HSBC Holdings plc 2Q19 Results

Presentation to Investors and Analysts

HSBC

Key messages

1. 2Q19 profit attributable to ordinary shareholders $4.4bn vs. $4.1bn 2Q18

2. 2Q19 adjusted PBT of $6.2bn up 4% vs. 2Q18. 1H19 adjusted PBT of $12.5bn up 7% vs. 1H18

3. 1H19 positive adjusted jaws of 4.5%, driven by growth in revenue 8.0% and costs up (3.5)%

4. 1H19 annualised RoTE of 11.2%, up 150bps vs. 1H18, including 120bps from SABB dilution gain

5. CET1 ratio 14.3% stable vs.1Q19

   We intend to initiate a share buy-back of up to $1bn, which is expected to commence shortly

6. We continue to target a RoTE above 11% in 2020

   The changed interest rate and geopolitical outlook could impact our major markets. We are managing operating expenses and investment spending in line with increased risks to revenue

Progress on our strategic priorities

	Strategic priorities	Targeted 2020 outcomes	1H19 performance highlights (vs. 1H18 unless noted)
1	Accelerate growth from Asia ▪ Build on strength in Hong Kong ▪ Invest in PRD, ASEAN, & Wealth in Asia (incl. Insurance and Asset Management) Be the lead bank to support drivers of global investment: China-led Belt & Road Initiative and the transition to a low carbon economy	High single digit revenue growth p.a.; Market share gains in 8 scale markets[1]; No. 1 international bank for BRI $100bn cumulative sustainable financing & investment by 2025	Asia adjusted revenue of $15.5bn (+9%); Wealth in Asia revenue of $3.1bn, up 7% (excl. market impacts in Insurance Manufacturing, down 1%) 5 out of 8 scale markets gained market share in loans and/or deposits[2] $36.7bn cumulative[3] (+$8.2bn vs. FY18); awarded 'World's Best Bank for Sustainable Finance' by Euromoney
2	Complete establishment of UK ring-fenced bank; grow mortgage market share, grow commercial customer base, and improve customer service	Market share gains	HSBC UK Bank plc adjusted revenue of $4.3bn (+7%) Mortgage market share[4]: 6.7% (+0.6% vs. FY17) CMB loan market share[4]: 10.1% (+0.7% vs. FY17)
3	Gain market share and deliver growth from our international network	Mid to high single digit revenue growth p.a. from international network[5]; market share gains in transaction banking[6]	Transaction banking revenue of $8.4bn (+6%); market share gains in GLCM and GTRF (vs. FY17)[7]
4	Turn around our US business	US RoTE >6%	US adjusted PBT of $0.4bn (-36%); RoTE of 2.5% (down from 2.7% in FY18); not expected to achieve 6% RoTE target by 2020
5	Improve capital efficiency; redeploy capital into higher return businesses	Increase in asset productivity	Reported revenue/RWAs: 6.8% (+48bps), primarily driven by revenue growth in CMB and RBWM
6	Create capacity for increasing investments in growth and technology through efficiency gains	Positive adjusted jaws on an annual basis, each financial year	Positive adjusted jaws of 4.5%
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	Improve customer satisfaction in eight scale markets	Markets that sustained a top-three rank and/or improved by two ranks: 6 markets in RBWM, and 5 markets in CMB vs. 2017[8]
8	Simplify the organisation and invest in future skills	Improve employee engagement ESG rating: outperformer[9]	Employee engagement was unchanged at 66%[10] ESG 'average performer'[11] rating; target metric under review as ratings provider has launched new ratings methodology[12]

Outlook

1. **Growing revenues in areas of strength**
2. **Continue to redeploy capital into higher return businesses and invest in technology to improve customer service and competitiveness**
3. **Businesses have good momentum, seeing good volume growth and customer metrics improving**
4. **We continue to target a return on tangible equity above 11% in 2020**

   The changed interest rate and geopolitical outlook could impact our major markets. We are managing operating expenses and investment spending in line with increased risks to revenue

Financial targets

RoTE[13]	◆ >11% by 2020
Costs	◆ Positive adjusted jaws
Capital and dividend	◆ Sustain dividends through the long term earnings capacity of the businesses ◆ Share buy-backs subject to regulatory approval

Key financial metrics

Key financial metrics	1H19	1H18	∆ 1H18
Return on average ordinary shareholders' equity (annualised)	10.4%	8.7%	1.7ppt
Return on average tangible equity (annualised)	11.2%	9.7%	1.5ppt
Jaws (adjusted)[14]	4.5%	(5.6)%	nm
Dividends per ordinary share in respect of the period	$0.20	$0.20	-
Earnings per share (basic)[15]	$0.42	$0.36	$0.06
Common equity tier 1 ratio[16]	14.3%	14.2%	0.1ppt
Leverage ratio[17]	5.4%	5.4%	-
Advances to deposits ratio	74.0%	71.8%	2.2ppt
Net asset value per ordinary share (NAV)	$8.35	$8.10	$0.25
Tangible net asset value per ordinary share (TNAV)[18]	$7.19	$7.00	$0.19

Reported results, $m

	2Q19	∆ 2Q18	∆ %	1H19	∆ 1H18	∆ %
Revenue	14,944	1,367	10%	29,372	2,085	8%
ECL	(555)	(318)	>(100)%	(1,140)	(733)	>(100)%
Costs	(8,927)	(761)	(9)%	(17,149)	400	2%
Associates	732	(51)	(7)%	1,324	(57)	(4)%
PBT	**6,194**	**237**	**4%**	**12,407**	**1,695**	**16%**
PAOS*	4,373	286	7%	8,507	1,334	19%

** Profit attributable to ordinary shareholders of the parent company*

Adjusted results, $m

	2Q19	∆2Q18	∆ %	1H19	∆ 1H18	∆ %
Revenue	14,089	907	7%	28,495	2,114	8%
ECL	(555)	(350)	>(100)%	(1,140)	(783)	>(200)%
Costs	(8,100)	(300)	(4)%	(16,163)	(548)	(4)%
Associates	732	(11)	(1)%	1,324	10	1%
PBT	**6,166**	**246**	**4%**	**12,516**	**793**	**7%**

A reconciliation of reported results to adjusted results can be found on slide 14, the remainder of the presentation unless otherwise stated, is presented on an adjusted basis

2Q19 adjusted revenue performance

Adjusted revenue analysis

Segment	2Q19 revenue		Line	2Q19 vs. 2Q18, $m		1H19 vs. 1H18, $m	
RBWM	$5,949m	$1,706m	Wealth Management	176	$0.7bn or 14%	316	$1.3bn or 12%
		$4,002m	Retail Banking	366		741	
		$241m	Other	181		194	
CMB	$3,894m	$1,540m	GLCM	148	$0.3bn or 8%	364	$0.7bn or 9%
		$476m	GTRF	13		37	
		$1,385m	Credit and Lending	97		196	
		$493m	Other	30		79	
GB&M	$3,638m	$1,423m	Global Markets	(181)	$(0.3)bn or (8)%	(271)	$(0.2)bn or (3)%
		$1,034m	Global Banking, Principal Investments	(148)		(227)	
		$1,427m	GLCM, GTRF, Securities Services	125		238	
		$(246)m	Other GB&M	(119)		50	
GPB	$473m			34		17	
Corporate Centre	$135m			185		380	
Group	$14,089m			617 / 907	7%	1,067 / 2,114	8%

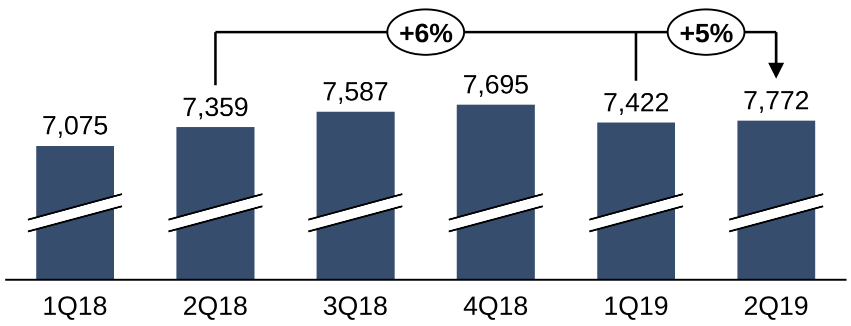
Excluding certain items included in adjusted revenue*

* For further information please see appendix, page 15

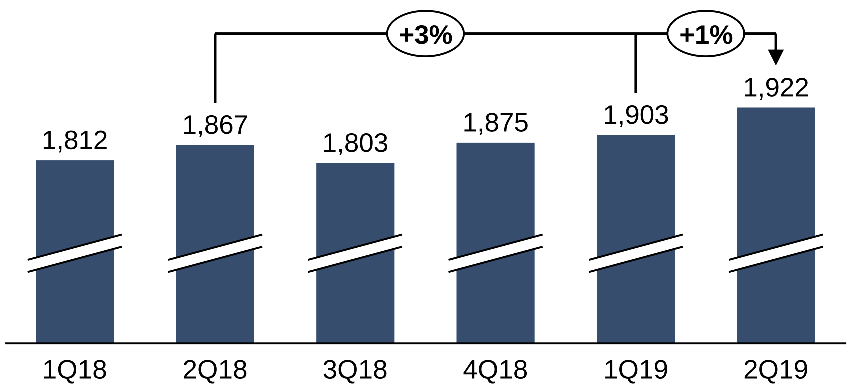
2Q19 Net interest income and NIM

Net interest income

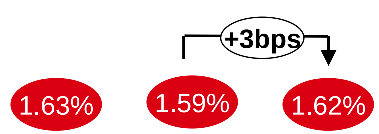
Adjusted quarterly NII, $m



Quarterly average interest earning assets (AIEA), $bn



Quarterly NIM, %



- **Adjusted NII up 6% 2Q19 vs. 2Q18; up 5% vs. 1Q19 driven by higher HIBOR, partly offset by a change in funding mix**
- 2Q19 NIM of 1.62% up c.3bps vs. 1Q19:
  - 4bps mainly in Hong Kong, from higher HIBOR (1mth average HIBOR 2.02% 2Q19 vs. 1.31% 1Q19)
  - 1bp favourable impact from hyperinflation accounting in Argentina
  - Lower cost of funding in the NRFB

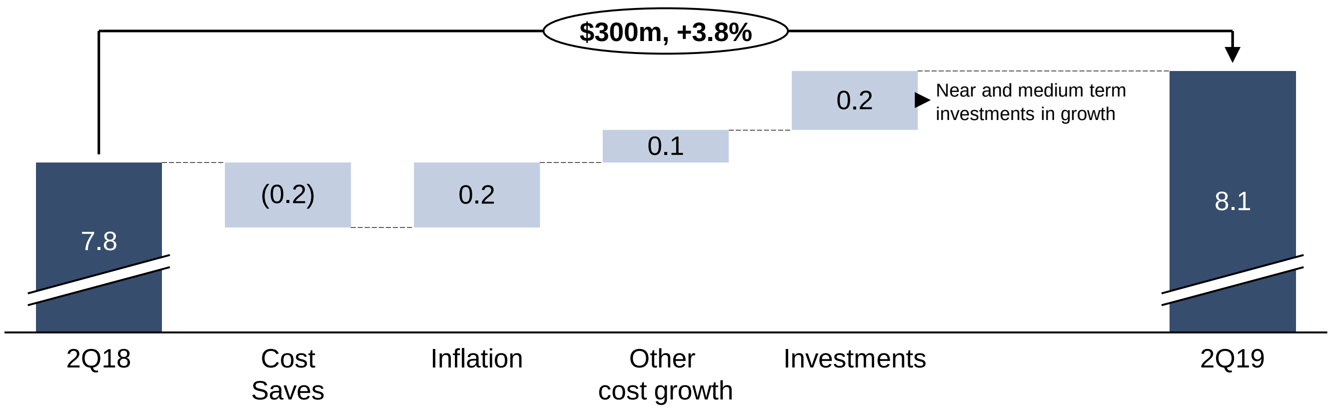
  Partly offset by:
  - 1bp adverse impact from a change of funding mix towards interest bearing customer accounts and higher volume of wholesale funding

Discrete NIM by key legal entity, %

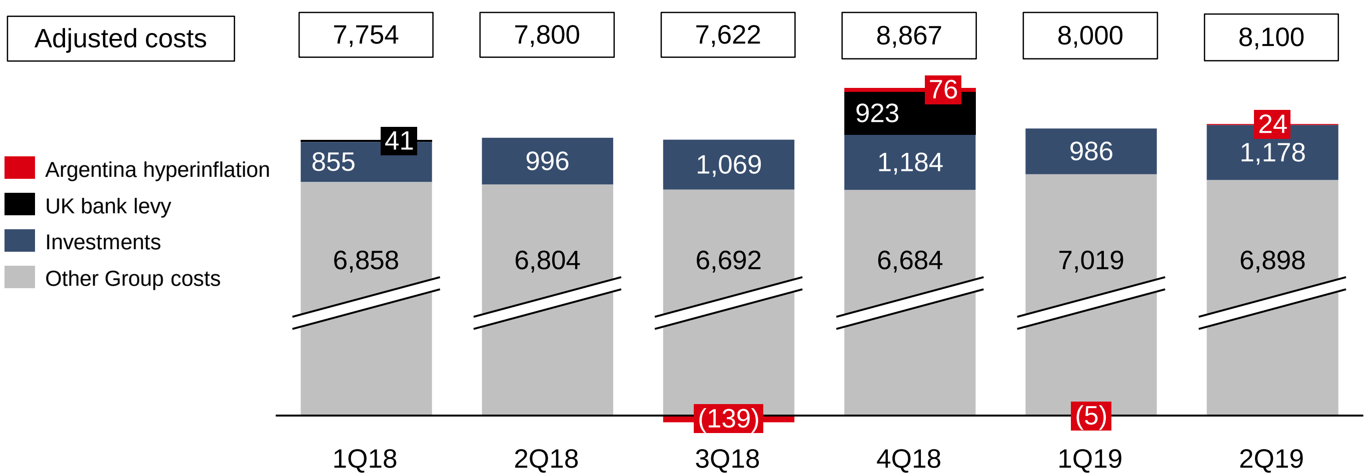
	FY18	1Q19	2Q19	2Q19 NII contribution to Group	2Q19 AIEA contribution to Group
The Hongkong and Shanghai Banking Corporation (HBAP)	2.06%	1.99%	2.05%	54%	43%
HSBC Bank plc (NRFB)[19]	0.37%	0.34%	0.45%	6%	23%
HSBC UK Bank plc (RFB)[19]	2.16%	2.21%	2.13%	20%	15%
HSBC North America Holdings, Inc	1.08%	1.05%	1.01%	7%	11%

2Q19 adjusted costs

2Q19 vs. 2Q18, $bn



Adjusted operating expenses trend, $m



Adjusted costs

- Adjusted costs up 3.8% to $8.1bn vs. $7.8bn in 2Q18. Investment spend of $1.2bn was $0.2bn or 18.3% higher than 2Q18
- Investment spend growth of $0.2bn mainly reflected increased near and medium-term investments to enhance digital capabilities across all global businesses, and to grow the business
- Excluding incremental investment spend and impact of Argentina hyperinflation, 2Q19 costs increased by $94m or 1.4% vs. 2Q18, partly driven by volume-related growth

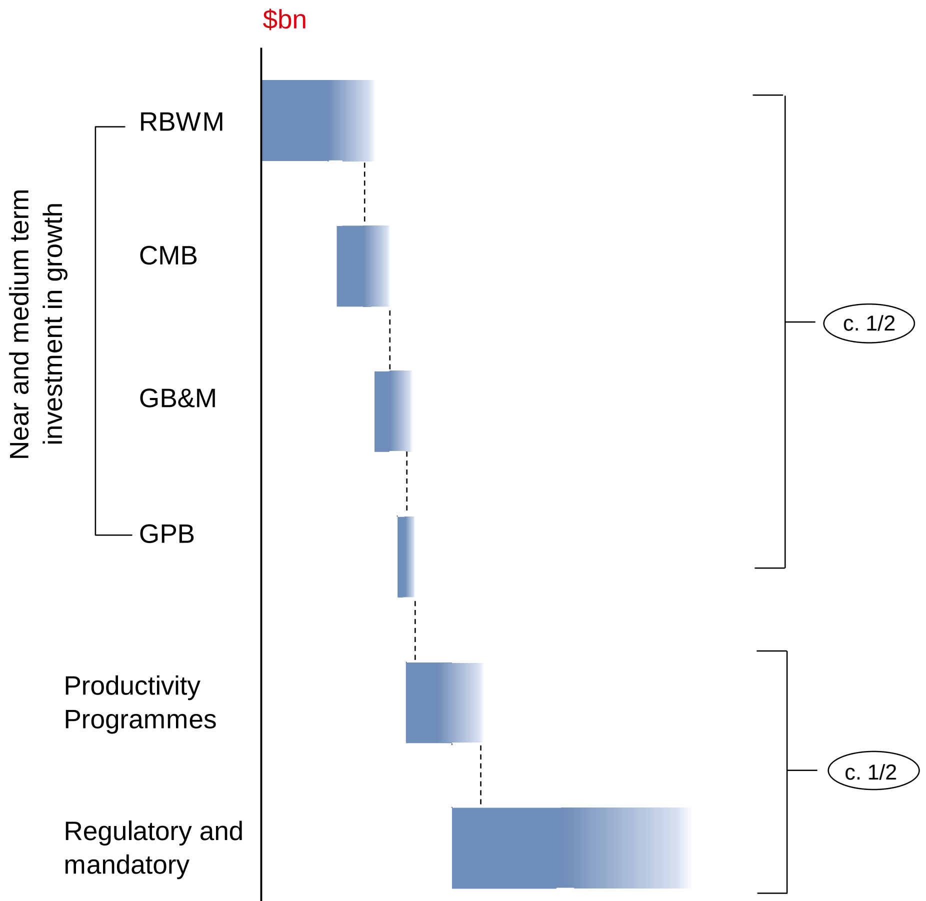
Reported costs

- Severance costs* of $199m in 2Q19 ($248m in 1H19), arising from cost-efficiency measures across our global businesses and functions
- FY19 severance costs expected to be c.$650- $700m, with annualised savings of c.$650m - $700m

*Included in Significant Items, "Restructuring and other related costs" on slide 14

Investments

Investments by category | **Share of investment**



2018-20, $bn	2018	2019	2020	
	4.1	c.5.0	5.4-5.9	14.5-15.0

$15-15.5bn at June 2018 Investor Update FX rates

RBWM

- Continued investments in key strategic initiatives, including building digital capabilities, growing Wealth Management business in Asia, and driving growth in Hong Kong, UK, US, and Mexico, through lending products

CMB

- Enhanced features for our Digital Business Bank UK mobile app, including biometrics. In GTRF we made progress in our investment programme, through enhancing capabilities in structured trade and increased automation

GB&M

- Improved client experience through digital delivery and increased client real-time collaboration via HSBCnet live chat
- Transforming ways of working, reengineering critical business processes, industrialising production environments and improving sustainability throughout Global Markets

GPB

- Accelerate growth from our Asian franchise
- Drive international connectivity and our next generation of clients
- Investment in products and propositions

Productivity Programmes

- Development of machine learning and advanced analytics:
  - Cognitive Investigations (Cog-I) - introducing machine learning capabilities into the transaction monitoring investigation process
  - Perpetual KYC (pKYC) - an advanced analytical tool which assesses money laundering risks.

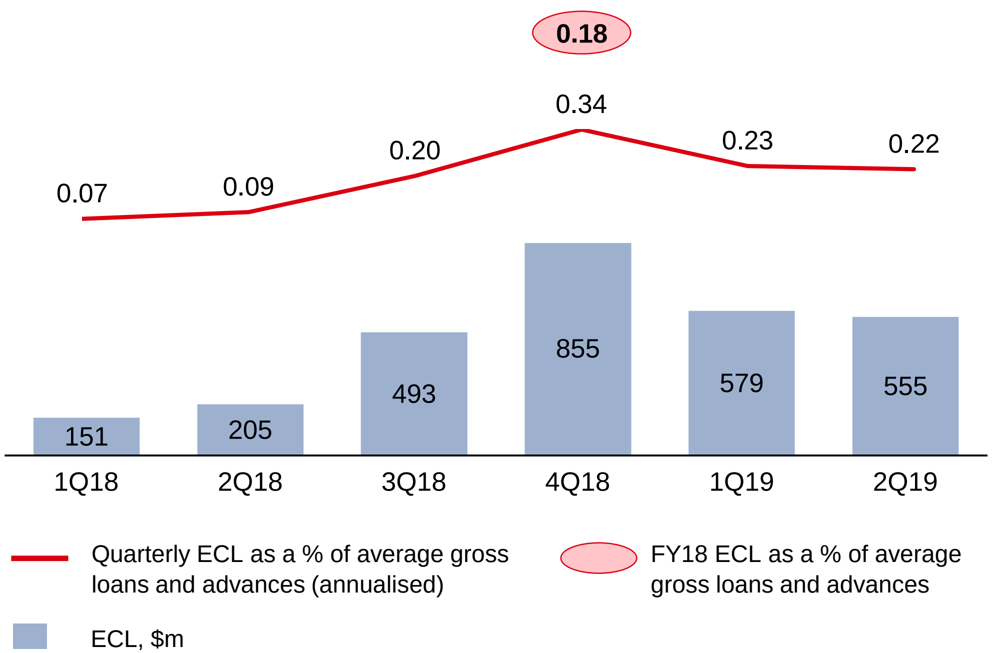
Regulatory & mandatory investments

- Implementation of programmes such as Basel III Reform and IBOR
- Strengthen capabilities to manage financial crime risk and increase cyber security measures

2Q19 credit performance

- 2Q19 ECL charge $555m, broadly stable vs. 1Q19:
  - 2Q19 ECL charge as a percentage of gross loans and advances of 22bps
  - RBWM 2Q19 ECL of $238m down $62m (21%) vs. 1Q19; stable vs. 2Q18 charge of $225m
  - CMB 2Q19 ECL of $248m stable vs. 1Q19 ($244m); up $144m vs. 2Q18. 2Q18 benefited from releases in North America, compared with charges in 2Q19 in Europe and Asia
- Provision for UK economic uncertainty is currently $442m as at 1H19, of which $32m was in 1H19

ECL charge trend



Analysis by stage

Reported basis, $bn	Stage 1	Stage 2	Stage 3	Total[20]	Stage 3 as a % of Total
2Q19					
Loans and advances to customers	955.5	61.3	13.0	**1,030.2**	1.3%
Allowance for ECL	1.3	2.1	5.0	**8.5**	
1Q19					
Loans and advances to customers	934.5	65.9	13.0	**1,013.8**	1.3%
Allowance for ECL	1.3	2.2	4.9	**8.6**	
4Q18					
Loans and advances to customers	915.2	61.8	13.0	**990.3**	1.3%
Allowance for ECL	1.3	2.1	5.0	**8.6**	

Capital adequacy: CET1 ratio of 14.3%

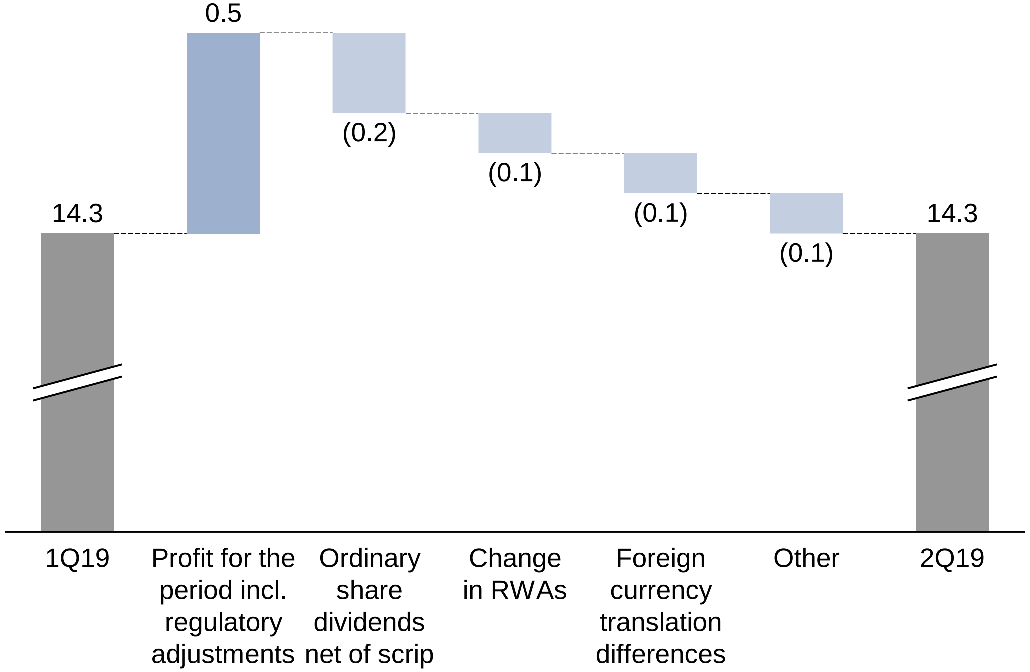
Capital progression

	2Q18	4Q18	1Q19	2Q19
Common equity tier 1 capital, $bn	122.8	121.0	125.8	126.9
Risk-weighted assets, $bn	865.5	865.3	879.5	886.0
CET1 ratio[21], %	14.2	14.0	14.3	14.3
Leverage ratio, %	5.4	5.5	5.4	5.4

2Q19 CET1 movement, $bn

At 31 March 2019	**125.8**
Capital generation	2.4
Profit attributable to ordinary shareholders of the parent company	4.4
Regulatory adjustments	(0.4)
Ordinary share dividends net of scrip	(1.6)
Foreign currency translation differences	(0.8)
Other movements	(0.5)
At 30 June 2019	**126.9**

CET1 ratio movement, %



- CET1 ratio stable at 14.3% during the quarter, with profits offset by increases in RWAs, as well as adverse currency and other movements.
- RWAs increased by $6.5bn during 2Q19, which included a decrease of $2.1bn due to foreign currency translation. Excluding this, the $8.6bn increase mainly comprised of $16.3bn due to lending growth and $1.6bn from changes in asset quality, partly offset by reductions of $9.6bn from management initiatives.
- Expect FY19 RWAs to be broadly stable vs. $886.0bn as at 1H19.

Details regarding MREL disclosure may be found in the 1H19 Pillar 3 document and in the 1H19 Fixed Income presentation

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Costs	Positive adjusted jaws
Capital and dividend	Sustain dividends through the long term earnings capacity of the businesses Share buy-backs subject to regulatory approval

Appendix

HSBC

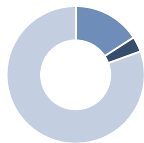
Sustainable Finance Performance

Progress against our targets

Target

$100bn

of sustainable finance and investments to be provided and facilitated by 2025



80% Facilitation
16% Financing
4% Investments

Progress

$36.7bn[22]

cumulative progress since 2017

55% Europe
27% Asia
14% Americas
3% MENA

Target

100%

of our electricity will be from renewable sources by 2030

Progress

29%

signed renewable electricity from power purchase agreements as at Dec 2018 (2017: 27%)

Our engagement

>5,500

employees given sustainability training since 2017

#1

Dealogic ranking for green, social and sustainability bond issuer globally

Climate risk

HSBC chairs the Bank of England Climate Risk working group

Our awards

Euromoney Awards for Excellence 2019

- World's Best Bank for Sustainable Finance
- Asia's Best Bank for Sustainable Finance
- The Middle East's Best Bank for Sustainable Finance

Extel Survey 2019

- No.1 in a range of categories including ESG, Socially Responsible Investment & Sustainability

Environmental Finance Awards 2019

- Lead manager of the year, Green Bonds: Local authority/municipality
- Lead manager of the year, Social Bonds: Corporate
- Lead manager of the year, Sustainability Bonds: Corporate

Case studies

The first green sovereign sukuk

To fund climate mitigation and adaption projects in a broad range of sectors, as well as to demonstrate its commitment to the Paris Agreement, Indonesia issued the world's first green Islamic bond, known as a sukuk, for $1.25 billion in February 2018. HSBC acted as joint lead manager, joint bookrunner and sole green structuring adviser. This transaction represented the first sovereign green sukuk, the first international green offering by an Asian sovereign and the first Asian sovereign green bond focused on Paris Agreement ambitions.

The first green loan for UK commercial building

Utilising a £400m green loan facility, Argent is working on the development of two office buildings. These are expected to have a lower carbon footprint compared with similar offices in the country*.

HSBC Asset Management

HSBC Asset Management has been awarded an A+, the highest possible rating, in its latest PRI annual assessment submission for listed equity and fixed income assets with the exception of Fixed Income Securitised, where we received an A. We also retained our A+ rating for strategy and governance, reflecting our implementation of the PRI's six principles.

*We have been working with Argent, a UK property developer, on improving energy efficiency of buildings. In 2018, HSBC UK acted as the green coordinator, mandated lead arranger and hedging counterparty for the first green loan for UK commercial buildings. The £400m green loan facility, which is helping Argent fund the development of two office buildings, is compliant with the Loan Market Association's and Asia Pacific Loan Market Association's Green Loan Principles. The offices have been designed with sustainability features that will bring the carbon footprint down to approximately 50% of similar offices in the country and are both targeting BREEAM Outstanding – one of the highest levels of green building certification globally

Significant items

$m	2Q19	1Q19	2Q18	1H19	1H18
Reported PBT	**6,194**	**6,213**	**5,957**	**12,407**	**10,712**
Revenue					
Currency translation	-	(104)	(508)	-	(1,160)
Customer redress programmes	-	-	(46)	-	(46)
Disposals, acquisitions and investment in new businesses	(827)	-	30	(827)	142
Fair value movements on financial instruments	(28)	(22)	124	(50)	152
Currency translation on significant items	-	-	5	-	6
	(855)	**(126)**	**(395)**	**(877)**	**(906)**
ECL currency translation	**-**	**6**	**32**	**-**	**50**
Operating expenses					
Currency translation	-	65	327	-	770
Costs of structural reform	38	53	85	91	211
Customer redress programmes	554	56	7	610	100
Disposals, acquisitions and investment in new businesses	-	-	1	-	3
Restructuring and other related costs	237	50	4	287	24
Settlements and provisions in connection with legal and other regulatory matters	(2)	-	(56)	(2)	841
Currency translation on significant items	-	(2)	(2)	-	(15)
	827	**222**	**366**	**986**	**1,934**
Share of profit in associates and joint ventures currency translation	**-**	**(5)**	**(40)**	**-**	**(67)**
Total currency translation and significant items	**(28)**	**97**	**(37)**	**109**	**1,011**
Adjusted PBT	**6,166**	**6,310**	**5,920**	**12,516**	**11,723**

- Disposals, acquisitions and investment in new business includes a $828m dilution gain arising on the merger of SABB with Alawwal bank on 16.06.2019. SABB issued new shares in exchange for the transfer of Alawaal's net assets to the combined bank. HSBC's holding in the combined bank consequently fell from 40% to 29.2%
- Customer redress programmes include PPI provisions of $615m in 1H19 (2Q19 $559m), reflecting updated forecasts as we approach the complaints deadline on 29.08.2019. Includes the impact of 'auto-conversion' of information requests into complaints in this period, as well as an industry wide exercise by the Official Receiver in respect of bankrupt customers
- 1H19 restructuring and other related costs includes $248m of severance costs (2Q19 $199m) arising from cost efficiency measures across our Global Businesses and Functions

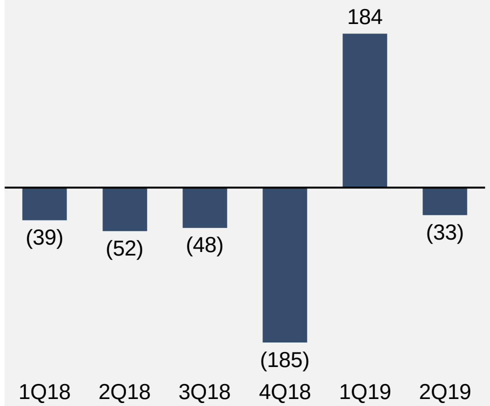
Certain revenue items and Argentina hyperinflation

Certain items included in adjusted revenue highlighted in management commentary[23], $m	2Q19	1Q19	2Q18	1H19	1H18
Insurance manufacturing market impacts in RBWM	**(33)**	184	(52)	**152**	(92)
Credit and funding valuation adjustments in GB&M	**(34)**	47	21	**14**	(40)
Legacy Credit in Corporate Centre	**(13)**	(71)	(107)	**(84)**	(103)
Valuation differences on long-term debt and associated swaps in Corporate Centre	**93**	50	(124)	**143**	(365)
Argentina hyperinflation[24]	**15**	(56)	-	**(41)**	-
RBWM disposal gains in Latin America	**-**	134	-	**133**	-
CMB disposal gains in Latin America	**-**	24	-	**24**	-
GB&M provision release in Equities	**-**	106	-	**106**	-
Total	**28**	**418**	**(262)**	**447**	**(600)**

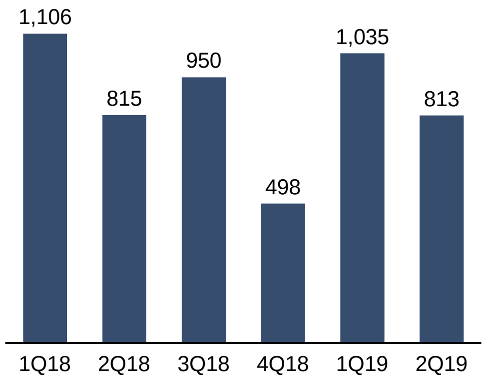
Argentina hyperinflation[24] impact included in adjusted results (Latin America Corporate Centre), $m	2Q19	1Q19	2Q18	1H19	1H18
Net interest income	**24**	(8)	-	**16**	-
Other income	**(9)**	(48)	-	**(57)**	-
Total revenue	**15**	(56)	-	**(41)**	-
ECL	**(3)**	1	-	**(2)**	-
Costs	**(24)**	5	-	**(19)**	-
PBT	**(12)**	(50)	-	**(62)**	-

Volatile items analysis

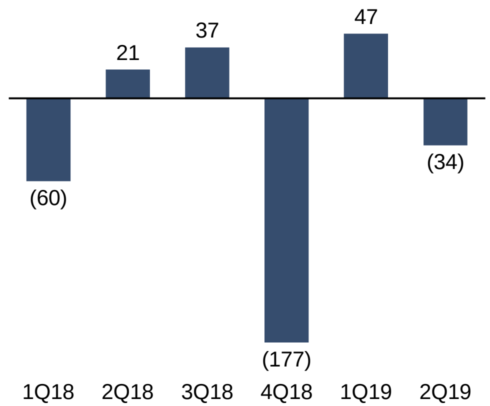
RBWM: Insurance manufacturing market impacts revenue, $m



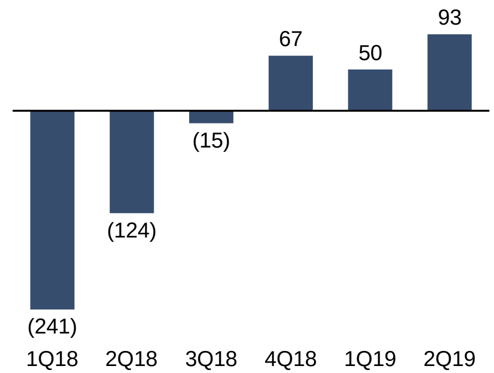
GB&M: Markets excl. Foreign Exchange revenue, $m



GB&M: Credit and funding valuation adjustments revenue, $m



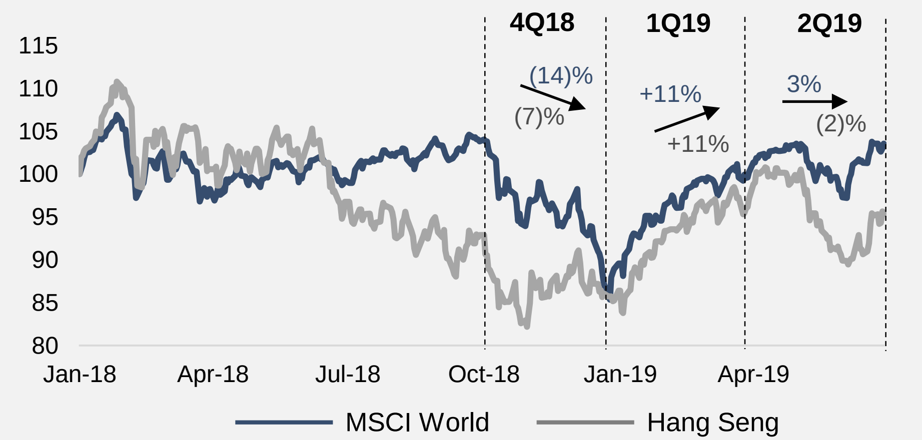
Corporate Centre: Valuation differences on long-term debt and associated swaps revenue, $m



FY18 sensitivity of HSBC's insurance manufacturing subsidiaries to market risk factors	Effect on profit after tax, $m	Effect on total equity, $m
+100 basis point parallel shift in yield curves	9	(61)
-100 basis point parallel shift in yield curves	(28)	46
10% increase in equity prices	213	213
10% decrease in equity prices	(202)	(202)
10% increase in USD exchange rate compared with all currencies	36	36
10% decrease in USD exchange rate compared with all currencies	(36)	(36)

Source: HSBC Holdings plc Annual Report and Accounts 2018, page 145

Stock market indices performance[25]



Net interest margin and net interest income sensitivity

Net interest margin analysis

$bn	FY18		1H18		1Q19		1H19		Variance 1H19 vs. FY18	
	Average balance	Yield/Cost	Average balance	Yield/Cost	Average balance	Yield/Cost	Average balance	Yield/Cost	Average balance	Yield/Cost
Loans and advances to customers	973	3.42%	966	3.35%	1,005	3.54%	1,012	3.55%	39	13bps
Short-term funds and financial investments	620	1.88%	627	1.72%	625	2.12%	626	2.15%	6	27bps
Other assets	247	1.90%	246	1.68%	273	2.24%	275	2.39%	28	49bps
Total interest earning assets	**1,839**	**2.70%**	**1,840**	**2.57%**	**1,903**	**2.89%**	**1,913**	**2.93%**	**73**	**23bps**
Customer accounts	1,139	0.73%	1,139	0.61%	1,132	1.00%	1,138	1.00%	0	27bps
Debt	183	3.09%	180	2.97%	191	3.34%	205	3.30%	22	21bps
Other liabilities	259	1.99%	253	1.76%	283	2.47%	281	2.52%	21	53bps
Total interest bearing liabilities	**1,582**	**1.21%**	**1,572**	**1.07%**	**1,606**	**1.53%**	**1,624**	**1.55%**	**43**	**34bps**

FY18, 1Q19 and 1H19 yield on loans and advances to customers and cost of customer accounts impacted by hyperinflation in Argentina

Net interest income sensitivity

For further commentary and information, refer to pages 74 and 75 the HSBC Holdings plc 2019 Interim report

Sensitivity of NII to a 25bps / 100bps instantaneous change in yield curves (12 months)

$m	USD	HKD	GBP	EUR	Other	Total
+25bps	56	245	245	98	198	842
-25bps	(129)	(265)	(286)	1	(169)	(848)
+100bps	164	756	967	399	705	2,991
-100bps	(678)	(1,061)	(1,086)	(14)	(724)	(3,563)

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	842	1,198	1,279	1,360	1,423	6,102
-25bps	(848)	(1,339)	(1,379)	(1,456)	(1,562)	(6,584)
+100bps	2,991	4,269	4,762	5,103	5,290	22,415
-100bps	(3,563)	(5,026)	(5,453)	(5,873)	(6,262)	(26,177)

Key assumptions: static balance sheet; interest rate shocks to current implied market rates; includes assumptions on managed rate pricing and customer behaviour

Global business management view of adjusted revenue

Group, $m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	Δ% 2Q18
Total Group revenue	**13,117**	**13,182**	**13,698**	**12,549**	**14,302**	**14,089**	***7***
Total adjusted revenue as previously disclosed[26]	13,850	13,685	13,841	12,564	14,406		

RBWM, $m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	Δ% 2Q18
Retail Banking	**3,473**	**3,636**	**3,886**	**3,920**	**3,835**	***4,002***	***10***
Current accounts, savings and deposits	1,778	1,977	2,307	2,316	2,186	*2,449*	*24*
Personal lending	**1,695**	**1,659**	**1,579**	**1,604**	**1,649**	***1,553***	***(6)***
Mortgages	546	495	419	414	428	*407*	*(18)*
Credit cards	690	702	702	720	774	*688*	*(2)*
Other personal lending	459	462	458	470	447	*458*	*(1)*
Wealth Management	**1,762**	**1,530**	**1,581**	**1,123**	**1,901**	***1,706***	***12***
Investment distribution	1,016	845	798	669	852	*854*	*1*
Life insurance manufacturing	478	420	524	206	791	*590*	*40*
Asset management	268	265	259	248	258	*262*	*(1)*
Other	180	60	221	62	190	*241*	*>200*
Total	**5,415**	**5,226**	**5,688**	**5,105**	**5,926**	***5,949***	***14***
Adjusted revenue as previously disclosed[26]	5,669	5,396	5,760	5,110	5,971		

CMB, $m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	Δ% 2Q18
GTRF	445	463	464	454	470	*476*	*3*
Credit and Lending	1,253	1,288	1,315	1,329	1,349	*1,385*	*8*
GLCM	1,285	1,392	1,465	1,525	1,499	*1,540*	*11*
Markets products, Insurance and Investments and other	529	463	460	381	574	*493*	*6*
Total	**3,512**	**3,606**	**3,704**	**3,689**	**3,892**	***3,894***	***8***
Adjusted revenue as previously disclosed[26]	3,699	3,740	3,750	3,696	3,921		

GPB, $m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	Δ% 2Q18
Investment	204	176	164	161	184	*198*	*13*
Lending	99	96	95	93	96	*107*	*11*
Deposit	119	122	125	125	120	*119*	*(2)*
Other	41	45	44	44	49	*49*	*9*
Total	**463**	**439**	**428**	**423**	**449**	***473***	***8***
Adjusted revenue as previously disclosed[26]	482	447	432	424	450		

GB&M, $m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	Δ% 2Q18
Global Markets	**1,819**	**1,604**	**1,779**	**1,100**	**1,727**	***1,423***	***(11)***
FICC	**1,412**	**1,329**	**1,494**	**884**	**1,353**	***1,189***	***(11)***
Foreign Exchange	713	789	829	602	692	*610*	*(23)*
Rates	452	367	410	208	486	*400*	*9*
Credit	247	173	255	74	175	*179*	*3*
Equities	407	275	285	216	374	*234*	*(15)*
Securities Services	**460**	**485**	**497**	**485**	**475**	***525***	***8***
Global Banking	**1,021**	**1,082**	**970**	**943**	**929**	***996***	***(8)***
GLCM	**607**	**624**	**678**	**681**	**684**	***700***	***12***
GTRF	**188**	**193**	**214**	**200**	**210**	***202***	***5***
Principal Investments	**70**	**100**	**110**	**(61)**	**83**	***38***	***(62)***
Other revenue	(176)	(148)	(149)	(109)	(117)	*(212)*	*(43)*
Credit and funding valuation adjustments	(60)	21	37	(177)	47	*(34)*	*>(100)*
Total	**3,929**	**3,961**	**4,136**	**3,062**	**4,038**	***3,638***	***(8)***
Adjusted revenue as previously disclosed[26]	4,148	4,117	4,184	3,063	4,068		

Corporate Centre, $m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	Δ% 2Q18
Central Treasury	**(26)**	**208**	**111**	**293**	**311**	***289***	***39***
Balance Sheet Management	568	677	531	633	617	*593*	*(12)*
Holdings interest expense	(299)	(288)	(340)	(340)	(317)	*(328)*	*(14)*
Valuation differences on long-term debt and associated swaps	(241)	(124)	(15)	67	50	*93*	*>100*
Other	(54)	(57)	(65)	(67)	(39)	*(69)*	*(21)*
Legacy Credit	**3**	**(107)**	**27**	**(12)**	**(71)**	***(13)***	***88***
Other	(179)	(151)	(396)	(11)	(243)	*(141)*	*7*
Total	**(202)**	**(50)**	**(258)**	**270**	**(3)**	***135***	***>200***
Adjusted revenue as previously disclosed[26]	(148)	(15)	(285)	271	(4)		

Retail Banking and Wealth Management

1H19 highlights

Adjusted PBT
(1H18: $3.6bn)

$4.4bn 24%⬆

Adjusted revenue
(1H18: $10.7bn)

$11.9bn 12%⬆

Adjusted ECL
(1H18: $0.5bn)

$0.5bn 5%⬆

charge / (net release)

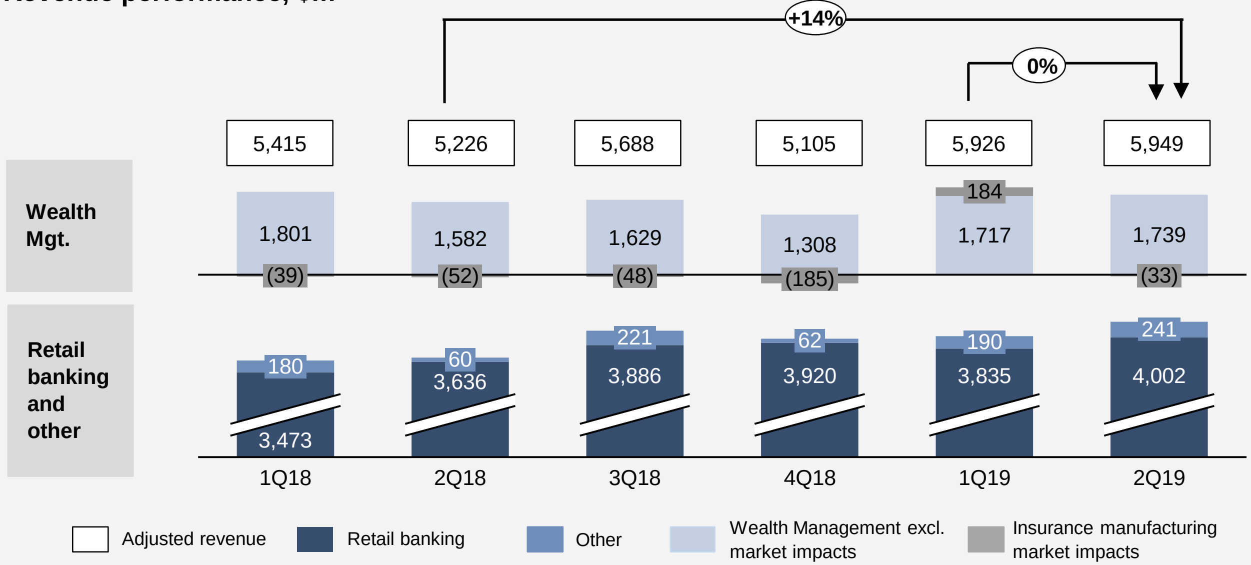
Adjusted costs
(1H18: $6.6bn)

$7.0bn 6%⬆

RoTE[27]
(1H18: 21.3%)

23.5%

Revenue performance, $m[28]



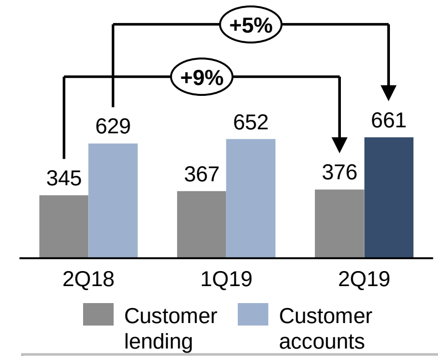
2Q19 vs. 2Q18: Adjusted revenue up 14%

- Growth in Retail banking revenue (up $366m) driven by balance growth with deposit growth of $32bn, or 5%, and lending growth of $31bn or 9%, particularly in mortgages, together with improved margins from higher interest rates
- Higher life insurance manufacturing revenue (up $170m) due to higher value of new business (+19%) to $318m and less adverse market impacts (2Q18: $(52)m, 2Q19: $(33)m), and
- Higher investment distribution revenue growth (up $9m), as growth in China and Mexico were partly offset by lower revenue in Hong Kong

2Q19 vs. 1Q19: Adjusted revenue stable

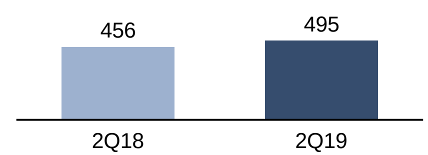
- Retail banking revenue up $167m driven by growth in deposit and loan balances and higher HIBOR
- Wealth Investment distribution revenue stable (up $2m), driven by increased cash FX revenue offset by weaker wealth insurance distribution revenue
- Lower insurance manufacturing (down $201m), driven by $(217)m of adverse market impacts (1Q19:$184m, 2Q19: $(33)m)
- 1Q19 results also included disposal gains of $134m in Argentina and Mexico

Balance sheet, $bn[29]

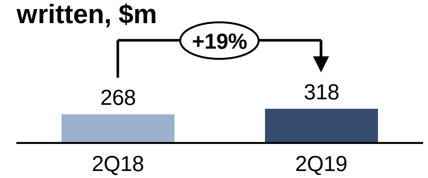


- Customer accounts up $32bn or 5% vs. 2Q18, notably in Hong Kong ($10bn) and the UK ($9bn)
- Lending up $31bn or 9% vs. 2Q18, mainly from mortgage growth in the UK ($12bn) and Hong Kong ($11bn)

Assets under management, $bn



Insurance value of new business written, $m



Commercial Banking

1H19 highlights

Adjusted PBT
(1H18: $4.0bn)
$4.0bn 1%↑

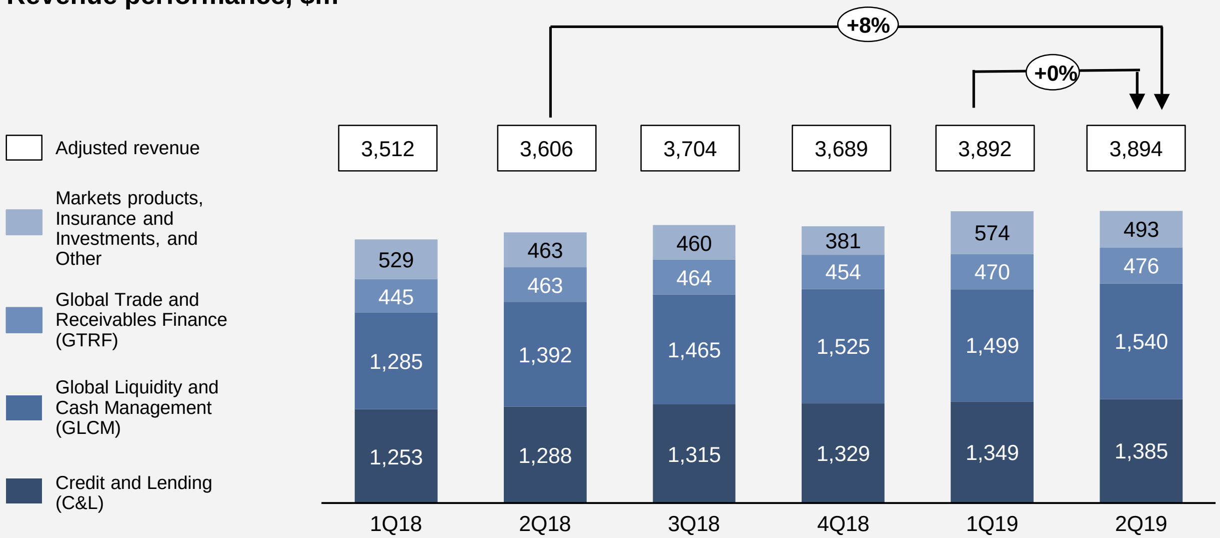
Adjusted revenue
(1H18: $7.1bn)
$7.8bn 9%↑

Adjusted ECL
(1H18: $0.0bn)
$0.5bn >100%↑
charge / (net release)

Adjusted costs
(1H18: $3.1bn)
$3.3bn 5% ↑

RoTE[27]
(1H18: 15.1%)
14.0%

Revenue performance, $m[28]



2Q19 vs. 2Q18: Adjusted revenue up 8%

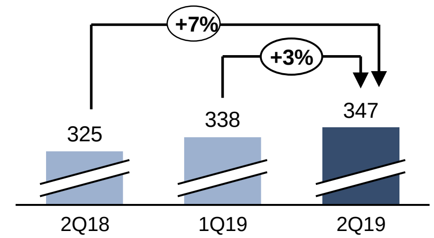
- GLCM up 11%, most notably in Asia from improved margins, as well as in Latin America and the UK due to growth in average balances and wider margins
- C&L up 8%, primarily due to average balance sheet growth in Asia, the UK and North America
- GTRF up 3%, reflecting growth in average balances and higher fees in Europe, as well as higher fees in MENA

2Q19 vs. 1Q19: Adjusted revenue broadly stable

- GLCM up 3%, notably in Hong Kong, reflecting higher HIBOR rates
- C&L up 3%, reflecting growth in average balances across all regions
- GTRF up 1%, notably in the UK from higher fees and interest income
- Other down 14%, primarily in Hong Kong due to insurance seasonality and in Latin America due to the non-recurrence of 1Q19 gain on sale of $24m

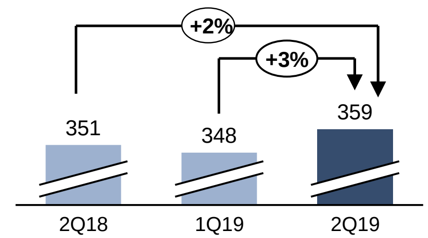
Balance sheet, $bn[29]

Customer lending:



- YoY increase reflecting growth across all regions, notably in Asia, Europe and North America
- Growth in 2Q19 driven by Hong Kong, Europe and North America

Customer accounts:



- YoY growth driven by the UK and Latin America, partly offset by a decline in Hong Kong
- Growth in 2Q19 driven by Asia, Europe and the US

Global Banking and Markets

1H19 highlights

Adjusted PBT
(1H18: $3.4bn)

$2.8bn (18)% ⬇

Adjusted revenue
(1H18: $7.9bn)

$7.7bn (3)% ⬇

Adjusted ECL
(1H18: $(0.1)bn)

$0.1bn >(100)% ⬆

charge / (net release)

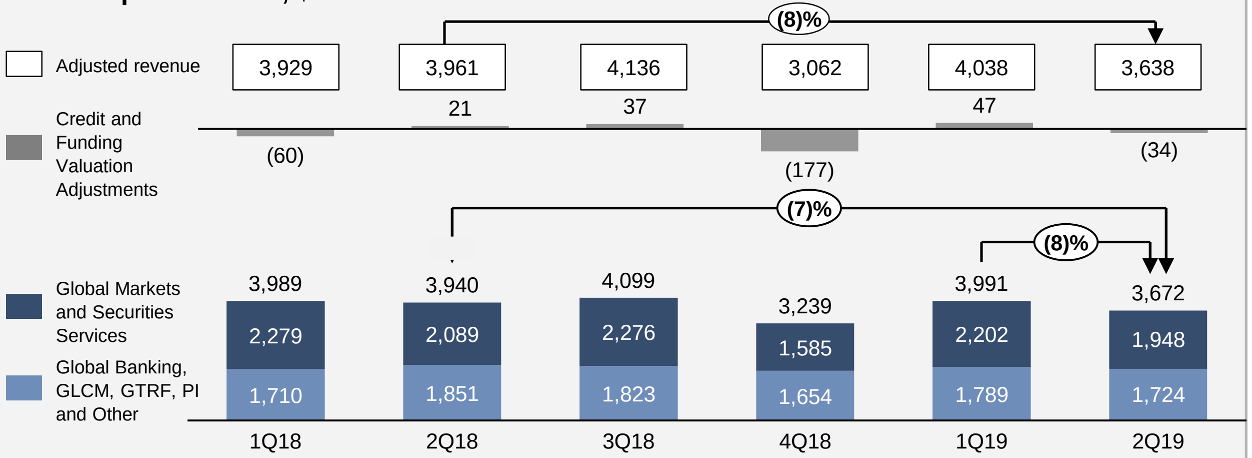
Adjusted costs
(1H18: $4.6bn)

$4.8bn 4% ⬆

RoTE[27]
(1H18: 12.3%)

9.9%

Revenue performance, $m[28]



2Q19 vs. 2Q18: Adjusted revenue down 8%

- 2Q19 underlying capital markets conditions were impacted by geopolitical uncertainty and the interest rate environment. These have weighed on trade flows, economic growth and crucially investor sentiment
- Global Banking revenue down due to lower event driven activity and the impact of tightening credit spreads on portfolio hedges
- Global Markets adversely impacted by low volatility and spread compression due to macro-economic uncertainty
- Investment in GLCM, Securities Services and GTRF has delivered continued momentum with single digit growth in average balances and higher NII supported by favourable interest rate movements

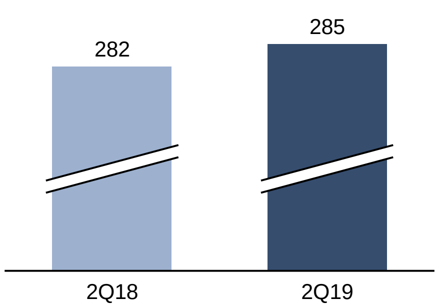
2Q19 vs. 1Q19: Adjusted revenue down 10%

- Continuation of wider macro uncertainty and regional tensions impacting trade flows, economic growth and investor appetite
- Global Markets impacted by low volatility and spread compression as well as spread compression in Equities and lower volatility in Emerging Markets FX Secondary trading in Hong Kong drove Credit higher
- Global Banking revenue higher due to an increase in secured lending income, capital markets remain challenging
- Transaction Banking products continue to perform well, with revenues driven by Hong Kong and the UK

Management view of adjusted revenue

$m	2Q19	∆2Q18
Global Markets	**1,423**	**(11)%**
FICC	**1,189**	**(11)%**
- FX	*610*	*(23)%*
- Rates	*400*	*9%*
- Credit	*179*	*3%*
Equities	**234**	**(15)%**
Securities Services	**525**	**8%**
Global Banking	**996**	**(8)%**
GLCM	**700**	**12%**
GTRF	**202**	**5%**
Principal Investments	**38**	**(62)%**
Other	**(212)**	**(43)%**
Credit and Funding Valuation Adjustments	(34)	>(100)%
Total	**3,638**	**(8)%**

Adjusted RWAs[29], $bn



Global Private Banking

1H19 highlights

Adjusted PBT
(1H18: $187m)

$196m 5% ⬆

Adjusted revenue
(1H18: $907m)

$924m 2% ⬆

Adjusted ECL
(1H18: ($4m))

$19m >100% ⬆

charge / (net release)

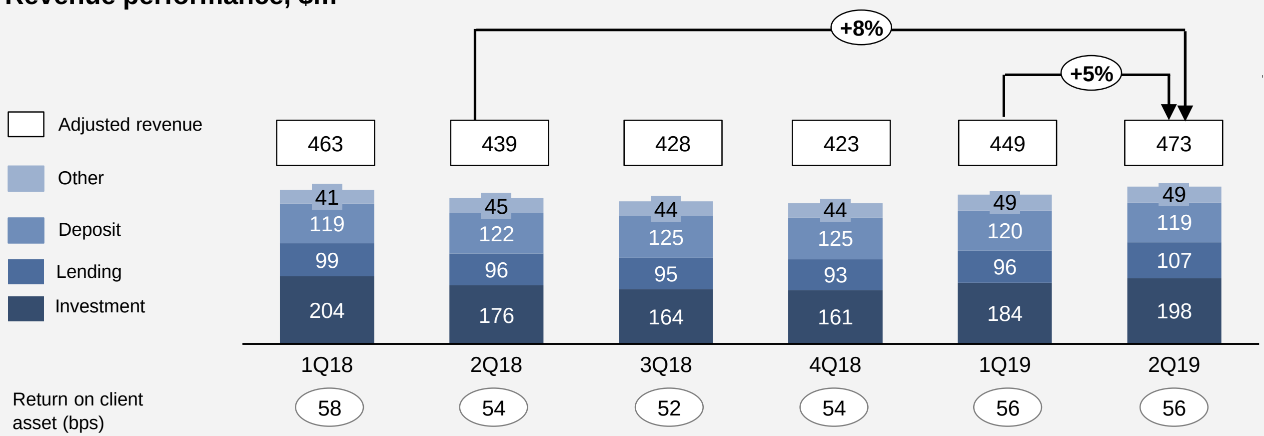
Adjusted costs
(1H18: $724m)

$709m 2% ⬇

RoTE[27]
(1H18: 11.2%)

11.2%

Revenue performance, $m[28]



2Q19 vs. 2Q18: Adjusted revenue up 8%

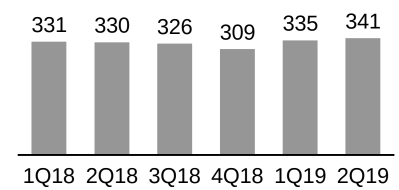
Higher revenues mainly driven by $22m higher investment revenue and $11m higher lending primarily NII from $5bn (+12%) higher balances

- Asia, revenue up $25m to $221m, primarily in Hong Kong, mainly from $13m higher brokerage and trading and $7m higher lending NII from lending growth driven by strong credit demand for investment (+$4.3bn)
- Europe, revenue up $16m notably driven by $7m higher investment revenue reflecting higher discretionary & advisory mandates and $6m higher lending NII from higher balances
- US, revenue decreased by $6m mostly from lower deposit spreads

2Q19 vs. 1Q19: Adjusted revenue up 5%

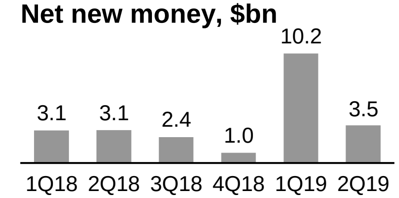
- Strong 2Q19, highest quarter since 2Q15, driven by $14m higher investment revenue across all regions mainly from $7.6bn mandate growth in 1H19. This is coupled with $11m higher lending NII across most countries thanks to higher balances (+$3.2bn, +8%)

Reported client assets, $bn



- Growth in discretionary & advisory mandates (+$7.6bn in 1H19 of which $4.8bn in Europe and $2.8bn in Asia, while FY18 was +$7.2bn)
- Increase of Client Assets in 2Q19 mainly due to favourable FX/Market movement and positive NNM

Net new money, $bn



- Positive inflows of $14bn in 1H19 highest NNM recorded since 2008, mainly driven by inflows in Asia and Europe
- More than 60% of 1H19 NNM came from collaboration with our other global businesses

Corporate Centre

1H19 highlights

Adjusted PBT*
(1H18: $0.5 bn)
$1.0bn 90%⬆

Adjusted revenue
(1H18: ($0.3)bn)
$0.1bn >100%⬆

Adjusted ECL
(1H18: $(87)m)
$(8)m 91%⬇
charge / (net release)

Adjusted costs
(1H18: $0.6bn)
$0.4bn 34%⬇

RoTE[27]
(1H18: (3.9)%)
(4.1)%

Revenue performance, $m[28]

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Central Treasury	**(26)**	**208**	**111**	**293**	**311**	**289**
Of which:						
Balance Sheet Management	568	677	531	633	617	593
Holdings Interest expense	(299)	(288)	(340)	(340)	(317)	(328)
Valuation differences on long-term debt and associated swaps	(241)	(124)	(15)	67	50	93
Other central treasury	(54)	(57)	(65)	(67)	(39)	(69)
Legacy Credit	**3**	**(107)**	**27**	**(12)**	**(71)**	**(13)**
Other	**(179)**	**(151)**	**(396)**	**(11)**	**(243)**	**(141)**
of which Argentina hyperinflation	-	-	(304)	73	(56)	15
Total	**(202)**	**(50)**	**(258)**	**270**	**(3)**	**135**

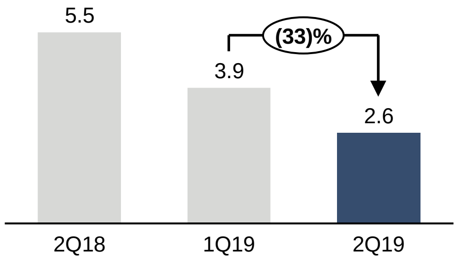
2Q19 vs. 2Q18: Adjusted revenue up $185m

- Favourable valuation differences on long term debt and associated swaps (up $217m)
- Legacy Credit (up $94m) reflecting lower losses on portfolio disposals
- BSM (down $84m) reflecting lower reinvestment yields

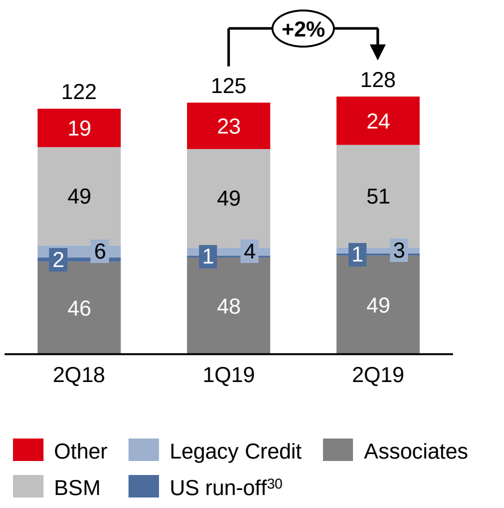
2Q19 vs. 1Q19: Adjusted revenue up $138m

- Favourable impact of Argentina hyperinflation (up $71m)
- Legacy Credit (up $58m) reflecting lower losses on portfolio disposals
- Favourable valuation differences on long term debt and associated swaps (up $43m)
- BSM (down $24m) reflecting lower reinvestment yields

Legacy credit adjusted RWAs[29], $bn



Adjusted RWAs[29], $bn



*Includes Associate income

RoTE by global business excluding significant items and UK bank levy

1H19 $m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	**3,783**	**3,998**	**2,634**	**183**	**1,809**	**12,407**
Tax expense	(675)	(851)	(523)	(30)	(391)	(2,470)
Reported profit after tax	**3,108**	**3,147**	**2,111**	**153**	**1,418**	**9,937**
less attributable to: preference shareholders, other equity holders, non-controlling interests	(442)	(445)	(341)	(11)	(191)	(1,430)
Profit attributable to ordinary shareholders of the parent company	**2,666**	**2,702**	**1,770**	**142**	**1,227**	**8,507**
Increase in PVIF (net of tax)*	(611)	(25)	—	(1)	(1)	(638)
Significant items (net of tax) and UK bank levy	481	20	144	11	(649)	7
BSM allocation and other adjustments[31]	272	290	440	32	(1,089)	(55)
Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy	**2,808**	**2,987**	**2,354**	**184**	**(512)**	**7,821**
Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments[32]	24,125	43,000	48,073	3,301	24,956	143,455
RoTE excluding significant items and UK bank levy (annualised)	**23.5%**	**14.0%**	**9.9%**	**11.2%**	**(4.1)%**	**11.0%**

1H18 $m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	**3,512**	**4,149**	**3,725**	**146**	**(820)**	**10,712**
Tax expense	(629)	(901)	(819)	(24)	77	(2,296)
Reported profit after tax	**2,883**	**3,248**	**2,906**	**122**	**(743)**	**8,416**
less attributable to: preference shareholders, other equity holders, non-controlling interests	(417)	(417)	(290)	(13)	(106)	(1,243)
Profit attributable to ordinary shareholders of the parent company	**2,466**	**2,831**	**2,616**	**109**	**(849)**	**7,173**
Increase in PVIF (net of tax)*	(224)	(17)	—	—	(2)	(243)
Significant items (net of tax) and UK bank levy	87	(27)	(109)	35	1,382	1,368
BSM allocation and other adjustments[31]	295	303	424	47	(1,069)	—
Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy	**2,623**	**3,090**	**2,931**	**190**	**(542)**	**8,292**
Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments[32]	24,809	41,377	47,866	3,436	28,337	145,825
RoTE excluding significant items and UK bank levy (annualised)	**21.3%**	**15.1%**	**12.3%**	**11.2%**	**(3.9)%**	**11.5%**

*Excludes the increase in PVIF (net of tax) attributable to non-controlling interests. The increase in PVIF, as reported in 'other operating income', was $912m in 1H19 and $363m in 1H18

Equity drivers

2Q19 vs. 1Q19 Equity drivers

	Shareholders' Equity, $bn	Tangible Equity, $bn	TNAV per share, $	Basic number of ordinary shares, million
As at 31 March 2019	**188.4**	**141.6**	**7.05**	**20,082**
Profit attributable to:	4.6	4.4	0.22	-
Ordinary Shareholders[33]	4.4	4.4	0.22	-
Other equity holders	0.3	-	-	-
Dividends gross of scrip	(0.3)	-	-	-
On ordinary shares[34]	-	-	-	-
On other equity instruments	(0.3)	-	-	-
Scrip[34]	0.0	0.0	(0.05)	141
FX[33]	(1.1)	(1.2)	(0.06)	-
Fair value movements through 'Other Comprehensive Income'	0.4	0.4	0.02	-
Other[33]	0.6	0.2	0.01	(2)
As at 30 June 2019	**192.7**	**145.4**	**7.19**	**20,221**

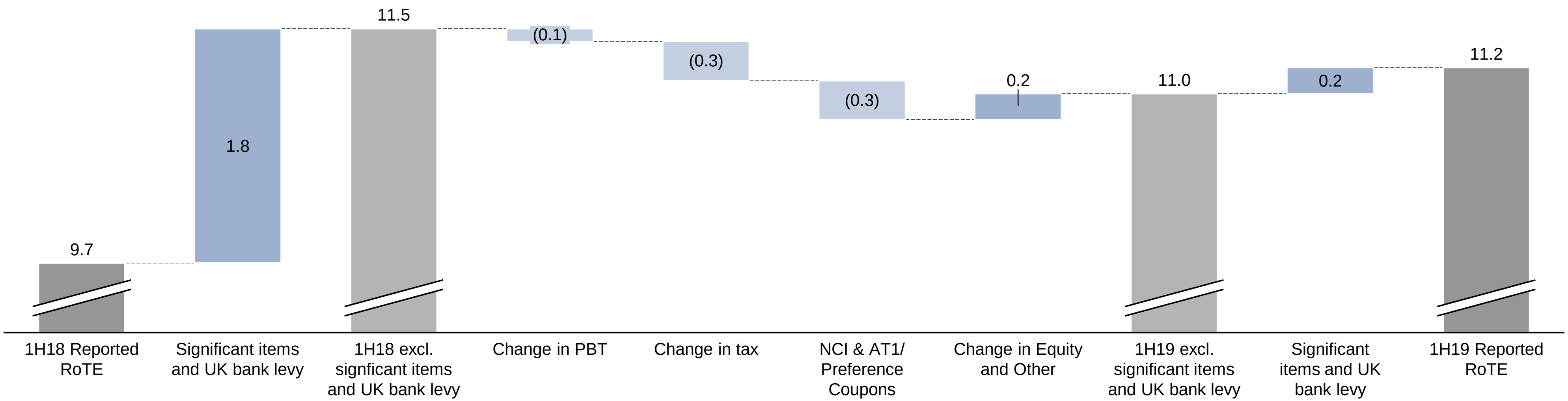
- $7.17 on a fully diluted basis
- Does not account for $0.10 per share 1Q19 dividend, paid on 5th July

20,286 million on a fully diluted basis

At 30th June 2019, HSBC changed its accounting practice on the recognition of interim dividends to recognise them on the date of payment rather than the date of declaration

Return metrics

Group RoTE (annualised) walk, 1H19 vs. 1H18, %



Group return metrics

	1H18	1H19
RoE	8.7%	10.4%
Reported revenue / RWAs[35]	6.3%	6.8%
Reported RoTE	9.7%	11.2%

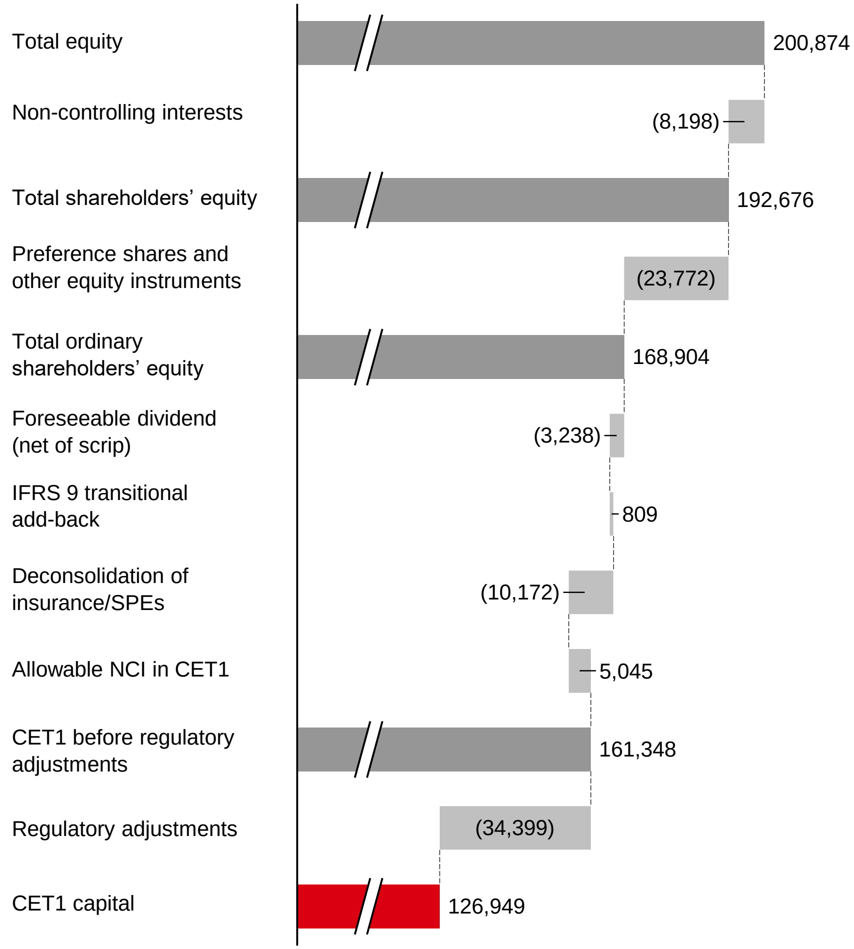
1H19 Reported RoTE includes c.120bps favourable impact of the SABB dilution gain

Global business and Corporate Centre RoTE[36]

	1H18	1H19
RBWM	21.3%	23.5%
CMB	15.1%	14.0%
GB&M	12.3%	9.9%
GPB	11.2%	11.2%
Corporate Centre	(3.9)%	(4.1)%

Total shareholders' equity to CET1 capital

Total equity to CET1 capital, as at 30 June 2019, $m



Total equity to CET1 capital walk, $m

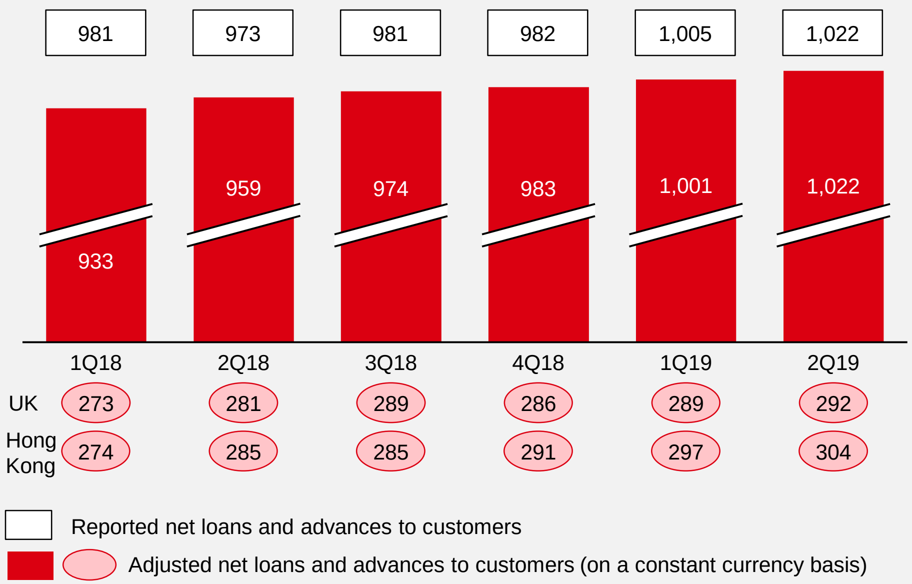
	4Q18	2Q19
Total equity (per balance sheet)	**194,249**	**200,874**
- Non-controlling interests	(7,996)	(8,198)
Total shareholders' equity	**186,253**	**192,676**
- Preference share premium	(1,405)	(1,405)
- Additional Tier 1	(22,367)	(22,367)
Total ordinary shareholders' equity	**162,481**	**168,904**
- Foreseeable dividend (net of scrip)	(3,365)	(3,238)
- IFRS 9 transitional add-back	904	809
- Deconsolidation of insurance/SPE	(9,391)	(10,172)
- Allowable NCI in CET1	4,854	5,045
CET1 before regulatory adjustments	**155,483**	**161,348**
- Additional value adjustments (prudential valuation adjustment)	(1,180)	(1,236)
- Intangible assets	(17,323)	(18,904)
- Deferred tax asset deduction	(1,042)	(1,113)
- Cash flow hedge adjustment	135	(97)
- Excess of expected loss	(1,750)	(1,733)
- Own credit spread and debit valuation adjustment	298	1,798
- Defined benefit pension fund assets	(6,070)	(6,160)
- Direct and indirect holdings of CET1 instruments	(40)	(40)
- Threshold deductions	(7,489)	(6,914)
Regulatory adjustments	**(34,461)**	**(34,399)**
CET1 capital	**121,022**	**126,949**

Balance sheet – customer lending

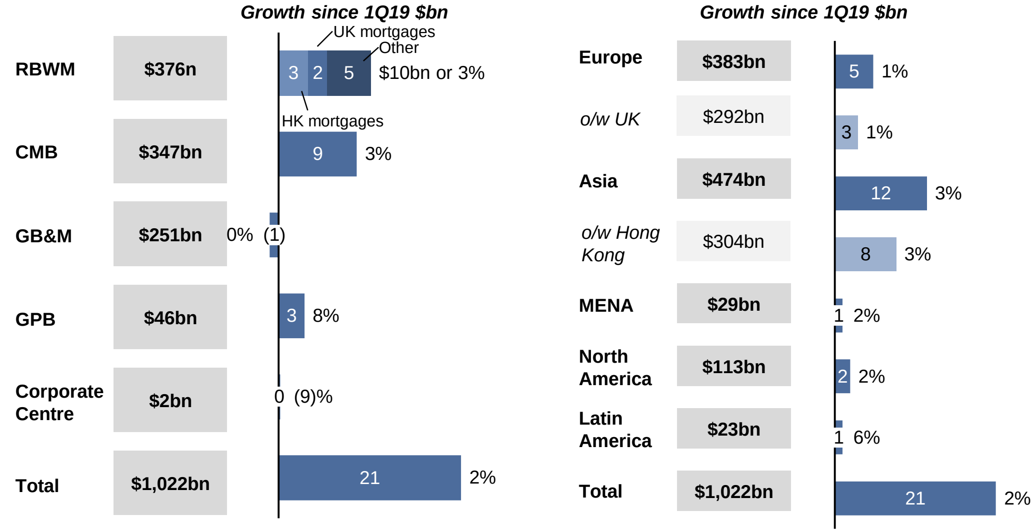
2Q19 Net loans and advances to customers

Adjusted customer lending increased by $20.9bn (+2%) vs. 1Q19, reflecting lending growth in:

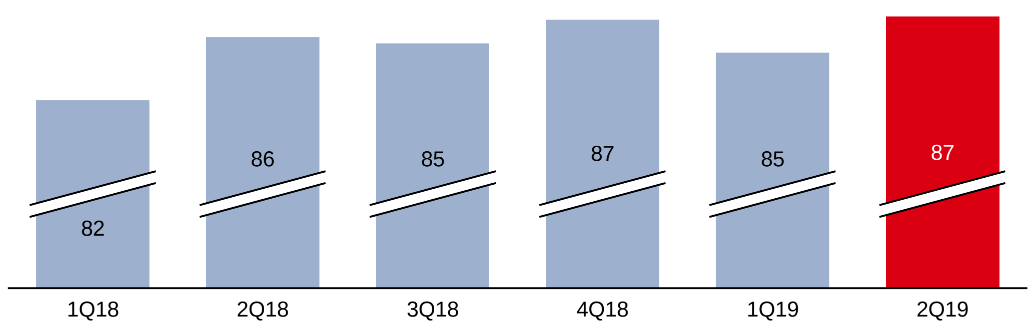
- Asia (up $11.9bn or 3%), notably in RBWM (up $5.6bn), of which $3.4bn mortgage growth in Hong Kong and $1.2bn in Australia. Lending also grew in CMB (up $3.8bn), mainly term lending in Hong Kong and mainland China, and in GPB (up $2.1bn)
- Europe up $5.0bn or 1%, in RBWM (up $3.2bn), of which $2.6bn in HSBC UK, notably mortgages, in CMB (up $2.3bn) mainly from term lending



2Q19 adjusted lending growth by global business and region $bn



GTRF funded assets, $bn

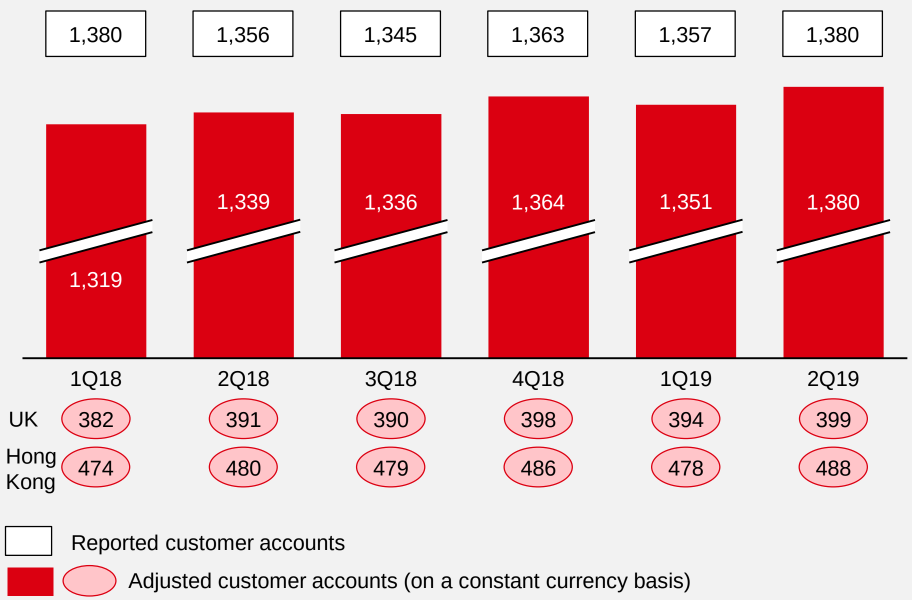


Balance sheet – customer accounts

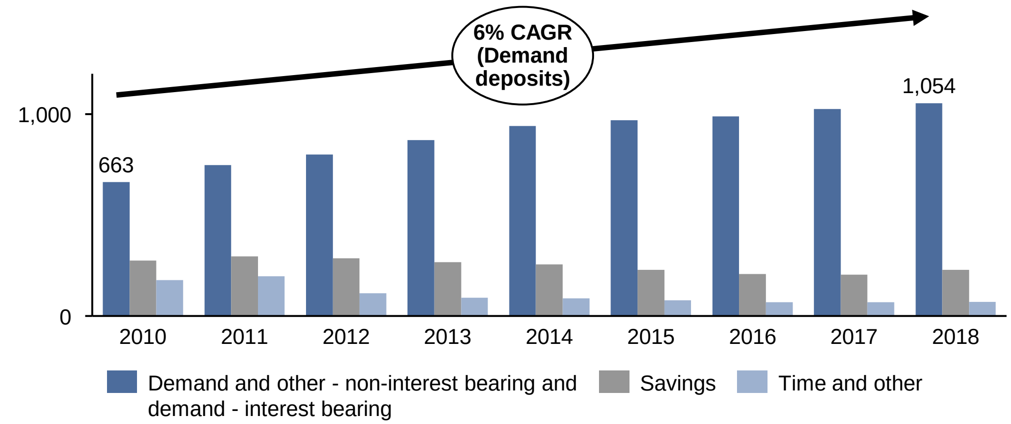
2Q19 Customer accounts

Adjusted customer accounts increased by $29.2bn (2%) vs. 1Q19:

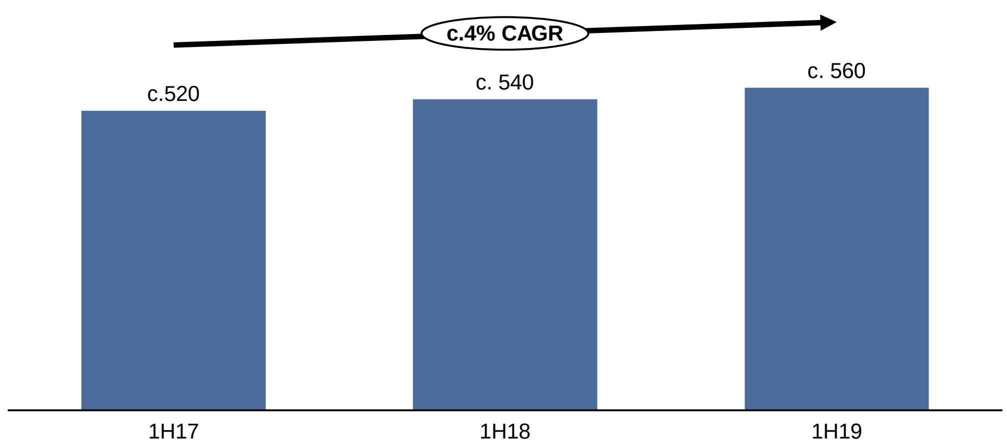
- Asia up $19.5bn, mainly in GB&M ($9.1bn) and CMB ($7.3bn), including seasonality in Hong Kong and mainland China. Growth in RBWM (up $4.2bn), mainly in Hong Kong
- Europe up $4.9bn, in HSBC UK (up $4.6bn) in RBWM (up $2.4bn) and CMB (up $2.0bn) primarily in current accounts
- North America up $4.6bn, mainly in US GB&M (up $2.2bn) and US CMB (up $1.2bn) from an increase in savings accounts and demand deposits. Growth in Canada RBWM (up $1.1bn)



FY18: Reported average customer accounts[37], $bn



Average GLCM deposits (includes banks and affiliate balances), **$bn**

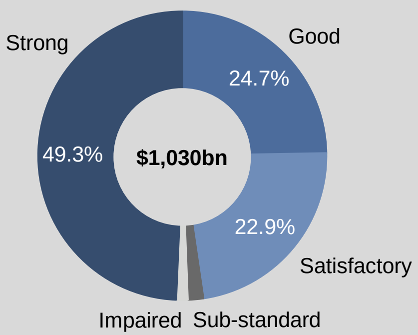


Asset quality

Gross loans and advances to customers - $1,030bn

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

As at 30 June 2019

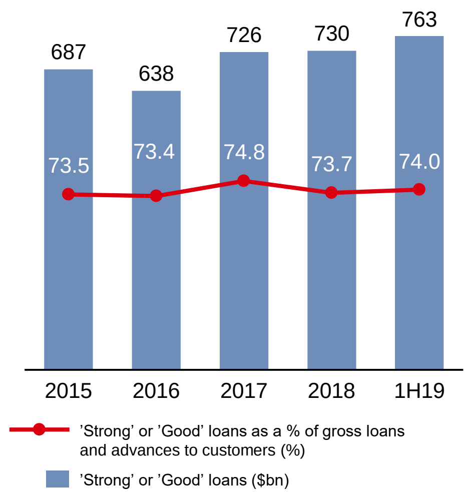


Total gross customer loans and advances to customers of $1,030bn

Increased by $40bn (4%) from 31 Dec 2018 on a reported basis.

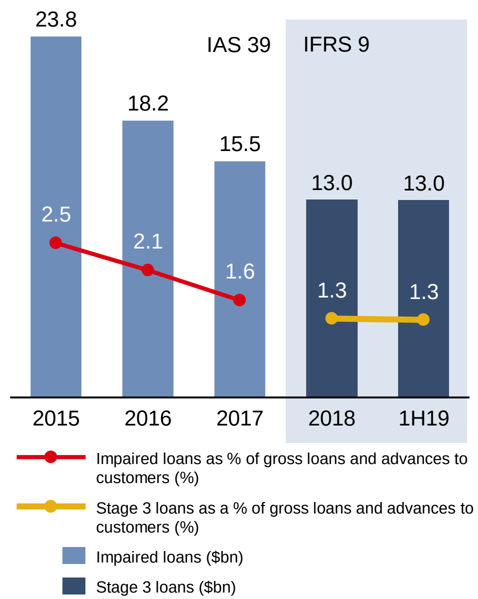
Increased by $39bn (4%) from 31 Dec 2018, on a constant currency basis.

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



c.74% of gross loans and advances to customers of ‘Strong’ or ‘Good’ credit quality, equivalent to external Investment Grade credit rating.

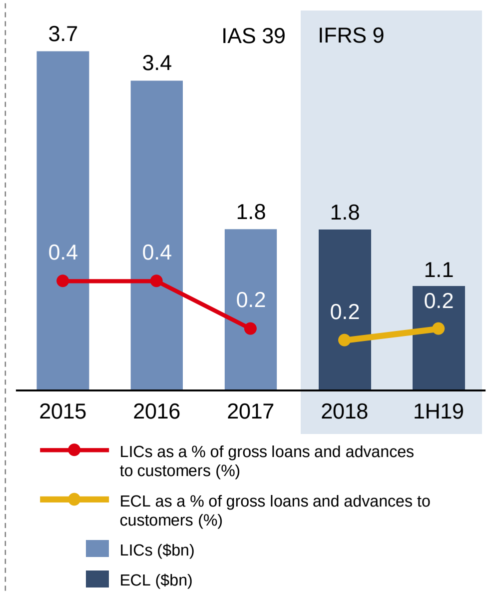
Stage 3 and impaired loans and advances to customers, $bn



Stage 3 loans as a % of gross loans and advances to customers was 1.3%.

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

LICs/ECL, $bn

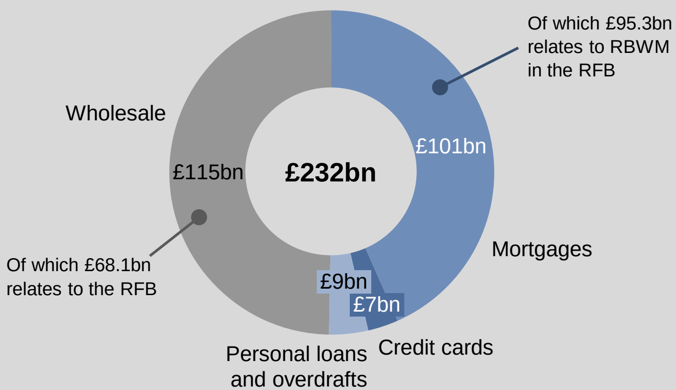


ECL charge of $1.1bn in 1H19; ECL as a % of gross loans and advances to customers was 23bps.

UK customer loans and advances

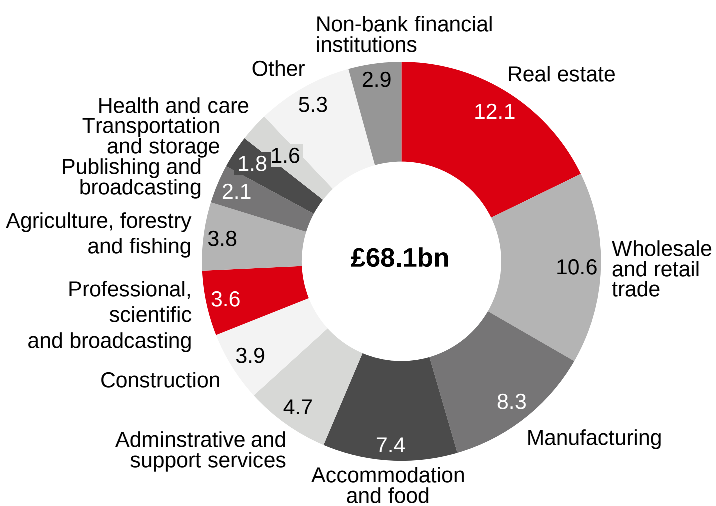
Total UK gross customer loans and advances

As at 30 June 2019

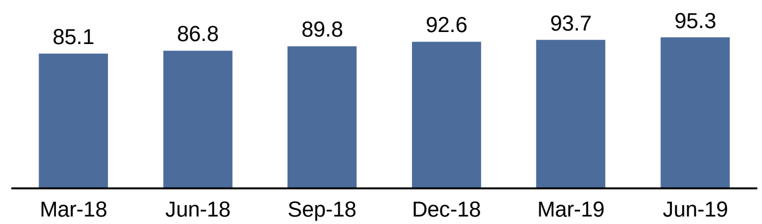


Wholesale gross loans and advances to customers (RFB)[38], £bn

As at 30 June 2019



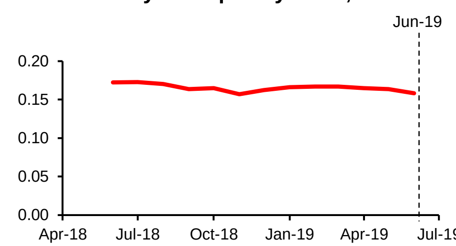
RBWM residential mortgages[38], £bn



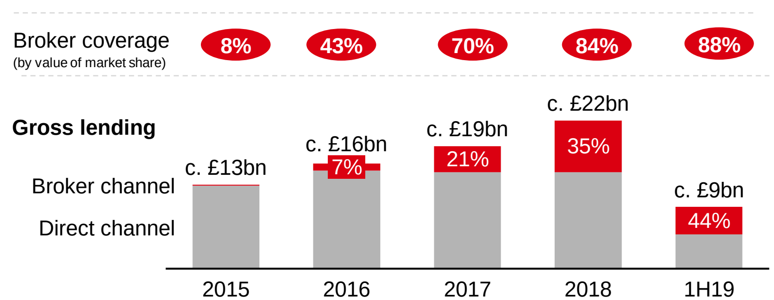
By LTV

Less than 50%	£45.6bn
50% - < 60%	£15.3bn
60% - < 70%	£13.7bn
70% - < 80%	£12.0bn
80% - < 90%	£7.1bn
90% +	£1.6bn

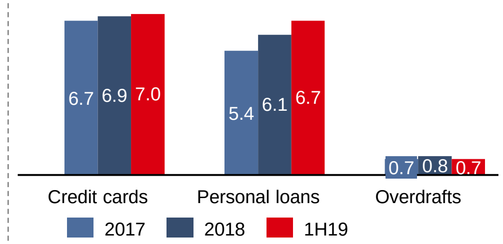
90+ day delinquency trend, %



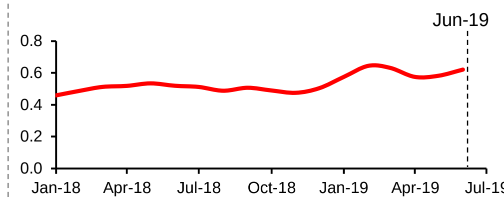
- c.28% of mortgage book is in Greater London
- Buy-to-let mortgages of £2.9bn
- Mortgages on a standard variable rate of £3bn
- Interest-only mortgages of £19.2bn[39]
- LTV ratios:
  - c.48% of the book < 50% LTV%
  - new originations average LTV of 68%
  - average LTV of the total portfolio of 50%



RBWM unsecured lending[38], £bn



Credit cards: 90+ day delinquency trend, %

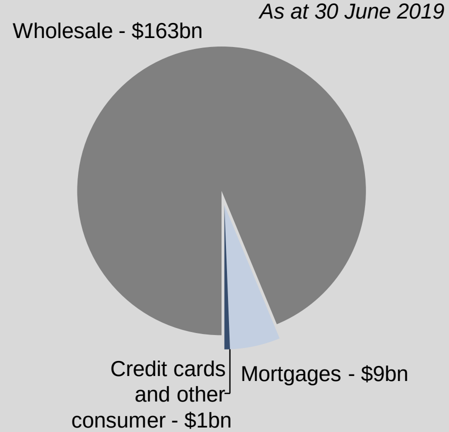


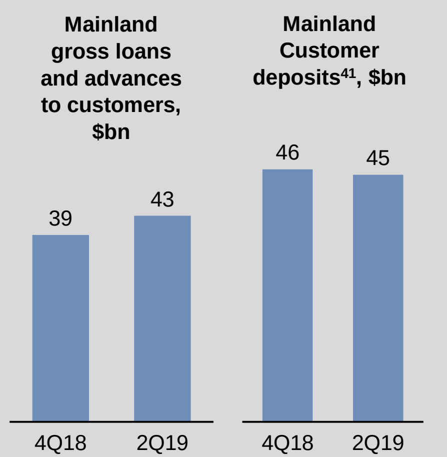
- Increase in 90+ delinquency rates in 1H19 predominantly due to a short term pause in charge off processing on 180+ delinquent balances, underlying trend stable

Mainland China drawn risk exposure[40]

Total China drawn risk exposure of $173bn

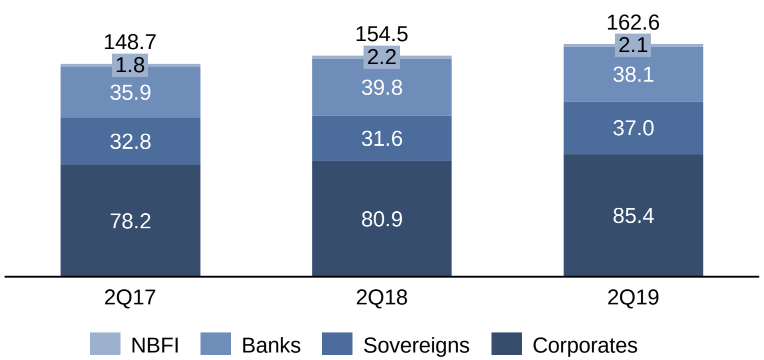
As at 30 June 2019





- Total China drawn risk exposure of $173bn
- Wholesale: $163bn (of which 52% is onshore); Retail: $10bn
- Gross loans and advances to customers of c$43bn in mainland China (by country of booking, excluding Hong Kong and Taiwan)
- Stage 3 loan balances, days past due and loss remains low
- At 4Q18, HSBC's onshore corporate lending market share was 0.14% which allows us to be selective in our lending

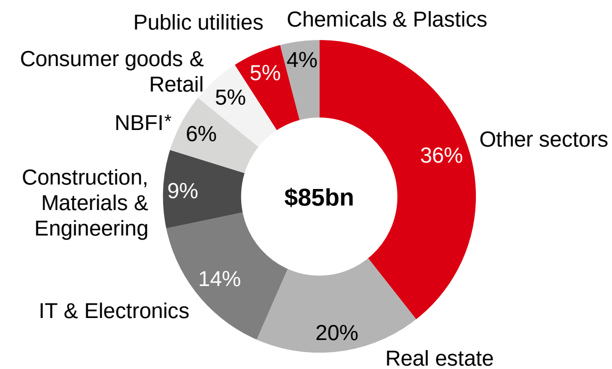
Wholesale analysis



Wholesale lending by risk type:

CRRs	1-3	4-6	7-8	9+	Total
Sovereigns	36.9	0.0			37.0
Banks	37.9	0.2			38.1
NBFI	1.6	0.5			2.1
Corporates	57.0	28.0	0.1	0	85.4
Total	**133.5**	**28.7**	**0.1**	**0.3**	**162.6**

Corporate Lending by sector:



- c.20% of lending is to Foreign Owned Enterprises, c38% of lending is to State Owned Enterprises, c42% to Private sector owned Enterprises
- Corporate real estate
  - 62% 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

Glossary

AIEA	Average interest earning assets
ASEAN	Association of Southeast Asian Nations
AUM	Assets under management
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point
BREEAM	Building Research Establishment Environmental Assessment Method
BRI	Belt & Road Initiative
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
CRD IV	Capital Requirements Directive IV
CRR	Customer risk rating
ECL	Expected credit losses. In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied.
ESG	Environmental, social and governance
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
GTRF	Global Trade and Receivables Finance
IAS	International Accounting Standards
IBOR	Interbank Offered Rate
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. Calculated on an adjusted basis
Legacy credit	A portfolio of assets including securities investment conduits, asset-backed securities, trading portfolios, credit correlation portfolios and derivative transactions entered into directly with monoline insurers
LTV	Loan to value
MENA	Middle East and North Africa
NAV	Net Asset Value
NBFI	Non-Bank Financial Institutions
NCI	Non-controlling interests
NII	Net interest income
NIM	Net interest margin
NRFB	Non ring-fenced bank
PAOS	Profit attributable to ordinary shareholders
PBT	Profit before tax
POCI	Purchased or originated credit-impaired
Ppt	Percentage points
PRD	Pearl River Delta
PVIF	Present value of in-force insurance contracts
RBWM	Retail Banking and Wealth Management, a global business
HBUK (RFB)	Ring-fenced bank, established July 2018 as part of ring fenced bank legislation
RoE	Return on average ordinary shareholders' equity
RoTE	Return on average tangible equity
RWA	Risk-weighted asset
TNAV	Tangible net asset value

Footnotes

1. Scale markets include HK, UK, Mexico, PRD, Singapore, Malaysia, UAE, Saudi Arabia
2. Market share gains are vs. 2017 year end; market shares for HK, UK, Mexico, PRD, Singapore and Malaysia are as of May 2019; Saudi Arabia is as of April 2019; UAE is as of March 2019
3. Cumulative amount since 1st January 2017; 1H19 only includes HSBC's share of Dealogic's Green, Social and Sustainability Bond league table data
4. UK mortgage and CMB loan market shares as of May 2019 and March 2019, respectively
5. International network revenue includes transaction banking and international client revenue
6. Transaction banking includes GLCM, GTRF, Securities Services, and FX
7. Market share comparisons for GLCM and GTRF are 1Q19 vs. 2017 year end
8. Baseline comparison point is 2017 year end, except for Saudi Arabia CMB, which uses 4Q18
9. Rating as measured by Sustainalytics (an external agency) against our peers and reported annually
10. June 2019 score is unchanged vs. December 2018 score
11. Average performer rating does not take into account the ESG report published in April 2019
12. Sustainalytics' new ratings methodology will replace their old methodology
13. 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%
14. 1H18 Jaws (adjusted) is as reported at 1H18
15. 20,124 million weighted average basic ordinary shares outstanding during the period; 20,189 million on a fully diluted basis
16. 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
17. Leverage ratio is calculated using the Capital Requirements Regulation on an end-point basis for tier 1 capital
18. 1H19 TNAV per share excludes the impact of the first interim dividend of $0.10 per share (please see footnote 34 below for further details)
19. HSBC UK Bank plc (RFB) started operations on 1st July 2018. FY18 NIM relates to 2H18 only
20. Total includes POCI balances and related allowances
21. CET1 ratio is on an IRFS 9 basis
22. 2018 published results ($28.5bn) plus green, social & sustainability bond in 2019 only. Bonds can be validated on Dealogic
23. 2Q18, 4Q18 and 1Q19 have been retranslated at 2Q19 average rates
24. From 1st July 2018, Argentina was deemed a hyperinflationary economy for accounting purposes
25. Source: Bloomberg. Equity market investments in the Insurance manufacturing business are mainly benchmarked to MSCI World index (c.50%), MSCI Asia excl. Japan (c.50%)
26. 1Q19 as reported at 1Q19 Results; 4Q18 as reported at 4Q18 Results; 3Q18 as reported at 3Q18 Results; 2Q18 as reported at 2Q18 Results; 1Q18 as reported at 1Q18 Results
27. RoTE is annualised and excludes significant items and the UK bank levy
28. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 2Q19 exchange rates
29. Where a quarterly trend is presented on the Balance Sheet and Funds Under Management, all comparatives are re-translated at 30 June 2019 exchange rates
30. RWAs consist of current tax, deferred tax and operational risk
31. BSM profits and equity are allocated from the Corporate Centre to the Global Businesses
32. Tangible Equity is allocated to global businesses at a legal entity level, using RWAs, or a more suitable local approach, where appropriate
33. Differences between shareholders' equity and tangible equity drivers reflect adjustments primarily for PVIF movements and amortisation expense within 'Profit Attributable to Ordinary shareholders', FX on goodwill and intangibles within 'FX', and intangible additions within 'Other'.
34. At 30th June 2019, HSBC changed its accounting practice on the recognition of interim dividends to recognise them on the date of payment rather than the date of declaration, in line with generally accepted accounting practice. As such the impact of the first interim dividend of $0.10 per share (c.$1.6bn net of scrip; +45m shares paid on 5th July 2019) is not shown within the movement in the quarter. The 141m shares reflects the associated share issuance from the 4Q17 scrip dividend
35. Revenue/RWAs is calculated using annualised revenues and reported average risk-weighted assets
36. Global business and Corporate Centre RoTE excludes significant items and UK bank levy
37. Source: Form 20-F
38. HSBC UK Bank plc (RFB) basis only
39. Includes offset mortgages in first direct, endowment mortgages and other products
40. Mainland China drawn risk exposure. Retail drawn exposures represent retail lending booked in mainland China; wholesale lending where the ultimate parent and beneficial owner is Chinese
41. Deposits for customers only, excludes banks

Disclaimer

Important notice

The information, statements and opinions set out in this presentation and accompanying discussion ("this Presentation") are for informational and reference purposes only and do not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any advice or recommendation in respect of such securities or other financial instruments.

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Forward-looking statements

This Presentation may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position, strategy and business of the Group which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "project", "estimate", "seek", "intend", "target" or "believe" or the negatives thereof or other variations thereon or comparable terminology (together, "forward-looking statements"), including the strategic priorities and any financial, investment and capital targets described herein. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. Certain of the assumptions and judgements upon which forward-looking statements regarding strategic priorities and targets are based are discussed under "Targeted Outcomes: Basis of Preparation", available separately from this Presentation at www.hsbc.com. The assumptions and judgments may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions or regulatory changes). Any such forward-looking statements are based on the beliefs, expectations and opinions of the Group at the date the statements are made, and the Group does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management's beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein.

Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts for the fiscal year ended 31 December 2018 filed with the Securities and Exchange Commission (the "SEC") on Form 20 F on 20 February 2019 (the "2018 Form 20-F) and in our Interim Report for the six months ended 30 June 2019 which we expect to furnish to the SEC on Form 6-K on 5 August 2019 (the "2019 Interim Report").

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 our 2018 Form 20-F, our 1Q 2019 Earnings Release furnished to the SEC on Form 6-K on 3 May 2019, the 2019 Interim Report and the corresponding Reconciliations of Non-GAAP Financial Measures document, each of which are available at www.hsbc.com.

Information in this Presentation was prepared as at 5 August 2019.