

HSBC Holdings plc
Sandy Flockhart
Chairman, Commercial Banking



Commercial Banking



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. Past performance cannot be relied on as a guide to future performance.

A profitable, diversified, self-funded global business

Profitability – Strong underlying revenue drivers and profit growth

Diversification – Geography, Segment, Product

Connectivity – Leverage worldwide footprint to service customers globally

Liquidity – Prudent funding and liquidity position through balanced segment strategy

Global Scale – Managing cost and achieving global scale

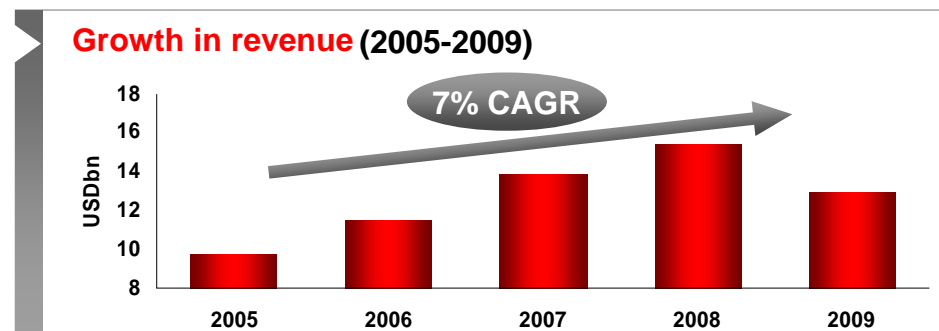
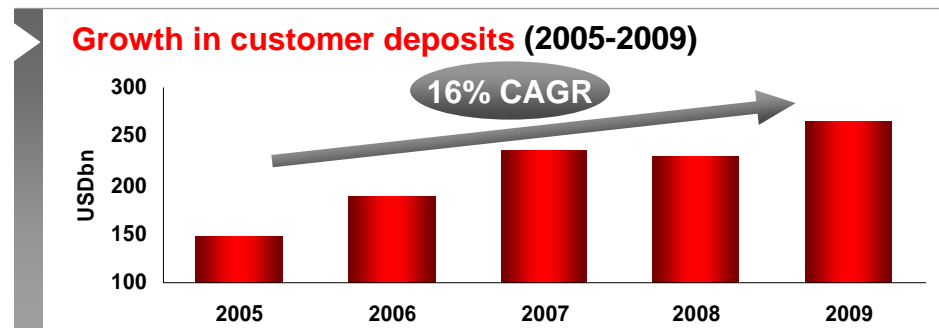
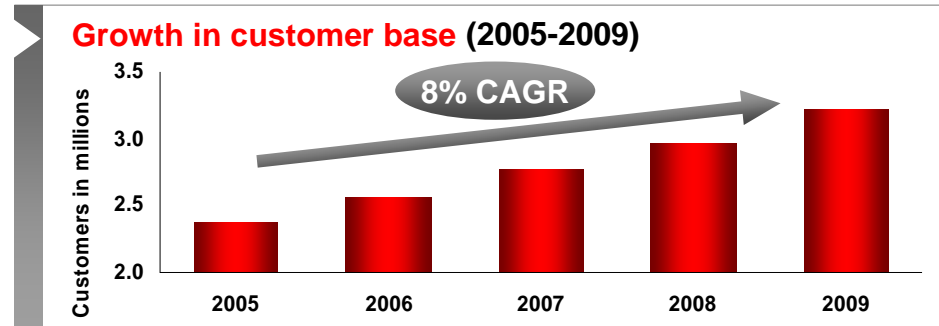
Executing our strategy

Leading International Business

Best Bank for Business

Sustainable Growth – Revenue Drivers

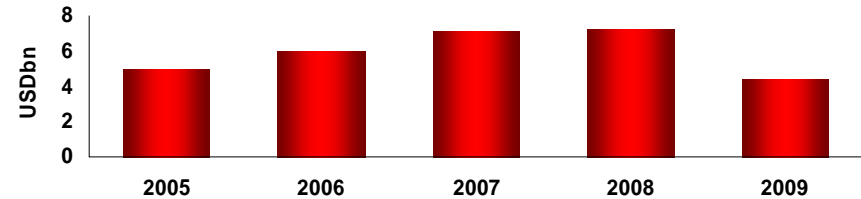
- ▶ **Consistent growth in customer base**
 - ▶ Targeted customer acquisition driven by propositions across direct and face to face channels
- ▶ **Strong growth in deposits**
 - ▶ Anchor product for HSBC Bank
 - ▶ Provides core liquidity for HSBC
- ▶ **Solid revenue growth**
 - ▶ Growth in both net interest income and fees



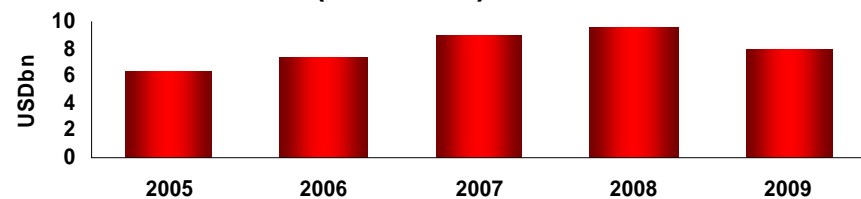
Sustainable Growth – Profit Generation

- ▶ **Strong profit contribution over last 5 years**
 - ▶ US\$30bn over 5 years
 - ▶ US\$4.3bn in 2009
- ▶ **2009 Headwinds: compressed deposit margins, lower loan balances and higher impairments**
 - ▶ Historical trends highlight upside potential in key profit drivers

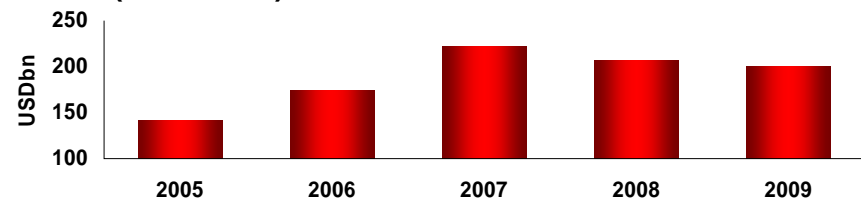
Profit before Tax (2005-2009)



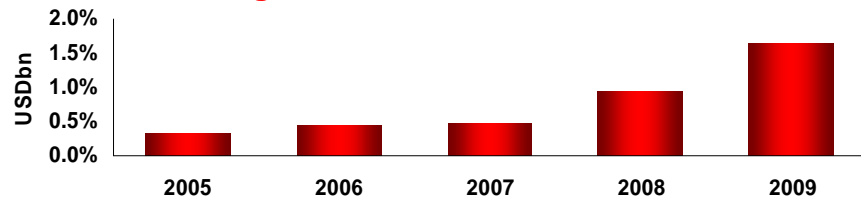
Net Interest Income (2005-2009)



Loans (2005-2009)



LICs as % of Avg Assets (2005-2009)



Diversified Income and Profits

▶ By Geography

- ▶ Profitable in all regions
- ▶ Significant exposure to faster growing markets

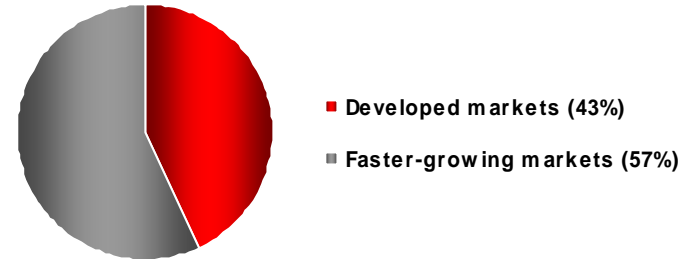
▶ By Customer Segment

- ▶ Enhanced value creation across Commercial Banking
- ▶ Overall self-funding

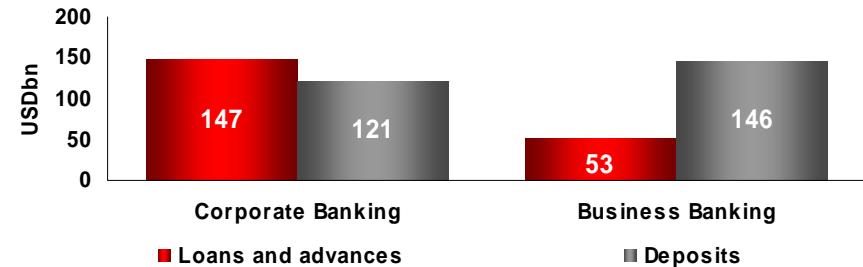
▶ By Product

- ▶ Enhance balance sheet earnings with core banking and transactional banking

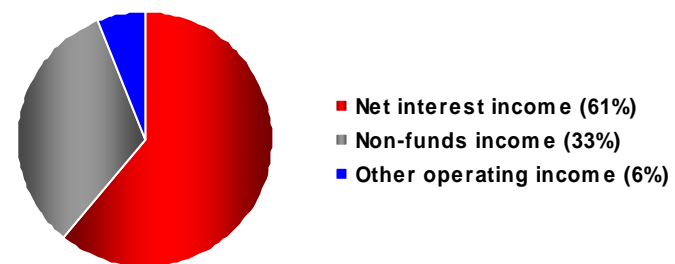
Profit before tax, geographic split, 2009



Corporate Banking & Business Banking

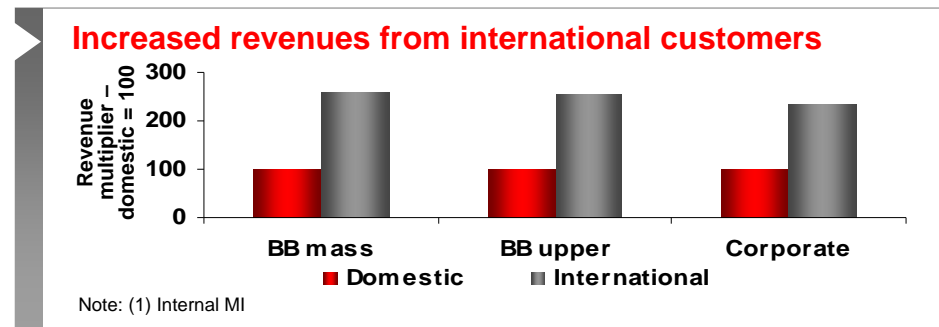
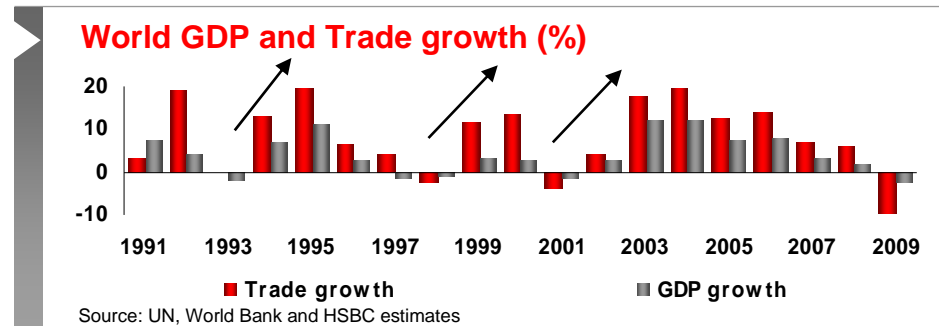
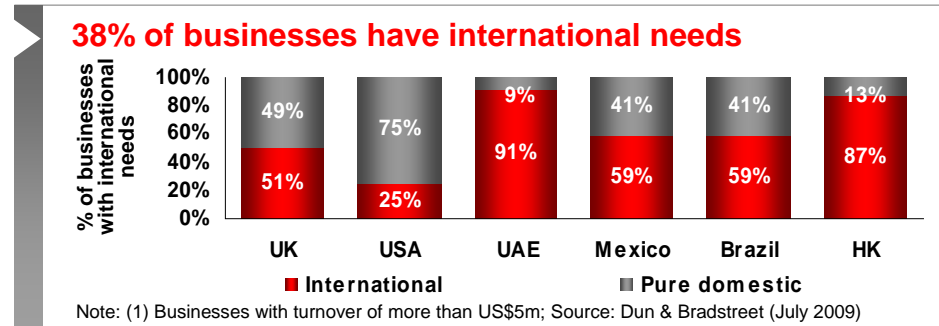


Diversification of Business



Connectivity – The value of international customers

- ▶ International Business is prevalent in many markets where HSBC operates
- ▶ World trade grows faster than GDP
 - ▶ Natural strength in fast growing markets
- ▶ International customers generate up to 3x the revenue of domestic customers
 - ▶ Originates from domestic plus international product revenues

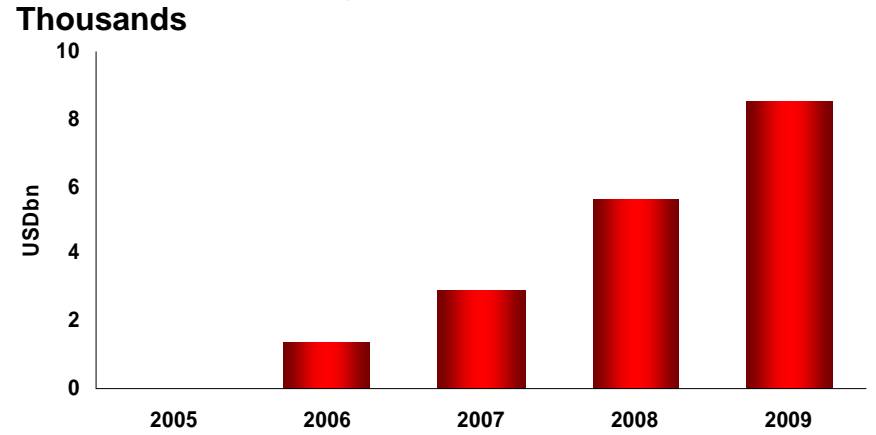


Connectivity – Capturing the value

- ▶ **Increasing cross border activity**
 - ▶ Continued to grow successful referrals strongly, up 48% in 2009
 - ▶ Aggregate transaction value of US\$9bn in 2009

- ▶ **Our global footprint allows us to capture major trade and investment flows across developed and faster growing markets**
 - ▶ Consistent revenue stream from trade (US\$1.3bn) and FX (US\$0.5bn)

Global Links referrals, 2005 - 2009



HSBC Referral flows, 2009

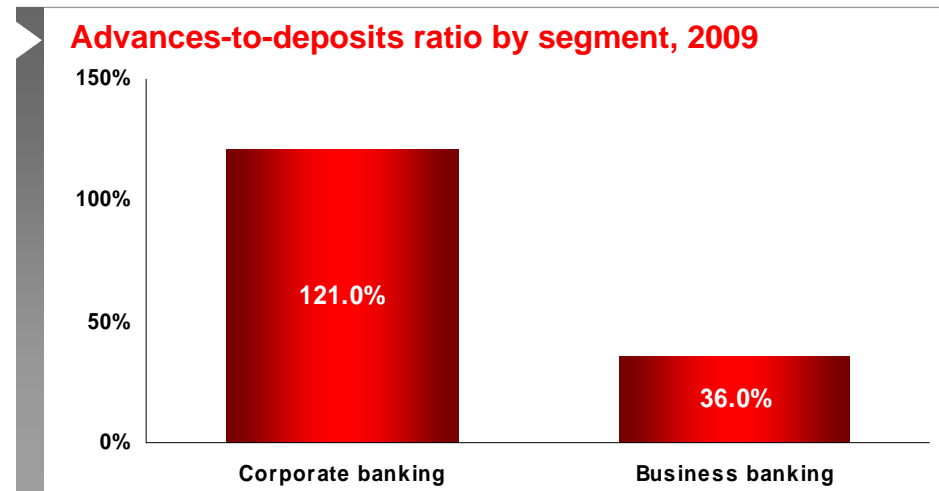
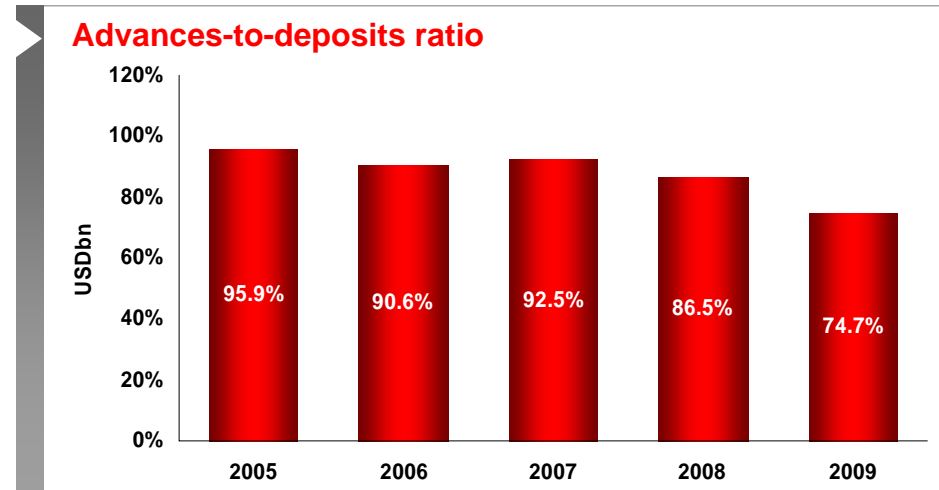
		Subsidiaries	
		Developed	Faster Growing
Parent Company	Developed	29%	24%
	Faster Growing	13%	34%

Share of total GL referrals, 2009, excluding HK/China.

Liquidity – Conservative funding policy

- ▶ **Strong in challenging times**
 - ▶ Strong deposit growth
 - ▶ Strong Brand attraction / Flight to Quality
 - ▶ Driven by customer growth

- ▶ **Self funding through a balanced model across segments**
 - ▶ Business banking as net deposit generator
 - ▶ Corporate as net asset generator

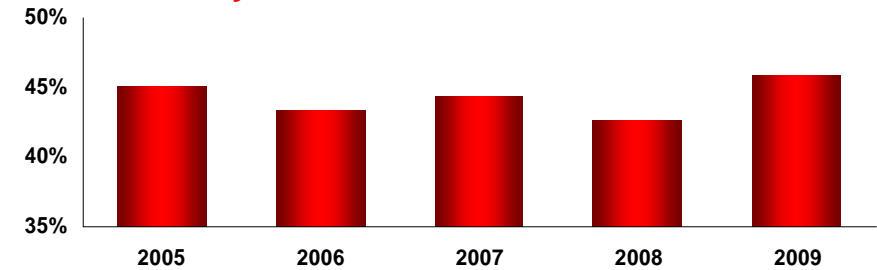


Global Scale

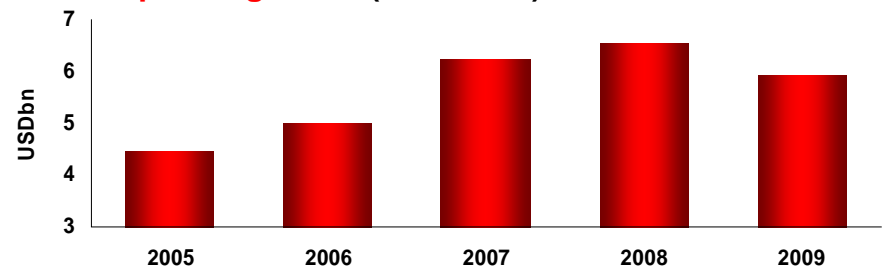
Scale and Cost - A Global Business

- ▶ **Managed costs in challenging environment**
 - ▶ Maintaining cost efficiency ratio through the cycle and in line with group target range of 48-52%
 - ▶ Cost growth in line with expansion of customer base
 - ▶ Underlying costs tightly managed, increases seen from growing customer-facing infrastructure and acquisitions
- ▶ **Significant leverage obtained through global resourcing**
 - ▶ Over 6,000 FTE serving CMB customers in Group Service Centres
 - ▶ Delivering consistent process and customer experience
 - ▶ Extending the GSC footprint - Krakow, Ostrava & Egypt in addition to 17 centres across 5 Asia countries

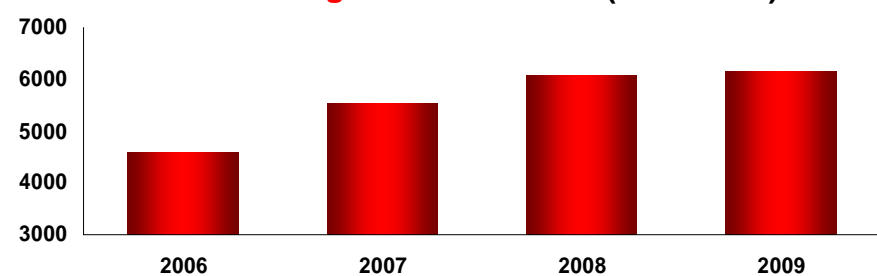
Cost Efficiency Ratio (2005-2009)



Total Operating Costs (2005-2009)



FTE in GSC servicing CMB customers (2006-2009)



Executing our Strategy

Best Bank for Business

Leading International Business

Emerging Markets Growth Engine

- ▶ 61% of new Business Banking customers are in emerging markets

- ▶ Continued footprint expansion in core markets such as China and Indonesia
- ▶ Launched RMB settlement capability in 7 ASEAN countries

Exploiting Scale and Efficiency

- ▶ Consistent global business model tailored for local market
- ▶ Common customer propositions and systems
- ▶ Largest direct business bank in Europe

- ▶ Continued growth of customers and capabilities on global payments platform, *HSBCnet*

Connected and Diversified




- ▶ Transaction and deposit model generates fees and deposits
- ▶ Major player in direct banking

- ▶ 48% increase in cross border referrals, with underlying transaction value of USD 9bn
- ▶ Launched improved foreign exchange platforms in key markets such as UK and India

Summary - 2009 performance highlights

2009 Performance Highlights

Core strength in Commercial Banking

 Profitable	Profit before tax (PBT) <ul style="list-style-type: none">▶ US\$4.3bn	Faster Growing Markets PBT <ul style="list-style-type: none">▶ US\$2.7bn▶ 57% (of total)
 Liquid	Total Deposits <ul style="list-style-type: none">▶ US\$267bn, up 7%▶ Advances-to-deposits ratio 75%	Customers <ul style="list-style-type: none">▶ 3.2 million, up 10%
 Diversified, Connected	Presence <ul style="list-style-type: none">▶ 63 countries and territories	Cross-border referrals <ul style="list-style-type: none">▶ 48% increase in volume▶ US\$9bn transaction value

Awards

Key Awards 2009 (page 1 of 2)



Best Global Supply Chain Finance Provider (2008 - 2009)
Best Supply Chain Finance Provider in the Middle East (2008-2009)
Best Payables Supplier Financing Solution (2009)
Best Trade Finance Provider in Saudi Arabia (2009) (SABB)
Best Trade Finance Provider in HK (2002-2009)
Best Trade Finance Provider in the UK (2006-2009)

Global Finance



Best Factoring Institution in the Trade Finance Awards for Excellence 2009 - 7th consecutive year
Best International Trade Bank in Indonesia (2009)
Best Trade Bank in Singapore (2009)
Best International Trade Bank in China (2008-2009)
Best Factoring Institution (2003-2009)
Best Online Trade Finance Bank (2007-2009)
Best Trade Finance Bank in the Middle East & North Africa

Trade Finance



Best Global Bank
Best Global Transaction Banking House
Best Cash Management House in the Middle East
Best Cash Management Bank in Saudi Arabia
Best Debt House Turkey

Euromoney Awards for Excellence



Deal of the Year 2009

Global Trade Review



Best Corporate/Institutional Internet Bank - Asia Pac
Best Corporate/Institutional Internet Bank - Europe
Best Trade Finance Services
Best Web Site Design
Best Information Security Initiatives
Country Award wins – Brunei/Hong Kong/Indonesia/Singapore/Sri Lanka/UAE/UK

Global Finance



Best Foreign Commercial Bank in China
Best Foreign Commercial Bank in Vietnam
Best Foreign Commercial Bank in Malaysia
Best Trade Finance Bank Hong Kong

Finance Asia



Best Trade Finance Bank in Malaysia (2009)
Best Trade Finance Bank in Vietnam (2008-2009)
Best Trade Finance Bank in Hong Kong (2007-2009)
Best Structured Trade Solution 2009



The Asset








Best Trade Finance Bank (2003-2009)

Cargonews Asia

Key Awards 2009 (page 2 of 2)

	Best Bank for FX for Corporates Trade Finance
	Deal of the Year (2007-2009) Trade & Forfaiting Review
	The Best Trade Bank in China (2009) 2009 Foreign Banks Survey by PWC
	Best Trade Finance Bank in Malaysia (2009) Best Trade Finance Bank in Vietnam (2008-2009) Best Trade Finance Bank in Hong Kong (2007-2009) Best Structured Trade Solution 2009 2009 Foreign Banks Survey by PWC
	Best Trade Finance Bank (2003-2009) Cargonews Asia
	ISO 9001 Quality Certification in the Permit Compliance Service Shipping (Argentina 2009) ISO
	Best of SME e-banking Service Provider E-Brand Awards 09 Ezone magazine

	SME's Best Partner Award 2009 Hong Kong Chamber of Small and Medium Business Ltd
	Excellence in SME Banking 2009 Asian Banker
	Greater China Super Brands Award 2009 Commercial Bank for SMEs Eastweek magazine
	Sing Tao Excellent Services Brand Best SME Banking / Best Company Credit Card Sing Tao IT Square Editor's Choice Award Best e-banking Partner Best Commercial Internet Banking (for payment capabilities) Best Commercial Internet Investment Sing Tao Awards in Hong Kong
	2009 Best SME Partners (Banking)
	Best Performance Companies 2009 Award - SME Banking Category Capital Weekly
	Best SMB Partner (Banking & Finance) and Best SMB Partner (e-banking) SMB World magazine

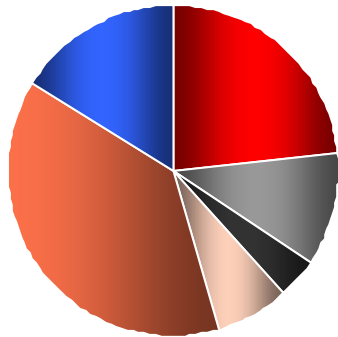
Appendix: Financial performance in 2009

Commercial Banking

US\$m	Reported		Underlying		% Better/(worse) 2009 vs 2008	
	2008	2009	2008	2009	Reported	Underlying
Net operating income before loan impairment charges	15,317	12,853	13,521	12,508	(16)	(7)
Loan impairment charges and other credit risk provisions	(2,173)	(3,282)	(2,102)	(3,282)	(51)	(56)
Net operating income	13,144	9,571	11,419	9,226	(27)	(19)
Total operating expense	(6,581)	(5,963)	(6,014)	(5,936)	9	1
Operating profit	6,563	3,608	5,405	3,290	(45)	(39)
Associates and joint ventures	631	667	638	667	6	5
Profit before tax	7,194	4,275	6,043	3,957	(41)	(35)
Customer loans and advances	203,949	199,674	218,563	199,674	(2)	(9)
Customer accounts	235,879	267,388	249,780	267,388	13	7
Cost efficiency ratio (%)	43.0	46.4	44.5	47.5		

Commercial Banking – Regional mix

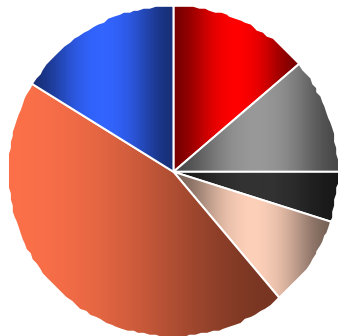
Customer Accounts
31 Dec 2009, US\$bn



- Hong Kong (62, 23%)
- Rest of Asia-Pacific (30, 11%)
- Middle East (10, 4%)
- Latin America (20, 7%)
- Europe (102, 38%)
- North America (43, 16%)

US\$267.4bn

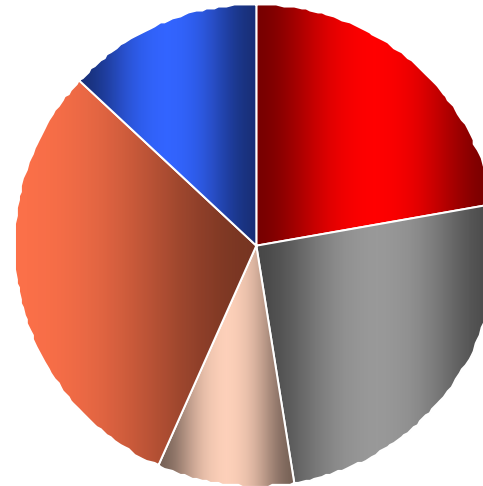
Loans and advances to customers
31 Dec 2009, US\$bn



- Hong Kong (28, 14%)
- Rest of Asia-Pacific (23, 11%)
- Middle East (10, 5%)
- Latin America (18, 9%)
- Europe (89, 45%)
- North America (31, 16%)

US\$199.7bn

Profit before tax
2009, US\$bn



- Hong Kong (956, 22%)
- Rest of Asia-Pacific (1064, 25%)
- Middle East (21, 0%)
- Latin America (399, 9%)
- Europe (1292, 30%)
- North America (543, 13%)

US\$4,275m

Commercial Banking – Regional mix

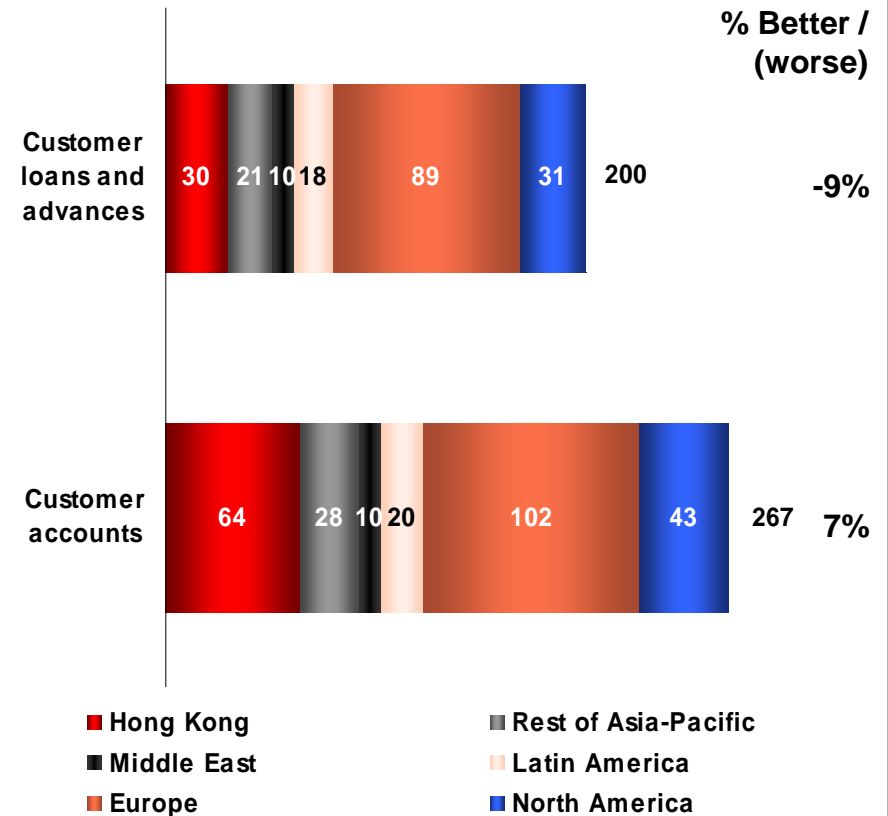
US\$bn, 31 Dec 2008¹



Advances-to-deposits ratio

87.5%

US\$bn, 31 Dec 2009

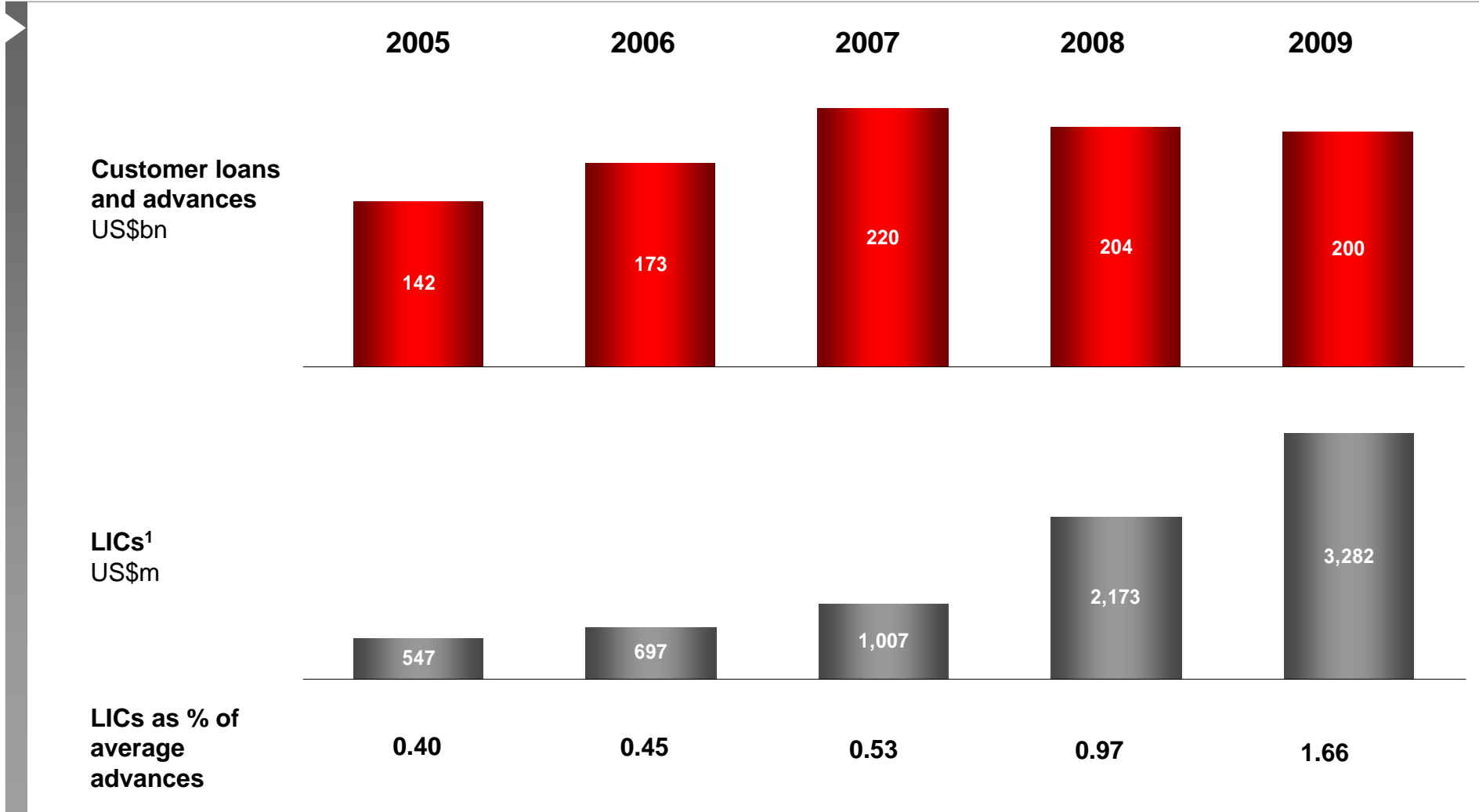


74.7%

Note:

(1) Restated for constant currency, acquisitions and disposals

Commercial Banking - Managing balance sheet risk



Note:
(1) Loan impairment charge and other credit risk provisions

Additional Q&A