HSBC Holdings plc FY21 Results

Fixed Income Investor Presentation

FY21 Performance summary

1

Returned to growth

- 4Q21 reported revenue up **2%** vs. 4Q20; tailwinds expected from rates going forward
- Creating capacity through announced disposals in the US & France to facilitate wealth growth in Asia

2

Profits up, returns on an improved trajectory

- FY21 reported PBT of **$18.9bn**, up 115% year on year and profitable across all geographies; HSBC Bank plc (UK and Europe NRFB) adjusted PBT of **$2.2bn** and US adjusted PBT of **$0.9bn**
- **Cost stability** despite inflationary pressure; cost saving programme ahead of plan to deliver at least $5.5bn of saves
- Expect a RoTE of at least 10%[1] for FY23, a year earlier than previous expectations

3

FY21 dividends up 67% at **$0.25 per share**; we intend to initiate an **incremental up to $1bn buyback** over and above the up to $2bn buyback already in progress

A reconciliation of reported results to adjusted results can be found on slide 29, the remainder of the presentation unless otherwise stated, is presented on an adjusted basis
Figures throughout this presentation may be subject to rounding adjustments and therefore may not sum precisely to totals given in charts, tables or commentary

Progress against our ambitions

		2020	**2021**	Key ambitions
Revenue	Adjusted revenue growth, YoY	(8.3)%	**(3.2)%**	Mid single digits medium to long-term[2]
	Adjusted fee income + Insurance as a % of adjusted revenue	28%	**33%**	c.35% medium to long-term
Costs	Adjusted costs	$32.4bn	**$32.1bn**	FY22 adjusted costs in line with FY21
Returns	Reported RoTE	3.1%	**8.3%**	>10% by FY23
Capital	Group CET1 ratio[3]	15.9%	**15.8%**	c.14-14.5% medium term
	Cumulative RWA saves[4]	$61bn	**$104bn**	>$120bn by FY22
	Asia as a % of Group TE[5]	42%	**42%**	c.50% medium to long-term
	WPB as a % of Group TE[6]	25%	**27%**	c.35% medium to long-term

FY21 results summary

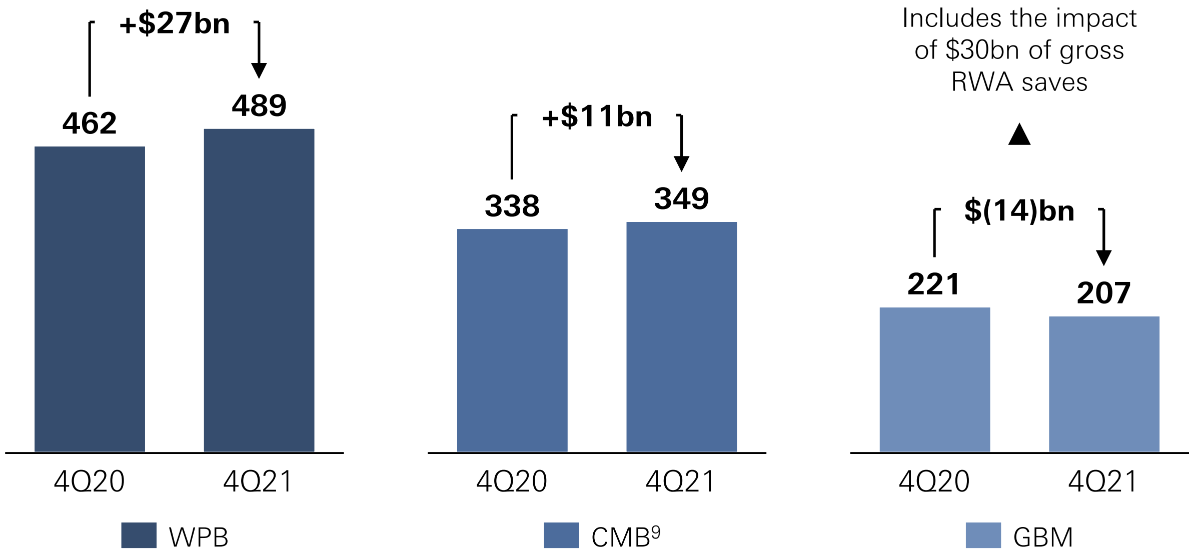
$m	FY21	FY20		Δ
NII	26,479	28,273	▼	(6)%
Non interest income	23,611	23,497	▲	0%
Revenue	50,090	51,770	▼	(3)%
ECL	928	(9,282)	▼	>100%
Costs	(32,148)	(32,409)	▼	1%
Associates	3,046	2,192	▲	39%
Adjusted PBT	**21,916**	**12,271**	▲	**79%**
Significant items and FX translation	(3,010)	(3,494)	▼	(14)%
Reported PBT	**18,906**	**8,777**	▲	**>100%**
Reported profit after tax	14,693	6,099	▲	>100%
Profit attributable to ordinary shareholders	12,607	3,898	▲	**>100%**
Reported EPS, $	0.62	0.19	▲	$0.43
DPS[7], $	0.25	0.15	▲	$0.10
Reported RoTE, %	8.3	3.1	▲	5.2ppts

$bn	FY21	FY20		Δ
Customer loans	1,046	1,022	▲	2%
Customer deposits	1,711	1,620	▲	6%
Reported RWAs	838	858	▼	(2)%
CET1 ratio[8], %	15.8	15.9	▼	(0.1)ppts

- **Reported PBT of $18.9bn up $10.1bn vs. FY20,** primarily from ECL releases and higher share of profit from associates, partly offset by lower revenue
- **All regions were profitable in 2021**, notably HSBC UK Bank plc, where reported profit before tax increased by $4.5bn to $4.8bn
- **NII down 6%** from the impact of lower interest rates
- **ECL release of $0.9bn,** reflecting an improvement in the economic conditions vs. 2020. 4Q21 ECL charge of $0.5bn, which included an increase in allowances to reflect recent developments in the China CRE sector
- **Costs of $32.1bn down $0.3bn (1%) vs. FY20,** costs ex. bank levy up $0.4bn (1%) as cost saves were offset by higher performance related pay and investment in technology
- **Reported RoTE** of 8.3% benefitted from ECL releases over FY21
- **Customer lending** increased by $24bn, driven by mortgages in the UK and Hong Kong

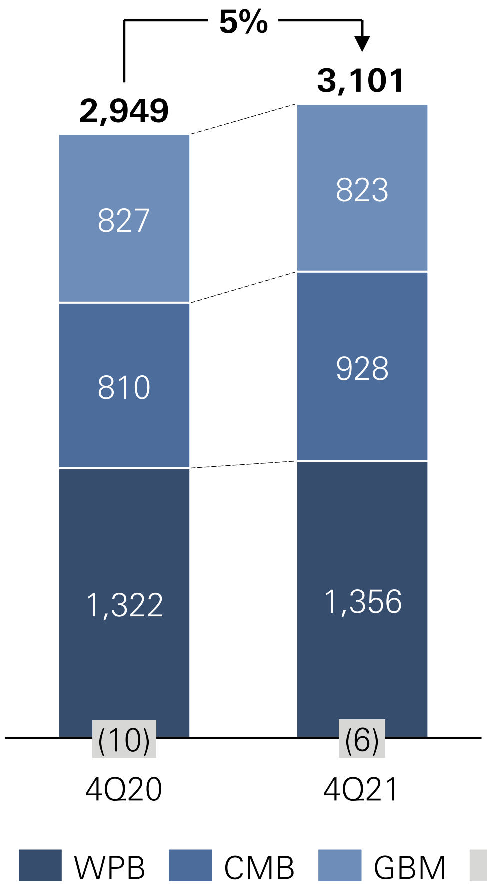
Loan and fee growth

Customer lending by global business, $bn



- **WPB and CMB combined lending up $38bn (5%) YoY**, offset by planned GBM reductions
- Strong lending growth in **WPB, up $27bn (6%)**, mainly from mortgages (up $23bn)
- **CMB up $11bn (3%)** largely in Asia across trade and term lending
- **GBM down $14bn (6%)**, mainly in Europe in part due to the impact of strategic actions to focus our business on international clients

Net fee income by global business, $m



- Group net fee income **up 5%** YoY, mainly in CMB
- **WPB fees up 3% vs. 4Q20** primarily in Personal Banking
- **CMB fee income increased 15% vs. 4Q20**, across all products, particularly GLCM
- **GBM fees stable vs. 4Q20** as higher fees in Banking were offset by lower fees in MSS. FY21 GBM fees up **9%** vs. FY20

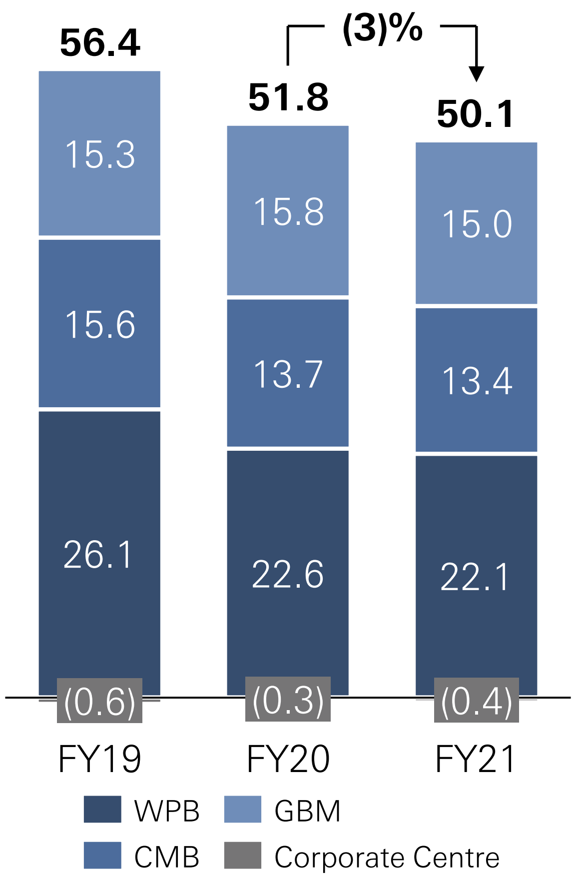
FY21 adjusted revenue performance

FY21 revenue / FY21 vs. FY20

					FY21 vs. FY20
WPB	$22,110m ▼	(2)%	Wealth	$9,123m	1,119 (o/w insurance market impacts: $434m)
			Personal Banking	$12,254m	(1,076)
			Other	$733m	(504)
CMB	$13,415m ▼	(2)%	GTRF	$1,945m	161
			Credit and Lending	$6,052m	224
			GLCM	$3,575m	(677)
			Other	$1,843m	(11)
GBM	$15,002m ▼	(5)%	MSS	$8,288m	(709) (o/w XVAs and bid-offer adjustment: $401m)
			Banking	$6,610m	(138)
			of which: GLCM	*$1,838m*	*(196)*
			Principal Investments	$377m	262
			Other	$(273)m	(181)
Corp. Centre	$(437)m				(150)
Group	$50,090m ▼	(3)%			(1,680): NII (1,794), Non-NII 114

NII | Non-NII

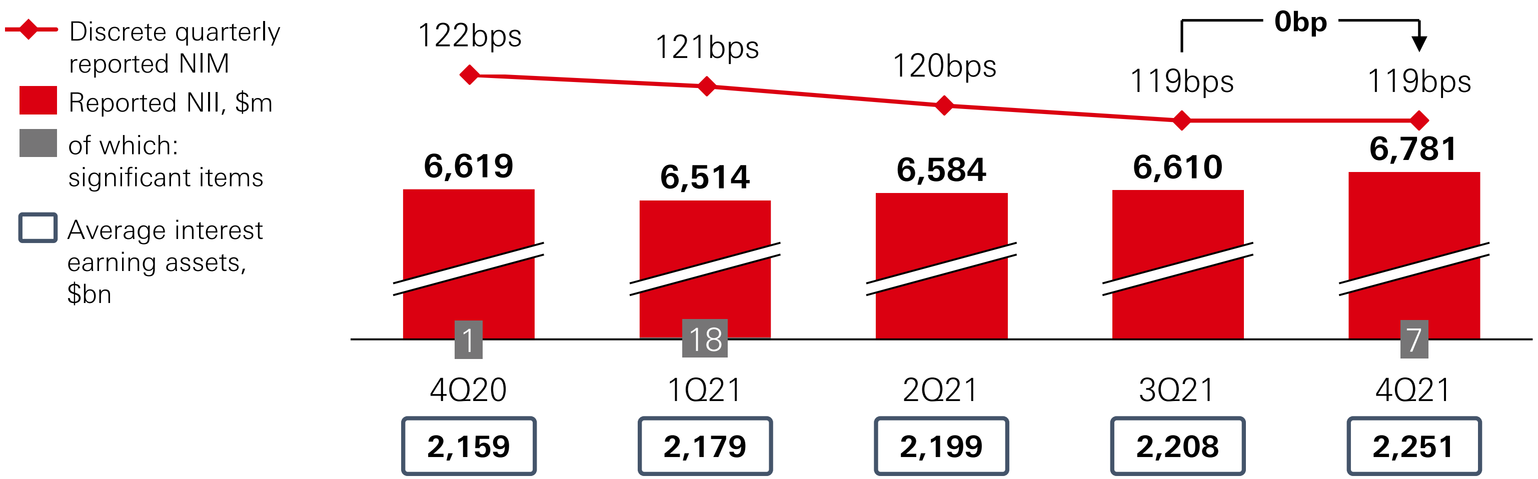
Revenue by global business, $bn



Net interest income and margin

Reported NIM progression, bps

Reported NIM trend



- **4Q21 reported NII of $6.8bn, up $0.2bn (3%) vs. 3Q21;** mainly driven by higher yields on customer loans as well as growth in AIEAs
- **4Q21 NIM of 1.19%** was unchanged from 3Q21 as the impact from higher asset yields was offset by adverse changes in asset mix
- **Significantly improved interest rate outlook**

Net interest income sensitivity – main drivers and assumptions

NII sensitivity[10] to instantaneous change in yield curves (12 months)

At 31 December 2021

Change from Jan 2022 to Dec 2022	Currency					
	USD	**HKD**	**GBP**	**EUR**	**Other**	**Total**
	$m	$m	$m	$m	$m	$m
+25bps parallel	125	265	420	106	393	**1,309**
-25bps parallel	(257)	(536)	(594)	(170)	(395)	(1,952)
+100bps parallel	458	1,054	1,739	632	1,532	**5,414**
-100bps parallel	(466)	(1,020)	(2,070)	(595)	(1,610)	(5,761)

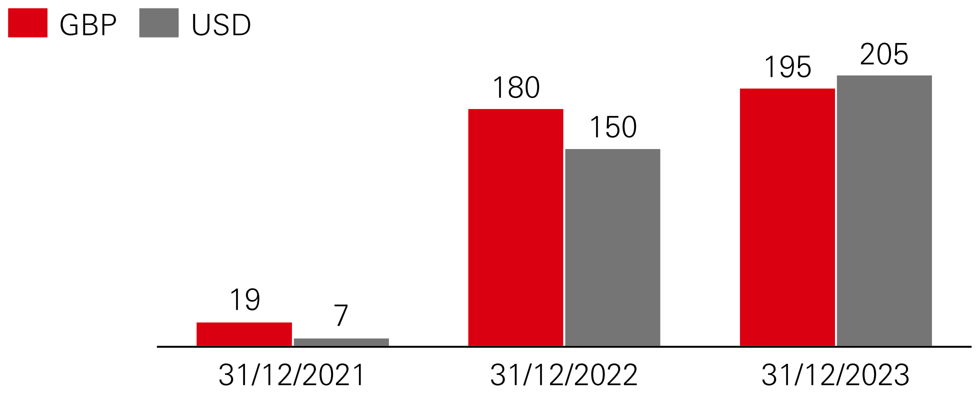
NII sensitivity[10] to instantaneous change in yield curves (5 years), $m

At 31 December 2021

Cumulative change from Jan 2022 to Dec 2026	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Total**
	$m	$m	$m	$m	$m	$m
+25bps parallel	**1,309**	1,758	1,896	2,002	2,141	9,106
-25bps parallel	(1,952)	(2,324)	(2,593)	(2,687)	(2,845)	(12,401)
+100bps parallel	**5,414**	6,738	7,492	7,937	8,359	35,941
-100bps parallel	(5,761)	(7,664)	(8,675)	(9,354)	(9,603)	(41,057)

- We have simplified the basis of preparation for our disclosure for FY21, and have made a simplified **50% pass-through assumption on deposits** for illustration purposes, excluding non interest-bearing current accounts (average 4Q21 NIBCA balances of $331bn*)
- HSBC remains **most sensitive to movements in GBP and HKD rates** due to high liquidity balances in GBP, as well as short re-pricing tenors and cash in the HKD denominated balance sheet
- The structure of our balance sheet makes us particularly sensitive to movements in short-term rates — most assets reprice in **under 1 year**

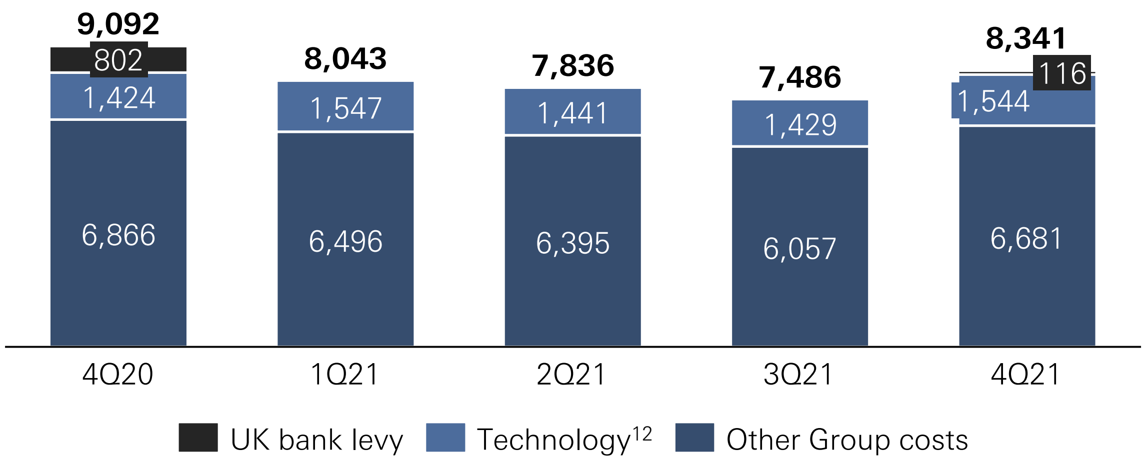
Market-implied path of overnight interest rates[11], bps



* Please refer to slide 32 for additional detail on deposits by type

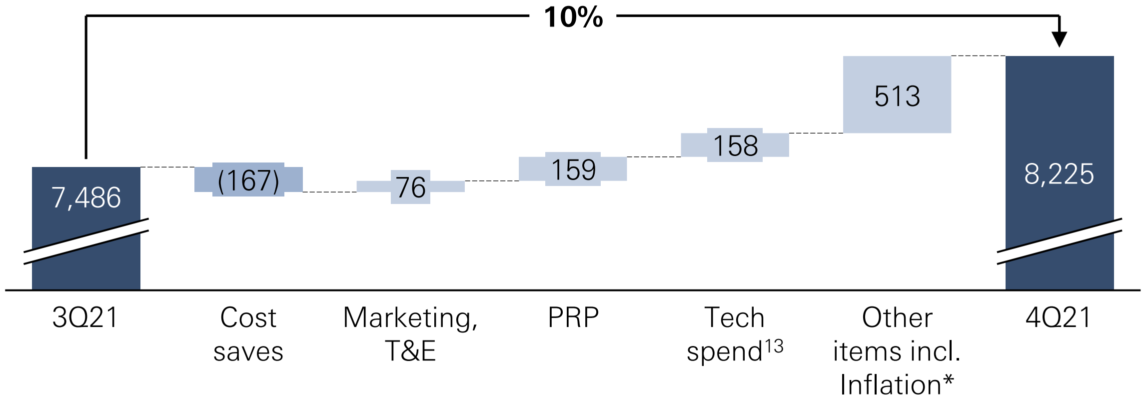
Adjusted costs

Operating expenses trend, $m

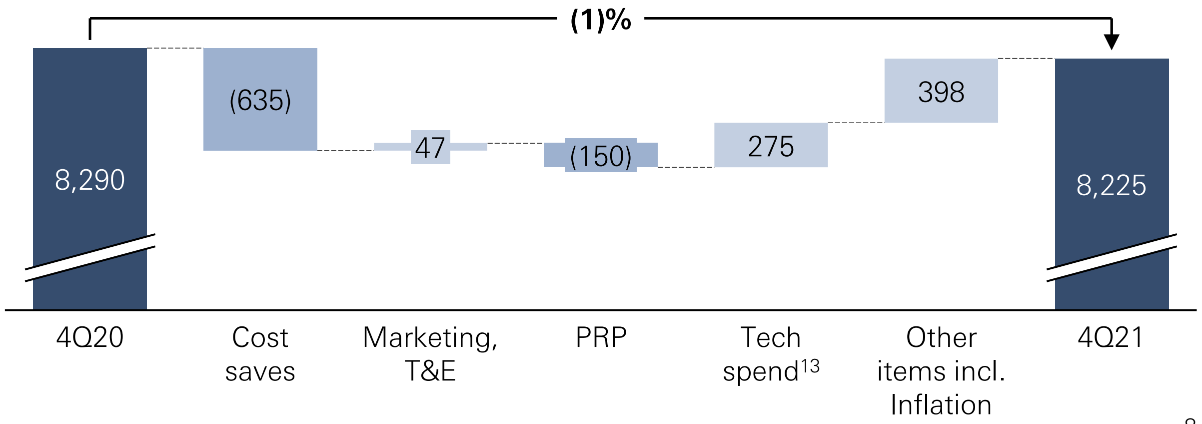


- **4Q21 costs (excl. levy) of $8.2bn modestly down vs. 4Q20**, primarily due to cost saves of $0.6bn and lower performance-related pay (PRP), partially offset by increased technology spend
- **4Q21 costs (excl. levy) were up $0.7bn (10%) vs. 3Q21**, from a variety of factors, including: seasonality, one-offs, increased PRP and technology spend
- **UK bank levy** of $116m, lower than previously guided due to a credit of $112m relating to previous years; continue to expect c.$300m per annum going forward
- **4Q21 cost saves** of $0.6bn had associated CTA of $0.6bn; **cost saves to date of $3.3bn** and associated CTA spend of $3.6bn

4Q21 vs. 3Q21 (excl. levy), $m



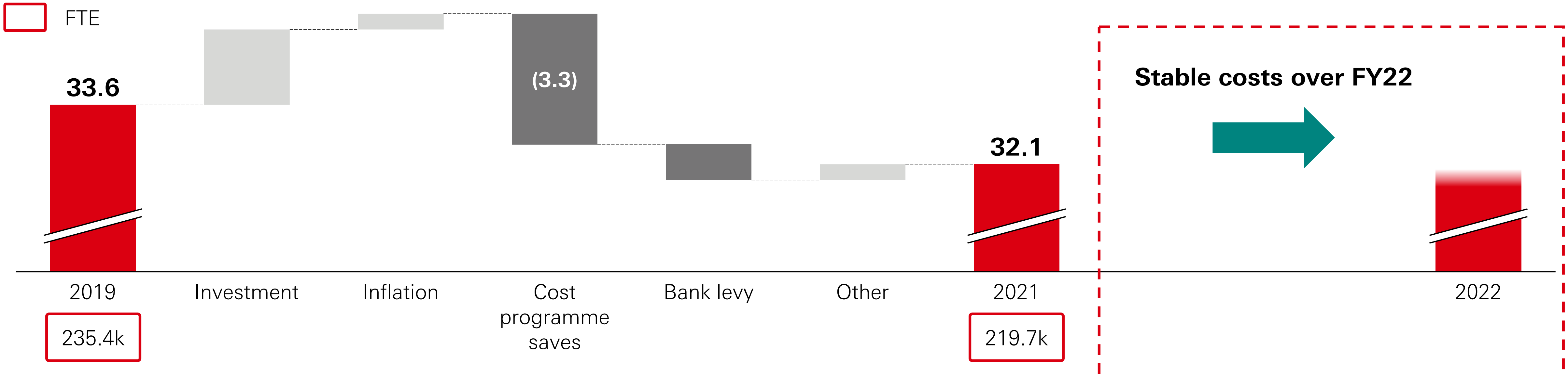
4Q21 vs. 4Q20 (excl. levy), $m



* Other includes c.$290m of seasonality and timings of costs, c.$150m of one-offs and litigation charges and c.$60m of investment and business growth

Cost programme progress

Adjusted costs, $bn

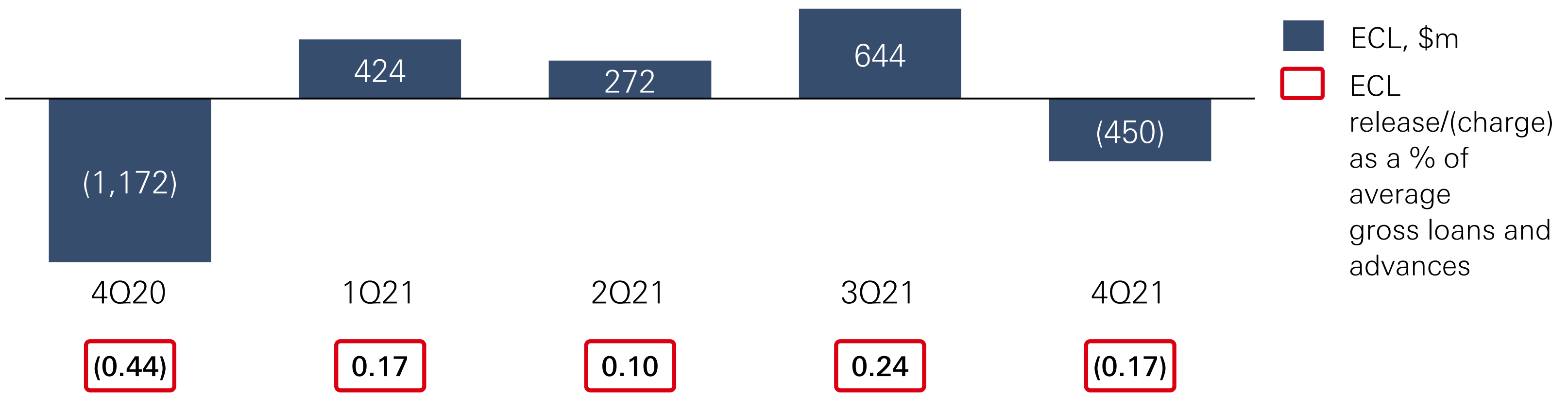


- Programme **cost saves to date of $3.3bn** and associated CTA spend of $3.6bn; c.60% completion of announced cost programme
- Technology spend of **$6.0bn**[12], up **6%** vs. FY20
- **Expect CTA spend of c.$3.4bn over FY22, expected to generate >$2bn of cost saves;** with total CTA programme spend of **$7bn** and cost saves of at least **$5.5bn** by FY22
- Expect **at least $0.5bn** of further cost savings in 2023 from the 2022 CTA programme. The net impact of recent acquisitions and disposals on costs for 2023 is broadly neutral

- Targeting FY22 adjusted costs **in line** with FY21
- We intend to manage cost growth within a **0 – 2%** range in FY23[14], mitigating inflation with cost saves

Credit performance

Adjusted ECL release/(charge) trend



ECL release/(charge) by geography, $m

	4Q21	3Q21
Hong Kong*	(480)	(37)
Mainland China	(49)	(38)
Other Asia	1	(30)
UK RFB	230	551
HSBC Bank plc	46	93
Mexico	(144)	(12)
Other	(54)	117
Total	**(450)**	**644**

ECL release/(charge) by stage, $bn

4Q21	Stage 1-2	Stage 3	Total**
Wholesale	(0.2)	(0.2)	**(0.5)**
Personal	(0.0)	(0.1)	**(0.1)**
Total	**(0.3)**	**(0.3)**	**(0.5)**

- **4Q21 ECL charge of $450m**, primarily from Stage 2 charges reflecting recent developments in China's CRE market, with releases in the UK and Europe
- Mexico 4Q21 charge at a more normalised level and reflecting **business growth**
- Personal charges continue to be **benign**
- We retain **$0.6bn** of our Covid-19 related ECL uplift reserves on the balance sheet (c.15% of original Covid-19 reserve); **down from $1.2bn** at 3Q
- ECL charge of $0.5bn includes $0.6bn Stage 2 charges, $0.3bn Stage 3 charges and $0.3bn of Stage 1 reserve releases
- **Stage 3** loans and advances to customers as a % of total loans is **1.8%; stable** vs. 3Q21
- FY21 ECL net release of **$0.9bn**
- Expect ECL charge to **normalise** towards 30bps of average loans **in FY22**[15]

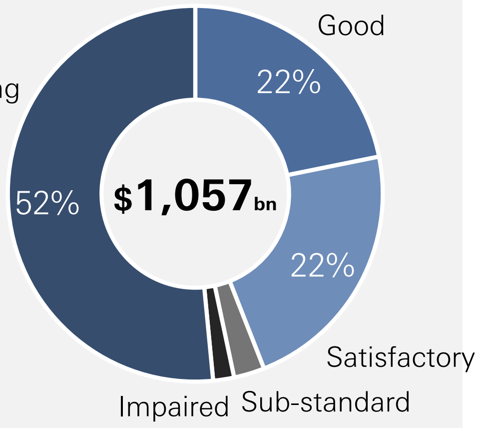
* 4Q21 charge largely relates to offshore China CRE exposures booked on Hong Kong balance sheets
** Total includes an additional $0.2bn ECL release attributed to other assets, which are not staged

Asset quality (reported)

Gross loans and advances to customers

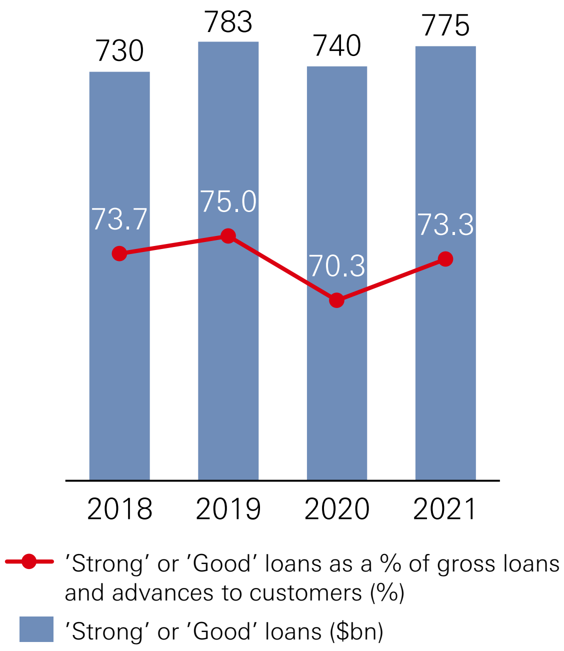
By credit quality classification

At 31 December 2021



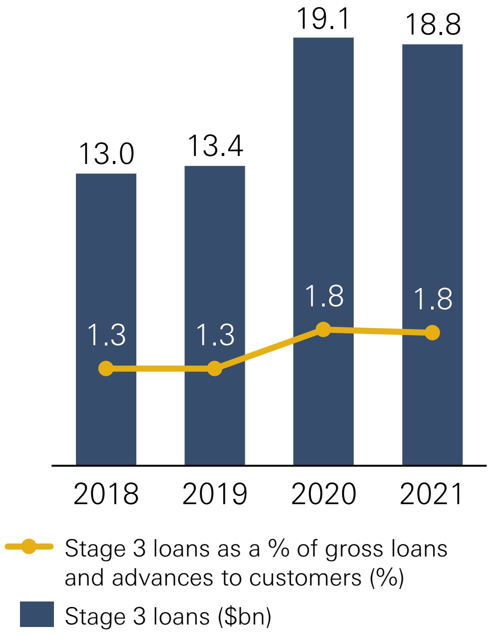
Strong	CRR 1-2
Good	CRR 3
Satisfactory	CRR 4-5
Sub-standard	CRR 6-8
Credit impaired	CRR 9-10

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



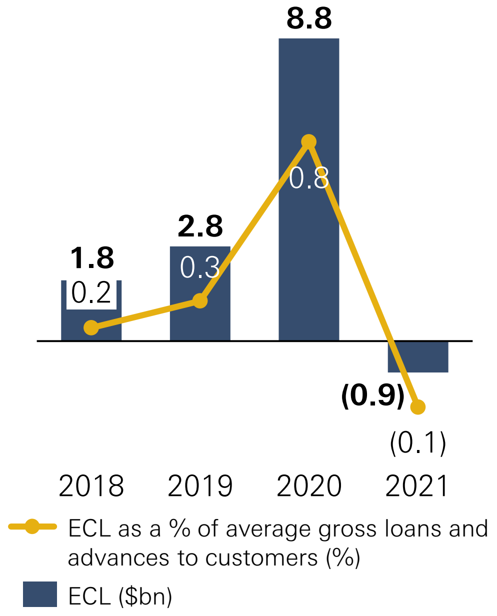
Strong or Good loans as a % of gross loans and advances to customers increased to 73.3% following improvements in credit quality

Stage 3 and impaired loans and advances to customers



Stage 3 loans as a % of gross loans and advances to customers of 1.8% at FY21

ECL charge (release)

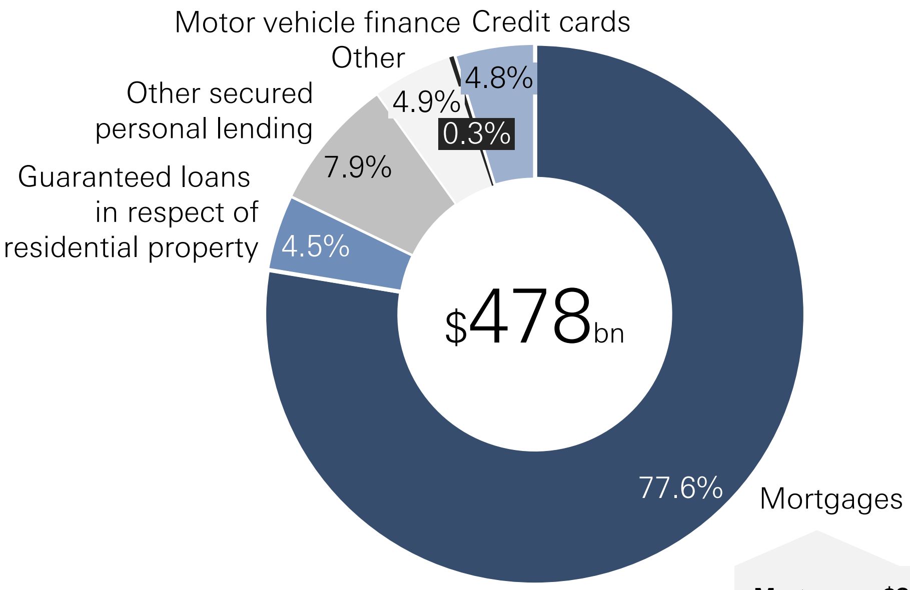


Net ECL release of $0.9bn in FY21

Customer loan book (reported)

At 31 Dec 2021

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

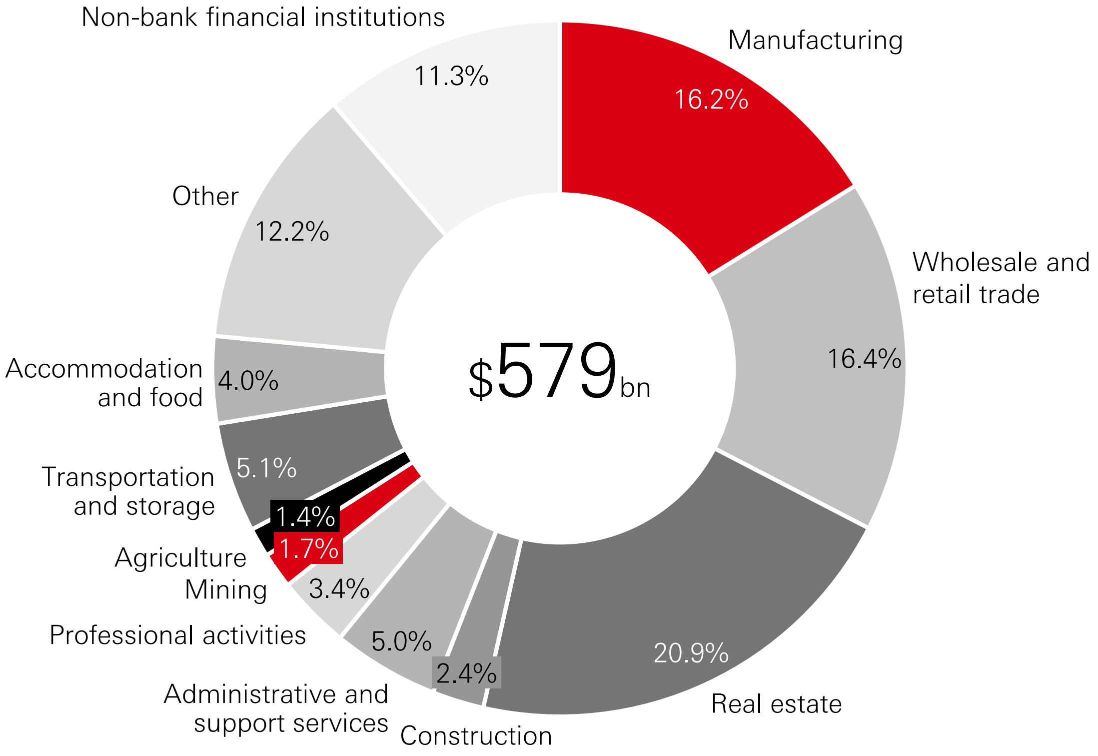


Mortgages: $371bn
Of which:
Interest-only: $31bn[16]

Retail mortgage average LTVs (portfolio, indexed)

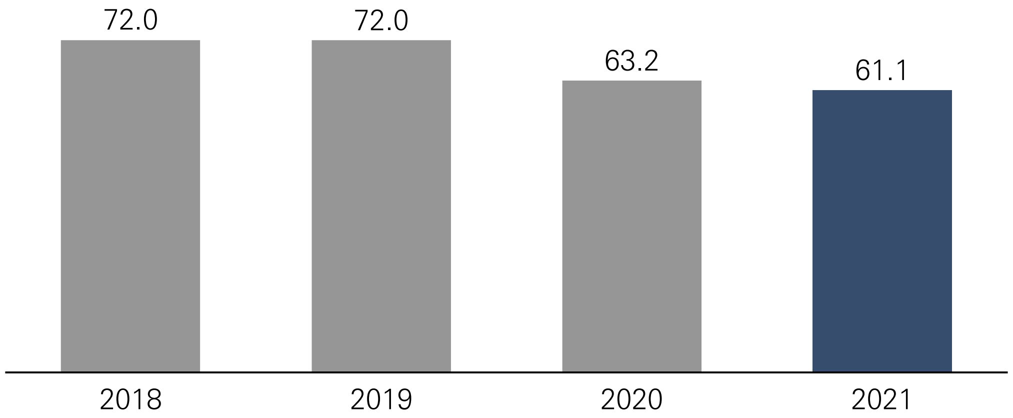
UK: 51%	HK: 47%
New lending: 67%	*New lending: 62%*

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

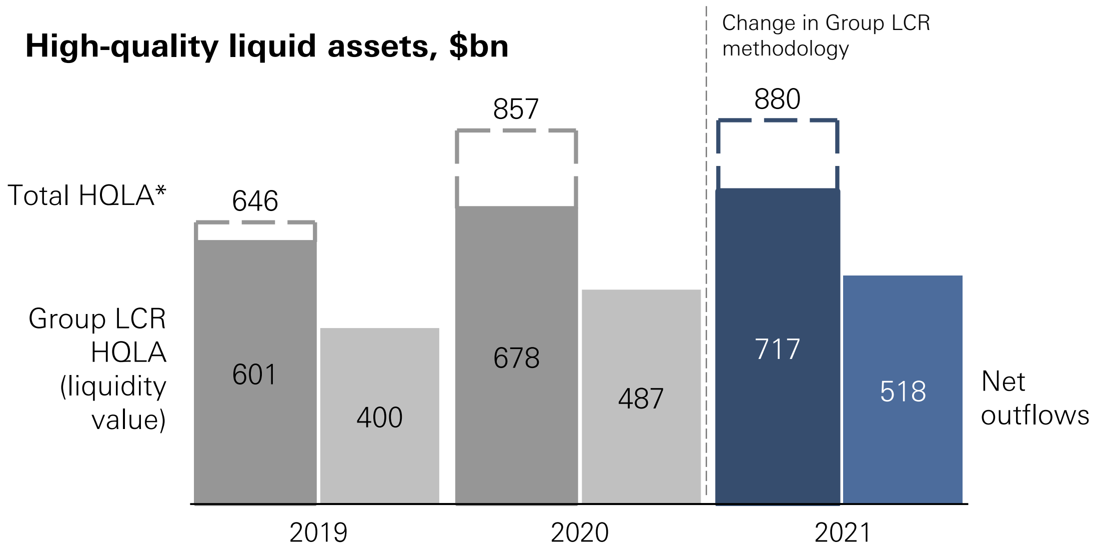


Funding and liquidity

Reported loans to deposits ratio, %



High-quality liquid assets, $bn



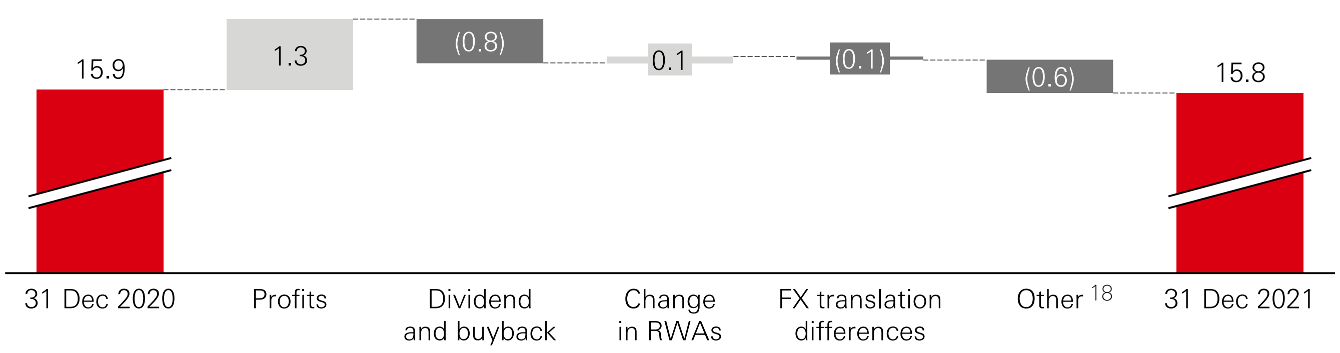
Principal operating entities	LCR		NSFR	
%	2021	2020	2021	2020
HSBC UK Bank plc (RFB)	241	198	178	164
HSBC Bank plc (NRFB)	150	136	107	124
Hongkong and Shanghai Banking Corp, HK branch	154	195	135	146
Hongkong and Shanghai Banking Corp, Singapore branch	179	162	145	135
HSBC Bank China	141	232	130	158
Hang Seng Bank	169	212	144	151
HSBC Bank USA	119	130	140	130
HSBC Continental Europe[17]	145	143	128	130
HSBC Bank Canada	119	165	123	136
HSBC Bank Middle East – UAE Branch	210	280	146	164
HSBC Mexico	200	198	141	139
Group consolidated	138	139	-	-

- During FY21 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
- This revised approach was used to assess the limitations in the transferability of entity liquidity around the Group and resulted in an adjustment of $163bn to LCR HQLA and $9bn to LCR inflows. This reflected an increase in the HQLA adjustment of $62bn
- The principal operating entities continue to retain significant surplus liquidity, resulting in heightened liquidity coverage ratios in FY21
- In addition to regulatory metrics HSBC uses an internal liquidity metric which is more detailed and tailored to HSBC's structure

* The difference between total HQLA and Group LCR HQLA is the surplus liquidity in subsidiaries not counted towards Group HQLA

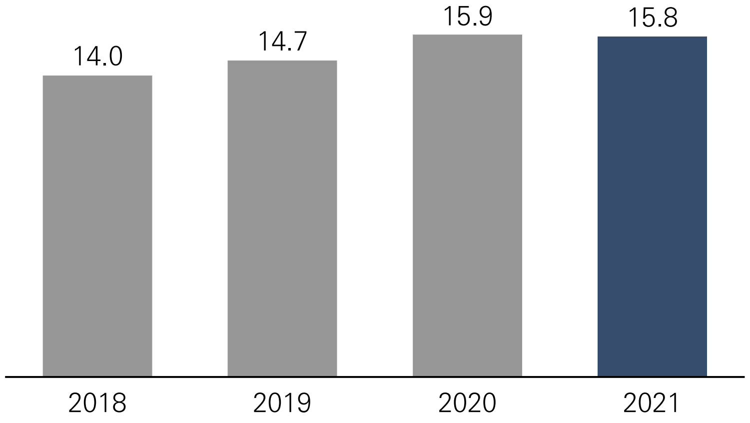
Capital position

FY21 vs. FY20 CET1 ratio movement, %

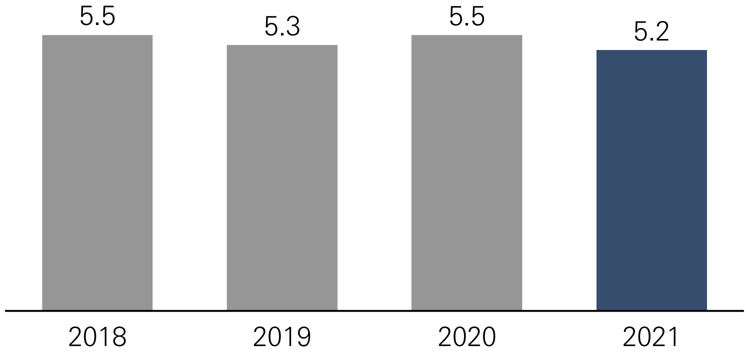


- **CET1 ratio of 15.8% down 0.1ppts vs. FY20** as profits were offset by capital returns:
  - Includes FY21 dividend of $0.25 per share
  - Includes the impact of c.25bps from the share buyback of up to $2bn announced at 3Q21
  - Excludes intended up to $1bn incremental buyback impact of c.12bps
- **Reported RWAs of $838bn down $14bn** vs. FY20
- Cumulative **RWA saves** of $104bn[4], we expect to exceed our original FY22 target of >$110bn of saves

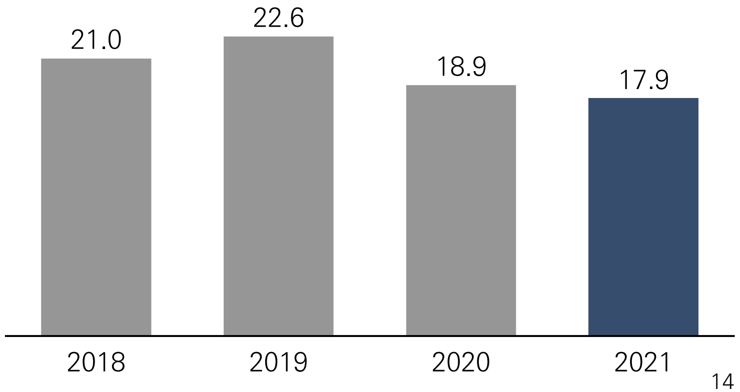
CET1 ratio



Leverage ratio[19]

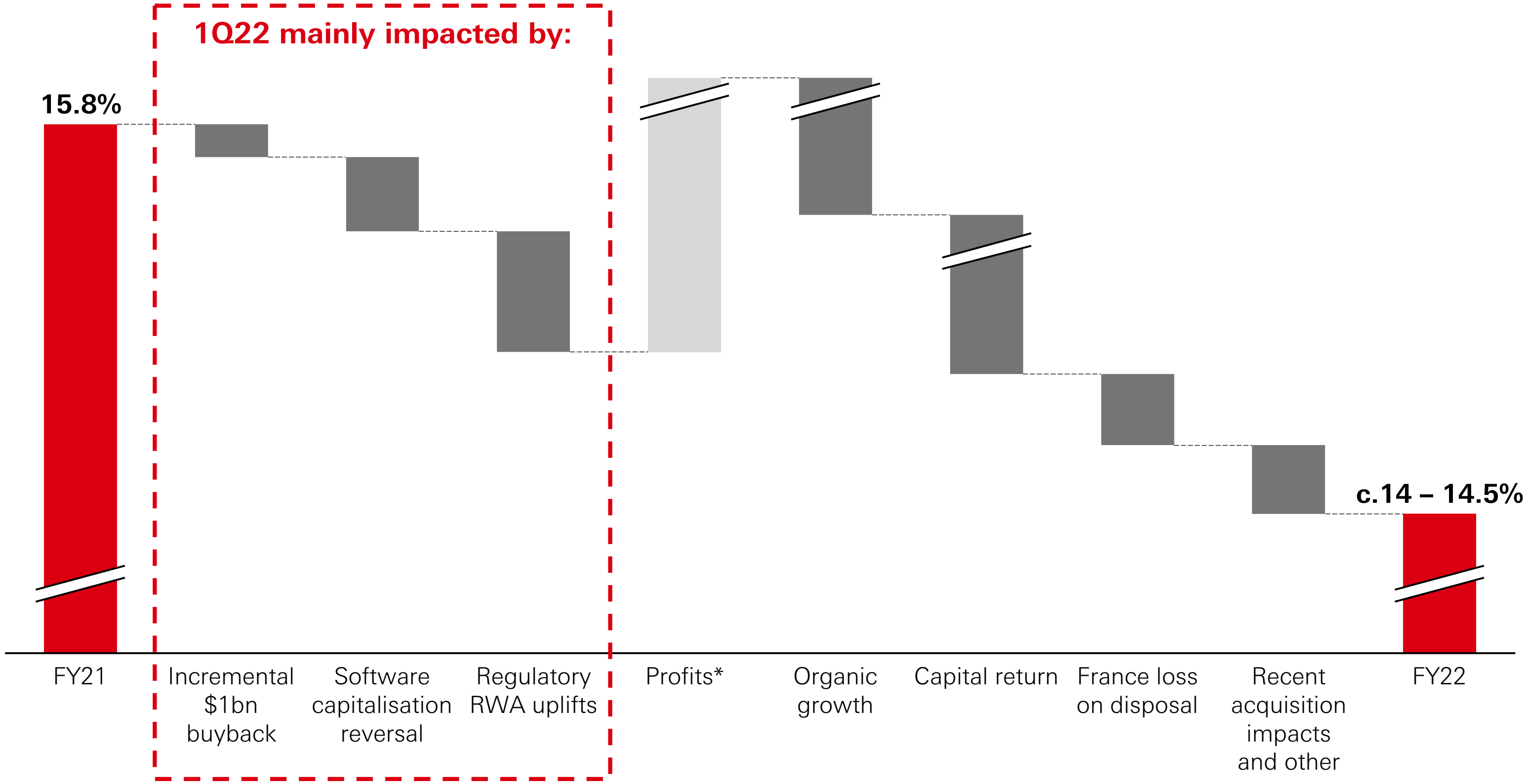


Pre-ECL net operating income[20], $bn



Path to CET1 target

CET1 ratio evolution

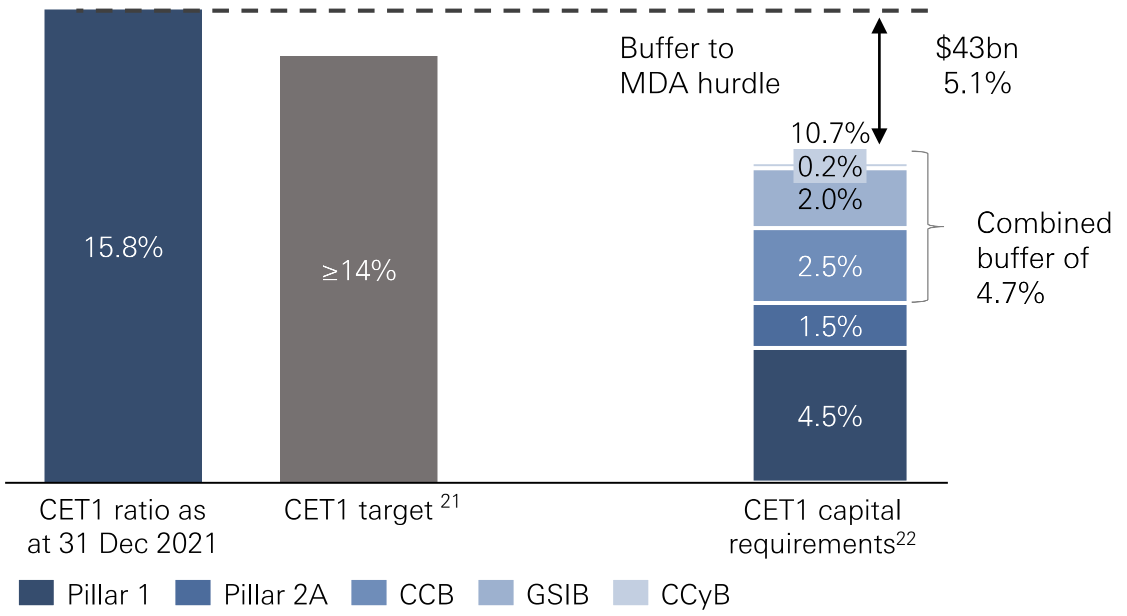


- Aim to transition to **c.14 — 14.5% CET1 ratio** planning range by FY22
- Target CET1 ratio to be met **primarily via organic and inorganic growth, capital return,** and regulatory impacts
- Expect CET1 ratio to be adversely **impacted** by a number of items:
  - **c.12bps** from intended up to **$1bn** incremental buyback
  - **c.25bps** from software capitalisation benefit reversal from 1-Jan-22
  - **c.45bps** impact from **c.3% RWA inflation** from other regulatory and policy changes during 1Q22
  - **c.30bps** loss on sale of France retail, during 3Q22
  - **c.15bps** impact from recent acquisitions (AXA Singapore, L&T Investment Management, HSBC Life China), of which **roughly half** are expected to occur in 1Q22

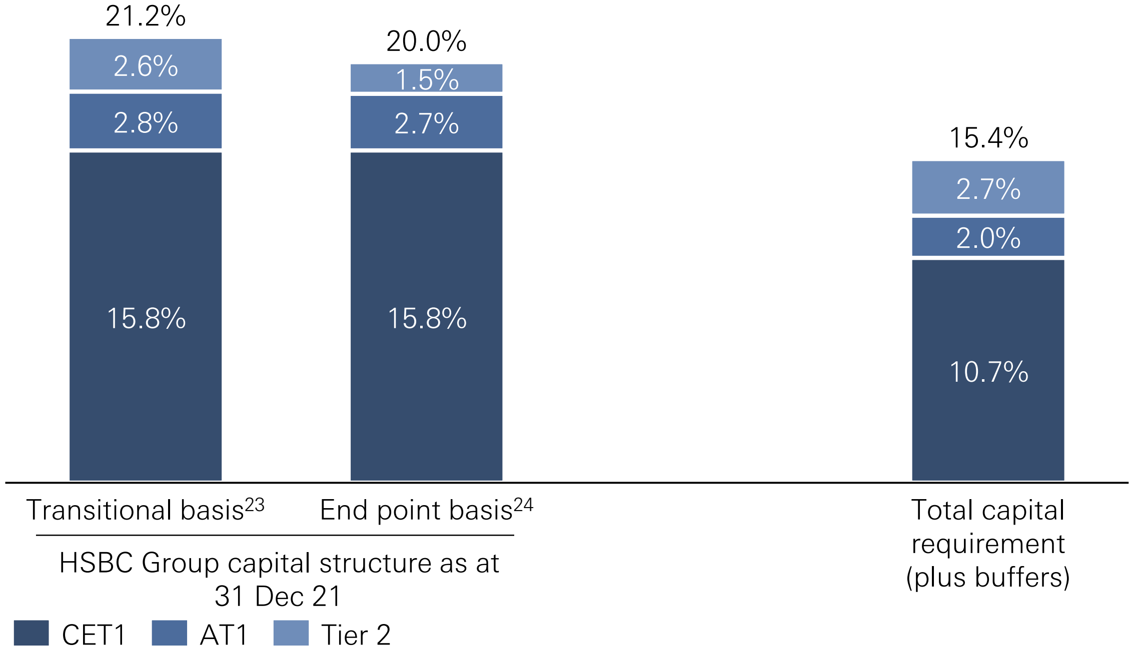
Bars in chart are illustrative and not to scale
* Profits are net of AT1 coupon payments and includes 1Q22 profits

Capital position versus requirements

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



Regulatory capital vs. regulatory requirements as a % of RWAs

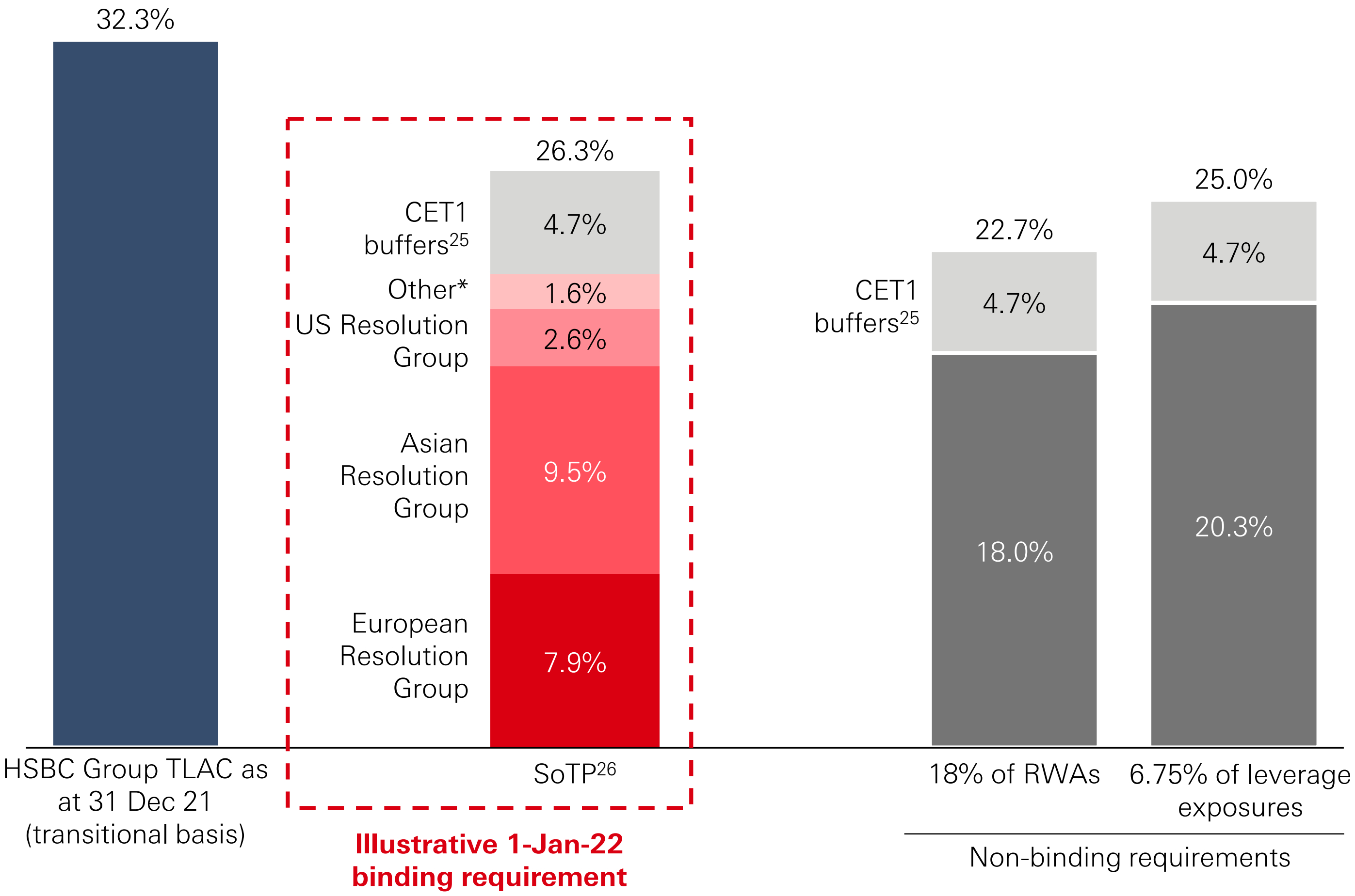


- **Pillar 2A set nominally at $22.5bn** (total capital), equivalent to 2.7% of FY21 RWAs, of which 1.5% must be held in CET1; this is a decrease from the previous P2A of $24.4bn, equivalent to 2.9% RWAs, of which 1.6% CET1
- The increase to the UK **CCyB** from 0% to 1% as announced by the FPC, effective from 13-Dec-22, is expected to increase HSBC Group's CCyB by c.20bps

- **Distributable reserves were $32.2bn**, up from $31.3bn at 31 Dec 2020, primarily driven by profits generated of $10.8bn, offset by ordinary dividends and AT1 coupons of $5.8bn, other reserves movements of $2.1bn and $2bn related to our share buy-back programme

MREL/TLAC position versus requirements

MREL/TLAC position versus estimated 1 Jan 22 MREL/TLAC requirements as a % of Group RWAs (using reported figures as at 31 Dec 21)



- HSBC Group's 2022 MREL requirement[27] is the greater of:
  - 18% of RWAs
  - 6.75% of leverage exposures[28]
  - The sum of requirements relating to each Resolution Group and other Group entities ('SoTP')
- Using reported figures as at 31 Dec 21, the illustrative 1 Jan 22 binding constraint for the MREL requirement is the SoTP
  - Note: this does not include the impact of upcoming changes in regulations during 2022 on RWAs or leverage exposures, which could impact these requirements
- From 1 Jan 22 the Group and ERG leverage ratio requirements were reduced as the requirement is now only applicable to the UK leverage exposure (which excludes central bank balances)
- The binding constraint for end-state MREL requirements will be contingent upon factors such as the finalisation of the European resolution group Pillar 2A
- SoTP components do not necessarily show what is binding for each resolution group. Additional CET1 buffers may apply at entities below the resolution entity

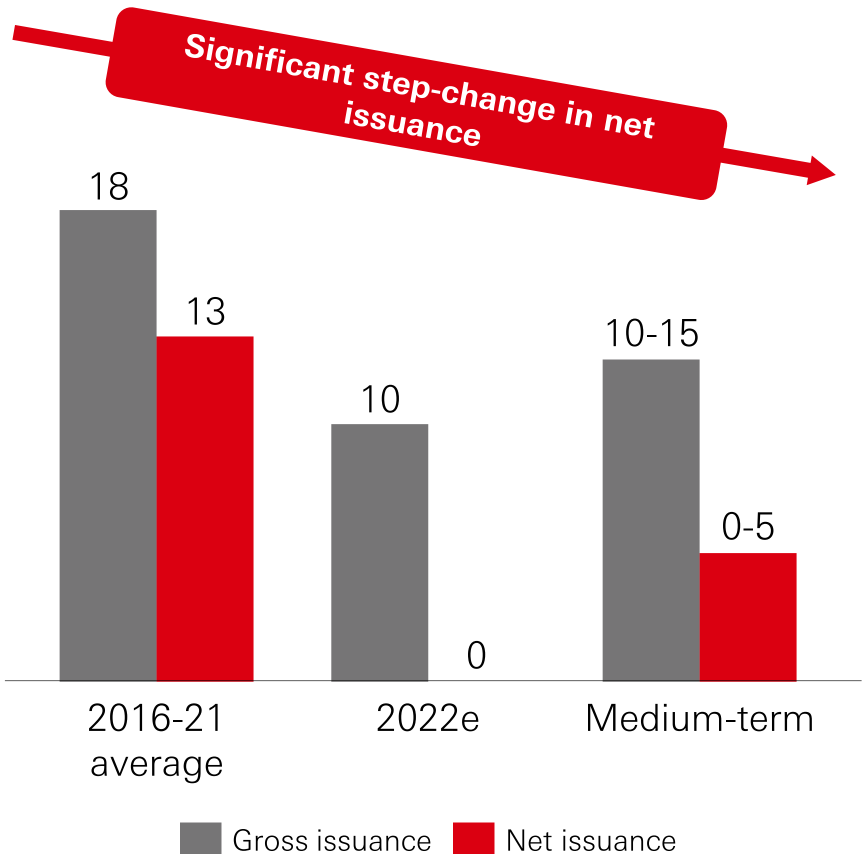
* Capital or TLAC requirements relating to other Group entities

Note: the requirements in the chart exclude P2B

Issuance plan – MREL build complete

Limited net new issuance going forward

HoldCo Senior gross and net issuance, $bn-equivalent



2022 issuance plan[29]

HoldCo Senior	~$10bn on a gross basis, c.$0bn net
Tier 2	~$4bn gross, expecting to return to the Tier 2 market for the first time in over five years
AT1	Limited needs in 2022
OpCo	Expect certain subsidiaries to issue senior and secured debt in local markets to meet funding and liquidity requirements

2021 issuance

2021 issuance and redemptions

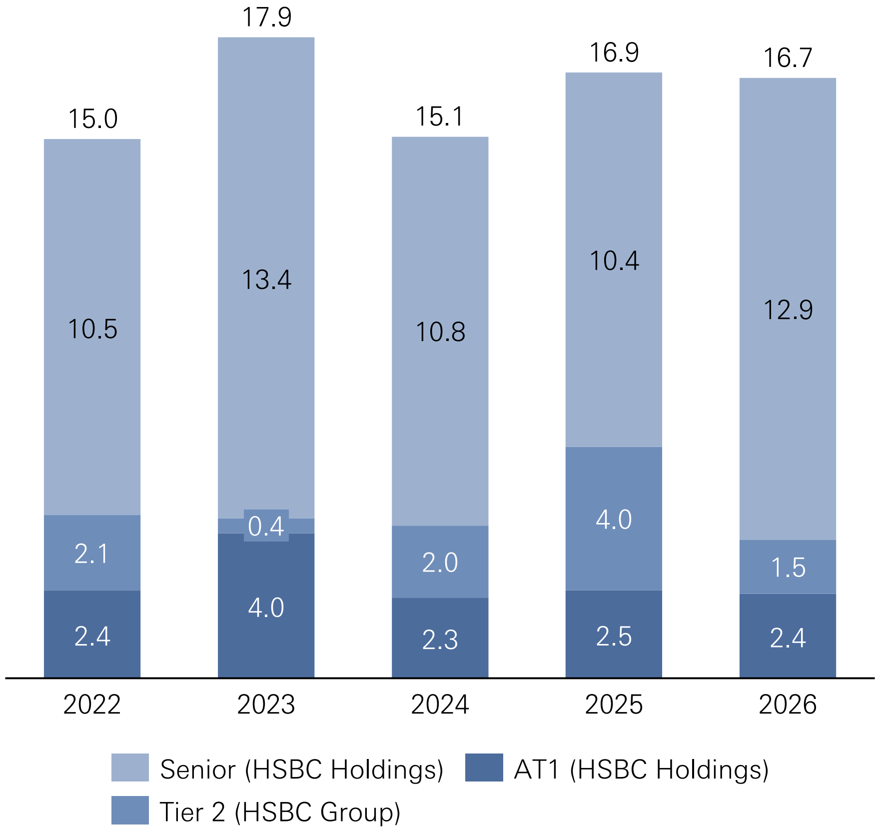
	2021 issuance plan	Issued		Redeemed
HoldCo Senior	c.$15bn on a gross basis	$13bn plus $6bn 2022 pre-financing	✓	$5bn
Tier 2	No plans	-	✓	-
AT1	Broadly limited to refinancing	$2bn	✓	$2bn AT1 $1.45bn preference share (refinanced in Dec-20)

- Met issuance target plus some opportunistic pre-financing of 2022
  - Issued $6bn to pre-finance $5.8bn of 1Q22 HoldCo senior calls and maturities
- Net nil AT1 issuance in 2021
- Making conscious effort to further diversify currency mix of issuance:
  - Further diversify the investor base
  - Reduce primary load on USD market (~75-85% of issuance in recent years)
  - Capitalise on name recognition, notably in Asian markets
  - Issued inaugural CHF, CNH and HKD deals in FY21
- IBOR consent solicitation offered in 2H21 for English law GBP and SGD capital and senior MREL securities

Portfolio instruments

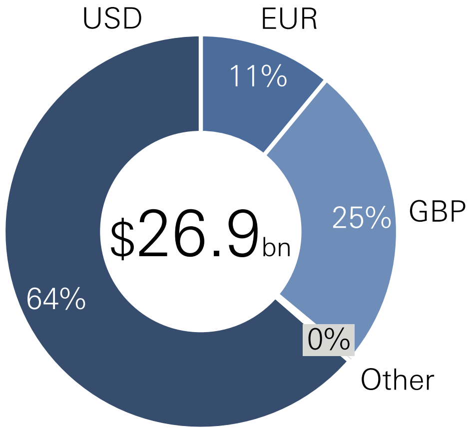
Maturity profile at FY21[30]

$bn-equivalent

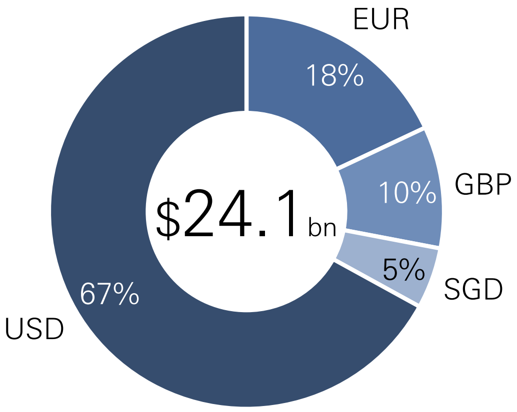


Outstanding instruments by currency (notional) at FY21

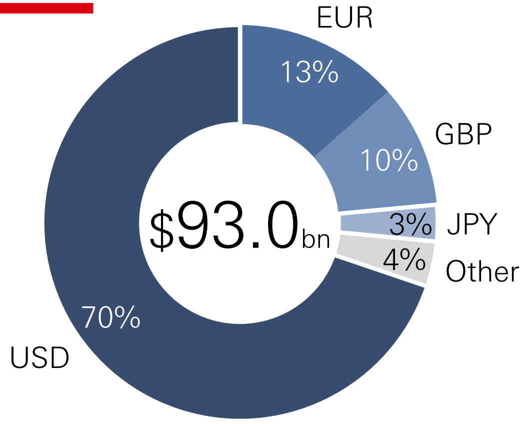
Tier 2



Additional Tier 1



HoldCo senior



Legacy securities

Instruments ineligible as capital or Group MREL (notional)

	Ineligible from 1-Jan-22		Ineligible from 29-Jun-25	
	Capital & MREL	MREL only	Capital & MREL	Capital only
HoldCo AT1	0.9	-	-	-
OpCo AT1	0.9	-	-	-
HoldCo Tier 2	-	-	6.7*	-
OpCo Tier 2	0.5	6.0**	-	2.3**
Total	**2.3**	**6.0**	**6.7**	**2.3**

- **$2.3bn of securities lost capital and Group MREL eligibility post 2021** due to CRR1 grandfathering:
  - $1.8bn of step-up Tier 1, fully derecognised
  - $0.5bn of step-up Tier 2, fully derecognised
  - No infection risk[31] crystallised following end of 2021 grandfathering period
- **$6.0bn of OpCo Tier 2 lost Group MREL recognition post 2021**[32]:
  - These instruments lost Group MREL recognition but retain full Tier 2 treatment (subject to grandfathering provisions for some of them)
- **$9.0bn of Tier 2 securities lose capital eligibility in 2025** due to CRR2 grandfathering:
  - $6.7bn potentially eligible as MREL under permanent grandfathering provisions in CRR2
  - Expect to cover the loss of Tier 2 value with new issuance over period to 2025
  - Any infection risk[31] can be dealt with via voluntary de-recognition of securities from MREL, subject to regulatory approval

* Derecognised from Group MREL if dealt with via voluntary de-recognition of securities from MREL, subject to regulatory approval
** The $6.0bn includes the $2.3bn which will become ineligible for capital from June 2025 onwards. The $2.3bn includes one instrument ($0.3bn) which matures in May 2025.

IBOR – regulatory capital & MREL securities

Consent solicitation, September 2021

GBP English law securities

- Consent **exercise passed** to alter reference rate for post-call coupons on a number of bonds issued by a number of group entities
- Used established market convention - GBP LIBOR substituted with SONIA plus credit spread adjustment
- Added fallbacks that consider the new reference rate

ISIN	Issuer	Type	Initial coupon	Pre-consent post-call coupon	Post-consent post-call coupon
XS0179407910	HSBC Bank Capital Funding (Sterling 1) L.P.	Legacy Tier 1	5.844%	6m GBP LIBOR + 1.76%	O/N SONIA + 2.037%
XS0204377310	HSBC Bank plc	Legacy Tier 2	5.375%	3m GBP LIBOR + 1.5%	O/N SONIA + 1.619%
XS1716248197	HSBC Holdings plc	Senior MREL	2.256%	1Y GBP mid-swap (vs 6m GBP LIBOR) + 1.04%	1Y GBP mid-swap (vs SONIA) + 1.317%

SGD English law securities

- Consent **exercise failed** due to lack of quorum
- All SGD English law securities remain fixed rate until their first call date, utilisation of IBOR only arises if HSBC chooses not to exercise its call option
- Continue to evaluate whether there are any further options to remediate

Remaining securities – USD, JPY, and GBP (NY law) securities

- Evaluating legislative solutions, fallbacks, and any other relevant options for USD New York law securities
- GBP New York law securities remain difficult to remediate fully given lack of consent option and no current legislative solution to transition these securities
- Continue to evaluate options for USD English law and JPY Japanese law securities
- We remain committed in seeking to remediate or mitigate relevant risks relating to IBOR-demise, as appropriate, on our outstanding regulatory capital and MREL instruments before the relevant calculation dates, which may occur post cessation of the relevant IBOR rate or rates

Appendix

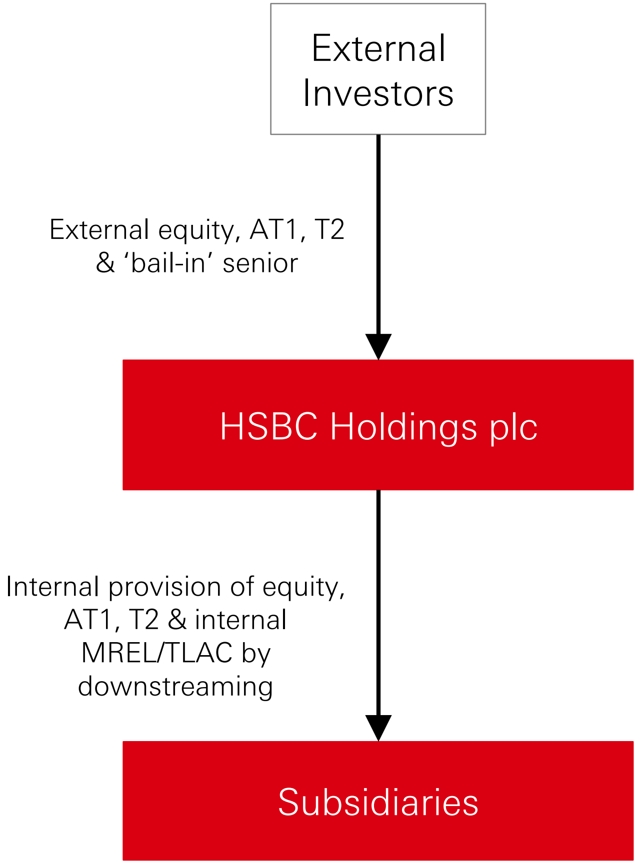
HSBC

MREL/TLAC position

	HSBC Group	US Resolution Group	Europe Resolution Group (Including HSBC Holdings)[33]	Asia Resolution Group
TLAC position at FY21	**Total TLAC: $271bn** Of which: non-regulatory capital: $91bn	**Total TLAC: $26bn** Of which: non-regulatory capital: $8bn	**Total TLAC: $108bn** Of which: non-regulatory capital: $55bn	**Total TLAC: $102bn** Of which: non-regulatory capital: $27bn
Balance sheet at FY21	RWAs: $838bn CRR leverage exposure[28]: $2,963bn	RWAs: $107bn Leverage exposure: $315bn Average assets: $244bn	RWAs: $271bn CRR leverage exposure[28]: $1,278bn	RWAs: $405bn Leverage exposure: $1,178bn
1-Jan-2022 requirements	The greater of: ▪ 18% of RWAs ▪ 6.75% of UK leverage exposures[28] ▪ Sum-of-the-parts*	TLAC[34]: 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 UK leverage exposures[28] ▪ 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 or TLAC requirements relating to other Group entities

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

ESG update

Environmental

- 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

Net zero in our operations

- Reduced absolute greenhouse gas emissions by **50.3%** vs. 2019 baseline
- Ambition to source **100%** of our electricity from renewables by 2030; in FY21 this was **37.5%**, up 1.7ppts vs. FY19 and stable vs. FY20

Net zero in our financed emissions

- Disclosed **2030 emissions targets** for the oil and gas, and power and utilities sectors:
  - **34% reduction** in oil and gas absolute on-balance sheet financed emissions vs. 2019 baseline[35]
  - Power and utilities on-balance sheet financed emissions intensity target of **$0.14MtCO_2e/TWh$**, or a **75%** reduction vs. 2019 baseline[35]

Social

- Our percentage of female leaders was **31.7%**, up 1.4ppts vs. FY20[36]
- Employee engagement increased **5ppts** vs. FY19 to **72%**[37]; stable vs. FY20
- We grew our number of Black senior leaders by **17.5%** in 2021
- **6/10 WPB** markets and **4/13 CMB** markets sustained a top 3 rank or improved in customer satisfaction
- Our colleagues gave over **79,000** hours to community activities during work time

Governance

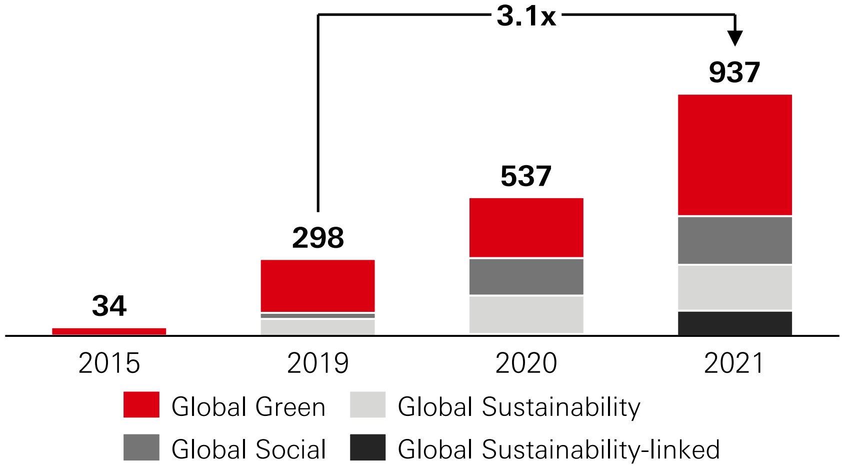
- **Over 1.1 billion** transactions screened per month for signs of financial crime
- **99%** of employees received anti-corruption training[38]
- **2,224** whistleblowing concerns raised

Sustainable finance / ESG update

Sustainable finance

- We have provided and facilitated a cumulative **$126.7bn of sustainable finance** and investment against our 2030 ambition of **$750bn - $1tn** (**$44.1bn** in 2020; **$82.6bn** in 2021)

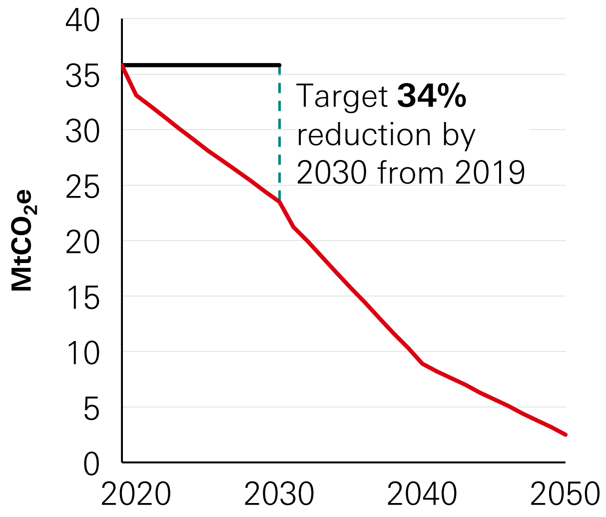
Global GSSS bond issuance[39], $bn



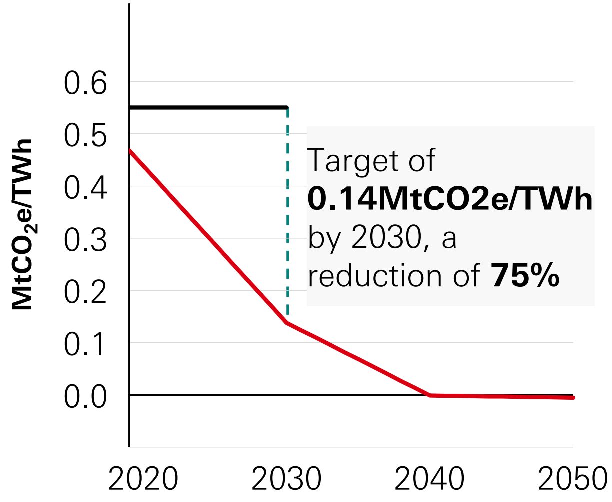
- HSBC attained a **5% market share** of GSSS bonds over FY21; apportioned volume of **$46.8bn, up 2.9x** vs. FY19[39]
- Global GSSS bond issuance increased **74%** YoY

Net zero emissions pathways for Oil & Gas and Power & Utilities sectors

Oil and gas – absolute emissions



Power and utilities – emissions intensity



HSBC 2019 baseline | IEA reference scenario | On-balance sheet financed emissions reduction target

- We have defined **targets to 2030** for the on-balance sheet financed emissions of our oil and gas and power and utilities portfolios
- These are **aligned with the decarbonisation pathways set out by the IEA** in its net zero emissions by 2050 scenario

Key financial metrics

Reported results, $m	4Q21	3Q21	4Q20
NII	6,781	6,610	6,619
Other Income	5,208	5,402	5,138
Revenue	**11,989**	**12,012**	**11,757**
ECL	(450)	659	(1,174)
Costs	(9,544)	(7,989)	(9,864)
Associates	669	721	666
Profit before tax	**2,664**	**5,403**	**1,385**
Tax	(635)	(1,161)	(450)
Profit after tax	**2,029**	**4,242**	**935**
Profit attributable to ordinary shareholders	1,788	3,543	562
Profit attributable to ordinary shareholders excl. goodwill and other intangible impairment and PVIF	2,373	3,492	751
Basic earnings per share, $	0.09	0.18	0.03
Diluted earnings per share, $	0.09	0.17	0.03
Dividend per share (in respect of the period), $	0.18	—	0.15
Return on avg. tangible equity (annualised), %	6.0	8.7	1.9
Return on avg. equity (annualised), %	4.0	8.0	1.3
Net interest margin (annualised), %	1.19	1.19	1.22

Adjusted results, $m	4Q21	3Q21	4Q20
NII	6,788	6,531	6,585
Other Income	5,304	5,518	5,213
Revenue	**12,092**	**12,049**	**11,798**
ECL	(450)	644	(1,172)
Costs	(8,341)	(7,486)	(9,092)
Associates	669	725	684
Profit before tax	**3,970**	**5,932**	**2,218**
Cost efficiency ratio, %	69.0	62.1	77.1
ECL charge/(release) as a % of average gross loans and advances to customers (annualised)	0.17	(0.24)	0.44

Balance sheet, $m	4Q21	3Q21	4Q20
Total assets	2,957,939	2,968,791	2,984,164
Net loans and advances to customers	1,045,814	1,039,677	1,037,987
Adjusted net loans and advances to customers	1,045,814	1,039,581	1,022,402
Customer accounts	1,710,574	1,687,982	1,642,780
Adjusted customer accounts	1,710,574	1,687,004	1,620,128
Quarterly average interest-earning assets	2,251,433	2,207,960	2,159,003
Reported loans and advances to customers as % of customer accounts	61.1	61.6	63.2
Total shareholders' equity	198,250	198,144	196,443
Tangible ordinary shareholders' equity	158,193	157,711	156,423
Net asset value per ordinary share at period end, $	8.76	8.70	8.62
Tangible net asset value per ordinary share at period end, $	7.88	7.81	7.75

Capital, leverage and liquidity	4Q21	3Q21	4Q20
Reported risk-weighted assets, $bn	838.3	839.2	857.5
CET1 ratio, %	15.8	15.9	15.9
Total capital ratio (transitional), %	21.2	21.3	21.5
Leverage ratio, %	5.2	5.2	5.5
High-quality liquid assets (liquidity value), $bn	717	664	678
Liquidity coverage ratio, %	138	135	139

Share count, m	4Q21	3Q21	4Q20
Basic number of ordinary shares outstanding	20,073	20,201	20,184
Basic number of ordinary shares outstanding and dilutive potential ordinary shares	20,189	20,296	20,272
Quarterly average basic number of ordinary shares outstanding	20,152	20,213	20,179

Reconciliation of reported and adjusted PBT

$m	4Q21	3Q21	4Q20	FY21	FY20
Reported PBT	**2,664**	**5,403**	**1,385**	**18,906**	**8,777**
Revenue					
Currency translation	—	(150)	(27)	—	1,393
Customer redress programmes	7	—	(1)	(11)	21
Disposals, acquisitions and investment in new businesses	—	—	2	—	10
Fair value movements on financial instruments	(16)	64	46	242	(264)
Restructuring and other related costs*	112	125	20	307	170
Currency translation of significant items	—	(2)	1	—	11
	103	**37**	**41**	**538**	**1,341**
ECL					
Currency translation	—	(15)	2	—	(465)
Operating expenses					
Currency translation	—	106	25	—	(1,072)
Customer redress programmes	25	7	(107)	49	(54)
Impairment of goodwill and other intangibles	587	—	8	587	1,090
Restructuring and other related costs	591	397	836	1,836	1,908
o/w: costs to achieve	*574*	*390*	*810*	*1,782*	*1,839*
Past service costs of guaranteed minimum pension benefits equalisation	—	—	17	—	17
Settlements and provisions in connection with legal and regulatory matters	—	—	4	—	12
Currency translation of significant items	—	(7)	(11)	—	122
	1,203	**503**	**772**	**2,472**	**2,023**
Share of profit in associates and joint ventures					
Currency translation	—	4	18	—	133
Impairment of goodwill	—	—	—	—	462
	—	**4**	**18**	**—**	**595**
Total currency translation and significant items	**1,306**	**529**	**833**	**3,010**	**3,494**
Adjusted PBT	**3,970**	**5,932**	**2,218**	**21,916**	**12,271**
Memo: tax on significant items (at reported FX rates)	(101)	(71)	(381)	(323)	(660)

- 4Q21 goodwill impairment of $587m related to our WPB business in Latin America, reflecting a subdued macroeconomic outlook

* Primarily comprises losses associated with RWA reduction commitments

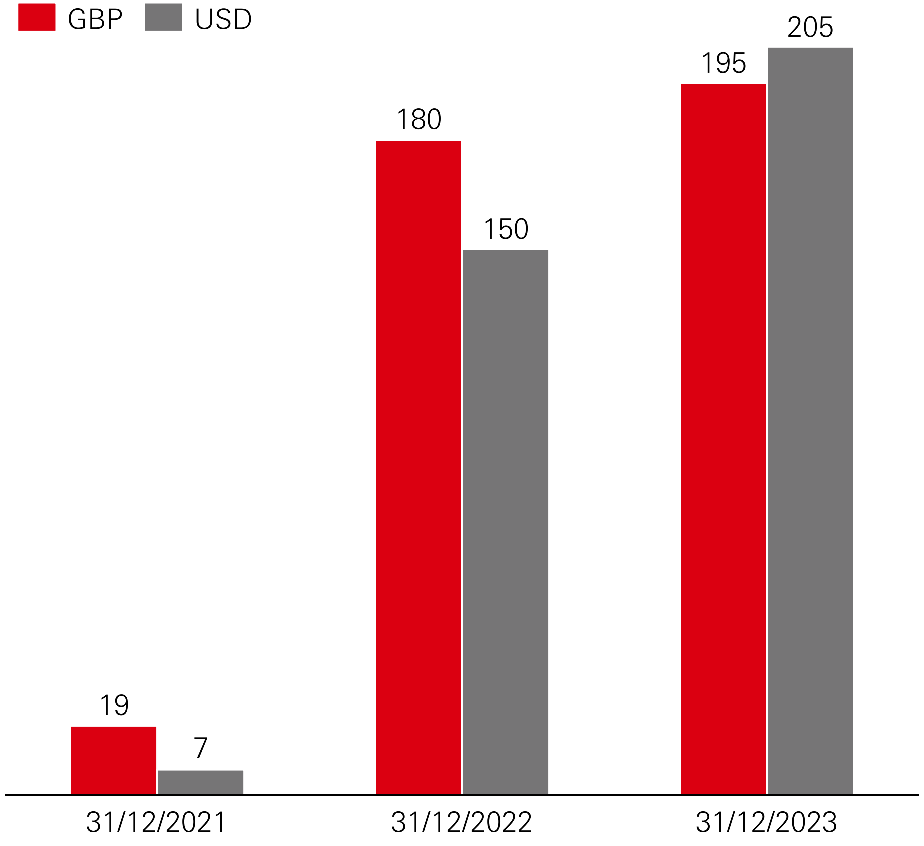
Certain items included in adjusted revenue

Certain items included in adjusted revenue highlighted in management commentary, $m	4Q21	3Q21	2Q21	1Q21	4Q20	FY21	FY20
Insurance manufacturing market impacts in WPB	130	(41)	333	70	297	504	70
of which: Asia WPB insurance manufacturing market impacts	*88*	*(52)*	*271*	*(81)*	*249*	*226*	*236*
Credit and funding valuation adjustments in GBM	44	(48)	3	32	71	30	(271)
Legacy Credit in Corporate Centre	(14)	(35)	6	9	3	(33)	(20)
Valuation differences on long-term debt and associated swaps in Corporate Centre	(9)	(35)	(27)	(28)	(12)	(99)	151
Argentina hyperinflation[40]*	(18)	(24)	(42)	(46)	(42)	(130)	(124)
Bid-offer adjustment in GBM*	(2)	30	35	18	7	81	(19)
Total	**131**	**(153)**	**308**	**55**	**324**	**353**	**(213)**

* Comparative figures have not been retranslated for foreign exchange movements

Net interest margin supporting information

Market-implied path of overnight interest rates[11], bps

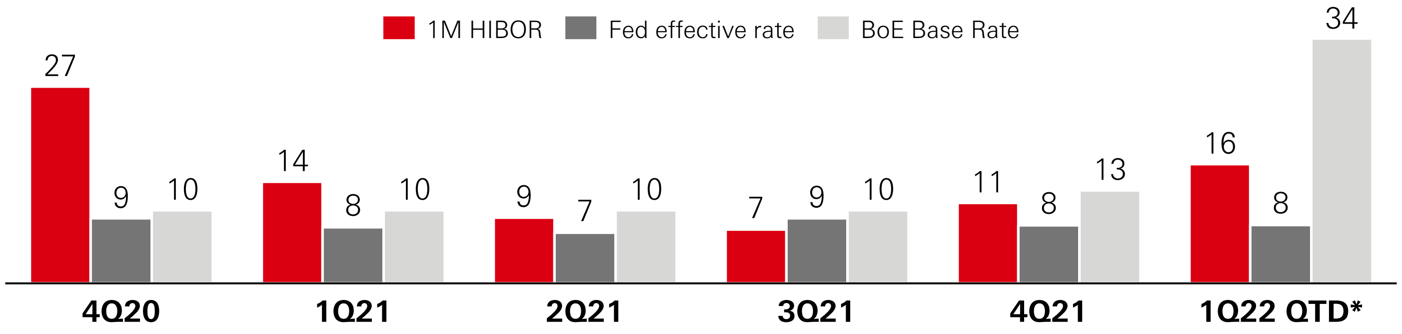


Source: Bloomberg

Quarterly NIM by key legal entity

	4Q20	1Q21	2Q21	3Q21	4Q21	% of 4Q21 Group NII	% of 4Q21 Group AIEA
The Hongkong and Shanghai Banking Corporation (HBAP)	1.42%	1.40%	1.37%	1.35%	1.35%	47%	42%
HSBC Bank plc (NRFB)	0.53%	0.51%	0.48%	0.47%	0.52%	9%	22%
HSBC UK Bank plc (UK RFB)	1.60%	1.59%	1.56%	1.51%	1.48%	24%	19%
HSBC North America Holdings, Inc	0.95%	0.96%	0.97%	0.90%	0.87%	6%	9%

Key rates (quarter averages), basis points



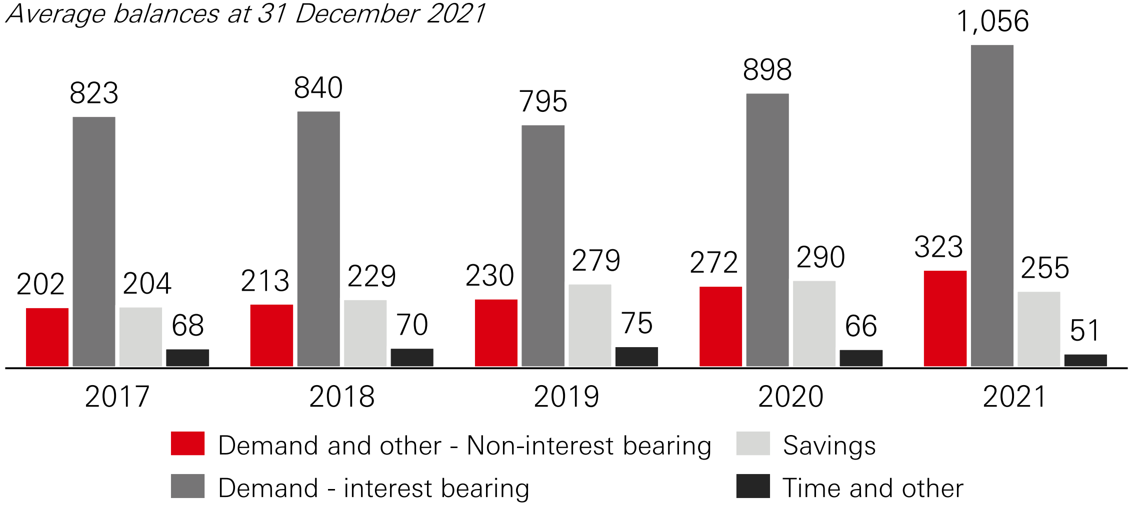
* At 18 February 2022

Source: Bloomberg

Balance sheet analysis

Group customer accounts by type, $bn

Average balances at 31 December 2021



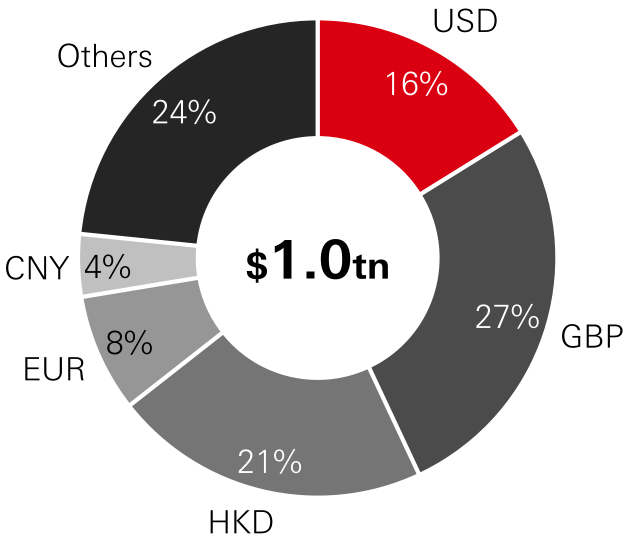
Liquidity pool by currency

	Currency					
	$	**£**	**€**	**HK$**	**Other**	**Total**
	$bn	$bn	$bn	$bn	$bn	$bn
Liquidity pool at 31 Dec 2021	189	211	104	56	157	717
Liquidity pool at 31 Dec 2020	218	176	117	74	93	678

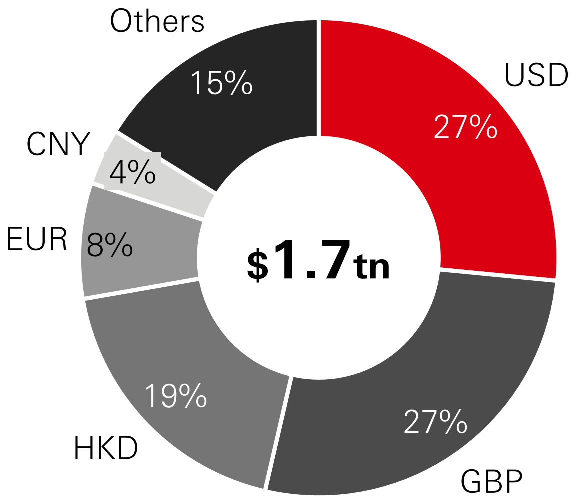
Group loans and deposits by currency

At 31 December 2021

Loans and advances to customers



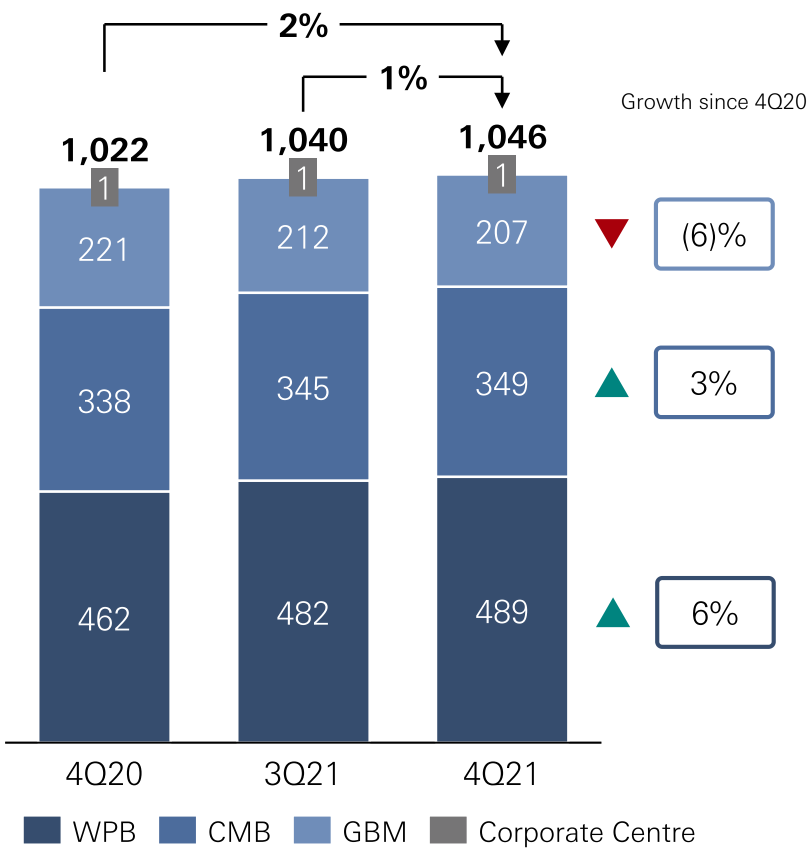
Customer accounts



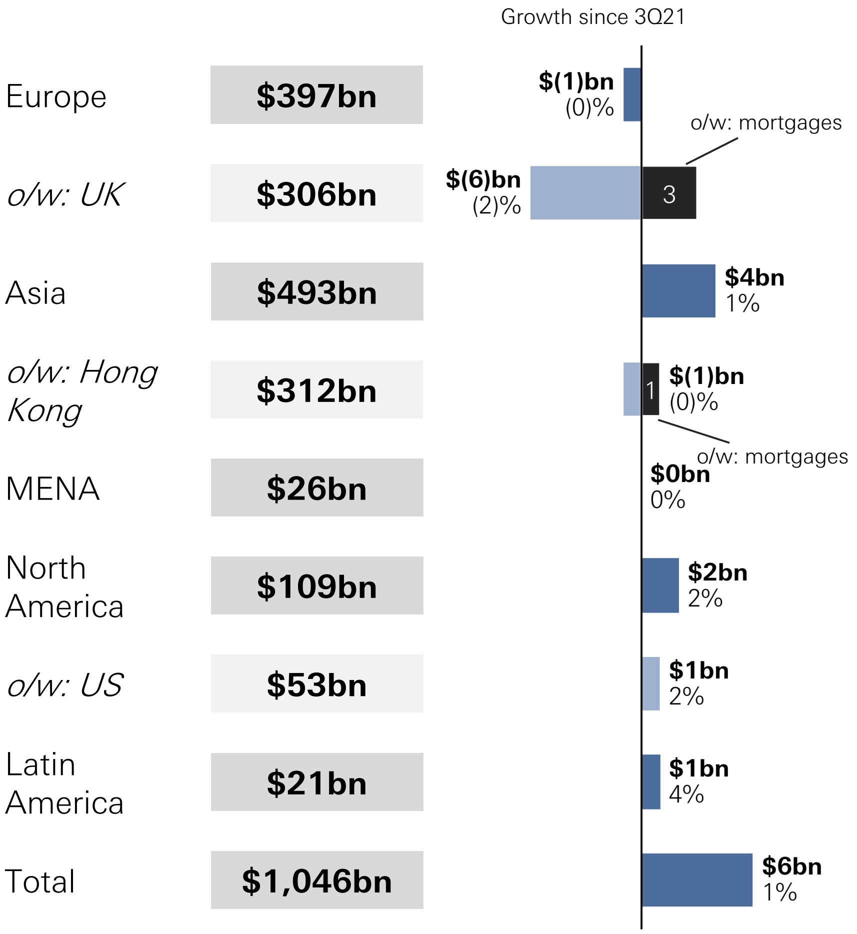
Hong Kong system deposits by currency at 31 December 2021: 49% HKD; 37% USD; 14% Non-US foreign currencies. Source: HKMA

Balance sheet – customer lending

Balances by global business, $bn



Balances by region, $bn

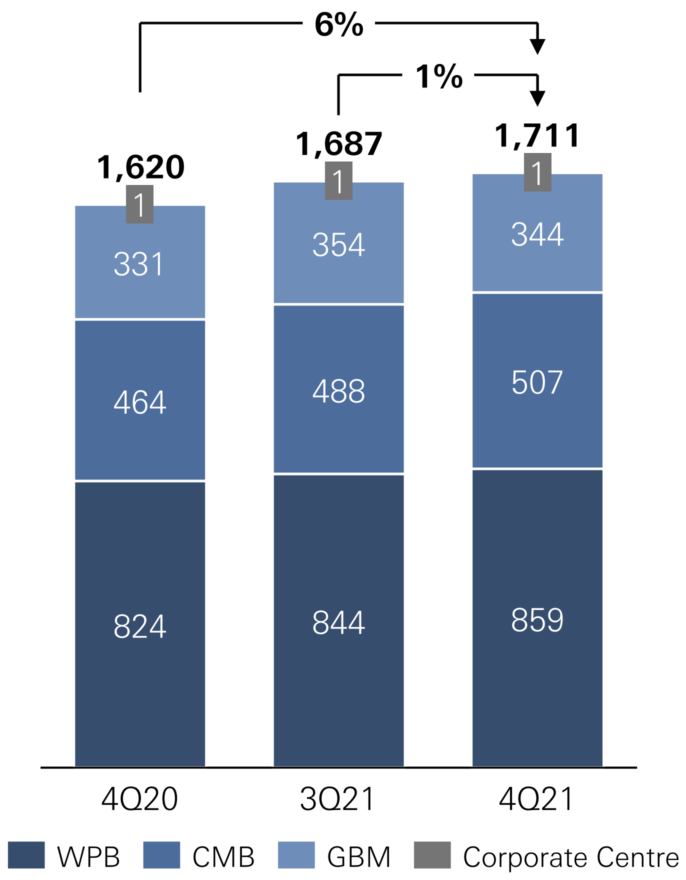


Adjusted customer lending of $1,046bn, up $6bn (1%) vs. 3Q21

- **WPB lending increased by $7bn (1%)**, primarily growth in mortgages across most markets; cards and personal lending up **$2bn**
- **CMB lending increased by $4bn (1%)**, primarily from continued growth in trade balances and increases in term lending, particularly in Asia
- Overall lending growth partly offset by planned reductions in GBM, mainly in the UK

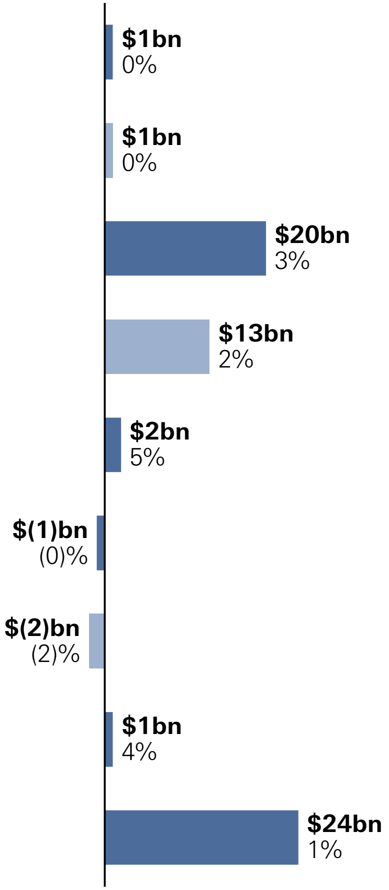
Balance sheet – customer accounts

Balances by global business, $bn



Balances by region, $bn

		Growth since 3Q21
Europe	$668bn	$1bn 0%
o/w: UK	$536bn	$1bn 0%
Asia	$792bn	$20bn 3%
o/w: Hong Kong	$549bn	$13bn 2%
MENA	$43bn	$2bn 5%
North America	$179bn	$(1)bn (0)%
o/w: US	$112bn	$(2)bn (2)%
Latin America	$30bn	$1bn 4%
Total	$1,711bn	$24bn 1%

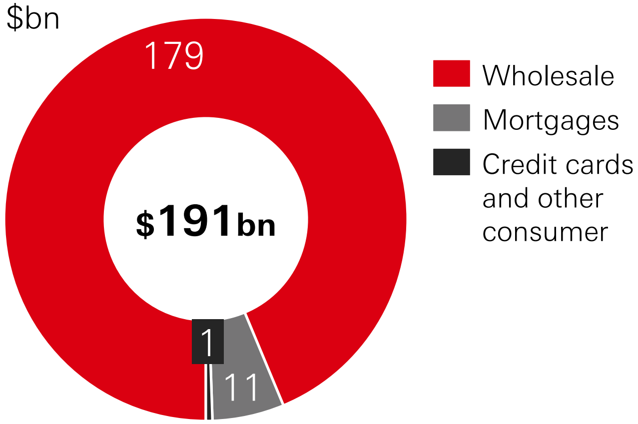


Adjusted customer accounts of $1,711bn increased by $24bn (1%) vs. 3Q21

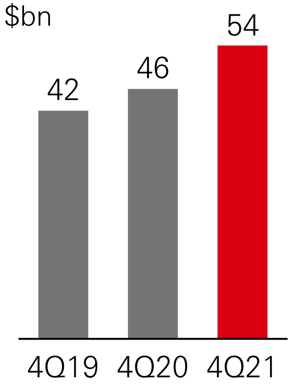
- **WPB customer accounts up $15bn (2%),** with broad-based growth across markets, particularly in Hong Kong and the UK
- **CMB customer accounts up $19bn (4%)** reflecting elevated liquidity, particularly in Asia
- **GBM customer accounts down $10bn (3%)** from planned reductions as clients paid down advances, mainly in the UK
- 4Q21 GLCM average balances were up **8%** ($54bn) to **$758bn** vs. 4Q20

Mainland China drawn risk exposure

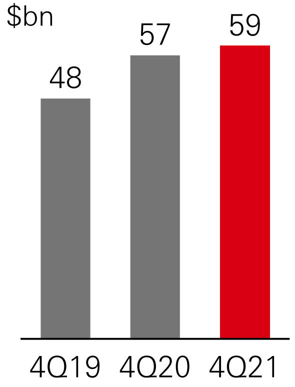
Mainland China drawn risk exposure[41]



Reported net loans and advances to customers

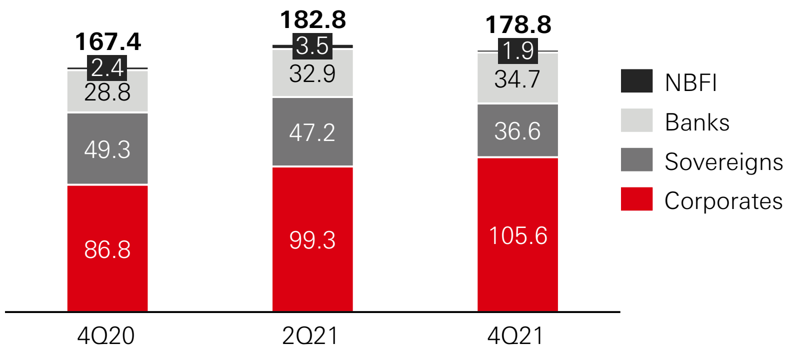


Reported customer deposits



- Mainland China drawn risk exposure is defined as lending booked in mainland China and wholesale lending booked offshore where the ultimate parent and beneficial owner is in mainland China
- Mainland China drawn risk exposure (including Sovereigns, Banks and NBFI and Corporates) of $191bn comprising: Wholesale $179bn* (of which 54% is onshore); Retail: $12bn. These amounts exclude MSS financing
- Gross loans and advances to customers of $55bn booked in mainland China (Wholesale: $43bn; Retail $12bn)

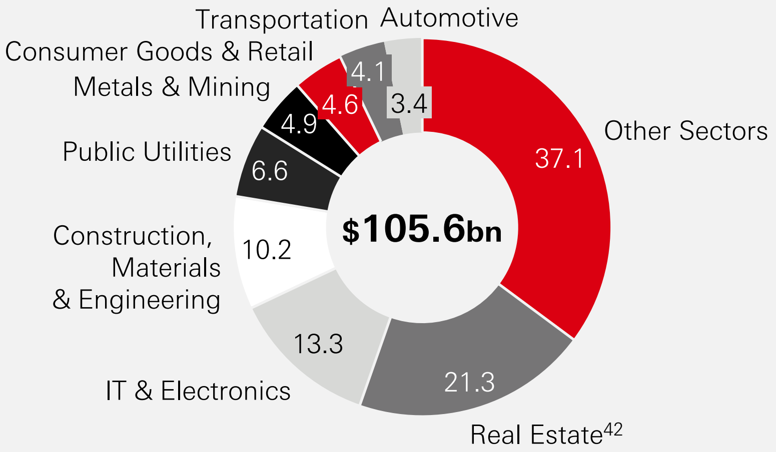
Wholesale lending analysis[41], $bn



Wholesale lending by counterparty type and credit risk rating:

CRRs	1-3	4-6	7-8	9+	Total
Sovereigns	36.6	0.0	—	—	36.6
Banks	34.7	0.0	0.0	—	34.7
NBFI	1.6	0.3	—	—	1.9
Corporates	69.1	33.7	1.5	1.3	105.6
Total	**142.0**	**34.0**	**1.5**	**1.3**	**178.8**

Corporate lending by sector



- c.18% of corporate lending is to Foreign-owned Enterprises
- c.36% of lending is to mainland China State Owned Enterprises
- c.45% to mainland China Private sector owned Enterprises

*Wholesale drawn risk exposure of $179bn includes on balance sheet lending as well as issued off balance sheet exposures

Mainland China commercial real estate update

Mainland China commercial real estate exposures[42]

Mainland China commercial real estate exposures by location of parent company, $bn

	4Q21	2Q21
Exposure to mainland China ultimate parent companies	**16.5**	**14.7**
Exposure to non-mainland China ultimate parent companies*	4.8	4.9
Total mainland China real estate exposures	**21.3**	**19.6**

- Mainland China drawn risk exposure is defined as lending booked in mainland China and wholesale lending booked offshore where the ultimate parent and beneficial owner is in mainland China
- Our mainland China real estate exposures at 31 December 2021 were **$21.3bn**; comprising **$17.1bn** of loans and **$4.2bn** of guarantees
- **43% ($9.2bn)** of exposures are **onshore** (booked in mainland China); **57% ($12.1bn)** of exposures are **offshore** (booked outside of mainland China, substantially in Hong Kong)

Mainland China commercial real estate exposures by booking centre, $bn

	Hong Kong	Mainland China	RoW	Total
Loans and advances to customers[43]	9.9	6.8	0.4	**17.1**
Guarantees issued and others[43]	1.7	2.4	0.1	**4.2**
Total	**11.6**	**9.2**	**0.5**	**21.3**

Market conditions update

- Uncertainty exists for real estate developers following recent market developments in mainland China's real estate market that have **reduced liquidity and increased refinancing risk**
- This **resulted in the downgrade** of some previously highly-rated borrowers
- Downgrades have been notably concentrated amongst **offshore exposures** in Hong Kong; offshore exposures are typically **higher risk** than onshore exposures
- Since year end there has been **more positive sentiment**, however uncertainty remains
- A **partial recovery in debt and equity prices** has been observed, helped by a reduction in the PBoC policy lending rate
- At 31 December 2021, we have **no exposure** to companies in the Red category of the 3 red lines framework
- Lending is generally focused on **Tier 1** and **Tier 2** cities
- We continue to monitor the potential second order impacts of recent developments

* Substantially all Hong Kong based multinational corporates

Group real estate ECL analysis

Total real estate allowances for ECL by stage

$m	4Q21	3Q21	Δ
1	132	163	(31)
2	**737**	**286**	**451**
3	775	697	78
Total	**1,644**	**1,146**	**498**

Total real estate allowances for ECL by booking location*

$m	4Q21	2Q21	Δ
Mainland China	41	28	13
Hong Kong**	624	54	570
UK	489	533	(44)
Other	490	494	(4)
Total	**1,644**	**1,109**	**535**

Group real estate allowances for ECL

- **Group Stage 2 allowances for real estate increased $451m** in 4Q21, primarily due to exposures to mainland China ultimate parent companies
- Group 4Q21 real estate allowances for ECL were **$1.6bn; c.38%** related to exposures booked on Hong Kong** balance sheets and **c.30%** related to exposures in the UK

* Allowance for ECL by country/territory only disclosed at each half-year. Total real estate allowances show minimal movements between 2Q21 and 3Q21
** Primarily exposures to mainland China ultimate parent companies booked on Hong Kong balance sheets

UK RFB disclosures

Business performance

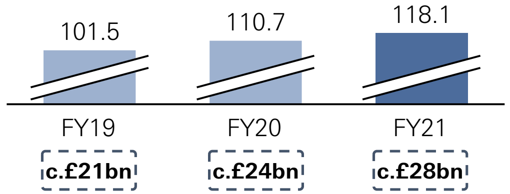
FY21 financial highlights

Revenue	**£6.2bn**	▲	3% (FY20: £6.0bn)
o/w: WPB	**£3.4bn**	▲	3% (FY20: £3.3bn)
o/w: CMB	**£2.7bn**	▲	5% (FY20: £2.6bn)
ECL	**£1.0bn**	▼	>100% (FY20: £(2.1)bn)
Costs	**£(3.5)bn**	▼	4% (FY20: £(3.6)bn)
PBT	**£3.8bn**	▲	>100% (FY20: £0.3bn)
o/w: WPB	**£1.6bn**	▲	>100% (FY20: £0.1bn)
o/w: CMB	**£2.1bn**	▲	>100% (FY20: £0.2bn)
Customer loans	**£195.5bn**	▲	2% (FY20: £191.2bn)
Reported RWAs	**£83.7bn**	▼	(2)% (FY20: £85.5bn)

- **Revenue up 3%** vs. FY20
  - **WPB** revenue up **3%** from higher mortgage volume, partly offset by lower rates
  - **CMB** revenue up **5%** from higher volumes and fee income
- **Costs down 4%** from lower headcount, partly offset by the first-time allocation of the UK bank levy

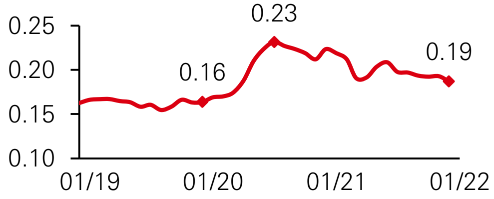
WPB

Personal gross mortgage balances, £bn



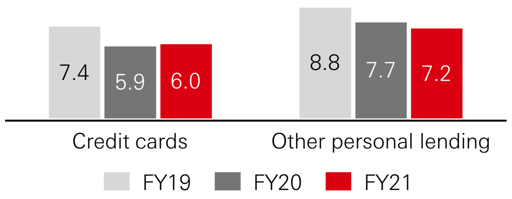
- Continued strength in mortgage lending: **7.5%** mortgage stock market share[45]; 4Q21 gross new lending share of **9.3%**; FY21 gross new lending share of **8.8%**[45]
- Buy-to-let mortgages of £3.0bn
- Mortgages on a standard variable rate of £2.9bn[46]

Mortgages:
90+ day delinquency trend[44], %



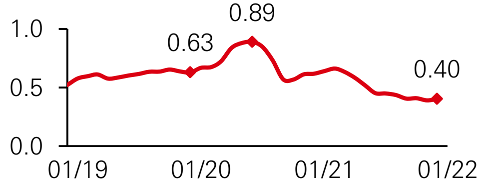
- Interest-only mortgages of £18.6bn[44]
- New originations average LTV of 67%; average portfolio LTV of 51%, stable vs. FY20
- Mortgage delinquencies remain slightly elevated vs. pre-pandemic as a result of a market-wide pause in litigation activities, now restarted

Personal unsecured lending balances, £bn



- Card **balances up 4%** vs. 3Q21, with FY21 card **spend up 13%** vs. FY20 as consumer confidence improves
- Other personal lending **down 6%** vs. FY20 primarily due to the impact of restrictions on customer behaviour

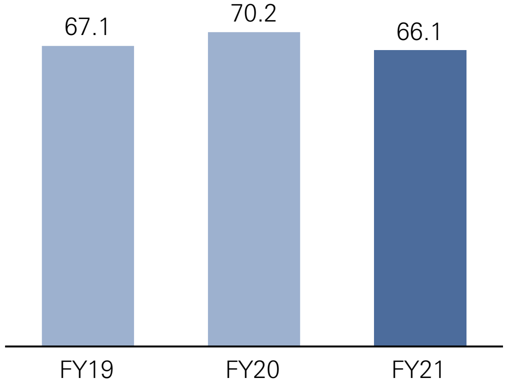
Credit cards:
90-179 day delinquency trend[44], %



- Credit Card delinquencies remain below pre-pandemic, reflecting lower utilisation and customers deleveraging through the pandemic

CMB

Wholesale gross customer loans, £bn

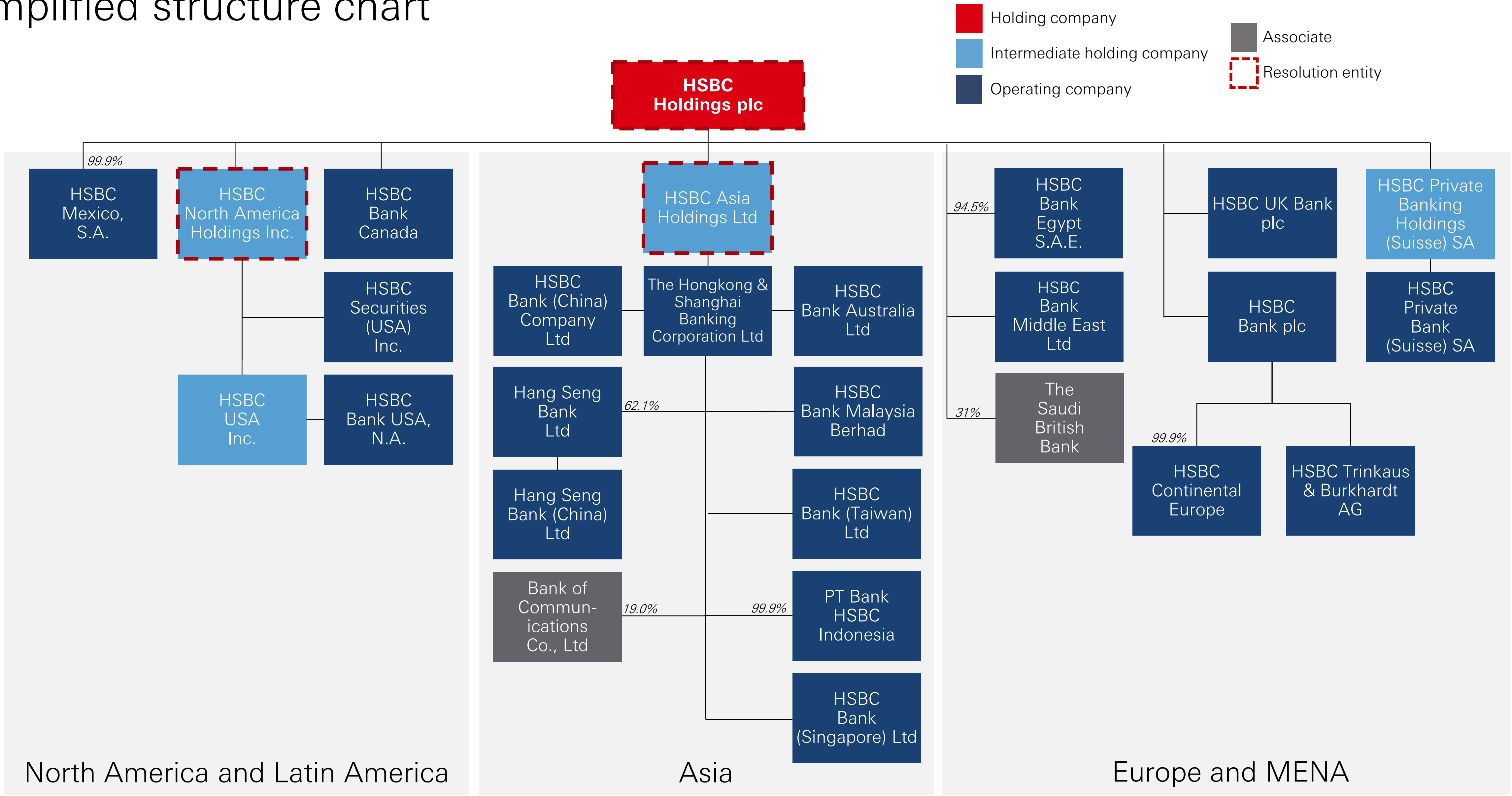


- FY21 **GTRF assets of c.£6bn**, up >40% vs. FY20 following a recovery in trade activity
- Provided **£12.3bn** of government-backed lending to businesses since March 2020
- FY21 government lending balances of **£9.2bn**, down £0.7bn vs. FY20 as customers began repayment

Credit ratings for main issuing entities

Long term senior ratings as at 21 February 2022	S&P		Moody's		Fitch	
	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

Simplified structure chart



Glossary

AIEA	Average interest earning assets
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	Revised Capital Requirements Regulation, as implemented
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.
GBM	Global Banking and Markets, a global business
GLCM	Global Liquidity and Cash Management
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
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
Ppt	Percentage points
PVIF	Present value of in-force insurance contracts
UK RFB	HSBC UK, the UK ring-fenced bank, established July 2018 as part of ring fenced bank legislation
RoTE	Return on average tangible equity
RWA	Risk-weighted asset
SLR	Supplementary leverage ratio
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 global business
XVAs	Credit and Funding Valuation Adjustments

Footnotes

1. If policy rates were to follow the current implied market consensus
2. Medium-term is defined as 3-4 years from 1 January 2020; long-term is defined as 5-6 years
3. 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
4. Cumulative RWA saves under our transformation programs as measured from 1 January 2020, including $9.6bn of accelerated saves made over 4Q19
5. Based on tangible equity of the Group's major legal entities excluding associates, holding companies and consolidation adjustments
6. WPB TE as a share of TE allocated to the global businesses (excluding Corporate Centre). Excludes holding companies, and consolidation adjustments
7. In respect of the period
8. 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
9. CMB lending growth during FY21 includes the impact of $13bn of gross RWA reductions
10. NII sensitivity reflects the impact of immediate rate shocks on NII to a hypothetical base case projection, which already incorporates forward rates (as at 31 December 2021), assuming a constant balance sheet as of 31 December 2021
11. Source: Bloomberg. GBP: Sterling Overnight Index Average (SONIA); USD: Fed funds. Implied rates for 31 December 2022 and 2023 based on the following as of 15 February 2022: 30 day Fed Funds futures and one month SONIA index future
12. Technology costs in operating expenses trends include transformation saves and are presented on a net basis
13. Technology cost increases in quarterly walks are presented on a gross basis (excl. saves)
14. On an IFRS 4 basis
15. Based on current consensus economic forecasts and default experience, noting we retain $0.6bn of Covid-19-related allowances as at the end of 2021. Uncertainty remains given recent developments in China's commercial real estate sector, while inflationary pressures persist in many of our markets
16. Includes offset mortgages in first direct, endowment mortgages and other products
17. The net stable funding ratio for HSBC Continental Europe is based on the EU's CRR II rules
18. Includes movements in fair value through other comprehensive income reserve, deductions for excess expected loss and investments in financial sector entities.
19. Leverage ratio at 31 December 2021 is calculated using the CRR II end-point basis for additional tier 1 capital and the regulatory transitional arrangements for IFRS9
20. Pre-ECL net operating income is calculated as adjusted revenue less adjusted costs at originally reported FX rates
21. Target: ≥14%, managing in the range of 14% to 14.5% in the medium term; and manage the range down further long term. In 2022 we expect to normalise our CET1 position to be within our 14% to 14.5% target operating range during 2022. Once we are within the target operating range, we intend to actively manage our CET1 position to stay within this range. However, due to normal capital volatility, we may be above or below this range in any given quarter. Our ambition remains to manage this operating range down in the longer term
22. CET1 capital requirements and buffers as at 31 December 2021; and subject to change
23. Numbers presented under the transitional arrangements in CRR II for capital instruments
24. 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
25. 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 2020
26. 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 and as we gain further clarity on the components of end-state requirements across the Group. Note: this does not include the impact of upcoming changes in regulations during 2022 on RWAs or leverage exposures, which could impact these requirements
27. 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. 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 2022 external MREL requirements applicable to the HSBC Group
28. From 1-Jan-22 the Group and ERG leverage requirement is no longer calculated as the higher of either the requirements as defined in the Capital Requirements Regulation or the PRA's leverage ratio framework, the leverage ratio requirement is only applicable to UK leverage exposure measure, per the PRA's leverage ratio framework
29. The issuance plan is guidance only; it is a point in time assessment and subject to change
30. To next call date if callable; otherwise to maturity
31. Infection Risk refers to risk arising from certain features in legacy instruments, in particular subordination provisions, that may create risks to the eligibility of firms' own funds and eligible liabilities instruments, as discussed in the EBA Opinion dated 21 October 2020 on "the prudential treatment of legacy instruments" and the Dear CFO Letter from the PRA dated 16 November 2020 on "Remediation of prudential treatment of legacy instruments"
32. In its updated MREL Statement of Policy in December 2021 the BoE confirmed that, from 1 January 2022, non-CET1 own funds instruments issued to external holders are only eligible as external or internal MREL if they were issued by a resolution entity. Therefore, since 1 January 2022, non-CET1 own funds instruments issued externally by HSBC Bank plc, HSBC Bank USA NA, The Hongkong and Shanghai Banking Corporation Limited, HSBC Trinkaus and Burkhardt AG, and HSBC Continental Europe SA no longer qualify as external MREL for the Group (or, as applicable, as internal MREL for HSBC Bank plc). This change does not affect the eligibility of such instruments as own funds instruments for other purposes
33. Investments by the European resolution group in the regulatory capital or TLAC of other group companies are deducted
34. US TLAC requirements are calculated based on the greater of 1) a specified minimum percentage of risk weighted assets, including a buffer of 2.5% of risk weighted assets plus any applicable countercyclical capital buffer, 2) a specified minimum percentage of total leverage exposure (based on the U.S. supplementary leverage ratio), and 3) a specified minimum percentage of average total consolidated assets (based on the U.S. tier 1 leverage ratio)
35. For further details on our financed emissions scope, methodology and terminology see pages 47 – 50 of the HSBC Holdings Annual Report and Accounts 2021
36. 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
37. Employee engagement index represents the average % of respondents who would recommend HSBC as a great place to work, are proud to say they work for HSBC and feel valued at HSBC
38. Less than 1% of employees will not yet have completed due to new joiners to the bank being given 45 days to complete their mandatory training
39. Source: Dealogic. Apportioned volume represents the portion of deal volume assigned to HSBC in deals where HSBC is marked as a lender
40. From 1st July 2018, Argentina was deemed a hyperinflationary economy for accounting purposes
41. Mainland China drawn risk exposure. Retail drawn exposures represent retail lending booked in mainland China; Wholesale lending where the exposure is booked in mainland China or the ultimate parent/beneficial owner is in mainland China
42. Mainland China reported Real Estate exposures comprises exposures booked in mainland China and offshore where the ultimate parent is based in mainland China, and all exposures booked on mainland China balance sheets; Commercial Real Estate refers to lending that focuses on commercial development and investment in real estate and covers commercial, residential and industrial assets; Real Estate for Self Use refers to lending to a corporate or financial entity for the purchase or financing of a property which supports overall operations of a business i.e. a warehouse for an e-commerce firm
43. Loans and advances amounts represent gross carrying amount. Guarantees amounts represent nominal amount
44. Excludes Private Bank
45. Source: Bank of England
46. Includes offset mortgages in first direct, endowment mortgages and other products

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", "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 conditions, regulatory changes, 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, 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"), our Interim Financial Report for the six months ended 30 June 2021 furnished to the SEC on Form 6-K on 2 August 2021 (the "2021 Interim Report"), our 3Q 2021 Earnings Release furnished to the SEC on Form 6-K on 25 October 2021 (the "3Q 2021 Earnings Release") and in our Annual Report and Accounts for the fiscal year ended 31 December 2021 available at www.hsbc.com and which we expect to file with the SEC on Form 20-F on 23 February 2022 (the "2021 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 2020 Form 20-F, our 1Q 2021 Earnings Release, our 2021 Interim Report, our 3Q 2021 Earnings Release and our 2021 Form 20-F, when filed, each of which are available at www.hsbc.com.

Information in this Presentation was prepared as at 22 February 2022.