HSBC Holdings plc FY19 Results

Fixed Income Investor Presentation

HSBC

Summary

1. **FY19 adjusted revenue up 6% to $55.4bn** and adjusted PBT up 5% to $22.2bn

2. FY19 adjusted jaws of 3.1%. **FY19 adjusted cost growth of 2.8%,** well below FY18 adjusted cost growth of 5.6%

3. **Reported PBT of $13.3bn impacted by a 4Q19 goodwill impairment[1] of $7.3bn,** primarily in GB&M globally and CMB in Europe, reflecting lower growth rates

4. **RoTE[2] of 8.4%,** supported by a resilient Hong Kong and strong performance in the rest of Asia, but impacted by poor returns in the US and NRFB in Europe

5. Well-capitalised with **CET1 ratio increasing 0.7ppts to 14.7%**

   Underpinned by **net FY19 RWA reductions of $22bn,** driven by a $23bn reduction in GB&M

6. **New cost and RWA reduction plan** to address financial underperformance

Key financial metrics

Key financial metrics	FY19	FY18	Δ FY18
Return on average tangible equity[2]	8.4%	8.6%	(0.2)ppt
Return on average ordinary shareholders' equity	3.6%	7.7%	(4.1)ppt
Jaws (adjusted)[3]	3.1%	(1.2)%	4.3ppt
Dividends per ordinary share in respect of the period	$0.51	$0.51	-
Earnings per share[4]	$0.30	$0.63	$(0.33)
Common equity tier 1 ratio[5]	14.7%	14.0%	0.7ppt
Leverage ratio[6]	5.3%	5.5%	(0.2)ppt
Advances to deposits ratio	72.0%	72.0%	-
Net asset value per ordinary share (NAV)	$8.00	$8.13	$(0.13)
Tangible net asset value per ordinary share (TNAV)	$7.13	$7.01	$0.12

Reported results, $m

	4Q19	Δ 4Q18	Δ %	FY19	Δ FY18	Δ %
Revenue	13,371	676	5%	56,098	2,318	4%
ECL	(733)	120	14%	(2,756)	(989)	(56)%
Costs	(17,053)	(7,909)	(86)%	(42,349)	(7,690)	(22)%
Associates	518	(40)	(7)%	2,354	(182)	(7)%
PBT	**(3,897)**	**(7,153)**	**(>100)%**	**13,347**	**(6,543)**	**(33)%**
PAOS*	(5,509)	(7,046)	(>100)%	5,969	(6,639)	(53)%

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

Adjusted results, $m

	4Q19	Δ 4Q18	Δ %	FY19	Δ FY18	Δ %
Revenue	13,647	1,183	9%	55,409	3,078	6%
ECL	(733)	110	13%	(2,756)	(1,067)	(63)%
Costs	(9,084)	(279)	(3)%	(32,795)	(889)	(3)%
Associates	518	(33)	(6)%	2,354	(92)	(4)%
PBT	**4,348**	**981**	**29%**	**22,212**	**1,030**	**5%**

A reconciliation of reported results to adjusted results can be found on slide 19, the remainder of the presentation unless otherwise stated, is presented on an adjusted basis

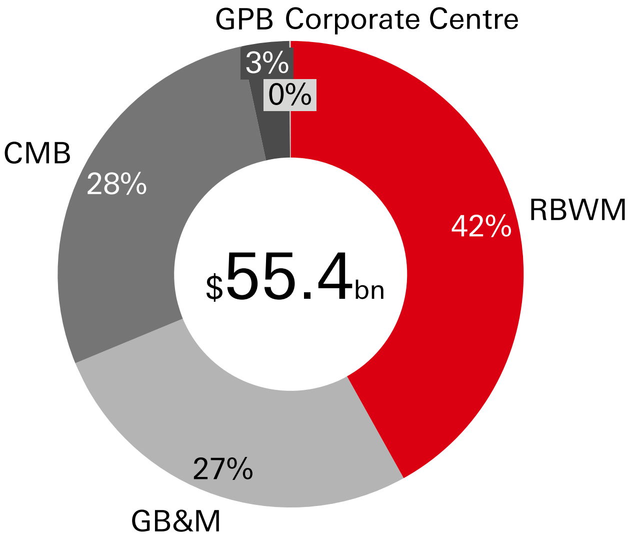
FY19 adjusted revenue performance

Business	FY19 revenue			FY19 vs. FY18, $m	
RBWM	$23,400m	$15,840m	Retail Banking	974	$2.0bn 9%
		$6,746m	Wealth Management	760	
		$814m	Other	292	
CMB	$15,292m	$5,978m	GLCM	331	$0.8bn 6%
		$1,833m	GTRF	26	
		$5,441m	Credit and Lending	273	
		$2,040m	Other	197	
GB&M	$14,916m	$7,793m	Global Markets, Securities Services	(403)	$(0.1)bn (1)%
		$7,466m	Global Banking, GLCM, GTRF	91	
		$(343)m	Principal Investments, XVA, Other	203	
GPB	$1,848m			91	5%
Corporate Centre	$(47)m			243	
Group	$55,409m			1,608 / 1,470 / 3,078	6%

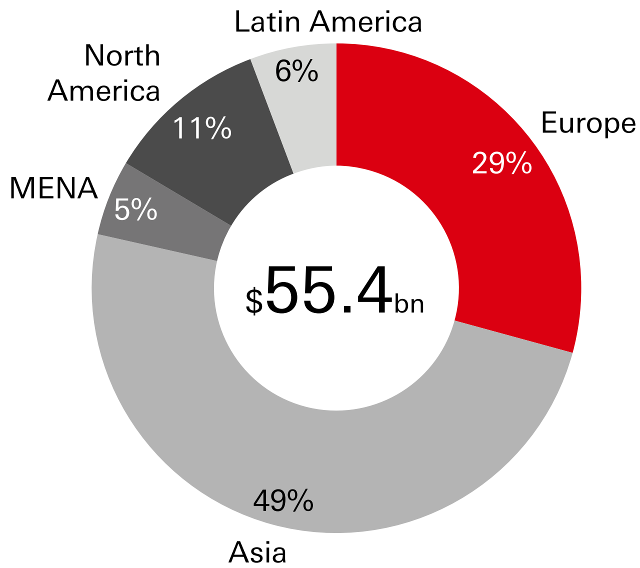
Excluding certain items included in adjusted revenue
For further information please see appendix, page 20

Diversified revenue streams, pivoting to Asia

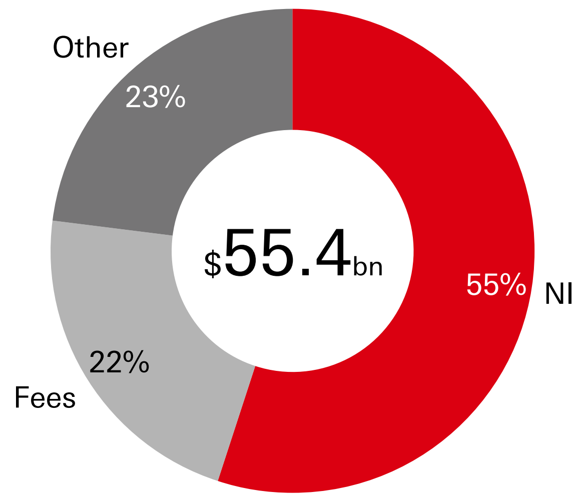
2019 adjusted revenue by global business

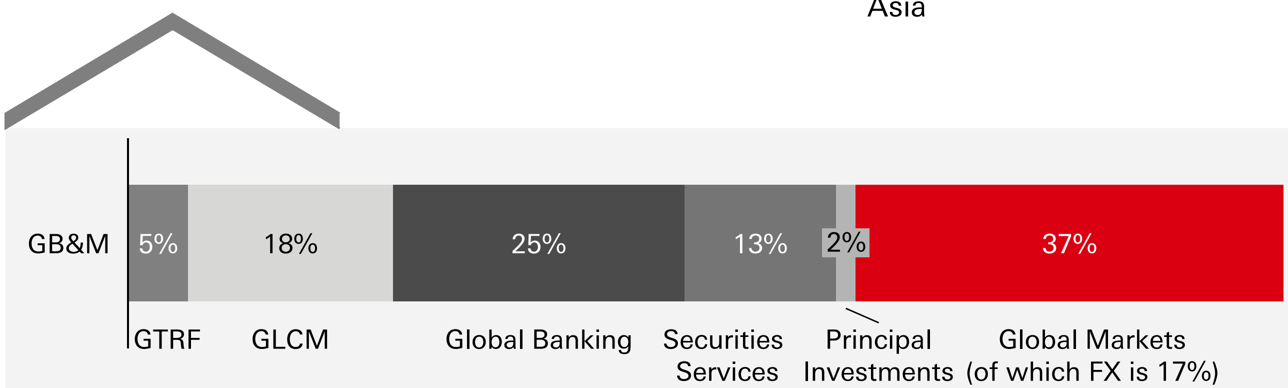


2019 adjusted revenue by region[7]



2019 adjusted revenue by type





Our GB&M business has a diversified product offering, with a range of transaction banking, financing, advisory, capital markets and risk management services

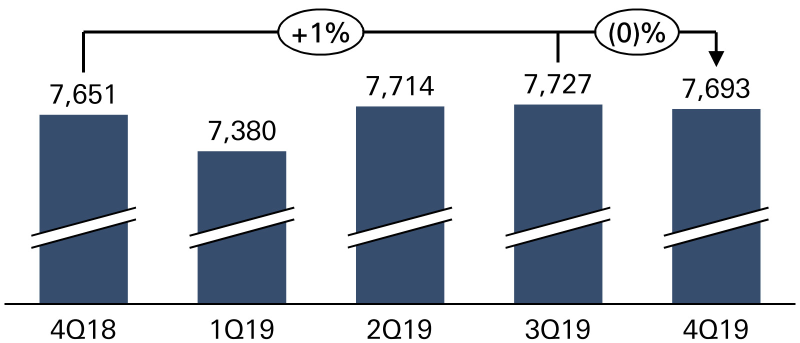
Total GB&M adjusted revenue of $14,916m includes Other revenue of $(647)m and Credit and funding valuation adjustments $44m – these have been excluded from the chart above

Net interest income and NIM

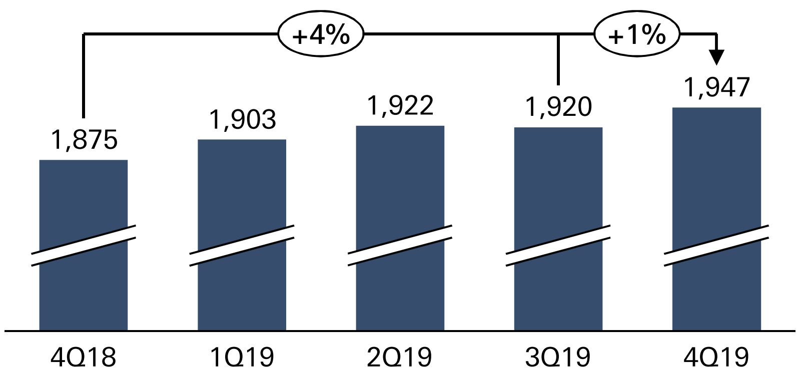
Reported quarterly NII, $m

4Q18	1Q19	2Q19	3Q19	4Q19
7,709	7,468	7,772	7,568	7,654

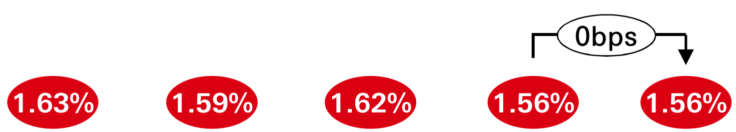
Adjusted quarterly NII, $m



Quarterly average interest earning assets (AIEA), $bn



Reported quarterly NIM, %



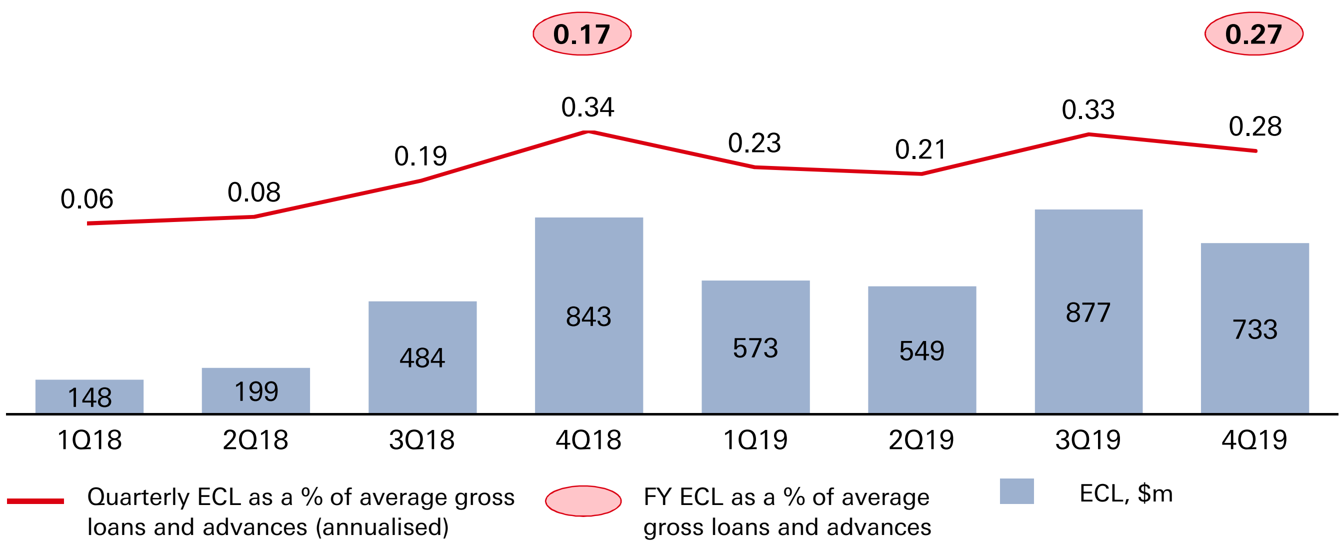
- Adjusted NII of $7.7bn, stable vs. 3Q19 and up 1% vs. 4Q18; FY19 adjusted NII of $30.6bn, up 3% or $1bn vs. FY18
- 4Q19 NIM 1.56% unchanged vs. 3Q19, driven by:
  - 4bps favourable impact from lower provisions in relation to customer redress programmes in the RFB and Argentina hyperinflation
  - Adverse impact of margin pressure and higher funding costs
- Asia (HBAP) NIM of 2.00% was down 5bps vs. 3Q19, driven by lower asset yields
- FY19 NIM of 1.58% was 8bps lower than FY18 as higher yields on AIEA were more than offset by increased funding costs. Excluding FX translation and significant items, NIM fell by 6bps

Quarterly NIM by key legal entity, %

	1Q19	2Q19	3Q19	4Q19	% of 4Q19 Group NII	% of 4Q19 Group AIEA
The Hongkong and Shanghai Banking Corporation (HBAP)	1.99%	2.05%	2.05%	2.00%	55%	43%
HSBC Bank plc (NRFB)	0.34%	0.45%	0.47%	0.46%	7%	22%
HSBC UK Bank plc (RFB)[12]	2.21%	2.13%	1.93%	1.95%	20%	16%
HSBC North America Holdings, Inc	1.05%	1.01%	0.87%	0.99%	6%	10%

Credit performance

Adjusted ECL charge trend



Analysis by stage

Reported basis, $bn	Stage 1	Stage 2	Stage 3	Total[13]	Stage 3 as a % of Total
4Q19					
Gross loans and advances to customers	951.6	80.2	13.4	**1,045.5**	1.3%
Allowance for ECL	1.3	2.3	5.1	**8.7**	
3Q19					
Gross loans and advances to customers	941.1	71.7	13.3	**1,026.4**	1.3%
Allowance for ECL	1.3	2.2	4.9	**8.6**	
4Q18					
Gross loans and advances to customers	908.4	68.6	13.0	**990.3**	1.3%
Allowance for ECL	1.3	2.1	5.0	**8.6**	

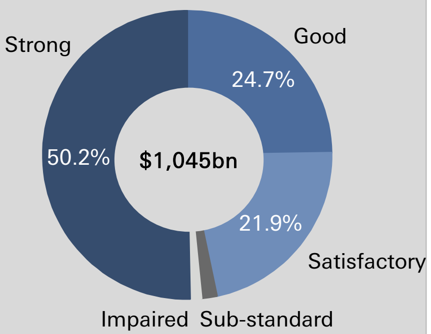
- 4Q19 ECL as a % of gross loans and advances to customers was **0.28%**
- 4Q19 adjusted ECL of $733m, down $144m (16%) vs. 3Q19, of which $401m was in RBWM and $276m was in CMB
- 4Q19 UK ECL charge of $67m, down $160m vs. 3Q19 primarily due to release of allowance relating to economic uncertainty of $99m. Total allowance for UK economic uncertainty at FY19 was $311m
- 4Q19 Hong Kong ECL charge of $118m, down $89m vs. 3Q19 (including an additional charge of $56m in relation to economic outlook). Total allowance for Hong Kong economic outlook at FY19 was $138m
- 2H19 ECL charge as a % of gross loans and advances to customers was **0.31%**
- FY19 ECL of $2.8bn, up 63%, with ECL as a % of gross loans and advances to customers of **0.27%**
- Stage 3 loan book stable at 1.3% of total gross loans and advances to customers

Asset quality

Gross loans and advances to customers - $1,045bn

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

As at 31 December 2019

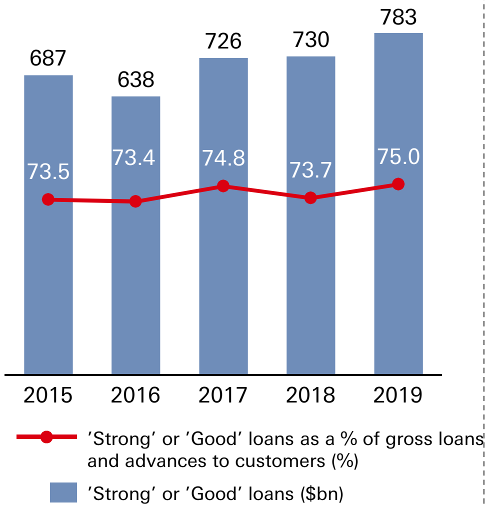


Total gross customer loans and advances to customers of $1,045bn

Increased by $55bn (6%) from 31 Dec 2018 on a reported basis

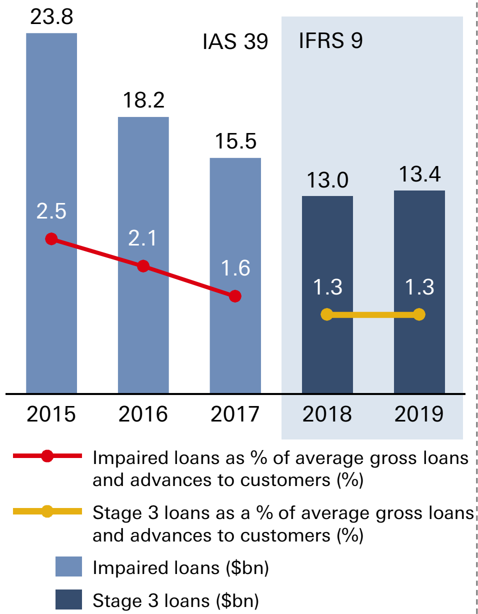
Increased by $43bn (4%) from 31 Dec 2018 on a constant currency basis

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



c.75% of gross loans and advances to customers of 'Strong' or 'Good' credit quality, equivalent to external Investment Grade credit rating.

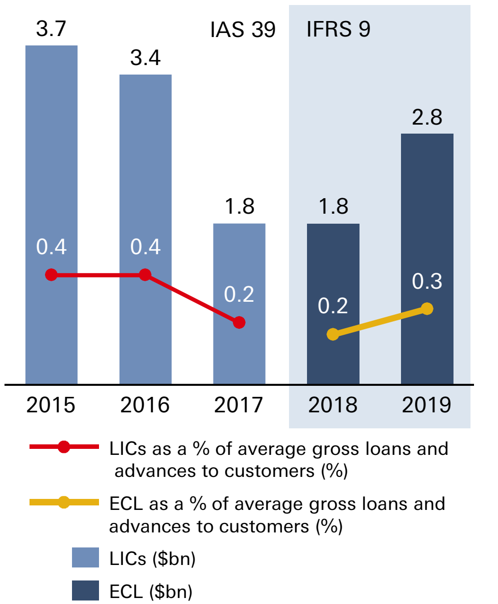
Stage 3 and impaired loans and advances to customers, $bn



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 from 2015 to 2018.

LICs/ECL, $bn

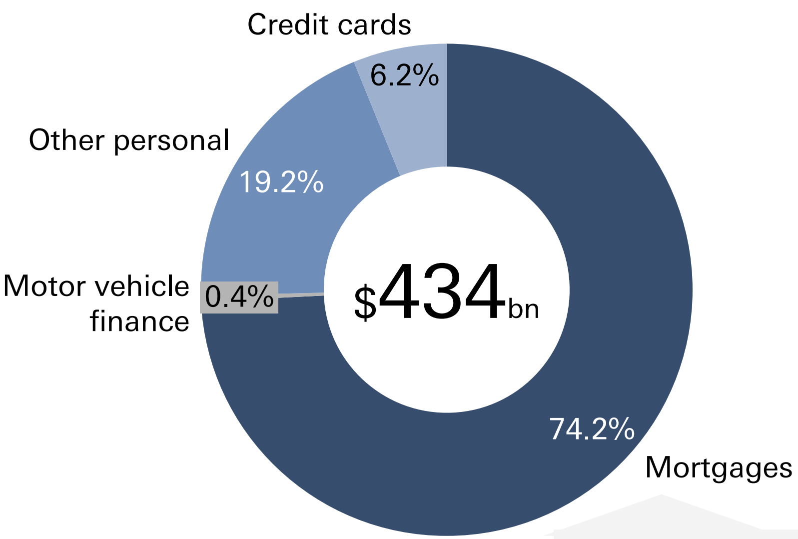


ECL charge of $2.8bn in 2019; ECL as a % of average gross loans and advances to customers was 27bps.

Customer loan book

As at 31 December 2019

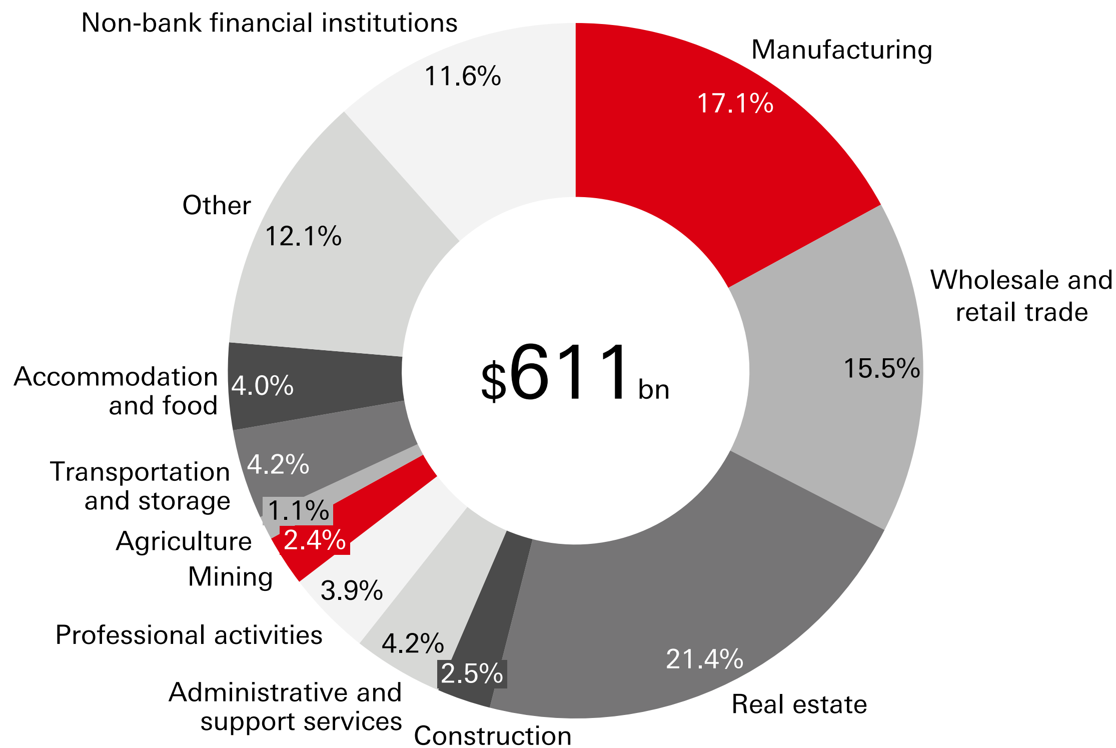
Personal loan book ($bn, gross loans and advances to customers)



Of which:

Interest-only: $33bn[10]

Wholesale loan book ($bn, gross loans and advances to customers)



Retail mortgage average LTVs (portfolio, indexed)

UK: **51%**

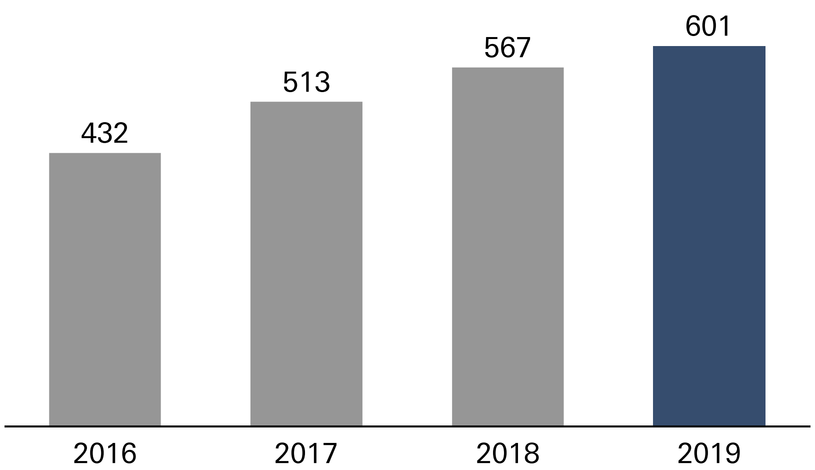
New lending: 67%

HK: **41%**

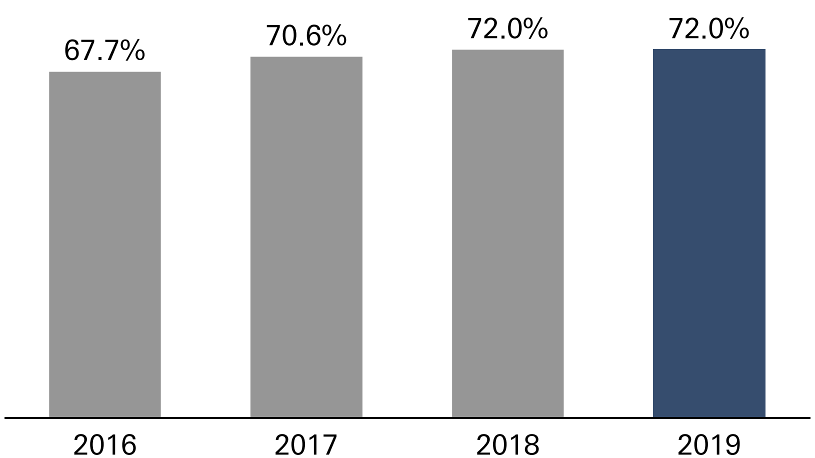
New lending: 49%

Funding and liquidity

High-quality liquid assets (liquidity value), $bn



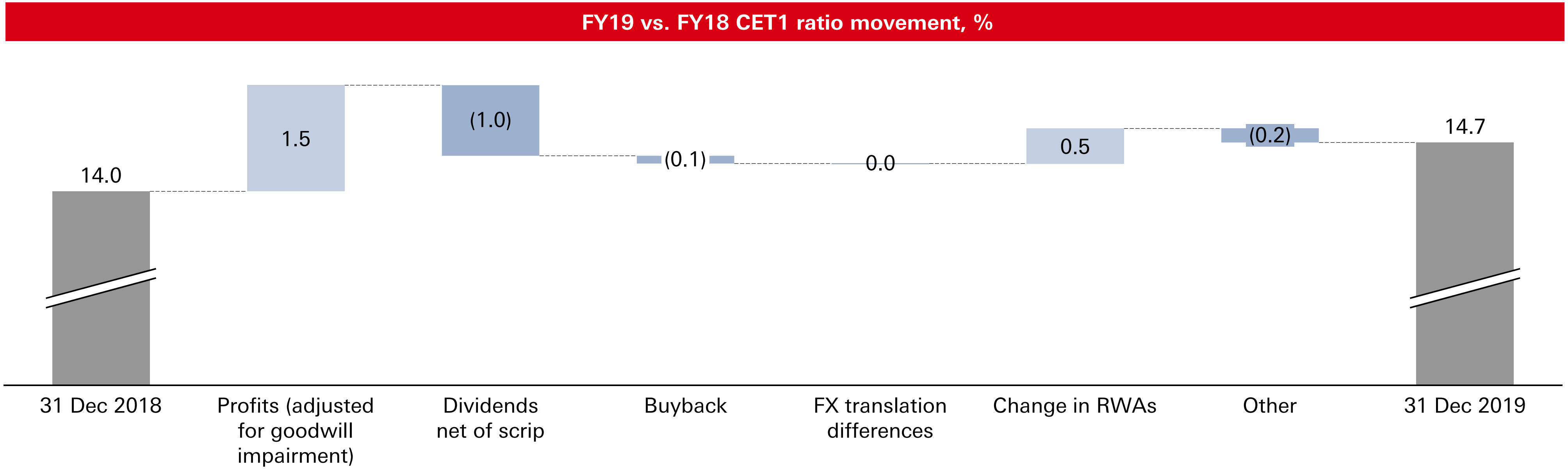
Advances to deposits ratio, %

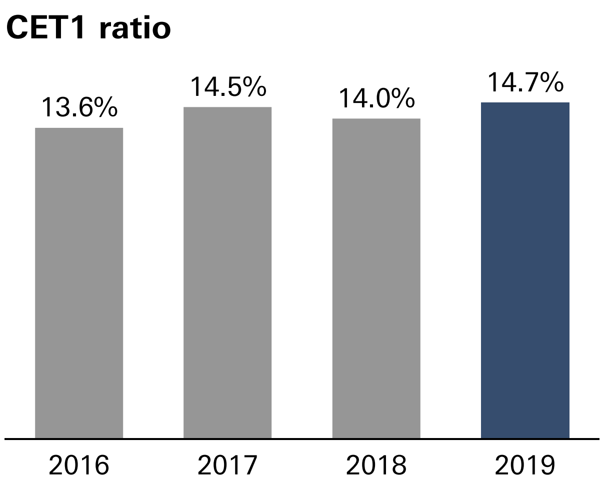


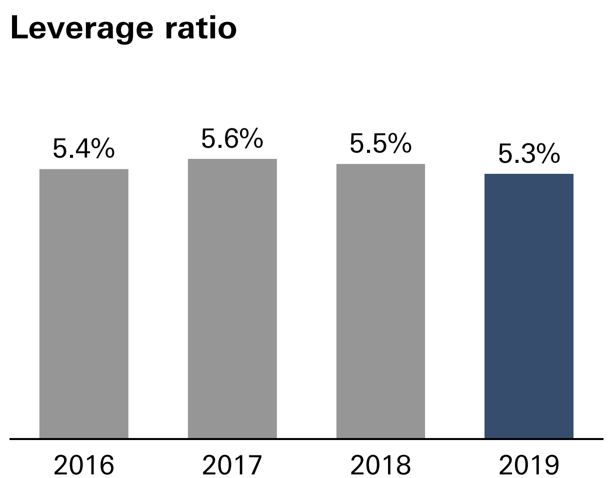
Principal operating entities	LCR		NSFR	
%	2019	2018	2019	2018
HSBC UK Bank plc (RFB)	165	143	150	144
HSBC Bank plc (NRFB)	142	147	106	113
The Hongkong and Shanghai Banking Corporation Ltd – HK branch	163	161	128	132
The Hongkong and Shanghai Banking Corporation Ltd – Singapore branch	147	149	120	123
HSBC Bank China	180	153	151	153
Hang Seng Bank	185	202	148	152
HSBC Bank USA	125	121	122	131
HSBC France	152	128	117	113
HSBC Bank Canada	124	115	124	126
HSBC Bank Middle East – UAE Branch	202	182	159	132
HSBC Mexico	208	153	136	123
Group consolidated	150	154	-	-

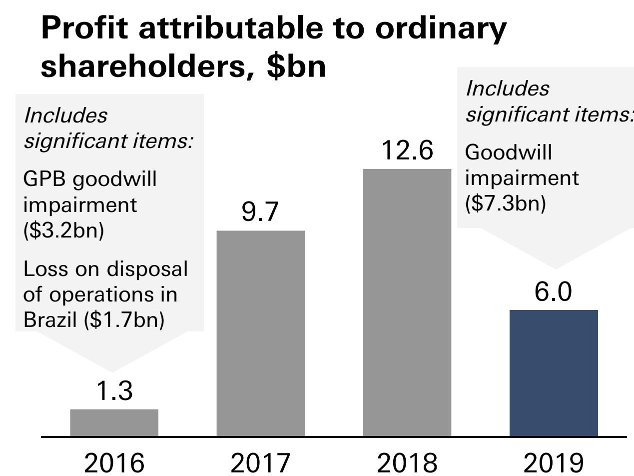
- At 31 Dec 2019, all of the Group's material operating entities were well above regulatory minimum levels for LCR and NSFR
- The Group consolidated LCR was 150% as at 31 Dec 2019, reflecting the Groups strong liquidity position and well above the regulatory minimum
- The methodology used to calculate the Group consolidated LCR is currently under review
- High Quality Liquid Assets were $601bn, up from $567bn at 31 Dec 2018

Capital position



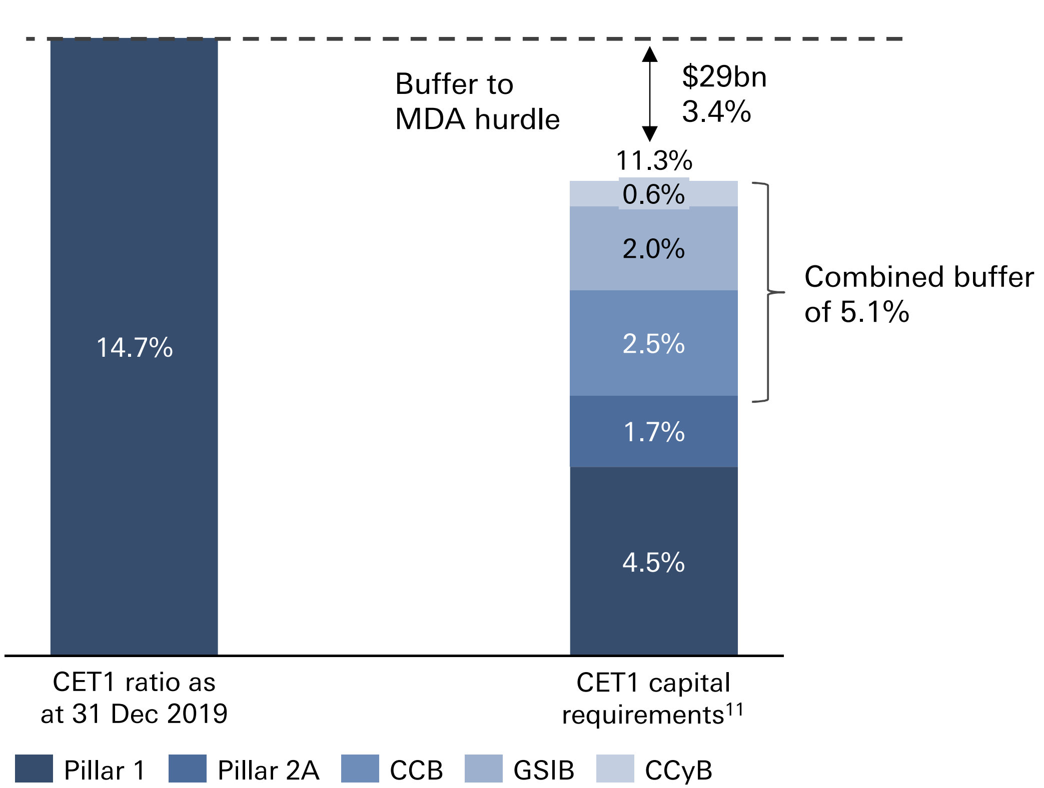




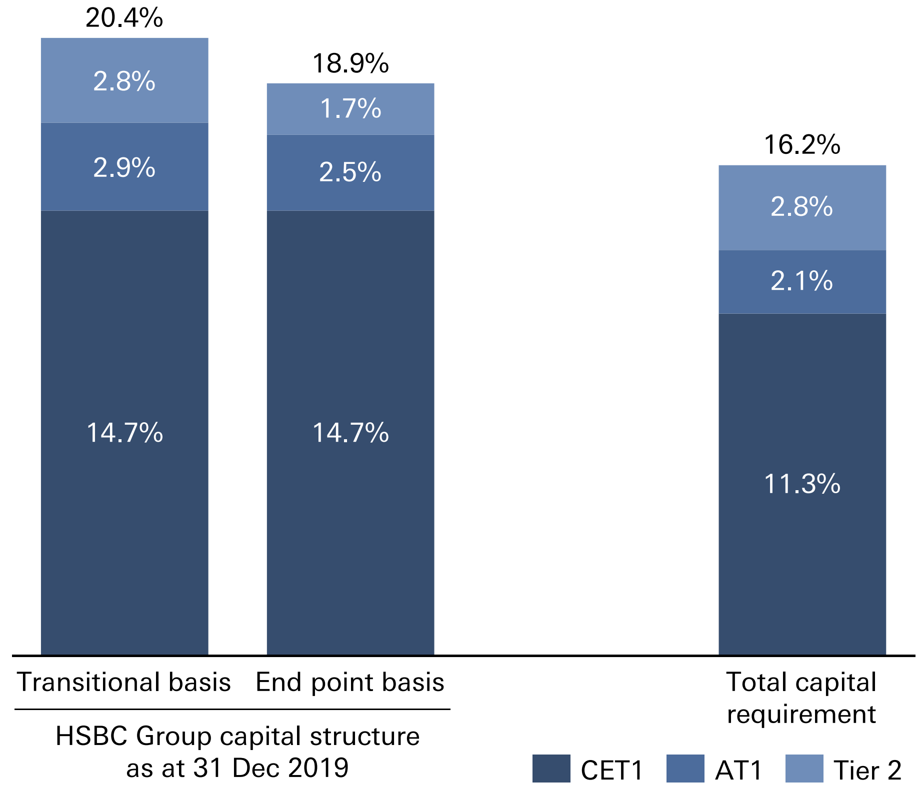


Total capital position versus requirements

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



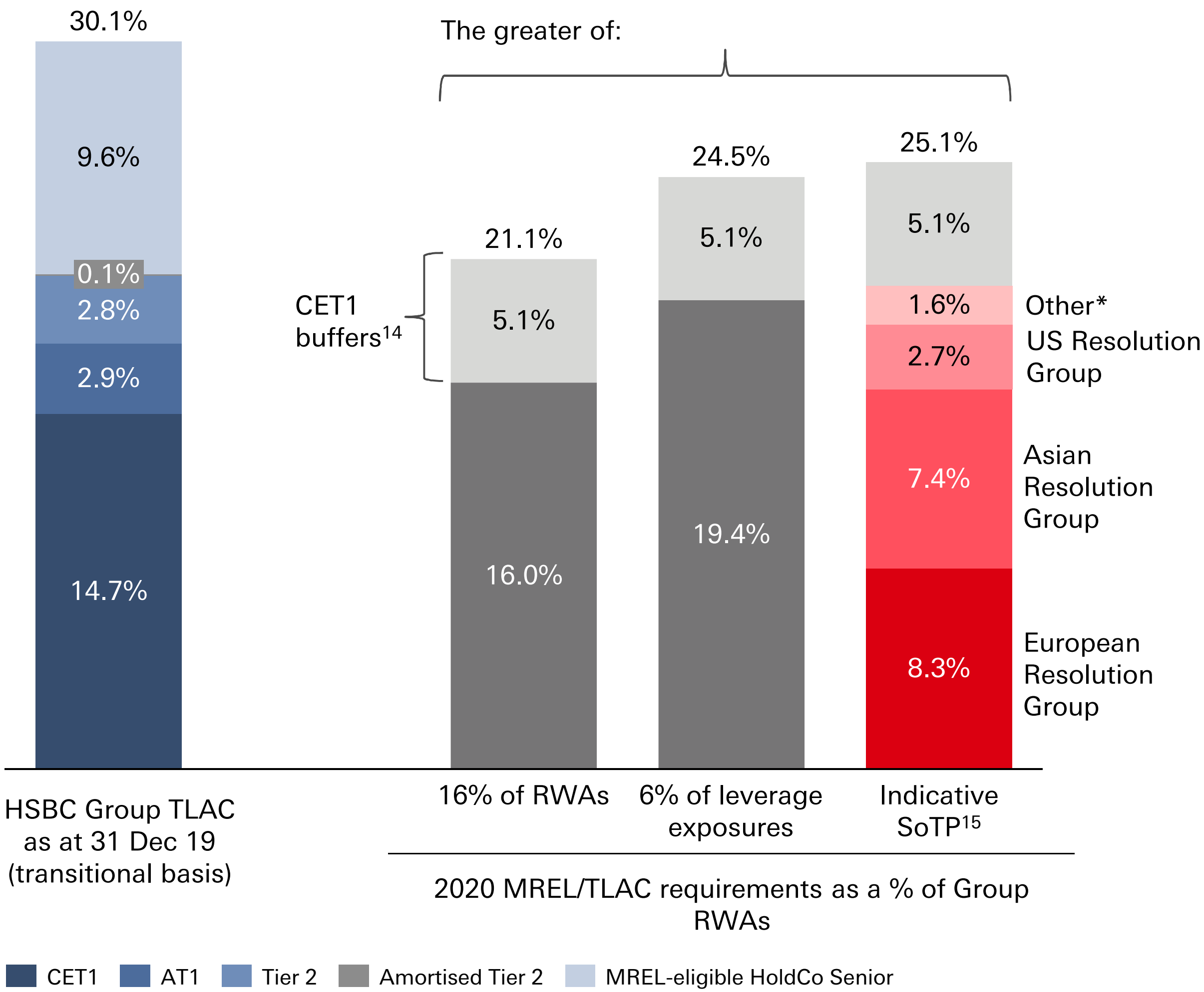
Regulatory capital vs. regulatory requirements as a % of RWAs



- Our Pillar 2A requirement at 31 December 2019, as per the PRA's Individual Capital Requirement based on a point-in-time assessment, was 3.0% of RWAs, of which 1.7% was met by CET1
- Distributable reserves were $31.7bn, up $1.0bn from $30.7bn at 31 December 2018. The increase was primarily driven by profits generated of $11.5bn net of distributions to shareholders of $9.0bn and $1.0bn of share buy-back

MREL/TLAC position versus requirements

MREL-eligible capital and HoldCo senior versus estimated regulatory requirements[12] as a % of Group RWAs



- HSBC Group's 2020 MREL requirement[13] is the greater of:
  - 16% of RWAs
  - 6% of leverage exposures[16]
  - The sum of requirements relating to each Resolution Group and other Group entities ('SoTP')
- MREL requirements as at 1 Jan 2020 are driven by the SoTP calculation
- The binding constraint for end-state MREL requirements will be contingent upon factors such as:
  - The finalisation of the European resolution group Pillar 2A
  - BoE MREL recalibration in 2020
  - The future path of regulation post Brexit
- SoTP components do not necessarily show what is binding for each resolution group. Additional CET1 buffers may apply at entities below the resolution entity

* 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

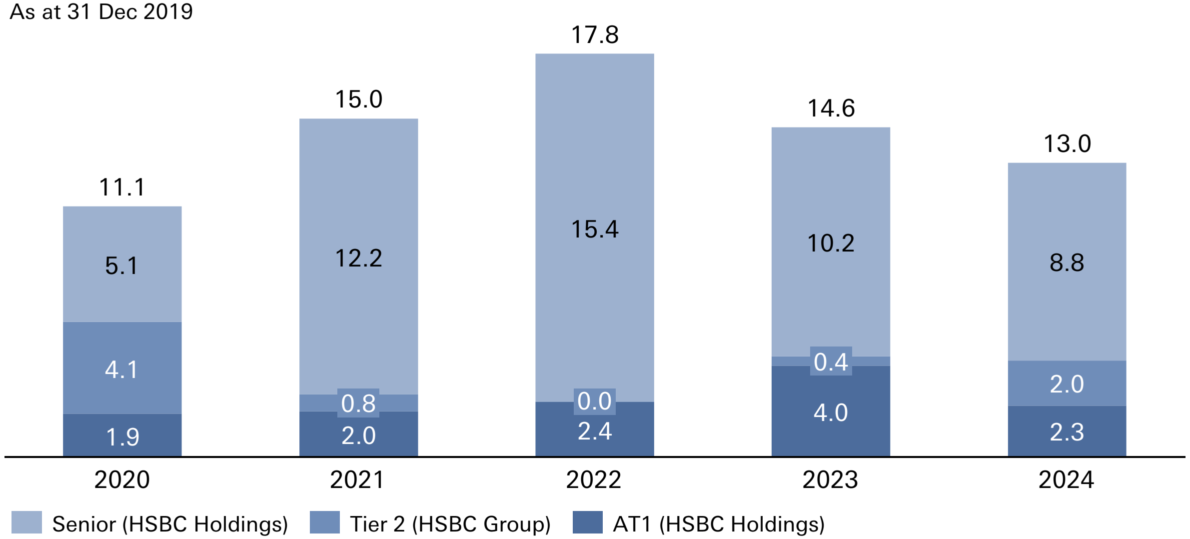
Issuance strategy and plan

Issuance plan[17]

HoldCo Senior	Tier 2	AT1	OpCo
Broadly limited to refinancing maturing/retired HoldCo senior debt	No near-term plans	Broadly limited to refinancing retired debt (including legacy Tier 1)	Expect certain subsidiaries to issue senior and secured debt in local markets

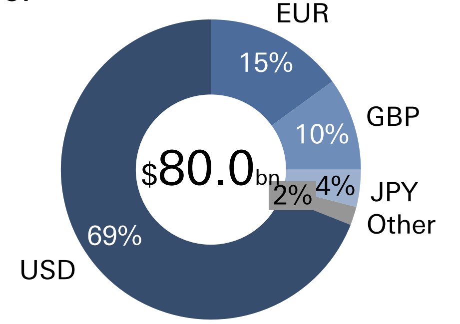
Maturity profile (notional)[18]

$bn-equivalent
As at 31 Dec 2019

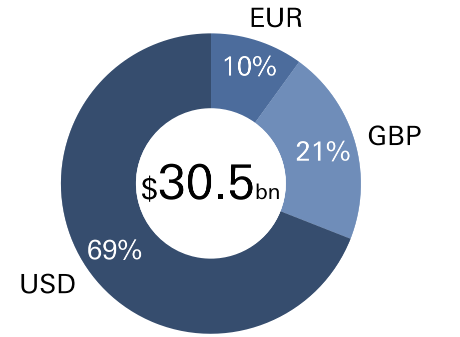


Outstanding instruments by currency (notional)

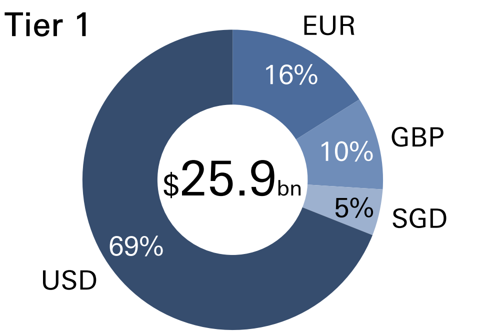
HoldCo senior



Tier 2

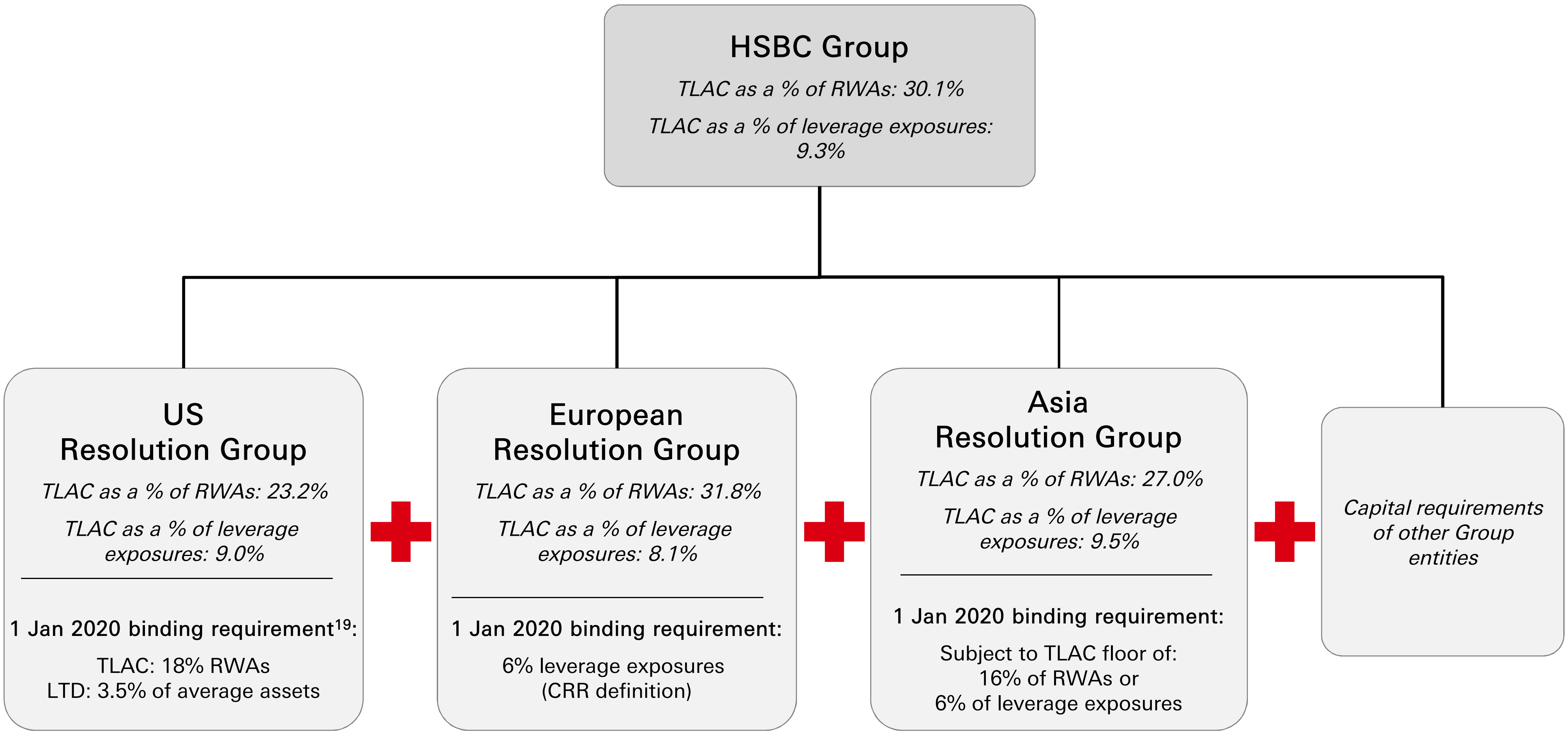


Additional Tier 1



Indicative summary MREL/TLAC requirement

HSBC Group MREL requirements as at 1 Jan 2020 are driven by the sum of the parts ('SoTP') calculation. SoTP sums our subsidiaries' local MREL/TLAC requirements to give the Group's overall MREL requirement

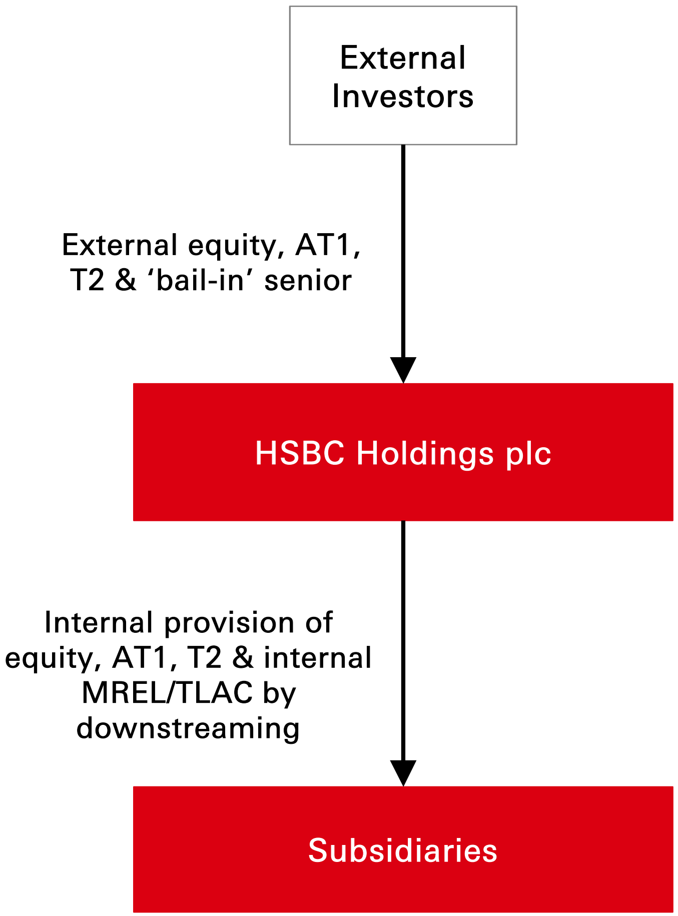


A simplified structure chart can be found on page 27

Indicative timeline of MREL/TLAC requirement

	2019	2020	2021	2022
HSBC Group	The greater of: ▪ 16% of RWAs ▪ 6% of leverage exposures[16] ▪ Sum-of-the-parts ♦			Indicatively, the greater of: ▪ 18% of RWAs ▪ 6.75% of leverage exposures ▪ Sum-of-the-parts ♦
♦ Key sum-of-the-parts components:				
European Resolution Group	The greater of: ▪ 16% of RWAs ▪ 6% of leverage exposures[16]	The greater of: ▪ 16% of RWAs ▪ 6% of leverage exposures (CRR definition) ▪ 2 x P1 + P2A ▪ 2 x leverage ratio requirement (PRA definition): 6.5%		Indicatively, the greater of: ▪ 18% of RWAs ▪ 6.75% of leverage exposures (CRR definition) ▪ 2 x (P1 + P2A) ▪ 2 x leverage ratio requirement (PRA definition)
+ Asia Resolution Group	Subject to TLAC floor of the greater of: ▪ 16% of RWAs ▪ 6% of leverage exposures			Firm specific requirement, subject to TLAC floor of the greater of: ▪ 18% of RWAs ▪ 6.75% of leverage exposures
+ US Resolution Group	TLAC[19]: the greater of: ▪ 18% of RWAs ▪ 6.75% of SLR exposures ▪ 9% of average assets LTD: the greater of: ▪ 6% of RWAs ▪ 2.5% of SLR exposures ▪ 3.5% of average assets			

Approach to issuance – single point of issuance, multiple point of entry



HSBC Holdings plc

- 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

Internal Capital and MREL/TLAC

- Proceeds of external debt issued by HSBC Holdings is predominantly used to acquire capital and internal MREL/TLAC instruments issued by its subsidiaries
- HSBC Holdings does not provide funding to subsidiaries for day-to-day liquidity needs
- HSBC Holdings retains some cash for its own liquidity and capital management

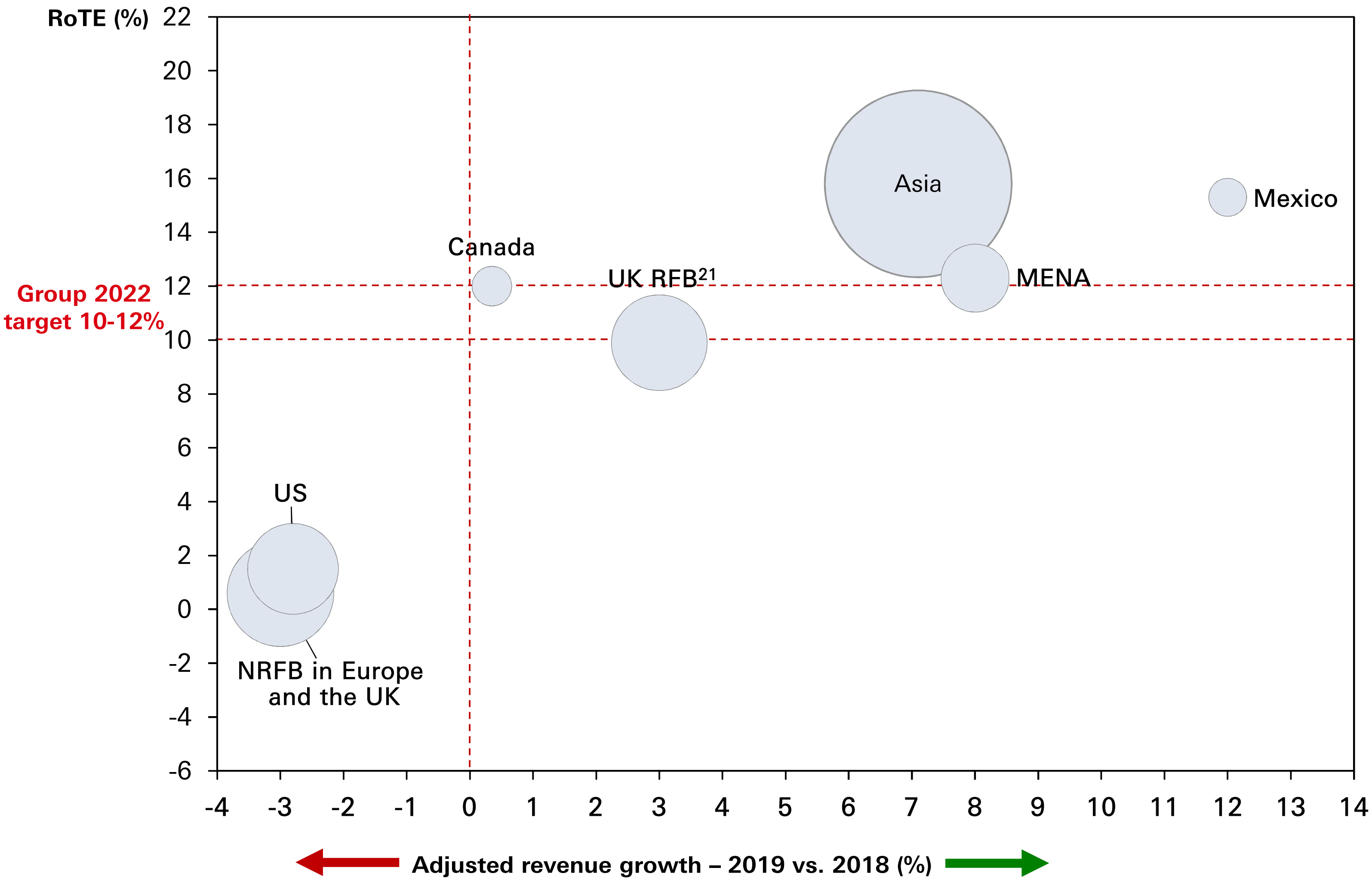
External debt issued by subsidiaries

- HSBC will continue to issue senior and secured debt from certain subsidiaries in local markets to meet their funding and liquidity requirements. This may include: preferred senior, CP, CDs, and covered bonds. This debt is not intended to constitute MREL/TLAC

Appendix

Improving Group returns by addressing underperforming franchises

RoTE (excluding significant items and UK bank levy) by major legal entity[2], (2019 Tangible Equity as size)



Significant items

$m	4Q19	3Q19	4Q18	FY19	FY18
Reported PBT	**(3,897)**	4,837	3,256	**13,347**	19,890
Revenue					
Currency translation	**-**	110	(102)	**-**	(1,617)
Customer redress programmes	**45**	118	(7)	**163**	(53)
Disposals, acquisitions and investment in new businesses	**55**	4	(29)	**(768)**	113
Fair value movements on financial instruments	**176**	(210)	(95)	**(84)**	100
Currency translation on significant items	**-**	4	2	**-**	8
	276	26	(231)	**(689)**	(1,449)
ECL					
Currency translation	**-**	5	10	**-**	78
Operating expenses					
Currency translation	**-**	(99)	79	**-**	1,109
Cost of structural reform	**32**	35	61	**158**	361
Customer redress programmes	**183**	488	(16)	**1,281**	146
Goodwill impairment	**7,349**	-	-	**7,349**	-
Disposals, acquisitions and investment in new businesses	**-**	-	(2)	**-**	52
Restructuring and other related costs	**400**	140	15	**827**	66
Settlements and provisions in connection with legal and regulatory matters	**5**	(64)	(24)	**(61)**	816
Past service costs of guaranteed minimum pension benefits equalisation	**-**	-	228	**-**	228
Currency translation on significant items	**-**	23	(2)	**-**	(25)
	7,969	523	339	**9,554**	2,753
Share of profit in associates and joint ventures					
Currency translation	**-**	(2)	(7)	**-**	(90)
Total currency translation and significant items	**8,245**	552	111	**8,865**	1,292
Adjusted PBT	**4,348**	5,389	3,367	**22,212**	21,182

- Goodwill impairment of $7.3bn, of which $4.0bn related to global GB&M, in CMB $2.5bn related to Europe, $0.3bn to Latin America and $0.1bn to MENA, and in GPB $0.4bn related to NAM
- Customer redress programmes include PPI provisions of $1.2bn in FY19. 4Q19 PPI provisions totalled $179m
- FY19 restructuring and other related costs of $827m includes $753m of severance costs (4Q19: $348m) arising from cost efficiency measures

Certain revenue items and Argentina hyperinflation

Certain items included in adjusted revenue highlighted in management commentary[22], $m	4Q19	3Q19	2Q19	1Q19	4Q18	FY19	FY18
Insurance manufacturing market impacts in RBWM	201	(210)	(33)	182	(185)	129	(325)
Credit and funding valuation adjustments in GB&M	191	(166)	(34)	47	(177)	44	(181)
Legacy Credit in Corporate Centre	13	(41)	(13)	(71)	(12)	(111)	(91)
Valuation differences on long-term debt and associated swaps in Corporate Centre	(73)	76	93	50	67	147	(313)
Argentina hyperinflation[23]	30	(132)	15	(56)	73	(143)	(231)
RBWM disposal gains in Latin America	-	-	-	133	-	133	-
CMB disposal gains in Latin America	-	-	-	24	-	24	-
GB&M provision release in Equities	-	-	-	106	-	106	-
Total	**362**	**(473)**	**28**	**415**	**(234)**	**329**	**(1,141)**

Argentina hyperinflation[23] impact included in adjusted results (Latin America Corporate Centre), $m	4Q19	3Q19	2Q19	1Q19	4Q18	FY19	FY18
Net interest income	33	(61)	24	(8)	55	(12)	(54)
Other income	(3)	(71)	(9)	(48)	18	(131)	(177)
Total revenue	**30**	**(132)**	**15**	**(56)**	**73**	**(143)**	**(231)**
ECL	(10)	12	(3)	1	(12)	(0)	8
Costs	(26)	53	(24)	5	(76)	8	63
PBT	**(6)**	**(67)**	**(12)**	**(50)**	**(15)**	**(135)**	**(160)**

Balance sheet – customer lending

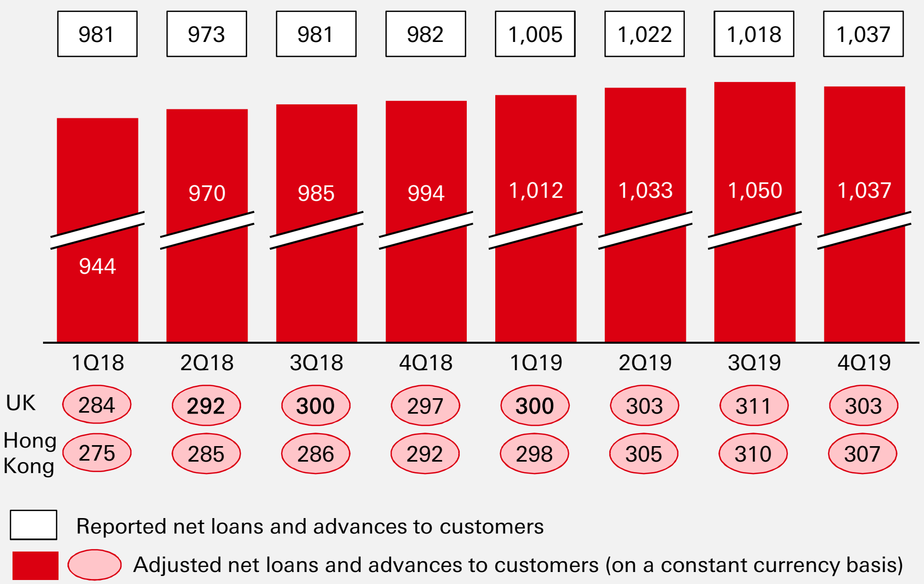
4Q19 Net loans and advances to customers, $bn

Adjusted customer lending decreased by $13bn (1%) vs. 3Q19

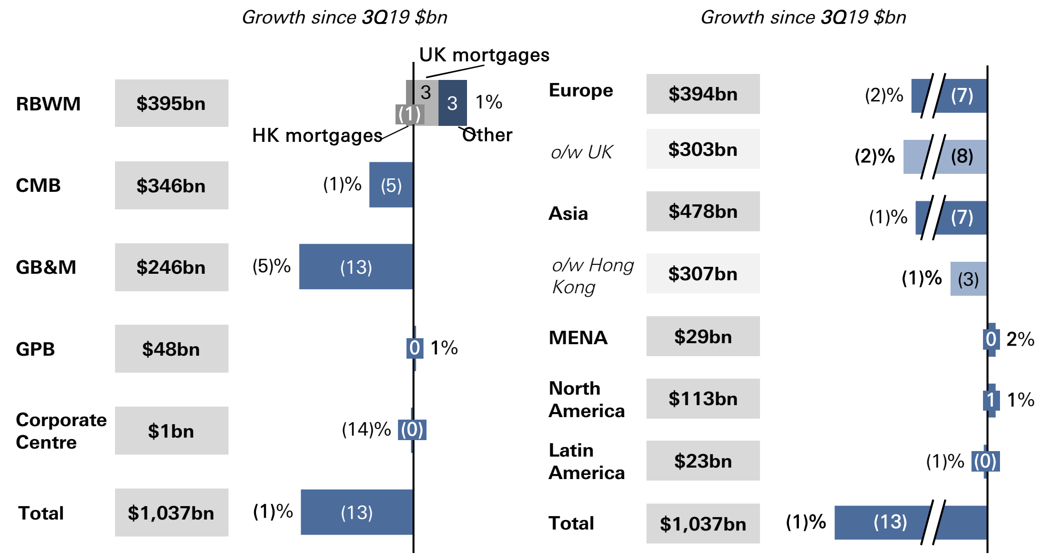
- Customer lending in Asia decreased by $7bn (1%), of which $4bn in GB&M and $2bn in CMB
- In Europe customer lending decreased by $7bn (2%), as reductions in GB&M and CMB more than offset growth in RBWM in the UK (up $3bn)

Adjusted customer lending increased by $42bn (4%) vs. FY18

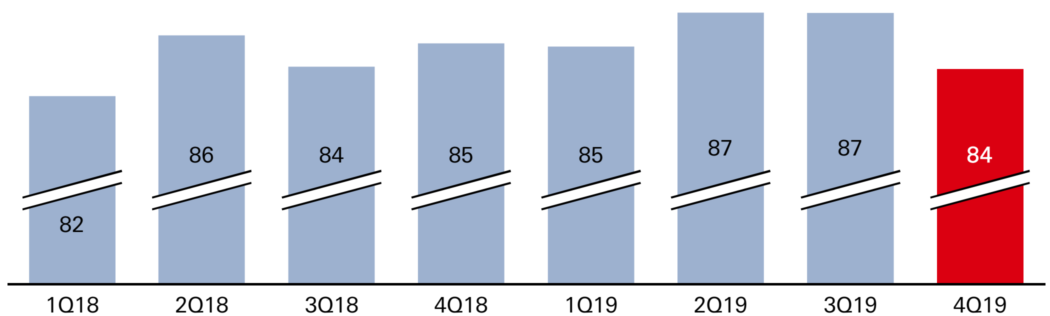
- Customer lending in Asia increased by $25bn, of which RBWM up $13bn and GPB up $6bn (mainly in Hong Kong). Lending growth in GB&M (up $4bn) and CMB (up $3bn), reflected higher corporate term lending
- In Europe, customer lending increased by $12bn, notably in HSBC UK by $11bn, of which RBWM was up $9bn



4Q19 adjusted lending growth by global business and region, $bn



GTRF funded assets, $bn

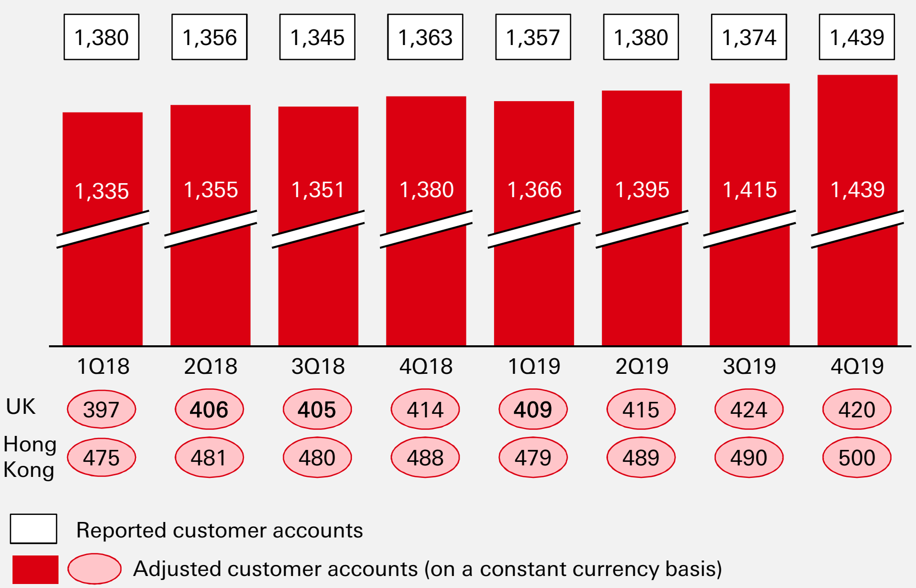


Balance sheet – customer accounts

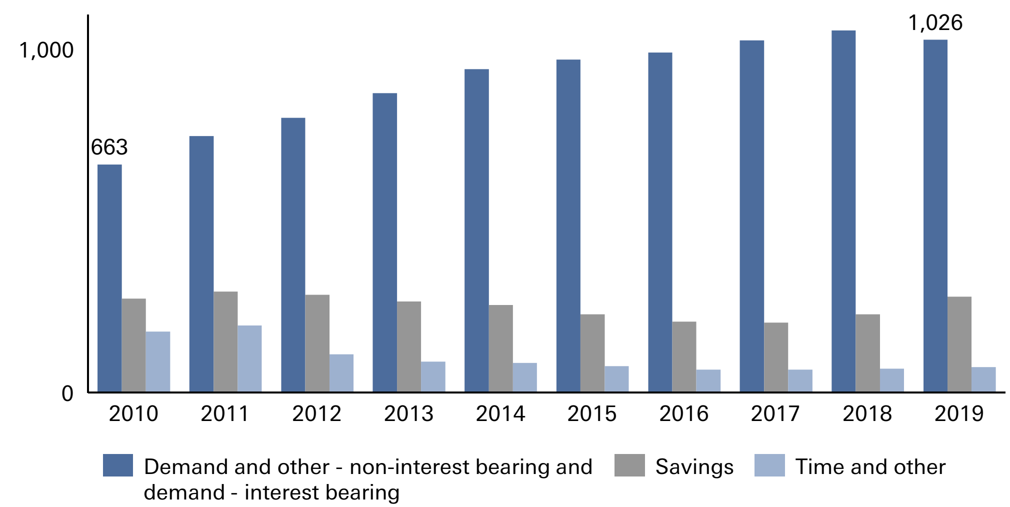
4Q19 Customer accounts, $bn

Adjusted customer accounts increased by $24bn (2%) vs. 3Q19
- Customer accounts in Asia grew by $17bn, of which $10bn in CMB (mainly in Hong Kong and mainland China), and $10bn in RBWM, partly offset by a reduction of $3bn in GB&M
- Customer accounts in Europe broadly stable, with HSBC UK up $5bn from RBWM and CMB

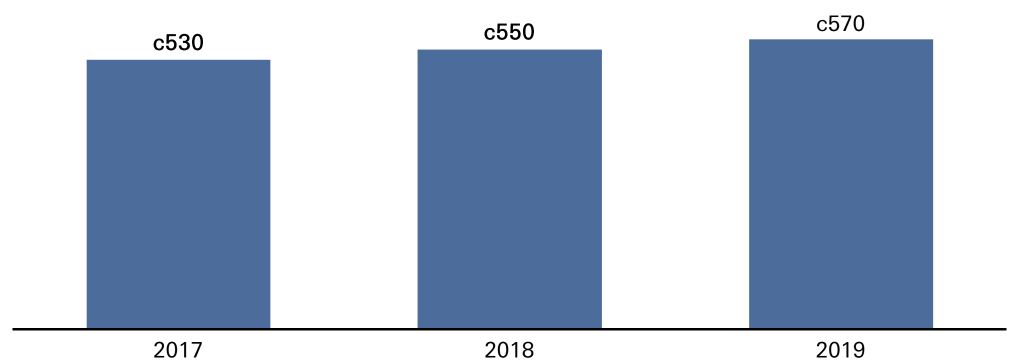
Adjusted customer accounts increased by $59bn (4%) vs. FY18
- In Asia, customer accounts up $30bn (4%), notably in RBWM (up $20bn) and CMB (up $5bn), primarily from an increase in time deposits. GB&M growth (up $5bn) was mainly in Singapore
- Europe customer accounts up $13bn, driven by growth in RBWM (up $11bn) and CMB (up $10bn), partly offset by lower GB&M balances (down $9bn)



Reported average customer accounts, $bn



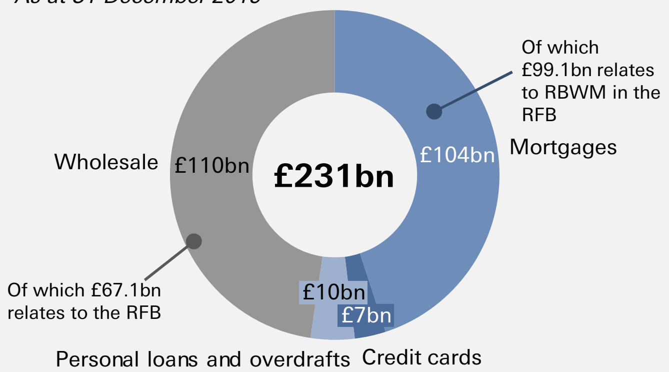
Average GLCM deposits (includes banks and affiliate balances), $bn



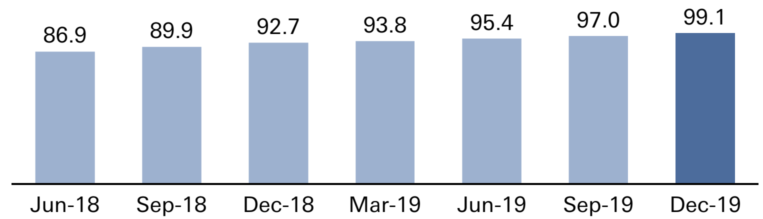
UK customer loans and advances

Total UK gross customer loans and advances

As at 31 December 2019



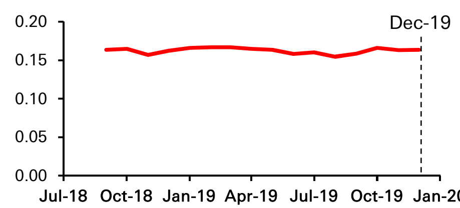
RFB RBWM gross residential mortgages, £bn



By LTV

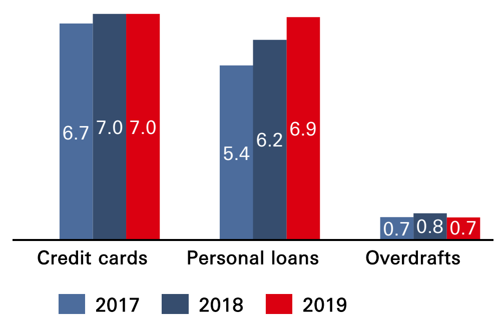
Less than 50%	£45.5bn
50% - < 60%	£15.7bn
60% - < 70%	£14.6bn
70% - < 80%	£13.1bn
80% - < 90%	£8.2bn
90% +	£1.7bn

90+ day delinquency trend, %

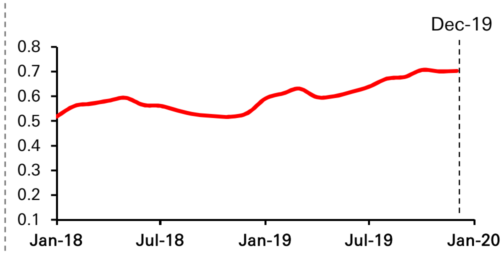


- c.27% of mortgage book is in Greater London
- Buy-to-let mortgages of £2.8bn
- Mortgages on a standard variable rate of £2.9bn
- Interest-only mortgages of £18.6bn[24]
- LTV ratios:
  - c.46% of the book < 50% LTV%
  - new originations average LTV of 67%
  - average LTV of the total portfolio of 51%

RFB RBWM unsecured lending*, £bn



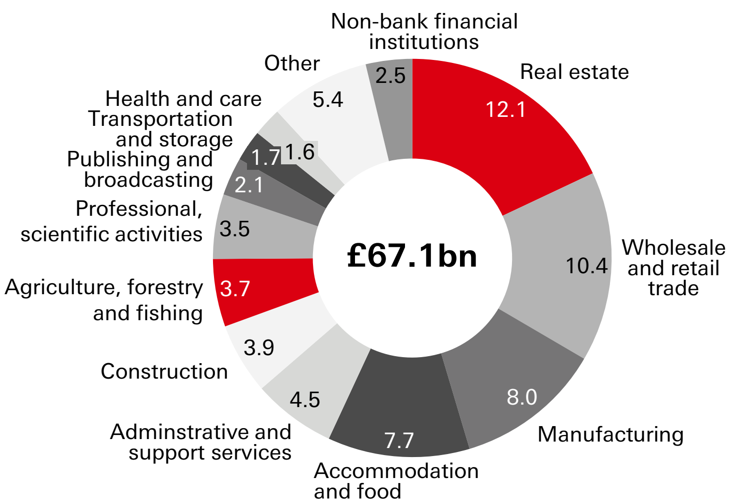
Credit cards: 90-179 day delinquency trend, %



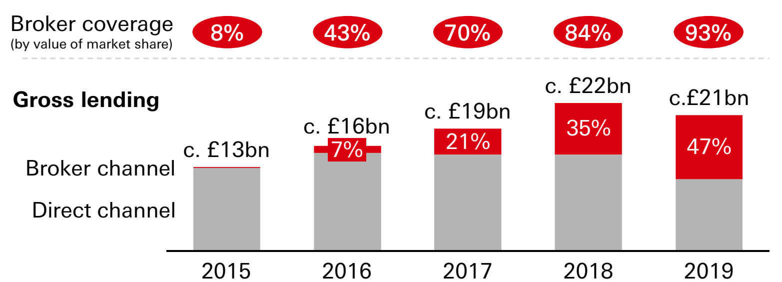
- The rise in 90-179 delinquencies over the last 12 months is being monitored closely, but largely reflects a return to more normal credit conditions

RFB wholesale gross loans and advances to customers, £bn

As at 31 December 2019



Expansion into the broker channel



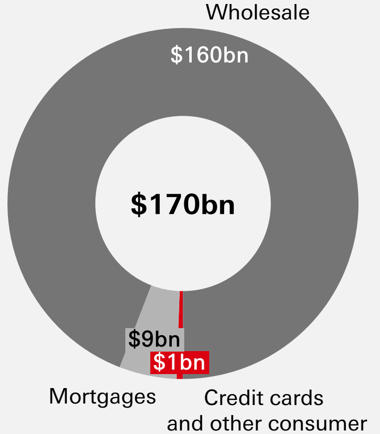
*net loans and advances to customers

Mainland China drawn risk exposure

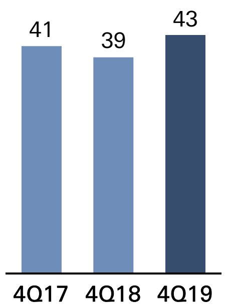
China drawn risk exposure includes wholesale lending where the ultimate parent and beneficial owner is based in mainland China[25]

Total China drawn risk exposure of $170bn

As at 31 December 2019



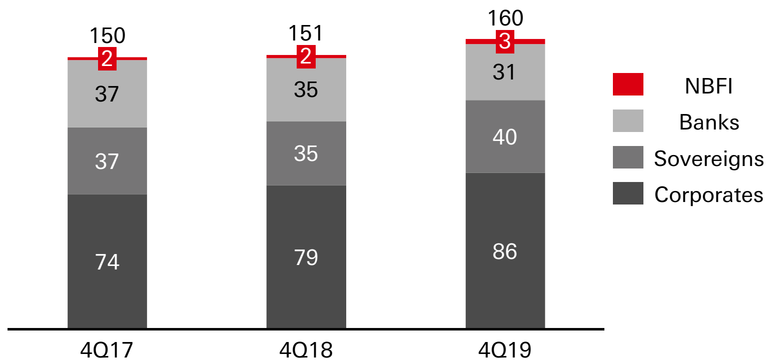
Mainland gross loans and advances to customers, $bn



Mainland Customer deposits, $bn

- Total China drawn risk exposure (including Sovereigns, Banks and Customers) of $170bn comprising: Wholesale $160bn (of which 54% is onshore); Retail: $10bn
- Gross loans and advances to customers of $43bn (Wholesale: $33bn; Retail $10bn) in mainland China, by country of booking excluding Hong Kong and Taiwan
- Stage 3 loan balances and change in ECL remains low
- We are selective in our lending, as at 4Q19, HSBC's onshore corporate lending market share is 0.14%

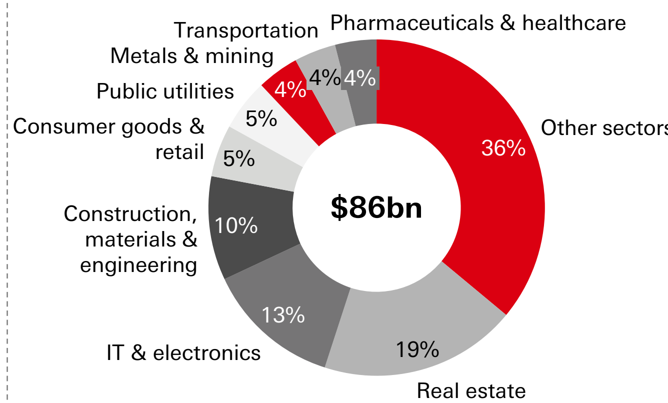
Wholesale analysis, $bn



Wholesale lending by risk type:

CRRs	1-3	4-6	7-8	9+	Total
Sovereigns	39.7	0.2			39.9
Banks	30.5	0.3			30.8
NBFI	2.5	0.2			2.7
Corporates	56.4	29.3	0.1	0.3	86.2
Total	**129.1**	**30.0**	**0.1**	**0.3**	**159.6**

Corporate Lending by sector:

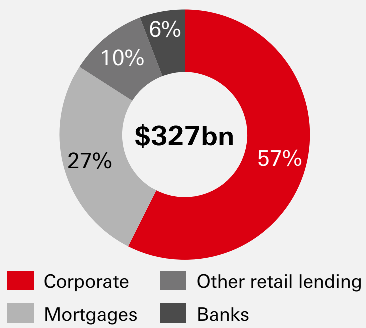


- c20% of lending is to Foreign Owned Enterprises, c38% of lending is to State Owned Enterprises, c42% to Private sector owned Enterprises
- Corporate real estate:
  - 60% sits within CRR 1-3 (broadly equivalent to investment grade)
  - Highly selective, focusing on top tier developers with strong performance track records
  - Focused on Tier 1 and selected Tier 2 cities

Hong Kong drawn risk exposure

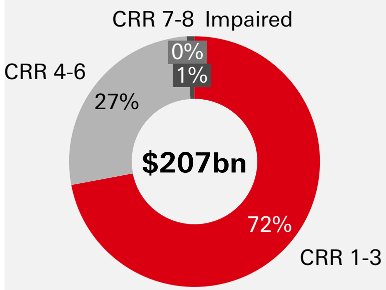
Hong Kong drawn risk exposure represents lending booked in Hong Kong

Total gross loans and advances to customers and banks

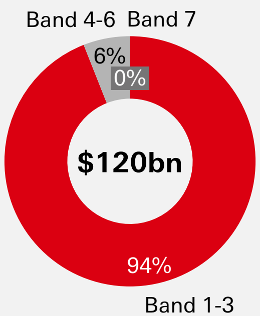


- Total gross loans and advances to customers and banks of $327bn as at 31 December 2019 by booking location (wholesale: $207bn; personal: $120bn)
- Weaker economic conditions in the second half of 2019, as well as the implementation of two alternative downside scenarios to represent management's view of possible further weakening of economic conditions in Hong Kong, resulted in increases in ECL and stage 2 balances
- ECL charge of $459m in 2019 (CMB: $233m, RBWM: $156m, GB&M $68m), compared with $215m in 2018 (CMB $116m, RBWM: $107m, GB&M: $6m release)
- 4Q19 ECL charge of $118m (0.15% of average gross loans and advances).
- Average LTV ratio on new mortgage lending was 49% in 2019; average LTV for the overall mortgage portfolio was 41%
- Loans and advances to Business Banking customers (SMEs) of $15bn at 31 December 2019
- Renegotiated loans remain in line with previous years

Credit Quality - Wholesale



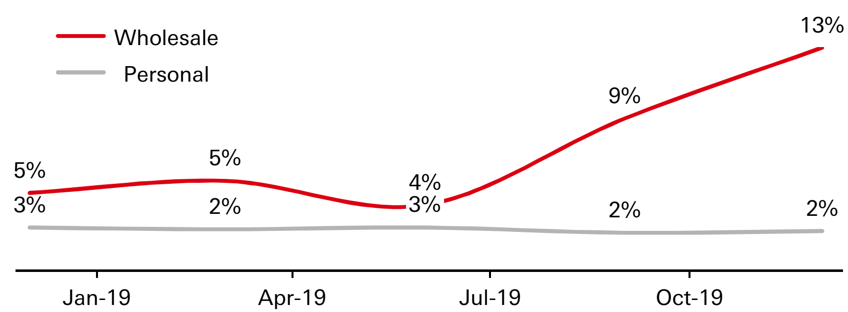
Credit Quality - Personal



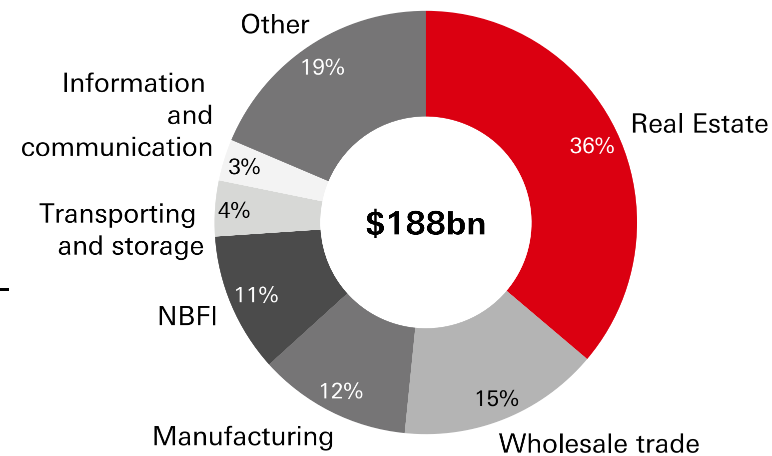
Gross loans and advance to customers and banks by IFRS 9 stage

	2019			2018		
IFRS 9 Stage	Gross L&A $bn	ECL Allowance $bn	ECL % L&A	Gross L&A $bn	ECL Allowance $bn	ECL % L&A
Stage 1	299.5	0.2	0.1%	299.1	0.2	0.1%
Stage 2	26.5	0.4	1.5%	11.1	0.3	2.5%
Stage 3	0.9	0.5	60.0%	0.9	0.5	50.3%
POCI	0.0	0.0	58.5%	0.1	0.0	51.3%
	326.9	1.1		311.2	0.9	

Stage 2 as % of total loans and advances to customers



Corporate lending by sector as at 31 December 2019



RWAs by global business and geography

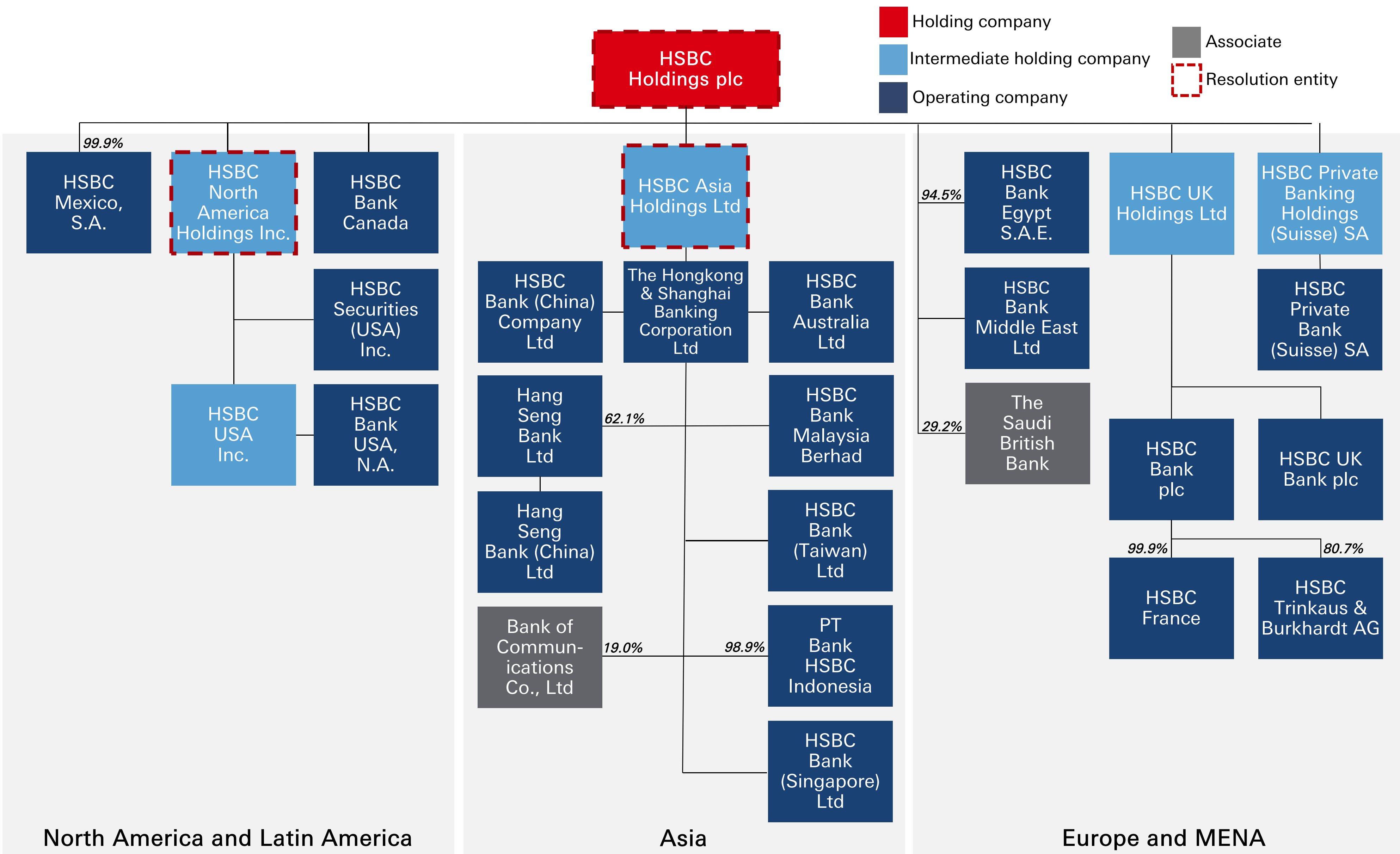
RWAs as at 31 December 2019, $bn

	RBWM	CMB	GB&M	GPB	Corporate Centre	Total
Europe	37.6	116.0	106.1	7.7	13.6	**281.0**
Asia	65.7	129.3	102.0	3.2	66.2	**366.4**
Middle East and North Africa	5.0	13.5	12.9	-	26.1	**57.5**
North America	16.2	47.7	42.8	3.1	12.2	**122.0**
Latin America	9.5	10.2	14.7	-	4.0	**38.4**
Total[26]	**134.0**	**316.7**	**258.2**	**14.0**	**120.5**	**843.4**

Current credit ratings for main issuing entities

Long term senior ratings as at 17 February 2020	Fitch		Moody's		S&P	
	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-	STABLE
HSBC Bank plc	A+	STABLE	Aa3	NEG	AA-	NEG
HSBC UK Bank plc	A+	STABLE	Aa3	NEG	AA-	NEG
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	AA-	NEG

Simplified structure chart



As at 31 December 2019. Showing entities in major markets, wholly-owned unless shown otherwise. Excludes Service Companies, other Associates, Insurance companies and Special Purpose Entities.

Glossary

ASEAN	Association of Southeast Asian Nations
AT1	Additional Tier 1
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point
CET1	Common Equity Tier 1
CCB	Capital Conservation Buffer
CCyB	Countercyclical Buffer
Corporate Centre	In December 2016, certain functions were combined to create a Corporate Centre. These include Balance Sheet Management, legacy businesses and interests in associates and joint ventures. The Corporate Centre also includes the results of our financing operations, central support costs with associated recoveries and the UK bank levy
CMB	Commercial Banking, a global business
CML	Consumer and Mortgage Lending (US)
CRD IV	Capital Requirements Directive and the Capital Requirements Regulation
CRR	Customer risk rating
CRR II	Amendments to the Capital Requirements Regulation
ECL	Expected credit losses and other credit impairment charges
ESG	Environmental, social and governance
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
GSII	Globally systemically important institution
HKMA	Hong Kong Monetary Authority

HoldCo	Holding Company
HQLA	High Quality Liquid Assets
LTD	Long term debt
LTV	Loan-to-value ratio
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
Jaws	The difference between the rate of growth of revenue and the rate of growth of costs. Positive jaws is where the revenue growth rate exceeds the cost growth rate. We calculate this on an adjusted basis
LCR	Liquidity coverage ratio
LICs	Loan Impairment charges and other credit risk provisions
MREL	Minimum requirement for own funds and eligible liabilities
MENA	Middle East and North Africa, a region
NBFI	Non-bank financial institutions
NAV	Net Asset Value
NII	Net interest income
PBT	Profit before tax
Ppt	Percentage point
POCI	Purchased or originated credit-impaired
PRD	Pearl River Delta
RBWM	Retail Banking and Wealth Management, a global business
RoE	Return on average ordinary shareholders' equity
RoRWA	Return on average risk-weighted assets
RoTE	Return on average tangible equity
RWA	Risk-weighted asset
SLR	Supplementary leverage ratio
TLAC	Total loss absorbing capacity
TNAV	Tangible net asset value
XVA	Credit and Funding Valuation Adjustments

Footnotes

1. The goodwill impairment of $7.3bn arose from an update to long-term growth assumptions reflecting the more challenging revenue outlook impacting a number of our businesses, and specifically to GB&M arising from the reshaping of the business
2. Due to falling interest rates in the year to date, the regulator-prescribed ‘Valuation Interest Rate’ parameters used to discount the insurance liabilities in Hong Kong and Singapore were reduced. This led to an increase in the liabilities under insurance contracts of $1.2bn, and a corresponding increase in the Present Value of In-Force business (‘PVIF’) of $1.1bn. Because the increase in PVIF is excluded from both the numerator and denominator of the Group’s RoTE calculation, the reduction in the discount rates lowered FY19 RoTE by 0.6ppts
3. FY18 Jaws (adjusted) is as reported at FY18
4. 20,158 million weighted average basic ordinary shares outstanding during the period
5. Unless otherwise stated, risk-weighted assets and capital amounts at 31 December 2019 are calculated in accordance with the revised Capital Requirements Regulation and Directive, as implemented (‘CRR II’), and specifically using its transitional arrangements for capital instruments and for IFRS 9 Financial instruments
6. Leverage ratio at 31 December 2019 is calculated using the CRR II end-point basis for additional tier 1 capital
7. Excludes inter-regional eliminations
8. Due to customer redress programmes, HBUK 4Q19 NIM has been adversely impacted by 5bps (3Q19 NIM impacted by 19bps), FY19 NIM of 2.05% has been adversely impacted by 6bps
9. Total includes POCI balances and related allowances
10. Includes offset mortgages in first direct, endowment mortgages and other products
11. CET1 capital requirements as at 1 January 2020, and subject to change
12. Minimum requirement for own funds and eligible liabilities (MREL) consists of a minimum level of equity and eligible debt liabilities that will need to be maintained pursuant to a direction from the Bank of England in the exercise of its powers under the Bank Recovery and Resolution Directive (BRRD) as implemented in the UK, with the purpose of absorbing losses and recapitalising an institution upon failure whilst ensuring the continuation of critical economic functions.
13. 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 binding requirement for 2020 external MREL requirements applicable to the HSBC Group
14. 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
15. 2020 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, the BoE 2020 MREL recalibration and as we gain further clarity on the components of end-state requirements across the Group
16. Leverage exposure is calculated as the higher of either the requirements as defined in the Capital Requirements Regulation or the PRA’s leverage ratio requirement
17. The issuance plan is guidance only; it is a point in time assessment and subject to change
18. To first call date if callable; otherwise to maturity
19. Leverage exposures and ratio are calculated under both local regulatory rules and the equivalent accounting standard to IFRS 9 for current expected credit losses (‘CECL’), US supplementary leverage ratio (SLR) and US Basel III. Under the US Final TLAC rules, in addition to the risk-weighted assets component of the TLAC requirement, the US resolution group is subject to an external 2.5% TLAC buffer that is analogous to the capital conservation buffer
20. RoTE excludes significant items and the UK bank levy. RBWM RoTE includes an adverse impact reflecting lower discount rates on Insurance liabilities, but excludes a broadly offsetting favourable movement in PVIF. Asia = The Hongkong and Shanghai Banking Corporation limited; MENA = HSBC Bank Middle East; Canada = HSBC Canada; Mexico = HSBC Mexico; Non ring-fenced bank (NRFB) in Europe and the UK = HSBC Bank plc; US = HSBC North America Holdings Inc.; UK Ring-fenced bank (RFB) = HSBC UK Bank plc (excludes conduct charges relating to the mis-selling of payment protection insurance of $1.2bn)
21. UK RFB negatively impacted by a pension surplus. In the event that the current IAS 19 Pension fund surplus was zero, additional CET1 capital would be required to be held and Adjusted RoTE would be 11.3%
22. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 4Q19 exchange rates
23. From 1st July 2018, Argentina was deemed a hyperinflationary economy for accounting purposes
24. Includes offset mortgages in first direct, endowment mortgages and other products
25. 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
26. In this table the breakdown of GB&M and Corporate Centre RWAs by geographical region excludes 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

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", "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 furnished to the SEC on Form 6-K on 5 August 2019 (the "2019 Interim Report"), as well as in our Annual Report and Accounts for the fiscal year ended 31 December 2019 which we expect to file with the SEC on Form 20-F on 19 February 2020.

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, our 3Q 2019 Earnings Release furnished to the SEC on Form 6-K on 28 October 2019, 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 18 February 2020.