HSBC Holdings plc 1H19 Results

Fixed Income Investor Presentation

HSBC

Contents

Key credit messages

HSBC

Key credit messages

Diversified businesses, strong capital, funding and liquidity position

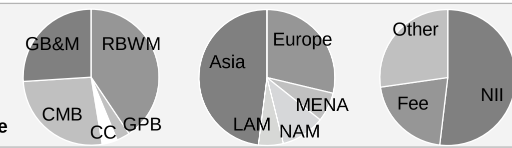
As at 1H19

Conservative and consistent approach to risk

- 23bps — ECL as a % of gross customer advances (annualised)
- 1.3% — Stage 3 loans as a % of gross customer advances

Diversified revenue streams, with a pivot to Asia

Revenue



Strong capital position

- 14.3% — CET1 ratio
- 5.4% — Leverage ratio
- $8.5bn — Profit attributable to ordinary shareholders

Strong funding and liquidity metrics

- 74.0% — Advances / Deposits ratio
- 136% — Liquidity Coverage Ratio
- $533bn — High Quality Liquid Assets

Progress towards meeting MREL requirements

- $77bn — MREL-eligible HoldCo Senior outstanding
- $8bn — MREL-eligble HoldCo Senior issued in 1H19

Single-A credit rating or above

- A — HSBC Holdings S&P rating
- A2 — HSBC Holdings Moody's rating
- AA- — HSBC Holdings Fitch rating

Group 1H19 performance

HSBC

Progress on our strategic priorities

	Strategic priorities	Targeted 2020 outcomes	1H19 performance highlights (vs. 1H18 unless noted)
1	Accelerate growth from Asia ▪ Build on strength in Hong Kong ▪ Invest in PRD, ASEAN, & Wealth in Asia (incl. Insurance and Asset Management) Be the lead bank to support drivers of global investment: China-led Belt & Road Initiative and the transition to a low carbon economy	High single digit revenue growth p.a.; Market share gains in 8 scale markets[1]; No. 1 international bank for BRI $100bn cumulative sustainable financing & investment by 2025	Asia adjusted revenue of $15.5bn (+9%); Wealth in Asia revenue of $3.1bn, up 7% (excl. market impacts in Insurance Manufacturing, down 1%) 5 out of 8 scale markets gained market share in loans and/or deposits[2] $36.7bn cumulative[3] (+$8.2bn vs. FY18); awarded 'World's Best Bank for Sustainable Finance' by Euromoney
2	Complete establishment of UK ring-fenced bank; grow mortgage market share, grow commercial customer base, and improve customer service	Market share gains	HSBC UK Bank plc adjusted revenue of $4.3bn (+7%) Mortgage market share[4]: 6.7% (+0.6% vs. FY17) CMB loan market share[4]: 10.1% (+0.7% vs. FY17)
3	Gain market share and deliver growth from our international network	Mid to high single digit revenue growth p.a. from international network[5]; market share gains in transaction banking[6]	Transaction banking revenue of $8.4bn (+6%); market share gains in GLCM and GTRF (vs. FY17)[7]
4	Turn around our US business	US RoTE >6%	US adjusted PBT of $0.4bn (-36%); RoTE of 2.5% (down from 2.7% in FY18); not expected to achieve 6% RoTE target by 2020
5	Improve capital efficiency; redeploy capital into higher return businesses	Increase in asset productivity	Reported revenue/RWAs: 6.8% (+48bps), primarily driven by revenue growth in CMB and RBWM
6	Create capacity for increasing investments in growth and technology through efficiency gains	Positive adjusted jaws on an annual basis, each financial year	Positive adjusted jaws of 4.5%
7	Enhance customer centricity and customer service through investments in technology ▪ Invest in digital capabilities to deliver improved customer service ▪ Expand the reach of HSBC, including partnerships ▪ Safeguard our customers and deliver industry-leading financial crime standards	Improve customer satisfaction in eight scale markets	Markets that sustained a top-three rank and/or improved by two ranks: 6 markets in RBWM, and 5 markets in CMB vs. 2017[8]
8	Simplify the organisation and invest in future skills	Improve employee engagement ESG rating: outperformer[9]	Employee engagement was unchanged at 66%[10] ESG 'average performer'[11] rating; target metric under review as ratings provider has launched new ratings methodology[12]

Outlook

1. **Growing revenues in areas of strength**
2. **Continue to redeploy capital into higher return businesses and invest in technology to improve customer service and competitiveness**
3. **Businesses have good momentum, seeing good volume growth and customer metrics improving**
4. **We continue to target a return on tangible equity above 11% in 2020**

   The changed interest rate and geopolitical outlook could impact our major markets. We are managing operating expenses and investment spending in line with increased risks to revenue

Financial targets

RoTE[13]	◆ >11% by 2020
Costs	◆ Positive adjusted jaws
Capital and dividend	◆ Sustain dividends through the long term earnings capacity of the businesses ◆ Share buy-backs subject to regulatory approval

Key financial metrics

Key financial metrics	1H19	1H18	∆ 1H18
Return on average ordinary shareholders' equity (annualised)	10.4%	8.7%	1.7ppt
Return on average tangible equity (annualised)	11.2%	9.7%	1.5ppt
Jaws (adjusted)[14]	4.5%	(5.6)%	nm
Dividends per ordinary share in respect of the period	$0.20	$0.20	-
Earnings per share (basic)[15]	$0.42	$0.36	$0.06
Common equity tier 1 ratio[16]	14.3%	14.2%	0.1ppt
Leverage ratio[17]	5.4%	5.4%	-
Advances to deposits ratio	74.0%	71.8%	2.2ppt
Net asset value per ordinary share (NAV)	$8.35	$8.10	$0.25
Tangible net asset value per ordinary share (TNAV)[18]	$7.19	$7.00	$0.19

Reported results, $m						
	2Q19	∆ 2Q18	∆ %	1H19	∆ 1H18	∆ %
Revenue	14,944	1,367	10%	29,372	2,085	8%
ECL	(555)	(318)	>(100)%	(1,140)	(733)	>(100)%
Costs	(8,927)	(761)	(9)%	(17,149)	400	2%
Associates	732	(51)	(7)%	1,324	(57)	(4)%
PBT	**6,194**	**237**	**4%**	**12,407**	**1,695**	**16%**
PAOS*	4,373	286	7%	8,507	1,334	19%

** Profit attributable to ordinary shareholders of the parent company*

Adjusted results, $m						
	2Q19	∆2Q18	∆ %	1H19	∆ 1H18	∆ %
Revenue	14,089	907	7%	28,495	2,114	8%
ECL	(555)	(350)	>(100)%	(1,140)	(783)	>(200)%
Costs	(8,100)	(300)	(4)%	(16,163)	(548)	(4)%
Associates	732	(11)	(1)%	1,324	10	1%
PBT	**6,166**	**246**	**4%**	**12,516**	**793**	**7%**

A reconciliation of reported results to adjusted results can be found on slide 14, the remainder of the presentation unless otherwise stated, is presented on an adjusted basis

2Q19 adjusted revenue performance

Adjusted revenue analysis

Segment	2Q19 revenue		Line	2Q19 vs. 2Q18, $m		1H19 vs. 1H18, $m	
RBWM	$5,949m	$1,706m	Wealth Management	176	$0.7bn or 14%	316	$1.3bn or 12%
		$4,002m	Retail Banking	366		741	
		$241m	Other	181		194	
CMB	$3,894m	$1,540m	GLCM	148	$0.3bn or 8%	364	$0.7bn or 9%
		$476m	GTRF	13		37	
		$1,385m	Credit and Lending	97		196	
		$493m	Other	30		79	
GB&M	$3,638m	$1,423m	Global Markets	(181)	$(0.3)bn or (8)%	(271)	$(0.2)bn or (3)%
		$1,034m	Global Banking, Principal Investments	(148)		(227)	
		$1,427m	GLCM, GTRF, Securities Services	125		238	
		$(246)m	Other GB&M	(119)		50	
GPB	$473m			34		17	
Corporate Centre	$135m			185		380	
Group	$14,089m			617 / 907	7%	1,067 / 2,114	8%

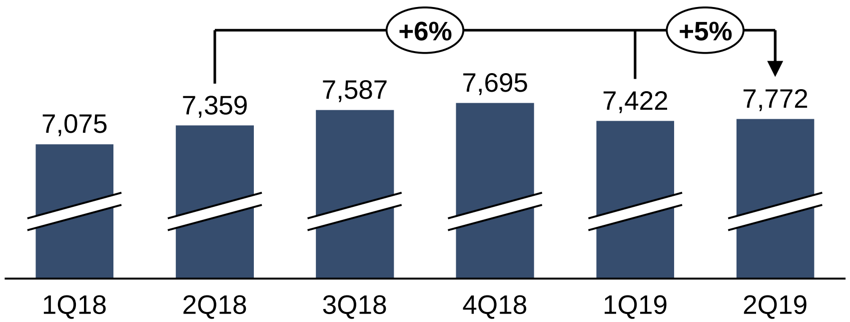
Excluding certain items included in adjusted revenue*

* *For further information please see appendix, page 15*

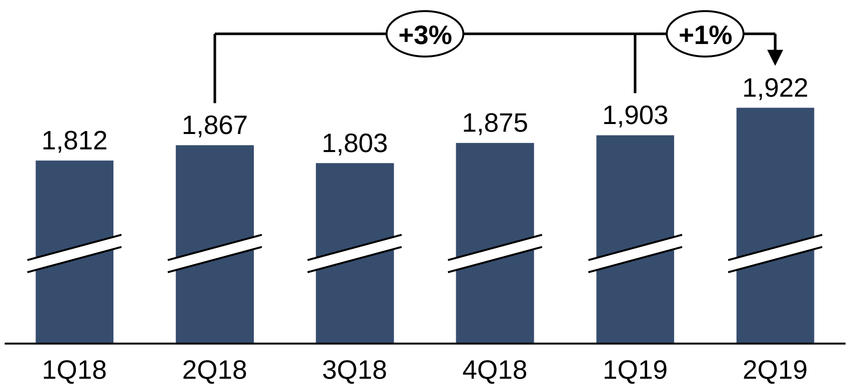
2Q19 Net interest income and NIM

Net interest income

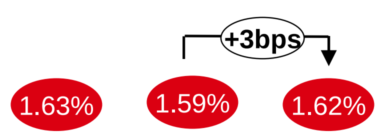
Adjusted quarterly NII, $m



Quarterly average interest earning assets (AIEA), $bn



Quarterly NIM, %



- **Adjusted NII up 6% 2Q19 vs. 2Q18; up 5% vs. 1Q19 driven by higher HIBOR, partly offset by a change in funding mix**
- 2Q19 NIM of 1.62% up c.3bps vs. 1Q19:
  - 4bps mainly in Hong Kong, from higher HIBOR (1mth average HIBOR 2.02% 2Q19 vs. 1.31% 1Q19)
  - 1bp favourable impact from hyperinflation accounting in Argentina
  - Lower cost of funding in the NRFB

Partly offset by:

  - 1bp adverse impact from a change of funding mix towards interest bearing customer accounts and higher volume of wholesale funding

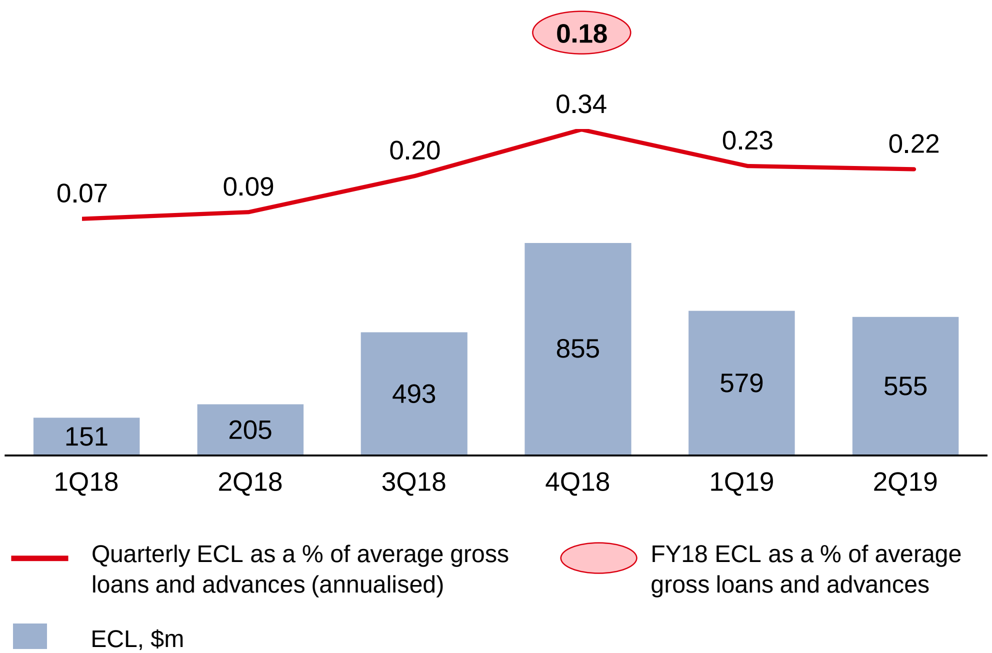
Discrete NIM by key legal entity, %

	FY18	1Q19	2Q19	2Q19 NII contribution to Group	2Q19 AIEA contribution to Group
The Hongkong and Shanghai Banking Corporation (HBAP)	2.06%	1.99%	2.05%	54%	43%
HSBC Bank plc (NRFB)[19]	0.37%	0.34%	0.45%	6%	23%
HSBC UK Bank plc (RFB)[19]	2.16%	2.21%	2.13%	20%	15%
HSBC North America Holdings, Inc	1.08%	1.05%	1.01%	7%	11%

2Q19 credit performance

- 2Q19 ECL charge $555m, broadly stable vs. 1Q19:
  - 2Q19 ECL charge as a percentage of gross loans and advances of 22bps
  - RBWM 2Q19 ECL of $238m down $62m (21%) vs. 1Q19; stable vs. 2Q18 charge of $225m
  - CMB 2Q19 ECL of $248m stable vs. 1Q19 ($244m); up $144m vs. 2Q18. 2Q18 benefited from releases in North America, compared with charges in 2Q19 in Europe and Asia
- Provision for UK economic uncertainty is currently $442m as at 1H19, of which $32m was in 1H19

ECL charge trend



Analysis by stage

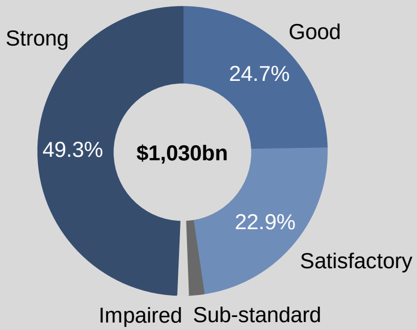
Reported basis, $bn	Stage 1	Stage 2	Stage 3	Total[20]	Stage 3 as a % of Total
2Q19					
Loans and advances to customers	955.5	61.3	13.0	**1,030.2**	1.3%
Allowance for ECL	1.3	2.1	5.0	**8.5**	
1Q19					
Loans and advances to customers	934.5	65.9	13.0	**1,013.8**	1.3%
Allowance for ECL	1.3	2.2	4.9	**8.6**	
4Q18					
Loans and advances to customers	915.2	61.8	13.0	**990.3**	1.3%
Allowance for ECL	1.3	2.1	5.0	**8.6**	

Asset quality

Gross loans and advances to customers - $1,030bn

Total gross customer loans and advances to customers by credit quality classification

As at 30 June 2019

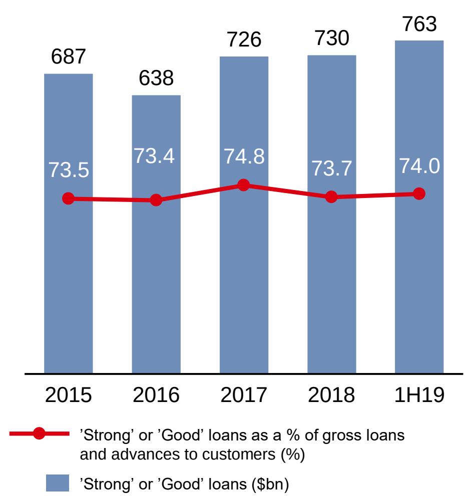


Total gross customer loans and advances to customers of $1,030bn

Increased by $40bn (4%) from 31 Dec 2018 on a reported basis.

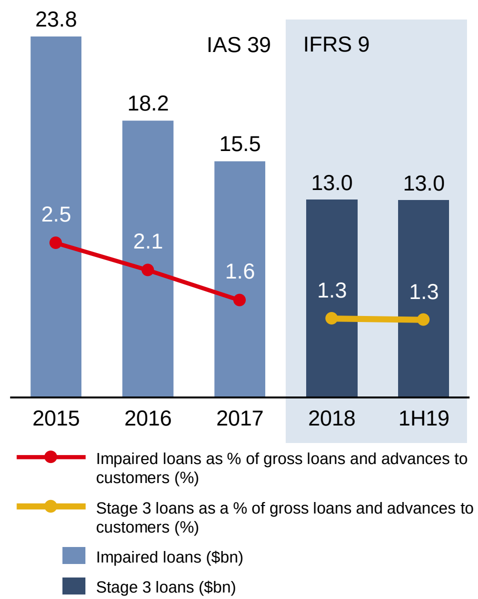
Increased by $39bn (4%) from 31 Dec 2018, on a constant currency basis.

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



c.74% of gross loans and advances to customers of 'Strong' or 'Good' credit quality, equivalent to external Investment Grade credit rating.

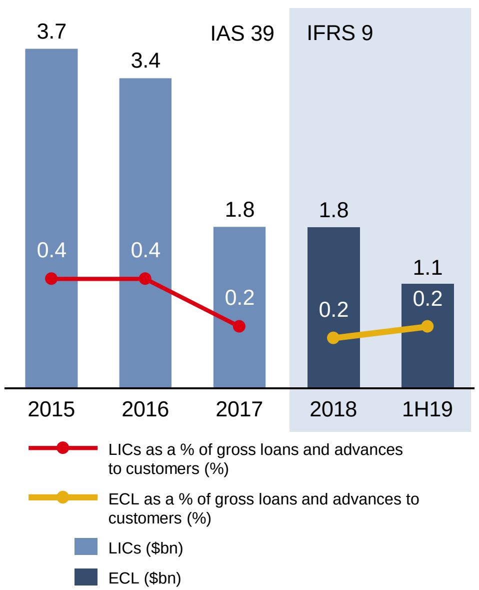
Stage 3 and impaired loans and advances to customers, $bn



Stage 3 loans as a % of gross loans and advances to customers was 1.3%.

The run down of CML loans to zero was a significant factor in the reduction of impaired loans.

LICs/ECL, $bn



ECL charge of $1.1bn in 1H19; ECL as a % of gross loans and advances to customers was 23bps.

Customer loan book

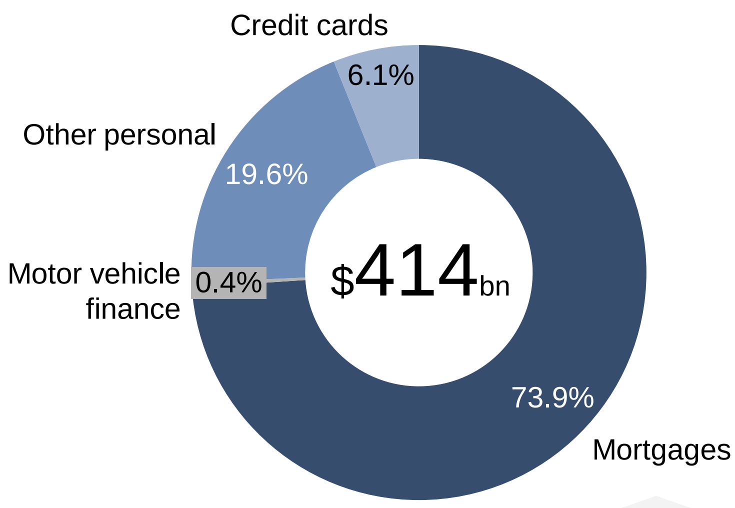
As at 30 June 2019

Retail mortgage average LTVs (portfolio, indexed)

UK: 50%
New lending: 68%

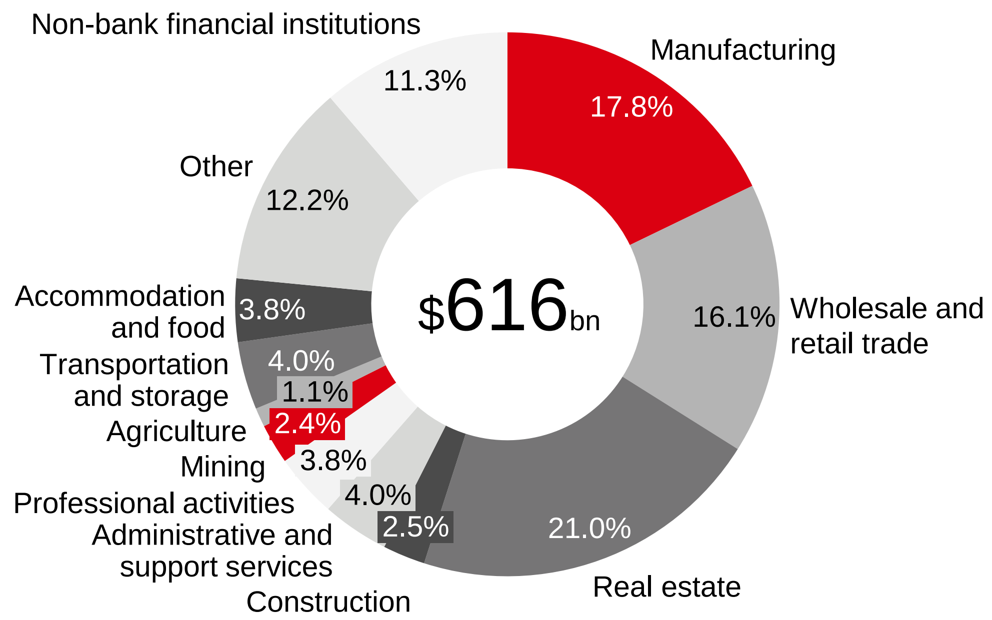
HK: 38%
New lending: 49%

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



Of which:
Interest-only: $33bn[21]

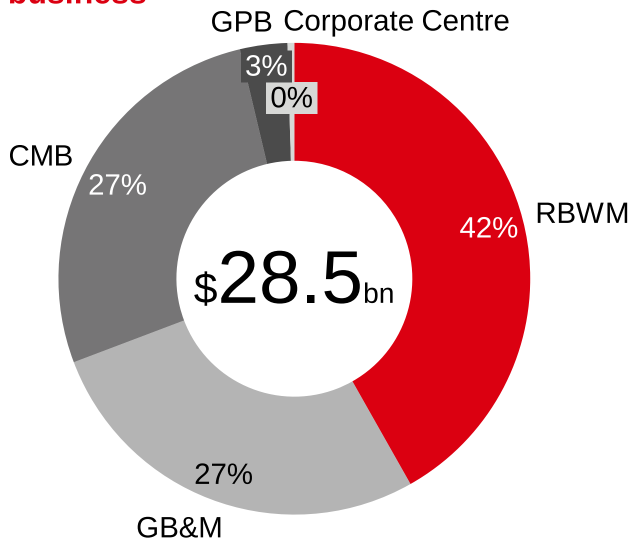
Wholesale loan book ($bn, gross loans and advances to customers)



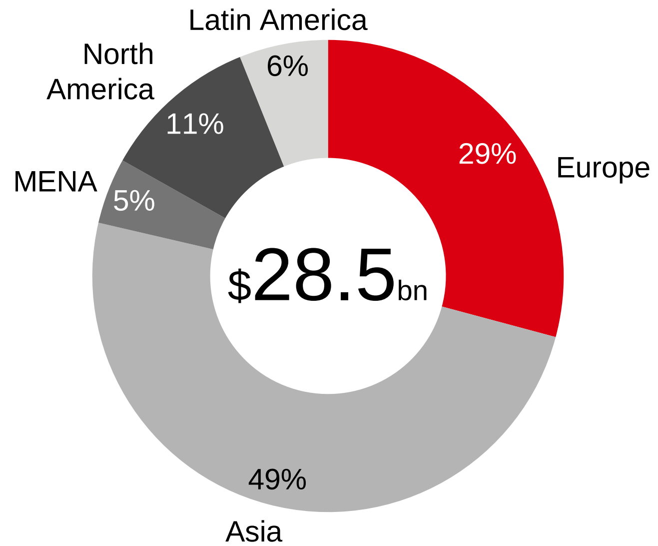
Diversified revenue streams, pivoting to Asia

- Diversified revenue streams by global business, region and type
- Strategic priority 1 is to accelerate growth from our Asia franchise and be the leading bank to support drivers of global investment

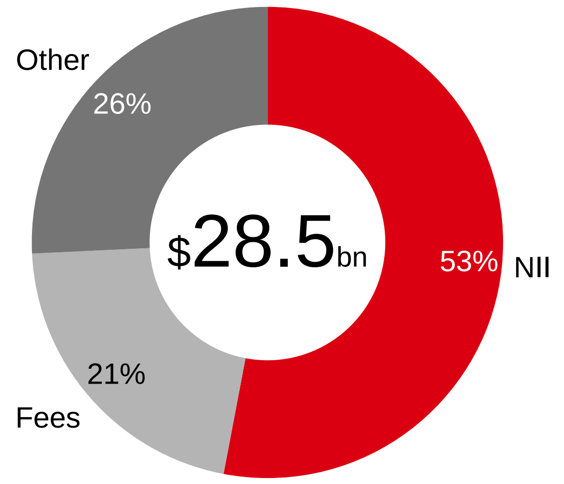
1H19 adjusted revenue by global business

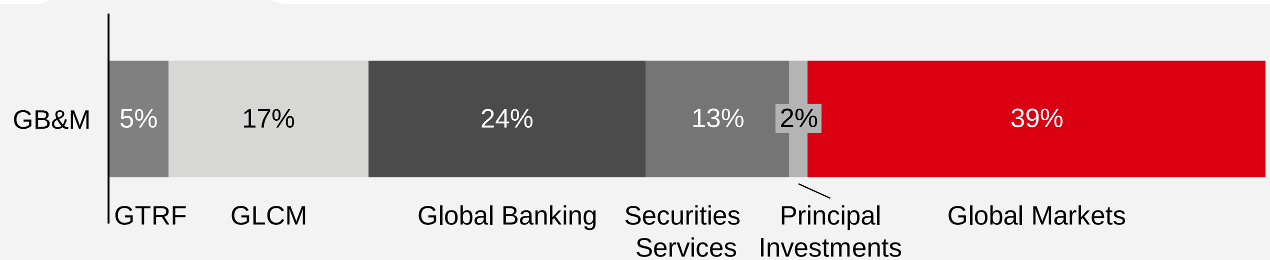


1H19 adjusted revenue by region[22]



1H19 adjusted revenue by type



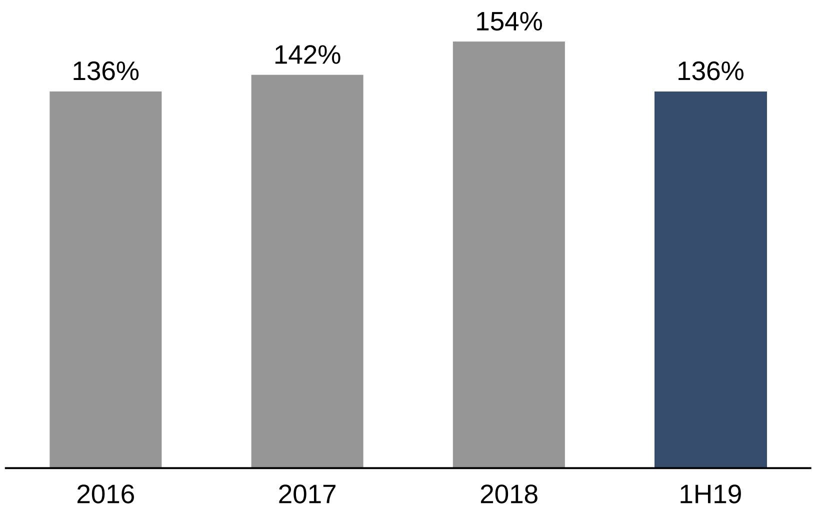


Our GB&M business has a diversified product offering, with a range of transaction banking, financing, advisory, capital markets and risk management services

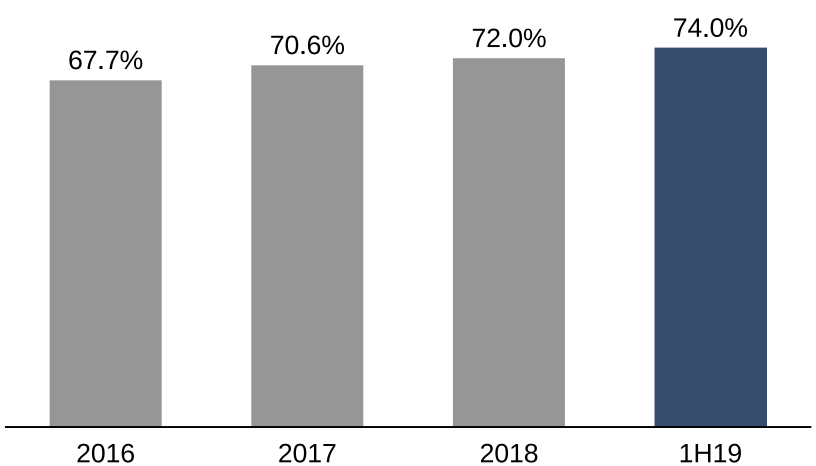
Total GB&M adjusted revenue of $7,706m includes Other revenue of $(327)m and Credit and funding valuation adjustments $14m – these have been excluded from the chart above

Funding and liquidity

Group consolidated LCR, %



Advances to deposits ratio, %

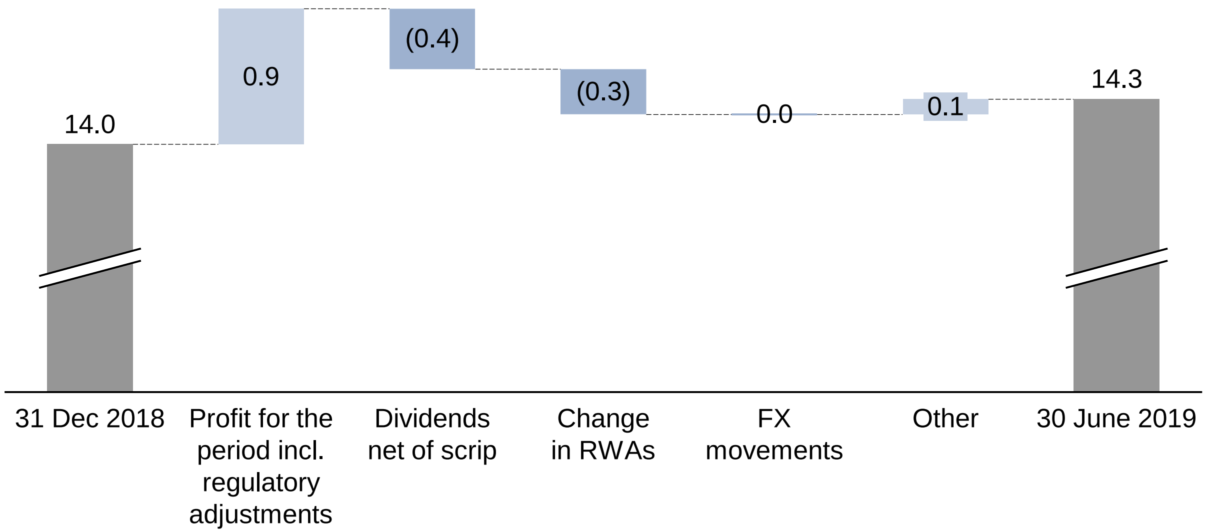


Principal operating entities	LCR		NSFR	
%	**1H19**	**2018**	**1H19**	**2018**
HSBC UK Bank plc (RFB)	155	143	147	144
HSBC Bank plc (NRFB)	140	147	110	113
The Hongkong and Shanghai Banking Corporation Ltd – HK branch	151	161	128	132
The Hongkong and Shanghai Banking Corporation Ltd – Singapore branch	258	149	120	123
HSBC Bank China	169	153	149	153
Hang Seng Bank	194	202	153	152
HSBC Bank USA	120	121	118	131
HSBC France	123	128	111	113
HSBC Bank Canada	120	115	125	126
HSBC Bank Middle East – UAE Branch	193	182	139	132
HSBC Mexico	165	153	116	123
HSBC Private Bank	270	273	150	203

- The Group LCR is well above the regulatory minimum, as are the ratios of the Group's main entities
- Group consolidated LCR of 136% at 1H19, down 18ppts from 31 Dec 2018
- During 1H19 we changed the entity holding the Holdings capital buffer[23], which accounted for 10ppts of the overall 18ppt decrease
- The methodology used to calculate the Group consolidated LCR is currently under review

Capital position

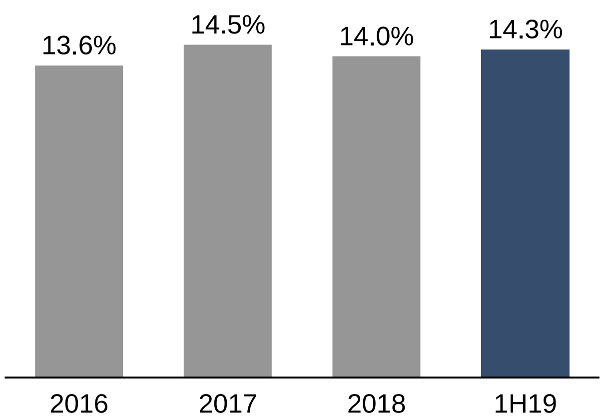
1H19 vs. FY18 CET1 ratio movement, %



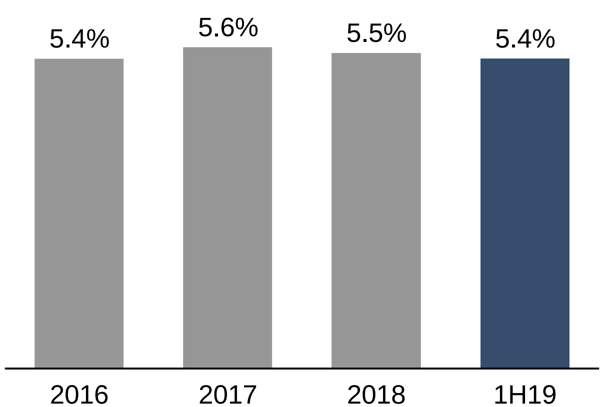
- 14.3% CET1 ratio, up 0.3ppts from 31 December 2018, mainly as a result of:
  - Capital generation through profits (0.9ppts)

  Partly offset by:
  - Dividends net of scrip (-0.4ppts)
  - RWA growth (-0.3ppts)
- We intend to initiate a share buy-back of up to $1bn, which is expected to commence shortly

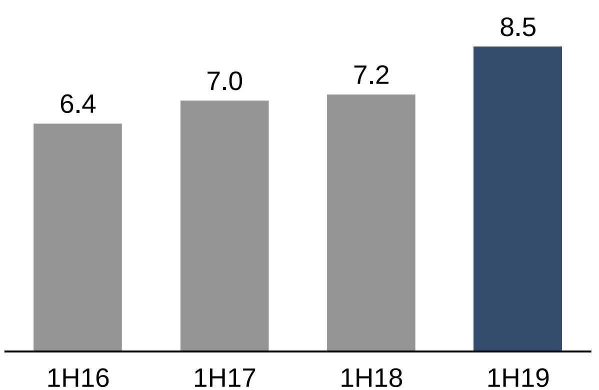
Common Equity Tier 1 ratio



Leverage ratio[17]



Profit attributable to ordinary shareholders[24], $bn

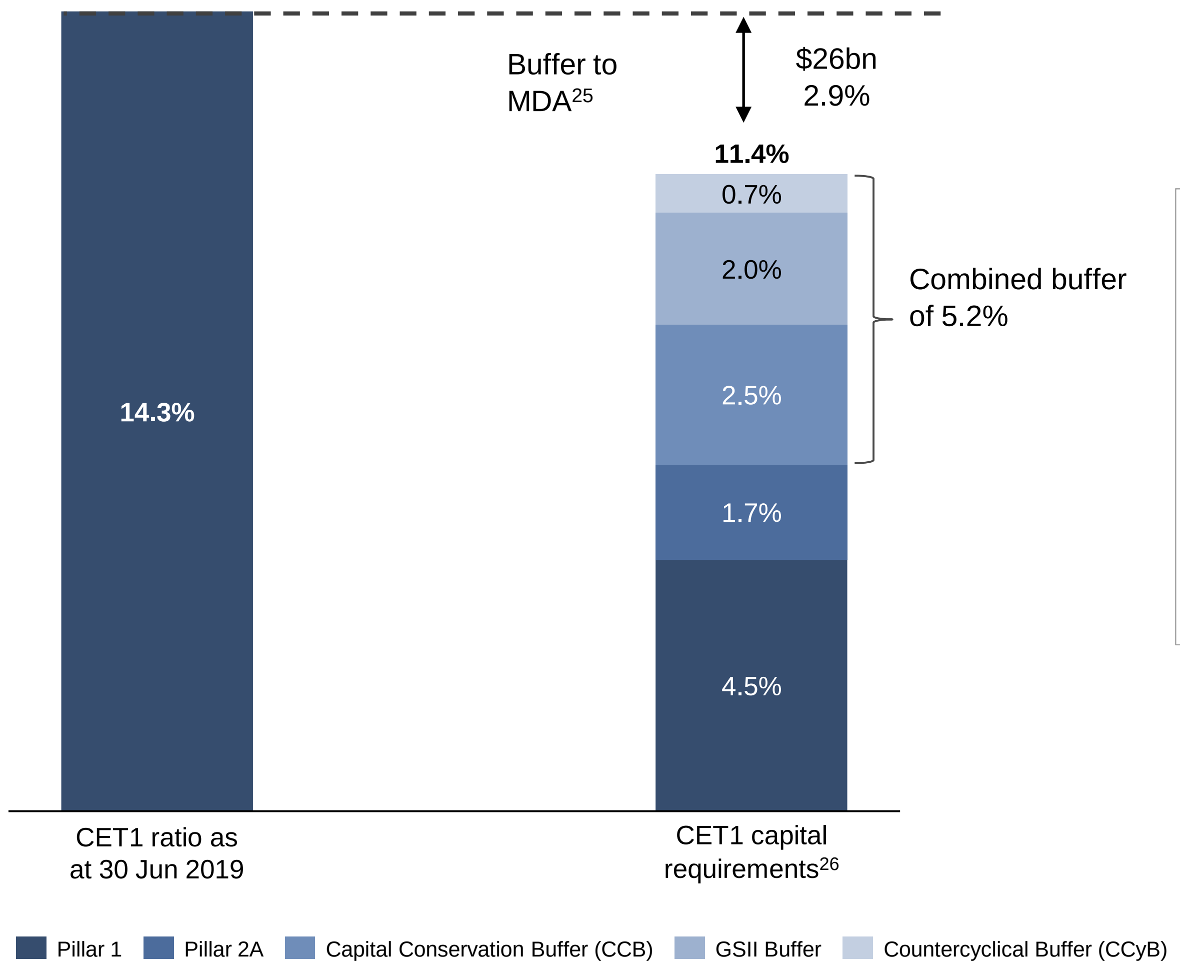


Capital structure and debt issuance

HSBC

CET1 position versus requirements

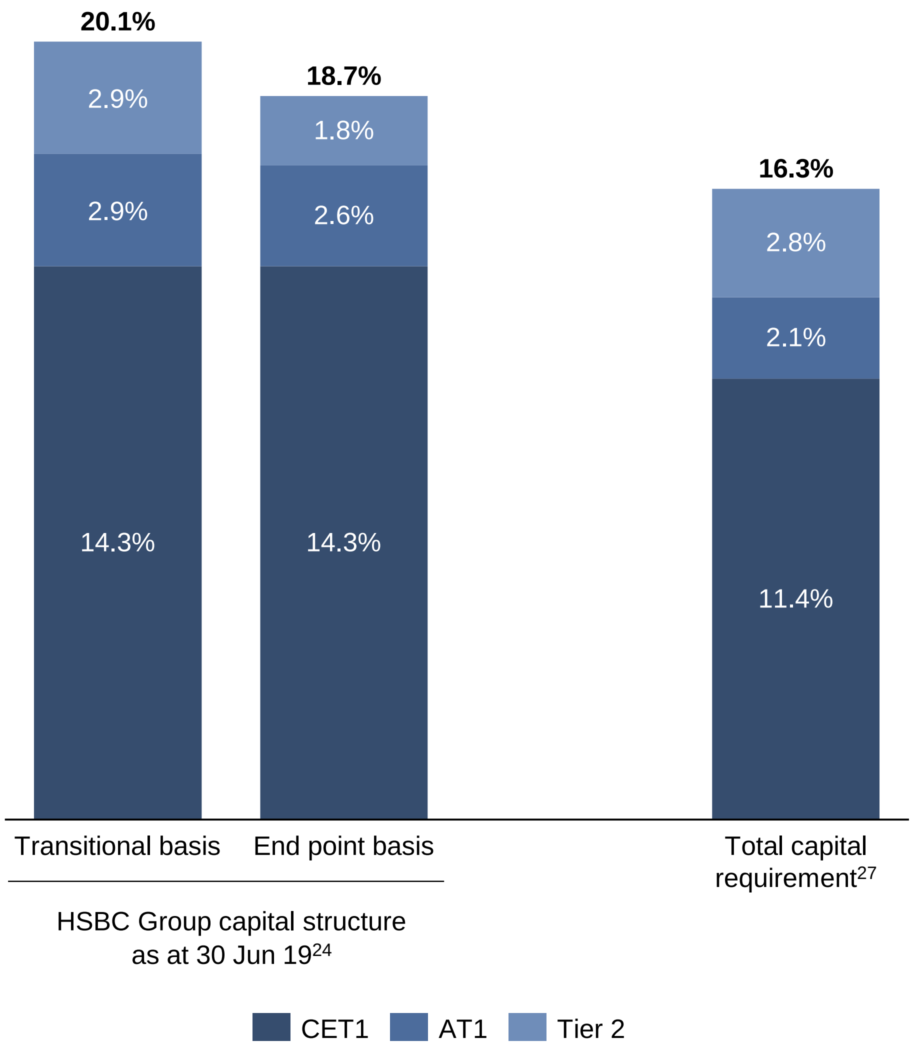
Common Equity Tier 1 ratio, versus Maximum Distributable Amount ("MDA")



- 14.3% CET1 ratio as at 30 June 2019
- Throughout the period to 2020, our plan assumes our CET1 ratio will be above 14%
- $33.5bn of distributable reserves, up $2.8bn from 31 December 2018 primarily driven by profits generated of $7.2bn net of distributions to shareholders of $4.9bn

Total capital position versus requirements

Regulatory capital versus regulatory requirements as a % of RWAs

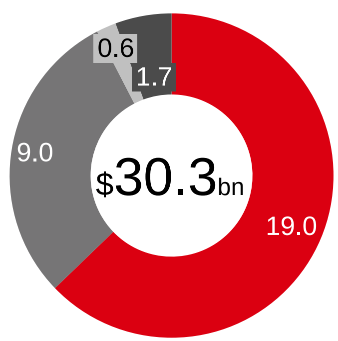


Regulatory capital instrument eligibility

- No impact on the eligibility of AT1 securities under CRR II
- $9bn notional of Tier 2 securities previously considered fully eligible under CRR are now grandfathered to June 2025 under CRR II
- It has been determined that $1.7bn notional of securities previously designated as grandfathered tier 2, with a regulatory value of $0.7bn, should no longer be included in tier 2 capital for Group. The local capital treatment of these instruments is unchanged

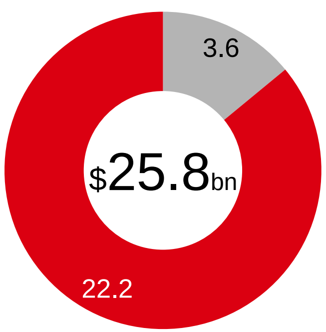
Tier 2 instruments (notional)

$bn-equivalent



AT1 instruments (notional)

$bn-equivalent

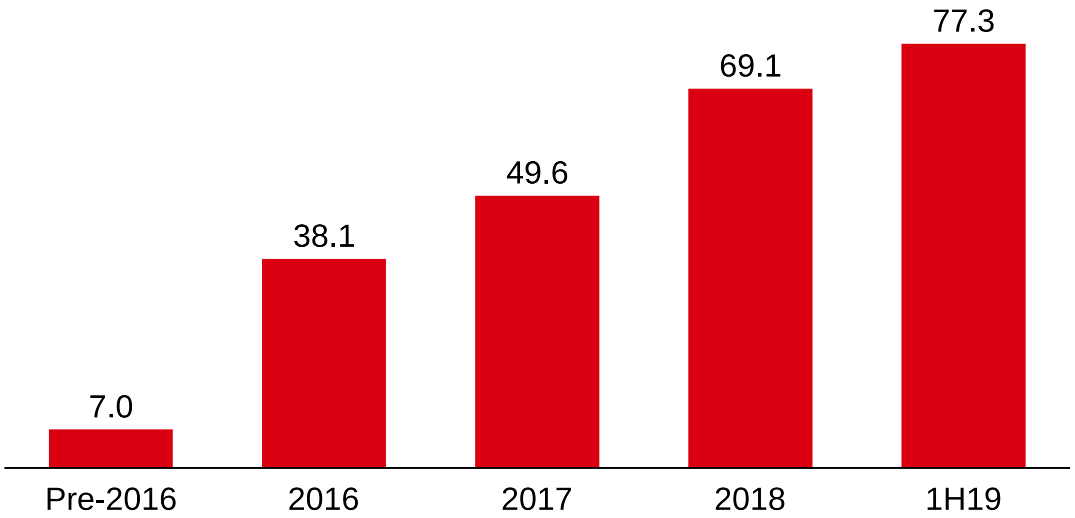


Fully compliant
Grandfathered to 2021
Grandfathered to 2025
Ineligible

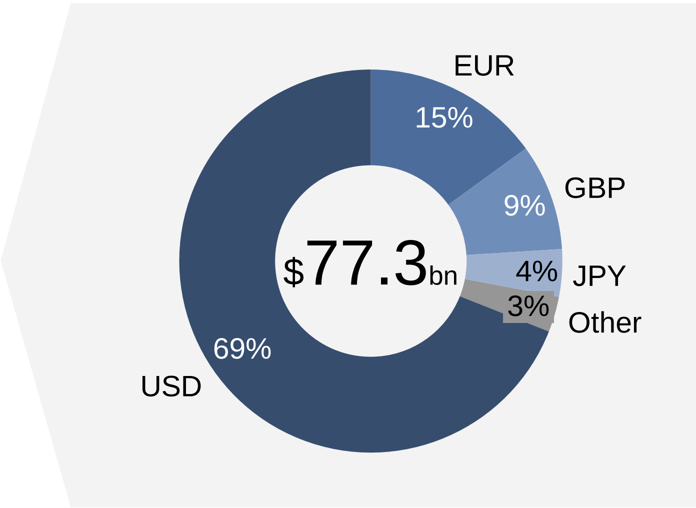
Progress toward meeting MREL requirements

$77bn stock of MREL-eligible HoldCo Senior built (notional)

$bn-equivalent



Outstanding MREL-eligible senior by currency

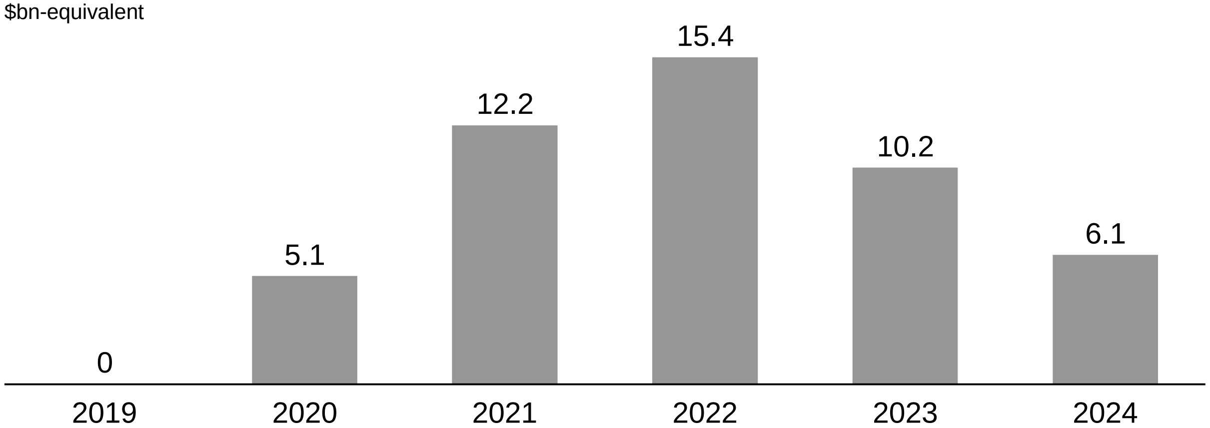


HoldCo Senior instrument MREL eligiblity

- HoldCo senior securities issued in 2019 considered fully compliant MREL ($8bn)
- HoldCo senior securities issued prior to 2019 permanently grandfathered as MREL ($69bn)
- MREL-eligible securities now include $7bn of pre-2016 HoldCo senior which is permanently grandfathered, following finalisation of CRR II

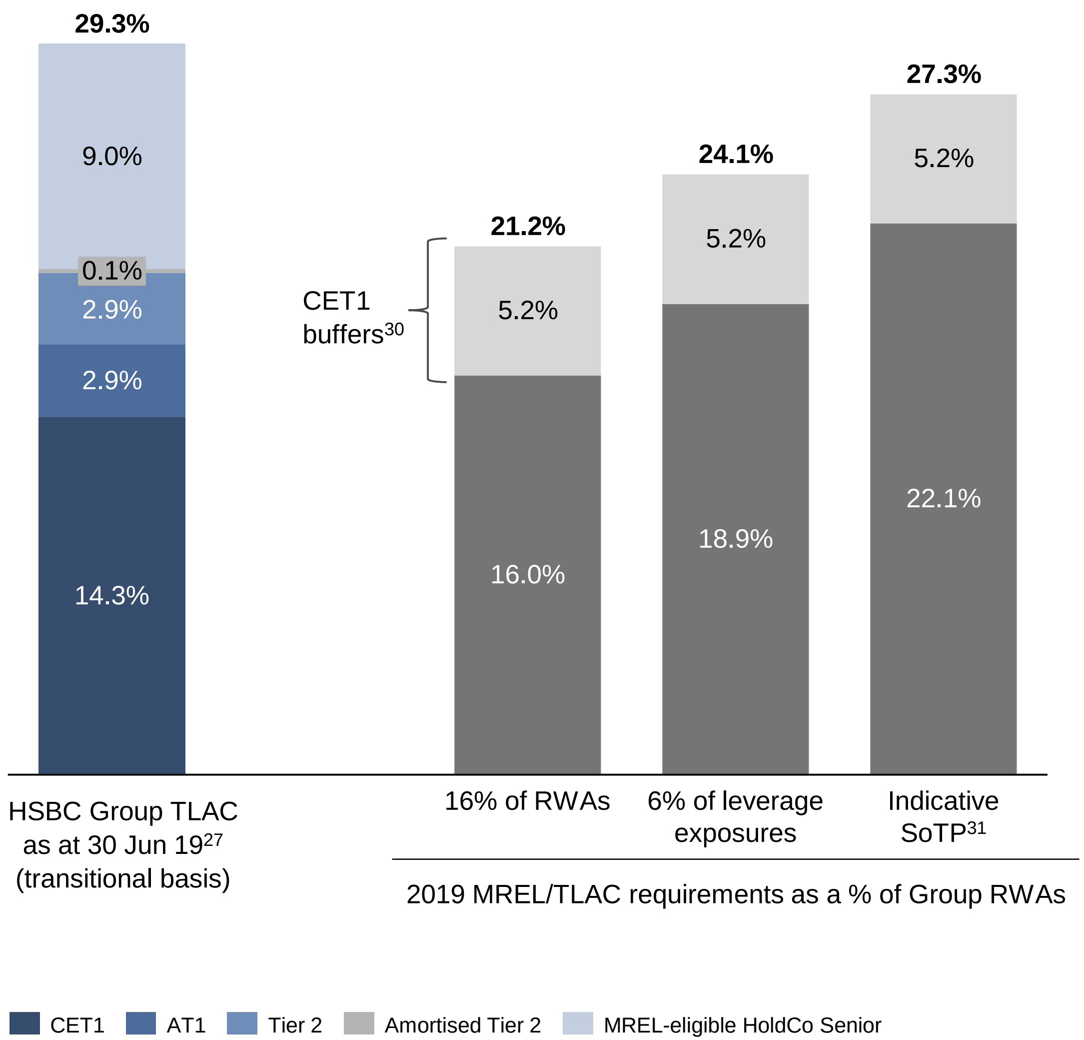
Maturity profile of HoldCo Senior debt[28], $bn

$bn-equivalent



MREL/TLAC position versus requirements[29]

MREL-eligible capital and HoldCo senior versus estimated regulatory requirements as a % of Group RWAs



- HSBC exceeds its 2019 MREL requirements
- HSBC Group's 2019 MREL requirement[32] is the greater of:
  - 16% of RWAs
  - 6% of leverage exposures
  - The sum of requirements relating to Group entities ('SoTP')
- MREL requirements as at 1 Jul 2019 are driven by the SoTP calculation[33]
- The binding constraint for end-state MREL requirements[34] will be contingent upon factors such as:
  - The finalisation of the European resolution group Pillar 2A
  - BoE MREL recalibration in 2020
  - The future path of regulation post Brexit

Details regarding MREL disclosure may be found in the 1H19 Pillar 3 document

Indicative summary MREL/TLAC requirement[35]

HSBC Group MREL requirements as at 1 Jul 2019 are driven by the sum of the parts ('SoTP')[31] calculation. SoTP sums our local subsidiaries' MREL/TLAC requirements to give the Group's overall MREL requirement

HSBC Group

TLAC as a % of RWAs: 29.3%

TLAC as a % of leverage exposures: 9.3%

US Resolution Group[36]

TLAC as a % of RWAs: 22.5%

TLAC as a % of leverage exposures: 8.8%

1 Jul 2019 binding requirement:

TLAC: 18% RWAs + buffers[40]
and
LTD: 3.5% of average assets[41]

European Resolution Group[37]

TLAC as a % of RWAs: 30.3%

TLAC as a % of leverage exposures: 8.3%

1 Jul 2019 binding requirement:

6% leverage exposures

Asia Resolution Group[38]

TLAC as a % of RWAs: 26.1%

TLAC as a % of leverage exposures: 9.3%

1 Jul 2019 binding requirement:

Subject to TLAC floor of the greater of:
16% of RWAs
6% of leverage exposures

Capital requirements of other Group entities[39]

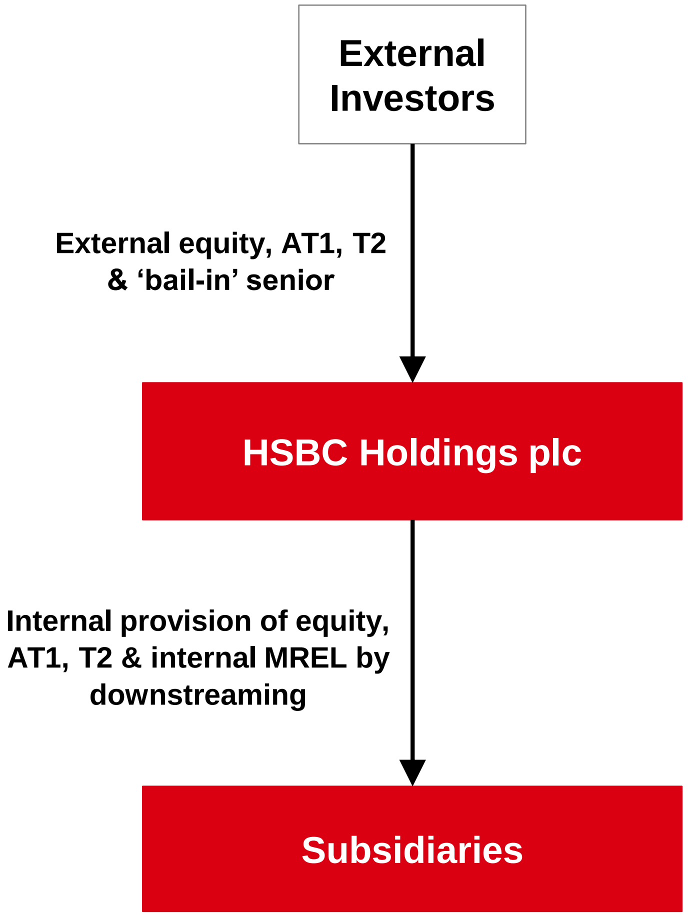
A simplified structure chart can be found on page 31

Indicative timeline of MREL/TLAC requirement

	2019	2020	2021	2022
HSBC Group	The greater of: ▪ 16% of RWAs ▪ 6% of leverage exposures ▪ Sum-of-the-parts ♦			Indicatively, the greater of: ▪ 18% of RWAs ▪ 6.75% of leverage exposures ▪ Sum-of-the-parts ♦
♦ Key sum-of-the-parts components:				
European Resolution Group	The greater of: ▪ 16% of RWAs ▪ 6% of leverage exposures	Indicatively, the greater of: ▪ 2 x P1 + P2A ▪ 2 x leverage ratio requirement ▪ 6% of leverage exposures		Indicatively, the greater of: ▪ 2 x (P1 + P2A) ▪ 2 x leverage ratio requirement ▪ 6.75% of leverage exposures
+ Asia Resolution Group	Subject to TLAC floor of the greater of: ▪ 16% of RWAs ▪ 6% of leverage exposures			Firm specific requirement, subject to TLAC floor of the greater of: ▪ 18% of RWAs ▪ 6.75% of leverage exposures
+ US Resolution Group	TLAC: the greater of: ▪ 18% of RWAs + buffers[40] ▪ 6.75% of SLR exposures ▪ 9% of average assets[41] LTD: the greater of: ▪ 6% of RWAs ▪ 2.5% of SLR exposures ▪ 3.5% of average assets[41]			

Note: HSBC Group MREL SoTP requirement is the sum of all loss-absorbing requirements and other capital requirements relating to other Group entities or sub-groups

Approach to issuance – single point of issuance, multiple point of entry



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
- We are now comfortable issuing AT1 while conducting an ordinary share buyback following updated legal guidance

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 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

Issuance strategy and plan

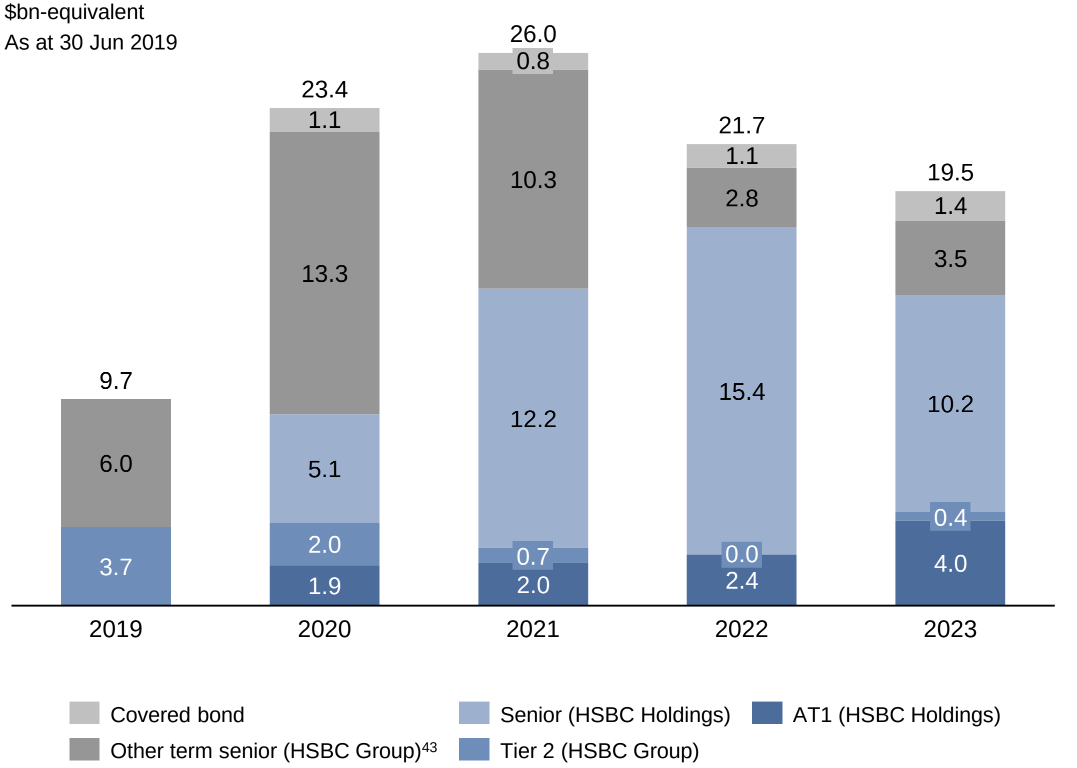
Forward-looking issuance plan[42]

- **HoldCo senior:** expect to issue low / mid-teens USDbn per year
  - Increasing maturity profile will reduce net issuance toward nil over time
  - $8.2bn issued in 1H19
  - 2019 issuance largely complete
- **Tier 2:** no near-term plans
- **AT1:** expect to issue low single-digit USDbn in 2019
  - over the longer-term expect net issuance to reflect balance sheet evolution
- **OpCo:** expect certain subsidiaries to issue senior and secured debt in local markets

The future path of UK regulation post-Brexit may impact our issuance plans.

Maturity profile[28]

$bn-equivalent
As at 30 Jun 2019



Appendix

Significant items

$m	2Q19	1Q19	2Q18	1H19	1H18
Reported PBT	**6,194**	**6,213**	**5,957**	**12,407**	**10,712**
Revenue					
Currency translation	-	(104)	(508)	-	(1,160)
Customer redress programmes	-	-	(46)	-	(46)
Disposals, acquisitions and investment in new businesses	(827)	-	30	(827)	142
Fair value movements on financial instruments	(28)	(22)	124	(50)	152
Currency translation on significant items	-	-	5	-	6
	(855)	**(126)**	**(395)**	**(877)**	**(906)**
ECL currency translation	**-**	**6**	**32**	**-**	**50**
Operating expenses					
Currency translation	-	65	327	-	770
Costs of structural reform	38	53	85	91	211
Customer redress programmes	554	56	7	610	100
Disposals, acquisitions and investment in new businesses	-	-	1	-	3
Restructuring and other related costs	237	50	4	287	24
Settlements and provisions in connection with legal and other regulatory matters	(2)	-	(56)	(2)	841
Currency translation on significant items	-	(2)	(2)	-	(15)
	827	**222**	**366**	**986**	**1,934**
Share of profit in associates and joint ventures currency translation	**-**	**(5)**	**(40)**	**-**	**(67)**
Total currency translation and significant items	**(28)**	**97**	**(37)**	**109**	**1,011**
Adjusted PBT	**6,166**	**6,310**	**5,920**	**12,516**	**11,723**

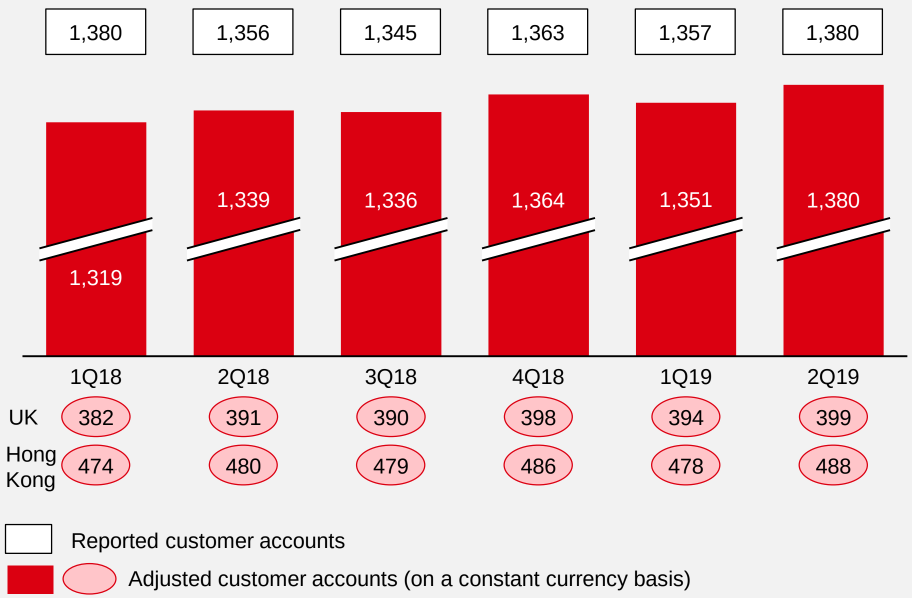
- Disposals, acquisitions and investment in new business includes a $828m dilution gain arising on the merger of SABB with Alawwal bank on 16.06.2019. SABB issued new shares in exchange for the transfer of Alawaal's net assets to the combined bank. HSBC's holding in the combined bank consequently fell from 40% to 29.2%
- Customer redress programmes include PPI provisions of $615m in 1H19 (2Q19 $559m), reflecting updated forecasts as we approach the complaints deadline on 29.08.2019. Includes the impact of 'auto-conversion' of information requests into complaints in this period, as well as an industry wide exercise by the Official Receiver in respect of bankrupt customers
- 1H19 restructuring and other related costs includes $248m of severance costs (2Q19 $199m) arising from cost efficiency measures across our Global Businesses and Functions

Balance sheet – customer accounts

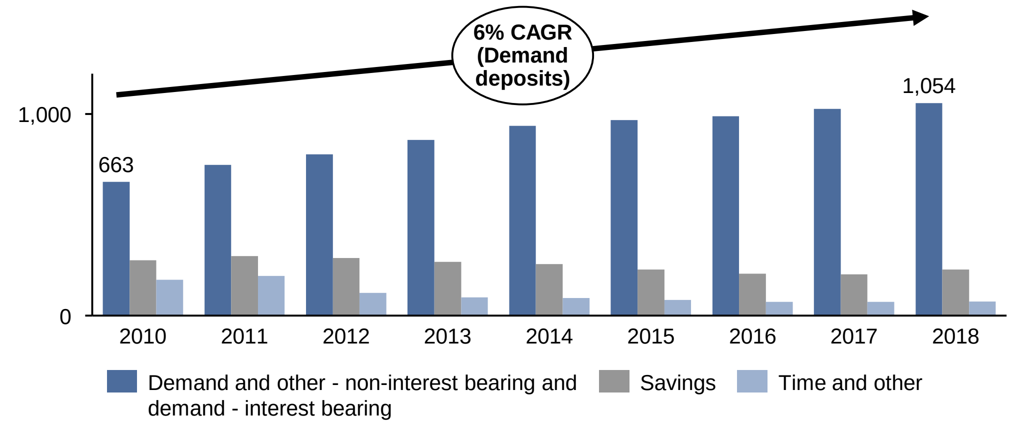
2Q19 Customer accounts

Adjusted customer accounts increased by $29.2bn (2%) vs. 1Q19:

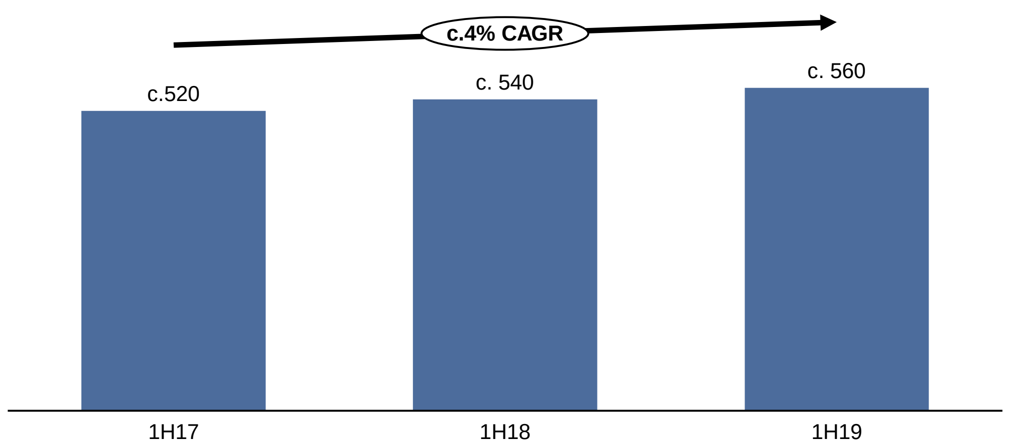
- Asia up $19.5bn, mainly in GB&M ($9.1bn) and CMB ($7.3bn), including seasonality in Hong Kong and mainland China. Growth in RBWM (up $4.2bn), mainly in Hong Kong
- Europe up $4.9bn, in HSBC UK (up $4.6bn) in RBWM (up $2.4bn) and CMB (up $2.0bn) primarily in current accounts
- North America up $4.6bn, mainly in US GB&M (up $2.2bn) and US CMB (up $1.2bn) from an increase in savings accounts and demand deposits. Growth in Canada RBWM (up $1.1bn)



FY18: Reported average customer accounts[44], $bn



Average GLCM deposits (includes banks and affiliate balances), **$bn**

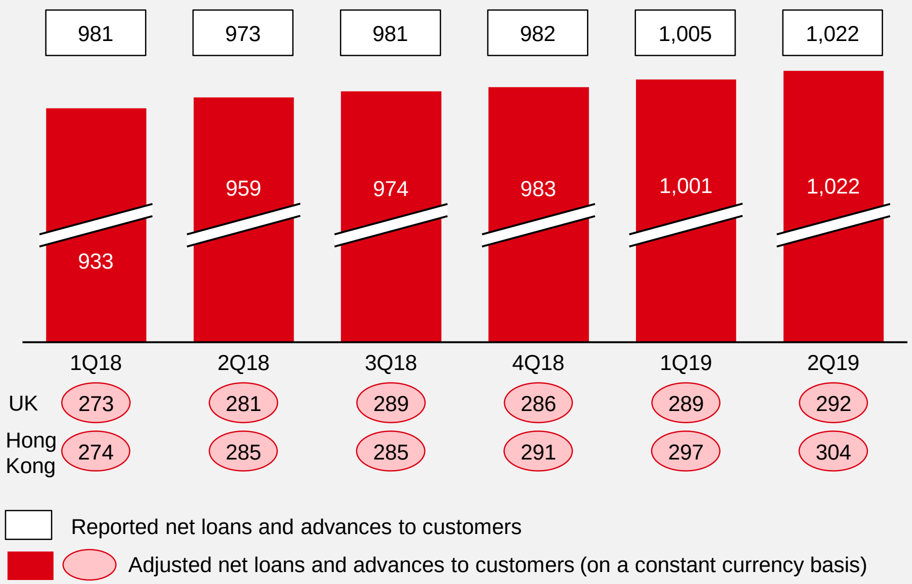


Balance sheet – customer lending

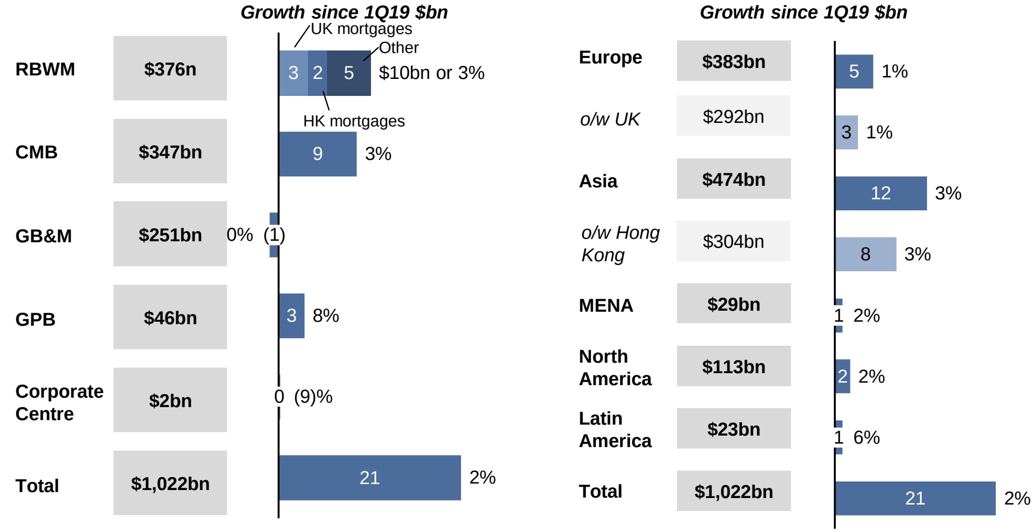
2Q19 Net loans and advances to customers

Adjusted customer lending increased by $20.9bn (+2%) vs. 1Q19, reflecting lending growth in:

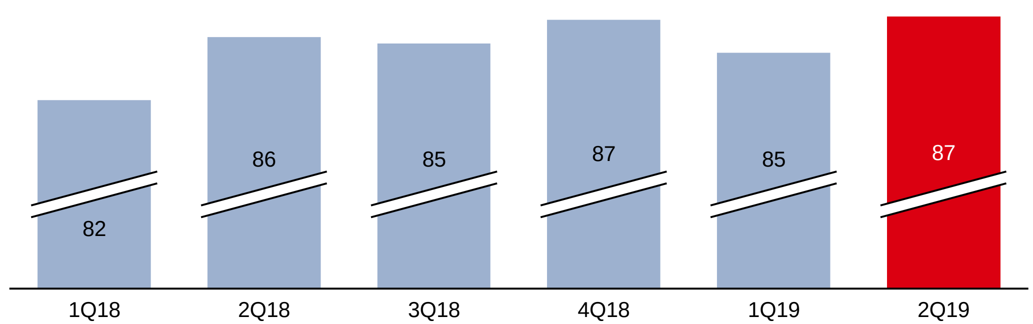
- Asia (up $11.9bn or 3%), notably in RBWM (up $5.6bn), of which $3.4bn mortgage growth in Hong Kong and $1.2bn in Australia. Lending also grew in CMB (up $3.8bn), mainly term lending in Hong Kong and mainland China, and in GPB (up $2.1bn)
- Europe up $5.0bn or 1%, in RBWM (up $3.2bn), of which $2.6bn in HSBC UK, notably mortgages, in CMB (up $2.3bn) mainly from term lending



2Q19 adjusted lending growth by global business and region $bn



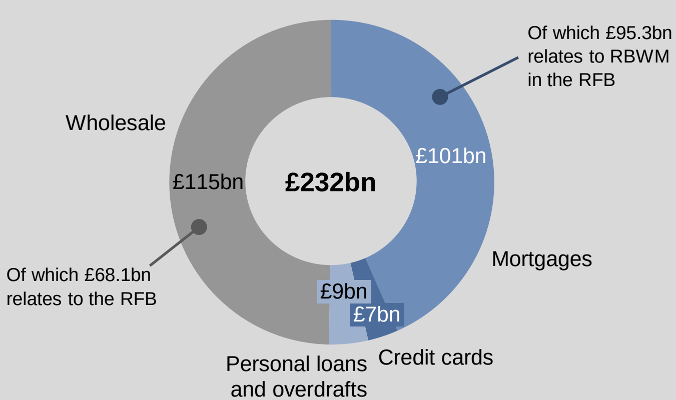
GTRF funded assets, $bn



UK customer loans and advances

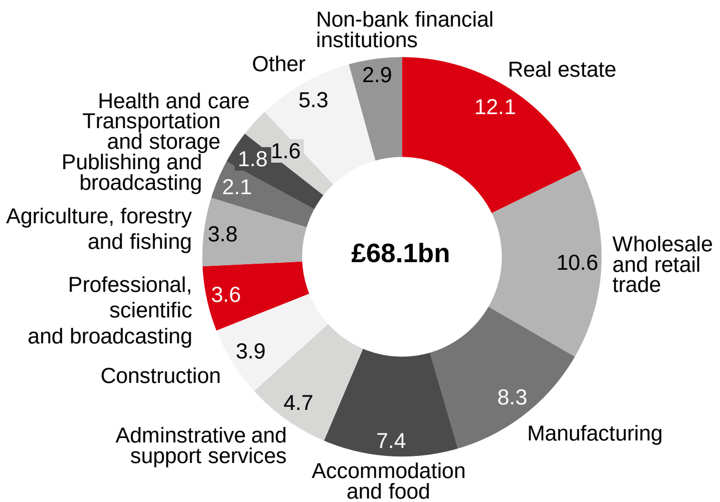
Total UK gross customer loans and advances

As at 30 June 2019

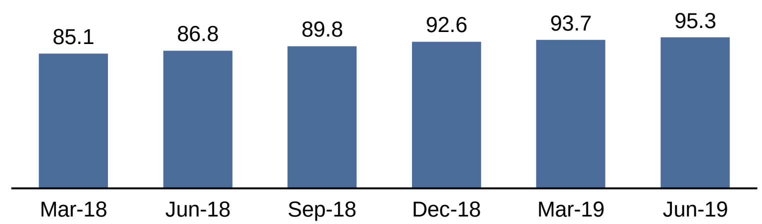


Wholesale gross loans and advances to customers (RFB)[45], £bn

As at 30 June 2019



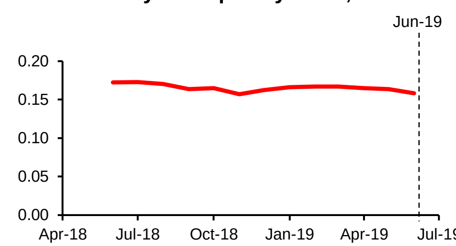
RBWM residential mortgages[45], £bn



By LTV

Less than 50%	£45.6bn
50% - < 60%	£15.3bn
60% - < 70%	£13.7bn
70% - < 80%	£12.0bn
80% - < 90%	£7.1bn
90% +	£1.6bn

90+ day delinquency trend, %

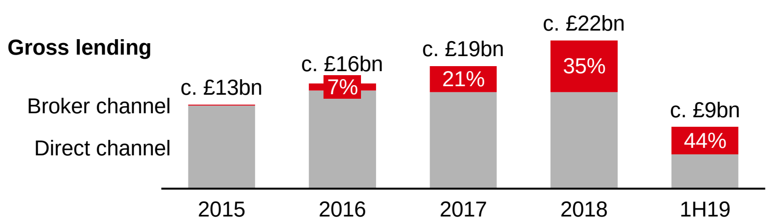


- c.28% of mortgage book is in Greater London
- Buy-to-let mortgages of £2.9bn
- Mortgages on a standard variable rate of £3bn
- Interest-only mortgages of £19.2bn[46]

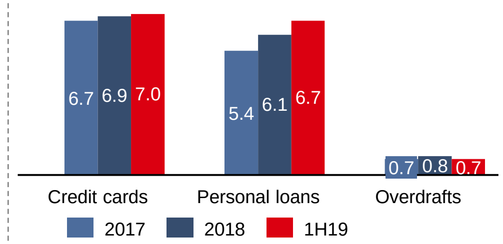
- LTV ratios:
  - c.48% of the book < 50% LTV%
  - new originations average LTV of 68%
  - average LTV of the total portfolio of 50%

Broker coverage (by value of market share)	8%	43%	70%	84%	88%

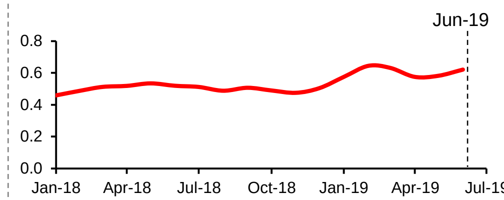
Gross lending



RBWM unsecured lending[45], £bn



Credit cards: 90+ day delinquency trend, %

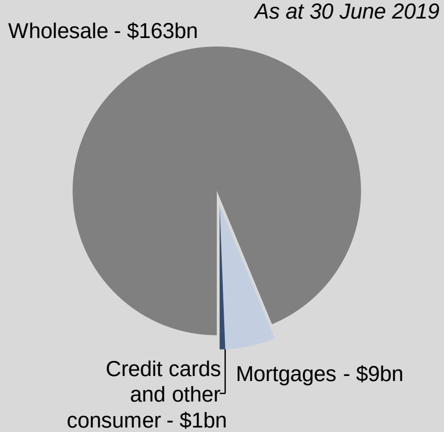


- Increase in 90+ delinquency rates in 1H19 predominantly due to a short term pause in charge off processing on 180+ delinquent balances, underlying trend stable

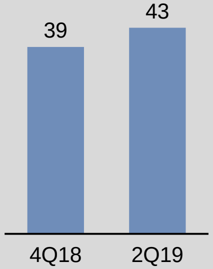
Mainland China drawn risk exposure[47]

Total China drawn risk exposure of $173bn

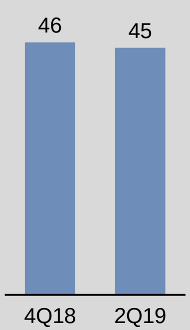
As at 30 June 2019



Mainland gross loans and advances to customers, $bn

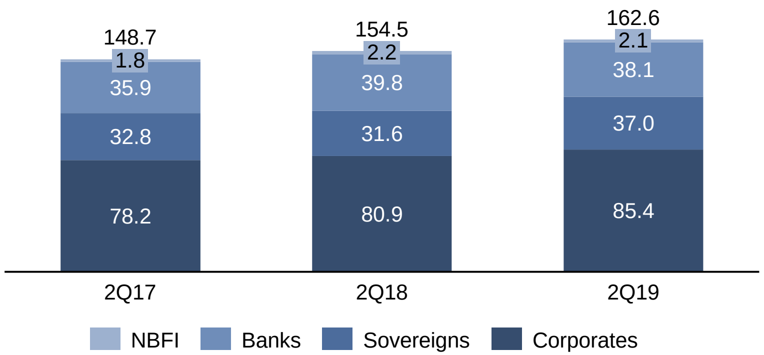


Mainland Customer deposits[48], $bn



- Total China drawn risk exposure of $173bn
- Wholesale: $163bn (of which 52% is onshore); Retail: $10bn
- Gross loans and advances to customers of c$43bn in mainland China (by country of booking, excluding Hong Kong and Taiwan)
- Stage 3 loan balances, days past due and loss remains low
- At 4Q18, HSBC's onshore corporate lending market share was 0.14% which allows us to be selective in our lending

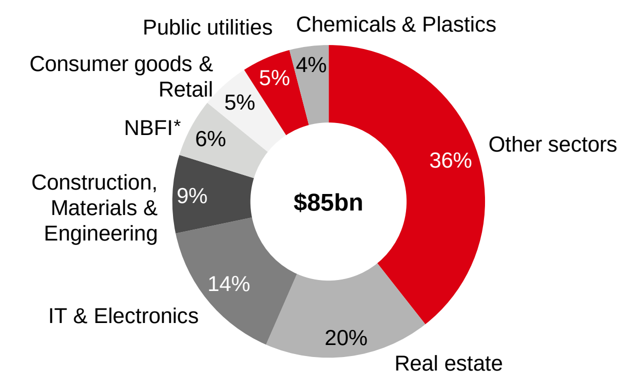
Wholesale analysis



Wholesale lending by risk type:

CRRs	1-3	4-6	7-8	9+	Total
Sovereigns	36.9	0.0			37.0
Banks	37.9	0.2			38.1
NBFI	1.6	0.5			2.1
Corporates	57.0	28.0	0.1	0	85.4
Total	**133.5**	**28.7**	**0.1**	**0.3**	**162.6**

Corporate Lending by sector:

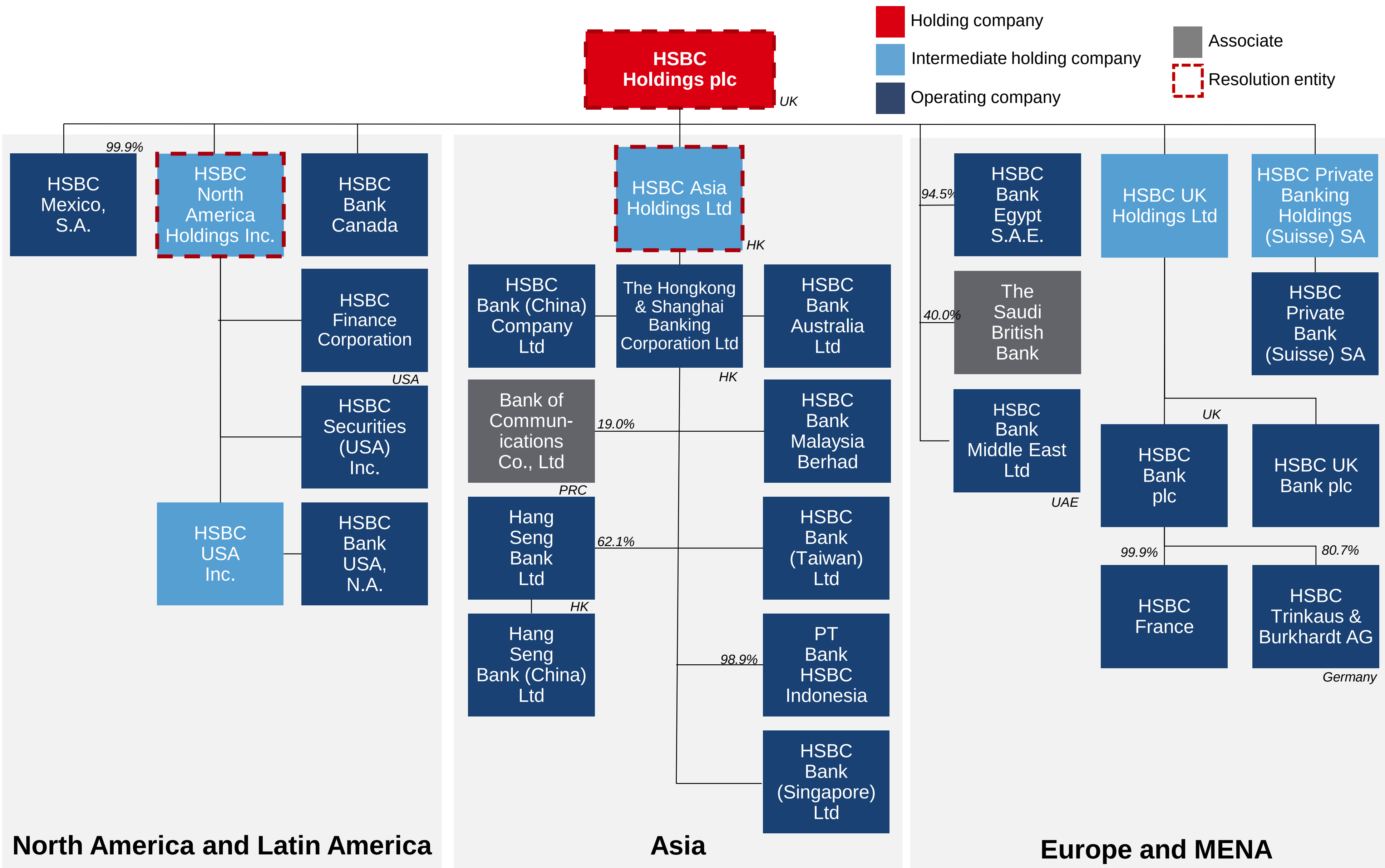


- c.20% of lending is to Foreign Owned Enterprises, c38% of lending is to State Owned Enterprises, c42% to Private sector owned Enterprises
- Corporate real estate
  - 62% sits within CRR 1-3 (broadly equivalent to investment grade)
  - Highly selective, focusing on top tier developers with strong performance track records
  - Focused on Tier 1 and selected Tier 2 cities

Current credit ratings for main issuing entities

Long term senior ratings as at 5 August 2019	Fitch		Moody's		S&P	
	Rating	**Outlook**	**Rating**	**Outlook**	**Rating**	**Outlook**
HSBC Holdings plc	AA-	Ratings Watch Negative	A2	Stable	A	Stable
The Hongkong and Shanghai Banking Corporation Ltd	AA-	Ratings Watch Negative	Aa3	Stable	AA-	Stable
HSBC Bank plc	AA-	Ratings Watch Negative	Aa3	Stable	AA-	Stable
HSBC UK Bank plc	AA-	Ratings Watch Negative	-	-	AA-	Stable
HSBC France	AA-	Ratings Watch Negative	Aa3	Stable	AA-	Stable
HSBC Bank USA NA	AA-	Ratings Watch Negative	Aa3	Stable	AA-	Stable
HSBC Bank Canada	AA-	Ratings Watch Negative	A3	Stable	AA-	Stable

Simplified structure chart



As at 30 June 2019. Showing entities in Priority markets, wholly-owned unless shown otherwise. Excludes Service Companies, other Associates, Insurance companies and Special Purpose Entities.

Glossary

ASEAN	Association of Southeast Asian Nations
AT1	Additional Tier 1
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point
CET1	Common Equity Tier 1
CCB	Capital Conservation Buffer
CCyB	Countercyclical Buffer
Corporate Centre	In December 2016, certain functions were combined to create a Corporate Centre. These include Balance Sheet Management, legacy businesses and interests in associates and joint ventures. The Corporate Centre also includes the results of our financing operations, central support costs with associated recoveries and the UK bank levy
CMB	Commercial Banking, a global business
CML	Consumer and Mortgage Lending (US)
CRD IV	Capital Requirements Directive and the Capital Requirements Regulation
CRR	Customer risk rating
CRR II	Amendments to the Capital Requirements Regulation (575/2013)
ECL	Expected credit losses and other credit impairment charges
ESG	Environmental, social and governance
GB&M	Global Banking and Markets, a global business
GLCM	Global Liquidity and Cash Management
GPB	Global Private Banking, a global business
GTRF	Global Trade and Receivables Finance
GSII	Globally significantly important institution
HKMA	Hong Kong Monetary Authority

HoldCo	Holding Company
HQLA	High Quality Liquid Assets
LTD	Long term debt
LTV	Loan-to-value ratio
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
Jaws	The difference between the rate of growth of revenue and the rate of growth of costs. Positive jaws is where the revenue growth rate exceeds the cost growth rate. We calculate this on an adjusted basis
LCR	Liquidity coverage ratio
LICs	Loan Impairment charges and other credit risk provisions
MREL	Minimum requirement for own funds and eligible liabilities
MENA	Middle East and North Africa, a region
NBFI	Non-bank financial institutions
NAV	Net Asset Value
NII	Net interest income
PBT	Profit before tax
Ppt	Percentage point
POCI	Purchased or originated credit-impaired
PRD	Pearl River Delta
RBWM	Retail Banking and Wealth Management, a global business
RoE	Return on average ordinary shareholders' equity
RoRWA	Return on average risk-weighted assets
RoTE	Return on average tangible equity
RWA	Risk-weighted asset
SLR	Supplementary leverage ratio
TLAC	Total loss absorbing capacity
TNAV	Tangible net asset value

Footnotes

1. Scale markets include HK, UK, Mexico, PRD, Singapore, Malaysia, UAE, Saudi Arabia
2. Market share gains are vs. 2017 year end; market shares for HK, UK, Mexico, PRD, Singapore and Malaysia are as of May 2019; Saudi Arabia is as of April 2019; UAE is as of March 2019
3. Cumulative amount since 1st January 2017; 1H19 only includes HSBC's share of Dealogic's Green, Social and Sustainability Bond league table data
4. UK mortgage and CMB loan market shares as of May 2019 and March 2019, respectively
5. International network revenue includes transaction banking and international client revenue
6. Transaction banking includes GLCM, GTRF, Securities Services, and FX
7. Market share comparisons for GLCM and GTRF are 1Q19 vs. 2017 year end
8. Baseline comparison point is 2017 year end, except for Saudi Arabia CMB, which uses 4Q18
9. Rating as measured by Sustainalytics (an external agency) against our peers and reported annually
10. June 2019 score is unchanged vs. December 2018 score
11. Average performer rating does not take into account the ESG report published in April 2019
12. Sustainalytics' new ratings methodology will replace their old methodology
13. A targeted reported RoTE of 11% is broadly equivalent to a reported return on equity of 10%; assumes a Group CET1 ratio greater than 14%
14. 1H18 Jaws (adjusted) is as reported at 1H18
15. 20,124 million weighted average basic ordinary shares outstanding during the period; 20,189 million on a fully diluted basis
16. Unless otherwise stated, risk-weighted assets and capital are calculated using (i) the CRD IV transitional arrangement as implemented in the UK by the Prudential Regulation Authority; and (ii) EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation
17. Leverage ratio is calculated using the Capital Requirements Regulation on an end-point basis for tier 1 capital
18. Excludes the impact of the first interim dividend of $0.10 per share, please see footnote 34 below
19. HSBC UK Bank plc (RFB) started operations on 1st July 2018. FY18 NIM relates to 2H18 only
20. Total includes POCI balances and related allowances
21. Includes offset mortgages in first direct, endowment mortgages and other products
22. Excludes inter-regional eliminations
23. The Holdings Capital Buffer is a portfolio of high quality liquid assets maintained by the holding company to mitigate its cash flow risks and underpin the strength of support the holding company can offer its subsidiaries in times of stress
24. Profit attributable to the ordinary shareholders of the parent company
25. Buffer to MDA trigger based on RWAs and CET1 capital resources at 30 June 2019
26. Pillar 2A requirements are shown as applicable on 1 January 2019 and are subject to change. The CET1 buffers include: a) the capital conservation buffer of 2.5% of RWAs; b) the countercyclical capital buffer, which is dependent on the prevailing rates set in the jurisdictions where HSBC has relevant credit exposures (this buffer amounts to 0.68% of RWAs, based on confirmed rates as of 30 June 2019); c) the Global Systemically Important Institutions Buffer (GSII buffer) of 2% of RWAs. With the exception of the capital conservation buffer, the remaining buffers are subject to change
27. Capital figures and ratios at 30 June 2019 are reported on a CRR II basis for Additional Tier 1 and Tier 2 capital. Unless otherwise stated, all figures are calculated using the EU's regulatory transitional arrangements for IFRS 9 'Financial Instruments' in article 473a of the Capital Requirements Regulation.
28. To first call date if callable; otherwise to maturity; to 2024/23 only
29. Minimum requirement for own funds and eligible liabilities (MREL) consists of a minimum level of equity 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 Bank Recovery and Resolution Directive (BRRD) and associated UK legislation, with the purpose of absorbing losses and recapitalising an institution upon failure whilst ensuring the continuation of critical economic functions. The criteria for eligibility are defined in CRR II and "The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)" policy statement, published in June 2018.
30. Group CET1 buffers are shown in addition to the MREL requirements. The buffers shown in addition to the RWA and leverage TLAC/MREL requirement are calculated in accordance with the PRA Supervisory statement 16/16 updated in December 2017
31. 2019 indicative SoTP derived per HSBC's current understanding of regulatory guidance. The requirement will change over time as the TLAC requirements of our subsidiaries change per regulatory rules, the BoE 2020 MREL recalibration and as we gain further clarity on the components of end-state requirements across the Group

Footnotes

32. 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 2019 and indicative 2020, 2021 and 2022 external MREL applicable to HSBC Group. The Group's external MREL to be met from 1 January 2019 are set at the higher of (i) 16% of RWAs (consolidated); (ii) 6% of leverage exposures (consolidated); and (iii) the sum of all loss-absorbing capacity requirements and other capital requirements relating to other Group entities or sub-groups. The Group's non-binding indicative external MREL in 2020 and 2021 is expected to follow the same calibration as in 2019. In 2022, the indicative MREL for the Group is expected to be set at the higher of (i) 18% of RWAs (consolidated); (ii) 6.75% of leverage exposures (consolidated); and (iii) the sum of all loss-absorbing capacity requirements and other capital requirements relating to other Group entities or sub-groups
33. Subject to regulatory clarification
34. The MREL requirements are subject to a number of caveats including: changes to the firm and its balance sheet (RWAs, FX and leverage); changes in accounting and regulatory policy; stress test requirements and, not least, confirmation of the final requirements from the Bank of England and other regulators, including the resolution strategy which is subject to revision on a regular basis
35. This is a simplified representation of our current view of the Group's MREL requirements. The "sum of the parts" effectively includes the expected requirements for each of our resolution groups and any loss-absorbing capacity requirements and other capital requirements relating to any other entities outside of these resolution groups. To be noted that any applicable regulatory capital buffers apply on top of the indicative MREL/TLAC requirements
36. Reporting for the US resolution group is prepared in accordance with local regulatory rules. The equivalent accounting standard to IFRS 9 for current expected credit losses ('CECL') is not yet effective; implementation is planned for 2020. Leverage exposure and ratio are calculated under both sets of rules, US supplementary leverage ratio (SLR) and US Basel III. Other adjustments for the US resolution group relate to allowances for loan and lease losses that are not TLAC eligible and Tier 2 instruments that currently do not qualify as TLAC. Under the US Final TLAC rules, in addition to the risk-weighted assets component of the TLAC requirement, the US resolution group is subject to an external 2.5% TLAC buffer that is analogous to the capital conservation buffer
37. The European resolution group reports in accordance with the applicable provisions of the Capital Requirements Regulation as amended by CRR II. Unless otherwise stated all figures are calculated using the EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation
38. Reporting for the Asian resolution group follows HKMA regulatory rules. IFRS 9 has been implemented but no regulatory transitional arrangements apply. The effective date of LAC requirements was 1 July 2019
39. Reporting for other group subsidiaries follows local rules for capital requirements and, where applicable, TLAC requirements
40. The US resolution group is subject to an external 2.5% TLAC buffer plus any CCyB. Buffers must be met with CET1
41. Average assets is in accordance with the US Tier 1 leverage ratio requirements, calculated as average adjusted consolidated total assets
42. The issuance plan is guidance only; it is a point in time assessment and is subject to change
43. "Other term senior" means senior unsecured debt securities with an original term to maturity of >1.5 years and an original principal balance of >$250m, issued by HSBC Group entities and which are not intended to count towards MREL
44. Source: Form 20-F; Average balances on a reported basis
45. HSBC UK Bank plc (RFB) basis only
46. Includes offset mortgages in first direct, endowment mortgages and other products
47. Mainland China drawn risk exposure. Retail drawn exposures represent retail lending booked in mainland China; wholesale lending where the ultimate parent and beneficial owner is Chinese
48. Deposits for customers only, excludes banks

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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 2018 filed with the Securities and Exchange Commission (the "SEC") on Form 20 F on 20 February 2019 (the "2018 Form 20-F) and in our Interim Report for the six months ended 30 June 2019 which we expect to furnish to the SEC on Form 6-K on 5 August 2019 (the "2019 Interim Report").

Non-GAAP financial information

This Presentation contains non-GAAP financial information. The primary non-GAAP financial 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 non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in our 2018 Form 20-F, our 1Q 2019 Earnings Release furnished to the SEC on Form 6-K on 3 May 2019, the 2019 Interim Report and the corresponding Reconciliations of Non-GAAP Financial Measures document, each of which are available at www.hsbc.com.

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