

◆ Denotes a pro forma adjusted measure¹

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

HSBC Group FY18

Adjusted PBT
2017: \$21.1bn

\$21.7bn

CET1 ratio
2017: 14.5%

14.0%

A/D ratio
2017: 70.6%

72.0%

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

FY18 Key financial metrics

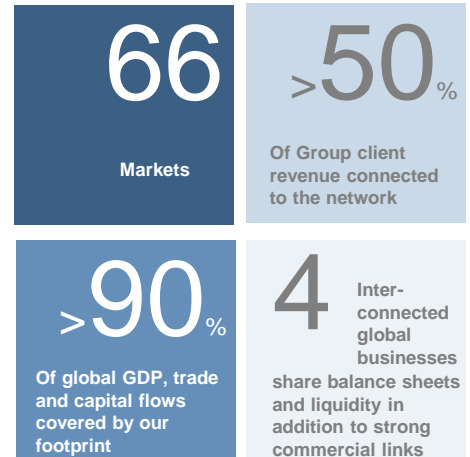
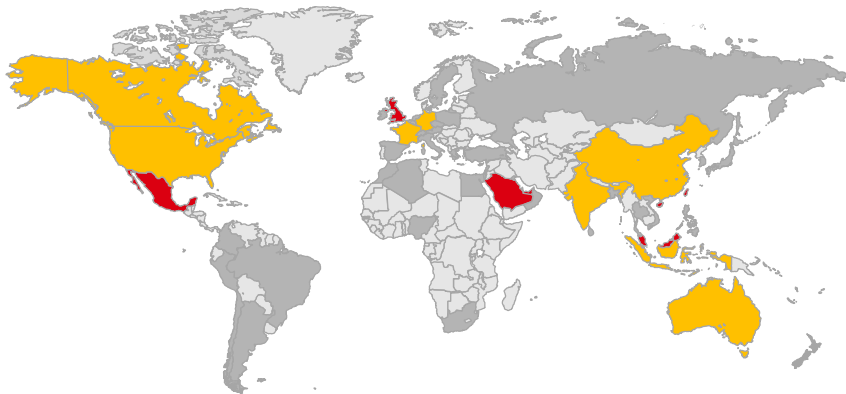
Reported PBT² (2H18)	PBT ◆	Revenue ◆	A/D ratio 01Jul18: 83.4% ³	CET1 ratio
£1,064m	£2,540m	£6,449m	85.3%	12.7%
Customer advances⁴ 01Jul18: £167bn ³	Customer accounts 01Jul18: £200bn ³	RWAs	LCR	Leverage ratio
£175bn	£205bn	£92bn	143%	5.6%

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
 3. Source: HSBC Bank plc Interim Report 2018
 4. Net of impairment allowances

HSBC Group

- Markets at scale
- Markets to connect the network

Markets where we aspire to be the leading international bank



HSBC UK Bank plc – a key priority market for the Group

United Kingdom

UK is the 5th largest global economy based on GDP¹. It also is the 3rd largest nation for inward FDI stock² and it has a wealthy population, ranking 5th in national net wealth³.

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

RBWM	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
CMB	Commercial Banking: Customers range from small enterprises through to large corporates
GPB	Global Private Banking: Serves high net worth individuals and families, including those with international banking needs
GB&M	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

1. Nominal GDP, 2017. Source: IMF World Economic Outlook (October 2018)
 2. Source: UK Trade in Numbers – Department for International Trade (February 2019)
 3. Source: Credit Suisse Global Wealth Databook 2018

External credit ratings

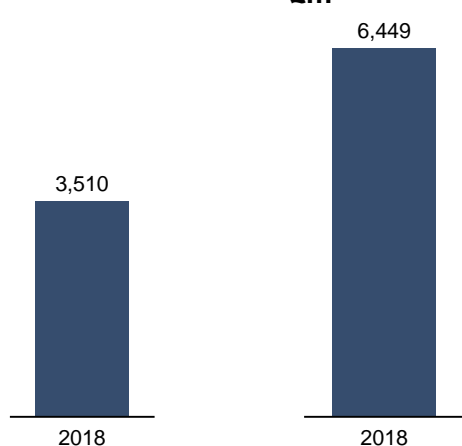
Long term senior ratings as at 28 Mar 19

	Fitch		Moody's		S&P	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
HSBC Holdings plc	AA-	RWN ¹	A2	Stable	A	Stable
HSBC UK Bank plc	AA-	RWN	-	-	AA-	Stable

2018 HSBC UK Pro forma adjusted results²

£m	Global businesses and Corporate Centre					HSBC UK
	RBWM	CMB	GPB	GB&M	Corporate Centre ³	
Net interest income	2,655	1,900	114	(3)	49	4,715
Net fee income and other income	704	789	40	143	58	1,734
Total revenue ⁴	3,359	2,689	154	140	107	6,449
ECL ⁵	(266)	(138)	4	-	1	(399)
Operating expenses	(2,229)	(1,033)	(111)	(125)	(12)	(3,510)
Profit before tax	864	1,518	47	15	96	2,540
Reported RWAs	21,370	66,009	1,924	22	2,476	91,839 ⁶
Customer advances (net)	106,609	63,302	4,269	-	627	174,807
Customer deposits	128,409	71,411	5,338	-	(321)	204,837
A/D ratio (%)						85.3%

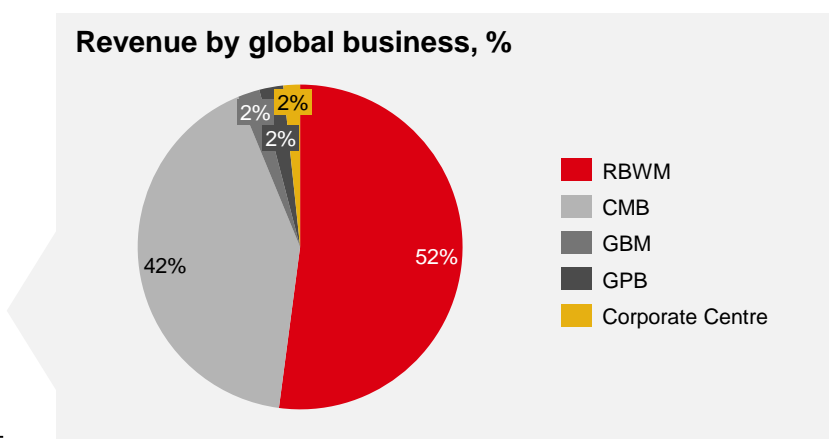
Operating expenses, £m



Total revenue, £m



Revenue by global business, %



- 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

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

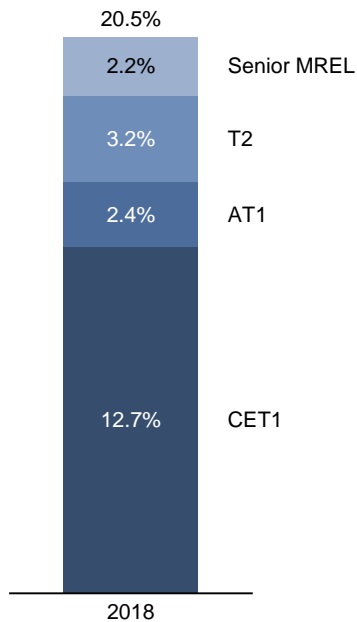
5. Expected credit losses and other impairment charges (ECL)

6. HSBC UK total reported RWAs of £91,839 includes £38m of Market Risk RWAs not presented in Global businesses and Corporate Centre

Capital structure as at 31 Dec 18

HSBC UK has a robust capital position to support its business planning and strategic initiatives

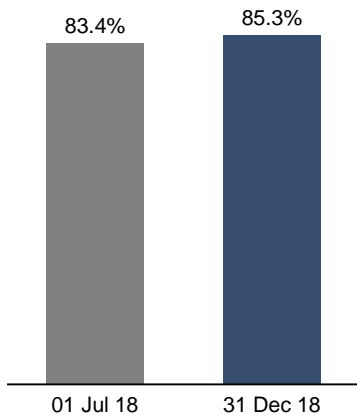
Capital and loss-absorbing instruments, % of RWA



- 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), %



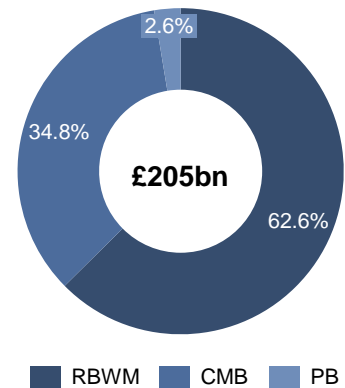
Liquidity coverage ratio (LCR)², %



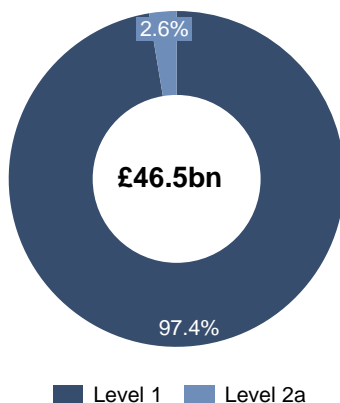
Net stable funding ratio (NSFR), %



Customer deposits by global business



Liquid Asset Buffer²

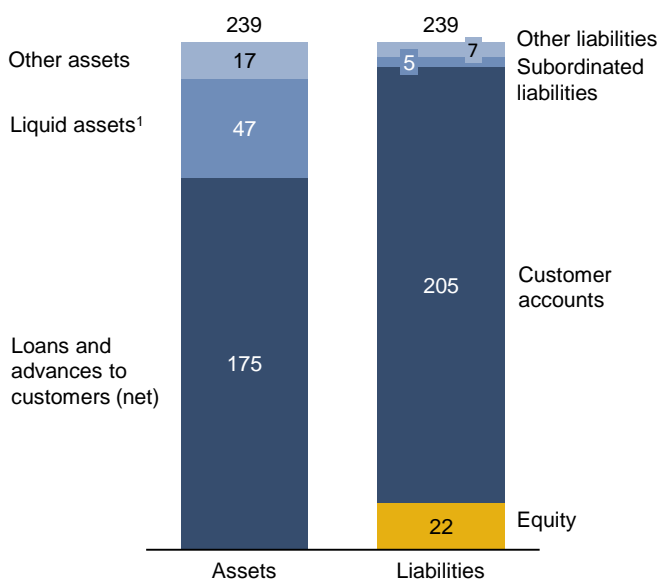


- Our primary sources of funding are customer current accounts and customer savings deposits
- Customer Accounts are diversified between RBWM, CMB and GPB with HSBC UK maintaining a stable and diversified funding base
- HSBC UK has an A/D ratio of 85%, up from 83% at 01 Jul 18
- HSBC UK has a robust liquidity position
- The Liquid Asset Buffer exclusively comprises Level 1 and Level 2A liquid assets²

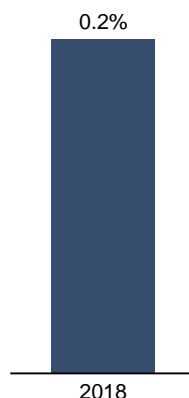
1. Minimum requirement for own funds and eligible liabilities
2. LCR presented on an EC LCR Delegated Regulation basis

Asset structure and quality as at 31 Dec 18

Consolidated balance sheet, £bn



ECL as a % of gross customer advances

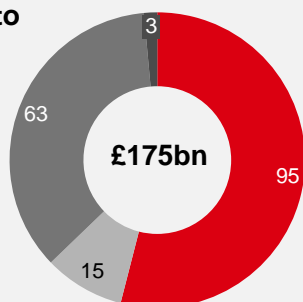


Stage 3 loans as a % of gross customer advances



Net loans and advances to customers, £bn

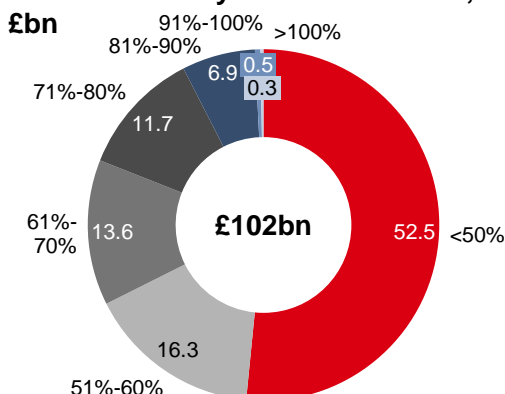
- Mortgages
- Other personal lending
- Corporate and commercial
- Non-bank financial institutions



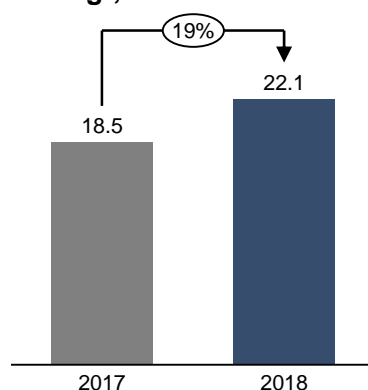
- HSBC UK has a conservative approach to risk management, consistent with the HSBC Group
- The diversification of HSBC UK's lending portfolio and broad range of businesses and products ensured it was not overly dependent on any one business segment to generate growth in 2018
- Expected credit losses include additional impairment allowances of £258m to reflect the increased level of economic uncertainty in the UK

Mortgage book structure as at 31 Dec 18

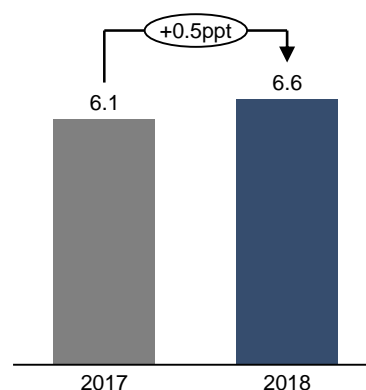
Mortgage balances, including loan commitments by level of collateral, £bn



Gross residential mortgage lending², £bn



Mortgage market share³, %



- 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%

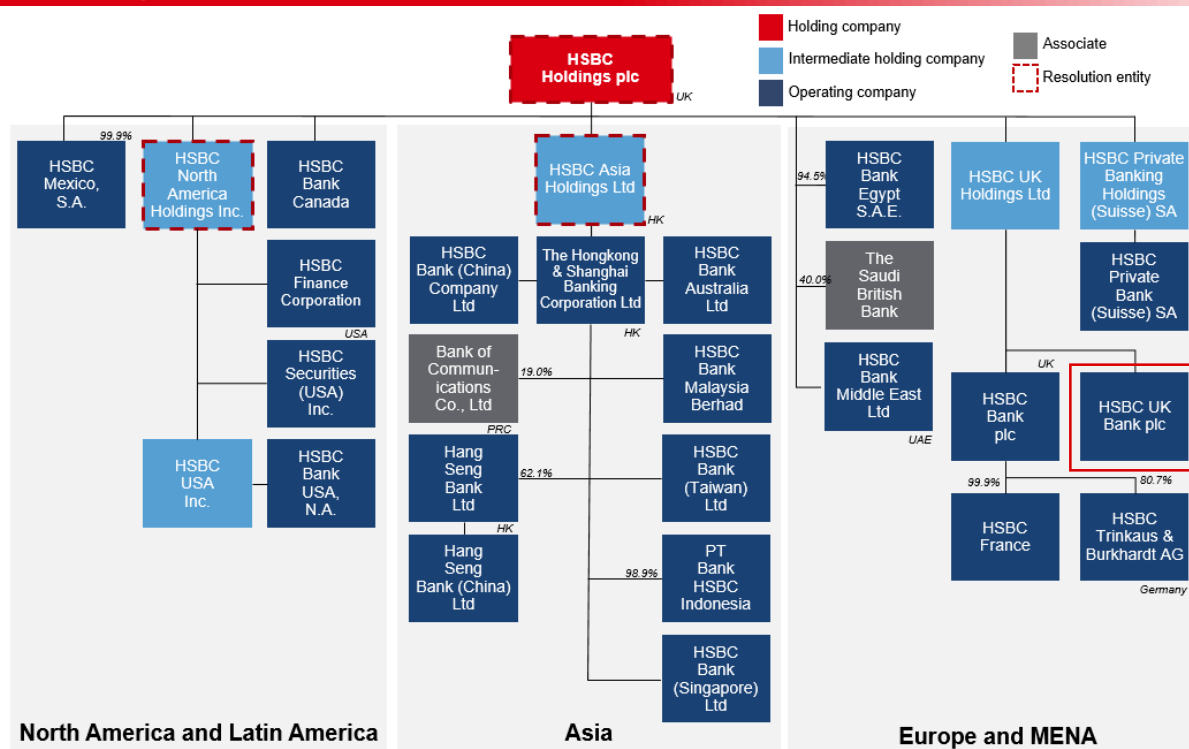
1. Liquid assets include cash and balances at central banks, items in the course of collection from other banks and financial investments

2. Source: HSBC internal data

3. Source: Bank of England Mortgage data

Simplified legal entity structure

As at 23 January 2019



Appendix: FY18 Group results¹ (comparison vs. FY17)

By global business, \$bn	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Revenue	21.9 8%	14.9 12%	15.5 1%	1.8 4%	(0.2) (>100)%	53.9 4%
ECL / LICs	(1.2) (21)%	(0.7) (59)%	0.0 >100%	0.0 >100%	0.1 (37)%	(1.8) (3)%
Operating expenses	(13.7) (7)%	(6.5) (9)%	(9.5) (5)%	(1.4) (3)%	(1.9) 9%	(33.0) (6)%
Associates and JVs	0.0 >100%	- -%	- -%	- -%	2.5 4%	2.5 5%
Profit before tax	7.1 9%	7.7 12%	6.1 4%	0.3 16%	0.5 (67)%	21.7 3%
RoTE ² (%)	21.0 (0.6)ppt	14.0 0.0ppt	10.5 (0.1)ppt	9.9 2.8ppt	(5.7) (0.5)ppt	10.2 0.9ppt
Cost efficiency ratio (%)	62.5 0.7ppt	43.5 1.4ppt	61.0 (2.2)ppt	81.2 0.7ppt	nm -	61.2 (0.7)ppt
Reported RWAs	126.9 4%	321.2 7%	281.0 (6)%	16.8 5%	119.4 (11)%	865.3 (1)%
Customer advances (net)	361.9 9%	332.2 9%	245.0 0%	39.2 (1)%	2.5 (66)%	981.7 6%
Customer deposits	640.9 3%	357.6 2%	290.9 7%	66.7 3%	8.6 (21)%	1,362.6 3%
A/D ratio (%)	56.5 (3.0)ppt	93.2 (6.4)ppt	84.2 5.3ppt	58.8 2.1ppt	28.9 38.2ppt	72.0 (1.8)pt
By region ³ , \$bn	Europe	Asia	MENA	North America	Latin America	Group
Revenue	17.8 (2)%	28.7 11%	2.7 4%	6.8 3%	3.1 9%	53.9 4%
ECL / LICs	(0.6) 5%	(0.6) (7)%	(0.2) (2)%	0.2 (17)%	(0.6) 15%	(1.8) (3)%
Operating expenses	(17.3) (6)%	(12.5) (12)%	(1.4) (4)%	(5.2) (1)%	(1.9) (10)%	(33.0) (6)%
Associates and JVs	0.0 (38)%	2.1 8%	0.4 (1)%	0.0 (>100)%	0.0 (33)%	2.5 5%
Profit before tax	(0.0) (>100)%	17.8 11%	1.6 3%	1.9 9%	0.6 2%	21.7 3%
Cost efficiency ratio (%)	96.9 (7.3)ppt	43.3 (0.3)ppt	50.5 0ppt	75.9 1.2ppt	63.1 (0.2)ppt	61.2 (0.7)ppt
Reported RWAs ⁴	298.1 (4)%	363.9 2%	56.7 (4)%	131.6 0%	38.3 5%	865.3 (1)%
Customer advances (net)	373.1 3%	450.5 8%	28.8 7%	108.1 4%	21.1 17%	981.7 6%
Customer deposits	503.2 5%	664.8 3%	35.4 6%	133.3 (5)%	26.0 21%	1,362.6 3%
A/D ratio (%)	74.1 1.5ppt	67.8 (3.3)pt	81.4 (1.3)ppt	81.1 (6.5)ppt	81.3 2.6ppt	72.0 (1.8)pt

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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Important notice and forward looking statements

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Pro forma and Non-GAAP financial information

This presentation contains pro forma financial information. Pro forma results have been calculated for illustrative purposes only for 2018 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.

Key contacts

Richard O'Connor

Global Head of Investor Relations

richard.j.oconnor@hsbc.com

+44 (0) 20 7991 6590

Greg Case

Head of Fixed Income Investor Relations

greg.case@hsbc.com

+44 (0) 20 7992 3825

Mathieu Midrier

Group Funding Director

mathieu.midrier@hsbc.com

+44 (0) 20 3359 2148

Dave Watts

Chief Financial Officer, HSBC UK

dave.watts@hsbc.com

+44 (0) 20 7991 2920