

Brian Robertson
Chief Executive, HSBC Bank plc
Investor presentation



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 the Group. These forward-looking statements represent the Group'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 and Accounts 2010. Past performance cannot be relied on as a guide to future performance.

This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial information to the most directly comparable measures under GAAP are provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at www.hsbc.com.

Key Messages

- ▶ **Key region for international connectivity (17 European countries in the 35 countries generating 90% of trade growth by 2020) and wealth (29% of world AUM)**
- ▶ **2010 reported Profit before tax (PBT) of USD 4.3bn, an increase of 7% vs. USD 4.0bn in 2009**
- ▶ **At USD 4.1bn, 2010 underlying PBT¹ 35% lower than 2009, with growth in Retail² contribution offset by lower profit from GB&M and adverse movements on non-qualifying hedges (NQH)**
- ▶ **GB&M PBT high by historical standards**
- ▶ **GPB reported PBT decreased by 25% due to on-going impact on revenue of low interest rate environment and increased investments in systems and compliance**
- ▶ **Strong performance of Retail¹ (+55% in PBT) in both UK and Continental Europe in a challenging economic environment**
- ▶ **Regional profitability and growth driven by UK, France, Germany, Switzerland and Turkey with focus on connectivity and wealth**

Note:

- (1) Underlying results eliminate the effects of foreign currency translation differences, acquisitions and disposal of businesses and changes in fair value (FV) due to movements in credit spread on long-term debt issued and designated at FV
- (2) Retail includes CMB and PFS.

HSBC in Europe

Around 2,300 branches in 25 countries with 76,000 employees

UK

- Acquired Midland in 1992

PFS CMB GBM PB

France

- Acquired CCF in 2000

PFS CMB GBM PB

Germany

- Established in 1992

CMB GBM PB

Switzerland

- Acquired Republic New York in 1999

CMB GBM PB

Turkey

- Established in 1990

PFS CMB GBM PB

Malta

- Acquired Mid-Med in 1999

PFS CMB GBM



15 Developed

10 Emerging

Macro-economic environment:

- ▶ **Partial economic recovery underway**
 - ▶ UK: 1.4% increase in GDP in 2010, unemployment at 7.9%
 - ▶ Eurozone: 1.9% increase in GDP, with large regional differences (+3.5% in Germany). Unemployment at 10% driven by emerging countries
- ▶ **Europe remaining a major player in world trade and international connectivity**
 - ▶ 35 countries expected to generate 90% of world trade growth by 2020: 17 of these in Europe
 - ▶ World GDP in 2050: 10 of the top 28 markets in Europe
- ▶ **One of the largest banking markets**
 - ▶ Europe expected to represent 22% (or \$371bn) of world banking profit pool growth by 2020
 - ▶ Europe to retain position as 2nd largest player with 29% share of world AUM (expected 2009-2013 growth of 7.3 vs. Global GDP at 4.1%)

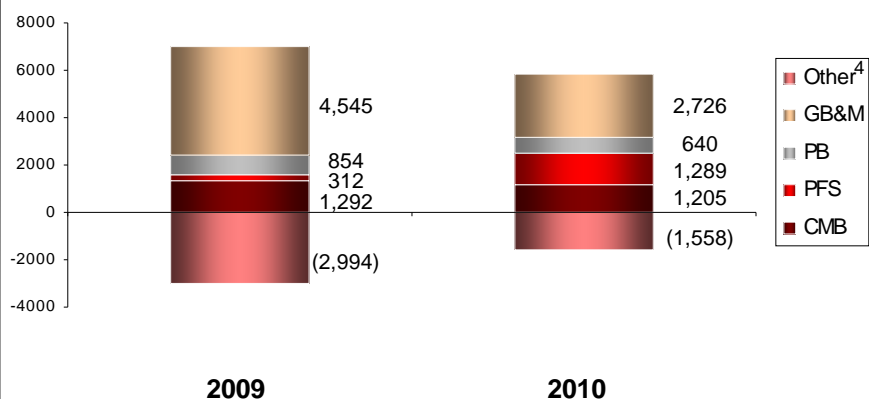
Financial overview

Growth in retail contribution offset by lower profit from GB&M

P&L, reported

USDm	2009	2010	Better / (worse)
NII	12,268	11,250	(8)%
Net fee income	6,267	6,371	2%
Other income	5,009	5,129	2%
Net operating income	23,544	22,750	(3)%
LICs ¹	(5,568)	(3,020)	46%
Operating expenses	(13,988)	(15,445)	(10)%
Profit before tax (reported)²	4,009	4,302	7%
Profit before tax (underlying)³	6,403	4,138	(35)%

2010 PBT by business line, USD m - reported



▶ 2010 reported profit of USD 4.3bn, an increase of 7% vs. USD 4.0bn in 2009

▶ At USD 4.1bn, 2010 underlying PBT² 35% lower than 2009, with growth in retail contribution offset by adverse NQH swing of USD 1.1bn and lower profit from GB&M where 2009 performance not repeated

▶ Revenue decline in BSM, Rates, Credit and Foreign Exchange and adverse NQH movement

▶ Growth in UK mortgage lending and improved PFS and CMB asset spreads

▶ LICs¹ reduction in all customer groups

▶ Increase in costs with investment in infrastructure and people to support growth and one-off items such as payroll tax (in 2010) and pension gains (in 2009)

▶ Close monitoring and management of exposure to PIIGS countries

Note:

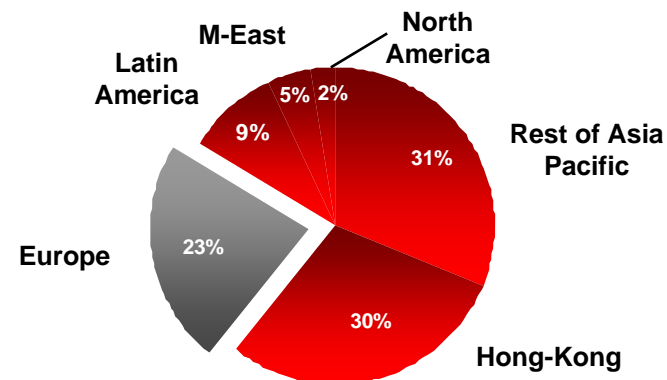
- (1) Loan impairment charges and other credit risk provisions
- (2) Net operating income minus LICs minus operating expenses may not equal PBT (reported) due to income from associates not being shown in the table
- (3) Underlying results eliminate the effects of foreign currency translation differences, acquisitions and disposal of businesses and changes in fair value (FV) due to movements in credit spread on long-term debt issued and designated at FV
- (4) Main items reported under 'Other' are certain property activities, unallocated investment activities, centrally held investment companies, gains arising from the dilution of interests in associates, movements in the fair value of own debt designated at fair value and HSBC's holding company and financing operations. The results also include net interest earned on free capital held centrally, operating costs incurred by the head office operations in providing stewardship and central management services to HSBC, and costs incurred by the Group Service Centres and Shared Service Organisations and associated recoveries

Diversified profit streams

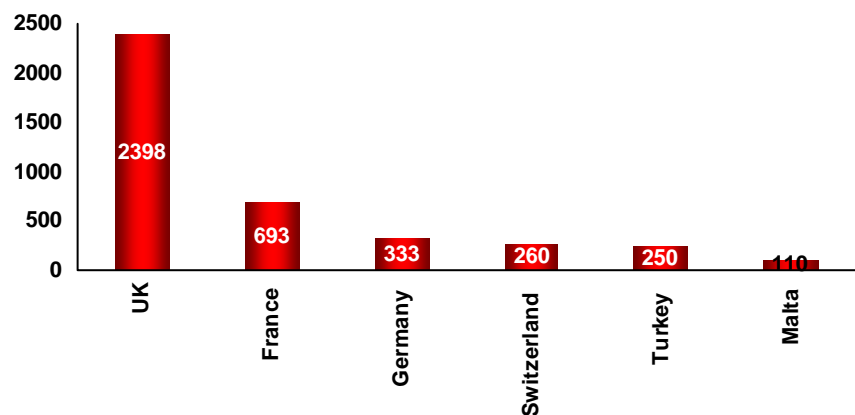
Contribution across main geographies and business lines

- ▶ With 23% of Group PBT, third largest region in terms of profitability
- ▶ 94% of PBT in Europe generated by the six largest countries including 56% by UK and 16% by France
- ▶ Rebalancing of profit generation with GB&M generating 46% of PBT¹ down from 65% in 2009
- ▶ Monitoring evolving regulatory changes and impact on various customer groups

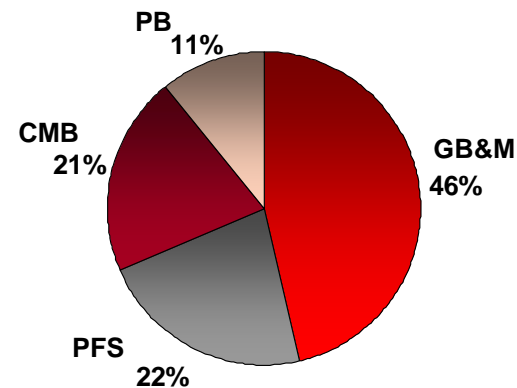
Group 2010 PBT by region - reported



2010 PBT by major geography, USD m - reported



2010 European PBT per customer group¹ - reported



Note:

(1) Excludes "other". The main items reported under 'Other' are certain property activities, unallocated investment activities, centrally held investment companies, gains arising from the dilution of interests in associates, movements in the fair value of own debt designated at fair value and HSBC's holding company and financing operations. The results also include net interest earned on free capital held centrally, operating costs incurred by the head office operations in providing stewardship and central management services to HSBC, and costs incurred by the Group Service Centres and Shared Service Organisations and associated recoveries.

Operating expenses

Increase in expenses driven by investments and one-offs

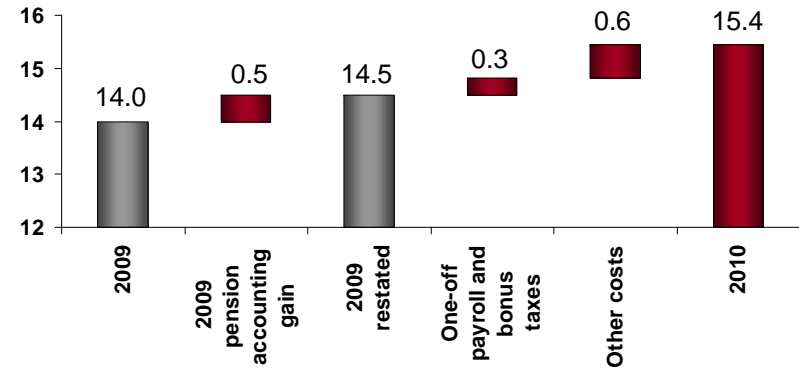
▶ Increase in operating expenses by USD1.5bn (10%), including the following significant items:

- ▶ Non-recurrence of 2009 pension accounting gain of USD499m
- ▶ 2010 payroll and bonus tax of USD324m in UK and France (primarily GB&M)

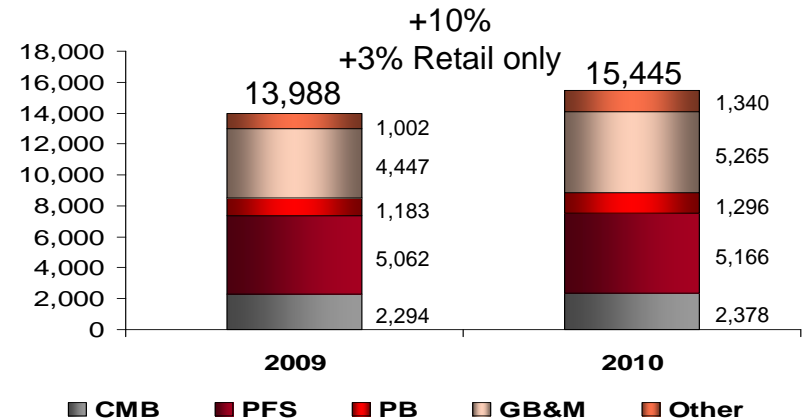
▶ Excluding these items, USD634m increase (4.4%) driven by:

- ▶ Strategic investments in GB&M capabilities and operational infrastructure to drive future growth
- ▶ Increase in rental expenses following sale and lease-back of the London and Paris headquarters

Operating expenses Europe: 2010 v 2009, USD bn



Operating expenses per customer group, USD m



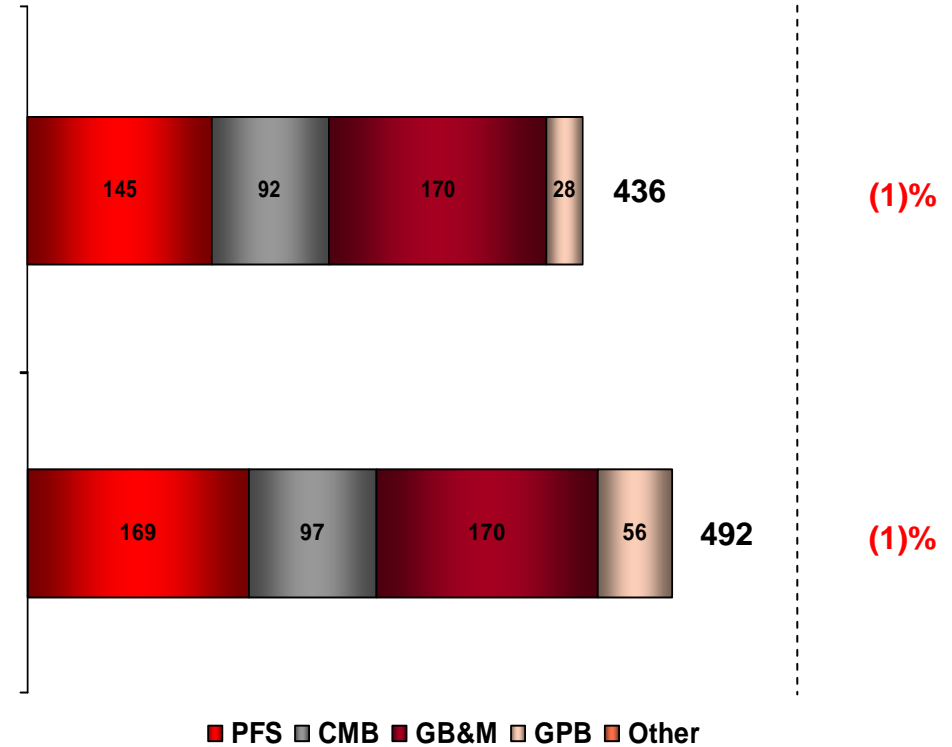
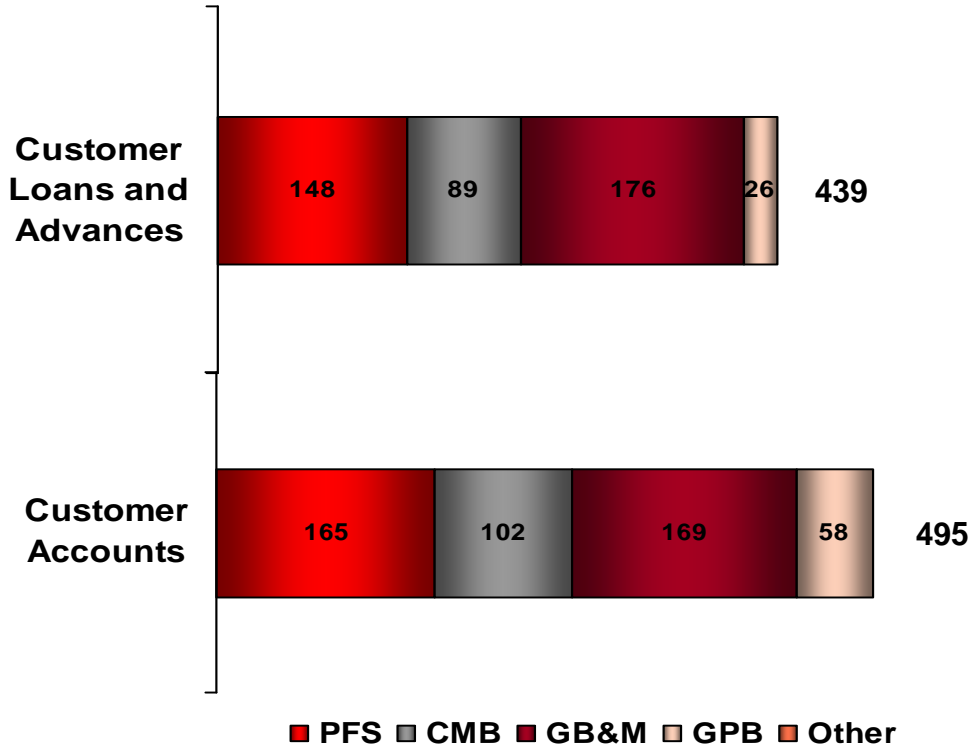
Consistent approach to risk appetite

Strong liquidity and solid base for growth

USD m, 31 Dec 2009

USD m, 31 Dec 2010

% increase / (decrease)



Europe advances to deposits ratio

89%

89%

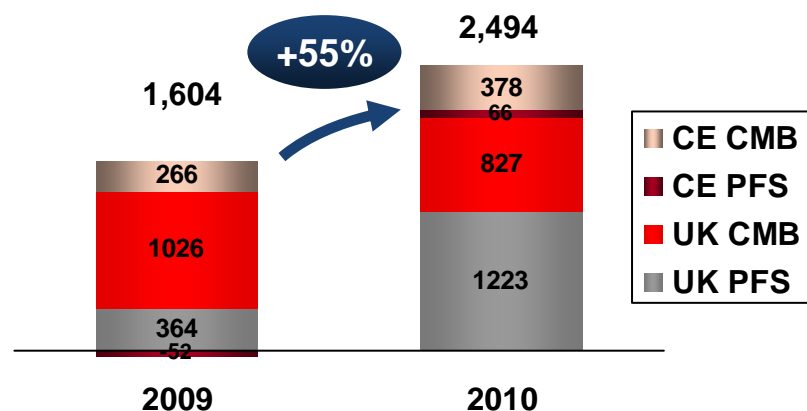
Retail – PFS and CMB

Strong performance in both UK and Continental Europe

P&L, reported

USD m	2009	2010	Better / (worse)
NII	8,152	8,310	2%
Net fee income	3,628	3,586	(1)%
Other income	420	353	(16)%
Net operating income	12,200	12,249	0%
LICs ¹	(3,259)	(2,214)	32%
Operating expenses	(7,356)	(7,544)	(3)%
Profit before tax²	1,604	2,494	55%

PBT 2010 per customer group, USD m



In UK, PBT improvement mostly driven by:

- ▶ Increased assets spread offsetting deposit spread compression
- ▶ Reduction in LICs due to early action taken during the early stages of the economic crisis to limit credit exposure in selected sectors and strengthened risk management capabilities
- ▶ Rebalancing unsecured lending towards mortgages

In Continental Europe:

- ▶ Increased revenues and lower loan impairment charges partly offset by rising costs, driven largely by investments to achieve business growth
- ▶ Breakeven reached by PFS Continental Europe

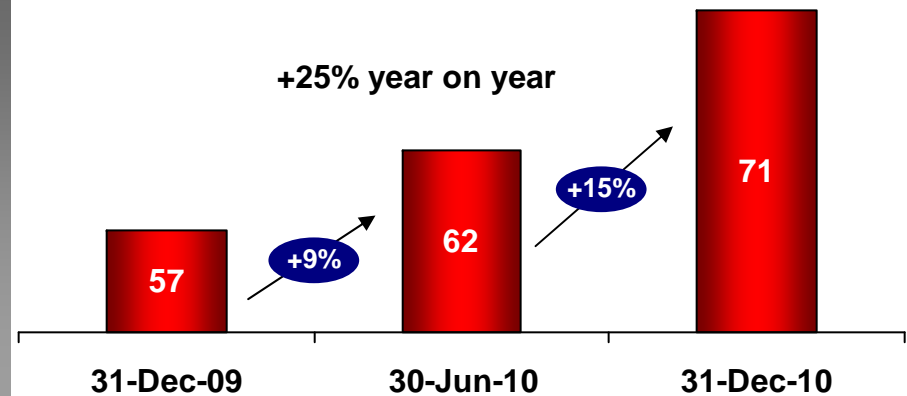
Note:

- (1) Loan impairment charges and other credit risk provisions
- (2) Net operating income minus LICs minus operating expenses may not equal PBT due to income from associates not being shown in the table

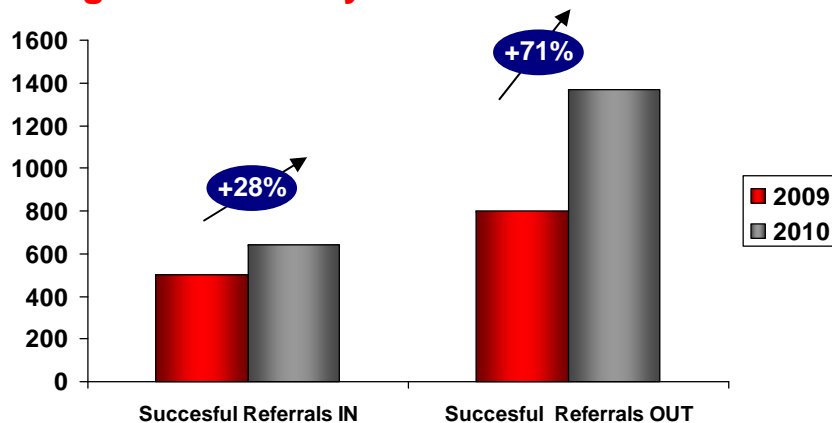
UK Retail - CMB

- ▶ Continued progress towards becoming the leading international bank of choice for international business
 - ▶ Increase in number of import and export transactions by 5% and 10% respectively
 - ▶ International trade income increasing by 23%
- ▶ 125,000 accounts opened for customers starting new businesses
- ▶ 19% growth in gross new lending to SMEs

Number of international customers '000s¹

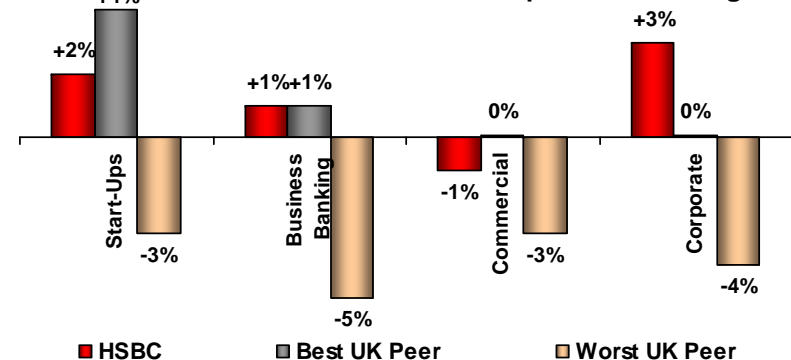


Strong cross-country referrals²



Difference between International and domestic market share³

Market share of international business is above domestic footprint in three segments



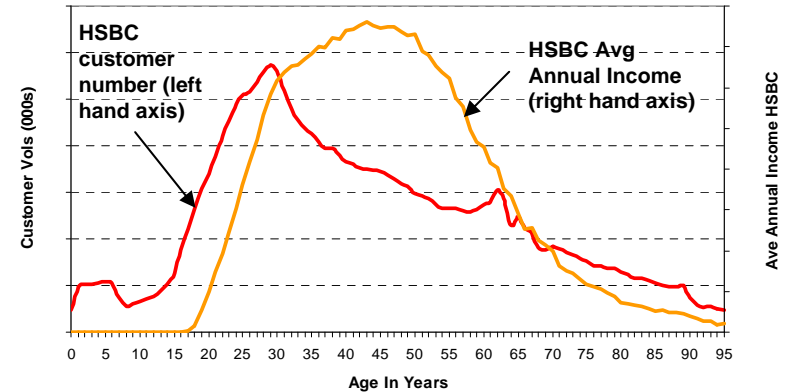
Note:

- (1) Customers identified as such, including, inter alia, customers trading internationally, foreign subsidiaries of UK businesses and/or customers utilising an international product or service
- (2) Source: "Global Links"
- (3) Research undertaken by BDRC Continental for the year ended Q3 2010. Competitor peer group: Barclays, RBS (inc. NatWest), Santander and LTSB. Statistical significance of data 90-95%.

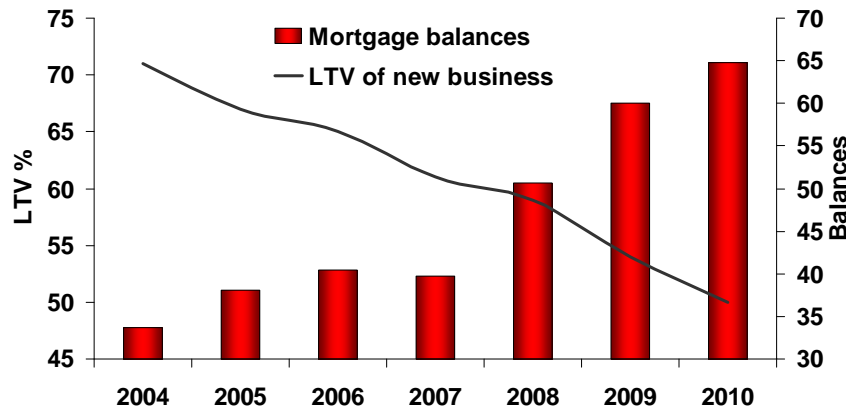
UK Retail - PFS

- ▶ Continued focus on building long term sustainable relationships and wealth management revenues through Premier and Advance segments
- ▶ Growth in investment business with increased sales of HSBC World Selection by 112% to GBP2bn
- ▶ Market share of 9% in new residential mortgage lending, above total market share of 5%
 - ▶ New lending LTV of 54%
 - ▶ Financing 63,000 customers to purchase properties

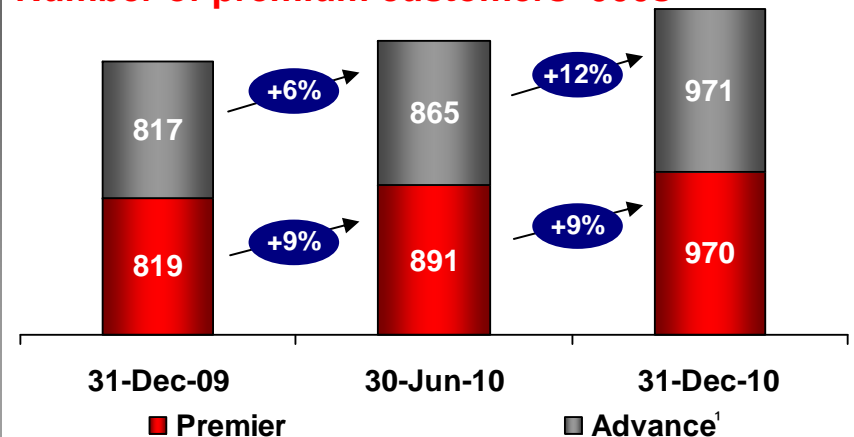
PFS customer age profile



LTV of new business and balance trends



Number of premium customers '000s



Note:

(1) Includes former HSBC Plus customers now migrated to HSBC Advance

CE Retail

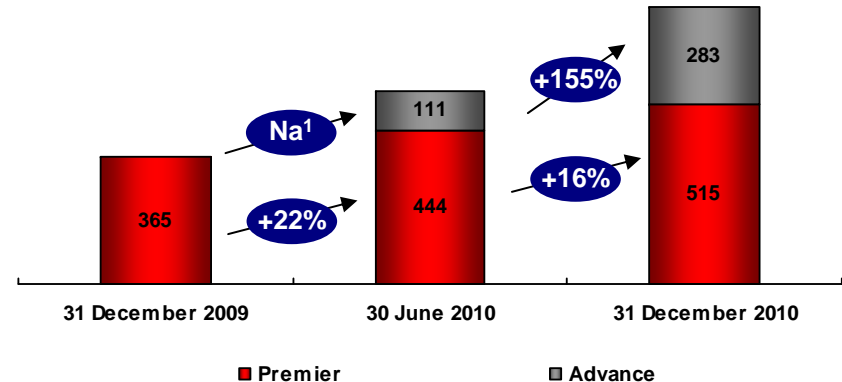
PFS focus on wealth management

- ▶ 65,000 new-to-bank Premier customers in 2010
- ▶ Two of the largest HSBC Premier centres opened in France
- ▶ Advance proposition launched in Turkey, Poland, France, Malta and Greece in 2010¹
- ▶ Acquisition of the RBS PFS business in Kazakhstan

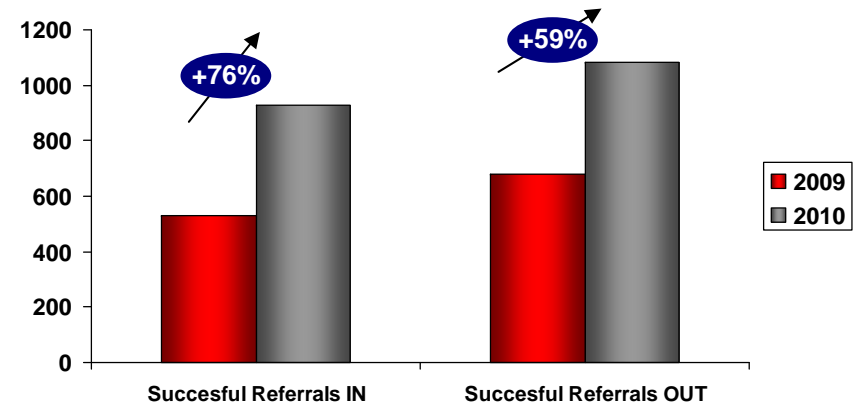
CMB continued focus on expanding relationships with international businesses

- ▶ Focus on Leading International Business. International customers generating 2 to 3 times more revenues
- ▶ Development in Trade and Supply Chain, Payments and Cash Management, Receivables Finance
- ▶ Strong increase of cross-country referrals across the region, both in and out
- ▶ Expansion in Germany and launch in Switzerland to leverage connectivity

Number of premium customers '000s



Strong cross-country referrals in CMB²



Note:

(1) Advance was launched in Continental Europe in 2010













(2) Source: "Global Links"

P&L, reported





USD m	2009	2010	Better / (worse)
NII	4,367	2,936	(33)%
Net fee income	1,670	1,863	12%
Other income	5,230	3,961	(24)%
Net operating income	11,267	8,760	(22)%
LICs ¹	(2,277)	(783)	66%
Operating expenses	(4,447)	(5,265)	(18)%
Profit before tax²	4,545	2,726	(40)%

- ▶ Lower revenues in 2010 due to less favourable market conditions caused by the impact of the European sovereign debt crisis and anticipated lower revenues in Balance Sheet Management
- ▶ Still high by historical standards
- ▶ Derisking of the balance sheet and improved credit outlook resulting in lower LICs
- ▶ Investments in development of Prime Services and equity market capabilities and expansion of the Rates and FX e-commerce platforms
- ▶ Costs impact of UK/France bonus and payroll tax

2010 Euromoney awards for Continental Europe

	Best Debt House in CEE	HSBC 
	Best Debt House in Turkey	HSBC 
	Best Debt House in Spain	HSBC 
	Best Debt House in Poland	HSBC 
	Best Debt House in Greece	HSBC 
	Best Debt House in Armenia	HSBC 

Examples of major Euro sovereigns benchmark transactions

<p>8 July 2010</p>  <p>Republic of Poland €1.5 billion 3.875% due Jul - 2015 Joint Bookrunner</p>	<p>18 March 2010</p>  <p>Republic of Turkey \$2.0 billion 6.850% due Jan - 2040 Joint Bookrunner</p>	<p>18 March 2010</p>  <p>Republic of Portugal \$1.25 billion 3.500% due Jan - 2015 Joint Bookrunner</p>	<p>12 January 2010</p>  <p>Republic of Austria €4.0 billion 3.200% due Feb - 2017 Joint Bookrunner</p>
---	--	---	--

Note:

- (1) Loan impairment charges and other credit risk provisions
- (2) Net operating income minus LICs minus operating expenses may not equal PBT due to income from associates not being shown in the table

P&L, reported

USD m	2009	2010	Better / (worse)
NII	949	871	(8)%
Net fee income	883	883	-
Other income	234	208	(11)%
Net operating income	2,066	1,962	(5)%
LICs ¹	(29)	(26)	10%
Operating expenses	(1,183)	(1,296)	(10)%
Profit before tax	854	640	(25)%

- ▶ **Decrease in revenues due to lower net interest income driven by the narrowing of deposits spreads**
- ▶ **Operating expenses increase driven by:**
 - ▶ **Investment in front-line staff**
 - ▶ **Higher compliance costs resulting from the evolving regulatory environment.**
- ▶ **Focus on providing excellent client experience and global connections with the ability to offer tailor made services including trust and family office services**
- ▶ **Successes of the Family Office Partnership with GB&M targeting ultra high net worth clients and family offices seeking quasi-institutional services**



“Six first-place rankings positions HSBC Private Bank amongst the very top echelon of private banks and reflects the dedication of our staff and the loyalty of our clients.”

Chris Meares,
CEO Global Private Bank



FINANCIAL TIMES

Best Wealth Manager for Alternative Investments

By the readers of IC and FT - 2010

Note:

(1) Loan impairment charges and other credit risk provisions

Key Messages

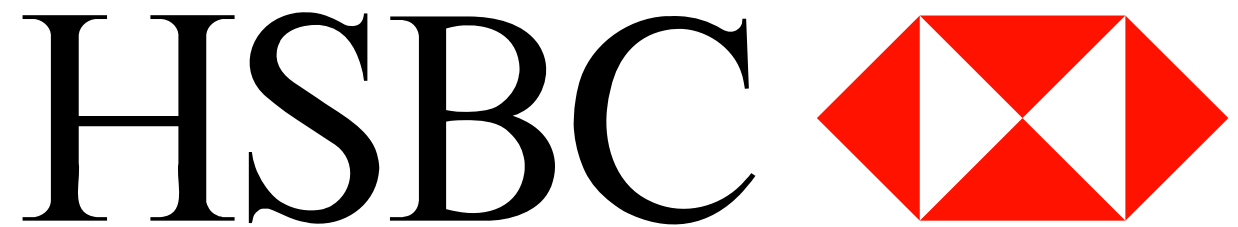
- ▶ **Key region for international connectivity (17 European countries in the 35 countries generating 90% of trade growth by 2020) and wealth (29% of world AUM)**
- ▶ **2010 reported Profit before tax (PBT) of USD 4.3bn, an increase of 7% vs. USD 4.0bn in 2009**
- ▶ **At USD 4.1bn, 2010 underlying PBT¹ 35% lower than 2009, with growth in Retail² contribution offset by lower profit from GB&M and adverse movements on non-qualifying hedges (NQH)**
- ▶ **GB&M PBT high by historical standards**
- ▶ **GPB reported PBT decreased by 25% due to on-going impact on revenue of low interest rate environment and increased investments in systems and compliance**
- ▶ **Strong performance of Retail¹ (+55% in PBT) in both UK and Continental Europe in a challenging economic environment**
- ▶ **Regional profitability and growth driven by UK, France, Germany, Switzerland and Turkey with focus on connectivity and wealth**

Note:

- (1) Underlying results eliminate the effects of foreign currency translation differences, acquisitions and disposal of businesses and changes in fair value (FV) due to movements in credit spread on long-term debt issued and designated at FV
- (2) Retail includes CMB and PFS.

For further information please contact Investor Relations

<http://www.hsbc.com/1/2/investor-relations>



The world's local bank