Important notice and forward-looking statements

Important notice

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Information in this presentation was prepared as at 21 November 2018.
The chart above illustrates the post-transfer assets, liabilities and equity of HSBC UK Bank plc on a consolidated basis. The numbers presented are subject to change for any final transfers between HSBC UK Bank plc and other members of the HSBC Group. For further details, see Note 12 ‘Events after the balance sheet date’ on page 60 of the HSBC Bank plc Interim Report 2018.

1. Source: HSBC UK Bank plc disclosures as at 1 July 2018
2. Liquid assets include cash and balances at central banks, items in the course of collection from other banks and financial investments
After the successful completion of ring-fencing, the UK is now positioned to deliver a **unique growth opportunity** for HSBC.

### 1. Launch of HSBC UK
- **HSBC UK** successfully launched in July 2018
- c14.5m customers and c22,000 colleagues
- 5th largest retail and commercial bank in the UK\(^1\)
- Well-diversified business model, comprising Retail, Commercial and Private Banking
- Universal banking capabilities and unparalleled international connectivity
- Signature balance sheet strength, with conservative risk appetite and healthy returns

### Key opportunities

#### 2. Retail banking
- High single-digit **mortgage growth** through controlled intermediary channel expansion whilst maintaining a conservative risk appetite
- Enhancing the **multi-brand strategy** and accelerating digital developments to drive growth and acquire new digital customers

#### 3. Commercial banking
- Grow SME market share through disruptive digital propositions
- Leverage our **unique global footprint** to increase penetration of internationally-focussed businesses
- Increase penetration of **mid-market segment** through renewed focus on fast growing cities and sectors

#### 4. Customer satisfaction
- Improve customer service through investment in our people, and digital enhancements to support simpler, faster on-boarding and application processes

#### 5. Simplification & Ways of Working
- Streamline back office systems and processes
- Use new and emerging technologies to improve cost efficiency

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1. As measured by total assets as at 30SEP18
HSBC UK successfully launched in July 2018

- Moved over 1,000 roles from London to Birmingham
- Moved 17 million accounts into our new bank
- Transferred 22,000 colleagues into our new legal entity – the biggest staff transfer in HSBC’s history
- Recruited our HSBC UK Executive Committee and appointed our full HSBC UK Board, led by Dame Clara Furse
- Separated over 250 IT systems
- Received High Court approval to ring-fence
- Obtained our full banking licence to operate as HSBC UK
- Our Birmingham Head Office is now branded HSBC UK (formal opening in Dec 18)
Retail Banking

2 Retail Banking and Wealth Management has a clear growth opportunity in the UK, led by controlled mortgage expansion

RBWM propositions and brands

- **Global Private Banking**
  - Jade
  - Premier
  - Advance
  - Personal

RBWM market share at 30 June 2018 (%)

<table>
<thead>
<tr>
<th>Lending</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages¹</td>
<td>14.9</td>
</tr>
<tr>
<td>Personal Loans²</td>
<td>9.9</td>
</tr>
<tr>
<td>Cards³</td>
<td>13.9</td>
</tr>
<tr>
<td>Current Accounts⁴</td>
<td>6.4</td>
</tr>
</tbody>
</table>

Growth opportunities

1. Controlled expansion into the intermediary channel to deliver **high single-digit mortgage growth** whilst maintaining a conservative risk appetite

2. Enhance the **multi-brand strategy**

3. Deliver a **sustainable wealth proposition**

4. Accelerate the pace of digital developments to deliver **immersive experiences** and acquire customers

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1. Mortgage market share of stock, based on HSBC's £88.6bn mortgage balances at 30JUN18 and Bank of England total stock lending data as of 30JUN18 of £1380.5bn (Table A5.3: “Lending secured on dwellings”, summary table VTXK). **NB:** HSBC balance includes Channel Islands and Isle of Man, which are not part of the consolidated HSBC UK entity.

2. Market size from Bank of England Consumer Credit Table 5.6 to 30JUN18. **NB:** HSBC UK personal loans market share excludes car finance, payday lending, and personal contract purchase, but includes relevant balances from the Channel Islands and Isle of Man, which are not part of the consolidated HSBC UK entity.

3. Market size from Bank of England Consumer Credit Table 5.6 to 30JUN18. **NB:** HSBC balances include relevant balances from the Channel Islands and Isle of Man, which are not part of the consolidated HSBC UK entity.

4. Loans/current accounts sourced from Consolidated Analysis Centre Incorporated (CACI) (scaled) as at 30JUN18.
RBWM UK digital capabilities

Digital progress

- Connected Money, our open banking app enables customers to see their accounts, loans and mortgages in one place – even if they are held with other banks
  - Downloads: >200,000 as at 30SEP18

- In Q4 2017 HSBC launched Omiga, a scalable, broker-centric mortgage platform, integrated with core HSBC systems
- Since launching, the improved digital platform has simplified the documentation process, enabled more brokers to be added to the HSBC network, and improved overall broker satisfaction
  - Intermediary time-to-offer: Reduced from c40 days to c13 days, with an aspiration of 10 days or less

Improved digital platforms have supported mortgage lending with brokers

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>9M18</th>
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</thead>
<tbody>
<tr>
<td>Broker coverage</td>
<td>8%</td>
<td>43%</td>
<td>70%</td>
<td>83%</td>
</tr>
<tr>
<td>Broker channel</td>
<td>c. £13bn</td>
<td>c. £16bn</td>
<td>c. £19bn</td>
<td>c. £16bn</td>
</tr>
<tr>
<td>Direct channel</td>
<td></td>
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<td>9M18</td>
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</tbody>
</table>
3 Commercial Banking will build on existing strengths to **increase market share** and deepen client relationships

**Commercial Banking**

**CMB segmentation**

- **Large Corporates**
  - > £350m turnover
  - c. 1k clients
  - Global, largely multi-banked corporations with complex, tailored needs utilising the full suite of HSBC products

- **Mid Market Corporates**
  - £6.5m - £350m turnover
  - c. 12k clients
  - Corporates and SMEs with increasing exposure and more complex product needs

- **Mass business banking**
  - < £6.5m turnover
  - c. 900k clients
  - Small Business customers with simple banking needs (e.g. 4x higher deposits, vs. borrowings). Served by digital and telephony channels and (where necessary) a dedicated RM

**Indicative CMB market share at 30 June 2018 (%)**

- SME Loans¹: c. 9
- Non-SME loans¹: c. 10
- Receivables finance advances²: c. 24
- Deposits¹: c. 12

**Growth opportunities**

1. Grow SME market share through **disruptive digital propositions**, including streamlined lending and application processes
2. Leverage our **unique global footprint** and universal capabilities to increase penetration of internationally-focused businesses
3. Increase penetration of **mid-market segment** through renewed focus on fast growing cities and sectors

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1. Based on 30JUN18 balance submissions from the industry members of UK Finance; this does not represent 100% of market participants
2. 30JUN18 market data for receivables finance is published by UK Finance which represents c95% of the UK market for Receivables Finance and Asset Based Lending products
CMB UK digital capabilities

- Improved user interface for HSBCnet allowing customers to better manage, track and authorise global liquidity, cash management and trade transactions:
  - Next Generation Virtual Account Management platform helps clients become more efficient by concentrating payment and receivable activities across a smaller number of physical accounts
  - Integration of Xero accounting software

- HSBC was the first bank to roll out Face ID to corporate clients globally

- HSBC completed the world’s first end-to-end trade finance transaction using scalable Distributed Ledger Technology

- FX Everywhere, our distributed ledger platform allows for quicker processing of FX transactions with greater transparency

- UK customers can provide digital signatures on CoreDocs to reduce application turnaround time by up to 2 weeks

- HSBC Evolve gives customers live, executable pricing on over 1,500 currency pairs, with end-to-end digital processing, 24 hours a day, 5.5 days a week

- Real-time, trade transaction status updates using our Trade Transaction Tracker app
As well as unique global access, HSBC UK can offer clients universal product capabilities

### International Connectivity

#### Inbound (e.g. Real Estate)
- Corporate Real Estate (CRE) in the UK has a strong record of connecting overseas real estate investors to prime UK assets, as well as providing bespoke financing solutions

### Universal Product Capabilities

CMB collaboration with HSBC’s market-leading Global Banking and Markets business provides UK customers with:
- Access to international equity and debt capital markets
- Foreign Exchange expertise and structuring
- Rates Hedging
- M&A and other advisory services

#### Outbound (e.g. Education)
- HSBC UK has a market-leading higher education proposition, with dedicated industry specialists
- This has allowed CMB UK to support UK higher education institutions as they expand internationally
4 UK customer service has improved significantly with more to come

Starting point

- Declining customer numbers
- 13th position in Competition and Market Authority (CMA) rankings for RBWM
- Complex and slow on-boarding journeys

CMB progress

- 49% reduction in RM churn
- Improving colleague sentiment and engagement
- 56% reduction in average on-boarding time following MME pilot
- Significant improvements to HSBCnet
- Sustained growth in digital penetration
- Improvement to 5th place overall in June 2018 Charterhouse rankings, including 3rd place for Small Business Banking

People

- Completed the rollout of “Universal Banker” training across network to increase first point of contact resolution

Journeys

- Reduced average mortgage time-to-offer to <20 days from >40 days

Digital

- Connected Money (>200k downloads)
- Top-rated banking app in the Apple app store

Satisfaction

- first direct maintained #1 position in 15 Aug 2018 CMA rankings
- Growth in net customer numbers in 2018

RBWM progress

- Net growth in customer numbers, for target segments
- Increased market share of priority products
- Improved customer satisfaction

Target outcomes
HSBC UK remains focused on opportunities to accelerate the pace of **simplification** and embed **improved ways of working**

**Example opportunities:**

- Optimise governance and reporting
- Simplify procurement and recruitment
- Platform and architecture enhancements
- Reduction in products, and streamlining of features
- Adoption of automation / AI across repetitive transaction processing
- Machine learning and big data analytics, including chat bots, fraud detection, and AML / Sanctions screening

**Target outcomes:**

- Lower Cost Efficiency Ratio
- Increased customer satisfaction
- Improved colleague engagement
In summary, the UK represents a unique growth opportunity for the HSBC Group, with a clear plan to deliver significant value creation

1. Following the successful ring-fencing of retail and commercial banking operations, HSBC UK is now well-positioned to deliver growth

2. Sustainable growth in retail banking through controlled mortgage expansion, and continued enhancement of customer propositions

3. Build commercial banking from its existing positions of strength to increase product penetration and market share across priority segments

4. Continue to drive improvements in customer service through compelling, increasingly digital, offerings

5. Accelerate the pace of entity-wide simplification, and embed new ways of working, to ensure long-term competitiveness and sustainability