Fixed Income

HSBC Holdings plc

1H21 Fixed income factbook

30 June 2021

Issuance strategy and plan[1]

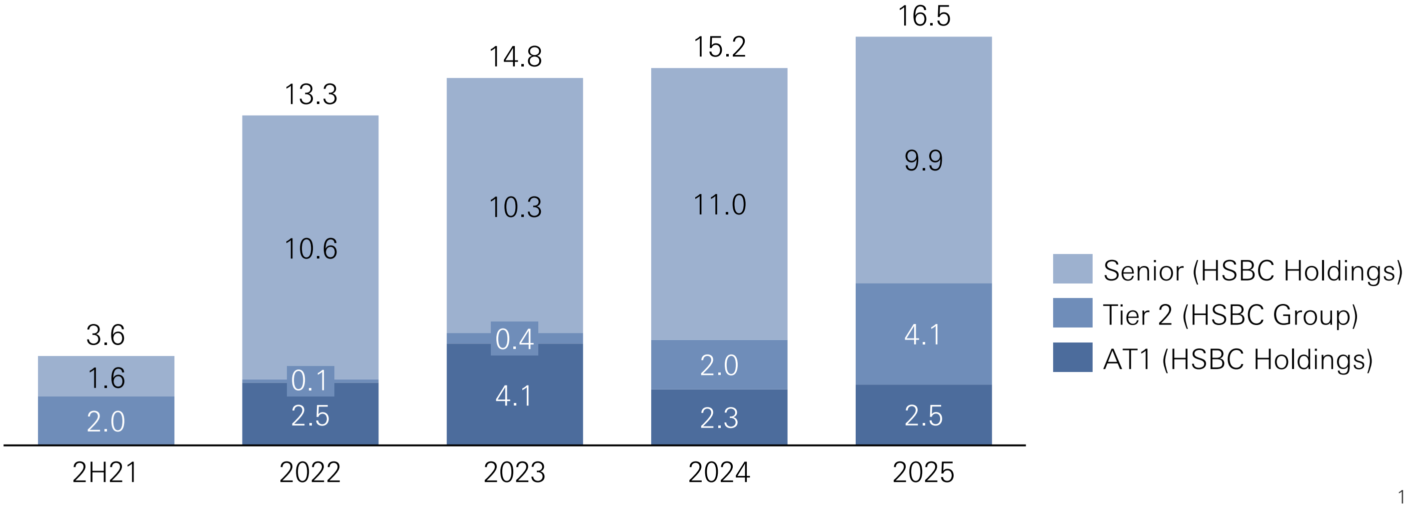
HoldCo Senior	Tier 2	AT1	OpCo
2021: Expect to issue c.$15bn on a gross basis 2022: Broadly limited to refinancing	2021: No current plans 2022: Broadly limited to refinancing	Broadly limited to refinancing	Expect certain subsidiaries to issue senior and secured debt in local markets

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 1H21[2]

$bn-equivalent



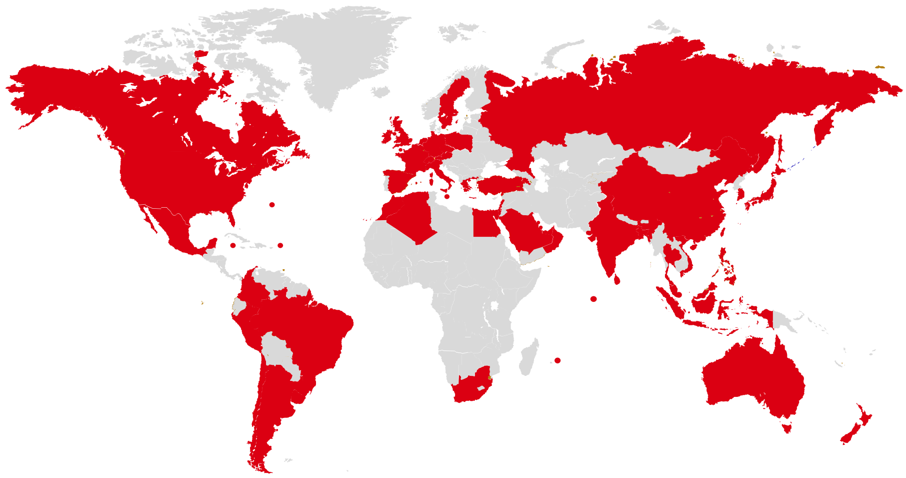
HSBC at a glance

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

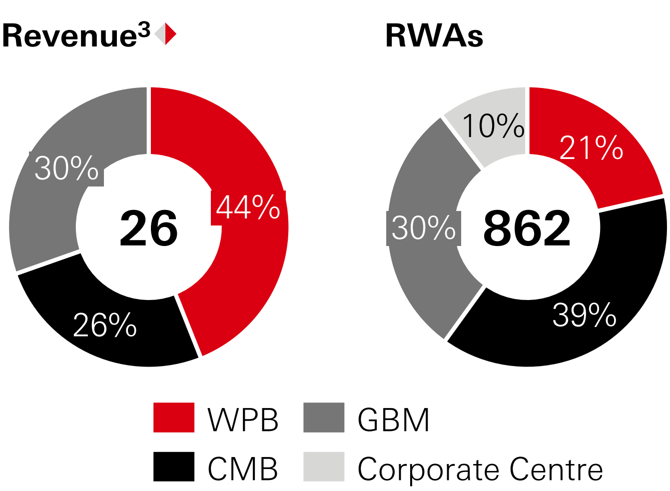
GBM

Global Banking and Markets

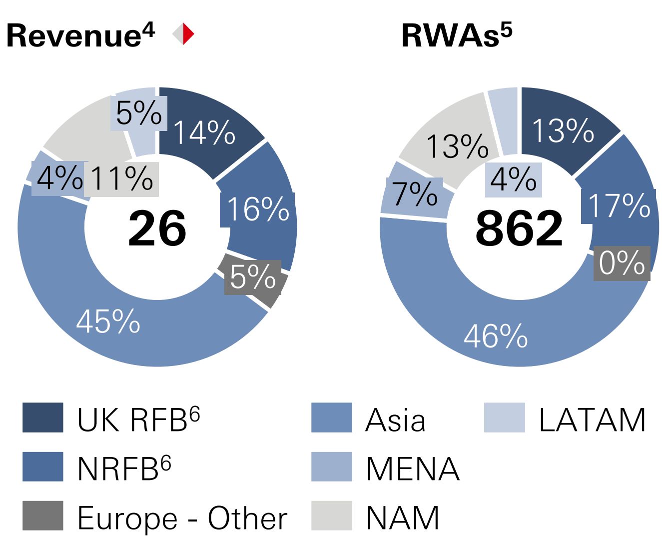
- We provide a comprehensive range of financial services and products to corporates, governments and institutions

Diversified across businesses and geographies

1H21 business performance, $bn



1H21 geographic performance, $bn



Denotes an alternative performance measure. For a reconciliation of reported to alternative performance measures, see the HSBC Holdings plc Interim Report 2021'

*At FY20

Implementing our strategy

We plan to **significantly increase the Group's capital and resource allocation to faster growing markets** in Asia. We aim to 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 intend to 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[7]

WPB as a % of Group tangible equity[9]

Revenue growth rate

From… **Low** single digits[10]

To… **Mid** single digits

Fees and Insurance as a % of total revenue[11]

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 >$110bn by end-2022[12]
- 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%[14]
- Dividends could be supplemented by buybacks or special dividends, over time[15]
- 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 have announced an interim dividend of 7¢ in respect of 1H21[16]

RoTE

≥10% over the medium-term

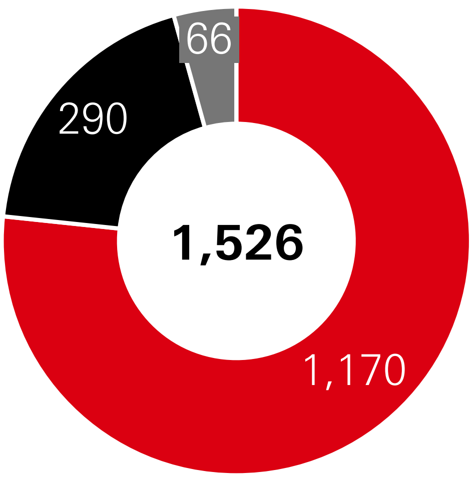
Balance sheet strength

At 30 June 2021

Loan/deposit ratio	High quality liquid assets	LCR*	CET1 ratio	Leverage ratio[17]
63.5%	$659bn	134%	15.6%	5.3%

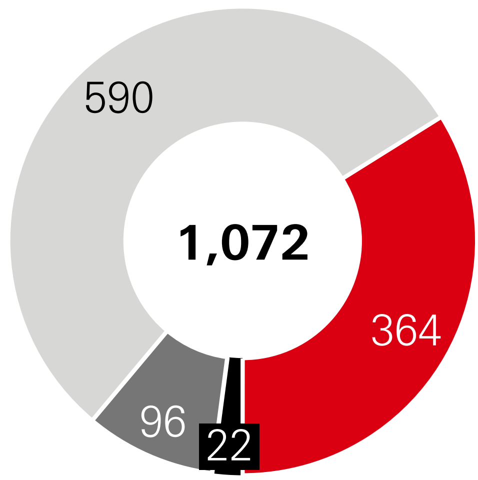
Average customer deposits by type, $bn

FY20



Gross customer lending by type, $bn

1H21



- **UK mortgages: $161.8bn**
  - Average LTV: 54%; new lending: 67%
- **HK mortgages: $94.8bn**
  - Average LTV: 43%; new lending: 61%

FY20 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[18]	234	271	n.a.
Total	**1,038**	**1,643**	**63%**

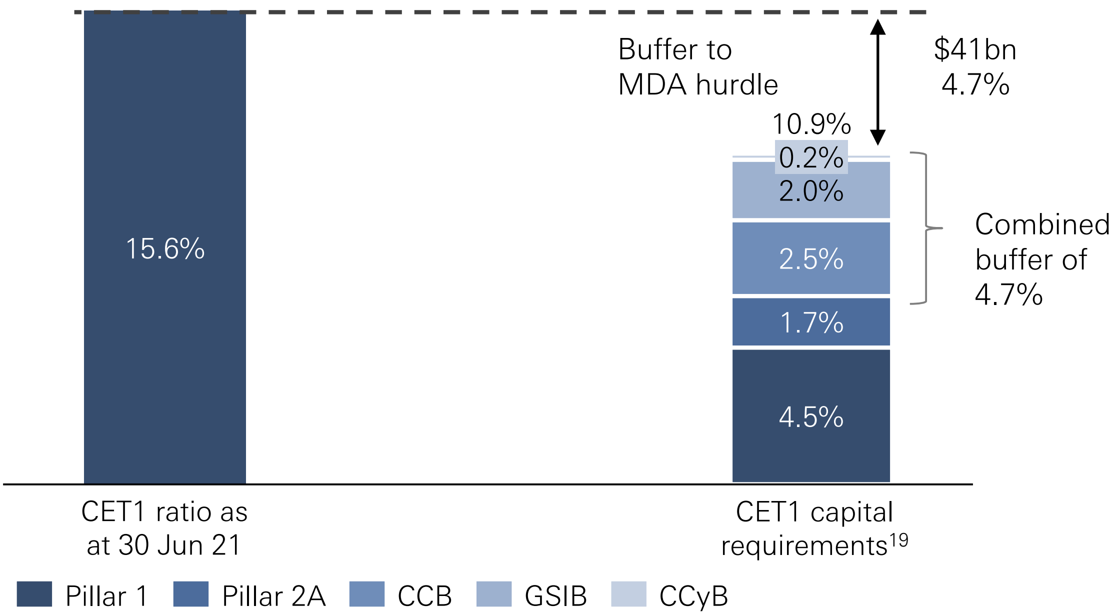
Lending quality at 30 June 2021

- **71% of loans are rated 'Strong' or 'Good'**
- 1.8% of gross loans and advances to customers in Stage 3

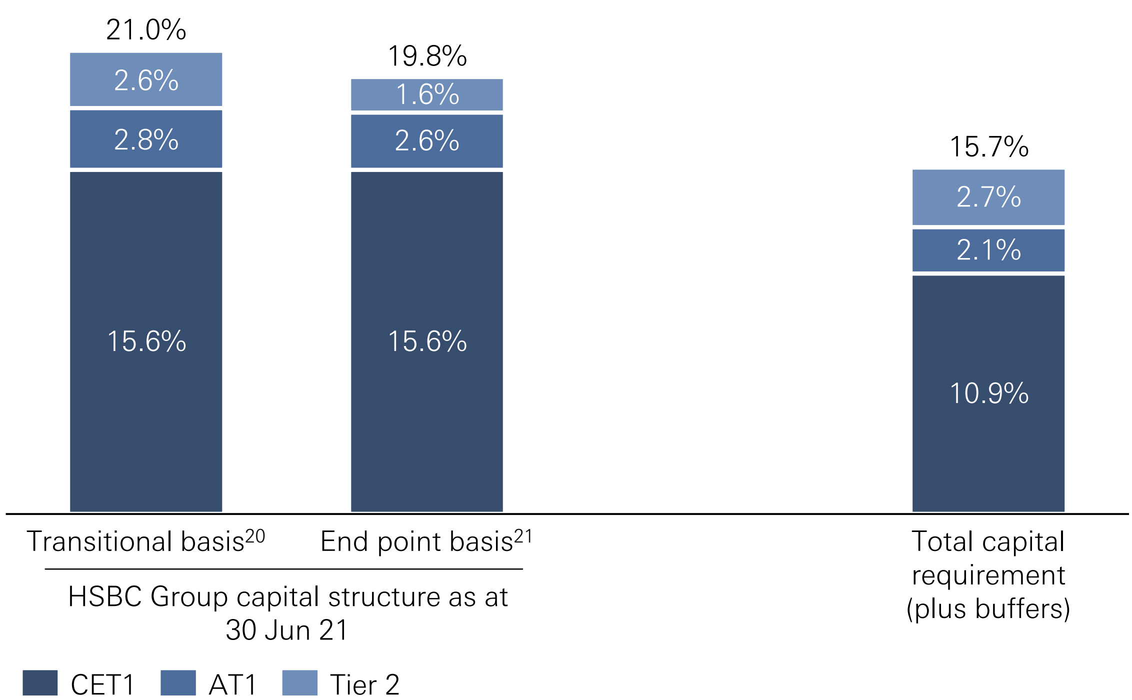
*During 1H21 HSBC implemented a change in methodology for the Group's consolidated LCR, which is designed to better incorporate local regulatory restrictions on the transferability of liquidity. The change in methodology resulted in an increase in the adjustment of HQLA of $42bn, reducing the Group's LCR to 134%

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:

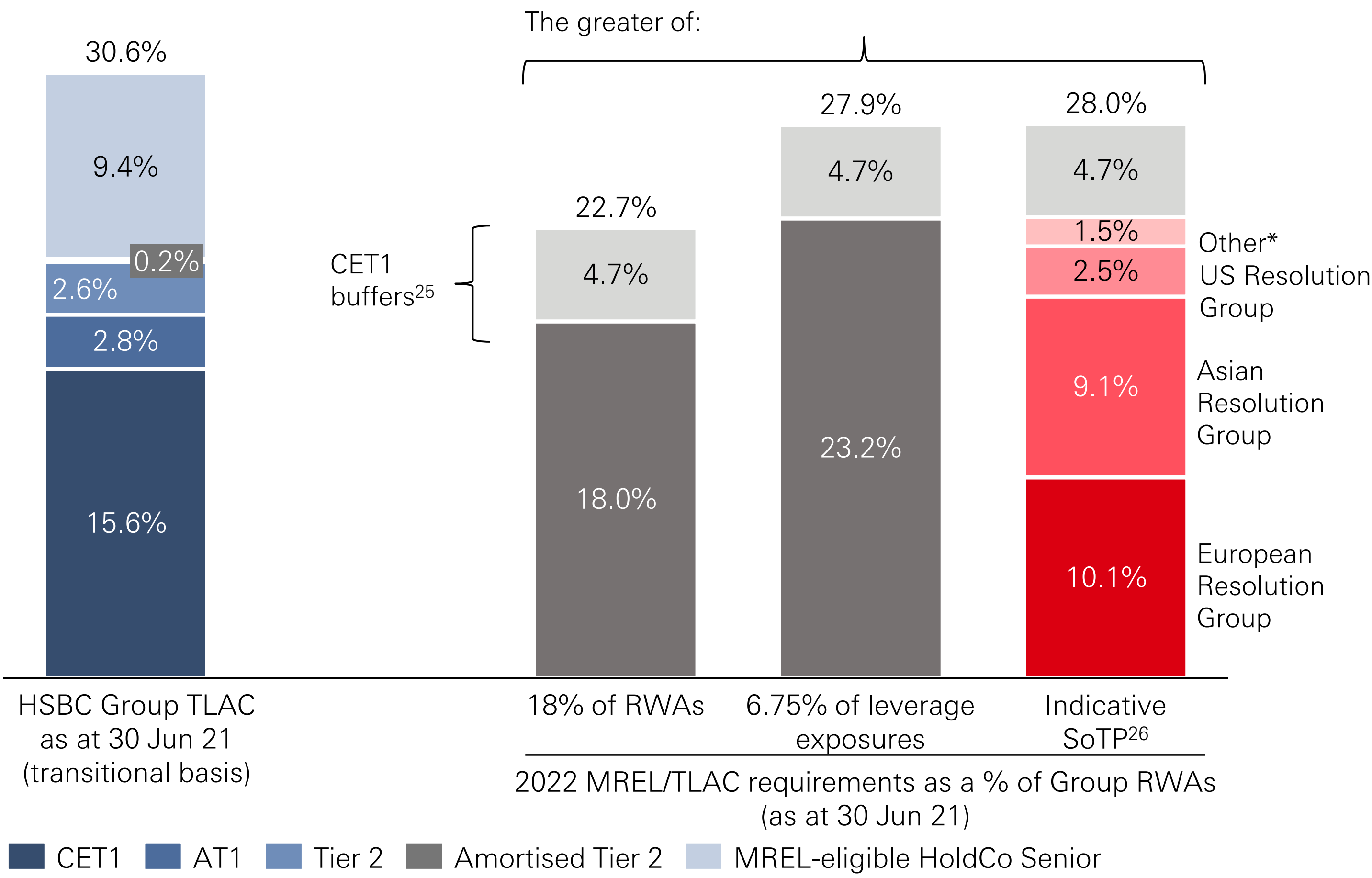
- **Target of CET1 ratio ≥14%;** manage CET1 in 14-14.5% range in the medium-term, and manage down further long-term
- **Expect MREL to increase in 2021 then stabilise**, as issuance is broadly limited to refinancing

Indicative MREL/TLAC requirement

HSBC Group's 2022 MREL requirement[22] is the greater of:

- 18% of RWAs
- 6.75% of leverage exposures[23]
- The sum of requirements relating to each Resolution Group and other Group entities ('SoTP')

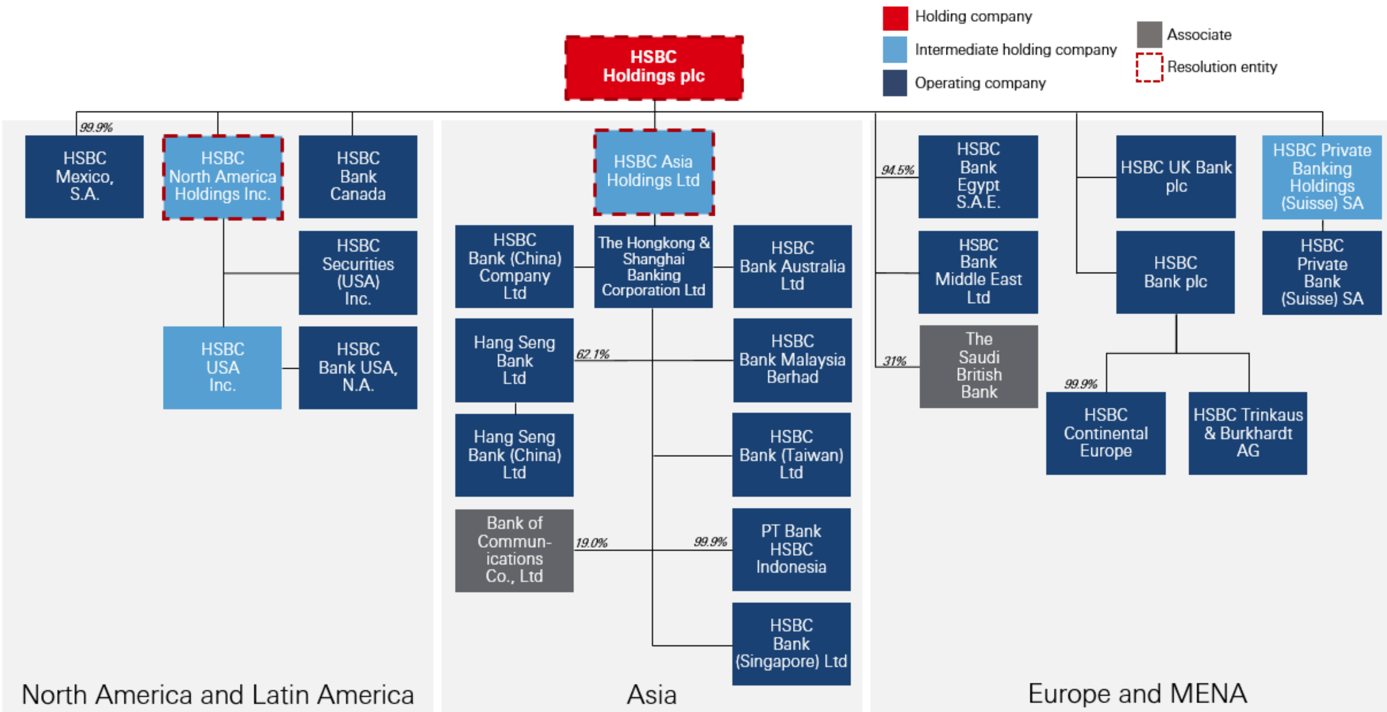
MREL/TLAC position versus estimated 1-Jan-22 regulatory requirements[24] as a % of Group RWAs



* Capital requirements relating to other Group entities such as HSBC Bank Canada, and HSBC Mexico where the entities are not subject to a 1-Jan-22 TLAC requirement that is in addition to regulatory capital requirements

	HSBC Group	US Resolution Group	Europe Resolution Group (Incl. HSBC Holdings)[27]	Asia Resolution Group
TLAC position at 1H21	Total TLAC: $264bn Of which: non-regulatory capital: $81bn	Total TLAC: $29bn Of which: non-regulatory capital: $8bn	Total TLAC: $98bn Of which: non-regulatory capital: $46bn	Total TLAC: $102bn Of which: non-regulatory capital: $26bn
Relevant balance sheet at 1H21	RWAs: $862bn Leverage exposure: $2,969bn	RWAs: $110bn Leverage exposure: $315bn Average assets: $243bn	RWAs: $287bn Leverage exposure: $1,294bn	RWAs: $402bn Leverage exposure: $1,167bn

Legal entity structure and credit ratings



Long term senior ratings	S&P		Moody's		Fitch	
As at 02 August 2021	**Rating**	**Outlook**	**Rating**	**Outlook**	**Rating**	**Outlook**
HSBC Holdings plc	A-	STABLE	A3	STABLE	A+	NEG
The Hongkong and Shanghai Banking Corporation Ltd	AA-	STABLE	Aa3	STABLE	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	A1	STABLE	AA-	NEG
HSBC Bank USA NA	A+	STABLE	Aa3	STABLE	AA-	NEG
HSBC Bank Canada	A+	STABLE	A1	STABLE	A+	NEG

Global business financial performance

Adjusted income statement, $m	WPB	CMB	GBM	Corp. Centre	1H21 Group total	Group vs. 1H20
NII	7,067	4,366	2,024	(378)	13,079	(13)%
Other Income	4,334	2,285	5,854	245	12,718	1%
Revenue	**11,401**	**6,651**	**7,878**	**(133)**	**25,797**	(7)%
ECL	52	249	414	4	719	>100%
Costs	(7,600)	(3,525)	(4,985)	(112)	(16,222)	(3)%
Associates	11	1	—	1,644	1,656	58%
Profit before tax	**3,864**	**3,376**	**3,307**	**1,403**	**11,950**	>100%
Significant items and FX	(218)	—	(248)	(645)	(1,111)	17%
Reported profit before tax	**3,646**	**3,376**	**3,059**	**758**	**10,839**	>100%
Return on average tangible equity[28], %	17.9%	11.1%	10.7%	5.1%	9.4%[29]	5.6ppt

Balance sheet, $bn	WPB	CMB	GBM	Corp. Centre	1H21 Group total	Group vs. FY20
Net customer loans	491	351	216	1	1,060	2%
Customer deposits	841	486	341	1	1,669	2%
Reported RWAs	185	332	255	90	862	1%
TNAV per share, $					$7.81	$0.06

Geographic financial performance

Adjusted income statement, $m	Asia	*Of which: Hong Kong*	Europe	*Of which: HSBC UK*	North America	Latin America	MENA
NII	6,266	3,620	3,126	3,165	1,432	1,009	650
Other Income	6,936	4,066	7,182	1,016	1,622	483	602
Revenue	**13,202**	**7,686**	**10,308**	**4,181**	**3,054**	**1,492**	**1,252**
ECL	(207)	(91)	670	569	212	(72)	116
Costs	(7,270)	(3,859)	(8,450)	(2,430)	(2,267)	(983)	(763)
Associates	1,359	8	153	—	—	4	140
Profit/(loss) before tax	**7,084**	**3,744**	**2,681**	**2,320**	**999**	**441**	**745**
Significant items	(148)	(111)	(713)	(183)	(194)	(34)	(22)
Reported profit/(loss) before tax	**6,936**	**3,633**	**1,968**	**2,137**	**805**	**407**	**723**

Balance sheet, $bn	Asia	*Of which: Hong Kong*	Europe	*Of which: HSBC UK*	North America	Latin America	MENA
Net customer loans	502	329	403	265	106	20	28
Customer deposits	760	529	664	378	176	28	41
Reported RWAs	407	210	270	117	115	35	59

Denotes an alternative performance measure

Note: totals may not cast due to rounding

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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
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. Percentage RWAs by region are calculated as each regions' RWAs divided by the gross sum of all regional RWAs. RWAs by geographical region exclude the diversification benefits inherent in the calculation of market risk for the Group as a whole. As a result, the total for the Group differs from the sum of the individual regions by the value of the diversification benefit
6. 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
7. Based on tangible equity of the Group's major legal entities excluding Associates, Holdings Companies, consolidation adjustments, and any potential inorganic actions
8. Medium-term defined as 3-4 years; long-term is defined as 5-6 years
9. 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
10. 2015-19 adjusted revenue CAGR
11. Financial results for the Insurance business are prepared on the current IFRS 4 basis and, as such, do not reflect any potential impacts of IFRS 17 'Insurance Contracts', which is effective from 1 January 2023, which could have a significant impact on the revenue of our insurance business. For further details, see 'Future accounting developments' on page 289 of the Annual Report and Accounts 2020.
12. We have updated our gross RWA savings target to >$110bn from >$100bn, reflecting changes in methodology in tracking and reporting saves to better align with how the programme is managed
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. Our dividend policy is unchanged, however we now expect to move within our target dividend payout ratio range in 2021. We will retain the flexibility to adjust EPS for non-cash significant items. Additionally, in 2022, we expect to exclude from EPS the forecast loss on the sale of our retail banking operations in France
15. Should the Group find itself in an excess capital position absent compelling investment opportunities to deploy that excess
16. The Group will review whether to revert to paying quarterly dividends at or ahead of its 2021 results announcement in February 2022
17. Leverage ratio at 30 June 2021 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
18. 'Others' includes items with no currency information available ($56,729m for loans to customers and $5m for customer accounts)
19. CET1 capital requirements and buffers as at 30 June 2021; and subject to change
20. Numbers presented under the transitional arrangements in CRR II for capital instruments
21. 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
22. 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
23. 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
24. 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.
25. 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
26. 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
27. Investments by the European resolution group in the regulatory capital or TLAC of other group companies are deducted
28. YTD, annualised. RoTE by Global Business excludes significant items. RoTE methodology annualises Profits Attributable to Shareholders, including ECL, in order to provide a returns metric. RoTE by Global Business considers AT1 Coupons on an accruals basis, vs. Reported RoTE where it is treated on a cash basis
29. Reported RoTE is profit attributable to ordinary shareholders (annualised), excluding impairment of goodwill and other intangible assets and changes in present value of in-force insurance contracts ('PVIF') (net of tax), divided by average ordinary shareholders' equity excluding goodwill, PVIF and other intangible assets (net of deferred tax)

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Important notice

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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", "plan", "estimate", "seek", "intend", "target", "believe", "potential" and "reasonably possible" 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 and ESG target/commitments 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 pandemic). 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 2020 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 24 February 2021 (the "2020 Form 20-F"), our 1Q 2021 Earnings Release furnished to the SEC on Form 6-K on 27 April 2021 (the "1Q 2021 Earnings Release") and our Interim Financial Report for the six months ended 30 June 2021 furnish to the SEC on Form 6-K on 2 August 2021 (the "2021 Interim Report").

Alternative Performance Measures

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 2020 Form 20-F, our 1Q 2021 Earnings Release and our 2021 Interim Report, each of which are available at www.hsbc.com.

Information in this Presentation was prepared as at 2 August 2021.