



# HSBC UK

Together we thrive

Q4 2019



---

# Important notice and forward looking statements

## Important notice

The information, statements and opinions set out in this presentation and subsequent discussion do not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any advice or recommendation in respect of such securities or other financial instruments.

The information contained in this presentation and subsequent discussion, which does not purport to be comprehensive nor render any form of financial or other advice, has been provided by HSBC UK Bank plc ("HSBC UK") and has not been independently verified by any person. No responsibility, liability or obligation (whether in tort, contract or otherwise) is accepted by HSBC UK or its affiliates or any of its or their officers, employees, agents or advisers (each an "Identified Person") as to or in relation to this presentation and any subsequent discussions (including the accuracy, completeness or sufficiency thereof) or any other written or oral information made available or any errors contained therein or omissions therefrom, and any such liability is expressly disclaimed.

No representations or warranties, express or implied, are given by any Identified Person as to, and no reliance should be placed on the accuracy or completeness of any information contained in this presentation, any other written or oral information provided in connection therewith or any data which such information generates. No Identified Person undertakes, or is under any obligation, to provide the recipient with access to any additional information, to update, revise or supplement this presentation or any additional information or to remedy any inaccuracies in or omissions from this presentation.

## Forward-looking statements

This presentation and subsequent discussion may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position and business of HSBC UK (together, "forward-looking statements"). Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant assumptions and subjective judgements which may or may not prove to be correct and there can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. Forward-looking statements are statements about the future and are inherently uncertain and generally based on stated or implied assumptions. The assumptions may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of HSBC UK. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions or regulatory changes). Any such forward-looking statements are based on the beliefs, expectations and opinions of HSBC UK at the date the statements are made, and HSBC UK does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management's beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of HSBC UK as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report for the fiscal year ended 31 December 2018 which is available at [www.hsbc.com](http://www.hsbc.com).

## 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](http://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](http://www.hsbc.com).

Information in this presentation was prepared as at 13 November 2019.

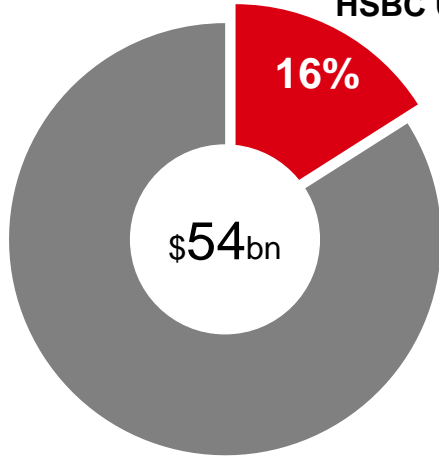
# HSBC UK is a material part of the Group and one of HSBC's scale markets

FY18

## HSBC UK as a % of Group

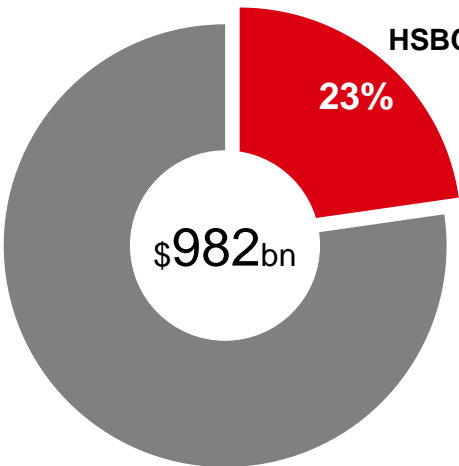
Total adjusted revenue

CMB UK = 24% of Global CMB  
 RBWM UK = 20% of Global RBWM  
**HSBC UK**



Net loans and advances to customers

**HSBC UK**

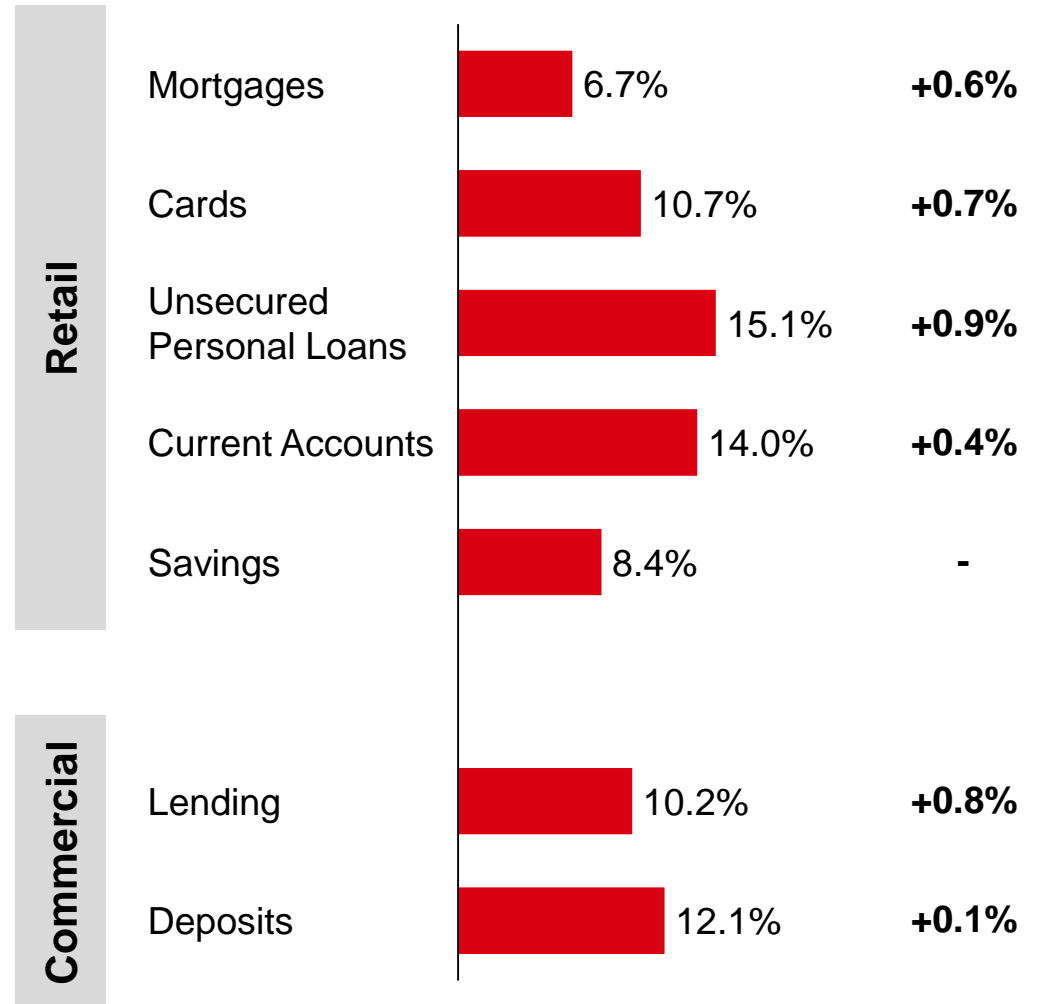


Market shares as at JUN19<sup>1</sup>

## UK market shares

Market share in the UK (%)

Share gain vs. FY17



1. Mortgages market size data from Council of Mortgage Lenders (CML). Cards sourced from UK Finance (unscaled). Loans market share excludes car finance, payday lending, personal contract purchase. Current accounts and Savings information sourced from Consolidated Analysis Centre Incorporated (CACI). Commercial lending is loans and overdraft balances as a percentage of the market. Commercial loans market sourced from the Bank of England. Commercial deposits market size data sourced from Bank of England

## 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 are delivering against our underlying financial plan, although we have been **negatively affected by one-off charges**, impacting 2019 performance
- 5** **UK economic uncertainty remains high**; we continue to be watchful on credit impairment risks

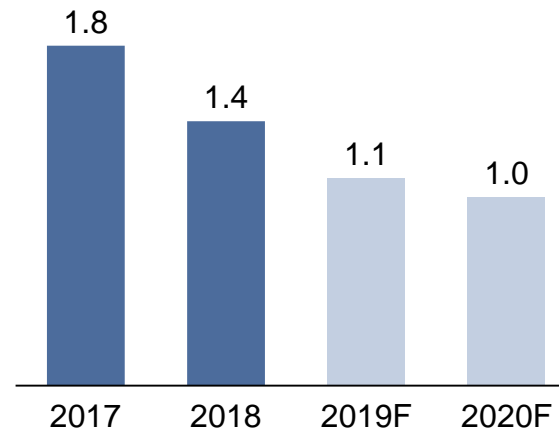
# The UK remains an attractive place to do business

## UK structural advantages

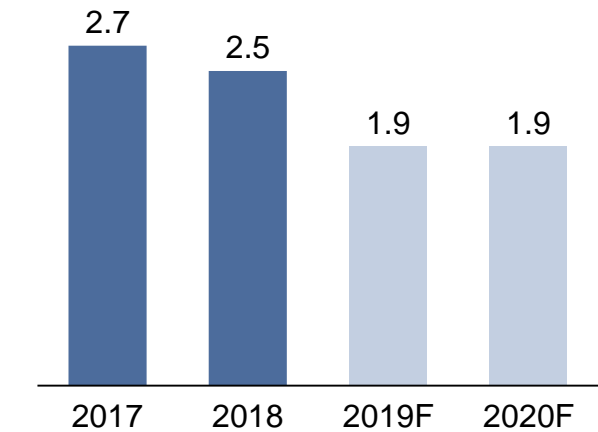
- ◆ Total private wealth of c. £13tn, with 14% of households having assets >£1m<sup>1</sup>
- ◆ World's second largest exporter of services, specialising in financial & business services<sup>2</sup>
- ◆ Best Country for Business<sup>3</sup>
- ◆ World education centre; 4 of the Top 10 universities in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

## Sound economics, but with Brexit uncertainty

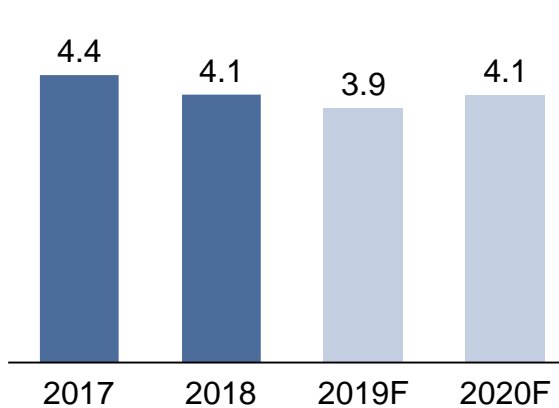
Annual GDP growth<sup>5</sup> (%)



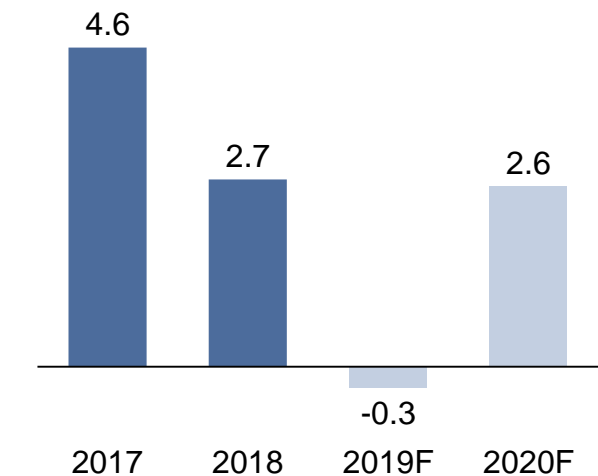
CPI inflation<sup>5</sup> (%)



Unemployment<sup>5</sup> (%)



House price change<sup>6</sup> (%)



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 Q4 2019  
 6. Source: Economic and fiscal outlook – March 2019, UK OBR. Percentage change on a year earlier

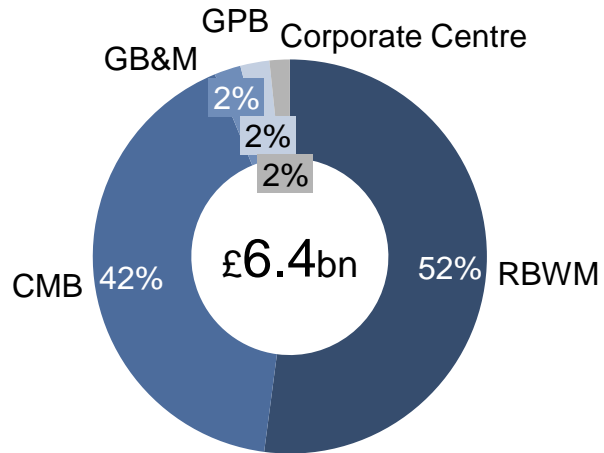
## HSBC UK has clear competitive advantages

- ✓ 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 key UK markets
- ✓ **Scale of HSBC** offers significant advantages – cyber security, investment spend, compliance
- ✓ **Leveraging an internationally recognised brand** – Top 50 global brand<sup>1</sup>, 2<sup>nd</sup> amongst global banks, 1<sup>st</sup> amongst UK and European banks

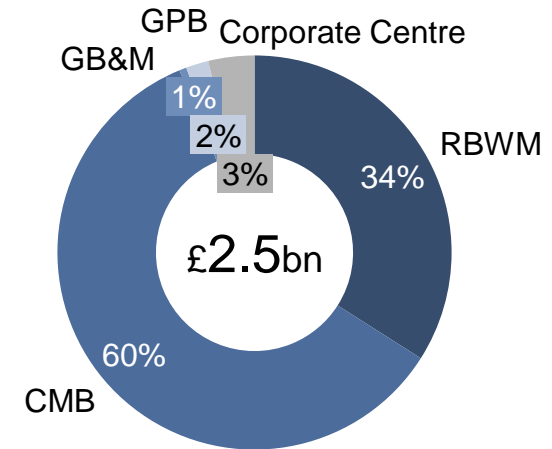
# Well-diversified business model

FY18

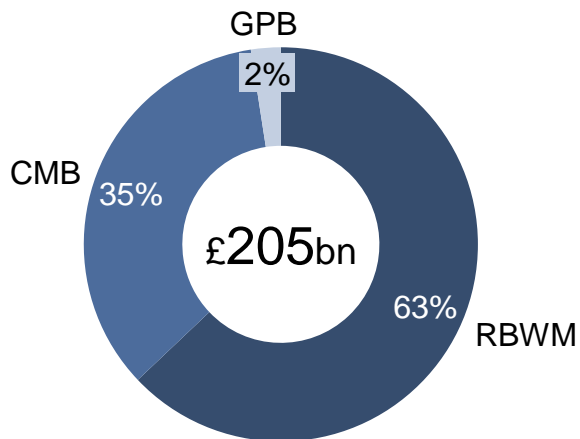
## Adjusted revenue



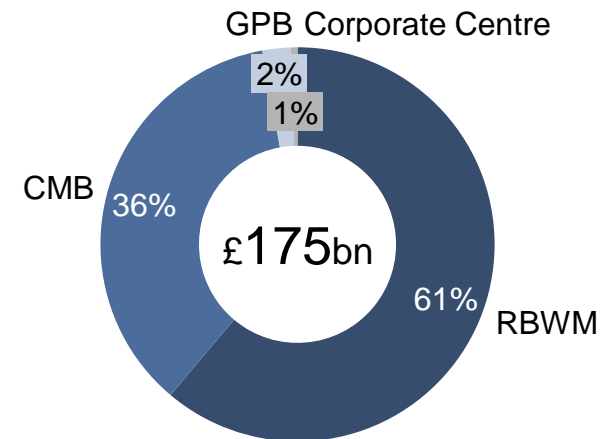
## Adjusted profit before tax



## Customer accounts



## Loans and advances to customers



## 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

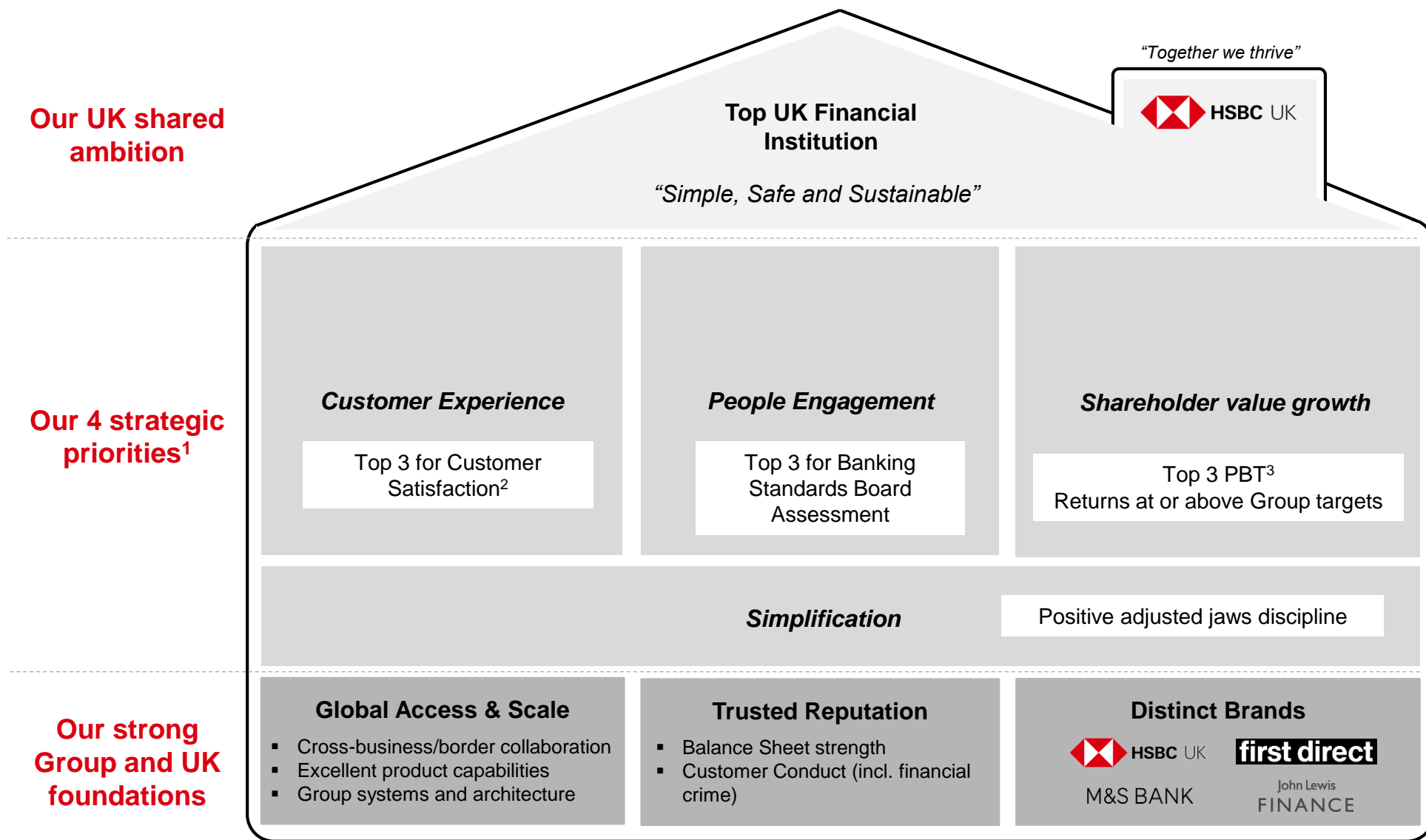


### Customer satisfaction

- ◆ 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



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)

## Resilient revenue performance, offset by higher ECL and operating expenses

Adjusted P&L, £m	2018 Performance			Q319 YTD Performance		
	FY17	FY18	FY Δ %	9M to SEP18	9M to SEP19	Δ%
Net interest income	4,232	4,715	11%	3,487	3,673	5%
Other income	1,777	1,734	(2)%	1,292	1,302	1%
<b>Total revenue</b>	<b>6,009</b>	<b>6,449</b>	<b>7%</b>	<b>4,779</b>	<b>4,975</b>	<b>4%</b>
LICs / ECL <sup>1</sup>	(229)	(399)	(74)%	(134)	(534)	>(200)%
Operating Expenses	(3,392)	(3,510)	(3)%	(2,640)	(2,819)	(7)%
<b>Adjusted PBT</b>	<b>2,388</b>	<b>2,540</b>	<b>6%</b>	<b>2,005</b>	<b>1,622</b>	<b>(19)%</b>
Significant Items	(1,256)	(333)	(73)%	(152)	(1,024)	>(200)%
<b>Reported PBT</b>	<b>1,132</b>	<b>2,207</b>	<b>95%</b>	<b>1,853</b>	<b>598</b>	<b>(68)%</b>
Adjusted CER	56.5%	54.4%	(2.1)ppts	55.2%	56.7%	1.4ppts

Balance Sheet, £bn	2018 Performance			Q319 YTD Performance		
	FY17	FY18	FY Δ %	9M to SEP18	9M to SEP19	Δ%
Loans and advances to customers	162	175	8%	171	182	6%
Customer accounts	203	205	1%	202	213	5%
RWAs	n/a	92	n/a	89	89	0%
Tangible equity	n/a	16	n/a	n/a	n/a	n/a

### 9M19 v 9M18

- ◆ Adjusted revenue grew 4% to £5.0bn driven by strong balance sheet and NII<sup>2</sup> growth (Loans & advances to customers up 6% to £182bn; NII up 5% to £3.7bn)
- ◆ ECL increased to £534m (vs. £134m) from higher charges against specific customers in CMB, and an increase in charges on unsecured lending in RBWM
- ◆ Operating expenses have increased driven by higher remediation and fraud costs as well as increased investment in 2019
- ◆ Reported PBT adversely affected by significant items of £1.0bn, primarily customer redress charges, including a £0.8bn charge related to PPI<sup>3</sup>

1. LICs = Loan Impairment Charges; ECL = Expected Credit Losses

2. Net Interest Income

3. Payment Protection Insurance

Note: See appendix for reconciliation between reported and adjusted income statement items

## 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 are delivering against our underlying financial plan, although we have been **negatively affected by one-off charges**, impacting 2019 performance
- 5** **UK economic uncertainty remains high**; we continue to be watchful on credit impairment risks

# Appendix

## Reconciliation between reported and adjusted income statement items

£m	1Q19	2Q19	3Q19	FY17	FY18
<b>Reported PBT</b>	<b>494</b>	<b>122</b>	<b>(18)</b>	<b>1,132</b>	<b>2,207</b>
<b>Revenue</b>					
Customer redress programmes	-	-	(96)	(79)	39
Disposals, acquisitions and investment in new businesses	-	-	-	66	-
	-	-	<b>(96)</b>	<b>(13)</b>	<b>39</b>
<b>Operating expenses</b>					
Costs of structural reform	-	-	-	(253)	(72)
Customer redress programmes	(43)	(435)	(393)	(507)	(120)
Guaranteed minimum pension benefits equalisation	-	-	-	-	(187)
Restructuring and other related costs	(1)	(43)	(13)	(483)	-
Other	-	-	-	-	7
	<b>(44)</b>	<b>(478)</b>	<b>(406)</b>	<b>(1,243)</b>	<b>(372)</b>
<b>Total significant items</b>	<b>(44)</b>	<b>(478)</b>	<b>(502)</b>	<b>(1,256)</b>	<b>(333)</b>
<b>Adjusted PBT</b>	<b>538</b>	<b>600</b>	<b>484</b>	<b>2,388</b>	<b>2,540</b>

# Reported consolidated income statement and note on pro forma information

Reported income statement, £m	2017 <sup>1</sup>	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.

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 our Annual Report for the fiscal year ended 31 December 2018 which is available at [www.hsbc.com](http://www.hsbc.com)

Unless otherwise stated, the remainder of this presentation is on an adjusted pro forma basis. A reconciliation can be found on slide 14 of reported results to adjusted results for 1Q19, 2Q19 and 3Q19, as well as a reconciliation of pro forma reported results to pro forma adjusted results for FY17 and FY18.

For 31 December 2018 and 9M18 balance sheet, and 9M19 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.