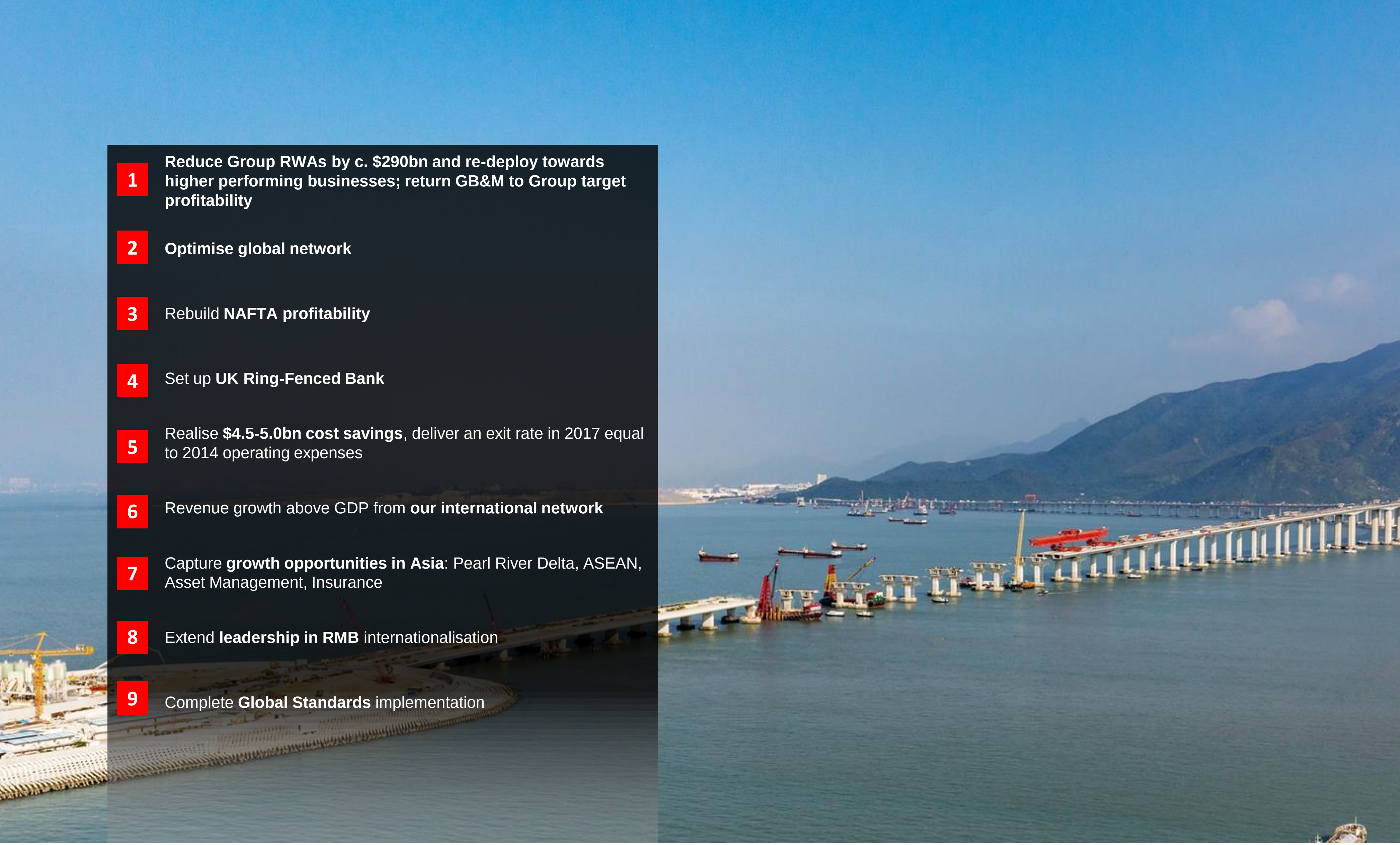


1. **Reduce Group RWAs by c. $290bn and re-deploy towards higher performing businesses; return GB&M to Group target profitability**
2. **Optimise global network**
3. Rebuild **NAFTA profitability**
4. Set up **UK Ring-Fenced Bank**
5. Realise **$4.5-5.0bn cost savings**, deliver an exit rate in 2017 equal to 2014 operating expenses
6. Revenue growth above GDP from **our international network**
7. Capture **growth opportunities in Asia**: Pearl River Delta, ASEAN, Asset Management, Insurance
8. Extend **leadership in RMB** internationalisation
9. Complete **Global Standards** implementation

HSBC Holdings plc Annual Results 2016

Presentation to Investors and Analysts

HSBC

Our highlights

2016 Full Year

Reported PBT
(2015: $18.9bn)
$7.1bn

Adjusted PBT
(2015: $19.5bn)
$19.3bn

Reported RoE
(2015: 7.2%)
0.8%

Adjusted Jaws[1]
1.2%

Ordinary dividends
In respect of the year
(2015: $0.51)
$0.51

CET1 ratio
(2015: 11.9%)
13.6%

2016 Financial Performance

- Reported PBT of $7.1bn was $11.8bn lower than 2015 and impacted by significant items of $12.2bn, mainly:
  - non-cash items of $8.9bn including the write-off of GPB goodwill ($3.2bn), fair value own credit spread losses on own debt ($1.8bn)
  - cash items of $3.3bn including cost to achieve (CTA) investment of $3.1bn
- Adjusted PBT of $19.3bn down $0.2bn or 1%:
  - revenue of $50.2bn down $1.3bn or 2%. Improved performance in CMB (up 1%) and GB&M (up 2%); RBWM and GPB were affected by challenging market conditions
  - 4Q16 revenue included valuation differences on long-term debt and swaps of $0.7bn; (FY16 $0.3bn)
  - operating expenses fell by $1.2bn or 4% reflecting our cost-saving initiatives and focus on cost management
  - FY16 LICs up 2%; 4Q16 LICs fell by $0.8bn to $0.5bn vs. 4Q15
- Growth in lending in Asia (4% vs. 4Q15) and Europe (2% vs 4Q15); continued deposit growth (5% vs. 4Q15)

Capital and dividends

- Strong capital position with a CET1 ratio of 13.6% and a leverage ratio of 5.4%
- We have maintained the dividend at $0.51 per ordinary share; total dividends in respect of the year of $10.1bn
- Announcing a further share buy-back of up to $1.0bn to retire more of the capital that previously supported the Brazil business

Strategy execution

- Clearly defined actions to capture value from our network and connecting our customers to opportunities
  - Completed a $2.5bn share buy-back following the sale of our Brazil business
  - Further reduced our risk-weighted assets (RWAs) during 2016 by $143bn as a result of extensive management actions including our sale of operations in Brazil
  - Investment in CTA of $4.0bn to date generating annualised run rate savings of $3.7bn
  - Deliver increased annualised cost savings of c$6bn while continuing to invest in regulatory programmes and compliance
  - Increased market share in a number of key markets and international product areas, including trade finance in Hong Kong and Singapore

2016 Key financial metrics

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

Reported Income Statement, $m

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

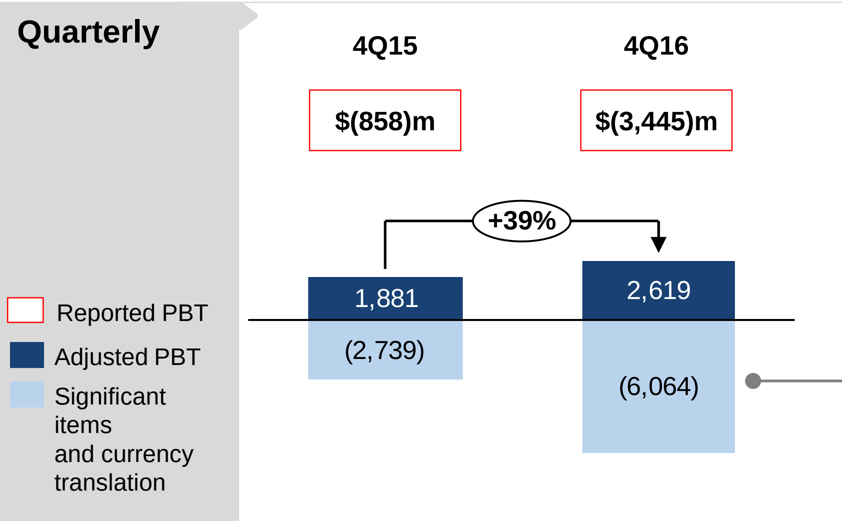
Adjusted Income Statement, $m

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

Key financial performance

4Q16 and full year ROE impacted by GPB goodwill write-off, cost to achieve investment (CTA) and FVOD; Adjusted PBT up 39% on 4Q15

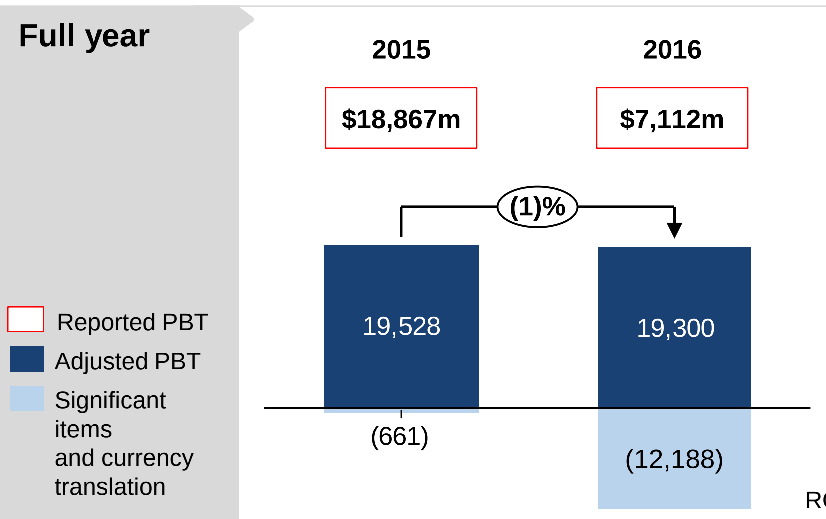
Quarterly



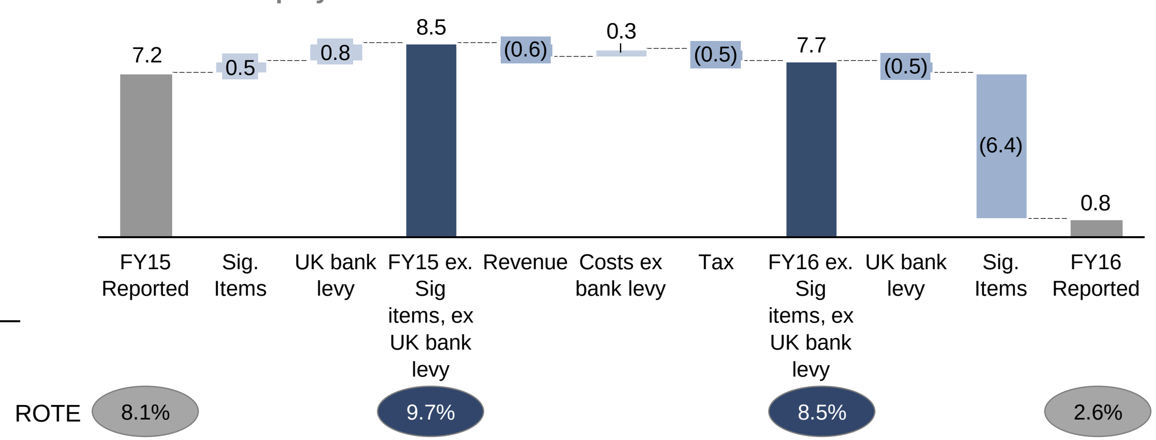
Includes:

$2.4bn write-off of GPB goodwill	We have written off the remaining goodwill in the European private banking business; this goodwill relates principally to the original purchase of Safra Republic Holdings in 1999
$1.6bn adverse own credit spread movement	
$1.1bn CTA investment	$1.1bn spent on CTA in 4Q16 bringing the total to $4.0bn since 2015 Expected cost savings of c$6.0bn to more than compensate for additional headwinds (previous target of $4.5 to $5.0bn) Will require additional planned CTA investment to achieve our cost saves; total planned CTA investment of c$6.0bn

Full year



Return on equity:



Financial overview

Reconciliation of Reported to Adjusted PBT

		Discrete quarter			2016		
		4Q15	4Q16	vs. 4Q15	2015	2016	vs. 2015
Reported profit before tax		**(858)**	**(3,445)**	**(2,587)**	**18,867**	**7,112**	**(11,755)**
Includes:							
Currency translation		139	-	(139)	840	-	(840)
Significant items:							
FVOD	Fair value gains / losses on own debt (credit spreads only)	(773)	(1,648)	(875)	1,002	(1,792)	(2,794)
Gains on disposal	Gain on the partial sale of shareholding in Industrial Bank	-	-	-	1,372	-	(1,372)
	Gain on the disposal of our membership interest in Visa Europe	-	-	-	-	584	584
	Gain on the disposal of our membership interest in Visa US	-	116	116	-	116	116
Brazil disposal	Loss on disposal of operations in Brazil	-	-	-	-	(1,743)	(1,743)
	Trading results from disposed operations in Brazil	(190)	-	190	(78)	(338)	(260)
Cost-related	Settlements and provisions in connection with legal matters	(370)	42	412	(1,649)	(681)	968
	Impairment of GPB Europe goodwill	-	(2,440)	(2,440)	-	(3,240)	(3,240)
	UK customer redress programmes	(337)	(70)	267	(541)	(559)	(18)
	Costs to achieve	(743)	(1,086)	(343)	(908)	(3,118)	(2,210)
Other	Other significant items*	(465)	(978)	(515)	(699)	(1,417)	(718)
Adjusted profit before tax		**1,881**	**2,619**	**738**	**19,528**	**19,300**	**(228)**

Includes
- $1.5bn tangible gain
- $(1.9)bn FX recycling
- $(1.3)bn of goodwill

*Other significant items are on slide 27 and include portfolio disposals and the costs associated with these, debit valuation adjustment (DVA) movements, fair value movements on non-qualifying hedges (NQHs), regulatory provisions in GPB, restructuring, and provisions arising from the on-going review of compliance with the Consumer Credit Act in the UK

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

4Q16 Profit before tax performance

Higher profit before tax from reduced costs and lower LICs

4Q16 vs. 4Q15 PBT analysis

Adjusted PBT by item

	4Q16	vs. 4Q15 (adverse / favourable)	%
Revenue	$11,000m	(339)	(3)%
LICs	$(468)m	825	64%
Operating expenses	$(8,411)m	283	3%
Share of profits in associates and joint ventures	$498m	(31)	(6)%
Profit before tax	**$2,619m**	738	39%

Includes valuation differences on long-term debt and swaps of $742m

Jaws[1]

+ 0.3%

Adjusted PBT by global business, $m	4Q15	4Q16	vs. 4Q15	%
RBWM	1,323	1,140	(183)	(14)%
CMB	786	1,393	607	77%
GB&M	689	1,328	639	93%
GPB	81	26	(55)	(68)%
Corporate Centre	(998)	(1,268)	(270)	(27)%
Group	**1,881**	**2,619**	**738**	**39%**

Adjusted PBT by geography, $m	4Q15	4Q16	vs. 4Q15	%
Europe	(1,325)	(1,155)	170	13%
Asia	2,942	3,194	252	9%
Middle East and North Africa	227	226	(1)	0%
North America	77	262	185	>200%
Latin America	(40)	92	132	>300%
Group	**1,881**	**2,619**	**738**	**39%**

Revenue performance

Revenue from our global businesses increased by $0.6bn in 4Q16

2016 vs. 2015 adjusted revenue analysis[3]

For more information on our re-segmentation and the valuation differences on long-term debt and associated swaps, please see slides 24 and 25 in the appendix

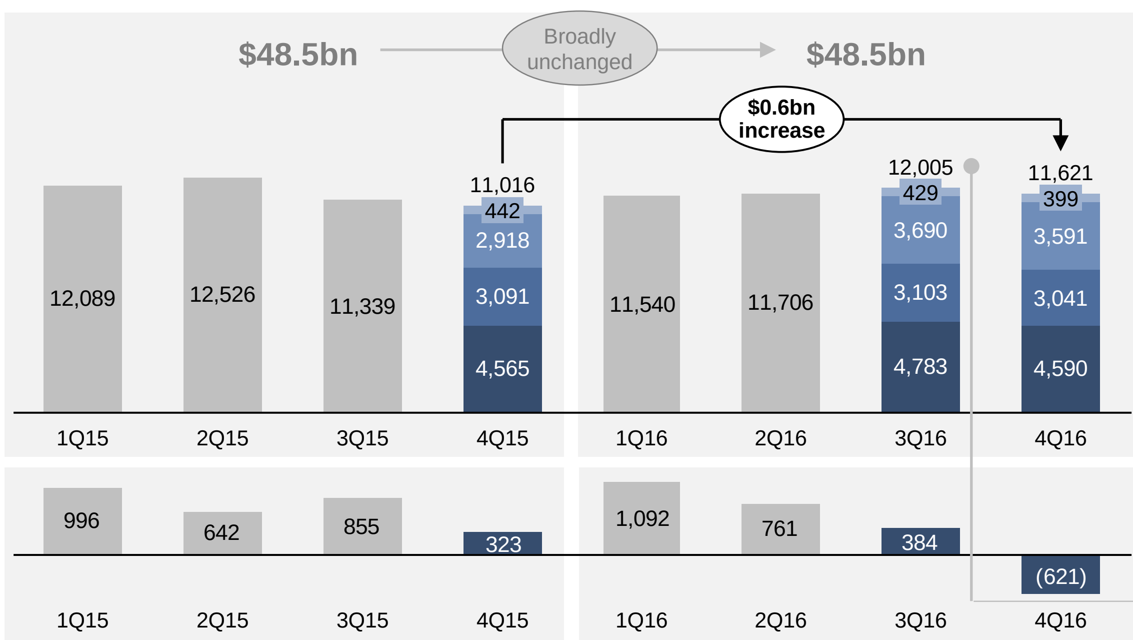
2015: **$51.4bn**

2016: **$50.2bn**

Global businesses
$m (unless otherwise stated)

GPB
GB&M
CMB
RBWM

Corporate Centre
$m (unless otherwise stated)



Group

1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
13,085	**13,168**	**12,194**	**11,339**	**12,632**	**12,467**	**12,389**	**11,000**

(3)%

4Q16 vs. 4Q15

Adjusted revenue fell by $0.3bn or 3%; revenue from our 4 global businesses increased by $0.6bn

- GB&M up $0.7bn or 23% driven by Foreign Exchange and Rates
- RBWM up 1% mainly from higher balances and wider spreads in Current account, savings and deposits
- CMB stable
- GPB down 10% reflecting repositioning and lower client activity

- Loss in Corporate Centre of $(0.6)bn down $0.9bn mainly driven by valuation differences on long-term debt and associated swaps.

4Q16 vs. 3Q16: 4Q16 reported revenue impacted by c$0.4bn of currency translation

Retail Banking and Wealth Management performance

Increased revenue in 4Q16 from Retail Banking products

Revenue

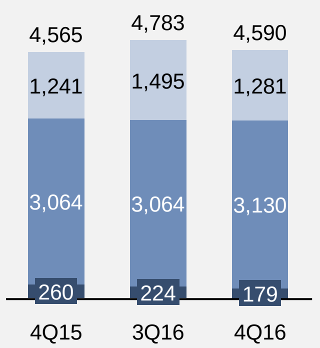
$m (unless otherwise stated)

Wealth Management

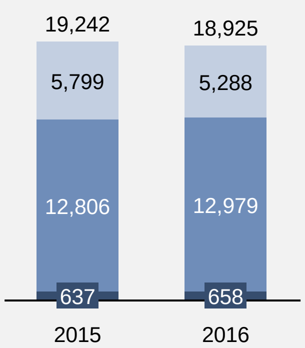
Retail banking

Other

Quarterly performance[3]



Full year performance



4Q16 vs. 4Q15

Adjusted revenue up 1%

- Retail Banking up 2% - current accounts, savings and deposits up $128m mainly in Hong Kong reflecting higher balances and wider spreads
- Wealth Management up $40m driven by investment distribution in Asia, notably Hong Kong

2016 vs. 2015

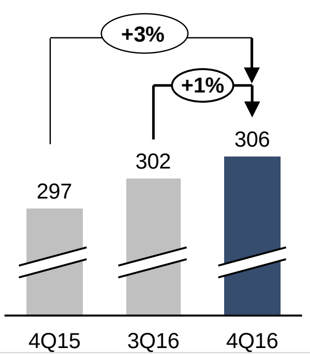
Adjusted revenue down 2%

- Retail Banking of $12,979m up 1% - current accounts, savings and deposits up $418m reflecting higher balances mainly in Hong Kong and in the UK with wider spreads in Hong-Kong, partly offset by margin compression in the UK and France. Personal lending revenue down ($245m), driven by lower margins
- Investment distribution revenue of $2,926m down $336m, notably due to lower mutual funds and retail securities turnover in Hong Kong, compared with a strong performance in 1H15
- Insurance manufacturing revenue of $1,404m down $149m, driven by market impacts $345m
- We continue to digitally transform the bank, and optimise our network footprint and workforce

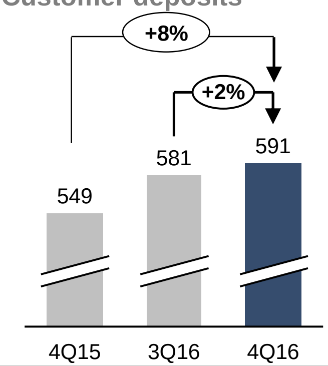
Balance Sheet

$bn

Customer lending[4]



Customer deposits[4]



- Lending growth accelerated during 4Q16, notably mortgages in Hong Kong and the UK
- Increase in customer deposits, up 8% for the full year, mainly in Hong Kong (11%) and the UK (9%)

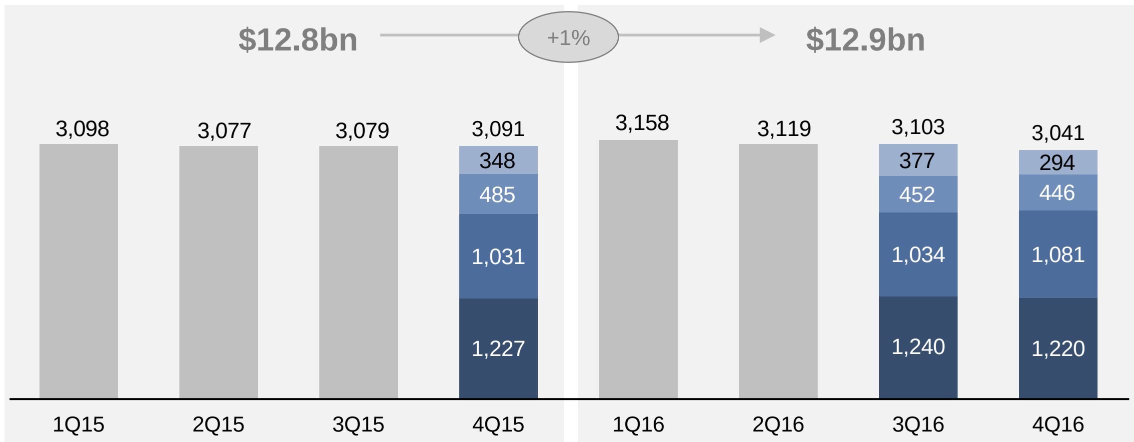
Commercial Banking performance

4Q16 revenue stable supported by strong balance sheet growth; 1% revenue growth year-on-year

Revenue[3]

$m (unless otherwise stated)

- Other
- Global Trade and Receivables Finance (GTRF)
- Global Liquidity and Cash Management (GLCM)
- Credit and Lending



4Q16 vs. 4Q15

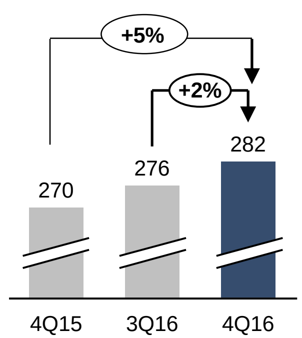
Adjusted revenue broadly stable

- GLCM up 5% from balance sheet growth and wider spreads, mainly in Hong Kong
- Credit and Lending revenue stable
- Other down 16% driven by lower insurance revenue in Asia reflecting market movements

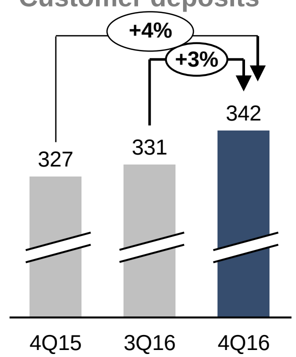
Balance Sheet

$bn

Customer lending[4]



Customer deposits[4]

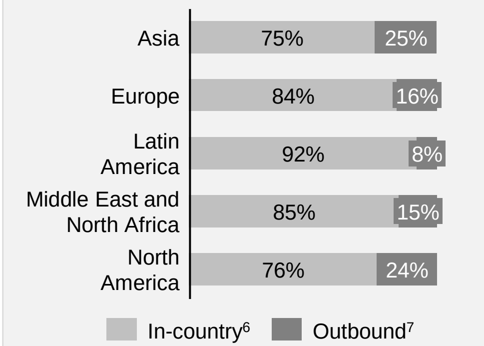


Strong lending and deposit growth:

- Strong lending growth during the fourth quarter of $6bn mainly in Asia
- Deposits up $11bn during the quarter, mainly across Asia and Europe

Value of our network[5]

% of corporate customer managed revenue



Global Banking & Markets performance

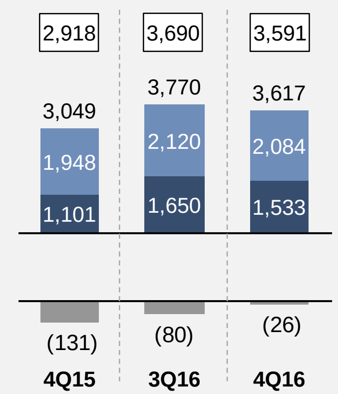
Higher revenue driven by our Foreign Exchange, Rates, Global Banking and Global Liquidity and Cash Management businesses

Revenue

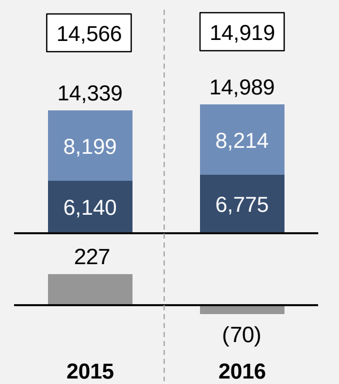
$m (unless otherwise stated)

- Adjusted revenue
- Banking, Securities Services, GLCM, GTRF and other
- Markets
- Credit and Funding Valuation Adjustment

Quarterly performance[3]



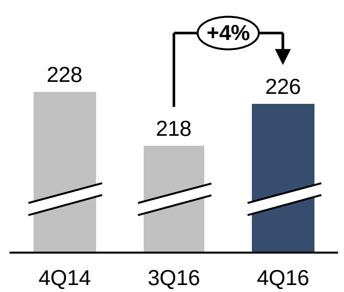
Full year performance



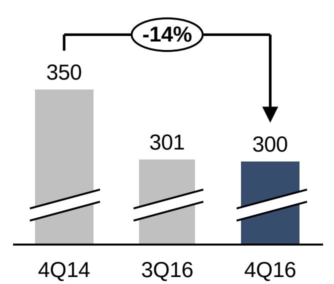
Balance Sheet

$bn

Customer lending[4]



Adjusted RWAs[4,8]



4Q16 vs. 4Q15

Adjusted revenue up 23%, with revenue up in almost every business on 4Q15

- Foreign Exchange up $0.2bn or 41% from increased client flow, arising from volatility
- Rates up $0.2bn or 45% from opportunities arising from client flows and market movements
- Banking up $0.1bn – higher revenue in debt capital markets as debt remained the preferred source of capital
- GLCM up 9% from increased mandates
- Customer lending increased by c$11bn in Asia during the final quarter

4Q16 vs. 4Q14

- Adjusted RWAs have reduced by c$50bn or 14% since 2014 year end whilst revenues over the same period have increased by $1.4bn or 10%

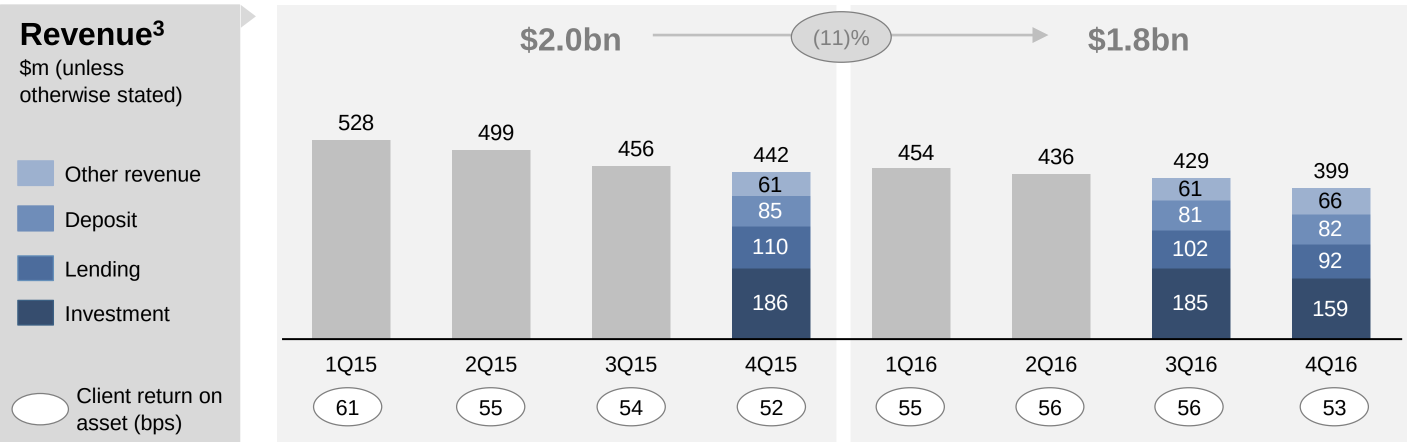
Management view of adjusted revenue

$m	4Q16	2016	vs. 4Q15 %	vs. 2015 %
Markets	**1,533**	**6,775**	**39%**	**10%**
Of which:				
Credit	73	803	(15)%	27%
Rates	497	2,149	45%	54%
Foreign Exchange	739	2,813	41%	4%
Equities	224	1,010	51%	(28)%
Global Banking	977	3,820	9%	1%
Securities Services	394	1,585	2%	(2)%
GLCM	490	1,951	9%	9%
GTRF	170	702	6%	2%
Other revenue	53	156	(5)%	(46)%
Credit and Funding Valuation Adjustment	(26)	(70)	80%	(131)%

Global Private Bank performance

Lower revenue reflecting repositioning and reduced client activity

Revenue[3]
$m (unless otherwise stated)

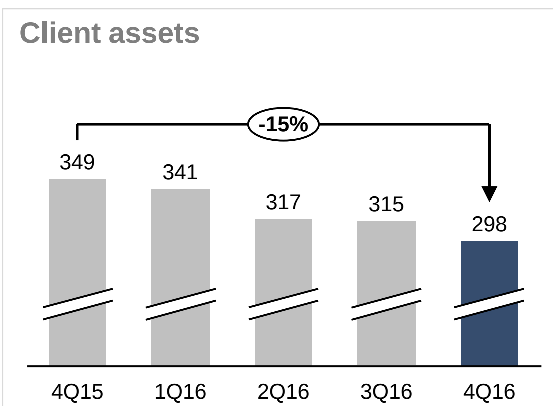


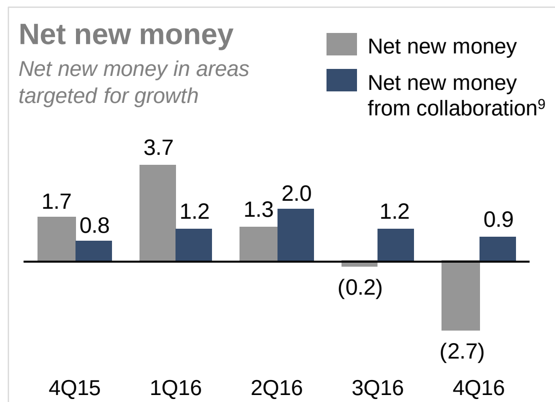
4Q16 vs. 4Q15

Adjusted revenue down $43m or 10%

- Repositioning of the business substantially complete
- Lower revenue mainly in Europe reflecting our continued repositioning and reduced client activity together with adverse market sentiment and unfavourable market conditions

Balance Sheet
$bn



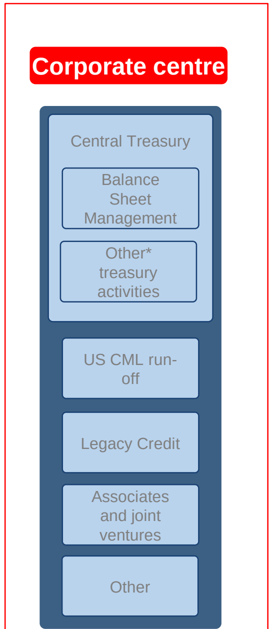


- Lower client assets reflecting continued repositioning including the disposal of Bermuda Private Bank, Brazil and a client portfolio in Europe. In addition there were unfavourable foreign exchange movements
- Strong net new money on collaboration[9]

Corporate Centre performance

Lower revenue reflecting valuation differences on long-term debt and associated swaps and continued run-off in the US; higher BSM revenue

2016 vs. 2015 adjusted revenue analysis[3]



For more information on our re-segmentation, please see slide 24

Revenue
$bn

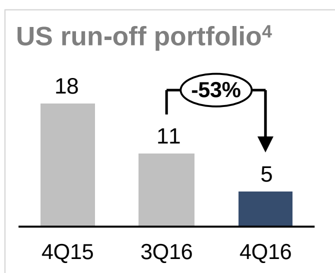
$m	4Q15	3Q16	4Q16	2015	2016	vs. 4Q15 %	vs. 2015 %
Central Treasury	**230**	**373**	**(287)**	**1,905**	**1,504**	**<(100)%**	**(21)%**
Of which:							
Balance Sheet Management	636	733	769	2,885	3,060	21%	6%
Interest expense	(183)	(286)	(271)	(710)	(948)	(48)%	(34)%
Valuation differences on long-term debt and associated swaps	(126)	108	(742)	(64)	(278)	<(100)%	<(100)%
Other	(97)	(182)	(43)	(206)	(330)	56%	(60)%
US run off portfolio	**300**	**150**	**122**	**1,164**	**692**	**(59)%**	**(41)%**
Other including Legacy Credit	**(207)**	**(139)**	**(456)**	**(176)**	**(531)**	**<(100)%**	**<(100)%**
Total	**323**	**384**	**(621)**	**2,893**	**1,665**	**<(100)%**	**(42)%**

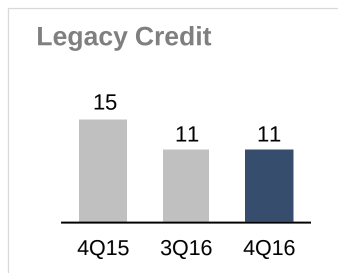
4Q16 vs. 4Q15

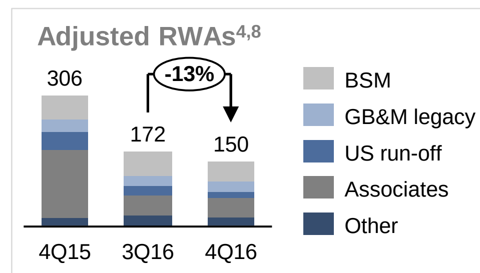
Adjusted revenue down $0.9bn

- Valuation differences on long-term debt and associated swaps - $(0.6)bn
- US run-off revenue down $0.2bn (or 59%) from lower average lending balances as a result of portfolio sales

Balance Sheet
$bn





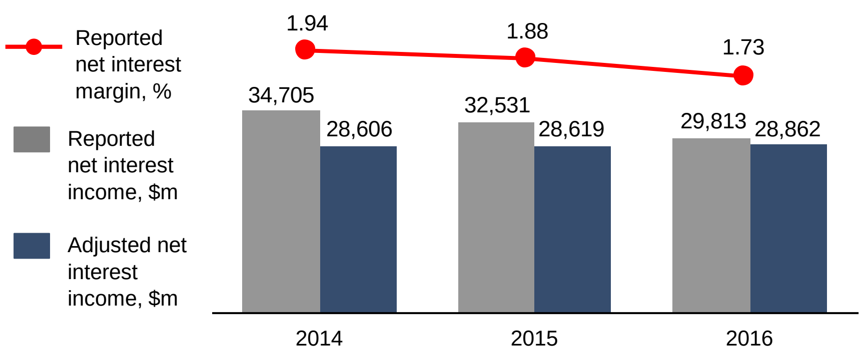


- Continued run down of legacy portfolios
- $22bn reduction in adjusted RWAs during 4Q16 primarily from US run-off and a decrease in BSM

Net interest margin

Lower net interest margin partly reflecting the effects of our disposal in Brazil and adverse currency translation

Net interest income and margin



Key drivers

Net interest margin of 1.73% was 15bps lower than 2015:

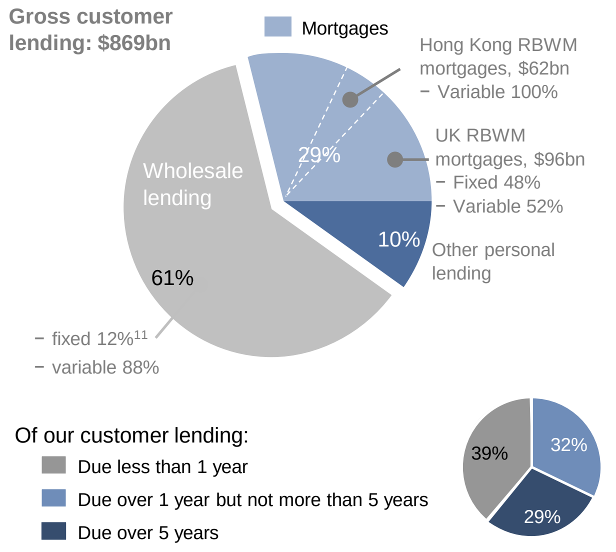
- lower yields on customer lending – **9bps –** partly reflecting
  - Competitive pricing in UK mortgage market
  - US run-off
- effects of the disposal of Brazil (reduction in net interest income of $1.2bn) and adverse effects of currency translation – **8bps**
- increase in the cost of debt, **1bp**, mainly TLAC / MREL drag of c. $0.4bn
- Partly offset by other movements of **3bps**, mainly lower cost of funds on customer accounts in Asia

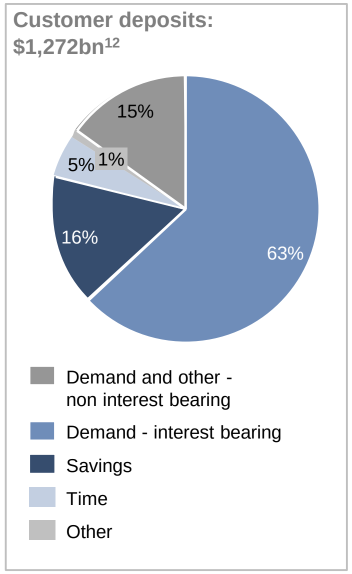
Sensitivity[10]

Well positioned to benefit from increases in rates

- +25bps increase at the beginning of each quarter to rates would increase expected net interest income for 2017 by $1.7bn (2016 by $1.3bn)

Customer lending and deposit base rate and term analysis

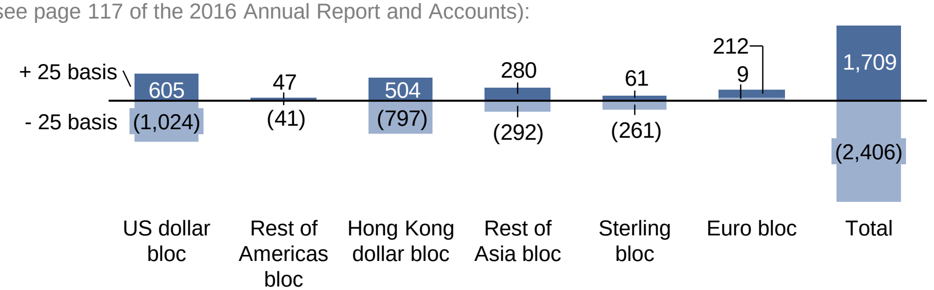




Net interest income sensitivity[10]

25 basis point shift in yield curves at the beginning of each quarter. Equivalent to 62.5 basis points parallel shift in year 1

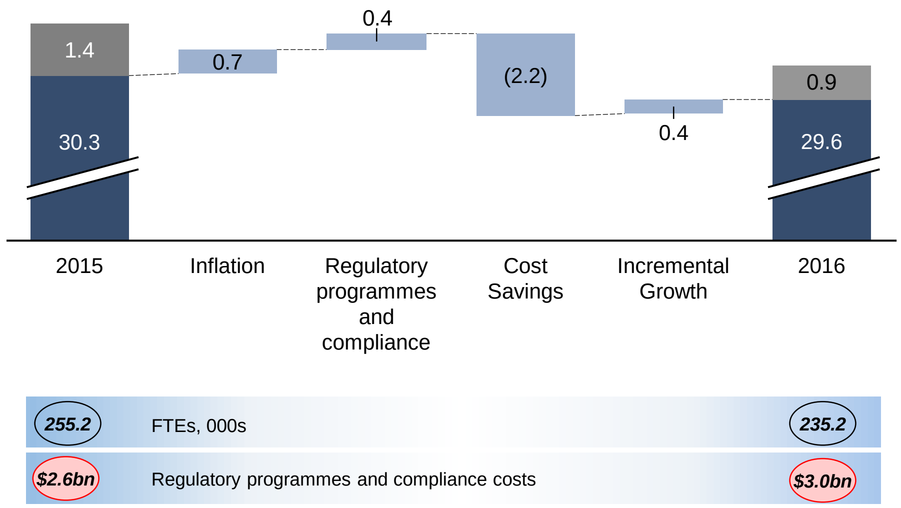
(see page 117 of the 2016 Annual Report and Accounts):



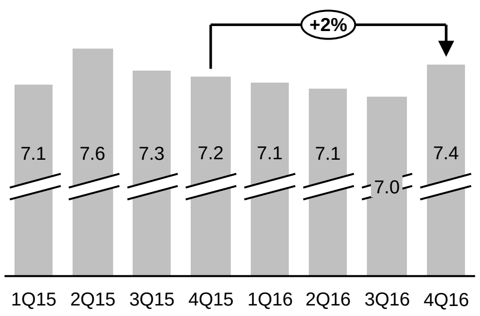
Operating expenses

Lower adjusted costs; $3.7bn of annualised savings achieved

Adjusted operating expenses ($bn)



Quarterly trend excluding bank levy



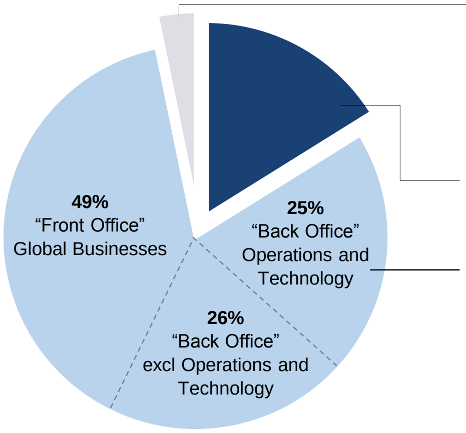
4Q16 expenses up $134m (or 2%) vs. 4Q15 reflecting a small number of specific items, including software write off c$150m

Saves

	P&L Saves			Run Rate Saves
Saves, $bn	2015	2016	Life to date	Life to date
Global Businesses	0.1	0.8	0.9	1.1
Operations and Technology	0.6	1.1	1.7	1.7
Global Functions	0.2	0.3	0.5	0.9
Total	**0.9**	**2.2**	**3.1**	**3.7**

Investment to achieve cost savings (CTA)

CTA spend of $3.1bn in 2016; $4.0bn life to date



Programmes to improve returns: $0.1bn in 2016; $0.2bn life to date

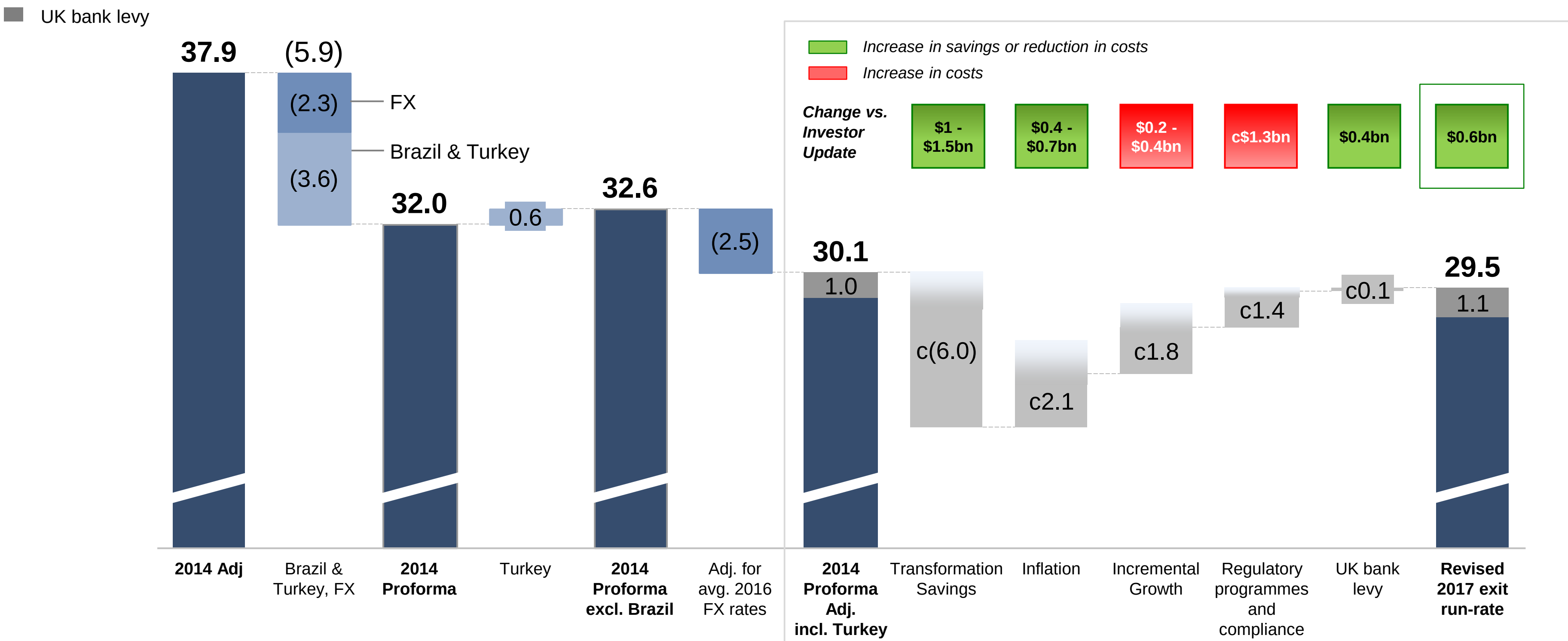
Severance: $0.5bn in 2016; $0.9bn life to date

Investment to achieve cost savings: $2.5bn in 2016; $3.0bn life to date

Operating expenses

We will beat our original Investor Update 2017 exit run-rate target by c$0.6bn while continuing to invest in regulatory programmes and compliance

Cost walk: 2014 to 2017 exit run-rate revised target ($bn)



Original target		Revised Target
$4.5bn-$5.0bn	Annualised savings	*c$6bn*
$4.0bn-$4.5bn	CTA	*c$6bn*

Revised target of $6bn cost savings:

- More automation, offshoring and process optimisation across the Global businesses, Operations and Technology
- Re-engineering of internal and customer processes
- 82% of savings from middle and back offices

Loan impairment charges

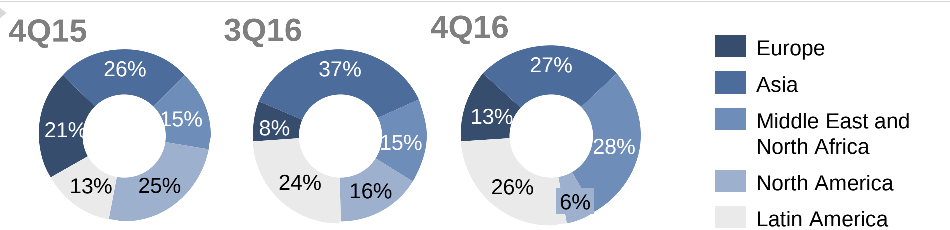
Lower impairment charges in 4Q16

Loan impairment charges and other credit risk provisions (LICs) analysis

LICs by global business

	4Q15	3Q16	4Q16	vs.4Q15	vs. 3Q16	2015	2016
Group, $m	**1,293**	**551**	**468**	**825**	**83**	**2,604**	**2,652**
as a % of gross loans	***0.59***	***0.26***	***0.22***	*0.38*	*0.04*	**0.30**	**0.31**
RBWM, $m	296	338	259	37	79	1,060	1,171
as a % of gross loans	*0.40*	*0.44*	*0.34*	*0.06*	*0.11*	*0.36*	*0.39*
CMB, $m	882	234	201	681	33	1,434	1,000
as a % of gross loans	*1.26*	*0.33*	*0.28*	*0.98*	*0.05*	*0.53*	*0.36*
GB&M, $m	103	23	12	91	11	74	457
as a % of gross loans	*0.18*	*0.04*	*0.02*	*0.16*	*0.02*	*0.03*	*0.20*
GPB, $m	3	0	8	(5)	(8)	11	(1)
as a % of gross loans	*0.03*	*0.00*	*0.09*	*(0.06)*	*(0.08)*	*0.03*	*0.00*
Corporate Centre, $m	9	(45)	(10)	19	(35)	25	25
as a % of gross loans	*0.14*	*(0.94)*	*(0.31)*	*0.45*	*(0.46)*	*0.08*	*0.13*
Of which:							
- Oil and gas	*$0.4bn*	*$nil*	*$(0.1)bn*	*$0.5bn*	*$0.1bn*	*$0.5bn*	*$0.3bn*
- Metals and mining	*$nil*	*$0.1bn*	*$nil*	*$nil*	*$0.1bn*	*$0.1bn*	*$0.4bn*

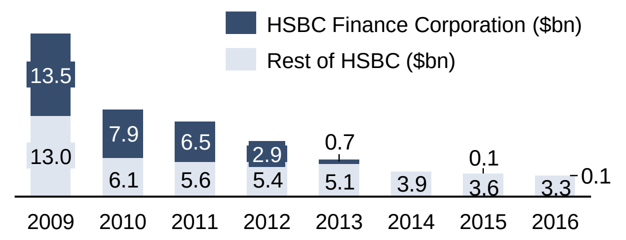
LICs by region, %



Q416 benign environment

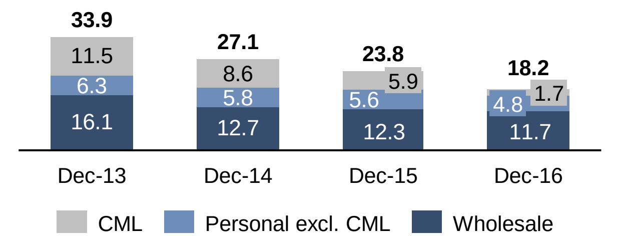
- Better economic conditions
- LICs as a % of gross loans are c. 0.22%
- Impaired loans down $5.6bn in 2016 to $18.2bn

Reported LICs



Impaired loans

Excluding Brazil



2016 Profit before tax performance

1% lower profit before tax with reduced costs more than offset by a fall in revenue

2016 vs. 2015 PBT analysis

Adjusted PBT by item

	2016	vs. 2015 (adverse / favourable)	
Revenue	$50,153m	(1,266)	(2)%
LICs	$(2,652)m	(48)	(2)%
Operating expenses	$(30,556)m	1,174	4%
Share of profits in associates and joint ventures	$2,355m	(88)	(4)%
Profit before tax	**$19,300m**	(228)	(1)%

Jaws[1]

+ 1.2%

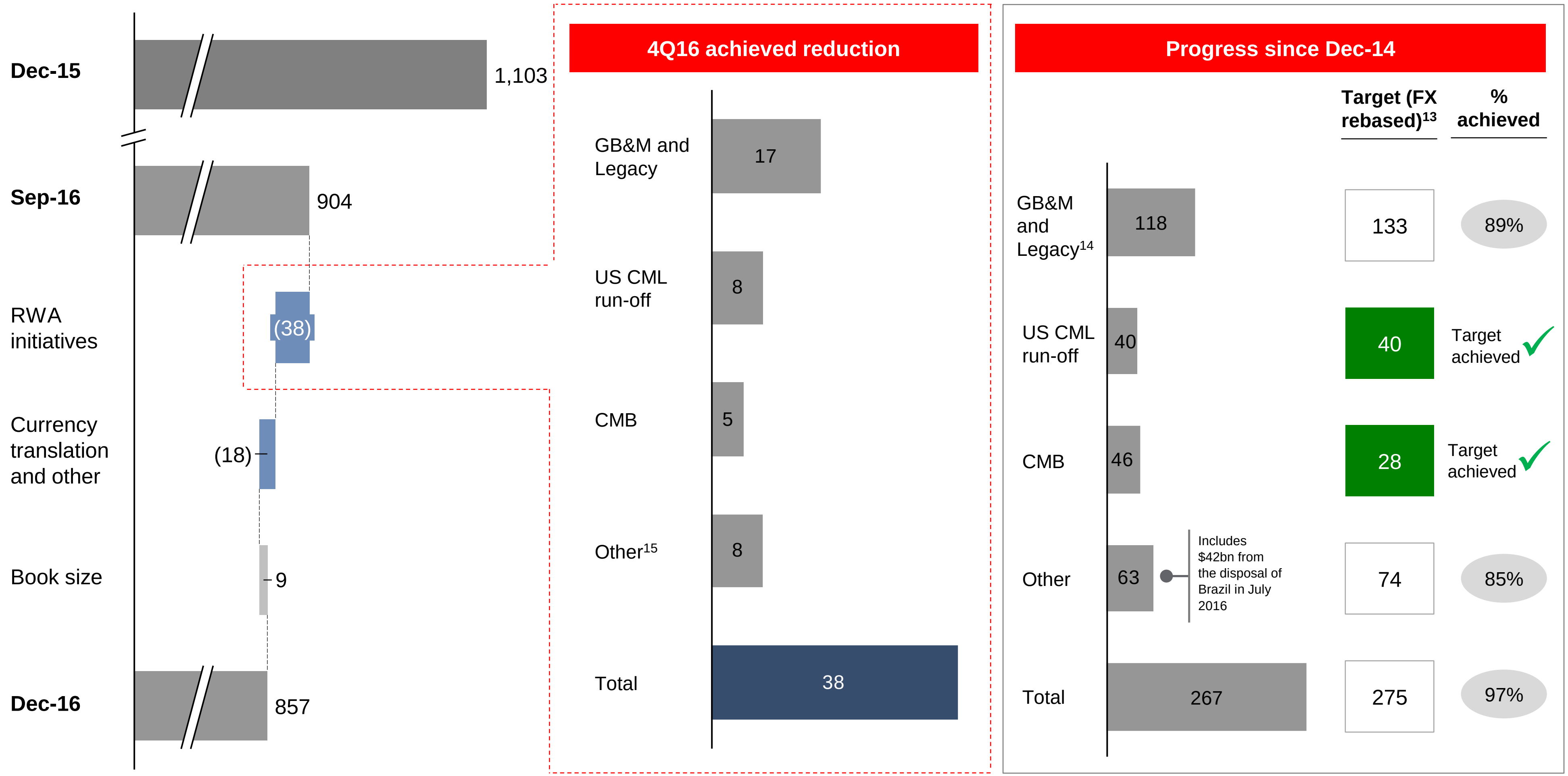
Adjusted PBT by global business, $m	**2015**	**2016**	**vs. 2015**	**%**
RBWM	5,690	5,333	(357)	(6)%
CMB	5,423	6,052	629	12%
GB&M	5,534	5,597	63	1%
GPB	387	289	(98)	(25)%
Corporate Centre	2,494	2,029	(465)	(19)%
Group	**19,528**	**19,300**	**(228)**	**(1)%**

Adjusted PBT by geography, $m	**2015**	**2016**	**vs. 2015**	**%**
Europe	2,147	1,598	(549)	(26)%
Asia	14,227	14,203	(24)	-%
Middle East and North Africa	1,417	1,595	178	13%
North America	1,537	1,329	(208)	(14)%
Latin America	200	575	375	>100%
Group	**19,528**	**19,300**	**(228)**	**(1)%**

Reduce RWAs by $290bn[13]

$38bn reduction through RWA initiatives

Key movements in Group RWAs ($bn)



Capital adequacy

Strong capital base: common equity tier 1 ratio – 13.6%

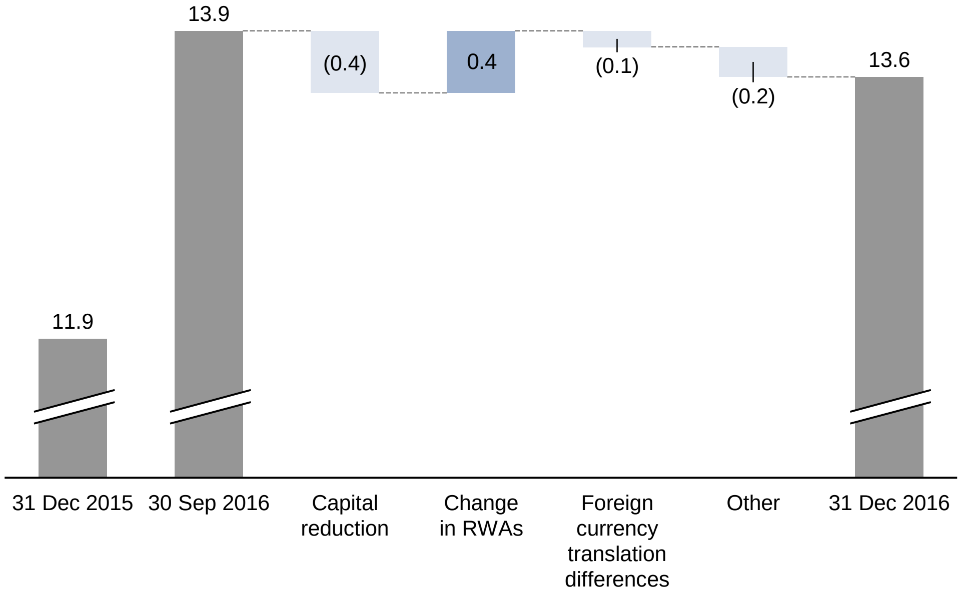
Regulatory capital and RWAs ($bn)

	31 Dec 2015	30 Sep 2016	**31 Dec 2016**
Common equity tier 1 capital	130.9	125.8	116.6
Total regulatory capital	189.8	181.6	172.4
Risk-weighted assets	1,103.0	904.1	857.2

4Q16 CET1 movement ($bn)

At 30 Sep 2016	**125.8**
Capital reduction	(3.5)
Loss for the period including regulatory adjustments	(0.3)
Dividends[16] net of scrip	(3.2)
Foreign currency translation differences	(4.1)
Other movements	(1.6)
At 31 Dec 2016	**116.6**

CET1 ratio movement (%)



Quarterly CET1 ratio and leverage ratio progression

	4Q15	1Q16	2Q16	3Q16	**4Q16**
CET1 ratio	11.9%	11.9%	12.1%	13.9%	13.6%
Leverage ratio	5.0%	5.0%	5.1%	5.4%	5.4%

Looking ahead

Group financial targets

ROE	>10%
Costs	Positive jaws (adjusted)
Dividend and capital	– Sustain dividend through long-term earnings capacity of the businesses[17] – Contemplate share buy-backs as and when appropriate, subject to the execution of targeted capital actions and regulatory approval

Good medium term prospects

- Loan growth in Asia and the UK
- Continued strong deposit growth
- Steepening US / Hong Kong yield curves and rising rates
- Well positioned to capture opportunities
- Encouraging start to the year for our global businesses

Uncertain environment

- Geopolitical uncertainties
- Regulatory pressures

Short-term revenue headwinds in 2017

- Restating 2016 reported revenues based on average Jan-17 FX rates would lower 2016 revenues by c$2bn
- TLAC / MREL costs will rise from c$0.4bn in 2016 to c$0.9bn in 2017
- Lower UK interest rates expected to lower 2017 revenues by c$0.3bn
- CML run off book contributed c$0.7bn to revenues in 2016 and expected to contribute c$0.1bn in 2017

Forecasting assumption that valuation differences on long term debt and associated swaps are zero

Progress on our actions to capture value

✓ On track to meet 2017 target

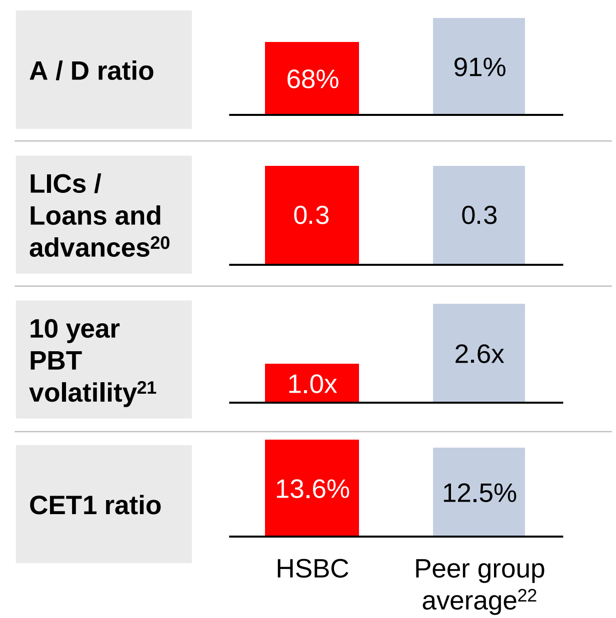
Strategic actions	Targeted outcome by 2017	Progress during 2016	Status
Actions to re-size and simplify			
Reduce Group RWAs by c.$290bn	– Group RWA reduction: $290bn – GB&M <1/3 of Group RWAs	– 97% of our target achieved	✓
Optimise global network	– Reduced footprint	– Completed sale of Brazil operations on 1 July 2016; maintained a Brazil presence to serve large corporate clients' international needs	✓
Rebuild NAFTA profitability	– US PBT c. $2bn – Mexico PBT c. $0.6bn	– Successfully achieved a non-objection to our US capital plan, which includes a dividend payment to HSBC Holdings in 2017, as part of the Comprehensive Capital Analysis and Review ('CCAR') – Mexico market share gains across key RBWM lending products – Adjusted PBT: $0.3bn up >100% on 2015	– ✓[18]
Set up UK ring-fenced bank	– Completed by 2018	– Recruitment in Birmingham underway with c.35% roles already accounted for – Chair and CEO of HSBC UK already announced with other senior positions to follow	✓
Deliver $4.5-5.0bn cost savings	– 2017 exit rate to equal 2014 operating expenses	– $2.2bn of cost savings realised in 2016; Positive jaws in 2016 compared with 2015 – Expect higher cost savings of c$6.0bn to more than compensate for additional investment in regulatory programmes and compliance, with c$6.0bn of CTA investment required – FTE reduction of c900 in 2016	✓
Actions to redeploy capital and invest			
Deliver growth above GDP from international network	– Revenue growth of international network above GDP	– GLCM revenue up 6% on 2015 driven by growth in deposits and the effect of US rate rises – GTRF revenue down 7% on 2015, reflecting a decline in market conditions	–
Pivot to Asia – prioritise and accelerate investments	– Market share gains – c. 10% growth p.a. in assets under management	– Asia's share of adjusted PBT increased to 74% vs. 73% in 2015 – Awarded Asia's Best Investment Bank and Asia's Best Bank for Financing by Euromoney – Launched digital banking platform (HSBCnet) for SMEs in Guangdong allowing faster payment services with Hong Kong – Growing business around China-led Belt and Road initiative, including energy sector deals linking China to Malaysia and Egypt – ASEAN revenue: $3.1bn (down 2% on 2015); – Asset Mgt. AUM distributed in Asia: $143bn (up 11% on 2015) – Insurance manufacturing annualised new business premiums in Asia: $2.3bn up 13% on 2015	✓
RMB internationalisation	– $2.0-2.5bn revenue	– 52% RQFII custodian market share in Securities Services; ranked 1st by market share in all active RQFII markets – Renminbi internationalisation revenue: $1.25bn (down 25% on 2015)	–
Global standards	– End of 2017: AML sanctions policy framework in place; major compliance IT systems introduced across the Group, including for customer due diligence, transaction monitoring and sanctions screening – Post 2017: Policy framework and associated operational processes fully integrated in day-to-day financial crime risk management practices in an effective and sustainable way; IT systems continue to be fine tuned	– Continued progress towards putting in place an effective and sustainable AML and sanctions compliance programme, including through the creation of a new Financial Crime Risk function and improvements in technology and systems to manage financial crime risk	✓[19]

Conclusion

Delivering our strategy

- **Our International network** supports more than 45% of our client revenue and continues to deliver growth and market share gains
- **Unrivalled footprint in Asia** with strong returns and good business momentum
- **97% of $290bn RWA reduction target completed** with plan to exceed 2017 target
- Expect to **exceed our savings target to deliver c$6.0bn** to more than compensate for additional investment in regulatory programmes and compliance
- **Positive jaws** in 2016 and 2017
- **Strong capital generation**, well funded, and well diversified balance sheet
- **Financial targets unchanged**
- **Industry-leading dividend**; completed $2.5bn buy-back and **announced a further share buy-back of up to $1.0bn** to retire more of the capital that previously supported the Brazil business

Low-risk model with low earnings volatility



Diversified business, strong capital position, and positive business momentum

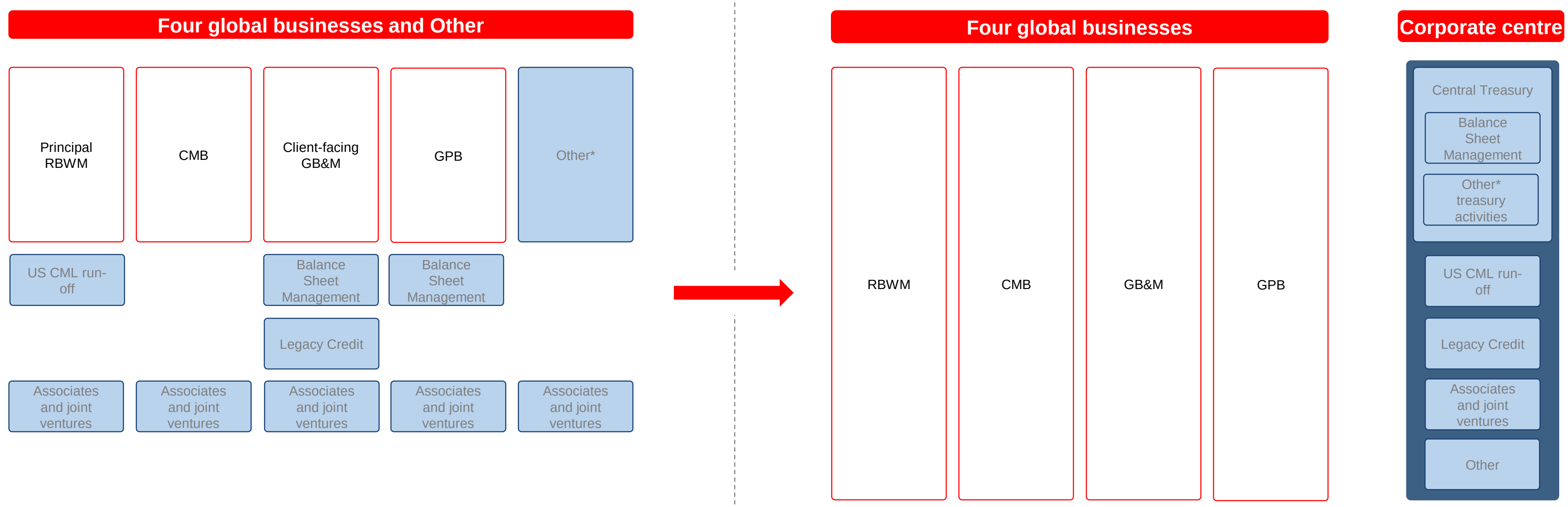
Appendix

Appendix
Re-segmentation

Re-segmentation of our businesses: Established our Corporate Centre

Reportable segments	During the year, we have changed our reportable segments under IFRS 8 from regions to global businesses. We also moved certain business portfolios and functions into the newly created Corporate Centre

From: To:



*Other contained the results of HSBC's holding company and financing operations, central support and functional costs with associated recoveries, unallocated investment activities, centrally held investment companies, certain property transactions and movements in fair value of own debt

*Includes interest expense from debt issued and valuation differences on long-term debt and associated swaps

Valuation differences on long-term debt and associated swaps

Key principles

- Issued debt designated at fair value of $81bn of which $72bn is in Corporate Centre
- Most of this debt is fixed rate and swapped to floating rate using interest rate swaps. Issuance currency is also managed when relevant
- A significant proportion of debt and associated swaps are 15+ years residual maturity
- Valuation of the swaps are slightly more sensitive to changes in the yield curve than the issued debt, despite matching of cash flows and tenor
- Short-term valuation differences tend to average out, and if held to maturity, the cumulative revenue impact would be zero reflecting the economic cash flow matching

Ongoing relationship

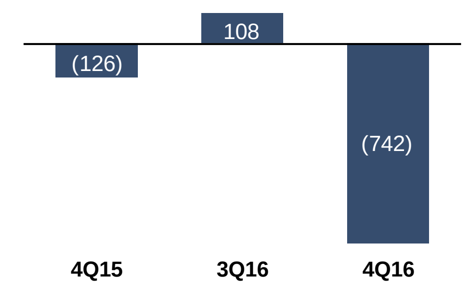
	Fixed rate debt held at FV	Swaps – held at FV
1	Credit spread movements ('FVOD')	Not managed
2	Other fair value movements arising from interest rates, FX and other movements	– Valuation of fixed to floating rate – Currency may be managed using cross-currency swaps or with inter-company loans

Valuation differences

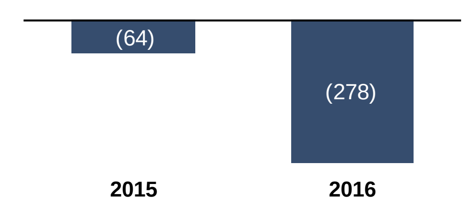
Valuation differences in sensitivities of bond and swap valuations to interest rate changes

Valuation differences included in Corporate Centre

Quarterly trend



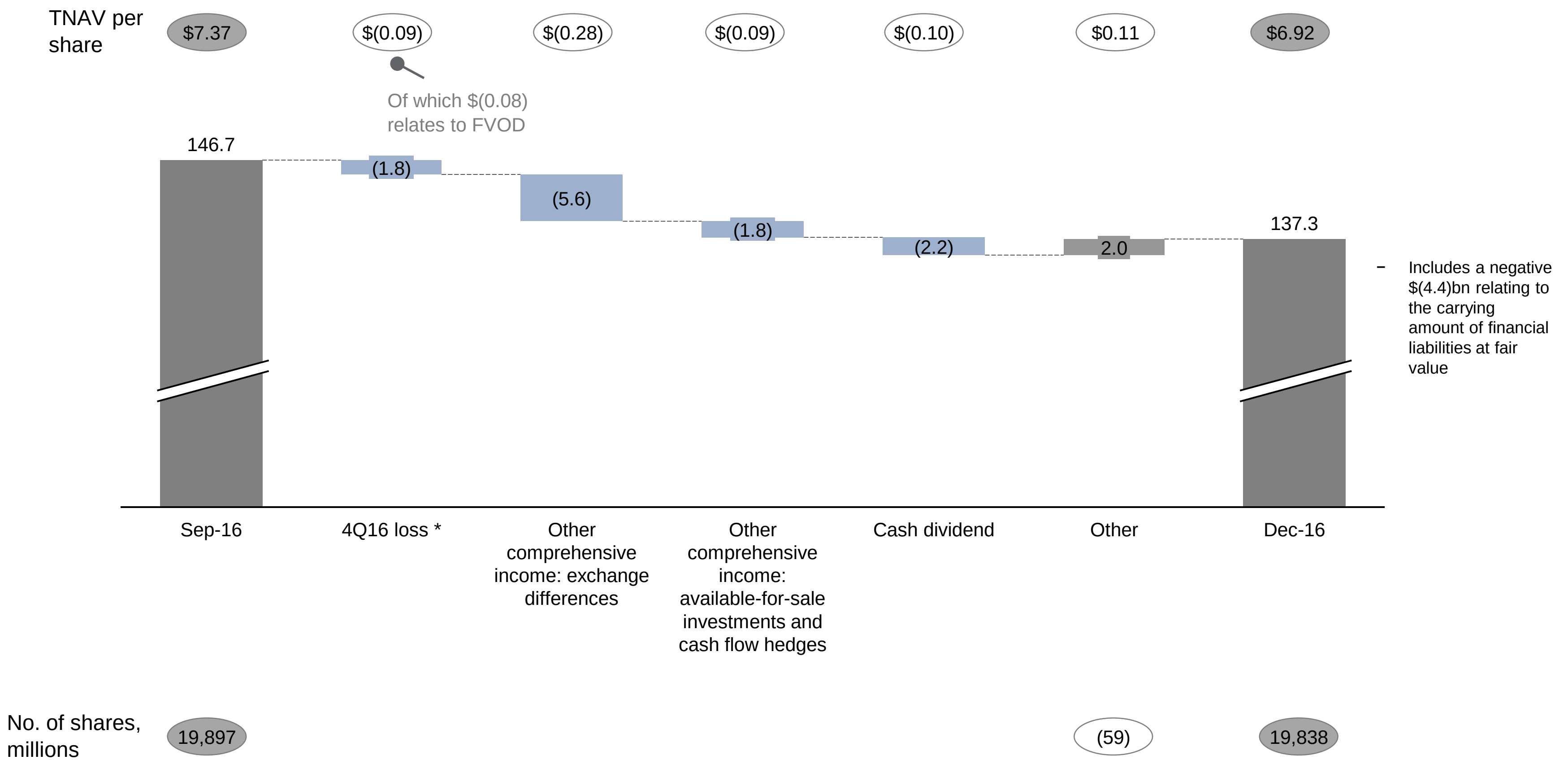
Full year



Appendix

Tangible Net Asset Value

4Q16 vs. 3Q16 Tangible Net Asset Value



*Loss attributable to shareholders excluding the goodwill impairment related to GPB in the quarter

Appendix

Currency translation and significant items

$m	4Q15	4Q16	2015	2016
Currency translation	139	-	840	-
Significant items:				
Revenue				
Loss on disposal of operations in Brazil	-	-	-	(1,743)
Trading results from disposed operations in Brazil	837	-	3,327	1,470
*Portfolio disposals	(214)	(112)	(214)	(163)
Gain on the partial sale of shareholding in Industrial Bank	-	-	1,372	-
*(Adverse) / Favourable debit valuation adjustment on derivative contracts	(186)	(70)	230	26
*(Adverse) / Favourable fair value movements on non-qualifying hedges	26	(302)	(327)	(687)
*Provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK	(12)	-	(10)	2
Favourable / (Adverse) movements on own credit spread	(773)	(1,648)	1,002	(1,792)
Gain on disposal of our membership interest in Visa Europe	-	-	-	584
Gain on disposal of our membership interest in Visa US	-	116	-	116
	(322)	**(2,016)**	**5,380**	**(2,187)**
Loan impairment charges				
Trading results from disposed operations in Brazil	(323)	-	(933)	(748)
Operating expenses				
Trading results from disposed operations in Brazil	(703)	-	(2,471)	(1,059)
*Regulatory provisions in GPB	(18)	(390)	(172)	(344)
Impairment of GPB Europe goodwill	-	(2,440)	-	(3,240)
Settlements and provisions in connection with legal matters	(370)	42	(1,649)	(681)
UK customer redress programmes	(337)	(70)	(541)	(559)
*Restructuring and other related costs	-	-	(117)	-
Costs-to-achieve	(743)	(1,086)	(908)	(3,118)
*Costs associated with portfolio disposals	-	(28)	-	(28)
*Costs to establish UK ring-fenced bank	(61)	(76)	(89)	(223)
	(2,232)	**(4,048)**	**(5,947)**	**(9,252)**
Share of profit in associates and joint ventures				
Trading results from disposed operations in Brazil	(1)	-	(1)	(1)
Currency translation and significant items	**(2,739)**	**(6,064)**	**(661)**	**(12,188)**

* Items summarised on slide 5 as 'Other significant items'

Appendix

Global business management view of adjusted revenue

Global business management view of adjusted revenue

RBWM

$m	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Retail	3,032	3,060	3,069	3,064	3,117	3,105	3,064	3,130
Wealth Management	1,447	1,788	1,182	1,241	1,120	1,281	1,495	1,281
Other	151	151	176	260	146	129	224	179
Total	**4,630**	**4,999**	**4,427**	**4,565**	**4,383**	**4,515**	**4,783**	**4,590**

CMB

$m	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Global Trade and Receivables Finance	510	510	519	485	471	457	452	446
Credit and Lending	1,187	1,184	1,256	1,227	1,238	1,226	1,240	1,220
Global Liquidity and Cash Management	977	992	1,012	1,031	1,035	1,036	1,034	1,081
Markets products, Insurance and Investments and other	424	391	292	348	414	400	377	294
Total	**3,098**	**3,077**	**3,079**	**3,091**	**3,158**	**3,119**	**3,103**	**3,041**

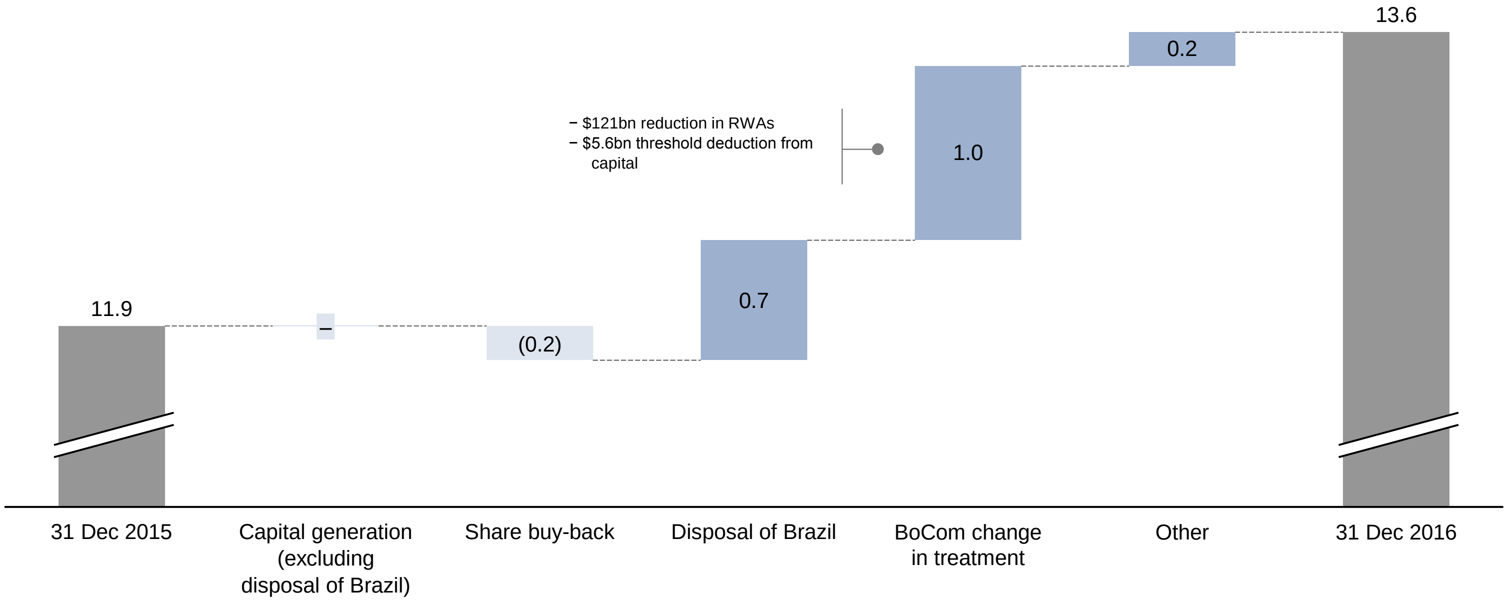
GB&M

$m	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Markets	**1,841**	**1,745**	**1,221**	**1,101**	**1,506**	**1,870**	**1,650**	**1,533**
Of which:								
- Credit	235	214	67	86	153	324	221	73
- Rates	372	398	241	342	420	635	539	497
- Foreign Exchange	822	620	662	525	700	655	637	739
- Equities	412	513	251	148	233	256	253	224
Global Banking	892	942	971	898	878	897	965	977
Securities Services	396	399	395	385	365	381	398	394
GLCM	433	424	426	449	463	453	468	490
GTRF	168	171	174	160	171	169	171	170
Other revenue	28	153	44	56	25	(38)	118	53
Credit and Funding Valuation Adjustment	75	117	146	(131)	137	(96)	(80)	(26)
Total	**3,833**	**3,951**	**3,377**	**2,918**	**3,545**	**3,636**	**3,690**	**3,591**

Appendix

2016 CET1 ratio movement

2016 CET1 ratio movement (%)



Appendix
Oil and gas

Oil and gas, $bn

Overall drawn risk exposure

$28bn

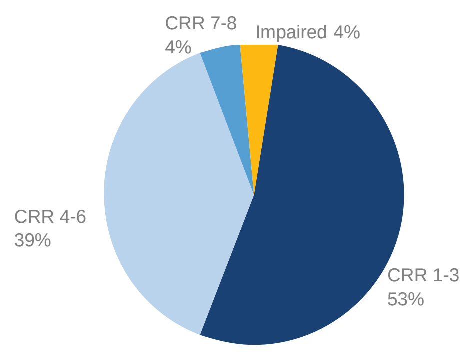
$2bn lower than September 2016

Integrated Producers	Service companies	Pure producers	Infrastructure companies
$14bn	$8bn	$4bn	$2bn

- Oil prices improved throughout 2016 and in early 2017, particularly after Opec agreed to cut supply levels
- $28bn represents c. 2% of wholesale drawn risk exposures
- Large integrated producers remain resilient
- 4% of the portfolio is CRR 7-8, the majority of which is in service companies and pure producers
- 4% of the portfolio is impaired
- Loan impairment charges and other credit risk provisions of c. $0.3bn YTD, mainly individually assessed charges offset by releases of collectively assessed allowances
- Impairment allowances against the oil and gas portfolio of c. $0.8bn

Exposure by region[23]	$bn
Europe	7
Asia	7
Middle East and North Africa	5
North America	8
Latin America	1
Group	**28**

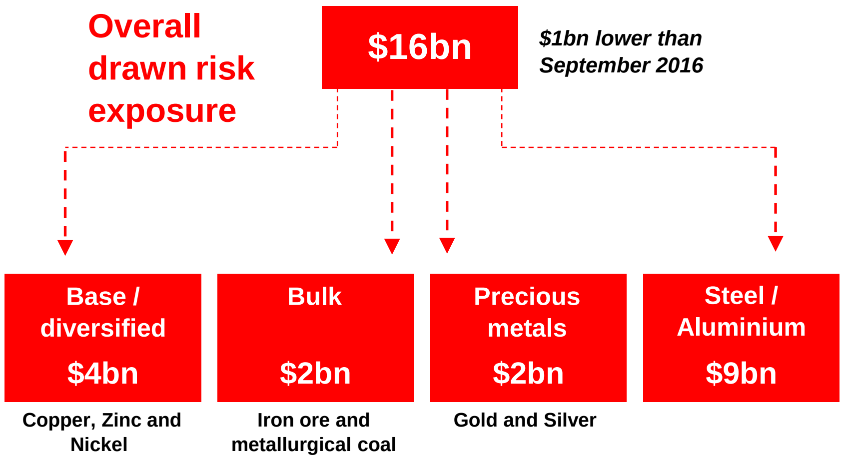
Credit quality (%)



- CRR 1-3 broadly equivalent to investment grade
- CRR 4-6 broadly equivalent to BB+ to B-
- CRR 7-8 broadly equivalent to an external rating ranging from CCC+ to C

Appendix
Metals and mining

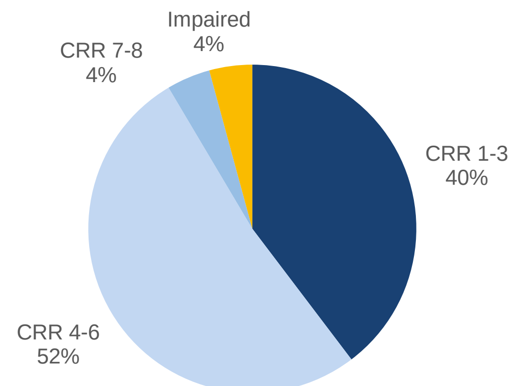
Metals and mining, $bn



- $16bn represents c.1% of wholesale drawn risk exposure
- In line with expectations precious metals, copper, nickel and zinc prices improved during 2016
- Bulk and steel related commodities, whilst bolstered in the short term by US political changes, are expected to retrace due to weak supply / demand fundamentals whilst base metals are poised to outperform
- Specific impairment allowances of c. $0.6bn, concentrated on a few counterparties
- Individually assessed loan impairment charges and other credit risk provisions of c. $0.4bn YTD

Exposure by region[23]	$bn
Europe	3
Asia	9
Middle East and North Africa	1
North America	2
Latin America	1
Group	**16**

Credit quality (%)



- CRR 1-3 broadly equivalent to investment grade
- CRR 4-6 Broadly equivalent to BB+ to B-
- CRR 7-8 Broadly equivalent to an external rating ranging from CCC+ to C

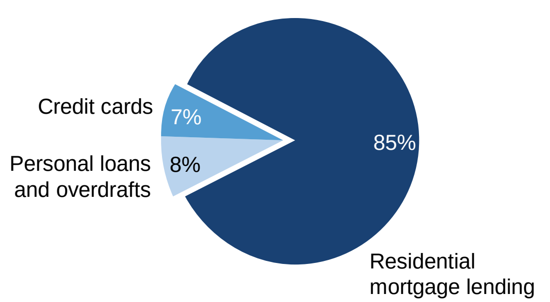
Appendix

UK loans and advances to customers

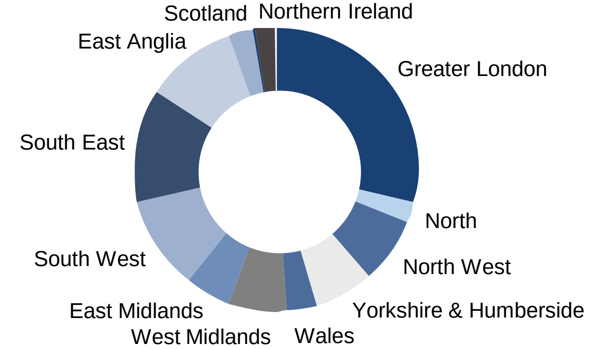
UK loans and advances to customers

- Total UK lending of $266bn which represents c. 31% of Group exposure
- Wholesale: $146bn; Personal: $120bn
- c.28% of the UK retail mortgage exposure is in Greater London; over half of the UK book is at an LTV of less than 50%
- c. 2% of our mortgage portfolio (c. 0.2% by volume) are for mortgages > £1m
- Corporate real estate lending of $16bn represents c. 11% of our UK wholesale portfolio

UK Personal lending of $120bn (vs. $124bn at September 16 on a reported basis)



UK Mortgage lending of $102bn (vs. $106bn at September 16 on a reported basis)



UK Corporate real estate loans and advances of US$16bn

We lend to high quality real estate operators – typically publicly quoted firms, private family operators, Sovereign Wealth Funds, Overseas Investors, Family Offices

We have maintained conservative LTV levels and have strong interest cover

The following %s are based on risk limits:

- Portfolio comprises lending for general financing (c. 38%) and specific property-related financing (c. 62%)
- c. 56% of specific property-related lending is in London and the South East
- General financing is focused on larger high quality names with 77% of the portfolio in CRRs 1-3, (broadly equivalent to investment grade)

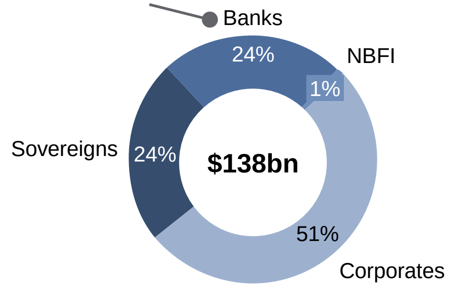
Appendix
Mainland China exposure

Mainland China drawn risk exposure[24]

- Total China exposure of $146bn of which 55% is onshore
- Wholesale: $138bn; Retail: $8bn
- Losses remain low (loan impairment charges of c $100m year-to-date Dec 16)
- Impaired loans and days past due trends remain low.
- HSBC's onshore corporate lending market share is 0.2% which allows us to be selective in our lending

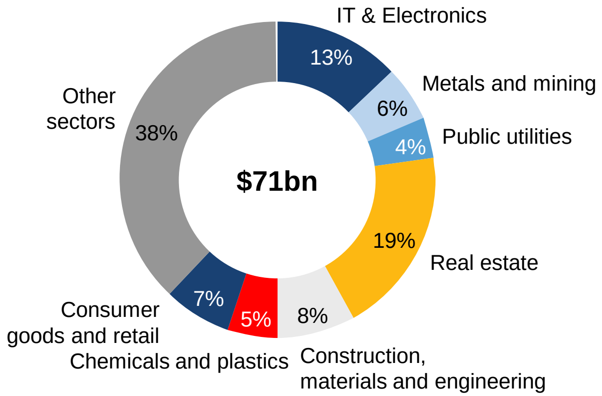
Wholesale lending by type:

Our top 5 exposures to banks amounted to $25bn



CRRs	1-3	4-6	7-8	9+	
Sovereigns	33.3	-	-	-	**$33.3bn**
Banks	32.2	0.2	-	-	**$32.4bn**
NBFI	1.3	0.3	-	-	**$1.6bn**
Corporates	41.9	28.5	0.3	0.4	**$71.1bn**
Total, $bn	**108.7**	**29.0**	**0.3**	**0.4**	**$138.4bn**
Sep 2016	***108.3***	***28.5***	***0.3***	***0.5***	***$137.6bn***

Corporate Lending by sector



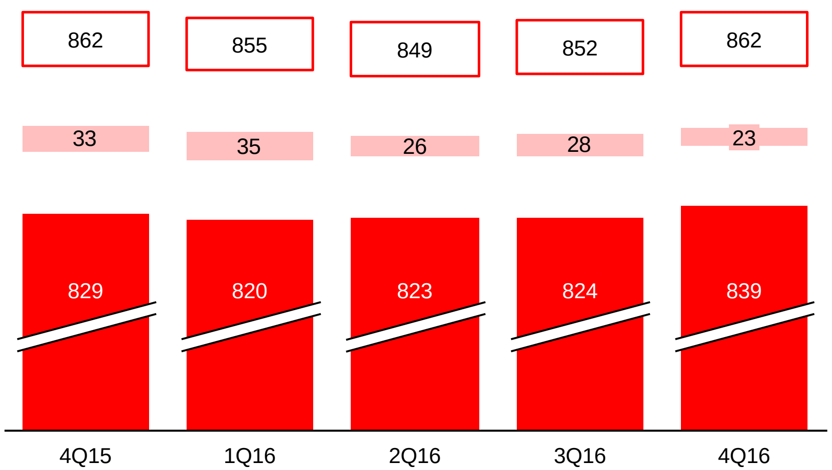
- 29% SOE, 48% POE and 23% FOE
- Corporate real estate
  - 59% sits within CRR 1-3 (broadly equivalent to investment grade)
  - Total real estate is weighted towards investment grade

Appendix
Balance sheet

Loans and advances to customers, $bn (constant currency)

Key messages vs. September 16

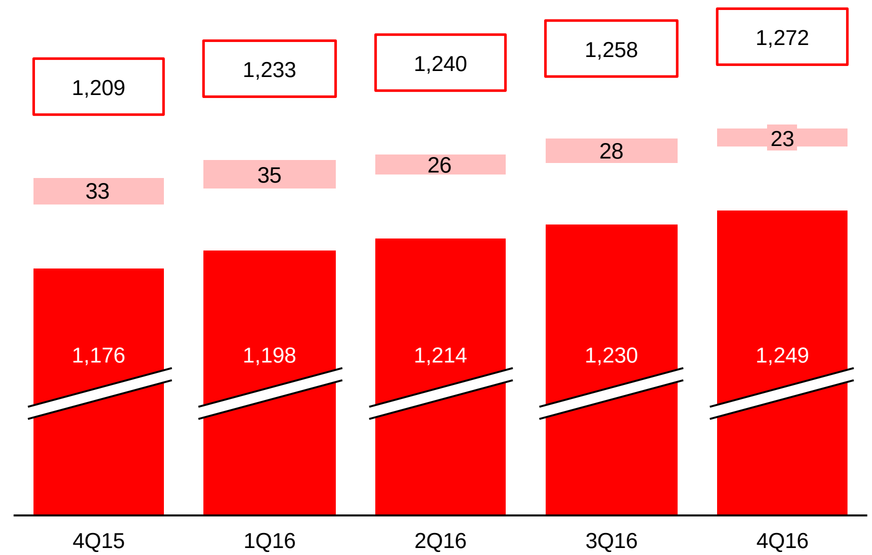
- 2% mortgage growth in Asia, mainly Hong Kong and mainland China; 1% mortgage growth in the UK; (vs. Dec-15, 4% growth in UK mortgages and 4% growth in Hong Kong mortgages)
- Growth in term lending in Asia
- Continued focus on reducing legacy portfolios in the US



Customer accounts, $bn (constant currency)

Key messages vs. September 16

- Growth in customer accounts driven primarily by Hong Kong and the UK



Total on a constant currency basis   Red-inked balances[25]   Balances excl. red-inked balances

Appendix

Footnotes

1. Includes the impact of UK bank levy
2. 2015 Jaws as reported in 2015
3. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 4Q16 exchange rates
4. Where a quarterly trend is presented on Balance sheet data, all comparatives are re-translated at 31 Dec 2016 exchange rates
5. Source: Internal HSBC MI. Differs from reported revenue. Excludes Business Banking and Other. Analysis relates to Corporate client revenue which includes total revenue from GB&M synergy products and excludes internal costs of funds
6. In-country revenue refers to client revenue booked in the client's "home" country only, i.e. excludes revenue booked outside the client's home country
7. Outbound revenue refers to any client revenue booked outside the client's "home" country, i.e. booked in the countries of the client's subsidiary businesses
8. Adjusted RWAs are calculated using reported RWAs adjusted for the effects of currency translation differences and significant items
9. Net New Money from CMB, RBWM and GB&M referrals on new customers opened during the current year
10. For further information on net interest sensitivity, please refer to page 117 in the 2016 Annual Report and Accounts
11. Assumes the split of fixed and variable for commercial lending including lending to banks with greater than 1 year maturity
12. The split of deposit type is based on average balances for 2016
13. Investor day target of $290bn rebased for exchange rates at 31 Dec 2016
14. Includes reductions related to Legacy credit, which following re-segmentation now resides in Corporate Centre
15. Includes BSM
16. This includes dividends on ordinary shares, quarterly dividends on preference shares and coupons on capital securities, classified as equity
17. Dividend per ordinary share
18. On track to achieve equivalent PBT target on a local currency basis, $ target set using 2014 average exchange rate
19. As set out under 'Targeted outcome by 2017'
20. Calculation excludes LICs related to Brazil for HSBC
21. Calculated as the average of the PBT range divided by average PBT for the last 10 years for the peers defined
22. Average calculated based on latest financials published by following peers: Barclays, BNP Paribas, Citi, DBS, Deutsche Bank, ICBC, Itau, Santander, Standard Chartered
23. Geographies are determined based on the location of the lending subsidiary or branch
24. 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
25. Red-inked balances relate to GLCM customers in the UK, who settle their overdraft and deposit balances on a net basis

Appendix

Important notice and forward-looking statements

Important notice

The information set out in this presentation and subsequent discussion does not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any recommendation in respect of such securities or instruments.

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This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is 'adjusted performance' which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business. Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in the 2016 Annual Report and Accounts and the Reconciliations of Non-GAAP Financial Measures document which are both available at www.hsbc.com.

Issued by HSBC Holdings plc
Group Investor Relations
8 Canada Square
London E14 5HQ
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Cover image: The Hong Kong-Zhuhai-Macau Bridge: one of the most ambitious infrastructure projects in the Pearl River.

Photography: courtesy of Dragages-China Harbour-VSL JV