



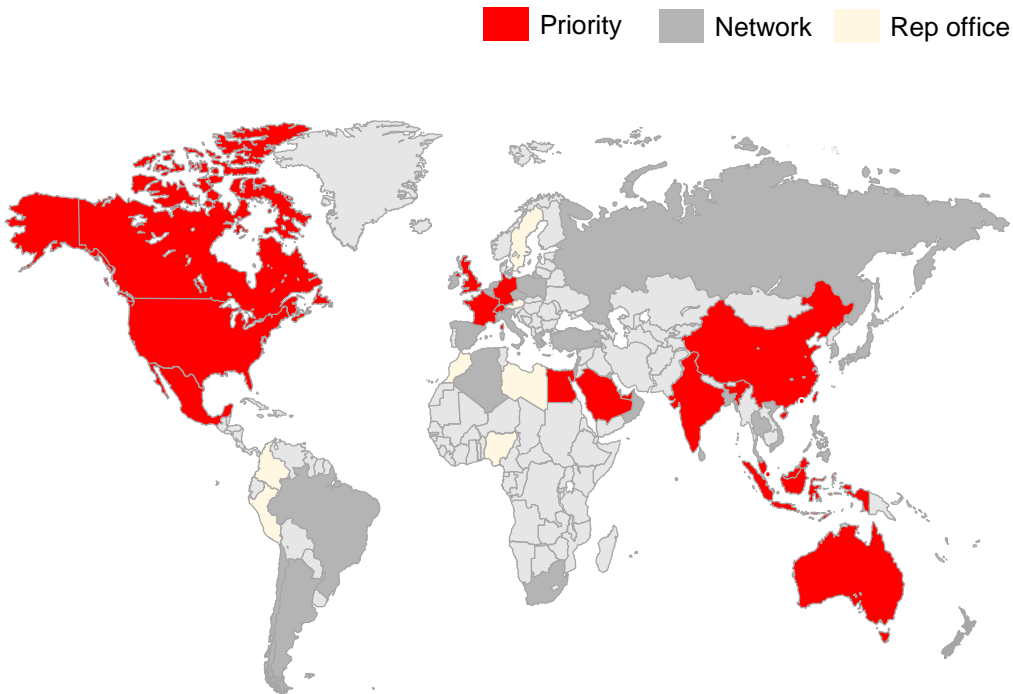
**HSBC Holdings plc**

Morgan Stanley, European Financials Conference

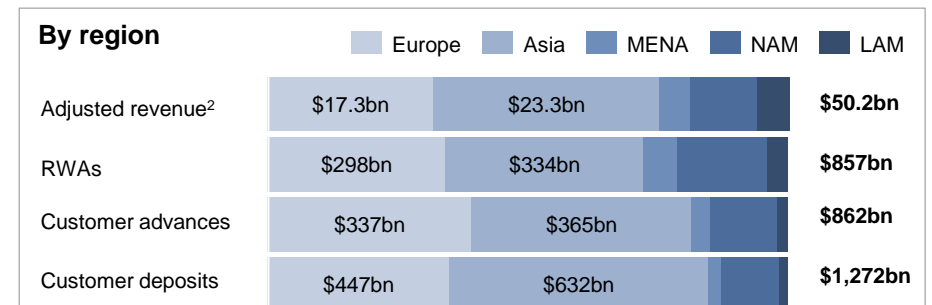
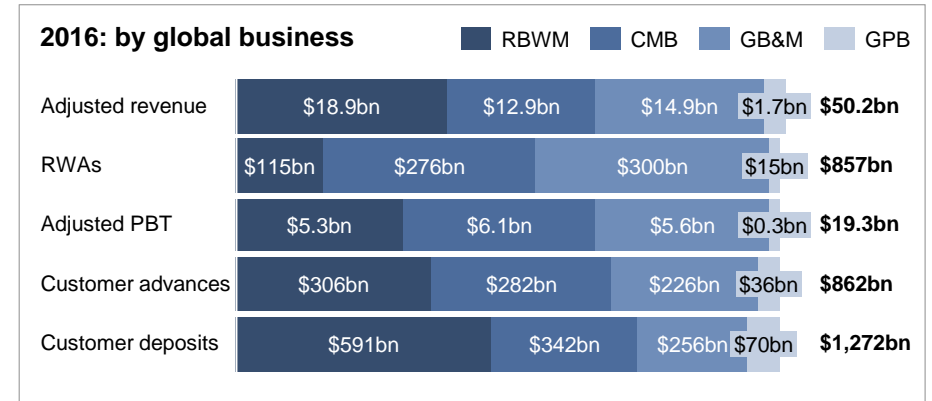


# HSBC is a leading universal and global bank

## Our global footprint



## Diversified global businesses and regions<sup>1</sup>



PBT by region	Europe	Asia	Middle East and North Africa	North America	Latin America	Total
RBWM, CMB, GB&M and GPB	\$4.1bn	\$10.6bn	\$1.0bn	\$1.1bn	\$0.5bn	\$17.3bn
Corporate Centre	\$(2.5)bn	\$3.6bn	\$0.6bn	\$0.3bn	\$0.0bn	\$2.0bn
<b>Total</b>	<b>\$1.6bn</b>	<b>\$14.2bn</b>	<b>\$1.6bn</b>	<b>\$1.3bn</b>	<b>\$0.6bn</b>	<b>\$19.3bn</b>

# 70

markets

# 90

%

Our network covers countries accounting for more than 90% of global GDP, trade and capital flows

# > 45

%

Our international network supports more than 45% of our client revenue

# 4

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

1. Metrics relate to 2016 and are on an adjusted basis unless otherwise stated, totals provided are for the Group and include Corporate Centre. Details of reported results and a reconciliation of reported to adjusted results are included in the Appendix.

2. Amounts are non-additive across regions due to intra-HSBC items

# Our universal banking model connects customers to opportunities...

## Total revenue synergies by Global Business

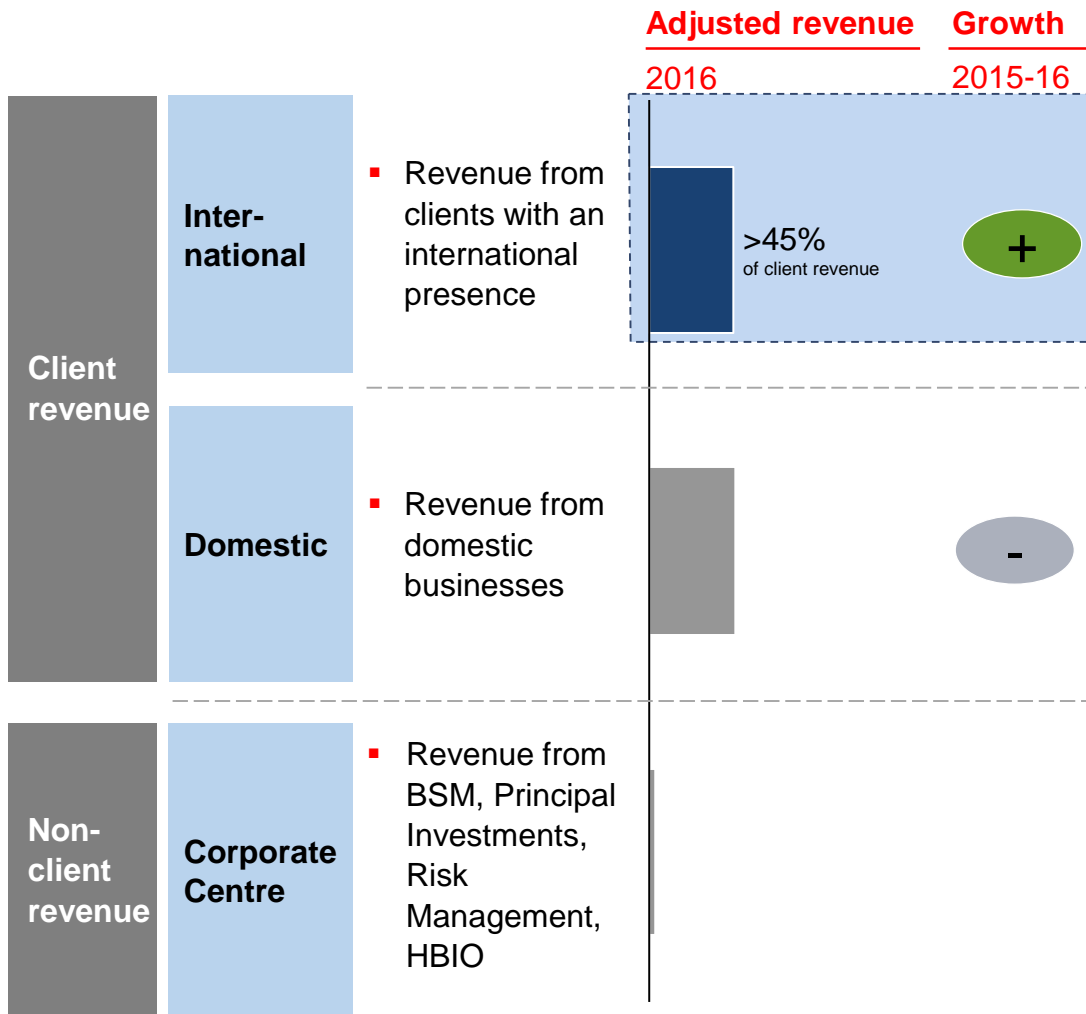
Revenue<sup>1</sup> 2016, USDbn

<b>GB&amp;M clients</b>	<ul style="list-style-type: none"> <li>Global Liquidity and Cash Management from CMB<sup>2</sup></li> <li>GTRF solutions from CMB</li> <li>Asset management products from RBWM</li> </ul>	<b>3.0</b>
<b>CMB clients</b>	<ul style="list-style-type: none"> <li>FX, derivatives, and capital financing from GB&amp;M</li> <li>Investment and insurance from RBWM</li> <li>Asset Management products from RBWM</li> </ul>	<b>2.5</b>
<b>RBWM clients</b>	<ul style="list-style-type: none"> <li>GB&amp;M products for retail and business banking solutions</li> </ul>	<b>1.1</b>
<b>GPB clients</b>	<ul style="list-style-type: none"> <li>Referrals from three other global businesses</li> <li>Global Markets products to private clients</li> <li>Insurance and Asset Management products from RBWM</li> </ul>	<b>0.4</b>
<b>Total cross-business synergies revenue</b>		<b>7.0</b>
<b>In-business synergies<sup>3</sup></b>	<ul style="list-style-type: none"> <li>Securities services / custody (HSS)</li> <li>Asset management (manufacturing)</li> <li>Insurance (manufacturing)</li> </ul>	<b>3.5</b>
<b>Total revenue synergies</b>		<b>10.5</b>
<b>Cost and funding synergies</b>		

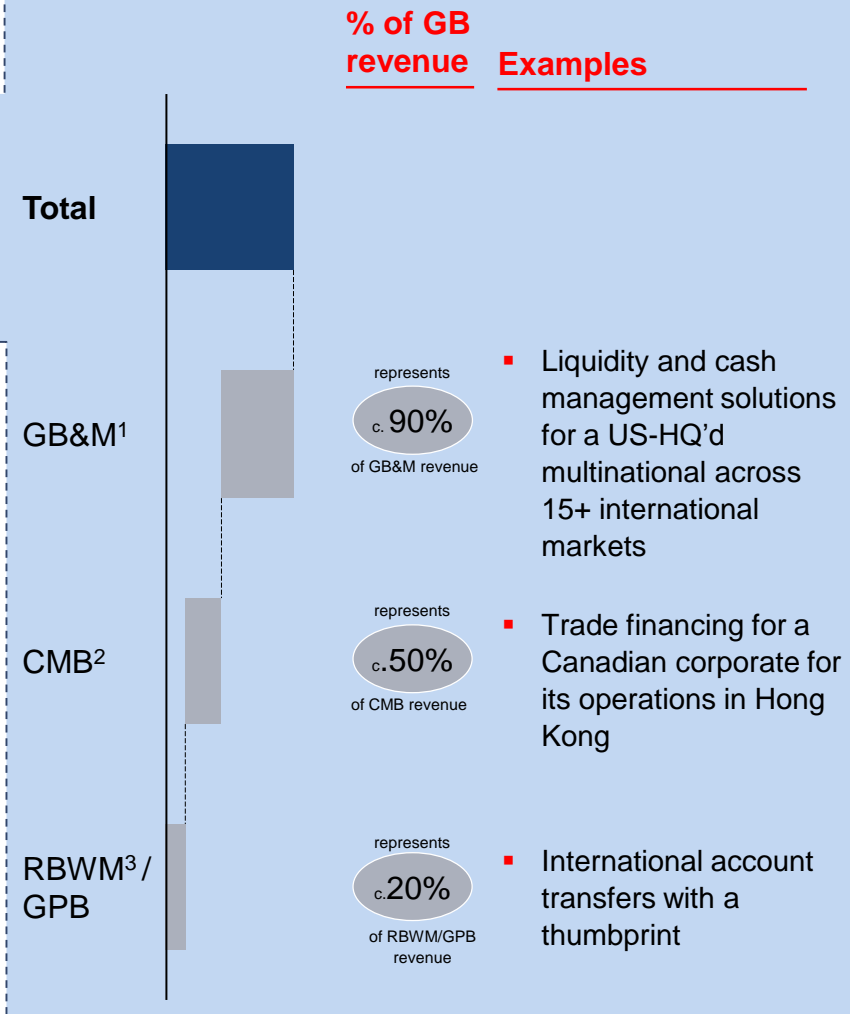
1. Cross-business synergies are presented as gross revenue and do not reflect any revenue sharing arrangement between Global Businesses
2. GLCM is now managed under GB&M. The GB&M portion is included as a revenue synergy to be consistent with the treatment of GTRF
3. In-business synergies include separately managed operations that are reported within a global business line

# ...as does our global footprint

## Group revenue classification



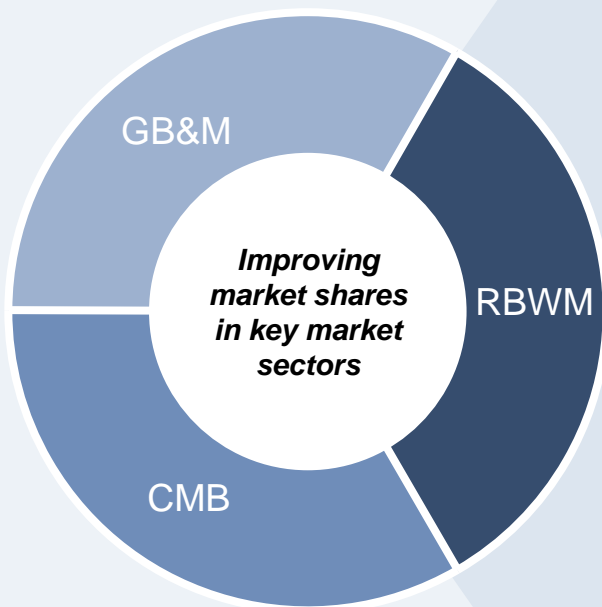
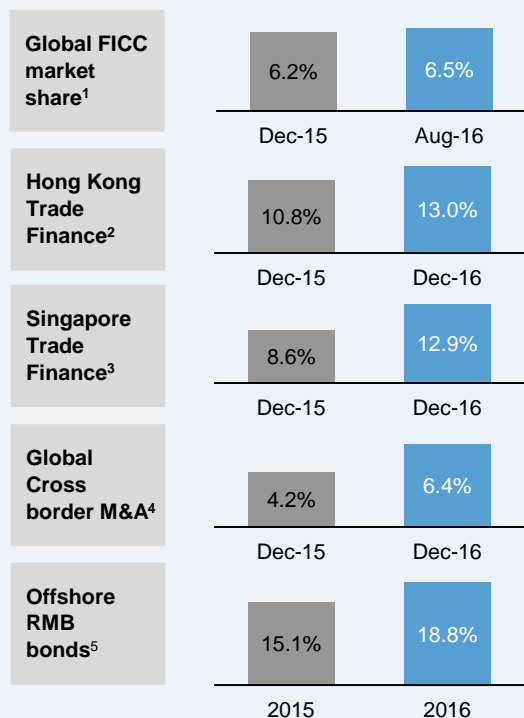
## Breakdown of international revenues by Global Business



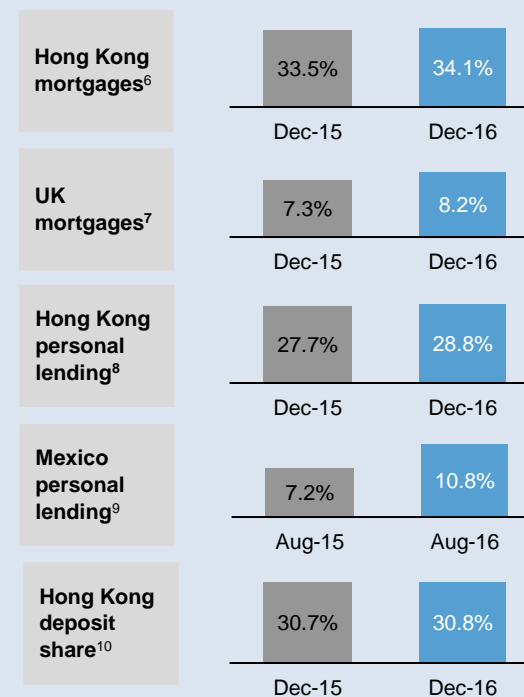
1. Excludes Principal Investments  
 2. Excludes CMB business banking  
 3. Excludes HASE and all insurance manufacturing revenue

# Gained market share

## CMB and GB&M market shares



## RBWM market shares



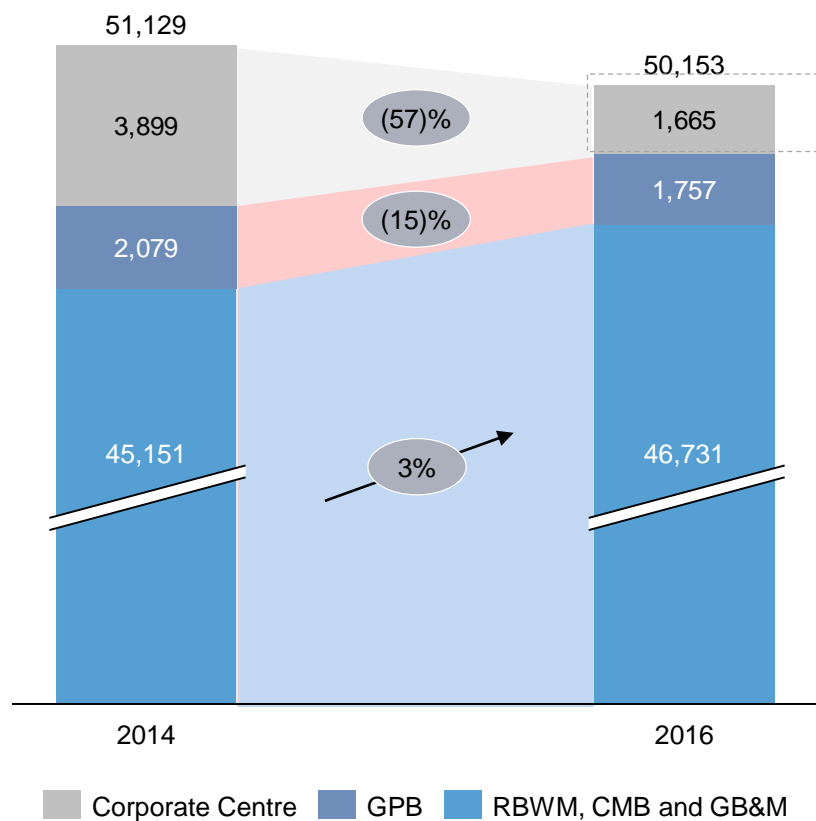
1. Source: Citi Research  
 2. Source: Hong Kong Monetary Authority  
 3. Source: Monetary Authority of Singapore (MAS) Monthly Statistical bulletin  
 4. Source: Dealogic  
 5. Source: Bloomberg

6. Market share of counts; source: mReferral Mortgage Brokerage Services  
 7. Market share of approvals; source: Council of Mortgage Lenders, UK  
 8. Source: Transunion report, Hong Kong  
 9. Source: National Commission of Banking and Securities and based on 6 major banks in Mexico  
 10. Source: Hong Kong Monetary Authority; represents HSBC Group

# Revenue growth

## Adjusted revenue by global business 2014-16

USDm

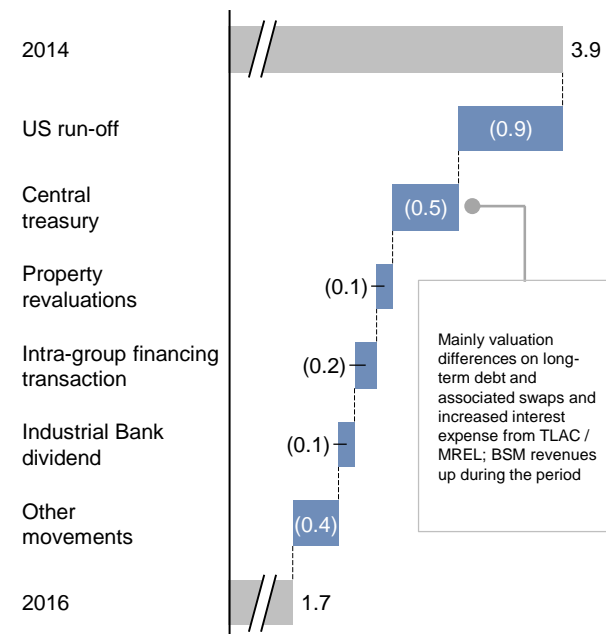


- GPB restructuring
- Momentum in GB&M and CMB; RBWM broadly unchanged
- 5% lending growth
- 10% growth in customer deposits

## Corporate Centre

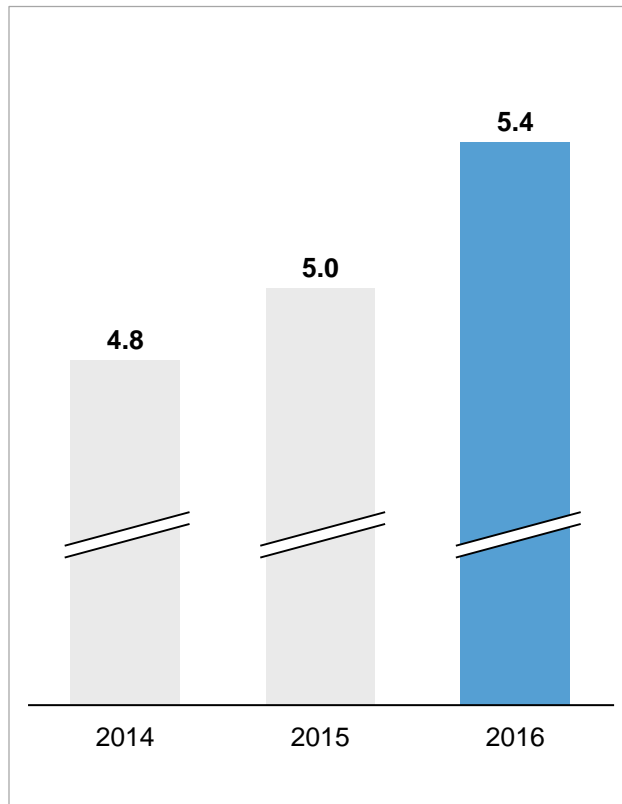
USDbn

During 2016, we established the Corporate Centre, to better reflect the way we manage our businesses. Corporate centre includes Central Treasury (which includes Balance Sheet Management) and our legacy businesses.

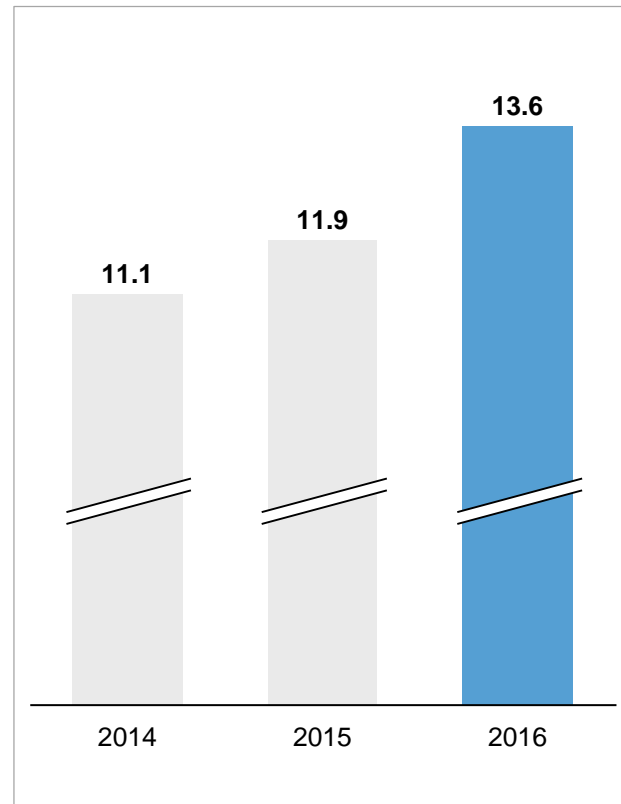


# Strong balance sheet

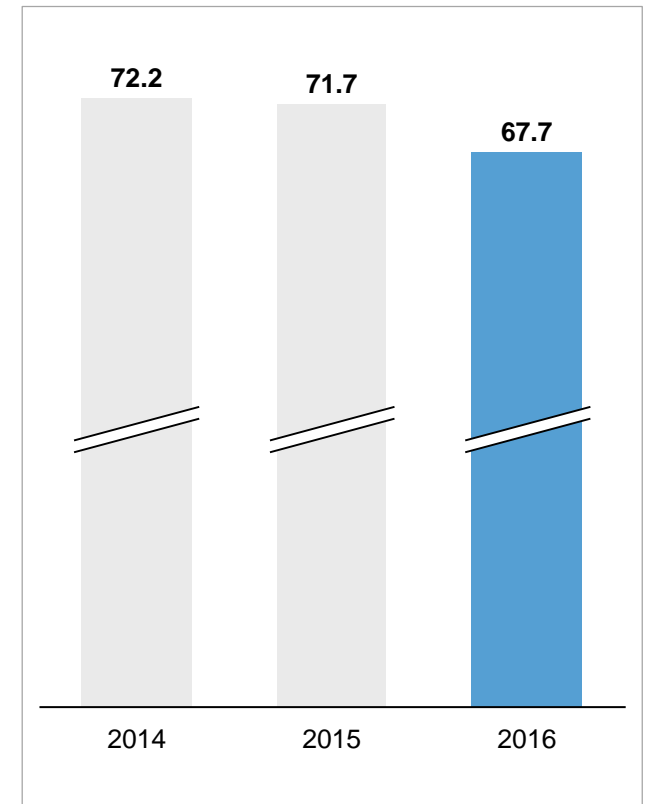
Strong leverage ratio, %



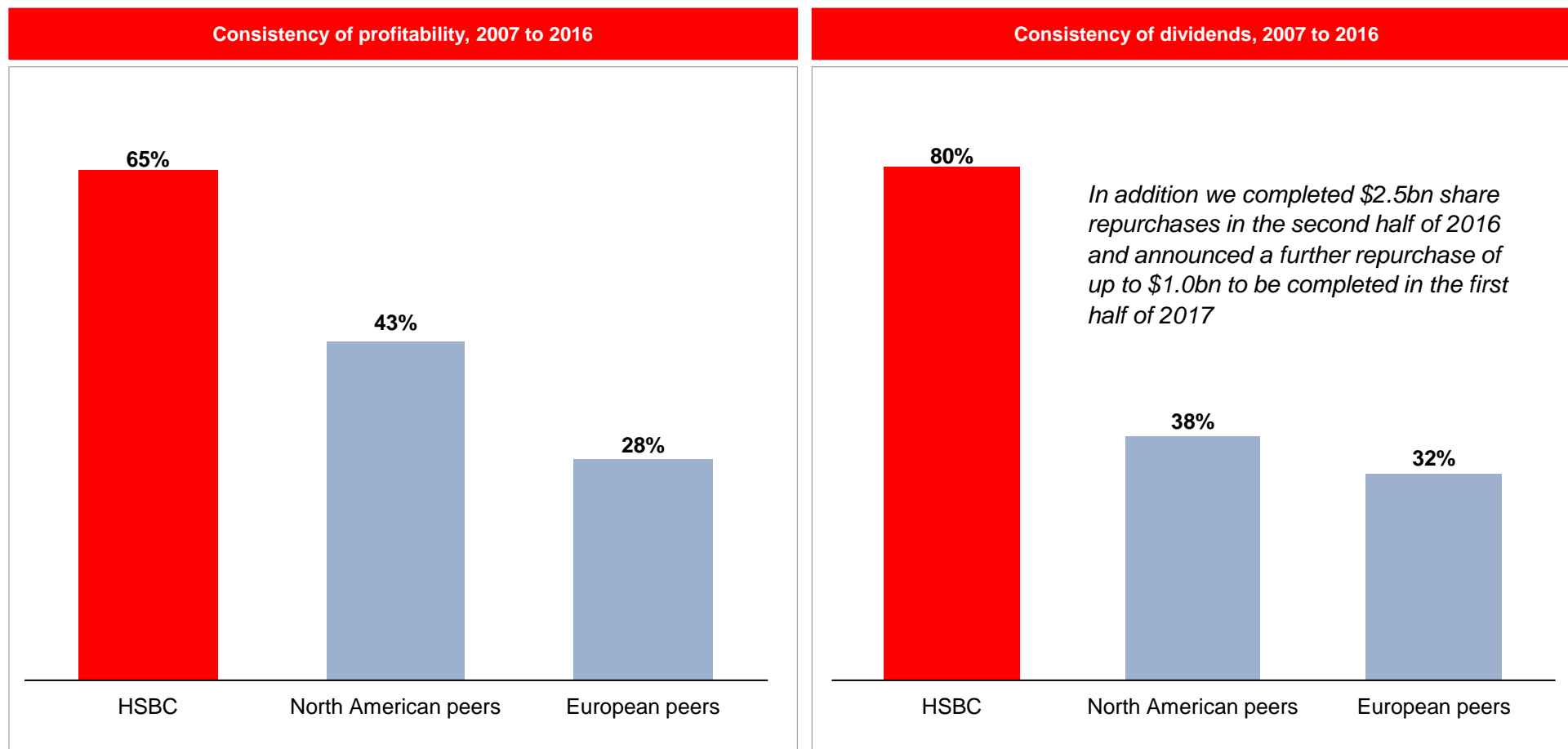
Strong Common equity tier 1 capital ratio, %



Conservative Advances to deposits ratio, %



# Delivered consistent earnings and a stable dividend



Source: Individual company reports

1. Consistency defined as 1-10yr standard deviation / 10yr average, with a floor of zero. Profitability = reported PBT. Dividends = aggregate dividends declared. North American peers: Bank of America, Citi, JPM, RBC, Wells Fargo. European peers: Barclays, BNP, CS, Deutsche, Lloyds, Santander, Soc Gen, Standard Chartered, UBS, Unicredit



# Conclusion

## Group financial targets

**ROE**

>10%

**Costs**

Positive jaws  
(adjusted)

**Dividend and  
capital**

- Sustain dividend through long-term earnings capacity of the businesses<sup>1</sup>
- Contemplate share buy-backs as and when appropriate, subject to the execution of targeted capital actions and regulatory approval

## Medium term prospects remain promising

Despite geopolitical uncertainties, medium term prospects remain promising

- 3% to 4% loan growth in 2017
- Rising rates and steepening yield curves in USD and HKD will benefit the Group
- Well positioned to capture opportunities
- Encouraging start to the year for our global businesses

1. Dividend per ordinary share

# Appendix



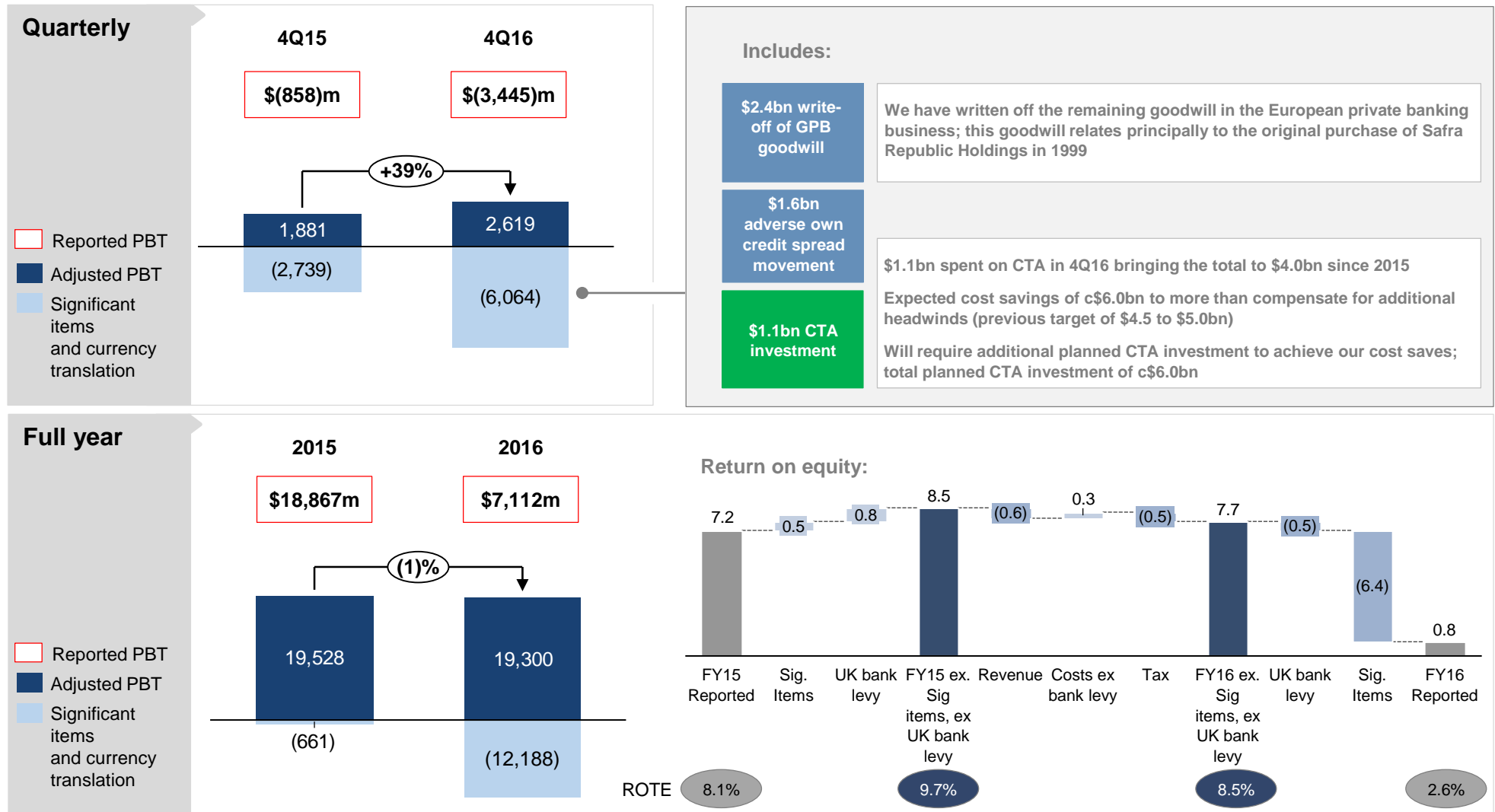
## Appendix: 2016 Key financial metrics

Key financial metrics	2015	2016
Return on average ordinary shareholders' equity	7.2%	0.8%
Return on average tangible equity	8.1%	2.6%
Jaws (adjusted)	(3.7)%	1.2%
Dividends per ordinary share in respect of the period	\$0.51	\$0.51
Earnings per share	\$0.65	\$0.07
Common equity tier 1 ratio	11.9%	13.6%
Leverage ratio	5.0%	5.4%
Advances to deposits ratio	71.7%	67.7%
Net asset value per ordinary share (NAV)	\$8.73	\$7.91
Tangible net asset value per ordinary share (TNAV)	\$7.48	\$6.92

Reported Income Statement, \$m					Adjusted Income Statement, \$m				
	4Q16	vs. 4Q15	2016	vs. 2015		4Q16	vs. 4Q15	2016	vs. 2015
Revenue	8,984	(24)%	47,966	(20)%	Revenue	11,000	(3)%	50,153	(2)%
LICs	(468)	72%	(3,400)	9%	LICs	(468)	64%	(2,652)	(2)%
Costs	(12,459)	(8)%	(39,808)	0%	Costs	(8,411)	3%	(30,556)	4%
Associates	498	(10)%	2,354	(8)%	Associates	498	(6)%	2,355	(4)%
(Loss) / Profit before tax	(3,445)	<(200)%	7,112	(62)%	Profit before tax	2,619	39%	19,300	(1)%

# Appendix: Key financial performance

4Q16 and full year ROE impacted by GBP goodwill write-off, cost to achieve investment (CTA) and FVOD; Adjusted PBT up 39% on 4Q15



# Appendix: Financial overview

## Reconciliation of Reported to Adjusted PBT

	Discrete quarter			2016			
	4Q15	4Q16	vs. 4Q15	2015	2016	vs. 2015	
<b>Reported profit before tax</b>	<b>(858)</b>	<b>(3,445)</b>	<b>(2,587)</b>	<b>18,867</b>	<b>7,112</b>	<b>(11,755)</b>	
Includes:							
<b>Currency translation</b>	139	-	(139)	840	-	(840)	
<b>Significant items:</b>							
FVOD	Fair value gains / losses on own debt (credit spreads only)	(773)	(1,648)	(875)	1,002	(1,792)	(2,794)
Gains on disposal	Gain on the partial sale of shareholding in Industrial Bank	-	-	-	1,372	-	(1,372)
	Gain on the disposal of our membership interest in Visa Europe	-	-	-	-	584	584
	Gain on the disposal of our membership interest in Visa US	-	116	116	-	116	116
Brazil disposal	Loss on disposal of operations in Brazil	-	-	-	-	(1,743)	(1,743)
	Trading results from disposed operations in Brazil	(190)	-	190	(78)	(338)	(260)
Cost-related	Settlements and provisions in connection with legal matters	(370)	42	412	(1,649)	(681)	968
	Impairment of GPB Europe goodwill	-	(2,440)	(2,440)	-	(3,240)	(3,240)
	UK customer redress programmes	(337)	(70)	267	(541)	(559)	(18)
	Costs to achieve	(743)	(1,086)	(343)	(908)	(3,118)	(2,210)
Other	Other significant items*	(465)	(978)	(515)	(699)	(1,417)	(718)
<b>Adjusted profit before tax</b>	<b>1,881</b>	<b>2,619</b>	<b>738</b>	<b>19,528</b>	<b>19,300</b>	<b>(228)</b>	

Includes

- \$1.5bn tangible gain
- \$(1.9)bn FX recycling
- \$(1.3)bn of goodwill

\*Other significant items include portfolio disposals and the costs associated with these, debit valuation adjustment (DVA) movements, fair value movements on non-qualifying hedges (NQHs), regulatory provisions in GPB, restructuring, and provisions arising from the on-going review of compliance with the Consumer Credit Act in the UK

# 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.

### Forward-looking statements

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

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 2016 Annual Report and Accounts and the Reconciliations of Non-GAAP Financial Measures document which are both available at [www.hsbc.com](http://www.hsbc.com).