



HSBC UK Retail Banking 2009 Annual Results

MARCH 2010

HSBC 
The world's local bank

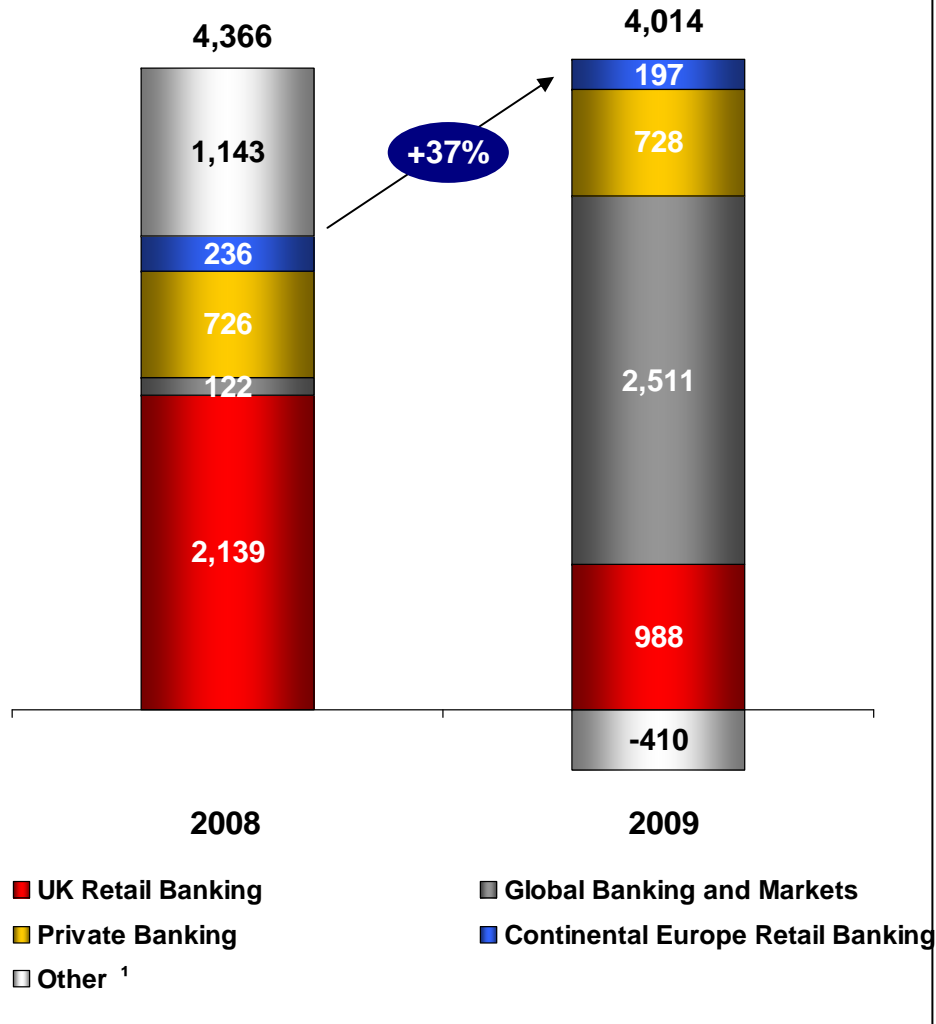
Forward-looking statements

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of HSBC Bank plc (“the Bank”). These forward-looking statements represent the Bank’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report. Past performance cannot be relied on as a guide to future performance.

HSBC Bank plc

Summary of results

PBT by line of business, £m



- Pre-tax profits grew by 37% (excluding the “Other” business segment)
- The results for 2009 clearly show the benefit of diversification
- Global Banking and Markets includes the Treasury and Balance Sheet Management functions for Europe
- Interest rate risk arising in UK Retail Banking is transferred to Global Banking and Markets where the risk is managed
- UK Retail Banking has continued to generate capital in 2009

¹ Other includes changes in own credit spread on long-term debt, gains on the sale of regional banks in France and gains on the sale of the group's London headquarters building

UK Retail Banking financial overview

Summary of reported results

£m	2008	2009	Better/(worse) 2009 vs 2008
Net operating income before loan impairment charges	6,440	5,543	(14%)
Loan impairment charges	(1,095)	(1,600)	(46%)
Net operating income	5,345	3,943	(26%)
Operating expenses	(3,214)	(2,968)	8%
Associates and joint ventures	8	13	63%
Profit before tax	2,139	988	(54%)

UK Retail Banking – positioned for sustainable success

Loan portfolio quality

Funding strength

Personal customer profile

International business

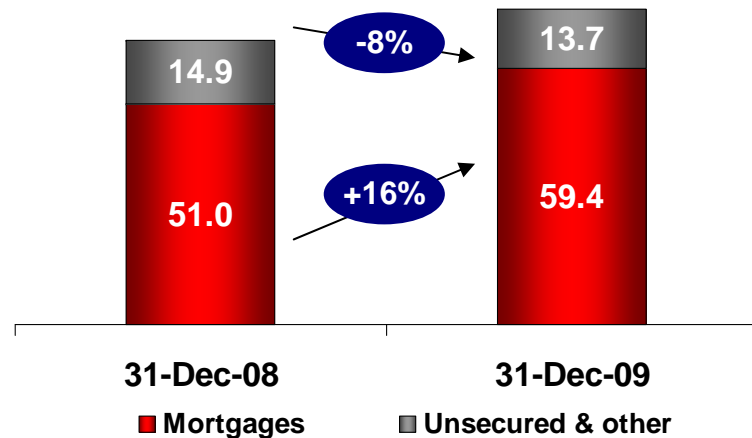
Group capabilities

Brand and People

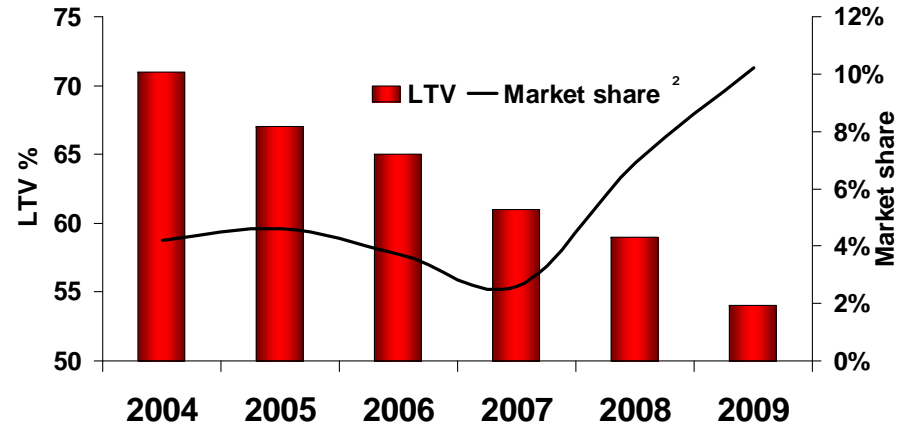
Loan portfolio quality

Well positioned for the recovery

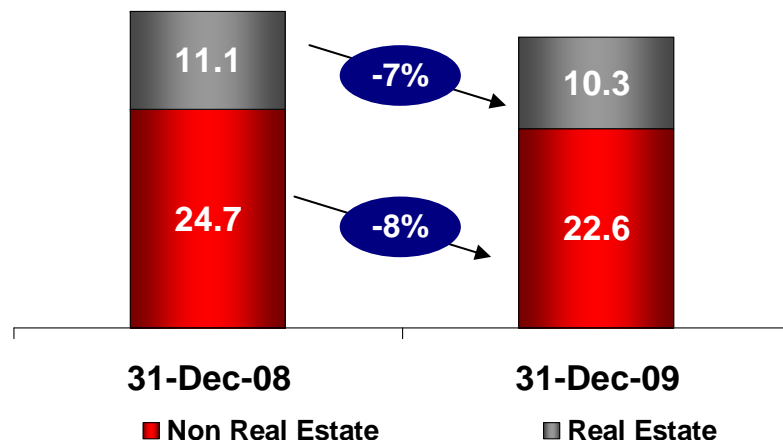
PFS loans and advances, £bn



LTV and market share of new mortgage business



CMB loans and advances, £bn ¹



- Market share of new gross mortgage lending increased from 7% in 2008 to 10% in 2009; our increase in net mortgage lending in 2009 was £8.4bn vs the BoE's total market of £11.5bn
- The fall in unsecured PFS lending achieved through tightening of unsecured credit policy from Q408 and new lending focused on customers with full banking relationships
- Demand for business lending has been muted - customers managing working capital levels and discretionary spend
- Action has been taken to reflect risk in lending pricing offsetting in part deposit spread compression
- Loan impairment charges as a percentage of advances remained below half that of the level seen during the 1990s recession
- Impairments on the CRE book in 2009 were not significantly different from those on the CMB portfolio generally

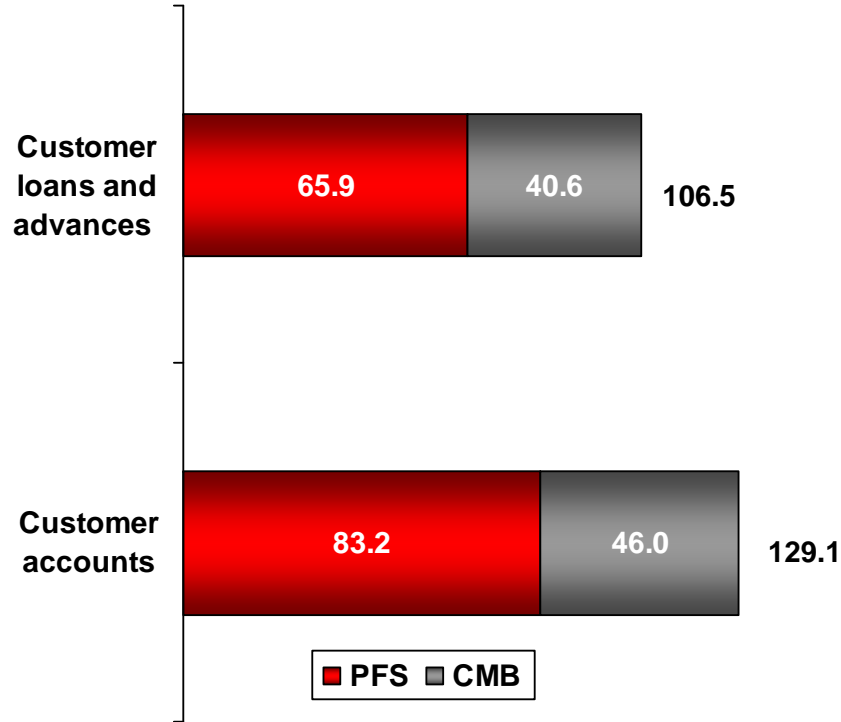
¹ Figures quoted net of items grossed up for statutory accounts purposes amounting to £4.8bn in 2008 and £5.2bn in 2009

² Percentage of HSBC gross mortgage advances to Council of Mortgage Lenders published market size

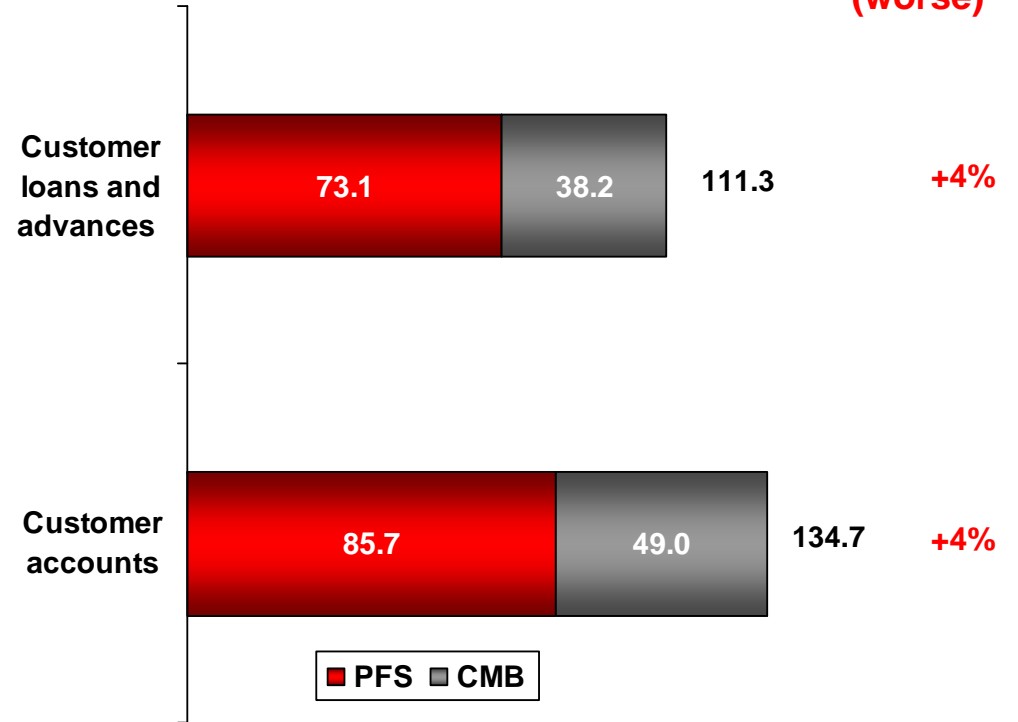
Funding strength

Strong liquidity, positioned for growth

£bn, 31 Dec 2008



£bn, 31 Dec 2009



Advances to deposits ratio

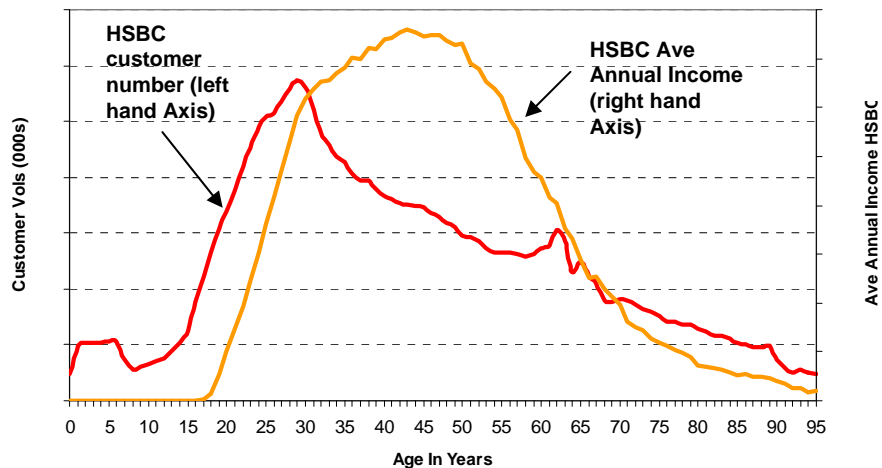
83%

83%

Personal customer profile

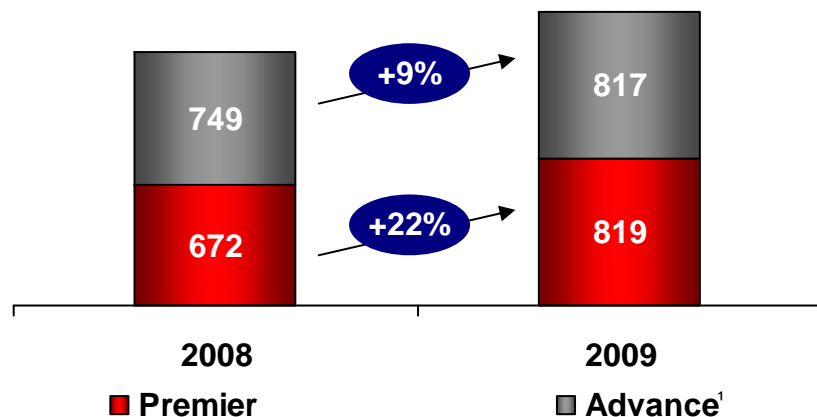
High quality, young, affluent premium personal customer base

PFS customer age profile



- On average, HSBC current account customers earn 9% more than current account holders at other banks with a high street presence ²
- 60% of HSBC current account holders are A, B or C1 social grades, compared to 51% of current account holders at other banks with a high street presence ²
- HSBC are currently the most recommended high street bank amongst mass affluent customers earning over £30k per year and have been so since June 2009 (Source: TNS RI Brand Tracking Survey)
- As HSBC customers get older their spend on financial services is likely to increase, particularly on insurance, investments and pensions
- Our wealth-led strategy is focused on ensuring we meet the needs of the maturing customer base
- Funds under management increased 10% in 2009 driven by success of World Selection
- Amongst the premium target segment, HSBC customer recommendation has risen since Q109 and is now a clear leader from the rest of the UK banks
- The age profile of HSBC customers is complemented by the M&S and firstdirect brands – source of sustainable income growth

Number of premium customers '000s



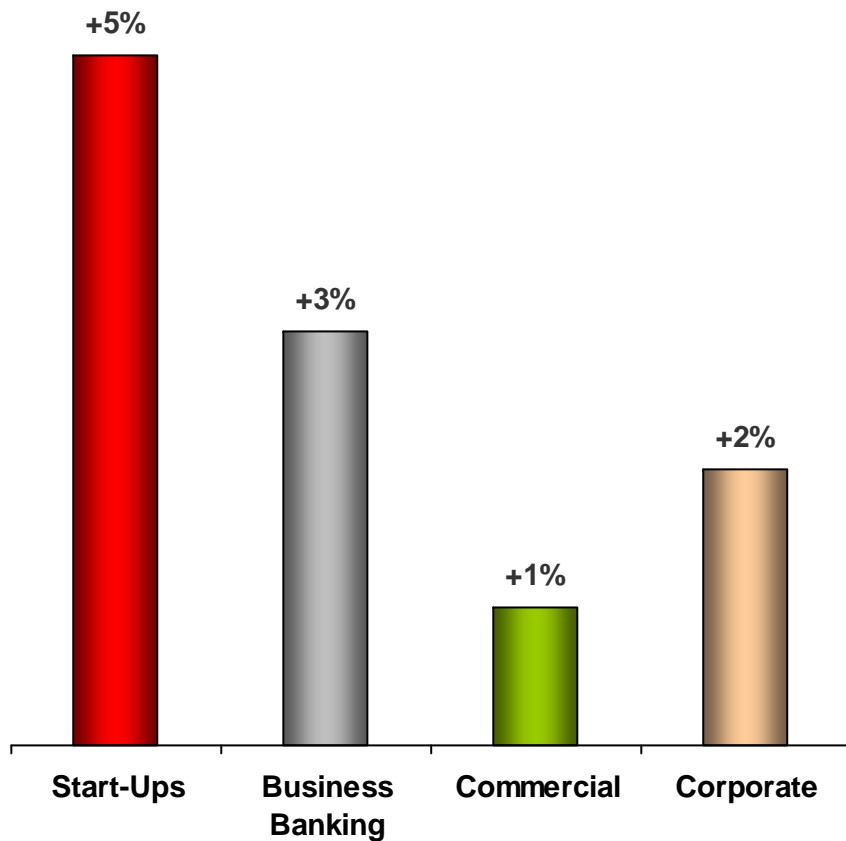
¹ Represents existing Plus customers who are being migrated to Advance

² Source: © GfK NOP Financial Research Survey (FRS) 12 months ending February 2010, 59,000 adults interviewed (Banks with high street presence includes: Abbey, A&L, BoS, Barclays, Clydesdale, Co-op, Halifax, Lloyds, Nationwide, NatWest, RBS, Santander, Yorkshire Bank)

International business

Unrivalled global footprint

International market share vs footprint ¹



- Market share of customers trading internationally is above footprint in all segments
- Market leader in start-ups which trade overseas (23%)
- International trade finance grew by 32% in a declining market (over 80% of this growth was export-led) – core expertise from which to leverage future international business wins
- Created Global Relationship Managers and International Commercial Manager roles to focus specifically on the needs of international businesses
- In 2009 revenue from international products increased 5%
- 2009: ranked 1st in number of International Cash Management relationships in the UK and 1st in the number of times we were viewed as 'Lead Cash Management Bank' by clients in the UK (Greenwich Associates)
- Underpinned by market leading performance in payments – we are the UK's number 1 bank for CHAPS (23% share), BACS (32%), Faster Payments (31% ex standing orders)

Group capabilities

Leverage scale and expertise

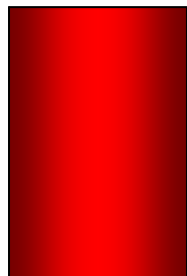
9 One HSBC
deployments
completed in
the UK in 2009



20 UK One
HSBC
deployments
planned in
2010

Average number of full time equivalent employees

44,107

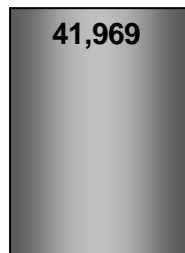


2008

-5%



41,969



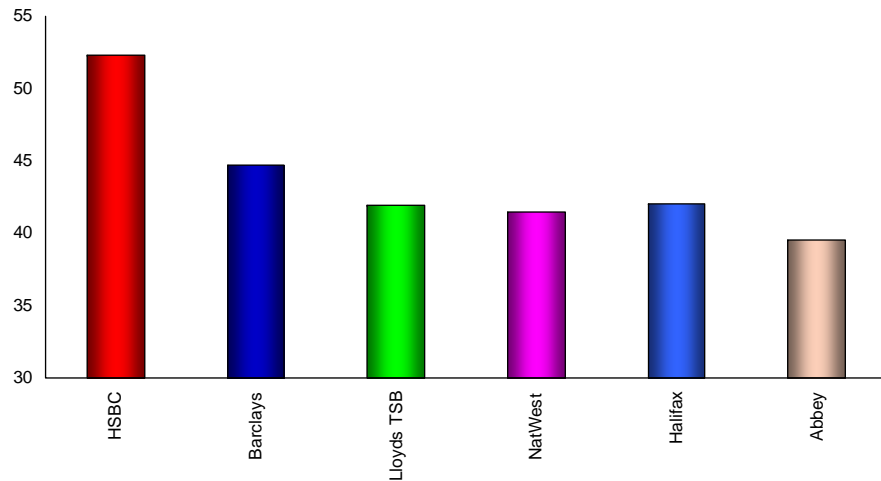
2009

- Improved performance and efficiency in collections
- Work is underway to bring together HSBC, firstdirect and M&S onto one version of the Group's cards platform and to consolidate into a Centre of Excellence
- The number of successful referrals through Global Links, the Group's CMB cross border referral system, increased 7% in 2009
- Premier, the Group's mass affluent banking proposition, continues to grow strongly in 2009 with customer numbers increasing 22% - we will seek to leverage our experience gained on Premier with the wider global roll out of Advance

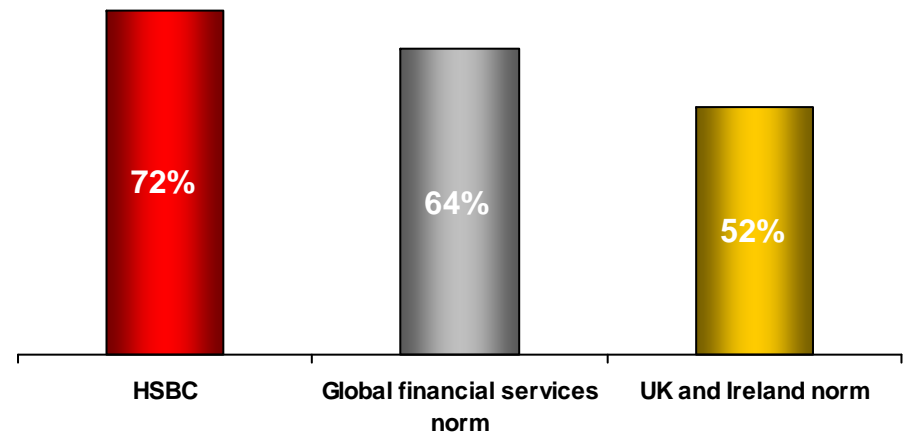
Brand and People

Best Place to Bank - Best Place to Work

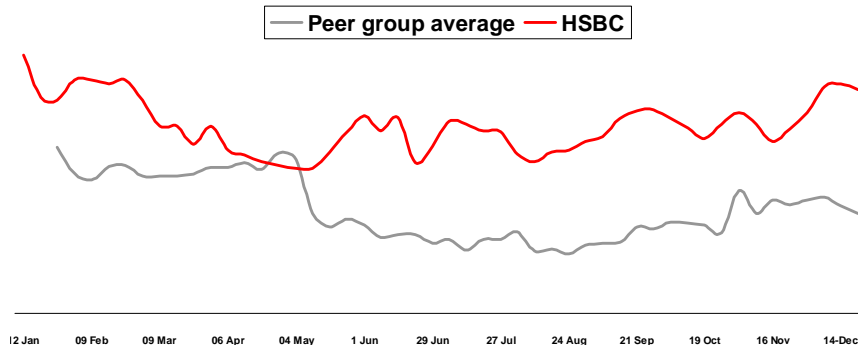
Brand Health Index ¹



Employee Engagement Index ³



Customer recommendation index 2009: ² £30k+ personal income & main c/a customer (mean score)



- HSBC has consolidated its position as the leading banking brand globally and in the UK
- Customer recommendation has remained strong, highlighting our consistent approach to Treating Customers Fairly
- We have had a sustained programme of initiatives addressing employee concerns, including enhancements to the pension arrangements for the majority of employees during 2009
- HSBC's financial strength throughout the financial crisis will have also been a factor

¹ Source: survey done by Synovate between 29th September and 5th November 2009, commissioned by HSBC

² Source: TNS RI Brand Tracking Survey

³ Source: Kenexa

Outlook

Positioning the business for the future

UK economic recovery will be slow with growth impacted by government measures to reduce public debt levels - reduced spending, increased taxation and higher interest rates

Personal Financial Services

Be number one choice for premium customers

Roll out of new global Premier aspirant proposition, Advance

Increasingly focused on wealth – products, support tools, training

Commercial Banking

Be number one choice for international customers

Leverage investment in Global Relationship Managers and International Commercial Managers

Build on position as the leading direct bank for business

Balance responsible banking with the need to maintain support for customers

Continue to invest in improving efficiency and service for all customers with targeted investment in selected high value segments and products leveraging global best practice