

# HSBC US

February 2023 Business Update



# HSBC USA has been fundamentally transformed over the past three years

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

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

# We have completed all key transformation actions on schedule



## Retail/Wealth:

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



## Wholesale:

- ◆ Migrated Fixed Income and Structured Equity Derivatives to Europe



## Operational:

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



## Capital:

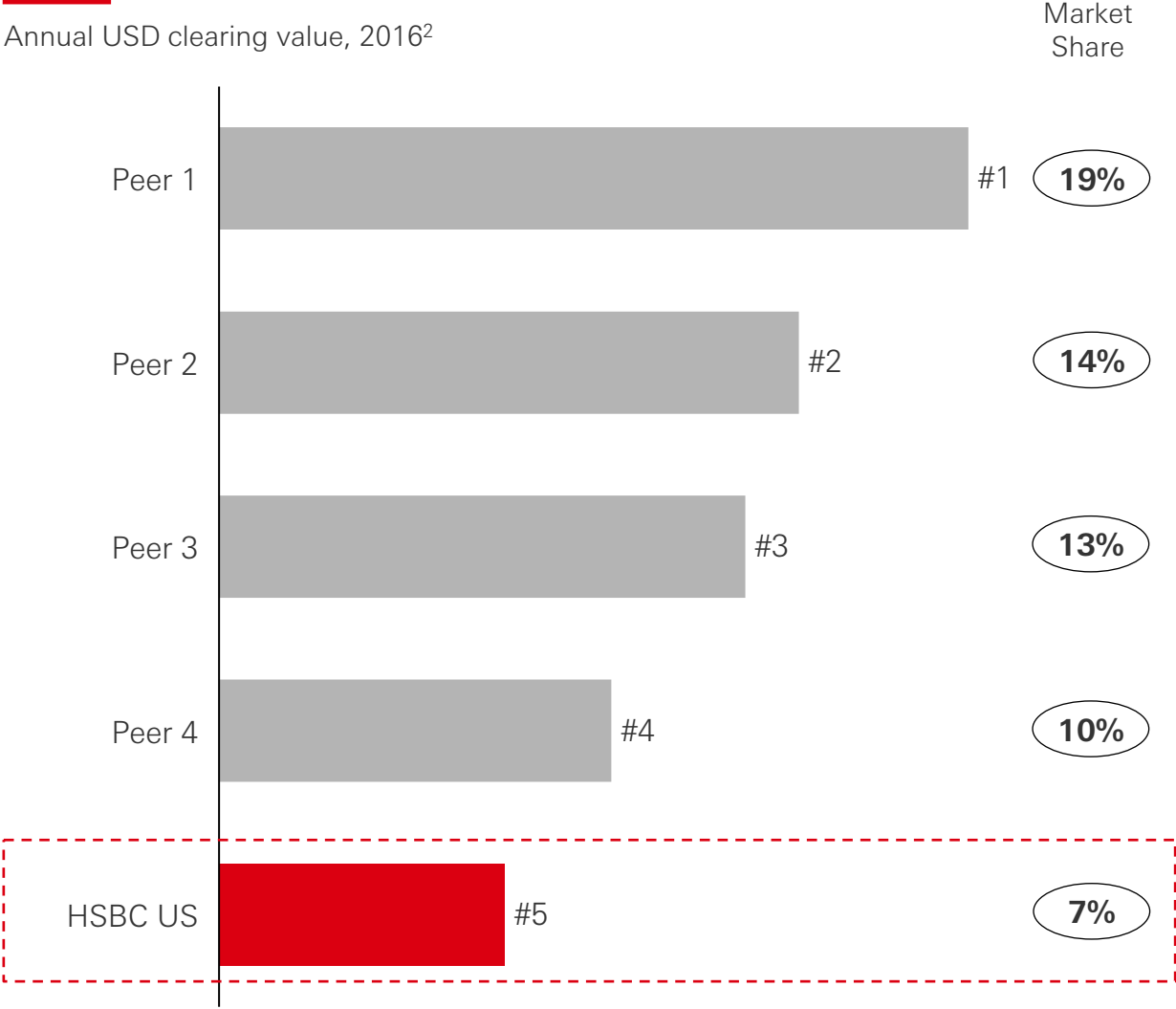
- ◆ Repatriated a cumulative c.\$6bn in capital to HSBC Holdings plc (2019-2022)

**Restructuring plan complete – poised for growth**

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

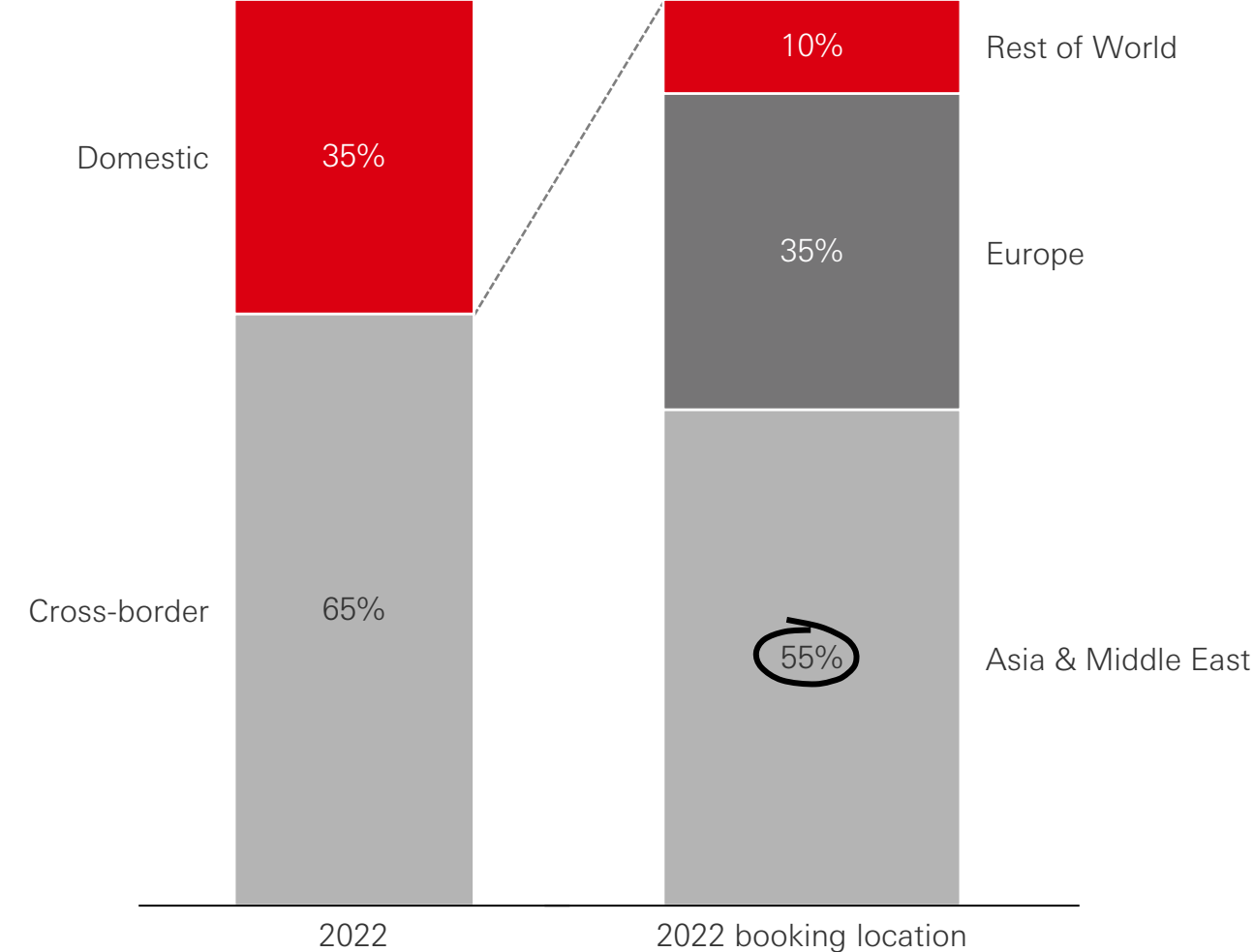
## HSBC US is a top 5 US dollar clearer<sup>2</sup>...

Annual USD clearing value, 2016<sup>2</sup>



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

2022 Wholesale client business<sup>3</sup>



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

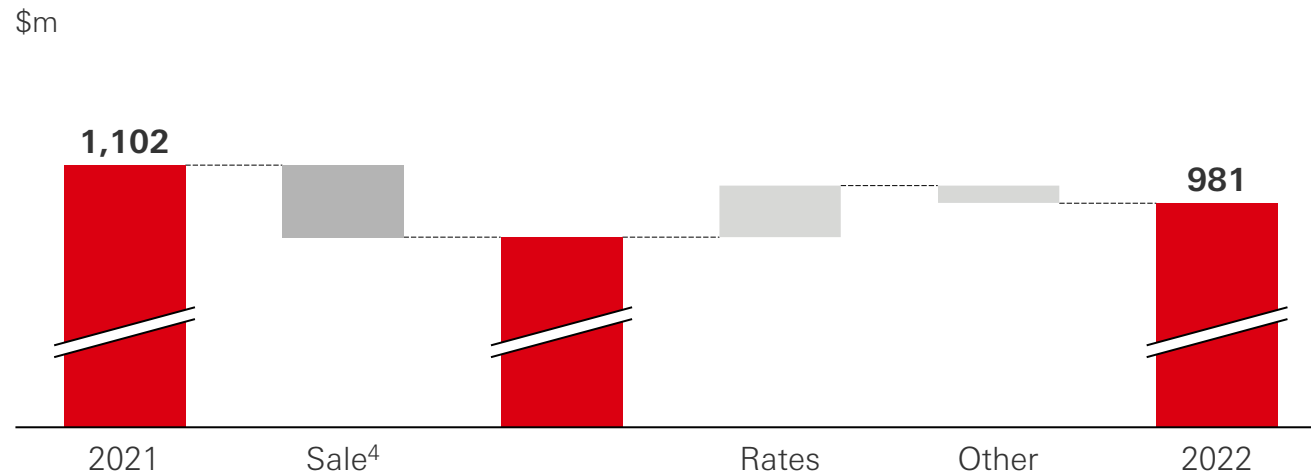
## Overview

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

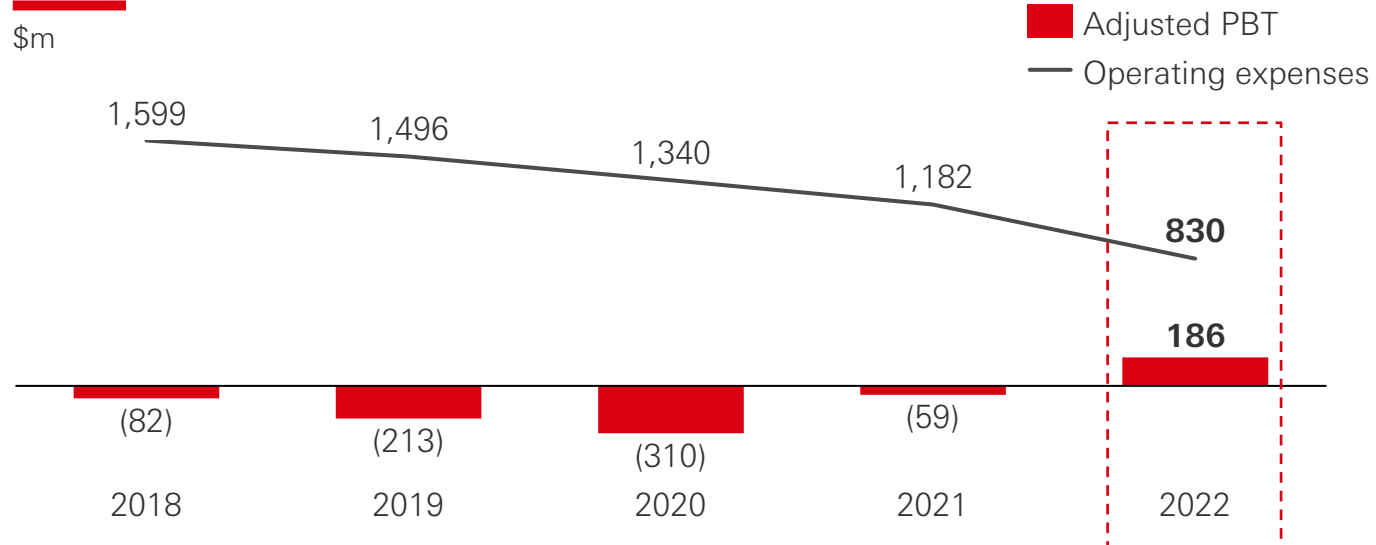
## WPB pre- and post-divestitures summary

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

## 2021-2022 revenue walk



## Adjusted PBT and operating expenses trend



# US financial overview

## Adjusted income statement

\$m

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

## Balance sheet

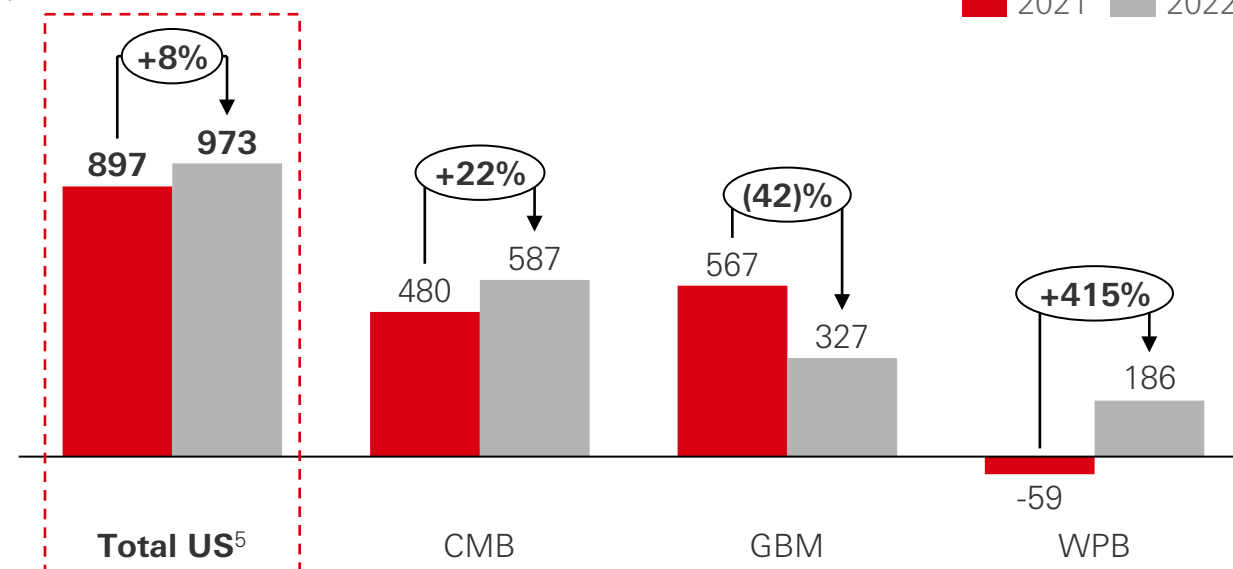
\$bn

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

## Adjusted PBT by business

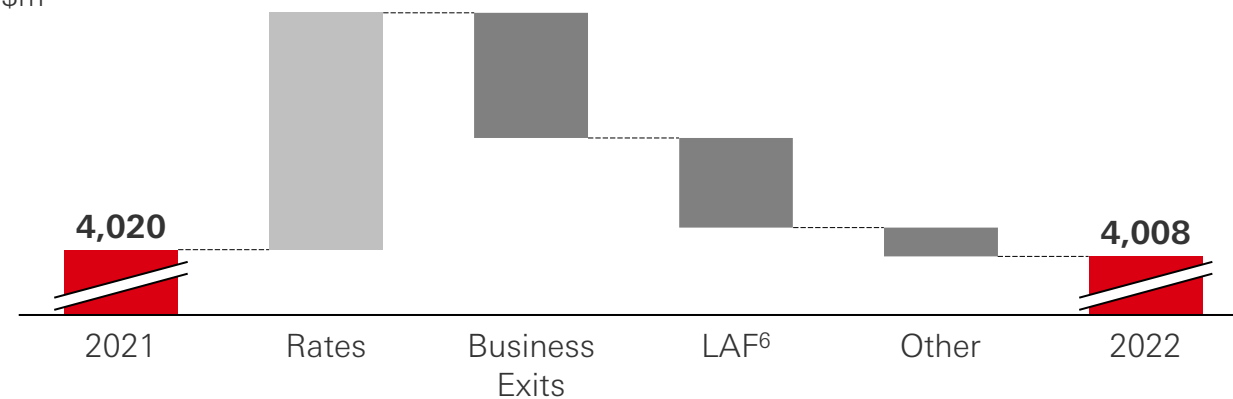
\$m

2021 2022



## 2021-2022 revenue walk

\$m



# Appendix

# Americas 2022 financial overview

## Adjusted income statement

\$m

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

## Balance sheet

\$bn

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

## Americas region trends and opportunities



**Trade is rebounding faster than GDP<sup>7</sup>** (+18% YoY growth in USMCA imports and exports)



**Supply chains are moving to Mexico** (e.g., ~60% FDI increase<sup>8</sup> into Mexico's Northern Border states)



**HSBC intra-Americas cross-border client business<sup>3</sup>** showed double-digit % growth YoY



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



**Citibanamex exit offers opportunities** for new wholesale and retail client growth



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



# USA financial performance

## FY22

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

## FY21

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

# Footnotes

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

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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 2021 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 23 February 2022 (the "2021 Form 20-F"), our 1Q 2022 Earning Release furnished to the SEC on Form 6-K on 26 April 2022 (the "1Q 2022 Earnings Release"), our Interim Financial Report for the six months ended 30 June 2022, furnished to the SEC on Form 6-K on 1 August 2022 (the "2022 Interim Report"), our 3Q 2022 Earnings Release, furnished to the SEC on Form 6-K on 25 October 2022 (the "3Q 2022 Earnings Release") and our Annual Report and Accounts for the fiscal year ended 31 December 2022 available at [www.hsbc.com](http://www.hsbc.com) and filed with the SEC on Form 20-F on 22 February 2023 (the "2022 Form 20-F").

## Alternative Performance Measures

This Presentation contains non-IFRS measures used by management internally that constitute alternative performance measures under European Securities and Markets Authority guidance and non-GAAP financial measures defined in and presented in accordance with SEC rules and regulations ("Alternative Performance Measures"). The primary Alternative Performance Measures we use are presented on an "adjusted performance" basis which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business.

Reconciliations between Alternative Performance Measures and the most directly comparable measures under IFRS are provided in our 2021 Form 20-F, our 1Q 2022 Earnings Release, our 2022 Interim Report, our 3Q 2022 Earnings Release and our 2022 Form 20-F, each of which are available at [www.hsbc.com](http://www.hsbc.com).

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

