

HSBC Holdings plc

FY20 Group factbook

31 December 2020

Opening up a world of opportunity

We have a refreshed purpose, values and ambition to support the execution of our strategy

Our purpose: Opening up a world of opportunity

Our ambition: We aim to be the **preferred international financial partner** for our clients

Our strategy:

- ◆ **Focus** on our strengths
- ◆ **Digitise** at scale
- ◆ **Energise** for growth
- ◆ **Transition** to net zero

Our values:

- ◆ We value **difference**
- ◆ We **succeed together**
- ◆ We **take responsibility**
- ◆ We **get it done**

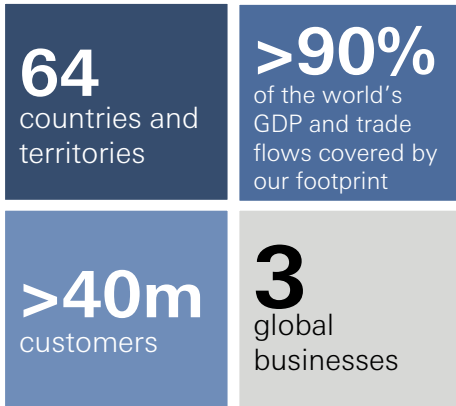
FY20 key financial metrics

Revenue ▶	ECL ▶	Costs ▶	PBT ▶	EPS
\$50.4bn	\$8.8bn	\$31.5bn	\$12.1bn	\$0.19
Customer loans	Customer deposits	CET1 ratio¹	Reported RoTE² ▶	DPS
\$1.0tn	\$1.6tn	15.9%	3.1%	\$0.15

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

For definitions, refer to the HSBC Holdings plc Annual Report and Accounts 2020

HSBC at a glance



Our 3 global businesses

WPB

Wealth and Personal Banking

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

CMB

Commercial Banking

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

GBM

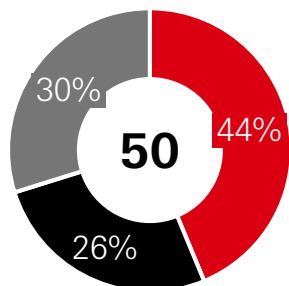
Global Banking and Markets

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

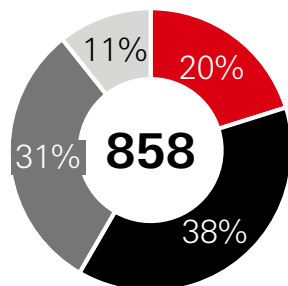
Diversified across businesses and geographies

Business performance, \$bn

Revenue³ ▶

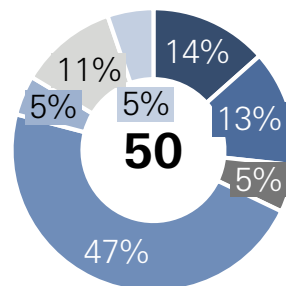


RWAs

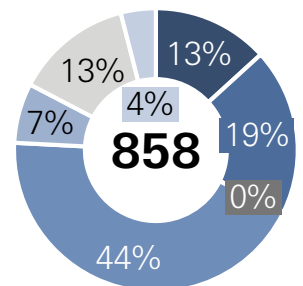


Geographic performance, \$bn

Revenue⁴ ▶



RWAs



▶ Denotes an alternative performance measure

Our strategy

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

Capital allocation

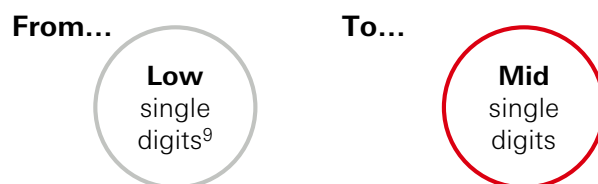
Asia as a % of Group tangible equity⁶



WPB as a % of Group tangible equity⁸



Revenue growth rate



Fees and Insurance as a % of total revenue



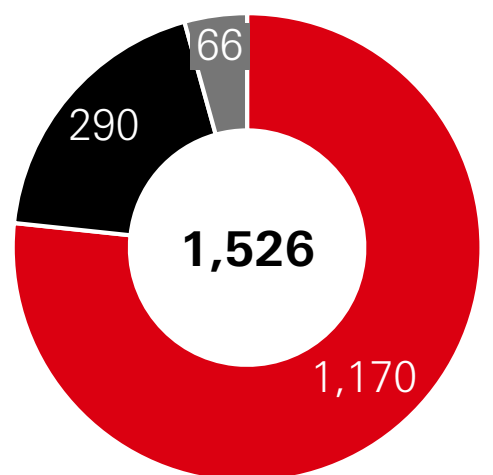
Group targets, dividend and capital policy

Costs	<p>Adjusted costs of ≤\$31bn in 2022 on Dec 2020 average FX rates</p> <ul style="list-style-type: none"> ◆ ≤\$30bn using FY20 average FX rates, a \$1bn increase in our cost reduction target ◆ Plan to keep costs broadly stable from 2022, while increasing the proportion of technology spend
RWAs	<p>Gross RWA reduction of >\$100bn by end-2022</p> <ul style="list-style-type: none"> ◆ Whilst allocating more capital and tangible equity to WPB and Asia, away from the US and NRFB
Capital	<p>CET1 ratio¹ ≥14%</p> <ul style="list-style-type: none"> ◆ Manage in a 14-14.5% range over medium-term; manage range down further long-term
Dividends	<p>Sustainable cash dividends</p> <ul style="list-style-type: none"> ◆ Transition towards a payout ratio of 40-55% from 2022 onwards¹⁰ ◆ Dividends could be supplemented by buybacks or special dividends, over time and not in the near-term¹¹ ◆ We will also no longer offer a scrip dividend option, and will pay dividends entirely in cash ◆ We will not pay quarterly dividends during 2021 but will consider whether to announce an interim dividend at 1H21 results¹²
RoTE	<p>≥10% over the medium-term</p>

Balance sheet strength

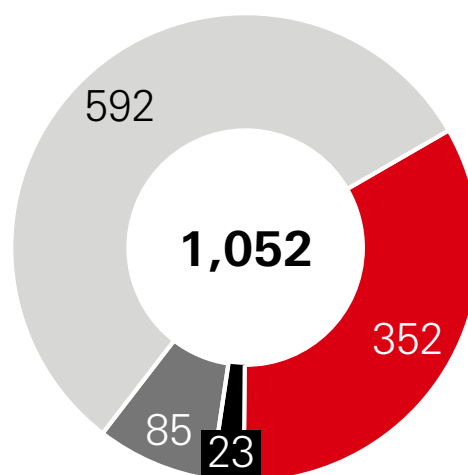
Loan/deposit ratio	High quality liquid assets	LCR*	CET1 ratio	Leverage ratio¹³
63.2%	\$678bn	139%	15.9%	5.5%

Average customer deposits by type, \$bn



- Demand & other - non-interest bearing and demand - interest bearing
- Savings
- Time and other

Gross customer lending by type, \$bn



- Mortgages
- Other personal
- Credit cards
- Wholesale

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

Group loans and deposits by currency, \$bn

	Net loans	Deposits	L/D ratio
USD	173	434	40%
GBP	281	431	65%
HKD	222	310	72%
EUR	90	136	66%
CNY	38	61	62%
Others ¹⁴	234	271	n.a.
Total	1,038	1,643	63%

Lending quality at 31 December 2020

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

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

Global business financial performance ▶

Adjusted income statement, \$m	WPB	CMB	GBM	Corp. Centre	FY20 Group total	Group vs. FY19
NII	15,090	9,317	4,518	(1,326)	27,599	(9)%
Other Income	6,923	3,995	10,785	1,064	22,767	(7)%
Revenue	22,013	13,312	15,303	(262)	50,366	(8)%
ECL	(2,855)	(4,754)	(1,209)	1	(8,817)	>(100)%
Costs	(15,024)	(6,689)	(9,264)	(482)	(31,459)	3%
Associates	6	(1)	—	2,054	2,059	(12)%
Profit before tax	4,140	1,868	4,830	1,311	12,149	(45)%
Significant items and FX	(436)	(229)	(1,214)	(1,493)	(3,372)	62%
Reported profit before tax	3,704	1,639	3,616	(182)	8,777	(34)%
Return on average tangible equity ¹⁵ , %	9.1%	1.3%	6.7%	3.1%	4.7%	(5.3)ppt
TNAV per share, \$					\$7.75	\$0.62

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

Geographic financial performance ▶

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

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

▶ Denotes an alternative performance measure

Note: totals may not cast due to rounding

Disclaimer

Important notice

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Forward-looking statements

This Presentation may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position, strategy and business of the Group which can be identified by the use of forward-looking terminology such as “may”, “will”, “should”, “expect”, “anticipate”, “project”, “plan”, “estimate”, “seek”, “intend”, “target” or “believe” or the negatives thereof or other variations thereon or comparable terminology (together, “forward-looking statements”), including the strategic priorities and any financial, investment and capital targets described herein. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. The assumptions and judgments may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions, regulatory changes or due to the impact of the Covid-19 outbreak). Any such forward-looking statements are based on the beliefs, expectations and opinions of the Group at the date the statements are made, and the Group does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management’s beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein.

Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts for the fiscal year ended 31 December 2019 filed with the Securities and Exchange Commission (the “SEC”) on Form 20-F on 19 February 2020 (the “2019 Form 20-F”), our 1Q 2020 Earnings Release furnished to the SEC on Form 6-K on 28 April 2020 (the “1Q 2020 Earnings Release”), our Interim Financial Report for the six months ended 30 June 2020 furnished to the SEC on Form 6-K on 3 August 2020 (the “2020 Interim Report”), our 3Q 2020 Earnings Release furnished to the SEC on Form 6-K on 27 October 2020 (the “Q3 2020 Earnings Release”) as well as in our Annual Report and Accounts for the fiscal year ended 31 December 2020 available at www.hsbc.com and which we expect to file with the SEC on Form 20-F on 24 February 2021 (the “2020 Form 20-F”).

Alternative Performance Measures

This Presentation contains non-IFRS measures used by management internally that constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with SEC rules and regulations (“Alternative Performance Measures”). The primary Alternative Performance Measures we use are presented on an “adjusted performance” basis which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business.

Reconciliations between Alternative Performance Measures and the most directly comparable measures under IFRS are provided in our 2019 Form 20-F, our 1Q 2020 Earnings Release, our 2020 Interim Report, our 3Q 2020 Earnings Release and our 2020 Form 20-F, when filed, each of which are available at www.hsbc.com.

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

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Footnotes

1. Unless otherwise stated, regulatory capital ratios and requirements are based on the transitional arrangements of the Capital Requirements Regulation in force at the time. These include the regulatory transitional arrangements for IFRS 9 'Financial Instruments'. Following the end of the transition period after the UK's withdrawal from the EU, any reference to EU regulations and directives (including technical standards) should be read as a reference to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018
2. Reported RoTE is profit attributable to ordinary shareholders, excluding impairment of goodwill and other intangible assets and changes in present value of in-force insurance contracts ('PVIF') (net of tax), divided by average ordinary shareholders' equity excluding goodwill, PVIF and other intangible assets (net of deferred tax)
3. Calculation is based on adjusted revenue of our global businesses excluding Corporate Centre, which is also excluded from the total adjusted revenue number
4. Regional percentage compositions calculated with regional figures that include intra-Group revenue. Intra-Group revenue is excluded from the total Group revenue number
5. UK RFB: HSBC UK Bank plc, the UK ring-fenced bank; NRFB: HSBC Bank plc, the non-ring-fenced bank in Europe and the UK
6. Based on tangible equity of the Group's major legal entities excluding Associates, Holdings Companies, consolidation adjustments, and any potential inorganic actions
7. Medium-term defined as 3-4 years; long-term is defined as 5-6 years
8. WPB TE as a share of TE allocated to the Global Businesses (excluding Corporate Centre). Excludes Holdings Companies, consolidation adjustments and any potential inorganic actions
9. 2015-19 adjusted revenue CAGR
10. We intend to transition towards a target payout ratio of between 40% and 55% of reported earnings per ordinary share ('EPS') from 2022 onwards, with the flexibility to adjust EPS for non-cash significant items, such as goodwill or intangibles impairments
11. Should the Group find itself in an excess capital position absent compelling investment opportunities to deploy that excess
12. The Group will review whether to revert to paying quarterly dividends at or ahead of its 2021 results announcement in February 2022
13. Leverage ratio at 31 December 2020 is calculated using the CRR II end-point basis for additional tier 1 capital and the CRR regulatory transitional arrangements for IFRS9; Leverage ratio includes CET1 benefit from the change in treatment of software assets, however the impact is immaterial
14. 'Others' includes items with no currency information available (\$56,729m for loans to customers and \$5m for customer accounts)
15. RoTE by Global Business excludes significant items and the UK bank levy. RoTE methodology uses Profits Attributable to Shareholders, including ECL, in order to provide a returns metric. RoTE by Global Business for FY20 considers AT1 Coupons on an accruals basis, vs. Reported RoTE where it is treated on a cash basis