

Current Commercial Lending Trends – HSBC Kent

- Total Assets (lending balances net of repayments) excluding Real Estate (property investment and development) **4.2% up y-o-y** due mainly to increased market share
- Real Estate balances down 8% due to run-off, despite new lending of 16% of book
- Total balances including Real Estate broadly flat
- Existing customer lending balances 1.5% up
- Within Total Assets, reduction in Loan and Overdraft balances more than offset by increases in structured lending products (Equipment Finance, Invoice Finance and Trade Finance)
- Although overdraft balances reduced, limits are static indicating lower utilisation
- **New lending 15% up** on 2010
- Good spread across all sectors
- Net margin slightly (0.15%) higher, mainly due to declining Customer Risk Ratings
- Demand subdued across the County as a whole
- Stronger in Mid- and West- Kent, less active in East Kent and particularly Thanet
- Little change in transaction volumes during 2011
- HSBC continues to have no restriction on availability of funds to lend
- Assets to Deposits ratio 85% so no reliance on wholesale funding markets
- We consider low lending growth to be due to lack of demand/appetite to invest

Actions for Businesses to ensure access to lending and a good bank relationship

- Understand that cash generation and debt repayment ability are key, security doesn't mean bank will lend
- Be open to structured lending, OD's are rare and not readily available, unless for a good reason
- Have a good story to tell, the most successful applicants in 2011 worked with the bank to create a good case
- Use help from professionals - accurate forecasts, Profit & Loss, Balance Sheet and cash flows
- Get them monitored, costs money but see this as an investment
- Keep in regular dialogue not just when a problem occurs
- Keep bank abreast of requirements and new contracts etc, understand early the impact on business and let bank know rather than wait until cash is required
- Share regular information with both bank and accountant, strong professional 3 way partnership helps to provide solid foundations and resolve issues early
- Seek a second opinion from another bank if necessary
- Never be afraid to approach your own and/or another bank at an early stage to formulate a proposal