HSBC Holdings plc 4Q19 Results

Presentation to Investors and Analysts

HSBC

4Q19 highlights

1. **4Q19 reported loss before tax of $3.9bn** impacted by a **goodwill impairment[1] of $7.3bn**

2. **4Q19 adjusted revenue up 9%** to $13.6bn vs. 4Q18 and **adjusted PBT up 29% to $4.3bn vs. 4Q18**
Hong Kong 4Q19 adjusted PBT up 3% to $2.6bn

3. **Cost discipline:** 4Q19 adjusted costs of $9.1bn, up 3.2% vs. 4Q18. 2H19 adjusted costs (excl. bank levy) down 2.1% vs. 1H19

4. **CET1 ratio further strengthened by 0.4ppts vs. 3Q19 to 14.7%** driven by RWA reductions of $22bn

A reconciliation of reported results to adjusted results can be found on slide 16. The remainder of the presentation, unless otherwise stated, is presented on an adjusted basis

Strong performing franchises: FY19 selected highlights

RBWM
- **Revenue up 9%** to $23.4bn, **PBT up 15%** to $8.0bn
- **RoTE[2] of 20.5%**
- **$16bn growth in mortgage book in** the UK (up 7%) and Hong Kong (up 9%)
- **1.5m increase in active customers,** up 4% to 39.4m

GPB
- **PBT up 19%** to $0.4bn
- **Net New Money of $23bn**

CMB
- **Revenue up 6%** to $15.3bn
- **RoTE[2] of 12.4%**
- Loans and advances to customers up 3% to $346bn

Transaction banking
- **Revenue[3] up 3%** to $16.8bn
- **#1 globally** for GLCM and GTRF revenue[4]

Asia
- **Hong Kong revenue up 7%** to $19.4bn, **PBT up 5%** to $12.1bn
- **Asia excl. Hong Kong revenue up 8%** to $11.0bn
- **Asia GB&M revenue up 7%** to $7.1bn
- **RoTE[2] of 15.8%**

MENA
- **Revenue up 8%** to $2.9bn, **adjusted PBT up 3%** to $1.6bn
- **RoTE[2] of 12%**

UK RFB
- **Revenue up 3%** to $8.4bn
- **RoTE[2] of 9.9%**
- **Mortgage balances up 7%** to $134bn; stock market share of 6.8%[5]
- CMB loans and advances to customers up 2% to $85bn

Other
- **Mexico PBT up 38%** to $0.7bn, **RoTE[2] of 15.3%**
- **Canada RoTE[2] of 12.0%**

Strong performing franchises: Hong Kong business performance

Financials

Key selected financial data, $m

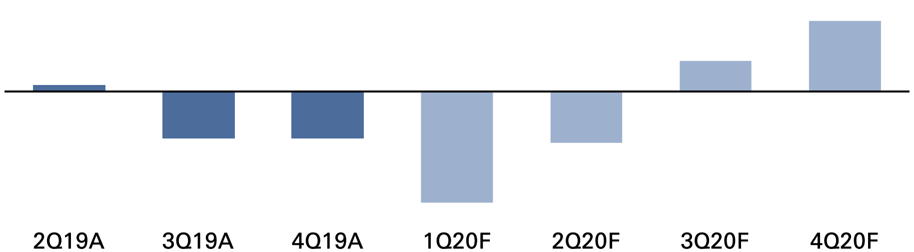
	4Q19	Δ4Q18	Δ%	FY19	ΔFY18	Δ%
Revenue	4,591	233	5%	19,438	1,196	7%
ECL	(118)	(15)	(15)%	(459)	(244)	(113)%
Costs	(1,828)	(127)	(7)%	(6,871)	(345)	(5)%
JV	2	(8)	(80)%	31	(5)	(14)%
Adjusted PBT	**2,647**	**83**	**3%**	**12,139**	**602**	**5%**
Loans and advances to customers, $bn	307	15	5%	307	15	5%
Customer accounts, $bn	500	12	3%	500	12	3%

- **Resilient performance despite softening macroeconomic environment:**
  - FY19 revenue up 7% to $19.4bn
  - FY19 adjusted PBT up 5% to $12.1bn
- **Strong balance sheet performance:**
  - Loans and advances to customers up 5% to $307bn
  - Customer accounts up 3% to $500bn
  - Number of customers[6] up 255k (3%) to 8.4m

Macro

- Weak 2H19 GDP, expected to flow into 1H20
- **Cautious on 2020 outlook** for Hong Kong given coronavirus (COVID-19) impacts

GDP, %, YoY



Forecast source: HSBC Global Research[7]

Business initiatives

- **Continued successful rollout of PayMe,** with PayMe for Business launched in 2019:
  - Now has **close to 2m customers[8],** up from 1m in 2018
  - Payments made via PayMe represented **68% of all peer-to-peer payments[9]**
  - **183k transactions** made via PayMe for Business in December 2019
- Continued strong market shares[10]:
  - 45% for credit cards
  - 54% market share in unit trust gross sales
  - Loans market share of 28%

Underperforming franchises: FY19 summary

Non ring-fenced bank in Europe and the UK

Revenue down by 3% to $7.8bn

Adjusted PBT down to $0.8bn

RoTE[2] of 0.6%

Total assets of $842bn and RWAs of $166bn

Poor RBWM profitability in France; PBT of $50m (loss of $53m in FY18)

Leverage exposures of $755bn

GB&M in the NRFB

PBT down 80% to $176m

CER of 95%

RWAs of $105bn

US

Revenue down 3% to $4.7bn

PBT down 39% to $0.6bn (largely driven by non-recurrence of FY18 ECL releases)

CER of 84%

RoTE[2] of 1.5%

Loss-making RBWM business; loss before tax of $259m vs. loss of $180m in FY18

Leverage exposures[11] of $249bn

GB&M in the US

PBT down 24% to $470m

CER of 76%

RWAs of $37bn

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%

1,608: Excluding certain items included in adjusted revenue
For further information please see appendix, page 17

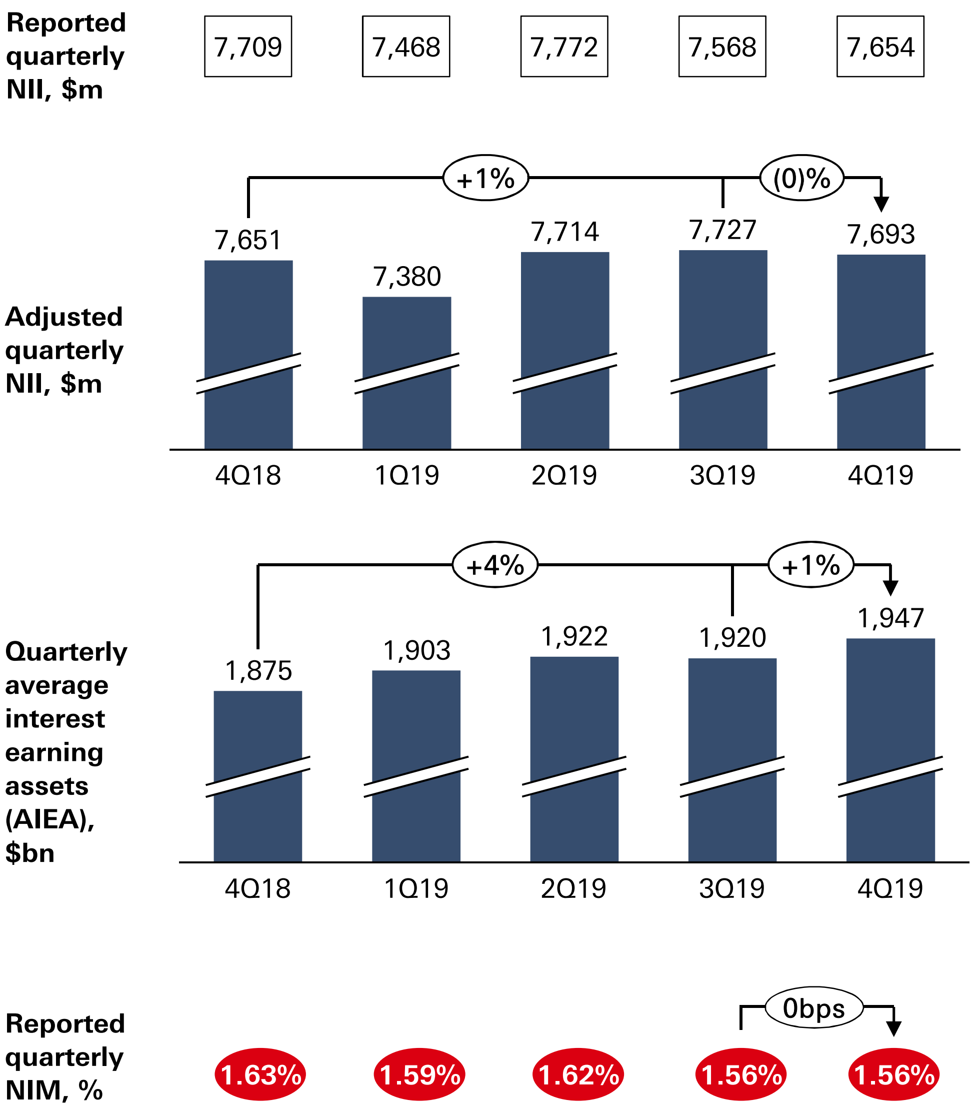
4Q19 adjusted revenue performance

Business	4Q19 revenue			4Q19 vs. 4Q18, $m	
RBWM	$5,852m	$3,989m	Retail Banking	85	$0.8bn 15%
		$1,655m	Wealth Management	536	
		$208m	Other	150	
CMB	$3,686m	$1,425m	GLCM	(92)	$0.0bn 0%
		$432m	GTRF	(15)	
		$1,328m	Credit and Lending	4	
		$501m	Other	117	
GB&M	$3,740m	$1,765m	Global Markets, Securities Services	190	$0.7bn 23%
		$1,858m	Global Banking, GLCM, GTRF	45	
		$117m	Principal Investments, XVA, Other	466	
GPB	$452m			28	7%
Corporate Centre	$(83)m			(331)	
Group	$13,647m			587 / 596 / 1,183	9%

Of which BSM down $178m and valuation differences down $140m

Excluding certain items included in adjusted revenue
For further information please see appendix, page 17

Net interest income and NIM



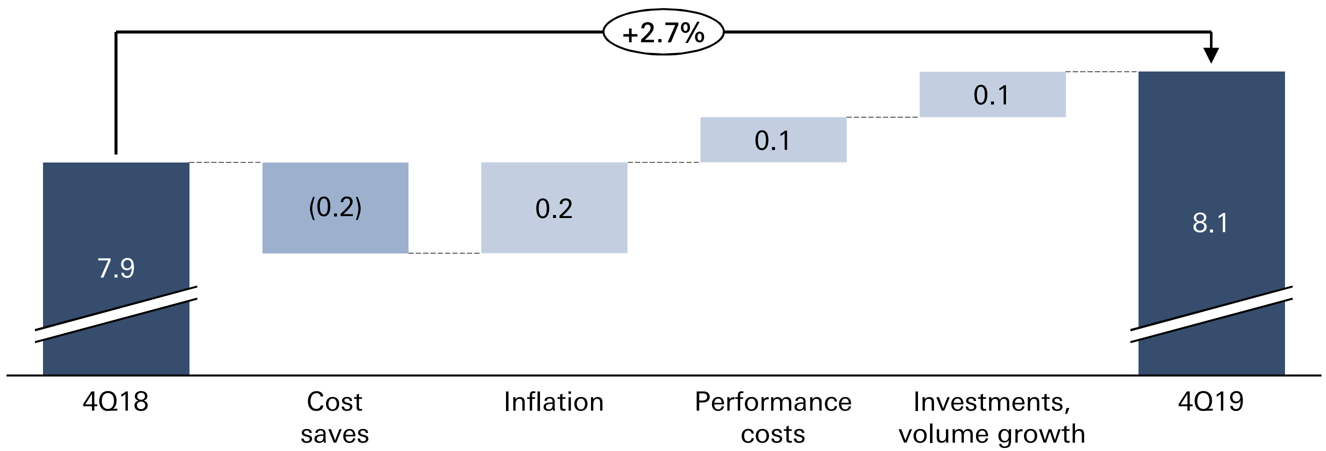
- Adjusted NII of $7.7bn, stable vs. 3Q19 and up 1% vs. 4Q18; FY19 adjusted NII of $30.6bn, up 3% or $1bn vs. FY18
- 4Q19 NIM 1.56% unchanged vs. 3Q19, driven by:
  - 4bps favourable impact from lower provisions in relation to customer redress programmes in the RFB and Argentina hyperinflation
  - Adverse 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, %

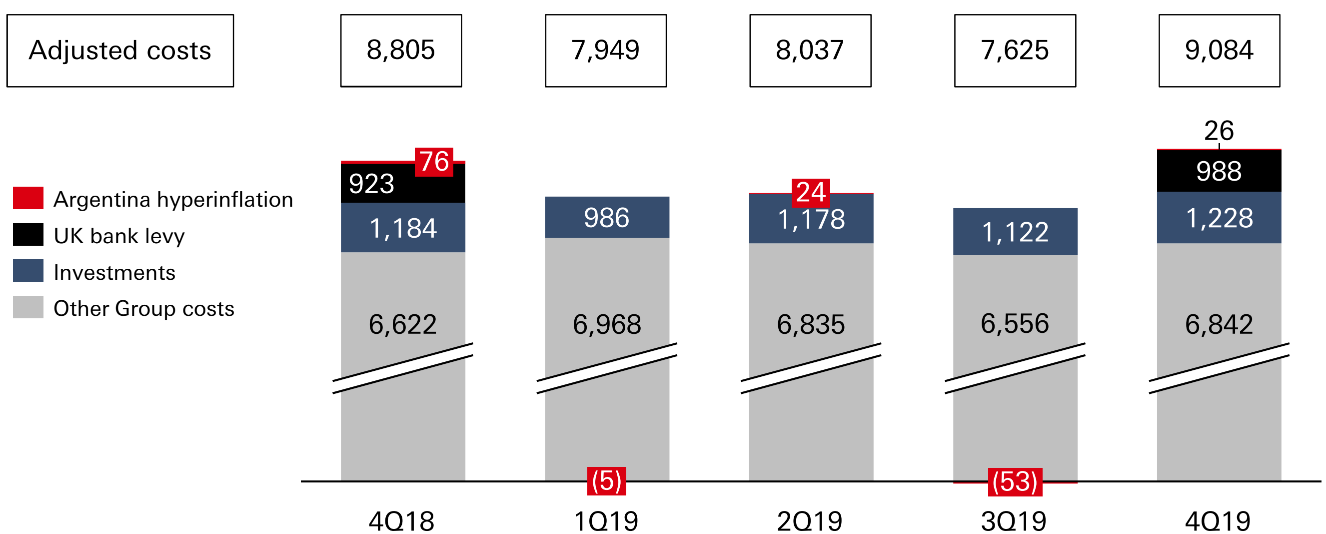
	1Q19	2Q19	3Q19	4Q19	% of 4Q19 Group NII	% of 4Q19 Group AIEA
The Hongkong and Shanghai Banking Corporation (HBAP)	1.99%	2.05%	2.05%	2.00%	55%	43%
HSBC Bank plc (NRFB)	0.34%	0.45%	0.47%	0.46%	7%	22%
HSBC UK Bank plc (RFB)[12]	2.21%	2.13%	1.93%	1.95%	20%	16%
HSBC North America Holdings, Inc	1.05%	1.01%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

Adjusted costs

4Q19 vs. 4Q18, $bn
Excl. UK bank levy



Adjusted operating expenses trend, $m



Adjusted costs

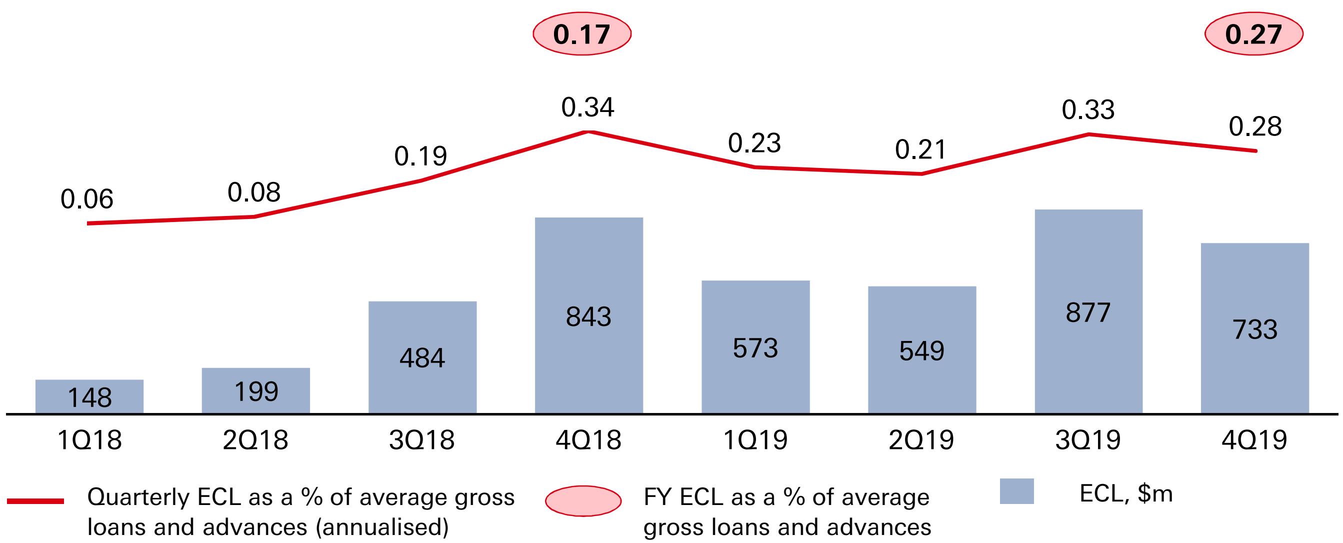
- Adjusted costs excluding UK bank levy up 2.7% to $8.1bn
- 4Q19 investment spend of $1.2bn, up 4% vs. 4Q18
- FY19 investment spend up 10% to $4.5bn vs. $4.1bn in FY18
- FY19 technology spend up 11% to $4.7bn vs. FY18

Reported costs

- 4Q19 reported costs of $17.1bn include goodwill impairment of $7.3bn and customer redress of $183m, of which $179m relates to the mis-selling of PPI
- 4Q19 restructuring costs of $400m ($827m in FY19)
- Total FTE at FY19 down 2.3k (1%) vs. 1H19 to 235k

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

Capital adequacy

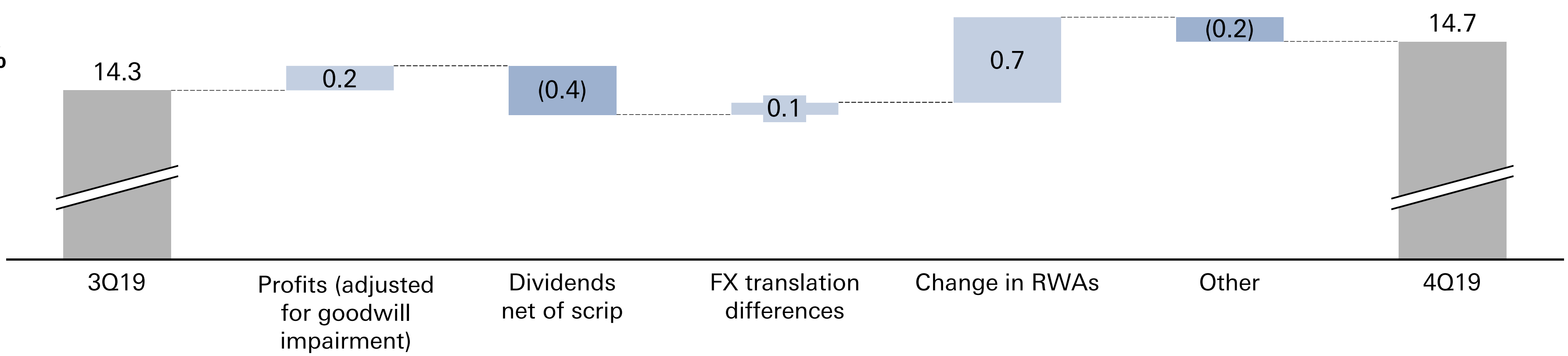
Capital progression

	4Q18	1Q19	2Q19	3Q19	4Q19
Common equity tier 1 capital, $bn	121.0	125.8	126.9	123.8	124.0
Risk-weighted assets, $bn	865.3	879.5	886.0	865.2	843.4
CET1 ratio, %	14.0	14.3	14.3	14.3	14.7
Leverage ratio exposure, $bn	2,614.9	2,735.2	2,786.5	2,780.2	2,726.5
Leverage ratio, %	5.5	5.4	5.4	5.4	5.3

- CET1 ratio of 14.7% up 0.4ppts from 14.3% in 3Q19, mainly due to RWA reductions
- RWAs decreased by $22bn vs. 3Q19, driven by GB&M (down $19bn), primarily in the NRFB, from active portfolio management, changes to methodology and policy and model updates

CET1 and RWA movements

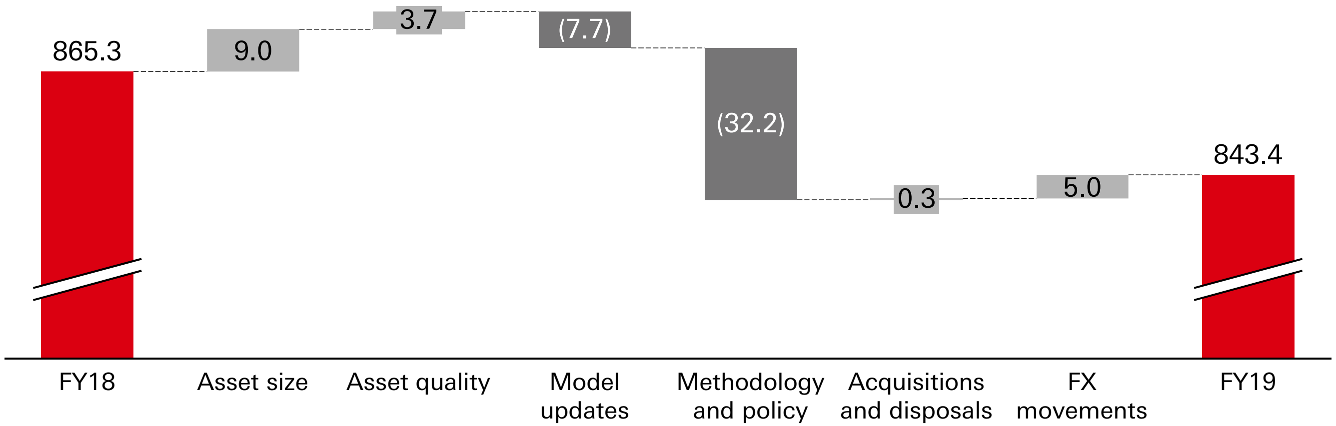
CET1 ratio, %



	3Q19	Profits (adjusted for goodwill impairment)	Dividends net of scrip	FX translation differences	Change in RWAs	Other	4Q19
CET1, $bn	123.8	1.5	(3.4)	3.5		(1.4)	124.0
RWAs, $bn	865.2			16.6	(38.4)		843.4

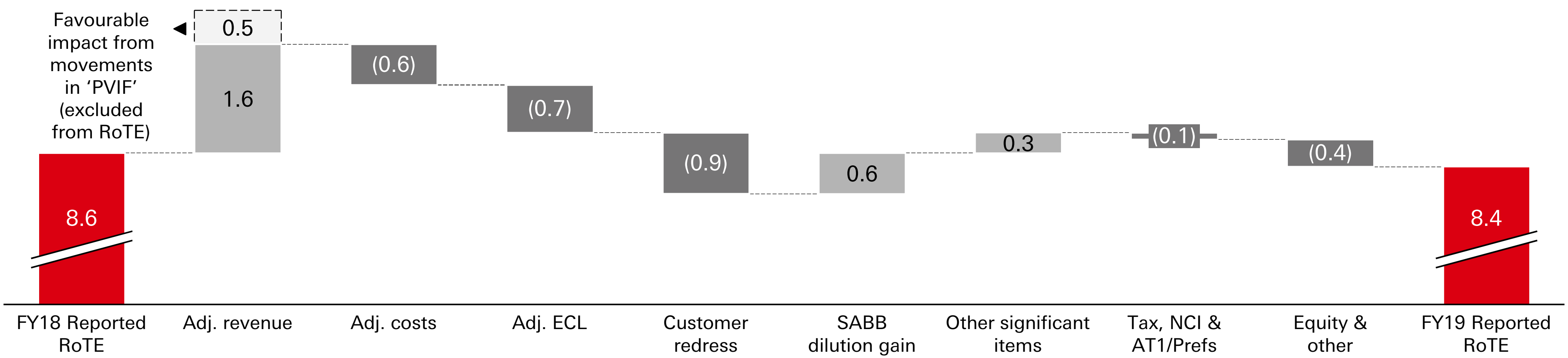
RWA and RoTE walks

Group RWA walk, FY18 vs. FY19, $bn



- **Total RWA reductions of $22bn,** of which GB&M: $23bn vs. FY18
- Renewed focus on customer profitability in CMB and GB&M
- Expect ~$10bn of regulatory RWA inflation and additional ~$10bn of business growth in 1Q20
- Risks to RWAs include:
  - RWA inflation from wholesale exposure credit rating migration in Hong Kong in 2020
  - Basel III reform implementation and mitigation and lack of equivalence recognition between the UK and the EU

Group RoTE[14] walk, FY19 vs. FY18, %



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[14] 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%**

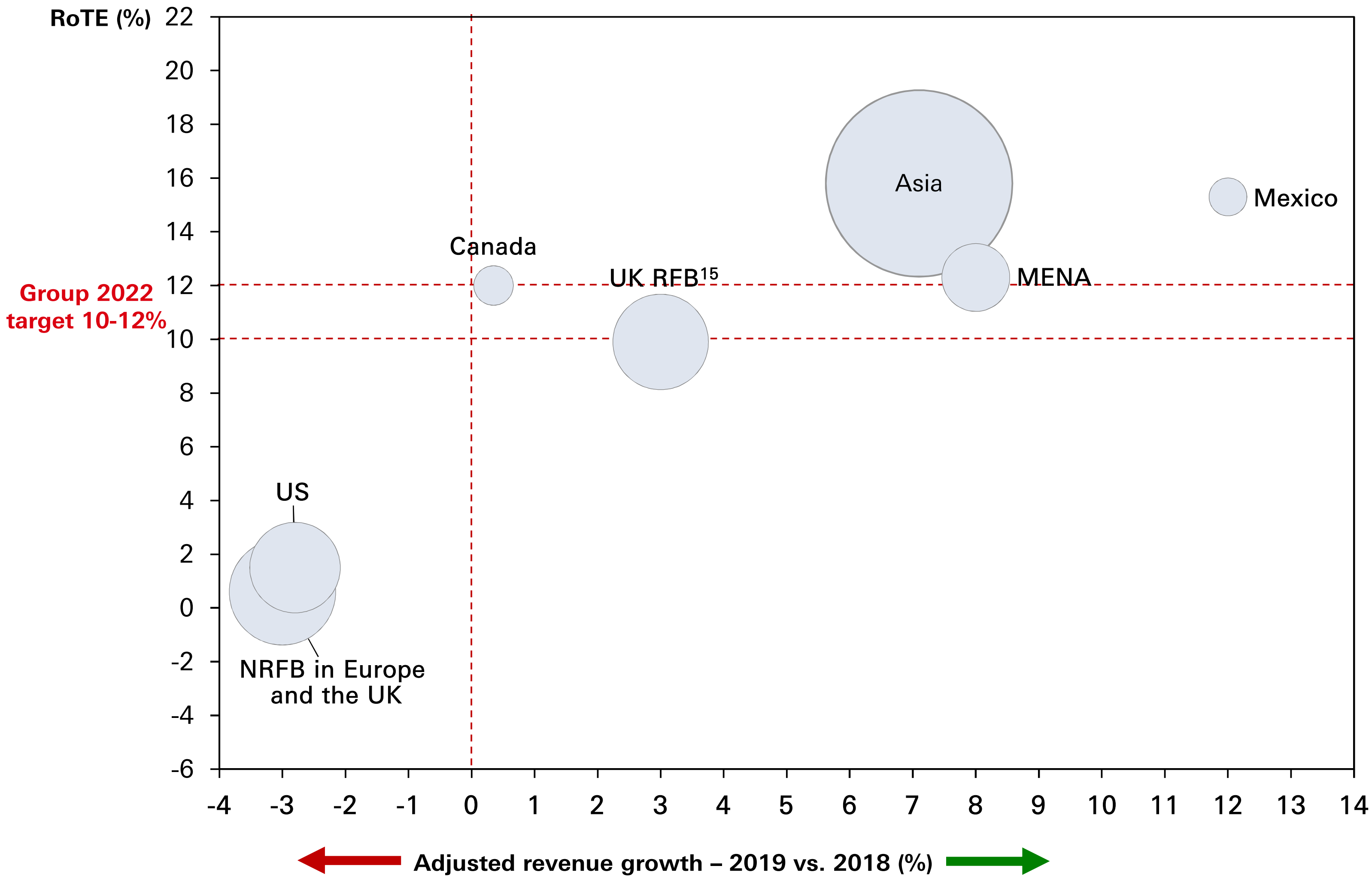
Underpinned by **net FY19 RWA reductions of $22bn,** driven by a $23bn reduction in GB&M

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

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)



Key financial metrics

Key financial metrics	FY19	FY18	Δ FY18
Return on average tangible equity[14]	8.4%	8.6%	(0.2)ppt
Return on average ordinary shareholders' equity	3.6%	7.7%	(4.1)ppt
Jaws (adjusted)[16]	3.1%	(1.2)%	4.3ppt
Dividends per ordinary share in respect of the period	$0.51	$0.51	-
Earnings per share[17]	$0.30	$0.63	$(0.33)
Common equity tier 1 ratio[18]	14.7%	14.0%	0.7ppt
Leverage ratio[19]	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%**

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

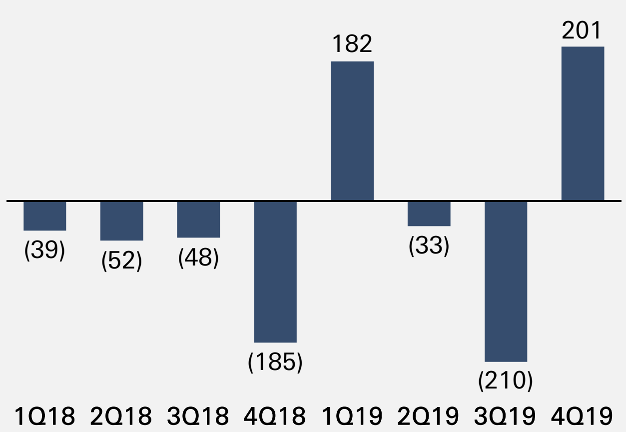
Certain revenue items and Argentina hyperinflation

Certain items included in adjusted revenue highlighted in management commentary[20], $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[21]	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)**

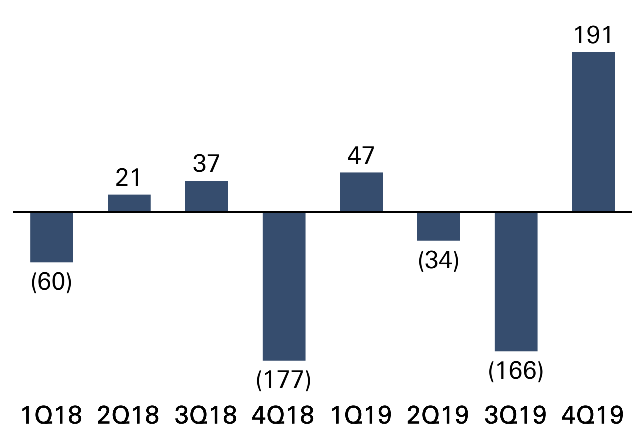
Argentina hyperinflation[21] impact included in adjusted results (Latin America Corporate Centre), $m	4Q19	3Q19	2Q19	1Q19	4Q18	FY19	FY18
Net interest income	33	(61)	24	(8)	55	(12)	(54)
Other income	(3)	(71)	(9)	(48)	18	(131)	(177)
Total revenue	**30**	**(132)**	**15**	**(56)**	**73**	**(143)**	**(231)**
ECL	(10)	12	(3)	1	(12)	(0)	8
Costs	(26)	53	(24)	5	(76)	8	63
PBT	**(6)**	**(67)**	**(12)**	**(50)**	**(15)**	**(135)**	**(160)**

Volatile items analysis

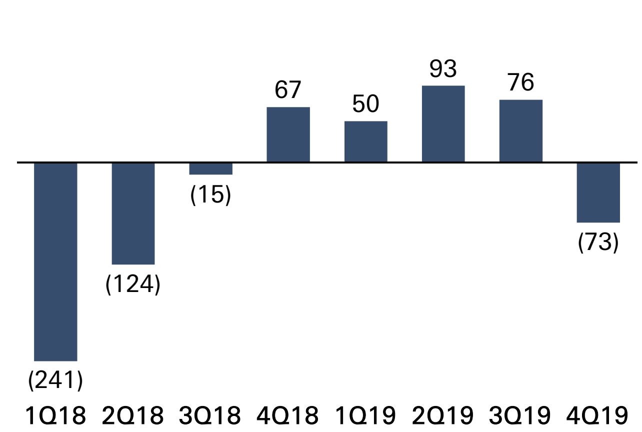
RBWM: Insurance manufacturing market impacts revenue, $m



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



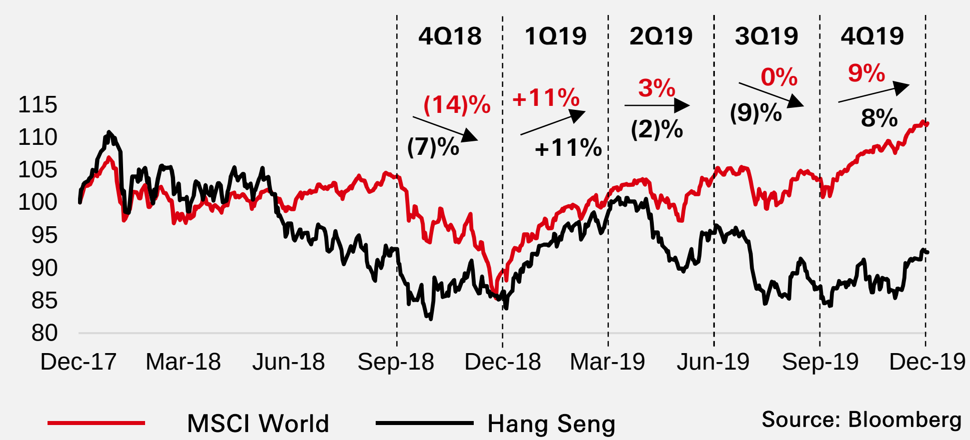
Corporate Centre: Valuation differences on long-term debt and associated swaps revenue, $m



FY19 sensitivity of HSBC's insurance manufacturing subsidiaries to market risk factors	Effect on profit after tax, $m	Effect on total equity, $m
+100 basis point parallel shift in yield curves	43	(37)
-100 basis point parallel shift in yield curves	(221)	(138)
10% increase in equity prices	270	270
10% decrease in equity prices	(276)	(276)
10% increase in $ exchange rate compared with all currencies	41	41
10% decrease in $ exchange rate compared with all currencies	(41)	(41)

Source: HSBC Holdings plc Annual Report and Accounts 2019, page 150

Stock market indices performance[22]



Source: Bloomberg

Global business management view of adjusted revenue

Group, $m	4Q18	1Q19	2Q19	3Q19	4Q19	Δ4Q18	FY19
Total Group revenue	12,464	14,203	13,991	13,381	13,647	9%	55,409
Adjusted revenue as previously disclosed[23]	12,564	14,406	14,089	13,267	-	-	-

RBWM, $m	4Q18	1Q19	2Q19	3Q19	4Q19	Δ4Q18	FY19
Retail Banking	**3,904**	**3,798**	**3,983**	**4,023**	**3,989**	**2%**	**15,840**
Current accounts, savings and deposits	2,309	2,178	2,439	2,438	2,425	5%	9,492
Personal lending	**1,595**	**1,620**	**1,544**	**1,585**	**1,564**	**(2)%**	**6,348**
Mortgages	412	426	404	388	392	(5)%	1,610
Credit cards	717	750	685	720	705	(2)%	2,893
Other personal lending	466	444	455	477	467	0%	1,845
Wealth Management	**1,119**	**1,893**	**1,701**	**1,492**	**1,655**	**48%**	**6,746**
Investment distribution	668	850	853	843	720	8%	3,269
Life insurance manufacturing	204	786	586	405	677	>200%	2,455
Asset management	247	257	262	244	258	4%	1,022
Other	58	184	228	173	208	>200%	814
Total	**5,081**	**5,875**	**5,912**	**5,688**	**5,852**	**15%**	**23,400**
Adjusted revenue as previously disclosed[23]	5,110	5,971	5,949	5,628	-	-	-

CMB, $m	4Q18	1Q19	2Q19	3Q19	4Q19	Δ4Q18	FY19
GTRF	447	462	468	467	432	(3)%	1,833
Credit and Lending	1,324	1,343	1,381	1,384	1,328	0%	5,441
GLCM	1,517	1,490	1,528	1,515	1,425	(6)%	5,978
Markets products, Insurance and Investments and other	384	576	493	457	501	30%	2,040
Total	**3,672**	**3,871**	**3,870**	**3,823**	**3,686**	**0%**	**15,292**
Adjusted revenue as previously disclosed[23]	3,696	3,921	3,894	3,791	-	-	-

GPB, $m	4Q18	1Q19	2Q19	3Q19	4Q19	Δ4Q18	FY19
Investment	162	184	198	208	188	16%	777
Lending	93	97	108	110	110	18%	424
Deposit	126	120	119	113	111	(12)%	462
Other	43	50	48	46	43	-	185
Total	**424**	**451**	**473**	**477**	**452**	**7%**	**1,848**
Adjusted revenue as previously disclosed[23]	424	450	473	472	-	-	-

GB&M, $m	4Q18	1Q19	2Q19	3Q19	4Q19	Δ4Q18	FY19
Global Markets	**1,092**	**1,720**	**1,413**	**1,366**	**1,247**	**14%**	**5,763**
FICC	**877**	**1,346**	**1,180**	**1,158**	**1,073**	**22%**	**4,770**
Foreign Exchange	597	688	606	721	669	12%	2,690
Rates	206	483	395	306	276	34%	1,465
Credit	74	175	179	131	128	73%	615
Equities	215	374	233	208	174	(19)%	993
Securities Services	**483**	**473**	**522**	**512**	**518**	**7%**	**2,030**
Global Banking	**938**	**925**	**995**	**995**	**986**	**5%**	**3,905**
GLCM	**678**	**680**	**695**	**694**	**674**	**(1)%**	**2,753**
GTRF	**197**	**206**	**198**	**203**	**198**	**1%**	**808**
Principal Investments	**(61)**	**83**	**38**	**93**	**45**	**174%**	**260**
Other revenue	(111)	(118)	(215)	(202)	(119)	(7)%	(647)
Credit and funding valuation adjustments	(177)	47	(34)	(166)	191	>200%	44
Total	**3,039**	**4,016**	**3,612**	**3,495**	**3,740**	**23%**	**14,916**
Adjusted revenue as previously disclosed[23]	3,063	4,068	3,638	3,470	-	-	-

Corporate Centre, $m	4Q18	1Q19	2Q19	3Q19	4Q19	Δ4Q18	FY19
Central Treasury	**269**	**270**	**280**	**312**	**(23)**	**(109)%**	**859**
Balance Sheet Management	628	611	587	625	450	(28)%	2,292
Holdings net interest expense	(360)	(338)	(348)	(321)	(318)	12%	(1,325)
Valuation differences on long-term debt and associated swaps	67	50	93	76	(73)	>(200)%	147
Other	(66)	(53)	(52)	(68)	(82)	(24)%	(255)
Legacy Credit	**(12)**	**(71)**	**(13)**	**(41)**	**13**	**>200%**	**(111)**
Other	(9)	(209)	(143)	(373)	(73)	>(200)%	(795)
Total	**248**	**(10)**	**124**	**(102)**	**(83)**	**(133)%**	**(47)**
Adjusted revenue as previously disclosed[23]	271	(4)	135	(94)	-	-	-

Retail Banking and Wealth Management

FY19 highlights

Adjusted PBT
(FY18: $7.0bn)
$8.0bn 15%

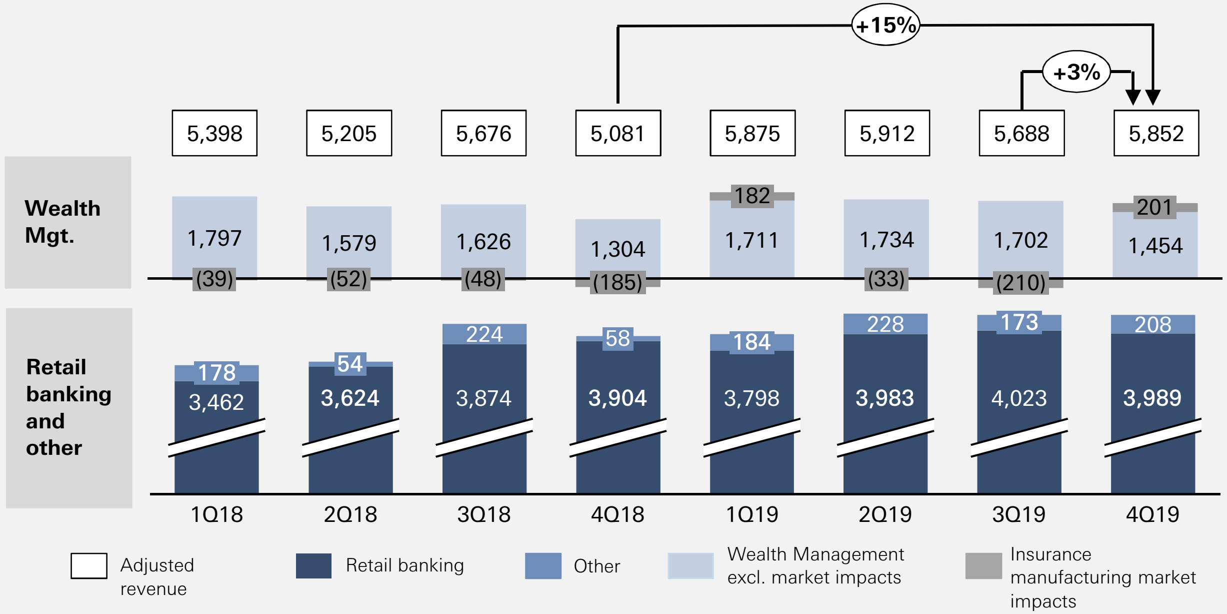
Adjusted revenue
(FY18: $21.4bn)
$23.4bn 9%

Adjusted ECL
(FY18: $1.1bn)
$1.4bn 23%

Adjusted costs
(FY18: $13.3bn)
$14.0bn 6%

RoTE[2]
(FY18: 21.0%)
20.5%

Revenue performance[20], $m



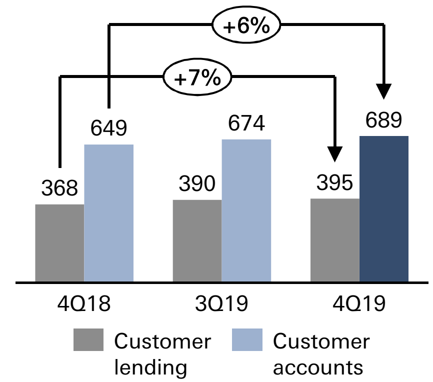
4Q19 vs. 4Q18: adjusted revenue up 15%

- Higher insurance manufacturing revenue (up $473m) driven by $386m of favourable market impacts (4Q19: $201m, 4Q18: $(185)m) primarily in Hong Kong and France
- Higher retail banking revenue (up $85m) as balance growth in customer lending (up $27bn) and customer accounts (up $40bn) was largely offset by lower margins
- Higher investment distribution revenue (up $52m) driven by higher mutual fund sales in Hong Kong and more favourable market conditions

4Q19 vs. 3Q19: adjusted revenue up 3%

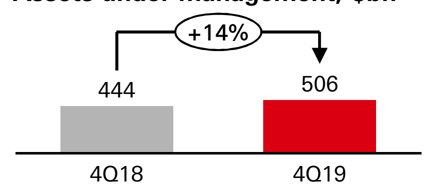
- Higher insurance manufacturing revenue (up $272m) driven by $411m of favourable market impacts (4Q19: $201m 3Q19: $(210)m) primarily in France and Hong Kong, partly offset by actuarial assumption changes and lower value of new business
- Lower investment distribution revenue (down $123m) mainly due to market seasonality and impact of a softer macroeconomic environment in Hong Kong
- Stable retail banking revenue (down $34m) as balance growth in customer lending (up $5bn) and customer accounts (up $16bn) was largely offset by lower margins

Balance sheet[24], $bn

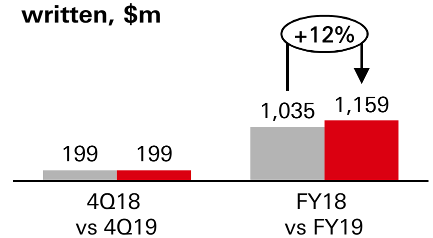


- Customer accounts up $40bn or 6% vs. 4Q18, notably in Hong Kong ($14bn) and the UK ($10bn)
- Lending up $27bn or 7% vs. 4Q18, mainly from mortgages in the UK ($9bn) and Hong Kong ($7bn)

Assets under management, $bn



Insurance value of new business written, $m



Commercial Banking

FY19 highlights

Adjusted PBT
(FY18: $7.5bn)
$7.3bn 2%↓

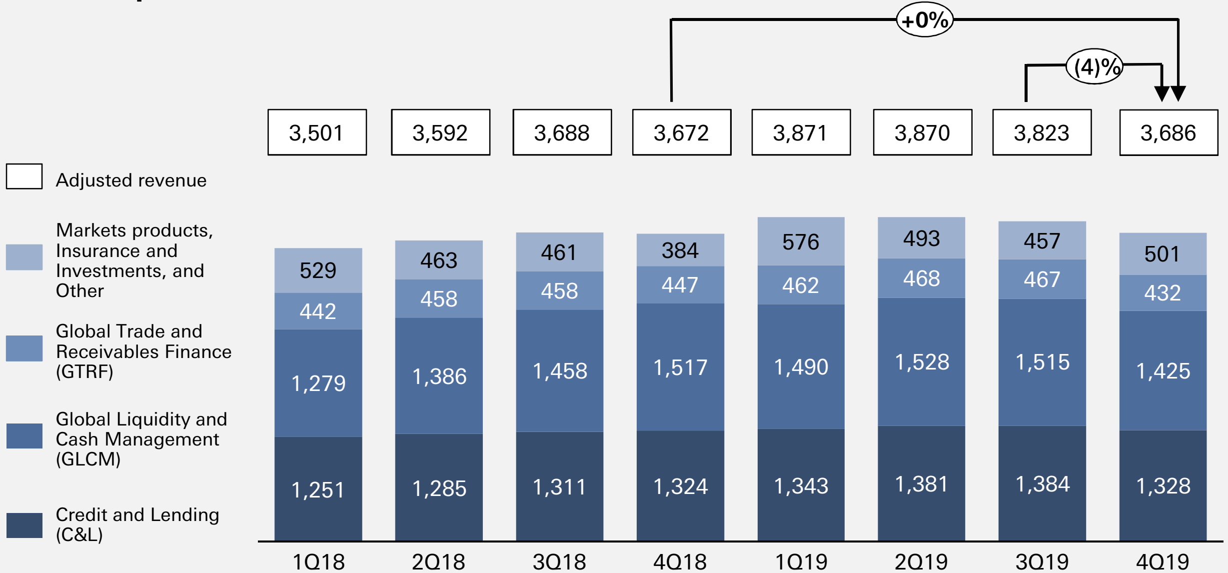
Adjusted revenue
(FY18: $14.5bn)
$15.3bn 6%↑

Adjusted ECL
(FY18: $0.7bn)
$1.2bn 66%↑

Adjusted costs
(FY18: $6.3bn)
$6.8bn 8%↑

RoTE[2]
(FY18: 14.0%)
12.4%

Revenue performance[20], $m



4Q19 vs. 4Q18: adjusted revenue stable

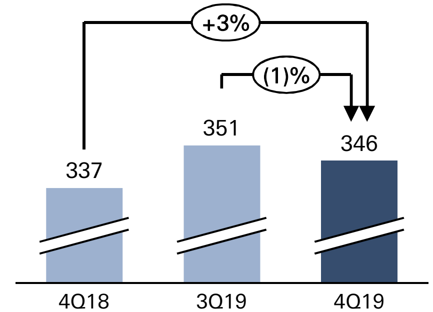
- GLCM down, primarily reflecting lower rates, notably in Asia partly offset by balance growth across all regions
- C&L up with higher volume across all regions partly offset by lower margins
- GTRF slightly down as good growth and higher margins in most markets was offset by lower volumes in Hong Kong
- Other up, mainly due to gain on revaluation of shares and higher insurance and investments
- Customer redress provisions totalling $40m in the UK adversely impacted all main products in 4Q19

4Q19 vs. 3Q19: adjusted revenue down 4%

- GLCM down, reflecting lower rates, notably in Asia, partly offset by balance growth across all regions
- C&L down, reflecting lower margins and fees
- GTRF down, notably in Hong Kong due to lower volumes driven by 4Q seasonal trends
- Customer redress provisions totalling $40m in the UK adversely impacted all main products in 4Q19

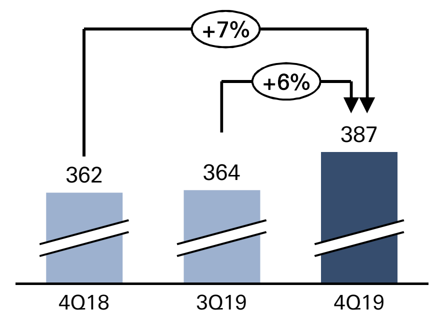
Balance sheet[24], $bn

Customer lending:



- 4Q19 vs. 4Q18 growth across all regions, notably in Canada, China and MENA
- 4Q19 vs. 3Q19 down notably in the UK, USA and Hong Kong, offset by growth in Canada

Customer accounts:



- 4Q19 vs. 4Q18 growth across all regions, notably in the Europe, USA and Asia
- 4Q19 vs. 3Q19 growth across all regions, notably in Hong Kong, USA, the UK and China

Global Banking and Markets

FY19 highlights

Adjusted PBT
(FY18: $5.9bn)
$5.3bn (9)%

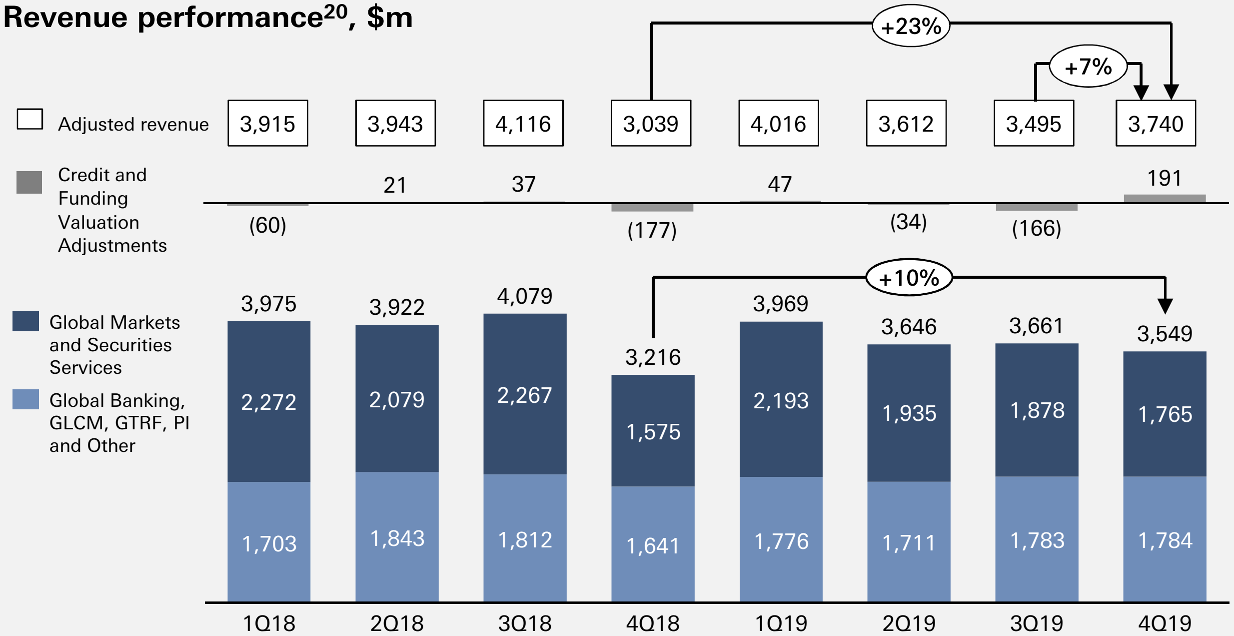
Adjusted revenue
(FY18: $15.0bn)
$14.9bn (1)%

Adjusted ECL
(FY18: $(0.03)bn)
$0.2bn >100%
charge / (net release)

Adjusted costs
(FY18: $9.2bn)
$9.4bn 3%

RoTE[2]
(FY18: 10.5%)
9.2%

Revenue performance[20], $m



4Q19 vs. 4Q18: adjusted revenue up 23%

- Global Markets revenue excluding an investment gain of $122m in 4Q18, up 29% due to increased client activity in FICC
- Global Banking revenue up due to increased event-driven activity, partly offset by tightening credit spreads on portfolio hedges
- Securities Services revenue up 7% and growth in Assets Under Custody of +16% and Assets Under Administration of 20% as we continue to invest in the business
- GLCM revenue stable with 9% growth in average balances largely offsetting spread compression driven by lower interest rates
- Revenue growth of 7% in Asia, with all businesses delivering growth

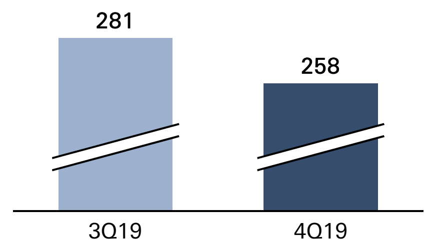
4Q19 vs. 3Q19: adjusted revenue up 7%

- 4Q19 adjusted revenue up 7%, which included favourable credit valuation adjustments of $191m, while we reduced RWAs by $23bn
- Global Markets revenue lower primarily due to seasonality
- Global Banking revenue stable with increased event-driven activity, offset by tightening credit spreads on portfolio hedges
- Client balances continue to grow in GLCM, offsetting spread compression driven by lower interest rates

Management view of adjusted revenue

$m	4Q19	Δ4Q18
Global Markets	**1,247**	**14%**
FICC	**1,073**	**22%**
- FX	*669*	*12%*
- Rates	*276*	*34%*
- Credit	*128*	*73%*
Equities	**174**	**(19)%**
Securities Services	**518**	**7%**
Global Banking	**986**	**5%**
GLCM	**674**	**(1)%**
GTRF	**198**	**1%**
Principal Investments	**45**	**>100%**
Other	**(119)**	**(7)%**
Credit and Funding Valuation Adjustments	191	>100%
Total	**3,740**	**23%**

Adjusted RWAs, $bn



- RWAs down $23bn, of which $13bn was in Europe reflecting active portfolio management, changes to methodology and policy and model updates

Global Private Banking

FY19 highlights

Adjusted PBT
(FY18: $339m)

$402m 19%↑

Adjusted revenue
(FY18: $1,757m)

$1,848m 5%↑

Adjusted ECL
(FY18: $(7)m)

$22m >100%↑

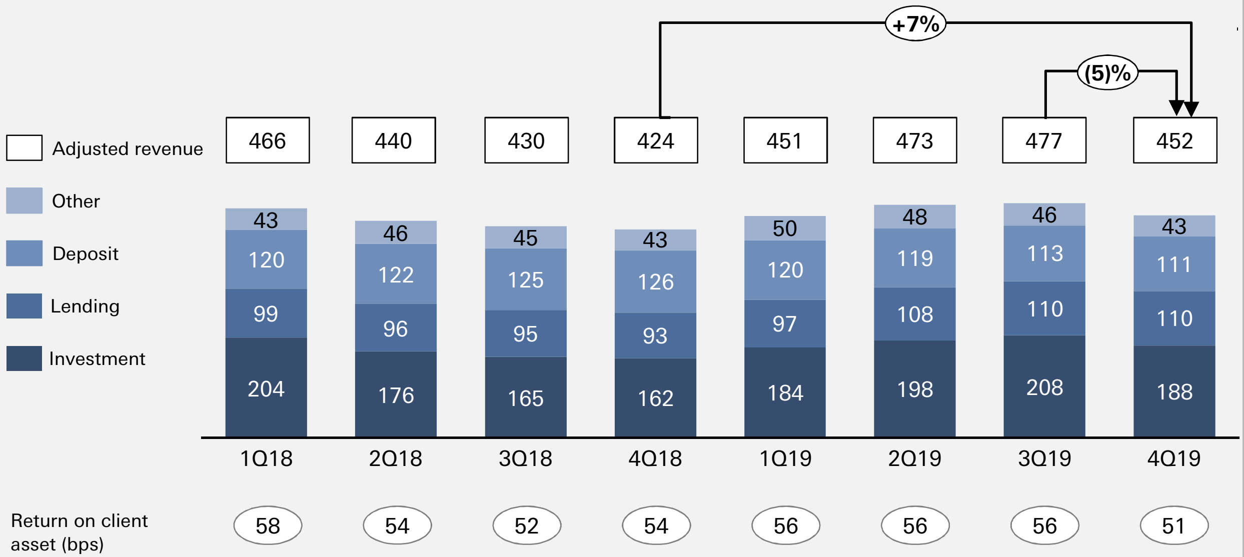
Adjusted costs
(FY18: $1,425m)

$1,424m 0%↓

RoTE[2]
(FY18: 9.9%)

11.1%

Revenue performance[20], $m



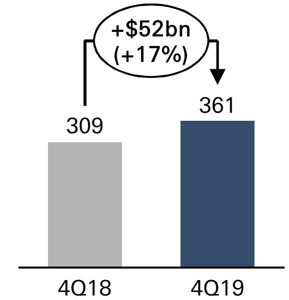
4Q19 vs. 4Q18: adjusted revenue up 7%

- Higher investment revenue (up $26m) from both Europe and Asia. Brokerage & trading increased by $20m primarily in Asia. This is coupled with a $6m increase in fees from growth in advisory and discretionary client mandates (+$9bn)
- Higher lending NII (up $17m) driven by strong credit demand for investment (+$8bn)
- Lower deposit NII (down $15m) due to a lower interest rate environment

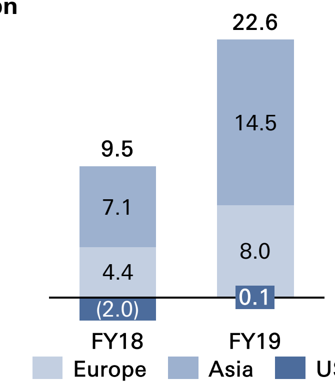
4Q19 vs. 3Q19: adjusted revenue down 5%

- Lower revenue (down $25m) mainly driven by $24m lower Brokerage & Trading in Asia due to seasonality and the economic slowdown in Hong Kong, impacting customer risk appetite, leading to lower transaction volumes

Reported client assets, $bn



Reported net new money (NNM), $bn



- Client Assets increased by $52bn in FY19: $23bn from positive NNM, $23bn from favourable market movements and $6bn from FX movements
- FY19 NNM is the highest since 2008, mainly driven by $14bn inflows in Asia and $8bn in Europe
- More than 60% of FY19 NNM came from collaboration with our other global businesses

Corporate Centre

FY19 highlights

Adjusted PBT
(FY18: $0.5bn)

$1.1bn >100%⬆

Adjusted revenue
(FY18: $(0.3)bn)

$(47)m 84%⬆

Adjusted ECL
(FY18: $(0.1)bn)

$7m >100%⬆

Charge / (net release)

Adjusted costs
(FY18: $1.8bn)

$1.1bn 36%⬇

RoTE[2]
(FY18: (5.7)%)

(3.5)%

Revenue performance[20], $m

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Central Treasury	**(41)**	**190**	**93**	**269**	**270**	**280**	**312**	**(23)**
Of which:								
Balance Sheet Management	566	675	530	628	611	587	625	450
Holdings net interest expense	(313)	(305)	(358)	(360)	(338)	(348)	(321)	(318)
Valuation differences on long-term debt and associated swaps	(241)	(124)	(15)	67	50	93	76	(73)
Other central treasury	(53)	(56)	(64)	(66)	(53)	(52)	(68)	(82)
Legacy Credit	**3**	**(107)**	**27**	**(12)**	**(71)**	**(13)**	**(41)**	**13**
Other	**(171)**	**(143)**	**(388)**	**(9)**	**(209)**	**(143)**	**(373)**	**(73)**
of which Argentina hyperinflation	-	-	(304)	73	(56)	15	(132)	30
Total	**(209)**	**(60)**	**(268)**	**248**	**(10)**	**124**	**(102)**	**(83)**

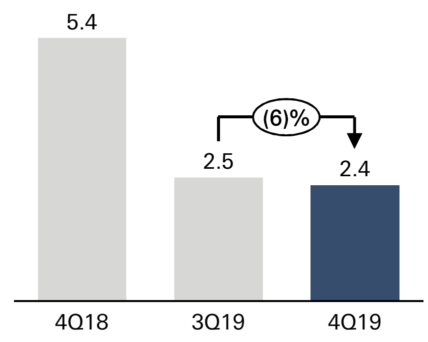
4Q19 vs. 4Q18: adjusted revenue down $331m

- BSM (down $178m) mainly due to lower reinvestment yields and a loss on disposal of assets of $17m vs. gains of $36m in 4Q18
- Valuation differences (down $140m) due to adverse valuation difference on long term debt and associated swaps
- Favourable impact of Argentina hyperinflation down $43m
- Legacy credit (up $25m) mainly due to fair value movements

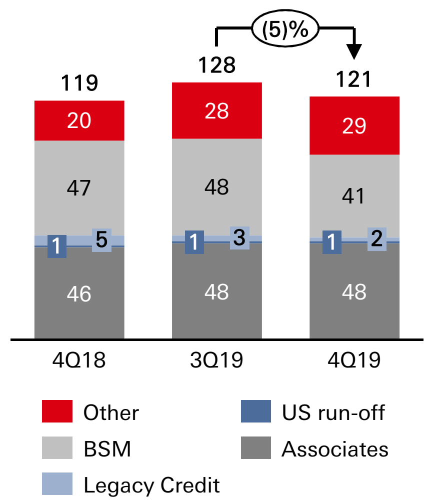
4Q19 vs. 3Q19: adjusted revenue up $19m

- BSM (down $175m) mainly due to lower reinvestment yields and losses on disposal of assets of $17m vs. gains of $57m in 3Q19
- Other revenue ex Argentina hyperinflation, (up $138m) mainly due to non-recurrence of a FX revaluation loss in 3Q19
- Valuation differences (down $149m) adverse valuation difference on long term debt and associated swaps
- Favourable impact of Argentina hyperinflation of $162m

Legacy credit adjusted RWAs, $bn



Adjusted RWAs, $bn



Insurance: Strong contribution to Group earnings, mainly from Asia

Strong contribution to Group earnings

- Adjusted manufacturing revenue of **$2.7bn up 35%** vs. FY18, driven by market impacts and new business growth
- Manufacturing PBT of **$2.1bn up 36%** or $0.6bn vs. FY18, of which $450m was due to market impacts
- Distribution revenue of $1.0bn stable vs. FY18, with growth in Asia offset by headwinds in Europe

Robust new business momentum for manufacturing

- Annualised new business Premiums (ANP) of **$3.4bn up 5%** vs. FY18, with growth in most entities
- Value of new business (VNB) of **$1.2bn up 10%** vs. FY18, supported by higher-margin product-mix, including more protection
- Short-term premiums (88% <5 years vs. 62% for HK industry excl. HSBC[27]) and longer-term contracts (92% >15 years or to age 99)

Progress with strategic execution

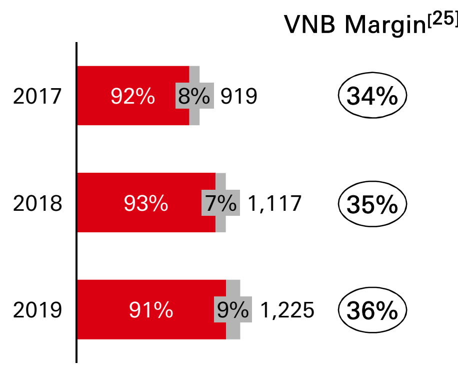
- Increased investment in technology, up 51% vs. FY17, marketing (x2.6 vs. FY17) and insurance sales FTEs (up 17% in HSBC Life Hong Kong vs. FY17)
- **Hong Kong insurance market share of 17% as at 3Q19 up 4ppts from FY16, moving from 4th to 2nd largest share[28]**
- **Hong Kong:** accelerated client acquisition, with increased focus on retail, CMB and digital channels, and protection / health offerings
- **UK:** turnaround supported by capital-light savings and protection products, sold through financial advisors and aggregators
- **Singapore:** expansion into retail financial advisory channel
- **China:** continued expansion, with new administration system and new branch in Hangzhou, bringing presence to 9 cities

Digital transformation

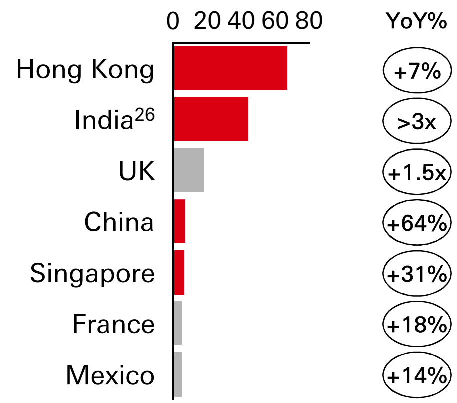
- Build-up of our digital capacities, with a 93 FTE dedicated team focusing on development of new products, sales journeys and customer interfaces (over 700k Digital policies sold in 2019)[30]

Manufacturing Value of New Business (VNB), $m

Total VNB, $m



FY19 vs. FY18 VNB growth, %

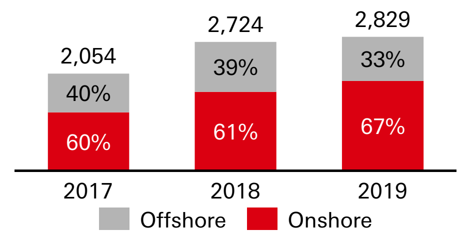


Asia Rest of world

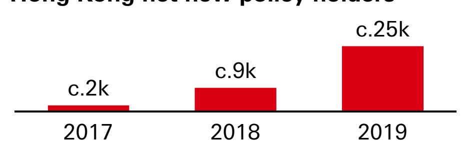
Hong Kong

Customer base

Hong Kong ANP, $m[29]

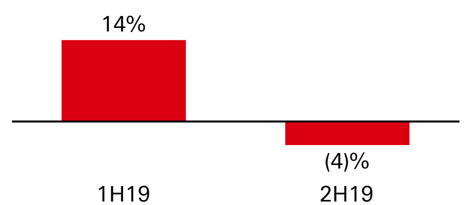


Hong Kong net new policy holders

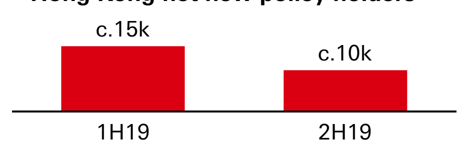


2H19 resilience

Hong Kong VNB growth vs. same period of prior year, %



Hong Kong net new policy holders



Wealth

Strong wealth business with $1.4tn of balances[31] and is one of the world's largest investment management and wealth businesses

Global Private Banking

Serving High Net Worth ('HNW', $5-30m client assets) and Ultra High Net Worth ('UHNW', >$30m client assets). Total wealth balances of $361bn, of which $63bn in deposits.

Retail Wealth Management[32]

Retail Wealth Management, while focused on Premier and Jade customers, also encompasses the provision of wealth services to all of our clients. Total wealth balances of $778bn, of which Premier and Jade deposits of $428bn.

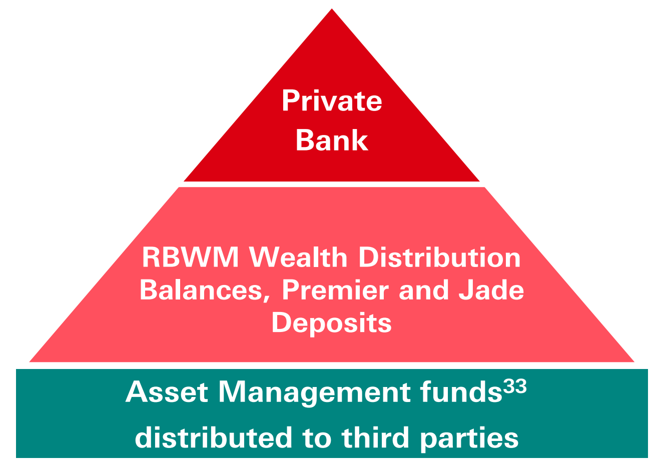
Asset Management

HSBCs Asset Management Group (AMG) manages $506bn of assets globally including $259bn for our clients and $247bn on behalf of other institutions and wholesalers.

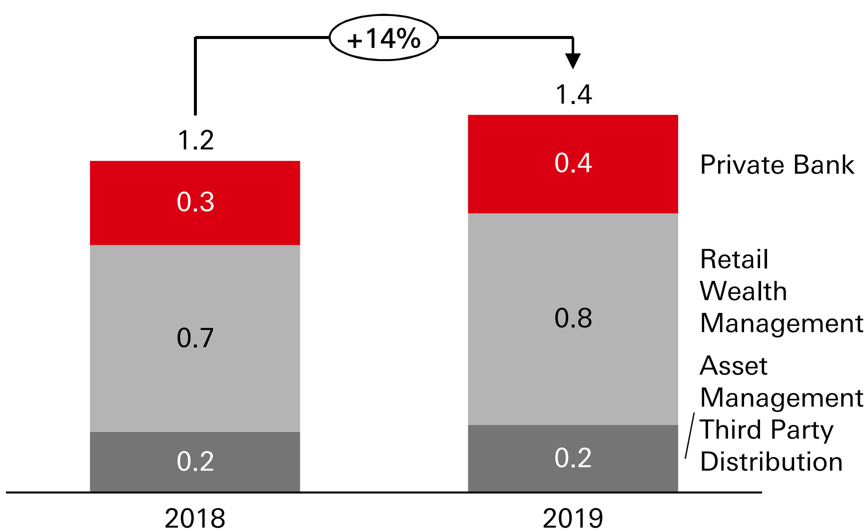
2019 highlights

- Net New Money[34] (NNM) of $52bn in 2019
- Client growth of c.300k to 4.3m[35]

Scope of Wealth



Total wealth balances[31], $bn



Sustainable Finance & ESG Highlights

	Target	2019 Progress
Environment		
Sustainable finance and investment	**Provide & facilitate $100bn** by the end of 2025[36]	**$52.4bn** cumulative progress since 2017
Reduce operational CO2 emissions	**2.0 tonnes** used per full time equivalent by the end of 2020	**2.26 tonnes** per full time equivalent[37] (on track)
Climate-related disclosures	Continued implementation of the Financial Stability Board Task Force on Climate related Disclosures (TCFD)	We published our **3rd** TCFD, which can be found on pages 24 and 25 in the HSBC Holdings plc Annual Report and Accounts 2019
Social		
Customer satisfaction	**Customer satisfaction improvements in 8 major markets**[38]	**6 RBWM markets and 4 CMB markets** sustained top three rank and/or improvement in customer satisfaction [38]
Employee advocacy	**69%** of employees recommending HSBC as a great place to work by the end of 2019[39]	**66% employees** would recommend HSBC as a great place to work[39] (2018: 66%)
Employee gender diversity	**30% women in senior leadership roles** by the end of 2030[40]	**29.4% women** in senior leadership roles[40]
Governance		
Achieve sustained delivery of global conduct outcomes and effective financial crime risk management	**98%** of staff to complete annual conduct training	**98.2%** of staff have completed conduct training in 2019

Highlights

2019 Awards

Euromoney Awards for Excellence	◆ **World's Best Bank for Sustainable Finance** ◆ Asia's Best Bank for Sustainable Finance ◆ The Middle East's Best Bank for Sustainable Finance
Extel Survey	◆ No. 1 in a range of categories including ESG, Socially Responsible Investment & Sustainability
Environmental Finance Awards	◆ Lead manager of the year, Green Bonds: Local authority/municipality ◆ Lead manager of the year, Social Bonds: Corporate ◆ Lead manager of the year, Sustainability Bonds: Corporate
Communicate Magazine Awards	◆ Best CSR or ESG Report: Gold awards

Achievements

Carbon Disclosure Project	◆ **Leadership score of A-** (higher than the financial services sector average of C)
World Resources Institute	◆ **9 out of 10 (high green).** Referenced in FRC guidance on good examples of climate reporting
Dealogic league table	◆ 2nd in green, social & sustainability bond 2019 league table. On an excluding self-mandated* basis **HSBC ranked 1st**
HSBC's ESG rating from Sustainalytics	◆ Medium ESG risk rating. Outperformed compared to a basket of peers
Achieve 100% of our electricity from renewable sources by 2030	◆ **29.4% Signed renewable electricity** from power purchase agreements as at Dec 2019 (2018: 24%, 2017: 27%)
Sustainability modules through HSBC University	◆ **>5,300 modules completed** in 2019 (>7,500 since program was launched in 2018)

*Self-mandated bonds are issued by the financial institution who recorded the bond in their results

Net interest margin and net interest income sensitivity

Net interest margin analysis

$bn	FY18 Average balance	FY18 Yield/Cost	FY19 Average balance	FY19 Yield/Cost	Variance FY19 vs. FY18 Average balance	Variance FY19 vs. FY18 Yield	Group NIM Impact
Loans and advances to customers	973	3.42%	1,022	3.48%	49	0.06%	4bps
Short-term funds and financial investments	620	1.88%	631	2.08%	11	0.20%	5bps
Other assets	247	1.90%	271	2.22%	24	0.32%	6bps
Total interest earning assets	**1,839**	**2.70%**	**1,923**	**2.84%**	84	0.14%	15bps
Customer accounts	1,139	(0.73)%	1,149	(0.98)%	11	(0.25)%	(13)bps
Debt	183	(3.09)%	211	(3.09)%	28	-	(3)bps
Other liabilities	259	(1.99)%	273	(2.37)%	14	(0.38)%	(6)bps
Total interest bearing liabilities	**1,582**	**(1.21)%**	**1,634**	**(1.48)%**	53	(0.27)%	(22)bps

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

Net interest income sensitivity

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

$m	$	HKD	GBP	EUR	Other	Total
+25bps	59	198	278	116	202	853
-25bps	(91)	(255)	(332)	11	(182)	(849)
+100bps	(16)	504	1,123	441	746	2,798
-100bps	(490)	(1,023)	(1,049)	(23)	(726)	(3,311)

NII sensitivity following a 25bps and 100bps instantaneous change in yield curves (5 years)

$m	Year 1	Year 2	Year 3	Year 4	Year 5	Total
+25bps	853	1,158	1,348	1,449	1,523	6,331
-25bps	(849)	(1,205)	(1,402)	(1,562)	(1,649)	(6,667)
+100bps	2,798	4,255	4,915	5,155	5,454	22,577
-100bps	(3,311)	(4,621)	(5,289)	(5,766)	(6,164)	(25,151)

For further commentary and information, refer to pages 139 and 140 of the HSBC Holdings plc Annual Report and Accounts 2019

Key assumptions: Static balance sheet; no changes to product re-pricing assumptions after Year 1; sensitivity presented above is incremental to current yield curves

RoTE by global business excluding significant items and UK bank levy

FY19 $m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	**6,428**	**4,272**	**1,047**	**9**	**1,591**	**13,347**
Tax expense	(1,111)	(1,548)	(1,013)	(81)	(886)	(4,639)
Reported profit after tax	**5,317**	**2,724**	**34**	**(72)**	**705**	**8,706**
less attributable to: preference shareholders, other equity holders, non-controlling interests	(849)	(865)	(625)	(19)	(381)	(2,739)
Profit attributable to ordinary shareholders of the parent company	**4,468**	**1,859**	**(591)**	**(91)**	**324**	**5,969**
Increase in PVIF (net of tax)*	(1,204)	(40)	-	(2)	(2)	(1,248)
Significant items (net of tax) and UK bank levy	1,234	3,033	4,213	401	716	9,597
BSM allocation and other adjustments	497	528	802	59	(1,883)	3
Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy	**4,995**	**5,380**	**4,424**	**367**	**(845)**	**14,321**
Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments[41]	24,418	43,498	48,182	3,300	24,481	143,879
RoTE excluding significant items and UK bank levy	**20.5%**	**12.4%**	**9.2%**	**11.1%**	**(3.5)%**	**10.0%**

FY18 $m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	**6,882**	**7,719**	**6,312**	**248**	**(1,271)**	**19,890**
Tax expense	(1,238)	(1,680)	(1,350)	(53)	(544)	(4,865)
Reported profit after tax	**5,644**	**6,039**	**4,962**	**195**	**(1,815)**	**15,025**
less attributable to: preference shareholders, other equity holders, non-controlling interests	(763)	(746)	(659)	(19)	(230)	2,417
Profit attributable to ordinary shareholders of the parent company	**4,881**	**5,293**	**4,303**	**176**	**(2,045)**	**12,608**
Increase in PVIF (net of tax)*	(483)	(21)	-	-	(2)	(506)
Significant items (net of tax) and UK bank levy	146	(36)	(168)	75	2,573	2,590
BSM allocation and other adjustments	555	581	851	82	(2,069)	-
Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy	**5,099**	**5,817**	**4,986**	**333**	**(1,543)**	**14,692**
Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments[41]	24,287	41,550	47,477	3,376	27,130	143,820
RoTE excluding significant items and UK bank levy	**21.0%**	**14.0%**	**10.5%**	**9.9%**	**(5.7)%**	**10.2%**

***Excludes the increase in PVIF (net of tax) attributable to non-controlling interests. The increase in PVIF, as reported in 'other operating income', was $1,248m in FY19 and $506m in FY18**

Equity drivers

4Q19 vs. 3Q19 Equity drivers

	Shareholders' Equity, $bn	Tangible Equity, $bn	TNAV per share, $	Basic number of ordinary shares, million
As at 30 September 2019	**189.5**	**141.8**	**7.02**	**20,191**
Profit attributable to:	(5.3)	2.1	0.11	-
Ordinary shareholders[42]	(5.5)	2.1	0.11	-
Other equity holders	0.2	-	-	-
Dividends gross of scrip	(2.2)	(2.0)	(0.10)	-
On ordinary shares	(2.0)	(2.0)	(0.10)	-
On other equity instruments	(0.2)	-	-	-
Scrip	0.4	0.4	-	46
FX[42]	4.7	4.2	0.21	-
Redemption of securities	(1.5)	-	-	-
Actuarial gains/(losses) on defined benefit plans	(0.7)	(0.7)	(0.04)	-
Fair value movements through 'Other Comprehensive Income'	(0.9)	(0.9)	(0.05)	-
Other[42]	-	(0.8)	(0.02)	(31)
As at 31 December 2019	**184.0**	**144.1**	**7.13**	**20,206**

- Average basic number of ordinary shares outstanding during the period (QTD): 20,199

$7.11 on a fully diluted basis

*20,280 million on a fully diluted basis

Equity drivers

FY19 vs. FY18 Equity drivers

	Shareholders' Equity, $bn	Tangible Equity, $bn	TNAV per share, $	Basic number of ordinary shares, million
As at 31 December 2018	**186.3**	**140.1**	**7.01**	**19,981**
Profit attributable to:	7.4	12.9	0.65	-
Ordinary shareholders[42]	6.0	12.9	0.65	-
Other equity holders	1.4	-	-	-
Dividends gross of scrip	(11.7)	(10.3)	(0.51)	-
On ordinary shares	(10.3)	(10.3)	(0.51)	-
On other equity instruments	(1.4)	-	-	-
Scrip	2.7	2.7	0.01	342
FX[42]	1.0	1.0	0.05	-
Redemption of securities	(1.5)	-	-	-
Cancellation of shares	(1.0)	(1.0)	-	(136)
Cost of share-based payment arrangements and employee share options	0.5	0.5	-	72
Other[42]	0.3	(1.8)	(0.08)	(53)
As at 31 December 2019	**184.0**	**144.1**	**7.13**	**20,206**

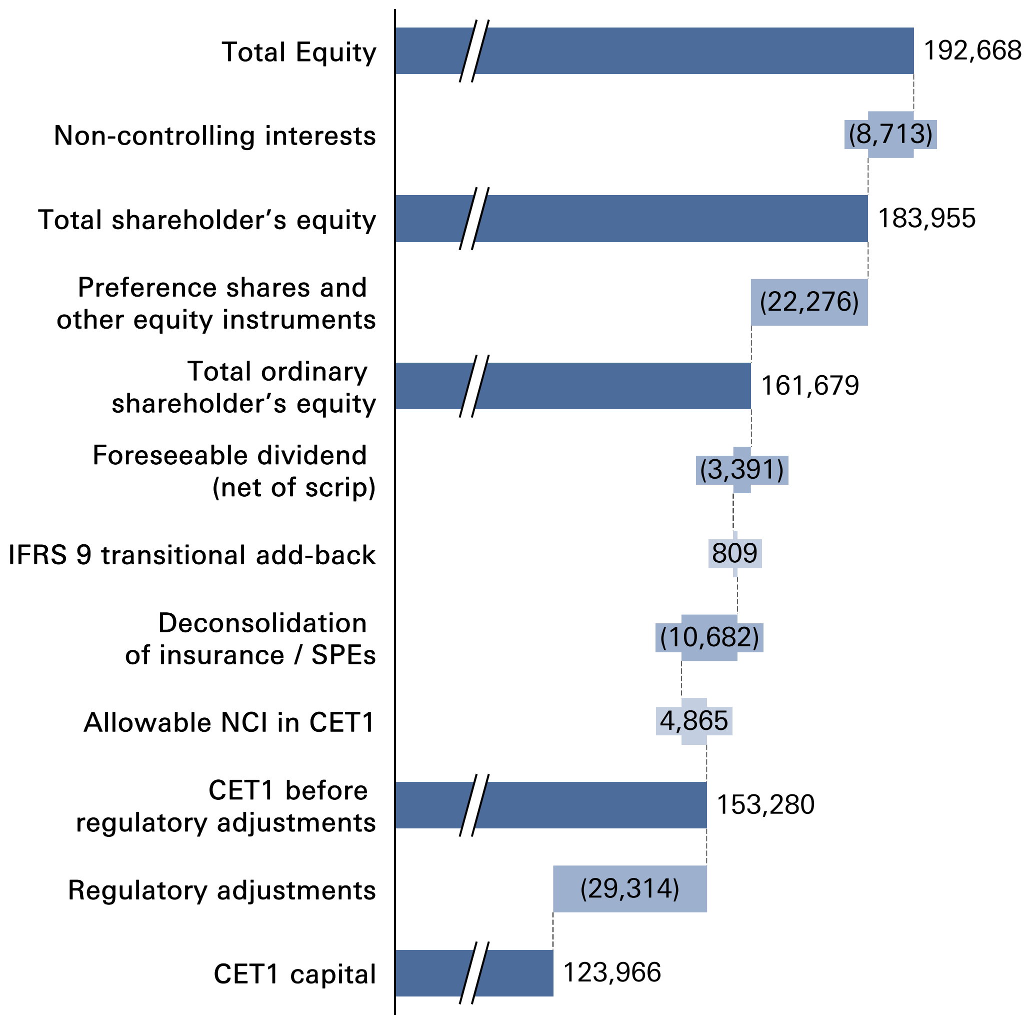
$7.11 on a fully diluted basis

*20,280 million on a fully diluted basis

- Average basic number of ordinary shares outstanding during the period (YTD): 20,158

Total shareholders' equity to CET1 capital

Total equity to CET1 capital, as at 31 December 2019, $m



Total equity to CET1 capital walk, $m

	4Q18	4Q19
Total equity (per balance sheet)	**194,249**	**192,668**
- Non-controlling interests	(7,996)	(8,713)
Total shareholders' equity	**186,253**	**183,955**
- Preference share premium	(1,405)	(1,405)
- Additional Tier 1	(22,367)	(20,871)
Total ordinary shareholders' equity	**162,481**	**161,679**
- Foreseeable dividend (net of scrip)	(3,365)	(3,391)
- IFRS 9 transitional add-back	904	809
- Deconsolidation of insurance/SPE	(9,391)	(10,682)
- Allowable NCI in CET1	4,854	4,865
CET1 before regulatory adjustments	**155,483**	**153,280**
- Additional value adjustments (prudential valuation adjustment)	(1,180)	(1,327)
- Intangible assets	(17,323)	(12,372)
- Deferred tax asset deduction	(1,042)	(1,281)
- Cash flow hedge adjustment	135	(41)
- Excess of expected loss	(1,750)	(2,424)
- Own credit spread and debit valuation adjustment	298	2,450
- Defined benefit pension fund assets	(6,070)	(6,351)
- Direct and indirect holdings of CET1 instruments	(40)	(40)
- Threshold deductions	(7,489)	(7,928)
Regulatory adjustments	**(34,461)**	**(29,314)**
CET1 capital	**121,022**	**123,966**

Balance sheet – customer lending

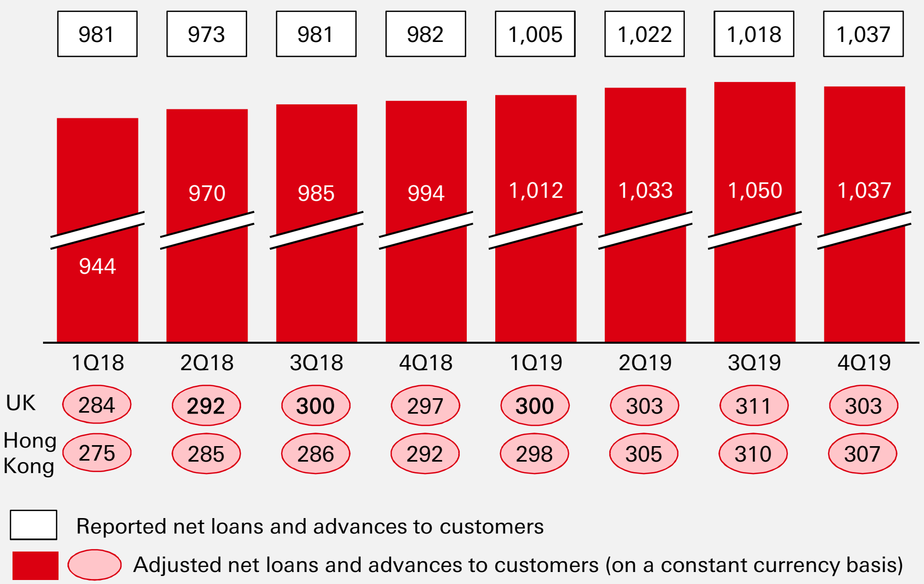
4Q19 Net loans and advances to customers, $bn

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

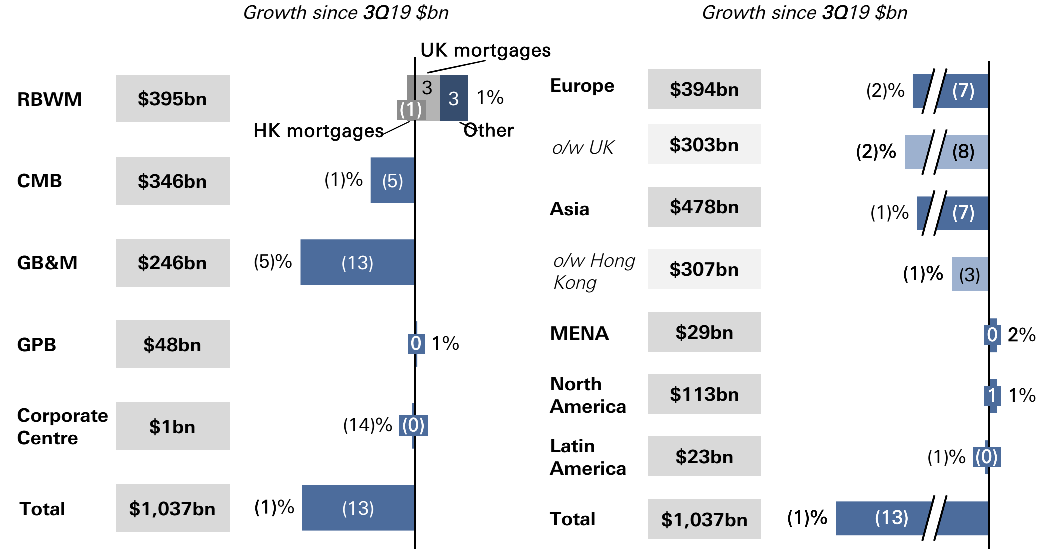
- Customer lending in Asia decreased by $7bn (1%), of which $4bn in GB&M and $2bn in CMB
- In Europe customer lending decreased by $7bn (2%), as reductions in GB&M and CMB more than offset growth in RBWM in the UK (up $3bn)

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

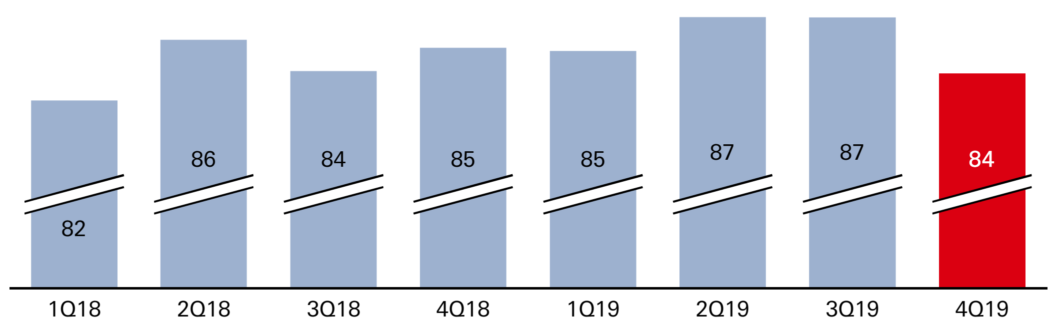
- Customer lending in Asia increased by $25bn, of which RBWM up $13bn and GPB up $6bn (mainly in Hong Kong). Lending growth in GB&M (up $4bn) and CMB (up $3bn), reflected higher corporate term lending
- In Europe, customer lending increased by $12bn, notably in HSBC UK by $11bn, of which RBWM was up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



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



GTRF funded assets, $bn



Balance sheet – customer accounts

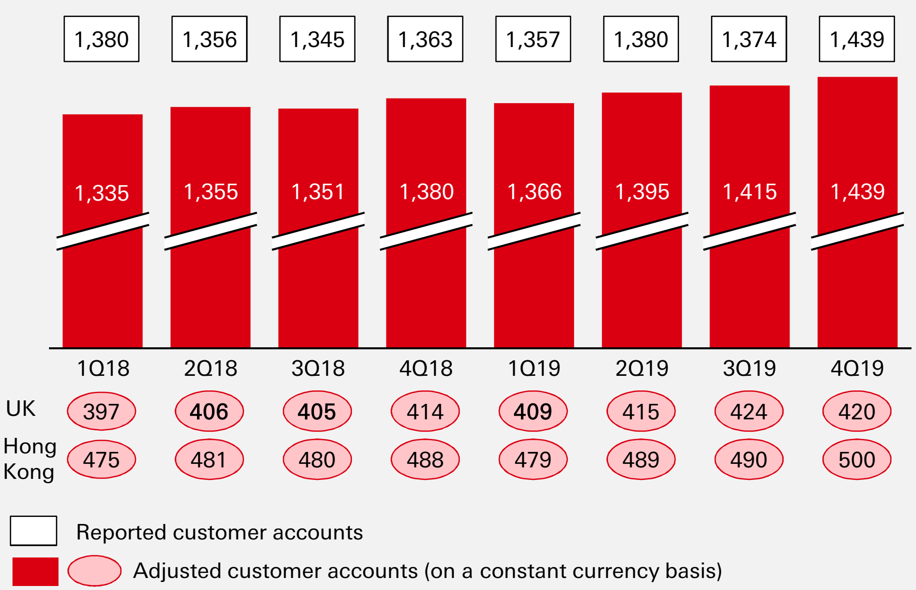
4Q19 Customer accounts, $bn

Adjusted customer accounts increased by $24bn (2%) vs. 3Q19

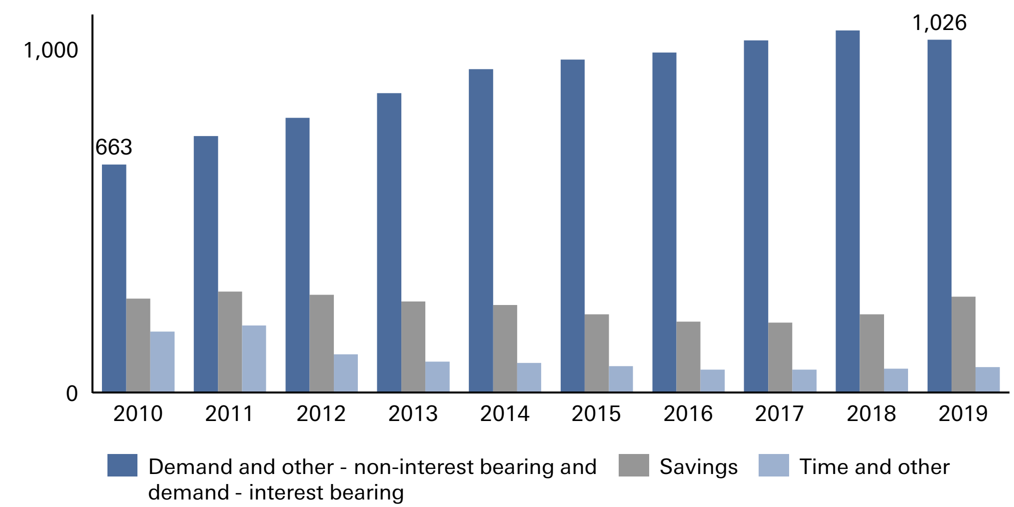
- Customer accounts in Asia grew by $17bn, of which $10bn in CMB (mainly in Hong Kong and mainland China), and $10bn in RBWM, partly offset by a reduction of $3bn in GB&M
- Customer accounts in Europe broadly stable, with HSBC UK up $5bn from RBWM and CMB

Adjusted customer accounts increased by $59bn (4%) vs. FY18

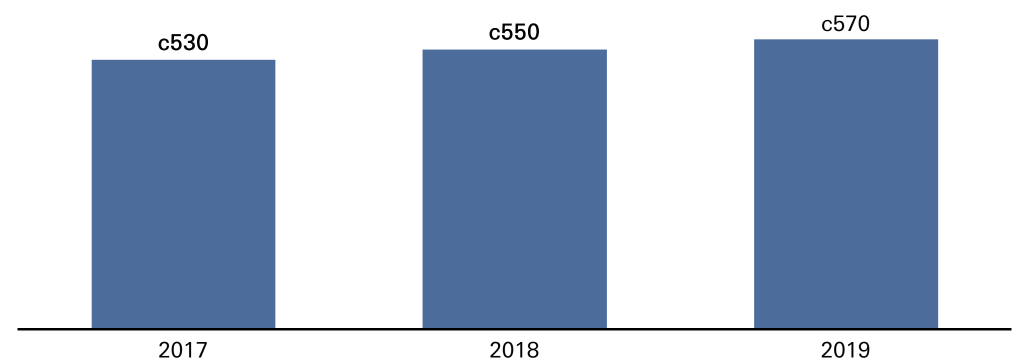
- In Asia, customer accounts up $30bn (4%), notably in RBWM (up $20bn) and CMB (up $5bn), primarily from an increase in time deposits. GB&M growth (up $5bn) was mainly in Singapore
- Europe customer accounts up $13bn, driven by growth in RBWM (up $11bn) and CMB (up $10bn), partly offset by lower GB&M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



Reported average customer accounts, $bn



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

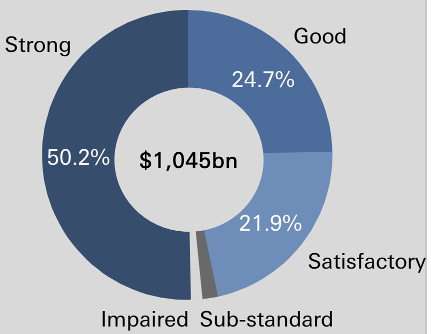


Asset quality

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

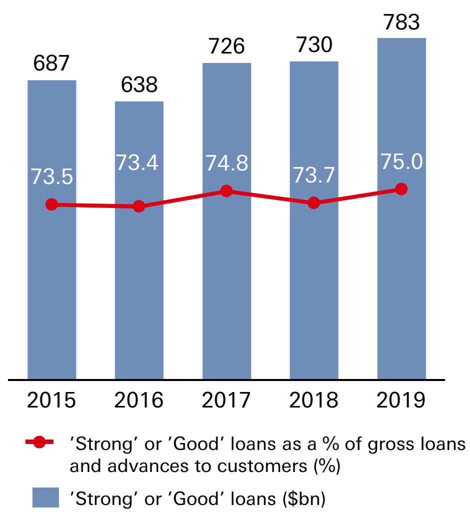


Total gross customer loans and advances to customers of $1,045bn

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

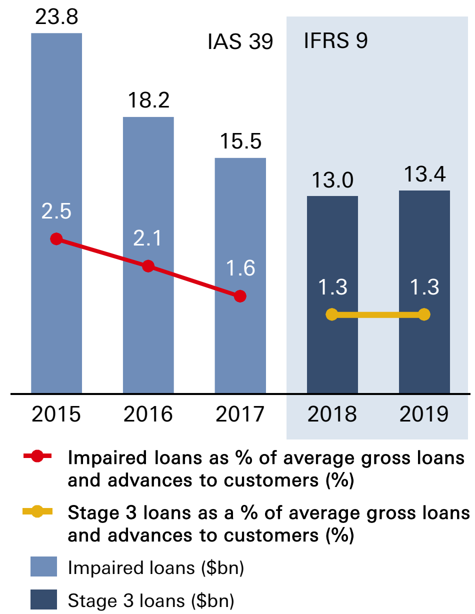
Increased by $43bn (4%) from 31 Dec 2018 on a constant currency basis

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.

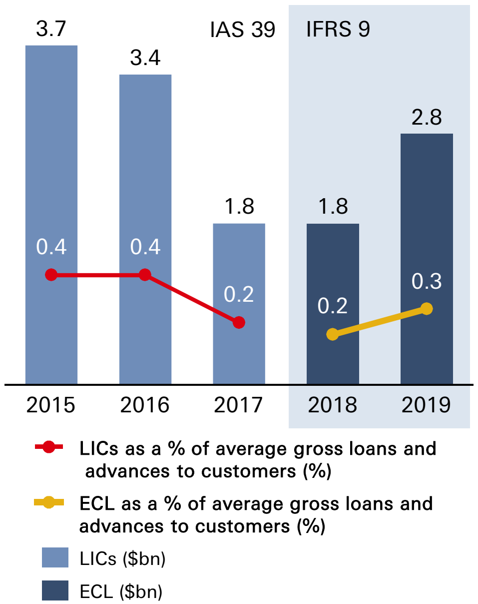
Stage 3 and impaired loans and advances to customers, $bn



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

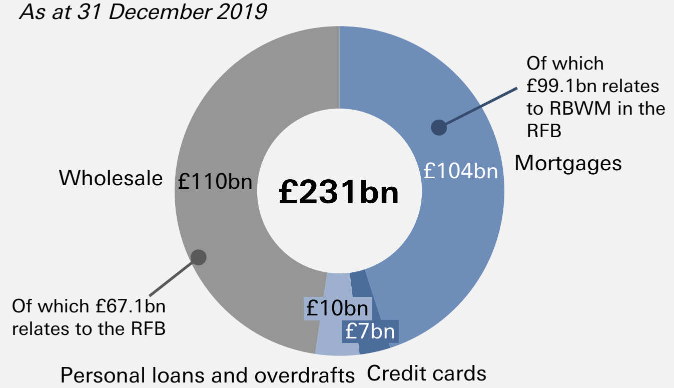


ECL charge of $2.8bn in 2019; ECL as a % of average gross loans and advances to customers was 27bps.

UK customer loans and advances

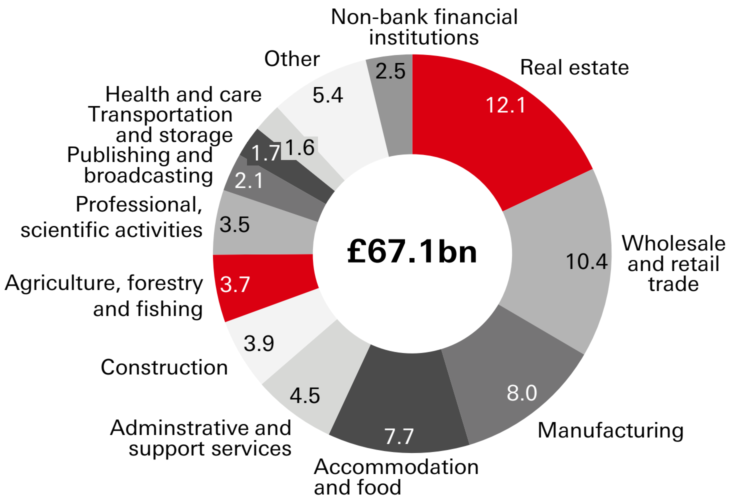
Total UK gross customer loans and advances

As at 31 December 2019

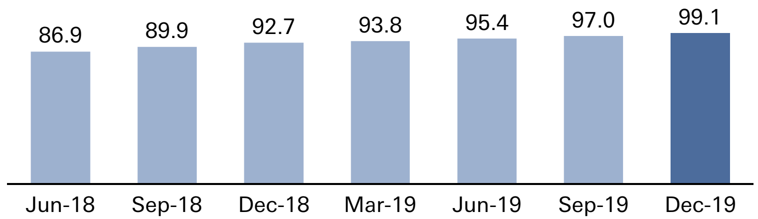


RFB wholesale gross loans and advances to customers, £bn

As at 31 December 2019



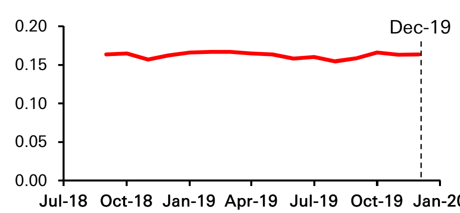
RFB RBWM gross residential mortgages, £bn



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

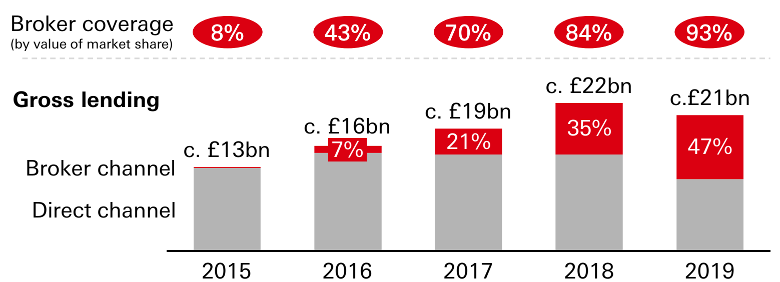
90+ day delinquency trend, %



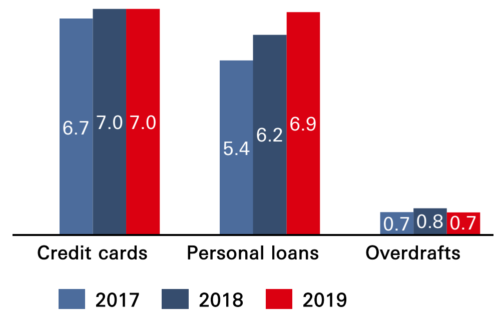
- c.27% of mortgage book is in Greater London
- Buy-to-let mortgages of £2.8bn
- Mortgages on a standard variable rate of £2.9bn
- Interest-only mortgages of £18.6bn[43]

- LTV ratios:
  - c.46% of the book < 50% LTV%
  - new originations average LTV of 67%
  - average LTV of the total portfolio of 51%

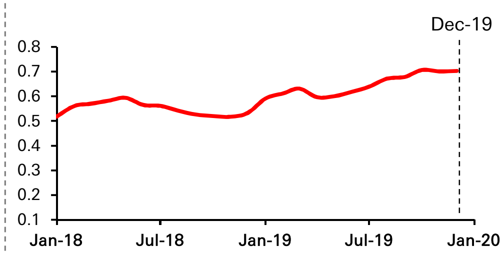
Expansion into the broker channel



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

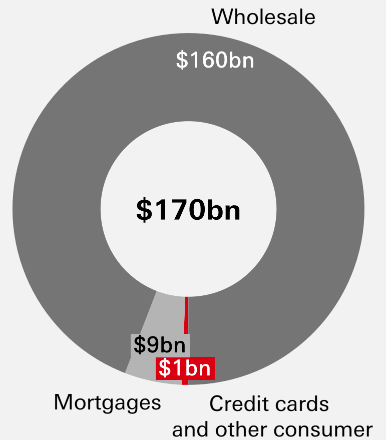
*net loans and advances to customers

Mainland China drawn risk exposure

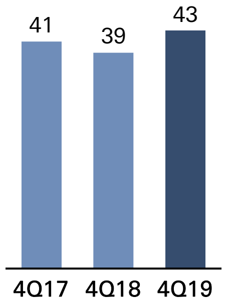
China drawn risk exposure includes wholesale lending where the ultimate parent and beneficial owner is based in mainland China[44]

Total China drawn risk exposure of $170bn

As at 31 December 2019



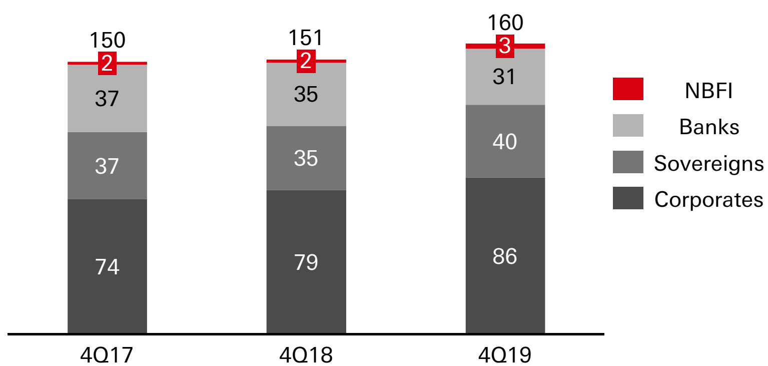
Mainland gross loans and advances to customers, $bn



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%

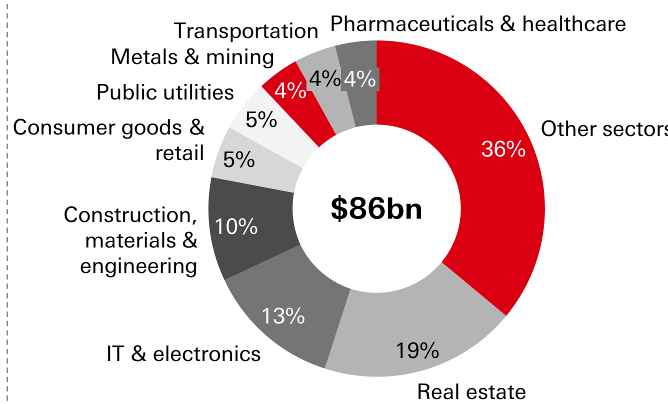
Wholesale analysis, $bn



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:

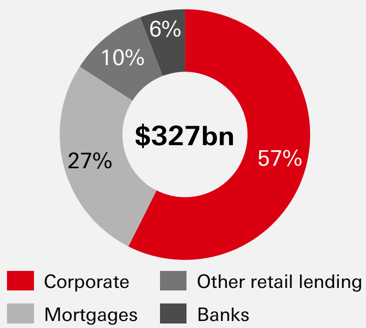


- c20% of lending is to Foreign Owned Enterprises, c38% of lending is to State Owned Enterprises, c42% to Private sector owned Enterprises
- Corporate real estate:
  - 60% sits within CRR 1-3 (broadly equivalent to investment grade)
  - Highly selective, focusing on top tier developers with strong performance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

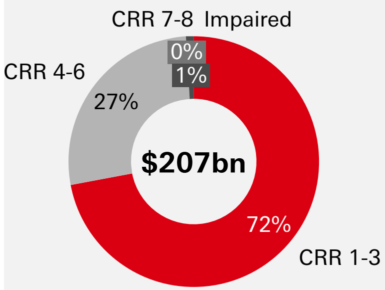
Hong Kong drawn risk exposure

Hong Kong drawn risk exposure represents lending booked in Hong Kong

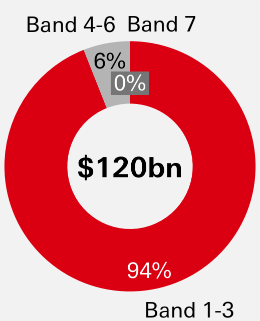
Total gross loans and advances to customers and banks



Credit Quality - Wholesale



Credit Quality - Personal

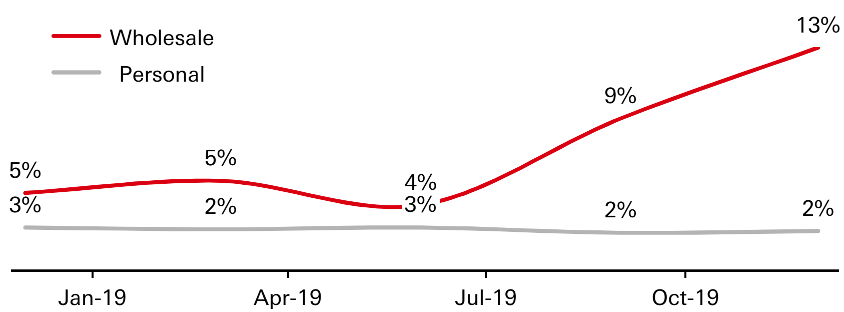


- Total gross loans and advances to customers and banks of $327bn as at 31 December 2019 by booking location (wholesale: $207bn; personal: $120bn)
- Weaker economic conditions in the second half of 2019, as well as the implementation of two alternative downside scenarios to represent management's view 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

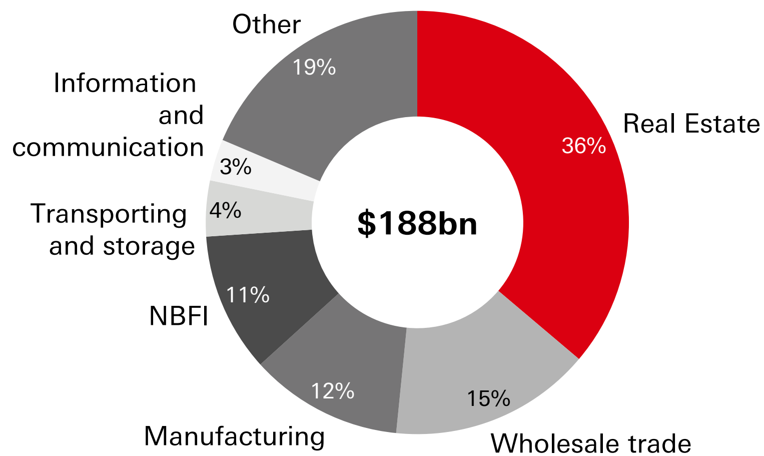
Gross loans and advance to customers and banks by IFRS 9 stage

	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[45]	**134.0**	**316.7**	**258.2**	**14.0**	**120.5**	**843.4**

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. 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)
3. GTRF, GLCM, FX and HSBC Securities Services revenue across all business lines globally
4. As at FY18, HSBC estimates from HSBC Global Research report 'EU Investment Banks: Weighed down by macro factors', 14 August 2019
5. Mortgage market share as at 31 December 2019, mortgage market sourced from Bank of England (BoE)
6. Including Hang Seng
7. HSBC Global Research report on Greater China Economics 'The hit to GDP from the coronavirus', published 12 February 2020
8. As at January 2020. FY19 customer numbers of 1.9m as per HSBC Holdings plc Annual Report and Accounts 2019
9. In value terms during 3Q19
10. Credit cards market share: HKMA data as at 30 September 2019 (including Hang Seng); Mutual funds market share: Hong Kong Investment Funds Association (HKIFA) as at 30 September 2019 (including Hang Seng); Loans market share: total loans for use in Hong Kong as of 30 November 2019 (including Hang Seng)
11. Under local rules
12. 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
13. Total includes POCI balances and related allowances
14. 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
15. 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%
16. FY18 Jaws (adjusted) is as reported at FY18
17. 20,158 million weighted average basic ordinary shares outstanding during the period
18. 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 IFRS9 Financial instruments
19. Leverage ratio at 31 December 2019 is calculated using the CRR II end-point basis for additional tier 1 capital
20. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 4Q19 exchange rates
21. From 1st July 2018, Argentina was deemed a hyperinflationary economy for accounting purposes
22. Equity market investments in the Insurance manufacturing business are mainly benchmarked to MSCI World index (c.50%), MSCI Asia excl. Japan (c.50%); rebased to 100
23. 3Q19 as reported at 3Q19 Results; 2Q19 as reported at 2Q19 Results; 1Q19 as reported at 1Q19 Results; 4Q18 as reported at 4Q18 Results; 3Q18 as reported at 3Q18 Results; 2Q18 as reported at 2Q18 Results; 1Q18 as reported at 1Q18 Results
24. Where a quarterly trend is presented on the Balance Sheet and Funds Under Management, all comparatives are re-translated at 31 December 2019 exchange rates
25. Calculated as Value of New Business (VNB) divided by Annualised New business Premium (ANP)
26. Accounted for as an associate and not fully consolidated; growth quoted applies to entire entity
27. Single Premiums allocated to <5 years; Industry Premium term & contract duration data sourced from 9M Hong Kong Insurance Authority statistics
28. Market Share figures sourced from Hong Kong Insurance Authority statistics
29. Onshore/Offshore ANP data uses Hong Kong Insurance Authority methodology
30. Digital new policy count includes both HSBC and third-party manufactured products

Footnotes

31. Wealth balances includes RBWM Premier and Jade deposits (inc. HASE Prestige), RBWM Wealth distribution and Insurance balances, GPB client assets and Asset Management assets distributed through third parties and managed for institutional clients. Figure excludes Personal Banking customer deposits but includes wealth assets distributed to personal banking clients
32. HASE balances contained within Premier are derived from an allocation based on internal management information, NNM and client base excludes HASE
33. $85bn of the Asset Management Funds Distributed to Third Parties are liquidity balances
34. Net New Money for RBWM covers the largest ten markets excluding HASE. Flows from RBWM to GPB are treated as an outflow from RBWM and an inflow into GPB
35. RBWM customer numbers are Premier and Jade, excluding personal banking and HASE
36. The sustainable finance commitment and progress figure includes environmental, social and sustainability activities, for a full breakdown see pages 20 and 21 of the 2019 HSBC Holdings plc Annual Report and Accounts 2019
37. 2018 CO_2 emissions per FTE: 2.39 tonnes. See reporting guidelines on hsbc.com for further details on carbon emissions reporting. As we define new baseline for the next phase of our operational sustainability strategy, an updated reporting methodology for air travel – including cabin seating class – will be incorporated as our new baseline
38. Our customer satisfaction performance is based on improving from our 2017 baseline. Our major markets are Hong Kong, the UK, Mexico, the Pearl River Delta, Singapore, Malaysia, the UAE and Saudi Arabia
39. Our target was to improve employee advocacy by three points each year through to 2020. Our employee advocacy score in 2018 was 66%. Performance is based on our employee Snapshot results
40. Senior leadership is classified as 0 to 3 in our global career band structure
41. Tangible Equity is allocated to global businesses at a legal entity level, using RWAs, or a more suitable local approach, where appropriate
42. Differences between shareholders' equity and tangible equity drivers primarily reflect goodwill impairment, PVIF movements and amortisation expense within 'Profit Attributable to Ordinary shareholders', FX on goodwill and intangibles within 'FX', and intangible additions and other movements within 'Other'
43. Includes offset mortgages in first direct, endowment mortgages and other products
44. Mainland China drawn risk exposure. Retail drawn risk exposures represent retail lending booked in mainland China; wholesale lending where the ultimate parent and beneficial owner is based in mainland China
45. 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

Glossary

AIEA	Average interest earning assets
AUM	Assets under management
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point
BSM	Balance Sheet Management
CET1	Common Equity Tier 1
Corporate Centre	In December 2016, certain functions were combined to create a Corporate Centre. These include Balance Sheet Management, legacy businesses and interests in associates and joint ventures. The Corporate Centre also includes the results of our financing operations, central support costs with associated recoveries and the UK bank levy
CMB	Commercial Banking, a global business
CRD IV	Capital Requirements Directive IV
CRR	Customer risk rating
ECL	Expected credit losses. In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied.
ESG	Environmental, social and governance
FICC	Fixed Income, Currencies and Commodities
GB&M	Global Banking and Markets, a global business
GLCM	Global Liquidity and Cash Management
GPB	Global Private Banking, a global business
GTRF	Global Trade and Receivables Finance
IAS	International Accounting Standards
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standard
Jaws	The difference between the rate of growth of revenue and the rate of growth of costs. Positive jaws is where the revenue growth rate exceeds the cost growth rate. Calculated on an adjusted basis

Legacy credit	A portfolio of assets including securities investment conduits, asset-backed securities, trading portfolios, credit correlation portfolios and derivative transactions entered into directly with monoline insurers
LTV	Loan to value
MENA	Middle East and North Africa
NAV	Net Asset Value
NBFI	Non-Bank Financial Institutions
NCI	Non-controlling interests
NII	Net interest income
NIM	Net interest margin
NRFB	Non ring-fenced bank in Europe and the UK
PAOS	Profit attributable to ordinary shareholders
PBT	Profit before tax
POCI	Purchased or originated credit-impaired
Ppt	Percentage points
PRD	Pearl River Delta
PVIF	Present value of in-force insurance contracts
RBWM	Retail Banking and Wealth Management, a global business
HBUK (RFB)	Ring-fenced bank, established July 2018 as part of ring fenced bank legislation
RoE	Return on average ordinary shareholders’ equity
RoTE	Return on average tangible equity
RWA	Risk-weighted asset
TNAV	Tangible net asset value
XVAs	Credit and Funding Valuation Adjustments

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.