HSBC UK Seminar for Investors and Analysts
Together we thrive
11 June 2019
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 and 2017 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 the appendices to this presentation and 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 the the appendices to this presentation and 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 10 June 2019.
Reported consolidated income statement and note on pro forma information

### Reported income statement, £m

<table>
<thead>
<tr>
<th></th>
<th>2017¹</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>-</td>
<td>2,456</td>
</tr>
<tr>
<td>Other income</td>
<td>-</td>
<td>901</td>
</tr>
<tr>
<td>Total revenue</td>
<td>-</td>
<td>3,357</td>
</tr>
<tr>
<td>ECL</td>
<td>-</td>
<td>(305)</td>
</tr>
<tr>
<td>Costs</td>
<td>-</td>
<td>(1,988)</td>
</tr>
<tr>
<td>PBT</td>
<td>-</td>
<td>1,064</td>
</tr>
<tr>
<td>Tax expense</td>
<td>-</td>
<td>(301)</td>
</tr>
<tr>
<td>Profit attributable to ordinary shareholders of the parent company</td>
<td>-</td>
<td>763</td>
</tr>
</tbody>
</table>

### Pro-forma reported income statement, £m

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>4,153</td>
<td>4,754</td>
</tr>
<tr>
<td>Other income</td>
<td>1,843</td>
<td>1,734</td>
</tr>
<tr>
<td>Total revenue</td>
<td>5,996</td>
<td>6,488</td>
</tr>
<tr>
<td>ECL</td>
<td>(229)</td>
<td>(399)</td>
</tr>
<tr>
<td>Costs</td>
<td>(4,635)</td>
<td>(3,882)</td>
</tr>
<tr>
<td>PBT</td>
<td>1,132</td>
<td>2,207</td>
</tr>
</tbody>
</table>

### Presentation of pro forma information

HSBC UK Bank plc operations commenced on 1 July 2018, following the transfer of the qualifying businesses and subsidiaries from HSBC Bank plc. The 2018 results above left represent 6 months of reported results for banking operations. The transferred businesses were in operation in HSBC Bank plc prior to the transfer to the bank.

This presentation contains pro forma financial information. Pro forma results have been calculated for illustrative purposes only for 2018 and 2017 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](http://www.hsbc.com).

Unless otherwise stated, the remainder of this presentation is on an adjusted pro forma basis. A reconciliation can be found on slide 89 of reported results to adjusted results for 3Q18, 4Q18 and 1Q19, as well as a reconciliation of pro forma reported results to pro forma adjusted results for FY17 and FY18.

For 31 December 2018 balance sheet, and for 1Q19 income statement and balance sheet, results represent HSBC UK’s actual financial results and are not on a pro forma basis.

The convention for time periods throughout the document is FYXX (for full year data) and 1QXX (for quarterly data). Therefore FY18 will mean the balance sheet position as at 31 December 2018 and the full year income statement results for the year ended 31 December 2018.

¹ Comparatives round to £nil when presented in millions.
# Agenda

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>An introduction to HSBC UK</td>
<td>5</td>
</tr>
<tr>
<td>Commercial Banking (CMB)</td>
<td>25</td>
</tr>
<tr>
<td>Retail Banking and Wealth Management (RBWM)</td>
<td>41</td>
</tr>
<tr>
<td>Technology &amp; Digital</td>
<td>59</td>
</tr>
<tr>
<td>Risk</td>
<td>66</td>
</tr>
<tr>
<td>Finance</td>
<td>75</td>
</tr>
</tbody>
</table>
Introduction

Ian Stuart, CEO HSBC UK
The UK represents a **clear growth opportunity** for HSBC, with a robust plan to deliver significant value creation.

**Key highlights**

1. The UK is one of HSBC’s **scale markets**, and **HSBC UK represents a material part of the Group**

2. UK remains an **attractive place to do business**; HSBC UK has **significant competitive advantages and opportunities for market share growth**

3. We have a **clear plan to deliver growth** with a **good return profile** and **strong organic capital generation**

4. We **delivered strong progress** on financials, customer service, people engagement, and simplification in 2018

5. **UK economic uncertainty remains high**; we continue to be watchful on credit impairment risks

6. We are delivering growth with a **focus on sustainability and our role in society**
An introduction to HSBC UK

HSBC UK overview

- The UK is one of HSBC’s scale markets; through Midland Bank, we have conducted business in the UK since 1836
- HSBC UK is the Group’s UK ring-fenced bank, headquartered in Birmingham
- HSBC UK houses the qualifying components of UK RBWM, CMB and GPB businesses, and relevant retail banking subsidiaries, as well as a restricted GB&M business
- We are a major UK bank, with ~14 million retail customers and >900k business and commercial customers
- ~22k full-time equivalents (FTE)
- HSBC UK is a material part of the Group, generating £6.4bn adjusted revenue (16% of Group), with £175bn of net loans and advances to customers (23% of Group) in 2018
- Exceptional collaboration and international connectivity with ~$0.3bn of CMB client revenue generated for our international network and ~$0.3bn coming in to HSBC UK

1. As at FY18
2. 22,000 employees across the country, supported by a further 11,000 employees based in our UK service company HSBC Global Services (UK) Limited who provide services to HSBC UK and the wider HSBC Group.
An introduction to HSBC UK

HSBC UK has returned to its Midland Bank roots

The Birmingham and Midland Bank opens

New London Head Office

First UK bank to issue cheque guarantee cards

Midland Bank joins HSBC

1st large UK bank to launch Open Banking solution

Ring-fencing of HSBC UK is completed


Opening of the first branch

First UK bank to offer unsecured personal loans

Launch of first direct

Acquisition of the retail financial services arm of M&S Group

HSBC UK HQ opens in Birmingham
An introduction to HSBC UK

An experienced management team is at the helm

### Your presenters today

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Appointed Date</th>
<th>Experience</th>
<th>Previous Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ian Stuart, CEO HSBC UK</td>
<td>Head of CMB</td>
<td>April 2017</td>
<td>38 years’</td>
<td>Head of CMB, HSBC Indonesia</td>
</tr>
<tr>
<td>Amanda Murphy, Head of CMB</td>
<td>Head of RBWM</td>
<td>April 2017</td>
<td>24 years’</td>
<td>Head of CMB, HSBC Indonesia</td>
</tr>
<tr>
<td>Stuart Haire, Head of RBWM</td>
<td>COO</td>
<td>November 2017</td>
<td>17 years’</td>
<td>Director in Financial Services and Technology Practices at Boston Consulting Group (14 years)</td>
</tr>
<tr>
<td>Emma Bunnell, COO</td>
<td>CRO</td>
<td>October 2017</td>
<td></td>
<td>CRO, HSBC Latin America and HSBC International Europe</td>
</tr>
<tr>
<td>James Calladine, CRO</td>
<td>CFO</td>
<td>October 2017</td>
<td>36 years’</td>
<td>CFO Europe, Commercial Banking, MENA, HOST and Global Banking</td>
</tr>
<tr>
<td>Dave Watts, CFO</td>
<td></td>
<td>October 2017</td>
<td>25 years’</td>
<td>CFO Europe, Commercial Banking, MENA, HOST and Global Banking</td>
</tr>
</tbody>
</table>
Clear governance framework

Board of Directors

8 Non-Executive Directors (Chair: Dame Clara Furse)

3 Executive Directors (HSBC UK CEO, CFO, CRO)

Chairman’s Nominations and Remuneration Committee

Audit Committee

Risk Committee

Executive Committee
The UK remains an attractive place to do business

UK structural advantages

- Total private wealth of c. £13tn, with 14% of households having assets >£1m
- World’s second largest exporter of services, specialising in financial & business services
- Best Country for Business
- World education centre; 4 of the Top 10 universities in the world, 18 in the top 100

Sound economics, but with Brexit uncertainty

### Annual GDP growth (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019F</th>
<th>2020F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.8</td>
<td>1.4</td>
<td>1.2</td>
<td>1.4</td>
</tr>
</tbody>
</table>

### CPI inflation (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019F</th>
<th>2020F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.7</td>
<td>2.5</td>
<td>2.1</td>
<td>1.9</td>
</tr>
</tbody>
</table>

### Unemployment (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019F</th>
<th>2020F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.4</td>
<td>4.1</td>
<td>4.2</td>
<td>4.3</td>
</tr>
</tbody>
</table>

### House price change (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019F</th>
<th>2020F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.6</td>
<td>2.7</td>
<td>-0.3</td>
<td>2.6</td>
</tr>
</tbody>
</table>

2. OECD Quarterly International Trade Statistics, Volume 2018 Issue 4
3. Forbes’ Best Countries for Business 2018 Ranking 2019
4. Source: European Economics Quarterly Q2 2019, HSBC Global Research, April 2019
5. HSBC Global Research forecasts
6. Source: Economic and fiscal outlook – March 2019, UK OBR. Percentage change on a year earlier
An introduction to HSBC UK

HSBC UK has clear competitive advantages

- Full banking capability and **exceptional international connectivity**

- **Strong balance sheet** with a low cost of funding and conservative risk appetite

- **Branch footprint optimisation** ahead of peers

- **Significant growth potential** – historically underweight in most UK markets

- **Scale of HSBC** offers significant advantages – cyber security, investment spend, compliance

- **Leveraging an internationally recognised brand** – Top 50 global brand\(^1\), 2\(^{nd}\) amongst global banks, 1\(^{st}\) amongst UK and European banks

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1. The world’s most valuable brands 2019 - Forbes
Key opportunities across our businesses

- **Commercial Banking**
  - Leverage our exceptional global footprint to support commercial customers’ trade and overseas banking needs
  - Improve penetration of mid market, through additional on-boarding capacity and renewed focus on ‘fast growth cities or sectors’
  - Grow SME market share through disruptive digital propositions
  - Improve customer experience by significantly increasing investment in our business

- **Retail Banking & Wealth Management**
  - Mortgage growth through controlled intermediary channel expansion whilst maintaining a conservative risk appetite
  - Enhancing the multi-brand strategy and accelerating digital developments
  - Grow wealth business by improving accessibility for customers through digital

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

- **Customer satisfaction**
  - Invest in our people to help them serve our customers better
  - Harness technology to support simpler, faster on-boarding and application processes
Clear plan to be a top UK financial institution

Our UK shared ambition

Top UK Financial Institution

“Simple, Safe and Sustainable”

Our 4 strategic priorities

Customer Experience
Top 3 for Customer Satisfaction

People Engagement
Top 3 for Banking Standards Board Assessment

Shareholder value growth
Top 3 PBT Returns at or above Group targets

Simplification
Positive adjusted jaws discipline

Our strong Group and UK foundations

Global Access & Scale
- Cross-business/border collaboration
- Excellent product capabilities
- Group systems and architecture

Trusted Reputation
- Balance Sheet strength
- Customer Conduct (incl. financial crime)

Distinct Brands
- HSBC UK
- first direct
- M&S BANK
- John Lewis FINANCE

1. All targets are Medium Term Targets
2. Competition and Markets ranking (CMA) for RBWM, Charterhouse Survey ranking for CMB, and Scorpio ranking for GPB
3. Top 3 in peer group comprising RBS (excl. Ulster Bank ROI, RBSI, NWM), Barclays UK, Lloyds, Santander UK (excl. CIB UK). Measured as adjusted PBT for HSBC, and reported PBT as adjusted for certain disclosed items (mainly disposal gains or losses, conduct and remediation costs, restructuring costs and structural reform costs) for peers. PBT target supported by targets for absolute growth (measured by market share) and strengthening returns (measured by RoTE, excluding the UK pension surplus)
Strong 2018 progress

Customer experience

- Achieved Top 3 position for Overall Satisfaction in 2018 Charterhouse Rankings¹
- Customer Recommendation Index improved from 72 to 76²
- Digital NPS from +31 to +55³

Shareholder value growth⁴

Reported profit before tax⁵, FY 2018 (£bn)

<table>
<thead>
<tr>
<th>Bank</th>
<th>Profit (£bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank B</td>
<td>6.0</td>
</tr>
<tr>
<td>Bank C</td>
<td>3.1</td>
</tr>
<tr>
<td>HSBC UK</td>
<td>2.2</td>
</tr>
<tr>
<td>Bank D</td>
<td>2.0</td>
</tr>
<tr>
<td>Bank E</td>
<td>1.5</td>
</tr>
</tbody>
</table>

People engagement

- Improvement in engagement scores and positioning vs. peers in 2018 Banking Standards Board assessment
- Launched dedicated ‘Speak Up’ campaign to encourage transparency
- 2022 Gender Diversity target of 30% of senior roles held by women achieved in 2018 – need to go further

Simplification

HSBC UK adjusted cost efficiency ratio, %

- Good progress on cost efficiency in 2018
- Adjusted jaws of +3.8%

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1. 2018 Charterhouse Rankings – Overall Satisfaction
2. Internal Customer Satisfaction Index
4. Whilst our shareholder value growth target is on an adjusted basis, the peer comparisons are presented on a reported basis (after conduct costs)
5. Due to differences in segmental disclosures, basis of preparation of financial results (including treatment of the UK bank levy) and the composition of UK ring-fenced banks, peer results may not be directly comparable. Peer group comprises (i) Lloyds and Barclays UK as reported; (ii) Santander UK excluding Santander UK CIB, and (iii) RBS excluding Ulster Bank ROI, RBSI and NWM. Data on a reported basis. HSBC UK numbers are on a pro forma basis
Growing market share

**RBWM mortgage market share**

**Stock share (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>6.1</td>
<td>6.6</td>
</tr>
</tbody>
</table>

+0.5ppt

**New business share (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>7.1</td>
<td>8.2</td>
</tr>
</tbody>
</table>

+1.1ppt

**CMB growth**

**Commercial loans market share (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>9.4</td>
<td>9.9</td>
</tr>
</tbody>
</table>

0.5ppt

**CMB adjusted revenue (£bn)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>2.5</td>
<td>2.7</td>
</tr>
</tbody>
</table>

+9%

- Record mortgage lending for UK RBWM of £22bn in 2018
- Significant expansion in intermediary channel (~85% broker coverage up from ~8% in 2015)
- Significant improvement in customer experience, e.g. onboarding time for mid-market businesses reduced by 40%
- Launch of dedicated £12bn SME Growth fund

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1. Mortgage market sourced from Council of Mortgage Lenders (CML)
2. Loans and overdraft balances as a percentage of the market. Commercial loans market sourced from the Bank of England
3. New gross lending
4. By value of market share
5. April 2019 versus April 2018
An introduction to HSBC UK

Strong financial performance

Adjusted P&L performance, £m

<table>
<thead>
<tr>
<th>Total revenue</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6,009</td>
<td>6,449</td>
</tr>
</tbody>
</table>

Costs

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,392</td>
<td>3,510</td>
</tr>
</tbody>
</table>

Profit before tax

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,388</td>
<td>2,540</td>
</tr>
</tbody>
</table>

Key financial metrics – FY 2018

- Positive adjusted jaws +3.8%
- Adjusted cost efficiency ratio 54.4%
- NIM 2.21%
- RoTE1 11.7%
- Customer advances up 8% in FY18 to £175bn
- Customer accounts up 1% in FY18 to £205bn
- Advances / Deposits ratio 85%
- LCR 143%
- CET1 ratio 12.7%
- Leverage ratio 5.6%

1. 4Q18
2. 2H18 RoTE (ex significant items and the UK bank levy). 2H18 RoTE includes an adverse impact of 340bps due to a pension fund surplus of £4.3bn, or $5.6bn, (average, net of deferred tax) impacting average tangible equity
3. Unless otherwise stated, risk-weighted assets and capital are calculated using (i) the CRD IV transitional arrangement as implemented in the UK by the Prudential Regulation Authority; and (ii) EU’s regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation
Financials compare well with peers

On a reported basis

Revenue growth (FY18 vs FY17, %)

<table>
<thead>
<tr>
<th></th>
<th>HSBC UK</th>
<th>Bank B</th>
<th>Bank D</th>
<th>Bank C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>8.2%</td>
<td>1.7%</td>
<td>0.0%</td>
<td>-3.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-6.1%</td>
</tr>
</tbody>
</table>

Loans and advances to customers growth (FY18 vs FY17, %)

<table>
<thead>
<tr>
<th></th>
<th>HSBC UK</th>
<th>Bank D</th>
<th>Bank E</th>
<th>Bank B</th>
<th>Bank C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>7.9%</td>
<td>2.1%</td>
<td>0.5%</td>
<td>-2.5%</td>
<td>-2.8%</td>
</tr>
</tbody>
</table>

Cost efficiency ratio (FY18, %)

<table>
<thead>
<tr>
<th></th>
<th>HSBC UK</th>
<th>Bank E</th>
<th>Bank B</th>
<th>Bank D</th>
<th>Bank C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>59.8%</td>
<td>60.8%</td>
<td>61.2%</td>
<td>62.3%</td>
<td>66.9%</td>
</tr>
<tr>
<td></td>
<td>7.6%</td>
<td>6.5%</td>
<td>9.9%</td>
<td>1.7%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Profit before tax (FY18, £bn)

<table>
<thead>
<tr>
<th></th>
<th>Bank B</th>
<th>Bank C</th>
<th>HSBC UK</th>
<th>Bank D</th>
<th>Bank E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>6.0</td>
<td>3.1</td>
<td>2.2</td>
<td>2.0</td>
<td>1.5</td>
</tr>
</tbody>
</table>

1. Due to differences in segmental disclosures, basis of preparation of financial results (including treatment of the UK bank levy) and the composition of UK ring-fenced banks, peer results may not be directly comparable. Peer group comprises (i) Lloyds and Barclays UK as reported; (ii) Santander UK excluding Santander UK CIB, and (iii) RBSI excluding Ulster Bank ROI, RBSI and NWM. Data on a reported basis. HSBC UK numbers are on a pro forma basis

2. Source: HSBC internal analysis. Conduct-related costs comprise line items disclosed by peers, including PPI, litigation and conduct, customer redress, legal and regulatory settlements, remediation and certain other categories
An introduction to HSBC UK

Well-diversified business model

FY2018

Adjusted revenue

<table>
<thead>
<tr>
<th>Component</th>
<th>GB&amp;M</th>
<th>CMB</th>
<th>Corporate Centre</th>
<th>RBWM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>52%</td>
</tr>
<tr>
<td>£</td>
<td>£6.4bn</td>
<td>£2.5bn</td>
<td>£175bn</td>
<td></td>
</tr>
</tbody>
</table>

Adjusted profit before tax

<table>
<thead>
<tr>
<th>Component</th>
<th>GB&amp;M</th>
<th>CMB</th>
<th>Corporate Centre</th>
<th>RBWM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>1%</td>
<td>2%</td>
<td>3%</td>
<td>60%</td>
</tr>
<tr>
<td>£</td>
<td>£175bn</td>
<td>£15bn</td>
<td>£2.5bn</td>
<td></td>
</tr>
</tbody>
</table>

Customer accounts

<table>
<thead>
<tr>
<th>Component</th>
<th>GB&amp;M</th>
<th>CMB</th>
<th>Corporate Centre</th>
<th>RBWM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>2%</td>
<td>35%</td>
<td>1%</td>
<td>63%</td>
</tr>
<tr>
<td>Amount</td>
<td>£205bn</td>
<td>£72bn</td>
<td>£175bn</td>
<td></td>
</tr>
</tbody>
</table>

Loans and advances to customers

<table>
<thead>
<tr>
<th>Component</th>
<th>GB&amp;M</th>
<th>CMB</th>
<th>Corporate Centre</th>
<th>RBWM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>2%</td>
<td>36%</td>
<td>1%</td>
<td>61%</td>
</tr>
<tr>
<td>Amount</td>
<td>£175bn</td>
<td>£61bn</td>
<td>£175bn</td>
<td></td>
</tr>
</tbody>
</table>
Complemented by close collaboration

Global Private Bank (GPB) in the UK

- Small but growing part of HSBC UK, with significant profit growth potential
- Adjusted revenue of £154m
- Adjusted PBT of £47m
- Client assets of £14.8bn
- Net new money of +£427m in 2018
- 18% increase on new client additions vs. 2017 (+999 in 2018 vs. 844 in 2017)
- Connectivity is key: ~76% of new relationships generated from HSBC referrals

New accounts by source in 2018

- CMB: 39%
- RBWM: 35%
- GB&M: 2%
- Outside HSBC: 24%

Client case study – Huws Gray

- HSBC CMB client since incorporation in 1990
- Grown to have annual turnover of £180m and EBITDA of £30m
- HSBC has supported the business by funding multiple acquisitions
- Through close collaboration between GPB and CMB colleagues, HSBC has also assisted in a sale of a 30% minority stake in the business, and on-boarding a number of owners as GPB clients
- As a result, HSBC UK continues to support the business as well as former shareholders to manage their wealth through our private banking propositions

FY18
## Improving customer service

### An introduction to HSBC UK

#### Starting Point

- Complex and slow on-boarding journeys
- Poor customer service ratings
- Declining customer numbers

#### CMB progress

<table>
<thead>
<tr>
<th>People</th>
<th>Journeys</th>
<th>Digital</th>
<th>Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Improving colleague engagement</td>
<td>➢ 40% reduction in average on-boarding time following MME pilot(^1)</td>
<td>➢ Significant improvements to HSBCnet</td>
<td>➢ Improvement from 5th to 3rd place for Overall Satisfaction in Charterhouse rankings</td>
</tr>
<tr>
<td>➢ Overall employee engagement up 10% in 2H18 to 68%(^1)</td>
<td>➢ Completed the rollout of “Universal Banker” training across network to increase first point of contact resolution</td>
<td>➢ Connected Money (&gt;300k downloads)</td>
<td></td>
</tr>
<tr>
<td>➢ Improved customer satisfaction</td>
<td>➢ Reduced average mortgage time-to-offer to &lt;10 days from &gt;40 days</td>
<td>➢ Top-rated banking app in the Apple app store</td>
<td>➢ first direct #2 position in CMA rankings (82% likely to recommend(^2))</td>
</tr>
<tr>
<td>➢ Net growth in customer numbers for target segments</td>
<td>➢ Connected Money (&gt;300k downloads)</td>
<td>➢ Customer base growth of ~400k in 2018</td>
<td></td>
</tr>
<tr>
<td>➢ RBWM progress</td>
<td>➢ Top-rated banking app in the Apple app store</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### RBWM progress

- Reduced average mortgage time-to-offer to <10 days from >40 days
- Connected Money (>300k downloads)
- Top-rated banking app in the Apple app store
- Customer base growth of ~400k in 2018

#### Target

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

---

1. Source: Internal colleague surveys Q218 - Q418 - % of favourable responses to “I would recommend this company as a great place to work”
2. Mid-market enterprises. April 2019 versus April 2018
3. Competition and Market Authority Service Quality Survey Feb 2019 – Proportion of customers who said they were ‘extremely likely’ or ‘very likely’ to recommend their personal current account provider to friends and family
An introduction to HSBC UK

Accelerating simplification

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

**Ways of Working**
- Healthiest Human System in the UK context
- Implementation of agile working
- Strengthened accountability and decision-making
- Investment in training and development, launch of HSBC University
- Continued focus on employee engagement

**Target**
- Lower cost efficiency ratio
- Increased customer satisfaction
- Improved colleague engagement
Building a sustainable business

Our Commitments

1. **Source 100% of our electricity from renewable sources** by 2030
2. **Reduce waste by 75% and recycle 100% of office & electronic waste by 2020**
3. **Improve employment opportunities and financial capability for all**
4. **Invest in our community**

Encouraging progress in 2018

1. **71% of our electricity from renewable sources**
2. Reduced waste by **57%** and recycled **75%** of office & electronic waste
3. On track to achieve LEED² Gold certification for Birmingham HQ
4. Work experience programme in partnership with The Prince’s Trust
5. Held ~500 financial Well-Being sessions to help +13k people
6. Over **80,000** colleague work hours volunteered in 2018
7. **First UK Green Loan**³ for commercial development provided to King’s Cross
8. HSBC UK Pension Scheme committed to investing **£250m** in sustainable infrastructure

Whilst we are making progress we recognise there is more to do including how we meet customer needs when things go wrong and going faster and further to improve diversity and equality in our business.

---

1. Corporate sustainability commitments
2. Leadership in Energy and Environmental Design
3. According to Loan Market Association Green Loan Principles
The UK represents a **clear growth opportunity** for HSBC, with a strong plan to deliver significant value creation.

### Key highlights

1. The UK is one of HSBC’s **scale markets**, and HSBC UK represents a **material part of the Group**

2. UK remains an **attractive place to do business**; HSBC UK has **significant competitive advantages and opportunities for market share growth**

3. We have a **clear plan to deliver growth** with a **good return profile** and **strong organic capital generation**

4. We **delivered strong progress** on financials, customer service, people engagement, and simplification in 2018

5. **UK economic uncertainty remains high**; we continue to be watchful on credit impairment risks

6. We are delivering growth with a **focus on sustainability and our role in society**
Commercial Banking (CMB)

Amanda Murphy, Head of CMB, HSBC UK
**Summary**

**UK CMB highlights**

- Customer **centric model** with a deep customer base
- Exceptional **global footprint**
- **Market leading** product capabilities

Well-positioned to capture growth opportunities for UK customers

1. Build on our **global footprint** and customer base to **capture trade, transaction banking and international connectivity opportunities**

2. Provide **market leading transaction banking capabilities** to support customers’ working capital and trade needs

3. Offer **extensive breadth of products** from across the Group to further deepen and develop relationships in CMB

4. **Invest for growth and improvement in customer experience** and processes, through digital innovation, whilst maintaining cost discipline
Overview of UK CMB

CMB in the UK

CMB snapshot

- CMB provides banking services to >900k customers across 4 customer groups
- We operate in >70 key sites across 5 regions of the UK
- We have a relationship focus, and cover all customer sizes from start-ups to multi-national corporates
- Our international connectivity is a key differentiator – we have an unmatched global network, covering >90% of global trade and GDP¹
- Market leading international transaction banking capabilities
- An extensive product suite offering up to 226 products to meet client needs

Strategic opportunities

- Leverage our exceptional global footprint to support commercial customers’ trade and overseas banking needs
- Improve penetration of mid market, the entrepreneurial heartland, through additional on-boarding capacity and renewed focus on ‘fast growth cities or sectors’
- Grow SME market share through disruptive digital propositions
- Improve customer experience by significantly increasing investment in our business

¹ GDP data from the World Bank, 2022.
Overview of UK CMB

UK CMB has delivered strong and sustainable growth in a challenging market

Adjusted P&L, £m

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY ∆</th>
<th>FY ∆ %</th>
<th>1Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>1,604</td>
<td>1,900</td>
<td>296</td>
<td>18%</td>
<td>493</td>
</tr>
<tr>
<td>Other income</td>
<td>853</td>
<td>789</td>
<td>(64)</td>
<td>(8%)</td>
<td>182</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>2,457</td>
<td>2,689</td>
<td>232</td>
<td>9%</td>
<td>675</td>
</tr>
<tr>
<td>LICs / ECL</td>
<td>(115)</td>
<td>(138)</td>
<td>(23)</td>
<td>(20%)</td>
<td>(120)</td>
</tr>
<tr>
<td>Costs</td>
<td>(931)</td>
<td>(1,033)</td>
<td>(102)</td>
<td>(11%)</td>
<td>(266)</td>
</tr>
<tr>
<td><strong>PBT</strong></td>
<td>1,411</td>
<td>1,518</td>
<td>107</td>
<td>8%</td>
<td>289</td>
</tr>
</tbody>
</table>

Balance sheet, £bn

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY ∆</th>
<th>FY ∆ %</th>
<th>1Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers</td>
<td>59</td>
<td>63</td>
<td>4</td>
<td>7%</td>
<td>65</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>n/a</td>
<td>71</td>
<td>n/a</td>
<td>n/a</td>
<td>69</td>
</tr>
<tr>
<td>RWAs</td>
<td>n/a</td>
<td>66</td>
<td>n/a</td>
<td>n/a</td>
<td>67</td>
</tr>
</tbody>
</table>

- Revenue of £2,689m up 9% in 2018, and up 2% YoY in 1Q19 from growth in average balances, GLCM deposit margin increases
- ECL elevated in 1Q19 due to a small number of specific individual impairments taken at start of the 2019 and the impact of forward economic guidance
- Well diversified loan book, with strong loan growth, up 7% to £63bn

Adjusted revenue as a % of total HSBC UK

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY ∆</th>
<th>FY ∆ %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted revenue</strong></td>
<td>2,457</td>
<td>2,689</td>
<td>232</td>
<td>9%</td>
</tr>
</tbody>
</table>

Customer loans as a % of total HSBC UK

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY ∆</th>
<th>FY ∆ %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer loans</strong></td>
<td>58%</td>
<td>64%</td>
<td>6%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Wholesale gross loans and advances to customers¹, £bn

<table>
<thead>
<tr>
<th>Industry</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate</td>
<td>11.7</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>9.9</td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>1.9</td>
</tr>
<tr>
<td>Health and care, Transportation and storage</td>
<td>1.5</td>
</tr>
<tr>
<td>Publishing and broadcasting</td>
<td>6.0</td>
</tr>
<tr>
<td>Professional, scientific and broadcasting</td>
<td>1.6</td>
</tr>
<tr>
<td>Construction</td>
<td>4.1</td>
</tr>
<tr>
<td>Administrative and support services</td>
<td>4.4</td>
</tr>
<tr>
<td>Accommodation and food</td>
<td>6.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.2</td>
</tr>
<tr>
<td>Non-bank financial institutions</td>
<td>2.6</td>
</tr>
<tr>
<td>Other</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>£66.1bn</td>
</tr>
</tbody>
</table>

¹ Wholesale gross lending balances largely comprise lending to CMB customers. The balance relates to customers of our other global businesses.
Overview of UK CMB

Financial performance is outpacing our peer group across key lines

On a reported basis

Revenue growth (FY18 vs FY17, %)

- HSBC UK CMB: 15%
- Bank D: 4%
- Bank E: 0%
- Bank B: -2%
- Bank C: -3%

Loans and advances to customers growth (FY18 vs FY17, %)

- HSBC UK CMB: 7%
- Bank D: 2%
- Bank B: -2%
- Bank E: -9%
- Bank C: -9%

PBT growth (FY18 vs FY17, %)

- Bank C: 23%
- HSBC UK CMB: 19%
- Bank D: 12%
- Bank B: 9%
- Bank E: -3%

Cost efficiency ratio (FY18, %)

- HSBC UK CMB: 38%
- Bank B: 51%
- Bank C: 56%
- Bank E: 56%
- Bank D: 62%

1. Due to differences in segmental disclosures, basis of preparation of financial results (including treatment of the UK bank levy) and the composition of UK ring-fenced banks, peer results may not be directly comparable. Peer group comprises (i) the disclosed commercial segments of RBS, Santander UK and Lloyds, and (ii) the Barclays UK reporting segment. Data on a reported basis, with the exception of Lloyds, which discloses segmental information on an 'underlying' basis (excluding restructuring costs). HSBC UK CMB numbers are on a pro forma basis and exclude the UK bank levy.
UK CMB serves over 900k customers across 4 customer groups, from >70 centres in the UK

Customer groups

- **Global Banking and Markets**
  - **Large Corporate** (>£350m turnover)
    - c. 1k clients
  - **Mid Market Corporate** (£6.5m - £350m turnover)
    - c. 12k clients
  - **Business Banking** (£2m-£6.5m turnover)
    - c. 67k clients
  - **Small Business Banking** (<£2m turnover)
    - c. 820k clients

Site map

- **North, Scotland and Northern Ireland**: 19 centres
- **Midlands**: 15 centres
- **South West & Wales**: 12 centres
- **London**: 17 centres
- **South & East**: 14 centres

Overview of UK CMB

- London: 17 centres
- South & East: 14 centres
- Midlands: 15 centres
- South West & Wales: 12 centres
- North, Scotland and Northern Ireland: 19 centres
Overview of UK CMB

Key sector specialisms and franchise offering

**UK CMB specialisms**

<table>
<thead>
<tr>
<th>Segment wide specialist teams</th>
<th>Full embedded within the business, providing:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• industry brand profile</td>
</tr>
<tr>
<td></td>
<td>• thought leadership and expertise</td>
</tr>
<tr>
<td></td>
<td>• specialist sector content</td>
</tr>
<tr>
<td></td>
<td>• strategic insight</td>
</tr>
</tbody>
</table>

| Support product innovation   | e.g. Sustainability (Green Bonds, Green loans and Renewables Finance) |

<table>
<thead>
<tr>
<th>Sector specific events</th>
<th>Engagement with trade press, associations and regulators and sponsorship of industry forums:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Guardian University Awards</td>
</tr>
<tr>
<td></td>
<td>• GlobalCapital Sustainable and Responsible Capital Markets Form 2018 (Euromoney)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>We have a strong presence in our specialist sectors, we have banking relationships with:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 60 of the top 100 UK Universities</td>
</tr>
<tr>
<td>• 54% of Sunday Times top 100 private tech companies, with &gt;£5bn of facilities provided to businesses in the technology sector</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Market leading Franchise proposition with international capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Best Franchisee Banking Provider³ (Moneyfacts)</td>
</tr>
</tbody>
</table>

---

1. Business Moneyfacts Awards 2019
2. The Sunday Times Hiscox Tech Track 100 league table ranks Britain’s 100 private tech (TMT) companies with the fastest-growing sales over their latest three years
Overview of UK CMB

We support our customers with a full range of products

FY18 management view of adjusted revenue, £m

<table>
<thead>
<tr>
<th>Product Line</th>
<th>Revenue (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other¹</td>
<td>190</td>
</tr>
<tr>
<td>GLCM</td>
<td>941</td>
</tr>
<tr>
<td>GTRF</td>
<td>272</td>
</tr>
<tr>
<td>Credit and Lending</td>
<td>1,286</td>
</tr>
</tbody>
</table>

**Synergy products**
- Dedicated resources serving CMB customers
- Deeper product reach into mid-market corporates

**CMB products**

- **Global Liquidity and Cash Management (GLCM)**
  - Mid-Market Corporates offered the same treasury solutions as large multinationals

- **Global Trade and Receivables Finance (GTRF)**
  - Comprehensive product suite of trade solutions providing customer flexibility

1. Includes: Markets products, insurance and investments and Other. Revenue from synergy products is largely booked in GB&M
Overview of UK CMB

We continue to drive strong collaboration with other global businesses

CMB referrals through collaboration with GB&M and GPB

- CMB clients generated c. £0.5bn from GB&M products in 2018
- #1 contributor of Private Bank referrals across the Group
- c. 550 opportunities introduced from CMB to GPB in 2018
- c. 100 referrals made from GPB to CMB in 2018

CMB customers supported by full investment banking capabilities

**FX**
- **£246m** adjusted revenue in 2018, £116m of which booked in UK CMB
- #1 market position for FX for corporates

**DCM & Loans**
- #1 market position for DCM
- #3 market position for loans

1. Collaboration revenue figures relate to CMB business of HSBC UK Bank plc and HSBC Bank plc
2. FX revenue relates to CMB business of HSBC UK Bank plc only
3. Corporate clients
4. Dealogic 2018, based on deal value
We play a key role in delivering international connectivity

Opportunity to grow inbound and outbound client revenue\(^1\) further

Client revenue booked outside UK generated from UK clients

◆ During 2018, outbound client revenue\(^2\) booked overseas for UK CMB customers increased by c.15% on prior year to c.$0.3bn
◆ Notable increases across key trade corridors:

- USA: \(~25\%\)
- Hong Kong: \(~30\%\)
- Mainland China: \(~25\%\)

Client revenue booked in UK from non-UK clients

◆ During 2018, inbound client revenue\(^3\) generated within UK CMB on behalf of International CMB customers increased by c.35% on prior year to c. $0.3bn
◆ Notable increases across key trade corridors:

- USA: \(~15\%\)
- Mainland China: \(~5\%\)

1. HSBC internal client MI. Client revenue includes total income from GB&M synergy products, including Foreign Exchange and Debt Capital Markets. This measure differs from reported revenue in that it excludes Business Banking and Other and cost of funds
2. Outbound client revenue is client revenue booked outside the country where the client is managed; source: HSBC internal client management information
3. Inbound client revenue is revenue from clients managed outside the country where the revenue is booked; source: HSBC internal client management information
Overview of UK CMB

International Subsidiary Banking proposition

Video
Market leading international transaction banking capabilities

Our propositions

Global Trade and Receivables Finance (GTRF)

- GTRF provides solutions for our customers to manage trade risk, process trade transactions and fund trade activities
- HSBC has the #1 market position for trade in 2017 and 2018\(^1\)
- UK receivables finance market share of 25% (up from 23% in 2017)\(^2\)
- Revenue of £272m in FY18, 10% of total UK CMB revenue

Global Liquidity and Cash Management (GLCM)

- GLCM enables customers to maximise control over cash flows with our global payables, cards, receivables and clearing services as well as an array of liquidity and investment solutions
- HSBC has the #1 market position for cash management\(^3\)
- Revenue of £941m in FY18, 35% of total UK CMB revenue
- £70bn deposit balances at FY18

Recognised by industry and customers

**#1 UK & Global Trade Finance Bank**

Best Bank in Trade Finance

Best Global Trade Finance Bank and Most Innovative Trade Finance Bank

Best supply chain finance bank

**#1 Domestic Cash Manager in the UK**

Global Bank of the Year for Cash & Liquidity Management

Best Global Cash Manager for Corporate

Best Global Cash Manager for Financial Institutions

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1. Greenwich Survey Large Corporate Trade Finance 2018
2. UK Finance
3. Greenwich Survey Large Corporate Cash Management 2017; GLCM ranks are for 2016 and 2017
Our propositions

Transaction banking capabilities facilitated by significant digital enhancements

- Improved user interface for HSBCnet allowing customers to better manage, track and authorise global liquidity, cash management and trade transactions:
  - Liquidity Management Portal (LMP) gives corporate and financial institution clients a clearer picture of their cash position globally and provide tools to self-manage their liquidity, enabling improved funding and investment decisions
  - 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:
  - Global view of your transactions across markets and countries in a single app
  - 24/7 access to real-time transaction and document status, with real-time courier tracking of export documentation
- we.trade is a blockchain based platform for SMEs that makes open account trade faster, simpler and more trustful
We continue to outpace the market and develop lending solutions to assist our customers with their growth ambitions

UK CMB is growing faster than market…

- Loans and advances to customers grew by 7% (£4bn) in 2018 – faster than market¹ (up 2.6%)
- Increased market share² to 9.9%, up from 9.4% in 2017

...by delivering innovative propositions

- **£12bn SME Growth Fund**
  - Dedicated lending fund to support the growth of UK SMEs

- **Green Loan Proposition**
  - First UK bank to have a specific offering aligned to Green Loan Principles

- **Intellectual Property Proposition**
  - Helping IP-rich technology businesses break down the barriers in accessing and securing bank funding

Demonstrating our support for UK businesses

- **£400m Term Loan** to support development of Facebook’s UK HQ
- Green loan coordinator, mandated lead arranger, and hedging counterparty

- **Oliver Bonas**, embarking on an ambitious store expansion plan
- **£15m revolving credit facility**
- Supporting opening of 8 new stores, invest in new products and develop an in-house design capability

- **£2.7m facility – Intellectual Property lending product**
- Supporting growth of its export activities and fulfil orders for both its retail and wholesale business

1. Source: Bank of England
2. Loans and overdraft balances as a percentage of the market. Commercial loans market sourced from the Bank of England
Deliver a step-change in customer experience

2018 outcomes

- Improved customer satisfaction

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>△</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santander</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Lloyds</td>
<td>2</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>HSBC UK</td>
<td>3</td>
<td>5</td>
<td>+2</td>
</tr>
<tr>
<td>Barclays</td>
<td>4</td>
<td>3</td>
<td>-1</td>
</tr>
<tr>
<td>RBS</td>
<td>5</td>
<td>4</td>
<td>-1</td>
</tr>
</tbody>
</table>

- Reduced on-boarding times for new to bank clients
  - 40% reduction in on-boarding times for new to bank clients in our Mid-market business segment

- Reduced change of Relationship Manager to clients
  - Change of RM NPS – up 31 points from -5 in 2017 to +26 in 2018, with further progress made in 1Q19

- Additional customer focused roles, self-funded

Looking forward

Building a simpler, faster, customer-focused business

Market-leading digital channels and customer journeys

- Frictionless integration with customer systems / processes
- Disruptive digital propositions for SMEs
- Optimise key customer journeys end-to-end

Digitally-enabled customer facing staff

- Utilise machine learning and big data analytics to improve customer service and efficiency
- Up-skill RMs to focus on advisory, value-adding activities
- Attract and retain top talent, especially in new areas (e.g. digital)

Simpler, future ready organisation

- Automate / eliminate manual or unnecessary tasks, redeploy capacity to customer-focused activities
- Multi-disciplinary teams executing rapidly, and organised around customer journeys
- Embed innovation as a core discipline

1. Charterhouse rank – Overall Satisfaction. For HSBC: 2017 on a CMB UK geographic basis; 2018 on a HSBC UK CMB basis
2. April 19 versus April 18
3. Net promoter score
Summary

UK CMB highlights

- Customer **centric model** with a deep customer base
- Exceptional **global footprint**
- **Market leading** product capabilities

Well-positioned to capture growth opportunities for UK customers

1. **Build on our global footprint and customer base to capture trade, transaction banking and international connectivity opportunities**

2. **Provide market leading transaction banking capabilities** to support customers’ working capital and trade needs

3. **Offer extensive breadth of products** from across the Group to further deepen and develop relationships in CMB

4. **Invest for growth and improvement in customer experience** and processes, through digital innovation, whilst maintaining cost discipline
Summary

RBWM UK highlights

- Well positioned across four reputable brands
- Sustainable UK footprint with strong international capabilities
- Comprehensive product set
- Track record of delivering growth

Well-positioned to service the UK retail market in the medium and long term

1. **Improving the end-to-end customer experience** through increased process automation and digitally-led journeys

2. Increasing the scale and speed of **digital investments and partnership** opportunities to deliver a blended ‘people and digital’ based service experience

3. **Proactively engaging with regulators** to support the integrity of and access to the financial services industry

4. Deliver **market leading propositions** across all key markets whilst innovating and testing product capabilities across the sector

5. Continuing to develop a **high quality balance sheet**
Overview of UK RBWM

RBWM in the UK

RBWM snapshot

◆ c. 14 million active customer relationships, up 400,000 (3%) from FY17
◆ 51% of active customers are digitally active¹, up from 48% at FY17
◆ c.16k full-time equivalents (FTE²)

Market share of FY18 balances³

<table>
<thead>
<tr>
<th>Product</th>
<th>FY18 Share</th>
<th>Share Gain FY17 (ppts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>6.6%</td>
<td>+0.5%</td>
</tr>
<tr>
<td>Cards</td>
<td>10.4%</td>
<td>+0.4%</td>
</tr>
<tr>
<td>Unsecured personal loans</td>
<td>14.5%</td>
<td>+0.3%</td>
</tr>
<tr>
<td>Current accounts</td>
<td>13.9%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Savings</td>
<td>8.5%</td>
<td>+0.1%</td>
</tr>
</tbody>
</table>

Diversified revenue streams FY18, %

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>FY18 Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current accounts, savings and deposits</td>
<td>35%</td>
</tr>
<tr>
<td>Mortgages</td>
<td>16%</td>
</tr>
<tr>
<td>Credit cards</td>
<td>18%</td>
</tr>
<tr>
<td>Other personal lending</td>
<td>9%</td>
</tr>
<tr>
<td>Wealth</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

4 diversified brands sit under the HSBC UK RBWM umbrella⁴

HSBC UK
~8.9m customers
Full banking relationships, innovative proposition improvements

first direct
~1.4m customers
Full banking relationships, leading on customer service entirely through online and telephone channels

M&S BANK
~2.9m customers
Unsecured lending, general insurance and mortgage offerings

John Lewis FINANCE
~0.9m customers
Unsecured lending, recent launch of John Lewis loans

Supported by an efficient network⁵

◆ 626 branches covering Retail and Business Banking needs; optimised branch network ahead of peers

1. Active Digital Customers Mix is HSBC UK, first direct and M&S Bank: Source Executive Scorecard
2. FTE of RBWM UK as of April 2019. Includes all UK RBWM Colleagues, Insurance and ServCo. C. 16,000 FTE employees if HSBC UK, supported by a further c1,000 from ServCo
3. Loans/current accounts/savings sourced from Consolidated Analysis Centre Incorporated (CACi) (scaled). Cards sourced from UK Finance (unscaled). Mortgages sourced from Council of Mortgage Lenders (CML). Loans market share excludes car finance, payday lending. Personal contract purchase. If included total market share ~4%.
4. All customer numbers quoted are existing active customers as at 31 Dec 2018. Not unique across Brands.
5. HSBC branch numbers exclude branches in the Channel Islands and Isle of Man. Branch numbers exclude Relationship Management Centres – there are 5 in the UK. Branch numbers exclude M&S branches. Peer sources: Company Reports & Websites
PBT increase in FY18 driven by disciplined strategic P&L management and diverse portfolio

<table>
<thead>
<tr>
<th>Adjusted P&amp;L, £m</th>
<th>FY17</th>
<th>FY18</th>
<th>FY △</th>
<th>FY △ %</th>
<th>1Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>2,442</td>
<td>2,655</td>
<td>213</td>
<td>9%</td>
<td>687</td>
</tr>
<tr>
<td>Other income</td>
<td>656</td>
<td>704</td>
<td>48</td>
<td>7%</td>
<td>147</td>
</tr>
<tr>
<td>Total revenue</td>
<td>3,098</td>
<td>3,359</td>
<td>261</td>
<td>8%</td>
<td>834</td>
</tr>
<tr>
<td>LICs / ECL</td>
<td>(103)</td>
<td>(266)</td>
<td>(163)</td>
<td>(158%)</td>
<td>(67)</td>
</tr>
<tr>
<td>Costs</td>
<td>(2,151)</td>
<td>(2,229)</td>
<td>(78)</td>
<td>(4%)</td>
<td>(570)</td>
</tr>
<tr>
<td>PBT</td>
<td>844</td>
<td>864</td>
<td>20</td>
<td>2%</td>
<td>197</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance sheet, £bn</th>
<th>FY17</th>
<th>FY18</th>
<th>FY △</th>
<th>FY △ %</th>
<th>1Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers</td>
<td>97</td>
<td>107</td>
<td>10</td>
<td>10%</td>
<td>108</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>n/a</td>
<td>129</td>
<td>n/a</td>
<td>n/a</td>
<td>129</td>
</tr>
<tr>
<td>RWAs</td>
<td>n/a</td>
<td>21</td>
<td>n/a</td>
<td>n/a</td>
<td>21</td>
</tr>
</tbody>
</table>

- RBWM is 52% of HSBC UK’s revenue and 61% of customer loans
- Diversified revenue streams delivering +8% increase 2018 vs 2017 and +4% in 1Q19 versus 1Q18, due to strong performance in current accounts and savings driven by balance and margin growth, partially offset by margin compression in mortgages
- c. 78% of revenue from HSBC franchise and c. 22% from first direct, M&S Bank, and John Lewis Financial Services in FY18
- FY18 A/D ratio of 83%, versus a market A/D ratio of c.125%

1. Source: Bank of England aggregate data (deposits excludes notes and coins)
Segmented and targeted approach to value pools in the UK market

Overview of UK RBWM

Personal Banking Relationships

- Jade by HSBC Premier is an exclusive membership programme that caters for its members’ complex financial needs and high expectations
  - For customers holding balances of £500k & above
  - Premium banking services for affluent customers with more complex / international financial needs
  - Must have £50k or more in investable assets or annual income of £75k
  - Supporting emerging affluent, digitally savvy professionals looking to achieve their personal and professional goals
  - Requirement to pay at least £1,750 a month into the account (or £10.5k every six months)
  - For customers who want access to simple transactional banking products, often including access to credit for the first time

1. Average relationship balance divided by number of active customers, 1Q19. Personal banking includes fd, M&S Bank, John Lewis Finance. Relationship balance deposits and wealth balances.
2. Average product holding per customer is total number of products held divided by number of active customers, period end Dec-18, personal banking includes fd, M&S. Jade not reported.
**Overview of UK RBWM**

**UK RBWM has strong strategic alignment to HSBC UK’s shared ambition with clear priorities**

<table>
<thead>
<tr>
<th>UK strategy…</th>
<th>UK RBWM priorities…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder Value Growth</td>
<td>1. Optimising mortgage opportunity - high single-digit <strong>mortgage growth</strong> through controlled intermediary channel expansion whilst maintaining a conservative risk appetite</td>
</tr>
<tr>
<td>Customer Experience</td>
<td>2. Build a <strong>sustainable wealth proposition</strong> that provides access to wealth management by becoming a lifetime financial partner to UK customers</td>
</tr>
<tr>
<td>People Engagement and Simplification</td>
<td>3. Enhancing the <strong>multi-brand strategy</strong> and <strong>accelerating digital developments</strong> to drive growth and acquire new customers</td>
</tr>
<tr>
<td></td>
<td>4. Improve customer service through <strong>investment in our people</strong>, and <strong>digital enhancements</strong> to support simpler, faster on-boarding and application processes</td>
</tr>
</tbody>
</table>
| | 5. **Streamline back office systems** and processes; use new and emerging technologies to improve **cost efficiency**
**Streamline governance** and **embed an agile and inclusive culture**, to improve the way we work |
Our propositions

Growth in valuable more ‘stable’ deposit balances optimising our lending strategy and cross sell opportunity

HSBC UK deposit growth versus the market, £bn
Customer deposits growth ahead of market growth FY15 – 1Q19

- HSBC UK deposit balances
- Market Deposit Balances

Customer deposits grew by 4% in 2018, as current account acquisitions grew at significant levels in 2018
- Significantly increased market share of student accounts to 23% in 2018, up from 11% in 2017
- Simpler, faster on-boarding and application processes, with straight through processes and automation – fixed rate saver Assisted Digital Journey took time down from 30 mins to 5 mins
- HSBC UK has a 9.8% market share of deposits - 13.9% share of current accounts, and 8.5% share of savings accounts as at FY18

HSBC UK deposit growth in value segments
Active customer growth - Premier and Advance

HSBC deposits - Premier and Advance

Deposit income as a % of total RBWM income
Digital deposit sales

1. Includes first direct, M&S and John Lewis Financial Services. Excludes Channel Islands and Isle of Man. 1Q19 and FY18 includes RFB only, prior periods include RFB and NRFB
2. Source Consolidated Analysis Centre Incorporated (CACI): deposit market balances
3. Source CACI. Student New to Bank Market Share references are key seasonal student months August to October
4. Source: CACI (scaled)
Mortgage balance growth is outpacing peers, primarily through expanding into the broker channel

HSBC has historically been underweight in UK mortgages, and we see significant growth potential

- Strong mortgage balance growth expanding broker coverage and improved customer journeys, while maintaining a conservative approach to credit
- HSBC balances grew 23% between 2015 – 1Q19 vs 9.8% for the overall market over the same time period; mortgage balances grew 10% in 2018 alone
- Stock balances market share increased from 5.9% to 6.6% between FY15 to 1Q19
- Our market share of net new lending increased from 13.7% to 18.5% FY17 to FY18. Our market share of the direct channel has been consistently high at 20%

Portfolio facts, 1Q19

- Buy-to-let mortgages of £2.8bn
- Mortgages on a standard variable rate of £3.2bn
- Interest-only mortgages of £19.5bn, including fd offset mortgages of £8.0bn

Geographic distribution of mortgages

1. 2015-2017 on a UK geographic basis; 2018-1Q19 on a HSBC UK RBWM basis
2. Source: Bank of England
3. Market Balances as per Council of Mortgage Lenders (CML)
4. UK finance direct/intermediary channel split applied to BoE gross lending
5. Postcode lending data as at September 2018
Our propositions

Maintaining a conservative risk appetite and improving customer service

Conservative risk appetite

LTV Focus

As at 1Q19

- ~49% of the total book < 50% LTV; 9.2% market share\(^1\) of <50% LTV residential mortgages
- Average LTV of the total portfolio of 51%
- Average LTV of new originations of 66%

<table>
<thead>
<tr>
<th>LTV Band</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 50%</td>
<td>£45.9bn</td>
</tr>
<tr>
<td>50% - &lt; 60%</td>
<td>£15.1bn</td>
</tr>
<tr>
<td>60% - &lt; 70%</td>
<td>£13.4bn</td>
</tr>
<tr>
<td>70% - &lt; 80%</td>
<td>£11.4bn</td>
</tr>
<tr>
<td>80% - &lt; 90%</td>
<td>£6.4bn</td>
</tr>
<tr>
<td>90% +</td>
<td>£1.5bn</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£93.7bn</strong></td>
</tr>
</tbody>
</table>

Mortgages 90+ day delinquency trend\(^3\) (%)

Disciplined approach to credit risk maintained through growth cycle

Improving customer service

Time To Offer\(^2\)

Faster time to offer for more customers

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Average Time to Offer (days)</th>
<th>% of Customers that Receive Offer in 10 days</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q18</td>
<td>15</td>
<td>37%</td>
</tr>
<tr>
<td>2Q18</td>
<td>17</td>
<td>38%</td>
</tr>
<tr>
<td>3Q18</td>
<td>13</td>
<td>57%</td>
</tr>
<tr>
<td>4Q18</td>
<td>12</td>
<td>67%</td>
</tr>
<tr>
<td>1Q19</td>
<td>9</td>
<td>75%</td>
</tr>
</tbody>
</table>

Strategic initiatives

- **Mortgage Intermediary** – providing a number of returning customer journeys through our cloud-based, broker platform to provide customers with an option to re-mortgage, at the end of their current term
- **Journey Simplification** – continuing to simplify our overall mortgage journey, reducing our time to offer to industry leading timescales and providing customers with security of funding as quickly as possible

---

1. CACI estimate of LTV Market Bands. HSBC Red Brand residential only, FY18
2. Source: Internal management information, Latest available figures 1Q19. Average Days time to offer is working days. Progress against target for 90% of Customers to Receive Offers within 10 Days; the proportion of cases offered from application in the month which are processed within ten days.
3. 90+ Day delinquency as per Annual Reported Accounts
Controlled balance growth in unsecured lending through digital enhancements

Our propositions

Portfolio facts

- HSBC UK has a **10.4%** share of credit cards and **14.5%** of unsecured personal loans
- Low levels of delinquencies across the unsecured lending portfolios; focus on quality
- c.**18%** of outstanding credit card balances are on a 0% balance transfer offer, well below the market benchmark c.**29%** at FY2018

Strategic initiatives

- Continue controlled balance growth in unsecured lending through:
  - Improved digital and mobile journeys, driving better conversion and sales based on convenience over pricing
  - Better targeting, with targeted campaigns and indicative limits
- Active management of credit risk and margins:
  - Controlled expansion of credit limit management activity; limit decreases where appropriate
  - Price changes for new acquisitions and back book repricing

---

1. 2015-2017 on a UK geographic basis; 2018-1Q19 on a HSBC UK RBWM basis
2. Source: Consolidated Analysis Centre Incorporated (CACI) (scaled). Unsecured personal loans market share excludes car finance, payday lending, personal contract purchase. If included total market share ~4%
3. Source: UK finance and Argus Information
4. Source: Market size Cards UK finance (scaled for market coverage). Unsecured personal Loans CACI (scaled for market coverage)
Providing appropriate Wealth solutions to more customers via their channel of choice

**Wealth growth and opportunity**

**Wealth balances**

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>+9%</td>
<td></td>
</tr>
</tbody>
</table>

**Balance mix %**

Existing base penetration opportunity…

- 70% of balances from ~1m Premier customers
- 30% balances from ~13 million customers from RBWM Other

…plus attract new customers

**Strategic initiatives**

- **Online Advice** – Embedding Artificial Intelligence capabilities to provide personalised, transactional advice to customers looking to invest through digital channels
- **Transforming Retirement** – Investing in technology to support an enhanced and more accessible retirement proposition. £2.2tm² of UK pensions assets offer a strong business opportunities for HSBC UK
- **Supporting Decumulation** – £7tm² of funds are entering the decumulation stage, which will ultimately pass to the next generation of our customers, which poses a large commercial and social opportunity for HSBC UK

**The UK Wealth primary customer needs**

**MONEY**

- **Face to face**: Discretionary Wealth Management Services
- **Hybrid**: HSBC My Investment
- **Direct to customer**: Self Directed Investment Brokerage

**RETIREMENT**

- **Face to face**: Specialist Retirement Advice Service
- **Hybrid**: HSBC My Retirement
- **Direct to customer**: Self Directed Pension (D2C SIPP)

**PROTECT**

- **Face to face**: Legacy & IHT Planning Service
- **Hybrid**: HSBC My Protection
- **Direct to customer**: Select and Cover Online Insurance

---

1. Comprises balances managed by UK RBWM, excluding assets held under shared dealing
2. Includes: Flexible Retirement Accounts; Global Investment Centre; Premier Investment Management Service
3. Wealth and Assets Survey, Wave 4, 2012-2014 ONS. Where source material reported in USD FX reporting of 1.3 has been applied

---

1. Comprises balances managed by UK RBWM, excluding assets held under shared dealing
2. Includes: Flexible Retirement Accounts; Global Investment Centre; Premier Investment Management Service
3. Wealth and Assets Survey, Wave 4, 2012-2014 ONS. Where source material reported in USD FX reporting of 1.3 has been applied
We will continue to empower our people to deliver great customer service that sets us apart from challenger institutions

Customer Recommendation Index (CRI Scores)¹
Driving customer satisfaction improvement across 9 million HSBC UK customers, closing the gap towards fd and M&S Bank

Strategic CRI Pillars¹
Improvement across key categories delivered from 2017-18

<table>
<thead>
<tr>
<th>Customer Service</th>
<th>Pride</th>
<th>Understanding our Customers</th>
<th>Being accessible</th>
<th>Removing effort*</th>
</tr>
</thead>
<tbody>
<tr>
<td>+5</td>
<td>+4</td>
<td>+4</td>
<td>+3</td>
<td>+5</td>
</tr>
</tbody>
</table>

Continued customer journey improvements remains a key portfolio priority
Building emotional advocacy with customers so they feel proud to be associated with HSBC UK
Being flexible to our customers needs whether through products or in our responses
Helping our customers use their channel of choice be it digital, phone or branch
Making things really easy and simple for customers e.g public website navigation

Strategic initiatives
- Upskilled network colleagues to handle customer needs at first point of contact through 'Universal Bank’ franchisement
- Better equipped contact centre staff to answer customer queries in a consistent and efficient manner through Knowledge Management platform enhancements
- Introduced Mobile Chat & Chat Bots to complement traditional channels whilst aiding customer convenience
- Support vulnerable customers - providing access to banking for excluded groups, including those affected by homelessness and human trafficking
- Implemented an internal problem solving initiative that rapidly solves challenges raised from front line colleagues
- Trialled remote and flexible working opportunities to meet customer demand whilst driving employee engagement

1. Internal management information

*New strategic measure in 2019
Digitising our journeys

We’ve made significant progress in digital

1. Source: OpinionLabs March Digital Customer Experience Survey
2. RBWM – HSBC only mobile figures
3. Q1 2019 HSBC only core retail products (Current Account, Loans, Cards & Savings), excluding Assisted Digital sales

~90%
of all transactions are now performed digitally

>7m
Payments a month through the app, totalling >£2.5bn

55
Digital NPS\(^1\) at an all-time high

+85%
YoY growth in mobile app logins\(^2\)

~57%
Digital sales penetration\(^3\)

131,000
Hours saved via Assisted Digital in 2018
Digitising our journeys

We have adopted digital technologies to help enrich our customers’ experience

Mobile X

- A faster and simpler mobile app that significantly improves customer experience
- **2.3m** customers migrated to Mobile X
- Rated **4.8⭐️** in the iOS app store from >425,000 reviews
- Mobile Chat Customer Satisfaction **>90%**
- Mobile Customer Satisfaction **+7.3ppts**¹ to **>70%**
- Maintained a high cadence of feature releases:
  - Fast balances
  - Mobile messaging
  - Mobile cheque deposit
  - Lost and stolen card features

Connected Money

- We were the first bank to launch an app in the UK that was inspired by Open Banking
- Our Connected Money app enables customers to see their accounts, loans and mortgages – even if they are held with other banks – in one place
- **>300k** customers to date have downloaded and interacted with the app to understand their financial health
- Throughout 2H19 and beyond the features of Connected Money will be integrated into the Mobile X application

Assisted Digital

- Assisted Digital enables front line colleagues to support customer enquiries and fulfil their servicing needs using digital technologies including the customers’ own devices
- Launched in 2018, **c. 70%** of all current accounts opened in branch are now undertaken via Assisted Digital
- Saved **131,000** hours of colleague time through the introduction of Assisted Digital capabilities

Bud

- first direct is deepening its partnership with fintech Bud to deliver a new range of services and products through its mobile app in 2019
- Our fd ‘artha’ app has graduated from the FCA’s Innovation Sandbox
- Using Bud’s technology the fd core app will enable customers to aggregate their financial accounts in place and categorise their spending data

¹. RBWM HSBC only; Growth from 63.0% in 2017 to 70.3% in 2018
Digitising our journeys

We want to realise a Mobile-Centred Smart Bank experience

Accounts, Products & Services
- **Full suite** of originations and servicing journeys
- **Real time** onboarding and access
- **All product sets** supported with relevant content and actions
- **Multi-currency** value store integrated with HSBC accounts

Open Banking & Financial Hub
- Spending **analytics** and account aggregation through Connected Money
- **Shared finance features** and auto-saving rules
- **Deepen customer relationships**

Profile & Preferences
- Allowing customers **full control** of personal details, messaging, data and payment preferences
- A fully **configurable** personal and relevant app based on customer product holdings
- Onboard and start transacting immediately

Notifications, Insights & Support
- Integrated, **personal and relevant** real time messaging and nudges
- Data driven **insights**, alerts and summaries
- Help and support via mobile chat, asynchronous messaging and **chatbots**

Data and Analytics Foundation & Capabilities
Investment in A.I. and cloud infrastructure will allow us to better serve our customers’ needs and provide colleagues with more knowledgeable information about customers resulting in richer and more meaningful conversations

Note: functionality to be rolled out over the few years, majority to be delivered in 2019 and 2020
**first direct - pioneering amazing service**

**FY18**

**first direct snapshot**

- **~1.4 million** active customer relationships, of which **c.72%** are digitally active
- Part of the HSBC UK legal entity
- Launched as a 24/7 telephone banking business with no physical high street presence, first direct has transitioned into a digital bank with customers **25x** more likely to contact us through digital channels as opposed to telephony
- Positioned as a test-bed for innovation versus Digital Challengers
- Adjusted revenue of **£393m**, up **9%** YoY
- Loans and advances to customers of **~£19bn**
- Customer accounts **~£22bn**
- A/D Ratio **~85%**

**External recognition**

We win more awards for our service than any other UK bank

#1 UK Institute of Customer Service Satisfaction Index 2018

#2 in the Competition & Markets Authority banking league tables

#1 for Customer Experience Excellence 2018 KPMG Nunwood
M&S Bank - new fashioned banking

FY18

M&S Bank snapshot

- ~2.9 million customers
- M&S Bank is run as a joint venture arrangement between Marks & Spencer and HSBC
- Offer a range of financial services, from current accounts to insurance, savings products to credit cards and we recently launched M&S Bank mortgages
- Leverage the M&S retail partnership opportunity to organically grow customer relationships
- Adjusted revenue of £318m, up 7% YoY
- Adjusted PBT\(^1\) of £124m
- Adjusted jaws +12.3%
- Loans and advances to customers of ~£4bn
- Customer accounts ~£2bn
- A/D Ratio ~168%

---

1. Reported profit before tax of ‘Marks and Spencer Financial Services plc’ and ‘Marks and Spencer Unit Trust Management Limited’, excluding significant items. In 2018, significant items related to customer redress programmes.
## Summary

### RBWM UK highlights

- Well positioned across four reputable brands
- Sustainable UK footprint with strong international capabilities
- Comprehensive product set
- Track record of delivering growth

### Well-positioned to service the UK retail market in the medium and long term

1. **Improving the end-to-end customer experience** through increased process automation and digitally-led journeys

2. Increasing the scale and speed of **digital investments and partnership** opportunities to deliver a blended ‘people and digital’ based service experience

3. **Proactively engaging with regulators** to support the integrity of and access to the financial services industry

4. Deliver **market leading propositions** across all key markets whilst innovating and testing product capabilities across the sector

5. Continuing to develop a **high quality balance sheet**
Technology & Digital

Emma Bunnell, COO HSBC UK
The engine room – delivering simpler, better, faster for outcomes for customers

Who are we?

- The ‘engine room’ of the bank - HSBC Operations Services and Technology (HOST)
- Delivering a safe and efficient service to our customers

What are we doing?

1. **Investing** – increasing our investment in technology to meet the changing needs of our customers
2. **Protecting** – defending for today and preparing for the future to remain a safe bank
3. **Innovating** – working with FinTech partners to deliver great outcomes for our customers
4. **Changing** – the way we work to embrace faster delivery
Investing in technology to support our growth ambitions

Technology and digital enables us to:

- Create scalable revenue streams
- Improve customer service
- Lower cost to serve

HSBC UK is greatly supported by being part of a leading, global bank

- HSBC UK is a beneficiary of the Group’s global technology and investment budget
- Economies of scale – we centralise product management, and can deploy technology cross border
- Transfer of learnings – shared learnings around the Group on customer, markets, etc

HSBC Group investment plan (2018-2020) $15–17bn¹

HSBC Group 2018 investment expense: $4.1bn

HSBC UK investment

- We are investing c. £0.6bn in UK technology in 2019 – a c.30% increase versus 2018
- Our investment is heavily focused on delivering change and innovation

Technology investments, £bn

<table>
<thead>
<tr>
<th>Year</th>
<th>Change The Bank</th>
<th>Run The Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>c. 0.5</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td>c. 0.6</td>
</tr>
</tbody>
</table>

Investment mix

- Change The Bank: c.40%
- Run The Bank: c.60%

1. As published in the HSBC Strategy Updated, June 2018
Protecting HSBC UK - a safe bank with a solid foundation

Protecting our customers

- Zero tolerance for unsupported hardware and software
- Early market adopter for the deployment of Touch ID, Face ID and Voice ID
- Educate and train our staff to become an effective first line of defence

Which? - Safest UK bank for online security:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Login</th>
<th>Encryption</th>
<th>Account management</th>
<th>Navigation and logout</th>
<th>Test score</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Direct</td>
<td>4 out of 5</td>
<td>4 out of 5</td>
<td>4 out of 5</td>
<td>5 out of 5</td>
<td>76%</td>
</tr>
<tr>
<td>HSBC</td>
<td>5 out of 5</td>
<td>4 out of 5</td>
<td>4 out of 5</td>
<td>5 out of 5</td>
<td>73%</td>
</tr>
<tr>
<td>Barclays</td>
<td>5 out of 5</td>
<td>5 out of 5</td>
<td>4 out of 5</td>
<td>3 out of 5</td>
<td>68%</td>
</tr>
<tr>
<td>Co-Op</td>
<td>3 out of 5</td>
<td>5 out of 5</td>
<td>4 out of 5</td>
<td>3 out of 5</td>
<td>66%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>4 out of 5</td>
<td>5 out of 5</td>
<td>4 out of 5</td>
<td>1 out of 5</td>
<td>66%</td>
</tr>
</tbody>
</table>

Top 5 of 12

Delivering real benefits – case study

Fraud prevention

- **Before**: manually intensive, ‘dial all customers’ process for verifying potential fraudulent activity
- **After**: 2-way SMS solution launched in 2018 significantly improving experience and preventing fraud

- 70% response rate
- 61% self unblock
- 30% reduction in calls (90k per month)
- 21% reduction in staff time

1. Which? November 2018 customer facing security of 12 leading online banks
Innovating with external partners to complement internal capabilities

Select engagement with Fintech partners

- Improve customer journeys and bring digital into aspects of our customers’ banking life where they value it most
- Take advantage of partners’ new services and / or experiences
- Complement, not replace core systems and capabilities
- Cloud strategy will realise benefits in scalability, flexibility, resilience and security

Collaboration examples

Incremental adoption of Cloud based solutions through strategic alliances

- Migration of core liquidity reports to cloud provider – significant improvements in speed and scale
- Dynamic risk assessment of HSBC UK customer information to assist with financial crime risk profiling

Partnering to fight financial crime with Big Data analysis

- HSBC Global Social Network Analytics, enhanced with Quantexa’s entity resolution and network analytics
- Enriches HSBC data to give quicker and more accurate analysis of potential financial crime activities, allowing investigators to uncover previously unidentified illicit activity
- Winner of the Celent Model Bank 2019 Award for Risk Management
Changing the way we work - some key examples

**Employee engagement**
- HSBC University curriculum events at our brand new learning hub in Birmingham
- Build an agile and inclusive culture - contact centre colleagues enabled to work from home
- Technology Coalition – trusted, connected influencers, passionate about leading change
- 2,300 colleagues benefitting from the open, collaborative and technologically-advanced working environment

**Improved efficiency**
- Overall CMB employee engagement up 10% in H218 to 68%¹
- Strengthened accountability and decision-making
- >10k management hours saved by increasing effectiveness and streamlining governance meetings
- Self-serve ChatBot deployed across UK CMB to answer colleagues questions on policies and procedures quickly and efficiently
- Voice recognition³ software instantly archives RM meetings whilst AI identifies and shares actions. Dramatically improves record keeping and speed in which we meet client needs
- Streamlined back office systems and processes to support HR improving access to employee data

**Digital transformation is not just about technology … we are also changing our Ways of Working to embrace faster delivery**

1. Source: Internal colleague surveys Q218 - Q418 - % of favourable responses to “I would recommend this company as a great place to work”
2. ‘LEED Gold’ rating - Leadership in Environmental and Energy Design
3. Voice to Action - in pilot phase, with 100 RMs

**Working environment**
- Birmingham, Leeds and Sheffield buildings all on target to achieve ‘LEED Gold’ rating² – the world’s leading independent green building certification
<table>
<thead>
<tr>
<th><strong>RBWM</strong></th>
<th><strong>CMB</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mortgages</strong></td>
<td><strong>Mobile Centred Smart Banking</strong></td>
</tr>
<tr>
<td><em>The enablers to delivering growth in our UK mortgage business</em></td>
<td><em>Transforming the current and future state of our mobile customer experience</em></td>
</tr>
<tr>
<td><strong>Digital Business Banking Mobile App</strong></td>
<td><strong>Trade &amp; Trade Tracker</strong></td>
</tr>
<tr>
<td><em>Building a customer-centric platform for future digital leadership</em></td>
<td><em>The future of trade</em></td>
</tr>
<tr>
<td><strong>Liquidity Management Portal</strong></td>
<td><strong>Liquidity Management Portal</strong></td>
</tr>
<tr>
<td><em>Providing true visibility for current and future cash flows, that enable better working capital optimisation for corporates</em></td>
<td></td>
</tr>
</tbody>
</table>

**Presenters**
- Tracie Pearce, Commercial Director, RBWM UK
- George Charalambous, Head of Digital Product RBWM UK
- Gayle Lacey, COO CMB UK, James Nguyen, Head of Digital CMB UK
- Ian Tandy, Head of GTRF UK, Marissa Adams, Business Management Director
- Tom Wood, Head of GLCM UK, Timothy Bartlett, Director, GLCM UK
Risk

James Calladine, CRO HSBC UK
# A robust risk management framework

<table>
<thead>
<tr>
<th>Risk Governance</th>
<th>Culture and Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-executive risk governance</td>
<td>Non-executive risk governance</td>
</tr>
<tr>
<td>Executive risk governance</td>
<td>Executive risk governance</td>
</tr>
<tr>
<td>Three Lines of Defence model</td>
<td>Three Lines of Defence model</td>
</tr>
<tr>
<td>Risk appetite</td>
<td>Risk appetite</td>
</tr>
</tbody>
</table>

## Processes
- **Enterprise-wide risk-management tools** – risk appetite profile, top and emerging risks report, risk map and stress testing

## Controls
- Policies and procedures
- Control activities
- Systems and infrastructure

## Identification and assessment
- Monitoring
- Management
- Reporting
Strong oversight and management of financial and non-financial risks, with executive and non-executive governance

1. RMM and FCRMC are meetings of the Exco to oversee risk and financial crime risk respectively
Resilient profitability during the Global Financial Crisis
(HSBC Bank plc)


1. Historical HSBC Bank plc data includes results from all global businesses across Europe and is not therefore comparable with the HSBC UK Bank plc’s FY18 data. HSBC Bank plc data is presented on a reported basis. Reported results include volatile items such as fair value movements on our own debt designated at fair value reflecting changes in our own credit spread, conduct and redress costs, goodwill impairments and costs to achieve. Refer to the published HSBC Bank plc Annual Report and Accounts for further details.

2. From 2018, under IFRS 9 the ‘change in expected credit losses and other credit impairment charges’ (ECL), differs in recognition and measurement from ‘loan impairment charges and other credit risk provisions’ (LICs) under IAS 39 in previous periods.
HSBC UK has a well-diversified loan portfolio, and closely monitors exposure to higher risk sectors

Retail mortgage average LTVs (1Q19)

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>New Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>51%</td>
<td>66%</td>
</tr>
</tbody>
</table>

Retail gross loans and advances to customers
As at 31 Dec 2018

Wholesale gross loans and advances to customers
As at 31 Dec 2018

- Real estate: 11.7%
- Non-bank financial institutions: 6.0%
- Wholesale and retail trade: 9.9%
- Manufacturing: 8.2%
- Accommodation and food: 6.8%
- Administrative and support services: 4.4%
- Construction: 4.1%
- Professional, scientific and broadcasting: 3.7%
- Agriculture, forestry and fishing: 3.6%
- Health and care: 3.5%
- Transportation and storage: 1.5%
- Publishing and broadcasting: 1.6%
- Other: 1.9%

Total UK includes GBP

£110.2bn

£66.1bn

1. Total UK includes GBP
HSBC UK has a high quality loan portfolio

- HSBC UK has a conservative approach to risk management, consistent with the HSBC Group
- 75.2% of gross loans and advances to customers of ‘Strong’ or ‘Good’ credit quality, equivalent to external Investment Grade credit rating
- 92.5% of gross loans and advances to customers are Stage 1
- Ongoing UK economic uncertainty is a key risk and continues to be monitored closely

Gross loans and advances to customers as at 31 Dec 2018

<table>
<thead>
<tr>
<th>Category</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong</td>
<td>60.2%</td>
</tr>
<tr>
<td>Good</td>
<td>15.0%</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>21.5%</td>
</tr>
<tr>
<td>Sub-standard</td>
<td>1.5%</td>
</tr>
<tr>
<td>Credit impaired</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

£176.3bn

Analysis by stage as at 31 Dec 2018

<table>
<thead>
<tr>
<th>Reported Basis, £bn</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Total as a % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross loans and advances to customers</td>
<td>163.1</td>
<td>10.6</td>
<td>2.6</td>
<td>176.3 1.5%</td>
</tr>
<tr>
<td>Allowance for ECL</td>
<td>0.2</td>
<td>0.6</td>
<td>0.6</td>
<td>1.4</td>
</tr>
</tbody>
</table>

ECL charge trend, £m

<table>
<thead>
<tr>
<th>Year</th>
<th>ECL as a % of Gross Loans and Advances to Customers (annualised)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q18</td>
<td>0.09%</td>
</tr>
<tr>
<td>4Q18</td>
<td>0.60%</td>
</tr>
<tr>
<td>1Q19</td>
<td>0.42%</td>
</tr>
</tbody>
</table>

- Impairments were elevated in 4Q18, in part due to a charge relating to UK economic uncertainty
- Small number of larger individual impairments taken at start of 2019
- We remain watchful of certain sectors – including high street retailers, construction companies, restaurants

1. Total includes POCI balances and related allowances
2. Average gross loans and advances are calculated on a 2 point average
PRA stress test results 2018: Projected cumulative five-year impairment charge rates

Note: HSBC results represent total UK lending (RFB and NRFB)

**UK individuals – mortgage lending**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Impairment Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lloyds</td>
<td>3.4%</td>
</tr>
<tr>
<td>Santander UK</td>
<td>1.5%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>1.1%</td>
</tr>
<tr>
<td>RBS</td>
<td>0.9%</td>
</tr>
<tr>
<td>Barclays</td>
<td>0.9%</td>
</tr>
<tr>
<td>HSBC</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

**UK individuals – non-mortgage lending**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Impairment Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays</td>
<td>35.9%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>27.4%</td>
</tr>
<tr>
<td>Lloyds</td>
<td>27.0%</td>
</tr>
<tr>
<td>RBS</td>
<td>22.5%</td>
</tr>
<tr>
<td>HSBC</td>
<td>22.4%</td>
</tr>
<tr>
<td>Santander UK</td>
<td>20.6%</td>
</tr>
</tbody>
</table>

**UK Commercial real estate lending**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Impairment Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lloyds</td>
<td>7.2%</td>
</tr>
<tr>
<td>Barclays</td>
<td>6.7%</td>
</tr>
<tr>
<td>Santander UK</td>
<td>6.2%</td>
</tr>
<tr>
<td>Nationwide</td>
<td>6.2%</td>
</tr>
<tr>
<td>HSBC</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

**UK lending to businesses, excluding commercial real estate**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Impairment Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santander UK</td>
<td>12.6%</td>
</tr>
<tr>
<td>Lloyds</td>
<td>9.4%</td>
</tr>
<tr>
<td>Barclays</td>
<td>9.2%</td>
</tr>
<tr>
<td>RBS</td>
<td>8.7%</td>
</tr>
<tr>
<td>HSBC</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

Source: “Stress testing the UK banking system: 2018 results”, Bank of England

1. Data sources: Participating banks' FDSF data submissions, Bank of England analysis and calculations
2. Cumulative impairment charge rates = (five-year total impairment charge) / (average gross on balance sheet exposure), where the denominator is a simple average using year end balance sheet positions. This calculation may result in a lower impairment rate for those banks that expand balances significantly in the later years of the scenario as the economy recovers
3. Portfolios with cumulative impairment charges of £0.0bn (i.e. below £0.05 billion) is excluded
Strong focus on key risks, particularly ongoing Brexit uncertainty

**Internal**
- People Risk
- Heightened Execution Risk
- Conduct and Customer Detriment Risk
- IT and Operational Resilience
- Financial Crime Risk
- Data Management
- Model Risk

**External**
- Information Security and Cyber Risk
- Regulatory Developments
- Geopolitical Risk
- Turning of the credit cycle
- IBOR Transition

**Increased focus on resource planning and employee retention**

**Strengthening governance processes for significant projects**

**Enhanced management of conduct in a number of areas**

**Improvement of resilience across our technology infrastructure**

**Strengthening our defences against financial crime**

**Enhancement of data governance, data quality & data privacy**

**Strengthened model risk governance framework**

**Enhancement of cybersecurity capabilities**

**New regulatory requirements implemented effectively**

**Managing risks as they arise (ongoing Brexit & political uncertainty)**

**Detailed reviews of portfolios likely to come under stress**

**Evaluation of impact on products, services and processes**
HSBC UK’s ambitions of growth are supported by its robust risk management framework and prudent approach to lending.

**Summary**

**Key highlights**

1. **Strong governance and oversight** over risk
2. **Conservative** and a **well-diversified** loan portfolio
3. **Proactive management of top and emerging risks**, particularly ongoing UK economic uncertainty
Finance

Dave Watts, CFO HSBC UK
## Financial performance

**HSBC UK is a profitable bank, generating capital**

### Adjusted P&L, £m

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY ∆ %</th>
<th>3Q18</th>
<th>4Q18</th>
<th>1Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>4,232</td>
<td>4,715</td>
<td>11%</td>
<td>1,223</td>
<td>1,228</td>
<td>1,220</td>
</tr>
<tr>
<td>Other income</td>
<td>1,777</td>
<td>1,734</td>
<td>(2%)</td>
<td>458</td>
<td>442</td>
<td>408</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>6,009</strong></td>
<td><strong>6,449</strong></td>
<td><strong>7%</strong></td>
<td><strong>1,682</strong></td>
<td><strong>1,670</strong></td>
<td><strong>1,628</strong></td>
</tr>
<tr>
<td>LICs / ECL</td>
<td>(229)</td>
<td>(399)</td>
<td>(74%)</td>
<td>(40)</td>
<td>(265)</td>
<td>(188)</td>
</tr>
<tr>
<td>Costs</td>
<td>(3,392)</td>
<td>(3,510)</td>
<td>(3%)</td>
<td>(878)</td>
<td>(870)</td>
<td>(902)</td>
</tr>
<tr>
<td>PBT</td>
<td>2,388</td>
<td>2,540</td>
<td>6%</td>
<td>764</td>
<td>535</td>
<td>538</td>
</tr>
<tr>
<td><strong>CER</strong></td>
<td>56.5%</td>
<td>54.4%</td>
<td>(2.1)ppts</td>
<td>52.2%</td>
<td>52.1%</td>
<td>55.4%</td>
</tr>
</tbody>
</table>

### Balance sheet, £m

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY ∆ %</th>
<th>3Q18</th>
<th>4Q18</th>
<th>1Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers</td>
<td>161,977</td>
<td>174,807</td>
<td>8%</td>
<td>171,313</td>
<td>174,807</td>
<td>177,460</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>203,492</td>
<td>204,837</td>
<td>1%</td>
<td>201,797</td>
<td>204,837</td>
<td>204,473</td>
</tr>
<tr>
<td>RWAs</td>
<td>n/a</td>
<td>91,839</td>
<td>n/a</td>
<td>n/a</td>
<td>91,839</td>
<td>92,969</td>
</tr>
<tr>
<td>Tangible equity</td>
<td>n/a</td>
<td>16,241</td>
<td>n/a</td>
<td>n/a</td>
<td>16,241</td>
<td>16,101</td>
</tr>
</tbody>
</table>

**FY18**
- NII of £4.7bn up 11% primarily due to balance sheet growth and base rate rises
- Strong revenue growth of 7%, supporting PBT growth of 6%
- Adjusted jaws of +3.8%
- Loans and advances to customers up 8% to £175bn
- 2H18 RoTE of 11.7%

**1Q19**
- Adjusted revenue in RBWM up 4% to £834m, CMB up 2% to £675m versus 1Q18
- 1Q19 vs 4Q18 revenue decrease due to fewer days, as well as Visa rebate income in 4Q18 (£19m) and redress payments in 1Q19 (£15m)
- NIM maintained at 2.21% versus 4Q18
- Costs elevated in 1Q19 partly due to marketing spend phasing and remediation
- Loans and advances to customers increased by 1% in RBWM and 3% in CMB versus 4Q18
- RoTE of 9.2%

---

1. 2H18 RoTE (ex significant items and the UK bank levy). 2H18 RoTE includes an adverse impact of 340bps due to a pension fund surplus of £4.3bn, or $5.6bn, (average, net of deferred tax) impacting average tangible equity
2. 1Q19 RoTE (ex significant items and the UK bank levy) of 9.2% includes an adverse impact of 260bps due to a pension fund surplus of £4.3bn, or $5.5bn, (average, net of deferred tax) impacting average tangible equity
Financial performance

Good revenue and PBT growth in RBWM and CMB

### Net interest margin

- **Quarterly NIM, %**
  - 4Q18: 2.21%
  - 1Q19: 2.21%

- NIM has been broadly stable, though asset pricing remains competitive, particularly in mortgages

### Net interest income sensitivity

#### HSBC Group

<table>
<thead>
<tr>
<th>Sensitivity of NII to a 25bps / 100bps instantaneous change in yield curves (12m)</th>
<th>$m</th>
<th>GBP</th>
</tr>
</thead>
<tbody>
<tr>
<td>+25bps</td>
<td>198</td>
<td></td>
</tr>
<tr>
<td>-25bps</td>
<td>(244)</td>
<td></td>
</tr>
<tr>
<td>+100bps</td>
<td>777</td>
<td></td>
</tr>
<tr>
<td>-100bps</td>
<td>(1,122)</td>
<td></td>
</tr>
</tbody>
</table>

For further commentary and information, refer to pages 139 and 140 of the HSBC Holdings plc Annual Report and Accounts 2018

- A +100bp shift in GBP yield curves would mean an additional $777m (c. £600m) in Group NII – primarily in HSBC UK
- This is partly due to low yielding surplus deposits positioned at the Bank of England

### Adjusted revenue, £m

- Adjusted revenue increased by £440m (7%) compared with 2017, with growth in RBWM (8%) and CMB (9%) due to growth in lending and higher deposit margins as UK interest rates rose
- Adjusted revenue increased by £440m (7%) compared with 2017, with growth in RBWM (8%) and CMB (9%) due to growth in lending and higher deposit margins as UK interest rates rose

### Adjusted PBT, £m

- Adjusted PBT increased by £152m (6%), vs 2017. This reflected higher revenue, partially offset by higher ECL and costs

1. Estimated based on a 31 Dec 18 spot rate
Cost management is a core focus for HSBC UK, facilitating investment in growth initiatives

### Adjusted costs, £m

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>ServCo</td>
<td>3,392</td>
<td>3,510</td>
</tr>
<tr>
<td>General &amp; Admin</td>
<td>1,762</td>
<td>1,748</td>
</tr>
</tbody>
</table>

**Cost efficiency ratio, %**

- **FY17**: 56.5%
- **FY18**: 54.4%
- **2018 adjusted costs**: +3%
- **2017 adjusted costs**: -2.1ppts

- **CER of 54.4% in FY18, down from 56.5% in 2017; adjusted positive jaws of 3.8% in FY18**
- **We intend to continue to manage costs by:**
  - Streamlining back office systems and processes
  - Using new and emerging technologies to improve cost efficiency
- **At the same time we are investing for growth, supporting simpler, faster on-boarding and application processes**
- **In 2018 we spent c. £0.5bn in cash terms on investment, which we expect to increase in 2019 to c. £0.6bn (c. 30%)**
- **ServCo costs are c. 65% of other general and admin costs. The majority of ServCo Costs relate to the provision of IT, Operations and Global Functions support to the bank**

### 2H18 adjusted costs by type, £m

- **Staff**: 425
- **Depreciation**: 46
- **Amortisation**: 64
- **General & Admin**: 1,213
- **Total**: 1,748

Note: the UK bank levy is not allocated to HSBC UK, and therefore the costs and CER detailed exclude this.
Balance sheet

Balance sheet strength

As at 31 Dec 2018

- HSBC UK has a simple, low risk, evolving balance sheet
- We have a diversified balance sheet, across retail and wholesale
- Our primary sources of funding are customer current accounts and customer savings deposits
- In line with HSBC Group policy, HSBC UK manages funding and liquidity on a stand alone basis
- The Liquid asset buffer comprises Level 1 and Level 2A liquid assets, of which 97.4% is Level 1
- Interest rate risk and hedging actions on deposits are managed centrally by Balance Sheet Management (BSM), and the associated income is reported in Corporate Centre in HSBC UK

Liquidity coverage ratio 143%
Net stable funding ratio 144%
Advances to deposits ratio 85.3%
Liquid asset buffer £46.5bn

Consolidated balance sheet, £bn

Loans and advances to customers (net)

Assets

Other assets 17
Liquid assets1 47
Equity

Liabilities

Other liabilities 7
Subordinated liabilities 205
Customer accounts 22
Equity

Net loans and advances to customers

- Mortgages2 £175bn
- Other personal lending
- Corporate and commercial
- Non-bank financial institutions

1. Liquid assets include cash and balances at central banks, items in the course of collection from other banks and financial investments
2. Total mortgages – includes those in RBWM and GPB
HSBC UK benefits from low cost of funding

As at 31 Dec 2018

Customer deposits, £bn

By global business

- Our primary sources of funding is customer deposits; we did not participate in the Term Funding Scheme
- We benefit from a high credit rating and the low credit spreads of HSBC Holdings capital and MREL that is downstreamed
- To increase diversification of funding sources, and support growth, HSBC UK initiated a wholesale funding programme in 2019, beginning with CP/CDs in 1Q19
- HSBC UK expects to access the wholesale market in low-cost secured and unsecured format
- Future asset growth will be funded by a mix of customer deposits and wholesale funding
**HSBC UK is well capitalised and aims to become a significant dividend payer**

As at 31 Dec 2018

- The balance sheet is supported by a prudent capital position, and strong capital generation
- HSBC UK aims to become a significant dividend payer and to pay out a high percentage of future earnings to HSBC Holdings
- CET1 ratio of 12.7% versus a requirement of 11.6%
- CRD IV leverage ratio\(^1\) of 5.6%; UK leverage ratio requirement\(^2\) of 3.95%
- HSBC UK paid its first £200m dividend to HSBC Holdings in March 2019

**CET1 ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>CET1 Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>12.7%</td>
</tr>
</tbody>
</table>

**Total capital ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Capital Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>18.3%</td>
</tr>
</tbody>
</table>

**Leverage ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>Leverage Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

**Capital and loss-absorbing instruments, % of RWAs**

<table>
<thead>
<tr>
<th>Instrument</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 2</td>
<td>2.4%</td>
</tr>
<tr>
<td>AT1</td>
<td>3.2%</td>
</tr>
<tr>
<td>CET1</td>
<td>12.7%</td>
</tr>
<tr>
<td>Senior MREL(^*)</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

1. On a CRD IV basis
2. On the PRA defined UK Leverage Basis
3. Pillar 2A requirements are shown as applicable on 1 January 2019 and are subject to change. The capital buffers include: a) the capital conservation buffer (CCB); b) the countercyclical capital buffer (CCyB), based on confirmed rates as of 10 June 2019; c) the Systemic Risk Buffer (SRB), applicable from 1 August 2019. With the exception of the capital conservation buffer, the remaining buffers are subject to change.
4. Senior subordinated instruments, meeting the eligibility criteria in the Statement of Policy on the Bank of England’s approach to setting a minimum requirement for own funds and eligible liabilities (MREL), published in June 2018

---

\(^*\) MREL-eligible senior\(^4\) downstreamed from HSBC Holdings:
- Q4 2018: £2bn
- Q1 2019: £1bn
- Q2 2019: £3bn

Expected 1 Jan 2020 total c. £7bn
Risk-weighted assets

FY18

Portfolio risk-weight densities\(^1\), %

<table>
<thead>
<tr>
<th>Risk Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages</td>
<td>4.6%</td>
</tr>
<tr>
<td>Corporates</td>
<td>75.5%</td>
</tr>
</tbody>
</table>

Risk weighted assets, £bn

By global business

- RBWM: 0.1
- CMB: 1.9
- GB&M: 2.5
- GPB: 21.4
- Corporate Centre: 66.0

Total: £92 bn

By risk type

- Credit: 10.6
- Counterparty: 0.1
- Market: 0.0
- Operational: 81.1

Total: £92 bn

Regulatory changes

Mortgages

- Mortgage RWAs of c. £5bn at FY18, a risk-weight density of 4.6%
- A number of regulation changes from the PRA, EBA and BCBS are expected to result in material increases in UK mortgages RWAs from 31st Dec 2020
- The current IRB risk weighting for mortgages is expected to increase by between 50–70\(^2\) due to the change in definition of default from 180 to 90 days on the mortgage portfolio and using the hybrid approach for PDs and LGDs

Basel III reform\(^3\)

- Still subject to uncertainty
- Potential impact on RWAs likely to be driven by the following factors:
  - Removal of scaling factor under the internal ratings based approach
  - Operational and counterparty credit risk methodologies and calculations
  - TBD Operational risk internal loss multiplier subject to national discretion (PRA)
  - 72.5% output floor phased in from 2022

RWA management

- Focus on improving returns through proactive management of low returning customers, as well as data quality improvements and model updates

---

1. Risk-weight densities are calculated as RWA divided the exposure at default (EAD) under the IRB approach. (Mortgages EAD £105.6bn, Corporates EAD £69.7bn). The HSBC UK Bank 2018 Pillar 3 disclosure reported net carrying values for mortgages £101.1bn and Corporates £83.0bn
2. Indicative estimate only – subject to change
3. Comments are based on current business model and our interpretation of the proposals
## Outlook – prudent growth

### Adjusted P&L, £m

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY Δ %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>4,232</td>
<td>4,715</td>
<td>11%</td>
</tr>
<tr>
<td>Other income</td>
<td>1,777</td>
<td>1,734</td>
<td>(2%)</td>
</tr>
<tr>
<td>Total revenue</td>
<td>6,009</td>
<td>6,449</td>
<td>7%</td>
</tr>
<tr>
<td>LICs / ECL</td>
<td>(229)</td>
<td>(399)</td>
<td>(74%)</td>
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<tr>
<td>Costs</td>
<td>(3,392)</td>
<td>(3,510)</td>
<td>(3%)</td>
</tr>
<tr>
<td>PBT</td>
<td>2,388</td>
<td>2,540</td>
<td>6%</td>
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</table>

### Balance Sheet, £bn

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY Δ %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers</td>
<td>162</td>
<td>175</td>
<td>8%</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>203</td>
<td>205</td>
<td>1%</td>
</tr>
<tr>
<td>RWAs</td>
<td>n/a</td>
<td>92</td>
<td>n/a</td>
</tr>
</tbody>
</table>

### Key financial metrics, %

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY18</th>
<th>FY Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost efficiency ratio</td>
<td>56.5%</td>
<td>54.4%</td>
<td>(2.1)ppts</td>
</tr>
<tr>
<td>Adjusted jaws</td>
<td>n/a</td>
<td>3.8%</td>
<td>n/a</td>
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<tr>
<td>RoTE¹</td>
<td>n/a</td>
<td>11.7%</td>
<td>n/a</td>
</tr>
<tr>
<td>ECL / Loans and Advances</td>
<td>15bps</td>
<td>24bps</td>
<td>9bps</td>
</tr>
<tr>
<td>Advances to deposits ratio</td>
<td>80%</td>
<td>85%</td>
<td>5ppts</td>
</tr>
</tbody>
</table>

### Medium term outlook²

- Continue to **grow revenue** as we invest in the business
- **ECL** expected to increase, as impairments normalise from historically low levels, subject to UK economic uncertainty
- **Costs** to increase as we continue to invest in growth initiatives
- Committed to the discipline of **positive adjusted jaws**; 2019 a year of investment growth
- **RWAs** expected to grow less than loans and advances to customers

---

1. 2H18 RoTE (ex significant items and the UK bank levy); 2H18 RoTE includes an adverse impact of 340bps due to a pension fund surplus of £4.3bn, or $5.6bn, (average, net of deferred tax) impacting average tangible equity
2. Medium term outlook out to 2022
Summary

The UK represents a clear growth opportunity for HSBC, with a robust plan to deliver significant value creation.

Key highlights

1. HSBC UK is a **profitable bank, generating capital**

2. **Cost management** is a core focus for HSBC UK, balanced against investment in growth initiatives

3. HSBC UK has a **simple, low risk, evolving balance sheet**

4. HSBC UK will continue to **benefit from low cost of funding**

5. We are **well capitalised** and aim to be a **significant dividend payer**
Summary and close

Ian Stuart, CEO HSBC UK
An introduction to HSBC UK

HSBC UK, a clear growth opportunity

The UK represents a clear growth opportunity for HSBC, with a robust plan to deliver significant value creation.

Key highlights

1. The UK is one of HSBC’s scale markets, and HSBC UK represents a material part of the Group

2. UK remains an attractive place to do business; HSBC UK has significant competitive advantages and opportunities for market share growth

3. We have a clear plan to deliver growth with a good return profile and strong organic capital generation

4. We delivered strong progress on financials, customer service, people engagement, and simplification in 2018

5. UK economic uncertainty remains high; we continue to be watchful on credit impairment risks

6. We are delivering growth with a focus on sustainability and our role in society
## Detailed financial information

<table>
<thead>
<tr>
<th>Reported P&amp;L, £m</th>
<th>Pro-forma FY17</th>
<th>Pro-forma FY18</th>
<th>3Q18</th>
<th>4Q18</th>
<th>1Q19</th>
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</thead>
<tbody>
<tr>
<td>NII</td>
<td>4,153</td>
<td>4,754</td>
<td>1,223</td>
<td>1,233</td>
<td>1,220</td>
</tr>
<tr>
<td>RBWM</td>
<td>2,440</td>
<td>2,655</td>
<td>692</td>
<td>699</td>
<td>687</td>
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<tr>
<td>CMB</td>
<td>1,527</td>
<td>1,939</td>
<td>482</td>
<td>501</td>
<td>493</td>
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<tr>
<td>GB&amp;M</td>
<td>-</td>
<td>(3)</td>
<td>(1)</td>
<td>(2)</td>
<td>-</td>
</tr>
<tr>
<td>GPB</td>
<td>111</td>
<td>114</td>
<td>30</td>
<td>27</td>
<td>27</td>
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<tr>
<td>Corporate Centre</td>
<td>75</td>
<td>49</td>
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<tr>
<td>Other income</td>
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<td>1,734</td>
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<td>704</td>
<td>200</td>
<td>175</td>
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<td>789</td>
<td>197</td>
<td>202</td>
<td>182</td>
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<td>GB&amp;M</td>
<td>143</td>
<td>143</td>
<td>36</td>
<td>39</td>
<td>48</td>
</tr>
<tr>
<td>GPB</td>
<td>55</td>
<td>40</td>
<td>11</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Corporate Centre</td>
<td>136</td>
<td>58</td>
<td>14</td>
<td>16</td>
<td>19</td>
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<td>Total revenue</td>
<td>5,996</td>
<td>6,488</td>
<td>1,682</td>
<td>1,675</td>
<td>1,628</td>
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<td>3,096</td>
<td>3,359</td>
<td>892</td>
<td>874</td>
<td>835</td>
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<tr>
<td>CMB</td>
<td>2,380</td>
<td>2,728</td>
<td>679</td>
<td>704</td>
<td>675</td>
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<tr>
<td>GB&amp;M</td>
<td>143</td>
<td>140</td>
<td>35</td>
<td>37</td>
<td>48</td>
</tr>
<tr>
<td>GPB</td>
<td>166</td>
<td>154</td>
<td>41</td>
<td>37</td>
<td>39</td>
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<tr>
<td>Corporate Centre</td>
<td>211</td>
<td>107</td>
<td>34</td>
<td>24</td>
<td>32</td>
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<tr>
<td>ECL</td>
<td>(229)</td>
<td>(399)</td>
<td>(40)</td>
<td>(265)</td>
<td>(188)</td>
</tr>
<tr>
<td>RBWM</td>
<td>(103)</td>
<td>(266)</td>
<td>(46)</td>
<td>(118)</td>
<td>(67)</td>
</tr>
<tr>
<td>CMB</td>
<td>(115)</td>
<td>(138)</td>
<td>(3)</td>
<td>(142)</td>
<td>(120)</td>
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<tr>
<td>GB&amp;M</td>
<td>(11)</td>
<td>4</td>
<td>9</td>
<td>(5)</td>
<td>(1)</td>
</tr>
<tr>
<td>GPB</td>
<td>0</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporate Centre</td>
<td>(716)</td>
<td>(261)</td>
<td>(2)</td>
<td>(159)</td>
<td>-</td>
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<tr>
<td>Costs</td>
<td>(4,635)</td>
<td>(3,882)</td>
<td>(932)</td>
<td>(1,056)</td>
<td>(946)</td>
</tr>
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<td>RBWM</td>
<td>(2,706)</td>
<td>(2,358)</td>
<td>(607)</td>
<td>(579)</td>
<td>(613)</td>
</tr>
<tr>
<td>CMB</td>
<td>(950)</td>
<td>(1,027)</td>
<td>(264)</td>
<td>(254)</td>
<td>(266)</td>
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<tr>
<td>GB&amp;M</td>
<td>(134)</td>
<td>(125)</td>
<td>(32)</td>
<td>(37)</td>
<td>(35)</td>
</tr>
<tr>
<td>GPB</td>
<td>(129)</td>
<td>(111)</td>
<td>(27)</td>
<td>(27)</td>
<td>(32)</td>
</tr>
<tr>
<td>Corporate Centre</td>
<td>(716)</td>
<td>(261)</td>
<td>(2)</td>
<td>(159)</td>
<td>-</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,132</td>
<td>2,207</td>
<td>710</td>
<td>354</td>
<td>494</td>
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<tr>
<td>RBWM</td>
<td>287</td>
<td>735</td>
<td>239</td>
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<tr>
<td>CMB</td>
<td>1,315</td>
<td>1,563</td>
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<td>308</td>
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<tr>
<td>GB&amp;M</td>
<td>9</td>
<td>15</td>
<td>3</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td>GPB</td>
<td>26</td>
<td>47</td>
<td>24</td>
<td>5</td>
<td>6</td>
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<tr>
<td>Corporate Centre</td>
<td>(505)</td>
<td>(153)</td>
<td>32</td>
<td>(135)</td>
<td>32</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Includes significant items, £m</th>
<th>Pro-forma FY17</th>
<th>Pro-forma FY18</th>
<th>3Q18</th>
<th>4Q18</th>
<th>1Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>(13)</td>
<td>39</td>
<td>-</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>RBWM</td>
<td>(2)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>CMB</td>
<td>(77)</td>
<td>39</td>
<td>-</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>GPB</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporate Centre</td>
<td>66</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Costs</td>
<td>(1,243)</td>
<td>(372)</td>
<td>(54)</td>
<td>(186)</td>
<td>(44)</td>
</tr>
<tr>
<td>RBWM</td>
<td>(555)</td>
<td>(129)</td>
<td>(49)</td>
<td>(12)</td>
<td>(43)</td>
</tr>
<tr>
<td>CMB</td>
<td>(19)</td>
<td>6</td>
<td>4</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>GPB</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporate Centre</td>
<td>(670)</td>
<td>(249)</td>
<td>(9)</td>
<td>(182)</td>
<td>(1)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance sheet, £bn</th>
<th>Pro-forma FY17</th>
<th>3Q18</th>
<th>4Q18</th>
<th>1Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers (net)</td>
<td>162</td>
<td>175</td>
<td>171</td>
<td>175</td>
</tr>
<tr>
<td>RBWM</td>
<td>97</td>
<td>107</td>
<td>103</td>
<td>107</td>
</tr>
<tr>
<td>CMB</td>
<td>59</td>
<td>63</td>
<td>63</td>
<td>63</td>
</tr>
<tr>
<td>GPB</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Corporate Centre</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Customer accounts</td>
<td>204</td>
<td>205</td>
<td>202</td>
<td>205</td>
</tr>
<tr>
<td>RBWM</td>
<td>-</td>
<td>129</td>
<td>127</td>
<td>129</td>
</tr>
<tr>
<td>CMB</td>
<td>-</td>
<td>71</td>
<td>69</td>
<td>71</td>
</tr>
<tr>
<td>GPB</td>
<td>-</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Corporate Centre</td>
<td>-</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>RWAs</td>
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<td>CMB</td>
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<tr>
<td>GPB</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Corporate Centre</td>
<td>-</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RoTE ex significant items and UK bank levy, %</td>
<td>- 11.7</td>
<td>n/a</td>
<td>9.2</td>
<td></td>
</tr>
<tr>
<td>Net interest margin, %</td>
<td>n/a</td>
<td>-2.21</td>
<td>2.21</td>
<td></td>
</tr>
</tbody>
</table>

1. 2H18 RoTE (ex significant items and the UK bank levy) includes an adverse impact of 340bps due to a pension fund surplus of £4.3bn, or $5.6bn, (average, net of deferred tax) impacting average tangible equity.
2. 1Q19 RoTE (ex significant items and the UK bank levy) of 9.2% includes an adverse impact of 260bps due to a pension fund surplus of £4.3bn, or $5.5bn, (average, net of deferred tax) impacting average tangible equity.
# Reconciliation between reported and adjusted income statement items

<table>
<thead>
<tr>
<th>£m</th>
<th>3Q18</th>
<th>4Q18</th>
<th>1Q19</th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reported PBT</strong></td>
<td>710</td>
<td>354</td>
<td>494</td>
<td>1,132</td>
<td>2,207</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer redress programmes</td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>(79)</td>
<td>39</td>
</tr>
<tr>
<td>Disposals, acquisitions and investment in new businesses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>66</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>(13)</td>
<td>39</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs of structural reform</td>
<td>(12)</td>
<td>-</td>
<td>-</td>
<td>(253)</td>
<td>(72)</td>
</tr>
<tr>
<td>Customer redress programmes</td>
<td>(42)</td>
<td>(4)</td>
<td>(43)</td>
<td>(507)</td>
<td>(120)</td>
</tr>
<tr>
<td>Past service costs of guaranteed minimum pension benefits equalisation</td>
<td>-</td>
<td>(187)</td>
<td>-</td>
<td>-</td>
<td>(187)</td>
</tr>
<tr>
<td>Restructuring and other related costs</td>
<td>-</td>
<td>(2)</td>
<td>(1)</td>
<td>(483)</td>
<td>-</td>
</tr>
<tr>
<td>Settlements and provisions in connection with legal and regulatory matters</td>
<td>-</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total significant items</strong></td>
<td>(54)</td>
<td>(186)</td>
<td>(44)</td>
<td>(1,243)</td>
<td>(372)</td>
</tr>
<tr>
<td><strong>Total significant items</strong></td>
<td>(54)</td>
<td>(181)</td>
<td>(44)</td>
<td>(1,256)</td>
<td>(333)</td>
</tr>
<tr>
<td><strong>Adjusted PBT</strong></td>
<td>764</td>
<td>535</td>
<td>538</td>
<td>2,388</td>
<td>2,540</td>
</tr>
</tbody>
</table>
### Appendix

#### RoTE reconciliation

<table>
<thead>
<tr>
<th>$m unless otherwise stated</th>
<th>2H18</th>
<th>1Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported profit before tax (£m)</td>
<td>1,064</td>
<td>494</td>
</tr>
<tr>
<td>Reported profit before tax ($m)</td>
<td>1,381</td>
<td>643</td>
</tr>
<tr>
<td>Tax</td>
<td>(458)</td>
<td>(184)</td>
</tr>
<tr>
<td><strong>Reported profit after tax</strong></td>
<td>923</td>
<td>459</td>
</tr>
<tr>
<td>less attributable to: preference shareholders, other equity holders, non-controlling interests</td>
<td>0</td>
<td>(43)</td>
</tr>
<tr>
<td><strong>Profit attributable to ordinary shareholders of the parent company</strong></td>
<td>923</td>
<td>416</td>
</tr>
<tr>
<td>Significant items (net of tax)</td>
<td>304</td>
<td>57</td>
</tr>
<tr>
<td>Other</td>
<td>(5)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy</strong></td>
<td>1,222</td>
<td>473</td>
</tr>
<tr>
<td>Average shareholders’ equity</td>
<td>28,742</td>
<td>28,663</td>
</tr>
<tr>
<td>Additional Tier 1</td>
<td>(2,842)</td>
<td>(2,832)</td>
</tr>
<tr>
<td>Goodwill &amp; Intangibles</td>
<td>(4,899)</td>
<td>(4,936)</td>
</tr>
<tr>
<td>Other</td>
<td>(23)</td>
<td>(32)</td>
</tr>
<tr>
<td>Average tangible equity</td>
<td>20,978</td>
<td>20,862</td>
</tr>
</tbody>
</table>

**RoTE excluding significant items and UK bank levy**

| %     | 11.7% | 9.2%  |
### Glossary

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bps</td>
<td>Basis points. One basis point is equal to one-hundredth of a percentage point</td>
</tr>
<tr>
<td>BSM</td>
<td>Balance Sheet Management</td>
</tr>
<tr>
<td>CER</td>
<td>Cost efficiency ratio – calculated as total operating expenses divided total revenue</td>
</tr>
<tr>
<td>CET1</td>
<td>Common Equity Tier 1</td>
</tr>
<tr>
<td>Corporate Centre</td>
<td>In December 2016, certain functions were combined to create a Corporate Centre. These include Balance Sheet Management, legacy businesses and interests in associates and joint ventures. The Corporate Centre also includes the results of our financing operations, central support costs with associated recoveries and the UK bank levy</td>
</tr>
<tr>
<td>CMB</td>
<td>Commercial Banking, a global business</td>
</tr>
<tr>
<td>CRD IV</td>
<td>Capital Requirements Directive IV</td>
</tr>
<tr>
<td>CRR</td>
<td>Customer risk rating</td>
</tr>
<tr>
<td>DCM</td>
<td>Debt Capital Markets</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings before interest, tax, depreciation and amortisation</td>
</tr>
<tr>
<td>ECL</td>
<td>Expected credit losses. In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied.</td>
</tr>
<tr>
<td>ESG</td>
<td>Environmental, social and governance</td>
</tr>
<tr>
<td>FX</td>
<td>Foreign Exchange</td>
</tr>
<tr>
<td>GB&amp;M</td>
<td>Global Banking and Markets, a global business</td>
</tr>
<tr>
<td>GLCM</td>
<td>Global Liquidity and Cash Management</td>
</tr>
<tr>
<td>GPB</td>
<td>Global Private Banking, a global business</td>
</tr>
<tr>
<td>GTRF</td>
<td>Global Trade and Receivables Finance</td>
</tr>
<tr>
<td>HOST</td>
<td>HSBC Operations Services and Technology</td>
</tr>
<tr>
<td>IAS</td>
<td>International Accounting Standards</td>
</tr>
<tr>
<td>IBCA</td>
<td>Interest bearing current account</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standard</td>
</tr>
<tr>
<td>Inbound revenue</td>
<td>Client revenue booked in Country A where the primary relationship is managed outside of Country A</td>
</tr>
<tr>
<td>Jaws</td>
<td>The difference between the rate of growth of revenue and the rate of growth of costs. Positive jaws is where the revenue growth rate exceeds the cost growth rate. Calculated on an adjusted basis</td>
</tr>
<tr>
<td>LICs</td>
<td>Loan impairment charges and other credit risk provisions</td>
</tr>
<tr>
<td>LTV</td>
<td>Loan to value</td>
</tr>
<tr>
<td>MREL</td>
<td>Minimum requirement for own funds and eligible liabilities</td>
</tr>
<tr>
<td>NRFB</td>
<td>Non ring-fenced bank – HSBC Bank plc</td>
</tr>
<tr>
<td>NIBCA</td>
<td>Non interest bearing current account</td>
</tr>
<tr>
<td>NII</td>
<td>Net interest income</td>
</tr>
<tr>
<td>NIM</td>
<td>Net interest margin</td>
</tr>
<tr>
<td>Outbound revenue</td>
<td>Client revenue relating to clients where the primary relationship is managed in Country A, but the revenue is booked outside of Country A</td>
</tr>
<tr>
<td>PBT</td>
<td>Profit before tax</td>
</tr>
<tr>
<td>POCI</td>
<td>Purchased or originated credit-impaired</td>
</tr>
<tr>
<td>RBWM</td>
<td>Retail Banking and Wealth Management, a global business</td>
</tr>
<tr>
<td>RCF</td>
<td>Rolling Credit facility</td>
</tr>
<tr>
<td>RFB</td>
<td>UK ring-fenced bank - HSBC UK Bank plc</td>
</tr>
<tr>
<td>RoTE</td>
<td>Return on average tangible equity</td>
</tr>
<tr>
<td>RWA</td>
<td>Risk-weighted asset</td>
</tr>
</tbody>
</table>