Connecting customers to opportunities
HSBC aims to be where the growth is, enabling business to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

Long-term strategy
Our long-term strategy positions us to capture value from our international network, capitalising on global trends affecting the industry and our strong combination of strategic advantages:
- Leading international bank
- Exceptional access to high-growth markets
- Balance sheet strength

<table>
<thead>
<tr>
<th>HSBC Group FY18</th>
<th>Adjusted PBT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017: $21.1bn</td>
<td>$21.7bn</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CET1 ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017: 14.5%</td>
</tr>
<tr>
<td>14.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A/D ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017: 70.6%</td>
</tr>
<tr>
<td>72.0%</td>
</tr>
</tbody>
</table>

HSBC UK Bank plc: an integral part of the HSBC group

FY18 Key financial metrics

<table>
<thead>
<tr>
<th>Reported PBT2 (2H18)</th>
<th>PBT</th>
<th>Revenue</th>
<th>A/D ratio 01Jul18: 83.4%3</th>
<th>CET1 ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>£1,064m</td>
<td>£2,540m</td>
<td>£6,449m</td>
<td>85.3%</td>
<td>12.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer advances4 01Jul18: £167bn³</th>
<th>Customer accounts 01Jul18: £200bn³</th>
<th>RWAs</th>
<th>LCR</th>
<th>Leverage ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>£175bn</td>
<td>£205bn</td>
<td>£92bn</td>
<td>143%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

1. Further information on the basis of preparation of pro forma information is provided on page 10 of the HSBC UK Bank plc Annual Report and Accounts 2018
2. 6 months to 31 December 2018
4. Net of impairment allowances
HSBC UK Bank plc – a key priority market for the Group

United Kingdom

UK is the 5th largest global economy based on GDP\(^1\). It also is the 3rd largest nation for inward FDI stock\(^2\) and it has a wealthy population, ranking 5th in national net wealth\(^3\).

HSBC UK

- HSBC UK Bank plc (HSBC UK) is the Group’s ring-fenced bank in the UK
- HSBC Group completed the ring-fencing of its UK retail banking activities on 1 Jul 18
- As at 31 Dec 18 HSBC UK, headquartered from its new Birmingham head office, had 14.5 million customers, served by 22k employees across the country, supported by a further 11k employees in its UK service company
- HSBC UK is well connected to the rest of the HSBC Group and leverages this network to grow revenue and support customers across key trade corridors around the world
- Pro forma adjusted revenue of £6.4bn, representing 12% of FY18 Group adjusted revenue
- Net customer lending of £175bn, representing 18% of Group customer lending

Our global businesses

- **Retail Banking and Wealth Management:** Offers a full range of retail and wealth products and services over four brands; HSBC UK, first direct, M&S Bank and John Lewis Finance
- **Commercial Banking:** Customers range from small enterprises through to large corporates
- **Global Private Banking:** Serves high net worth individuals and families, including those with international banking needs
- **Global Banking and Markets:** We maintain a small treasury and markets team that help to support the sale of eligible markets products to our Commercial Banking clients.

Strategy

Our UK strategy is built around 4 key priorities to capture value from the UK market:

- **Customer experience** – Continued investment in a future channel model to create compelling customer journeys and digital experience
- **People engagement** – Develop the ‘Healthiest Human System’ in the UK, whilst also improving ‘ways of working’
- **Profitable growth** – Build from positions of existing strength and growing in a safe and sustainable way
- **Simplification** – Continued enhancement of HSBC UK platforms and architecture. Simplification of products and features, and transformation of processes

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2. Source: UK Trade in Numbers – Department for International Trade (February 2019)
3. Source: Credit Suisse Global Wealth Databook 2018
2018 HSBC UK Pro forma adjusted results

<table>
<thead>
<tr>
<th>£m</th>
<th>RBWM</th>
<th>CMB</th>
<th>GBP</th>
<th>GB&amp;M</th>
<th>Corporate Centre³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>2,655</td>
<td>1,900</td>
<td>114</td>
<td>(3)</td>
<td>49</td>
</tr>
<tr>
<td>Net fee income and other income</td>
<td>704</td>
<td>789</td>
<td>40</td>
<td>143</td>
<td>58</td>
</tr>
<tr>
<td>Total revenue⁴</td>
<td>3,359</td>
<td>2,689</td>
<td>154</td>
<td>140</td>
<td>107</td>
</tr>
<tr>
<td>ECL⁵</td>
<td>(266)</td>
<td>(138)</td>
<td>4</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(2,229)</td>
<td>(1,033)</td>
<td>(111)</td>
<td>(125)</td>
<td>(12)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>864</td>
<td>1,518</td>
<td>47</td>
<td>15</td>
<td>96</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>HSBC UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported RWAs</td>
<td>21,370</td>
</tr>
<tr>
<td>Customer advances (net)</td>
<td>106,609</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>128,409</td>
</tr>
<tr>
<td>A/D ratio (%)</td>
<td>85.3%</td>
</tr>
</tbody>
</table>

### Operating expenses, £m

2018:
- RBWM: 3,510
- Corporate Centre: 4,715
- Total: 6,449

### Total revenue, £m

2018:
- RBWM: 3,510
- Corporate Centre: 4,715
- Total: 6,449

### Revenue by global business, %

- RBWM: 52%
- CMB: 42%
- GBM: 2%
- GBP: 2%
- Corporate Centre: 2%

- Pro forma revenue growth in 2018 was driven by margin improvement and balance growth in both RBWM and CMB
- HSBC UK revenue is well diversified across business lines
- Pro forma operating expense growth in 2018 was largely driven by investment in front line capacity, operations and technology costs

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1. RWN = Rating Watch Negative
2. All HSBC UK results in this section are presented on a pro forma adjusted basis unless otherwise stated.
3. Corporate Centre comprises Central Treasury, including Balance Sheet Management (BSM), interests in a joint venture, and central stewardship costs that support our businesses.
4. Net operating income before change in expected credit losses and other credit impairment charges
5. Expected credit losses and other impairment charges (ECL)
6. HSBC UK total reported RWAs of £91,839 includes £38m of Market Risk RWAs not presented in Global businesses and Corporate Centre
HSBC UK has a robust capital position to support its business planning and strategic initiatives.

### Capital and loss-absorbing instruments, % of RWA

<table>
<thead>
<tr>
<th>Capital Structure</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Senior MREL</strong></td>
<td>20.5%</td>
<td>20.5%</td>
</tr>
<tr>
<td><strong>T2</strong></td>
<td>3.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td><strong>AT1</strong></td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td><strong>CET1</strong></td>
<td>12.7%</td>
<td>12.7%</td>
</tr>
</tbody>
</table>

- **HSBC UK’s capital position:**
  - CET1 ratio of 12.7%
  - Total Capital Ratio of 18.3%
- On 01 Jul 18 equity and subordinated liabilities were successfully transferred to HSBC UK Bank plc
- During 2H18 £2bn of MREL-eligible¹ senior was downstreamed from HSBC Holdings
- HSBC UK manages its capital to ensure that it exceeds current and expected future requirements. Throughout 2018, HSBC UK complied with the PRA’s regulatory capital adequacy requirements, including those relating to stress testing.

### Funding and liquidity as at 31 Dec 18

#### Advances / Deposits Ratio (ADR), %

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 Jul 18</td>
<td>83.4%</td>
</tr>
<tr>
<td>31 Dec 18</td>
<td>85.3%</td>
</tr>
</tbody>
</table>

#### Liquidity coverage ratio (LCR)², %

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 Jul 18</td>
<td>143%</td>
</tr>
<tr>
<td>31 Dec 18</td>
<td>144%</td>
</tr>
</tbody>
</table>

#### Net stable funding ratio (NSFR), %

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 Jul 18</td>
<td></td>
</tr>
<tr>
<td>31 Dec 18</td>
<td></td>
</tr>
</tbody>
</table>

#### Customer deposits by global business

- **£205bn**
  - RBWM: 62.6%
  - CMB: 34.8%
  - PB: 2.6%

### Liquid Asset Buffer²

- £46.5bn
  - Level 1: 97.4%
  - Level 2a: 2.6%

1. Minimum requirement for own funds and eligible liabilities
2. LCR presented on an EC LCR Delegated Regulation basis

Our primary sources of funding are customer current accounts and customer savings deposits.

Customer Accounts are diversified between RBWM, CMB and GPB with HSBC UK maintaining a stable and diversified funding base.

HSBC UK has an A/D ratio of 85%, up from 83% at 01 Jul 18.

HSBC UK has a robust liquidity position.

The Liquid Asset Buffer exclusively comprises Level 1 and Level 2A liquid assets².
HSBC UK has a conservative approach to risk management, consistent with the HSBC Group.

The diversification of HSBC UK’s lending portfolio and broad range of businesses and products ensured it was not overly dependent on any one business segment to generate growth in 2018.

Expected credit losses include additional impairment allowances of £258m to reflect the increased level of economic uncertainty in the UK.

HSBC UK offers a wide range of mortgage products designed to meet customer needs, including capital repayment, interest-only and offset mortgages.

Gross lending increased by £3.6bn in 2018 driven by further expansion into the intermediary market.

The growth in the book resulted in an increase in our UK market share to 6.6%.

52% of the mortgage book has an LTV of <50%.

---

1. Liquid assets include cash and balances at central banks, items in the course of collection from other banks and financial investments
2. Source: HSBC internal data
### Appendix: FY18 Group results¹ (comparison vs. FY17)

#### By global business, $bn

<table>
<thead>
<tr>
<th></th>
<th>RBWM</th>
<th>CMB</th>
<th>GB&amp;M</th>
<th>GPB</th>
<th>Corporate Centre</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>21.9</td>
<td>14.9</td>
<td>15.5</td>
<td>1.8</td>
<td>(0.2)</td>
<td>53.9</td>
</tr>
<tr>
<td>ECL / LICs</td>
<td>(1.2)</td>
<td>(0.7)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(13.7)</td>
<td>(6.5)</td>
<td>(9.5)</td>
<td>(1.4)</td>
<td>(1.9)</td>
<td>(33.0)</td>
</tr>
<tr>
<td>Associates and JVs</td>
<td>0.0</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>7.1</td>
<td>7.7</td>
<td>6.1</td>
<td>0.3</td>
<td>0.5</td>
<td>21.7</td>
</tr>
<tr>
<td>RoTE² (%)</td>
<td>21.0</td>
<td>14.0</td>
<td>10.5</td>
<td>9.9</td>
<td>(5.7)</td>
<td>10.2</td>
</tr>
<tr>
<td>Cost efficiency ratio (%)</td>
<td>62.5</td>
<td>43.5</td>
<td>61.0</td>
<td>81.2</td>
<td>nm</td>
<td>61.2</td>
</tr>
<tr>
<td>Reported RWAs</td>
<td>126.9</td>
<td>321.2</td>
<td>281.0</td>
<td>119.4</td>
<td>865.3</td>
<td>865.3</td>
</tr>
<tr>
<td>Customer advances (net)</td>
<td>361.9</td>
<td>332.9</td>
<td>245.0</td>
<td>39.2</td>
<td>981.7</td>
<td>981.7</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>640.9</td>
<td>357.6</td>
<td>290.9</td>
<td>66.7</td>
<td>1,362.6</td>
<td>1,362.6</td>
</tr>
<tr>
<td>A/D ratio (%)</td>
<td>56.5</td>
<td>93.2</td>
<td>84.2</td>
<td>58.8</td>
<td>72.0</td>
<td>72.0</td>
</tr>
</tbody>
</table>

#### By region³, $bn

<table>
<thead>
<tr>
<th></th>
<th>Europe</th>
<th>Asia</th>
<th>MENA</th>
<th>North America</th>
<th>Latin America</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>17.8</td>
<td>28.7</td>
<td>2.7</td>
<td>6.8</td>
<td>3.1</td>
<td>53.9</td>
</tr>
<tr>
<td>ECL / LICs</td>
<td>(0.6)</td>
<td>(0.6)</td>
<td>(0.2)</td>
<td>(0.2)</td>
<td>(0.6)</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(17.3)</td>
<td>(12.5)</td>
<td>(1.4)</td>
<td>(5.2)</td>
<td>(1.9)</td>
<td>(33.0)</td>
</tr>
<tr>
<td>Associates and JVs</td>
<td>0.0</td>
<td>2.1</td>
<td>0.4</td>
<td>0.0</td>
<td>0.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>(0.0)</td>
<td>17.8</td>
<td>1.6</td>
<td>1.9</td>
<td>0.6</td>
<td>21.7</td>
</tr>
<tr>
<td>Cost efficiency ratio (%)</td>
<td>96.9</td>
<td>43.3</td>
<td>50.5</td>
<td>75.9</td>
<td>63.1</td>
<td>61.2</td>
</tr>
<tr>
<td>Reported RWAs</td>
<td>298.1</td>
<td>363.9</td>
<td>56.7</td>
<td>131.6</td>
<td>38.3</td>
<td>865.3</td>
</tr>
<tr>
<td>Customer advances (net)</td>
<td>373.1</td>
<td>450.5</td>
<td>28.8</td>
<td>108.1</td>
<td>21.1</td>
<td>981.7</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>503.2</td>
<td>664.8</td>
<td>35.4</td>
<td>133.3</td>
<td>26.0</td>
<td>1,362.6</td>
</tr>
<tr>
<td>A/D ratio (%)</td>
<td>74.1</td>
<td>67.8</td>
<td>81.1</td>
<td>81.3</td>
<td>72.0</td>
<td>72.0</td>
</tr>
</tbody>
</table>

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¹ All numbers presented are on an adjusted basis unless otherwise stated
² Group return on average tangible equity (RoTE) and global business RoTEs exclude significant items and UK bank levy; Group reported RoTE of 8.6% in 2018
³ Amounts are non-additive across geographical regions due to intercompany transactions within the Group
⁴ RWAs are non-additive across geographical regions due to market risk diversification effects within the Group
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Pro forma and Non-GAAP financial information
This presentation contains pro forma financial information. Pro forma results have been calculated for illustrative purposes only for 2018 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.

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 our Annual Report for the fiscal year ended 31 December 2018 which is available at www.hsbc.com.

Information in this presentation was prepared as at 31 March 2019.

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