HSBC UK

Seminar for Investors and Analysts

16 June 2022

Important notice and forward-looking statements

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Alternative Performance Measures

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

Reconciliations between Alternative Performance Measures and the most directly comparable measures under IFRS are provided in HSBC UK’s Annual Report and Accounts for the fiscal year ended 31 December 2021 which is available at www.hsbc.com.

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Information in this Presentation was prepared as at 16 June 2022.

Reported and adjusted income statement

Key financial metrics	FY21	FY20
Reported results		
Reported revenue (£m)	6,250	6,031
Reported profit before tax (£m)	3,480	163
Reported profit after tax (£m)	2,368	80
Profit attributable to the shareholders of the parent company (£m)	2,363	76
Return on average tangible equity (%)[1]	13.5	(0.1)
Net interest margin (%)	1.53	1.71
Expected credit losses / (releases) as % of average gross loans and advances to customers (%)	(0.51)	1.12
Adjusted results		
Adjusted revenue (£m)	6,239	6,047
Adjusted profit before tax (£m)[1]	3,764	334
Cost efficiency ratio (%)	55.5	59.5
Adjusted return on average tangible equity (%)[1,2]	14.7	0.5

The remainder of the presentation unless otherwise stated, is presented on an adjusted basis
Figures throughout this presentation may be subject to rounding adjustments and therefore may not sum precisely to totals given in charts, tables or commentary

1. These metrics are tracked as Key Performance Indicators of HSBC Group
2. In the event that the current IAS 19 pension fund surplus was zero, adjusted RoTE would be 17.4% (2020: (0.1)%)

Agenda

HSBC UK

"Opening up a world of opportunity"

HSBC UK

Introduction to HSBC UK

Ian Stuart

CEO, HSBC UK

HSBC UK: A dynamic bank focused on supporting our customers and community

We are…

- **Well positioned to capture growth** opportunities in an attractive but challenging UK market
- An **internationally connected franchise**
- Acutely aware we are **operating in uncertain times**
- Accustomed to operating in a competitive environment, with an **experienced team** at the helm
- **Digitising at scale** and **simplifying our business** to meet changing customer needs
- **Supporting our community** and helping our customers **transition to net zero**

For us, opening up a world of opportunity means helping individuals and businesses to make the most of their money

Opening up a world of opportunity

Purpose

Helping individuals and businesses to make the most of their money – now and into the future

Inclusion	Capability	Resilience	Opportunity
"Bringing financial health to those who have none"	*"Helping customers manage their own financial health – every age, every stage"*	*"Preparing our customers to manage and withstand financial health shocks"*	*"Helping our customers capture the financial opportunities ahead of them"*

Strategy

Focus on our strengths	Digitise at scale	Energise for growth	Transition to net zero
Deploying our capital & liquidity and investing for the medium term across our 9 (+1) growth priorities	Digitising and simplifying our bank and delivering a step-change improvement in the customer experience	Embracing the future of work Building representation, respect and reputation through our Diversity and Inclusion strategy	Supporting our customers & community to manage the challenge of climate change and playing our part in reducing our own impact

Values

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

We play a key societal role in the UK

Inclusion

>3k people with **no fixed home address** supported in opening a bank account

>4k Ukrainian refugees supported in opening bank accounts since March 2022

1k people with disabilities helped by the launch of Scope's new online employability platform, supported by HSBC UK

Capability

>300k young people helped to build financial capability across our programmes and support[1]

>50k young people supported through ten years of working with **The Prince's Trust**

£2m pledged to support **30 Stormzy Scholars** at the University of Cambridge over three years

Resilience

>100k people supported in improving their financial health following the launch of our **Financial Fitness Tool**

>£12bn in **government loans** approved across BBLS, CBILS, and CLBILS[2], totalling over 258k loans

Opportunity

£15bn SME fund to help British businesses grow

4 climate partners: **National Trust**, **National Trust for Scotland**, **Imperial College London**, and the **University of Birmingham**

29m homes estimated to need retrofitting by 2050 to reach UK goal of net zero emissions[3]

1. Source: HSBC UK Society Report 2021. Money Heroes (156,442 children); Scouts and the Money Skills Activity Badge (38,995 children); colleague volunteering (107,000 young people aged 3-25 years)
2. BBLS – Bounce Back Loan Scheme; CBILS – Coronavirus Business Interruption Loan Scheme; CLBILS – Coronavirus Large Business Interruption Loan Scheme
3. Source: Green Finance Institute and Bankers for Net Zero paper: Tooling up the green homes industry, published 21 September 2021

HSBC UK is a material, and growing, contributor to HSBC Group

The UK is one of **HSBC's home markets**; through Midland Bank, we have conducted business in the UK since 1836

HSBC UK is the UK ring-fenced bank and comprises **Wealth & Personal Banking, Commercial Banking**, and a restricted Global Banking & Markets business, across multiple brands

14.8 million active customers; strongly connected to the rest of HSBC Group, leveraging this network to support customers across key global trade corridors

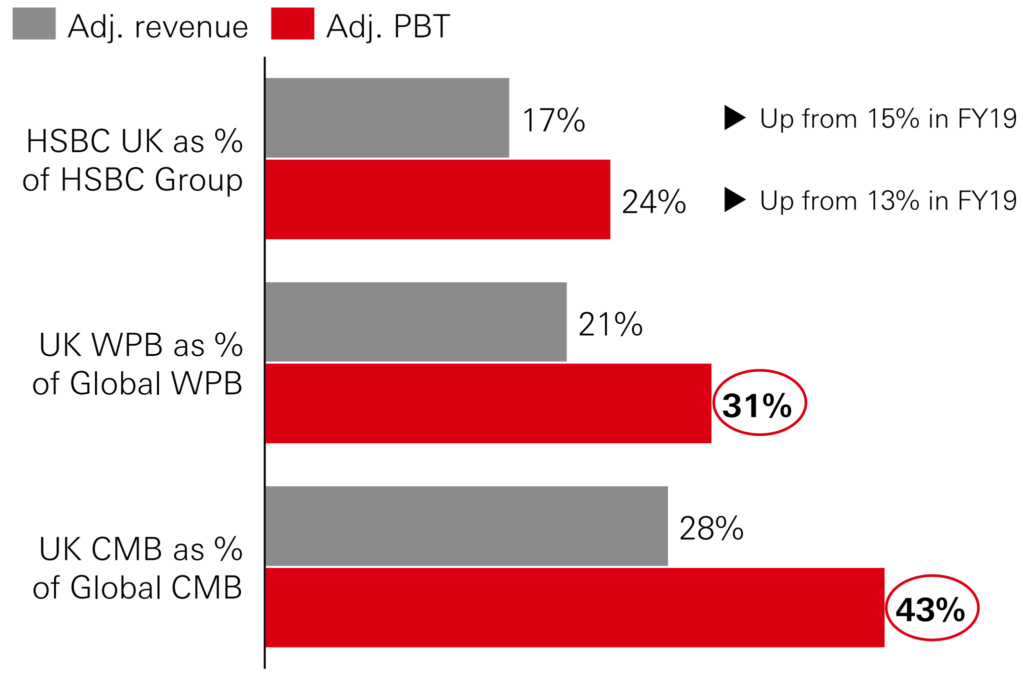
Strong **market share positions**, with good growth opportunities, across multiple brands and products

FY21 market shares[1]

Current accounts	Mortgages	Cards[2]	Commercial lending	Commercial deposits	Trade finance receivables
15.6%	7.5%	10.4%	9.7%	12.9%	27.4%

HSBC UK contribution to Group

Share of adjusted revenue and profit before tax, FY21



Accretive returns

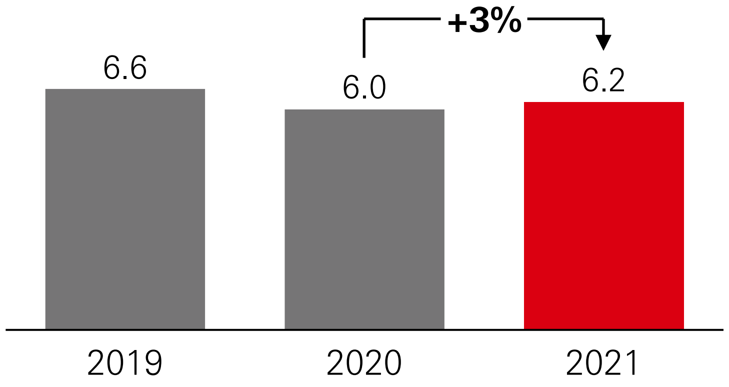
Reported RoTE, FY21	HSBC UK: 13.5%[3]	Group: 8.3%

1. At 31 December 2021. Current accounts market source: CACI; mortgage market source: Bank of England; credit cards market source: UK Finance; commercial lending market source: Bank of England (loans and overdraft balances as a percentage of the market); commercial deposits market source: Bank of England (shown for Global Liquidity and Cash Management deposits on an average basis); trade finance receivables market share based on revenue, source: UK Finance
2. Share falls to c.7% ex-M&S
3. In the event that the current IAS 19 pension fund surplus was zero, adjusted RoTE would be 17.4% (2020: (0.1)%)

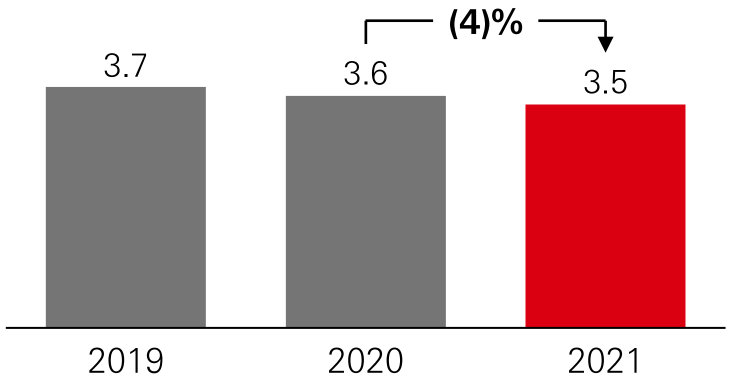
Good performance in 2021, strong start to 2022 (ahead of 2019 run-rate in 1Q22[1])

Adjusted P&L and balance sheet, £bn

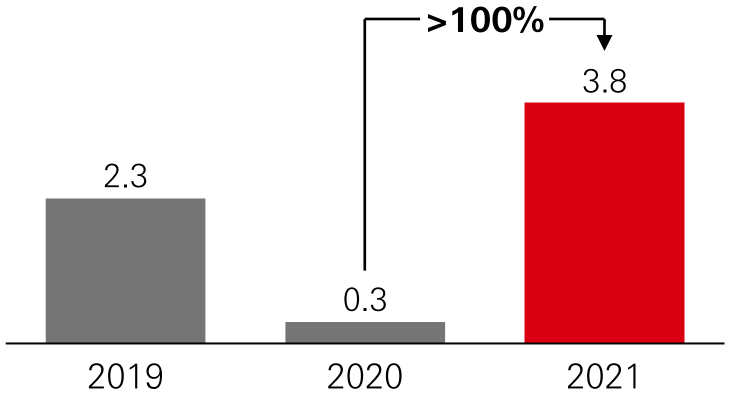
Revenue



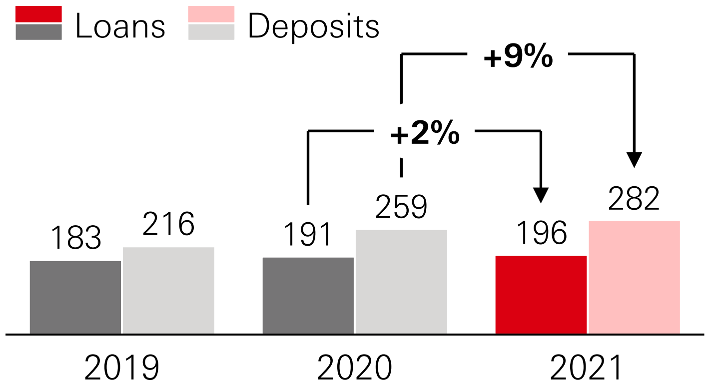
Costs



Profit before tax



Balance sheet



- Revenue was up 3% vs. FY20, 1Q22 run-rate ahead of 2019[1]
- Two years of cost discipline coming through, with costs down 4% in FY21
- Robust credit performance, with a net ECL release in FY21, given improved UK economic outlook. We expect ECL charges to normalise going forward
- Continued to deliver strong balance sheet growth with loans up 2% and deposits up 9% vs. FY20 (7% and 30% vs. FY19)

1. On the basis of adjusted revenue and adjusted PBT

Focus on our strengths: Driving growth across our 9 (+1) growth priorities

	Our 9 (+1)	Customer needs we seek to meet	Ambition[1]
1	**Unsecured**	Give me **easy, quick access to credit**, when and how I need it	**Grow balances**
2	**Mortgages**	Give me a **hassle-free home buying experience** with increased flexibility (including green) and certainty	Grow **mortgage market share** to **c.10%**
3 4	**Wealth and Retirement**	Help me understand and manage my **personal balance sheet**	**Double our Wealth assets under management**
5	**FX**	Give me the tools to manage **my currency effortlessly**, with minimal costs and transparent exchange rates	**Launch and Scale FX propositions** – Global Wallet (CMB) and Global Money (WPB)
6	**Climate**	Support me with my **own transition to net zero** and show me that you are **doing the right thing**	Widening our offering of **ESG products and services** for retail and commercial customers
7	**first direct**	Give me a **seamless banking experience** to manage finances effectively, in an **increasingly digital** manner	**Double our first direct customer base** by being the 'challenger of challengers'
8	**Future SME Bank**	Provide me with **tailored, transparent, quality and low-cost** banking services, via **digital first, phone, or virtual** channels	Scale Kinetic to >**500k customers**[2]
9	**International**	**Help me expand my business geographically** and meet my retail needs seamlessly across borders	Significantly **expand our Inbound and Outbound revenue** corridors
+1	**Partnerships** with third parties		

1. Medium to long-term. Medium term is defined as 3-4 years from January 2022; long term defined is 5-6 years from January 2022
2. Through a combination of acquisition and migration

The UK market is challenging but attractive, and we are well positioned

Despite uncertainty, the UK market remains attractive

Challenges

- Impact of rising inflation and higher cost of living
- Heightened geopolitical risks
- Recovery from Covid-19
- Increasing climate risks

Strengths

- Total private wealth of £15.2tn, with **17%** of households having assets >£1m[1]
- World education centre; **4 of the Top 10** universities in the world (**17 of the Top 100**)[2]
- Strong housing market demand, with >£315bn in gross mortgage lending in 2021[3]
- World's second largest exporter of services[4], specialising in financial & business services[5]
- Robust regulatory framework

HSBC UK is well positioned to capture opportunities

Space to grow	Only **7.5%** share of mortgage market[6] vs. **15.6%** share of current accounts[7]
Trusted brands	Business built across three strong brands: HSBC; first direct; M&S Bank. HSBC UK shortlisted for 'Brand of the Year, 2021' by The Marketing Society
Strong network	Full scale commercial international network
Extensive and loyal customer base	**c.14m** retail customers; c.745k SME; c.12.5k Mid-Market Enterprises and Large Corporates

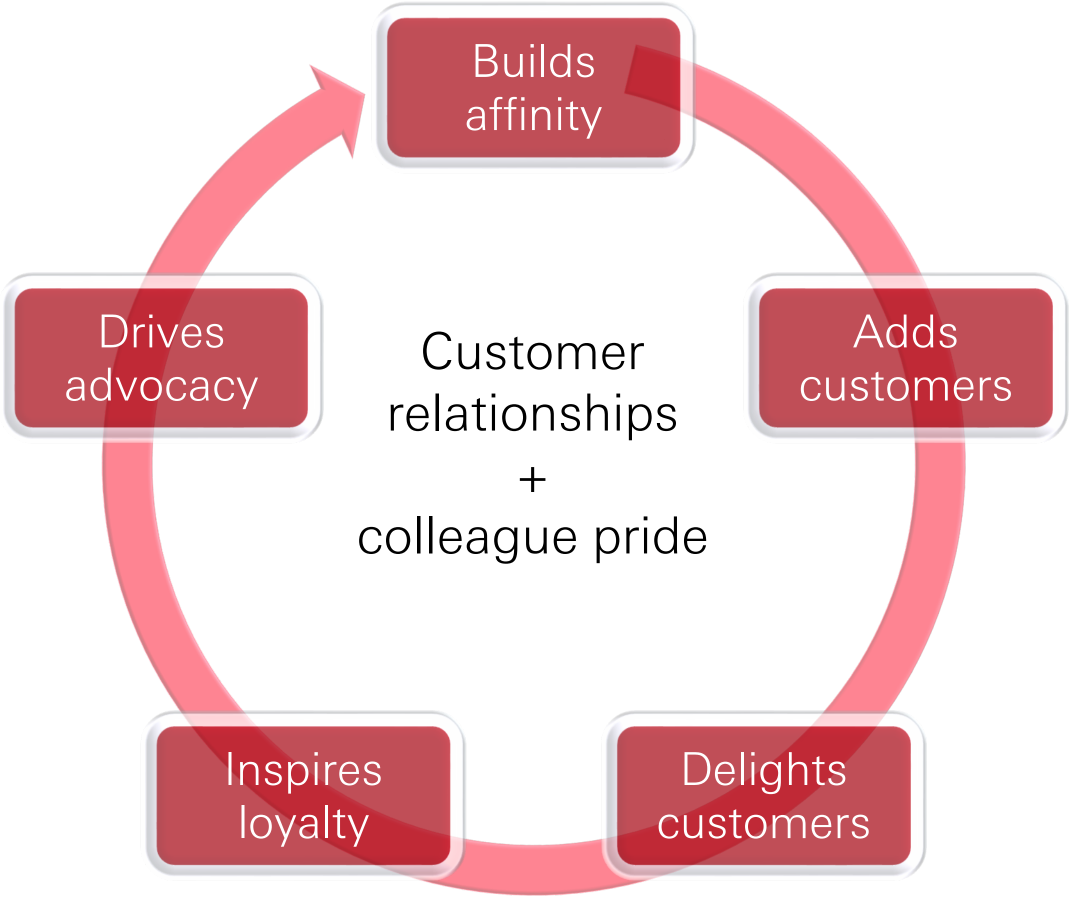
1. Source: Household total wealth in Great Britain: April 2018 to March 2020, UK ONS
2. Source: World University Rankings, 2021, Quacquarelli Symonds
3. Source: Mortgage lending statistics, March 2022, FCA
4. Source: OECD Quarterly International Trade Statistics, Volume 2021 Issue 3
5. Source: Trade in services, The Pink Book, UK Office for National Statistics, 2021
6. At 31 December 2021. Source: Bank of England
7. At 31 December 2021. Source: CACI

A truly customer-centric culture is vital to delivering against our growth priorities

For us, a customer-centric culture:

- Brings the **voice of the customer** into all aspects of the business
- Places the customer at the **heart of decision-making**
- Demands that all colleagues understand customers' **expectations**
- Creates a **mutually beneficial value exchange** with its customers
- Delights customers, builds loyalty, and drives **advocacy**
- Has a clear **purpose** and is given a **licence to operate** by its customers

A virtuous cycle for customers and colleagues



Digitise at scale: Building towards our digital vision

Our vision

1 **Digital-first**

2 **Human touch** when it matters

3 **Frictionless journeys** with necessary safeguards

Key enablers

- A **smart bank in your pocket**; personalised, AI driven, with seamlessly integrated ecosystems
- Mobile-based **Wealth offering**, with investment normalised as part of everyday banking
- **Simple digital experiences**, with Kinetic & Digital Business Banking for SMEs and HSBCnet for larger, internationally focused, corporates
- **Innovative wholesale client solutions**, built around the commercialisation of open banking and banking as a service

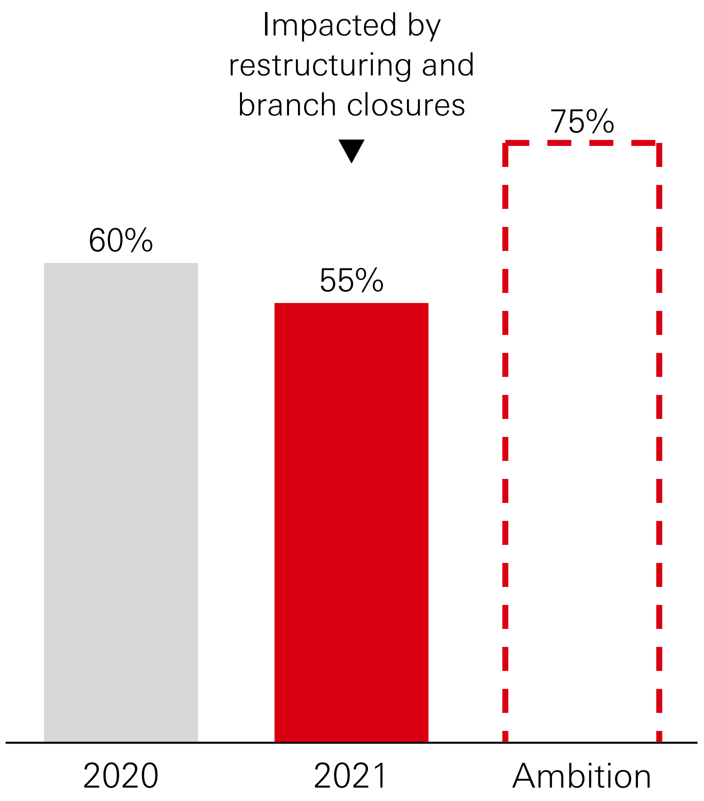
- **Modern physical network**, with fewer, digitally-enabled branches that are centres for advice
- Highly trained and digitally-enabled colleagues to provide future **Wealth advice**
- **Enhanced contact points**, with chatbots to support simple queries and people for more complex needs
- **Digitally-enabled relationship managers** that are digitally integrated with clients and equipped with the data & analytic capabilities to provide greater insight & proactive support

- Key customer journeys optimised and **automated front-to-back**
- **Simplified technology estate** that is flexible and resilient
- **Robust KYC, AML and fraud** security processes embedded as seamlessly as possible

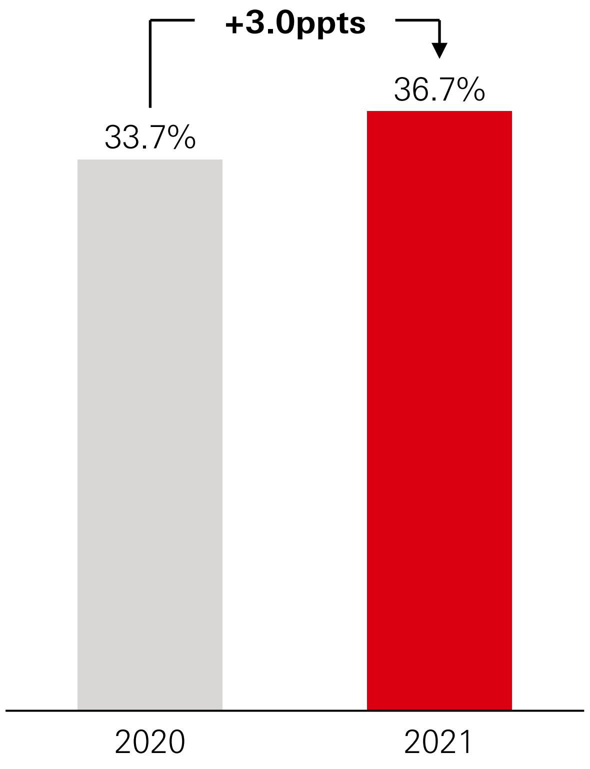
Simplifying our business for our customers and colleagues

Energise for growth: Harnessing the opportunities from our new ways of working and upskilling

Employee engagement[1]



Female leaders[2]



Current focus areas

- Preparing our colleagues for the **future of work**
- Targeted **capability building and re-skilling** to support internal mobility
- Establishing the **leadership bench-strength** and driving a performance culture
- Driving forward our Diversity and Inclusion strategy built around three pillars: **representation, respect and reputation**

1. Employee engagement index represents the average % of respondents who would recommend HSBC UK as a great place to work
2. Senior leadership is classified as those at Band 3 and above in our global career band structure. Employees with an 'Undeclared' or 'Unknown' gender have been incorporated into the 'Male' category

Transition to net zero: A trusted partner for our customers and community

Key HSBC Group ambitions

Provide and facilitate between $750bn to $1tn in sustainable financing and investment by 2030

Achieve net zero in our own operations and supply chain by 2030 or sooner

Align financed emissions from our portfolio to customers to the Paris Agreement goal of net zero by 2050 or sooner

UK opportunities

- Home efficiency – estimated 29m homes must be retrofitted by 2050 to reach the UK goal of net zero emissions[1]
- Electric vehicles – by 2030, sale of all new petrol and diesel cars and vans to end with a minimum of 300k public chargepoints expected to be in place[2]
- Renewable energy – by 2035, the UK will be powered entirely by clean electricity, subject to security of supply. Expect market financing opportunities including wind, solar, hydrogen and nuclear

HSBC UK impact

Financing the transition

- Provided and facilitated more than **£2bn of sustainable finance and investment** to our commercial banking clients in 2021
- Announced the **launch of a £500m Green SME Fund** in January 2022

Driving innovation

- **43 climate innovation ventures** supported in 2021 partnering with Imperial College London and the University of Birmingham to **accelerate the growth of tech start-ups**, helping 150 UK start-ups over next 4 years

Playing our part

- On track for **100% of electricity** purchased by HSBC in the UK to be **from renewable sources by 2023**[3]
- HSBC Bank (UK) Pension Scheme announced **commitment to achieve net zero greenhouse gas emissions** across its £36bn portfolio[4] by 2050 or sooner

1. Source: Green Finance Institute and Bankers for Net Zero paper: Tooling up the green homes industry, published 21 September 2021
2. Source: HM Government: Taking charge: the electric vehicle infrastructure strategy, published 25 March 2022
3. c.90% sourced from renewable projects. Remaining 10% topped up with green tariffs
4. Defined Benefit and open Defined Contribution

HSBC UK is well positioned to capture opportunities in the UK

1

We have a vital societal role to play, particularly in supporting financial health and the transition to net zero

- Ambitious plans to be a trusted partner for our clients and customers during the transition to net zero
- Committed to supporting our customers, community, and colleagues to make the most of their money

2

Delivered a robust financial performance in 2021

- HSBC UK is a material, and growing, contributor to HSBC Group
- Delivered significant profits, supported by ECL releases, revenue growth and strong cost management

3

HSBC UK is well positioned to capture opportunities in the UK

- The UK remains an attractive place to do business, despite significant macroeconomic and geopolitical uncertainty
- Underweight in key products and internationally connected; we are ready to capture quality growth opportunities

4

We are used to operating and managing risk in a challenging and rapidly changing external environment

- Robust portfolio proven to withstand a challenging external environment
- Experienced leadership team across our HSBC UK Executive Committee and Board

Commercial Banking

Stuart Tait

Head of CMB, HSBC UK

HSBC UK

Strong commercial franchise, highly connected with the rest of HSBC

1

A profitable business that's well positioned for the future

- Highly cost efficient; FY21 cost efficiency ratio of 43%
- Prudent loan book and continued RWA optimisation supports accretive returns

2

Full-service commercial bank, highly connected across geographies and businesses

- Comprehensive product suite meets the needs of our customers, no matter how complex
- Strong links with the Group connects our clients with opportunities globally, and across businesses

3

Core strength in mid-market and large corporates, with a growth pipeline from small businesses

- Corporates generate most of UK CMB's income; served by market-leading propositions
- We support the ambitions of our extensive SME customer base to grow into corporates

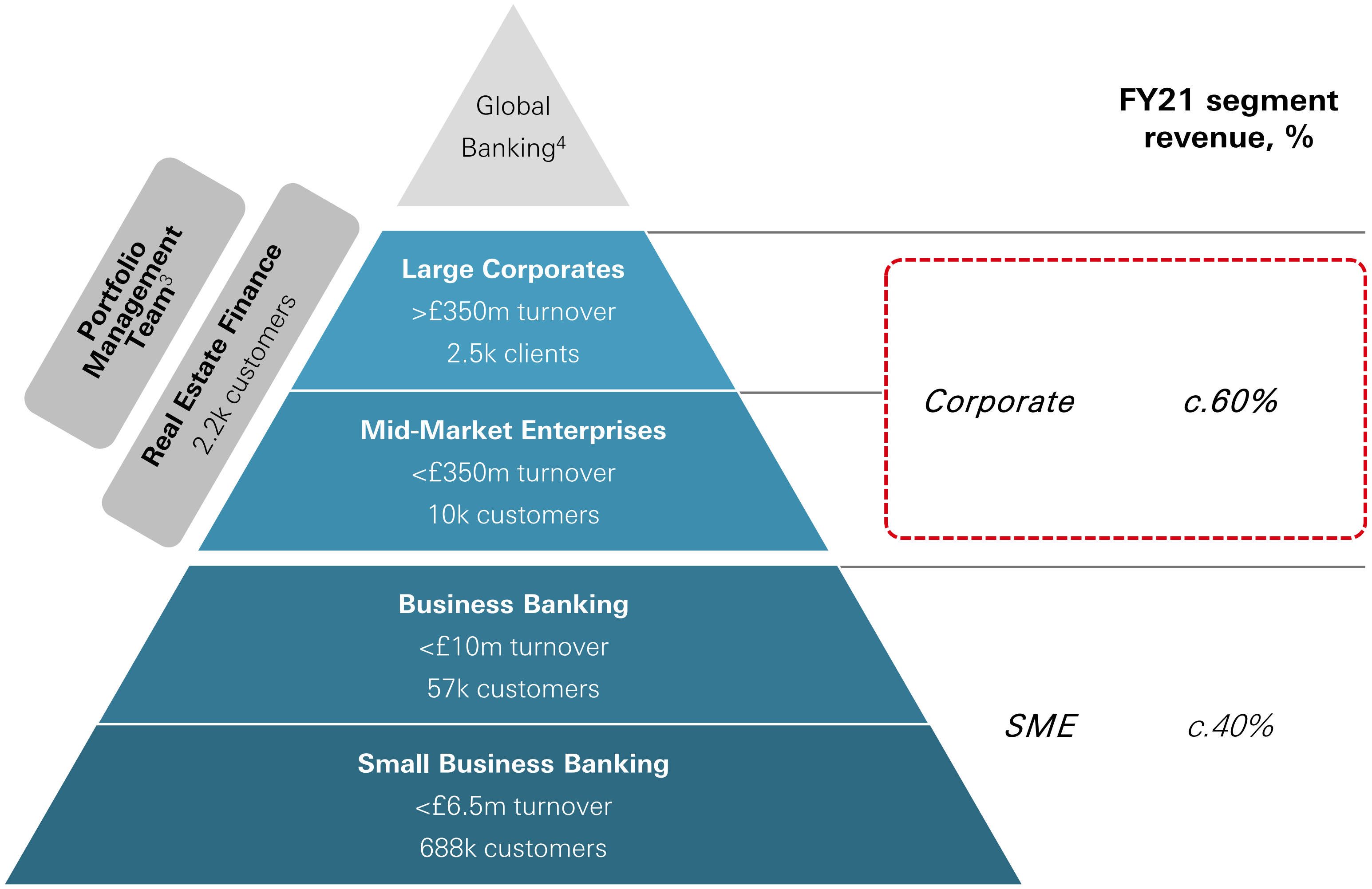
4

Digitising to meet the rapidly changing needs of our customers

- Enhancing digital capabilities to address evolving customer needs and deliver excellent digital experiences

Broad customer base from start-ups through to multinationals

- **770k** total active customers, from start-ups through to multinational corporates[1]
- **4 core segments**[2] plus 2 specialist teams
- Corporates **generate >60% of overall revenue** from c.2% total customers
- Appropriate cost to serve model in SME creates **capacity to acquire new clients** as businesses become more sophisticated
- Fast growing SMEs are **migrated into corporate** as needs become more complex
- Customers supported with an **extensive product suite** across Credit & Lending, Cash Management, Trade Finance, and other collaboration products



1. Excludes dormant customers. Customer number figures at January 2022
2. Core segments defined as Small Business Banking (SBB), Business Banking (BB), Mid-Market Enterprises (MME) and Large Corporates (LC)
3. The Portfolio Management Team is a centralised team for the management and execution of RWA optimisation
4. Not part of the ring-fenced bank

FY21 financial performance

£m	FY21	FY20	Δ
Net interest income	1,858	1,871	▼ (1)%
Non interest income	890	750	▲ 19%
Revenue	**2,748**	**2,621**	▲ **5%**
ECL	550	(1,272)	▼ >100%
Costs	(1,174)	(1,196)	▼ 2%
Adjusted PBT	**2,124**	**153**	▲ **>100%**
Significant items	4	(40)	▼ >100%
Reported PBT	**2,128**	**113**	▲ **>100%**

£bn	FY21	FY20	Δ
Customer loans	63.8	66.9	▼ (5)%
Customer deposits	103.4	99.4	▲ 4%
RWAs	56.9	58.4	▼ 2%

- **Revenue up 5% vs. FY20**, despite significant headwinds
- Non interest income growth driven by strong capital financing fees
- ECL net release of £0.6bn reflecting an improvement in economic conditions relative to FY20
- **Costs down 2%**, due to lower staff costs and control on discretionary spend
- **Lending down 5%** from **subdued demand** for non-Covid loans and roll-off of government-backed lending, partly offset by **increased Trade Finance assets** (up 46%) due to the improving trading environment
- **Deposits up 4%** as customers built and retained liquidity
- **RWAs down 2%**, largely driven by improvements in asset quality and saves from management actions

Subdued loan demand across the industry; multiple growth actions underway

Customer loans and deposits

£bn	1Q22	FY21	FY20	FY19
Trade Finance	6.4	5.7	3.9	6.1
Other lending	58.5	58.1	63.0	58.7
- o/w government-backed lending[1]	*8.8*	*9.2*	*9.9*	—
Total customer loans	**64.9**	**63.8**	**66.9**	**64.8**
Total deposits	**102.5**	**103.4**	**99.4**	**75.8**

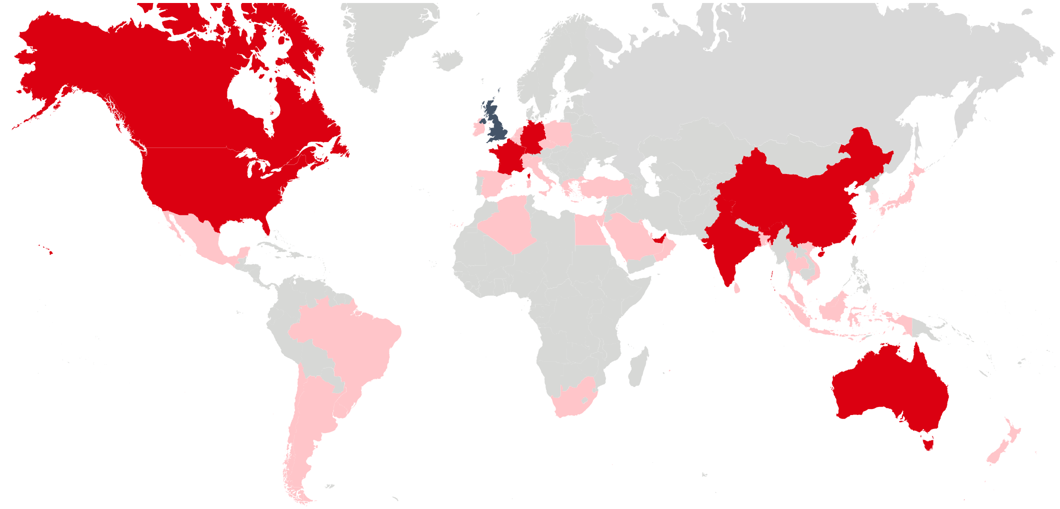
- **Loans grew 2%** in 1Q22 (to pre-Covid levels), despite government loan repayments, driven by Trade Finance and non-government loan growth
- Trade Finance **recovered in FY21**, Revolving Credit Facility (RCF) balances continued to decline as customers built liquidity
- **Loans were down 5%** in FY21, a trend observed across all UK commercial banks; market share stable at **9.7%**[2]
- **£9.9bn of government loans** in FY20 more than offset lower RCF and Trade Finance balances

2022 asset growth initiatives

Green SME Fund	• £500m fund with 1% cashback offer, subject to use of proceeds evidence • For SMEs with revenue <£25m, loans starting from £1k
Growth Lending	• £250m pool to support high growth tech businesses • For scale-ups with revenue >£10m, track record of 3 years high growth, minimum equity raise of >£30m
Venture Capital Proposition	• Support to venture capital (VC) backed businesses with revenue >$20m and funding of <$50m, with strong backing from reputable VCs • 9 coverage 'hubs' established in areas of larger customer concentration and VC investment
UK Export Finance (UKEF)	• Coordinate with UKEF in utilising HSBC's global footprint • Support strategically important UK infrastructure project financing opportunities

1. Government loans comprising BBLS, CBILS, CLBILS and RLS
2. At 31 December 2021. Commercial lending market source: Bank of England (loans and overdraft balances as a percentage of the market)

Highly connected global franchise and the bank of choice for clients' cross border needs



UK CMB Top 10 outbound market[1] Other outbound market

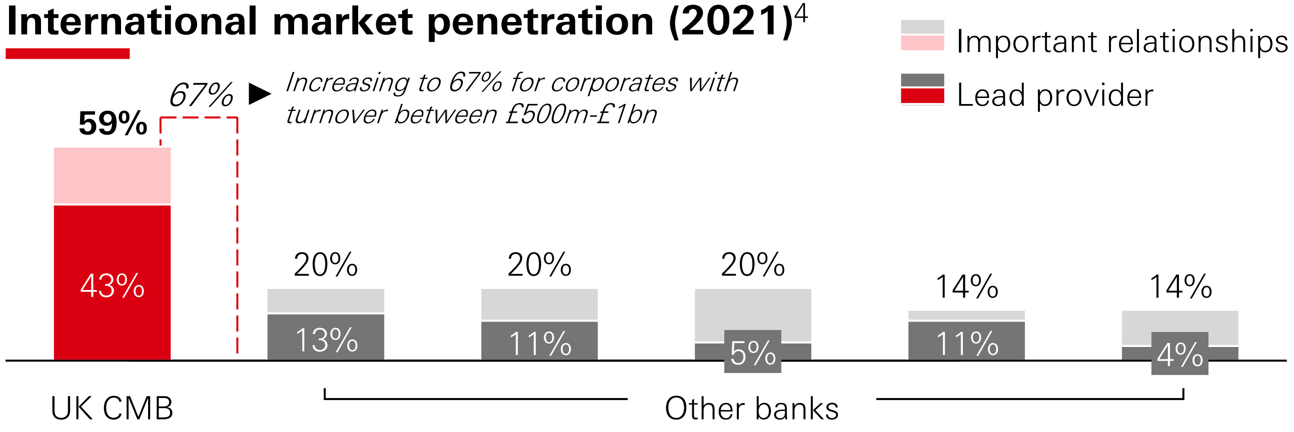
Outbound[2]

- Subsidiary teams in **over 50 markets globally** to support UK clients internationally
- **Asia is the largest outbound region** for UK CMB, followed by Europe[1]

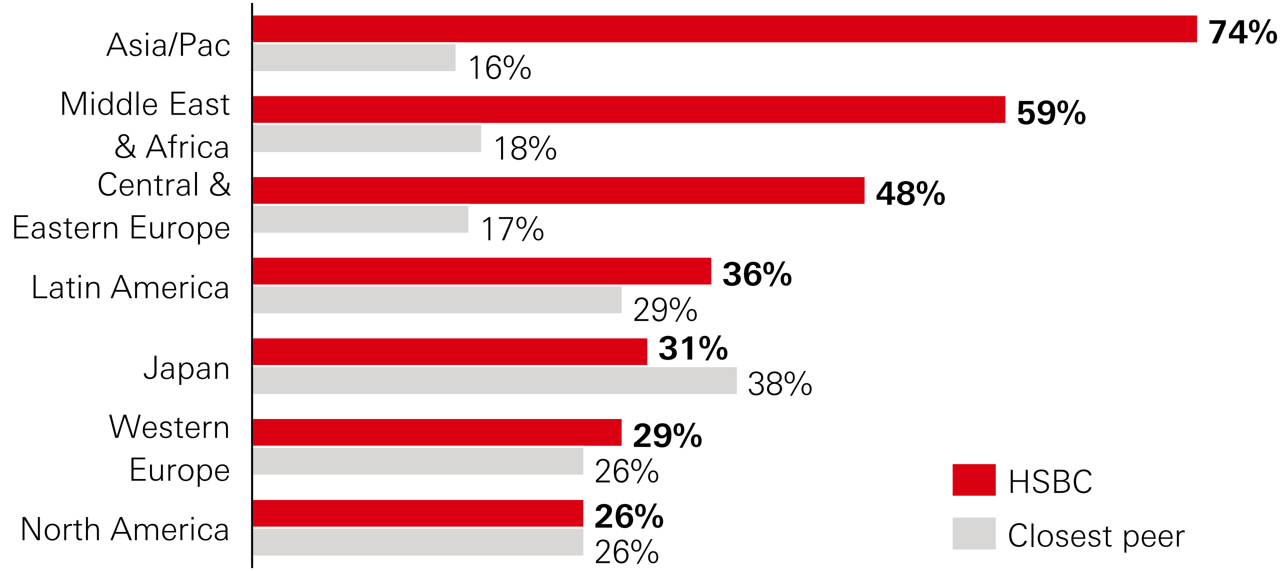
Inbound[3]

- Dedicated team managing **c.2k UK subsidiary client relationships**
- The Americas, mainly the US, is the largest inbound region for UK CMB[1]

International market penetration (2021)[4]



International cross-sell of UK CMB vs. competitors (2021)[4]



1. Based on FY21 cross-border client business. Top 10 outbound markets: Australia, Canada, France, Germany, Hong Kong, India, mainland China, United Arab Emirates, United States and Singapore
2. Outbound: Client business generated from an entity in a country that is different from where the client group's relationship is managed, is outbound client value of the country where the relationship is managed. Client business differs from reported revenue as it relates to certain client specific income, and excludes certain products (including CMB other), Group allocations, recoveries and other non-client related revenue. It also excludes Hang Seng and business banking customers
3. Inbound: Client business generated from an entity based in a country that is different from where the client group's relationship is managed, is inbound client value for that entity's country
4. Coalition Greenwich 2021 UK Middle Market Banking study, interviews conducted with 90 corporates with £300m-£1bn in turnover between September 2021 and February 2022

Universal banking model supports holistic product offering and revenue opportunities

Global Banking and Markets

Markets and Securities Services

- FY21 client business[1]: $0.4bn (+13% vs. FY20)
- Primarily **FX flow income**
- ~40-60% of Corporate customers use an FX product
- New propositions (e.g. Global Wallet) supporting increased SME penetration

Global Banking

- FY21 client business[1]: $0.2bn (+132% vs. FY20)
- Event driven fees from providing **capital markets & advisory solutions** to our commercial customer base
- Mid-Market M&A team established in 2021 and significant advisory mandates already secured

Wealth and Personal Banking

Employee Banking Solutions

- Supporting the **employees of our customers**
- Exclusive preferential offers for personal banking products

Global Private Banking

- Referrals of **business owners and C-suite executives** to the Private Bank
- Owner transition events being a key driver of activity

Collaboration with HSBC Asset Management to develop a mutually beneficial partnership

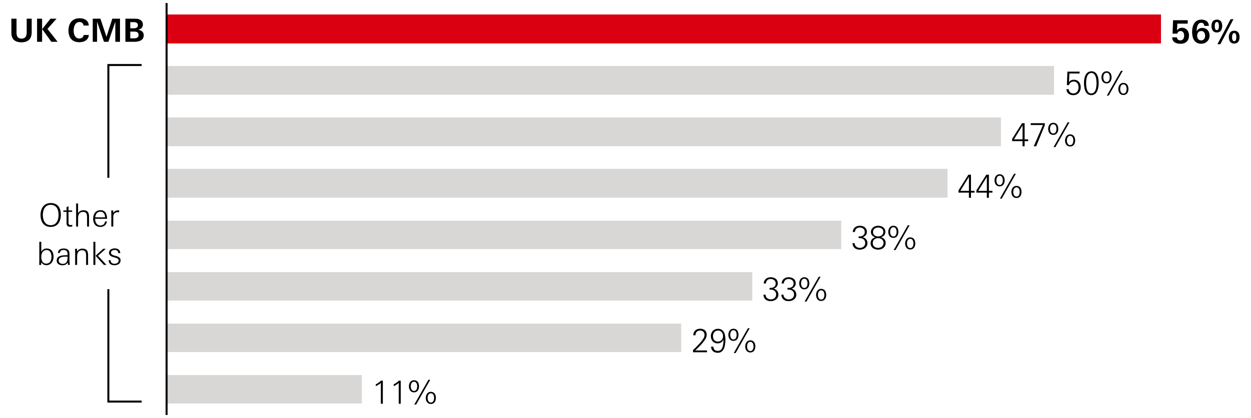
- **Senior Direct Lending** strategy launched in Jan 2021
- **Private debt capital** raised to deploy into middle market financial sponsor-backed loans, enabling:
  - UK CMB to provide a **competitive solution** for financial sponsor clients
  - HSBC Asset Management to **source exposures** for its institutional clients

1. Represents the gross client business from GBM products sold to CMB customers, which is stated before any revenue share agreements between CMB and GBM

Leveraging transaction banking as a core strength, underpinned by the HSBCnet digital platform

Trade Finance

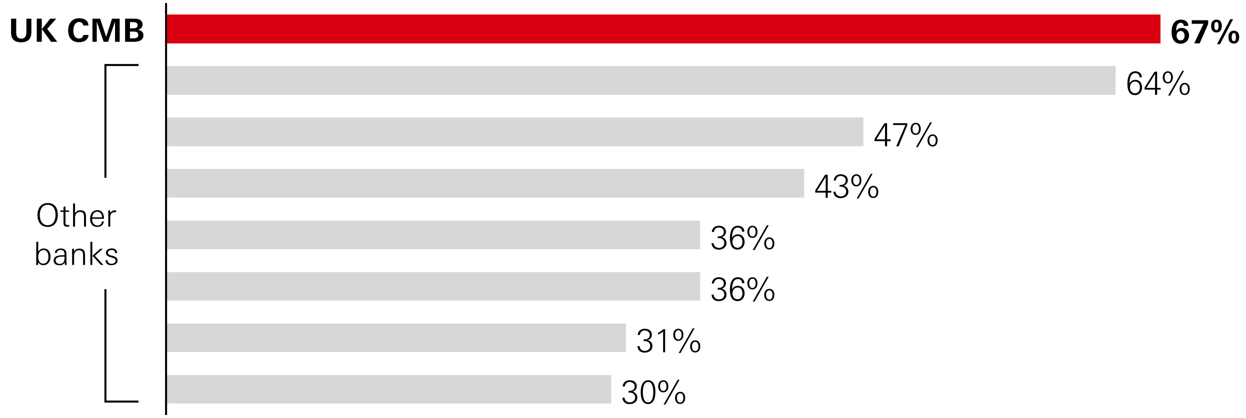
Surveyed usage of **Trade Finance** products[1]



- **#1 Trade Finance Bank in the UK** and **#1 Trade Finance Bank Globally** for the sixth and fifth consecutive year respectively[2]
- **34% UKEF General Export Facility market share** by volume[3]
- **27.4% Receivables Finance market share** in the UK, up from 21.1% in 2017; International Receivables Finance market share of **54.0%**, up from 31.0% in 2017[4]

Cash Management

Surveyed usage of **International Cash Management** products[1]



- Strength in international cash management provides a platform for other services
- International Large Corporates[5] have products in **>5 markets on average**
- **12.9% deposit market share**[6]
- Launched **award winning**[7] **multi-currency virtual wallet**, Global Wallet

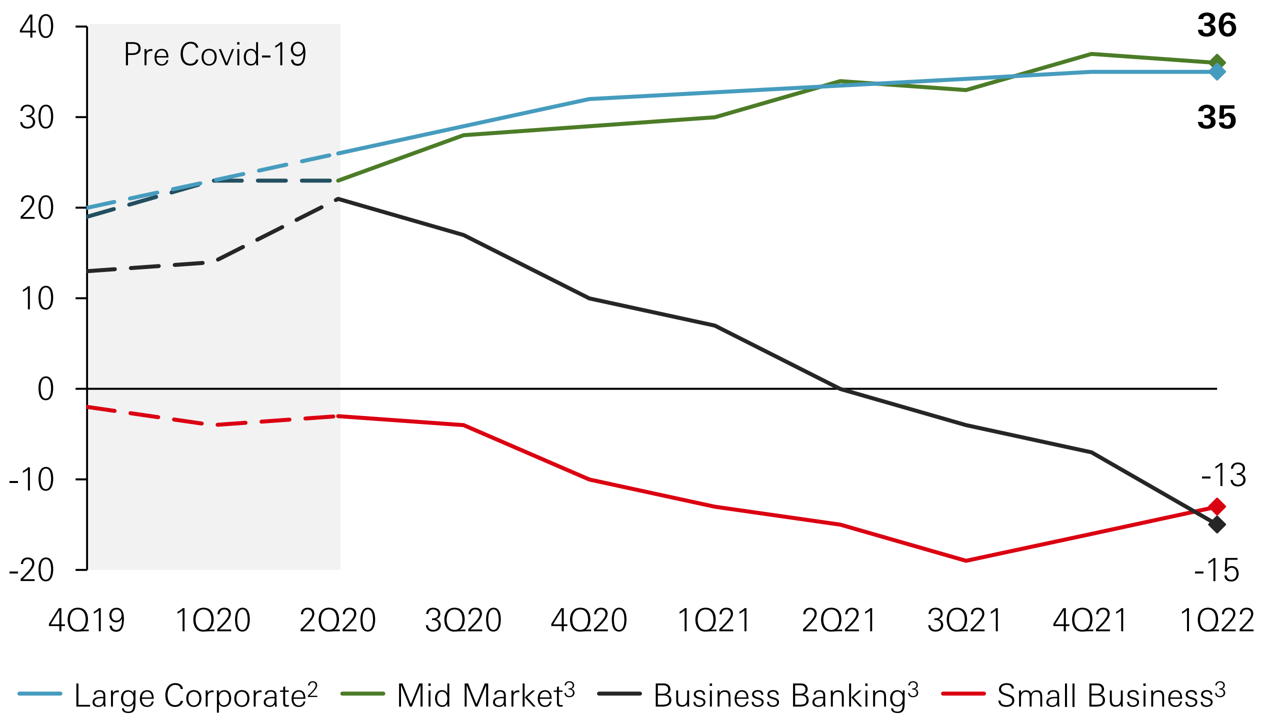
HSBCnet

Awarding winning[8] tailored platform supporting corporate customers' global transactional banking needs, allowing visibility and management in one convenient place whilst offering a comprehensive range of solutions from Trade Finance and Cash Management through to Markets and Securities Services

1. Coalition Greenwich 2021 UK Middle Market Banking study, interviews conducted with 90 corporates with £300m-£1bn in turnover between September 2021 and February 2022
2. Euromoney Trade Finance Survey, 2022
3. Remaining 66% market share split between 5 other participating banks. Source: UKEF March 2022
4. Source: UK Finance
5. Defined as having a turnover of >£350m and with Global Liquidity and Cash Management (GLCM) products in 1 or more markets outside of the UK
6. At 31 December 2021. Commercial deposits market source: Bank of England (shown for GLCM deposits on an average basis)
7. B2B Payments Innovation of the Year, Payments Awards 2021
8. Best Mobile Technology Solution, 2019 TMI Awards for Innovation & Excellence in Treasury Management

Market-leading customer experience scores in Corporate with improvements now emerging in the SME business which should support future uplift in scores

UK CMB Net Promoter Score (NPS) by segment[1]



- Corporate extended market-leading positions
- SME saw declines through Covid-19, but improvements are now emerging in Small Business Banking which should support a future uplift in scores

Large Corporate[2]

#1 in the market for:

- Overall penetration, with **64% across all relationships**
- Lead bank status; **40%** consider HSBC their lead bank
- Strategic advice; **58%** want to share their strategic thinking with HSBC
- Providing advice in the event of **significant challenges**

Mid Market[3]

#1 in the market for:

- Being considered **innovative and forward thinking**
- Making finance available
- Most capable of supporting UK businesses **trade overseas**

Leading scores in key areas spanning:

- Relationship Director **satisfaction**
- Having **flexible products** and services
- Online satisfaction and '**making banking easy** for your business'
- **NPS**

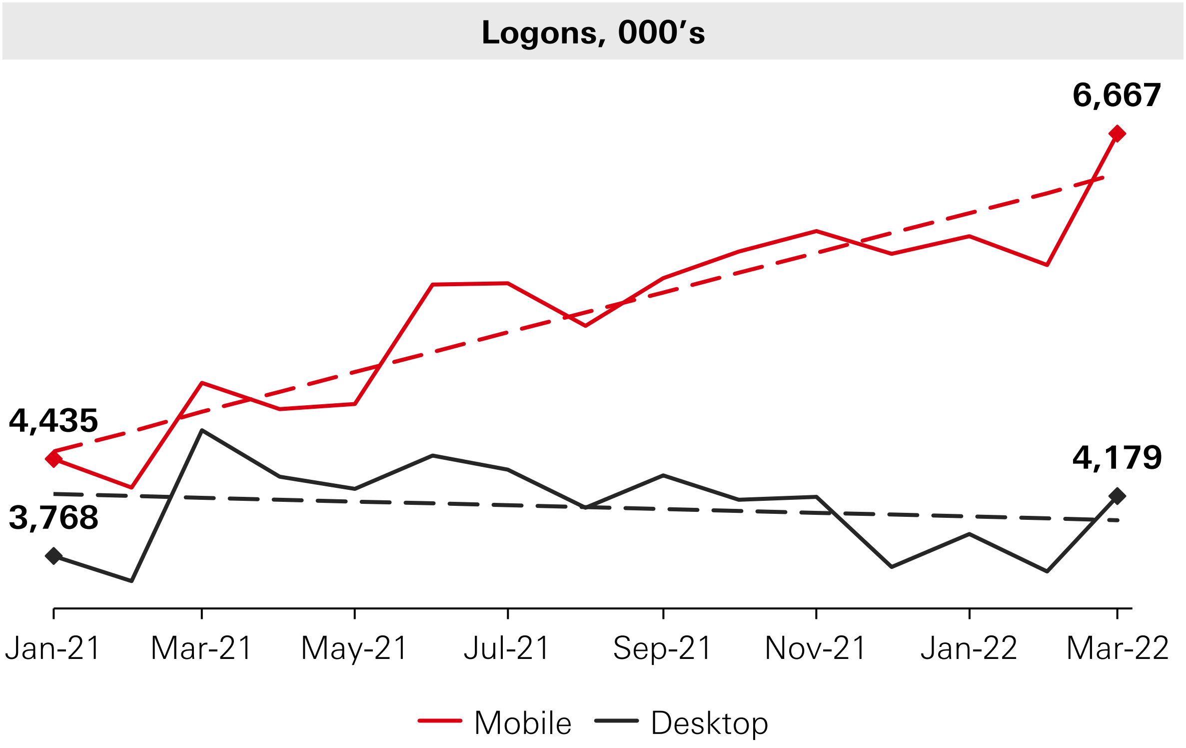
SME

- **Operational pressures** from supporting new-to-bank BBLS customers
- Support shifted from proactive value-add to reactive
- **Capacity has been added** to the telephony channel through additional onshore and offshore resource

1. Small Business, Business Banking, Mid Market Rolling 12 month NPS scores from quarterly Savanta data (see footnote 3). Large Corporate scores from annual Coalition Greenwich survey (see footnote 2) with the quarterly position shown for presentational purposes only
2. Coalition Greenwich 2021 UK Middle Market Banking study, interviews conducted with 90 corporates with £300m-£1bn in turnover between September 2021 and February 2022
3. MarketVue Business Banking from Savanta YE Q1 2022 data spanning £10-£250m turnover companies. Data weighted by region and turnover to be representative of businesses in Great Britain

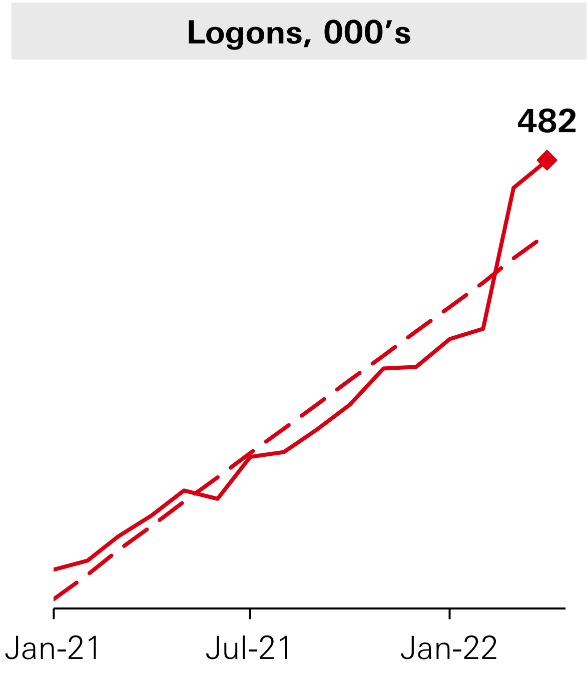
Digitising at scale to meet changing SME customer needs, particularly through mobile

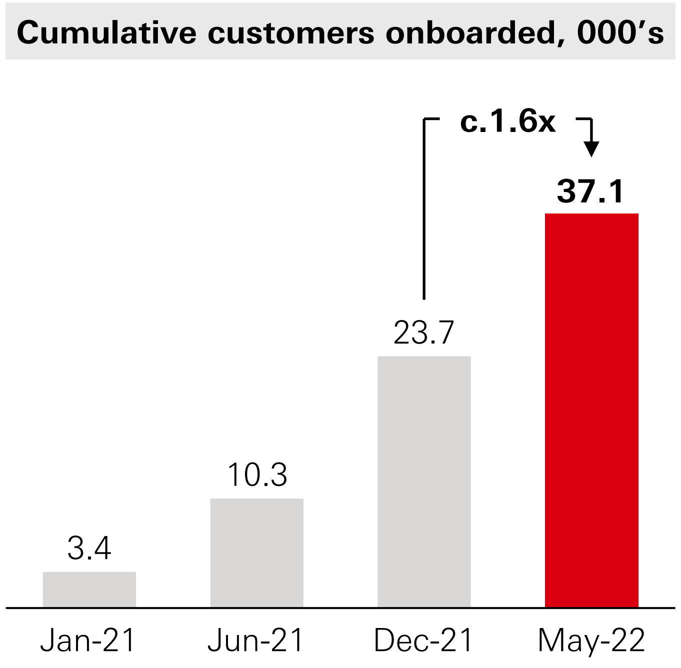
Digital Business Banking



- **Mobile now represents 61% of digital logons**, from 54% in January 2021
- Also increasing use of mobile for payments and other services vs. desktop
- Continued enhancements in functionality (e.g. card controls) are supporting improved customer journeys through the ability to digitally self serve

HSBC Kinetic





- **69% new customers onboarded same day in April 2022, 88% within 48 hrs**:
  - Best Digital CX – Account Opening and Customer Onboarding (SME Banking)[1]
- **Small business loans launched** in March 2022, providing access to real-time funding for loans up to £10k
- New external partnerships bringing holistic support to SMEs (e.g. TalkTalk Business)

1. Best Digital CX – Account Opening and Customer Onboarding (SME Banking), Digital CX Awards 2022

Specialist sector teams providing deep expertise across 10 particular areas

UK CMB specialisms

Agrifoods	**Education & Not for Profit Organisations**
Franchise	**Healthcare**
Infrastructure	**Manufacturing**
Professional Services	**Retail & Leisure**
Sustainability	**Technology**

- **Segment wide specialist sector teams**, fully embedded within the business, providing:
  - Industry brand profile
  - Thought leadership and expertise
  - Specialist sector relevant content
  - Strategic insight
  - Risk management
- Support **product innovation**, for example the Green SME Fund (Sustainability) and Growth Lending Pool (Technology)
- Sector specific events and **external engagement** with media, regulators and industry
- **Strong presence** in specialist sectors illustrated by banking relationships with:
  - **>80%** of FTSE 100 and FTSE 250 Tech Firms[1]
  - **>50%** of tech unicorns created in the last 2 years[2]
  - **40 out of the top 50** UK law firms[3]
  - **>40% of universities** in the UK[4]
- Recognised in the external market with recent **award wins** including:
  - **Best Franchisee Banking Provider**, Business Moneyfacts Awards 2022
  - **Bank/Capital Provider of the Year**, EducationInvestor Awards 2021

WINNER
Business Moneyfacts Awards 2022

EducationInvestor Awards 2021
WINNER

1. Based on FTSE 100 and FTSE 250 at 13 June 2022. 'Tech Firm' defined as the following sectors: Software & IT Services, Telecommunications Services and Communications & Networking. Includes 3 clients managed outside of HSBC UK by Global Banking
2. Source: Beauhurst, May 2022. A unicorn is a privately held start-up company valued at over $1billion. Analysis excludes businesses that are FCA regulated
3. Based on The Lawyer's 2021 Top 200 UK law firms
4. Based on 130 UK universities ranked in the 2022 university league tables, Complete University Guide

Wealth and Personal Banking

Stuart Haire

Head of WPB, HSBC UK

HSBC UK

Ambitious growth plan supported by clear strategic opportunities

1 Delivered resilient financial growth in 2021

- PBT of £1.6bn benefitted from a net ECL release, supported by good revenue growth and active cost reductions
- Strong mortgage performance drove a 6% increase in lending, and deposits grew 12%

2 Increased digital delivery cadence and scale, with robust delivery of core features

- Improving our mobile app functionality and experience
- Simplifying our security and onboarding processes through our new Digital Security Platform

3 Improvements in customer service, but more to do

- Highest scores achieved for customer service through NPS since implementation
- A resolute approach to improving customer service

4 Clear strategic drivers to deliver scale growth

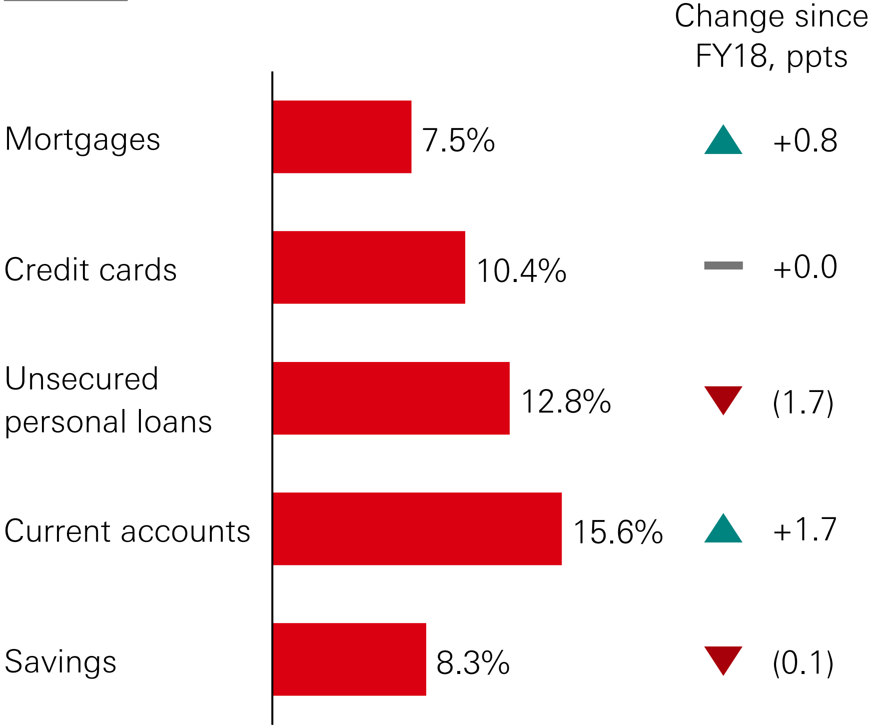
- Growth in strategic priority areas including Wealth, first direct and International, is expected to drive strong financial performance through the foundations of competitive pricing, proposition development and cost management

Business overview: Growing market share and catering for all customer segments

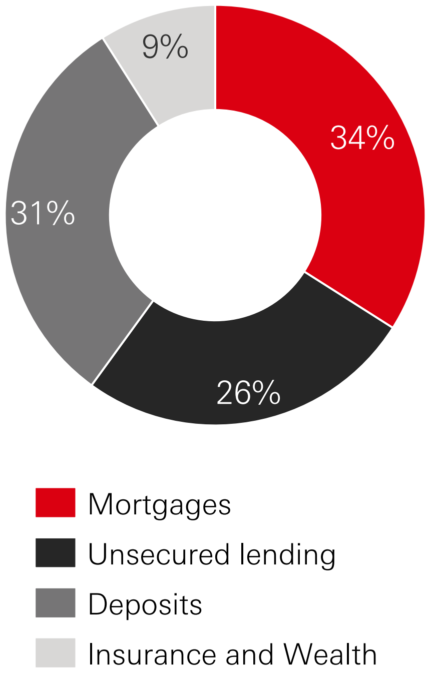
UK WPB snapshot

- **c.14m** active customer relationships and **14k** full-time equivalent staff
- **Underweight** in market share of key product areas
- **Well-diversified** revenue streams

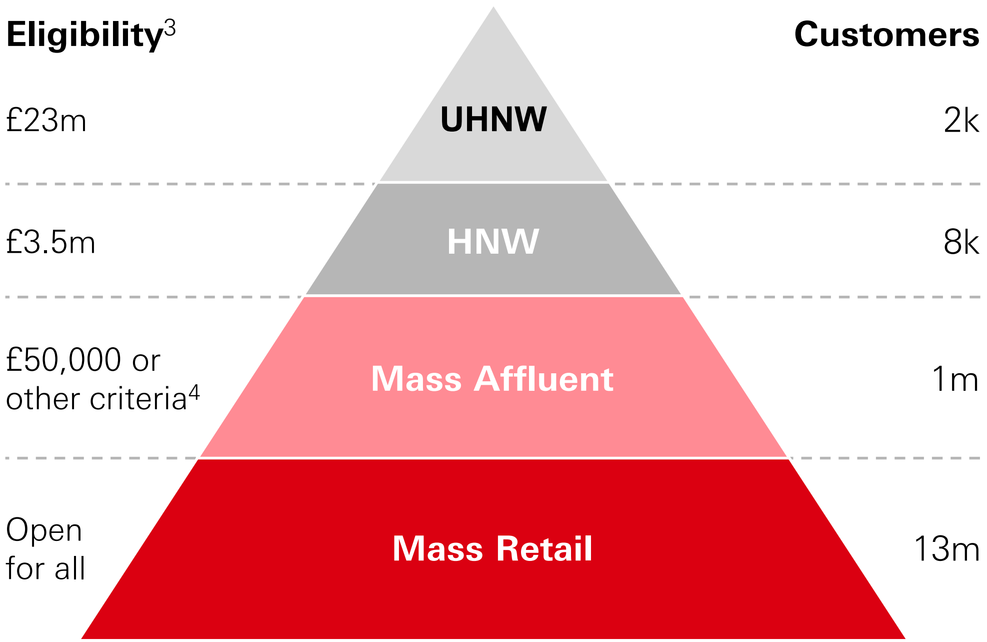
Market share of FY21 balances[1]



UK WPB revenue by product[2]



UK WPB customer relationships



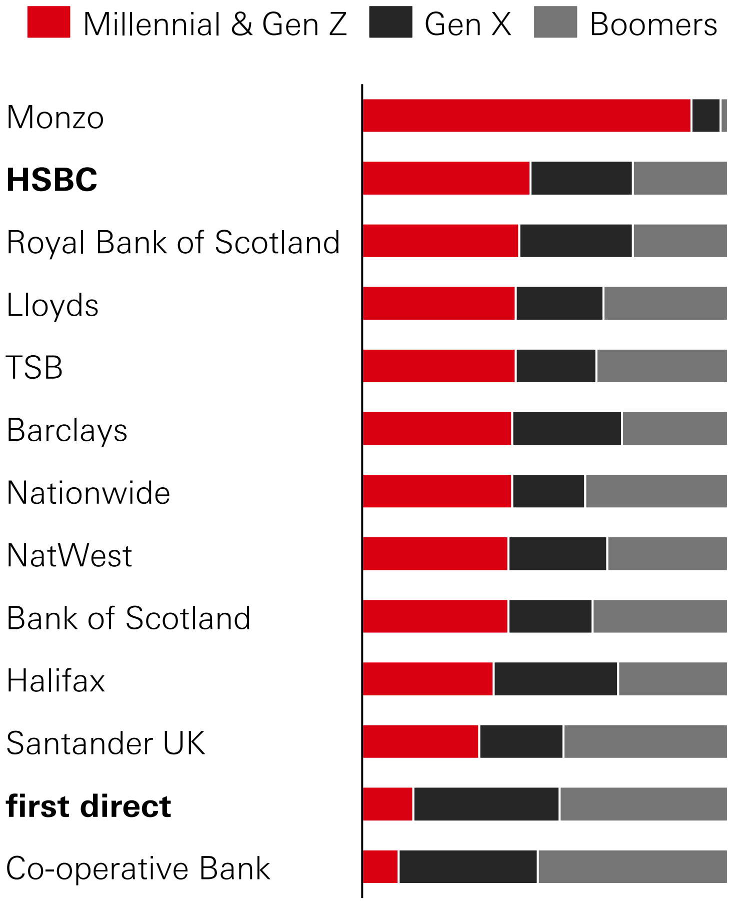
- Universal banking model meets customer needs **across the client continuum**, from everyday personal banking to sophisticated wealth management solutions

1. At 31 December 2021. Mortgages market source: Bank of England; credit cards market source: UK Finance; unsecured personal loans market source: CACI; current accounts market source: CACI; savings market source: CACI
2. Adjusted revenue is a management view by product and is stated after the impact of funds transfer pricing; Insurance excludes HSBC Life UK
3. On the basis of investable assets, not including real estate
4. Have an individual annual income of at least £75,000 and one of the following with HSBC UK: a mortgage, an investment, life insurance or a protection product. Alternatively hold and qualify for HSBC Premier in another country or region

WPB UK has a commercially attractive customer base

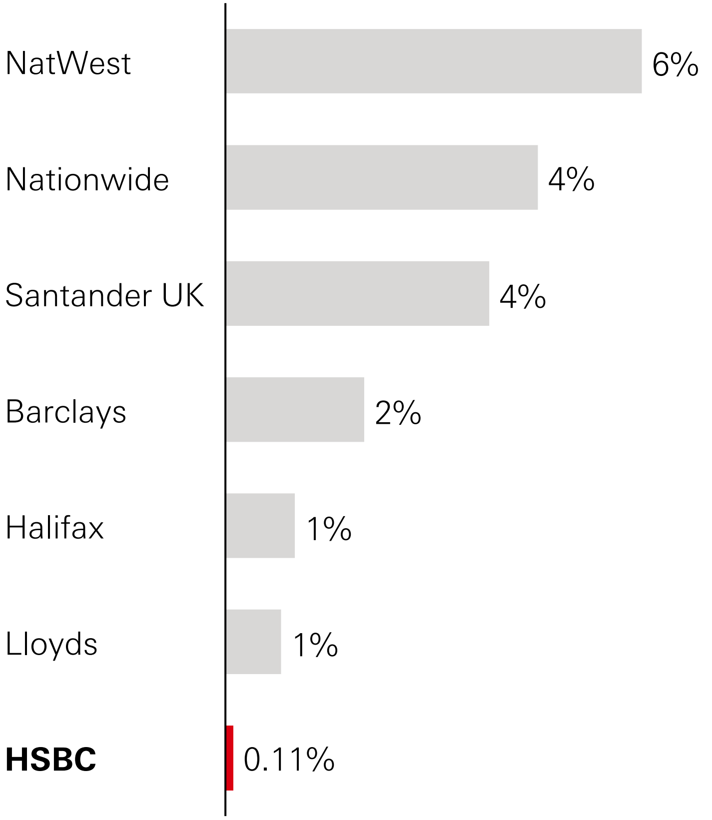
Across UK high street banks, HSBC UK…

…has the highest proportion of Millennial & Gen Z customers[1]

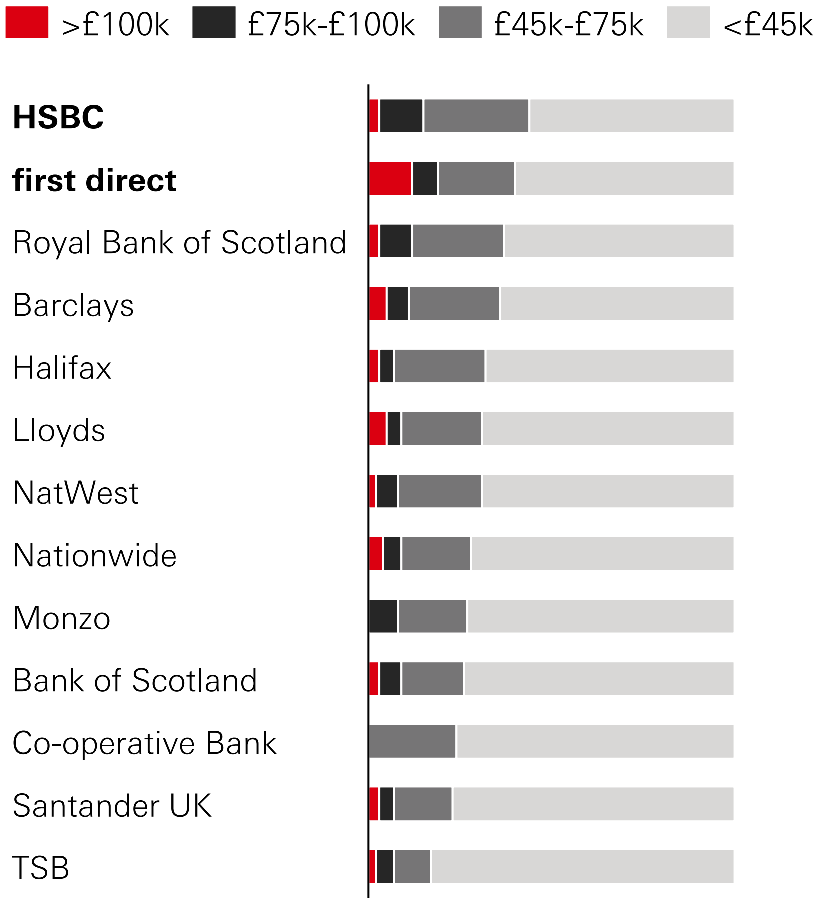


…has the highest % of customers whose account is their primary account

% of customers who **don't** use the bank account where their salary gets paid as their **primary** account



…has the most affluent customer base[2]



Source: AlphaWise; Morgan Stanley Research

1. UK: Generation distribution by primary bank account
2. UK: Income distribution by primary bank account

FY21 financial performance

£m	FY21	FY20		Δ
Net interest income	2,774	2,703	▲	3%
Non interest income	595	573	▲	4%
Revenue	**3,369**	**3,276**	▲	**3%**
ECL	439	(843)	▼	>100%
Costs	(2,219)	(2,328)	▼	5%
Adjusted PBT	**1,589**	**105**	▲	**>100%**
Significant items	(97)	(30)	▲	>(100)%
Reported PBT	**1,492**	**75**	▲	**>100%**

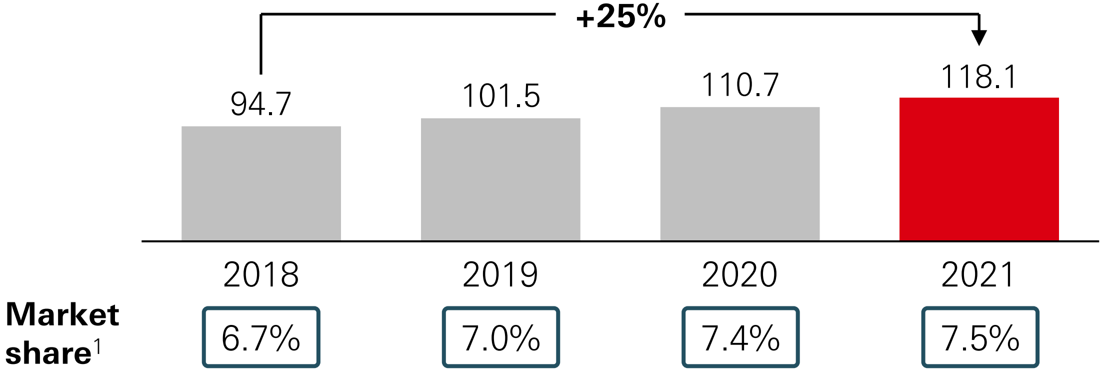
£bn	FY21	FY20		Δ
Customer loans	131.7	124.0	▲	6%
Customer deposits	178.7	160.2	▲	12%
RWAs	24.7	25.1	▼	1%

- WPB UK is 54% of HSBC UK's revenue and 67% of customer loans
- FY21 **adjusted PBT of £1.6bn** supported by a £0.4bn ECL release from the improving economic outlook; **good revenue growth of 3%** and **costs down 5%** from active cost management
- FY21 customer **lending up 6% (£7.7bn)** vs. FY20, primarily due to strong mortgage performance; **deposits up 12% (£18.5bn)** vs. FY20 as customers spent less and saved more due to government restrictions
- 79% of revenue from the HSBC retail franchise, 11% from first direct, 5% from M&S Bank, and 4% from the Private Bank
- **Balance sheet is strong** going into 2022 and facing into the challenges from inflation and the macro environment

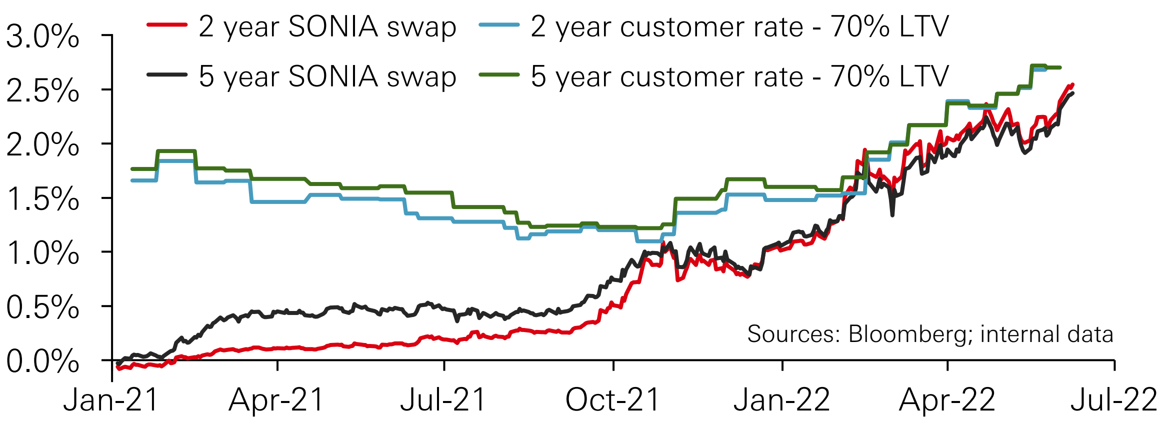
Mortgages: Continued growth realisation and potential in buy-to-let market

Mortgage portfolio

Gross UK mortgage balances, £bn



Mortgage pricing



- Offered customer mortgage rates are substantially all pre-funded

FY21 portfolio summary

Average LTV of total portfolio	51%
Average LTV of new originations	67%
% of book in Greater London	26%
Mortgages on Standard Variable Rate	£2.9bn
Interest-only mortgages (incl. first direct offset mortgages)	£18.6bn
Buy-to-let (BTL) mortgages	£3.0bn

- **Strong mortgage growth**, reaching £118.1bn in 2021 with market share gains
- Direct channel market share of **20%**[2] and intermediary market share of **6.3%, up 2.7ppts** vs. FY18[3]

Proposition development

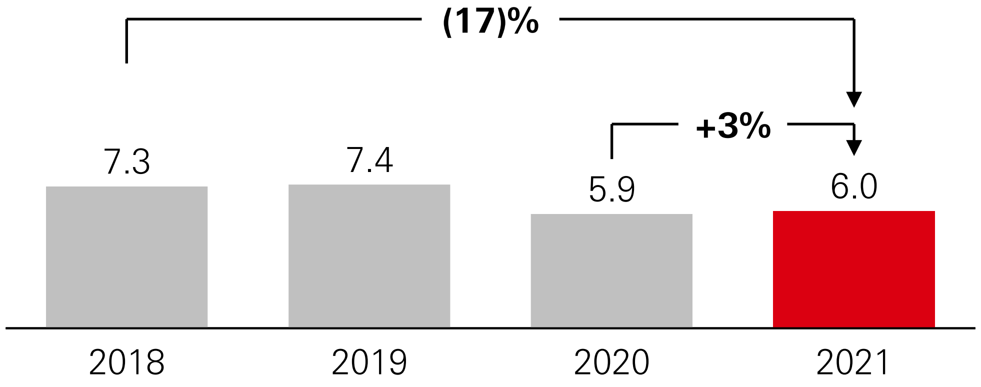
- HSBC now has **over 800 intermediary partners**; and extended its range of BTL mortgages to the intermediary channel in 2021
- Digitising to make it easier to remortgage, **reducing application time** and **improving customer experience**
- **2022 proposition enhancements:** cashback offering; green / sustainable mortgage proposition; **planned expansion of BTL**, aiming to grow gross lending share from c.3% to c.5%[4] by end 2022

1. Market share of stock balances. Market source: Bank of England
2. Direct channel market source: Bank of England
3. Intermediary market source: UK Finance
4. Buy-to-let market source: UK Finance

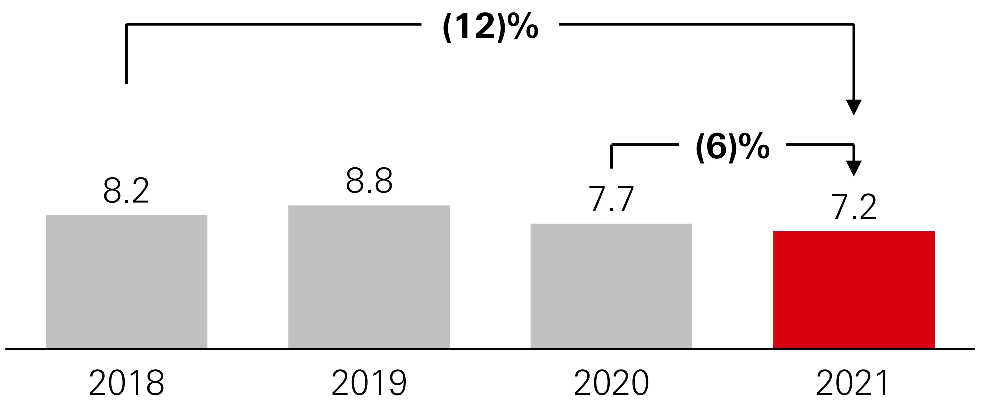
Unsecured lending: Resilient performance with new proposition development

Gross unsecured balances, £bn

Credit cards



Other unsecured personal lending



Unsecured lending market share impacted by deleveraging during Covid-19

- Unsecured lending balances materially decreased during periods of restrictions in 2020 and 2021, as customers paid down their balances by utilising higher household savings
- **Lower limit usage for overdrafts** as customers continue to utilise less of their available limit during the current external environment
- **18.3% market share** of credit card spend[1]; **10.4% market share** of credit card balances[1]

Significant opportunities to grow balances, revenue and market share

Closing gaps to best-in-class capabilities and services within our traditional unsecured products

Delivering a Point of Sale solution to meet the needs of **emerging payment trends**, particularly for younger customers

Exploring opportunities through growth of the **electric vehicle** market

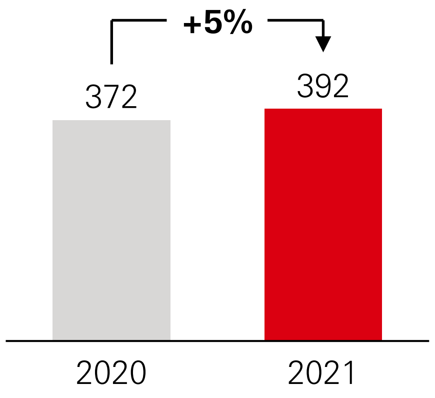
1. FY21. Source: UK Finance. Card spend excludes Private Bank

Wealth: Growth despite lockdowns, strong digital and sustainable ambitions with focus on HNW opportunity

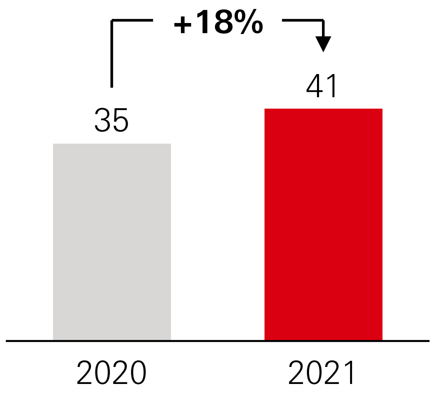
2021 performance

UK Wealth increased during periods of lockdown as a result of a lack of spending opportunities and low interest rate conditions for savings

UK Wealth revenue, £m[1]



Reported Invested Assets, £bn[2]



2021 key achievements

- Launch of **HSBC's first mobile Wealth journey**, giving customers the opportunity to purchase funds on their phones
- **Retirement Hub launched** on the HSBC public website, providing access to education and tools
- Completed core delivery of Wealth Discretionary **platform migration** and strategic de-risking of legacy infrastructure

2022 proposition development

Increase share of wallet from HSBC UK's customer base

- **Capture opportunity** across customer segments through:
  - **Enhanced** discretionary proposition
  - HNW point of sale and **extended ongoing advice**
  - Sophisticated investments via **mobile trading**
  - Expanding **digital capabilities**

Deliver best-in-class customer service and access through digital

- **Drive customer acquisition** via mobile wealth developments in 2022 and beyond:
  - Education and regular saver plans
  - Integrated savings and investments (Pots and Goals) journey

Become the leading UK sustainable investment provider

- **Embed sustainable investments** into investment journeys; fulfilling sustainability preferences and investment goals, with the aim of:
  - Core product journeys **defaulting to sustainably labelled investments** by 2023
  - Moving back book AUM in core products into **sustainable investments** by 2025

1. Total UK WPB Wealth revenue. Private Bank revenue includes investment revenue (from annuity fees, and brokerage and trading) and lending revenue
2. Invested assets comprise customer assets either managed by our Asset Management business or by external third-party investment managers, as well as self-directed investments by our customers

International: Connecting customers and geographies as the UK's international bank of choice

UK WPB international customers by status, millions

International ambitions

- **Strong starting base**, with **c.25%** of International customers banking with HSBC UK in 2021[1]
- We aim to **significantly grow** our International customer base and proportion of International customer revenue

FX opportunity and Global Money proposition

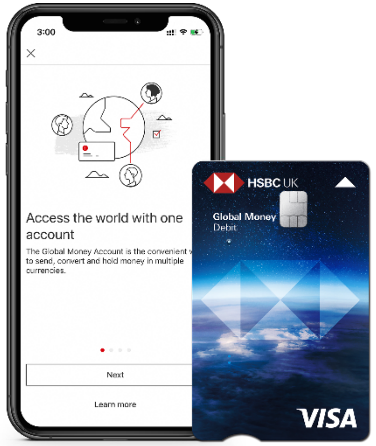
- HSBC has **strong international customer market share** but relatively low FX penetration
- Customer **expectations have increased** with neo-challenger banks offering 'fee-free' payments and card use abroad
- Estimated UK annual cross border remittance market of £65bn[2]

'One account opening up a world of opportunities'

- **Send, spend and convert** money in multiple currencies **anywhere** in the world
- **Instant global transfers** across worldwide HSBC accounts

'Fast and easy payments around the world'

- Send money to **over 200** countries across **>65 currencies**
- **Hold up to 18** currencies
- Keen pricing & **up-to-date exchange rates**



'Spend like a local'

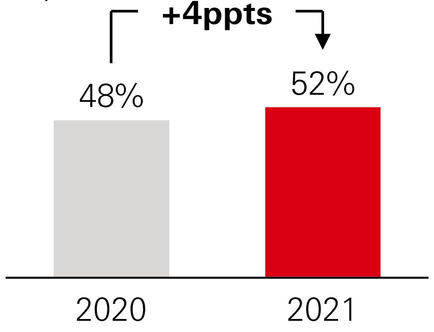
- **Physical and virtual** debit card
- Unlimited fee-free spend abroad, with **no hidden fees**
- Unlimited fee-free ATM withdrawals

1. Market share analysis based on our active international customers as % of the United Nations data international migrant stock 2020
2. The Migration Observatory; May 2020 (Oxford University). For debit card spend outside of the UK, 2021 data from UK Finance to July, with average of 2020 Jan to June data used to populate 2021 August to December. For other remittances, data from The Migration Observatory from 2018 with an internally assumed uplift of c.6% for 2021 remittances

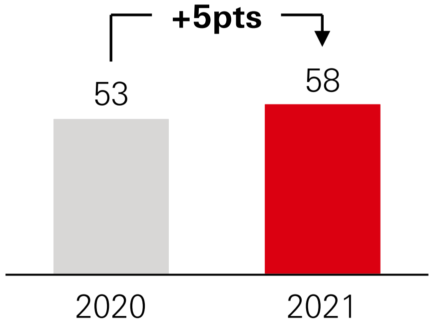
Digital: Strong adoption, driven through mobile with a robust platform established

Mobile active[1]

% of customers using mobile in last 30 days

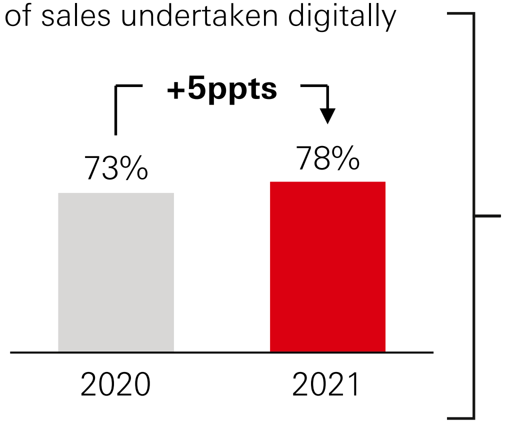


Mobile NPS[2]

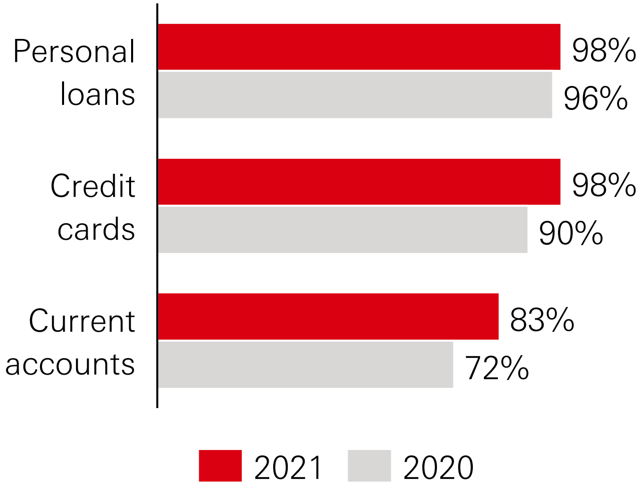


Sales penetration[3]

% of sales undertaken digitally



Product penetration comparison[4]



Closed servicing and acquisition gaps

Including:

- Balance transfers
- View PIN
- Activate card
- Create standing order, manage bills
- International payments
- Dispute transactions
- Transaction notifications
- Digital savings
- Loan closures
- Increased mobile payment limits

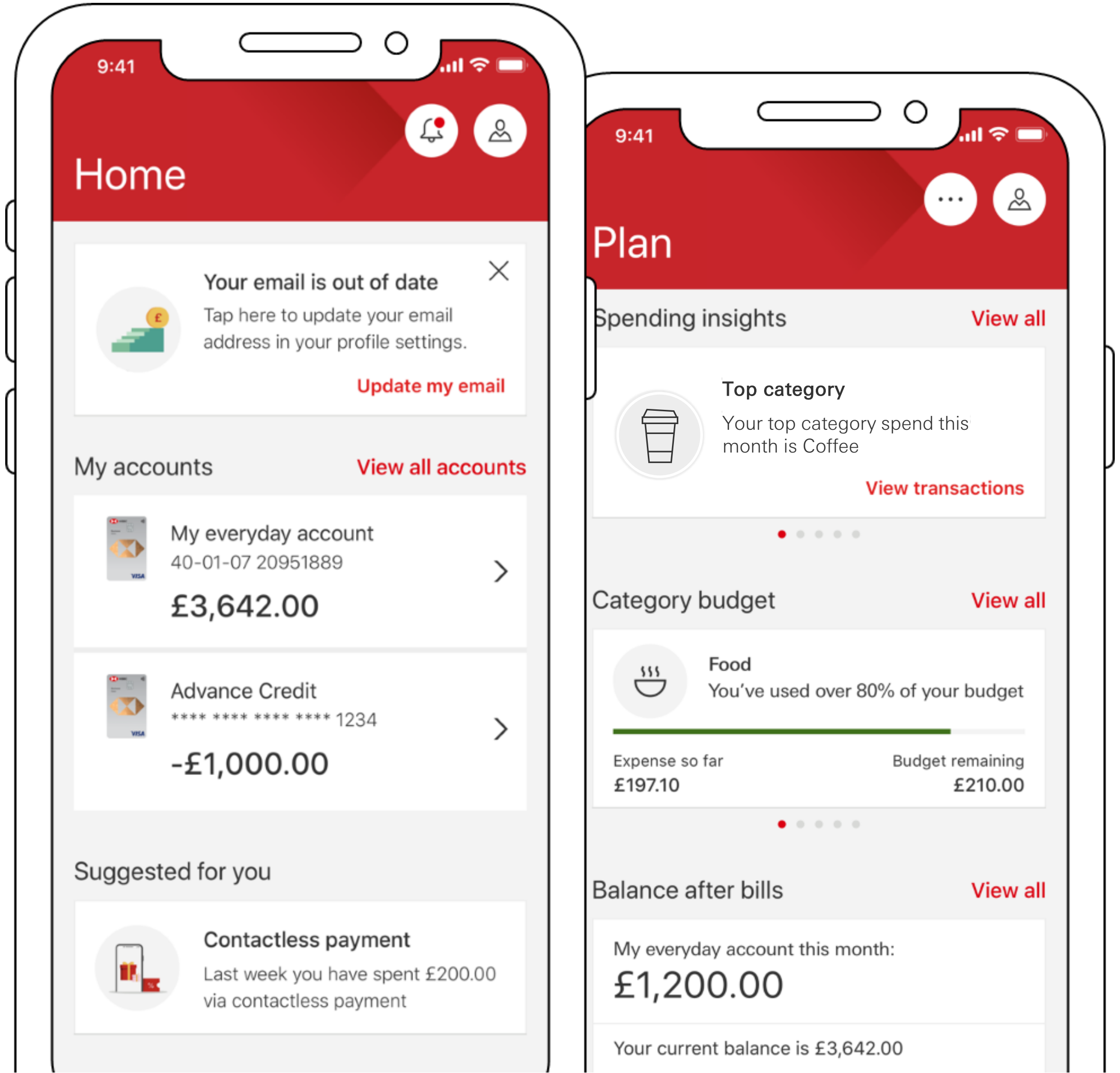
New propositions and capabilities delivered to support growth

Digital Security Platform	Significantly **improved and simplified access**
2.0 **Banking 2.0**	**Faster**, more **responsive** and more **accessible** desktop banking
Instalment lending	**Breakdown card purchases** into monthly payments
Mobile DIP	**Responsive mortgage decision** and onward application flows
Buy funds	Start investing in-app from **as little as £50**

1. December 2021 vs. December 2020. HSBC 30 day mobile users as a % of overall HSBC active customer base
2. Full year mobile NPS 2021 vs. full year mobile NPS 2020
3. December 2021 vs. December 2020. HSBC retail sales as a % of all sales. Excluding general insurance
4. FY21 vs. FY20. HSBC Retail sales as a % of all sales for specific product types

Digital: Supporting significant customer experience improvements

As part of a broad **digitisation and automation** agenda, we are making specific investments aiming to deliver a truly **differentiated customer experience**



Personal and relevant experiences

- **Data-led, targeted, relevant messaging** that deep links to services. Improved navigation. Personalised home page 'widgets' exposing key feature sets
- Support to manage financial health and personal aspirations through **transaction enrichment, pots, goals and micro savings**

Wealth and international capabilities

- Mobile wealth capabilities connected to planning tools. **Normalising investment** as part of everyday banking for a broad range of customers
- Manage, spend and send money in **multiple currencies anywhere and anytime** with Global Money

Digital onboarding and immediate access

- **In-app, new-to-bank acquisition** with instant digital service registration, delivered through a **global onboarding improvement** programme

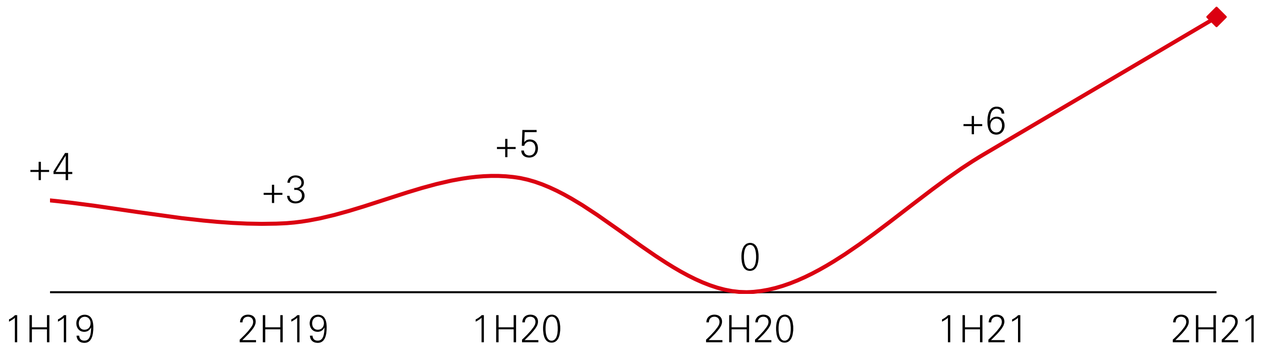
Spend, save and invest, all in one place

Customer experience improving but more to do

FY21 performance

- Customer satisfaction (as measured through NPS), reached its **highest level** for the HSBC 'Red Brand' in 2H21, since implementing this system

Overall NPS score, HSBC 'Red Brand'



- **Further improvement required** in our relative position for 'Red Brand' vs. peers. Position of first direct **remains strong**

NPS market position[1] (incl. digital only challengers), FY21

HSBC 'Red Brand'	**10th**
first direct	**2nd**

Strategic priorities, 2022-2023

1. Build emotional (brand) equity
2. Increase channel accessibility and ease
3. Empower people for the moments that matter
4. Simplify everyday journeys
5. Improve product satisfaction

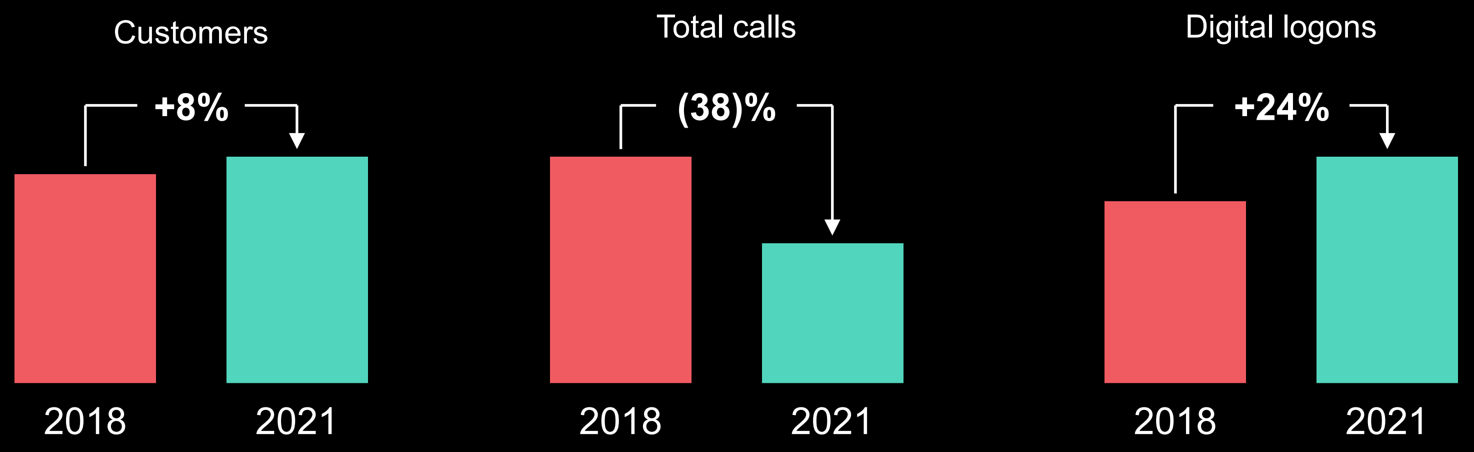
1. Market position is calculated after excluding institutions that do not provide full banking services

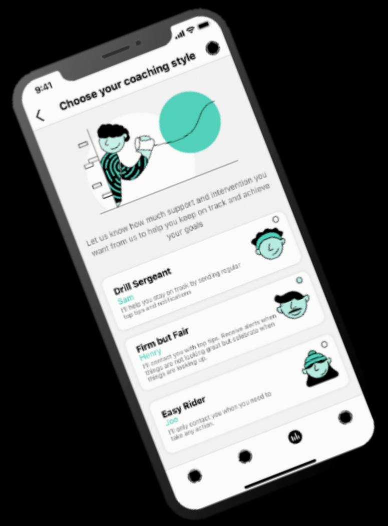
first direct – 2021 built the foundations for scale growth

first direct FY21 snapshot

- **£361m** in revenue, stable vs. FY20; **£15.3bn** of customer lending, **£28.1bn** of customer deposits
- **c.1.5m** active customers, 120k new accounts opened; highest in 10 years
- Our new digital journey takes less than **15 minutes** to open a new account. Reduced from 10 days previously
- Continuing to pioneer high service standards: CMA rank **3rd** position[1]; sNPS scores at **+46**[2]
- UKCSI benchmarking saw fd retain **#1** ranking for customer experience in financial services and **#2** across all featured brands[3]
- **62%** mobile active rate – **the highest across HSBC group**

Transforming fd into an efficient digital organisation





1. At February 2022
2. Strategic NPS at 31 December 2021
3. UK Customer Satisfaction Index at January 2022

first direct – doubling customer base by 2026, reducing cost to serve, number 1 for customer service

2022+ delivery through 4 strategic pillars

Grow

- Target a new generation of 18 – 34 customers
- Make it easier for young people to get on the housing ladder
- Create simple, personalised unsecured lending journeys
- Establish a bold marketing strategy, driven by our purpose

Amaze

- Become a digital innovation centre
- Deliver fast, easy, digital customer experiences
- Support customers in achieving their financial goals through hyper personalisation
- Ensure our bank is digitally resilient and secure

Serve

- Retain position as the best bank for customer service in CMA rankings
- Offer customers more opportunities to service their relationship digitally
- Support customers dealing with financial difficulty or vulnerability
- Protect our customers from financial fraud

People

- Be an externally recognised employer of choice
- Drive a purpose-led organisation, built around what matters to our people
- Inspire a fun and inclusive culture where the best want to work
- Help colleagues develop future skills

Chief Operating Office

Jennifer Strybel

COO, HSBC UK

HSBC UK

Simplifying and digitising our business to meet the future needs of our customers

1

We are here to serve our customers

- Make it easy for our customers to bank with us by accelerating digitisation efforts and simplifying journeys
- Ensure our customers' money and data are safe from fraud and cyber threats

2

Continue to invest in technology so we can support our business' growth ambitions

- Build new digital capabilities, such as Global Money, to grow market share and revenue
- Execute on our technology strategy to simplify our architecture and upskill our talent

3

Leverage partnerships to address our customer demands quickly

- Identify opportunities where partners can help deploy new capabilities, faster, and at a lower cost
- Invest in partners that are continuously innovating and have an obsession about customer satisfaction

Simplifying our business to make banking easier for our customers

Our focus on simplifying our business…

- **Improved our digital registration journey** for our retail customers
- **Standardising and modernising** our digital platforms across brands
- **Simplified our terms and conditions**, reducing content and making language simpler for customers
- **Digital, straight through onboarding** journey for our first direct customers

…is delivering results for our customers

27pt increase in our **digital registration** NPS, since the launch of our new registration journeys[1]

5pt increase in our **mobile NPS** from 2020 to 2021

24% increase in first direct new account acquisitions[2]

83% increase in digital unsecured lending sales[3]

1. March and April 2022, vs. August 2021 to January 2022
2. April 2019 to March 2020 vs. April 2021 to March 2022
3. May YTD 2022 vs. 2021

Focusing on protecting our customers and improving resiliency across HSBC UK

Protecting customers

- **We are a safe bank**, recognised by Which? as the safest bank out of 15 UK banks tested for online security[1]

Bank	Login (30%)	Encryption (40%)	Account management (15%)	Navigation and logout (15%)	Overall test score
HSBC	★★★★☆ 4 out of 5	★★★★★ 5 out of 5	★★★★★ 5 out of 5	★★★★☆ 4 out of 5	81%
NatWest (also Royal Bank of Scotland)	★★★☆☆ 3 out of 5	★★★★★ 5 out of 5	★★★★☆ 4 out of 5	★★★★★ 5 out of 5	75%
Barclays	★★★★☆ 4 out of 5	★★★★★ 5 out of 5	★★★★☆ 4 out of 5	★★☆☆☆ 2 out of 5	73%
Santander	★★★★☆ 4 out of 5	★★★★★ 5 out of 5	★★★☆☆ 3 out of 5	★★★☆☆ 3 out of 5	72%

- Invested in **industry leading fraud detection capabilities** and enhanced the warnings we provide
- Built **secure and low friction** mechanisms to allow customers to use web and mobile securely, and to verify and validate customers during onboarding and registration
- Built the **first fraud awareness app** launched by a high street bank in the UK to **protect businesses from scams**

Improving resilience

- **New, resilient, and secure** digital mobile and browser platforms for our customers
- Accelerating our **adoption of public and private cloud** and security standards, which has increased fourfold since 2019. This allows us to:
  - **Easily integrate** with third party partners
  - **Develop** modern applications **quickly**
  - **Reduce infrastructure constraints** which could drive performance issues
- Deployment of our UK and global Technology strategy which hinges on Speed, Scale, Resilience, and People

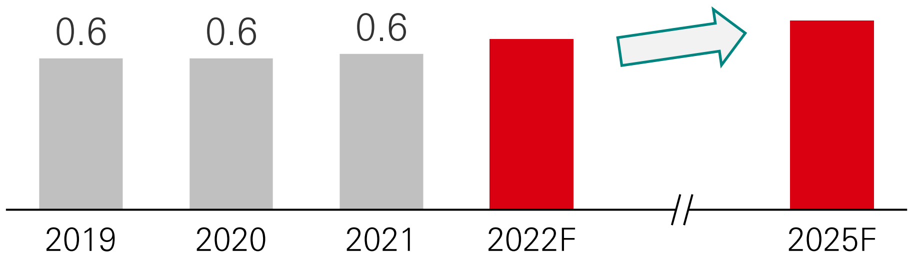
1. Source: Which? 'How safe is online banking?' review. Testing in September 2021 and October 2021

Investing in our technology to support our business objectives

Investing in our business

- Investments in our technology and operational capabilities to help drive operating productivity

HSBC UK technology spend[1], £bn



Share of total OpEx	15%	15%	17%	Ambition: **20-22%**

- Maintaining **high levels of investment in outer years to** support our growth ambitions through delivery of new technology and simplifying our business

Leveraging HSBC Group's capabilities and strengths

- HSBC UK is a beneficiary of HSBC Group's **global technology and investment budget**
- **Economies of scale** by centralising product management, and deploying technology cross-border
- Transfer of shared learnings around the Group on customers and markets
- Leverage **state of the art cyber capabilities** that benefit the UK

1. Technology spend excludes technology spend within our global businesses, which we include in the equivalent Group disclosures

Executing on our multi-year technology strategy to help ensure we are fit for the future

- **Multi-year strategy** delivering long-term business benefits
- Providing the **next generation of banking products and services** for customers
- Built around **modernising our technology** architecture and operating model
- Aligned to the **bank's four strategic pillars**, the businesses, functions and regional strategies

Speed

Improving our time to market and staying ahead of the competition

- Migrating from multiple mortgage platforms to **one core platform**
- Enhancing ways of working to **accelerate delivery** for technology solutions, delivering more capabilities and features to our customers from the same capacity
- **Demising legacy applications** that have a high cost of ownership and are cumbersome to maintain

Scale

Build products once and rapidly scale

- Primary onboarding channel for small medium enterprise is Kinetic (**iOS rating of 4.8**), with **>37k new to bank customers onboarded** at 31 May 2022
- Migrating key customer and staff channels to the cloud, enabling us to **rapidly implement** new capabilities and features, and to accommodate increased volumes

Resilience

Make our services more secure, better for the environment and more available

- **Improved standards for resilience** across application, data and infrastructure; applications such as trade finance are being uplifted to these standards
- Migration of our digitally active retail customers onto a **more secure and resilient digital** security platform; with a simpler and faster logon process

People

Have the right people in the right places

- Strengthening global collaboration by **migrating 216,000 colleagues across the Group** onto Microsoft 365 and Teams
- Building an **engaged and committed technology team** across the globe, as well locally in the UK; including a huge uplift to our graduate programme

Leveraging partnerships to accelerate growth

- Taking advantage of partners' new services and experiences to **complement core systems and capabilities**
- **Innovating to improve customer experience**, make our bank more efficient, and enable our growth priorities
- **Leveraging HSBC's global partnerships** to bring new capabilities to the UK market at pace

Partnerships

Security, crime prevention & identity	Cloud, data and analytics		Banking access
quantexa — *Contextual data*	aws — *Cloud partnering*	Google Cloud — *Cloud partnering*	divido — *Buy Now Pay Later*
BioCatch — *Biometric analytics*	Azure — *Cloud partnering*	IBM — *Quantum computing*	bud — *Open Banking*

Playing our part on the transition to net zero

HSBC Group wants to be net zero in its own operations and supply chain by 2030 or sooner

100% renewable electricity by 2023

- Innovative Power Purchase Agreement (PPA) to develop the Sorbie Wind Farm Project in Ayrshire, south-west of Glasgow
- **100% of the electricity** purchased by HSBC in the UK to be **from renewable sources by 2023**, where **c.90%** of our electricity will be **sourced from renewable projects** and the remaining 10% topped up with green tariffs

Reducing energy consumption

- Phase 2 roll-out of endotherm heating additive across the UK estate, a driver of significant energy savings
- **Optimising property portfolio** to reduce energy footprint

Reducing paper

- Successful pilots held across current accounts and credit cards in both HSBC UK and first direct
- Targeting a reduction of over **34 million letters** being sent out by post in 2022; avoiding **over 487,000 tonnes** of CO_2 emissions

Enrolling our supplier base in the Carbon Disclosure Programme (CDP)

- CDP is an environmental reporting programme which rates companies based on their disclosures
- We are inviting **500** of our top spend suppliers globally to join the programme with an **aim of covering 60% of spend**

Providing innovative propositions for our customers

Today we are showcasing six innovation examples

CMB

Enhancing our digital capabilities to address evolving customer needs and deliver excellent digital experiences

- Building the SME bank of the future
- Building the infrastructure to seamlessly integrate with third parties and partners
- Reducing the cost and complexity of FX

Digital Channels	*Digital Business Banking & Kinetic*
Embedded Finance	*Embedded payment & working capital journeys*
Global Wallet	*Multi-currency virtual wallet*

WPB

Increased digital delivery cadence and scale, with robust delivery of core features

- Responding to increased customer expectations on FX
- Normalising investment as part of everyday banking
- Making managing money simpler and easier for our customers

Global Money	*Send, spend and convert money in multiple currencies anywhere in the world*
Mobile Wealth	*Investment capability via the mobile app*
first direct Coach	*Hyper-personalised messaging coaches customers on money management*

Risk

Julia Dunn

CRO, HSBC UK

HSBC UK

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

1 Well-diversified, high quality loan portfolio

- Low risk retail secured portfolio, with delinquencies below peers and pre-pandemic levels
- Wholesale portfolio performing well

2 Significant headroom in our risk appetite to support our growth ambitions

- Spare capacity across our credit risk appetite metrics
- Utilisation remains below our Board approved limits
- Robust and effective governance in place

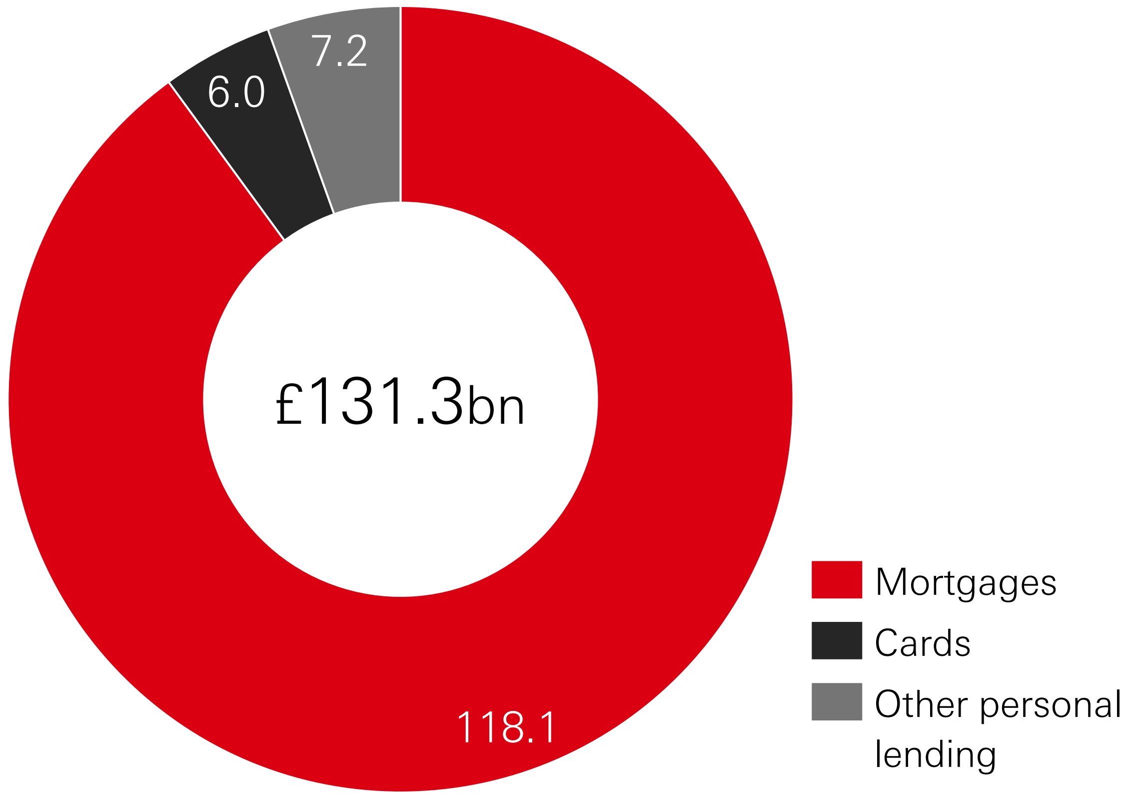
3 Well prepared for potential economic downturns

- Deep risk team expertise developed in previous financial crises
- Stable portfolio currently showing no signs of stress
- Proactive horizon scanning and risk management approach

Well-diversified, high quality loan portfolio

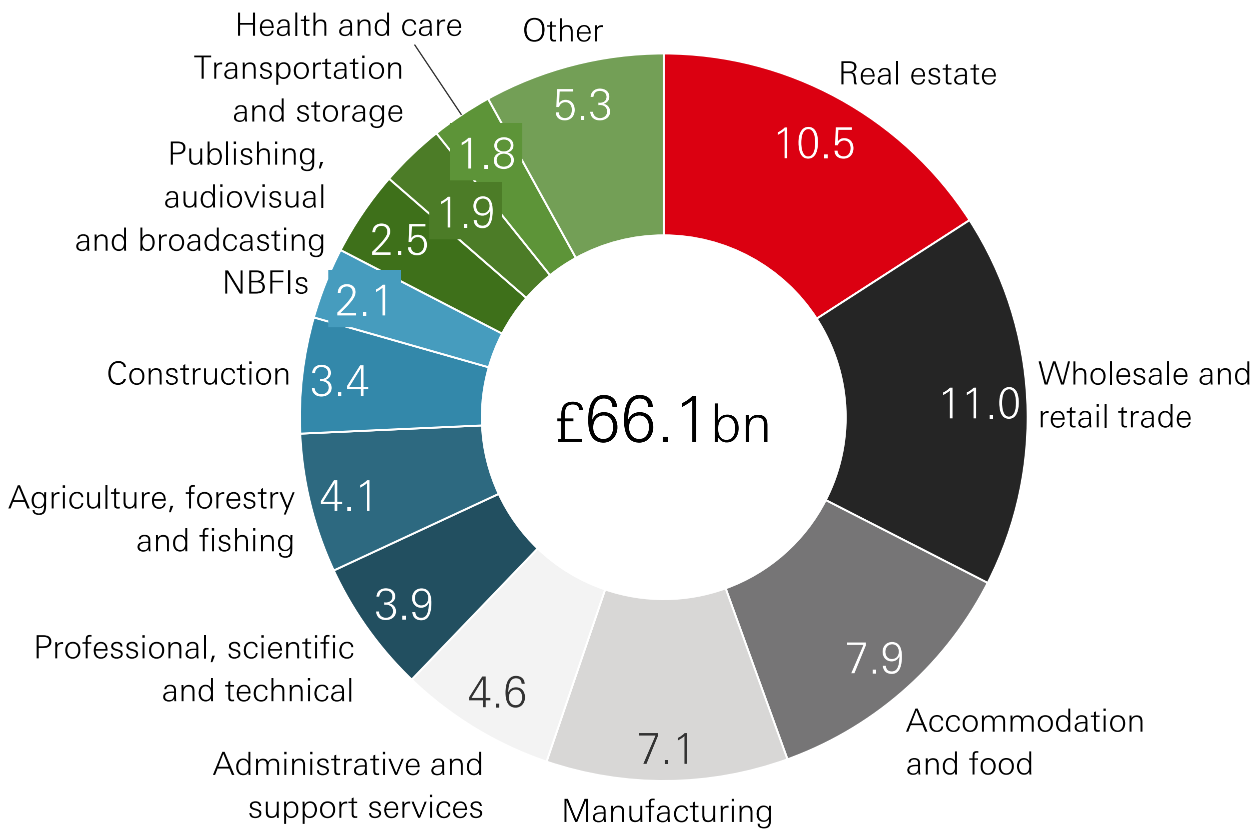
Personal lending gross loans & advances to customers, £bn

At 31 December 2021



Wholesale gross loans & advances to customers, £bn

At 31 December 2021



Strong retail mortgage portfolio vs. competitors

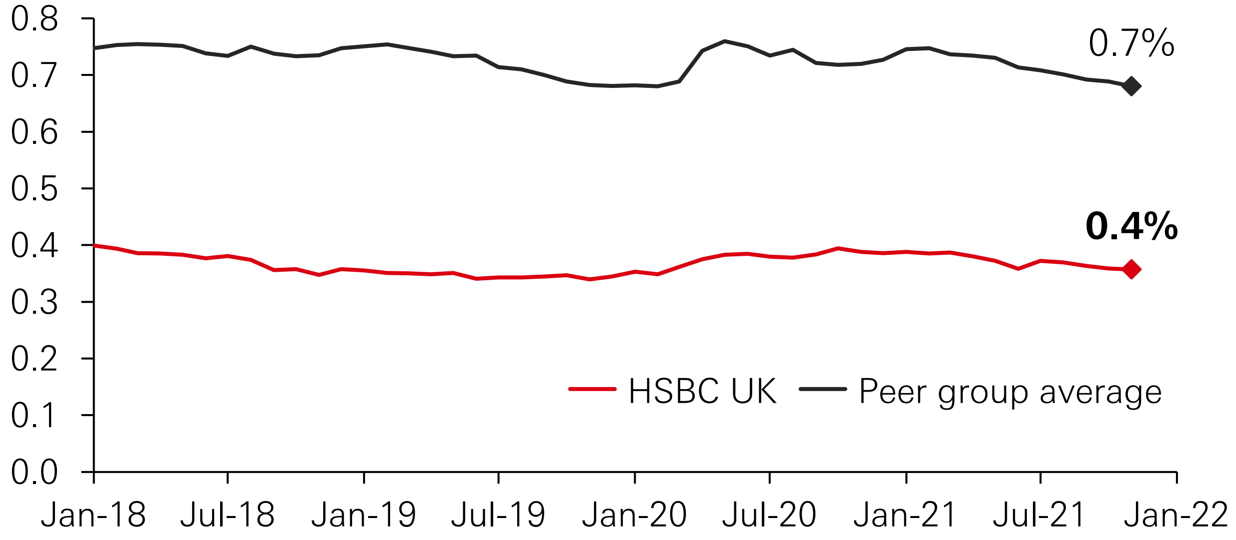
FY21 average LTVs[1]

	HSBC UK	Firm A	Firm B	Firm C
Portfolio	51%	53%	54%	51%
New business	67%	70%	66%	70%

FY21 proportion of buy-to-let[2]

	HSBC UK	Firm A	Firm B	Firm C	Firm D
Stock balance	£3bn	£42bn	£18bn	£21bn	£51bn
% of total mortgage portfolio	3%	21%	9%	13%	17%

Mortgages over 3 months in arrears[3], %



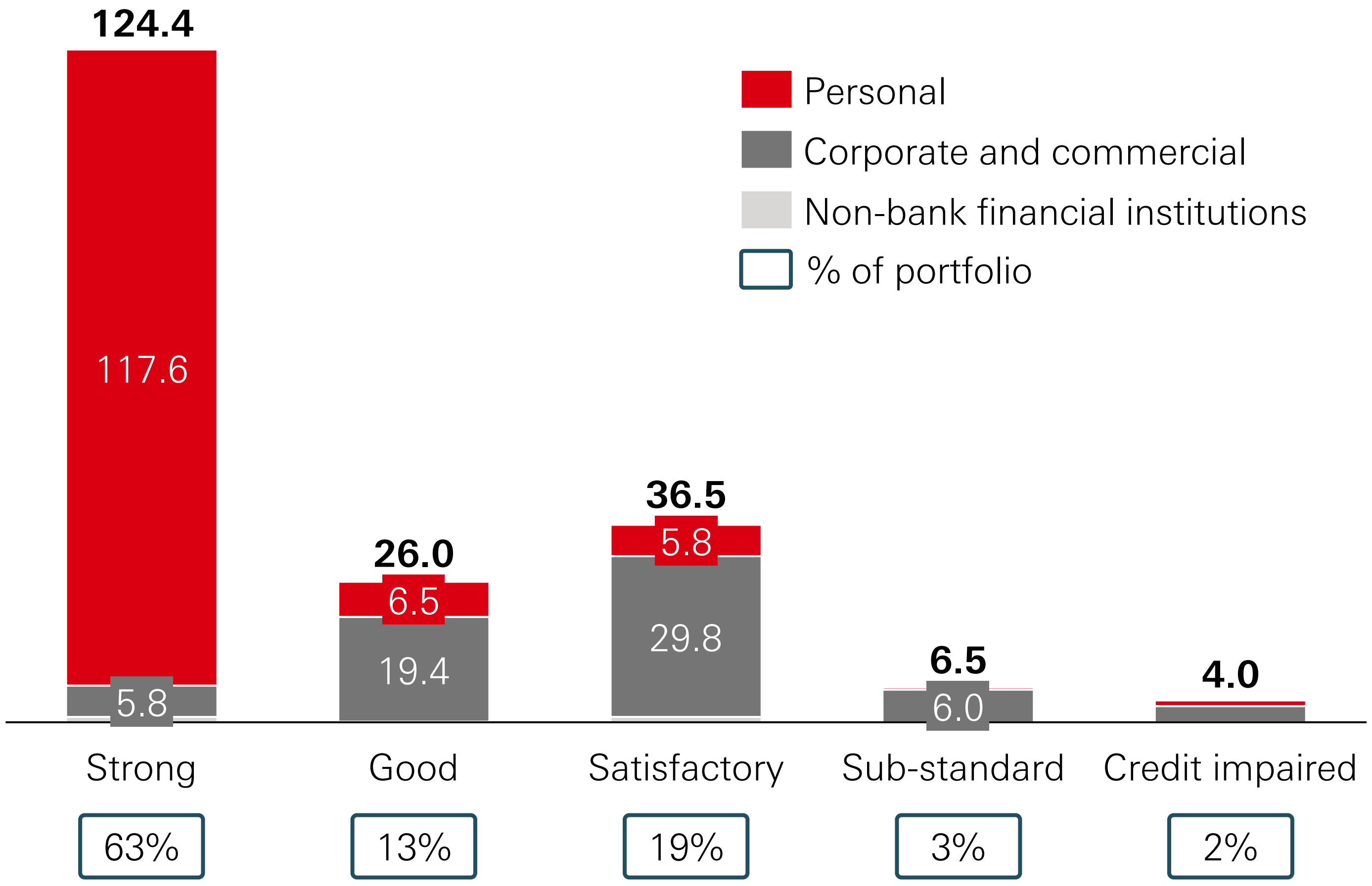
- HSBC UK delinquency rates are **lower than peer averages**
- **Limited exposure** to interest rate rises:
  - Mortgages on a standard variable rate of **£2.9bn; less than 3%** of the book
  - **80%** of the book is on fixed rates
- Opportunity to safely **grow BTL proposition**

1. Source: FY21 company reports. Firm A at 30 September 2021
2. Source: Company reports
3. Source: process benchmarking limited

Headroom to risk appetite available to support growth

Credit quality distribution of our portfolio

Gross loans & advances to customers, £bn



- **Strong credit quality** across personal, corporate and commercial portfolios. **76% of loans & advances** to customers rated **Strong or Good**
- Significant **headroom to internal risk appetite** and risk metrics across all key product areas
- **Overall risk profile supportive of our growth strategy**, although we remain cautious given the challenging external risk environment

Overview of credit risk

	Retail	Wholesale
Portfolio performed well during the Covid-19 pandemic	◆ Delinquencies remain at a low level, and better than before Covid-19 ◆ Financial health of our customers has, on average, improved with average debt and credit turnover at a higher level than pre-Covid-19	◆ Improving portfolio trends observed across a broad spectrum of metrics as the economy recovered in 2021
First order impact of Russia / Ukraine is limited	◆ Minimal direct exposure to customers with connections to Russia and Belarus ◆ Watchful on second- and third-order impacts focused on inflation and rising cost of living	◆ Direct exposure to Russia and Belarus has been reduced and first order impact is limited ◆ Second-order risks in sectors such as agriculture, food, industrial & conglomerates and automotive
Economic outlook uncertain	◆ Impacts are not yet visible in portfolio delinquency or customer financial health metrics ◆ Proactive re-assessment of customer affordability models to maintain portfolio quality	◆ Portfolio continues to perform well in 2022, although we expect ECL charges to normalise from current low levels ◆ Ongoing sector analysis to identify vulnerable industries as market conditions change

We are well prepared to manage key external risks

Conflict

- The current and potential risks to HSBC UK arising from the war in Ukraine are being closely managed
- Second- and third-order risks being proactively monitored
- Particular focus on cyber risks and ongoing compliance with sanctions

Credit

- Monitoring impact of rising inflation and higher cost of living on our customers
- Strong inflationary headwinds had been building prior to the war in Ukraine
- Continued volatility in commodity prices expected throughout 2022
- Stagflation fears have worsened for both the UK and Europe

Covid-19

- Impact continues to reduce, with all restrictions being removed by the UK Government
- Consumer confidence remains low, driven primarily by the inflationary environment
- We are maintaining heightened monitoring activities to identify sectors and customers experiencing financial difficulties

Climate

- Increasing focus for HSBC and our regulators
- Assessment of transition risk for wholesale clients, and continuing work on Energy Performance Certificate ratings are key focus areas
- Climate risk being built into wholesale credit risk processes to ensure embedded in risk assessments

Risks are managed through monitoring and controls, including Early Warning Indicators and stress testing, with a range of risk management actions available to deploy as required

Finance

Claire Baird

CFO, HSBC UK and Global WPB

HSBC UK is a strong dividend contributor that is well positioned for growth

1

We are a strong dividend payer to Group, and expect to increase our contribution over time

- Good FY21 performance; net ECL release supported by revenue growth and cost reductions vs. FY20
- We paid a dividend of £1.1bn to Group in respect of FY21

2

Our competitive advantages allow us to grow safely and sustainably

- Balance sheet growth ambitions are supported by our low funding costs, high liquidity and capital strength
- NII is already recovering from the impacts of Covid-19 and we are positively geared to further interest rate rises

3

Well positioned for the future

- Track record of cost control; we continue to increase technology investments while reducing front-office costs
- Our capital base allows us to absorb increases from regulatory change, with limited expected impact from Basel 3 Reform

Good performance in 2021, strong start to 2022 (ahead of 2019 run-rate in 1Q22[1])

£m	1Q22	FY21	FY20	FY19	Δ FY21 vs. 20	
Net interest income	1,308	4,642	4,567	4,878	▲	2%
Non interest income	398	1,597	1,480	1,735	▲	8%
Revenue	**1,706**	**6,239**	**6,047**	**6,613**	▲	**3%**
ECL	63	989	(2,115)	(613)	▼	>100%
Costs	(830)	(3,464)	(3,598)	(3,737)	▼	4%
Adjusted PBT	**939**	**3,764**	**334**	**2,263**	▲	**>100%**
Significant items	(66)	(284)	(171)	(1,253)	▲	(66)%
Reported PBT	**873**	**3,480**	**163**	**1,010**	▲	**>100%**
Reported RoTE, %	n.d.	**13.5%**	**(0.1)%**	**2.4%**	▲	**13.6ppts**
Adjusted RoTE, %[2]	**19.6%**	**14.7%**	**0.5%**	**9.9%**	▲	**14.2ppts**

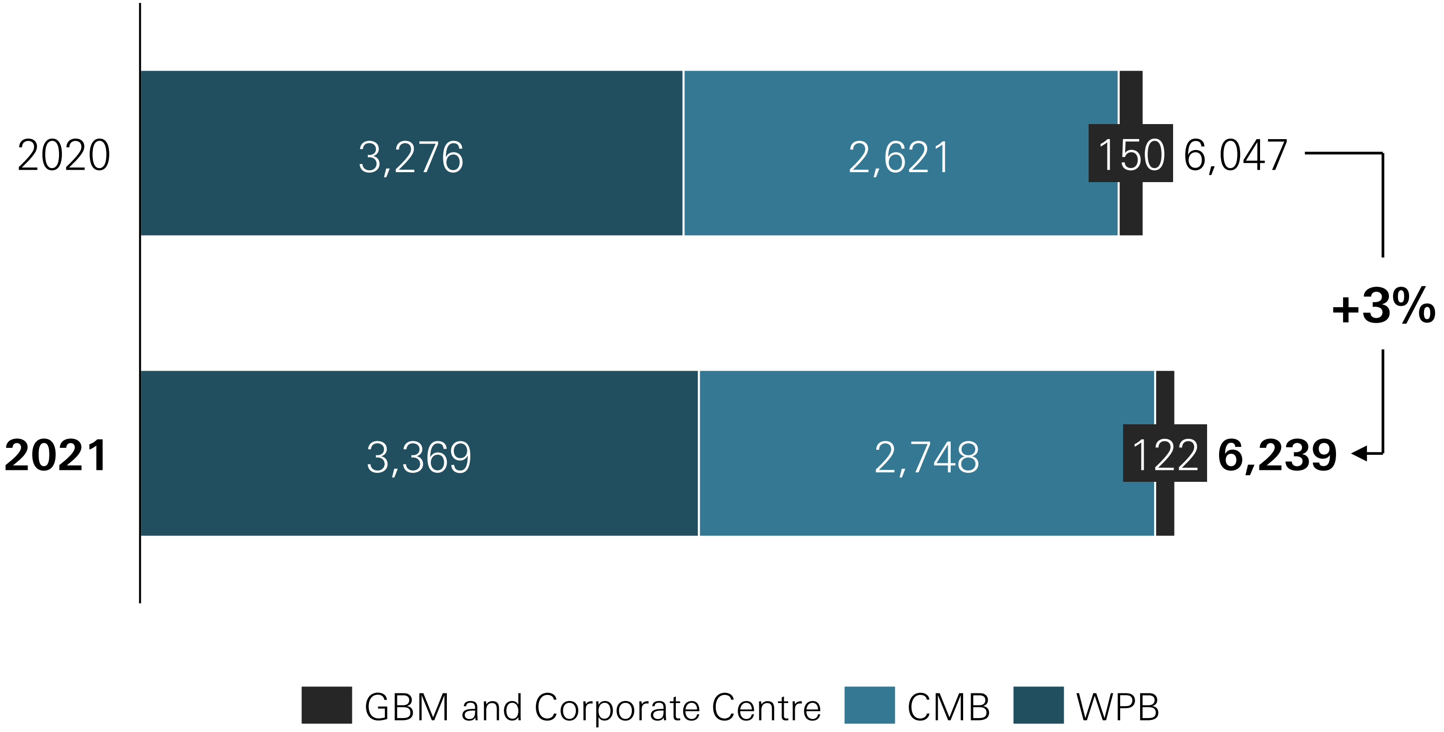
£bn	1Q22	FY21	FY20	FY19	Δ FY21 vs. 20	
Customer loans	198.8	195.5	191.2	183.1	▲	2%
Customer deposits	283.7	281.9	259.3	216.2	▲	9%
RWAs	89.8	83.7	85.5	85.9	▼	2%
CET1 ratio, %	13.6%	15.3%	15.2%	13.0%	▲	0.1ppt

- Delivered FY21 **adjusted PBT of £3.8bn**, primarily due to a net ECL release of £1.0bn, supported by revenue growth and good cost management
- **Revenue up 3%** vs. FY20, now ahead of 2019 levels based on run-rate in 1Q22
- Track record of cost discipline, with **costs down 4%** vs. FY20, continuing in 1Q22
- Continued balance sheet growth; **loans up 2%** and **deposits up 9%** vs. FY20
- **Strong CET1 capital build** between 4Q19 and 4Q21 **more than offset** the impact of regulatory capital changes in 1Q22

1. On the basis of adjusted revenue and adjusted PBT
2. In the event that the current IAS 19 Pension fund surplus was zero, FY21 pension adjusted RoTE would be 17.4% (FY20: (0.1)%); FY21 pension adjusted profit of £3,264 includes the deduction of £69m of pension surplus profit and £37m for the cost of non-CET1 capital from FY21 adjusted profit attributable to ordinary shareholders of £3,370m (FY20 pension adjusted loss: £(17)m; FY20 pension surplus profit deduction: £90m; FY20 cost of non-CET1 capital: £35m).

Strong revenue growth across WPB and CMB

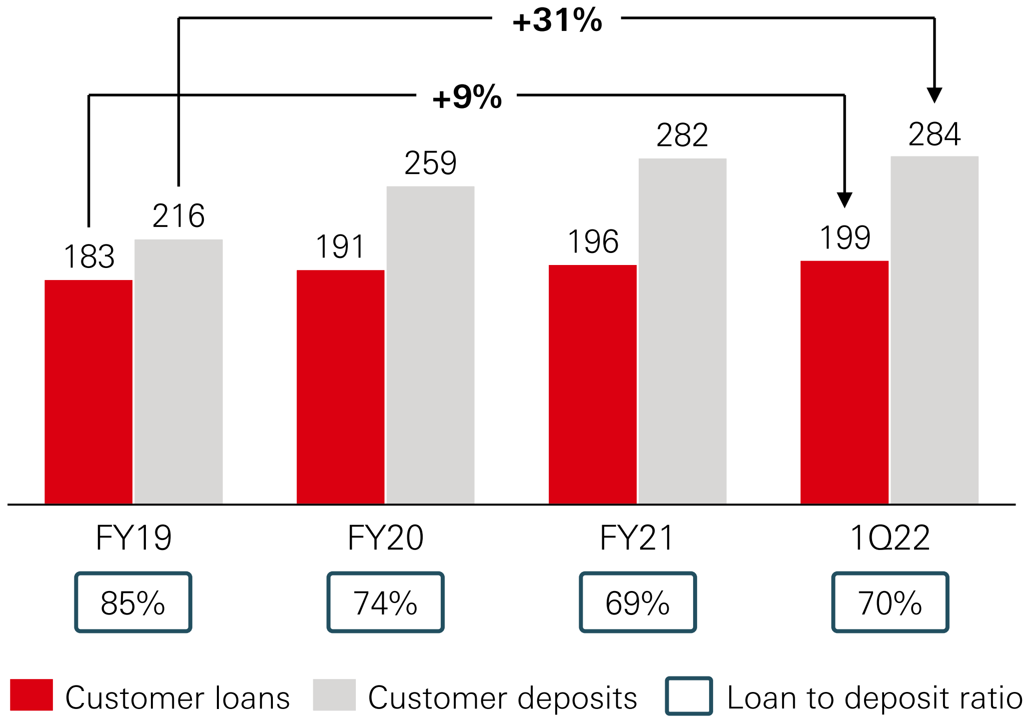
Adjusted revenue by global business, £m



- FY21 **revenue up £0.2bn (3%)** vs. FY20, primarily from higher mortgages and CMB lending revenue, partially offset by lower deposit income from lower interest rates
- FY21 revenue growth **included a negative 2.4ppts impact** from increased profit share payments made to M&S Bank driven by a net ECL release
- **Fees up £0.1bn (6%)** vs. FY20, primarily CMB (Credit & Lending: +£27m; Cash Management: +£14m; Trade: +£13m) as the market recovers following the Covid-19 pandemic

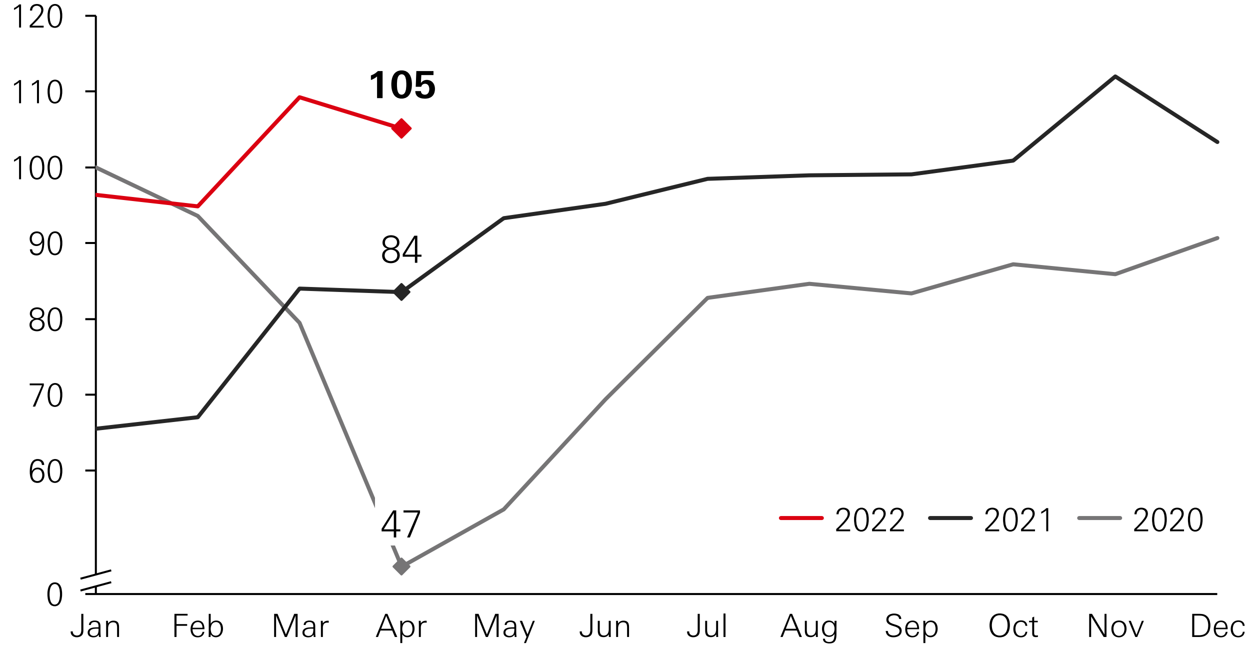
Balance sheet positioned to support further lending growth

HSBC UK loans and deposits, £bn



- 1Q22 **deposit surplus of £85bn** driven by build-up of customer savings and lower spending during periods where Covid-19 restrictions were in place
- Strong **mortgage growth of £21bn** vs. FY19, offset by subdued personal unsecured and CMB borrowing during the pandemic

HSBC UK WPB credit card spend[1]

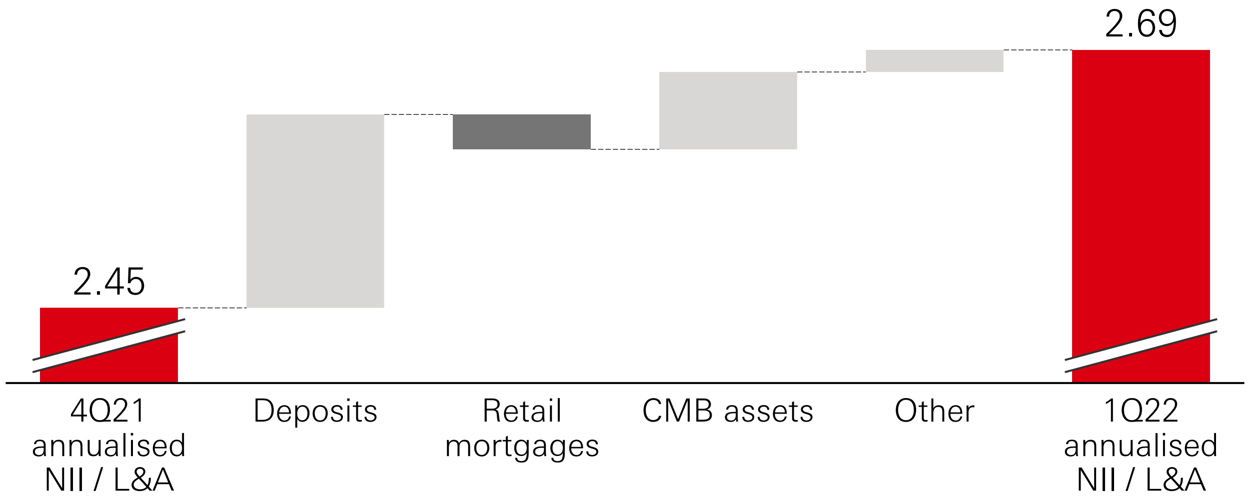


- **Credit card spend has recovered to above pre-Covid-19 levels**, and delinquencies have remained subdued; FY21 **card spend** market share of **18.3%**[2]
- Interest bearing balances remain below pre-Covid-19 levels; FY21 **card balances** market share of **10.4%**[2]

1. Rebased. January 2020 = 100
2. Card spend and balances market source: UK Finance. Card spend excludes Private Bank

NIM is expected to increase in 2022 following base rate increases

Margin evolution, %



- FY21 NII / L&A **decreased 3bps** vs. FY20 from base rate impacts on customer deposit margins, largely offset by **increased margins** on mortgages
- The inclusion of cash and equivalent balances generates a 15bps reduction in NIM

%	FY21	FY20	FY19	FY21 vs. FY20	1Q22	4Q21
NIM	1.53	1.71	2.05	(0.18)ppts	1.63	1.48
NII / L&A	2.42	2.45	2.71	(0.03)ppts	2.69	2.45

HSBC UK NII sensitivity, £m

At 31 December 2021. Change from 1 Jan 2022 to 31 December 2022

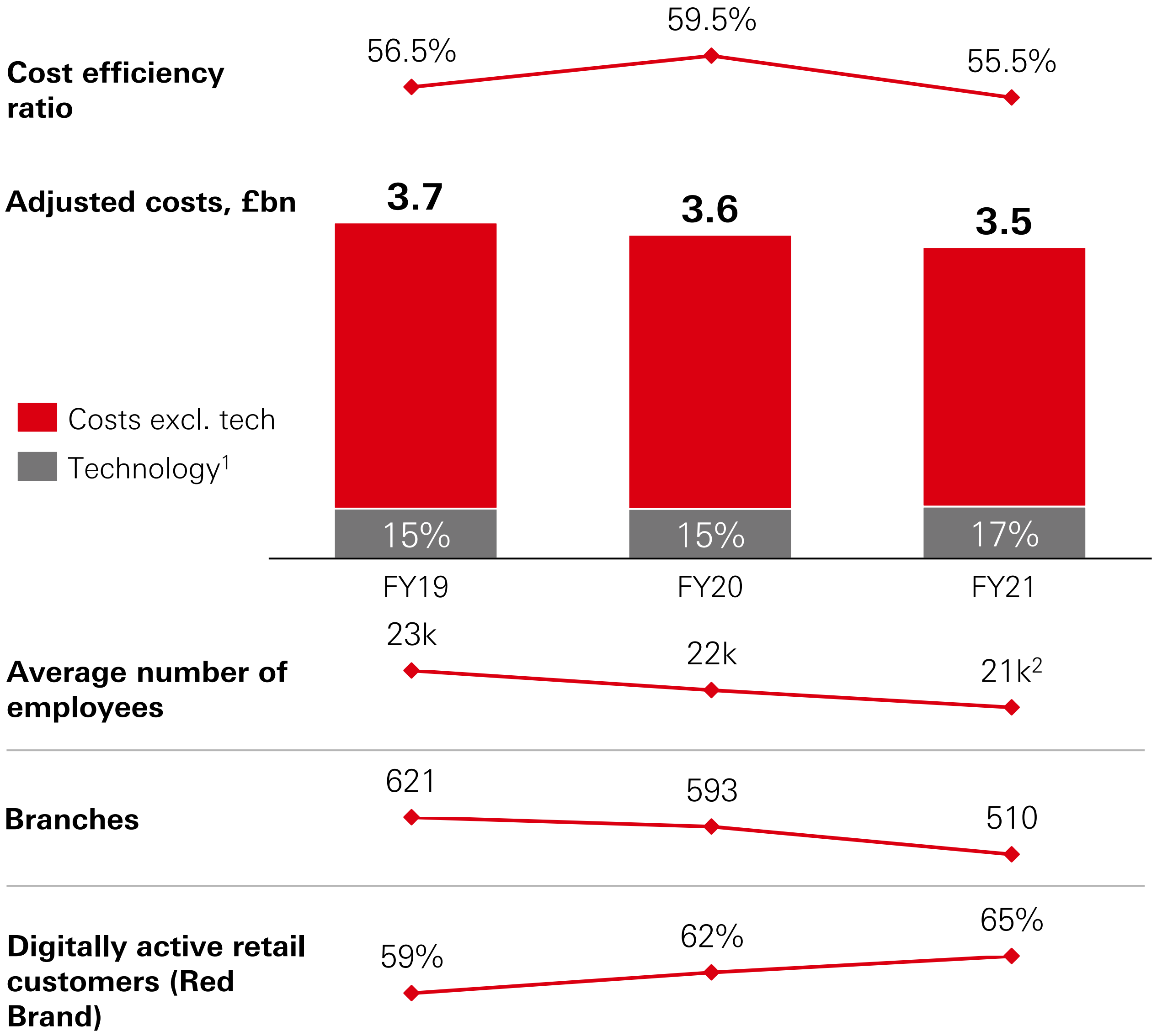
	Total
+25bps parallel	230
-25bps parallel	(329)
+100bps parallel	**958**
-100bps parallel	(1,154)

- Sensitivity table uses an illustrative pass-through rate of 50%, **net of hedging impacts**
- HSBC UK balance sheet sensitivity is substantially all GBP
- Up-shock is primarily driven by over £100bn of cash (**c.1/3rd of HSBC UK's balance sheet**) positioned at the Bank of England repricing overnight

Hedging

- We hedge a proportion of our deposit balances and equity to reduce the sensitivity of earnings to interest rate shocks
- Liabilities that do not have a defined contractual maturity are **modelled and "behaviouralised"** to define their interest rate risk tenor
- **Natural offsets** to this exposure are primarily provided by fixed rate residential mortgage loans
- The net residual position is **transferred into Markets Treasury** to manage through interest rate swaps under Macro Cash Flow Hedge accounting and securities held under Hold to Collect and Hold to Collect and Sell accounting

Continued cost discipline, with reduction in physical infrastructure supporting investment in technology

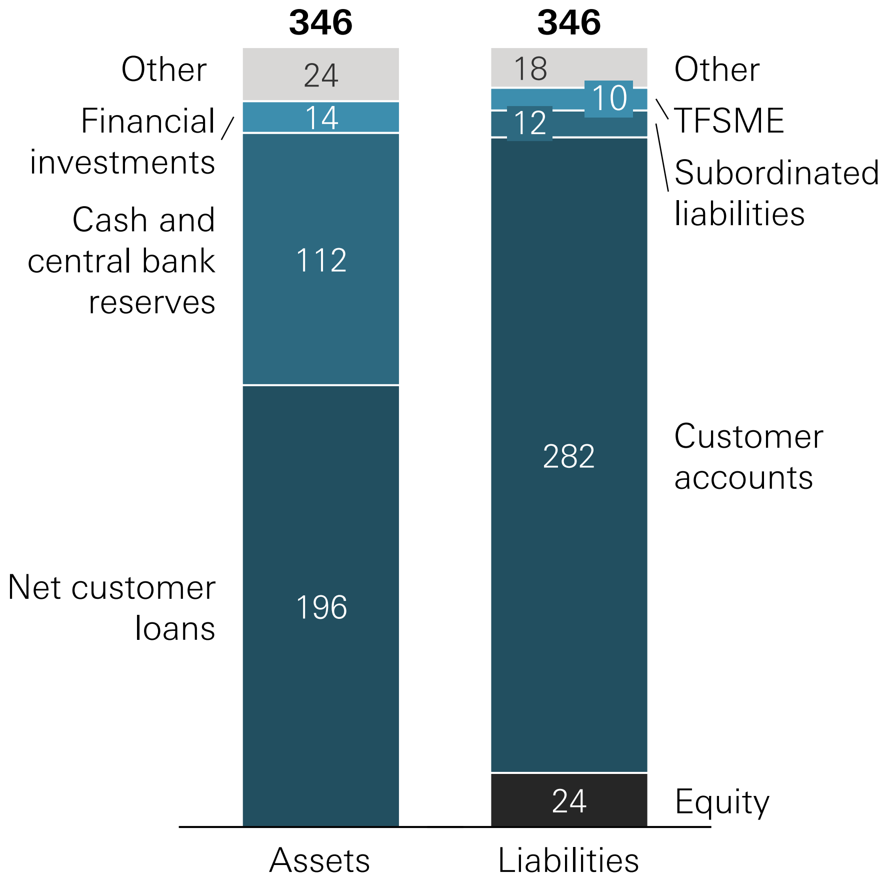


- FY21 **adjusted costs down £0.1bn (4%)** vs. FY20 and £0.3bn (7%) vs. FY19 due to:
  - **Reduced staff costs** in WPB and CMB, and lower back-office operations costs
  - These were partially offset by:
    - A lower benefit arising from our material pension surplus as discount rates fell
    - The UK bank levy, which was allocated to HSBC UK for the first time in 2021 (£32m, 1% of total FY21 costs)
- **Reported costs were stable** vs. FY20, primarily due to increased CTA investment
- We expect **continued discipline in cost control**, in line with the Group's target of 0-2% adjusted cost growth in FY23

1. P&L technology costs (excluding CTA) post capitalisation and amortisation charges. Technology spend excludes technology spend within our global businesses, which we include in the equivalent Group disclosures
2. In FY21, 3,607 full-time equivalent employees that were fully dedicated to HSBC UK Bank plc transferred from HSBC Global Services (UK) Limited to HSBC UK Bank plc

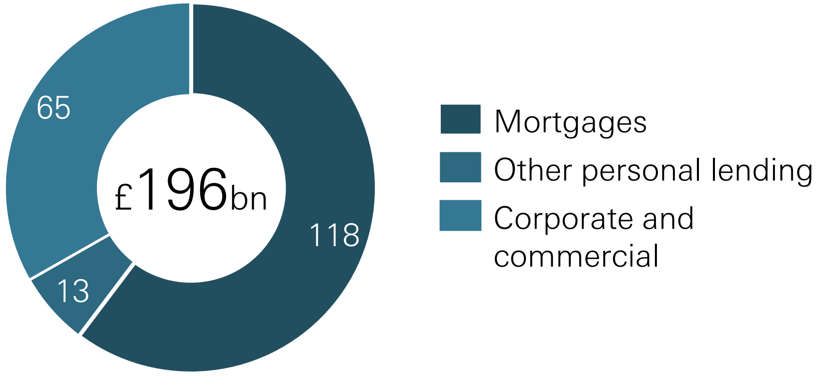
FY21 balance sheet strength: A simple, diversified, low-risk balance sheet

Consolidated balance sheet, £bn

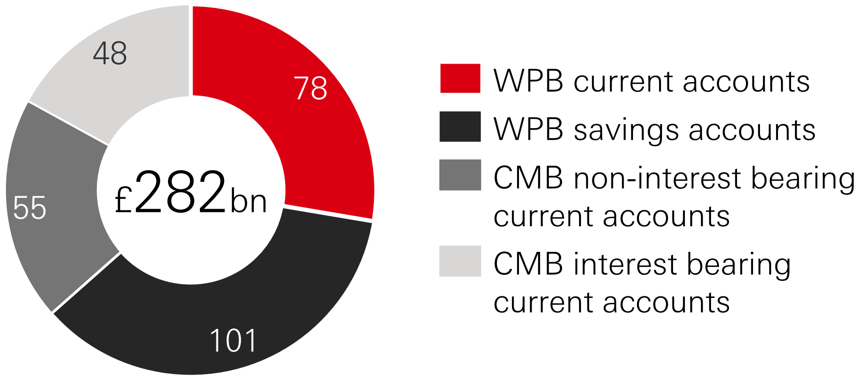


Breakdown of customer loans and deposits

Net customer loans, £bn



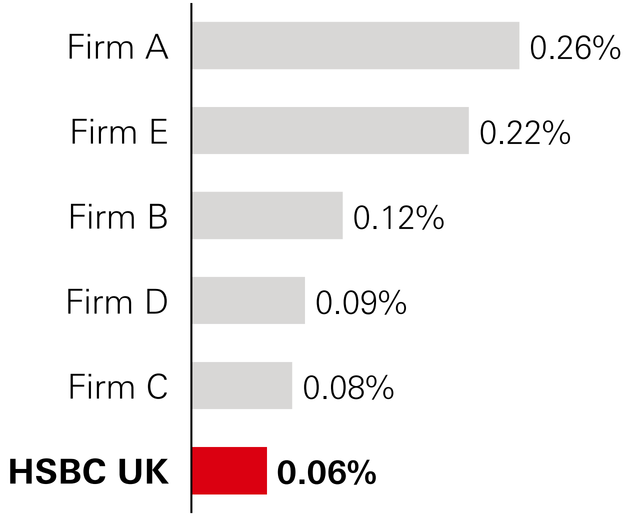
Customer deposits, £bn



Key metrics

	FY21	FY19
Liquidity coverage ratio	**241%**	165%
Net stable funding ratio	**178%**	150%
Advances to deposits ratio	**69%**	85%
Liquidity pool	**£121bn**	£57bn

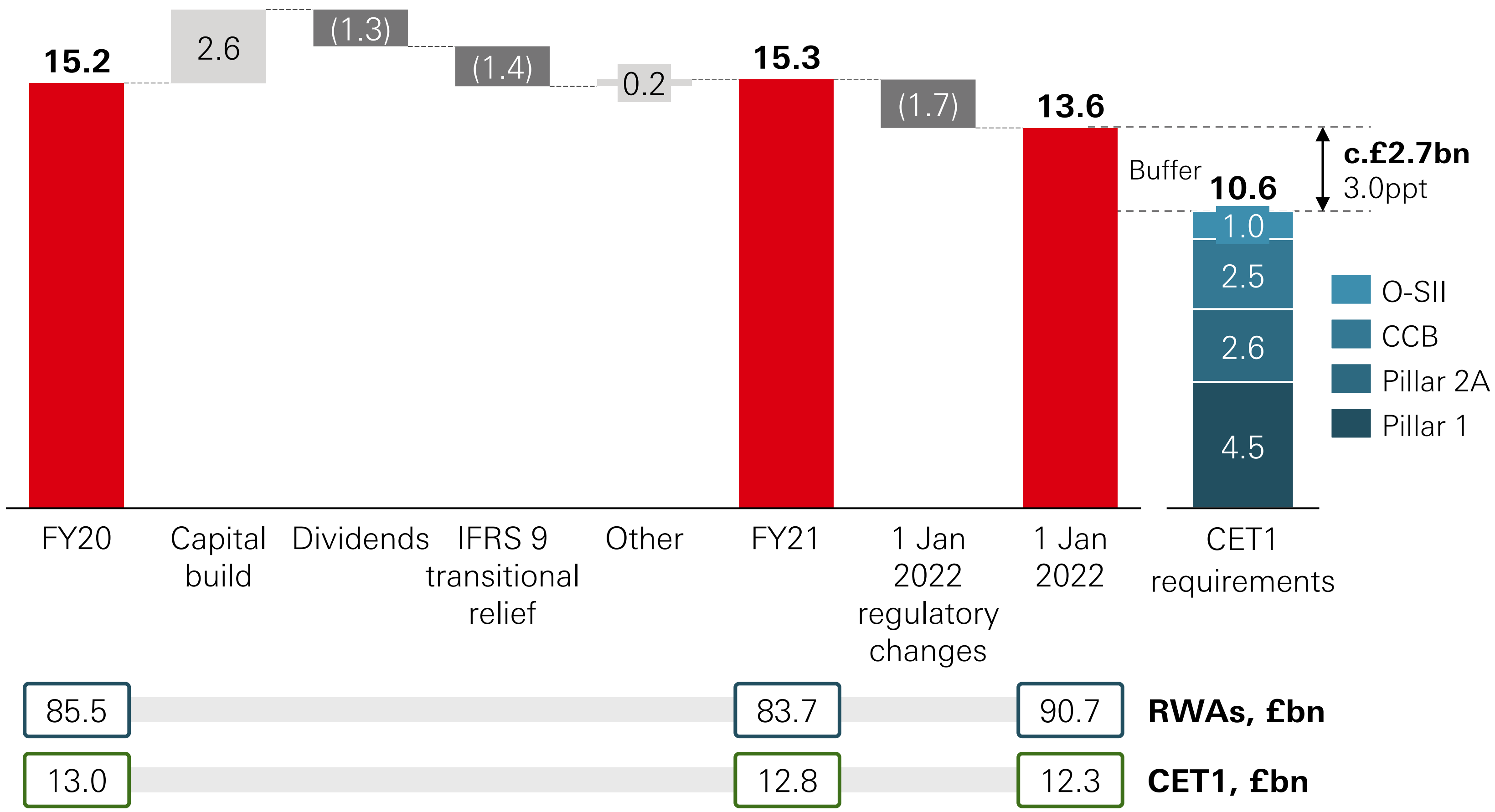
FY21 average deposit costs[1]



1. Source: Company reports. Peer group includes mainstream high street competitors of: Lloyds Banking Group, NatWest Group, Barclays UK, Nationwide Building Society and Santander UK. Average deposit costs = interest expense on customer deposits divided by average customer deposit balances

Strong FY21 capital build of 263bps, enabling total distribution of £1.1bn (132bps)

CET1 ratio vs. requirements, %



- **13.6% CET1 ratio**, post 1 Jan 2022 regulatory changes, with **3.0ppts of current headroom to MDA**[1]
- 1 Jan 2022 regulatory changes **increased FY21 RWAs by £7bn** (a subset of the Group increase of $27.2bn)
- RWA increases were primarily due to IRB repair and the introduction of a **10% risk weight floor** on the performing residential mortgage portfolio
  - Mortgage RWA density **increased from 5.8%** at FY21 to **11.1%** at 1 Jan 2022
- A UK **countercyclical buffer of 1%** will be reintroduced in 4Q22
- Following the delay of Basel 3 Reform implementation until Jan 2025, **no further regulatory headwinds** are expected in the near term

1. Based on the nominal value of P2A add-on expressed as percentage of 31 December 2021 RWAs

Outlook: We are well-positioned to capture opportunities and deliver economically profitable growth in a competitive market

£m	1Q22	FY21	1Q21	Outlook (2yr)
Net interest income	1,308	4,642	1,116	
Non interest income	398	1,597	371	
Revenue	**1,706**	**6,239**	**1,487**	
ECL release / (charge)	63	989	211	
Costs	(830)	(3,464)	(872)	
Adjusted PBT	**939**	**3,764**	**826**	
Significant items	(66)	(284)	(44)	
Reported PBT	**873**	**3,480**	**782**	

£bn	1Q22	FY21	1Q21	Outlook (2yr)
Customer loans	198.8	195.5	190.2	
Customer deposits	283.7	281.9	265.0	
RWAs	89.8	83.7	84.1	
CET1 ratio, %	13.6%	15.3%	15.5%	

- **Revenue growth** driven by economically profitable lending, and benefit of expected interest rate rises
- **Continued cost discipline** supported by investment in technology and automation; cost inflation is expected to be **in line with the Group's target** of 0-2%
- We plan to deploy our **healthy capital and liquidity** to support future business growth
- We expect to be a **significant dividend contributor** to HSBC Group

Conclusion

HSBC UK

HSBC UK is well-positioned to capture significant opportunities in the UK

1 Delivered a **robust financial performance** in 2021

2 HSBC UK is **well-positioned to capture opportunities** in an attractive but competitive market

3 **Clear strategy** to deliver on the growth opportunity ahead of us

4 We have a **vital societal role to play**, particularly in supporting the transition to net zero

5 **Significant profit and dividend contributor** to the Group

Appendix

HSBC UK

Today's speakers

Ian Stuart
CEO, HSBC UK

Ian was appointed CEO of HSBC UK Bank plc, with effect from April 2017, and is a member of HSBC Holdings plc's Group Executive Committee. Ian joined HSBC as head of its Commercial Banking business in the UK and Europe in 2014. He has **~40 years' experience** in the banking industry.

Stuart Tait
Head of CMB UK

Stuart was appointed Head of UK CMB, with effect from December 2021. Prior to his current role, Stuart was the Head of CMB, Asia Pacific, and has previously held various positions across multiple businesses and markets within HSBC Group. Stuart has **over 30 years' experience** in the banking industry.

Stuart Haire
Head of WPB UK

Stuart was appointed Head of WPB UK (previously Retail Banking & Wealth Management UK) in November 2017. Prior to HSBC, Stuart led the Direct Bank for the Royal Bank of Scotland. Stuart has **over 20 years' experience** in the banking industry.

Chris Pitt
CEO, first direct

Chris was appointed CEO, first direct, with effect from October 2020. Previously at HSBC UK, Chris was Head of Marketing. Prior to HSBC, Chris held roles at TSB and Tesco Bank. Chris has **over 20 years' experience** in the banking industry.

Jennifer Strybel
COO, HSBC UK

Jennifer was appointed Chief Operating Officer (COO) for HSBC UK, effective April 2022. Previously Jennifer held the role as Chief Operating Officer for HSBC US. Jennifer has **30 years' experience** in the banking industry.

Julia Dunn
CRO, HSBC UK

Julia was appointed Chief Risk Officer (CRO) for HSBC UK, effective May 2021. Prior to her current role, Julia was the Group CRO for Nationwide where she spent 9 years. Prior to this, Julia spent 13 years with the FSA, including holding the role of Director of Retail Banking Supervision. Julia has **over 33 years' experience** in the banking industry.

Claire Baird
CFO, HSBC UK

Claire was appointed Chief Financial Officer (CFO) for HSBC UK, effective December 2021, in addition to her existing role as CFO for Global WPB. Prior to joining HSBC, Claire spent 18 years with RBS / NatWest Group. Claire has **over 20 years' experience** in the banking industry.

CMB has an extensive product suite through collaboration with other business lines

Credit and Lending

- Term Loans
- Revolving Credit Facilities
- Overdrafts

Global Liquidity and Cash Management (GLCM)

- Deposit & Current Accounts
- Corporate Cards
- HSBCnet
- Liquidity Management
- Cross Border Cash Pooling
- Electronic Payment Services
- Clearing & Foreign Payments

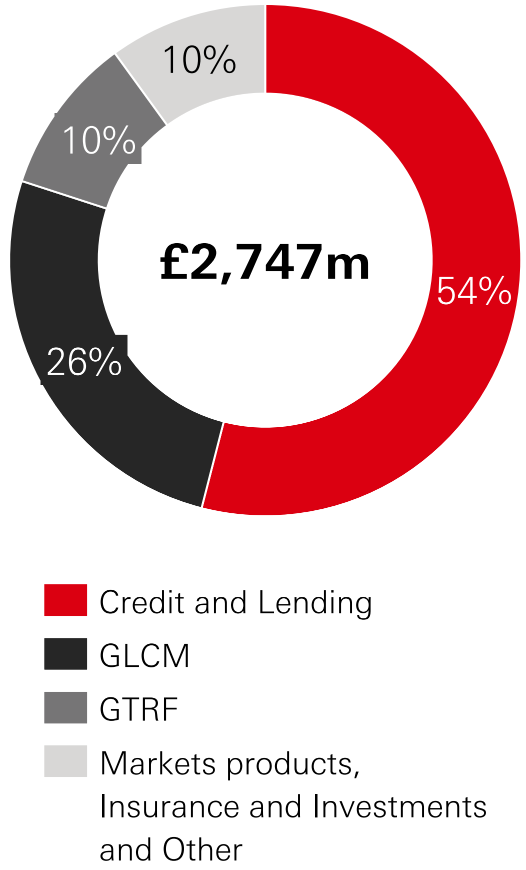
Global Trade and Receivables Finance (GTRF)

- Trade Loans
- Receivables Finance
- Supply Chain Finance
- Guarantees
- Documentary Credits
- Commodity Finance

Markets products, Insurance and Investments and Other[1]

- Structured Finance
- Syndicated Debt
- Equity
- Leveraged Finance
- Advisory
- Foreign Exchange
- Fixed Income
- Futures
- Hedging
- Corporate Loan & Trustee
- Custody & Fund Services
- Insurance & Investment

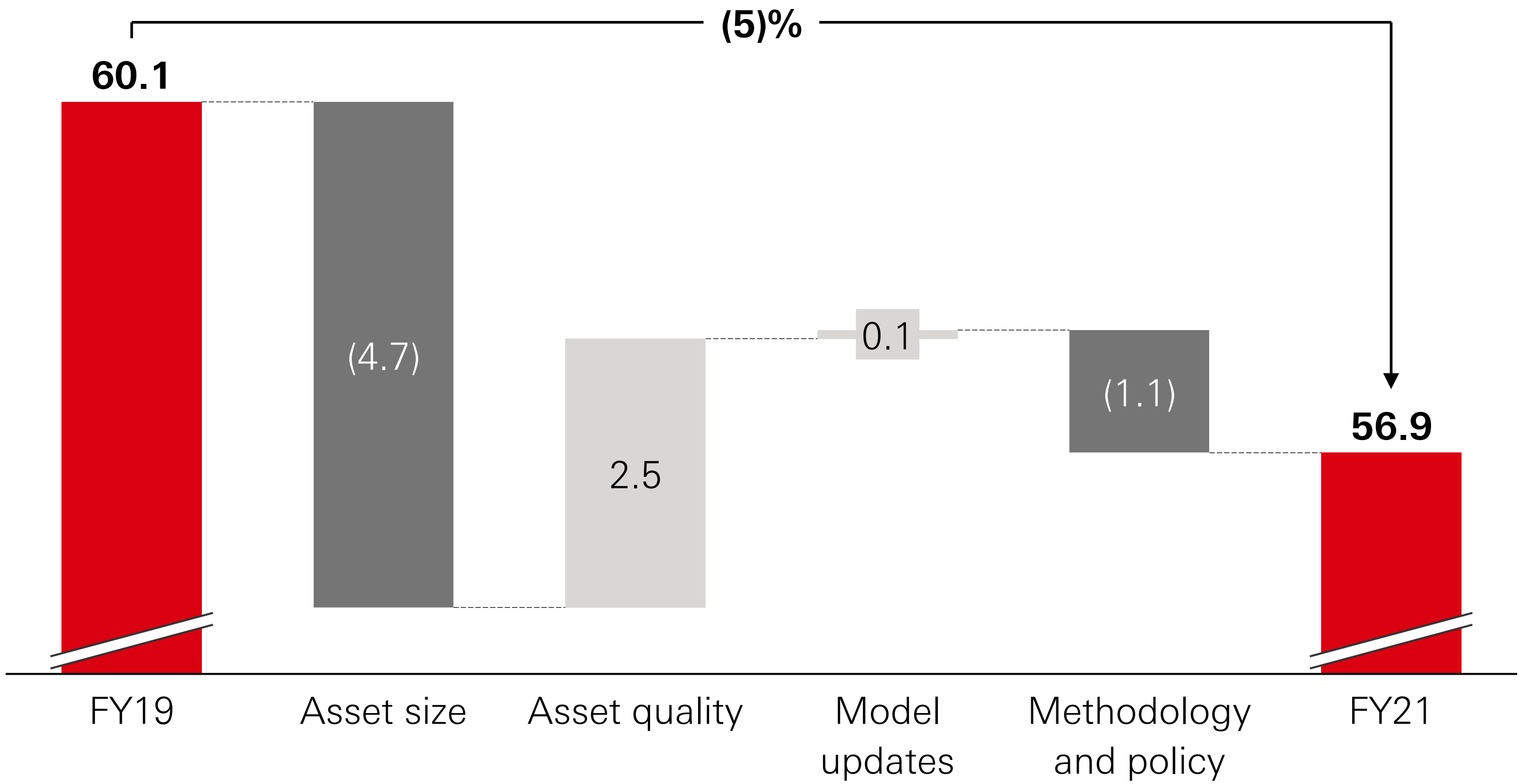
FY21 management view of adjusted revenue



1. Includes CMB's share of revenue from the sale of Markets and Securities Services and Banking products to CMB customers

CMB: Reducing RWAs through client optimisation and management actions

FY19 – FY21 RWA walk, £bn



- Management actions drove **c.£8.7bn of RWA reductions** over the period

Asset size

- Reductions achieved under our **transformation programme and other management actions**
- **Government guaranteed Covid-19 lending schemes** contributed to further reductions in FY20

Asset quality

- **Adverse credit migration** in FY20 from Covid-19 impacts, partly offset by subsequent improvements in asset quality and portfolio mix changes in FY21

Methodology and policy updates

- Increase in the **SME supporting factor benefit** as part of the CRR 'Quick Fix' relief package
- Partially offset by **changes to Markets Treasury allocation**

Risk: Government lending in focus

Government loan schemes

At 4 May 2022

	BBLS	CBILS	CLBILS
Drawn balances £bn	**7.3**	**3.1**	**0.9**
Market share[1] %, by value	15.4%	11.7%	16.2%
Current balance £bn	6.3	2.2	0.4
Active PAYG £bn	1.9	n/a	n/a

- HSBC was one of the **only high street banks that provided BBLS for new-to-bank customers**, as requested by HM Treasury and the Chancellor of the Exchequer
- We supported customers with over £15bn of vital Covid-19 related lending[2], or **roughly the equivalent of 17 years' worth of applications** in the first eight months alone
- The Pay As You Grow (PAYG) scheme allows customers to defer capital repayments for up to another two years after the first year moratorium. **26% of BBLS customers** have opted for PAYG support

1. Market share of approved lending. Source: British Business Bank
2. £15bn of Covid-19 related lending is the total of all approved Covid-19 relief lending to customers, including HSBC UK specific measures

Risk: Commercial real estate (CRE) in focus

Total CRE[1] allowances for ECL by stage, £m

	1Q22	FY21	FY20	FY19	1Q22 vs. FY19
Stage 1	48	78	76	29	19
Stage 2	66	133	191	40	26
Stage 3	145	172	211	124	21
Total	**259**	**383**	**478**	**193**	**66**

Total CRE[1] allowances for ECL by sub-sectors, £m

	1Q22	FY21	FY20	FY19	1Q22 vs. FY19
Real estate	166	206	229	144	22
Accommodation and food	93	177	249	49	44
Total	**259**	**383**	**478**	**193**	**66**

ECL

- In 2020 and 2021, modelled provisions were supplemented with judgmental overlays in anticipation of elevated defaults on conclusion of Government support
- **Substantially all** of the remaining Covid-19 reserves were **released in 1Q22** as the economy began to normalise

Hotels

- London represents c.60% of the Hotels portfolio by limit
- **Good credit metrics:** 62% of cases have **LTV under 55%**. Valuations have mostly held up

1. CRE is comprised of the 'real estate' and 'accommodation and food' sectors

Glossary

BB	Business Banking
BBLS	Bounce Back Loan Scheme. A UK Government-introduced measure to support businesses affected by the Covid-19 pandemic
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point
CBILS	Coronavirus Business Interruption Loan Scheme. A UK Government-introduced measure to support businesses affected by the Covid-19 pandemic
CCB	Capital conservation buffer
CET1	Common Equity Tier 1
CMB	Commercial Banking, a global business
CLBILS	Coronavirus Large Business Interruption Loan Scheme. A UK Government-introduced measure to support businesses affected by the Covid-19 pandemic
Corporate Centre	Corporate Centre comprises Central Treasury, our legacy businesses, interests in our associates and joint ventures and central stewardship costs
CRE	Commercial real estate
CRR	Capital Requirements Regulation
CTA	Costs to achieve
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
GBM	Global Banking and Markets, a global business
GLCM	Global Liquidity and Cash Management
GPB	Global Private Banking
Group	HSBC Holdings plc and its subsidiary undertakings
GTRF	Global Trade and Receivables Finance

GTRF	Global Trade and Receivables Finance
IAS	International Accounting Standard
IFRS	International Financial Reporting Standard
L&A	Loans and advances to customers
LC	Large Corporates
LCR	Liquidity coverage ratio
MME	Mid-Market Enterprises
MSS	Markets and Securities Services
NII	Net interest income
NIM	Net interest margin
P2A	Pillar 2A
PBT	Profit before tax
Ppt	Percentage points
UK RFB	HSBC UK, the UK ring-fenced bank, established July 2018 as part of ring fenced bank legislation
RLS	Recovery Loan Scheme. A UK Government-introduced measure to support businesses affected by the Covid-19 pandemic
RoTE	Return on average tangible equity
RWA	Risk-weighted asset
SBB	Small Business Banking
SME	Small and Medium-sized Enterprises
WPB	Wealth and Personal Banking, a global business