

HSBC Asia Seminar for Investors and Analysts

Day 1 presentations

Date: 9 April 2018



Important notice and forward-looking statements

Important notice

The information, statements and opinions set out in this presentation and subsequent discussion do 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 advice or recommendation in respect of such securities or other financial instruments.

The information contained in this presentation and subsequent discussion, which does not purport to be comprehensive nor render any form of financial or other advice, has been provided by HSBC Holdings plc and its subsidiaries (the “Group”) and has not been independently verified by any person. No responsibility, liability or obligation (whether in tort, contract or otherwise) is accepted by the Group or any member of the Group or any of their affiliates or any of its or their officers, employees, agents or advisers (each an “Identified Person”) as to or in relation to this presentation and any subsequent discussions (including the accuracy, completeness or sufficiency thereof) or any other written or oral information made available or any errors contained therein or omissions therefrom, and any such liability is expressly disclaimed.

No representations or warranties, express or implied, are given by any Identified Person as to, and no reliance should be placed on the accuracy or completeness of any information contained in this presentation, any other written or oral information provided in connection therewith or any data which such information generates. No Identified Person undertakes, or is under any obligation, to provide the recipient with access to any additional information, to update, revise or supplement this presentation or any additional information or to remedy any inaccuracies in or omissions from this presentation.

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, revise or supplement 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. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report and Accounts for the fiscal year ended 31 December 2017 filed with the Securities and Exchange Commission on Form 20-F on 20 February 2018 (the “2017 20-F”).

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

Information in this presentation was prepared as at 6 April 2018.

Day 1 presentations

Asia	03
Greater China	24
Hong Kong	37
Mainland China	48
Risk	65
Appendix	73
Glossary	76

Asia

9 April 2018

Peter Wong

Deputy Chairman and Chief Executive, The Hongkong and Shanghai Banking Corporation Limited



Agenda

Asia is attractive

HSBC franchise in Asia

Financial performance

Position vs. peers

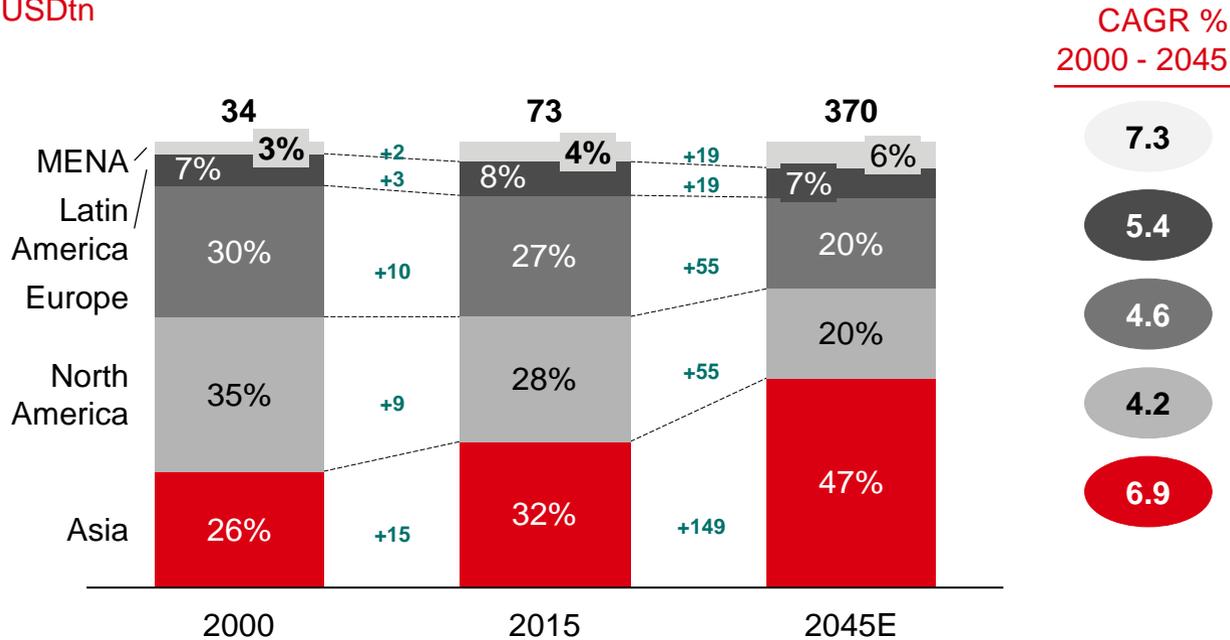
Strategic priorities

Summary

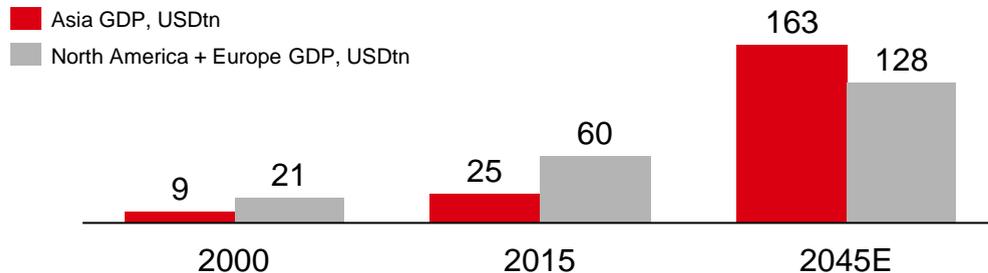
Asia accounts for over 30% of world GDP and is among the fastest growing regions globally

Nominal GDP¹

USDtn



By 2045, Asia's GDP is expected to be 26% higher than the combined GDP of North America and Europe



Key growth drivers

◆ Urbanisation²

- In 2025, 2.5 billion people (more than half of the world's urban population) are expected to live in Asia's cities
- By 2030, 44% of population in Asia to be urban, contributing over 85% of GDP

◆ Rising middle class³

- Key source of wealth creation across many Asia markets
- Middle class is expected to more than double from 552 million households to 1.2 billion households between 2013 and 30
- By 2030, Asia is expected to account for 66% of the world's total middle class population, up from 28% in 2009

◆ Increase in Asia multinational corporations (MNCs)⁴

- MNCs headquartered in Asia form the largest group (40%) in the Fortune Global 500
- 48% of the Asia MNCs are from China, up from only 13% in 2005

1. Source: Global Insight

2. Source: McKinsey

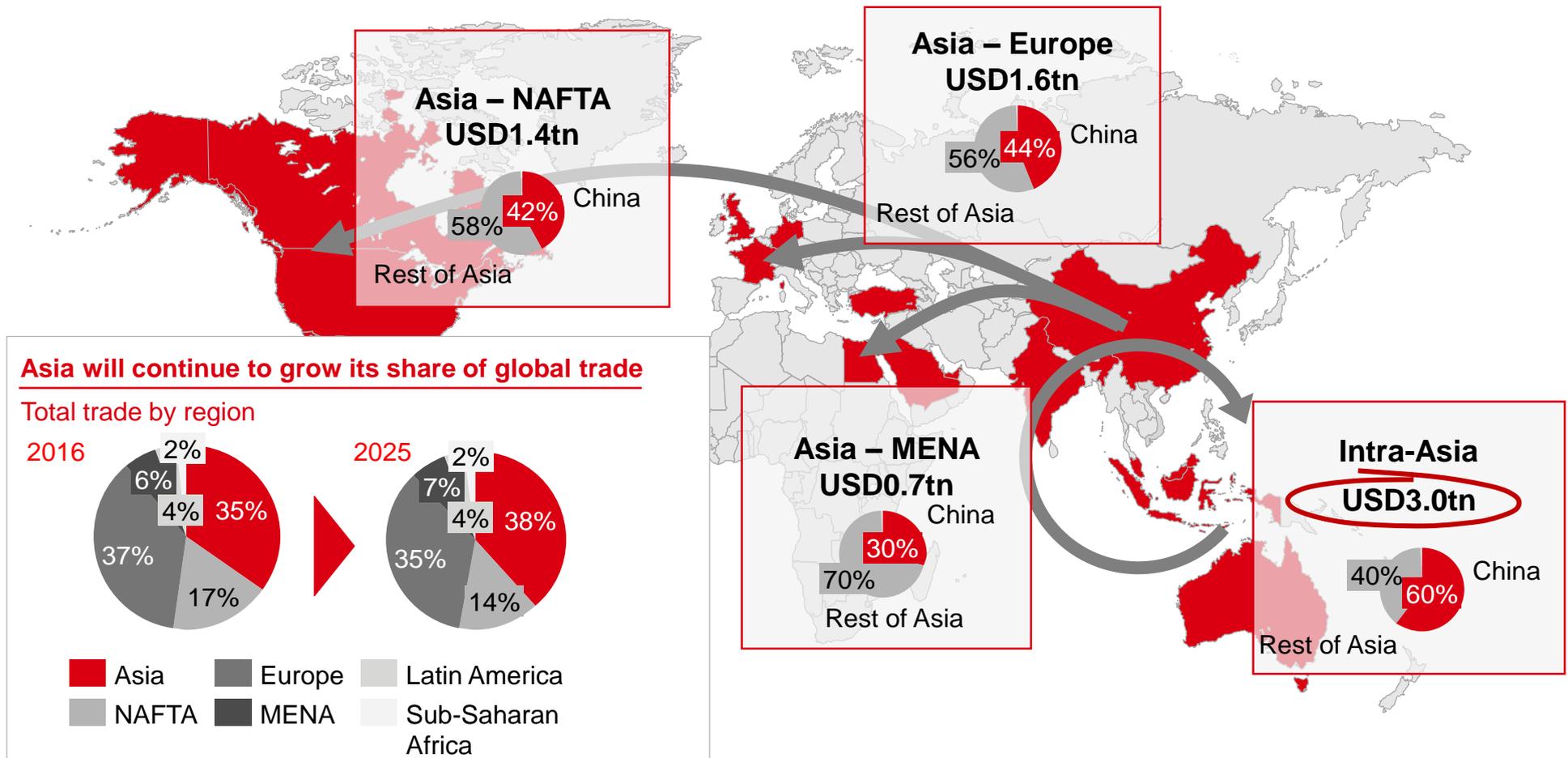
3. Source: BCG, OECD, Middle class defined as households with daily expenditure between USD10 and USD100 per person in purchasing power parity terms

4. Source: Towers Watson, 2015. Asia MNCs represented only 24% of Fortune Global 500 in 2006

Strong connectivity with the rest of the world, representing 35% of global trade in 2016

Regional trade corridors 2016

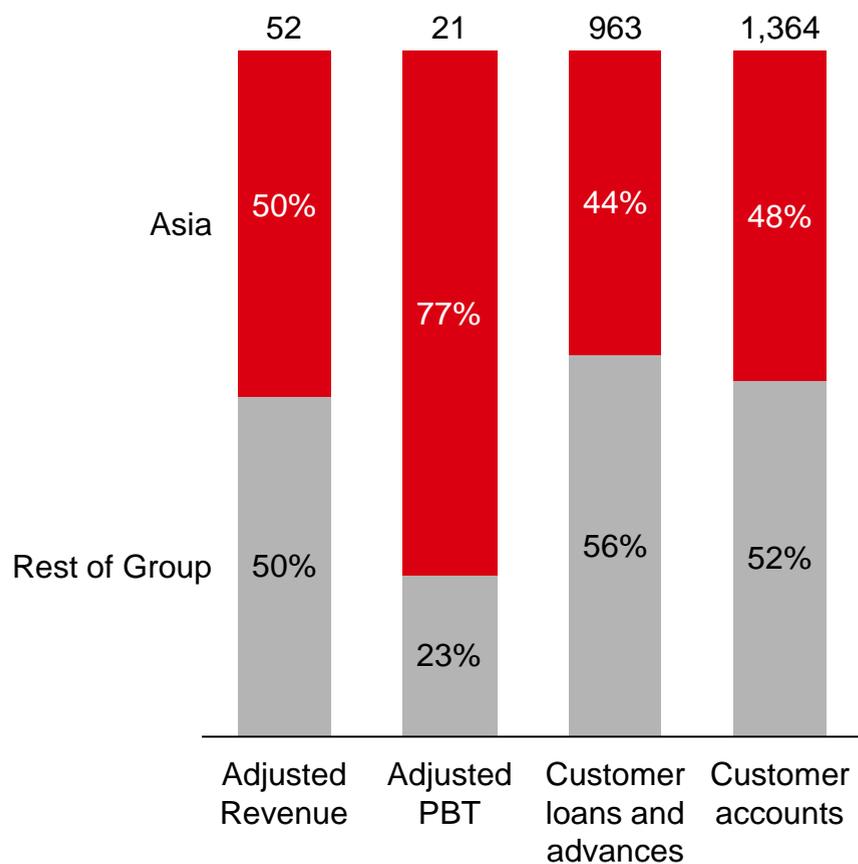
Value of exports + imports



HSBC Asia contributed 50% of Group adjusted revenues and >75% of Group adjusted profits in 2017

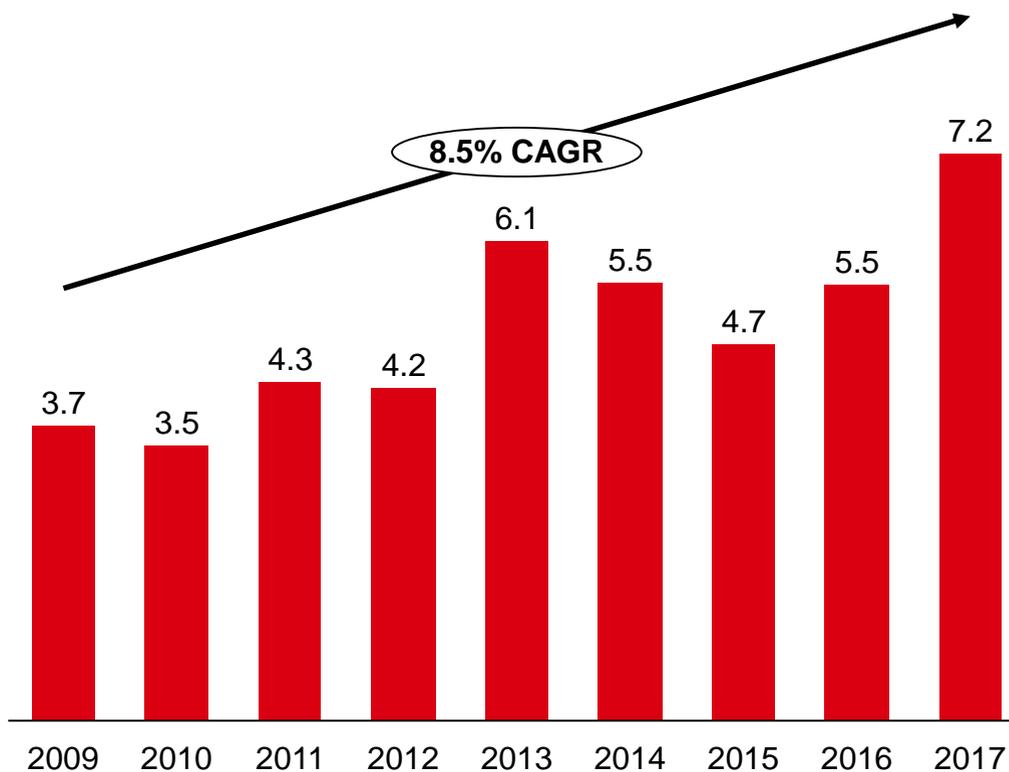
Asia vs. Rest of Group

2017 adjusted basis, USDbn



Dividends remitted to Group¹

USDbn, constant currency basis



1. The Hongkong and Shanghai Banking Corporation entity basis

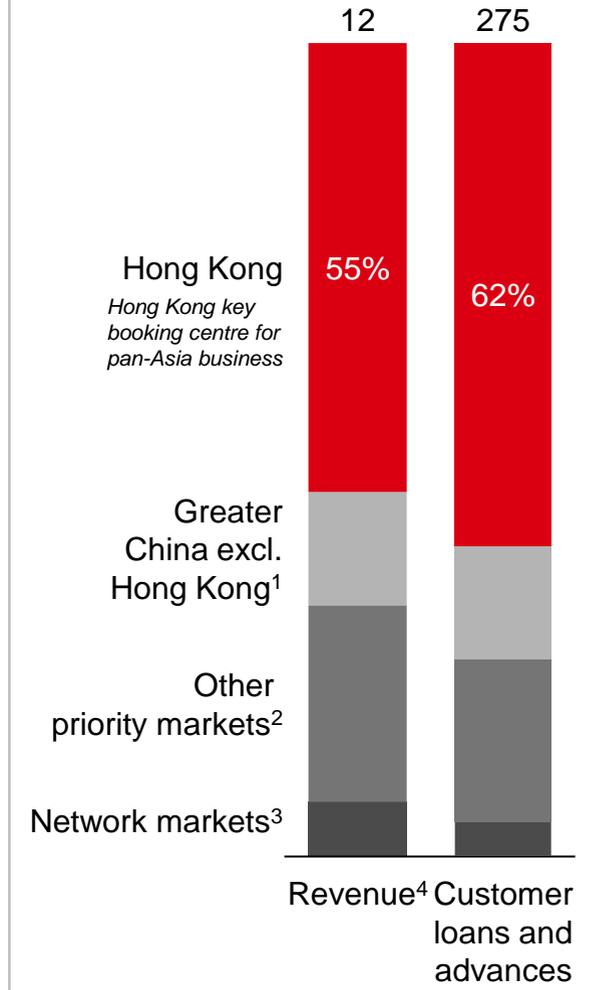
Footprint in Asia enables our strategy around international connectivity

HSBC footprint in Asia



Wholesale (CMB + GB&M), 2017

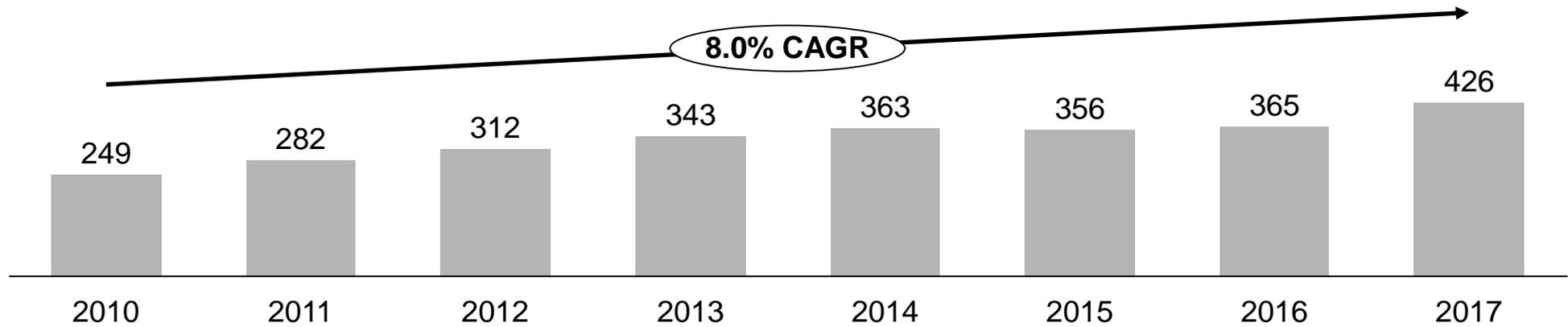
USDbn



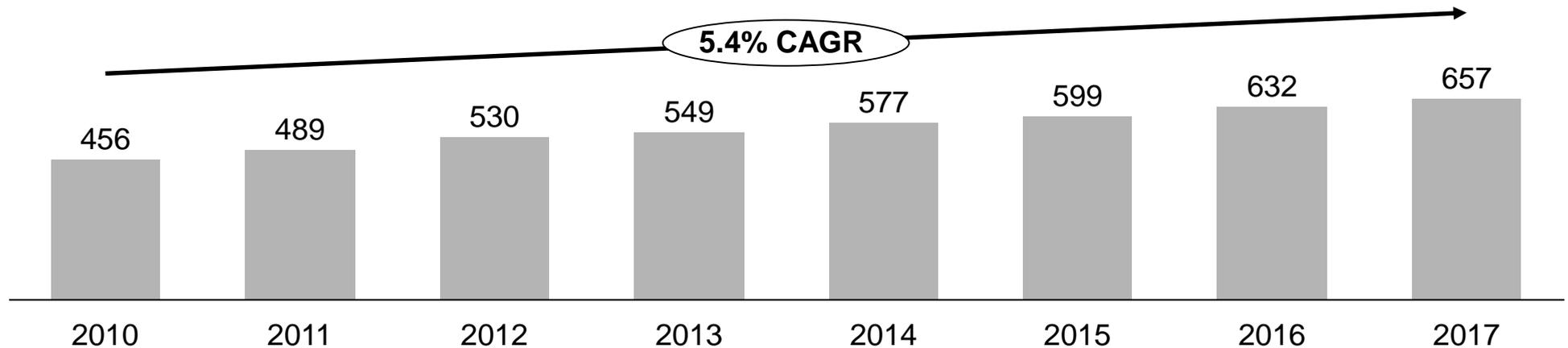
1. Greater China comprises Mainland China, Hong Kong, Macau and Taiwan
 2. Other priority markets comprises Singapore, Malaysia, Indonesia, India and Australia
 3. Network markets comprises Vietnam, Thailand, Philippines, Bangladesh, Japan, Maldives, Mauritius, New Zealand, South Korea and Sri Lanka
 4. Reported

Balance sheet growth since 2010

Asia loans and advances to customers (net)¹, USDbn



Asia customer accounts¹, USDbn

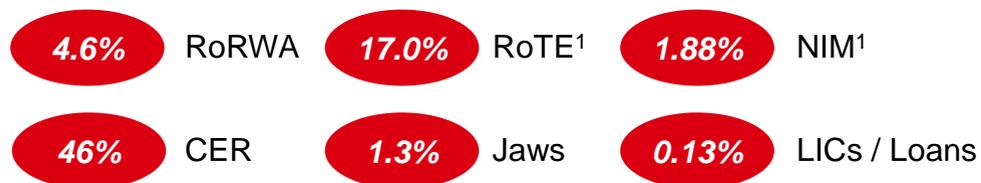


1. Reported basis

Sustainable and profitable franchise

Asia financial performance, 2017

Reported basis



USDbn	2016	2017	Y-o-Y
Revenue	23.3	25.8	11%
LICs	(0.7)	(0.6)	(16)%
Operating expenses	(10.8)	(11.8)	9%
Share in profits of associates	1.9	1.9	(2)%
Profit before tax	13.8	15.3	11%

USDbn	Dec16	Dec17	vs. Dec16
Loans and advances to customers (net)	365	426	17%
Customer accounts	632	657	4%
RWAs	334	358	7%
A/D ratio	57.8%	64.8%	-

Key achievements, aligned with Group strategic priorities

- ◆ **Gained market share**, e.g. Trade Finance², Mortgages³ and Life Insurance⁴ in Hong Kong
- ◆ **Accelerated growth in corridors**
- ◆ **Continued to drive collaboration** between businesses (c.18% growth Y-o-Y)
- ◆ **Established fundamentals in China / PRD to support future expansion**
- ◆ **Strengthened position in ASEAN**
- ◆ **Continued to grow Wealth Management and Insurance**
- ◆ **Accelerated digital investments**

1. The Hongkong and Shanghai Banking Corporation entity basis

2. Hong Kong Monetary Authority statistics

3. Source: mReferral. New sales count, legal mortgages

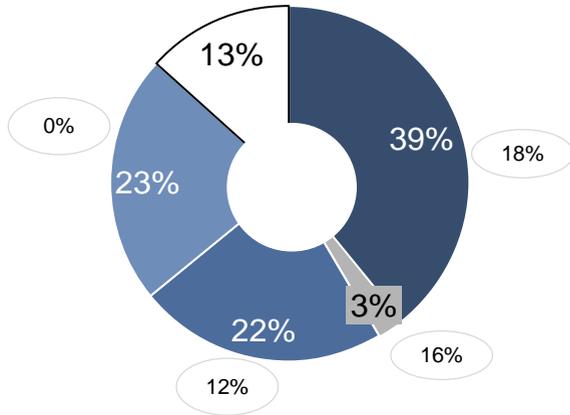
4. Source: Industry statistics published by IA (Insurance Authority), Hong Kong, FY17 Annualised New Premium

Balanced performance across four global businesses

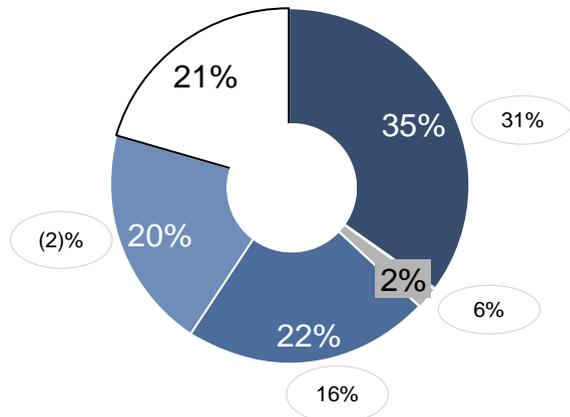
Asia financials by global business, 2017

Reported basis

Revenue, 2017 Total = USD25.8bn

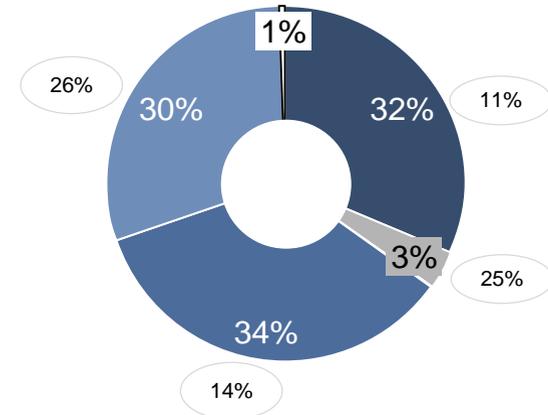


PBT, 2017 Total = USD15.3bn

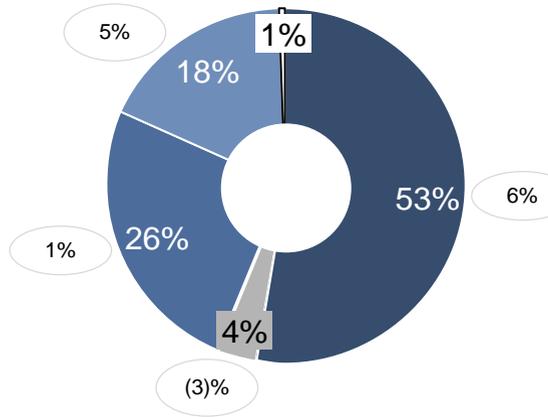


% % growth Y-o-Y ■ RBWM ■ GPB ■ CMB ■ GB&M □ Corporate Centre¹

Loans and advances to customers (net), 2017 Total = USD426bn



Customer accounts, 2017 Total = USD657bn



1. Corporate Centre includes Associates and Balance Sheet Management (BSM)

Largest among major international and regional banks in Asia¹

Total Asia²

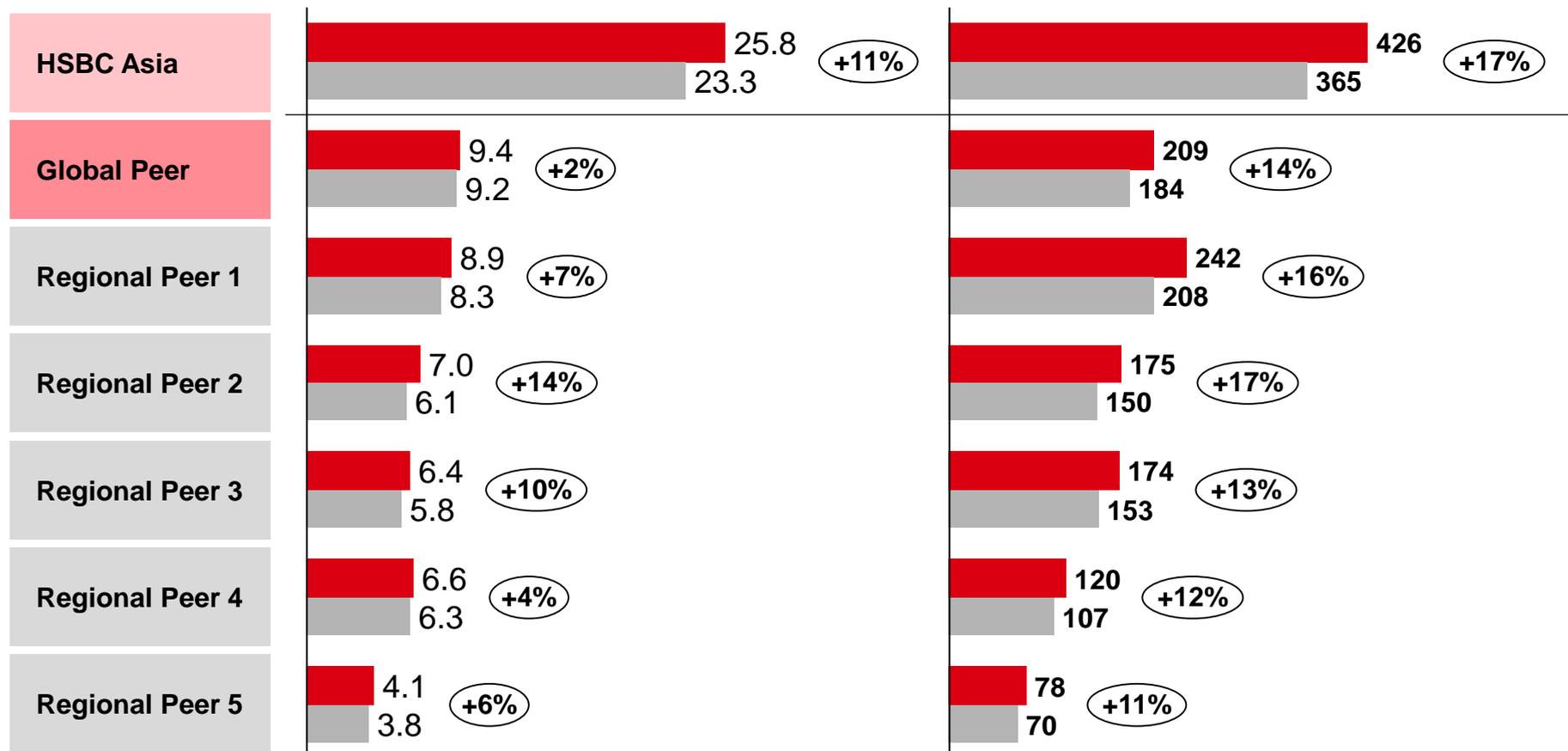
(USDbn)

Revenue

■ 2017 ■ 2016

Loans and advances to customers (net)

■ 2017 ■ 2016



1. Excludes Asia-Pacific based banks where majority of revenue generated in its domestic market and excludes Japanese banks. Peers include Standard Chartered, DBS, UOB, OCBC, Maybank and CIMB

2. Source: Company filings; figures on reported basis and include impacts from disposals and other significant items

Strength of the franchise reaffirmed

Select examples

2017 awards continue to follow past successes

Best Bank



- ◆ Asia's Best Bank
- ◆ Hong Kong's Best Bank
- ◆ World's Best Investment Bank in the Emerging Markets



- ◆ Asia's Best Bank

Renminbi Internationalisation (RMBI)



- ◆ Best Overall Offshore RMB Products / Services (6 consecutive years)
- ◆ Best for Offshore RMB Clearance, Transaction Banking and Settlement
- ◆ Best for Offshore RMB Liquidity Management (e.g. Deposits, Cross-Border Concentration / Pooling)

Belt and Road Awards



- ◆ Best Belt and Road Bank



- ◆ Best Belt and Road Bank



- ◆ Best Overall International Bank for BRI
- ◆ Best Bank for BRI-related infrastructure finance in S.E. Asia & in South Asia

Key products



- ◆ Asia Bond House of the Year (2 consecutive years)
- ◆ Emerging Markets Bond House of the Year



- ◆ Best Bond House (3 consecutive years)



- ◆ Best Regional Cash Manager for Corporates in Asia



- ◆ Ranked 1st in terms of Cash Management and Trade Finance market penetration for Large Corporates in Asia (4 consecutive years)

Customers at the heart of what we do – seen in their feedback and recognition of our brand

Strongly recommended by our customers (Retail)

Customer Recommendation Index (CRI) in key Asia markets, 2017¹

Hong Kong	Malaysia	Singapore
#1 HSBC	#1 HSBC	◆ DBS / POSB
#2 Hang Seng	◆ Maybank	◆ OCBC Bank
◆ Standard Chartered	◆ Standard Chartered	◆ UOB
◆ Citibank	◆ Public Bank	#4 HSBC

Well recognised brand

Brand Power Ranking – vs. financial services firms, 2017¹

Hong Kong	Malaysia	Singapore
#1	#4	#7

Corporate and Retail customers recognise our ability to serve their needs

"We are very happy with their service in term of its **product capabilities**, responsiveness of the staff, the co-operation of the staff and e-banking. We plan to look for this bank (HSBC) in the near future to fund our new activities."

Corporate Customer in Indonesia
2017 Greenwich
Cash Management report

"They have an **international network** and hence it is a more efficient way to operate in all countries with one bank."

Corporate Customer in India
2017 Greenwich
Trade report

"Worldwide recognition, innovative in products and services and **understands their customer's needs**"

Retail Customer in
Singapore

"I've been with this bank for 30 years, all the time there have been no mistakes - **HSBC is really the bank of Hong Kong** "

Retail Customer in
Hong Kong

1. Source: HSBC Pulse survey 2017. Kantar TNS Global

HSBC Asia priorities

Leverage HSBC's international connectivity and continue to capture emerging opportunities

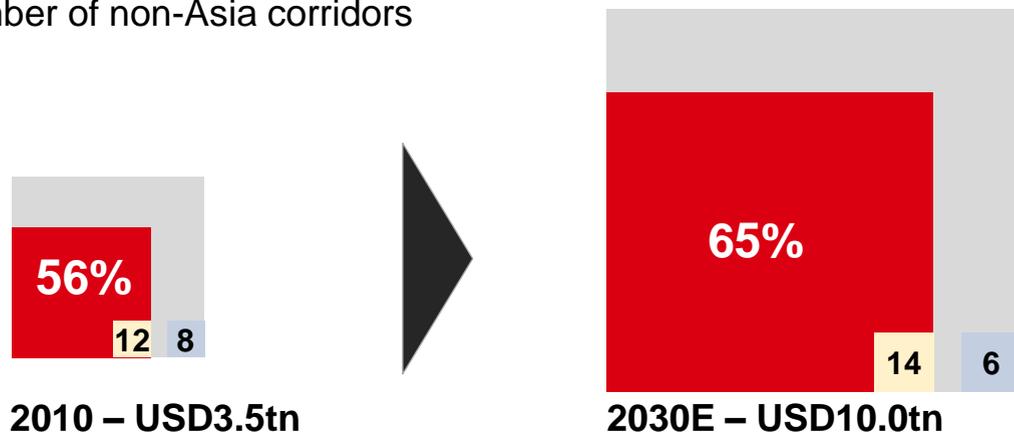


1. ASEAN consists of 10 countries in South East Asia. HSBC is present in 6 ASEAN countries (Singapore, Malaysia, Indonesia, Philippines, Thailand, Vietnam)

Trade flows increasingly centred around Asia

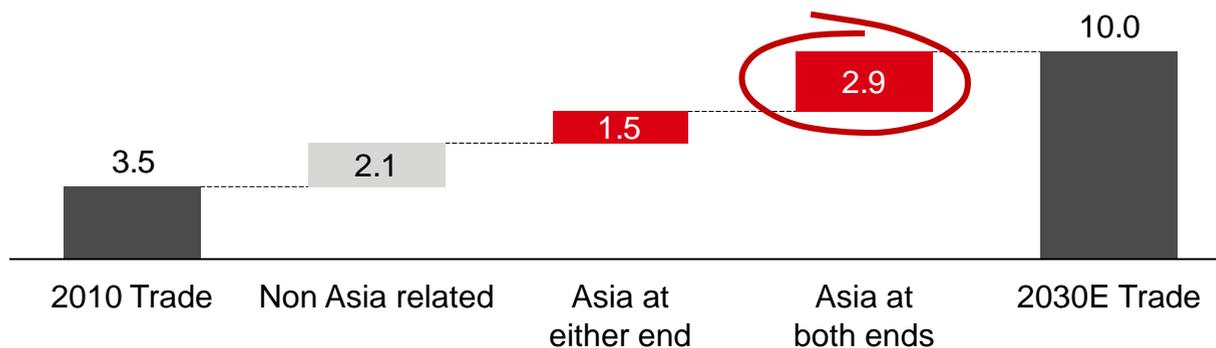
Global 20 top trade corridors expected to grow to USD10tn by 2030¹

- Asia at either end
- Non-Asia related corridors
- Number of Asia corridors
- Number of non-Asia corridors



Intra-Asia activity will be the key driver of growth and will account for 40% of trade within the Global 20 top trade corridors

Global 20 top trade corridors 2010 – 2030 Growth, USDtn



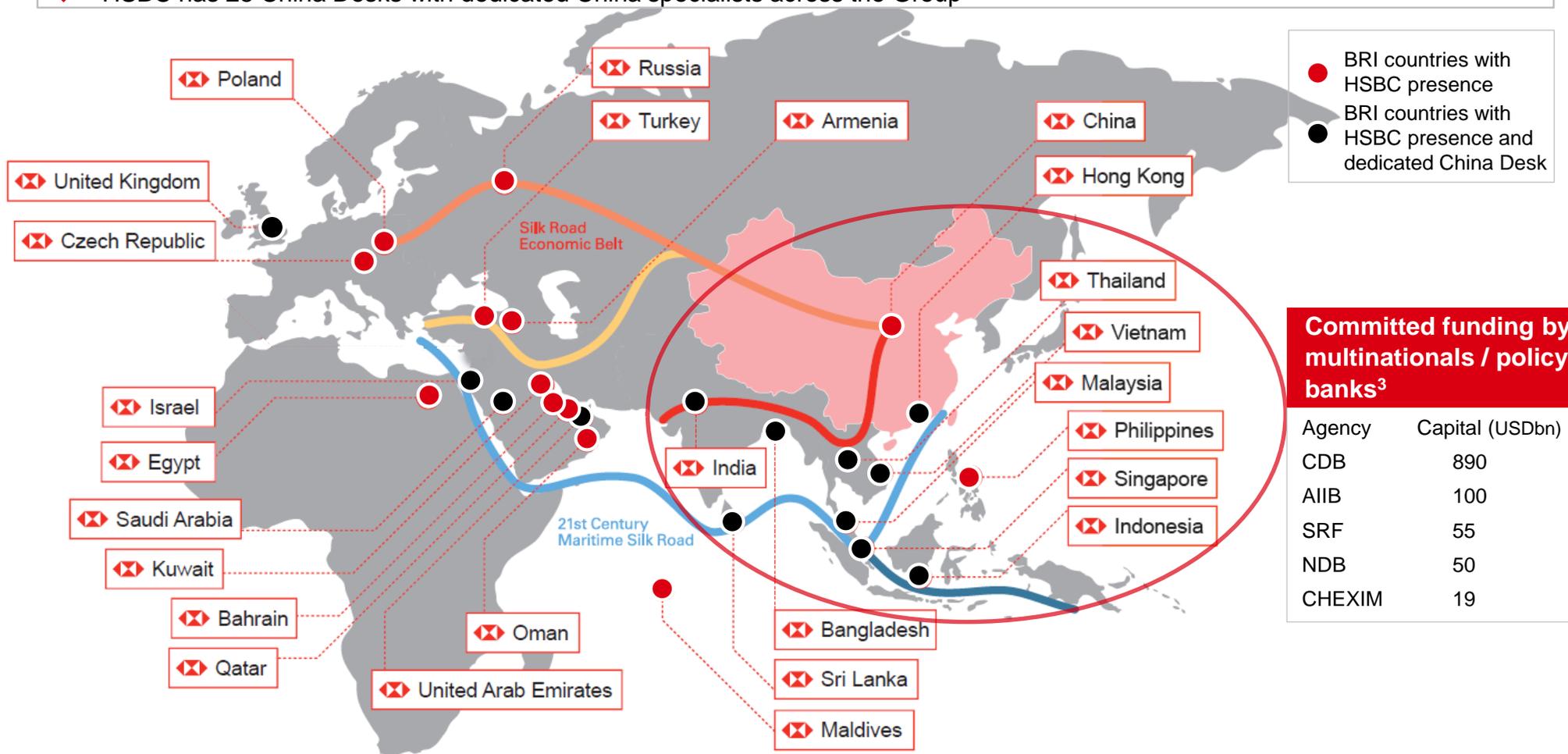
Key opportunities for HSBC

- ◆ HSBC present in both ends of the top 20 global corridors; 14 of the top 20 have at least one end of the corridor in Asia
- ◆ Key trade flow growth driven by intra-regional connectivity in Asia
- ◆ Significant opportunities from “China going out” – e.g. infrastructure and trade financing, supply chain solutions, capital markets solutions such as ECM / DCM and M&A
- ◆ Regional transaction banking capabilities to service treasury centres in key hubs e.g. Hong Kong, Singapore

1. Source: Oxford Economics (NOV16)

HSBC is well-positioned to capture BRI opportunities

- ◆ Belt and Road Initiative is made up of “The Silk Road Economic Belt” and “The 21st Century Maritime Silk Road”
- ◆ Seek to connect > 65 countries across Asia, Middle East, Africa and Europe, c.30% of global GDP and 63% of world population¹
- ◆ By improving the global infrastructure and network connectivity, China can better facilitate international trade and development
- ◆ China’s trade with countries along the Belt and Road is expected to surpass USD2.5tn by 2025²
- ◆ HSBC has 25 China Desks with dedicated China specialists across the Group⁴



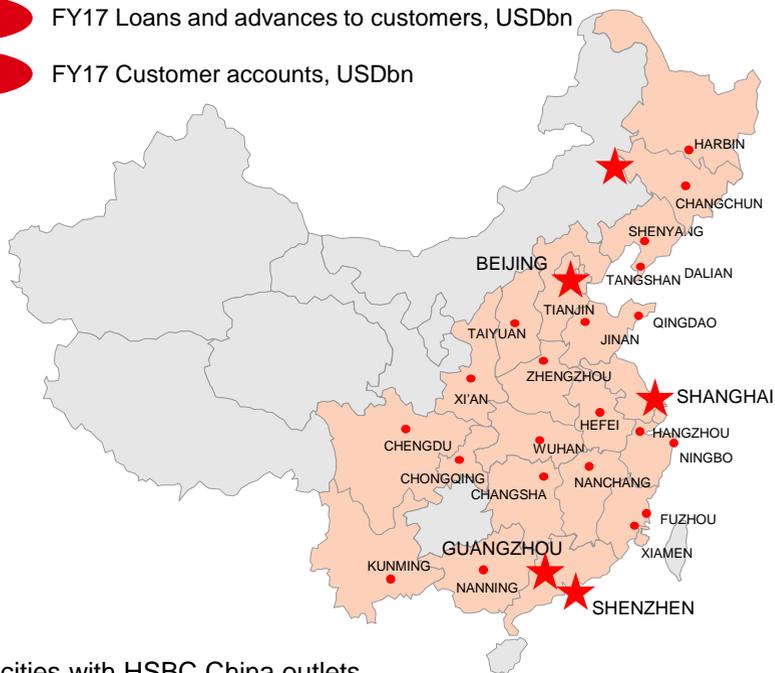
1. China Development Bank
 2. Xi Jinping in 2015 Boao Forum, Xinhuanet, 29MAR15
 3. CDB: China Development Bank; AIB: Asian Infrastructure Investment Bank; SRF: Silk Road Fund; NDB: New Development Bank; CHEXIM: Export-Import Bank of China
 4. As of February 2018. Global coverage includes Argentina, Australia, Bangladesh, Canada, France, Germany, Hong Kong, India, Indonesia, Israel, Luxembourg, Macau, Malaysia, Mauritius, Mexico, Poland, Saudi Arabia, Singapore, Sri Lanka, South Africa, Thailand, UAE, UK, US, Vietnam

Opportunity to grow China domestic and outbound business

Growth opportunities in mainland China

Largest foreign bank network:
227 outlets in 57 cities, 23 provinces / municipalities¹

- 2.4** FY17 Reported Revenue, USDbn
- 0.6** FY17 Reported PBT (ex Associates), USDbn
- 40.7** FY17 Loans and advances to customers, USDbn
- 46.0** FY17 Customer accounts, USDbn



- ★ Tier 1 cities with HSBC China outlets
- Cities with HSBC China outlets
- Province / municipality with HSBC China branch presence

Key opportunities for HSBC

- China Outbound / BRI**
 - ◆ Optimise strategic client coverage and China Desk infrastructure to drive opportunities to Group

- Domestic scale**
 - ◆ Continue to grow customer base and capture sustainable growth from higher value-added sectors
 - ◆ Scale-up retail banking franchise in Pearl River Delta

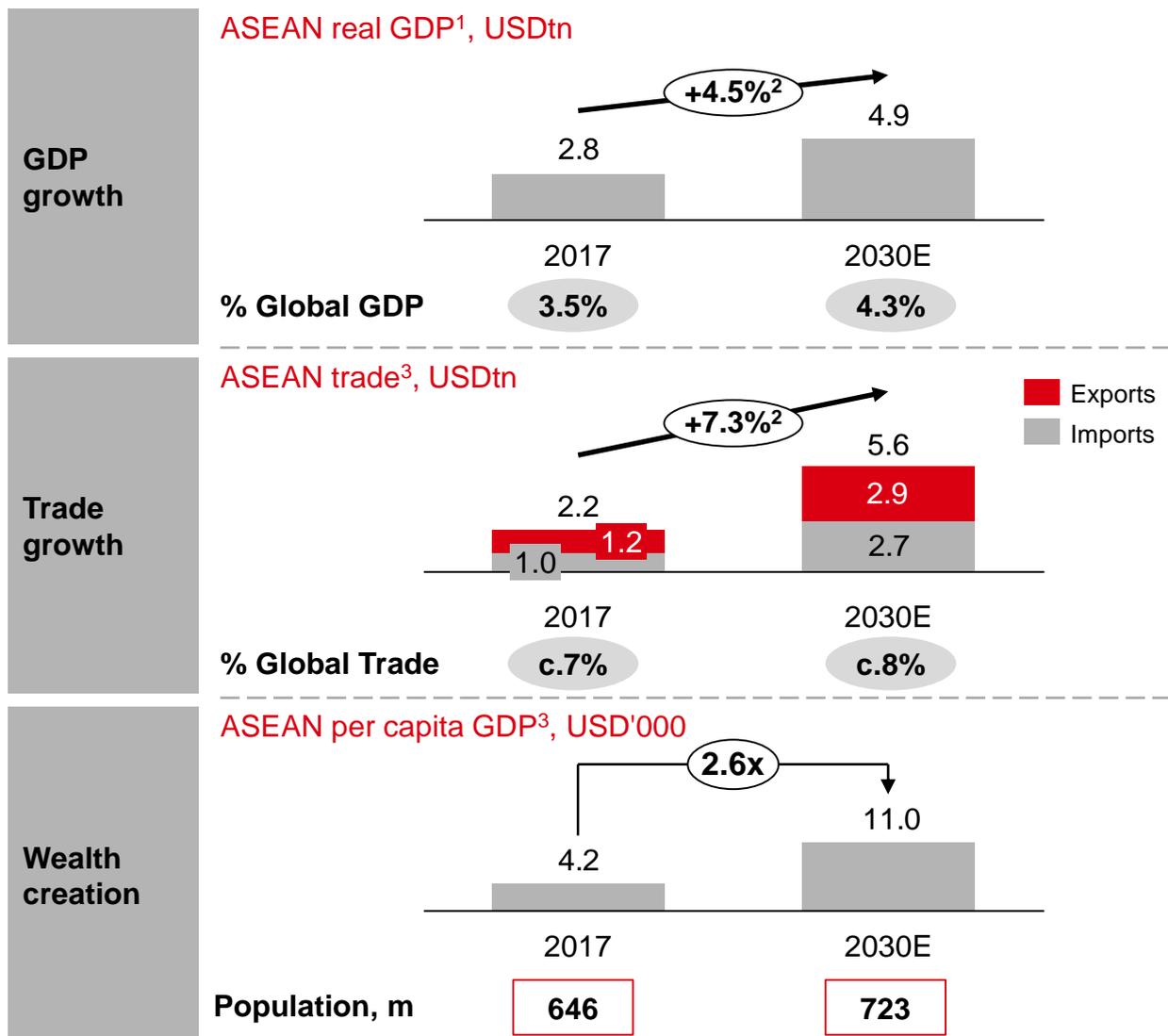
- Rise of Chinese capital markets**
 - ◆ Capture capital financing, sustainable finance and China financial institution-related opportunities via cross-business collaboration

- RMBI**
 - ◆ Sustain market leadership, enhance supporting system and resources, and maintain thought leadership
 - ◆ RMBI settlement capabilities in 56 countries

1. Includes Hang Seng Bank China, as at December 2017

Strong economic fundamentals in ASEAN countries; long-term growth

Strong economic fundamentals



Key opportunities for HSBC

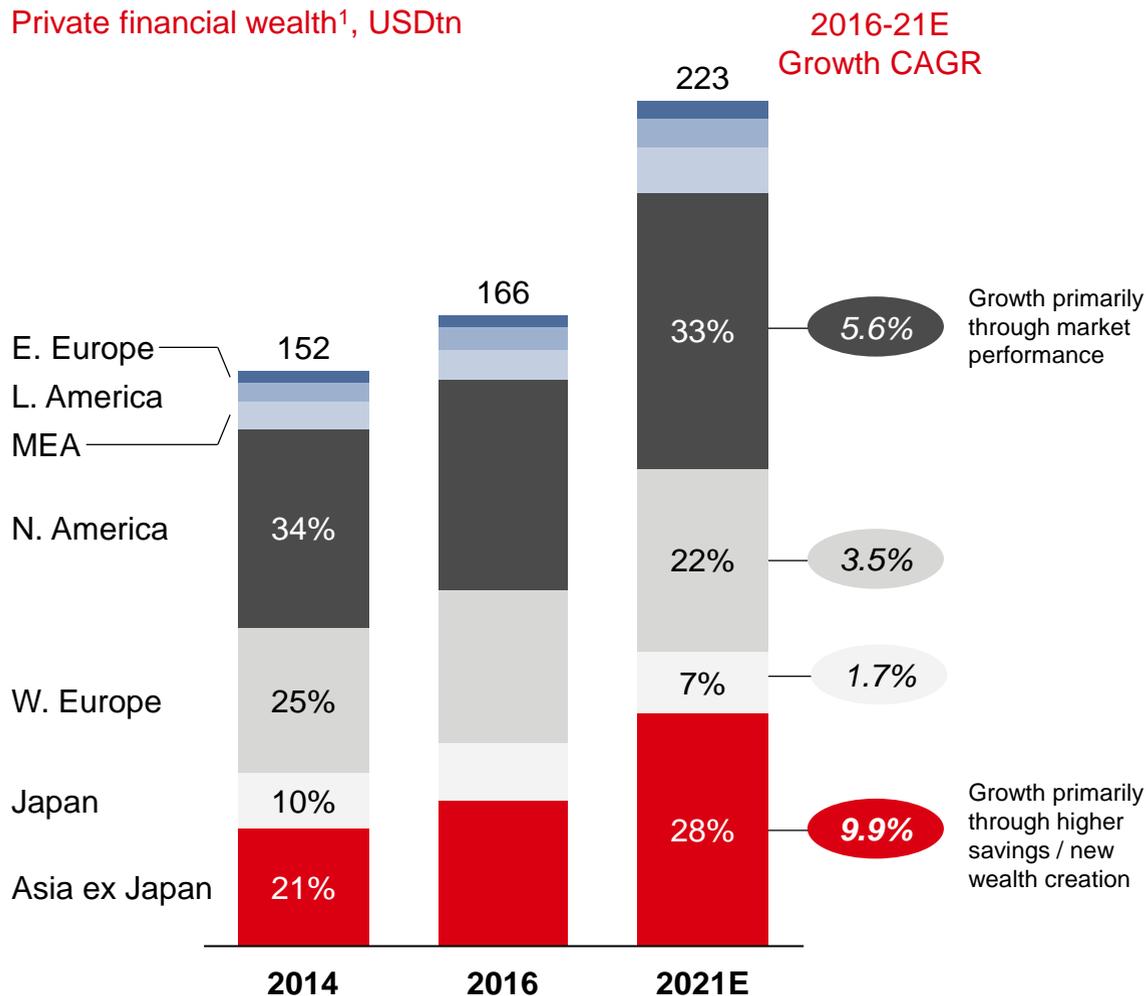
- ◆ **ASEAN emerging as a key bloc**
 - Growing connectivity among markets
 - Driven by ASEAN Economic Community (AEC) and other policies to be implemented e.g. ASEAN Trade in Services Agreement
 - ASEAN HQ'ed corporates selectively expanding to adjacent markets
 - Stronger economic integration over time (capital, trade and people flows)
- ◆ **Growth opportunities in each market**
 - 4th largest economic region by 2030³
 - 650m people (c.9% of world total); large middle class (set to double by 2025⁴) and rising wealth
- ◆ **HSBC well-positioned**
 - USD180m, USD325m, USD463m PBT (FY17) in Indonesia, Malaysia and Singapore respectively
 - Network presence in other markets – Philippines, Thailand and Vietnam
 - Unique ability to capture both intra-ASEAN and ASEAN with rest of the world flows

1. 2010 USD basis; Source: Global Insight
 2. 2017-30 CAGR
 3. Source: Global Insight
 4. Source: Mckinsey, Understanding ASEAN

Asia expected to be largest creator of wealth

Rising wealth in Asia

Private financial wealth¹, USDtn



Key opportunities for HSBC

Wealth management

- ◆ Significant market – c.USD62tn in private financial wealth in Asia¹
- ◆ Private Banking solutions, tapping into connections from GB&M and CMB franchises
- ◆ Expansion through “Jade” (focussed on clients with USD1m-5m in assets)
- ◆ Strong Premier franchise (customers with USD100k-USD1m in assets)

Insurance

- ◆ Protection gap in Asia; growth opportunities in China, ASEAN
- ◆ Growing life insurance market share in Hong Kong²
- ◆ 8% Y-o-Y growth in insurance manufacturing annualised new business premiums in Asia
- ◆ Opportunity to grow through our footprint

Asset management

- ◆ HSBC Asset Management with c.USD170bn AUM in Asia (2017)
- ◆ Opportunity to serve retail and institutional clients

1. Source: BCG Global Wealth 2017

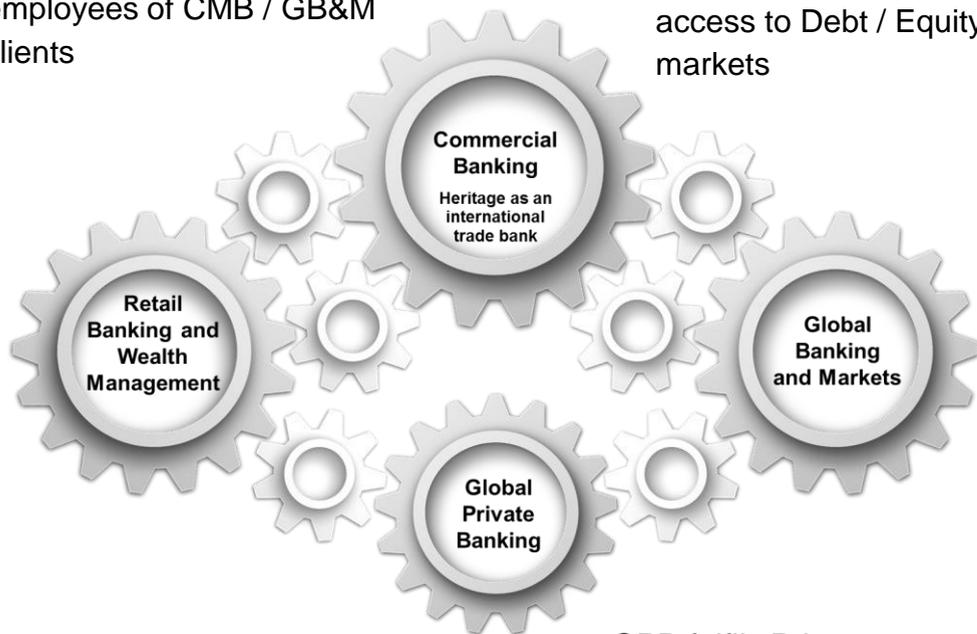
2. Source: Market position based on industry statistics published by IA (Insurance Authority), Hong Kong, FY17. Market rank #4 and market share of 16.4% across HSBC and Hang Seng

Leveraging universal banking model to enable further cross-business revenue synergies

Meeting end-to-end client needs: examples

RBWM provides payroll and banking services to employees of CMB / GB&M clients

GB&M helps CMB clients with FX, derivatives hedging and gaining access to Debt / Equity markets

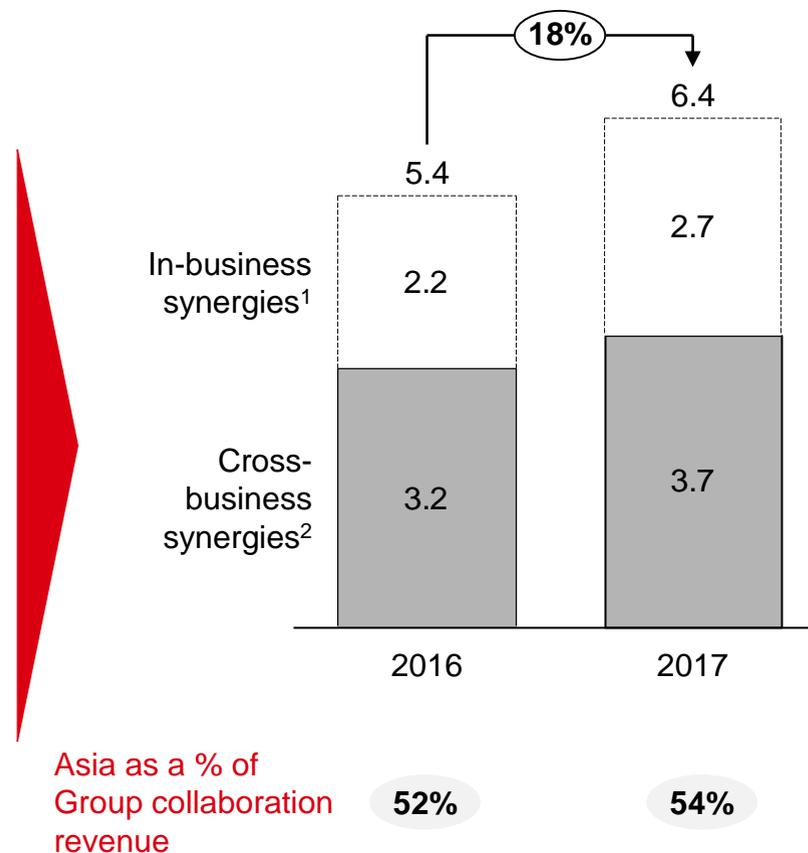


RBWM provides Insurance and Asset Management products to GPB clients

GPB fulfils Private Banking needs of owners and / or senior management of CMB / GB&M clients

Resulting in cross-business revenue synergies

Collaboration revenue (USDbn)



1. Revenue generated from separately managed operations (Securities Services, Asset Management and Life Insurance Manufacturing) that are reported within a global business line. Revenue from Asset Management products to GB&M, CMB and GPB customers that are included in cross-business synergies are excluded from manufacturing revenues in in-business synergies
 2. Revenue generated from providing products from one global businesses to the other three global businesses – e.g. FX solutions (from GM) to CMB / RBWM / GPB customers

Digitisation: transforming customer experience and improving staff productivity

Area	Description
Streamlining / upgrading our platforms	<p>Enhanced our key digital channels with improvements to online and mobile banking platforms</p> <ul style="list-style-type: none"> ◆ Digital Transformation for Corporates ◆ Retail Transformation Programme
Innovation / partnerships	<p>Pursue opportunities in the FinTech space and deploy solutions with a higher level of agility than our traditional model</p> <ul style="list-style-type: none"> ◆ E.g. Kyriba, Tradeshift, WeChat, BlockChain, eCommerce
Staff enablement	<p>Investment in digital transformation, reshaping the branch network and increase sales force capacity</p> <ul style="list-style-type: none"> ◆ E.g. Tablet on-boarding, Wealth dashboards, end-to-end credit decisioning tools



Enhance customer experience

Select highlights

Mobile App

- ◆ Biometric authentication (facial, fingerprint and voice), mobile security key, Easy Pay (in Hong Kong), Easy Invest App

PayMe (P2P payments)

- ◆ Send money instantly to anyone for free in Hong Kong

Trade Transaction Tracker

- ◆ Global view of documentary credits, collections and payments across markets and countries worldwide in one single app
- ◆ Live in Bangladesh, Australia, Hong Kong, India, Korea, Sri Lanka and Maldives, Japan, Singapore







Continue to leverage HSBC's international connectivity to capture emerging opportunities

Key takeaways

Market summary	<ul style="list-style-type: none"> ◆ Asia will continue to develop as the world's leading economic region over the coming decade ◆ China continues to be an engine of growth
HSBC position	<ul style="list-style-type: none"> ◆ HSBC's footprint and history in the region is unrivalled and therefore puts HSBC in a strong position to benefit from Asia's economic development
Strategic priorities	<ul style="list-style-type: none"> ◆ Leveraging HSBC's international connectivity: <ul style="list-style-type: none"> • Capture opportunities along business corridors • Help clients participate in BRI opportunities using HSBC's global network and universal banking model ◆ Capturing China-related opportunities: <ul style="list-style-type: none"> • Grow China domestic (including PRD) and outbound business • Strengthen position as leading international RMB bank ◆ Growing our domestic scale in our priority markets: <ul style="list-style-type: none"> • Capture opportunities arising from economic expansion and wealth creation across ASEAN • Capture opportunities in Wealth and investment flows across the region ◆ Continue to focus on cross-business collaboration and invest in digital capabilities

Asia financials, reported basis

USDbn	2016	2017	Y-o-Y
Revenue	23.3	25.8	11%
LICs	(0.7)	(0.6)	(16)%
Operating expenses	(10.8)	(11.8)	9%
Share in profits of associates	1.9	1.9	(2)%
Profit before tax	13.8	15.3	11%

USDbn	Dec16	Dec17	vs. Dec16
Loans and advances to customers (net)	365	426	17%
Customer accounts	632	657	4%
RWAs	334	358	7%
A/D ratio	57.8%	64.8%	-

Greater China

9 April 2018

Helen Wong
Chief Executive, Greater China



Agenda

Overview

Financial performance

Strategic priorities

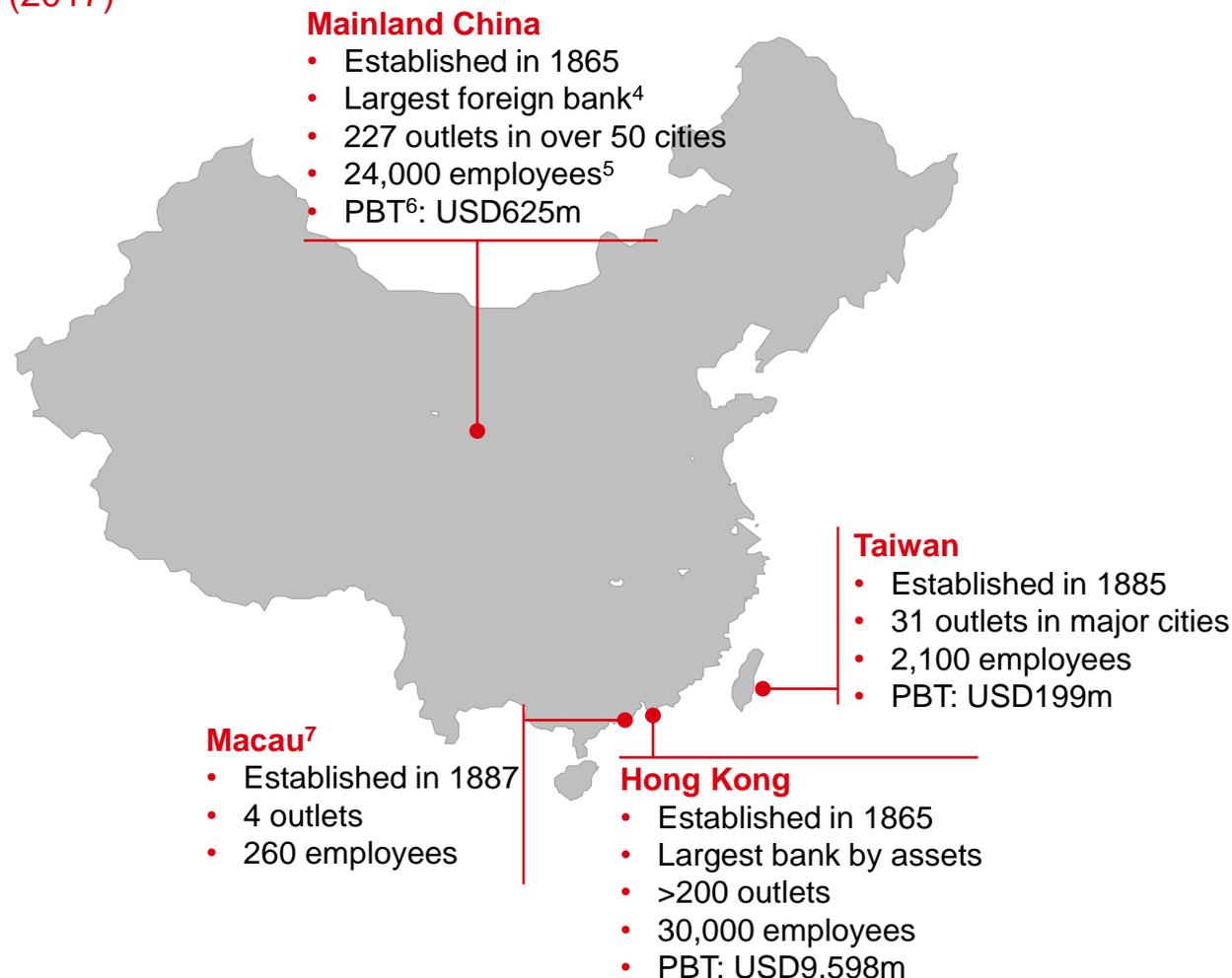
We have strong presence in Greater China

Significant scale in Greater China

- ◆ The four economies make up c.15% of global GDP¹
- ◆ Nearly 25% of global top 200 cities expected to be in Greater China by 2025²
- ◆ Highly interconnected and growing – total bilateral trade between the four areas in 2017 amounted to over USD550bn³
- ◆ Closer economic integration, especially between Hong Kong and mainland China, to be a key macro development theme
- ◆ City clusters of Guangdong's Pearl River Delta and Hong Kong expected to rank as the world's largest banking revenue pool, with total banking revenue of USD185bn by 2025²

HSBC: well-positioned to capture associated opportunities

(2017)



1. As per 2016. Source: World Bank

2. Source: McKinsey Global Institute, HSBC analysis

3. CEIC

4. By number of outlets

5. Including Group services companies

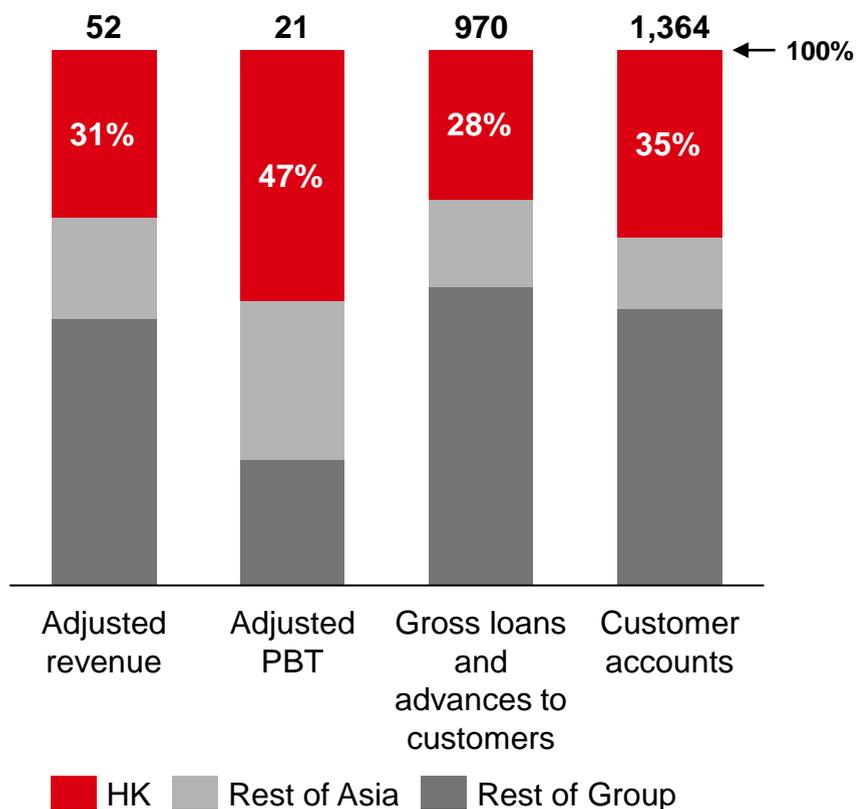
6. Reported PBT excluding share of profit in associates and JVs

7. Macau financials not disclosed

Greater China is a significant contributor to Group profits, anchored by Hong Kong

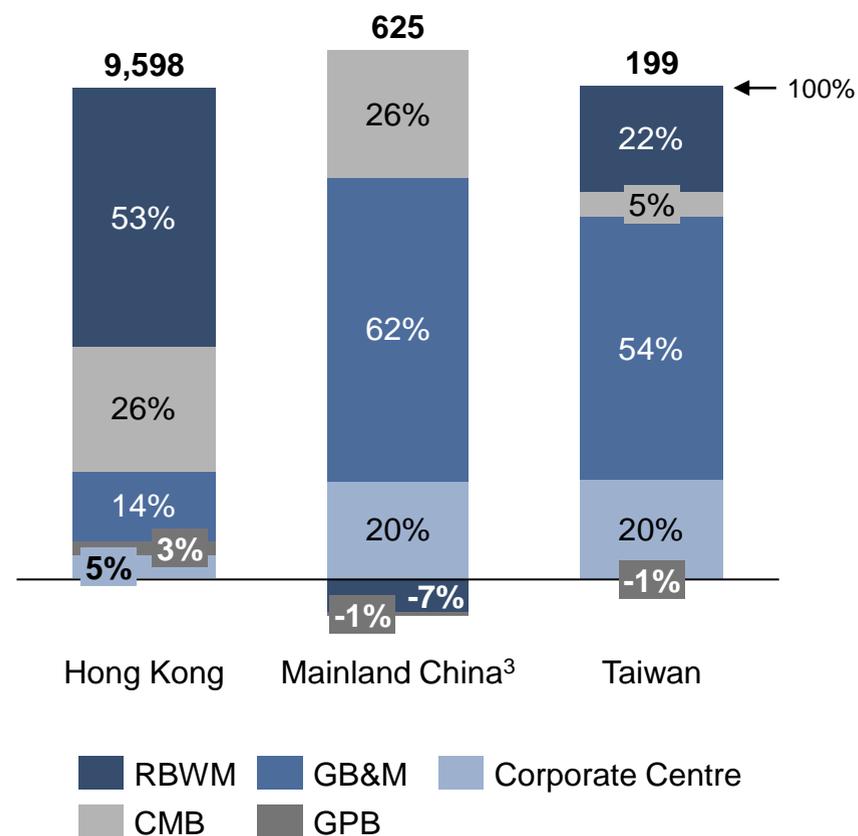
Hong Kong as a % of Group¹

2017, USDbn



Key sites of Greater China by global business²

Reported PBT, 2017, USDm



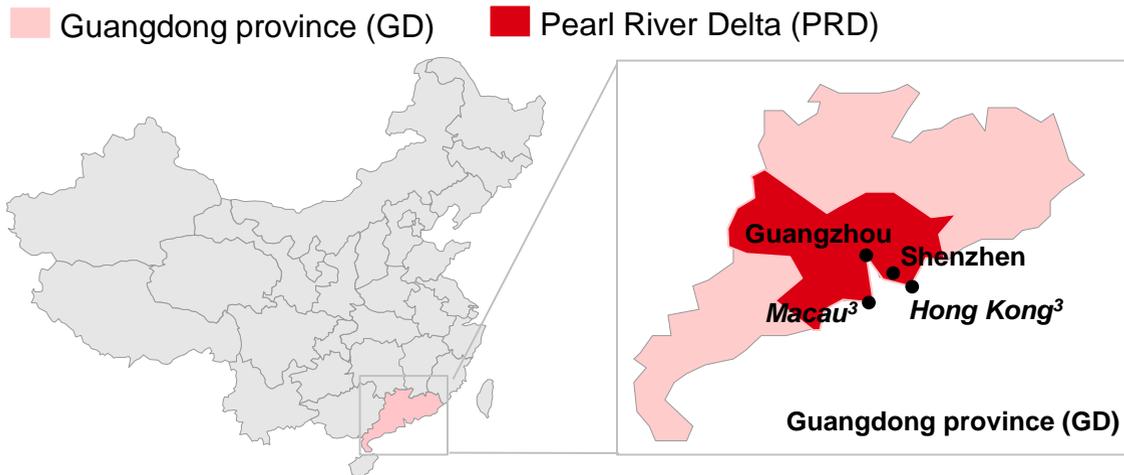
1. Source: Group ARA
 2. Source: Group ARA. Macau financials not disclosed
 3. Excluding share of profit in associates and JVs

Greater China strategic priorities

- | | |
|---|--|
| 1
Leadership in Hong Kong | Strengthen Hong Kong as the centre of growth, enhance local market leadership and monetise the increasing connectivity with mainland China |
| 2
Pearl River Delta (“PRD”) | Commercialise investments in PRD and drive growth from economic integration in Guangdong-Hong Kong-Macau Greater Bay Area (“GBA”) |
| 3
RMB internationalisation (“RMBI”) | Capture opportunities from progressive RMBI and anticipated opening up of China capital markets, continue to strengthen our position as the leading international bank for RMB business globally |
| 4
China outbound / BRI | Optimise strategic client coverage and China Desk infrastructure to drive opportunities to Group |
| 5
Sustainable finance | Play leading role in advising and financing sustainable financing deals in Greater China / Asia |

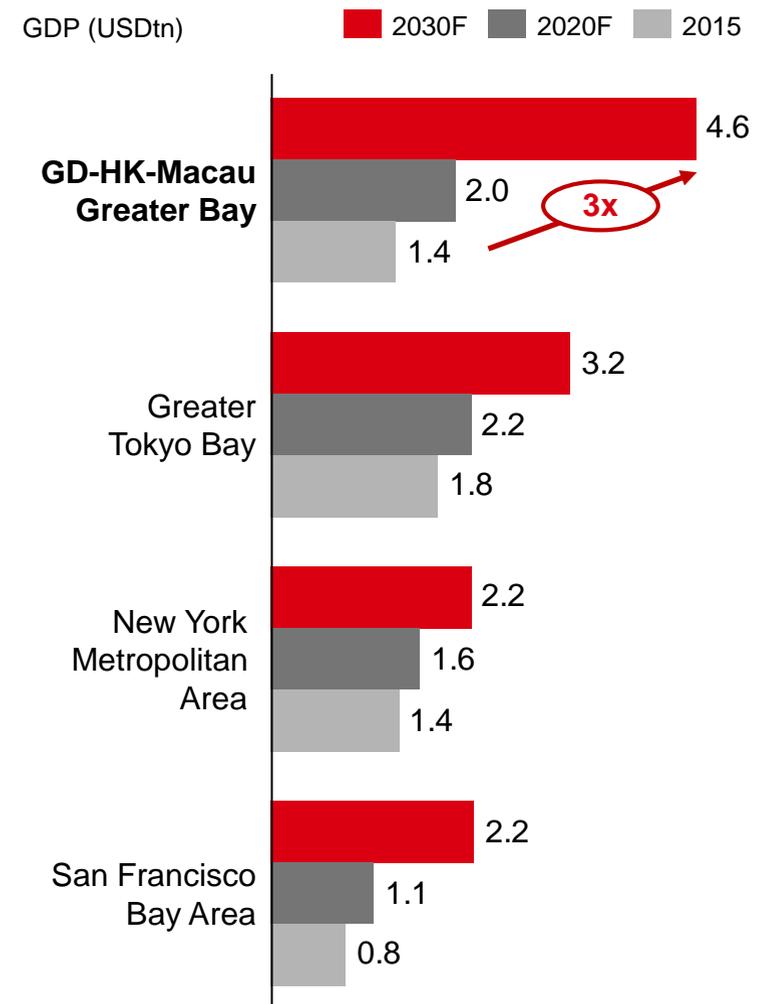
3x increase in GDP forecasted for the Guangdong, Hong Kong and Macau Greater Bay Area (“GBA”) by 2030¹

Economy corresponds in size to a leading global economy²



(2017)	Greater Bay Area					Korea
	GD	PRD	HK	Macau		
Population, m	112 (8% of China)	59 (53% of GD)	7	0.6		51
GDP, USDbn	1,330 (11% of China)	1,122 (84% of GD)	341	51		1,454
Trade, USDbn	1,009 (25% of China)	962 (95% of GD)	1,056	11		1,052
Foreign Direct Investment, (FDI) USDbn	23 (16% of China)	21 (95% of GD)	108	3		23

Forecasted to be the world’s leading bay area metropolitan¹



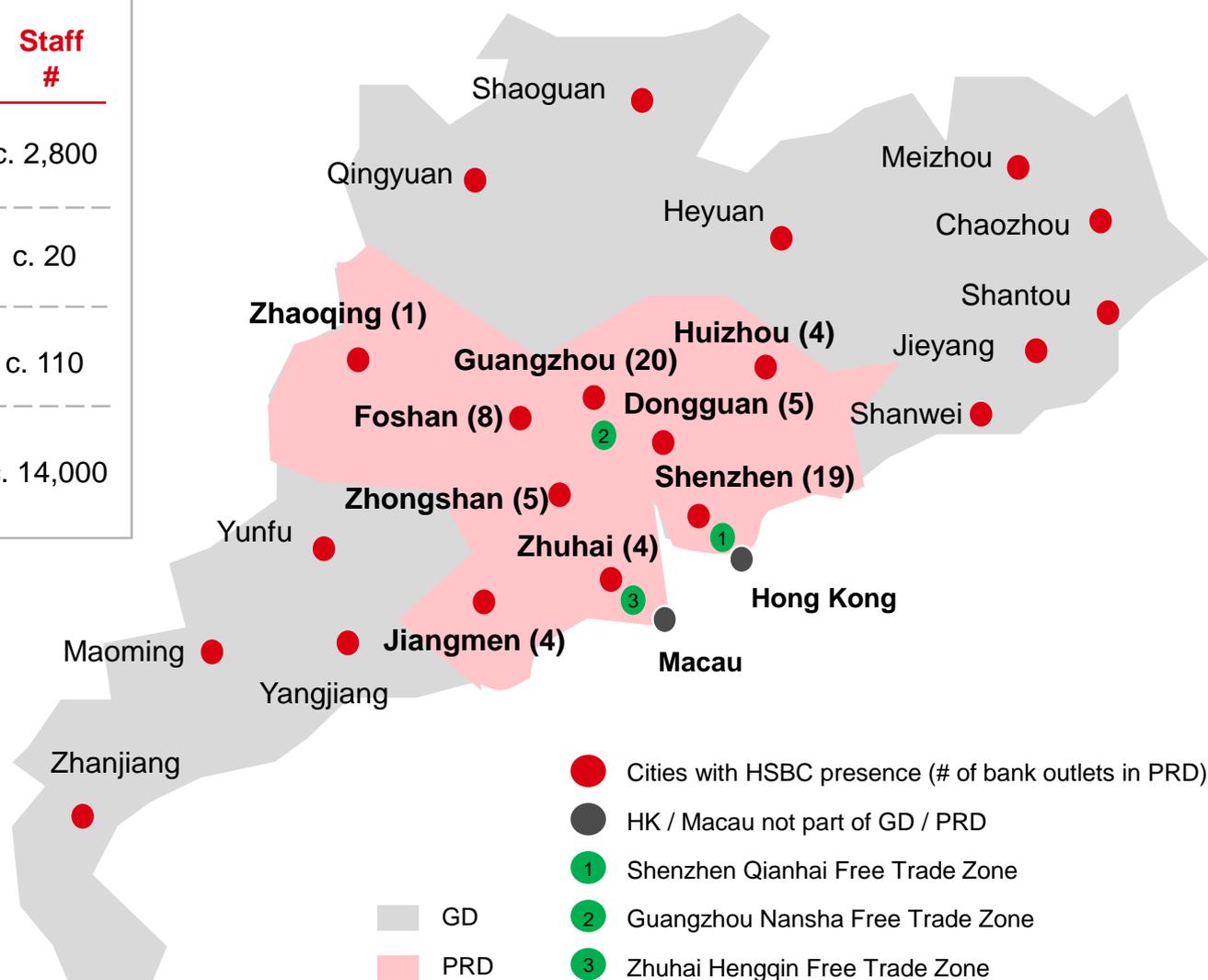
1. Source: “Research on the Development and Planning of GD-HK-Macau Greater Bay Area City Cluster”, by China Center for International Economic Exchanges

2. Source: Statistics Bureau of Guangdong Province, Hong Kong Census and Statistics Department, Macau Census and Statistics Department, UNCTAD World Investment Report, Bank of Korea

3. Hong Kong and Macau not part of PRD / Guangdong

HSBC is the largest foreign bank¹ in Guangdong / PRD, backed by investments since 1980s

	<u>Presence since</u>	<u>Outlets #</u>	<u>Staff #</u>
Bank outlets²	1982	86	c. 2,800
Life insurance	2016	1	c. 20
Securities JV	2017	1	c. 110
Other Group services companies³	2006	4	c. 14,000

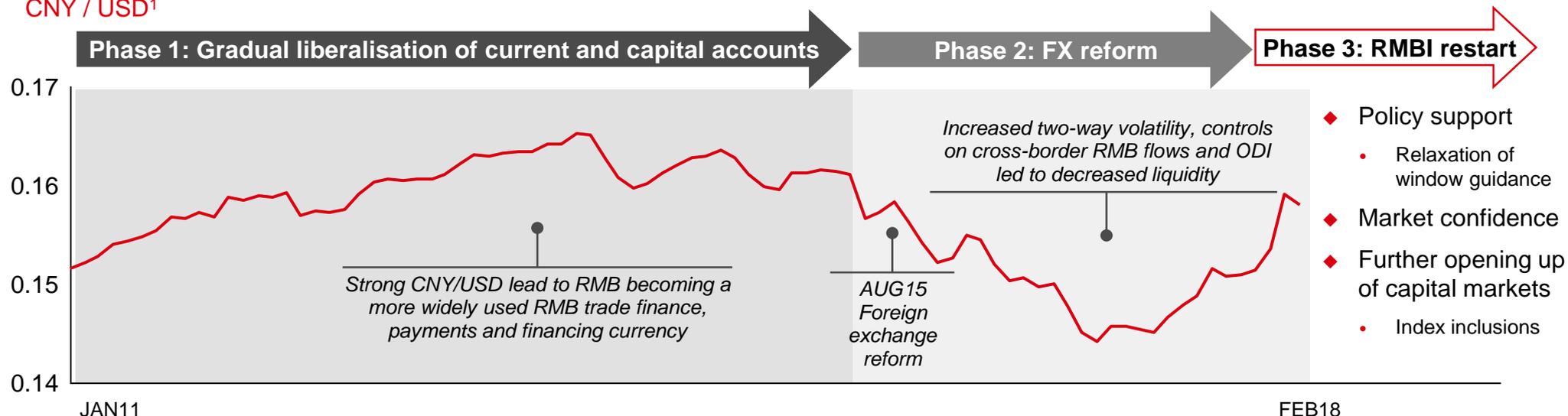


1. By number of outlets
 2. Including HSBC, Hang Seng, and Rural Bank
 3. Including HSBC Software Development Guangdong Ltd, HSBC Electronic Data Processing Guangdong Ltd

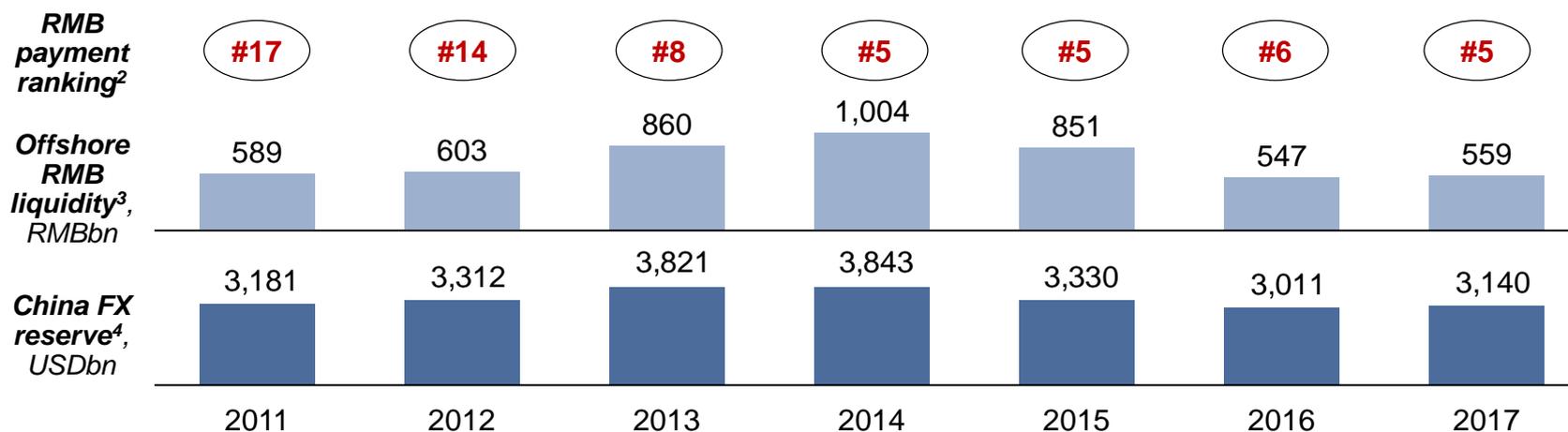
China remains committed to internationalise the RMB, as economic connectivity with global markets continues to rise

The journey of RMB internationalisation since January 2011

CNY / USD¹



- ◆ Policy support
 - Relaxation of window guidance
- ◆ Market confidence
- ◆ Further opening up of capital markets
 - Index inclusions



Liquidity and global usage to increase with a more stable FX environment and increasing investment / trade flows

1. Source: Bloomberg; CNY / USD
 2. Source: SWIFT RMB's share as a domestic and international payments currency
 3. Source: HKMA; Only display RMB deposits in Hong Kong as it is the most representative offshore RMB centre
 4. Source: PBOC

HSBC as the leading international bank for RMB business

HSBC at the forefront of offshore RMB business

- ✓ RMB capabilities across **50 markets**
- ✓ First bank with capability to settle RMB in **six continents**
- ✓ Led the first-ever offshore RMB-denominated bond and IPO
- ✓ Led the first **Belt and Road Panda Bond** distributed via **Bond Connect**
- ✓ Among the first banks to offer trading services under the **Shenzhen-Hong Kong Stock Connect** and **Shanghai-Hong Kong Stock Connect**
- ✓ First foreign bank to open a **majority-owned joint venture securities** company in mainland China
- ✓ Among the first banks to be connected to China's **Cross-border Interbank Payment System (CIPS)**
- ✓ Among the first banks to offer funds under the **Mutual Recognition of Funds (MRF)** scheme
- ✓ First foreign bank able to **joint lead underwrite Panda bond** issuances by **offshore non-financial corporates** in China Interbank Bond Market (CIBM)

HSBC's RMBI business

Bonds	1st	Ranked 1 st in the offshore RMB bond underwriting league table since 2011 ¹
Securities Services	53%	Market share in RQFII custodian business ² – ranked 1 st among all banks
RMB accounts	900k	Number of retail and corporate RMB accounts ³
Revenue	1.2 USDbn	2017 Group RMBI revenue, down 5% Y-o-Y affected by dampened market volumes

Voted best for offshore RMB product and services



- ◆ Ranked #1 for **Best Overall Offshore RMB Products and Services in the Asiamoney Offshore RMB Poll** for the sixth consecutive year
- ◆ Won **The Asset's inaugural overall Best RMB Bank award** in 2017, after winning the Best RMB Bank awards in Germany, Korea, Singapore, Taiwan, United Kingdom and United States

1. Bloomberg offshore RMB bond league table; as of DEC17

2. Market share of onshore RQFII custodian activity based on approved quota as of DEC17

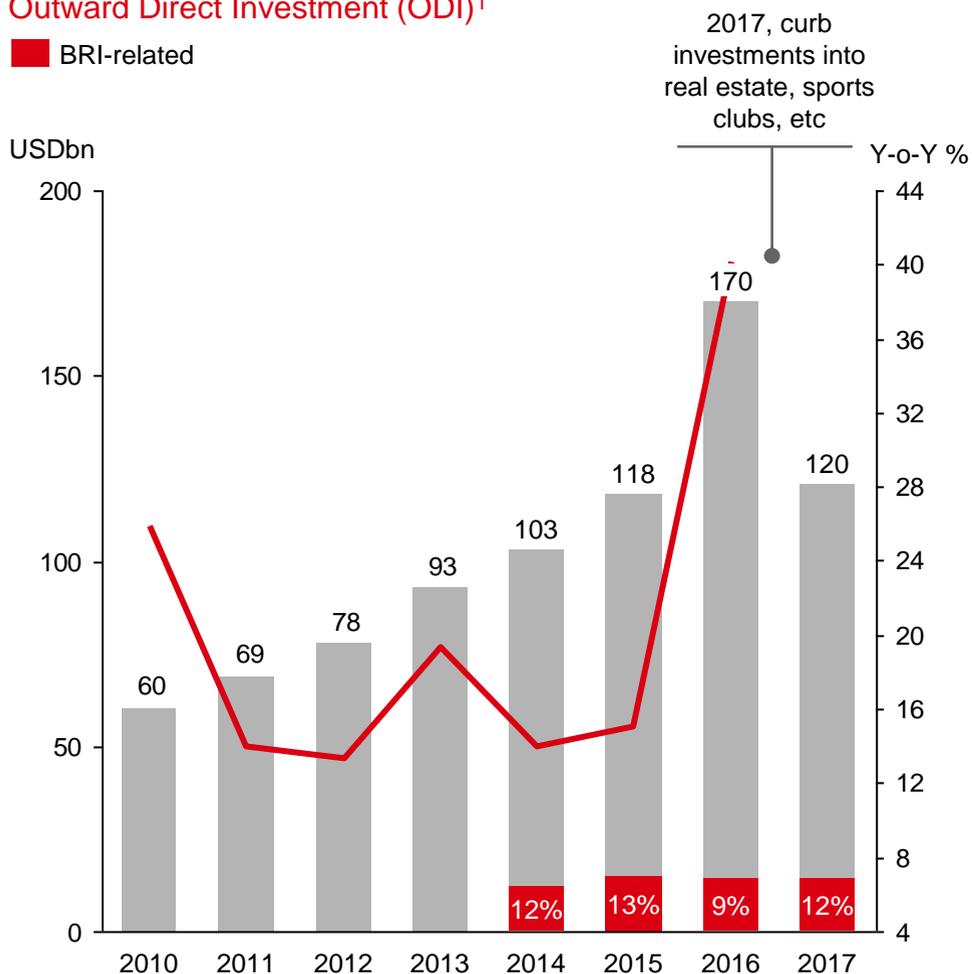
3. Globally as of DEC17

China is now a net exporter of capital, with BRI driving the next wave of outbound investment

China's structural investment to continue, driven by BRI

Outward Direct Investment (ODI)¹

■ BRI-related



Financing will rely on both public and private capital

Multilateral development banks

- ◆ AIIB (Asian Infrastructure Investment Bank)
- ◆ NDB (New Development Bank)
- ◆ ADB (Asian Development Bank), IMF (International Monetary Fund), World Bank

Chinese-backed capital

- ◆ Silk Road Fund
- ◆ China Development Bank
- ◆ CHEXIM

Chinese commercial banks

- ◆ **“Big Four” banks:** ICBC, Bank of China (BOC), China Construction Bank (CCB), Agriculture Bank of China (ABC)
- ◆ **Domestic banks** for BRI projects in mainland China

Private capital

- ◆ **Capital markets** across key financial centres including Hong Kong, London, Singapore
- ◆ **Private sector** including commercial banks, corporates, global investors e.g. sovereign wealth funds, pension funds

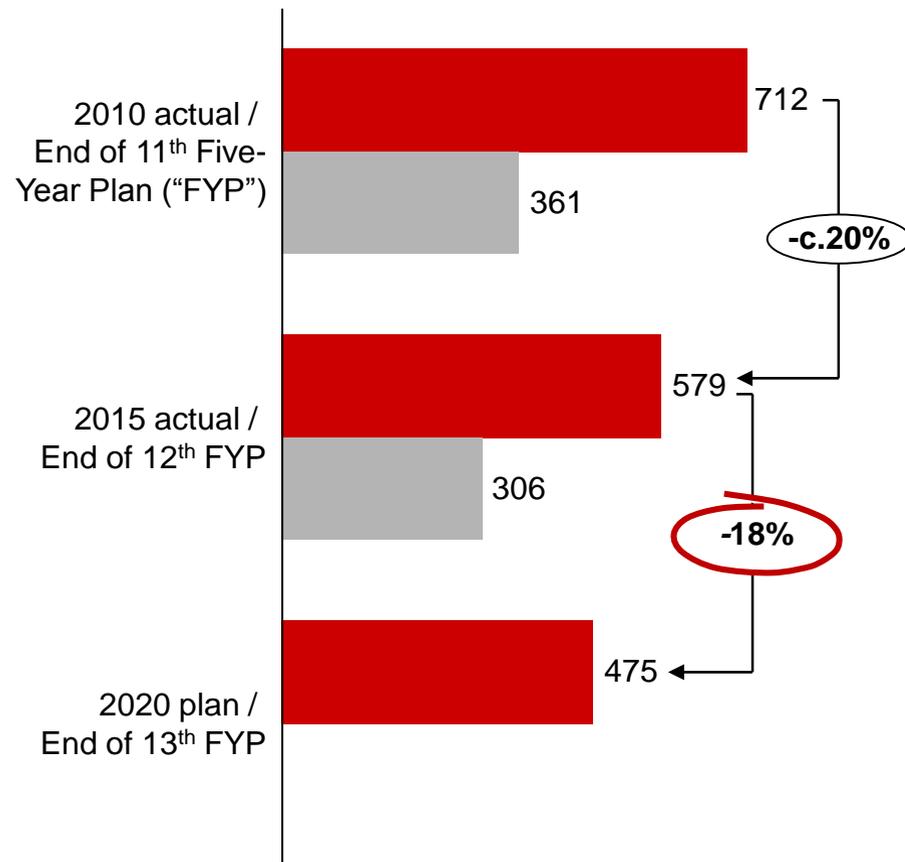
1. Source: Ministry of Commerce, non-financial ODI

As Chinese government commits to transitioning to a low carbon economy, annual investment of USD317bn needed by 2020

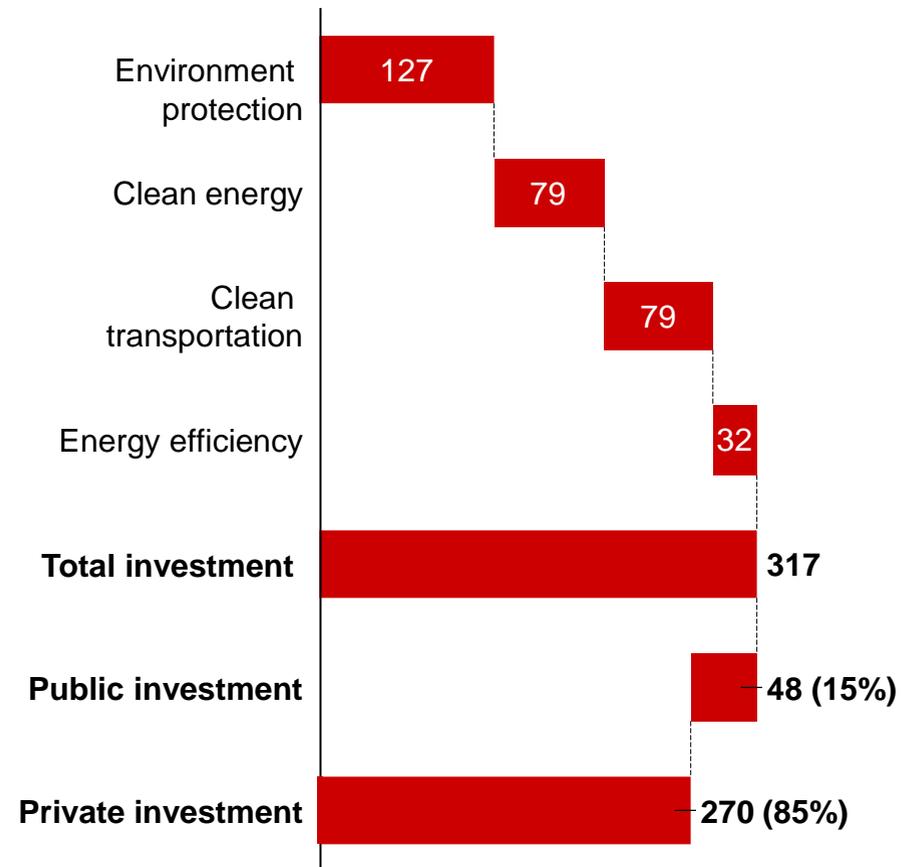
China targets to cut carbon intensity by 18% in 13th FYP¹

Carbon dioxide emission kg CO₂ per USD1,000 of GDP¹

■ China ■ US



Estimated annual investment needs²



1. Source: China's 13th Five Year Plan, Emissions Database for Global Atmospheric Research ("EDGAR") of European Commission

2. Source: Green Finance Task Force by PBOC

HSBC plays a leading role in advising and financing sustainable finance deals in Greater China and Asia

Leading role in key sustainable finance deals in Greater China

- ◆ Green finance advisor to New World Development's green loan in Hong Kong (MAR18)
- ◆ Proceeds will be used for a **green commercial re-development project**, which has achieved the world's first WELL Building Standard Pre-certification

- ◆ Financial advisor for the China Resources Consortium to purchase 30% stake in Dudgeon offshore wind farm (DEC17)
- ◆ The client's first **international investment in renewable energy sector**; reinforces HSBC's leading position in advising and financing renewable energy transactions worldwide

- ◆ Joint Green Structuring Advisor and Joint Global Coordinator for ICBC to issue its 1st Green Bond (SEP17)
- ◆ **First Belt and Road Climate Bond** and first Green Bond in alignment with both ICMA Green Bond Principles and PBOC Green Bond Categories by a Chinese Financial Institution

- ◆ Joint Lead Manager and Sole Climate Action Finance Framework Structuring Advisor for Castle Peak Power Company, Hong Kong's main electricity generation company (JUL17)
- ◆ **Energy Transition Bonds** where proceeds will be used to finance a highly efficient Power Station in Hong Kong

Asia Green, Social and Sustainability Bond League ex. RMB¹

Rank	Bookrunner	USD (m)	#	%
1	HSBC	1,870	13	12.92
2	European bank	1,552	9	10.73
3	US bank	1,096	5	7.58
4	European bank	974	7	6.74
5	US bank	923	6	6.38
6	European bank	659	6	4.56
7	European bank	654	6	4.52
8	US bank	488	2	3.37
9	European bank	480	5	3.32
10	European bank	467	4	3.23

1. Source: Dealogic, 1st January 2017 to 19 March 2018, ranking by Deal Value, Asia ex Japan

Greater China will continue to be a key growth driver for HSBC

Macro trends

- ◆ PRD continues to be a key driver of growth for China
 - 3x increase in GDP forecasted for the Greater Bay Area by 2030
- ◆ RMB Internationalisation to continue as economic connectivity with global markets continue to rise
- ◆ China is a net exporter of capital, anchored by BRI
- ◆ China commits to transitioning to a low carbon economy

HSBC Greater China strategic priorities

- 1 **Hong Kong - continue to drive growth leveraging our market leadership and connectivity with mainland China**
- 2 **Pearl River Delta - commercialise investments in PRD, drive growth from economic integration in Guangdong-Hong Kong-Macau Greater Bay Area**
- 3 **RMB Internationalisation - sustain market leadership, enhance supporting system and resources, and maintain thought leadership**
- 4 **China Outbound / BRI - optimise strategic client coverage and China Desk infrastructure to drive opportunities to Group**
- 5 **Sustainable Finance - play leading role in advising and financing sustainable financing deals in Greater China / Asia**

Hong Kong

9 April 2018

Diana Cesar
Chief Executive, Hong Kong



Agenda

Overview of Hong Kong economy

Position in Hong Kong

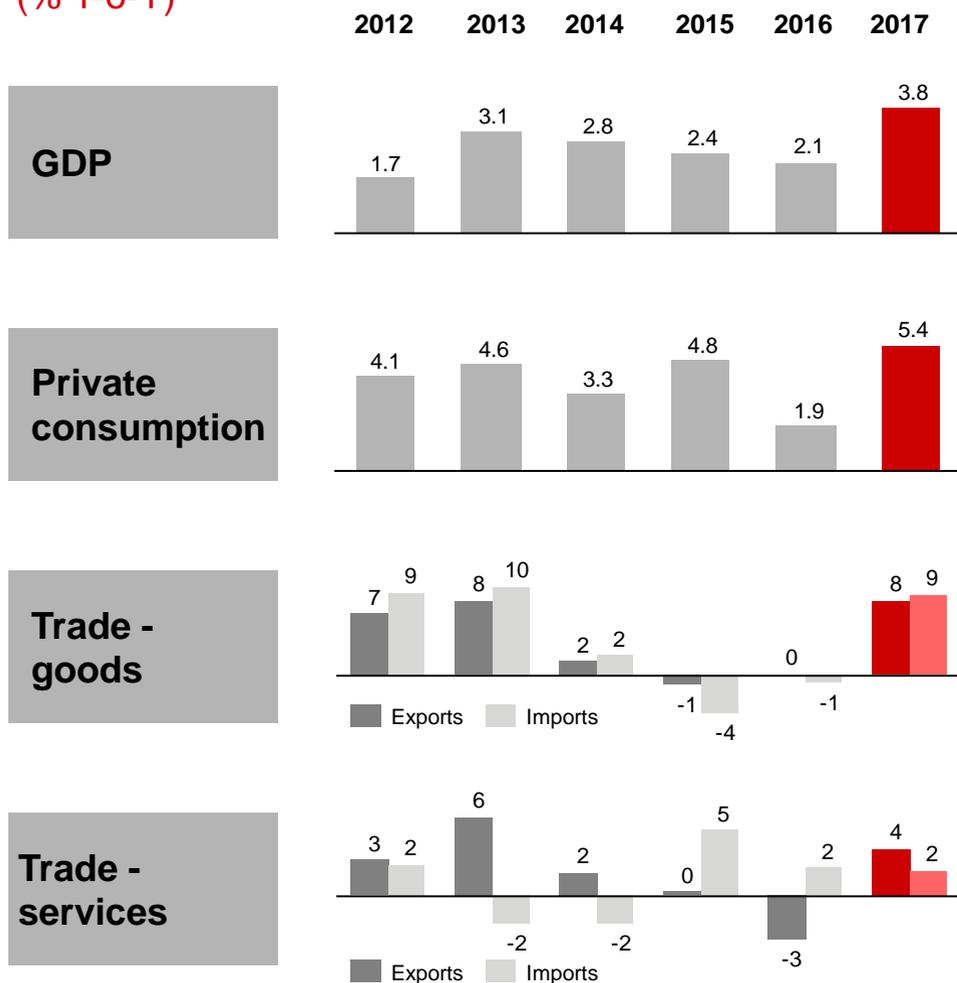
Financial performance

Strategic priorities

An optimistic outlook for Hong Kong in 2018

Hong Kong economy remains resilient¹

(% Y-o-Y)



Positive outlook supported by

Retail sales

- ◆ Stable domestic spending supported by buoyant market activities and low unemployment rate (2.9% as of DEC17, a twenty-year low)
- ◆ Revival in inbound tourist arrivals

Trade environment

- ◆ Pickup in global trade underpinned by upturn in developed economies and stable outlook on China's growth

Investments

- ◆ Increasing investments from public and private sectors, with focus on infrastructure and technology, e.g.:
 - Hong Kong Airport Three-Runway System, estimated construction cost of c.USD18bn²
 - Additional government budget of c.USD6bn in 2018 on innovation and technology sector

1. Source: CEIC
 2. Airport Authority Hong Kong, cost estimation as of MAR18

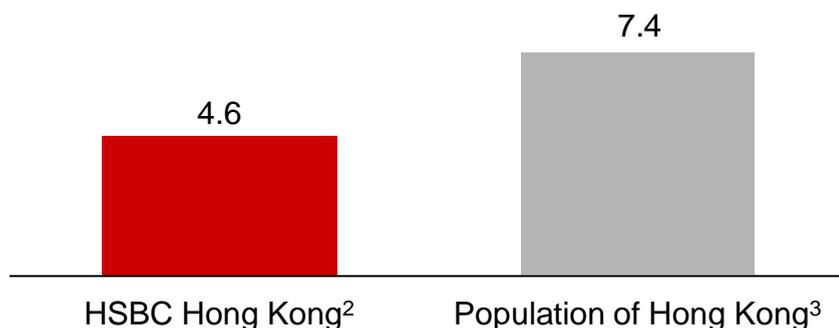
HSBC is a market leader in Hong Kong

“The Hong Kong Bank”

<p>1865</p> <p>Note issuing bank since establishment</p> 	<p>>200</p> <p>Outlets in Hong Kong</p> 
<p>Largest</p> <p>Bank in Hong Kong by assets¹</p>	<p>Full-spectrum</p> <p>Products and services</p>

RBWM customer base³

millions



Leading market share across major products⁴

Customer accounts	#1	Mortgages	#1
Loans and advances to customers	#1	Trade financing	#1
DCM	#1	Dim Sum bonds	#1

Selective awards and recognition in 2017



- Hong Kong's Best Bank
- Hong Kong's Best Investment Bank



- Best Bank in Hong Kong
- Best Investment Bank in Hong Kong
- Best DCM House in Hong Kong
- Best Private Bank in Hong Kong

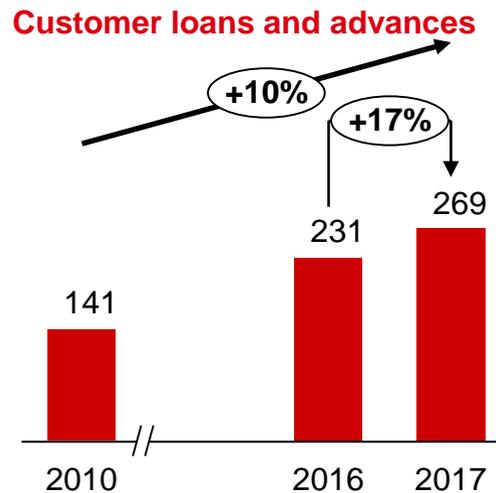
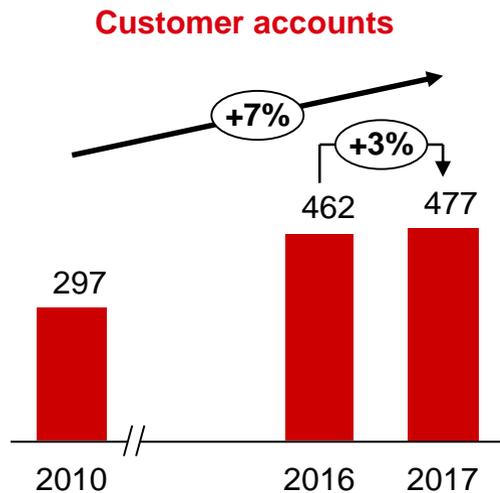
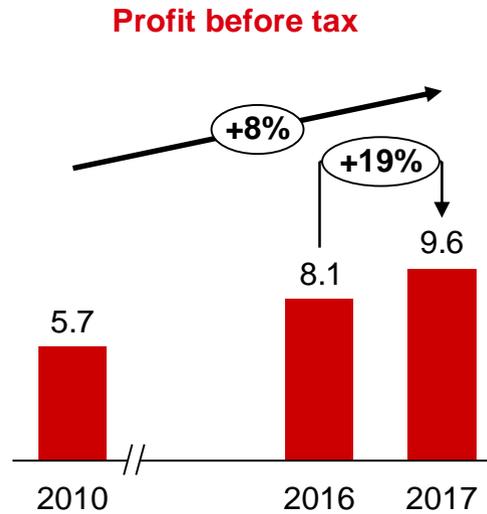
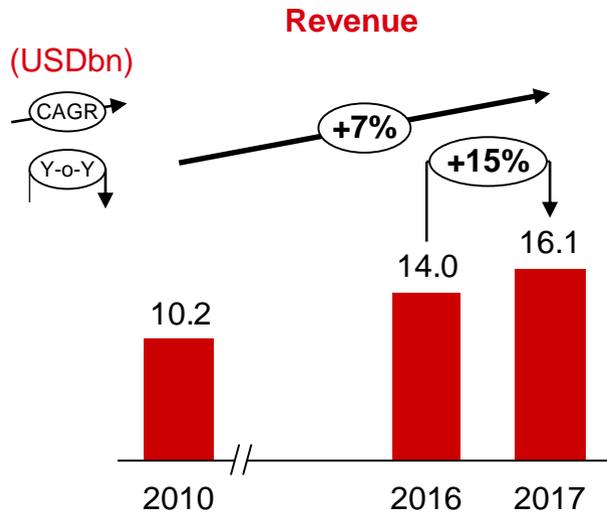


- Best Corporate and Investment Bank
- Best Banking Brand in Hong Kong
- Best Offshore RMB Products and Services

1. Source: HKMA, HSBC ARA
 2. As at DEC17. Active customers. Excludes Hang Seng
 3. Year-end 2017, Hong Kong Census and Statistics Department

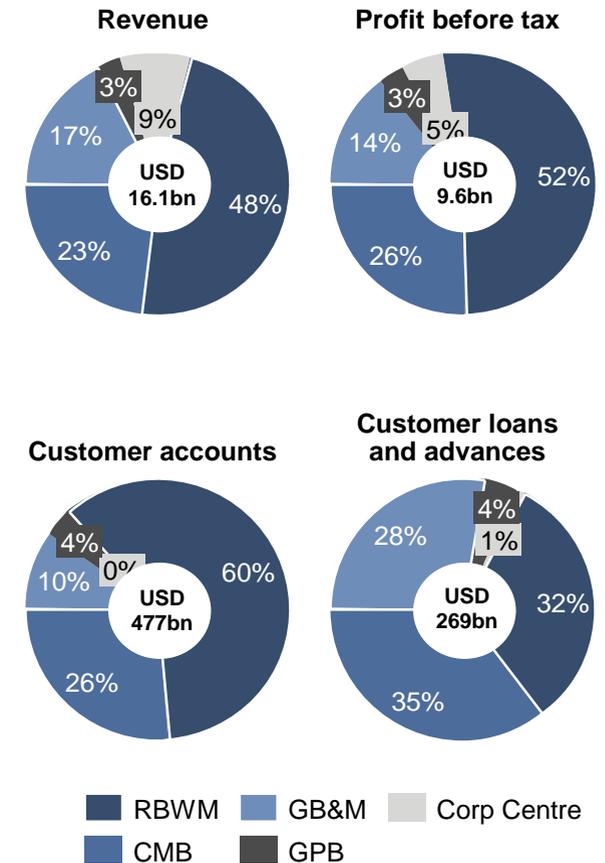
4. Source: HKMA announcements, Bloomberg, and HSBC internal data; HSBC including Hang Seng. Mortgages - new sales count, legal mortgages; Loans – loans for use in Hong Kong; DCM - G3 currency bonds, Asia excluding Japan

Sustainable growth backed by balanced business mix



Business mix

2017



Sustain growth at home and capture opportunities from cross-border activities and capital flows

1

Local market:

Enhance competitive edge and maintain market leadership

- ◆ Capture growth from the rising demand for wealth management
- ◆ Improve customer-centric proposition to grow Business Banking
- ◆ Deliver simpler, faster and safer banking experience to our customers through digitisation

2

PRD / GBA:

Capture opportunities from closer economic and financial integration

- ◆ Work closely with HSBC in PRD to provide a one stop service platform for cross-border customers
 - Hong Kong + PRD integrated solutions
 - Capital markets business opportunities leveraging HSBC Qianhai Securities

3

Global connectivity:

Grow China outbound / BRI and MNC revenues

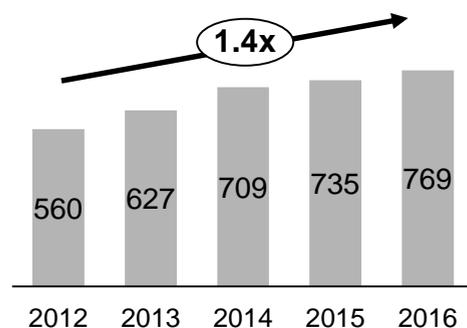
- ◆ Capture China outbound / BRI business flows, leveraging full product suite in Hong Kong as well as our global footprint
- ◆ Drive inbound corridor revenue using Hong Kong as a hub to support MNCs' operations, trade, and investments in Asia

Capture growth from a wealthier Hong Kong / China population

Growing wealth management market in Hong Kong

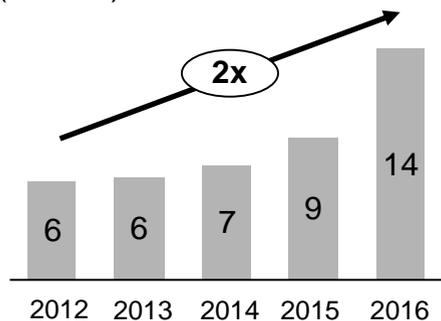
Continuous wealth creation

HNWI Wealth (USDbn)¹



Strong life insurance market momentum²

(USDbn)

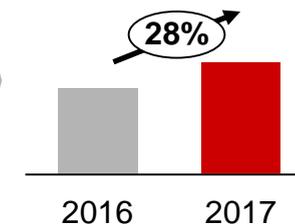


Strategic focus

Wealth

- ◆ Strengthen China Desks in Hong Kong to serve offshore wealth needs from mainland Chinese clients
- ◆ Simplify sales processes
- ◆ Build thought leadership on investment

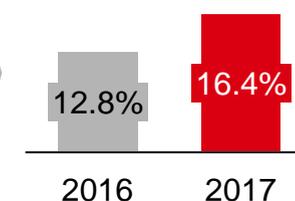
Wealth FUM, USDbn³



Life insurance

- ◆ Scale up branch and mobile sales force with both generalists and specialists
- ◆ Expand product range
- ◆ Streamline insurance customer journey
- ◆ Increase awareness of HSBC Insurance brand with marketing campaigns

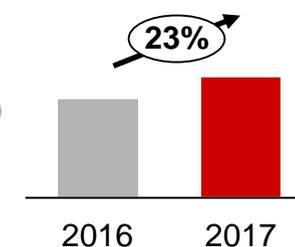
Market share⁴



Proposition

- ◆ Enhance Jade with lifestyle privileges and world-class financial solutions
- ◆ Grow Premier supported by comprehensive wealth solutions along different life stages
- ◆ Cater to the needs of international clients focusing on education and investment

Premier revenue³



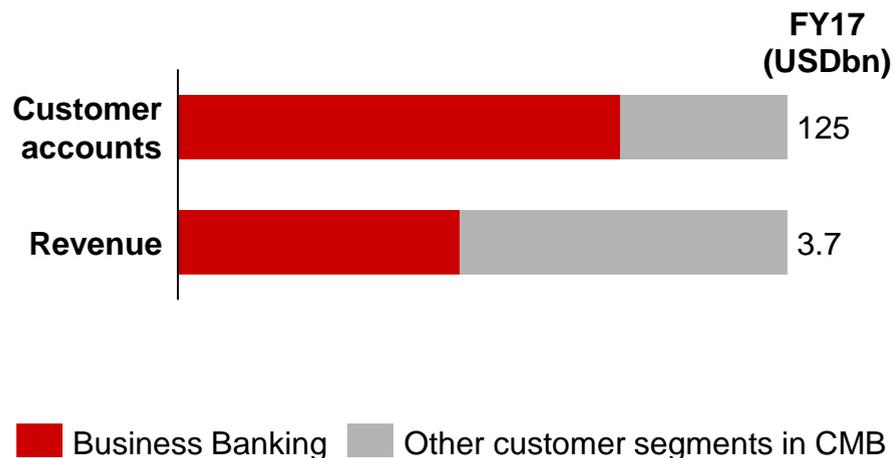
1. Capgemini. HNWI defined as individuals with net worth of USD1m or more
 2. Hong Kong Insurance Authority. Market size measured by annualised premium.
 3. Wealth FUM (by total wealth balances) and Premier revenue exclude Hang Seng
 4. Insurance market share by annualised new premium. Include Hang Seng. Source: Insurance Authority Hong Kong

Improve customer-centric proposition to grow Business Banking

SMEs¹ are a dynamic force in Hong Kong's economy

>300k SMEs in Hong Kong
Account for 98% of registered businesses, 47% of employment
Highly engaged in trade (36%) and retail sectors (15%)
Increasingly digital savvy

BB is a significant contributor to our business in Hong Kong² (as a % of CMB in Hong Kong)



Strategic focus

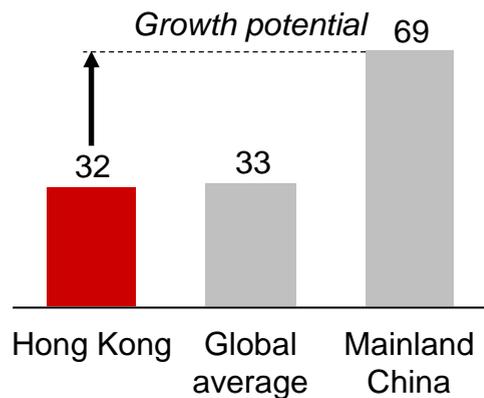
Enhance channel and coverage	<ul style="list-style-type: none"> ◆ Enable customers to conduct and track transactions through digital channels 24/7 ◆ Strengthen coverage resources, provide financial advisory support to engage entrepreneurs
Tailor proposition and products	<ul style="list-style-type: none"> ◆ Cater to BB clients' needs leveraging our universal banking capabilities, e.g. transaction banking, insurance and wealth, personal banking services for business owners ◆ Work with 3rd parties to offer value adding services, e.g. accounting ◆ Support small businesses to explore international opportunities
Grow "New economy"	<ul style="list-style-type: none"> ◆ Capture growth from sectors emerging in economic transition, e.g. <ul style="list-style-type: none"> • Build up expertise to support innovation and technology sector clients • Partner with Hong Kong Science and Technology Park and Cyberport on incubator and accelerator programmes

1. Source: Hong Kong Census and Statistics Department. Small and Medium Enterprises defined as manufacturing enterprises with less than 100 employees, and non-manufacturing enterprises with less than 50 employees
 2. BB refers to small business customers with annual turnover less than USD50m; including Hang Seng

Deliver simpler, faster and safer banking experience to our customers

Hong Kong is embracing FinTech

- ◆ Supportive regulatory environment
 - Aspiration: to promote Hong Kong as a FinTech hub in Asia
 - Initiatives: minimise regulatory frictions in customers' digital experiences, e.g. launched FinTech Supervisory Sandbox, Stored Value Facilities
- ◆ FinTech adoption rates 2017 (%)¹



Key achievements in 2017

Retail banking

- ◆ **PayMe** launched in FEB17
 - 1st digital wallet in HSBC Group
- ◆ **Easy Invest**, AUG17
- ◆ New mobile banking, OCT17
- ◆ **Reward+**, JAN18



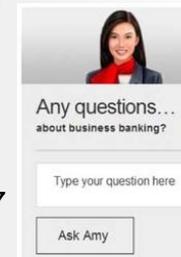
c.160% Y-o-Y
Active mobile users

c.30% Y-o-Y
Digital sales revenue

4.7/5
Rating of new mobile banking in app stores

Business banking

- ◆ **WeChat** notification service, June 2017
 - 1st commercial bank in Hong Kong
- ◆ Partnership with Xero to provide accounting software, March 2017
- ◆ **"Ask Amy"**, the Virtual Assistant Chatbot, 1Q17
 - 92% accuracy



c.120k
WeChat notifications

FinTech Award for best SME banking service in Hong Kong

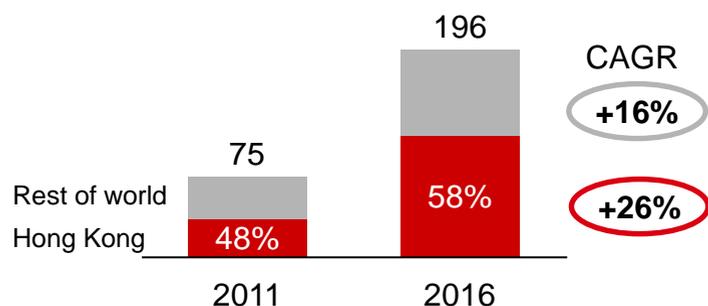


1. EY FinTech Adoption Index 2017 covering 20 markets globally. % of surveyed consumers had used two or more FinTech services within five broad categories (money transfer and payments, financial planning, savings and investments, borrowing, and insurance) in the prior six months

China is becoming an increasingly large capital exporter, and HSBC Hong Kong is well-positioned to capture China outbound / BRI business flows

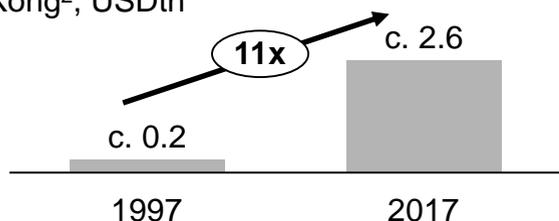
Hong Kong is the bridgehead for China's outward investment...

Mainland China's ODI by destination¹, USDbn



... and first port of call for Chinese corporates

Assets of mainland Chinese corporates in Hong Kong², USDtn



Unique mutual market access via Hong Kong between China / the world

- ◆ Hong Kong - Shanghai Stock Connect
- ◆ Hong Kong - Shenzhen Stock Connect
- ◆ Bond Connect

Case study: support State Grid overseas acquisition of CPFL Energia, the 3rd largest electricity utility company in Brazil

Client profile

State Grid is the world's largest power grid / utility company. Ranked 2nd of Fortune Global 500 in 2017



Client's needs

HSBC Hong Kong's support

Bridge financing for acquisition

- ◆ Arranged and anchored **club loan** to support the acquisition, using cross-currency swap structure to help the client achieve lower funding cost

Take-out financing in debt capital markets

- ◆ Lead-arranged offshore USD5bn public **bond issuance** as Joint Global Coordinator, tapping investors across Asia, Europe, and US

Post-acquisition financial support

- ◆ Provided **guarantee facility** from Hong Kong to support acquisition of the remaining minority shares
- ◆ **Cross border funding** from Hong Kong to support target company's operation
- ◆ **Hedge FX risk** during the transaction

HSBC capabilities

- ◆ Strong balance sheet in Hong Kong
- ◆ Broad product offering in Hong Kong with proven capability
- ◆ Well-established headquarters relationship + international connectivity across footprint countries

1. Source: CEIC, overall ODI including financial and non-financial

2. Source: China Daily "A golden era for the HK stock market", 1 July 2017

Hong Kong – at the heart of HSBC Asia’s growth

Macro trends

- ◆ Economic stability expected to continue
- ◆ Further growth driven by opportunities from:
 - Growing wealth and SME needs
 - FinTech developments
 - Greater Bay Area integration
 - Outbound trade and investment from China underpinned by BRI
 - Inbound business from MNCs into Asia

HSBC Hong Kong strategic priorities

- 1 Enhance competitive edge and drive growth – wealth management and insurance, business banking, and digitisation**
- 2 Capture opportunities from PRD / GBA integration – leverage cross-border sector expertise and capabilities**
- 3 Grow China outbound / BRI and MNC businesses – supported by a strong balance sheet and full product suite in Hong Kong, as well as our network in China and globally**

Mainland China

9 April 2018

David Liao
President and Chief Executive Officer, China

Irene Ho
Chief Executive Officer, HSBC Qianhai Securities



Agenda

Overview

HSBC in Mainland China

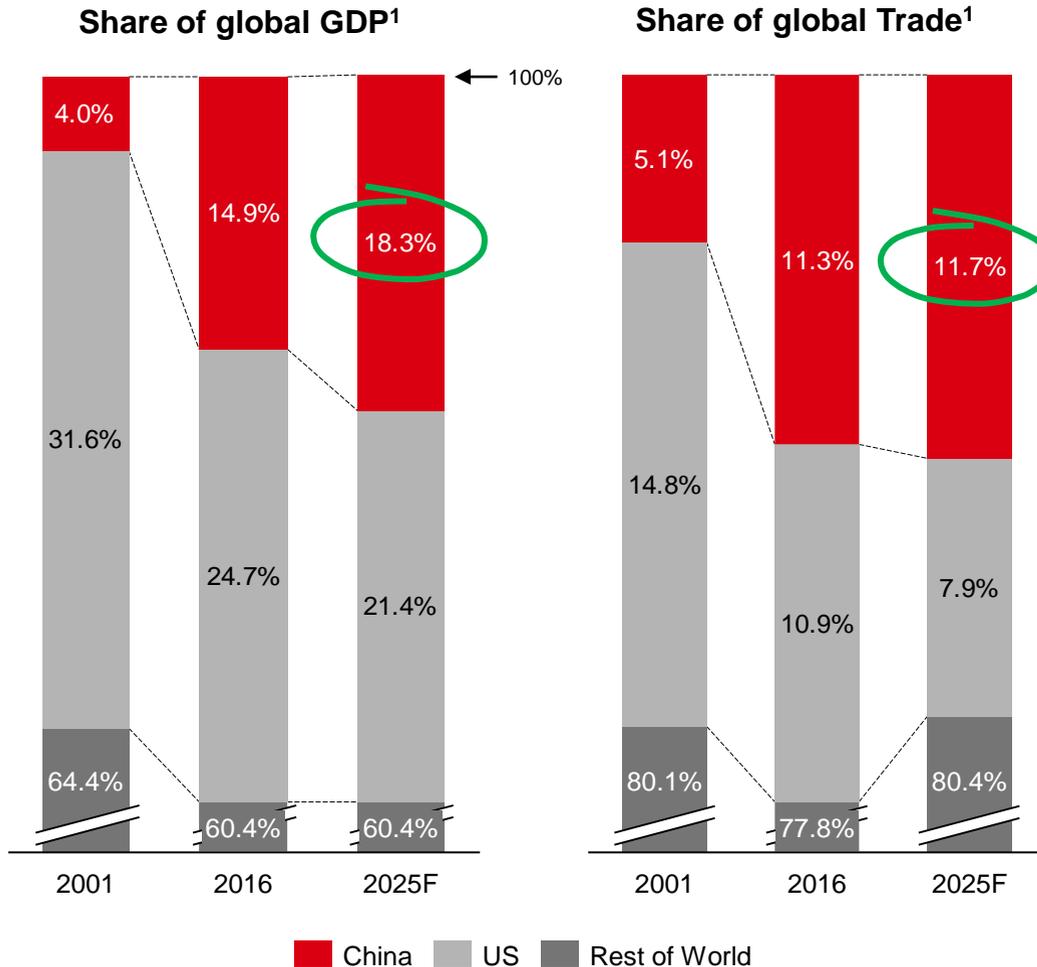
Financial performance

Strategic priorities

China is the world's growth engine...

China has become one of the largest nations by GDP and trade globally, with its growth expected to continue in the mid-long term

Growth drivers and key trends



Technological upgrading

- ◆ Becoming the global frontier of **innovative industries**
 - Higher quality production along value chain (e.g. electronics, electric vehicles)
 - New tech development (e.g. facial / voice recognition, bike-sharing)
- ◆ **New businesses** springing up as mobile technology matures
 - e.g. e-commerce, internet-enabled ecosystems

Wealth creation

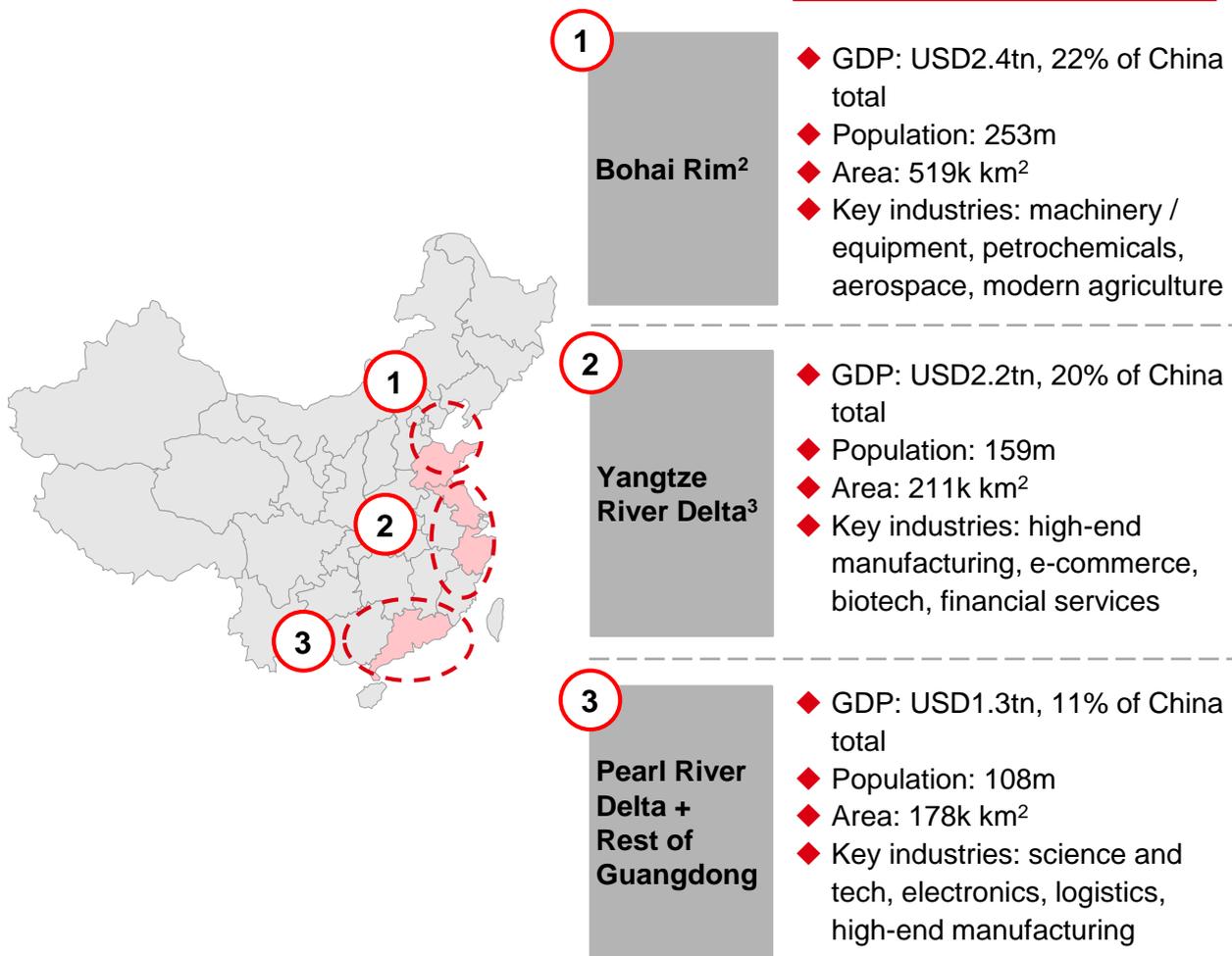
- ◆ **Rise of the middle class** in parallel with China's economic development
- ◆ **More sophisticated / service-based needs** for travel and education; improved customer journeys enabled by digital platforms

Sustainable development

- ◆ Sustainable financing / investments expected to grow as Chinese Government looks for **greener development**

1. Source: CEIC, World Bank, Global Insight

...with growth driven by a focus on mega city clusters

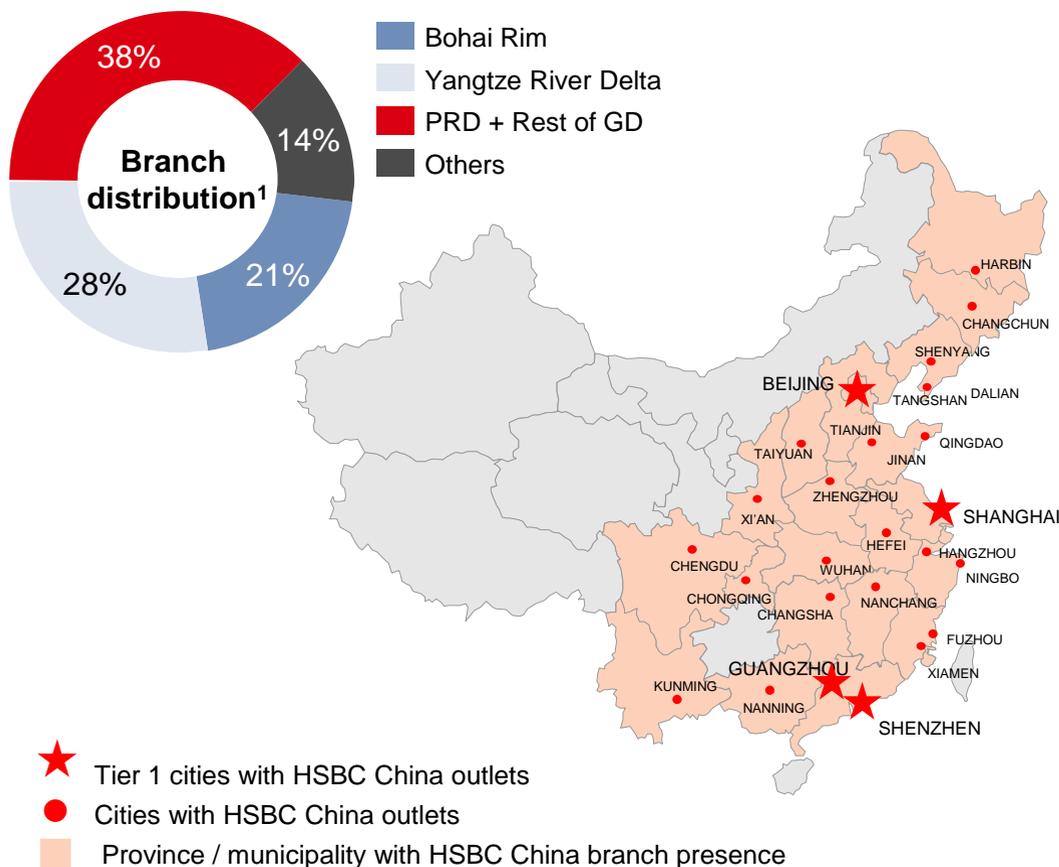


Key cities	GDP projections (USD bn)		Global rank 2025	City of similar size 2025 ⁴
	2025 ⁴	2017 ¹		
Beijing	1,028	414	5	Los Angeles
Tianjin	624	275	13	Rhine-Ruhr (Cologne, Dusseldorf etc)
Qingdao	190	163	84	Mumbai
Dalian	226	110	65	Montreal
Shanghai	1,112	446	3	New York
Nanjing	344	173	58	Kuwait City
Hangzhou	307	186	46	Seattle
Suzhou	258	256	40	Rio de Janeiro
Guangzhou	573	318	15	Washington D.C.
Shenzhen	524	332	19	Nagoya
Foshan	384	141	34	Milan
Dongguan	298	112	49	Bangkok

1. Source: National and Provincial Statistics Bureau
 2. Refers to key cities and provinces in the region, does not include small cities in Shanxi Province and Inner Mongolia
 3. Refers to key cities and provinces in the region, does not include small cities in Anhui Province
 4. Source: McKinsey "Global Cities of the Future"

HSBC – the leading foreign bank in China

Largest foreign bank network:
227 outlets in 57 cities, 23 provinces / municipalities¹



Leading foreign bank in China

Best Foreign Bank in China for 5 consecutive years during 2013-2017²

Market leader in various categories

- ✓ c.33% of foreign bank sector's 2016 net profits³
- ✓ Leading market shares in custodian services⁴ for RQFII (53%) and QFII (36%)

Strong China franchise and capabilities

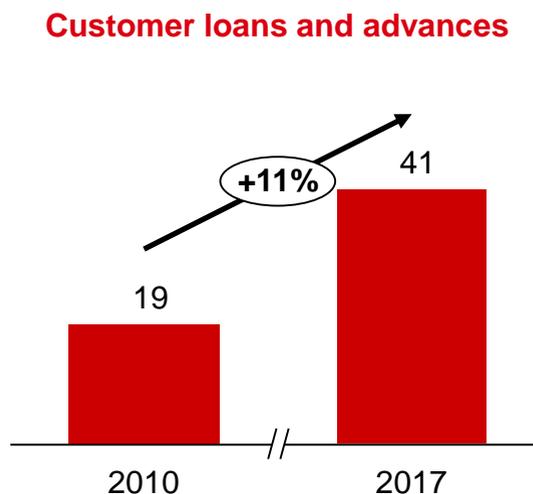
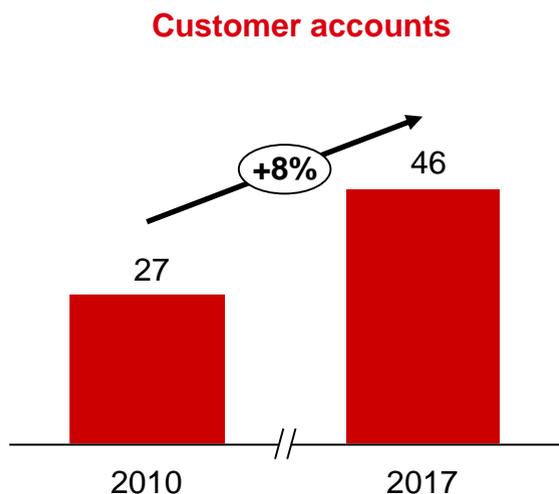
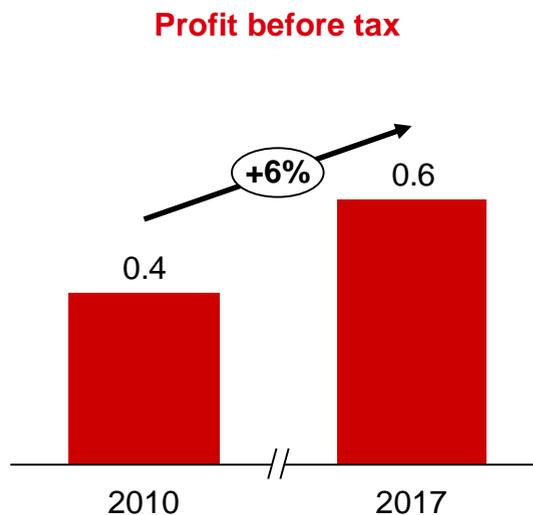
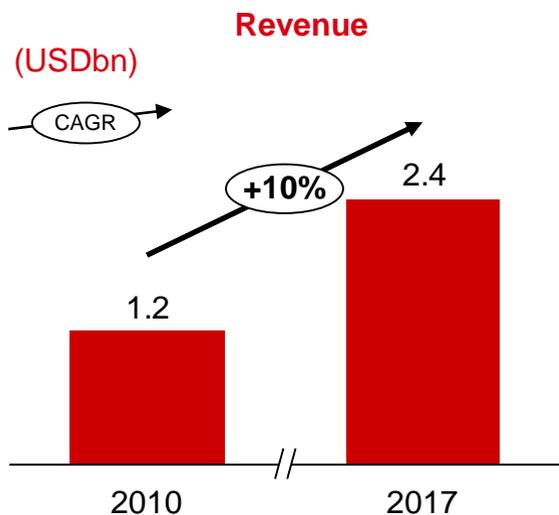
Widest range of financial sector licences among foreign financial institutions⁵:

Banking	<ul style="list-style-type: none"> ◆ HSBC Bank (China) (100%) ◆ Hang Seng Bank (China) (100%)
Asset Management	<ul style="list-style-type: none"> ◆ HSBC Jintrust Fund Mgmt (49%) ◆ Hang Seng Qianhai Fund Mgmt (70%)
Insurance	<ul style="list-style-type: none"> ◆ HSBC Life Insurance (50%)
Securities	<ul style="list-style-type: none"> ◆ HSBC Qianhai Securities (51%)

1. Includes Hang Seng Bank China, as of December 2017.
2. FinanceAsia country awards.
3. China Banking Regulatory Commission ("CBRC") Annual Report; 2017 data not available yet.

4. SAFE/CSRC website. 2017 custodian market share in terms of total approved QFII / RQFII quota.
5. Bracket indicates HSBC shareholding; Hang Seng Bank (China) and Hang Seng Qianhai Fund Management shareholding are owned via Hang Seng Bank.

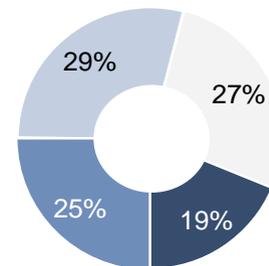
Business growth supported by a balanced mix¹



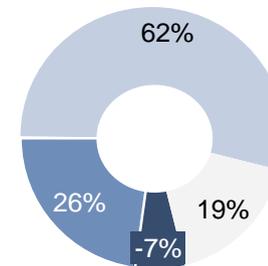
Business mix

2017

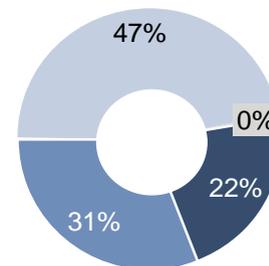
Revenue



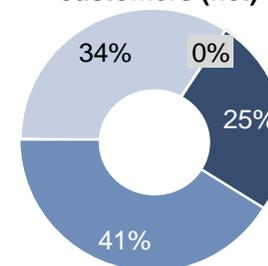
PBT



Customer accounts



Loans and advances to customers (net)



1. Financial performance includes Hang Seng and exclude associates, on reported basis

Strategic priorities for HSBC China

1 Capture growth from domestic retail	<ul style="list-style-type: none">◆ Invest in enhancing products and capabilities◆ Drive customer growth
2 Support tomorrow's winners (corporates)	<ul style="list-style-type: none">◆ Capture sustainable growth from higher value-added sectors
3 China outbound / Belt & Road Initiative (BRI)	<ul style="list-style-type: none">◆ Optimise strategic client coverage and China Desk infrastructure to drive opportunities to Group
4 Capitalise opportunities from rise of capital markets	<ul style="list-style-type: none">◆ HSBC Qianhai Securities – the first foreign majority-owned securities firm
5 Commercialise Pearl River Delta (PRD) investments	<ul style="list-style-type: none">◆ Commercialise investments◆ Replicate success / drive growth in the rest of China and beyond
6 Act as anchor to Group's RMB internationalisation (RMBI) proposition	<ul style="list-style-type: none">◆ Sustain market leadership◆ Enhance supporting system and resource◆ Maintain thought leadership within market and government ecosystems

Fast-growing middle class with emerging wealth and liquidity; potential foundation for sustainable growth of HSBC in China

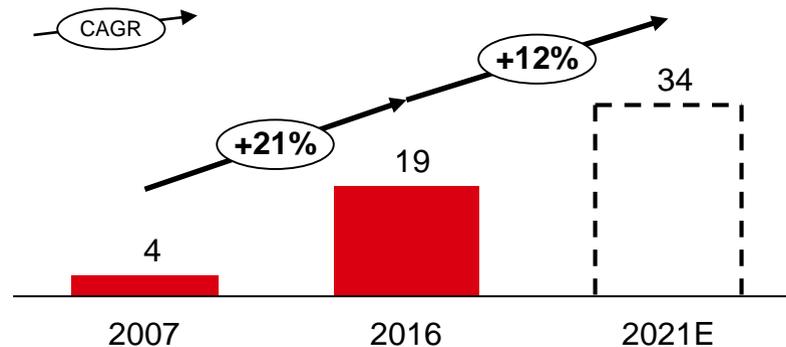
Growth drivers

HSBC strategic focus areas

Wealth Management

Significant wealth accumulating in China

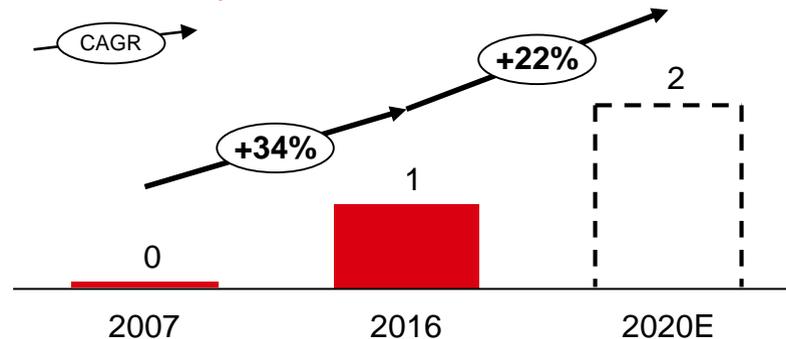
Investible individual financial assets¹, USDtn



Lending

Consumption and credit needs growing rapidly

Retail consumption loan², USDtn



◆ Capture China's rise of middle class and wealth creation

- Mutual funds balances grew 23% in 2017
- HSBC Jintrust: Assets under management reached USD 4.3bn in 2017, up 60%
- HSBC Life Insurance: Gross Written Premiums reached USD175m in 2017, up 37%
- Launched health and education themed campaigns to focus on higher value and international minded customer segments

◆ Grow asset book and tap into key consumer credit needs by launching new products

- 500k+ new credit cards since launch in end-2016
- Mortgage balances up 14% in 2017
- Launched Retail Business Banking in 2017

1. BCG Report "China Wealth 2017: The Way Ahead After a Golden Decade".

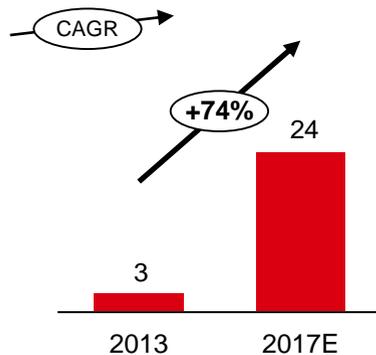
2. The People's Bank of China, WIND, CITICS research.

Widespread consumer adoption of digital financial services provides opportunity to grow and improve customer experience

Rapid growth in China's digital financial marketplace

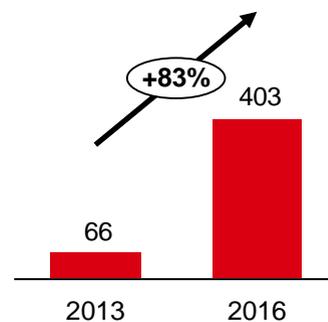
Mobile payments¹

(USDtn)



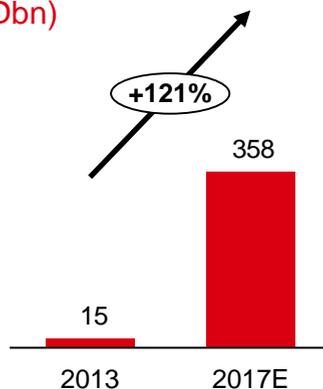
Online AUM¹

(USDbn)



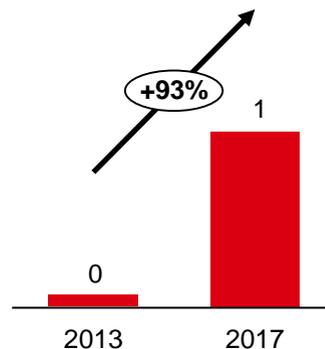
Online lending¹

(USDbn)



Investment in FinTechs²

(USDbn)



HSBC strategic focus areas

Digitalise customer journey & platforms



- ◆ Extend digital infrastructure build, focussing on mobile and onboarding
- ◆ Leverage tech to improve front-end user experience (e.g. biometrics, chatbots etc.)
- ◆ Expand digital insurance, mortgages, wealth solutions

Digitalise propositions



- ◆ Launch “online-only” saving products and unified customer rewards system
- ◆ Develop health and other ecosystem-based propositions (e.g. travel, education, housing, lifestyle)

Digital partnerships



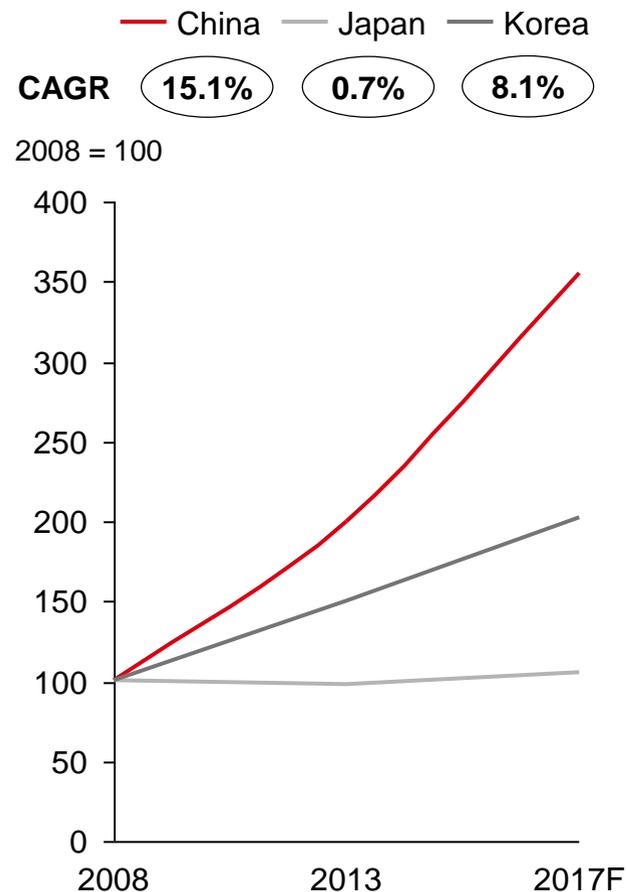
- ◆ Explore partnership opportunities with third parties to expand channels and improve efficiencies, for example:
 - Co-branded products
 - Big data driven credit assessments

1. Source: iResearch
 2. Source: KPMG report – “The Pulse of FinTech Q4 2017”

China building global innovation and technology leadership with rapid development expected to continue

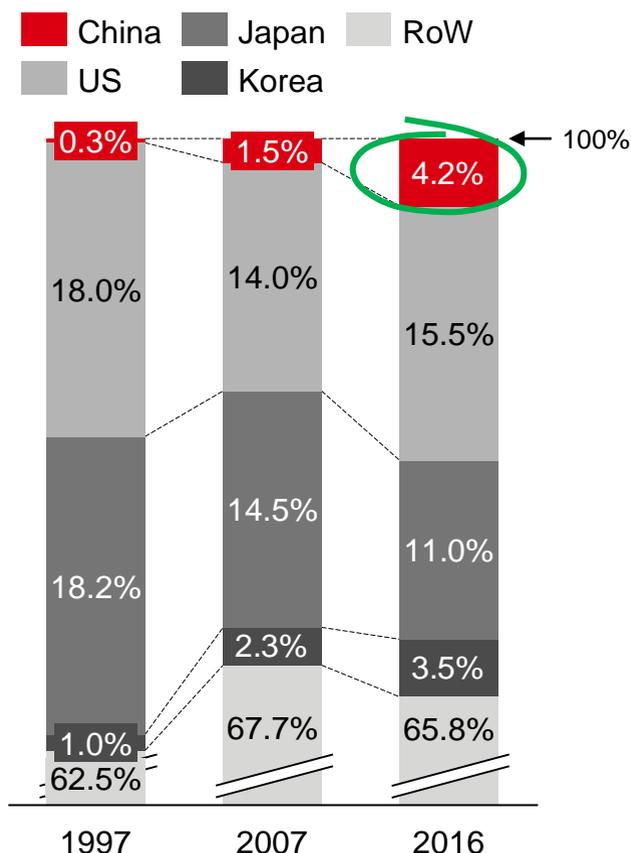
Significant investments in technological upgrades

Business enterprise R&D expenditure¹



China's market share in high value products almost tripled since 2007

Share of world's 100 most complex products exports², %



China accounts for 1/3 of unicorn companies³ globally

Global unicorns %; number⁴ in USDbn



1. WIPO, HSBC Research.
 2. UN Comtrade, HSBC Research.
 3. A unicorn company is a privately held startup company with a current valuation of USD1 billion or more.
 4. CB Insights.

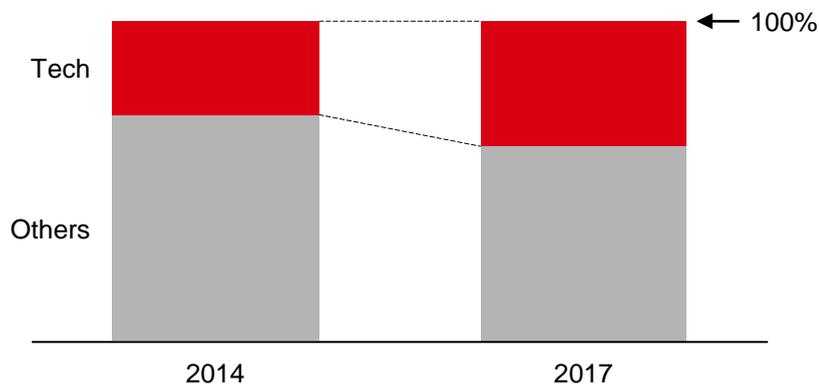
iFLYTEK – China's next technological leader aspiring to rapidly expand internationally with evolving banking needs

HSBC's strategic focus on emerging growth sectors

- ◆ Increased client coverage aligned with geographic / segment developments:
- ◆ Example – Technology:
 - PRD as the pilot with a emphasis on hi-tech manufacturing
 - Beijing: software development
 - Shanghai: online retailing

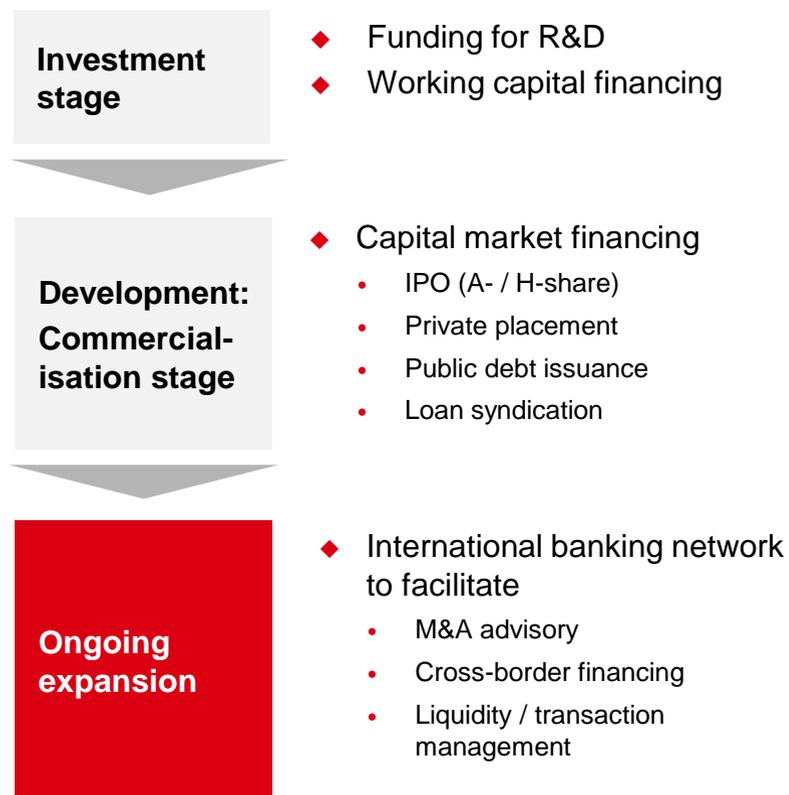
Spotlight: HSBC Shenzhen grew tech client coverage

Loan portfolio mix²



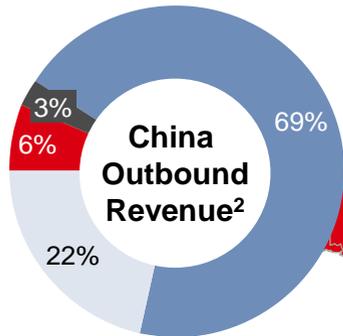
Leading voice and image recognition software developer Ranked 6th out of 50 Smartest Tech Companies in 2017¹

Typical banking requirements

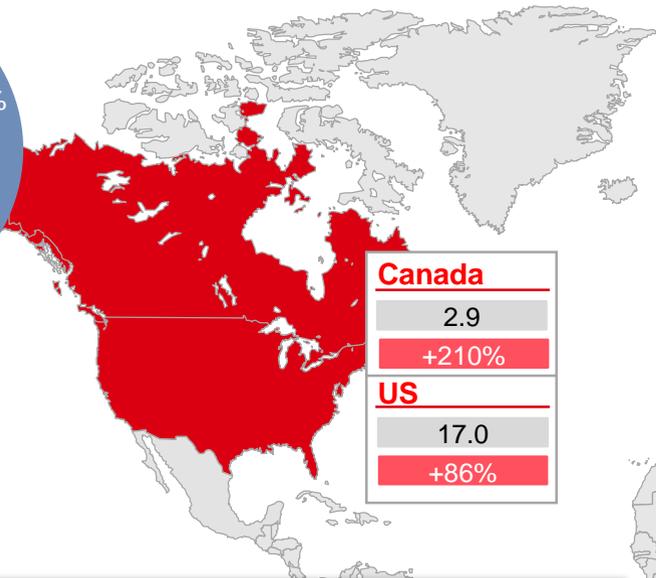


1. MIT Technology Review (July / August 2017 issue); top five listed were Nvidia, SpaceX, Amazon, 23andMe, Alphabet.
 2. HSBC Shenzhen branch loan balance only (excluding Hang Seng).

China a key anchor to global capital flows and growth for HSBC



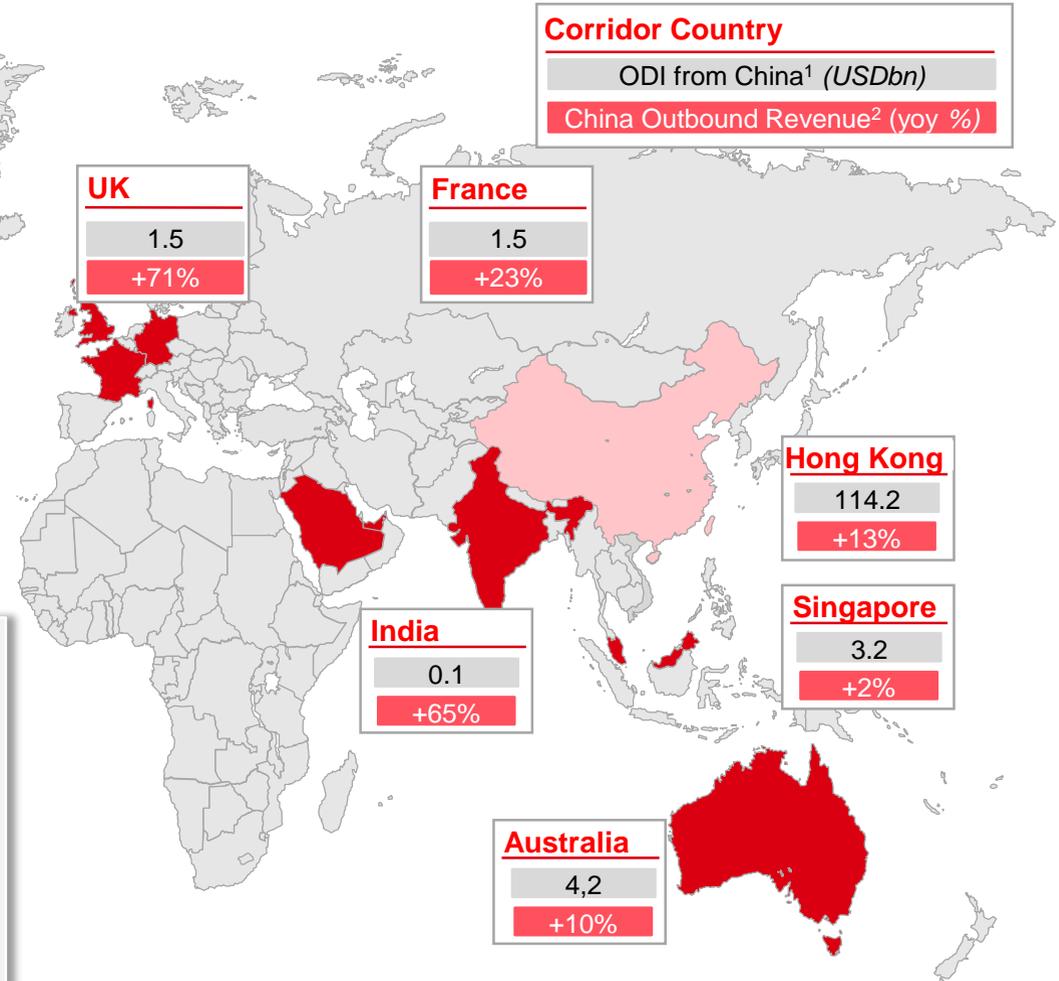
■ Asia + Aus.
■ Europe
■ N. America
■ Middle East



■ Select strategic business corridors relating to China

Corridor Country

ODI from China ¹ (USDbn)
China Outbound Revenue ² (yoy %)



China a global growth driver for investments and capital

- ◆ Investments in infrastructure from the Belt and Road Initiative; private sector overseas investments and M&As
- ◆ Bilateral trade flows with key countries continue to increase

HSBC well equipped to capture opportunities

- ◆ 25 dedicated China Desks covering 40 countries³
- ◆ Focused senior management engagement: 12 out of 25 HSBC's strategic corridors are China-related

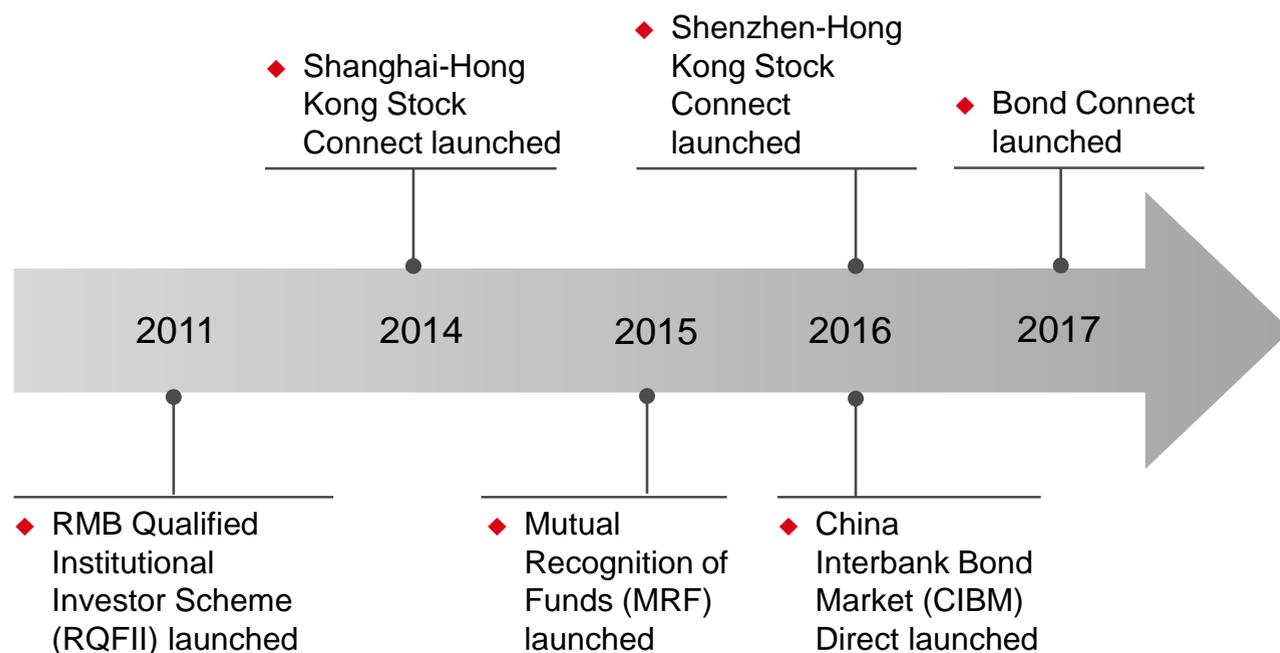
1. Overseas direct investment from China. Source: CEIC, 2016.

2. Include China outbound GBM and CMB related cross border revenues only; exclude Financial Institution Group. Data presented is on year-on-year basis, as of 2017.

3. As of February 2018. Coverage include: Argentina, Australia, Bangladesh, Canada, France, Germany, Hong Kong, India, Indonesia, Israel, Luxembourg, Macau, Malaysia, Mauritius, Mexico, Poland, Saudi Arabia, Singapore, Sri Lanka, South Africa, Thailand, UAE, UK, US, Vietnam

China's capital markets have grown with the opening up of its financial sector; HSBC well-placed to capture related opportunities

China's capital markets have been gradually opening up...



...HSBC has expanded its franchise and leadership along the way

- ◆ Market leader in a wide range of custodian services¹, including RQFII (53%) and QFII (36%)
- ◆ First JV securities company majority-owned by a foreign bank in China, opened for business in December 2017
- ◆ Among first banks to offer a number of cross-border services:
 - Bond Connect in Mainland China's interbank bond market
 - Shenzhen / Shanghai-Hong Kong Stock Connect
- ◆ First foreign bank to be granted a lead underwriting licence for corporate panda bonds in the inter-bank market

1. SAFE / CSRC website. 2017 custodian market share in terms of total approved QFII / RQFII quota.

HSBC Qianhai Securities complements HSBC Bank China's onshore capabilities and access to the fast growing capital markets segment

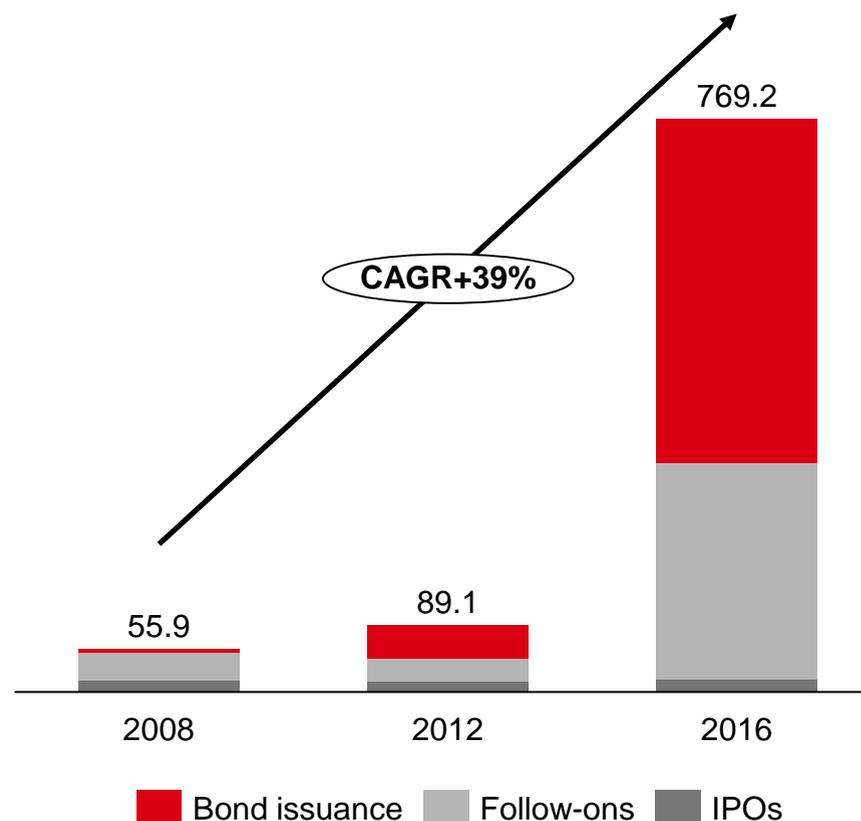
Combining to offer comprehensive onshore product suite for corporate clients...

Select comparison of capabilities ✓ Current offering

Categories	HSBC Bank China	HSBC Qianhai Securities
1. Capital Financing		
◆ Debt Capital Markets	Limited access	✓
◆ Equity Capital Markets		✓
◆ Leveraged and Acq. Finance	✓	
◆ Infrastructure, Energy and Export Finance	✓	
2. Mergers and Acquisitions		✓
3. Research		✓
4. Markets		
◆ Equities		✓
◆ Foreign Exchange	✓	

...amidst significant growth opportunities in the onshore capital market

Domestic exchange market fund raising, USDbn¹



1. China Securities and Regulatory Commission

Examples: How HSBC Qianhai Securities can support customers' corporate finance needs

Example 1 – Equity: A-share and H-share dual listing

Existing Hong Kong-listed Chinese client following its H-share IPO with onshore equity financing need

Potential solutions

- ◆ Pre A-share listing: sponsoring, underwriting and financial advisory services
- ◆ Post A-share listing: equity refinancing solutions post-IPO

**Offshore –
Hong Kong**

H-share IPO



**Onshore
Mainland China**

A-share IPO

HSBC  Qianhai

Example 2 – Debt: Panda Bond issuance

Existing Fortune 500 client with onshore RMB financing needs

HSBC
Overseas office

- ◆ Client discussion initiation
- ◆ Referral

HSBC Qianhai
Securities

- ◆ Deal structuring
- ◆ Underwriting
- ◆ Execution

HSBC China

- ◆ Client relationship maintenance

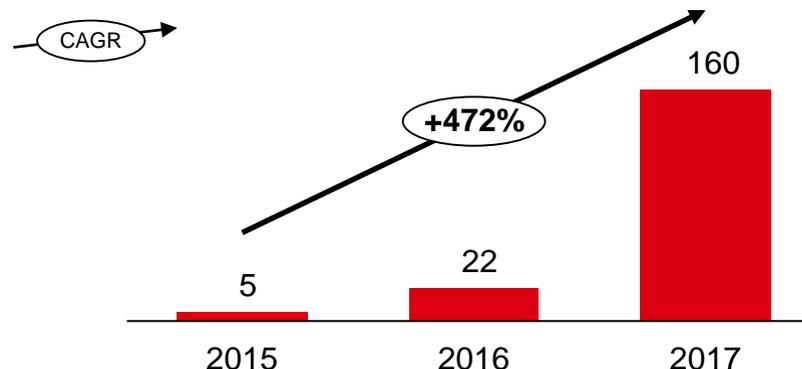
Execution against Pearl River Delta strategy in progress

Progress since 2015 Investor Day announcement

Headcount	<ul style="list-style-type: none"> >700 new hires in 2017; more than doubled since project launched in JUN15
Digital	<ul style="list-style-type: none"> Launched Tablet for mortgage origination Launched first Video Teller Machine Launched WeChat Banking Launched facial recognition for small funds transfer on mobile banking (1st among foreign banks in China)
Mortgages	<ul style="list-style-type: none"> Mortgage loans up 44% in 2017 from USD0.8bn to USD1.2bn
HSBC Qianhai Securities	<ul style="list-style-type: none"> First JV securities company majority-owned by a foreign bank in China, opened for business in December 2017
CMB Innovation Growth Fund	<ul style="list-style-type: none"> RMB2bn (USD290m) credit facility under the CMB Innovation Growth Fund approved for 39 clients in PRD

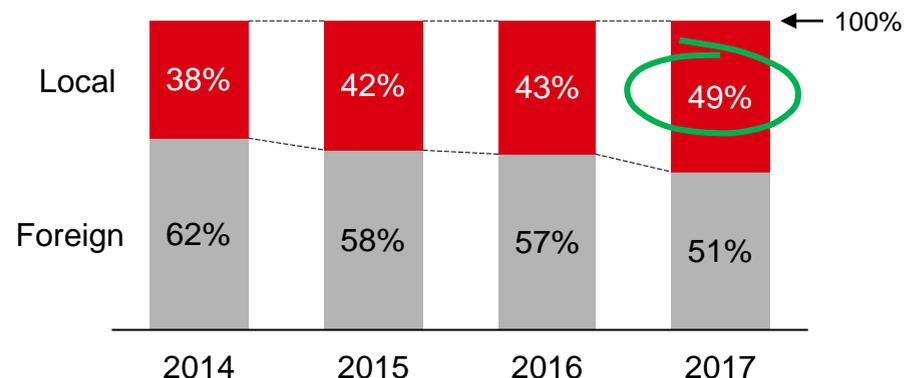
Example: RBWM customers in PRD up >4.7x

Total PRD RBWM new-to-bank customers only, 000s



Example: customer portfolio more localised; improved funding stability and cross-sell opportunities

PRD CMB customer mix by count¹ (%)



1. Exclude Business Banking customers.

China as a source of sustainable growth for HSBC

Macro trends

- ◆ China becoming the global frontier of innovative industries; vast development of internet-enabled eco-systems
- ◆ China outbound investments to continue, anchored by BRI
- ◆ Significant development of the capital markets and international connectivity
- ◆ Rise of the middle class; evolution of consumption patterns and volumes

HSBC China strategic priorities

- 1 Capture growth from domestic retail** – invest to enhance products and capabilities and drive customer growth
- 2 Tomorrow's winners** – capture sustainable growth from higher value-added sectors
- 3 China Outbound / BRI** – optimise strategic client coverage and China Desk infrastructure to drive opportunities to Group
- 4 Rise of Chinese capital markets** – capture opportunities through China franchise including HSBC Qianhai Securities
- 5 Pearl River Delta** – commercialise investments and replicate success / drive growth in rest of Greater China
- 6 RMB Internationalisation** – sustain market leadership, enhance supporting system and resources, and maintain thought leadership

Risk

9 April 2018

Mark McKeown
Chief Risk Officer, Asia-Pacific



Agenda

Risk framework

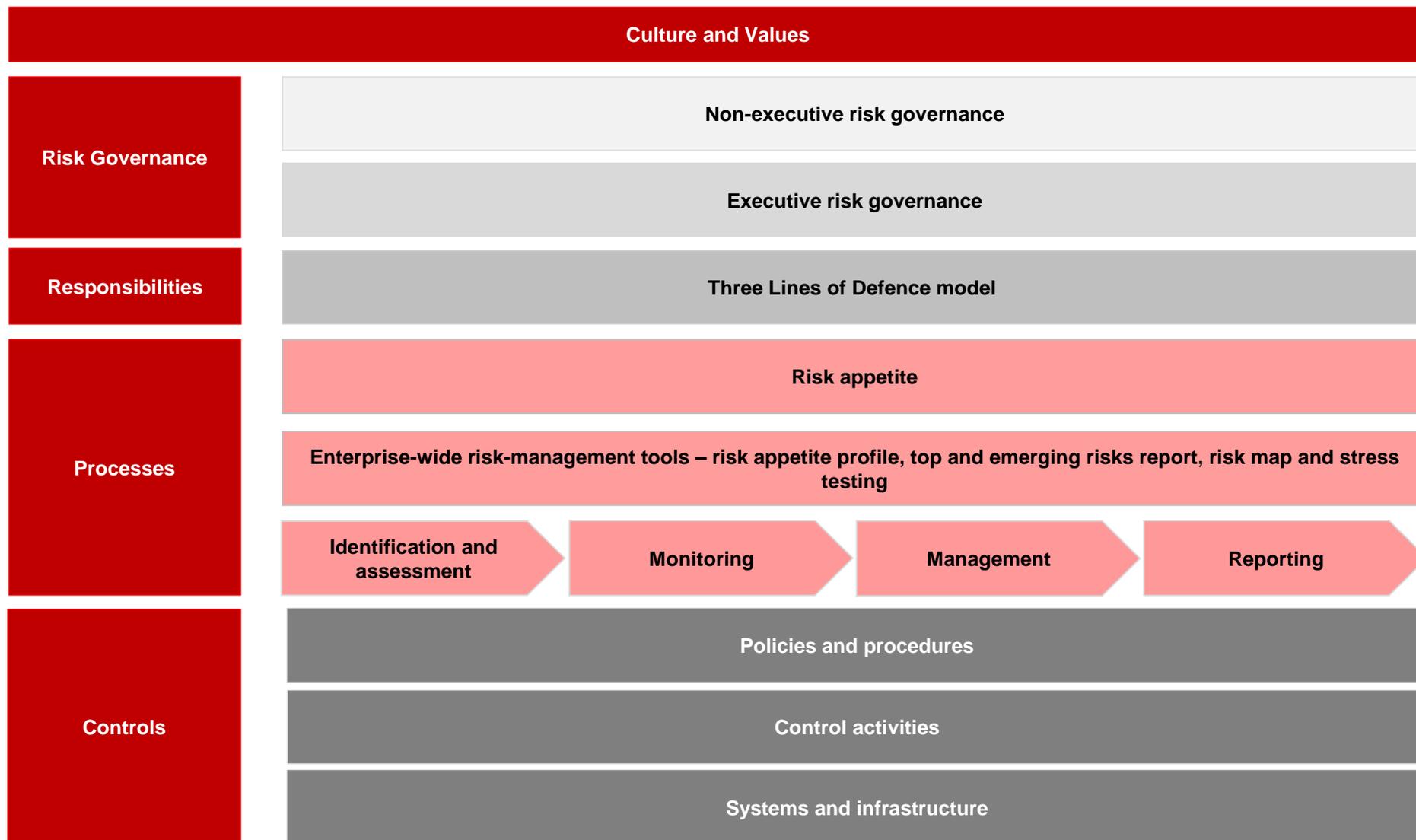
Credit quality

China

Looking ahead

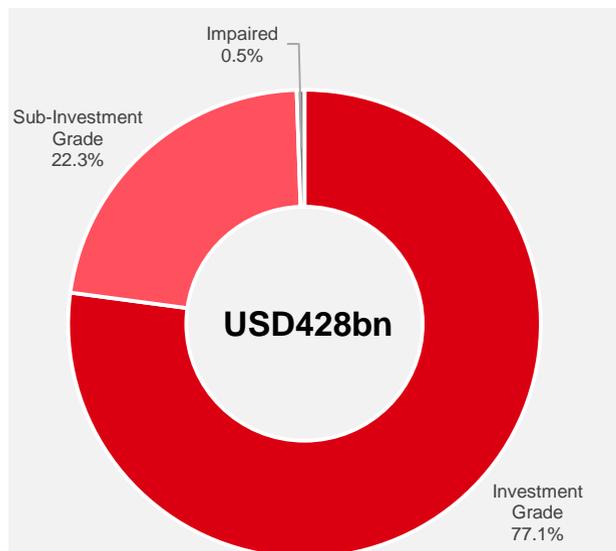
Conclusion

A robust risk-management framework



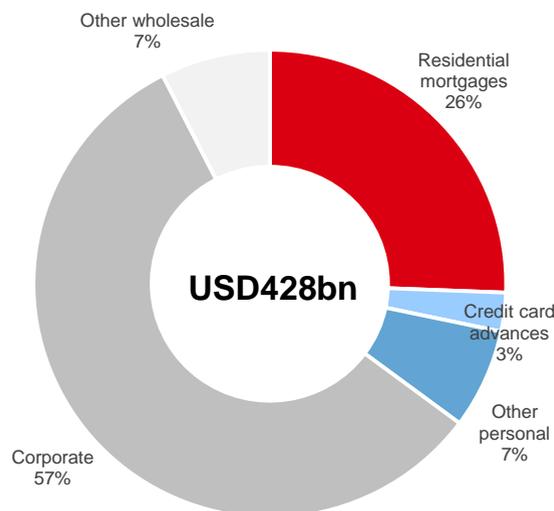
A balanced and diversified portfolio¹ in Asia with high credit quality

Gross loans and advances to customers – USD428bn



- ◆ Increased by USD61bn, or 17%, from FY2016 on a reported basis
- ◆ 77% are investment grade². Increased by 20% from USD276bn to USD331bn, outpacing the growth rate of the overall book
- ◆ 0.5% impaired loans and advances. Decreased by 9% from USD2.5bn to USD2.3bn
- ◆ > 60% are booked in Hong Kong

Gross loans and advances to customers – by customer and product segment



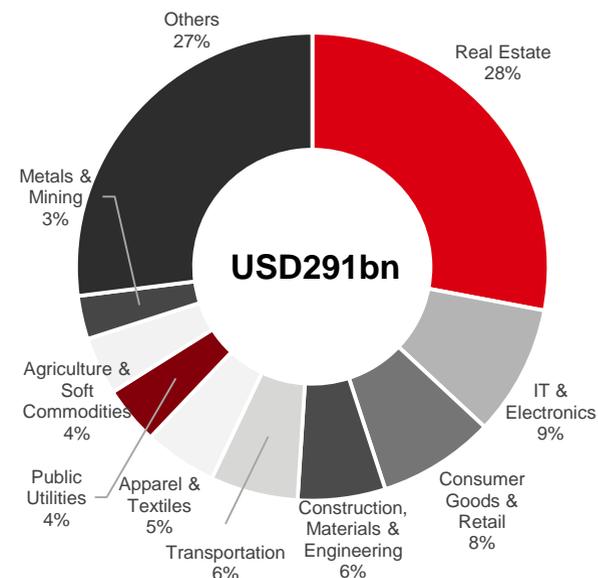
Balanced portfolio mix – 35% Retail vs. 65% Wholesale

82% of RBWM book is mortgages

- ◆ Average LTV: 32%
- ◆ <1% has LTV greater than 80%

Hong Kong book has a similar split

Corporate credit exposure³ – by sector



Diversified Corporate portfolio: 63% of exposures are investment grade

Corporate Real Estate

- ◆ 72% investment grade
- ◆ Selective focus on top tier developers with strong performance track records with HSBC

57% of corporate exposures are booked in Hong Kong, of which 39% is Corporate real estate-related

1. All data as of December 2017
 2. "Strong" and "Good" credit quality as disclosed in Annual Report. Equivalent to internal credit rating CRR 1 – 3 for wholesale lending and EL 1 – 3 for retail lending.
 3. Based on drawn exposure.

We have grown in a managed way – evidenced by consistently low LICs

Growth in a managed way

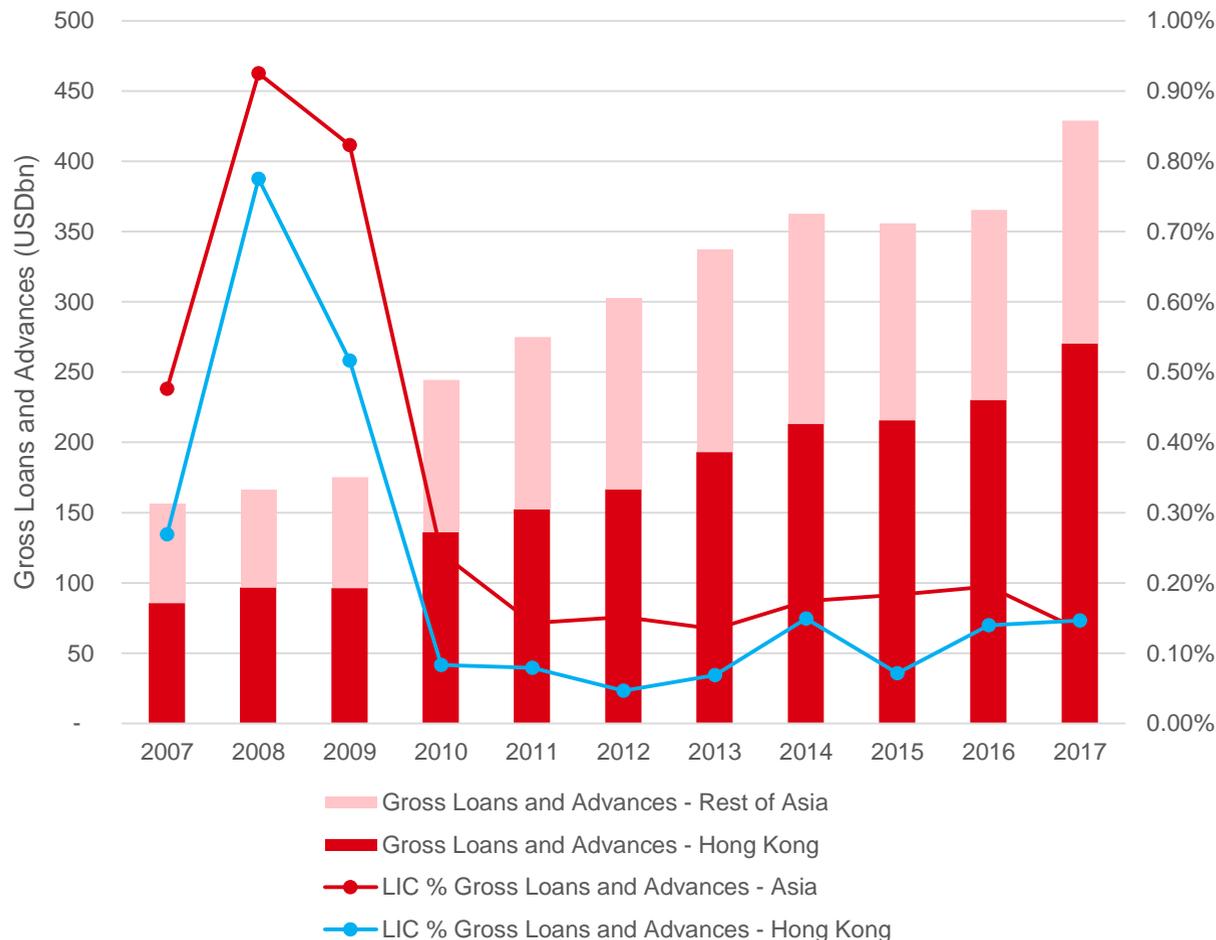
We have increased the focus on active risk management and early warnings as we have grown the book

Asia Loan book growth rate (CAGR) 11% from 2008 – 2017. Hong Kong is the primary contributor to the growth (> 60% in the recent 3 years)

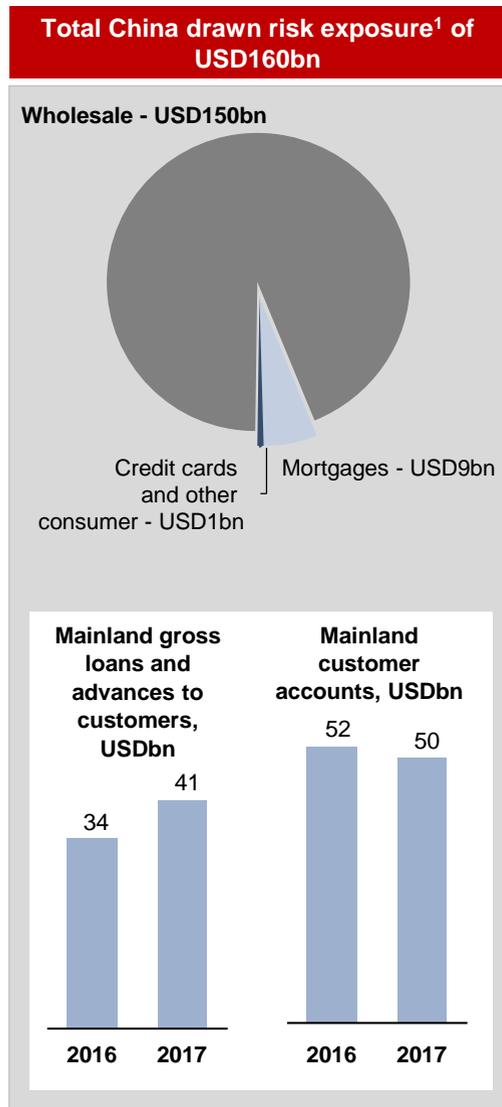
LICs as a % of Gross loans and advances

- ◆ < 0.2% since 2011 against the backdrop of loan book growth
- ◆ Hong Kong: < 0.15% since 2010
- ◆ LICs from China exposure remain low
- ◆ 10-year historical peak in Global Financial Crisis (2008) was managed below 1%

Impaired loans % gross loans and advances below 0.7% since 2011

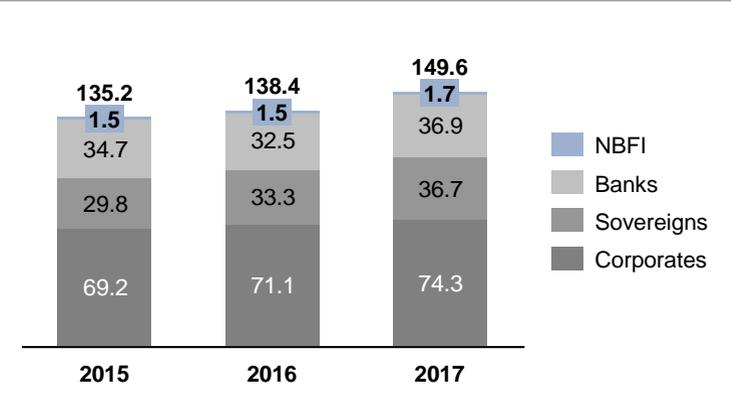


China is delivering our long-term growth – in a disciplined manner



- ◆ Total China drawn risk exposure of USD160bn of which 58% of wholesale drawn risk exposure is onshore.
- ◆ Wholesale: USD150bn; Retail: USD10bn
- ◆ Gross loans and advances to customers of cUSD41bn in Mainland China (by country of booking, excluding Hong Kong and Taiwan)
- ◆ Losses remain low (onshore LICs of less than USD100m in FY17)
- ◆ Impaired loans and days past due trends remain low
- ◆ HSBC's onshore corporate lending market share is 0.14% which allows us to be selective in our lending

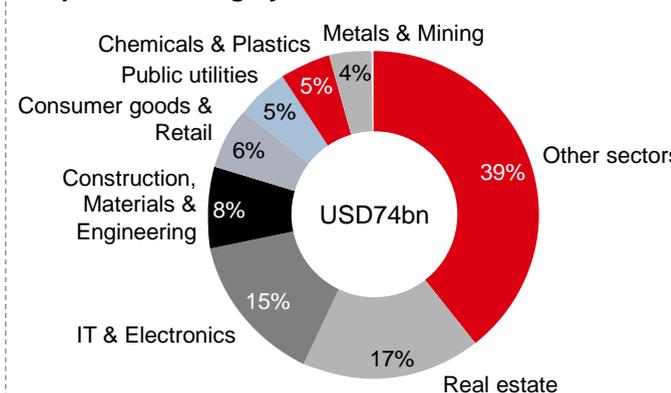
Wholesale analysis, USDbn



Wholesale lending by risk type:

	CRR	1-3	4-6	7-8	9+	Total
Sovereigns		36.7	-	-	-	36.7
Banks		36.4	0.5	-	-	36.9
NBFI		1.4	0.3	-	-	1.7
Corporates		46.7	27.1	0.2	0.3	74.3
Total		121.2	27.9	0.2	0.3	149.6

Corporate Lending by sector:



- ◆ c. 28% of lending is to Foreign Owned Enterprises, c. 33% of lending is to State Owned Enterprises, c. 39% to Private Sector Owned Enterprises
- ◆ Corporate real estate
 - 57% sits within CRR 1-3 (broadly equivalent to investment grade)
 - Highly selective, focusing on top tier developers with strong performance track records with HSBC
 - Focused on Tier 1 and selected Tier 2 cities

1. Retail drawn exposures represent retail lending booked in Mainland China; wholesale drawn exposures represents wholesale lending where the ultimate parent or beneficial owner is Chinese.

Looking ahead – Top and emerging risks

	Key risks	Mitigating actions
Internal	<ul style="list-style-type: none"> ◆ Strong hiring competition for employees and their expertise ◆ Completing global change initiatives including Global Standards, IFRS9, BCBS239 etc. 	<ul style="list-style-type: none"> ◆ Succession planning ◆ Close management oversight of organisational change
	<ul style="list-style-type: none"> ◆ New Deferred Prosecution Agreement issued in JAN18 in relation to historical foreign exchange sales and trading activities ◆ Agreed a USD101.5m settlement to resolve charges 	<ul style="list-style-type: none"> ◆ Enhancement of compliance programmes, internal controls and strong focus on culture
External	<ul style="list-style-type: none"> ◆ Increased regulatory scrutiny and tightening liquidity in China ◆ Global market environment and trade relations 	<ul style="list-style-type: none"> ◆ Strengthening client selection and early risk identification ◆ Stress tests and regular reviews of key portfolios
	<ul style="list-style-type: none"> ◆ Increasing sophistication of cyber attacks ◆ Ransomware and distributed denial of service attacks as the dominant threat 	<ul style="list-style-type: none"> ◆ Enhancing capabilities on security event protection, detection and incident response processes
	<ul style="list-style-type: none"> ◆ Korean peninsula instability ◆ US-China tensions (Korea, trade etc.) 	<ul style="list-style-type: none"> ◆ Close monitoring of geopolitical outlook ◆ Portfolio specific stress testing as required
	<ul style="list-style-type: none"> ◆ Evolving nature of financial crime threats in tandem with geopolitical development ◆ Changing sanctions regulatory landscape 	<ul style="list-style-type: none"> ◆ Continue enhancement of Financial Crime Risk function ◆ Better use of sophisticated analytical techniques
	<ul style="list-style-type: none"> ◆ Stringent regulatory and supervisory requirements ◆ Senior manager regime focus in certain countries 	<ul style="list-style-type: none"> ◆ Full engagement with governments and regulators in relation to new requirements
	<ul style="list-style-type: none"> ◆ Elevated regional political risk 	
<ul style="list-style-type: none"> ◆ Financial crime risk environment 		
<ul style="list-style-type: none"> ◆ Regulatory developments with adverse impact on business model and profitability 		

Key messages

1

Robust risk management framework

2

Balanced portfolio with high credit quality

3

We actively manage risk

4

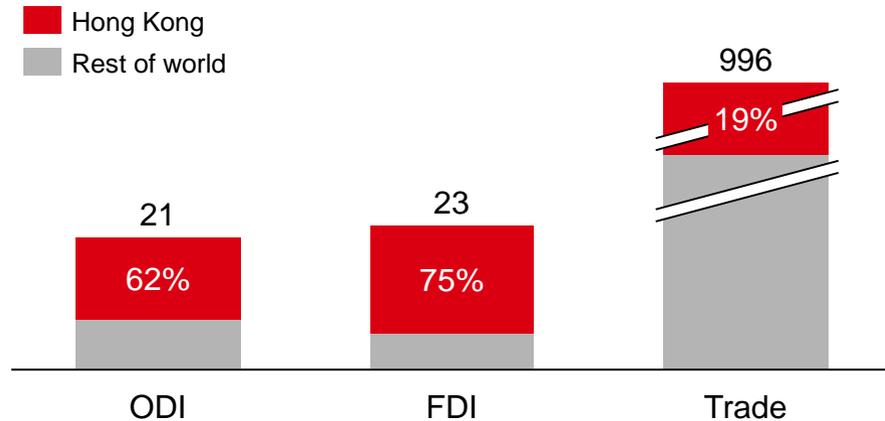
We have grown safely

Appendix

Future growth opportunities underpinned by strengthened connectivity with mainland China, in particular PRD / GBA

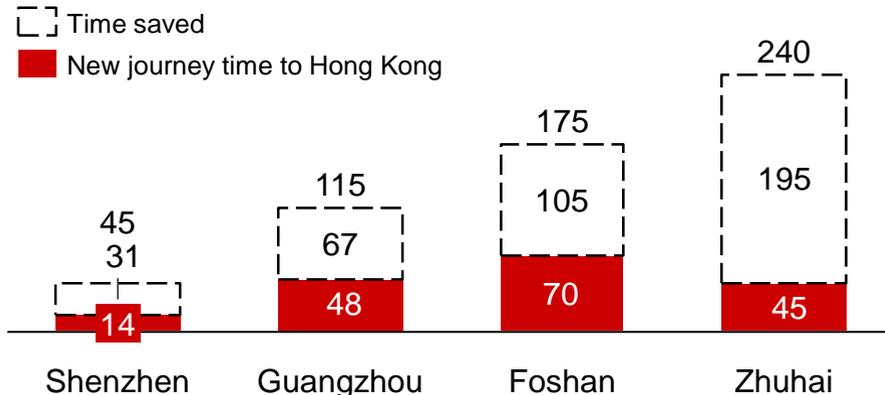
Hong Kong is the major investment conduit and largest trade partner to Guangdong

Guangdong ODI / FDI / Trade¹, USDbn, 2016



Further connectivity supported by infrastructure development

Travel time between selective PRD cities / Hong Kong², minutes



Strategic focus

Leverage HSBC's strength in Hong Kong and footprint in Guangdong to provide one-stop banking platform

Offshore financial services to PRD clients

- ◆ Provide integrated proposition
 - Offshore financing hub
 - 2-hour express payment
 - Coverage and products teams with cross border working experiences
- ◆ Capture growth from emerging sectors in PRD, e.g. innovation and technology, high-end manufacturing

Support Hong Kong and multinational clients in PRD

- ◆ Support local and MNC clients tap into mainland China's capital market through collaboration with HSBC China and HSBC Qianhai Securities
 - Potential opportunities: panda bonds, A+H dual listing
- ◆ Enhance cross border trade and cash solutions to capitalise from the growing import / export and investment flows

1. Source: Statistics Bureau of Guangdong Province, Hong Kong Census and Statistics Department

2. Source: "The Greater Pearl River – 7th Edition" by Invest HK. Time saved based on train travel via new Express and Intercity Railway connections and car travel via Hong Kong – Zhuhai – Macau bridge, upon completion / operation in 2018

Capitalise on trade and investment flows from MNCs using Hong Kong as the regional centre

Hong Kong is a leading international financial centre

Rank ¹	Centre ¹	Previous rank ¹
1	London	1
2	New York	2
3	Hong Kong	4
4	Singapore	3
5	Tokyo	5

4th largest FX market by turnover²

7th largest stock market / 3rd Asia³

#1 IPO market in 2017⁴

>3k MNC regional HQs / offices⁵

Case study: support a multinational client achieve efficiency, flexibility, and transparency with all-in regional solution anchored in Hong Kong

Client profile

A global market leader in B-to-B distribution of electrical products and services with entities in 44 countries and regions, of which 10 in Asia-Pacific

Cash management

Multi-currency cash concentration structure connecting domestic and regional liquidity

Trade

Various types of trade finance solutions to suit the client's needs in different projects / contracts

Currencies

Hedging FX volatility across major Asian currencies

Credit and lending

Regional umbrella facilities to back funding requirements across markets

Hong Kong:
integrated solution covering China, Singapore, Indonesia, Malaysia, Thailand

HSBC Capabilities

- ◆ Extensive breadth of products
- ◆ Competitive pricing
- ◆ Strong implementation ability backed by our network in Asia-Pacific
- ◆ Seamless collaboration among RMs / product teams across countries

1. Source: The Global Financial Centres Index 22, the latest ranking as of SEP17
 2. Bank of International Settlements triennial survey issued in SEP16, net-gross basis
 3. Includes GEM; as of DEC17; source: SFC, WFE, Bloomberg

4. By # of IPOs; source: EY 2017 "Global IPO trends" report
 5. Hong Kong Census and Statistics Department

Glossary

Glossary of terms

Term	Definition
AD ratio	Ratio of loans and advances to customers to customer accounts
ADB	Asian Development Bank
Adjusted performance	Adjusted performance excludes the year-on-year effects of foreign currency translation differences and significant items which distort the year-on-year comparison of reported results. The term significant items collectively describes the group of individual adjustments excluded from reported results when arriving at adjusted performance and which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the trends of the business
AIIB	Asian Infrastructure Investment Bank
AM	Asset Management
APAC	Asia-Pacific
ASEAN	Association of Southeast Asian Nations
AU	Australia
AUC	Asset Under Custody

Term	Definition
AUM	Assets under management
BARC	Barclays Bank PLC
BCG	Boston Consulting Group
bn	billion
BoAML	Bank of America Merrill Lynch
BRI	Belt and Road Initiative
BSM	Balance Sheet Management
CAGR	Compound annual growth rate
CC	Corporate Centre
CER	Cost efficiency ratio

Glossary of terms

Term	Definition
Client revenue	Differs from reported revenue. Client revenue relates to client income which includes total income from GB&M clients relationships before synergies with other global businesses and excludes internal costs of funds.
CMB	Commercial Banking
CNY	Chinese Yuan Renminbi
CS	Credit Suisse Group AG
CSRC	China Securities Regulatory Commission
DB	Deutsche Bank AG
DCM	Debt capital markets
DTC	Digital transformation for Corporates
ECM	Equities capital markets
ECM	Equity Capital Markets
EMEA	Europe, Middle East and Africa

Term	Definition
Ernst & Young (“EY”) methodology	<p>1. Estimated Market share is calculated by taking HSS’s Asia Pacific AUC (provided by HSS) divided by Total Asia Pacific AUC (using Tricumen data, which is estimated to cover c.60% of Asia Pacific AUC)</p> <p>2. Estimated Market Positioning is derived comparing HSS’s AUC in Asia Pacific to 10 Asset Servicing Asia Pacific AUC values that EY holds data for, assuming these 11 Asset Servicing companies (including HSS) are the largest in Asia Pacific</p>
ETF	Exchange Traded Funds
FDI	Foreign Direct Investment
FICC	Fixed Income, Currencies & Commodities
FIG	Financial Institutions Group
FUM	Funds under management
FX	Foreign Exchange
G10 Currencies	G10 currencies include United States dollar, Euro, Japanese yen, Pound sterling, Swiss franc, Australian dollar, New Zealand dollar, Canadian dollar, Swedish krona, Norwegian krone

Glossary of terms

Term	Definition
GB	Global Banking
GB&M	Global Banking and Markets
GBA	Greater Bay Area
GDP	Gross domestic product
GFC	Group Finance Companies
GLCM	Global Liquidity and Cash Management
GM	Global Markets
GPB	Global Private Banking
GS	Goldman Sachs Group Inc
GTRF	Global Trade and Receivables Finance
HKMA	Hong Kong Monetary Authority
HKQAA	Hong Kong Quality Assurance Agency
HSS	HSBC Securities Services

Term	Definition
IDBC	Industrial and Commercial Bank of China Limited
IMF	International Monetary Fund
Inbound revenue	Client revenue booked in Country A where the primary relationship is managed outside of Country A
Jaws	Percentage change in revenue over the percentage change in costs
JPM	JPMorgan Chase & Co
JV	Joint Venture
LATAM	Latin America
LICs	Loan impairment charges and other credit risk provisions
M&A	Mergers and Acquisitions

Glossary of terms

Term	Definition
MENA	Middle East and North Africa
MLA	Mandated Lead Arranger
MNCs	Multi-national corporations
MS	Morgan Stanley
NAFTA	North American Free Trade Agreement
NDB	New Development Bank
NIM	Net interest margin
NZ	New Zealand
ODI	Outward Direct Investment
OECD	Organisation for Economic Co-operation and Development
Outbound revenue	Client revenue relating to clients where the primary relationship is managed in Country A, but the revenue is booked outside of Country A
PBT	Profit before tax
PRD	Pear River Delta

Term	Definition
QFII	Qualified Foreign Institutional Investor
RBWM	Retail Banking and Wealth Management
RCF	Revolving Credit Facility
Reported results	Reported view of performance is determined on an International Financial Reporting Standards (“IFRS”) basis as reported in HSBC’s annual report and accounts and other financial and regulatory reports
RMB	Renminbi
RMBI	Reminbi Internationalisation
RoRWA	Return on risk-weighted assets
RoTE	Return on tangible equity
RQFII	Renminbi Qualified Foreign Institutional Investor
RWAs	Risk-weighted assets
SAFE	State Administration of Foreign Exchange
SG	Société Générale

Glossary of terms

Term	Definition
TLA	Term Loan A
tn	trillion
UNCTAD	United Nations Conference on Trade and Development
USD	US Dollar
VNB	Value of new business
Y-o-Y	Year-on-year
YTD	Year-to-Date

