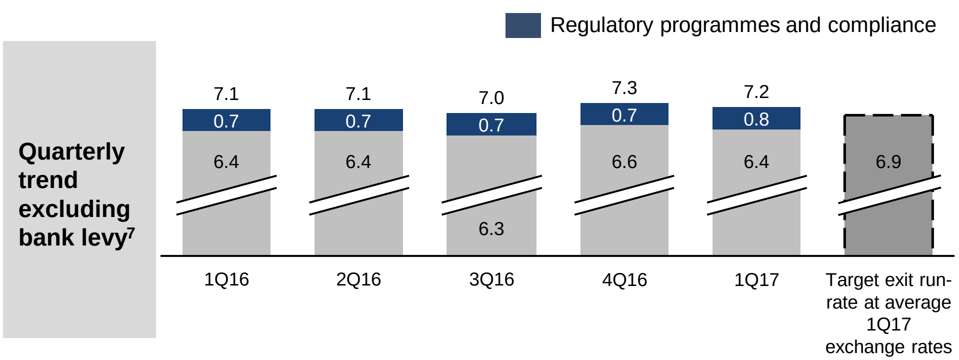
1. **NII broadly stable:**
   - Benefits of US dollar rate rises in Asia and in North America
   - Higher NII from customer lending partly offset by higher funding costs
   - Higher MREL costs
   - Continuing disposals in US CML portfolio
2. **Decrease in Average Interest Earning Assets** due to a reduction in low yielding assets, e.g. Cash, Financial Investments and Reverse repos

Operating expenses

On track to achieve our cost targets

Adjusted operating expenses ($bn)



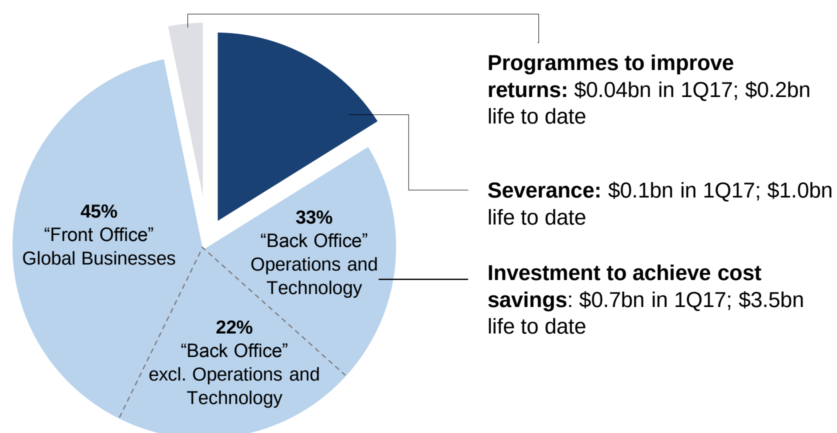


Saves

	Realised Savings (savings recognised in the Income Statement during the time period)				Run Rate Saves
Saves, $bn	2015	2016	1Q17	Life to date	Life to date
Global Businesses	0.1	0.5	0.1	0.7	1.1
Operations and Technology	0.6	1.1	0.2	1.9	2.5
Global Functions	0.2	0.6	0.1	0.9	0.7
Total	**0.9**	**2.2**	**0.4**	**3.5**	**4.3**

CTA: Programme to date

$4.7bn life to date with $0.8bn in 1Q17



Loan impairment charges

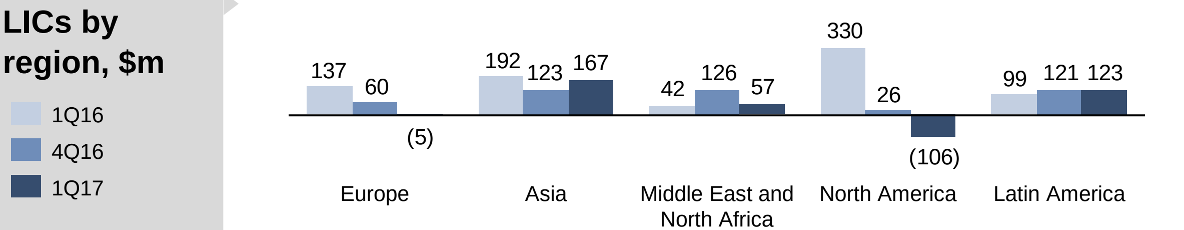
Lower impairment charges in 1Q17

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

LICs by global business

	1Q16	4Q16	1Q17	vs.1Q16	vs.4Q16
Group, $m	**800**	**456**	**236**	**564**	**220**
as a % of gross loans	***0.37***	***0.21***	***0.11***	*0.26*	*0.10*
RBWM, $m	**250**	**252**	**296**	**(46)**	**(44)**
as a % of gross loans	*0.33*	*0.32*	*0.38*	*(0.05)*	*(0.06)*
CMB, $m	**258**	**194**	**(3)**	**261**	**197**
as a % of gross loans	*0.37*	*0.27*	*0.00*	*0.37*	*0.27*
GB&M, $m	**178**	**12**	**(20)**	**198**	**32**
as a % of gross loans	*0.31*	*0.02*	*(0.04)*	*0.35*	*0.06*
GPB, $m	**0**	**9**	**1**	**(1)**	**8**
as a % of gross loans	*0.00*	*0.09*	*0.02*	*(0.02)*	*0.07*
Corporate Centre, $m	**114**	**(11)**	**(38)**	**152**	**27**
as a % of gross loans	*1.98*	*(0.27)*	*(1.45)*	*3.43*	*1.18*
Of which:					
- Oil and gas	*$0.1bn*	*$(0.1)bn*	*$(0.1)bn*		
- Metals and mining	*$0.1bn*	*$nil*	*$nil*		

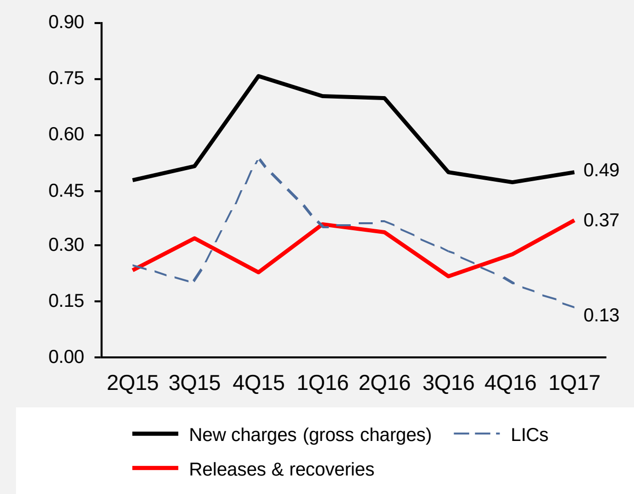
LICs by region, $m



Environment remains benign

- Better economic conditions
- LICs as a % of gross loans are c. 0.11%
- Lower LICs in 1Q17 reflecting an increase in releases and recoveries
- Gross new charges broadly in line with 4Q16

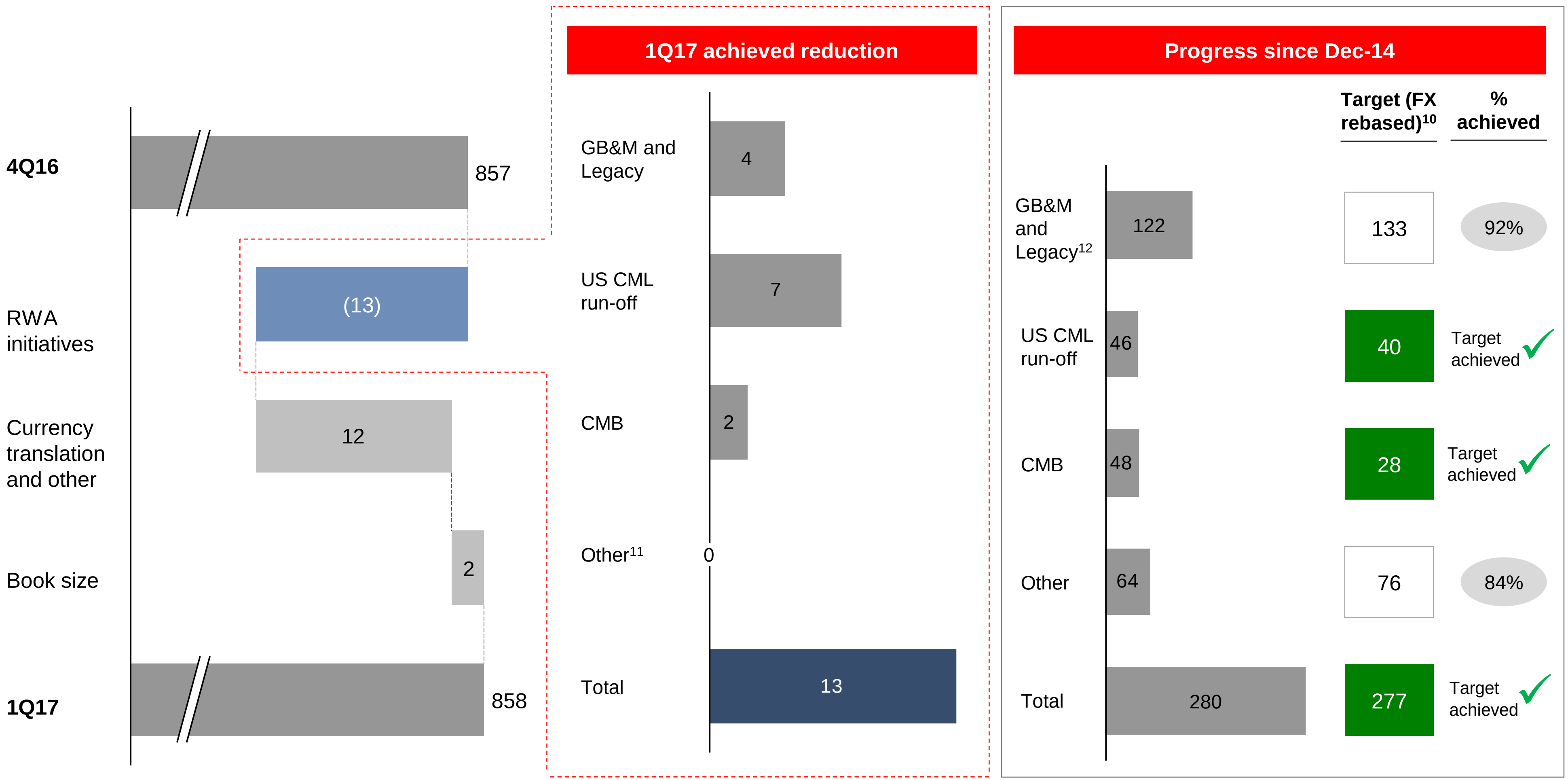
Charges, releases and recoveries as a % of gross loans[9]



Exceeded our FX rebased RWA target[10]

$13bn reduction in 1Q17 including $7bn through US CML run-off

Key movements in Group RWAs ($bn)



Capital adequacy

Strong capital base: common equity tier 1 ratio – 14.3%

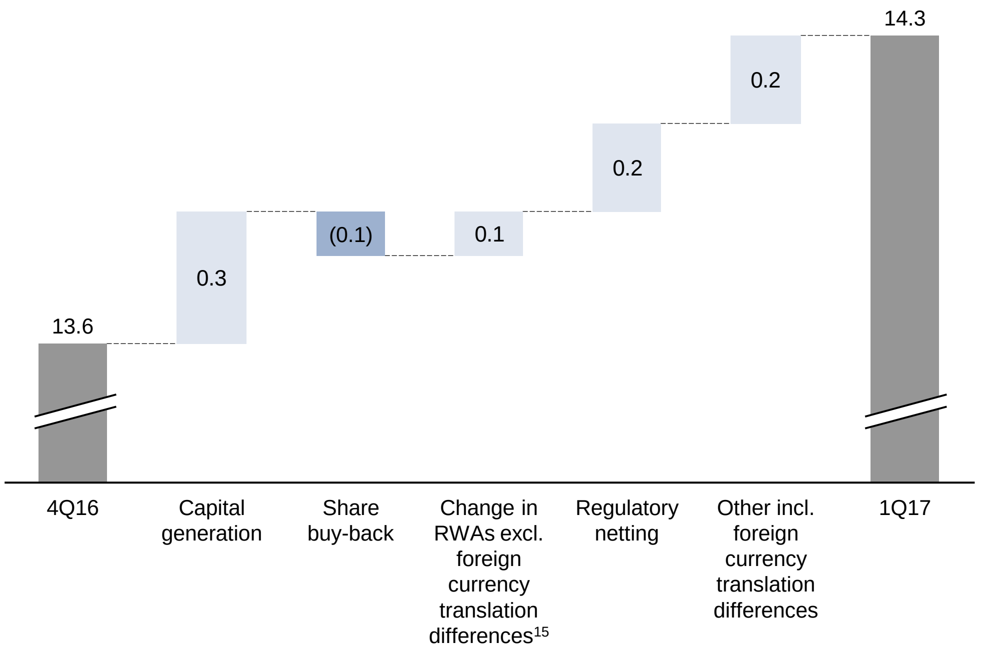
Regulatory capital and RWAs ($bn)

Reported basis	4Q16	1Q17
Common equity tier 1 capital	116.6	122.4
Total regulatory capital	172.4	173.3
Risk-weighted assets	857.2	857.9

1Q17 CET1 movement ($bn)

At 31 Dec 2016 (reported basis)	**116.6**
Capital generation	2.5
Profit for the period including regulatory adjustments	3.2
Dividends[13] net of scrip	(1.8)
4Q16 scrip adjustment[14]	1.1
Share buy-back	(1.0)
Foreign currency translation differences	1.6
Regulatory netting	1.5
Other movements	1.2
At 31 Mar 2017	**122.4**

CET1 ratio movement (%)



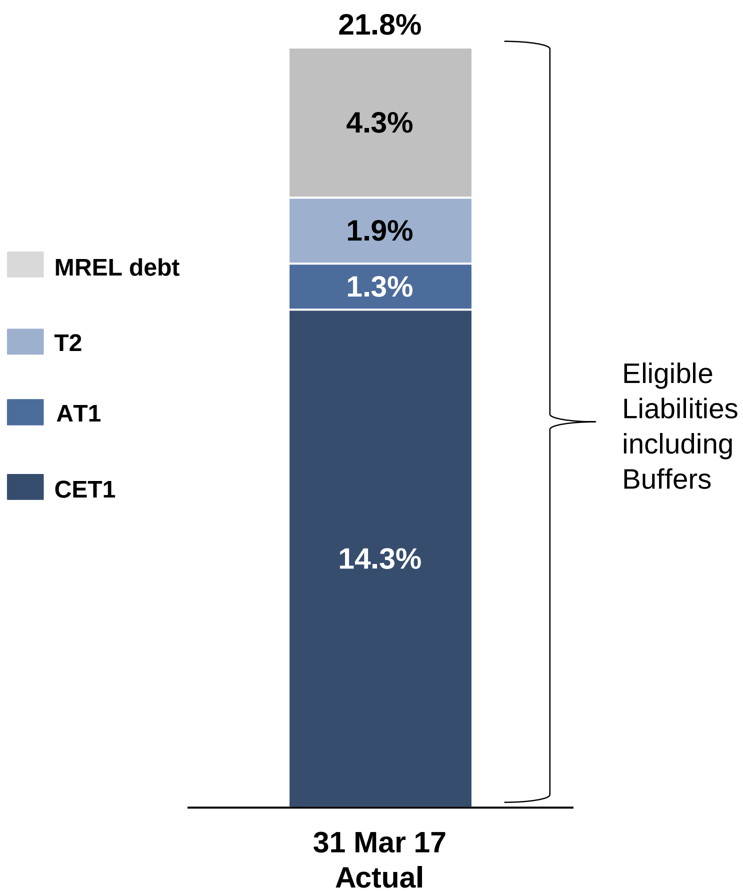
Quarterly CET1 ratio and leverage ratio progression

	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17
CET1 ratio	11.9%	11.9%	12.1%	13.9%	13.6%	14.3%
Leverage ratio	5.0%	5.0%	5.1%	5.4%	5.4%	5.5%

HSBC's Capital Structure

Eligible Liabilities in issue and BOE Guidance as to HSBC's Minimum Requirement for Eligible Liabilities (MREL) to be in issue by 2019 and 2022

HSBC's Eligible Liabilities in issue as a % of Consolidated RWAs – 1.1.2019 end point basis

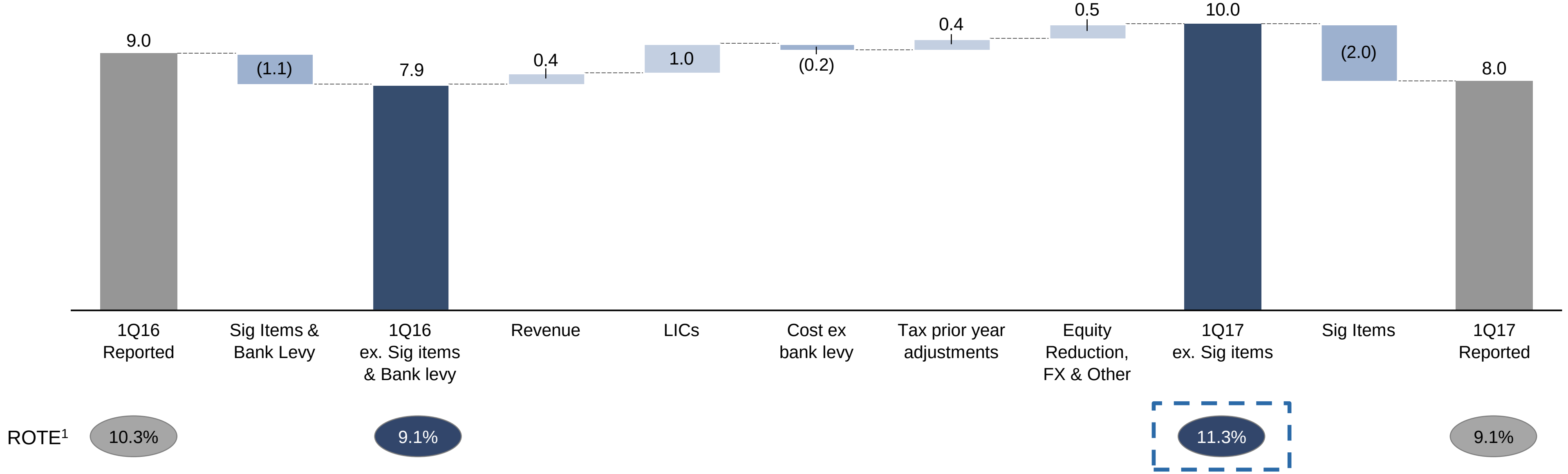


MREL and debt issuance outlook

- The Bank of England has written to HSBC outlining its current expectation with regard to the group's Multiple Point of Entry resolution strategy and the Group's MREL to be issued by 2019 and 2022. HSBC Group's MREL requirements are expected to be set at the higher of: (i) 16% of RWAs (consolidated) from Jan 1, 2019 and 18% of RWAs (consolidated) from Jan 1, 2022; (ii) 6% of leverage exposures (consolidated) from Jan 1, 2019 and 6.75% from Jan 1, 2022; or (iii) the sum of requirements relating to other group entities or sub-groups (as yet unknown).
- CRD IV Capital buffers have to be added to these requirements.
- The final 2019 and 2022 MREL requirements are subject to a number of caveats including: changes to the firm and its balance sheet (RWAs, FX and leverage); liability management and share buy backs; changes in accounting and regulatory policy; stress test requirements and, not least, confirmation of the final requirements from the Bank of England and other regulators.
- Total MREL-eligible debt in issue at 31 March 2017 is $37bn (4.3% of RWAs).
- Based on our current understanding of BoE guidance, and subject to the caveats above, HSBC meets its 2019 MREL requirement.
- We now expect issuance of MREL-eligible debt to be towards the lower end of our guided range ($60bn to $80bn between 2016 to 2018) and over a longer time period. Consequently, the negative impact on net interest income is expected to be lower than previously guided.
- HSBC maintains a clear focus on efficient capital management; and works closely with regulators to ensure requirements are met in a timely manner

Return metrics

1Q17 Group ROE[1], %



Group RoRWA[1]

	1Q16	1Q17
Reported	2.2%	2.3%
Adjusted	2.1%	2.8%

Adjusted RoRWA[1] by global business

	1Q16	1Q17
RBWM	4.3%	6.4%
CMB	2.2%	2.6%
GB&M	1.6%	2.3%
GPB[16]	2.0%	1.9%

Looking ahead

Delivering our strategy

- **Unrivalled footprint in Asia** with strong returns and good business momentum
- **Exceeded our RWA reduction target**
- **Deliver Global Standards,** fulfil Deferred Prosecution Agreement obligations, implement regulatory and compliance programs
- Will **achieve $6bn cost savings target** as updated at 2016 annual results
- **Positive jaws** in 2016 and 2017
- **Strong capital generation**, well funded, and well diversified balance sheet
- **Financial targets unchanged**

Diversified business, strong capital position and positive business momentum

Group financial targets

ROE	>10%
Costs	Positive jaws (adjusted)
Dividend and capital	– Sustain dividend through long-term earnings capacity of the businesses[17] – Contemplate share buy-backs as and when appropriate, subject to the execution of targeted capital actions and regulatory approval

Appendix

Progress on our actions to capture value

✓ On track to meet 2017 target

Strategic actions	Targeted outcome by 2017	Progress	Status
Actions to re-size and simplify			
Reduce Group RWAs by c.$290bn	– Group RWA reduction: $290bn – GB&M <1/3 of Group RWAs	– $280bn RWAs reduced through management actions (>100% of our FX adjusted target)	✓
Optimise global network	– Reduced footprint	– Completed sale of Brazil operations on 1 July 2016; maintained a Brazil presence to serve large corporate clients' international needs – Announced transactions/ closures in Monaco, Lebanon, Brunei, Palestine (completed)	✓
Rebuild NAFTA profitability	– US PBT c. $2bn	– Material adjusted PBT improvement v. 1Q16 in all three NAFTA countries: Canada +72%, US +32%, Mexico +15% – Closed two transactions of CML legacy portfolio with cumulative balances of $4.8bn; remaining CML portfolio reduced to $2.2bn with plans to liquidate by the end of 2017	–
	– Mexico PBT c. $0.6bn	– Continued market share gains in strategic product areas, e.g. ranked No. 3 for Yankee Bonds (Source: Dealogic)	✓ [18]
Set up UK ring-fenced bank	– Completed by 2018	– 51% of the c.1000 roles have been filled or are now accounted for in Birmingham	✓
Deliver $4.5-5.0bn cost savings	– 2017 exit rate to equal 2014 operating expenses	– Achieved annualised run-rate savings on $4.3bn – Continued to migrate activities to offshore locations with now 28% of FTEs located offshore – Further simplification of the IT infrastructure: total application demise to 542 against a target of 750 by December 2017	✓
Actions to redeploy capital and invest			
Deliver growth above GDP from international network	– Revenue growth of international network above GDP	– GLCM revenue of $1.6bn up 9% vs. 1Q16 – GTRF revenue of $0.6bn unchanged vs. 1Q16; strong growth in strategic product areas – 6% growth in revenue synergies between global businesses	–
Pivot to Asia – prioritise and accelerate investments	– Market share gains – c. 10% growth p.a. in assets under management	– Pearl River Delta: Customer advances up +17% vs. 1Q16 with mortgages up 54% and CMB lending up 20% – Insurance annualised new business premiums up 13% vs. 1Q16, Asset Management AuM up 15% vs. 1Q16 – Launched PayMe App in Hong Kong allowing both HSBC and non-HSBC customers to send and receive money via WhatsApp, SMS, and Facebook Messenger	✓
RMB internationalisation	– $2.0-2.5bn revenue	– Ranked #1 (32% market share) in offshore RMB bond underwriting as of April 2017 (Source: Bloomberg) – Ranked #1 among foreign banks in China's cross-border RMB transaction volume as of February 2017 (Source: People's Bank of China) – Largest fund house in terms of asset under management in the Southbound Mutual Recognition of Fund scheme with 33.5% share as of December 2016 (Source: WIND Information Co.) – Awarded "Best Overall Provider of Offshore RMB Products and Services", (Source: Asiamoney)	–
Global standards	– End of 2017: AML sanctions policy framework in place; major compliance IT systems introduced across the Group, including for customer due diligence, transaction monitoring and sanctions screening – Post 2017: Policy framework and associated operational processes fully integrated in day-to-day financial crime risk management practices in an effective and sustainable way; IT systems continue to be fine tuned	– Continued progress towards putting in place an effective and sustainable AML and sanctions compliance programme, including through the creation of a new Financial Crime Risk function and improvements in technology and systems to manage financial crime risk	✓ [19]

Appendix

Equity drivers

1Q17 vs. 4Q16 Equity drivers

	Shareholders' Equity, $bn	Tangible Equity, $bn	TNAV per share, $	No. of shares (excl. treasury shares), million
As at 31 December 2016	**175.4**	**137.2**	**6.92**	**19,838**
Profit to shareholders	3.5	3.5	0.17	-
Dividends net of scrip	(2.6)	(2.6)	(0.13)	-
Share buy-back[20]	(1.0)	(1.0)	(0.02)	(93)
FX[21]	2.0	2.0	0.10	-
Net gains on AFS investments and Actuarial gains on defined benefit plans	1.4	1.4	0.07	-
Adverse fair value movements from own credit risk	(0.4)	(0.4)	(0.02)	-
Other	0.5	0.2	(0.01)	48
As at 31 March 2017	**178.8**	**140.2**	**7.08**[22]	**19,793**
1Q17 including 4Q16 scrip[23]			*7.00*	*20,034*

Appendix

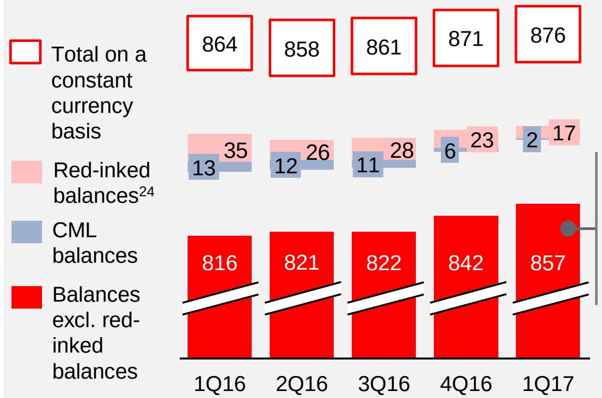
Balance sheet

1Q17 vs. FY16: Loans and advances to customers, $bn

Balances increased by $5bn vs. December 2016. Excluding CML and red-inked balances, lending increased by $15bn, however this included a $6bn increase in corporate overdraft balances as a result of CMB and GB&M customers ($2bn and $4bn respectively) who no longer settled their overdraft and deposit balances on a net basis. **Business growth of $9bn.**

- 2% mortgage growth in Asia, mainly Hong Kong, Australia and mainland China; 1% mortgage growth in the UK
- Growth in term lending in Asia
- Continued focus on reducing legacy portfolios in the US

$35bn business growth vs. March 16



*Includes c. $6bn growth in UK overdrafts, mainly in GB&M and CMB, due to lower netting impacts

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

	Growth since 1Q16	Growth since 4Q16
RBWM	11	2
CMB*	21	8
GB&M*	14	5
GPB	(3)	1
Corporate Centre	(2)	0
Total*	41	15

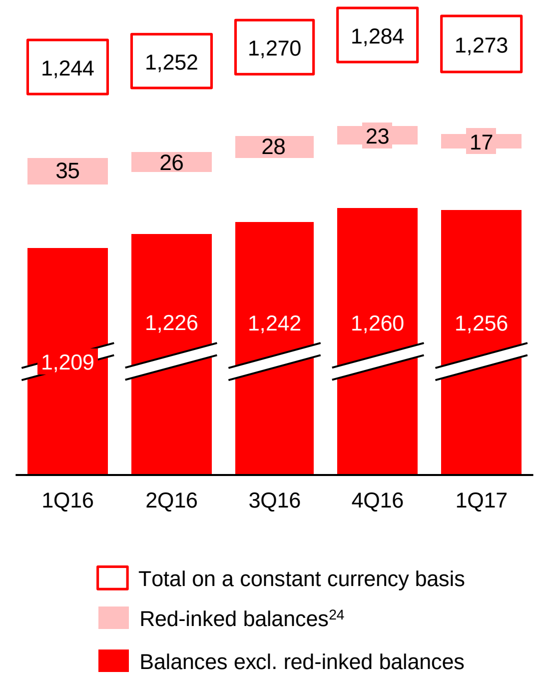
By region *(excluding red-inked balances and CML)*

	Growth since 1Q16	Growth since 4Q16
Europe*	17	8
Asia	33	10
Middle East and North Africa	(4)	(1)
North America	(7)	(2)
Latin America	2	0
Total*	41	15

Customer accounts, $bn

Broadly stable vs. December 2016.

Compared with March 2016, customer deposits increased by $29bn. Excluding red-inked balances, customer accounts increased by $47bn, however this included a $6bn increase in corporate deposit balances as a result of CMB and GB&M customers who no longer settled their overdraft and deposit balances on a net basis. **Business growth of $41bn.**



Appendix

Currency translation and significant items

$m	1Q16	4Q16	1Q17
Currency translation and significant items:			
Revenue			
Currency translation	466	74	-
Trading results from disposed operations in Brazil	721	-	-
*Portfolio disposals	-	(112)	10
(Adverse) / Favourable debit valuation adjustment on derivative contracts	158	(70)	(97)
(Adverse) / Favourable fair value movements on non-qualifying hedges	(233)	(302)	91
*Releases arising from the ongoing review of compliance with the Consumer Credit Act in the UK	-	-	-
Favourable / (Adverse) movements on own credit spread	1,151	(1,648)	-
Gain on disposal of our membership interest in Visa	-	116	146
*Currency translation of significant items	134	1	-
	2,397	**(1,941)**	**150**
Loan impairment charges			
Currency translation	55	(12)	-
Trading results from disposed operations in Brazil	(334)	-	-
*Currency translation of significant items	(82)	-	-
	(361)	**(12)**	**-**
Operating expenses			
Currency translation	(274)	(42)	-
Trading results from disposed operations in Brazil	(504)	-	-
Regulatory provisions in GPB	(1)	(390)	-
Impairment of GPB Europe goodwill	-	(2,440)	-
*Settlements and provisions in connection with legal matters	-	42	-
UK customer redress programmes	-	(70)	(210)
Costs-to-achieve	(341)	(1,086)	(833)
*Costs associated with portfolio disposals	-	(28)	-
*Costs to establish UK ring-fenced bank	(31)	(76)	(83)
*Currency translation of significant items	(97)	6	-
	(1,248)	**(4,084)**	**(1,126)**
Share of profit in associates and joint ventures			
Currency translation	23	4	-
Trading results from disposed operations in Brazil	(1)	-	-
	22	**4**	**-**
Currency translation and significant items	**810**	**(6,033)**	**(976)**

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

Appendix

Footnotes

1. Annualised
2. Includes the impact of UK bank levy
3. Unless otherwise stated, risk-weighted assets and capital are calculated and presented on a transitional CRD IV basis as implemented in the UK by the Prudential Regulation Authority
4. 4Q16 quarterly Jaws as reported in 4Q16 and 1Q16 quarterly Jaws as reported in 1Q16
5. 'Own credit spread' includes the fair value movements on our long-term debt attributable to credit spread where the net result of such movements will be zero upon maturity of the debt. On 1 January 2017, HSBC adopted the requirements of IFRS 9 relating to the presentation of gains and losses on financial liabilities designated at fair value. As a result, the effects of changes in those liabilities' credit risk is presented in other comprehensive income
6. Adjusted revenue as disclosed in the 2016 Annual Report and Accounts
7. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 1Q17 exchange rates
8. Where a quarterly trend is presented on Balance sheet data, all comparatives are re-translated at 31 Mar 2017 exchange rates
9. Excludes other credit risk provisions
10. Investor day target of $290bn rebased for exchange rates at 31 Mar 2017
11. Includes BSM
12. Includes reductions related to Legacy credit, which following re-segmentation now resides in Corporate Centre
13. This includes dividends on ordinary shares, quarterly dividends on preference shares and coupons on capital securities, classified as equity
14. Scrip take up with respect to the fourth interim dividend was 46.6% compared with the 20% assumption at the full year
15. Excluding currency translation, RWAs fell by $6bn during 1Q17
16. Due to the nature of its business, GPB measures the performance of its business through other measures including Net New Money and Return on Assets
17. Dividend per ordinary share
18. On track to achieve equivalent PBT target on a local currency basis, $ target set using 2014 average exchange rate
19. As set out under 'Targeted outcome by 2017'
20. We recognised the full $1.0bn buy-back during the quarter and as at 31 March 2017 we had repurchased c. $760m of shares
21. FX movement includes FX on goodwill & intangibles of c$0.3bn or $0.02 per share
22. NAV per share of $8.10 and TNAV per share of $7.08 as at 31 March 2017. TNAV excludes goodwill, PVIF and other intangibles net of tax
23. Includes the impact of the scrip shares issued in April 2017
24. Red-inked balances relate to corporate customers in the UK, who settle their overdraft and deposit balances on a net basis

Appendix

Important notice and forward-looking statements

Important notice

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

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This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is ‘adjusted performance’ which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business. Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in the 1Q17 Earnings Release and the Reconciliations of Non-GAAP Financial Measures document which are both available at www.hsbc.com.

Issued by HSBC Holdings plc
Group Investor Relations
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