HSBC Holdings plc FY20 Results

Fixed Income Investor Presentation

FY20: A strong base to deliver future growth

1

Continued support for customers and communities through Covid-19 restrictions

>$52bn of wholesale lending support through government schemes and moratoria, with >$26bn of additional relief granted to personal customers[1]

2

Profits down, strong balance sheet

- FY20 reported PBT of **$8.8bn**, down $4.6bn (34%) vs. FY19; adjusted PBT of **$12.1bn** down $10.0bn (45%), driven by higher ECL charges and lower revenue
- Strong funding, liquidity and capital; CET1 ratio[2] of **15.9%**

3

DPS of $0.15, to be paid in cash, with no scrip alternative, and policy designed to provide sustainable dividends going forward; transitioning towards a payout ratio of 40-55%[3] from 2022

A reconciliation of reported results to adjusted results can be found on slide 25, the remainder of the presentation unless otherwise stated, is presented on an adjusted basis

Delivering against our February 2020 Business Update

Progress against our financial targets

	FY22 target (as announced at Feb20)	FY20 progress[4]	
Costs	Adjusted costs ≤$31bn; $4.5bn of cost programme saves	✓	**$1.0bn cost saves**
RWAs	>$100bn gross RWA reduction	✓	**$52bn gross reduction**
Capital	CET1 ratio >14%; manage in 14-15% range	✓	**CET1 ratio of 15.9%**
RoTE	10% – 12%	✗	**3.1%**

Key highlights

- **$1.0bn of cost programme saves delivered in FY20**
- FY20 **costs in the US decreased by $302m** (8%) vs. FY19
- Global number of **branches reduced by c.5%**; US retail branch footprint reduced by over 30%, exceeding 2020 reduction target
- **FTE and contractors down by c.11k**, from c.243k to c.232k, despite pauses in our redundancy programme in 1H20; US FTE down by c.1,400 and NRFB FTE down c.1,100
- **Gross RWA reductions of $51.5bn,** of which $37.4bn in GBM

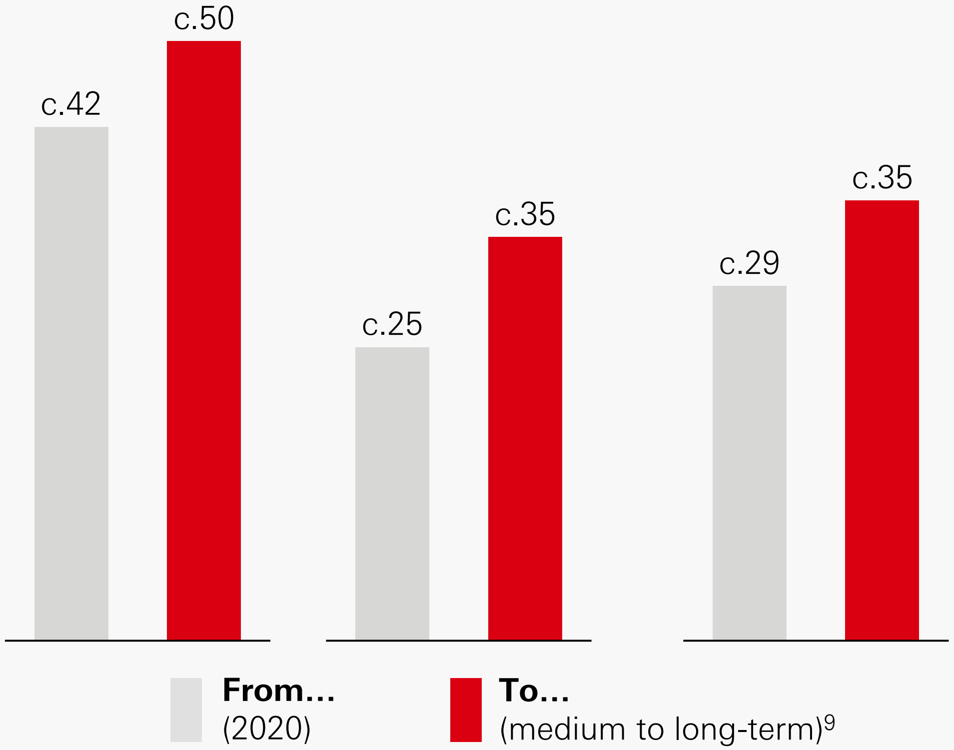
Accelerating the shift to our highest return and growth opportunities, to deliver above cost of capital returns

Capital allocation

Asia as % of Group TE[5] | WPB as % of Group TE[6]

Fees + Insurance

% of total revenues



Revenue growth rate

From...

Low single digits[7]

To...

Mid single digits

New group targets, dividend and capital policy

Costs	**Adjusted costs of ≤\$31bn in 2022 on Dec 2020 average FX rates** ≤\$30bn using FY20 average FX rates
RWA	**Gross RWA reduction of >\$100bn by end-2022[8]**
Capital	**CET1 ratio ≥14%** manage in a 14-14.5% range over medium term; manage range down further long-term
Dividends	**Sustainable dividends** Payout ratio of 40-55%[3] from 2022 onwards
RoTE	**≥10% over the medium-term[9]**

FY20 results summary

$m	FY20	FY19		Δ
NII	27,599	30,339	▼	(9)%
Non interest income	22,767	24,605	▼	(7)%
Revenue	50,366	54,944	▼	(8)%
ECL	(8,817)	(2,627)	▲	>(100)%
Costs	(31,459)	(32,519)	▼	3%
Associates	2,059	2,351	▼	(12)%
Adjusted PBT	**12,149**	**22,149**	▼	**(45)%**
Significant items and FX translation	(3,372)	(8,802)	▼	62%
Reported PBT	**8,777**	**13,347**	▼	**(34)%**
Reported profit after tax	6,099	8,708	▼	(30)%
Profit attributable to ordinary shareholders	**3,898**	**5,969**	▼	**(35)%**
Reported EPS, $	0.19	0.30	▼	$(0.11)
Memo: impact of significant items on EPS, $	(0.13)	(0.43)	▼	$0.30
DPS, $	0.15	0.30	▼	$(0.15)

$bn	FY20	FY19		Δ
Customer loans	1,038	1,063	▼	(2)%
Customer deposits	1,643	1,470	▲	12%
Reported RWAs	858	843	▲	2%
CET1 ratio, %	15.9	14.7	▲	1.2ppt
TNAV per share, $	7.75	7.13	▲	$0.62

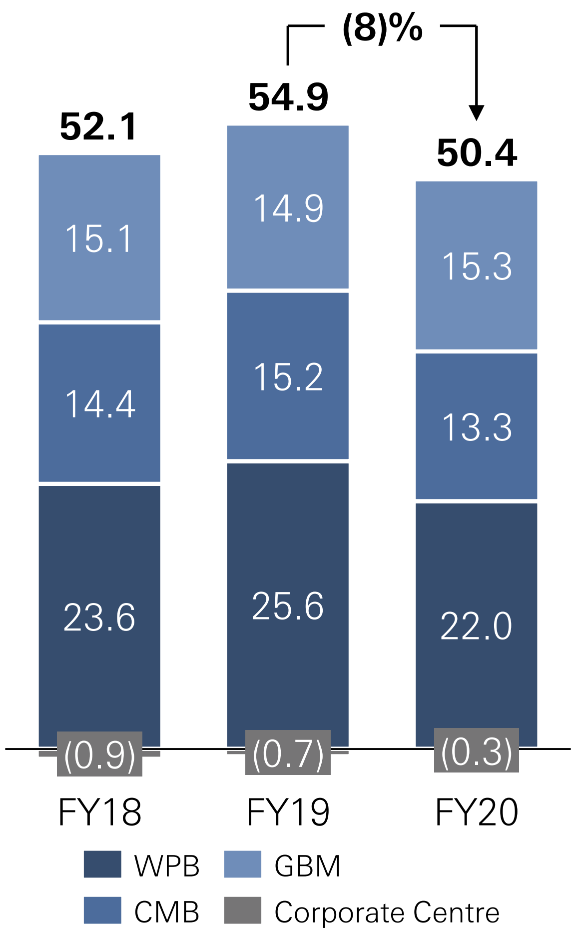
- **Reported PBT of $8.8bn down $4.6bn (34%) vs. FY19,** primarily from lower revenue and higher ECL, offset by lower costs and lower significant items
- **FY20 adjusted costs decreased $1.1bn (3%) vs. FY19** including $1.4bn of cost saves; continued investment was offset by reductions in discretionary spending
- **Significant items of $3.4bn,** includes $0.3bn of losses on disposal, decreased by $5.4bn vs. FY19
- **Customer loans decreased $25bn (2%) vs. FY19,** declines in CMB and GBM were offset by mortgage growth in WPB
- **Customer deposits increased $173bn (12%) vs. FY20** as customers held liquidity
- **DPS of $0.15 per share,** with policy designed to provide sustainable dividends going forward[3]

FY20 adjusted revenue performance

	FY20 revenue				FY20 vs. FY19	
WPB	**$22,013m** ▼ (14)%	Retail Banking	**$12,938m**		(2,717)
		Wealth Management	**$7,818m**	o/w insurance market impacts: $(38)m	(815)
		Other	**$1,257m**		(20)
CMB	**$13,312m** ▼ (12)%	GTRF	**$1,744m**		(82)
		Credit and Lending	**$5,640m**		219
		GLCM	**$4,178m**		(1,754)
		Other	**$1,750m**		(235)
GBM	**$15,303m** ▲ 3%	Global Markets, Securities Services	**$9,082m**	o/w bid-offer adjustments: $(12)m	1,328
		Global Banking, GLCM, GTRF	**$6,594m**		(805)
		Principal Investments, XVA, Other	**$(373)m**	o/w XVAs: $(293)m	(89)
Corp. Centre	**$(262)m** –				392
Group	**$50,366m** ▼ (8)%				(4,578): NII (2,740), Other (1,838)

NII | Other

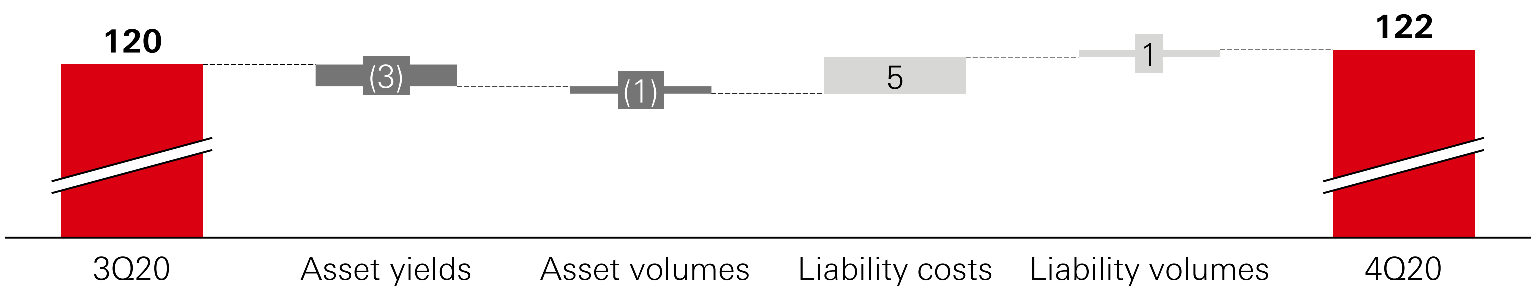
Revenue by global business, $bn



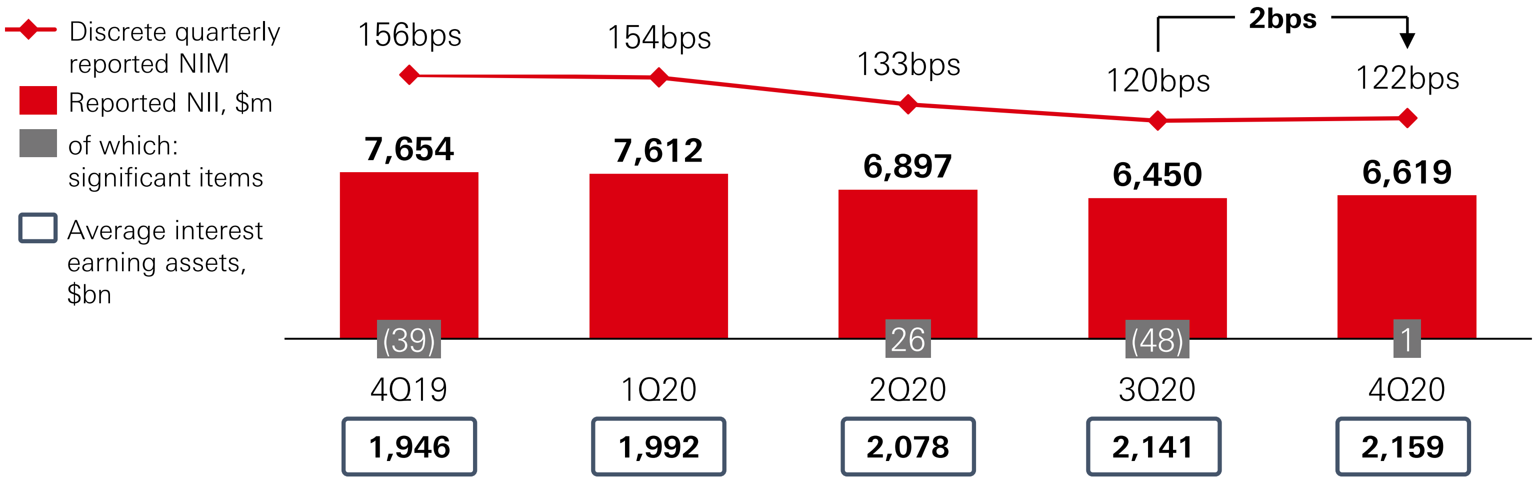
Totals may not cast due to rounding

Net interest income

Reported NIM progression, bps



Reported NIM trend

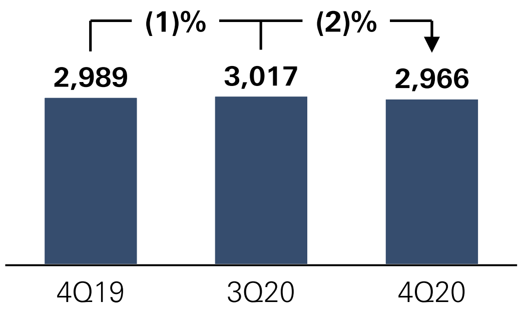


- **FY20 reported NII of $27.6bn was down $2.9bn (9%) vs. FY19** due to global reductions in interest rates, partly offset by increases in AIEAs
- **FY20 NIM of 1.32%** was down 26bps vs. FY19 with decreases in market rates on AIEAs more than offsetting lower funding costs
- **4Q20 reported NII of $6.6bn was $0.2bn (3%) higher vs. 3Q20** as liability costs decreased more than asset yields
- **4Q20 reported NII was $1.0bn (14%) lower vs. 4Q19** primarily from reductions in global interest rates; 4Q20 adjusted NII was $1.1bn lower vs. 4Q19

Non-NII

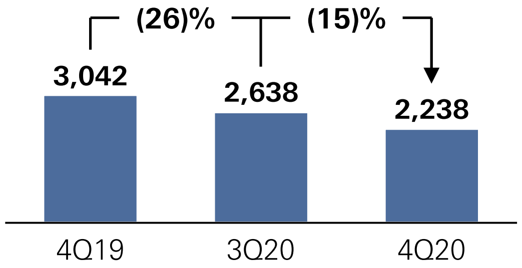
Group, $m

Net fees



- **Net fees:** broadly stable vs. 4Q19

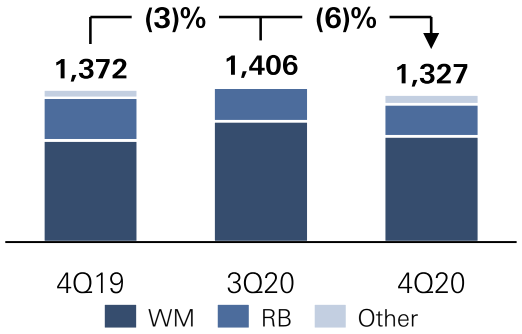
Other income



- **Other income: down $0.8bn (26%) vs. 4Q19,** mainly lower interest earned on securities in the trading book, and from lower XVAs

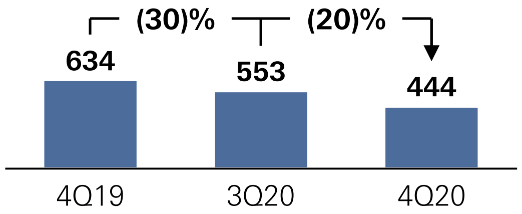
WPB, $m

Net fees



- **Net fees:** seasonality and lower market activity and unsecured lending vs. 3Q20

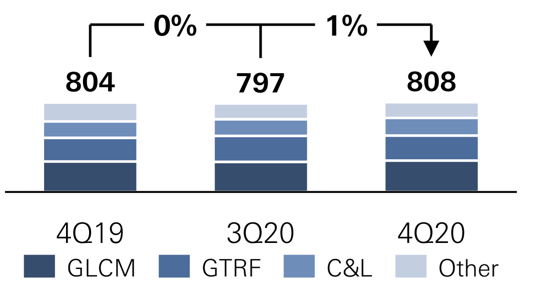
Other income



- **Other income:** lower insurance from reduced client activity vs. 4Q19

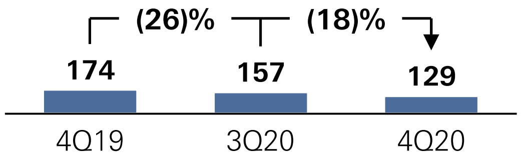
CMB, $m

Net fees



- **Net fees:** higher corporate card spend and payment volumes vs. 3Q20

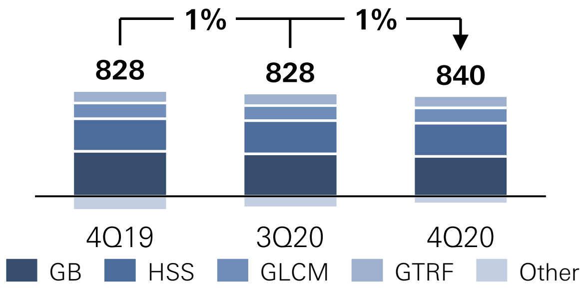
Other income



- **Other income:** lower fair value gain on shares

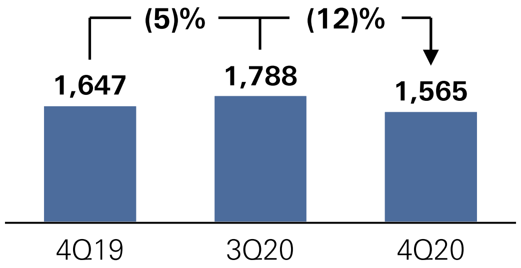
GBM, $m

Net fees



- **Net fees** resilient despite fee compression and seasonality vs. 3Q20

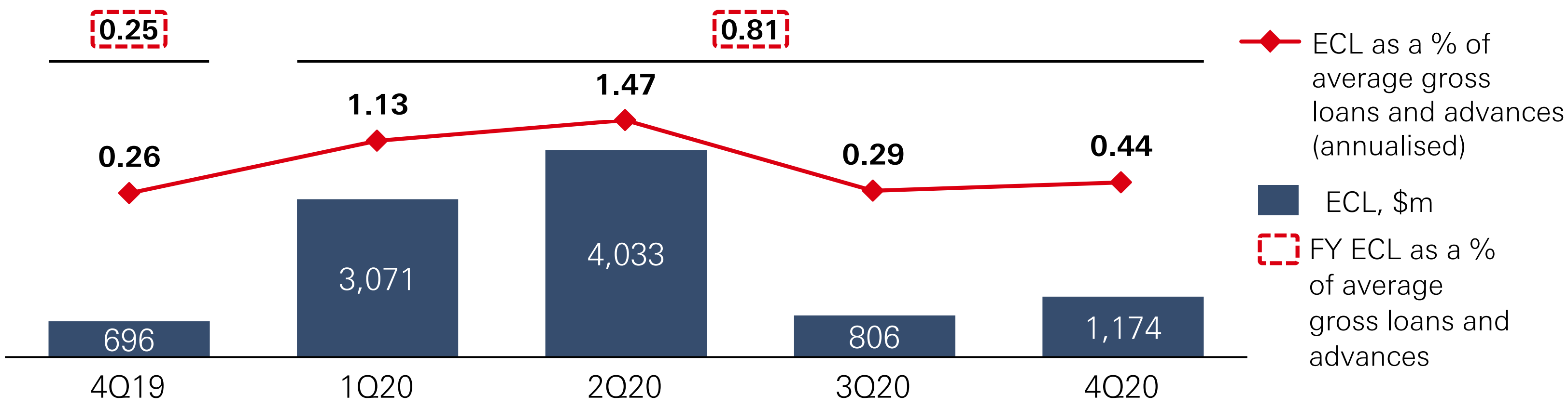
Other income



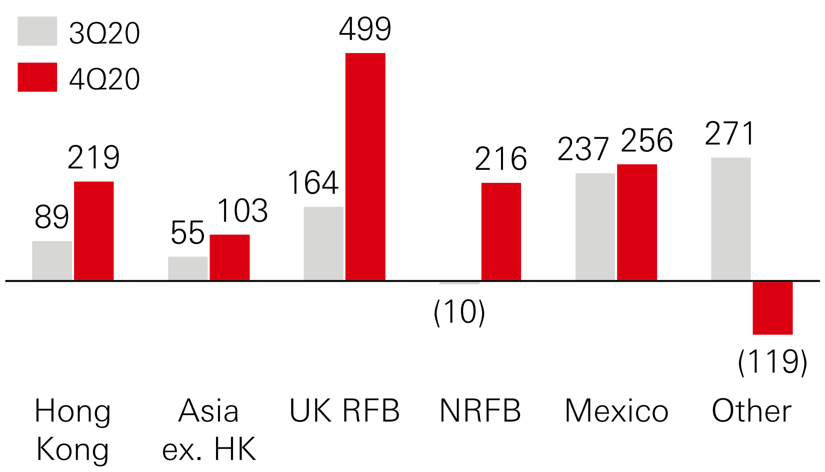
- **Other income (incl. trading income):** down vs. 3Q20 due to lower client activity and seasonality

Credit performance

Adjusted ECL charge trend



ECL by geography, $m



4Q20 ECL charge by stage, $bn

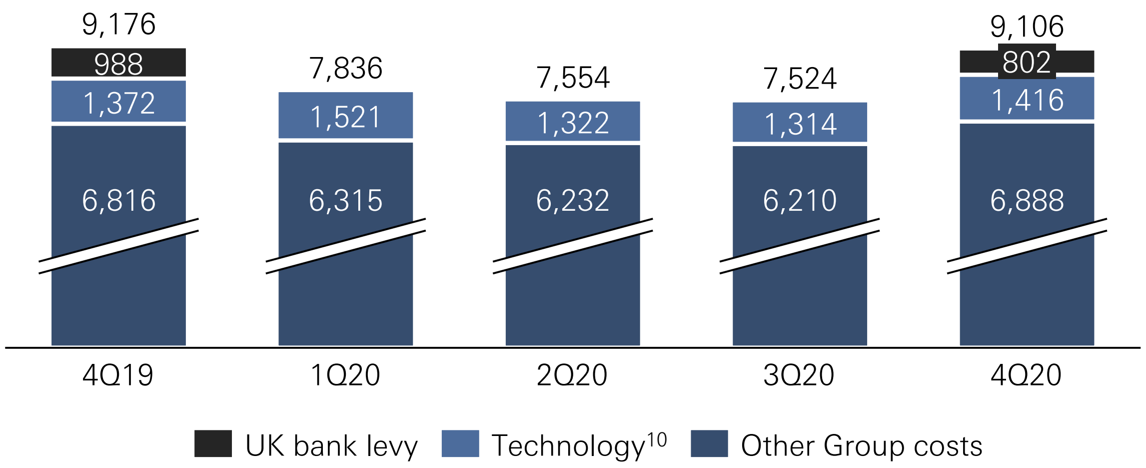
	Stage 1-2	Stage 3	Total
Wholesale	0.2	0.8	0.9
Personal	0.1	0.2	0.3
Total	**0.3**	**0.9**	**1.2**

Totals may not cast due to rounding

- **FY20 ECL charge of $8.8bn, up $6.2bn vs. FY19,** due to deteriorations in forward economic outlook from the global impact of the Covid-19 pandemic
- **4Q20 ECL charge of $1.2bn up $0.4bn (46%) vs. 3Q20,** primarily from higher Stage 3 charges; 3Q20 charge also **benefitted from higher releases (c.$0.3bn)**
- **Stage 1-2 ECL reserve build in FY20 was $3.9bn** (mostly in 1H20); **total Stage 1-2 ECL reserve was $7.9bn** at 4Q20 (4Q19: $4.0bn reported Stage 1-2 ECL reserve)
- Cautious on outlook due to continued uncertainty, **but expect FY21 ECL charge to be materially lower than in FY20**
- **Expect normalisation of ECL charge to at or below the lower end of 30-40bps range by 2022**

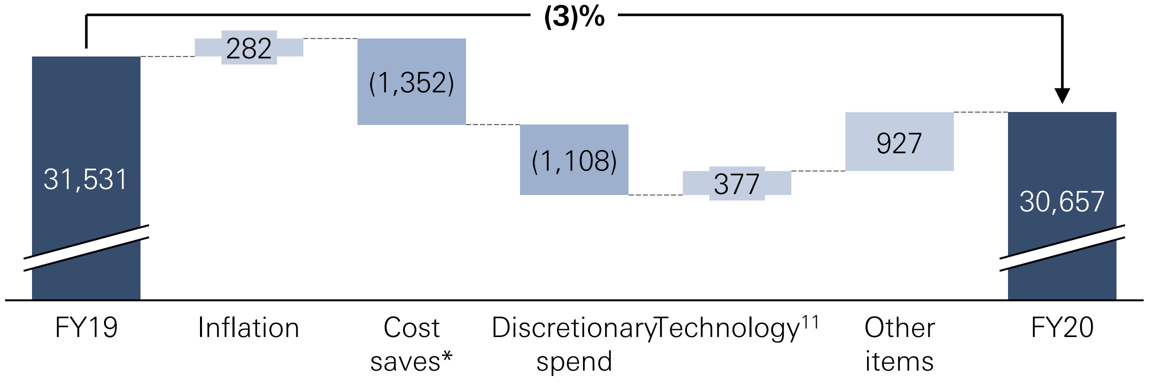
Adjusted costs

Operating expenses trend, $m

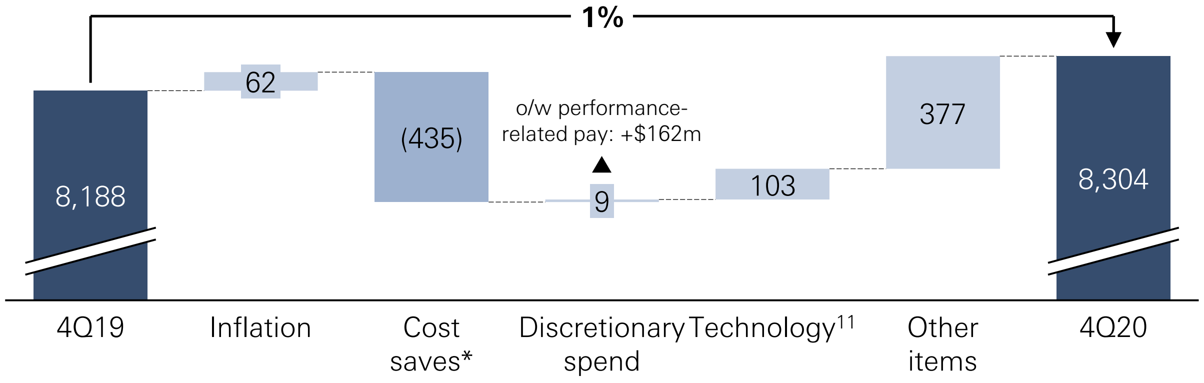


- **FY20 costs of $31.5bn down $1.1bn (3%) vs. FY19** primarily from cost programme saves and reductions in performance-related pay (PRP), partially offset by increases in technology spend and inflation
- **4Q20 costs (ex. levy) of $8.3bn up $0.8bn (10%) vs. 3Q20** primarily from increased performance-related pay, technology spend, marketing and other BAU cost increases
- **4Q20 costs (ex. levy) of $8.3bn up $0.1bn (1%) vs. 4Q19;** cost programme saves were offset by increased technology spend, performance-related pay and other BAU cost increases
- **FY20 cost saves* of $1.4bn,** includes $1.0bn from the 2020-22 cost programme with associated **CTA of $1.8bn**
- **Expect broadly stable costs (excluding the bank levy) in 2021**

FY20 vs. FY19 (ex. levy), $m



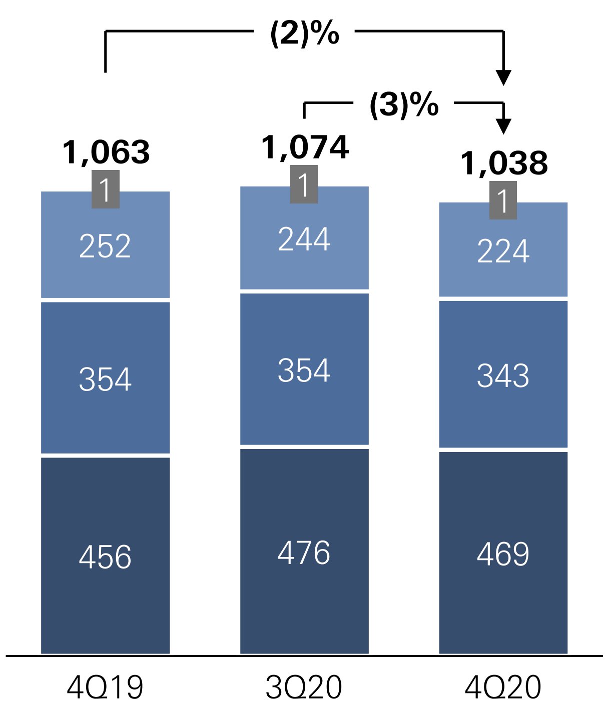
4Q20 vs. 4Q19 (ex. levy), $m



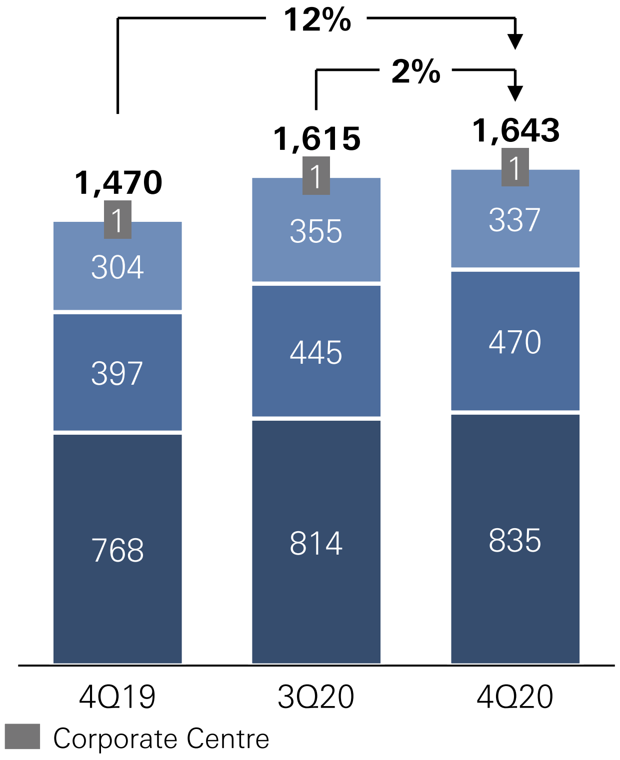
*Note: cost saves include 2020-22 cost programme saves as announced at Feb-20 and 2019 cost initiatives

Balance sheet

Customer lending, $bn



Customer accounts, $bn



- **4Q20 customer lending decreased $25bn (2%) vs. 4Q19** despite mortgage growth in WPB, particularly in the UK and Hong Kong
- **4Q20 customer accounts increased $173bn (12%) vs. 4Q19** from corporate clients building liquidity and personal customers reducing spending
- Loan to deposit ratio of 63.2% decreased by 3.3ppts vs. 3Q20 and decreased by 9.1ppts vs. 4Q19 as customers raised and retained liquidity

LDR: 63.2%

HQLA: $678bn

LCR*: 139%

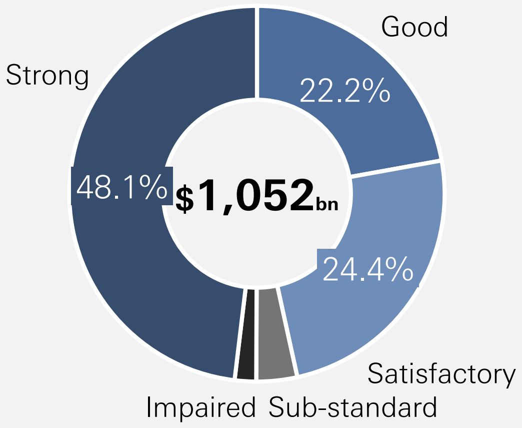
Totals may not cast due to rounding
*The methodology used in the Group consolidated LCR in relation to the treatment of part of our HQLA is currently under review with our regulators

Asset quality

Gross loans and advances to customers

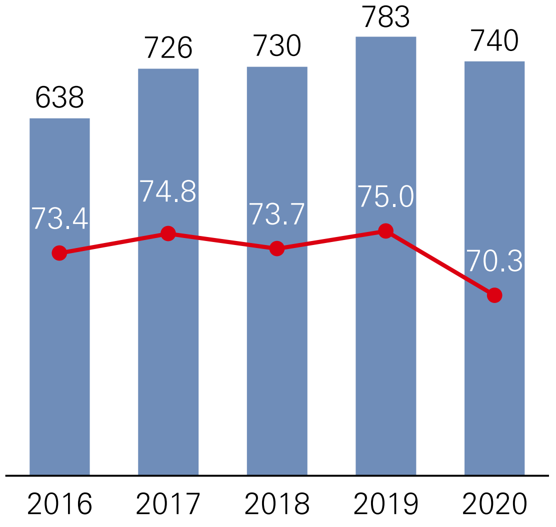
By credit quality classification

At 31 December 2020



Strong	CRR 1-2
Good	CRR 3
Satisfactory	CRR 4-5
Sub-standard	CRR 6-8
Credit impaired	CRR 9-10

Loans and advances to customers of 'Strong' or 'Good' credit quality

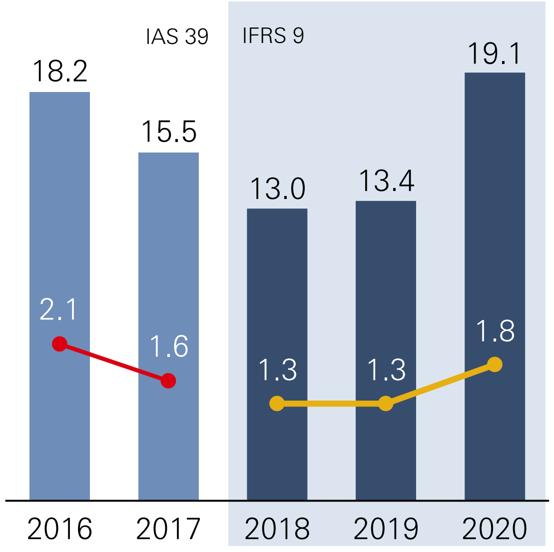


'Strong' or 'Good' loans as a % of gross loans and advances to customers (%)

'Strong' or 'Good' loans ($bn)

Strong or Good loans as a % of gross loans and advances to customers decreased to 70.3% due to the impact of Covid-19

Stage 3 and impaired loans and advances to customers



Impaired loans as % of average gross loans and advances to customers (%)

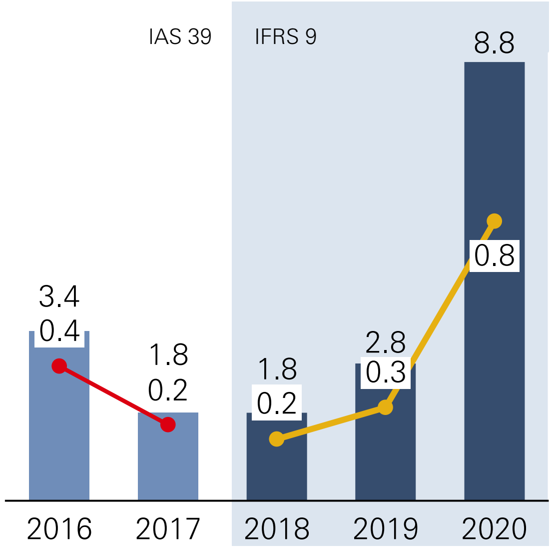
Stage 3 loans as a % of average gross loans and advances to customers (%)

Impaired loans ($bn)

Stage 3 loans ($bn)

Stage 3 loans as a % of gross loans and advances to customers of 1.8% at FY20

Reported LICs/ECL



LICs as a % of average gross loans and advances to customers (%)

ECL as a % of average gross loans and advances to customers (%)

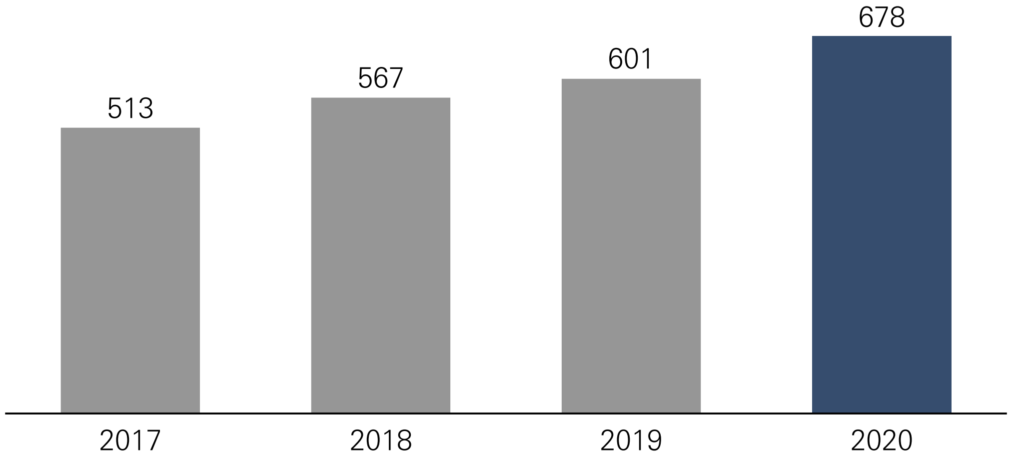
LICs ($bn)

ECL ($bn)

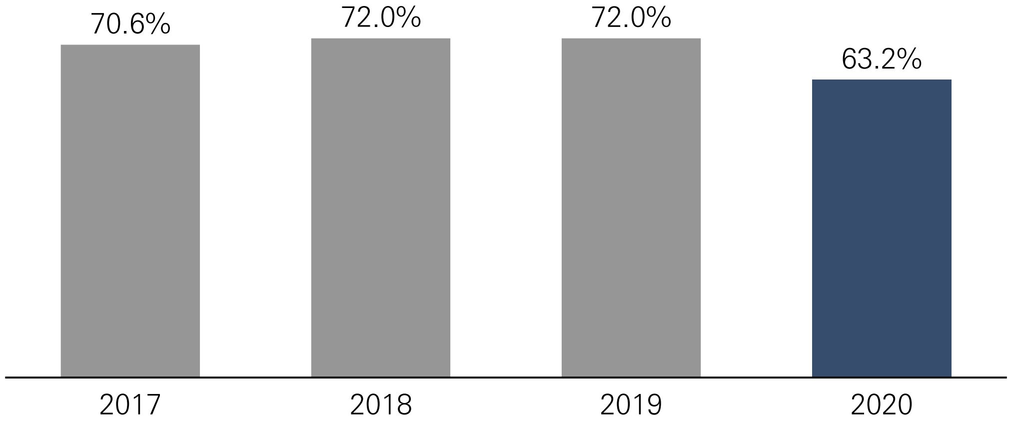
ECL charge of $8.8bn in 2020; ECL as a % of average gross loans and advances to customers of 81bps at FY20

Funding and liquidity

High-quality liquid assets (liquidity value), $bn



Loans to deposits ratio, %



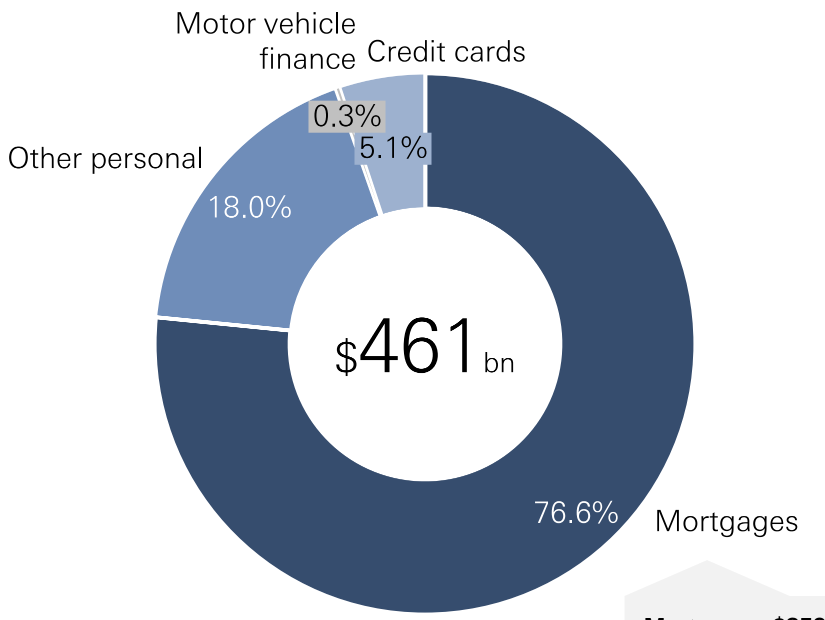
Principal operating entities	LCR		NSFR	
%	2020	2019	2020	2019
HSBC UK Bank plc (RFB)	198	165	164	150
HSBC Bank plc (NRFB)	136	142	124	106
The Hongkong and Shanghai Banking Corporation Ltd – HK branch	195	163	146	128
The Hongkong and Shanghai Banking Corporation Ltd – Singapore branch	162	147	135	120
HSBC Bank China	232	180	158	151
Hang Seng Bank	212	185	151	148
HSBC Bank USA	130	125	130	122
HSBC Continental Europe	143	152	130	117
HSBC Bank Canada	165	124	136	124
HSBC Bank Middle East – UAE Branch	280	202	164	159
HSBC Mexico	198	208	139	136
Group consolidated	139	150	-	-

- The principal operating entities had significant surplus liquidity, resulting in heightened liquidity coverage ratios in FY20
- At 31 Dec 2020, all of the Group's material operating entities were well above regulatory minimum levels for LCR and NSFR
- Gross Group HQLA of $857bn pre regulatory haircuts to reflect limitations in intragroup fungibility of liquid assets
- 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

Customer loan book

At 31 December 2020

Personal loan book ($bn, gross loans and advances to customers)



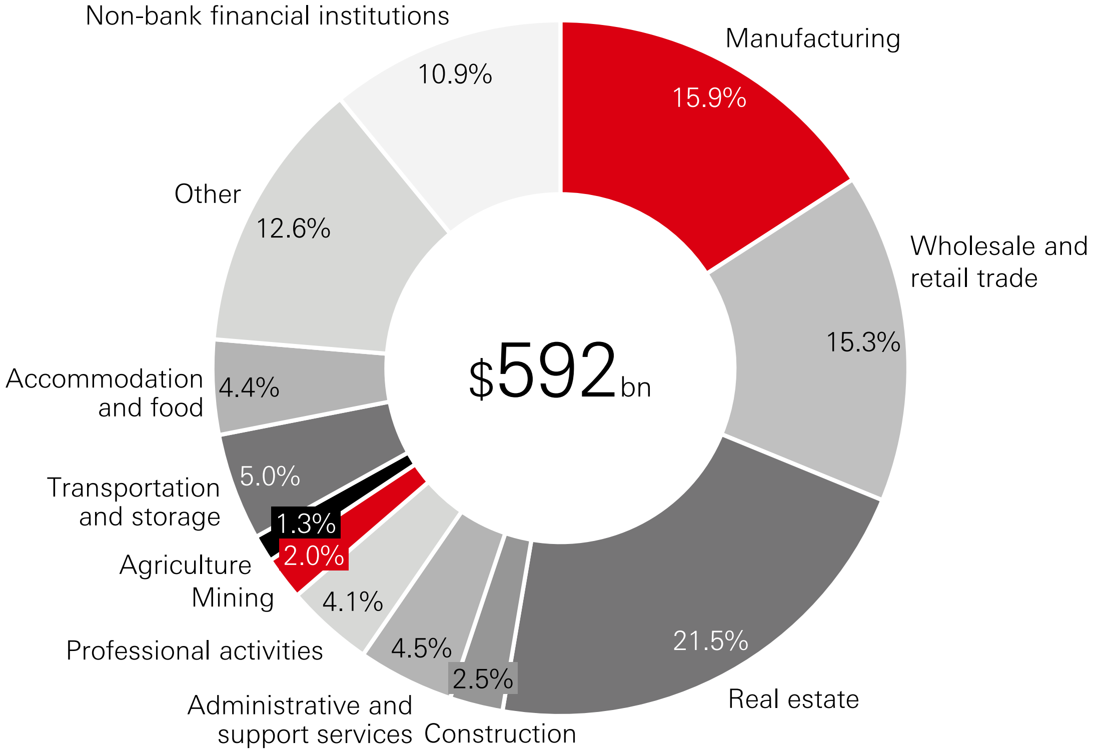
Mortgages: $352bn
Of which:
Interest-only: $32.6bn[12]

Retail mortgage average LTVs (portfolio, indexed)

UK: 51%
New lending: 70%

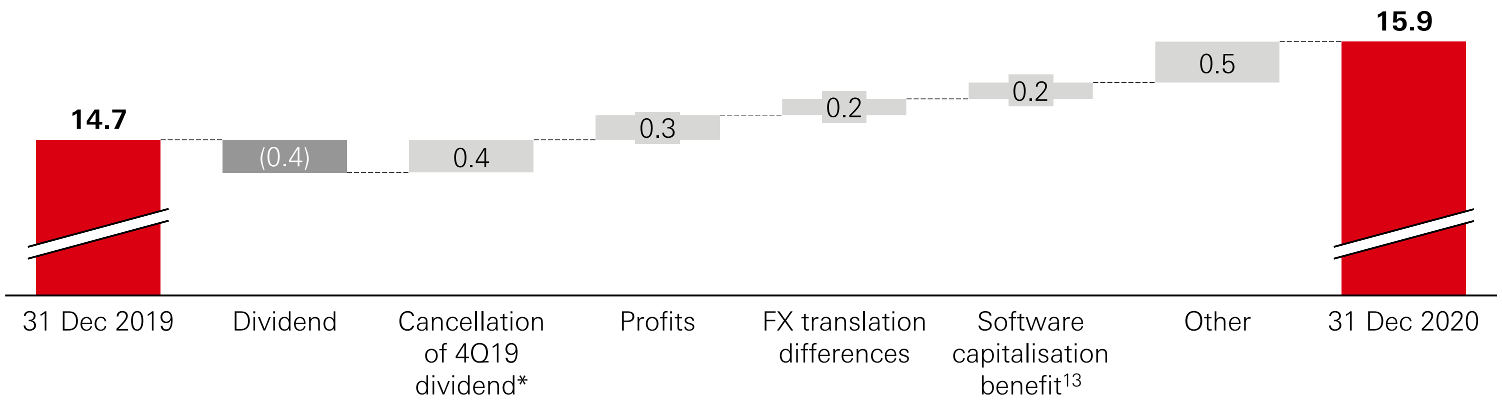
HK: 45%
New lending: 61%

Wholesale loan book ($bn, gross loans and advances to customers)



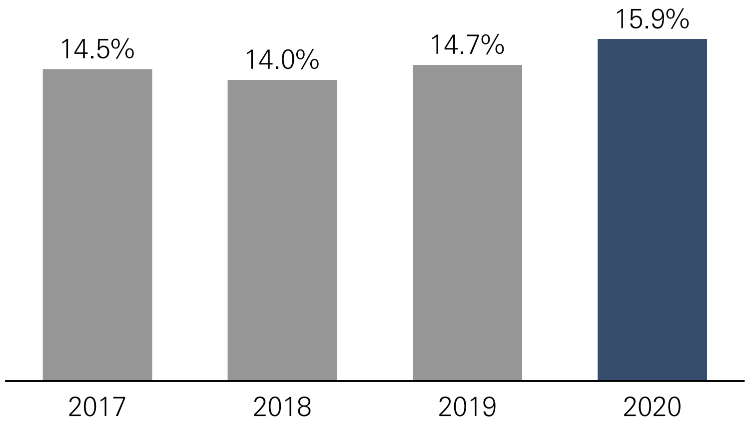
Capital position

FY20 vs. FY19 CET1 ratio movement, %



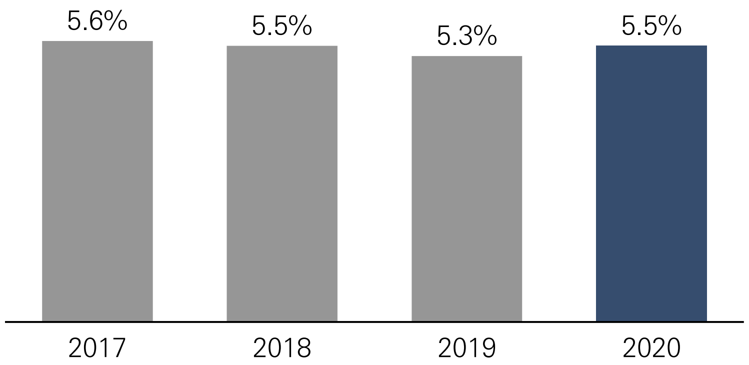
- **CET1 ratio of 15.9%**, up 1.2ppts from FY19
- **Reported RWAs of $857.5bn**, up $14.1bn (2%) vs. FY19, from credit migration of $29.7bn and FX movements of $13.1bn, partially offset by $51.5bn of gross RWA saves
- **Expect increase in RWAs from regulatory changes of c.5% over 2022-23,** including the impact of Basel 3 reform, amendments to CRR and changes to internal models under the IRB approach, before any mitigating actions

CET1 ratio

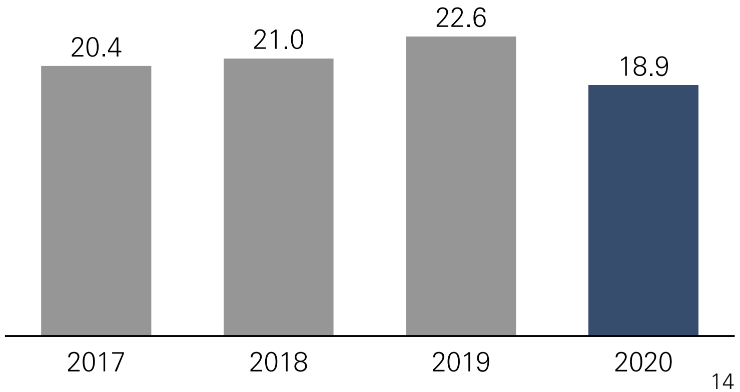


*The 4Q19 unpaid dividend was net of expected scrip take-up

Leverage ratio[14]

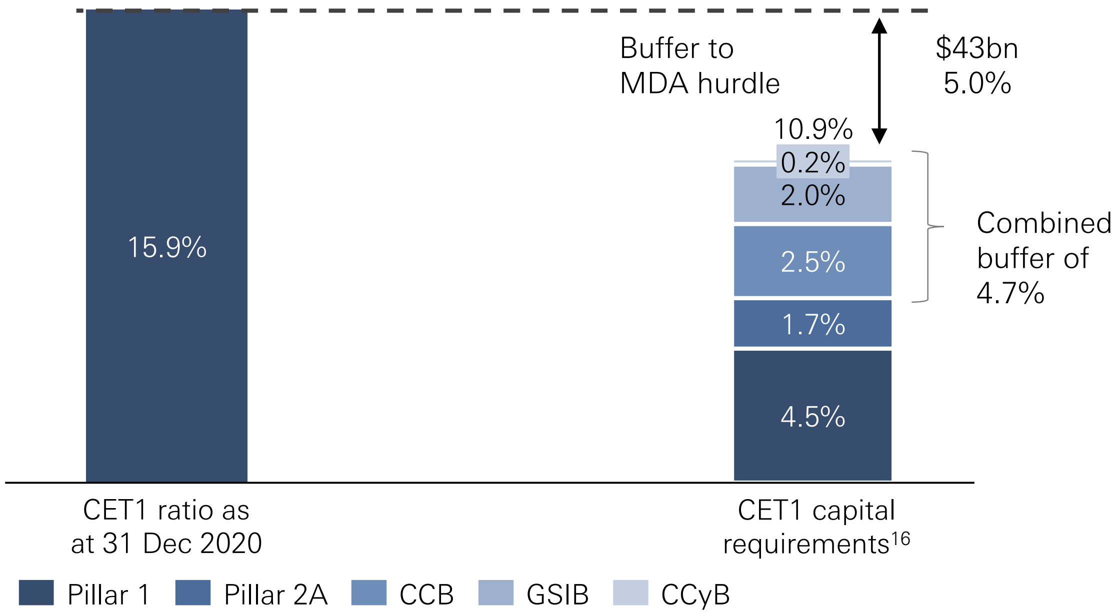


Pre-ECL net operating income[15], $bn



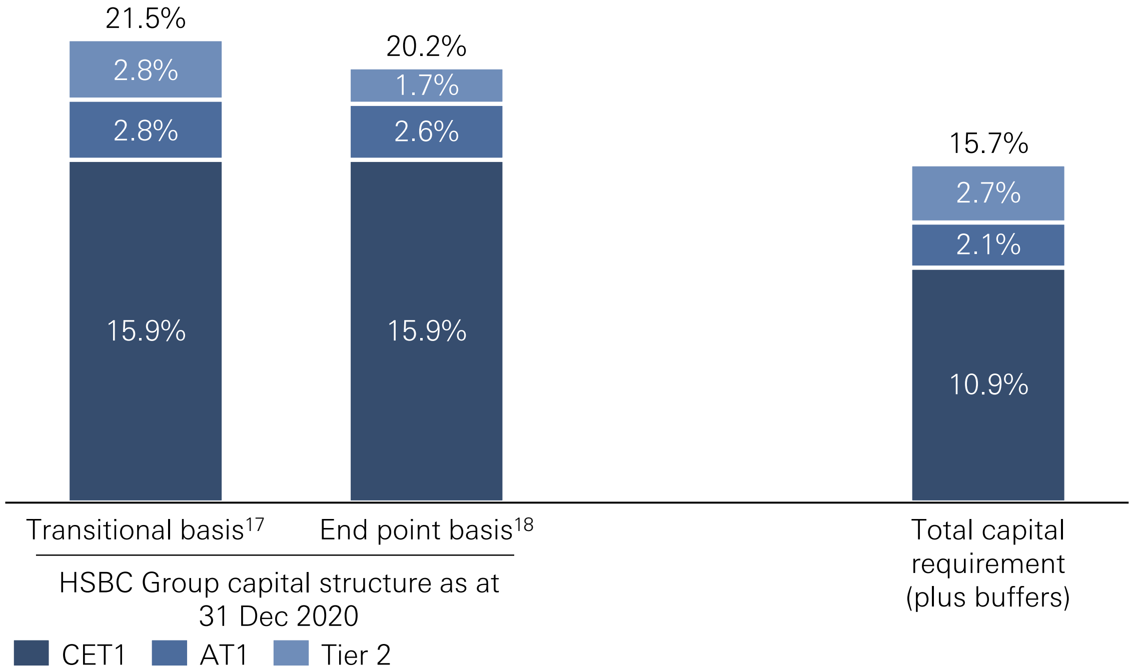
Capital position versus requirements

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



- **Pillar 2A** set nominally at $25.4bn (total capital), equivalent to 3.0% of FY20 RWAs, of which 1.7% must be held in CET1
- **CCyB** of 0.2%, down from 0.6% at 31 Dec 2019, mainly as a result of reduced requirements in the UK and Hong Kong
- **Distributable reserves** were $31.3bn, down from $31.7bn at 31 Dec 2019

Regulatory capital vs. regulatory requirements as a % of RWAs

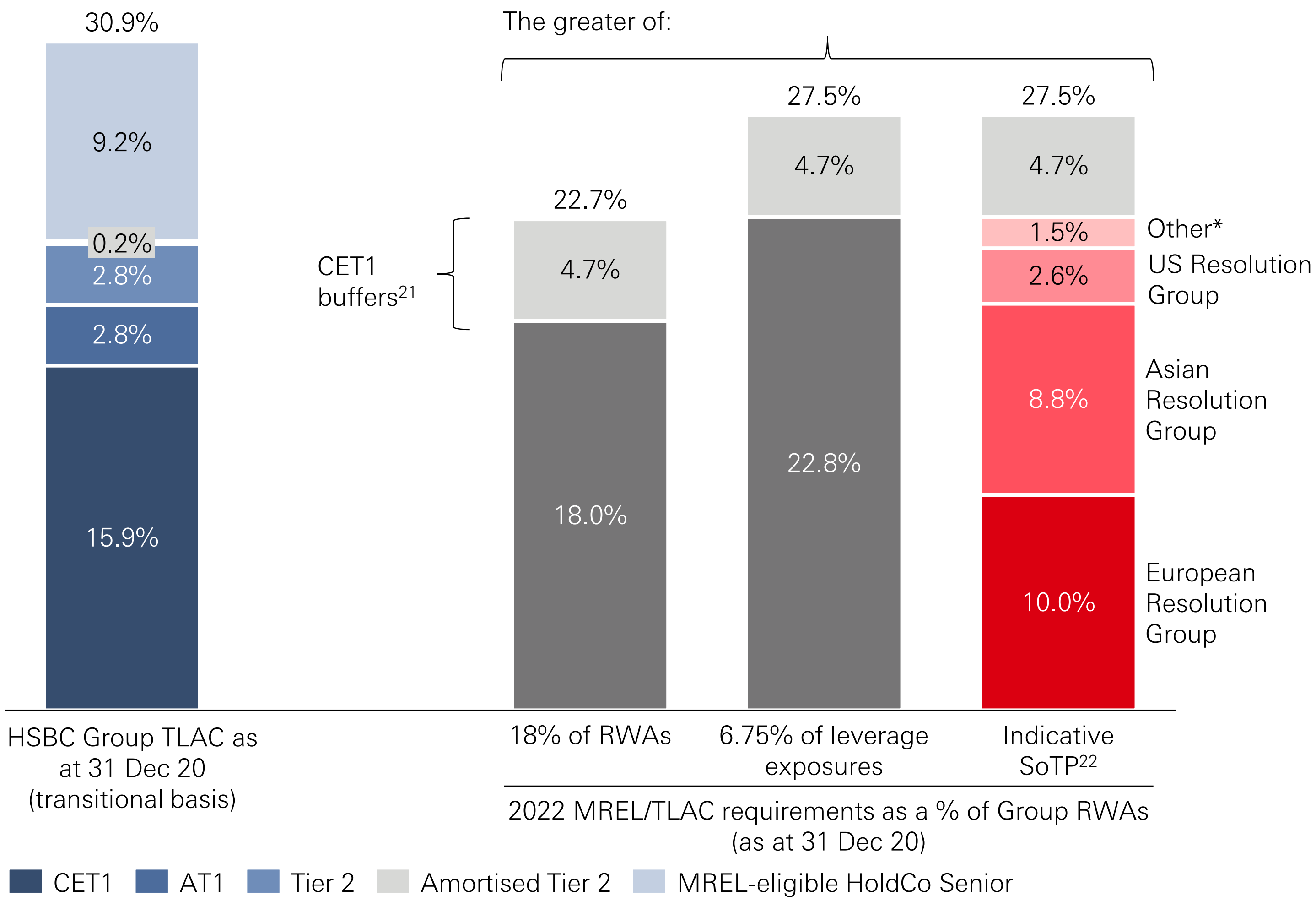


Evolution of regulatory capital stack:

- **Target of CET1 ratio ≥14%**; manage CET1 in 14-14.5% range in the medium-term, and manage down further long-term[9]
- **Expect MREL to increase in 2021 then stabilise**, as issuance is broadly limited to refinancing

MREL/TLAC position versus requirements

MREL/TLAC position versus estimated end-point regulatory requirements[19] as a % of Group RWAs



- HSBC Group's 2022 MREL requirement[20] is the greater of:
  - 18% of RWAs
  - 6.75% of leverage exposures[23]
  - The sum of requirements relating to each Resolution Group and other Group entities ('SoTP')
- The binding constraint for end-state MREL requirements will be contingent upon factors such as:
  - The finalisation of the European resolution group Pillar 2A
  - Any BoE recalibration as part of a sector-wide MREL review
- SoTP components do not necessarily show what is binding for each resolution group. Additional CET1 buffers may apply at entities below the resolution entity

* Capital requirements relating to other Group entities such as HSBC Bank Canada, and HSBC Mexico where the entities are not subject to a TLAC requirement that is in addition to regulatory capital requirements

MREL/TLAC position

	HSBC Group	US Resolution Group	Europe Resolution Group (Including HSBC Holdings)[24]	Asia Resolution Group
TLAC position at FY20	**Total TLAC: $265bn** Of which: non-regulatory capital: $79bn	**Total TLAC: $30bn** Of which: non-regulatory capital: $8bn	**Total TLAC: $98bn** Of which: non-regulatory capital: $47bn	**Total TLAC: $102bn** Of which: non-regulatory capital: $23bn
Relevant balance sheet at FY20	RWAs: $858bn Leverage exposure: $2,897bn	RWAs: $113bn Leverage exposure: $273bn Average assets: $244bn	RWAs: $303bn Leverage exposure: $1,265bn	RWAs: $381bn Leverage exposure: $1,122bn
2022 requirements	The greater of: ▪ 18% of RWAs ▪ 6.75% of leverage exposures[23] ▪ Sum-of-the-parts*	TLAC[25]: the greater of: ▪ 18% of RWAs ▪ 6.75% of SLR exposures ▪ 9% of average assets Long-Term Debt: the greater of: ▪ 6% of RWAs ▪ 2.5% of SLR exposures ▪ 3.5% of average assets	The greater of: ▪ 18% of RWAs ▪ 6.75% of leverage exposures (CRR definition) ▪ 2 x (P1 + P2A)	Firm specific requirement, subject to TLAC floor of the greater of: ▪ 18% of RWAs ▪ 6.75% of leverage exposures

* Note: the Sum of the parts calculation also includes capital requirements relating to other Group entities such as HSBC Bank Canada, and HSBC Mexico where the entities are not subject to a TLAC requirement that is in addition to regulatory capital requirements

FY20 issuance and redemptions

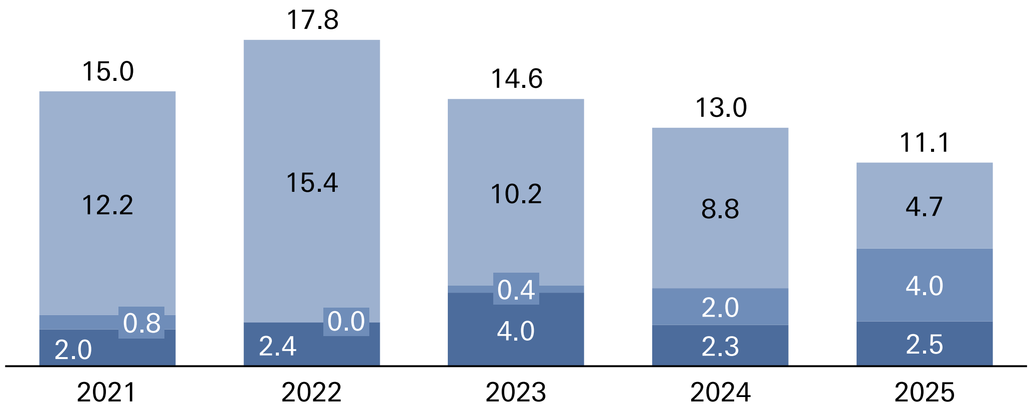
FY20 issuance and redemptions

	Issuance plan	Issued	Redeemed
HoldCo Senior	Broadly limited to refinancing	$15.5bn	$5.1bn called / matured $11.8bn tendered
Tier 2	No near-term plans	-	-
AT1	Broadly limited to refinancing	$1.5bn	$1.5bn AT1 $1.45bn preference share* £0.3bn legacy tier 1

- Completed a number of liability management exercises in 2020 to improve the maturity profile in 2021 and 2022
- Senior HoldCo maturities in 2021 and 2022 reduced from $28bn to $16bn through tender offers
- Net negative AT1 and Senior HoldCo issuance in 2020

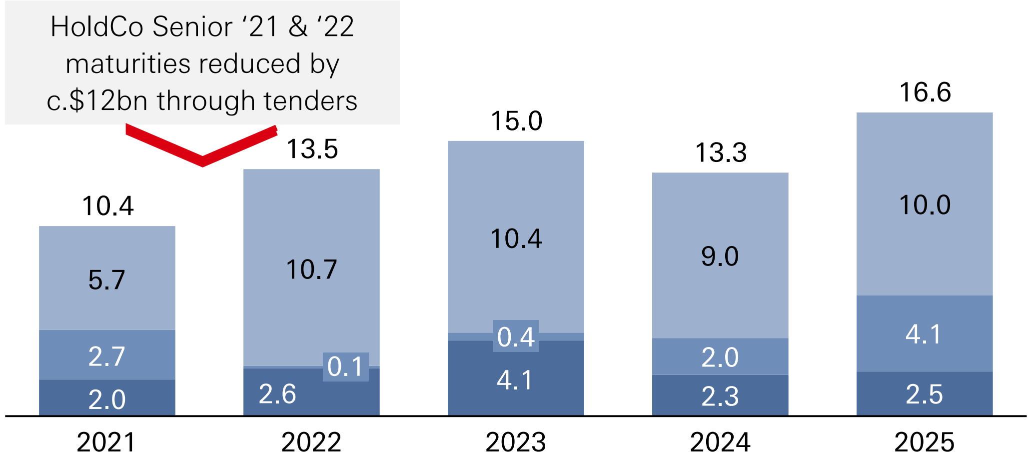
Maturity profile at FY19[26]

$bn-equivalent



Maturity profile at FY20[27]

$bn-equivalent



Senior (HSBC Holdings) | Tier 2 (HSBC Group) | AT1 (HSBC Holdings)

* Note: call notice issued in 2020, redeemed in January 2021

Issuance plan

Issuance plan[28]

	2021	2022 onwards
HoldCo Senior	Expect to issue c.$15bn on a gross basis	Broadly limited to refinancing
Tier 2	No current plans	Broadly limited to refinancing
AT1	Broadly limited to refinancing	
OpCo	Expect certain subsidiaries to issue senior and secured debt in local markets to meet funding and liquidity requirements	

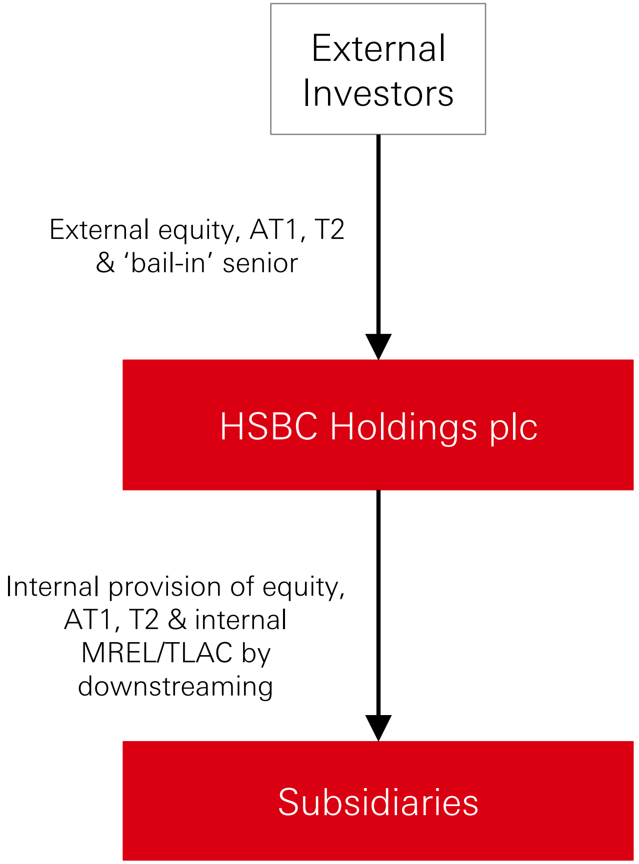
Limited net new issuance going forward

HoldCo Senior gross and net issuance, $bn-equivalent

	Average 2016-19	2020	2021 plan	2022 onward
Gross Issuance	$19bn	$16bn	c.$15bn	c.$10-15bn Broadly limited to refinancing
Net Issuance	$18bn	($1bn)	c.$10bn Last year of MREL build	c.$0-5bn Net issuance to fund future RWA growth

Significant step-change in net issuance

Approach to issuance



HSBC Holdings plc

- 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

Internal Capital and MREL/TLAC

- Proceeds of external debt issued by HSBC Holdings is predominantly used to acquire capital and internal MREL/TLAC instruments issued by its subsidiaries
- HSBC Holdings does not generally provide funding to subsidiaries for day-to-day liquidity needs
- HSBC Holdings retains some cash for its own liquidity and capital management

External debt issued by subsidiaries

- HSBC will continue to issue senior and secured debt from certain subsidiaries in local markets to meet their funding and liquidity requirements. This may include: preferred senior, CP, CDs, and covered bonds. This debt is not intended to constitute MREL/TLAC

2021 Fixed Income Agenda

1

IBOR transition

- Guiding principle is to work with bondholders to transition where we can
- Any transition offerings will aim to facilitate value neutral transition in line with market precedent and best practice

2

PRA legacy regulatory capital review

- HSBC, along with other UK banks, has been asked by the PRA to undertake a review of certain legacy capital instruments and assess whether any action is required for those instruments that are subject to the grandfathering period ending 2021
- We will share our view with the PRA by end-March 2021 and expect further discussions with the PRA to take place over the subsequent months

Appendix

Update on guidance versus Feb-20 update

		Feb-20 guidance	New guidance	As at FY20
Costs	Adjusted costs	≤$31bn in FY22	**≤$31bn in FY22** on Dec 2020 average FX rates* ≤$30bn using average FY20 FX rates	$31.5bn
	CTA	$6bn FY19-22 (phasing: 40%/>50%/<10% in 2020-22)	**$7bn FY19-22** (phasing: 25%/50%/25% in 2020-22)	$1.8bn
	Cost saves	$4.5bn (cumulative phasing: c.$1bn / c.$3bn / c.$4.5bn in 2020-22)	**$5-5.5bn FY19-22** (cumulative phasing: c.$1bn / c.$3bn / c.$5-5.5bn in 2020-22)	$1.0bn
	Investments	Increase from FY19 base	**c.7-10% CAGR in investments FY19-22**	n.a.
Disposal losses		$1.2bn (phasing: c.40% / c.40% / c.20% in 2020-22)	**$1.2bn** (phasing: 25% / c.50% / c.25% in 2020-22)	$0.3bn
RWAs		>$100bn gross RWA reduction FY19-22	**>$100bn gross RWA reduction FY19-22**	$52bn
CET1		CET1 ratio >14%; manage in 14-15% range over the medium-term	**CET1 ratio ≥14%**; manage in 14-14.5% range medium-term manage range down further long-term	15.9%
Dividends / buybacks		Sustain the dividend ($0.51 annually)	Transition towards a payout ratio of 40-55% from 2022 onwards[3]	$0.15
RoTE		10-12% in FY22	**≥10% over the medium-term** **(defined as 3-4 years)**	3.1%

* Note: Impact of the weakening USD at end-2020. Target of ≤$30bn is based on average FX in FY20 (consistent with the results presented); using the average December 2020 FX rates, the target would be retranslated to ≤$31bn. Using average December 2020 FX rates, 2020 adjusted revenue would increase by c.$1.5bn)

Key financial metrics

Reported results, $m	4Q20	3Q20	4Q19
NII	6,619	6,450	7,654
Other Income	5,138	5,477	5,717
Revenue	**11,757**	**11,927**	**13,371**
ECL	(1,174)	(785)	(733)
Costs	(9,864)	(8,041)	(17,053)
Associates	666	(27)	518
Profit before tax	**1,385**	**3,074**	**(3,897)**
Tax	(450)	(1,035)	(1,127)
Profit after tax	**935**	**2,039**	**(5,024)**
Profit attributable to ordinary shareholders	562	1,359	(5,509)
Profit attributable to ordinary shareholders excl. goodwill and other intangible impairment and PVIF	751	1,109	1,882
Basic earnings per share, $	0.03	0.07	(0.27)
Diluted earnings per share, $	0.03	0.07	(0.27)
Dividend per share (in respect of the period), $	0.15	—	—
Return on avg. tangible equity (annualised), %	1.9	2.9	5.2
Return on avg. equity (annualised), %	1.3	3.2	(13.3)
Net interest margin, %	1.22	1.20	1.56

Adjusted results, $m	4Q20	3Q20	4Q19
NII	6,620	6,590	7,751
Other Income	5,204	5,655	6,031
Revenue	**11,824**	**12,245**	**13,782**
ECL	(1,174)	(806)	(696)
Costs	(9,106)	(7,524)	(9,176)
Associates	666	450	546
Profit before tax	**2,210**	**4,365**	**4,456**
Cost efficiency ratio, %	77.0	61.4	66.6
ECL as a % of average gross loans and advances to customers	0.44	0.29	0.26

Balance sheet, $m	4Q20	3Q20	4Q19
Total assets	2,984,164	2,955,935	2,715,152
Net loans and advances to customers	1,037,987	1,041,340	1,036,743
Adjusted net loans and advances to customers	1,037,987	1,074,491	1,062,696
Customer accounts	1,642,780	1,568,714	1,439,115
Adjusted customer accounts	1,642,780	1,614,877	1,470,207
Average interest-earning assets	2,159,003	2,141,454	1,945,596
Reported loans and advances to customers as % of customer accounts	63.2	66.4	72.0
Total shareholders' equity	196,443	191,904	183,955
Tangible ordinary shareholders' equity	156,423	152,260	144,144
Net asset value per ordinary share at period end, $	8.62	8.41	8.00
Tangible net asset value per ordinary share at period end, $	7.75	7.55	7.13

Capital, leverage and liquidity	4Q20	3Q20	4Q19
Risk-weighted assets, $bn	857.5	857.0	843.4
CET1 ratio, %	15.9	15.6	14.7
Total capital ratio (transitional), %	21.5	21.2	20.4
Leverage ratio, %	5.5	5.4	5.3
High-quality liquid assets (liquidity value), $bn	677.9	654.2	601.4
Liquidity coverage ratio, %	139	147	150

Share count, m	4Q20	3Q20	4Q19
Basic number of ordinary shares outstanding	20,184	20,173	20,206
Basic number of ordinary shares outstanding and dilutive potential ordinary shares	20,272	20,227	20,280
Average basic number of ordinary shares outstanding, QTD	20,179	20,166	20,433

Reconciliation of reported and adjusted results

$m	4Q20	3Q20	4Q19	FY20	FY19
Reported PBT	**1,385**	**3,074**	**(3,897)**	**8,777**	**13,347**
Revenue					
Currency translation	—	178	134	—	(471)
Customer redress programmes	(1)	48	45	21	163
Disposals, acquisitions and investment in new businesses	2	—	55	10	(768)
Fair value movements on financial instruments	46	(11)	176	(264)	(84)
Restructuring and other related costs	20	101	—	170	—
Currency translation on significant items	—	2	1	—	6
	67	**318**	**411**	**(63)**	**(1,154)**
ECL					
Currency translation	—	(21)	37	—	129
Operating expenses					
Currency translation	—	(120)	(152)	—	223
Cost of structural reform	—	—	32	—	158
Customer redress programmes	(107)	3	183	(54)	1,281
Impairment of goodwill and other intangibles	8	57	7,349	1,090	7,349
Past service costs of guaranteed minimum pension benefits equalisation	17	—	—	17	—
Restructuring and other related costs	836	567	400	1,908	827
o/w: costs to achieve	*810*	*565*	—	*1,839*	—
Settlements and provisions in connection with legal and regulatory matters	4	3	5	12	(61)
Currency translation on significant items	—	7	60	—	53
	758	**517**	**7,877**	**2,973**	**9,830**
Share of profit in associates and joint ventures					
Currency translation	—	15	28	—	(3)
Impairment of goodwill	—	462	—	**462**	—
	—	**477**	**28**	**462**	**(3)**
Total currency translation and significant items	**825**	**1,291**	**8,353**	**3,372**	**8,802**
Adjusted PBT	**2,210**	**4,365**	**4,456**	**12,149**	**22,149**
Memo: tax on significant items (at reported FX rates)	(381)	(161)	(84)	(660)	(255)

Certain items and Argentina hyperinflation

Certain items included in adjusted revenue highlighted in management commentary[29] $m	4Q20	3Q20	2Q20	1Q20	4Q19	FY20	FY19
Insurance manufacturing market impacts in WPB	298	126	362	(710)	200	90	128
Credit and funding valuation adjustments in GBM	70	33	(9)	(354)	194	(252)	41
Legacy Credit in Corporate Centre	3	28	42	(92)	13	(17)	(111)
Valuation differences on long-term debt and associated swaps in Corporate Centre	(12)	(32)	(64)	259	(73)	150	146
Argentina hyperinflation*[30]	(42)	(31)	(29)	(22)	30	(124)	(143)
Bid-offer adjustment in GBM*	18	35	249	(310)	15	(8)	4
WPB disposal gains in Latin America*	—	—	—	—	—	—	133
CMB disposal gains in Latin America*	—	—	—	—	—	—	24
GBM provision release in Equities*	—	—	—	—	—	—	106
Total	**335**	**159**	**551**	**(1,229)**	**379**	**(161)**	**328**

Argentina hyperinflation[30] impact included in adjusted results, $m	4Q20	3Q20	2Q20	1Q20	4Q19	FY20	FY19
Net interest income	2	(1)	(7)	(3)	33	(9)	(12)
Other income	(44)	(30)	(22)	(19)	(3)	(115)	(131)
Total revenue	**(42)**	**(31)**	**(29)**	**(22)**	**30**	**(124)**	**(143)**
ECL	—	(2)	2	2	(10)	2	(0)
Costs	(2)	1	5	2	(26)	6	8
PBT	**(44)**	**(32)**	**(22)**	**(18)**	**(6)**	**(116)**	**(135)**

*Comparative figures have not been retranslated for foreign exchange movements

Net interest margin supporting information

NII sensitivity to instantaneous change in yield curves (12 months)

Change in Jan 2021 to Dec 2021	Currency					
	USD	HKD	GBP	EUR	Other	Total
	$m	$m	$m	$m	$m	$m
+25bps parallel	223	423	555	126	320	**1,647**
-25bps parallel	(227)	(343)	(548)	(88)	(302)	**(1,508)**
+100bps parallel	546	1,267	1,811	502	1,222	**5,348**
-100bps parallel	(565)	(749)	(1,906)	(299)	(1,335)	**(4,854)**

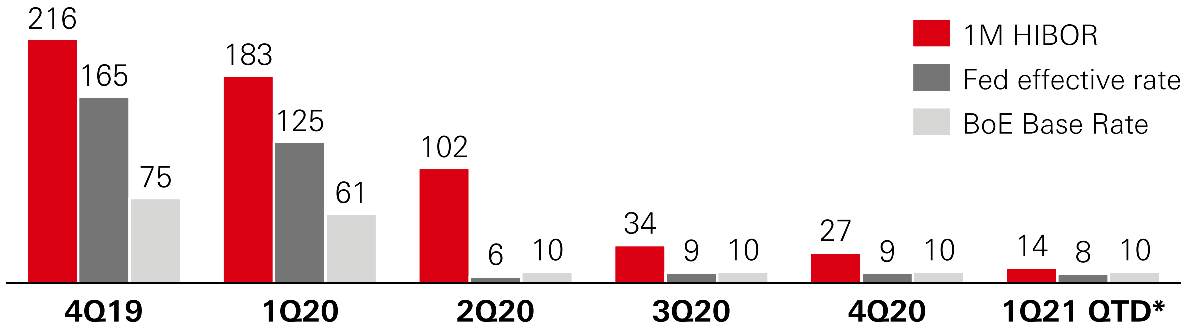
NII sensitivity to instantaneous change in yield curves (5 years), $m

Change in Jan 2021 to Dec 2021	Year 1	Year 2	Year 3	Year 4	Year 5	Total
+25bps parallel	1,647	1,866	1,930	2,028	2,100	**9,571**
-25bps parallel	(1,508)	(1,986)	(2,307)	(2,045)	(2,113)	**(9,959)**
+100bps parallel	5,348	6,538	7,083	7,444	7,736	**34,149**
-100bps parallel	(4,854)	(6,174)	(7,087)	(7,660)	(8,323)	**(34,098)**

Quarterly NIM by key legal entity

	4Q19	1Q20	2Q20	3Q20	4Q20	% of 4Q20 Group NII	% of 4Q20 Group AIEA
The Hongkong and Shanghai Banking Corporation (HBAP)	2.00%	1.96%	1.69%	1.44%	1.42%	49%	42%
HSBC Bank plc (NRFB)	0.46%	0.48%	0.54%	0.50%	0.53%	10%	23%
HSBC UK Bank plc (UK RFB)	1.95%	2.01%	1.68%	1.60%	1.60%	23%	17%
HSBC North America Holdings, Inc	0.99%	0.91%	0.85%	0.83%	0.95%	7%	9%

Key rates (quarter averages), basis points

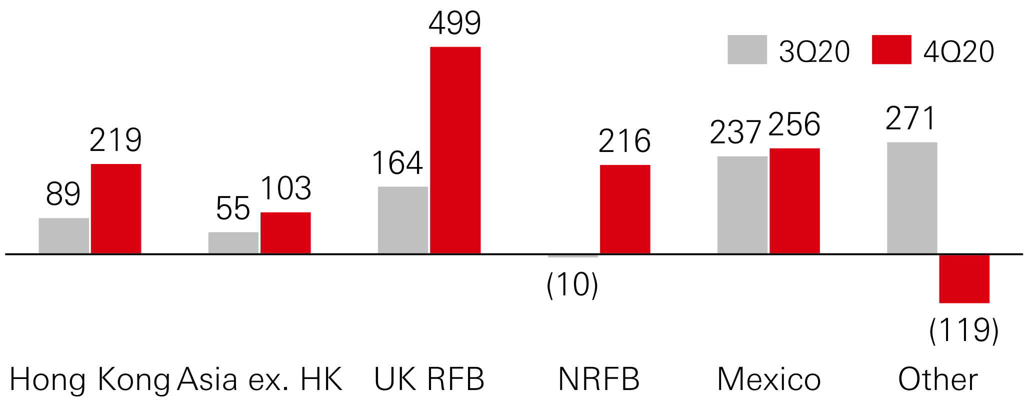


*At 19 February 2021

Source: Bloomberg

ECL analysis

ECL charge by geography, $m



4Q20 vs. 3Q20 geographic analysis

Asia

- ECL charge increased by $0.2bn from higher wholesale Stage 3 charges

UK RFB

- ECL charge increase of $0.3bn driven by deterioration in forward economic outlook due to market uncertainty

NRFB

- ECL charge increase of $0.2bn from higher wholesale Stage 1 & 2 charges compared to a net release in 3Q20

Analysis by stage

Reported basis, $bn	Stage 1	Stage 2	Stage 3	Total[31]	Stage 3 as a % of Total
4Q20					
Gross loans and advances to customers	869.9	163.2	19.1	**1,052.5**	1.8%
Allowance for ECL	2.0	5.0	7.4	**14.5**	
3Q20					
Gross loans and advances to customers	878.6	157.8	18.4	**1,055.0**	1.7%
Allowance for ECL	2.0	4.6	7.0	**13.7**	
4Q19					
Gross loans and advances to customers	951.6	80.2	13.4	**1,045.5**	1.3 %
Allowance for ECL	1.3	2.2	5.1	**8.7**	

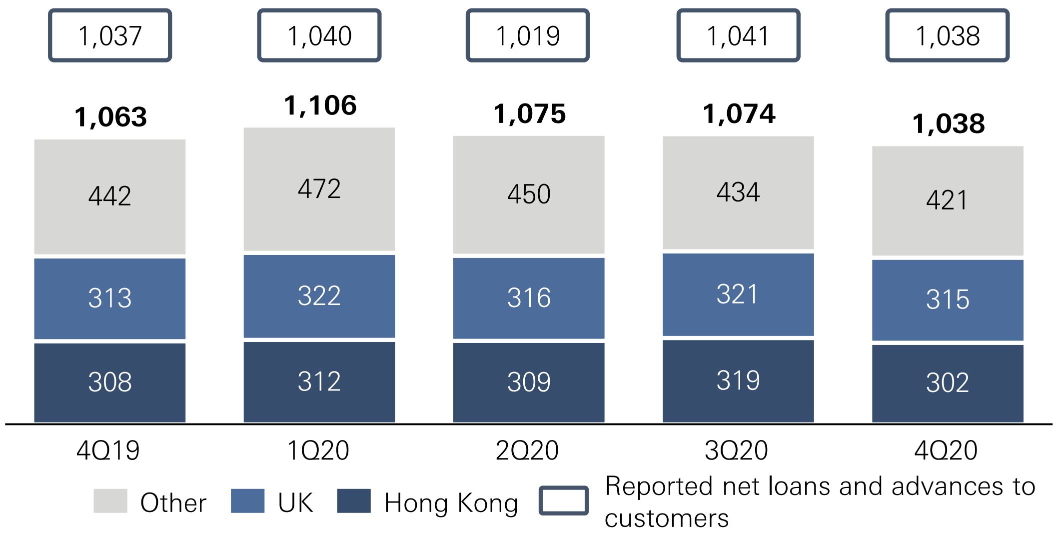
UK personal lending relief, $m

At 31 December 2020	Drawn loan value	Exited payment holidays[32]	Current	Noncurrent	% of balances exiting payment holidays and are current
UK secured lending	1,419	11,933	11,709	224	98%
UK unsecured lending	140	1,166	1,025	140	88%

- **In the UK, 97% of customers who have exited payment holiday agreements are up to date with their payments**
- Levels of Covid-19 customer relief in 17 major markets down 79% vs. 2Q20, c.90% of customers exiting their agreements are current on their payments; c.95% of secured customers are current[33]

Balance sheet – customer lending

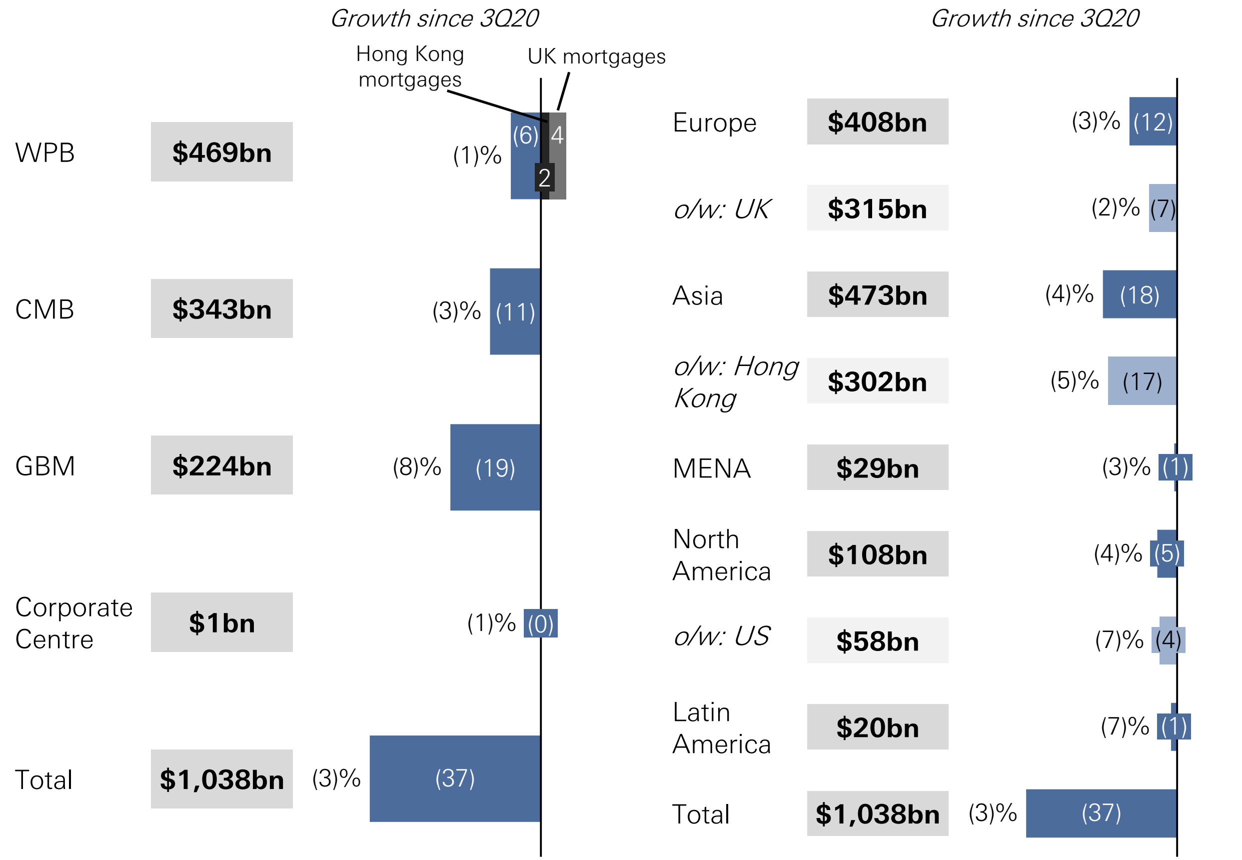
Adjusted customer lending (on a constant currency basis), $bn



Adjusted customer lending of $1,038bn decreased by $37bn (3%) vs. 3Q20

- WPB lending down $6bn (1%) with growth in mortgages ($6bn) offset by short term Hong Kong IPO lending being repaid
- CMB lending decreased by $11bn (3%), primarily due to repayments
- GBM lending decreased by $19bn (8%), from lower term lending in Asia, Europe and the US and lower overdrafts in Europe

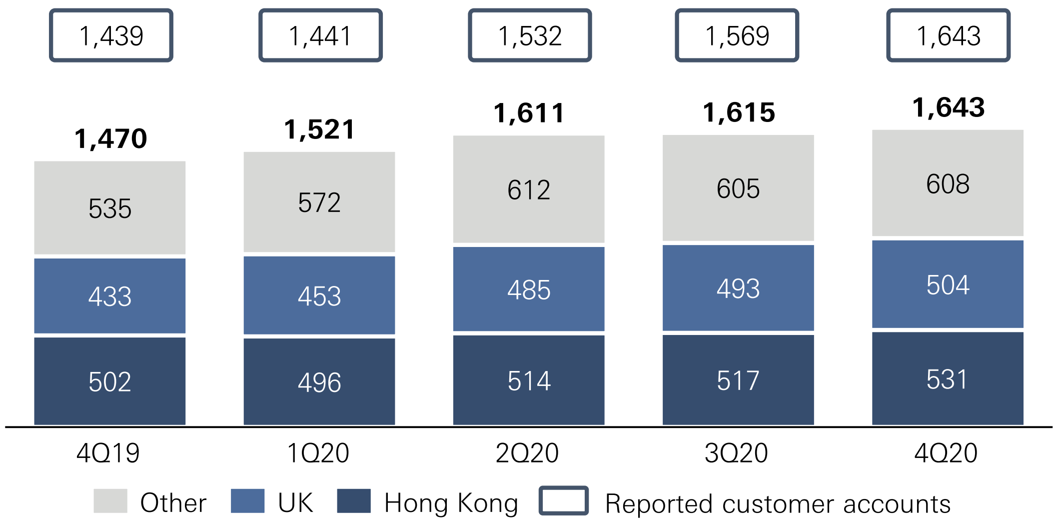
4Q20 adjusted customer lending growth by global business and region, $bn



Totals may not cast due to rounding

Balance sheet – customer accounts

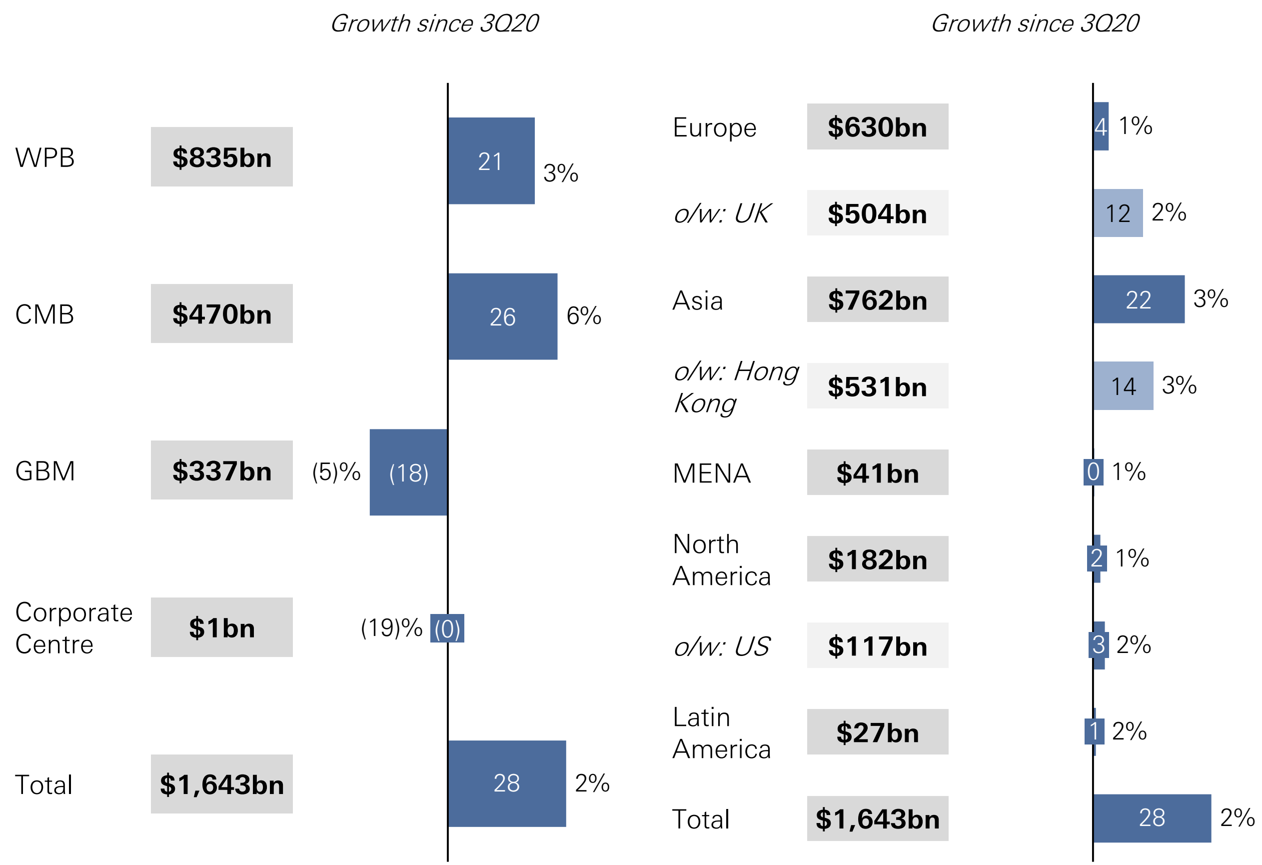
Adjusted customer accounts (on a constant currency basis), $bn



Adjusted customer accounts of $1,643bn increased by $28bn (2%) vs. 3Q20

- WPB customer accounts increased as a result of higher inflows and lower spending
- CMB increased by $26bn (6%) as customers raised and retained liquidity across all regions
- GBM customer accounts decreased by $18bn (5%) due to lower demand for time deposits

4Q20 adjusted customer accounts growth by global business and region, $bn



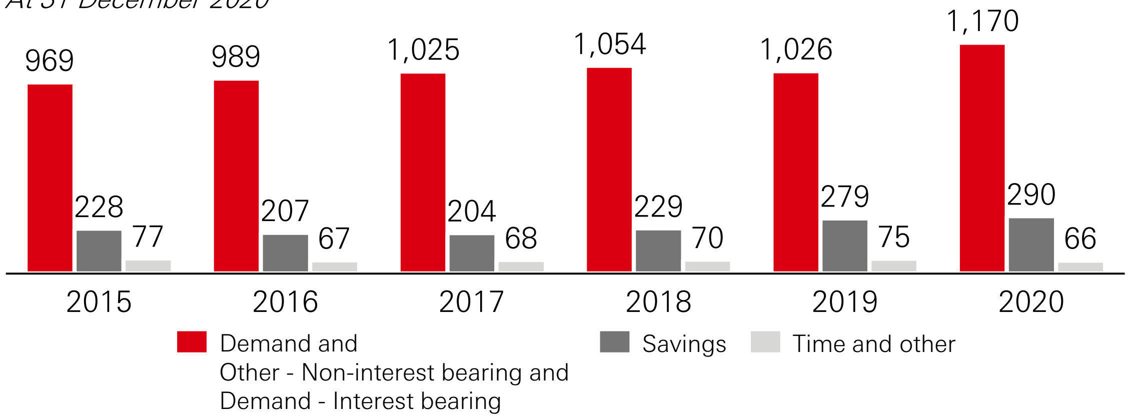
Totals may not cast due to rounding

Balance sheet – deposits by type

Group customer accounts by type, $bn

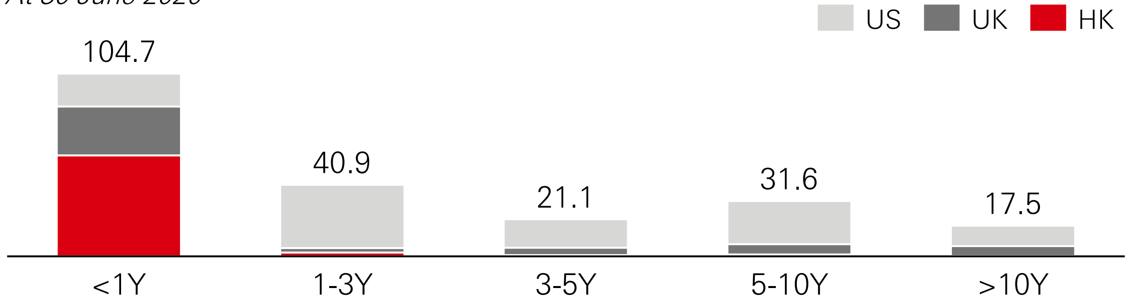
Average balances

At 31 December 2020



Group government bond exposures in key markets, $bn

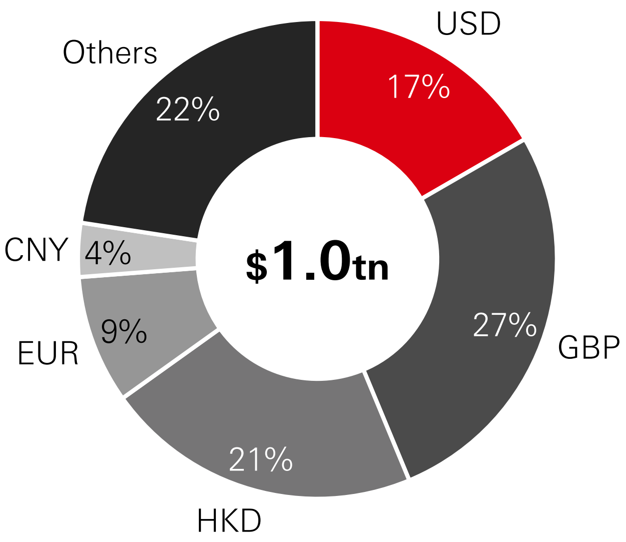
At 30 June 2020



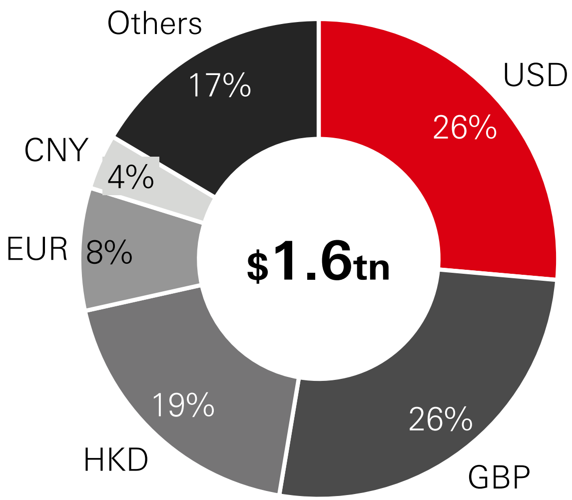
Group loans and deposits by currency

At 31 December 2020

Loans and advances to customers



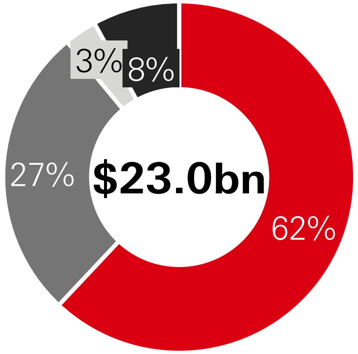
Customer accounts



Hong Kong system deposits by currency at 31 December: 50% HKD; 36% USD; 13% Non-US foreign currencies. Source: HKMA

Sectors particularly affected by Covid-19

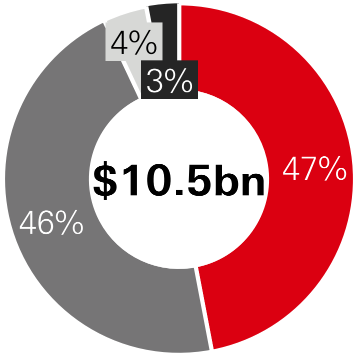
Oil and Gas[34]



Drawn risk exposure[35] by region, $bn	
Asia	7.3
Europe	5.7
Middle East and North Africa	3.8
North America	4.5
Latin America	1.6
Total	**23.0**

- Slight improvement in book quality from 2Q20; higher percentage of CRR 1-3

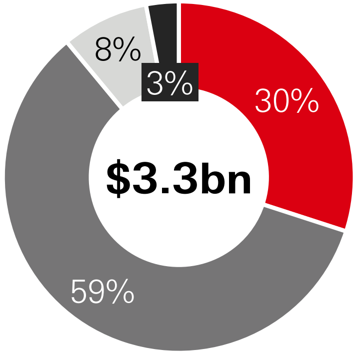
Aviation[36]



Drawn risk exposure[35] by region, $bn	
Asia	3.8
Europe	3.8
Middle East and North Africa	1.9
North America	0.9
Latin America	0.1
Total	**10.5**

- Lower proportion of CRR 1-3 vs. 2Q20; >50% of exposures benefit from credit risk mitigation via collateral and guarantees

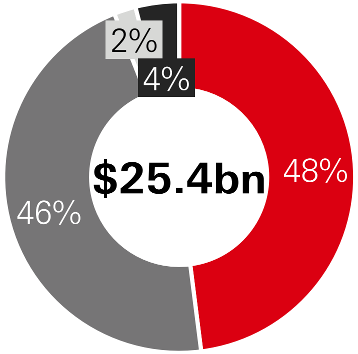
Restaurants and leisure



Drawn risk exposure[35] by region, $bn	
Asia	0.6
Europe	2.2
Middle East and North Africa	0.0
North America	0.5
Latin America	0.0
Total	**3.3**

- CRR 1-6 broadly stable over 2H20; category excludes hotels

Retail

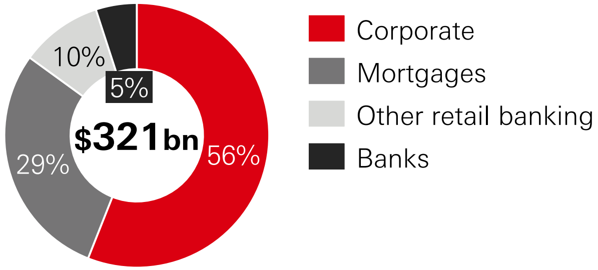


Drawn risk exposure[35] by region, $bn	
Asia	12.6
Europe	9.0
Middle East and North Africa	0.7
North America	2.1
Latin America	1.0
Total	**25.4**

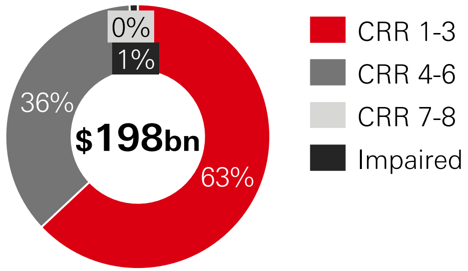
- CRR 1-6 broadly stable over 2H20

Hong Kong drawn risk exposure

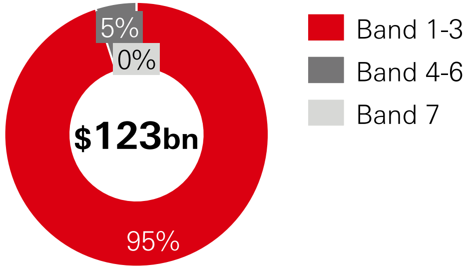
Total gross loans and advances, $bn



Wholesale credit quality



Personal credit quality

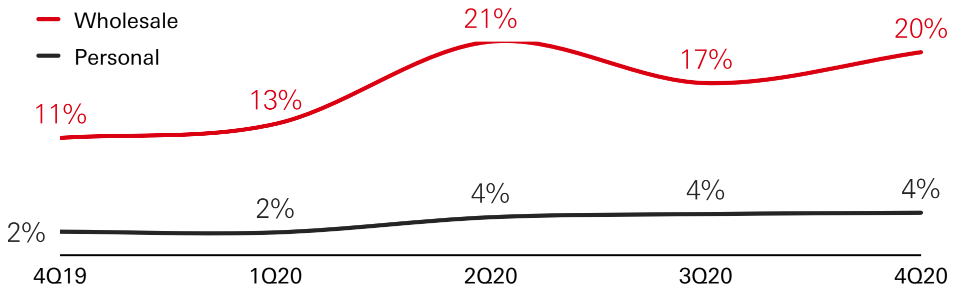


- Total gross loans and advances to customers and banks of $321bn as at 31 December 2020 (4Q20: $327bn) by booking location (wholesale: $198bn; personal: $123bn)
- 4Q20 year-to-date ECL charge of $824m (CMB: $490m, WPB: $276m, GBM $58m), compared with $459m in 4Q19 (CMB $233m, WPB: $158m, GBM: $68m)
- For 4Q20, average LTV ratio on new retail mortgage lending was 61% (4Q19: 49%); average LTV for the overall retail mortgage portfolio was 45% (4Q19: 41%)]
- Loans and advances to Business Banking customers (SMEs) of $15bn as at 31December 2020 (4Q19: $15bn).

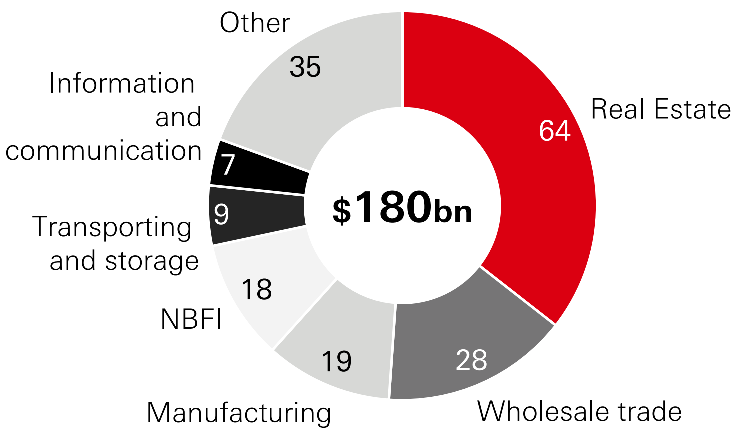
Gross loans and advance to customers and banks by IFRS 9 stage

	4Q20			4Q19		
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	275.1	0.3	0.1%	299.5	0.2	0.1%
Stage 2	44.4	0.5	1.1%	26.5	0.4	1.5%
Stage 3	1.8	0.8	43.3%	0.9	0.5	60.0%
POCI	0.0	0.0	50.7%	0.0	0.0	58.5%
	321.4	1.6		326.9	1.1	

Stage 2 as % of total loans and advances to customers and banks

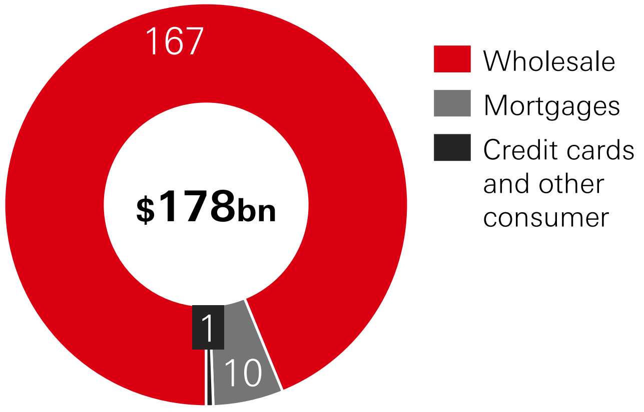


Corporate lending by sector as at 31 December 2020

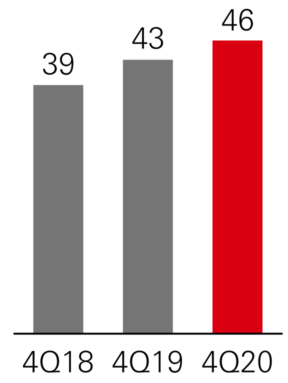


Mainland China drawn risk exposure

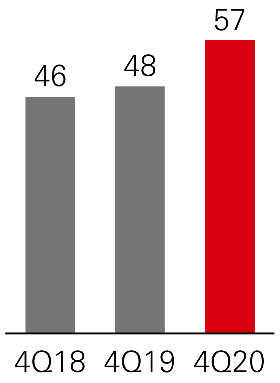
China drawn risk exposure[37], $bn



Reported loans and advances to customers

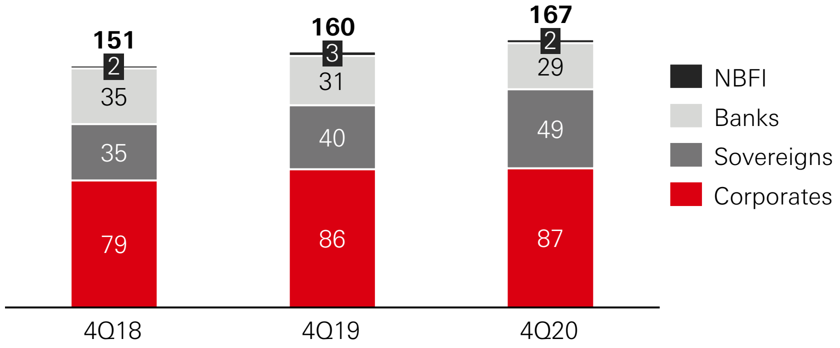


Reported customer deposits



- Total China drawn risk exposure (including Sovereigns, Banks and Customers) of $178bn comprising: Wholesale $167bn (of which 58% is onshore); Retail: $11bn
- Gross loans and advances to customers of $46bn (Wholesale: $36bn; Retail $11bn) in Mainland China
- While Stage 3 loan balances and change in ECL increased through 2020, these remain low
- HSBC is selective in its lending. HSBC's onshore corporate lending market share is 0.13% as at 4Q20[38]

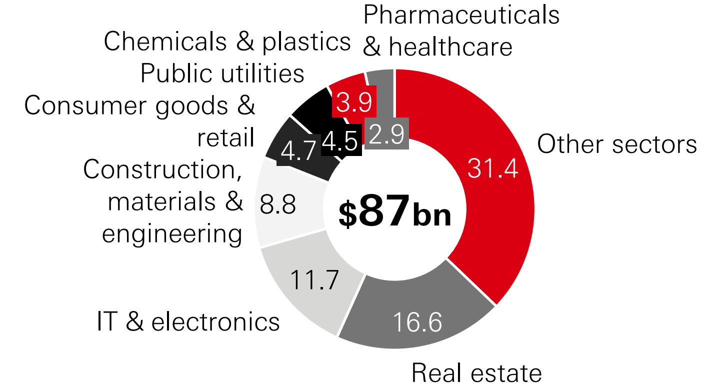
Wholesale lending analysis, $bn



Wholesale lending by risk type:

CRRs	1-3	4-6	7-8	9+	Total
Sovereigns	49.2	0.1			49.3
Banks	28.6	0.1			28.8
NBFI	1.9	0.5			2.4
Corporates	57.2	29.1	0.1	0.4	86.8
Total	**137.0**	**29.9**	**0.1**	**0.4**	**167.4**

Corporate lending by sector



- c.20% of lending is to Foreign Owned Enterprises, c.38% of lending is to State Owned Enterprises, c.42% to Private sector owned Enterprises

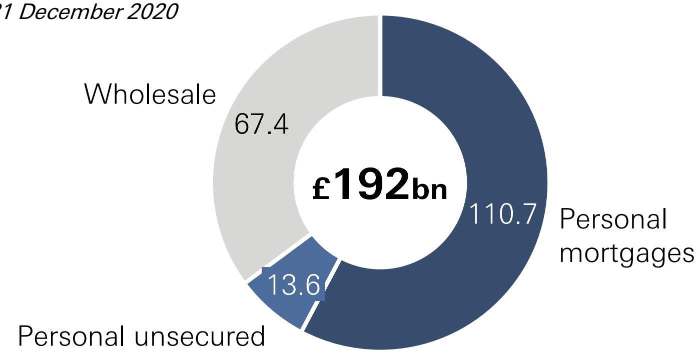
Corporate real estate:

- 69% 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

UK RFB disclosures

Total RFB lending to customers, £bn

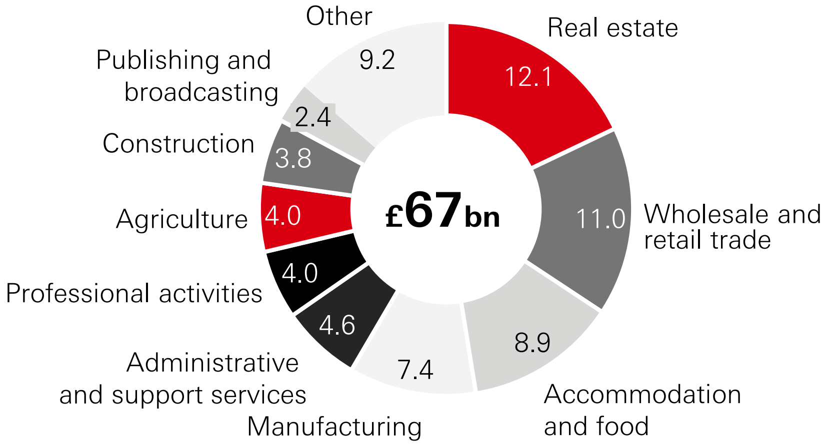
At 31 December 2020



Wholesale

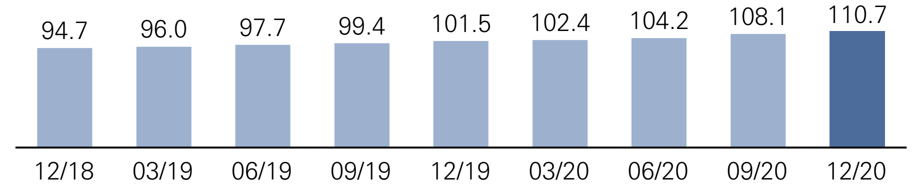
Gross wholesale loans and advances to customers, £bn

At 31 December 2020



Personal

Residential mortgage balances, £bn



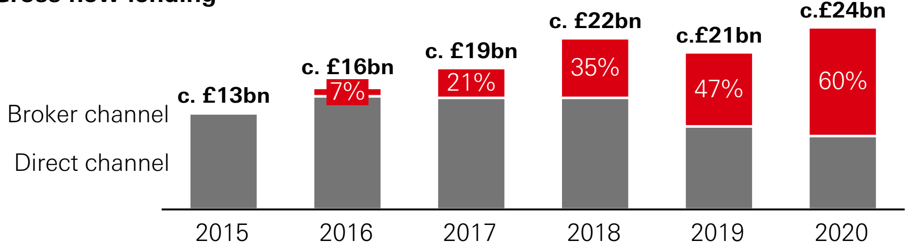
By LTV

Less than 50%	£48.1bn
50% - < 60%	£17.1bn
60% - < 70%	£17.4bn
70% - < 80%	£16.1bn
80% - < 90%	£10.4bn
90% +	£1.6bn

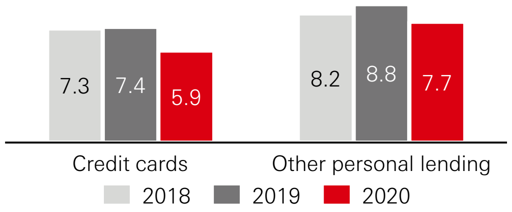
- c.26% of mortgage book is in Greater London
- Buy-to-let mortgages of £2.8bn
- Mortgages on a standard variable rate of £3.3bn
- Interest-only mortgages of £19.4bn[39]
- LTV ratios:
  - c.43% of the book <50% LTV%
  - new originations average LTV of 70%
  - average portfolio LTV of 51%

Broker coverage (by value of market share): 8% | 43% | 70% | 84% | 93% | >93%

Gross new lending[40]

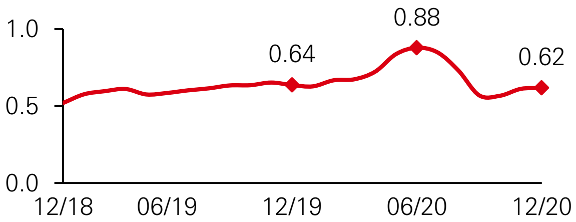


Unsecured lending balances, £bn



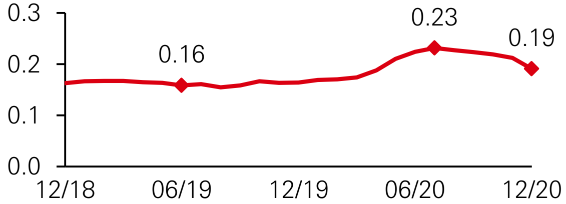
Delinquencies[40]

Credit cards: 90-179 day delinquency trend, %



- Change in spending due to Covid-19, with a 20% fall in balances vs. 2019. Drop in delinquencies following the introduction of payment holidays

Mortgages: 90+ day delinquency trend, %



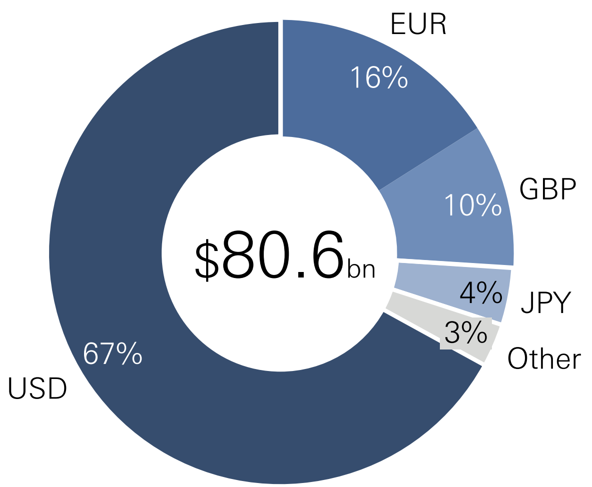
Credit ratings for main issuing entities

Long term senior ratings as at 23 February 2021	S&P		Moody's		Fitch	
	Rating	**Outlook**	**Rating**	**Outlook**	**Rating**	**Outlook**
HSBC Holdings plc	A-	STABLE	A2	NEG	A+	NEG
The Hongkong and Shanghai Banking Corporation Ltd	AA-	STABLE	Aa3	NEG	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	Aa3	NEG	AA-	NEG
HSBC Bank USA NA	A+	STABLE	Aa3	NEG	AA-	NEG
HSBC Bank Canada	A+	STABLE	A3	STABLE	A+	NEG

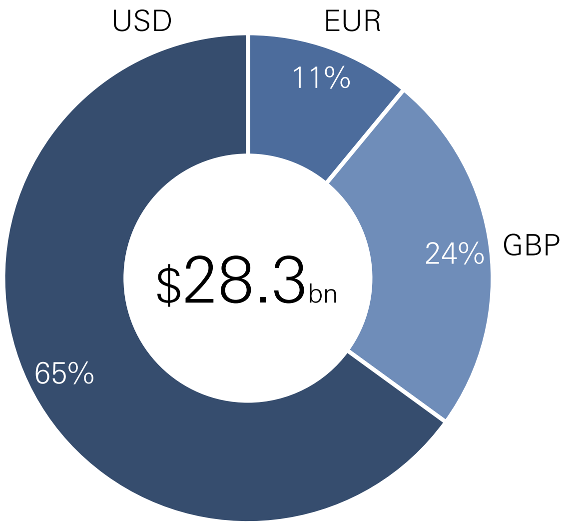
Outstanding instruments

Outstanding instruments by currency (notional)

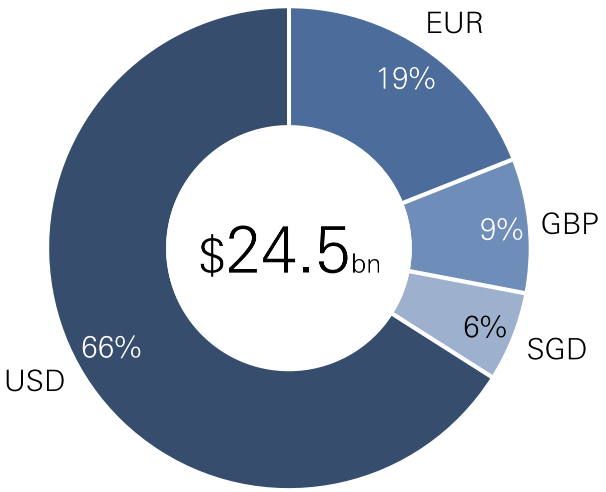
HoldCo senior



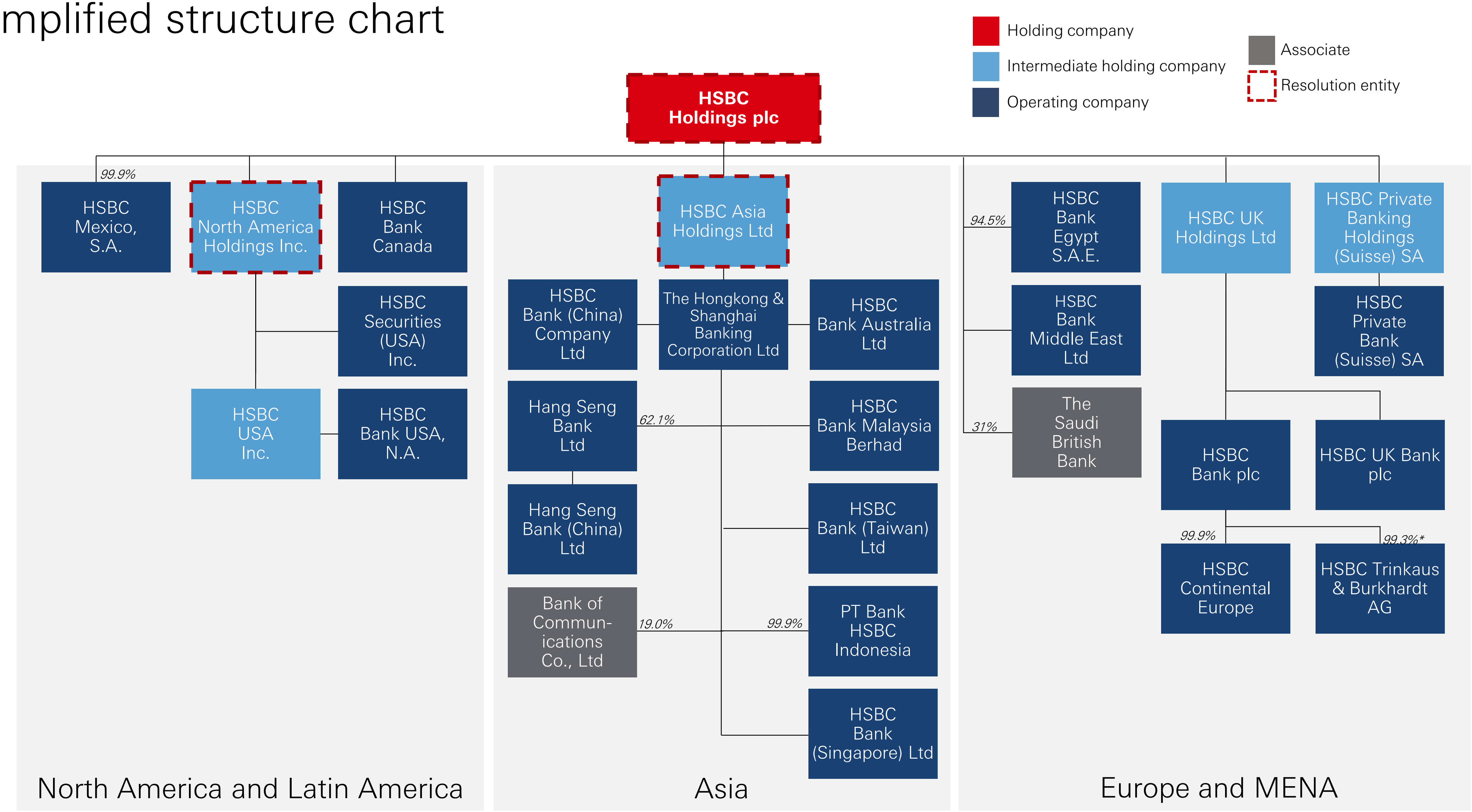
Tier 2



Additional Tier 1



Simplified structure chart



* Note: On 1st February 2021, the Group acquired the remaining minority equity interest in HSBC Trinkaus & Burkhardt AG and now owns 100% of this subsidiary

Glossary

AIEA	Average interest earning assets
BAU	Business as usual
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point
CCyB	Countercyclical Buffer
CET1	Common Equity Tier 1
Corporate Centre	Corporate Centre comprises Central Treasury, including Balance Sheet Management, our legacy businesses, interests in our associates and joint ventures, central stewardship costs and the UK bank levy
CMB	Commercial Banking, a global business
CRR	Customer risk rating. CRR 1-3 broadly equivalent to investment grade; CRR 4-6 broadly equivalent to BB+ to B-; CRR 7-8 broadly equivalent to an external rating ranging from CCC+ to C
CRR II	The amending Regulation to the CRD IV package which implements changes to the own funds regime and to MREL and elements of the Basel III Reforms in EU legislation. These changes follow a phased implementation from June 2019
CTA	Costs to achieve
C&L	Credit and Lending
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.
FICC	Fixed Income, Currencies and Commodities
GBM	Global Banking and Markets, a global business
GLCM	Global Liquidity and Cash Management
GPB	Global Private Banking, a former global business now part of Wealth and Personal Banking
Group	HSBC Holdings plc and its subsidiary undertakings
GTRF	Global Trade and Receivables Finance
HIBOR	Hong Kong Interbank Offered Rate
IFRS	International Financial Reporting Standard
LCR	Liquidity coverage ratio
LDR	Loan-to-deposit ratio

LTV	**Loan to value**
MDA	Maximum distributable amount
MENA	Middle East and North Africa
MtM	Mark-to-market
NAV	Net Asset Value
NCI	Non-controlling interests
NII	Net interest income
NIM	Net interest margin
NNM	Net new money
NRFB	Non ring-fenced bank in Europe and the UK
PBT	Profit before tax
POCI	Purchased or originated credit-impaired
Ppt	Percentage points
PVIF	Present value of in-force insurance contracts
RBWM	Retail Banking and Wealth Management, a former global business now part of Wealth and Personal Banking
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
SoTP	The sum of all loss-absorbing capacity requirements and other capital requirements relating to other group entities or sub-groups
TNAV	Tangible net asset value
WPB	Wealth and Personal Banking. A new global business to be created from the consolidation of RBWM and GPB
XVAs	Credit and Funding Valuation Adjustments

Footnotes

1. A number of our clients were in need of financial relief as a result of the economic slowdown brought on by the Covid-19 pandemic, which we sought to address in a responsible way. This included extending our own relief measures such as payment holidays and loan moratoria, in addition to other market-wide and government-backed schemes to our customers. As reported at 2Q20, over 898 thousand accounts were impacted by these measures in 17 major markets, including over $52bn of relief extended to wholesale customers and over $26bn extended to personal customers
2. 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
3. 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
4. Ticks and crosses refer to progress in FY20 against the FY20 plans, as communicated in the Feb-20 Update
5. Based on tangible equity of the Group's major legal entities excluding Associates, Holdings Companies, consolidation adjustments, and any potential inorganic actions
6. WPB TE as a share of TE allocated to the Global Businesses (excluding Corporate Centre). Excludes Holdings Companies, consolidation adjustments any potential inorganic actions
7. 2015-19 adjusted revenue CAGR
8. Excludes any inorganic actions
9. Medium term: 3-4 years; long term: 5-6 years
10. Technology costs in operating expenses trends include transformation saves and are presented on a net basis
11. Technology cost increases in full-year and quarterly walks are presented on a gross basis (excl. saves)
12. Includes offset mortgages in first direct, endowment mortgages and other products
13. The PRA has published a consultation on the reversal of the revised regulatory treatment of software assets; as such we have not considered these related capital benefits in our distributions
14. 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
15. Pre-ECL net operating income is calculated as adjusted revenue less adjusted costs as originally reported
16. CET1 capital requirements and buffers as at 31 December 2020; and subject to change
17. Numbers presented under the transitional arrangements in CRR II for capital instruments
18. Numbers presented after the expiry of the transitional arrangements in CRR II for capital instruments. For the avoidance of doubt, the end point numbers do include the benefit of the regulatory transitional arrangements for IFRS 9
19. Minimum requirement for own funds and eligible liabilities (MREL) consists of a minimum level of own funds and eligible debt liabilities that will need to be maintained pursuant to a direction from the Bank of England in the exercise of its powers under the Banking Act 2009, with the purpose of absorbing losses and recapitalising an institution upon failure whilst ensuring the continuation of critical economic functions.
20. The Bank of England has written to HSBC confirming the preferred resolution strategy for HSBC Group remains a multiple-point-of-entry ('MPE') resolution strategy and setting out the minimum requirements for 2021 and 2022 external MREL requirements applicable to the HSBC Group
21. Group CET1 buffers are shown in addition to the MREL requirements. The buffers shown in addition to the RWA, leverage and SoTP TLAC/MREL requirement are calculated in accordance with the PRA Supervisory statement 16/16 updated in December 2017
22. Indicative SoTP derived per HSBC's current understanding of regulatory guidance. The requirement will change over time as the TLAC requirements of our subsidiaries change per regulatory rules, any BoE MREL recalibration in 2021, and as we gain further clarity on the components of end-state requirements across the Group
23. Leverage exposure is calculated as the higher of either the requirements as defined in the Capital Requirements Regulation or the PRA's leverage ratio framework
24. Investments by the European resolution group in the regulatory capital or TLAC of other group companies are deducted
25. Leverage exposures and ratio are calculated under both local regulatory rules and the equivalent accounting standard to IFRS 9 for current expected credit losses ('CECL'), US supplementary leverage ratio (SLR) and US Basel III. Under the US Final TLAC rules, in addition to the risk-weighted assets component of the TLAC requirement, the US resolution group is subject to an external 2.5% TLAC buffer that is analogous to the capital conservation buffer
26. To next call date if callable; otherwise to maturity. Included in FY20 maturities/calls are $1.95bn of Tier 2 instruments and $1.45bn of AT1 instruments that are past their first call date but available for discretionary call during the period
27. To next call date if callable; otherwise to maturity. Included in FY21 maturities/calls are $1.95bn of Tier 2 instruments
28. The issuance plan is guidance only; it is a point in time assessment and subject to change
29. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 4Q20 exchange rates
30. From 1st July 2018, Argentina was deemed a hyperinflationary economy for accounting purposes
31. Total includes POCI balances and related allowances
32. 'Exited payment holidays' is defined as customers leaving a payment holiday agreements without requiring further lending relief and with payment behaviour.
33. Based on customers exiting payment holiday agreements that have passed one regularly scheduled payment date in 5 markets (the UK, Malaysia, Mexico, the US and Australia)
34. HSBC's insurance business has exposure to the oil and gas industry via investment-grade bond holdings which are excluded from these charts and tables. The majority of the credit risk of these instruments is borne by policyholders
35. Risk measure, excludes repos and derivatives. Guarantees are excluded from tables and charts. Oil & gas excludes 4Q20 guarantees of $5.2bn (3Q20: $4.9bn); Aviation excludes 4Q20 guarantees of $0.5bn (3Q20: $0.5bn); Restaurants and leisure excludes 4Q20 guarantees of $0.2bn (3Q20: $0.2bn); Retail excludes 4Q20 guarantees of $4.6bn (3Q20: $3.9bn)
36. Includes aircraft lessors. Aircraft lessors that are part of a banking group are not included in aviation exposures
37. Mainland China drawn risk exposure. Retail drawn exposures represent retail lending booked in mainland China; wholesale lending where the ultimate parent and beneficial owner is Chinese
38. Source: People's Bank of China Financial Statistics Report 2020
39. Includes offset mortgages in first direct, endowment mortgages and other products
40. Excludes Private Bank

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.

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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.