HSBC Holdings plc 2Q18 Results

Presentation to Investors and Analysts

Date: 6 August 2018

HSBC

Our strategic priorities and financial targets

Strategic priorities

Deliver growth from areas of strength

1 **Accelerate growth from our Asian franchise**
- Build on strength in Hong Kong
- Invest in PRD, ASEAN, and Wealth in Asia (incl. Insurance and Asset Management)

Be the leading bank to support drivers of global investment: **China-led Belt and Road Initiative** and the transition to a **low carbon economy**

2 Complete establishment of UK ring-fenced bank, increase mortgage market share, grow commercial customer base, and improve customer service

3 **Gain market share and deliver growth from our international network**

Turnaround of low-return businesses

4 Turn around our US business

5 **Improve capital efficiency**; redeploy capital into higher return businesses

Build a bank for the future that puts the customer at the centre

6 Create capacity for increasing investments in growth and technology through efficiency gains

7 Enhance customer centricity and customer service through investments in technology
- Invest in digital capabilities to deliver improved customer service
- Expand the reach of HSBC, including partnerships
- Safeguard our customers and deliver industry-leading financial crime standards

Empower our people

8 Simplify the organisation and invest in future skills

Financial targets

RoTE[1]	>11% by 2020
Costs	Positive adjusted jaws
Capital and dividend	Sustain dividends through long-term earnings capacity of the businesses Share buy-backs subject to regulatory approval

Key messages

1st half 2018

Reported PBT
(1H17: $10.2bn)
$10.7bn 5% ⬆

Adjusted PBT
(1H17: $12.4bn)
$12.1bn 2% ⬇

RoE[2]
(1H17: 8.8%)
8.7% 0.1ppt ⬇

Reported RoTE[2]
(1H17: 9.9%)
9.7% 0.2ppt ⬇

A/D ratio
(1H17: 70.1%)
71.8% 1.7ppt ⬆

CET1 ratio[3]
(1H17: 14.7%)
14.2% 0.5ppt ⬇

2Q18 key messages

1. **Reported PBT of $6.0bn, 13% higher than 2Q17; $6.1bn adjusted PBT, in line with 2Q17**
2. **Total adjusted revenue increased $0.2bn to $13.7bn vs. 2Q17; good business momentum with revenue up $0.9bn or 7% in all four global businesses; Corporate Centre down $0.6bn**
3. **Adjusted operating costs of $8.1bn were $0.6bn or 7% higher than 2Q17, reflecting increased investment in growth and technology; in line with 1Q18 and guidance**
4. **$26bn or 3% lending growth compared with 1Q18 and $43bn or 5% compared with 1.1.18 (on a constant currency basis)**
5. **Strong capital base with a common equity tier 1 ratio of 14.2%**

Key financial metrics

Key financial metrics	1H17	1H18
Return on average ordinary shareholders' equity[2]	8.8%	8.7%
Return on average tangible equity[2]	9.9%	9.7%
Jaws (adjusted)[4]	0.5%	(5.6)%
Dividends per ordinary share in respect of the period	$0.20	$0.20
Earnings per share[5]	$0.35	$0.36
Common equity tier 1 ratio[3]	14.7%	14.2%
Leverage ratio[6]	5.7%	5.4%
Advances to deposits ratio	70.1%	71.8%
Net asset value per ordinary share (NAV)	$8.30	$8.10
Tangible net asset value per ordinary share (TNAV)	$7.26	$7.00

Reported results, $m

	2Q18	∆ 2Q17	∆ %	1H18	∆ 1H17	∆ %
Revenue	13,577	404	*3%*	27,287	1,121	*4%*
LICs / ECL	(237)	190	*44%*	(407)	256	*(39)%*
Costs	(8,166)	(51)	*(1)%*	(17,549)	(1,106)	*(7)%*
Associates	783	132	*20%*	1,381	198	*17%*
PBT	5,957	675	*13%*	10,712	469	*5%*

Adjusted results, $m

	2Q18	∆ 2Q17	∆ %	1H18	∆ 1H17	∆ %
Revenue	13,685	233	*2%*	27,535	578	*2%*
LICs / ECL	(237)	180	*43%*	(407)	250	*38%*
Costs	(8,125)	(554)	*(7)%*	(16,370)	(1,175)	*(8)%*
Associates	783	90	*13%*	1,381	122	*10%*
PBT	6,106	(51)	*(1)%*	12,139	(225)	*(2)%*

Reconciliation of Reported to Adjusted PBT

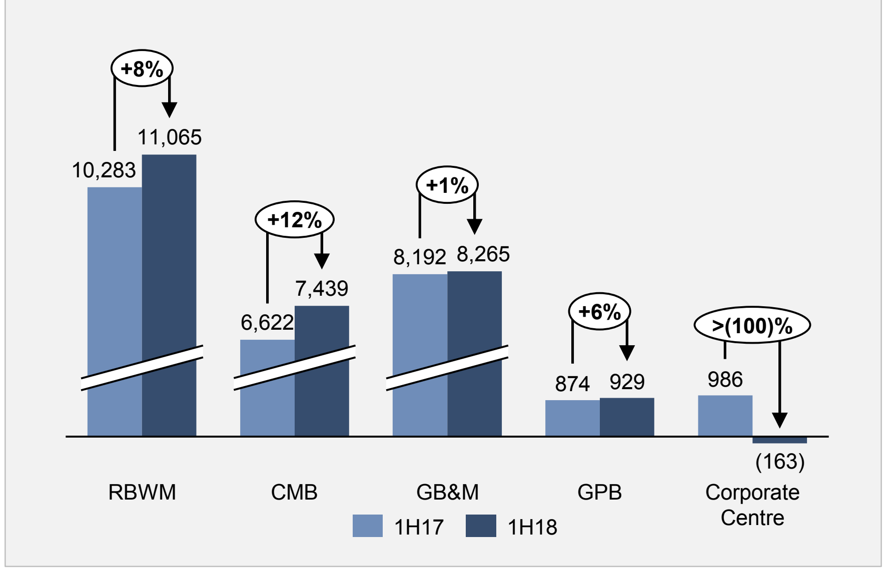
		Discrete quarter			Half year		
		2Q17	2Q18	Δ 2Q17	1H17	1H18	Δ 1H17
Reported profit before tax		**5,282**	**5,957**	**675**	**10,243**	**10,712**	**469**
Includes:							
Currency translation		(118)	-	118	(289)	-	289
Significant items:							
Revenue-related	Fair value movements on financial instruments	(239)	(124)	115	(245)	(152)	93
	Disposals, acquisitions and investment in new businesses	202	(30)	(232)	358	(142)	(500)
	Other	(1)	46	47	(7)	46	53
Cost-related	Settlements and provisions in connection with legal matters	322	56	(266)	322	(841)	(1,163)
	Costs to achieve (CTA)	(837)	-	837	(1,670)	-	1,670
	UK customer redress	(89)	(7)	82	(299)	(100)	199
	Costs of structural reform	(97)	(85)	12	(180)	(211)	(31)
	Other	(18)	(5)	13	(111)	(27)	84
Adjusted profit before tax		**6,157**	**6,106**	**(51)**	**12,364**	**12,139**	**(225)**

The remainder of the presentation, unless otherwise stated, is presented on an adjusted basis

1H18 Profit before tax

	1H18	Δ 1H17 (adverse / favourable)	
Revenue	$27,535m	578	2%
LICs / ECL	$(407)m	250	38%
Operating expenses	$(16,370)m	(1,175)	(8)%
Share of profits in associates and joint ventures	$1,381m	122	10%
Profit before tax	**$12,139m**	(225)	(2)%

Adjusted revenue by global business, $m



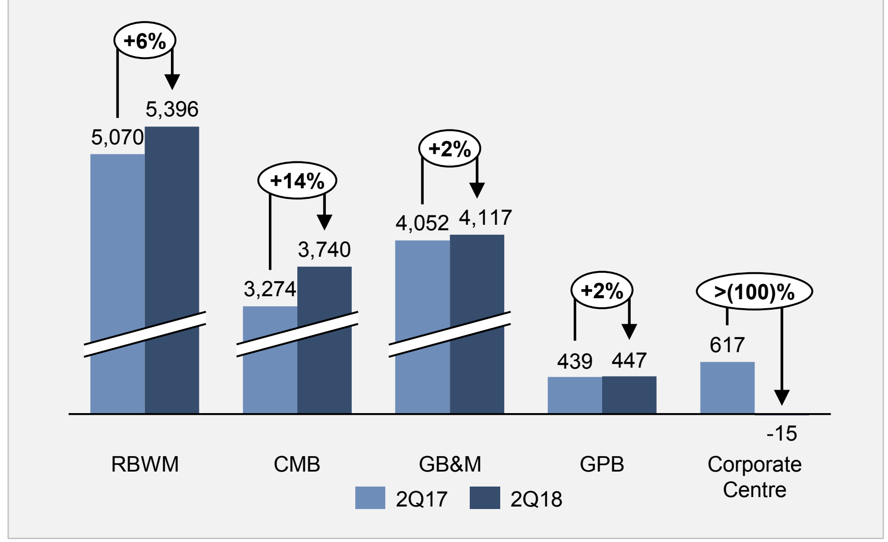
Adjusted PBT by global business, $m	1H17	1H18	Δ 1H17	Δ %
RBWM	3,397	3,630	233	*7%*
CMB	3,564	4,111	547	*15%*
GB&M	3,543	3,568	25	*1%*
GPB	144	190	46	*32%*
Corporate Centre	1,716	640	(1,076)	*(63)%*
Group	**12,364**	**12,139**	**(225)**	***(2)%***

Adjusted PBT by geography, $m	1H17	1H18	Δ 1H17	Δ %
Europe	2,100	464	(1,636)	*(78)%*
Asia	8,223	9,360	1,137	*14%*
Middle East and North Africa	816	834	18	*2%*
North America	944	1,104	160	*17%*
Latin America	281	377	96	*34%*
Group	**12,364**	**12,139**	**(225)**	***(2)%***

2Q18 Profit before tax

	2Q18	Δ 2Q17 adverse	Δ 2Q17 favourable	
Revenue	$13,685m		233	2%
LICs / ECL	$(237)m		180	43%
Operating expenses	$(8,125)m	(554)		(7)%
Share of profits in associates and joint ventures	$783m		90	13%
Profit before tax	**$6,106m**	(51)		(1)%

Adjusted revenue by global business, $m

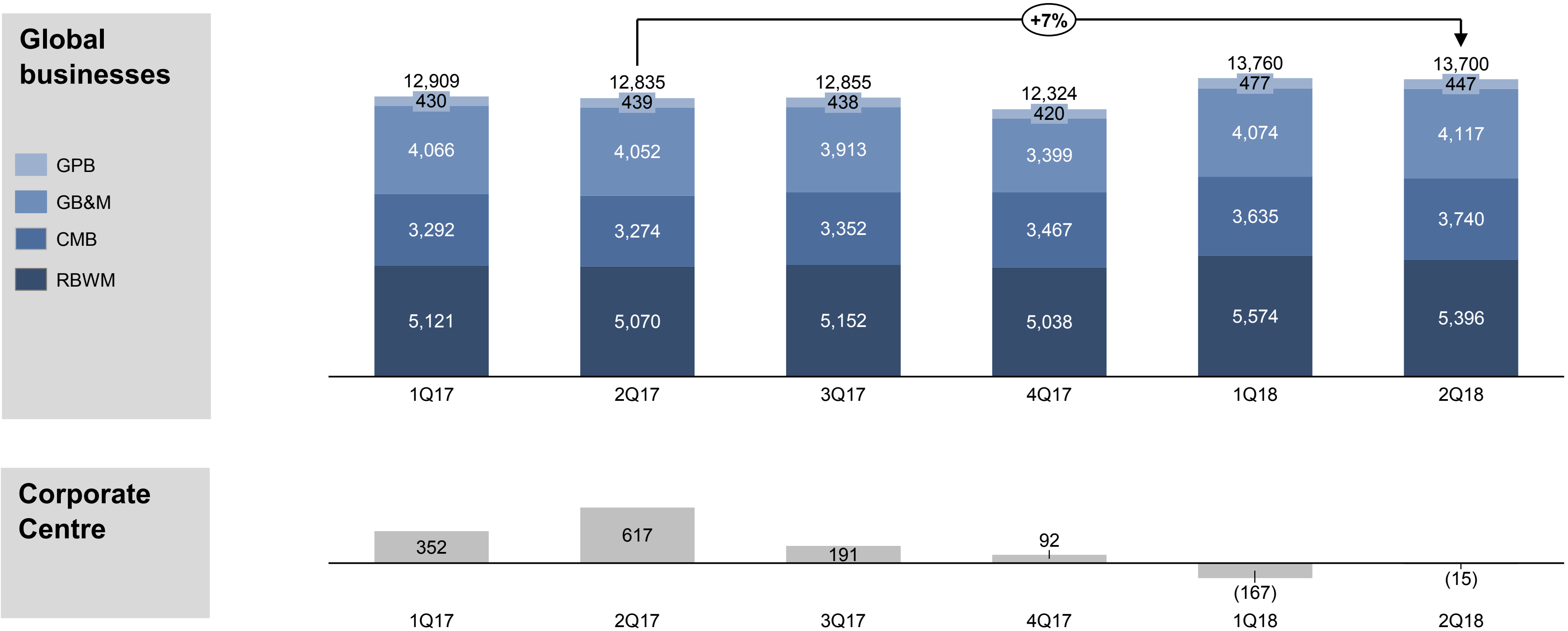


Adjusted PBT by global business, $m	2Q17	2Q18	Δ 2Q17	Δ %
RBWM	1,581	1,724	143	*9%*
CMB	1,680	2,000	320	*19%*
GB&M	1,739	1,855	116	*7%*
GPB	75	77	2	*3%*
Corporate Centre	1,082	450	(632)	*(58)%*
Group	**6,157**	**6,106**	**(51)**	***(1)%***

Adjusted PBT by geography, $m	2Q17	2Q18	Δ 2Q17	Δ %
Europe	1,317	241	(1,076)	*(82)%*
Asia	3,839	4,605	766	*20%*
Middle East and North Africa	421	397	(24)	*(6)%*
North America	421	666	245	*58%*
Latin America	159	197	38	*24%*
Group	**6,157**	**6,106**	**(51)**	***(1)%***

Revenue performance

Revenue performance, $m[7]



	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Group revenue	**13,261**	**13,452**	**13,046**	**12,416**	**13,593**	**13,685**

2Q18 revenue growth driven by deposit revenues

1H18 highlights

Adjusted PBT
(1H17: $3.4bn)

$3.6bn 7% ↑

Adjusted revenue
(1H17: $10.3bn)

$11.1bn 8% ↑

Adjusted LICs/ECL
(1H17: $0.6bn)

$0.5bn
charge / (net release)

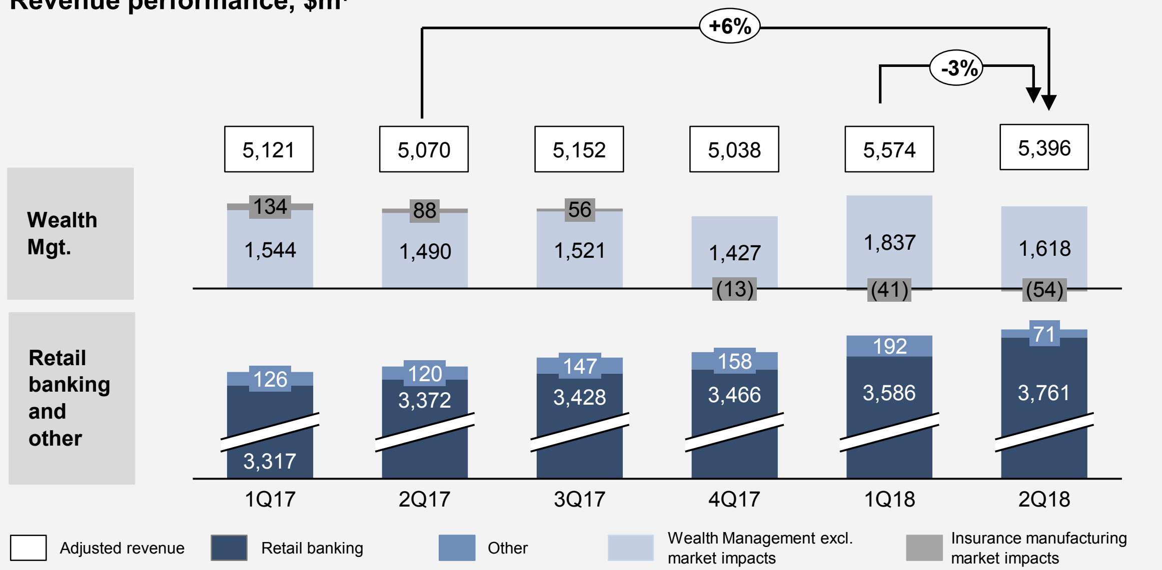
Adjusted costs
(1H17: $6.3bn)

$6.9bn 9% ↑

RoTE[9]

21.3%

Revenue performance, $m[7]



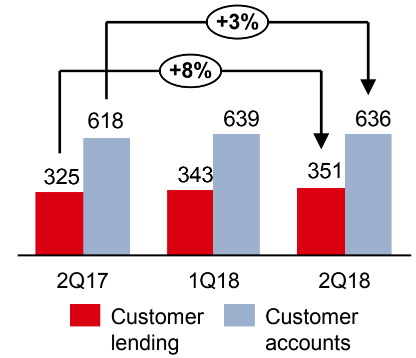
2Q18 vs. 2Q17: Adjusted revenue up 6%

- Higher balances and margins driving deposit revenues (up $472m)
- Investment distribution (up $57m), with strong sales growth (up 20%), mainly in Hong Kong
- Lower lending revenue (down $83m) driven by margin compression from continued mortgage competition partly offset by higher lending balances (up $27bn or 8%)
- Insurance manufacturing (down $73m), reflecting an unfavourable variance in market impacts (down $142m), notably in Asia and France, partly offset by higher annualised new business premiums (up 19%)

2Q18 vs. 1Q18: Adjusted revenue down 3%

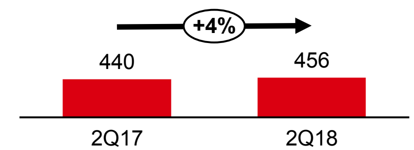
- Lower Investment distribution revenue (down $171m), due to a strong 1Q18 in Hong Kong with very strong sales and investor confidence
- Insurance manufacturing (down $56m), with a strong performance in 1Q18
- Higher deposit revenues (up $206m) from higher margins, notably in Hong Kong

Balance Sheet, $bn[8]

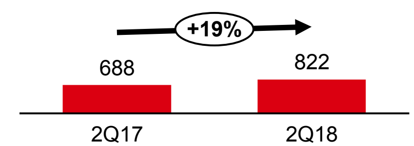


- Customer deposits up 3% vs. 2Q17, notably in Hong Kong and the UK
- Lending up 8% vs. 2Q17, mainly in Hong Kong and the UK

Assets under management, $bn



Annualised new business premiums, $m



Broad based growth across all products

1H18 highlights

Adjusted PBT
(1H17: $3.6bn)

$4.1bn 15%

Adjusted revenue
(1H17: $6.6bn)

$7.4bn 12%

Adjusted ECL\LICs
(1H17: $0.1bn)

$0.1bn

charge / (net release)

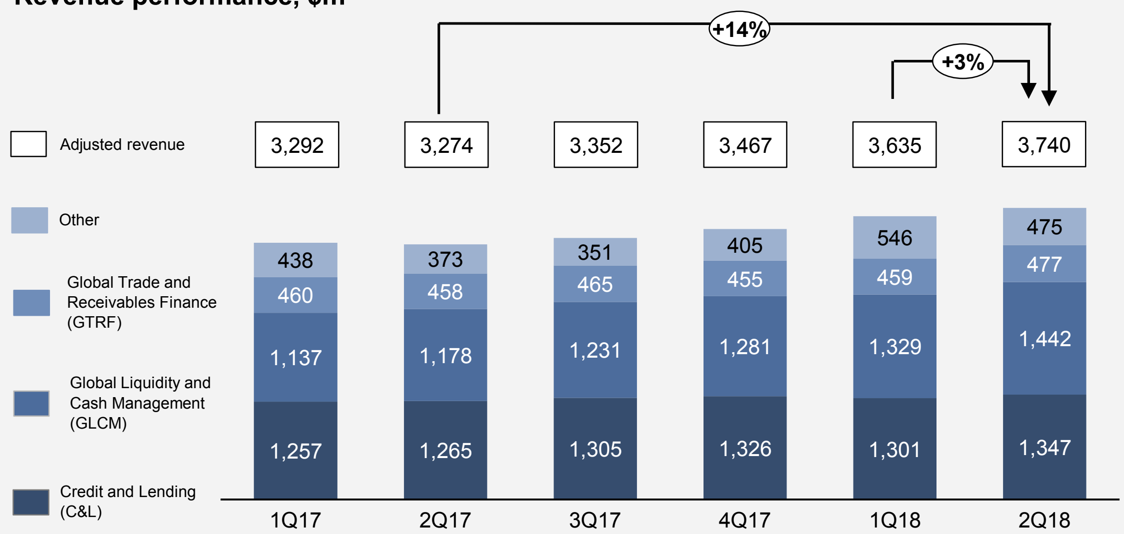
Adjusted costs
(1H17: $2.9bn)

$3.3bn 11%

RoTE[9]

15.1%

Revenue performance, $m[7]



2Q18 vs. 2Q17: Adjusted revenue up 14%

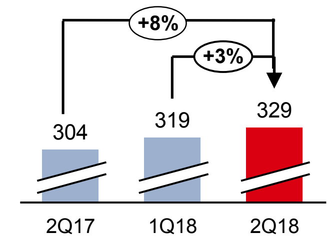
- GLCM up 22%, notably in Asia, from wider margins and growth in balances
- C&L up 6%, primarily due to balance sheet growth in the UK and Hong Kong
- GTRF up 4%, mainly driven by balance growth in UK and Asia and higher fees following increased transaction volume notably in Asia
- Other up 27%, notably in Asia in part from higher insurance revenue

2Q18 vs. 1Q18: Adjusted revenue up 3%

- GLCM up 9%, primarily due to wider margins and balance growth in Asia
- C&L up 4%, notably in the UK and Asia reflecting lending growth across the region
- GTRF up 4%, notably in Asia and the UK driven by balance growth
- Other down 13%, primarily in Asia, due to insurance seasonality and lower FX income

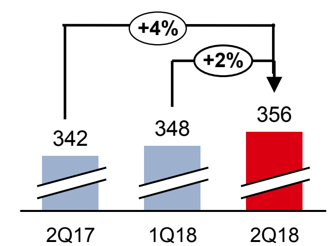
Balance Sheet, $bn[8]

Customer lending:



- Year-on-year increase reflecting growth across all regions, notably Asia and the UK
- Balances have grown in both GTRF and C&L

Customer accounts:



- Year-on-year growth driven by Asia, Europe and the US
- Balances up from seasonally low levels in 1Q18

Strong performance in key products offset by reduced Markets activity

1H18 highlights

Adjusted PBT
(1H17: $3.5bn)

$3.6bn 1%↑

Adjusted revenue
(1H17: $8.2bn)

$8.3bn 1%↑

Adjusted LICs/ECL
(1H17: $0.0bn)

$(0.1)bn

charge / (net release)

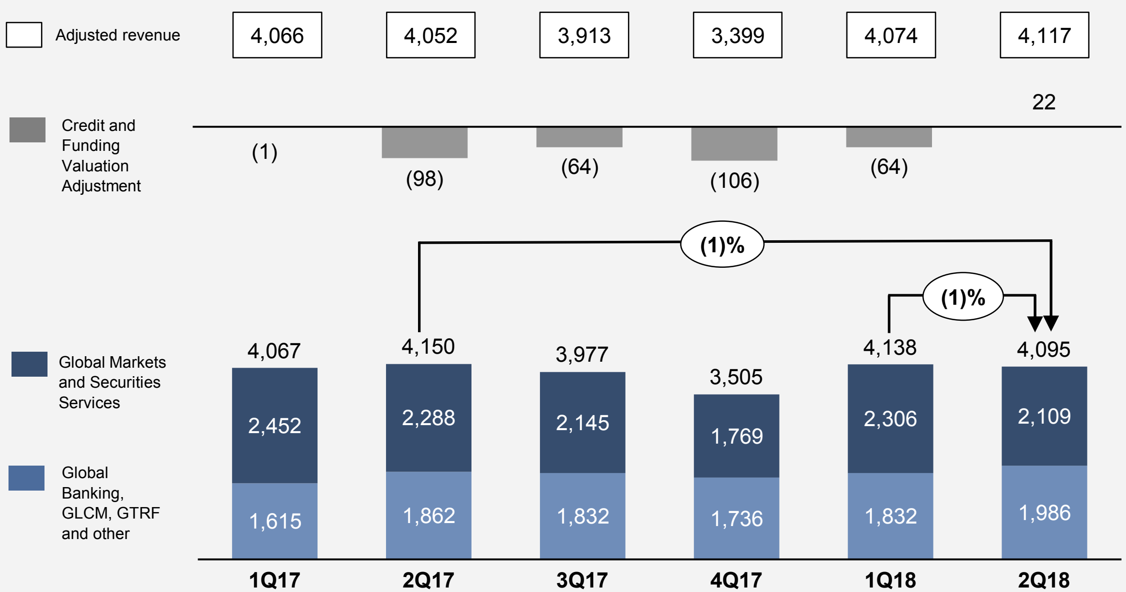
Adjusted costs
(1H17: $4.6bn)

$4.8bn 4%↑

RoTE[9]

12.3%

Revenue performance, $m[7]



2Q18 vs. 2Q17

- Continued momentum in key products notably in GLCM and Securities Services from balance growth and rising interest rates
- Stable Global Banking performance, excluding gains on client restructuring in 2Q17. Growth in lending balances and higher market share in DCM offset by tighter margins and lower corporate issuance
- Good FX growth off a strong 2Q17 comparative
- Rates and Credit, adversely impacted by tighter spreads and lower client activity versus a strong 2Q17

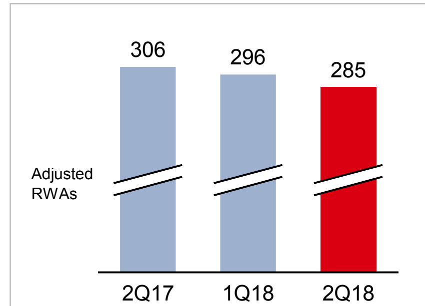
2Q18 vs. 1Q18

- Momentum in the majority of businesses in particular transaction banking products offset by subdued Global Markets activity
- GLCM growth driven by deposit balance growth across key markets, notably in Asia, and rising interest rates
- Securities Services growth driven by rising interest rates and deposit growth as well as higher fees due to higher global index values
- Principal Investments increase driven by investment valuation

Management view of adjusted revenue

$m	2Q18	∆ 2Q17
Global Markets	**1,610**	**(13)%**
- FX	*811*	*10%*
- Rates	*350*	*(33)%*
- Credit	*170*	*(31)%*
FICC	**1,331**	**(12)%**
Equities	**279**	**(17)%**
Securities Services	**499**	**12%**
Global Banking	**1,050**	**(3)%**
GLCM	**638**	**20%**
GTRF	**180**	**(1)%**
Principal Investments	**101**	**98%**
Other	**17**	**31%**
Credit and Funding Valuation adjustment	22	nm
Total	**4,117**	**2%**

RWAs



$9bn of positive inflows in 1H18; progress in building revenues in areas targeted for growth

1H18 highlights

Adjusted PBT
(1H17: $0.1bn)

$0.2bn 32%

Adjusted revenue
(1H17: $0.9bn)

$0.9bn 6%

Adjusted LICs/ECL
(1H17: $0.0bn)

$(0.0)bn

charge / (net release)

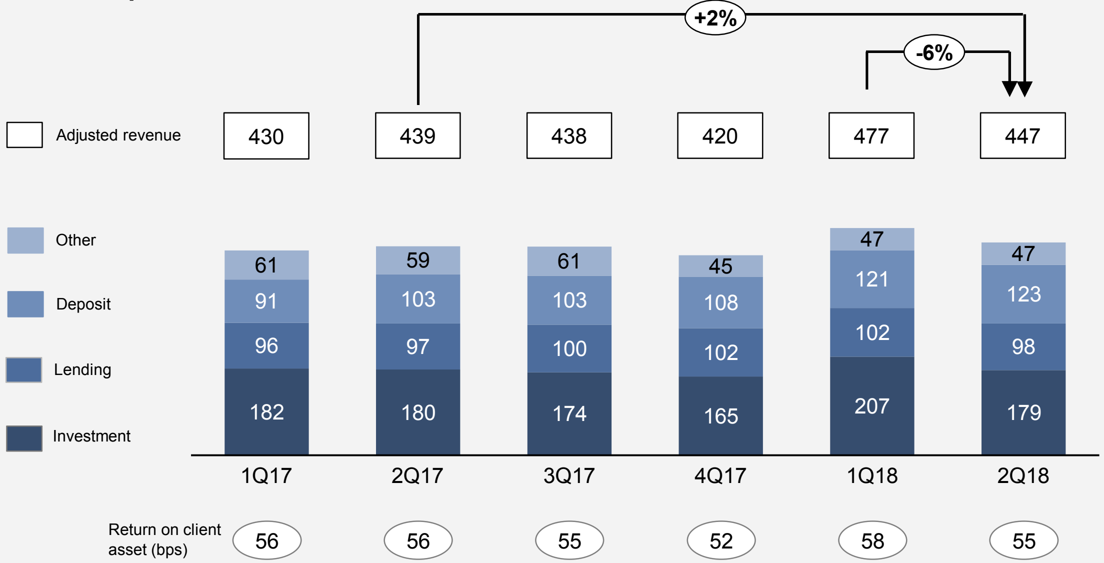
Adjusted costs
(1H17: $0.7bn)

$0.7bn 2%

RoTE[9]

11.2%

Revenue performance, $m[7]



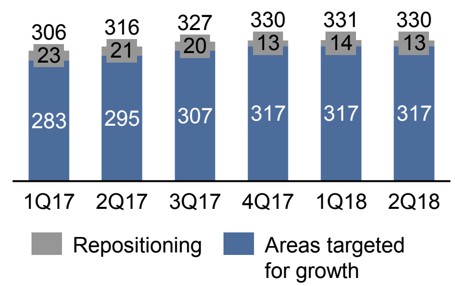
2Q18 vs. 2Q17: Adjusted revenue up 2%

- Revenue in areas targeted for growth up 10%, mainly in Hong Kong from growth in discretionary and advisory mandates; growth also reflected wider deposit margins
- This was partly offset by lower revenue reflecting the $8bn reduction in client assets from repositioning

2Q18 vs. 1Q18: Adjusted revenue down 6%

- Lower investment revenues in Asia mainly driven by less favourable market conditions compared with 1Q18

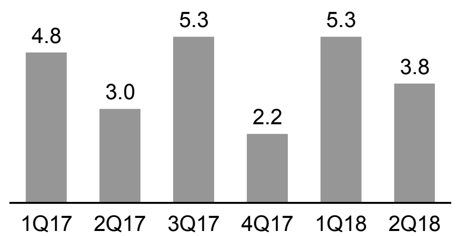
Client assets, $bn



- Positive momentum with growth in discretionary & advisory mandates (+$5.6bn in 1H18)
- Client Assets are broadly stable as net new money was offset by unfavourable FX and market movements

Net new money, $bn

Net new money in areas targeted for growth



- Positive inflows of $9.1bn in 1H18

Lower revenue in 2Q18 from valuation differences, loss on sale of legacy portfolios and higher interest expenses

1H18 highlights

Adjusted PBT
(1H17: $1.7bn)
$0.6bn 63% ↓

Adjusted revenue
(1H17: $1.0bn)
$(0.2)bn >100% ↓

Adjusted LICs/ECL
(1H17: $(0.1)bn)
$(0.1)bn
charge / (net release)

Adjusted costs
(1H17: $0.6bn)
$0.7bn 9% ↑

Revenue performance, $m[7]

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Central Treasury	**361**	**435**	**308**	**256**	**(78)**	**163**
Of which:						
Balance Sheet Management	853	686	576	652	591	696
Interest expense	(342)	(297)	(334)	(280)	(378)	(381)
Valuation differences on long-term debt and associated swaps	(68)	121	83	(58)	(242)	(124)
Other central treasury	(82)	(75)	(17)	(58)	(49)	(28)
US run-off portfolio (CML)	**28**	**47**	**(28)**	**(7)**	**12**	**8**
Legacy Credit	**-**	**61**	**(18)**	**(75)**	**6**	**(115)**
Other	**(37)**	**74**	**(71)**	**(82)**	**(107)**	**(71)**
Total	**352**	**617**	**191**	**92**	**(167)**	**(15)**

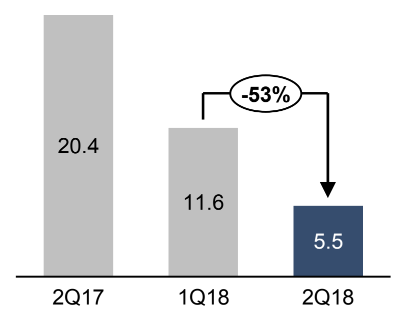
2Q18 vs. 2Q17: Adjusted revenue down $632m

- Interest expense (up $84m) from higher MREL costs
- Valuation differences (down $245m) on long-term debt and associated swaps
- Legacy Credit (down $176m) reflecting loss on disposal of legacy portfolios
- US CML (down $39m) due to completion of run-off in 2017

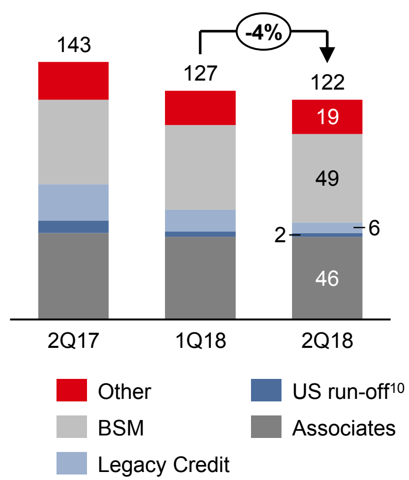
2Q18 vs. 1Q18: Adjusted revenue up $152m

- BSM (up $105m) due to higher reinvestment yields from Europe
- Legacy Credit (down $121m) reflecting loss on disposal of legacy portfolios
- Valuation differences (up $118m)
  - non recurrence of a loss of $177m in 1Q18 following a bond reclassification under IFRS 9 ‘Financial Instruments’ partially offset by;
  - unfavourable valuation differences (down $59m) on long term debt and associated swaps

Legacy Credit adjusted RWAs:

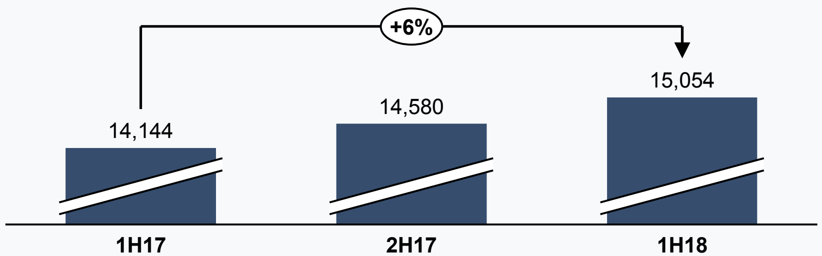


Adjusted RWAs:



Net interest margin rose by 3bps to 1.66% in 1H18

	1H17	2H17	1H18
Reported YTD NIM, %	1.64%	1.63%	1.66%
YTD average interest earning assets, (AIEA), $bn	1,691	1,726	1,840
Adjusted NII trend, $m	14,144	14,580	15,054



NII sensitivity as at 30 June 2018, $m: *Sensitivity of NII to a 25bps / 100bps instantaneous change in yield curves (12 months), for further commentary and information, refer to pages 66 and 67 of the 2018 Interim Report*

	USD	HKD	GBP	EUR	Other	Total
+25bps	107	206	218	82	199	812
-25bps	(67)	(210)	(291)	(5)	(158)	(731)
+100bps	285	634	862	502	748	3,031
-100bps	(652)	(958)	(1,046)	(41)	(737)	(3,434)

2Q18 vs 1Q18

- 2Q18 adjusted NII of $7,598m was up 4% compared with 1Q18
- 2Q18 NIM stable with higher customer NIM, due primarily to higher interest rates in Asia as monetary policy normalises, offset by higher liquidity and funding costs due to the formation of the non-ring fenced bank (NRFB).

1H18 vs. 2017

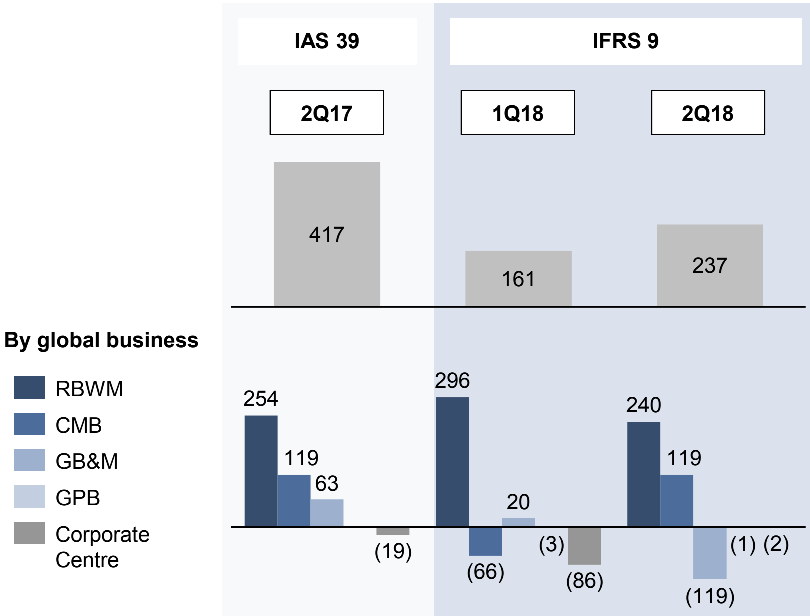
Reported net interest margin of 1.66% was 3bps higher compared with 2017

- Asia NIM rose by 15bps to 2.03% (contributing +4bps to Group NIM) due to higher deposit margins.
- Europe NIM fell by 17bps to 1.18% (contributing –1bp to Group NIM) due to higher liquidity and funding costs following the formation of the NRFB as mentioned above. AIEA grew by $114bn in Europe due primarily to higher liquidity and increased lending balances
- Lending yields rose 16bps and customer account yields increased 12bps due to interest rate rises in most regions, notably in Asia

Progression in NII and NIM to continue as monetary policy normalises; good balance sheet momentum

Credit outlook remains stable

Loan impairment charges and expected credit losses, $m



By region, $m	2Q17	1Q18	2Q18
Europe	(14)	60	125
- of which UK	*(16)*	*56*	*99*
Asia	282	32	84
- of which Hong Kong	*231*	*14*	*6*
MENA	65	3	99
North America	(32)	(47)	(187)
Latin America	116	113	116
Total	**417**	**161**	**237**

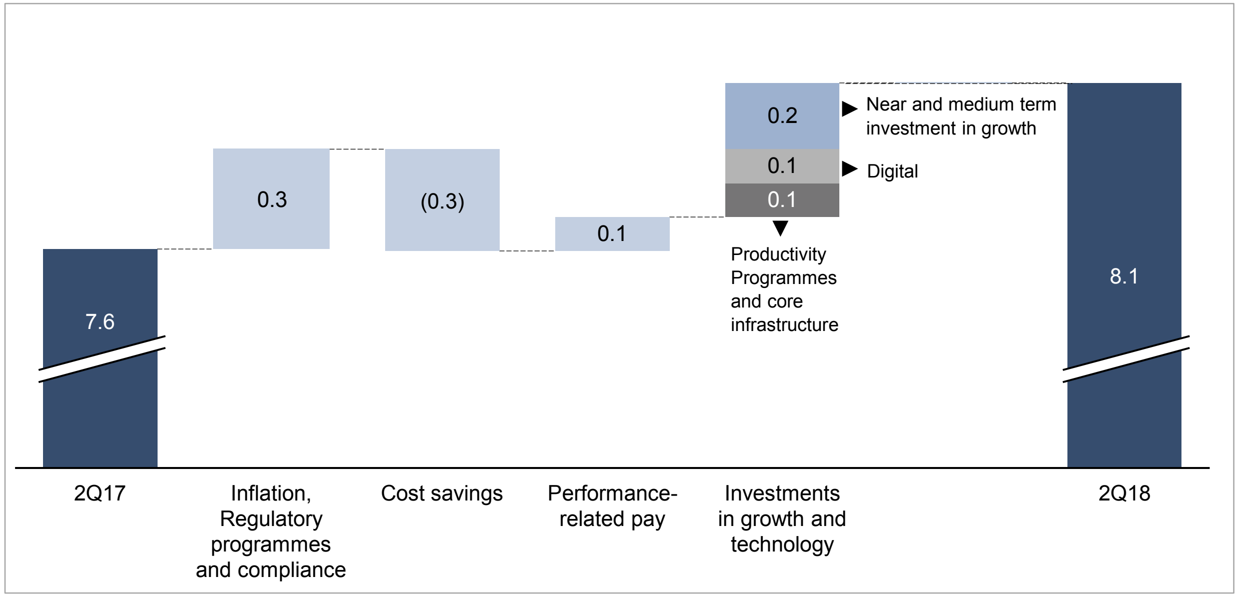
Analysis by stage as at 30 Jun 2018

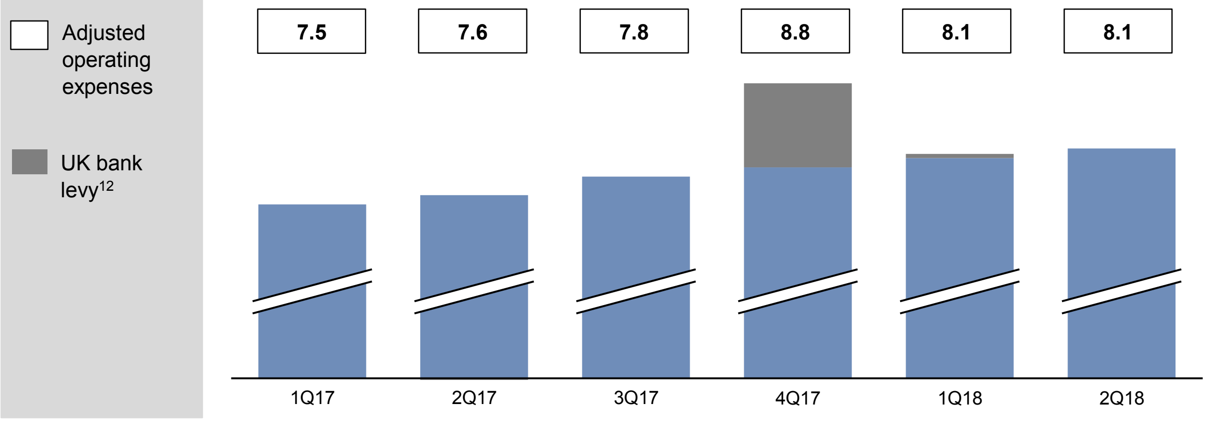
$bn	Stage 1	Stage 2	Stage 3	Total[11]	Stage 3 as a % of Total
30 Jun 2018					
Loans and advances to customers	898.9	68.8	14.2	982.2	1.4%
Allowance for ECL	1.3	2.0	5.3	8.7	
31 Mar 2018					
Loans and advances to customers	906.3	68.1	15.4	990.5	1.6%
Allowance for ECL	1.3	2.2	5.7	9.4	

- Expected credit losses of $237m in 2Q18 related mainly to charges in RBWM, notably in Mexico and the UK, against our unsecured lending portfolios
- North America ECLs benefited from a release in the oil and gas sector
- The credit environment remains stable

Investing in growth and technology while maintaining cost discipline

2Q18 vs. 2Q17, $bn excluding UK bank levy





Cost discipline and control to continue appropriate **investment** in the future of the firm, predicated on our commitment to **deliver positive jaws** for FY2018

2Q18 investments in growth and technology up $0.4bn compared with 2Q17**. Near and medium term investments** to grow businesses include:

- RBWM: continued strong growth in new credit card accounts, notably in the US, Asia and UK. Issuance of HSBC sole-branded credit cards in the PRD continues to grow
- RBWM: investment in marketing, front line sales capacity and technology mainly in the US, UK and PRD
- GB&M: strategic hires in Global Banking and GLCM and enhancing client experience in Securities Services
- CMB: further enhancements on HSBCnet platform including Trade Transaction Tracker app and roll out of Digital Business Banking

Focus on Digital and Technology programmes across all Global Businesses to enhance customer experience:

- **PayMe** in Hong Kong reached a milestone of one million users
- Live trades completed on the **'we.trade'** blockchain platform, the world's first commercially scalable Distributed Ledger Technology platform for open account trade
- **eTrading** - new algorithmic trading platform for European Equities, improved liquidity to clients in the Evolve platform and enabling the fastest Credit dealer quoting speed on Bloomberg

Strong capital base: CET1 ratio of 14.2%

Regulatory capital and RWAs, $bn

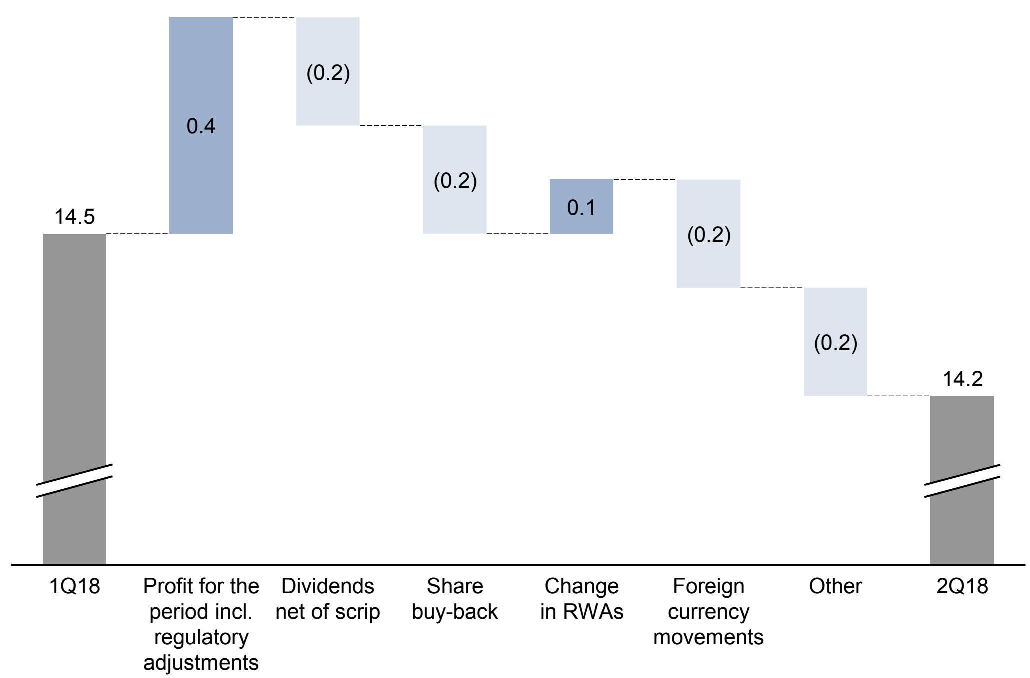
	2Q17	4Q17	1Q18	2Q18
Common equity tier 1 capital	128.9	126.1	129.6	122.8
Total regulatory capital	183.9	182.4	185.2	176.6
Risk-weighted assets	876.1	871.3	894.4	865.5

- Reported RWAs decreased by $5.8bn in the first half of 2018. On an adjusted basis, RWAs increased by $7.8bn or 1%; customer lending grew by 5% compared with 1.1.18
- During 2Q18, currency movements reduced RWAs by $24bn

2Q18 CET1 movement, $bn

At 31 Mar 2018	129.6
Capital generation	1.9
Profit for the period including regulatory adjustments	4.0
Dividends[13] net of scrip	(2.1)
Foreign currency translation differences	(5.4)
Share buy-back	(2.0)
Other movements	(1.3)
At 30 Jun 2018	**122.8**

CET1 ratio movement, %

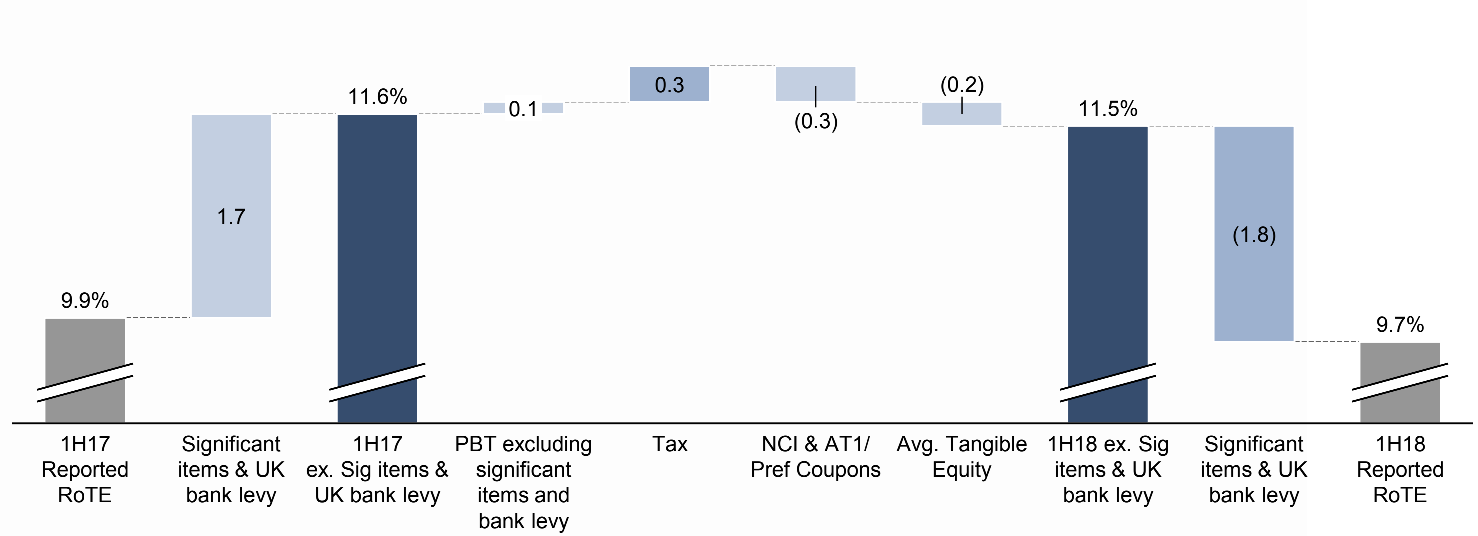


Quarterly CET1 ratio and leverage ratio progression

	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
CET1 ratio	13.6%	14.3%	14.7%	14.6%	14.5%	14.5%	**14.2%**
Leverage ratio[6]	5.4%	5.5%	5.7%	5.7%	5.6%	5.6%	**5.4%**

Return metrics

Group RoTE walk, 1H18 vs. 1H17



Group return metrics[2]

	1H17	1H18
RoE	8.8%	8.7%
Reported Revenue / RWAs[14]	6.1%	6.3%
Reported RoTE	9.9%	9.7%

Global business and Corporate Centre RoTE*

	1H17	FY17	1H18
RBWM	22.6%	21.6%	21.3%
CMB	14.8%	14.0%	15.1%
GB&M	12.5%	10.6%	12.3%
GPB	6.5%	7.1%	11.2%
Corporate Centre	0.3%	(5.2)%	(3.9)%

*Annualised. Excludes significant items. Global business RoTEs exclude the UK bank levy

RBWM

- Strong RoTE as we continue to invest in growth including in marketing, increasing front-line employees, and technology

CMB

- Strong growth across the business with RoTE also benefiting from a low ECL

GB&M

- Strong improvement in our FX, HSS and GLCM businesses; difficult environment in Rates and Credit, particularly in Europe

GPB

- Steady improvement in ROTE with strong new business growth

In summary

1. **Good business momentum, $0.9bn or 7% revenue growth vs 2Q17 from our 4 global businesses**
2. **Investing in growth and technology; strong cost discipline and control; positive adjusted jaws on an annual basis**
3. **Balance sheet strength supporting growth across the network**
4. **Cautiously optimistic on global growth notwithstanding geopolitical concerns**

Financial targets

RoTE[1]	◆ >11% by 2020
Costs	◆ Positive adjusted jaws
Capital and dividend	◆ Sustain dividends through long-term earnings capacity of the businesses ◆ Share buy-backs subject to regulatory approval

Appendix

Global business management view of adjusted revenue

$m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Total Group revenue	**13,261**	**13,452**	**13,046**	**12,416**	**13,593**	**13,685**
Total adjusted revenue as previously disclosed[15]	12,843	13,210	13,031	12,440	13,850	13,685

RBWM, $m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Retail Banking	**3,317**	**3,372**	**3,428**	**3,466**	**3,586**	**3,761**
Current accounts, savings and deposits	1,484	1,561	1,600	1,711	1,827	2,033
Personal lending	1,833	1,811	1,828	1,755	1,759	1,728
Mortgages	619	578	606	593	568	517
Credit cards	738	758	736	676	711	726
Other personal lending	476	475	486	486	480	485
Wealth Management	**1,678**	**1,578**	**1,577**	**1,414**	**1,796**	**1,564**
Investment distribution	813	806	894	784	1,034	863
Life insurance manufacturing	607	502	418	348	485	429
Asset management	258	270	265	282	277	272
Other	126	120	147	158	192	72
Total	**5,121**	**5,070**	**5,152**	**5,038**	**5,574**	**5,396**
Adjusted revenue as previously disclosed[15]	5,009	5,034	5,183	5,061	5,669	5,396

CMB, $m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Global Trade and Receivables Finance	460	458	465	455	459	477
Credit and Lending	1,257	1,265	1,305	1,326	1,301	1,347
Global Liquidity and Cash Management	1,137	1,178	1,231	1,281	1,329	1,442
Markets products, Insurance and Investments and other	438	373	351	405	546	475
Total	**3,292**	**3,274**	**3,352**	**3,467**	**3,635**	**3,740**
Adjusted revenue as previously disclosed[15]	3,191	3,216	3,347	3,469	3,699	3,740

GPB, $m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Investment	182	180	174	165	207	179
Lending	96	97	100	102	102	98
Deposit	91	103	103	108	121	123
Other	61	59	61	45	47	47
Total	**430**	**439**	**438**	**420**	**477**	**447**
Adjusted revenue as previously disclosed[15]	415	431	437	420	482	447

GB&M, $m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Global Markets	**2,029**	**1,842**	**1,699**	**1,300**	**1,832**	**1,610**
Equities	354	336	335	265	418	279
FICC	**1,675**	**1,506**	**1,364**	**1,035**	**1,414**	**1,331**
Foreign Exchange	648	740	610	614	728	811
Rates	682	519	559	277	437	350
Credit	345	247	195	144	249	170
Securities Services	**423**	**446**	**446**	**469**	**474**	**499**
Global Banking	**933**	**1,087**	**950**	**916**	**992**	**1,050**
GLCM	**533**	**530**	**567**	**599**	**625**	**638**
GTRF	**186**	**181**	**174**	**168**	**177**	**180**
Principal Investments	**31**	**51**	**181**	**63**	**69**	**101**
Other revenue	(68)	13	(40)	(10)	(31)	17
Credit and Funding Valuation Adjustment	(1)	(98)	(64)	(106)	(64)	22
Total	**4,066**	**4,052**	**3,913**	**3,399**	**4,074**	**4,117**
Adjusted revenue as previously disclosed[15]	3,886	3,937	3,878	3,390	4,148	4,117

Corporate Centre, $m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Central Treasury	**361**	**435**	**308**	**256**	**(78)**	**163**
Balance Sheet Management	853	686	576	652	591	696
Interest expense	(342)	(297)	(334)	(280)	(378)	(381)
Valuation differences on long-term debt and associated swaps	(68)	121	83	(58)	(242)	(124)
Other	(82)	(75)	(17)	(58)	(49)	(28)
US run-off portfolio	**28**	**47**	**(28)**	**(7)**	**12**	**8**
Legacy Credit	**-**	**61**	**(18)**	**(75)**	**6**	**(115)**
Other	(37)	74	(71)	(82)	(107)	(71)
Total	**352**	**617**	**191**	**92**	**(167)**	**(15)**
Adjusted revenue as previously disclosed[15]	342	592	186	100	(148)	(15)

Currency translation and significant items included in the Income Statement

$m	2Q17	1Q18	2Q18	1H17	1H18
Revenue					
Currency translation	(241)	258	-	(897)	-
Customer redress programmes	-	-	46	-	46
Disposals, acquisitions and investment in new businesses	202	(112)	(30)	358	(142)
Fair value movement on financial instruments	(239)	(28)	(124)	(245)	(152)
Currency translation on significant items	(1)	(1)	-	(7)	-
	(279)	**117**	**(108)**	**(791)**	**(248)**
ECL / Loan impairment charges					
Currency translation	(10)	(9)	-	(6)	-
	(10)	**(9)**	**-**	**(6)**	**-**
Operating expenses					
Currency translation	175	(168)	-	690	-
Costs of structural reform	(97)	(126)	(85)	(180)	(211)
Costs to achieve	(837)	-	-	(1,670)	-
Customer redress programmes	(89)	(93)	(7)	(299)	(100)
Disposals, acquisitions and investment in new businesses	(10)	(2)	(1)	(10)	(3)
Gain on partial settlement of pension obligation	-	-	-	-	-
Restructuring and other related costs	-	(20)	(4)	-	(24)
Settlements and provisions in connection with legal and regulatory matters	322	(897)	56	322	(841)
Currency translation on significant items	(8)	6	-	(101)	-
	(544)	**(1,300)**	**(41)**	**(1,248)**	**(1,179)**
Share of profit in associates and joint ventures					
Currency translation	(42)	2	-	(76)	-
	(42)	**2**	**-**	**(76)**	**-**
Currency translation and significant items	**(875)**	**(1,190)**	**(149)**	**(2,121)**	**(1,427)**

RoTE by global business

1H18 $m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	**3,512**	**4,149**	**3,725**	**146**	**(820)**	**10,712**
Reported profit before tax - Annualised	**7,083**	**8,367**	**7,511**	**294**	**(1,654)**	**21,601**
Significant items	237	(76)	(314)	88	2,945	2,880
Bank levy	-	-	-	-	83	83
BSM allocation and other adjustments[16]	678	666	587	117	(2,048)	-
Profit before tax ex sig items and bank levy	**7,998**	**8,957**	**7,784**	**499**	**(674)**	**24,564**
Tax allocated to GBs[17]	(1,415)	(1,853)	(1,289)	(89)	(193)	(4,839)
Profit after tax ex sig items and bank levy	**6,583**	**7,104**	**6,495**	**410**	**(867)**	**19,725**
PVIF, Coupon on capital securities classed as equity, non-controlling interest	(1,294)	(874)	(585)	(26)	(226)	(3,005)
RoTE profit attributable to ordinary shareholders (PAOS)	**5,289**	**6,230**	**5,910**	**384**	**(1,093)**	**16,720**
Total Shareholders' Equity at 30th June 2018						183,607
Reported Average Tangible Shareholders' Equity at 30th June 2018						143,695
Other adjustments[16]						2,130
Average Tangible Shareholders' Equity at 30th June 2018[18]	**24,809**	**41,377**	**47,866**	**3,436**	**28,337[19]**	**145,825**
RoTE	**21.3%**	**15.1%**	**12.3%**	**11.2%**	**(3.9)%**	**11.5%**

1H17 $m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	**3,098**	**3,431**	**3,352**	**153**	**209**	**10,243**
Reported profit before tax - Annualised	**6,247**	**6,919**	**6,760**	**308**	**421**	**20,655**
Significant items	518	25	102	(21)	2,852	3,476
Bank levy	-	-	-	-	34	34
BSM allocation and other adjustments[16]	786	801	714	141	(2,442)	-
Profit before tax ex sig items and bank levy	**7,551**	**7,745**	**7,576**	**428**	**865**	**24,165**
Tax allocated to GBs[17]	(1,406)	(1,764)	(1,537)	(90)	(512)	(5,309)
Profit after tax ex sig items and bank levy	**6,145**	**5,981**	**6,039**	**338**	**353**	**18,856**
PVIF, Coupon on capital securities classed as equity, non-controlling interest	(871)	(670)	(511)	(21)	(232)	(2,305)
RoTE profit attributable to ordinary shareholders (PAOS)	**5,274**	**5,311**	**5,528**	**317**	**121**	**16,551**
Total Shareholders' Equity at 30th June 2017						188,396
Reported Average Tangible Shareholders' Equity at 30th June 2017						140,571
Other adjustments[16]						2,726
Average Tangible Shareholders' Equity at 30th June 2017[18]	**23,312**	**36,001**	**44,102**	**4,906**	**34,976[19]**	**143,297**
RoTE	**22.6%**	**14.8%**	**12.5%**	**6.5%**	**0.3%**	**11.6%**

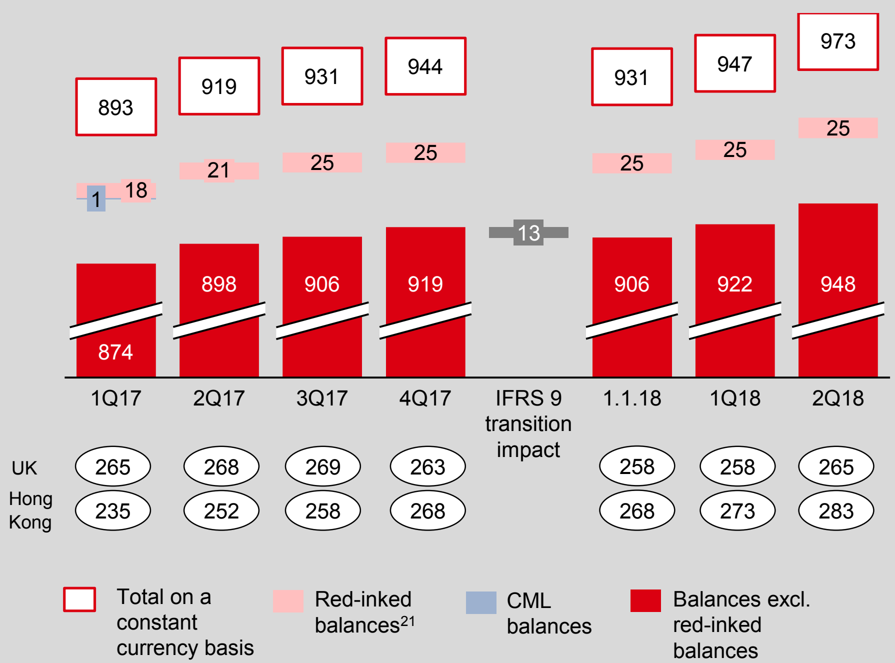
Balance sheet – Customer lending

2Q18 Loans and advances to customers[20]

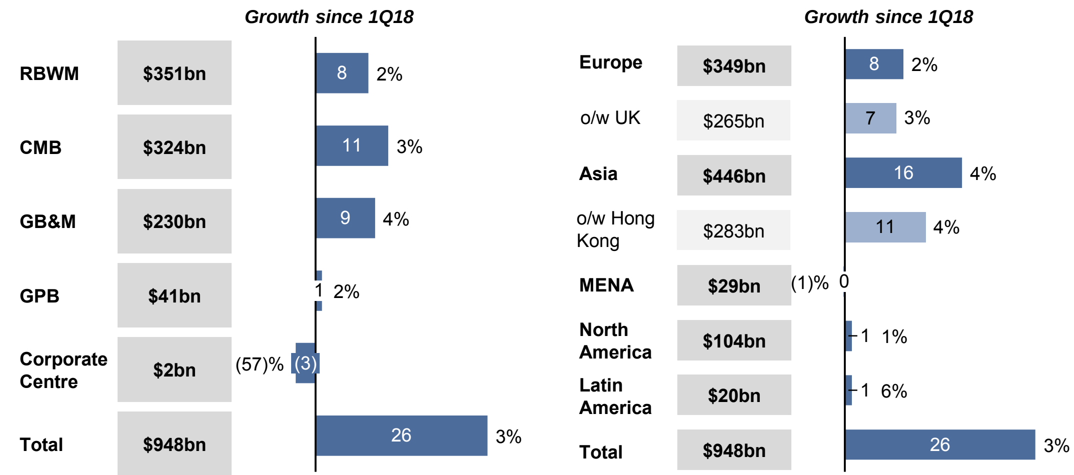
Balances increased by $26bn from 1Q18, reflecting:

- Continued lending growth in Asia ($16bn) primarily in Hong Kong in term lending in line with our strategic focus; Hong Kong mortgage growth of $2.4bn
- UK mortgage growth of $2.4bn

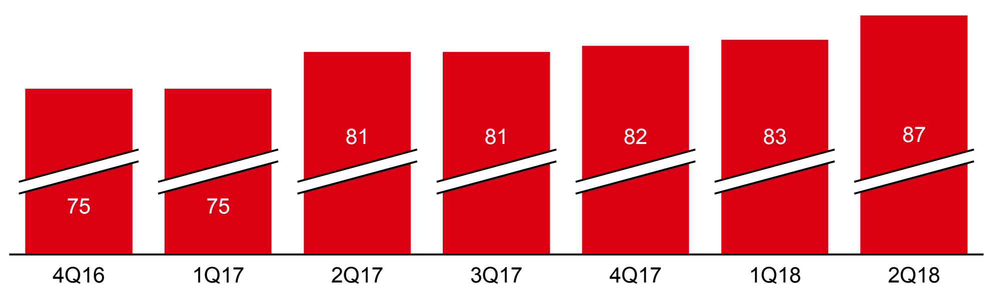
Loan growth compared with 1.1.18 of $43bn or 5%



2Q18 growth by global business and region excluding red-inked and CML balances



GTRF funded assets, $bn

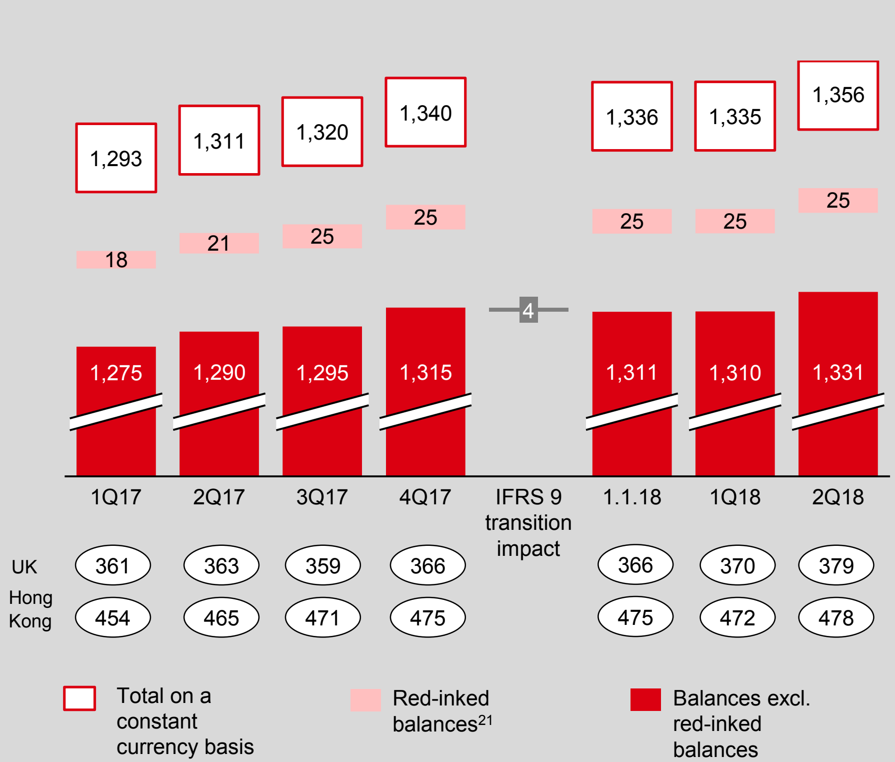


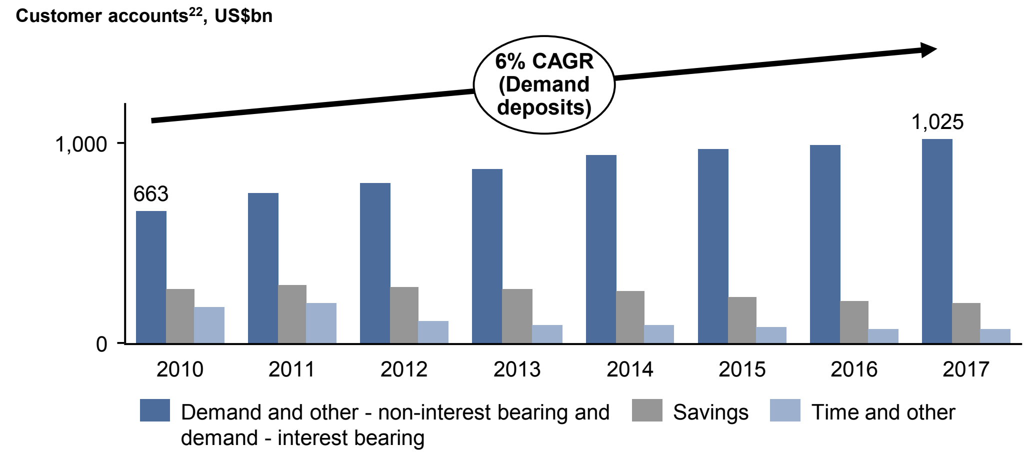
Balance sheet – Customer accounts

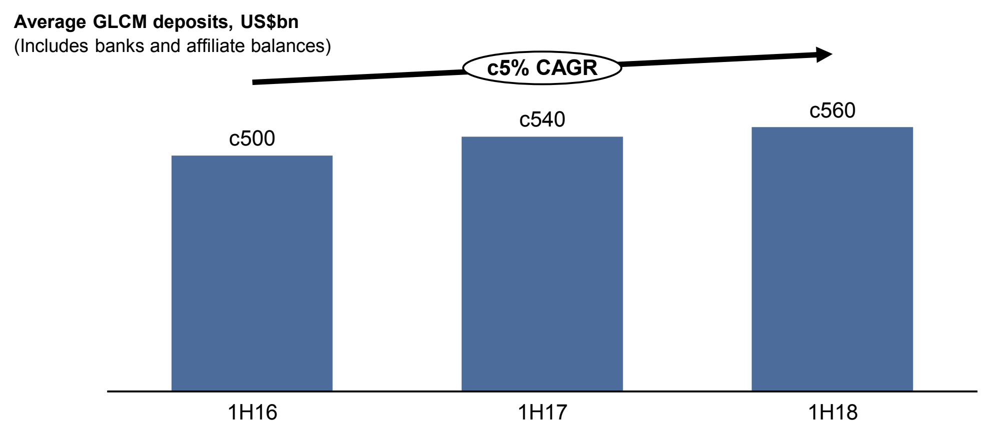
2Q18 Customer accounts[20], $bn

Balances increased $21bn in 2Q18:

- Growth in Europe of $9bn, all in the UK from higher GLCM deposits
- Growth in Asia of $11bn mainly from Hong Kong ($6bn or 1%) largely from term deposits







Net interest margin analysis and net interest income sensitivity

Net interest margin analysis

$bn	1H17 Average balance	1H17 Yield	FY17 Average balance	FY17 Yield	1H18 Average balance	1H18 Yield	Variance 1H18 vs. 2017 Average balance	Variance 1H18 vs. 2017 Yield	Group NIM Impact
Loans and advances to customers	871	3.23%	902	3.19%	966	3.35%	64	16bps	9bps
Short-term funds and financial investments	628	1.46%	626	1.51%	627	1.72%	1	20bps	4bps
Other assets	192	1.29%	198	1.39%	246	1.68%	48	29bps	7bps
Total interest earning assets	**1,691**	**2.35%**	**1,726**	**2.37%**	**1,840**	**2.57%**	**113**	**19bps**	**20bps**
Customer accounts	1,071	0.47%	1,095	0.49%	1,139	0.61%	44	12bps	6bps
Debt	169	2.53%	169	2.59%	180	2.97%	11	38bps	4bps
Other liabilities	187	1.43%	191	1.58%	253	1.76%	62	18bps	7bps
Total interest bearing liabilities	**1,427**	**0.84%**	**1,455**	**0.88%**	**1,572**	**1.07%**	**117**	**19bps**	**17bps**

Net interest income sensitivity

For further commentary and information, refer to pages 66 and 67 of the 2018 Interim Report

NII sensitivity following a 25bps and 100bps instantaneous change in yield curves (5 years)

$m	Year 1	Year 2	Year 3	Year 4	Year 5	Total
+25bps	812	1,111	1,311	1,405	1,493	6,132
-25bps	(731)	(1,087)	(1,155)	(1,315)	(1,400)	(5,688)
+100bps	3,031	4,123	4,792	5,186	5,532	22,664
-100bps	(3,434)	(4,692)	(4,957)	(5,536)	(5,906)	(24,525)

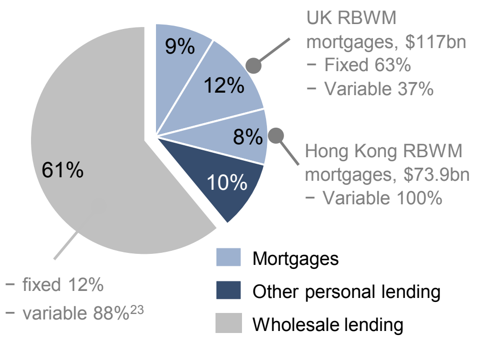
Key assumptions:

- Static Balance Sheet
- No changes to product re-pricing assumptions after Year 1
- Sensitivity presented above is incremental to current yield curves

Net interest margin supporting information

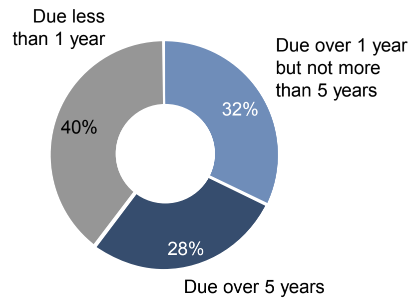
Gross customer lending analysis - $982bn

As at 30 Jun 2018

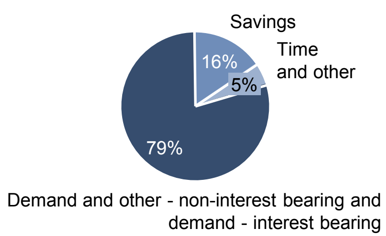


Of our customer lending:

As at 31 Dec 2017

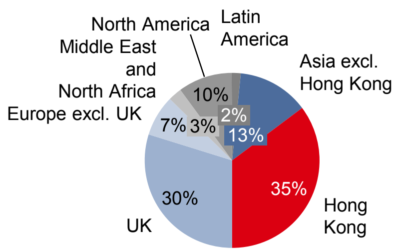


Customer accounts - $1,356bn:



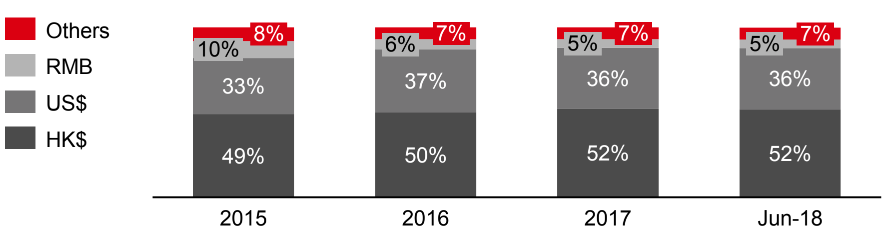
Regional breakdown:

As at 30 Jun 2017

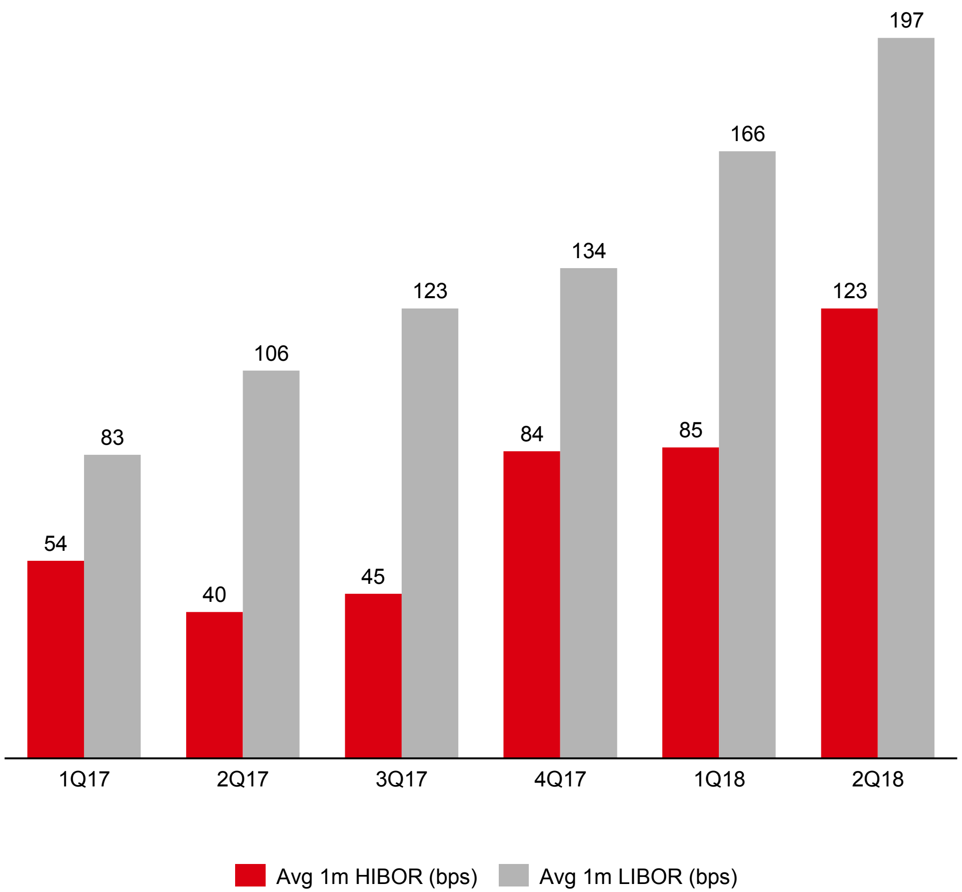


The above breakdown of customer accounts is as per 31 Dec 2017

Hong Kong system deposits by currency[24]:



HIBOR / LIBOR 1 month rate[25]



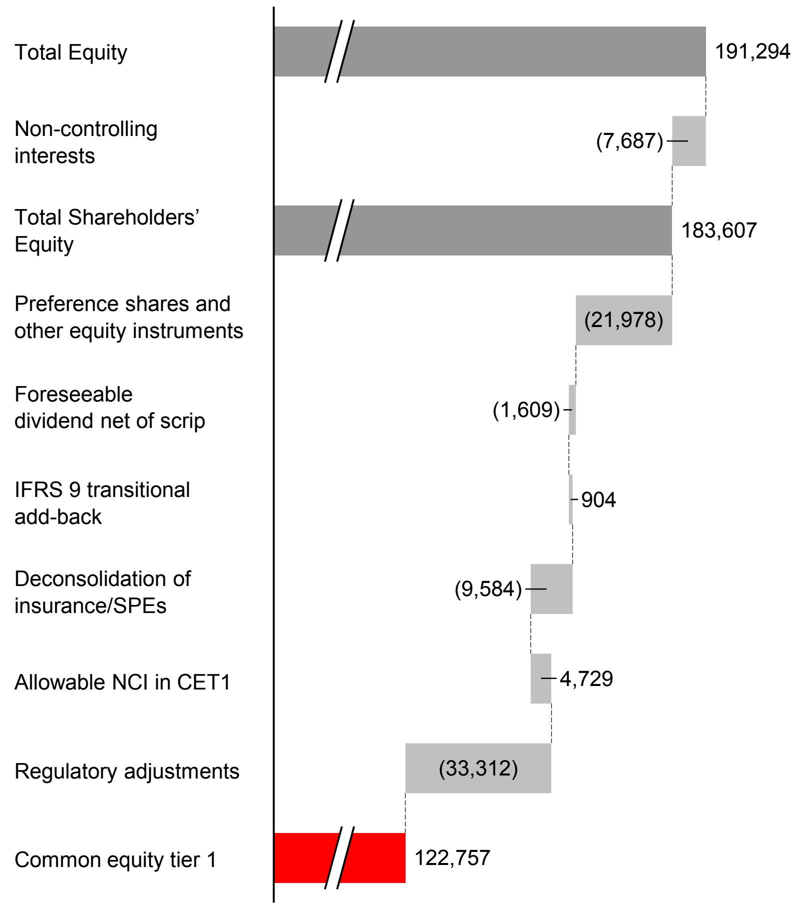
Equity drivers

2Q18 vs. 1Q18 Equity drivers

	Shareholders' Equity, $bn	Tangible Equity, $bn	TNAV per share, $	No. of shares (excl. treasury shares), million
As at 31 March 2018	**195.9**	**145.8**	**7.29**	**20,013**
Profit to shareholders	4.3	4.0	0.20	-
Dividends net of scrip[26]	(2.1)	(2.1)	(0.12)	39
FX	(7.2)	(6.5)	(0.32)	-
Share buy-back	(2.0)	(2.0)	(0.06)	(102)
Redemption of capital securities	(5.8)	-	-	-
Other	0.4	0.5	0.02	13
As at 30 June 2018	**183.6**	**139.7**	**7.00**	**19,963**

Total Shareholders' Equity to CET1 Capital

Total Equity to Common equity tier 1 capital, as at 2Q18, $m



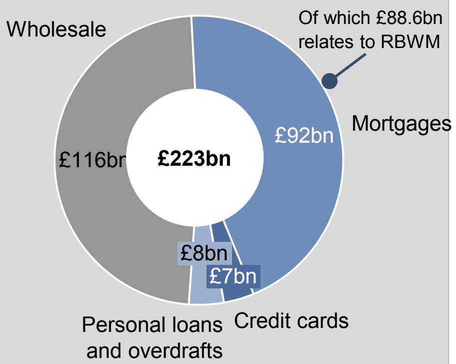
Total Equity to CET1 walk, $m

	4Q17	2Q18
Total equity (per balance sheet)	**197,871**	**191,294**
- Non-controlling interests	(7,621)	(7,687)
Total shareholders' equity	**190,250**	**183,607**
- Preference share premium	(1,405)	(1,405)
- Perpetual capital securities	(5,851)	-
- Additional Tier 1	(16,399)	(20,573)
Total shareholders' equity less preference shares premium and other equity instruments	**166,595**	**161,629**
- Foreseeable dividend (net of scrip)	(3,354)	(1,609)
- IFRS 9 transitional add-back	-	904
- Deconsolidation of insurance/SPE's	(9,588)	(9,584)
- Allowable NCI in CET1	4,905	4,729
CET1 before regulatory adjustments	**158,557**	**156,069**
- Additional value adjustments (prudential valuation adjustment)	(1,146)	(1,234)
- Intangible assets	(16,872)	(16,877)
- Deferred tax asset deduction	(1,181)	(969)
- Cash flow hedge adjustment	208	234
- Excess of expected loss	(2,820)	(1,772)
- Own credit spread and debit valuation adjustment	3,731	1,845
- Defined benefit pension fund assets	(6,740)	(6,852)
- Direct and indirect holdings of CET1 instruments	(40)	(40)
- Threshold deductions	(7,553)	(7,647)
Regulatory adjustments	**(32,413)**	**(33,312)**
CET1	**126,144**	**122,757**

UK customer advances

Total UK[27] gross customer advances - £223bn

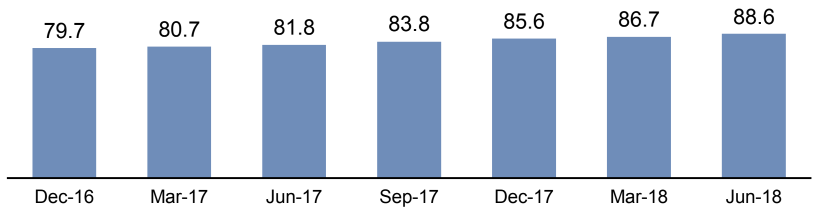
As at 30 Jun 2018



Total UK gross customer advances of £223bn ($293bn) represents 30% of the Group's gross customer advances:

- Continued mortgage growth whilst maintaining extremely conservative loan-to-value (LTV) ratios
- Low levels of buy-to-let mortgages and mortgages on a standard variable rate (SVR)
- Low levels of delinquencies across mortgages and unsecured lending portfolios

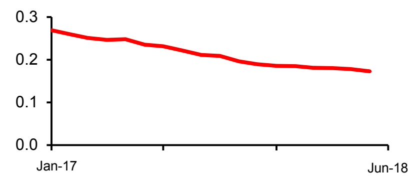
RBWM residential mortgages[28], £bn



By LTV

Less than 50%	£46.4bn
50% - < 60%	£14.8bn
60% - < 70%	£12.0bn
70% - < 80%	£9.9bn
80% - < 90%	£4.8bn
90% +	£0.7bn

90+ day delinquency trend, %

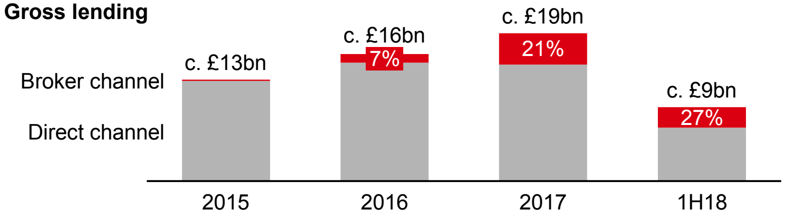


- c.28% of mortgage book is in Greater London
- Buy-to-let mortgages of £2.8bn
- Mortgages on a standard variable rate of £3.7bn
- Interest-only mortgages of £20.6bn
- LTV ratios – 2Q18:
  - c52% of the book < 50% LTV
  - new originations average LTV of 63%;
  - average LTV of the total portfolio of 49%[29]

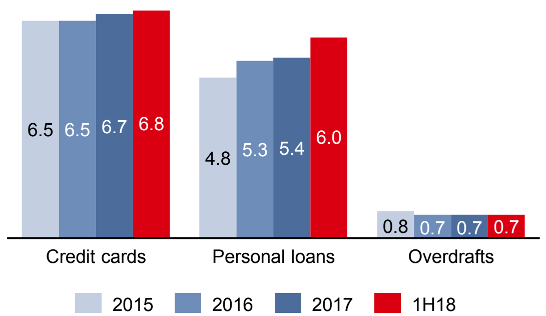
Expansion into the broker channel

Broker coverage (by value of market share)	8%	43%	70%	79%

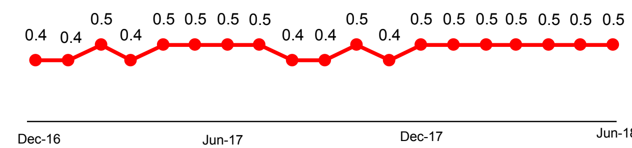
Gross lending



RBWM unsecured lending[30], £bn



Credit cards: 90+ day delinquency trend, %

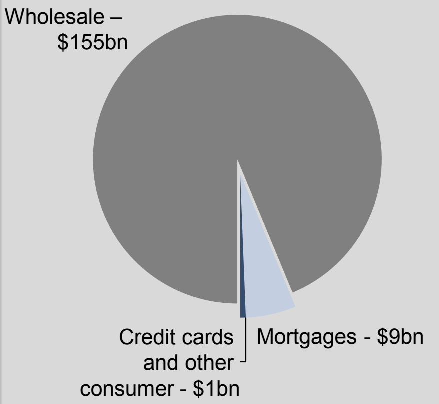


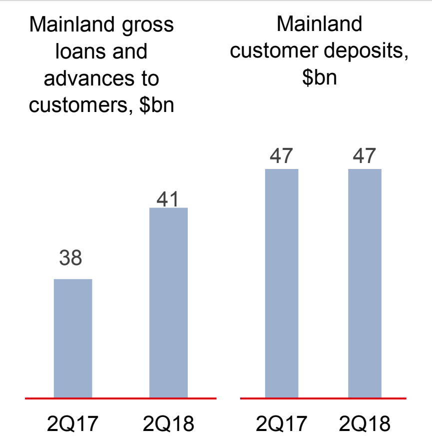
- c. 17% of outstanding credit card balances are on a 0% balance transfer offer
- HSBC does not provide a specific motor finance offering to consumers although standard personal loans may be used for this purpose

Mainland China drawn risk exposure[31]

Total China drawn risk exposure of $165bn

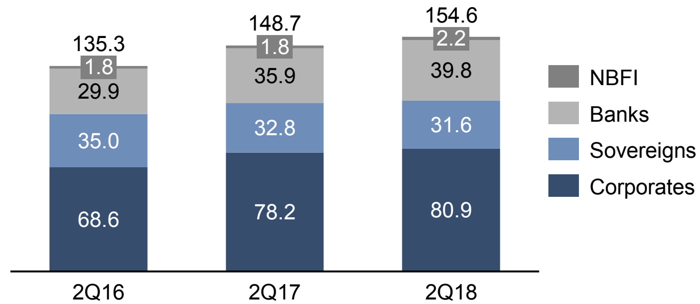
As at 30 Jun 2018





- Total China drawn risk exposure of $165bn
- Wholesale: $155bn (of which 53% is onshore); Retail: $10bn
- Gross loans and advances to customers of c$41bn in Mainland China (by country of booking, excluding Hong Kong and Taiwan)
- Losses remain low (onshore ECL charges of less than $100m in the first half of 2018)
- Loans in stage 3 remain low
- HSBC's onshore corporate lending market share at 2017 was 0.14% which allows us to be selective in our lending

Wholesale analysis, $bn

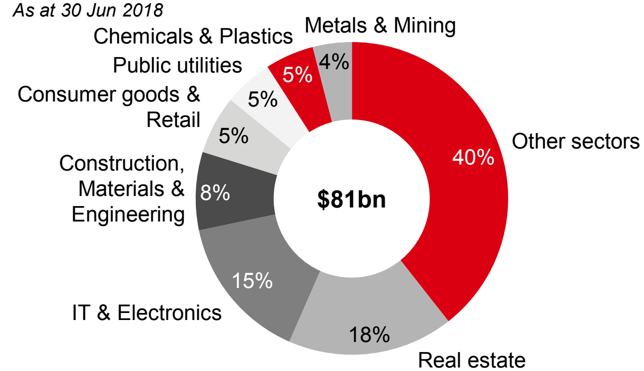


Wholesale lending by risk type:

CRRs	1-3	4-6	7-8	9+	Total
Sovereigns	31.6				31.6
Banks	39.2	0.6			39.8
NBFI	1.9	0.4			2.2
Corporates	52.1	28.2	0.2	0.4	80.9
Total	**124.8**	**29.1**	**0.2**	**0.4**	**154.6**

Corporate Lending by sector:

As at 30 Jun 2018



- c26% of lending is to Foreign Owned Enterprises, c34% of lending is to State Owned Enterprises, c40% to Private sector owned Enterprises
- Corporate real estate
  - 56% sits within CRR 1-3 (broadly equivalent to investment grade)
  - Highly selective, focusing on top tier developers with strong performance track records
  - Focused on Tier 1 and selected Tier 2 cities

Fixed Income

HSBC Key Credit Messages

Diversified businesses, capital strength, robust funding and liquidity

As at 1H18

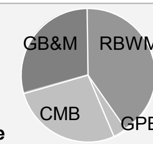
Conservative approach to risk management

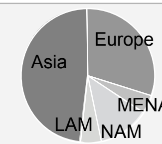
8bps
ECL as a % of gross customer advances (annualised)

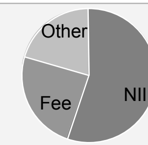
1.4%
Stage 3 loans as a % of gross customer advances

Diversified revenue streams by business, geography and type

Adj. Revenue







Strong capital position and capital generation ability

14.2%
CET1 ratio

5.4%
Leverage ratio

$7.2bn
Profit attributable to ordinary shareholders

Robust funding and liquidity metrics

71.8%
Advances / Deposits ratio

158%
Liquidity Coverage Ratio

$540bn
High Quality Liquid Assets

Strong credit ratings

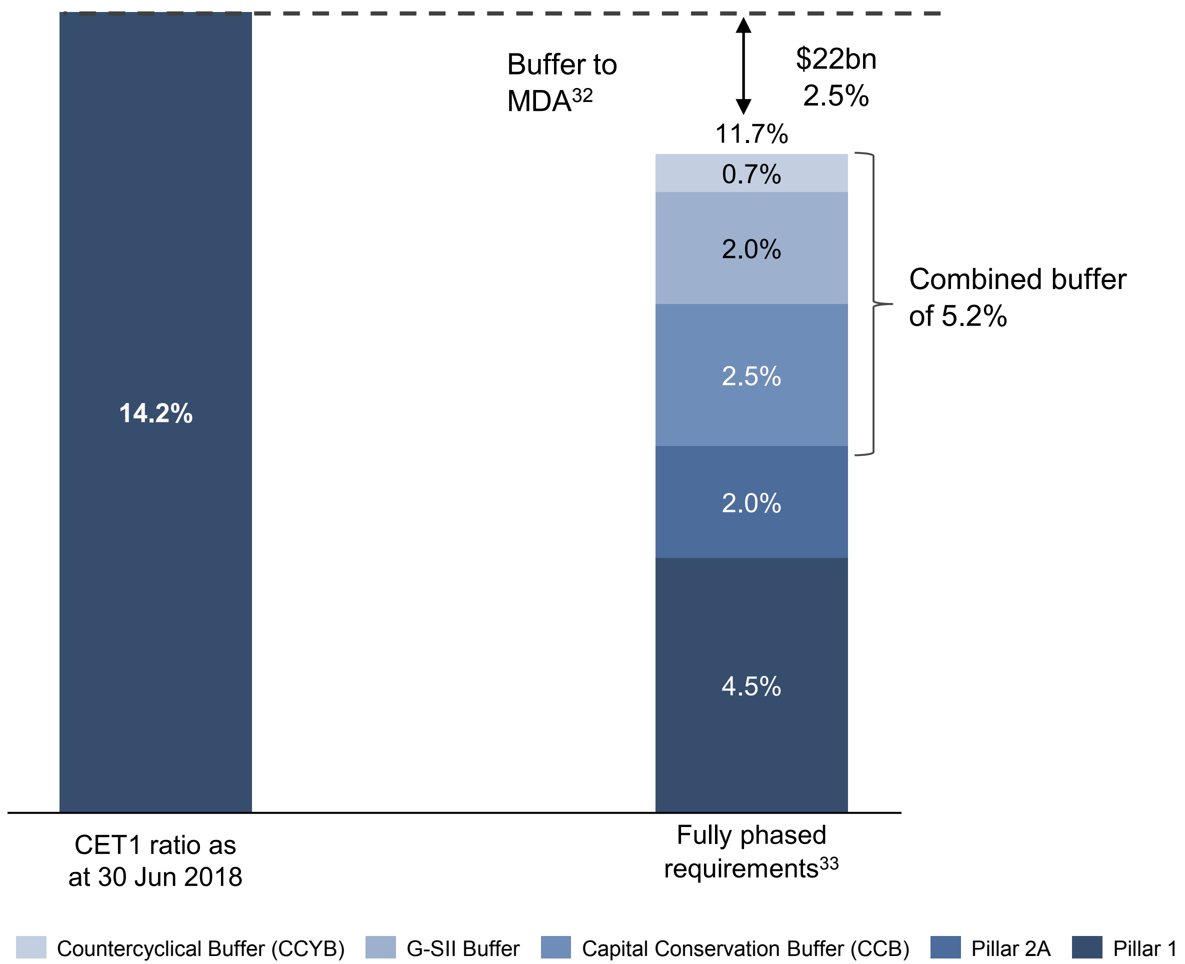
A
HSBC Holdings S&P rating

A2
HSBC Holdings Moody's rating

AA-
HSBC Holdings Fitch rating

Group CET1 requirements

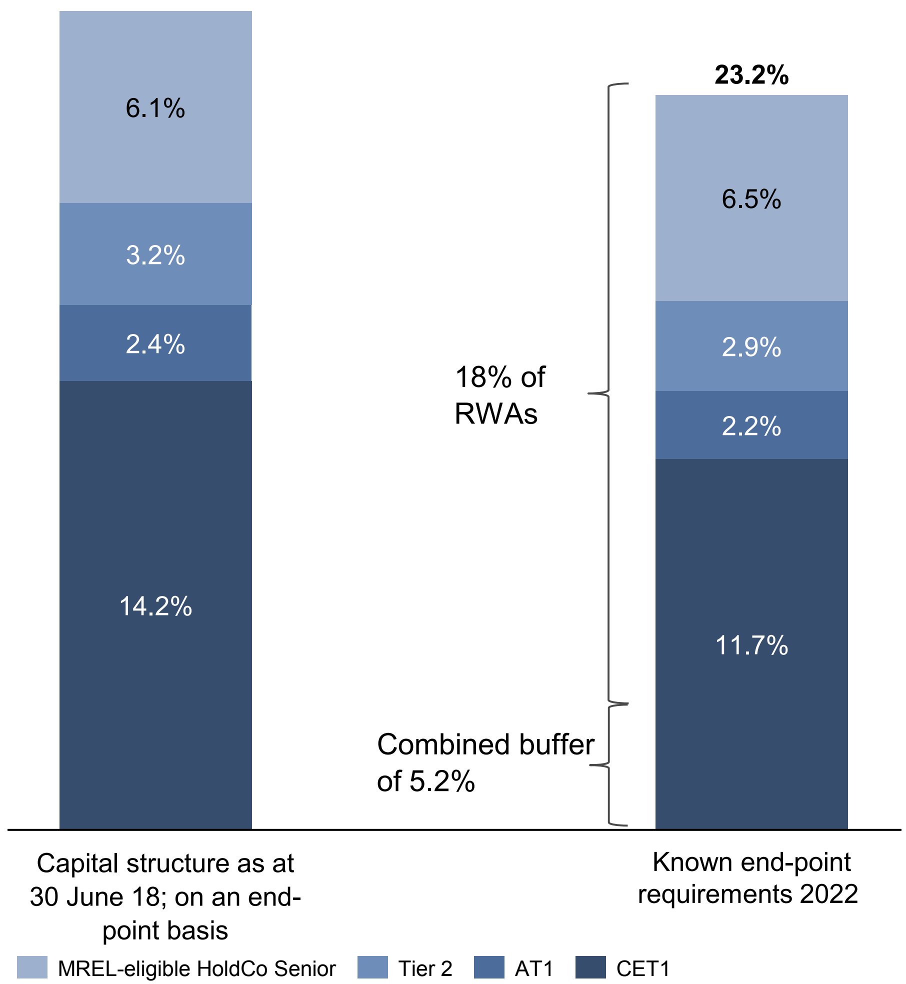
Common Equity Tier 1 ratio, versus Maximum Distributable Amount ("MDA")



- 14.2% CET1 ratio, down 40bps from 1 Jan 2018 (after the IFRS9 transitional day 1 impact)
- $7.2bn of profit attributable to ordinary shareholders in the half
- $36.5bn of distributable reserves
- Throughout the period from 2018 to 2020, our plan assumes our CET1 ratio will be above 14%

Total capital and estimated MREL requirements[34]

Regulatory capital and MREL-eligible HoldCo Senior versus regulatory requirements as a % of RWAs



- AT1 and Senior MREL increased in 1H18 due to planned issuance
- Tier 2 increased due to the change in regulatory capital recognition of selected capital securities
- HSBC group MREL requirement[35] for 2022 is the greater of:
  - 18% of RWAs
  - 6.75% of leverage exposures
  - The sum of requirements relating to each of its resolution groups
- We are currently evaluating HKMA proposals, and await final rules
- Based on current assumptions, HSBC Senior MREL issuance requirement[36] is estimated to fall in the range $60-80bn
- HSBC manages its capital and debt securities to meet end-point regulatory requirements, as well as funding and other business needs
- HSBC has a Multiple Point of Entry resolution strategy

Issuance strategy and plan

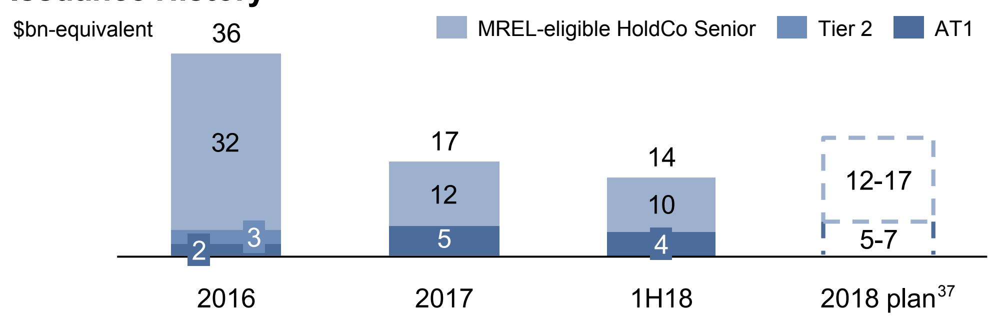
Issuance Strategy

- HSBC Holdings is the Group's principal issuing entity for AT1, T2 and Senior MREL
- MREL debt will be downstreamed, where appropriate, in a form compliant with local regulations
- MREL issuance is expected to be at the top end of the 2018 guided range; we may also look to pre-fund part of our 2019 issuance
- Issuance over time to broadly match group currency exposures
- Issuance executed with consideration to our maturity profile
- Selected operating subsidiaries may issue to meet local funding and liquidity requirements

1H18 Issuance Highlights

- Issued $4.2bn of compliant AT1; $20.7bn outstanding
- Issued $10.3bn of MREL; $53.2bn outstanding
- Issuance from our operating subsidiaries included:
  - €2.25bn from HSBC France
  - C$1.25bn from HSBC Bank Canada

Issuance History

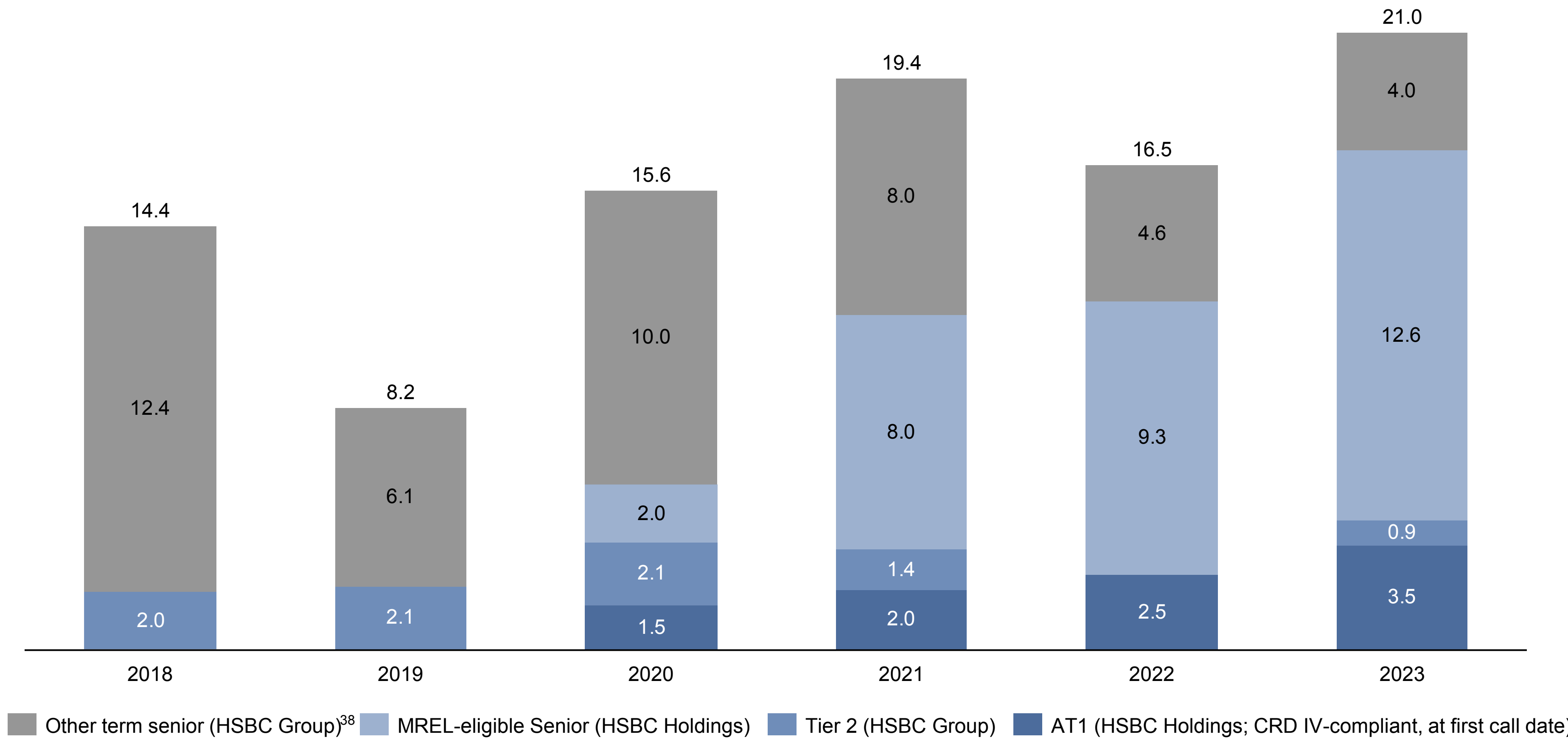


2018 Issuance Plan[37]	Additional Tier 1	Tier 2	Senior MREL
	$5-7bn	No current plans	$12-17bn

Redemption profile

Contractual maturity profile, $bn

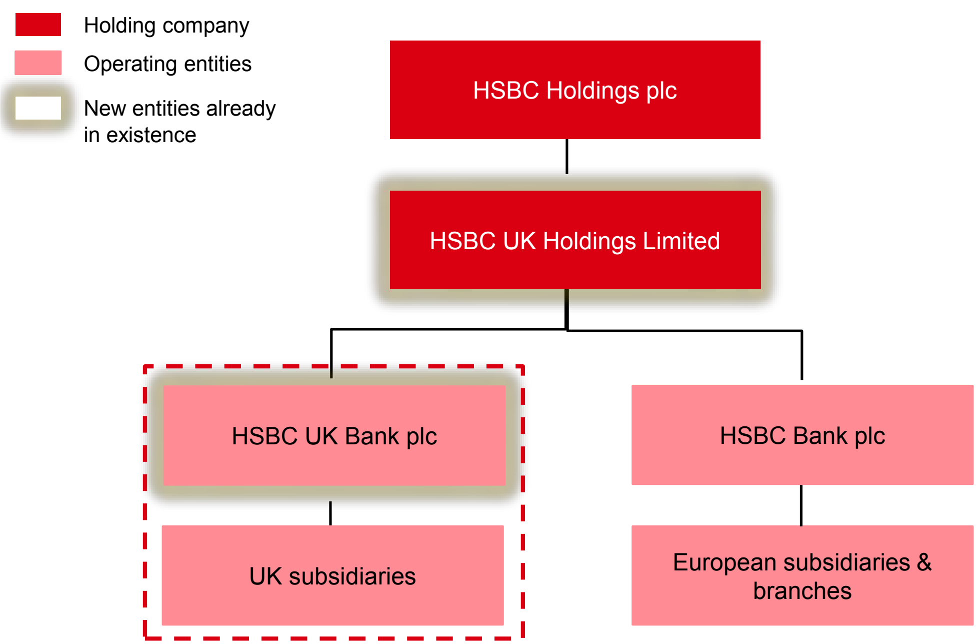
As at 30 June 2018



The maturity profile above does not include $6bn of perpetual capital securities redeemed on 4 June 2018

HSBC has completed the ring-fencing of its UK retail banking activities

Illustrative future structure



Our ring-fenced bank

Was set up to hold HSBC's qualifying components of UK RBWM, CMB and GPB businesses, and relevant retail banking subsidiaries

Our non-ring fenced bank

Has retained the non-qualifying components, primarily the UK GB&M business and the overseas branches and subsidiaries

Milestones completed in 1H18

- ✓ In January 2018, the Ring Fence Transfer Scheme ('RFTS') court process was initiated with the submission of an application to the High Court, followed by the first hearing to consider and approve the communications programme
- ✓ The RFTS was sanctioned by the High Court in May 2018
- ✓ All mobilisation restrictions to HSBC UK Bank plc's banking licence under section 55I of the FSMA were lifted on 27 June 2018
- ✓ A £12bn capital injection was made indirectly by HSBC Holdings plc to HSBC UK Bank plc through its immediate parent, HSBC UK Holdings Limited
- ✓ HSBC completed the ring-fencing of its UK retail banking activities on 1 July 2018
- ✓ The transfer of c14.5 million customers
- ✓ The migration of roles from London to Birmingham has completed and a fully functioning HSBC UK Bank plc team is in place

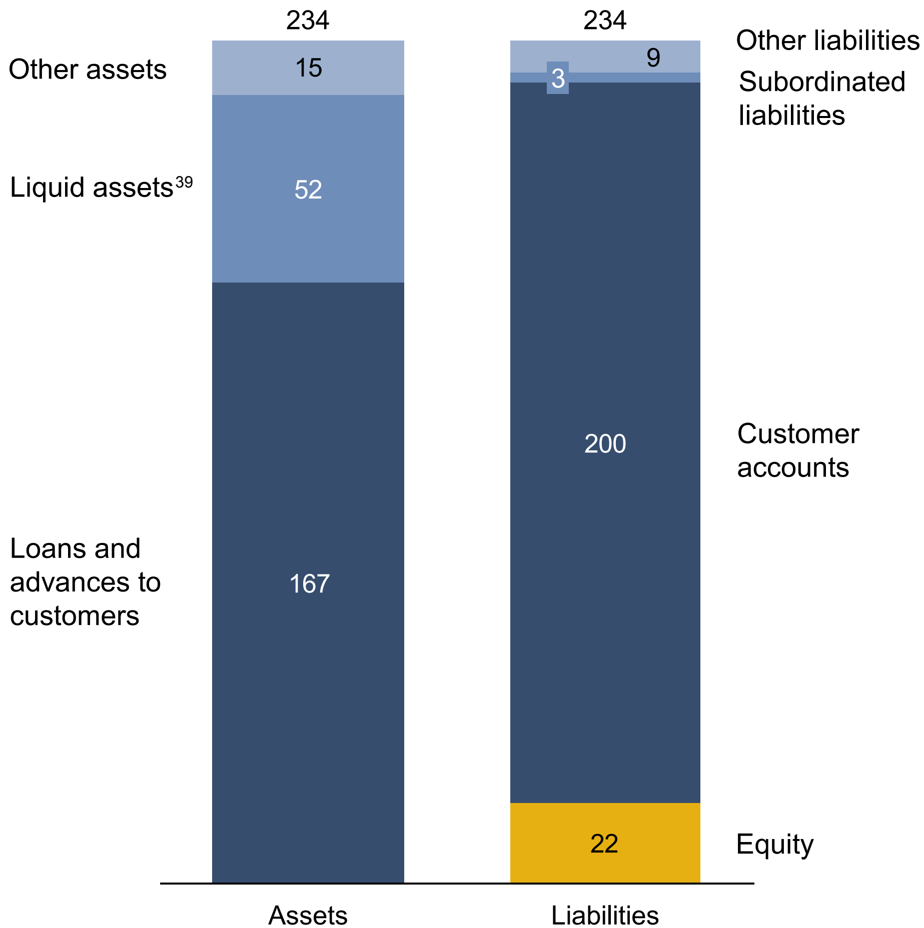
HSBC Bank plc will be transferred to HSBC UK Holdings Limited in the second half of 2018

HSBC UK Bank plc and HSBC Bank plc disclosures as at 1 July 2018

Source: HSBC Bank plc Interim Report 2018

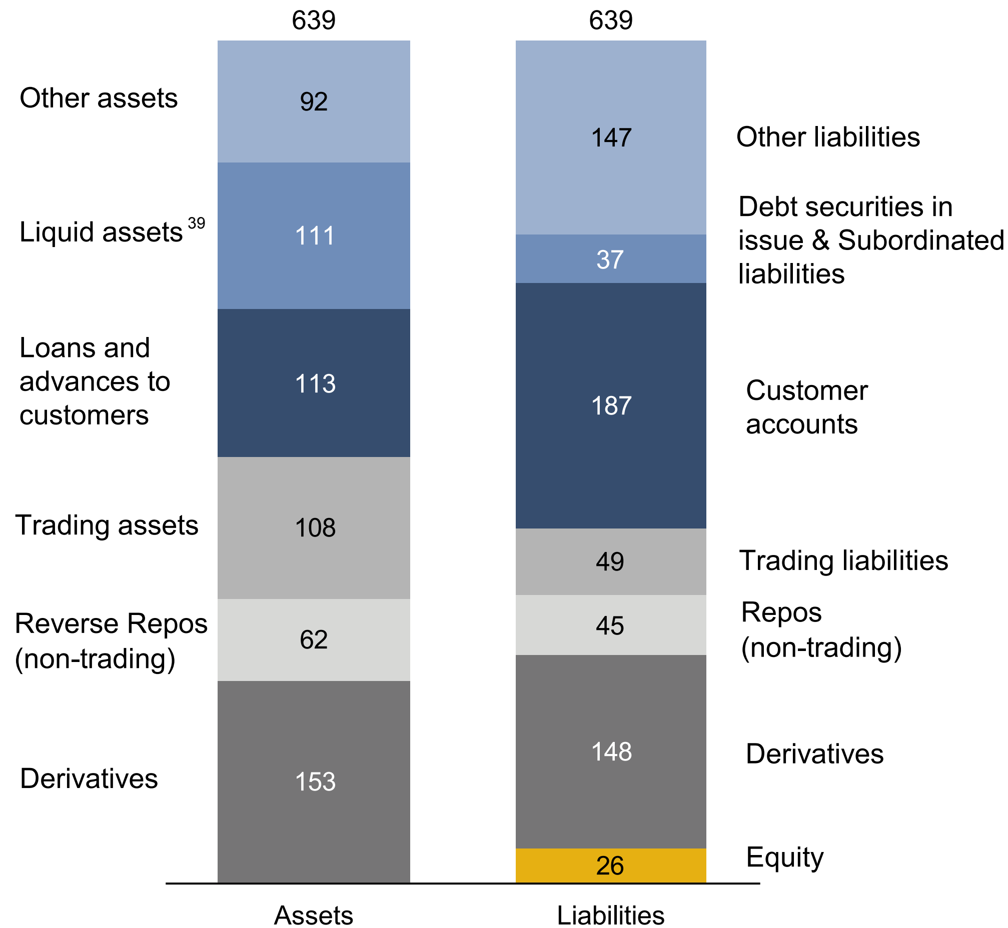
HSBC UK Bank plc (our ring-fenced bank)

Consolidated balance sheet, £bn



HSBC Bank plc (our non-ring fenced bank)

Consolidated balance sheet post transfers, £bn



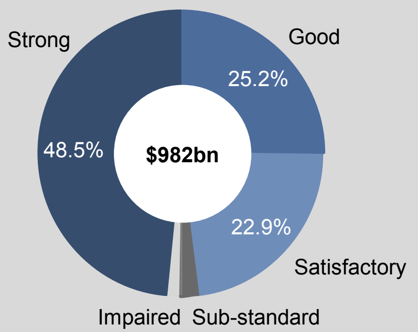
The charts above illustrate the post-transfer assets, liabilities and equity of HSBC UK Bank plc and HSBC Bank plc on a consolidated basis. As a consequence of the change in the HSBC Bank plc group structure, intergroup assets and liabilities are created which were previously eliminated on consolidation. This includes balances between the HSBC Bank plc group and HSBC UK Bank plc, as well as balances between the HSBC Bank plc group and subsidiaries of HSBC UK Bank plc. The numbers presented are subject to change for any final transfers identified. The impact of the transfer is disclosed in Note 12 'Events after the balance sheet date' on page 60 of the HSBC Bank plc Interim Report 2018.

Credit quality remains robust reflecting the Group's conservative approach to risk management

Gross loans and advances to Customers - $982bn

Total gross customer loans and advances to customers by credit quality classification

As at 30 Jun 2018



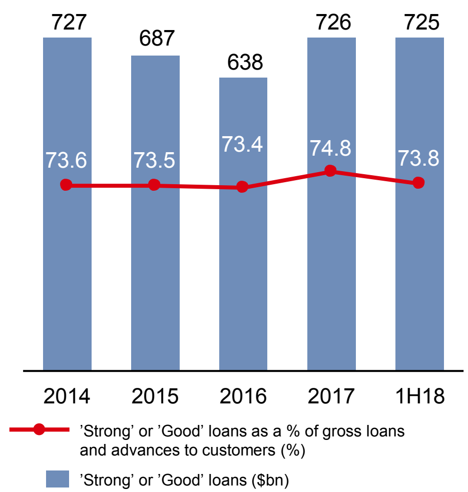
Total gross customer loans and advances to customers of $982bn

Increased by $23bn (2%) from 1 Jan 2018 on a reported basis.

Increased by $42bn (5%) from 1 Jan 2018, on a constant currency basis.

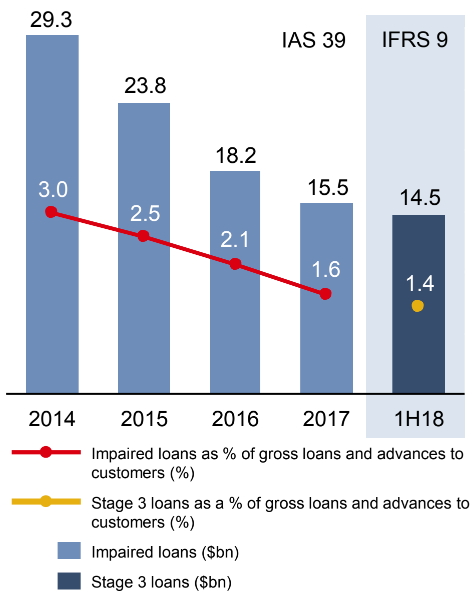
The effect of transitioning to IFRS 9 on 1 Jan 2018 was a reduction in loans and advances to customers of $11bn from 31 Dec 2017.

Loans and advances to customers of 'Strong' or 'Good' credit quality, $bn



c74% of gross loans and advances to customers of 'Strong' or 'Good' credit quality, equivalent to external Investment Grade credit rating.

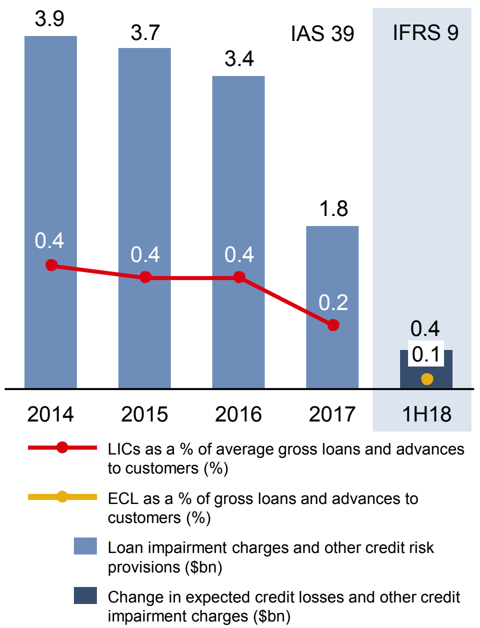
Stage 3 and impaired loans and advances to customers, $bn



Stage 3 loans as a % of gross loans and advances to customers was 1.4%.

The run down of CML loans to zero was a significant factor in the reduction of impaired loans.

Change in expected credit losses and other credit impairment charges, ('ECL'), $bn

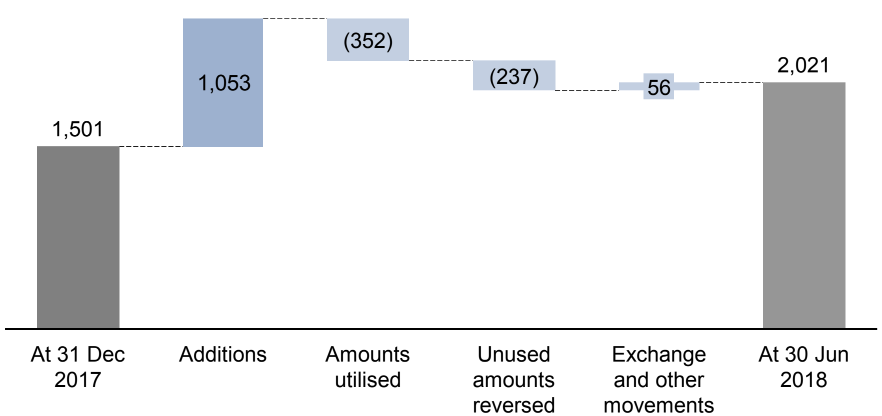


ECL charge of $407m in 1H18; ECL as a % of gross loans and advances to customers was 8bps (annualised).

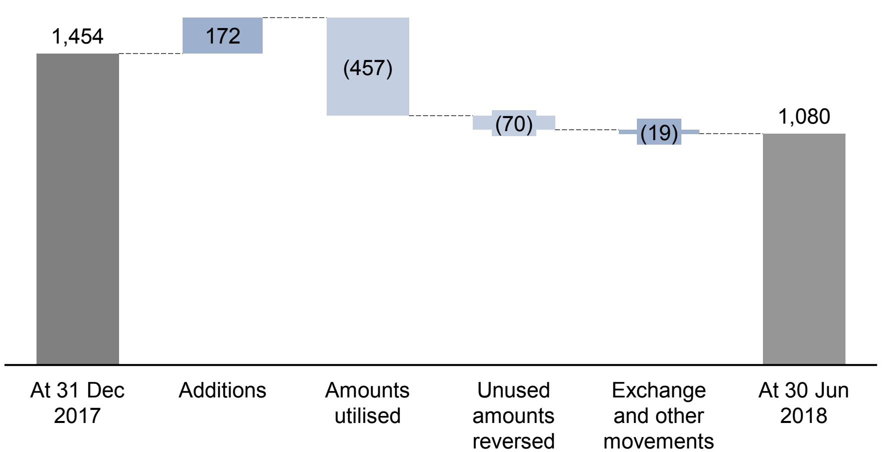
Legal proceedings and regulatory matters

This slide should be read in conjunction with Note 12 and Note 10 of the HSBC Holdings plc Interim Report 2018.

Provisions relating to legal proceedings and regulatory matters, $m



Provisions relating to customer remediation, $m



Commentary on selected items[40]

Anti-money laundering and sanctions-related matters

- In December 2017, the AML DPA expired and the charges deferred by the AML DPA were dismissed.
- In July 2018, a claim was issued against HSBC Holdings in the High Court of England and Wales alleging that HSBC Holdings made untrue and/or misleading statements and/or omissions in public statements between 2007 and 2012 regarding compliance by the HSBC Group with AML, anti-terrorist financing and sanctions laws, regulations and requirements, and the regulatory compliance of the HSBC Group more generally.
- Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of the various ongoing matters, including the timing or any possible impact on HSBC, which could be significant.

Foreign exchange rate investigations[41]

- In January 2018, HSBC Holdings entered into a three-year deferred prosecution agreement with the Criminal Division of the DoJ (the 'FX DPA'), regarding fraudulent conduct in connection with two particular transactions in 2010 and 2011. This concluded the DoJ's investigation into HSBC's historical foreign exchange activities.
- As at 30 June 2018, the provision recognised by HSBC for these and similar matters has been reduced to reflect the payment of a financial penalty and restitution pursuant to the FX DPA and the remeasurement of provisions relating to other matters. There are many factors that may affect the range of outcomes, and the resulting financial impact, of these matters.

Madoff[41]

- Based upon the information currently available, management's estimate of possible aggregate damages that might arise as a result of all claims in the various Madoff-related proceedings is up to or exceeding $500m, excluding costs and interest.

US mortgage securitisation activity and litigation

- In July 2018, HSBC reached a settlement-in-principle to resolve the DoJ's civil claims relating to its investigation of HSBC's legacy RMBS origination and securitisation activities from 2005 to 2007. Under the terms of the settlement, HSBC will pay the DoJ a civil monetary penalty of $765m. The settlement-in-principle is subject to the negotiation of definitive documentation, and there can be no assurance that HSBC and the DoJ will agree on the final documentation.

Tax-related investigations[41]

- As at 30 June 2018, HSBC has recognised a provision for these various matters in the amount of $632m. There are many factors that may affect the range of outcomes, and the resulting financial impact, of these investigations and reviews. Based on the information currently available, management's estimate of the possible aggregate penalties that might arise as a result of the matters in respect of which it is practicable to form estimates is up to or exceeding $1.5bn, including amounts for which a provision has been recognised.

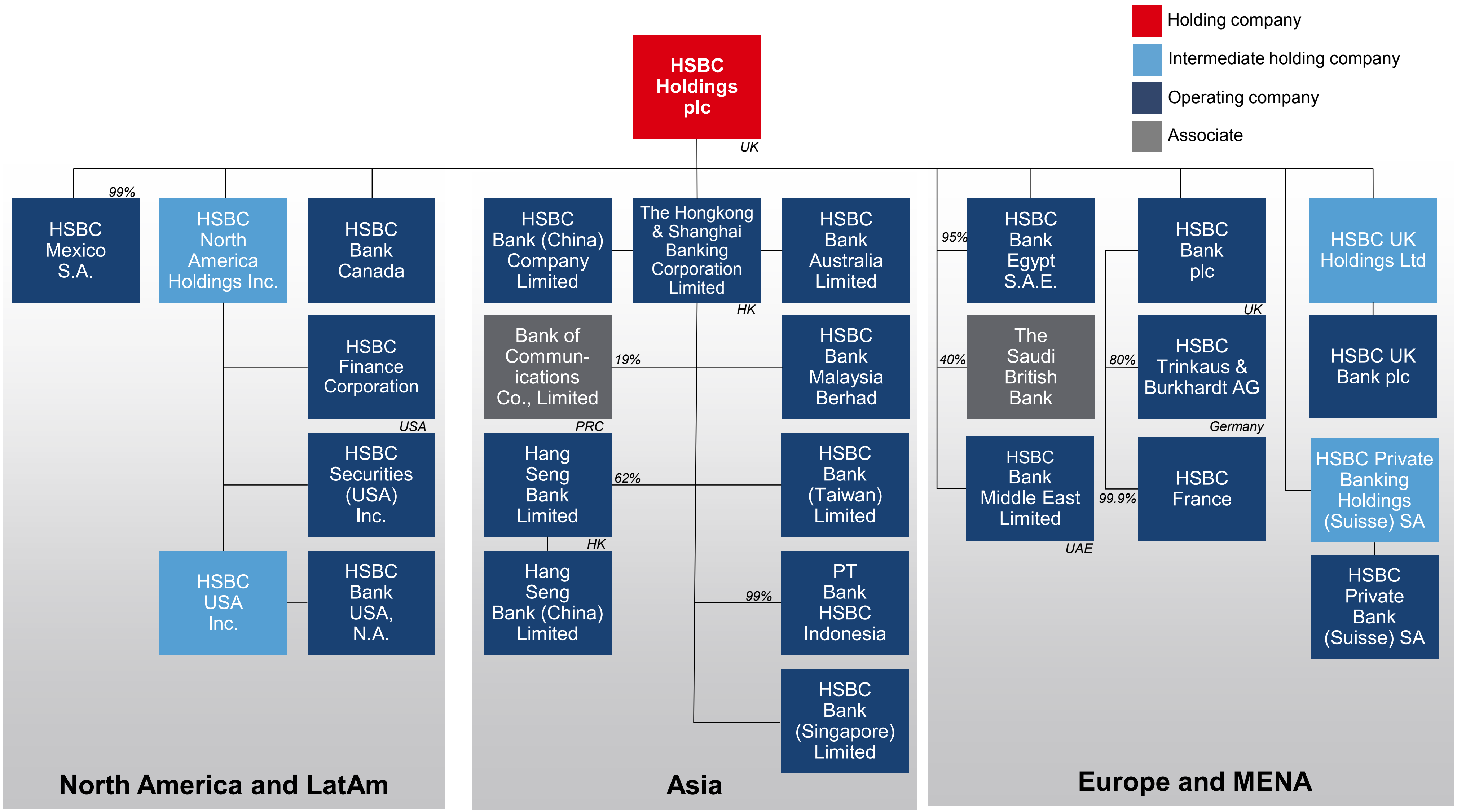
PPI

- As at 30 June 2018, HSBC has recognised a provision of $842m relating to the estimated liability for redress in respect of the possible mis-selling of payment protection insurance ('PPI') policies in previous years.

Current credit ratings for key entities

Long term senior ratings as at 5 August 2018	Fitch		Moody's		S&P	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
HSBC Holdings plc	AA-	Stable	A2	Stable	A	Stable
The Hongkong and Shanghai Banking Corporation Ltd	AA-	Stable	Aa3	Stable	AA-	Stable
HSBC Bank plc	AA-	Stable	Aa3	Stable	AA-	Stable
HSBC USA Inc	AA-	Stable	A2	Stable	A	Stable
HSBC France	AA-	Stable	Aa3	Stable	AA-	Stable
HSBC Bank Canada	AA-	Stable	-	-	AA-	Stable

Simplified structure chart - principal entities as at 1 July 2018



Establishing the UK Ring-Fenced Bank

Evolution of legal entity structure

Historical structure

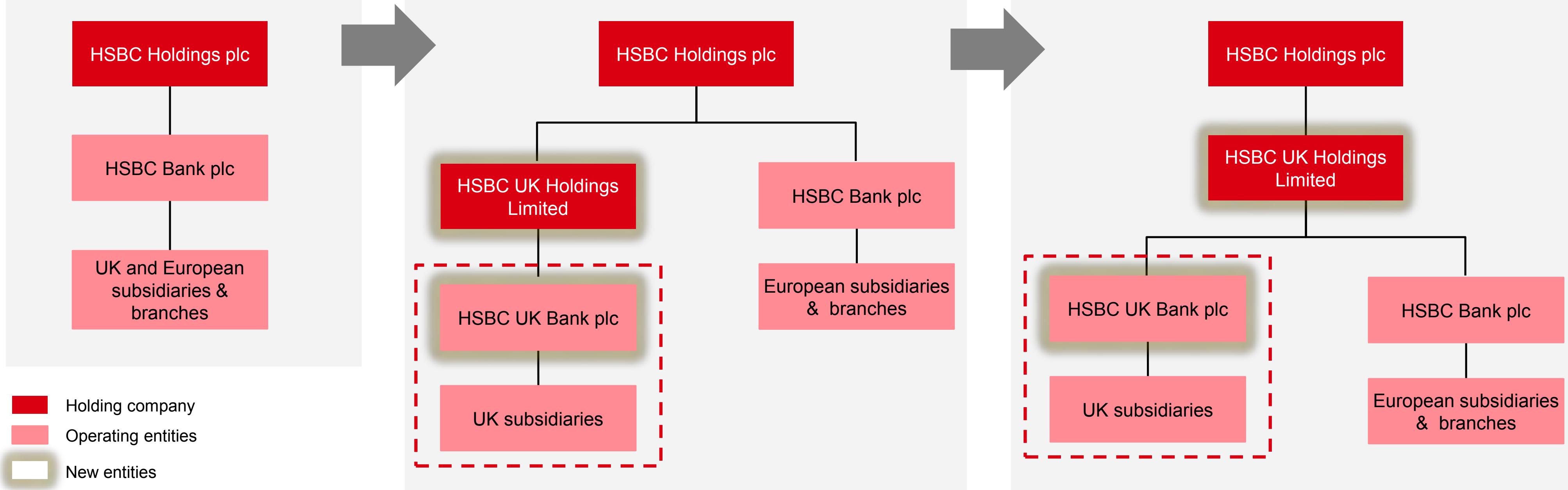
Legal entity structure pre ring-fencing

Current structure

Post the ring-fencing of the qualifying components of UK RBWM, CMB and GPB businesses; effective from 1 July 2018

Illustrative future structure

During 2H18 HSBC Bank plc will be transferred to HSBC UK Holdings Limited



Glossary

AIEA	Average interest earning assets
AT1	Additional Tier 1
AUM	Assets under management
AMG	Asset Management Group
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point
BSM	Balance Sheet Management
CET1	Common Equity Tier 1
Corporate Centre	In December 2016, certain functions were combined to create a Corporate Centre. These include Balance Sheet Management, legacy businesses and interests in associates and joint ventures. The Corporate Centre also includes the results of our financing operations, central support costs with associated recoveries and the UK bank levy
CMB	Commercial Banking, a global business
CML	Consumer and Mortgage Lending (US)
CRD IV	Capital Requirements Directive IV
CTA	Costs-to-Achieve: Transformation costs to deliver the cost reduction and productivity outcomes outlined in the Investor Update in June 2015
DCM	Debt Capital Markets
ECL	Expected credit losses and other credit impairment charges
FICC	Fixed Income, Currencies and Commodities
GB&M	Global Banking and Markets, a global business
GLCM	Global Liquidity and Cash Management
GPB	Global Private Banking, a global business
GSII	Globally significantly important institution
GTRF	Global Trade and Receivables Finance
IAS	International Accounting Standards

IFRS	International Financial Reporting Standard
Jaws	The difference between the rate of growth of revenue and the rate of growth of costs. Positive jaws is where the revenue growth rate exceeds the cost growth rate. We calculate this on an adjusted basis
Legacy credit	A portfolio of assets comprising Solitaire Funding Limited, securities investment conduits, asset-backed securities trading portfolios, credit correlation portfolios and derivative transactions entered into directly with monoline insurers
LCR	Liquidity coverage ratio
LICs	Loan Impairment charges and other credit risk provisions
MENA	Middle East and North Africa
MREL	Minimum requirement for own funds and eligible liabilities
NAV	Net Asset Value
NCI	Non-controlling interests
NRFB	Non ring-fenced bank
NIM	Net interest margin
PBT	Profit before tax
POCI	Purchased or originated credit-impaired
PVIF	Present value of in-force insurance contracts
RBWM	Retail Banking and Wealth Management, a global business
RFB	Ring-fenced bank
RFTS	Ring fence transfer scheme
RMB	Renminbi
RoE	Return on average ordinary shareholders' equity
RoTE	Return on average tangible equity
RWA	Risk-weighted asset
TNAV	Tangible net asset value

Footnotes

1. A targeted reported RoTE of 11% is broadly equivalent to a reported return on equity of 10%; assumes a Group CET1 ratio greater than 14%
2. Annualised
3. Unless otherwise stated, risk-weighted assets and capital are calculated using (i) the CRD IV transitional arrangement as implemented in the UK by the Prudential Regulation Authority; and (ii) EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation. Figures at 31 December 2017 are reported under IAS 39
4. 1H17 jaws as reported in our 1H17 Results
5. Uses average shares of 19,998m
6. Leverage ratio is calculated using the CRD IV end-point basis for tier 1 capital
7. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 2Q18 exchange rates
8. Where a quarterly trend is presented on the Balance sheet, all comparatives are re-translated at 30 Jun 2018 exchange rates
9. RoTE excluding significant items and UK bank levy
10. RWAs consist of current tax, deferred tax and operational risk
11. This table excludes POCI balances and related allowances
12. UK bank levy: 2Q17 included a charge of $17m, 4Q17 included a charge of $899m, 1Q18 includes a charge of $41m
13. This includes dividends on ordinary shares, dividends on preference shares and coupons on capital securities, classified as equity
14. Revenue/RWAs is calculated using annualised revenues and reported average risk-weighted assets
15. 1Q18 as reported at 1Q18 Results; 4Q17 as reported at 4Q17 Results; 3Q17 as reported at 3Q17 Results; 2Q17 as reported at 2Q17 Results; 1Q17 as reported at 1Q17 Results
16. BSM profits and equity are allocated from the Corporate Centre to the Global Businesses; 'Other adjustments' in Equity include movements on accumulated own credit spreads
17. Allocated tax for RoTE includes the reported tax charge, as well as the tax impact of significant items. The Group reported tax charge was $2.3bn for 1H18 and $2.2bn for 1H17
18. Tangible Equity is allocated to global businesses at a legal entity level, using RWAs, or a more suitable local approach, where appropriate.
19. Includes associates, mainly BoCom and Saudi British Bank, as well as the equity relating to the US run-off and legacy credit portfolios
20. Balances presented by quarter are on a constant currency basis. Reported equivalents for 'Loans and advances to customers' are as follows: 1Q17: $876bn, 2Q17: $920bn, 3Q17: $945bn, 4Q17: $963bn, 1Q18: $981bn, 2Q18: $973bn. Reported equivalents for 'Customer Accounts' are as follows: 1Q17: $1,273bn, 2Q17: $1,312bn, 3Q17: $1,337bn, 4Q17: $1,364bn, 1Q18: $1,380bn, 2Q18: $1,356bn
21. Red-inked balances relate to corporate customers in the UK, who settle their overdraft and deposit balances on a net basis. CMB red-inked balances 1Q17: $5bn, 2Q17: $5bn, 3Q17: $6bn, 4Q17: $6bn,1Q18: $6bn, 2Q18: $6bn; GB&M red-inked balances: 1Q17: $13bn, 2Q17: $16bn, 3Q17: $18bn, 4Q17: $20bn, 1Q18: $19bn, 2Q18: $20bn
22. Source: Form 20-F; Average balances on a reported basis
23. Assumes the 2017 split of fixed and variable for commercial lending including lending to banks with greater than 1 year maturity as published in 'Form 20-F'
24. Source: HKMA
25. Source: Bloomberg
26. Equity movements includes dividends to preference shareholders and other equity holders and scrip issuances relating to the first interim dividend
27. Where the country of booking is the UK
28. Includes Channel Islands and Isle of Man. Includes First Direct balances
29. In 2018, the UK has moved from a simple average approach to a balance weighted average method in calculating the LTV ratio. This aligns the methodology to Hong Kong
30. Includes First Direct, M&S and John Lewis Financial Services. Excludes Channel Islands and Isle of Man
31. 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

Footnotes

32. Pro forma buffer to MDA trigger based on RWAs and CET1 capital resources at 30 June 2018
33. Pillar 2A requirements are shown as applicable on 30 June 2018 and are subject to change, held constant for illustrative purposes. The capital buffers on an end point basis include: a) the fully phased-in capital conservation buffer of 2.5% of RWAs; b) the countercyclical capital buffer, which is dependent on the prevailing rates set in the jurisdictions where HSBC has relevant credit exposures (this buffer amounts to 0.7% of RWAs on an end-point basis, based on confirmed rates as of July 2018); c) the fully phased-in Global Systemically Important Institutions Buffer (G-SII buffer) of 2% of RWAs. With the exception of the capital conservation buffer, the remaining buffers are subject to change.
34. Minimum requirement for own funds and eligible liabilities (MREL) consists of a minimum level of equity and eligible debt liabilities that will need to be maintained pursuant to a direction from the Bank of England in the exercise of its powers under the Bank Recovery and Resolution Directive (BRRD) and associated UK legislation, with the purpose of absorbing losses and recapitalise an institution upon failure whilst ensuring the continuation of critical economic functions. The criteria for eligibility is defined in "The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)" policy statement, published in June 2018 (updating November 2016). In November 2016, the European Commission also published proposed amendments to MREL which are yet to be finalised. The final MREL rules are subject to change pending the outcome and timing of these amendments, alongside the UK withdrawal from the EU.
35. End-point MREL requirements calculated as a % of Group consolidated RWAs. The Bank of England (BOE) has written to HSBC outlining its current expectation with regard to the Group's Multiple Point of Entry resolution strategy and the Group's indicative MREL to be met by 2019 and 2022. The Group's MREL requirements are expected to be set at the higher of (i) 16% of RWAs (consolidated) from 1 Jan 2019 and 18% of RWAs (consolidated) from 1 Jan 2022; (ii) 6% of leverage exposures (consolidated) from 1 Jan 2019 and 6.75% from 1 Jan 2022; and (iii) the sum of requirements relating to our resolution groups, and entities/sub-groups located outside these resolution groups, which are not fully known.
36. The 2019 and 2022 MREL requirements are subject to a number of caveats including: changes to the firm and its balance sheet (RWAs, FX and leverage); liability management and share buy backs; changes in accounting and regulatory policy; stress test requirements and, not least, confirmation of the final requirements from the Bank of England and other regulators, including the resolution strategy which is subject to revision on a regular basis.
37. The 2018 issuance plan is guidance only; it is a point in time assessment and is subject to change
38. "Other term senior" means senior unsecured debt securities with an original term to maturity of >1.5 years and an original principal balance of > $250mn, issued by HSBC Group entities
39. Liquid assets include cash and balances at central banks, items in the course of collection from other banks and financial investments
40. This slide contains selected items only, as at 30 June 2018. For further information, please refer to Note 12 and Note 10 of the HSBC Holdings plc Interim Report 2018.
41. There are many factors that may affect the range of outcomes, and the resulting financial impact, of these matters. Due to uncertainties and limitations of these estimates, the ultimate damages and/or penalties could differ significantly from the amounts provided

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Non-GAAP financial information

This presentation contains non-GAAP financial information. The primary non-GAAP financial measures we use are presented on an ‘adjusted performance’ basis 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, the Interim Report and the corresponding Reconciliations of Non-GAAP Financial Measures document which are available at www.hsbc.com.

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Cover image: Guangzhou is located at the heart of China's Pearl River Delta, one of the country's fastest growing economic regions.

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