HSBC Holdings plc FY21 and 4Q21 Results

Presentation to Investors and Analysts

Our purpose, values and ambition support the execution of our strategy

Our purpose	**Opening up a world of opportunity**			
Our ambition	To be the preferred **international** financial partner for our clients			
Our values	**We value difference**	**We succeed together**	**We take responsibility**	**We get it done**
Our strategy	**Focus** on strengths	**Digitise** at scale	**Energise** for growth	**Transition** to net zero

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 31, 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

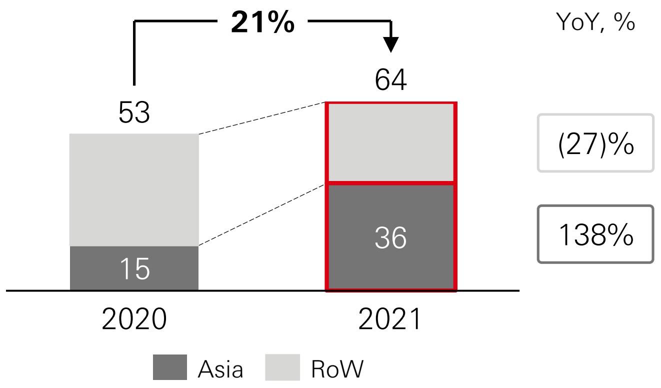
Progress against our ambitions

		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

Focus: Wealth and Personal Banking

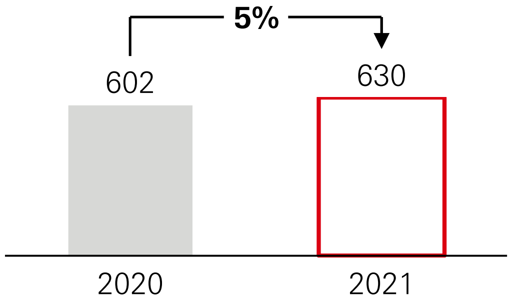
Net New Invested Assets[7]

$bn



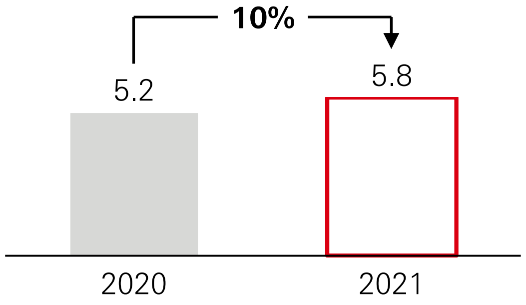
WPB Asset Management[9]

Funds under management, $bn



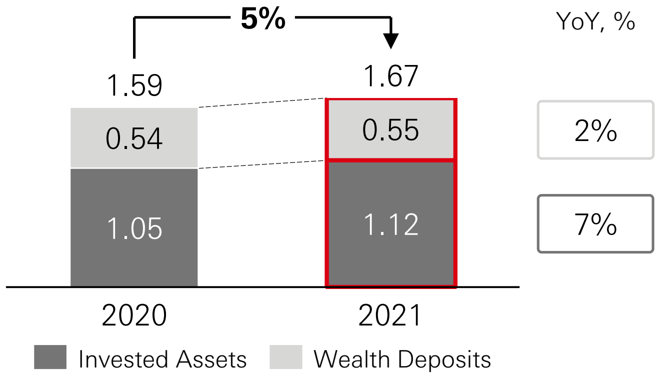
Asia WPB Wealth Revenue[10]

$bn



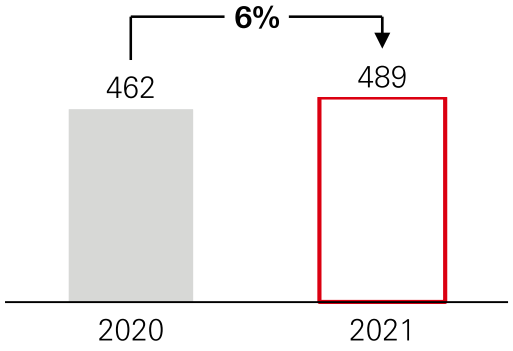
WPB Reported Wealth Balances[8]

$tn



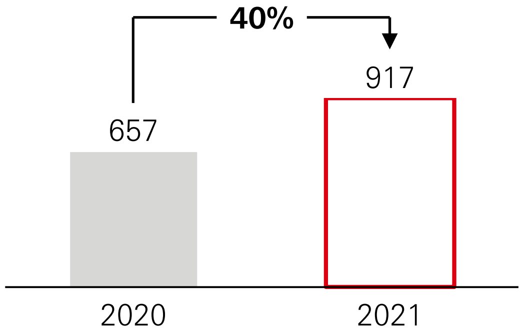
WPB lending

$bn



Asia WPB Insurance VNB[11]

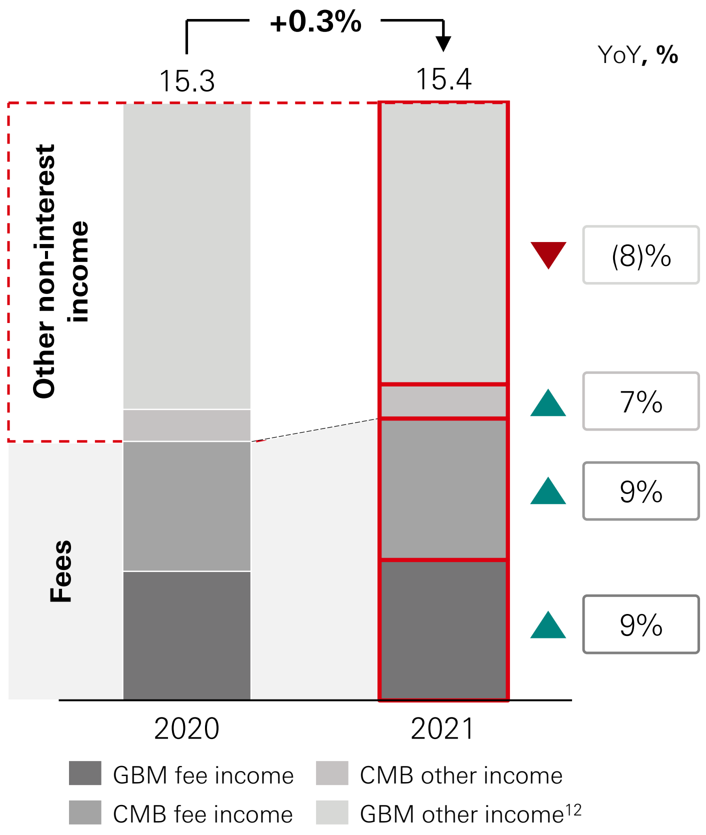
$m



Focus: Wholesale Banking

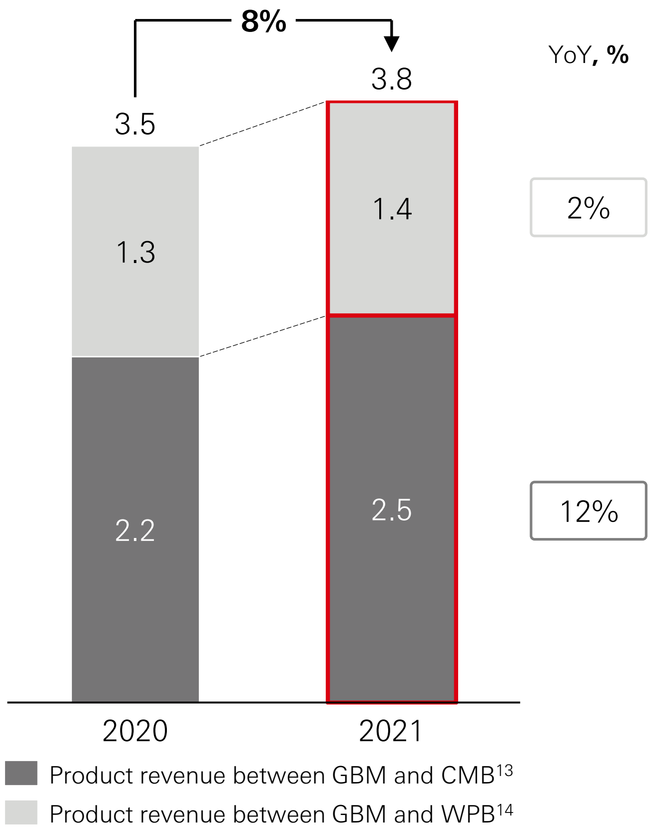
Growth in wholesale fees

$bn



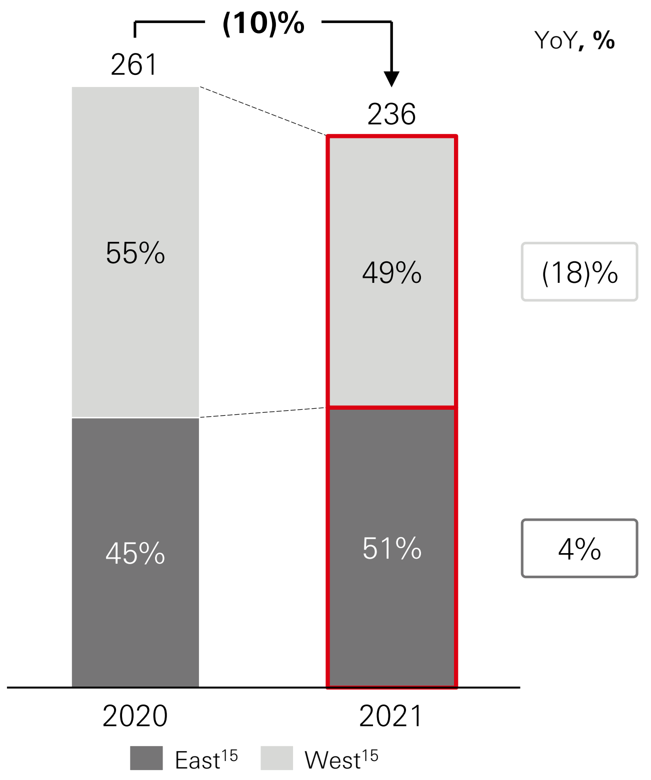
GBM collaboration revenue

$bn



GBM RWAs

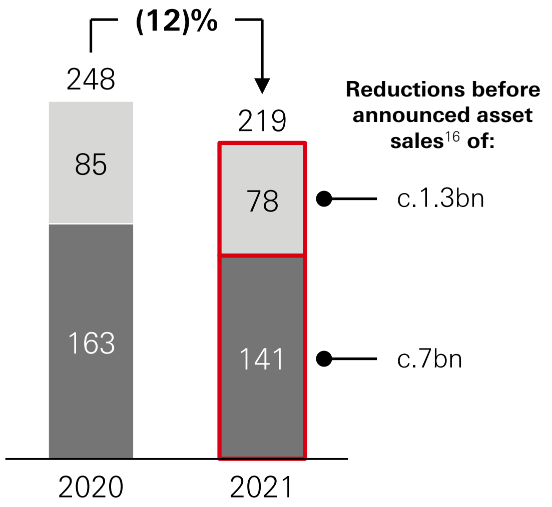
$bn



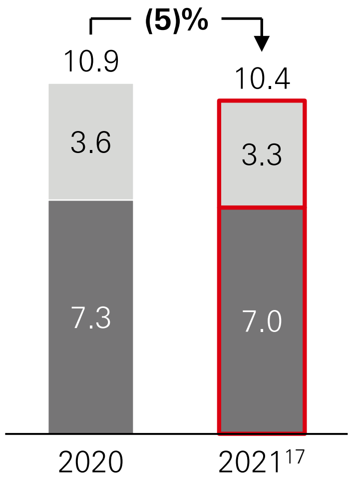
Focus: Repositioning for higher growth

Restructuring US and Europe

Reducing adjusted RWAs
$bn



Reducing adjusted costs
$bn



US HSBC Bank plc (UK and Europe NRFB)

Exit US mass retail[18] (completed Feb 2022)

- Exit and wind-down c.125 branches: End state is c.25 international wealth centres
- $8.8bn of deposits held for sale

Planned sale of France retail[19]

- Network of 244 retail branches
- $24.9bn in customer loans
- $22.6bn deposit balances

Repositioning Asia for growth

Recently announced acquisitions in Asia

AXA Singapore[20] (completed in Feb 2022)

- Acquisition results in the combined group being the 4th largest health insurer and 7th largest life insurer in Singapore

L&T Investment Management[21]

- $10.8bn AUM
- 2.4m active portfolios
- 12th largest fund house in India

HSBC Life China

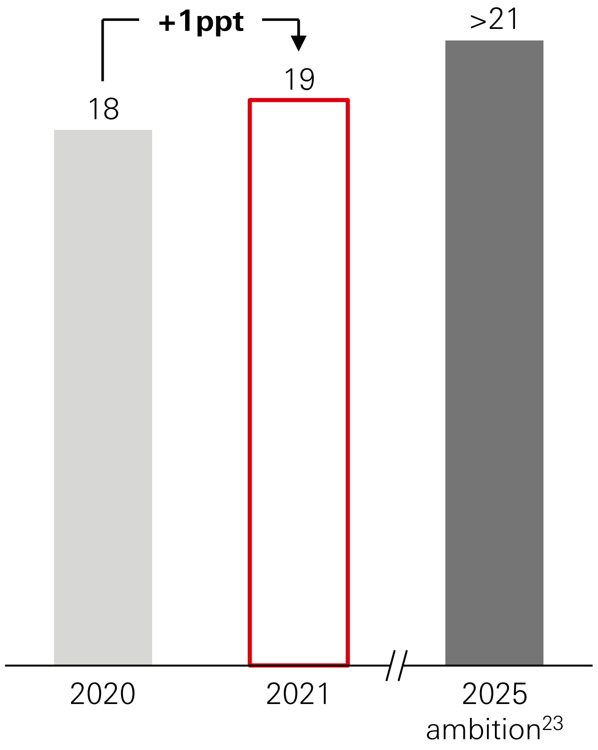
HSBC Life 汇丰保险

- HSBC Life stake increasing 50% to 100% ownership

Digitise: Enhancing our technological capabilities for our clients

Technology spend

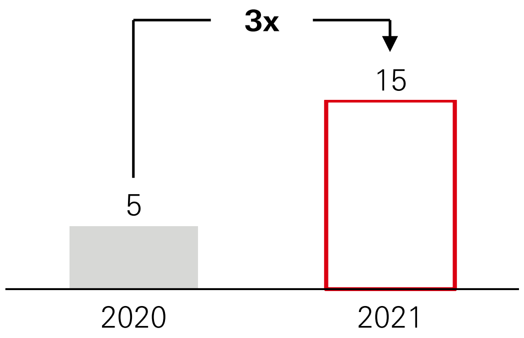
% of total adjusted operating expenses



Total Tech Spend[22], $bn c.$5.7 c.$6.0

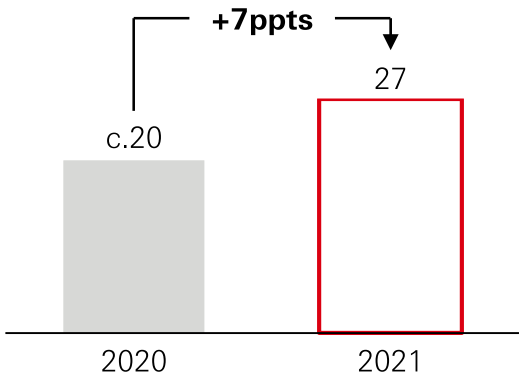
Technology agile workforce[24]

%



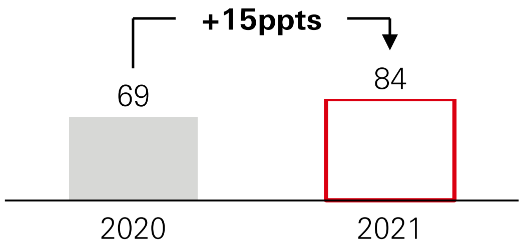
Cloud adoption[25]

%



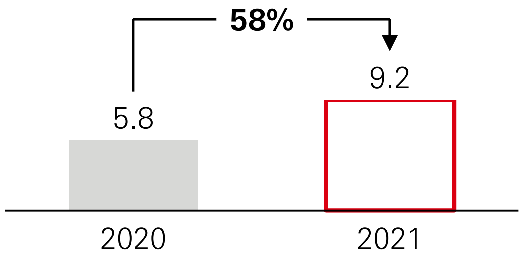
HSBC Trade e-penetration[26]

%



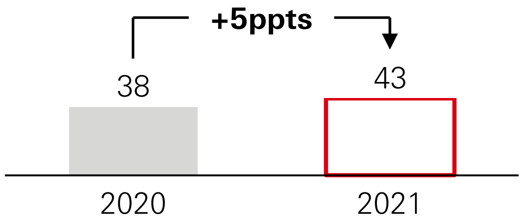
HSBCnet wholesale mobile app payments volume[27]

#m



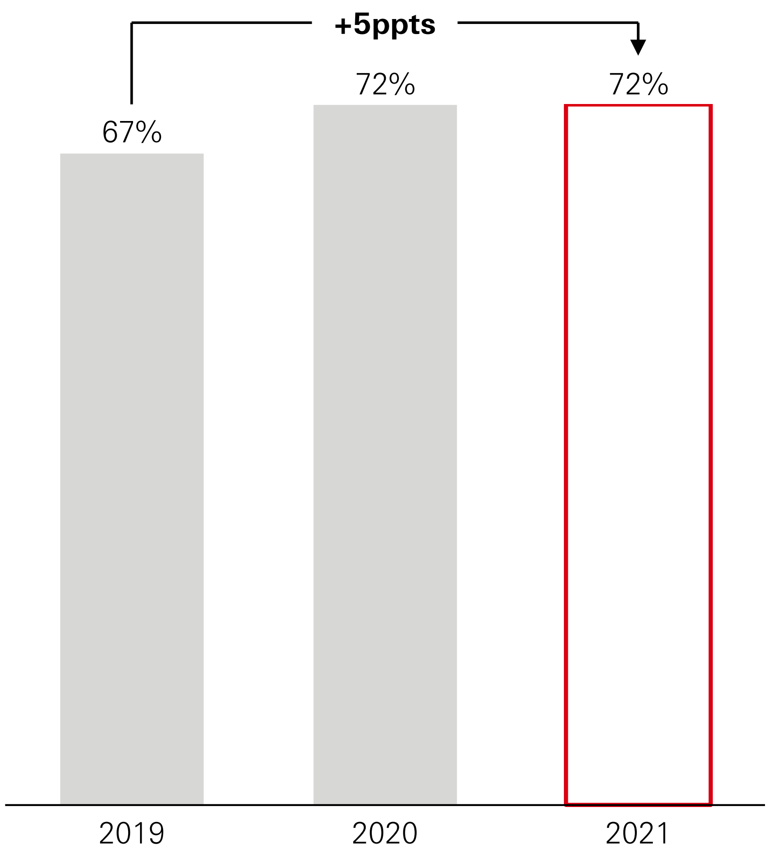
Mobile active retail customers[28]

%

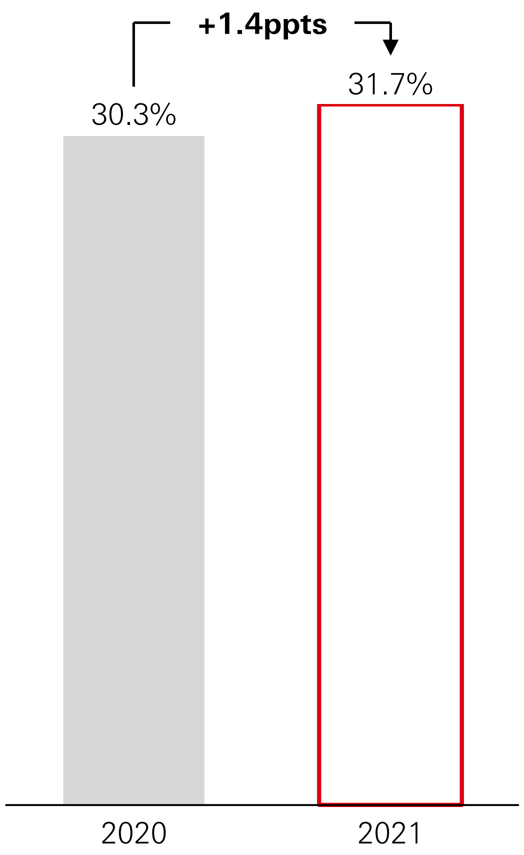


Energise: Empowering our talent across the organisation

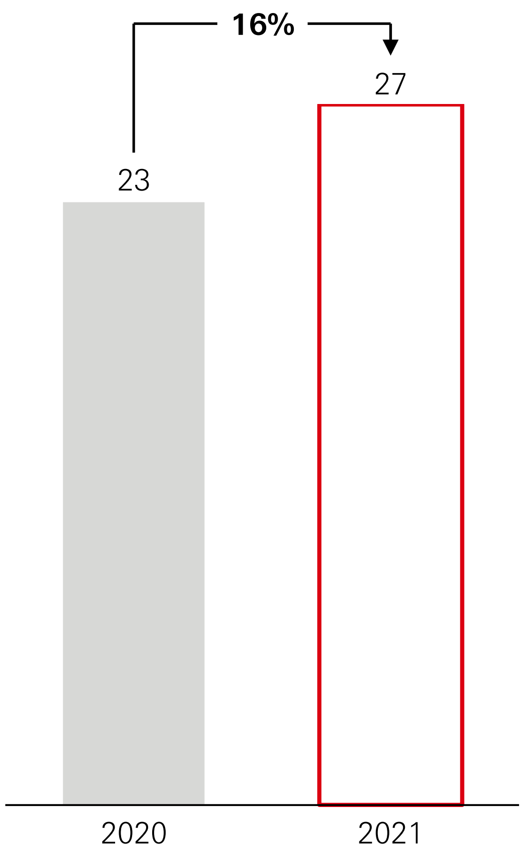
Employee engagement index[29]



Female leaders[30]



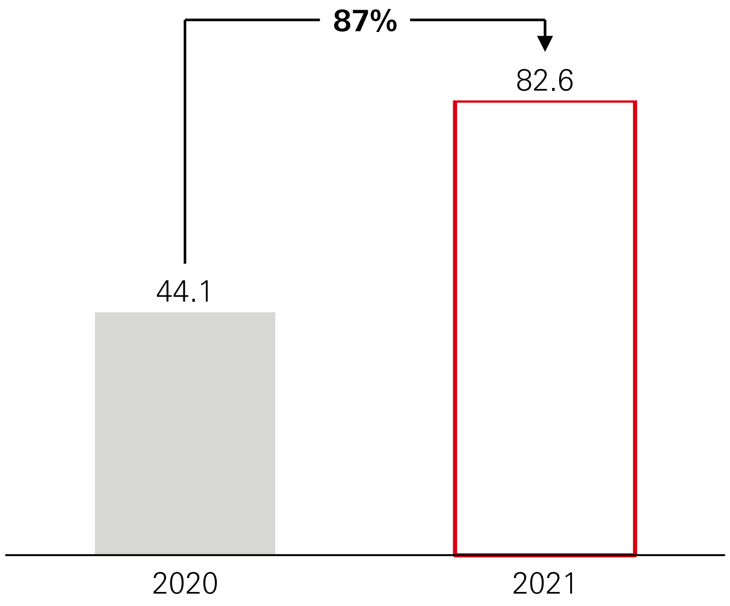
Average hours of training per FTE



Transition: Continuing to build on our global leading position

Supporting our customers in the transition to Net Zero and a sustainable future

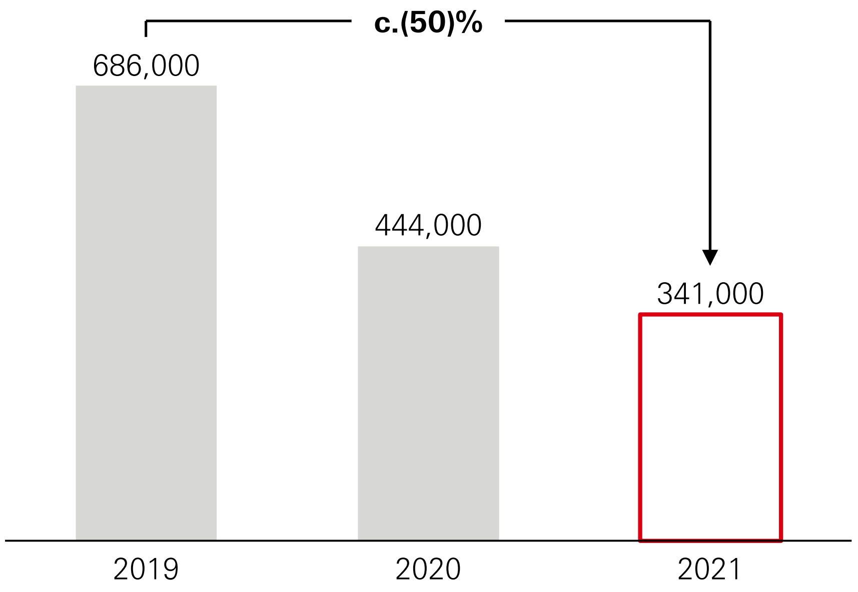
Ambition to provide and facilitate $750bn to $1tn of sustainable finance and investments by 2030, $bn



Cumulative, $bn 44.1 126.7[31]

Becoming a Net Zero Bank

Ambition to be net zero in our operations and supply chain by 2030 or sooner
Greenhouse gas emissions, tonnes CO_2e[32]



4Q21 results summary

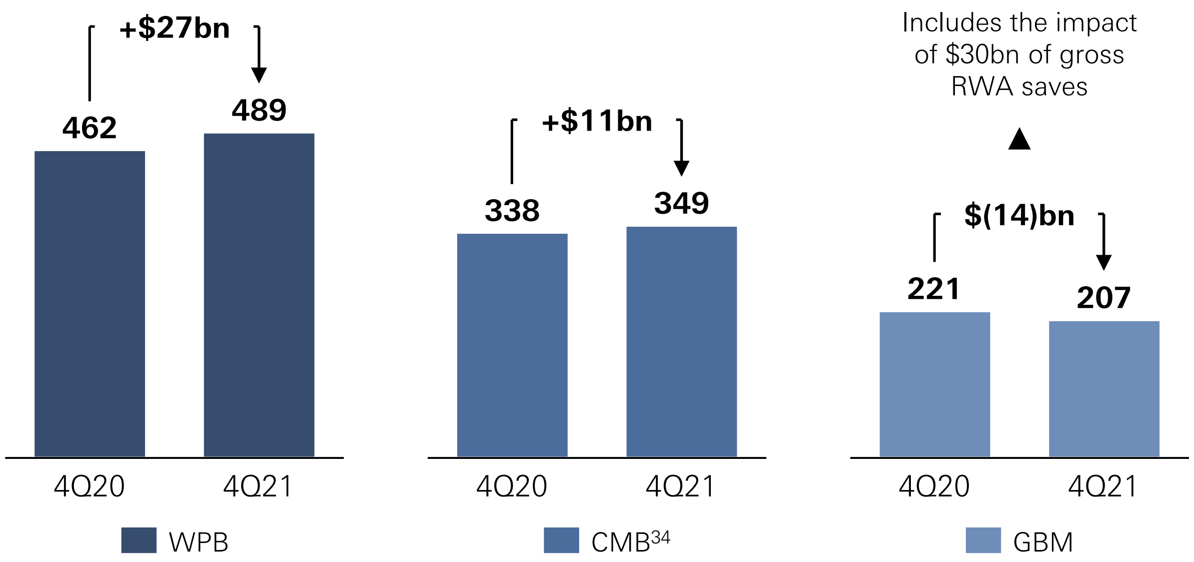
$m	4Q21	4Q20		Δ
NII	6,788	6,585	▲	3 %
Non-NII	5,304	5,213	▲	2 %
Revenue	12,092	11,798	▲	2 %
ECL	(450)	(1,172)	▼	62 %
Costs	(8,341)	(9,092)	▼	8 %
Associates	669	684	▼	(2)%
Adjusted PBT	**3,970**	**2,218**	▲	**79 %**
Significant items and FX translation	(1,306)	(833)	▲	(57)%
Reported PBT	**2,664**	**1,385**	▲	**92 %**
Profit attributable to ordinary shareholders	**1,788**	**562**	▲	**>100%**
Reported EPS, $	0.09	0.03	▲	$0.06
Impact of sig items on reported EPS, $	(0.06)	(0.01)	▲	$(0.05)
FY DPS[33], $	0.25	0.15	▲	$0.10
Reported RoTE (YTD), %	8.3	3.1	▲	5.2ppt

$bn	4Q21	3Q21		Δ
Customer loans	1,046	1,040	▲	1 %
Customer deposits	1,711	1,687	▲	1 %
Reported RWAs	838	839	▼	(0)%
CET1 ratio[3], %	15.8	15.9	▼	(0.1)ppt
TNAV per share, $	7.88	7.81	▲	$0.07

- 4Q21 **reported PBT of $2.7bn**, up $1.3bn (92%) vs. 4Q20; **adjusted PBT of $4.0bn** up $1.8bn (79%), primarily due to a lower ECL charge and lower bank levy
- NII of **$6.8bn**, up $0.2bn (3%) vs. 4Q20 due to volume growth
- Non-NII of **$5.3bn**, up $0.1bn (2%) vs. 4Q20, due to higher fee income
- 4Q21 ECL charge of **$0.5bn**, primarily reflecting recent developments in mainland China's CRE sector
- Costs of **$8.3bn**, down $0.8bn (8%) vs. 4Q20, primarily due to a $0.6bn lower bank levy and good cost control
- Lending up $6bn (1%) vs. 3Q21; **good growth in WPB and CMB (up $11bn)**, offset by planned GBM reductions
- Second interim **DPS of $0.18; FY21 dividends of $0.25 per share, up 67% vs. FY20**
- We intend to initiate an **incremental up to $1bn buyback** (over and above the up to **$2bn** buyback already in progress)

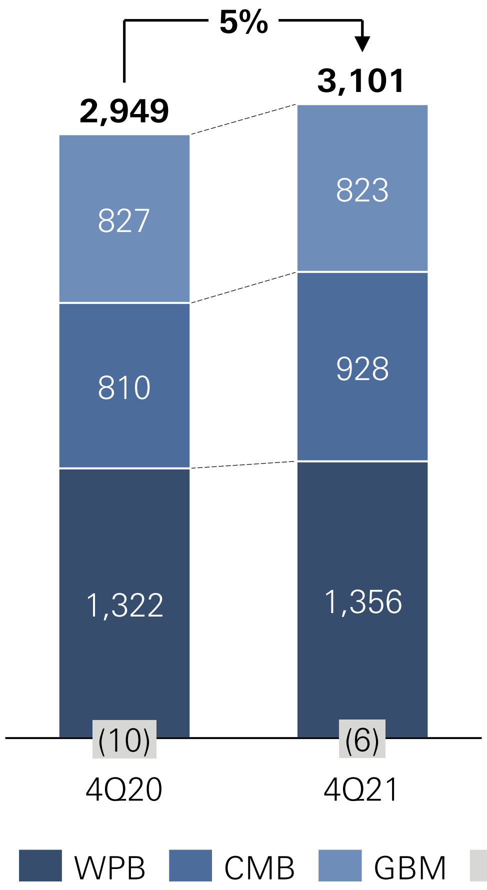
Loan and fee growth

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

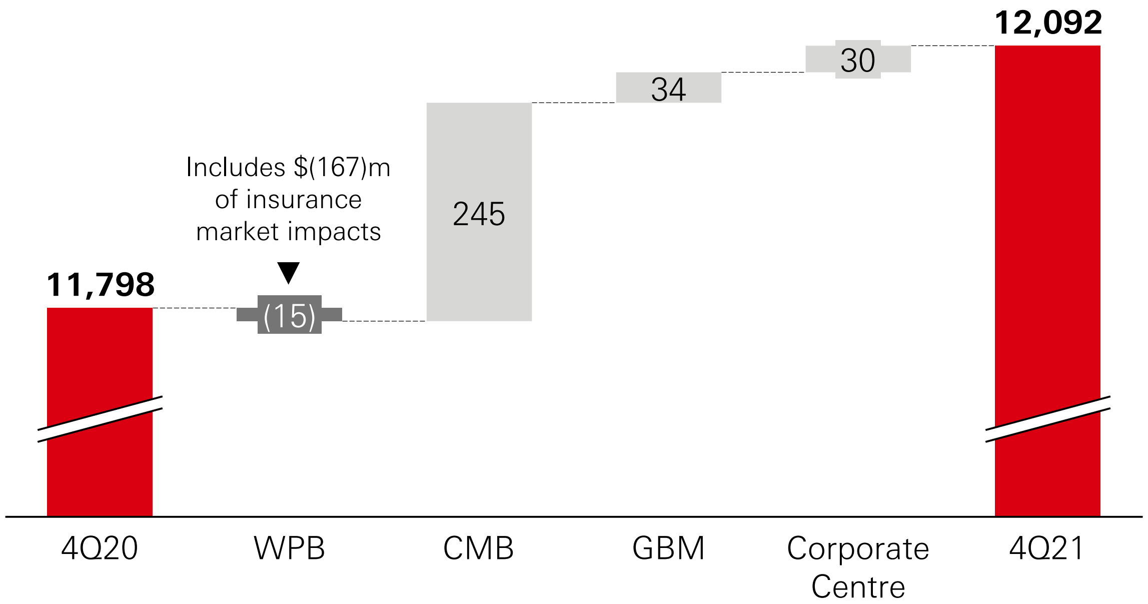
Net fee income by global business, $m



- 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

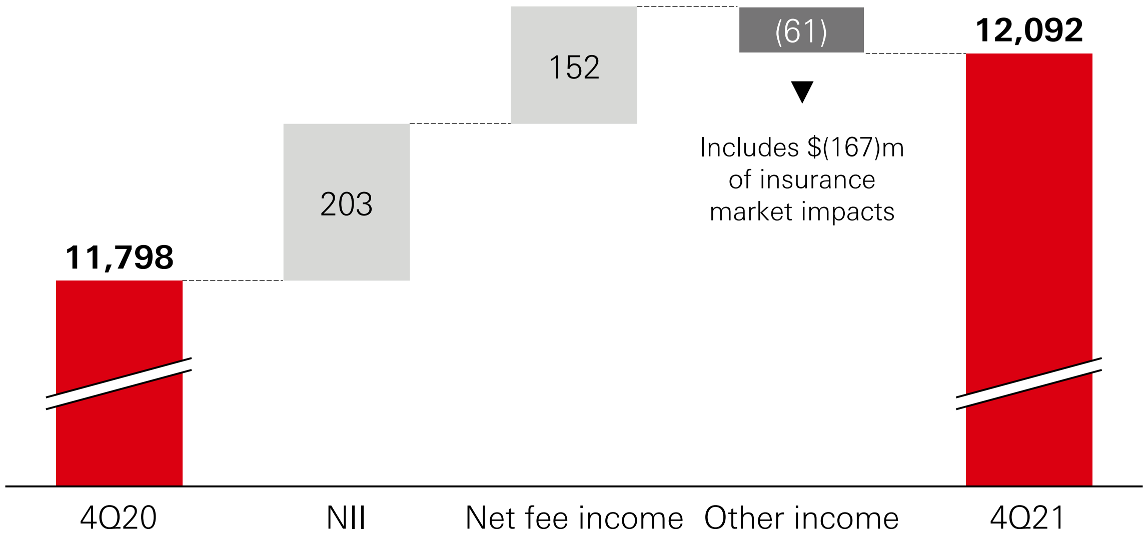
Adjusted revenue drivers

Revenue by global business, $m



- **WPB slightly down by $15m**, as growth in Personal Banking and Wealth was offset by adverse insurance market impacts of $167m
- **CMB revenue grew $245m (8%)** across all revenue lines, mainly Trade and Credit and Lending
- **GBM revenue up $34m (1%)**, mainly from good performance in FX and Capital Markets & Advisory

Revenue by income statement line, $m

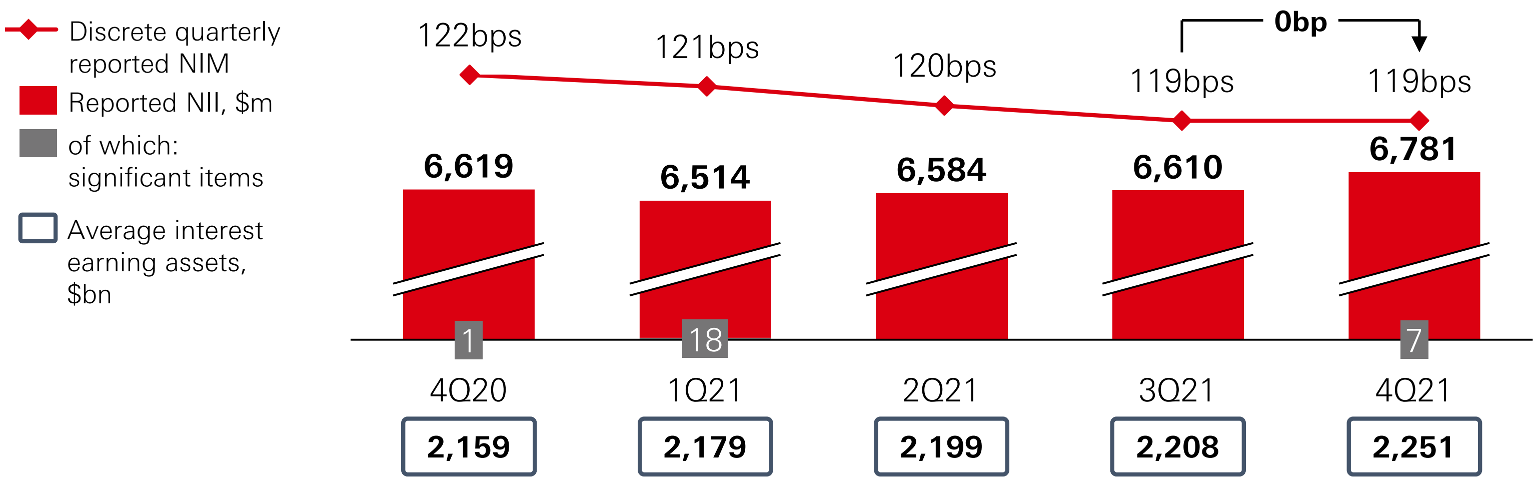


- Good NII growth (up $203m, 3%) vs. 4Q20 **particularly in CMB (up $92m, 4%)**; WPB NII up $47m (1%)
- **WPB** Non-NII down 4% vs. 4Q20, with the adverse impact of insurance market impacts offsetting **fee growth (up 3%)**
- **CMB Non-NII up 14%** vs. 4Q20, primarily from higher fees
- **GBM** Non-NII up 2% as lower MSS was more than offset by higher Non-NII in Banking, notably fees

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[35] 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)

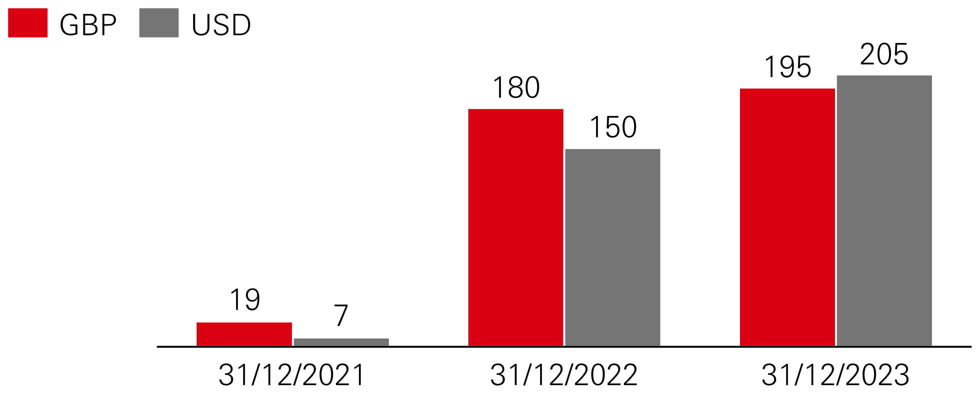
NII sensitivity[35] to instantaneous change in yield curves (5 years), $m

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**

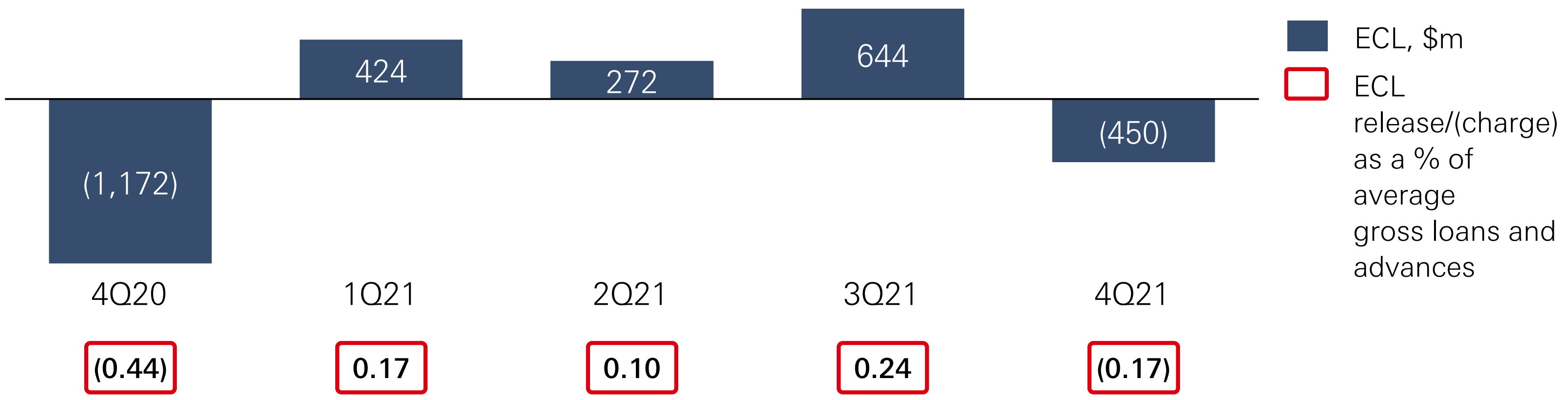
Market-implied path of overnight interest rates[36], bps



* Please refer to slide 35 for additional detail on deposits by type

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

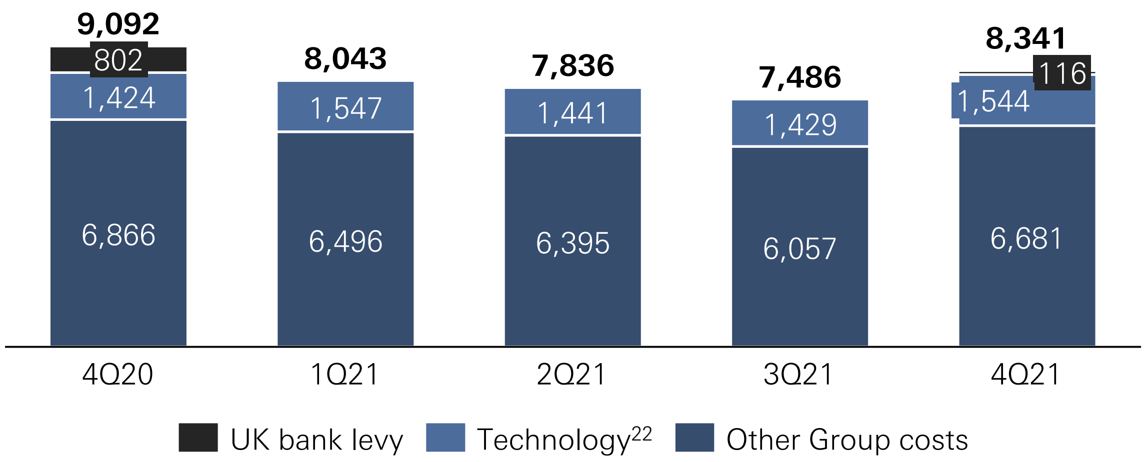
4Q21	Stage 1-2	Stage 3	Total**
Wholesale	(0.2)	(0.2)	**(0.5)**
Personal	(0.0)	(0.1)	**(0.1)**
Total	**(0.3)**	**(0.3)**	**(0.5)**

- **4Q21 ECL charge of $450m**, primarily from Stage 2 charges reflecting recent developments in China's CRE market, offset by **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**[37]

* 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

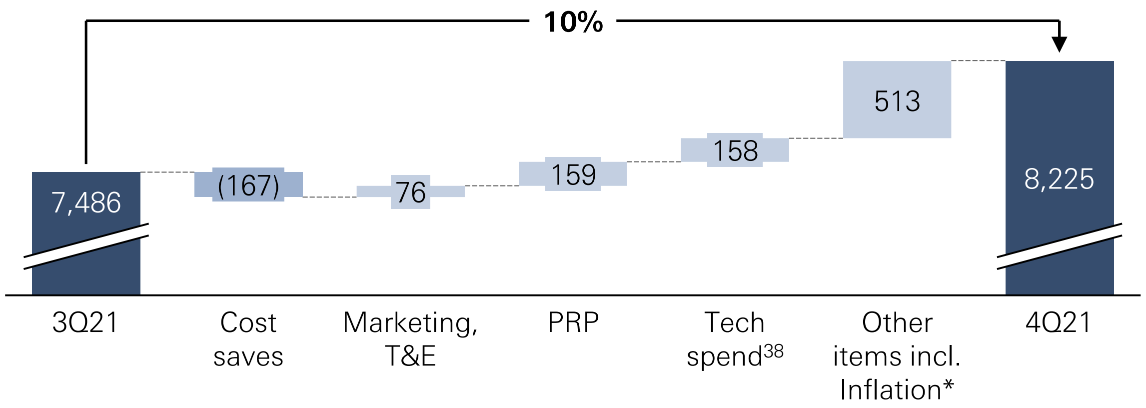
Adjusted costs

Operating expenses trend, $m

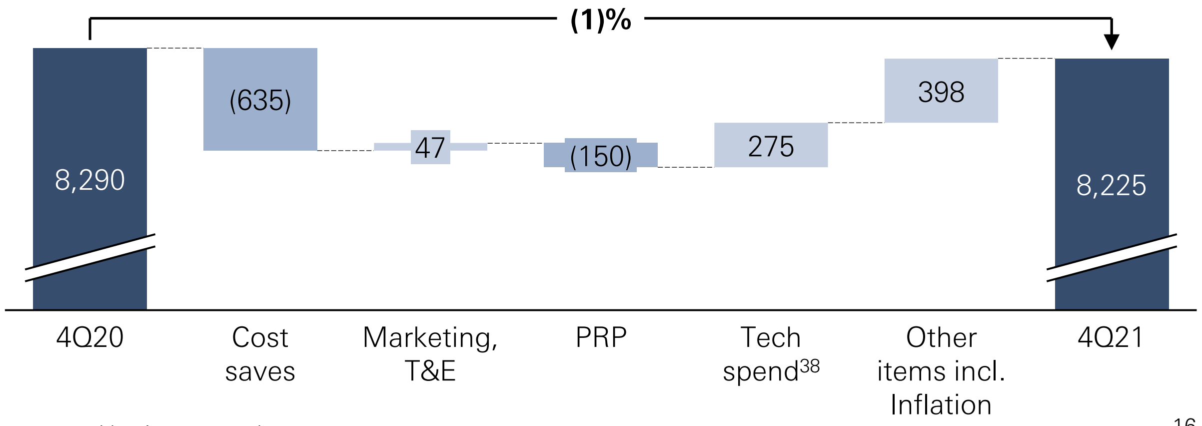


- **4Q21 costs (excl. levy) of $8.2bn modestly down vs. 4Q20**, primarily due to cost saves of $0.6bn and lower performance-related pay (PRP), partially offset by increased technology spend
- **4Q21 costs (excl. levy) were up $0.7bn (10%) vs. 3Q21**, from a variety of factors, including: seasonality, 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



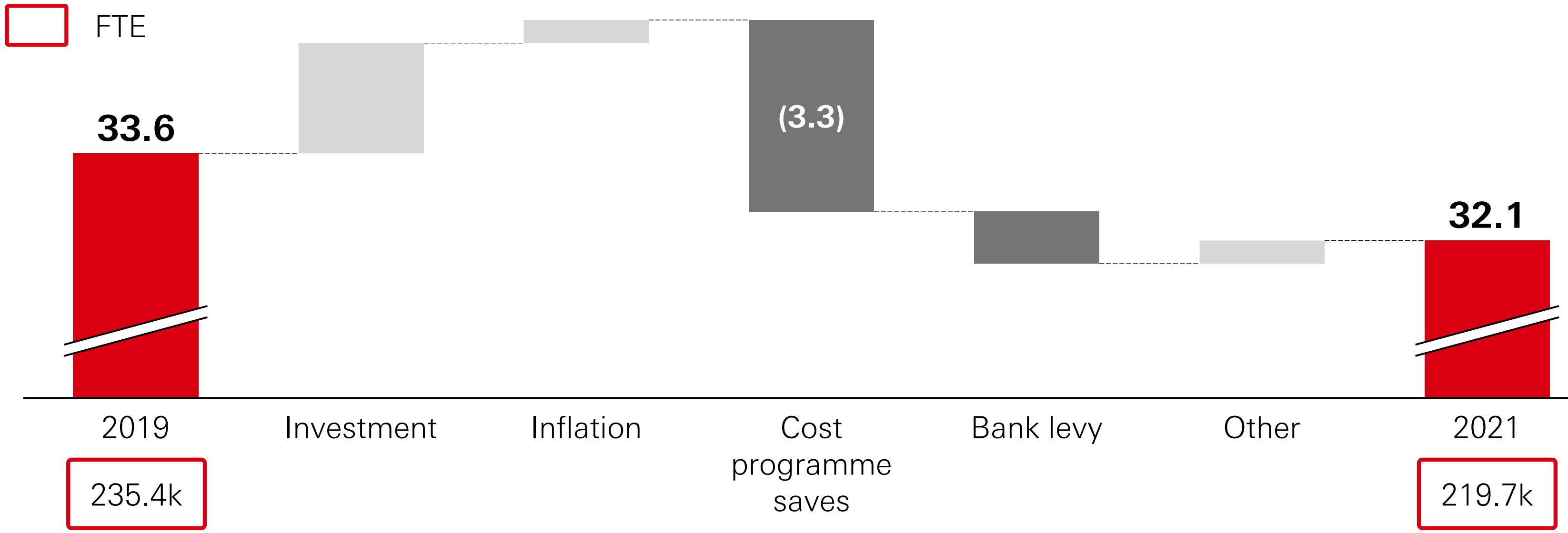
4Q21 vs. 4Q20 (excl. levy), $m



* 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

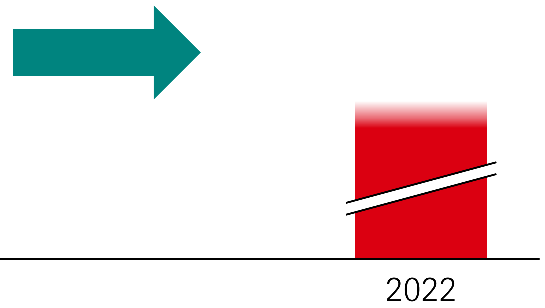
Cost programme progress

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**[22], 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

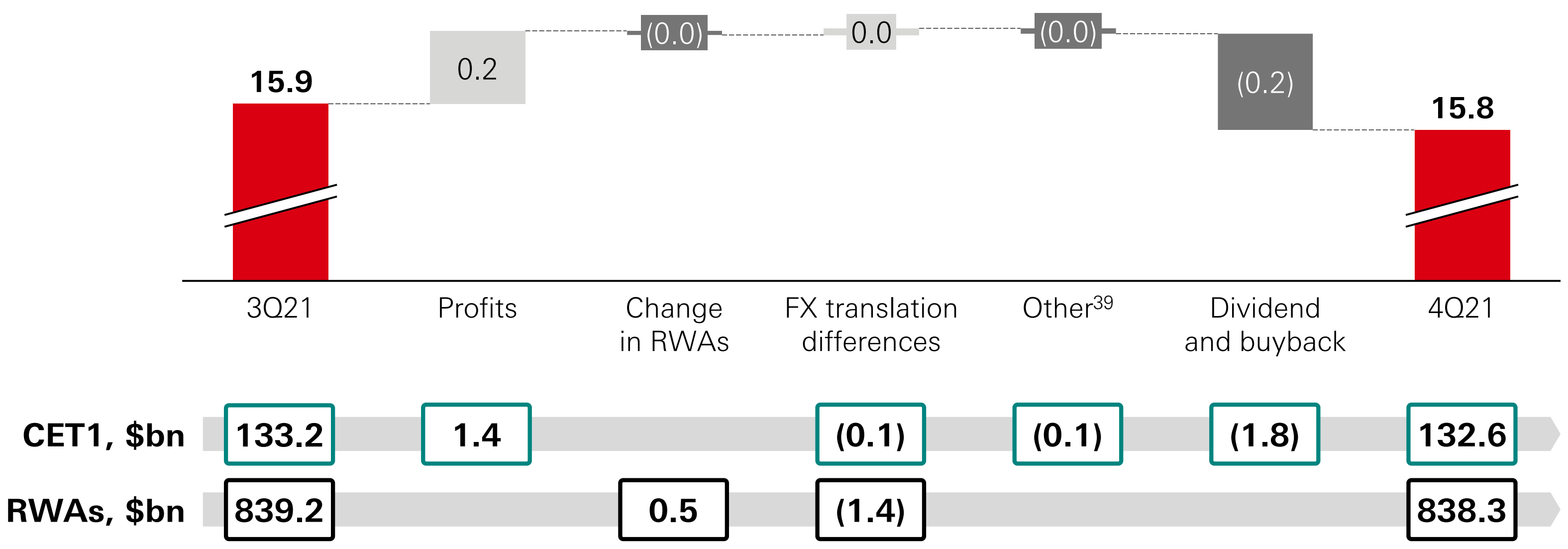
Stable costs over FY22



- Targeting FY22 adjusted costs **in line** with FY21
- We intend to manage cost growth within a **0 – 2%** range in FY23[23], mitigating inflation with cost saves

Capital adequacy

CET1 ratio, %



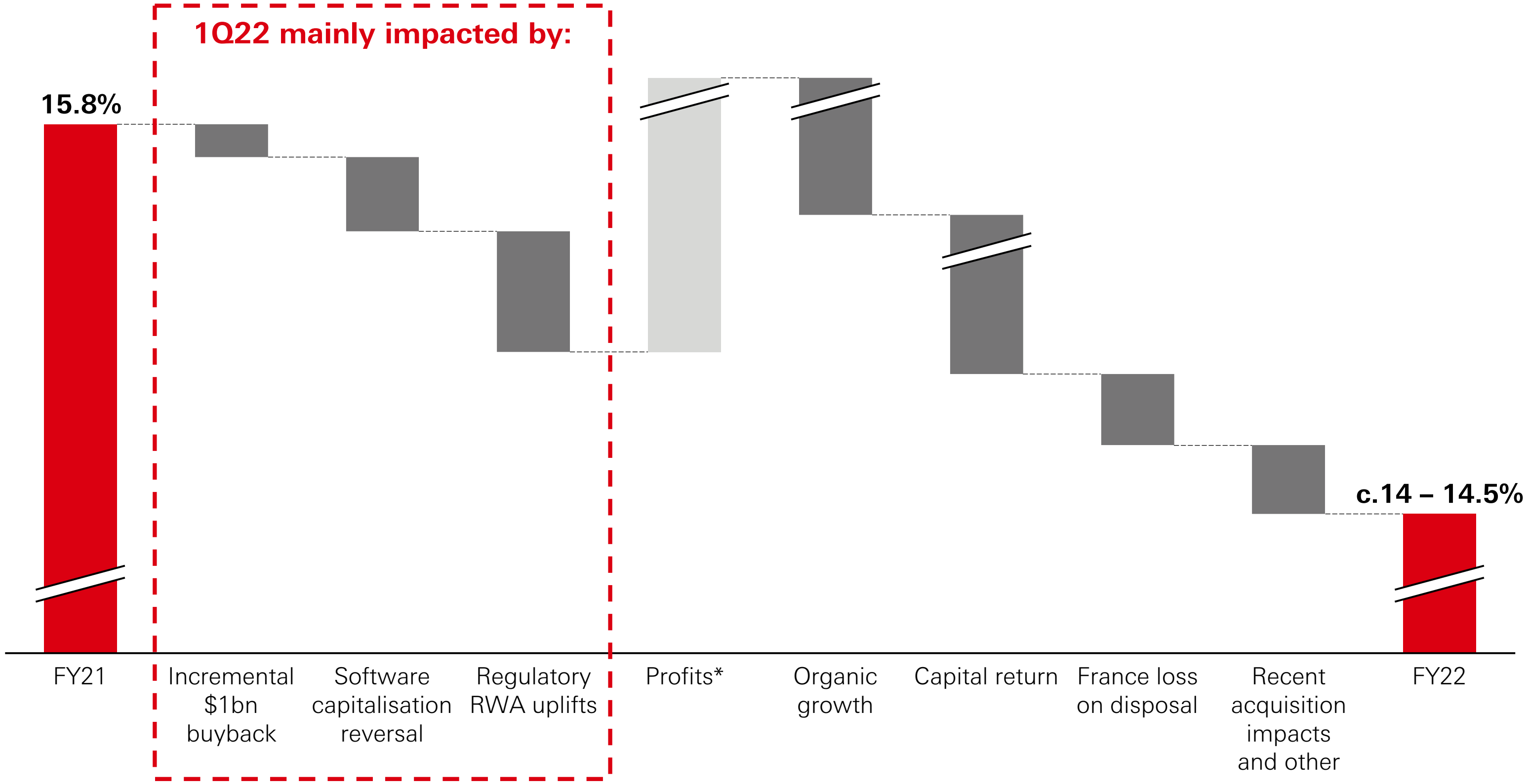
Capital progression

	4Q20	3Q21	4Q21
Common equity tier 1 capital, $bn	136.1	133.2	132.6
Reported risk-weighted assets, $bn	857.5	839.2	838.3
CET1 ratio[3], %	15.9	15.9	15.8
Leverage ratio exposure, $bn	2,897.1	2,964.8	2,962.7
Leverage ratio[3], %	5.5	5.2	5.2

- **CET1 ratio of 15.8% down 0.1ppts vs. 3Q21** as profits were offset by capital returns:
  - Includes second interim dividend for 2021, net of YTD dividend accruals
  - 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 $1bn** vs. 3Q21
- Cumulative **RWA saves of $104bn**[4], we expect to exceed our original FY22 target of >$110bn of saves
- Expect **mid-single digit RWA growth** during FY22
- Dividend for capital purposes to be accrued at 55% of reported EPS over FY22, in line with PRA guidance and not to be interpreted as signalling

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** in FY22 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

Summary

1 **A good set of results for 2021 and 4Q21**; revenue growth returning (up **2.5%** vs. 4Q20) and improved earnings diversity by business and geography

2 **Good business momentum**, including lending growth of **$38bn** in WPB and CMB in FY21, Trade loan growth up **23%**

3 **Significantly improved interest rate environment**; we expect to deliver a **RoTE of at least 10%**[1] for FY23, one year ahead of schedule

4 **On track with cost programme**, expect stable costs in FY22 despite inflationary pressures

5 Strong dividend growth, **FY21 dividend of $0.25 per share, up 67%**; we intend to initiate an **incremental up to $1bn buyback** (over and above the up to **$2bn** buyback already in progress)

Appendix

HSBC

Guidance summary

		FY21	Guidance
Costs	Adjusted costs	**$32.1bn**	**Stable** adjusted costs over FY22; **0-2%** cost inflation over FY23[23]; bank levy expected to be c.$300m p.a.
	Cost saves	**$2.2bn**	Expect **>$2bn** of cost saves in FY22; expect total programme saves of **at least $5.5bn** by FY22; expect **at least $0.5bn** of further cost saves in FY23
	CTA	**$1.8bn**	**c.$3.4bn** of CTA spend over FY22; **no CTA** thereafter
ECL		**$0.9bn**	Expect ECL to normalise towards **30bps** of average loans in FY22[37]
Effective Tax Rate		**22%**	Medium-term planning rate of **19 – 20%**
Lending		**$1,046bn**	**Mid-single digit** growth in FY22
RWAs		**$838bn**	**Mid-single digit** growth in FY22
CET1		**15.8%**	Intend to normalise to **c.14.0 – 14.5%** range in FY22, and manage within range over medium-term; manage range down further long term
RoTE		**8.3%**	At least 10% for FY23, if policy rates were to follow the current implied market consensus
Capital return		**DPS of $0.25; up to $2bn buyback announced at 3Q21; intend to initiate further $1bn buyback**	Sustainable dividend payout ratio **range of 40 – 55%**, supplemented by additional distributions if appropriate; no current intention to pay quarterly dividends during 2022; regulatory dividend accrual of **55% of reported EPS**, in line with PRA guidance and not to be interpreted as signalling

Business highlights

Global business highlights

WPB

- Reported wealth balances of **$1.7tn** up 2% QoQ
- Strong FY21 mortgage performance, balances up **$23bn**, particularly in the UK and HK

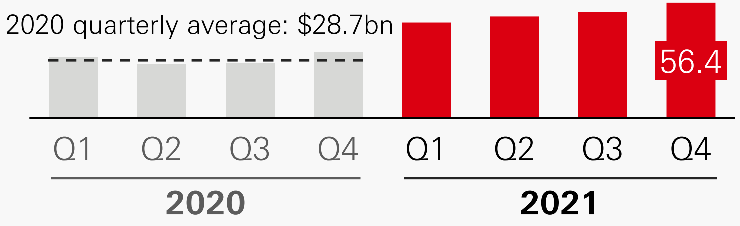
CMB

- FY21 international account openings up **13%**
- CMB Asia loans up **9%** YoY; up **20%** YoY in mainland China
- Trade balances of **$58bn**, up 30% YoY; HK trade market share of **23%**, up 4ppts YoY[40]

GBM

- Strong FY21 Capital Markets & Advisory revenue growth, up **17%** YoY
- Strong **AUC growth** in Securities Services, average balances up **18%** YoY to **$10tn**

Global CMB value of approved limits*, $bn



Transformation highlights

Recently announced acquisitions

- *HSBC Life China*
- *L&T Investment Management*
- *AXA Singapore*

Exit of US and France mass retail

$705tn of payments processed in 2021, up 3% vs. 2020

Around **96%** of applicable transactions[41] now **fully automated**

Invested $6.0bn in technology

Real estate footprint **down 18%** since FY20, or c.3.4 million sq. feet

Geographic highlights

Adjusted PBT by region, $bn

	FY20	FY21
UK RFB	0.4	**5.2**
HSBC Bank plc	(0.3)	**2.2**
Asia	13.2	**12.6**
o/w: Hong Kong	*8.3*	***6.2***
o/w: Asia ex-HK	*4.9*	***6.4***
MENA	0.5	**1.5**
North America	0.8	**1.8**
o/w: US	*0.4*	***0.9***
o/w: Canada	*0.4*	***0.8***
Latin America	(0.0)	**0.8**
o/w: Mexico	*(0.2)*	***0.6***

- Asia PBT **57%** of group PBT in FY21, down from **107%** in FY20
- Asia loan growth of **5%** in FY21
- Asia excl. Hong Kong 4Q21 revenue up 11% YoY; lending up **$13bn** (7%) vs. 4Q20

* Includes renewal and refinancing activity. Note, clients may elect not to draw down on approved limits; from 3Q21 we have chosen to exclude past approvals from the same client within 60 calendar days from approved limit analysis, comparative data have been re-presented accordingly

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[42]
  - Power and utilities on-balance sheet financed emissions intensity target of **0.14MtCO_2e/TWh**, or a **75%** reduction vs. 2019 baseline[42]

Social

- Our percentage of female leaders was **31.7%**, up 1.4ppts vs. FY20[30]
- Employee engagement increased **5ppts** vs. FY19 to **72%**[29]; 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

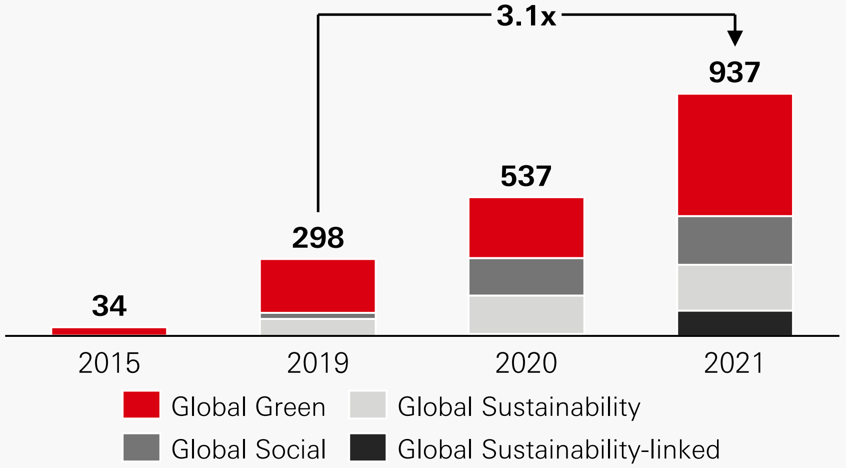
- **Over 1.1 billion** transactions screened per month for signs of financial crime
- **99%** of employees received anti-corruption training[43]
- **2,224** whistleblowing concerns raised

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)

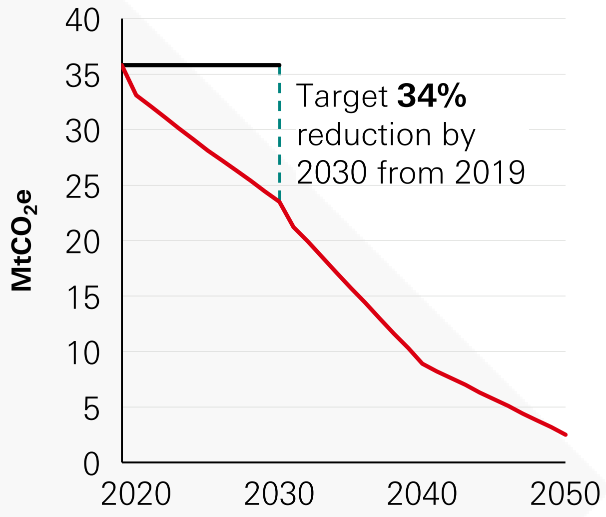
Global GSSS bond issuance[44], $bn



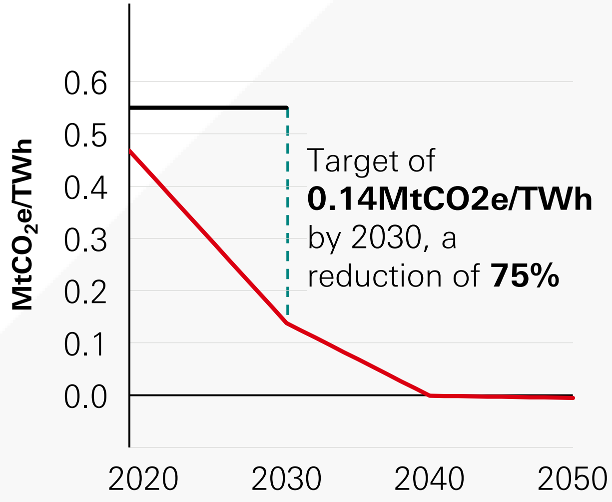
- HSBC attained a **5% market share** of GSSS bonds over FY21; apportioned volume of **$46.8bn, up 2.9x** vs. FY19[44]
- Global GSSS bond issuance increased **74%** YoY

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

Oil and gas – absolute emissions



Power and utilities – emissions intensity



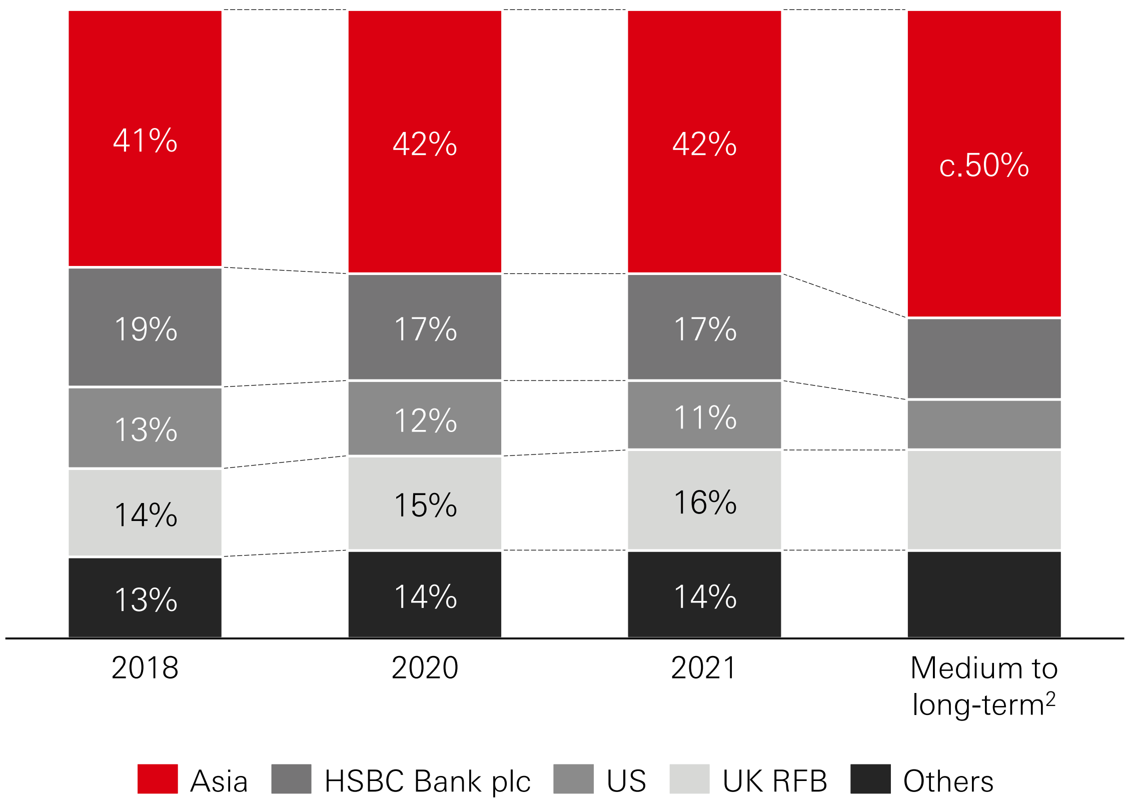
- We have defined **targets to 2030** for the on-balance sheet financed emissions of our oil and gas and power and utilities portfolios
- These are **aligned with the decarbonisation pathways set out by the IEA** in its net zero emissions by 2050 scenario

Capital allocation progress

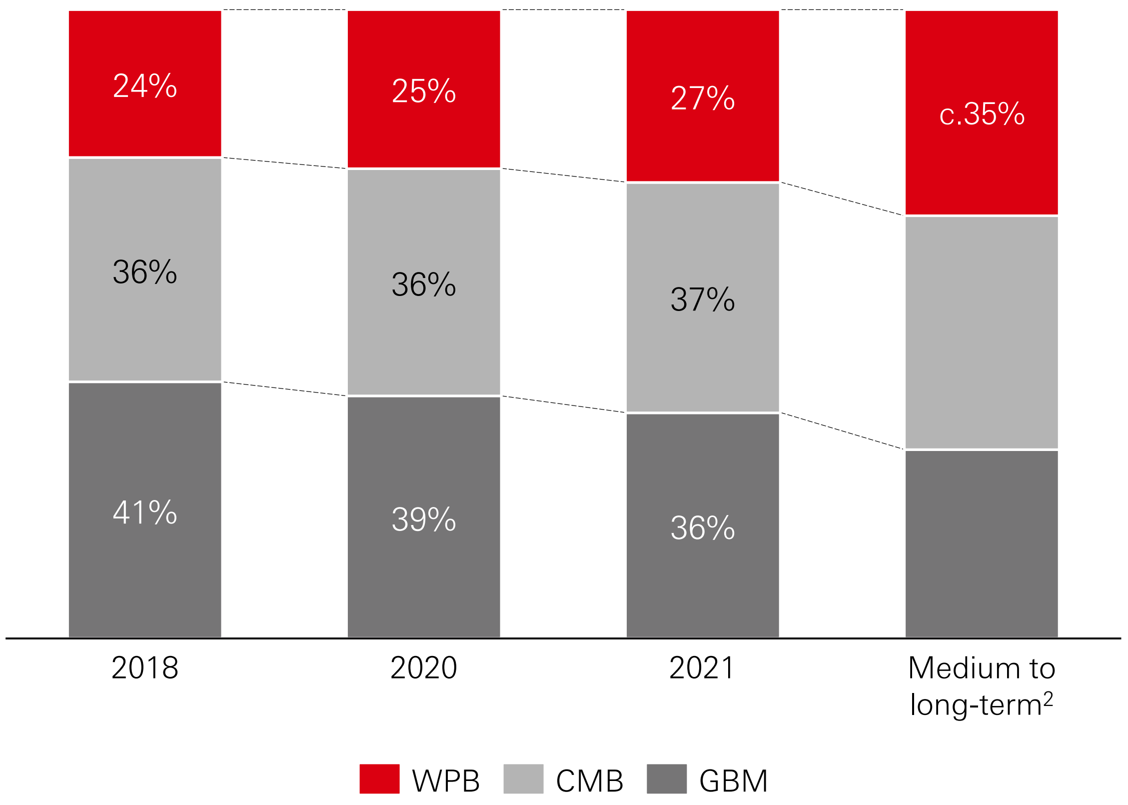
Tangible Equity allocation to Asia and WPB

Tangible Equity, % of Group

By legal entity[5]



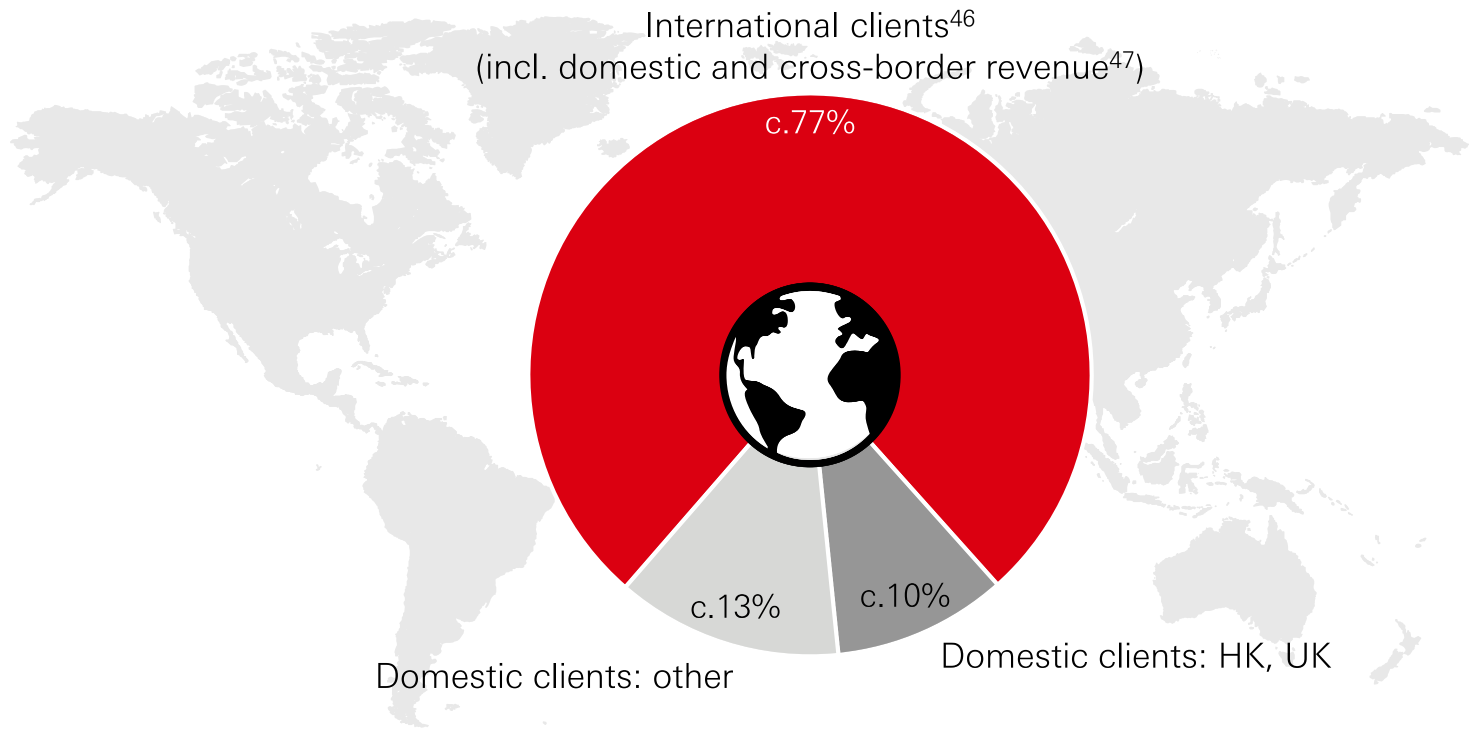
By global business[6]



The value of our international network

FY21 Wholesale client value[45]

c.77% of CMB and Global Banking client revenue is linked to HSBC's international network, **up 2ppt** vs. FY20



HSBC franchise is highly connected and focused on international clients

- This focus enables leading positions in **transaction banking and cross-border transactions**
- Domestic clients have decreased vs. FY20 as we refocus on serving our international client base
- **West-East connectivity is a key differentiator**; we provide access to Western capital flows and markets and USD clearing
- Access to product, technology and innovation expertise in the West, **enables strength in our higher return Eastern franchise**
- Our network helps position us to be the international bank of choice and also **serve high-value Retail and Wealth clients**

GBM: Building from our plans announced in February 2020

Delivering our restructuring plan

FY19 vs. FY21

Reposition our capital base

(14)%

GBM RWAs **down**

from $273bn to $236bn[48]

Improve efficiency

(2)%

Total Costs

FTE **down** from 48.9k to 46.2k; Cost-Income-Ratio from 65% to 67%

Deliver returns

30bps

RoRWA **up** from 1.8% to 2.1%

Return on Tangible Equity[49] **down** from 9.8% to 8.6%

Focusing on growth

- Grow **Transaction Banking** revenues in key corridors
- Become **top 5 Global Financing house**; significantly grow Investment Banking revenues in targeted markets
- Deepen business with **institutional clients**; facilitate capital flows between East and West
- **Support the Group's Wealth business** with financing and investment solutions
- **Maintain leadership in ESG**, helping clients transition to a low carbon economy

GBM: Differentiating from our competitors

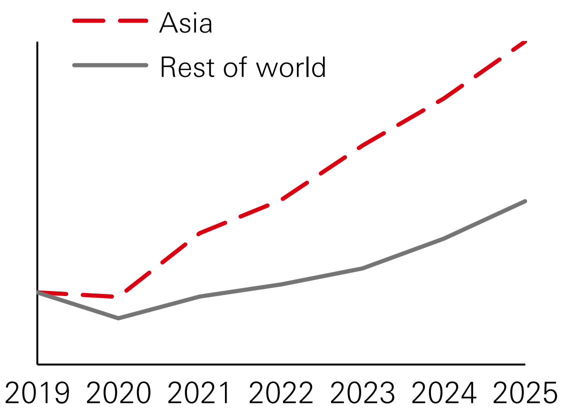
Deep roots in Asia

The leading international bank in Asia and the Middle East

Asia market positioning[50]

GLCM #2	Securities Services #1
FX #2	Global Debt Markets #3
DCM #1	Loans #1

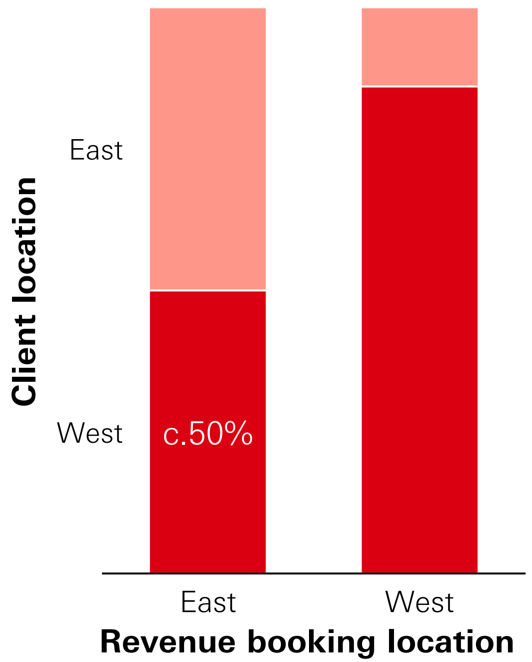
East vs. West revenue pools growth forecast[51] *(indexed to 100)*



Globally connected

c.50% of revenues booked in the East are from Western Clients

Client value[52]

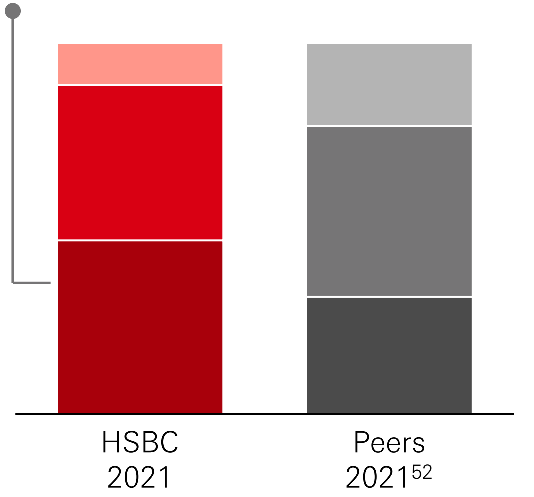


Leading Transaction bank with strength in Asia

Diversified revenues and well placed for rising rates

GBM Revenues by product offering

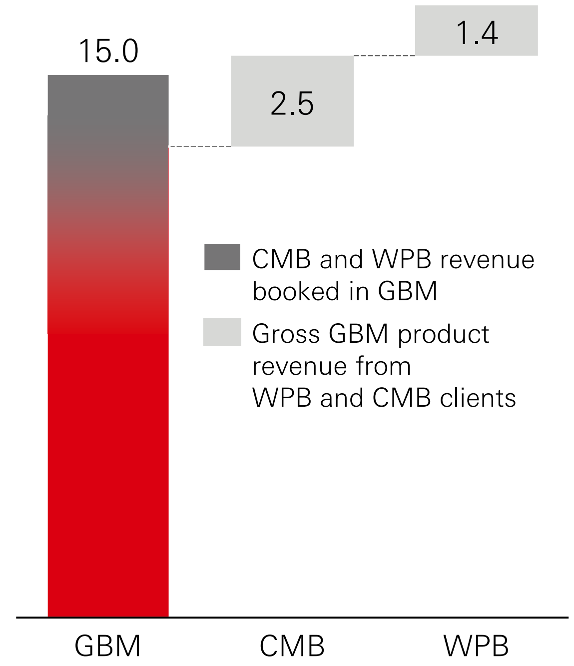
Rank[50]	Global
FX	#3
SSv	#7
GLCM	#4
GTRF	#1



Broad and diverse client base

Collaboration revenue — serving clients across the bank

GBM Products with Group clients, $bn[54]



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[55]*	(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)**

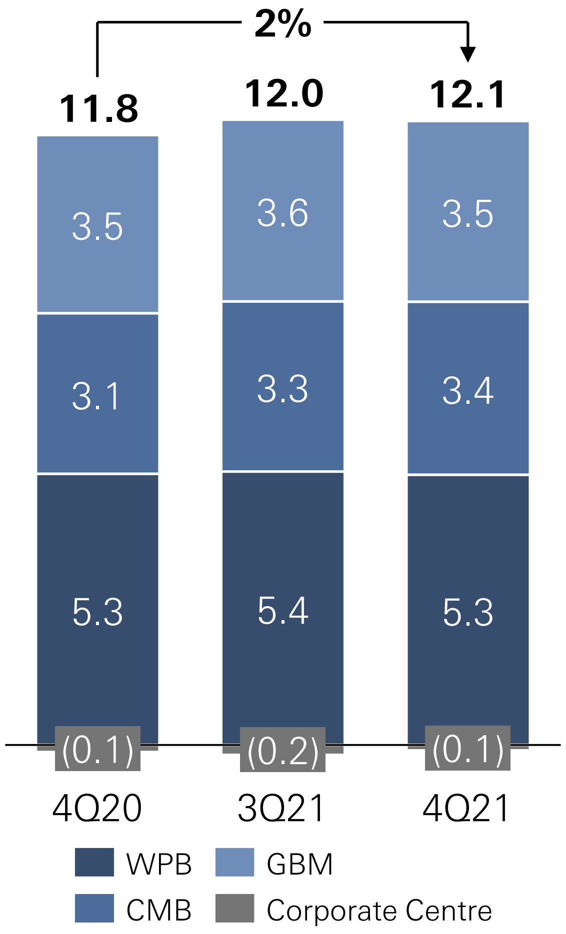
* Comparative figures have not been retranslated for foreign exchange movements

4Q21 adjusted revenue performance

	4Q21 revenue				4Q21 vs. 4Q20	
WPB	$5,292m	▼ (0)%	Wealth	**$2,042m**	(13)	o/w insurance market impacts: $(167)m
			Personal Banking	**$3,094m**	46	
			Other	**$156m**	(48)	
CMB	$3,389m	▲ 8%	GTRF	**$512m**	90	
			Credit and Lending	**$1,567m**	106	
			GLCM	**$938m**	40	
			Other	**$372m**	9	
GBM	$3,520m	▲ 1%	MSS	**$1,871m**	(32)	o/w XVAs and bid-offer adjustment: $(36)m
			Banking	**$1,660m**	102	
			of which: GLCM	***$481m***	*22*	
			Principal Investments	**$53m**	(19)	
			Other	**$(64)m**	(17)	
Corp. Centre	$(109)m				30	o/w valuation differences: $3m
Group	$12,092m	▲ 2%			(193) / **295**	

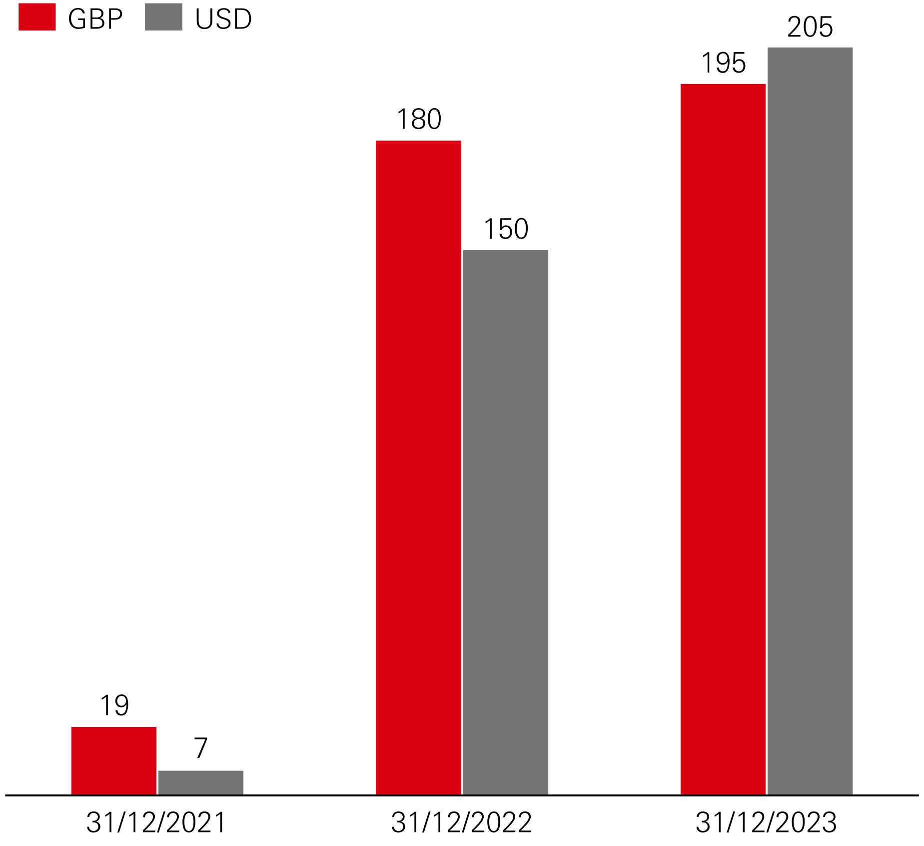
Impact of certain items

Revenue by global business, $bn



Net interest margin supporting information

Market-implied path of overnight interest rates[36], bps

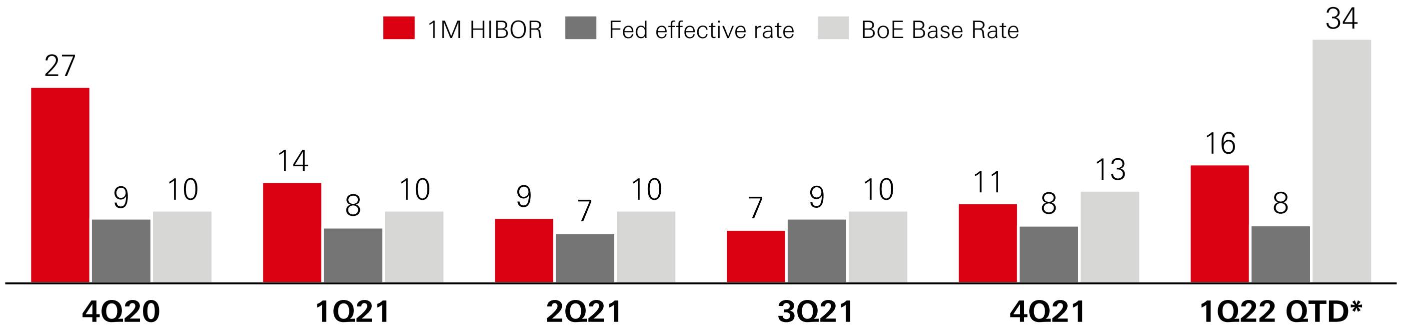


Source: Bloomberg

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



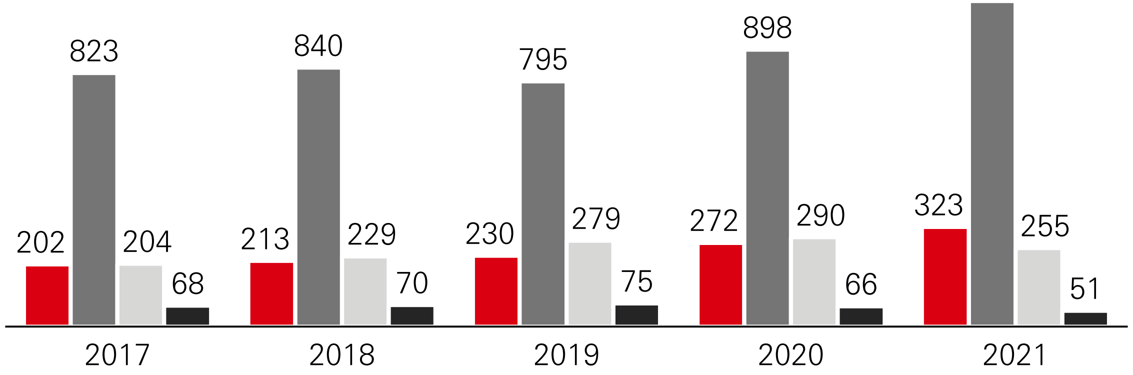
* At 18 February 2022

Source: Bloomberg

Balance sheet analysis

Group customer accounts by type, $bn

Average balances at 31 December 2021



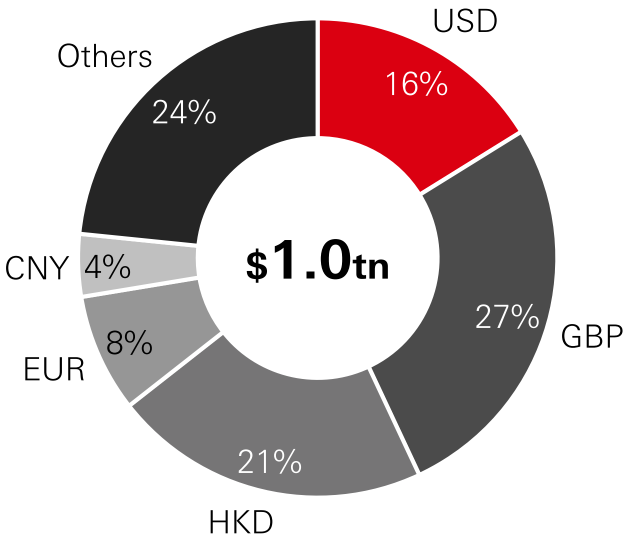
Liquidity pool by currency

	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

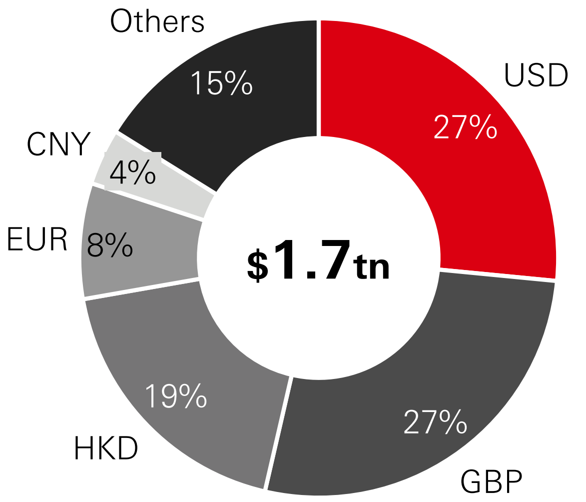
Group loans and deposits by currency

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

Net fee income by global business

	$m	2021	2020	Δ
WPB	Personal Banking	1,341	1,203	11%
	Wealth Management	4,449	4,099	9%
	Other WPB	104	217	(52)%
	Total WPB	**5,894**	**5,519**	**7%**
CMB	GTRF	1,008	936	8%
	Credit & Lending	748	685	9%
	GLCM	1,233	1,114	11%
	Other CMB	650	599	9%
	Total CMB	**3,639**	**3,334**	**9%**
Corporate Centre		**(39)**	**(27)**	**(44)%**

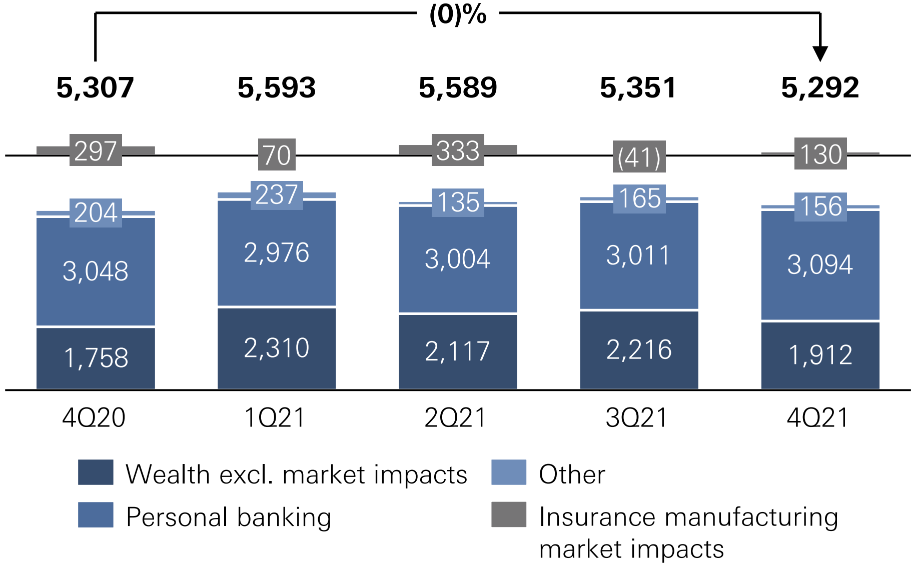
	$m	2021	2020	Δ
GBM	MSS	939	859	9%
	o/w HSS	*1,332*	*1,185*	*12%*
	o/w Other MSS	*(393)*	*(326)*	*(21)%*
	Banking	2,696	2,515	7%
	o/w GLCM	*631*	*544*	*16%*
	o/w GTRF	*456*	*451*	*1%*
	o/w Other Banking	*1,609*	*1,520*	*6%*
	Other GBM	(32)	(58)	45%
	Total GBM	**3,603**	**3,316**	**9%**
Group net fee income		**13,097**	**12,142**	**8%**

Wealth and Personal Banking

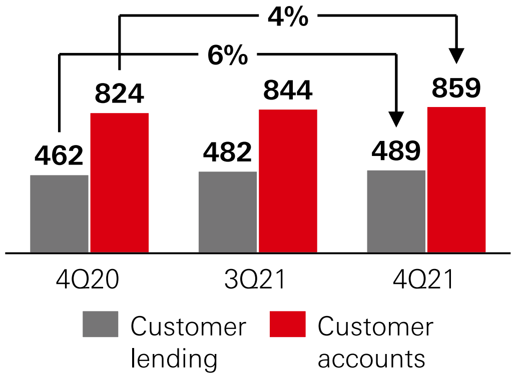
4Q21 financial highlights

Revenue	**$5.3bn**	▼	(0)% (4Q20: $5.3bn)
ECL	**$0.0bn**	▼	>100% (4Q20: $(0.3)bn)
Costs	**$(4.0)bn**	▲	(1)% (4Q20: $(4.0)bn)
PBT	**$1.3bn**	▲	25% (4Q20: $1.0bn)
RoTE[49]	**15.2%**	▲	6.1ppt (FY20: 9.1%)

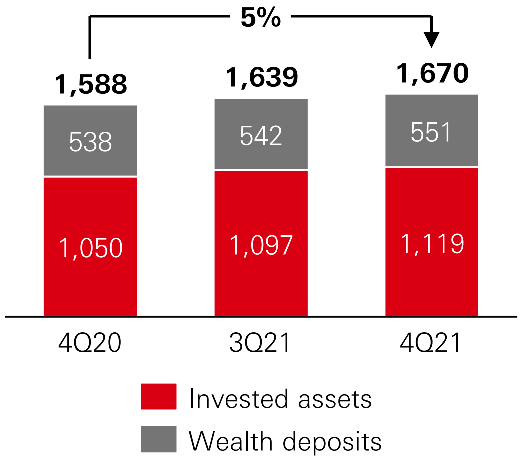
Revenue performance, $m



Balance sheet, $bn



Reported Wealth Balances[8], $bn



4Q21 vs. 4Q20

- **Revenue** down $15m (<1%) driven by adverse insurance market impacts of $167m, lower interest rates and lower Markets Treasury revenue, partially offset by balance sheet growth, higher VNB in Insurance, and growth in Private Banking and Asset Management revenue
- **Customer lending** up $27bn (6%), mainly mortgages ($23bn, net of $3bn US HFS reclassification) and other Private Banking ($1bn)
- **Customer accounts** up $35bn (4%) across most markets, particularly in the UK ($26bn), partially offset by reclassification of customer accounts to liabilities held for sale in the US ($10bn)
- **Wealth balances** up $82bn (5%) with invested assets up 7%. Growth across all segments, particularly in Private Banking/Retail invested assets, driven by inflows and higher market levels

4Q21 vs. 3Q21

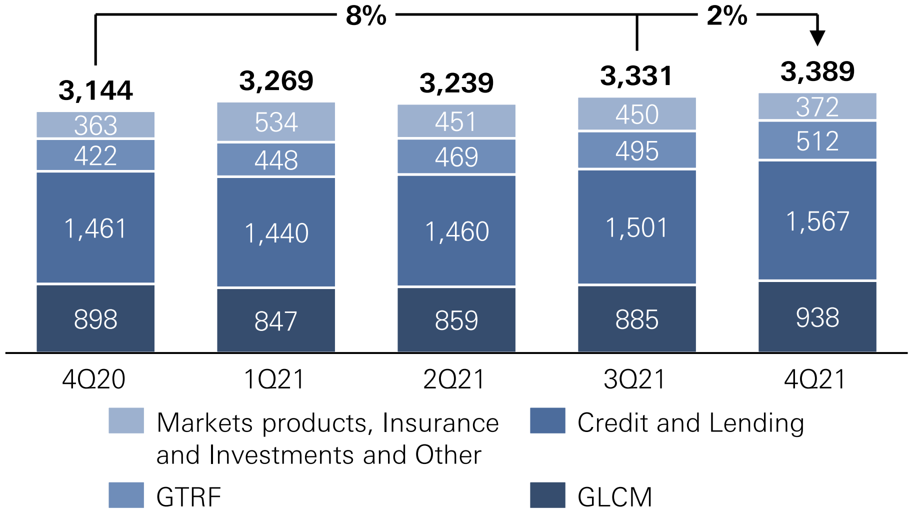
- **Revenue** down $59m (1%) driven by lower Wealth revenue of $133m, including $171m of positive insurance market impacts due to seasonality of sales, partly offset by higher Personal Banking of $83m due to balance sheet growth
- **Customer lending** up $7bn (1%), mainly mortgages ($6bn) across most markets, particularly in the UK ($3bn); retail unsecured lending up $2bn driven largely by Asia ($1bn)
- **Customer accounts** up $15bn (2%), driven by growth across most markets, particularly in Hong Kong ($7bn) and the UK ($5bn)
- **Wealth balances** up $31bn (2%) with invested assets up 2% driven largely by inflows particularly in Asset Management

Commercial Banking

4Q21 financial highlights

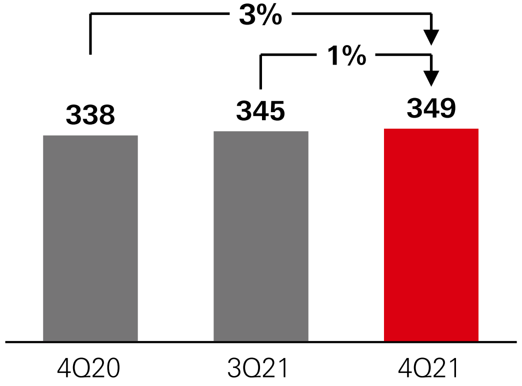
Revenue	**$3.4bn**	▲	8% 4Q20: $3.1bn
ECL	**$(0.2)bn**	▼	75% 4Q20: $(0.9) bn
Costs	**$(1.8)bn**	▲	(1)% 4Q20: $(1.8)bn
PBT	**$1.4bn**	▲	>100% 4Q20: $0.5bn
RoTE[49]	**10.8%**	▲	9.5ppt (FY20: 1.3%)

Revenue performance, $m

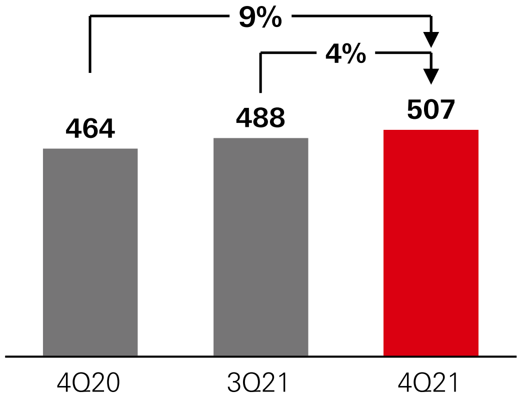


Balance sheet, $bn

Customer lending



Customer accounts



4Q21 vs. 4Q20

- **Revenue** up $245m (8%), driven by higher fees across all products, growth in trade and deposit balances notably in Asia partially offset by the impact of lower rates
- **Costs** up $13m (1%), including a $47m impact of UK bank levy allocations beginning in 4Q21
- **Customer lending** up $11bn (3%) largely in Asia across trade and term lending
- **Customer accounts** up $42bn (9%) as customers raised and retained liquidity, notably in Asia, the UK and the US

4Q21 vs. 3Q21

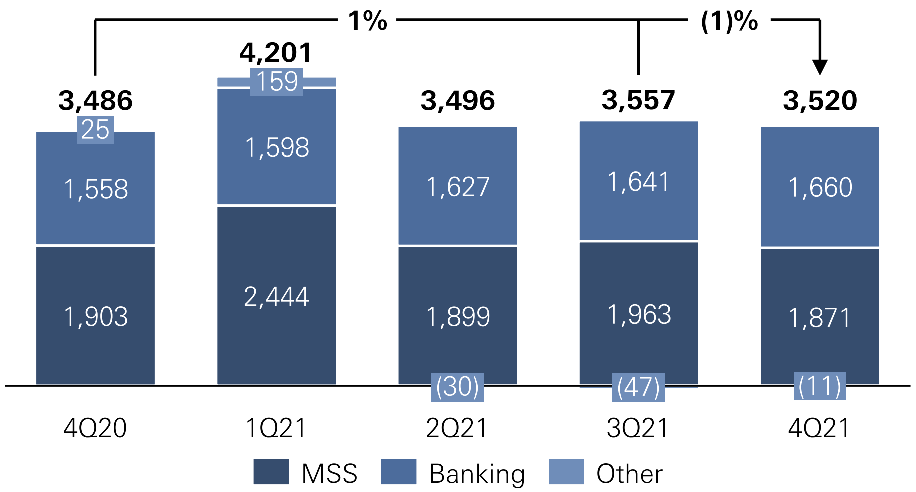
- **Revenue** up $58m (2%), growth in interest income across all products, higher fees in GLCM partly offset by lower markets product revenue and seasonality in insurance revenue
- **Customer lending** up $4bn (1%) with continued growth in trade across all regions ($3bn) and growth in term lending notably in Asia
- **Customer accounts** up $19bn (4%) reflecting continued liquidity in the market, notably in Asia

Global Banking and Markets

4Q21 financial highlights

Revenue	**$3.5bn**	▲	1% (4Q20: $3.5bn)
ECL	**$(0.2)bn**	▲	>(100)% (4Q20: $0.0bn)
Costs	**$(2.7)bn**	▲	(9)% (4Q20: $(2.5)bn)
PBT	**$0.6bn**	▼	(41)% (4Q20: $1.0bn)
RoTE[49]	**8.6%**	▲	1.9ppt (FY20: 6.7%)

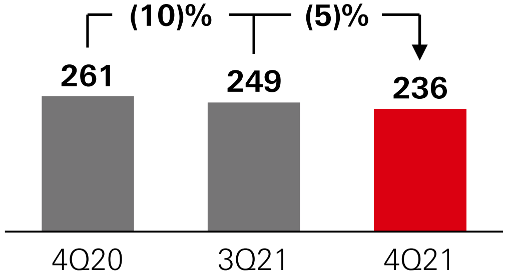
Revenue performance, $m



View of adjusted revenue

$m	4Q21	Δ4Q20
MSS	**1,871**	**(2)%**
Securities Services	471	9 %
Global Debt Markets	1	(99)%
Global FX	903	11 %
Equities	234	(21)%
Securities Financing	218	25 %
XVAs	44	(38)%
Banking	**1,660**	**7 %**
GTRF	176	6 %
GLCM	481	5 %
Credit & Lending	657	1 %
Capital Markets & Advisory	309	23 %
Other	37	12 %
GBM Other	**(11)**	**>(100)%**
Principal Investments	53	(26)%
Other	(64)	(36)%
Net operating income	**3,520**	**1 %**

Adjusted RWAs[56], $bn



4Q21 vs. 4Q20

- **Revenue** higher by $34m (1%):
  - Global FX and Securities Financing grew revenue from a recovery in FX Options and improved financing opportunities
  - Securities Services continued to grow fees from client and market growth, with record assets under custody and administration of $10tn
  - Global Debt Markets adversely impacted by market conditions and subdued client activity
  - Equities lower against elevated activity in 4Q20
  - Banking Capital Markets & Advisory up 23% from elevated financing activity and strong Advisory performance
  - Banking Credit & Lending impacted by strategic actions taken to reduce RWAs
- **Costs** up $217m (9%), including $159m from a first-time allocation of the UK bank levy
- We continue to reduce **RWAs** in line with our strategic objectives; we have now achieved cumulative gross RWA reductions of $77bn as part of our transformation programme

4Q21 vs. 3Q21

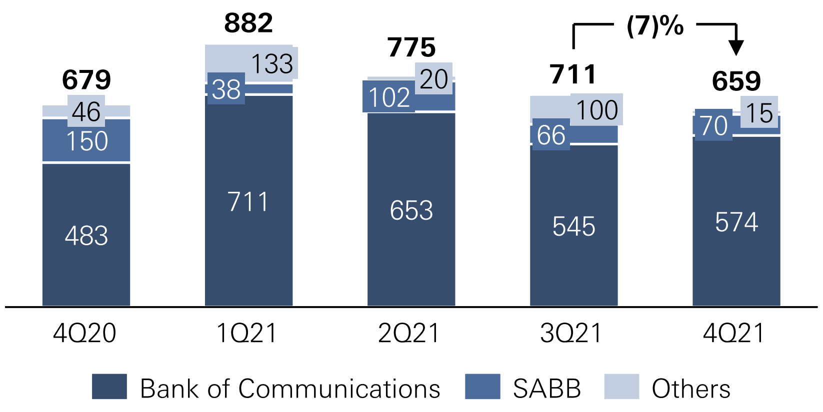
- **Revenue** lower by $37m (1%):
  - MSS down 5%, primarily from Global Debt Markets and Equities, offset by growth in Global FX
  - Banking stable, with continued strong performance in Capital Markets and Advisory

Corporate Centre

4Q21 financial highlights

Revenue	**$(109)m**	▲	22% (4Q20: $(139)m)
ECL	**$(4)m**	▲	>(100)% (4Q20: $1m)
Costs	**$136m**	▼	>100% (4Q20: $(885)m)
Associates	**$659m**	▼	(3)% (4Q20: $679m)
PBT	**$682m**	▲	>100% (4Q20: $(344)m)
RoTE[49]	**5.6%**	▲	2.5ppt (FY20: 3.1%)

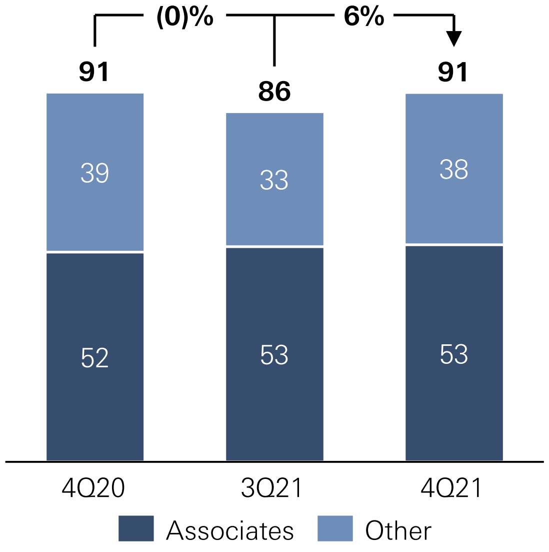
Associate income detail, $m



Revenue performance, $m

	4Q20	1Q21	2Q21	3Q21	4Q21
Central Treasury	(12)	(28)	(27)	(35)	(9)
Legacy Credit	3	9	6	(35)	(14)
Other	(130)	(15)	(60)	(120)	(86)
Total	**(139)**	**(34)**	**(81)**	**(190)**	**(109)**
Not included in Corporate Centre revenue: Markets Treasury revenue allocated to global businesses	*596*	*788*	*504*	*518*	*495*

Adjusted RWAs[56], $bn



4Q21 vs. 4Q20

- **Revenue** up $30m, largely due to gain on revaluation of properties, FX revaluation gains and favourable valuation differences
- **Associates** down $20m (3%), primarily due to lower share of profits from associates in MENA and the UK, partly offset by Asia
- **Costs** down $1,021m due to reallocation of the UK bank levy charge to global business, also benefited by a $112m credit relating to previous years

4Q21 vs. 3Q21

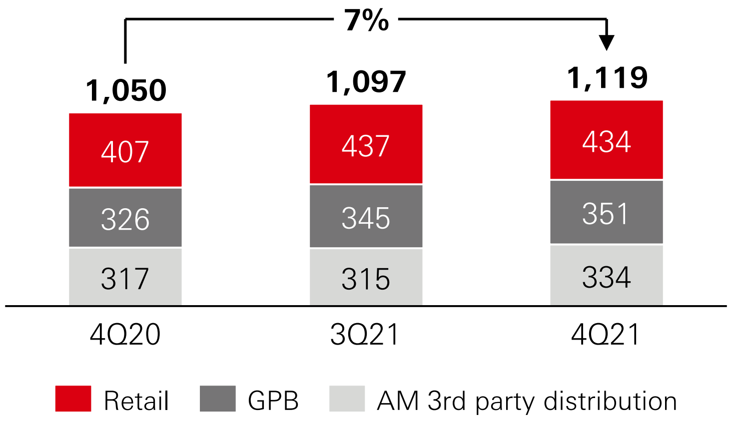
- **Revenue** up $81m, largely due to FX revaluation gains, favourable valuation differences and lower losses on Legacy Portfolios
- **Associates** down $52m (7%), primarily due to lower share of profit from associates in the UK, partly offset by Asia

Central costs

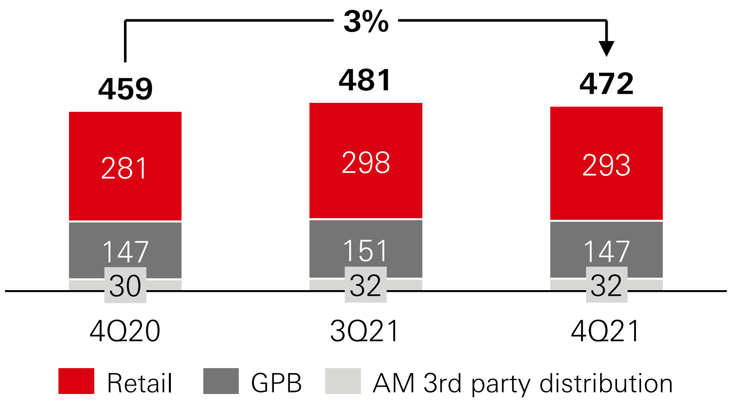
- **Holdings retained costs** of c.$1.6bn, vs. c.$1.4bn in FY20 and c.$2.2bn in FY19

Wealth and Personal Banking: Global invested assets

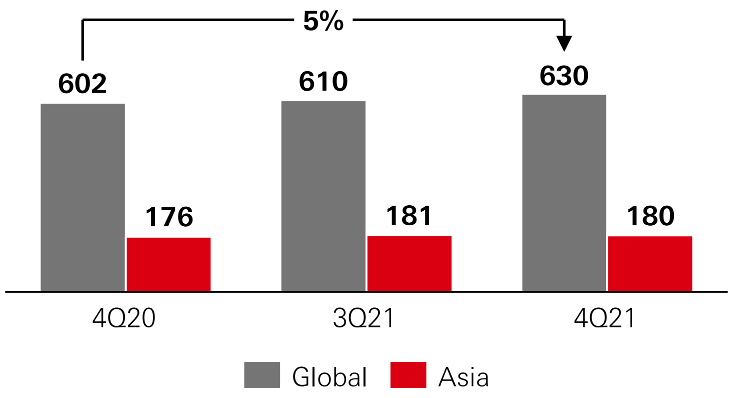
Global reported invested assets, $bn



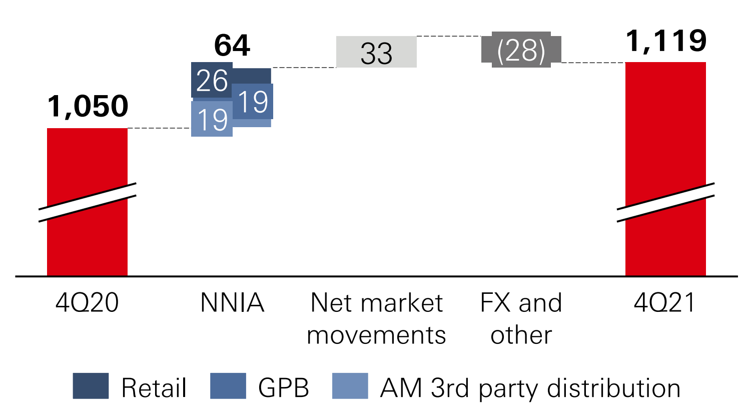
Asia reported invested assets, $bn



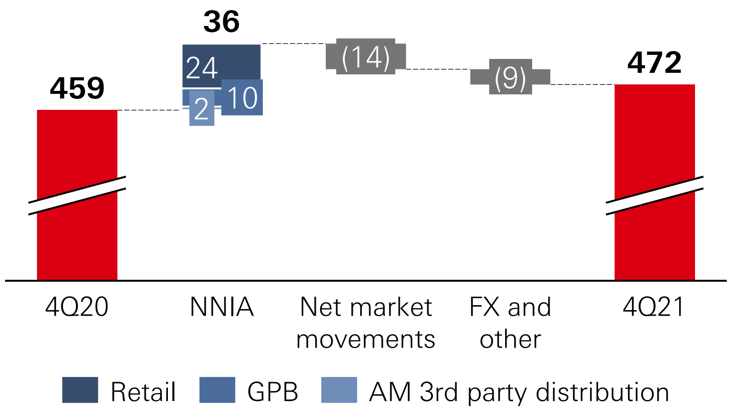
Reported invested assets managed by AM, $bn



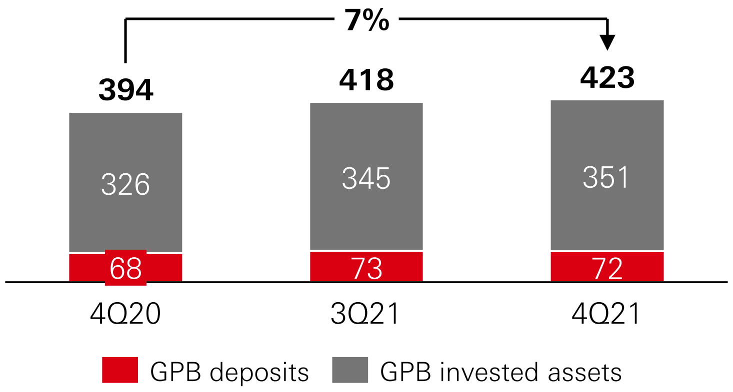
Global reported invested assets evolution, $bn



Asia reported invested assets evolution, $bn



GPB reported client assets, $bn



Insurance

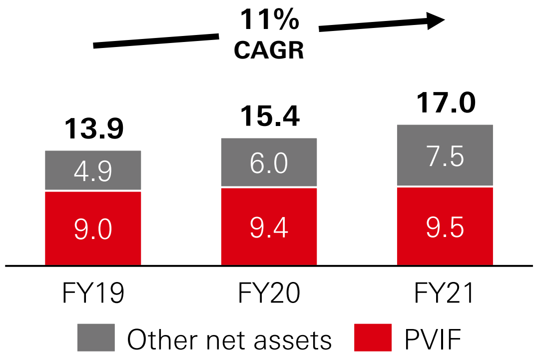
Key financial metrics*

Adjusted income statement, $m	FY21	FY20	FY19
Revenue	**2,761**	**1,973**	**2,741**
Of which: NII	2,492	2,414	2,318
Of which: market impacts	516	82	127
ECL	(20)	(78)	(70)
Operating expenses	(618)	(514)	(506)
Share of profit in associates and JVs	18	1	43
Profit before tax	**2,141**	**1,382**	**2,208**
Memo: distribution income**	*832*	*816*	*1,057*

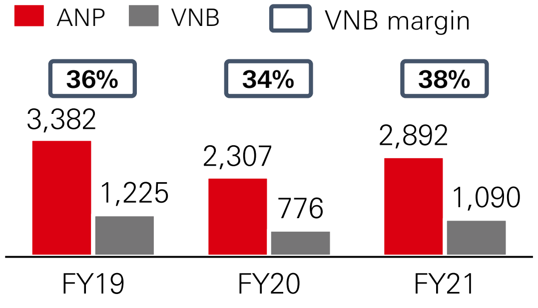
Financial highlights:

- **FY21 reported VNB of $1,090m, up $314m (40%) vs. FY20**
- **PBT of $2.1bn** up $0.8bn vs. FY20; revenue up $788m vs. FY20, with $434m higher favourable market impacts, driven by equities
- **Manufacturing operating expenses of $0.6bn**, up 20% vs. FY20 reflecting investment in Pinnacle and broader business growth

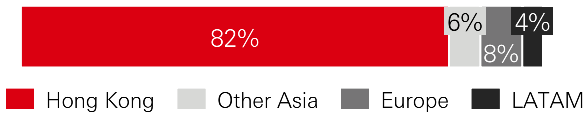
Reported Embedded value, $bn



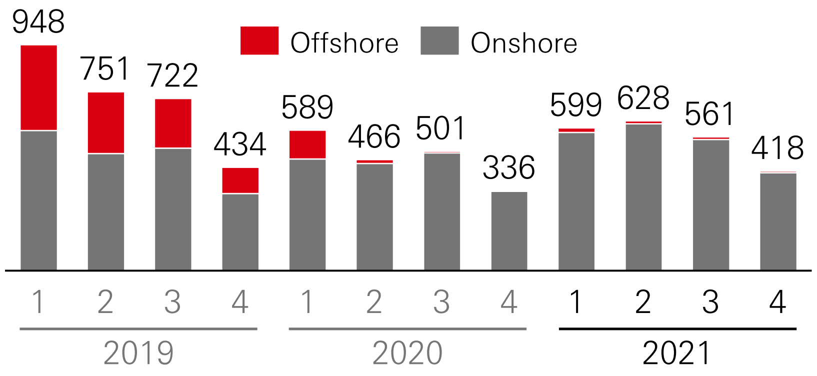
Reported ANP and VNB, $m



FY21 VNB by region



Insurance HK quarterly ANP, $m

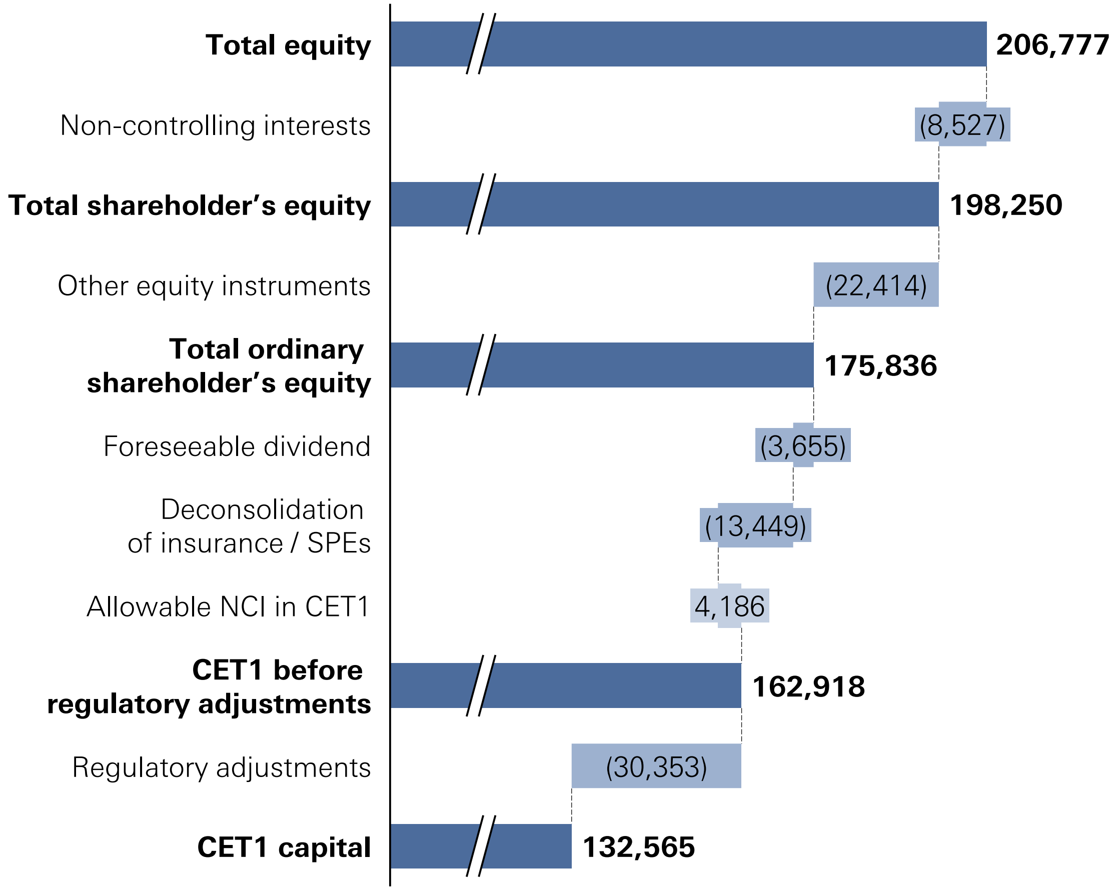


- **#1 ranked** with a combined market share of **22.3%** in **Hong Kong** for 9M21[57], **+3.2%ppt** vs. 9M20, driven by strong domestic sales supported by over 50k user registrations on our **Health Platforms**
- Expanded **Pinnacle**, now present in 5 cities in China with nearly **700** wealth planners and 135k monthly users of the HSBC River app
- Completed acquisition of **AXA Singapore** on 11 February 2022, and received regulatory approval to move to **100% ownership** of HSBC Life China

* Financial results for the Insurance business are prepared on the current IFRS 4 basis and, as such, do not reflect any potential impacts of IFRS 17 'Insurance Contracts', which is effective from 1 January 2023
** Distribution income (HSBC Life and partnerships) through HSBC bank channels

Total shareholders' equity to CET1 capital

Total equity to CET1 capital, at 31 December 2021, $m



Total equity to CET1 capital walk, $m

	4Q21	2Q21
Total equity (per balance sheet)	**206,777**	**206,764**
Non-controlling interests	(8,527)	(8,546)
Total shareholders' equity	**198,250**	**198,218**
Additional Tier 1	(22,414)	(22,414)
Total ordinary shareholders' equity	**175,836**	**175,804**
Foreseeable dividend	(3,655)	(3,493)
Deconsolidation of insurance/SPE's	(13,449)	(12,856)
Allowable NCI in CET1	4,186	4,250
CET1 before regulatory adjustments	**162,918**	**163,705**
Prudential valuation adjustment	(1,217)	(1,337)
Intangible assets	(9,123)	(9,484)
Deferred tax asset deduction	(1,520)	(1,727)
Cash flow hedge adjustment	170	(184)
Excess of expected loss	(2,020)	(1,816)
Own credit spread and debit valuation adjustment	1,571	1,959
Defined benefit pension fund assets	(7,146)	(6,770)
Direct and indirect holdings of CET1 instruments	(40)	(40)
Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	766	1,168
Threshold deductions	(11,794)	(10,868)
Regulatory adjustments	**(30,353)**	**(29,099)**
CET1 capital	**132,565**	**134,606**

4Q21 vs. 3Q21 equity drivers

	Shareholders' Equity, $bn	Tangible Equity, $bn	TNAV per share, $	Basic number of ordinary shares, million
As at 30 September 2021	**198.1**	**157.7**	**7.81**	**20,201**
Profit attributable to:	**1.9**	**2.7**	**0.13**	**—**
Ordinary shareholders[58]	*1.8*	*2.7*	*0.13*	—
Other equity holders	*0.1*	—	—	—
Dividends	(0.1)	—	—	—
On ordinary shares	—	—	—	—
On other equity instruments	*(0.1)*	—	—	—
Cancellation of shares	(2.0)	(2.0)	(0.05)	(120)
FX[58]	0.1	0.2	0.01	—
Actuarial gains/(losses) on defined benefit plans	0.5	0.5	0.02	—
Fair value movements through 'Other Comprehensive Income'	(0.2)	(0.2)	(0.01)	—
Of which: changes in fair value arising from changes in own credit risk	*0.2*	*0.2*	*0.01*	—
Of which: Debt and Equity instruments at fair value through OCI	*(0.5)*	*(0.5)*	*(0.02)*	—
Other[58]	(0.0)	(0.7)	(0.03)	(8)
As at 31 December 2021	**198.3**	**158.2**	**7.88**	**20,073**

- Average basic number of shares outstanding during 4Q21: 20,152
- **4Q21 TNAV per share increased by $0.07** to $7.88 per share mainly due to profit generation, offset by share buybacks

$7.84 on a fully diluted basis

20,189 million on a fully diluted basis

FY21 vs. FY20 equity drivers

	Shareholders' Equity, $bn	Tangible Equity, $bn	TNAV per share, $	Basic number of ordinary shares, million
As at 31 December 2020	**196.4**	**156.4**	**7.75**	**20,184**
Profit attributable to:	**13.9**	**14.3**	**0.71**	**—**
Ordinary shareholders[58]	*12.6*	*14.3*	*0.71*	—
Other equity holders	*1.3*	—	—	—
Dividends	(5.8)	(4.5)	(0.22)	—
On ordinary shares	*(4.5)*	*(4.5)*	*(0.22)*	—
On other equity instruments	*(1.3)*	—	—	—
Cancellation of shares	(2.0)	(2.0)	(0.05)	(120)
FX[58]	(2.4)	(1.9)	(0.10)	—
Actuarial gains/(losses) on defined benefit plans	(0.3)	(0.3)	(0.01)	—
Fair value movements through 'Other Comprehensive Income'	(1.9)	(1.9)	(0.09)	—
Of which: changes in fair value arising from changes in own credit risk	*0.5*	*0.5*	*0.03*	—
Of which: Debt and Equity instruments at fair value through OCI	*(2.5)*	*(2.5)*	*(0.12)*	—
Other[58]	0.4	(1.9)	(0.11)	9
As at 31 December 2021	**198.3**	**158.2**	**7.88**	**20,073**

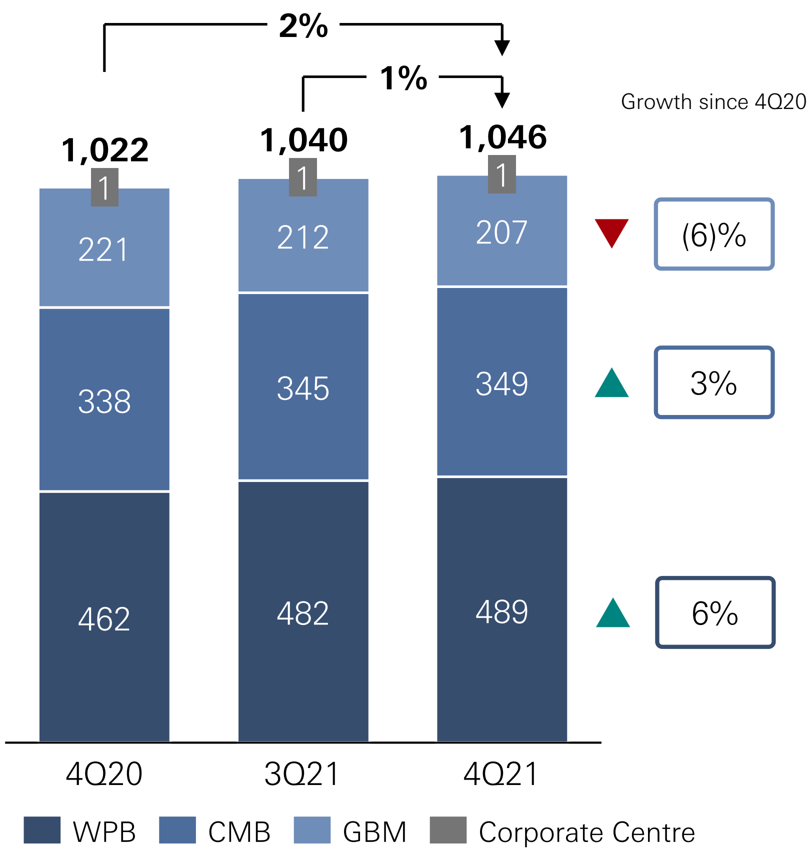
- Average basic number of shares outstanding during FY21: 20,197
- **FY21 TNAV per share increased by $0.13** to $7.88 per share mainly due to profit generation, driven by lower ECL, offset by share buybacks and dividends paid during the year

$7.84 on a fully diluted basis

20,189 million on a fully diluted basis

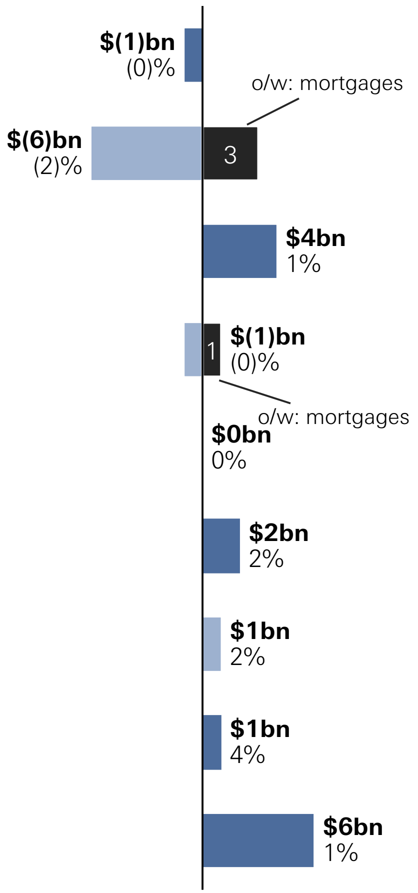
Balance sheet – customer lending

Balances by global business, $bn



Balances by region, $bn

		Growth since 3Q21
Europe	$397bn	$(1)bn (0)%
o/w: UK	$306bn	$(6)bn (2)%; o/w: mortgages 3
Asia	$493bn	$4bn 1%
o/w: Hong Kong	$312bn	$(1)bn (0)%; o/w: mortgages 1
MENA	$26bn	$0bn 0%
North America	$109bn	$2bn 2%
o/w: US	$53bn	$1bn 2%
Latin America	$21bn	$1bn 4%
Total	$1,046bn	$6bn 1%

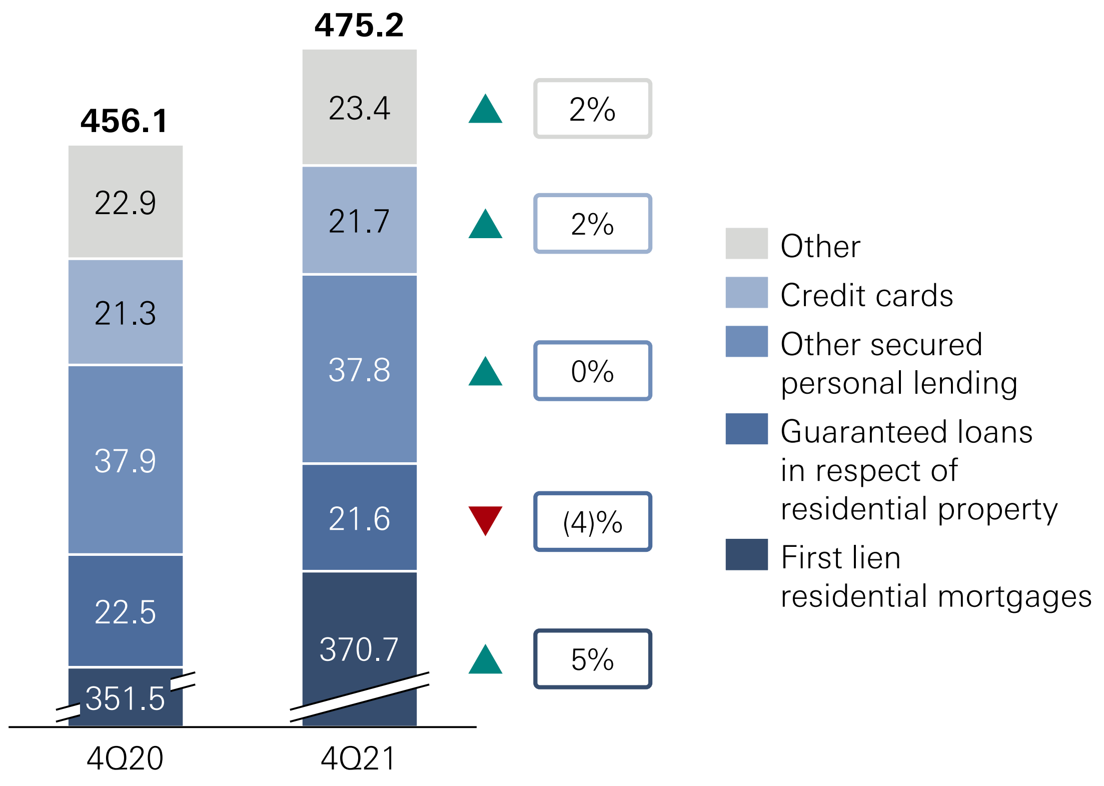


Adjusted customer lending of $1,046bn, up $6bn (1%) vs. 3Q21

- **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

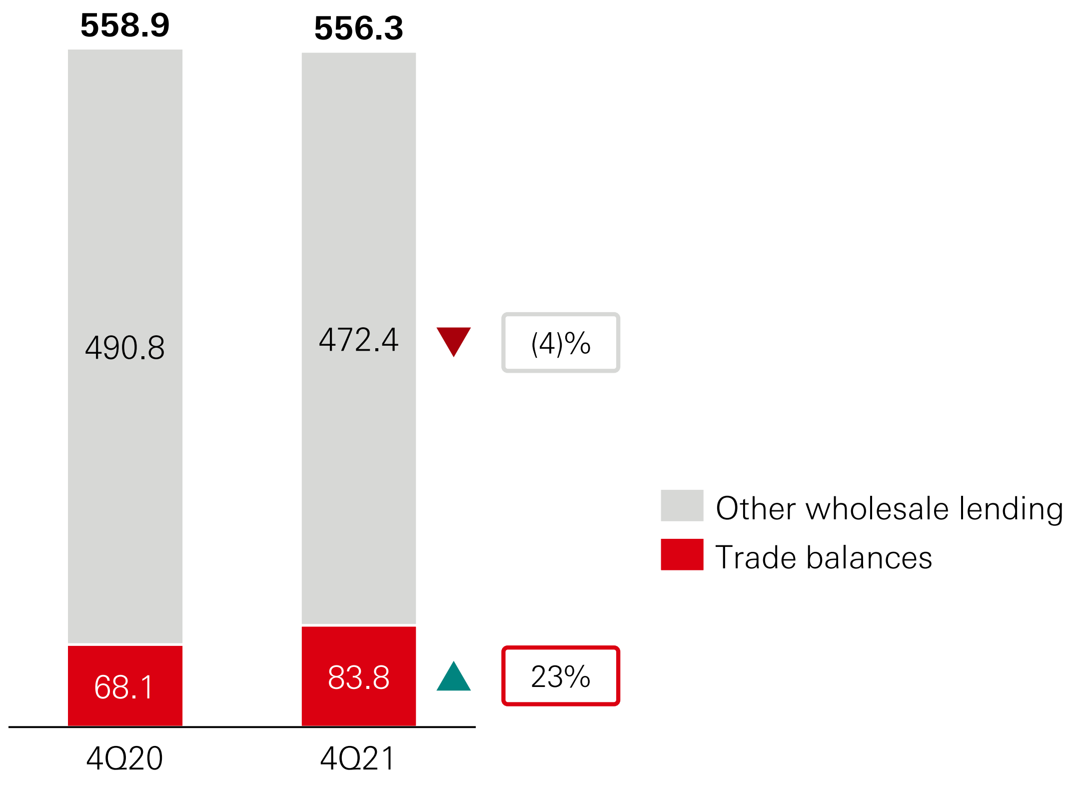
Personal and Wholesale lending analysis

Reported net personal lending balances, $bn



- Seeing a **recovery in consumer credit** vs. 3Q21; cards **up 7%** with growth in most regions, personal lending **up 3%**, primarily in Asia

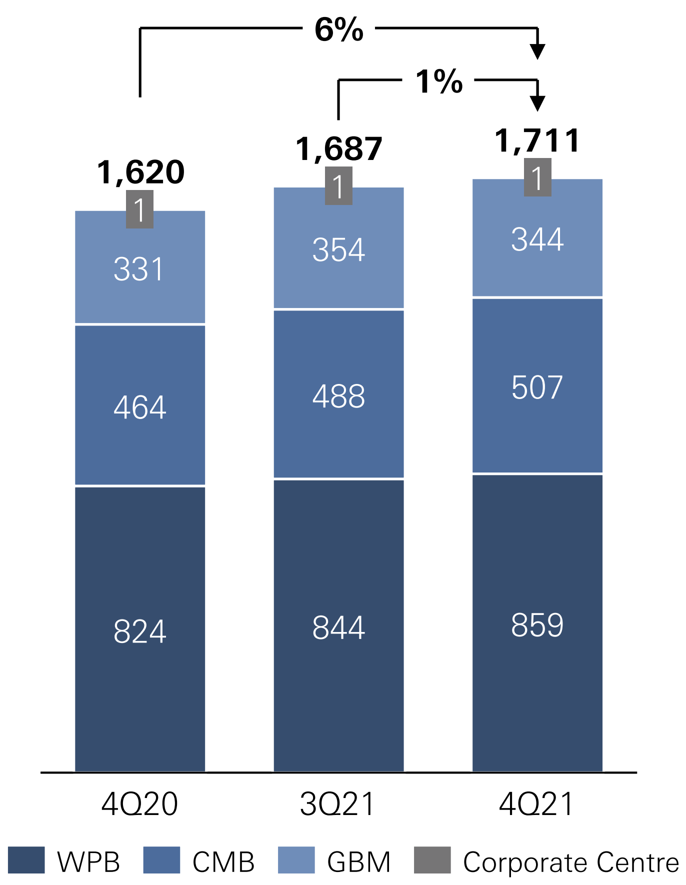
Net CMB and GBM lending balances, $bn



- 4Q21 trade balances of **$83.8bn** up **23%** vs. 4Q20, and up **6%** vs. 4Q19
- CMB lending of $349bn at 4Q21, up **3%** vs. 4Q20

Balance sheet – customer accounts

Balances by global business, $bn



Balances by region, $bn

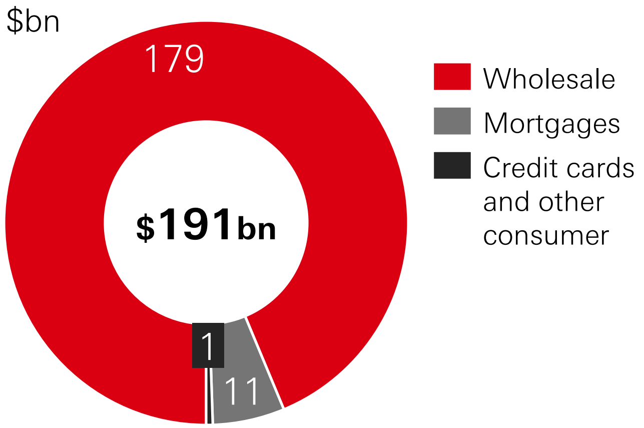
Region	Balance	Growth since 3Q21
Europe	$668bn	$1bn 0%
o/w: UK	$536bn	$1bn 0%
Asia	$792bn	$20bn 3%
o/w: Hong Kong	$549bn	$13bn 2%
MENA	$43bn	$2bn 5%
North America	$179bn	$(1)bn (0)%
o/w: US	$112bn	$(2)bn (2)%
Latin America	$30bn	$1bn 4%
Total	$1,711bn	$24bn 1%

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

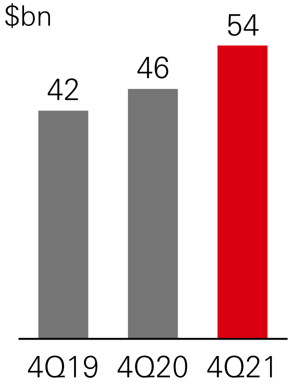
- **WPB customer accounts up $15bn (2%),** with broad-based growth across markets, particularly in Hong Kong and the UK
- **CMB customer accounts up $19bn (4%)** reflecting elevated liquidity, particularly in Asia
- **GBM customer accounts down $10bn (3%)** from planned reductions as clients paid down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

Mainland China drawn risk exposure

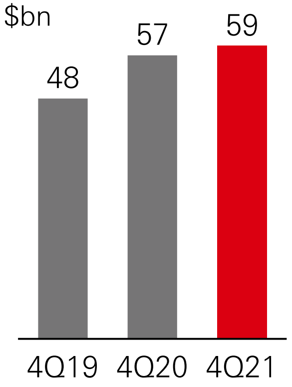
Mainland China drawn risk exposure[59]



Reported net loans and advances to customers

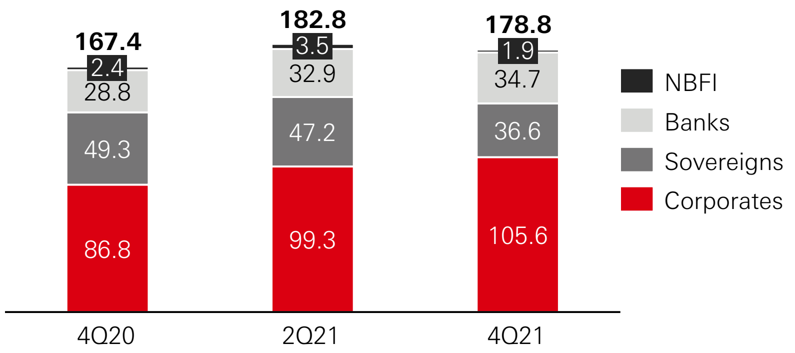


Reported customer deposits



- 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)

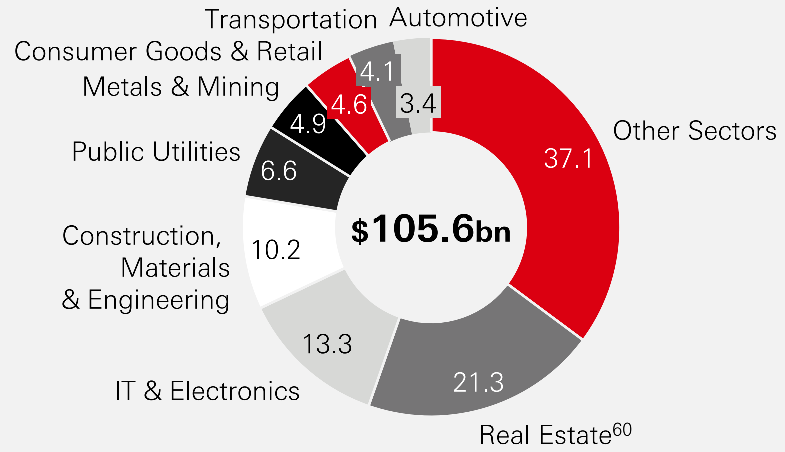
Wholesale lending analysis[59], $bn



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[60]

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[61]	9.9	6.8	0.4	**17.1**
Guarantees issued and others[61]	1.7	2.4	0.1	**4.2**
Total	**11.6**	**9.2**	**0.5**	**21.3**

* Substantially all Hong Kong based multinational corporates

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

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

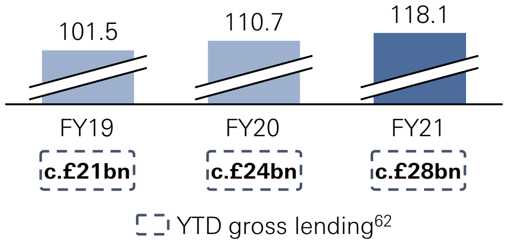
FY21 financial highlights

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

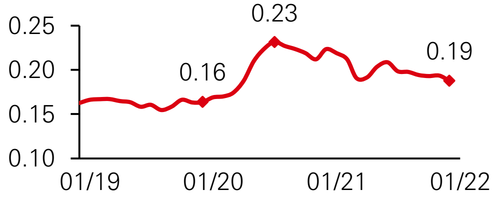
WPB

Personal gross mortgage balances, £bn



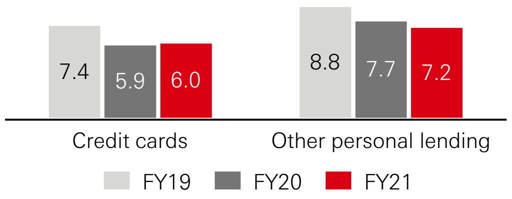
- Continued strength in mortgage lending: **7.5%** mortgage stock market share[63]; 4Q21 gross new lending share of **9.3%**; FY21 gross new lending share of **8.8%**[63]
- Buy-to-let mortgages of £3.0bn
- Mortgages on a standard variable rate of £2.9bn

Mortgages:
90+ day delinquency trend[62], %



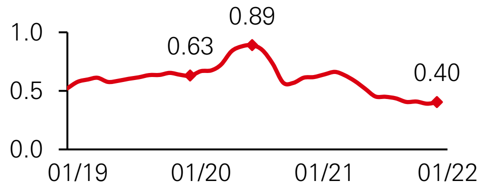
- Interest-only mortgages of £18.6bn[64]
- New originations average LTV of 67%; average portfolio LTV of 51%, stable vs. FY20
- Mortgage delinquencies remain slightly elevated vs. pre-pandemic as a result of a market-wide pause in litigation activities, now restarted

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

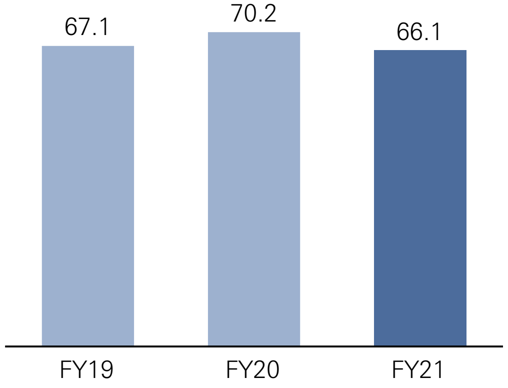
Credit cards:
90-179 day delinquency trend[62], %



- 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

Glossary

AIEA	Average interest earning assets
AM	Asset Management
AT1	Additional Tier 1
BoCom	Bank of Communications Co. Limited, an associate of HSBC
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point
CET1	Common Equity Tier 1
Corporate Centre	Corporate Centre comprises Central Treasury, our legacy businesses, interests in our associates and joint ventures and central stewardship costs
CMB	Commercial Banking, a global business
CRE	Commercial Real Estate
CRR	Customer Risk Rating
CTA	Costs to achieve
C&L	Credit and Lending
DCM	Debt Capital Markets
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
GPB	Global Private Banking
Group	HSBC Holdings plc and its subsidiary undertakings
GSSS	Green, Social, Sustainability and Sustainability-linked
GTRF	Global Trade and Receivables Finance
HIBOR	Hong Kong Interbank Offered Rate
IEA	International Energy Agency
IFRS	International Financial Reporting Standard
LCR	Liquidity coverage ratio
Legacy credit	A portfolio of assets including securities investment conduits, asset-backed securities, trading portfolios, credit correlation portfolios and derivative transactions entered into directly with monoline insurers
MENA	Middle East and North Africa
MSS	Markets and Securities Services
NCI	Non-controlling interests
NII	Net interest income
NIM	Net interest margin
NNIA	Net new invested assets
NRFB	Non ring-fenced bank in Europe and the UK
OCI	Other Comprehensive Income
PBT	Profit before tax
Ppt	Percentage points
PVIF	Present value of in-force insurance contracts
SABB	The Saudi British Bank, an associate of HSBC
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
RoW	Rest of world
RWA	Risk-weighted asset
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. NNIA: Net New Invested Assets. Includes Retail Wealth (excl. deposits), GPB (excl. deposits), and AM 3rd party. Asia Retail Wealth NNIA includes only China/HK/HASE/Singapore/Malaysia – representing 96% of invested assets in Asia. Prepared on a reported basis
8. Wealth deposits include Premier, Jade and Global Private Banking deposits, which include Prestige deposits in Hang Seng Bank, and form part of the total WPB customer accounts balance
9. Assets managed by HSBC Asset Management. Excludes associates and joint ventures. Prepared on a reported basis
10. Asia WPB Wealth Revenue: WPB Wealth, WPB Insurance, GPB, and Asset Management
11. Asia WPB Insurance Value of New Business includes Singapore, China and HK (AMH and HASE)
12. Primarily Markets income, down vs. prior year due to strong comparative period
13. Between CMB and GBM: Includes Global Markets products to CMB customers and Global Banking products to CMB Customers
14. GBM and WPB: Includes GM products to WPB customers
15. East refers to Asia, Middle East, North Africa and Turkey (MENAT). West refers to Europe, North America and Latin America. Calculation is based on GBM RWAs by region, as stated in the external datapack, which exclude the impact of market risk diversification and inter-regional eliminations
16. Exit of US mass retail and planned sale of France Retail
17. FY21 adjusted costs for HSBC Bank plc includes a first-time allocation of the UK bank levy of $171m
18. Data is as of 31 March 2021 and as quoted in HSBC press release dated 26 May 2021
19. Data is as of 31 December 2020 and as quoted in HSBC press release dated 18 June 2021
20. 4th largest health insurer based on gross premiums and 7th largest life insurer based on annualised new premiums based on MAS and LIAS data as of December 2020
21. Data at 30 September 2021. AUM source: Association of Mutual Funds in India (Average AUM)
22. Technology costs in operating expenses trends include transformation saves and are presented on a net basis
23. On an IFRS 4 basis
24. % of total Technology workforce in the global businesses and functions are aligned to at least one agile team per agile blueprint
25. % of the Group's technology services that are on the private or public cloud; 2020 cloud adoption is based on an estimate of private cloud usage
26. % of transactions initiated digitally by our customers on our HSBC digital channels
27. HSBCnet is HSBC's global internet banking platform for wholesale clients
28. % of WPB customers who have logged into a HSBC Mobile App at least once in the last 30 days. Percentages are for the month of December in their respective years
29. 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
30. 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
31. Contribution in 2021 towards the Group's $750bn to $1tn sustainable finance and investment ambition. The volume amounts stated include; capital markets/advisory activities, balance sheet related transactions that capture the limit of the facility at the time it was provided and the net new flows of sustainable investments (Assets under Management)
32. This absolute greenhouse gas emission figure covers scope 1, scope 2 and scope 3 (business travel) emissions; data for 2019 and 2020 has been revised as we have updated our air travel reporting methodology to include the cabin class travel and the impact of radiative forces. The emissions of HSBC's vehicle fleet were reported under scope 3 for these two years. Please see CO2 Emissions Reporting Guideline and PwC Assurance Report (available at www.hsbc.com/our-approach/esg-information/esg-reporting-and-policies) for 2019 and 2020
33. 4Q21 DPS in respect of FY21; 4Q20 DPS in respect of FY20
34. CMB lending growth during FY21 includes the impact of $13bn of gross RWA reductions
35. 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
36. 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 18 February 2022: 30 day Fed Funds futures and one month SONIA index future
37. 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
38. Technology cost increases in quarterly walks are presented on a gross basis (excl. saves)
39. Includes movements in fair value through other comprehensive income reserve, deductions for excess expected loss and investments in financial sector entities
40. Source: HKMA at 31 December 2021; Hong Kong market share includes HASE
41. Applicable transactions cover 34 markets (including the UK and Hong Kong) and exclude payments that are cancelled, low value or batched payments, transactions that require intervention due to regulation and manual payments

Footnotes

42. For further details on our financed emissions scope, methodology and terminology see pages 47 – 50 of the HSBC Holdings Annual Report and Accounts 2021
43. 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
44. Source: Dealogic. Apportioned volume represents the portion of deal volume assigned to HSBC in deals where HSBC is marked as a lender
45. Client value is based on HSBC internal client management information and differs from reported revenue. Client value is the revenue from banking clients in GBM and CMB and excludes Global Markets trading revenue, Principal Investments, Business Banking and non-customer revenue, for example allocations from Corporate Centre. Analysis considers all CMB Business Banking clients to be domestic clients
46. For GBM, a client is considered as international if they hold a relationship with HSBC in two or more markets, and generate over $10k annually in client revenue across all products; for CMB, a client is considered as international if they either hold a relationship with HSBC in two or more markets, or provide GTRF and FX product revenue greater than or equal to $10k annually
47. Domestic client value is client revenue that is booked in the same market in which the primary client relationship is managed. Cross-border client value is client revenue that is booked in a different market from where the primary client relationship is managed
48. FY19 RWAs are as reported and includes accelerated saves of $9.6bn achieved in 4Q19
49. YTD. RoTE by Global Business excludes significant items. RoTE methodology annualises Profits Attributable to Shareholders, including ECL, in order to provide a returns metric. RoTE by Global Business considers AT1 Coupons on an accruals basis, vs. Reported RoTE where it is treated on a cash basis. Since 1 January 2021, the UK bank levy has been included in the calculation of this measure, comparative data have not been re-presented
50. Asia market position: FX, GLCM, Securities Services (SSv) and Debt rankings are Asia ex Japan, source: Oliver Wyman/Coalition report 1H21; Loans is Asia ex Japan and onshore mainland China, source: Dealogic 1H21; DCM is Asia ex Japan, source: Dealogic 1H21; Global market position: FX, SSv, GLCM and GTRF, source: Oliver Wyman/Coalition report 1H21
51. Source: McKinsey Panorama, release date 20 September 2021. Forecasts do not currently include impact of Covid-19 and oil price drop in Q1 2020
52. East defined as Asia & Middle East; West as Europe & Americas; Client value, as defined in footnote 45, excludes Global Markets products here
53. Transaction banking (TXB) includes GLCM, GTRF & Securities Services to have like to like comparison as Global Forex is not disclosed separately by peer banks; Peers include US banks
54. Revenue synergies include revenues generated from GBM products across the Group (WPB, CMB) and vice versa
55. From 1st July 2018, Argentina was deemed a hyperinflationary economy for accounting purposes
56. Data to reconcile components of reported RWAs to adjusted RWAs can be found in the 'HSBC Holdings plc 4Q 2021 Datapack'
57. Source: Hong Kong Insurance Authority Quarterly Release of Provisional Statistics for Long Term Business up to 3Q21
58. Differences between shareholders' equity and tangible equity drivers primarily reflect goodwill and other intangible impairment, PVIF movements and amortisation expense within 'Profit Attributable to Ordinary shareholders', FX on goodwill and intangibles within 'FX', and intangible additions and other movements within 'Other'
59. 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
60. 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
61. Loans and advances amounts represent gross carrying amount. Guarantees amounts represent nominal amount
62. Excludes Private Bank
63. Source: Bank of England
64. 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.