HSBC Holdings plc 1H23 Results

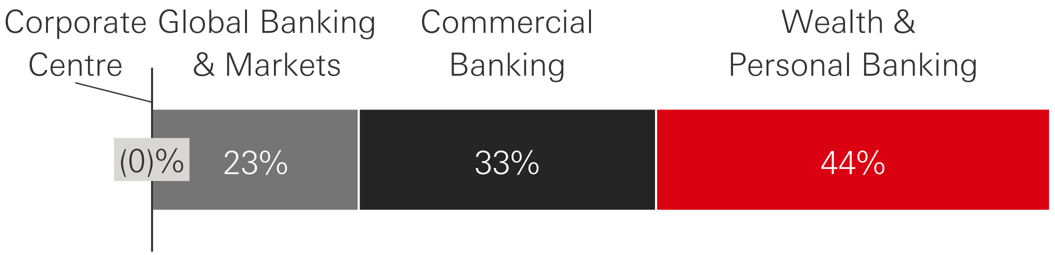
Fixed Income Investor Presentation

HSBC

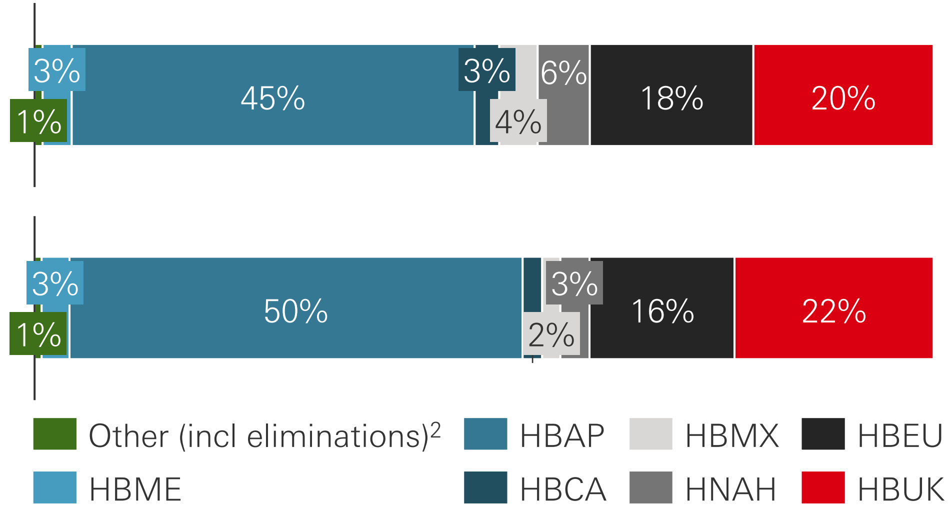
Results & strategy

A diversified and highly capital-generative business

Diversified by global business



Diversified by legal entity



Balance sheet strength

Strong 1H23 capital	**14.7%** CET1 ratio[1]	**31.2%** MREL ratio[1]
Highly liquid; well funded	**$796bn** Total HQLA in entities	**60%** Loan / deposit ratio
Prudent approach to credit risk	**75%** Proportion of loans classified as ‘Strong’ or ‘Good’ credit quality	**90%** Proportion of personal loan book secured

Organic capital generation

22.4% RoTE[3]
(**18.5%** ex. annualised impacts related to the planned sale in France and the acquisition in the UK)

c.$8bn
Dividends & buybacks announced in respect of 1H23[4]

The remainder of the presentation unless otherwise stated, is presented on a constant currency 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

1H23 results summary

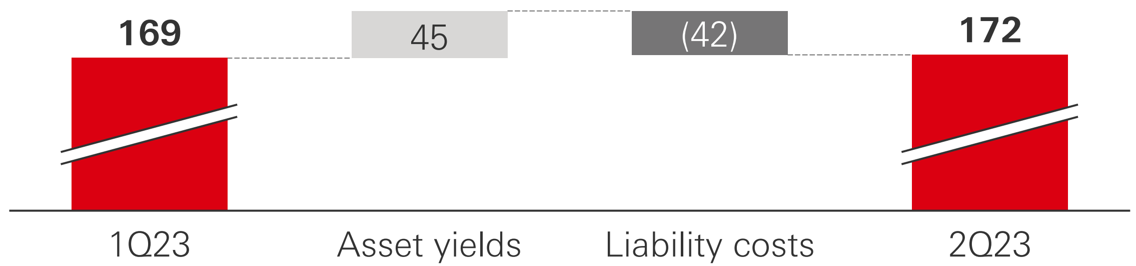
$m	1H23	1H22	Δ
NII	18,264	12,846 ▲	42%
Non-NII	18,612	10,801 ▲	72%
Revenue	**36,876**	**23,647 ▲**	**56%**
ECL	(1,345)	(1,074) ▲	(25)%
Costs	(15,457)	(15,532) ▼	0%
Associates	1,583	1,363 ▲	16%
Constant currency PBT	**21,657**	**8,404 ▲**	**>100%**
FX translation	—	376	n.m.
Reported PBT	**21,657**	**8,780 ▲**	**>100%**
Tax	(3,586)	151 ▼	>(100)%
Profit attributable to ordinary shareholders	**16,966**	**7,966 ▲**	**>100%**
Earnings per share, $	0.86	0.40 ▲	$0.46
Dividend per share, $	0.20	0.09 ▲	$0.11
RoTE (YTD, annualised)[3], %	22.4%	10.6% ▲	11.8ppts
Memo: notable items	3,265	(1,586) ▲	>100%

$bn	1H23	FY22	Δ
Customer loans	960	937 ▲	2%
Customer deposits	1,596	1,592 ▲	0%
Reported RWAs	860	840 ▲	2%
CET1 ratio[1], %	14.7%	14.2% ▲	0.5ppts
TNAV per share, $	7.84	7.44 ▲	$0.40

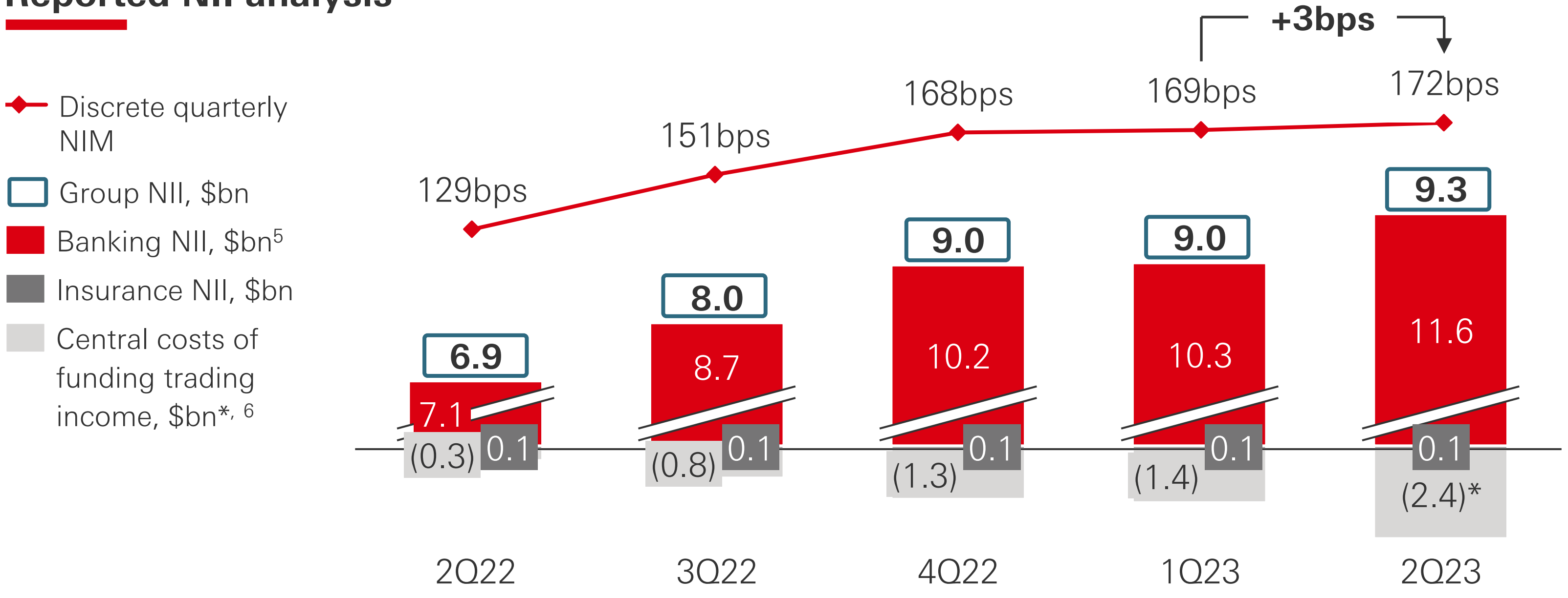
- **Revenue of $36.9bn, up $13.2bn (56%)** vs. 1H22. 1H23 **NII of $18.3bn, up $5.4bn (42%)**, driven by higher interest rates
  - 1H23 revenue included a $2.1bn reversal of an impairment relating to the planned sale of our retail banking operations in France, and a provisional gain of $1.5bn recognised on the acquisition of SVB UK
- ECL charge of **$1.3bn**, including $0.3bn relating to our mainland China CRE portfolio and $0.4bn in the UK RFB
- **Costs of $15.5bn, stable** vs. 1H22; non-recurrence of restructuring costs broadly offset higher technology spending and a higher performance-related pay accrual
- **Lending up $23bn (2%)** vs. FY22, primarily due to the reclassification of French loans from 'held for sale' (HFS) and also included $7bn from the acquisition of SVB UK
- **Deposits stable** vs. FY22, reclassification of deposits from HFS and increases from the acquisition of SVB UK were partly offset by outflows in HSBC UK
- **Strong CET1 ratio of 14.7%** was up 0.5ppts vs. FY22, including 0.9ppts of dividend accrual in 1H23
- **LCR of 132%**, average **high-quality liquid assets** in entities of **$796bn**

Net interest income and margin

NIM progression, bps



Reported NII analysis



Average interest earning assets (AIEAs)‡, $bn:	2Q22	3Q22	4Q22	1Q23	2Q23
	2,149	2,110	2,116	2,153	2,172

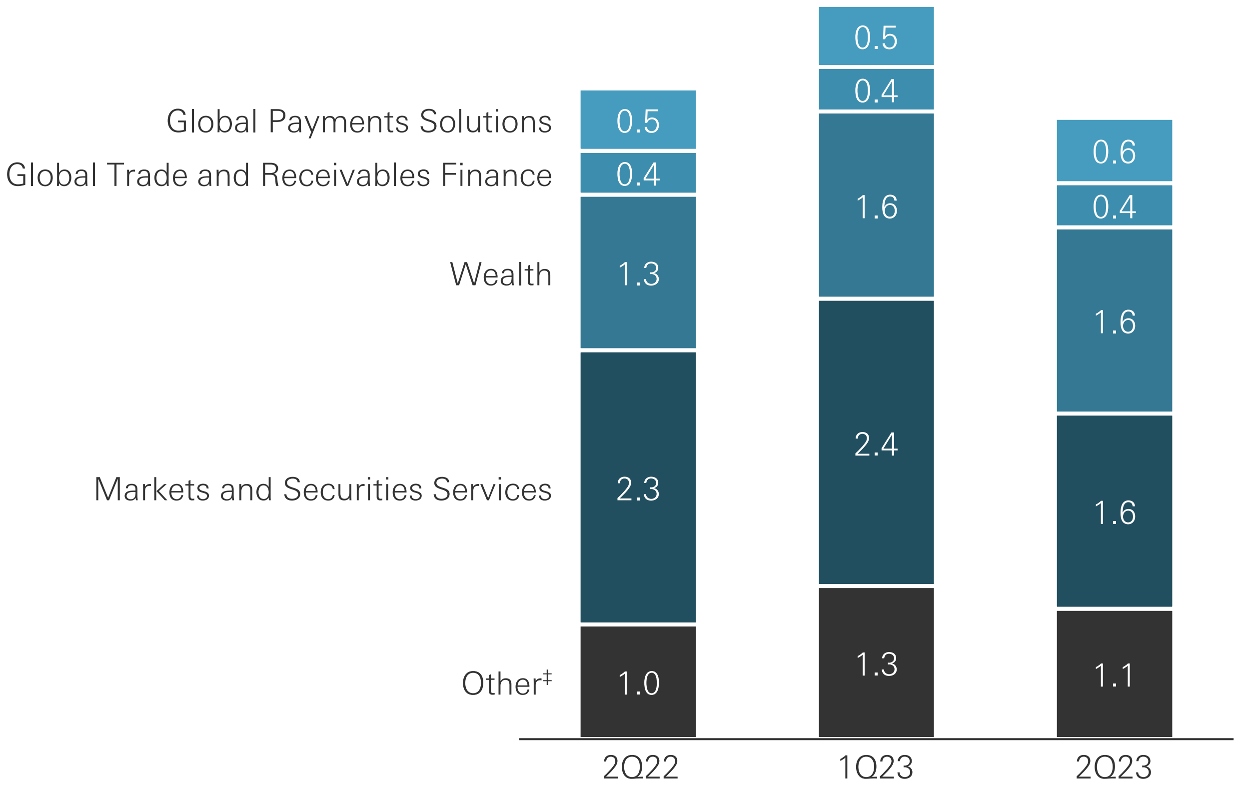
- **Reported NII of $9.3bn**, **up $0.3bn (4%)** vs. 1Q23 due to rising interest rates and higher interest earning assets
  - **$11.6bn Banking NII**[5], up $1.3bn vs. 1Q23
  - **$2.4bn** interest expense representing centrally allocated funding costs primarily associated with funding GBM trading income*. This was offset by $2.4bn reported in Corporate Centre trading income
- **NIM of 1.72%**, up 3bps vs. 1Q23, primarily driven by the UK
- Group 1 year NII sensitivity to a 100bps downward parallel shift in rates has reduced from $4bn at 4Q22 to $2.6bn. See further detail on slide 27
  - There is further interest rate sensitivity in non-NII relating to the central costs of funding trading income. Simplistically, a 100bps parallel downshift would reduce Corporate Centre non-NII by $1.3bn
- **Expect FY23 NII of >$35bn** and the revenue offset into non-NII from the central costs of funding GBM trading activity to be **at least $7bn**

* Funding is for trading and fair value income, primarily relating to GBM. 2Q23 includes $0.4bn reflecting the year-to-date impact of methodology changes
‡ 2Q23 includes: c.$19bn insurance AIEAs and c.$130bn trading, fair value and associated net asset balances

Non-NII

Group non-NII, $bn

	2Q22	1Q23	2Q23	
Constant currency non-NII:	5.3	11.4	7.4	▲ vs. 2Q22 +39%
Notable items and FX:	(0.5)	3.7	(0.2)	
Offset from central costs of funding trading income:	0.3	1.4	2.4*	



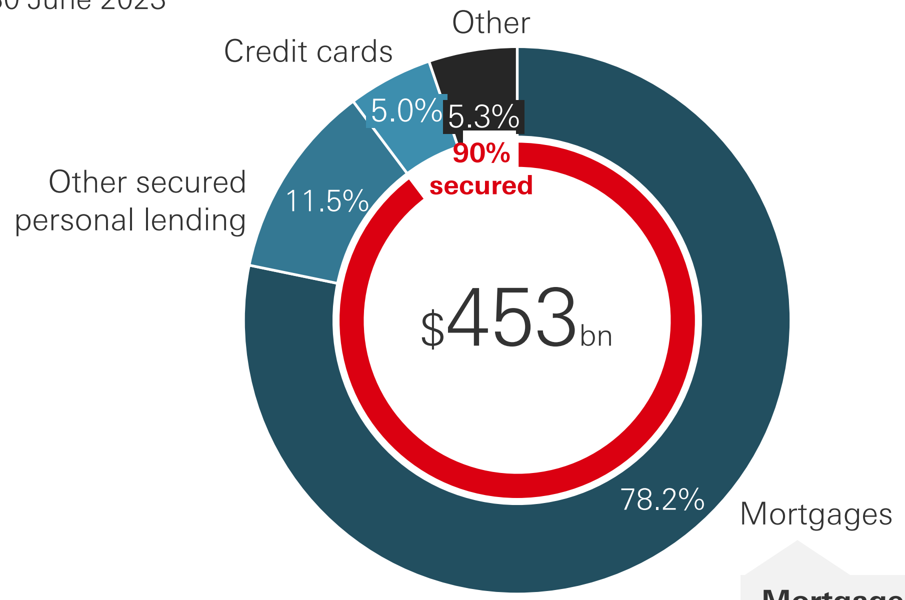
- **Constant currency non-NII up $2.1bn** (39%) vs. 2Q22, primarily due to the offset into non-NII from the central costs of funding GBM trading activity
- **Strong Wealth performance, up $0.3bn** (19%) primarily due to a $0.2bn increase in life insurance income in Hong Kong
- **MSS down $0.6bn** due to lower client activity and a change in methodology for the central costs of funding trading income in 2Q23 which reduced non-NII by $0.4bn*
- Other up **$0.1bn** including FX gains in Corporate Centre
- **Fees up $0.1bn** (3%), primarily in Personal Banking and CMB

Product splits are shown on a reported FX basis
* 2Q23 includes $0.4bn reflecting the year-to-date impact of methodology changes
‡ Other includes WPB Personal Banking, WPB Other, CMB Credit & Lending, CMB Other, GBM Banking (ex. GPS and GTRF), GBM Other and Corporate Centre (ex. offset from central costs of funding trading income)

Gross customer lending

Personal loan book, $bn

At 30 June 2023



Mortgages: $355bn

Of which: Interest-only[7]: $28bn

Retail mortgage average LTVs (portfolio, indexed)

UK: 52%

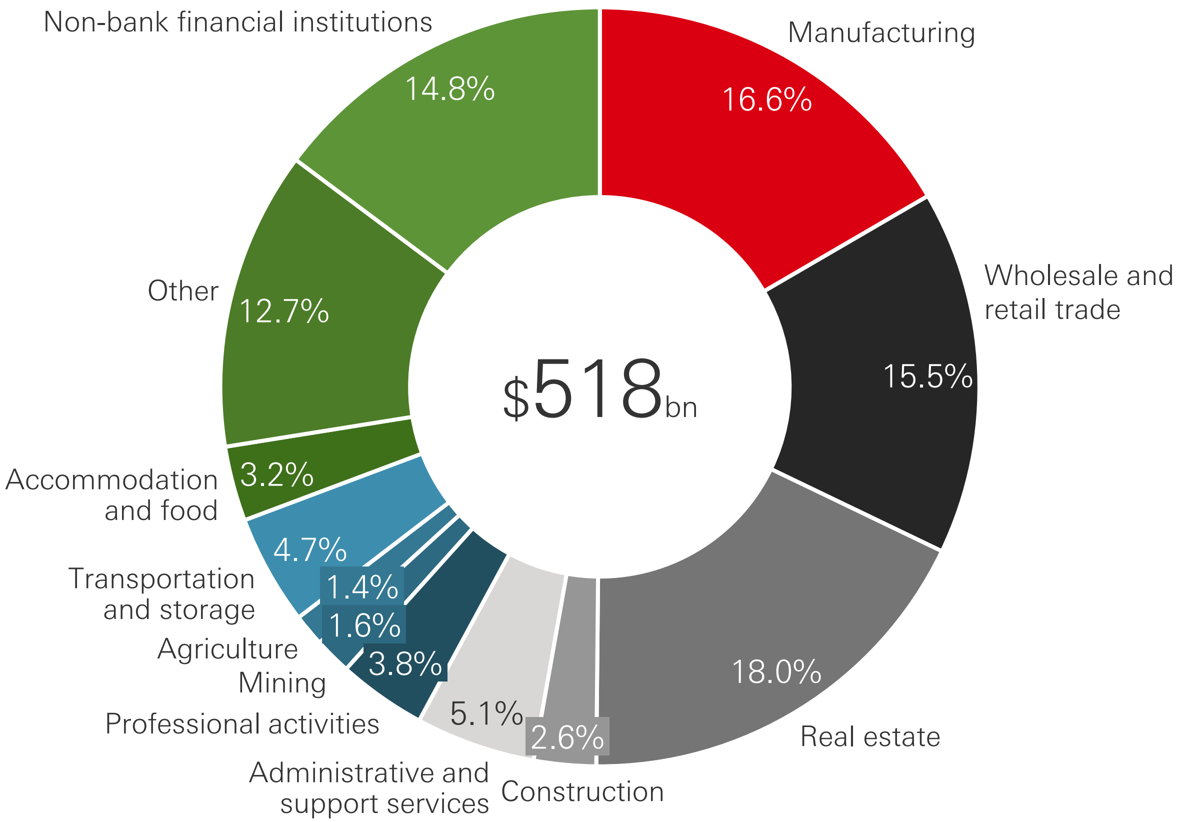
New lending: 64%

HK: 56%

New lending: 67%

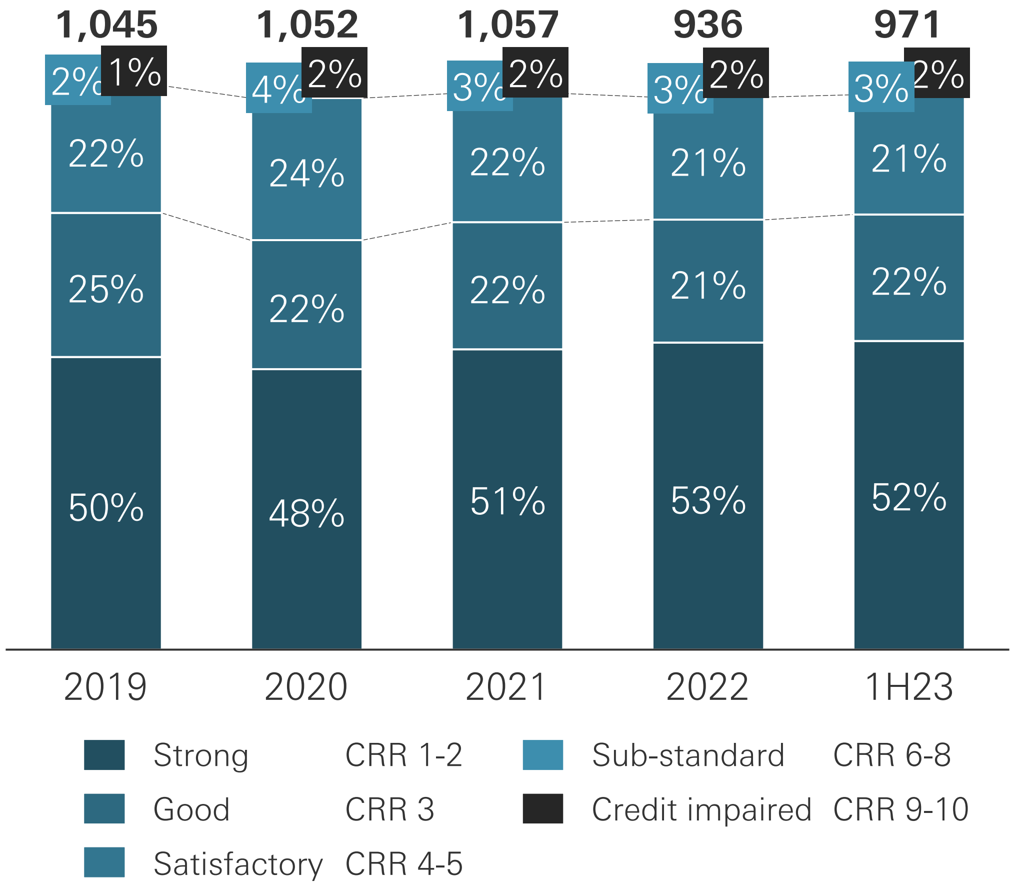
Wholesale loan book, $bn

At 30 June 2023



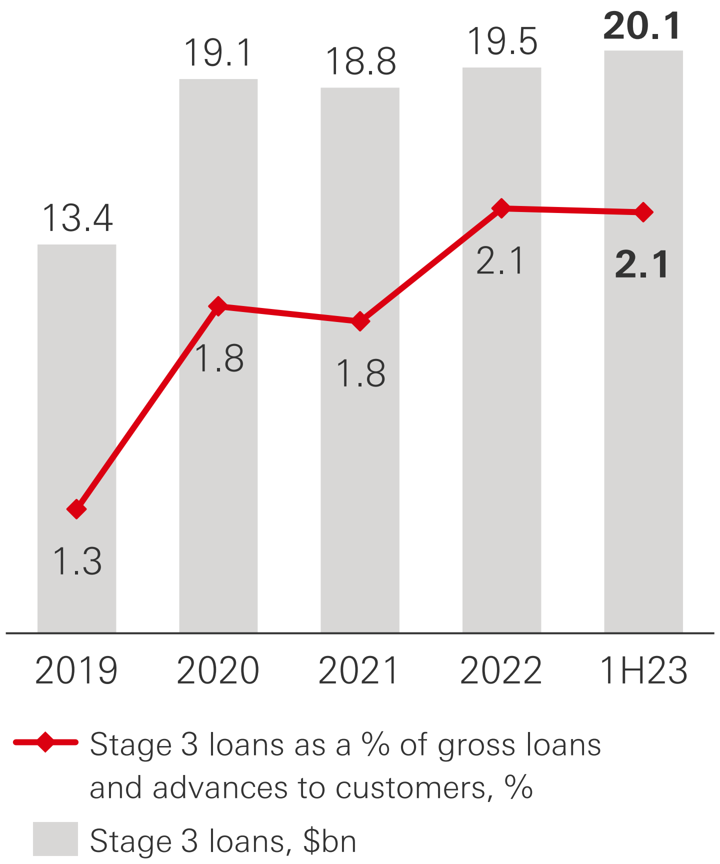
Asset quality

Gross loans by credit quality classification trend, $bn



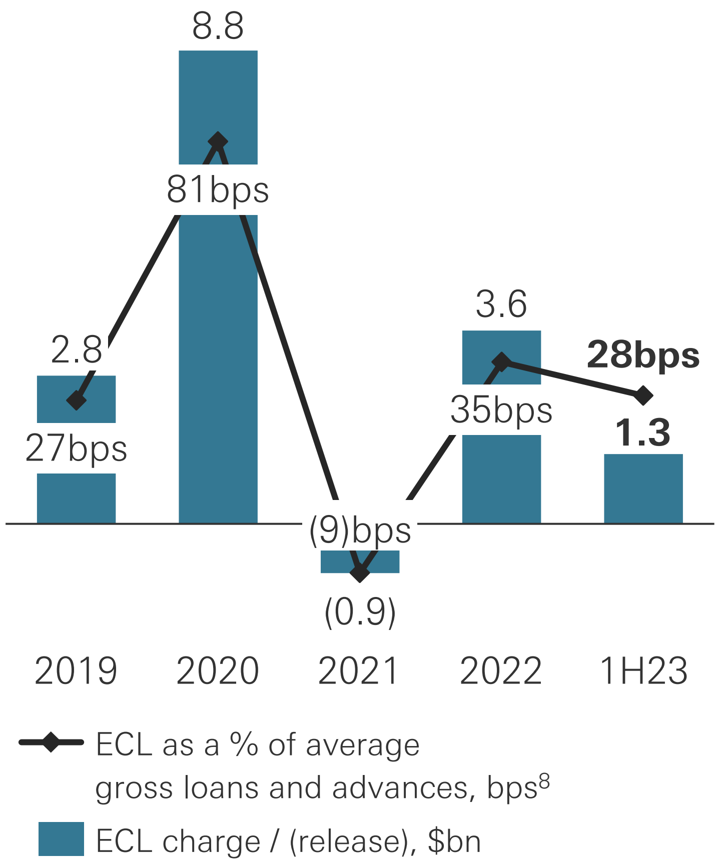
- **75%** of loans classified as Strong or Good credit quality, equivalent to an investment grade rating from an external credit rating agency

Stage 3 and impaired loans to customers



Stage 3 loans as a % of gross loans and advances to customers of 2.1% at 1H23

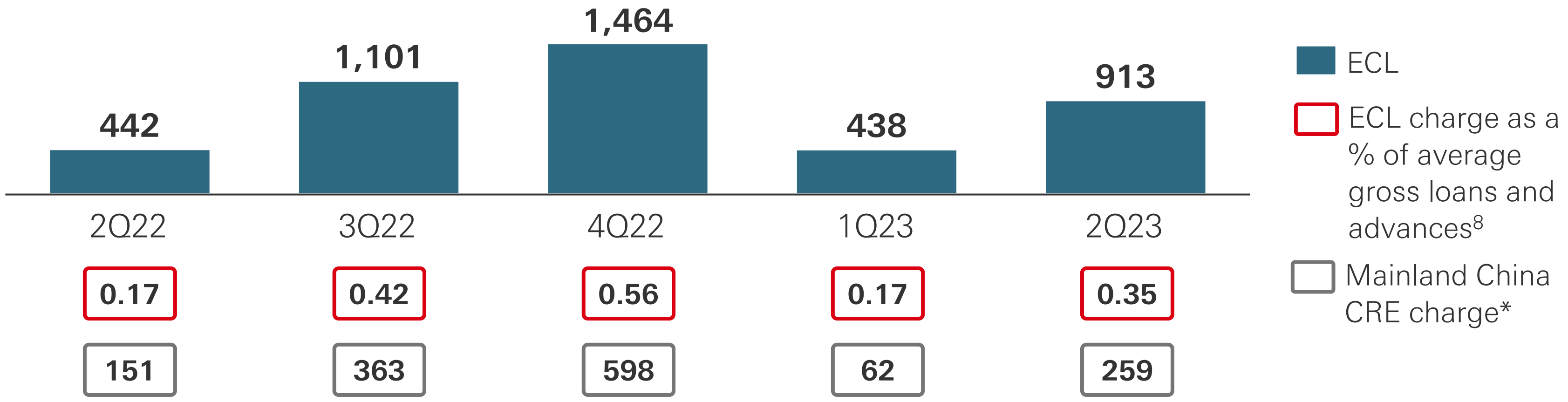
Reported ECL charge / (release)



ECL charge of $1.3bn in 1H23, including $0.3bn relating to mainland China CRE

Credit performance

ECL charge trend, $m



ECL charge / (release) by entity, $m

	2Q23	1Q23
Asia (HBAP)	389	65
o/w: Hong Kong	450	44
UK RFB (HBUK)	257	166
HSBC Bank plc (HBEU)	55	19
USA (HNAH)	33	29
Canada (HBCA)	10	1
Mexico (HBMX)	136	136
HSBC Middle East (HBME)	7	(7)
Other[9]	26	29
Total	**913**	**438**

ECL charge by stage, $bn

	Stage 1-2	Stage 3	Total
Wholesale	0.1	0.5	0.7‡
Personal	0.1	0.1	0.2
Total	**0.2**	**0.7‡**	**0.9**

- **$0.9bn** charge, including $0.3bn relating to mainland China CRE and $0.3bn relating to the UK RFB
- Stage 3 balances of **$20bn** (2.1% of total loans), stable vs. prior quarter
- **FY23 ECL guidance unchanged at ~40bps[8]**

* Mainland China CRE charge is on a reported basis and has not been currency adjusted in prior periods
‡ Totals do not sum due to rounding. Stage 3 charge includes POCI

Mainland China commercial real estate update

Mainland China CRE exposures by booking location and credit quality

At 30 June 2023

$m	*Memo: Hong Kong at 4Q22*	Hong Kong	Mainland China	RoW	Total
Total	*9,378*	**8,076**	**5,164**	**1,039**	**14,279**
Strong	*1,425*	1,161	1,836	205	3,202
Good	*697*	747	908	355	2,010
Satisfactory	*1,269*	973	1,756	252	2,981
Sub-standard	*2,887*	1,891	456	214	2,561
Credit impaired	*3,100*	3,304	208	13	3,525
Allowance for ECL	*(1,746)*	**(1,981)**	**(191)**	**(5)**	**(2,177)**

Hong Kong booked sub-standard and credit impaired exposures

$m	Total exposure	Of which not secured	ECL allowance*
Sub-standard	1,891	1,587	(174)
Credit impaired	3,304	2,549	(1,742)
Total	**5,195**	**4,137**	**(1,915)**

c.68% coverage ratio against not secured, credit impaired exposures

- Total mainland China CRE exposure **$14.3bn**, **down $2.5bn** vs. 4Q22, reflecting ongoing de-risking measures and repayments in the China onshore and Hong Kong booked portfolios

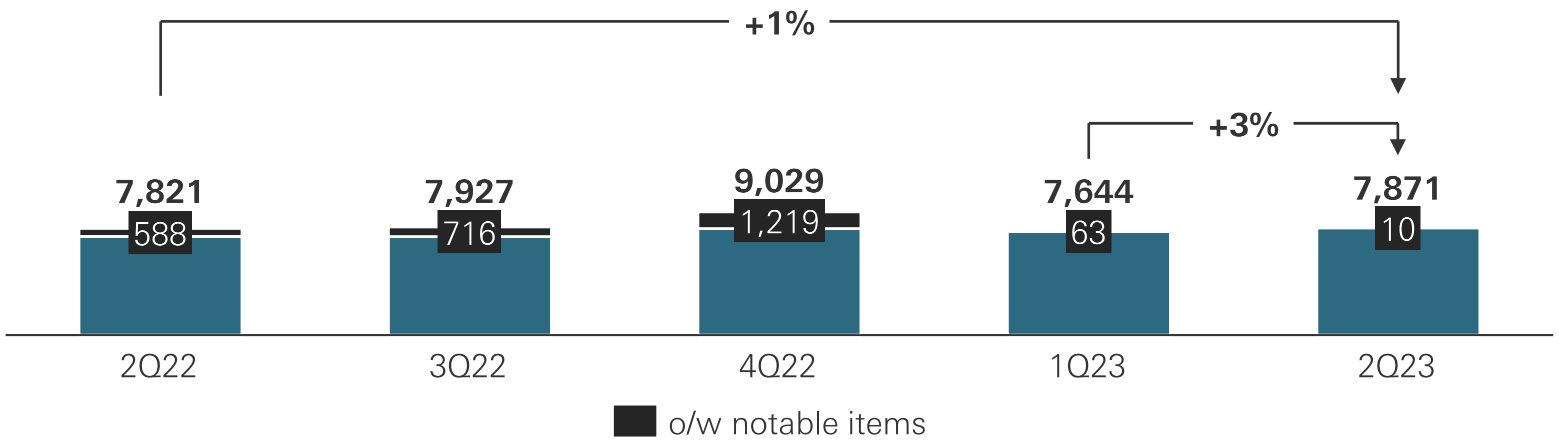
Hong Kong booked exposures:

- **$8.1bn, down $1.3bn** vs. 4Q22; $7.8bn drawn loans & advances
- **$5.2bn** (c.65%) is classed as sub-standard and credit impaired: $4.1bn not secured; $1.1bn secured
- Total ECL allowance of **$2.0bn**, substantially all against the $4.1bn 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 exposures is **c.68%** (FY22: c.55%)
- Our plausible downside scenario was c.$1bn as set out at FY22; this has reduced due to the 1H23 charge
- Property market stress has continued throughout 1H23, despite the policy measures introduced. We expect market and credit conditions to remain challenging throughout 2H23

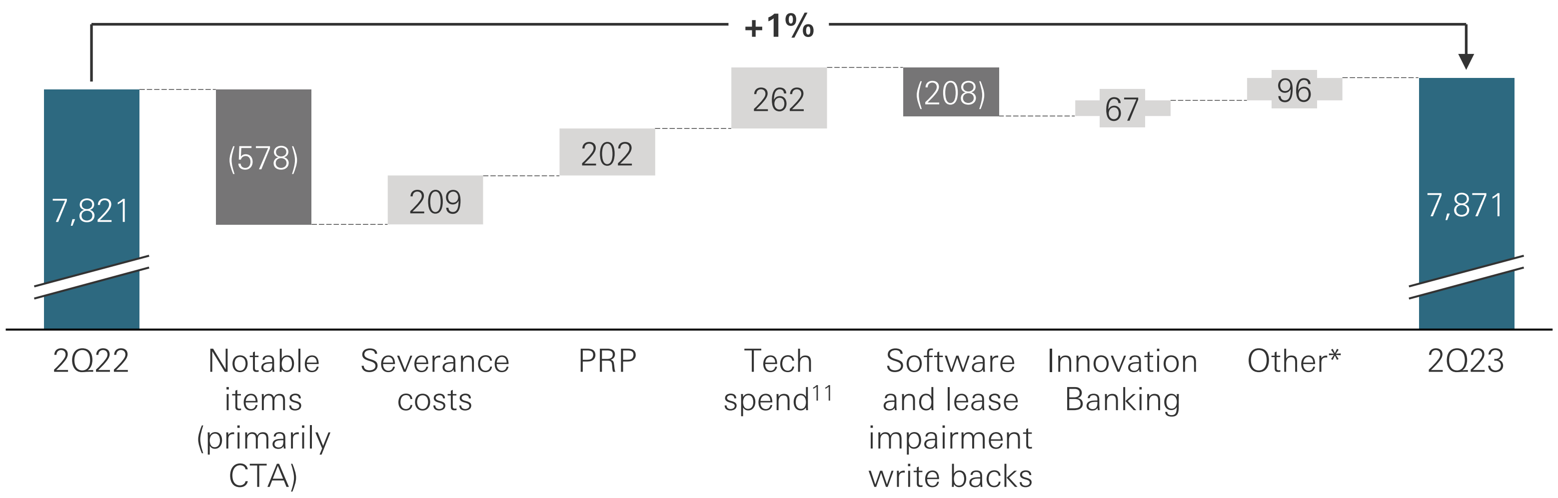
* On not secured exposures

Costs

Operating expenses trend, $m



2Q23 vs. 2Q22 (constant currency), $m



Constant currency basis:

- **2Q23 constant currency costs of $7.9bn, up 1%** vs. 2Q22. Lower notable items and impairment write-backs were offset by higher technology spending, higher performance-related pay accrual and severance costs

Target basis:

- **Continue to target c.3% cost growth in FY23**[10]. Reconciliation on slide 29. On this basis:
  - 2Q23 costs up **6%** vs. 2Q22, of which the severance costs flagged at 4Q22 accounted for 2.8ppts
  - YTD costs up **4%** vs. 1H22, of which severance costs accounted for 1.4ppts
- Expect the acquisition of SVB UK and related international investments to increase costs by an **additional 1%**

* Includes $92m for the FX re-translation of 2Q22 costs in hyperinflationary economies

Summary

1 **PBT up 92%** vs. 2Q22, **NII up $0.3bn vs. 1Q23**

2 **$0.9bn ECL charge**, of which **$0.3bn relates China CRE**. FY23 guidance of **c.40bps** of average loans[8] unchanged

3 **On track to meet FY23 cost growth target of 3%**[10]

4 **Revised guidance**: now expect **FY23 NII >$35bn** and targeting a **mid-teens RoTE for 2023 and 2024**[12]

5 Completed $2bn buyback. Announced a **further share buyback of up to $2bn** with an intention to complete this in around 3 months

Group guidance summary

Revised guidance

	Previous guidance	Revised guidance
NII	FY23 NII ≥$34bn. NII guidance assumes the interest expense for centrally allocated funding costs associated with funding GBM's trading activities will be around the annualised 4Q22/1Q23 run-rate	FY23 NII >$35bn and the revenue offset into non-NII from the central costs of funding GBM trading activities to be at least $7bn
RoTE	Targeting 12%+ from FY23	Targeting a RoTE in the mid-teens for 2023 and 2024[12]

Other Group guidance

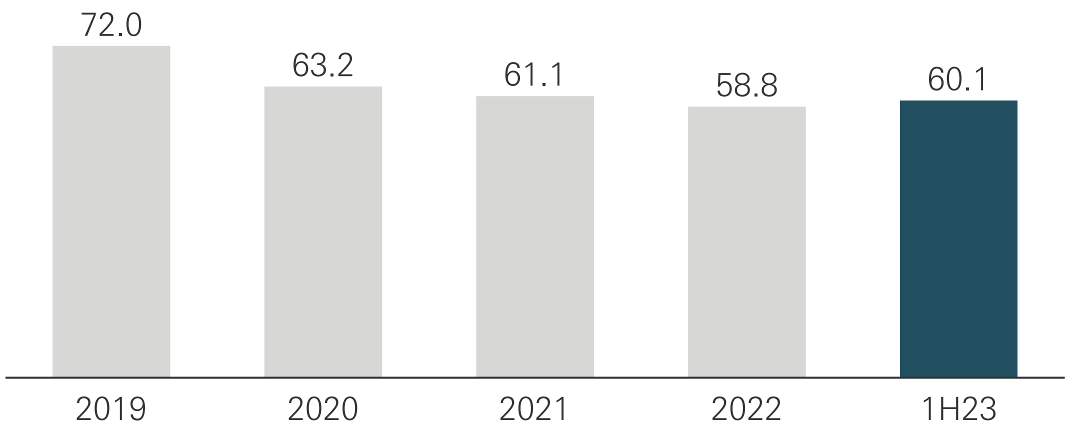
CET1	Manage in 14-14.5% target range in the medium term; aim to manage range down further longer term
Lending	Cautious outlook on loan growth in the short term; expect mid-single digit percentage annual loan growth in the medium to long term
Costs	Targeting c.3% cost growth vs. FY23 on a target basis, full reconciliation on slide 26[10]. The target does not include the acquisition of SVB UK and related international investments which are expected to add c.1% to Group operating expenses
ECL	FY23 ECL charge of around 40bps[8]; through-the-cycle planning range of 30-40bps
Asia as a % of Group TE[13]	c.50% medium to long term[14]
Dividends	Dividend payout ratio of 50% for 2023 and 2024[15]

Balance sheet & issuance

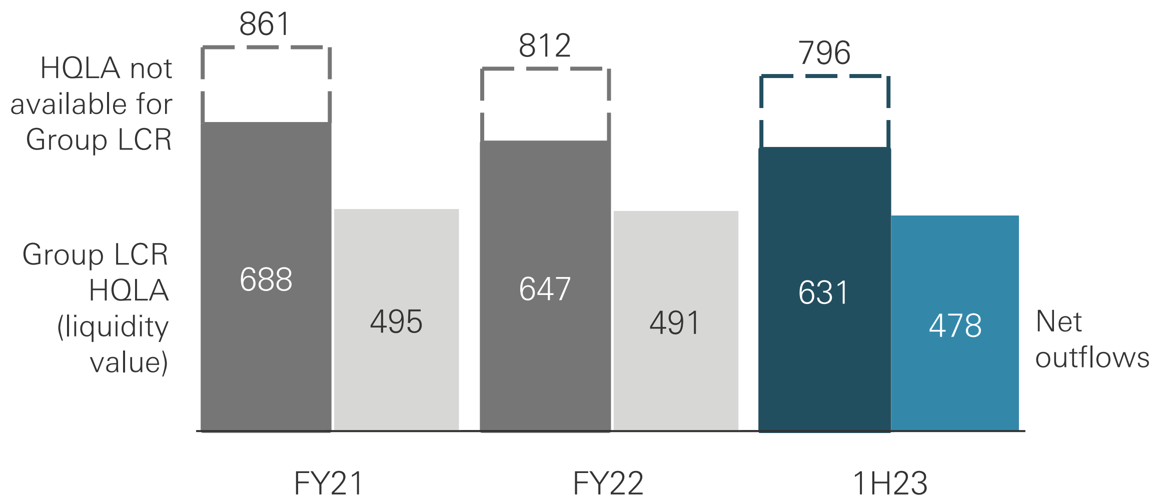
HSBC

Funding and liquidity

Reported loans to deposits ratio, %



High-quality liquid assets, $bn

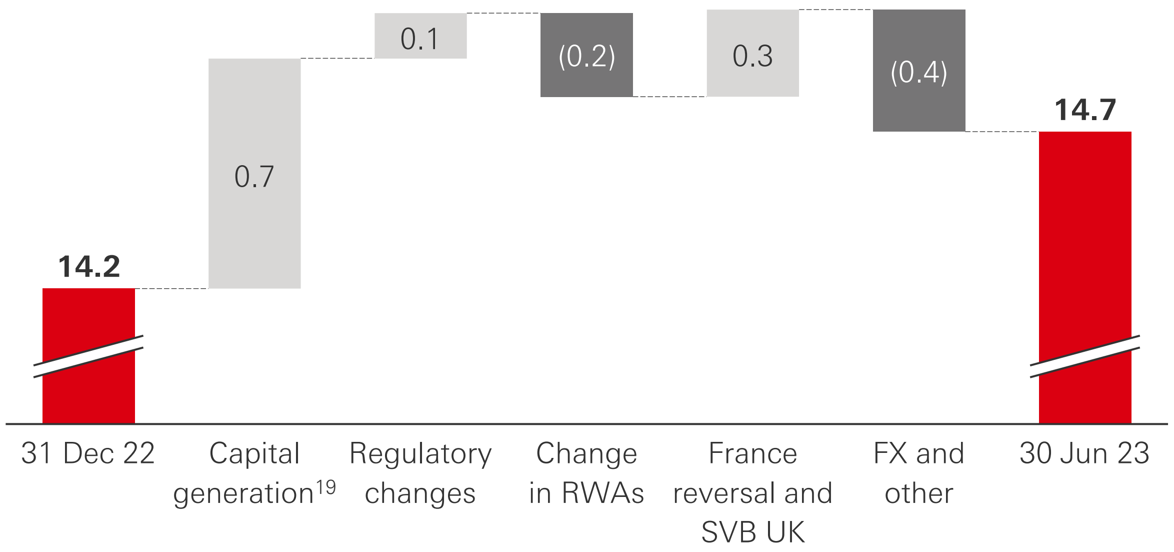


Principal operating entities	LCR[16]	
%	**1H23**	**FY22**
HSBC UK Bank plc (RFB)	213	226
HSBC Bank plc (NRFB)	149	143
The Hongkong and Shanghai Banking Corporation – Hong Kong branch	180	179
HSBC Singapore[17]	258	247
Hang Seng Bank	255	228
HSBC Bank China	177	183
HSBC Bank USA	169	164
HSBC Continental Europe	159	151
HSBC Bank Middle East Ltd – UAE branch	278	239
HSBC Canada	162	149
HSBC Mexico	144	155
Group consolidated	**132**	**132**

- 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 between legal entities within the Group. At 1H23 this resulted in an adjustment of $165bn to average LCR HQLA and $7bn to LCR inflows

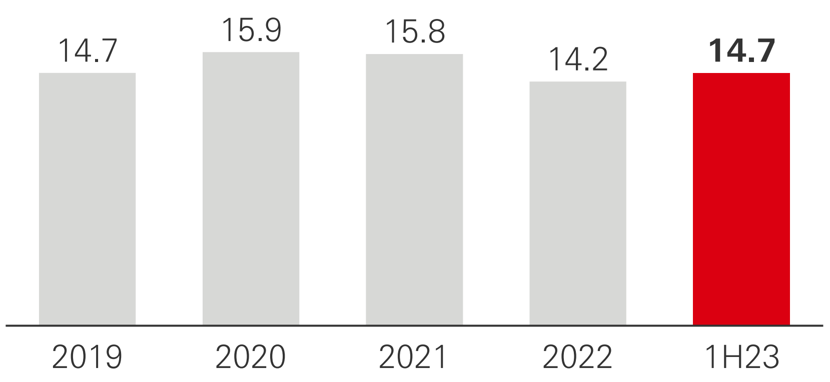
Capital position

CET1 ratio[18], %

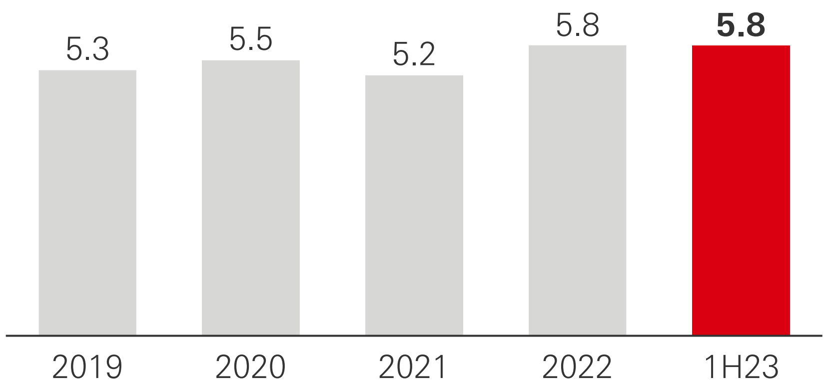


- **CET1 ratio of 14.7% up 0.5ppts vs. FY22**, including:
  - 0.7ppts of capital generation, a 0.3ppts increase from the reversal of the impairment relating to the planned sale of our retail banking operations in France and the provisional gain on the acquisition of SVB UK
  - 0.1ppts benefit from a regulatory change reducing the risk weighting of mortgages in Hong Kong
  - These increases were partly offset by a 0.6ppts fall from higher RWAs, increased threshold deductions, intangibles and excess expected loss
- 2Q23 CET1 ratio **does not include an anticipated c.25bps impact** from the further $2bn buyback
- **50% dividend payout ratio** in 2023 and 2024[15]; CET1 ratio target range of **14%–14.5%** medium term[14]

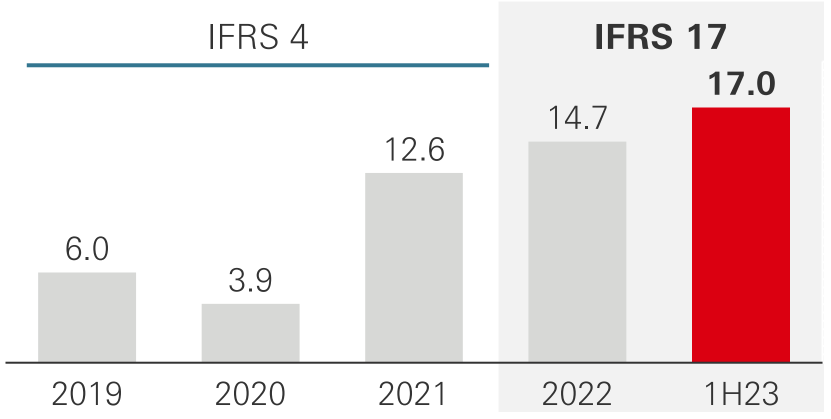
CET1 ratio, %



Leverage ratio[1], %

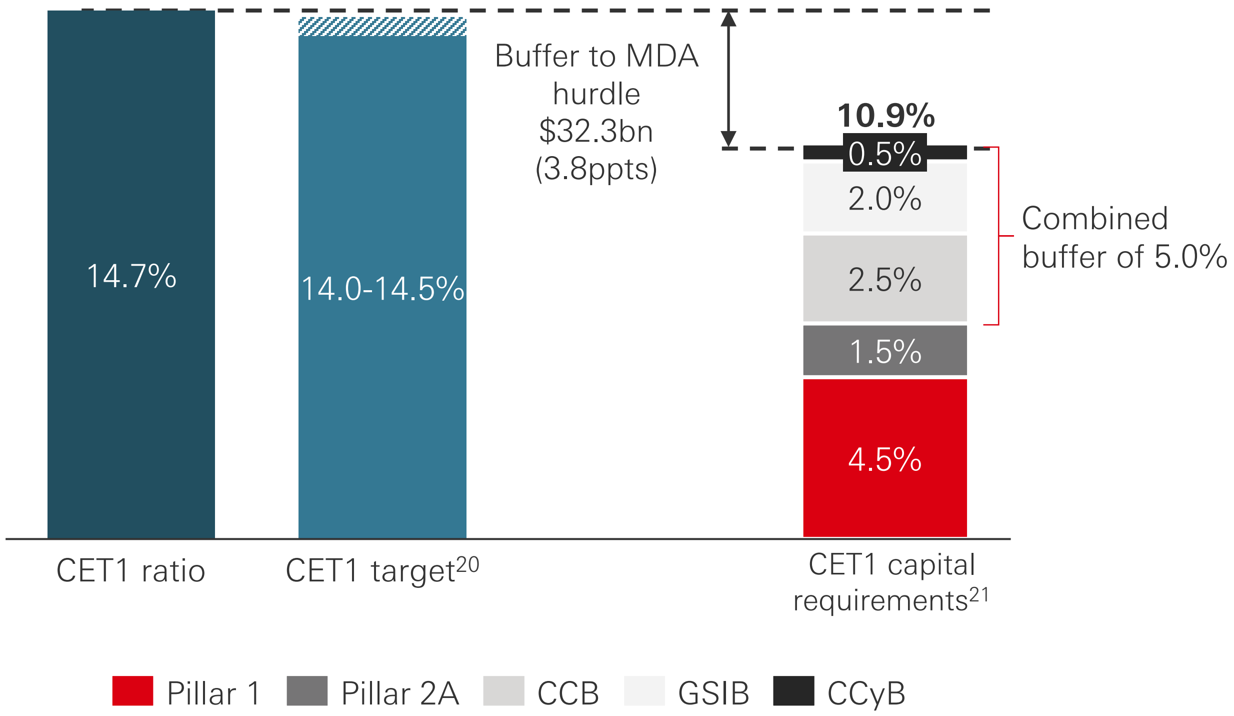


Profit attributable to ordinary shareholders, $bn



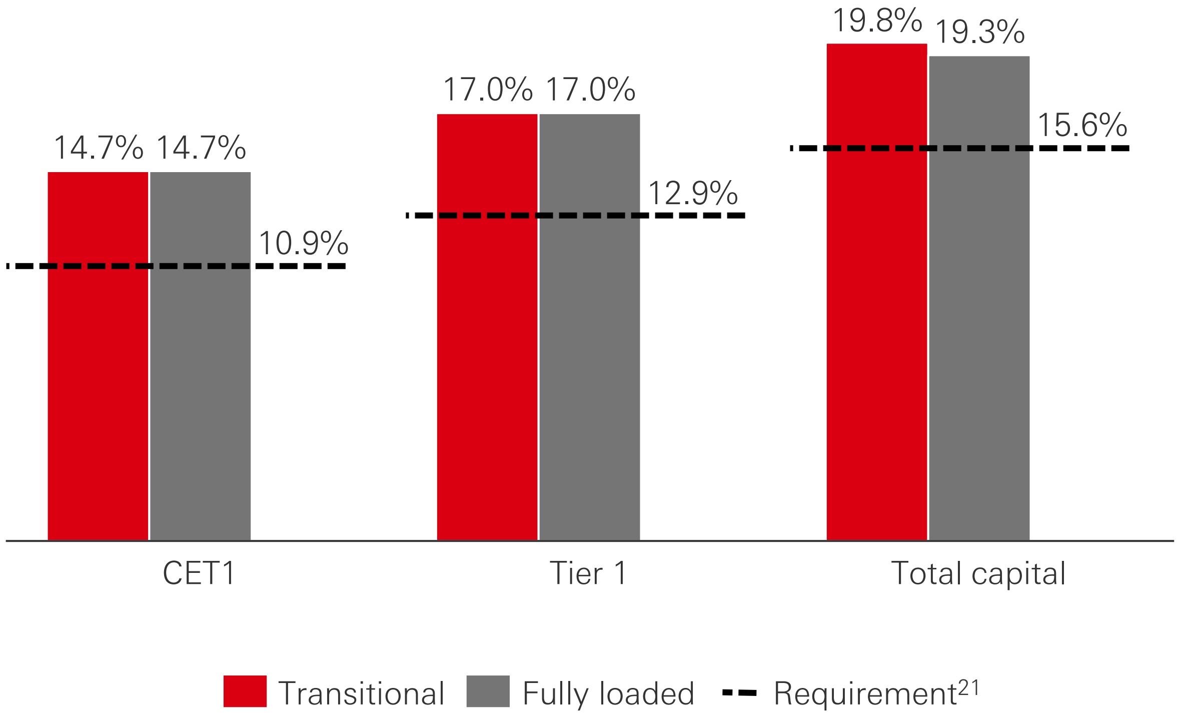
Capital position versus requirements

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, and by a further increase from 1% to 2% in July 2023. Each 1ppt increase in the UK CCyB increases HSBC Group's CCyB by c.0.2ppts

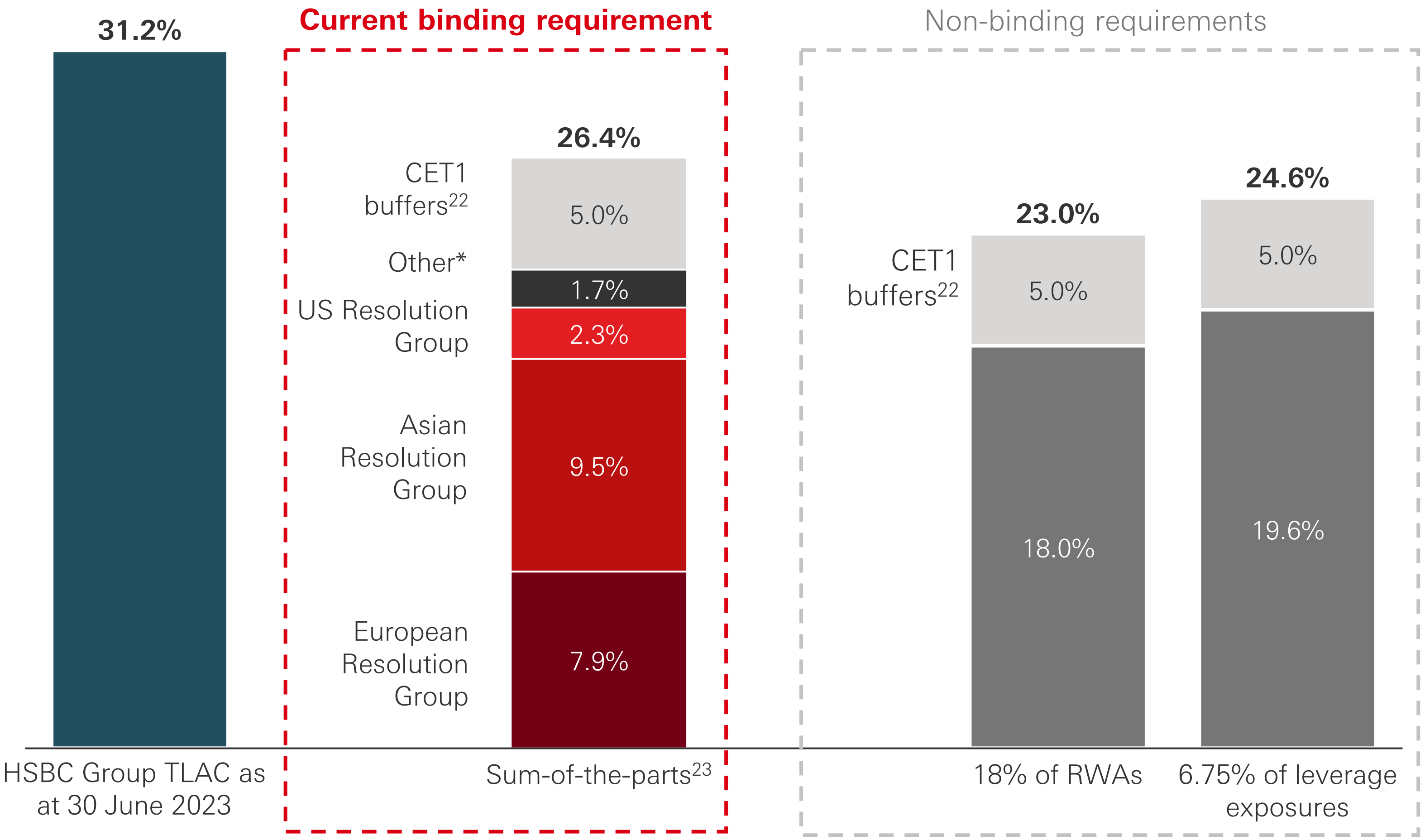
Regulatory capital vs. regulatory requirements as a % of RWAs



- **Total capital ratio** up 0.5ppts primarily reflecting a higher CET1 ratio
- **Distributable reserves were $25.7bn**, down from $35.2bn at 31 Dec 2022, primarily driven by ordinary dividend payments, AT1 coupons and commencement of the buyback programme in 1H23. Profits generated in 1H23 will be reflected in distributable reserves as at 31 December 2023

MREL / TLAC position

MREL / TLAC position versus requirements[21] as a % of Group RWAs



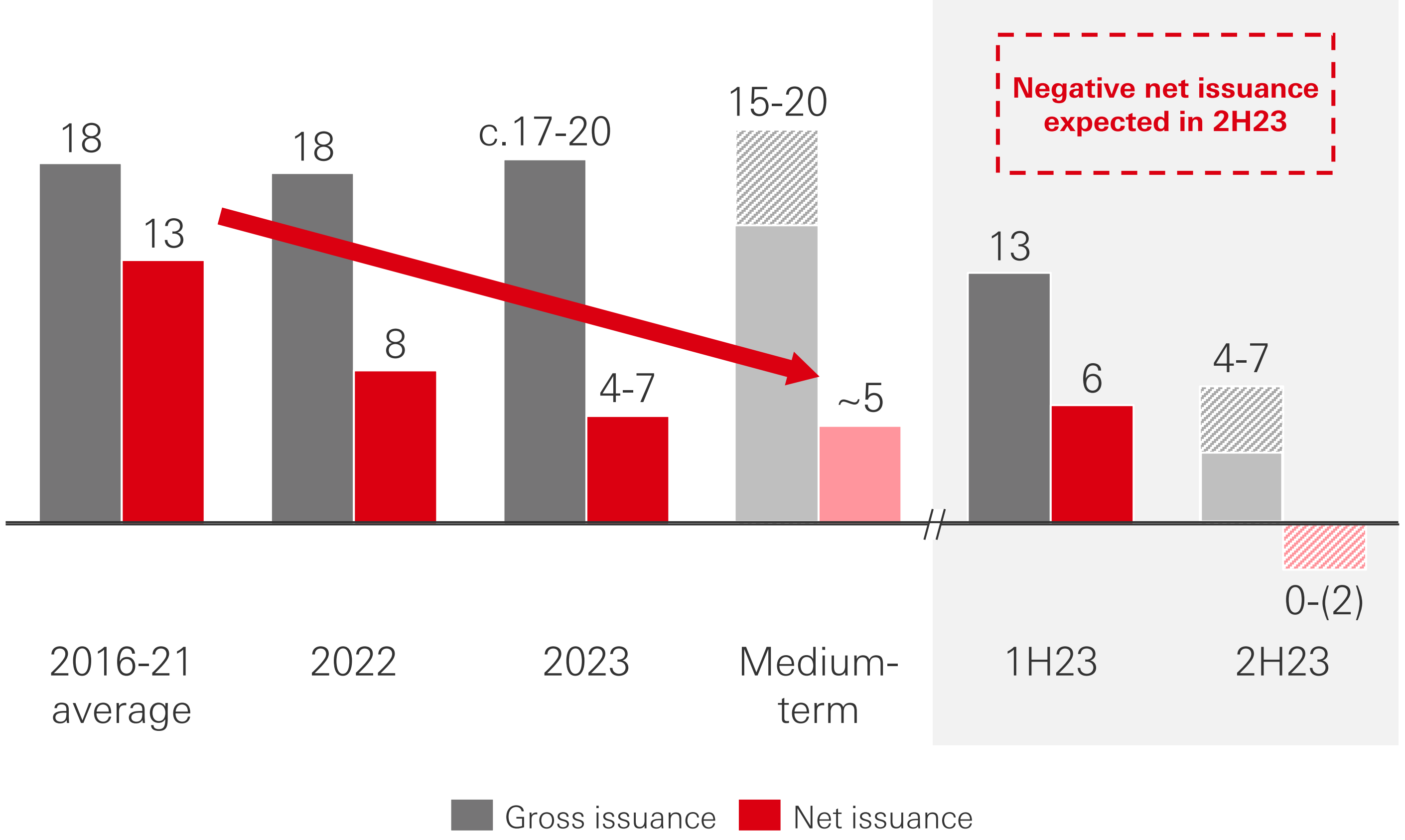
- **4.8ppts / $41.4bn buffer** to current requirement
- HSBC Group's MREL requirement is the greater of:
  - 18% of RWAs
  - 6.75% of leverage exposures
  - The sum of each resolution group's local regulatory requirements and other Group entities' capital requirements (the 'sum-of-the-parts')
- Of the 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



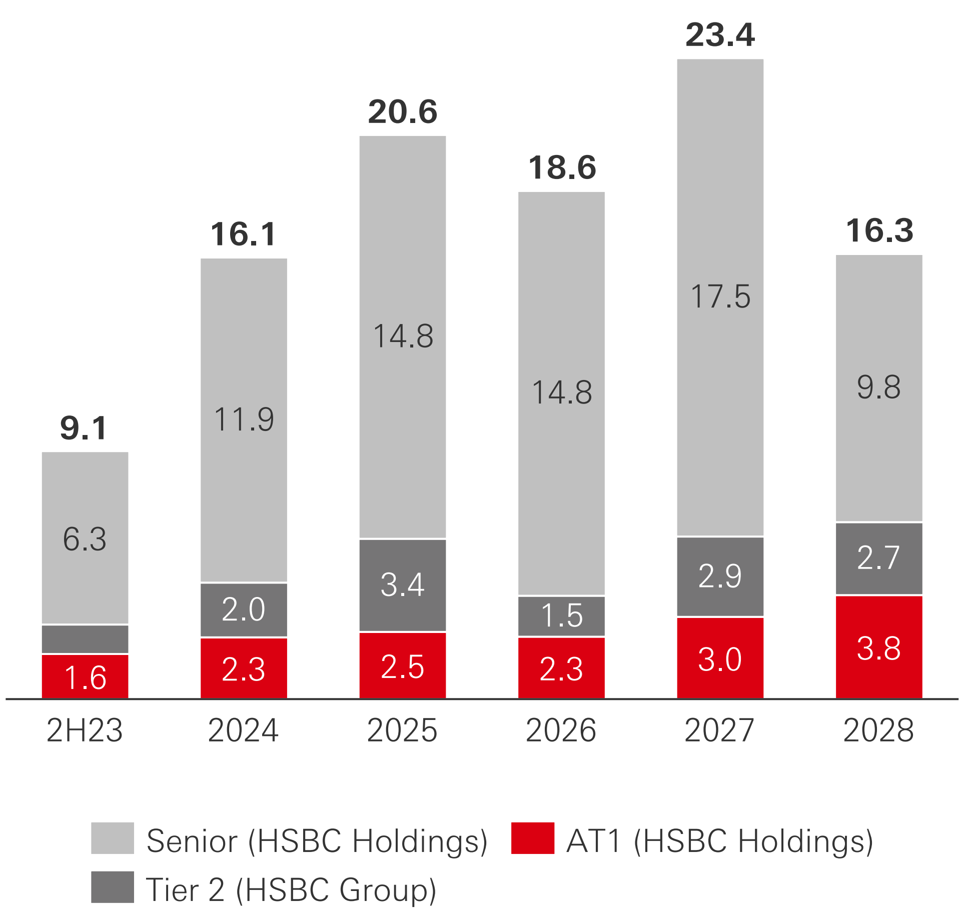
FY23 issuance plan

HoldCo senior	**c.$17-20bn** (likely lower end of range) $13bn issued YTD
Tier 2	**$4-5bn** (likely lower end of range) $3bn issued YTD
AT1	**~$2bn** $2bn issued YTD
OpCo	Expect certain subsidiaries to issue senior and secured debt in local markets to meet funding and liquidity requirements

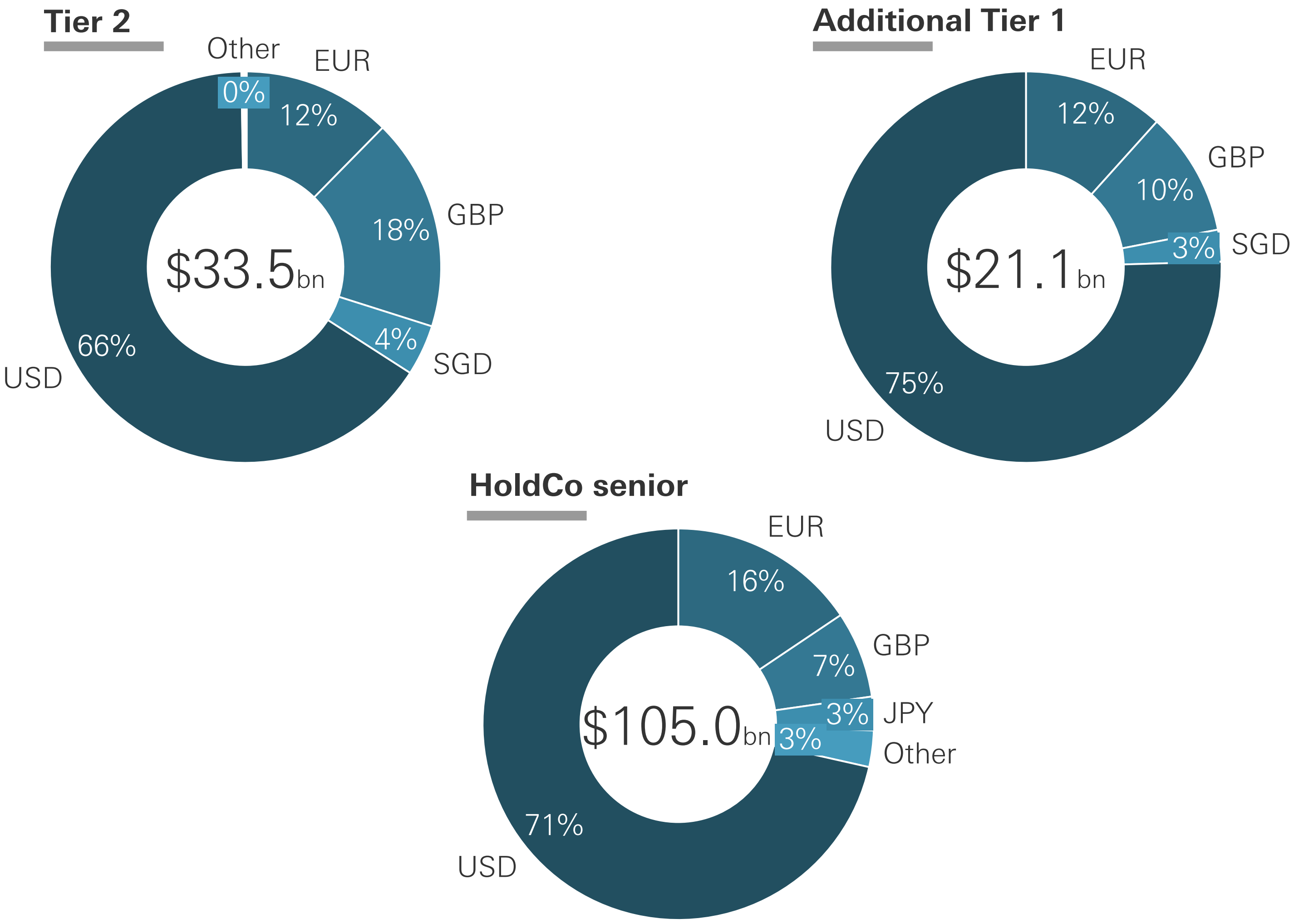
Portfolio instruments

Maturity profile at 1H23[24]

$bn-equivalent



Outstanding instruments by currency (notional) at 1H23



Legacy securities

Total legacy securities of $9bn[25]

	Capital tier eligibility at issuance	
Issuer	**AT1**	**Tier 2**
HSBC Holdings plc	$0.9bn*	$4.3bn
o/w fully ineligible	*$0.9n**	–
*o/w fully eligible to 2025^*	–	*$4.3bn*
HSBC Bank plc	$0.9bn*	$1.0bn
o/w fully ineligible	*$0.9bn**	*$0.1bn*
o/w eligible as Tier 2 to 2025	–	*$0.2bn*
o/w fully eligible as Tier 2	–	*$0.8bn*
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*

- Legacy securities have reduced by ~$6bn since end-2021, to $9bn at 1H23
- 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**
- Decisions will 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 the economics over time
- Where securities may present a significant economic cost to exit early, this cost will generally diminish as the securities near their maturity or first par call date

* Indirect issuance via special purpose vehicles
^ Expected to be subject to voluntary derecognition

IBOR – regulatory capital & MREL securities

Our transition approach

We expect to be able to **remediate or mitigate** IBOR risks and remain committed to seeking remediation or mitigation of relevant risks relating to IBOR-demise

Milestones so far

- Consent solicitation passed on English law GBP securities, September 2021
- September 2021 consent solicitation failed on English law SGD securities, one AT1 security remains which is callable September 2023
- Announcement published on US law USD LIBOR succession under US LIBOR Act and/or relevant fallbacks, June 2023

Remaining securities

- Remaining securities are largely:
  - Non-USD New York law securities where the US LIBOR Act does not apply
  - New York law securities with swap-based coupon resets where the US LIBOR Act does not apply
  - Other securities across multiple currencies
  - Across all the IBOR risk only materialises if we do not choose to exercise our call option. All remediation options will be considered

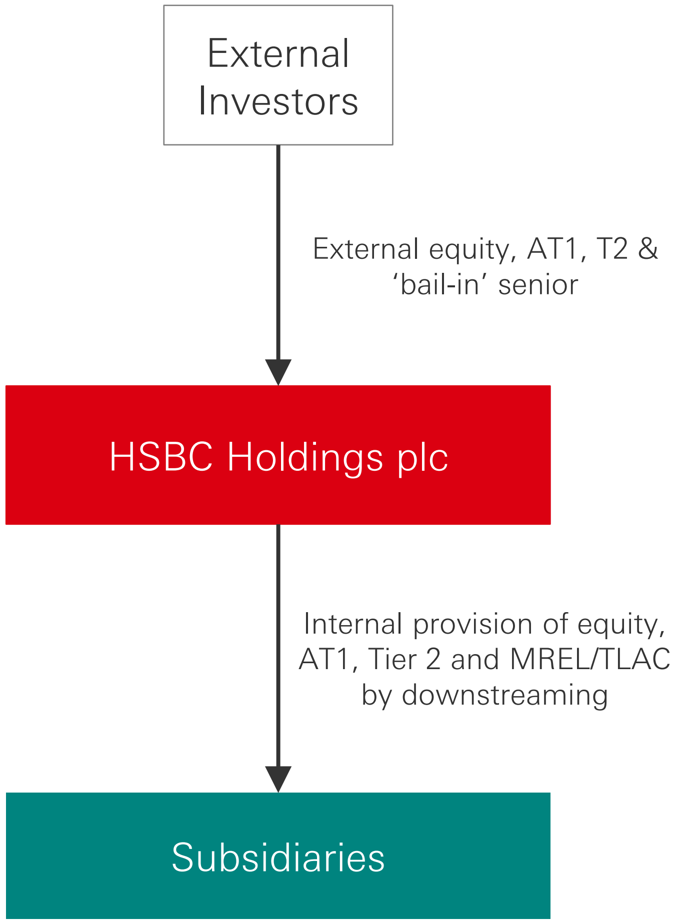
Appendix

MREL / TLAC position

	HSBC Group	US resolution group	Europe resolution group (Including HSBC Holdings)[26]	Asia resolution group
TLAC position at 1H23	**Total TLAC: $268.3bn** Of which: non-regulatory capital: $97.2bn	**Total TLAC: $24.0bn** Of which: non-regulatory capital (long-term debt): $8.5bn	**Total TLAC: $103.3bn** Of which: non-regulatory capital: $97.2bn	**Total TLAC: $110.3bn** Of which: non-regulatory capital: $31.3bn
Balance sheet at 1H23	RWAs: $859.5bn Leverage exposure: $2,497.9bn	RWAs: $107.2bn Average assets: $217.5bn	RWAs: $271.3bn Leverage exposure: $927.0bn	RWAs: $404.1bn Leverage exposure: $1,211.6bn
Requirement	The greater of: ▪ 18% of RWAs ▪ 6.75% of UK leverage exposure ▪ Sum-of-the-parts*	TLAC[27]: 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 (**>$26bn** at 1H23)

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	**2Q23**	**1Q23**	**2Q22**
NII	9,305	8,959	6,910
Other Income	7,400	11,212	5,330
Revenue	**16,705**	**20,171**	**12,240**
ECL	(913)	(432)	(447)
Costs	(7,871)	(7,586)	(7,949)
Associate income	850	733	792
Profit before tax	**8,771**	**12,886**	**4,636**
Tax	(1,726)	(1,860)	863
Profit after tax	**7,045**	**11,026**	**5,499**
Profit attributable to ordinary shareholders (‘PAOS’)	6,639	10,327	5,211
Basic EPS, $	0.34	0.52	0.26
Diluted EPS, $	0.34	0.52	0.26
DPS (in respect of the period), $	0.10	0.10	0.09
Net interest margin (annualised), %	1.72	1.69	1.29

Reported balance sheet, $bn	**2Q23**	**1Q23**	**2Q22**
Total assets	3,041	2,990	2,970
Net loans and advances to customers	960	963	1,027
Customer accounts	1,596	1,604	1,651
Quarterly average interest-earning assets	2,172	2,153	2,149
Reported loan/deposit ratio, %	60.1	60.1	62.2
Ordinary shareholders’ equity (‘NAV’)	165	171	157
Tangible ordinary shareholders’ equity (‘TNAV’)	153	159	146
NAV per share, $	8.44	8.65	7.94
TNAV per share, $	7.84	8.08	7.39

Alternative performance measures, $m	**2Q23**	**1Q23**	**2Q22**
Constant currency NII	9,305	8,999	6,758
Constant currency other income	7,400	11,355	5,318
Constant currency revenue	**16,705**	**20,354**	**12,076**
Constant currency ECL	(913)	(438)	(442)
Constant currency costs	(7,871)	(7,644)	(7,821)
Constant currency associate income	850	717	754
Constant currency profit before tax	**8,771**	**12,989**	**4,567**
PAOS excl. goodwill and other intangible impairment	6,650	10,345	5,244
Return on average tangible equity (annualised), %	17.1	27.4	14.0
Return on average equity (annualised), %	15.9	25.5	13.0
Constant currency net loans and advances to customers, $bn	960	969	1,038
Constant currency customer accounts, $bn	1,596	1,614	1,671
Cost efficiency ratio, %	47.1	37.6	64.8
ECL charge as a % of average gross loans and advances to customers, annualised *(including held-for-sale balances)*	0.38 *(0.35)*	0.18 *(0.17)*	0.17 *(0.17)*

Capital, leverage and liquidity[1]	**2Q23**	**1Q23**	**2Q22**
Risk-weighted assets, $bn	860	854	852
CET1 ratio, %	14.7	14.7	13.6
Total capital ratio (transitional), %	19.8	19.8	18.6
Leverage ratio, %	5.8	5.8	5.5
High-quality liquid assets (liquidity value), $bn	631	635	676
Liquidity coverage ratio, %	132	132	135

Share count, m	**2Q23**	**1Q23**	**2Q22**
Basic number of ordinary shares outstanding	19,534	19,736	19,819
Basic number of ordinary shares outstanding and dilutive potential ordinary shares	19,679	19,903	19,949
Quarterly average basic number of ordinary shares outstanding	19,662	19,724	19,884

Notable items (reported basis)

$m	2Q23	1Q23	4Q22	3Q22	2Q22
Revenue	**(241)**	**3,577**	**(320)**	**(2,691)**	**(471)**
o/w: Disposals, acquisitions and related costs	*(241)*	*3,562*	*(71)*	*(2,378)*	*(288)*
o/w: Fair value movements on financial instruments	—	*15*	*35*	*(282)*	*(171)*
o/w: Restructuring and other related costs	—	—	*(284)*	*(31)*	*(12)*
Costs	**(10)**	**(61)**	**(1,169)**	**(691)**	**(589)**
o/w: Disposals, acquisitions and related costs	(57)	(61)	*(9)*	*(9)*	—
o/w: Restructuring and other related costs	*47*	—	*(1,160)*	*(682)*	*(589)*
Total	**(251)**	**3,516**	**(1,489)**	**(3,382)**	**(1,060)**
Memo: Notable items on a constant currency basis	*(251)*	*3,591*	*(1,535)*	*(3,535)*	*(1,036)*

Tax notable items: 1Q23 included a $0.5bn tax charge recorded on the $2.1bn reversal of impairment loss relating to the planned sale of our retail banking operations in France and the release of a $0.4bn uncertain tax provision relating to the UK

Interest rate sensitivity

1 year NII sensitivity

At 30 June 2023, 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	(187)	125	140	147	325	550
-25bps	187	(132)	(173)	(165)	(332)	(615)
+100bps	(747)	471	575	596	1,273	2,168
-100bps	695	(556)	(703)	(657)	(1,383)	(2,604)

5 year NII sensitivity

At 30 June 2023, 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

	Year 1 $m	**Year 2** $m	**Year 3** $m	**Year 4** $m	**Year 5** $m	**Total** $m
+25bps	550	854	1,172	1,409	1,595	5,580
-25bps	(615)	(892)	(1,221)	(1,450)	(1,647)	(5,825)
+100bps	2,168	3,307	4,523	5,444	6,185	21,627
-100bps	(2,604)	(3,909)	(5,310)	(6,188)	(6,936)	(24,947)

- The reduction in NII sensitivity to a (100)bps parallel shift in interest rates, from $(4.0)bn at FY22 to $(2.6)bn at 2Q23 is due to balance sheet evolution, increased structural interest rate hedging and model improvements

Revenue offset into non-NII from the central costs of funding trading income

- The interest expense associated with the central costs of funding trading income is fully offset by trading and fair value income reported in Corporate Centre
- The NII sensitivity tables **incorporate changes in this interest expense** relating to the central costs of funding (i.e. the expense incurred by the banking book in funding trading and fair value activities)
- **Not included are the offsetting changes in trading income** reported in Corporate Centre, **adding additional interest rate sensitivity in non-NII** (shown in Banking NII[5] on slide 4)
- At 2Q23, **c.$130bn of net trading assets*** were centrally-funded, predominantly at proxy overnight and short term interest rates in our major currencies. Simplistically, a 100bps parallel shift upwards in interest rates would result in +$1.3bn in funding costs, with an offsetting benefit in Corporate Centre non-NII‡ of +$1.3bn and vice versa for a 100bps parallel downward shift
- We expect to enhance our Banking NII[5] sensitivity disclosure in due course

* Trading, fair value and associated net asset balances
‡ Trading and fair value income

Net interest margin

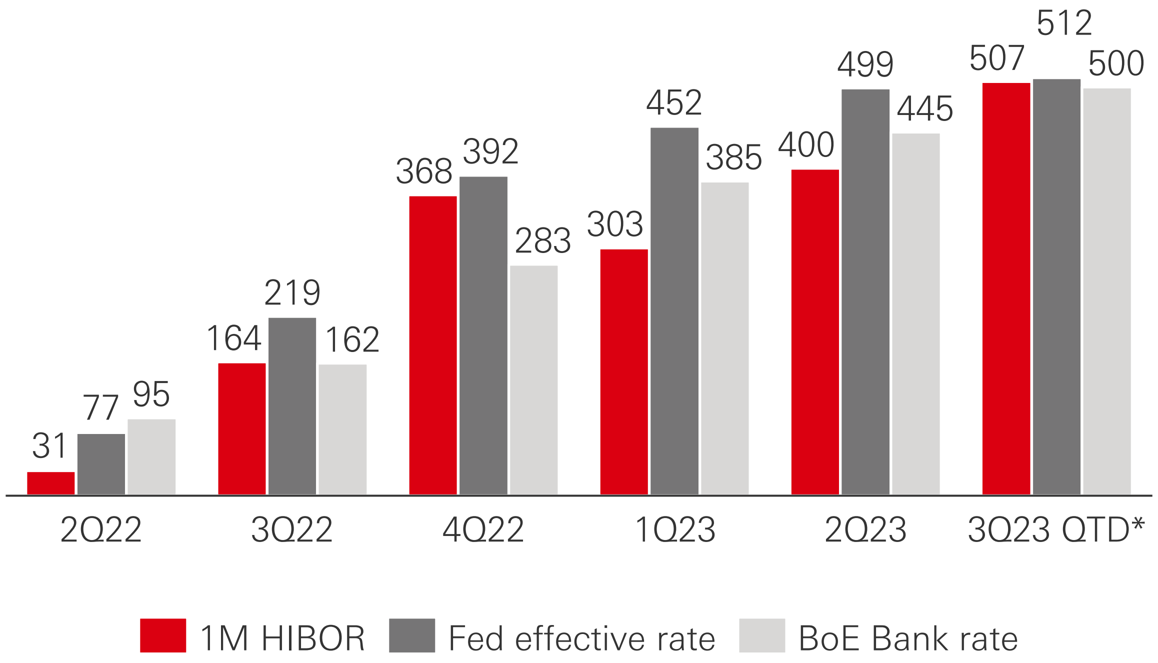
Quarterly NIM by key legal entity

	2Q22	3Q22	4Q22	1Q23	2Q23	% of 2Q23 Group NII	% of 2Q23 Group AIEA
The Hongkong and Shanghai Banking Corporation (HBAP)*	1.32%	1.66%	1.94%	1.83%	1.83%	45%	43%
HSBC Bank plc	0.57%	0.44%	0.50%	0.59%	0.60%	8%	22%
HSBC UK Bank plc (UK RFB)	1.77%	1.99%	2.19%	2.33%	2.49%	27%	19%
HSBC North America Holdings, Inc	1.05%	1.16%	1.16%	1.15%	1.01%	5%	8%

* In 1H23, c.60% of the interest expense relating to the central costs of trading income was booked in HBAP

Key rates (quarter averages), bps

Source: Bloomberg
* At 31 July 2023



Cost target basis reconciliation

$m	2Q23	1Q23	4Q22	3Q22	2Q22	1H23	1H22	FY22
Reported	**7,871**	**7,586**	**8,781**	**7,793**	**7,949**	**15,457**	**16,127**	**32,701**
Currency impact	—	58	248	134	(128)	—	(595)	(195)
Constant currency	**7,871**	**7,644**	**9,029**	**7,927**	**7,821**	**15,457**	**15,532**	**32,506**
Notable items	(10)	(63)	(1,219)	(716)	(588)	(71)	(1,009)	(2,948)
Impact of retranslating 2022 results of hyperinflationary economies at constant currency	—	—	78	95	92	—	160	347
SVB UK and related investments	(67)	—	—	—	—	(67)	—	—
Target basis	**7,794**	**7,581**	**7,888**	**7,306**	**7,325**	**15,319**	**14,683**	**29,905**

Note: Table uses 2Q23 average FX rates for all quarters, 1H23 average rates for 1H22 and FY22

FY23 cost target basis:

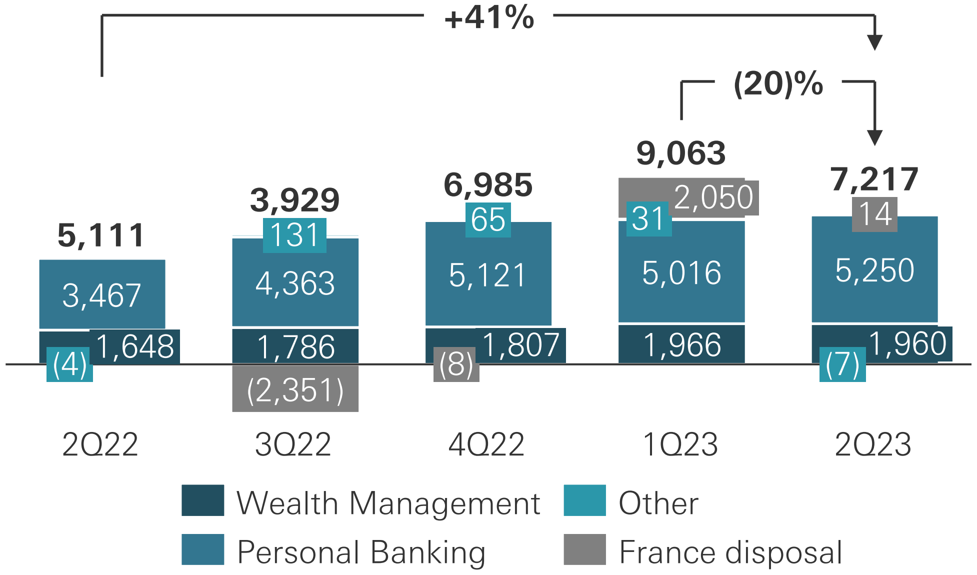
- Targeting **c.3% cost growth** on a constant currency basis, excluding notable items and the impact of retranslating 2022 results in hyperinflationary economies at constant currency. The target also does not include the acquisition of SVB UK and related international investments which are expected to **add c.1%** to Group operating expenses. On this basis, the FY22 comparative is **$29.9bn**

Wealth and Personal Banking

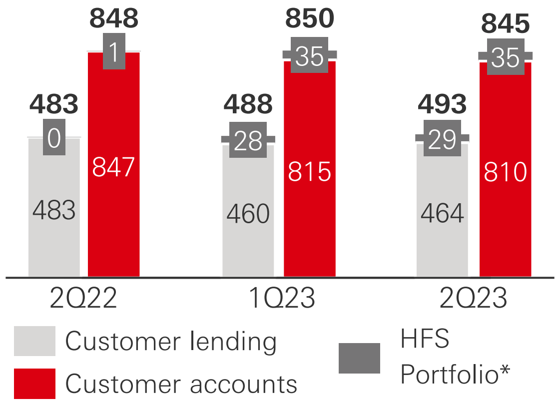
2Q23 financial highlights

Revenue	**$7.2bn**	▲	41% (2Q22: $5.1bn)
ECL	**$(0.3)bn**	▲	(5)% (2Q22: $(0.2)bn)
Costs	**$(3.7)bn**	▲	(5)% (2Q22: $(3.5)bn)
PBT	**$3.3bn**	▲	>100% (2Q22: $1.4bn)
RoTE[28]	**43.1%**	▲	31.6ppts (2Q22: 11.5%)

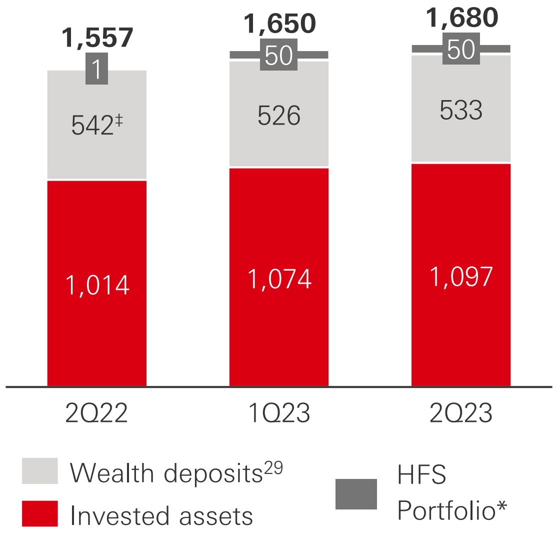
Revenue performance, $m



Balance sheet, $bn



Reported Wealth Balances, $bn



2Q23 vs. 2Q22

- **Revenue** up $2.1bn (41%). Personal Banking up $1.8bn (51%) primarily due to higher NII. Wealth up $0.3bn (19%) due to growth across all products, particularly Life Insurance (up $0.2bn)
- **Customer lending and accounts** were both down 4%, mainly due to HFS transfers*, excl. the impact of HFS:
  - Lending up $10bn (2%). Mortgages up $10bn ($5bn Asia, $5bn UK), unsecured lending up 7% ($3bn split between $2bn Asia, $1bn Mexico) partially offset by deleveraging in Private Banking ($4bn)
  - Deposits down $3bn. Outflows in the UK (impact of increasing cost of living) and US partially offset by growth in Asia, Mexico and the Middle East
- **Wealth balances** up 5%. Excl. HFS impact, balances up 8% supported by NNIA of $75bn since 2Q22, wealth deposit growth of $15bn and favourable market level and FX impacts of $33bn

2Q23 vs. 1Q23

- **Revenue** down $1.8bn (20%) due to $2.0bn France impairment reversal in 1Q23. Excluding this, revenue was up $0.2bn due to higher NII in Personal Banking
- **Customer lending and accounts** excl. impact of HFS*:
  - Lending up $5bn. Mortgages up $4bn ($3bn Asia, $1bn UK) and unsecured lending up $1bn
  - Deposits down $5bn with outflows in Asia, the UK and US
- **Wealth balances** up 2% supported by NNIA of $12bn, wealth deposit growth of $7bn and favourable market level and FX impacts of $11bn

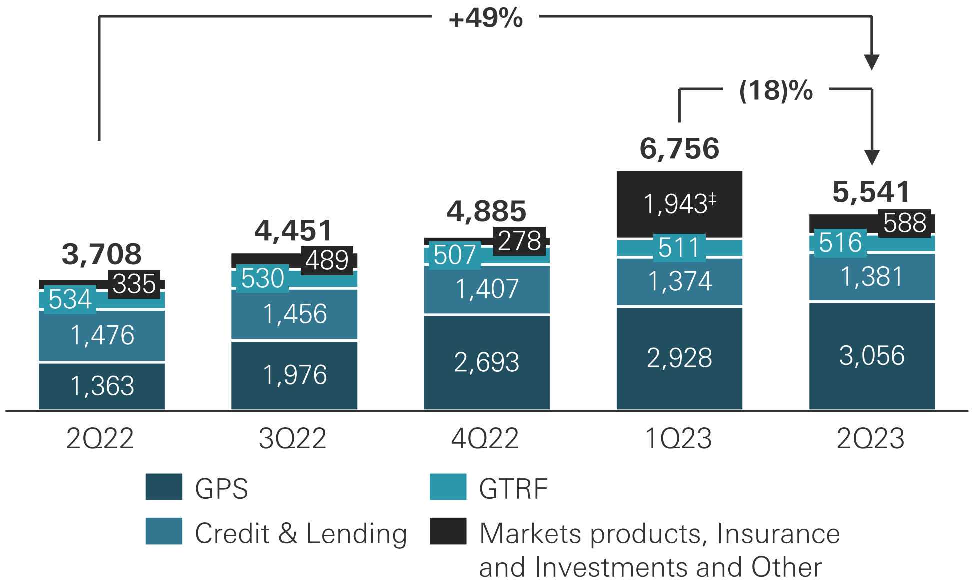
* Held-for-sale transfers relate to the agreed sale of businesses in Canada and Oman and the sale of our branch operations in Greece
‡ o/w Canada $22bn

Commercial Banking

2Q23 financial highlights

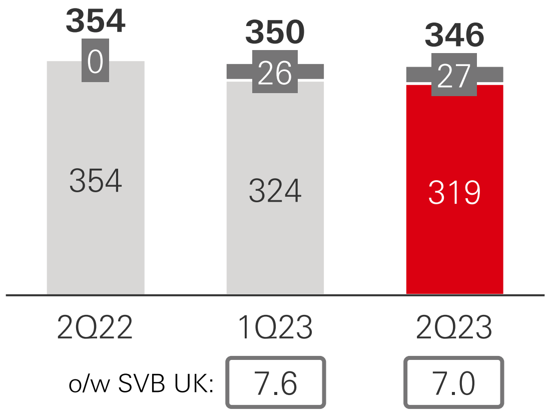
Revenue	**$5.5bn**	▲	49% (2Q22: $3.7bn)
ECL	**$(0.6)bn**	▲	(94)% (2Q22: $(0.3)bn)
Costs	**$(1.9)bn**	▲	(12)%* (2Q22: $(1.7)bn)
PBT	**$3.1bn**	▲	77% (2Q22: $1.8bn)
RoTE[30]	**28.8%**	▲	16.6ppts (2Q22: 12.2%)

Revenue performance, $m

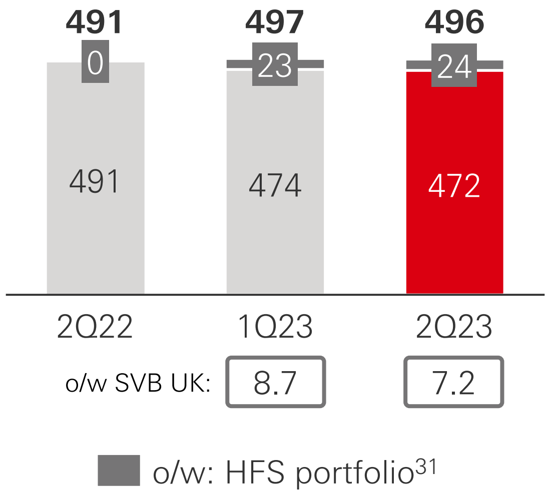


Balance sheet, $bn

Customer lending



Customer accounts



2Q23 vs. 2Q22

- **Revenue** up $1.8bn (49%)[32] with growth across all our main legal entities, notably in Asia and the UK RFB. GPS was up $1.7bn due to higher interest rates and business repricing actions, GBM Collaboration revenue was up 10% and fees were up 8%. This was partly offset by lower C&L due to lower balances and higher funding costs
- **Customer lending and accounts** of $319bn and $472bn were down 10% and 4%, mainly due to HFS transfers, excl. which:
  - Lending down $8bn (2%), as higher interest rates and softening economic conditions led to reduced loan demand in Hong Kong, the UK and mainland China. This was partly offset by the acquisition of SVB UK
  - Deposits up $5bn (1%) as market-wide reductions in the UK were offset by the acquisition of SVB UK and inflows in the US
  - Balance sheet movements also included the transfer of clients and balances from GBM to CMB in Asia[33]

2Q23 vs. 1Q23

- **Revenue:** 1Q23 included a $1.5bn provisional gain on the acquisition of SVB UK. Excluding this, revenue was up $0.3bn (6%), mainly in GPS due to higher interest rates and business repricing actions
- **Customer lending** down $4bn (1%) due to lower C&L balances in Hong Kong and UK RFB and the transfer of Oman balances to HFS
- **Customer accounts** broadly stable outside the UK RFB

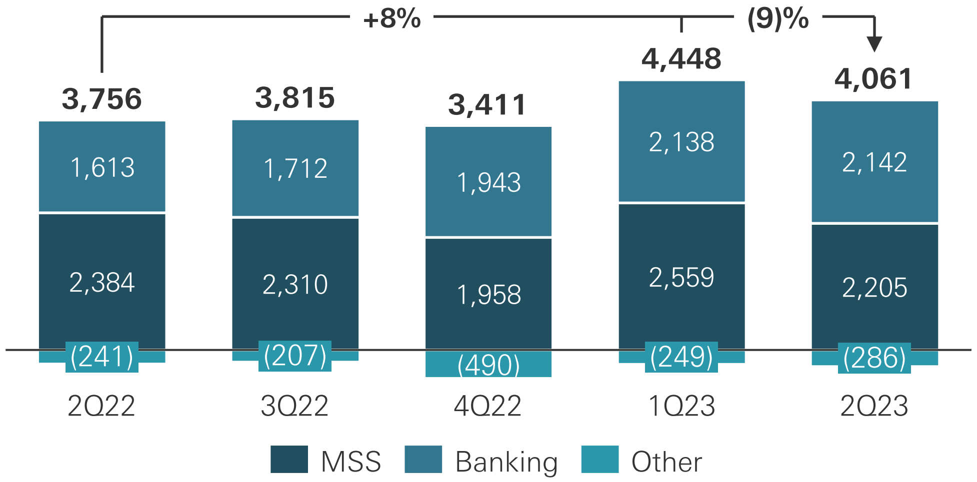
* Costs were up $201m due to higher performance-related pay accrual, SVB UK and higher technology costs
‡ o/w $1.5bn provisional gain on acquisition of SVB UK

Global Banking and Markets

2Q23 financial highlights

Revenue	**$4.1bn**	▲	8% (2Q22: $3.8bn)
ECL	**$(0.1)bn**	▲	>(100)% (2Q22: $0.1bn)
Costs	**$(2.4)bn**	▲	(8)% (2Q22: $(2.2)bn)
PBT	**$1.5bn**	▼	(4)% (2Q22: $1.6bn)
RoTE[3]	**14.2%**	▲	2.7ppts (2Q22: 11.5%)

Revenue performance, $m



Management view of revenue

$m	2Q23	Δ2Q22
MSS	**2,205**	**(8)%**
Securities Services	635	34%
Global Debt Markets	238	5%
Global FX	1,006	(10)%
Equities	93	(53)%
Securities Financing	252	2%
XVAs	(19)	>(100)%
Banking	**2,141**	**33%**
GTRF	162	(4)%
GPS	1,122	92%
Credit & Lending	489	(20)%
Capital Markets & Advisory	252	69%
Other	116	21%
GBM Other	**(285)**	**(18)%**
Principal Investments	17	(19)%
Other	(302)	(15)%
Revenue	**4,061**	**8%**

Key indicators

	2Q23	Δ2Q22
Cost-income ratio, %	60	0ppts
Gross Capital Markets and Advisory revenue[34], $m	374	38%
Customer lending[35], $bn	176	(12)%
Customer deposits[36], $bn	313	(6)%
Assets under custody, $tn	8.7	1.6%
RWAs, $bn	227	(2)%

2Q23 vs. 2Q22

- **Revenue** of $4.1bn, up $0.3bn (8%)[32]
- MSS revenue of $2.2bn, down $0.2bn (8%):
  - Global FX continued to perform well, with strong client and trading activity, despite being down YoY due to exceptional market volatility driving client flows in 2Q22
  - Securities Services growth driven by global interest rate increases
  - Equities down due to lower client activity as a result of low market volatility
- Banking revenue of $2.1bn, up $0.5bn (33%):
  - GPS up from higher global interest rate environment
  - Credit and Lending revenue down largely due to weaker client demand and a focus on returns
  - Capital Markets and Advisory up primarily due to higher debt capital markets volume and growth in Issuer Services from higher interest rates

2Q23 vs. 1Q23

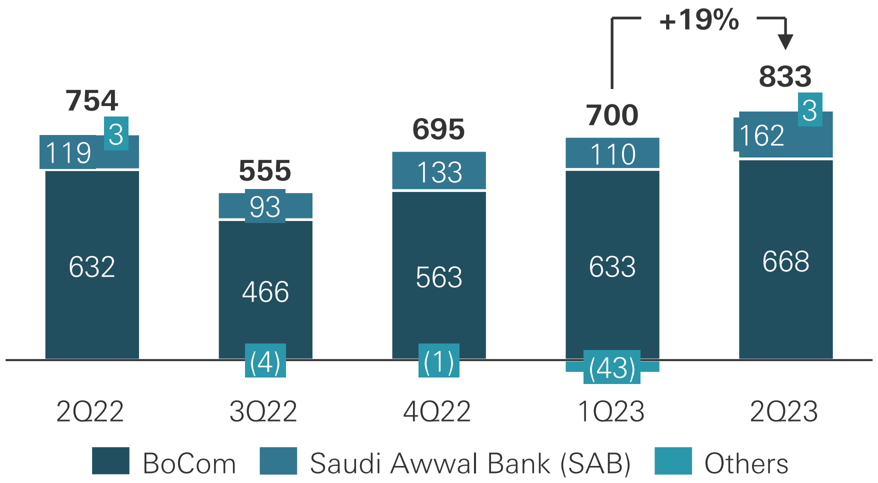
- **Revenue** down $0.4bn (9%)
  - MSS down $0.4bn (14%) vs. a strong 1Q23, largely due to Global FX as market conditions normalised
  - Banking revenue stable. Higher NII in GPS was offset by lower Capital Markets & Advisory activity

Corporate Centre

2Q23 financial highlights

Revenue	**$(114)m**	▲	(77)% (2Q22: $(499)m)
ECL	**$0m**	▼	0% (2Q22: $(0)m)
Costs	**$64m**	▼	>100% (2Q22: $(430)m)
Associates	**$833m**	▲	10% (2Q22: $754m)
PBT	**$783m**	▲	>100% (2Q22: $(175)m)
RoTE[3]	**8.0%**	▲	0.7ppts (2Q22: 7.3%)

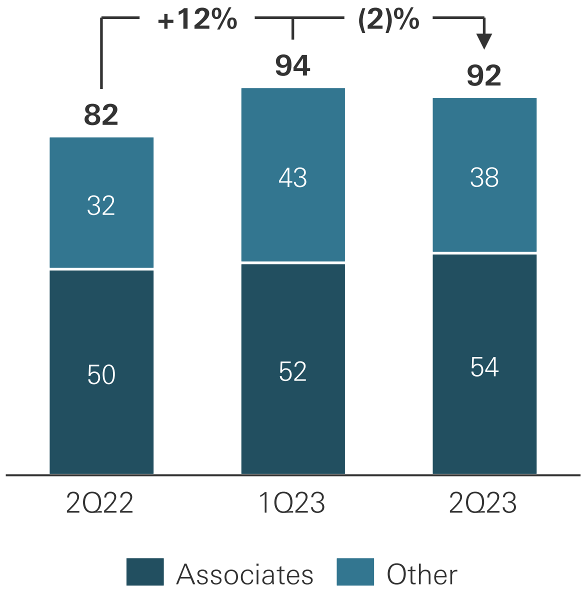
Associate income detail, $m



Revenue performance, $m

	2Q22	3Q22	4Q22	1Q23	2Q23
Central Treasury	(189)	(352)	(12)	101	(20)
Legacy Portfolios	25	(7)	(175)	(2)	(9)
Other	(335)	(236)	(195)	(12)	(85)
Total	**(499)**	**(595)**	**(382)**	**87**	**(114)**
Not included in Corporate Centre revenue: Markets Treasury revenue allocated to global businesses	350	343	288	233	207

RWAs (constant currency), $bn



2Q23 vs. 2Q22

- **Revenue** up $385m, primarily in Central Treasury reflecting the non-recurrence of adverse FV movements on non-qualifying hedges in 2Q22, FX valuation gains and the non-recurrence of losses related to the planned disposal of Russia and the disposal of our branch operations in Greece. This was partly offset by FV losses on FX hedges related to the agreed sale of our banking business in Canada
- **RWAs** up $10bn (12%), including RWAs on FX hedges related to the agreed Canada sale and higher associate RWAs

2Q23 vs. 1Q23

- **Revenue** down $201m, reflecting adverse valuation differences in Central Treasury, adverse FV movements on FX hedges related to the agreed sale of our banking business in Canada and a 1Q23 reversal of the France impairment. This was partly offset by FX valuation gains

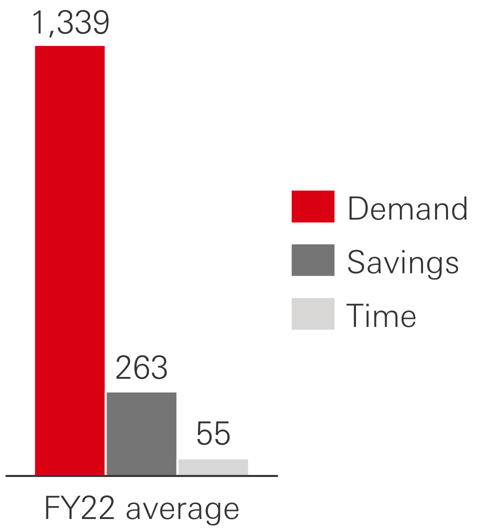
Balance sheet

2Q23 funding mix

$1.6tn
Deposits (1Q23: $1.6tn)

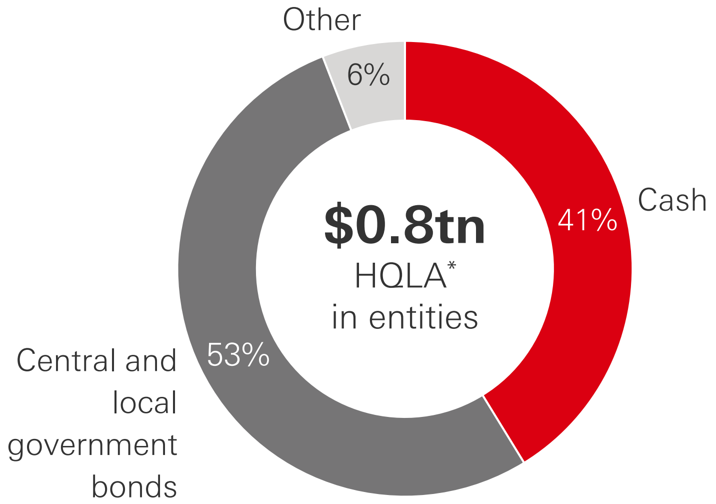
60%
Loan to deposit ratio
(1Q23: 60%)

FY22 deposit mix, $bn



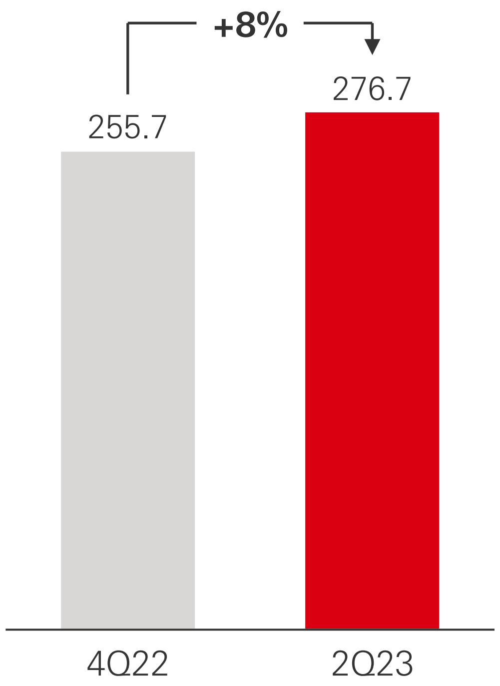
Strong liquidity base

132%
Group liquidity coverage ratio (1Q23: 132%)



- Group HQLA equivalent to **50%** of customer deposits
- Cash and cash equivalents make up over **40%** of our HQLA*

Debt instruments measured at amortised cost, $bn



- Cumulative financial assets at FVOCI reserve of **$(6.5)bn** vs. $(7.0)bn at FY22

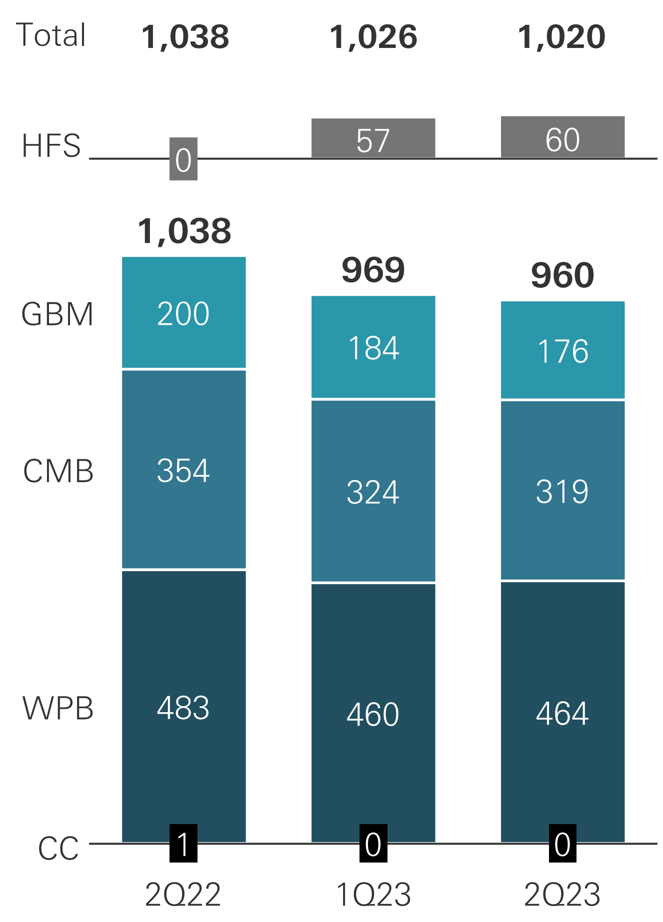
Financial investments measured at amortised cost

- As part of our interest rate hedging strategy, we hold a portfolio of debt instruments measured at amortised cost classified as hold-to-collect. These exclude insurance assets
- At 30 June 2023, there was a cumulative unrealised loss of $2.8bn related to this portfolio, excluding insurance assets. During 1H23 there was a $0.9bn deterioration in the unrealised loss balance

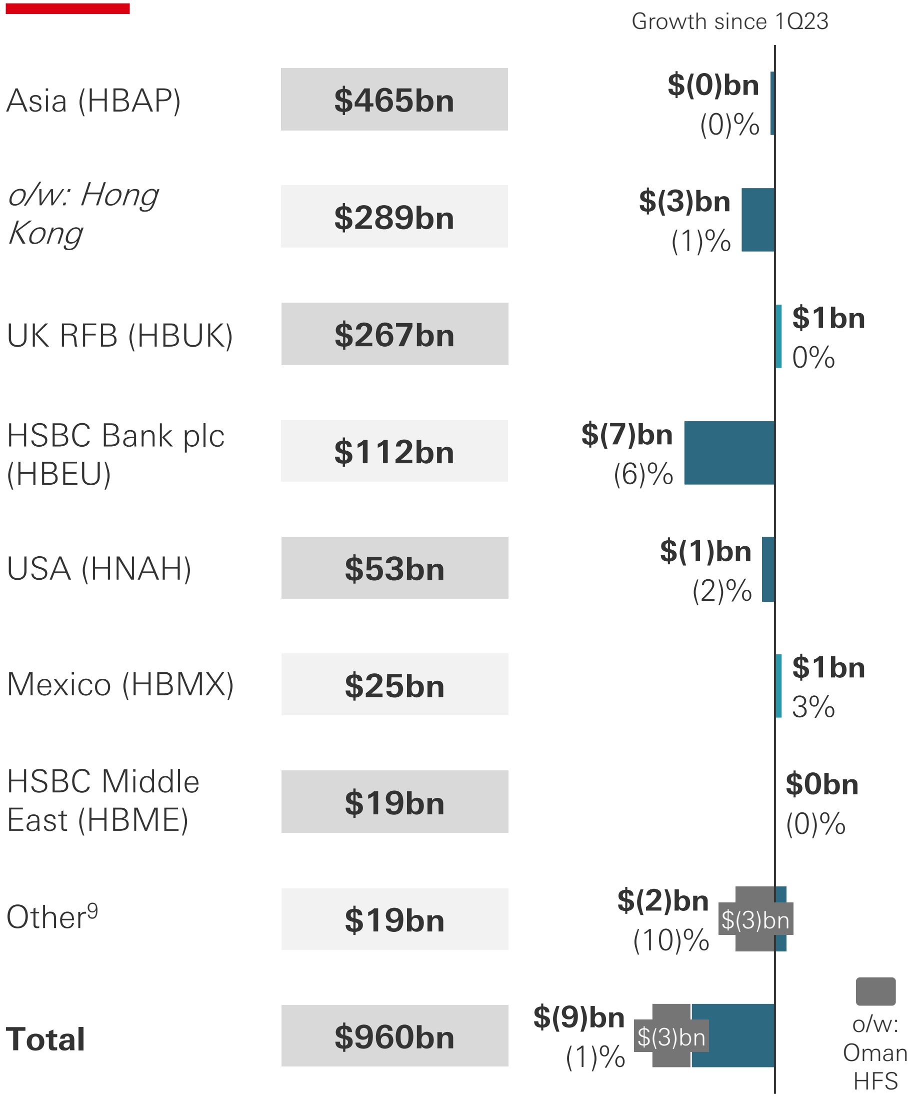
* HQLA is the period end value before the application of the Group adjustment for restrictions on the transfer of entity liquidity around the Group
1H23 HQLA shown on this slide differs from the HSBC Holdings plc Interim Report 2023 of $631bn, which is a 12 month average after the impact of the above restrictions

Balance sheet – customer lending

Balances by global business, $bn



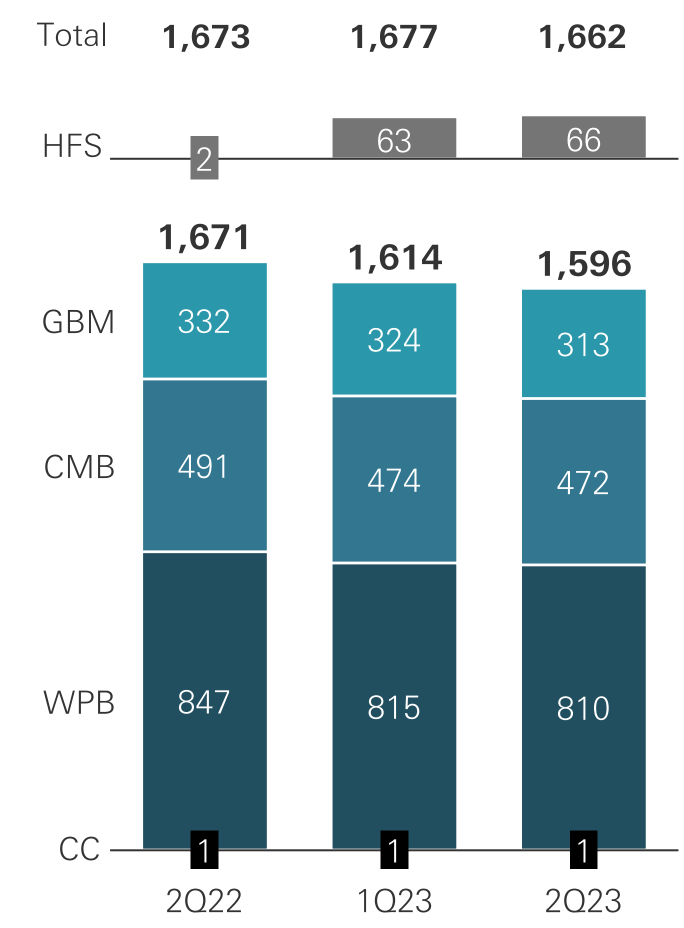
Balances by entity



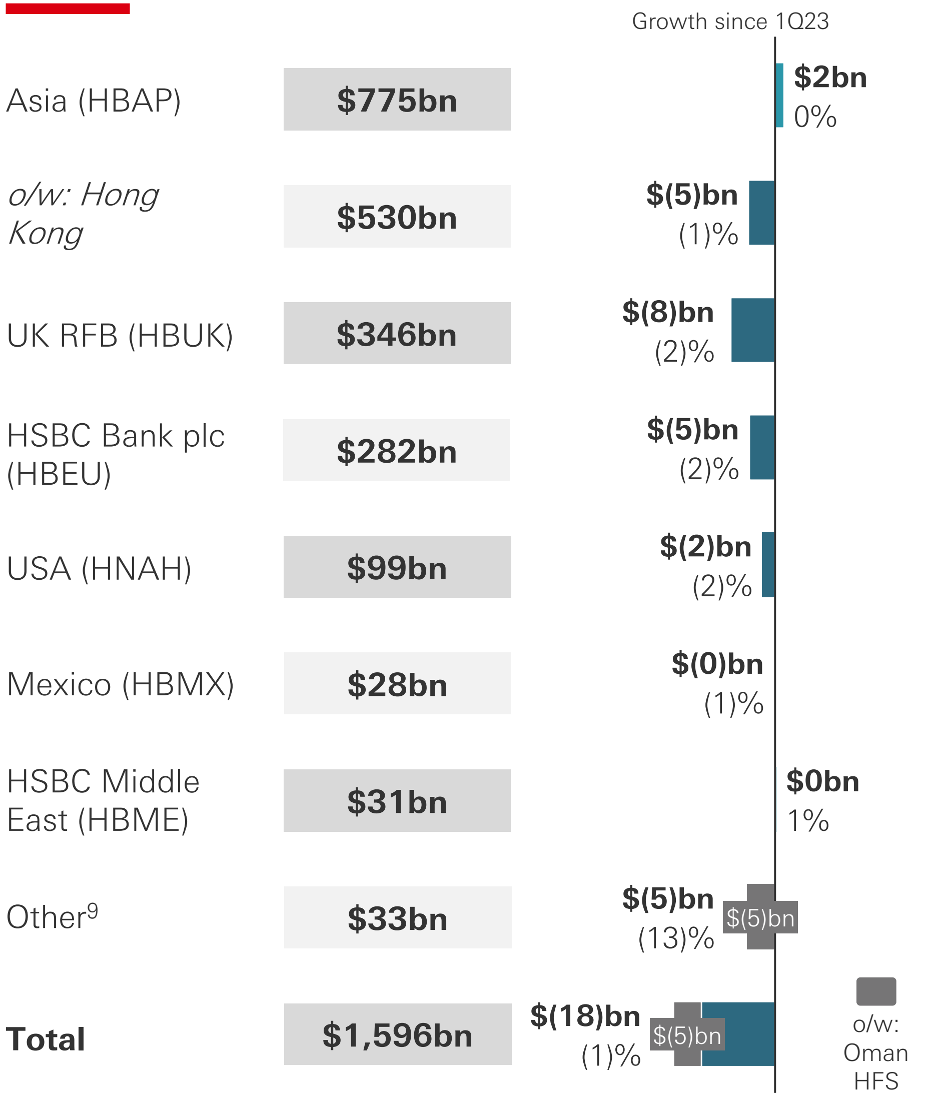
- **Customer lending of $960bn, down $9bn (1%)** vs. 1Q23, including the impact of $4bn loans moved to held-for-sale (HFS) in Oman and the US
- **WPB** up $4bn (1%) due primarily to growth in Hong Kong and the UK
- **CMB** down $5bn (2%), primarily due to softer loan demand in Hong Kong and the UK as a result of rising interest rates, and the transfer of $2bn loans to HFS
- **GBM** down $8bn (4%), primarily due to softer loan demand in Europe as a result of higher interest rates
- Cautious outlook on loan growth in the short term; expect mid-single digit percentage annual loan growth in the medium to long term

Balance sheet – customer accounts

Balances by global business, $bn



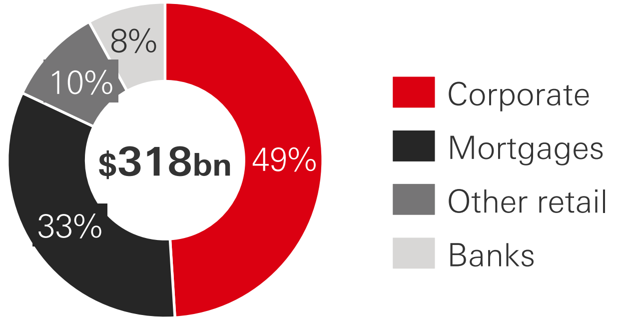
Balances by entity



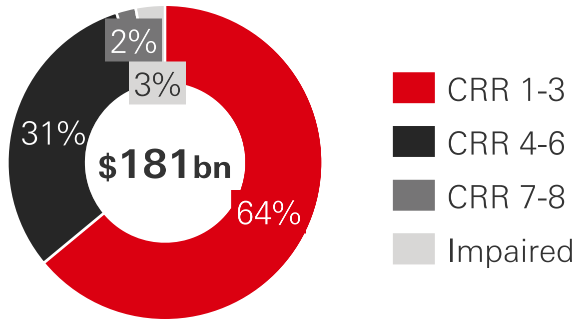
- **Customer accounts of $1,596bn, down $18bn (1%)** vs. 1Q23, including the impact of $5bn of deposits in Oman moved to held-for-sale (HFS)
- **WPB** down $5bn with modest reductions in Asia, the UK and the US
- **CMB** down $2bn, including the impact of $2bn deposits in Oman moved to HFS
- **GBM** down $10bn (3%) as customers in Europe used excess deposits to pay down loan balances
- **Average GPS balances** of $727bn were down $7bn (1%) vs. 1Q23

Hong Kong loans and advances

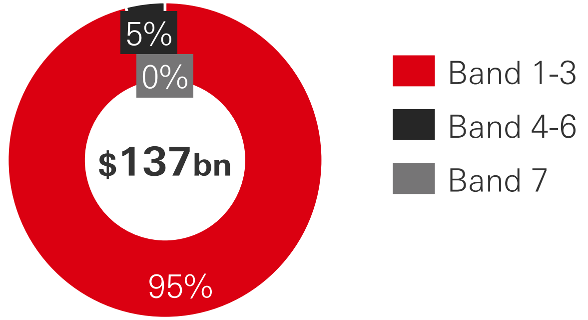
Hong Kong loans and advances



Wholesale credit quality



Personal credit quality

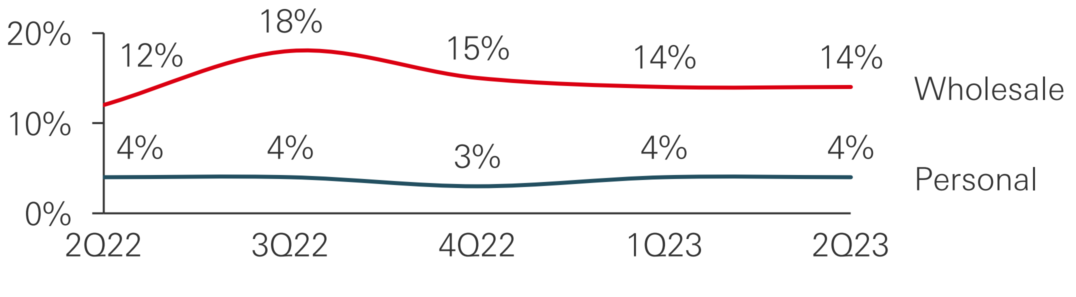


- Total gross loans and advances to customers and banks of **$318bn** (2Q22: $332bn) by booking location (wholesale: $181bn; personal: $137bn)
- 2Q23 average LTV on new retail mortgage lending was **67%** (2Q22: 59%); average LTV for the overall retail mortgage portfolio was 54% (2Q22: 50%)

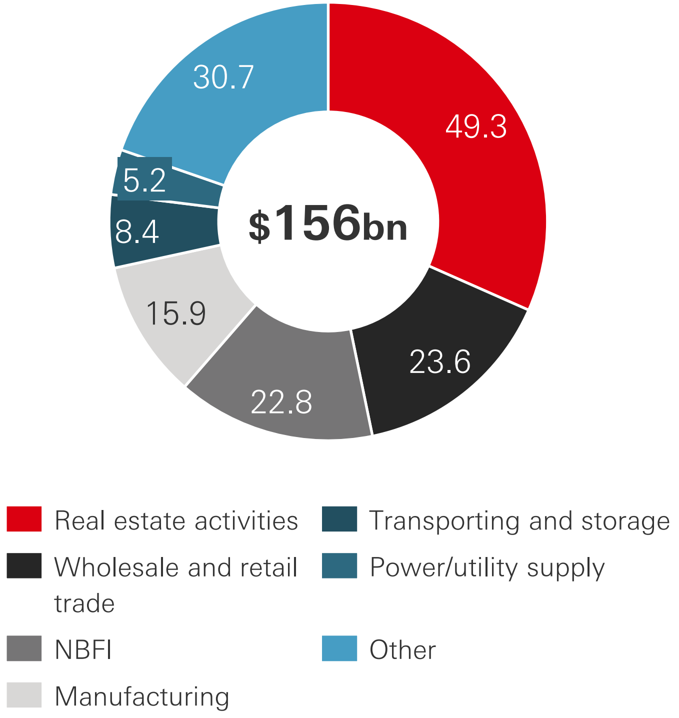
Gross loans and advances to customers and banks by IFRS 9 stage, $bn

	2Q23			2Q22		
	L&A	ECL allowance	ECL % L&A	L&A	ECL allowance	ECL % L&A
Stage 1	282.0	0.2	0.1%	297.7	0.1	0.0%
Stage 2	29.6	0.8	2.5%	29.8	0.7	2.3%
Stage 3*	5.9	2.6	44.0%	4.1	1.4	34.3%
POCI	0.2	0.1	52.2%	0.0	0.0	45.0%
Total	317.7	3.6		331.6	2.2	

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



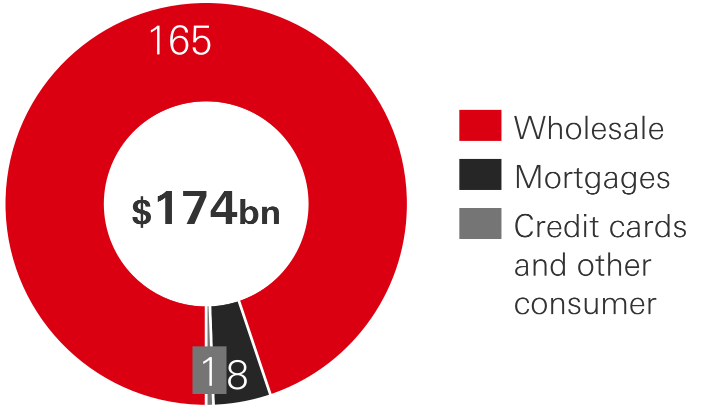
Corporate lending by sector, $bn



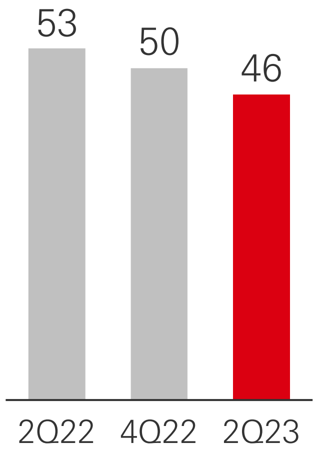
* Stage 3 loans includes c.$3.3bn of exposure relating to mainland China CRE

Mainland China risk exposure

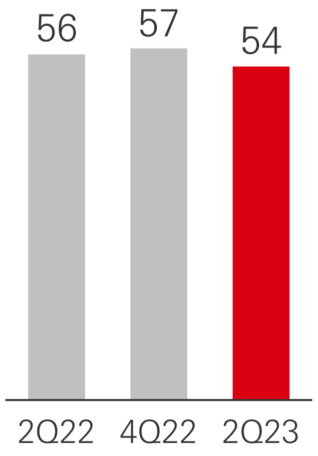
Mainland China risk exposure, $bn



Reported gross loans and advances to customers, $bn

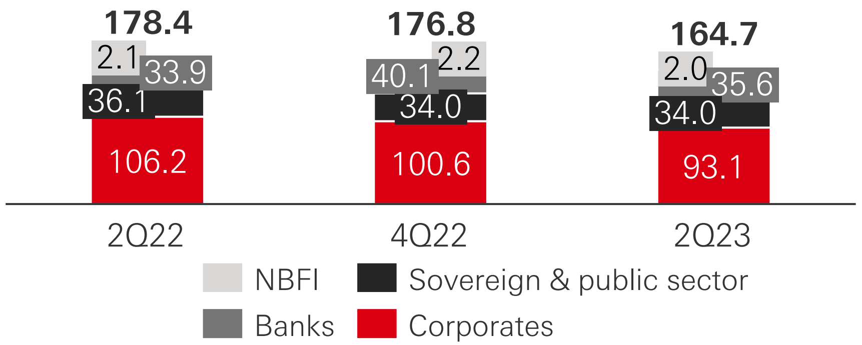


Reported customer deposits, $bn



- 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 Sovereign and public sector, Banks and NBFI and Corporates) of **$174bn** comprising: Wholesale $165bn* (of which 50% is onshore); Retail: $9bn. These amounts exclude MSS financing
- Gross loans and advances to customers of **$46bn** booked in mainland China (Wholesale: $37bn; Retail $9bn)

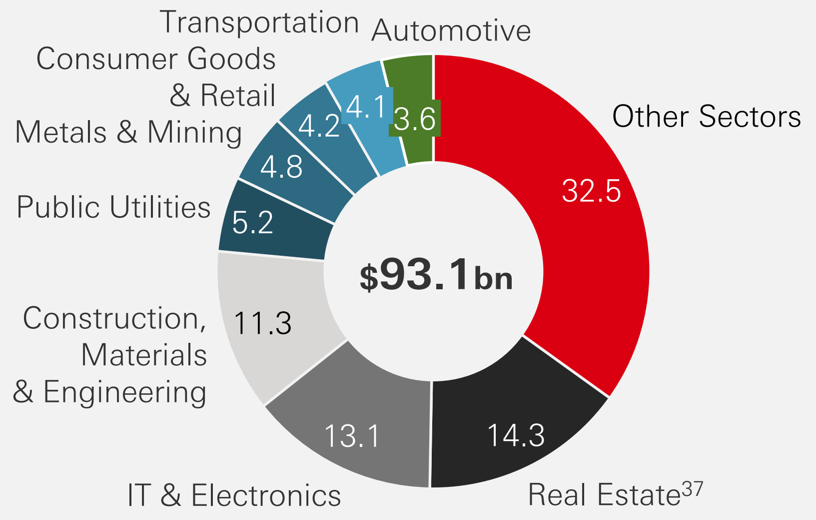
Wholesale lending analysis, $bn



Wholesale lending by counterparty type and credit quality, $bn

Customer risk rating	Strong	Good	Satisfactory	Sub-standard	Credit impaired	Total
NBFI	0	2	0	0	—	2
Banks	34	1	0	0	—	36
Sovereign & public sector	34	0	0	0	—	34
Corporates	34	28	24	4	4	93
Total	**102**	**31**	**24**	**4**	**4**	**165**

Corporate lending by sector, $bn



- **c.15%** of corporate lending is to foreign-owned enterprises
- **c.40%** of lending is to state-owned enterprises
- **c.45%** of lending is to private sector owned enterprises

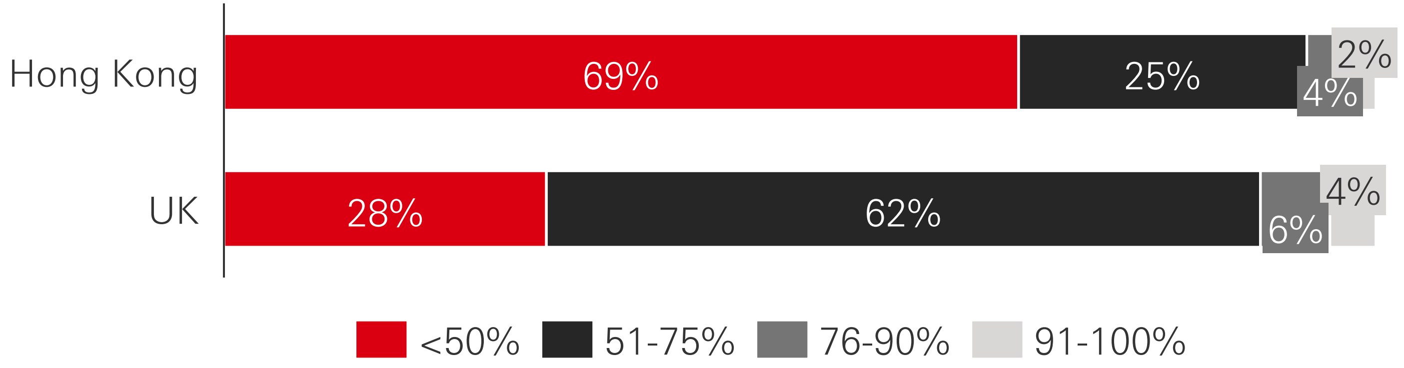
* Wholesale drawn risk exposure of $165bn includes on balance sheet lending as well as issued off balance sheet exposures, excludes unutilised commitments

Global CRE exposures

Commercial real estate exposure, $m[38]

	HBAP	*o/w HK*	HBUK	HBEU	HNAH	HBMX	HBME	Other	Total
Gross loans and advances	**59,560**	*44,068*	**14,805**	**5,045**	**4,643**	**976**	**1,604**	**928**	**87,561**
o/w stage 1	42,242	*30,218*	12,827	4,181	1,918	877	1,118	839	64,002
o/w stage 2	13,588	*10,447*	1,385	650	2,662	65	313	44	18,707
o/w stage 3*	3,730	*3,403*	593	214	63	34	173	45	4,852
Stage 3 as a % of loans	**6%**	*8%*	**4%**	**4%**	**1%**	**3%**	**11%**	**5%**	**6%**

FY22 LTV analysis (fully collateralised exposure)[39]



- Actively reducing exposure in the USA; exposure of **$4.6bn** plus **$0.5bn** classified as held-for-sale
- In more developed markets such as the UK and Hong Kong, our exposure mainly comprises the financing of investment assets, the redevelopment of existing stock and the augmentation of both commercial and residential markets to support economic and population growth
- Hong Kong exposure includes exposure to mainland China CRE of **$8.0bn**, which accounts for $3.3bn of the $3.4bn stage 3 exposure
- In less developed commercial real estate markets, our exposures comprise lending for development assets on relatively short tenors with a particular focus on supporting larger, better capitalised developers involved in residential construction or assets supporting economic expansion

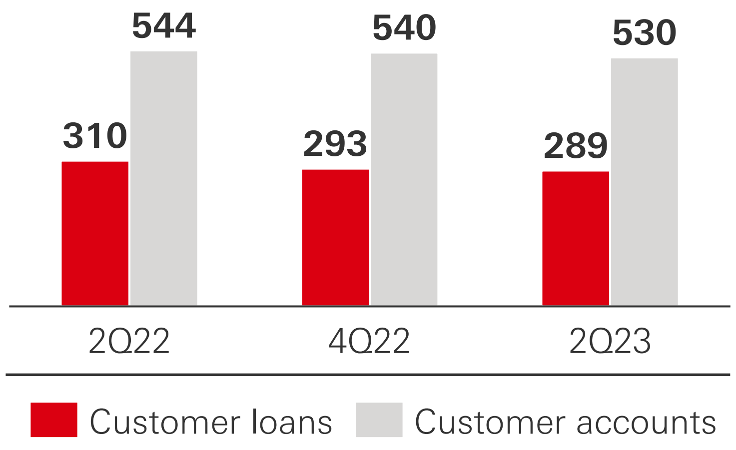
* Includes POCI

Hong Kong

1H23 financial performance

$m	1H23	1H22		Δ
NII	4,955	3,036	▲	63%
Non-NII	5,298	3,230	▲	64%
Revenue	**10,253**	**6,266**	▲	**64%**
ECL	(494)	(418)	▲	(18)%
Costs	(3,750)	(3,642)	▲	(3)%
Associates	16	(1)	▲	>100%
PBT	**6,025**	**2,207**	▲	**>100%**

Balance sheet, $bn



- **Revenue** up 64% vs. 1H22. Non-NII up $2.1bn, including $1.9bn offset into non-NII from the central costs of funding GBM trading activity and higher life insurance manufacturing revenue
- Muted balance sheet in context of higher USD rates; customer lending down $4bn vs. $4Q22 (WPB up $2bn, wholesale down $5bn), customer deposits down $5bn

#1 retail NPS amongst major banks[40]

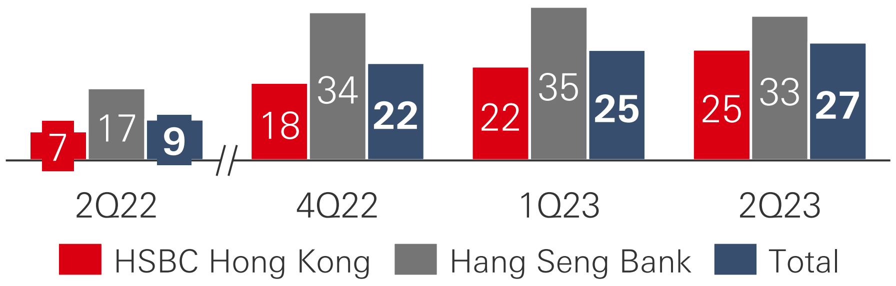
#1 in card spend; market share **48.4%**, up 1.4ppts vs. 4Q22[41]

c.2x new-to-bank non-resident Chinese onboarding vs. 2Q19[42]

ANP share **19.1%;** NBP share of **30.5%**[43]

#1 in trade finance; **22.3%** market share[44]

Time deposits as a % of customer accounts



- **CASAs are 73% of customer accounts**
- Time deposits are **27% of customer accounts**, up **2ppts** vs. 1Q23
  - Compared to 1Q23, HSBC Hong Kong up 3ppts; Hang Seng Bank down 2ppts
- Time deposits represent **54%** of system deposits, **up 16ppts** vs. May-22[44]

UK ring-fenced bank

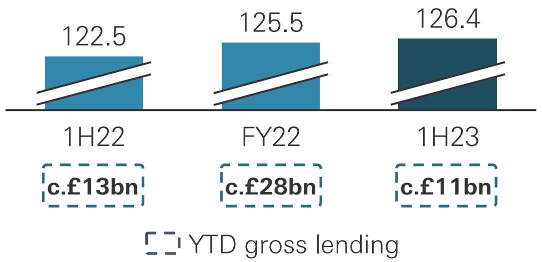
1H23 financial performance

Revenue	**£6.0bn**	▲	67% (1H22: £3.6bn)
o/w: WPB	**£2.4bn**	▲	24% (1H22: £2.0bn)
o/w: CMB	**£3.5bn**	▲	98% (1H22: £1.6bn)
ECL	**£(0.3)bn**	▲	>(100)% (1H22: £(0.0)bn)
Costs	**£(1.8)bn**	▼	2% (1H22: £(1.8)bn)
PBT	**£3.9bn**	▲	>100% (1H22: £1.8bn)
o/w: WPB	**£1.2bn**	▲	89% (1H22: £0.7bn)
o/w: CMB	**£2.6bn**	▲	>100% (1H22: £1.2bn)
Customer loans	**£209.6bn**	▲	3% (FY22: £204.1bn)
Reported RWAs	**£99.1bn**	▲	7% (FY22: £92.4bn)

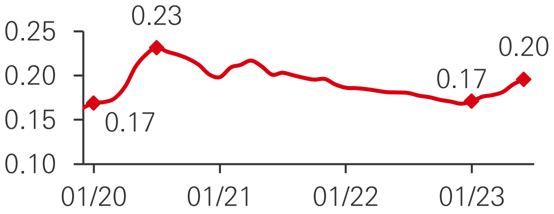
- **Revenue** up £2.4bn. WPB up £0.5bn (24%) vs. 1H22 and CMB up £2.0bn (>100%), including the £1.2bn provisional gain on the acquisition of SVB UK
- **ECL** up £0.3bn, primarily in CMB, split between stage 1-2 and stage 3 charges
- **Costs** down 2%, primarily due to the end of our restructuring programme, offset by technology spending, wage inflation and costs associated with HSBC Innovation Banking

WPB

Personal gross mortgage balances, £bn

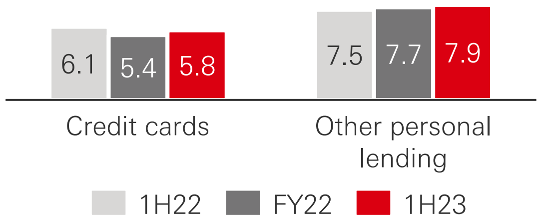


90+ day mortgages delinquency trend[45], %



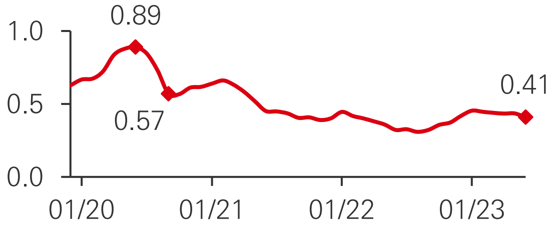
- **7.8%** mortgage stock market share[46]; gross new lending share of **9.7%**[47]
- Buy-to-let mortgages of **£3.9bn**, up £0.1bn vs. FY22
- Mortgages on a standard variable rate of **£2.8bn**
- Interest-only mortgages of **£18.8bn**[7]
- New originations average LTV of **64%**; average portfolio LTV of **52%**
- **Mortgage delinquencies remain low** in absolute terms

Personal gross unsecured lending balances, £bn



- **Credit card** balances down £0.3bn vs. 1H22. Excluding the roll-off from the John Lewis Portfolio, balances up c.£0.8bn

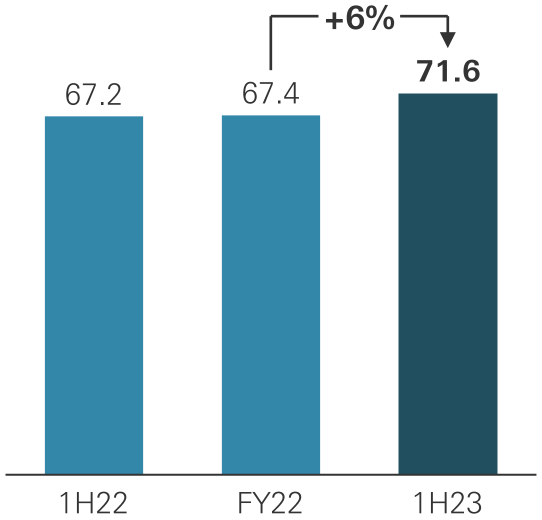
Credit cards 90-179 day delinquency trend[45], %



- Customers continue to show financial resilience, card delinquencies remain below pre-pandemic levels with only modest increases vs. the floor in 2022

CMB

Wholesale gross customer loans, £bn



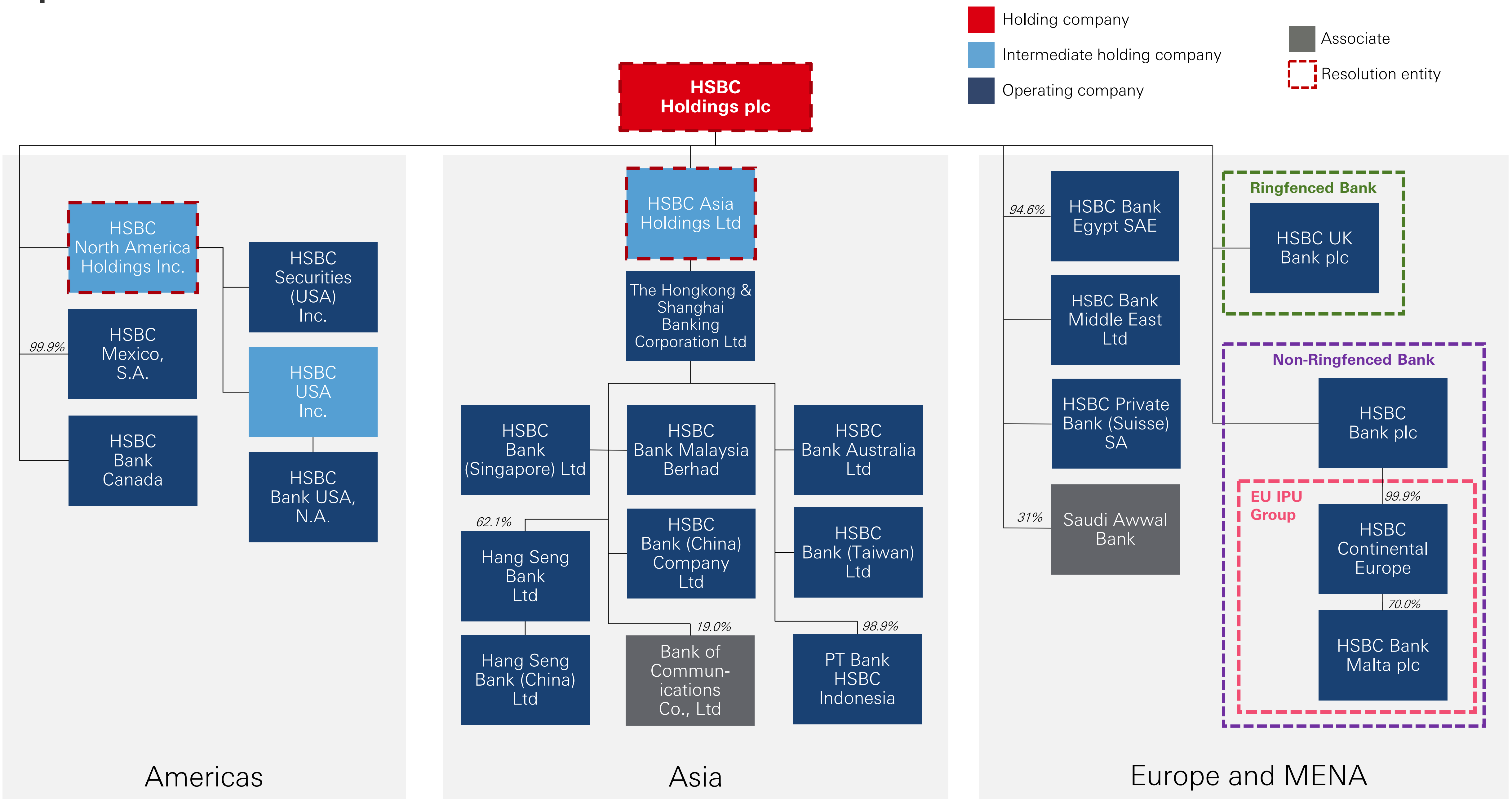
- **Gross customer loans up £4.2bn**, including loans acquired from SVB UK
- Continued strength in transaction banking:
  - Receivables Finance Turnover market share of **27.8%**, up 0.8ppts vs. FY22
  - GPS revenue up +118% vs. 1H22, in part supported by 12% fee income growth

Credit ratings for main issuing entities

Long term senior ratings as at 1 August 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



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
GBM	Global Banking and Markets, a global business
GPS	Global Payments Solutions (formerly GLCM: Global Liquidity and Cash Management)
Group	HSBC Holdings plc and its subsidiary undertakings
GSIB	Global Systemically Important Bank
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
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
NBP	New business premiums
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
POCI	Purchased or originated credit impaired
Ppt	Percentage points
PRP	Performance-related pay
SAB	Saudi Awwal Bank, an associate of HSBC
SVB UK	Silicon Valley Bank UK
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
TNAV	Tangible net asset value
TMD	Time deposits
WPB	Wealth and Personal Banking, a global business
XVAs	Credit and Funding Valuation Adjustments

Footnotes

1. 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
2. Comprises 'Other trading entities', holding companies, shared service centres and intra-group eliminations
3. YTD, annualised
4. Comprises $0.20 per share of announced dividends in respect of 1H23 and the $2bn buyback announced at 1Q23 and the further up to $2bn buyback announced at 2Q23
5. Banking NII is defined as Group NII excluding the central costs of funding trading and fair value income and third party insurance NII. For full description, please see HSBC Holdings plc Interim Report
6. The centrally allocated funding costs associated with funding net income from financial instruments held for trading or managed on a fair value basis results in an interest expense to Group NII which is fully offset by non-NII which is reported in Corporate Centre
7. Includes offset mortgages in first direct, endowment mortgages and other products
8. Including held-for-sale balances
9. Including "of which Other Middle East Entities (Oman, Turkiye, Egypt and Saudi Arabia)" and "of which SAB“ which do not consolidate into HSBC Bank Middle East Limited
10. Our cost target reflects costs on constant currency, excluding notable items, the effect of re-translating prior periods in hyperinflationary economies. The target also excludes costs associated with our acquisition of SVB UK and related international investments. See reconciliation on slide 29
11. Difference in technology cost growth on a reported and target basis partially driven by non-inclusion of CTA spend in 1H22 on a target basis. Technology spending includes tech spend in the global business lines
12. Subject to the current market-implied path for global policy rates. Excludes the impact of material acquisitions and disposals
13. Based on tangible equity ('TE') of the Group's major legal entities excluding associates, holding companies and consolidation adjustments. Asia refers to The Hongkong and Shanghai Banking Corporation (HBAP)
14. Medium term is defined as 3-4 years from 1 January 2020; long term is defined as 5-6 years from 1 January 2020
15. In determining our dividend payout ratio we will exclude material notable items (including the agreed sale of our banking business in Canada) from reported earnings per share
16. LCR is based on average values. The LCR is the average of the preceding 12 months. 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
17. 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
18. The CET1 ratio itemised movement presented on the graph includes the impact of threshold deductions, whereas the CET1 movement break-down in $bn excludes the impact of threshold deductions
19. Capital generation reflects profit attributable to ordinary shareholders net of regulatory adjustments, including ordinary dividend accrual, AT1 coupons paid and share buybacks
20. Target ≥14%; intend to manage between 14-14.5% medium term
21. Excludes Pillar 2B requirements
22. 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
23. In 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
24. To next call date if callable; otherwise to maturity
25. Table excludes $63m of small or private placement securities issued by our French, German, and Canadian subsidiaries
26. Investments by the European resolution group in the regulatory capital or TLAC of other group companies are deducted
27. 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)
28. RoTE (YTD annualised) for 2Q23 includes a 10.5 percentage point favourable impact of the reversal of the impairment losses relating to the planned sale of our retail banking operations in France
29. 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
30. RoTE (YTD annualised) for 2Q23 included a 6.2 percentage point favourable impact of the provisional gain on the acquisition of SVB UK
31. CMB HFS includes balances relating to Canada, Oman and US CRE
32. Comparative data in 2022 has been re-presented to reflect the transfer of a portfolio of Global Banking customers in Latin America from GBM to CMB in the first quarter of 2023
33. Balance sheet reductions 2Q23 vs. 2Q22 were partly offset by transfer of GBM clients into CMB in Australia and Indonesia ($3.4bn loans, $4.3bn deposits)
34. Includes revenue shared with Markets and Securities Services and CMB
35. Customer lending shown is as reported in loans and advances to external customers and does not include lending to financial institutions
36. Between 4Q22 and 1Q23, c.$4bn deposits were transferred from GBM to CMB in Australia and Indonesia. At 2Q23, c.$5bn GBM deposits were in held-for-sale relating to Canada
37. 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
38. Based on the loan purpose for on balance sheet exposures only
39. This disclosure is updated on an annual basis and is correct for FY22. Figures are based on the industry sector of the obligor / borrower including both on and off balance sheet exposures. Total for Hong Kong $36.2bn, UK $12.7bn
40. For HSBC Hong Kong
41. Source: HKMA. Statistics of Payment Cards issued in Hong Kong
42. Internal MI based on the daily average of walk-in acquisitions for new-to-bank non-resident Chinese customers
43. Source: Hong Kong Insurance Authority 1Q23. NBP is a measure of new business written in the period, comprising annualised new business regular premiums plus new business single premiums. ANP is a measure of new business written in the period, comprising annualised new business regular premiums plus 10% of new business single premiums. Our difference in market share is largely due to HSBC underwriting more single premium policies
44. Data as at May 2023. Source: Hong Kong Monetary Authority
45. Excludes Private Bank
46. As at May 2023. Source: Bank of England
47. Share for April and May 2023. Source: Bank of England

Disclaimer

Important notice

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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 2022 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 22 February 2023 (the "2022 Form 20-F"), our 1Q 2023 Earnings Release furnished with the SEC on Form 6-K on 2 May 2023 (the "1Q 2023 Earnings Release") and our Interim Financial Report for the six months ended 30 June 2023, which we expect to furnish with the SEC on Form 6-K on 1 August 2023 (the "2023 Interim Report").

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 a "constant currency" basis which is computed by adjusting comparative period reported results for the effects of foreign currency translation differences, which distort period-on-period comparisons.

Reconciliations between Alternative Performance Measures and the most directly comparable measures under IFRS are provided in our 1Q 2023 Earnings Release and our 2023 Interim Report, when filed, which is available at www.hsbc.com.

Information in this Presentation was prepared as at 1 August 2023.