

HSBC UK

Barclays UK Banks Virtual Tour 2021



Well positioned to help support the UK's economic & societal recovery from Covid-19

- 1** We have **strongly supported our customers, colleagues, and our community** throughout the Covid-19 crisis
- 2** Delivered a **robust financial performance in 2020**, remaining profitable and maintaining balance sheet strength despite unprecedented disruption
- 3** Our strategy is **focused on growth** in areas of strength (including mortgages, wealth, commercial lending) supported by a 'digital first' approach
- 4** We will play a key role in financing the **transition to net zero carbon emissions**

Supporting our customers, colleagues, and community throughout Covid-19

Supporting our customers

Commercial (CMB)

- ◆ Approved **£14.1bn** in Covid-19 related lending, including **£11.2bn** through government-backed lending schemes¹
- ◆ Approved over **9k** capital repayment holidays¹

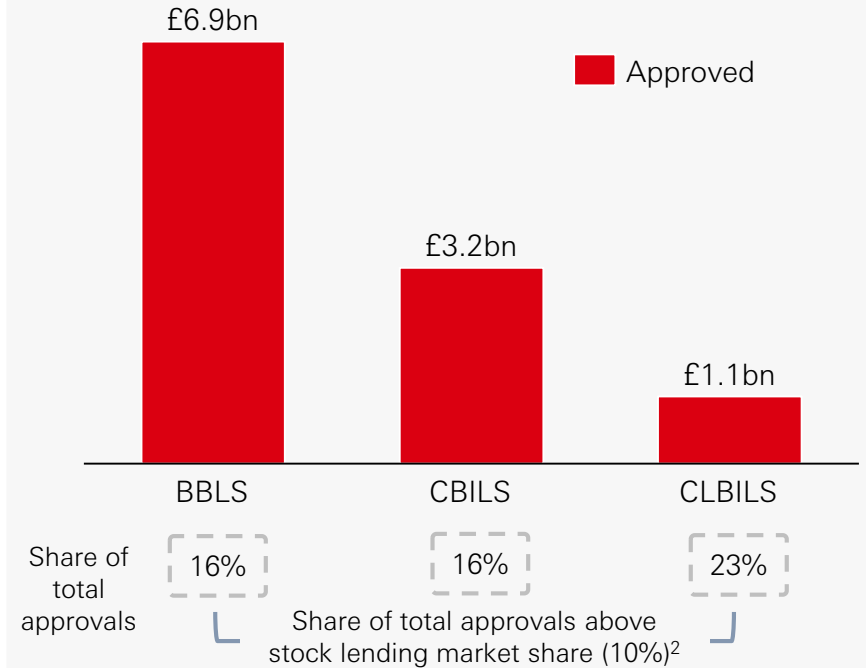
Retail

- ◆ Over **241k** retail payment holidays (68k Mortgages, 100k Loans, 73k credit cards)
- ◆ Supported **>1.6m** key workers and vulnerable customers through our dedicated support line
- ◆ **£500** interest free overdraft buffer
- ◆ **>95%** of branches remained open throughout

Supporting colleagues & community

- ◆ Enabled **100%** of eligible employees to work remotely across all our sites within 2 weeks of lockdown
- ◆ **£1m** donated: National Emergencies Trust Coronavirus Appeal and British Red Cross. **~£1.4m** raised by customers and colleagues for BBC's 'The Big Night In' Appeal

CMB UK – Government-backed lending schemes¹



1. Data as of 31DEC20 2. Total net lending market share equivalent as of SEP20

Robust performance in 2020 despite unprecedented disruption

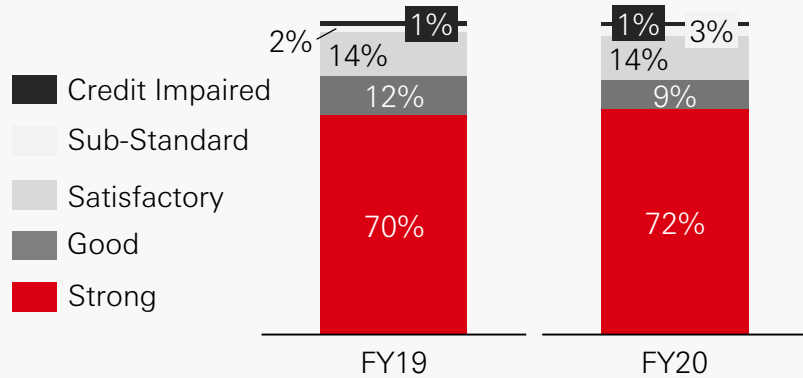
£m	FY20	FY19		Δ
Net interest income	4,567	4,878	▼	(6)%
Non interest income	1,480	1,735	▼	(15)%
Revenue	6,047	6,613	▼	(9)%
ECL	(2,115)	(613)	▲	>(100)%
Costs	(3,598)	(3,737)	▼	4%
Adjusted PBT	334	2,263	▼	(85)%
Significant items	(171)	(1,253)	▼	(86)%
Reported PBT	163	1,010	▼	(84)%
Reported profit after tax	80	516	▼	(84)%

£bn	FY20	FY19		Δ
Customer loans	191.2	183.1	▲	4%
Customer deposits	259.3	216.2	▲	20%
Reported RWAs	85.5	85.9	▼	(0)%
CET1 ratio, %	15.2%	13.0%	▲	2.2ppt

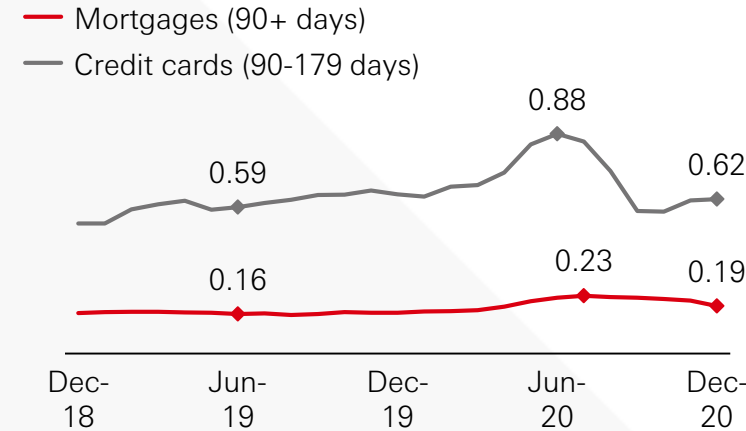
- ◆ Delivered profits (adjusted PBT of £334m) in a challenging environment
- ◆ Continued to deliver strong balance sheet growth with loans up 4% and deposits up 20% vs. FY19
- ◆ Capital position remains robust with CET1 ratio increasing 2.2ppts to 15.2%

Our portfolios have remained resilient offering a strong platform for growth

1 Credit quality (% gross carrying amount)

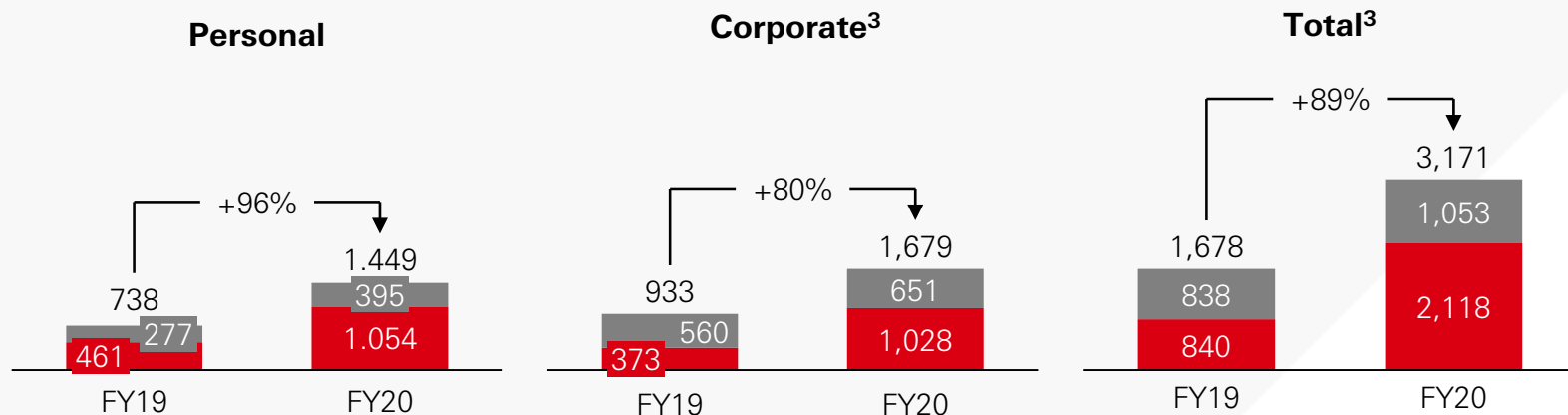


2 Retail¹ – delinquency trends (%)



3 ECL allowance², FY19 vs. FY20

■ ECL allowance: Stage 1 - 2 ■ ECL allowance: Stage 3



1 Credit quality remains strong, supported by government programmes for individuals and business

2 Retail delinquency trends have remained broadly stable throughout the Covid-19 crisis

3 Forward-looking Stage 1 and 2 allowances increased by £1.3bn in 2020

1. Excludes Private Bank 2. Allowance for ECL against loans and advances to customers at amortised cost 3. Includes Non-bank financial institutions, excludes POCI balances

Our strategy is focused on growth

Our purpose Opening up a world of opportunity

Our values  We value difference  We succeed together  We take responsibility  We get it done






Our ambition To be the preferred international financial partner for our clients

Our strategy






Focus on our strengths

-  Play a **vital role** in the **UK's economic and societal recovery** from Covid-19
-  **Collaborate across business lines** and across borders to bring more of HSBC to our customers
-  **Support British businesses** growing here or internationally
-  **Invest at scale in the UK** where our opportunity is greatest, becoming a market leader in **mortgages** and **wealth**
-  **Improve financial accessibility** and inclusion




Digitise at scale

-  Deliver an easy and **excellent customer experience**
-  **Simplify and automate** to improve services and reduce cost
-  **Transform first direct** into a digital challenger
-  **Scale up** innovative digital solutions like Kinetic Business Bank
-  Maintain a **safe, resilient and sustainable bank**

Energise for growth

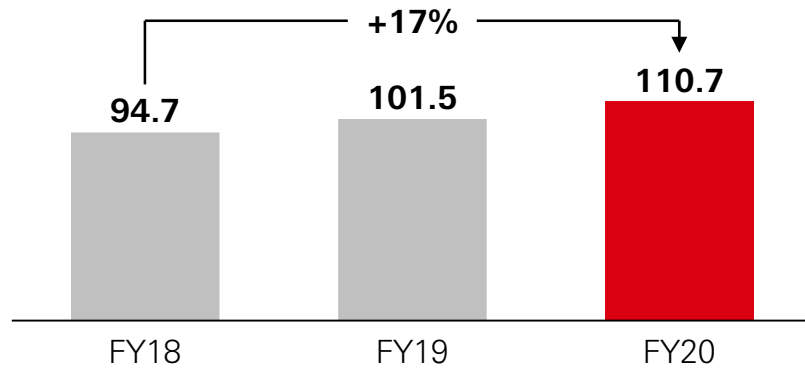
-  Inspire a **dynamic culture** where the best want to make a positive impact
-  Be a **leaner, simpler organisation**
-  **Empower colleagues** to make decisions and deliver at pace
-  Help colleagues develop **future-ready skills**
-  Champion **diversity and inclusion**

Transition to net-zero

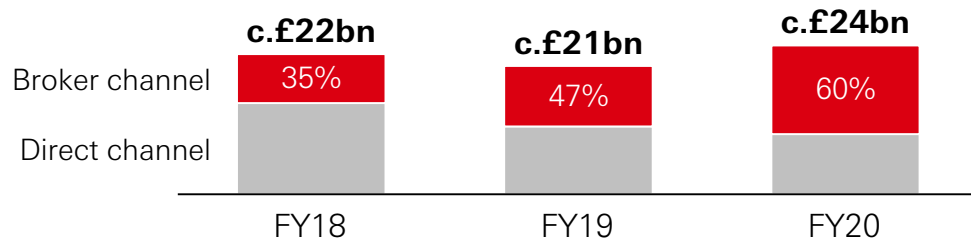
-  Support the Group's commitment to **achieve net zero in our own operations** by 2030 or sooner
-  **Support and finance our customers** in their own transitions
-  **Achieve net zero emission** of our customer portfolio **by 2050**

Mortgages – Controlled growth through intermediary expansion

Retail residential mortgage balances, £bn



Gross new lending – Broker vs. Direct channel¹



- ◆ Market share of stock balances increased to 7.4%² in FY20 (from 6.7% in FY18) with share of gross lending of 10.3% in FY20
- ◆ Broker coverage³ is now >93% whilst share of direct channel remains consistently high (~20%⁴)

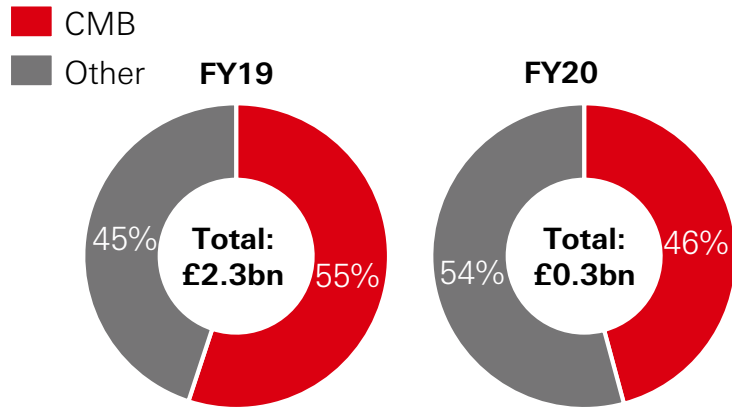
Focus on delivering sustainable growth which supports pricing and returns, and remains in line with risk appetite

- ◆ Significant growth potential given historically underweight position and strong liquidity (HSBC UK LCR⁵: 198% at FY20)
- ◆ Growth to be supported by further intermediary expansion as we build towards a ‘whole of market’ broker ambition
- ◆ Focused on automation to streamline customer journeys (significant progress made to date with time to offer now ~7 days vs. ~17 in 2018)
- ◆ Aim to deliver growth whilst preserving margins and returns (margins remained resilient in FY20)

1. Excludes Private Bank 2. Source: Bank of England 3. By value of market share 4. New business share of direct market available; source: UK Finance 5. Liquidity Coverage Ratio

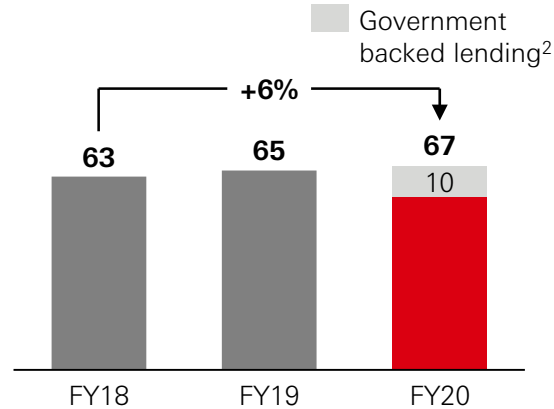
Commercial – Growing sustainably with a focus on international clients

Share of total HSBC UK adjusted PBT

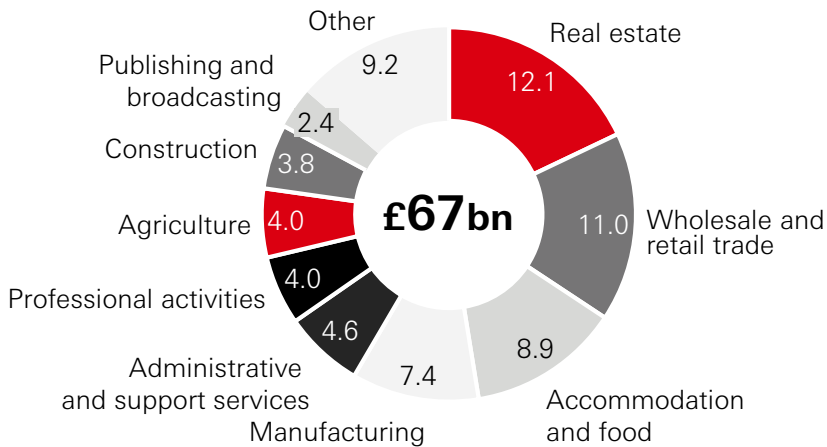


Balance sheet growth, £bn

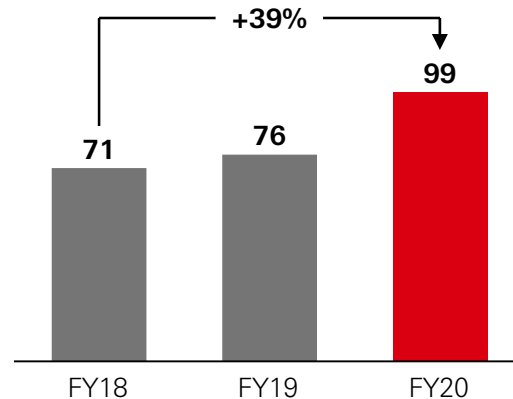
Customer lending



Portfolio mix by sector¹



Customer deposits



- ◆ Significant operational strength displayed to deliver Covid-19 support to customers
- ◆ CMB UK continues to be a material contributor to our profits (46% in FY20), with ambition in place to continue growing sustainably:

- ❖ Accelerate **international client acquisition**
- ❖ Continue to **invest in GLCM, GTRF and FX** front-end platforms
- ❖ Support the financing of the **transition to net zero**
- ❖ **Scale Kinetic**

1. Gross wholesale loans & advances to customers as at 31 December 2020 2. Drawn loan value of customers under marker-wide schemes: £9,899m

Innovation – Scaling Kinetic and transforming first direct

Kinetic, mobile-first, cloud-first business banking

- ◆ HSBC Kinetic, the new UK mobile banking service **built on the cloud**, designed for small businesses
- ◆ Simple, fast and intuitive
- ◆ Allows customer to open an account in 15 minutes

c.4k
users¹

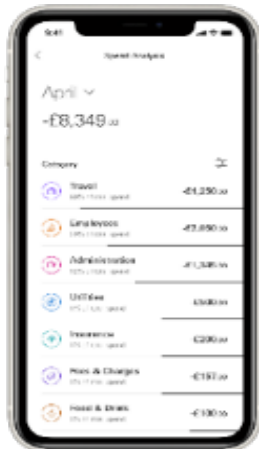
4.7
iOS App Store
Rating

93%
satisfaction rating

Apply for an account in minutes

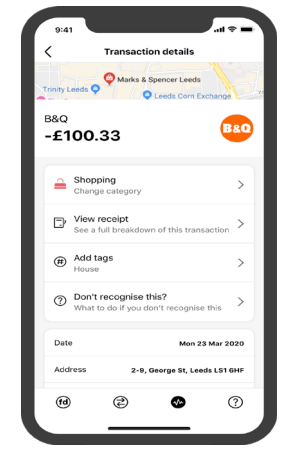
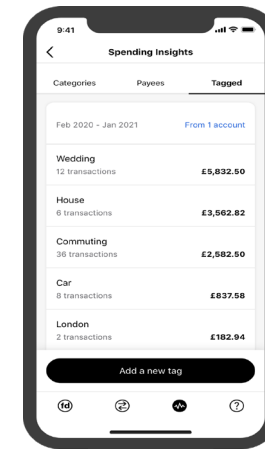
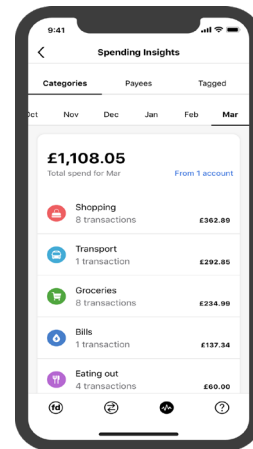
Stay on top of everyday expenses

Plan ahead with cashflow insights



first direct

- ◆ Established brand with strong platform for growth:
 - ❖ ~1.5m customers
 - ❖ Named best British brand in UK Customer Satisfaction Index²
- ◆ Investing in technology and marketing to accelerate growth by transforming first direct into our **mobile-led challenger brand**



Spending Insights:
Helping you understand your money

Financial Planning:
Helping you with your financial wellness

Auto-pilot: Self-driving banking

1. As at 16th February 2021

2. Source: The Institute of Customer Service

Sustainability – Key to our growth story

HSBC Group ambitions

Actions

Become a net zero bank



- ◆ Align the **financed emissions** of our portfolio of customers to achieve net zero by 2050 or sooner
- ◆ Net zero in our **operations and supply chain** by 2030 or sooner

- ◆ Work towards our Renewable Electricity commitment to source 100% of our electricity from renewables through power purchase agreements by 2030
- ◆ Set out clear and measurable pathways to net zero, using the Paris Agreement Capital Transition Assessment tool (PACTA)
- ◆ **HSBC UK: Achieved c.70% of our electricity from renewable sources**

Support for customers



- ◆ Support our clients in the transition with **\$750bn to \$1tn of financing and investment** over the next 10 years

- ◆ Increase portfolio of transition finance and advisory solutions building new capabilities in structuring for climate, new technology and risk management
- ◆ Apply a climate lens to financing decisions
- ◆ **HSBC UK: Supporting our retail & commercial customers transition to net zero – significant financing required over next 10 years and beyond**
- ◆ **Launched new products in 2020** (Sustainability Linked Loans & Green Deposits)

Unlock new climate solutions



- ◆ **Unlock investments** into the next horizon of **climate solutions** that are currently not accessible for investors

- ◆ Created HSBC Pollination Climate Asset Management (joint venture between HSBC & Pollination with first fund aiming to raise \$1bn offering investors wide exposure to global natural capital themes)
- ◆ Leading the FAST-Infra² initiative to establish sustainable infrastructure principles and investment vehicles
- ◆ **HSBC UK: 7,500 colleagues joined our Climate Action Network**

1. Includes Green Loans, Sustainability Linked Loans, and Sustainable Bonds

2. Finance to Accelerate the Sustainable Transition-Infrastructure ('FAST-Infra') in partnership with the IFC, the OECD, the Global Infrastructure Facility (World Bank), and Climate Policy Initiative under the auspices of the One Planet Lab

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Non-GAAP measures

This Presentation contains Non-GAAP financial information. The primary Non-GAAP measures we use are presented on an “adjusted performance” basis which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business.

Reconciliations between Non-GAAP financial measures and the most directly comparable measures under IFRS are provided in our 2020 Annual Report and Accounts available at www.hsbc.com.

Information in this Presentation was prepared as at 15 March 2021, unless otherwise specified.