



21NOV18

HSBC UK

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# Important notice and forward-looking statements

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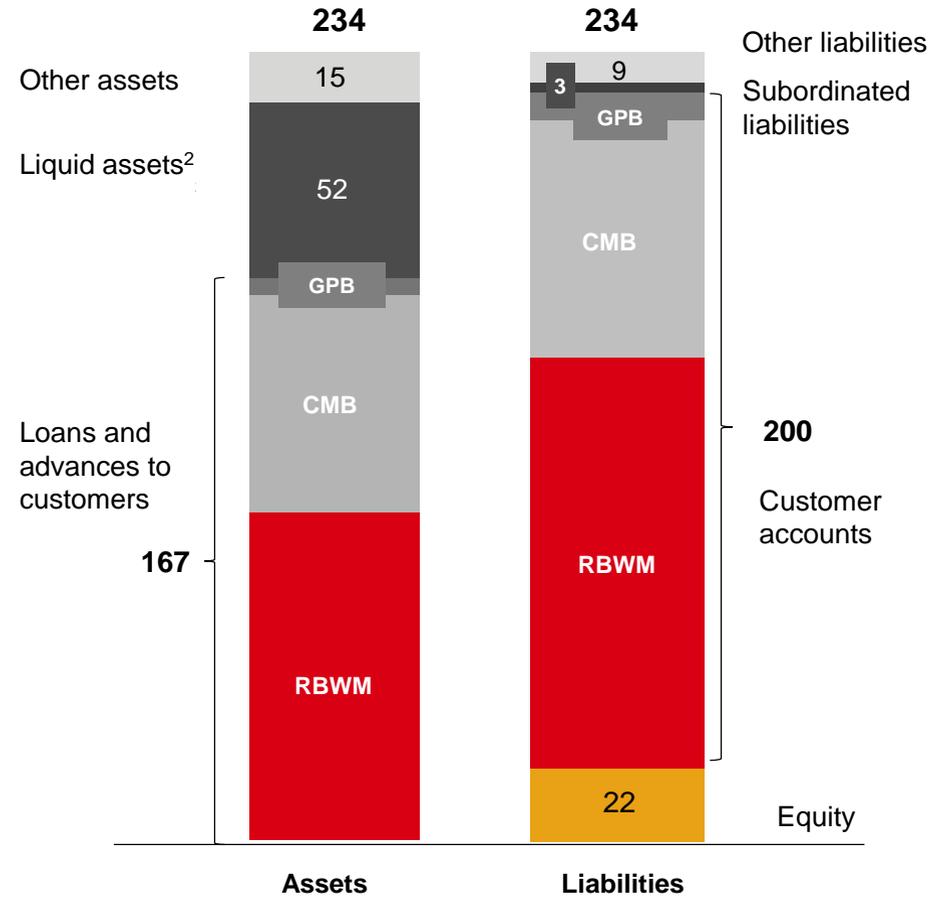
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Information in this presentation was prepared as at 21 November 2018.

# HSBC UK Bank plc

## Consolidated balance sheet, £bn<sup>1</sup>



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
- ✓ **5<sup>th</sup> largest retail and commercial bank in the UK<sup>1</sup>**
- ✓ **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

-  **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 customers
-  **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
-  **Customer satisfaction**
  - Improve customer service through **investment in our people**, and **digital enhancements** to support simpler, faster on-boarding and application processes
-  **Simplification & Ways of Working**
  - **Streamline back office** systems and processes
  - Use new and emerging technologies to improve **cost efficiency**

1. As measured by total assets as at 30SEP18

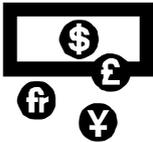
# 1 HSBC UK successfully launched in July 2018



Moved over **1,000 roles** from London to Birmingham



Separated over **250 IT systems**



Moved **17 million accounts** into our new bank



Received High Court approval to ring-fence



Transferred **22,000 colleagues** into our new legal entity – the biggest staff transfer in HSBC's history



Obtained our full banking licence to operate as HSBC UK

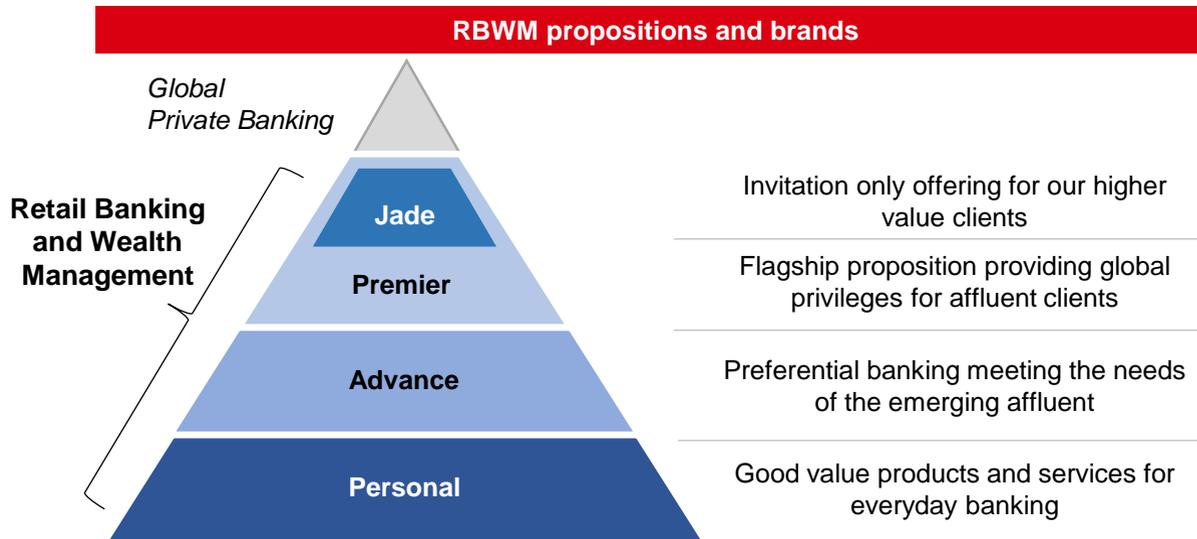


Recruited our HSBC UK Executive Committee and appointed our full HSBC UK Board, led by Dame Clara Furse

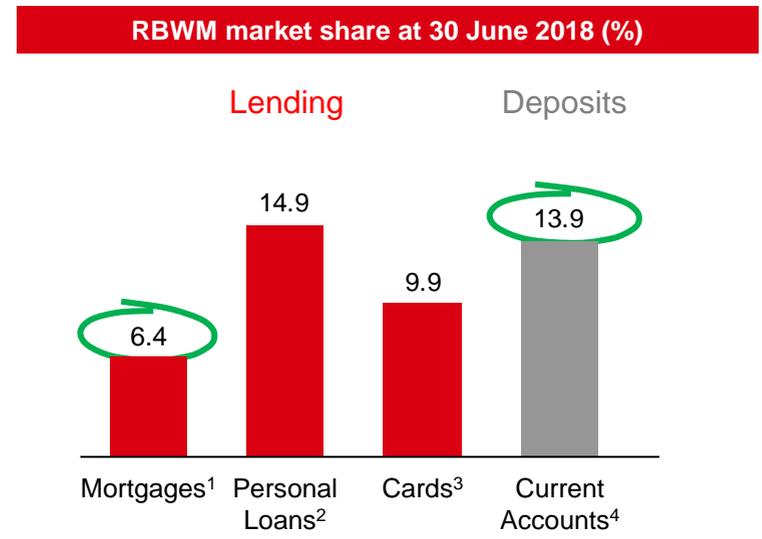


Our Birmingham Head Office is now branded HSBC UK (formal opening in Dec 18)

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



	<b>~8m customers</b> Full banking relationships, innovative proposition improvements
	<b>~1m customers</b> Full banking relationships, leading on customer service entirely through online and telephone channels
	<b>~3m customers</b> Unsecured lending, general insurance and a recently-launched mortgage offering
	<b>~1m customers</b> Unsecured lending, recent launch of John Lewis loans



**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

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.

## 2 RBWM UK digital capabilities

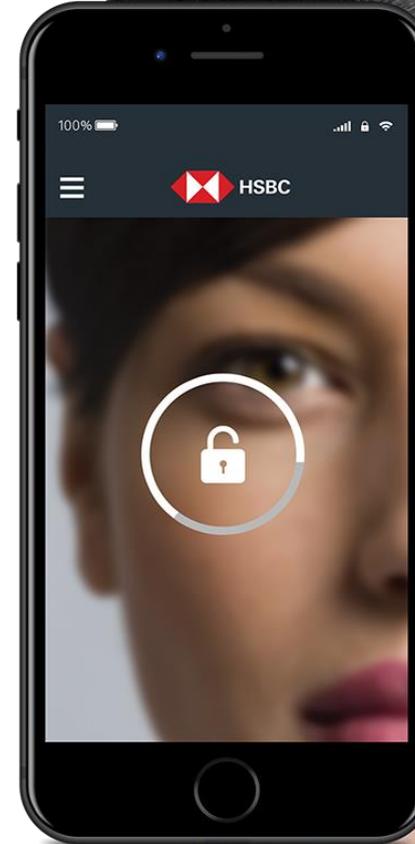
### Digital progress



- 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

Broker coverage  
(by value of market share)

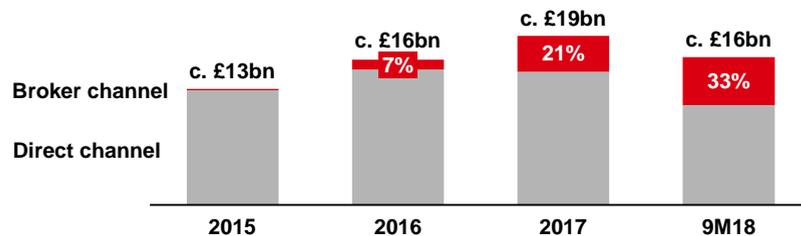
8%

43%

70%

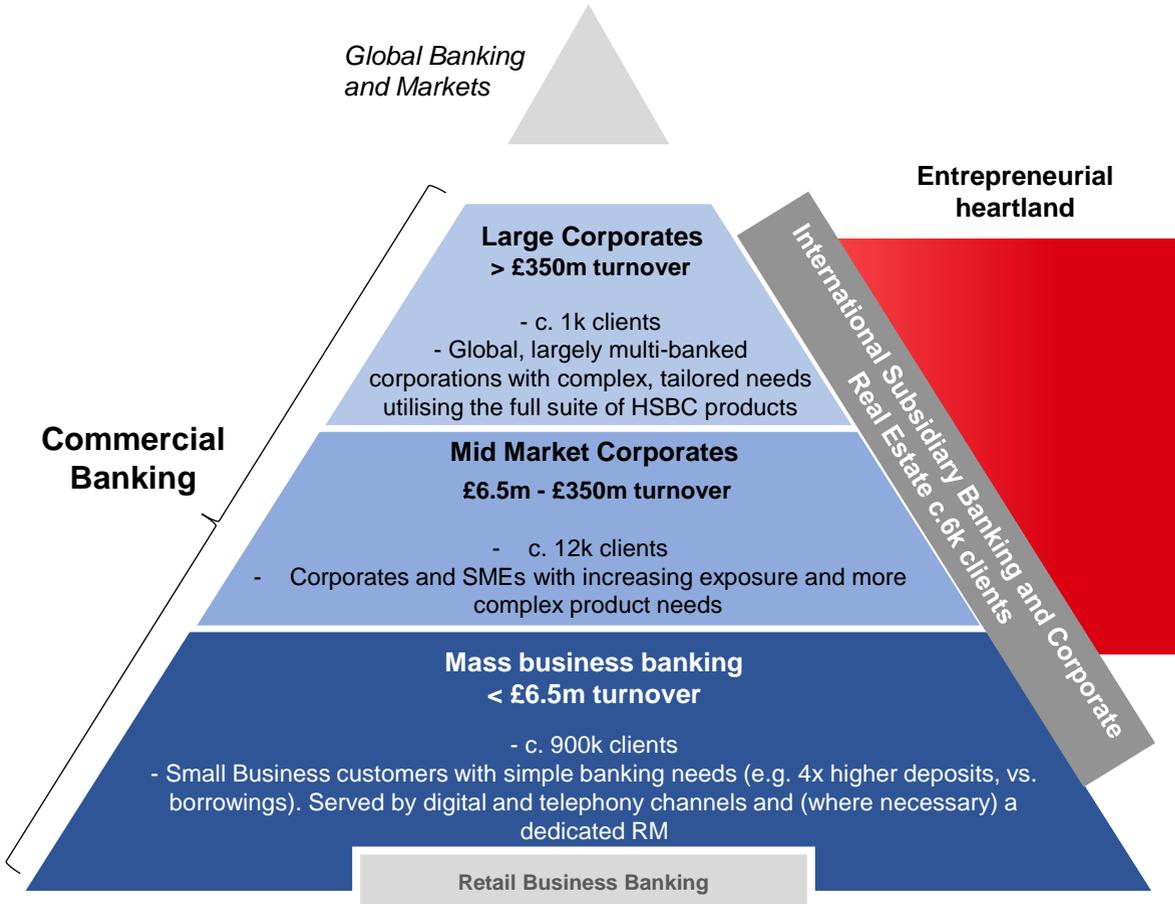
83%

HSBC gross lending

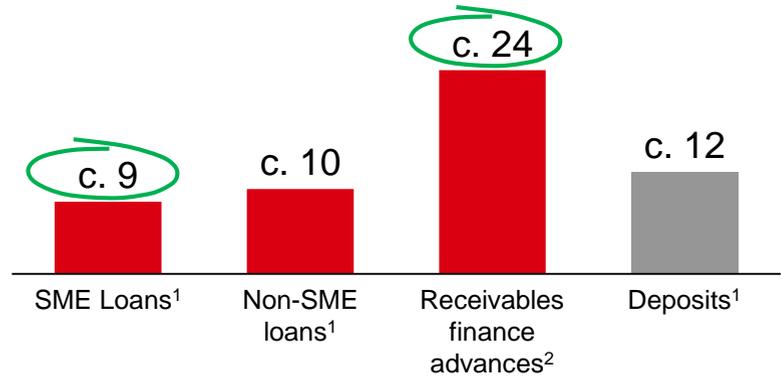


### 3 Commercial Banking will build on existing strengths to increase market share and deepen client relationships

#### CMB segmentation



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



#### 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-focussed businesses
3. Increase penetration of **mid-market segment** through renewed focus on fast growing cities and sectors

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

### 3 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**

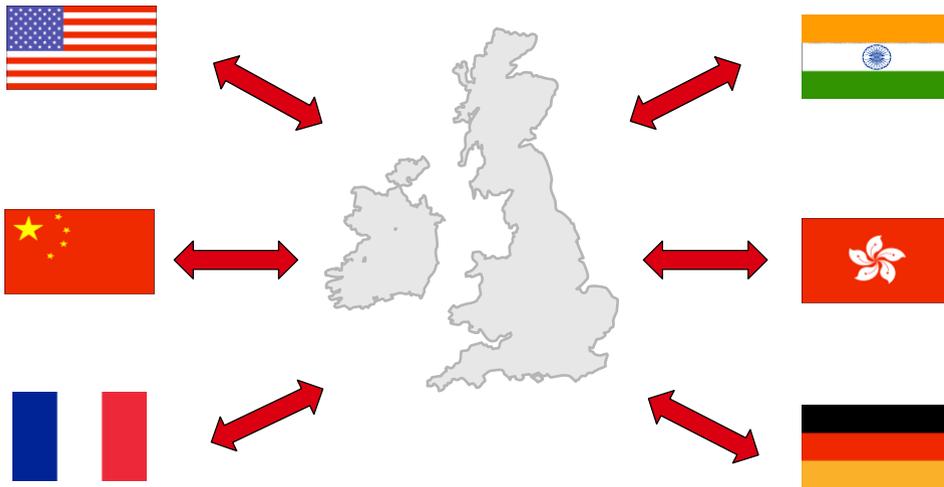


### 3 As well as unique global access, HSBC UK can offer clients **universal product capabilities**

#### 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



##### 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



#### Universal Product Capabilities



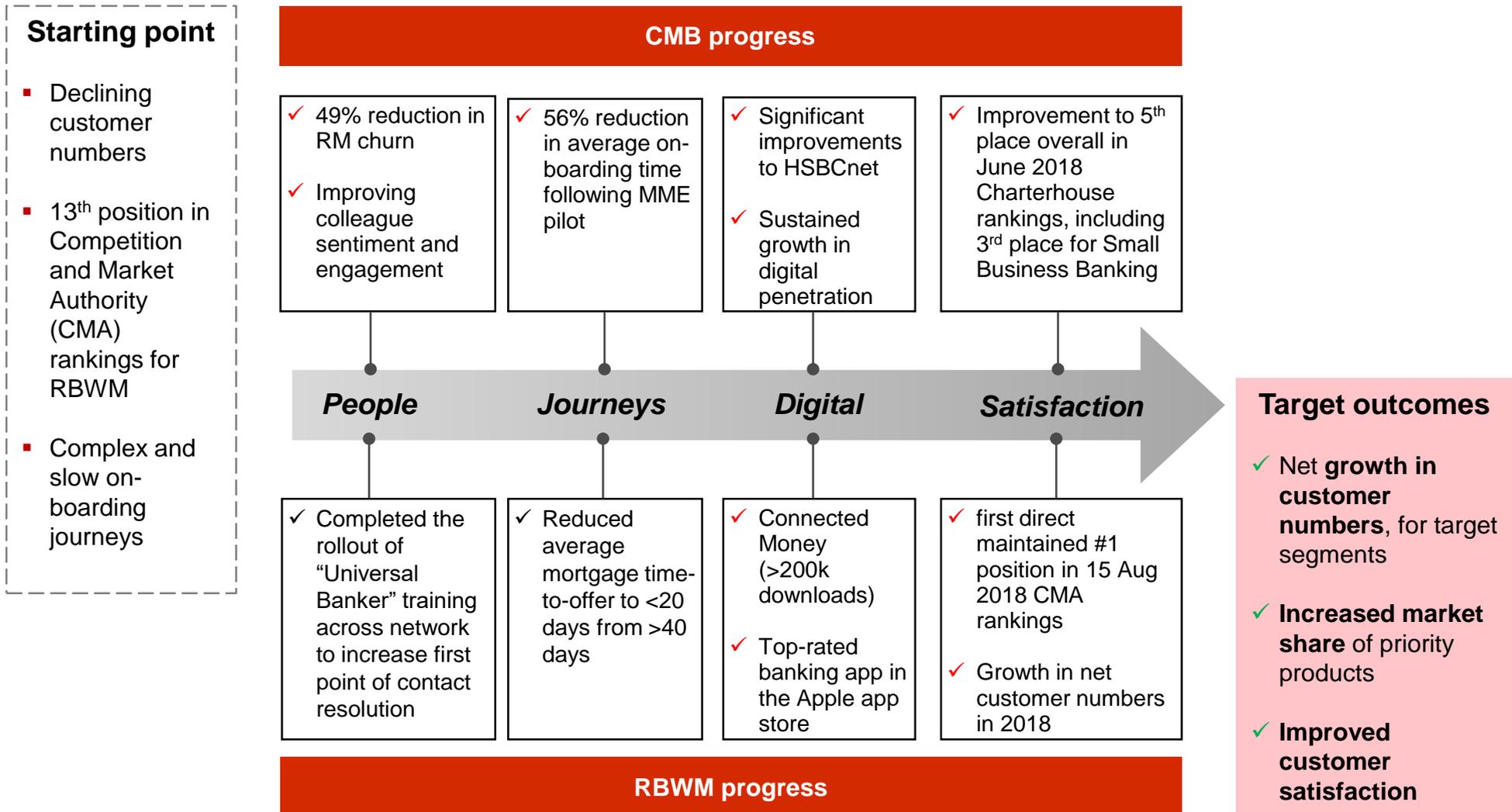
**Synergy revenues**



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

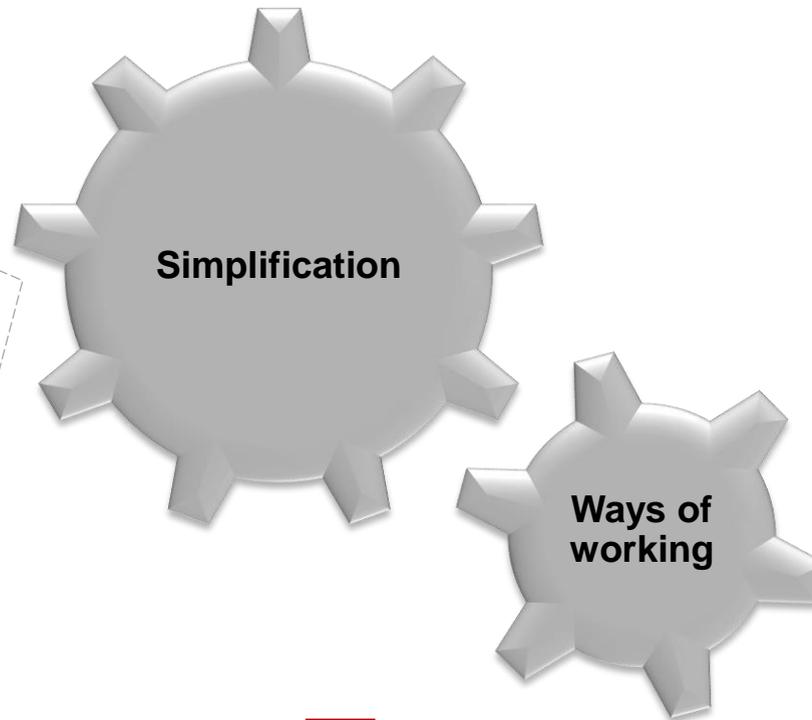
## 4 UK customer service has improved significantly with more to come



## 5 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



### Example opportunities:

- Healthiest Human System in the UK context
- Implementation of agile working (particularly in technology teams)
- Strengthened accountability and decision-making
- Investment in training and development, leveraging launch of HSBC University
- Continued focus on employee engagement

### 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