

HSBC US

February 2023 Business Update



HSBC USA has been fundamentally transformed over the past three years

	Pre-Transformation (2019)	Post-Transformation (2022)	2019-2022 Change (%)
Description	<ul style="list-style-type: none"> ◆ A universal bank supporting international and domestic wholesale and mass market retail clients ◆ Four separate, distinct businesses 	<ul style="list-style-type: none"> ◆ An international client-centric wholesale bank with a targeted wealth platform for affluent clients ◆ Three integrated, collaborative businesses 	
# of Clients (k)	~1,700	~450	(73)% ¹
Adjusted PBT, \$bn	0.6	1.0	+64%
Operating expenses, \$bn	3.9	3.0	(23)%
PRA RWAs, \$bn	89	72	(19)%
FTE	~10,000	~6,000	(~40)%

A reconciliation of reported results to adjusted results can be found on slide 9, the presentation unless otherwise stated, is presented on an adjusted basis
 Figures throughout this presentation may be subject to rounding adjustments and therefore may not sum precisely to totals given in charts, tables or commentary

We have completed all key transformation actions on schedule



Retail/Wealth:

- ◆ Merged Private Banking and Retail Banking into Wealth & Personal Banking (WPB)
- ◆ Exited ~90% of the branch network
- ◆ Divested mass market retail and open market credit cards



Wholesale:

- ◆ Migrated Fixed Income and Structured Equity Derivatives to Europe



Operational:

- ◆ Consolidated middle/back-office functions for the wholesale and wealth businesses
- ◆ Restructured Digital Business Services (DBS) and Global Functions to align with smaller business



Capital:

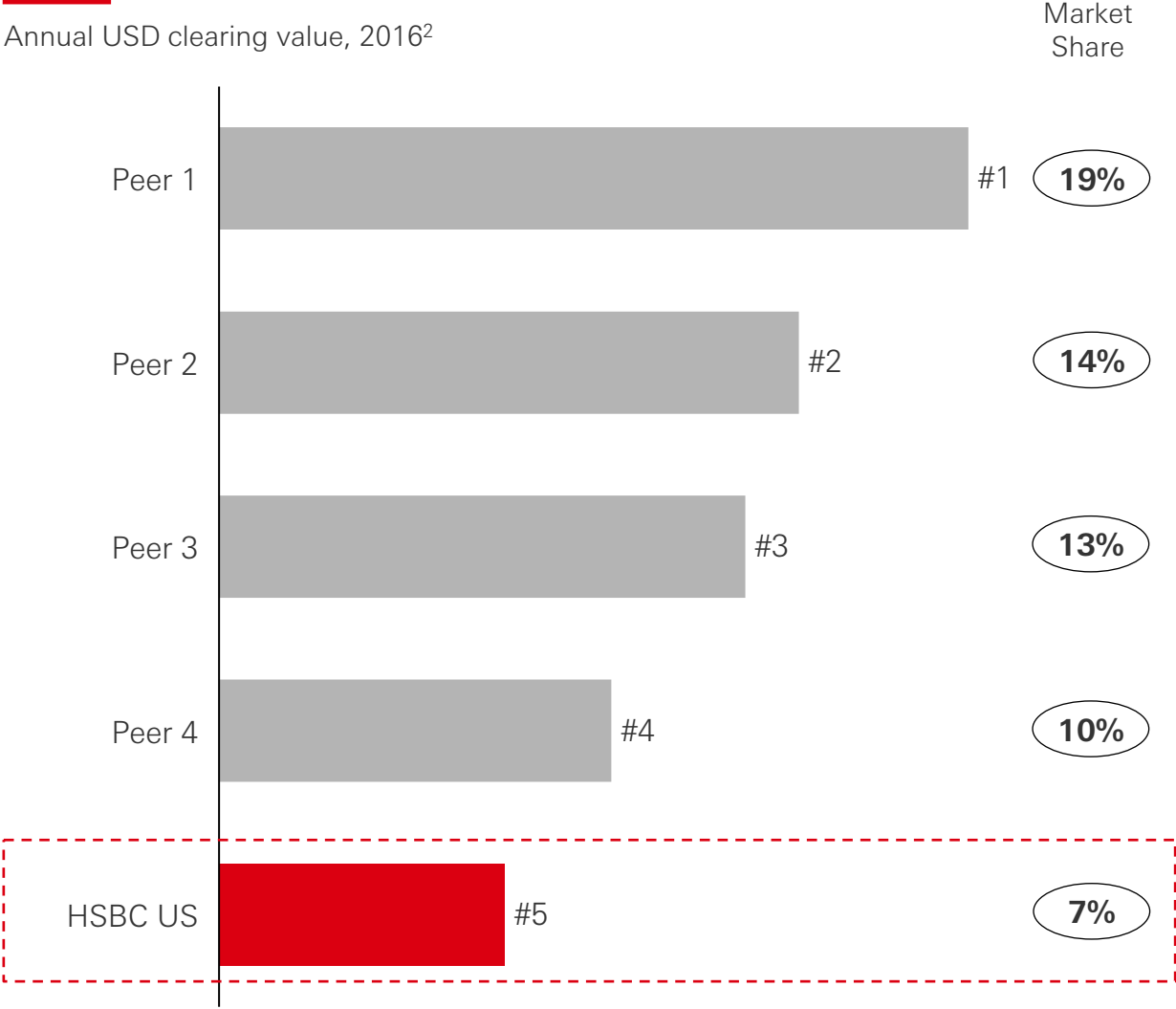
- ◆ Repatriated a cumulative c.\$6bn in capital to HSBC Holdings plc (2019-2022)

Restructuring plan complete – poised for growth

The US is integral to HSBC Group's strategy and value proposition

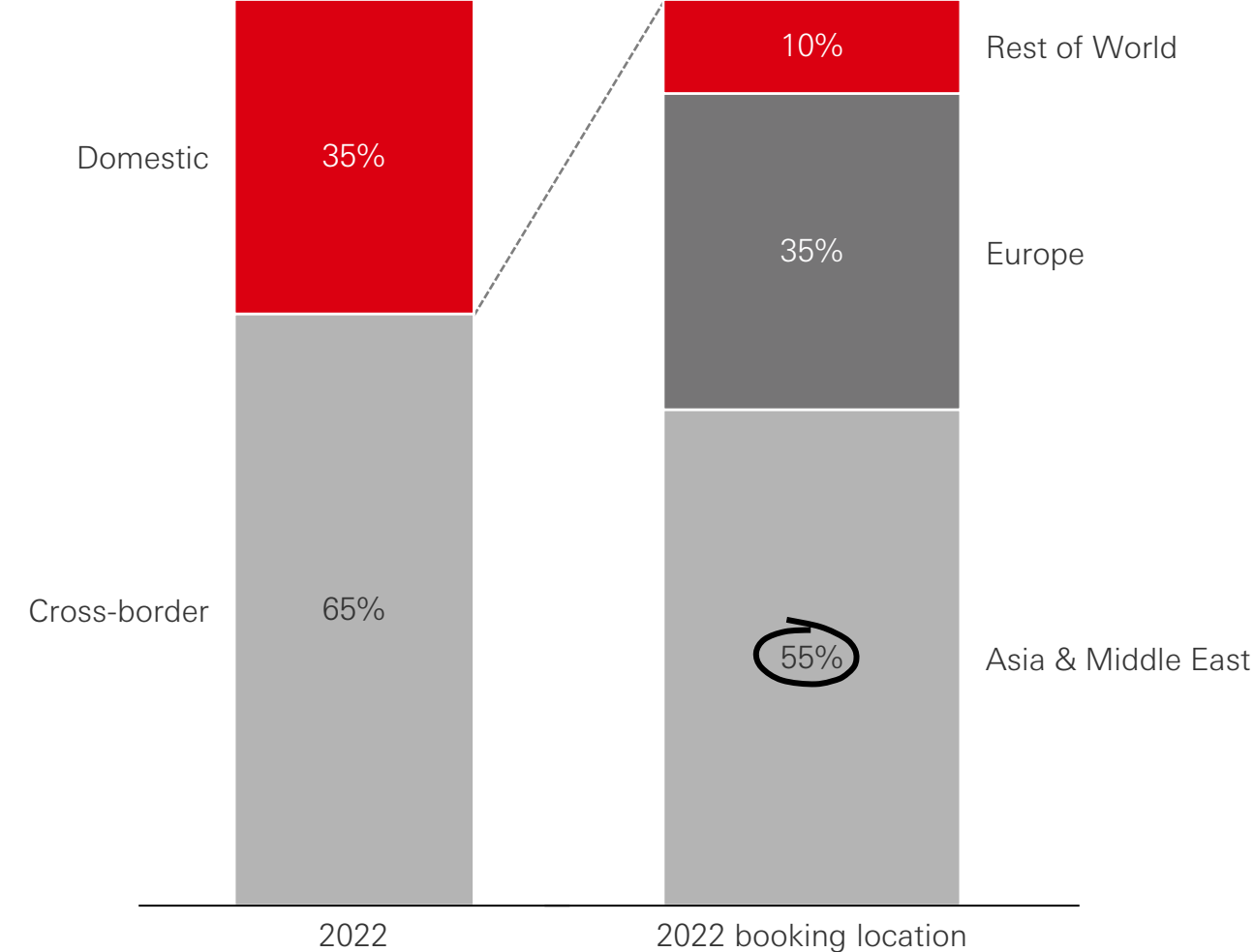
HSBC US is a top 5 US dollar clearer²...

Annual USD clearing value, 2016²



>50% of HSBC US wholesale client business goes to Asia and the Middle East

2022 Wholesale client business³



WPB has been transformed from a retail to wealth-driven business

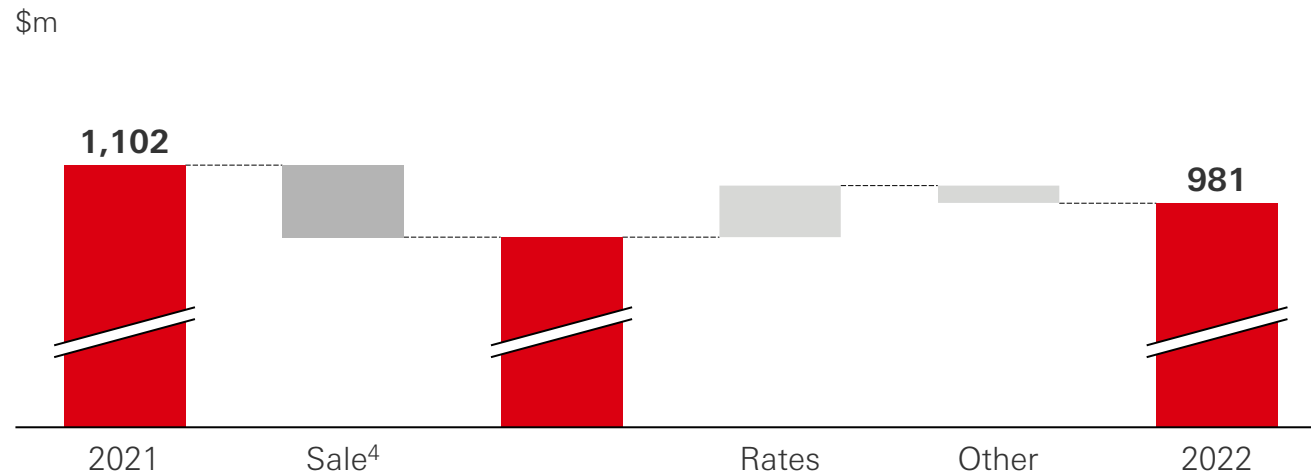
Overview

- ◆ Repositioned as an international wealth platform for globally mobile and affluent clients
- ◆ Divested mass market retail banking and credit cards in 2022
- ◆ Exited **~70%** of client base, retained **~90%** of revenue
- ◆ Physical footprint reduced to 22 Wealth Centers in bicoastal international US markets (e.g., NYC, LA, Miami)
- ◆ \$186m adjusted PBT in 2022 (first positive PBT in 5 years)

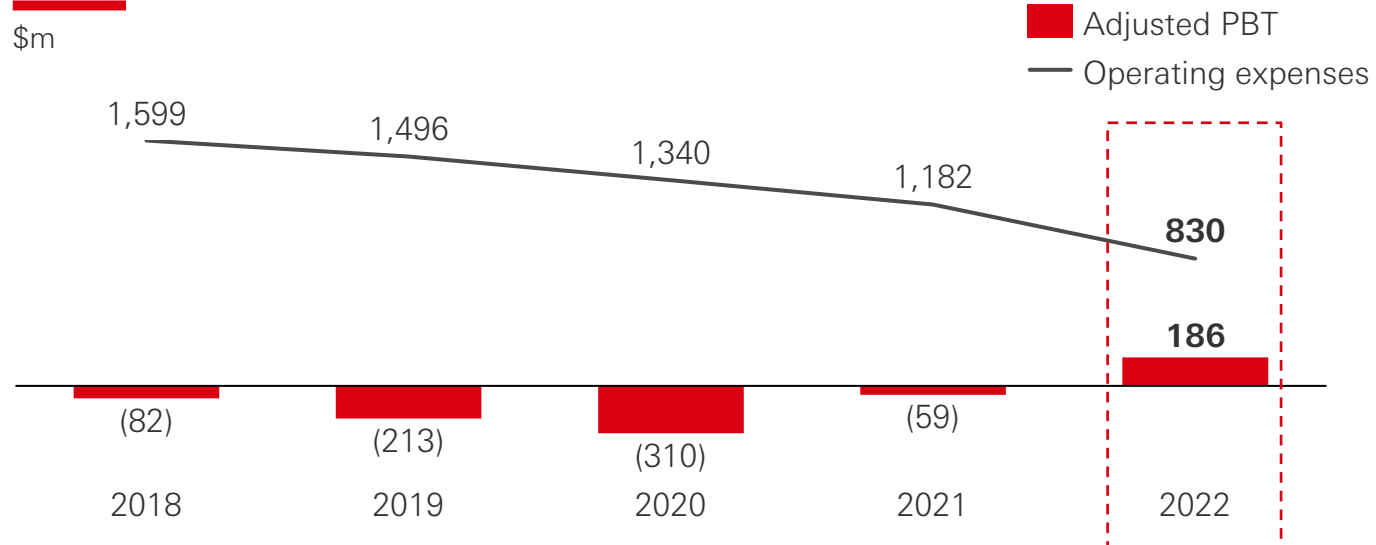
WPB pre- and post-divestitures summary

	Pre-Divestitures (2021)	Post-Divestitures (2022)
# Branches/Wealth Centers	133	22
FTE	2,600	1,500
Deposits (\$bn)	39	32
PRA RWA (\$bn)	15	12

2021-2022 revenue walk



Adjusted PBT and operating expenses trend



US financial overview

Adjusted income statement

\$m

	2022	vs. 2021	Growth YoY (%)
Revenue	4,008	(12)	-
ECLs	(20)	(225)	>(100%)
Operating expenses	(3,015)	313	(9%)
Adjusted PBT	973	76	8%
Significant items	(324)	45	(12%)
Reported PBT	649	121	23%

Balance sheet

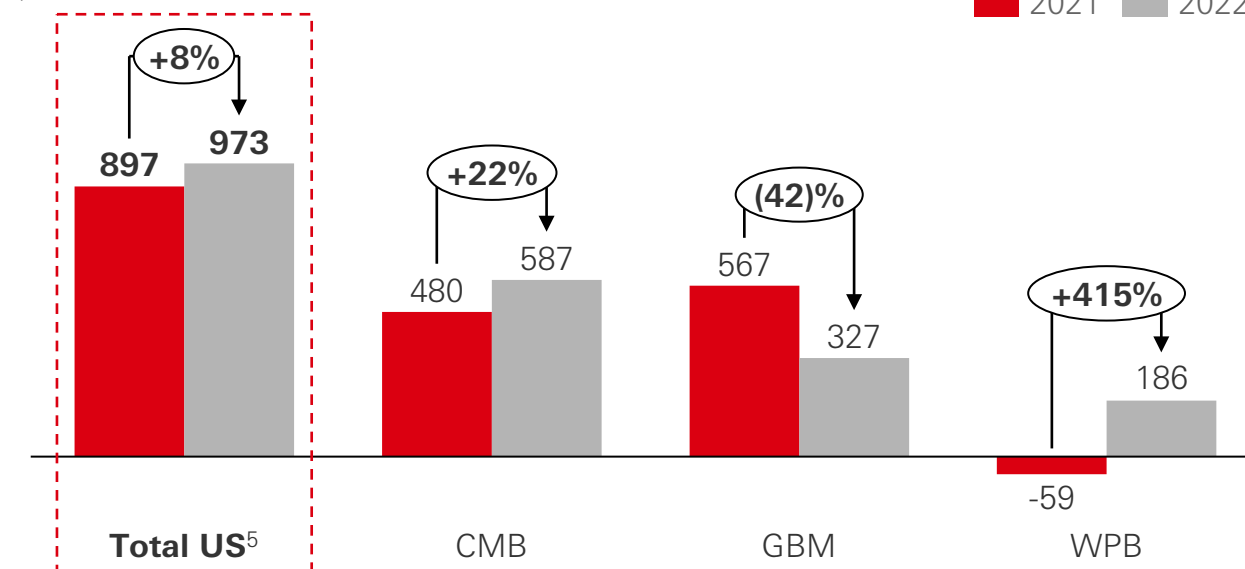
\$bn

	2022	vs. 2021	Growth YoY (%)
Net loans and advances to clients	54	1	2%
Client deposits	100	(12)	(10%)
PRA RWAs	72	(6)	(7%)
Total assets	221	(24)	(10%)

Adjusted PBT by business

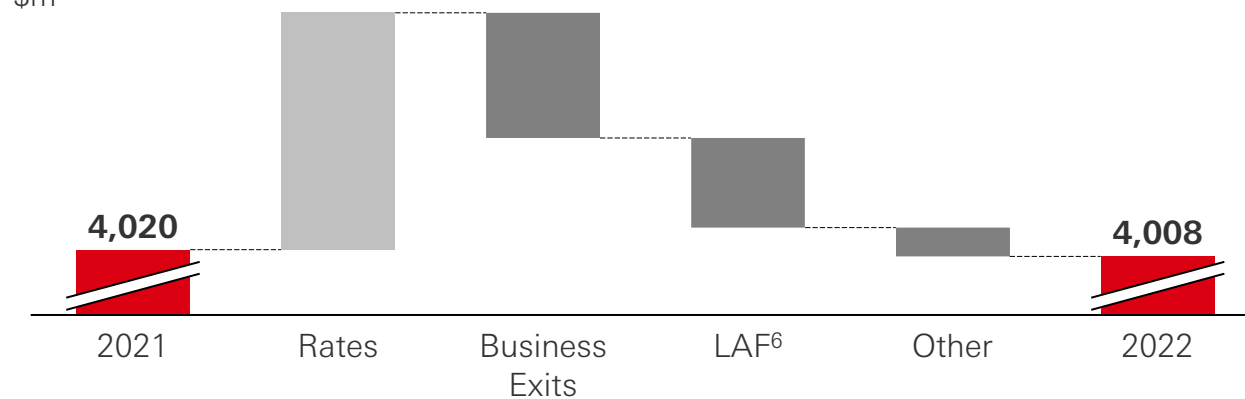
\$m

2021 2022



2021-2022 revenue walk

\$m



Appendix

Americas 2022 financial overview

Adjusted income statement

\$m

	US	Canada	Mexico	Rest of Latin America
Revenue	4,008	1,951	2,768	1,055
ECLs	(20)	(84)	(507)	(54)
Operating expenses	(3,015)	(951)	(1,527)	(724)
Associates profit share	-	-	12	-
Adjusted PBT	973	916	746	277
Significant items	(324)	(84)	(134)	(36)
Reported PBT	649	833	612	241

Balance sheet

\$bn

	US	Canada	Mexico	Rest of Latin America
Net loans and advances to clients	54	55	20	3
Client deposits	100	61	26	6
PRA RWAs	72	31	27	12
Total assets	221	96	39	10

Americas region trends and opportunities



Trade is rebounding faster than GDP⁷ (+18% YoY growth in USMCA imports and exports)



Supply chains are moving to Mexico (e.g., ~60% FDI increase⁸ into Mexico's Northern Border states)



HSBC intra-Americas cross-border client business³ showed double-digit % growth YoY



Cross line-of-business collaboration is high (e.g., ~60% of new WPB clients in Mexico through Employee Banking Solutions)



Citibanamex exit offers opportunities for new wholesale and retail client growth



HSBC Mexico Global Service Centre enables greater cost efficiencies across the Americas

USA financial performance

FY22

\$m	WPB	CMB	GBM	CC	Total
Revenue	981	1,174	1,706	148	4,008
ECL	35	(22)	(33)	—	(20)
Operating expenses	(830)	(565)	(1,346)	(276)	(3,015)
Adjusted PBT	186	587	327	(128)	973
Significant items	23	(30)	(57)	(259)	(324)
Reported PBT	209	557	270	(387)	649
Customer loans	21,628	23,236	9,295	—	54,159
Customer accounts	31,554	39,618	29,232	—	100,404
RWAs (as reported)	12,109	29,937	27,073	3,210	72,329

FY21

\$m	WPB	CMB	GBM	CC	Total
Revenue	1,102	1,031	1,716	172	4,020
ECL	21	26	158	—	205
Operating expenses	(1,182)	(577)	(1,307)	(262)	(3,328)
Adjusted PBT	(59)	480	567	(90)	897
Significant items	(72)	(8)	(43)	(427)	(369)
Reported PBT	(131)	472	524	(337)	528
Customer loans	21,539	21,475	9,665	—	52,678
Customer accounts	39,269	43,709	28,949	(5)	111,921
RWAs (as reported)	14,839	29,962	30,017	2,960	77,778

Footnotes

1. Primarily due to the sale of mass market retail banking and credit cards in 2022
2. Clearing House Interbank Payments System (CHIPS) and Fedwire Funds Service 2016 (most recent available date)
3. Client business differs from reported revenue as it relates to certain client specific income, and excludes certain products (including Principal Investments, GBM “other” and asset management), Group allocations, recoveries and other non-client related and portfolio level revenue. It also excludes Hang Seng. GBM client business includes an estimation of client-specific day one trade specific revenue from MSS products, which excludes ongoing mark-to-market revenue and portfolio level revenue such as hedging. Cross-border client business represents the income earned from a client’s entity domiciled in a different geography than where the client group’s global relationship is managed. ‘Booking location’ represents the geography of the client’s entity or transaction booking location where this is different from where the client group’s global relationship is managed. Cross-border client business represents the income earned from a client’s entity domiciled in a different geography than where the client group’s global relationship is managed
4. Estimated impact of sale on revenue
5. Total US also includes Corporate Centre
6. Leveraged Acquisition Finance
7. UNCTAD, WTO, September 2022
8. Deloitte, Mexico Ministry of Economics, June 2022

Disclaimer

Important notice

The information, statements and opinions set out in this presentation and accompanying discussion ("this Presentation") are for informational and reference purposes only and do not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any advice or recommendation in respect of such securities or other financial instruments.

This Presentation, which does not purport to be comprehensive nor render any form of legal, tax, investment, accounting, financial or other advice, has been provided by HSBC Holdings plc (together with its consolidated subsidiaries, the "Group") and has not been independently verified by any person. You should consult your own advisers as to legal, tax investment, accounting, financial or other related matters concerning any investment in any securities. No responsibility, liability or obligation (whether in tort, contract or otherwise) is accepted by the Group or any member of the Group or any of their affiliates or any of its or their officers, employees, agents or advisers (each an "Identified Person") as to or in relation to this Presentation (including the accuracy, completeness or sufficiency thereof) or any other written or oral information made available or any errors contained therein or omissions therefrom, and any such liability is expressly disclaimed.

No representations or warranties, express or implied, are given by any Identified Person as to, and no reliance should be placed on, the accuracy or completeness of any information contained in this Presentation, any other written or oral information provided in connection therewith or any data which such information generates. No Identified Person undertakes, or is under any obligation, to provide the recipient with access to any additional information, to update, revise or supplement this Presentation or any additional information or to remedy any inaccuracies in or omissions from this Presentation. Past performance is not necessarily indicative of future results. Differences between past performance and actual results may be material and adverse.

Forward-looking statements

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

Additional detailed information concerning important factors, including but not limited to ESG related 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 2021 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 23 February 2022 (the "2021 Form 20-F"), our 1Q 2022 Earning Release furnished to the SEC on Form 6-K on 26 April 2022 (the "1Q 2022 Earnings Release"), our Interim Financial Report for the six months ended 30 June 2022, furnished to the SEC on Form 6-K on 1 August 2022 (the "2022 Interim Report"), our 3Q 2022 Earnings Release, furnished to the SEC on Form 6-K on 25 October 2022 (the "3Q 2022 Earnings Release") and our Annual Report and Accounts for the fiscal year ended 31 December 2022 available at www.hsbc.com and filed with the SEC on Form 20-F on 22 February 2023 (the "2022 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 2021 Form 20-F, our 1Q 2022 Earnings Release, our 2022 Interim Report, our 3Q 2022 Earnings Release and our 2022 Form 20-F, each of which are available at www.hsbc.com.

Information in this Presentation was prepared as at 21 February 2023.

