August 2016

HSBC Holdings plc – Fixed Income Update

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

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HSBC Group 2016 Interim Performance

HSBC Group 2016 Interim Performance

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

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

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)%

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

2Q16 Profit before tax performance

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

2Q16 vs 2Q15 PBT analysis[1]

USDm

	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%

1. 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

2Q16 Loan impairment charges

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

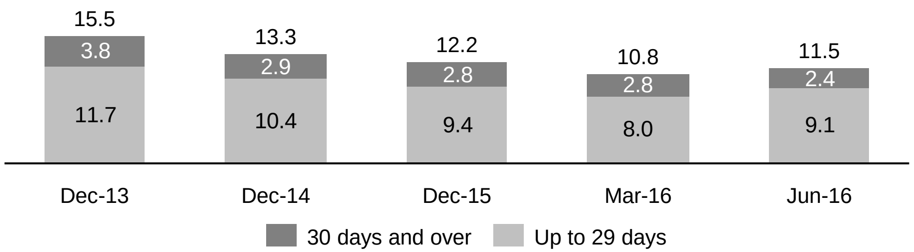
LICs analysis[1] by type

USDm

	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

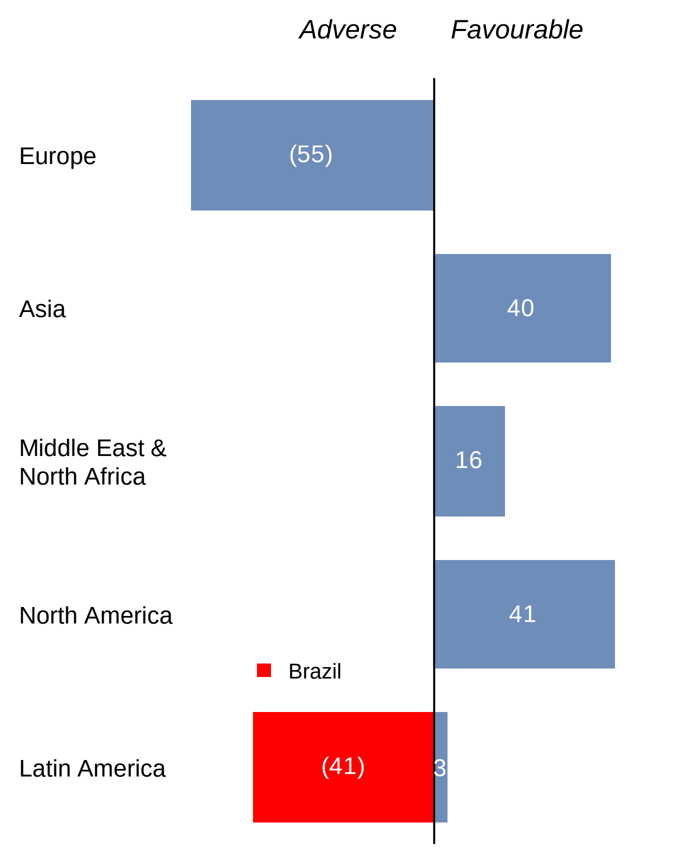
USDbn



2Q16 vs. 1Q16 by region

LICs broadly unchanged

(excl. Brazil – down $45m)



1. 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

Capital adequacy

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

Regulatory capital and RWAs

USDbn

	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

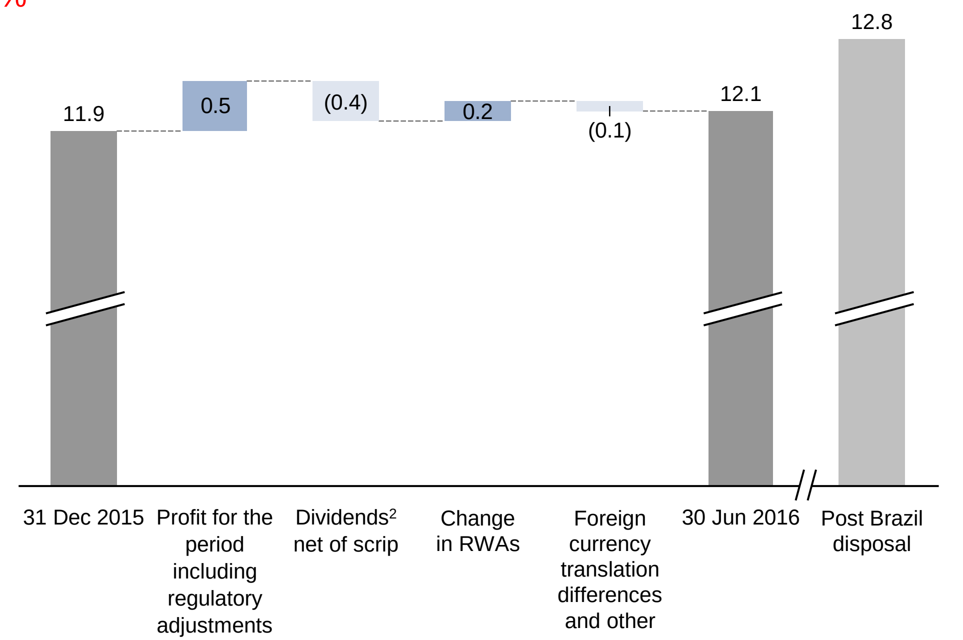
1H16 CET1 movement

USDbn

At 31 Dec 2015	**130.9**
Capital generation from profit	1.5
Profit for the period (including regulatory adjustments)	5.4
Dividends[2] net of scrip	(3.9)
Foreign currency translation differences	(2.3)
Other movements	0.6
At 30 Jun 2016	**130.7**

1H16 CET1 ratio movement

%



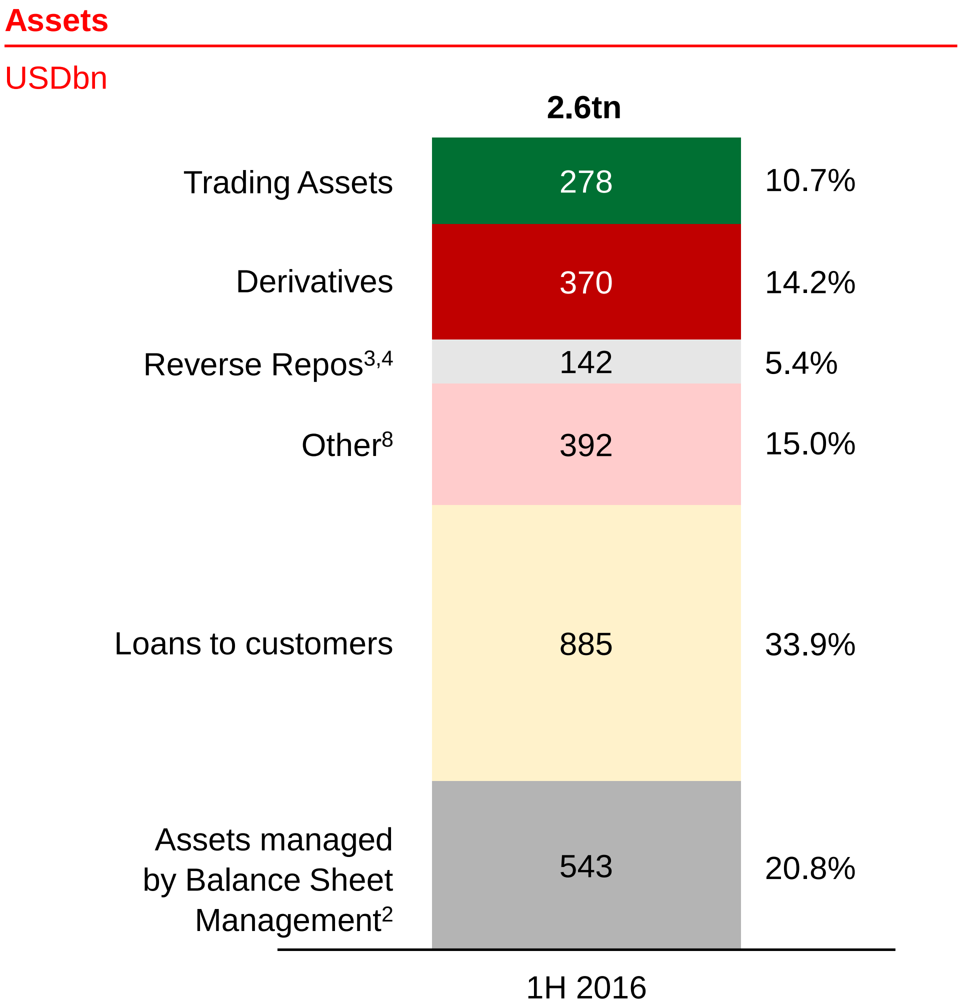
Quarterly CET1 ratio and leverage ratio progression

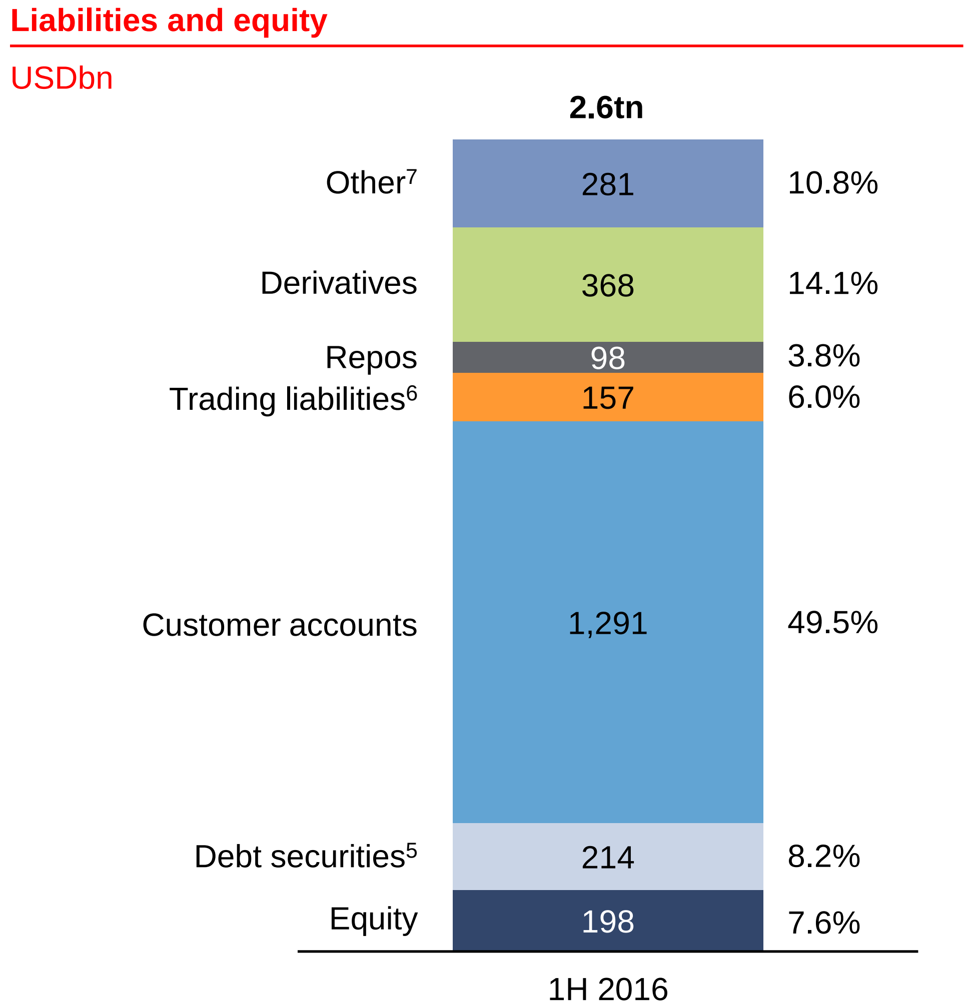
	1Q15	2Q15	3Q15	4Q15	1Q16	**2Q16**
CET1 ratio	11.2%	11.6%	11.8%	11.9%	11.9%	12.1%
Leverage ratio	4.9%	4.9%	5.0%	5.0%	5.0%	5.1%

1. Since 1 January 2015 the CRD IV transitional CET1 and end point CET1 capital ratios have been aligned for HSBC holdings plc
2. This includes dividends on ordinary shares, quarterly dividends on preference shares and coupons on capital securities, classified as equity

Conservative Balance Sheet[1]

Mainly deposit funded with an Assets to Deposits ratio of 69%





1. Source: HSBC Holdings plc Interim Report 2016
2. These primarily include financial investments, cash and balances at central banks and reverse repurchase agreements – non-trading
3. Reverse repurchase agreements – non-trading. Excludes agreements managed by Balance Sheet Management
4. Excludes some assets managed by Balance Sheet Management.
5. Includes all financial liabilities designated at fair value and subordinated liabilities
6. Excludes Debt securities in issue.
7. Includes Deposits by banks, Hong Kong currency notes in circulation, Liabilities of disposal groups Held for Sale, Accruals. See page 103 in HSBC Holdings plc Interim Report 2016 for full Consolidated Balance Sheet
8. Includes Financial Investments, Prepayments, Goodwill and intangible assets, Interests in Associates. See page 103 in HSBC Holdings plc Interim Report 2016 for full Consolidated Balance Sheet

Key Credit Metrics

- 1H16 demonstrated the fundamental strength of our business
- HSBC came through 1H16 securely as our diversified business model and geographic profile again demonstrated resilience in difficult market conditions
- In total we generated USD5.4bn of capital from profit in 1H16 which enabled us to maintain the dividend, strengthen the CET1 capital ratio and support asset growth

1H16 Summary

CET1 Capital ratio	12.1%
Total Capital ratio	17.3%
RWA change	USD21bn reduction
ROE	7.4%
CER	63.2%
CRDIV (end point) Leverage Ratio	5.1%
LCR[1]	137%
Advances to Deposits Ratio	68.8%

Capital Generation & Distributions

Buffer to 7% AT1 trigger	USD53bn
Capital generation from profit	USD5.4bn
Gross ordinary dividends paid in the half year[2]	USD6.1bn

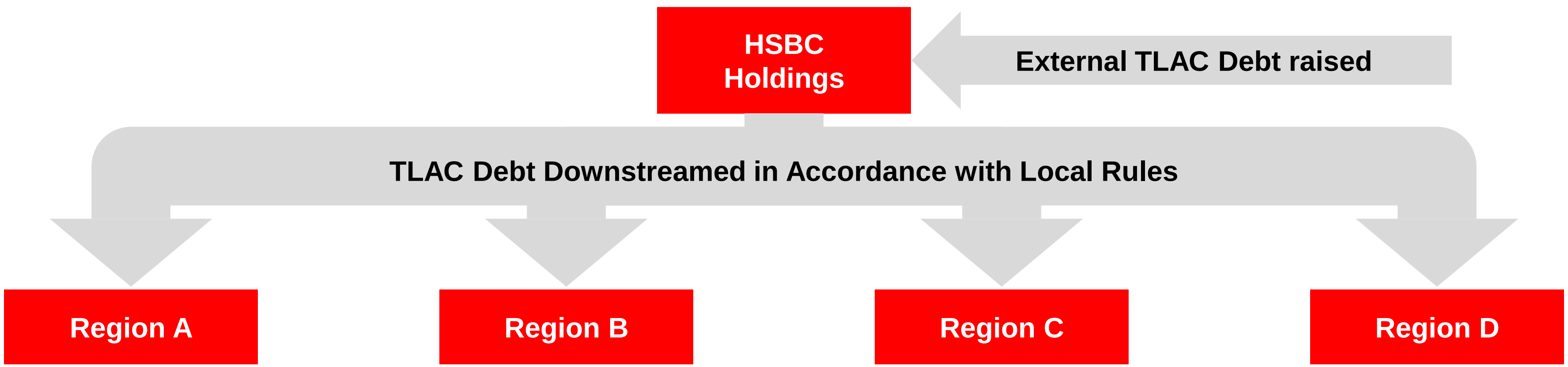
1. Under European Commission ('EC') Delegated Regulation 2015/61, the consolidated liquidity coverage ratio ('LCR') became a minimum regulatory standard from 1 October 2015. The calculation of the LCR metric involves two key assumptions about the definition of operational deposits and the ability to transfer liquidity from non-EU legal entities. We define operational deposits as transactional (current) accounts arising from the provision of custody services by HSBC Security Services and Global Liquidity and Cash Management, where the operational component is assessed to be the lower of the current balance and the separate notional values of debits and credits across the account in the previous calculation period. We assume no transferability of liquidity from non-EU entities other than to the extent currently permitted. This results in USD 108bn of HQLA being excluded from the Group's LCR
2. Includes 2015 4th interim dividend and dividends paid to date in 2016

HSBC's Approach to Debt Issuance

HSBC's Approach to TLAC

Issuing Entity	▪ In 2016 HSBC Holdings plc will be the sole issuer of external TLAC debt for the Group ▪ TLAC debt will be downstreamed in a form compliant with local regulations ▪ Once regulatory rules have been clarified TLAC debt could be issued directly from regional / local Intermediate Holding Companies

Illustrative example of TLAC Debt HoldCo Downstreaming to subsidiaries[1]



Volume requirements	▪ HSBC plans to issue approximately USD60-80bn[2] of senior debt between 2016 and 2018, and has issued USD18.6bn in 2016
Issuance Strategy	▪ HSBC Holdings will maintain regular access through the year in material G3 benchmark currency issuance ▪ The above will be supplemented with issuance in selected local currency markets, principally where the currency meets the functional requirements of the local entities ▪ HSBC will minimise the issuance of non-TLAC debt by its subsidiaries although some issuance may continue to meet the specific senior funding and liquidity requirements of operating subsidiaries

1. This is an indicative approach for illustration only
2. Based on our interpretation of the Financial Stability Board's ("FSB") "Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution" (published in November 2015). Based on Group 3rd party RWAs on a PRA basis as at 31st December 2015; excluding associates. Final implementation rules could differ from FSB.

HSBC's Creditor Loss Hierarchy

2

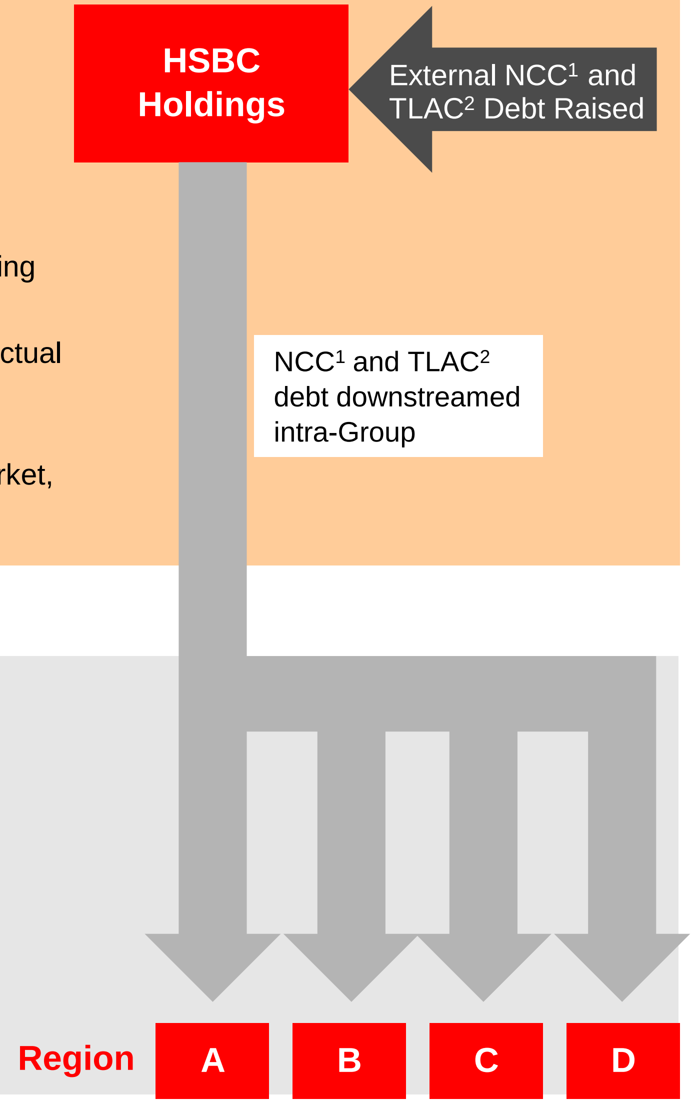
Impact of Banking Subsidiary Resolution on HSBC Holdings

- Consolidated CET1 ratio would be eroded by any losses in Banking Subsidiaries
  - But CET1 ratio has substantial buffers versus regulatory minima
- Write down of internal NCC[1] assets would impact HSBC Holdings balance sheet
- Write down would reduce interest income which would erode HSBC Holdings cashflows
  - But the Group's diversified model provides flexibility to absorb deterioration in Banking Subsidiaries
- If deterioration erodes consolidated capital ratios then AT1 converted according to contractual terms
- If conversion of AT1 cannot recover HSBC Holdings financial profile/consolidated capital ratios then Resolution Authority intervenes, with subsidiary debt directly issued to the market, Tier 2, followed by TLAC[2] debt, written down

1

Transmission of Losses from Banking Subsidiaries

- Each Banking Subsidiary absorbs losses to the extent of its equity capacity and write-down/conversion of internal and external NCC[1] securities in accordance with the terms of the securities
- Banking Subsidiary resolution => Local Resolution Authority write-down/convert intercompany TLAC[2] debt and assume responsibility for the Banking Subsidiary
- Write-down/conversion of internal regulatory capital issued by the Banking Subsidiary, impacts HSBC Holdings balance sheet and cashflow

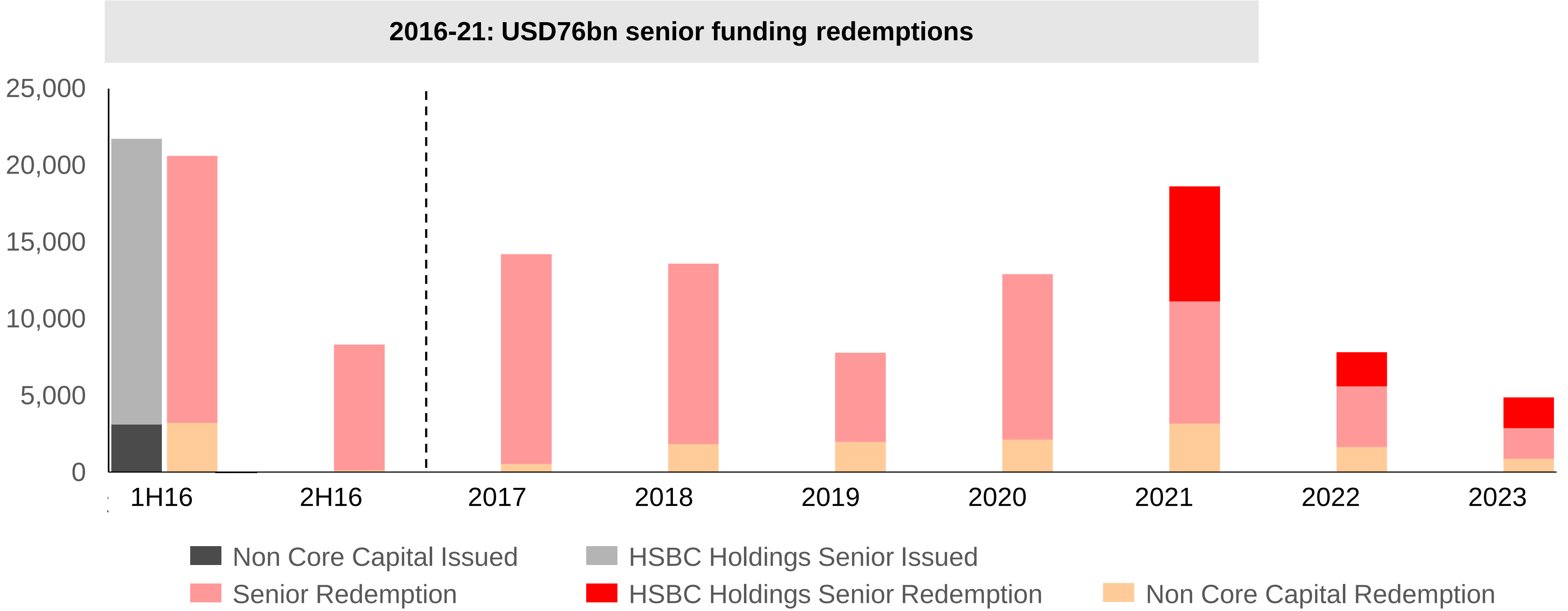


1. NonCore Capital i.e. Tier 2 and Additional Tier 1 Securities
2. TLAC eligible instruments include regulatory capital instruments and also debt instruments or liabilities eligible as per the FSB term sheet

HSBC Maturities and issuance of long-term debt

HSBC Group Debt Redemption profile[1,2]

USDbn



Recent Supply

- HSBC is a predominantly deposit funded organisation and reduced its external debt in each of 2012-15
- HSBC Holdings issued USD18.6bn of senior debt in the first half of 2016

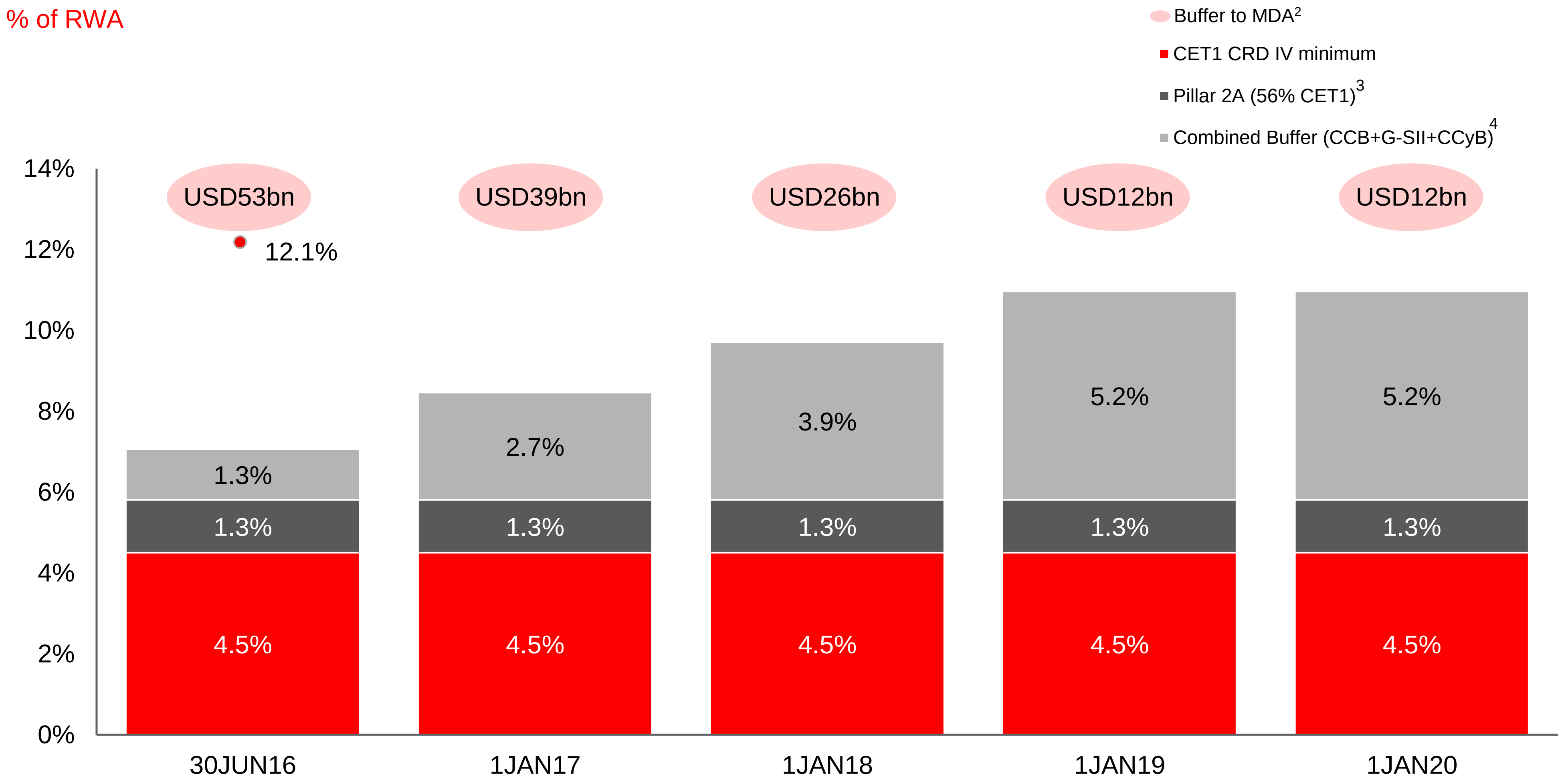
1. For illustration. Funding issues and redemptions: Senior and structured note issues greater than USD250m equivalent size at issue, with original maturity above 18 months
2. Non-Core Capital issued and redemptions: Includes fully compliant and grandfathered AT1 and Tier 2 securities; non-core capital redemptions include callable securities

HSBC’s Capital Structure

HSBC's Capital Structure – Maximum Distributable Amount (MDA) Requirements

Group Capital Requirements to 2020

Common equity tier 1 ratio[1]

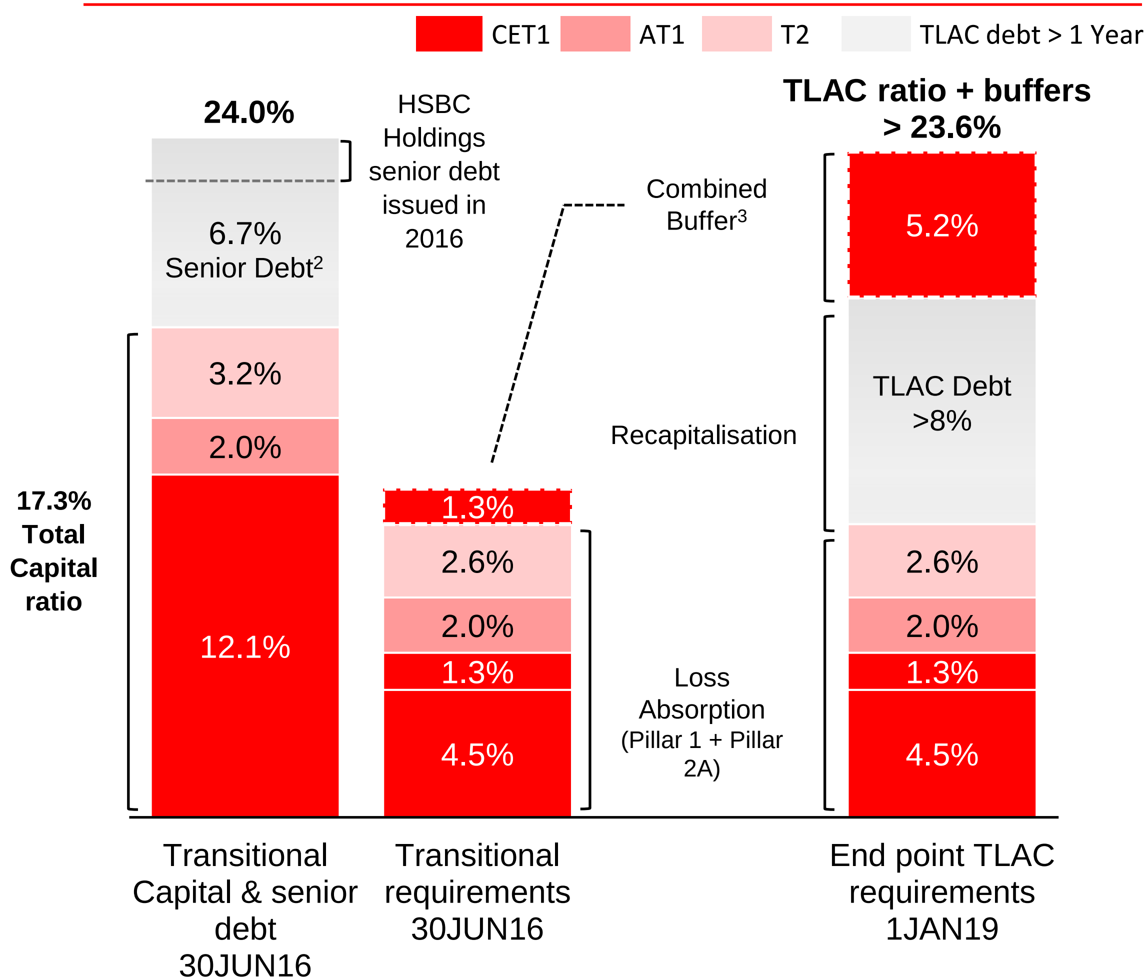


1. Known or anticipated CET1 capital requirements, which have been defined and quantified by the regulator, including Pillar 2A and CRD IV buffers, as per UK implementation of CRDIV. Excludes non MDA buffers (e.g. PRA buffer).
2. Pro forma buffer to MDA trigger based on RWAs and CET1 capital resources at 30 June 2016; assumes that no CET1 is required to meet requirements for other forms of capital. Post Brazil disposal the CET1 ratio as at 30 June 2016 rises to 12.8%
3. Pillar 2A guidance is a point in time assessment of the amount of capital the PRA consider the Group should hold to meet the overall financial adequacy rule and is subject to change pending annual assessment and supervisory review process; it is held constant in the chart for simplification
4. The combined buffer is comprised of a Capital Conservation Buffer (CCB) of 2.5%; a G-SII buffer currently set at 2.5% (as confirmed by the PRA) and a Countercyclical Capital Buffer (CCyB) dependent on the buffer rates set by regulators (numbers shown are based on confirmed rates as of 30 June 2016; future increases in the CCyB rates, where not formally confirmed, have not been included in our numbers). The G-SII and CCB are phased-in from 1 January 2016 to 1 January 2019. The G-SII buffer, CCyB buffer and Pillar 2A requirements are subject to change over time

HSBC's Capital Structure – Total Capital Requirements

Progressing to end state Group capital structure

Evolution of Group capital structure in % of RWA[1]



TLAC issuance

- Based on TLAC finalised principles from November 2015, HSBC's TLAC requirement as at 1 January 2019 is estimated at 23.6%[1], inclusive of capital buffers
- HSBC plans to issue approximately USD60 - 80bn[1] of TLAC debt over the period 2016-18 to meet these requirements.
- HSBC Holdings issued USD18.6bn of senior debt in 1H16
- Per the TLAC finalised principles[1] HSBC will be required to accumulate additional TLAC debt of 2% of RWAs by 1 January 2022

End point requirements 2019 - assumptions

- Loss absorption Pillar 1 and capital buffer requirements per CRD IV; Pillar 2A requirements as currently communicated by the PRA (held constant for illustration)
- BoE expected to align MREL with TLAC, with recapitalisation amount to be confirmed upon assessment of our resolution strategy
- MPE resolution groups local requirements expected to be no higher than group consolidated (SPE) requirement

1. Based on our interpretation of the Financial Stability Board's ("FSB") "Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution" (published in November 2015). Estimate is based on the higher of 16% of Group consolidated third party RWAs (excluding associates) and twice the Basel III Tier 1 leverage ratio of 3% (these increase to 18% and 6.75%, respectively, by 1 January 2022). HSBC is subject to BRRD firm-specific MREL requirements; the BoE is still to publish final rules implementing MREL in the UK. Final implementation of the rules could differ from FSB. Further, prospective regulatory RWA changes may increase the TLAC requirement
2. Senior debt includes senior unsecured and structured note issued to external investors with size above USD250m equivalent and more than 18 months maturity at time of issue
3. The combined buffer is comprised of a Capital Conservation Buffer (CCB) of 2.5%; a G-SII buffer currently set at 2.5%; and a Countercyclical Capital Buffer (CCyB) dependent on the buffer rates set by regulators – the Group CCyB rate on 30 June 2016 is approximate 0%; the 2019 CCyB estimate of approx.0.2% is based on confirmed rates as of 30 June 2016 (future increases in the CCyB rates, where not formally confirmed, have not been included in our numbers). The G-SII and CCB are phased-in from 1 January 2016 to 1 January 2019. The G-SII buffer, CCyB buffer and Pillar 2A requirements are subject to change over time

In Summary

Summary

Investment case

Distinctive advantages	▪ Unrivalled global presence, with access to more than 90% of global GDP ▪ Universal banking model with four global businesses which serve the full range of banking customers
Long-term strategy	▪ Develop our international network of businesses to support connectivity ▪ Be recognised as the world's leading international bank, invest in wealth management and select retail businesses where we can achieve scale
Attractive issuer	▪ Investor-friendly capital management history ▪ USD53bn buffer to 7% AT1 trigger ▪ HSBC plans to issue USD60 - 80bn[1] of TLAC debt over the period 2016-18 ▪ HSBC Holdings issued USD18.6bn of senior debt in 1H16
Capital Management	*"In managing capital, we ensure we exceed current regulatory requirements and are well placed to meet those expected in the future"* HSBC Holdings plc Annual Report and Accounts 2015

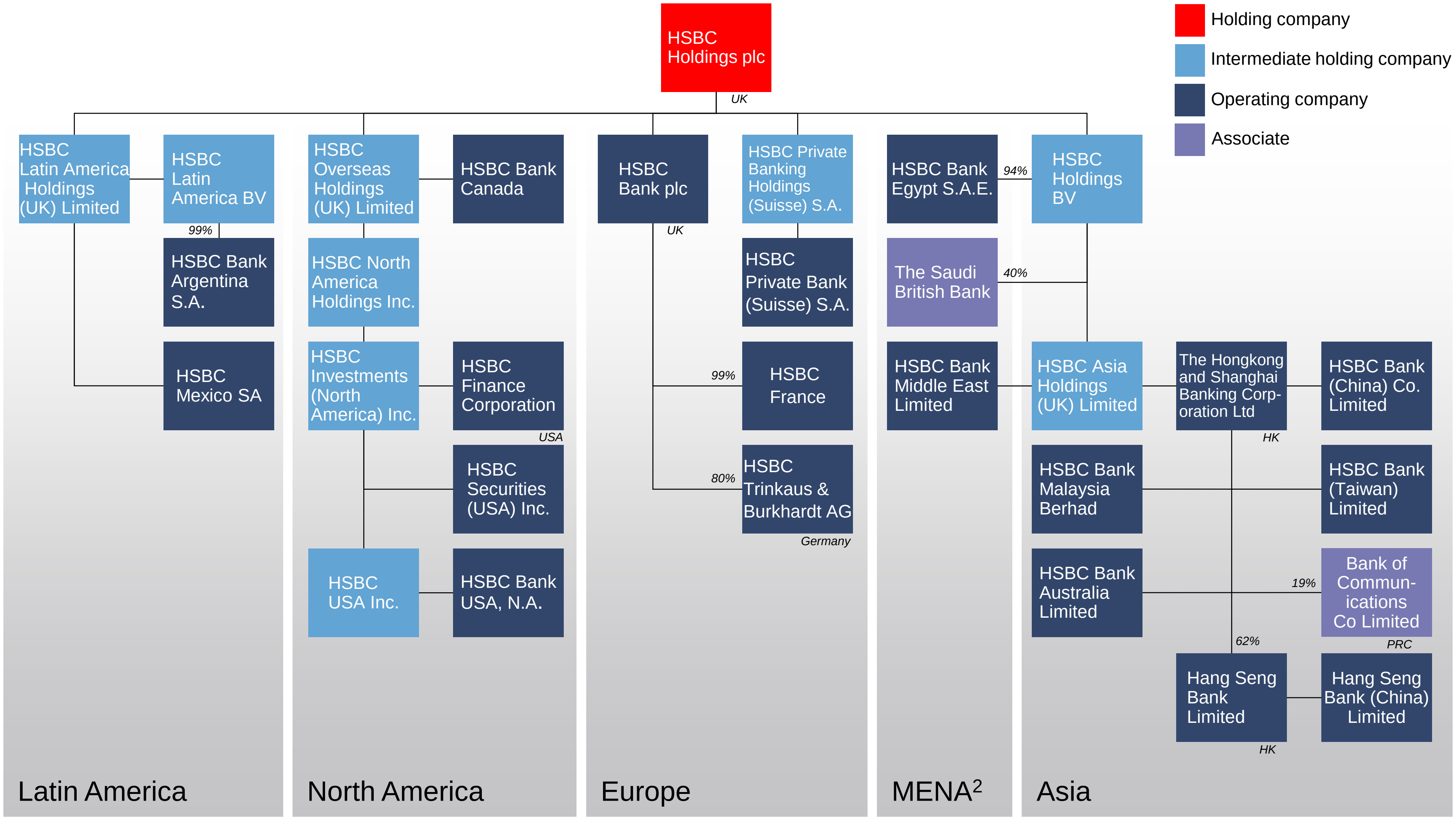
1. Based on our interpretation of the Financial Stability Board's ("FSB") "Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution" (published in November 2015). Estimate is based on the higher of 16% of Group consolidated third party RWAs (excluding associates) and twice the Basel III Tier 1 leverage ratio of 3% (these increase to 18% and 6.75%, respectively, by 1 January 2022). HSBC is subject to BRRD firm-specific MREL requirements; the BoE is still to publish final rules implementing MREL in the UK. Final implementation of the rules could differ from FSB. Further, prospective regulatory RWA changes may increase the TLAC requirement

Appendix

Appendix

High level structure chart

Principal subsidiaries in priority markets



1. At 31 December 2015. All entities wholly owned unless shown otherwise (part ownership rounded down to nearest per cent). Excludes other Associates, Insurance companies and Special Purpose Entities
2. Middle East and North Africa

The view from HSBC Building, 8 Century Avenue, Pudong, Shanghai

The view from HSBC Main Building, 1 Queen's Road Central, Hong Kong SAR

The view from HSBC Group Head Office, 8 Canada Square, London

Cover images: internationalisation of the renminbi
The images show the views from HSBC's head offices in Shanghai, Hong Kong and London – the three cities that are key to the development of China's currency, the renminbi (RMB). The growth of the RMB is set to be a defining theme of the 21st century. HSBC has RMB capabilities in over 50 countries and territories worldwide, where our customers can count on an expert service.

Photography: Matthew Mawson

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