



## 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.

◀ Denotes an adjusted measure

### 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 unique combination of strategic advantages:

- ◆ Leading international bank
- ◆ Unparalleled access to high-growth markets
- ◆ Balance Sheet strength

### HSBC Group 1H18

**PBT** ▶  
1H17: \$12.4bn

**\$12.1bn**

**CET1 ratio**  
1H17: 14.7%

**14.2%**

**A/D ratio**  
1H17: 70.1%

**71.8%**

### HSBC France: an integral part of the HSBC group

#### Key financial metrics

1. Local regulatory numbers

**PBT** ▶  
1H17: € 262m

**€ 31m**

**Revenue** ▶  
1H17: € 1,049m

**€ 900m**

**ECL / LICs** ▶  
1H17: € (4)m

**€ 15m**

**A/D ratio**  
1H17: 112%

**115%**

**CET1 ratio**  
1H17: 13.0%

**12.2%**

**Customer loans**  
1H17: € 42bn

**€ 45bn**

**Customer deposits**  
1H17: € 38bn

**€ 39bn**

**RWAs<sup>1</sup>**  
1H17: € 35bn

**€ 36bn**

**LCR**  
1H17: 159%

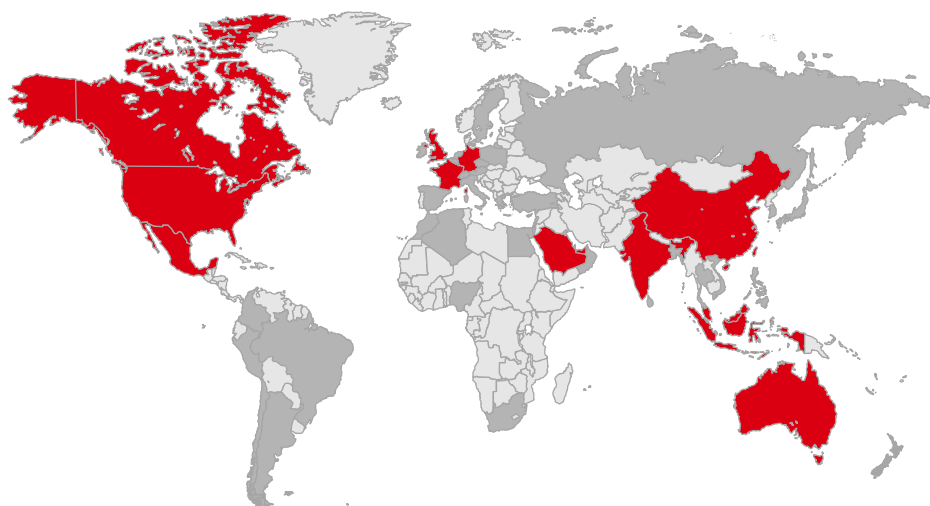
**169%**

**Total Capital Ratio**  
1H17: 14.3%

**15.2%**

# HSBC Group

- Markets at scale and markets as leading international bank
- Markets to connect the network



## HSBC France – a key priority market for the Group

### France

France is the 5th largest global economy based on GDP<sup>1</sup> and a key member of the eurozone. It also is the 5th largest trade nation<sup>2</sup> and it has a wealthy population, ranking 3rd in wealth per adult among large countries<sup>3</sup>.

### HSBC in France

- HSBC France is one of HSBC Group's scale markets with the 4th largest balance sheet by assets
- Gross customer loans of €45bn (\$54bn) as at 30 June 2018, representing 6% of the Group
- Benefits from an international network
- Positioned as the largest foreign bank in the French market, by assets
- Acting as the HSBC Group's Global Markets centre of excellence in euro rate products
- Well-positioned in the context of Brexit. HSBC France acquired operations and subsidiaries in Greece, Poland and Ireland and will acquire operations in seven other EEA countries from HSBC Bank plc early 2019.

### Our Global Businesses

- |                 |  |
|-----------------|--|
| <b>RBWM</b>     | <b>Retail Banking and Wealth Management:</b><br>Personal Financial Services, Asset Management and Insurance activities         |
| <b>CMB</b>      | <b>Commercial Banking:</b><br>Banking products and services for businesses   |
| <b>GB&amp;M</b> | <b>Global Banking and Markets:</b><br>Banking and market support for large corporates, institutional investors and governments |
| <b>GPB</b>      | <b>Global Private Banking:</b><br>Wealth management  |

### Strategy

- HSBC seeks to partner French corporates in respect of their international development and retail clients for their wealth management needs
- HSBC France positions itself for future growth through a number of strategic investments:
  - Grow Global Markets revenues by intensifying client coverage in Europe, extending the scope of traded rates products, and leveraging technology and e-platforms to enhance sales
  - Grow its share of wallet on Corporates by leveraging specialised product teams and increase international business by focusing on key corridors (US, UK, China, Germany)
  - Implement an omni-channel model and improve customer experience in retail banking

1. Source: IMF (2018)  
 2. Source: Global Insights (Import + Export 2016)  
 3. Source: Wealth per adult among Top 10 GDPs (Credit Suisse Global Wealth Databook 2017)

## External credit ratings

Long term senior ratings as at 30 June 18

	Fitch		Moody's		S&P	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
HSBC Holdings plc	AA-	Stable	A2	Stable	A	Stable
HSBC Bank plc	AA-	Stable	Aa3	Stable	AA-	Stable
HSBC France	AA-	Stable	Aa3	Stable	AA-	Stable

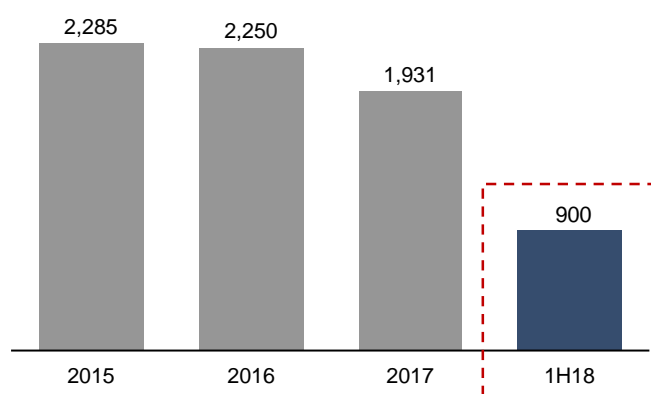
- HSBC France has strong ratings with a stable outlook from all three main rating agencies
- HSBC France is perceived by all the main rating agencies as a core strategic subsidiary of HSBC Group
- In September 2017, Moody's upgraded HSBC France from A2 to Aa3
- HSBC France has AA- Rating from S&P since 2011 and from Fitch since 2012

## 1H 2018 HSBC France Results<sup>1</sup>

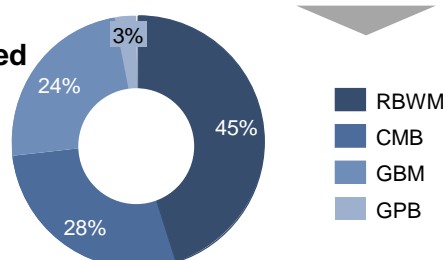
€m	Global businesses and Corporate Centre					HSBC France
	RBWM	CMB	GB&M	GPB	Corporate Centre	
Revenue	406	259	218	27	(10)	900
ECL	(3)	(12)	(3)	1	2	(15)
Operating expenses	(409)	(185)	(211)	(23)	(26)	(854)
Profit before tax	(6)	62	4	5	(34)	31

€bn	RBWM	CMB	GB&M	GPB	Corporate Centre	HSBC France
Reported RWAs <sup>2</sup>	4.6	11.1	16.7	1.0	0.6	35.4
Customer advances	18.9	12.0	12.0	2.2	(0.5) <sup>3</sup>	44.6
Customer deposits	16.8	11.0	11.1	0.9	(1.1) <sup>3</sup>	38.7
A/D ratio (%)	112%	109%	108%	228%	n/d	115%

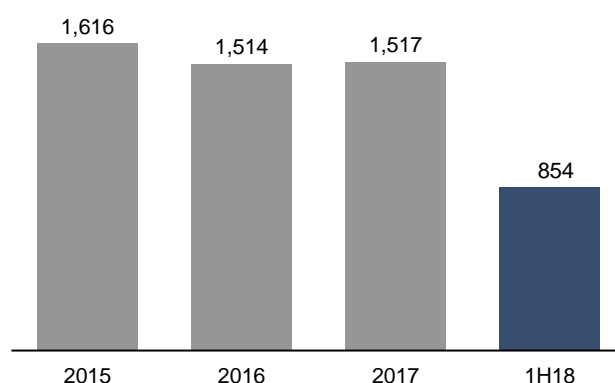
### Adjusted revenues<sup>4</sup>, €m



### 1H 2018 adjusted revenue by Global Business<sup>5</sup>, %



### Adjusted operating expenses<sup>4</sup>, €m



HSBC France has been actively managing its operating expenses and increasing efficiency through:

- Infrastructure enhancements
- Digitalisation of business
- Headcount management

1. All numbers presented are on an adjusted basis unless otherwise stated

2. As at December 2017, including Basel 1 floor impact of €1.3bn, which is not included within the Global Business or Corporate Centre

3. Relates to intragroup balances

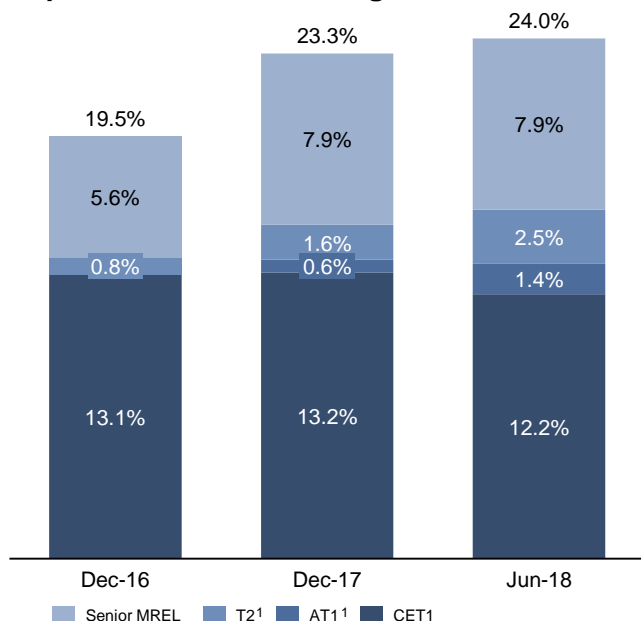
4. 2015, 2016 and 2017 and 2018 adjusted revenues and operating expenses as reported at 30 June 2018

5. Excludes Corporate Centre

## Capital Structure

HSBC France has enhanced its capital structure in 2017 and 2018 to support its business planning and strategic initiatives.

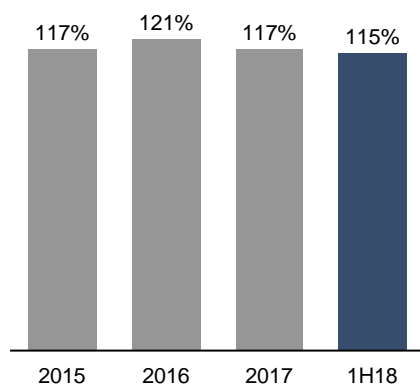
### Capital and loss-absorbing instruments



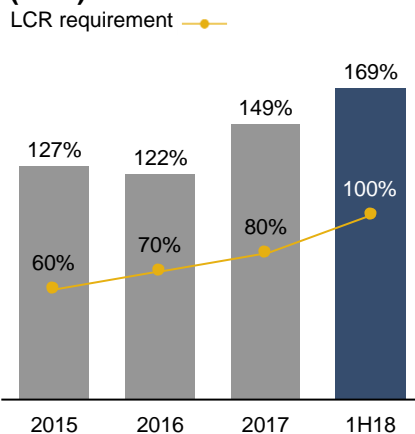
- HSBC France's capital position as at 30 June 2018:
  - CET1 ratio of 12.2%;
  - Total Capital Ratio of 15.2% net of prudential deductions versus requirement of 12.6%
- Regulatory capital base further optimised during 2018:
  - Issued €0.3bn of AT1 and €0.3bn of Tier 2 capital to parent
- MREL strategy is on track with the issuance €2.8bn senior to parent in 2016 and 2017 intended to be converted into senior non-preferred (SNP) when MREL regulation is finalised, taking potential total loss-absorbing capacity up to €8.5bn, including the €0.3bn of AT1 and €0.3bn of Tier 2 issued in 1H 2018.

## Funding and liquidity

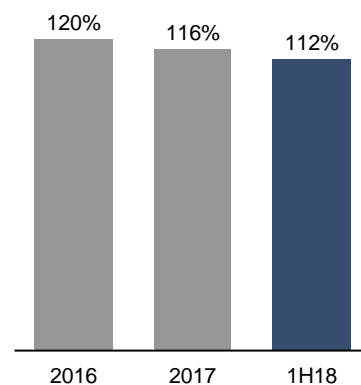
### Advances / Deposits Ratio (ADR)



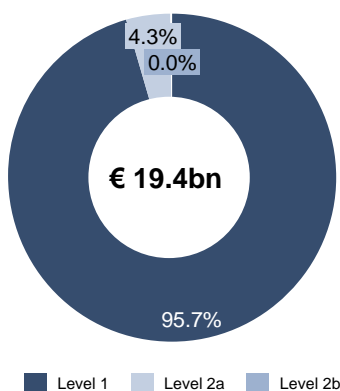
### Liquidity Coverage Ratio (LCR)



### Net Stable Funding Ratio (NSFR)



### Dec 2017 Liquid Asset Buffer



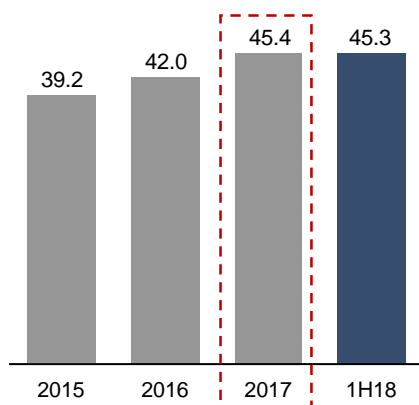
- HSBC France has a robust liquidity position and maintains its LCR and NSFR well above the regulatory minimum
- The Liquid Asset Buffer is mainly comprised of cash and government bonds
- HSBC France maintains a stable and diversified funding base, with around half of its Available Stable Funding (ASF) coming from customer deposits, and the remainder coming from a variety of different debt and capital instruments
- HSBC France has participated with €4.1bn in the TLTRO<sup>2</sup> program and through its covered bond vehicle HSBC SFH (France) has €4.6bn of covered bonds outstanding

1. Gross of deduction items

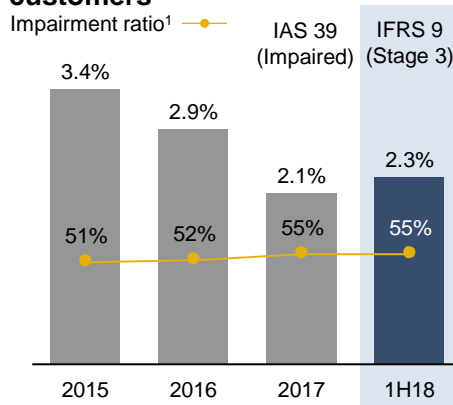
2. TLTRO: Targeted long-term refinancing operations

# Asset structure and quality

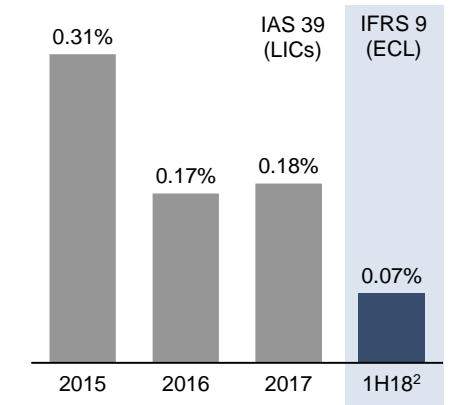
**Gross loans and advances to customers, €bn**



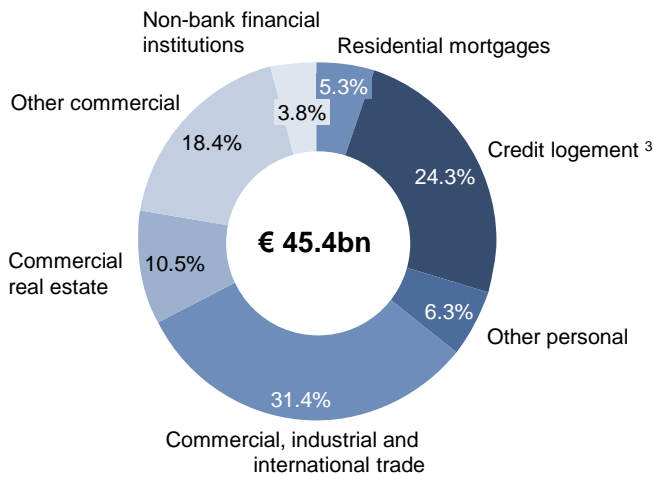
**Stage 3 / Impaired loans as a % of gross loans and advances to customers**



**ECL / LICs as a % of total gross loans and advances to customers**

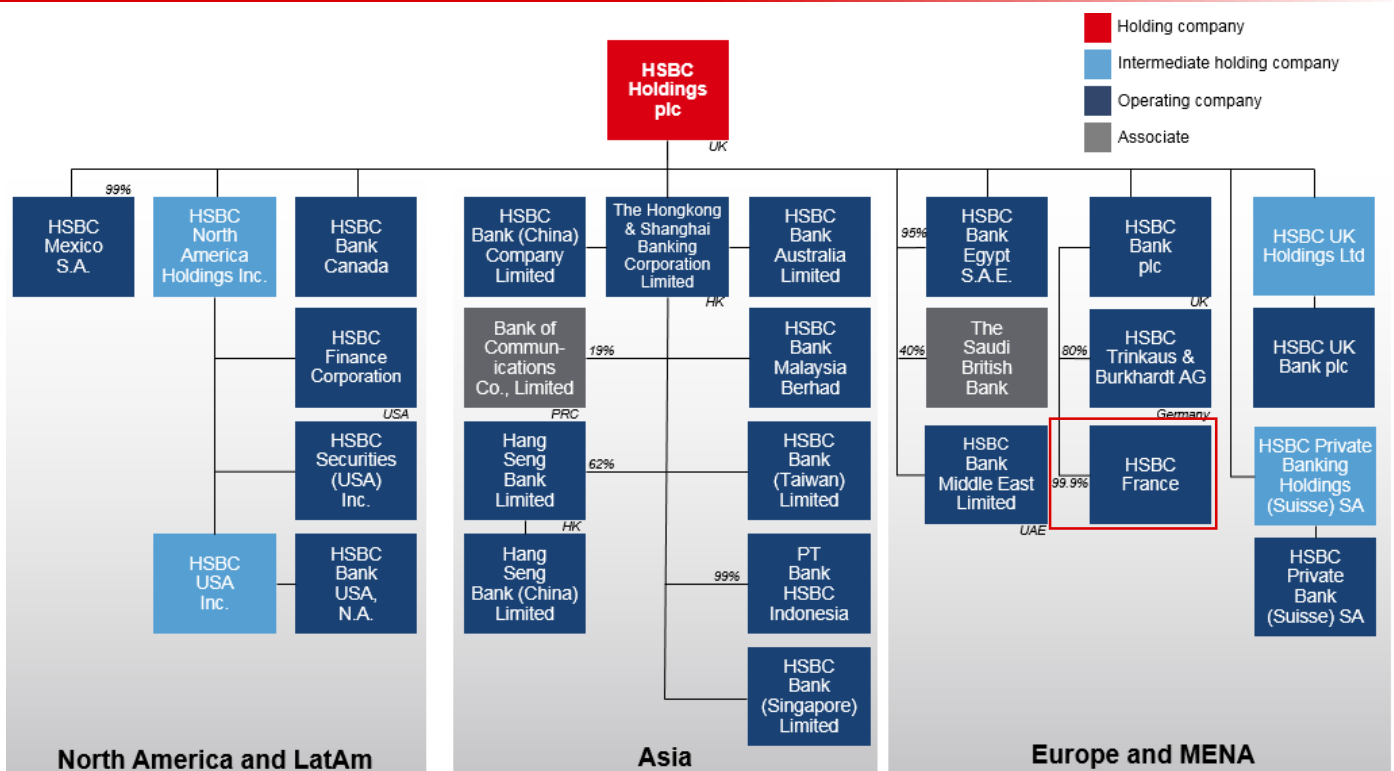


**Dec 2017 Gross loans and advances to customers by lending type**



- HSBC France has a conservative approach to risk management, consistent with the Group
- HSBC France has a high quality lending portfolio, with 82% of gross loans to customers of 'Strong' or 'Good' credit quality in 2017
- Impaired loans and LICs as a % of gross loans and advances to customers showing a decreasing trend over 2015 to 2017, and its 2018 ECL as a % of gross loan underlines the portfolio quality
- The impairment ratio continues to improve, with 55% of impaired loans covered by impairment allowances

# HSBC Group simplified legal entity structure



1. Impairment ratio is calculated as Impairment allowances / Total impaired loans; Impairment allowances / Total stage 3 loans

2. Annualised

3. Crédit Logement is a French nationwide home loans guarantee scheme regulated by the French regulatory authority, the ACPR. It provides robust guarantees to lenders against the risk of borrower default

## Appendix: 1H18 HSBC Group Results<sup>1</sup> (comparison vs. 1H17)

By global business, \$bn	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Revenue	11.1 8%	7.4 12%	8.3 1%	0.9 6%	(0.2) (>100)%	27.5 2%
ECL / LICs	(0.5) 4%	(0.1) 50%	0.1 >100%	0.0 >100%	0.1 (55)%	(0.4) 38%
Operating expenses	(6.9) (9)%	(3.3) (11)%	(4.8) (4)%	(0.7) (2)%	(0.7) (9)%	(16.4) (8)%
Associates and JVs	0.0 >100%	- 0%	0.0 0%	- 0%	1.4 7%	1.4 10%
Profit before tax	3.6 7%	4.1 15%	3.6 1%	0.2 32%	0.6 (63)%	12.1 (2)%
RoTE <sup>2</sup> (%)	21.3 (1.3)ppt	15.1 0.3ppt	12.3 (0.2)ppt	11.2 4.7ppt	(3.9) (4.2)ppt	11.5 (0.1)ppt
Cost efficiency ratio (%)	62.4 (1.0)ppt	44.0 0.5ppt	58.0 (1.7)ppt	80.0 3.4ppt	nm -	59.5 (3.1)ppt
ECL / LICs % of gross loans <sup>3</sup>	0.31 0.0ppt	0.03 0.0ppt	(0.08) 0.1ppt	(0.02) 0.0ppt	(4.62) 3.4ppt	0.08 0.1pt
Reported RWAs	124.1 6%	315.1 9%	284.5 (7)%	17.0 4%	124.8 (16)%	865.5 (1)%
Customer advances (net)	351.1 8%	329.3 8%	250.1 2%	40.9 6%	2.1 (73)%	973.4 6%
Customer deposits	635.6 3%	355.7 4%	291.7 9%	63.6 (7)%	9.8 (34)%	1,356.3 3%
A/D ratio (%)	55.2 2.7ppt	92.6 3.6ppt	85.8 (5.2)ppt	64.3 8.0ppt	21.2 (31.2)ppt	71.8 1.7ppt

By region, \$bn	Europe	Asia	MENA	North America	Latin America	Group
Revenue	9.0 (8)%	14.5 11%	1.4 1%	3.5 7%	1.6 13%	27.5 2%
ECL / LICs	(0.2) >100%	(0.1) 74%	(0.1) 16%	0.2 67%	(0.2) 4%	(0.4) 38%
Operating expenses	(8.4) (8)%	(6.1) (14)%	(0.7) (6)%	(2.6) (6)%	(1.0) (11)%	(16.4) (8)%
Associates and JVs	0.0 38%	1.1 9%	0.3 14%	0.0 (>100)%	0.0 0%	1.4 10%
Profit before tax	0.5 (78)%	9.4 14%	0.8 2%	1.1 17%	0.4 34%	12.1 (2)%
Cost efficiency ratio (%)	93.0 (14.0)ppt	42.2 (1.0)ppt	50.7 (2.7)ppt	75.2 (0.5)ppt	62.4 (1.0)ppt	59.5 (3.1)ppt
Reported RWAs <sup>4</sup>	301.3 (3)%	364.0 5%	58.0 (2)%	133.0 (3)%	37.0 (4)%	865.5 (1)%
Customer advances	374.3 3%	445.7 11%	29.1 2%	104.4 (2)%	20.0 1%	973.4 6%
Customer deposits	507.1 6%	656.6 3%	34.2 (2)%	135.7 (3)%	22.7 1%	1,356.3 3%
A/D ratio (%)	73.8 (2.4)ppt	67.9 4.9ppt	85.1 3.2ppt	76.9 (1.0)ppt	88.3 (0.2)ppt	71.8 1.7ppt

1. All numbers presented are on an adjusted basis unless otherwise stated. The income statement for 1H17 is restated at the average rates of exchange for 1H18. Comparison on an (adverse) / favourable basis

2. Group RoTE and global business RoTEs exclude significant items and UK bank levy

3. ECL / LICs as a % of average gross loans and advances to customers

4. RWAs are non-additive across geographical regions due to market risk diversification effects within the Group



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Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Update to the Registration Document and Interim Financial Report 2018 filed with the Autorité des Marchés Financiers on 6 August 2018.

This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is 'adjusted performance' which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business. Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in the Update of the Registration Document and Interim Financial Report and the Reconciliations of Non-GAAP Financial Measures document which are both available at [www.hsbc.fr](http://www.hsbc.fr).

Information in this presentation was prepared as at August 24<sup>th</sup> 2018.

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