Bank of America Merrill Lynch conference

25 September 2018

Presented by John Flint, Group Chief Executive

Important notice and forward-looking statements

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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 2017 20-F, the Interim Report and the corresponding Reconciliations of Non-GAAP Financial Measures document which are available at www.hsbc.com.

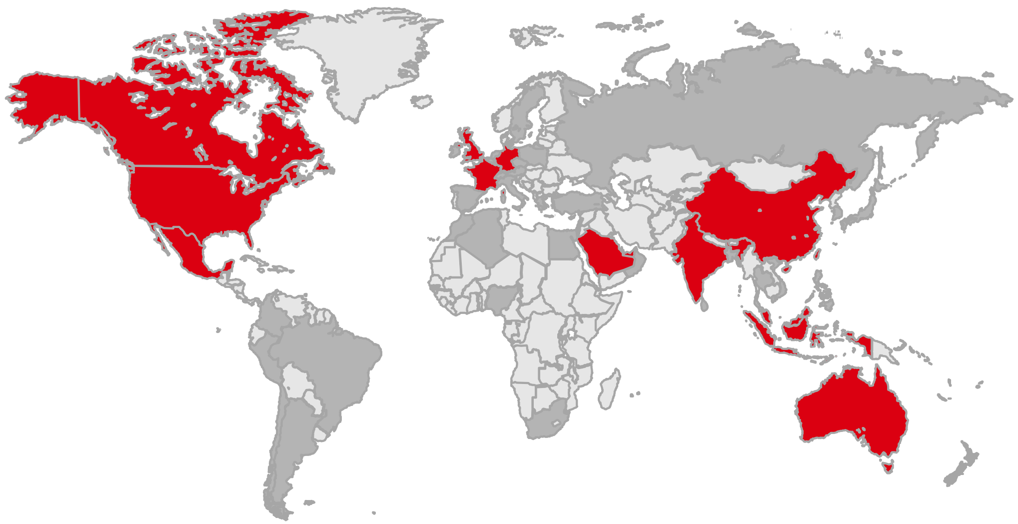
Information in this presentation was prepared as at 25 September 2018.

HSBC is a leading international bank

Our global footprint

Markets at scale and markets as leading international bank

Markets to connect the network



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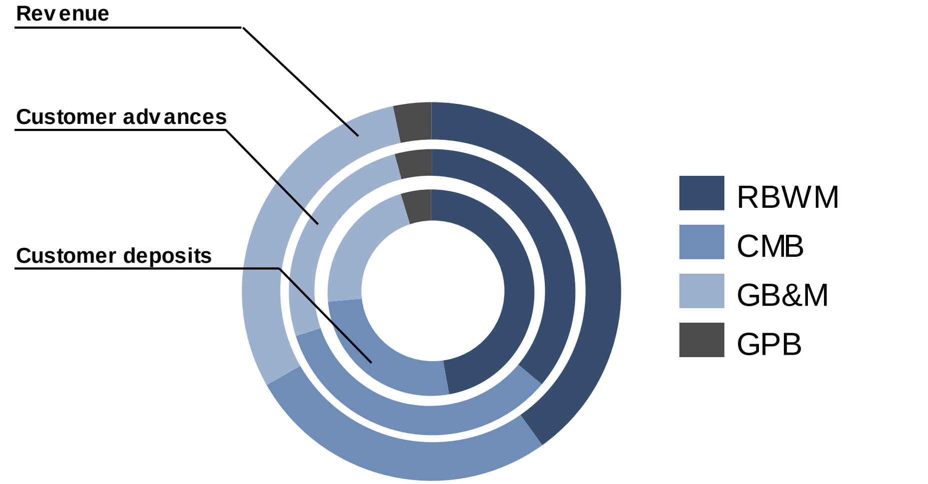
Markets

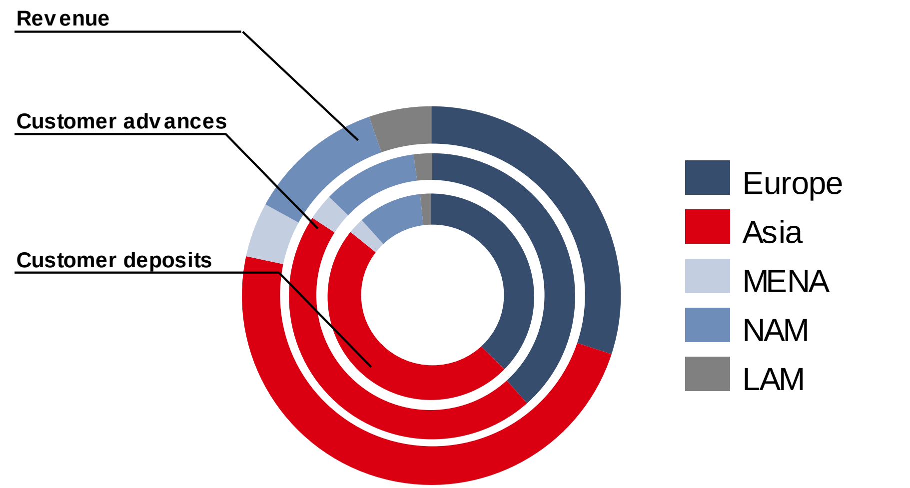
90%
Of global GDP, trade and capital flows covered by our footprint

>50%
Of Group client revenue connected to the network

4
Inter-connected global businesses share balance sheets and liquidity in addition to strong commercial links

Diversified global businesses and regions[1]





1. Metrics relate to 1H18 and are on an adjusted basis.

Strategic differentiators enable a strategy focused on growth, improving returns, and customer and employee experience

Strategic differentiators

1 Leading international bank
- >50% of Group client revenue connected to the network
- No 1 global transaction bank, gaining market share

2 Unparalleled access to high growth markets
- Access to high growth developing markets in Asia, Middle East and Latin America
- Investment aligned to high growth markets to deliver shareholder value

3 Signature balance sheet strength
- Strong capital, funding and liquidity position with diversified business model
- Conservative approach to credit risk and liquidity management
- Low earnings volatility
- Strong capital position and intrinsic capital generation

Strategic priorities

1. **Accelerate growth from our Asian franchise**
2. Complete **establishment of UK ring-fenced bank, increase mortgage market share**, **grow commercial customer base**, and **improve customer service**
3. **Gain market share and deliver growth from our international network**
4. **Turn around our US business**
5. **Improve capital efficiency**; redeploy capital into higher return businesses
6. Create capacity for increasing **investments in growth and technology through efficiency gains**
7. **Enhance customer centricity and customer service through investments in technology**
8. **Simplify the organisation and invest in future skills**

Financial targets

RoTE[1]	>11% by 2020
Costs	Positive jaws (adjusted, on an annual basis)
Capital and dividend	Sustain dividends through long-term earnings capacity of the businesses Share buy-backs subject to regulatory approval

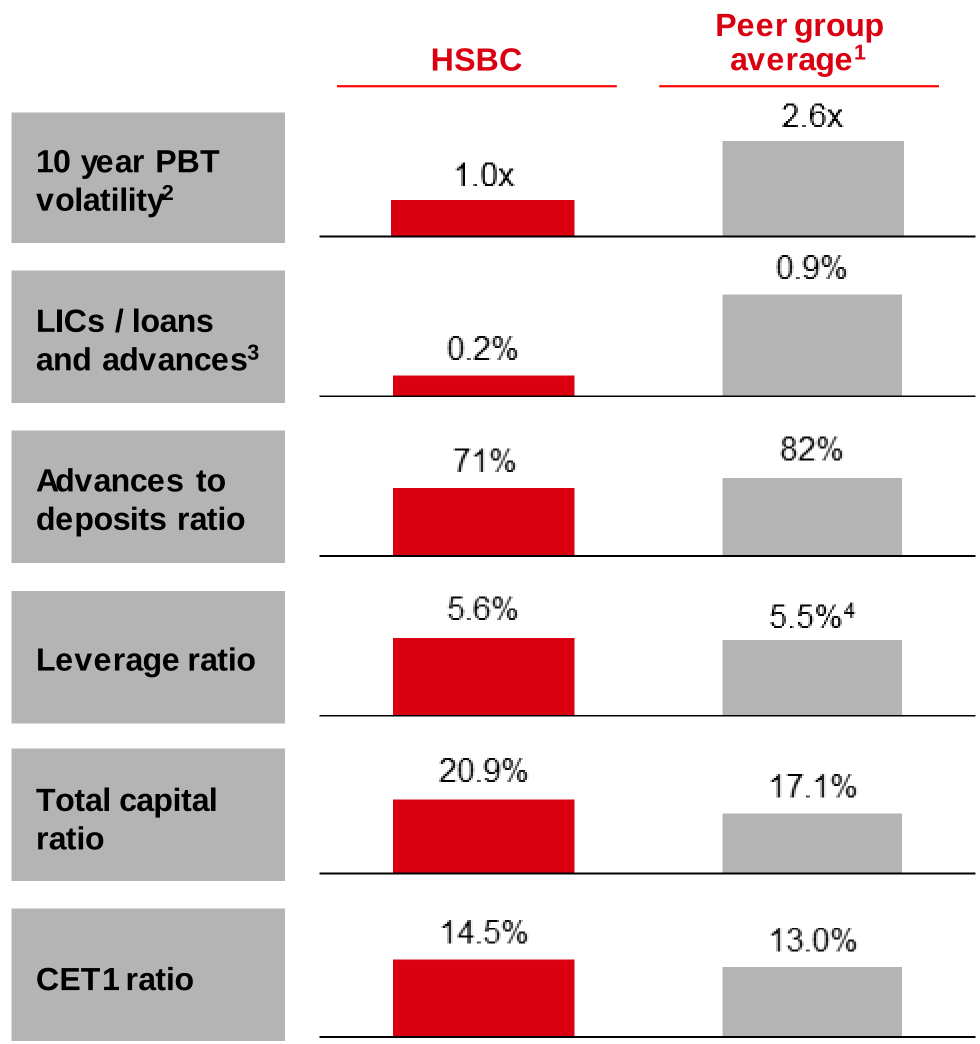
1. A targeted reported RoTE of 11% is broadly equivalent to a reported return on equity of 10%; assumes a Group CET1 ratio greater than 14%. Return on tangible equity ('RoTE') is calculated as reported profit attributable to ordinary shareholders less changes in goodwill and present value of in-force long term insurance business divided by average tangible shareholders' equity."

Signature balance sheet strength

Strong balance sheet, FY2017, USD (unless otherwise stated)

Balance Sheet	**Customer accounts**	**1.4tn**
	Loans & advances to customers	**1.0tn**
	Total equity	**198bn**
Capital	**Total regulatory capital**	**182bn**
	Leverage ratio	**5.6%**
	Total capital ratio	**20.9%**
Funding and liquidity	**Advances to deposits ratio**	**71%**
	Liquidity coverage ratio	**142%**
	Liquid asset buffer	**>500bn**

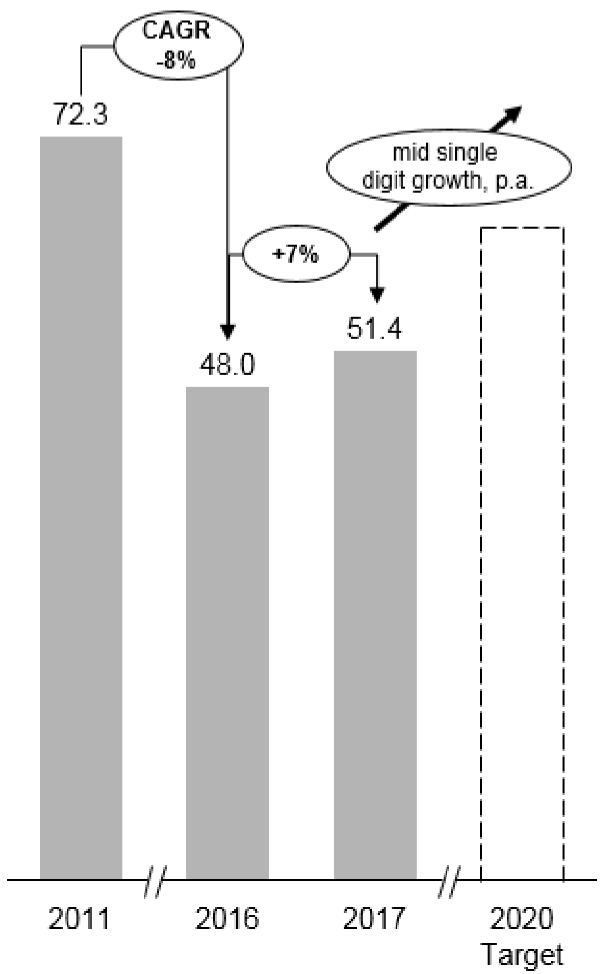
Low-risk model with stable earnings, 2017



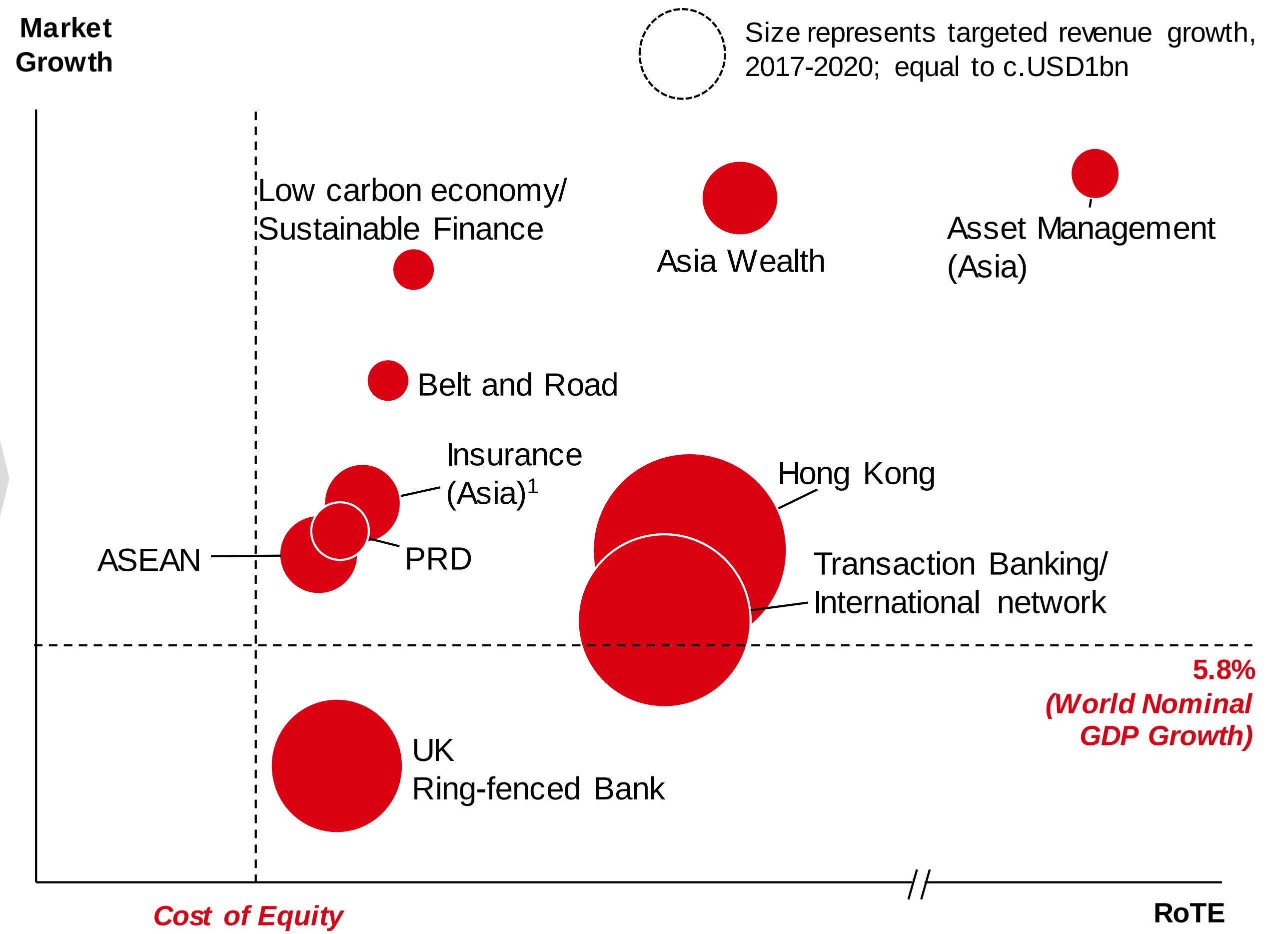
Source: HSBC and peers' public filings, Bloomberg, Factset
1. Average calculated based on 2017 published figures by the following peers: Barclays, BNP, Citi, DBS, Deutsche Bank, ICBC, Itau, JP Morgan, Santander, Standard Chartered, BoAML; ICBC not included in CET1 ratio
2. Calculated as range of reported PBT divided by average reported PBT from 2008 to 2017
3. Represents gross loans and advances to customers
4. Leverage ratio not disclosed by ICBC and Itau

Targeting revenue opportunities in high growth areas with returns well above cost of equity

Revenue (reported), USDbn, 2011-2020



Targeting revenue opportunities in high growth areas with returns well above cost of equity

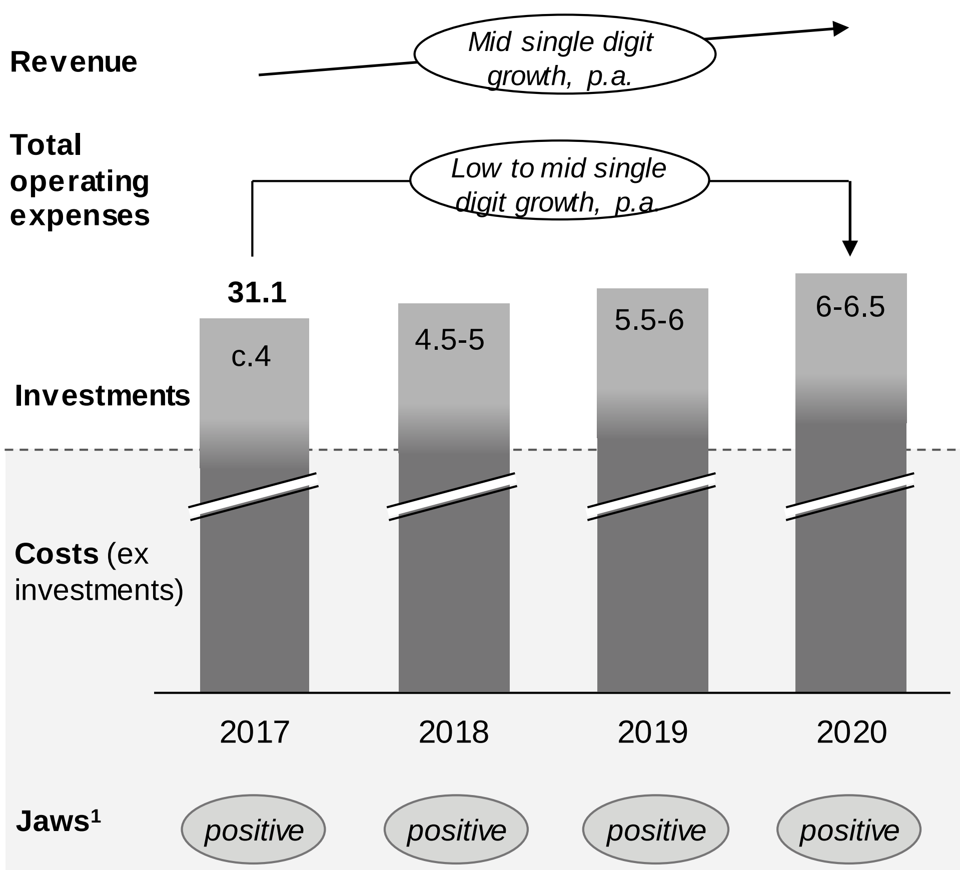


1. ROE including PVIF

Maintain strong cost discipline, deliver positive jaws and create capacity for increased investment

Create investment capacity and deliver overall positive adjusted jaws on a full year basis

Adjusted basis, USDbn



Investments of USD15-17bn (2018-2020)

- Ability to invest is a prerequisite for the Group's long-term competitiveness
- Investments aligned to strategic priorities
- Managed through a **strong approval and prioritisation framework** to deliver payback in the near to medium term
- Ability to respond to changes in economic environment and revenue development
- No CTA[2] in strategic plan; all investments to be made from within the cost base of the Group

Strong cost discipline and control to create investment capacity

- Implement strong cost discipline and control
  - Continue to benchmark our costs with the market
  - Absorb inflation through productivity gains
  - Maintain focus on improving business productivity
- Maintain positive (adjusted) jaws on an annual basis each year 2018-2020

1. Adjusted, on an annual basis
2. Costs to Achieve

Investing in growth and technology; managed through robust investment framework

Investment categories	Description	Investment criteria	Examples of specific initiatives	Share of investment
Near term investments in core business	▪ Investments to grow, improve customer service and defend competitive position of established businesses in short term	▪ Positive Return on Investment in financial year[1]	▪ Investments across Global Businesses to grow and improve customer service across core businesses (e.g. hiring Wealth RMs in Hong Kong)	c.2/3
Medium term investment in core business and new opportunities	▪ Investments to grow revenue or increase returns in the medium term (e.g., selected business turnaround, product enhancements) ▪ Investments in new opportunities	▪ Positive Return on Investment over 2-5 years[1]	▪ Transaction Banking platform transformation (e.g. build new payment and liquidity platform) ▪ Turnaround of existing businesses (e.g. US) ▪ Investing in expanding our businesses (e.g. PRD)	
Investment in productivity programmes and core infrastructure	▪ Improve operational efficiency in order to lower cost base ▪ Deliver robust solution design with additional franchise benefits	▪ Positive Return on Investment broadly in financial year[1]	▪ Productivity programmes (e.g. process re-design, cloud migration, use of robotics and machine learning initiatives in operations) ▪ Core infrastructure replacement or modernisation (e.g. US)	c.1/3
Regulatory and mandatory investments, including service sustainability	▪ Implement required regulatory programmes and invest in cyber security	▪ Deliver in cost effective manner with additional franchise benefits	▪ Implement regulatory programmes (e.g. IFRS 9) ▪ Strengthen capabilities to manage financial crime risk ▪ Increase cyber security measures	
			Total cumulative investment over 2018-2020	**USD15-17bn**

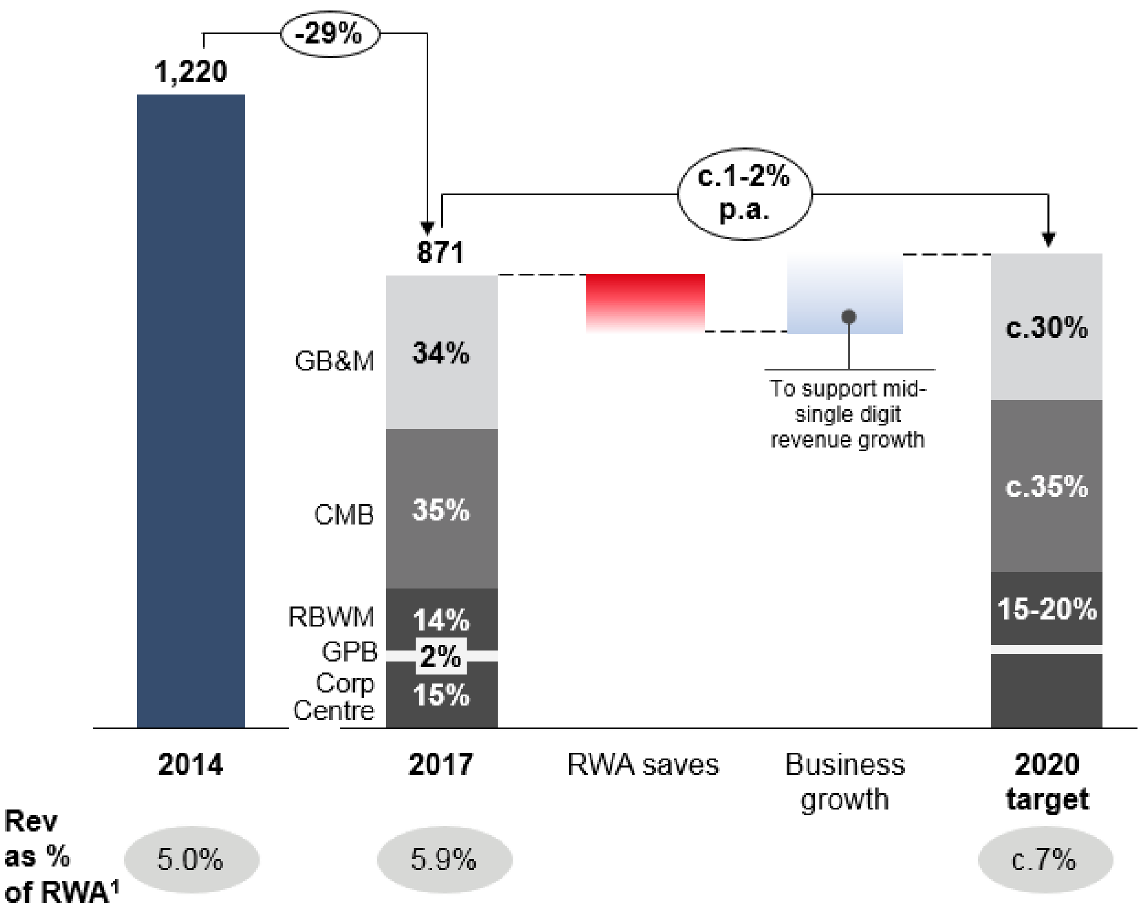
Leverage technology to enhance customer centricity and customer service, expand the reach of HSBC and safeguard our customers

1. P&L basis

HSBC has a strong track record in delivering RWA reductions while growing revenue; plans to further improve capital efficiencies

RWA mix by Global Business

Group RWAs, USDbn



Initiatives

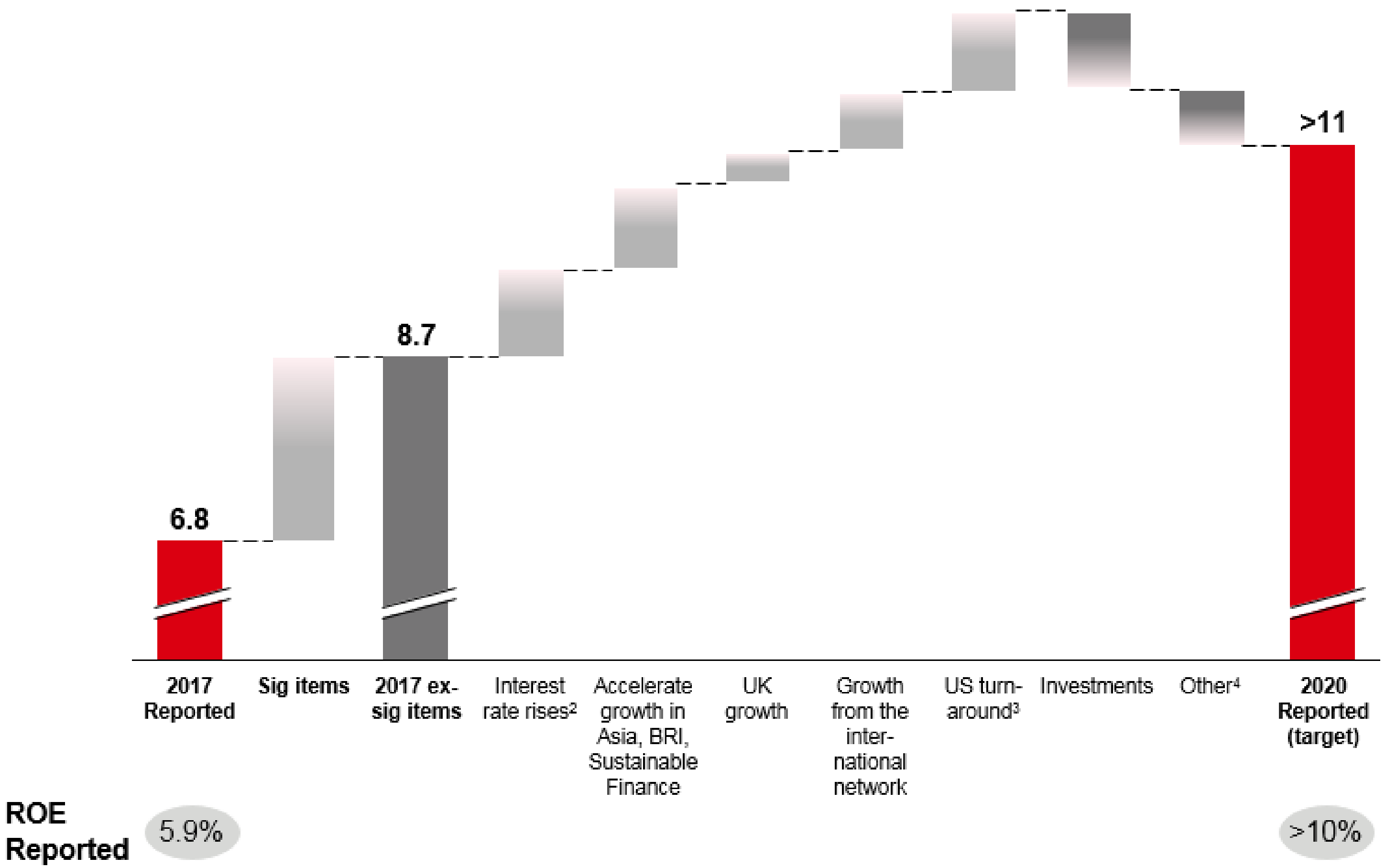
RoTE implementation	▪ Embed RoTE in Global Businesses and operating entities ▪ Link incentives to value creation
Distribution	▪ Develop distribution channel and increase distribution for wholesale lending ▪ Free up capital/ balance sheet capacity and deploy to higher return business/clients
RWA optimisation	▪ Operating entity RWA optimisation ▪ Improve global booking model

1. Calculated using reported revenue and reported average RWAs. The increase between 2014 and 2017 includes the RWA impact of the 2016 change in the regulatory treatment of our investment in BoCom

Path to achieve >11% RoTE by 2020

Reported RoTE walk[1]

%



Revenue growth supported by increasing capital and cost efficiency

- **Investing USD15-17bn primarily** in growth and technology
- **Delivering positive adjusted jaws**
- **Increasing capital efficiency**, limited RWA growth to 1-2% and increasing asset productivity
- **Sustaining dividend,** supported by share buy-backs[5]
- With **>14% CET1** ratio

1. Bars in chart are illustrative and not to scale
2. Interest rate rises separated from other performance improvements
3. Changes in equity consolidated in 'Other'
4. Include LICs/ECL normalisation, profits and equity from rest of the Group, DTA write-off in US in 2017 and significant items
5. Subject to regulatory approval

In summary

1. **Good business momentum, in 2Q18, with 7% revenue growth from our four global businesses vs 2Q17**
2. **Investing in growth and technology; strong cost discipline and control; positive adjusted jaws on an annual basis**
3. **Balance sheet strength supporting growth across the network**
4. **Cautiously optimistic on global growth notwithstanding geopolitical concerns**

Financial targets

RoTE[1]	◆ **>11% by 2020**
Costs	◆ **Positive adjusted jaws**
Capital and dividend	◆ **Sustain dividends through long-term earnings capacity of the businesses** ◆ **Share buy-backs subject to regulatory approval**

1. A targeted reported RoTE of 11% is broadly equivalent to a reported return on equity of 10%; assumes a Group CET1 ratio greater than 14%

Appendix

HSBC

Technology initiatives to enhance customer centricity and customer service; expand the reach of HSBC and safeguard our customers

	Themes	Example applications
Retail	Personalised offerings	▪ Timely and **relevant products**, customised for client needs**;** Mobile X in 22 markets
	New Apps / Ecosystems	▪ **Connected Money, Easy Invest, PayMe**
	Improved functionality	▪ Fully **digital account opening**, 80% of retail transactions via digital channels[1]
	Easier access	▪ Password-less logins via **biometrics** (touch, voice and face)
Corporate	Disruptive digital propositions	▪ **Project Iceberg** – next-generation cloud-native business banking solution
	Business model innovation	▪ **Blockchain** powered trade
	Partnerships	▪ **Sage, Xero and Intuit** – integrated accounting platforms ▪ **Tradeshift** – connecting supply chains
	Digital end-to-end ("E2E")	▪ **Trade Transformation** – improving straight through processing with enhanced digital customer experience including Distributed Ledger, OCR[2] and AI ▪ **Corporate Digital** – transformation of HSBCnet as a next-generation Payment, Transaction and banking solution with cross-product FX and Trade capabilities
	New apps	▪ **HSBC FX Evolve** (live executable pricing on 1,500+ currency pairs)
Middle-back office	Automation	▪ Wide-scale **robotics** adoption across repetitive transaction processing
	Machine learning and big data analytics	▪ **Chat Bot:** RM support through self service using NLP[3] to respond ▪ **Segmentation / profiling:** fraud detection, AML and Sanctions screening
	Simplification	▪ Operations centre consolidation, simplifying procurement, automated data extraction and entry
Group Wide Enablers	Cloud	▪ **Partnership with Google** for data analytics and machine learning
	Cyber	▪ Improving **information security** capabilities to safeguard our customers

1. As of March 2018
2. Optimal character recognition
3. Neuro-linguistic programming

HSBC