HSBC Life

IFRS 17 teach-in for Investors and Analysts

9 March 2023

HSBC
Life

Insurance strategy

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HSBC Life

HSBC Life overview

Overview

HSBC **manufactures** life and health insurance products in **10 markets**[1]

Key manufacturing markets are Hong Kong, mainland China, Singapore, India[1], the UK and Mexico

HSBC Life manufactured products are distributed through **HSBC channels** as well as **external channels** (e.g. Independent Financial Advisers, brokers, 3rd party banks)

Insurance manufacturing is **core to our Wealth strategy**, particularly in Asia

HSBC also **distributes** life and general insurance products from partners in **30 markets** where we do not manufacture

Aligned with Group priorities of increasing fee income and growing our WPB franchise

FY22 selected financial information (IFRS 4)

$17.7bn
Manufacturing Embedded Value

$1.3bn
Manufacturing VNB

$606m
Gross dividend[2]

$14.1bn
Manufacturing Gross Premium Income

$2.4bn
Manufacturing ANP

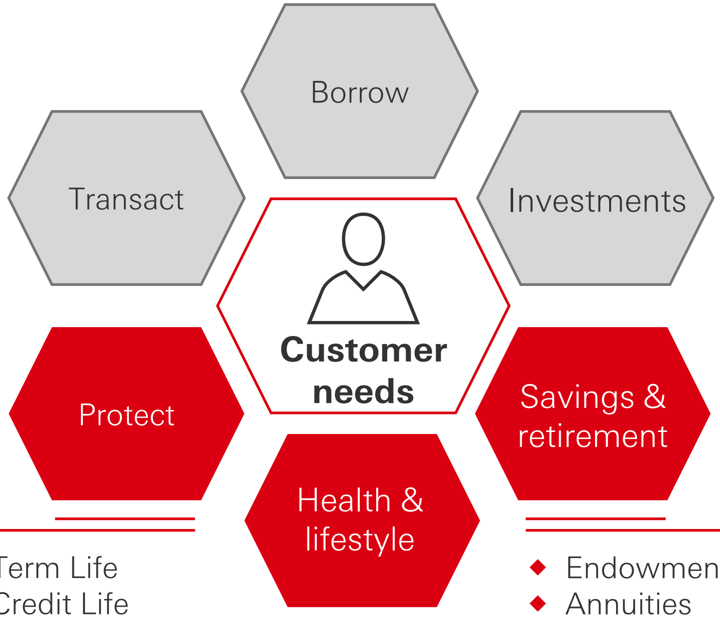
$147bn
Manufacturing total assets

$503m
Distribution revenue from HSBC Life

$320m
Distribution revenue from partners

HSBC Life – an integrated business model

Key customer needs



Protect
- Term Life
- Credit Life protection
- Whole of Life
- Universal Life
- Key person insurance
- Auto/Motor/ Home
- Travel

Health & lifestyle
- Accident & Health
- Critical illness

Savings & retirement
- Endowment
- Annuities
- Unit-linked
- Retirement income

Customer needs met by Insurance

Customer needs met by the rest of HSBC

- Serving customers across retail and private bank, SMEs and corporates
- More effective integration across customer journeys, propositions, loyalty and rewards mechanisms, data analytics and customer engagement
- High quality holistic advice and conduct standards
- Revenue and cost synergies with WPB, CMB, and GBM
- Operating integration across Technology, Data Analytics and Customer Lifecycle Management
- HSBC Life driving new-to-bank customer acquisition for the Group

Focused on growing value

Growth ambition focus

- **Market growth** – Hong Kong (#1 life insurer[3]), mainland China, India, Singapore, the UK and Mexico
- Opportunities to **increase penetration** of the bank customer base across segments in key manufacturing markets
- HSBC Life led **distribution channel expansion** - e.g. Pinnacle in mainland China and tied agency in Singapore
- Growing mix of **health and protection propositions**

Driving value creation for shareholders[4]

- Embedded value increased from **$15.4bn to $17.7bn** (2020-2022)
- **VNB CAGR of 31%** (2020-2022); $3.2bn cumulative VNB in the last 3 years, with **c.80% from Hong Kong**
- FY22 **VNB margin of 56%** (up from 38% in 2021)
- Contributor to Group (FY22 gross dividend[2] of $0.6bn)

IFRS 17 update

Alistair Chamberlain

CFO, Global Wealth and Insurance

HSBC Life

Executive summary

1 IFRS 17 **does not change the economics of the insurance business** and decreases the **volatility of Group RoTE**

2 **No expected impact on**:

- **Regulatory capital** of the Group and Insurance
- Insurance business **solvency**
- **Lifetime expected profit** of insurance contracts
- **Cash and dividend generation**

3 **Likely impacts**[5] on 1H22 reported comparatives: **Group revenue down $0.7bn** (3%); Group costs down $0.3bn (1%); **Group PBT down $0.4bn** (4%); Insurance manufacturing PBT down $0.3bn (c.50%)

4 At transition[5], **Group total equity** is expected to reduce by $10.5bn and **tangible equity** is expected to reduce by $2.4bn; a **contractual service margin (CSM)** liability is created

5 **Insurance equity + CSM** represents the net asset value and expected future earnings of the in-force business

6 **FY23 Group NII estimated to be c.$2.3bn lower; minimal expected impact** on other key Group financial targets and guidance

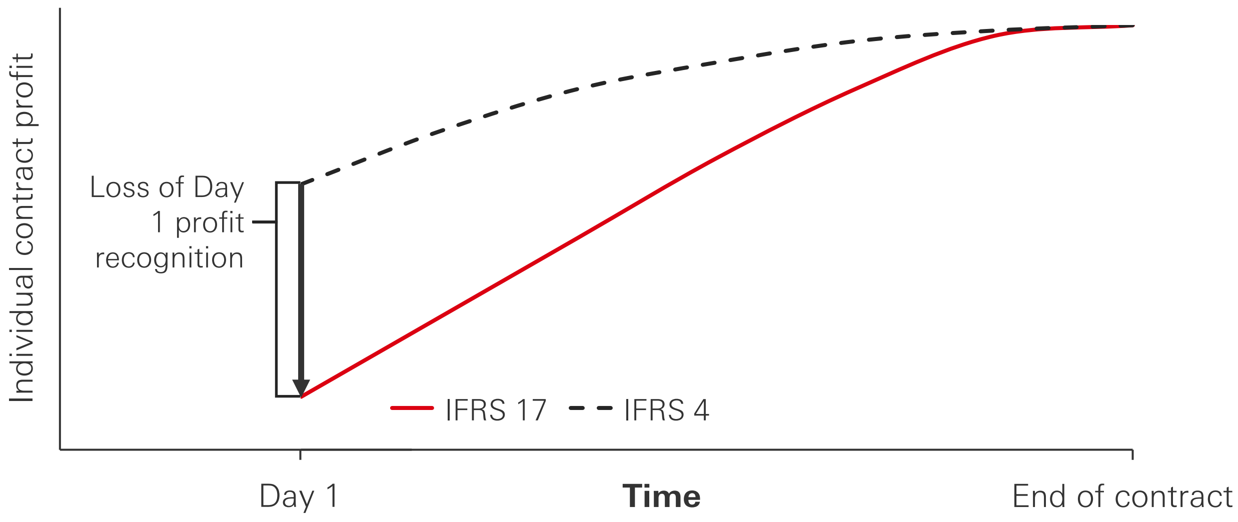
IFRS 17 vs. IFRS 4 accounting changes

Accounting changes

HSBC adopted IFRS 17 from 1 January 2023

- **Equity** at transition impacted by:
  - Elimination of PVIF intangible and related deferred tax liability
  - Establishing a Contractual Service Margin ('CSM') liability representing the estimated future profit of the in-force business. It is calculated based on **market consistent assumptions** where future investments spreads are excluded
  - Reclassification of certain assets to fair value, aligning with updated IFRS 17 liability measurement
- **Revenue** will no longer be booked up-front, instead recognised as services are provided over the duration of a contract
- **Earnings** will predominantly be generated by the unwind of the CSM and the emergence of asset spreads above the IFRS 17 discount rate
- **Directly attributable expenses** incorporated in the CSM, resulting in a reduction of operating expenses
- **HSBC share of market impacts** under IFRS 17 are spread over the remaining life of the impacted contracts for the majority of our business[6]

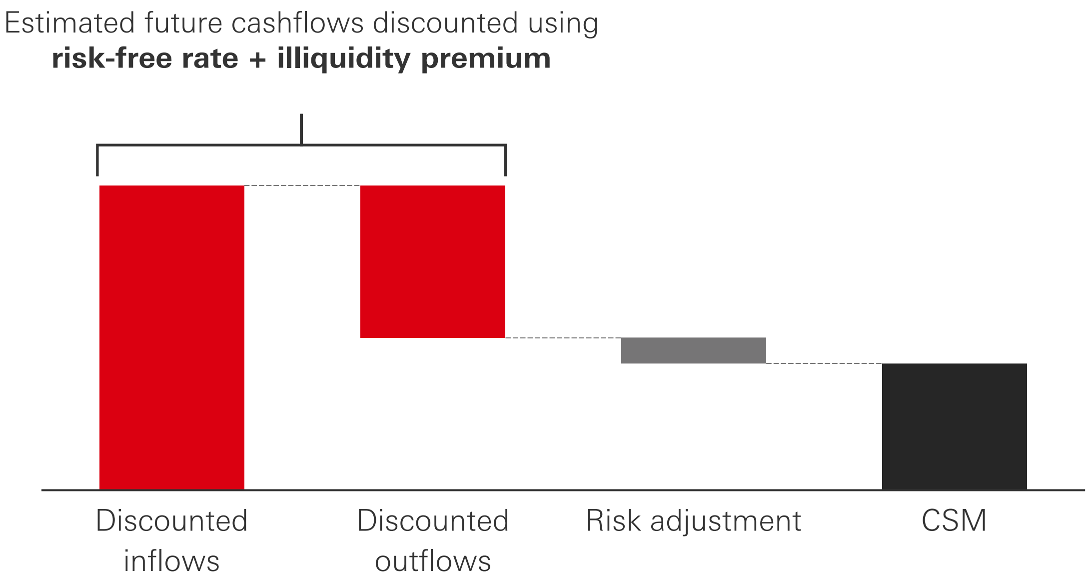
No impact on recognised profit over time[7]



Profit over the life of an individual contract is unchanged[7], however its emergence will be later under IFRS 17

Key IFRS 17 concepts

The building block approach



- The CSM liability represents unearned profit to be released to the P&L over time as services are provided
- Losses are recognised immediately if groups of contracts become onerous

IFRS 17 insurance contract measurement variations[8]

	% value of contracts	Income statement impact	Product types
VFA	**>90%**	Share of investment experience / assumption changes is **absorbed by the CSM** on the balance sheet, leading to **lower P&L volatility**	Unit-linked; Universal life; Participating products
GMM	**<10%**	Share of investment experience / assumption changes is **recognised** in the P&L **as it arises**	Pure protection[9]; Non-par products[10]; Other[11]

- **The vast majority** of HSBC insurance contracts will be measured under the **'Variable Fee Approach'** (VFA), resulting in **significantly lower P&L volatility**

Expected impacts[5] on Group and Insurance manufacturing total equity and tangible equity on transition

IFRS 4 to IFRS 17 equity walk at 1 Jan 2022

$bn	Total equity: Insurance	Total equity: Group	Tangible equity: Insurance	Tangible equity: Group
IFRS 4 equity	**17.0**	**206.8**	**8.8**	**158.2**
PVIF[12] elimination	(9.5)	(9.5)	—	—
Asset and liability remeasurement	6.8	6.8	6.8	6.8
CSM recognition	(9.6)	(10.0)	(9.6)	(10.0)
Effect of taxes	2.2	2.2	0.5	0.6
Non-controlling interests[13]	—	—	—	0.2
Total movement	*(10.1)*	*(10.5)*	*(2.3)*	*(2.4)*
IFRS 17 equity	**6.9**	**196.3**	**6.5**	**155.8**

IFRS 17 Equity + CSM	**14.7**

Changes to Group equity on transition

- PVIF eliminated from the balance sheet
- c.$60bn financial assets reclassified to FVTPL; NII lower by $1.1bn in 1H22
- Creation of $10.0bn CSM as estimated future profit of the in-force business is recognised as a liability

$0.4bn difference between Group and Insurance CSM driven by distribution activities within the Group

Group tangible equity $2.4bn lower

Equity + CSM of $14.7bn is net of related tax of $1.8bn and represents the net asset value plus estimated earnings from in-force business[14]

Key business performance measures for insurance manufacturing

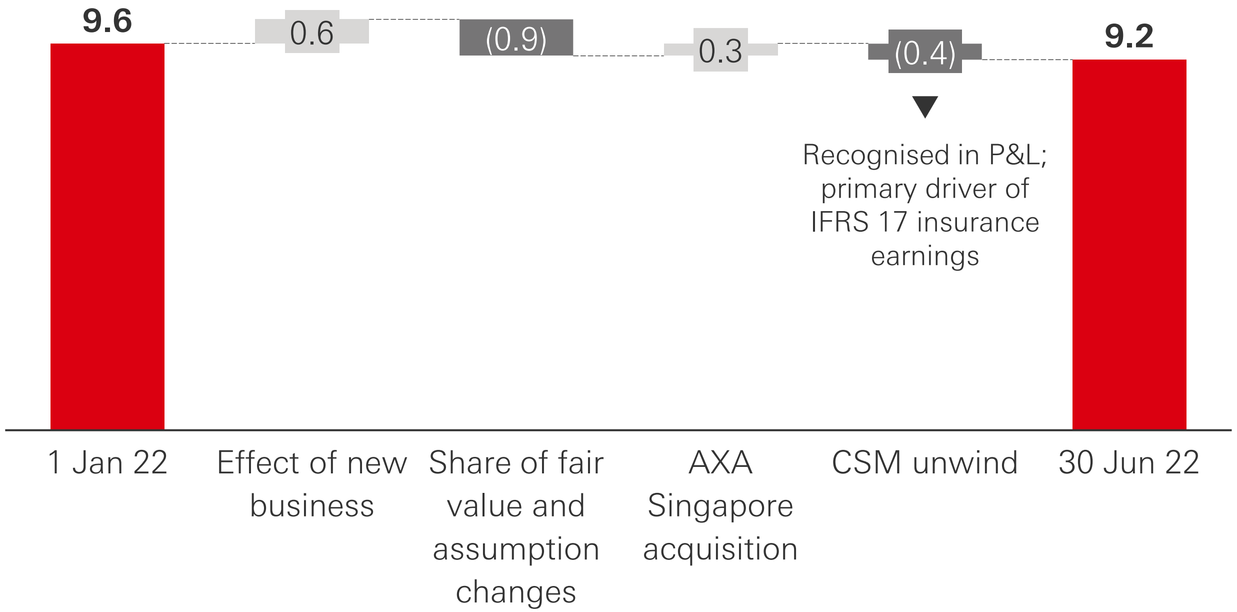
- Under IFRS 17, VNB will **no longer form part** of the insurance manufacturing operations' IFRS results
- Business performance, decision making and reporting will **include VNB and NB CSM** as key long-term value creation metrics

1H22 NB CSM to VNB walk, $bn

- New business CSM is the IFRS 17 measure of the estimated future profit from new business written in the reporting period

1H22 insurance manufacturing balance sheet CSM walk[5], $bn

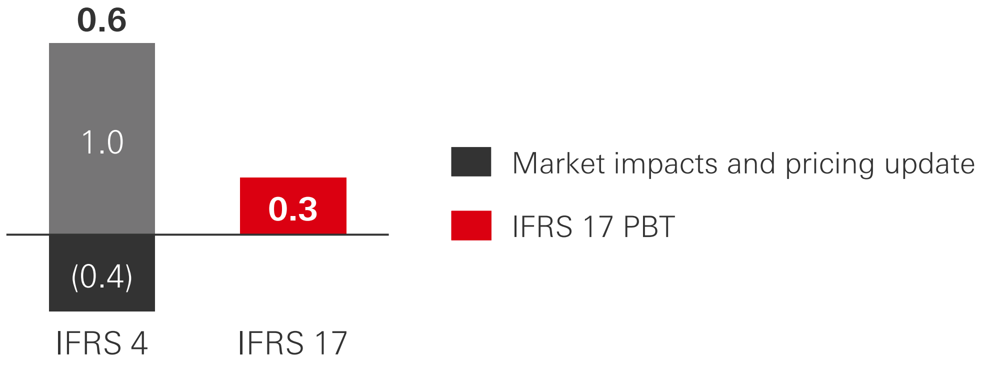
- In 1H22, $0.6bn of new business CSM was generated and added to the CSM balance



1H22 expected impacts[5] on insurance manufacturing profit before tax

1H22 IFRS 4 to IFRS 17 adjusted PBT walk*, $bn

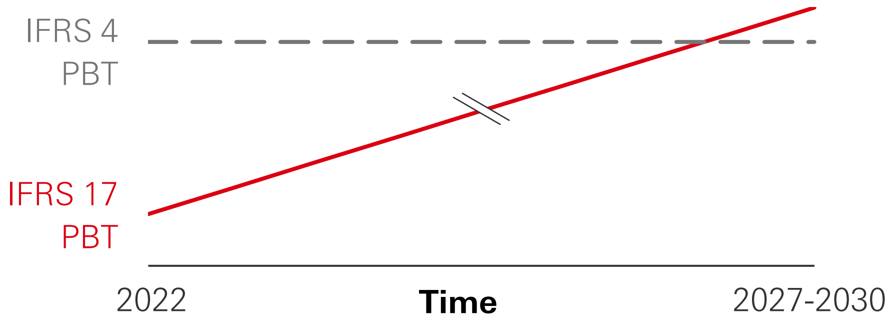
Insurance manufacturing PBT		**1H22**
IFRS 4 PBT		**0.6**
of which:	Market impacts	(0.7)
	Pricing update	0.3
	Remaining IFRS 4 based revenue‡	1.4
	Operating expenses	(0.4)
IFRS 17 PBT		**0.3**
of which:	CSM unwind	0.4
	Onerous contracts	(0.1)
	Net investment revenue	0.1
	Remaining IFRS 17 based revenue	0.1
	Operating expenses	(0.2)



IFRS 17 insurance manufacturing PBT movement drivers

- Revenue will be mainly driven by the **unwind of the CSM** of the in-force business, amortising at a rate of **c.8% annually**
- Additional impact from the recognition of contracts that have **turned onerous**, offset by any reversals of previously recognised losses
- **Net investment revenue** represents fair value gains / losses on assets, less IFRS 17 insurance finance expense
- **Operating expenses expected to be lower by c.$0.2bn**, as directly attributable costs are incorporated in the CSM and insurance service result
- Impact on IFRS 4 PBT[15] broadly in line with guidance of 2/3rds reduction
- **Additional $(0.1)bn impact** on Group adjusted PBT

Illustrative Life Insurance profit under IFRS 17; **IFRS 4 profit[15] would be reached by 2027-2030** assuming c.20% CAGR new business volume growth



* Totals may not cast due to rounding
‡ Includes all remaining revenue including value of new business under IFRS 4

Insurance capital and cash

No material impact expected on HSBC Group's CET1 ratio and Insurance's regulatory capital on transition

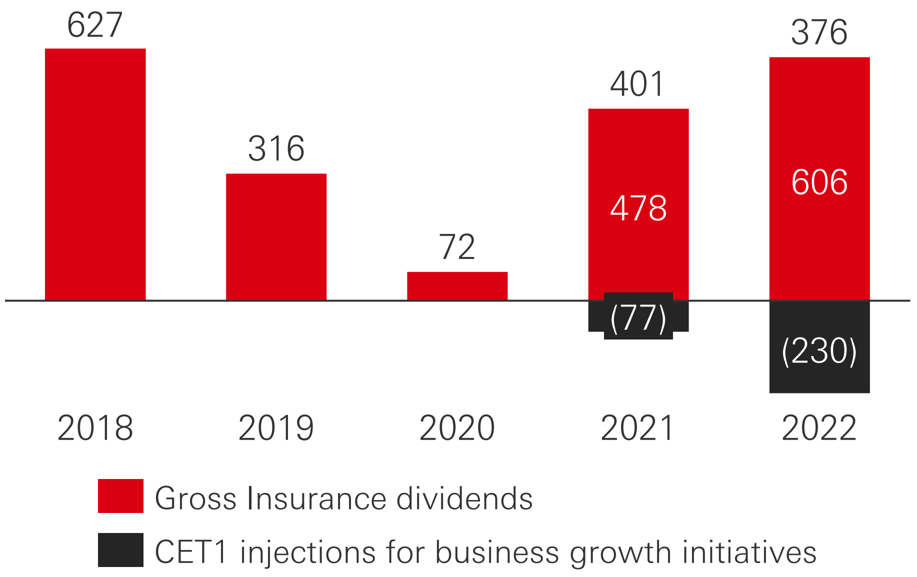
Bank regulatory capital treatment does not change under IFRS 17:

- For capital purposes HSBC Insurance entities are **deconsolidated from the Group** and treated as equity investments **valued under the equity accounting method**; these investments are deducted from regulatory capital, subject to certain thresholds. This treatment has not changed under IFRS 17
- Insurance impacts HSBC's capital on a 'cash in / cash out' basis i.e. through the payment of dividends, capital injections, and distribution commissions
- The Group is still in excess of the significant investment thresholds under IFRS 17
- The net **effect on Group CET1 capital is neutral**, due to the reduced starting point driven by lower equity and lower resulting deduction

HSBC Insurance entities must maintain sufficient capital to meet two solvency bases on a standalone basis:

- **Regulatory capital** – This is the minimum amount of capital which must be held as required by each insurance entities' local insurance regulator
- **Economic capital** – HSBC's internal view of the capital required to be held to manage the risks the entity is exposed to (Hong Kong RBC or EIOPA Solvency II basis)

Insurance dividend and capital injection trend, $m



- Dividends are paid by insurance manufacturing entities to their immediate parent companies
- Additional investments have been made relating to increasing ownership of HSBC Life China in 2020, and the acquisition of AXA Singapore in 2022

1H22 expected IFRS 17 impacts[5] on HSBC Group

1H22 Group adjusted income statement* at reported FX rates, $bn

		IFRS 4	Net IFRS 17 impact	IFRS 17
	Net interest income	**14.5**	**(1.1)**	**13.4**
	Of which: Life insurance	*1.3*	*(1.1)*	*0.2*
	Net fee income	**6.1**	**0.2**	**6.3**
	Of which: Life insurance	*(0.1)*	*0.2*	*0.1*
	Other income	**5.1**	**0.2**	**5.3**
	Of which: Life insurance	*0.1*	*0.2*	*0.3*
IFRS 4 revenue items	*Of which: VNB*	*0.8*	*(0.8)*	—
	Of which: Pricing update	*0.3*	*(0.3)*	—
	Of which: Market impacts	*(0.7)*	*0.7*	—
	Of which: Other IFRS 4 revenue	*(0.2)*	*0.2*	—
IFRS 17 revenue items	*Of which: CSM unwind*	—	*0.4*	*0.4*
	Of which: Onerous contracts	—	*(0.1)*	*(0.1)*
	Revenue	**25.7**	**(0.7)**	**25.0**
	ECL	(1.1)	—	(1.1)
	Total operating expenses	(15.4)	0.3	(15.1)
	Income from associates	1.4	—	1.4
	Adjusted profit before tax	**10.7**	**(0.4)**	**10.3**
	Significant items	(1.5)	—	(1.5)
	Reported profit before tax	**9.2**	**(0.4)**	**8.8**
	Tax	0.0	0.1	0.1
	Memo: PAOS	8.3	(0.3)	8.0

Key changes

- **NII down $1.1bn**, due to reclassification of assets backing policyholder liabilities
  - Under IFRS 4, this policyholder income was reversed through claims paid; under IFRS 17 this income and fair value moves are recognised in FVTPL and similarly offset in 'Insurance Finance Income / Expense'
  - The residual $0.2bn of NII arises on shareholder assets
- **Net fee income up $0.2bn** due to deferral of fee expense into the CSM
- **Other income up $0.2bn** due to:
  - **Removal of IFRS 4-specific** revenue lines (e.g. change in PVIF, market impacts, VNB)
  - **Addition of IFRS 17-specific** revenue lines (e.g. CSM unwind, onerous contract impacts, experience variances)
- **Operating expenses down $0.3bn** as directly attributable costs being incorporated into the CSM
- **$(0.4)bn net adjusted PBT impact in 1H22**
- $0.1bn tax credit; no expected change to Group normalised tax rate of c.20%

* Totals may not cast due to rounding

Summary

1 **No change to the economics of the insurance business**

2 Insurance is an **integral part** of our Wealth offering and in the context of the Group's **Asia growth ambitions**

3 **1Q23 Group results will be presented on an IFRS 17 basis**, including IFRS 17 comparatives for 4Q22 and 1Q22

4 We plan to issue a **transition document** with quarterly IFRS 17 comparatives across FY22 with our 1Q23 results

Impact on Group financial targets and guidance

		FY22 guidance	Estimated impact[5] of IFRS 17 on key Group targets and guidance
Revenue	Net interest income	◆ FY23 NII ≥$36bn; intend to update target for IFRS 17 at or before 1Q23	◆ 2023 Group and insurance NII estimated to **reduce by c.$2.3bn**
Costs	Adjusted costs	◆ Approximately 3% adjusted cost growth in FY23, including up to $300m severance costs	◆ **Unchanged**, from a c.$0.6bn lower FY22 baseline
Returns	Reported RoTE	◆ Targeting **12%+** from FY23	◆ **Minimal impact expected** on Group RoTE; target unchanged
Dividends	Dividend payout ratio	◆ Establishing a 50% payout ratio for FY23 and FY24[16]	◆ Unchanged

Appendix

HSBC Life

IFRS 4 vs. IFRS 17 – Key differences

	IFRS 4	IFRS 17
Profit emergence / recognition	◆ VNB is reported as revenue on Day 1	◆ CSM will be reported as liability on Day 1 and recognised in revenue as services are provided (i.e. no Day 1 profit)
Investment return assumptions (discount rate)	◆ VNB is calculated based on long-term investment return assumptions based on assets held. It therefore includes future investment margins expected to be earned in future, unlike under IFRS 17	◆ CSM is calculated based on market consistent assumptions aligned with the characteristics of the liability ◆ Under the market consistent approach, future 'investment spreads' (the risk premia expected to be earned for taking equity risk, default risk, and liquidity risk) are excluded from reported earnings until they are actually earned in future time periods
Expenses	◆ Total expenses to acquire and maintain the contract over its lifetime are included in the VNB calculation ◆ Expenses are recognised across operating expenses and fee expense as incurred, and the allowances for those costs released from the PVIF simultaneously	◆ Projected lifetime expenses that are directly attributable costs are included in the CSM (with acquisition expenses deferred and amortised over the life of the contract) and recognised within the insurance service result line ◆ Non-attributable costs are reported in operating expenses as incurred
Balance sheet	◆ Assets mostly measured at amortised cost and fair value. ◆ Liabilities measured per local statutory/ regulatory requirements. ◆ An intangible asset for the present value of in-force life insurance business is created	◆ Assets and liabilities will be measured at current value ◆ CSM balance will be recognised as a liability ◆ PVIF asset will no longer be recognised, and existing PVIF asset will be removed on transition

CSM breakdown at transition

IFRS 17 transition approaches

Default approach

Full Retrospective Approach (FRA)

- **Default** IFRS 17 **requirement** unless impracticable
- Apply IFRS 17 **retrospectively**
- Run off the CSM from inception date until the transition date to determine the CSM amounts remaining on transition

When FRA is impracticable, choice between

Modified Retrospective Approach (MRA)

- Permitted **if FRA is not practicable** when possible to justify the applications of the "allowed modifications"
- Application requires maximum use of historical information available, with simplifications allowed where there are data gaps to apply FRA

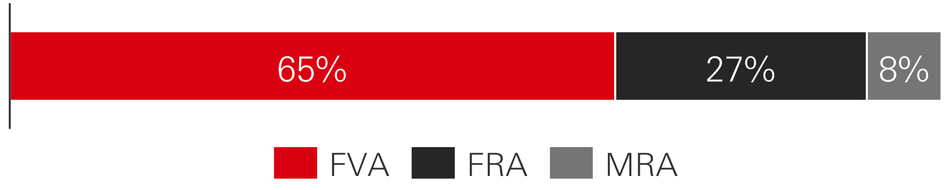
Fair Value Approach (FVA)

- Permitted **if FRA not practicable**
- The transition CSM on the in-force business is calculated as the difference between the fair value of the group of insurance contracts and their fulfillment cash flows as of the transition date

CSM on transition

- The $10.0bn opening CSM represents the **estimated future profit of the in-force business at transition** and is unwound through the P&L over the life of the policy. **Revenue** in a given year will primarily be **driven by the release of the CSM** from the in-force business rather than from new business sales. This will make insurance earnings more predictable

Transition CSM by approach



- FRA is applied to new business from 2018 onwards for Hong Kong Insurance. For Hang Seng, France, Singapore and UK Insurance businesses, FRA is applied from 2019 onwards. For other markets, FRA is applied from 2020 onwards
- MRA has only been applied in France prior to 2019
- Except for France, the FVA is applied for all other business when FRA is not practicable to be applied

Expected changes[5] to insurance manufacturing operations balance sheet

Insurance manufacturing operations transition balance sheet, $bn

	31 Dec 2021 IFRS 4	1 Jan 2022 IFRS 17
Financial assets	127.7	131.9
Insurance contract assets	n/a	0.1
Reinsurance contract assets	n/a	4.1
Reinsurance assets[17]	3.9	n/a
Other	13.0	4.1
Total assets	**144.6**	**140.2**
Contractual service margin	n/a	9.5
Fulfilment cash flows	n/a	109.1
Risk adjustment	n/a	0.4
Insurance contract liabilities	n/a	118.9
Reinsurance contract liabilities	n/a	1.1
Liabilities under insurance contracts[17]	112.8	n/a
Other liabilities	14.8	13.3
Total liabilities	**127.6**	**133.3**
Equity	17.0	6.9
Total liabilities and equity	**144.6**	**140.2**

Expected changes to balance sheet on transition

- On transition, PVIF intangible asset and related deferred tax liability is removed
- Eligible investments carried at amortised cost are restated at fair value, resulting in an increase in carrying value of financial assets
- Insurance contract assets and liabilities are remeasured using market-consistent assumptions
- The CSM represents the estimated future profit of the in-force business on the transition date with the majority (c.$9.5bn) reported as liability; remaining c.$0.1bn of total CSM balance is reported on the asset side
- Risk adjustment reflects uncertainty related to future cashflows and released to the income statement over time. This has been calibrated to the 75th confidence level on a one-year loss basis

Impact on WPB disclosure presentation

1H22 management view of adjusted revenue*,5, $bn

	IFRS 4	IFRS 17
Wealth	**4.1**	**3.5**
Investment distribution	1.6	1.3
Global Private Banking	0.9	0.9
- Net interest income	*0.4*	*0.4*
- Non-interest income	*0.6*	*0.6*
Insurance Manufacturing	1.0	n/a
Life Insurance	n/a	0.7
Asset Management	0.5	0.5
Personal Banking	**6.7**	**6.7**
- Net interest income	*6.0*	*6.0*
- Non-interest income	*0.7*	*0.7*
Other	0.2	0.2
Total WPB adjusted revenue	**10.9**	**10.3**

- WPB disclosures will be enhanced to include **total Life Insurance**, versus the current insurance manufacturing-only view
- WPB business segment disclosures will show profitability of the entire Life Insurance value chain when the transition document is published

New **Life Insurance line** will replace the insurance manufacturing line and consists of insurance manufacturing operations, wealth insurance distribution (currently reported in the investment distribution line), IFRS 17 consolidation and other adjustments

* Totals may not cast due to rounding

Glossary

ANP	Annualised new business premiums
CAGR	Compound annual growth rate
CET1	Common equity tier 1
CMB	Commercial Banking, a global business
CSM	Contractual service margin
EIOPA	European Insurance and Occupational Pensions Authority
FRA	Full retrospective approach
FVA	Fair value approach
FVTPL	Fair value through profit or loss
GBM	Global Banking and Markets, a global business
GMM	General measurement model
Group	HSBC Holdings plc and its subsidiary undertakings
IFRS	International Financial Reporting Standards
KPI	Key performance indicator
MRA	Modified retrospective approach

NB CSM	New business contractual service margin
NII	Net interest income
PAOS	Profit attributable to ordinary shareholders of the parent company
PBT	Profit before tax
P&L	Profit and loss
PVIF	Present value of in-force long-term insurance business and long-term investment contracts with discretionary participating features
RBC	Risk-Based Capital
RoTE	Return on average tangible shareholders' equity
SME	Small and Medium-sized Enterprises
VFA	Variable fee approach
VNB	Value of new business written
WPB	Wealth and Personal Banking, a global business

Footnotes

1. Includes our presence in India through our 26% shareholding in Canara HSBC Life Insurance Company Limited
2. Dividends paid by insurance entities to their immediate parent companies
3. Hong Kong Insurance Authority Statistics. Market shares and ranking based on ANP, HSBC Life Hong Kong and Hang Seng Insurance combined. Data as of 30 September 2022
4. Metrics prepared on an IFRS 4 basis
5. On the basis of the implementation work performed to date. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change. The estimated impact in dollars from the application of IFRS 17 is equal for both reported and adjusted income statement lines for the Group and Insurance
6. The vast majority of our business qualifies for the 'Variable Fee Approach' measurement model
7. The accounting standard change predominantly impacts how and when we recognise profits from insurance contracts. The lifetime profits of individual insurance contracts may be impacted by the state of the economy, pricing and other factors that drive underlying business decisions in the same way that they would under IFRS 4
8. The Group will also make use of other comprehensive income option to a limited extent for some contracts
9. Includes: Term life; Medical; Critical illness; other pure protection products
10. Includes: non-par whole of life; non-par annuities; non-par endowment
11. Includes: reinsurance and products that do not quality for VFA eligibility assessment
12. PVIF of $(9.5)bn net of related deferred tax of $1.7bn constitute the overall estimated reduction in intangible assets, after tax, of $(7.8)bn on transition to IFRS 17
13. Non-controlling interests is not included within Insurance tangible equity as it is simple aggregation of businesses
14. Equity + CSM of $14.7bn is IFRS 17 insurance equity, plus CSM of $9.6bn, less related tax of $1.8bn using the country headline tax rates for insurance manufacturing operations
15. 2022 IFRS 4 PBT excludes market impacts and pricing update
16. In determining our dividend payout ratio we will exclude material significant items (including the planned disposal of our retail banking operations in France and the planned sale of our banking business in Canada) from reported earnings per share
17. IFRS 4 reinsurance assets and liabilities under insurance contracts are replaced with IFRS 17 insurance and reinsurance assets and liabilities

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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") 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 and our 2022 Form 20-F, each of which are available at www.hsbc.com.

Information in this Presentation was prepared as at 9 March 2023.