



27 September 2011

Europe – Interim Results 2011

Presentation to Investors

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HSBC 

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 and Interim Report 2011. 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.

Agenda

- Key messages
- Economic overview and HSBC position
- Financial performance, 1H 2011
- Progress against strategic direction
- Outlook and conclusion

HSBC well positioned to capture medium-term opportunities in Europe

1H 2011 Europe results impacted by lower GBM revenues partly offset by strong results in CMB and RBWM

Strong progress in strategy implementation highlighted by revenue growth in CMB, RBWM and GPB

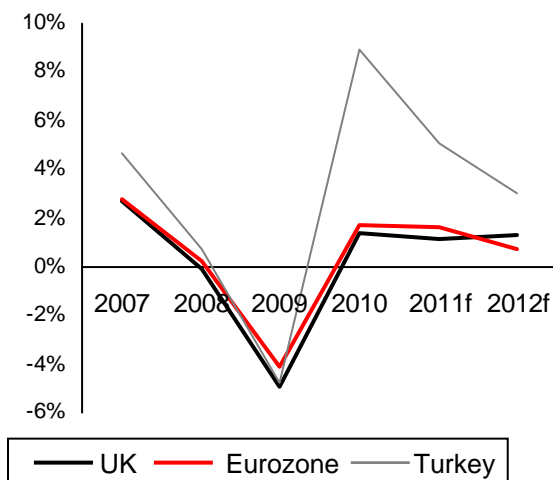
Significant cost initiatives in progress across the region to improve operational efficiency

Economic overview and HSBC position

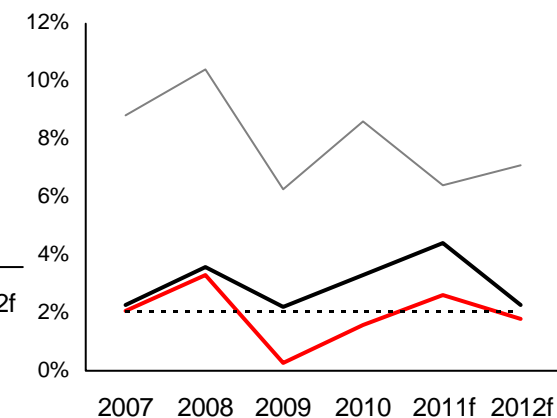
Short-term macro-economic outlook uncertain

Key economic trends

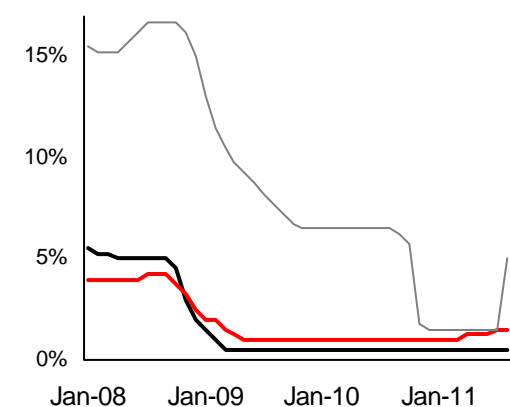
GDP growth



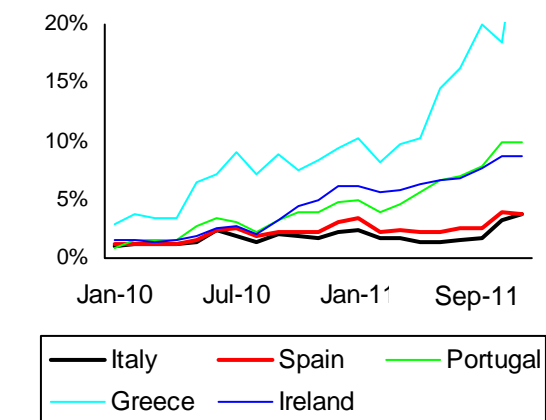
Inflation



Base rate



Sovereign CDS spreads



- Growth in Europe likely to remain sluggish
- In the UK, concerns that regulatory actions will contribute to sub-par economic growth
- Interest rate outlook diverging between the ECB, the BoE and in Emerging Europe
- Sovereign debt issues remain

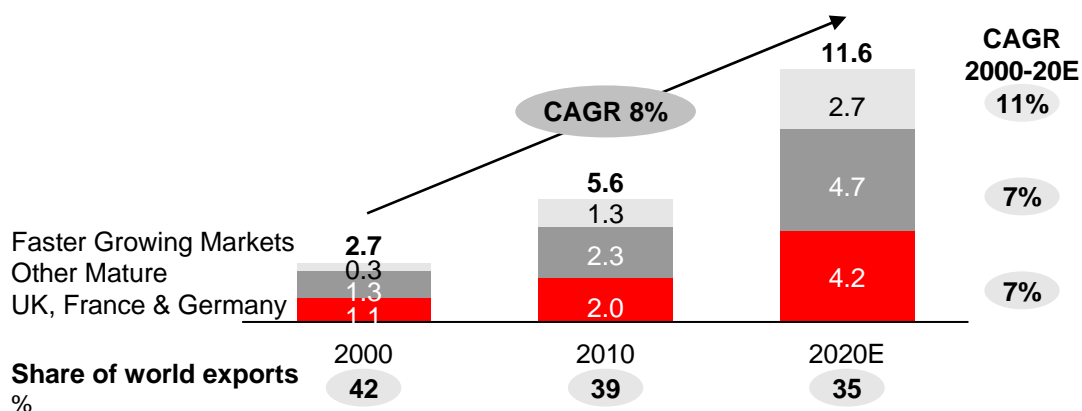
Changing regulation

- Complex series of initiatives at global, regional and national levels will transform how the sector operates
- Most important developments for HSBC Bank plc:
 - Basel 3 capital, liquidity and funding requirements
 - UK's Independent Commission on Banking (ICB)
- Other current developments include:
 - Merlin
 - New regulatory and supervisory frameworks in EU and UK
 - Recovery and resolution plans

Key trends remaining attractive

Economic relevance and international connectivity

European exports by destination, USDbn



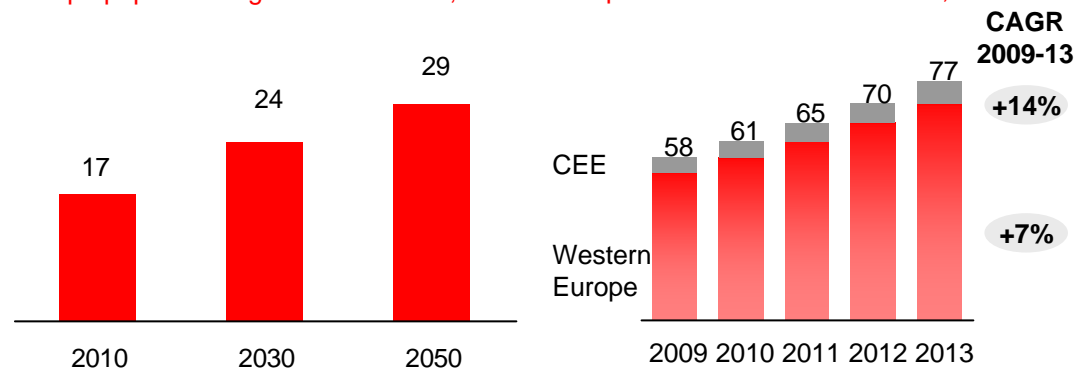
Source: Global Insights

- 31% of world GDP today, forecast at 24% in 2030
- Global hub for trade flows - accounts for c.40% of global trade flows
- European trade growing at 3-4 times quicker than GDP
- Exports' volumes expected to more than double by 2020
- Largest region for FDI in and outflows; has 6 of 12 largest FDI recipients

Wealth

Europe population aged 65 and over¹, %

Europe mass affluent individuals², millions



¹ Based on EU 27

² Mass affluent are defined as having USD50,000 or more of onshore liquid assets. Specifically excludes life and pensions assets, unquoted equity or any other fixed assets such as property

Source: OECD Factbook 2010, Datamonitor 2010 Wealth Market Database

- Home to 65m mass affluent people
- Home to almost a third of world's assets under management
- Over a quarter of population will be 65+ by 2050 driving need for Wealth Management products
- Governments will not be able to support ageing populations, individuals will have to do it themselves
- Banks have the products that will let people save for their own retirement

HSBC well-positioned



Competitive advantages (Europe)

Strong balance sheet

- Advances to Deposits ratio at 88.6%
- Tier 1 ratio at 11.4%, total capital ratio at 16.0%¹

Resilient and diversified business franchise

- Source of PBT²: GBM 32%, CMB 33%, RBWM 25%, GPB 10%

Geographical network

- Unique network connecting Mature and Faster Growing Markets with CMB and GBM covering 19 European countries
- Well-positioned to unlock the wealth management opportunity

Strong brand and customer focus

- UK RBWM - Customer recommendation index (GBP30k+): first direct 8.5, HSBC 7.0, competitor average 6.1³
- UK CMB - Non-customer consideration⁴: HSBC 52%, next best peer 33%
- In France, one of the top-rated brands driven by high ratings in momentum, differentiation and international attributes⁵

Note: All numbers relate to 1H 2011

1 HSBC Bank plc

2 Reported PBT excluding "Other"

3 Source: Millward Brown

4 Source: BDRC Continental. Proportion of non-HSBC customers who would consider HSBC for an international bank (businesses with £2-10m turnover)

5 Source: Customer research by Synovate (RBWM) and TNS (CMB)

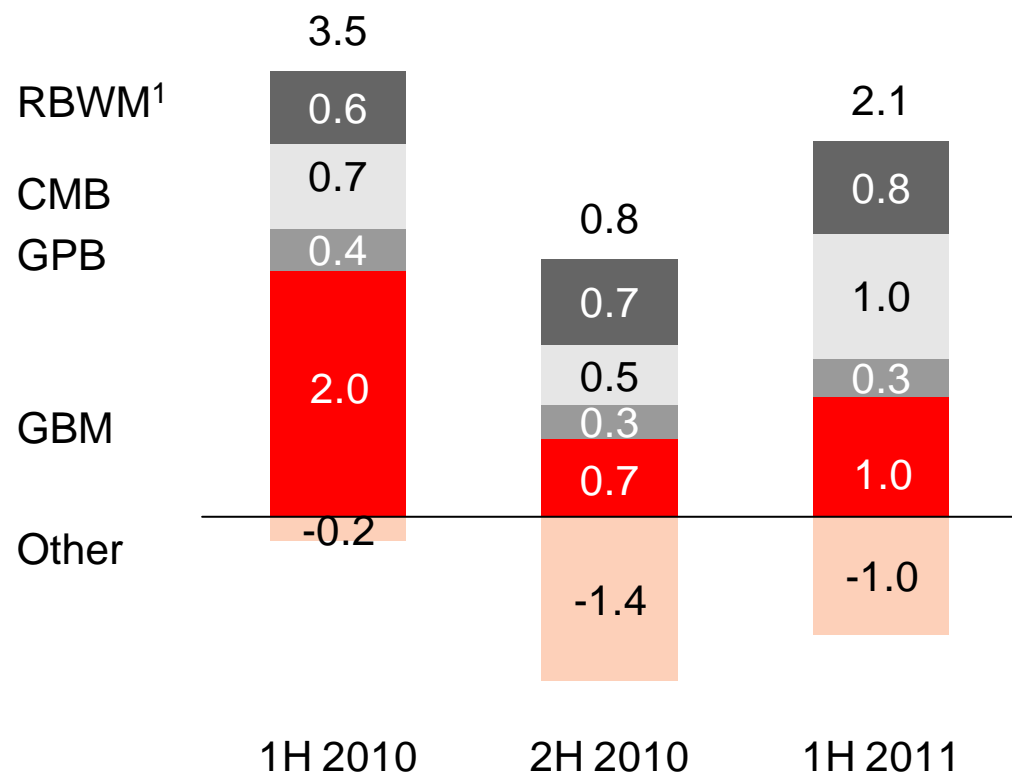
Financial performance, 1H 2011 - Europe

HSBC financials per customer group and market



Europe PBT per customer group

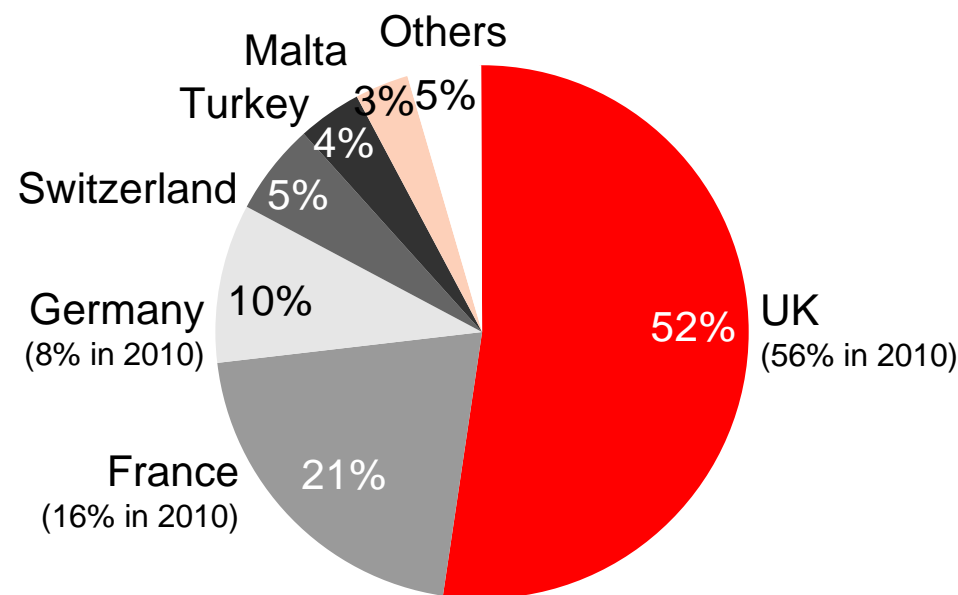
Reported, USDbn



Europe PBT per geography

Reported, 1H 2011, USDbn

Total: USD2.1bn



¹ With effect from 1 March 2011, our Global Asset Management business was moved from GBM to RBWM. All period presented have been adjusted accordingly.

Interim financial overview

Europe (USDm)	1H10	2H10	1H11	1H11 vs 1H10	1H11 vs 2H10
Income	12,721	10,029	11,340	(11%)	13%
Loan impairment ¹	-1,501	-1,519	-1,173	(22%)	(23%)
Net operating income	11,220	8,510	10,167	(9%)	19%
Operating expenses	-7,704	-7,741	-8,014	4%	4%
Associates and joint ventures	5	12	-6	(220%)	(150%)
Profit before tax (PBT)	3,521	781	2,147	(39%)	175%
Underlying PBT	3,067	1,351	2,218	(28%)	64%

Financial ratios (%) ²	1H10	2H10	1H11	KPI
RoRWA	1.8%	0.8%	1.4%	1.3% - 1.8 ³
CER	63.0%	73.2%	70.2%	48% - 52% ⁴
AD Ratio	85.6%	89.0%	88.6%	<90% ⁴

¹ Loan impairment charges and other credit risk provisions

² Underlying basis

³ Target for Europe

⁴ Group targets

- Lower revenues from GBM (BSM, Eurozone uncertainty)
- Improved revenues in UK RBWM and CMB
- Improved LICs in RBWM and CMB
- Increase in underlying expenses from investment in GBM and customer redress programmes (e.g. PPI)

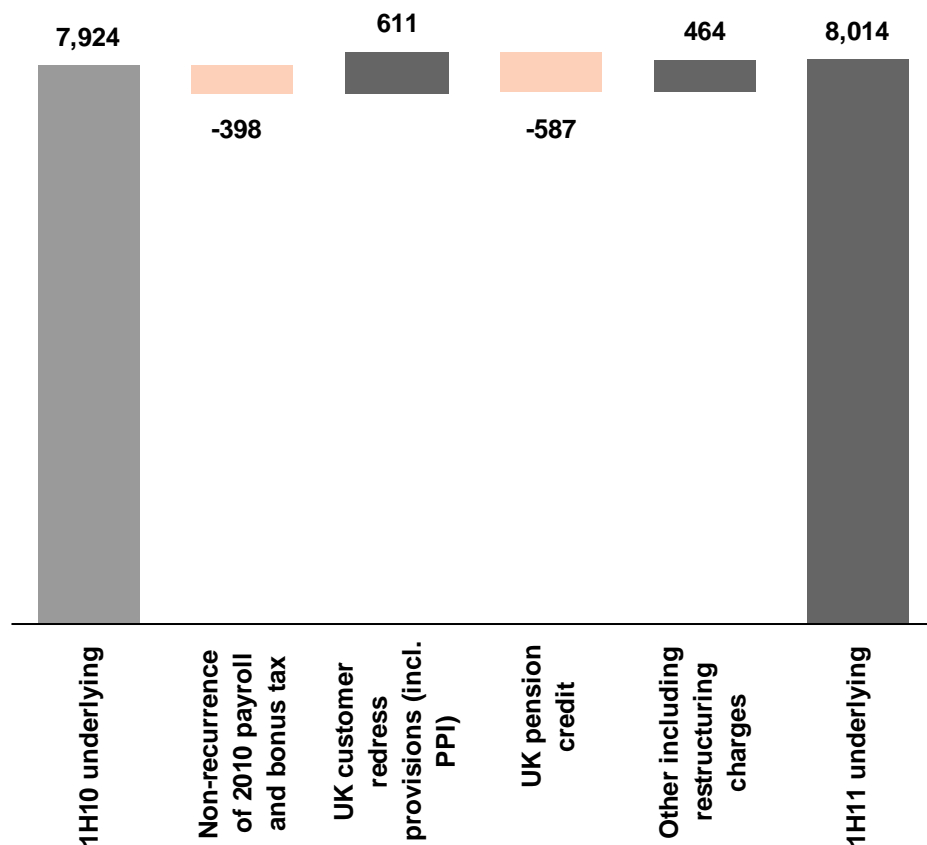
- Ongoing focus on costs and lowering CER

Operating expenses



Key movements

USDm



- Excluding notable items¹, operating expenses increased by 6%
- Mostly driven by higher GBM costs due to
 1. Acceleration in the expense recognition of deferred bonus awards
 2. Investment in strategic initiatives, including the development of Prime Services and equity market capabilities and the expansion of the Rates and Foreign Exchange e-commerce platforms
- GBP cost increase due to CHF appreciation
- Restructuring charges in Russia, GBM and UK Retail

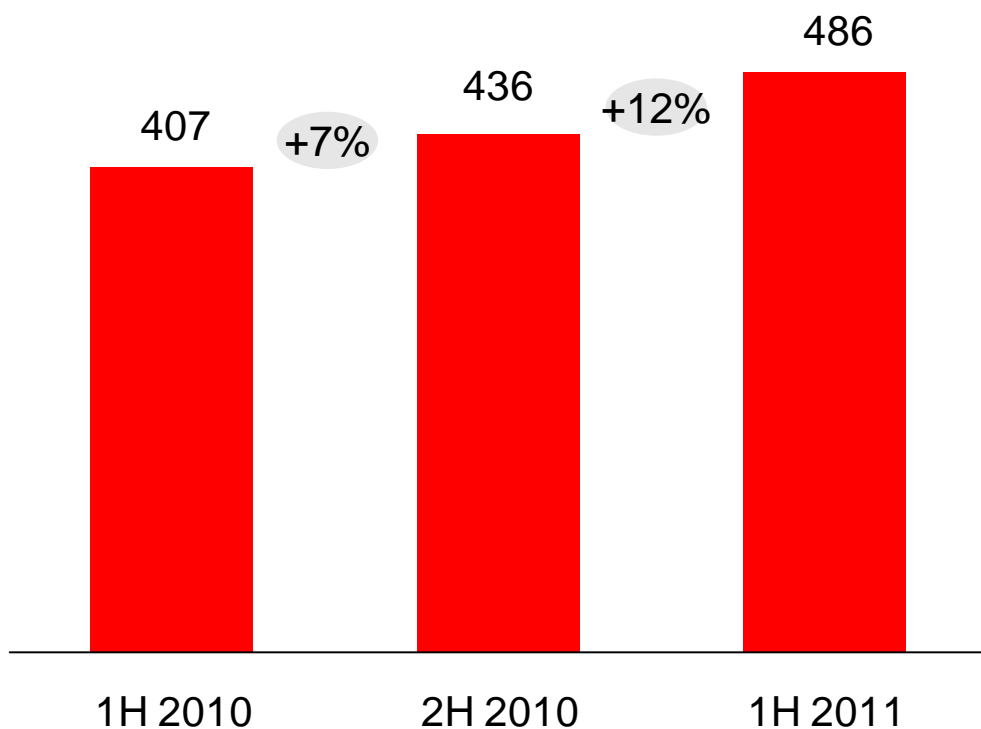
¹ Notable items include bonus tax, customer redress and UK pension credit

Balance sheet growth



Loans and advances to customers (net)

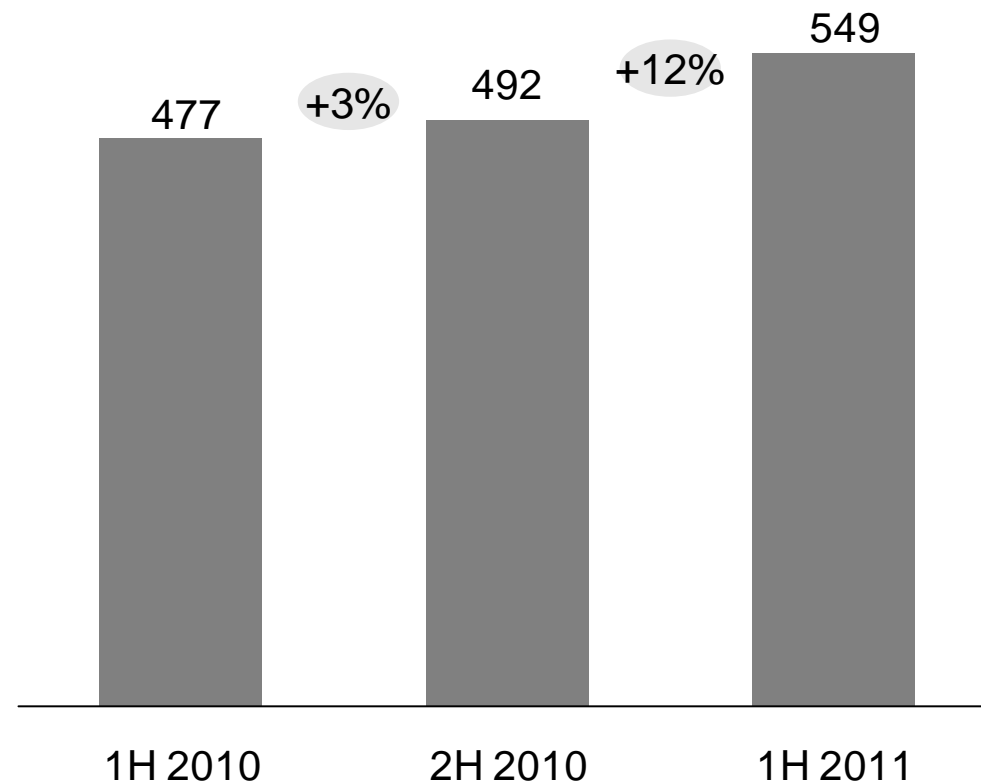
Reported, USDbn



- Growth vs. 2H 2010 driven by GBM, RBWM (e.g. UK) and CMB

Customer accounts

Reported, USDbn



- Growth vs. 2H 2010 driven by GBM and RBWM

Progress against strategic direction

Strategic direction and actions overview

Be the leading international bank connecting Europe with the rest of the world and capturing Europe's wealth opportunity

1 RBWM

Focus on selected markets where we have scale and growth opportunity

2 CMB

Drive international and intra-Group connectivity leveraging strong European footprint

3 GBM

Expand franchise across the region by further enhancing product capabilities

4 GPB

Optimise market coverage and create synergies across Europe for domestic and Fastest Growing Markets clients

5 Increase capital and cost efficiency

Increase operational efficiencies through portfolio rationalisation and sustainable cost savings

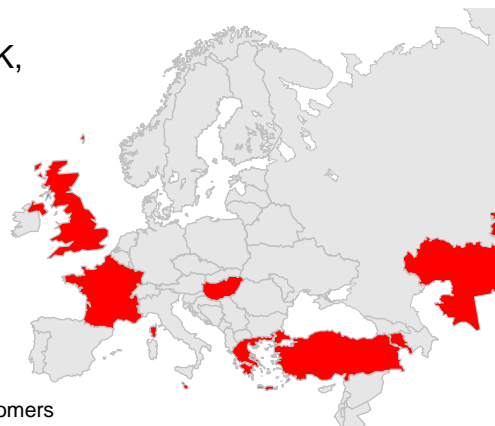
RBWM: Continue to invest in UK, France and Turkey and rationalise unprofitable businesses



RBWM key strategic initiatives¹

- Focus investments in UK, France and Turkey and grow our wealth management franchise
- Focus on building long term sustainable relationships
- Rationalise portfolio and exit underperforming businesses (e.g. Russia)
- Optimise cost to serve via a multi-channel segmented approach

- Established positions in the UK, France, Turkey and Malta



1H 2011 update

UK

- Target customer acquisition +13% vs 1H10 with income from Premier customers growing +15%
- Funds under management +12% as at end JUN11 vs. JUN10²
- Market share of mortgage new business increased to 11% 1H11, four times share in 2007 without the use of intermediaries, at an average LTV of 53%
- Digital transformation: first direct iPhone app, smartphone-friendly internet banking, enhanced online customer security via Secure Key
- Customer satisfaction well above defined peer group for first direct and strong HSBC customer recommendation³

CE

- Closure of Russia and Poland retail banking
- Strong customer acquisition. E.g. in France, acquisition of New-to-bank Premier customers 20% above 1H 2010
- Intra-group connectivity: RBWM to CMB Join Up Programme: In 1H11 c. 10k referrals with a top closing ratio 78%; CMB to Premier: c.3,700 referrals with a closing ratio of 93%
- Financial performance: Overall CE RBWM PBT 37% above last year (+USD46m) with strong revenue growth

¹ From May 2011 Investor Day

² Funds under management attributable to UK customers

³ Customer satisfaction source: GfK NOP FRS based on interviews over the period March 2000-June 2010. Peer group defined as: Barclays, Halifax, HSBC, Lloyds TSB, Nationwide, NatWest and Santander

CMB: Build upon proven LIB strategy through investment in developed and growth markets



CMB key strategic initiatives¹

- Focus investments to capture regional and global FDI and trade flows (e.g., UK, France, Germany, Turkey)
- Strengthen connectivity by selectively extending our footprint (e.g., Switzerland)
- Enhance international product platforms and delivery channels (e.g., digital)
- Increase collaboration with GBM

- 18 countries³ leveraging international connectivity
- Key markets: UK, France, Germany and Turkey



¹ From May 2011 Investor Day

² Source: Bank of England Trends in Lending Report July 2011. 12 months to May 2011

³ Not including Italy (GBM only operations). GBM and CMB leverage connectivity in 19 countries

1H 2011 update

UK

- CMB lending up 7.4% 1H11 vs 1H10 despite market contraction of 4%²
- On target to meet Merlin lending commitments
- iPhone application successfully launched, complementing award winning business internet banking website
- Investment in International Commercial Managers showing results. Income from UK-based customers using products to support international activity grew by 16% compared with 1H10
- Outbound referrals +70%; Referrals cross-business up 89% following success of co-locating Premier and Commercial RMs

CE

- PBT up more than 30% with strong revenue growth driven by Global Transaction Banking, Receivable Finance and Global Markets
- Expansion in Germany - Increase in loans and advances to customers reflecting the expansion of our lending business in particular with MME clients as part of our growth strategy
- European cash management capabilities expanded in Nordic countries through partnership arrangements
- HSBC Receivables Finance named "Best Factoring Institution" in Trade magazine's global "Awards for Excellence" 2011
- Global Links referrals up 76% y-o-y

GBM: Global connectivity backed by core product capabilities



GBM key strategic initiatives¹

- Optimise market coverage: Build on London and Paris hubs, develop FIG and Multinational franchise through selective build-out
- Invest in Germany targeting top positions in selected products (e.g., fixed income, retail equity derivatives, corporate FX)
- Enhance product offering by investing in Payment & Cash Management, Securities Services, Prime Services, Equities and Debt Capital Market
- Increase cross-business collaboration and integration with other customer groups (e.g., Family Office GPB collaboration)

- 2 hubs: London and Paris
- Strong product capabilities e.g., DCM, Credit, Rates, FX, PCM, HSS, Project Finance, Export Finance²



1H 2011 update

- Equities Build Out: All key equity business lines delivered increased y-o-y performance with good progress made (e.g. 7th from 8th in European equity sales and 6th from 12th in CEEMEA brokerage³)
- Prime Services: Significant progress made on technology platform and client on-boarding
- PCM: International connectivity enhanced by extended PCM network coverage and product capability into Scandinavia; market leading electronic RMB commercial and trade payment capability developed for UK based customer accounts
- GBM-CMB collaboration: Significant growth in y-o-y gross revenues

¹ From May 2011 Investor Day

² Debt Capital Markets (DCM), Payments and Cash Management (PCM), HSBC Securities Services (HSS)

³ Extel Survey

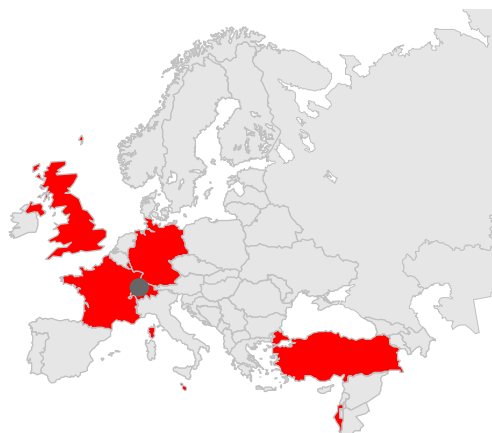
GPB: Optimise market coverage and create synergies across Europe



GPB key strategic initiatives¹

- Leverage intragroup strengths and connectivity with growth markets
- Scale-up product offerings by leveraging the existing platforms across Europe
- Drive cost synergies between IT and Operations across and within countries
- Adapt to changing regulatory environment and build out domestic businesses

- Hub in Switzerland complemented by Monaco, Luxembourg and Channel Islands
- Meaningful domestic presence in UK, Germany and France



1H 2011 update

- Client assets increased due to net new money inflows, together with favourable market and foreign exchange movements
- Intragroup referrals increased by 31% y-o-y and generated c.25% of total Net New Money
- Major wins announced by the Family Office Partnership with GBM
- Continued investment in front office systems
- Data Protection Programme completed in Switzerland and continued investment in IT security
- Hiring front office staff for domestic markets and for emerging market clients

Increase operational efficiencies through portfolio rationalisation and sustainable cost savings

May Investor Day messages¹

Key cost levers

Full cost review in progress. Examples of initiatives:

Portfolio rationalisation

- Exit underperforming businesses (e.g., RBWM in Russia)

Implement consistent Business Models

- Ongoing Service Delivery operational transformation, and consolidation of UK Credit Card operations
- Global Banking and Markets workforce optimisation and offshoring initiatives

Re-engineer functions

- Continue UK head office reengineering across businesses and functions
- Deployment of CMB in Switzerland with front office staff only

Re-engineer processes

- UK RBWM and CMB have held adjusted costs² flat since 2008 through successful re-engineering of processes
- Reengineering initiatives within France including stripping out administrative tasks of RBWM and CMB branches

Streamline IT

- Consolidate systems across UK bank
- Set-up of Global Service Centers in CEE to handle language diversity in Europe (servicing 16 countries)
- Centralise data centres across Europe

Key progress

- Closure of Russia and Poland retail banking, and exit from Georgia
- Disposal of the motor insurance business in the UK
- Announced restructuring of UK (c.700 FTEs) and France (c.700 FTEs)
- Premises optimisation across the region
- Internet two-factor authentication launched in the UK, driving reduction in fraud costs
- 13 centres of excellence in place in UK RBWM and CMB head office
- Optimisation of the card loyalty program in Turkey

¹ From May 2011 Investor Day

² Costs excluding underlying adjustments and significant items as per HSBC Bank Plc Annual Report and Accounts (2010). RBWM excluding AMG

Outlook and conclusions

Outlook and conclusions

- Focus on:

Consolidating existing strong positions (incl. UK, France, Germany)

Leveraging connectivity (CMB, GBM, GPB)

Driving RBWM on selected markets where we have scale

Increasing operational efficiencies through portfolio rationalisation and sustainable cost savings

- Building on strong competitive advantages

Strong balance sheet

Resilient and diversified business franchise

Unique network connecting Mature and Faster Growing Markets

Strong brand and customer focus

If you have any further questions,

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