

HSBC Strategy Update: Return to Growth and Value Creation

Targeted Outcomes: Basis of preparation

June 2018



Targeted Outcomes: Basis of preparation

- Assumed no changes from 2018 in IFRS accounting rules
 - Assumed no changes from 2018 in Common law
 - High level capital impacts of Basel III Reform have been estimated
 - The costs associated with the UK's exit from the European Union have been included and revised entity structure reflected
 - February YTD 2018 average foreign exchange rates used for all years
 - Forward interest rate curves as at 30th April 2018
 - No amounts have been included for the following significant items:
 - Debit valuation adjustments on derivative contracts
 - Fair value movements on non-qualifying hedges
 - There is no assumed impairment of the Group's investment in Bank of Communications Co., Limited
 - Bank Levy forecast based upon levy rates effective 30th April 2018
 - Group effective tax rate of 22% used
 - Assumed that where targeted reduction on RWAs require regulatory approvals (e.g. model changes), these will be received
-