HSBC Holdings plc

Overseas Regulatory Announcement

The attached announcement has been released to the other stock exchanges on which HSBC Holdings plc is listed.

The Board of Directors of HSBC Holdings plc as at the date of this announcement comprises: Mark Tucker*, Noel Quinn, Laura Cha†, Henri de Castries†, James Anthony Forese†, Steven Guggenheimer†, Irene Lee†, José Antonio Meade Kuribreña†, Heidi Miller†, Eileen K Murray†, David Nish†, Ewen Stevenson, Jackson Tai† and Pauline van der Meer Mohr†.

* Non-executive Group Chairman
† Independent non-executive Director

Hong Kong Stock Code: 5

23 February 2021

HSBC HOLDINGS PLC
2020 RESULTS AND STRATEGY UPDATE
VIDEO WEBCAST AND CONFERENCE CALL

HSBC will be holding a video webcast presentation and conference call today for investors and analysts. The speakers will be Noel Quinn (Group Chief Executive), Ewen Stevenson (Group Chief Financial Officer), Peter Wong (Deputy Chairman and Chief Executive, The Hongkong and Shanghai Banking Corporation Limited), Nuno Matos (Chief Executive of Wealth and Personal Banking) and John Hinshaw (Group Chief Operating Officer).

A copy of the presentation to investors and analysts is attached and is also available to view and download at https://www.hsbc.com/investors/results-and-announcements/all-reporting/group.

Full details of how to access the conference call appear below and details of how to access the webcast can also be found at www.hsbc.com/investors/results-and-announcements.

Time: 7.30am (London); 3.30pm (Hong Kong); and 2.30am (New York).

Webcast: https://streamstudio.world-television.com/CCUIv3/registration.aspx?ticket=768-1956-27204&target=en-kontiki-&status=preview&browser=ns-0-1-0-0-0

Conference call access numbers:
Restrictions may exist when accessing freephone/toll-free numbers using a mobile telephone.

Passcode: 8647018

	Toll-free	Toll
UK	0808 238 1616	
US	1 866 551 9263	
Hong Kong	800 967 131	
International		+44 (0)20 7192 8727

Replay access details from 23 February 1:00pm GMT – 23 March 2020 1:00pm GMT

Passcode: 8647018

	Toll-free	Toll
UK	0808 238 0667	
US	1 866 331 1332	
Hong Kong	58085596	
International		+44 (0) 333 300 9785

more

Note to editors:

HSBC Holdings plc
HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US$2,984bn at 31 December 2020, HSBC is one of the world's largest banking and financial services organisations.

ends/all

HSBC Holdings plc 4Q20 Results
Opening up a world of opportunity

Presentation to Investors and Analysts

Agenda

Results	
FY20 highlights and achievements	Noel Quinn
FY20 and 4Q20 results	Ewen Stevenson
Opening up a world of opportunity	
Our Strategy	Noel Quinn
Driving growth in Asia	Peter Wong
Pivot to Wealth	Nuno Matos
Digital Business Services	John Hinshaw
Financial snapshot	Ewen Stevenson
Conclusion	Noel Quinn

HSBC

Noel Quinn

Group Chief Executive

HSBC

FY20: A strong base to deliver future growth

1

Continued support for customers and communities through Covid-19 restrictions

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

2

Profits down, strong balance sheet

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

3

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

A reconciliation of reported results to adjusted results can be found on slide 55, the remainder of the presentation unless otherwise stated, is presented on an adjusted basis

A refreshed purpose, values and ambition to 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 our strengths	**Digitise** at scale	**Energise** for growth	**Transition** to net-zero

Delivering against our February 2020 Update

Progress against our financial targets

	FY22 target (as announced at Feb20)		FY20 progress[4]
Costs	Adjusted costs ≤$31bn; $4.5bn of cost programme saves	✓	**$1bn cost saves**
RWAs	>$100bn gross RWA reduction	✓	**$52bn gross reduction**
Capital	CET1 ratio >14%; manage in 14-15% range	✓	**CET1 ratio of 15.9%**
RoTE	10% – 12%	✗	**3.1%**

Ewen Stevenson

Group Chief Financial Officer

HSBC

FY20 results summary

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

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

- **Reported PBT of $8.8bn down $4.6bn (34%) vs. FY19,** primarily from lower revenue and higher ECL, offset by lower costs and lower significant items
- **FY20 adjusted costs decreased $1.1bn (3%) vs. FY19** including $1.4bn of cost saves[5]; continued investment was offset by reductions in discretionary spending
- **Significant items of $3.4bn,** includes $0.3bn of losses on disposal, decreased by $5.4bn vs. FY19
- **Customer loans decreased $25bn (2%) vs. FY19,** declines in CMB and GBM were offset by mortgage growth in WPB
- **Customer deposits increased $173bn (12%) vs. FY20** as customers held liquidity
- **DPS of $0.15 per share,** with policy designed to provide sustainable dividends going forward[3]

4Q20 results summary

$m	4Q20	4Q19		Δ
NII	6,620	7,751	▼	(15)%
Non interest income	5,204	6,031	▼	(14)%
Revenue	11,824	13,782	▼	(14)%
ECL	(1,174)	(696)	▲	(69)%
Costs	(9,106)	(9,176)	▼	1%
Associates	666	546	▲	22%
Adjusted PBT	**2,210**	**4,456**	▼	**(50)%**
Significant items and FX translation	(825)	(8,353)	▼	90%
Reported PBT	**1,385**	**(3,897)**	▲	**>100%**
Reported profit after tax	935	(5,024)	▲	>100%
Profit attributable to ordinary shareholders	**562**	**(5,509)**	▲	**>100%**
Reported EPS, $	0.03	(0.27)	▲	$0.30
DPS, $	0.15	—	—	n.m.

$bn	4Q20	3Q20		Δ
Customer loans	1,038	1,074	▼	(3)%
Customer deposits	1,643	1,615	▲	2%
Reported RWAs	858	857	▲	0%
CET1 ratio, %	15.9	15.6	▲	0.3ppt
TNAV per share, $	7.75	7.55	▲	$0.20

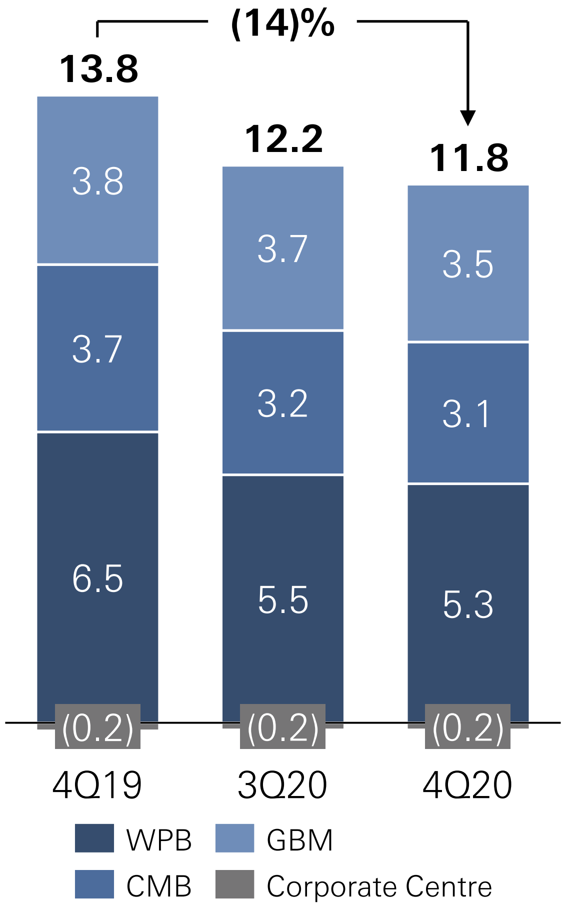
- **Adjusted revenue down $2.0bn (14%) vs. 4Q19,** primarily due to lower global interest rates, partly offset by higher revenue in Global Markets
- **ECL up by $0.5bn (69%) vs. 4Q19,** from higher stage 3 charges in CMB, and continued economic uncertainty in the UK
- **Costs down $0.1bn (1%) vs. 4Q19,** cost programme saves were offset by increased performance-related pay and increased technology spending
- **Significant items of $0.8bn decreased by $7.5bn vs. 4Q19,** due to the non-recurrence of a $7.3bn impairment of goodwill
- **4Q20 TNAV per share of $7.75 up $0.20 vs. 3Q20,** due primarily to retained profits and FX movements

4Q20 adjusted revenue performance

	4Q20 revenue			4Q20 revenue		4Q20 vs. 4Q19
WPB	$5,321m	▼ (18)%	Retail Banking	$3,043m		(972)
			Wealth Management	$2,053m	o/w insurance market impacts: $98m	(91)
			Other	$225m		(89)
CMB	$3,147m	▼ (15)%	GTRF	$423m		(15)
			Credit and Lending	$1,457m		108
			GLCM	$895m		(541)
			Other	$372m		(122)
GBM	$3,511m	▼ (7)%	Global Markets, Securities Services	$1,869m	o/w bid-offer adjustments: $3m	82
			Global Banking, GLCM, GTRF	$1,561m		(314)
			Principal Investments, XVA, Other	$81m	o/w XVAs: $(124)m	(22)
Corp. Centre	$(155)m	–			o/w valuation differences: $61m	18
Group	$11,824m	▼ (14)%				(1,958): NII (1,131), Non-NII (827)

NII Non-NII

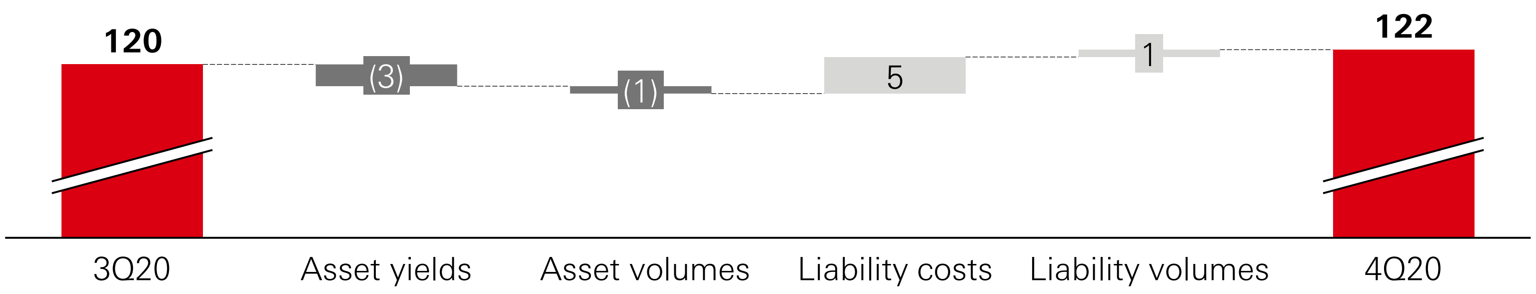
Revenue by global business, $bn



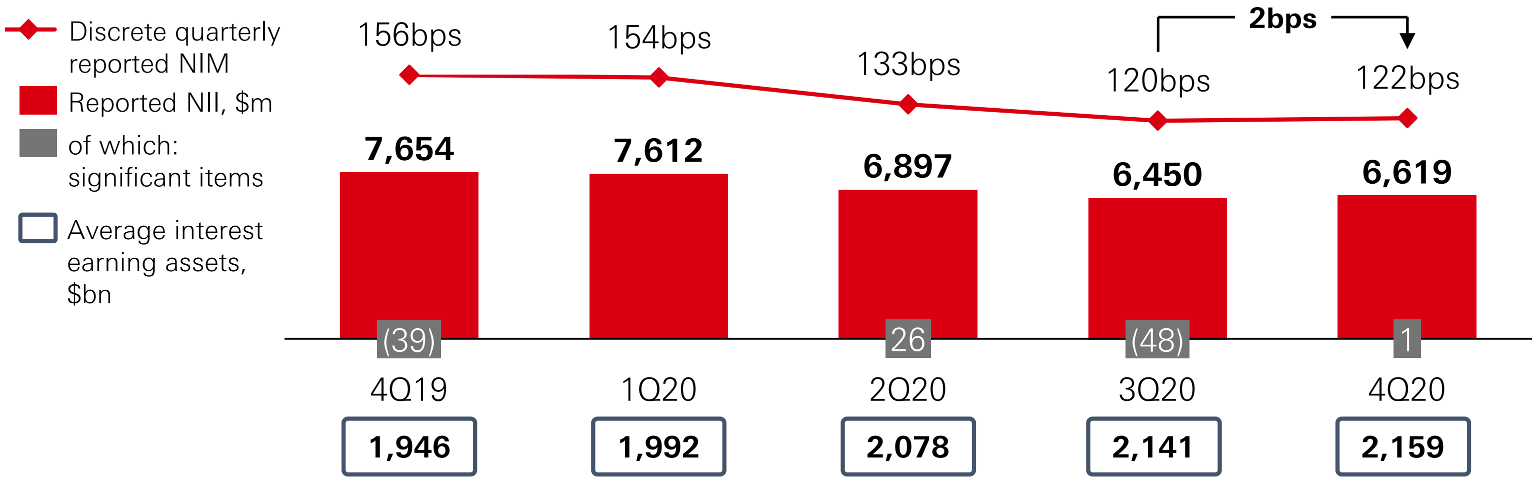
Totals may not cast due to rounding

Net interest income

Reported NIM progression, bps



Reported NIM trend

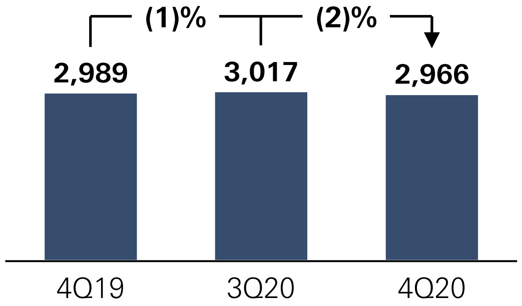


- **FY20 reported NII of $27.6bn was down $2.9bn (9%) vs. FY19** due to global reductions in interest rates, partly offset by increases in AIEAs
- **FY20 NIM of 1.32%** was down 26bps vs. FY19 with decreases in market rates on AIEAs more than offsetting lower funding costs
- **4Q20 reported NII of $6.6bn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

Non-NII

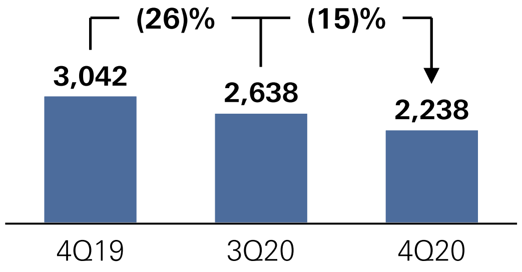
Group, $m

Net fees



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

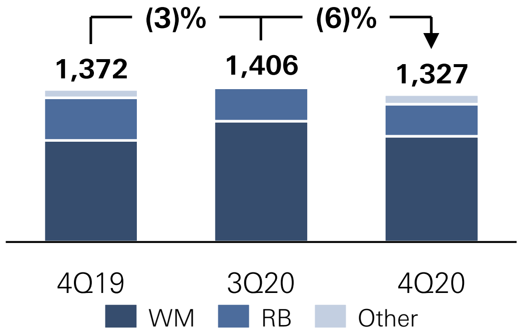
Other income



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

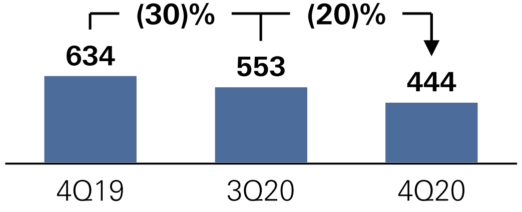
WPB, $m

Net fees



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

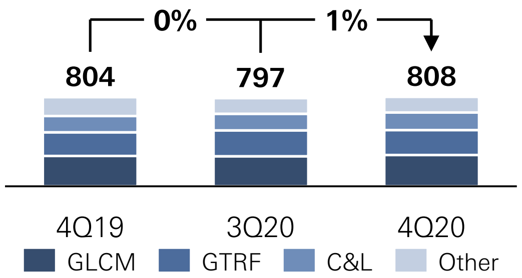
Other income



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

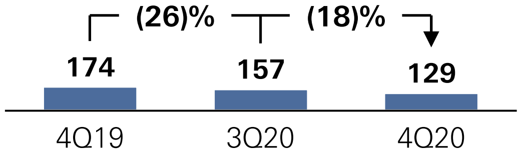
CMB, $m

Net fees



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

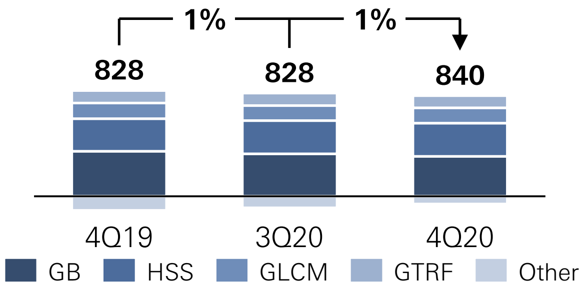
Other income



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

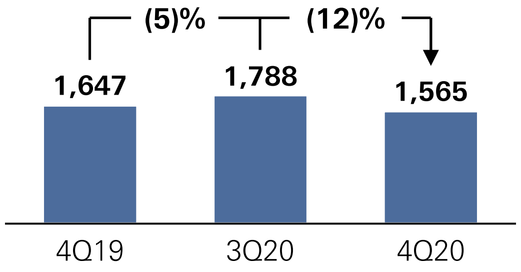
GBM, $m

Net fees



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

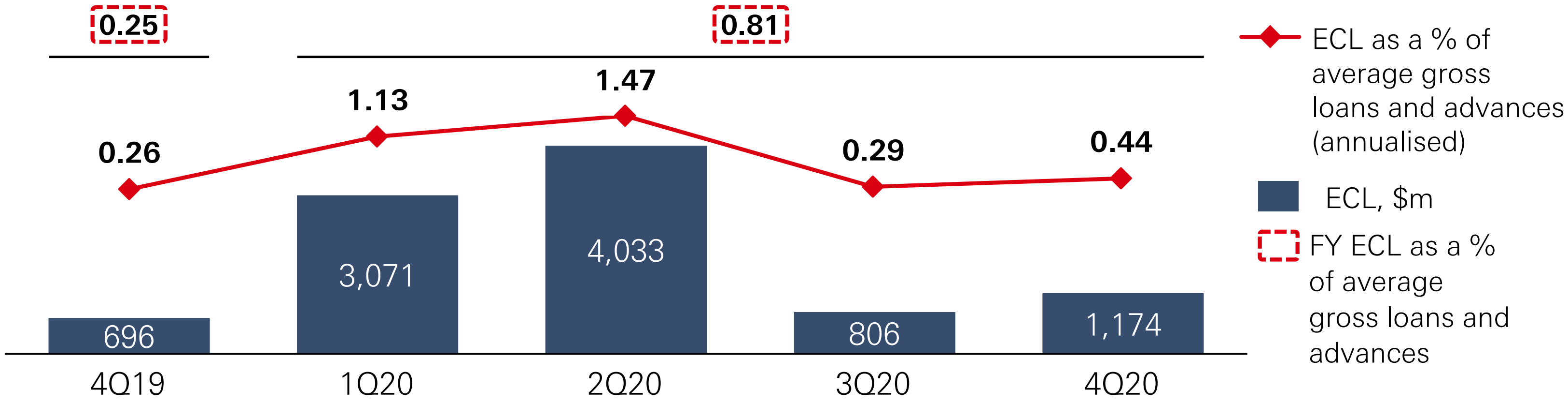
Other income



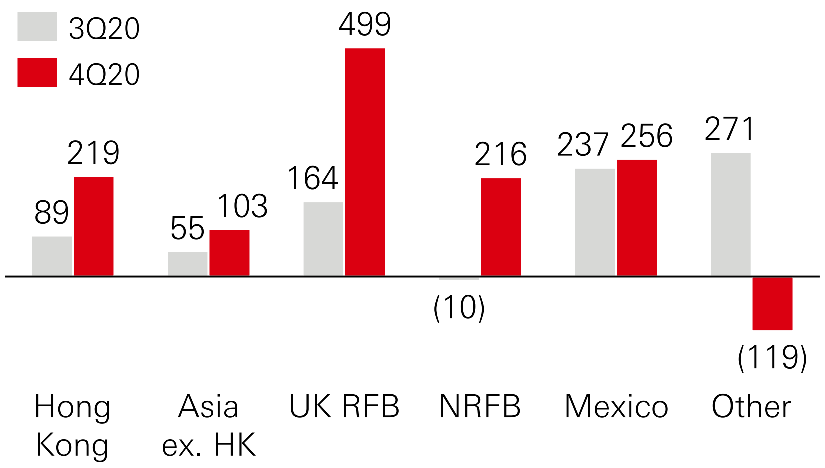
- **Other income (incl. trading income):** down vs. 3Q20 due to lower client activity and seasonality

Credit performance

Adjusted ECL charge trend



ECL by geography, $m



4Q20 ECL charge by stage, $bn

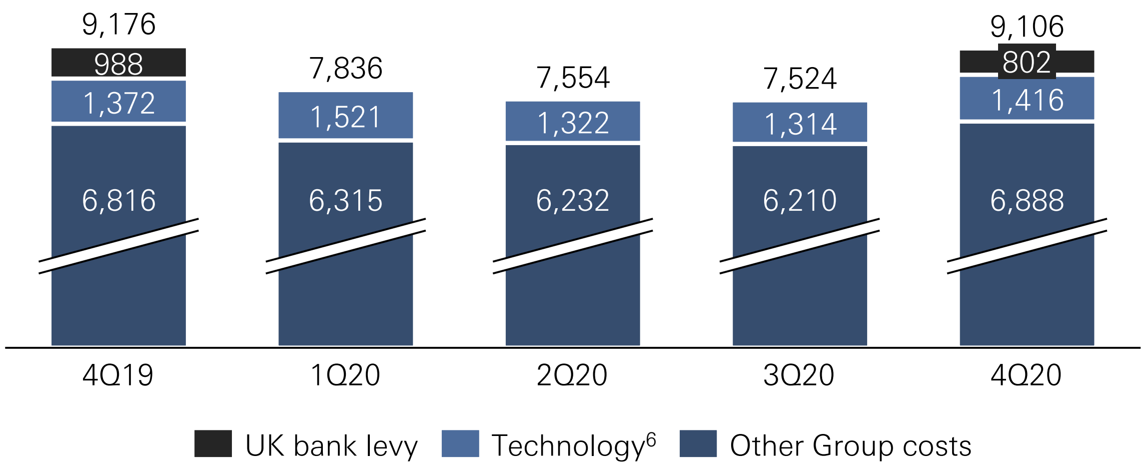
	Stage 1-2	Stage 3	Total
Wholesale	0.2	0.8	0.9
Personal	0.1	0.2	0.3
Total	**0.3**	**0.9**	**1.2**

Totals may not cast due to rounding

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

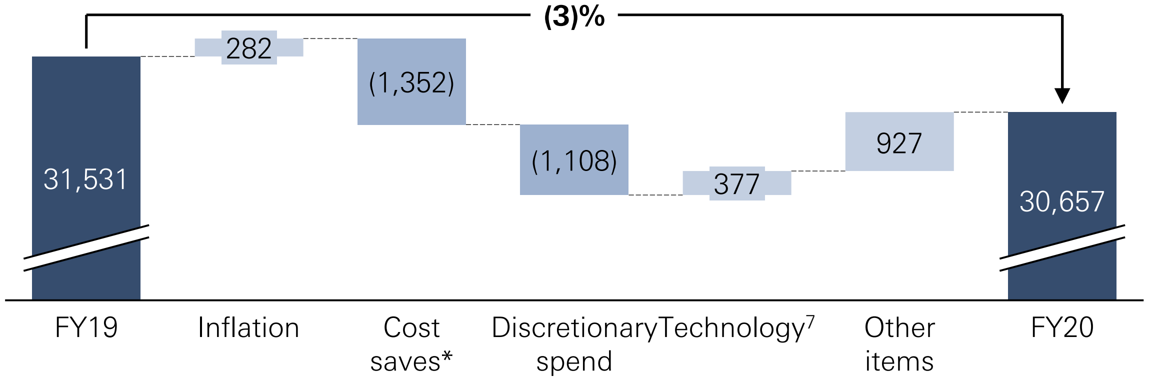
Adjusted costs

Operating expenses trend, $m

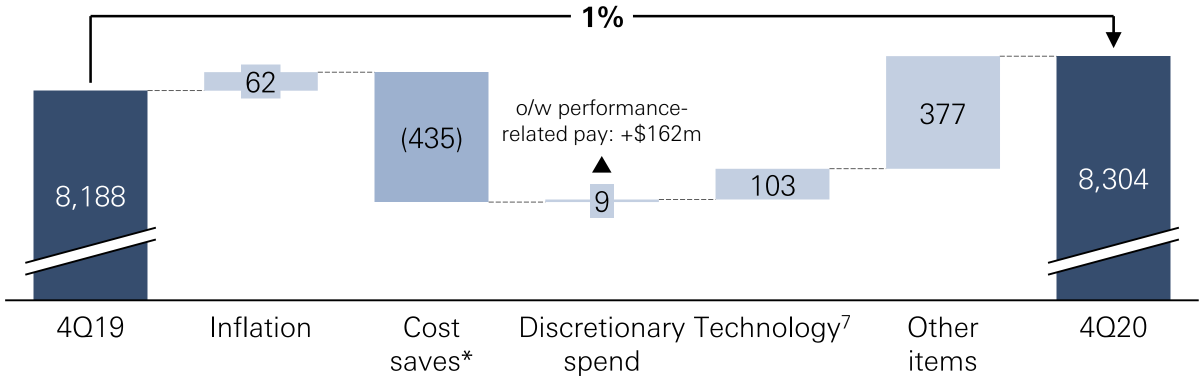


- **FY20 costs of $31.5bn down $1.1bn (3%) vs. FY19** primarily from cost programme saves and reductions in performance-related pay (PRP), partially offset by increases in technology spend and inflation
- **4Q20 costs (ex. levy) of $8.3bn up $0.8bn (10%) vs. 3Q20** primarily from increased performance-related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

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



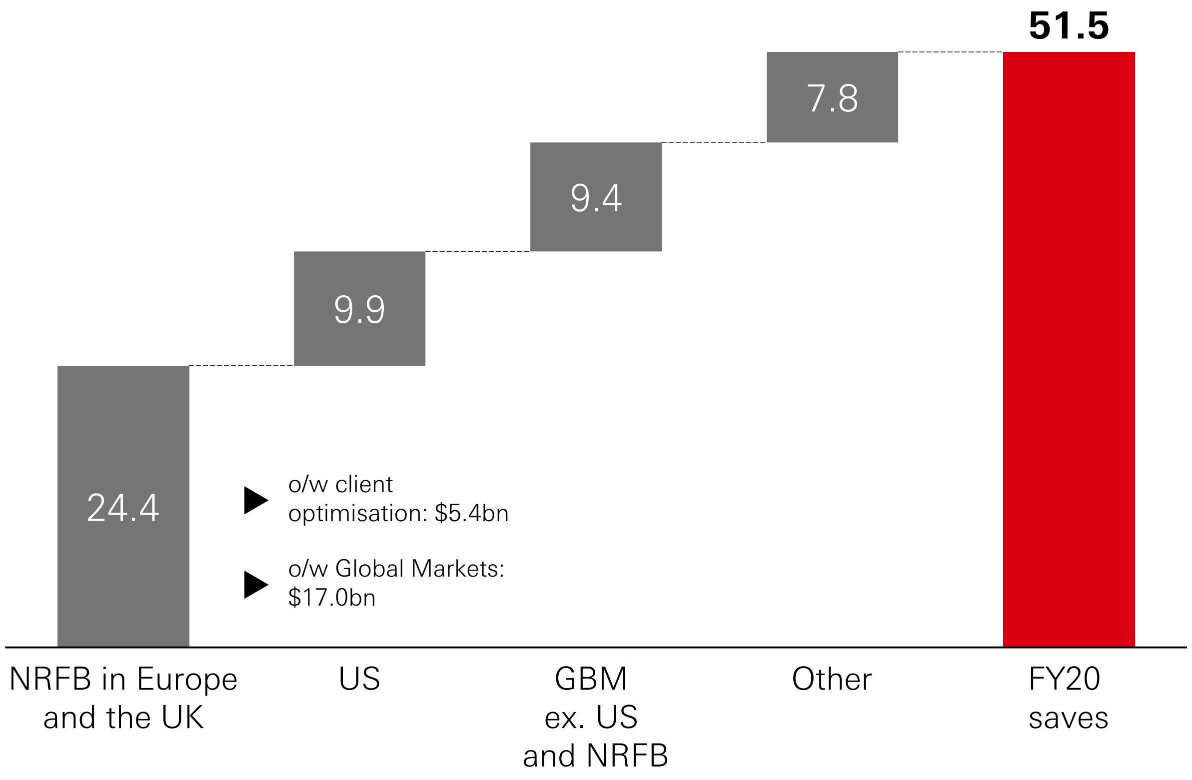
4Q20 vs. 4Q19 (ex. levy), $m



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

Transformation programme – RWA saves

FY20 RWA savings, $bn



- **$51.5bn of saves over FY20*,** primarily in GBM
- **NRFB saves of $24.4bn,** with $17.0bn in Global Markets. UK NRFB reductions of $16.5bn includes $15.6bn related to Global Markets.
- **US reductions of $9.9bn,** mainly in Global Markets and from client optimisation
- **Other RWAs of $7.8bn** mainly in CMB in UK RFB and Asia
- **Expect c.$30bn of saves over FY21**

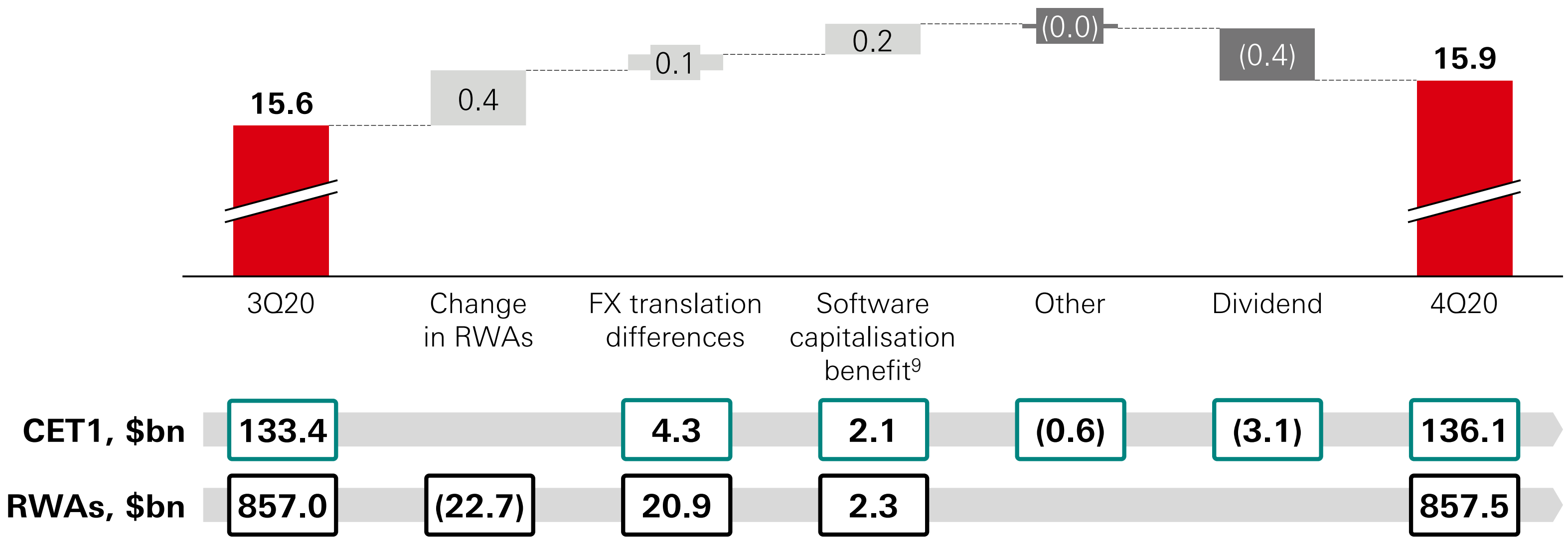
Saves by global business

- **Total GBM reductions of $37.4bn[8];** c.60% in Global Markets primarily from novation and exits of positions and c.40% in Global Banking primarily from client exits and remediation
- **CMB reductions of $12.9bn** largely in Europe, the UK RFB, Asia and US from portfolio and client optimisation

*Note: In 2020, we achieved gross RWA reductions of $51.5bn, taking our cumulative RWA reductions to $61.1bn when including accelerated transformation saves of $9.6bn made over 4Q19

Capital adequacy

CET1 ratio, %



Capital progression

	4Q19	1Q20	2Q20	3Q20	4Q20
Common equity tier 1 capital, $bn	124.0	125.2	128.4	133.4	136.1
Risk-weighted assets, $bn	843.4	857.1	854.6	857.0	857.5
CET1 ratio, %	14.7	14.6	15.0	15.6	15.9
Leverage ratio exposure, $bn	2,726.5	2,782.7	2,801.4	2,857.4	2,897.1
Leverage ratio[10], %	5.3	5.3	5.3	5.4	5.5

- **CET1 ratio of 15.9%, up 0.3ppts vs. 3Q20;** including the impact of software capitalisation benefits and favourable FX movements
- **CET1 ratio increased 1.2ppts from 14.7% at FY19,** mainly from cancellation of the 4Q19 dividend, increases in retained profits and other comprehensive income
- **Reported RWAs up $14.1bn (2%) vs. 4Q19** from credit migration of $29.7bn and FX movements of $13.1bn, offset by **$52bn** of gross RWA saves
- **Expect increase in RWAs from regulatory changes of c.5% over 2022-23,** including the impact of Basel 3 reform, amendments to CRR and changes to internal models under the IRB approach, before any mitigating actions

Agenda

HSBC

Noel Quinn

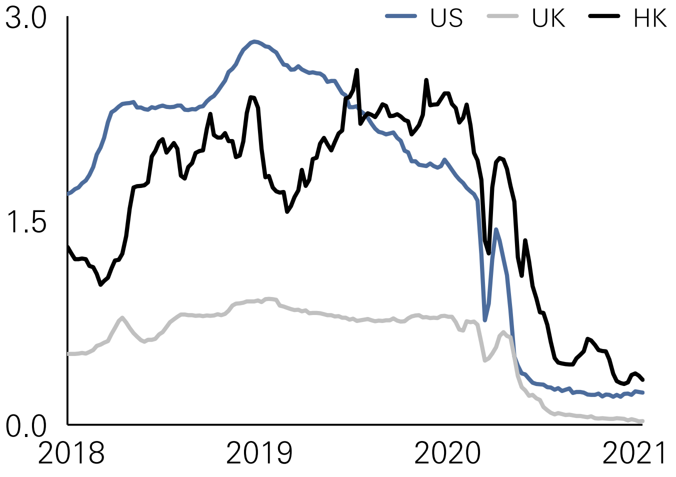
Group Chief Executive

HSBC

We recognise some fundamental shifts and have aligned our strategy accordingly

Lower for longer interest rates globally

Evolution of major interbank rates[11], %



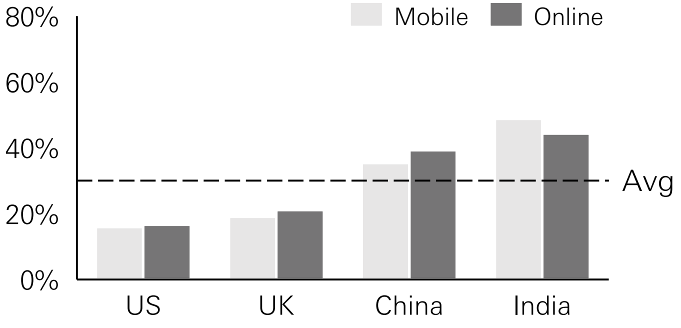
Our response

Accelerate shift towards fee income and improved cost efficiencies

The digital experience economy as a new norm

Digital banking usage up ~30%[12]
% customers increasing digital usage, mid-2020 vs. pre-Covid-19

Industry



HSBC

125% *increase in HSBCnet mobile downloads[13]*

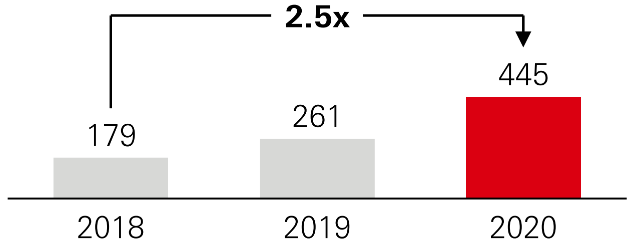
253% *increase in HSBCnet mobile payments[13]*

Our response

Increase investments in technology across customer platforms

Increased focus on sustainability

Green, Social and Sustainability (GSS) bond market[14], $bn



	2018	2019	2020
GSS share of Global DCM[14]	2.7%	3.6%	**5.0%**

Companies with disclosed climate action targets[15]: 228 → 5x increase → **1,106**

Our response

Ambitious Sustainable Finance support for our clients and to be a net-zero bank

A refreshed purpose, values and ambition to support the execution of our strategy

Our purpose Opening up a world of opportunity

Our values

- We value difference
- We succeed together
- We take responsibility
- We get it done

Our ambition To be the preferred international financial partner for our clients

Our strategy

Focus on our strengths

- Be the **global leader in cross-border banking flows** aligned to major trade and capital corridors
- Lead the world in **serving mid market corporates globally**
- Become **a market leader in Wealth management,** with a particular focus on **Asia**
- **Invest at scale domestically** where HSBC's opportunity is greatest

Digitise at scale

- Deliver an easy and **excellent customer experience**
- Ensure the bank is **resilient and secure**
- **Automate to improve services** and reduce cost
- **Partner** more often to deliver customer benefits

Energise for growth

- Inspire a **dynamic culture** where the best want to work
- Encourage an **inclusive culture fostering diversity**
- Be a **leaner, simpler organisation**
- Help colleagues develop **future-ready skills**

Transition to net-zero

- Become **a net-zero bank** by reducing, replacing and resolving our operational emissions
- **Support our customers in their transition** to a low carbon future, especially in carbon challenged industries
- Accelerate development of **new climate solutions**

Focus on our strengths: Drivers of growth

Wealth and Personal Banking (WPB)

Lead in Wealth with a particular focus on Asia and the Middle East while investing in scale retail markets e.g. HK, UK

Investing >$3.5bn[16] in Asia…

- To capture **HNW and UHNW segments** across Asia, especially in mainland China, Hong Kong, Singapore and Southeast Asia by serving their wealth needs globally across key booking centres
- To deploy our manufacturing capabilities at scale in **Insurance and Asset Management** across customer solutions, e.g. health and wellness, sustainability etc. – particular focus on mainland China, Hong Kong, India and Singapore
- To build propositions that facilitate origination from our distinctive **CMB and GBM "feeder channels"** e.g. three quarters of **$53bn** in asset management NNM originated from GBM and CMB clients in FY20

Commercial Banking (CMB)

Accelerate international client acquisition and deepen share of wallet in cross-border services

Investing c.$2bn[16] across global platforms[17]…

- To develop front end ecosystems to **drive customer acquisition** at scale with **international mid market clients globally**
- To improve SME proposition in key scale markets with **digital sales and service journeys**
- To continue to **invest in GLCM, GTRF and FX** front end platforms to drive more fee income and accelerate asset distribution

Global Banking & Markets (GBM)

Lead in Asia and the Middle East with a Global network to support trade and capital flows

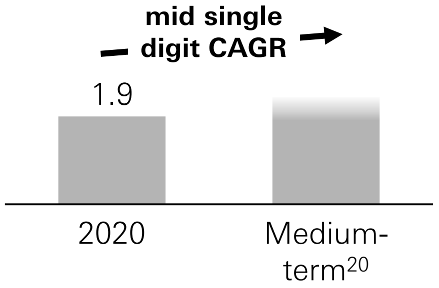
Investing c.$0.8bn[16] in Asia…

- To enhance digital platforms for **Asian Wealth** (e.g. FX, structured products, investment opportunities for HNW/UHNW clients and family offices)
- To develop **market access and execution** capabilities (digitise on-boarding, execution and servicing) in **Global Markets and Securities Services**
- To **expand our coverage in key sectors** and countries across Asia – especially to facilitate cross Asian and global inbounds flows

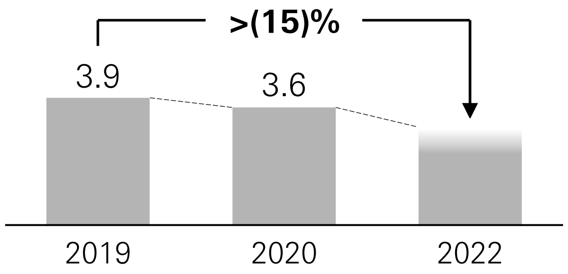
Focus on our strengths: A focused international business in the US and NRFB

US: leading international corporate business and a new wealth management platform

CMB and Global Banking[18] revenue, $bn



Costs[19], $bn

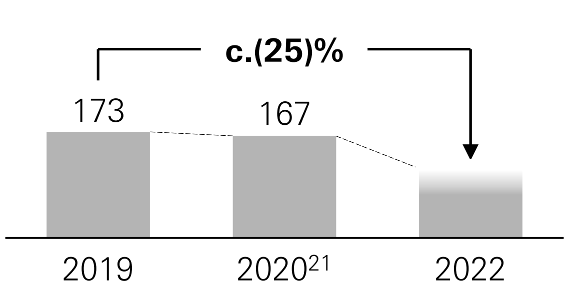


Key initiatives

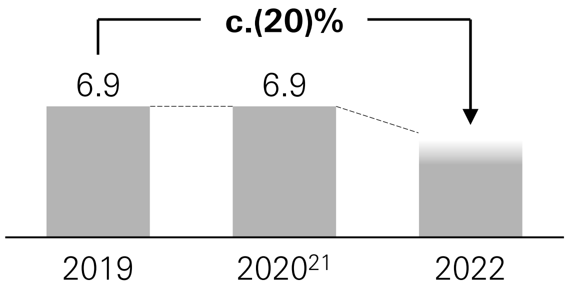
- Continuing to invest in serving **internationally-connected** wholesale clients
- Maintaining a leading position in **USD clearing**, **trade** and **FX** and **continue to drive outbound revenues**
- **Focusing on an international Wealth platform** to connect our clients to the US Wealth market
- Enhancing a limited number of branches to also serve as **wealth management centres** for our globally mobile and affluent clients
- Exploring **organic and inorganic options** for **the retail banking franchise**

Non Ring-Fenced Bank in Europe and the UK: a leaner, simpler operating model

RWAs[19], $bn



Costs[19], $bn



Key initiatives

- Focusing on a **Wholesale footprint that serves international customers** both inbound and outbound to our network, especially Asia and the Middle East
- Continuing to **invest in transaction banking franchise** with strong linkage to Asia
- **Simplified operating model** with two hubs (London & Paris) with reduced complexity in cost and RWA consumption
- Continuing with the **strategic review of our retail banking operations in France** and are in negotiations in relation to a potential sale although no decision has yet been taken. If any sale is implemented, given the underlying performance of the French retail business, a loss on sale is expected

Digitise at scale: by unlocking investment capacity

Accelerating technology investment

Delivering excellent customer experience throughout our network

Building platforms for higher front end productivity

Automating our middle and back office

Building solutions to free up office footprint

Driving down our cost base

We plan to:

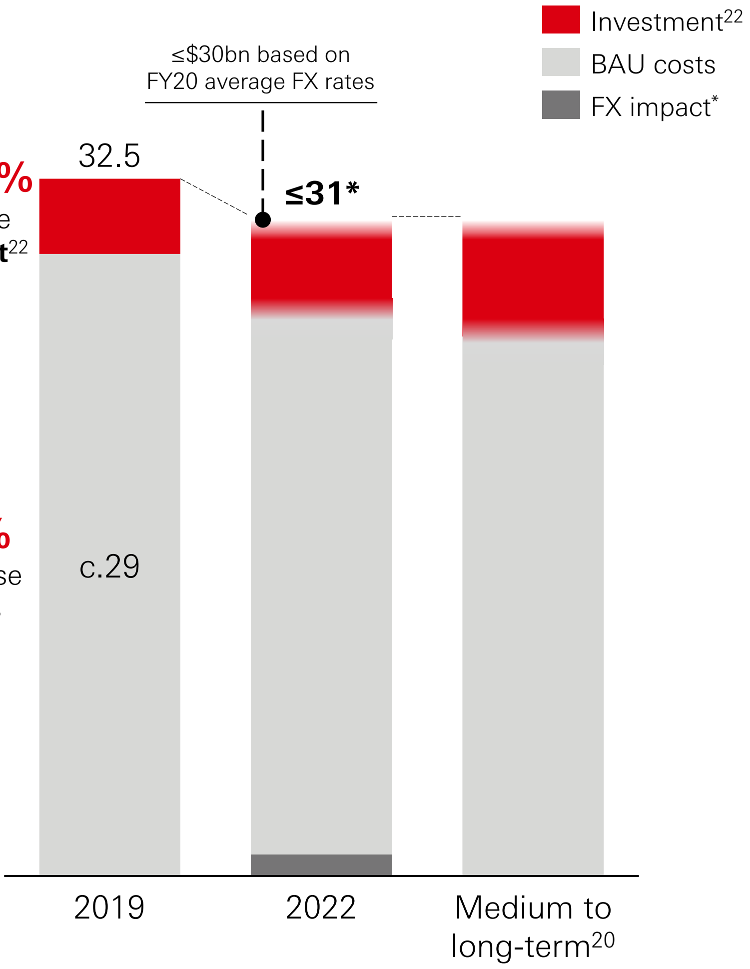
- **Increase 2022 cost reduction target by $1bn** (≤$30bn based on FY20 average FX* vs. ≤$31bn in FEB20 Update)
- **Increase cost programme saves to $5-5.5bn** (vs. $4.5bn in FEB20 Update)
- **Increase CTA to $7bn** (vs. $6bn in FEB20 Update)
- **Keep costs broadly stable** from 2022, while increasing the proportion of investment and technology spend

Adjusted costs

$bn

c.7-10% CAGR increase in **investment**[22] 2019-22

c.4-5% CAGR decrease in **BAU costs** 2019-22



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

Energise for growth: to be 'fit for the future'

Inspire a dynamic culture

- **Reenergise our culture** to succeed with purpose
- **Bring our values to life**, everywhere
- Adopt **future ways of working**

Secured inputs from ~120K colleagues and engaged with over 2.5K customers to shape our **refreshed Purpose and Values**

Launching **new leadership expectations** to:

- "Give life to our purpose"
- "Unleash our potential"
- "See it through"

Group Executive Committee: c.75% members in post for just over a year or less

Champion inclusion

- Increase **diverse representation**, particularly at senior levels
- **Close gaps in employee engagement** in under-represented groups
- **Improve our diversity data** and benchmark our actions

Achieved >30% female leaders in 2020
Increase to >35% female leaders by 2025

Published new Race Commitments, including to more than double our black senior leadership population by 2025

Stonewall TOP GLOBAL EMPLOYERS 2020

Recognised within **Top Global Employers index for LGBT staff** (Stonewall) in 2020

Founding Partner, **Global Business Collaboration for Better Workplace Mental Health**

Develop future skills

- Source and build **future skills and capabilities**
- Deepen the prevalence of **digital**, **professional and enabling skills** across HSBC

Expanding HSBC University, our in-house technical and performance academy for Future Skills, Digital, and Sustainability

gloat

Launching new and leading enabling technologies (Learning Experience Platform and Talent Marketplace)

Transition to net zero: we have set out an ambitious plan

Our ambitions

Become a net zero bank

- Align our **financed emissions**[23] to net zero by 2050 or sooner
- Net zero in our **operations and supply chain** by 2030 or sooner

Support for customers

- Support our clients in the transition with **$750bn to $1tn of financing and investment** over the next 10 years

Unlock new climate solutions

- **Unlock investments** into the next horizon of **climate solutions** that are currently not accessible for investors

Our actions

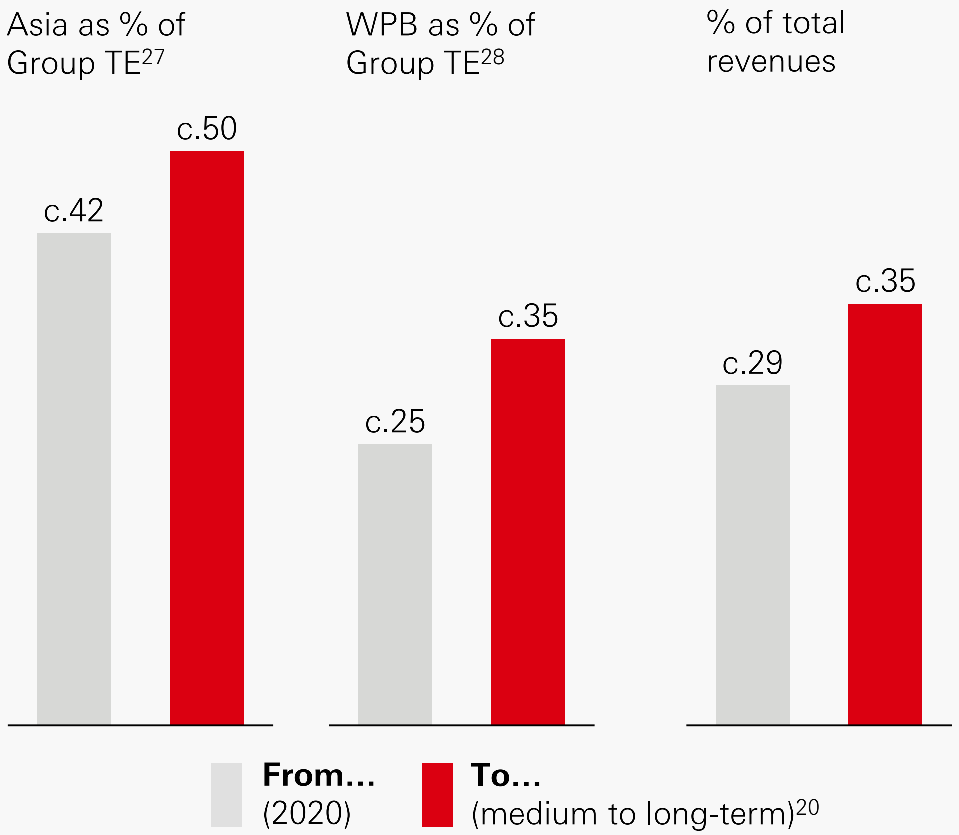
- Set out clear and measurable pathways to **net zero**, using the Paris Agreement Capital Transition Assessment tool (PACTA)
- Provide **transparency** through our TCFD disclosures
- Engage with the financial services industry to **develop standards** and comparability

- **A climate resolution** to be put to shareholders at AGM in May-21 to help our customers to transition to Paris Agreement goals
- Maintain **market leadership in sustainable finance**; #1 underwriter of GSSS bonds in 2020 and 2019[24]
- Increase portfolio of transition finance and our advisory solutions building new capabilities in structuring for climate, new technology and risk management
- Apply a **climate lens** to financing decisions

- Created **HSBC Pollination Climate Asset Management**
- Enable $100m CleanTech investment; launch a $100m philanthropic programme for key initiatives[25]
- Lead FAST-Infra[26] initiative to establish sustainable infrastructure principles and investment vehicles

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

Capital allocation



Revenue growth rate

From...

Low single digits[29]

To...

Mid single digits

Group targets, dividend and capital policy

Costs	**Adjusted costs of ≤$31bn in 2022 on Dec 2020 average FX rates** ≤$30bn using FY20 average FX rates
RWA	**Gross RWA reduction of >$100bn by end-2022[19]**
Capital	**CET1 ratio ≥14%** manage in a 14-14.5% range over medium term; manage range down further long-term
Dividends	**Sustainable dividends** Payout ratio of 40-55%[3] from 2022 onwards
RoTE	**≥10% over the medium-term**

Peter Wong

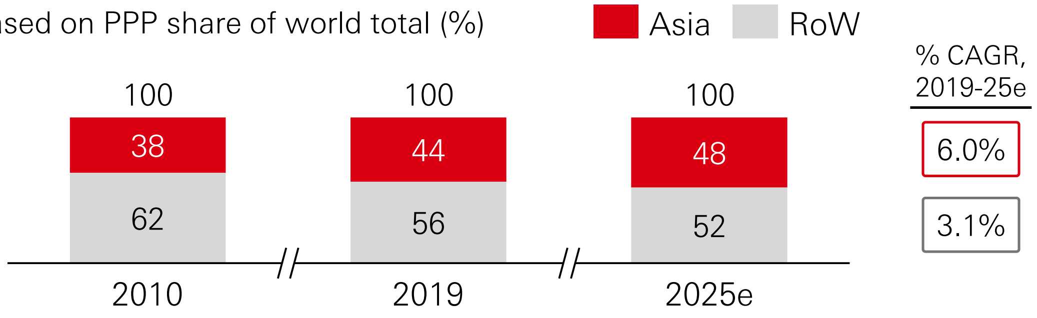
Chief Executive Officer, Asia-Pacific

HSBC

Economic growth and wealth creation make Asia the largest banking opportunity in the world

Asia forecasted to represent c.50% of global economy by 2025[30]

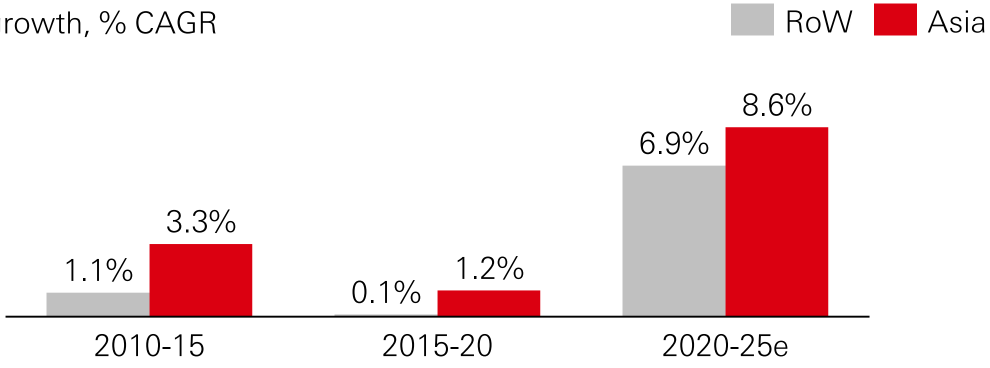
GDP based on PPP share of world total (%)



- **Asia contributed 71% of global growth in 2019[30]**

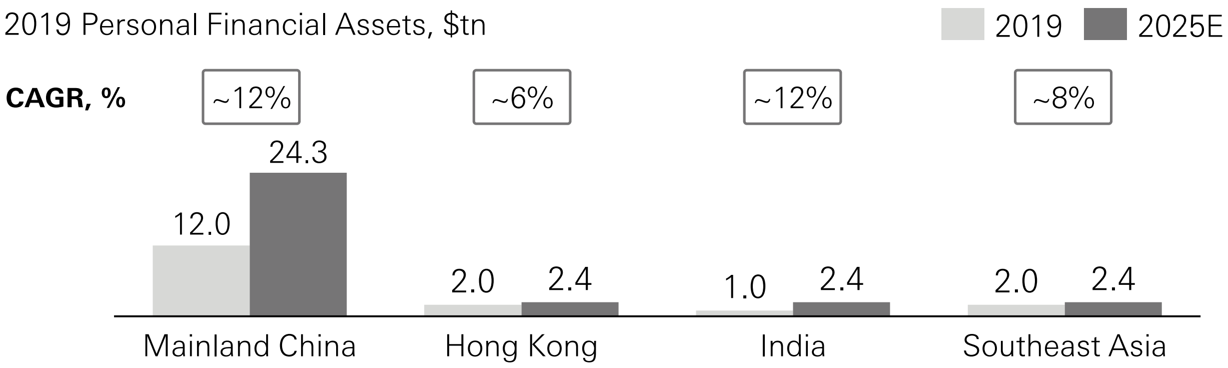
Trade flows in Asia growing faster than world average[32]

Trade growth, % CAGR



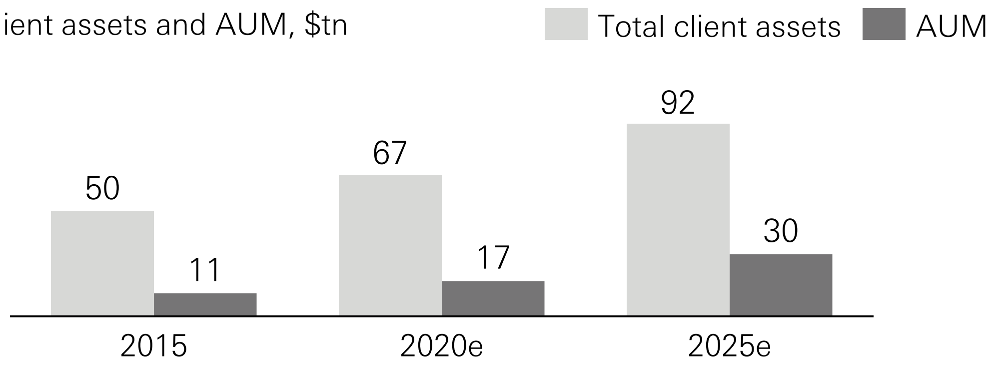
Wealth assets to double by 2025[31]

2019 Personal Financial Assets, $tn



More investments are flowing into Asia[33]

Total client assets and AUM, $tn



Over the past 10 years, we have a strong track record of growth in Asia

Recent growth drivers

Greater Bay Area (GBA)

Strengthening **Hong Kong**

- Sustained **market leadership**[34]: #1 in deposits (29%), #1 in Cards (46%), #1 in Mortgages (34%)
- Leadership in **Global Transaction Banking**[35]
- **#1 for Investment Banking fees** for the past 3 years[36]

Developing our business in the **Pearl River Delta**

- **4X growth** in active WPB customers since 2016
- **37% growth** in CMB customers[37] since 2016

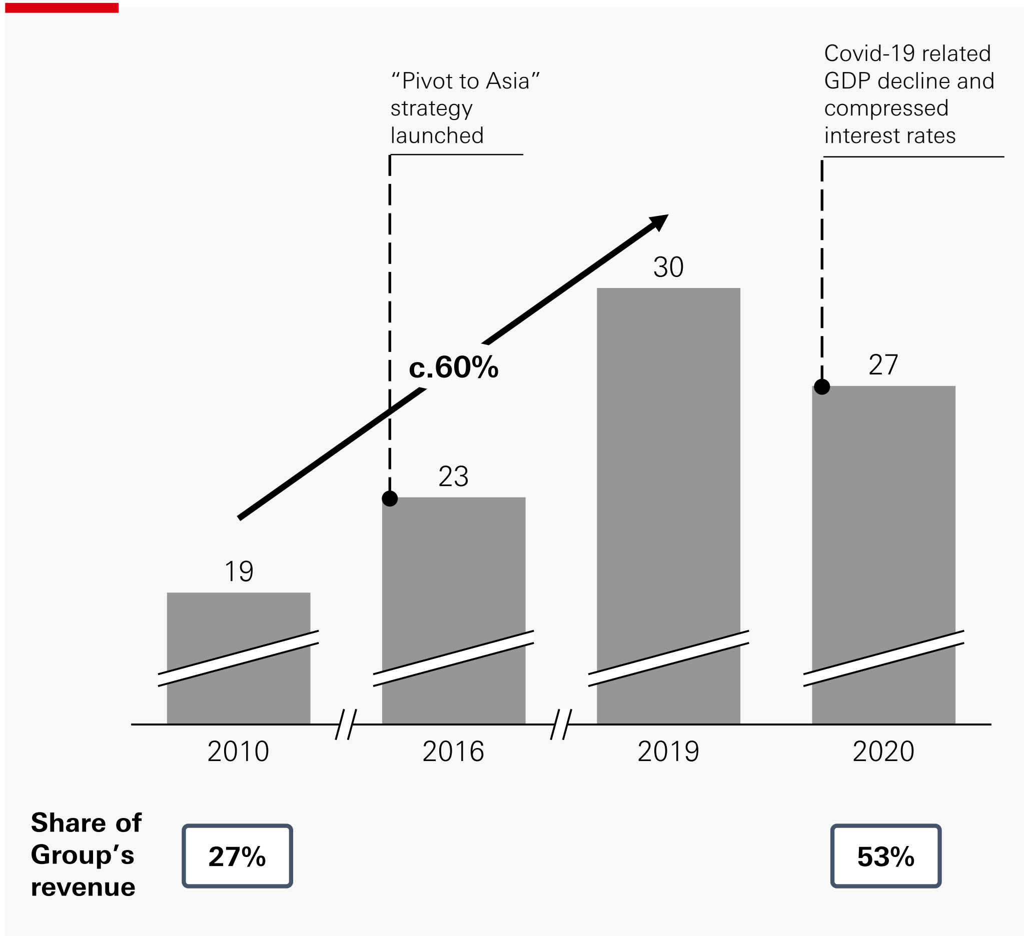
Expanding in **South Asia**[38]

- Total **ASEAN markets revenue grew to c.$3.5bn** in 2019, with all markets now >$175m revenue
- **India delivering 20% growth in revenues** in wholesale banking in 2020

Growing **Asian Wealth**

- **#1 in Hong Kong for Wealth, #2 for Insurance**[39]
- **Top 3 Private Bank** in Asia[40]
- **Incremental growth of c.800 new staff hires** from 2017-2019

Asia reported revenue, $bn



Greater China, Southeast Asia, and India will be key drivers of our future growth

Hong Kong

$16.4bn
adjusted revenue

Defend and grow from our #1 position

- Solidify **#1 in Wealth** position
- Grow from our current #2 Insurance position (current share of c.19%)
- Further develop our **retail digital banking,** starting from a strong position with 1 out of 2 Hong Kong adults already digital banking customers[41]
- **Enhance Digital Banking** for **SMEs** and expand customer base in **Greater Bay Area**
- Grow **Global Transaction Banking** wallet share
- Grow **Capital Markets** and **Investment Banking**

Mainland China

$3.1bn
adjusted revenue[42]

$1.8bn
associate income

Develop mainland China into a more meaningful market

- **Drive SME and retail customer acquisition** by serving cross-border needs across Greater Bay Area (population: 72.7m, GDP $1.7tn[43])
- **Scale digital hybrid mobile wealth planning** for affluent customers by hiring 3K wealth managers
- **Deepen CMB and GBM coverage in key sectors** with focus on key China trade corridors
- Leadership in **Capital Financing** and **Securities Investment services**

India

$3.0bn
adjusted revenue[42]

Grow Wealth and International Wholesale

- Grow market share in **Transaction Banking** including trade and FX, driven by Digital (e.g. UTB, Omni-collect) and new supply chain solutions
- In **Wealth**, expand Insurance and Asset Management and build position as #1 foreign bank for Non-Resident Indian ("NRI") and top 10 Insurance player; digitise the client journey including cross-border
- For **Overseas Indian customers**, grow NRI hubs, enabled by digital and remittance proposition, addressing significant NRI footprint across HSBC

Singapore

$1.3bn
adjusted revenue

Build out as a global Wealth hub and Wholesale gateway to ASEAN

- Further develop as international **wealth hub** for HSBC to address growing offshore asset pool (estimated $1.48tn by 2023[44])
- **Scale client coverage teams** in key growth sectors for the >4,200 multinational regional headquarters[45]
- Enhance **regional product and coverage** expertise to ASEAN markets and South Asia

Note: numbers as at FY20

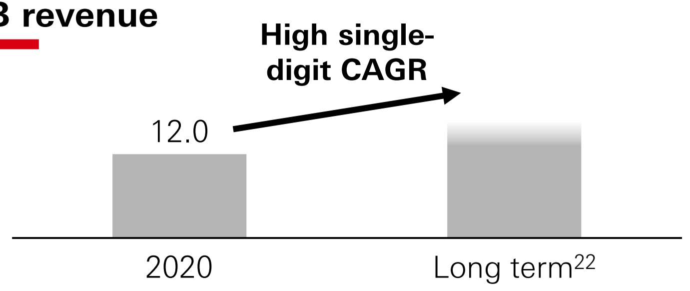
Future growth in Asia will be driven by c.$6bn of additional growth investment in Wealth and International Wholesale over the next 5 years

Leading bank for Asian Wealth Management

- **Grow international Wealth franchise**, build on strength in HK, increasing the number of advisers, and exporting digital product innovations to key markets
- **Grow in Asia beyond HK**, including mainland China where we are launching new wealth platforms, and Singapore to capture Asian and Western offshore wealth
- **Capture greater share of global offshore business** from key diasporas (e.g. global Chinese and Indian communities)
- **Grow fee income** through cross-sell of Insurance, Asset Management, FX and structured products to our 13.5m clients
- Expect to grow WPB revenue and lending balances by **high-single digit CAGR**

WPB revenue

$bn



Leverage the network

Connectivity to the HSBC global network

c.55% of CMB and Global Banking client revenue booked in Asia is driven by cross-border[46]

Of which:

- Intra Asia: c.20%
- Europe and N. America: c.30%

Collaboration across lines of business to fully serve client spectrum, e.g.:

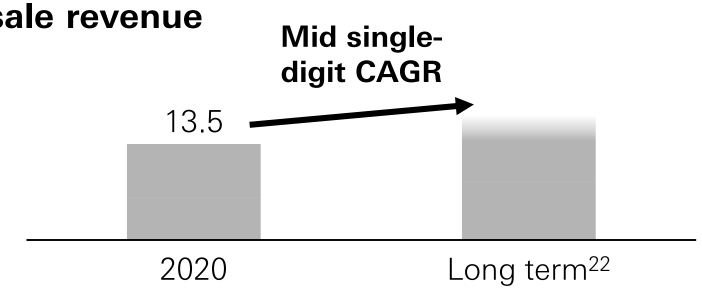
- Wholesale referrals into Private Bank
- Serving Wealth clients with FX and structured products
- Extending capital financing solutions into middle market client base

Leading International Bank in Asia for Wholesale

- **Enhance wholesale coverage in CMB and GBM** to deepen relationships and grow client base, serving more multi-national corporates and international SMEs
- **Invest significantly to enhance Digital Transaction Banking** capabilities in Trade, Cash Management, Custody, and FX
- **Strengthen market access and execution capabilities**, including Capital Financing, Structured Finance, and Equity offerings
- Expect to grow wholesale (CMB + GBM) revenue and lending balances by **mid-single digit CAGR**

Wholesale revenue

$bn



Ambition: Drive double digit PBT growth in Asia[47]

Nuno Matos

Chief Executive Officer, Wealth and Personal Banking

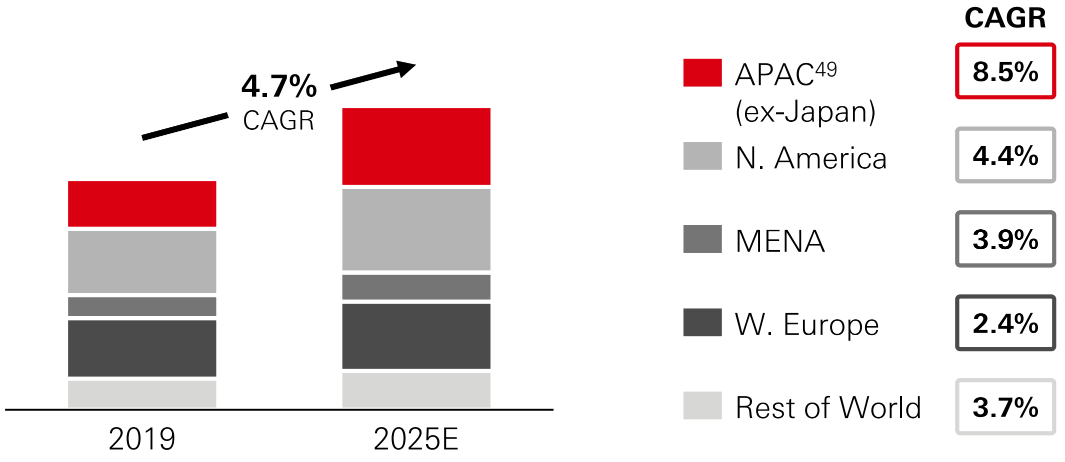
HSBC

Strongly positioned to capture the wealth opportunity

Wealth is the most attractive segment for growth and profitability

- Wealth is a **distinctive source of structural growth** in financial services
- A **growing affluent and HNW population** globally, particularly in Asia
- **Lower for longer rate environment** coupled with higher liquidity resulting in greater client demand to **diversify into wealth products**
- **Capital light, higher return** with a **higher proportion of recurring revenue**

Wealth AUM[48]



Significant potential to accelerate growth of our c.$8bn Wealth Management revenues* based on HSBC's strengths

Capture growth across our full 'client continuum' from >4m mass affluent to Ultra High Net Worth clients. $1.6tn[50] in wealth balances growing by >$160bn in 2020; 2nd largest wealth manager in Asia[51]

Capitalise on our **international network** – booking centres across major global hubs to capture both **on-shore and offshore wealth** (mainland China, Channel Islands, Hong Kong, Singapore, Switzerland, UK, US)

Take advantage of our significant wholesale franchise to acquire and deepen GPB relationships and significantly increase current 18%[52] penetration

Leverage full range of in-house manufacturing capabilities – Insurance, Asset Management and Global Markets

Build on our integrated hybrid digital and RM wealth capabilities for all segments

*Note: of which c.50% is net fee income

Our wealth ambition

Enabled by significant >$3.5bn growth investment, including in technology and hiring >5,000[53] client facing wealth planners over the next 3-5 years

Premier | Jade — $780bn wealth balances[54]

- Create a more **seamless client continuum** extending **bespoke wealth products** to Jade clients
- Improve customer engagement with **mobile-first** hybrid digital-RM journeys
- **Grow Jade** franchise in high growth markets, particularly **mainland China** and **Singapore**

HSBC Private Banking — $394bn client assets

- Scale the business with **strategic core platforms** and enhance client experience
- **Expand UHNW client relationships** with dedicated coverage, bespoke products and seamless cross-border accounts
- **Build out presence in mainland China**, deepen leading proposition in HK and grow Singapore as a key hub

HSBC Insurance — $776m VNB

- Scale digitally enabled **health and wellness** platforms (Well+ launched in HK)
- Expand professional **wealth planner platform in mainland China**
- **Remote advice** and digital fulfillment models

HSBC Asset Management — $602bn AUM[55]

- Pivoting towards **high conviction products** (Alternatives, ESG, thematic Fixed income and Active Equities)
- **Expand footprint in emerging Asia** (India, Malaysia) and deliver solutions to wealth channels in core markets (mainland China, HK, Singapore)

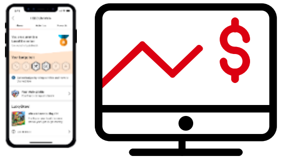
Ambition

- **Grow Asian wealth AUM faster than the market[56]**
- **Grow wealth revenues at >10% CAGR[56]**

Note: numbers as at FY20; VNB: Value of New Business

Building on our strength in Hong Kong to grow onshore and offshore Asian Wealth in mainland China and internationally

	Hong Kong	Mainland China	International
Objective	**Strengthen our leadership position in Hong Kong**	**Become a leading international wealth manager[57] with new wealth platforms**	**Grow Asian wealth internationally leveraging our network and platforms**
Our Credentials	• Strong **10%** AUM CAGR over last five years • **#1** wealth, **#2** Insurance market share[39] • Launched Well+, Benefits+ and FlexInvest digital propositions	• Launched insurance-led financial planning platform (Pinnacle); hired **c.200** of our **c.3K** goal over the medium term • Building out full service GPB platform[58] leveraging offshore HK proposition strength • Moving toward fully owned Asset Management franchise	• Growing Singapore, Switzerland, UK, Channel Islands and the US as our key international wealth hubs; become #1 foreign bank in India for NRIs • Our international market share is **7.2%** (5.6m customers) and of this, c.2m are mass affluent[59] • Market share of **8-9%** of the Overseas Chinese diaspora currently[60]



Our platform launches

Integrated Digital Wealth
Digital wealth ecosystem offering **deeply personalised wealth**

HSBC Pinnacle
Digital-first, hybrid financial planning wealth platform

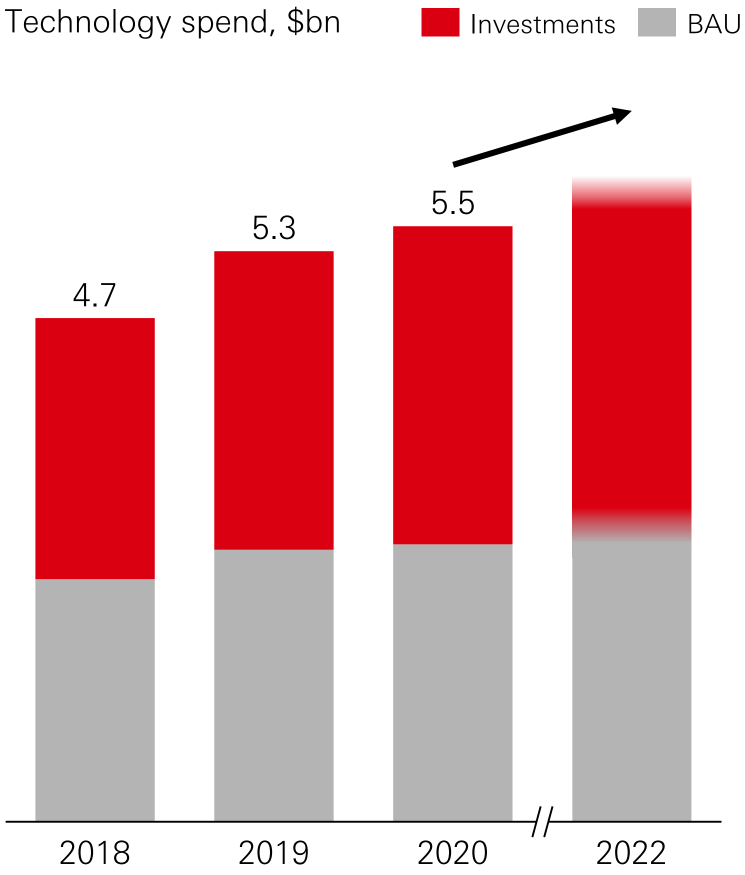
HSBC Global Money
Mobile-based international account to spend, send, and receive money in multiple currencies

John Hinshaw

Group Chief Operating Officer

Investing to digitise, automate and innovate

Accelerating investments in technology



Investing and digitising at scale

Delivering excellent customer experience throughout our network

- Drive straight through processing with a target for **99%** of payments to be processed with 'no-touch'[46]
- >**100 key partnerships** across the globe established to support innovation - e.g. Google, Amazon, Apple, Microsoft, Alibaba as well as many smaller FinTechs

Building platforms for higher front end productivity

- **Data analytics and visualisation tools** to provide our front-line staff key insight
- Launch Digital Credit Portal which, through **automation**, the time-to-decision for judgmental lending will reduce from **25 to 5 days** (going live in Hong Kong in 2021)

Automating our middle and back office

- Integrating **machine learning** to improve the performance of analytics
- >725 automation solutions deployed processing more than 21.5m transactions in 2020

Building solutions to free up office footprint

- Moving to an **agile way-of-working** and driving efficiencies to reduce headcount

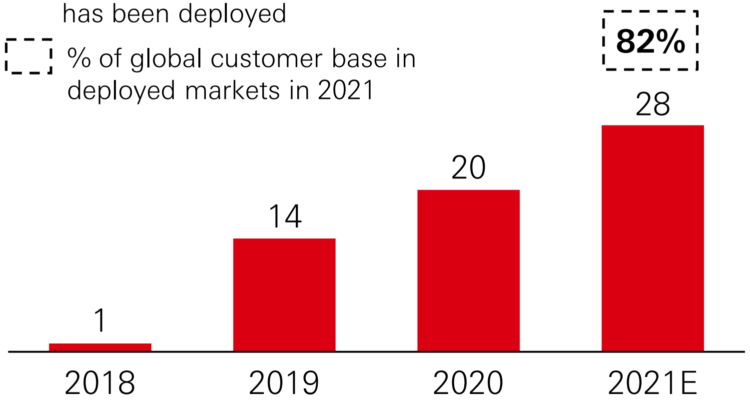
Driving customer experience through our global platforms and partnerships

Mobile X, our flagship banking app

- **Standardised** our core digital platforms to achieve **global economies of scale**
- **Accelerating rollout** throughout 2021
- Successful launch of Mobile X marketing campaign in HK with record credit card spending in Jan-21 (up **20%** month on month and **6**% year on year)

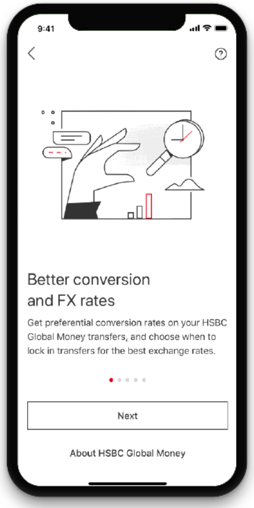
\# of markets where Mobile X has been deployed

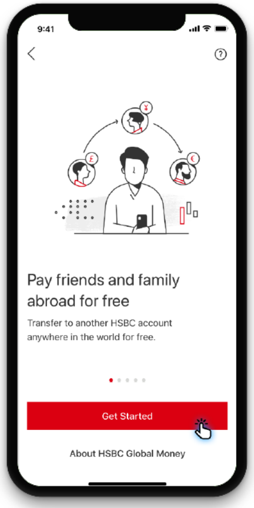
% of global customer base in deployed markets in 2021



Global Money Account without borders

- Mobile-first proposition for **customers with international banking needs**
- Single global account to **Manage, Send and Spend** in multiple currencies with real time FX rates
- Built on **common global platform,** improving our feature set and market coverage in 2021





Kinetic, mobile-first, cloud-first business banking

- HSBC Kinetic, the new UK mobile banking service **built on the cloud**, designed for small businesses
- The app is simple, fast and intuitive and built on feedback from over 3,000 business owners
- Intend to **leverage Kinetic capabilities in Asia**

c.4k users[61]

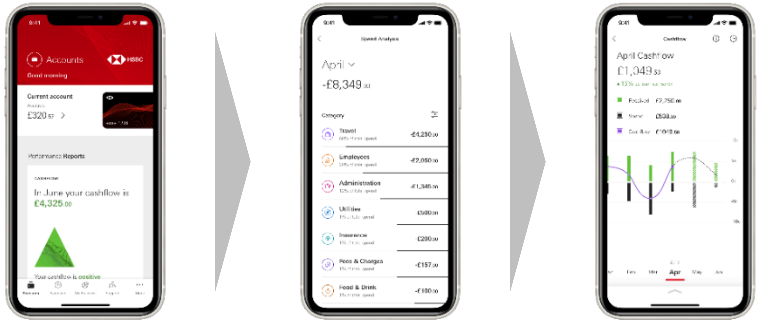
4.7 iOS App Store Rating

93% satisfaction rating[62]

Apply for an account in minutes

Stay on top of everyday expenses

Plan ahead with cashflow insights



Driving operational efficiency through automation and innovation

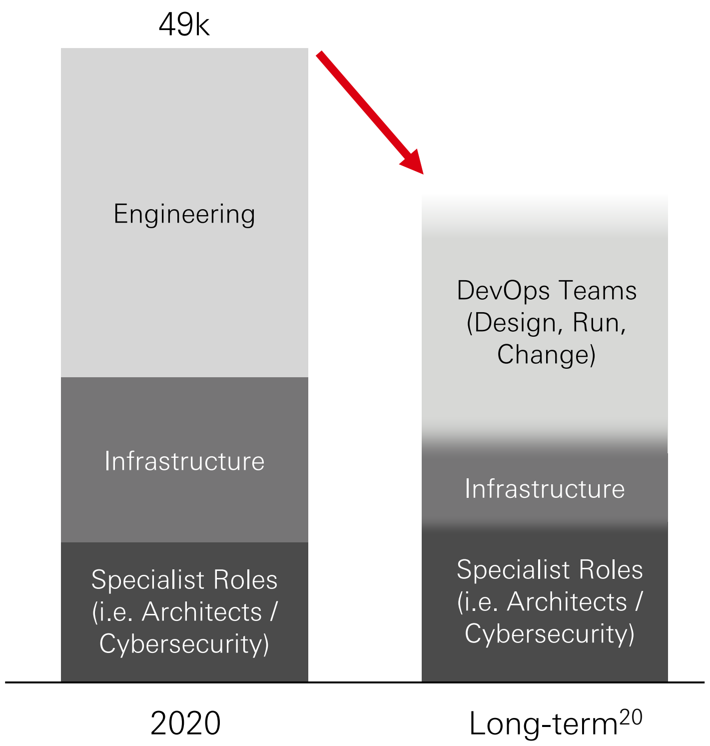
Example outcomes[47]

Drive STP with a target for **99%** of payments to be processed with 'no-touch'

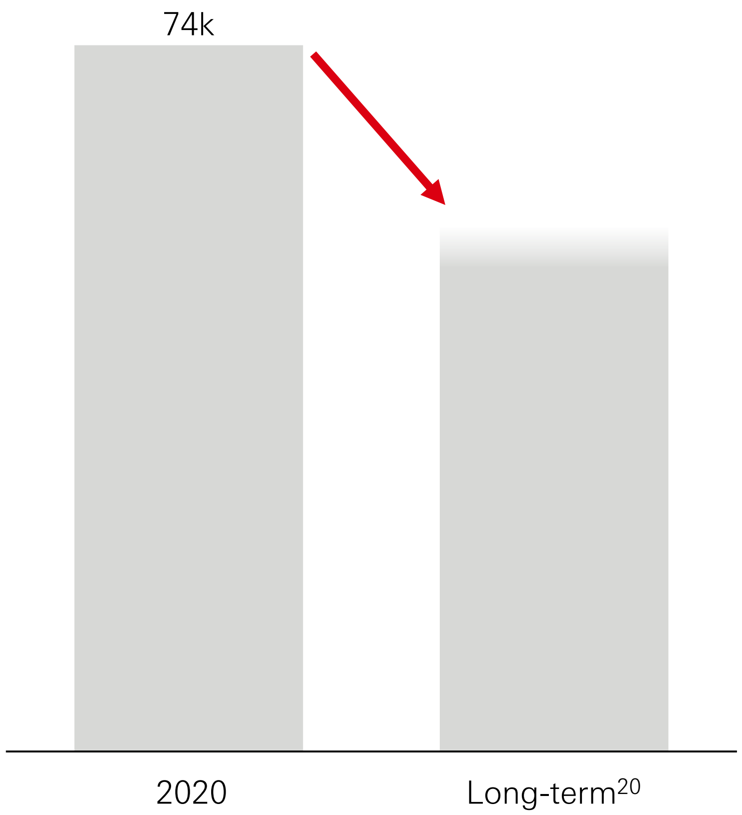
Finance function **FTE reduction** of **c.1/3**

Future of Work - enabling **40% reduction in office footprint** long-term

Reduction in Technology headcount[63]



Reduction in Operations headcount[64]



Ewen Stevenson

Group Chief Financial Officer

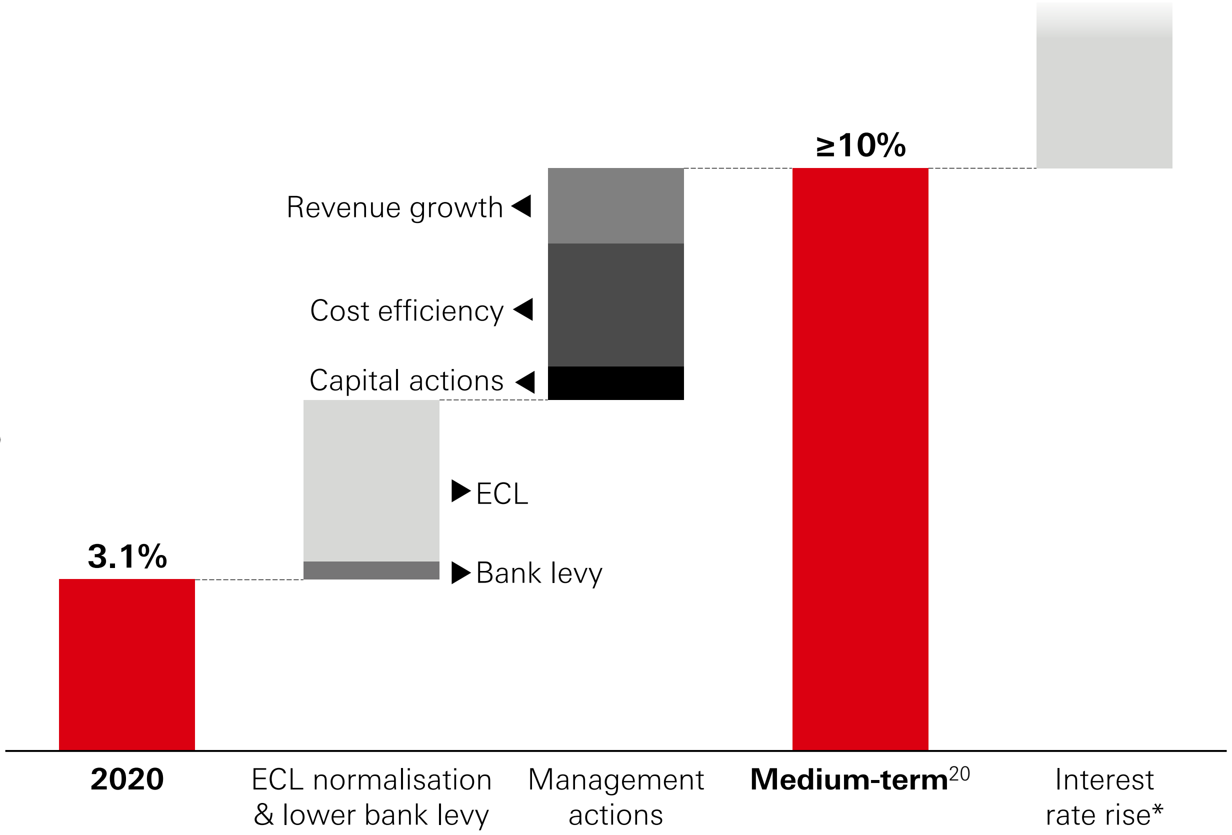
HSBC

Rebuilding equity returns above the cost of capital

Drivers to achieve RoTE target

1. **Expect normalisation of ECL charge** from $8.8bn (81bps) in FY20 **to at or below the lower end of 30-40bps normalised range by 2022**
2. **NII growth** driven by mid-single digit volume growth, and a better mix of higher returning lending relationships; with **no base rate changes assumed** before 2024
3. **Incremental Non-NII growth** driven by Wealth Management and Transaction Banking; **Non-NII expected to grow mid single-digit** CAGR in the medium-term
4. **Increased commitment on costs**, with a **$1bn** increased cost reduction target and plan to **keep costs stable from 2022**, while increasing the proportion of investment and technology spend
5. **Active capital management** to allocate more capital towards Asia and WPB, reduce levels of stress, and reduce "trapped capital" in subsidiaries (e.g. US)

Indicative reported RoTE walk by driver



*Year 1 impact of 100bps increase globally. In year 1 the impact is +$5.3bn, in year 2 +$6.5bn, in year 3 +$7.1bn, in year 4 +$7.4bn. For further detail please refer to the NII sensitivity on p69
Bars in the chart are illustrative

Group targets, dividend and capital policy

Costs	**Adjusted costs of ≤$31bn in 2022** on Dec 2020 average FX rates ◆ ≤$30bn using FY20 average FX rates, a $1bn increase in our cost reduction target ◆ Plan to keep costs broadly stable from 2022, while increasing the proportion of technology spend
RWAs	**Gross RWA reduction of >$100bn by end-2022**[21] ◆ Whilst allocating more capital and tangible equity to WPB and Asia, away from the US and NRFB
Capital	**CET1 ratio ≥14%** ◆ Manage in a 14-14.5% range over medium-term; manage range down further long-term[20]
Dividends	**Sustainable cash dividends** ◆ Transition towards a payout ratio of 40-55% from 2022 onwards[3] ◆ Dividends could be supplemented by buybacks or special dividends, over time and not in the near-term[65] ◆ We will no longer offer a scrip dividend option, and will pay dividends entirely in cash ◆ We will not be paying quarterly dividends during 2021 but will consider whether to announce an interim dividend at 1H21 results[66]
RoTE	**≥10% over the medium-term**

Noel Quinn

Group Chief Executive

HSBC

In summary

In 2020, we **set our strategy in motion** and **supported our customers and communities** through the Covid-19 pandemic

We will **significantly increase** the **Group’s capital and resource** allocation to faster growing markets in **Asia**

We will **capitalise** on the opportunity offered by our **network and our franchise** to drive growth from fee generating products in **Wealth and platform businesses** in wholesale banking

We will **leverage technology** to help transform our **cost position,** offering significantly **higher operating leverage** and freeing up resources for investments

As a result, we expect to deliver **returns** above the **cost of capital** while driving **revenue growth from Asia** and supporting **sustainable dividends**

Appendix

Assumptions and basis of preparation

- Medium term is defined as 3-4 years; long term is defined as 5-6 years
- ‘Wholesale’ refers to CMB plus GBM
- Assumed no changes from 2020 in IFRS accounting rules, and excludes the potential impact of IFRS17
- Losses on asset disposals expected to be reported as a revenue significant item
- Costs to achieve expected to be reported as a cost significant item
- Bank levy forecast based upon levy rates effective 31 December 2020. From 2021, the bank levy will be chargeable only on the UK balance sheet equity and liabilities of banks and building societies. The bank levy is forecast to reduce from $0.8bn to c.$0.3bn
- Group effective reported tax rate of c.25% is assumed in 2021. Assumed Group adjusted effective tax rate of 19-20% in the medium-term. Note the tax rates are highly sensitive to the overall profitability of the UK group entities
- Assumed that where targeted reduction on RWAs require regulatory approvals (e.g. model changes), these will be received
- Absolute targets presented in this document will be restated for prevailing foreign exchange rates in subsequent updates to the market
- Basel III Reform assumed implementation date is on 1 January 2023, including the capital requirements of the new FRTB, CVA and Operational Risk rules. Other regulatory changes assumes UK and EU maintain broad equivalence

Macro planning assumptions	**2021e**	**2022e**	**2023e**	**2024e**	**2025e**
World GDP growth	3.96	3.37	3.06	2.72	2.80
US Fed. funds upper bound rate (year-end)	0.25	0.25	0.25	0.50	0.75
Bank of England base rate (year-end)	0.00	0.00	0.00	0.00	0.25
1 month HIBOR (year-end)	0.43	0.47	0.60	0.78	0.95

Update on guidance versus Feb-20 update

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

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

How we will succeed

A strategy already in motion

Key initiatives already kicked off in 2020

- **Transformation initiatives well underway** to unlock growth capacity; **decisive actions in US and NRFB**
- Key initiatives focused on **client acquisition** already launched (e.g. Pinnacle in China)
- **GBM pivot to Asia** strategy already in motion both from a capital and talent reallocation perspective

Driven by a renewed operating model and a fresh leadership team

Simplified organisation empowered to execute

- **Refreshed management team** with new performance measures aligned to our strategy
- **Three global businesses**: merged GPB and RBWM to form WPB; combined middle and back office of CMB and Global Banking
- **Senior management personnel down 17%**[67] **in 2020** driving simplification and faster decision making
- **Group Executive Committee**: c.75% members in post for just over a year or less

Significant capital and funding strength to drive high returns growth in Asia

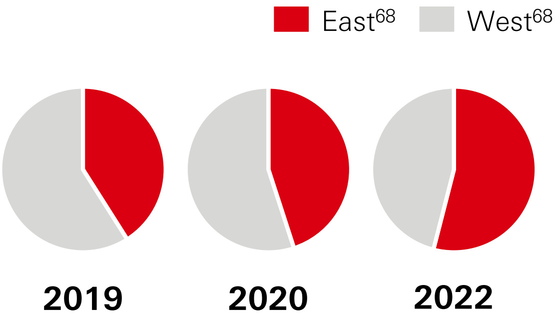
Putting HSBC's weight behind Asia

- **Material step up in growth investments of c.$6bn planned in Asia to boost growth** through new customer platforms and talent
- **Accelerating capital re-allocation to Asia:** committing to allocate **800bps additional capital** to Asia (vs. 42% at FY20) over the medium to long-term
- **WPB Wealth expansion into Greater China and Rest of Asia** to serve international needs of our Asian customers
- **GBM** rebalancing of capital, investments and talent from **West to East**[68]

A GBM refocused on the high-growth East

Reallocating resources

RWAs



- **Reducing exposure** to low-return clients and businesses
- **Re-deploying** capital to high-growth opportunities
- Rebalancing financial resources, talent and risk appetite to **support growth** in the East

Accelerate investment in Asia

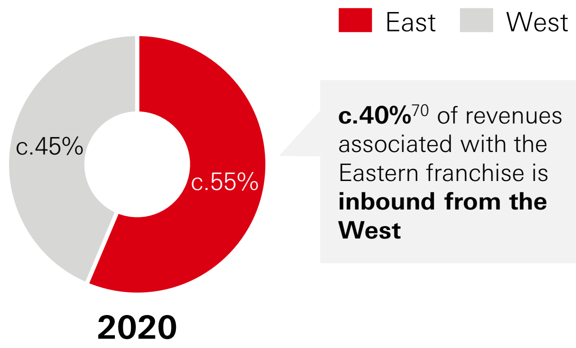
Asia market positioning[69]

GLCM	#1
GTRF	#1
Securities Services	#1
FX	#2
Fixed Income	#1
DCM	#1
Loans	#3
M&A	#5

- Be the **preeminent corporate and investment bank in Asia** to capture:
  - Rise in **Wealth creation**
  - **Reconfiguration** of **trade and capital** flows
  - Deepening of **capital markets** and a transition to a **low-carbon economy**
- Deeper presence in **Greater China, ASEAN and India**

Leverage network and serve clients across the Group

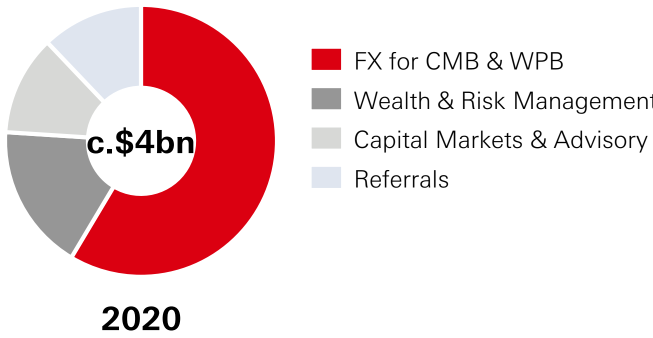
Global revenues



c.40%[70] of revenues associated with the Eastern franchise is **inbound from the West**

- Prioritise serving clients into and within **Asia** and the **Middle East**
- Provide global institutions with access to **developed** and **emerging markets**

Collaboration revenues[71]

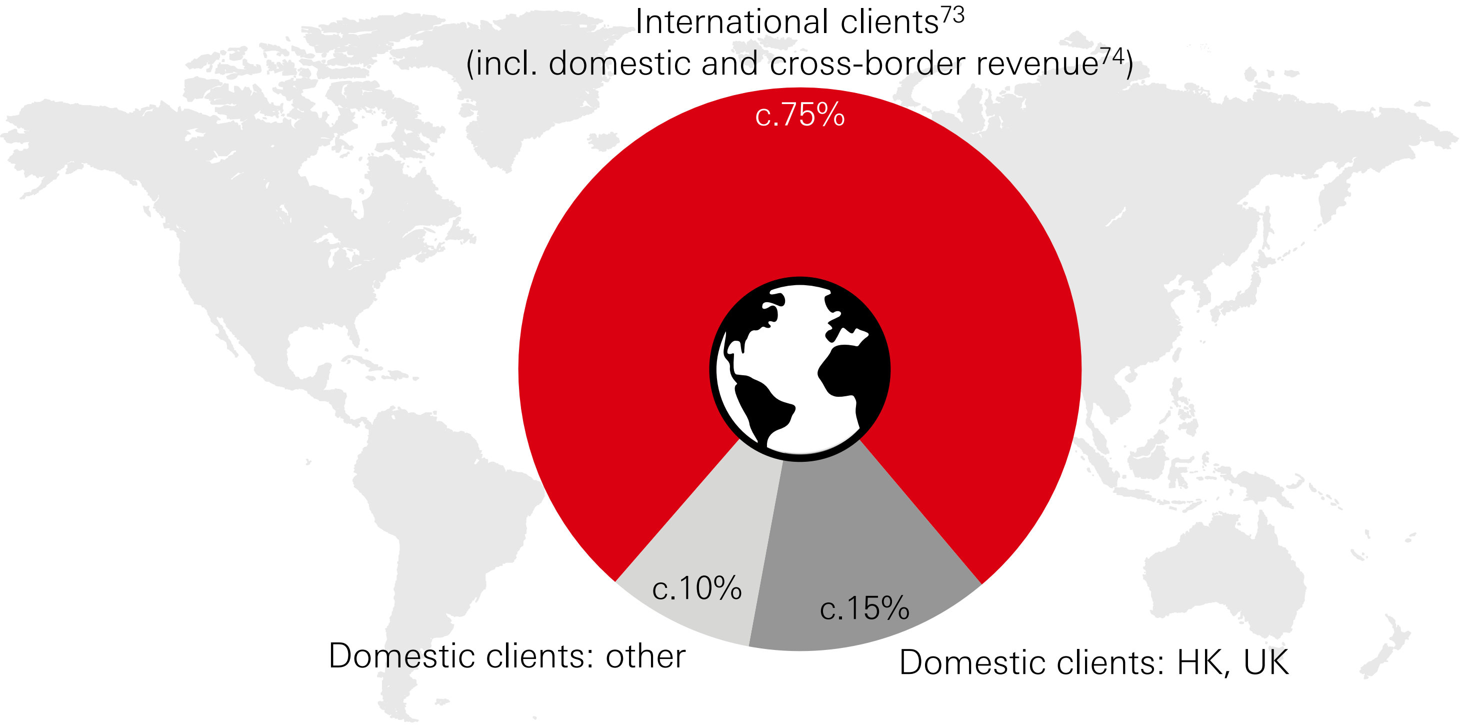


- Providing product capabilities to support **client relationships in WPB and CMB**
- **Asset light, fee-driven** business model

The value of our international network

CMB and Global Banking client revenue[72]

FY20



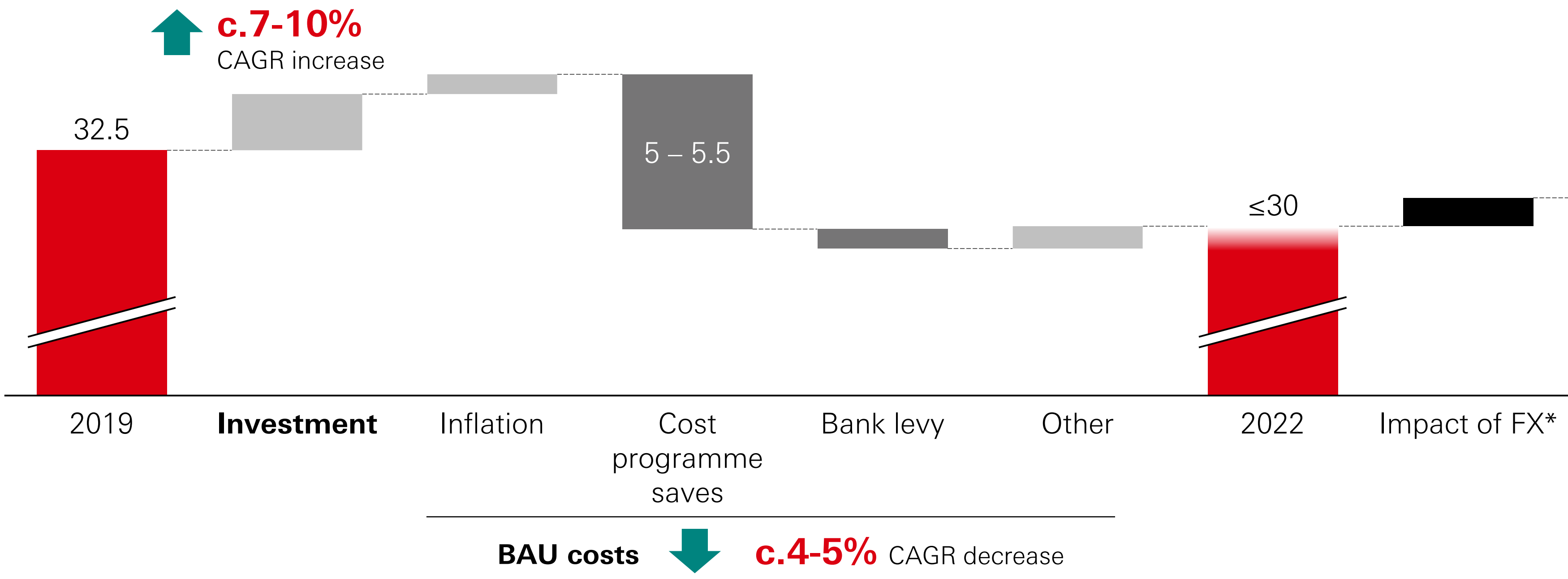
c.75% of CMB and Global Banking client revenue is linked to HSBC's international network

HSBC franchise is highly connected and focused on international clients

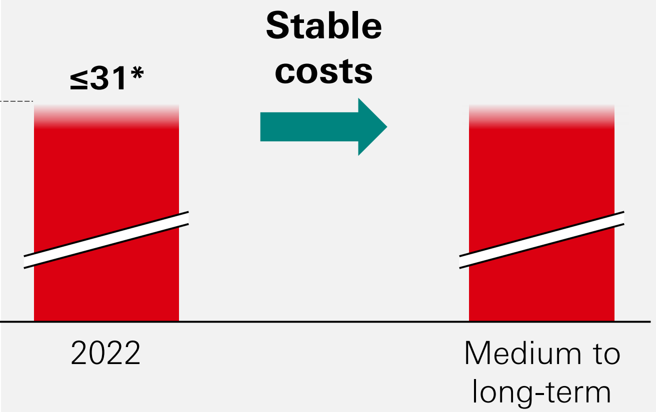
- This focus enables leading positions in **transaction banking and cross-border transactions**
- **West-East connectivity is a key differentiator**; we provide access to Western capital markets and USD clearing
- Access to product, technology and innovation expertise in the West, **enables strength in our higher return Eastern franchise**
- Our network positions us to be the international bank of choice and **capture high-value affluent Retail and Wealth clients**

Taking further action to reduce the Group's cost base, whilst increasing investment

Adjusted costs, $bn



Expect to keep costs broadly stable from 2022 onwards



Expect to **drive positive operating leverage** through **broadly stable costs**, whilst delivering **mid-single digit revenue** and volume growth in the medium to long-term

- **Increasing the cost ambition by $1bn**, with a new cost target of ≤$31bn in 2022 (≤$30bn based on average FY20 FX rates), vs. ≤$31bn target in Feb-20 Update
- Expected **gross cost saves increased to $5-5.5bn** and **Costs to Achieve (CTA) increased to $7bn** for 2020-22

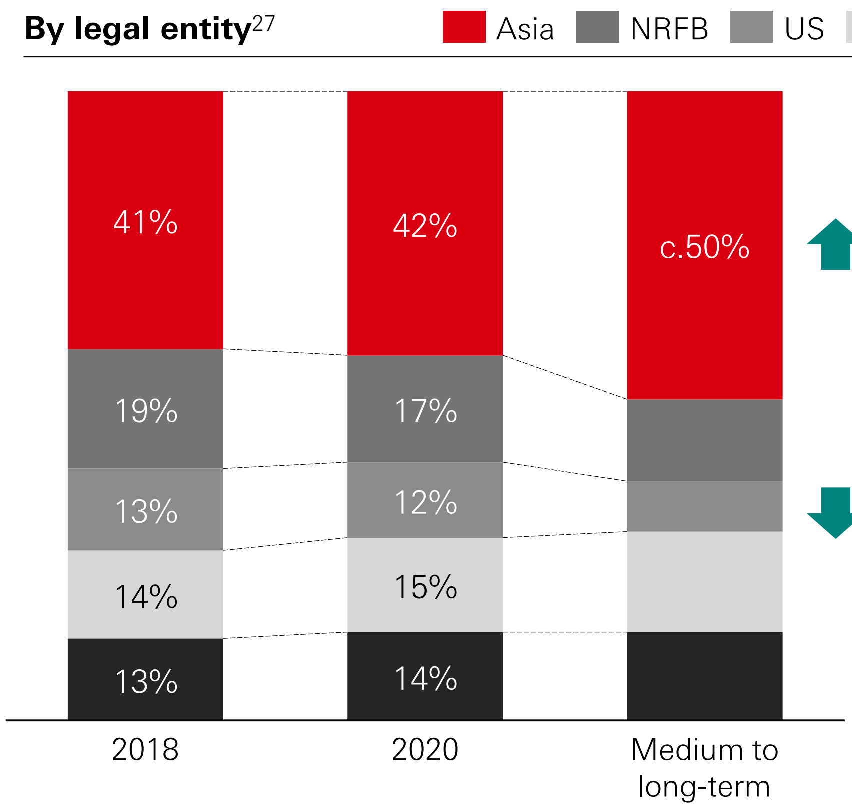
* Note: Impact of the weakening USD at end-2020. Target of ≤$30bn is based on average FX in FY20 (consistent with the results presented); using the average December 2020 FX rates, the target would be retranslated to ≤$31bn. This impact of FX would increase revenue by c.$1-1.5bn

Increasing capital allocation to higher returning and higher growth franchises

Accelerating pace of Tangible Equity allocation to Asia and WPB

Tangible Equity, % of Group

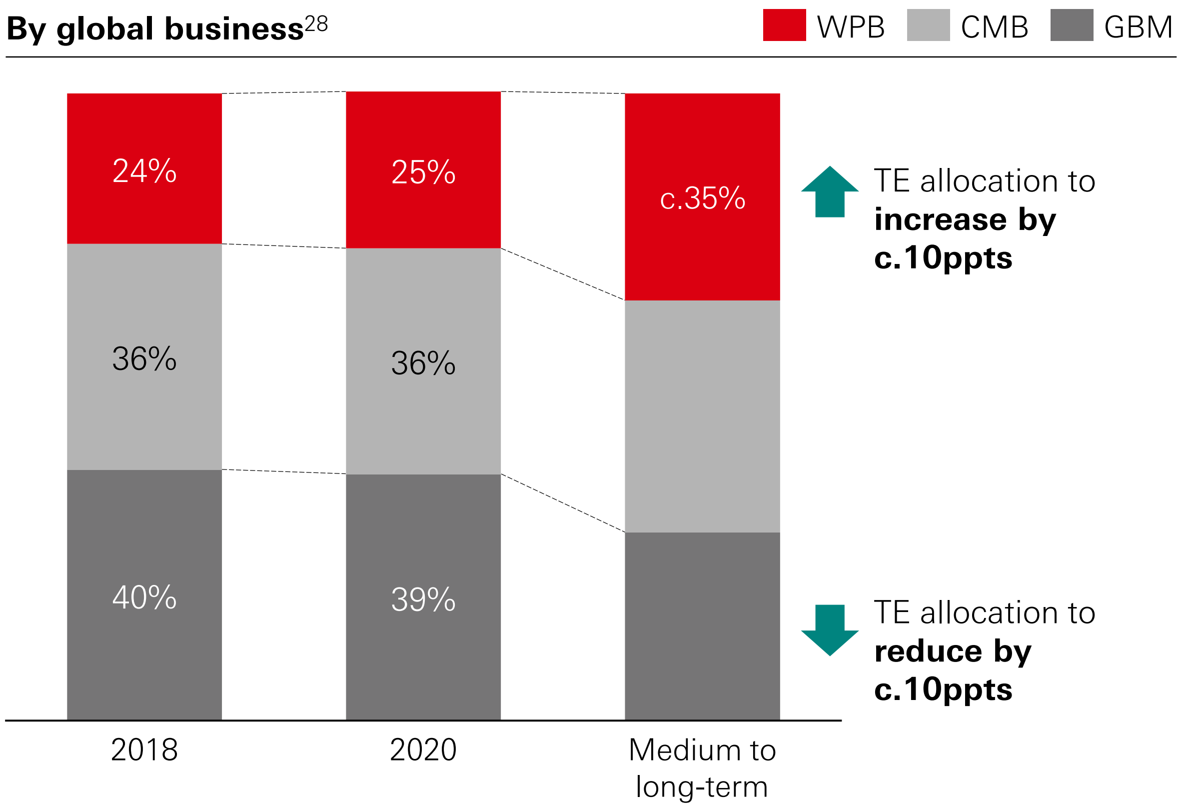
By legal entity[27]



Expect to **double pace of TE allocation to Asia** from 1ppt to c.2ppts pa

TE further reduced in US by **upstreaming capital to Group**

By global business[28]



TE allocation to **increase by c.10ppts**

TE allocation to **reduce by c.10ppts**

February 2020 Business Update progress and business highlights

Detail on progress against our FY22 financial targets

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

- **$1.0bn of cost programme saves delivered in FY20**
- FY20 costs in the US decreased by $302m (8%) vs. FY19
- Global number of **branches reduced by c.5%**; US retail branch footprint reduced by over 30%, exceeding 2020 reduction target
- **FTE and contractors down by c.11k**, from c.243k to c.232k, despite pauses in our redundancy programme in 1H20; US FTE down by c.1,400 and NRFB FTE down c.1,100
- **Gross RWA reductions of $51.5bn;** $24.4bn of reductions in the NRFB; $37.4bn in GBM

Other business highlights

WPB

- Wealth balances increased $0.2tn (12%) to $1.6tn vs. FY19
- **Asset Management AUM of $602bn grew by $96bn (19%) YoY;** Net New Money of $53bn over FY20, with 75% of NNM coming from collaboration with GBM and CMB
- **Premier customer numbers up by 124k (3%)** to 4.2m and **Jade client numbers up by 18k (12%)** to 175k
- 5 minute wealth account opening now live in Hong Kong

Wholesale (CMB and GBM)

- **HSBC has helped raise $1.9tn of financing for clients** over FY20, including $125bn of Social and Covid-19 relief bonds[75]
- Solid GBM performance, notably in FICC and Capital Markets; best GM 4Q20 performance since 2016 with revenue of $1.4bn; **FY20 Capital Markets gross revenue of $1.8bn, up 21% vs. FY19**[76]
- FY20 international customer account openings up 8% YoY

Asia

- **Asia Trade market share of 9.3%** at 9M20[77], up 0.3ppt YoY
- GBM retained #1 rank in Asia Transaction Banking[69]
- PayMe has been **the leading P2P wallet** in Hong Kong for 3 years running[78]; PayMe customer numbers grew 25% to 2.3m over FY20

UK RFB

- Strong mortgage lending: **FY20 gross market share of 10.3%,** leading to a YoY **increase in stock market share of 0.4ppts to 7.4[79]%;** mortgage balances up $13bn (9%) vs. FY19
- First Direct named 'Best British brand'[80] out of 271 companies in the 2020 Institute of Customer Service Customer Satisfaction Index with a **score of 85.1 vs. 76.8 average**

ESG highlights[81]

Environmental

Target	Progress

Sustainable finance

Target	Progress
Provide and facilitate **$100bn** by the end of 2025	$93bn cumulative progress since 2017

Reduce operational CO_2 emissions

Target	Progress
2.0 tonnes used per FTE by end-2020	1.8 tonnes used per FTE

Climate related disclosures

Target	Progress
Continued implementation of **TCFD**	Published our 4th TCFD

Social

Customer satisfaction

Target	Progress
Customer satisfaction improvements in **8** scale markets	7 WPB and 5 CMB markets sustained top-3 rank[82] and/or improved in customer satisfaction

Employee advocacy

Target	Progress
69% of employees recommend HSBC as a great place to work by end-2020	71% of employees would recommend HSBC as a great place to work

Gender diversity

Target	Progress
30% female employees in senior leadership roles by end-2020	30.3% female employees in senior leadership roles by end-2020

Governance

Conduct outcomes

Target	Progress
98% of staff to complete annual conduct training	93% of staff completed annual conduct training

Long-term incentives

Target	Progress
25% of executive director scorecard measures aligned with climate ambitions	25% of executive director scorecard measures aligned with climate ambitions

Board of Directors reduced from 17 to 14 members since end-2017 with 3 new appointments in 2020

Key financial metrics

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

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

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

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

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

Reconciliation of reported and adjusted results

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

Tax impacts of significant items

$m	FY20 PBT	FY20 Tax	FY20 ETR
Reported	**8,777**	**2,678**	**30.5%**
Less:			
Significant items	3,372	660	—
Tax-only significant items	—	117	—
Adjusted basis	**12,149**	**3,455**	**28.4%**
Adjusted tax charge includes:			
Impact of tax rate and law changes	—	58	—
Write-off/write-back of opening DTAs	—	279	—
Adjustments in respect of prior periods' tax liabilities	—	78	—
Impacts of hyperinflation accounting	—	65	—

- FY20 reported ETR primarily driven by the regional mix of profits and losses taxed at different local statutory rates and the write-off and ongoing non-recognition of elements of deferred tax assets
- The impact of ongoing non-recognition of deferred tax is a consequence of the profits and losses arising in these jurisdictions each year
- Group effective reported tax rate of c.25% is assumed in 2021. Assumed Group adjusted effective tax rate of 19-20% in the medium-term. Note the tax rates are highly sensitive to the overall profitability of the UK group entities

Certain items and Argentina hyperinflation

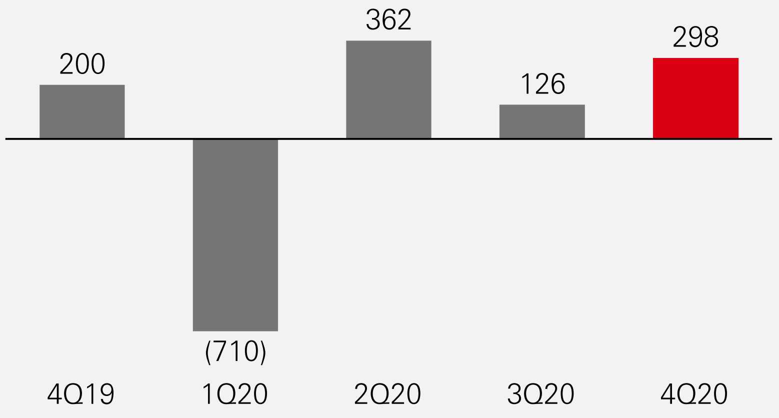
Certain items included in adjusted revenue highlighted in management commentary[83], $m	4Q20	3Q20	2Q20	1Q20	4Q19	FY20	FY19
Insurance manufacturing market impacts in WPB	298	126	362	(710)	200	90	128
Credit and funding valuation adjustments in GBM	70	33	(9)	(354)	194	(252)	41
Legacy Credit in Corporate Centre	3	28	42	(92)	13	(17)	(111)
Valuation differences on long-term debt and associated swaps in Corporate Centre	(12)	(32)	(64)	259	(73)	150	146
Argentina hyperinflation*[84]	(42)	(31)	(29)	(22)	30	(124)	(143)
Bid-offer adjustment in GBM*	18	35	249	(310)	15	(8)	4
WPB disposal gains in Latin America*	—	—	—	—	—	—	133
CMB disposal gains in Latin America*	—	—	—	—	—	—	24
GBM provision release in Equities*	—	—	—	—	—	—	106
Total	**335**	**159**	**551**	**(1,229)**	**379**	**(161)**	**328**

Argentina hyperinflation[84] impact included in adjusted results, $m	4Q20	3Q20	2Q20	1Q20	4Q19	FY20	FY19
Net interest income	2	(1)	(7)	(3)	33	(9)	(12)
Other income	(44)	(30)	(22)	(19)	(3)	(115)	(131)
Total revenue	**(42)**	**(31)**	**(29)**	**(22)**	**30**	**(124)**	**(143)**
ECL	—	(2)	2	2	(10)	2	(0)
Costs	(2)	1	5	2	(26)	6	8
PBT	**(44)**	**(32)**	**(22)**	**(18)**	**(6)**	**(116)**	**(135)**

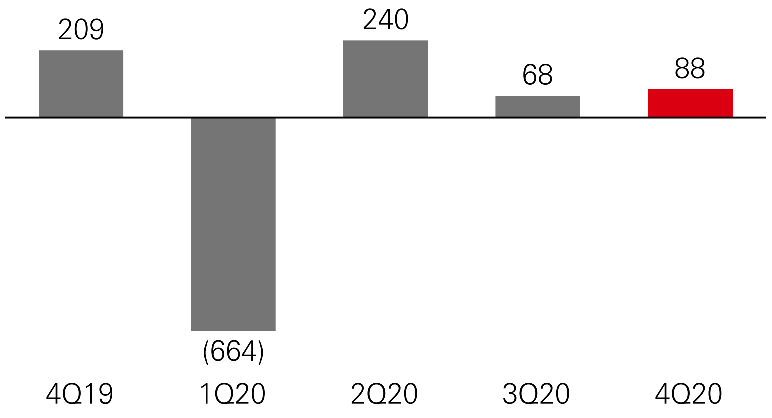
*Comparative figures have not been retranslated for foreign exchange movements

Certain volatile items analysis

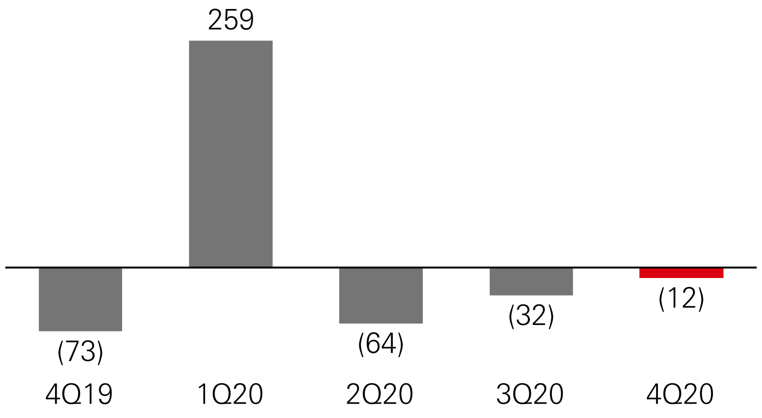
WPB: Insurance manufacturing market impacts revenue, $m



GBM: Credit and funding valuation adjustments revenue and bid-offer adjustment, $m

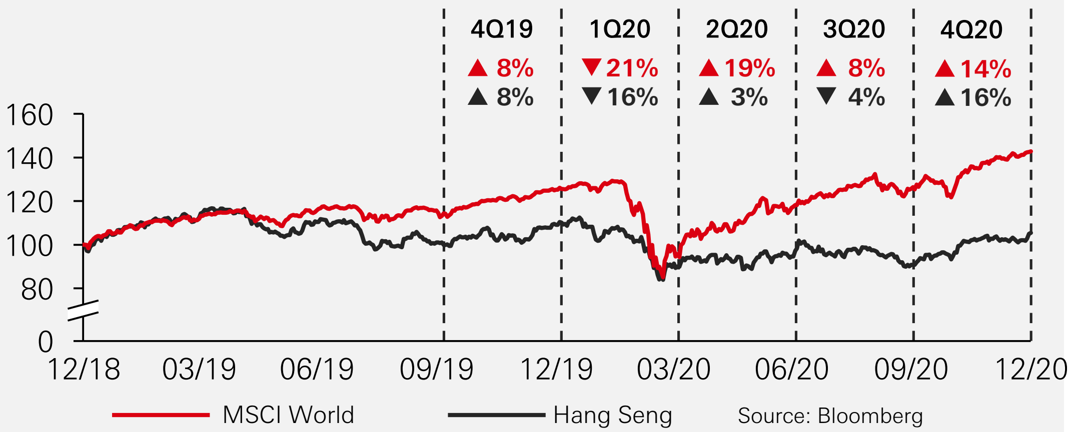


Corporate Centre: Valuation differences on long-term debt and associated swaps, $m



Sensitivity of HSBC's insurance manufacturing subsidiaries to market risk factors[85]	Effect on profit after tax, $m	Effect on total equity, $m
+100 basis point parallel shift in yield curves	(67)	(188)
-100 basis point parallel shift in yield curves	(68)	58
10% increase in equity prices	332	332
10% decrease in equity prices	(338)	(338)
10% increase in $ exchange rate compared with all currencies	84	84
10% decrease in $ exchange rate compared with all currencies	(84)	(84)

Stock market indices performance[86]



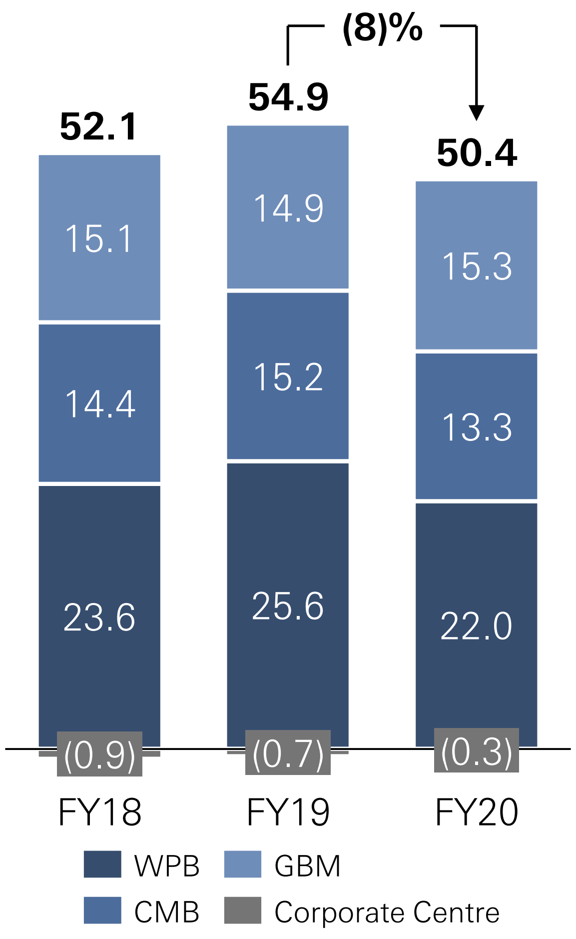
Source: Bloomberg

FY20 adjusted revenue performance

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

NII Other

Revenue by global business, $bn



Totals may not cast due to rounding

Global business management view of adjusted revenue

Group, $m	4Q19	1Q20	2Q20	3Q20	4Q20	Δ4Q19
Total Group revenue	13,782	13,508	13,625	12,245	11,824	(14)%
Adjusted revenue reported at original FX rates[87]	13,647	13,327	13,150	12,065		

WPB, $m	4Q19	1Q20	2Q20	3Q20	4Q20	Δ4Q19
Retail Banking	**4,015**	**3,878**	**3,185**	**3,052**	**3,043**	**(24)%**
Net Interest Income	3,598	3,527	2,928	2,734	2,721	(24)%
Non-interest income	417	351	257	318	322	(23)%
Wealth Management	**2,144**	**1,438**	**2,234**	**2,178**	**2,053**	**(4)%**
Investment distribution	727	893	733	879	736	1 %
Life insurance manufacturing	685	(221)	805	605	628	(8)%
Private banking	468	526	425	422	407	(13)%
Net interest income	223	219	165	143	156	(30)%
Non-interest income	245	307	260	279	251	2 %
Asset management	264	240	271	272	282	7 %
Other	213	132	155	100	73	(66)%
Markets Treasury, Holdings interest expense and Argentina hyperinflation	101	241	249	190	152	50 %
Total	**6,473**	**5,689**	**5,823**	**5,520**	**5,321**	**(18)%**
Adjusted revenue reported at original FX rates[87]	6,409	5,621	5,630	5,441		

CMB, $m	4Q19	1Q20	2Q20	3Q20	4Q20	Δ4Q19
GTRF	438	475	437	434	423	(3)%
Credit and Lending	1,349	1,408	1,412	1,461	1,457	8 %
GLCM	1,436	1,345	1,043	946	895	(38)%
Markets products, Insurance and Investments and other	506	491	436	349	364	(28)%
Markets Treasury, Holdings interest expense and Argentina hyperinflation	(12)	75	64	19	8	>100%
Total	**3,717**	**3,794**	**3,392**	**3,209**	**3,147**	**(15)%**
Adjusted revenue reported at original FX rates[87]	3,678	3,733	3,267	3,165		

GBM, $m	4Q19	1Q20	2Q20	3Q20	4Q20	Δ4Q19
Global Markets	**1,260**	**2,164**	**2,204**	**1,608**	**1,430**	**13 %**
FICC	**1,082**	**1,867**	**2,134**	**1,311**	**1,069**	**(1)%**
Foreign Exchange	676	1,149	814	776	689	2 %
Rates	276	678	693	234	151	(45)%
Credit	130	40	627	301	229	76 %
Equities	178	297	70	297	361	>100%
Securities Services	**527**	**521**	**452**	**416**	**439**	**(17)%**
Global Banking	**998**	**958**	**1,038**	**967**	**907**	**(9)%**
GLCM	**676**	**613**	**499**	**462**	**469**	**(31)%**
GTRF	**201**	**197**	**208**	**195**	**185**	**(8)%**
Principal Investments	**46**	**(239)**	**228**	**53**	**74**	**61 %**
Credit and funding valuation adjustments	194	(354)	(9)	33	70	(64)%
Other	(114)	(132)	(142)	(150)	(121)	(6)%
Markets Treasury, Holdings interest expense and Argentina hyperinflation	(23)	102	113	88	58	>100%
Total	**3,765**	**3,830**	**4,591**	**3,672**	**3,511**	**(7)%**
Adjusted revenue reported at original FX rates[87]	3,715	3,759	4,419	3,614		

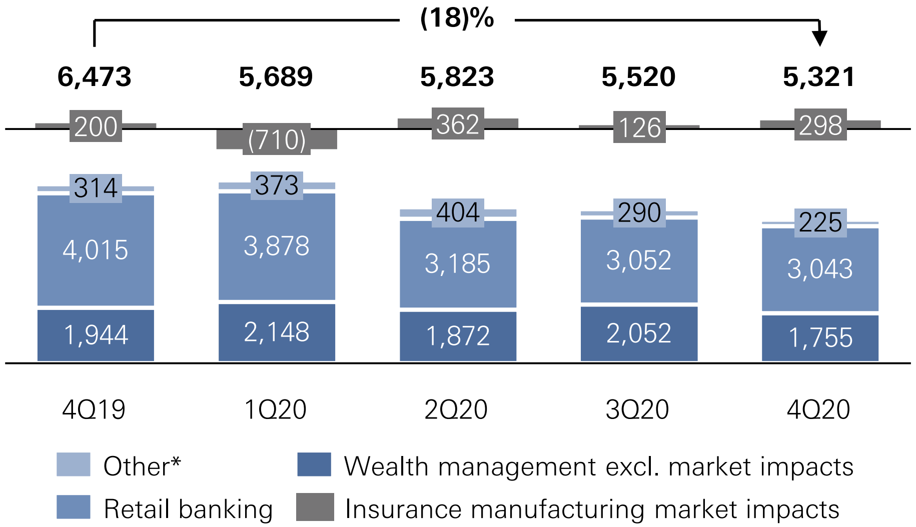
Corporate Centre, $m	4Q19	1Q20	2Q20	3Q20	4Q20	Δ4Q19
Central Treasury	(47)	265	(64)	(32)	(12)	74 %
Of which: Valuation differences on long-term debt and associated swaps	(73)	259	(64)	(32)	(12)	84 %
Legacy Credit	13	(92)	42	28	3	(77)%
Other	(139)	22	(159)	(152)	(146)	(5)%
Total	**(173)**	**195**	**(181)**	**(156)**	**(155)**	**10 %**
Adjusted revenue reported at original FX rates[87]	(155)	214	(166)	(155)		

Wealth and Personal Banking

4Q20 financial highlights

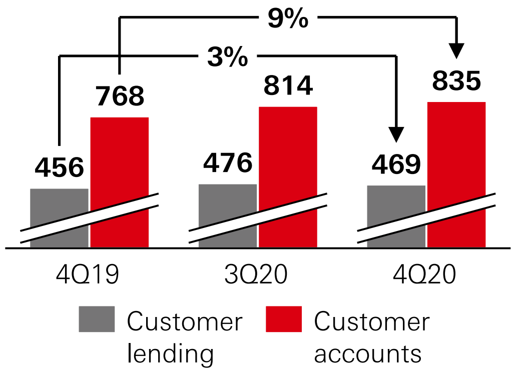
Revenue	**$5.3bn**	▼	(18)% (4Q19: $6.5bn)
ECL	**$(0.3)bn**	▼	21% (4Q19: $(0.4)bn)
Costs	**$(4.0)bn**	▼	0% (4Q19: $(4.0)bn)
PBT	**$1.0bn**	▼	(51)% (4Q19: $2.1bn)
RoTE[88]	**9.1%**	▼	10.6ppt (FY19: 19.7%)

Revenue performance[83], $m

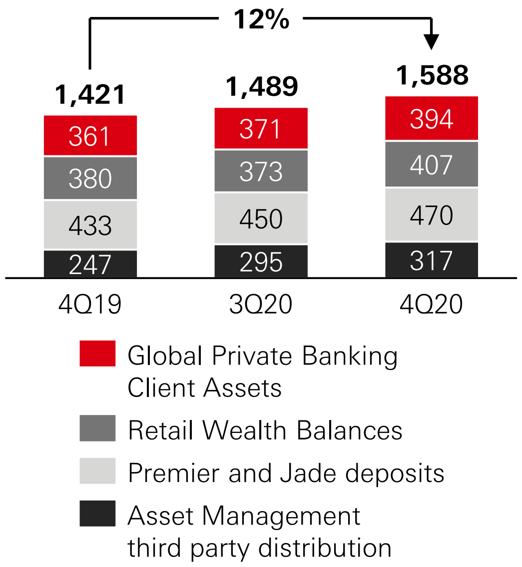


*Other includes MT, Holdings interest expense and Argentina hyperinflation

Balance sheet[89] $bn



Reported Wealth Balances[50] $bn



4Q20 vs. 4Q19

- **Revenue** down $1,152m (18%) driven by lower Retail Banking (down $972m) following interest rate cuts, lower Insurance Manufacturing (down $57m) primarily from lower VNB partially offset by positive insurance market impacts of $98m
- **ECL** down $84m (21%) to $310m, as a result of an Insurance ECL charge in Argentina in 4Q19
- **Costs** stable with reductions in discretionary spend offsetting increases in performance-related pay and a one off real estate impairment
- **Customer lending** up $14bn (3%) driven by growth in mortgages ($22bn) particularly in the UK and Hong Kong, partially offset by lower cards spending ($4bn) and reduced unsecured lending ($4bn)
- **Customer accounts** up $67bn (9%) mainly from higher inflows and reduced spending across all markets most notably UK / Hong Kong
- **Wealth balances** up $167bn (12%) driven by inflows into both liquidity and long-term products as well as higher market levels

4Q20 vs. 3Q20

- **Revenue** down $199m (4%) driven by Wealth Management ($125m) from seasonality and reduced market activity, which included $172m of favourable insurance market impacts
- **ECL** down $49m (14%) to $310m, underlying performance has remained resilient as we continue to support our customers with payment holidays
- **Costs** up $257m (7%) following a one off real estate impairment and seasonal cost increases including targeted marketing campaigns
- **Customer lending** down $6bn (1%) with underlying growth in mortgages ($6bn) and a recovery in card spend offset by the repayment of Hong Kong IPO short term lending activity in 3Q20 ($12bn)
- **Customer accounts** up $21bn (3%) from higher inflows and reduced spending, particularly in the UK and Hong Kong

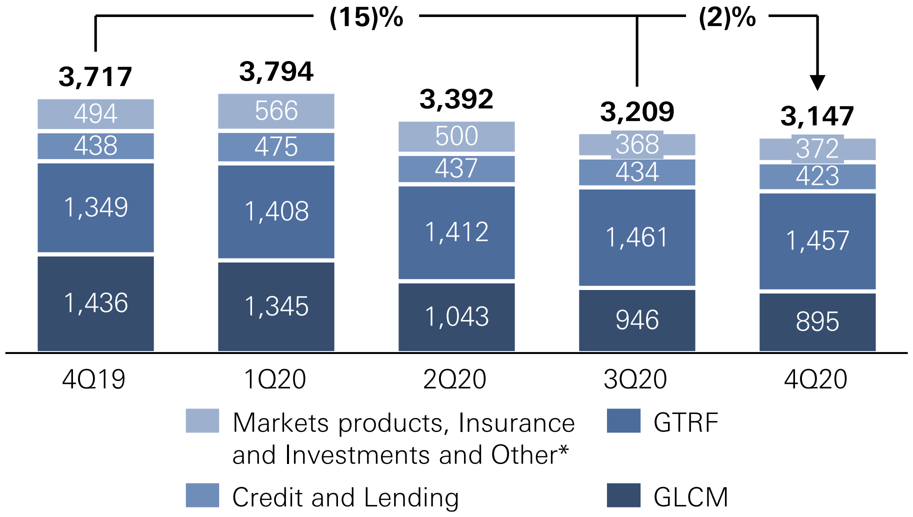
Commentary above is based on unrounded figures

Commercial Banking

4Q20 financial highlights

Revenue	**$3.1bn**	▼	(15)% (4Q19: $3.7bn)
ECL	**$(0.9)bn**	▲	>(100)% (4Q19: $(0.3)bn)
Costs	**$(1.8)bn**	▼	2% (4Q19: $(1.8)bn)
PBT	**$0.5bn**	▼	(69)% (4Q19: $1.6bn)
RoTE[88]	**1.3%**	▼	(11.7)ppt (2019: 13.0%)

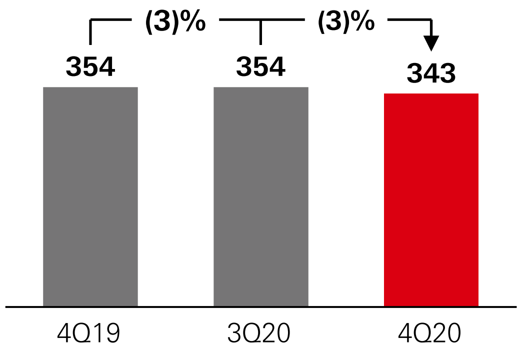
Revenue performance[83], $m



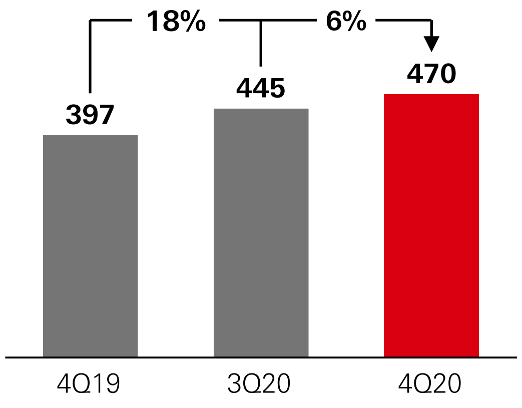
*Other includes MT, Holdings interest expense and Argentina hyperinflation

Balance sheet[89], $bn

Customer lending



Customer accounts



4Q20 vs. 4Q19

- **Revenue** down $570m (15%), reflecting the impact of lower global interest rates in GLCM and other products partially offset by higher deposits
- **ECL** up $592m reflecting a small number of specific client charges in Asia and updated forward economic guidance in the UK
- **Costs** down $42m (2%) due to controlled discretionary spend, while continuing to invest in digital and transaction banking capabilities
- **Customer lending** down $11bn (3%) primarily due to lower trade and overdraft balances, partly offset by government scheme lending
- **Customer accounts** up $73bn (18%) as customers raised and retained liquidity across all regions

4Q20 vs. 3Q20

- **Revenue** down $62m (2%), reflecting the impact of lower interest rates partially offset by higher balances and fees in GLCM
- **ECL** up $515m reflecting a small number of specific client charges in Asia and updated forward economic guidance in the UK
- **Costs** up $106m (6%) mainly due to increased investment and performance-related pay
- **Customer lending** down $11bn (3%) from the repayment of short-term IPO related loans and reductions in the US and Europe
- **Customer accounts** up $26bn (6%) as customers raised and retained liquidity notably in Hong Kong and the UK

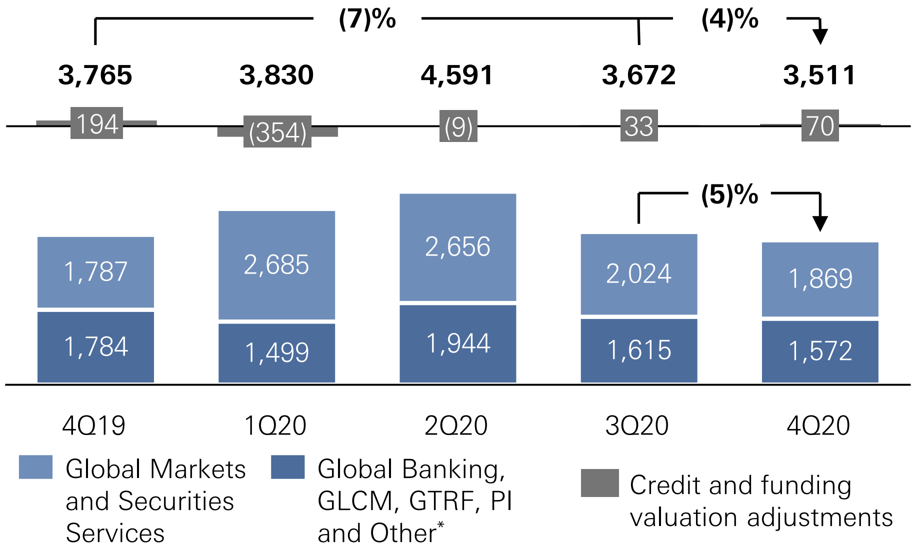
Commentary above is based on unrounded figures

Global Banking and Markets

4Q20 financial highlights

Revenue	**$3.5bn**	▼	(7)% (4Q19: $3.8bn)
ECL	**$0.0bn**	▼	>100% (4Q19: $(0.0)bn)
Costs	**$(2.5)bn**	▼	2% (4Q19: $(2.5)bn)
PBT	**$1.1bn**	▼	(13)% (4Q19: $1.2bn)
RoTE[88]	**6.7%**	▼	(3.1)ppt (FY19: 9.8%)

Revenue performance[83], $m

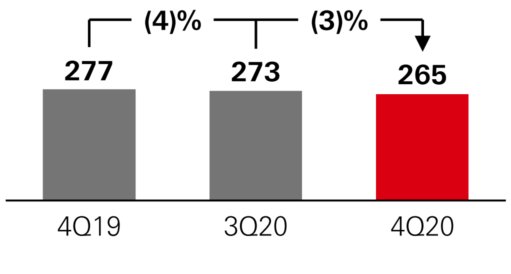


*Other includes MT, Holdings interest expense and Argentina hyperinflation

View of adjusted revenue

$m	4Q20	Δ4Q19
Global Markets	1,430	13 %
FICC	1,069	(1)%
- FX	689	2 %
- Rates	151	(45)%
- Credit	229	76 %
Equities	361	>100%
Securities Services	439	(17)%
Global Banking	907	(9)%
GLCM	469	(31)%
GTRF	185	(8)%
Principal Investments	74	61 %
Credit and Funding Valuation Adjustments	70	(64)%
Other	(121)	(6)%
MT, Holdings interest expense and Argentina hyperinflation	58	>100%
Total	**3,511**	**(7)%**

Adjusted RWAs[90], $bn



4Q20 vs. 4Q19

- Management have delivered net **RWA** reductions of $12bn (4%) and lower costs
- **Revenue** down $254m (7%) driven by lower global interest rates:
  - Global Markets up $170m (13%) with the best fourth quarter since 2016 as a result of volatility and increased client activity with stable trading VaR; FICC performance driven by strong Credit performance, with Equities also benefitting from increased derivatives trading;
  - GLCM and Securities Services negatively impacted by lower global interest rates, but both grew average balances and Securities Services grew fees;
  - Global Banking impacted by lower investment banking fees, compared with strong prior period, and tightening credit spreads on portfolio hedges.
- **ECL** in 4Q20 included a small number of specific Stage 3 client charges offset by release in Stage 1&2 ECL from a marginal recovery in economic outlook in Asia
- **Costs** down $46m (2%) primarily driven by managed cost reduction initiatives, more than offsetting higher investments in technology, regulatory costs and performance costs

4Q20 vs. 3Q20

- **Revenue** down $161m (4%):
  - Global Markets revenue lower primarily due to seasonality
  - Global Banking down driven by seasonal decline in fees, mostly in DCM and Advisory and decline in corporate lending NII due to lower balances
- **ECL** down $110m as 3Q20 ECL included a small number of specific client charges.
- **RWAs** down $8bn (3%), from active management actions, with lower trading VaR

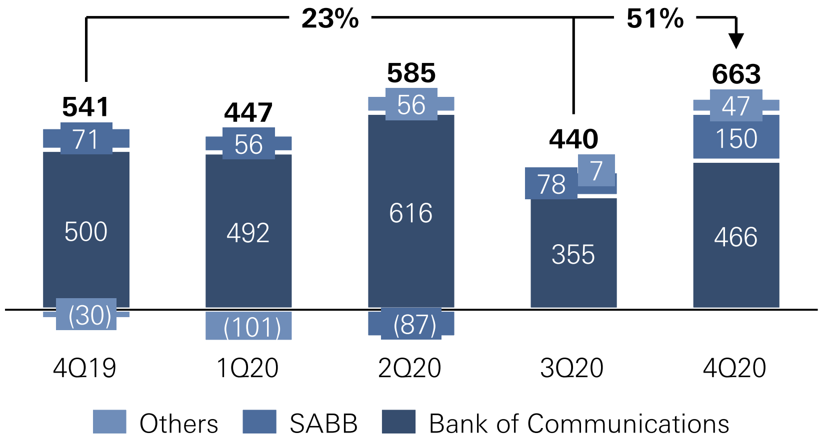
Commentary above is based on unrounded figures

Corporate Centre

4Q20 financial highlights

Revenue	**$(155)m**	▲	10% (4Q19: $(173)m)
ECL	**$1m**	▼	(94)% (4Q19: $16m)
Costs	**$(876)m**	▼	3% (4Q19: $(854)m)
Associates	**$663m**	▲	23% (4Q19: $541m)
PBT	**$(367)m**	▲	22% (4Q19: $(470)m)
RoTE[88]	**3.1%**	▲	2.3ppt (FY19: 0.8%)

Associate income detail[83], $m



Revenue performance[83], $m

	4Q19	1Q20	2Q20	3Q20	4Q20
Central Treasury	**(47)**	**265**	**(64)**	**(32)**	**(12)**
Of which:					
Valuation differences on long-term debt and associated swaps	(73)	259	(64)	(32)	**(12)**
Other central treasury	26	6	–	–	–
Legacy Credit	**13**	**(92)**	**42**	**28**	**3**
Other	**(139)**	**22**	**(159)**	**(152)**	**(146)**
Of which: FX revaluation on Holdings balance sheet and net investment hedge	31	105	23	(25)	(4)
Total	**(173)**	**195**	**(181)**	**(156)**	**(155)**
Not included in Corporate Centre revenue: Markets Treasury revenue allocated to global businesses	*380*	*770*	*796*	*673*	*610*

4Q20 vs. 4Q19

- **Associates** up $122m (23%), primarily due to higher income and share of profit from associates in MENA and the UK

4Q20 vs. 3Q20

- **Revenue** down $1m, largely due to lower revenue from Legacy Portfolio driven by non-recurrence of favourable fair value adjustments in 3Q20
- **Associates** up $223m (51%), primarily due to higher income and share of profits associates in Asia, MENA and the UK

Central costs

- $0.8bn reduction in Holdings retained costs, from $2.5bn to $1.7bn vs. FY19; targeting c.$1bn over time
- $0.3bn of retained cost reduction from cost savings, $0.5bn from increased reallocation of Holdings costs

Insurance

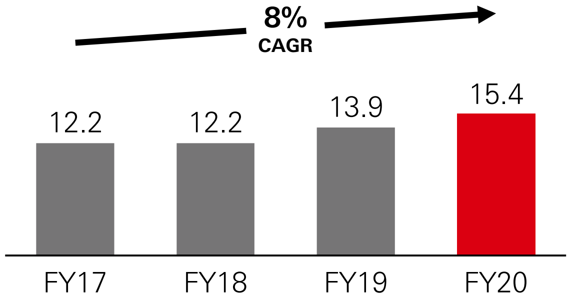
Key financial metrics

Adjusted income statement, $m	FY20	FY19	FY18
Net operating income	**1,977**	**2,720**	**2,020**
Of which: Net interest income (NII)	2,408	2,308	2,217
Of which: market impacts	*102*	*127*	*(334)*
ECL	(92)	(86)	(1)
Operating expenses	(509)	(497)	(462)
Share of profit in associates and JVs	1	43	31
Profit before tax	**1,377**	**2,180**	**1,588**
Memo: distribution income*	801	1,041	1,040

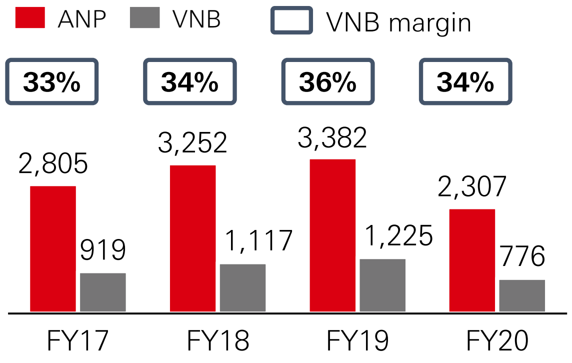
Financial highlights:

- Strong growth in **EV[91] (8% CAGR)** since FY17; reflecting consistent VNB generation and margins; FY20 RoEV of 7.4% (2019: 13.3%)
- Adjusted revenue of $2.0bn, down 27% vs. FY19, from lower sales due to the global impact of the Covid-19 outbreak, including border closures
- Distribution revenue of $0.8bn, down 23% as a result of lower sales vs. FY19
- Manufacturing operating expenses of $0.5bn, up 2% vs. FY19
- Limited adverse short term Covid-19 effects on policy lapses, morbidity/mortality and other assumptions

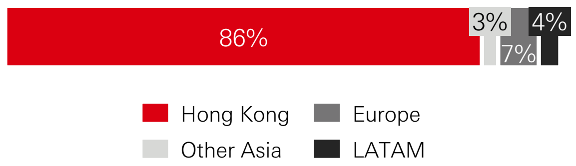
Reported Embedded value[91], $bn



Reported ANP and VNB, $m



FY20 VNB by region



Strategic delivery in 2020:

- Announced agreement to acquire the **remaining 50%** equity interest in HSBC Life China, subject to regulatory approvals
- Launched **HSBC Pinnacle** (our digital wealth planning and insurance services) and obtained a **FinTech licence** in China
- Launched **HSBC Life Well+**: core retail Health & Wellbeing proposition; and **Benefits+**: B2B2C employee benefits and Wellness platform in Hong Kong
- UK Life Protection sales reached **44k policies** (+89% PY)
- Launched **new core platform** in Mexico
- Pivoted to **remote customer engagement** in all markets

Strong momentum for future growth:

- Hong Kong insurance **market share** of **19.2%**[39], (incl. Hang Seng) up from 12.8% at FY16
- HK: **Life Insurance Company of the Year Award**[92]; Seven Bloomberg Awards including Brand of the year and Bancassurance of the Year[93]
- UK: **Ranked #3** in Onshore Investment Bond, with 11.0% market share[94] (AUM of $1.5bn)

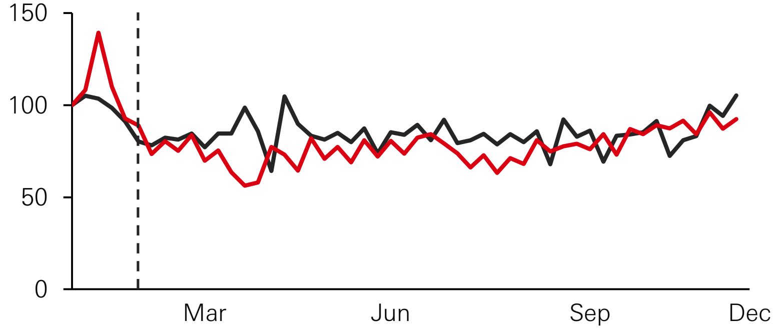
*Distribution income (HSBC Life and partnerships) through HSBC bank channels

Hong Kong and UK WPB customer activity data

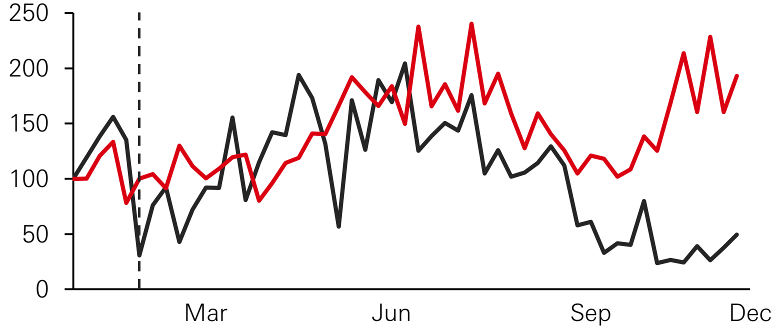
- We continue to support home buyers and have seen a pickup in 4Q20; the UK RFB increased its gross mortgage market share to 10.3% over FY20, up from 8.1% in FY19[79]
- Credit card spending has recovered partially, however it remains below 2019 levels. Hong Kong down 3% YoY, with the UK down 17% YoY
- Hong Kong card spend in Jan-21 up by 6% vs. prior year and up 20% vs. Dec-20; a 10 year record driven by successful marketing campaigns delivered on Mobile X
- Continued digital adoption with **UK digital sales increasing by 5% to 75%** since start of social distancing. **Hong Kong digital sales mix marginally increased by 1% to 28%**

Hong Kong*

Credit card spend**



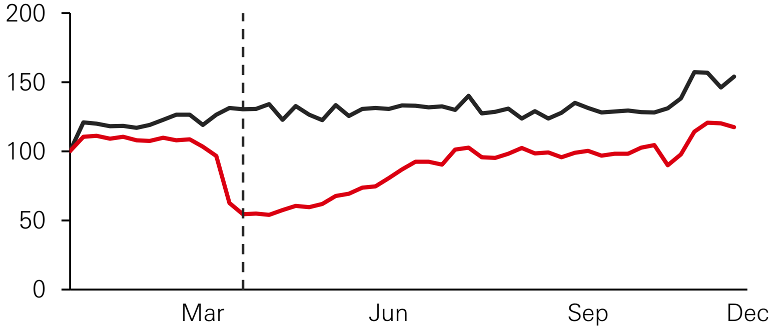
Mortgage drawdowns**



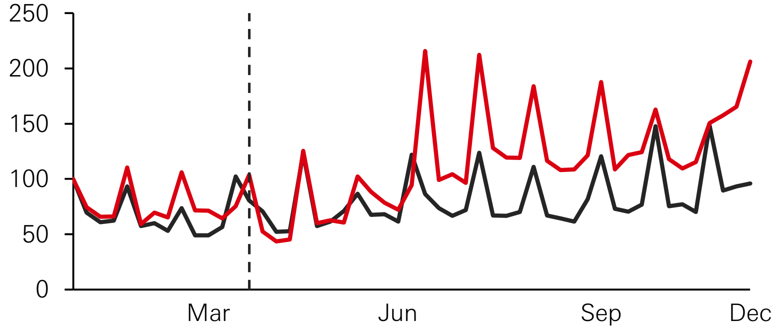
UK

2019 2020 Start of social distancing

Credit card spend**



Mortgage drawdowns**



*Excludes Hang Seng
**Rebased to 100

GBM and CMB IRB RWA inflation and mitigating actions

Wholesale counterparty IRB RWAs and exposures

All CRR Bands	FY19	FY20	Δ
RWA, $bn	**341**	**346**	
EAD, $bn	695	680	
RWA density, %	49.0	50.8	1.8ppt
Weighted average PD, %	0.9	1.2	0.3ppt

Of which: CRR 1.1 – 5.3	FY19	FY20	Δ
RWA, $bn	**318**	**314**	
EAD, $bn	678	655	
RWA density, %	46.8	48.0	1.2ppt
Weighted average PD, %	0.6	0.7	0.1ppt

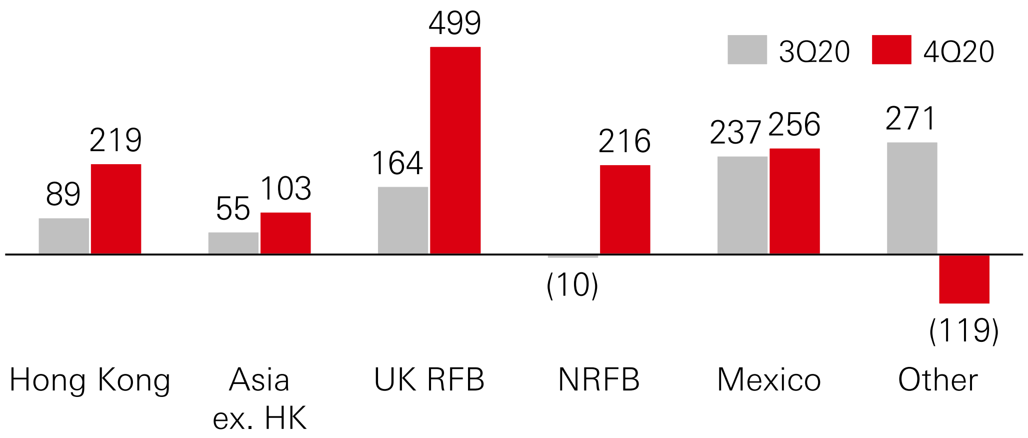
Of which: CRR 6.1+	FY19	FY20	Δ
RWA, $bn	**23**	**32**	
EAD, $bn	17	25	
RWA density, %	138.3	129.3	(9.0)ppt
Weighted average PD, %	14.2	13.5	(0.7)ppt

- GBM & CMB wholesale performing IRB book:
  - includes: corporates, sovereigns and financial institutions.
  - excludes: slotting exposures, Markets Treasury allocations and exposures in default
- **Some growth in RWAs due to credit risk migration** over FY20
- **c.90% of the book is higher quality** (CRR1-5) with RWAs stable vs. FY19
- Total RWA inflation is being **mitigated through actions to maintain book quality,** namely maintenance of the CRR 1-5 book size and its RWA density, including targeted saves under the transformation programme
- Of the higher risk bands, 56% of exposures sit in the top two bands (6.1 and 6.2). As at 31 December 2019, this percentage was 60%

CRR: Customer risk rating. CRR 1-3 considered Strong to Good credit quality (roughly equivalent to an S&P credit rating of AAA to BBB-); CRR 4-5 considered Satisfactory (BB+ to BB-); CRR 6+ considered Sub-standard, broadly equivalent to a rating of B- or below

ECL and personal lending relief

ECL charge by geography, $m



4Q20 vs. 3Q20 geographic analysis

Asia

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

UK RFB

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

NRFB

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

Analysis by stage

Reported basis, $bn	Stage 1	Stage 2	Stage 3	Total[95]	Stage 3 as a % of Total
4Q20					
Gross loans and advances to customers	869.9	163.2	19.1	**1,052.5**	1.8%
Allowance for ECL	2.0	5.0	7.4	**14.5**	
3Q20					
Gross loans and advances to customers	878.6	157.8	18.4	**1,055.0**	1.7%
Allowance for ECL	2.0	4.6	7.0	**13.7**	
4Q19					
Gross loans and advances to customers	951.6	80.2	13.4	**1,045.5**	1.3 %
Allowance for ECL	1.3	2.3	5.1	**8.7**	

UK personal lending relief, $m

At 31 December 2020	Drawn loan value	Exited payment holidays[96]	Current	Noncurrent	% of balances exiting payment holidays and are current
UK secured lending	1,419	11,933	11,709	224	98%
UK unsecured lending	140	1,166	1,025	140	88%

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

Net interest margin supporting information

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

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

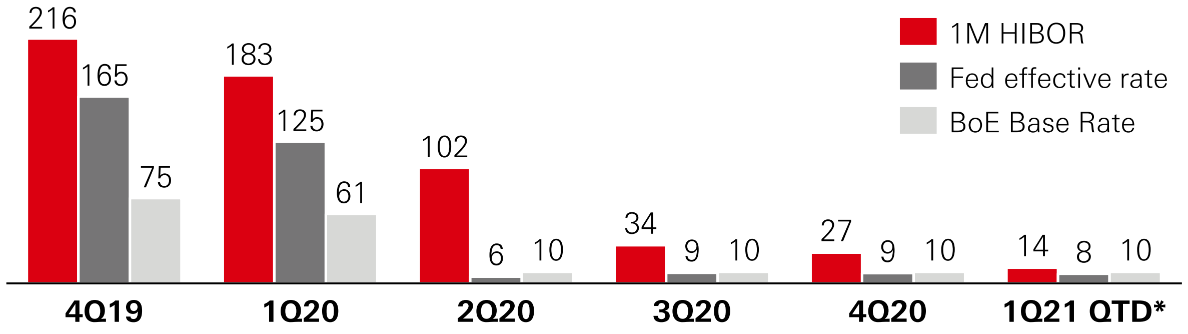
NII sensitivity to instantaneous change in yield curves (5 years), $m

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

Quarterly NIM by key legal entity

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

Key rates (quarter averages), basis points



*At 19 February 2021

Source: Bloomberg

RoTE by global business excluding significant items and UK bank levy

FY20 $m	WPB	CMB	GBM	Corporate Centre	Group
Reported profit before tax	**3,704**	**1,639**	**3,616**	**(182)**	**8,777**
Tax expense	(509)	(661)	(977)	(531)	(2,678)
Reported profit after tax	**3,195**	**978**	**2,639**	**(713)**	**6,099**
less attributable to: preference shareholders, other equity holders, non-controlling interests	(736)	(673)	(784)	(8)	(2,201)
Profit attributable to ordinary shareholders of the parent company	**2,459**	**305**	**1,855**	**(721)**	**3,898**
Increase in PVIF (net of tax)*	(242)	(10)	—	(1)	(253)
Significant items (net of tax) and UK bank levy	190	208	958	2,041	3,397
Markets Treasury allocation and other adjustments	20	(14)	(25)	60	41
Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy	**2,427**	**489**	**2,788**	**1,379**	**7,083**
Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments	26,551	37,826	41,566	44,580	150,523
RoTE excluding significant items and UK bank levy (annualised), %	**9.1 %**	**1.3 %**	**6.7 %**	**3.1 %**	**4.7 %**

FY19 $m	WPB	CMB	GBM	Corporate Centre	Group
Reported profit before tax	**6,819**	**4,159**	**942**	**1,427**	**13,347**
Tax expense	(720)	(1,502)	(460)	(1,957)	(4,639)
Reported profit after tax	**6,099**	**2,657**	**482**	**(530)**	**8,708**
less attributable to: preference shareholders, other equity holders, non-controlling interests	(1,279)	(846)	(784)	170	(2,739)
Profit attributable to ordinary shareholders of the parent company	**4,820**	**1,811**	**(302)**	**(360)**	**5,969**
Increase in PVIF (net of tax)*	(1,207)	(40)	—	(1)	(1,248)
Significant items (net of tax) and UK bank levy	1,641	3,036	4,218	702	9,597
Markets Treasury allocation and other adjustments	1	—	—	2	3
Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy	**5,255**	**4,807**	**3,916**	**343**	**14,321**
Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments	26,627	36,856	39,999	40,397	143,879
RoTE excluding significant items and UK bank levy (annualised), %	**19.7 %**	**13.0 %**	**9.8 %**	**0.8 %**	**10.0 %**

*Excludes the increase in PVIF (net of tax) attributable to non-controlling interests. The increase in PVIF (net of tax), including those attributable to non-controlling interest, was $338m in FY20 and $1,431m in FY19
Note: Tangible Equity is allocated to global businesses at a legal entity level, using RWAs, or a more suitable local approach, where appropriate

4Q20 vs. 3Q20 equity drivers

	Shareholders' Equity, $bn	Tangible Equity, $bn	TNAV per share, $	Basic number of ordinary shares, million
As at 30 September 2020	**191.9**	**152.3**	**7.55**	**20,173**
Profit attributable to:	0.8	1.0	0.05	—
Ordinary shareholders[98]	0.6	1.0	0.05	—
Other equity holders	0.2	—	—	—
Dividends gross of scrip	(0.2)	—	—	—
On ordinary shares	—	—	—	—
On other equity instruments	(0.2)	—	—	—
Scrip	—	—	—	—
FX[98]	5.4	5.0	0.25	—
Actuarial gains/(losses) on defined benefit plans	(0.0)	(0.0)	(0.00)	—
Fair value movements through 'Other Comprehensive Income'	(1.5)	(1.5)	(0.07)	—
Of which: changes in fair value arising from changes in own credit risk	(1.7)	(1.7)	(0.09)	—
Of which: Debt and Equity instruments at fair value through OCI	0.2	0.2	0.01	—
Other[98]	0.0	(0.4)	(0.03)	11
As at 31 December 2020	**196.4**	**156.4**	**7.75**	**20,184**

- Average basic number of shares outstanding during 4Q20: 20,179 million
- **4Q20 TNAV per share increased by $0.20** to $7.75 per share including retained profits of $0.05 and FX of $0.25; TNAV includes $(0.11) per share of own credit risk reserves (3Q20: $(0.03))

$7.72 on a fully diluted basis

20,272 million on a fully diluted basis

FY20 vs. FY19 equity drivers

	Shareholders' Equity, $bn	Tangible Equity, $bn	TNAV per share, $	Basic number of ordinary shares, million
As at 31 December 2019	**184.0**	**144.1**	**7.13**	**20,206**
Profit attributable to:	5.2	5.6	0.28	—
Ordinary shareholders[98]	3.9	5.6	0.28	—
Other equity holders	1.3	—	—	—
Dividends gross of scrip	(1.3)	—	—	—
On ordinary shares	—	—	—	—
On other equity instruments	(1.3)	—	—	—
Scrip	—	—	—	—
FX[98]	4.8	4.4	0.22	—
Actuarial gains/(losses) on defined benefit plans	0.8	0.8	0.04	—
Fair value movements through 'Other Comprehensive Income'	2.1	2.1	0.10	—
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	1.9	1.9	0.09	—
Other[98]	0.8	(0.6)	(0.02)	(22)
As at 31 December 2020	**196.4**	**156.4**	**7.75**	**20,184**

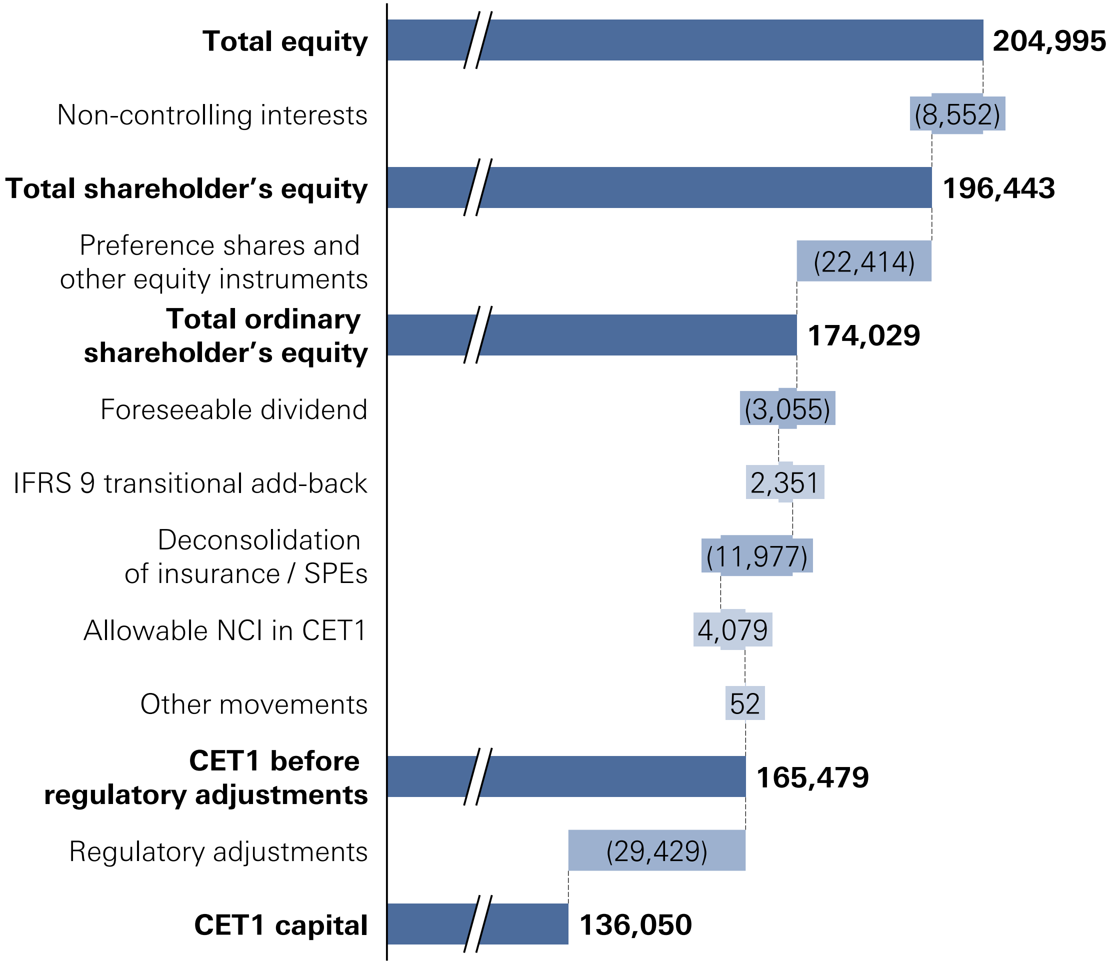
- Average basic number of shares outstanding during FY20: 20,169 million
- **FY20 TNAV per share increased by $0.62** to $7.75 per share including retained profits of $0.28 and FX movements of $0.22 per share; TNAV includes $(0.11) per share of own credit risk reserves (FY19: $0.13)

$7.72 on a fully diluted basis

20,272 million on a fully diluted basis

Total shareholders’ equity to CET1 capital

Total equity to CET1 capital, as at 31 December 2020, $m



Total equity to CET1 capital walk, $m

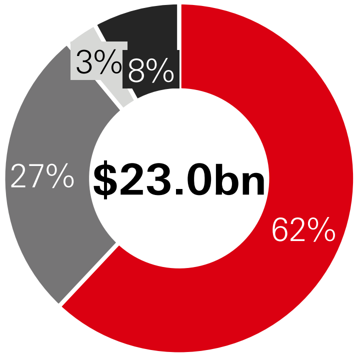
	4Q20	4Q19
Total equity (per balance sheet)	**204,995**	**192,668**
- Non-controlling interests	(8,552)	(8,713)
Total shareholders’ equity	**196,443**	**183,955**
- Preference share premium	—	(1,405)
- Additional Tier 1	(22,414)	(20,871)
Total ordinary shareholders’ equity	**174,029**	**161,679**
- Foreseeable dividend	(3,055)	(3,391)
- IFRS 9 transitional add-back	2,351	809
- Deconsolidation of insurance / SPEs	(11,977)	(10,682)
- Allowable NCI in CET1	4,079	4,865
- Other movements	52	—
CET1 before regulatory adjustments	**165,479**	**153,280**
- Additional value adjustments (PVA)	(1,175)	(1,327)
- Intangible assets	(9,590)	(12,372)
- Deferred tax asset deduction	(1,741)	(1,281)
- Cash flow hedge adjustment	(365)	(41)
- Excess of expected loss	(1,462)	(2,424)
- Own credit spread and debit valuation adjustment	2,101	2,450
- Defined benefit pension fund assets	(7,885)	(6,351)
- Direct and indirect holdings of CET1 instruments	(40)	(40)
- Threshold deductions	(9,272)	(7,928)
Regulatory adjustments	**(29,429)**	**(29,314)**
CET1 capital	**136,050**	**123,966**

Sectors particularly affected by Covid-19

At 31 December 2020

CRR 1-3 CRR 4-6 CRR 7-8 Defaulted

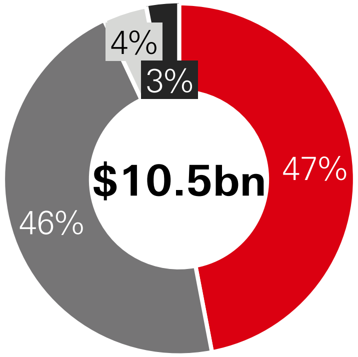
Oil and Gas[99]



Drawn risk exposure[100] by region, $bn	
Asia	7.3
Europe	5.7
Middle East and North Africa	3.8
North America	4.5
Latin America	1.6
Total	**23.0**

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

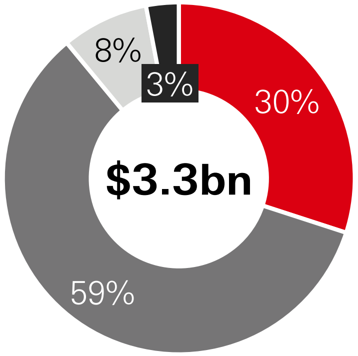
Aviation[101]



Drawn risk exposure[100] by region, $bn	
Asia	3.8
Europe	3.8
Middle East and North Africa	1.9
North America	0.9
Latin America	0.1
Total	**10.5**

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

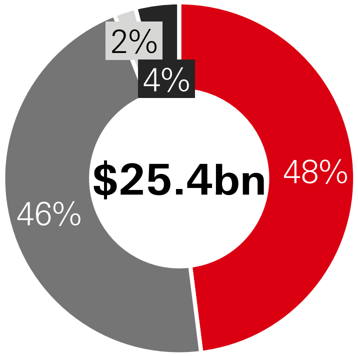
Restaurants and leisure



Drawn risk exposure[100] by region, $bn	
Asia	0.6
Europe	2.2
Middle East and North Africa	0.0
North America	0.5
Latin America	0.0
Total	**3.3**

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

Retail



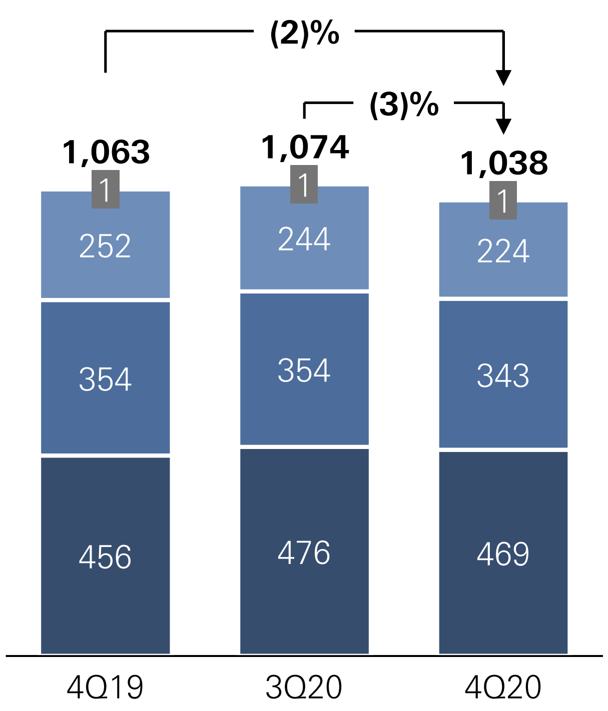
Drawn risk exposure[100] by region, $bn	
Asia	12.6
Europe	9.0
Middle East and North Africa	0.7
North America	2.1
Latin America	1.0
Total	**25.4**

- CRR 1-6 broadly stable over 2H20

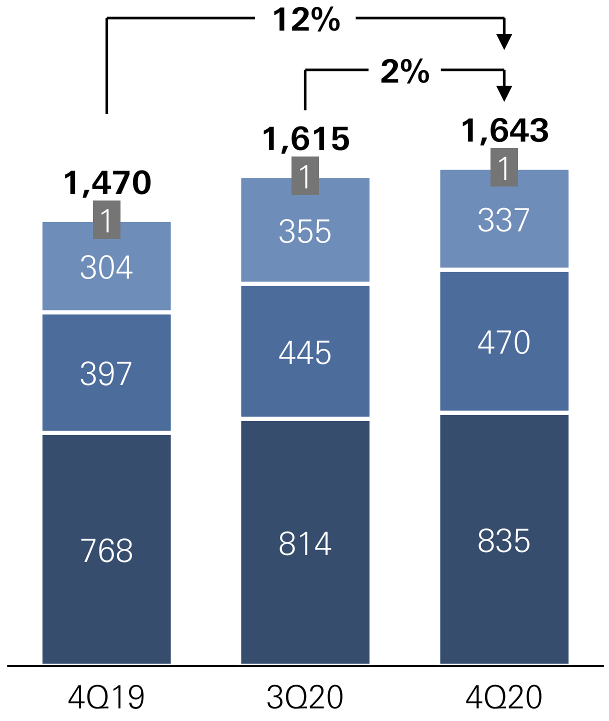
Totals may not cast due to rounding

Balance sheet

Customer lending, $bn



Customer accounts, $bn



WPB CMB GBM Corporate Centre

LDR: 63.2%

HQLA: $678bn

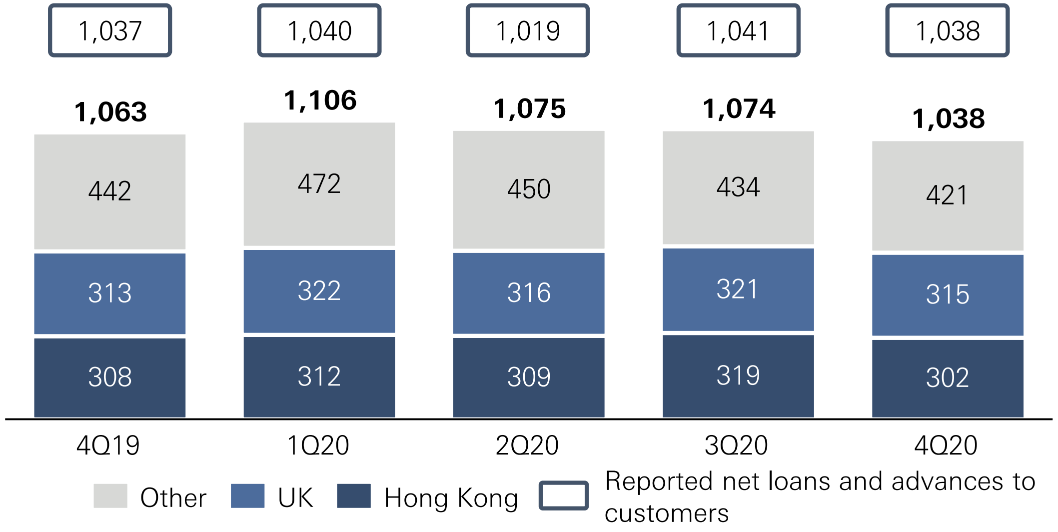
LCR*: 139%

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

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

Balance sheet – customer lending

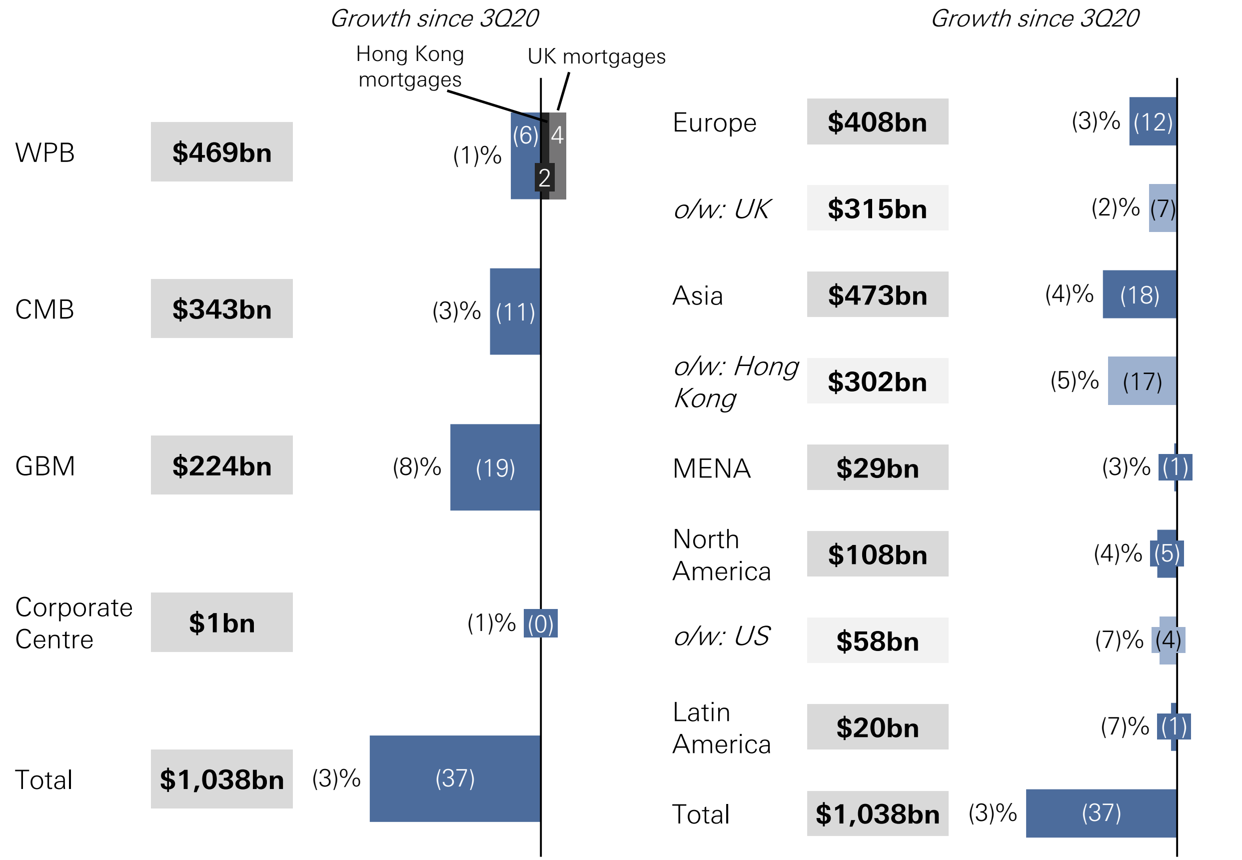
Adjusted customer lending (on a constant currency basis), $bn



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

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

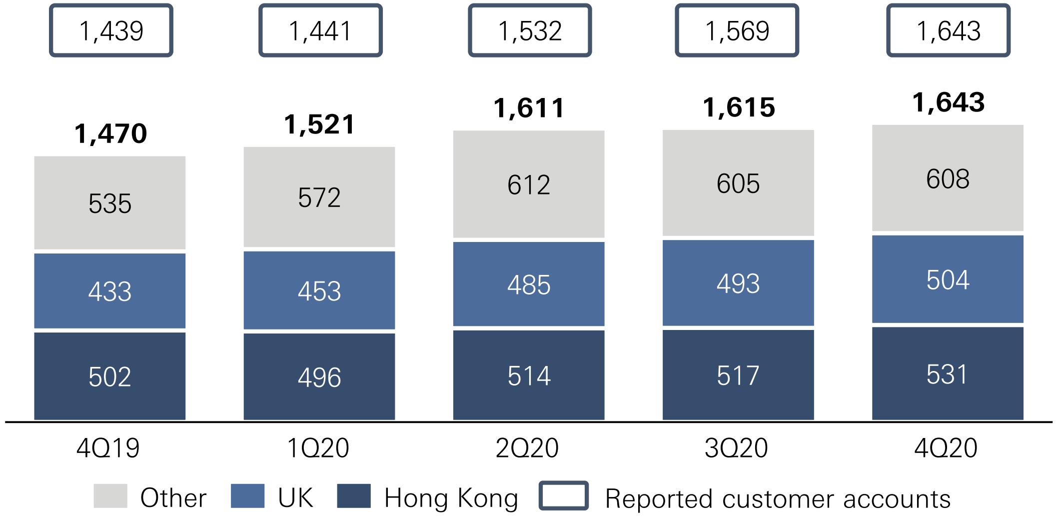
4Q20 adjusted customer lending growth by global business and region, $bn



Totals may not cast due to rounding

Balance sheet – customer accounts

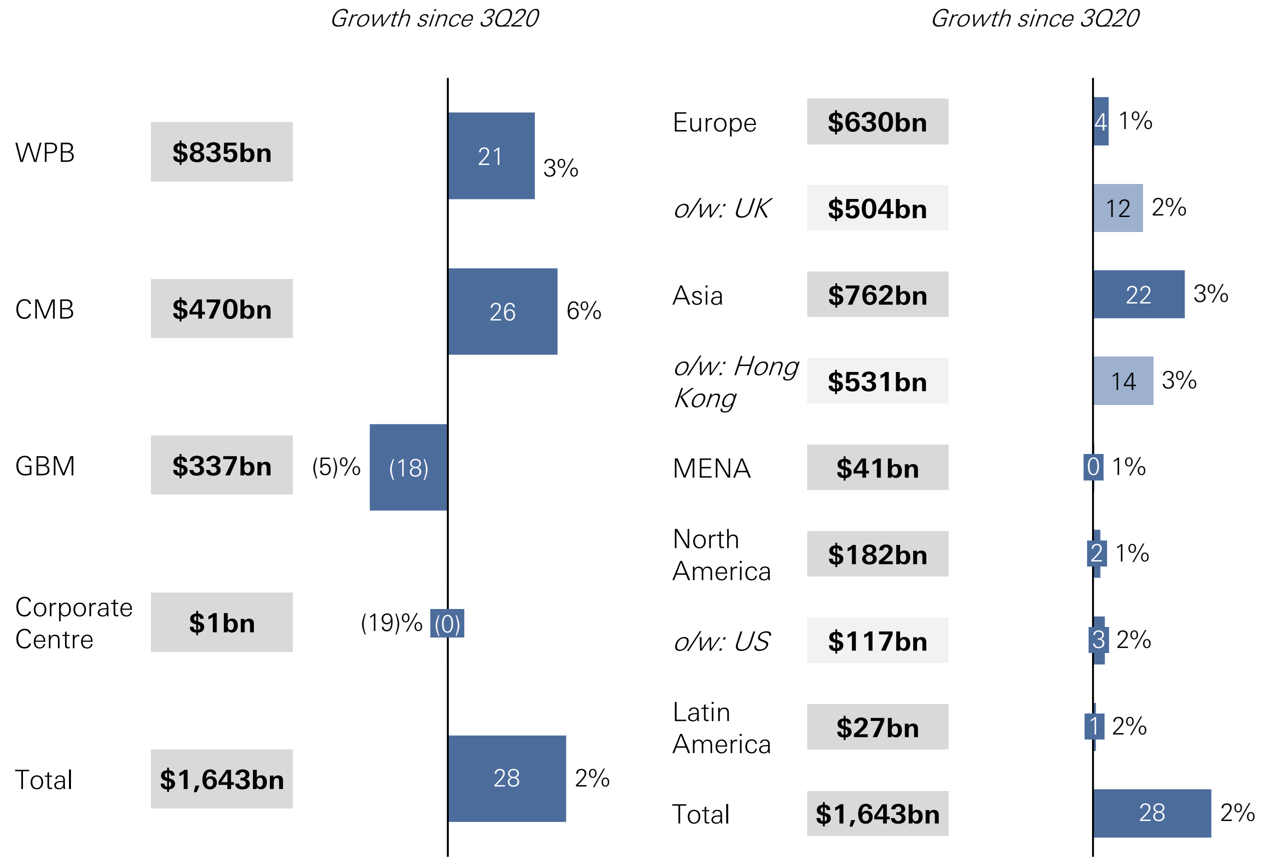
Adjusted customer accounts (on a constant currency basis), $bn



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

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

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



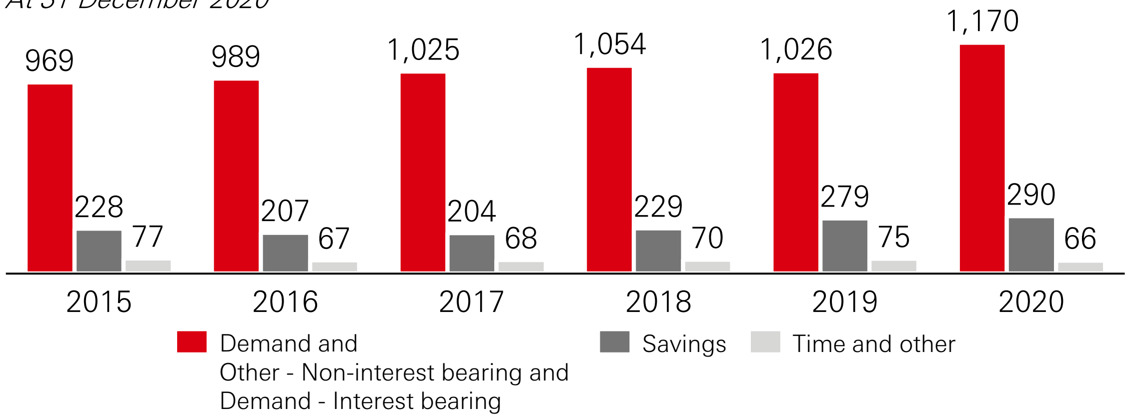
Totals may not cast due to rounding

Balance sheet – deposits by type

Group customer accounts by type, $bn

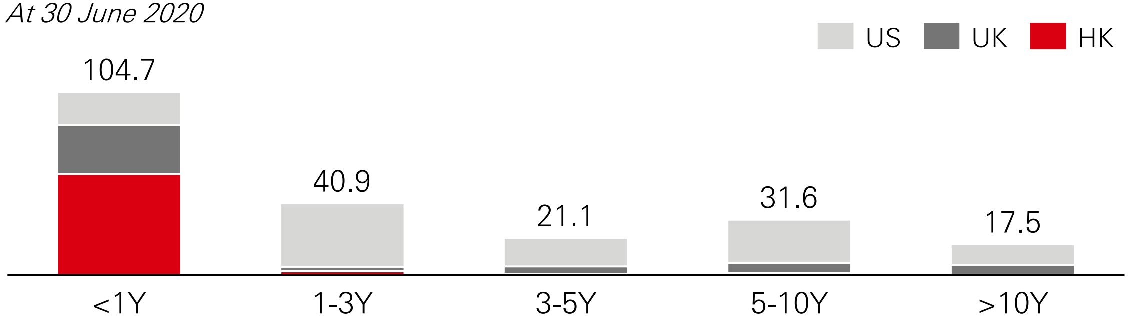
Average balances

At 31 December 2020



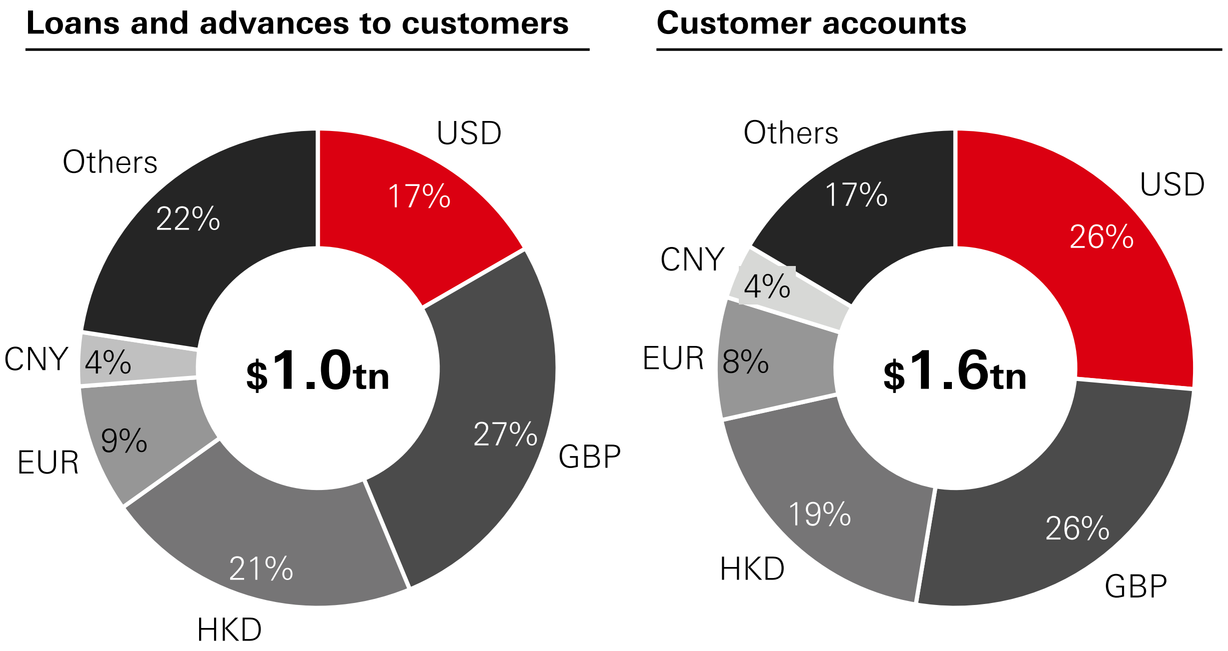
Group government bond exposures in key markets, $bn

At 30 June 2020



Group loans and deposits by currency

At 31 December 2020



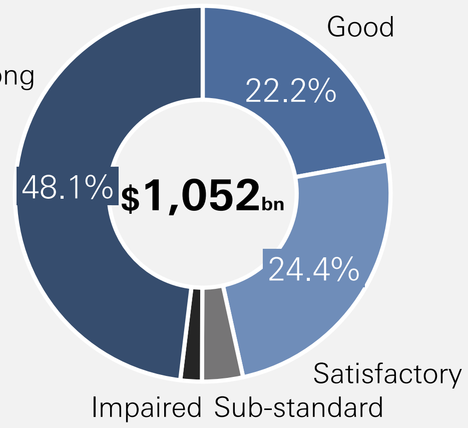
Hong Kong system deposits by currency at 31 December: 50% HKD; 36% USD; 13% Non-US foreign currencies. Source: HKMA

Asset quality

Gross loans and advances to customers

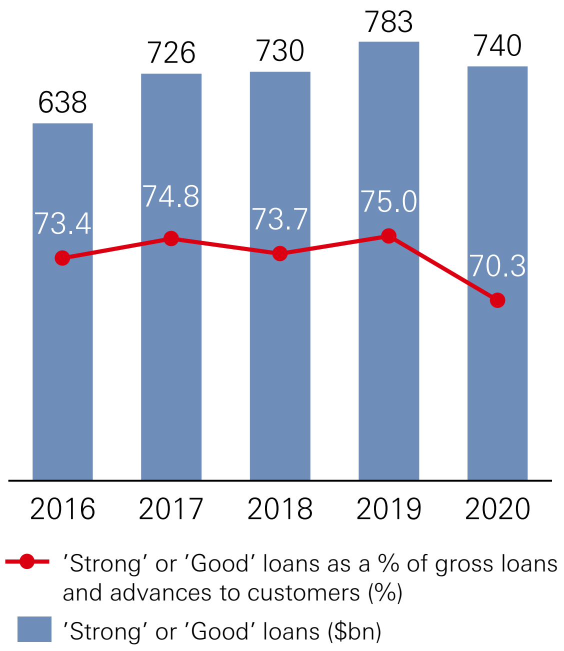
By credit quality classification

At 31 December 2020



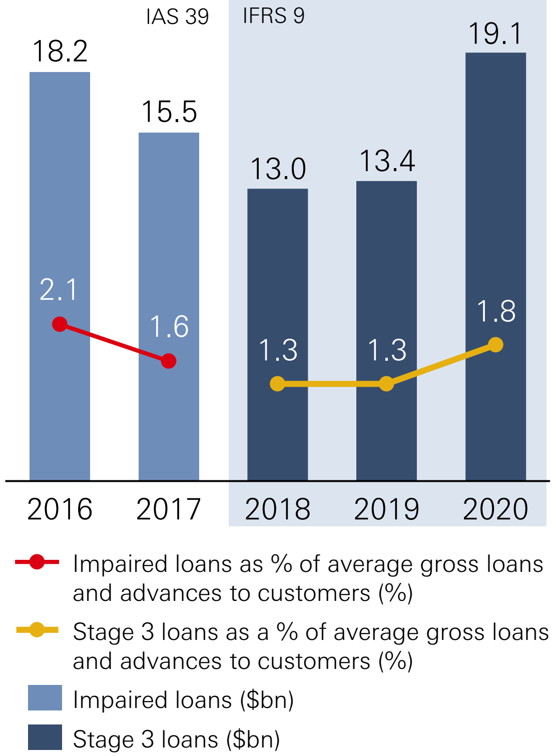
Strong	CRR 1-2
Good	CRR 3
Satisfactory	CRR 4-5
Sub-standard	CRR 6-8
Credit impaired	CRR 9-10

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



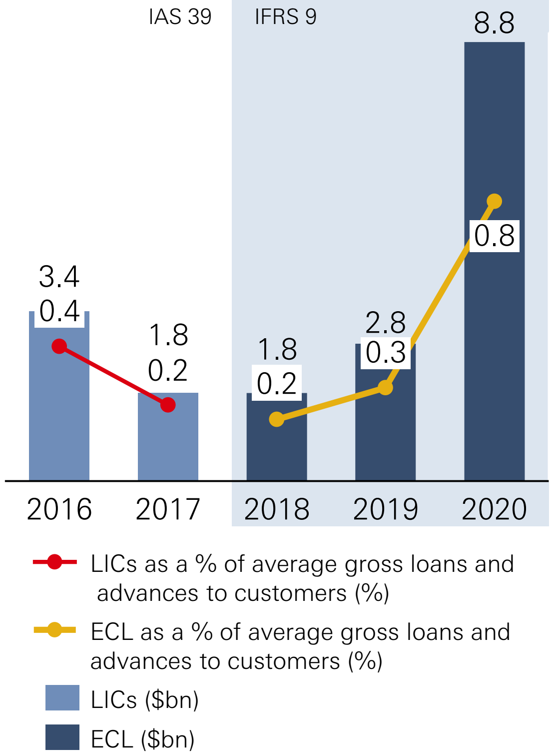
Strong or Good loans as a % of gross loans and advances to customers decreased to 70.3% due to the impact of Covid-19

Stage 3 and impaired loans and advances to customers



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

Reported LICs/ECL

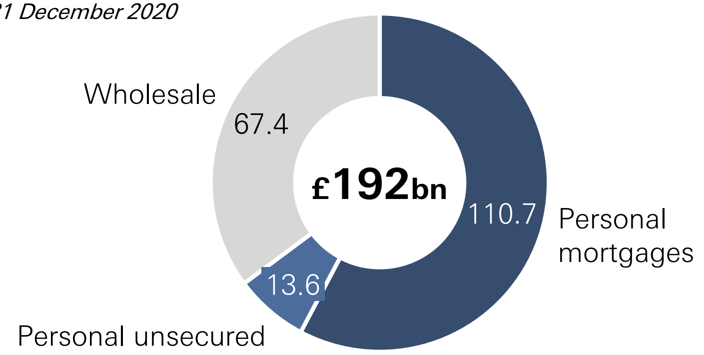


ECL charge of $8.8bn in 2020; ECL as a % of average gross loans and advances to customers of 81bps at FY20

UK RFB disclosures

Total RFB lending to customers, £bn

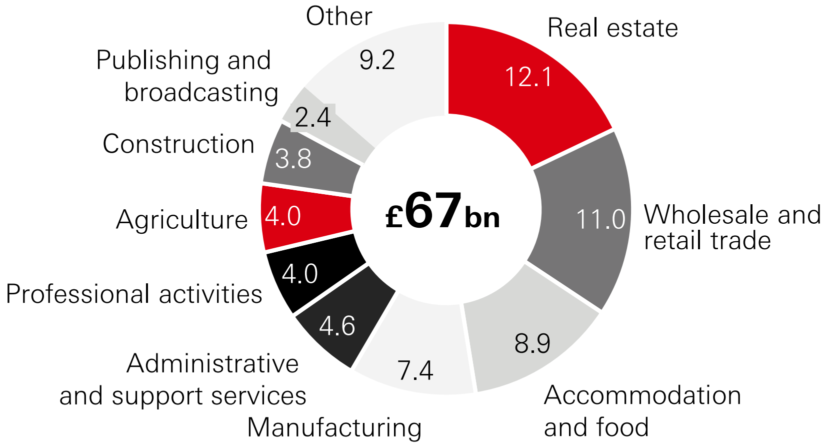
At 31 December 2020



Wholesale

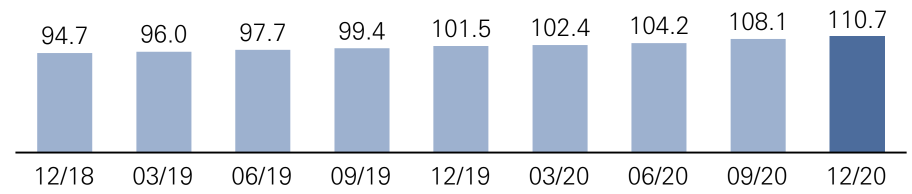
Gross wholesale loans and advances to customers, £bn

At 31 December 2020



Personal

Residential mortgage balances, £bn



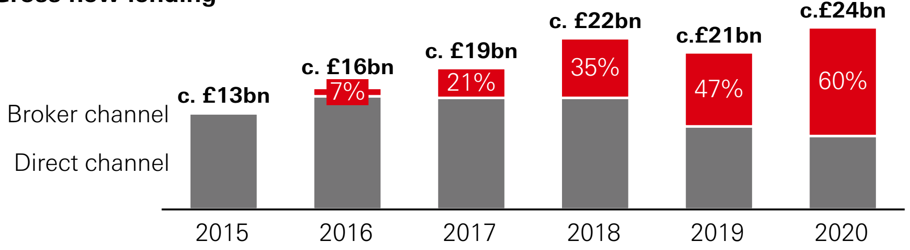
By LTV

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

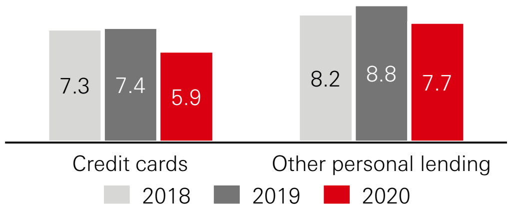
- c.26% of mortgage book is in Greater London
- Buy-to-let mortgages of £2.8bn
- Mortgages on a standard variable rate of £3.3bn
- Interest-only mortgages of £19.4bn[102]
- LTV ratios:
  - c.43% of the book <50% LTV%
  - new originations average LTV of 70%
  - average portfolio LTV of 51%

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

Gross new lending[103]

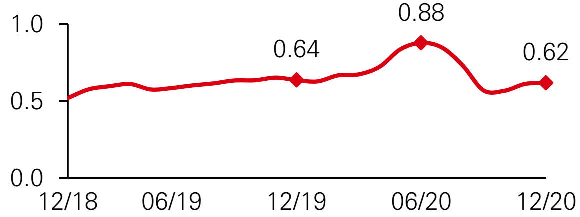


Unsecured lending balances, £bn



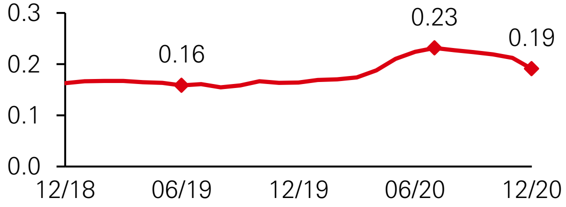
Delinquencies[103]

Credit cards: 90-179 day delinquency trend, %



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

Mortgages: 90+ day delinquency trend, %



Glossary

AIEA	Average interest earning assets
ANP	Annualised new business premiums
B2B2C	Business to Business to Customer
BAU	Business as usual
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point
CAGR	Compound annual growth rate
CET1	Common Equity Tier 1
Corporate Centre	Corporate Centre comprises Central Treasury, our legacy businesses, interests in our associates and joint ventures, central stewardship costs and the UK bank levy
CMB	Commercial Banking, a global business
CRD IV	Capital Requirements Directive IV
CRR	Customer risk rating. CRR 1-3 considered Strong to Good credit quality (roughly equivalent to an external credit rating of AAA to BBB-); CRR 4-5 considered Satisfactory (BB+ to BB-); CRR 6+ considered Sub-standard, broadly equivalent to an external rating of B- or below
CRR II	The amending Regulation to the CRD IV package which implements changes to the own funds regime and to MREL and elements of the Basel III Reforms in EU legislation. These changes follow a phased implementation from June 2019
CTA	Costs to achieve
C&L	Credit and Lending
ECL	Expected credit losses. In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied.
FICC	Fixed Income, Currencies and Commodities
GBM	Global Banking and Markets, a global business
GLCM	Global Liquidity and Cash Management
GPB	Global Private Banking, a former global business now part of Wealth and Personal Banking
Group	HSBC Holdings plc and its subsidiary undertakings
GTRF	Global Trade and Receivables Finance
HIBOR	Hong Kong Interbank Offered Rate
IFRS	International Financial Reporting Standard
IRB	Internal ratings-based

LCR	Liquidity coverage ratio
LDR	Loan-to-deposit 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
MT	Markets Treasury. Formerly known as Balance Sheet Management (BSM)
NCI	Non-controlling interests
NII	Net interest income
NIM	Net interest margin
NRFB	Non ring-fenced bank in Europe and the UK
PBT	Profit before tax
PD	Probability of default
POCI	Purchased or originated credit-impaired
Ppt	Percentage points
PVIF	Present value of in-force insurance contracts
RBWM	Retail Banking and Wealth Management, a former global business now part of Wealth and Personal Banking
UK RFB	HSBC UK, the UK ring-fenced bank, established July 2018 as part of ring fenced bank legislation
RoEV	Return on Embedded Value
RoTE	Return on average tangible equity
RWA	Risk-weighted asset
TNAV	Tangible net asset value
VNB	Value of new business written
WPB	Wealth and Personal Banking. A global business created from the consolidation of RBWM and GPB
XVAs	Credit and Funding Valuation Adjustments

Footnotes

1. A number of our clients were in need of financial relief as a result of the economic slowdown brought on by the Covid-19 pandemic, which we sought to address in a responsible way. This included extending our own relief measures such as payment holidays and loan moratoria, in addition to other market-wide and government-backed schemes to our customers. As reported at 2Q20, over 898 thousand accounts were impacted by these measures in 17 major markets, including over $52bn of relief extended to wholesale customers and over $26bn extended to personal customers
2. Unless otherwise stated, regulatory capital ratios and requirements are based on the transitional arrangements of the Capital Requirements Regulation in force at the time. These include the regulatory transitional arrangements for IFRS 9 'Financial Instruments'. Following the end of the transition period after the UK's withdrawal from the EU, any reference to EU regulations and directives (including technical standards) should be read as a reference to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018
3. We intend to transition towards a target payout ratio of between 40% and 55% of reported earnings per ordinary share ('EPS') from 2022 onwards, with the flexibility to adjust EPS for non-cash significant items, such as goodwill or intangibles impairments
4. Ticks and crosses refer to progress in FY20 against the FY20 plans, as communicated in the Feb-20 Update
5. Cost saves include 2020-22 cost programme saves as announced at Feb-20 and 2019 cost initiatives
6. Technology costs in operating expenses trends include transformation saves and are presented on a net basis
7. Technology cost increases in full-year and quarterly walks are presented on a gross basis (excl. saves)
8. Includes $1.1bn of gross RWA saves recognised following the transfer of certain customers to CMB. These saves have not been includes as part of the Group's gross RWA saves
9. The PRA has published a consultation on the reversal of the revised regulatory treatment of software assets; as such we have not considered these related capital benefits in our distributions
10. Leverage ratio at 31 December 2020 is calculated using the CRR II end-point basis for additional tier 1 capital and the CRR regulatory transitional arrangements for IFRS9; Leverage ratio includes CET1 benefit from the change in treatment of software assets, however the impact is immaterial
11. Source: Datastream. 3 month interbank offered rates
12. Source: Bain Covid-19 Pulse Survey, July 2020; Overall sample = 10k
13. 4Q20 v 4Q19
14. Source: Dealogic
15. Number of companies that have set or committed targets under the Science Based Targets Initiative (SBTi)
16. Expected. 'Growth investment': investment in strategic business growth (including build-out of front line staff). Over 5 years, 2020 – 2025
17. CMB platforms will be tested in Asia and rolled out across globally thereafter
18. Including GLCM and GTRF revenue
19. Excludes any inorganic actions
20. Medium-term defined as 3-4 years; long-term is defined as 5-6 years
21. Gross RWA saves of $24.4bn achieved in 2020, largely offset by changes in asset size and quality, and updates to models, methodology and policy. 2020 costs included a number of adverse items including real estate asset impairments, litigation costs, an increase in the Single Resolution Fund contribution and reduced capitalisation following the write-off of intangible assets
22. 'Investment' includes strategic business growth (including build-out of front line staff), and other strategic, regulatory, and technology investment (including amortisation)
23. The carbon emissions associated with our portfolio of our customers
24. Source: Environmental Finance Bond Database
25. Key initiatives of philanthropic programme include scaling climate innovation, renewable energy in emerging markets and nature-based solutions
26. Finance to Accelerate the Sustainable Transition-Infrastructure ('FAST-Infra') in partnership with the IFC, the OECD, the Global Infrastructure Facility (World Bank), and Climate Policy Initiative under the auspices of the One Planet Lab
27. Based on tangible equity of the Group's major legal entities excluding Associates, Holdings Companies, consolidation adjustments, and any potential inorganic actions
28. WPB TE as a share of TE allocated to the Global Businesses (excluding Corporate Centre). Excludes Holdings Companies, consolidation adjustments any potential inorganic actions
29. 2015-19 adjusted revenue CAGR
30. Source: IMF, October 2020
31. Source: internal and external benchmarks, data and industry experts. CAGR from 2019 to 2025
32. Source: IHS Markit Comparative World Overview, October 2020
33. Source: PwC, January 2019. Total client assets include pension funds, insurance companies, sovereign wealth funds, high net worth individual and mass affluent. AUM represents estimated share of total client assets managed on behalf of clients
34. Deposits: including HASE; Source HKMA, December 2020. Mortgage by Legal mortgage units, Source: mReferral, Nov 2020 YTD; Credit Card market share in terms of Receivables; September 2020
35. HK Trade Financing market share of 19.1% (including HASE); December 2020, Source: HKMA; Rank #1 based on other banks' disclosures in their annual reports
36. Source: Dealogic, including M&A, ECM, DCM and Loans for years 2018, 2019, 2020
37. Ultimate Parent Companies i.e. 'Mastergroups'
38. HSBC presence in Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam. Reported Revenue FY19, including revenue from recoveries by the Group's Service and Technology centres from other Group entities
39. HK Wealth includes Mandatory Provident Fund and Mutual Funds AUM, incl. HASE. source: Mercer October 2020; Insurance: including HASE. Source: Hong Kong Insurance Authority; September 2020
40. By AUM. Source: Asian Private Banker; 2019
41. Excluding HASE; December 2020
42. Includes revenue from recoveries by the Group's Service and Technology centres from other Group entities
43. Statistics Bureau of Guangdong Province, Guangdong Sub-Administration of Customs General Administration, Census and Statistics Department of the Government of Hong Kong SAR, Statistics and Census Service of Macao SAR
44. Boston Consulting Group, 2017 / Scorpio; 2019
45. Singapore Economic Development Board / Cushman Wakefield analysis; 2016
46. Client revenue is based on HSBC internal client management information and differs from reported revenue. Client revenue 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. Inbound revenue, which is client revenue booked in a country where the relationship is managed in a different country, as a percentage of total client revenue booked in Asia
47. To be achieved over the medium to long term. Medium-term defined as 3-4 years; long-term is defined as 5-6 years
48. Source: internal and external benchmarks, data and industry experts, 2019. N. America and Japan only include Private Banking; AuM number are inclusive of Insurance
49. Includes APAC ex-Japan onshore and offshore (booked in HK, Singapore and global centres)
50. Inclusive of Premier & Jade deposits and AUM, GPB client assets and AMG AUM
51. On a wealth AUM and GPB client assets basis
52. Of target client base within CMB
53. Comprised of 3K Pinnacle wealth planners and >2K client facing wealth managers
54. Wealth balances include Premier & Jade deposits and AUM
55. AMG AUM also included as part of Premier, Jade and GPB balances
56. To be achieved over the medium to long term, including doubling GPB PBT and RoTE
57. By AUM in the medium to long-term
58. With presence in 10 cities (3 hubs and 7 satellite cities)

Footnotes

59. International market share calculated using RfI Group - 20H1 International Banking Report. Mass affluent proportion refers to Jade and Premier
60. Source: World Bank, 2019
61. As at 16 February 2021
62. In January 2021
63. Technology headcount includes: full time equivalent (FTE) employees, contractors and third party service providers
64. Includes Operations within global business and functions, as well as in the Digital Business Services function
65. Should the Group find itself in an excess capital position absent compelling investment opportunities to deploy that excess
66. The Group will review whether to revert to paying quarterly dividends at or ahead of its 2021 results announcement in February 2022
67. Senior Management 'personnel represented by: Layer 3 i.e. direct reports of the Global Executive Committee (GEC); and Layer 4 i.e. direct reports of Layer 3
68. Eastern franchise is comprised of Asia Pacific and the Middle East. Western franchise is the rest
69. Based on latest available rankings; GLCM & GTRF source Oliver Wyman/Coalition benchmarking report as of FY19; Securities Services and FX source Coalition as of 1H20; Fixed Income source Coalition as of 1H20; DCM, Loans and M&A source Dealogic FY20, focus Emerging Asia (Asia ex-Japan DCM G3 Volume by Bookrunner, Loans Asia ex-Japan marketed revenues by Bank and M&A APAC Volume by Advisor excluding Japan, Australia, Korea and China domestic). Footnote Source: Coalition Greenwich Competitor Analysis. Analysis based on HSBC internal business structure and internal revenues. GLCM as of FY19, based upon the following peer group: Barc, BofA, BNPP, CACIB, Citi, DB, LBG, JPM, UniCredit, SCB, SG, WFC. GTRF as of FY19, based upon the following peer group: Barc, BofA, BNPP, CACIB, Citi, DB, MUFG, ING, JPM, SANT, SCB, SG, STANB, WFC. Securities Services as of 1H20, based upon the following peer group: BNPP, BNYM, BBH, CACEIS, Citi, DB, JPM, NT, RBC, SCB, State Street. FX and Fixed Income as of 1H20, based upon the following peer group: Barc, BofA, BNPP, Citi, CS, DB, GS, JPM, MS, SCB, SG, NWM, UBS, NOM.
70. Client revenue from transactions booked in the East where client relationships are managed in the West
71. Capital markets and Advisory: all Banking products to CMB. FX: all Markets products to CMB + FX products to Retail. Wealth: all Markets products to Private Banking + rest of Markets products to Retail. Referrals includes AMG products to GBM customers, EBS and Private Banking referrals
72. Client revenue is based on HSBC internal client management information and differs from reported revenue. Client revenue 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
73. 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
74. Domestic client revenue is client revenue that is booked in the same market in which the primary client relationship is managed. Cross-border client revenue is client revenue that is booked in a different market from where the primary client relationship is managed
75. Source: Dealogic. Volume shows the full (non-apportioned) amount of financing raised in transactions in which HSBC led or co-led
76. Excludes FY20 Corporate Risk Solutions revenue. Including this, Capital markets gross revenue increased by $228m or 13%
77. Oliver Wyman Coalition Global Transaction Banking benchmarking survey 2020; December 2020
78. Source: HKMA
79. Source: Bank of England
80. Source: The Institute of Customer Service
81. For a number of the metrics outlined, 2020 was a transition year. For further details, including the high-level framework for how we are looking to measure the progress on our new climate ambition, see the ESG review on page 42 of the 2020 Annual Report and Accounts.
82. Our customer satisfaction performance is based on improving from our 2017 baseline. Our scale markets are Hong Kong, the UK, Mexico, the Pearl River Delta, Singapore, Malaysia, the UAE and Saudi Arabia
83. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 4Q20 exchange rates
84. From 1st July 2018, Argentina was deemed a hyperinflationary economy for accounting purposes
85. Where observable long-tenor interest rates are at or close to zero, the -100bps stress sensitivity allows for the impact of negative interest rates. Additionally, the inverse impacts on profit after tax and total equity from interest rate changes is due to changes in risk discount rates which impact the present value of in-force long-term insurance business
86. Equity market investments in the Insurance manufacturing business are mainly benchmarked to MSCI World index (c.50%), MSCI Asia excl. Japan (c.50%); rebased to 100
87. A change in reportable segments was made in 2Q20. Comparative data have been re-presented accordingly
88. YTD, annualised. RoTE by Global Business excludes significant items and the UK bank levy. RoTE methodology annualises Profits Attributable to Shareholders, including ECL, in order to provide a returns metric. RoTE by Global Business for 4Q20 considers AT1 Coupons on an accruals basis, vs. Reported RoTE where it is treated on a cash basis
89. Where a quarterly trend is presented on the Balance Sheet, all comparatives are re-translated at 31 December 2020 exchange rates
90. A reconciliation of reported RWAs to adjusted RWAs can be found in the 'HSBC Holdings plc 4Q 2020 Datapack'
91. Embedded value in insurance manufacturing is equal to the overall balance sheet equity, including PVIF (present value in-force)
92. Asian Life Insurance company of the year Award at 24th Asia Insurance Industry Awards 2020
93. Bloomberg Businessweek Financial Institution Awards 2020
94. Association of British Insurers, as at Q3 2020
95. Total includes POCI balances and related allowances
96. 'Exited payment holidays' is defined as customers leaving a payment holiday agreements without requiring further lending relief and with payment behaviour.
97. Based on customers exiting payment holiday agreements that have passed one regularly scheduled payment date in 5 markets (the UK, Malaysia, Mexico, the US and Australia)
98. 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'
99. HSBC's insurance business has exposure to the oil and gas industry via investment-grade bond holdings which are excluded from these charts and tables. The majority of the credit risk of these instruments is borne by policyholders
100. Risk measure, excludes repos and derivatives. Guarantees are excluded from tables and charts. Oil & gas excludes 4Q20 guarantees of $5.2bn (3Q20: $4.9bn); Aviation excludes 4Q20 guarantees of $0.5bn (3Q20: $0.5bn); Restaurants and leisure excludes 4Q20 guarantees of $0.2bn (3Q20: $0.2bn); Retail excludes 4Q20 guarantees of $4.6bn (3Q20: $3.9bn)
101. Includes aircraft lessors. Aircraft lessors that are part of a banking group are not included in aviation exposures
102. Includes offset mortgages in first direct, endowment mortgages and other products
103. Excludes Private Bank

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Forward-looking statements

This Presentation may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position, strategy and business of the Group which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "project", "plan", "estimate", "seek", "intend", "target" or "believe" or the negatives thereof or other variations thereon or comparable terminology (together, "forward-looking statements"), including the strategic priorities and any financial, investment and capital targets described herein. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. The assumptions and judgments may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions, regulatory changes or due to the impact of the Covid-19 outbreak). Any such forward-looking statements are based on the beliefs, expectations and opinions of the Group at the date the statements are made, and the Group does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management's beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein.

Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts for the fiscal year ended 31 December 2019 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 19 February 2020 (the "2019 Form 20-F"), our 1Q 2020 Earnings Release furnished to the SEC on Form 6-K on 28 April 2020 (the "1Q 2020 Earnings Release"), our Interim Financial Report for the six months ended 30 June 2020 furnished to the SEC on Form 6-K on 3 August 2020 (the "2020 Interim Report"), our 3Q 2020 Earnings Release furnished to the SEC on Form 6-K on 27 October 2020 (the "Q3 2020 Earnings Release") as well as in our Annual Report and Accounts for the fiscal year ended 31 December 2020 available at www.hsbc.com and which we expect to file with the SEC on Form 20-F on 24 February 2021 (the "2020 Form 20-F").

Alternative Performance Measures

This Presentation contains non-IFRS measures used by management internally that constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with SEC rules and regulations ("Alternative Performance Measures"). The primary Alternative Performance Measures we use are presented on an "adjusted performance" basis which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business.

Reconciliations between Alternative Performance Measures and the most directly comparable measures under IFRS are provided in our 2019 Form 20-F, our 1Q 2020 Earnings Release, our 2020 Interim Report, our 3Q 2020 Earnings Release and our 2020 Form 20-F, when filed, each of which are available at www.hsbc.com.

Information in this Presentation was prepared as at 23 February 2021.