

HSBC Holdings plc Deutsche Bank Global Financial Services Conference, May 2017 Andy Maguire, Group Chief Operating Officer



HSBC is a leading international bank



Diversified global businesses and regions¹



 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

Strategic Priorities

We are well on our way towards achieving the strategic priorities set out in June 2015

1	2	3
Reduce RWAs	Optimise global network	Rebuild NAFTA profitability
4 Set up UK ring-fenced bank	5 Realise c. \$4.5bn to \$5.0bn cost savings	6 Revenue growth above GDP from our international network
7	8	9
Capture growth opportunities in	Extend leadership in RMB	Complete Global Standards
Asia	internationalisation	implementation

Our Transformation programmes continue to progress well enabling us to increase the amount of costs that we can remove from the business by end of 2017 to around **\$6bn** annualised savings¹.

On track to achieve our increased cost savings target of \$6bn

\$4.3bn of annualised run rate savings (c.70% of target) achieved as of Q1 2017

Group Cost walk – 2014 – Q1 2017



Simpler, Better, Faster for our customers and colleagues

delivering efficiency and productivity to generate real operating leverage



Retail Banking & Wealth Management Focus on transformation in HSBC's 6 biggest markets: UK, HK, US, Mexico, France and Canada



Commercial Banking Improve four key processes in Priority Markets (Account Opening, Credit Workflow, Payments & Trade)



Global Banking & Markets Increased productivity through investment in technology and digital

Operations Automate & re-engineer processes; remove waste and paper; optimise locations Technology

Optimise IT infrastructure; simplify software development and optimise IT development through Agile



Simpler access...

...through Biometrics



Successfully verified **1.9m** UK calls making telephone banking easier since launch of Voice ID in Sep 16

ouch D

Retail Customers in the **UK**, **France and the US** can use their fingerprints to sign in to mobile banking

App

UK Commercial Banking customers use a 'selfie' to identify themselves for online account opening Before Voice ID **7k callers a day failed** (out of 100k calls) the verification process

Corporate customers in 9 countries now enjoy simpler, faster access to HSBCnet using Touch ID

Helped **improve and speed** up the online account opening experience; **no need to visit a branch** More than **GBP3m** saved in attempted fraud from ~1,250 calls made by criminals

User security and easier account access for HSBC customers

80% of customers choose the digital channel when offered

...and multi-channel capability



1.7m chats held across all markets making it simpler for clients to get personalised and online support



Branch Video rolled out across 41 UK branches, connecting customers quickly to centrally-based expertise

Sign

-ive

Live Sign launched in France and the US in December 2016

Deflection rate of 84%, avoiding 1million+ branch or contact centre visits

Improved utilisation of our mortgage advisors

Further reduction of paper & mailed items to our customers

84% of customers are satisfied or very satisfied with the service

To date this has driven over **1,250** appointments, generating **280** mortgage uploads totalling **\$94m**

In the US, near **real-time processing** vs typical 10 day turnaround to reactivate dormant accounts

Better service...

...through technology and process optimisation



Our single dealer FX platform, Evolve is now used by **5,500 clients globally**

Single point instant access to over 400 currency pairs and automated execution On average, FX revenue from clients **has increased by c.10%** following migration to Evolve



HSBC and non-HSBC retail customers in HK can now use PayMe A new social payment application to send and receive money, regardless of who their bank is Since February launch >85k accounts registered, and >47k transactions conducted in March



Reduced manual payments in Commercial Banking by over 80% through moving customers to automated channels Improved customer journey and internal processing times through the release of a global payment SmartForm Improved operational control and reduced the cost of running Payment Operations



Colleagues in GBM Equities business now have an **improved e-trading and market-making platform** Improved trading environment by providing wider access to global listed markets, better risk management tools... ...and a front-end that enables the business to handle significantly greater volumes of trades with increased speed

Faster turnaround...

...through digital, process optimisation, DevOps and Agile ways of working



Pre-approved Cards Application process successfully launched in HK

Complete straight through approval, reducing processing time

Process time for pre-approved customers: from 3-6 days to 5 seconds



Simplified Commercial Banking process through introduction of a customer "passport" of information and elimination of manual keying Average domestic client on-boarding times **reduced by 40%** in our top 7 markets Reduced International account opening times in HK by 73% and in the UK by 67%



HotDocs has automated the production of post-approval lending documents...cutting the time to draft letters by a third FinSuite's BizAnalyzer, used by the Credit Services team across 27 markets, automatically extracts and sends customers' financial data for analysis



Multi-disciplinary, self-managed teams, highly automated delivery pipeline working in sprints to bring new products and features to customers, faster, more often and to higher quality. Enabled the cards team to deliver a new release to our customers every two weeks (instead of two months)... ...with 20% less staff and twice the functionality

Highlights



We've also invested in innovative technology start-ups and partnerships with leading technology companies and research institutions

Strategic Investments

Applied Innovation: select partnerships



Looking ahead

We are creating the capacity to generate efficiency savings to fund investment and offset inflation



- We will deliver \$6bn of run-rate efficiency savings by the end of 2017; more than the \$4.5bn to \$5bn we promised in June 2015¹
- We are on track to achieve positive jaws in 2017
- Our actions are changing the Group's ability to deliver year-on-year cost productivity
- We will have the capacity to generate efficiency savings sufficient to fund investment and offset inflation in 2018 and beyond, without additional belowthe-line costs
- This will give us the strategic flexibility either to keep costs flat or invest for revenue growth

Appendix

Appendix: Financial overview

Reconciliation of Reported to Adjusted PBT

		Discrete quarter			2016			_
		4Q15	4Q16	vs. 4Q15	2015	2016	vs. 2015	
eported profit be	efore tax	(858)	(3,445)	(2,587)	18,867	7,112	(11,755)	
ncludes:								
Currency translation		139	-	(139)	840	-	(840)	
Significant iten	ns:							
FVOD	Fair value gains / losses on own debt (credit spreads only)	(773)	(1,648)	(875)	1,002	(1,792)	(2,794)	
Gains on	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	Includes
Brazil disposal	Loss on disposal of operations in Brazil	-	-	-	-	(1,743)	(1,743)	 \$1.5bn tang gain \$(1.9)bn FX recycling
	Trading results from disposed operations in Brazil	(190)	-	190	(78)	(338)	(260)	
Cost-related UI	Settlements and provisions in connection with legal matters	(370)	42	412	(1,649)	(681)	968	- \$(1.3)b goodw
	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)	
djusted profit b	efore tax	1,881	2,619	738	19,528	19,300	(228)	

*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.

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

Issued by HSBC Holdings plc

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Cover image: The Hong Kong-Zhuhai-Macau Bridge: one of the most ambitious infrastructure projects in the Pearl River.

Photography: courtesy of Dragages-China Harbour-VSL JV