Global Trade & Receivables Finance Webinar

APRIL 2017

Noel Quinn – Group Managing Director and Chief Executive Officer, Global Commercial Banking

Natalie Blyth – Global Head of Trade and Receivables Finance, Global Commercial Banking
## Agenda

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HSBC overview

Our global footprint

- **70** markets
- **90%**
  - Our network covers countries accounting for more than 90% of global GDP, trade and capital flows
- **> 45%**
  - International network supports more than 45% of our client revenue

Diversified global businesses and regions

- **Revenue**
  - $50.2bn
- **PBT**
  - $19.3bn
- **RWAs**
  - $857bn

Revenue by region:

- **Europe**
  - $12.9bn
- **Asia**
  - $17.3bn
- **MENA**
  - $23.3bn
- **NAM**
  - $14.9bn
- **LAM**
  - $18.6bn
- **GB&M**
  - $1.7bn

Revenue by global business:

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.
HSBC’s network is key to being the leading international bank

1. Customer numbers exclude Hang Seng
Trade is a key part of HSBC’s leading transaction banking franchise

Transaction Banking accounts for 29% Group adjusted revenues, of which 18% is GTRF
FY16 adjusted revenue, %

- Transaction Banking revenue
- Other revenue

- HSS\(^1\): 11%
- GLCM\(^2\): 43%
- FX: 28%
- GTRF: 18%

$35.6bn (71%)

$14.7bn

$14.7bn

$2.6bn

1. HSS stands for HSBC Security Services
2. GLCM stands for Global Liquidity & Cash Management
Global trade is >USD20trn and underlying volumes are still growing

Evolution of global goods and services exports
Index - 2012 = 100

Trade is a core part of HSBC and critical to world economy

### Trade in HSBC
- Founded in 1865 to finance international trade
- Serving our Multinationals to SMEs
- Footprint covering 90% of trade & capital flows
- Balance sheet strength

### Trade in Society
- Key to human progress
- Catalyst for global economic growth
- 1 billion people elevated out of poverty

### HSBC in Trade
- #1 Trade Bank in the world
- Best Bank for Corporates
- #1 issuer of Documentary Credits globally
- #1 Receivables Finance funding provider in the UK

### What we do
- Solutions for our customers’ trade finance and risk needs
- Safer and more efficient form of lending

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2. Source: Coalition FY16, Peer group: Bank of America Merrill Lynch, Barclays, BNP Paribas, Citi, Deutsche Bank, J.P. Morgan, Standard Charted, Société Générale and Wells Fargo. Coalition results are based upon HSBC’s product taxonomy and includes all Corporate and Institutional clients
3. As awarded by Euromoney survey, 2016
4. Source: SWIFT, Dec 2016
5. As awarded by Business Money magazine, 2016
What is trade finance?

**Seller**

*buyer wants payment before shipping*

**Buyer**

*seller wants payment before shipping*

**Trusted Intermediary:**

- Absorbs risks
- Bridges cash flow gaps
- Facilitates trade flows & settlements

**TRADITIONAL TRADE**

- Documentary Trade
- Guarantees
- Trade Loans

**OPEN ACCOUNT**

- Receivables Finance
- Supply Chain Finance
Documentary credit (DC)

Assures seller of payment by a trusted intermediary, provided they deliver the right goods; used when there is low familiarity with the buyer or in an uncertain economic environment

1. Buyer requests for a DC specifying terms of the purchase; is issued favouring the Seller
2. Seller ships goods and presents title documents
3. Documents checked with DC conditions; Financing extended if required
4. Upon receipt of docs, issuing bank pays or accepts to pay on the due date
5. Buyer makes payment on the due date

$ = Interest and Fee income earned across life cycle
Receivables finance (RF) – factoring & invoice discounting

Used when seller/buyer relationship matures: seller raises cash against trade debtors; improves balance sheet and accelerates growth

1. Seller & HBSC sign Receivable Purchase Agreement
2. Seller ships goods / performs services and sends invoices to Buyer
3. Seller sends invoice data to HSBC
4. HSBC purchases receivables and funds (80% - 100%) credited to Seller
5. Buyer pays HSBC on due date – Factoring
   Buyer pays Seller on due date – who transfers funds to HSBC – Invoice discounting

$ = Interest and Fee income earned across life cycle
Agenda

1. Introduction
2. Our Leading Competitive Differentiators
3. Performance Trends
4. Looking Ahead
Overview of GTRF by numbers

<table>
<thead>
<tr>
<th>$500,000,000,000</th>
<th>Trade facilitated annually¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,000</td>
<td>Experts</td>
</tr>
<tr>
<td>1,500</td>
<td>Frontline staff in 56 markets</td>
</tr>
<tr>
<td>10%</td>
<td>Traditional trade market share²</td>
</tr>
<tr>
<td>3</td>
<td>Service centres</td>
</tr>
<tr>
<td>3</td>
<td>Risk distribution centres</td>
</tr>
<tr>
<td>#1</td>
<td>Trade Bank in the world³</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue⁴ FY16</th>
<th>Av. funded assets⁵ as at 4Q16</th>
<th>Total assets as at 4Q16</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.6bn</td>
<td>$71bn</td>
<td>c.$165bn</td>
</tr>
</tbody>
</table>

1. Source: HSBC FY16
2. Source: Oliver Wyman GTB Revenue Pool Estimates 2016
3. Source: Coalition FY16. Peer group: Bank of America Merrill Lynch, Barclays, BNP Paribas, Citi, Deutsche Bank, J.P. Morgan, Standard Chartered, Société Générale and Wells Fargo. Coalition results are based upon HSBC’s product taxonomy and includes all Corporate and Institutional clients
4. On an adjusted basis
5. Average funded assets as at 4Q16
Trade is pivotal to the value of HSBC’s network

Value of HSBC being at both ends
- Local knowledge with a greater understanding of risk
- Better pricing
- Accelerated time to cash\(^1\)
- HSBC is at both ends of a DC transaction c.70% of the time\(^2\)

Covers full global supply chain
- Small local suppliers up to MNCs

Balance sheet width & strength
- Capital efficient
- Book in multiple jurisdictions

Trade clients have deeper relationships\(^3\)
- c.4x average revenue
- c.2x number of countries and products

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1. 7 days faster time to cash for a DC where HSBC is on both ends of the transaction vs. one end of the transaction
2. HSBC negotiates c.70% of DCs issued within the Group
3. Source Internal HSBC MI; comparison of CMB corporate clients with trade revenue vs. CMB corporate clients without GTRF revenue
Trade is pivotal to the value of HSBC’s network: client examples

Microsoft (Seller)
Buyer
HSBC Balance sheet

Structured a receivables finance facility in US with HK

Structured a receivables finance facility in MENA

LARSEN & TOUBRO

A multi-geography Bank Guarantee solution for L&T (HQ in India)

Seller
Beneficiary
HSBC Balance sheet

US
UK
HK
Saudi Arabia
Netherlands
India
Singapore
Japan
UAE

Adam Smith Awards
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<td>1</td>
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After 30+ years of almost uninterrupted growth, global trade under short-term pressure

Evolution of global goods and services exports
Index - 2012 = 100

- Since 2015, trade value has declined
- Trade expected to return to growth in 2017
- Decline in trade value largely driven by commodity prices
- Trade volumes grew in 2015 & 2016

Factors driving future growth;
TFA³, RCEP⁴, Belt & Road initiative, Saudi Vision 2030, growth of middle-class in Asia

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3. TFA stands for Trade Facilitation Agreement
4. RCEP stands for Regional Comprehensive Economic Partnership
HSBC has shown resilient performance in challenging environment

GTRF adjusted revenues declined in line with global trade value
USDm

<table>
<thead>
<tr>
<th>Year</th>
<th>1Q15</th>
<th>2Q15</th>
<th>3Q15</th>
<th>4Q15</th>
<th>1Q16</th>
<th>2Q16</th>
<th>3Q16</th>
<th>4Q16</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2,768</td>
<td>2,581</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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Revenue decline bottomed out in 4Q16

- Increased market share in 2016;
  - HK\(^1\) from 10.8% to 13%, record high
  - Singapore\(^2\) from 8.6% to 12.7%
  - UK Receivables Finance\(^3\) from 19% to 21.6%

see appendix for further information

GTRF funded assets grew at the end of 2016
Period end funded assets

<table>
<thead>
<tr>
<th>Period</th>
<th>1Q15</th>
<th>2Q15</th>
<th>3Q15</th>
<th>4Q15</th>
<th>1Q16</th>
<th>2Q16</th>
<th>3Q16</th>
<th>4Q16</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>70</td>
<td>72</td>
<td>72</td>
<td>70</td>
<td>66</td>
<td>65</td>
<td>67</td>
<td>74</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Balance sheet started to grow in 4Q16

- Asset growth momentum into 2017
- NIM remained broadly stable throughout 2016

Note: Balances on constant currency basis
3. Source: Asset Based Finance Association Sept 2016
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<td>4</td>
<td>Looking Ahead</td>
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</table>
Five reasons to be optimistic in an uncertain environment

Strong medium term prospects

1. Asia has potential to drive trade growth
2. HSBC well positioned within Asia and the trade market overall
3. We are strengthening capabilities in growth segments
4. Well positioned to capture additional opportunities from within the existing client base
5. Leading player in the digitisation of trade

Key messages

- Trade market seems to have bottomed out in 2016 and is showing first signs of growth
- HSBC is the #1 Trade Bank and is differentiated vs. competitors
- Trade is core to creating value from the network for HSBC

1. Source: Coalition FY16. Peer group: Bank of America Merrill Lynch, Barclays, BNP Paribas, Citi, Deutsche Bank, J.P. Morgan, Standard Chartered, Société Générale and Wells Fargo. Coalition results are based upon HSBC’s product taxonomy and includes all Corporate and Institutional clients
HSBC is a leading player in the digitisation of trade

<table>
<thead>
<tr>
<th>GTRF digital priorities</th>
<th>Project examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tactical</strong></td>
<td></td>
</tr>
<tr>
<td>Improving digital customer experience</td>
<td>Self-Serve, real-time mobile solution for clients to track status of their trade transactions and documents</td>
</tr>
<tr>
<td>Automating trade finance operations</td>
<td>Automated supply chain financing proposition launched with Tradeshift 30MAR</td>
</tr>
<tr>
<td>Connecting with 3rd party platforms</td>
<td>Developing digital trade finance solutions using R3/Corda distributed ledger technology</td>
</tr>
<tr>
<td>Leading digitisation of trade</td>
<td></td>
</tr>
<tr>
<td>Developing distributed ledger technology for trade finance</td>
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</tbody>
</table>

**Strategic**
Five reasons to be optimistic in an uncertain environment

**Strong medium term prospects**

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2. HSBC well positioned within Asia and the trade market overall
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1. Source: Coalition FY16. Peer group: Bank of America Merrill Lynch, Barclays, BNP Paribas, Citi, Deutsche Bank, J.P. Morgan, Standard Charted, Société Générale and Wells Fargo. Coalition results are based upon HSBC’s product taxonomy and includes all Corporate and Institutional clients
Appendix
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 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.
Noel Quinn was appointed Chief Executive, Global Commercial Banking, in December 2015.

He became a Group Managing Director in September 2016.

Based in London, Mr Quinn is responsible for HSBC’s relationships with about 2 million business customers with turnover up to $5bn in Asia-Pacific, Europe, the Middle East and North Africa, North America and Latin America. He is responsible for c.$300bn of lending assets and $13bn of revenues across 54 countries.

From 2011 to 2015 he was the Regional Head of Commercial Banking for the Asia-Pacific region based in Hong Kong, which accounted for c.50% of global CMB revenues. From October 2008-2011 he was Head of Commercial Banking in the UK, which represented c.20% of global CMB revenues, and started in role by managing the business carefully through the global financial crisis.

Mr Quinn qualified as an accountant in October 1987. He joined Forward Trust Group, a subsidiary of Midland Bank (now part of HSBC), in January 1988. He has spent 30 years in Banking, 26 of which have been in front line or functional roles within HSBC.

He has lived and worked in the UK, Europe, US and Asia. He featured among the Top 30 Ally Executives in the 2015 Financial Times/OUTstanding Executive Diversity ranking. He is passionate about developing a culture that values inclusion and diversity, and helping entrepreneurial businesses to develop and grow.
Executive Biographies

Natalie Blyth was appointed Global Head of Trade and Receivables Finance, Global Commercial Banking, in July 2016.

Based in HSBC Group’s London offices, Ms. Blyth is responsible for a business which provides financing and risk mitigation solutions to meet clients’ international and domestic trade requirements.

Ms. Blyth has over 20 years’ investment banking experience. She joined the Global Commercial Banking business in 2015, as the Global Head of Large Corporates and went on to become the Global Head of Client Coverage. Before moving into Commercial Banking, she spent 8 years with the Global Banking and Markets business, as the Global Head of the Consumer Group and the Co-Head of UK Banking.

Before joining HSBC in 2007, Ms. Blyth spent 3 years as the Head of Consumer at Deutsche Bank. Previously, she spent 11 years at Dresdner Kleinwort Wasserstein and prior to her move into banking, worked as a solicitor at Stephenson Harwood, focusing on corporate law.

Ms. Blyth holds a BSc in Biochemistry from St Andrew’s University.
The value of trade to our customers

<table>
<thead>
<tr>
<th>Key Product</th>
<th>Clients needs.....</th>
<th>…and benefit to client</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documentary Trade</td>
<td>▪ Buyer (defer payment) &amp; Supplier (early payment) conflicting needs</td>
<td>▪ Supplier is assured of payment and can receive upfront discounted proceeds</td>
</tr>
<tr>
<td></td>
<td>▪ Bank’s undertaking to pay the supplier if they have shipped in accordance to the buyers requirements</td>
<td>▪ Buyer is assured that goods are as per their requirement and can defer payment terms</td>
</tr>
<tr>
<td></td>
<td>▪ Managed by routing of title documents through Bank</td>
<td></td>
</tr>
<tr>
<td>Trade Loans</td>
<td>▪ Facility that bridges working capital gaps and are tailored to the clients working capital cycle</td>
<td>▪ Provides competitive pricing (better capital treatment and shorter tenor)</td>
</tr>
<tr>
<td></td>
<td>▪ Often self-liquidating structures</td>
<td>▪ Incremental credit outlay</td>
</tr>
<tr>
<td>Guarantees</td>
<td>▪ Clients need to provide comfort to beneficiary in relation to performance</td>
<td>▪ Critical to client’s operations and fundamental to projects and infrastructure.</td>
</tr>
<tr>
<td></td>
<td>▪ An unconditional undertaking to pay upon demand by the beneficiary in the event of non-performance</td>
<td>▪ Helps clients cash position, as they are often in lieu of deposits</td>
</tr>
<tr>
<td>Receivables Finance</td>
<td>▪ Clients need to improve cashflow without impacting balance sheet</td>
<td>▪ Clients can use their generic working capital facilities for other purposes</td>
</tr>
<tr>
<td></td>
<td>▪ Purchase of receivables, we then seek payment from Buyers.</td>
<td>▪ Ledger management services to improve clients A/R process</td>
</tr>
<tr>
<td>Supply Chain Finance</td>
<td>▪ HSBC discount approved invoices from the buyer and release early payment to the Supplier (payment risk on the buyer)</td>
<td>▪ Buyer can extend payment terms without impacting their working capital and deepen supplier relationships</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Supplier benefits from competitive pricing</td>
</tr>
</tbody>
</table>
## How trade products relate to our balance sheet and P&L

<table>
<thead>
<tr>
<th></th>
<th>Balance Sheet</th>
<th>Capital</th>
<th>Profit &amp; Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Funded Asset</td>
<td>Contingent Liability</td>
<td>RWA</td>
</tr>
<tr>
<td>Letter of Credit</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Receivable Finance</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Guarantees</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Trade Loans</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
Supply chain finance
Banks intermediating in open account trade, providing working capital financing solutions across the entire supply chain benefiting both buyers and sellers

1. HSBC agrees legal documents with Buyer and Seller
2. Buyer sends Approved Invoice data to HSBC
3. Seller requests early payment and receives early discounted payment
4. Buyer settlement of Approved Invoice on the due date

$ = Interest and Fee income earned across life cycle
9% decline in trade finance market in 2015

Trade Finance Global Market Size
Revenue Pool, USDbn

- Open Account revenues stable as clients move from Traditional Trade Finance
- BCG projects 4% p.a. growth in Trade Finance market over next decade
  - Traditional Trade to return to growth
  - Open account to continue to gain share

Open account % of total: 44%, 48%, 47%, 51%, 50%, 53%

1. Source: Oliver Wyman GTB Revenue Pool Estimates 2016
HSBC has gained market share and remains #1 Trade Bank

GTRF have shown resilient performance in challenging environment
Market share¹ 2012 – 2015, %

1. Source: Coalition FY16. Peer group: Bank of America Merrill Lynch, Barclays, BNP Paribas, Citi, Deutsche Bank, J.P. Morgan, Standard Chartered, Société Générale and Wells Fargo. Coalition results are based upon HSBC’s product taxonomy and includes all Corporate and Institutional clients
2. Source: Oliver Wyman GTB Revenue Pool Estimates 2016
3. Source: Govt. of India (Ministry of Commerce - DGFT), Dec 2016
Asia leading trade growth going forward, positioning HSBC well

Selected Regional Bilateral Trade Corridors, 2015
Merchandise Trade¹, USDtrn

Area of bubble = Value of bilateral merchandise trade (global total = USD17trn)

Asian leadership in trade
- RCEP² to drive liberalisation
- China’s Belt & Road initiative

1. 2015 UNCTAD regional trade data, split according to World Bank definitions of regions
2. Regional Comprehensive Economic Partnership accord is a mega-regional trade deal covering 16 countries in the Asia-Pacific region
Further integration in ASEAN, RCEP, as well as the Belt and Road initiative are expected to deliver additional trade growth in Asia.

**Chinese Belt and Road Initiative**
- **Countries covered under plan**: 65
- **Number of planned projects**: >900
- **Trade along BRI by 2025**: USD2.5 trn
- **World GDP connected**: 29%

**Regional Comprehensive Economic Partnership (RCEP)**
- **Number of Asia-Pacific countries included**: 16
- **Population covered as % of world total**: 48%
- **GDP as percent of world total**: 30%

**Between now and 2050**, the region will contribute 80% (c. USD100 trn) of global economic growth, with three billion more people entering the middle class.

**Capital dedicated to Belt and Road Initiative**
- **Silk Road Fund**: USD40m
- **Asia Infrastructure Investment Bank (AIIB)**: USD100m
- **New Development Bank**: USD50m
- **Chinese policy banks**: China Development Bank, China Export Import Bank
- **Private capital**: bond issuances, IPOs

**ASEAN integration**
- **GDP and trade growth 1990-2014 CAGR**: 9%
- **Population by 2030**: 7.36 billion
- **Per capita GDP growth 2013-2030**: 3.6x
- **Growth in middle class 2010-2025**: 2x

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1. BRI is geographically elastic, a fact acknowledged by Chinese government agencies. We have defined BRI coverage to include Greater China territories and countries identified using sources like HKTDC BRI coverage and State Council maps.
4. HSBC Global Research, *On the New Silk Road II*
5. China, Hong Kong, Singapore and the UK are expected to be key financing centres to support BRI
## 2016 Key financial metrics

<table>
<thead>
<tr>
<th>Key financial metrics</th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td>Return on average ordinary shareholders’ equity</td>
<td>7.2%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Return on average tangible equity</td>
<td>8.1%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Jaws (adjusted)¹,²</td>
<td>(3.7)%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Dividends per ordinary share in respect of the period</td>
<td>$0.51</td>
<td>$0.51</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>$0.65</td>
<td>$0.07</td>
</tr>
<tr>
<td>Common equity tier 1 ratio</td>
<td>11.9%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Leverage ratio</td>
<td>5.0%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Advances to deposits ratio</td>
<td>71.7%</td>
<td>67.7%</td>
</tr>
<tr>
<td>Net asset value per ordinary share (NAV)</td>
<td>$8.73</td>
<td>$7.91</td>
</tr>
<tr>
<td>Tangible net asset value per ordinary share (TNAV)</td>
<td>$7.48</td>
<td>$6.92</td>
</tr>
</tbody>
</table>

### Reported Income Statement, $m

<table>
<thead>
<tr>
<th></th>
<th>4Q16 vs. 4Q15</th>
<th>2016 vs. 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>8,984 (24)%</td>
<td>47,966 (20)%</td>
</tr>
<tr>
<td>LICs</td>
<td>(468) 72%</td>
<td>(3,400) 9%</td>
</tr>
<tr>
<td>Costs</td>
<td>(12,459) (8)%</td>
<td>(39,808) 0%</td>
</tr>
<tr>
<td>Associates</td>
<td>498 (10)%</td>
<td>2,354 (8)%</td>
</tr>
<tr>
<td>(Loss) / Profit before tax</td>
<td>(3,445) &lt;(200)%</td>
<td>7,112 (62)%</td>
</tr>
</tbody>
</table>

### Adjusted Income Statement, $m

<table>
<thead>
<tr>
<th></th>
<th>4Q16 vs. 4Q15</th>
<th>2016 vs. 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>11,000 (3)%</td>
<td>50,153 (2)%</td>
</tr>
<tr>
<td>LICs</td>
<td>(468) 64%</td>
<td>(2,652) (2)%</td>
</tr>
<tr>
<td>Costs</td>
<td>(8,411) 3%</td>
<td>(30,556) 4%</td>
</tr>
<tr>
<td>Associates</td>
<td>498 (6)%</td>
<td>2,355 (4)%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>2,619 39%</td>
<td>19,300 (1)%</td>
</tr>
</tbody>
</table>

1. Includes the impact of UK bank levy
2. 2015 Jaws as reported in 2015
Reconciliation of reported to adjusted PBT

<table>
<thead>
<tr>
<th>Significant items:</th>
<th>Discrete quarter</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4Q15</td>
<td>4Q16</td>
</tr>
<tr>
<td>Reported profit before tax</td>
<td>(858)</td>
<td>(3,445)</td>
</tr>
<tr>
<td>Includes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FVOD Fair value gains / losses on own debt (credit spreads only)</td>
<td>(773)</td>
<td>(1,648)</td>
</tr>
<tr>
<td>Gains on disposal Gain on the partial sale of shareholding in Industrial Bank</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains on disposal Gain on the disposal of our membership interest in Visa Europe</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains on disposal Gain on the disposal of our membership interest in Visa US</td>
<td>-</td>
<td>116</td>
</tr>
<tr>
<td>Brazil disposal Loss on disposal of operations in Brazil</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Brazil disposal Trading results from disposed operations in Brazil</td>
<td>(190)</td>
<td>-</td>
</tr>
<tr>
<td>Cost-related Settlements and provisions in connection with legal matters</td>
<td>(370)</td>
<td>42</td>
</tr>
<tr>
<td>Cost-related Impairment of GPB Europe goodwill</td>
<td>-</td>
<td>(2,440)</td>
</tr>
<tr>
<td>Cost-related UK customer redress programmes</td>
<td>(337)</td>
<td>(70)</td>
</tr>
<tr>
<td>Cost-related Costs to achieve</td>
<td>(743)</td>
<td>(1,086)</td>
</tr>
<tr>
<td>Other Other significant items*</td>
<td>(465)</td>
<td>(978)</td>
</tr>
<tr>
<td>Adjusted profit before tax</td>
<td>1,881</td>
<td>2,619</td>
</tr>
</tbody>
</table>

*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.