



Asia

HSBC Asia seminar for Investors and Analysts | Day One

May 2023



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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 the 1Q 2023 Earnings Release, which is available at www.hsbc.com.

Information in this Presentation was prepared as at 15 May 2023.

HSBC Asia seminar | Day One

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Introduction to HSBC Asia

David Liao | Co-CEO, Asia Pacific

Surendra Roshia | Co-CEO, Asia Pacific



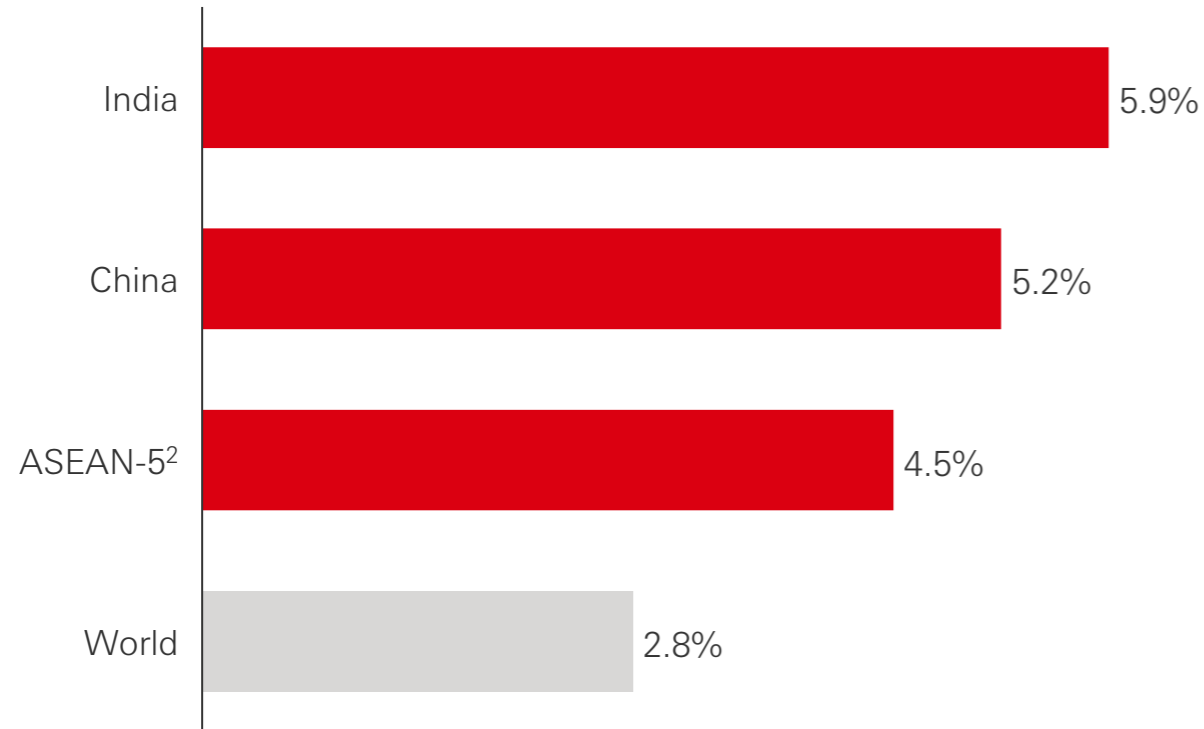
HSBC Asia – key highlights

- 1 Solid **macroeconomic growth** outlook particularly in **India, China and South & South-East Asia** (S&SEA)
- 2 Growth opportunities aligned to **HSBC's competitive** strengths
- 3 **Leading international bank** in Asia with a **distinct network** to capture the largest growth opportunities
- 4 **Expanding Wealth business** to serve Asia's rising wealth
- 5 **Renewed momentum** in Hong Kong and mainland China – further profitable growth opportunities

Asia's economic growth is diversifying

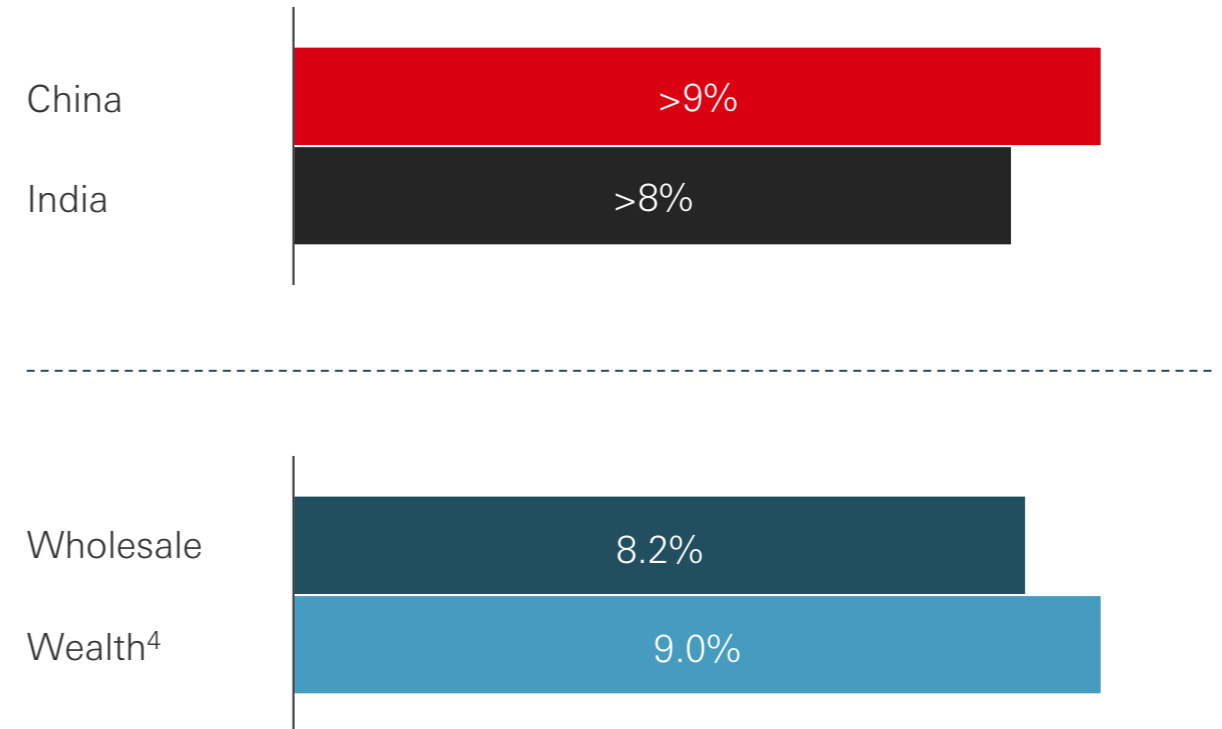
Projected real GDP growth rate¹

2023



Asia projected banking revenue pool growth³

CAGR, 2022-2025



1. IMF World Economic Outlook, as of April 2023
 2. Singapore, Malaysia, Philippines, Indonesia, Thailand

3. Source: McKinsey banking revenue pool growth, excludes Investment Banking and capital markets trading
 4. Aggregate of Asset management, Investments (retail), and Insurance and pension distribution (retail)

HSBC Asia: distinct footprint, multiple engines of growth and profitability

Number 1 international bank in most of our 6 key markets

FY22

India
\$0.9bn PBT

- ◆ India's largest foreign global bank¹
- ◆ Significant presence in 14 major cities

Singapore
\$0.8bn PBT

- ◆ Best International Bank (Asiamoney 2022)
- ◆ International wealth hub and wholesale hub for South and Southeast Asia

Malaysia
\$0.4bn PBT

- ◆ Largest International Islamic Bank by assets³
- ◆ Market Leader for Trade Finance (Euromoney 2022)

Mainland China
\$0.9bn PBT (excl. associates)

- ◆ Largest foreign bank¹, 146 outlets across 58 cities
- ◆ 19 times Best International Bank in China (FinanceAsia)

Hong Kong
\$6.1bn PBT

- ◆ The largest bank in Hong Kong: #1 in deposits, card spending, trade finance, cash management²

Australia
\$0.4bn PBT

- ◆ Strategic focus: International wholesale clients, affluent population
- ◆ #1 custody provider by AUC⁵

#1 Trade Finance Bank in Asia Pacific

Euromoney Trade Finance Survey 2023

#1 in Hong Kong for Life Insurance

By ANP; 24.7% market share⁴

Best Private Bank Asia Pacific

Asian Private Banker Awards 2022

#1 Cash Management for corporates

Euromoney Survey 2022

12 international markets & other: \$1.2bn PBT

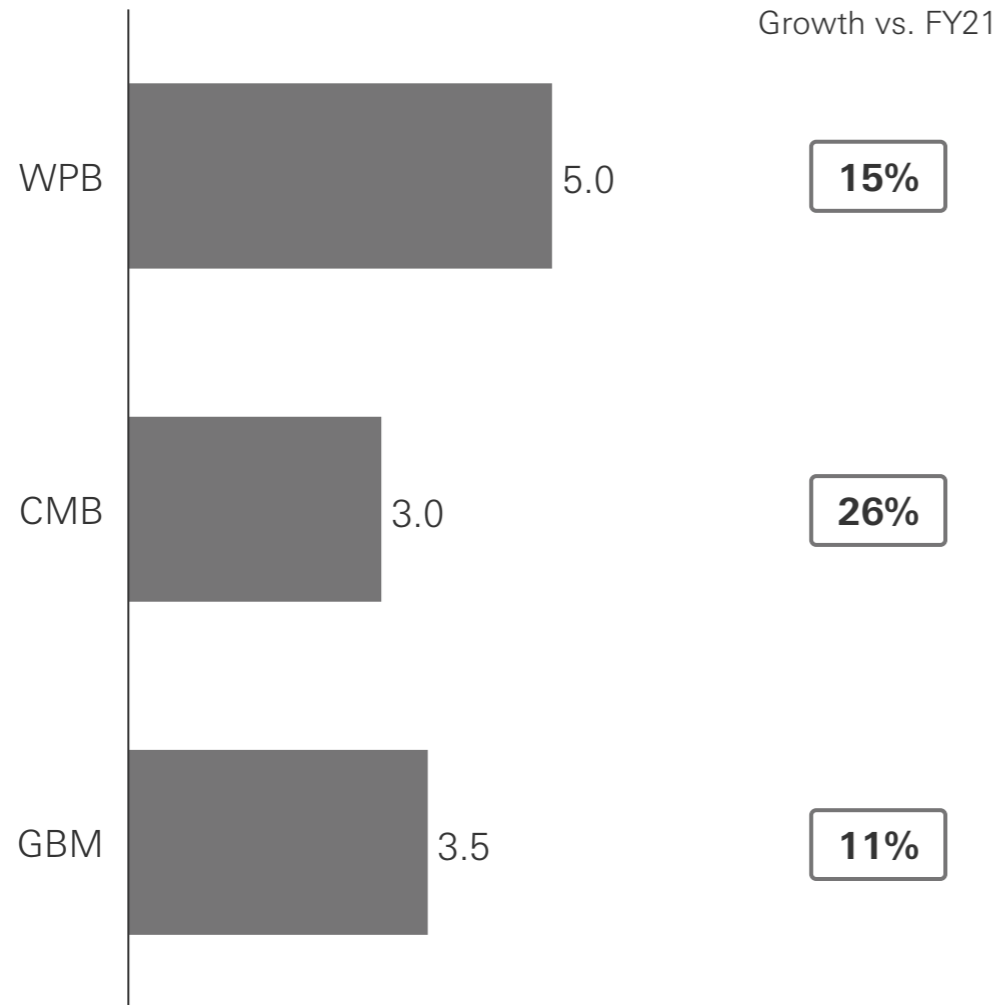
- ◆ Presence in these markets for >100 years on average
- ◆ Pan-Asia Pacific corporate and institutional client offering

1. India: by assets amongst global peers who comprise Citi and Standard Chartered. Mainland China: by total assets, source: KPMG, Mainland China Banking Survey 2022, Jun-22
2. Deposits: HKMA, 2022; Card spending: HKMA, statistics of payment cards issued, 4Q22; Trade finance: Euromoney Trade Finance Survey, 2022; Cash management: Coalition Greenwich 2022 Asian Large Corporate Cash Management Study. Metric relates to market penetration

3. At 31 December 2022
4. At 30 September 2022. Hong Kong Insurance Authority Statistics. HSBC Life Hong Kong and Hang Seng Insurance combined
5. Australian Custodial Services Association, as of December 2022

Leading client franchise and capabilities underpinning our growth

2022 HSBC Asia PBT¹ by business, \$bn



Highlights

- ◆ **Leading retail bank** in Hong Kong; **wealth hubs** in Hong Kong and Singapore
- ◆ **Accelerating wealth business growth** throughout the region with organic and inorganic initiatives
- ◆ **Expanded Private Banking** to mainland China and Thailand; aim to launch in India in July 2023
- ◆ Leading **transactional banking** capabilities
- ◆ Deployed digitalised onboarding capabilities for **scale customer acquisition**
- ◆ Specialised coverage and **focus** on high growth **New Economy** sectors
- ◆ Recognised as the E-Solutions partner bank²
- ◆ Leading **international Corporate and Institutional** franchise in Asia
- ◆ c.70% of client business³ is from clients using 5+ markets in Asia
- ◆ Top 2 FX provider in Asia⁴; leading Securities Services⁵, loan house⁵, bond house⁶ in the region

1. FY22 total Asia PBT also includes Corporate Centre PBT of \$1.5bn

2. The Asset Triple A Treasury, Trade, SSC and Risk Management 2022 Awards – 30 best client solutions across GPS and GTRF

3. Refer to glossary for definitions

4. Oliver Wyman research 1H22, excludes domestic banks in Japan and China

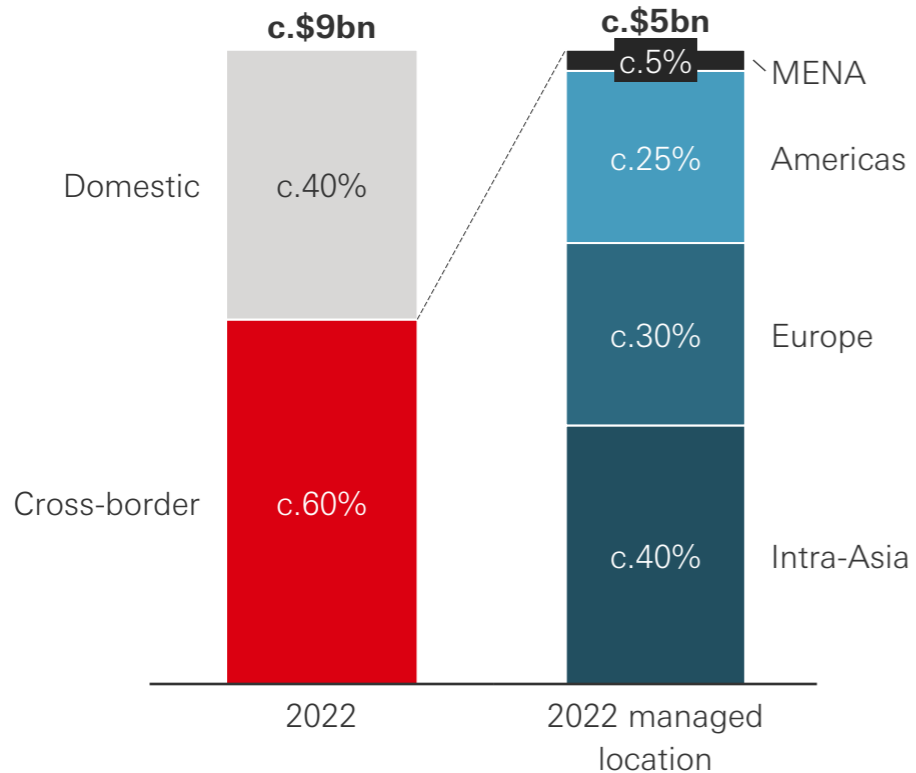
5. Coalition, data as of 1H22

6. HSBC market position in Asia (excl. Japan and China onshore) based on Fee payer country (volumes)

Our international network

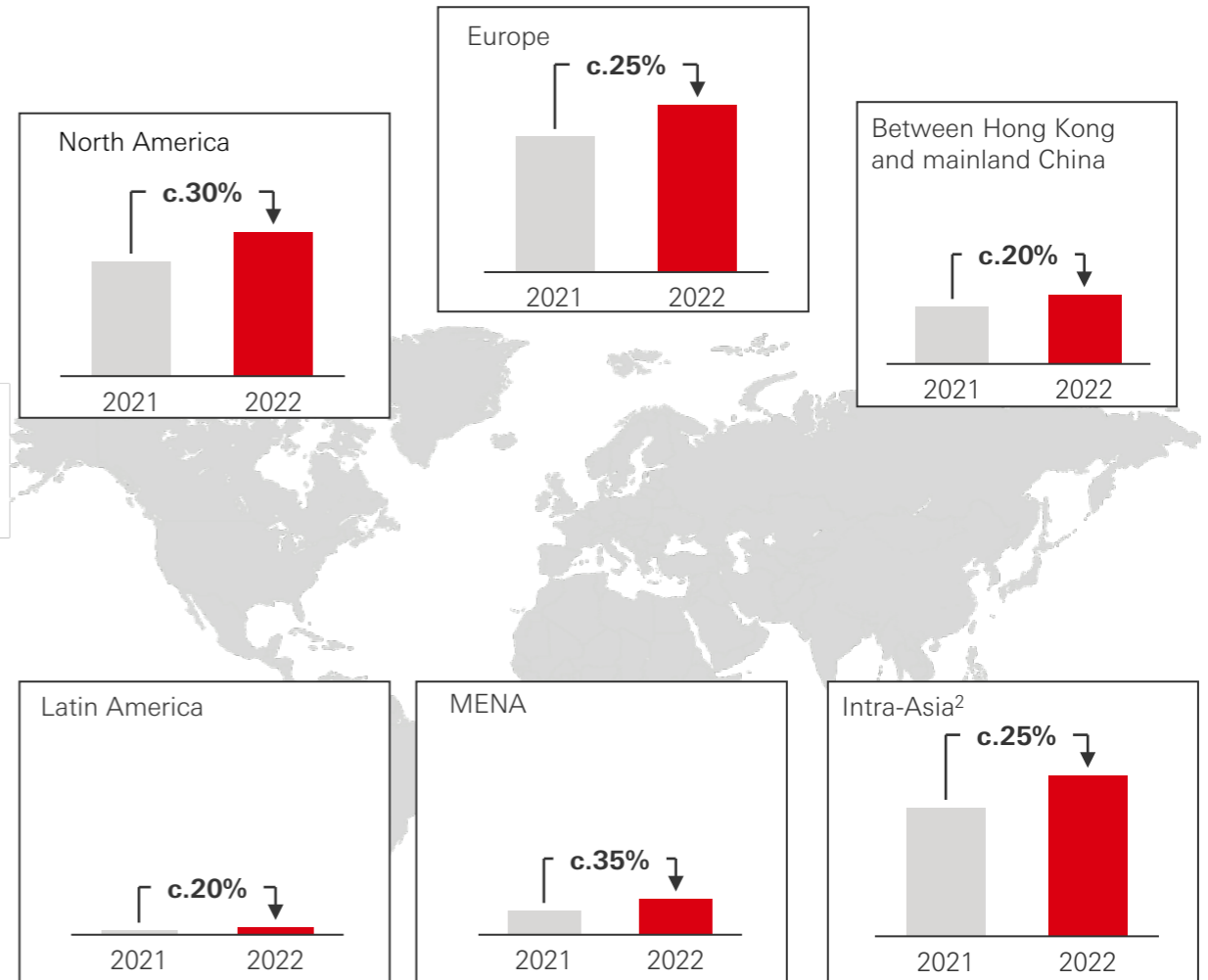
c.60% of wholesale client business¹ in Asia is cross-border

2022 HSBC Asia client business¹



◆ Business booked domestically includes the home market of international clients

Asia-linked wholesale cross-border client business¹ by region



1. Refer to glossary for definitions

2. Intra-Asia includes cross-border client business driven by HSBC's hub-and-spoke booking model

Leading international bank in Asia for corporates and institutions



C.95% coverage of Asia Pacific GDP, C.99% merchandise trade¹



>5k non-Asia corporate clients served in Asia



C.70% of the largest corporates active in ASEAN bank with HSBC²



C.45% of the Group's wholesale cross-border client business³ is booked in Asia



Top 2 FX House⁵ (Asia excl. onshore Japan and China)



#1 custodian bank in Asia; 23% revenue market share for Securities Services⁶



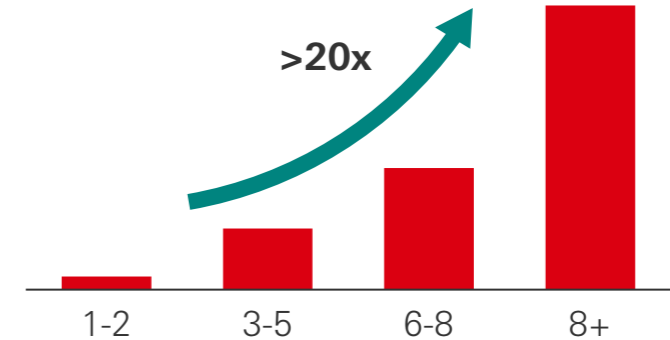
C.25% growth in cross-border client business³ booked in Asia (vs. FY21)



77% of CMB customers active on business internet banking⁷

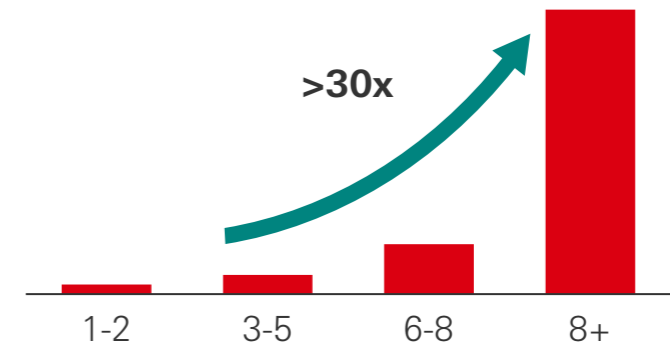
Average client business³ per mastergroup⁴

2022 client business³, by number of sites



Average client business³ per mastergroup⁴

2022 client business³, by number of products



1. IMF for GDP, S&P Market Intelligence for merchandise trade volume, as of December 2022
 2. Internal analysis based on corporate ranking by Forbes, 2022
 3. Refer to glossary for definitions

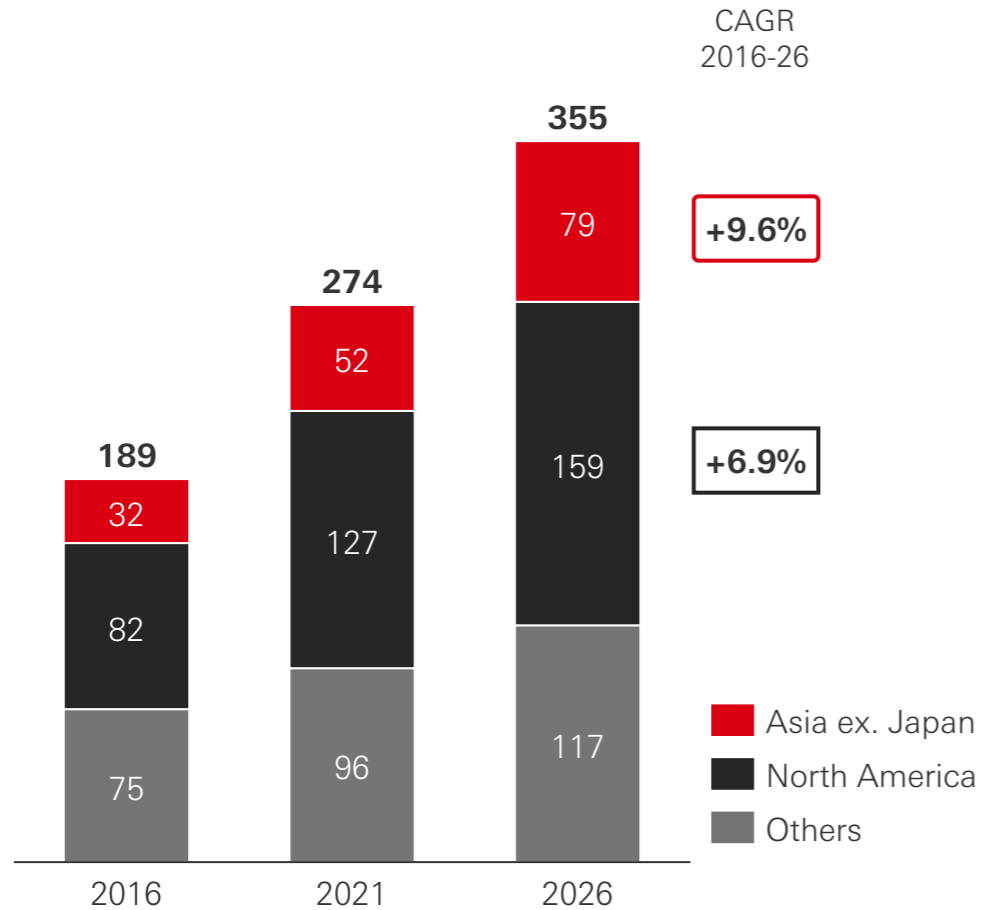
4. Mastergroup: the consolidated client relationships of the ultimate parent company
 5. Oliver Wyman research 1H22, excludes domestic banks in Japan and China
 6. Coalition Greenwich Competitor Analysis 1H21. Based on internal business structure and internal revenue numbers

7. % of CMB customers who are active on Internet Banking Channels in the last 3 months

Investing and growing to serve Asia's wealth needs

Asia continues to drive financial wealth creation

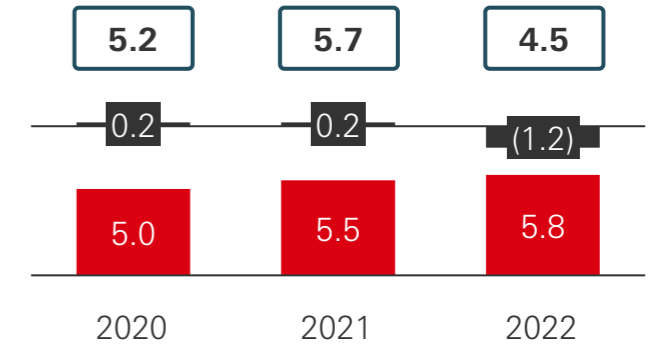
Total financial wealth¹, \$tn



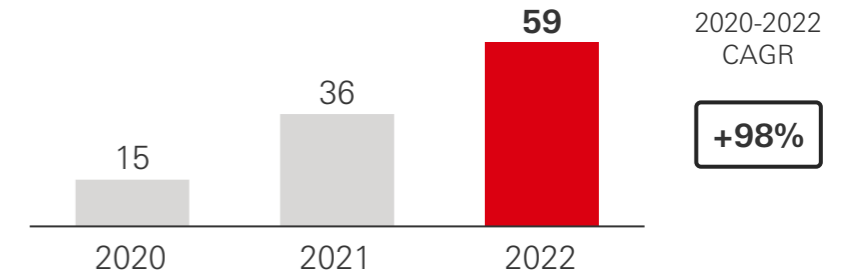
HSBC is positioned to serve Asia's wealth needs

HSBC Asia wealth revenue, \$bn

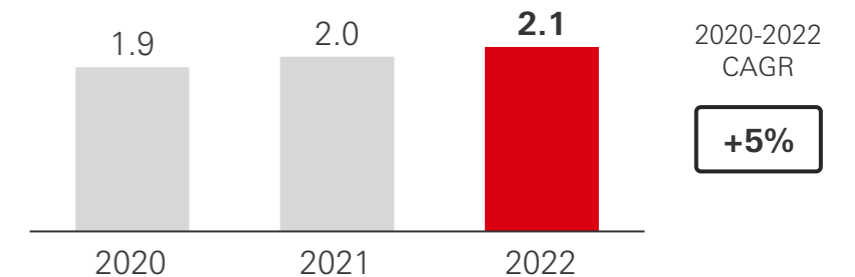
- Asia insurance market impacts, \$bn
- Asia wealth revenue excl. insurance market impacts, \$bn



HSBC Asia net new invested assets, \$bn



HSBC Asia wealth clients, millions

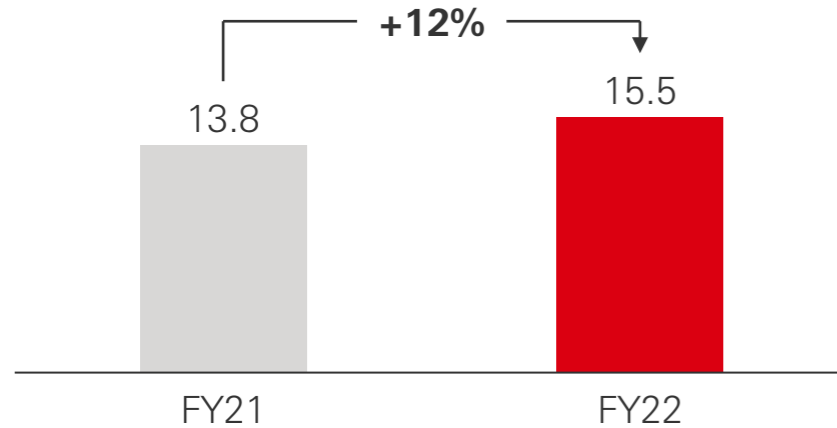


1. BCG Global Wealth report 'Standing Still is not an option', June 2022

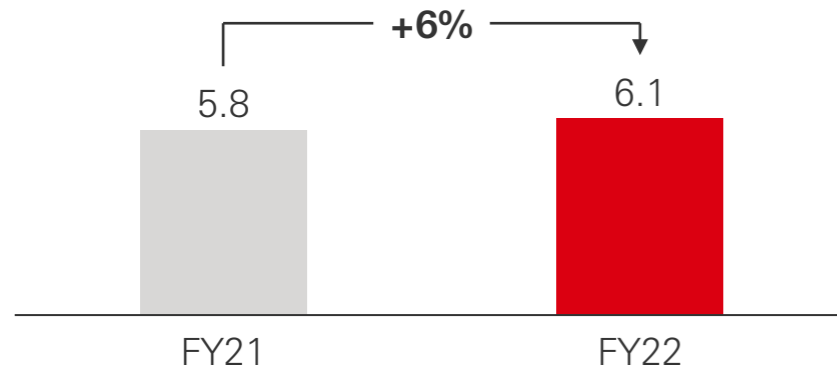
Hong Kong – positive outlook for the future

Hong Kong key financial metrics

Hong Kong revenue, \$bn



Hong Kong PBT, \$bn

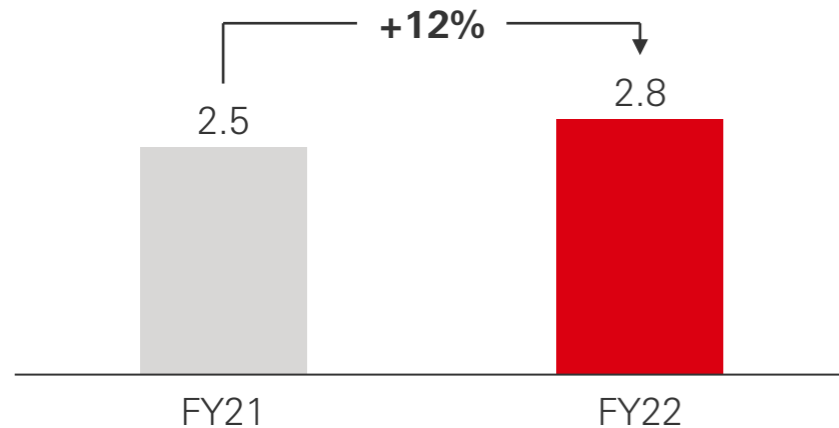


- ◆ **Hong Kong borders have reopened**; getting back to **business as usual**
- ◆ HSBC is the **market leader** across many products
- ◆ Strong track record of **growth**, positive outlook for the **future**
- ◆ Hong Kong **favourable** economic and financial sector **policy backdrop**; **increased attractiveness** for business environment (**international firms, family offices, green tech, digital innovation and talents**)
- ◆ Renewed momentum on **Greater Bay Area and mainland China interconnection**: GBA policy releases, Connect schemes

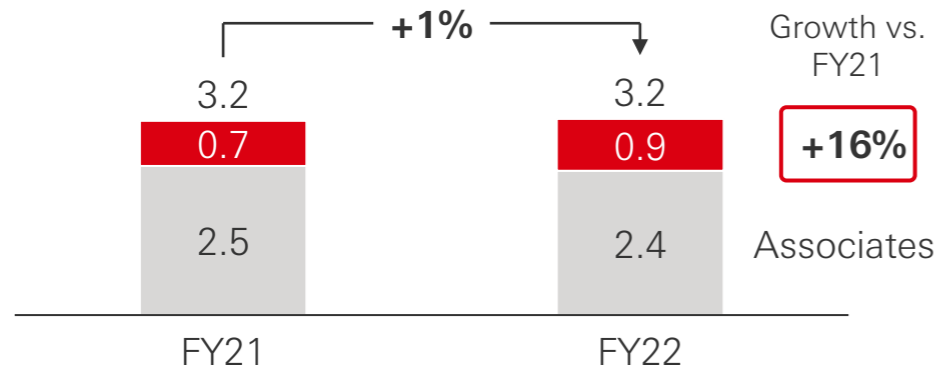
HSBC in mainland China – leading international bank and a bridge for our clients

Mainland China key financial metrics

Revenue, \$bn



PBT, \$bn



- ◆ China's **economy is opening up**, continued emphasis on increasing international cooperation
- ◆ Policy emphasis on **safety, quality and stability of economic growth** – with increased emphasis on new economy and new energy sectors
- ◆ Forecasted economic growth **>5%** for 2023¹
- ◆ HSBC is the **leading foreign bank** in mainland China and a **bridge** for international clients
- ◆ Our wholesale business is **majority cross-border**, driven by inbound from the West² and outbound to rest of Asia
- ◆ **Investing in Wealth** to serve a growing **affluent** population – Pinnacle, HSBC Life, HSBC Qianhai Securities

1. IMF World Economic Outlook, as of April 2023

2. West refers to Americas and Europe. East refers to Asia and the Middle East

HSBC Asia - conclusion

- 1** Solid **macroeconomic growth** outlook particularly in **India, China and South & South-East Asia** (S&SEA)
- 2** Growth opportunities aligned to **HSBC's competitive** strengths
- 3** **Leading international bank** in Asia with a **distinct network** to capture the largest growth opportunities
- 4** **Expanding Wealth business** to serve Asia's rising wealth
- 5** **Renewed momentum** in Hong Kong and mainland China – further profitable growth opportunities

Asia finance

Ming Lau | Chief Financial Officer, Asia Pacific and Global CMB



Asia: HSBC's home and core to Group growth ambitions

- 1 Good HSBC Asia FY22 performance, delivering a **RoTE¹ of 12.3%**, up 1.7ppts vs. FY21; **strong start** to FY23, **1Q23 PBT** up >100% vs. 1Q22
- 2 **Strong balance sheet**; well capitalised with 1Q23 **CET1 ratio² of 16.1%**, highly liquid with 1Q23 **LCR of 157%**
- 3 Consistently **strong dividend payer** to Group; cumulative **dividends of \$32.5bn paid** since 2018
- 4 Integral part of **our global network**; c.60% of wholesale client business³ in Asia is cross-border and Wealth customers benefit from our international footprint
- 5 Increased investment since 2020 to help deliver **balanced growth**, both in Hong Kong and across the rest of our Asia footprint

Unless otherwise stated, the figures in this presentation are prepared on an IFRS 4 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

1. Reported RoTE is computed by adjusting reported results for PVIF and for impairment of goodwill and other intangible assets (net of tax), divided by average reported equity adjusted for goodwill, intangibles and PVIF for the period

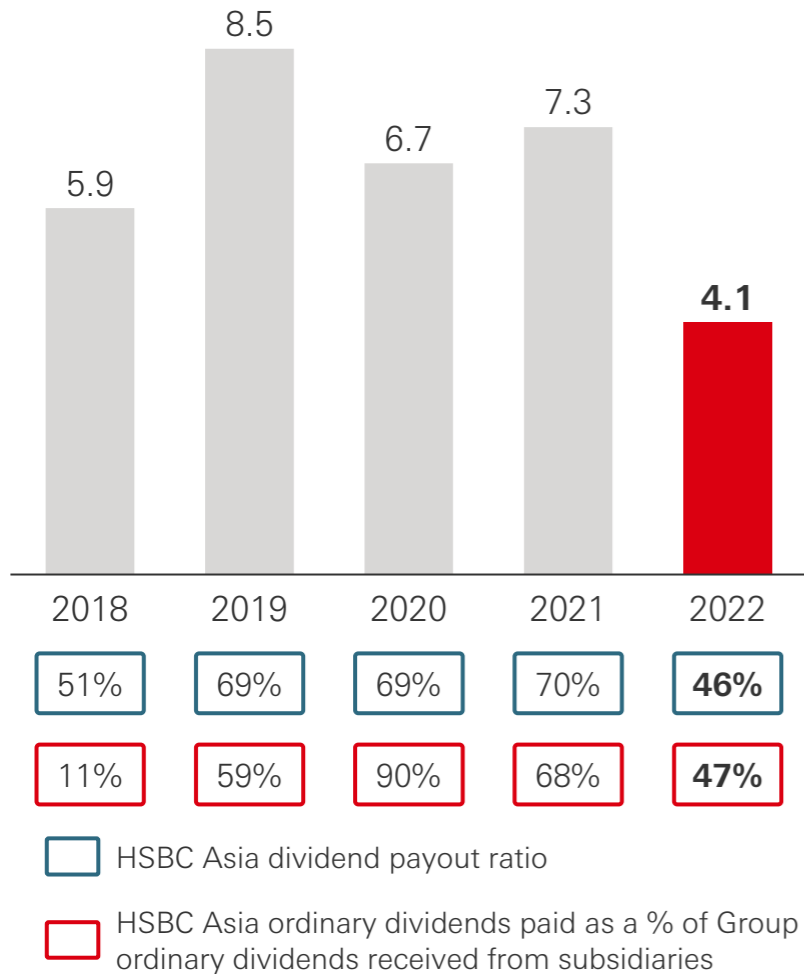
2. CET1 ratios are calculated on an HKMA basis. Unless otherwise stated, regulatory capital ratios and requirements are on a reported basis, and are based on the transitional arrangements of the Capital Requirements Regulation in force at the time. Leverage metrics exclude central bank claims in accordance with the Prudential Regulation Authority's ('PRA') UK leverage framework. References to EU regulations and directives (including technical standards) should, as applicable, be read as references to the UK's version of such regulation or directive, as onshored into UK law under the European Union (Withdrawal) Act 2018, and as may be subsequently amended under UK law

3. Refer to glossary for definitions

HSBC Asia represents c.50% of the Group across key financial metrics

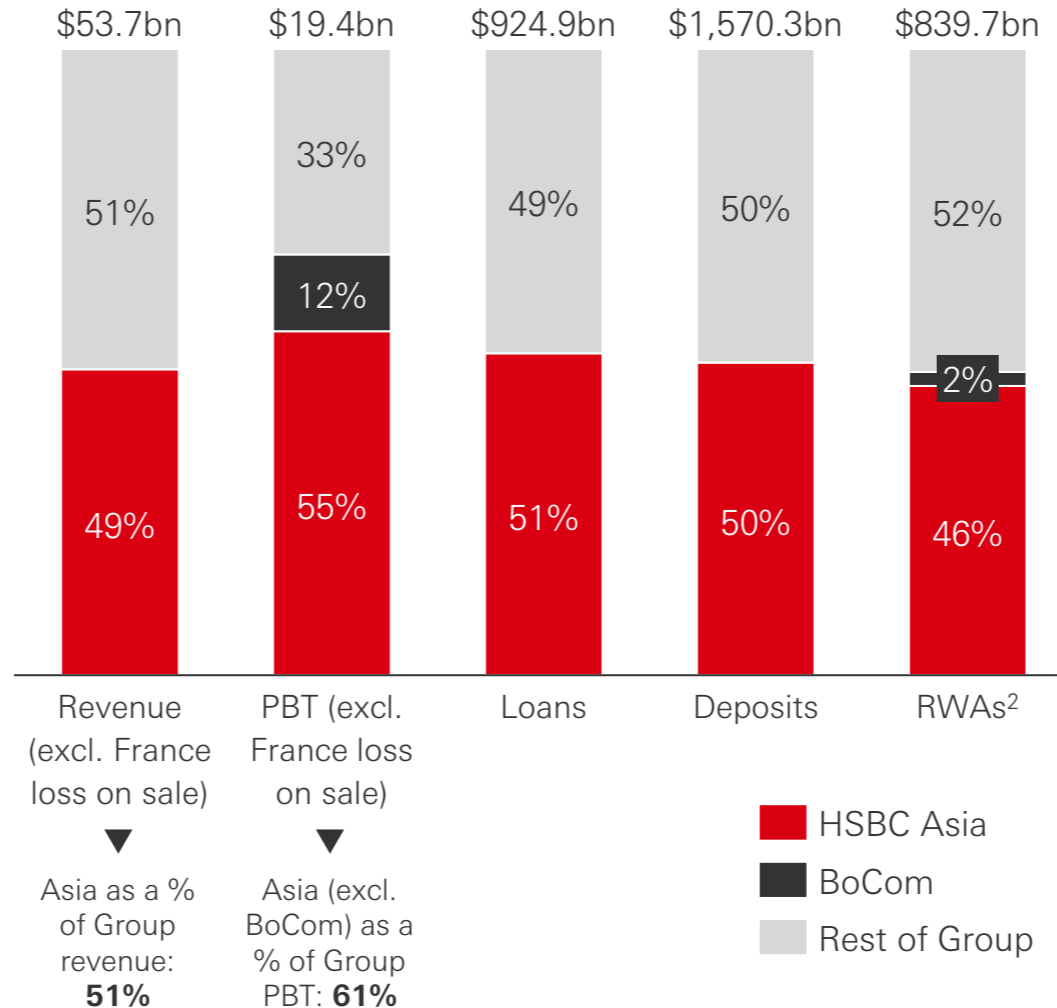
HSBC Asia dividend trend, \$bn

Ordinary dividends paid in the period¹



HSBC Asia as a proportion of Group

FY22



- ◆ HSBC Asia as a proportion of Group now broadly **in line with strategic aims**
- ◆ FY22 HSBC Asia tangible equity as a % of Group³ of **47%**, vs. 42% in 2020; continue to **focus on shifting** Group tangible equity **towards Asia** over the medium term³
- ◆ Expect Asia to continue to **grow faster** than the rest of the Group given GDP growth outlook and **continued investment**

1. Dividends paid by the Hongkong and Shanghai Banking Corporation Ltd. Asia's contribution to Group dividends in 2018 reduced by dividends paid through internal restructuring; dividends paid in 2019 relate to FY18 and FY19 reporting periods
 2. RWAs are non-additive across legal entities due to market risk diversification effects within the Group; percentage of RWAs

3. by region are calculated using the sum of gross legal entity RWAs Based on tangible equity ('TE') of the Group's major legal entities excluding associates, holding companies and consolidation adjustments; medium term is defined as to 3-4 years from 1 January 2023 16

FY22 and 1Q23 HSBC Asia financial performance

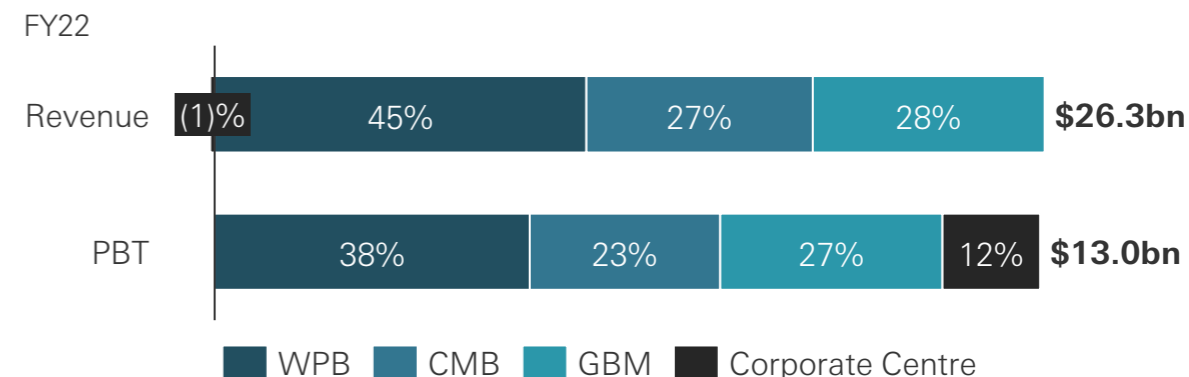
\$bn	1Q23 ¹	1Q22 ¹	Δ	FY22	FY21	Δ
NII	4.2	2.8	▲ 51%	16.2	12.6	▲ 28%
Non-NII	4.1	2.8	▲ 49%	10.1	10.4	▼ (3)%
Revenue	8.3	5.6	▲ 50%	26.3	23.0	▲ 14%
ECL	(0.1)	(0.3)	▼ 74%	(2.1)	(0.8)	▲ >(100)%
Costs	(3.1)	(3.2)	▼ 4%	(13.6)	(13.0)	▲ (4)%
Associates	0.7	0.7	▼ (2)%	2.4	2.5	▼ (3)%
Reported PBT	5.8	2.8	▲ >100%	13.0	11.6	▲ 12%

\$bn	1Q23 ¹	Δ vs. FY22 ¹	FY22	FY21	Δ
Customer lending	468.9	▼ (1)%	475.3	492.5	▼ (4)%
Customer deposits	778.9	▼ (0)%	784.2	792.1	▼ (1)%
Reported RWAs	395.1	▼ (3)%	407.0	393.7	▲ (3)%
CET1 ratio, %	16.1	▲ 0.8ppts	15.3	15.4	▼ (0.1)ppts
RoTE, %			12.3	10.6	▲ 1.7ppts

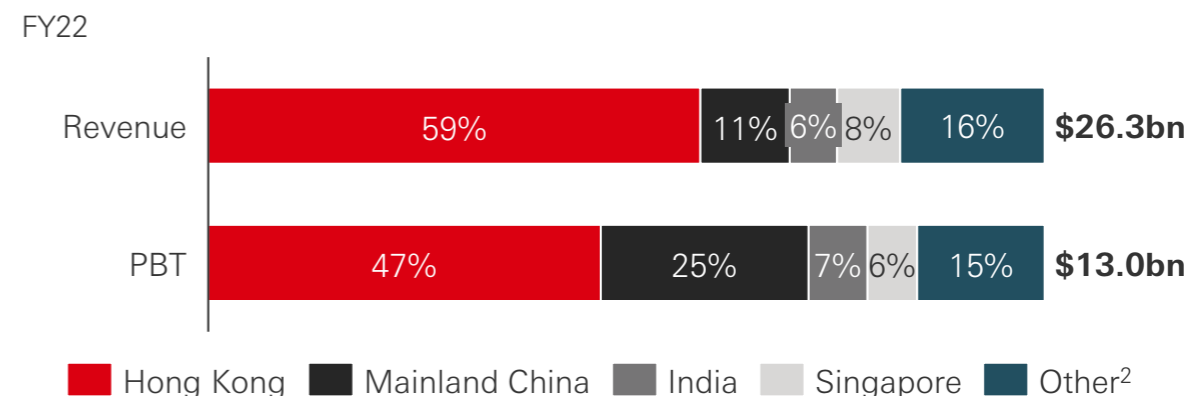
- ◆ Good performance in FY22; reported **revenue of \$26.3bn up \$3.3bn (14%)** and reported **PBT of \$13.0bn up 12%**
- ◆ **Strong start to 2023**, supported by Hong Kong border reopening and higher interest rates

1. 1Q23 and 1Q22 figures prepared on an IFRS 17 basis. Movement between 1Q23 and FY22 balance sheet metrics on an IFRS 17 basis; FY22 vs. FY21 figures prepared on an IFRS 4 basis

Diversified across businesses



Diversified across territories



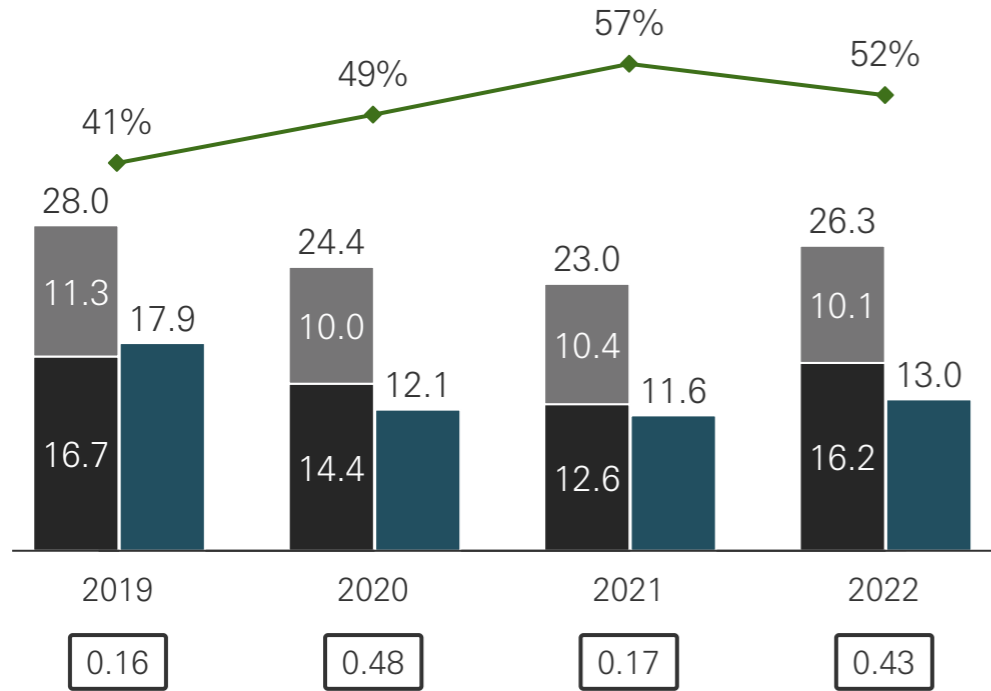
- ◆ HSBC Asia is well diversified across global businesses, but aiming to further diversify across Asia markets
- ◆ **c.60%** of wholesale client business³ in Asia is **cross-border**; **c.28%** of WPB Hong Kong customers are **international**³

2. 'Other' includes intercompany eliminations

3. Refer to glossary for definitions

Historical performance

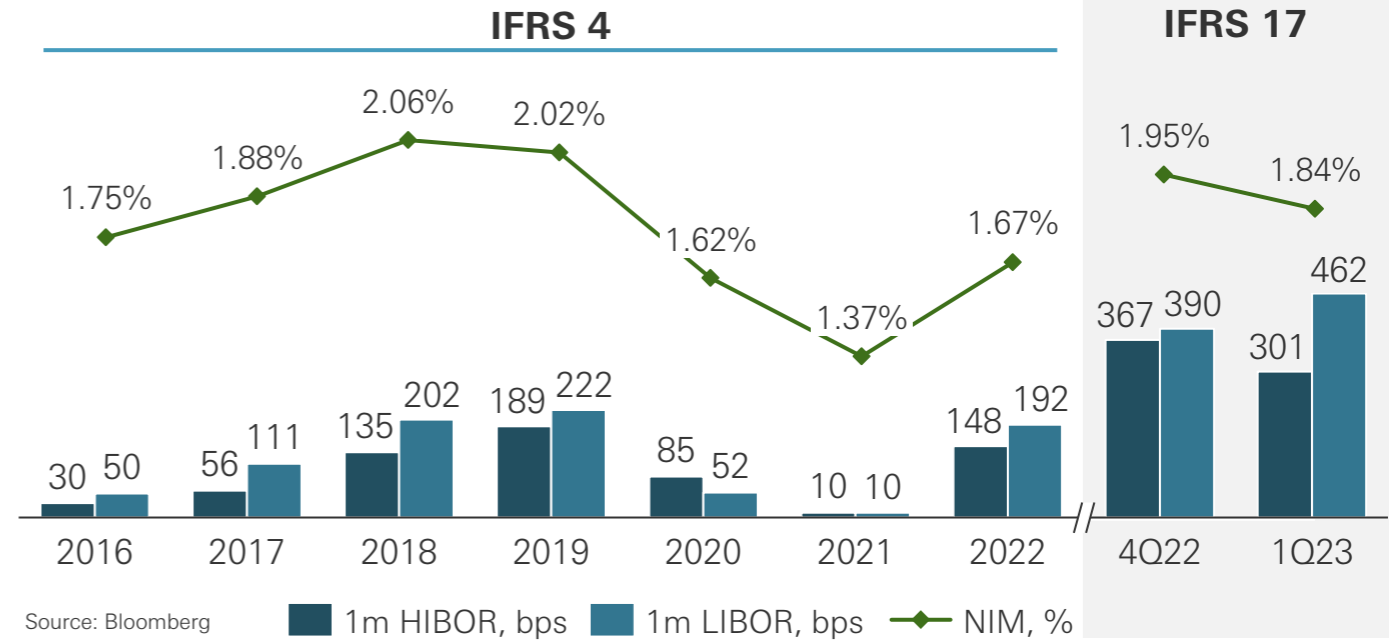
HSBC Asia financial performance, \$bn



NII
 Non-NII
 PBT
 CER
 ECL as % of average gross loans and advances, %

- ◆ **Higher central bank interest rates** present a more positive operating environment for potential **better returns**
- ◆ NII declined by \$4bn (24%) between 2019 and 2021 due to NIM compression. **Early recovery of NII and profitability in 2H22**
- ◆ **Costs grew 5.7% CAGR** 2022 vs. 2019, with investments in Wealth and technology partly funded by cost saving initiatives

HSBC Asia NIM and key rate averages



Source: Bloomberg

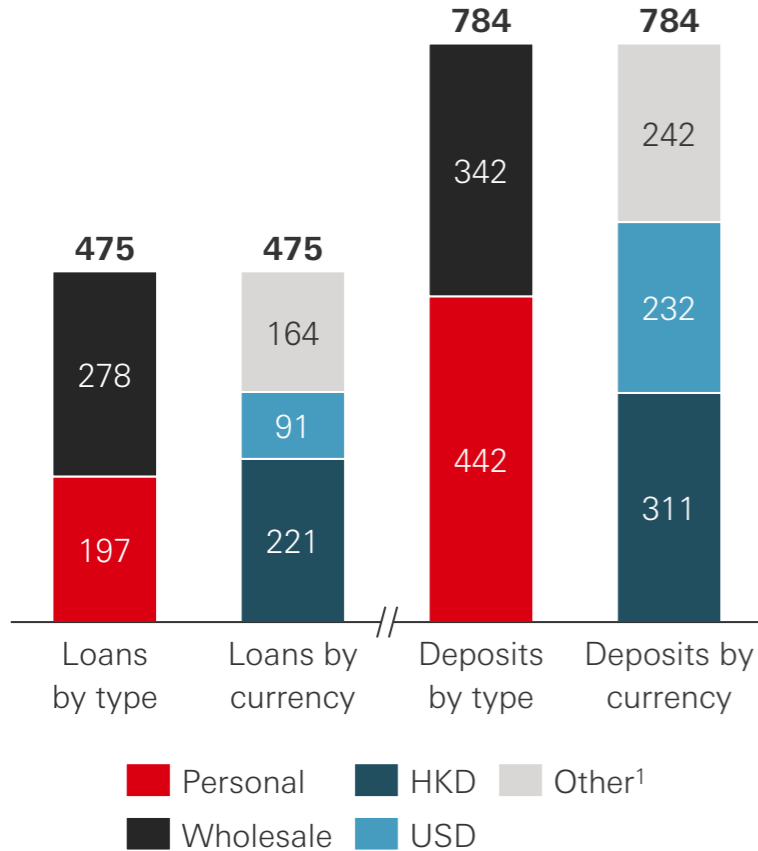
1m HIBOR, bps
 1m LIBOR, bps
 NIM, %

- ◆ **Strong 1Q23** performance with NII up 51% vs. 1Q22 and NIM of 1.84%, despite an 11bps decline vs. 4Q22
- ◆ 1Q23 NII **significantly impacted** by transition to IFRS 17; FY22 NII of \$14.0bn (**down \$2.2bn** post-transition). FY22 NIM under IFRS 17 was **1.54% or 13bps lower**
- ◆ Group NII sensitivity (+100bps) is **c.25%** attributable to Hong Kong; **c.40%** of Hong Kong NII sensitivity **driven by HKD-linked rate changes**

Differentiated balance sheet with stable and diversified deposits

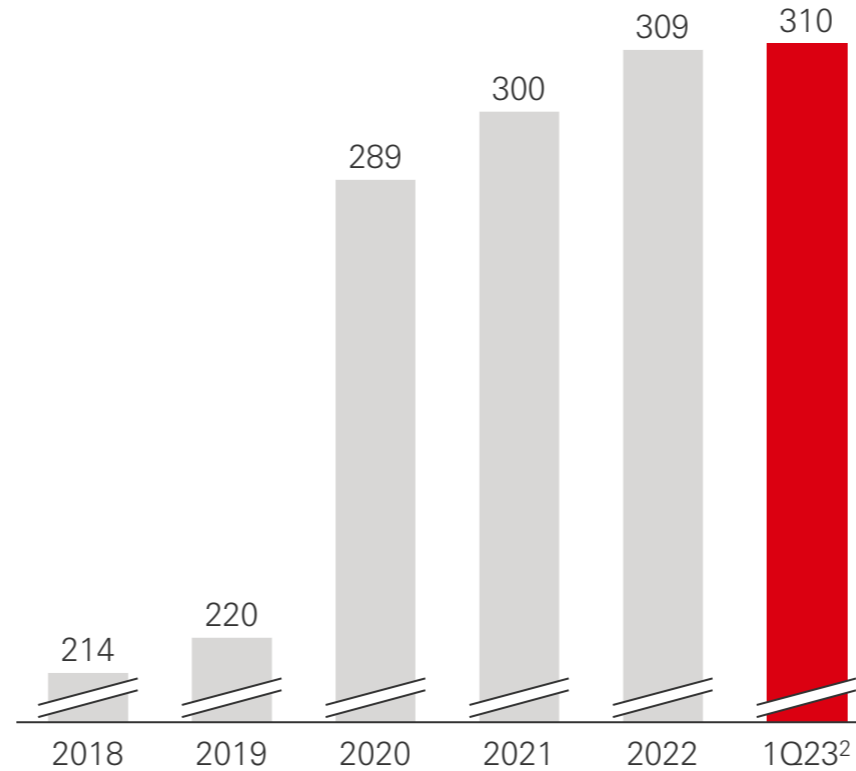
HSBC Asia loans and deposits, \$bn

FY22



- ◆ **61% loan to deposit ratio**
- ◆ **Diversified deposit base** with 56% deposits from c.14m retail customers

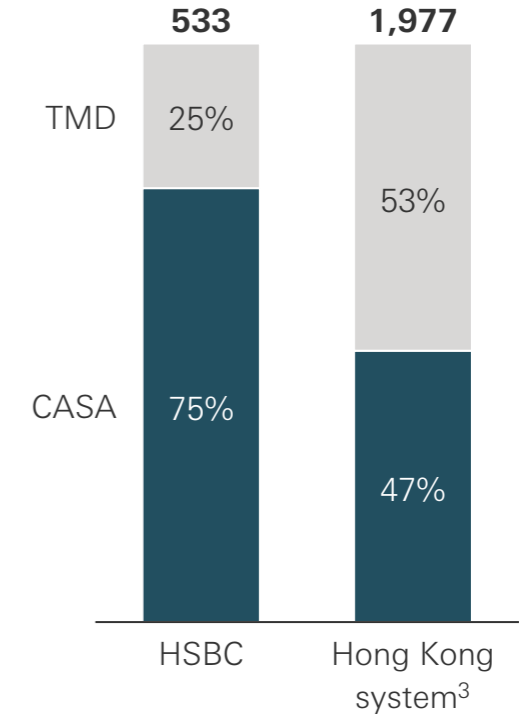
HSBC Asia deposit surplus trend, \$bn



- ◆ Surplus **primarily invested in government bonds and cash**
- ◆ Strong deposit franchise and surplus liquidity help enable us to withstand macro uncertainties

Hong Kong deposit mix, \$bn

1Q23



- ◆ High quality deposit base, largely funded by current and savings accounts (CASA); 1Q23 deposits were **75% CASA**
- ◆ 1Q23 time deposit shift of **3ppts** vs. 4Q22

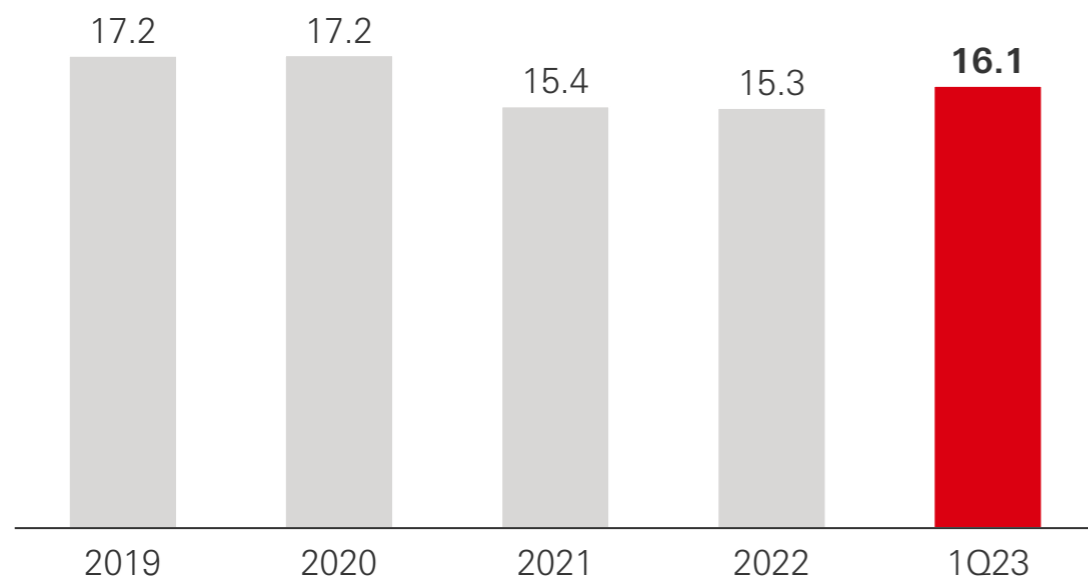
1. Other currencies primarily local currency balances in Asia markets other than Hong Kong

2. 1Q23 balance sheet prepared on an IFRS 17 basis

3. Source: HKMA. Converted from Hong Kong dollars using 31 March 2023 spot USDHKD rate of 7.84985

Capital and liquidity

HSBC Asia CET1 ratio trend, %



- ◆ HSBC Asia is well capitalised and a **consistently strong dividend payer** to Group; Asia is expected to generate significant capital in the coming years as performance recovers
- ◆ HSBC Asia's dividend payout ratio has been in the region of **40-70%** of earnings over the last 5 years¹

Funding and liquidity²

- ◆ **Highly liquid balance sheet** with 4Q22 weighted HQLA of **\$242bn**, equivalent to **31% of customer deposits**
- ◆ Liquidity ratios well above regulatory requirements

	FY22	FY21	Δ
LCR ³	157.8%	154.3%	▲ 3.5ppts
NSFR ³	152.3%	151.9%	▲ 0.4ppts
Leverage ratio	5.9%	5.8%	▲ 0.1ppts
CET1 capital	\$63bn	\$62bn	▲ 1%
Tier 1 capital	\$70bn	\$68bn	▲ 3%
Tier 1 ratio	16.9%	16.8%	▲ 0.1ppts
Deposit surplus	\$309bn	\$300bn	▲ 3%
Weighted HQLA ³	\$242bn	\$245bn	▼ (1)%

1. Not to be interpreted as capital distribution policy

2. Data as published in the Hongkong and Shanghai Banking Corporation Limited's Annual Report and Accounts 2022. Originally reported in Hong Kong dollars. FY22 converted using 31 December 2022 spot USDHKD rate of 7.79575; FY21 converted using 31 December 2021 spot USDHKD rate of 7.7985

3. Period average figure for the fourth quarter of the respective year

Outlook

\$bn	1Q23 ¹	FY22	1Q22 ¹	Outlook (2yr)
NII	4.2	16.2	2.8	
Non-NII	4.1	10.1	2.8	
Revenue	8.3	26.3	5.6	↗
ECL	(0.1)	(2.1)	(0.3)	
Costs	(3.1)	(13.6)	(3.2)	↗
Associates	0.7	2.4	0.7	
Reported PBT	5.8	13.0	2.8	↗

\$bn	1Q23 ¹	FY22	1Q22 ¹	Outlook (2yr)
Customer loans	468.9	474.0	496.9	↗
Customer deposits	778.9	784.2	794.7	↗
Reported RWAs	395.1	407.0	403.1	
CET1 ratio, %	16.1	15.3	14.6	

- ◆ Current interest **rate environment is positive** for HSBC Asia; **further growth expected** as wealth and capital market activity levels and sentiment normalise
- ◆ Credit environment improved and mainland China CRE asset quality has stabilised

HSBC Asia medium term² ambitions

Wealth | **High-single digit percentage** Wealth revenue growth

Lending | **Mid-single digit percentage** growth medium to long term; cautious in the short term

Returns | Aiming for **mid-teens** RoTE

1. Prepared on an IFRS 17 basis

2. Medium term is defined as to 3-4 years from 1 January 2023; long term is defined as 5-6 years from 1 January 2023

HSBC Asia has distinctive strengths and is positioned to grow in a diversified way

- 1 Strong deposit franchise and surplus liquidity**, well positioned to benefit from higher rates
- 2 Well capitalised**, supporting self-funding of Asia business growth aspirations
- 3 Continued significant dividend contributions** to Group; 5 year historical dividend payout ratio of 40-70%
- 4 Strong focus on cost efficiency** by driving transformation across region and investing for growth
- 5 Improved growth outlook**, benefiting from mainland China and Hong Kong border reopening and diversification across Asia

Asia transformation

David Grimme | COO, Asia Pacific










Asia transformation – today we will cover:

- 1** | **\$1.1bn gross savings realised** in Asia through the Group Transformation Programme (GTP)
- 2** | **Investing c.\$6bn in Asia** between 2021-25
- 3** | Vision 27 Technology Strategic Plan will enable **digitisation at scale**, delivering through four pillars: Speed, Scale, Resilience, People
- 4** | Enabling our ambition to be the **leading international bank, commercial banking franchise** and **wealth manager** in Asia

Asia Global Transformation Programme 2020-2022

Asia GTP was a large-scale operational transformation that has driven a sustainable increase in productivity, efficiency and process simplification. The \$1.1bn of savings and c.11k reduction in gross positions have funded c.8k growth roles in 2020-22

	Key levers	Enablers	Key metrics
<div style="text-align: center;"> <p>\$1.1bn gross overall saves</p>  <p>\$5.6bn global saves</p> <p>Asia 20%</p> <p>c.11k Gross position reduction</p> </div>	 <p>Operating model optimisation</p>	<ul style="list-style-type: none"> ◆ Down-sizing ◆ Right-shoring ◆ Increase front office to back-office ratio 	<ul style="list-style-type: none"> ◆ 7% ASP workforce reduction ◆ 44% Offshore / Total FTE Ratio (2% increase)
	 <p>Process automation</p>	<ul style="list-style-type: none"> ◆ Improve efficiency through MI and analytics 	<ul style="list-style-type: none"> ◆ 1.5 days → 15mins Operations processing time to replenish ATMs in Hong Kong
	 <p>Digitisation</p>	<ul style="list-style-type: none"> ◆ Customer journey streamlining ◆ Self-service 	<ul style="list-style-type: none"> ◆ 48.4% retail customers are digitally active across Asia Pacific (+3.3% from YE21)
	 <p>Real estate reduction</p>	<ul style="list-style-type: none"> ◆ Branch optimisation ◆ Office space optimisation ◆ Increase desk ratio through hybrid working 	<ul style="list-style-type: none"> ◆ 23% Office space reduction to date ◆ 17% Retail space reduction to date
	 <p>Tech infrastructure optimisation</p>	<ul style="list-style-type: none"> ◆ Optimise tech delivery model and architecture ◆ Asset write-off ◆ Reduce number of IT incidents 	<ul style="list-style-type: none"> ◆ 33% Cloud adoption ◆ 59,000 Virtual Desktop Infrastructure (VDI) terminals deployed
	 <p>Others</p>	<ul style="list-style-type: none"> ◆ Vendor saves ◆ Paper reduction 	<ul style="list-style-type: none"> ◆ \$182mn vendor spend reduction ◆ 316 vendor count reduction ◆ 15% reduction in paper statements and cheque volumes in HK

A five-year strategic transformation programme investing in people and technology

Commitment

To invest **c.\$6bn¹** in Asia
between 2021-25

Investments made between
2021-22 broadly align to plan

Ambition

- 1 To become the leading bank for Asian wealth management**
- 2 To be the leading commercial banking franchise in Asia**
- 3 To be the leading international bank in Asia**

Strategic themes

Growth acceleration

Enhanced returns

Diversification of
geographic mix of revenues

Rebalance the revenue mix

1. c.\$6bn P&L spend, \$7.5bn cash

Enabling growth across our businesses

		Levers	Outcomes ¹	
<p>c.\$6bn committed investment 2021-2025</p>	<p>>400 Strategic Initiatives</p>	<p>Wealth & Personal Banking (WPB) c.\$3.5bn</p>	<p>Expanding our presence and enhancing our propositions</p> <ul style="list-style-type: none"> ◆ Private Bank - launched Thailand Private Banking and expanded our presence in mainland China ◆ Launched >35 products through our asset management in-house manufacturing ◆ Wellness and benefits proposition in Hong Kong has attracted c.190k members 	
		<p>Developing our digital capabilities</p>	<ul style="list-style-type: none"> ◆ Introduced digital investment account opening in Hong Kong, Singapore, India and Malaysia with >100k accounts opened digitally 	
		<p>Investing in our people</p>	<ul style="list-style-type: none"> ◆ Incremental hiring of 1,900 front-line staff 	
	<p>>95% Delivery is on track</p>	<p>Wholesale (CMB and GB) c.\$2bn</p>	<p>Digitising customer experience and acquisition</p>	<ul style="list-style-type: none"> ◆ Digital portal with automated credit processes launched in 11 markets² to drive process efficiency ◆ Full digital client onboarding launched in 9 markets³ ◆ UniTransact in India – single platform to serve client needs across trade, payments, securities services
			<p>Transaction banking and cross-border growth geographies</p>	<ul style="list-style-type: none"> ◆ Global Wallet - enabling 'pay and receive like a local' experience for cross border transfers launched in Singapore and Malaysia ◆ Launched digital platform for trading in Hong Kong to enable a seamless experience for end-to-end trading journey
			<p>Platform and new economies sustainability</p>	<ul style="list-style-type: none"> ◆ Trade-as-a-Service - platforms business to allow customers to use HSBC products on third party platform, launched in 5 markets⁴, creating a new ways of acquiring customers at scale and enabling new types of connections with the businesses we serve
		<p>Markets Securities Services (MSS) c.\$0.8bn</p>	<p>Grow transaction banking</p>	<ul style="list-style-type: none"> ◆ Enhanced digital payment proposition, offering cross selling opportunities across FX, trade, and GPS ◆ Won key client mandates on cross-border payments on the back of holistic payment propositions offered by UniTransact
			<p>Institutional client growth</p>	<ul style="list-style-type: none"> ◆ Core capabilities improved to service Asian clients directly, or international clients into Asian markets, aligning East and West ◆ Expansion of products offering and platform enhancements supporting China Prime Business
			<p>Asian Wealth</p>	<ul style="list-style-type: none"> ◆ Invested to grow wealth solutions across equity, FX options and non-equity products and expanded digital connectivity to service Wealth clients
			<p>Collaboration</p>	<ul style="list-style-type: none"> ◆ Won the first China QFI Prime Financing mandate from a hedge fund client, leveraged on MSS collaboration success in offering end-to-end solution of QFI execution, prime financing and custody

1. 2021/22 numbers unless otherwise stated

2. Landing Page / Workflow Tool launched in Australia, India, Indonesia, Malaysia, Mauritius, NZ, Philippines, Singapore, Sri Lanka & Maldives, Thailand, Vietnam

3. Digital Client Onboarding / SmartServe launched in Australia, India, Indonesia, Malaysia, NZ, Philippines, Singapore, Thailand, mainland China

4. Trade-as-a-Service launched in HK, mainland China, Taiwan, Singapore, India

HSBC Technology Strategy Vision '27 – a five-year plan to create and deliver fast, easy, digital customer experiences

Speed



Deliver outcomes for customers much faster through Agile ways of working, and modern and simplified processes

- ◆ **Simplifying our core banking platforms**, demising legacy digital platforms in Asia, rewriting our code to bring efficiency and adaptability to latest technology and regulatory requirements and building a 'coreless' foundation
- ◆ **Modernisation of Digital Customer Channels** (HSBCnet, HSBC Connect, Digital Business Banking) to accelerate migration of clients, remediate out-of-support software and enhance internal API security

Scale



Build solutions once and deploy them rapidly across markets by using Cloud technology and data, and upgrading our platforms

- ◆ **Increased our Cloud adoption** rate across the Group by ~35% (with a target of 70%) to allow capacity to process large volumes of data in an efficient and sustainable way
- ◆ All Asia markets have adopted Cloud and continue to accelerate Cloud adoption on locally owned systems

Resilience



Make our services more resilient, better for the environment and improve our service availability to customers

- ◆ Introduced **Technology Resilience Maturity Framework** to assess technology services, particularly Important Business Services (IBS), are at a globally consistent level of resilience capability and risk
- ◆ Pioneered Automated Certificate Renewal in Asia to all technology and platforms **to reduce service disruptions**. 2023 focus is to roll out globally to continue to include Asia IT services
- ◆ \$73m of funding allocated in Asia to support the Resilience uplift in 2023

People



The right people, in the right places, equipped with skills for the future, in a modern, flexible workplace for colleagues across the bank

- ◆ Fostering a culture of innovation in Technology, through vendor partnerships with Google, Microsoft, Amazon, and Alibaba and patent structure. **In 2022, 34 patents were filed**
- ◆ Enhancing the workforce with the right skills and capability and improving resilience by replacing target of c2k non-permanent resources globally with permanent resources
- ◆ Enabling **better collaboration and improving the colleague workplace experience** across the bank with Microsoft 365, including Teams and virtual desktops

Asia transformation – summary

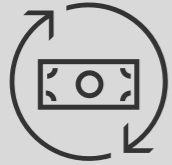
- 1** | **Maintaining our focus on cost efficiency** through our transformation programme
- 2** | **Enhancing our digital proposition** to make banking with us easier for our customers
- 3** | **Upgrading our core architecture** and increasing **cloud adoption** to increase speed and resilience
- 4** | Improving our **colleague experience** and fostering a **culture of innovation**

Asia risk

Martin Haythorne | Chief Risk Officer, Asia Pacific



Key risks



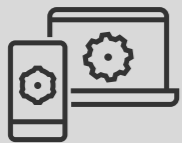
Credit risk



ESG risk



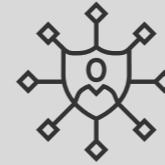
Financial crime risk



Digitisation and technological advances



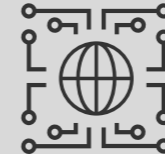
Geopolitical risk



IT and operational resilience



Macroeconomic risk



Model risk

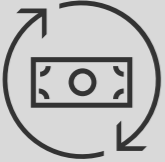


IBOR transition




Treasury risk


Key risks




Credit risk




ESG risk




Financial crime risk




Digitisation and technological advances




Geopolitical risk




IT and operational resilience




Macroeconomic risk



Model risk



IBOR transition



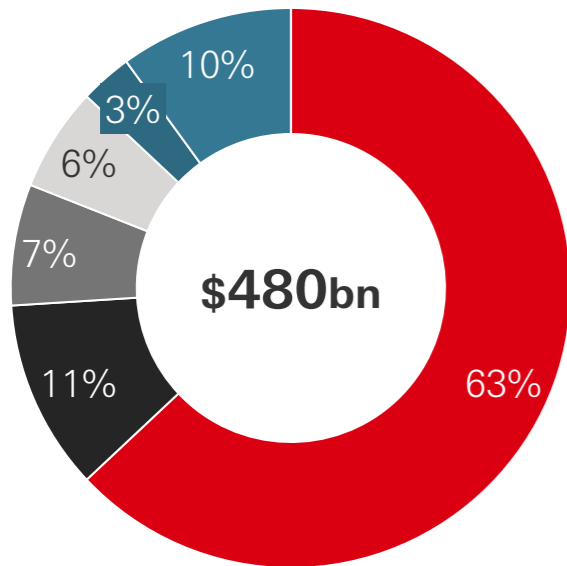
Treasury risk

Balanced and diversified product and sector portfolio in Asia

Gross loans and advances to customers

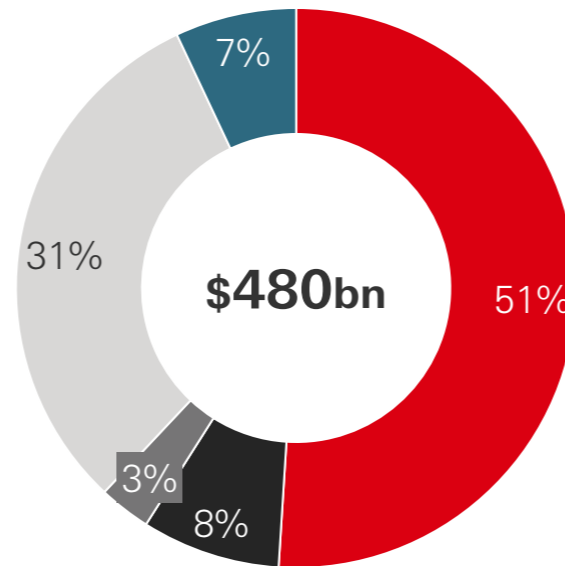
At 31 December 2022

By booking location



- Hong Kong
- Mainland China
- Australia
- Singapore
- India
- Rest of Asia

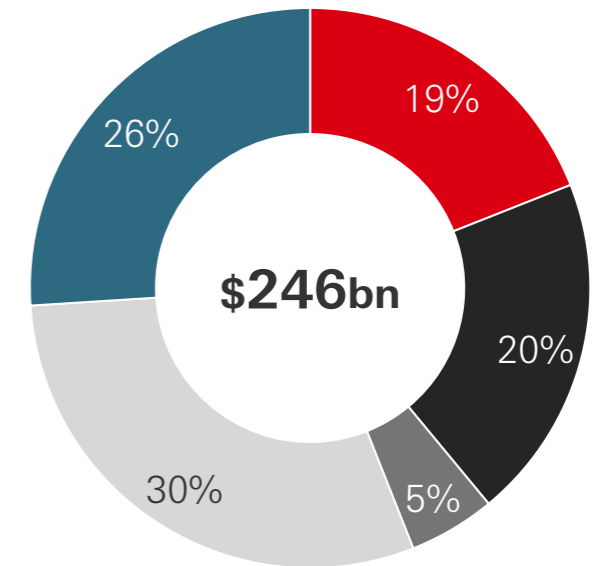
By product



- Corporate and commercial
- NBFIs
- Credit cards
- Residential mortgages
- Other personal lending

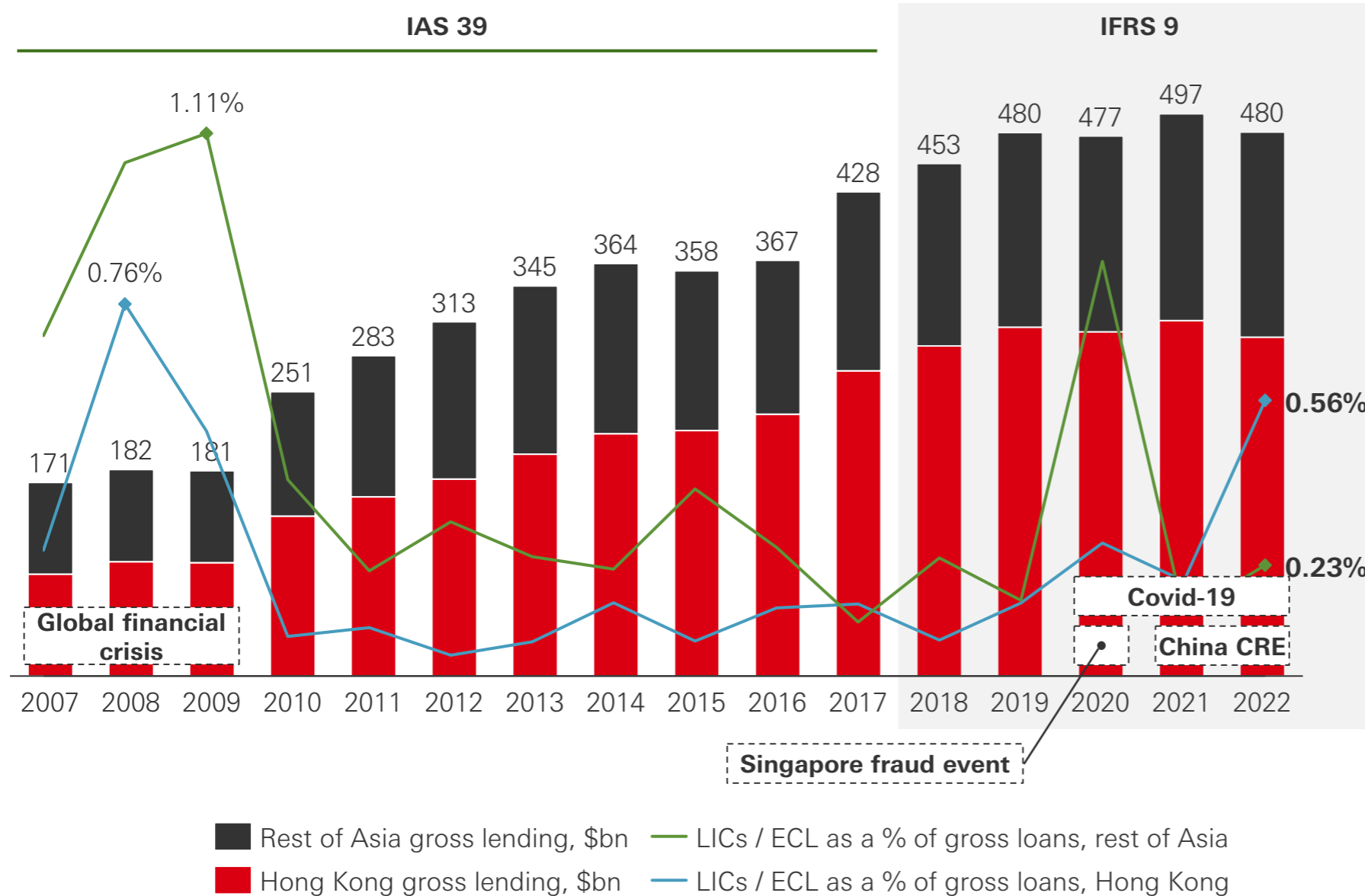
Corporate and commercial credit exposure

At 31 December 2022, by sector



- Manufacturing
- Wholesale and retail trade
- Transportation and storage
- Real estate
- Other

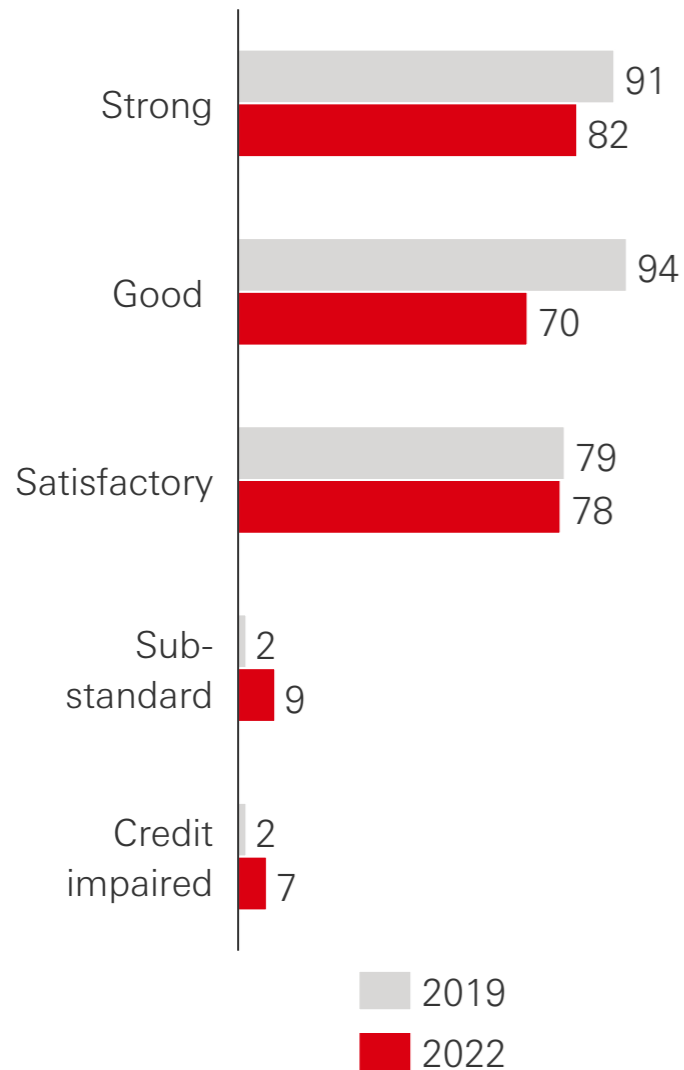
Loan Impairment Charges / Expected Credit Losses



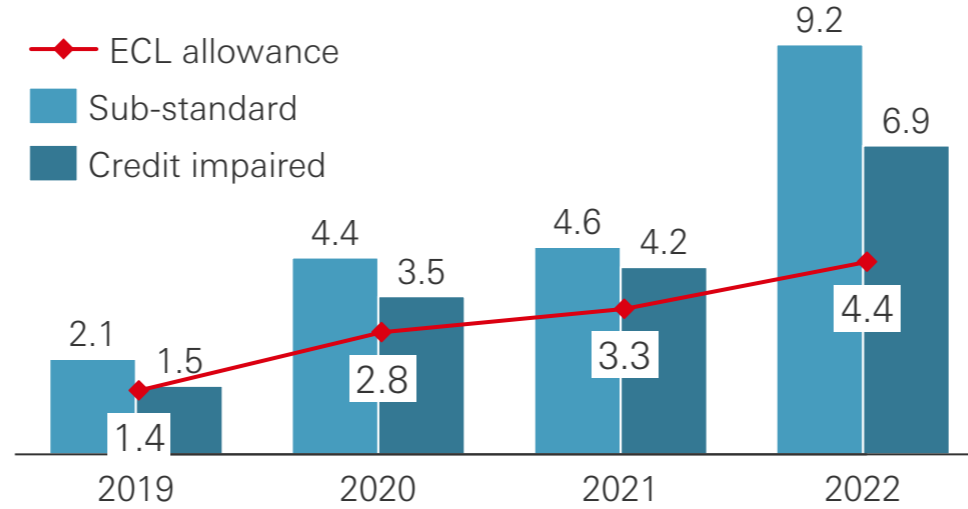
- ◆ Asia loan growth slowed to 1% CAGR since 2018, from 7% post-global financial crisis (2010-2018 period), with growth in Rest of Asia (2.4%) outpacing Hong Kong (0.5%) between 2018 and 2022
- ◆ Average loan loss ratio of **26bps** during 2007-2022; ECL from Covid-19 (2020) and mainland China CRE distress (2022) remain **materially below** those seen during the global financial crisis
- ◆ Outside of mainland China CRE, and an idiosyncratic Singapore fraud event, **ECL has remained benign** through recent years

Asia corporate and commercial portfolio overview

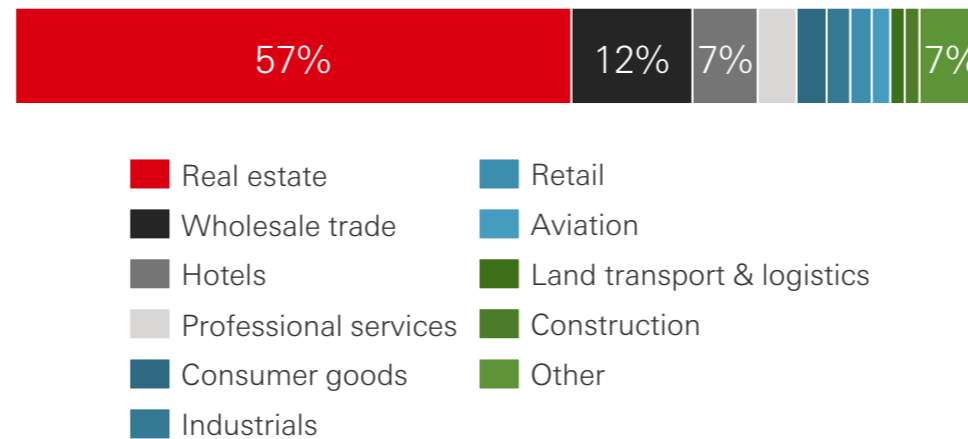
Corporate and commercial portfolio by credit quality, \$bn



Sub-standard and credit impaired exposure trend, \$bn

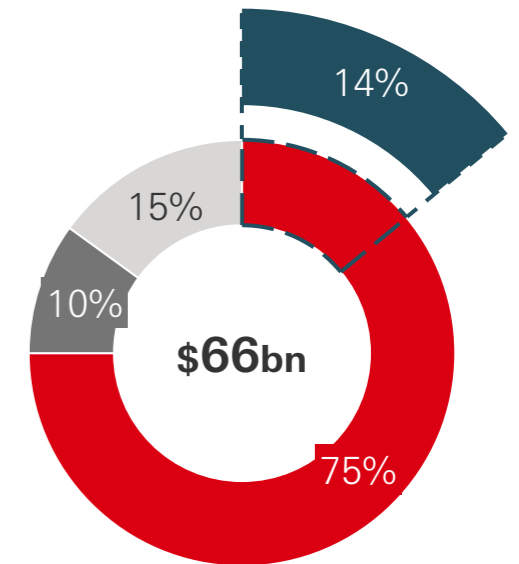


FY22 by sector



FY22 Asia CRE exposures

- ◆ **Stable credit quality** over the past 3 years, excl. mainland China CRE exposure
- ◆ Given the credit quality and diversification of the book, **no significant deterioration** from rising interest rates

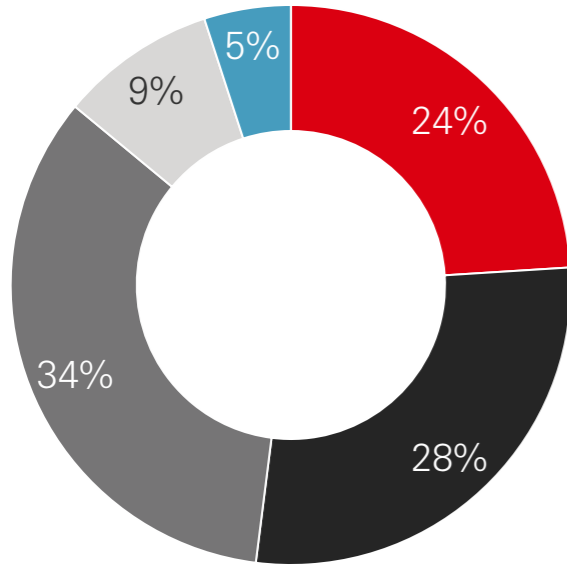


- ◆ Mainland China CRE (offshore)
- ◆ Hong Kong CRE
- ◆ Mainland China CRE (onshore)
- ◆ Rest of Asia CRE

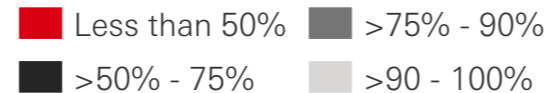
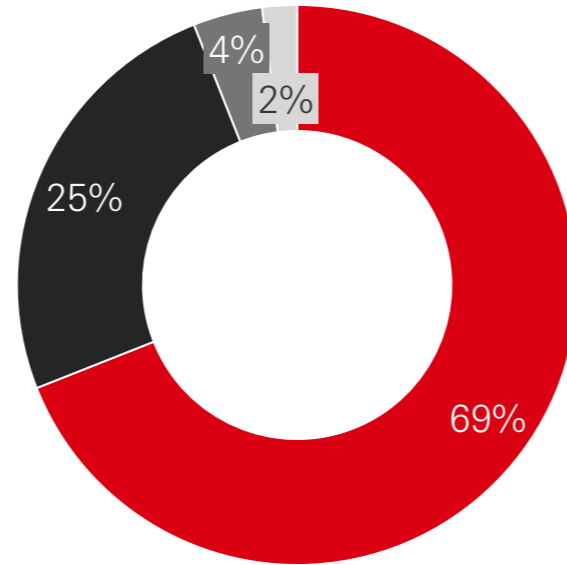
Hong Kong commercial real estate

Gross Hong Kong CRE exposures at 31 December 2022

By credit quality



By LTV band of collateralised exposure



- ◆ Hong Kong accounts for **75% of total Asia CRE exposures**

- ◆ **69%** of collateralised exposures have an **LTV ratio below 50%**

Excluding mainland China exposures:

- ◆ **High quality portfolio** to diversified corporates:
- ◆ **69%** of the book is collateralised
- ◆ Of the 31% uncollateralized portion of the book, **89% of exposures** are to borrowers with an internal credit rating broadly equivalent to investment grade

Mainland China commercial real estate

Mainland China CRE exposures by booking location and credit quality

At 31 December 2022

\$m	<i>Memo: Hong Kong at 2022</i>	Hong Kong	Mainland China	RoW	Total
Total	11,734	9,378	6,507	878	16,763
Strong	2,095	1,425	2,118	220	3,763
Good	2,429	697	1,087	370	2,154
Satisfactory	3,104	1,269	2,248	77	3,594
Sub-standard	1,946	2,887	779	193	3,859
Credit impaired	2,160	3,100	275	18	3,393
Allowance for ECL	(884)	(1,746)	(241)	(4)	(1,991)

Hong Kong booked sub-standard and credit impaired exposures

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

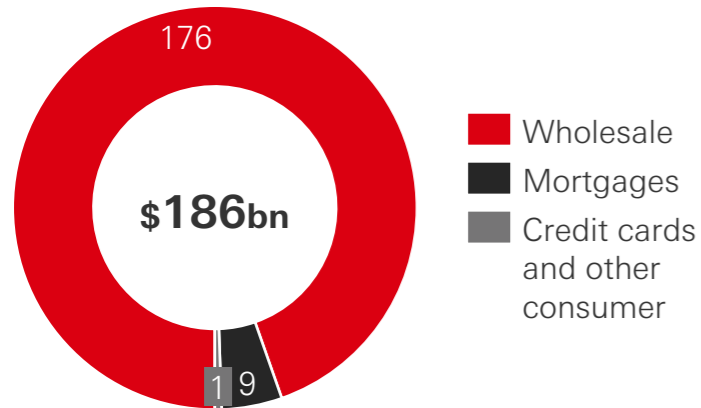
- ◆ Total mainland China CRE exposure \$16.8bn, down **\$3.0bn** vs. 2022, primarily due to repayments in the Hong Kong booked portfolio

Hong Kong booked exposures:

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

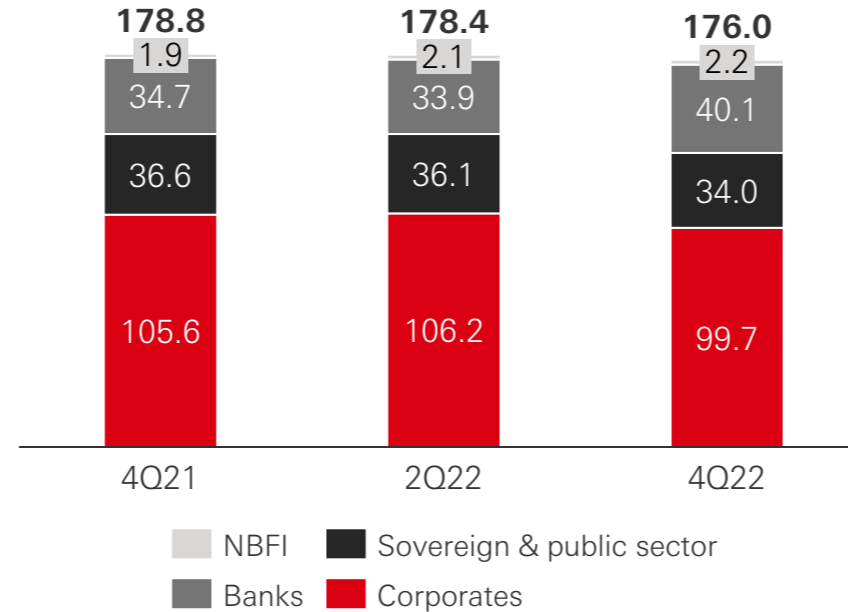
Mainland China risk exposure

Mainland China risk exposure, \$bn



- ◆ Mainland China risk exposure is defined as lending booked in mainland China plus wholesale lending booked offshore where the ultimate parent and beneficial owner is in mainland China. These amounts exclude MSS financing
- ◆ Gross loans and advances to customers of **\$51bn** booked in mainland China (Wholesale: \$41bn; Retail \$10bn)

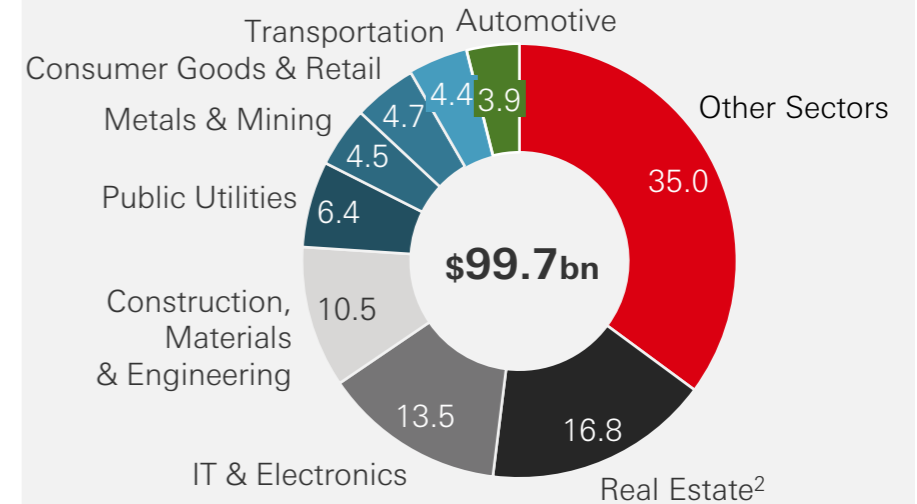
Wholesale lending analysis, \$bn



Mainland China banks exposures

- ◆ **99.5%** of exposures to investment grade counterparties
- ◆ Under close monitoring for second order risks following recent banking sector stress in the US and Europe

Corporate lending by sector, \$bn



- ◆ **63%** of portfolio is Investment Grade
- ◆ Early **signs of stabilisation** observed onshore in mainland CRE sector in **1Q23**
- ◆ **c.16%** of corporate lending is to foreign-owned enterprises
- ◆ **c.38%** of lending is to state-owned enterprises
- ◆ **c.46%** of lending is to private sector owned enterprises

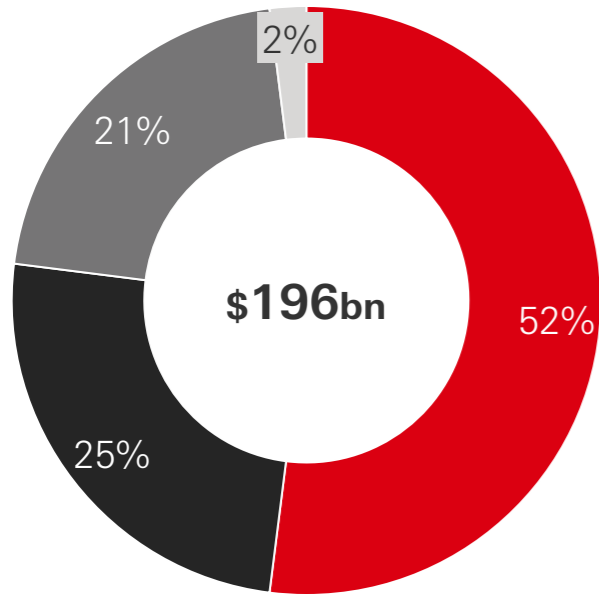
1. Wholesale drawn risk exposure of \$176bn includes on balance sheet lending as well as issued off balance sheet exposures, excludes unutilised commitments

2. 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 e.g. a warehouse for an e-commerce firm

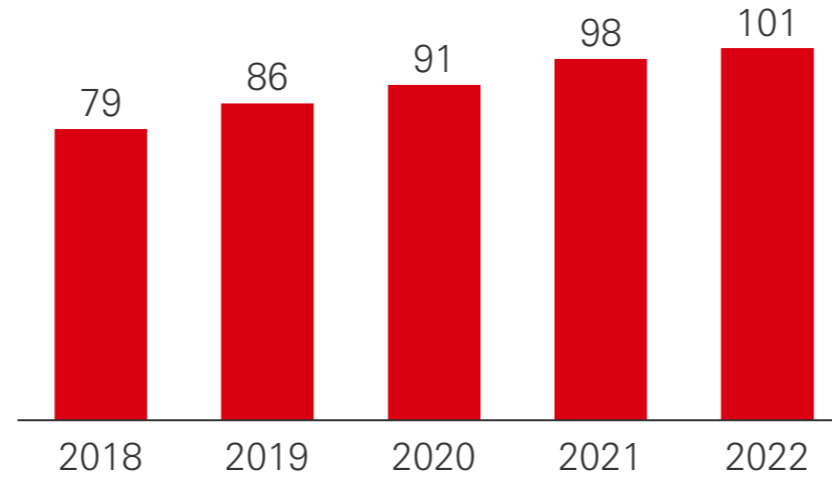
Hong Kong residential mortgage portfolio

Asia retail exposures

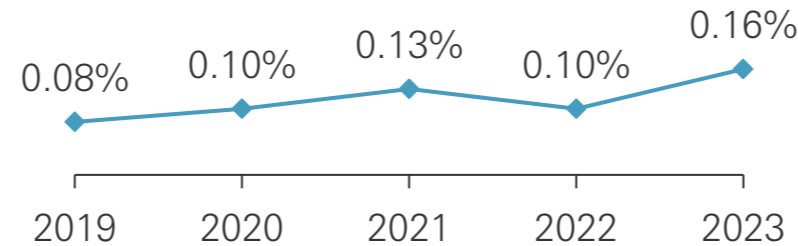


- Hong Kong mortgages
- Asia excl. Hong Kong mortgages
- Hong Kong other personal lending
- Asia excl. Hong Kong other personal lending

Hong Kong mortgage exposures



■ Hong Kong mortgage balances, \$bn



◆ Hong Kong 30 day+ delinquencies, %

- ◆ **Stable and resilient** credit performance in 2022, early signs of **positive outlook** in 2023
- ◆ **High quality portfolio** with low delinquencies; low LTV and predominantly owner-occupied
- ◆ **Total ECL allowance** for Hong Kong mortgages at 1Q23 was **\$1m**
- ◆ **98.5%** of portfolio with current LTV > 80% **are insured**; majority of uninsured balances are staff mortgages; **low level** of uninsured negative equity

LTV band	4Q22	4Q21
≤50%	44	61
>50% - ≤60%	19	12
>60% - ≤70%	10	5
>70% - ≤80%	4	8
>80% - ≤90%	8	8
>90% - ≤100%	10	3
>100%	6	0
Total	101	98
Average LTV	57%	47%
Origination LTV	59%	62%

Key messages

- 1 Diversified portfolio** – by geography, industry sector and business type
- 2 Stable financial risk performance** across wholesale and retail; mainland China CRE has been challenging but is evolving
- 3 Strong capital and liquidity foundations** helping enable future growth
- 4 Hong Kong** has scale exposures, but we are confident in positioning across each segment

HSBC Hong Kong

Luanne Lim | CEO, HSBC Hong Kong



Introduction

- 1 Hong Kong has a **track record of growth and resilience**, with a positive outlook
- 2 Founded in Hong Kong, we are the **city's largest financial institution**, participating across the economy and society
- 3 We have a **strong strategic position** and an attractive financial profile
- 4 From a position of **market leadership**, we are continuing to **accelerate and innovate**

Hong Kong: a scale financial centre, uniquely placed in Asia

Strong fundamentals

Deep capital markets

\$4.8tn equity market cap¹
#4 globally for FX turnover²

Dominant gateway to and from China

>50% of FDI/ODI to and from China³
#1 offshore RMB liquidity⁴

Business-friendly environment

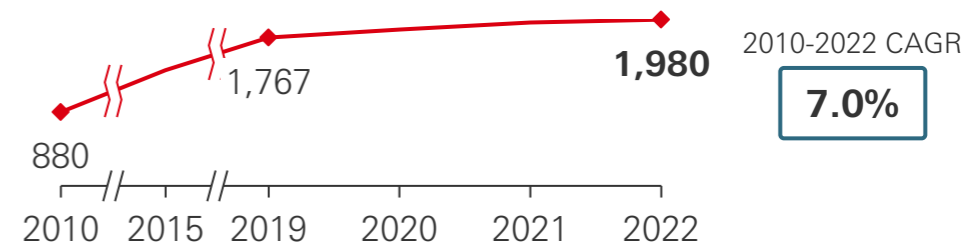
#3 globally on the ease of doing business, 2020⁵
Simple, low-rate tax system

Wealth management centre of Asia

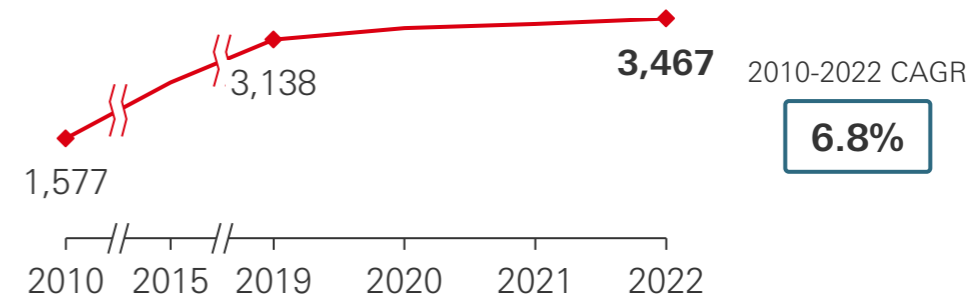
61% affluent population⁶
#2 global offshore wealth management centre⁷

Track record of growth and resilience

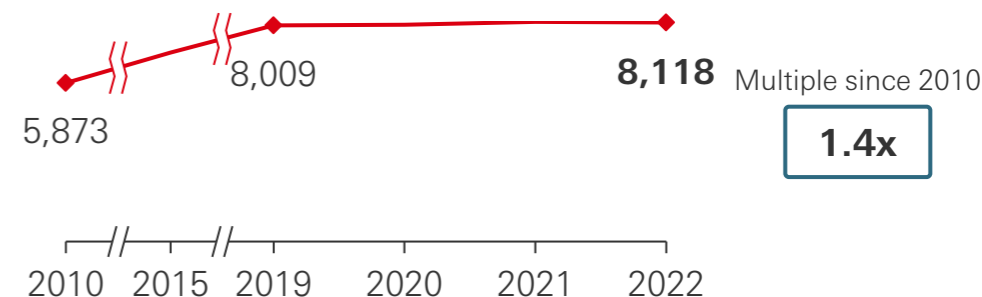
Total banking sector deposits, \$bn⁸



Total banking sector assets, \$bn⁸



Number of regional HQs and local offices⁹



1. As of 31 Mar 2023. Source: Hong Kong Exchange, market statistics
 2. The Bank for International Settlements - 2022 Triennial Survey of Foreign Exchange and Derivatives Market Turnover, October 2022
 3. ODI as of 2020, FDI as of 2019. Source: HKTDC

4. HKSAR, 2022
 5. World Bank "Doing Business Report 2020"
 6. GlobalData Wealth Market Analytics, 2021
 7. Boston Consulting Group, "Global Wealth Report", 2022

8. Source: HKMA; converted using 31 December 2022 USDHKD spot rate of 7.79575
 9. Source: Hong Kong Census and Statistics Department, 2022

Positive outlook for continued growth

Rapid return to normal post-Covid-19

Ramp-up in visitors

2.5m in March 2023¹

Strengthening economy²

1Q GDP +5.3% qoq
Retail sales +24% yoy

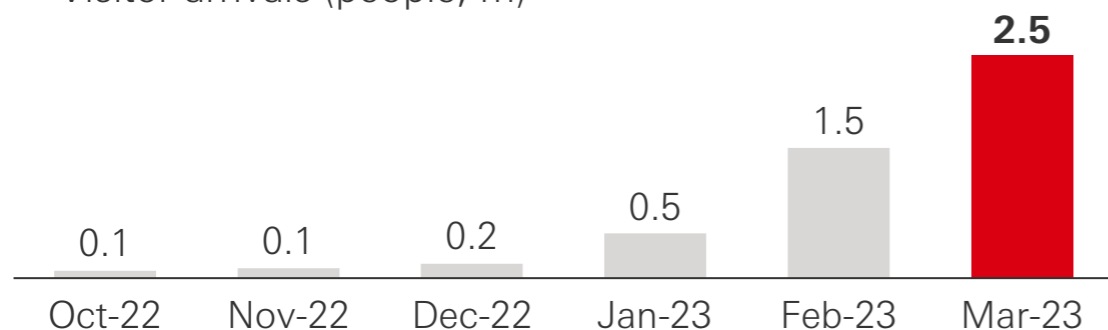
Business events

Investment Summit
Asia Financial Forum
ASEAN, Saudi, UAE delegations

Cultural and sports events

Rugby 7s
Clockenflap
Concerts

Visitor arrivals (people, m)¹



Positive future outlook

- ↑ Reaffirmation of **One Country Two Systems**
- ↑ Active government **policy agenda**³
 - ◆ HKD\$30bn co-investment fund to attract enterprises
 - ◆ Enhanced attraction of family offices
 - ◆ Development of virtual assets industry
 - ◆ Green Tech Green Fi hub
 - ◆ Attracting talent under signature programs, target of 35,000/year
- ↑ Positive tailwinds as a **gateway to mainland China**
 - ◆ Capital market connectivity / mutual market access
 - ◆ Significant middle class (400m) with rising demand
 - ◆ Policy reform under Greater Bay Area

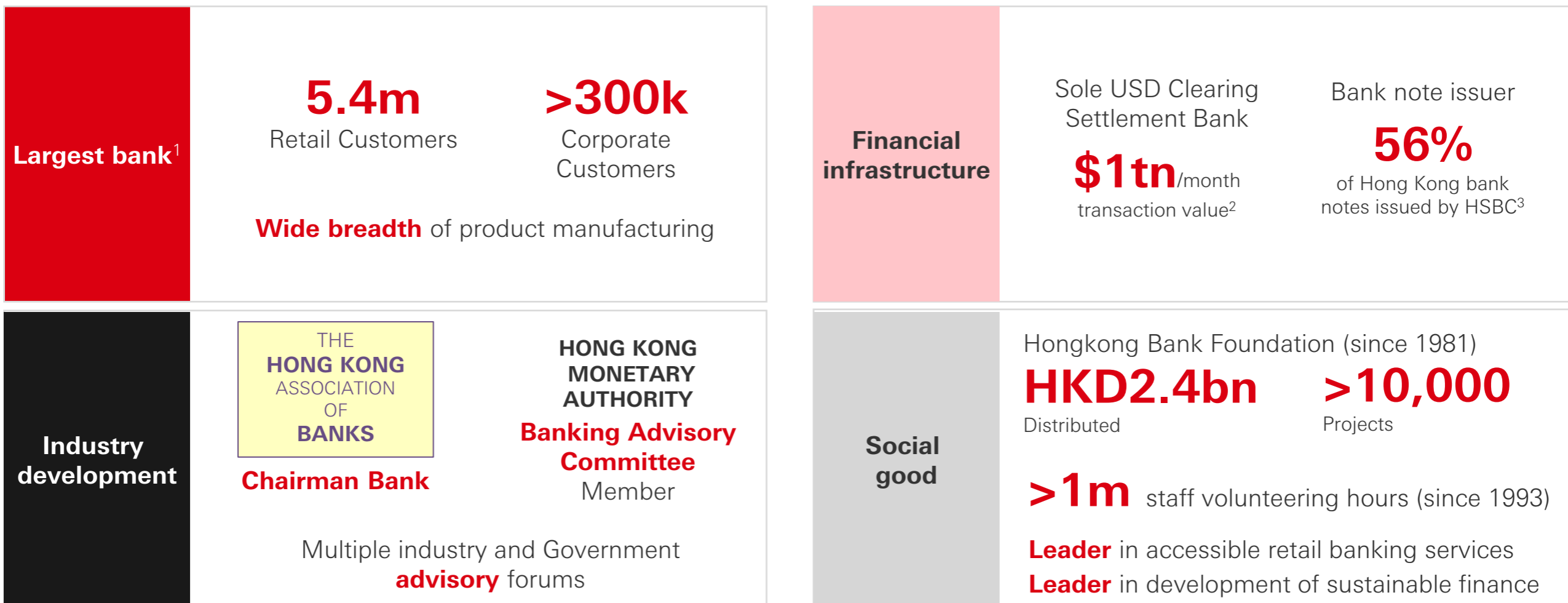
1. Hong Kong Tourism Board 2023, Hong Kong Census and Statistics Department 2019
2. Hong Kong Government, Hong Kong Census and Statistics Department, 2023

3. Hong Kong Government, The Chief Executive's 2022 Policy Address, Oct 2022; Hong Kong Government, The 2023 – 2024 Budget Speech

HSBC: a pillar of Hong Kong's economy and society

Founded in Hong Kong in **1865**, HSBC has been a permanent presence in Hong Kong over our **157-year history**

Today, we continue to play an integral role in the city's growth and community



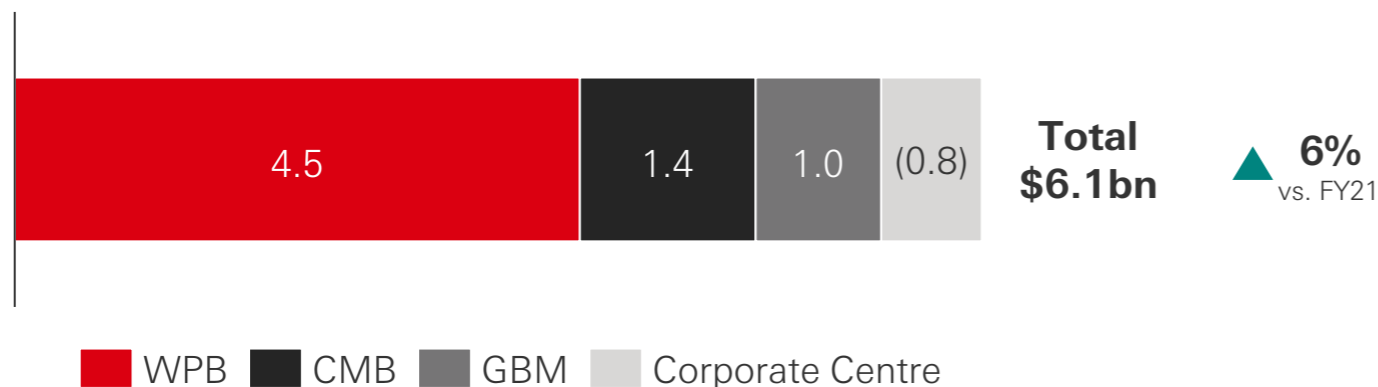
1. Customer volumes represent active customers for HSBC Hong Kong as at FY22

2. Hong Kong Interbank Clearing Limited

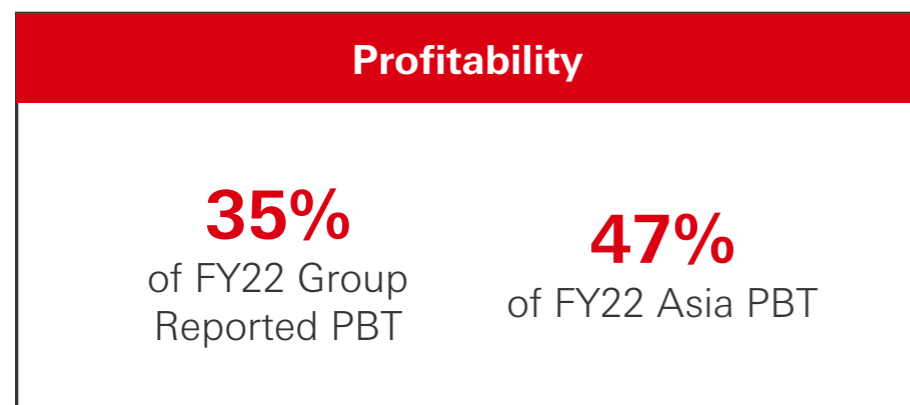
3. HKMA Annual Report 2022

HSBC in Hong Kong – significant scale and market leadership

FY22 Hong Kong PBT, \$bn



Key Group contributor



Leading market positions (HSBC Hong Kong only)

Category	Metric	Percentage	Rank
Balance Sheet	Total deposits ¹	19%	#1
	Total assets ¹	19%	#1
Product Market Share	Mutual funds ²	32%	#1
	Card spending ³	31%	#1
	Life insurance NBP ⁴	24%	#1
	Trade finance ⁵	17%	#1
	Business banking ⁶	30%	#1
Customer Penetration	Cash management ⁷	68%	#1

1. HKMA, 2023
 2. Monthly gross sales figures across retail distribution channels from HKIFA (Hong Kong Investment Funds Association), 2022
 3. HKMA, statistics of payment cards issued, 4Q22
 4. Insurance Authority, FY22
 5. Euromoney Trade Finance Survey, 2022
 6. Hong Kong Commercial Bank Council, 2H22 Global NPS survey (relates to “most important bank” ranking)
 7. Coalition Greenwich 2022 Asian Large Corporate Cash Management Study. Metric relates to market penetration

Strong strategic positioning

Franchise strengths (HSBC Hong Kong)



Scale

- ◆ Customer base: **5.4m WPB**, **>300k** corporate
- ◆ Significant balance sheet



Product

- ◆ **'One-stop shop'** across all segments
- ◆ Synergies across businesses



Network

- ◆ Strong **global connectivity**
- ◆ Deep presence in mainland China



Brand

- ◆ **#1** bank brand in Hong Kong¹



Funding

- ◆ **78%** CASA (market 47%²)
- ◆ Surplus supports HSBC global network



Returns

- ◆ Returns above Hong Kong peers³

Private Banking

Referrals of executives from GBM and CMB clients are a **significant** source of net new invested assets

Referrals

WPB international referrals⁴

- #1** in Group Generator of outbound referrals
- #2** in Group Recipient of inbound referrals

Asset Management

c.\$10bn
Invested Assets from CMB/GBM clients⁵

Network

c.50%
of CMB/GBM client business in HK is from multinational clients in HSBC's network⁴

Connectivity

c.30%
of WPB customers are international⁶

1. Hong Kong Kantar, based on the results from the Kantar Pulse Study conducted by Kantar UK Limited
 2. HKMA, 2023
 3. Based on FY22 external disclosures of peers (which comprises Standard Chartered, Hang Seng Bank, Bank of China HK)

4. For FY22
 5. As at 1Q23
 6. As at FY22. See glossary for definition of international customer.

Continuing to accelerate and innovate

WPB Digital Improving digitisation and customer experience

<p>Greater adoption</p> <p>2x mobile active users 2022 vs 2019</p>	<p>PayMe HK's #1 wallet¹</p>	<p>Agile improvement</p> <p>+1 digital feature delivered per day (2022)</p>
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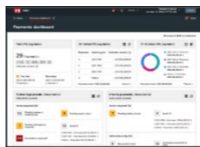
Asian Wealth Increasing wealth penetration of customer base

<p>Strong performance</p> <p>\$22bn Net New Invested Assets (2022) (2.5x 2020)</p>	<p>Increasing penetration</p> <p>23% of customers with Wealth product (2022) (2020: 20%)</p>
--	--

Customer Demographics Future proofing our franchise

<p>Refreshed positioning (WPB)</p> <p>↓2 years average customer age 2022 vs 2020</p>	<p>New Economy (CMB) Expanded Focus</p> <p>Specialist funds Ecosystem outreach Venture debt / private credit</p>
--	--

Business Banking Digitisation enabling improved service and scalability

<p>Digitising key journeys</p>  <p>Onboarding Payments Lending Support</p>	<p>Increasing adoption</p> <p>43% accounts opened initiated online Q4 2022 (Q4 2021: 23%)</p>
--	---

Transactional Banking Leading the present and the future

<p>Maintaining leadership</p> <p>#1 in HK Trade Finance² Cash Management³ Direct Custody⁴</p>	<p>Leading market evolution</p> <p>Asset tokenisation Digital currencies Growth in Structured Trade</p>
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GBA / Mainland Connectivity Cross-boundary flows with new reform opportunities

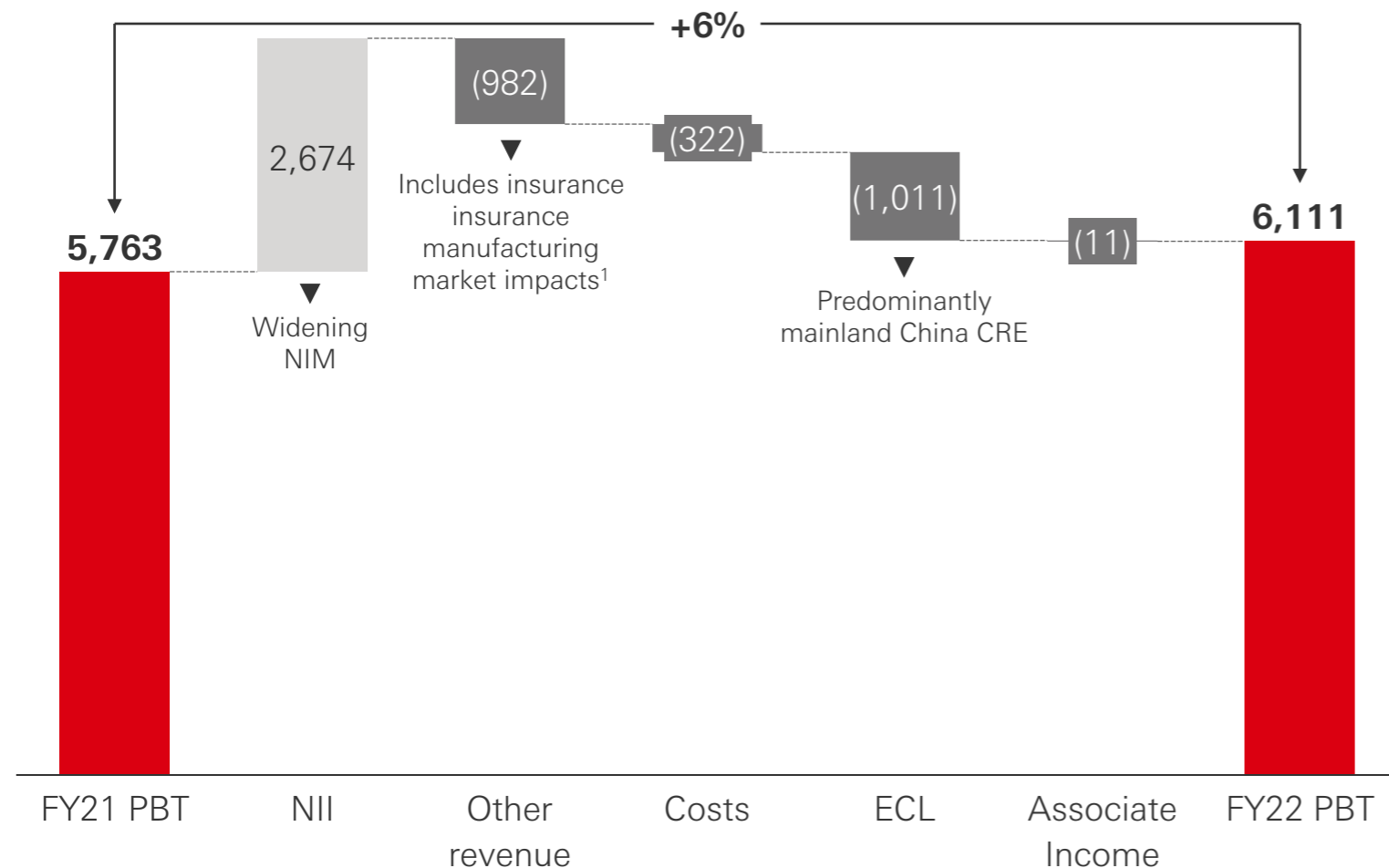
<p>Significant cross-boundary flows</p> <p>Further growth potential</p>	<p>Increasing connectivity</p> <p>Driving 1-bank experience (CMB) Three GBA specialist funds (CMB) #1 international bank for Wealth Management Connect (WPB)⁵</p>
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1. By P2P market share. HKMA, 2022
2. Euromoney Trade Finance Survey, 2022
3. Coalition Greenwich 2022 Asian Large Corporate Cash Management Study. Metric relates to market penetration

4. Hong Kong Exchanges and Clearing Market shareholding disclosures 4Q22
5. Asiamoney award for best international bank for Wealth Management Connect, 2022

Accelerating financial profile

Hong Kong PBT



Market share (HSBC Hong Kong)

Category	Metric	YoY Δ
Balance Sheet	#1 Total Deposits ²	▼ 1ppts
	#1 Total Assets ²	▲ 1ppts
Product Market Share	#1 Mutual Funds ³	▲ 2ppts
	#1 Card Spending ⁴	Maintained
	#1 Life Insurance NBP ⁵	▲ 15ppts
	#1 Trade Finance ⁶	Maintained
	#1 Business Banking ⁷	Maintained
Customer Penetration	#1 Cash Management ⁸	▲ 2ppts

1. Driven by market impacts, partially offset by a gain following a pricing update for our policyholders' funds held on deposit
 2. HKMA (FY22 vs. FY21)
 3. Monthly gross sales figures across retail distribution channels from HKIFA (Hong Kong Investment Funds Association), 2022
 4. HKMA, statistics of payment cards issued, 4Q22

5. Insurance Authority, FY22
 6. Euromoney Trade Finance Survey, 2022
 7. Hong Kong Commercial Bank Council, 2H22 Global NPS survey (relates to "most important bank" ranking)
 8. Coalition Greenwich 2022 Asian Large Corporate Cash Management Study. Metric relates to market penetration

Key messages

- 1 Hong Kong remains a **key international financial centre**, with strong Central Government support
- 2 HSBC is an **integral part of Hong Kong's history**, growth and community
- 3 We have a **strong strategic position**, an attractive financial profile and scale
- 4 From a **position of market leadership**, we are continuing to **accelerate and innovate**
- 5 As **Hong Kong's global bank**, we are committed to **enabling Hong Kong's success** on the global stage

Mainland China

Mark Wang | President and CEO, HSBC Bank China



Introduction

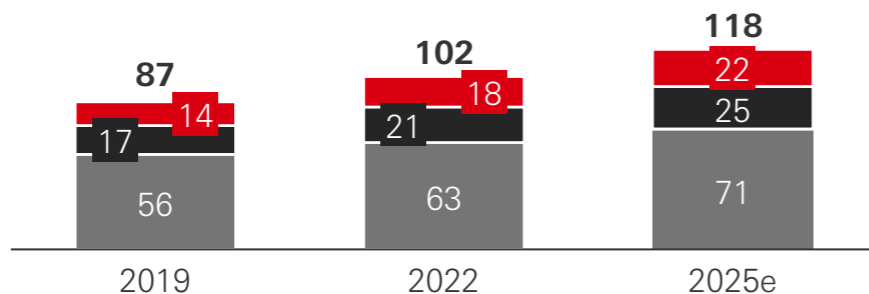
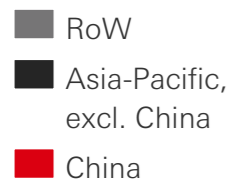
- 1 Our business has shown **great resilience** in difficult times
- 2 Mainland China's economy is in rebound with **positive growth outlook** and **growth opportunities aligned to our competitive strengths**
- 3 HSBC is the **leading international bank** in mainland China¹ with strong client franchise and capabilities
- 4 **International connectivity** and our role as a bridge to support client's international needs is **our competitive edge**
- 5 We are building a **Wealth business** to capture the opportunities from the **rising wealth population** of mainland China

1. Measured by total assets. Source: KPMG, *Mainland China Banking Survey 2022*, Jun-22

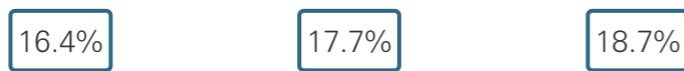
World's second-largest economy; intrinsically connected to the rest of world

A global front-runner of GDP growth¹

GDP, \$tn

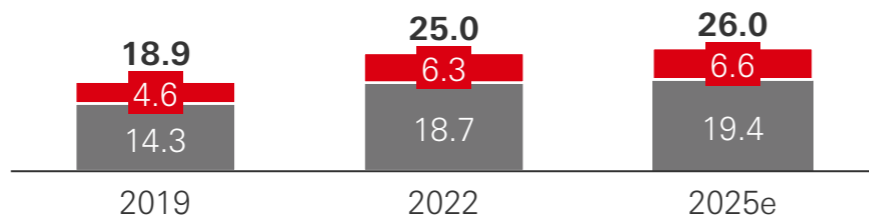


China % global GDP:

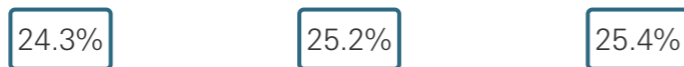


The backbone of global trade¹

\$tn



China % of global trade:



Supportive policy backdrop



Pro-growth – fiscal support, accommodative monetary policy



Safety, quality and sustainability of growth



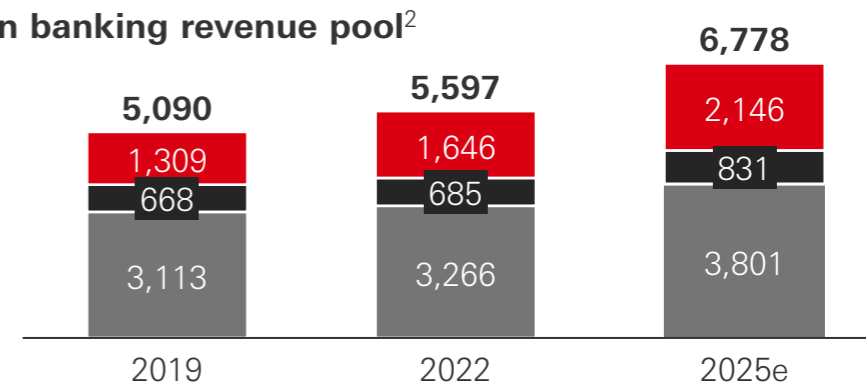
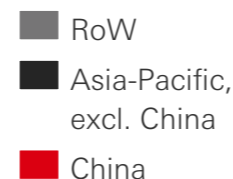
Modernisation and innovation - new economy and net zero transition



'Opening up', international cooperation, trade and FDI

Strong growth in banking revenue pool²

\$bn

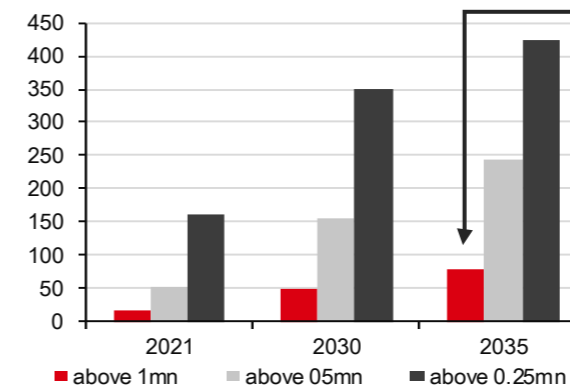


China % global banking revenue



Growing population of wealthy individuals³

Population above \$m wealth levels (millions)



Primary focus for Wealth and Personal Banking

1. IMF 2023 Economic Outlook, Apr-23

2. McKinsey revenue pool data, Dec-22; Aggregate of Asset management, Investments (retail), and Insurance and pension distribution (retail)

3. Source: UNU-WIDER, World Income Inequality Database (WIID), World Bank, IMF, United Nations Population Division, HSBC forecasts, Aug-22

YRD, GBA and JJJ: regional and mega city growth drivers... advanced and internationally oriented

Leading in advanced and emerging growth industries, and with a concentration of affluent families...

...internationally oriented; economic scale comparable to some leading advanced economies

 Areas of core economic activity







- 1** **YRD²**
 - ◆ 30% of total national R&D expense
 - ◆ 26% of total national new IP approval obtained in 2021
 - ◆ **Key industries:** high-end manufacturing, electric vehicles, e-commerce, biotech and financial services
 - ◆ 1,431k affluent families⁷

- 2** **GBA²**
 - ◆ >55% industrial output in Guangdong province from advanced / high-end manufacturing industry in 2020
 - ◆ **Key industries:** science and tech, electronics, logistics, high-end manufacturing
 - ◆ 692k affluent families⁷ (Pearl River Delta only)

- 3** **JJJ²**
 - ◆ Beijing is home to **highest number of** China's high tech companies vs other mainland cities
 - ◆ **Key industries:** machinery / equipment, petrochemicals, aerospace, modern agriculture, tech
 - ◆ 832k affluent families⁷ (Beijing only)


Key indicators¹, 2021

	GDP, \$tn	Population, m	Share of country GDP, %	% exports of local GDP	Share of national FDI, %
YRD	 4.3	235	24%	51%	49%
GBA	 2.0	88 ³	11%	68%	9%
JJJ	 1.4	110	8%	15%	19%
UK	 3.2	67	n/a	27%	n/a

China is a leader in advanced production as well as leading consumption globally

 **c.75%**³ of global solar module capacity production

c.33%⁴ of global solar module capacity consumption

 **c.60%**⁵ of global Electronic Vehicle (EV) production

#1 car consumption market in the world, with **c.50% of global demand**⁶

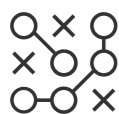
1. World Bank, National Bureau of Statistics (YRD, JJJ, Chengdu-Chongqing), CEIC (GBA), National Bureau of Statistics, CEIC, Shanghai Fabu, HKTDC
 2. YRD: Shanghai govt, *Development of the YRD Update*, Aug-22; GBA: Guangdong govt: *Guangdong Technology Innovation 14th 5 year plan*, Apr-21 ; JJJ: Yicai, Aug-21
 3. National Energy Administration; Solarbe, Feb-22

4. Statista, *Leading countries by solar energy consumption worldwide in 2021*, Jun-22
 5. China Association of Automobile Manufacturers, Jan-23
 6. Motor 1, *The World's Top 10 Largest New Car Markets in 2022*, Jan-23
 7. Hurun Wealth Report 2022, Mar-23; "Affluent family" means assets >RMB6mn (~\$860k)

HSBC is the leading foreign bank in mainland China, underpinned by a strong client franchise and capabilities

Market positioning

Largest foreign bank by assets, >2x nearest competitor¹



- ◆ **141** outlets with **>80%** located in GBA, YRD, JJJ and c.90% of revenue from these regions
- ◆ **First foreign bank** with branches in Lingang (Shanghai Free Trade) Zone and Hainan Free Trade port

Strong capabilities with a wide range of financial sector licenses and subsidiaries



- ◆ Banking, insurance, fintech, insurance brokerage, asset management and securities

Meaningful wallet shares in international business



- ◆ **c.10%** market share of **cross-border cash pooling**²
- ◆ **#1 player** for Chinese retail customers investing overseas through Qualified Domestic Institutional Investor (QDII) scheme (c.17% share³)
- ◆ **#1 international bank** in lead underwriting Panda Bonds⁴



19% stake in BoCom, China's 5th largest bank⁵

Differentiators

International connectivity

- ◆ **Global network** capabilities to support international clients
- ◆ Strong **market position in Hong Kong**, the fundraising gateway for mainland China and bridge for inbound and outbound

Collaboration synergies

- ◆ **Cross line of business referrals**, such as managers and owners of wholesale clients to our private bank
- ◆ Serving clients as **one team across multiple entities**, such as delivering capital markets opportunities via HSBC Qianhai Securities



19 times Best International Bank in China since 2001⁶

1. KPMG, *Mainland China Banking Survey 2022*, Jun-22
 2. SAFE; HSBC internal data, as of 2021
 3. QDII Investment Quota Approval Form, SAFE, 28-Feb-23

4. Wind – accumulated total underwritten 2014-22
 5. By assets, Dec-21. Source per footnote 1
 6. Finance Asia

Mainland China's wholesale client business is primarily cross-border; WPB outbound momentum also strong

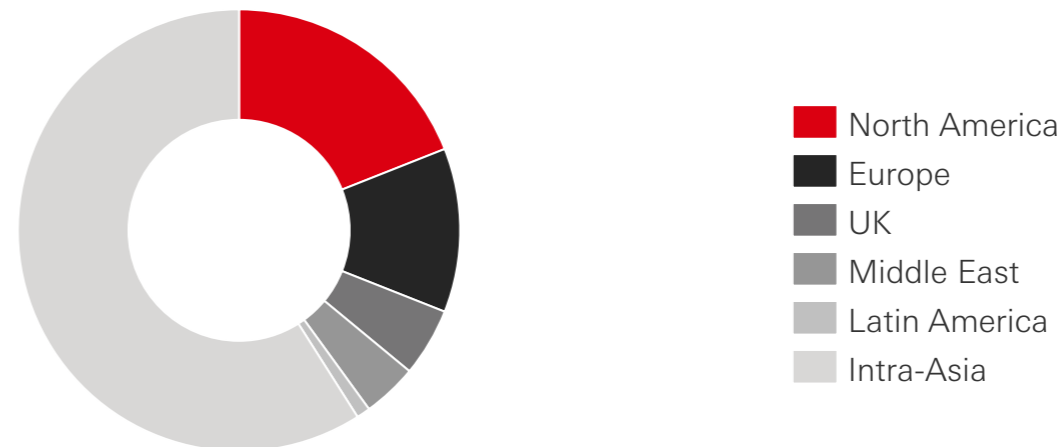
Wholesale

- ◆ Corridor business **recovering** to pre-pandemic levels
- ◆ Cross-border business landscape is **reshaping**, with outbound taking the lead
- ◆ Hong Kong is the **primary hub** but outbound is propelled by mature destinations (e.g. UK, US, Europe) and new engines (e.g. ASEAN / MENA, with forecast 2023 GDP growth of +6.0% / +3.5% respectively²)

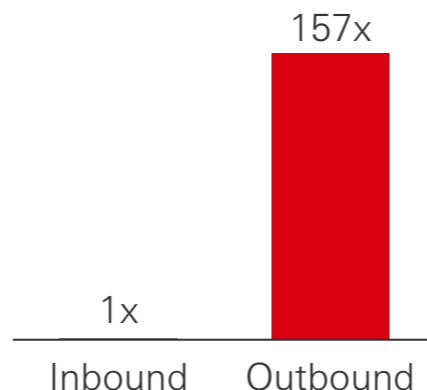
WPB

- ◆ Cross-border referrals heavily weighted towards outbound
- ◆ **Hong Kong and Singapore** are the two key corridors
- ◆ Non-resident Chinese (NRC) from mainland China with accounts in Hong Kong are a key lead source to Pinnacle

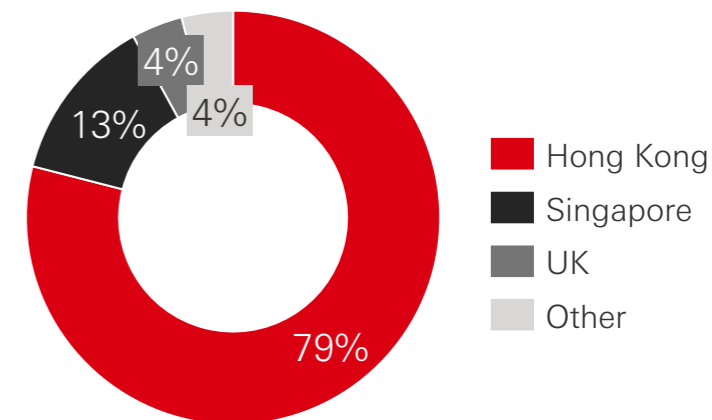
FY22 wholesale cross-border client business¹ by corridor



FY22 WPB outbound / inbound referrals (incl. retail and private banking)



FY22 WPB outbound referrals by market (incl. retail and private banking)

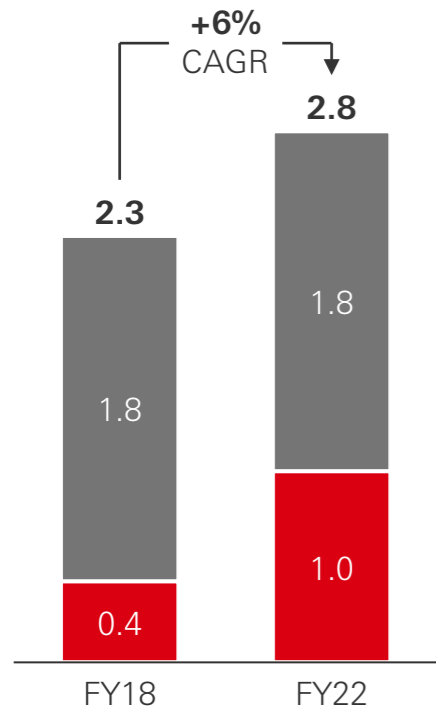


1. Refer to glossary for definitions
 2. HSBC Global Research Economic Forecasts, May-23

FY22 PBT of \$3.2bn

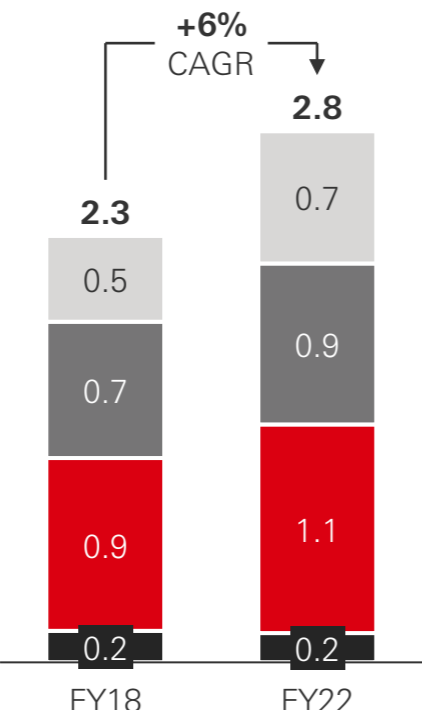
Revenue by type

\$bn



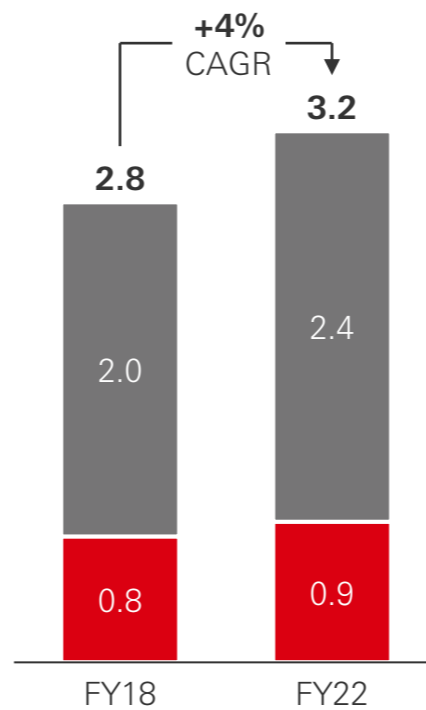
Revenue by global business

\$bn



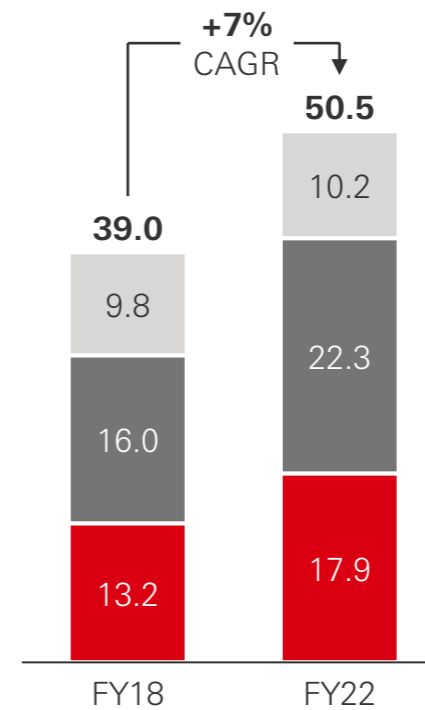
PBT

\$bn



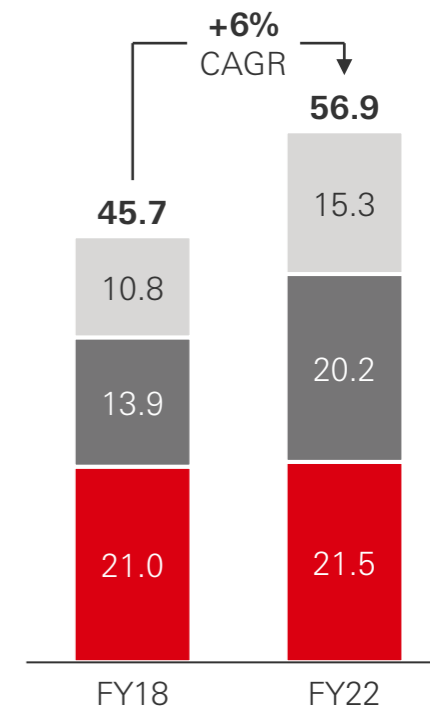
Lending

\$bn



Deposits

\$bn



■ Non-NII ■ NII

■ Corp Centre ■ CMB
 ■ GBM ■ WPB

■ HSBC ■ Associates

■ GBM ■ CMB ■ WPB

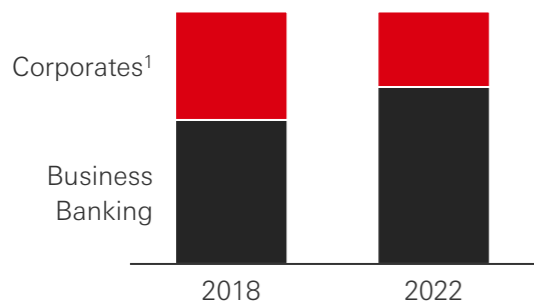
Wholesale: our leading role as the bridge for international business

Overview

Focused on serving **international business** and offering **specialist coverage in growth sectors**

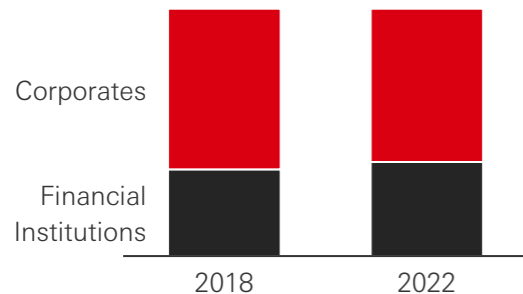
CMB clients

% of clients



GBM clients

% of clients



Our strengths



International connectivity

- ◆ We serve **25%** of foreign companies in mainland China and have supported **1,400+** Chinese companies to expand overseas²
- ◆ Support provided via 36 China desks globally and a Global Relationship Banker 'GRB' model
- ◆ Serving over 250 of **>750 (c35%) of QFIIs via our custodian business³**



Universal banking model

- ◆ Universal banking model allows us to serve sophisticated clients, where we **bank 70% of HSBC Group's top 100 multinational corporates in China²**
- ◆ Capabilities across lending, trade, cash management, markets, securities services and capital markets



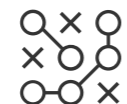
Coverage and expertise

- ◆ Largest network of outlets of international banks, focussed in priority regions
- ◆ Specialist **sustainable finance** teams supporting clients in their transition to net zero. **\$5bn GBA sustainability** fund launched
- ◆ Client coverage and specialism in **new economy and high growth sectors** including tech, new energy and electric vehicles

Continue to focus on these strengths, as well as...



Good progress on digitalisation including **client on-boarding, e-sign** and **self-servicing tools**. We will **continue to invest** including further enhancements to on-boarding portal, client servicing, trade, payments and roll-out of digital lending



Increase our coverage and expertise into the priority areas of **GBA, YRD** and **JJJ** to enhance our penetration of emerging, high growth and internationally oriented sectors

1. Comprises Large Corporates and Mid-Market Corporates
 2. Internal data
 3. China Securities Regulatory Commission register of Qualified Foreign Institutional Investors, Mar-23

Wealth and Personal Banking: progressing our vision of being a leading international bank and wealth manager

Strategic focus



Expansion of Pinnacle's reach by development of health and wealth focused financial planning service



Deepening Wealth relationships via our leading HSBC international capabilities and promotion of wealth offerings



Development of HSBC owned manufacturing and tech capabilities to create differentiated products, content and tools to fulfill customer needs throughout their life cycle

Key pillars

Global Private Banking

- ◆ **U/HNW solutions** in wealth management, international and legacy planning
- ◆ The only international private bank operating in six cities. **Best international PB¹** in mainland China in 2022

Premier

- ◆ **21 years** serving Premier customers, offering global flagship proposition for mass affluent

Pinnacle

- ◆ Integrated financial planning, serving the protection and wealth needs of affluent customers via **"digital + human" hybrid financial planning experience**

Wealth capabilities and strengths



No.1 Qualified Domestic Institutional Investor (QDII) quota, with **\$4.6bn** representing **17.4%** of the banking industry²



First International Bank to distribute **Trust Plans with hedge funds** for U/HNW³



The only foreign bank ranked among **Top 100** Asset Under Management (AUM) in market⁴



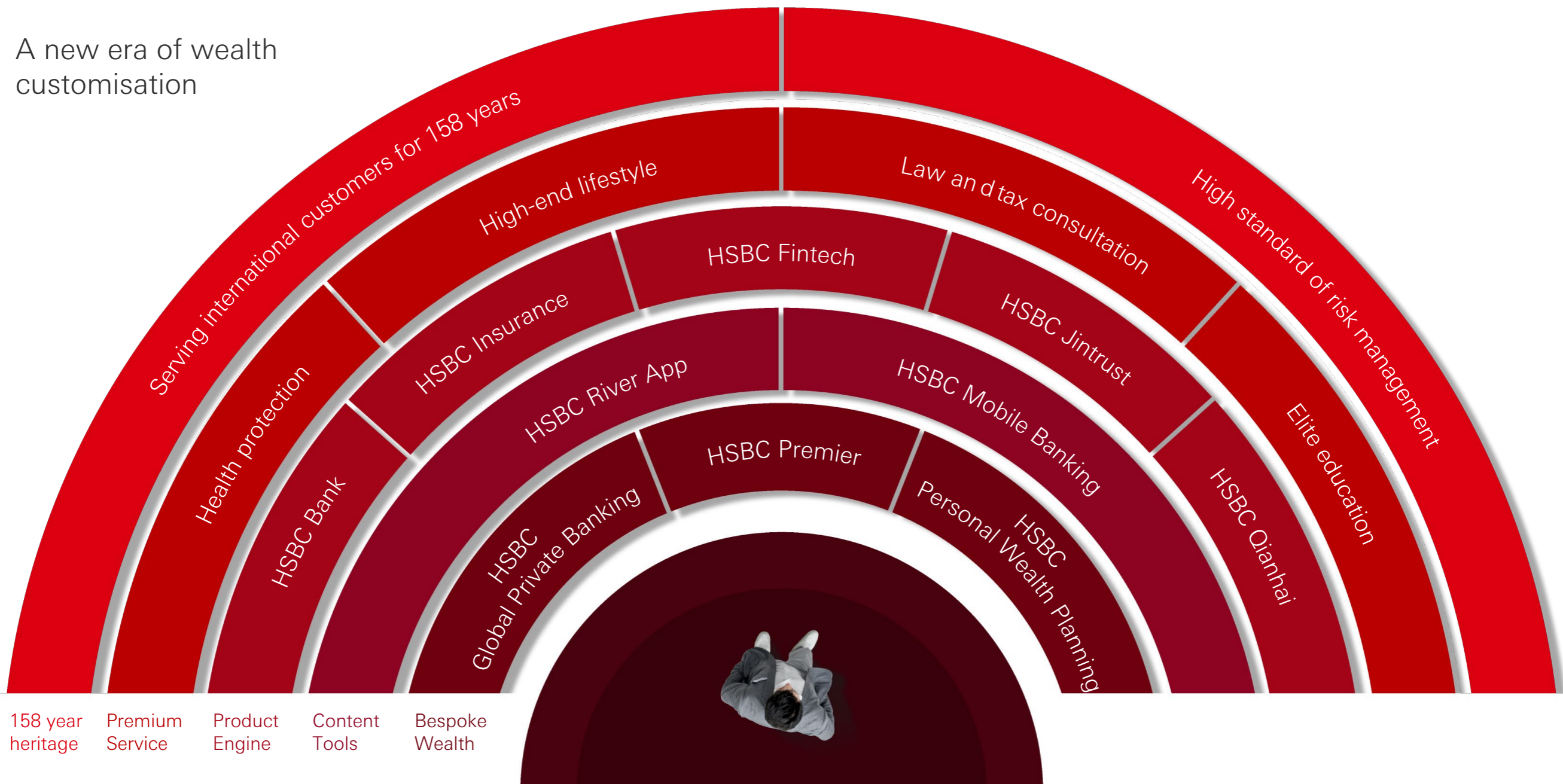
Top league position for **Insurance Annualised Premium** amongst International banks⁵

1. Asian Private Banker 12th Awards for Distinction 2022
2. QDII Investment Quota Approval Form by SAFE as of 28 Feb 2023
3. Xinhua Finance and Asia Private Banker

4. Asset Management Association of China
5. Market share & competitor info provided by MetLife collected from Industrial Association data.

Wealth and Personal Banking: comprehensive wealth management matrix

A new era of wealth customisation



158 year heritage Premium Service Product Engine Content Tools Bespoke Wealth

Summary

- 1** | **Largest foreign bank in mainland China**¹ with **strong franchise capabilities** and a commitment to the market
- 2** | Our **strategic focus areas** are aligned to capture **growth opportunities in mainland China**
- 3** | In wholesale, we are focused on **internationally oriented, innovative and environmentally advancing** business in **high growth industries** and regions
- 4** | We are **investing in wealth** to become a leading international bank and wealth manager, serving the **growing affluent population**
- 5** | **Renewed momentum** coupled with our strong foundations and **competitive strength** creates opportunity for **further profitable growth**

CMB Hong Kong and mainland China

Frank Fang | Head of CMB, HSBC Hong Kong

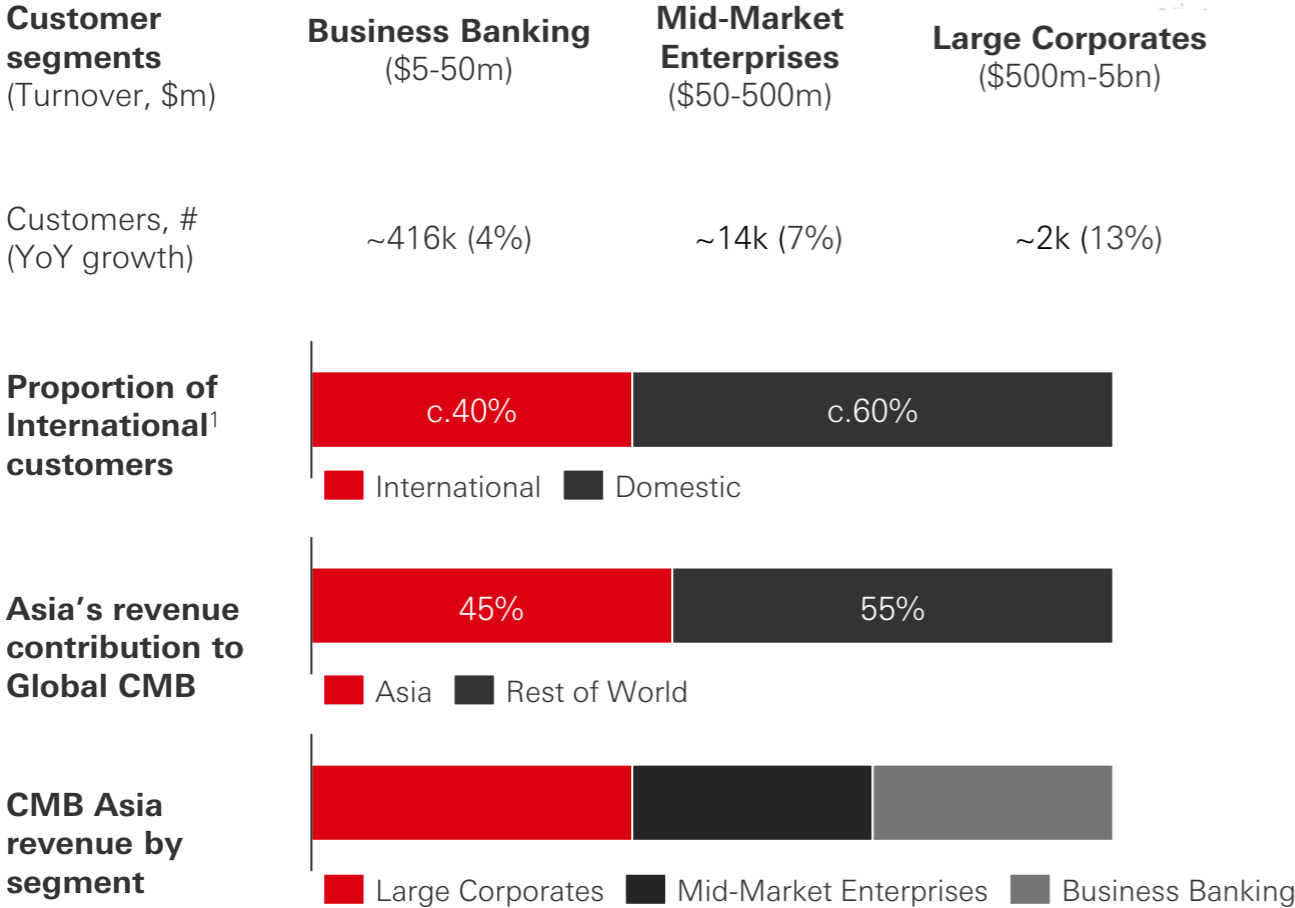


Key highlights

- 1 | Our **Commercial Banking franchise in Asia** caters to the needs of clients, leveraging our **international connectivity and wide suite of products**
- 2 | We are a **market leader in Hong Kong**, with a diversified business of >300k customers and have shown **strong growth in FY22**, with **revenue up 35%** vs. FY21
- 3 | Through an **integrated 1-bank customer experience**, we are positioned to capture opportunities in GBA and mainland China
- 4 | We aim to continue to build on our momentum and **support shifting customer needs and new business models**, leveraging our **GBA sustainability fund and funds supporting fast growing industries**

Our Commercial Banking franchise serves the international banking needs of clients in Asia and provides a strong suite of products

We serve client needs across various stages of their lifecycle and across 16 markets in Asia Pacific



Key product rankings

- #1** Market leader for Cash Management in Asia ~4%² revenue market share (up ~2% YoY) and 34%³ market penetration
- #1** E-Solutions partner bank⁶
- #1** Leading bank in Asia for Trade Finance with ~7%⁴ revenue market share and lead both Traditional Trade (~14%⁴)
- #2** FX Exchange bank in Asia⁷
- #1** Asia's best bank for Sustainable Finance⁵
- #1** International bank in 5 countries⁸

1. International customers means customers who hold a relationship with HSBC in two or more markets
 2. Coalition Greenwich Competitor Analytics, 2022. Based on HSBC's internal business structure and internal revenue numbers, and the following banks: BofA, BARC, BNPP, CITI, DB, DBS, JPM, SCB. Revenue pool / peer analysis includes all Institutional clients and Corporates with turnover of >\$5-10mn
 3. Coalition Greenwich Voice of Client, 2022 Asian Large Corporate Cash Management Study. Market penetration is the proportion of companies interviewed that consider each bank an important provider of corporate cash management services. Based on 1,179 respondents for large corporate cash management

4. Coalition Greenwich Competitor Analytics, 2022. Based on HSBC's internal business structure and internal revenue numbers, and the following banks : BofA, BARC, BNPP, CA-CIB, CITI, DBS, JPM, SCB. Analysis includes all Institutional clients and Corporates with turnover of >\$5-10m
 5. Asia's Best Bank for Sustainable Finance 2022, Euromoney Awards for Excellence
 6. The Asset Triple A Treasury, Trade, SSC and Risk Management 2022 Awards - 30 best client solutions across GPS and GTRF
 7. Coalition Greenwich Competitor Analytics, 2022. Based on HSBC's internal business structure and internal revenue numbers, and the following banks: BofA, BARC, BNPP, CITI, DB, GS, JPM, MS, SG, UBS. Analysis includes all Institutional clients and Corporates with turnover of >\$1.5bn.
 8. Asiamoney 'Best International Bank in Indonesia, Sri Lanka, Thailand, Vietnam and Singapore'

CMB Asia financial performance

CMB Asia

\$bn	FY22	FY21	Δ
NII	5.5	3.7 ▲	47%
Non-NII	1.7	1.7 ▼	(2)%
Revenue	7.2	5.5 ▲	31%
ECL	(1.5)	(0.4) ▲	>(100)%
Costs	(2.7)	(2.7) ▼	0%
Associates	—	—	n.m.
Reported PBT	3.0	2.4 ▲	26%
\$bn	FY22	FY21	Δ
Customer lending	158.0	168.7 ▼	(6)%
Customer deposits	213.6	212.8 ▲	0%

- ◆ **Rising interest rates and resilient fees** contributed to CMB Asia's strong growth in FY22
- ◆ **Revenue** up 31% vs. FY21, with growth driven by transaction banking and higher FX revenue. PBT up by 26%
- ◆ **ECL charge** of \$1.5bn, mainly associated with the offshore HK book related to mainland China commercial real estate (CRE)
- ◆ **Customer lending** down by 6%, balanced growth from South and South East Asia was more than offset by the slowdown in Hong Kong
- ◆ **Customer deposits** up marginally with notable growth in South and South East Asia

CMB Hong Kong and mainland China financial performance

CMB Hong Kong

\$bn	FY22	FY21	Δ
NII	3.1	2.0	▲ 57%
Non-NII	0.9	1.0	▼ (10)%
Revenue	4.0	3.0	▲ 35%
ECL	(1.2)	(0.2)	▲ >(100)%
Costs	(1.4)	(1.4)	▼ 1%
Associates	—	—	n.m.
Reported PBT	1.4	1.3	▲ 5%

\$bn	FY22	FY21	Δ
Customer lending	92.1	103.4	▼ (11)%
Customer deposits	137.2	142.0	▼ (3)%

CMB mainland China

\$bn	FY22	FY21	Δ
NII	0.7	0.6	▲ 13%
Non-NII	0.2	0.2	▼ (2)%
Revenue	0.9	0.8	▲ 10%
ECL	(0.1)	(0.0)	▲ >(100)%
Costs	(0.4)	(0.4)	▼ 5%
Associates	—	—	n.m.
Reported PBT	0.3	0.3	▲ 5%

\$bn	FY22	FY21	Δ
Customer lending	22.3	24.4	▼ (9)%
Customer deposits	20.2	20.5	▼ (2)%

- ◆ **Revenue** for HK and mainland China combined up by 30% vs. FY21, primarily driven by growth in GPS and GTRF
- ◆ **Net ECL charge** of \$1.4bn across both markets, associated with our mainland China commercial real estate portfolio
- ◆ **Lending and deposits** down in Hong Kong, by 11% and 3% respectively. Customer lending broadly stable in mainland China on a constant currency basis. Hong Kong loan contracted due to market-wide slow down during 2H22

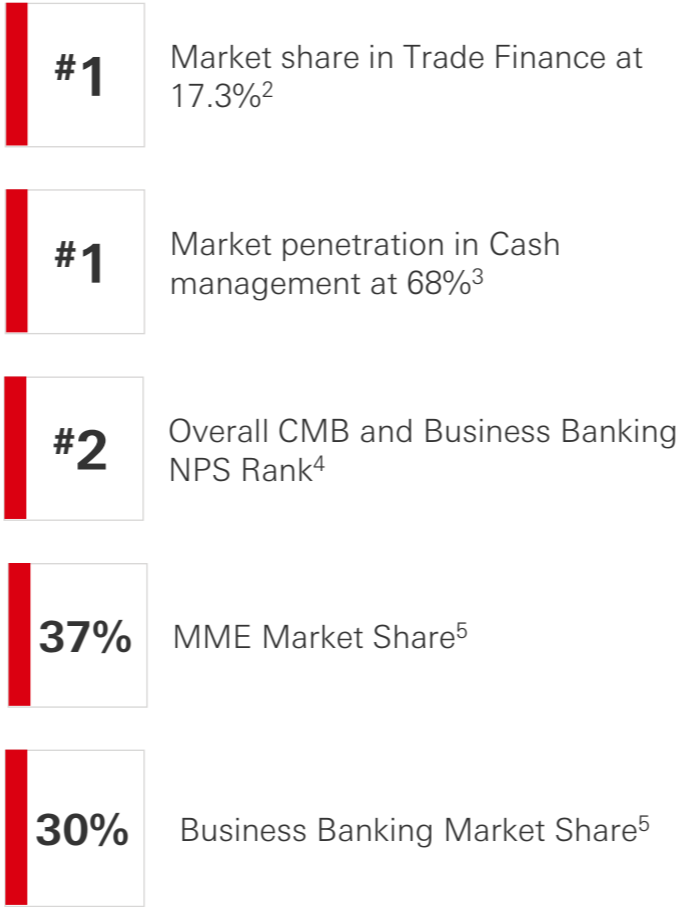
We are a market leader in Hong Kong, with a diversified business and supporting customers across all segments

We support customers across their entire lifecycle

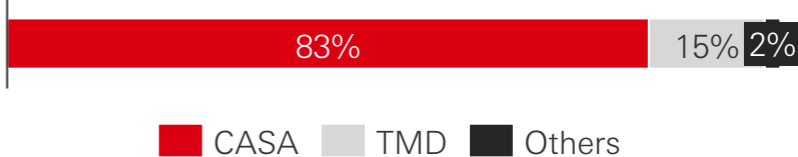
Customer segments	Customers (Dec 22), #
Large Corporates	c.0.5k
Mid-Market Enterprises	c.2.0k
Business Banking	c.305k

- ◆ A **diversified business** with >300k customers
- ◆ From startups to companies established for over 100 years
- ◆ **c.30% of HK customers are international**¹

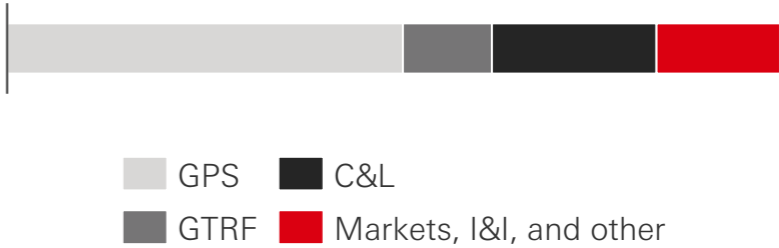
We are a market leader



Robust liquidity with strong deposit base



Revenue by product



Supporting our community

- ◆ **HKMA Pre-approved Principal Payment Holiday Scheme (PPPHS)** – Twelve waves have been rolled out since May 2020 with total opt-in loan amount over **\$32.8bn**⁶
- ◆ **HKMC SME Financing Guarantee Scheme** – market share as of January 2023 at **34.6%**⁷

Note: This slide is in reference to HSBC CMB HK, excluding Hang Seng Bank

1. International customers means customers who hold a relationship with HSBC in two or more markets
 2. HKMA, 2022
 3. Coalition Greenwich Voice of Client, 2022 Asian Large Corporate Cash Management Study. Market penetration is the proportion of companies interviewed that consider each bank an important provider of corporate cash management services.

Based on 130 respondents for large corporate cash management

4. RFI Global NPS Survey 2H22 Hong Kong Commercial Banking Council
 5. "Most Important Bank" ranking of RFI Global NPS Survey 2H22 Hong Kong Commercial Banking Council
 6. Aggregate opt-in loan of all waves i.e. duplicated counts if customer opts in for more than one wave
 7. By approved amount

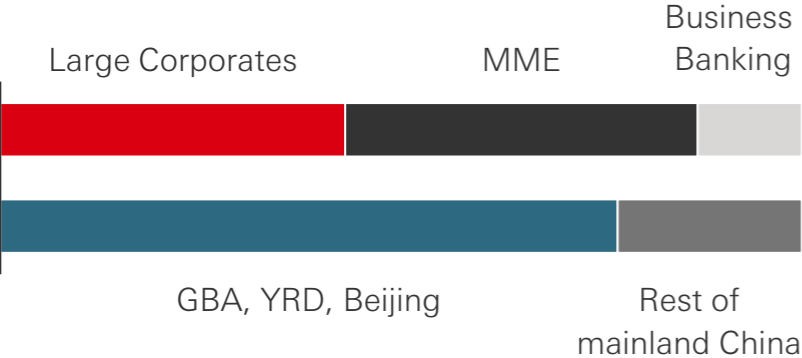
Mainland China: Capture sustainable growth, focusing on international connectivity, growth sectors and digitised client journeys

FY22 financial performance

◆ Mainland China contributed 12% of Asia CMB revenue in FY22¹

Revenue	\$0.9bn	▲ 10% vs. FY21
PBT	\$0.3bn	▲ 5% vs. FY21

FY22 revenue breakdown²



1. Including consolidated Hang Seng Bank (China) and BoCom
 2. Excluding Hang Seng Bank (China) and BoCom
 3. Excluding Hang Seng Bank (China) and BoCom; International customers hold a relationship with HSBC in two or more markets

c.50% international³ customer base



- ◆ We primarily serve customers based in **economically important areas** with **international needs**
- ◆ Our international customers include **expanding mainland Chinese corporates** and **multinationals investing into mainland China**

Supported by our range of capabilities

"Best Trade Finance - Digital Solutions"⁴

"Best Supply Chain Solution - ESG"⁴

Strong domestic network - 141 outlets across 58 cities⁵

4. The Asset's Triple A awards 2022
 5. As of 23 March 2023

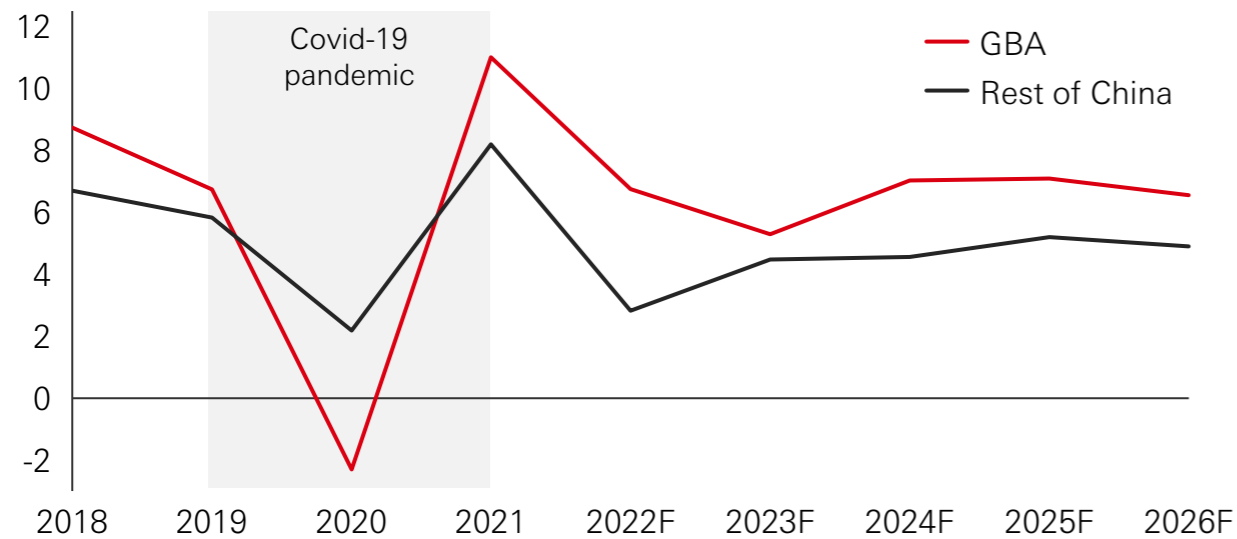
Strategic priorities

- International connectivity**
 - ◆ Deepen wallet share clients with **international needs** in GBA, YRD and Beijing
 - ◆ Grow MME and Business Banking segments
- Provide sector expertise**
 - ◆ **Increase specialised coverage** in emerging and high growth industries
 - ◆ Focus portfolio on **growth industries**
- Improve customer experience**
 - ◆ **Continue digitisation of key customer journeys** including onboarding, credit decisioning, trade and payments
- ESG**
 - ◆ Focus on ESG **product suite development** and upskilling RMs

Greater Bay Area (GBA): Positioned to connect customers with opportunities across the integrated area

GBA is the growth engine of mainland China

GBA and rest of China GDP growth¹, %



- ◆ GBA is a priority region – **economic powerhouse** that generates **11%** of the GDP of mainland China, Hong Kong and Macau together²
- ◆ **c.70%** of **overseas enterprises** plan to further expand their operations in GBA within the **next 3 years**³
- ◆ Science and Technology expected to contribute **>60%** of regional GDP growth by 2035⁴
- ◆ **Growing** financial, industry and infrastructure **integration** across the region⁵

Building our capabilities in the region



Provide 1-bank customer experience

- ◆ **GBA Business Connect: Provide 5 integrated product offerings** (e.g. account opening in Hong Kong using video conferencing, making payments within GBA in <2mins)
- ◆ Have one connected team of RMs for customers through **further integration of resources**
- ◆ Aim to provide integrated, **digitised customer journeys** (e.g. streamlined credit lending)



Support Tech and Healthcare⁶ industries

- ◆ **Launched GBA+ Technology Fund** to support tech companies and sub-sectors of the Tech industry
- ◆ **Launched GBA+ Healthcare Fund** that is focused on 6 sub-sectors poised to benefit from structural shifts



Help GBA businesses achieve their ESG agenda

- ◆ Introduced the **market's first ESG Index for the GBA** to track and evaluate ESG progress within the GBA on a regular basis
- ◆ Launched a \$5bn **GBA Sustainability Fund** in 2022, in addition to providing financing (e.g., green loans, sustainability-linked loans)

1. Oxford Economics, Refinitiv.
 2. *China's Greater Bay Area*, HSBC Global Research, 01-Feb-23
 3. HSBC news article *Nearly 70% of overseas businesses plan to expand in the Greater Bay Area*, 30-Jan-23

4. China Center for International Economic Exchange, 25-Jul-22
 5. Hong Kong GBA Development Office website (www.bayarea.gov.uk)
 6. Other high growth sectors such as Renewables, Advanced manufacturing are also focus areas for GBA

Digital capabilities built across customer journeys

Our simpler and faster digital banking services in Hong Kong have led to an improved customer experience

Capabilities to be replicated to rest of Asia

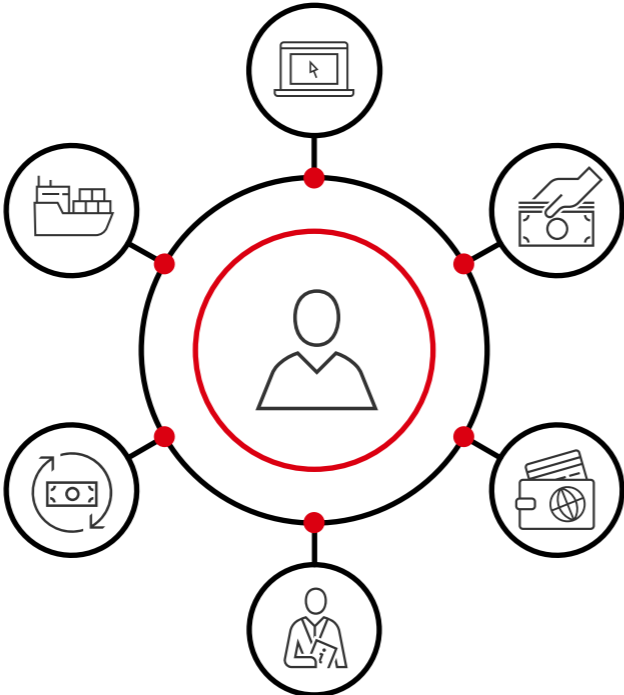
Open an account
First remote account opening
 solution for SMEs in HK

Manage trade / supply chain

Near real-time approval of working capital for merchants using sales and inventory data)

Manage cash and treasury

Keep track of payments, receivables, liquidity in the all-in-one banking platform **HSBCnet**



Apply for a loan
 One in two auto-credit approvals¹ for simple credit² through **Digital Credit Portal**

Pay and Receive
 'Like a local' in 10 currencies using Global Wallet

Get support digitally
 Enabling customer **self-serve** on Internet Banking

Channel NPS **ranking improved to 2nd** in 2022, from 3rd in 2021³

Time taken for credit decisioning **reduced** from an average of 19 days to **11 days**⁴

43% of business accounts openings were **initiated online** in 4Q22, +20% vs 4Q21⁵

204k conversations handled by Virtual Assistant for CMB customers in 2022⁶

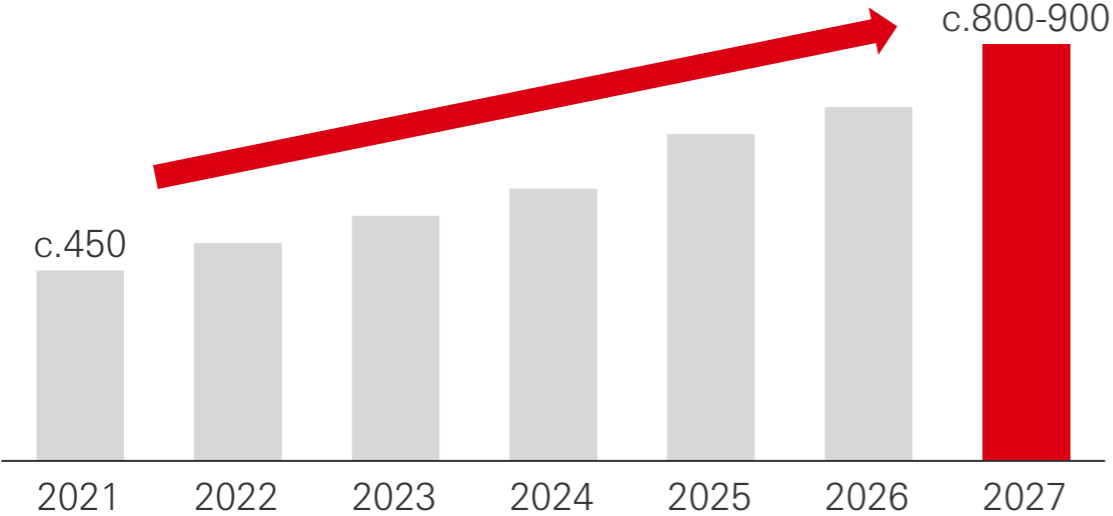
1. Refers to automated credit approvals without a physical approver
 2. Refers to deals defined as \$0.5m or less and credit risk rating 5.1 or better
 3. Refers to depth of customer penetration amongst competitor Hong Kong banks, as measured by external customer surveys (e.g. NPS score surveys)

4. From 2021 - 19 days to 1Q23 -11 days
 5. Refers to all accounts opened physically but were online initiated, data from internal tracker
 6. Data from vendor "CreativeVirtual"

New Economy Sectors: leveraging our innovating capabilities to support shifting customer needs and new business models

New Economy Sectors are an attractive and growing opportunity

Green Technology and Digital Health market size¹, \$bn



- ◆ The New Economy consists of **high growth, disruptive start-ups** and **tech-led businesses** in **Technology, Healthcare, Industrials, Consumer and Climate Technology** sectors
- ◆ New economy companies also **play a critical part in our sustainability strategy** as we look to focus on climate technology market penetration
- ◆ We are **focused on high growth, quality customers** as the market continues to evolve and rapidly grow

Well positioned to incubate New Economy businesses



- Customer acquisition: Ecosystem approach** via
- ◆ Business Go, our 'beyond banking' platform for SME
 - ◆ Banking VCs
 - ◆ Current portfolio companies
 - ◆ Collaboration with Private banking



- Innovation:** Meeting evolving customer needs with innovative new products and services, including
- ◆ **Venture Debt**
 - ◆ **Private Credit** origination
 - ◆ \$1.13bn **GBA+ Technology Fund**
 - ◆ \$700m **GBA+ Healthcare Fund**

1. Source: McKinsey, Fortune Business Insights

Sustainability vision: Be the leading ESG bank for commercial banking clients in Hong Kong and mainland China

GBA ESG Index: First-in-market index to track ESG performance in the GBA
HSBC ESG Academy: Free ESG education targeting SMEs



GBA Sustainability Fund: \$5bn to support sustainable activities in the GBA
Hybrid Taxi Programme: Support HK taxi industry to transition to low carbon economy

HSBC ESGenie: c.15% of frontline colleagues in Corporate segments are ESGenie (network of frontline colleagues externally accredited in sustainable finance)

Accolade-winning deals: HKQAA Hong Kong Green and Sustainable Finance Awards², Asset Country Awards for Sustainable Finance³

Diginex Partnership: Provision of ESG Reporting services to customers
Strong brand presence: Sponsorship and other external events to promote sustainability

c.\$2.5bn of incremental sustainable finance assets in 2022

Focus for next 12-24 months

- ◆ Transition planning and assessment of clients, starting with high climate risk sectors
- ◆ Beyond banking ESG services via partnerships
- ◆ New sustainability solution for SMEs to improve accessibility to sustainable finance
- ◆ New economy climate technology market penetration and market leadership
- ◆ Sustainable infrastructure opportunities both onshore and offshore across the value chain

1. Ranked 1st in brand association as 'Leader in Sustainability' in RFI Sustainability Voice of Customer survey 1H22
 2. "HKQAA Hong Kong Green and Sustainable Finance Awards 2022"
 3. "Asset Country Awards for Sustainable Finance 2022" -

Summary

- 1 Hong Kong CMB is a **market leader across client segments** and supported by a **wide range of products** and **robust liquidity with strong deposit base**
- 2 **We are the largest foreign commercial bank in mainland China¹**
- 3 We continue to focus on **customer experience as a priority** to meet our customers' needs
- 4 Looking ahead, we plan to **focus on New Economy sectors** and partner with businesses in the **transition to a low-carbon economy**

1. Measured by total assets. Source: KPMG, *Mainland China Banking Survey 2022*, Jun-22

WPB Hong Kong

Maggie Ng | Head of WPB, HSBC Hong Kong



Key messages

- 1** | **FY22 PBT of \$4.5bn**, equivalent to **c.25%** of Group PBT
- 2** | We continue to **differentiate** our product offering and **grow market share**
- 3** | Well positioned for **future sustainable growth**

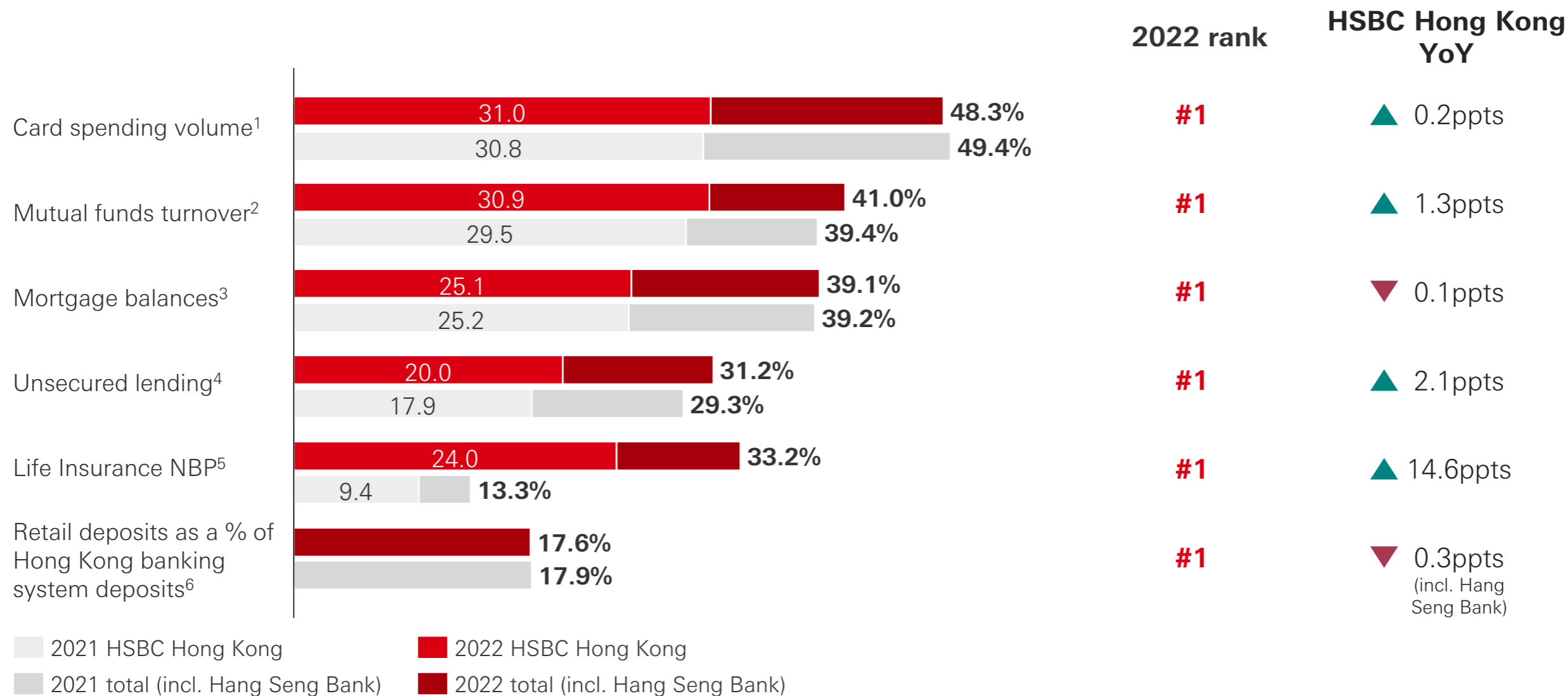
Solid financial performance despite market headwinds in 2022

\$bn	FY22	FY21		Δ
NII	6.9	4.6	▲	49%
Non-NII	1.8	3.4	▼	(47)%
<i>o/w: Insurance market impacts</i>	<i>(1.1)</i>	<i>0.2</i>	▼	>(100)%
Revenue	8.6	8.0	▲	8%
ECL	(0.1)	(0.1)	▲	(24)%
Costs	(4.0)	(3.8)	▲	(4)%
Reported PBT	4.5	4.1	▲	11%

\$bn	FY22	FY21		Δ
Customer lending	135	133	▲	1%
Customer deposits	354	354	▲	0%
RWAs	61	59	▲	3%
Active customers, '000s	8,643	8,586	▲	1%

- ◆ Strong growth in NII, driven by higher interest rates and margin optimisation
- ◆ Non-NII was impacted by a slowdown in capital markets activity and muted customer sentiment which was partially offset by insurance sales
- ◆ We continue to invest in our people and technology
- ◆ All businesses are delivering growth, capitalising on our market leading positions

Maintained #1 market position in 2022; continue to grow market share



1. HKMA, statistics of payment cards issued, 2022

2. Monthly gross sales figures across retail distribution channels from The Hong Kong Investment Fund Association (HKIFA), 2022

3. HKMA, December 2022

4. TransUnion, 2022

5. HK Insurance Authority (IA), FY22

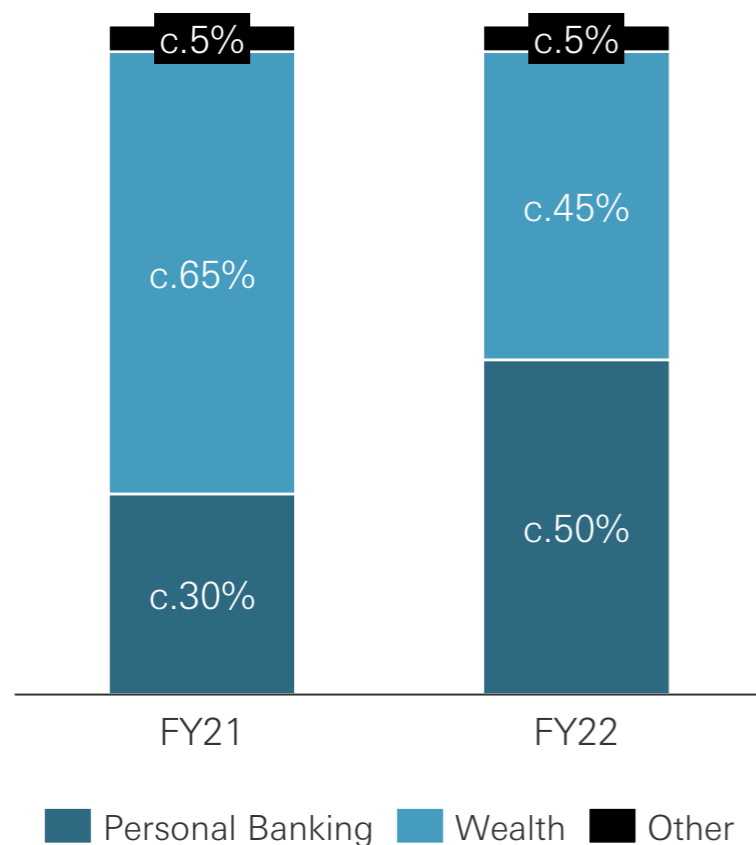
6. HSBC retail deposits as a proportion of total banking deposits. Source: HKMA, as at FY21 and FY22

HSBC Hong Kong WPB

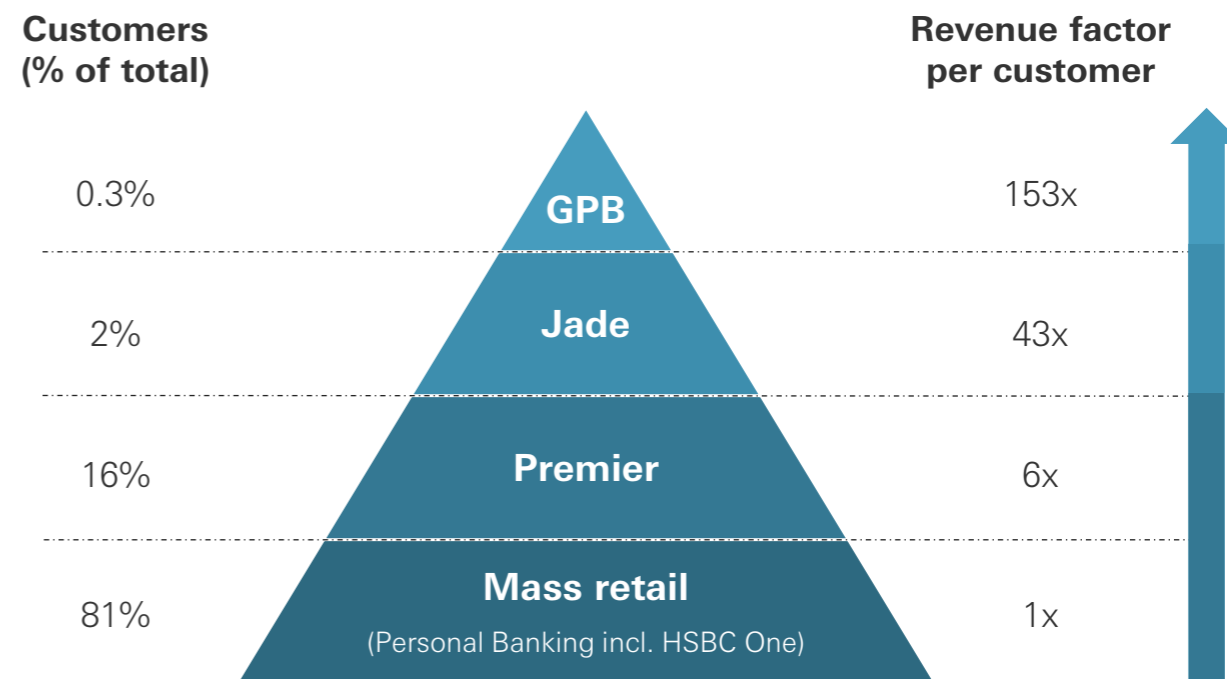
Well positioned for future sustainable growth

Diversified revenue mix

% of total, excluding insurance manufacturing market impacts¹



Strong pipeline of customers to move up the continuum



- ◆ Sticky and loyal customers:
 - ◆ **43%** customer primacy² relationship (+14.7% YoY)
 - ◆ **3.3** average number of products per customer (+3.5% YoY)
 - ◆ **18.5 years** of average tenure (+2.5% YoY)

1. Also excludes a 2022 gain following a pricing update for our insurance policyholders' funds held on deposit

2. Primacy: customers have their primary banking relationship with HSBC. This is measured where we are the bank to fulfil clients' primary transaction requirements and/or hold a certain proportion of their Wealth business

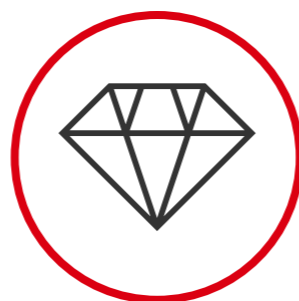
Pull on four core levers to further anchor our growth

Our customers



**Digital & customer
experience**

Our core competencies



Wealth



**Lending
& payments**

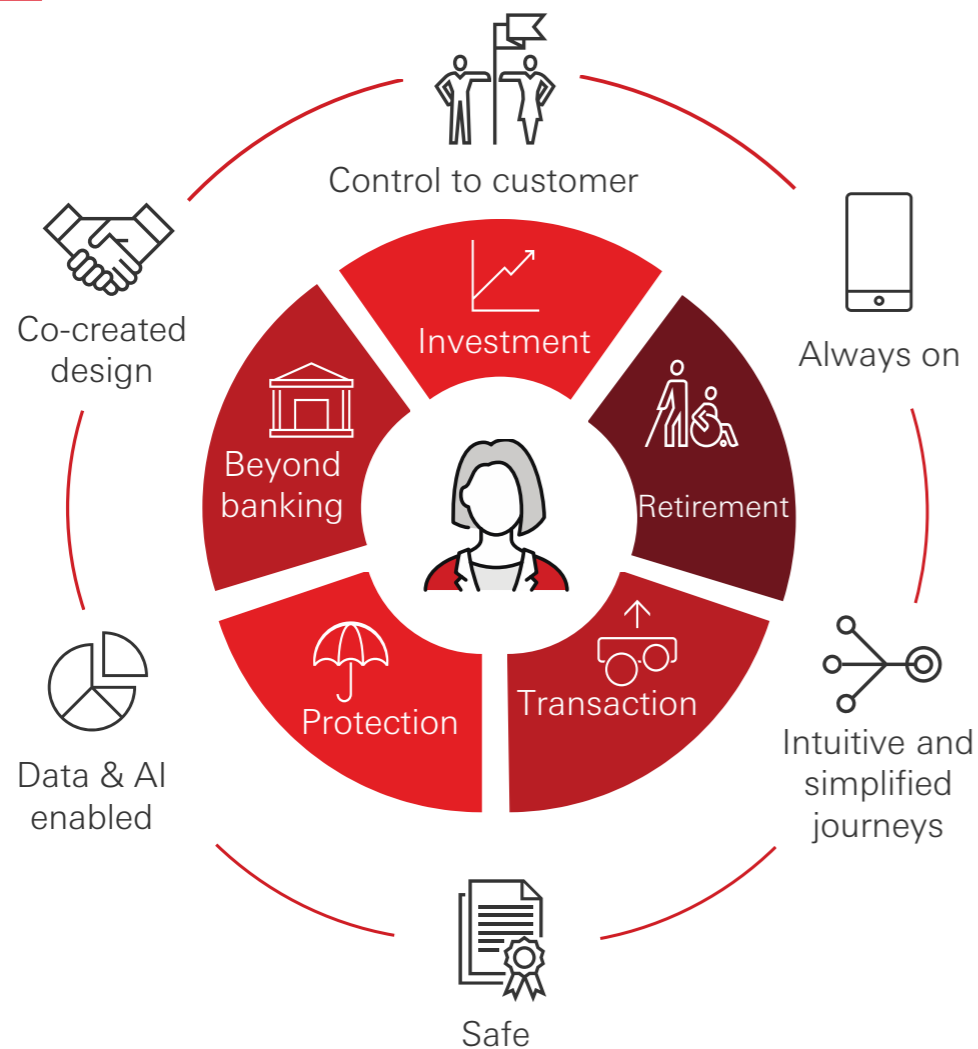
Our distinct advantage



International

Digital and customer experience: mobile first and always on

Co-create our solutions with our customers, putting them at the centre

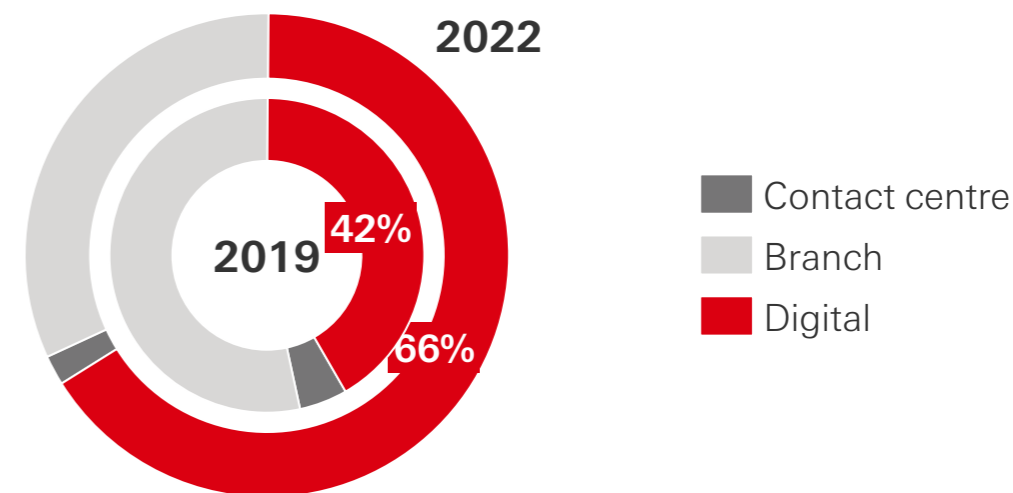


Doubled mobile active customers

	2022	2021	2020	2019
Mobile active customers, m	2.0	1.6	1.4	1.0
Mobile X active, %	40%	31%	27%	20%
New-to-bank mobile active, %	63%	57%	53%	53%

+24ppts shift to digital transactions vs. 2019

Transaction volume, %



Digital and customer experience: futureproofing our business

#1 customer advocacy in banking in 2022¹

	2022	2020
HSBC sNPS Ranking	#1	#4
Brand awareness	93%	92%
Brand preference	74%	73%

Rejuvenate the brand

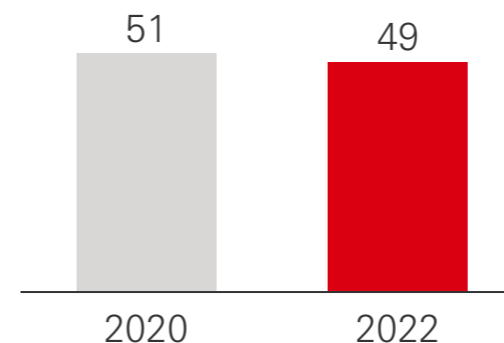
Win hearts and minds

180+ awards in 2022

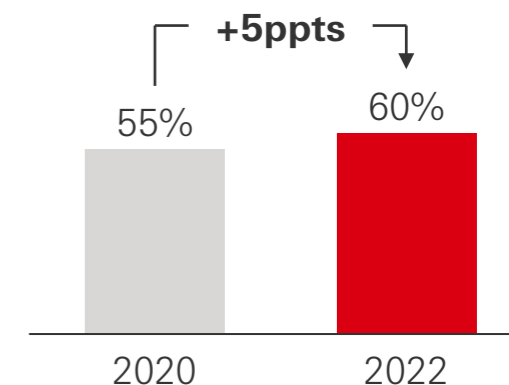


Creating the pipeline for the future

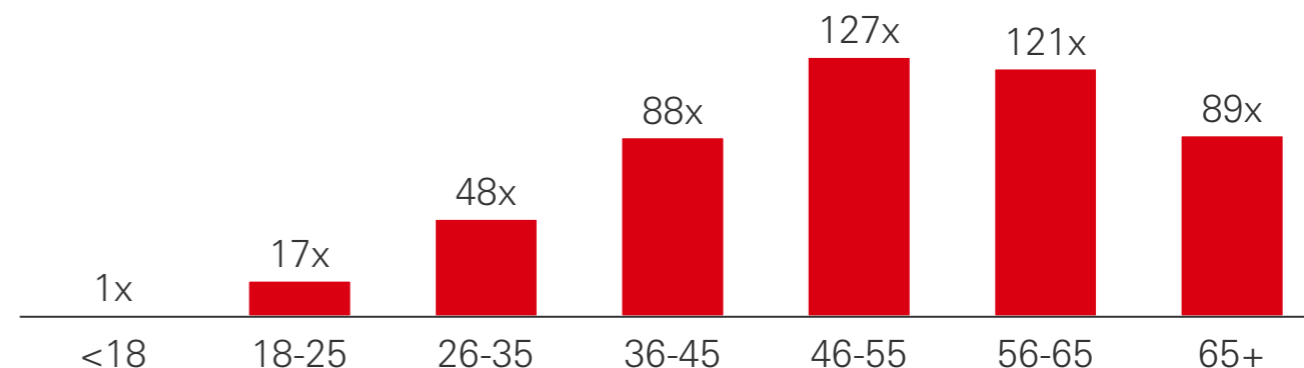
Average customer age, years



Market penetration among Millennials



Revenue multiplier by age group

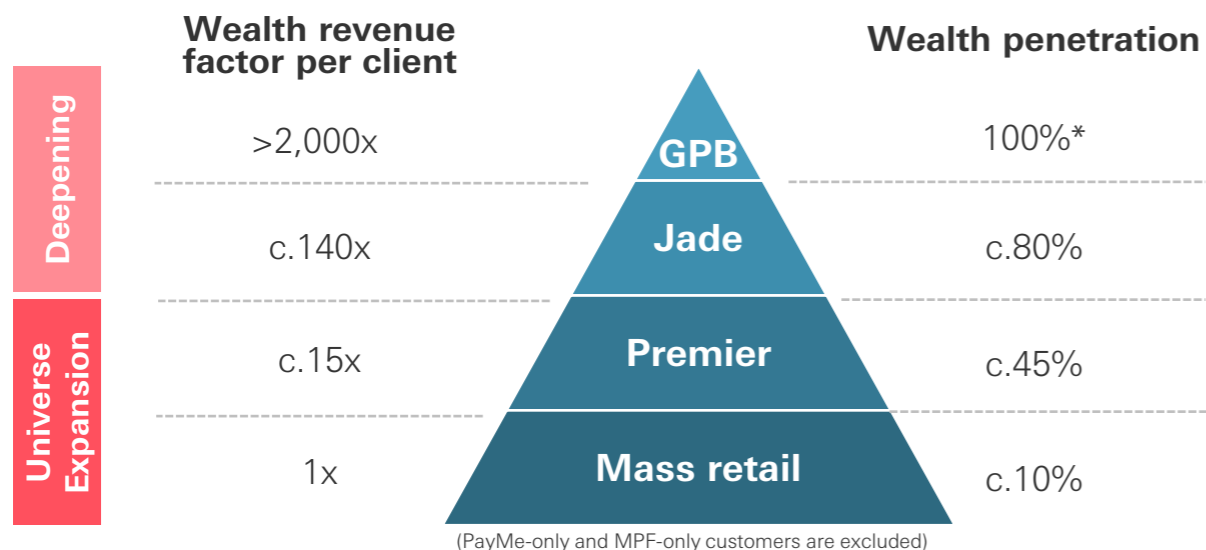


1. Source: Kantar Brand Pulse 2022

Wealth: unleash the wealth opportunities across our client base

Deepen wealth penetration across the customer continuum

23% insurance & investment penetration (2020: 20%)



- ◆ Aim to deepen our relationships with our Jade and GPB clients through widening our product selection and providing tailored client solutions
- ◆ Within the Premier and mass retail segments, we aim to:
 - ◆ Develop our digital and hybrid wealth management solutions
 - ◆ Widen our product set across channels and simplify sophisticated wealth products

Wealth products and channels

○ Product Availability ● Mobile Accessibility

Products	Mass	Premier	Jade	GPB
Equities	●	●	●	●
Fixed Income	●	●	●	○
FX & Commodities	●	●	●	●
Funds	●	●	●	●
Insurance	●	●	●	○
Structured Products	●	●	●	●
Wealth Lending		●	●	○
Alternatives & Private Equity			○	○
Discretionary			●	●
Structured Lending				○

* Based on total wealth products incl. deposits as investable asset

Wealth: segmentation analytics to better serve our customer needs



	Conservatives	Buy-and-Hold	Dividend Earner	Advice Taker	Securities Guru	Trading Veteran	Observer	Accumulator	Asset Allocator
AUM%	Security	Low	Low	Medium	Low	High	High	Low	Low
	Investment Product	Low	Medium	Low	Medium	Low	Low	Low	Medium
	Other Investment	Medium	Medium	Low	Medium	Low	Low	Medium	Medium
Investment Products	Deposit	High	High	High	Medium	High	Medium	High	Medium
	Risk Level (RPQ)	Very Low	Mid	Low	High	Mid	High	High	High
	Tenure	Mid	Long	Mid	Shortest	Short	Long	Short	Short
	Relative Frequency	Average	Average	Rare	Frequent	Rare	Average	Average	Frequent
	Relative Tenure	Average	Long	Average	Short	Average	Longest	Average	Short
Security	Trading Frequency	Low	Low	Low	-	Highest	High	Low	Low
	Herding*	-	-	Against	-	Against	Follow	-	Against
	Active Market*	-	-	Bull	-	Bull	Bear	-	Bull
	Diversity	Low	Low	Low	High	Mid	High	High	Low

Herding – Correlation between customer trading amount and market trading volume. Positive correlation indicates herding
 Active Market– Correlation between customer trading amount and market return. Positive (negative) correlation) indicates active under bull (bear) markets

Wealth: improved front line productivity and KPIs

Client meetings

+11%

vs. 2020

Relationship manager productivity

+17%

vs. 2020

Contact centre sales productivity

+30%

vs. 2020

Branch iNPS: 78

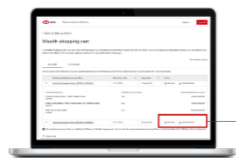
+21 pts

vs. 2020

Digital Capabilities

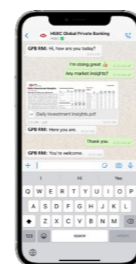
Wealth shopping cart

Trade UT products via HSBC online banking & staff assisted service



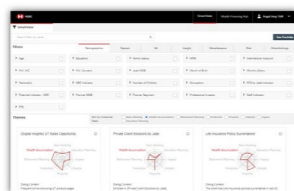
RM chat

Connect with assistants through mobile



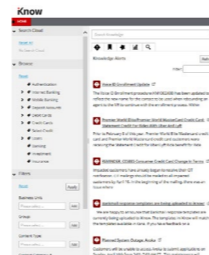
Smartview

Customer insight platform to identify sales opportunities



iKnow

Single source of truth for content queries



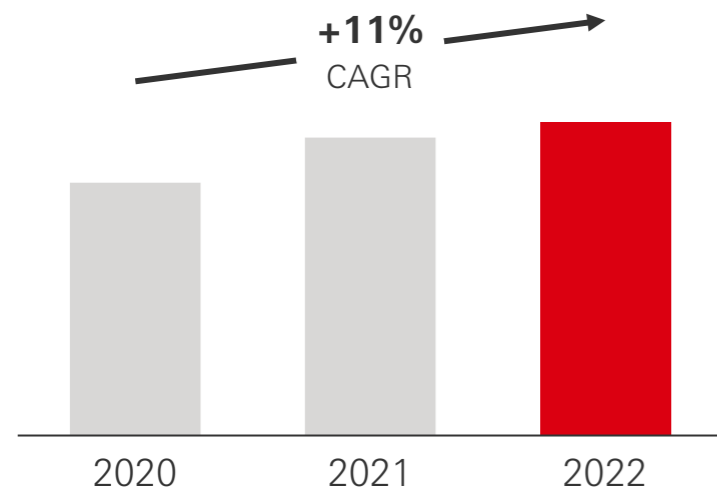
Learning & Development

- ◆ INSEAD partnership
- ◆ 1,200-hour leadership programs for branch leaders
- ◆ 24x7 on-the-go interactive staff platform with video and gamification features
- ◆ Network-wide booster program on market, culture and language

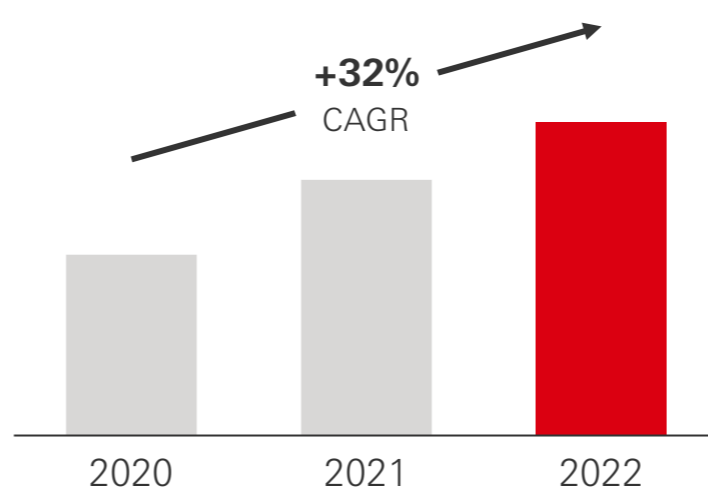


Lending and payments: continuously innovate to excite the market

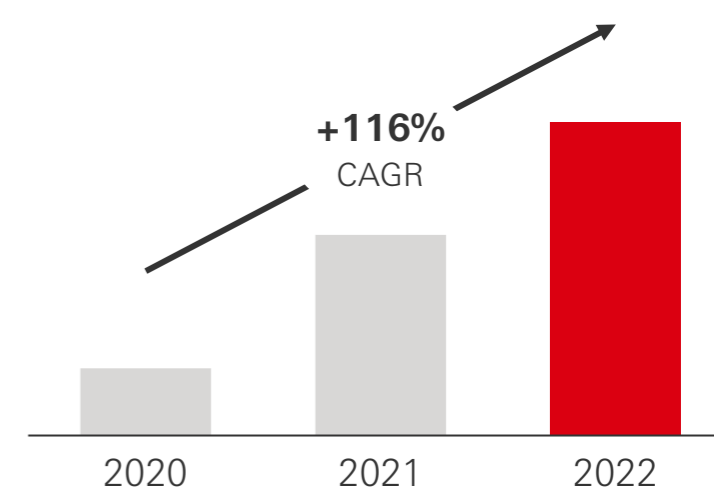
Credit card spending



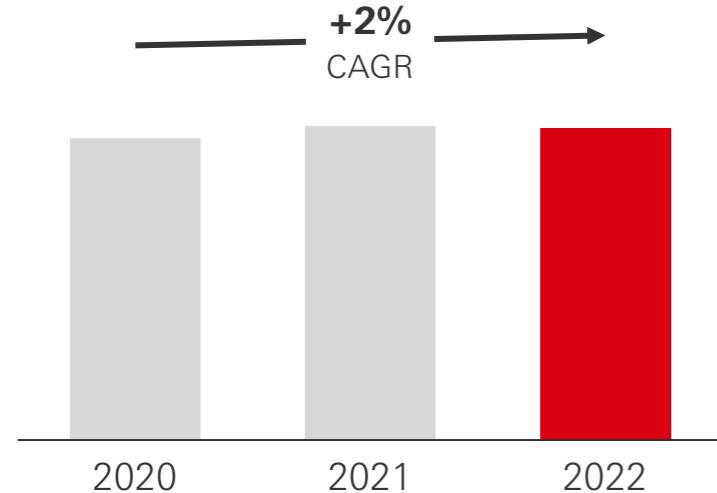
New unsecured lending drawdowns



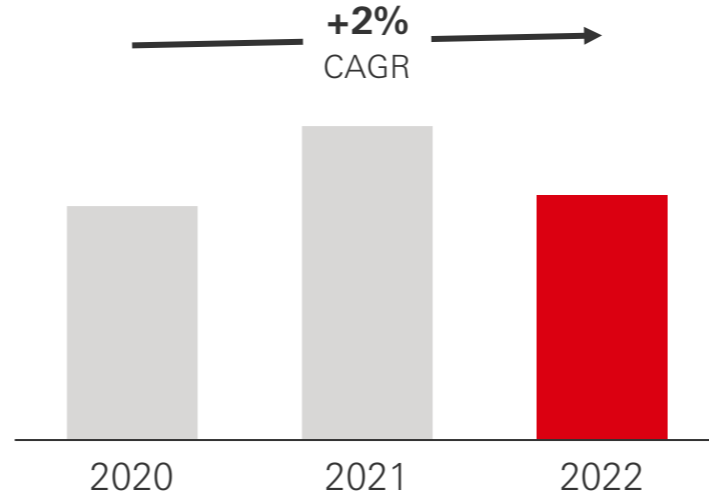
Wealth lending balances



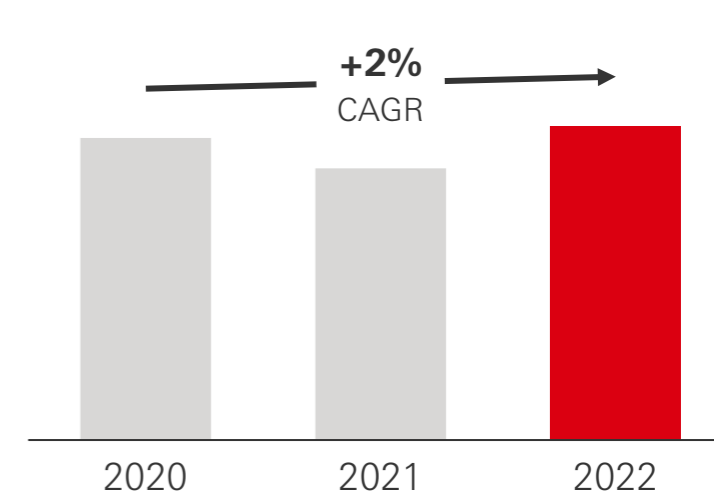
Deposit balances



Mortgage drawdowns



FX daily average turnover



Lending and payments: credit cards

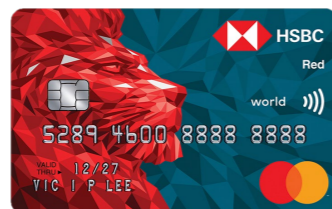
Need-based cards product range

Travel Lovers



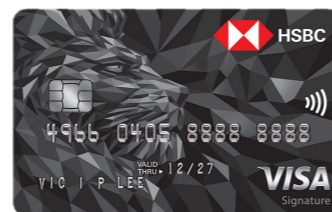
EveryMile Credit Card
(Launched in 2021)

Online Shoppers



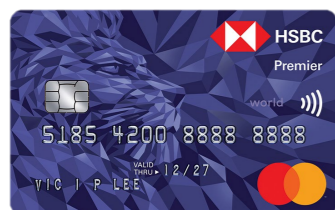
Red Credit Card
(Launched in 2019)

Day-to-day F&B & Gourmet Lovers



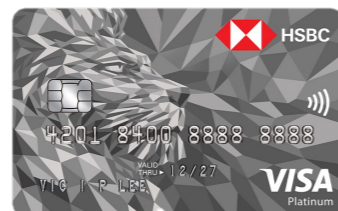
Visa Signature Card

Lifestyle & Family



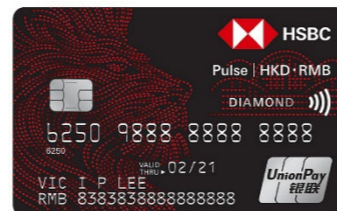
Premier Mastercard

Grocery Shoppers



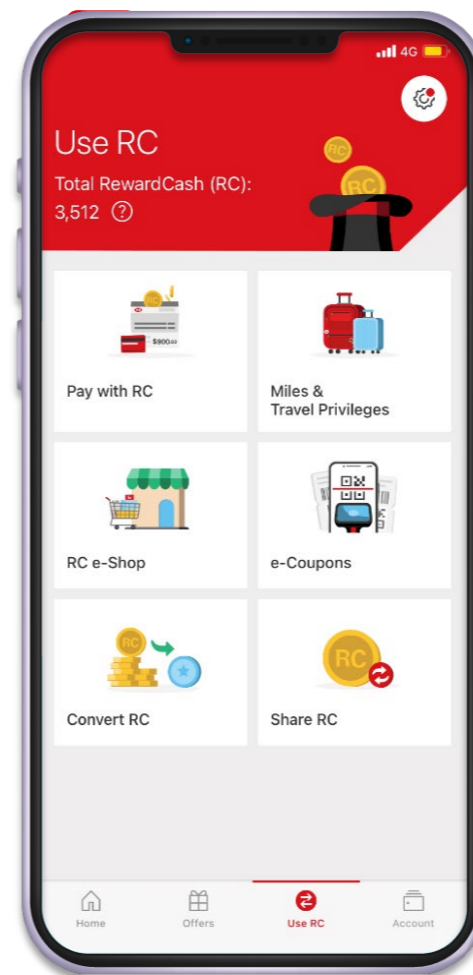
Visa Platinum Card
(Rebranded in 2022 in partnership with A.S. Watson Group)

GBA Commuters



Pulse Dual Currency Credit Card
(Launched in 2019)

Integrated loyalty and rewards platform with scalability



- ◆ HSBC Reward+ app as a dedicated Card offers hub, connecting **1.5m+ users** to external partners & merchants
- ◆ Instant **conversion of RewardCash** with **30+ partners** for fulfilment through **API integration**

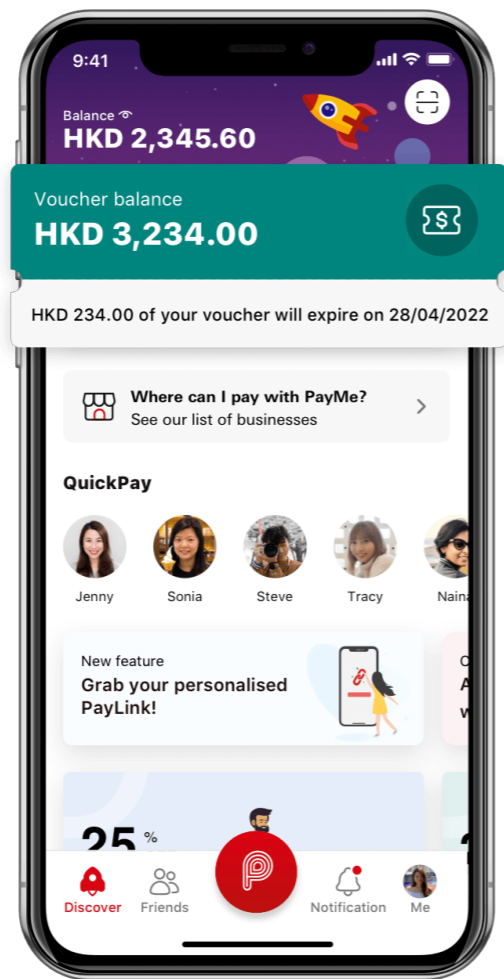


- ◆ **Extensive network** of travel loyalty programmes among Hong Kong card issuers, capturing travel revival opportunities

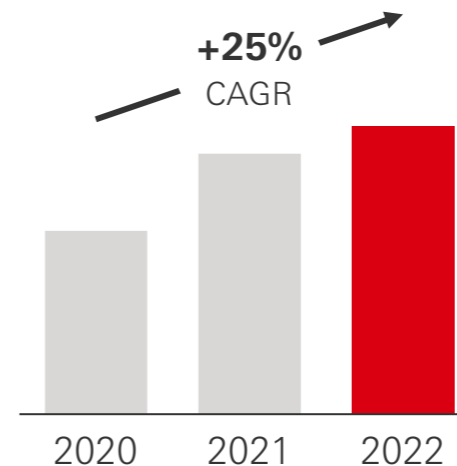


Lending and payments: PayMe is the #1 wallet in Hong Kong

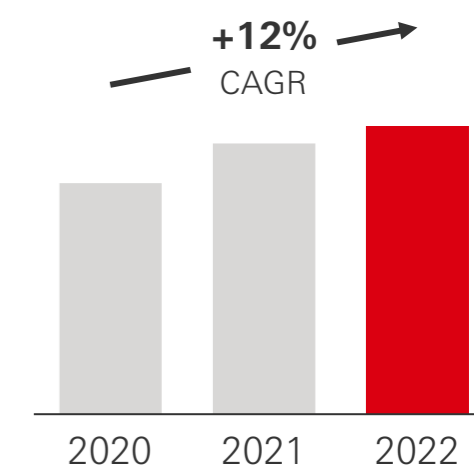
- ◆ **P2P market leadership** with >75% market share¹
- ◆ **2.9m** PayMe users
- ◆ **>60% Millennials and Gen Z** base
- ◆ Pay friends, family & **50k+ merchant outlets** in HK
- ◆ **Open architecture**
- ◆ **c.11m** transactions per month
- ◆ NPS score: **28.5**
- ◆ **4.7** app score rating



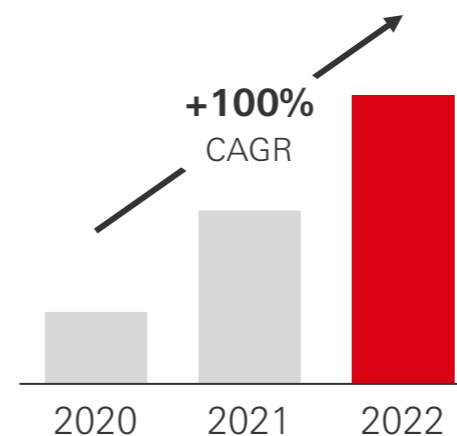
Customers



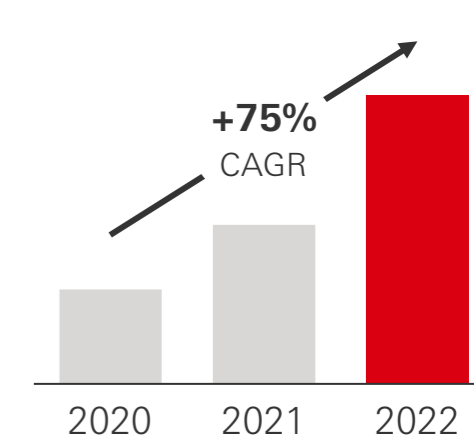
Active customers



Merchant outlets



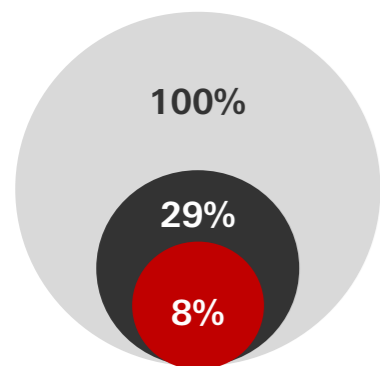
Peer-to-merchant (P2M) transaction value



1. PayMe P2P market share 4Q22. Source: HKMA

International: “Opening up a world of opportunity”

c.30% of our customers are international¹

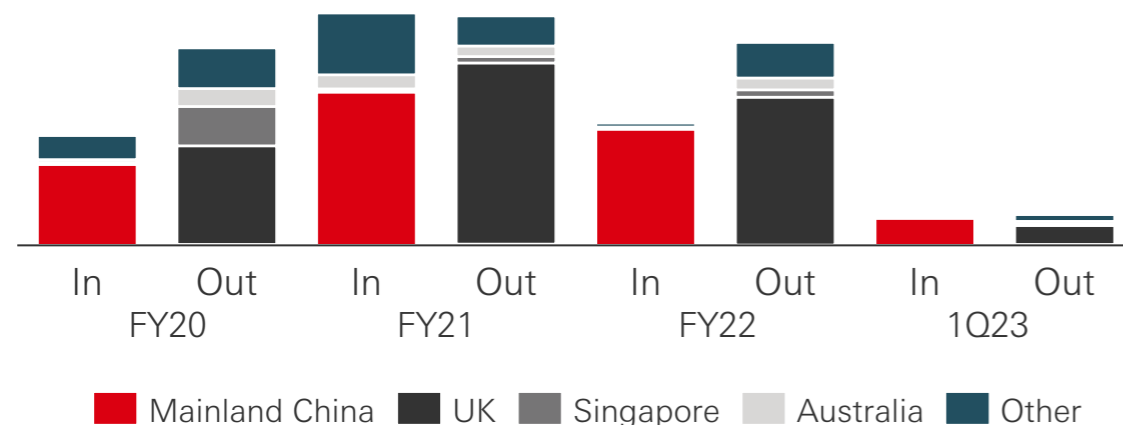


International customer revenue is **c.3x** that of domestic customers

■ International Chinese ■ International ■ Total customer

Mainland China a key corridor for Hong Kong

Inbound and outbound new customer acquisitions



Favorable macro environment for international business

- ◆ **Strong financial hub** in Asia with scale financial infrastructure
- ◆ **#1 in IPO fundraising** worldwide in 7 out of previous 13 years²
- ◆ **#2 in stock market** capitalisation in Asia ex-Japan³
- ◆ **>50%** of foreign direct investment (FDI) / outward direct investment (ODI) to/from China intermediated via HK⁴

Our 6 international ambitions

Using products and services like...

- | | |
|--|--|
| <ol style="list-style-type: none"> 1 Make it simpler to open an international account 2 Provide access to credit when relocating 3 Simplify cross border banking | <ol style="list-style-type: none"> 4 Help me plan for my future 5 Support me globally 6 Beyond Banking |
|--|--|

1. See glossary for definition of international customers
2. HKEX, 2023

3. Securities and Futures Commission, 2023
4. ODI as of 2020, FDI as of 2019. Source: HKTDC

International: capturing the International Chinese opportunity

Three-pronged engagement approach

1 Pre-arrival

- ◆ **1 + 1 HSBC Premier proposition:** 1+1 proposition between Hong Kong and mainland China driving referral leads
- ◆ **KOL x Social media presence**
- ◆ **Partnership:** health and international education

2 Upon arrival

- ◆ **Concierge services**
- ◆ **Covid-19 vaccine offer** at HSBC Paramedical Centre



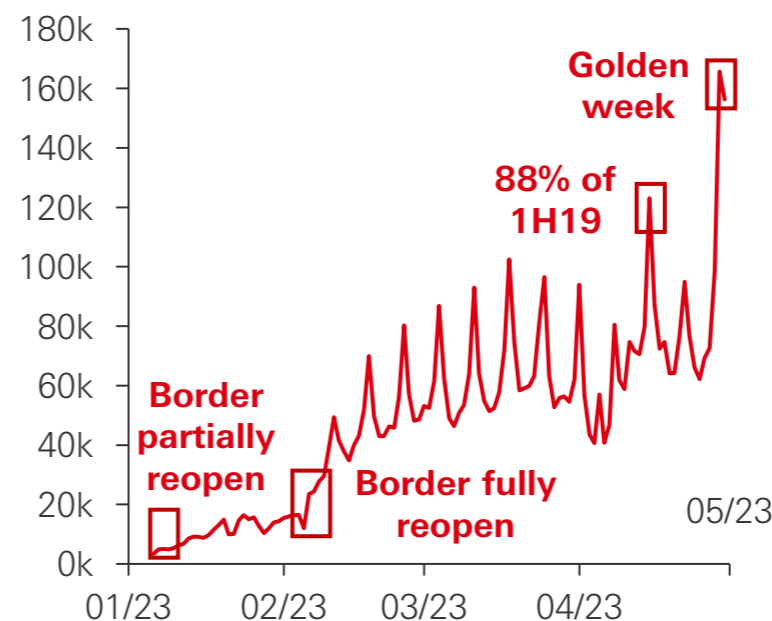
3 At branches

- ◆ **Product offers** tailored to investment preference of International Chinese customers
- ◆ **7-day branch support**

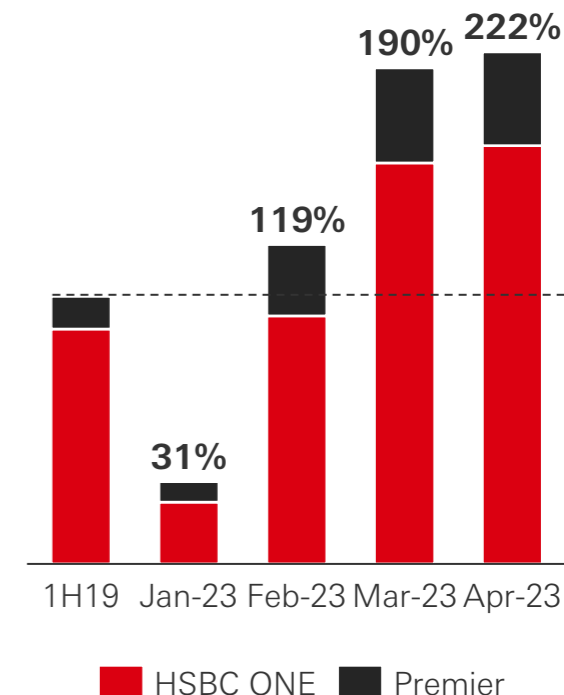
1. Hong Kong Immigration Department
2. Based on daily average

Recapture our stronghold of international Chinese customers

Daily average mainland visitor arrivals¹



International Chinese NTB account opening (% of 2019)²



- ◆ New-to-Bank (NTB) **account opening has exceeded pre-Covid levels.** HSBC has re-captured demand faster than market (mainland visitors below 1H19)
- ◆ Launched new digital campaigns and localised promotions for Golden Week to capture opportunities from the surge of mainland visitors

Summary: delivering increased market share, with a strong pipeline for future growth by...

- 1 | Enhancing the **customer experience**; mobile first
- 2 | Deepening and widening our **wealth penetration**
- 3 | **Innovating** retail and payment products
- 4 | Delivering our **international customer proposition**, looking towards our 6 international ambitions

Appendix

Glossary

ANP	Annualised new business premiums
ASEAN	The Association of Southeast Asian Nations (ASEAN) is a trade bloc of 10 member states: Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam
AT1	Additional Tier 1
AUM	Assets under management
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
C&L	Credit and Lending
CASA	Current accounts and savings accounts
CER	Cost efficiency ratio
CET1	Common Equity Tier 1
CIOM	Channel Islands and Isle of Man
Client business	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
CMB	Commercial Banking, a global business
Corporate Centre (CC)	Corporate Centre comprises Central Treasury, our legacy businesses, interests in our associates and joint ventures and central stewardship costs
CRE	Commercial Real Estate
CRR	Customer Risk Rating
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
FDI	Foreign direct investment
ESG	Environmental, Social and Governance
GBA	Greater Bay Area
GBM	Global Banking and Markets, a global business

GDP	Gross domestic product
GPB	Global Private Banking
GPS	Global Payments Solutions (formerly GLCM: Global Liquidity and Cash Management)
Group	HSBC Holdings plc and its subsidiary undertakings
GTP	Group transformation programme
GTRF	Global Trade and Receivables Finance
HBAP	The Hongkong and Shanghai Banking Corporation, HSBC Group's principal operating subsidiary in Asia
HIBOR	Hong Kong Interbank Offered Rate
HKMA	Hong Kong Monetary Authority
HKMC	The Hong Kong Mortgage Corporation Ltd
HKTDC	Hong Kong Trade Development Council
HNW	High net worth
HQLA	High-quality liquid assets
HQLA	High quality liquid assets
I&I	Insurance and investments
IAS	International Accounting Standard
IAS 39	IAS 39 'Financial Instruments'
IFRS	International Financial Reporting Standard
IFRS 17	IFRS 17 'Insurance Contracts'
International customer (CMB)	International customers means customers who hold a relationship with HSBC in two or more markets
International customer (WPB)	WPB international customers comprises customers who are either multi-country, non-resident or resident foreigners within International markets in the UK, Hong Kong, Canada, the US, India, Singapore, Malaysia, UAE, Australia, mainland China and CIOM. Multi-country are those customers who bank in more than one market; Non-Resident customers are those whose address is different from market; Resident Foreigners are customers whose nationality, or country of birth for non-resident Indians and overseas Chinese is different to market we bank them in. Note, customers may be counted more than once when banked in multiple countries
IP	Intellectual property
JJJ	Beijing-Tianjin-Hebei Region
LCR	Liquidity coverage ratio
LIBOR	London Interbank Offered Rate

Glossary

LICs	Loan impairment charges and other credit risk provisions
Mastergroup	The consolidated client relationships of the ultimate parent company
MENA	Middle East and North Africa
MME	Mid-Market Enterprises, a CMB customer segment
MSS	Markets and Securities Services
NBP	New Business Premium
NII	Net interest income
NIM	Net interest margin
NPS	Net promoter score
NRC / NRI	Non-resident Chinese / Indian
NSFR	Net stable funding ratio
ODI	Outward direct investment
PB	Private Bank / Private Banking
PBT	Profit before tax
PWP	Personal Wealth Planner
QDII	Qualified Domestic Institutional Investor
QFII	Qualified Foreign Institutional Investors
R&D	Research and development
RM	Relationship manager
RoTE	Return on average tangible equity
RoW	Rest of the world
RWA	Risk-weighted asset
SME	Small and medium sized enterprises
TMD	Time deposits
UHNW	Ultra-high net worth
VDI	Virtual desktop infrastructure
WPB	Wealth and Personal Banking, a global business
YRD	Yangtze River Delta

