HSBC UK Seminar for Investors and Analysts

Together we thrive

11 June 2019

HSBC

Important notice and forward looking statements

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Pro forma and Non-GAAP financial information

This presentation contains pro forma financial information. Pro forma results have been calculated for illustrative purposes only for 2018 and 2017 to enable an understanding of the year on year performance of the businesses and subsidiaries transferred to HSBC UK on 1 July 2018. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent HSBC UK's actual financial results. For a detailed description of the basis of preparation for the pro-forma financial information, please see the appendices to this presentation and our Annual Report for the fiscal year ended 31 December 2018 which is available at www.hsbc.com

This presentation also contains non-GAAP financial information. The primary non-GAAP financial measure we use is 'adjusted performance' which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business. Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in the the appendices to this presentation and Annual Report for the fiscal year ended 31 December 2018 which is available at www.hsbc.com.

Information in this presentation was prepared as at 10 June 2019.

Reported consolidated income statement and note on pro forma information

Reported income statement, £m	2017[1]	2018
Net interest income	-	2,456
Other income	-	901
Total revenue	-	3,357
ECL	-	(305)
Costs	-	(1,988)
PBT	-	1,064
Tax expense	-	(301)
Profit attributable to ordinary shareholders of the parent company	-	763

Pro-forma reported income statement, £m	2017	2018
Net interest income	4,153	4,754
Other income	1,843	1,734
Total revenue	5,996	6,488
ECL	(229)	(399)
Costs	(4,635)	(3,882)
PBT	1,132	2,207

Presentation of pro forma information

HSBC UK Bank plc operations commenced on 1 July 2018, following the transfer of the qualifying businesses and subsidiaries from HSBC Bank plc. The 2018 results above left represent 6 months of reported results for banking operations. The transferred businesses were in operation in HSBC Bank plc prior to the transfer to the bank.

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Unless otherwise stated, the remainder of this presentation is on an adjusted pro forma basis. A reconciliation can be found on slide 89 of reported results to adjusted results for 3Q18, 4Q18 and 1Q19, as well as a reconciliation of pro forma reported results to pro forma adjusted results for FY17 and FY18.

For 31 December 2018 balance sheet, and for 1Q19 income statement and balance sheet, results represent HSBC UK's actual financial results and are not on a pro forma basis.

The convention for time periods throughout the document is FYXX (for full year data) and 1QXX (for quarterly data). Therefore FY18 will mean the balance sheet position as at 31 December 2018 and the full year income statement results for the year ended 31 December 2018.

1. Comparatives round to £nil when presented in millions

Agenda

An introduction to HSBC UK	5
Commercial Banking (CMB)	25
Retail Banking and Wealth Management (RBWM)	41
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Introduction

Ian Stuart, CEO HSBC UK

HSBC UK

HSBC UK, a clear growth opportunity

The UK represents a **clear growth opportunity** for HSBC, with a robust plan to deliver significant value creation

Key highlights

1. The UK is one of HSBC's **scale markets**, and **HSBC UK represents a material part of the Group**
2. UK remains an **attractive place to do business**; HSBC UK has **significant competitive advantages and opportunities for market share growth**
3. We have a **clear plan to deliver growth** with a **good return profile** and **strong organic capital generation**
4. We **delivered strong progress** on financials, customer service, people engagement, and simplification in 2018
5. **UK economic uncertainty remains high**; we continue to be watchful on credit impairment risks
6. We are delivering growth with a **focus on sustainability and our role in society**

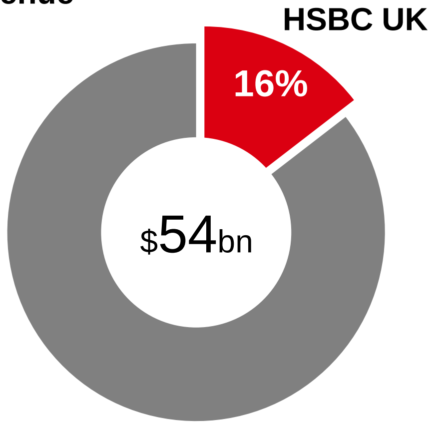
HSBC UK overview

- The UK is one of HSBC's scale markets; through Midland Bank, we have conducted business in the UK since **1836**
- HSBC UK is the Group's **UK ring-fenced bank**, headquartered in Birmingham
- HSBC UK houses the qualifying components of **UK RBWM, CMB and GPB businesses**, and relevant retail banking subsidiaries, as well as a **restricted GB&M** business
- We are a major UK bank, with **~14 million** retail customers and **>900k** business and commercial customers[1]
- **~22k** full-time equivalents (FTE[2])
- HSBC UK is a material part of the Group, generating **£6.4bn** adjusted revenue (16% of Group), with **£175bn** of net loans and advances to customers (23% of Group) in 2018
- Exceptional **collaboration** and **international connectivity** with **~$0.3bn** of CMB **client revenue** generated for our international network and **~$0.3bn** coming in to HSBC UK

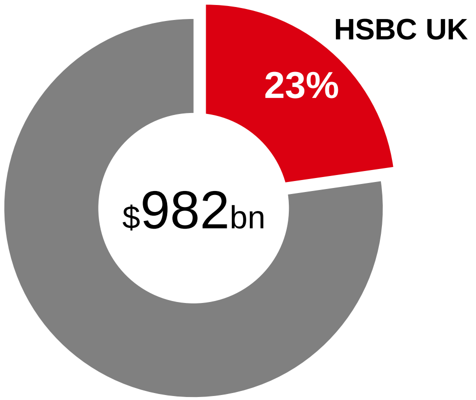
FY18

HSBC UK as a % of Group

Total adjusted revenue



Net loans and advances to customers



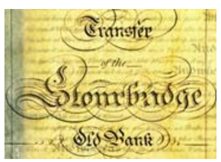
1. As at FY18
2. 22,000 employees across the country, supported by a further 11,000 employees based in our UK service company HSBC Global Services (UK) Limited who provide services to HSBC UK and the wider HSBC Group.

HSBC UK has returned to its Midland Bank roots

1836

The Birmingham and Midland Bank opens

1851



Opening of the first branch

1930

New London Head Office

1958

First UK bank to offer unsecured personal loans

1966

First UK bank to issue cheque guarantee cards

1989

Launch of first direct

1992

Midland Bank joins HSBC

2004

M&S Bank

Acquisition of the retail financial services arm of M&S Group

2018

1st large UK bank to launch Open Banking solution

Ring-fencing of HSBC UK is completed

HSBC UK HQ opens in Birmingham

An experienced management team is at the helm

Your presenters today

Ian Stuart, CEO HSBC UK

- Appointed April 2017 – 38 years' banking experience
- Before joining HSBC as Head of CMB for Europe & the UK, Ian led Barclays' Corporate Banking business

Amanda Murphy, Head of CMB

- Appointed April 2017 – 24 years' banking experience
- Previously Head of CMB, HSBC Indonesia

Stuart Haire, Head of RBWM

- Appointed November 2017 – 17 years' banking experience
- Prior to HSBC, Stuart led the Direct Bank for RBS as well as holding a number of other senior roles at RBS

Emma Bunnell, COO

- Appointed October 2017
- Previously Partner & Managing Director in Financial Services and Technology Practices at Boston Consulting Group (14 years)

James Calladine, CRO

- Appointed October 2017 – 36 years' banking experience
- Previously CRO, HSBC Latin America and HSBC International Europe

Dave Watts, CFO

- Appointed October 2017 – 25 years' banking experience
- Previously CFO Europe, Commercial Banking, MENA, HOST and Global Banking

Clear governance framework

HSBC UK

Board of Directors

8 Non-Executive Directors (Chair: Dame Clara Furse)


Dame Clara Furse


Leslie Van de Walle


Mridul Hegde


James Coyle


Dame Denise Holt


Alan Keir


David Lister


Rosemary Leith

3 Executive Directors (HSBC UK CEO, CFO, CRO)

- Chairman's Nominations and Remuneration Committee
- Audit Committee
- Risk Committee
- Executive Committee

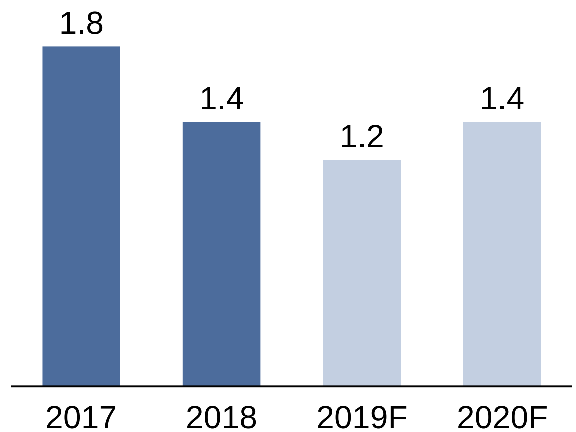
The UK remains an attractive place to do business

UK structural advantages

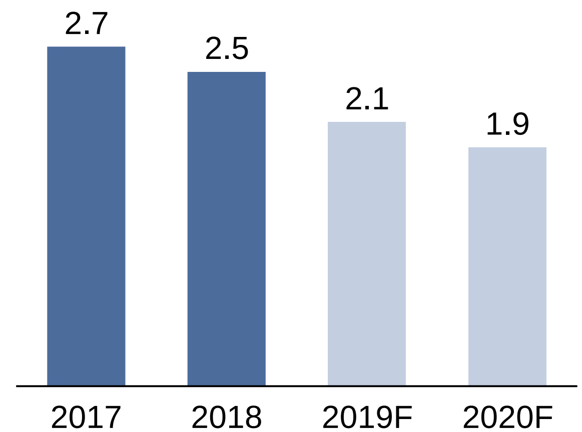
- Total private wealth of c. £13tn, with 14% of households having assets >£1m[1]
- World's second largest exporter of services, specialising in financial & business services[2]
- Best Country for Business[3]
- World education centre; 4 of the Top 10 universities in the world, 18 in the top 100[4]

Sound economics, but with Brexit uncertainty

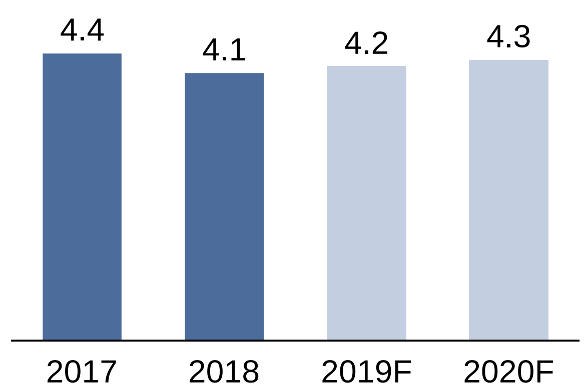
Annual GDP growth[5] (%)



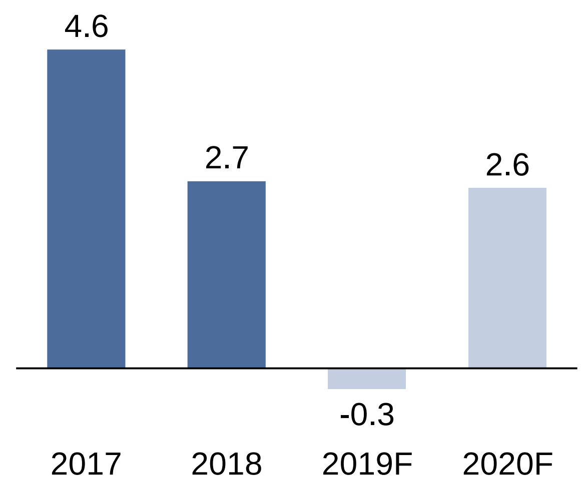
CPI inflation[5] (%)



Unemployment[5] (%)



House price change[6] (%)



1. Source: Wealth in Great Britain Wave 5: 2014 to 2016, UK ONS
2. OECD Quarterly International Trade Statistics, Volume 2018 Issue 4
3. Forbes' Best Countries for Business 2018 Ranking 2019
4. Source: European Economics Quarterly Q2 2019, HSBC Global Research, April 2019
5. HSBC Global Research forecasts
6. Source: Economic and fiscal outlook – March 2019, UK OBR. Percentage change on a year earlier

HSBC UK has clear competitive advantages

- ✓ Full banking capability and **exceptional international connectivity**
- ✓ **Strong balance sheet** with a low cost of funding and conservative risk appetite
- ✓ **Branch footprint optimisation** ahead of peers
- ✓ **Significant growth potential** – historically underweight in most UK markets
- ✓ **Scale of HSBC** offers significant advantages – cyber security, investment spend, compliance
- ✓ **Leveraging an internationally recognised brand** – Top 50 global brand[1], 2nd amongst global banks, 1st amongst UK and European banks

1. The world's most valuable brands 2019 - Forbes

Key opportunities across our businesses

Commercial Banking

- Leverage our exceptional global footprint to support commercial customers' trade and overseas banking needs
- Improve penetration of mid market, through additional on-boarding capacity and renewed focus on 'fast growth cities or sectors'
- Grow SME market share through disruptive digital propositions
- Improve customer experience by significantly increasing investment in our business

Retail Banking & Wealth Management

- Mortgage growth through controlled intermediary channel expansion whilst maintaining a conservative risk appetite
- Enhancing the multi-brand strategy and accelerating digital developments
- Grow wealth business by improving accessibility for customers through digital

Simplification & Ways of Working

- Streamline back office systems and processes
- Use new and emerging technologies to improve cost efficiency

Customer satisfaction

- Invest in our people to help them serve our customers better
- Harness technology to support simpler, faster on-boarding and application processes

Clear plan to be a top UK financial institution

Our UK shared ambition

"Together we thrive"

HSBC UK

Top UK Financial Institution

"Simple, Safe and Sustainable"

Our 4 strategic priorities[1]

Customer Experience

Top 3 for Customer Satisfaction[2]

People Engagement

Top 3 for Banking Standards Board Assessment

Shareholder value growth

Top 3 PBT[3]
Returns at or above Group targets

Simplification

Positive adjusted jaws discipline

Our strong Group and UK foundations

Global Access & Scale

- Cross-business/border collaboration
- Excellent product capabilities
- Group systems and architecture

Trusted Reputation

- Balance Sheet strength
- Customer Conduct (incl. financial crime)

Distinct Brands

HSBC UK
first direct
M&S BANK
John Lewis FINANCE

1. All targets are Medium Term Targets
2. Competition and Markets ranking (CMA) for RBWM, Charterhouse Survey ranking for CMB, and Scorpio ranking for GPB
3. Top 3 in peer group comprising RBS (excl. Ulster Bank ROI, RBSI, NWM], Barclays UK, Lloyds, Santander UK (excl. CIB UK). Measured as adjusted PBT for HSBC, and reported PBT as adjusted for certain disclosed items (mainly disposal gains or losses, conduct and remediation costs, restructuring costs and structural reform costs) for peers. PBT target supported by targets for absolute growth (measured by market share) and strengthening returns (measured by RoTE, excluding the UK pension surplus)

Strong 2018 progress

Customer experience

CMB

- Achieved Top 3 position for Overall Satisfaction in 2018 Charterhouse Rankings[1]

RBWM

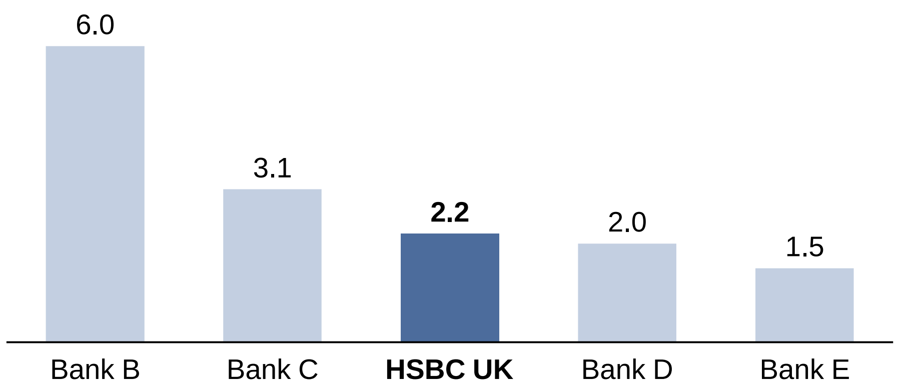
- Customer Recommendation Index improved from 72 to 76[2]
- Digital NPS from +31 to +55[3]

People engagement

- Improvement in engagement scores and positioning vs. peers in 2018 Banking Standards Board assessment
- Launched dedicated 'Speak Up' campaign to encourage transparency
- 2022 Gender Diversity target of 30% of senior roles held by women achieved in 2018 – need to go further

Shareholder value growth[4]

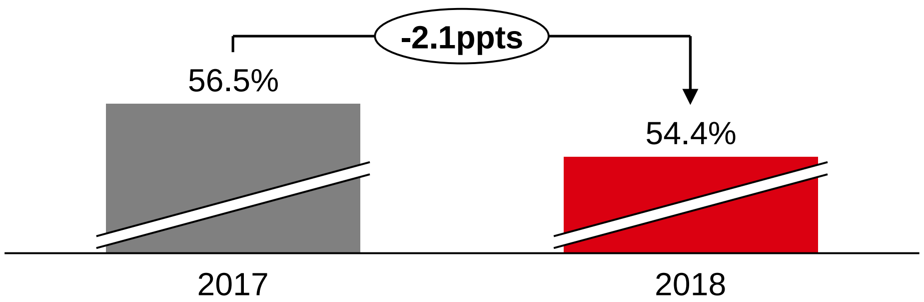
Reported profit before tax[5], FY 2018 (£bn)



Simplification

HSBC UK adjusted cost efficiency ratio, %

- Good progress on cost efficiency in 2018
- Adjusted jaws of +3.8%

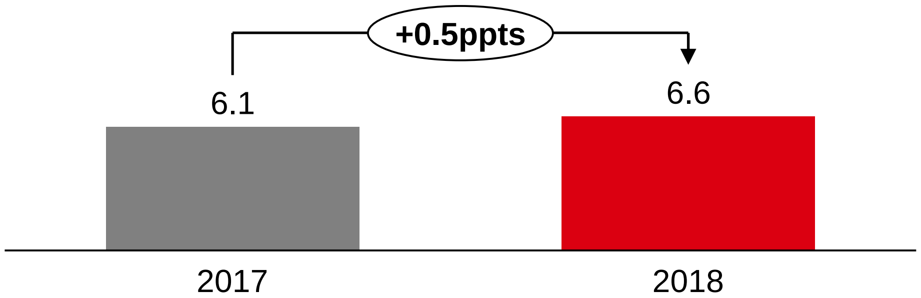


1. 2018 Charterhouse Rankings – Overall Satisfaction
2. Internal Customer Satisfaction Index
3. Source: Opinionlabs March Digital Customer Experience Survey
4. Whilst our shareholder value growth target is on an adjusted basis, the peer comparisons are presented on a reported basis (after conduct costs)
5. Due to differences in segmental disclosures, basis of preparation of financial results (including treatment of the UK bank levy) and the composition of UK ring-fenced banks, peer results may not be directly comparable. Peer group comprises (i) Lloyds and Barclays UK as reported; (ii) Santander UK excluding Santander UK CIB, and (iii) RBS excluding Ulster Bank ROI, RBSI and NWM. Data on a reported basis. HSBC UK numbers are on a pro forma basis

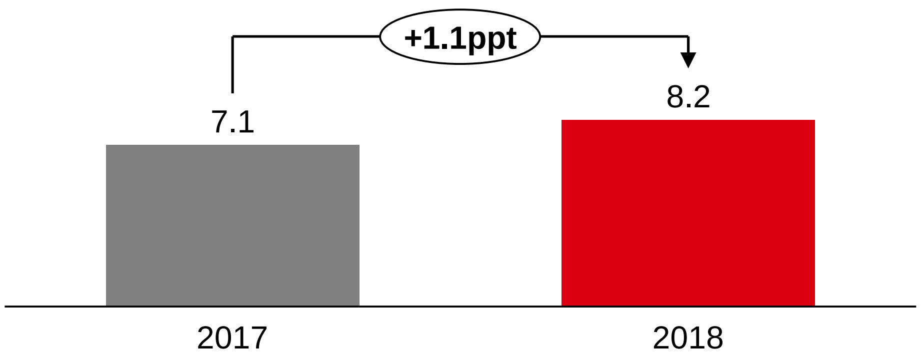
Growing market share

RBWM mortgage market share[1]

Stock share (%)



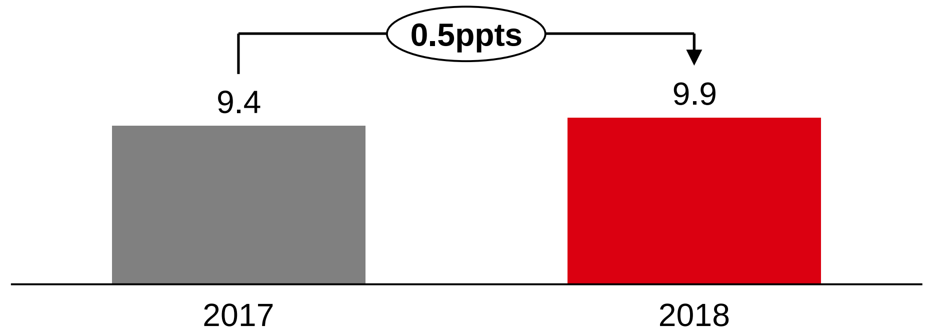
New business share[3] (%)



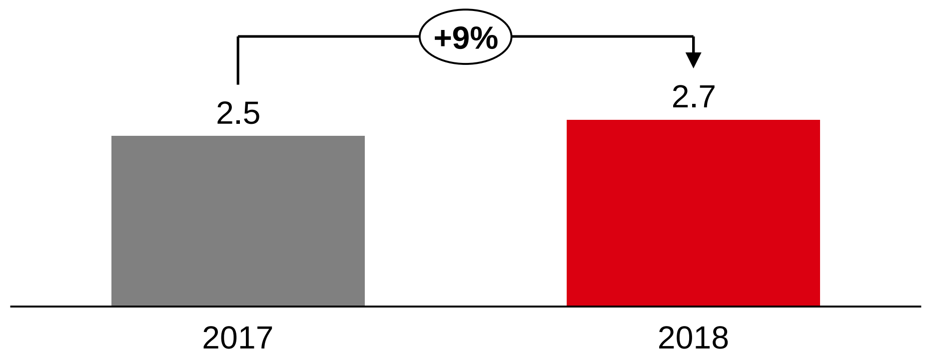
- Record mortgage lending for UK RBWM of £22bn[3] in 2018
- Significant expansion in intermediary channel (~85% broker coverage[4] up from ~8% in 2015)

CMB growth

Commercial loans market share[2] (%)



CMB adjusted revenue (£bn)



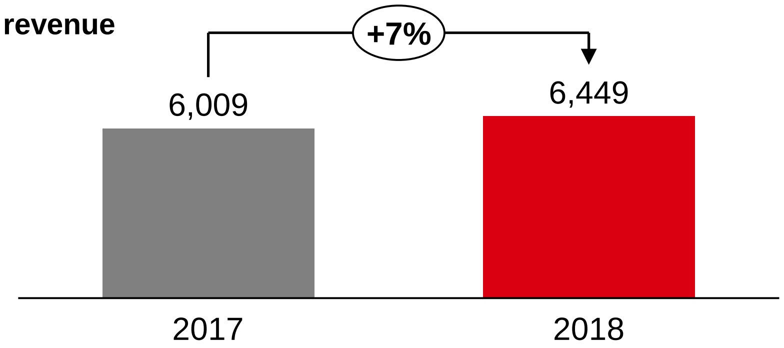
- Significant improvement in customer experience, e.g. onboarding time for mid-market businesses reduced by 40%[5]
- Launch of dedicated £12bn SME Growth fund

1. Mortgage market sourced from Council of Mortgage Lenders (CML)
2. Loans and overdraft balances as a percentage of the market. Commercial loans market sourced from the Bank of England
3. New gross lending
4. By value of market share
5. April 2019 versus April 2018

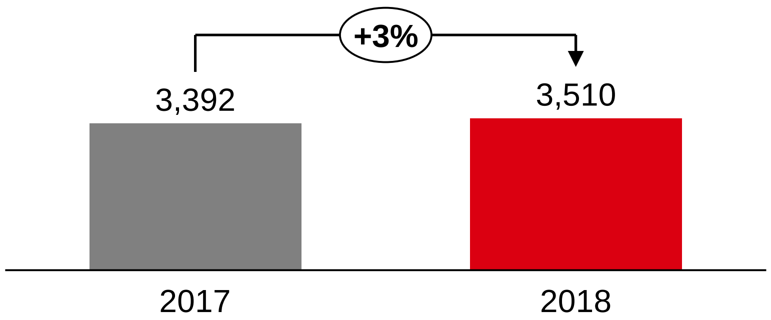
Strong financial performance

Adjusted P&L performance, £m

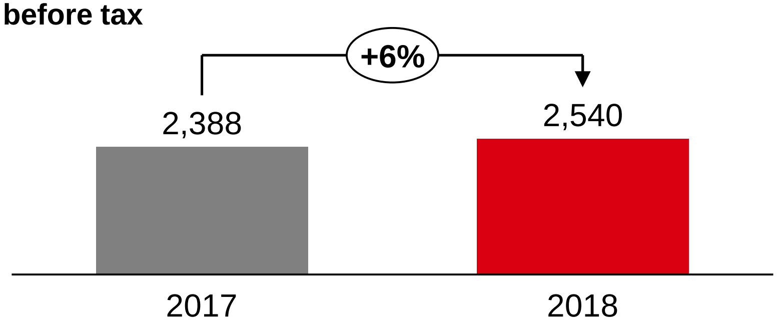
Total revenue



Costs



Profit before tax



Key financial metrics – FY 2018

Good cost control

- Positive adjusted jaws +3.8%
- Adjusted cost efficiency ratio 54.4%

Solid returns

- NIM 2.21%[1]
- RoTE[2] 11.7%

Balance sheet strength

- Customer advances up 8% in FY18 to £175bn
- Customer accounts up 1% in FY18 to £205bn
- Advances / Deposits ratio 85%
- LCR 143%

Prudent capital position[3]

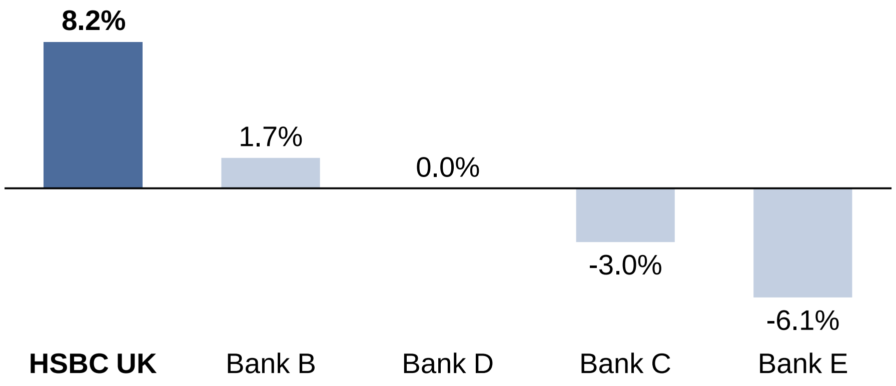
- CET1 ratio 12.7%
- Leverage ratio 5.6%

1. 4Q18
2. 2H18 RoTE (ex significant items and the UK bank levy). 2H18 RoTE includes an adverse impact of 340bps due to a pension fund surplus of £4.3bn, or $5.6bn, (average, net of deferred tax) impacting average tangible equity
3. Unless otherwise stated, risk-weighted assets and capital are calculated using (i) the CRD IV transitional arrangement as implemented in the UK by the Prudential Regulation Authority; and (ii) EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation

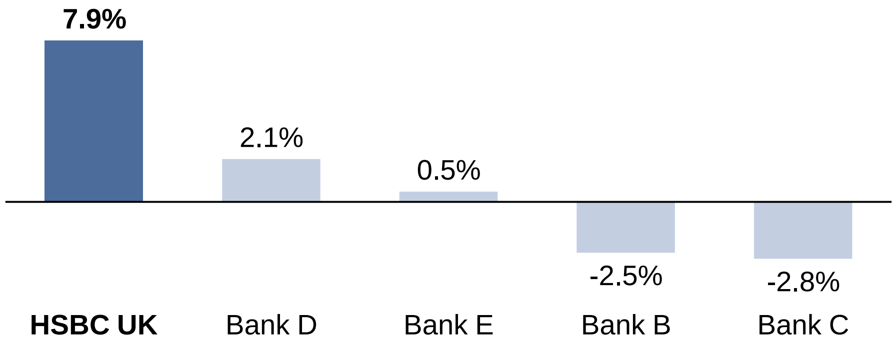
Financials compare well with peers[1]

On a reported basis

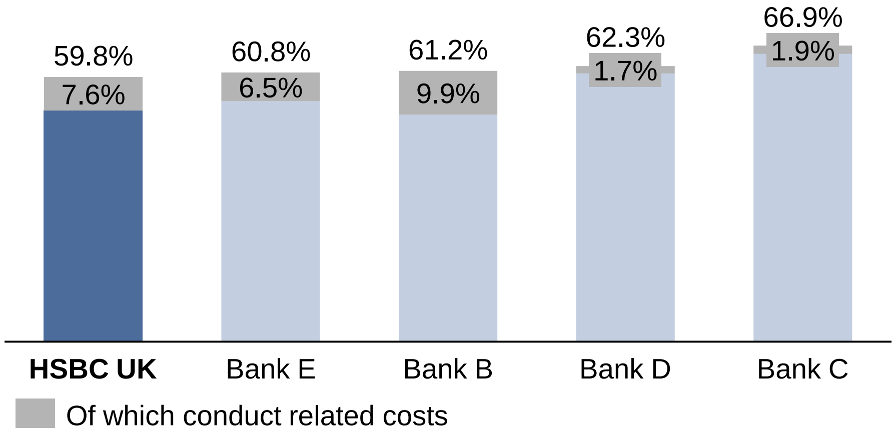
Revenue growth (FY18 vs FY17, %)



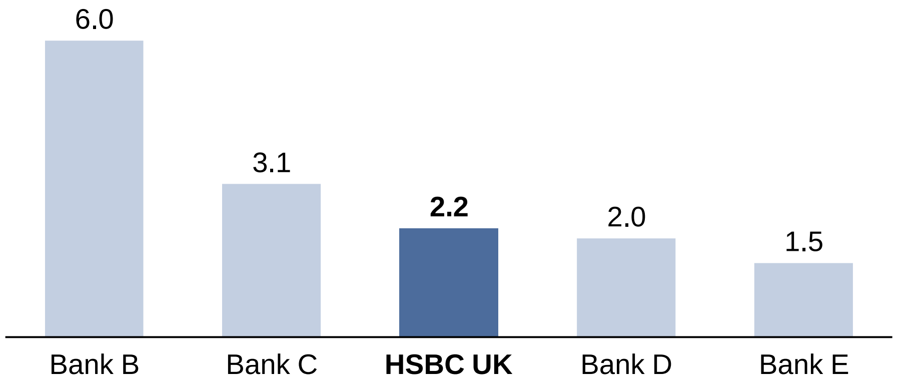
Loans and advances to customers growth (FY18 vs FY17, %)



Cost efficiency ratio (FY18, %)[2]



Profit before tax (FY18, £bn)

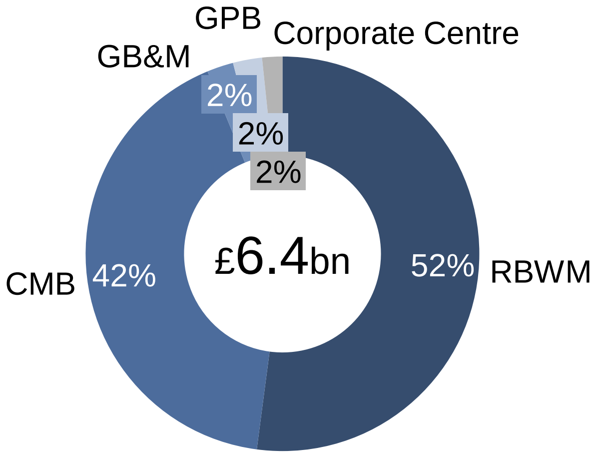


1. Due to differences in segmental disclosures, basis of preparation of financial results (including treatment of the UK bank levy) and the composition of UK ring-fenced banks, peer results may not be directly comparable. Peer group comprises (i) Lloyds and Barclays UK as reported; (ii) Santander UK excluding Santander UK CIB, and (iii) RBS excluding Ulster Bank ROI, RBSI and NWM. Data on a reported basis. HSBC UK numbers are on a pro forma basis
2. Source: HSBC internal analysis. Conduct-related costs comprise line items disclosed by peers, including PPI, litigation and conduct, customer redress, legal and regulatory settlements, remediation and certain other categories

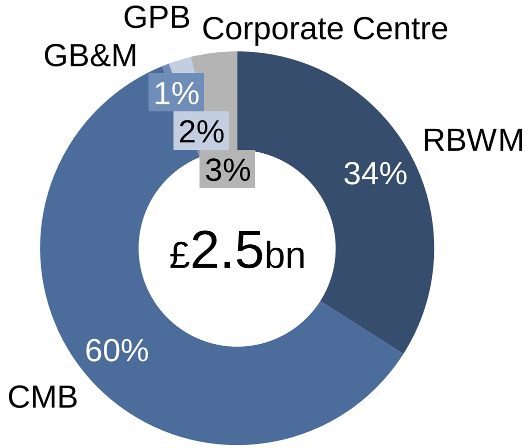
Well-diversified business model

FY2018

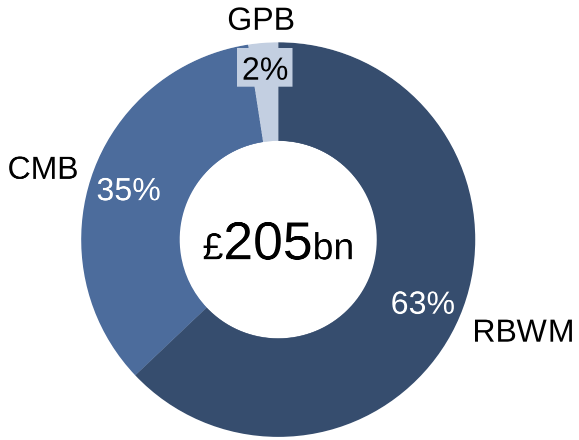
Adjusted revenue



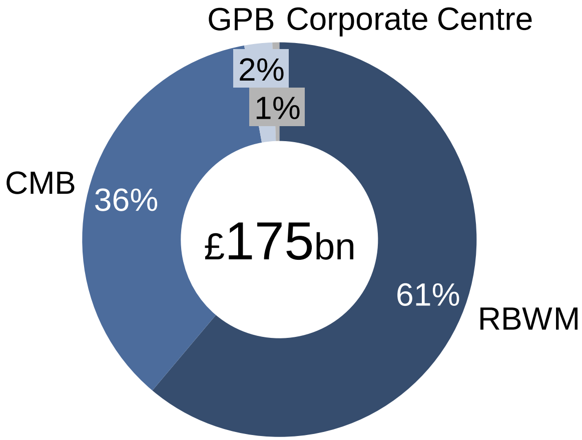
Adjusted profit before tax



Customer accounts



Loans and advances to customers



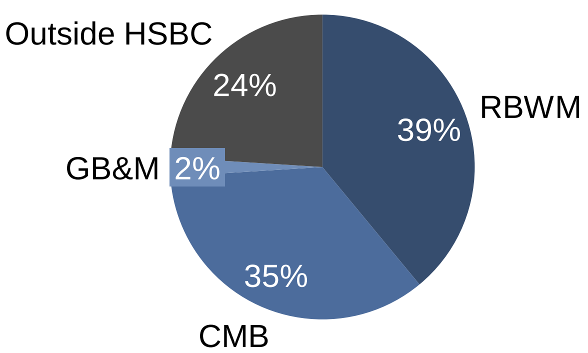
Complemented by close collaboration

FY18

Global Private Bank (GPB) in the UK

- Small but growing part of HSBC UK, with significant profit growth potential
- Adjusted revenue of **£154m**
- Adjusted PBT of **£47m**
- Client assets of **£14.8bn**
- Net new money of **+£427m** in 2018
- **18%** increase on new client additions vs. 2017 (+999 in 2018 vs. 844 in 2017)
- **Connectivity is key**: **~76%** of new relationships generated from HSBC referrals

New accounts by source in 2018



Client case study – Huws Gray

- HSBC CMB client since incorporation in 1990
- Grown to have annual turnover of £180m and EBITDA of £30m
- HSBC has supported the business by funding multiple acquisitions
- Through close collaboration between GPB and CMB colleagues, HSBC has also assisted in a sale of a 30% minority stake in the business, and on-boarding a number of owners as GPB clients
- As a result, HSBC UK continues to support the business as well as former shareholders to manage their wealth through our private banking propositions

Improving customer service

CMB progress

Starting Point	People	Journeys	Digital	Satisfaction	Target
Complex and slow on-boarding journeys	CMB: Improving colleague engagement; Overall employee engagement up **10%** in 2H18 to **68%**[1]	CMB: **40%** reduction in average on-boarding time following MME pilot[2]	CMB: Significant improvements to HSBCnet; Sustained growth in digital penetration	CMB: Improvement from **5th** to **3rd** place for Overall Satisfaction in Charterhouse rankings	**Improved customer satisfaction**
Poor customer service ratings					**Net growth in customer numbers** for target segments
Declining customer numbers	RBWM: Completed the rollout of "Universal Banker" training across network to increase first point of contact resolution	RBWM: Reduced average mortgage time-to-offer to **<10** days from **>40** days	RBWM: Connected Money (**>300k** downloads); Top-rated banking app in the Apple app store	RBWM: first direct **#2** position in CMA rankings (**82%** likely to recommend[3]); Customer base growth of **~400k** in 2018	**Increased market share** of priority products

RBWM progress

1. Source: Internal colleague surveys Q218 - Q418 - % of favourable responses to "I would recommend this company as a great place to work"
2. Mid-market enterprises. April 2019 versus April 2018
3. Competition and Market Authority Service Quality Survey Feb 2019 – Proportion of customers who said they were 'extremely likely' of 'very likely' to recommend their personal current account provider to friends and family

Accelerating simplification

Simplification

- Optimise governance and reporting
- Simplify procurement and recruitment
- Platform and architecture enhancements
- Reduction in products, and streamlining of features
- Adoption of automation / AI
- Machine learning and big data analytics, including chat bots, fraud detection, and AML / Sanctions screening

Ways of Working

- Healthiest Human System in the UK context
- Implementation of agile working
- Strengthened accountability and decision-making
- Investment in training and development, launch of HSBC University
- Continued focus on employee engagement

Target

- Lower **cost efficiency** ratio
- Increased **customer satisfaction**
- Improved **colleague engagement**

Building a sustainable business

Our Commitments[1]	**Encouraging progress in 2018**
Source **100%** of our electricity from **renewable sources** by 2030	• **71%** of our electricity from **renewable sources**
Reduce waste by **75%** and **recycle 100%** of office & electronic waste by 2020	• Reduced waste by **57%** and recycled **75%** of office & electronic waste • On track to achieve LEED[2] Gold certification for Birmingham HQ
Improve employment opportunities and financial capability for all	• Work experience programme in partnership with The Prince's Trust • Held ~500 financial Well-Being sessions **to help +13k people**
Invest in our community	• Over **80,000** colleague work hours volunteered in 2018 • **First UK Green Loan**[3] for commercial development provided to King's Cross • HSBC UK Pension Scheme committed to investing **£250m** in sustainable infrastructure

Whilst we are making progress we recognise there is more to do including how we meet customer needs when things go wrong and going faster and further to improve diversity and equality in our business

1. Corporate sustainability commitments
2. Leadership in Energy and Environmental Design
3. According to Loan Market Association Green Loan Principles

HSBC UK, a clear growth opportunity

The UK represents a **clear growth opportunity** for HSBC, with a strong plan to deliver significant value creation

Key highlights

1. The UK is one of HSBC's **scale markets**, and **HSBC UK represents a material part of the Group**
2. UK remains an **attractive place to do business**; HSBC UK has **significant competitive advantages and opportunities for market share growth**
3. We have a **clear plan to deliver growth** with a **good return profile** and **strong organic capital generation**
4. We **delivered strong progress** on financials, customer service, people engagement, and simplification in 2018
5. **UK economic uncertainty remains high**; we continue to be watchful on credit impairment risks
6. We are delivering growth with a **focus on sustainability and our role in society**

Commercial Banking (CMB)

Amanda Murphy, Head of CMB, HSBC UK

HSBC UK

Summary

UK CMB highlights

- Customer **centric model** with a deep customer base
- Exceptional **global footprint**
- **Market leading** product capabilities

Well-positioned to capture growth opportunities for UK customers

1. Build on our **global footprint** and customer base to **capture trade, transaction banking and international connectivity opportunities**
2. Provide **market leading transaction banking capabilities** to support customers' working capital and trade needs
3. Offer **extensive breadth of products** from across the Group to further deepen and develop relationships in CMB
4. **Invest for growth and improvement in customer experience** and processes, through digital innovation, whilst maintaining cost discipline

CMB in the UK

CMB snapshot

- CMB provides banking services to **>900k customers** across **4 customer groups**
- We operate in **>70** key sites across **5 regions** of the UK
- We have a **relationship focus**, and cover all customer sizes from start-ups to multi-national corporates
- Our **international connectivity** is a key differentiator – we have an unmatched global network, covering **>90% of global trade and GDP**[1]
- **Market leading international transaction banking** capabilities
- An extensive product suite offering up to **226 products** to meet client needs

Strategic opportunities

- Leverage our exceptional global footprint to **support commercial customers' trade and overseas banking needs**
- **Improve penetration of mid market**, the entrepreneurial heartland, through additional on-boarding capacity and renewed focus on 'fast growth cities or sectors'
- **Grow SME market share** through disruptive digital propositions
- **Improve customer experience** by significantly increasing investment in our business

1. HSBC Group

UK CMB has delivered strong and sustainable growth in a challenging market

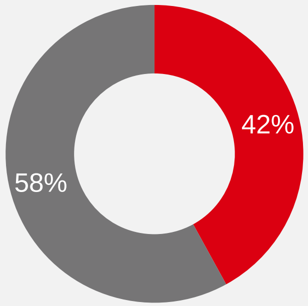
Adjusted P&L, £m	FY17	FY18	FY ∆	FY ∆ %	1Q19
Net interest income	1,604	1,900	*296*	*18%*	493
Other income	853	789	*(64)*	*(8%)*	182
Total revenue	**2,457**	**2,689**	***232***	***9%***	**675**
LICs / ECL	(115)	(138)	*(23)*	*(20%)*	(120)
Costs	(931)	(1,033)	*(102)*	*(11%)*	(266)
PBT	**1,411**	**1,518**	***107***	***8%***	**289**

Balance sheet, £bn	FY17	FY18	FY ∆	FY ∆ %	1Q19
Loans and advances to customers	59	63	*4*	*7%*	65
Customer accounts	n/a	71	*n/a*	*n/a*	69
RWAs	n/a	66	*n/a*	*n/a*	67

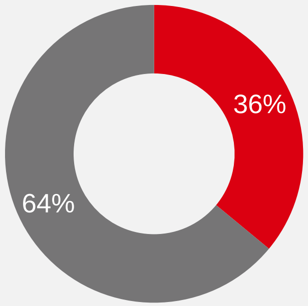
- Revenue of £2,689m up 9% in 2018, and up 2% YoY in 1Q19 from growth in average balances, GLCM deposit margin increases
- ECL elevated in 1Q19 due to a small number of specific individual impairments taken at start of the 2019 and the impact of forward economic guidance
- Well diversified loan book, with strong loan growth, up 7% to £63bn

FY18

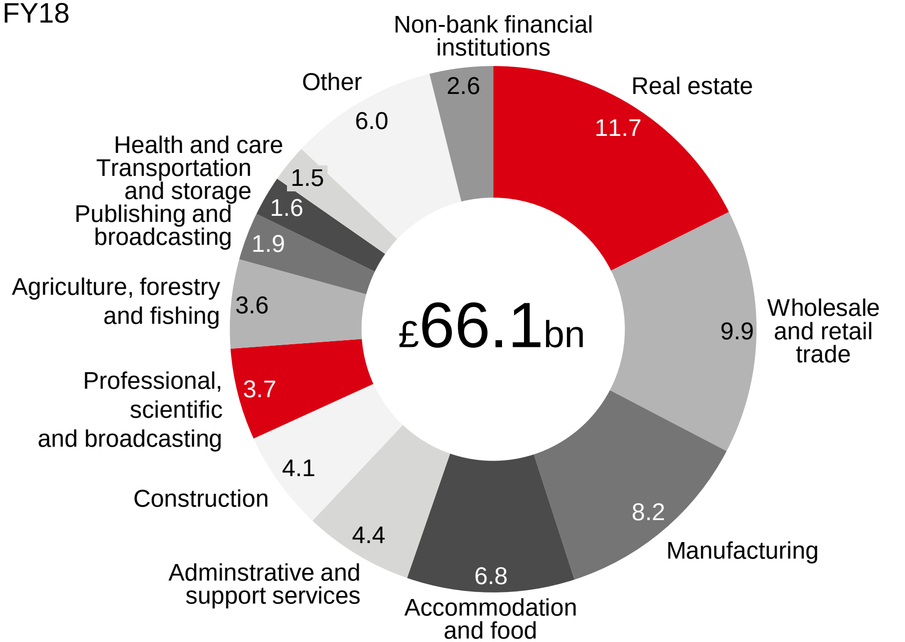
Adjusted revenue as a % of total HSBC UK



Customer loans as a % of total HSBC UK



Wholesale gross loans and advances to customers[1], £bn
FY18

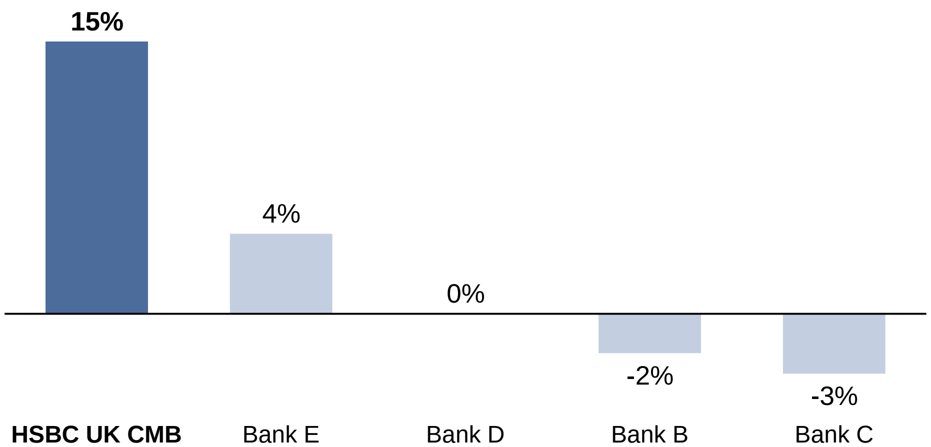


1. Wholesale gross lending balances largely comprise lending to CMB customers. The balance relates to customers of our other global businesses

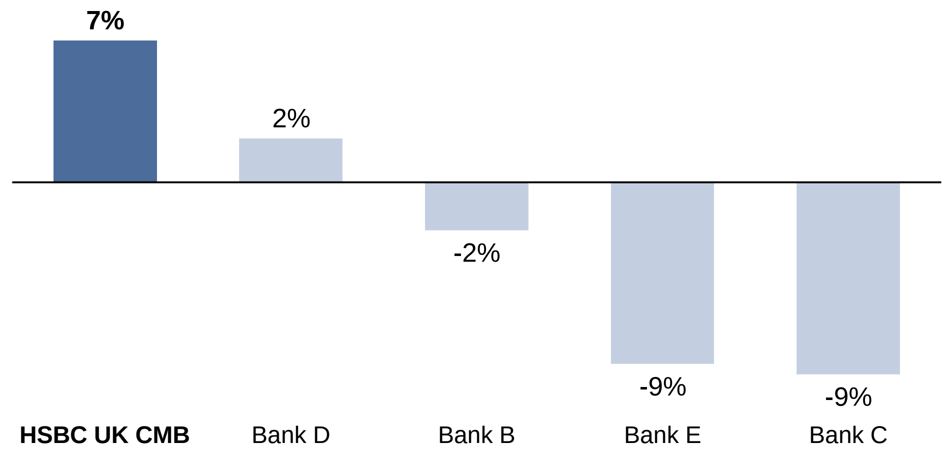
Financial performance is outpacing our peer group across key lines[1]

On a reported basis

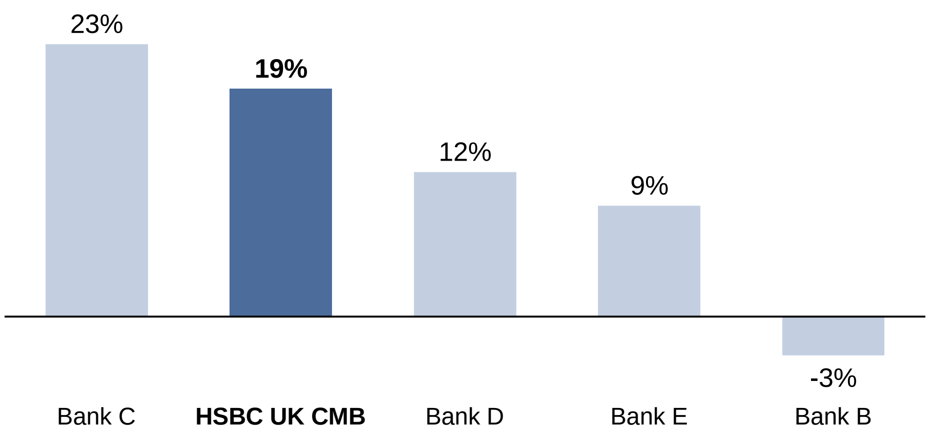
Revenue growth (FY18 vs FY17, %)



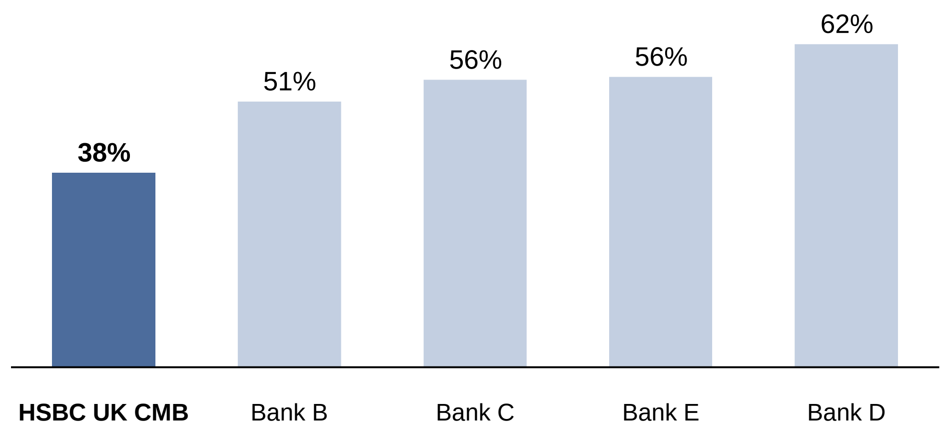
Loans and advances to customers growth (FY18 vs FY17, %)



PBT growth (FY18 vs FY17, %)



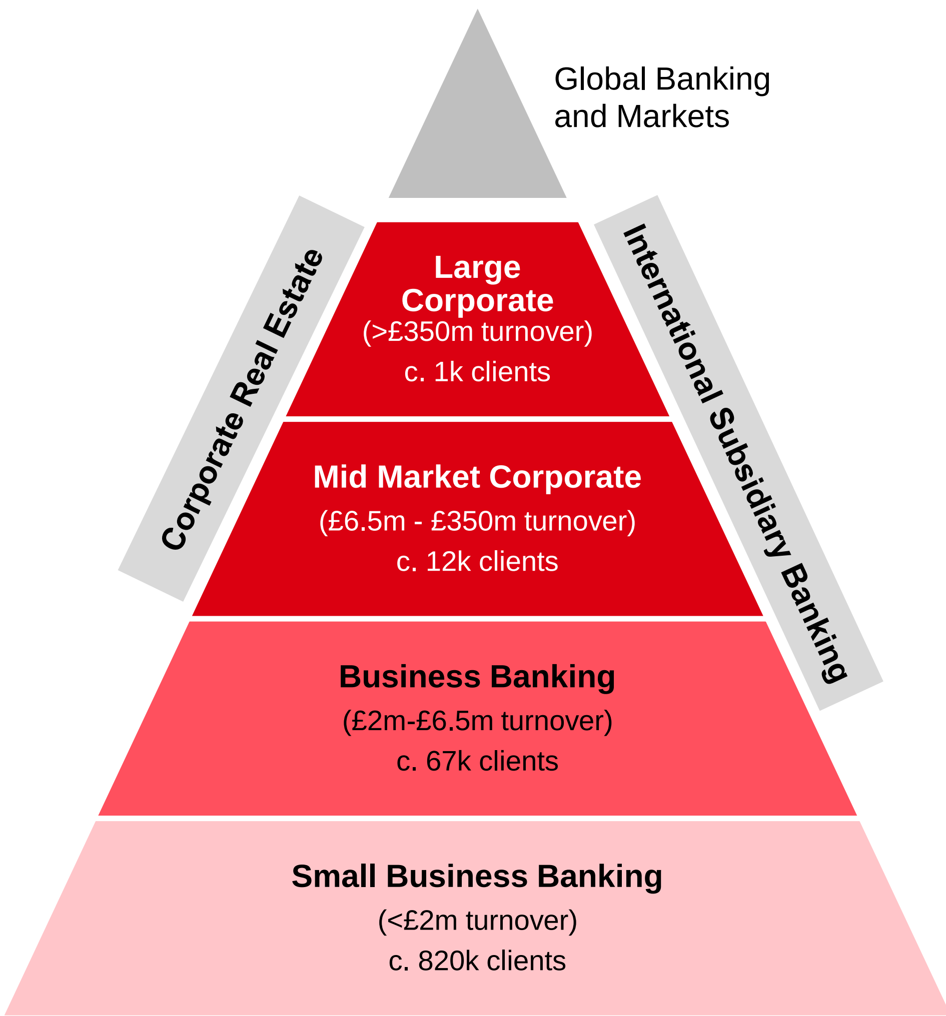
Cost efficiency ratio (FY18, %)



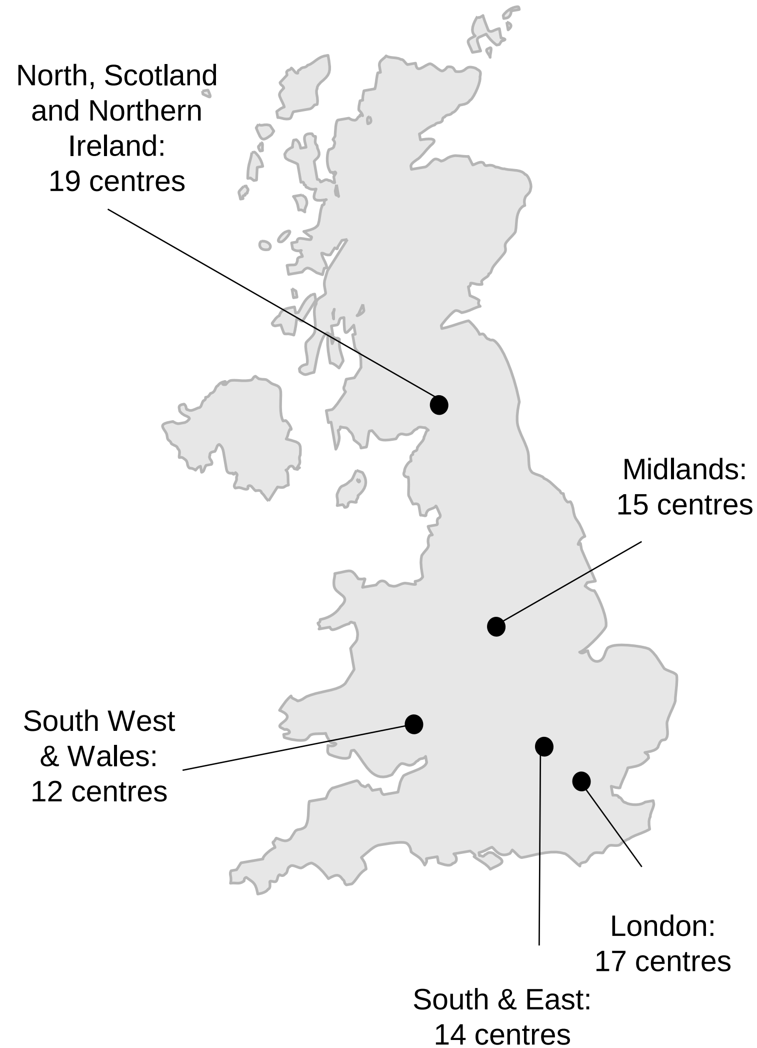
1. Due to differences in segmental disclosures, basis of preparation of financial results (including treatment of the UK bank levy) and the composition of UK ring-fenced banks, peer results may not be directly comparable. Peer group comprises (i) the disclosed commercial segments of RBS, Santander UK and Lloyds, and (ii) the Barclays UK reporting segment. Data on a reported basis, with the exception of Lloyds, which discloses segmental information on an 'underlying' basis (excluding restructuring costs). HSBC UK CMB numbers are on a pro forma basis and exclude the UK bank levy.

UK CMB serves over 900k customers across 4 customer groups, from >70 centres in the UK

Customer groups



Site map



Key sector specialisms and franchise offering

UK CMB specialisms

Franchising	Corporate Real Estate
Technology	Public Sector & Education
Infrastructure	Professional Services
Agriculture & Foods	Retail & Leisure
Energy & Sustainability	Charities
Healthcare	Housing

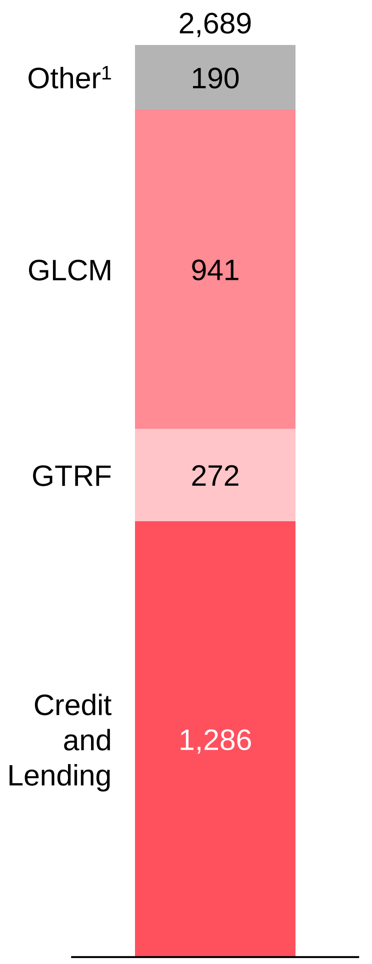
- **Segment wide specialist teams**, fully embedded within the business, providing:
  - industry brand profile
  - thought leadership and expertise
  - specialist sector content
  - strategic insight
- **Support product innovation** e.g. Sustainability (Green Bonds, Green loans and Renewables Finance)
- **Sector specific events**, engagement with trade press, associations and regulators and sponsorship of industry forums:

  - Guardian University Awards
  - GlobalCapital Sustainable and Responsible Capital Markets Form 2018 (Euromoney)
- We have a **strong presence** in our specialist sectors, we have banking relationships with:
  - **60 of the top 100** UK Universities
  - **54%** of Sunday Times top 100 private tech companies[1], with **>£5bn** of facilities provided to businesses in the technology sector
- **Market leading Franchise proposition** with international capabilities
  - Best Franchisee Banking Provider[2] (Moneyfacts)

1. Business Moneyfacts Awards 2019
2. The Sunday Times Hiscox Tech Track 100 league table ranks Britain's 100 private tech (TMT) companies with the fastest-growing sales over their latest three years

We support our customers with a full range of products

FY18 management view of adjusted revenue, £m



Synergy products

- Dedicated resources serving CMB customers
- Deeper product reach into mid-market corporates

Securities Services

Global Markets

Global Banking

Credit and Lending

Global Liquidity and Cash Management (GLCM)

Mid-Market Corporates offered the same treasury solutions as large multinationals

CMB products

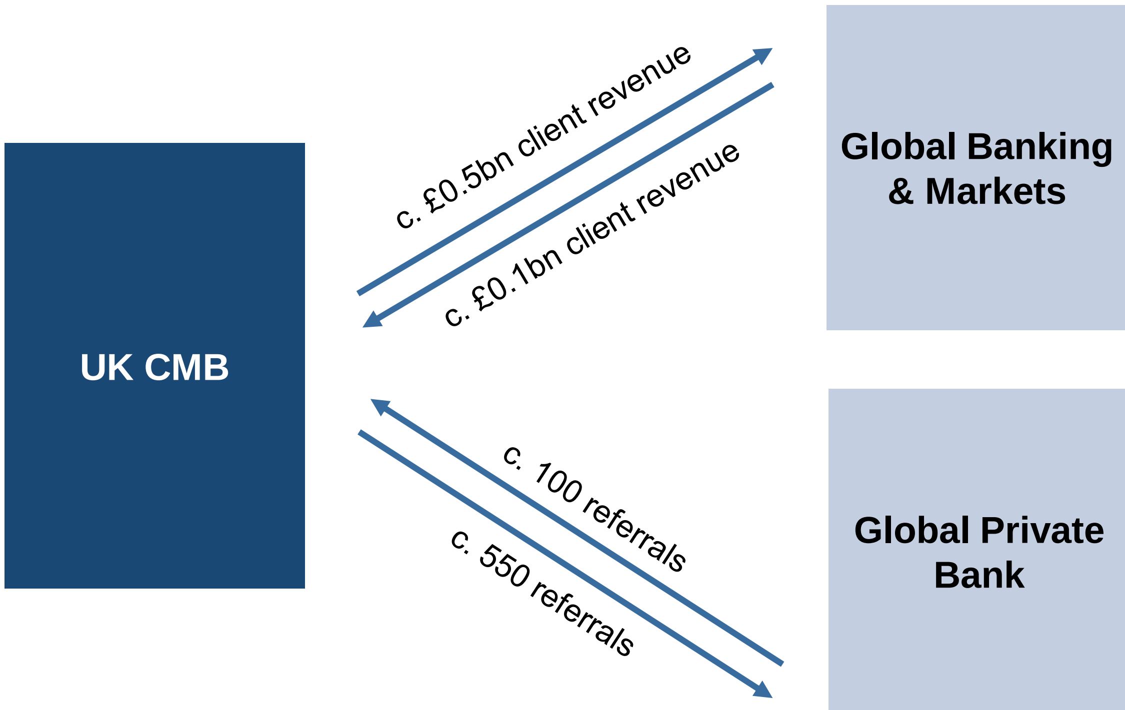
Global Trade and Receivables Finance (GTRF)

Comprehensive product suite of trade solutions providing customer flexibility

1. Includes: Markets products, insurance and investments and Other. Revenue from synergy products is largely booked in GB&M

We continue to drive strong collaboration with other global businesses

CMB referrals through collaboration with GB&M and GPB



- CMB clients generated c. £0.5bn from GB&M products in 2018[1]

- **#1** contributor of Private Bank referrals across the Group
- c. 550 opportunities introduced from CMB to GPB in 2018
- c. 100 referrals made from GPB to CMB in 2018

CMB customers supported by full investment banking capabilities

FX

- **£246m** adjusted revenue[2] in 2018, £116m of which booked in UK CMB
- **#1** market position for FX for corporates[3]

DCM & Loans[4]

- **#1** market position for DCM
- **#3** market position for loans

1. Collaboration revenue figures relate to CMB business of HSBC UK Bank plc and HSBC Bank plc
2. FX revenue relates to CMB business of HSBC UK Bank plc only
3. Corporate clients
4. Dealogic 2018, based on deal value

We play a key role in delivering international connectivity

Opportunity to grow inbound and outbound client revenue[1] further

Client revenue booked outside UK generated from UK clients

- During 2018, outbound client revenue[2] booked overseas for UK CMB customers increased by c.15% on prior year to c.$0.3bn
- Notable increases across key trade corridors:

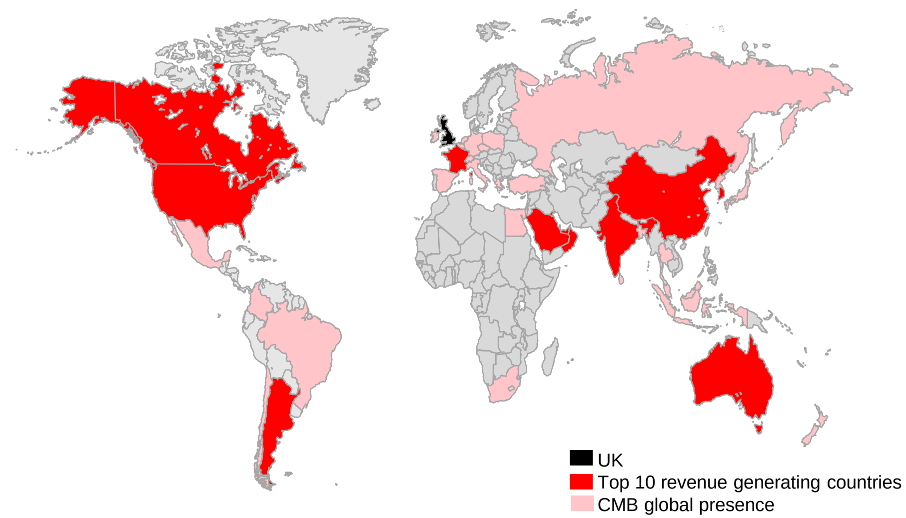
USA	Hong Kong	Mainland China
~25%	~30%	~25%

Client revenue booked in UK from non-UK clients

- During 2018, inbound client revenue[3] generated within UK CMB on behalf of International CMB customers increased by c.35% on prior year to c. $0.3bn
- Notable increases across key trade corridors:

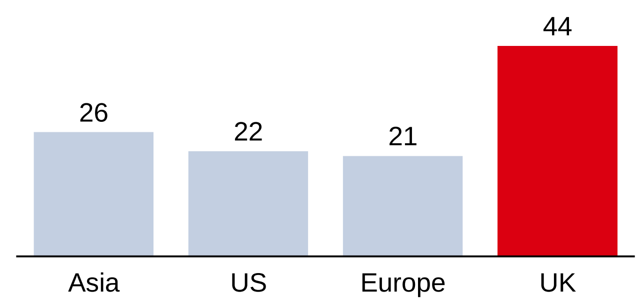
USA	Mainland China
~15%	~5%

CMB global presence – 53 countries and territories



Recognised as a leading international bank, particularly in the UK

% of large corporates choosing HSBC as their lead international bank[4]



1. HSBC internal client MI. Client revenue includes total income from GB&M synergy products, including Foreign Exchange and Debt Capital Markets. This measure differs from reported revenue in that it excludes Business Banking and Other and cost of funds
2. Outbound client revenue is client revenue booked outside the country where the client is managed; source: HSBC internal client management information
3. Inbound client revenue is revenue from clients managed outside the country where the revenue is booked; source: HSBC internal client management information
4. Source: Historic Greenwich Associates data (pre-ringfencing) 2016

International Subsidiary Banking proposition

Video

Market leading international transaction banking capabilities

Global Trade and Receivables Finance (GTRF)

- GTRF provides solutions for our customers to manage trade risk, process trade transactions and fund trade activities
- HSBC has the **#1** market position for trade in 2017 and 2018[1]
- UK receivables finance market share of **25%** (up from 23% in 2017)[2]
- Revenue of **£272m** in FY18, 10% of total UK CMB revenue

Recognised by industry and customers

#1 UK & Global Trade Finance Bank

Best Bank in Trade Finance

Best Global Trade Finance Bank and Most Innovative Trade Finance Bank

Best supply chain finance bank

Global Liquidity and Cash Management (GLCM)

- GLCM enables customers to maximise control over cash flows with our global payables, cards, receivables and clearing services as well as an array of liquidity and investment solutions
- HSBC has the **#1** market position for cash management[3]
- Revenue of **£941m** in FY18, 35% of total UK CMB revenue
- **£70bn** deposit balances at FY18

Recognised by industry and customers

#1 Domestic Cash Manager in the UK

Global Bank of the Year for Cash & Liquidity Management

Best Global Cash Manager for Corporate

Best Global Cash Manager for Financial Institutions

1. Greenwich Survey Large Corporate Trade Finance 2018
2. UK Finance
3. Greenwich Survey Large Corporate Cash Management 2017; GLCM ranks are for 2016 and 2017

Transaction banking capabilities facilitated by significant digital enhancements

Improved functionality and easier access

- ✓ Improved user interface for **HSBC*net*** allowing customers to better manage, track and authorise global liquidity, cash management and trade transactions:
  - ✓ **Liquidity Management Portal (LMP)** gives corporate and financial institution clients a clearer picture of their cash position globally and provide tools to self-manage their liquidity, enabling improved funding and investment decisions
  - ✓ Integration of **Xero accounting software**
- ✓ HSBC was the first bank to roll out Face ID to corporate clients globally

Digital end-to-end

- ✓ HSBC completed the world's first end-to-end trade finance transaction using scalable **Distributed Ledger Technology**
- ✓ **FX Everywhere**, our distributed ledger platform allows for quicker processing of FX transactions with greater transparency
- ✓ UK customers can provide **digital signatures on CoreDocs** to reduce application turnaround time by up to 2 weeks

New apps

- ✓ **HSBC Evolve** gives customers live, executable pricing on over 1,500 currency pairs, with end-to-end digital processing, 24 hours a day, 5.5 days a week
- ✓ Real-time, trade transaction status updates using our **Trade Transaction Tracker app**:
  - ✓ Global view of your transactions across markets and countries in a single app
  - ✓ 24/7 access to real-time transaction and document status, with real-time courier tracking of export documentation
- ✓ **we.trade** is a blockchain based platform for SMEs that makes open account trade faster, simpler and more trustful

We continue to outpace the market and develop lending solutions to assist our customers with their growth ambitions

UK CMB is growing faster than market…

- Loans and advances to customers grew by **7%** (£4bn) in 2018 – faster than market[1] (up 2.6%)
- Increased market share[2] to **9.9%**, up from 9.4% in 2017

…by delivering innovative propositions

£12bn SME Growth Fund

- Dedicated lending fund to support the growth of UK SMEs

Green Loan Proposition

- First UK bank to have a specific offering aligned to Green Loan Principles

Intellectual Property Proposition

- Helping IP-rich technology businesses break down the barriers in accessing and securing bank funding

Demonstrating our support for UK businesses

KINGS CROSS

- £400m Term Loan to support development of Facebook's UK HQ
- Green loan coordinator, mandated lead arranger, and hedging counterparty

OLIVER BONAS

- Oliver Bonas, embarking on an ambitious store expansion plan
- £15m revolving credit facility
- Supporting opening of 8 new stores, invest in new products and develop an in-house design capability

British Corner Shop — British Food, Delivered Worldwide

- £2.7m facility – Intellectual Property lending product
- Supporting growth of its export activities and fulfil orders for both its retail and wholesale business

1. Source: Bank of England
2. Loans and overdraft balances as a percentage of the market. Commercial loans market sourced from the Bank of England

Deliver a step-change in customer experience

2018 outcomes

- **Improved customer satisfaction**[1]

	2018	2017	△
Santander	1	1	-
Lloyds	2	2	-
HSBC UK	**3**	**5**	**+2**
Barclays	4	3	-1
RBS	5	4	-1

- **Reduced on-boarding times** for new to bank clients
  - **40%** reduction in on-boarding times for new to bank clients in our Mid-market business segment[2]
- **Reduced change of Relationship Manager** to clients
  - Change of RM NPS[3] – **up 31 points** from -5 in 2017 to +26 in 2018, with further progress made in 1Q19
- **Additional customer focused roles**, self-funded

Looking forward

Building a simpler, faster, customer-focused business

Market-leading digital channels and customer journeys

- Frictionless integration with customer systems / processes
- Disruptive digital propositions for SMEs
- Optimise key customer journeys end-to-end

Digitally-enabled customer facing staff

- Utilise machine learning and big data analytics to improve customer service and efficiency
- Up-skill RMs to focus on advisory, value-adding activities
- Attract and retain top talent, especially in new areas (e.g. digital)

Simpler, future ready organisation

- Automate / eliminate manual or unnecessary tasks, redeploy capacity to customer-focused activities
- Multi-disciplinary teams executing rapidly, and organised around customer journeys
- Embed innovation as a core discipline

1. Charterhouse rank – Overall Satisfaction. For HSBC: 2017 on a CMB UK geographic basis; 2018 on a HSBC UK CMB basis
2. April 19 versus April 18
3. Net promoter score

Summary

UK CMB highlights

- Customer **centric model** with a deep customer base
- Exceptional **global footprint**
- **Market leading** product capabilities

Well-positioned to capture growth opportunities for UK customers

1. Build on our **global footprint** and customer base to **capture trade, transaction banking and international connectivity opportunities**
2. Provide **market leading transaction banking capabilities** to support customers' working capital and trade needs
3. Offer **extensive breadth of products** from across the Group to further deepen and develop relationships in CMB
4. **Invest for growth and improvement in customer experience** and processes, through digital innovation, whilst maintaining cost discipline

UK RBWM

Stuart Haire

HSBC UK

Summary

RBWM UK highlights

- Well positioned across four reputable brands
- Sustainable UK footprint with strong international capabilities
- Comprehensive product set
- Track record of delivering growth

Well-positioned to service the UK retail market in the medium and long term

1. **Improving the end-to-end customer experience** through increased process automation and digitally-led journeys
2. Increasing the scale and speed of **digital investments and partnership** opportunities to deliver a blended 'people and digital' based service experience
3. **Proactively engaging with regulators** to support the integrity of and access to the financial services industry
4. Deliver **market leading propositions** across all key markets whilst innovating and testing product capabilities across the sector
5. Continuing to develop a **high quality balance sheet**

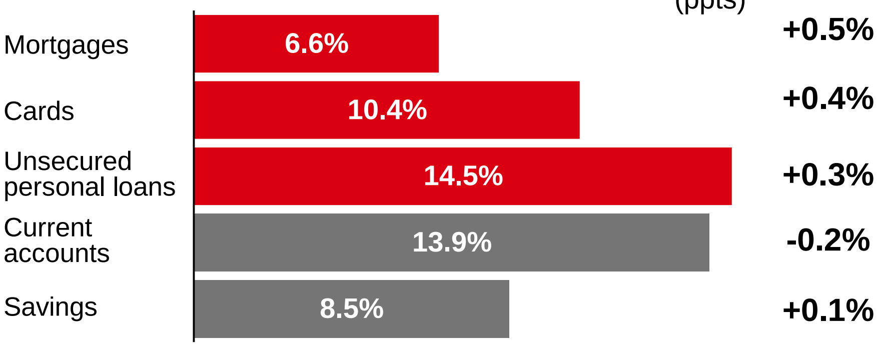
RBWM in the UK

RBWM snapshot

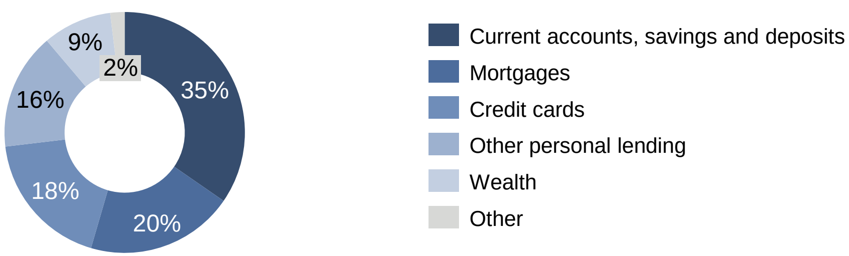
- **c. 14 million** active customer relationships, up 400,000 (3%) from FY17
- **51%** of active customers are digitally active[1], up from 48% at FY17
- **c.16k** full-time equivalents (FTE[2])

Market share of FY18 balances[3]

Share gain v FY17 (ppts)



Diversified revenue streams FY18, %



4 diversified brands sit under the HSBC UK RBWM umbrella[4]

HSBC UK

~8.9m customers

Full banking relationships, innovative proposition improvements

first direct

~1.4m customers

Full banking relationships, leading on customer service entirely through online and telephone channels

M&S BANK

~2.9m customers

Unsecured lending, general insurance and mortgage offerings

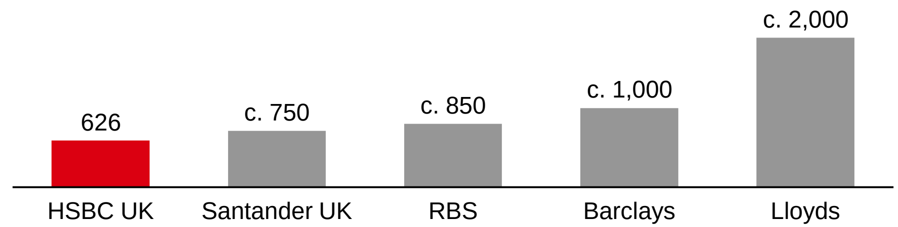
John Lewis FINANCE

~0.9m customers

Unsecured lending, recent launch of John Lewis loans

Supported by an efficient network[5]

- **626** branches covering Retail and Business Banking needs; optimised branch network ahead of peers



1. Active Digital Customers Mix is HSBC UK, first direct and M&S Bank: Source Executive Scorecard
2. FTE of RBWM UK as of April 2019. Includes all UK RBWM Colleagues, Insurance and ServCo. C. 16,000 FTE employees if HSBC UK, supported by a further c1,000 from ServCo
3. Loans/current accounts/savings sourced from Consolidated Analysis Centre Incorporated (CACI) (scaled). Cards sourced from UK Finance (unscaled). Mortgages sourced from Council of Mortgage Lenders (CML). Loans market share excludes car finance, payday lending, Personal contract purchase. If included total market share ~4%.
4. All customer numbers quoted are existing active customers as at 31 Dec 2018. Not unique across Brands.
5. HSBC branch numbers exclude branches in the Channel Islands and Isle of Man. Branch numbers exclude Relationship Management Centres – there are 5 in the UK. Branch numbers exclude M&S branches. Peer sources: Company Reports & Websites

PBT increase in FY18 driven by disciplined strategic P&L management and diverse portfolio

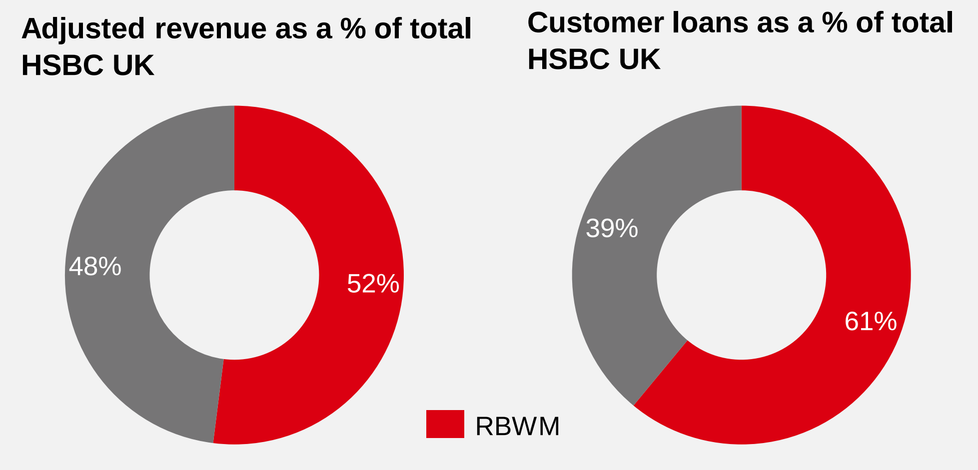
Adjusted P&L, £m

	FY17	FY18	FY Δ	FY Δ %	1Q19
Net interest income	2,442	2,655	*213*	*9%*	687
Other income	656	704	*48*	*7%*	147
Total revenue	**3,098**	**3,359**	***261***	***8%***	**834**
LICs / ECL	(103)	(266)	*(163)*	*(158%)*	(67)
Costs	(2,151)	(2,229)	*(78)*	*(4%)*	(570)
PBT	**844**	**864**	***20***	***2%***	**197**

Balance sheet, £bn

	FY17	FY18	FY Δ	FY Δ %	1Q19
Loans and advances to customers	97	107	*10*	*10%*	108
Customer accounts	n/a	129	*n/a*	*n/a*	129
RWAs	n/a	21	*n/a*	*n/a*	21

FY18

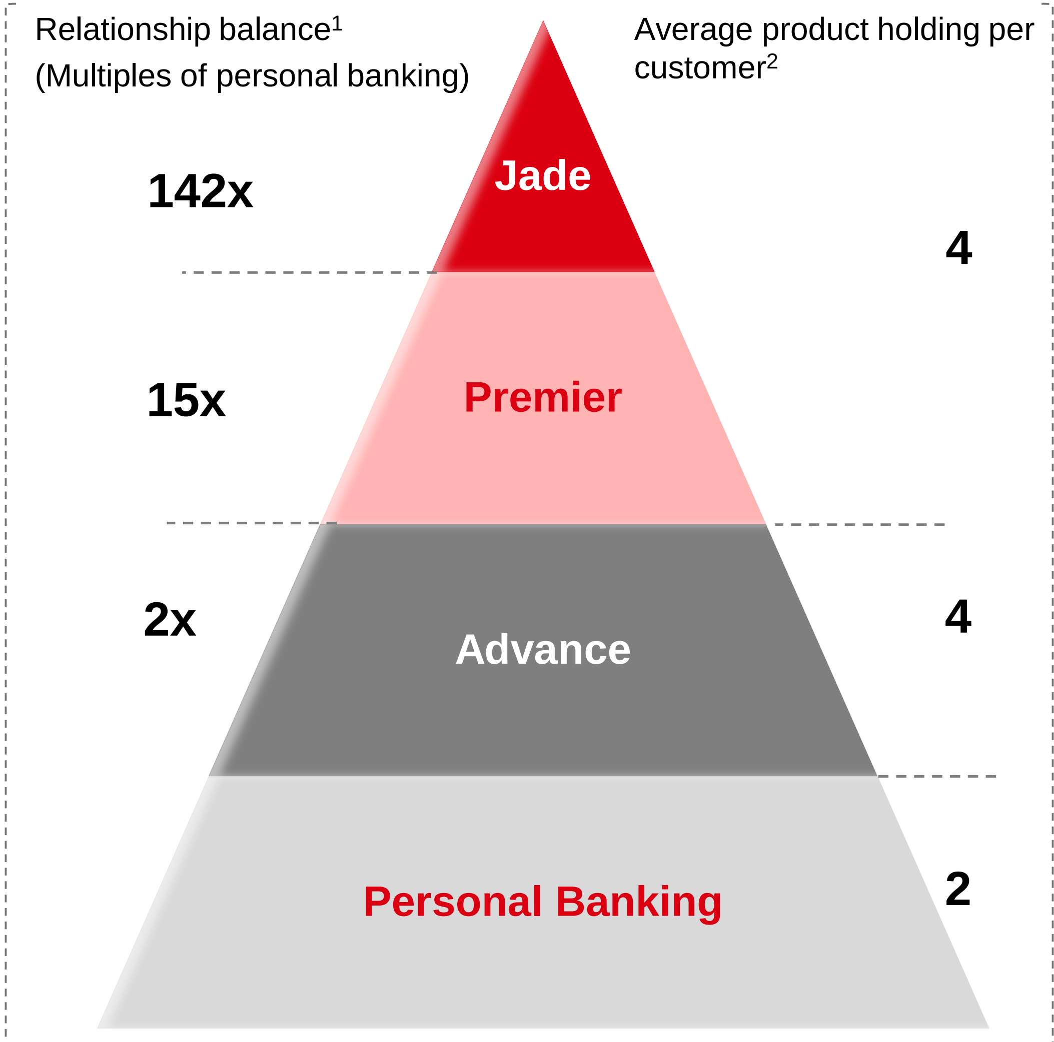


- RBWM is 52% of HSBC UK's revenue and 61% of customer loans
- Diversified revenue streams delivering +8% increase 2018 vs 2017 and +4% in 1Q19 versus 1Q18, due to strong performance in current accounts and savings driven by balance and margin growth, partially offset by margin compression in mortgages
- c. 78% of revenue from HSBC franchise and c. 22% from first direct, M&S Bank, and John Lewis Financial Services in FY18
- FY18 A/D ratio of 83%, versus a market A/D ratio of c.125%[1]

1. Source: Bank of England aggregate date (deposits excludes notes and coins)

Segmented and targeted approach to value pools in the UK market

Personal Banking Relationships



JADE

- Jade by HSBC Premier is an exclusive membership programme that caters for its members' complex financial needs and high expectations
- For customers holding balances of £500k & above

HSBC UK Premier

- Premium banking services for affluent customers with more complex / international financial needs
- Must have £50k or more in investable assets or annual income of £75k

HSBC UK Advance

- Supporting emerging affluent, digitally savvy professionals looking to achieve their personal and professional goals
- Requirement to pay at least £1,750 a month into the account (or £10.5k every six months)

HSBC UK

- For customers who want access to simple transactional banking products, often including access to credit for the first time

1. Average relationship balance divided by number of active customers, 1Q19. Personal banking includes fd, M&S Bank, John Lewis Finance. Relationship balance deposits and wealth balances.
2. Average product holding per customer is total number of products held divided by number of active customers, period end Dec-18, personal banking includes fd, M&S. Jade not reported.

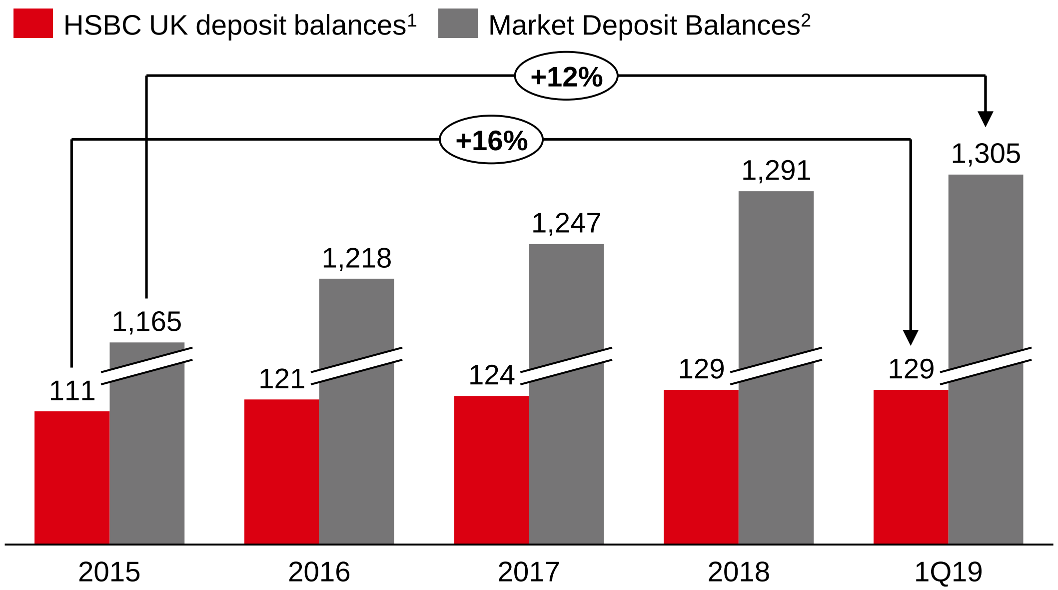
UK RBWM has strong strategic alignment to HSBC UK's shared ambition with clear priorities

UK strategy…	UK RBWM priorities…
Shareholder Value Growth	1 Optimising mortgage opportunity - high single-digit **mortgage growth** through controlled intermediary channel expansion whilst maintaining a conservative risk appetite
	2 Build a **sustainable wealth proposition** that provides access to wealth management by becoming a lifetime financial partner to UK customers
	3 Enhancing the **multi-brand strategy** and **accelerating digital developments** to drive growth and acquire new customers
Customer Experience	4 Improve customer service through **investment in our people**, and **digital enhancements** to support simpler, faster on-boarding and application processes
People Engagement and Simplification	5 **Streamline back office systems** and processes; use new and emerging technologies to improve **cost efficiency** **Streamline governance** and **embed an agile and inclusive culture**, to improve the way we work

Growth in valuable more 'stable' deposit balances optimising our lending strategy and cross sell opportunity

HSBC UK deposit growth versus the market, £bn

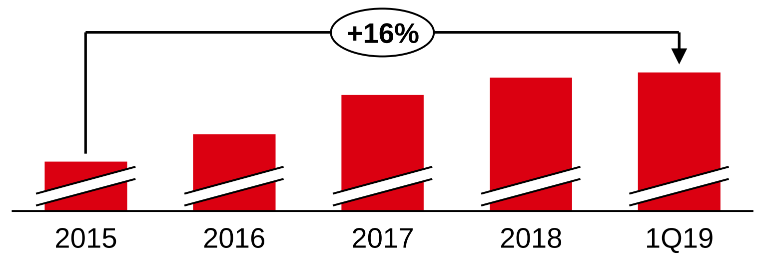
Customer deposits growth ahead of market growth FY15 – 1Q19



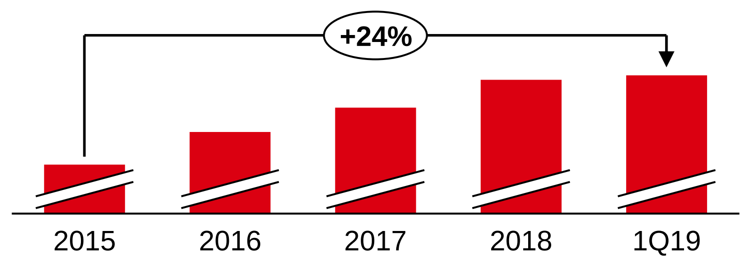
- Customer deposits grew by 4% in 2018, as current account acquisitions grew at significant levels in 2018
- Significantly increased market share of student accounts[3] to **23%** in 2018, up from 11% in 2017
- Simpler, faster on-boarding and application processes, with straight through processes and automation – fixed rate saver Assisted Digital Journey took time down from 30 mins to **5 mins**
- HSBC UK has a **9.8%** market share of deposits - 13.9% share of current accounts, and 8.5% share of savings accounts as at FY18[4]

HSBC UK deposit growth in value segments

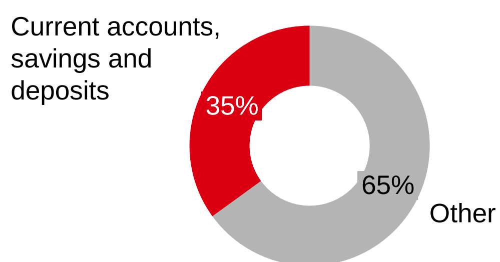
Active customer growth - Premier and Advance



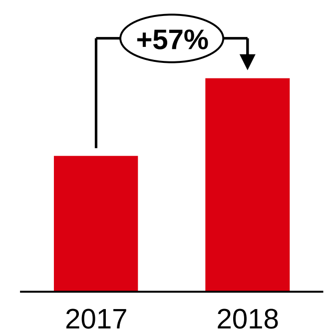
HSBC deposits - Premier and Advance



Deposit income as a % of total RBWM income



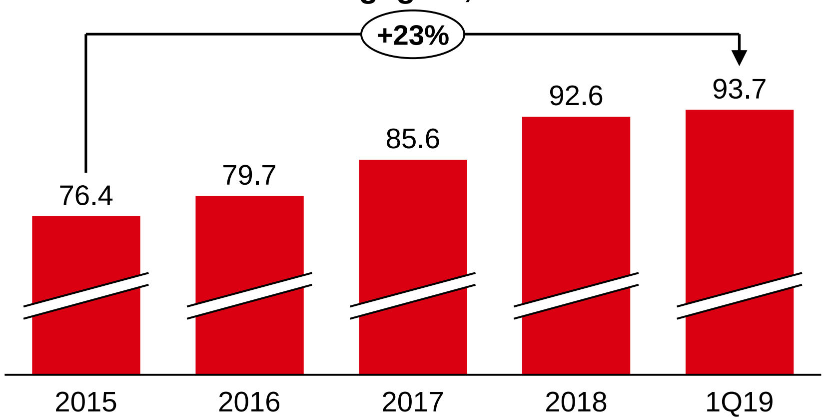
Digital deposit sales



1. Includes first direct, M&S and John Lewis Financial Services. Excludes Channel Islands and Isle of Man. 1Q19 and FY18 includes RFB only, prior periods include RFB and NRFB
2. Source Consolidated Analysis Centre Incorporated (CACI): deposit market balances
3. Source CACI. Student New to Bank Market Share references are key seasonal student months August to October
4. Source: CACI (scaled)

Mortgage balance growth is outpacing peers, primarily through expanding into the broker channel

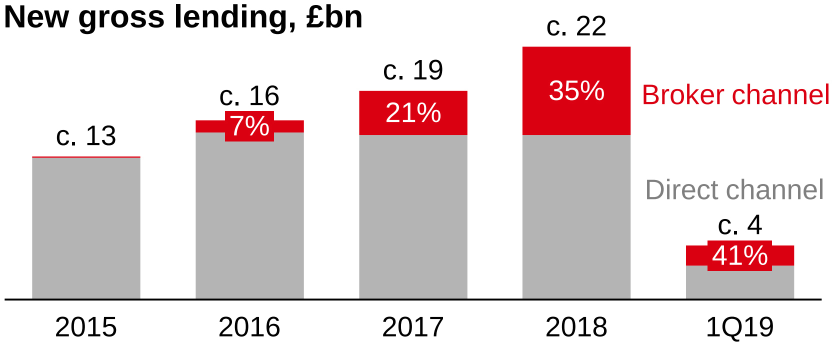
RBWM residential mortgages[1], £bn



Market share of stock balances[3]

2015	2016	2017	2018	1Q19
5.9%	6.0%	6.1%	6.6%	6.6%

New gross lending, £bn



Broker coverage (by value of market share)

2015	2016	2017	2018	1Q19
8%	43%	70%	84%	85%

1. 2015-2017 on a UK geographic basis; 2018-1Q19 on a HSBC UK RBWM basis
2. Source: Bank of England
3. Market Balances as per Council of Mortgage Lenders (CML)
4. UK finance direct/intermediary channel split applied to BoE gross lending
5. Postcode lending data as at September 2018

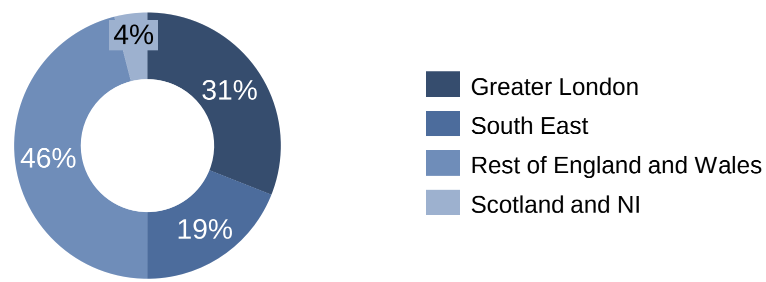
HSBC has historically been underweight in UK mortgages, and we see significant growth potential

- Strong mortgage balance growth expanding broker coverage and improved customer journeys, while maintaining a conservative approach to credit
- HSBC balances grew **23%** between 2015 – 1Q19 vs 9.8%[2] for the overall market over the same time period; mortgage balances grew 10% in 2018 alone
- Stock balances market share[3] increased from 5.9% to **6.6%** between FY15 to 1Q19
- Our market share of net new lending increased[3] from 13.7% to **18.5%** FY17 to FY18. Our market share of the direct channel[4] has been consistently high at **c. 20%**

Portfolio facts, 1Q19

- Buy-to-let mortgages of £2.8bn
- Mortgages on a standard variable rate of £3.2bn
- Interest-only mortgages of £19.5bn, including fd offset mortgages of £8.0bn

Geographic distribution of mortgages[5]



Maintaining a conservative risk appetite and improving customer service

Conservative risk appetite

LTV Focus

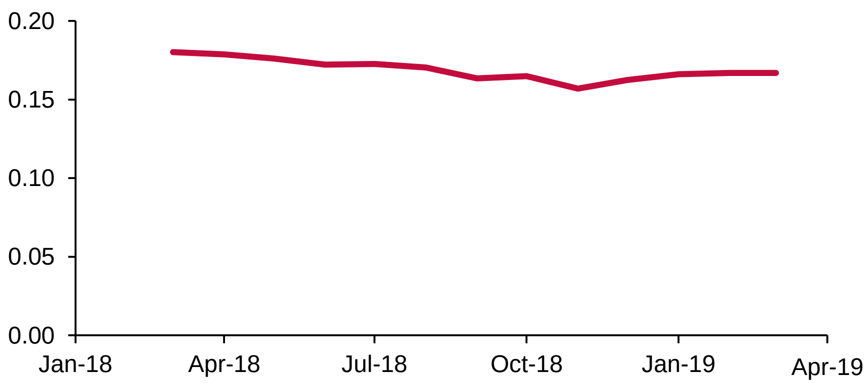
As at 1Q19

- ~49% of the total book < 50% LTV; 9.2% market share[1] of <50% LTV residential mortgages
- Average LTV of the total portfolio of **51%**
- Average LTV of new originations of **66%**

Less than 50%	£45.9bn
50% - < 60%	£15.1bn
60% - < 70%	£13.4bn
70% - < 80%	£11.4bn
80% - < 90%	£6.4bn
90% +	£1.5bn
Total	**£93.7bn**

Mortgages 90+ day delinquency trend[3] (%)

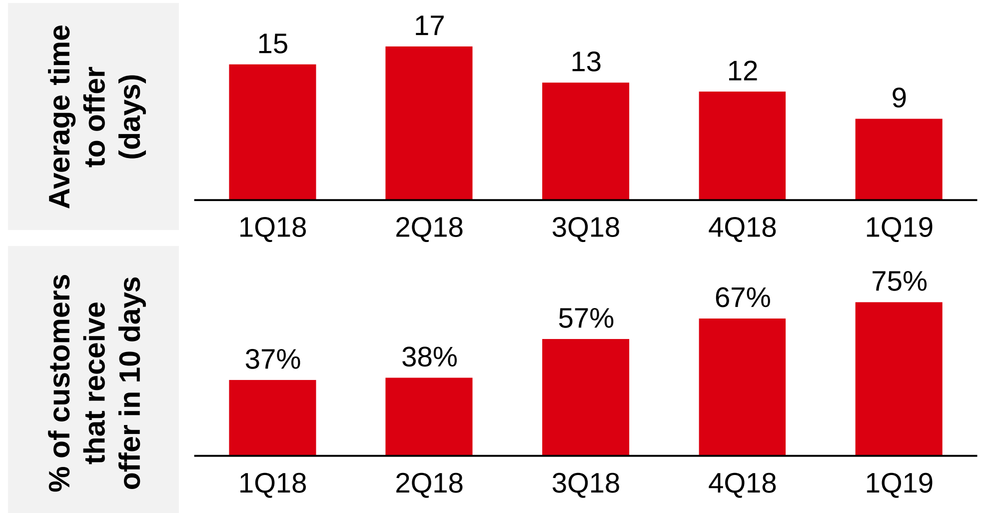
Disciplined approach to credit risk maintained through growth cycle



Improving customer service

Time To Offer[2]

Faster time to offer for more customers



Strategic initiatives

- **Mortgage Intermediary** – providing a number of returning customer journeys through our cloud-based, broker platform to provide customers with an option to re-mortgage, at the end of their current term
- **Journey Simplification** – continuing to simplify our overall mortgage journey, reducing our time to offer to industry leading timescales and providing customers with security of funding as quickly as possible

1. CACI estimate of LTV Market Bands. HSBC Red Brand residential only, FY18
2. Source: Internal management information, Latest available figures 1Q19. Average Days time to offer is working days. Progress against target for 90% of Customers to Receive Offers within 10 Days; the proportion of cases offered from application in the month which are processed within ten days.
3. 90+ Day delinquency as per Annual Reported Accounts

Controlled balance growth in unsecured lending through digital enhancements

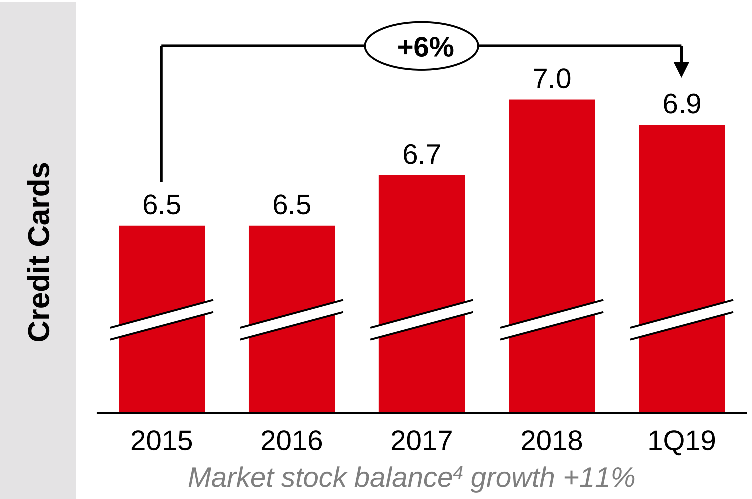
Portfolio facts

- HSBC UK has a **10.4%** share of credit cards and **14.5%** of unsecured personal loans[2]
- Low levels of delinquencies across the unsecured lending portfolios; focus on quality
- **c.18%** of outstanding credit card balances are on a 0% balance transfer offer, well below the market benchmark c.29% at FY2018[3]

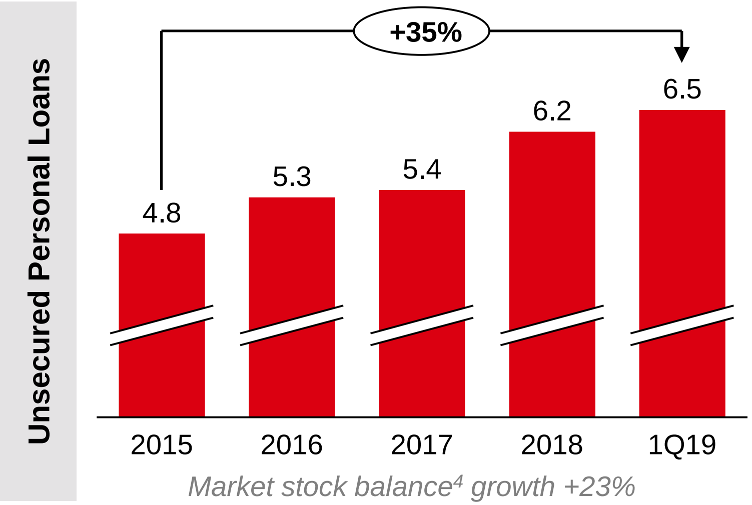
Strategic initiatives

- Continue controlled balance growth in unsecured lending through:
  - Improved digital and mobile journeys, driving better conversion and sales based on convenience over pricing
  - Better targeting, with targeted campaigns and indicative limits
- Active management of credit risk and margins:
  - Controlled expansion of credit limit management activity; limit decreases where appropriate
  - Price changes for new acquisitions and back book repricing

RBWM balance growth[1], £bn

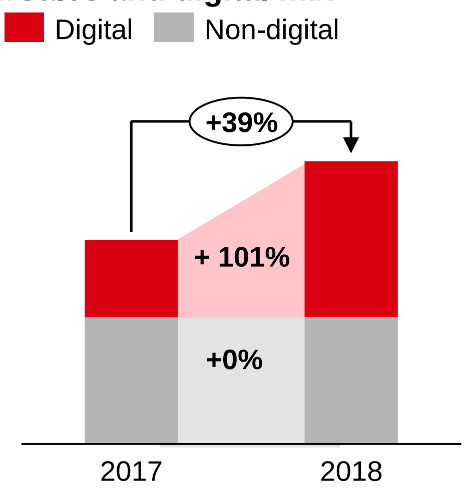


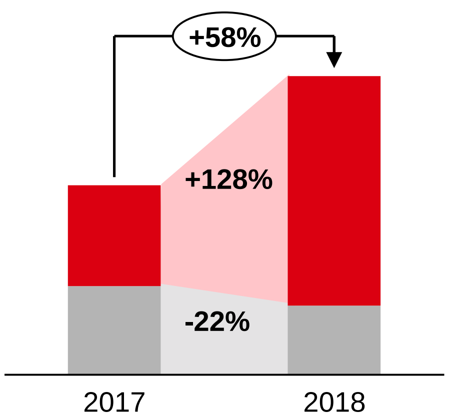
Market stock balance[4] growth +11%



Market stock balance[4] growth +23%

#Sales and digital mix



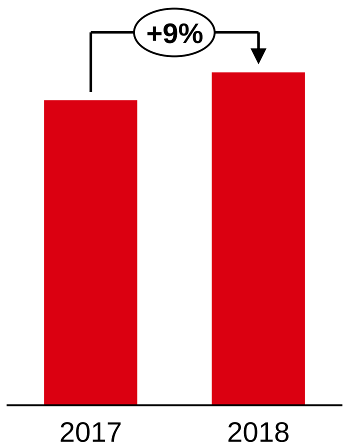


1. 2015-2017 on a UK geographic basis; 2018-1Q19 on a HSBC UK RBWM basis
2. Source: Consolidated Analysis Centre Incorporated (CACI) (scaled). Unsecured personal loans market share excludes car finance, payday lending, personal contract purchase. If included total market share ~4%.
3. Source: UK finance and Argus Information
4. Source: Market size Cards UK finance (scaled for market coverage). Unsecured personal Loans CACI (scaled for market coverage)

Providing appropriate Wealth solutions to more customers via their channel of choice

Wealth growth and opportunity

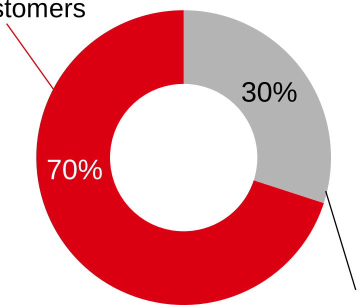
Wealth balances[1] growth



Balance[2] mix %

Existing base penetration opportunity…

70% of balances from ~1m Premier customers



30% balances from ~13 million customers from RBWM Other

…plus attract new customers

Strategic initiatives

- **Online Advice** – Embedding Artificial Intelligence capabilities to provide personalised, transactional advice to customers looking to invest through digital channels
- **Transforming Retirement** – Investing in technology to support an enhanced and more accessible retirement proposition. £2.2trn[2] of UK pensions assets offer a strong business opportunities for HSBC UK
- **Supporting Decumulation** – £7trn[2] of funds are entering the decumulation stage, which will ultimately pass to the next generation of our customers, which poses a large commercial and social opportunity for HSBC UK

The UK Wealth primary customer needs

MONEY	RETIREMENT	PROTECT
Face to face: Discretionary Wealth Management Services	**Face to face**: Specialist Retirement Advice Service	**Face to face**: Legacy & IHT Planning Service
Hybrid: HSBC My Investment	**Hybrid**: HSBC My Retirement	**Hybrid**: HSBC My Protection
Direct to customer: Self Directed Investment Brokerage	**Direct to customer**: Self Directed Pension (D2C SIPP)	**Direct to customer**: Select and Cover Online Insurance

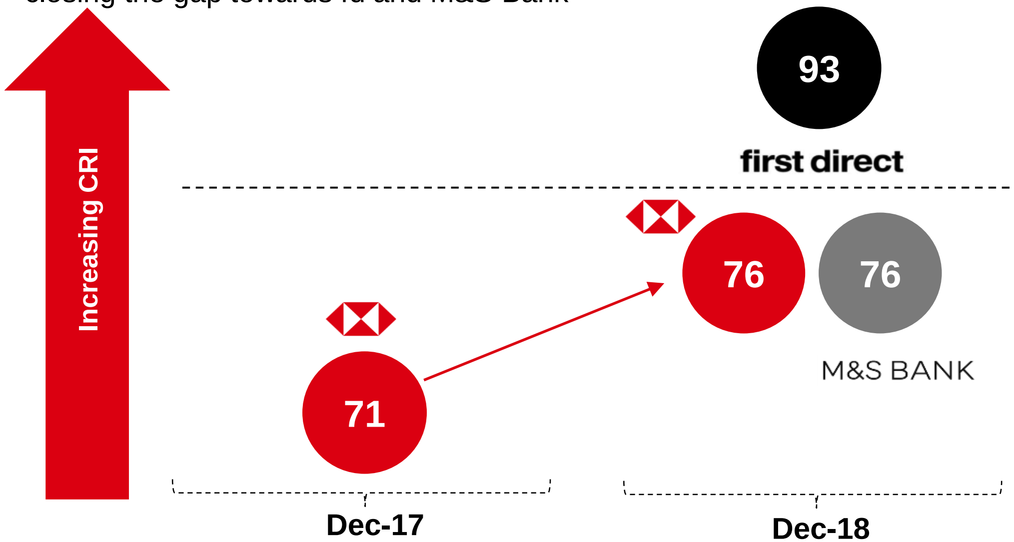
- **Face To Face:** Proactive holistic ongoing advice relationships for customers with complex needs, delivered by our experienced and best qualified financial advisors
- **Hybrid Advice:** Reactive transactional personalised advice for customers who need help with a specific need, delivered via a combination of digital and remote advice journeys
- **Direct to Customer:** Simplified non-advised journeys for customers who choose 'self serve' but who value the comfort provided by an HSBC-curated set of solutions

1. Comprises balances managed by UK RBWM, excluding assets held under sharedealing
2. Includes: Flexible Retirement Accounts; Global Investment Centre; Premier Investment Management Service
3. Wealth and Assets Survey, Wave 4, 2012-2014 ONS. Where source material reported in USD FX reporting of 1.3 has been applied

We will continue to empower our people to deliver great customer service that sets us apart from challenger institutions

Customer Recommendation Index (CRI Scores)[1]

Driving customer satisfaction improvement across 9 million HSBC UK customers, closing the gap towards fd and M&S Bank



Strategic initiatives

- Upskilled network colleagues to handle customer needs at first point of contact through 'Universal Bank' franchisement
- Better equipped contact centre staff to answer customer queries in a consistent and efficient manner through Knowledge Management platform enhancements
- Introduced Mobile Chat & Chat Bots to complement traditional channels whilst aiding customer convenience
- Support vulnerable customers - providing access to banking for excluded groups, including those affected by homelessness and human trafficking
- Implemented an internal problem solving initiative that rapidly solves challenges raised from front line colleagues
- Trialled remote and flexible working opportunities to meet customer demand whilst driving employee engagement

Strategic CRI Pillars[1]

Improvement across key categories delivered from 2017-18

Customer Service	Pride	Understanding our Customers	Being accessible	Removing effort*
+5	+4	+4	+3	**New strategic measure in 2019*
Continued customer journey improvements remains a key portfolio priority	Building emotional advocacy with customers so they feel proud to be associated with HSBC UK	Being flexible to our customers needs whether through products or in our responses	Helping our customers use their channel of choice be it digital, phone or branch	Making things really easy and simple for customers e.g public website navigation

1. Internal management information

We've made significant progress in digital

~90%

of all transactions are now performed digitally

>7m

Payments a month through the app, totalling

>£2.5bn

55

Digital NPS[1] at an all-time high

+85%

YoY growth in mobile app logins[2]

~57%

Digital sales penetration[3]

131,000

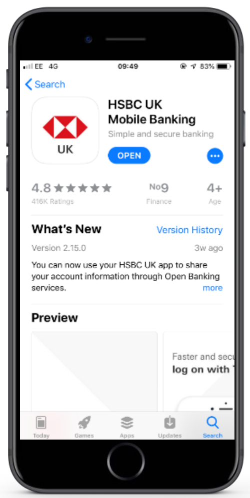
Hours saved via Assisted Digital in 2018

1. Source: Opinionlabs March Digital Customer Experience Survey
2. RBWM – HSBC only mobile figures
3. Q1 2019 HSBC only core retail products (Current Account, Loans, Cards & Savings), excluding Assisted Digital sales

We have adopted digital technologies to help enrich our customers' experience

Mobile X

- A faster and simpler mobile app that significantly improves customer experience
- **2.3m** customers migrated to Mobile X
- Rated **4.8★** in the iOS app store from >425,000 reviews
- Mobile Chat Customer Satisfaction **>90%**
- Mobile Customer Satisfaction **+7.3ppts**[1] to **>70%**
- Maintained a high cadence of feature releases:
  - Fast balances
  - Mobile messaging
  - Mobile cheque deposit
  - Lost and stolen card features



Assisted Digital

- Assisted Digital enables front line colleagues to support customer enquiries and fulfil their servicing needs using digital technologies including the customers' own devices
- Launched in 2018, **c. 70%** of all current accounts opened in branch are now undertaken via Assisted Digital
- Saved **131,000** hours of colleague time through the introduction of Assisted Digital capabilities

Connected Money

- We were the first bank to launch an app in the UK that was inspired by Open Banking
- Our Connected Money app enables customers to see their accounts, loans and mortgages – even if they are held with other banks – in one place
- **>300k** customers to date have downloaded and interacted with the app to understand their financial health
- Throughout 2H19 and beyond the features of Connected Money will be integrated into the Mobile X application

Bud

- first direct is deepening its partnership with fintech Bud to deliver a new range of services and products through its mobile app in 2019
- Our fd 'artha' app has graduated from the FCA's Innovation Sandbox
- Using Bud's technology the fd core app will enable customers to aggregate their financial accounts in place and categorise their spending data

1. RBWM HSBC only; Growth from 63.0% in 2017 to 70.3% in 2018

We want to realise a Mobile-Centred Smart Bank experience

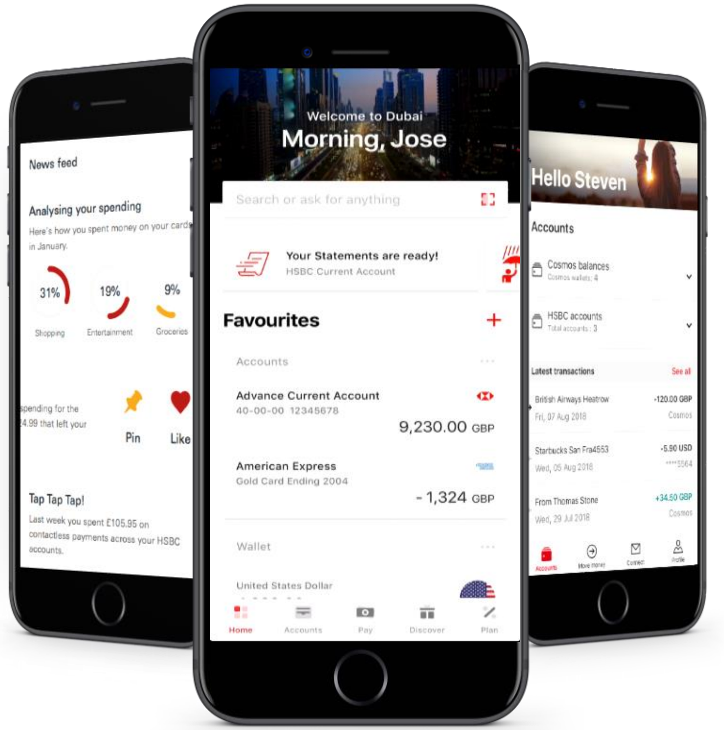
Accounts, Products & Services

- **Full suite** of originations and servicing journeys
- **Real time** onboarding and access
- **All product sets** supported with relevant content and actions
- **Multi-currency** value store integrated with HSBC accounts

Open Banking & Financial Hub

- Spending **analytics** and account **aggregation** through Connected Money
- **Shared finance features** and auto-saving rules
- **Deepen customer relationships**

Our future state



Profile & Preferences

- Allowing customers **full control** of personal details, messaging, data and payment preferences
- A fully **configurable** personal and relevant app based on customer product holdings
- Onboard and start transacting immediately

Notifications, Insights & Support

- Integrated, **personal and relevant** real time messaging and nudges
- Data driven **insights**, alerts and summaries
- Help and support via mobile chat, asynchronous messaging and **chatbots**

Data and Analytics Foundation & Capabilities

Investment in A.I. and cloud infrastructure will allow us to better serve our customers' needs and provide colleagues with more knowledgeable information about customers resulting in richer and more meaningful conversations

Note: functionality to be rolled out over the few years, majority to be delivered in 2019 and 2020

first direct - pioneering amazing service

first direct

FY18

first direct snapshot

- **~1.4 million** active customer relationships, of which **c.72%** are digitally active
- Part of the HSBC UK legal entity
- Launched as a 24/7 telephone banking business with no physical high street presence, first direct has transitioned into a digital bank with customers **25x** more likely to contact us through digital channels as opposed to telephony
- Positioned as a test-bed for innovation versus Digital Challengers
- Adjusted revenue of **£393m**, up **9%** YoY
- Loans and advances to customers of **~£19bn**
- Customer accounts **~£22bn**
- A/D Ratio **~85%**

External recognition

We win more awards for our service than any other UK bank

#1 UK Institute of Customer Service Satisfaction Index 2018

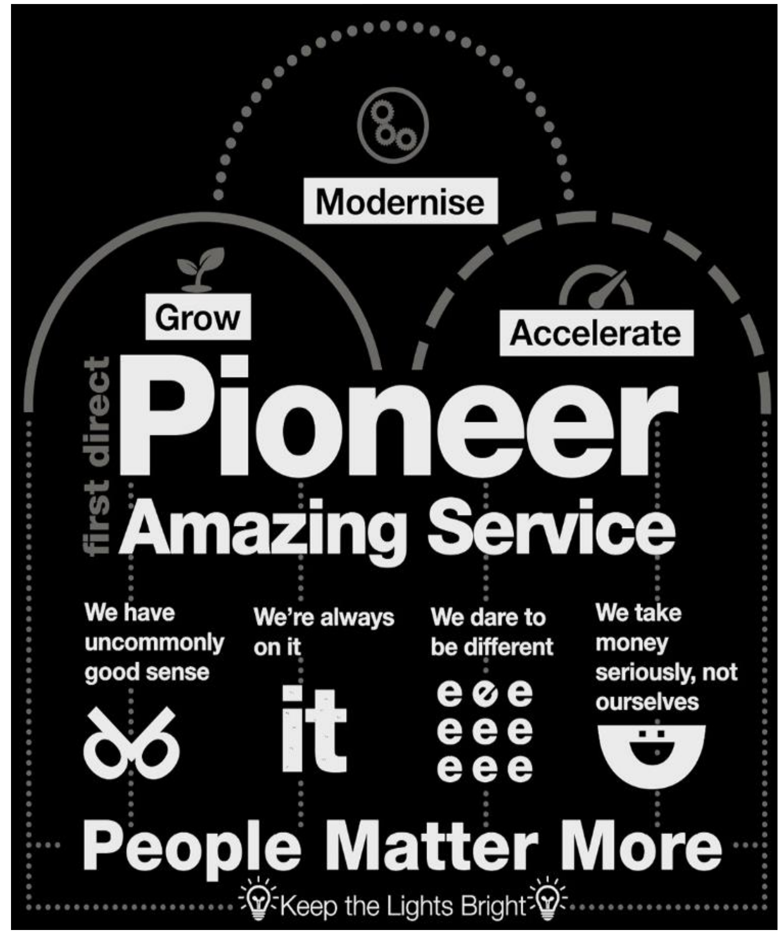
#2 in the Competition & Markets Authority banking league tables

KPMG Nunwood

#1 for Customer Experience Excellence 2018 KPMG Nunwood

moneywise Customer Service Awards 2018 MOST TRUSTED CURRENT ACCOUNT PROVIDER first direct

moneywise Customer Service Awards 2018 MOST TRUSTED FINANCIAL PROVIDER first direct



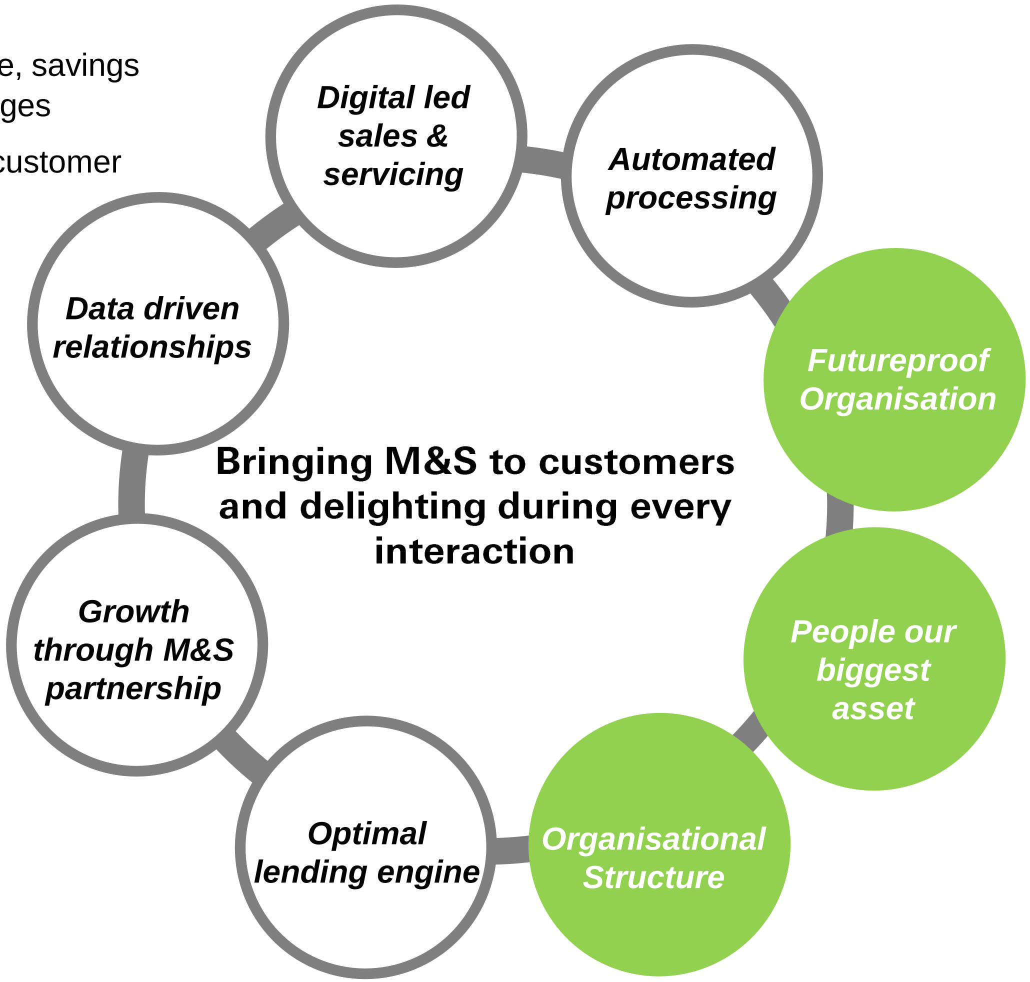
M&S Bank - new fashioned banking

M&S BANK

FY18

M&S Bank snapshot

- **~2.9 million** customers
- M&S Bank is run as a joint venture arrangement between Marks & Spencer and HSBC
- Offer a range of financial services, from current accounts to insurance, savings products to credit cards and we recently launched M&S Bank mortgages
- Leverage the M&S retail partnership opportunity to organically grow customer relationships
- Adjusted revenue of **£318m**, up **7%** YoY
- Adjusted PBT[1] of **£124m**
- Adjusted jaws **+12.3%**
- Loans and advances to customers of **~£4bn**
- Customer accounts **~£2bn**
- A/D Ratio **~168%**



1. Reported profit before tax of 'Marks and Spencer Financial Services plc' and 'Marks and Spencer Unit Trust Management Limited', excluding significant items. In 2018, significant items related to customer redress programmes.

Summary

RBWM UK highlights

- Well positioned across four reputable brands
- Sustainable UK footprint with strong international capabilities
- Comprehensive product set
- Track record of delivering growth

Well-positioned to service the UK retail market in the medium and long term

1. **Improving the end-to-end customer experience** through increased process automation and digitally-led journeys
2. Increasing the scale and speed of **digital investments and partnership** opportunities to deliver a blended 'people and digital' based service experience
3. **Proactively engaging with regulators** to support the integrity of and access to the financial services industry
4. Deliver **market leading propositions** across all key markets whilst innovating and testing product capabilities across the sector
5. Continuing to develop a **high quality balance sheet**

Technology & Digital

Emma Bunnell, COO HSBC UK

HSBC UK

The engine room – delivering simpler, better, faster for outcomes for customers

Who are we?

- The ‘**engine room**’ of the bank - HSBC Operations Services and Technology (HOST)
- Delivering a **safe and efficient service** to our customers

What are we doing?

1. **Investing** – increasing our investment in technology to meet the changing needs of our customers
2. **Protecting** – defending for today and preparing for the future to remain a safe bank
3. **Innovating** – working with FinTech partners to deliver great outcomes for our customers
4. **Changing** – the way we work to embrace faster delivery

Investing in technology to support our growth ambitions

Technology and digital enables us to:

Create scalable revenue streams

Improve customer service

Lower cost to serve

HSBC UK is greatly supported by being part of a leading, global bank

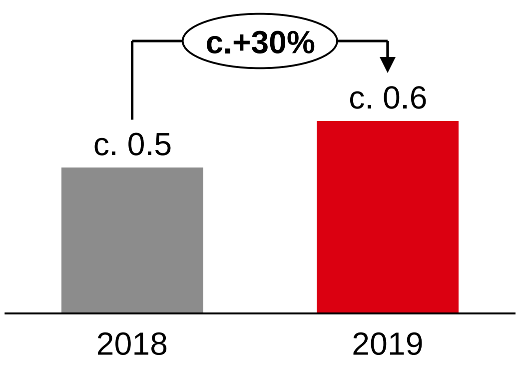
- HSBC UK is a beneficiary of the Group's **global technology and investment budget**
- **Economies of scale** – we centralise product management, and can deploy technology cross border
- **Transfer of learnings** – shared learnings around the Group on customer, markets, etc

HSBC Group investment plan (2018-2020)	\$15-17bn[1]
HSBC Group 2018 investment expense:	\$4.1bn

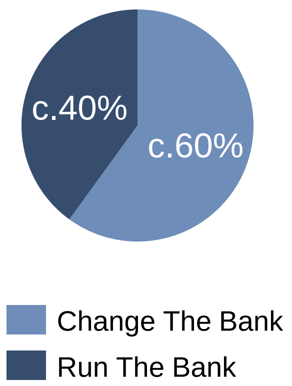
HSBC UK investment

- We are investing c. £0.6bn in UK technology in 2019 – a c.30% increase versus 2018
- Our investment is heavily focused on delivering change and innovation

Technology investments, £bn



Investment mix



1. As published in the HSBC Strategy Updated, June 2018

Protecting HSBC UK - a safe bank with a solid foundation

Protecting our customers

- Zero tolerance for unsupported hardware and software
- Early market adopter for the deployment of Touch ID, Face ID and Voice ID
- Educate and train our staff to become an effective first line of defence

Which? - Safest UK bank for online security[1]:

Bank	Login	Encryption	Account management	Navigation and logout	Test score
First Direct	4 out of 5	4 out of 5	4 out of 5	5 out of 5	76%
HSBC	4 out of 5	5 out of 5	4 out of 5	4 out of 5	73%
Barclays	4 out of 5	5 out of 5	4 out of 5	3 out of 5	68%
Co-Op	3 out of 5	5 out of 5	5 out of 5	3 out of 5	66%
Nationwide	4 out of 5	5 out of 5	4 out of 5	1 out of 5	66%

Top 5 of 12

Delivering real benefits – case study

Fraud prevention

- **Before**: manually intensive, 'dial all customers' process for verifying potential fraudulent activity
- **After**: 2-way SMS solution launched in 2018 significantly improving experience and preventing fraud

SMS

- ✓ 70% response rate
- ✓ 61% self unblock
- ✓ 30% reduction in calls (90k per month)
- ✓ 21% reduction in staff time

1. Which? November 2018 customer facing security of 12 leading online banks

Innovating with external partners to complement internal capabilities

Select engagement with Fintech partners

- Improve customer journeys and bring digital into aspects of our customers' banking life where they value it most
- Take advantage of partners' new services and / or experiences
- Complement, not replace core systems and capabilities
- Cloud strategy will realise benefits in scalability, flexibility, resilience and security

Collaboration examples

Incremental adoption of Cloud based solutions through strategic alliances

- Migration of core liquidity reports to cloud provider – significant improvements in speed and scale
- Dynamic risk assessment of HSBC UK customer information to assist with financial crime risk profiling

Partnering to fight financial crime with Big Data analysis

- HSBC Global Social Network Analytics, enhanced with Quantexa's entity resolution and network analytics
- Enriches HSBC data to give quicker and more accurate analysis of potential financial crime activities, allowing investigators to uncover previously unidentified illicit activity
- Winner of the Celent Model Bank 2019 Award for Risk Management

Changing the way we work - some key examples

Digital transformation is not just about technology …
we are also changing our Ways of Working to embrace faster delivery

Employee engagement

- **HSBC University** curriculum events at our brand new learning hub in Birmingham
- Overall CMB **employee engagement up 10%** in H218 to 68%[1]
- **Strengthened accountability** and decision-making
- **Build an agile and inclusive culture** - contact centre colleagues enabled to work from home
- **Technology Coalition** – trusted, connected influencers, passionate about leading change

Improved efficiency

- **>10k management hours** saved by increasing effectiveness and **streamlining governance** meetings
- **Self-serve ChatBot** deployed across UK CMB to answer colleagues questions on policies and procedures quickly and efficiently
- **Voice recognition**[3] software instantly archives RM meetings whilst **AI** identifies and shares actions. Dramatically improves record keeping and speed in which we meet client needs
- **Streamlined back office systems and processes** to support HR improving access to employee data

Changing the way we work

Working environment

- **2,300** colleagues benefitting from the open, collaborative and **technologically-advanced working environment**
- Birmingham, Leeds and Sheffield buildings all on target to achieve **'LEED Gold' rating**[2] – the world's leading independent green building certification

1. Source: Internal colleague surveys Q218 - Q418 - % of favourable responses to "I would recommend this company as a great place to work"
2. 'LEED Gold' rating - Leadership in Environmental and Energy Design
3. Voice to Action - in pilot phase, with 100 RMs

Enjoy our showcases – a few examples of the innovations we are delivering

RBWM	**Mortgages**	***The enablers to delivering growth in our UK mortgage business***	Presenter **Tracie Pearce, Commercial Director, RBWM UK**
	Mobile Centred Smart Banking	***Transforming the current and future state of our mobile customer experience***	Presenter **George Charalambous, Head of Digital Product RBWM UK**
CMB	**Digital Business Banking Mobile App**	***Building a customer-centric platform for future digital leadership***	Presenters **Gayle Lacey, COO CMB UK** **James Nguyen, Head of Digital CMB UK**
	Trade & Trade Tracker	***The future of trade***	Presenters **Ian Tandy, Head of GTRF UK** **Marissa Adams, Business Management Director**
	Liquidity Management Portal	***Providing true visibility for current and future cash flows, that enable better working capital optimisation for corporates***	Presenters **Tom Wood, Head of GLCM UK** **Timothy Bartlett, Director, GLCM UK**

Risk

James Calladine, CRO HSBC UK

HSBC UK

A robust risk management framework

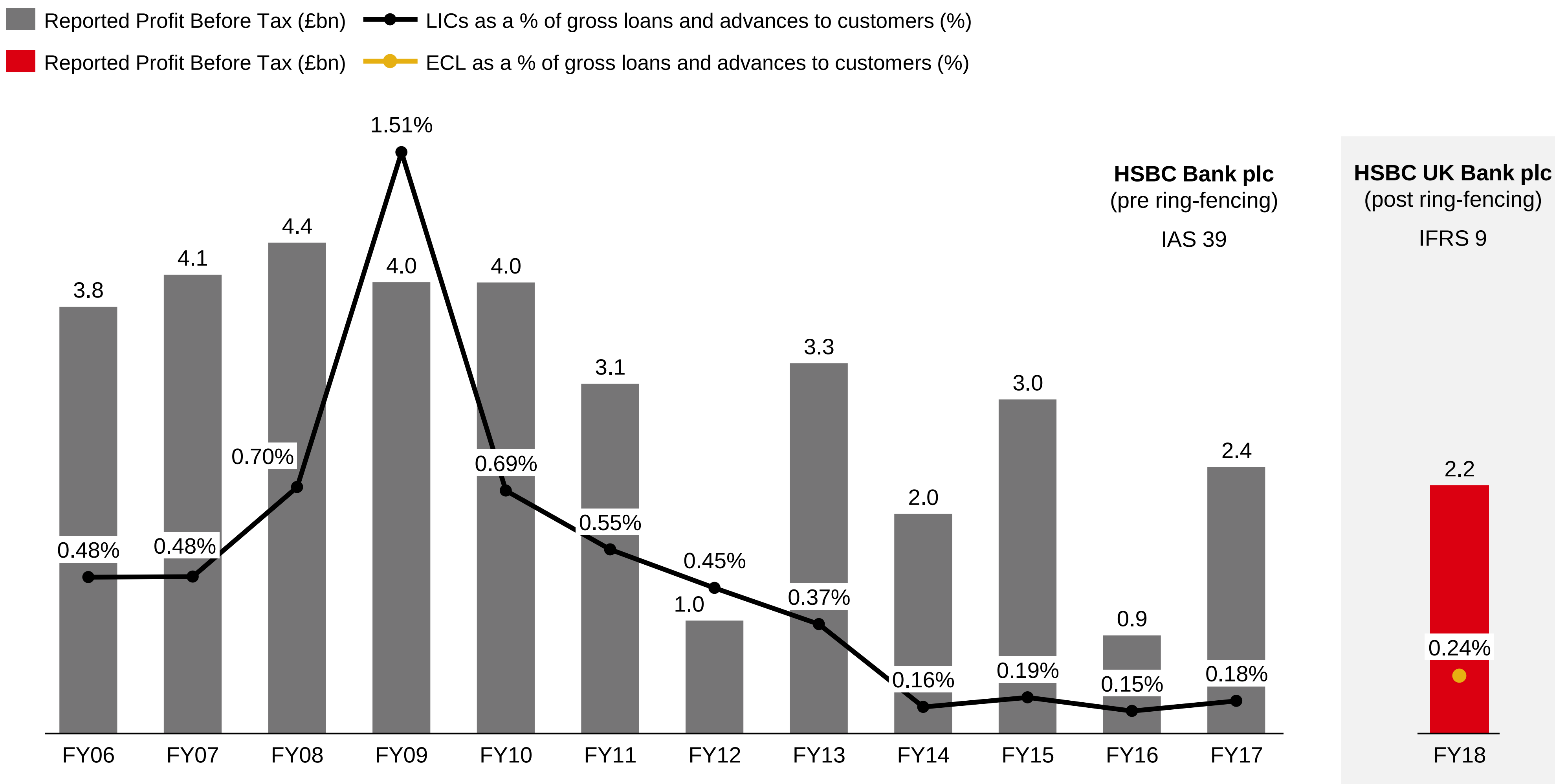
Culture and Values	
Risk Governance	Non-executive risk governance
	Executive risk governance
Responsibilities	Three Lines of Defence model
Processes	Risk appetite
	Enterprise-wide risk-management tools – risk appetite profile, top and emerging risks report, risk map and stress testing
	Identification and assessment → Monitoring → Management → Reporting
Controls	Policies and procedures
	Control activities
	Systems and infrastructure

Strong oversight and management of financial and non-financial risks, with executive and non-executive governance

1. RMM and FCRMC are meetings of the Exco to oversee risk and financial crime risk respectively

Resilient profitability during the Global Financial Crisis
(HSBC Bank plc)

Performance through Global Financial Crisis – HSBC Bank plc 2006 – 2017[1]



1. Historical HSBC Bank plc data includes results from all global businesses across Europe and is not therefore comparable with the HSBC UK Bank plc's FY18 data. HSBC Bank plc data is presented on a reported basis. Reported results include volatile items such as fair value movements on our own debt designated at fair value reflecting changes in our own credit spread, conduct and redress costs, goodwill impairments and costs to achieve. Refer to the published HSBC Bank plc Annual Report and Accounts for further details
2. From 2018, under IFRS 9 the 'change in expected credit losses and other credit impairment charges' (ECL), differs in recognition and measurement from 'loan impairment charges and other credit risk provisions' (LICs) under IAS 39 in previous periods.

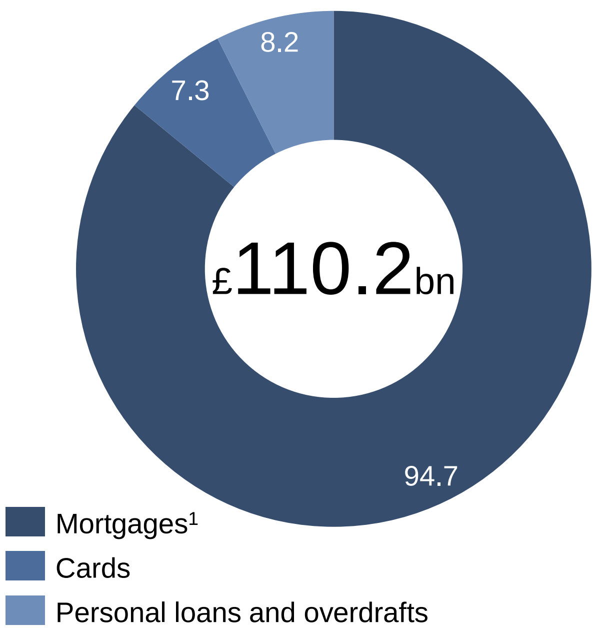
HSBC UK has a well-diversified loan portfolio, and closely monitors exposure to higher risk sectors

Retail mortgage average LTVs (1Q19)

Portfolio	New Business
51%	66%

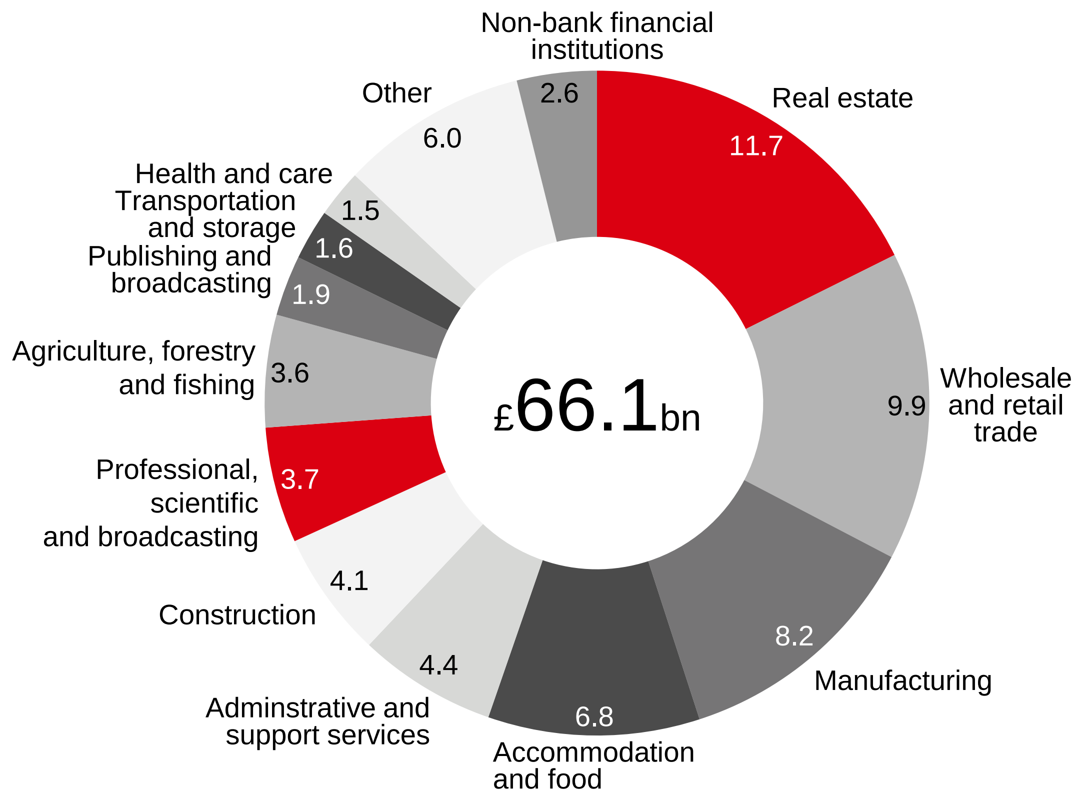
Retail gross loans and advances to customers

As at 31 Dec 2018



Wholesale gross loans and advances to customers

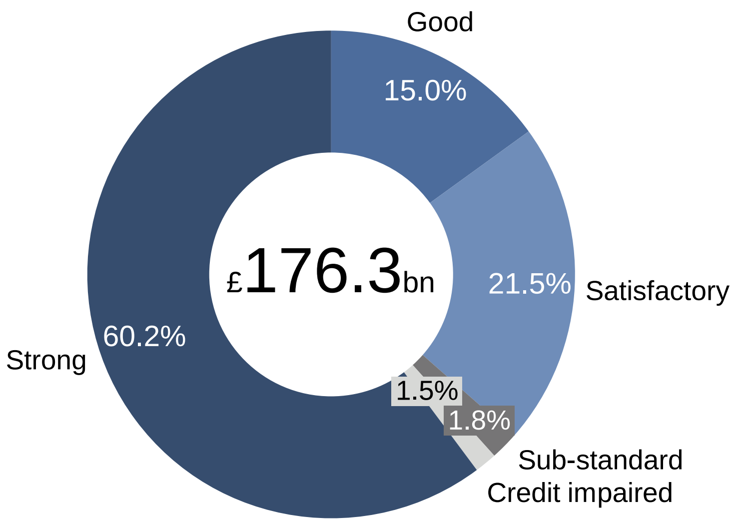
As at 31 Dec 2018



1. Total UK includes GPB

HSBC UK has a high quality loan portfolio

Gross loans and advances to customers as at 31 Dec 2018

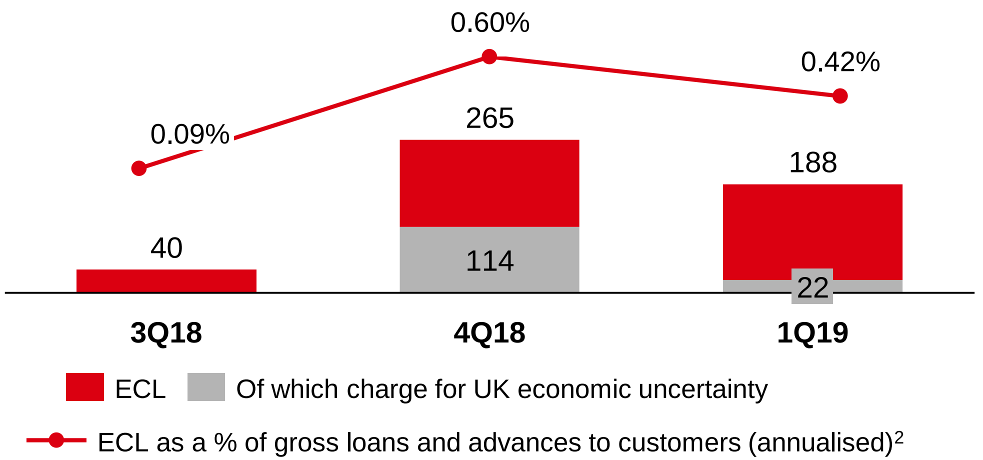


- HSBC UK has a conservative approach to risk management, consistent with the HSBC Group
- **75.2%** of gross loans and advances to customers of 'Strong' or 'Good' credit quality, equivalent to external Investment Grade credit rating
- **92.5%** of gross loans and advances to customers are Stage 1
- Ongoing UK economic uncertainty is a key risk and continues to be monitored closely

Analysis by stage as at 31 Dec 2018

Reported basis, £bn	Stage 1	Stage 2	Stage 3	Total[1]	Stage 3 as a % of Total
Gross loans and advances to customers	163.1	10.6	2.6	**176.3**	1.5%
Allowance for ECL	0.2	0.6	0.6	**1.4**	

ECL charge trend, £m



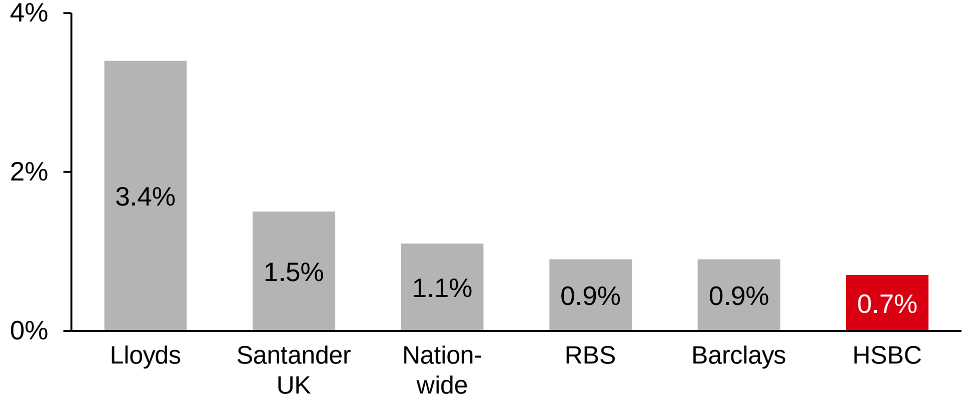
- Impairments were elevated in 4Q18, in part due to a charge relating to UK economic uncertainty
- Small number of larger individual impairments taken at start of 2019
- We remain watchful of certain sectors – including high street retailers, construction companies, restaurants

1. Total includes POCI balances and related allowances
2. Average gross loans and advances are calculated on a 2 point average

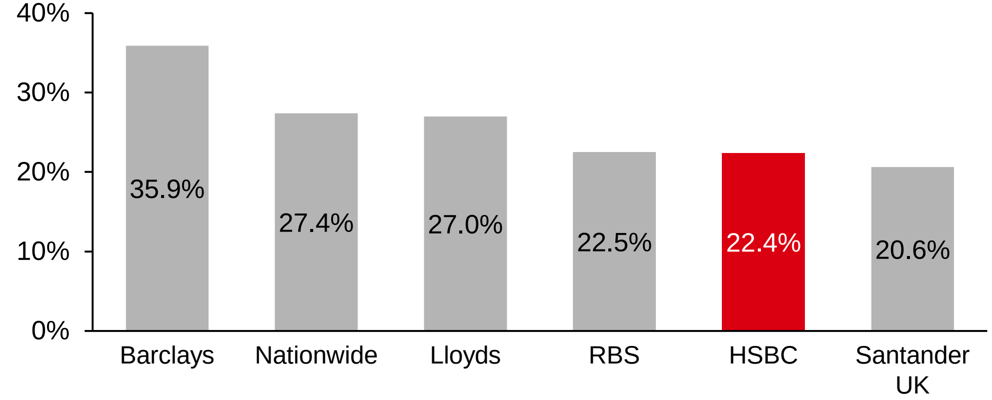
PRA stress test results 2018: Projected cumulative five-year impairment charge rates

Note: HSBC results represent total UK lending (RFB and NRFB)

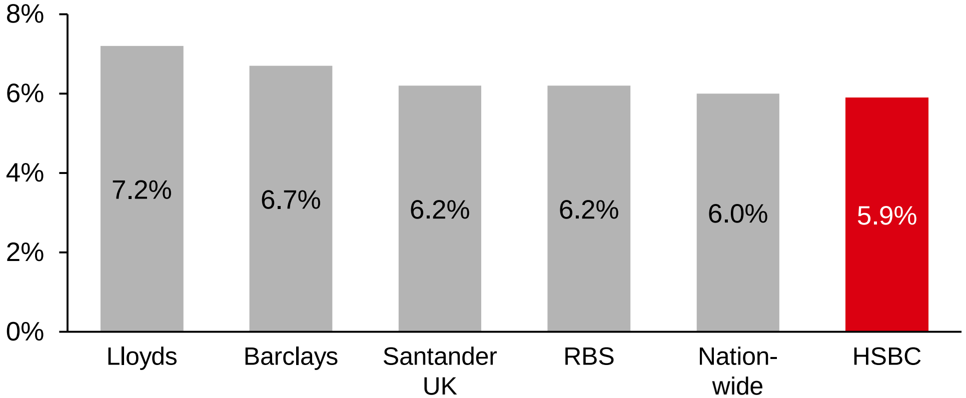
UK individuals – mortgage lending[1,2,3] (%)



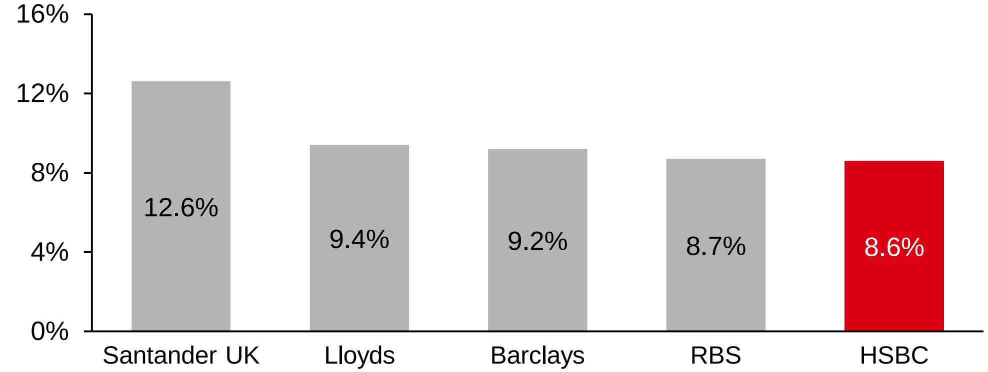
UK individuals – non-mortgage lending[1,2,3] (%)



UK Commercial real estate lending[1,2,3] (%)



UK lending to businesses, excluding commercial real estate [1,2,3] (%)



Source: "Stress testing the UK banking system: 2018 results", Bank of England
1. Data sources: Participating banks' FDSF data submissions, Bank of England analysis and calculations
2. Cumulative impairment charge rates = (five-year total impairment charge) / (average gross on balance sheet exposure), where the denominator is a simple average using year end balance sheet positions. This calculation may result in a lower impairment rate for those banks that expand balances significantly in the later years of the scenario as the economy recovers
3. Portfolios with cumulative impairment charges of £0.0bn (ie below £0.05 billion) is excluded

Strong focus on key risks, particularly ongoing Brexit uncertainty

Internal	People Risk	Increased focus on resource planning and employee retention
	Heightened Execution Risk	Strengthening governance processes for significant projects
	Conduct and Customer Detriment Risk	Enhanced management of conduct in a number of areas
	IT and Operational Resilience	Improvement of resilience across our technology infrastructure
	Financial Crime Risk	Strengthening our defences against financial crime
	Data Management	Enhancement of data governance, data quality & data privacy
	Model Risk	Strengthened model risk governance framework
External	Information Security and Cyber Risk	Enhancement of cybersecurity capabilities
	Regulatory Developments	New regulatory requirements implemented effectively
	Geopolitical Risk	Managing risks as they arise (ongoing Brexit & political uncertainty)
	Turning of the credit cycle	Detailed reviews of portfolios likely to come under stress
	IBOR Transition	Evaluation of impact on products, services and processes

Summary

HSBC UK's ambitions of growth are supported by its **robust risk management framework** and prudent approach to lending

Key highlights

1. **Strong governance and oversight** over risk
2. **Conservative** and a **well-diversified** loan portfolio
3. **Proactive management of top and emerging risks**, particularly ongoing UK economic uncertainty

Finance

Dave Watts, CFO HSBC UK

HSBC UK

HSBC UK is a profitable bank, generating capital

Adjusted P&L, £m	FY17	FY18	*FY ∆ %*	3Q18	4Q18	1Q19
Net interest income	4,232	4,715	*11%*	1,223	1,228	1,220
Other income	1,777	1,734	*(2%)*	458	442	408
Total revenue	**6,009**	**6,449**	***7%***	**1,682**	**1,670**	**1,628**
LICs / ECL	(229)	(399)	*(74%)*	(40)	(265)	(188)
Costs	(3,392)	(3,510)	*(3%)*	(878)	(870)	(902)
PBT	**2,388**	**2,540**	***6%***	**764**	**535**	**538**
CER	56.5%	54.4%	*(2.1)ppts*	52.2%	52.1%	55.4%

Balance sheet, £m	FY17	FY18	*FY ∆ %*	3Q18	4Q18	1Q19
Loans and advances to customers	161,977	174,807	*8%*	171,313	174,807	177,460
Customer accounts	203,492	204,837	*1%*	201,797	204,837	204,473
RWAs	n/a	91,839	*n/a*	n/a	91,839	92,969
Tangible equity	n/a	16,241	*n/a*	n/a	16,241	16,101

FY18

- NII of £4.7bn up 11% primarily due to balance sheet growth and base rate rises
- Strong revenue growth of 7%, supporting PBT growth of 6%
- Adjusted jaws of +3.8%
- Loans and advances to customers up 8% to £175bn
- 2H18 RoTE of 11.7%[1]

1Q19

- Adjusted revenue in RBWM up 4% to £834m, CMB up 2% to £675m versus 1Q18
- 1Q19 vs 4Q18 revenue decrease due to fewer days, as well as Visa rebate income in 4Q18 (£19m) and redress payments in 1Q19 (£15m)
- NIM maintained at 2.21% versus 4Q18
- Costs elevated in 1Q19 partly due to marketing spend phasing and remediation
- Loans and advances to customers increased by 1% in RBWM and 3% in CMB versus 4Q18
- RoTE of 9.2%[2]

1. 2H18 RoTE (ex significant items and the UK bank levy). 2H18 RoTE includes an adverse impact of 340bps due to a pension fund surplus of £4.3bn, or $5.6bn, (average, net of deferred tax) impacting average tangible equity
2. 1Q19 RoTE (ex significant items and the UK bank levy) of 9.2% includes an adverse impact of 260bps due to a pension fund surplus of £4.3bn, or $5.5bn, (average, net of deferred tax) impacting average tangible equity

Good revenue and PBT growth in RBWM and CMB

Net interest margin

Quarterly NIM, %	2.21%	2.21%
	4Q18	1Q19

- NIM has been broadly stable, though asset pricing remains competitive, particularly in mortgages

Net interest income sensitivity

HSBC Group
Sensitivity of NII to a 25bps / 100bps instantaneous change in yield curves (12m)

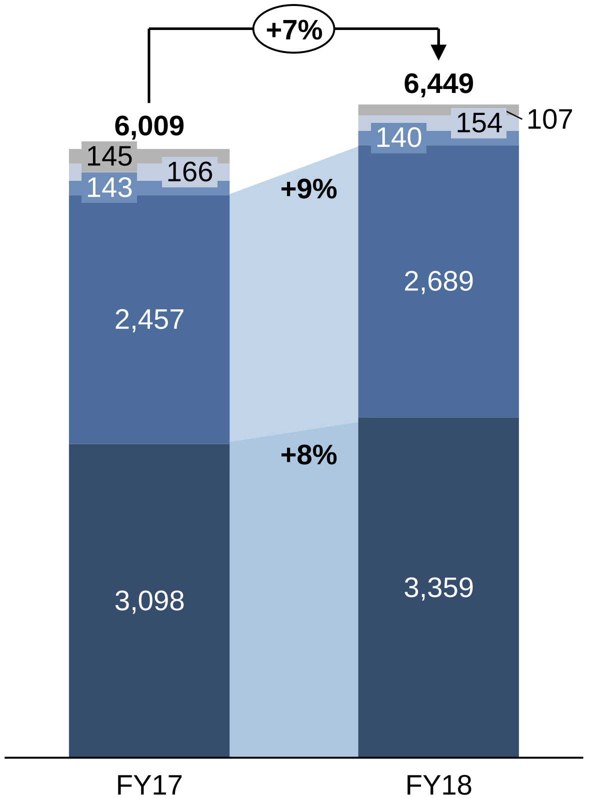
$m	GBP
+25bps	198
-25bps	(244)
+100bps	777
-100bps	(1,122)

For further commentary and information, refer to pages 139 and 140 of the HSBC Holdings plc Annual Report and Accounts 2018

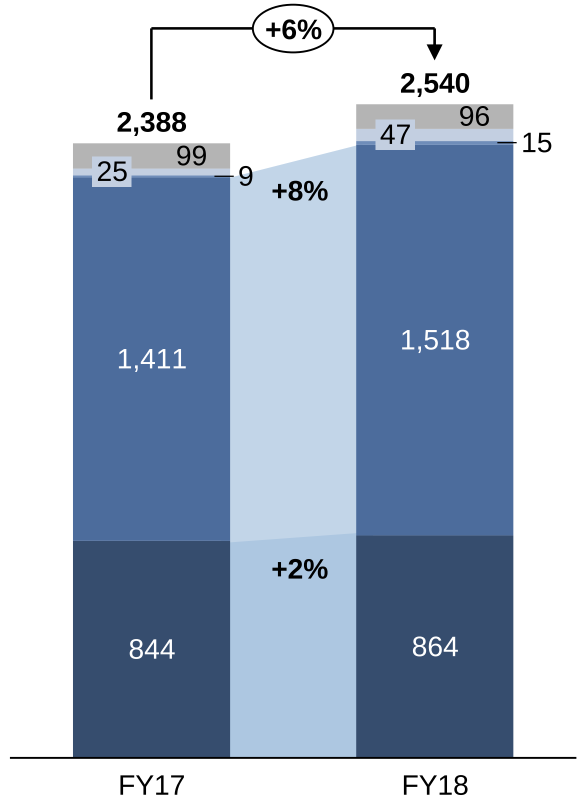
- A +100bp shift in GBP yield curves would mean an additional $777m (c. £600m[1]) in Group NII – primarily in HSBC UK
- This is partly due to low yielding surplus deposits positioned at the Bank of England

1. Estimated based on a 31 Dec 18 spot rate

Adjusted revenue, £m



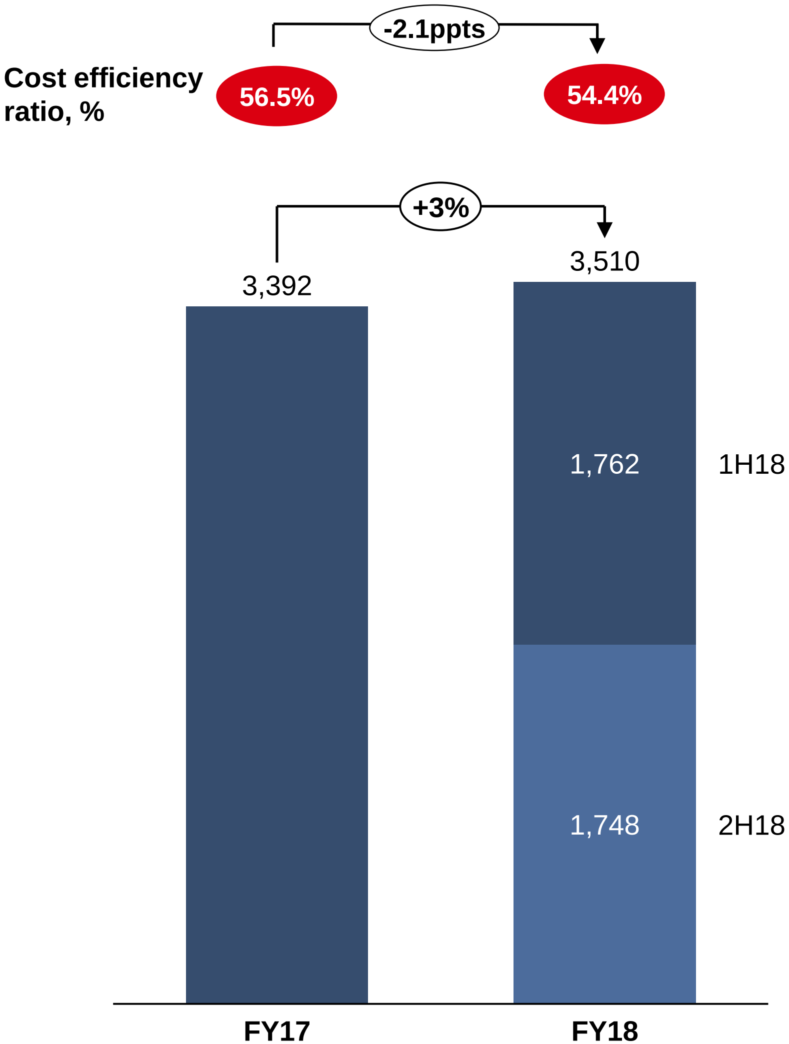
Adjusted PBT, £m



- Adjusted revenue increased by £440m (7%) compared with 2017, with growth in RBWM (8%) and CMB (9%) due to growth in lending and higher deposit margins as UK interest rates rose
- Adjusted PBT increased by £152m (6%), vs 2017. This reflected higher revenue, partially offset by higher ECL and costs

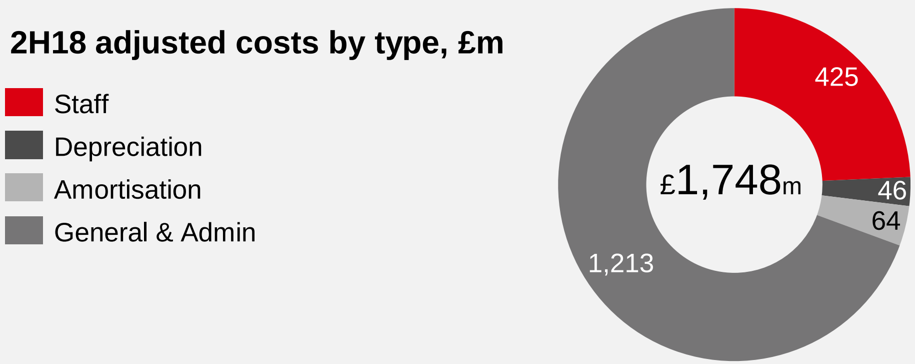
Cost management is a core focus for HSBC UK, facilitating investment in growth initiatives

Adjusted costs, £m



- CER of 54.4% in FY18, down from 56.5% in 2017; adjusted positive jaws of 3.8% in FY18
- We intend to continue to manage costs by:
  - Streamlining back office systems and processes
  - Using new and emerging technologies to improve cost efficiency
- At the same time we are investing for growth, supporting simpler, faster on-boarding and application processes
- In 2018 we spent c. £0.5bn in cash terms on investment, which we expect to increase in 2019 to c. £0.6bn (c. 30%)
- ServCo costs are c. 65% of other general and admin costs. The majority of ServCo Costs relate to the provision of IT, Operations and Global Functions support to the bank

2H18 adjusted costs by type, £m



Note: the UK bank levy is not allocated to HSBC UK, and therefore the costs and CER detailed exclude this
ServCo: HSBC Global Services UK

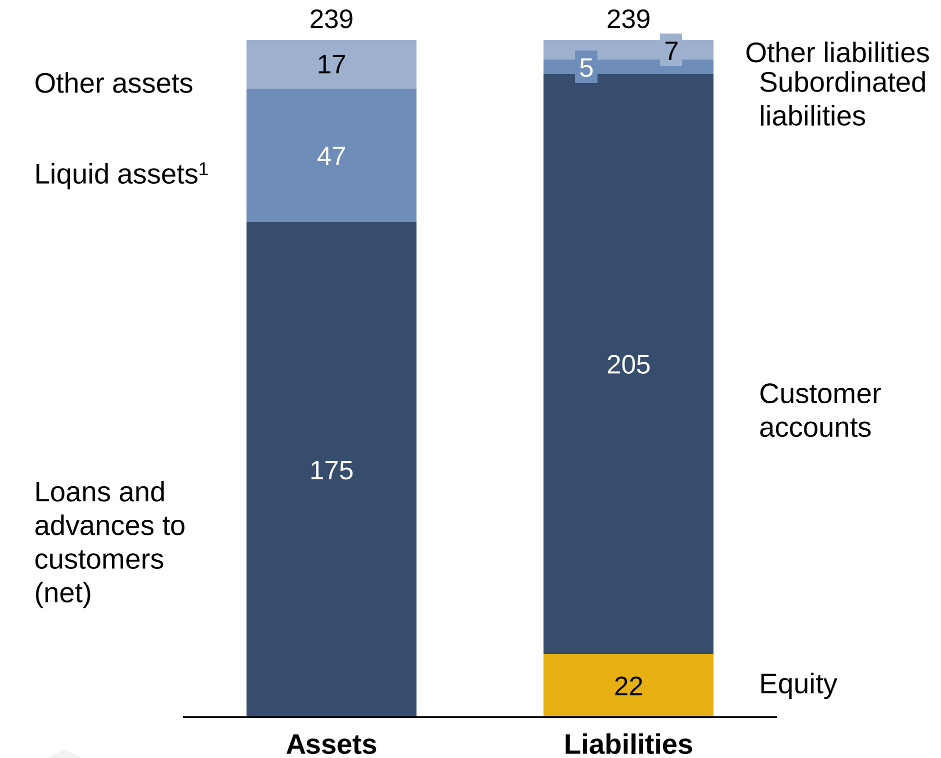
Balance sheet strength

As at 31 Dec 2018

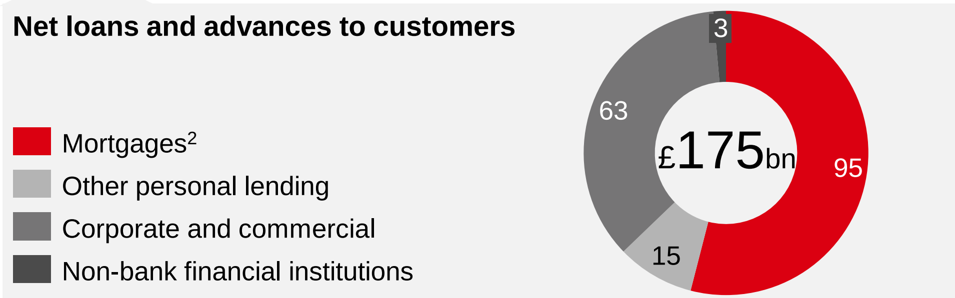
- HSBC UK has a simple, low risk, evolving balance sheet
- We have a diversified balance sheet, across retail and wholesale
- Our primary sources of funding are customer current accounts and customer savings deposits
- In line with HSBC Group policy, HSBC UK manages funding and liquidity on a stand alone basis
- The Liquid asset buffer comprises Level 1 and Level 2A liquid assets, of which 97.4% is Level 1
- Interest rate risk and hedging actions on deposits are managed centrally by Balance Sheet Management (BSM), and the associated income is reported in Corporate Centre in HSBC UK

Liquidity coverage ratio	143%
Net stable funding ratio	144%
Advances to deposits ratio	85.3%
Liquid asset buffer	£46.5bn

Consolidated balance sheet, £bn



Net loans and advances to customers



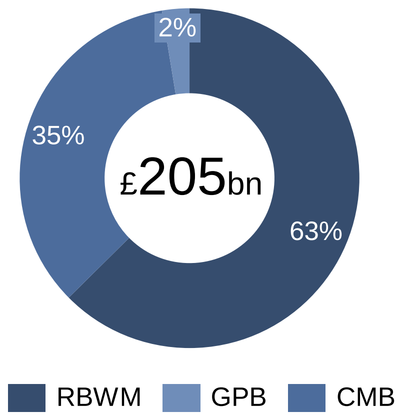
1. Liquid assets include cash and balances at central banks, items in the course of collection from other banks and financial investments
2. Total mortgages – includes those in RBWM and GPB

HSBC UK benefits from low cost of funding

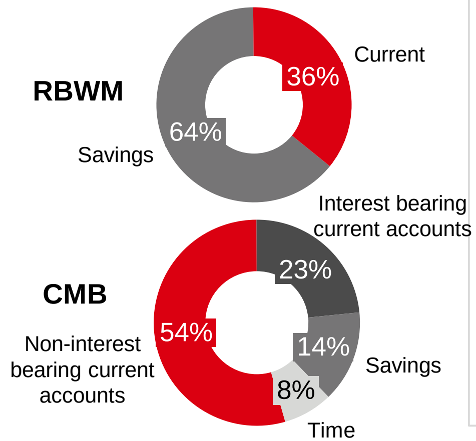
As at 31 Dec 2018

Customer deposits, £bn

By global business

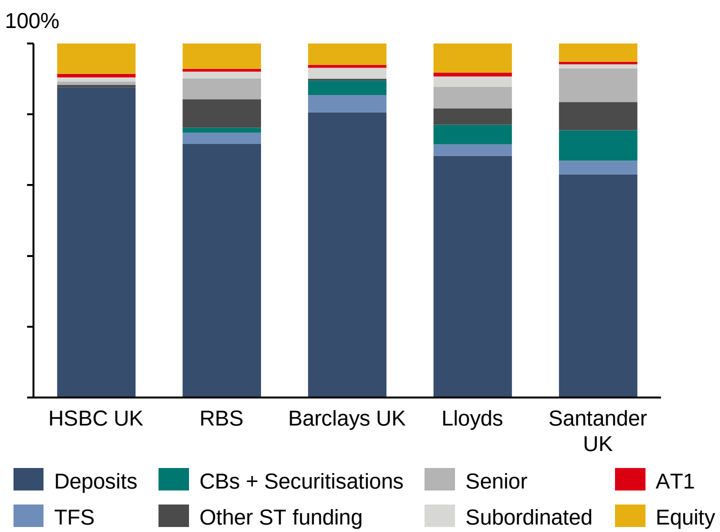


By deposit type



- Our primary sources of funding is customer deposits; we did not participate in the Term Funding Scheme
- We benefit from a high credit rating and the low credit spreads of HSBC Holdings capital and MREL that is downstreamed
- To increase diversification of funding sources, and support growth HSBC UK initiated a wholesale funding programme in 2019, beginning with CP/CDs in 1Q19
- HSBC UK expects to access the wholesale market in low-cost secured and unsecured format
- Future asset growth will be funded by a mix of customer deposits and wholesale funding

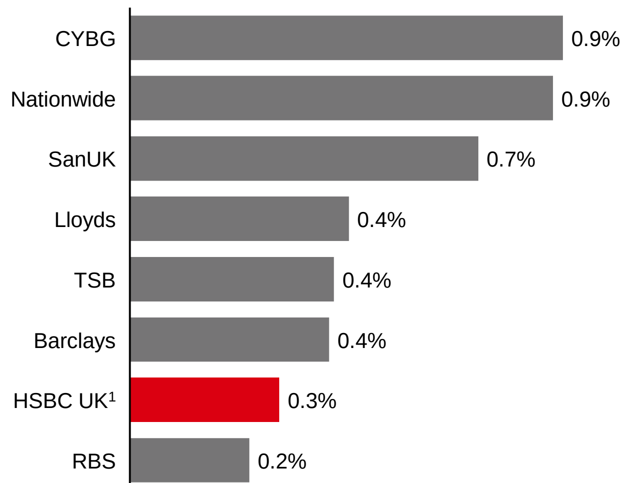
Balance sheet funding split



Source: Morgan Stanley Research

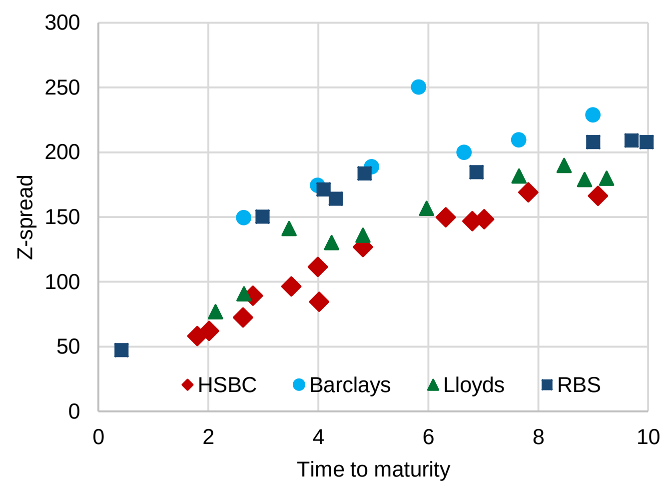
1. 2H18 deposit costs annualised, therefore impacted by August rate rise

Average deposit costs



Source: Goldman Sachs Research

Senior HoldCo spreads



Source: Bloomberg as at 05.06.2019

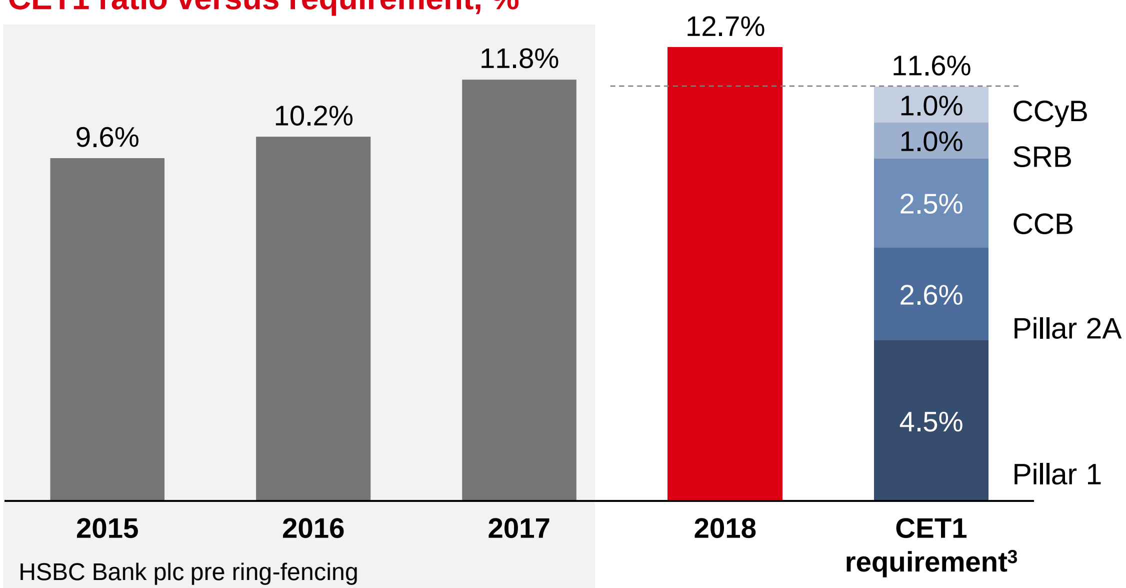
HSBC UK is well capitalised and aims to become a significant dividend payer

As at 31 Dec 2018

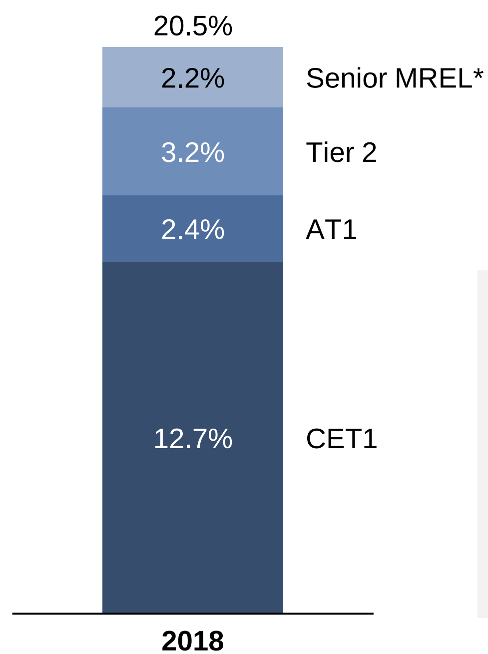
- The balance sheet is supported by a prudent capital position, and strong capital generation
- HSBC UK aims to become a significant dividend payer and to pay out a high percentage of future earnings to HSBC Holdings
- CET1 ratio of 12.7% versus a requirement of 11.6%
- CRD IV leverage ratio[1] of 5.6%; UK leverage ratio requirement[2] of 3.95%
- HSBC UK paid its first £200m dividend to HSBC Holdings in March 2019

CET1 ratio	12.7%
Total capital ratio	18.3%
Leverage ratio	5.6%

CET1 ratio versus requirement, %



Capital and loss-absorbing instruments, % of RWAs



MREL-eligible senior[4] downstreamed from HSBC Holdings:

*4Q18: £2bn
1Q19: £1bn
2Q19: £3bn
Expected 1 Jan 2020 total c. £7bn

1. On a CRD IV basis
2. On the PRA defined UK Leverage Basis
3. Pillar 2A requirements are shown as applicable on 1 January 2019 and are subject to change. The capital buffers include: a) the capital conservation buffer (CCB); b) the countercyclical capital buffer (CCyB), based on confirmed rates as of 10 June 2019; c) the Systemic Risk Buffer (SRB), applicable from 1 August 2019. With the exception of the capital conservation buffer, the remaining buffers are subject to change.
4. Senior subordinated instruments, meeting the eligibility criteria in the Statement of Policy on the Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL), published in June 2018

Risk-weighted assets

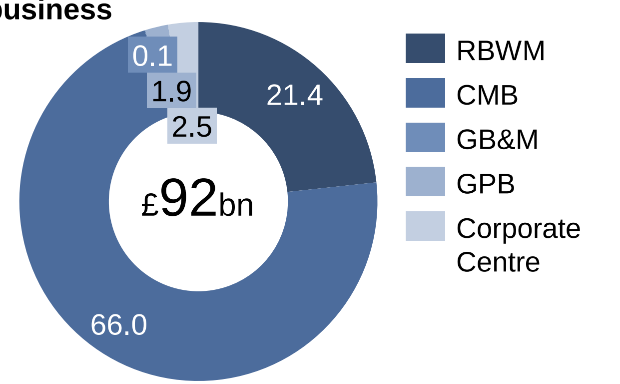
FY18

Portfolio risk-weight densities[1], %

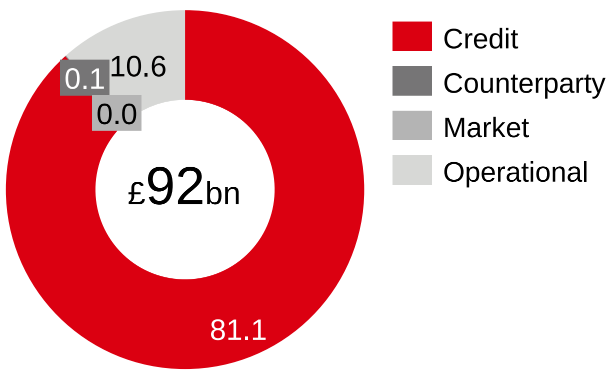
Mortgages: 4.6% Corporates: 75.5%

Risk weighted assets, £bn

By global business



By risk type



Regulatory changes

Mortgages

- Mortgage RWAs of c. £5bn at FY18, a risk-weight density of 4.6%
- A number of regulation changes from the PRA, EBA and BCBS are expected to result in material increases in UK mortgages RWAs from 31st Dec 2020
- The current IRB risk weighting for mortgages is expected to increase by between 50–70%[2] due to the change in definition of default from 180 to 90 days on the mortgage portfolio and using the hybrid approach for PDs and LGDs

Basel III reform[3]

- Still subject to uncertainty
- Potential impact on RWAs likely to be driven by the following factors:

↘	Removal of scaling factor under the internal ratings based approach
↗	Operational and counterparty credit risk methodologies and calculations
TBD	Operational risk internal loss multiplier subject to national discretion (PRA)
↗	72.5% output floor phased in from 2022

RWA management

- Focus on improving returns through proactive management of low returning customers, as well as data quality improvements and model updates

1. Risk-weight densities are calculated as RWA divided the exposure at default (EAD) under the IRB approach. (Mortgages EAD £105.6bn, Corporates EAD £69.7bn). The HSBC UK Bank 2018 Pillar 3 disclosure reported net carrying values for mortgages £101.1bn and Corporates £83.0bn
2. Indicative estimate only – subject to change
3. Comments are based on current business model and our interpretation of the proposals

Outlook – prudent growth

	FY17	FY18	*FY Δ %*
Adjusted P&L, £m			
Net interest income	4,232	4,715	*11%*
Other income	1,777	1,734	*(2%)*
Total revenue	**6,009**	**6,449**	***7%***
LICs / ECL	(229)	(399)	*(74%)*
Costs	(3,392)	(3,510)	*(3%)*
PBT	**2,388**	**2,540**	***6%***
Balance Sheet, £bn			
Loans and advances to customers	162	175	*8%*
Customer accounts	203	205	*1%*
RWAs	n/a	92	*n/a*
Key financial metrics, %			
Cost efficiency ratio	56.5%	54.4%	*(2.1)ppts*
Adjusted jaws	n/a	3.8%	*n/a*
RoTE[1]	n/a	11.7%	*n/a*
ECL / Loans and Advances	15bps	24bps	*9bps*
Advances to deposits ratio	80%	85%	*5ppts*

Medium term outlook[2]

- Continue to **grow revenue** as we invest in the business
- **ECL** expected to increase, as impairments normalise from historically low levels, subject to UK economic uncertainty
- **Costs** to increase as we continue to invest in growth initiatives
- Committed to the discipline of **positive adjusted jaws**; 2019 a year of investment growth
- **RWAs** expected to grow less than loans and advances to customers

1. 2H18 RoTE (ex significant items and the UK bank levy). 2H18 RoTE includes an adverse impact of 340bps due to a pension fund surplus of £4.3bn, or $5.6bn, (average, net of deferred tax) impacting average tangible equity
2. Medium term outlook out to 2022

Summary

The UK represents a **clear growth opportunity** for HSBC, with a robust plan to deliver significant value creation

Key highlights

1. HSBC UK is a **profitable bank, generating capital**
2. **Cost management** is a core focus for HSBC UK, balanced against **investment in growth initiatives**
3. HSBC UK has a **simple, low risk, evolving balance sheet**
4. HSBC UK will continue to **benefit from low cost of funding**
5. We are **well capitalised** and aim to be a **significant dividend payer**

Summary and close

Ian Stuart, CEO HSBC UK

HSBC UK

HSBC UK, a clear growth opportunity

The UK represents a **clear growth opportunity** for HSBC, with a robust plan to deliver significant value creation

Key highlights

1. The UK is one of HSBC's **scale markets**, and **HSBC UK represents a material part of the Group**
2. UK remains an **attractive place to do business**; HSBC UK has **significant competitive advantages and opportunities for market share growth**
3. We have a **clear plan to deliver growth** with a **good return profile** and **strong organic capital generation**
4. We **delivered strong progress** on financials, customer service, people engagement, and simplification in 2018
5. **UK economic uncertainty remains high**; we continue to be watchful on credit impairment risks
6. We are delivering growth with a **focus on sustainability and our role in society**

Appendix

HSBC UK

Detailed financial information

Reported P&L, £m	Pro-forma FY17	Pro-forma FY18	3Q18	4Q18	1Q19
NII	4,153	4,754	1,223	1,233	1,220
RBWM	2,440	2,655	692	699	687
CMB	1,527	1,939	482	501	493
GB&M	-	(3)	(1)	(2)	-
GPB	111	114	30	27	27
Corporate Centre	75	49	20	8	13
Other income	1,843	1,734	458	442	408
RBWM	656	704	200	175	147
CMB	853	789	197	202	182
GB&M	143	143	36	39	48
GPB	55	40	11	10	12
Corporate Centre	136	58	14	16	19
Total revenue	5,996	6,488	1,682	1,675	1,628
RBWM	3,096	3,359	892	874	835
CMB	2,380	2,728	679	704	675
GB&M	143	140	35	37	48
GPB	166	154	41	37	39
Corporate Centre	211	107	34	24	32
ECL	(229)	(399)	(40)	(265)	(188)
RBWM	(103)	(266)	(46)	(118)	(67)
CMB	(115)	(138)	(3)	(142)	(120)
GPB	(11)	4	9	(5)	(1)
Corporate Centre	0	1	-	-	-
Costs	(4,635)	(3,882)	(932)	(1,056)	(946)
RBWM	(2,706)	(2,358)	(607)	(579)	(613)
CMB	(950)	(1,027)	(264)	(254)	(266)
GB&M	(134)	(125)	(32)	(37)	(35)
GPB	(129)	(111)	(27)	(27)	(32)
Corporate Centre	(716)	(261)	(2)	(159)	-
Profit before tax	1,132	2,207	710	354	494
RBWM	287	735	239	176	154
CMB	1,315	1,563	412	308	289
GB&M	9	15	3	-	13
GPB	26	47	24	5	6
Corporate Centre	(505)	(153)	32	(135)	32

Includes significant items, £m	Pro-forma FY17	Pro-forma FY18	3Q18	4Q18	1Q19
Revenue	(13)	39	-	5	-
RBWM	(2)	-	-	-	-
CMB	(77)	39	-	5	-
GPB	-	-	-	-	-
Corporate Centre	66	0	-	-	-
Costs	(1,243)	(372)	(54)	(186)	(44)
RBWM	(555)	(129)	(49)	(12)	(43)
CMB	(19)	6	4	8	-
GPB	1	-	-	-	-
Corporate Centre	(670)	(249)	(9)	(182)	(1)

Balance sheet, £bn	Pro-forma FY17	FY18	3Q18	4Q18	1Q19
Loans and advances to customers (net)	162	175	171	175	177
RBWM	97	107	103	107	108
CMB	59	63	63	63	65
GPB	5	4	4	4	4
Corporate Centre	1	1	1	1	0
Customer accounts	204	205	202	205	204
RBWM	-	129	127	129	129
CMB	-	71	69	71	69
GPB	-	5	5	5	6
Corporate Centre	-	0	1	0	0
RWAs	-	92	-	92	93
RBWM	-	21	-	21	21
CMB	-	66	-	66	67
GPB	-	2	-	2	2
Corporate Centre	-	3	-	3	3
RoTE ex significant items and UK bank levy, %	-	11.7	-	n/a	9.2
Net interest margin, %	-	n/a	-	2.21	2.21

1. 2H18 RoTE (ex significant items and the UK bank levy). 2H18 RoTE includes an adverse impact of 340bps due to a pension fund surplus of £4.3bn, or $5.6bn, (average, net of deferred tax) impacting average tangible equity
2. 1Q19 RoTE (ex significant items and the UK bank levy) of 9.2% includes an adverse impact of 260bps due to a pension fund surplus of £4.3bn, or $5.5bn, (average, net of deferred tax) impacting average tangible equity

Reconciliation between reported and adjusted income statement items

£m	3Q18	4Q18	1Q19	FY17	FY18
Reported PBT	**710**	**354**	**494**	**1,132**	**2,207**
Revenue					
Customer redress programmes	-	5	-	(79)	39
Disposals, acquisitions and investment in new businesses	-	-	-	66	-
	-	**5**	**-**	**(13)**	**39**
Operating expenses					
Costs of structural reform	(12)	-	-	(253)	(72)
Customer redress programmes	(42)	(4)	(43)	(507)	(120)
Past service costs of guaranteed minimum pension benefits equalisation	-	(187)	-	-	(187)
Restructuring and other related costs	-	(2)	(1)	(483)	-
Settlements and provisions in connection with legal and regulatory matters	-	7	-	-	7
	(54)	**(186)**	**(44)**	**(1,243)**	**(372)**
Total significant items	**(54)**	**(181)**	**(44)**	**(1,256)**	**(333)**
Adjusted PBT	**764**	**535**	**538**	**2,388**	**2,540**

RoTE reconciliation

$m unless otherwise stated	2H18	1Q19
Reported profit before tax (£m)	**1,064**	**494**
Reported profit before tax ($m)	**1,381**	**643**
Tax	(458)	(184)
Reported profit after tax	**923**	**459**
less attributable to: preference shareholders, other equity holders, non-controlling interests	0	(43)
Profit attributable to ordinary shareholders of the parent company	**923**	**416**
Significant items (net of tax)	304	57
Other	(5)	0
Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy	**1,222**	**473**
Average shareholders' equity	28,742	28,663
Additional Tier 1	(2,842)	(2,832)
Goodwill & Intangibles	(4,899)	(4,936)
Other	(23)	(32)
Average tangible equity	20,978	20,862
RoTE excluding significant items and UK bank levy	**11.7%**	**9.2%**

1. P&L USD FX rate: 2H18 1.30 1Q19 1.30

Glossary

Bps	Basis points. One basis point is equal to one-hundredth of a percentage point
BSM	Balance Sheet Management
CER	Cost efficiency ratio – calculated as total operating expenses divided total revenue
CET1	Common Equity Tier 1
Corporate Centre	In December 2016, certain functions were combined to create a Corporate Centre. These include Balance Sheet Management, legacy businesses and interests in associates and joint ventures. The Corporate Centre also includes the results of our financing operations, central support costs with associated recoveries and the UK bank levy
CMB	Commercial Banking, a global business
CRD IV	Capital Requirements Directive IV
CRR	Customer risk rating
DCM	Debt Capital Markets
EBITDA	Earnings before interest, tax, depreciation and amortisation
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.
ESG	Environmental, social and governance
FX	Foreign Exchange
GB&M	Global Banking and Markets, a global business
GLCM	Global Liquidity and Cash Management
GPB	Global Private Banking, a global business
GTRF	Global Trade and Receivables Finance
HOST	HSBC Operations Services and Technology
IAS	International Accounting Standards
IBCA	Interest bearing current account

IFRS	International Financial Reporting Standard
Inbound revenue	Client revenue booked in Country A where the primary relationship is managed outside of Country A
Jaws	The difference between the rate of growth of revenue and the rate of growth of costs. Positive jaws is where the revenue growth rate exceeds the cost growth rate. Calculated on an adjusted basis
LICs	Loan impairment charges and other credit risk provisions
LTV	Loan to value
MREL	Minimum requirement for own funds and eligible liabilities
NRFB	Non ring-fenced bank – HSBC Bank plc
NIBCA	Non interest bearing current account
NII	Net interest income
NIM	Net interest margin
Outbound revenue	Client revenue relating to clients where the primary relationship is managed in Country A, but the revenue is booked outside of Country A
PBT	Profit before tax
POCI	Purchased or originated credit-impaired
RBWM	Retail Banking and Wealth Management, a global business
RCF	Rolling Credit facility
RFB	UK ring-fenced bank - HSBC UK Bank plc
RoTE	Return on average tangible equity
RWA	Risk-weighted asset