



HSBC UK Retail Banking 2010 Interim Results

2 SEPTEMBER 2010

HSBC 
The world's local bank

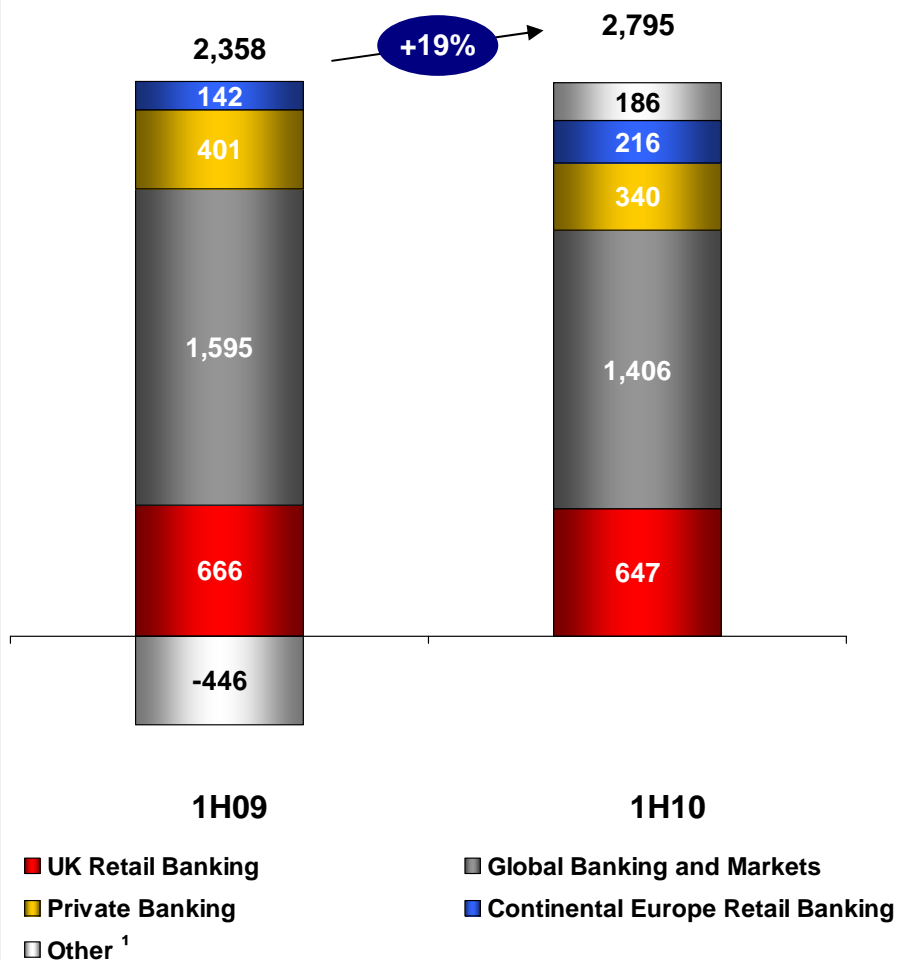
Forward-looking statements

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



- Reported pre-tax profits increased by 19%
- UK Retail results trend affected by material items:
 - 2009 included one-off credits and both periods include the results of the insurance broking business sold in April 2010 – excluding these underlying PBT increased by 24%
 - 2009 also includes a significant gain on the change in the basis of delivering death-in-service, ill health and early retirement benefits and both periods include the results of the UK motor insurance underwriting business now in run-off – excluding these PBT increased by 104%
- 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 made a contribution to capital in 1H10

¹ Other includes, inter alia, changes in own credit spread on long-term debt and a gain on the sale and leaseback on the Paris headquarters building in February 2010.

UK Retail Banking financial overview

Summary of reported results

£m	1H09	2H09	1H10	Better/ (worse) 1H10 v 1H09	Better/ (worse) 1H10 v 2H09
Net operating income before loan impairment charges and other credit provisions	2,813	2,730	2,834	+1%	+4%
Loan impairment charges and other credit provisions	(819)	(781)	(616)	+25%	+21%
Net operating income	1,994	1,949	2,218	+11%	+14%
Operating expenses	(1,341)	(1,627)	(1,573)	(17%)	+3%
Associates and joint ventures	13	-	2	n/a	n/a
Profit before tax	666	322	647	(3%)	+101%

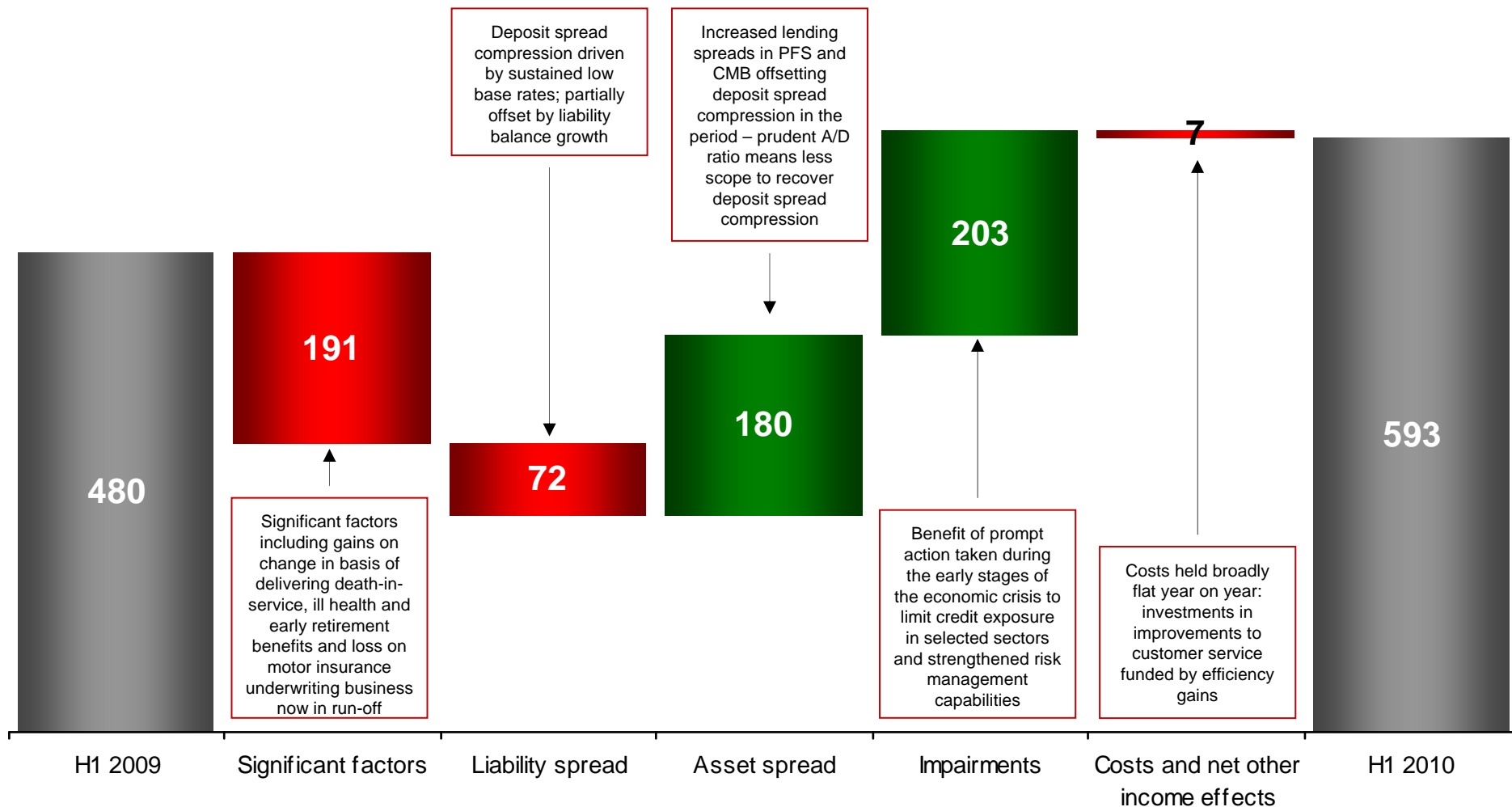
UK Retail Banking financial overview

Underlying adjustments – Items excluded from underlying profit before tax

£m	1H09	2H09	1H10
<i>Items included in the reported results:</i>			
Gains on disposal of the UK card acquiring business	180	-	-
Profit of discontinued insurance broking business (<i>UK Retail share</i>)	6	11	54

UK Retail Banking financial overview

Key movements in underlying profit before tax £m



UK Retail Banking – positioned for sustainable success

Loan portfolio quality

Funding strength

Personal customer profile

International business

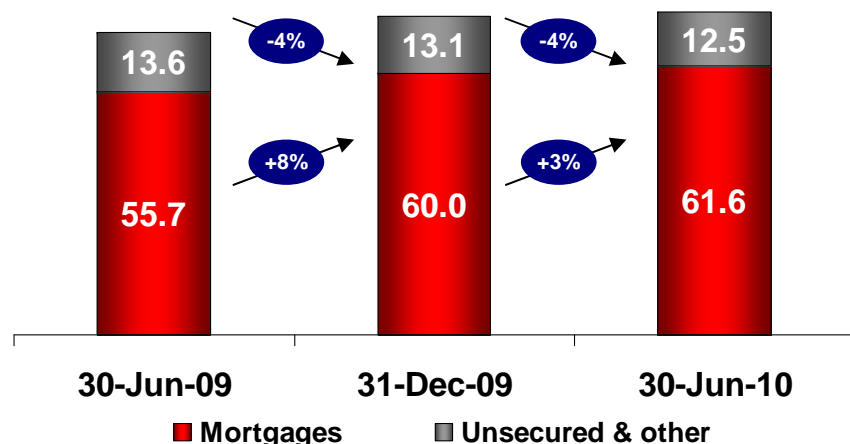
Group capabilities

Brand and People

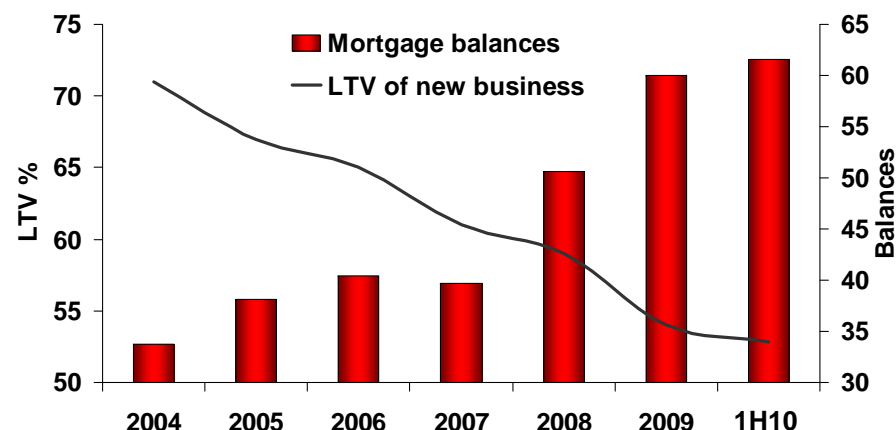
Loan portfolio quality

Well positioned for the recovery

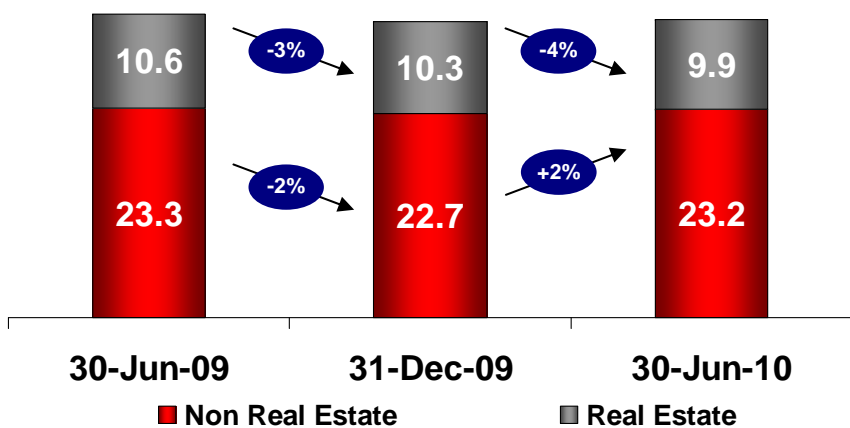
PFS loans and advances, £bn



LTV of new business and balance trends



CMB loans and advances, £bn ¹

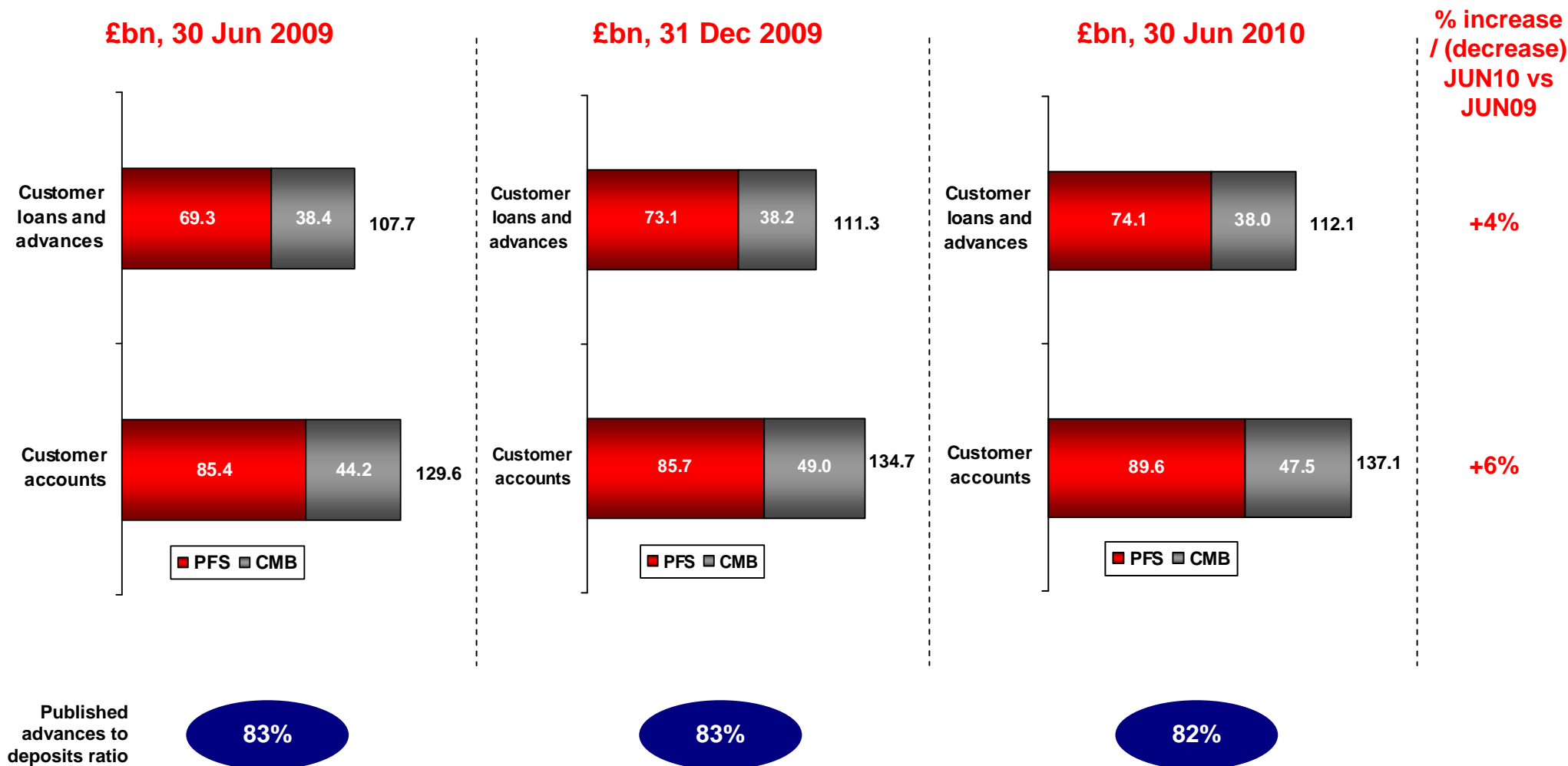


- Share of gross mortgage lending has doubled from that experienced between 2004-2007 to 8-10% in 2009 and 2010 and our increase in net mortgage lending in the first half of 2010 was £1.6bn vs the BoE's total market of £2.0bn – this has been achieved without servicing the intermediary broker market
- Demand for business lending has remained 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
- Impairments decreased 25% year on year from £819m to £616m:
 - PFS: shift in mix from unsecured to secured lending, tightening of unsecured credit policy from Q408, strengthening of collections and new lending focused on customers with full banking relationships
 - CMB: impairments on the CRE book were not significantly different from those on the CMB portfolio generally
 - Overall: loan impairment charges at their peak in 2009 as a % of advances remained below half that of the level seen during the 1990s recession

¹ Figures quoted net of items grossed up for statutory accounts purposes amounting to £4.6bn at 30 June 2009, £5.2bn at 31 December 2009 and £4.9bn at 30 June 2010

Funding strength

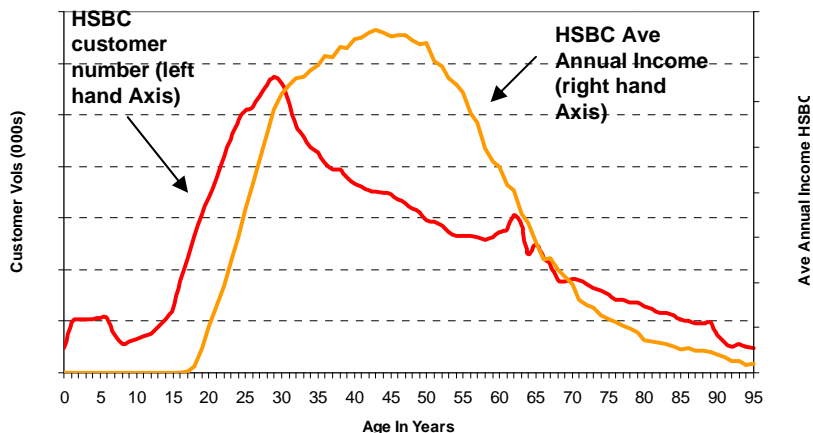
Strong liquidity, positioned for growth



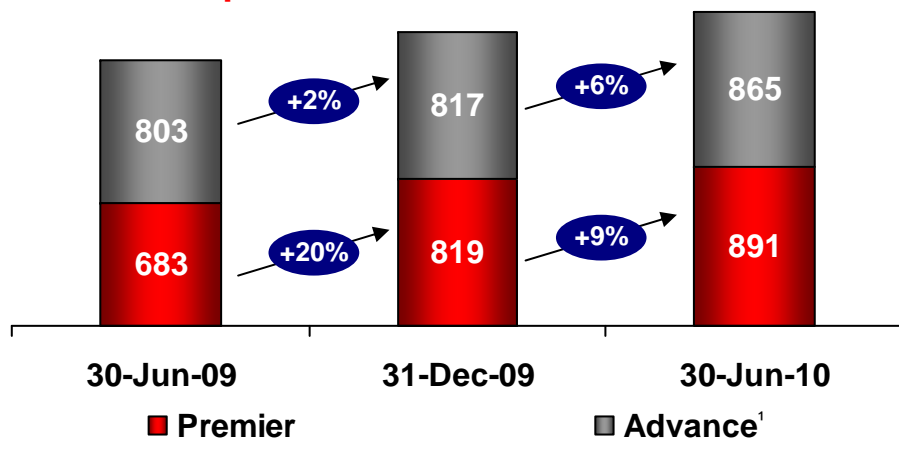
Personal customer profile

High quality, young, affluent personal customer base

PFS customer age profile



Number of premium customers '000s



- On average, HSBC current account customers earn 10% 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 is consistently the most recommended high street bank amongst mass affluent customers earning over £30k per year and have been so since June 2009. (Source: Millard Brown 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
- Mutual Funds increased 8% year-on-year driven by success of World Selection
- The age profile of HSBC customers is complemented by the M&S and firstdirect brands – source of sustainable income growth

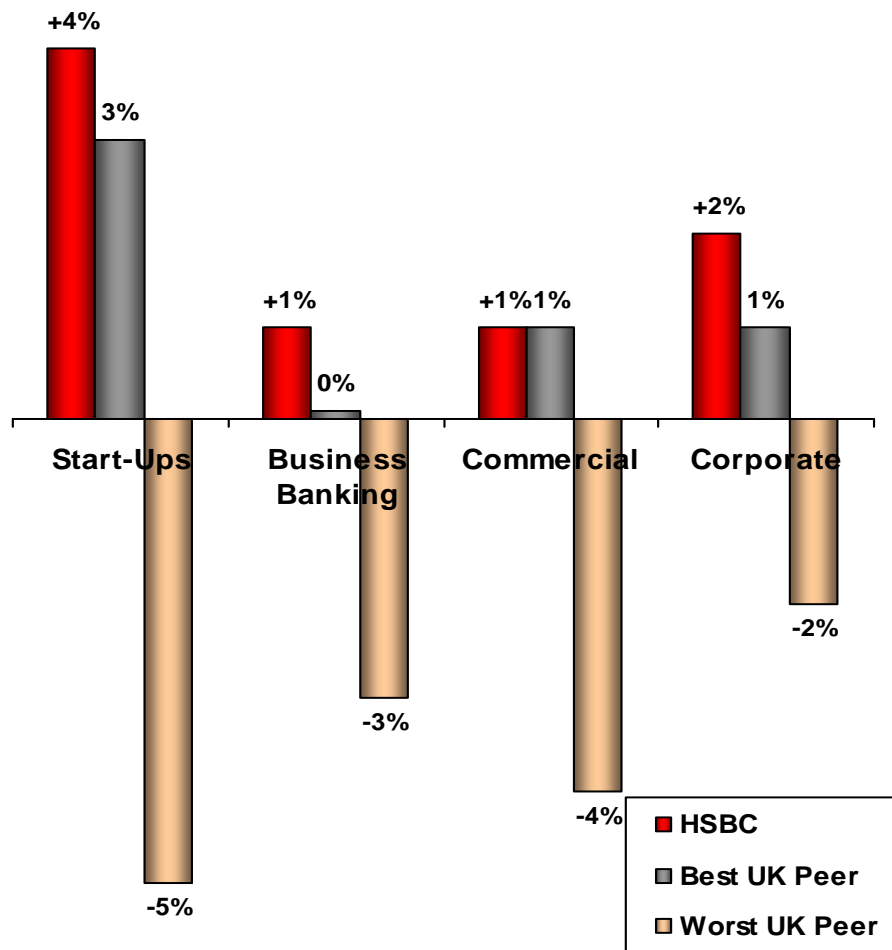
¹ Represents existing Plus customers who are being migrated to Advance

² Source: © GfK NOP Financial Research Survey (FRS) 12 months ending July 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 footprint¹



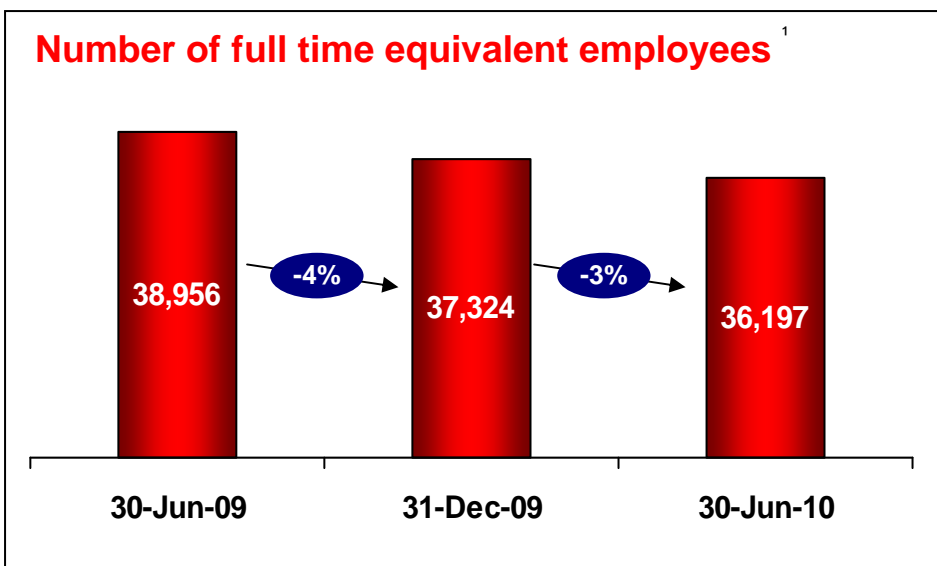
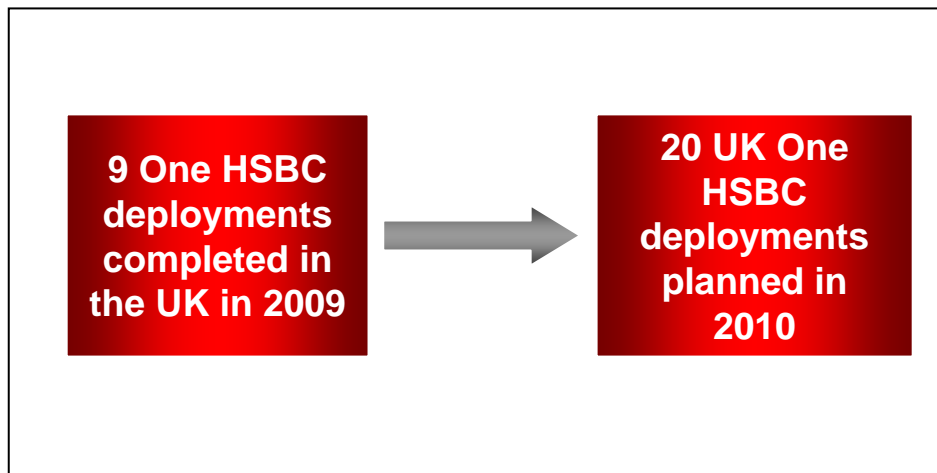
- Market share of international business is above domestic footprint in all segments
- Market leader amongst international starts (21%)
- Export trade finance grew by 46%² in a declining market – core expertise from which to leverage future international business wins
- Global Relationship Managers and International Commercial Managers focus specifically on the needs of international businesses
- In the first half of the year revenue from international products increased 12% year-on-year.
- HSBC undertook its first UK cross-border RMB trade settlement transaction for a UK customer in June 2010 – it is anticipated that within 5 years RMB will become one of the top three currencies used in global trade
- HSBC was awarded Best Trade Finance Provider in UK by Global Finance in January 2010: “we have selected the banks that stood by their customers during the credit crunch and found innovative ways to lower risk and speed cash flow from international transactions”
- Market leading performance in payments – we are the UK's number 1 bank for BACS (32%) and Faster Payments (26% ex standing orders) and have a 21% share of CHAPS

¹ Research undertaken by BDRG Continental for the year ended Q1 2010. Competitor peer group: Barclays, NatWest, RBS, Santander and LTSB

² Year on year growth in trade export average asset balances

Group capabilities

Leverage scale and expertise



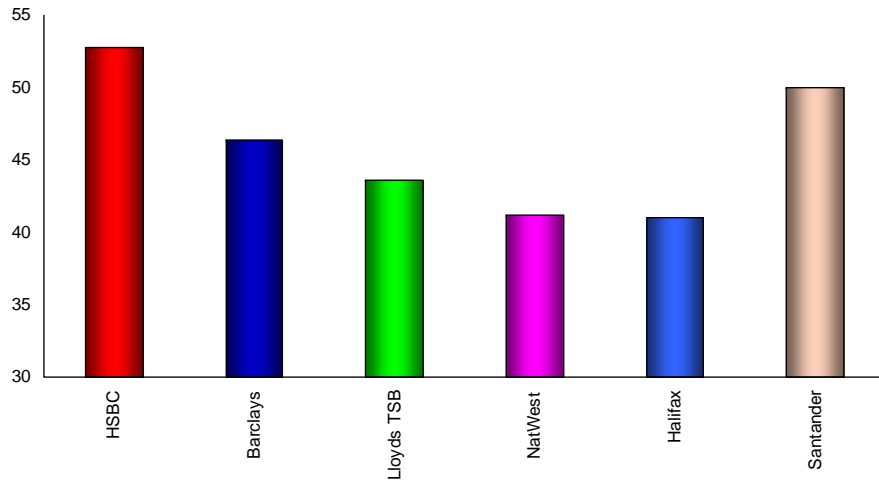
¹ Excluding discontinued businesses and motor insurance business in run-off; JUN09 figure restated to be on a consistent basis with subsequent dates

- 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
- Centres of Excellence for Collections (Birmingham) and Wealth Management Operations (Southampton)
- Premier, the Group's mass affluent banking proposition, continues to grow strongly in 2010 with customer numbers increasing 9% in six months
- Advance, the Group's packaged banking proposition, was launched in FEB10
- World Selection, the Group's innovative global investment product, leverages the HSBC's asset management capabilities in London, Paris, Dusseldorf, Hong Kong, Tokyo, New York, Toronto, Bogota, Taiwan, Shanghai and Sao Paulo – AUM has grown to £1.5bn since launch in January 2009
- Initial roll-out of One HSBC Distribution scheduled for **firstdirect** later in the year with wider implementation across the UK Bank planned for 2011
- The number of successful referrals through Global Links, the Group's CMB cross border referral system, increased 47% in 2010

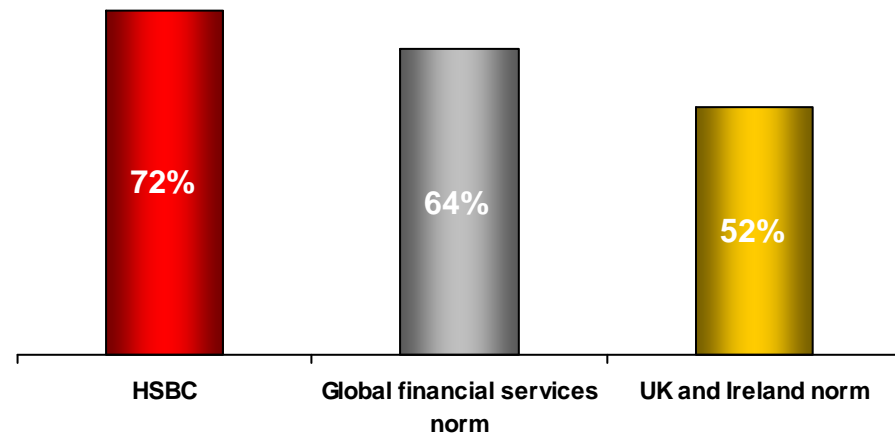
Brand and People

Best Place to Bank - Best Place to Work

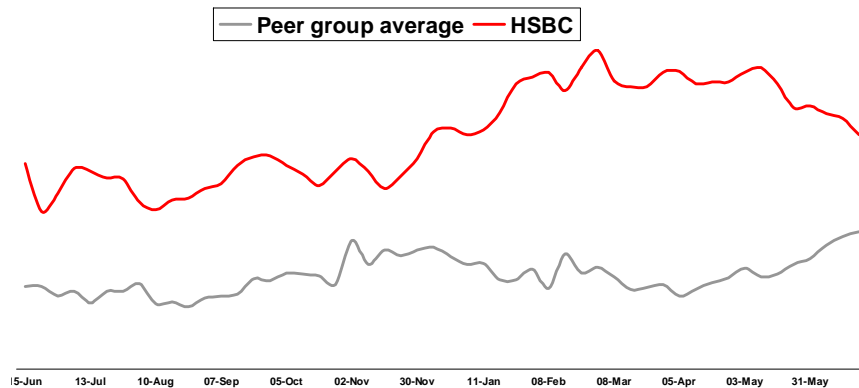
Brand Health Index PFS¹



Employee Engagement Index³



Customer recommendation index 2010: 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 capitalising upon the Group's financial strength throughout the financial crisis
- Customer recommendation has remained strong, highlighting our consistent approach to Treating Customers Fairly
- We have a sustained programme of initiatives addressing employee concerns

¹ Source: survey done by Synovate between 23th April and 8th June 2010.

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 customers in our target segments

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