# HSBC Holdings plc

1H21 Group factbook

**30 June 2021**

## Opening up a world of opportunity

Our refreshed purpose, values and ambition supports 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**

## 1H21 key financial metrics

| Revenue ◆ | ECL release ◆ | Costs ◆ | PBT ◆ | EPS |
|---|---|---|---|---|
| $25.8bn | $0.7bn | $16.2bn | $12.0bn | $0.36 |

| Customer loans | Customer deposits | CET1 ratio[1] | Reported RoTE[2] ◆ | DPS[3] |
|---|---|---|---|---|
| $1.1tn | $1.7tn | 15.6% | 9.4% | $0.07 |

◆ Denotes an alternative performance measure presented on an adjusted basis. For a reconciliation of reported to alternative performance measures, see the HSBC Holdings plc Interim Report 2021

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

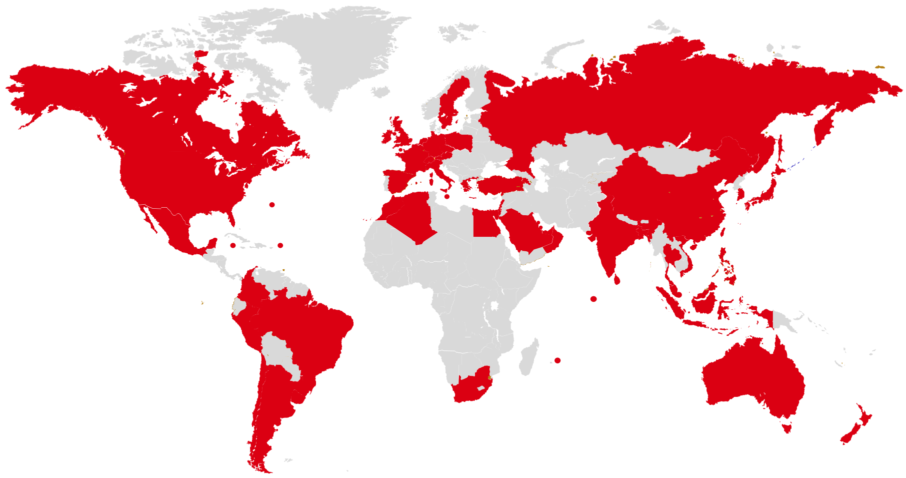
# HSBC at a glance

**64**
countries and territories

**>90%**
of the world's GDP and trade flows covered by our footprint*

**>40m**
customers

**3**
global businesses



# Our 3 global businesses

**WPB**

### Wealth and Personal Banking

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

**CMB**

### Commercial Banking

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

**GBM**

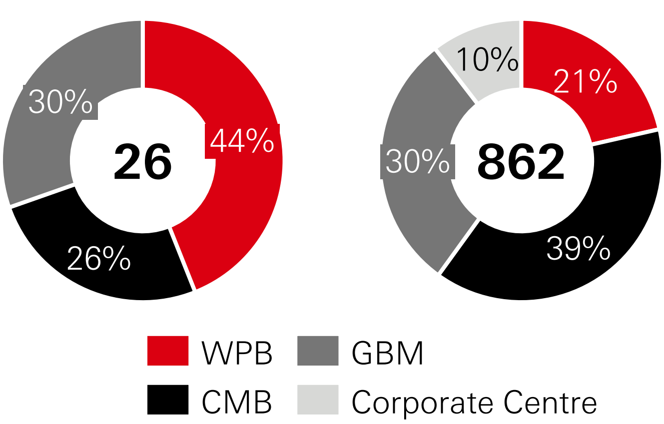
### Global Banking and Markets

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

# Diversified across businesses and geographies

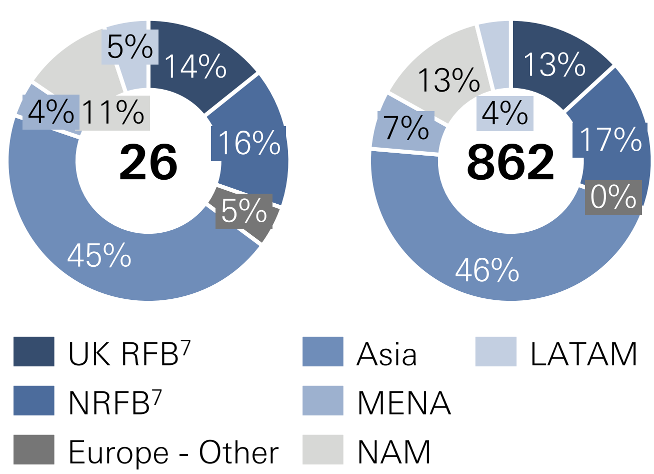
### 1H21 business performance, $bn

**Revenue[4]** ◆ **RWAs**




### 1H21 geographic performance, $bn

**Revenue[5]** ◆ **RWAs[6]**




◆ Denotes an alternative performance measure

*At FY20

# Implementing our strategy

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

## Capital allocation

### Asia as a % of Group tangible equity[8]


### WPB as a % of Group tangible equity[10]


## Revenue growth rate

**From...** **Low** single digits[11]

**To...** **Mid** single digits

### Fees and Insurance as a % of total revenue[12]


## Group targets, dividend and capital policy

| | |
|---|---|
| **Costs** | **Adjusted costs of ≤$31bn in 2022 on Dec 2020 average FX rates**<br>◆ ≤$30bn using FY20 average FX rates, a $1bn increase in our cost reduction target<br>◆ Plan to keep costs broadly stable from 2022, while increasing the proportion of technology spend |
| **RWAs** | **Gross RWA reduction of >$110bn by end-2022[13]**<br>◆ Whilst allocating more capital and tangible equity to WPB and Asia, away from the US and NRFB |
| **Capital** | **CET1 ratio[1] ≥14%**<br>◆ Manage in a 14-14.5% range over medium-term; manage range down further long-term |
| **Dividends** | **Sustainable cash dividends**<br>◆ Transition towards a payout ratio of 40-55%[14]<br>◆ Dividends could be supplemented by buybacks or special dividends, over time[15]<br>◆ We will also no longer offer a scrip dividend option, and will pay dividends entirely in cash<br>◆ We will not pay quarterly dividends during 2021 but have announced an interim dividend of 7¢ in respect of 1H21[16] |
| **RoTE** | **≥10% over the medium-term** |

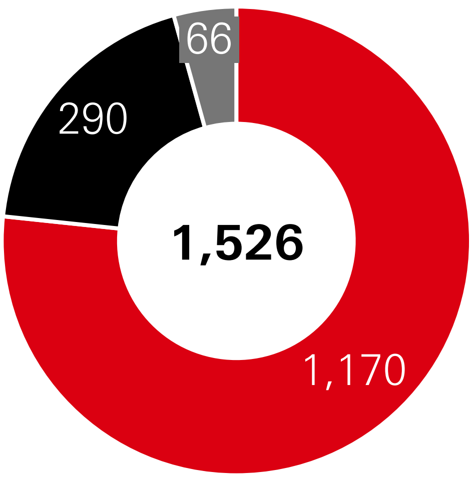
# Balance sheet strength

At 30 June 2021

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

**Average customer deposits by type, $bn**

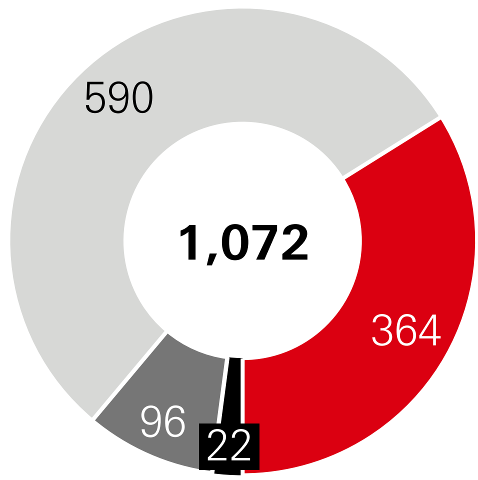
FY20




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

**Gross customer lending by type, $bn**

1H21




- Mortgages
- Other personal
- Credit cards
- Wholesale

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

**FY20 Group loans and deposits by currency**

| $bn | Net loans | Deposits | L/D ratio |
|---|---|---|---|
| USD | 173 | 434 | 40% |
| GBP | 281 | 431 | 65% |
| HKD | 222 | 310 | 72% |
| EUR | 90 | 136 | 66% |
| CNY | 38 | 61 | 62% |
| Others[18] | 234 | 271 | n.a. |
| **Total** | **1,038** | **1,643** | **63%** |

**Lending quality at 30 June 2021**

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

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

# Global business financial performance

| Adjusted income statement, $m | WPB | CMB | GBM | Corp. Centre | 1H21 Group total | Group vs. 1H20 |
|---|---|---|---|---|---|---|
| NII | 7,067 | 4,366 | 2,024 | (378) | 13,079 | (13)% |
| Other Income | 4,334 | 2,285 | 5,854 | 245 | 12,718 | 1% |
| **Revenue** | **11,401** | **6,651** | **7,878** | **(133)** | **25,797** | (7)% |
| ECL | 52 | 249 | 414 | 4 | 719 | >100% |
| Costs | (7,600) | (3,525) | (4,985) | (112) | (16,222) | (3)% |
| Associates | 11 | 1 | — | 1,644 | 1,656 | 58% |
| **Profit before tax** | **3,864** | **3,376** | **3,307** | **1,403** | **11,950** | >100% |
| Significant items and FX | (218) | — | (248) | (645) | (1,111) | 17% |
| **Reported profit before tax** | **3,646** | **3,376** | **3,059** | **758** | **10,839** | >100% |
| Return on average tangible equity[19], % | 17.9% | 11.1% | 10.7% | 5.1% | 9.4%[2] | 5.6ppt |

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

# Geographic financial performance

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

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

Denotes an alternative performance measure

Note: totals may not cast due to rounding

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

Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts for the fiscal year ended 31 December 2020 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 24 February 2021 (the "2020 Form 20-F"), our 1Q 2021 Earnings Release furnished to the SEC on Form 6-K on 27 April 2021 (the "1Q 2021 Earnings Release") and our Interim Financial Report for the six months ended 30 June 2021, which we expect to furnish to the SEC on Form 6-K on 2 August 2021 (the "2021 Interim Report").

## Alternative Performance Measures

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

Reconciliations between Alternative Performance Measures and the most directly comparable measures under IFRS are provided in our 2020 Form 20-F, our 1Q 2021 Earnings Release and our 2021 Interim Report, when filed, each of which are available at www.hsbc.com.

Information in this Presentation was prepared as at 2 August 2021, unless otherwise specified.

# Key contacts

## London

**Richard O'Connor**
Global Head of Investor Relations
richard.j.oconnor@hsbc.com
+44 (0) 20 7991 6590

**Neil Sankoff**
Head of Equity Investor Relations
neil.sankoff@hsbc.com
+44 (0) 20 7991 5072

**Tim Fradin**
Head of Analysts
tim.fradin@hsbc.com
+44 (0) 20 7992 4834

**Greg Case**
Head of Fixed Income Investor Relations
greg.case@hsbc.com
+44 (0) 20 7992 3825

**Jenny Lewis**
Investor Relations Manager
jenny.lewis@hsbc.com
+44 (0) 20 3268 3393

**James Klikis**
Investor Relations Manager
james.l.klikis@hsbc.com
+44 (0) 20 3268 3539

## Hong Kong

**Mark Phin**
Head of Investor Relations, Asia-Pacific
mark.j.phin@hsbc.com
+852 2822 4908

**Laurence Chan**
Senior Investor Relations Manager, Asia
laurencechchan@hsbc.com
+852 2288 5513

# 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 (annualised), excluding impairment of goodwill and other intangible assets and changes in present value of in-force insurance contracts ('PVIF') (net of tax), divided by average ordinary shareholders' equity excluding goodwill, PVIF and other intangible assets (net of deferred tax)
3. In respect of 1H21
4. Calculation is based on adjusted revenue of our global businesses excluding Corporate Centre, which is also excluded from the total adjusted revenue number
5. Regional percentage compositions calculated with regional figures that include intra-Group revenue. Intra-Group revenue is excluded from the total Group revenue number
6. Percentage RWAs by region are calculated as each regions' RWAs divided by the gross sum of all regional RWAs. RWAs by geographical region exclude the diversification benefits inherent in the calculation of market risk for the Group as a whole. As a result, the total for the Group differs from the sum of the individual regions by the value of the diversification benefit
7. 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
8. Based on tangible equity of the Group's major legal entities excluding Associates, Holdings Companies, consolidation adjustments, and any potential inorganic actions
9. Medium-term defined as 3-4 years; long-term is defined as 5-6 years
10. 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
11. 2015-19 adjusted revenue CAGR
12. Financial results for the Insurance business are prepared on the current IFRS 4 basis and, as such, do not reflect any potential impacts of IFRS 17 'Insurance Contracts', which is effective from 1 January 2023, which could have a significant impact on the revenue of our insurance business. For further details, see 'Future accounting developments' on page 289 of the Annual Report and Accounts 2020.
13. We have updated our gross RWA savings target to >$110bn from >$100bn, reflecting changes in methodology in tracking and reporting saves to better align with how the programme is managed
14. Our dividend policy is unchanged, however we now expect to move within our target dividend payout ratio range in 2021. We will retain the flexibility to adjust EPS for non-cash significant items. Additionally, in 2022, we expect to exclude from EPS the forecast loss on the sale of our retail banking operations in France
15. Should the Group find itself in an excess capital position absent compelling investment opportunities to deploy that excess
16. The Group will review whether to revert to paying quarterly dividends at or ahead of its 2021 results announcement in February 2022
17. Leverage ratio at 30 June 2021 is calculated using the CRR II end-point basis for additional tier 1 capital and the CRR regulatory transitional arrangements for IFRS9; Leverage ratio includes CET1 benefit from the change in treatment of software assets, however the impact is immaterial
18. 'Others' includes items with no currency information available ($56,729m for loans to customers and $5m for customer accounts)
19. YTD, annualised. RoTE by Global Business excludes significant items. RoTE methodology annualises Profits Attributable to Shareholders, including ECL, in order to provide a returns metric. RoTE by Global Business considers AT1 Coupons on an accruals basis, vs. Reported RoTE where it is treated on a cash basis