



HSBC Holdings plc
US business update
March 2019



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US 2020 vision and strategy summary

Vision

Be the **leading international bank** in the US augmented with domestic offerings for scale while continuing to fulfil role as a key network market for the HSBC Group

Strategy

Organically grow in strategic segments to:

- Serve the domestic needs of international customers
- Deepen share of domestic customers
- Invest in talent and technology
- Optimize cost

Strategic actions

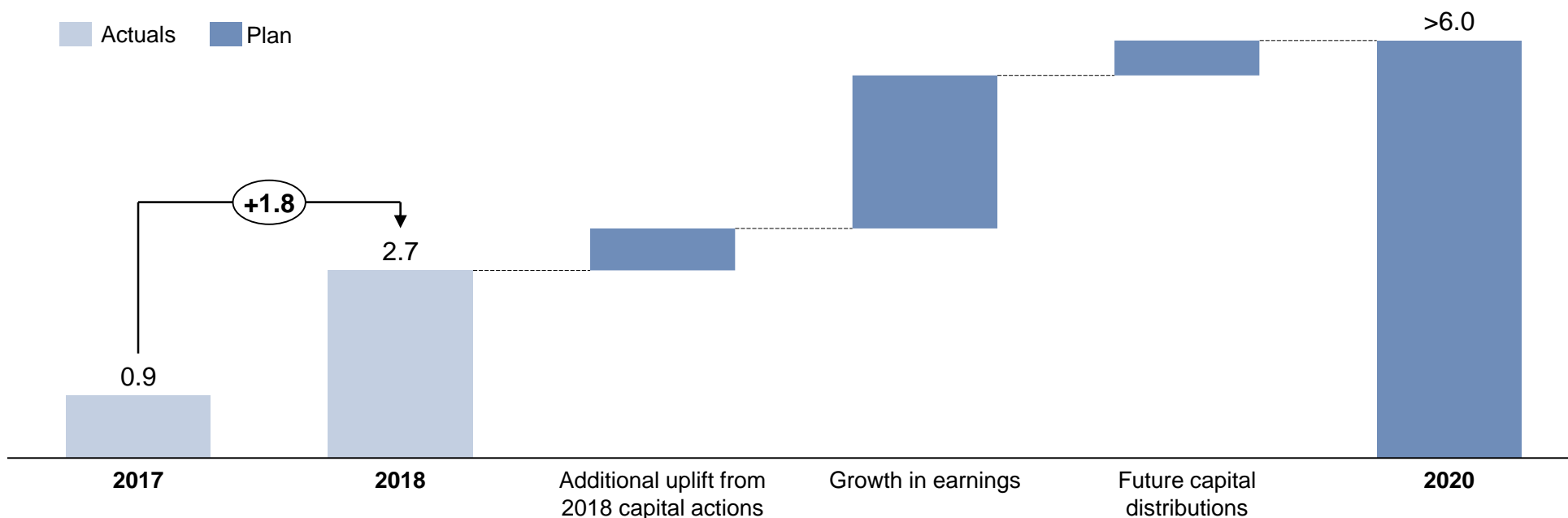
- 1 Scale CMB and RBWM
- 2 Invest in GB&M
- 3 Re-engineer functions and operations
- 4 Improve client journeys and operational efficiencies
- 5 Manage local capital

2020 strategy is dependent on organic growth in our core businesses

Actions to improve profitability in 2019-20

- Accelerate revenue growth:
 - **CMB**: grow customer numbers among US subsidiaries of international corporates and internationally-focused US corporates
 - **RBWM**: increase penetration of international segment; gain market share in deposits, cards and unsecured personal loans
 - **GB&M**: collaborate with CMB to increase share of customer wallet; accelerate growth in inbound revenues; complete strategic hiring and strengthen Emerging Markets capabilities
- Continue **efficiency improvements** to help fund further investment
- Leverage **Group technology** to improve efficiency and customer service
- Ongoing effective **capital management**

RoTE¹, %



Key financial messages

The US is on track to deliver >6% RoTE by 2020¹

2018 Highlights

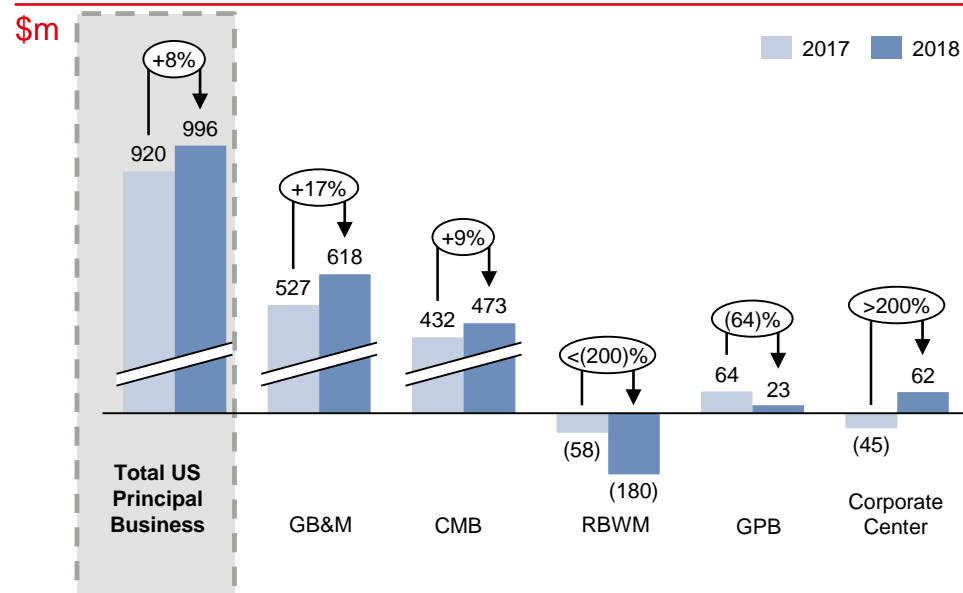
- ✓ US Principal Business \$1bn adjusted PBT, up 8% vs 2017 driven by:
 - Modest revenue growth
 - Favorable credit environment
 - Delivered cost efficiencies
- ✓ RoTE¹ improved from 0.9% to 2.7% year on year
- ✓ Growth in customer numbers and balances in targeted segments, in both CMB and RBWM
- ✓ Largely completed strategic investments to enhance GB&M capabilities
- ✓ Paid \$1.4bn in dividends to HSBC Group and prepaid \$1.6bn of preferred stock

US Principal Business: 2018 financial overview

Adjusted financial metrics

\$m	2018	Δ2017	Growth, YoY
Revenue	4,792	55	1%
LICs / ECL	199	81	69%
Operating expenses	(3,996)	(60)	(2)%
PBT	996	76	8%

Adjusted PBT by global business



Adjusted revenue by global business

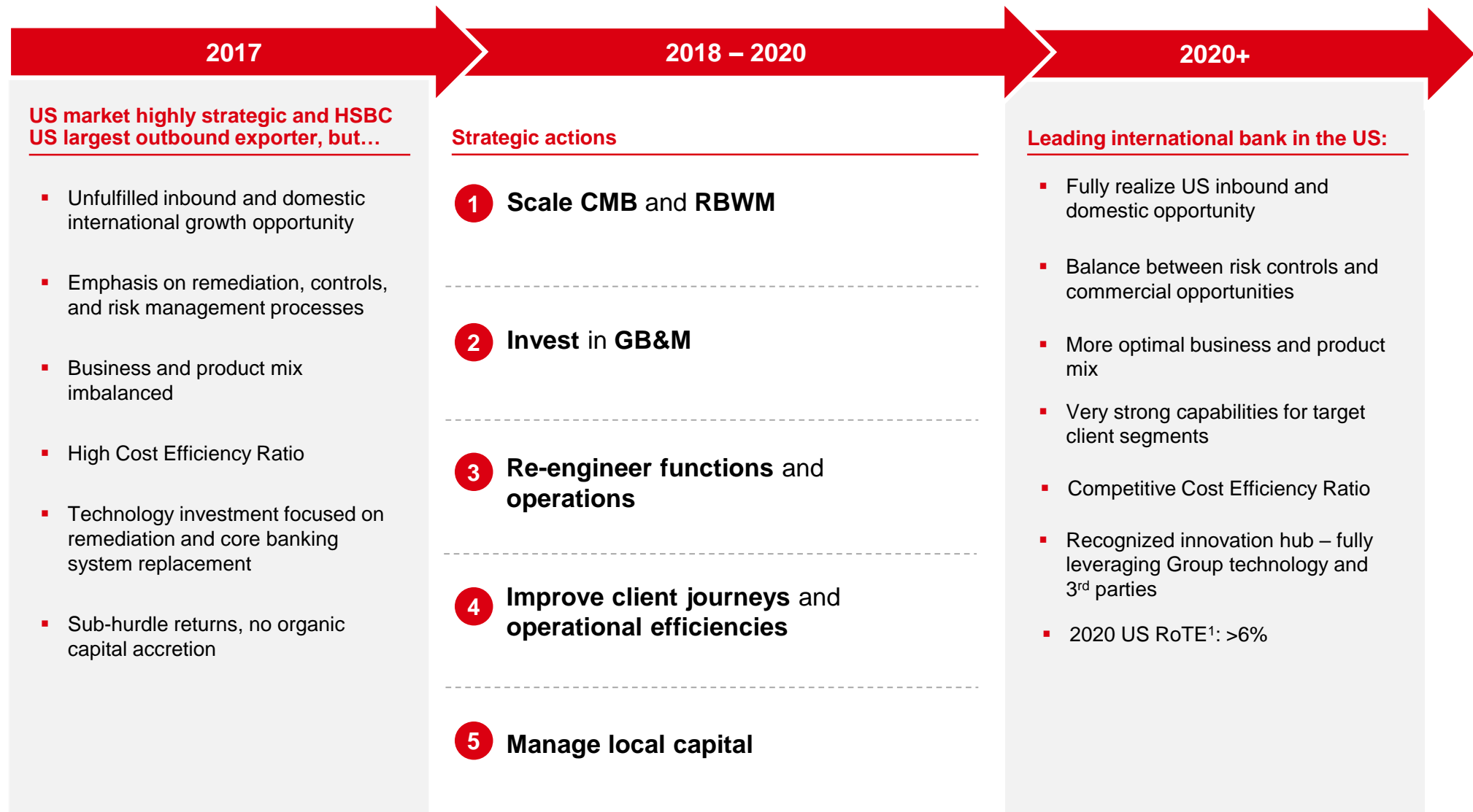
\$m	2017	2018	Δ2017	Δ%
GB&M	1,951	1,924	(27)	(1)%
CMB	947	1,016	69	7%
RBWM	1,194	1,200	6	1%
GPB ²	317	259	(58)	(18)%
Corporate Center	328	393	65	20%
US Principal Business	4,737	4,792	55	1%

Risk-weighted assets by global business (reported)

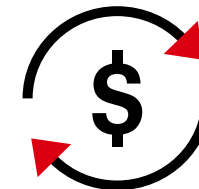
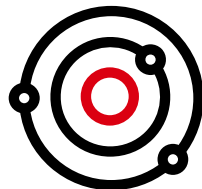
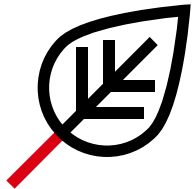
\$bn	2017	2018	Δ2017	Δ%
GB&M	45.2	45.5	0.3	1%
CMB	25.1	27.8	2.7	11%
RBWM	11.0	10.6	(0.4)	(4)%
GPB	4.2	4.1	(0.1)	(2)%
Corporate Center	10.0	10.2	0.2	2%
US Principal Business	95.5	98.2	2.7	3%

1. A reconciliation of reported results to adjusted results can be found on slide 18. Results in this presentation are on an adjusted basis unless otherwise stated.

US strategy is looking to deliver 2020 RoTE¹ > 6% and aspires to build the leading international bank in the US



Conditions are right to become the leading international bank in the US



Foundation for growth

- Regulatory remediation complete
- Risk and control infrastructure in place
- Installation of the new core banking system complete
- De-risking and strategic restructuring complete

Role of US is highly strategic

- Strong US presence critical to Group strategy
- Continued USD importance in trade
- US expected to continue as a leading international trade hub
- Strong economic growth

Proven international network opportunity

- Largest exporter of outbound revenue to Group
- Substantial inbound revenue opportunities
 - China
 - Hong Kong
 - United Kingdom
 - Mexico
 - Canada
 - France
 - Germany

Strong local management team with Group support

- US management team with proven execution track record
- Augmenting team with talent needed to accelerate growth
- Well-aligned Group support

Significant market opportunity

- CMB
 - Internationally-focused mid-market corporates
- RBWM
 - Increasing US international population
- GB&M
 - Opportunity to grow US International Corporates
 - Inbound from non-US Group customers

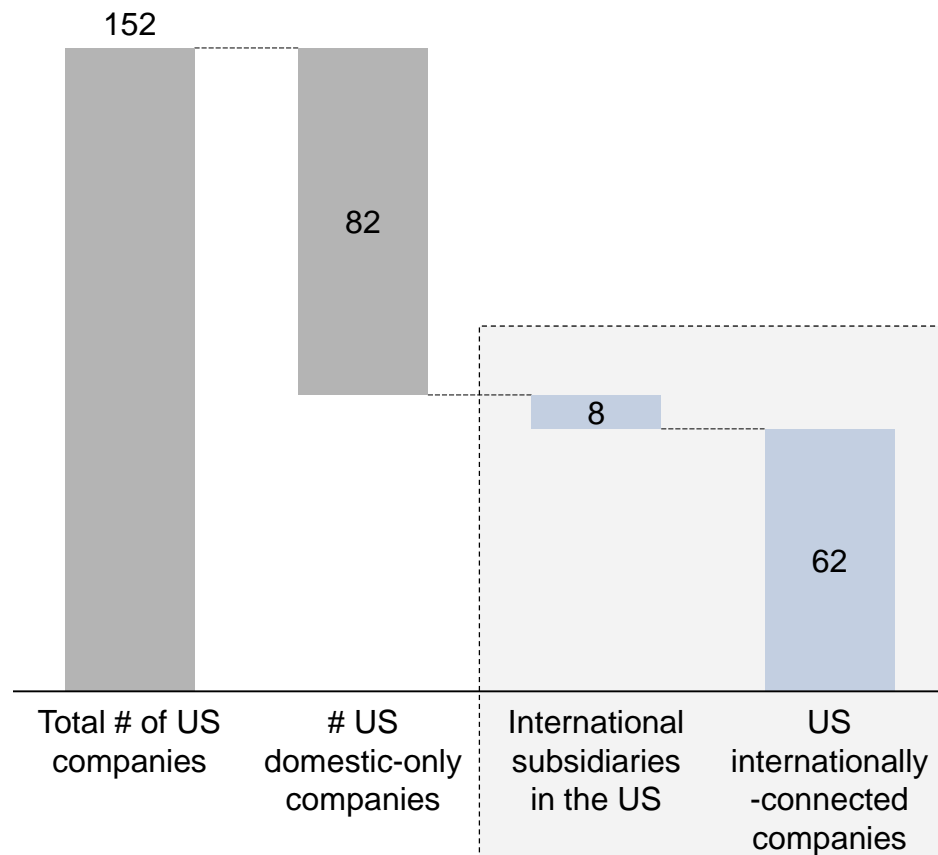
Ability to implement technology and innovation

- Significant innovation investment by Group can be deployed in US
- Improvements to customer journeys in process
- Back office innovation already generating cost efficiencies

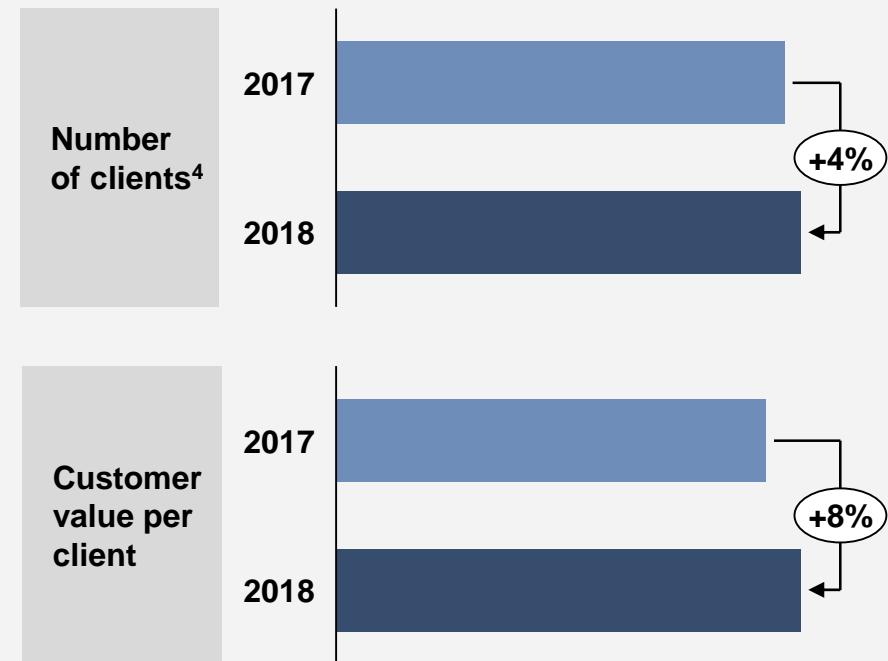
1 CMB continues to execute its strategy with a focus on client growth, targeting internationally-connected companies

Over 70k internationally-connected companies in the US

of companies in US with annual turnover >\$5m³, (000s)



500+ new clients in 2018 generating a higher rate of revenue

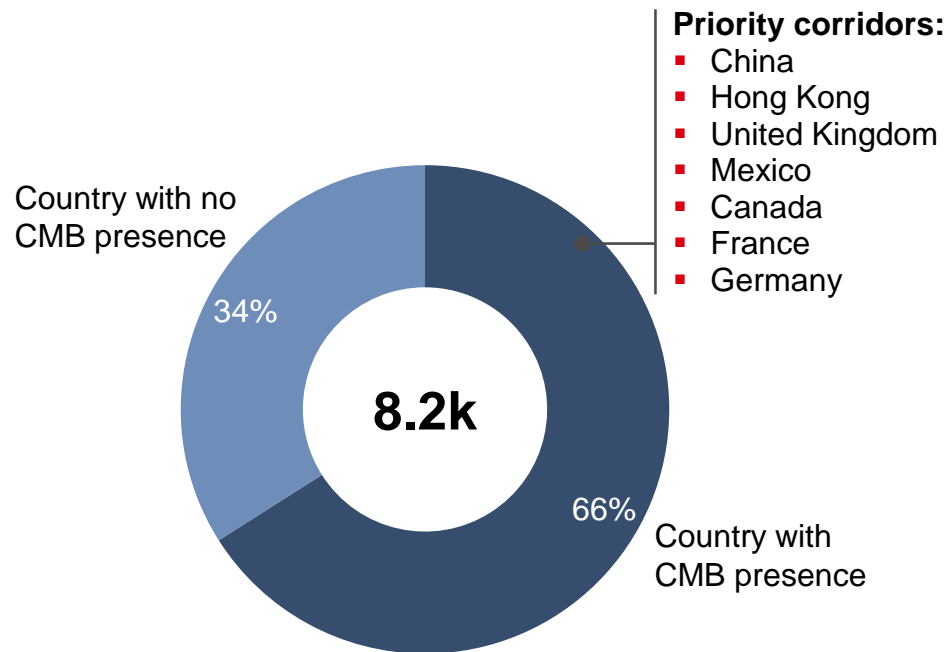


- Build out presence in priority growth markets with high concentration of international companies (e.g. Chicago, Los Angeles)
- Growth focused on internationally-connected, mid-sized companies

① CMB is supported by the strength and reach of the global network

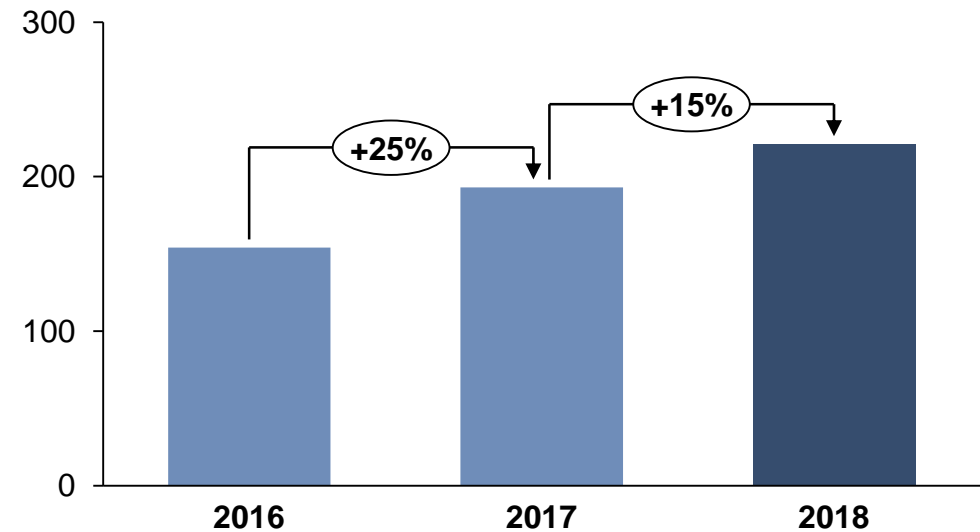
CMB's global presence is helping to drive US success...

foreign companies with US subsidiary operations⁵



...with consistent double-digit inbound growth

Inbound customer value (\$m)

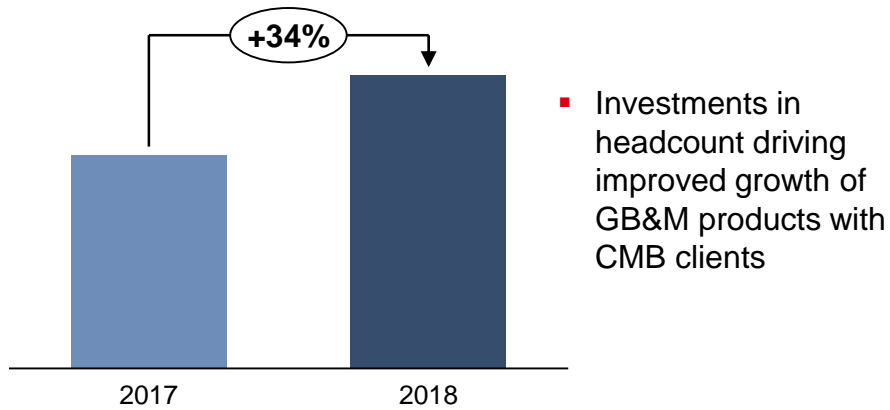


- Establishing in-country Desk Heads to grow corridor revenue with the US (e.g. UK, Hong Kong, China)
- Adding headcount in key US cities to support continued inbound growth

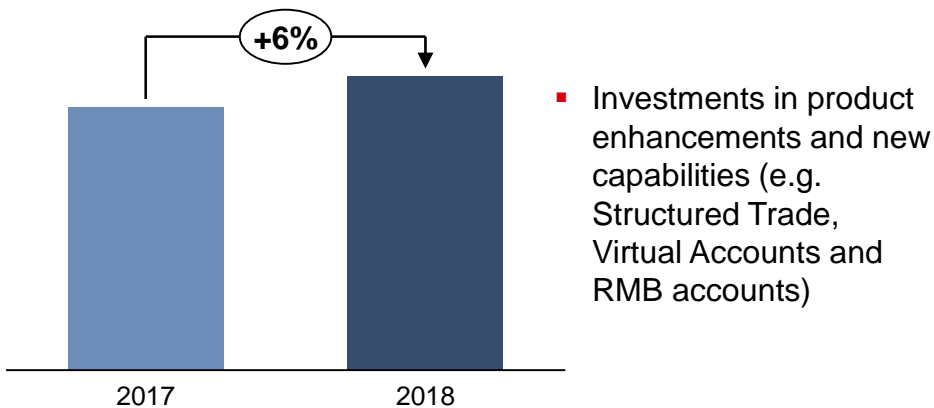
1 CMB is assisted by key investments in product areas and operational improvements

Investment in products is improving client penetration

Net* revenue from CMB clients in GB&M products (\$m)

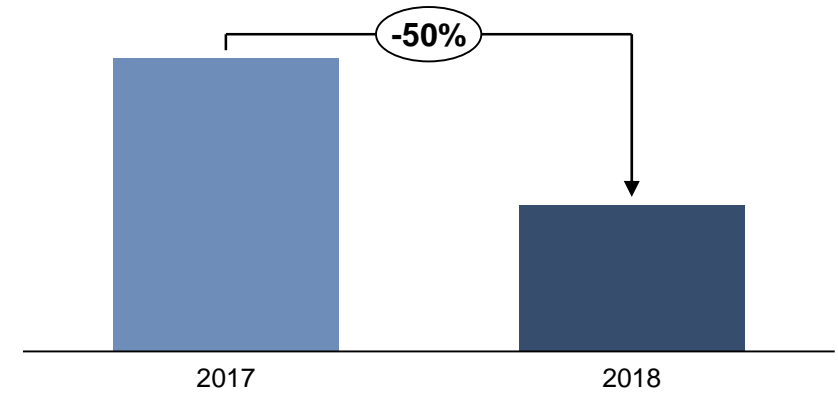


Percent of clients with multiple products

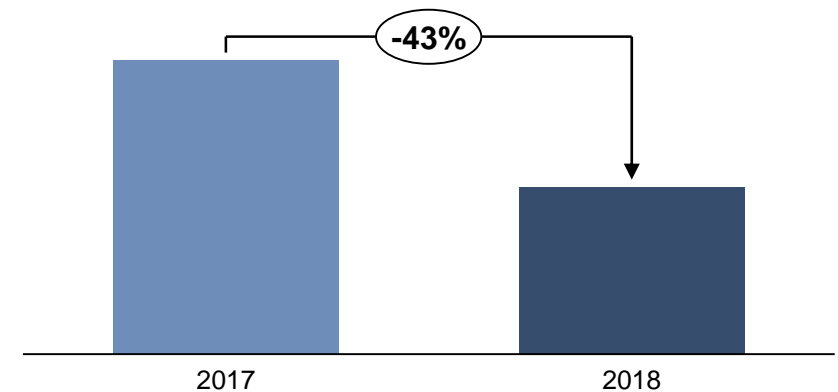


Streamlining of operations is improving the client experience

Account opening times (days)



Days for loan closing

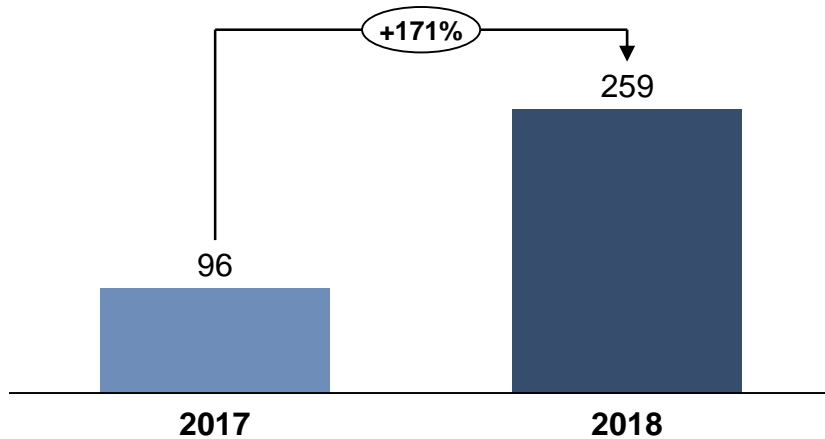


*Chart updated to show net revenue instead of gross revenue – 13 Mar 2019

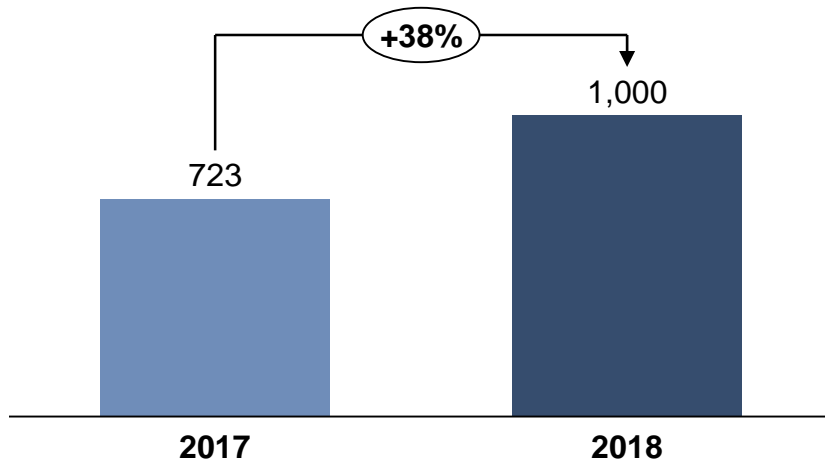
1 RBWM has strong customer growth driven by unsecured products

US credit card customer acquisitions

Number of new customers ('000s)



Total balances (\$m)

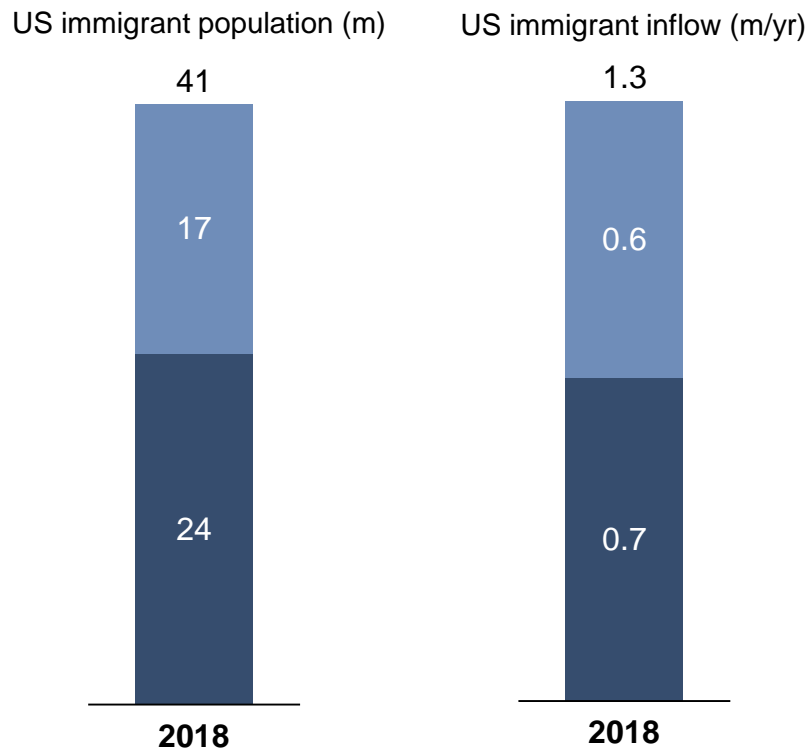


Credit cards and unsecured loans

- The US credit card industry is close to a \$1tn market and is growing at >4%⁶ CAGR for the last four years; >70%⁷ of all applications for a new credit card in the US are submitted digitally
 - HSBC card acquisition volumes are up more than 5x since 2016, with >80% of acquisitions through digital channels
 - The cards program originated 260k new credit card accounts in 2018
 - Our credit card growth continued to outpace the market⁶ in 2018 and is helping provide additional scale for our unsecured lending business
- US unsecured personal loan balances increased \$21bn in the last year to close 2018 at \$138bn in balances⁸
 - Fintechs are leading this growth and have achieved 38%⁸ market share
 - Our partnership with Avant will provide a better end-to-end customer experience, lower our cost to originate and accelerate growth and scale in higher margin loan products

1 RBWM is well positioned to serve international customers

Sources of international customer acquisition⁹



■ In Footprint ■ Out of Footprint

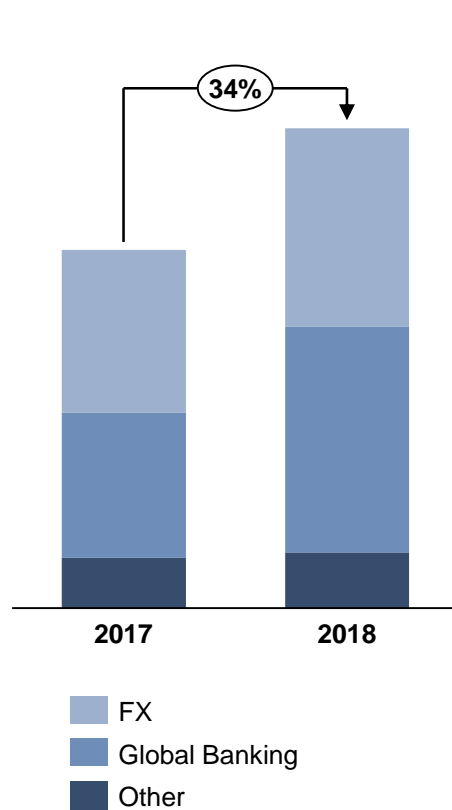
HSBC US opportunity

- Opportunity to capture additional market share in the international space, which is attainable based on demographic in-flows, our brand and our US footprint
- #1 growing international market in volume (new customers acquired) within the HSBC franchise
- HSBC has a global footprint in corridors with high inflows to the US; the US local footprint is also in areas with high concentration of internationals
- HSBC US already serves c.400k international clients (300k foreign nationals in the US, 100k non-residents living outside of the US)
- International retail is not a clear focus segment for regional or national banks in the US, giving HSBC room to capture a part of that segment

2 GB&M grew revenue and gained market share in key areas

Collaborating with CMB

Net* revenue from CMB clients (\$m)



Driving US's contribution to Group

Outbound customer value (\$bn)



Gaining market share in areas of strategic focus

Product	+/-	Market Position
DCM IG ¹⁰	↑	2018 market share 4.7%, up 31% YoY
Treasury Trading ¹¹	↑	2018 market share 6.2%, up 26% YoY
DCM USD Foreign Issuer Bonds ¹²	↑	Ranked 2 in 2018, up 1 from 2017
Interest Rate Derivatives ¹³	↑	Ranked 9 in 2018, up 5 from 2017
IG Credit ¹³	↑	Ranked 11 in 2018, up 2 from 2017
Emerging Markets (EM) Rates ¹³	↑	Ranked 3 in 1H18, up 2 from 1H17

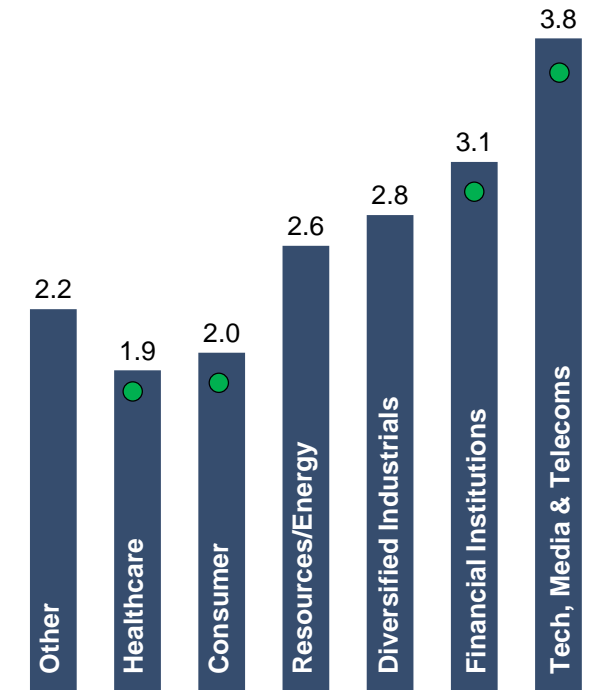
*Chart updated to show net revenue instead of gross revenue – 13 Mar 2019

2 GB&M is investing to build strength in high potential growth areas

Expanding coverage in sectors

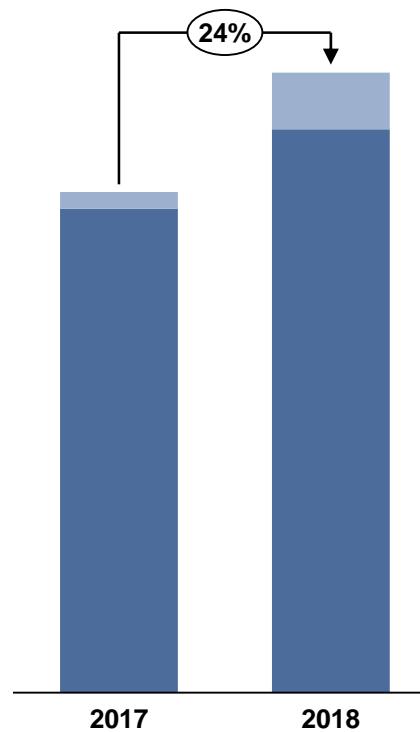
US DCM and Loan Fees Revenue Pool¹⁴ (\$bn)

● = Recent GB&M hires



Providing market access and liquidity

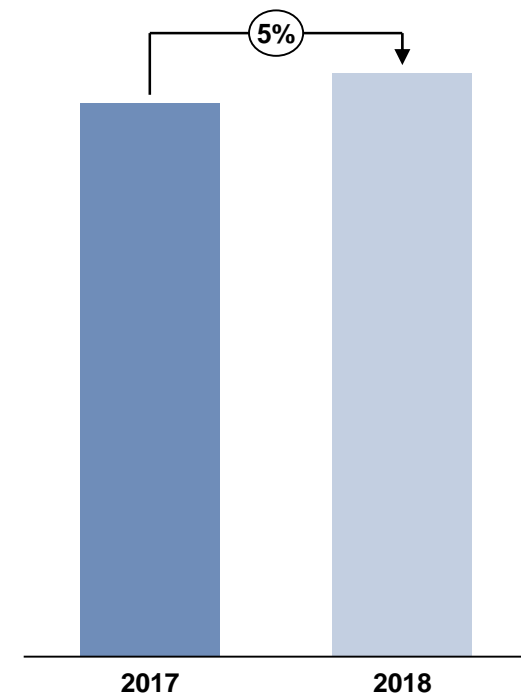
Sales and trading revenue (\$m)



■ Emerging Markets¹⁵
■ FX

Growing structured finance

Credit financing revenue (\$m)



③ Replacing core banking platform first step in reengineering the firm

Actions

- Aligned US IT infrastructure to Group HSBC Universal Banking (HUB) platform
- Reduced technology footprint and support infrastructure by demising c.25% of legacy systems
- Enabled simpler integration of new technology developed around the Group
- Reengineered operational controls and streamlined key processes and client journeys

Benefits

- Allows US to take full advantage of Group innovation investments and more effectively compete with larger domestic competitors
- Reduces ongoing operating costs in staffing and maintenance, allowing for more investment in enhancements and new technology
- Immediately gives US enhanced capabilities in Trade, Payments, Cash Management, and simpler client management tools
- Reduces fraud and cyber threat exposure with smaller and upgraded technology footprint

Appendix

Reconciliation of adjusted to reported results

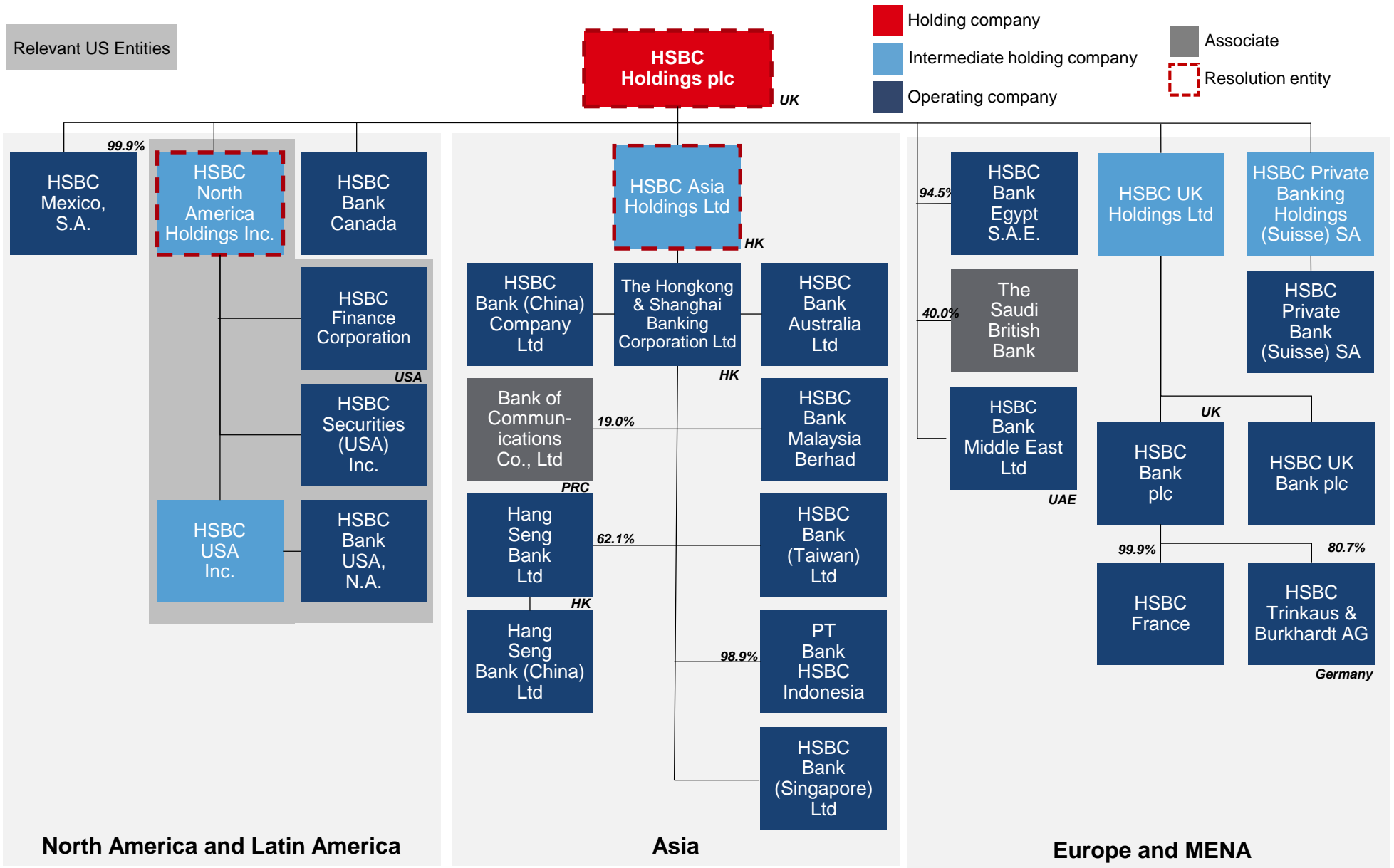
PBT (\$m)

	2018					2017				
	Adjusted US Principal Business	Significant items	Reported US Principal Business	CML run-off portfolio	Reported US	Adjusted US Principal Business	Significant items	Reported US Principal Business	CML run-off portfolio	Reported US
GB&M	618	6	624	-	624	527	(33)	494	-	494
CMB	473	-	473	-	473	432	3	435	-	435
RBWM	(180)	(25)	(205)	-	(205)	(58)	224	166	-	166
GPB	23	-	23	-	23	64	2	66	-	66
Corporate Center	62	(762)	(700)	(262)	(962)	(45)	(191)	(236)	(208)	(444)
Total	996	(781)	215	(262)	(47)	920	5	925	(208)	717

Revenue (\$m)

	2018					2017				
	Adjusted US Principal Business	Significant items	Reported US Principal Business	CML run-off portfolio	Reported US	Adjusted US Principal Business	Significant items	Reported US Principal Business	CML run-off portfolio	Reported US
GB&M	1,924	6	1,930	-	1,930	1,951	(28)	1,923	-	1,923
CMB	1,016	-	1,016	-	1,016	947	-	947	-	947
RBWM	1,200	(8)	1,192	-	1,192	1,194	234	1,428	-	1,428
GPB	259	-	259	-	259	317	-	317	-	317
Corporate Center	393	-	393	(49)	344	328	(2)	326	(65)	261
Total	4,792	(2)	4,790	(49)	4,741	4,737	204	4,941	(65)	4,876

Simplified structure chart



Note: As at 23 January 2019. Showing entities in Priority markets, wholly-owned unless shown otherwise. Excludes Service Companies, other Associates, Insurance companies and Special Purpose Entities.

Biographies



Patrick J. Burke
President & CEO,
HSBC USA

Pat Burke is President and CEO of HSBC North America Holdings Inc., and also serves as Chairman of HSBC Bank USA, N.A., HSBC USA Inc., and HSBC Global Asset Management (USA) Inc. He took up these roles in November 2014.

He oversees HSBC Holdings plc's US businesses which serve domestic and international customers across Retail Banking and Wealth Management, Commercial Banking, Global Private Banking, and Global Banking and Markets.

Pat is a Group Managing Director of HSBC Holdings plc. He was appointed to the Group Management Board in August 2015.

Pat began his career at HSBC in 1989, serving as Deputy Director, Mergers and Acquisitions and Vice President of Strategy and Development. He held various senior leadership positions in the US and abroad, including with HSBC Finance Corporation (HFC) Bank in the UK, HFC Canada, and HSBC Card and Retail Services. Prior to his current role, he served as President and CEO of HFC, where he is also Chairman of the Board.

He serves on the boards of The Clearing House and the Partnership for New York City, and he is a Member of the 30% Club of the United States and the Committee Encouraging Corporate Philanthropy.

Pat holds a bachelor's degree from Northern Illinois University and a master's degree from the Kellogg School of Management at Northwestern University.



Mark Zaeske
CFO, North
America

Mark Zaeske is the Chief Financial Officer of HSBC North America Holdings Inc., HSBC USA Inc. and HSBC Bank USA. Mark joined HSBC in October 2014 as the Deputy CFO for HSBC North America.

Prior to joining HSBC, he was the Head of Finance at Bridgewater Associates, the world's largest hedge fund; the SVP Finance, CAO and Controller of Discover Financial Services; a divisional CFO at JP Morgan Chase; the Treasurer of AIG SunAmerica and the Assistant Treasurer of Citigroup following the merger with Travelers Group. He began his career in public accounting at KPMG.

Mark is a graduate of the University of Chicago, Graduate School of Business, and an undergraduate of the University of Texas. He lives in Greenwich, CT with his wife and son.

Biographies



André Brandão
Head of Global
Banking and
Markets, Americas

André Brandão was appointed Head of Global Banking and Markets for the Americas on 1 July 2018, responsible for the business in Canada, the US and Latin America. He was appointed a Group General Manager in January 2013 and is a member of both Global Banking and Markets and HSBC North America Holdings Executive Committees.

André is based in New York and is focused on profitable growth, regulatory and control issues and risk across the Americas region in the context of Global Standards.

André was previously Head of Global Banking and Markets for Europe starting in July 2016. Prior to that, he was Country CEO of HSBC Brazil from May 2012 to July 2016.

André joined HSBC in February 1999 in Global Markets in Brazil and made his career within Global Banking and Markets in Latin America and the US.

André has 32 years of experience in the financial markets and prior to joining HSBC, he spent 11 years at Citibank in both Sao Paulo and New York.



Wyatt Crowell
Head of US
Commercial Banking

Wyatt Crowell is Senior Executive Vice President, Head of US Commercial Banking, for HSBC Bank USA, N.A. In this role, he manages HSBC's commercial banking operations across the United States.

Wyatt is an experienced international banker. Before joining HSBC, he was Co-Head of UK Corporate Banking and Global Head of Multinational Corporates at Barclays, where he established a strong track record for building relationships with the largest multinational corporate clients, and partnering across business lines, including the Investment Bank and Wealth Management units, to deliver client requirements. Prior to Barclays, he spent 14 years with JP Morgan in the U.S. as a senior member of both the Commercial Banking and Mergers and Acquisitions teams.

Wyatt holds a B.A. degree from Colgate University and an MBA degree with Honors from Columbia University.

Biographies



Pablo Sanchez is the Head of Retail Banking and Wealth Management (RBWM) for the US and Canada at HSBC. In this role, he leads the RBWM business in the US and has oversight of the same business in Canada. Pablo also serves on the HSBC US executive committee and the Global Retail Banking and Wealth Management executive committee and is based in New York.

Pablo joined HSBC in June of 2015 from J.P. Morgan Chase, where he held a number of retail banking leadership roles since 2006, the most recent of which was National Director, Consumer Banking. Before that, he held executive positions at Home Loan Direct and CitiMortgage – a subsidiary of Citigroup – in its lending, mortgage, and retail operations.

Pablo Sanchez
Head of Retail
Banking and Wealth
Management for the
US and Canada



Joe Abruzzo is the Regional Head of HSBC Global Private Banking in the Americas. In this role, he is responsible for driving and executing HSBC's strategy for private banking across the region, particularly in the US, a key market for HSBC Global Private Banking. He also serves as Chairman of HSBC Private Bank International, and as a member of the HSBC Global Private Banking and HSBC USA Executive Committees. Joe joined HSBC in 2014 and was previously the Head of Commercial Banking's Large Corporate Banking Group in the US. In that role, Joe managed over 140 banking professionals in 18 offices across the U.S.

Joe is a 26 year veteran of JPMorgan Chase & Co., with experience building and managing client coverage teams in Middle Market Banking, Corporate Client Banking and the Corporate & Investment Bank, including industry specialty teams covering apparel and specialty retail. His most recent role in the Corporate & Investment Bank included managing the Global Corporate Bank's North American Multinational and Financial Institution business.

Joe earned a Bachelor of Science in Business Administration degree from Boston University and a Master of Business Administration degree from New York University's Leonard N. Stern School of Business. He started his banking career in 1985 with European American Bank in New York City.

**Joseph F.
Abruzzo, Jr.**
Head of Global
Private Banking,
Americas

Biographies



Jeff Barden

Deputy Head of
Strategy for HSBC
Bank, USA

Over ten years, Jeff has served in a number of US and Global roles with HSBC. His most recent role at HSBC was as Chief of Staff and Head of Strategy & Planning for Global Commercial Banking.

He has also held various international and US-based operating and strategic planning roles with the Boston Consulting Group and Saint-Gobain Performance Plastics. Over the last year, he led Strategy and Business Development for Small Business at JP Morgan Chase and managed many of their innovative fintech partnerships, notably the Quick Capital digital small business lending platform.

Jeff has extensive experience in new business and product development, business transformation, strategic planning, operational improvement, and organizational restructuring. Jeff is also a decorated US Army Ranger Officer with tours in Bosnia and Macedonia.

Jeff received his undergraduate degree from Wake Forest University and MBA from Boston University. He is a Member of the Board of Bunker Labs, a national not-for-profit incubator dedicated to empowering veterans with the resources they need to start and grow businesses. He lives in Westchester County, New York.

Glossary

CAGR	Compound annual growth rate	LICs	Loan impairment charges and other credit risk provisions
Corporate Center	In December 2016, certain functions were combined to create a Corporate Center. These include Balance Sheet Management, legacy businesses and interests in associates and joint ventures. The Corporate Center also includes the results of our financing operations, central support costs with associated recoveries and the UK bank levy	MENA	Middle East and North Africa
CMB	Commercial Banking, a global business	Outbound customer value	International client revenue from US-based clients booked outside the US, based on internal management information
CML	Consumer and Mortgage Lending (US)	PBT	Profit before tax
DCM	Debt Capital Markets	RBWM	Retail Banking and Wealth Management, a global business
ECL	Expected credit losses and other credit impairment charges	RoTE	Return on average tangible equity
GB&M	Global Banking and Markets, a global business	SME	Small and medium-sized enterprises
GPB	Global Private Banking, a global business	US Principal Business	HSBC US business (geographic basis) excluding CML run-off portfolio
Inbound customer value	International client revenue from clients based outside the US booked in the US, based on internal management information		

Footnotes

1. RoTE calculated on an HSBC North America Holdings legal entity basis (including CML), and excludes significant items. 2017 RoTE also excludes the adverse impact from the one-time write-down of deferred tax assets due to US Tax Reform. Including this adverse impact, 2017 RoTE was (4.3)%.
2. GPB revenue continued to be affected by its Latin America portfolio sale which resulted in lower deposits and lending balances. Total client assets decreased c.8% year on year to \$36bn, due primarily to \$1.5bn in client transfers to UBS
3. Source: Dun & Bradstreet, February 2018
4. Number of clients generating more than \$10k in annualized revenue, excluding commercial real estate clients
5. Source: Dun & Bradstreet, February 2018
6. Source Federal Reserve Bank Quarterly Report on Household Debt and Credit, 2018 Q4
7. Source Mintel Credit Card Response Rates – November 2018
8. Source TransUnion Q4 2018 Industry Insights Report
9. Migration Policy Institute. Footprint relates to branch coverage
10. Debt Capital Markets Investment Grade; Source: Bloomberg League Tables
11. Treasury notes only; Source: Tradeweb
12. Source: Bloomberg League Tables
13. Source: Greenwich survey of a subset of GB&M's strategic and priority clients
14. Source: Dealogic. Four year average US fee revenue from all banks between 2014 and 2017 for DCM and Loan activity
15. EM includes EM Rates & EM Credit Product Group, does not include EM Cash FX

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

Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts for the fiscal year ended 31 December 2018 filed with the Securities and Exchange Commission (the “SEC”) on Form 20-F on 20 February 2019 (the “2018 20-F”).

Non-GAAP financial information

This Presentation contains non-GAAP financial information. The primary non-GAAP financial 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 non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in the 2018 20-F and the Reconciliations of Non-GAAP Financial Measures document, both of which are available at www.hsbc.com.

Information in this Presentation was prepared as at 31 December 2019.