HSBC Holdings plc

FY20 Fixed income factbook

31 December 2020

Issuance strategy and plan[1]

HoldCo Senior	Tier 2	AT1	OpCo
2021: Expect to issue c.$15bn on a gross basis 2022: Broadly limited to refinancing	2021: No current plans 2022: Broadly limited to refinancing	Broadly limited to refinancing	Expect certain subsidiaries to issue senior and secured debt in local markets

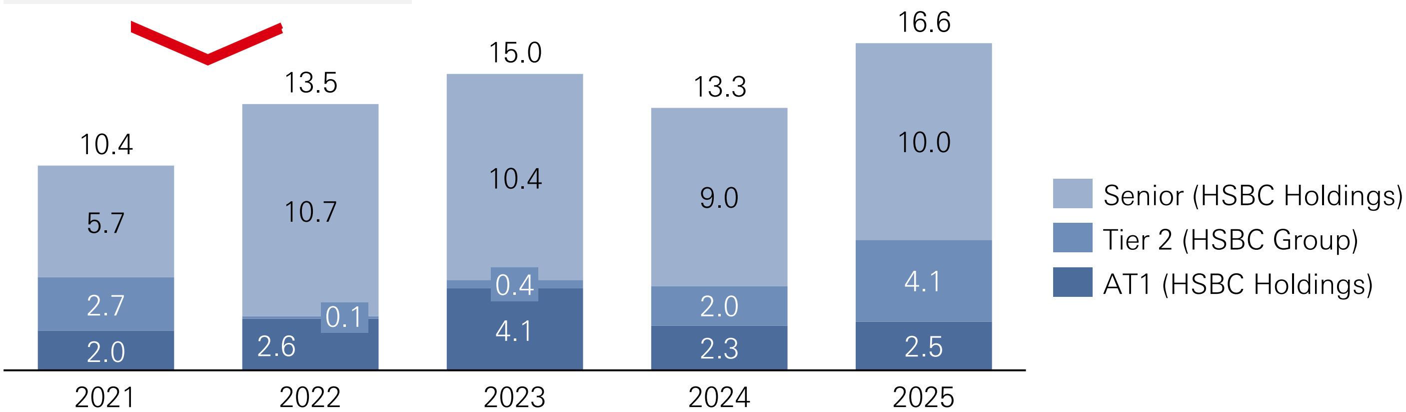
Issuance strategy

- Since 2015, HSBC Holdings has been the Group's issuing entity for external AT1, T2 and MREL/TLAC-eligible Senior
- Issuance over time to broadly match group currency exposures
- Issuance executed with consideration to our maturity profile

Maturity profile (notional) at FY20[2]

$bn-equivalent

HoldCo Senior '21 & '22 maturities reduced by c.$12bn through tenders in 2020



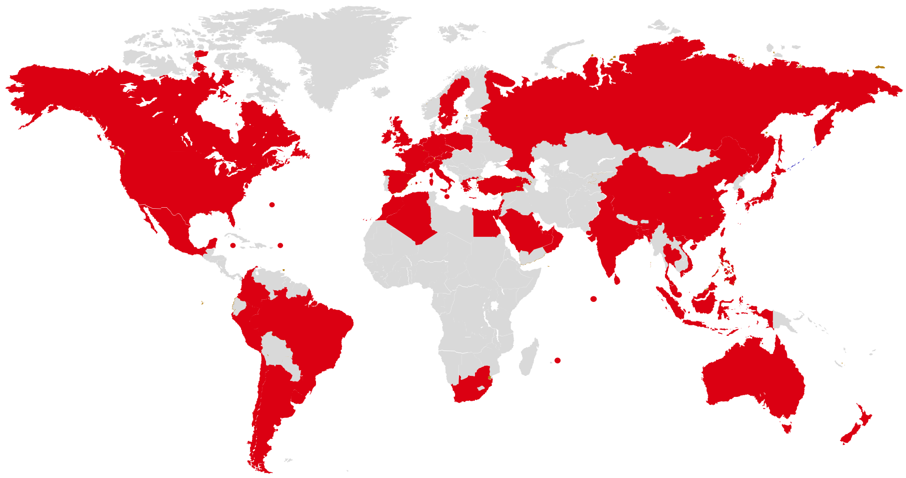
HSBC at a glance

64 countries and territories

>90% of the world's GDP and trade flows covered by our footprint

>40m customers

3 global businesses



Our 3 global businesses

WPB

Wealth and Personal Banking

- We help millions of our customers look after their day-to-day finances and manage, protect and grow their wealth
- We also provide insurance, investment management, advisory and wealth solutions to those with more sophisticated requirements

CMB

Commercial Banking

- Our global reach and expertise help domestic and international businesses around the world unlock their potential
- We help businesses grow by supporting their financial needs and facilitating cross-border trade and payment services

GBM

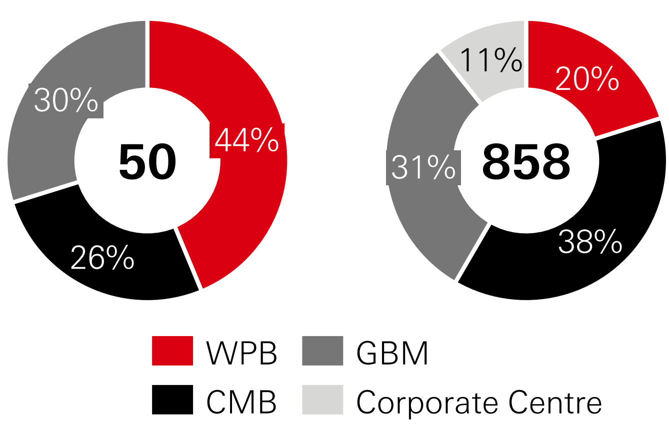
Global Banking and Markets

- We provide a comprehensive range of financial services and products to corporates, governments and institutions

Diversified across businesses and geographies

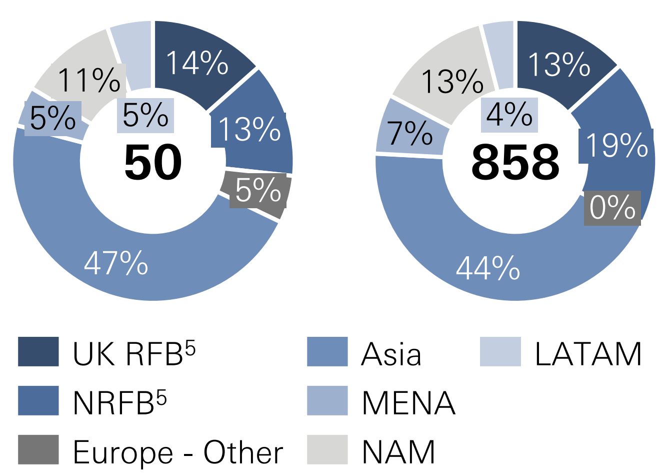
Business performance, $bn

Revenue[3] ◆ **RWAs**



Geographic performance, $bn

Revenue[4] ◆ **RWAs**



◆ Denotes an alternative performance measure presented on an adjusted basis. For a reconciliation of reported to alternative performance measures, see the HSBC Holdings plc Annual Report and Accounts 2020

Our strategy

We will **significantly increase the Group's capital and resource allocation to faster growing markets** in Asia. We will capitalise on the opportunity offered by our network and our franchise to **drive growth from fee generating products** in Wealth and platform businesses in wholesale banking. We will leverage technology to help **transform our cost position**, offering significantly higher operating leverage and freeing up resources for investments. As a result, **we expect to deliver returns above the cost of capital** while driving revenue growth from Asia and supporting sustainable dividends.

Capital allocation

Asia as a % of Group tangible equity[6]

WPB as a % of Group tangible equity[8]

Revenue growth rate

From... **Low** single digits[9]

To... **Mid** single digits

Fees and Insurance as a % of total revenue

Group targets, dividend and capital policy

Costs

Adjusted costs of ≤$31bn in 2022 on Dec 2020 average FX rates

- ≤$30bn using FY20 average FX rates, a $1bn increase in our cost reduction target
- Plan to keep costs broadly stable from 2022, while increasing the proportion of technology spend

RWAs

Gross RWA reduction of >$100bn by end-2022

- Whilst allocating more capital and tangible equity to WPB and Asia, away from the US and NRFB

Capital

CET1 ratio[13] ≥14%

- Manage in a 14-14.5% range over medium-term; manage range down further long-term

Dividends

Sustainable cash dividends

- Transition towards a payout ratio of 40-55% from 2022 onwards[10]
- Dividends could be supplemented by buybacks or special dividends, over time and not in the near-term[11]
- We will also no longer offer a scrip dividend option, and will pay dividends entirely in cash
- We will not pay quarterly dividends during 2021 but will consider whether to announce an interim dividend at 1H21 results[12]

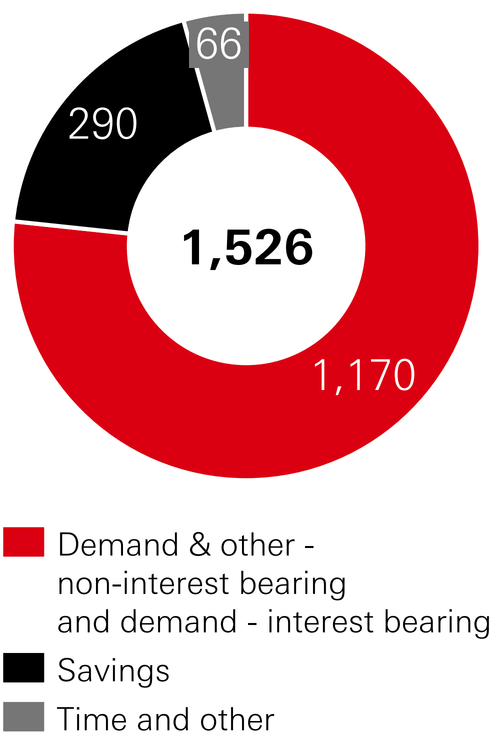
RoTE

≥10% over the medium-term

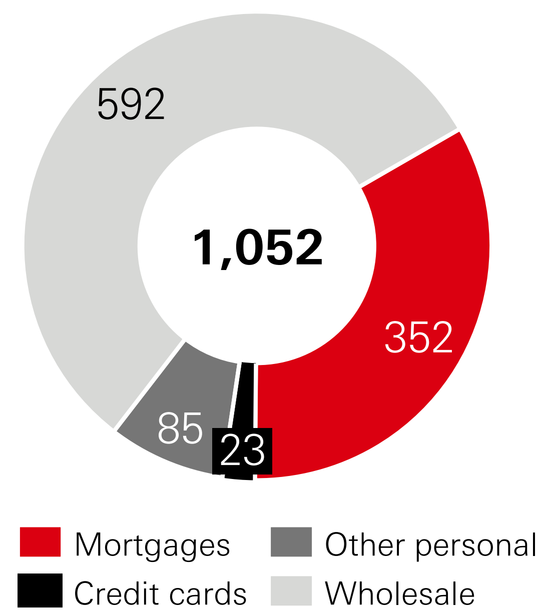
Balance sheet strength

Loan/deposit ratio	High quality liquid assets	LCR*	CET1 ratio[13]	Leverage ratio[14]
63.2%	$678bn	139%	15.9%	5.5%

Average customer deposits by type, $bn



Gross customer lending by type, $bn



- **UK mortgages: $154.8bn**
  - Average LTV: 51%; new lending: 70%
- **HK mortgages: $92.0bn**
  - Average LTV: 45%; new lending: 61%

Group loans and deposits by currency, $bn

	Net loans	Deposits	L/D ratio
USD	173	434	40%
GBP	281	431	65%
HKD	222	310	72%
EUR	90	136	66%
CNY	38	61	62%
Others[15]	234	271	n.a.
Total	**1,038**	**1,643**	**63%**

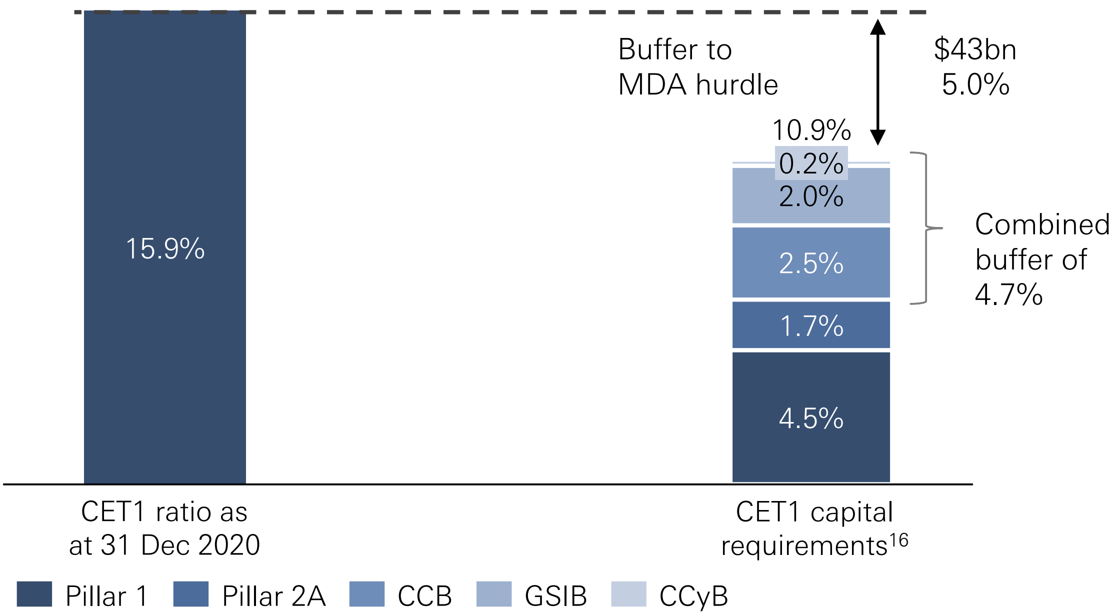
Lending quality at 31 December 2020

- **70% of loans are rated 'Strong' or 'Good'**
- 1.8% of gross loans and advances in Stage 3

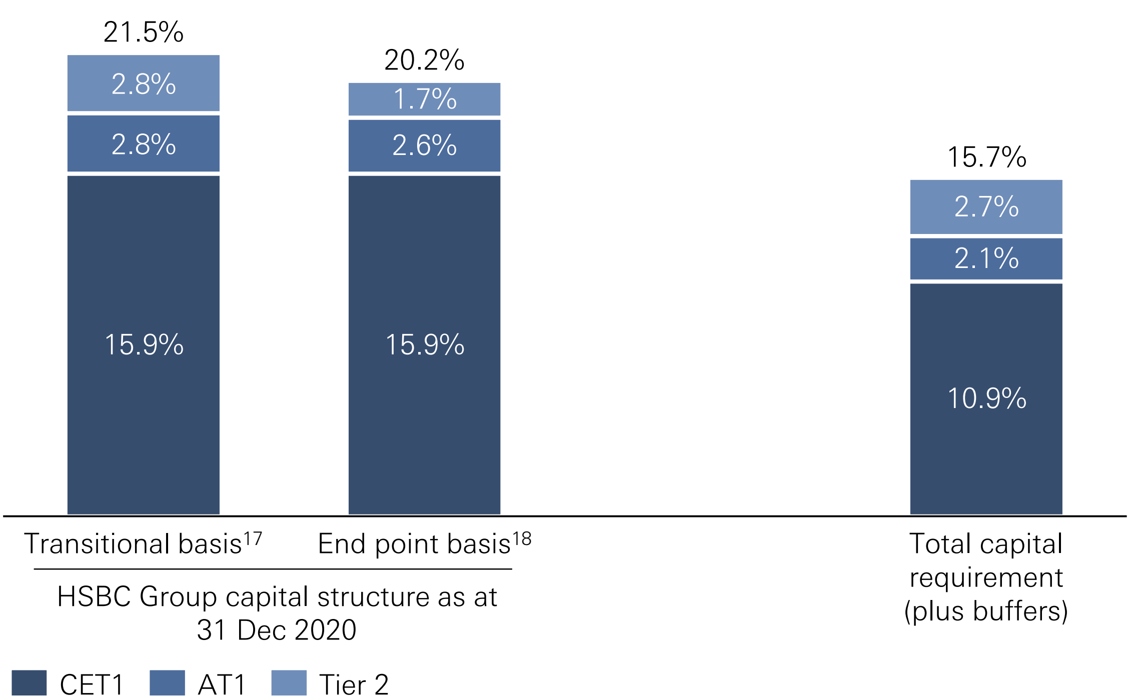
*The methodology used in the Group consolidated LCR in relation to the treatment of part of our HQLA is currently under review with our regulators

Group capital requirements

CET1 ratio as a % of RWAs, vs. MDA hurdle



Regulatory capital vs. regulatory requirements as a % of RWAs



Evolution of regulatory capital stack:

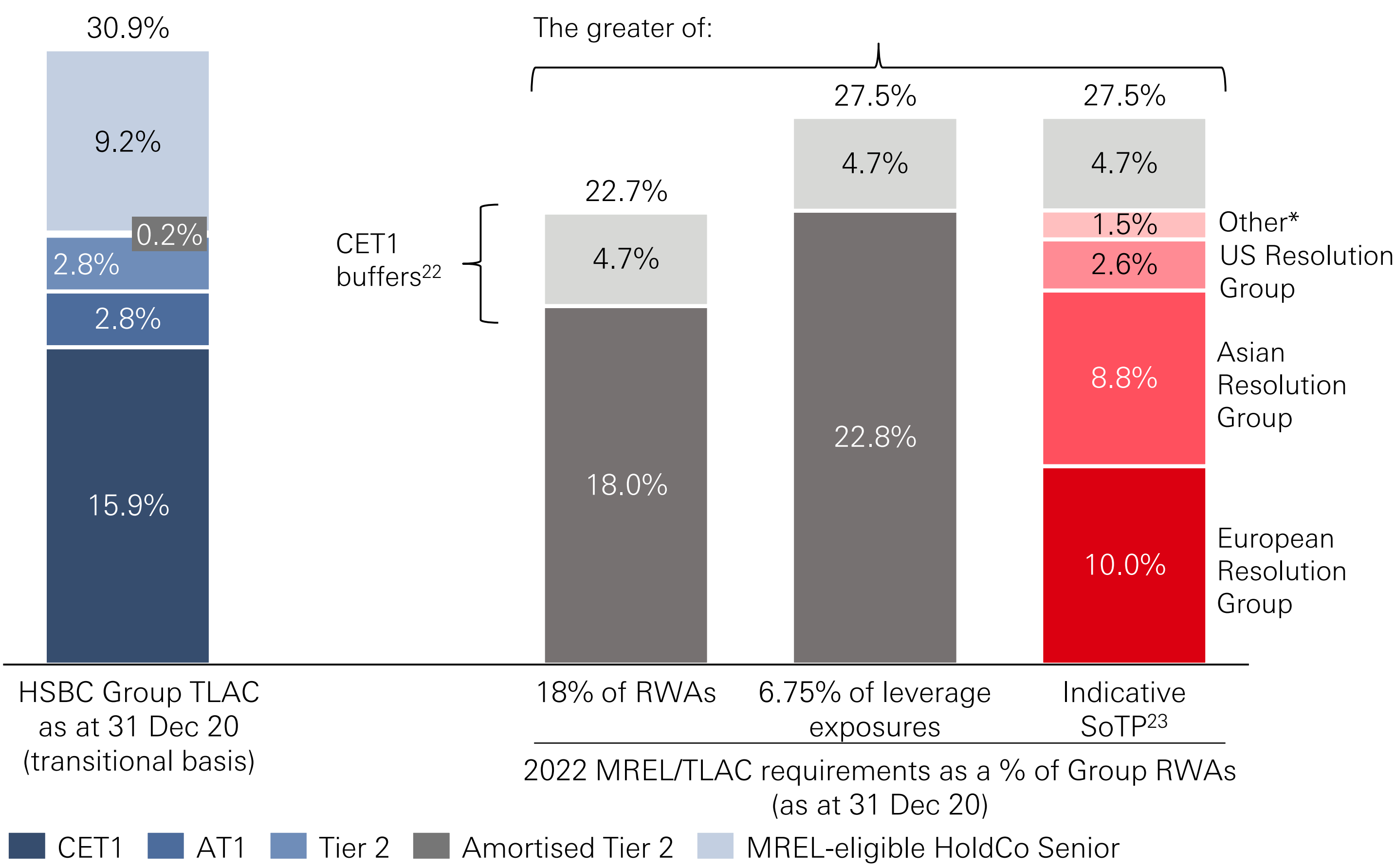
- **Target of CET1 ratio ≥14%;** manage CET1 in 14-14.5% range in the medium-term, and manage down further long-term[7]
- **Expect MREL to increase in 2021 then stabilise**, as issuance is broadly limited to refinancing

Indicative MREL/TLAC requirement

HSBC Group's 2022 MREL requirement[19] is the greater of:

- 18% of RWAs
- 6.75% of leverage exposures[20]
- The sum of requirements relating to each Resolution Group and other Group entities ('SoTP')

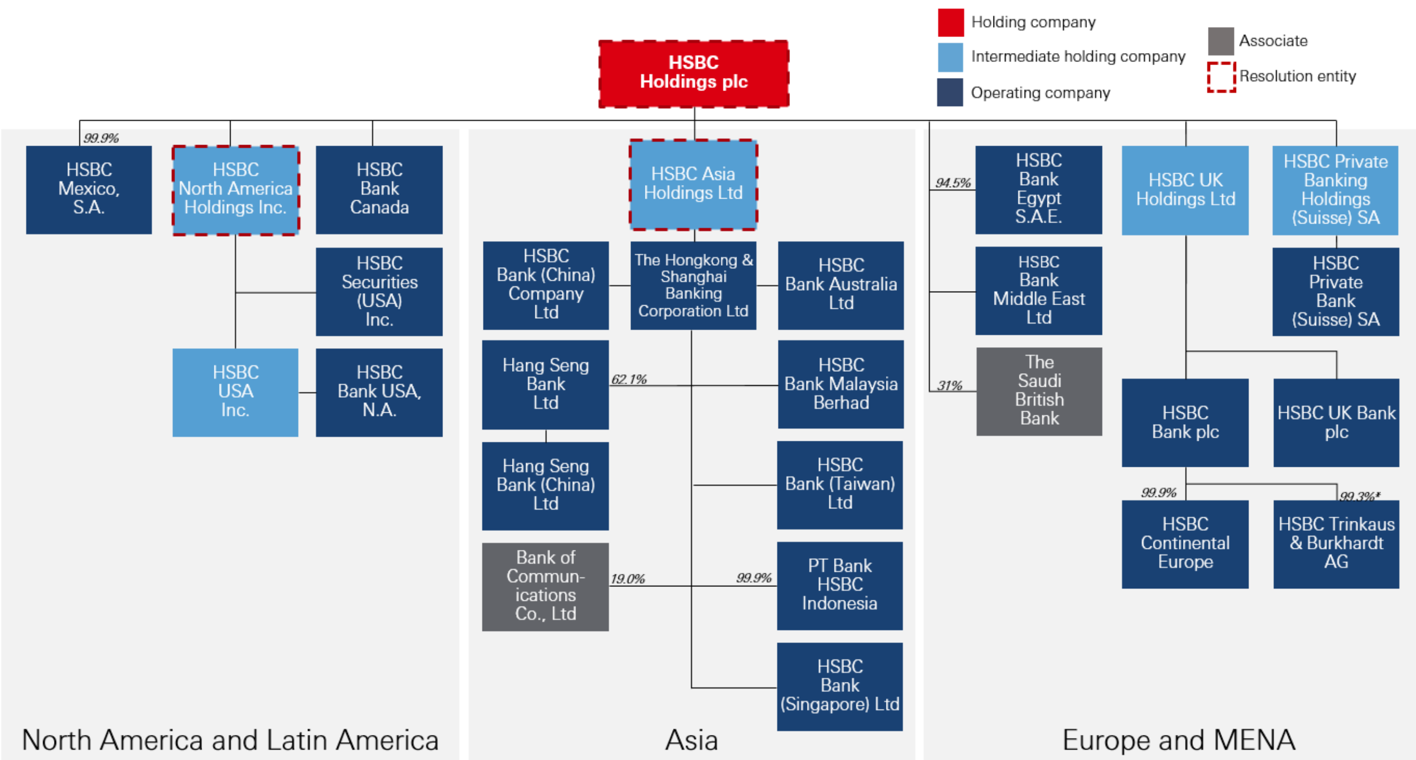
MREL/TLAC position versus estimated end-point regulatory requirements[21] as a % of Group RWAs



* Capital requirements relating to other Group entities such as HSBC Bank Canada, and HSBC Mexico where the entities are not subject to a TLAC requirement that is in addition to regulatory capital requirements

	HSBC Group	US Resolution Group	Europe Resolution Group (Incl. HSBC Holdings)[24]	Asia Resolution Group
TLAC position at FY20	Total TLAC: $265bn Of which: non-regulatory capital: $79bn	Total TLAC: $30bn Of which: non-regulatory capital: $8bn	Total TLAC: $98bn Of which: non-regulatory capital: $47bn	Total TLAC: $102bn Of which: non-regulatory capital: $23bn
Relevant balance sheet at FY20	RWAs: $858bn Leverage exposure: $2,897bn	RWAs: $113bn Leverage exposure: $273bn Average assets: $244bn	RWAs: $303bn Leverage exposure: $1,265bn	RWAs: $381bn Leverage exposure: $1,122bn

Legal entity structure and credit ratings



* Note: On 1st February 2021, the Group acquired the remaining minority equity interest in HSBC Trinkaus & Burkhardt AG and now owns 100% of this subsidiary

Long term senior ratings	S&P		Moody's		Fitch	
As at 23 February 2021	**Rating**	**Outlook**	**Rating**	**Outlook**	**Rating**	**Outlook**
HSBC Holdings plc	A-	STABLE	A2	NEG	A+	NEG
The Hongkong and Shanghai Banking Corporation Ltd	AA-	STABLE	Aa3	NEG	AA-	NEG
HSBC Bank plc	A+	STABLE	A1	STABLE	AA-	NEG
HSBC UK Bank plc	A+	STABLE	A1	STABLE	AA-	NEG
HSBC Continental Europe (formerly HSBC France)	A+	STABLE	Aa3	NEG	AA-	NEG
HSBC Bank USA NA	A+	STABLE	Aa3	NEG	AA-	NEG
HSBC Bank Canada	A+	STABLE	A3	STABLE	A+	NEG

Global business financial performance

Adjusted income statement, $m	WPB	CMB	GBM	Corp. Centre	FY20 Group total	Group vs. FY19
NII	15,090	9,317	4,518	(1,326)	27,599	(9)%
Other Income	6,923	3,995	10,785	1,064	22,767	(7)%
Revenue	**22,013**	**13,312**	**15,303**	**(262)**	**50,366**	(8)%
ECL	(2,855)	(4,754)	(1,209)	1	(8,817)	>(100)%
Costs	(15,024)	(6,689)	(9,264)	(482)	(31,459)	3%
Associates	6	(1)	—	2,054	2,059	(12)%
Profit before tax	**4,140**	**1,868**	**4,830**	**1,311**	**12,149**	(45)%
Significant items and FX	(436)	(229)	(1,214)	(1,493)	(3,372)	62%
Reported profit/(loss) before tax	**3,704**	**1,639**	**3,616**	**(182)**	**8,777**	(34)%
Return on average tangible equity[25], %	9.1%	1.3%	6.7%	3.1%	4.7%	(5.3)ppt

Balance sheet, $bn	WPB	CMB	GBM	Corp. Centre	FY20 Group total	Group vs. FY19
Net customer loans	469	343	224	1	1,038	(2)%
Customer deposits	835	470	337	1	1,643	12%
Reported RWAs	173	328	265	92	858	2%

Geographic financial performance

Adjusted income statement, $m	Asia	*Of which: Hong Kong*	Europe	*Of which: HSBC UK*	North America	Latin America	MENA
NII	14,318	9,006	5,716	5,860	2,836	1,960	1,465
Other Income	12,567	7,354	12,461	1,901	3,582	1,057	1,163
Revenue	**26,885**	**16,360**	**18,177**	**7,761**	**6,418**	**3,017**	**2,628**
ECL	(2,284)	(824)	(3,751)	(2,678)	(900)	(1,124)	(758)
Costs	(13,491)	(7,212)	(16,671)	(4,615)	(4,706)	(1,847)	(1,503)
Associates	1,856	(2)	1	—	—	5	197
Profit/(loss) before tax	**12,966**	**8,322**	**(2,244)**	**468**	**812**	**51**	**564**
Significant items	(134)	(115)	(1,961)	(222)	(644)	(88)	(545)
Reported profit/(loss) before tax	**12,832**	**8,207**	**(4,205)**	**246**	**168**	**(37)**	**19**

Balance sheet, $bn	Asia	*Of which: Hong Kong*	Europe	*Of which: HSBC UK*	North America	Latin America	MENA
Net customer loans	473	303	409	261	108	20	29
Customer deposits	762	532	630	354	182	28	41
Reported RWAs	384	195	284	117	118	35	60

Denotes an alternative performance measure

Note: totals may not cast due to rounding

Key contacts

Richard O'Connor

Global Head of Investor Relations

richard.j.oconnor@hsbc.com

+44 (0) 20 7991 6590

Greg Case

Head of Fixed Income Investor Relations

greg.case@hsbc.com

+44 (0) 20 7992 3825

Jenny Lewis

Investor Relations Manager

jenny.lewis@hsbc.com

+44 (0) 20 3268 3393

Footnotes

1. The issuance plan is guidance only; it is a point in time assessment and subject to change
2. To next call date if callable; otherwise to maturity. Included in FY21 maturities/calls are $1.95bn of Tier 2 instruments
3. Calculation is based on adjusted revenue of our global businesses excluding Corporate Centre, which is also excluded from the total adjusted revenue number
4. Regional percentage compositions calculated with regional figures that include intra-Group revenue. Intra-Group revenue is excluded from the total Group revenue number
5. UK RFB: HSBC UK Bank plc, the UK ring-fenced bank; NRFB: HSBC Bank plc, the non-ring-fenced bank in Europe and the UK
6. Based on tangible equity of the Group's major legal entities excluding Associates, Holdings Companies, consolidation adjustments, and any potential inorganic actions
7. Medium-term defined as 3-4 years; long-term is defined as 5-6 years
8. WPB TE as a share of TE allocated to the Global Businesses (excluding Corporate Centre). Excludes Holdings Companies, consolidation adjustments and any potential inorganic actions
9. 2015-19 adjusted revenue CAGR
10. We intend to transition towards a target payout ratio of between 40% and 55% of reported earnings per ordinary share ('EPS') from 2022 onwards, with the flexibility to adjust EPS for non-cash significant items, such as goodwill or intangibles impairments
11. Should the Group find itself in an excess capital position absent compelling investment opportunities to deploy that excess
12. The Group will review whether to revert to paying quarterly dividends at or ahead of its 2021 results announcement in February 2022
13. Unless otherwise stated, regulatory capital ratios and requirements are based on the transitional arrangements of the Capital Requirements Regulation in force at the time. These include the regulatory transitional arrangements for IFRS 9 'Financial Instruments'. Following the end of the transition period after the UK's withdrawal from the EU, any reference to EU regulations and directives (including technical standards) should be read as a reference to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018
14. Leverage ratio at 31 December 2020 is calculated using the CRR II end-point basis for additional tier 1 capital and the CRR regulatory transitional arrangements for IFRS9; Leverage ratio includes CET1 benefit from the change in treatment of software assets, however the impact is immaterial
15. 'Others' includes items with no currency information available ($56,729m for loans to customers and $5m for customer accounts)
16. CET1 capital and buffers as at 31 December 2020; and subject to change
17. Numbers presented under the transitional arrangements in CRR II for capital instruments
18. Numbers presented after the expiry of the transitional arrangements in CRR II for capital instruments. For the avoidance of doubt, the end point numbers do include the benefit of the regulatory transitional arrangements for IFRS 9
19. The Bank of England has written to HSBC confirming the preferred resolution strategy for HSBC Group remains a multiple-point-of-entry ('MPE') resolution strategy and setting out the minimum requirements for 2021 and 2022 external MREL requirements applicable to the HSBC Group
20. Leverage exposure is calculated as the higher of either the requirements as defined in the Capital Requirements Regulation or the PRA's leverage ratio framework
21. Minimum requirement for own funds and eligible liabilities (MREL) consists of a minimum level of own funds and eligible debt liabilities that will need to be maintained pursuant to a direction from the Bank of England in the exercise of its powers under the Banking Act 2009, with the purpose of absorbing losses and recapitalising an institution upon failure whilst ensuring the continuation of critical economic functions.
22. Group CET1 buffers are shown in addition to the MREL requirements. The buffers shown in addition to the RWA, leverage and SoTP TLAC/MREL requirement are calculated in accordance with the PRA Supervisory statement 16/16 updated in December 2017
23. Indicative SoTP derived per HSBC's current understanding of regulatory guidance. The requirement will change over time as the TLAC requirements of our subsidiaries change per regulatory rules, any BoE MREL recalibration in 2021, and as we gain further clarity on the components of end-state requirements across the Group
24. Investments by the European resolution group in the regulatory capital or TLAC of other group companies are deducted
25. YTD, annualised. RoTE by Global Business excludes significant items and the UK bank levy. RoTE methodology annualises Profits Attributable to Shareholders, including ECL, in order to provide a returns metric. RoTE by Global Business for 4Q20 considers AT1 Coupons on an accruals basis, vs. Reported RoTE where it is treated on a cash basis

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.

This Presentation, which does not purport to be comprehensive nor render any form of legal, tax, investment, accounting, financial or other advice, has been provided by HSBC Holdings plc (together with its consolidated subsidiaries, the "Group") and has not been independently verified by any person. You should consult your own advisers as to legal, tax investment, accounting, financial or other related matters concerning any investment in any securities. No responsibility, liability or obligation (whether in tort, contract or otherwise) is accepted by the Group or any member of the Group or any of their affiliates or any of its or their officers, employees, agents or advisers (each an "Identified Person") as to or in relation to this Presentation (including the accuracy, completeness or sufficiency thereof) or any other written or oral information made available or any errors contained therein or omissions therefrom, and any such liability is expressly disclaimed.

No representations or warranties, express or implied, are given by any Identified Person as to, and no reliance should be placed on, the accuracy or completeness of any information contained in this Presentation, any other written or oral information provided in connection therewith or any data which such information generates. No Identified Person undertakes, or is under any obligation, to provide the recipient with access to any additional information, to update, revise or supplement this Presentation or any additional information or to remedy any inaccuracies in or omissions from this Presentation. Past performance is not necessarily indicative of future results. Differences between past performance and actual results may be material and adverse.

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", "plan", "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. 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, regulatory changes or due to the impact of the Covid-19 outbreak). 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 2019 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 19 February 2020 (the "2019 Form 20-F"), our 1Q 2020 Earnings Release furnished to the SEC on Form 6-K on 28 April 2020 (the "1Q 2020 Earnings Release"), our Interim Financial Report for the six months ended 30 June 2020 furnished to the SEC on Form 6-K on 3 August 2020 (the "2020 Interim Report"), our 3Q 2020 Earnings Release furnished to the SEC on Form 6-K on 27 October 2020 (the "Q3 2020 Earnings Release") as well as in our Annual Report and Accounts for the fiscal year ended 31 December 2020 available at www.hsbc.com and which we expect to file with the SEC on Form 20-F on 24 February 2021 (the "2020 Form 20-F").

Alternative Performance Measures

This Presentation contains non-IFRS measures used by management internally that constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with SEC rules and regulations ("Alternative Performance Measures"). The primary Alternative Performance 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 Alternative Performance Measures and the most directly comparable measures under IFRS are provided in our 2019 Form 20-F, our 1Q 2020 Earnings Release, our 2020 Interim Report, our 3Q 2020 Earnings Release and our 2020 Form 20-F, when filed, each of which are available at www.hsbc.com.

Information in this Presentation was prepared as at 23 February 2021.