

HSBC Holdings plc

1H22 Fixed income factbook

30 June 2022

2H22 issuance strategy and plan¹

HoldCo Senior

~\$8bn on a gross basis, ~\$6bn net

Tier 2

~\$2bn gross / net

AT1

Unlikely to refinance any 2022 redemptions

OpCo

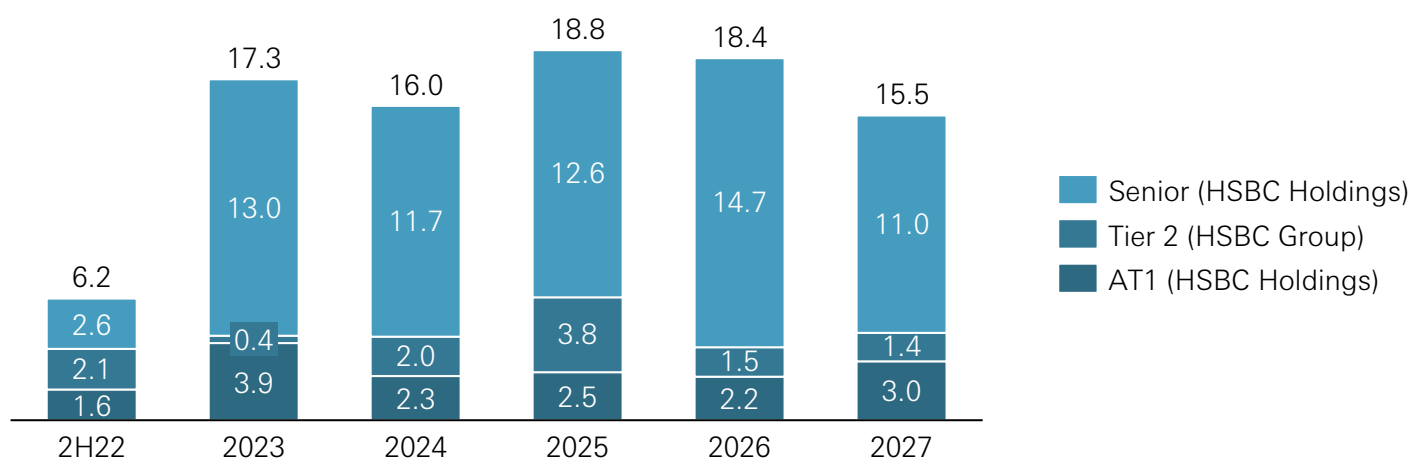
Expect certain subsidiaries to issue senior and secured debt in local markets to meet funding and liquidity requirements

Issuance strategy

- ◆ Since 2015, HSBC Holdings has been the Group's issuing entity for external AT1, T2 and MREL/TLAC-eligible Senior
- ◆ Issuance over time to broadly match group currency exposures
- ◆ Issuance executed with consideration to our maturity profile

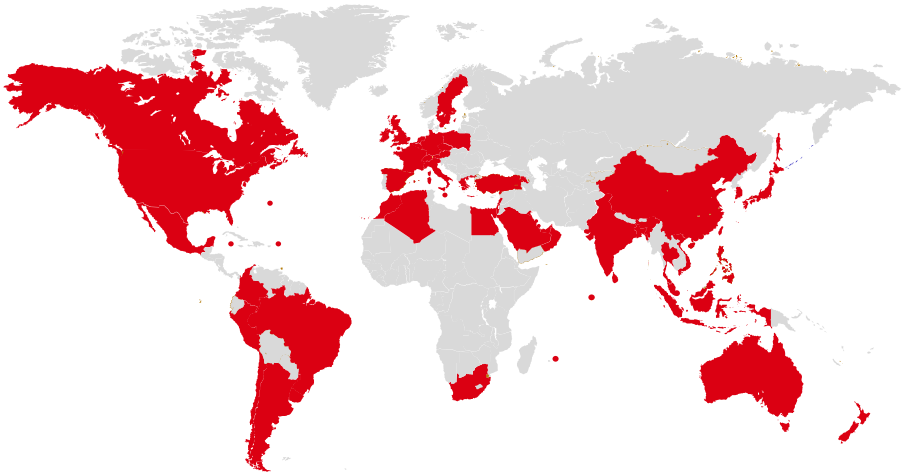
Maturity profile (notional) at 1H22²

\$bn-equivalent*



* Totals may not cast due to rounding

HSBC at a glance



Our 3 global businesses

WPB

Wealth and Personal Banking

- ◆ We help over 38m of our customers look after their day-to-day finances and manage, protect and grow their wealth
- ◆ We 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

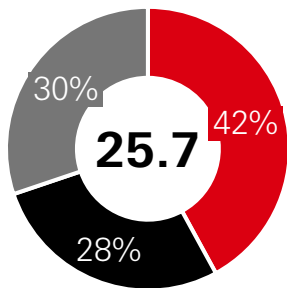
Global Banking and Markets

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

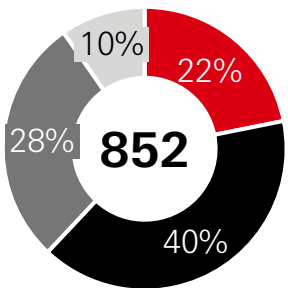
Diversified across businesses and geographies

1H22 Business performance, \$bn

Revenue³ ◆

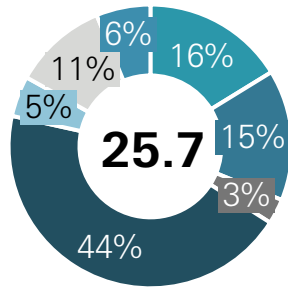


RWAs

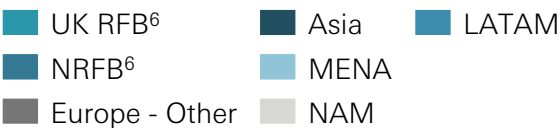
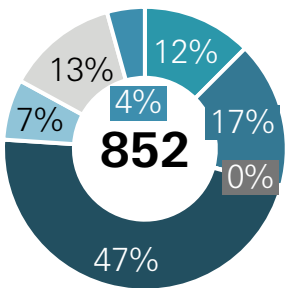


1H22 Geographic performance, \$bn

Revenue⁴ ◆



RWAs⁵



◆ Denotes an alternative performance measure

Progress on our 2021 commitments

We have made good progress across our four strategic pillars since the announcement of our transformation programme

Focus on our strengths: delivering growth in areas where we are strongest and have opportunities to grow, including to Asia and our higher-returning WPB business

Digitise at scale: to adapt our operating model for the future

Energise for growth: empowering and energising our employees is crucial for building a more effective workforce

Support the transition to a net zero global economy

The impact of our growth and transformation programmes over the last two years has given us the confidence to update our returns guidance. We are now targeting a **RoTE of 12%+** from FY23⁷, and aim to revert to **paying quarterly dividends** in 2023⁸ with a **dividend payout ratio of around 50%**.

Updated guidance*

Revenue	Nil growth <ul style="list-style-type: none">♦ Nil of at least \$31bn in FY22; at least \$37bn in FY23^{7,9}
Costs	Tight cost discipline <ul style="list-style-type: none">♦ Stable adjusted costs in 2022♦ Aiming for c.2% adjusted growth in FY23 with tight cost discipline thereafter⁹
Capital	<ul style="list-style-type: none">♦ Manage CET1 ratio in a 14-14.5% range over medium-term; aim to manage range down further longer term¹⁰
Dividends	<ul style="list-style-type: none">♦ Dividend payout ratio expected to be c.50% for FY23 and FY24♦ Reinstate quarterly dividends from 2023 onwards⁸
RoTE	Targeting 12%+ from FY23 onwards

Progress on capital allocation

Asia as a % of Group tangible equity¹¹



WPB as a % of Group tangible equity¹²



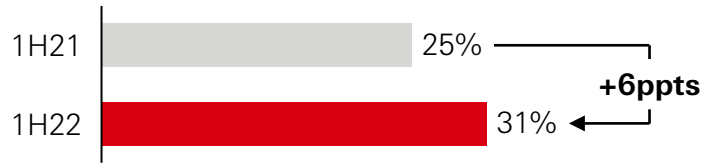
* Full guidance can be found in the HSBC Holdings plc Interim Report 2022

Digitise at scale

Technology spend¹³
% of total adjusted operating expenses



Cloud adoption¹⁴
%



We continue to invest in our technology and operational capabilities to drive operating productivity and to offer a better client experience across businesses and geographies. At the end of 1H22, 46% of our retail customers active on our mobile services had logged onto a HSBC mobile app at least once in the last 30 days, compared with 41% at the end of 1H21. Our wholesale clients executed c.6.3 million payments on HSBCnet’s mobile banking app, a **61% increase** compared with 1H21.

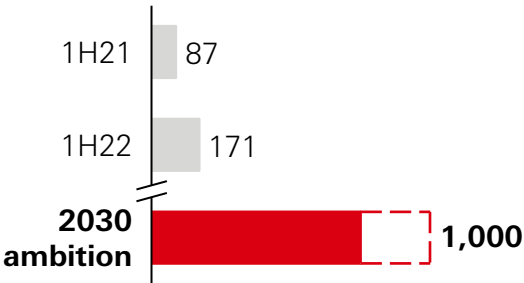
ESG update



Environmental

- ◆ Aim to be **net zero in our operations and supply chain by 2030** and **net zero in our financed emissions by 2050**
- ◆ We plan to publish our own **climate transition plan in FY23** bringing together how we intend to embed net zero targets into our strategy, processes, policies and governance
- ◆ We have provided and facilitated **\$171bn of sustainable finance and investment** towards our ambition of \$750bn to \$1tn by 2030¹⁵

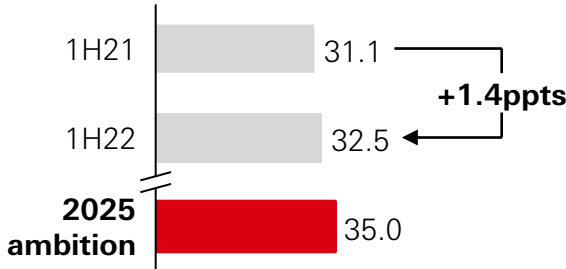
Cumulative sustainable finance & investments¹⁵, \$bn



Social

- ◆ We have an ambition to **increase our gender and ethnicity representation** in senior leadership by 2025:
 - ◆ 35% of senior leaders to be female
 - ◆ Double the number of Black colleagues in senior leadership positions¹⁶
- ◆ Opened **>5,000 bank accounts for Ukrainian refugees in the UK** to support them with accessing required financial services

Percentage of female senior leaders¹⁷

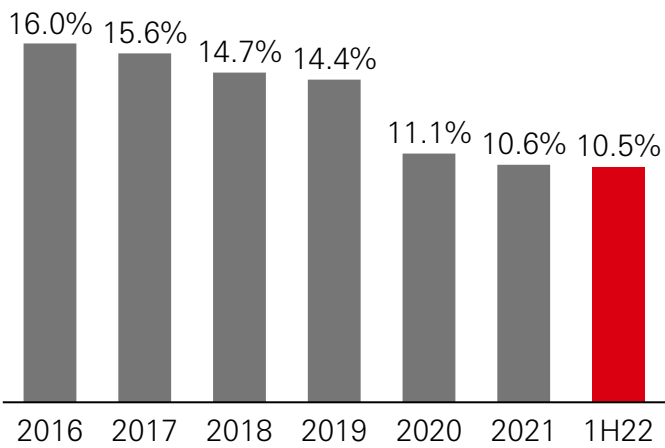


Balance sheet strength

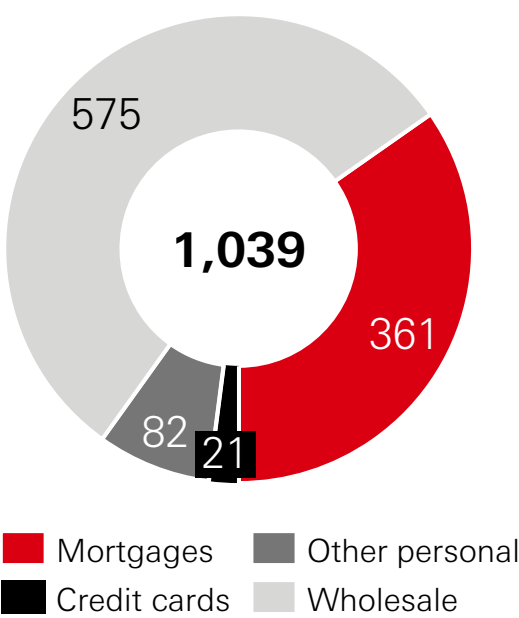
At 30 June 2022

Loan/deposit ratio	High quality liquid assets ¹⁸	Liquidity coverage ratio	CET1 ratio ¹⁹	Leverage ratio ¹⁹
62.3%	\$657bn	134%	13.6%	5.5%

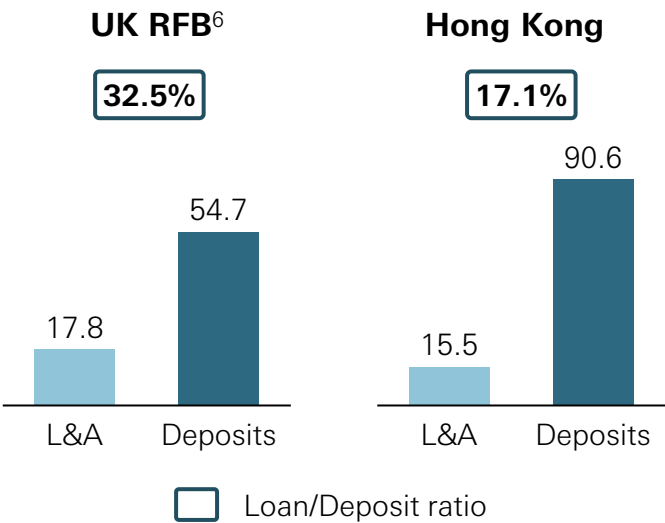
Unsecured as % of retail loan book



Gross customer lending by type, \$bn



Business Banking Loans & Advances and Deposits, \$bn



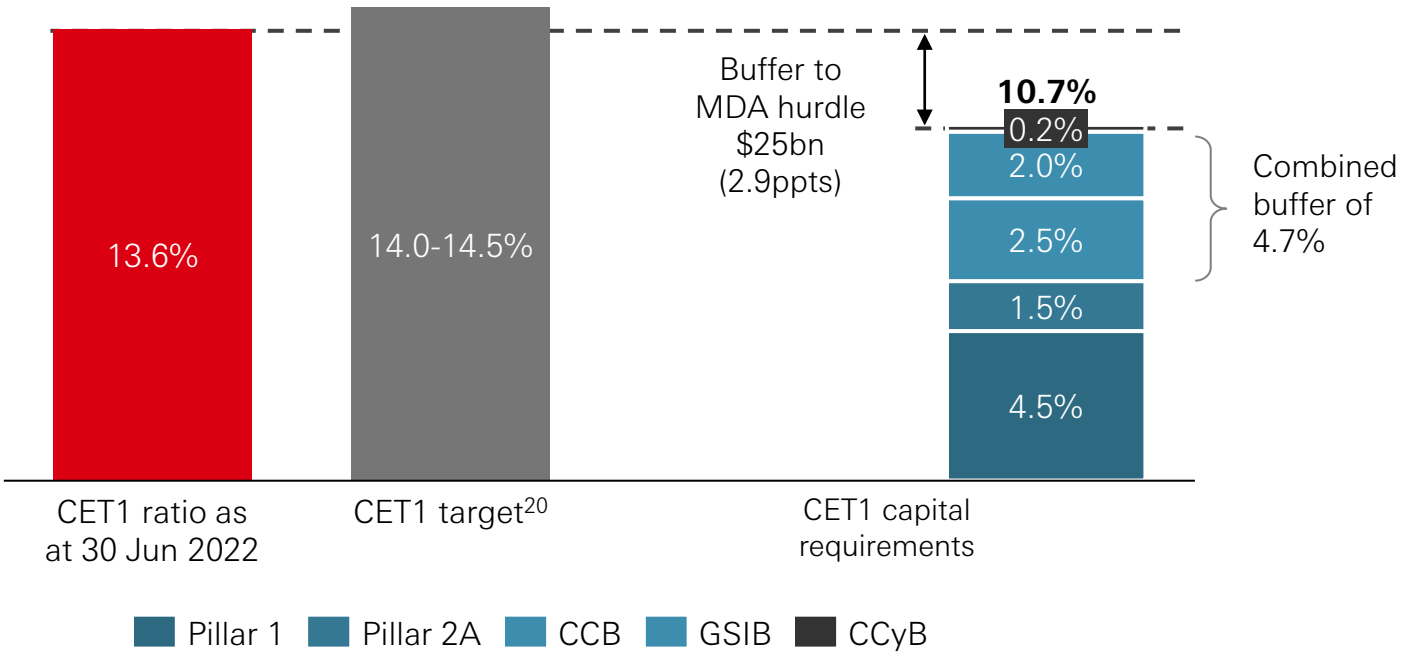
- ◆ **UK mortgages: \$153bn**
 - ◆ Average LTV: 49%; new lending: 67%
- ◆ **HK mortgages: \$99bn**
 - ◆ Average LTV: 50%; new lending: 59%

Lending quality at 30 June 2022

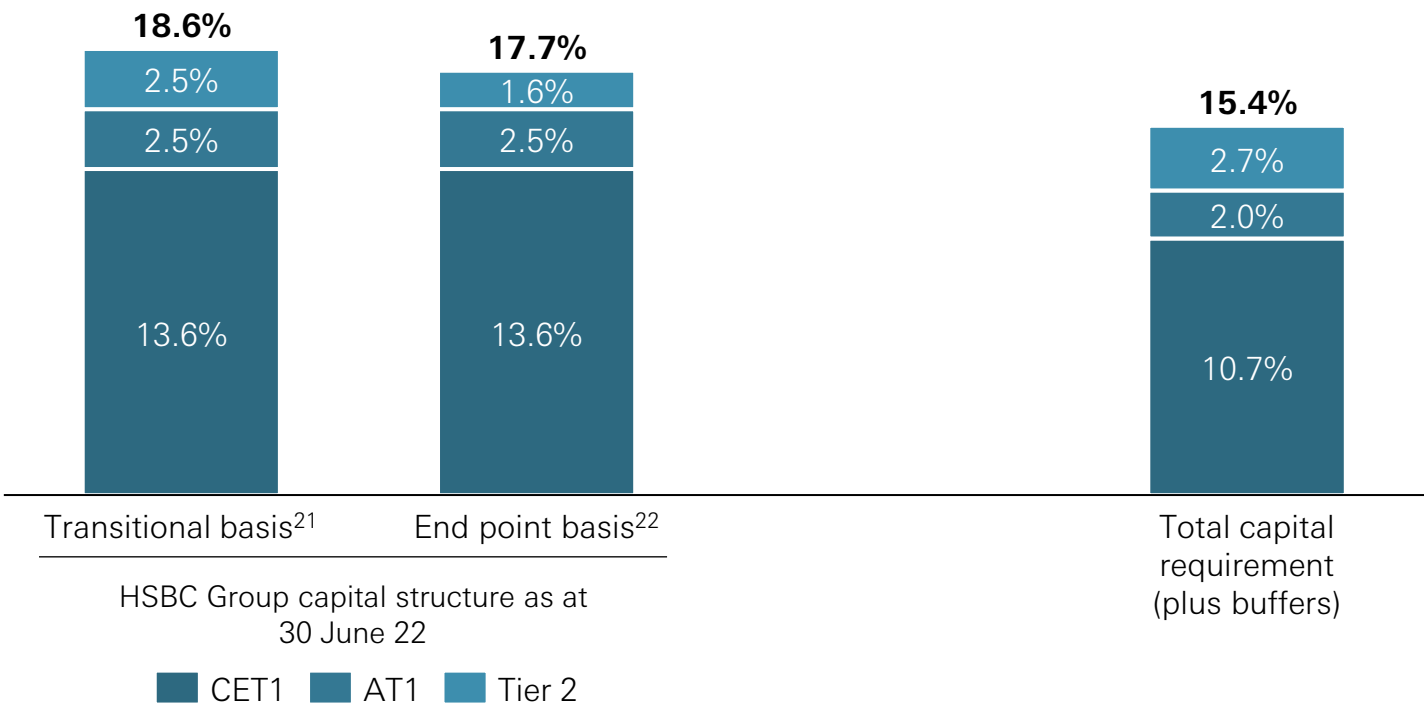
- ◆ **73% of loans are rated 'Strong' or 'Good'**
- ◆ 1.8% of gross loans and advances in Stage 3

Group capital requirements

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



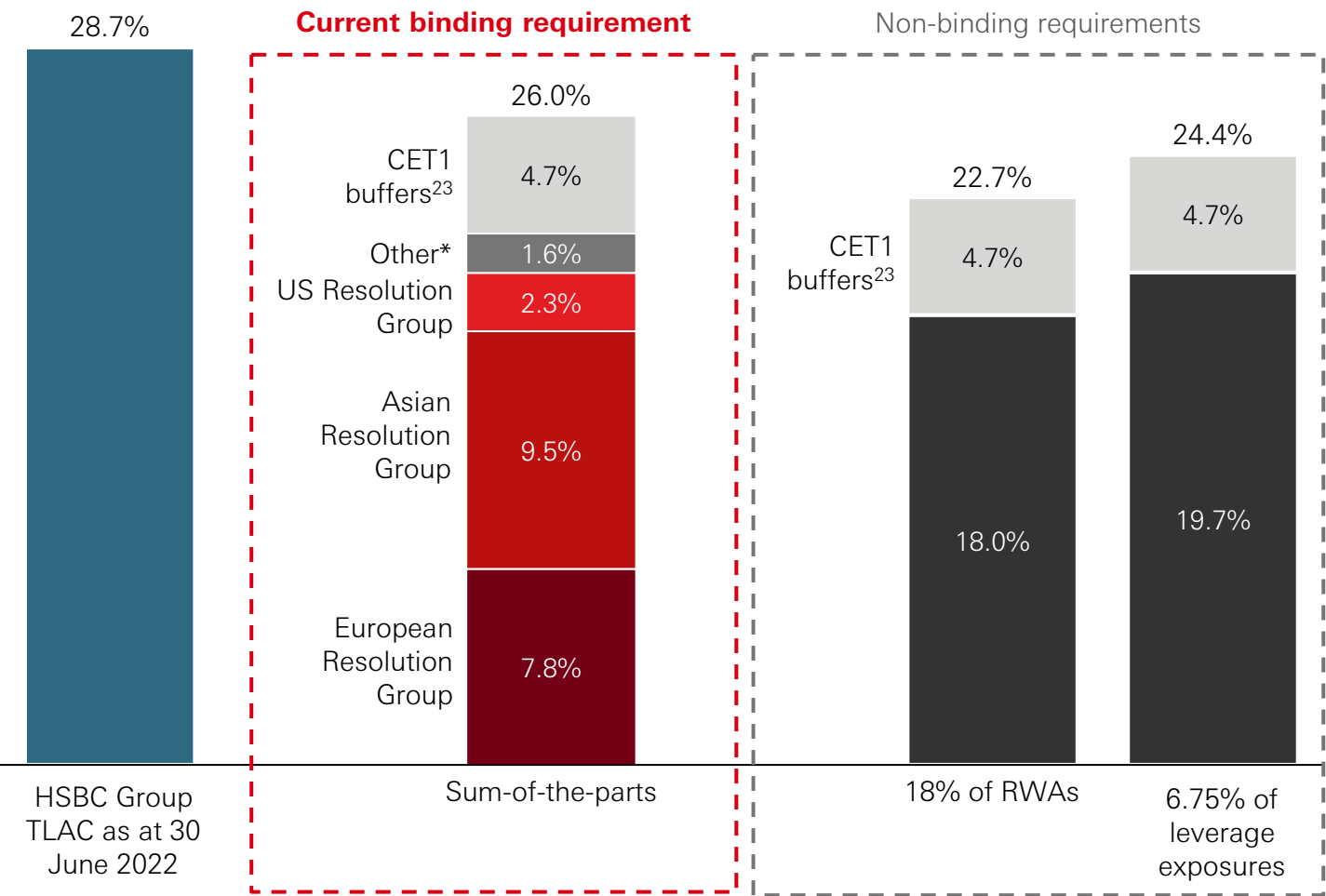
Regulatory capital vs. regulatory requirements as a % of RWAs



- ◆ **Pillar 2A set at 2.6% of RWAs**, of which 1.5% must be held in CET1
- ◆ **UK CCyB** due to increase from 0% to 1%, effective Dec-22 with a further increase from 1% to 2% due in July 23. Each 1pp increase in the UK CCyB increases HSBC Group's CCyB by c.0.2pps

MREL / TLAC position

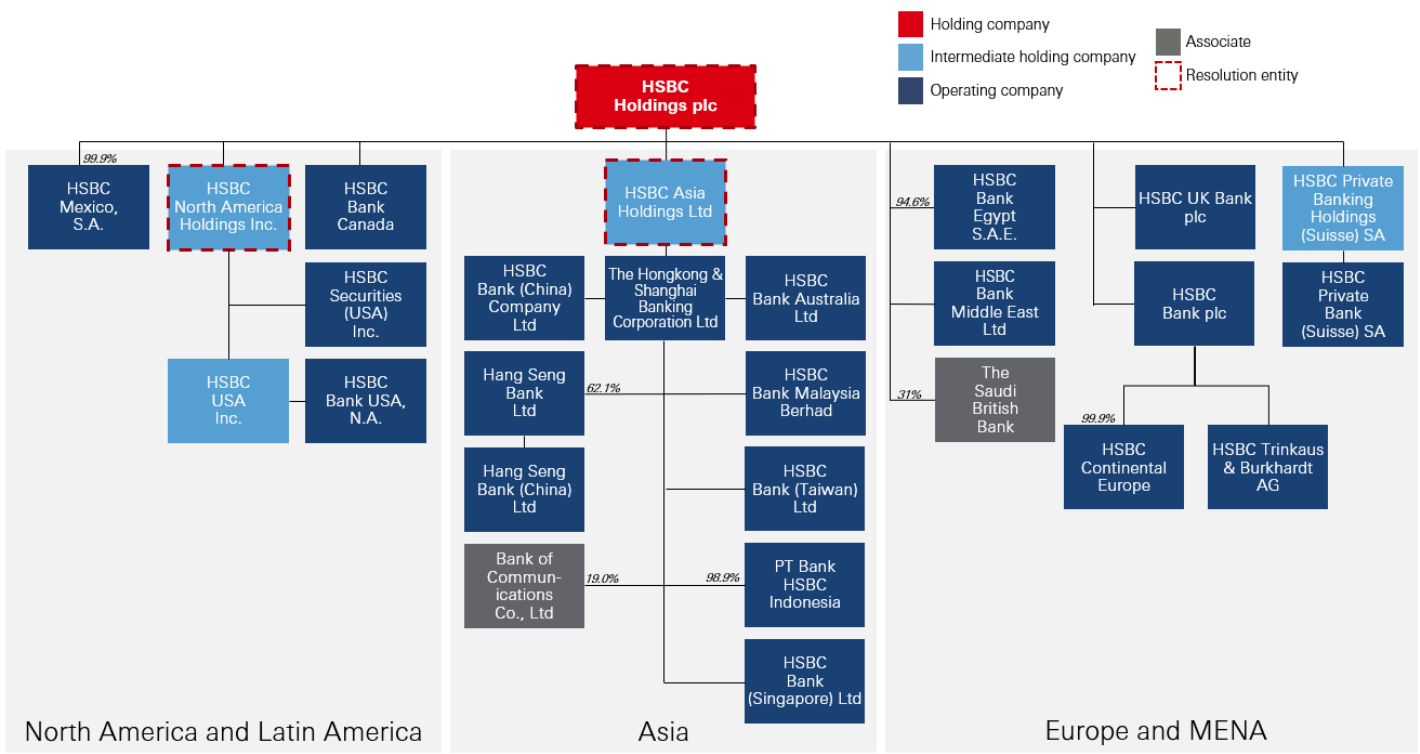
MREL / TLAC position versus requirements as a % of Group RWAs



- ◆ **2.7pps / \$23bn buffer** to current requirement
- ◆ HSBC Group’s MREL requirement is the greater of:
 - 18% of RWAs
 - 6.75% of leverage exposures
 - The sum of each resolution group’s local regulatory requirements and other group entities’ capital requirements (the ‘sum-of-the-parts’)
- ◆ Of the three requirements, the sum-of-the-parts is the current binding constraint
- ◆ Expect to maintain a **prudent management buffer** above MREL requirement

* Capital or TLAC requirements relating to other Group entities

Simplified structure chart and credit ratings



Long term senior ratings	S&P		Moody's		Fitch	
As at 01 August 2022	Rating	Outlook	Rating	Outlook	Rating	Outlook
HSBC Holdings plc	A-	STABLE	A3	STABLE	A+	NEG
The Hongkong and Shanghai Banking Corporation Ltd	AA-	STABLE	Aa3	STABLE	AA-	NEG
HSBC Bank plc	A+	STABLE	A1	STABLE	AA-	NEG
HSBC UK Bank plc	A+	STABLE	A1	STABLE	AA-	NEG
HSBC Continental Europe (formerly HSBC France)	A+	STABLE	A1	STABLE	AA-	NEG
HSBC Bank USA NA	A+	STABLE	Aa3	STABLE	AA-	NEG
HSBC Bank Canada	A+	STABLE	A1	STABLE	A+	NEG

Global business financial performance ▶

Adjusted income statement, \$m	WPB	CMB	GBM	Corp. Centre	1H22 Group total	Group vs. 1H21
NII	7,658	5,007	2,296	(496)	14,465	15%
Other Income	3,264	2,210	5,545	206	11,225	(8)%
Revenue	10,922	7,217	7,841	(290)	25,690	4%
ECL	(573)	(288)	(227)	(2)	(1,090)	>(100)%
Costs	(7,411)	(3,351)	(4,735)	121	(15,376)	1%
Associates	8	—	—	1,441	1,449	(12)%
Profit before tax	2,946	3,578	2,879	1,270	10,673	(7)%
Significant items and FX	(19)	(67)	15	(1,426)	(1,497)	>(100)%
Reported profit before tax	2,927	3,511	2,894	(156)	9,176	(15)%
Return on average tangible equity ²⁴ , %	8.4	12.6	10.9	5.3	9.9	0.5ppts
TNAV per share, \$					7.48	(0.33)

Balance sheet, \$bn	WPB	CMB	GBM	Corp. Centre	1H22 Group total	Group vs. FY21
Net customer loans	475	348	204	1	1,028	3%
Customer deposits	836	480	335	1	1,651	1%
Reported RWAs	186	342	241	83	852	2%

Geographic financial performance ▶

Adjusted income statement, \$m ²⁵	Asia	Of which: Hong Kong	Europe	Of which: HSBC UK	North America	Latin America	MENA
NII	6,786	3,963	3,591	3,577	1,527	1,260	703
Other Income	5,997	2,995	6,198	1,093	1,557	521	630
Revenue	12,783	6,958	9,789	4,670	3,084	1,781	1,333
ECL	(529)	(419)	(302)	(48)	(47)	(261)	49
Costs	(7,190)	(3,933)	(7,309)	(2,128)	(2,129)	(1,094)	(734)
Associates	1,351	(1)	(23)	—	—	4	117
Profit/(loss) before tax	6,415	2,605	2,155	2,494	908	430	765
Significant items	(115)	(116)	(1,272)	(224)	(50)	(43)	(17)
Reported profit/(loss) before tax	6,300	2,489	883	2,270	858	387	748

Balance sheet, \$bn	Asia	Of which: Hong Kong	Europe	Of which: HSBC UK	North America	Latin America	MENA
Net customer loans	493	311	369	245	116	22	28
Customer deposits	779	543	629	348	169	30	44
Reported RWAs	411	211	258	110	112	38	61

▶ Denotes an alternative performance measure

Note: totals may not cast due to rounding

Key contacts

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Footnotes

1. The issuance plan is guidance only; it is a point in time assessment and subject to change
2. To next call date if callable; otherwise to maturity
3. Percentage calculation is based on adjusted revenue of our global businesses excluding Corporate Centre
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. Regional percentages compositions based on gross RWAs for each region, excludes the market risk diversification benefits within the Group
6. UK RFB: HSBC UK Bank plc, the UK ring-fenced bank; NRB: HSBC Bank plc, the non-ring-fenced bank in Europe and the UK
7. Subject to the current market-implied path for global policy rates
8. We expect the interim dividends in respect of the first 3 quarters of the year to initially be reinstated at a lower level than the 10¢ per share paid historically (up to 3Q19) for each of the first 3 quarters of the year
9. On an IFRS 4 basis
10. Medium to long-term. Medium-term is defined as 3-4 years from 1 January 2020; long-term is defined as 5-6 years
11. Based on tangible equity of the Group's major legal entities excluding associates, holding companies and consolidation adjustments
12. WPB tangible equity as a share of tangible equity allocated to the global businesses (excluding Corporate Centre). Excludes holding companies and consolidation adjustments
13. Technology costs in operating expenses trends include transformation saves and are presented on a net basis
14. % of the Group's technology services that are on the private or public cloud
15. Contribution towards the Group's \$750bn to \$1tn sustainable finance and investment ambition. The volume amounts stated include capital markets/advisory activities, balance sheet related transactions that capture the limit of the facility at the time it was provided and the net new flows of sustainable investments (assets under management). Cumulative figures are since 1st Jan 2020
16. In the UK and US, we have set country-specific goals that are aligned to country demographics. In the Asia-Pacific and MENA regions, we are encouraging colleagues to voluntarily share their ethnicity data to allow us to continue developing market-specific goals. The starting point is 31 December 2020
17. Senior leadership is classified as those at Band 3 and above in our global career band structure. Employees with an 'Undeclared' or 'Unknown' gender have been incorporated into the 'Male' category
18. Liquidity value of HQLA
19. 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'. References to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, and as may be subsequently amended under UK law
20. Target: ≥14%, managing in the range of 14% to 14.5% in the medium term
21. Numbers presented under the transitional arrangements in CRR II for capital instruments
22. Numbers presented after the expiry of the transitional arrangements in CRR II for capital instruments
23. Group CET1 buffers are shown in addition to the MREL requirements. The buffers shown in addition to the RWA, leverage and SoTPTLAC/MREL requirement are calculated in accordance with the PRA Supervisory statement 16/16 updated in December 2020
24. 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. Since 1 January 2021, the UK bank levy has been included in the calculation of this measure, comparative data have not been re-presented
25. Amounts for revenue and costs are non-additive across geographical regions due to inter-company transactions within the Group, and for RWAs are non-additive due to market risk diversification effects within the Group

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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", "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 any ESG related targets, commitments and ambitions 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 or economic conditions, regulatory changes, geopolitical tensions, the impact of the Covid-19 pandemic or as a result of data limitations and changes in applicable methodologies in relation to ESG related matters). 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, commitments, ambitions, 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 2021 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 23 February 2022 (the "2021 Form 20-F"), our 1Q 2022 Earning Release furnished to the SEC on Form 6-K on 26 April 2022 (the "Q1 2022 Earnings Release") and our Interim Financial Report for the six months ended 30 June 2022, furnished to the SEC on Form 6-K on 1 August 2022 (the "2022 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 2021 Form 20-F, our Q1 2022 Earnings Release and our 2022 Interim Report, each of which are available at www.hsbc.com.

Information in this Presentation was prepared as at 1 August 2022, unless otherwise specified.