

**Long-term strategy**

**Our long-term strategy positions us to capture value from our international network, capitalising on global trends affecting the industry and our strong combination of strategic advantages:**

- ◆ **Leading international bank**
- ◆ **Exceptional access to high-growth markets**
- ◆ **Balance sheet strength**

**HSBC Group FY18**
**Adjusted PBT<sup>1</sup>**

(USD)  
2017: \$21.1bn

**\$21.7bn**

**CET1 ratio**

2017: 14.5%

**14.0%**

**A/D ratio**

2017: 70.6

**72.0%**

**Return on tangible equity**

2017: 6.8%

**8.6%**

**HSBC Bank Canada**
**FY18 Key financial metrics (CAD)**

<b>Reported PBT</b> 2017: \$895m	<b>Revenue</b> 2017: \$2,070m	<b>Expected credit losses – release<sup>2</sup></b> 2017: \$108m	<b>CET1 ratio<sup>3</sup></b> 2017: 10.5%	<b>Total capital ratio<sup>3</sup></b> 2017: 14.7%
<b>\$991m</b>	<b>\$2,264m</b>	<b>\$27m</b>	<b>11.3%</b>	<b>16.0%</b>
<b>Customer advances</b> 2017: \$50.3bn	<b>Customer accounts</b> 2017: \$57.1bn	<b>RWAs<sup>3</sup></b> 2017: \$45.0bn	<b>LCR<sup>3</sup></b> 2017: 137%	<b>A/D ratio</b> 2017: 88.2%
<b>\$57.1bn</b>	<b>\$59.8bn</b>	<b>\$40.1bn</b>	<b>132%</b>	<b>95.5%</b>

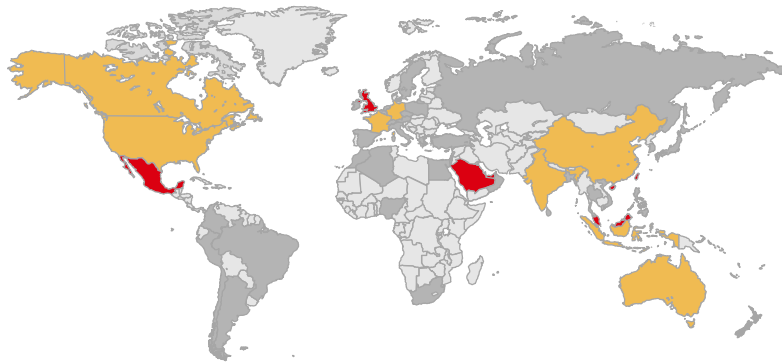
1. Please refer to HSBC Holdings plc Annual Report and Accounts 2018 for reported results

2. Change in expected credit losses under IFRS 9 (2018); loan impairment recoveries and other credit risk provisions under IAS 39 (2017)

3. Local regulatory numbers (OSFI Basis)

■ Markets at scale  
■ Markets to connect the network

■ Markets where we aspire to be the leading international bank



<h1 style="font-size: 48px; margin: 0;">66</h1> <p style="margin: 0;">Markets</p>	<h1 style="font-size: 48px; margin: 0;">&gt;50%</h1> <p style="margin: 0;">Of Group client revenue connected to the network</p>
<h1 style="font-size: 48px; margin: 0;">&gt;90%</h1> <p style="margin: 0;">Of global GDP, trade and capital flows covered by our footprint</p>	<h1 style="font-size: 48px; margin: 0;">4</h1> <p style="margin: 0;">Inter-connected global businesses share balance sheets and liquidity in addition to strong commercial links</p>

As at 31 December 2018

## HSBC Bank Canada

### Canada

2018 was another strong year for HSBC Bank Canada, with 11% increase in profit before tax, 9% increase in revenue and the first year reporting over \$100 billion in assets. HSBC Group's ongoing investments in the country help to build the business in ways that make it better, faster and safer for our customers.

### HSBC in Canada

- ◆ With a Canada-wide branch network and \$103.4bn in assets, as at 31 December 2018, HSBC is the largest international bank in Canada with exceptional international reach
- ◆ Canada is a top 5 contributor of reported profit before tax in HSBC's international markets, leveraging HSBC's footprint across key trade corridors, in particular with the United States, Mexico and China
- ◆ Net customer loans of \$57.1bn (USD41.9bn) as at 31 December 2018, representing 4% of the Group
- ◆ HSBC has 132 branches and offices across Canada



● Number of branches at the date of this presentation.

### Our global businesses

CMB	<p><b>Commercial Banking</b></p> <ul style="list-style-type: none"> <li>◆ Offers a range of commercial financial services and tailored solutions for customers ranging from small and medium-sized enterprises to publicly-listed companies</li> <li>◆ 4<sup>th</sup> highest CMB adjusted profit contributor in HSBC Group in FY 2018<sup>1</sup></li> </ul>
RBWM	<p><b>Retail Banking and Wealth Management</b></p> <ul style="list-style-type: none"> <li>◆ Offers a range of competitive banking products and services for all Canadians to help them manage their finances</li> <li>◆ It also has an international flavour with a large suite of global products and other specialized services</li> </ul>
GB&M	<p><b>Global Banking and Markets</b></p> <ul style="list-style-type: none"> <li>◆ Provides tailored financial solutions to major government, corporate and institutional customers worldwide</li> </ul>

### Strategy

HSBC has entered the next phase of its strategy, focused on growth and value creation. To achieve this in Canada, five strategic priorities were consolidated with the aim to deliver growth, put our customers at the centre of everything we do and empower our people

- ◆ **Gain market share and deliver growth from our international network** – use the network to facilitate trade and investment for customers
- ◆ **Create capital capacity** - capital and funding base to provide competitive rewards to employees and generate stable shareholder returns
- ◆ **Create capacity for investments through efficiency** - support sustained investments and continue to grow digital capabilities and realize efficiency gains
- ◆ **Enhance customer service through investments in technology** – invest in digital to deliver improved customer service and safeguard our customers, ourselves and the financial services industry from financial crime
- ◆ **Simplify the organization and empower our people** – simplify processes and reduce organizational complexity to facilitate growth and support employees

1. Measured in US dollars

### Long term senior ratings as at 8 May 19

	Fitch		Moody's		S&P		DBRS*	
	Rating	Outlook	Rating	Outlook	Rating	Outlook	Rating	Outlook
<b>HSBC Holdings plc</b>	AA-	RWN <sup>1</sup>	A2	Stable	A	Stable	AA (low)	Stable
<b>HSBC Bank Canada</b>	AA-	RWN	A3	Stable	AA-	Stable	A (high)	Stable

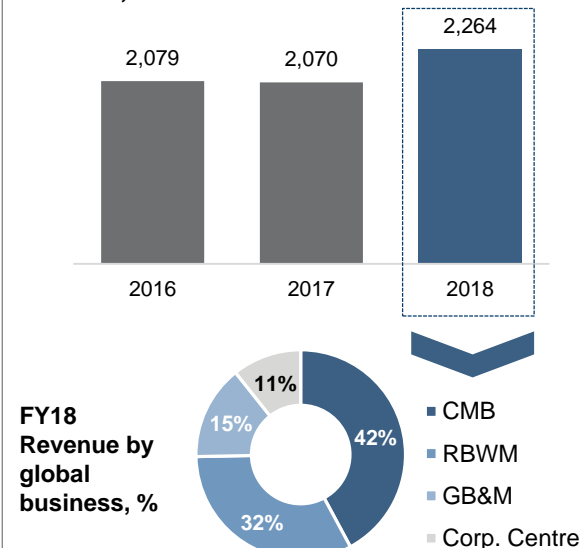
- ◆ HSBC Bank Canada has strong credit ratings.
  - ◆ HSBC Bank Canada is a core subsidiary of HSBC Group.
- \* DBRS publishes an unsolicited rating on HSBC Holdings plc.

## FY18 HSBC Bank Canada reported results (Comparison vs. FY17)

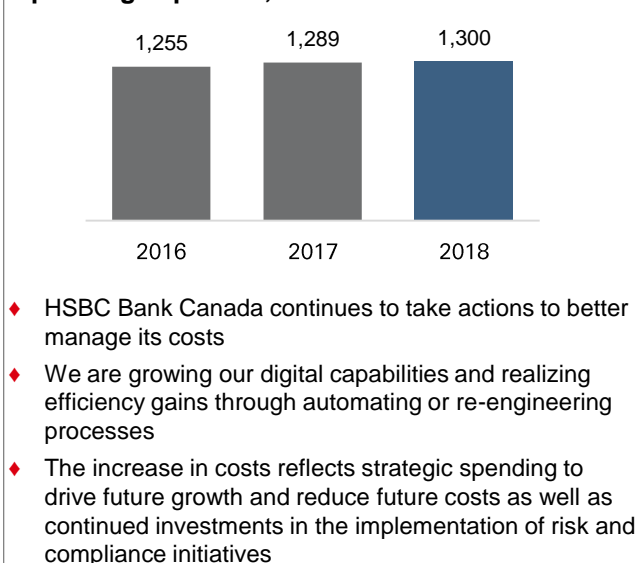
CAD millions	RBWM		CMB		GB&M		Corporate Centre		HSBC Bank Canada	
Revenue	737	9%	954	8%	331	10%	242	16%	2,264	9%
Change in ECL / LICs - (charge)/recovery	(10)	>(100)%	38	(59)%	(1)	>(100)%	-	0%	27	(75)%
Operating expenses	(656)	(9)%	(403)	(4)%	(150)	(9)%	(91)	43%	(1,300)	(1)%
Profit before tax	71	(11)%	589	0%	180	6%	151	>100%	991	11%
Cost efficiency ratio (%)	89.0	0.5ppt	42.2	1.6ppt	45.3	0.4ppt	37.6	38.8ppt	57.4	4.9 ppt

Loans and advances to customers	28,123	4%	24,768	25%	4,232	20%	-	0%	57,123	13%
Customers' liability under acceptances	14	>100%	2,418	(30)%	1,500	9%	-	0%	3,932	(18)%
Customer accounts	30,411	9%	20,614	(2)%	6,156	(5)%	2,631	65%	59,812	5%
Advances / Deposits ratio (%)	92.5	(4)%	120.2	28%	68.7	25%	-		95.5	8%
Reported RWAs									40,142	(11)%

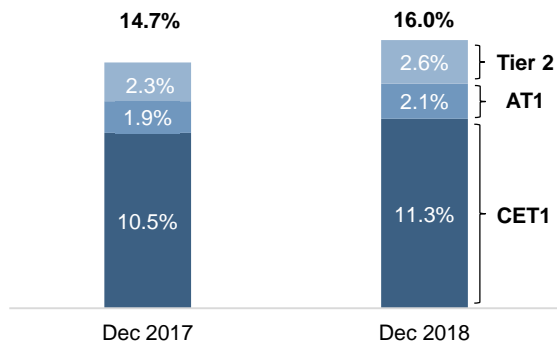
### Revenue, CAD millions



### Operating expenses, CAD millions



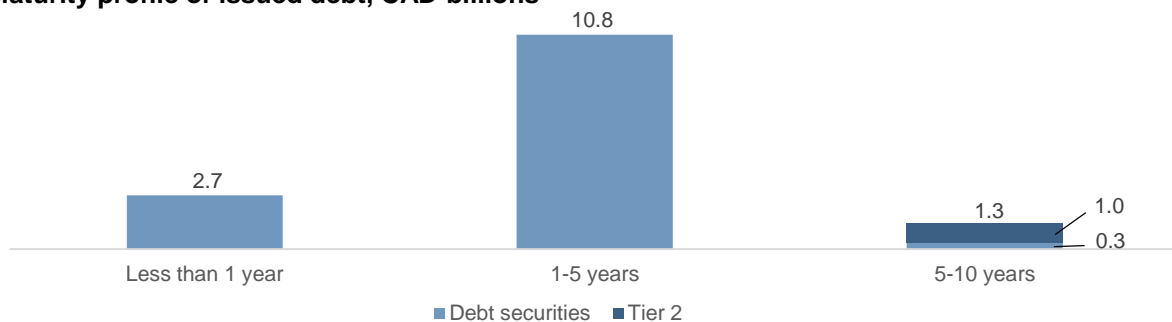
## Capital instruments as a % of RWAs



## HSBC Canada capital position

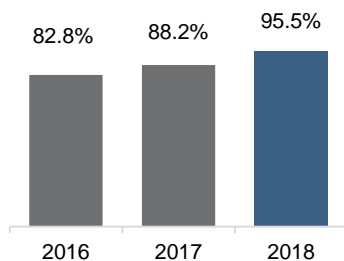
- ◆ CET1 ratio at 11.3% versus regulatory minimum of 7% for non-Domestic Systemically Important Banks
- ◆ 99% of Total Capital is loss-absorbing and held by HSBC Group
- ◆ As a non-DSIB, HSBC Bank Canada is not required to maintain additional loss absorbing capacity, e.g. TLAC, MREL

## Maturity profile of issued debt, CAD billions

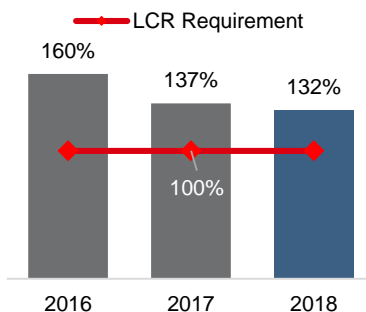


# Funding and liquidity: A diversified funding base and high-quality liquid asset buffer

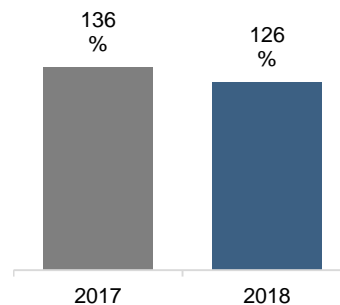
## Advances / deposits ratio (A/D ratio)



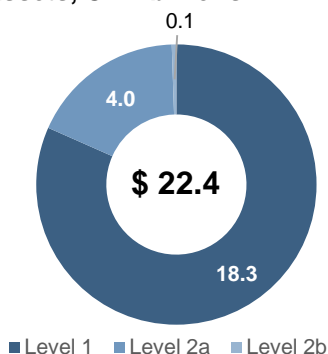
## Liquidity coverage ratio (LCR)<sup>1</sup>



## Net stable funding ratio (NSFR)



## Liquid assets, CAD billions

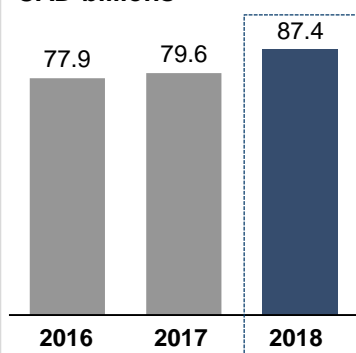


- ◆ HSBC Bank Canada maintains its LCR well above the regulatory minimum
- ◆ 82% of liquid assets are classified as level 1 financial instruments with quoted prices in active markets
- ◆ Funding sources include retail and wholesale deposits, an active wholesale medium term note program, deposits raised through the deposit broker network, NHA-MBS<sup>2</sup> securitization and a covered bond program.
- ◆ As a non-Domestic Systemically Important Bank, HSBC Bank Canada's senior debt is not subject to Canadian bail-in regulations

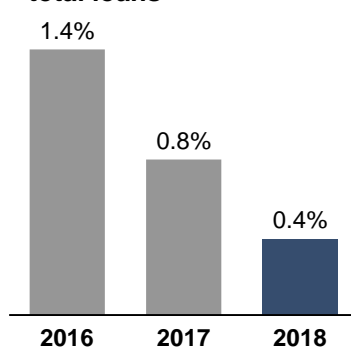
1. Local regulatory numbers (OSFI Basis)  
 2. NHA-MBS: National Housing Act Mortgage Backed Securities

## Asset structure and quality

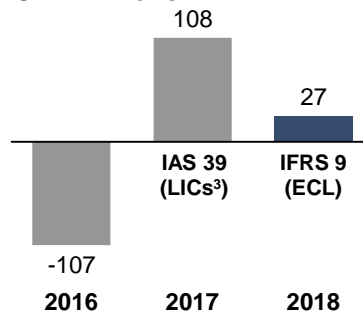
### Credit exposure (drawn<sup>1</sup>), CAD billions



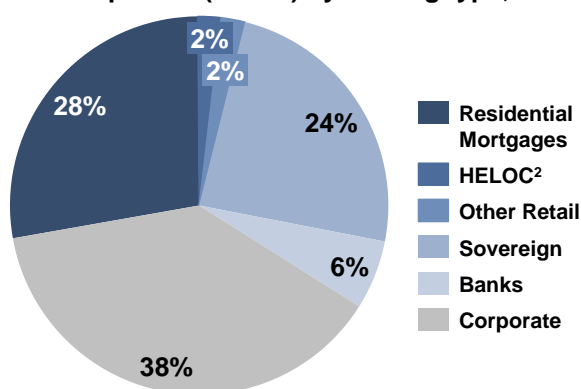
### Impaired loans as a % of total loans



### Change in expected credit (losses)/ recovery, CAD millions



### Credit exposure (drawn) by lending type, %



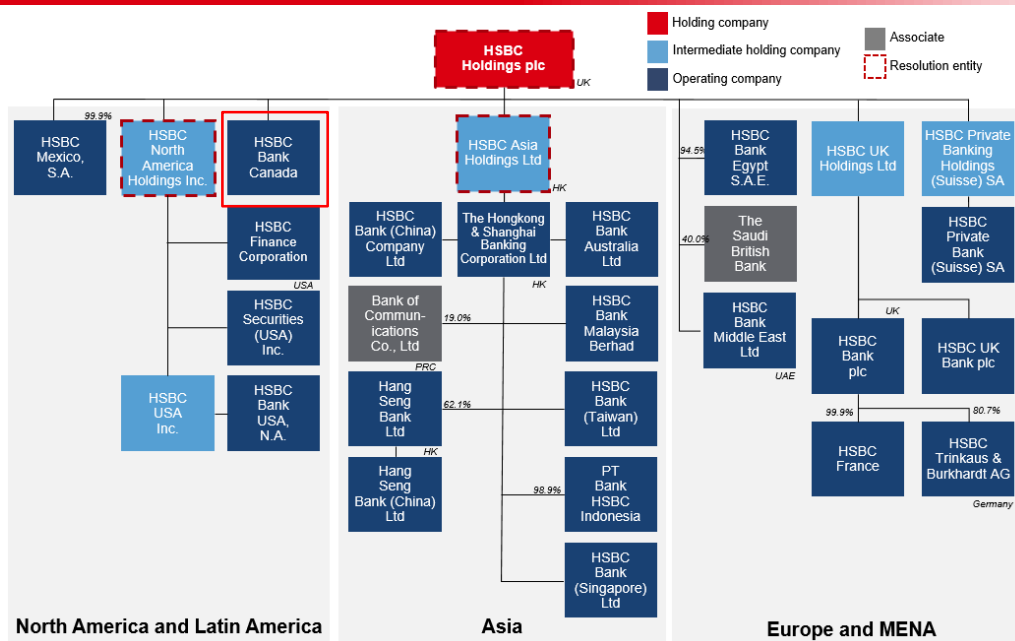
- ◆ Overall credit quality at 31 December 2018 is assessed as strong by the bank
- ◆ In 2018 we were in a net recovery position on the change in expected credit losses, although this was lower than the historically high recovery levels experienced in 2017
- ◆ Loan-to-value ratio of new residential mortgage originations averaged 59% in the fourth quarter of 2018 (60% in the fourth quarter of 2017)

## Corporate lending segmentation<sup>4</sup>

### Total wholesale lending for loans and advances to customers at amortized cost (CAD millions)

	Gross carrying amount	Allowance for ECL
<b>Corporate and commercial</b>		
Agriculture, forestry and fishing	408	(1)
Mining and quarrying (includes energy related exposures)	1,839	(30)
Manufacture	4,620	(23)
Electricity, gas, steam and air conditioning supply	562	(1)
Water supply, sewerage, waste management and remediation	101	-
Construction	858	(21)
Wholesale and retail trade	5,567	(35)
Transportation and storage	2,375	(11)
Accommodation and food	895	(1)
Publishing, audiovisual and broadcasting	783	(5)
Real estate	7,292	(7)
Professional, scientific and technical activities	1,060	(7)
Administrative and support services	595	(1)
Education	149	-
Health and care	190	(1)
Arts, entertainment and recreation	273	-
Other services	311	-
Government	30	-
Non-bank financial institutions	1,049	(1)
<b>As at 31 December 2018</b>	<b>28,957</b>	<b>(145)</b>

1. Drawn credit exposure includes loans, financial investments and customer liabilities under acceptance  
2. Home Equity Lines of Credit  
3. Loan impairment recoveries/(charges) and other credit risk provisions  
4. Segmentation is based on classification codes for collecting and presenting economic activity statistics used in the European Economic Community

Appendix: FY18 Group adjusted results<sup>1</sup> (comparison vs. FY17)

By global business, USD billions	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Revenue	21.9 8%	14.9 12%	15.5 1%	1.8 4%	(0.2) (>100)%	53.9 4%
ECL / LICs	(1.2) (21)%	(0.7) (59)%	0.0 >100%	0.0 >100%	0.1 (37)%	(1.8) (3)%
Operating expenses	(13.7) (7)%	(6.5) (9)%	(9.5) (5)%	(1.4) (3)%	(1.9) 9%	(33.0) (6)%
Associates and JVs	0.0 >100%	- -%	- -%	- -%	2.5 4%	2.5 5%
Profit before tax	7.1 9%	7.7 12%	6.1 4%	0.3 16%	0.5 (67)%	21.7 3%
RoTE <sup>2</sup> (%)	21.0 (0.6)ppt	14.0 0.0ppt	10.5 (0.1)ppt	9.9 2.8ppt	(5.7) (0.5)ppt	10.2 0.9ppt
Cost efficiency ratio (%)	62.5 0.7ppt	43.5 1.4ppt	61.0 (2.2)ppt	81.2 0.7ppt	nm -	61.2 (0.7)ppt
Reported RWAs	126.9 4%	321.2 7%	281.0 (6)%	16.8 5%	119.4 (11)%	865.3 (1)%
Customer advances (net)	361.9 9%	332.2 9%	245.0 0%	39.2 (1)%	2.5 (66)%	981.7 6%
Customer deposits	640.9 3%	357.6 2%	290.9 7%	66.7 3%	8.6 (21)%	1,362.6 3%
A/D ratio (%)	56.5 (3.0)ppt	93.2 (6.4)ppt	84.2 5.3ppt	58.8 2.1ppt	28.9 38.2ppt	72.0 (1.8)pt
By region <sup>3</sup> , USD billions	Europe	Asia	MENA	North America	Latin America	Group
Revenue	17.8 (2)%	28.7 11%	2.7 4%	6.8 3%	3.1 9%	53.9 4%
ECL / LICs	(0.6) 5%	(0.6) (7)%	(0.2) (2)%	0.2 (17)%	(0.6) 15%	(1.8) (3)%
Operating expenses	(17.3) (6)%	(12.5) (12)%	(1.4) (4)%	(5.2) (1)%	(1.9) (10)%	(33.0) (6)%
Associates and JVs	0.0 (38)%	2.1 8%	0.4 (1)%	0.0 (>100)%	0.0 (33)%	2.5 5%
Profit before tax	(0.0) (>100)%	17.8 11%	1.6 3%	1.9 9%	0.6 2%	21.7 3%
Cost efficiency ratio (%)	96.9 (7.3)ppt	43.3 (0.3)ppt	50.5 0ppt	75.9 1.2ppt	63.1 (0.2)ppt	61.2 (0.7)ppt
Reported RWAs <sup>4</sup>	298.1 (4)%	363.9 2%	56.7 (4)%	131.6 0%	38.3 5%	865.3 (1)%
Customer advances (net)	373.1 3%	450.5 8%	28.8 7%	108.1 4%	21.1 17%	981.7 6%
Customer deposits	503.2 5%	664.8 3%	35.4 6%	133.3 (5)%	26.0 21%	1,362.6 3%
A/D ratio (%)	74.1 1.5ppt	67.8 (3.3)pt	81.4 (1.3)ppt	81.1 (6.5)ppt	81.3 2.6ppt	72.0 (1.8)ppt

1. All numbers presented are on an adjusted basis unless otherwise stated – please see HSBC Holdings plc Annual Report and Accounts 2018 for reported results

2. Group return on average tangible equity (RoTE) and global business RoTEs exclude significant items and UK bank levy; Group reported RoTE of 8.6% in 2018

3. Amounts are non-additive across geographical regions due to intercompany transactions within the Group.

4. RWAs are non-additive across geographical regions due to market risk diversification effects within the Group





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Information in this presentation was prepared as at 8 May 2019.

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