HSBC Holdings plc FY22 Results

Fixed Income Investor Presentation

HSBC

Results & strategy

We have made good progress but there's so much more we can achieve

Transformation journey

- First phase of our strategy execution complete
- Improved financial performance
- Strong foundation

Delivery in 2022

- Good set of results
- Revenue growth
- Strong cost discipline
- Enhanced returns

Growth and returns

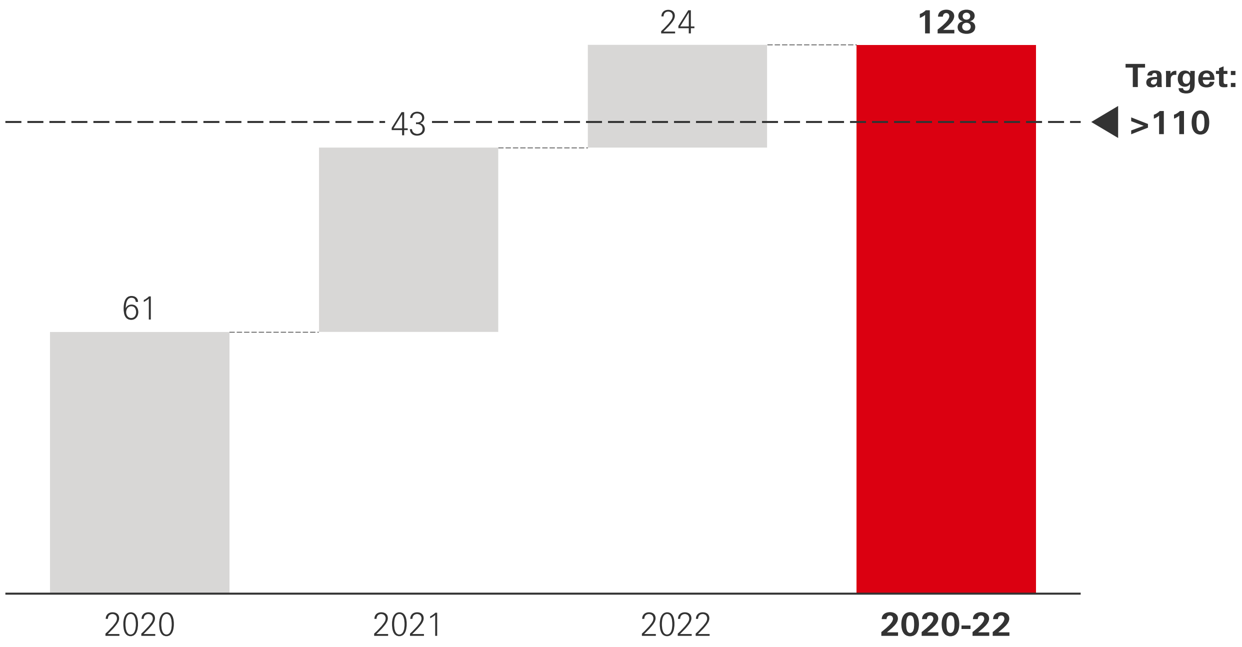
- Value from international connectivity and customer centricity
- Multiple growth engines
- Strong capital position
- Drive value creation

A reconciliation of reported results to adjusted results can be found on slide 33, where FY22 reported PBT of $17.5bn is reconciled to adjusted PBT of $19.7bn. The remainder of the presentation unless otherwise stated, is presented on an adjusted basis. Figures throughout this presentation may be subject to rounding adjustments and therefore may not sum precisely to totals given in charts, tables or commentary

Portfolio repositioned: Exited markets and reduced RWAs while reallocating capital towards higher growth and more profitable opportunities

RWA saves in excess of target[1]

$bn

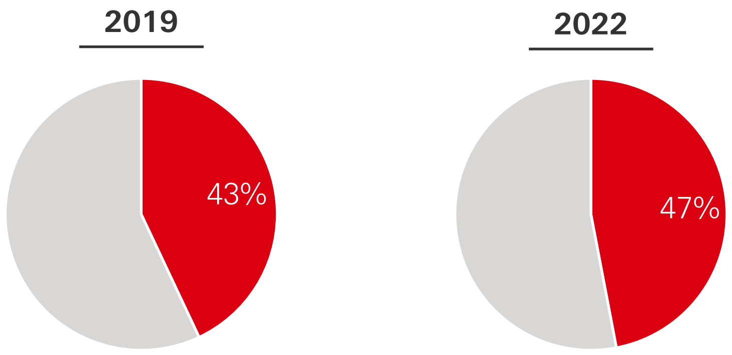


Reshaped portfolio with exits

- **US** mass market retail
- Planned sale of **Canada** banking business
- Planned sale of **France** retail
- Planned sale of **Russia** and **Greece** operations

Capital reallocation to Asia

Asia as a % of Group tangible equity[2], %



Invested in bolt-on acquisitions

AXA Singapore

- 4th largest health insurer in Singapore post acquisition[3]

L&T Investment Management

- 14th largest fund house in India post acquisition[4]

HSBC Life China

- Increased stake from 50% to 100%

HSBC Qianhai

- Increased stake from 51% to 90%

Broad base of profit generation: We have multiple engines of growth and profitability

Hong Kong

$6.8bn PBT; (44)% vs. 2019

- #1 market share in deposits[5], insurance[6]
- #1 Trade Finance Bank[7]

Mainland China

$1.0bn PBT excl. BoCom; +13% vs. 2019

- #1 foreign bank by revenue[8]
- c.1.3k Pinnacle wealth planners

Asia

(excluding Hong Kong and mainland China)

$4.2bn PBT[9]; +23% vs. 2019

India, ($0.9n PBT[10]; +36% vs. 2019)

- Facilitate 9% of India's exports[11]
- Facilitate 9% of traded FX[12]

South East Asia (SEA), ($0.8bn PBT in Singapore; +69% vs. 2019)

- PBT >$100m in 5 out of 6 SEA[13] markets
- Best Cash Management and Trade Finance bank[14]

Middle East

$1.8bn PBT; +20% vs. 2019

- #1 in Capital Markets (DCM, ECM, Syndicated Loans)[15]
- #1 underwriter in GSSS bonds[15]

UK

(RFB)

$5.0bn PBT; +78% vs. 2019

- #1 Trade Finance Bank[7]; 26.9% receivables finance market share[16]
- 7.7% (stock) / 8.9% (gross) market share in mortgages[17]

Europe

(NRFB)

$2.1bn PBT; +181% vs. 2019

- c.35% of Wholesale client business booked outside of Europe (excl. UK RFB)[18]
- Top 3 in EMEA ECM[15]; #1 in IPO[15]

US

$1.0bn PBT; +64% vs. 2019

- c.65% of wholesale client business booked outside of the US[18]
- #1 Trade Finance Bank[7]

Mexico

$0.7bn PBT; +9% vs. 2019

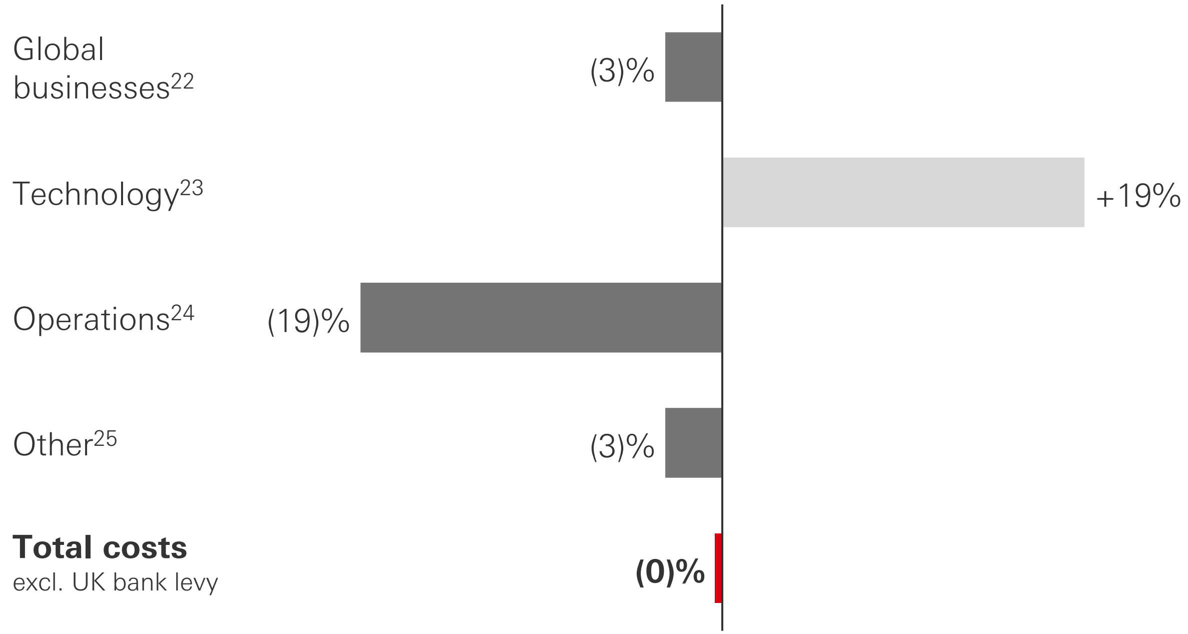
- 18.0% RoTE[19]
- 8.5% WPB loans market share[20]
- c.60% of WPB client acquisition through Wholesale to Personal referrals[21]; referrals up 200k net

Red PBT figures relate to FY22

Cost management: We have maintained cost discipline and improved operational efficiency

Managed costs whilst increasing tech spend

2019-22 adjusted cost movements, %



CTA programme (2020-22)

Further c.$1bn of cost saves are expected to flow through in FY23

Spend $6.5bn

Saves $5.6bn

Achieved improved operational efficiency

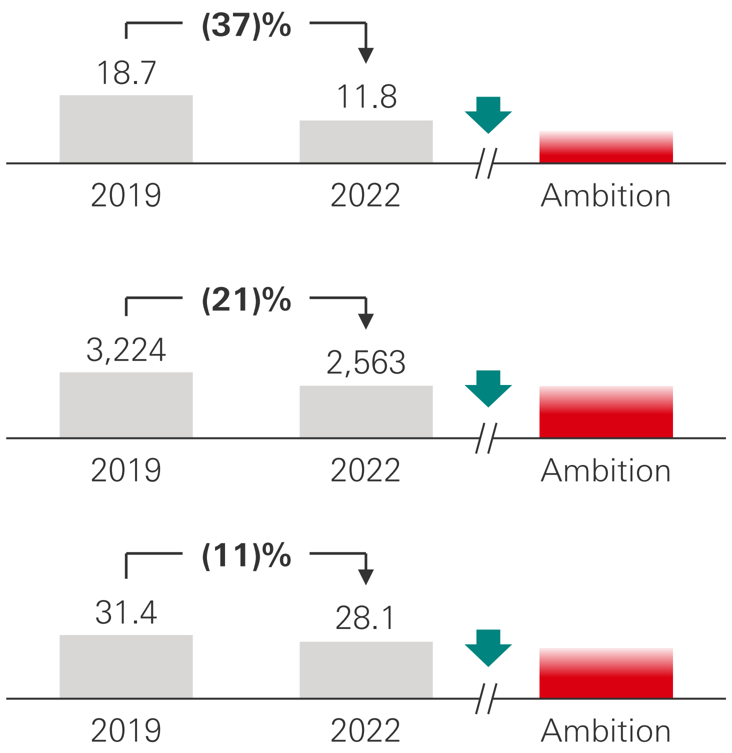
Adjusted cost efficiency ratio
%

2019		2022
59.2%	→	55.0%

Office real estate
sq. ft, mn

Branches globally
#

Operations FTE[26]
'000s



Summary of our performance in 2022 (vs. 2021)

Reported PBT of $17.5bn, down $1.4bn (7%); **adjusted PBT of $24.0bn**, up $3.4bn (17%)

Adjusted revenue of $55.3bn, up $8.3bn (18%). NII of $32.6bn, up $7.7bn (31%). Non-NII of $22.7bn, up $0.6bn (3%)

Adjusted costs contained to c.1%, adjusted cost efficiency ratio of 55.0%

ECL charge of $3.6bn, with $1.3bn associated with our mainland China commercial real estate (CRE) portfolio

Dividend per share of $0.32; payout ratio of 44%

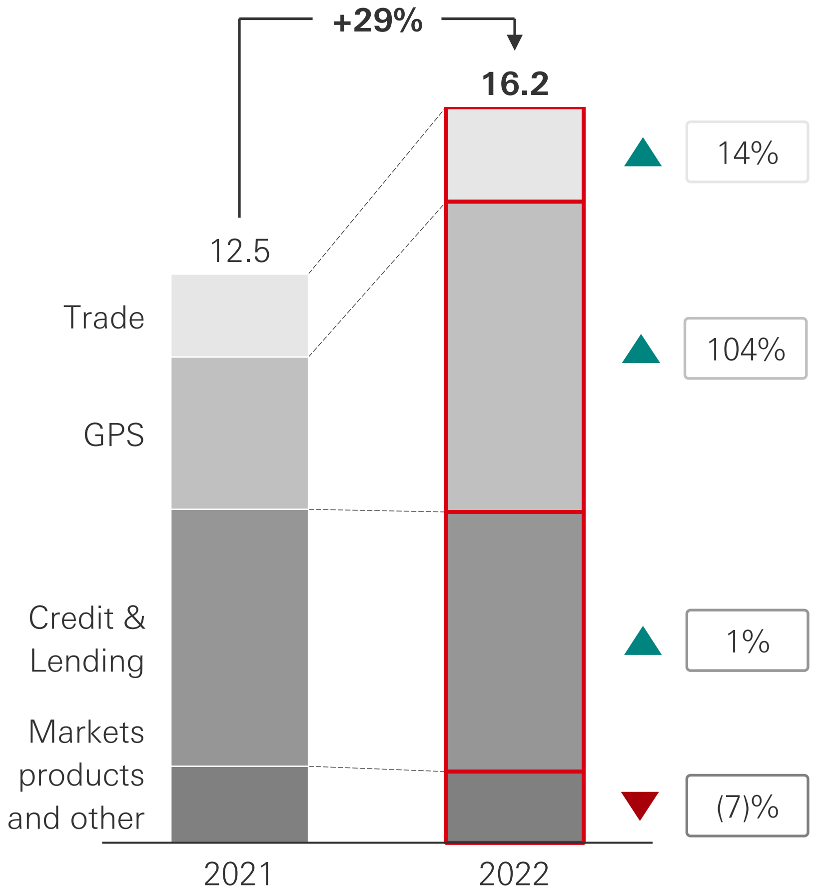
CET1 ratio[27] of 14.2%

Reported RoTE[28] **of 9.9%**; RoTE excluding significant items of 11.6%

Focus on our strengths – CMB

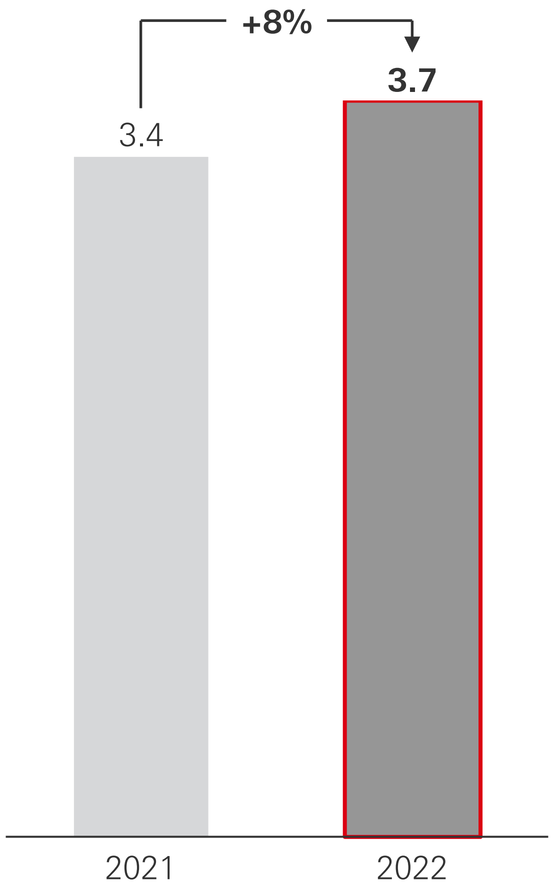
Revenue growth driven by Transaction Banking

Revenue, $bn



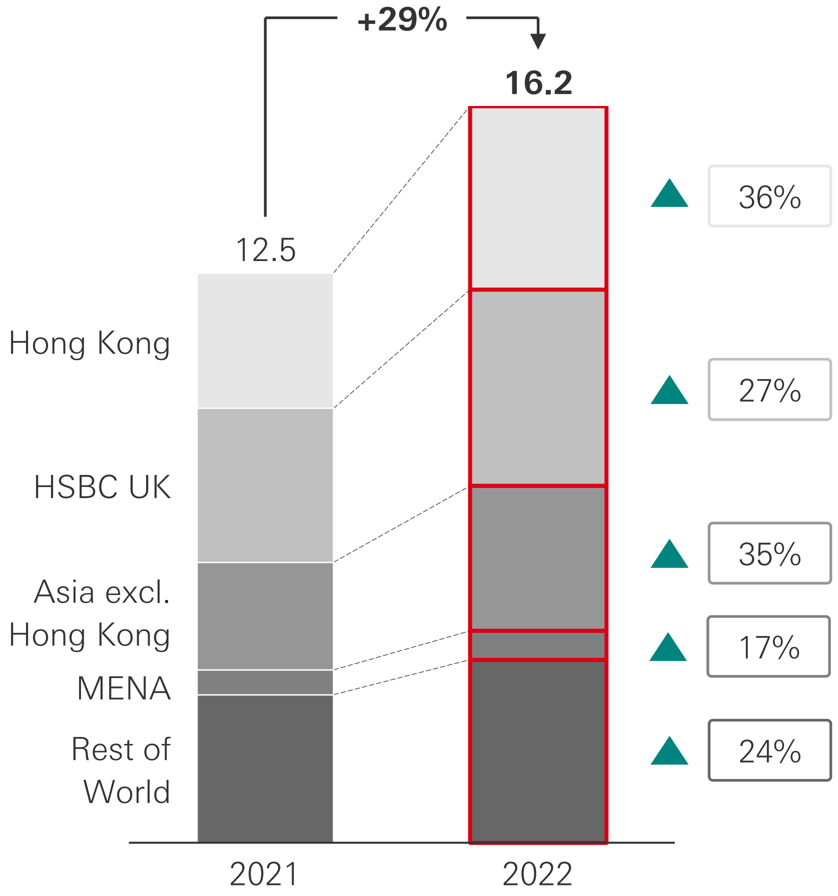
With growth momentum in fee income

Fee income, $bn



Strong growth delivered across all regions

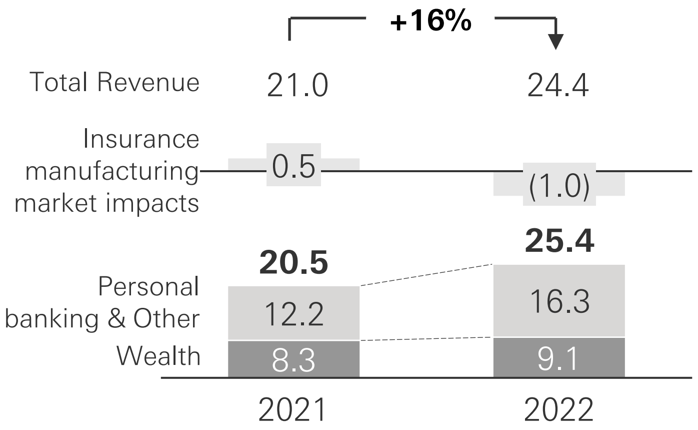
Geographical revenue breakdown, $bn



Focus on our strengths – WPB

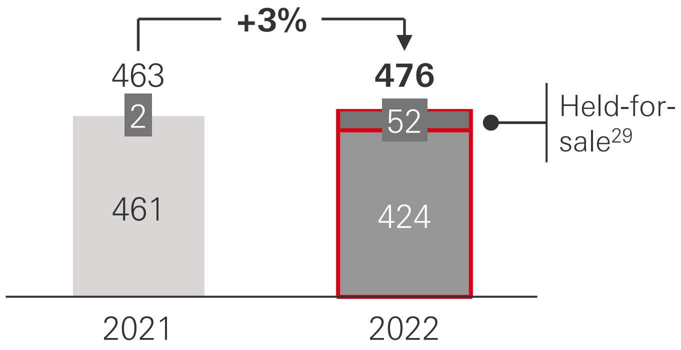
Double-digit revenue growth across Wealth and Personal banking

Revenue, $bn



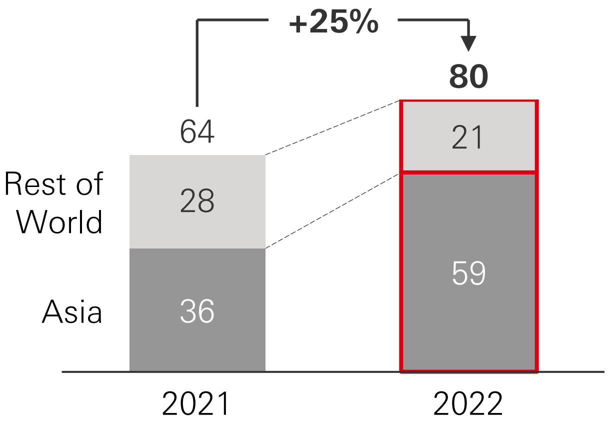
Lending balances growth

Lending balances, $bn



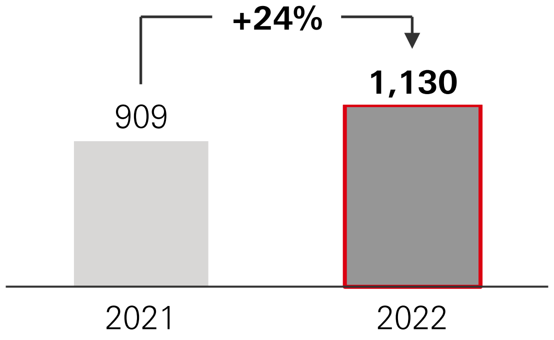
Continued traction in NNIA following 21% growth in 2021

Net new invested assets, $bn



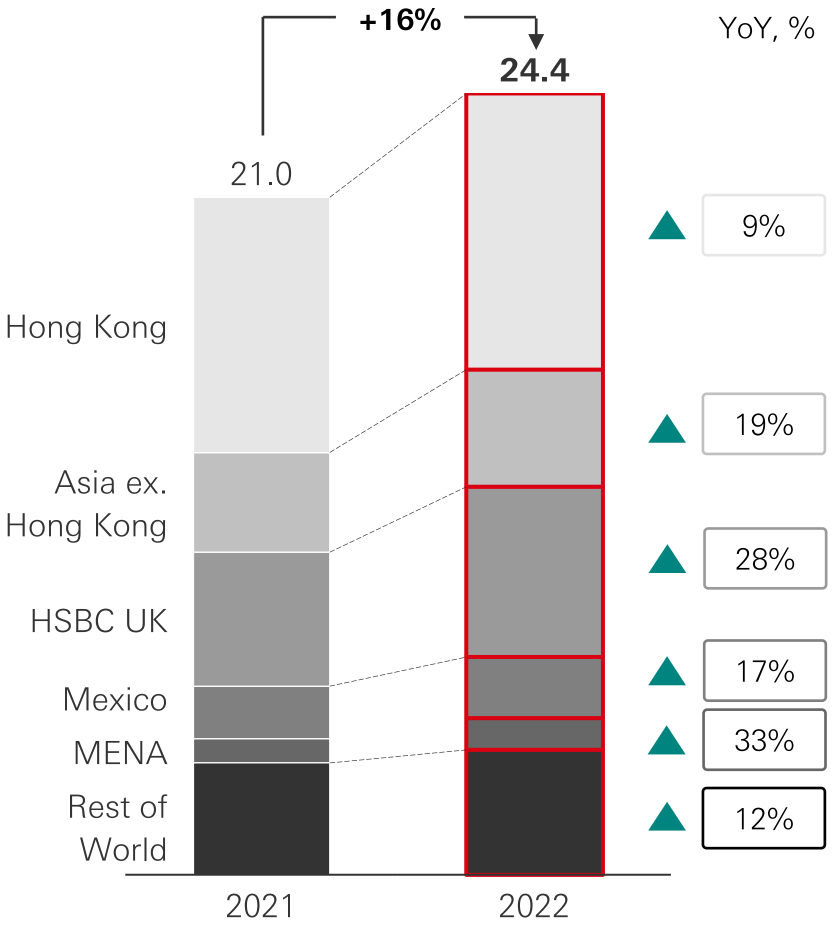
Strong growth in Asia insurance VNB

Asia insurance VNB, $m



All regions delivered robust growth

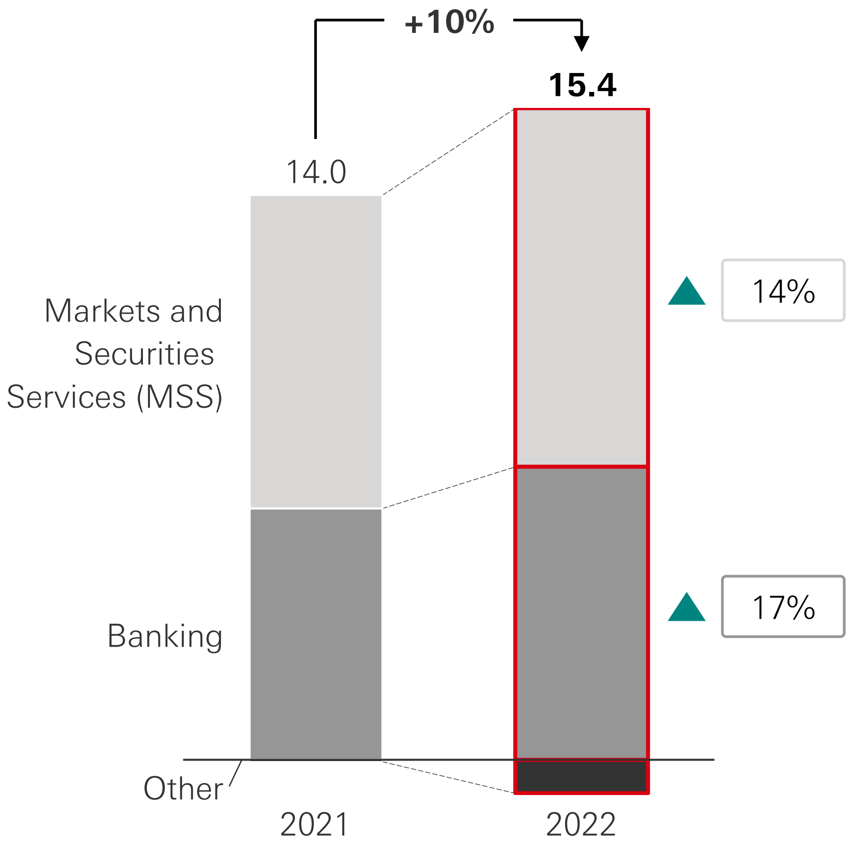
Geographical revenue breakdown, $bn



Focus on our strengths – GBM

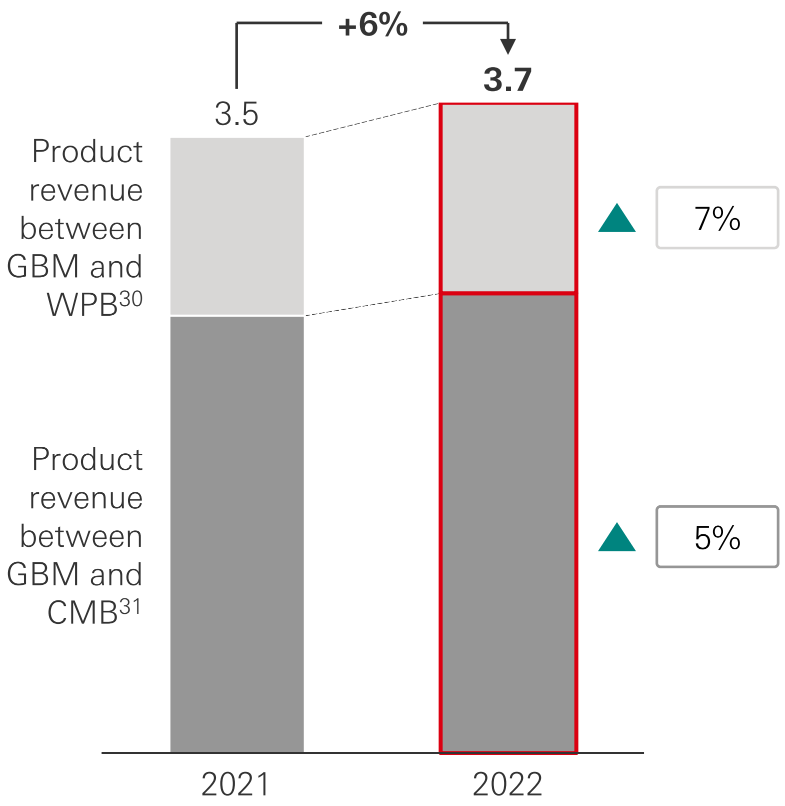
Double-digit revenue growth across MSS and Banking

Revenue, $bn



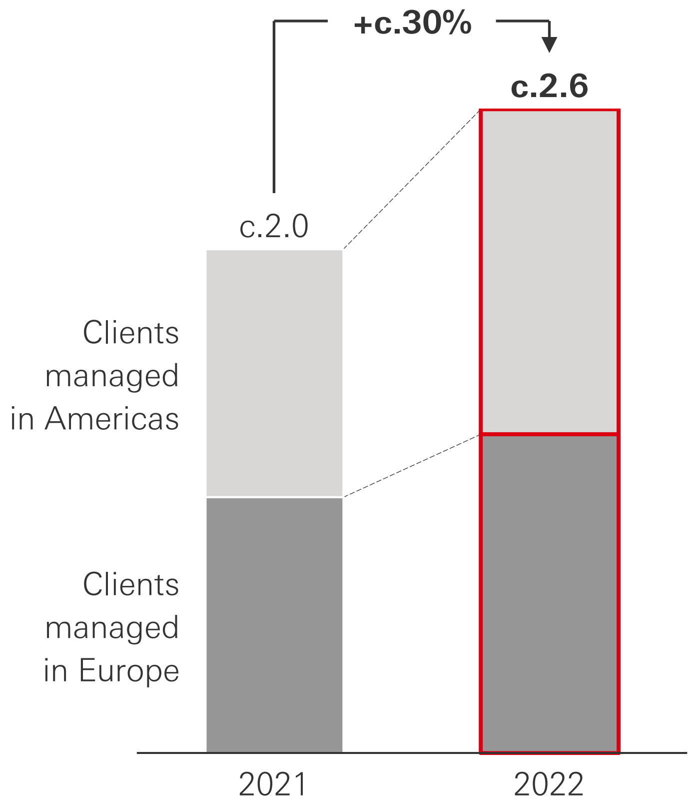
Good momentum from cross-sell of GBM products to WPB and CMB clients

Collaboration revenue, $bn



Robust growth in client business booked in the East from clients managed in the West[32]

Client business[18] booked in the East, $bn



FY22 results summary

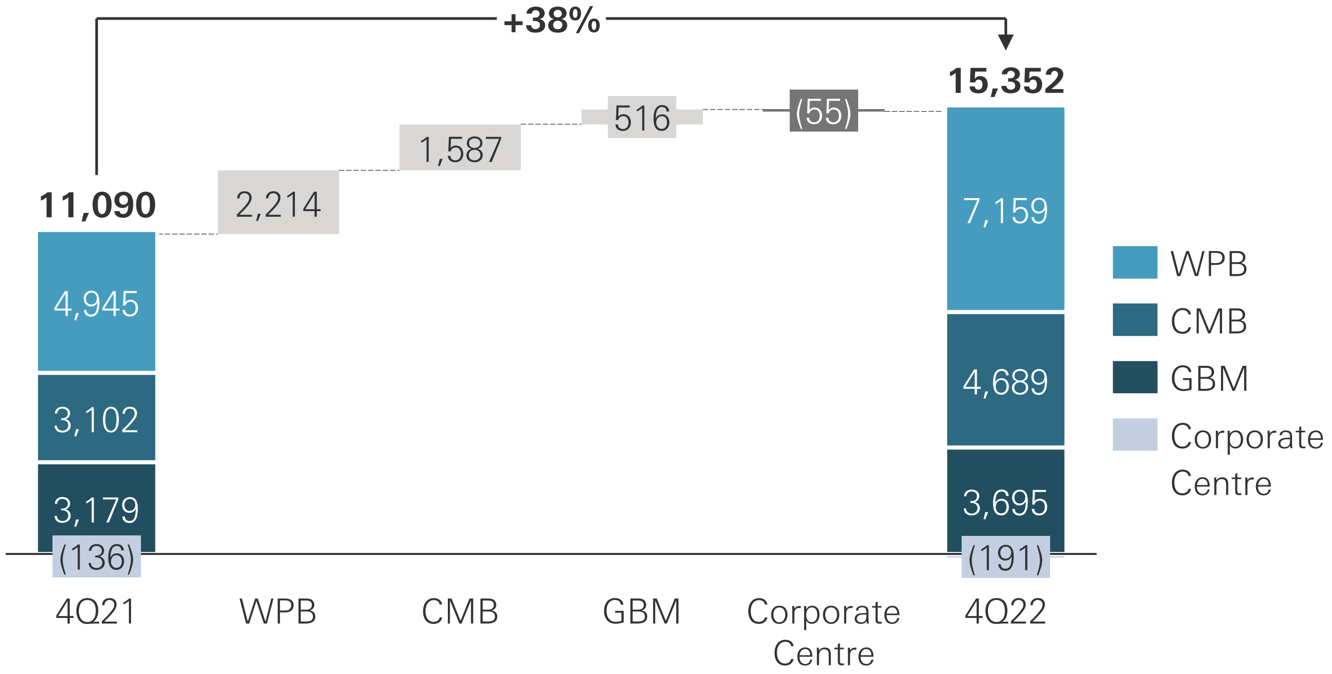
$m	FY22	FY21	Δ
NII	32,601	24,894	▲ 31 %
Non-NII	22,744	22,126	▲ 3 %
Revenue	**55,345**	**47,020**	▲ **18 %**
ECL	(3,592)	754	▲ >(100)%
Costs	(30,466)	(30,104)	▲ (1)%
Associates	2,723	2,933	▼ (7)%
Adjusted PBT	**24,010**	**20,603**	▲ **17 %**
Significant items and FX translation	(6,482)	(1,697)	▲ >(100)%
Reported PBT	**17,528**	**18,906**	▼ **(7)%**
Profit attributable to ordinary shareholders	14,822	12,607	▲ 18 %
Reported EPS, $	0.75	0.62	▲ $0.13
Reported RoTE[28], %	9.9	8.3	▲ 1.6ppts

$bn	FY22	FY21	Δ
Customer loans	925	991	▼ (7)%
Customer deposits	1,570	1,623	▼ (3)%
Reported RWAs	840	838	▲ 0 %
CET1 ratio[27], %	14.2	15.8	▼ (1.6)ppts

- **FY22 reported PBT of $17.5bn; adjusted PBT of $24.0bn**
- **NII of $32.6bn**, up $7.7bn (31%) vs. FY21 reflecting interest rate rises
- **Non-NII of $22.7bn**, up $0.6bn (3%) vs. FY21. Higher non-NII in Corporate Centre relating to revenue earned from funding GBM trading books was partly offset by lower fee income
- **ECL charge of $3.6bn** (0.36% of gross loans), compared with a net release of $0.8bn in FY21; ECL charge primarily relates to mainland China CRE exposures and a deterioration of forward economic guidance in the UK
- **Costs of $30.5bn**, up 1% vs. FY21; cost saves were more than offset by increased technology spend, investment and inflation
- **Customer lending down $66bn** (7%) vs. FY21, including $80bn of France retail and Canada balances moved to held-for-sale (HFS); Excluding HFS moves, customer lending was up $14bn (1%), primarily mortgage growth in the UK and Hong Kong
- Group **effective tax rate of 5%**, driven by $2.7bn of tax one-off items; expect a more normal tax rate of c.20% going forward
- **CET1 ratio of 14.2% down 1.6ppts** vs. FY21, including 0.8ppts of regulatory impacts, 0.7ppts of FVOCI movements and 0.3ppts impact by and impairment following the reclassification of our French retail operations to held for sale

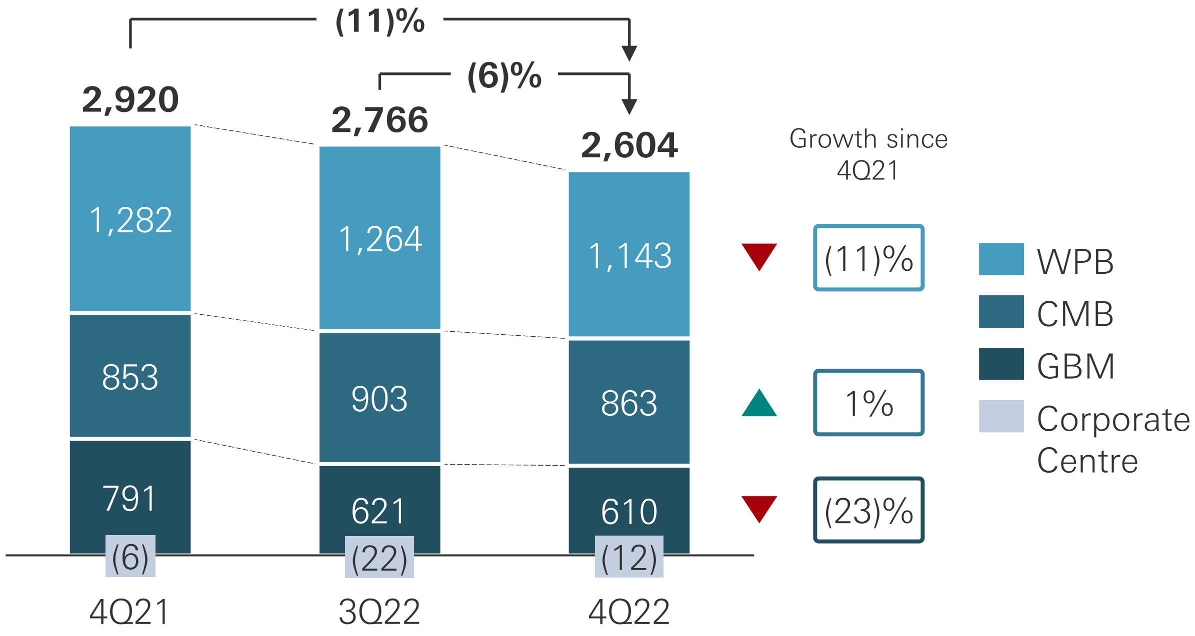
Adjusted revenue performance

Revenue by global business, $m



- **WPB up $2.2bn (45%)**. Personal Banking **up $2.1bn (72%)** primarily due to higher interest rates and balance sheet growth in most regions. Wealth **up $0.1bn (7%)**, due to higher Private Banking NII
- **CMB up $1.6bn (51%)**; Global Payments Solutions (GPS) up $1.7bn, primarily due to higher interest rates
- **GBM up $0.5bn (16%)**. Banking **up $0.5bn (34%)**; GPS up $0.7bn, Capital Markets & Advisory down $0.2bn. MSS **up $0.3bn (18%)**, benefitting from continued market volatility

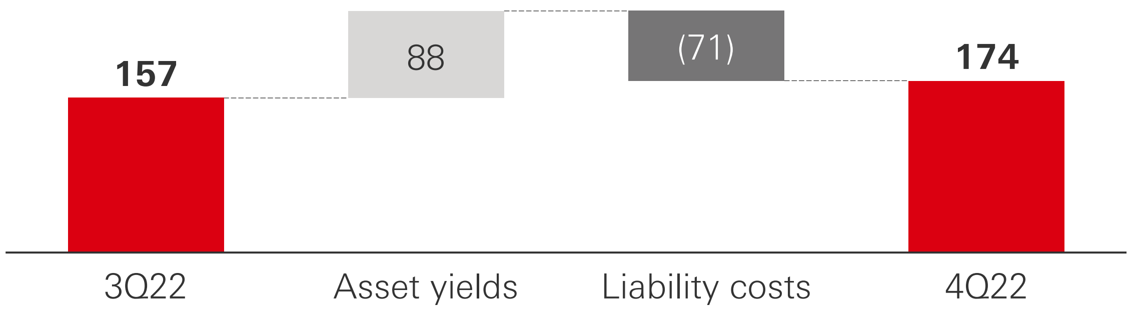
Net fee income by global business, $m



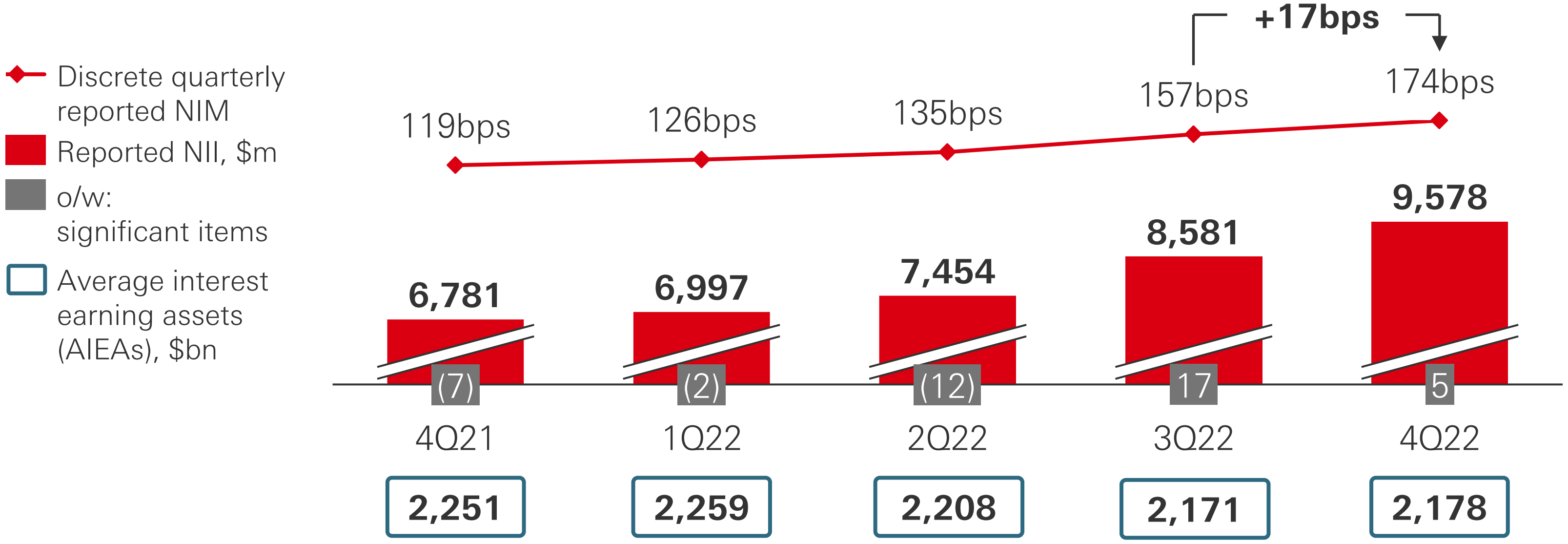
- Group net fee income **down 11%** vs. 4Q21, mainly due to reductions in broader market activity levels
  - WPB fees **down 11%** vs. 4Q21, mainly lower equity and mutual fund sales due to muted customer sentiment
  - CMB fees **up 1%** vs. 4Q21 due to repricing initiatives in GPS
  - GBM fees **down 23%** vs. 4Q21, predominantly driven by lower Capital Markets & Advisory activity

Net interest income and margin

Reported NIM progression, bps



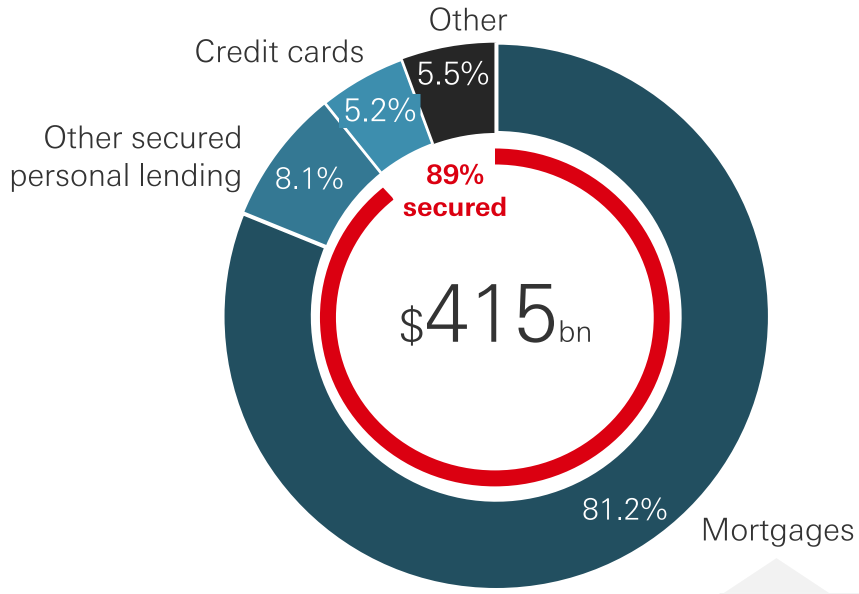
Reported NIM trend



- **4Q22 reported NII of $9.6bn, up $2.8bn (41%)** vs. 4Q21 (up $3.3bn / 53% adjusted) and $1.0bn (12%) vs. 3Q22 (up $1.1bn / 13% adjusted), primarily due to interest rate rises
- **4Q22 reported NIM of 1.74%**, up 17bps vs. 3Q22
- We continue to guide to **FY23 NII of ≥$36bn**[33], which we view as conservative given current FX rates and the strong 4Q22 performance. Guidance considers:
  - Lagged deposit pass through impacts and migration to time deposits
  - Volume of trading book assets funded by liabilities accounted for in interest expense
- Cautious outlook on loan growth in the short term; continue to expect **mid-single digit percentage annual loan growth** in the medium to long term
- We have taken and continue to take action to **improve our NII stability**
- Further NII analysis is included on slide 36

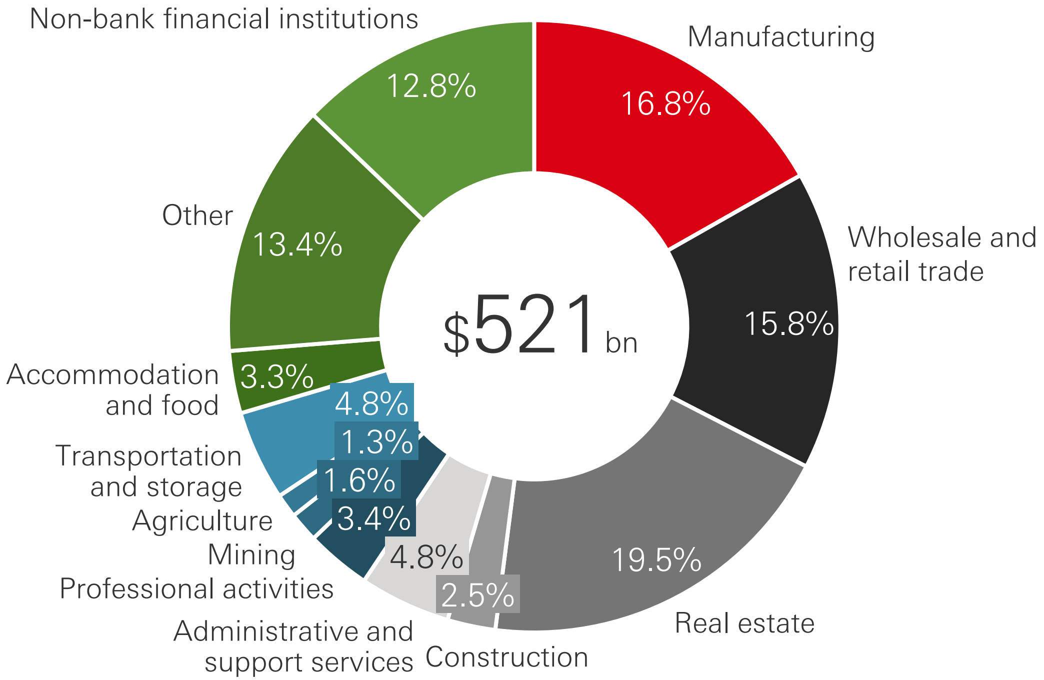
Gross customer lending (ex. held for sale)

Personal loan book, $bn



Mortgages: $337bn
Of which: Interest-only: $24bn[34]

Wholesale loan book, $bn



Retail mortgage average LTVs (portfolio, indexed)

UK: 50%
New lending: 67%

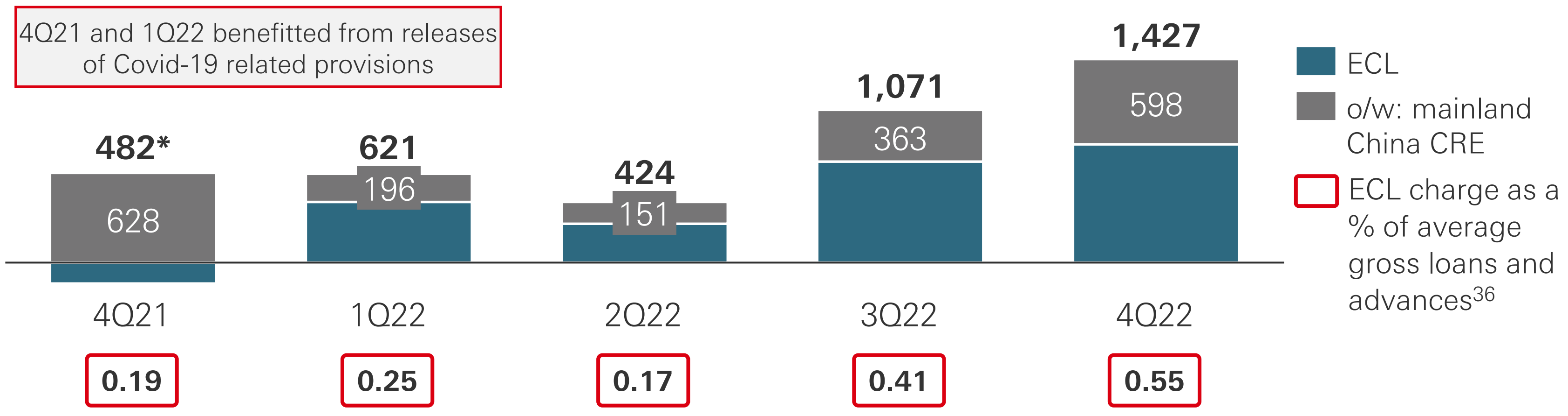
HK: 57%
New lending: 59%

Coverage by collateralisation and guarantee[35]

Households	*SMEs*	*Non-financial corporates*	*Non-bank financials*
88%	74%	54%	72%

Credit performance

Adjusted ECL charge trend, $m



ECL charge / (release) by geography, $m

	4Q22	3Q22
Hong Kong‡	758	505
Mainland China	100	87
Other Asia	36	71
UK RFB	236	278
HSBC Bank plc	55	(14)
Mexico	173	94
Other	69	50
Total	**1,427**	**1,071**

4Q22 ECL charge by stage, $bn

	Stage 1-2	Stage 3	Total
Wholesale	0.2	0.9	1.1
Personal	0.1	0.2	0.3
Total	**0.3**	**1.1**	**1.4**

- **FY22 ECL charge of $3.6bn** was **35bps** of average gross loans and advances[36]
- **4Q22 ECL charge of $1.4bn:**
  - This includes **$0.6bn** for mainland China CRE exposures
  - The remaining $0.8bn charge represents **c.30bps** of average loans, comprised of a $0.5bn Wholesale charge and $0.3bn Personal charge
- Given current macroeconomic headwinds, whilst we retain our through-the-cycle planning range of 30-40bps, we expect a **FY23 ECL charge of around 40bps**[36]

* Total charge was $482m. China CRE ECL charge of $628m was partly offset by the release of Covid-19 related provisions

‡ Charges largely relate to offshore China CRE exposures booked on Hong Kong balance sheets

Mainland China commercial real estate update

Mainland China CRE exposures by booking location and credit quality

At 31 December 2022

$m	*Memo: Hong Kong at 2Q22*	Hong Kong	Mainland China	RoW	Total
Total	*11,734*	**9,378**	**6,507**	**878**	**16,763**
Strong	*2,095*	1,425	2,118	220	3,763
Good	*2,429*	697	1,087	370	2,154
Satisfactory	*3,104*	1,269	2,248	77	3,594
Sub-standard	*1,946*	2,887	779	193	3,859
Credit impaired	*2,160*	3,100	275	18	3,393
Allowance for ECL	*(884)*	**(1,746)**	**(241)**	**(4)**	**(1,991)**

Hong Kong booked sub-standard and credit impaired exposures

$m	Total exposure	Of which not secured	ECL allowance
Sub-standard	2,887	2,581	(458)
Credit impaired	3,100	2,347	(1,268)
Total	**5,987**	**4,928**	**(1,726)**

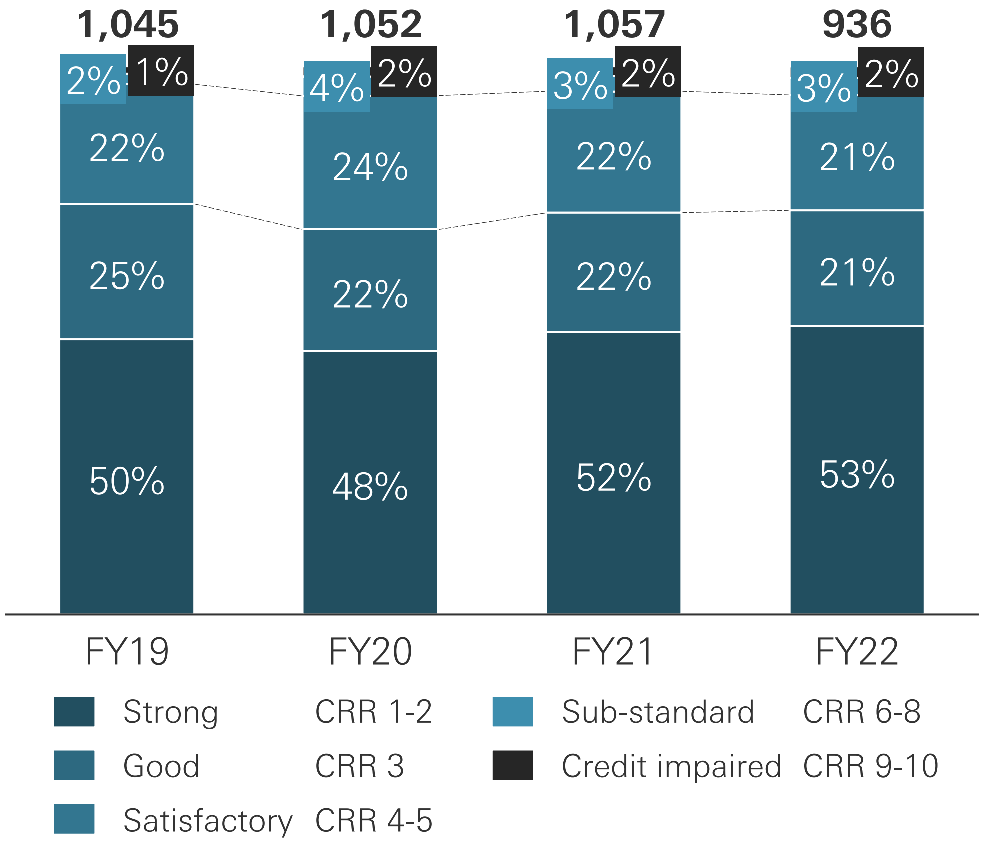
- Total mainland China CRE exposure $16.8bn, down **$3.0bn** vs. 2Q22, primarily due to repayments in the Hong Kong booked portfolio

Hong Kong booked exposures:

- $9.4bn, **down $2.4bn** vs. 2Q22 primarily due to repayments; **$9.1bn** drawn loans & advances
- **$6bn** (c.60%) is classed as sub-standard and credit impaired:
  - **$4.9bn** not secured; **$1.1bn** secured
  - Total ECL allowance of **$1.7bn**, substantially all against the **$4.9bn** of **not secured** exposures; ECL allowance on secured exposures is minimal due to the nature of security held
  - Our coverage ratio against not secured, credit impaired (Stage 3) exposures is **c.50-55%**
- Management assessed a plausible downside scenario for the Hong Kong booked exposure to be around **$1bn** of additional ECL at 31 December 2022
- We have seen recent **positive policy developments** in mainland China's commercial real estate sector and continue to monitor developments closely

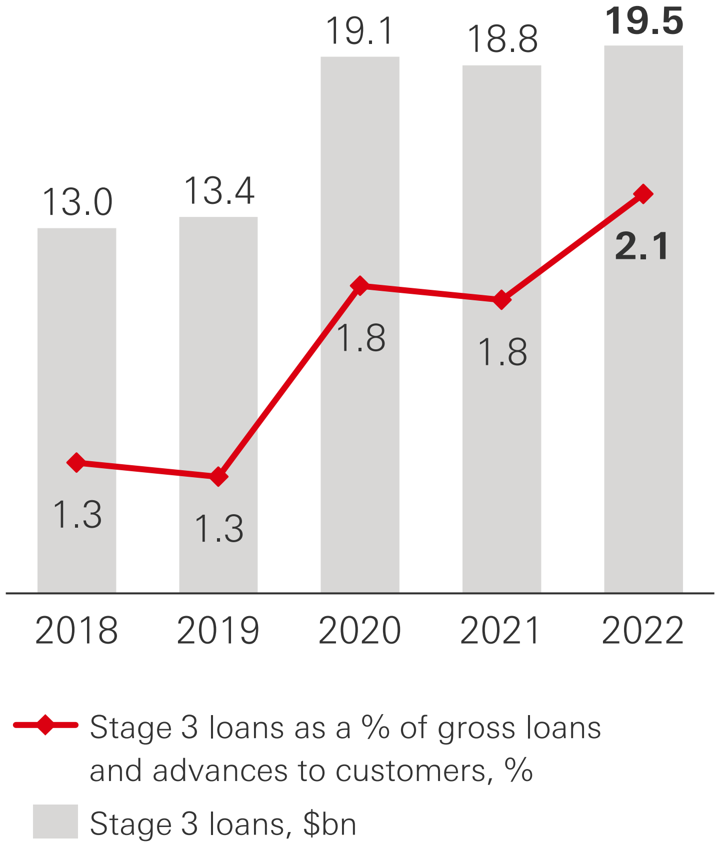
Asset quality

Gross loans by credit quality classification trend, $bn



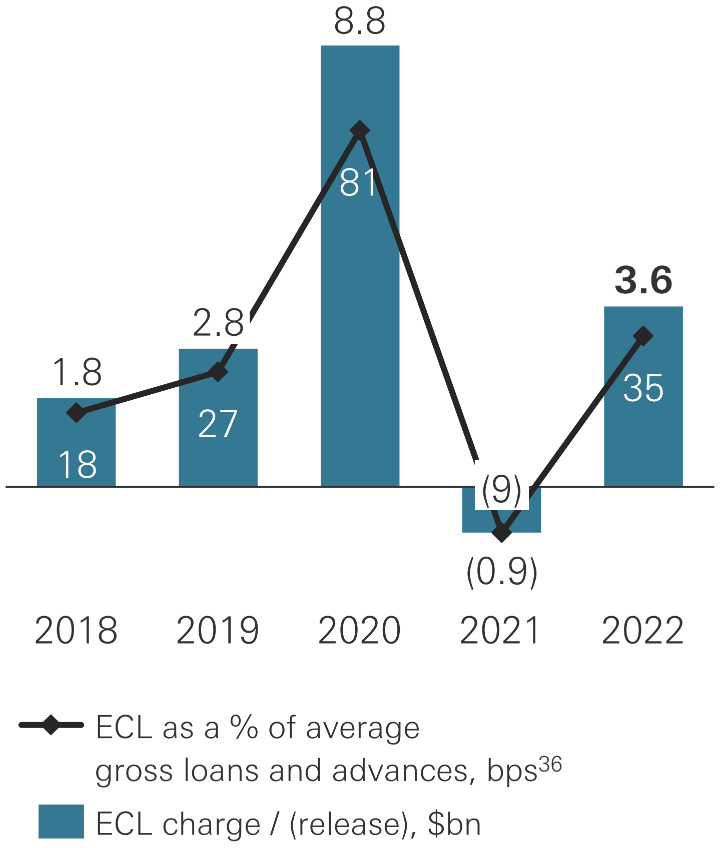
- **74%** of loans classified as Strong or Good credit quality, equivalent to an investment grade rating from an external credit rating agency

Stage 3 and impaired loans to customers



Stage 3 loans as a % of gross loans and advances to customers of 2.1% at FY22

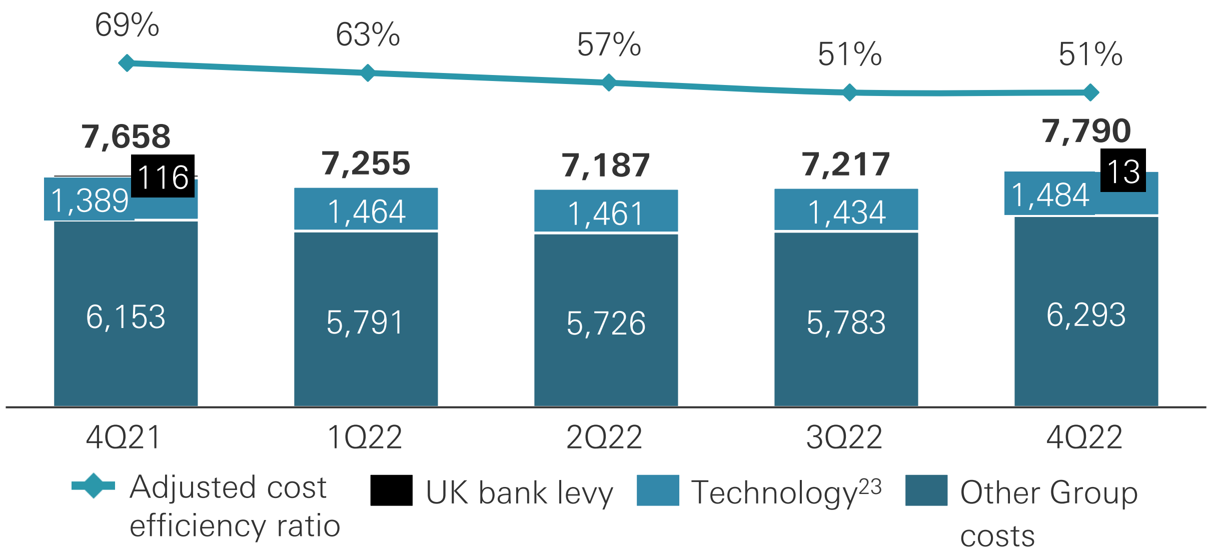
Reported ECL charge / (release)



ECL charge of $3.6bn in FY22, primarily relating to mainland China CRE exposures

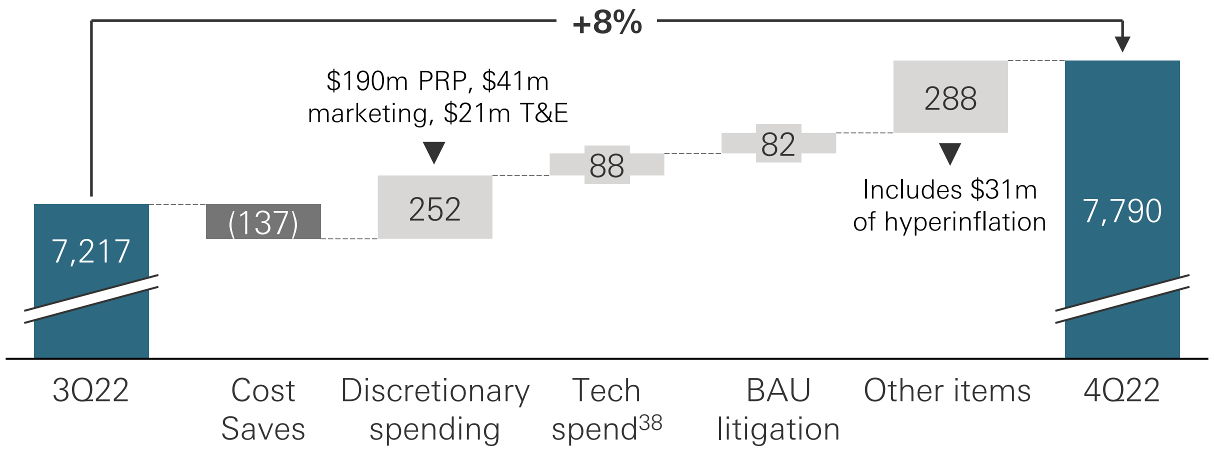
Adjusted costs

Operating expenses trend, $m

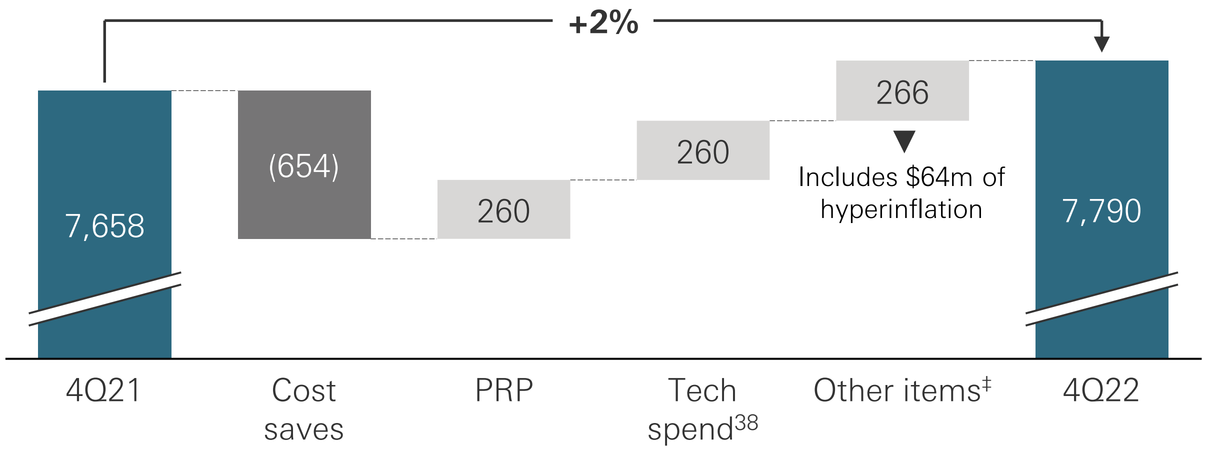


- **4Q22 costs of $7.8bn, up $0.1bn (2%)** vs. 4Q21. $0.7bn of cost saves were offset by $0.3bn higher technology spend and $0.3bn higher performance-related pay (PRP) due to accrual timing differences
- **FY22 costs of $30.5bn**, up $0.4bn (1%) vs. FY21*
- UK bank levy lower than guided due to credits relating to previous years; expect c.$0.2bn for FY23
- Delivered FY20-22 **cost savings of $5.6bn**, with an associated **CTA of $6.5bn**. A further c.$1bn of cost saves are expected to flow through in FY23
- Targeting **c.3% adjusted cost growth in FY23**[37], including up to $0.3bn severance costs that are expected to generate efficiencies into 2024

4Q22 vs. 3Q22, $m



4Q22 vs. 4Q21, $m



* Impact of retranslating prior year costs of hyperinflationary economies at constant currency $(0.2)bn
‡ Other items includes $0.1bn inflation and $0.1bn business and volume growth

Guidance summary

		FY22	Guidance
NII		**$32.6bn**	FY23 NII ≥$36bn[33]; intend to update target for IFRS 17 at or before 1Q23
Lending		**+1%[36]**	Cautious outlook on loan growth in the short term; expect mid-single digit percentage annual loan growth in the medium to long term
Costs		**$30.5bn**	Approximately 3% adjusted cost growth in FY23[37], including up to $300m severance costs
ECL		**35bps of average gross loans & advances[36]**	FY23 ECL charge of around 40bps[36], increase of 4-5bps due to HFS assets; through-the-cycle planning range of 30-40bps
RoTE		**9.9%**	Targeting 12%+ from FY23
Asia as a % of Group TE[39]		**47%**	c.50% medium to long term[40]
Capital and distributions	CET1	**14.2%**	Manage in 14-14.5% target range in the medium term; aim to manage range down further longer term
Capital and distributions	Dividends	**44% payout ratio**	Establishing a dividend payout ratio of 50% for 2023 and 2024[41]; intend to reinstate quarterly dividends from 1Q23
Capital and distributions	Buybacks	**N/A**	Consideration of buybacks brought forward to 1Q23

Increasing fee-based revenue and growing our WPB franchise remain important priorities for the Group. However, given the changes to the macroeconomic environment, together with the implementation of IFRS 17, 'insurance and fees as a % of Group adjusted revenue' and 'WPB as a % of Group tangible equity' are no longer appropriate to measure our progress in these areas

Summary

1 **4Q22 revenue up $4.3bn (38%)**, **PBT up $3.3bn (92%)** vs. 4Q21; FY22 revenue up $8.3bn and PBT up $3.4bn vs. FY21

2 FY22 ECL charge **$3.6bn**. Expect a charge of **around 40bps of loans** in FY23[36]

3 Continued **cost control**. **FY22 costs were up 1%** vs. FY21, despite the inflationary environment. **Targeting 3% adjusted cost growth in FY23**[37]

4 Strong capital and liquidity; **CET1 ratio of 14.2%**

12%+ RoTE from FY23

Substantial distribution capacity:

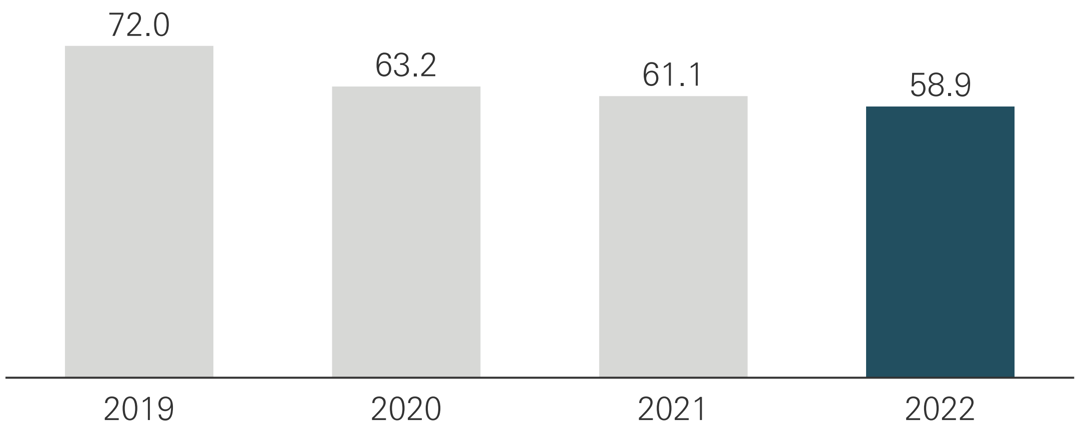
- **$0.32 FY22 dividend per share**
- Establishing a **50% payout ratio** for FY23 and FY24[41]
- Returning to **quarterly dividends** from 1Q23
- Consideration of **buybacks** brought forward to 1Q23
- **Incremental special dividend** of $0.21 per share in FY24, subject to completion of our Canada transaction and necessary approvals*

* Any remaining additional surplus capital is expected to be allocated towards opportunities for organic growth and investment alongside share buybacks, which would be in addition to any existing share buyback programme

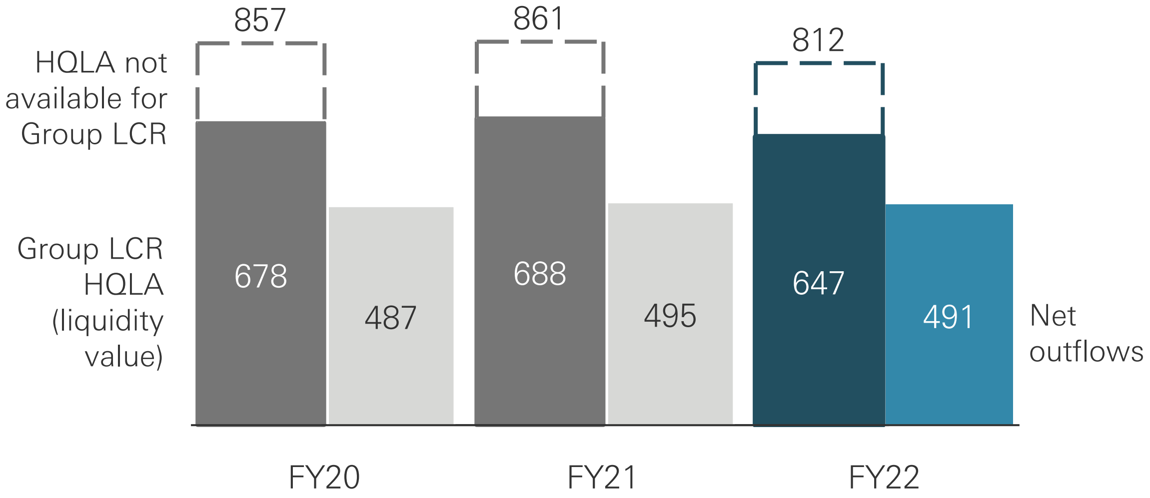
Balance sheet & issuance

Funding and liquidity

Reported loans to deposits ratio, %



High-quality liquid assets, $bn

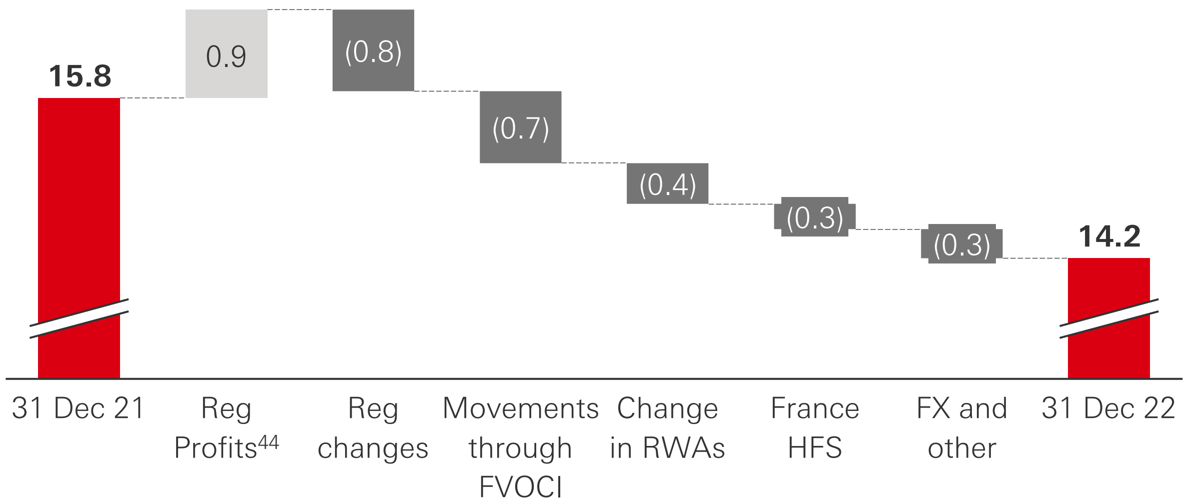


Principal operating entities	LCR[42]		NSFR[42]	
%	FY22	FY21	FY22	FY21
HSBC UK Bank plc (RFB)	226	222	164	176
HSBC Bank plc (NRFB)	143	142	115	115
The Hongkong and Shanghai Banking Corporation – Hong Kong branch	179	190	130	136
HSBC Singapore[43]	247	277	173	165
Hang Seng Bank	228	200	156	145
HSBC Bank China	183	155	132	143
HSBC Bank USA	164	169	131	145
HSBC Continental Europe	151	142	132	131
HSBC Bank Middle East Ltd – UAE branch	239	203	158	154
HSBC Canada	149	154	122	125
HSBC Mexico	155	210	129	138
Group consolidated	**132**	**139**	**136**	–

- HSBC primarily manages liquidity at an operating entity level, rather than as a consolidated group
- The Group LCR calculation includes an adjustment to reflect potential limitations to the transfer of liquidity around the Group. At FY22 this resulted in an adjustment of $165bn to LCR HQLA and $9bn to LCR inflows on an average basis
- HQLA in entities were down $49bn in FY22, largely reflecting FX impacts

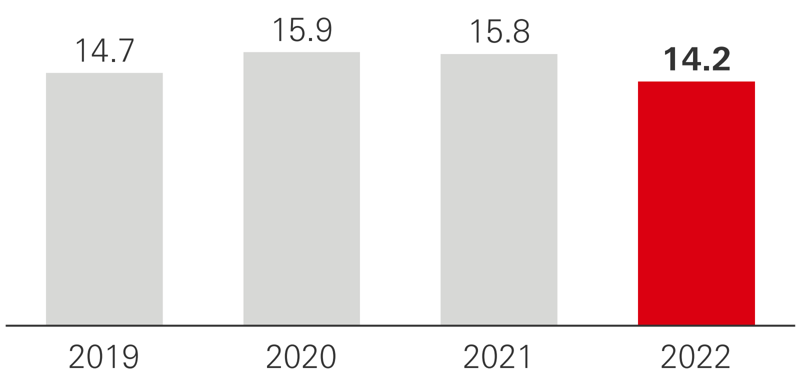
Capital position

CET1 ratio, %

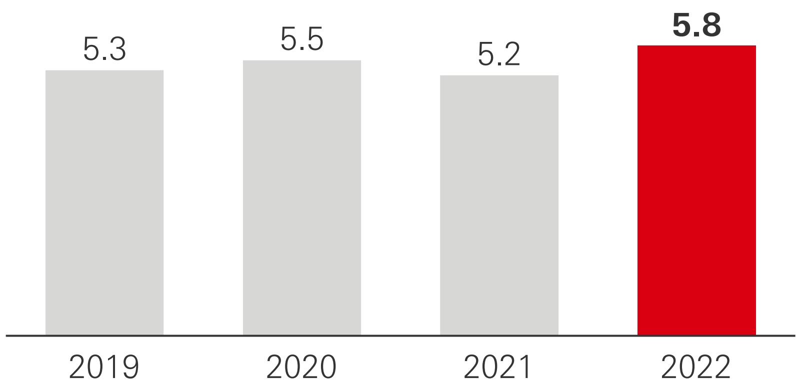


- **CET1 ratio of 14.2% down 1.6ppts vs. FY21**, including 0.8ppts of regulatory impacts, 0.7ppts of FVOCI movements and 0.3ppts impact from an impairment following the reclassification of our French retail operations to held for sale
- CET1 ratio target range **remains at 14%–14.5%** in the medium term, with the intention of managing this range down further longer term[40]
- We are establishing a **50% dividend payout ratio** in 2023 and 2024[41], consideration of buybacks brought forward to 1Q23

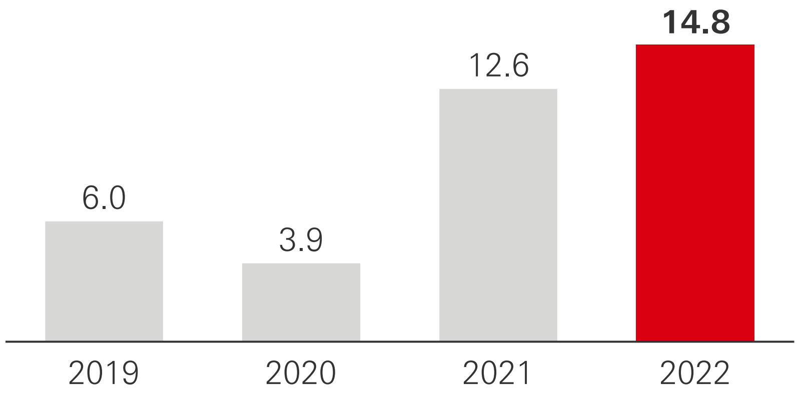
CET1 ratio, %



Leverage ratio, %[27]

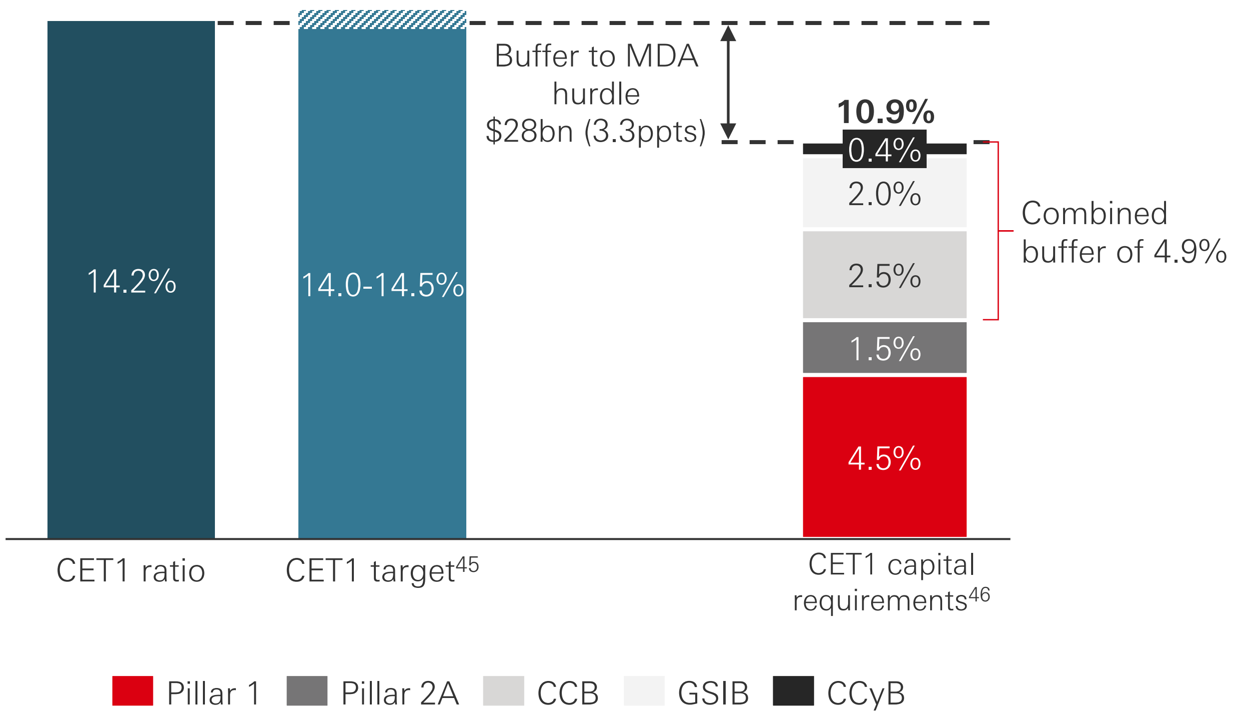


Profit attributable to ordinary shareholders, $bn



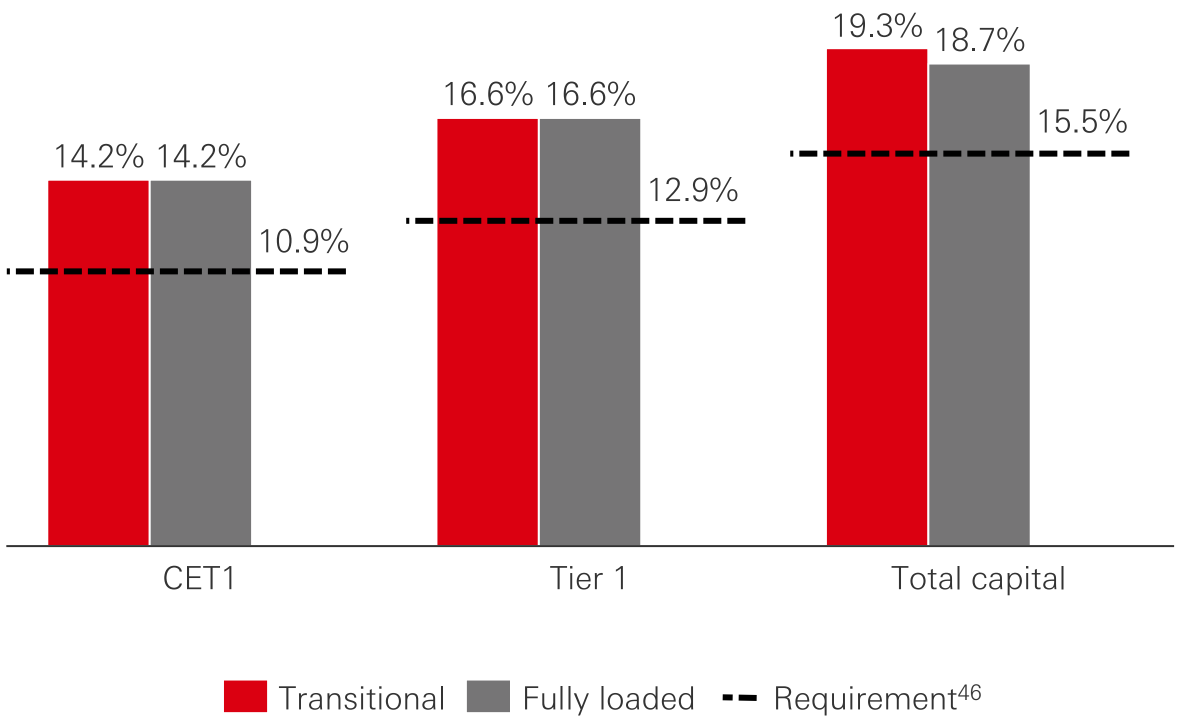
Capital position versus requirements

CET1 ratio as a % of RWAs, vs. target and MDA hurdle



- **Pillar 2A set at 2.6% of RWAs**, of which 1.5% must be held in CET1
- **UK CCyB** increased from 0% to 1%, as of December 2022 with a further increase from 1% to 2% due in July 2023. Each 1ppt increase in the UK CCyB increases HSBC Group's CCyB by c.0.2ppts

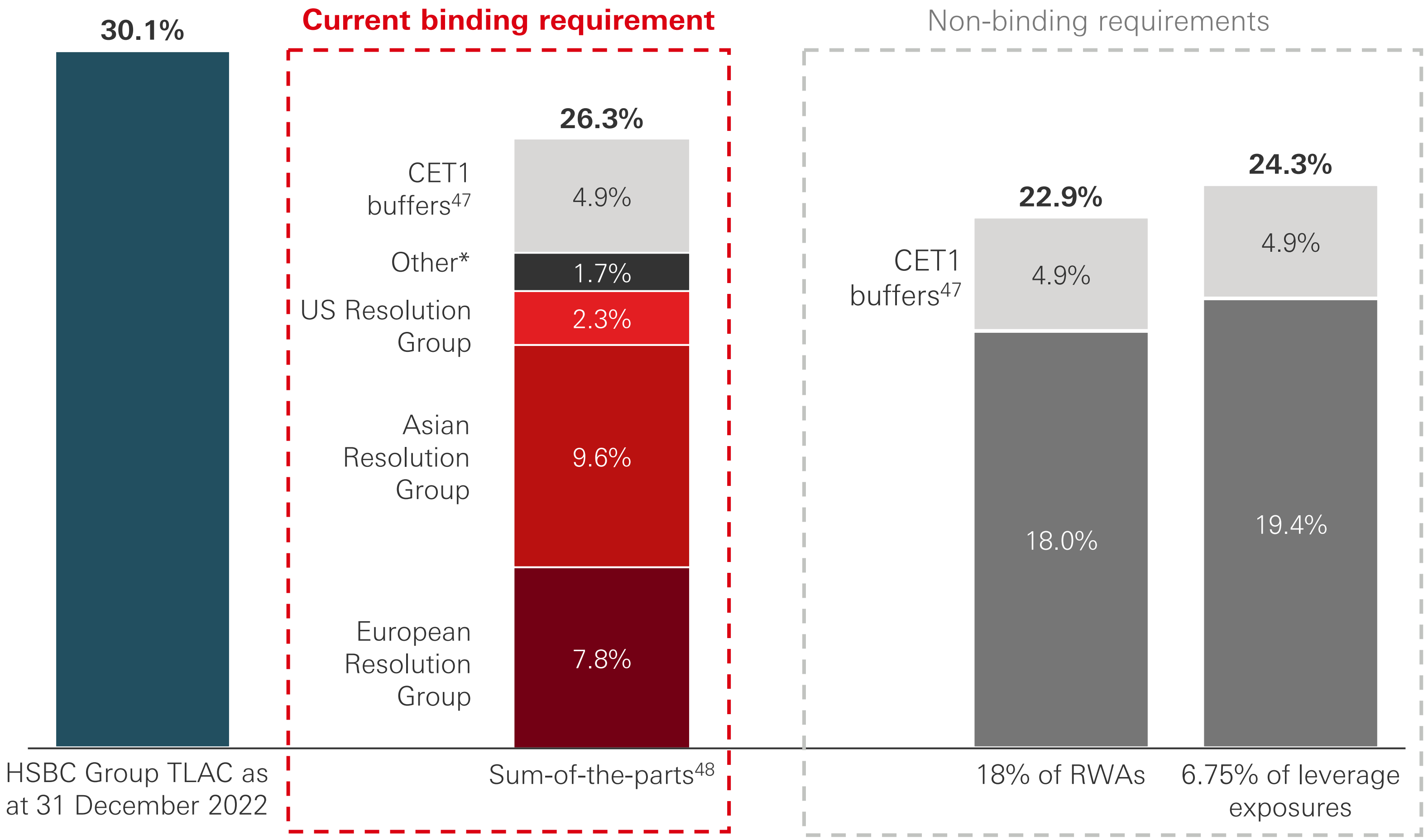
Regulatory capital vs. regulatory requirements as a % of RWAs



- **Total capital ratio** down 1.9ppts reflecting lower CET1 ratio and the loss of regulatory capital value for certain legacy securities due to CRR1 grandfathering cessation on 1 January 2022
- **Distributable reserves were $35.2bn**, up from $32.2bn at 31 Dec 2021

MREL / TLAC position

MREL / TLAC position versus requirements[46] as a % of Group RWAs



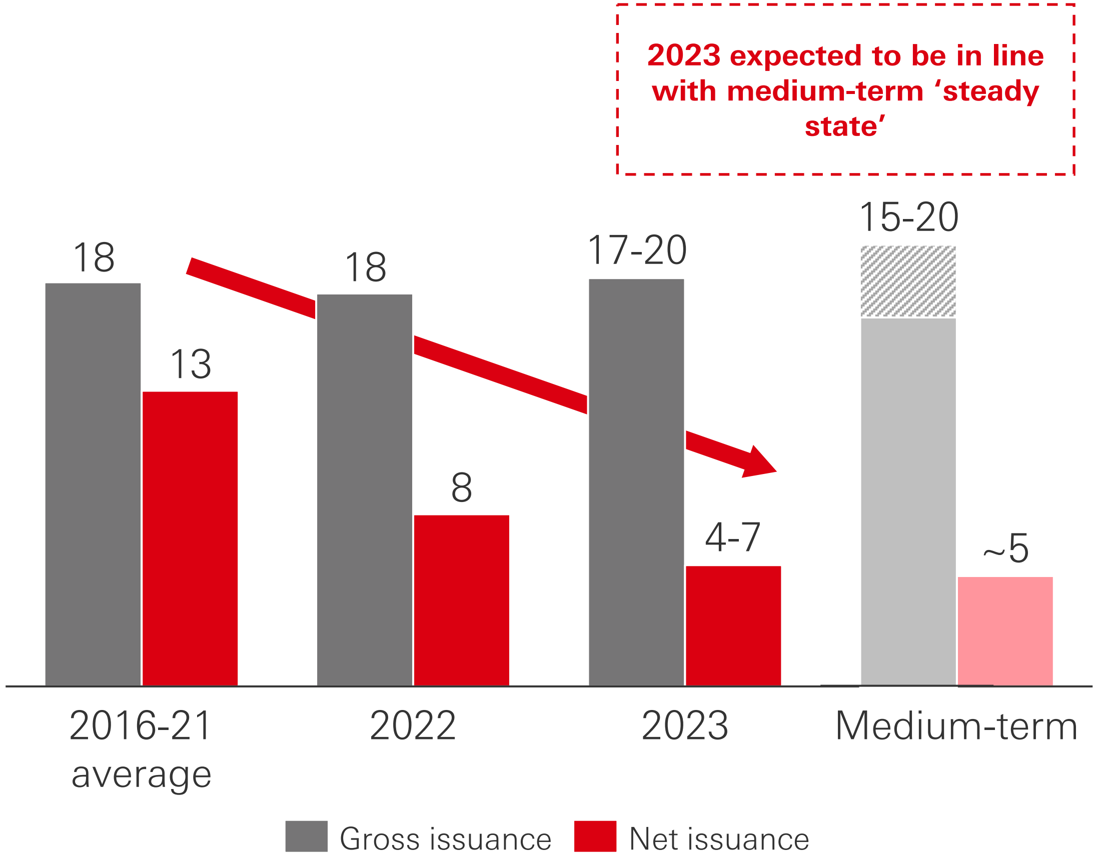
- **3.8ppts / $32bn buffer** to current requirement
- HSBC Group's MREL requirement is the greater of:
  - 18% of RWAs
  - 6.75% of leverage exposures
  - The sum of each resolution group's local regulatory requirements and other Group entities' capital requirements (the 'sum-of-the-parts')
- Of the three requirements, the sum-of-the-parts is the current binding constraint
- Expect to maintain a **prudent management buffer** above MREL requirement

* Capital or TLAC requirements relating to other Group entities

Issuance plan

Modest net new issuance going forward

HoldCo senior gross and net issuance, $bn-equivalent



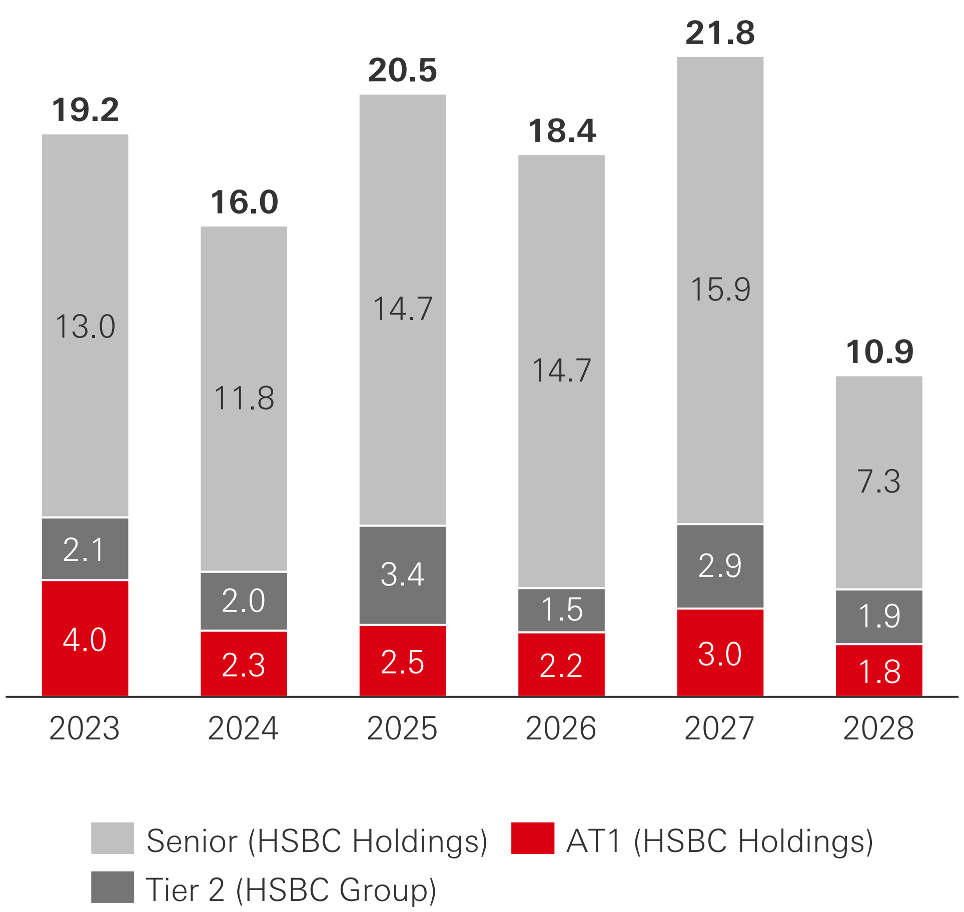
FY23 issuance plan

HoldCo senior	$17-20bn
Tier 2	$4-5bn
AT1	~$2bn
OpCo	Expect certain subsidiaries to issue senior and secured debt in local markets to meet funding and liquidity requirements

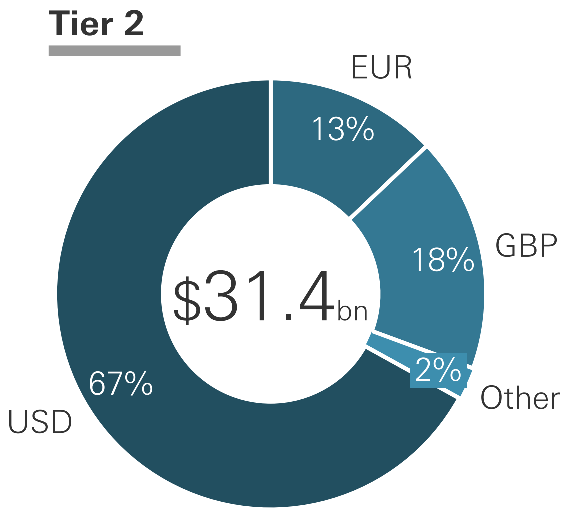
Portfolio instruments

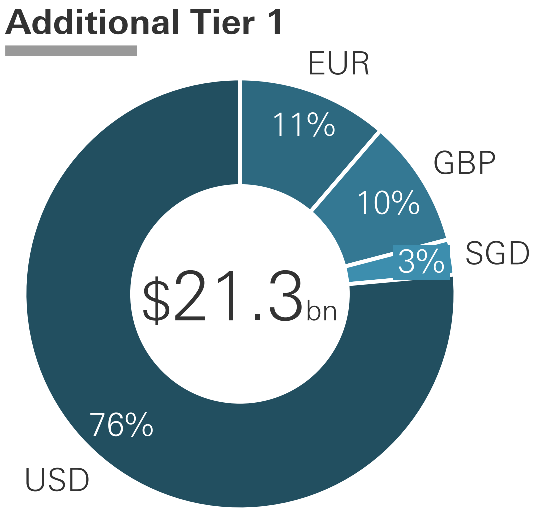
Maturity profile at FY22[49]

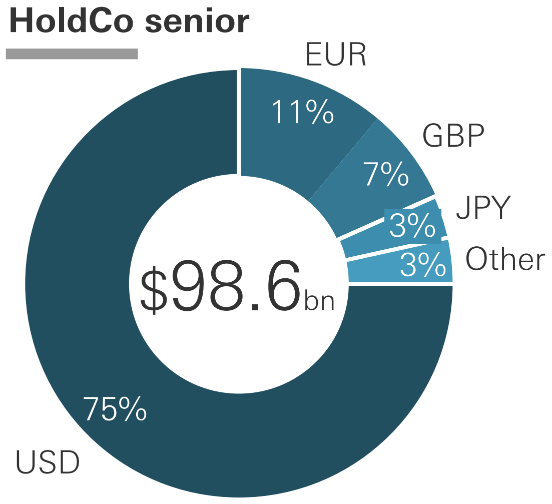
$bn-equivalent



Outstanding instruments by currency (notional) at FY22







Legacy securities

Total legacy securities of $11bn[50]

Issuer	AT1 (Capital tier eligibility at issuance)	Tier 2 (Capital tier eligibility at issuance)
HSBC Holdings plc	$0.9bn*	$4.3bn
o/w fully ineligible	*$0.9bn**	–
*o/w fully eligible to 2025^*	–	*$4.3bn*
HSBC Bank plc	$0.8bn*	$2.5bn
o/w fully ineligible	*$0.8bn**	*$0.1bn*
o/w eligible as Tier 2 to 2025	–	*$1.7bn*
o/w fully eligible as Tier 2	–	*$0.7bn*
HSBC USA, Inc / HSBC Bank USA, NA	–	$1.7bn
o/w fully eligible as Tier 2	–	*$1.4bn*
o/w fully ineligible (but fully eligible as Tier 2 locally)	–	*$0.3bn*
Hongkong & Shanghai Banking Corp Ltd	–	$0.4bn
o/w eligible as Tier 2 to 2025 (no Tier 2 value locally)	–	*$0.4bn*

- $4.1bn of legacy securities **exchanged or tendered in 2022**, reducing the total balance to $11bn
- Historical accounting and hedging decisions will have an impact on when (or if) it may become economically rational to take action on our legacy portfolio stock
- When considering any potential actions to reduce the portfolio, we evaluate these opportunities against a desire that we **take decisions which present a reasonable economic cost to us**
- Any decision would be taken in the context of the Bank of England's position on legacy securities, noting their stated view that taking steps to reduce legacy instrument portfolios should be **appropriate and proportionate**
- Changes in prevailing interest rates and credit spreads will alter these economic calculations over time and also, **where securities present a significant economic cost to exit early, this cost will generally diminish as the securities near their maturity or first call date**

* Indirect issuance via special purpose vehicles
^ Fully eligible as MREL post 2025 but are expected to be subject to voluntary derecognition which will mean these securities are not expected to be eligible as MREL after losing their Tier 2 treatment in 2025

IBOR – regulatory capital & MREL securities

Consent solicitation completed

GBP English law securities	▪ Consent **exercise passed** in September 2021 to alter reference rate for post-call coupons on a number of bonds issued by a number of group entities ▪ Used established market convention - GBP LIBOR substituted with SONIA plus credit spread adjustment ▪ Added fallbacks that consider the new reference rate
SGD English law securities	▪ Consent **exercise failed** in September 2021 due to lack of quorum ▪ All SGD English law securities remain fixed rate until their first call date, utilisation of IBOR only arises if HSBC chooses not to exercise its call option ▪ Of the two failed securities, one was redeemed in June 2022 and the other is callable in September 2023 ▪ Continue to evaluate whether there are any further options to remediate

Remaining securities – USD, JPY, and GBP (NY law) securities

- **We remain committed to seeking to remediate or mitigate relevant risks relating to IBOR-demise**, as appropriate, on our outstanding regulatory capital and MREL instruments before the relevant calculation dates, which may occur post cessation of the relevant IBOR rate or rates
- Evaluating legislative solutions, fallbacks, and any other relevant options for USD New York law securities
- GBP New York law securities remain difficult to remediate fully given lack of consent option and no current legislative solution to transition these securities
- Continue to evaluate options for USD English law and JPY Japanese law securities

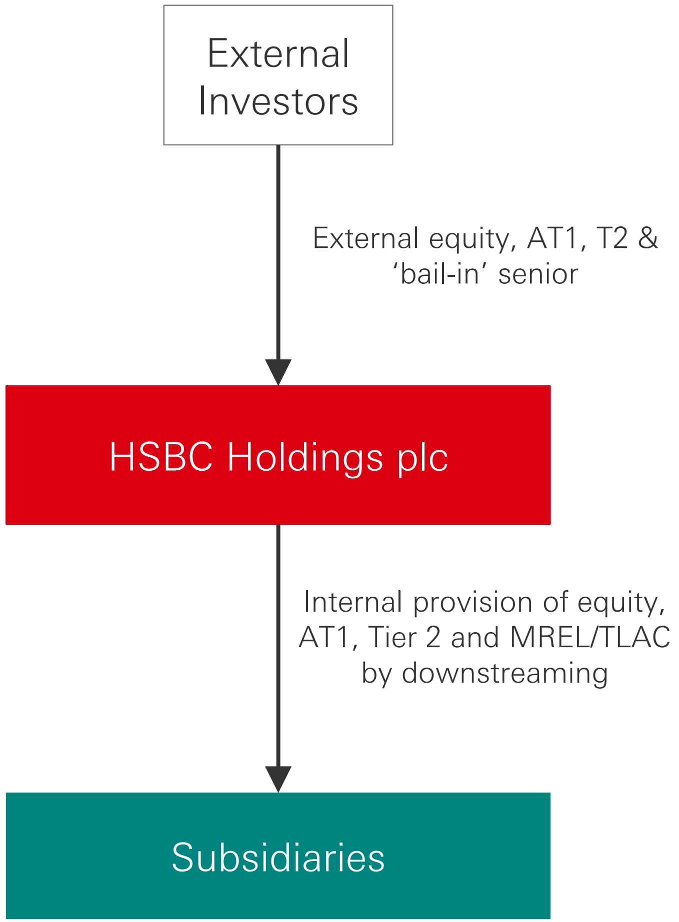
Appendix

MREL/TLAC position

	HSBC Group	US resolution group	Europe resolution group (Including HSBC Holdings)[51]	Asia resolution group
TLAC position at FY22	**Total TLAC: $253.1bn** Of which: non-regulatory capital: $89.5bn	**Total TLAC: $23.8bn** Of which: non-regulatory capital (long-term debt): $8.5bn	**Total TLAC: $94.8bn** Of which: non-regulatory capital: $89.5bn	**Total TLAC: $108.0bn** Of which: non-regulatory capital: $30.1bn
Balance sheet at FY22	RWAs: $839.7bn Leverage exposure: $2,417bn	RWAs: $108.5bn Average assets: $216bn	RWAs: $260.6bn Leverage exposure: $846bn	RWAs: $413.3bn Leverage exposure: $1,192bn
Requirement	The greater of: ▪ 18% of RWAs ▪ 6.75% of UK leverage exposure ▪ Sum-of-the-parts*	TLAC[52]: the greater of: ▪ 18% of RWAs ▪ 9% of average assets Long-Term Debt: the greater of: ▪ 6% of RWAs ▪ 3.5% of average assets	The greater of: ▪ 18% of RWAs ▪ 6.75% of UK leverage exposure ▪ 2 x (P1 + P2A)	Firm specific requirement, subject to TLAC floor of the greater of: ▪ 18% of RWAs ▪ 6.75% of leverage exposure

* Note: the sum-of-the-parts calculation also includes capital requirements or TLAC requirements relating to other Group entities

Approach to issuance



HSBC Holdings plc

- Since 2015, HSBC Holdings has been the Group's issuing entity for external AT1, Tier 2 and MREL / TLAC-eligible senior
- Issuance executed with consideration to our maturity profile

Internal capital and MREL/TLAC

- Proceeds of external debt issued by HSBC Holdings is predominantly used to acquire internal capital and MREL/TLAC instruments issued by its subsidiaries
- HSBC Holdings does not generally provide funding to subsidiaries for day-to-day liquidity needs
- HSBC Holdings retains proceeds for its own liquidity and capital management (>$24bn at FY22)

External debt issued by subsidiaries

- HSBC will continue to issue senior and secured debt from certain subsidiaries to meet local funding and liquidity requirements. This debt is not intended to constitute MREL/TLAC
- External legacy capital instruments issued by subsidiaries are not eligible as MREL/TLAC

Key financial metrics

Reported results, $m	**4Q22**	**3Q22**	**4Q21**
NII	9,578	8,581	6,781
Other Income	5,297	3,035	5,208
Revenue	**14,875**	**11,616**	**11,989**
ECL	(1,427)	(1,075)	(450)
Costs	(8,936)	(7,975)	(9,544)
Associate income	693	581	669
Profit before tax	**5,205**	**3,147**	**2,664**
Tax	(311)	(586)	(635)
Profit after tax	**4,894**	**2,561**	**2,029**
Profit attributable to ordinary shareholders ('PAOS')	4,620	1,913	1,788
Basic EPS, $	0.23	0.10	0.09
Diluted EPS, $	0.23	0.10	0.09
DPS (in respect of the period), $	0.23	—	0.18
Net interest margin (annualised), %	1.74	1.57	1.19

Reported balance sheet, $bn	**4Q22**	**3Q22**	**4Q21**
Total assets	2,967	2,992	2,958
Net loans and advances to customers	925	968	1,046
Customer accounts	1,570	1,567	1,711
Quarterly average interest-earning assets	2,178	2,171	2,251
Reported loan/deposit ratio	58.9	61.7	61.1
Total shareholders' equity (NAV)	187	178	198
Tangible ordinary shareholders' equity (TNAV)	149	141	158
NAV per share, $	8.50	8.00	8.76
TNAV per share, $	7.57	7.13	7.88

Alternative performance measures, $m	**4Q22**	**3Q22**	**4Q21**
Adjusted NII	9,573	8,455	6,255
Adjusted other income	5,779	5,698	4,835
Adjusted revenue	**15,352**	**14,153**	**11,090**
Adjusted ECL	(1,427)	(1,071)	(482)
Adjusted costs	(7,790)	(7,217)	(7,658)
Adjusted associate income	693	563	608
Adjusted profit before tax	**6,828**	**6,428**	**3,558**
PAOS excl. goodwill and other intangible impairment and PVIF	4,590	2,865	2,373
Return on average tangible equity (annualised), %	12.6	7.8	6.0
Return on average equity (annualised), %	11.3	4.7	4.0
Adjusted net loans and advances to customers, $bn	925	1,005	991
Adjusted customer accounts, $bn	1,570	1,629	1,623
Adjusted cost efficiency ratio, %	50.7	51.0	69.1
ECL charge as a % of average gross loans and advances to customers, annualised *(including held-for-sale balances)*	0.58 *(0.55)*	0.41 *(0.41)*	0.19 *(0.19)*

Capital, leverage and liquidity[27]	**4Q22**	**3Q22**	**4Q21**
Reported risk-weighted assets, $bn	840	828	838
CET1 ratio, %	14.2	13.4	15.8
Total capital ratio (transitional), %	19.3	18.1	21.2
Leverage ratio, %	5.8	5.4	5.2
High-quality liquid assets (liquidity value), $bn	644	606	717
Liquidity coverage ratio, %	132	127	139

Share count, m	**4Q22**	**3Q22**	**4Q21**
Basic number of ordinary shares outstanding	19,739	19,738	20,073
Basic number of ordinary shares outstanding and dilutive potential ordinary shares	19,876	19,857	20,189
Quarterly average basic number of ordinary shares outstanding	19,738	19,752	20,152

Reconciliation of reported PBT and adjusted profit after tax

$m		4Q22	3Q22	4Q21	FY22	FY21
	Reported PBT (B)	**5,205**	**3,147**	**2,664**	**17,528**	**18,906**
Revenue	Currency translation	—	(174)	(1,004)	—	(3,074)
	Customer redress programmes	(5)	(17)	7	(8)	(11)
	Disposal, acquisitions and investment in new businesses	71	2,440	—	2,799	—
	Fair value movements on financial instruments	127	232	(16)	579	242
	Restructuring and other related costs*	284	32	112	248	307
	Currency translation of significant items	—	24	2	—	4
ECL	Currency translation	—	4	(32)	—	(174)
Operating expenses	Currency translation	—	87	727	—	2,181
	Customer redress programmes	(10)	(15)	25	(31)	49
	Disposals, acquisitions and investment in new businesses	9	9	—	18	—
	Impairment of goodwill and other intangibles	(13)	—	587	(4)	587
	Restructuring and other related costs	1,160	681	591	2,881	1,836
	o/w: costs to achieve	*1,159*	*676*	*574*	*2,853*	*1,782*
	Currency translation of significant items	—	(4)	(44)	—	(137)
Share of profit in associates and JVs	Currency translation	—	(18)	(61)	—	(113)
	Adjusted PBT	**6,828**	**6,428**	**3,558**	**24,010**	**20,603**
Tax	Currency translation	—	22	58	—	279
	Reported tax charge	(311)	(586)	(635)	(858)	(4,213)
	Tax significant items	(961)	(645)	(104)	(3,429)	(324)
	Currency translation on significant items	—	(5)	6	—	17
	Adjusted profit after tax (A)	**5,556**	**5,214**	**2,883**	**19,723**	**16,362**
	Total tax, currency translation and significant items (A-B)	**351**	**2,067**	**219**	**2,195**	**(2,544)**

* Primarily comprises losses associated with our RWA reduction programme

Certain items included in adjusted revenue

Certain items included in adjusted revenue highlighted in management commentary, $m	4Q22	3Q22	2Q22	1Q22	4Q21	FY22	FY21
Insurance manufacturing market impacts in WPB	107	(421)	(382)	(279)	126	(964)	479
of which: Asia WPB insurance manufacturing market impacts	*(18)*	*(443)*	*(402)*	*(361)*	*88*	*(1,228)*	*224*
Gain on Insurance policyholder funds on deposit in WPB	—	—	294	—	—	294	—
Credit and funding valuation adjustments in GBM	10	3	24	(29)	38	6	32
Legacy Credit in Corporate Centre	(15)	(6)	23	(18)	(12)	(17)	(31)
Valuation differences on long-term debt and associated swaps in Corporate Centre	(1)	(48)	(32)	5	(10)	(77)	(99)
Türkiye hyperinflation[53]	(20)	(27)	(113)	—	—	(161)	—
Argentina hyperinflation[53]	(119)	(106)	(86)	(69)	(18)	(380)	(130)
Total	**(38)**	**(605)**	**(272)**	**(390)**	**124**	**(1,299)**	**251**

Net interest margin supporting information

1 year NII sensitivity

At 31 December 2022, assumes a static balance sheet (no assumed migration from current account to time deposits), no management actions from Global Treasury and a simplified 50% pass-through

	Currency					
	USD $m	HKD $m	GBP $m	EUR $m	Other $m	Total $m
+25bps	(66)	107	245	167	431	884
-25bps	64	(115)	(289)	(194)	(439)	(973)
+100bps	(267)	413	1,026	674	1,689	3,535
-100bps	236	(476)	(1,177)	(765)	(1,787)	(3,969)

5 year NII sensitivity

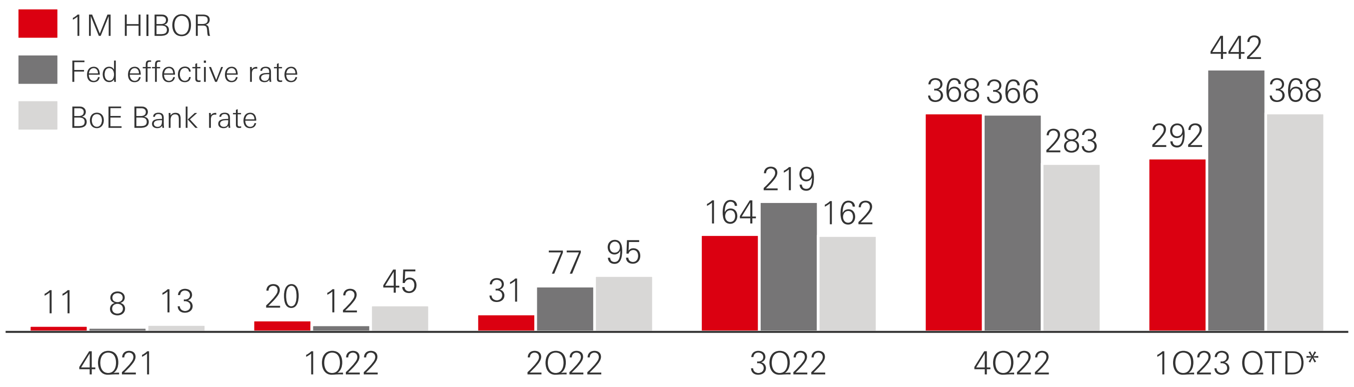
At 31 December 2022, assumes a static balance sheet (no assumed migration from current account to time deposits), no management actions from Global Treasury and a simplified 50% pass-through

	Currency					
	USD $m	HKD $m	GBP $m	EUR $m	Other $m	Total $m
+25bps	192	668	2,315	924	2,500	6,599
-25bps	(282)	(688)	(2,336)	(1,044)	(2,498)	(6,848)
+100bps	673	2,401	9,254	3,764	9,765	25,857
-100bps	(1,522)	(3,004)	(9,454)	(4,173)	(10,317)	(28,470)

Quarterly NIM by key legal entity

	4Q21	1Q22	2Q22	3Q22	4Q22	% of 4Q22 Group NII	% of 4Q22 Group AIEA
The Hongkong and Shanghai Banking Corporation (HBAP)	1.35%	1.39%	1.46%	1.79%	2.05%	52%	44%
HSBC Bank plc	0.52%	0.55%	0.57%	0.41%	0.52%	6%	21%
HSBC UK Bank plc (UK RFB)	1.48%	1.63%	1.77%	1.99%	2.19%	22%	17%
HSBC North America Holdings, Inc	0.87%	0.90%	1.05%	1.16%	1.16%	5%	8%

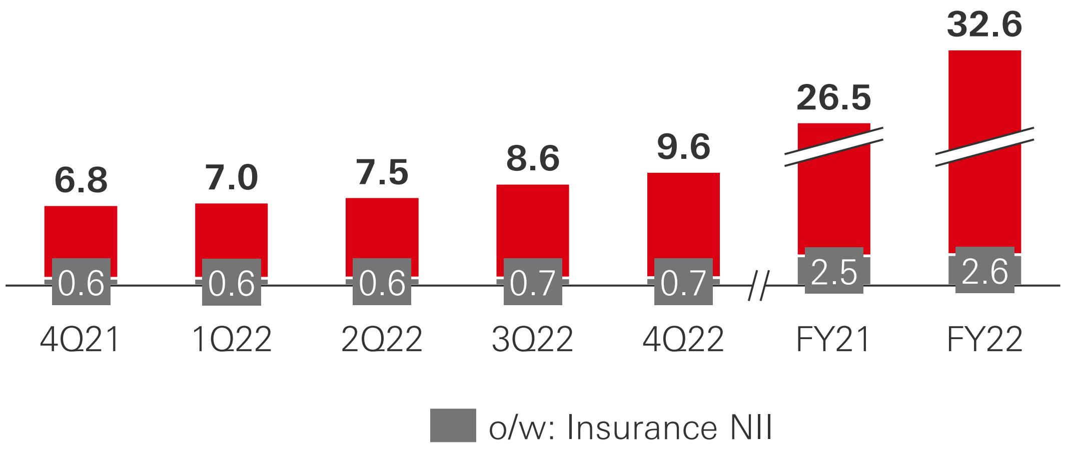
Key rates (quarter averages), bps



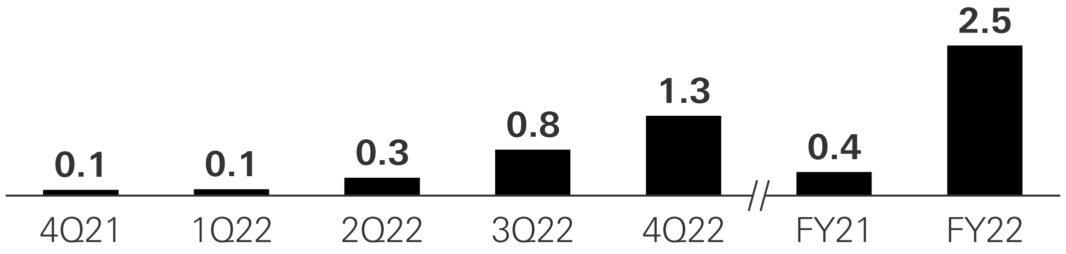
Source: Bloomberg * At 20 Feb 2023

Further NII analysis

Reported NII trend, $bn



Central costs of funding trading income, $bn



IFRS 17

- NII in our insurance manufacturing business* ($2.6bn in FY22) will reduce under IFRS 17 which came into force on 1st January 2023 as a result of related asset reclassifications. Associated income will now be reported in other income
  - 1H22 insurance NII, if reported on an IFRS 17 basis, would have fallen from **$1.3bn to $0.2bn**♦, with an offsetting credit to non-NII due to asset reclassifications

Funding of the trading book

- Included within FY22 NII was a **$2.5bn** interest expense representing centrally allocated funding costs associated with generating trading income‡, offset by $2.5bn of trading income reported in Corporate Centre
  - Up **$2.1bn vs. FY21**, primarily due to higher interest rates
  - Our NII guidance for 2023 incorporates the **annualised run-rate** of this expense (**$1.3bn** in 4Q22) reflecting higher average interest rates than in FY22 and our net trading assets funding position
- FY22 Group AIEAs of **$2.2tn**, of which insurance AIEAs **$73bn**. Average trading assets and financial assets designated and otherwise mandatorily measured at fair value through profit or loss **$151bn**

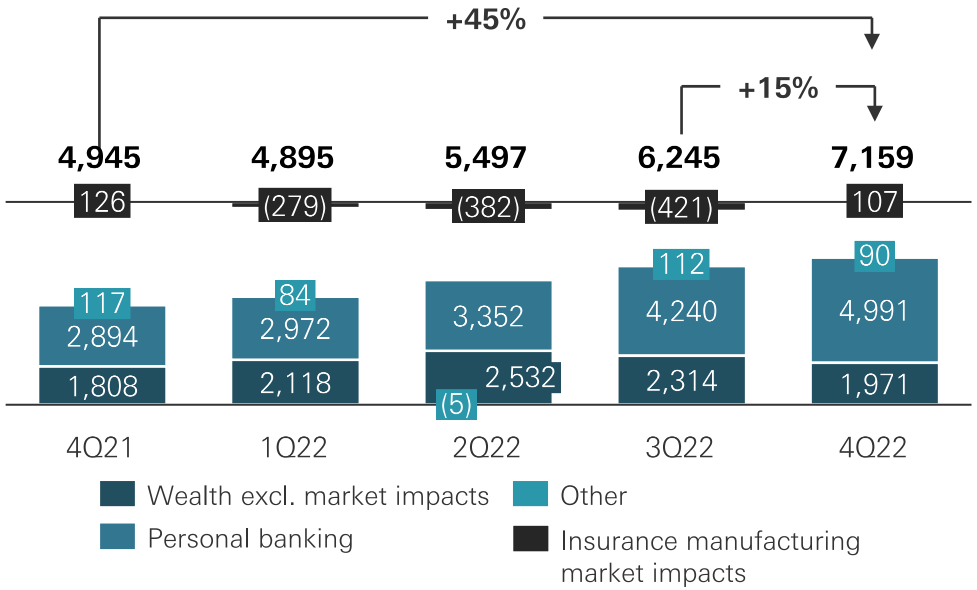
* Primarily interest earned on investment portfolios, e.g. government and corporate bonds, other securities and cash
♦ Estimate based on certain judgements and is subject to change
‡ Net income from financial instruments held for trading or managed on a fair value basis

Wealth and Personal Banking

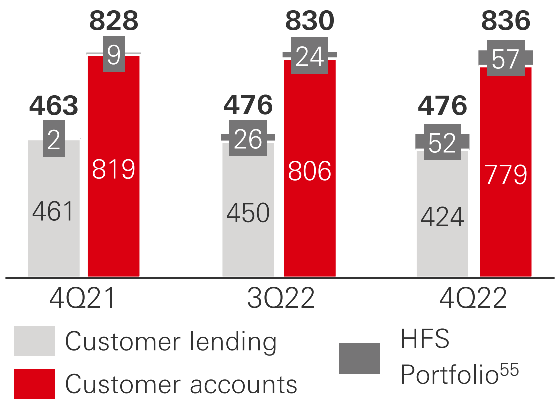
4Q22 financial highlights

Revenue	**$7.2bn**	▲	45% (4Q21: $4.9bn)
ECL	**$(0.3)bn**	▲	>(100)% (4Q21: $(0.0)bn)
Costs	**$(3.7)bn**	▼	0% (4Q21: $(3.7)bn)
PBT	**$3.2bn**	▲	>100% (4Q21: $1.2bn)
RoTE[54]	**18.5%**	▲	3.3ppts (FY21: 15.2%)

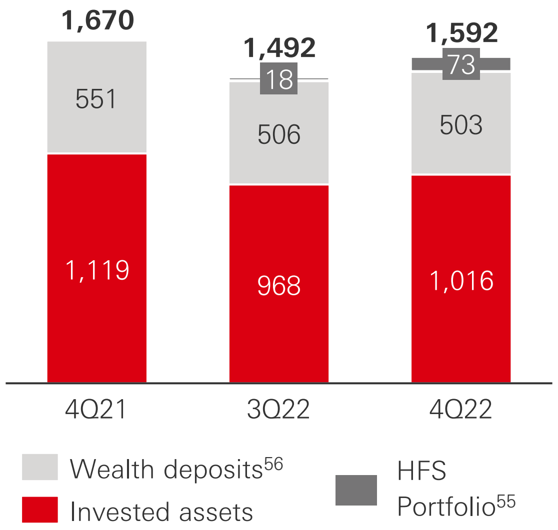
Revenue performance, $m



Balance sheet, $bn



Reported Wealth Balances, $bn



4Q22 vs. 4Q21

- **Revenue** up $2.2bn (45%). Personal Banking up $2.1bn (72%) primarily due to interest rate rises and balance sheet growth in the UK, Asia, Mexico and MENA. Wealth up $144m primarily due to higher Private Banking and Insurance
- **Customer lending and accounts** of $424bn and $779bn were down 8% and 5% respectively due to HFS transfers, excl. impact of HFS and disposed portfolios:
  - Lending **up $15bn (3%)**. Mortgages up $15bn (4%), unsecured up $2bn (5%), partly offset by the run-off of the $1bn John Lewis card portfolio
  - Deposits **up $17bn (2%)** with growth particularly in the UK, Asia, Mexico and MENA
- **Wealth balances** down 9%. Excl. HFS, down $78bn (5%). FY NNIA of $80bn was more than offset by lower market levels ($116bn) and adverse FX and other impacts of $42bn

4Q22 vs. 3Q22

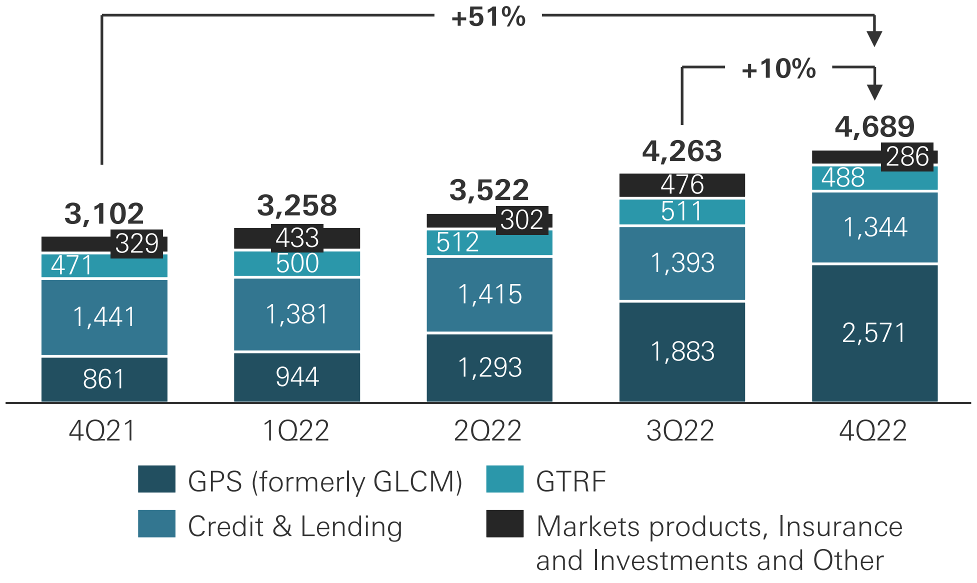
- **Revenue** up $914m (15%). Personal Banking up $751m (18%) primarily due to rate rises. Wealth up $185m due to favourable movement in market impacts $528m, partly offset by lower Investment distribution and Insurance VNB
- **Customer lending and accounts** were down 6% and 3% respectively due to HFS transfers, excl. which:
  - Lending stable; Personal Banking up, offset by GPB deleveraging and seasonal reduction in balances
  - Deposits **up $6bn**, mainly in Hong Kong
- **Wealth balances** up 3%. Excl. HFS, up $100bn (7%) due to NNIA of $9bn, higher market levels ($29bn) and $62bn favourable FX and other impacts

Commercial Banking

4Q22 financial highlights

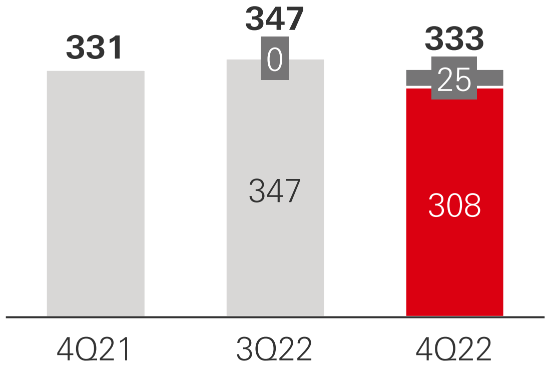
Revenue	**$4.7bn**	▲	51% (4Q21: $3.1bn)
ECL	**$(0.9)bn**	▲	>(100)% (4Q21: $(0.2)bn)
Costs	**$(1.7)bn**	▲	(5)% (4Q21: $(1.6)bn)
PBT	**$2.1bn**	▲	69% (4Q21: $1.2bn)
RoTE[54]	**14.2%**	▲	3.4ppts (FY21: 10.8%)

Revenue performance, $m

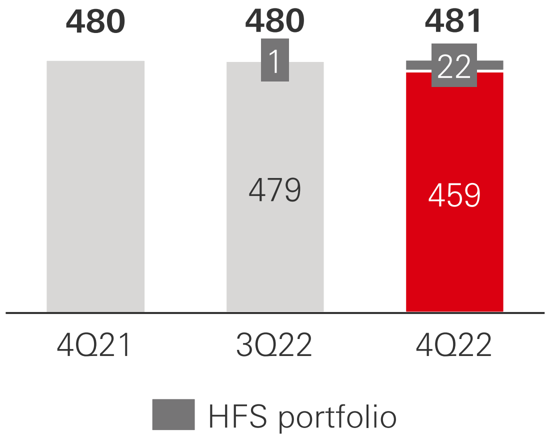


Balance sheet, $bn

Customer lending



Customer accounts



4Q22 vs. 4Q21

- **Revenue** up $1.6bn (51%) with double digit growth in all regions notably in Asia and the UK. GPS revenue up 199% driven by higher rates, higher average balances and 12% fee growth; coupled with growth in GBM collaboration income (up 7%)
- **ECLs** up $0.7bn due to the impact of stage 3 charges in Hong Kong (mainland China CRE exposures) and the UK
- **Customer lending and accounts** of $308bn and $459bn are down 7% and 4% respectively due to Canada HFS transfer, excluding which:
  - Lending **up $2.5bn (1%)**, driven by Credit & Lending, growth in Asia excluding Hong Kong, North America and the UK
  - Deposits **broadly stable**

4Q22 vs. 3Q22

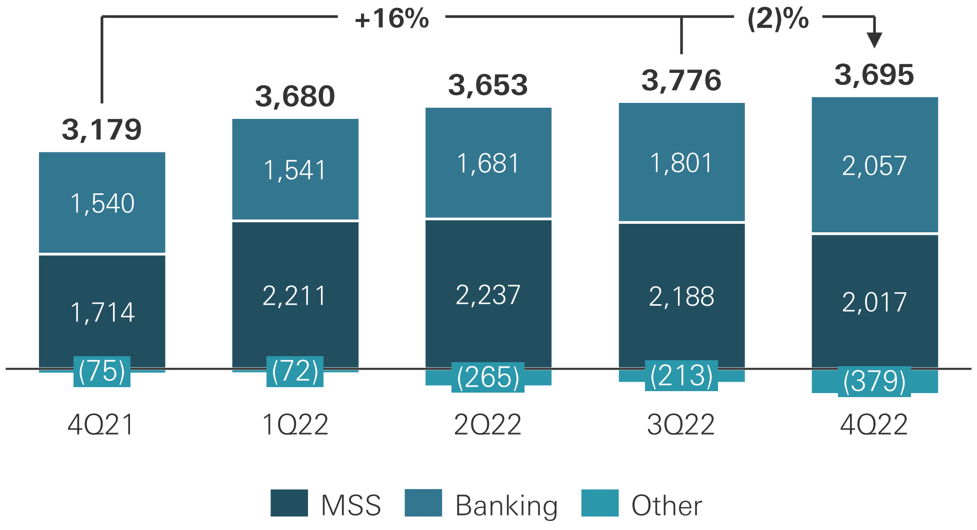
- **Revenue** up $0.4bn (10%) with growth across all regions notably in Asia, continued growth in GPS (up 37%) partly offset by lower Trade (down 5%) and Credit & Lending (down 4%) notably in Hong Kong
- **Customer lending and accounts** were down 11% and 4% respectively due to Canada HFS transfer, excluding which:
  - Lending **down $14bn (4%)**, reflecting softer economic conditions notably in Hong Kong and the UK in both Credit & Lending and Trade
  - Deposits **up $2bn**, with growth in Hong Kong and the USA, partly offset by a market wide reduction in the UK

Global Banking and Markets

4Q22 financial highlights

Revenue	**$3.7bn**	▲	16% (4Q21: $3.2bn)
ECL	**$(0.3)bn**	▲	(19)% (4Q21: $(0.2)bn)
Costs	**$(2.4)bn**	▼	(2)% (4Q21: $(2.4)bn)
PBT	**$1.0bn**	▲	100% (4Q21: $0.5bn)
RoTE[54]	**10.7%**	▲	2.1ppts (FY21: 8.6%)

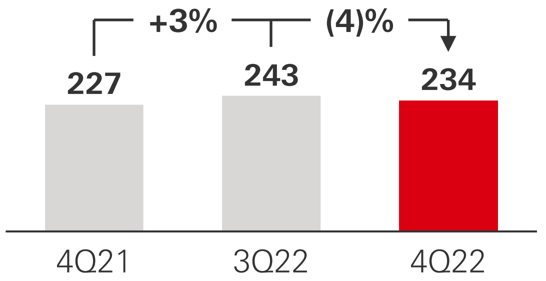
Revenue performance, $m



View of adjusted revenue

$m	4Q22	Δ4Q21
MSS	**2,017**	**18%**
Securities Services	574	32%
Global Debt Markets	158	>100%
Global FX	934	13%
Equities	132	(39)%
Securities Financing	209	4%
XVAs	10	(74)%
Banking	**2,057**	**34%**
GTRF	184	13%
GPS (*formerly GLCM*)	1,108	>100%
Credit & Lending	559	(9)%
Capital Markets & Advisory	124	(57)%
Other	82	>100%
GBM Other	**(379)**	**>(100)%**
Principal Investments	(3)	>(100)%
Other	(376)	>(100)%
Net operating income	**3,695**	**16%**

Adjusted RWAs[57], $bn



4Q22 vs. 4Q21

- **Revenue** of $3.7bn up $0.5bn (16%)
- MSS revenue of $2.0bn up $0.3bn (18%):
  - Continued strong Global FX performance due to elevated client flows and disciplined risk management
  - Global Debt Markets up substantially due to G10 rates and a better trading performance compared to a weak 4Q21
  - Equities down due to reduced client derivative activity compared to a strong 4Q21 and continued muted primary market
  - Global interest rate increases, partially offset by the effect of lower market levels, drove good Securities Services performance
- Banking revenue of $2.1bn up $0.5bn (34%):
  - GPS growth, reflecting higher global interest rates and commercialisation of fee initiatives
  - Capital Markets & Advisory down $0.2bn in line with industry fee pool

4Q22 vs. 3Q22

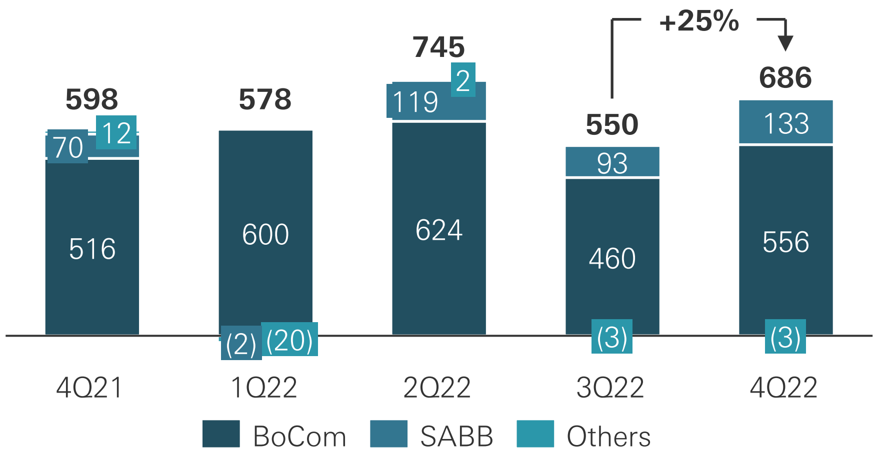
- **Revenue** down 2%
  - MSS down 8% against a strong 3Q22
  - Banking up 14%, as rising interest rates supported strong GPS results

Corporate Centre

4Q22 financial highlights

Revenue	**$(191)m**	(40)% (4Q21: $(136)m)
ECL	**$(8)m**	>(100)% (4Q21: $(3)m)
Costs	**$47m**	(70)% (4Q21: $156m)
Associates	**$686m**	15% (4Q21: $598m)
PBT	**$534m**	(13)% (4Q21: $615m)
RoTE[54]	**5.4%**	(0.2)ppts (FY21: 5.6%)

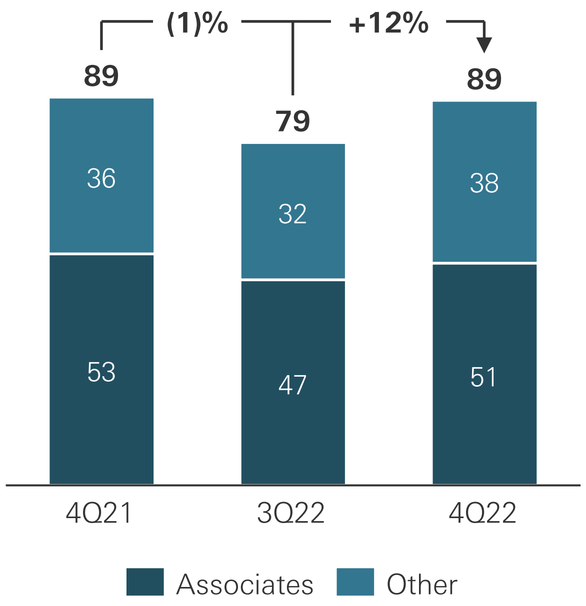
Associate income detail, $m



Revenue performance, $m

	4Q21	1Q22	2Q22	3Q22	4Q22
Central Treasury	(10)	5	(32)	(48)	(1)
Legacy Credit	(12)	(18)	23	(6)	(15)
Other	(114)	(234)	(85)	(77)	(175)
Total	**(136)**	**(247)**	**(94)**	**(131)**	**(191)**
Not included in Corporate Centre revenue: Markets Treasury revenue allocated to global businesses	*448*	*464*	*348*	*353*	*312*

Adjusted RWAs[57], $bn



4Q22 vs. 4Q21

- **Revenue** down $55m (40%), primarily due to higher funding costs on Group assets, an increase in hedging costs and adverse valuations on investment properties
- **Associates** up $88m (15%), primarily SABB and BoCom

4Q22 vs. 3Q22

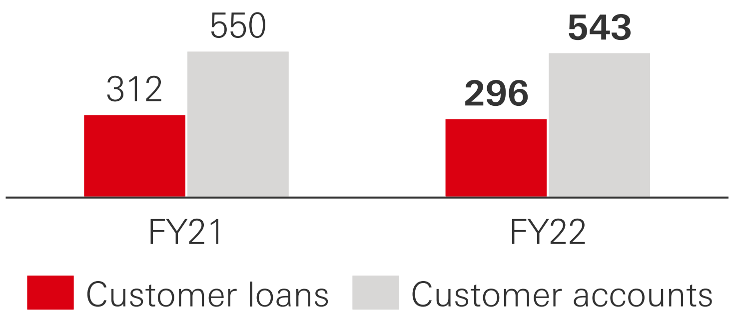
- **Revenue** down $60m (46%), primarily due to FX movements and higher funding costs on Group assets, partly offset by favourable valuation differences in Central Treasury
- **Associates** up $136m (25%), primarily BoCom and SABB
- **RWAs** up $10bn; primarily $4bn relating to the FX hedges on the planned sale of our Canada business and $3bn due to changes in threshold amounts

Hong Kong business performance

FY22 financial performance

$m	FY22	FY21		Δ
NII	9,928	7,216	▲	38%
Non-NII	6,390	7,204	▼	(11)%
Revenue	**16,318**	**14,420**	▲	**13%**
o/w: market impacts	*(1,066)*	*237*		*n.m.*
ECL	(1,680)	(605)	▲	>(100)%
Costs	(7,882)	(7,676)	▲	(3)%
Associates	5	16	▼	(69)%
PBT	**6,761**	**6,155**	▲	**10%**

Balance sheet, $bn



- **Rising interest rates** and **market share gains** drove **PBT of $6.8bn**, up $0.6bn (10%) vs. FY21
  - **Strong 4Q22 performance**: revenue $5.1bn, PBT $2.3bn
- ECL up, largely due to offshore mainland China CRE exposures booked on Hong Kong balance sheets
- Customer lending **down 5%** vs. FY21 due to subdued loan demand in 2H22
- Customer accounts **down 1%** vs. FY21

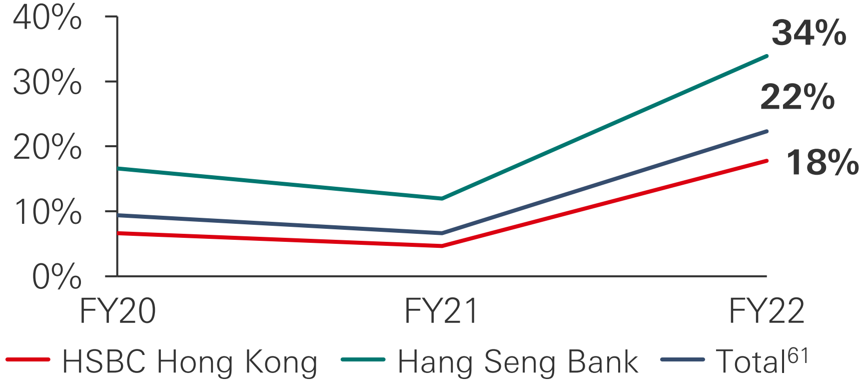
#1 retail NPS amongst major banks[58]

#1 in card spend; market share **49%**[59]

#1 in trade finance; **23.3%** market share[60]

#1 in life insurance ANP; market share **24.7%**[6]

Time deposits as a % of customer accounts*

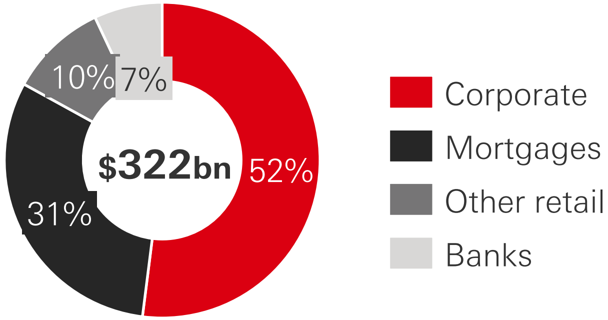


- **CASAs are 78% of customer accounts**
- Time deposits are **22% of customer accounts**, up **16ppts** vs. FY21 due to greater spread between CASA and TMD pricing
  - HSBC Hong Kong up 13ppts; Hang Seng Bank up 22ppts
- Time deposits represent c.50% of system deposits (up 15ppts YoY)[62]

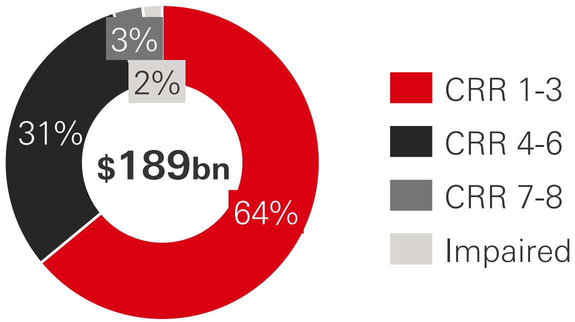
* As at the end of the period

Hong Kong loans and advances

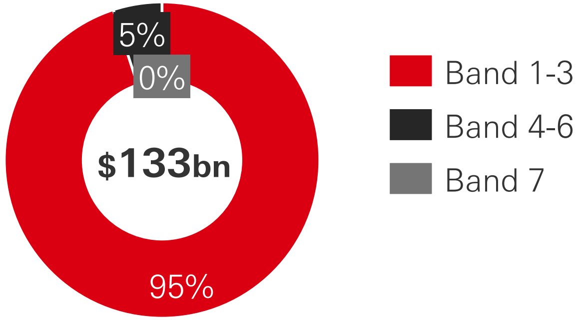
Hong Kong loans and advances



Wholesale credit quality



Personal credit quality

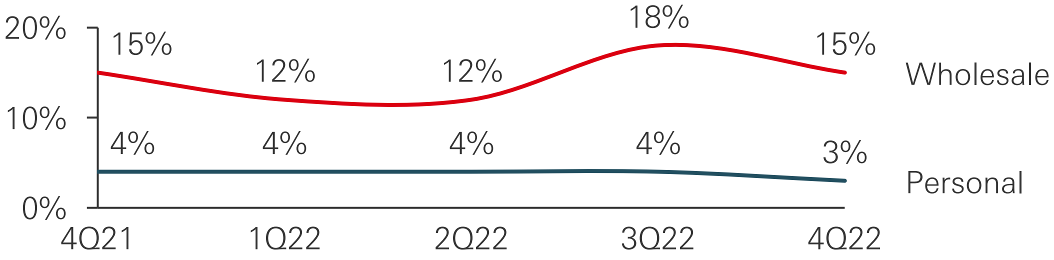


- Total gross loans and advances to customers and banks of **$322bn** (4Q21: $329bn) by booking location (wholesale: $189bn; personal: $133bn)
- FY22 ECL charge of **$1,680m** (CMB: $1,276m, WPB: $139m, GBM $267m), vs. $608m in FY21 (CMB $241m, WPB: $112m, GBM: $255m)
- 4Q22 average LTV on new retail mortgage lending was **59%** (4Q21: 62%); average LTV for the overall retail mortgage portfolio was **57%** (4Q21: 47%)

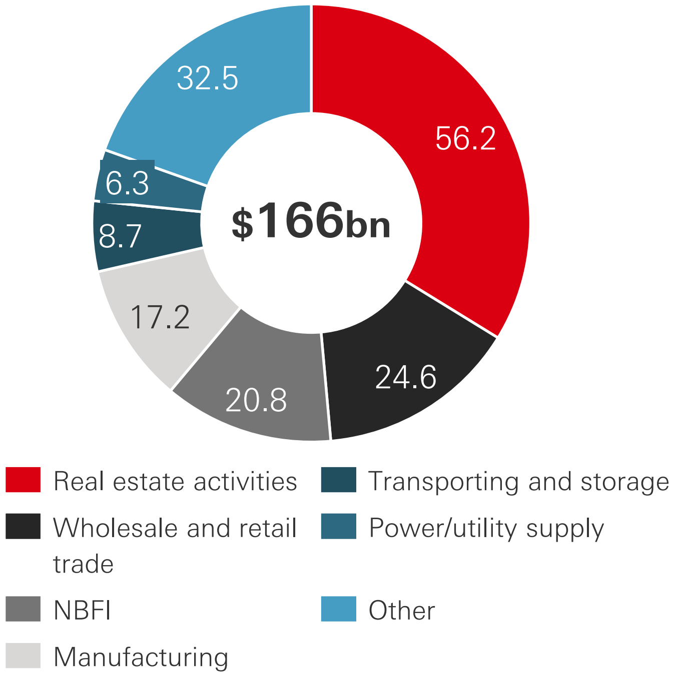
Gross loans and advances to customers and banks by IFRS 9 stage, $bn

	4Q22			4Q21		
	L&A	ECL allowance	ECL % L&A	L&A	ECL allowance	ECL % L&A
Stage 1	283.7	0.2	0.1%	291.3	0.2	0.1%
Stage 2	32.8	1.0	3.1%	35.3	0.9	2.5%
Stage 3*	5.6	2.2	39.0%	2.2	0.9	40.1%
POCI	0.1	0.0	38.6%	0.2	0.0	13.2%
Total	**322.2**	**3.4**		**328.9**	**1.9**	

Stage 2 loans as a % of total L&As to customers and banks



Corporate lending by sector, $bn



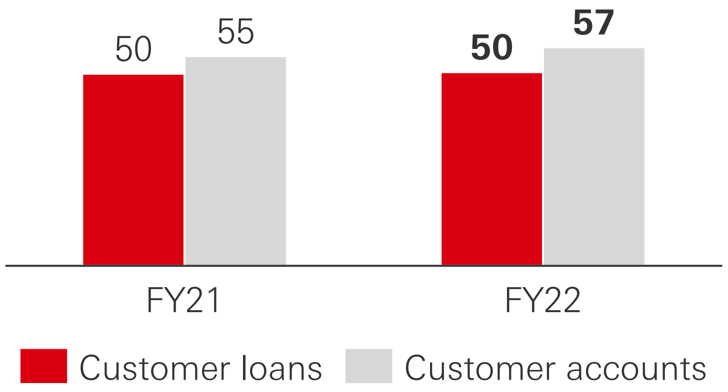
* Stage 3 loans includes c.$3bn of exposure relating to mainland China CRE

Mainland China business performance

FY22 financial performance

$m	FY22	FY21	Δ
NII	1,794	1,604	▲ 12%
Non-NII	2,379	1,932	▲ 23%
Revenue	**4,173**	**3,536**	▲ **18%**
ECL	(328)	(80)	▲ >(100)%
Costs	(2,836)	(2,622)	▲ (8)%
Associates	2,386	2,372	▲ 1%
PBT	**3,395**	**3,206**	▲ **6%**

Balance sheet, $bn



Regional highlights

FY22 revenue up **18%** vs. FY21; **PBT excluding associates** of **$1bn**

1m registered users on the **Pinnacle** River app. **c.1,300 wealth planners** are now digitally enabled in mainland China

Private Banking expansion: launched new offices in Hangzhou and Chengdu

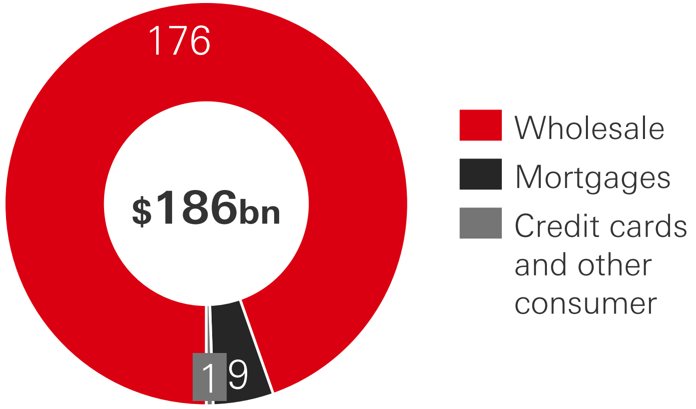
Launched **$5bn GBA sustainability fund** to provide financing for businesses to capture sustainable opportunities while transitioning to a low-carbon economy

Launched a new initiative to provide **financing to SMEs in strategic emerging industries** worth RMB3 billion

Launched **Trade Connect** to offer faster, more efficient and digitised trade financing services for businesses trading in the Greater Bay Area

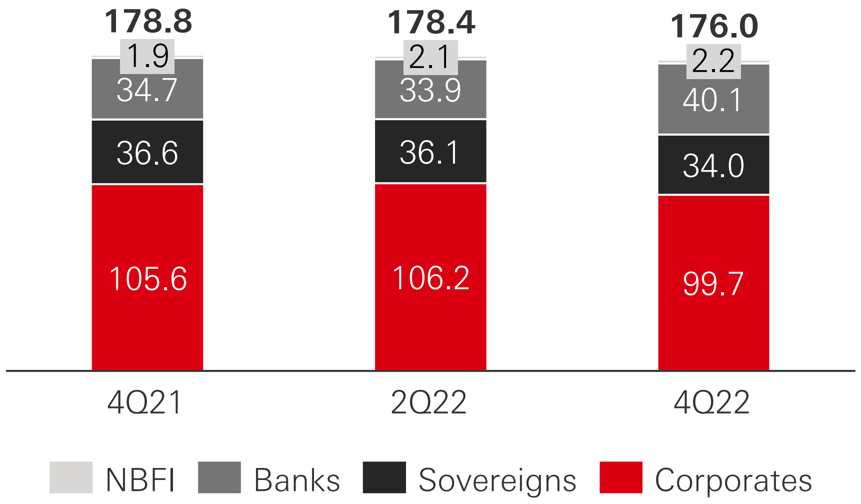
Mainland China risk exposure

Mainland China risk exposure, $bn



- Mainland China risk exposure is defined as lending booked in mainland China plus wholesale lending booked offshore where the ultimate parent and beneficial owner is in mainland China
- Mainland China risk exposure (including Sovereigns, Banks and NBFI and Corporates) of **$186bn** comprising: Wholesale $176bn* (of which 52% is onshore); Retail: $10bn. These amounts exclude MSS financing
- Gross loans and advances to customers of **$51bn** booked in mainland China (Wholesale: $41bn; Retail $10bn)

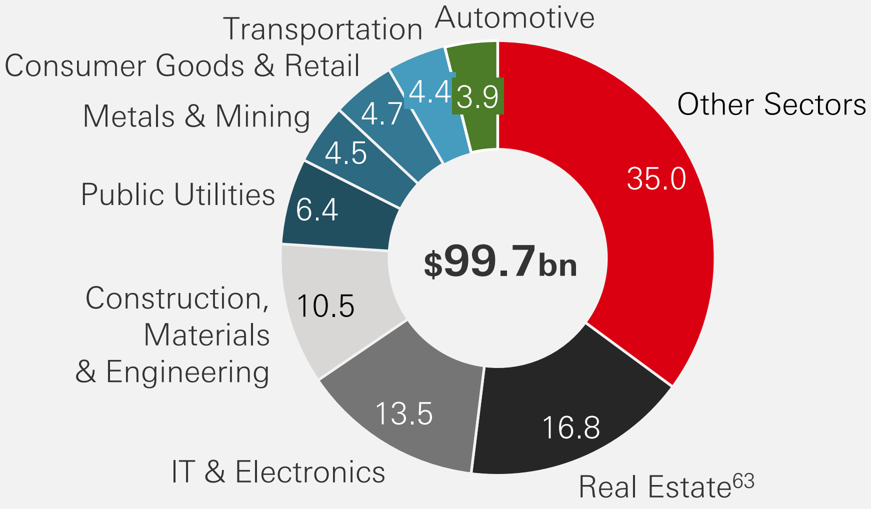
Wholesale lending analysis, $bn



Wholesale lending by counterparty type and CRR

Customer risk rating	1-3	4-6	7-8	9+	Total
NBFI	2.1	0.1	—	—	2.2
Banks	39.9	0.2	—	—	40.1
Sovereigns	34.0	—	—	—	34.0
Corporates	63.4	29.5	2.8	4.0	99.7
Total	**139.4**	**29.7**	**2.8**	**4.0**	**176.0**

Corporate lending by sector, $bn



- **c.16%** of corporate lending is to foreign-owned enterprises
- **c.38%** of lending is to state-owned enterprises
- **c.46%** of lending is to private sector owned enterprises

* Wholesale risk exposure of $176bn includes on balance sheet lending as well as issued off balance sheet exposures, excludes unutilised commitments

UK ring-fenced bank

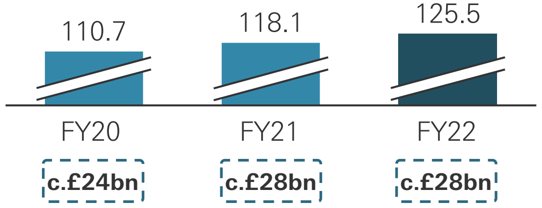
FY22 financial performance

Revenue	**£7.9bn**	▲	27% (FY21: £6.2bn)
o/w: WPB	**£4.3bn**	▲	28% (FY21: £3.4bn)
o/w: CMB	**£3.5bn**	▲	28% (FY21: £2.7bn)
ECL	**£(0.5)bn**	▲	>(100)% (FY21: £1.0bn)
Costs	**£(3.4)bn**	▼	1% (FY21: £(3.5)bn)
PBT	**£4.0bn**	▲	7% (FY21: £3.8bn)
o/w: WPB	**£1.8bn**	▲	11% (FY21: £1.6bn)
o/w: CMB	**£2.2bn**	▲	3% (FY21: £2.1bn)
Customer loans	**£204.1bn**	▲	4% (FY21: £195.5bn)
Reported RWAs	**£92.4bn**	▲	10% (FY21: £83.7bn)

- **Revenue up 27%** vs. FY21, reflecting rising interest rates and lending growth
  - WPB up 28% primarily due to rates and higher deposit balances
  - CMB up 28%, primarily due to rates, re-pricing initiatives in GPS and higher balances
- More normalised FY22 ECL charge of **24bps** of average loans
- **Costs down 1%** as increased technology investments and one-off cost of living payments made to staff were more than offset by management cost control action
- **RWAs** up 10%, primarily due to regulatory changes

WPB

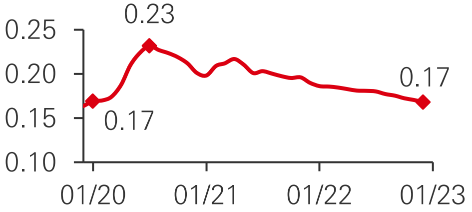
Personal gross mortgage balances, £bn



- Continued strength in mortgage lending through FY22: **7.7%** mortgage stock market share[17]; gross new lending share[17] of **8.9%**
- Buy-to-let mortgages of £3.8bn, up £0.8bn vs. FY21
- Mortgages on a standard variable rate of £2.4bn
- Interest-only mortgages of £18.7bn[34]
- New originations average LTV of 67%; average portfolio LTV of 50%

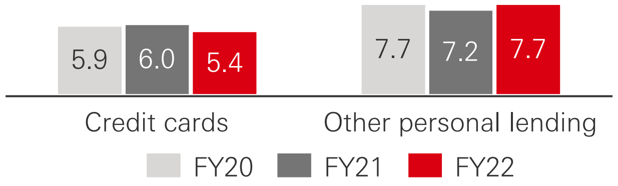
Mortgages:

90+ day delinquency trend[64], %



- Mortgage delinquencies are in line with pre-pandemic levels. Customers continue to show good resilience and notable stress has not been observed in this portfolio

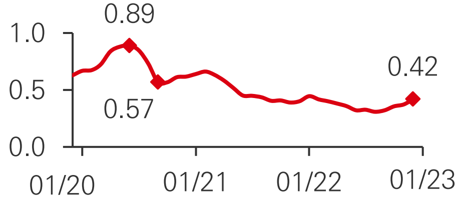
Personal gross unsecured lending balances, £bn



- **Credit cards**: despite higher spending than pre-pandemic, balances are down YoY due to the run-off of the John Lewis card portfolio and increased repayments
- **Other personal lending** up £0.5bn vs. FY21, despite subdued loan demand in 4Q22

Credit cards:

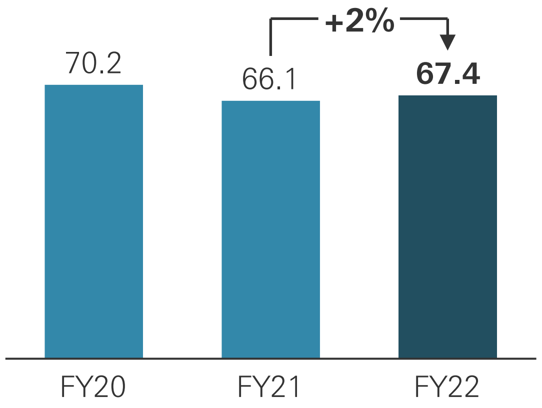
90-179 day delinquency trend[64], %



- Card delinquencies remain below pre-pandemic levels. Uptick in delinquencies in 2H22 due to the run-off of the relatively lower risk John Lewis portfolio

CMB

Wholesale gross customer loans, £bn



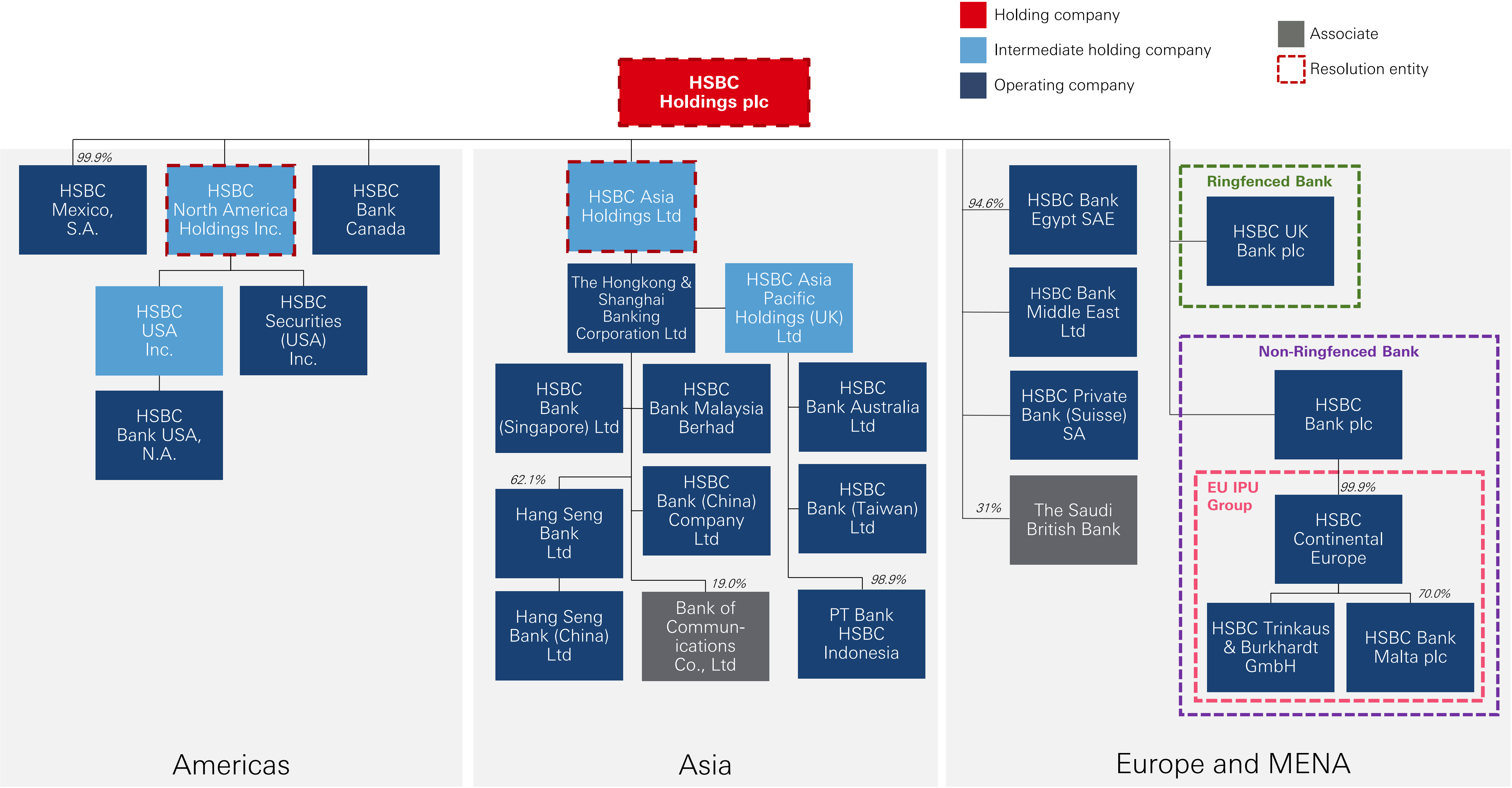
- **Gross customer loans up 2%.** Underlying growth more than offset Covid-19 related lending repayments of c.£1.8bn during the year (FY22 Covid-19 lending balances are £7.4bn)
- Launched **£15bn SME fund** to provide support for British businesses to grow
- Launched **£250m growth lending proposition** to support high-growth, tech scale-ups which have a clear path to profitability
- HSBC Kinetic now has **>50k** active customers

Credit ratings for main issuing entities

Long term senior ratings as at 21 February 2023	S&P		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
HSBC Holdings plc	A-	STABLE	A3	STABLE	A+	STABLE
The Hongkong and Shanghai Banking Corporation Ltd	AA-	STABLE	Aa3	STABLE	AA-	STABLE
HSBC Bank plc	A+	STABLE	A1	STABLE	AA-	STABLE
HSBC UK Bank plc	A+	STABLE	A1	NEG	AA-	STABLE
HSBC Continental Europe (formerly HSBC France)	A+	STABLE	A1	STABLE	AA-	STABLE
HSBC Bank USA NA	A+	STABLE	Aa3	STABLE	AA-	STABLE
HSBC Bank Canada	A+	RWP*	A1	RWP*	A	RWP*

*RWP: Ratings Watch Positive

Simplified structure chart[65]



Glossary

AIEA	Average interest earning assets
ANP	Annualised new business premiums
AT1	Additional Tier 1
BoCom	Bank of Communications Co. Limited, an associate of HSBC
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point
CASA	Current accounts and savings accounts
CET1	Common Equity Tier 1
Corporate Centre	Corporate Centre comprises Central Treasury, our legacy businesses, interests in our associates and joint ventures and central stewardship costs
CMB	Commercial Banking, a global business
CCB	Capital Conservation Buffer
CCyB	Countercyclical Capital Buffer
CRE	Commercial Real Estate
CRR	Customer Risk Rating
CTA	Costs to achieve
C&L	Credit & 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
EMEA	Europe, Middle East, and Africa
GBA	Guangdong-Hong Kong-Macau Greater Bay Area
GBM	Global Banking and Markets, a global business
GPB	Global Private Banking
GPS	Global Payments Solutions (formerly GLCM: Global Liquidity and Cash Management)
Group	HSBC Holdings plc and its subsidiary undertakings
GSIB	Global Systemically Important Bank
GSSS	Green, Social, Sustainability and Sustainability-linked
GTRF	Global Trade and Receivables Finance
HIBOR	Hong Kong Interbank Offered Rate
HQLA	High-quality liquid assets
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standard

IPO	Initial Public Offering
LCR	Liquidity coverage ratio
Legacy credit	A portfolio of assets including securities investment conduits, asset-backed securities, trading portfolios, credit correlation portfolios and derivative transactions entered into directly with monoline insurers
LIBOR	London Interbank Offered Rate
LTV	Loan to value ratio
MENA	Middle East and North Africa, including Türkiye
MREL	Minimum requirement for own funds and eligible liabilities
MSS	Markets and Securities Services
NBFI	Non-bank financial institution
NII	Net interest income
NIM	Net interest margin
NNIA	Net new invested assets
NPS	Net promoter score
NRFB	Non ring-fenced bank in Europe and the UK
OCI	Other Comprehensive Income
PBT	Profit before tax
Ppt	Percentage points
PVIF	Present value of in-force insurance contracts
SABB	The Saudi British Bank, an associate of HSBC
SONIA	Sterling Overnight Index Average
TLAC	Total Loss Absorbing Capacity
UK RFB	HSBC UK, the UK ring-fenced bank, established July 2018 as part of ring fenced bank legislation
RoTE	Return on average tangible equity
RWA	Risk-weighted asset
SME	Small and medium sized enterprise
TNAV	Tangible net asset value
TMD	Time deposits
VNB	Value of new business written
WPB	Wealth and Personal Banking, a global business
XVAs	Credit and Funding Valuation Adjustments

Footnotes

1. Cumulative RWA saves under our transformation programs includes $9.6bn of accelerated saves made over 4Q19
2. Based on tangible equity ('TE') of the Group's major legal entities excluding associates, holding companies and consolidation adjustments
3. 4th largest health insurer based on gross premiums. GIAS data as of September 2022
4. Data at 31 December 2022. AUM source: Association of Mutual Funds in India (Average AUM)
5. Hong Kong Monetary Authority system deposits. Data as of 30 November 2022
6. 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
7. Euromoney Trade Finance Survey, 2022
8. HSBC internal analysis on 2021 annual reports of foreign banks operating in mainland China (Citi, Bank of East Asia, Siam Commercial Bank, Deutsche Bank, DBS, United Overseas Bank, OCBC, Agricultural Bank of China)
9. Asia adjusted PBT of $14,334m excl. Hong Kong adjusted PBT of $6,761m and mainland China adjusted PBT of $3,395m
10. Excludes Global Service Centres
11. HSBC internal analysis, based on internal MI compared with data from the Ministry of Commerce. Data as of 30 November 2022
12. HSBC internal analysis, based on internal MI compared with RBI FX Market Turnover Data. Data as of 31 December 2022
13. Includes: Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam
14. Corporate Treasury Awards, 2022. Countries include Indonesia, Malaysia, Philippines, Singapore and Thailand
15. Dealogic, as of December 2022
16. Trade association UK. Data as of 30 September 2022
17. Bank of England. Data as of 31 December 2022
18. 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
19. Legal entity basis. HSBC Mexico
20. Comision Nacional Bancaria y de Valores. Data as of 30 November 2022
21. Through Employee Banking Solutions, primarily payroll lending proposition
22. Global business cost excludes technology spend
23. Technology costs in operating expenses trends include transformation saves and are presented on a net basis
24. Operations cost within DBS
25. Includes Global Functions, centrally managed costs and other DBS
26. Operations personnel within DBS
27. 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'. The leverage ratio is calculated using the end point definition of capital and the IFRS 9 regulatory transitional arrangements, in line with the UK leverage rules that were implemented on 1 January 2022, and excludes central bank claims. Comparatives for 2021 are reported based on the disclosure rules in force at that time, and include claims on central banks. References to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation and/or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, and subsequently amended under UK law
28. Reported RoTE is computed by adjusting annualised reported results for PVIF and for impairment of goodwill and other intangible assets (net of tax), divided by average reported equity adjusted for goodwill, intangibles and PVIF for the period
29. Primarily comprises the assets relating to the planned sale of our retail banking operations in France and our banking business in Canada reported on the Group balance sheet under "assets held for sale"
30. Revenue from the sale of Global Markets products to WPB customers
31. Revenue from the sale of Global Markets and Global Banking products to CMB customers
32. West refers to Americas and Europe. East refers to Asia and the Middle East
33. On an IFRS 4 basis and retranslated for foreign exchange movements. We intend to update our NII guidance at or before our 1Q23 results to incorporate the expected impact of IFRS 17
34. Includes offset mortgages in first direct, endowment mortgages and other products

Footnotes

35. Calculated as total collateral and guarantees expressed as a percentage of gross loans as per Table 24: Performing and non-performing exposures and related provisions (CR1) on page 33 of the Group Pillar 3 disclosures as 31 December 2022
36. Includes held-for-sale balances
37. On an IFRS 4 basis and retranslated for foreign exchange movements. There may also be an incremental adverse impact from retranslating the 2022 results of hyperinflationary economies at constant currency
38. Technology cost increases in quarterly walks are presented on a gross basis (excl. saves)
39. Based on tangible equity ('TE') of the Group's major legal entities excluding associates, holding companies and consolidation adjustments
40. Medium term is defined as 3-4 years from 1 January 2020; long term is defined as 5-6 years from 1 January 2020
41. 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
42. LCR and NSFR are based on average values. The LCR is the average of the preceding 12 months. The NSFR is the average of the preceding four quarters and is based on the PRA rulebook. The liquidity value of the assets for each entity's LCR calculation is shown in the table, along with the individual LCR ratio on a local regulatory requirements basis wherever applicable. Where local regulatory requirements are not applicable, the PRA LCR is shown. The local basis may differ from PRA measures due to differences in the way regulators have implemented the Basel III standards
43. HSBC Singapore includes HSBC Bank Singapore Limited and The Hongkong and Shanghai Banking Corporation – Singapore branch. Liquidity and funding risk is monitored and controlled at country level in line with the local regulator's approval. Prior period numbers have been restated for consistency.
44. Regulatory profits, net of dividend accrual for the purposes of capital calculations, AT1 coupons paid and share buybacks
45. Target ≥14%; intend to manage between 14-14.5% medium term and manage this range down further longer term
46. Excludes Pillar 2B requirements
47. Group CET1 buffers are shown in addition to the MREL requirements. The buffers shown in addition to the RWA, leverage and SoTP TLAC/MREL requirement are calculated in accordance with the PRA Supervisory statement 16/16 updated in December 2020
48. At 31 December 2022, we changed our treatment of non-capital MREL instruments issued by the Asian and US resolution groups and held by the European resolution group to deduct them from the European resolution group's own funds rather than from solely its MREL. The European resolution group has no capital requirements. There was no impact on the Group's capital, MREL ratios and 2023 issuance plans. We will continue to review the treatment and consider the impact on any future issuance plans
49. To next call date if callable; otherwise to maturity
50. Table excludes $63m of small or private placement securities issued by our French, German, and Canadian subsidiaries
51. Investments by the European resolution group in the regulatory capital or TLAC of other group companies are deducted
52. The TLAC requirements for our US business are calculated based on the greater of 1) a specified minimum percentage of risk weighted assets, including a buffer of 2.5% of risk weighted assets, and 2) a specified minimum percentage of average total consolidated assets (based on the U.S. tier 1 leverage ratio)
53. For accounting purposes, Argentina was deemed a hyperinflationary economy from 1 July 2018 and Türkiye from 1 June 2022
54. YTD. RoTE by Global Business excludes significant items. RoTE methodology annualises Profits Attributable to Shareholders, including ECL, in order to provide a returns metric. RoTE by Global Business considers AT1 Coupons on an accruals basis, vs. Reported RoTE where it is treated on a cash basis
55. Included within held for sale at 4Q21 were balances associated with our US mass market retail banking business, which were disposed of during 1Q22. Included within held for sale at 4Q22 were balances primarily relating to our retail banking operations in France and our banking business in Canada
56. Wealth deposits include Premier, Jade and Global Private Banking deposits, which include Prestige deposits in Hang Seng Bank, and form part of the total WPB customer accounts balance
57. A reconciliation of reported RWAs to adjusted RWAs can be found in the 'HSBC Holdings plc 4Q 2022 Datapack'
58. Excludes Hang Seng
59. Source: HKMA. Statistics of Payment Cards issued in Hong Kong
60. November 2022 vs. November 2021. Source: Hong Kong Monetary Authority
61. Total includes HSBC Hong Kong, Hang Seng and other Hong Kong entities
62. Source: HKMA, December 2022 data
63. Mainland China reported Real Estate exposures comprises exposures booked in mainland China and offshore where the ultimate parent is based in mainland China, and all exposures booked on mainland China balance sheets; Commercial Real Estate refers to lending that focuses on commercial development and investment in real estate and covers commercial, residential and industrial assets; Real Estate for Self Use refers to lending to a corporate or financial entity for the purchase or financing of a property which supports overall operations of a business i.e. a warehouse for an e-commerce firm
64. Excludes Private Bank
65. HSBC Asia Pacific Holdings (UK) Ltd is a subsidiary of the Hongkong and Shanghai Banking Corporation Ltd, a previous version of this slide erroneously identified it as a subsidiary of HSBC Holdings plc.

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 which we expect to file 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, when filed, each of which are available at www.hsbc.com.

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