HSBC Holdings plc

Qatar

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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 Interim Report. 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 can be found in HSBC's 2010 Interim Report in the Operating and Financial Review.

Agenda

- Macroeconomic overview
- Banking sector and regulatory environment
- Presence and performance
- Business strategy
- Summary

Macroeconomic overview

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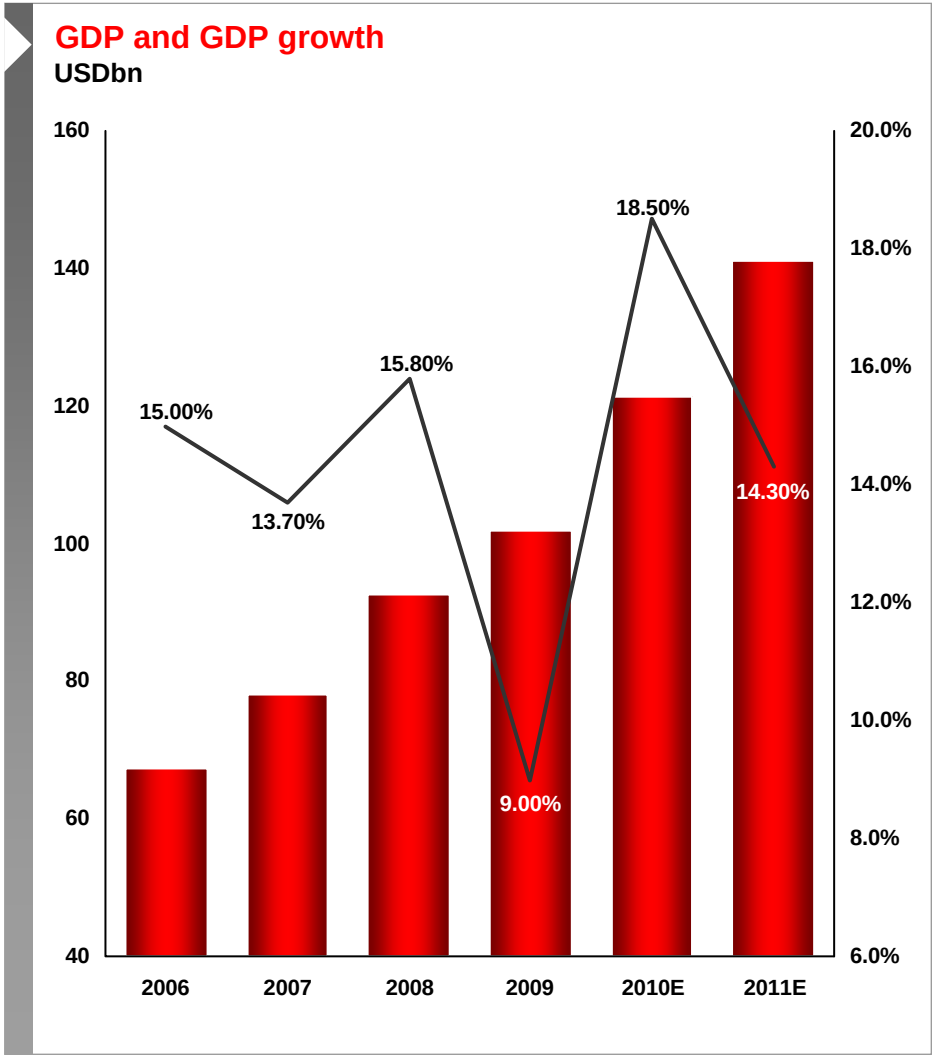
Country overview

56 years business in Qatar



Population:
1.7 million[1]

Population growth:
13.1 per cent[1]

GDP growth:
18.5 per cent[2]

Increased private consumption and investment

Gross GDP (PPP):
USD121.9 billion[2]

GDP per capita:
USD70,479[2]

Total exports:
USD71.2 billion[3]

FDI inflows:
(% of GDP): 8.7

Total imports:
USD34.8 billion[3]

Current account balance (% of GDP):
16.5 per cent[1]

Notes:
(1) EIU – Economist Intelligence Unit 2010
(2) HSBC Global Research 2010 estimate
(3) HSBC 2009 estimate

PPP – Purchasing Power Parity

Economic outlook

Ongoing opportunity

Highlights

- Qatar GDP growth, driven by oil and liquefied natural gas, has outpaced world, regional and other emerging markets trends
- Petrocarbon earnings make up 65-70 per cent of total government revenue. Diversification strategies have succeeded in developing future-generation infrastructure and other economic sectors
  (financial services, health, education, construction and real estate)
- Imports and exports have grown at a CAGR of 40 per cent and 53 per cent respectively, over 2006-09
- Current account surpluses boosted by hydrocarbon revenues are being reinvested locally to develop Qatar's domestic infrastructure
- Inflation at lower levels due to fall in property prices. Likely to remain at c4 per cent levels in the medium term

Active investment authority

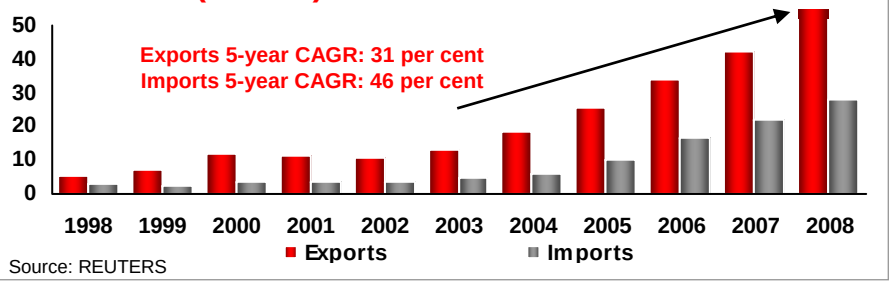
- Qatar Investment Authority is one of the most active sovereign wealth funds in the world[1]
- Annual investment plan USD20 billion to grow as gas revenues increase
- Supplemented by additional investments through Pension Authority and QP International
- Future strategy will see increasing activity in the international arena with a strong focus on Latin America, Asia and MENA, alongside traditional eurozone ties
- Competition has intensified and the state is becoming selective with a clear appetite for creativity

Note:
(1) Source: SWF Institute

Connectivity

Significant trade and net FDI flows

Trade flows (USDbn)

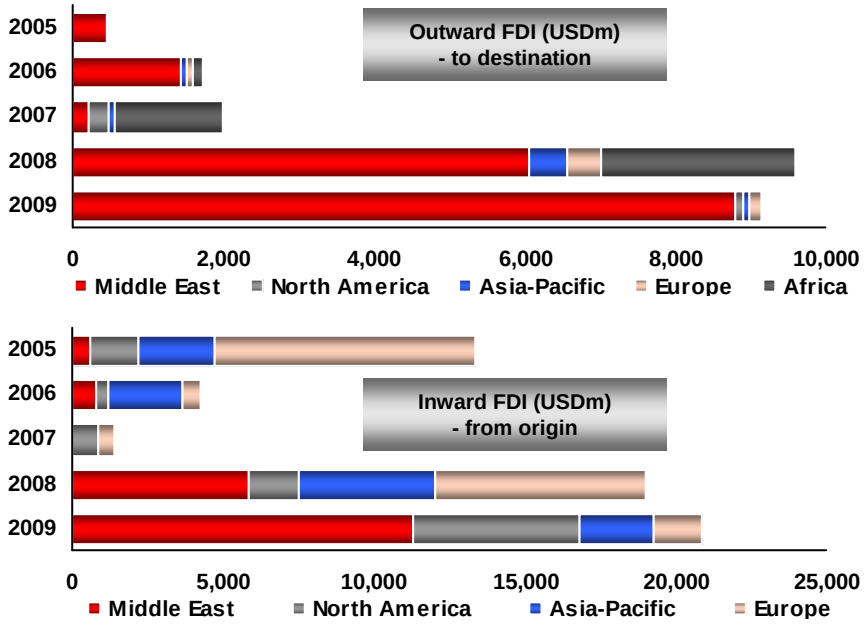


Source: REUTERS

Top export partners

- Japan
- Korea
- Singapore
- India
- Thailand

Foreign direct investment



Top import partners

- USA
- UAE
- Italy
- Japan
- Germany

- **Qatar is highly connected to the international markets as its economy is predominantly driven by trade**
- **There is significant FDI flow within the Middle East region, hence there are substantial intraregional opportunities that can be tapped by HSBC**

Source:
Financial Times

Banking sector and regulatory environment

Opportunities, some challenges

- **Credit growth expected to grow significantly as state committed to infrastructure development**
- **Increasing competition, with most major foreign banks also focusing on Qatar for growth**
- **Islamic banking in nascent stage providing scope for development**
- **Government supporting SME sector by dedicated programmes**
- **Laws relating to mortgages are currently limited and are still evolving**
- **Increasing supervisory oversight**
- **Foreign ownership capped at 49 per cent in many sectors including banking**
- **Launch of investment fund products**
- **Corporate tax rate reduced from 35 per cent to 10 per cent**

Presence and performance

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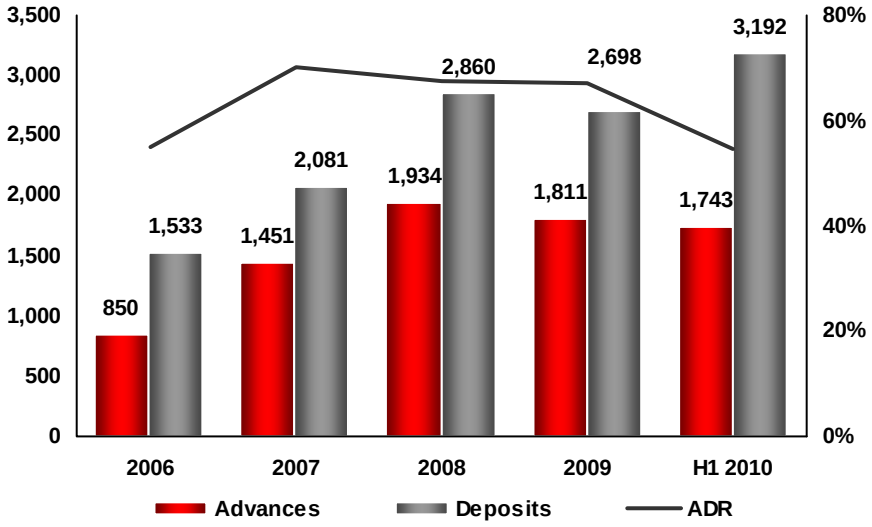
Presence

- Largest foreign bank network
  - Five HSBC branches
  - Customer service unit
  - 21 automatic teller machines
  - Dedicated Amanah branch for Islamic financing
- Over 34,000 bank customers
- Over 500 staff
- Brand image and strength
- Global footprint and emerging market experience
- Widespread relationship management in all customer segments

Performance

A resilient performance during subdued real market conditions

Advances and deposits (USDm)

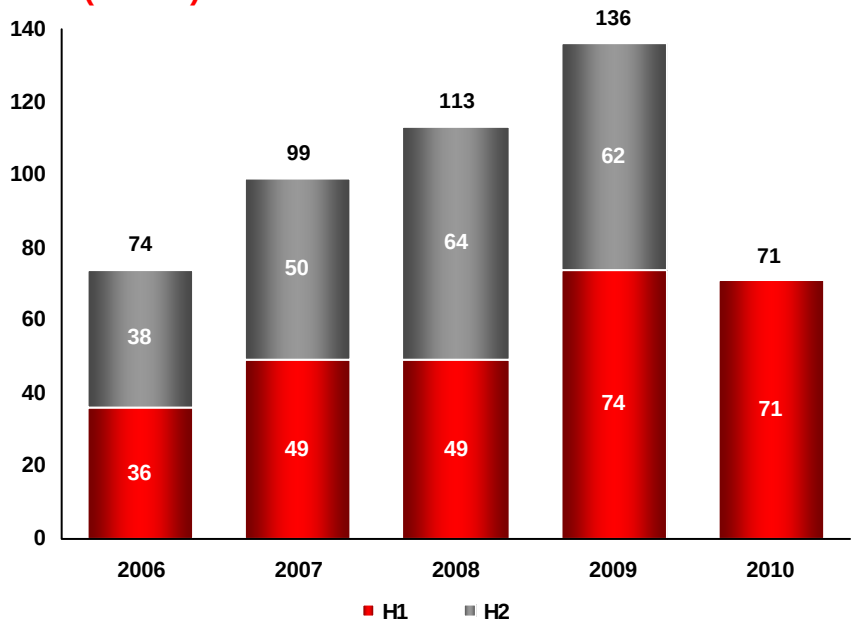


- **Strong performance in H1 2010**
- **Market was subdued with government spending below state budget**
- **Credit opportunity was limited and competition is aggressive**

Business mix – H1 2010

	USDm
Personal Financial Services	10
Commercial Banking	28
Global Banking and Markets	33
Profit before tax	**71**

PBT (USDm)



Business strategy

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Personal Financial Services

Opportunity

- Growing Premium segment – Qatar is one of highest GDP per capita in the world
- Wealth – insurance and investments largely untapped; integral to Premium segment
- HSBC in best position to cater to the expatriate-led population; focus on HNW non-residents from Egypt, Lebanon, India and UK

Strategy

- Accelerate and lead Premium customer acquisition; develop and lead business opportunity among resident diaspora population
- Protect and grow sustainable revenues through wealth, insurance and quality credit origination
- Launch of new range of Amanah products to take full advantage of demand for Islamic proposition

Targets

- Increase market share in Premium segment
- Grow Amanah revenue contribution
- Grow fee income as percentage of total revenue
- Customer recommendation and brand health

Commercial Banking

Opportunity

- Clients looking for increasing sophistication and international services
- Development of SME sector supported by government programmes
- Full product suite to cater to different market segments
- Capitalise on growing demand for Islamic banking

Strategy

Corporate Banking:

- Build new to bank portfolio and increase client share of wallet
- Align trade segments to state's strategic developments and budget allocations

Business Banking:

- Continued focus on deposit strategy
- Develop propositions targeting select SME businesses, promoting cross-border/international opportunities

Targets

- Become 'bank of choice' for upper Business Banking segment
- Achieve #1 market share of international business for trade and PCM
- Increase SME contribution to CMB
- Grow Amanah market share

Global Banking and Markets

Opportunity

- Capital investment in the emerging markets and geographies of HSBC focus
- Ongoing growth in oil and gas, energy and infrastructure plays well to HSBC sectors of strength
- Evolution of Qatar Stock Exchange and growth of equities business
- Potential to support shaping the local debt and capital markets

Strategy

- Enhance coverage to better leverage HSBC capabilities and increase wallet share
- Maintain leadership in corporate banking, treasury, capital markets and custody services
- Leverage Group hubs and centres of excellence to capture greater share of cross-border investments and follow on transaction banking business
- Increase HSBC Security Services sales and introduce new products offered in advanced markets

Targets

- Increase share of wallet from Qatar Inc
- Double Qatari client Global Banking income
- Attain top three league table rankings in Custody, M&A, ECM and Global Capital Markets
- Retain #1 market share in multinationals and securities services in Qatar
- Increase non-funded income as proportion of total income

Summary

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Summary

Invest for the medium term

- **Third largest in gas reserves, one of the highest GDP per capita, fastest growing economy in the MENA region, booming trade flows, increasing FDI regionally and internationally**
- **Well positioned to capture the domestic trickle down and redistribution of wealth and inward and outward global capital flows**

Capture the recycling of surplus wealth

- **GBM and GPB, key players in intermediating Qatar's sovereign and private wealth**
- **Amanah to meet increasing appetite for Shariah-compliant products**
- **PFS and CMB to deliver to wealth and international business opportunities**

Drive value through unique core strengths

- **Local and regional presence, global reach**