HSBC Holdings plc

Commercial Banking

HSBC

The world's local bank

Presentation by Simon Vaughan Johnson

www.hsbc.com

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

- Delivering growth
- Macro opportunity: positioned for growth
- Strategy execution: leveraging international connectivity
- Results
- Summary

Delivering growth

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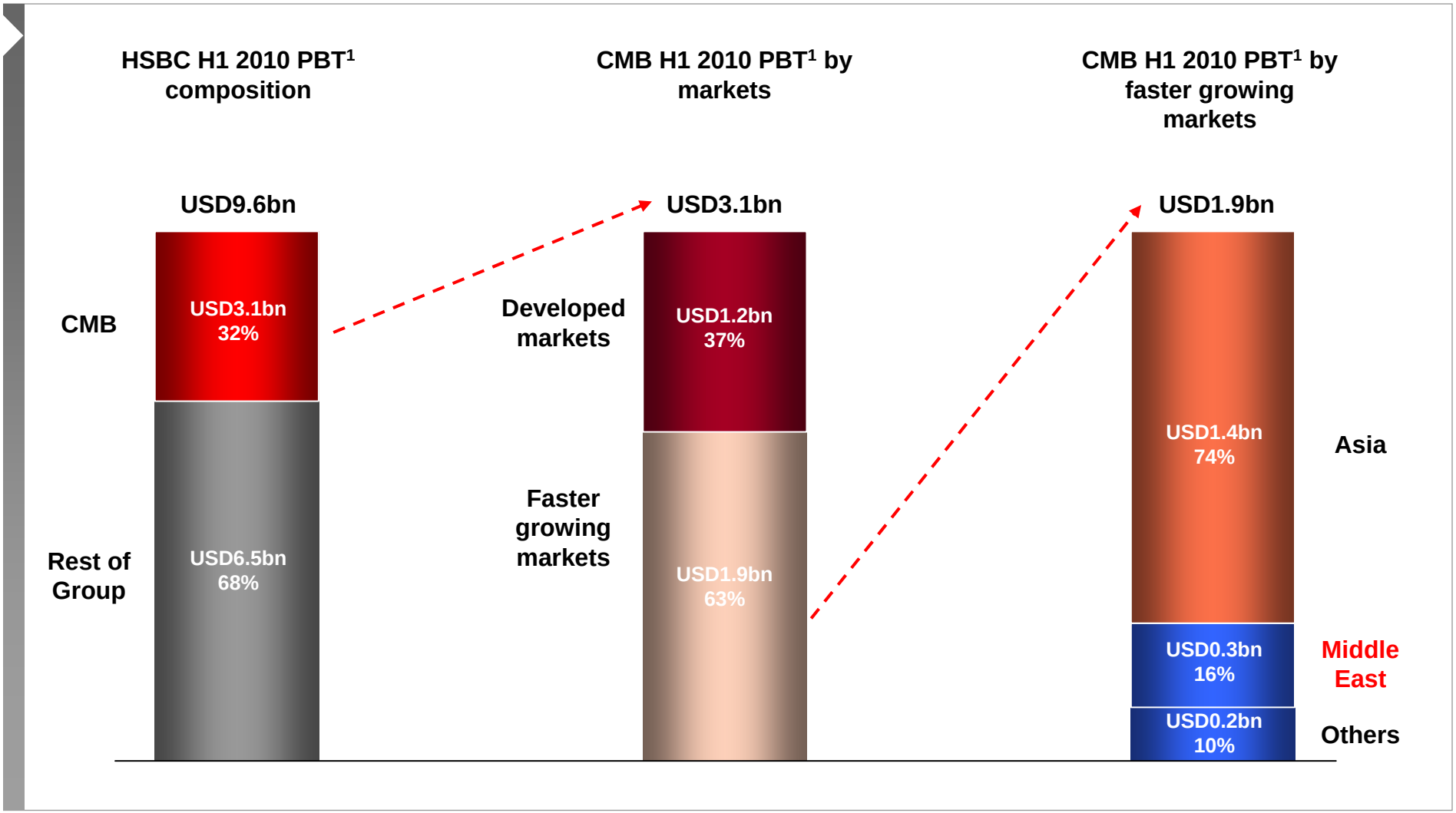
CMB contribution to HSBC results

63 countries and territories, significant contribution in faster growing markets

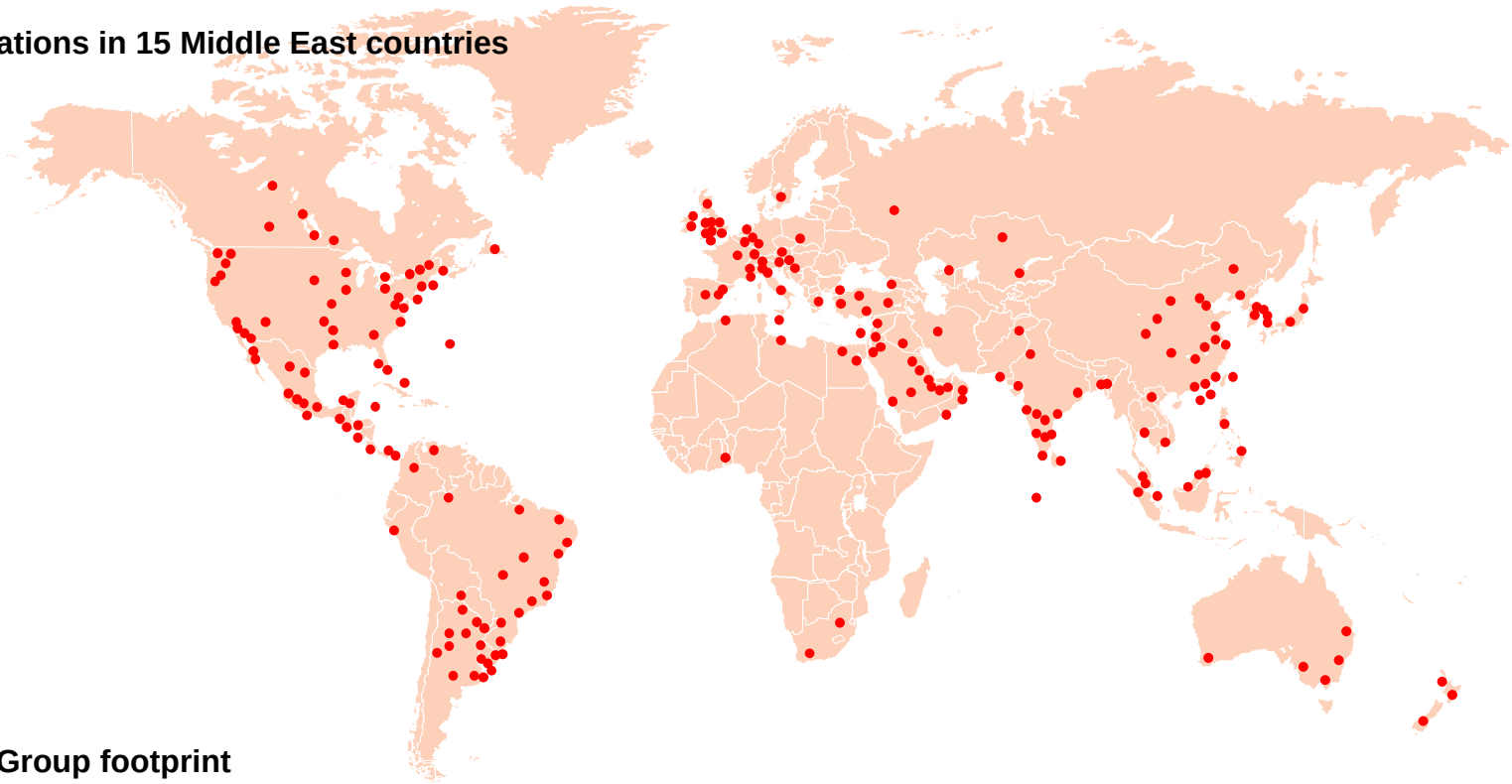


Notes:
(1) On an underlying basis – see HSBC Group interims for definitions

International connectivity

Unrivalled regional presence and world's leading global network

- Over 60-year history in the Middle East
- CMB customers: over 62,000 in Middle East
- 500+ Relationship Managers across Middle East
- 45+ Middle East outlets with CMB services
- Operations in 15 Middle East countries



- HSBC Group footprint

Leveraging our global network to drive growth

Build on our heritage	Positioning for growth	Operational transformation
Leading international network	Responding to macro trends	One HSBC
Leading presence in faster growing markets	Serving global connectivity	Strengthened team
International management culture	Business Banking strategy	

Financial strength and brand

Macro opportunity: positioned for growth

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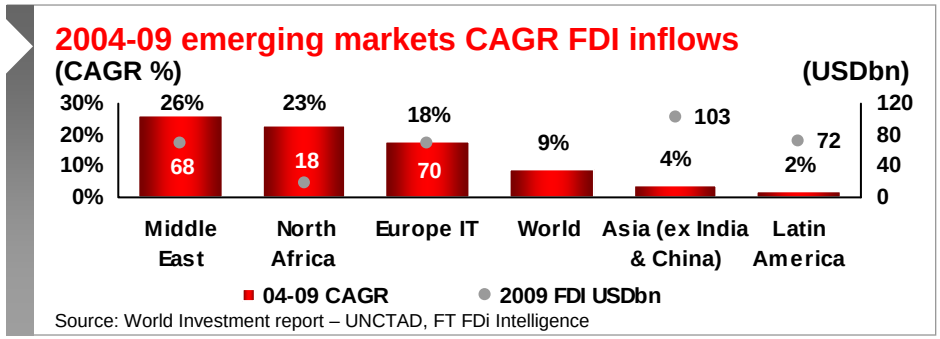
Middle East region – increased connectivity with the world

FDI, GDP and growing internationalisation of business

Foreign direct investment

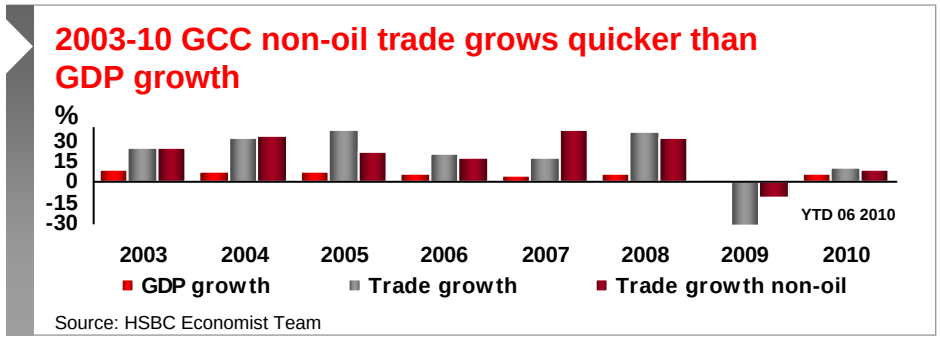
Emerging markets dominate FDI flows



Source: World Investment report – UNCTAD, FT FDi Intelligence

GDP and trade

Regional trade (oil and non-oil) growing faster than GDP

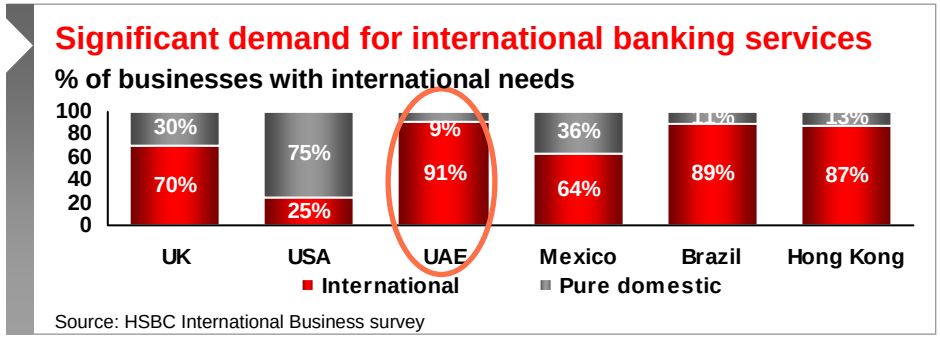


Source: HSBC Economist Team

Businesses to become international

In the UAE, 9 out of 10 companies are operating cross-border

India represents 28 per cent of UAE international business, Saudi Arabia 24 per cent and China 22 per cent



Source: HSBC International Business survey

Middle East particularly well positioned for trade growth

Middle East – Asia flows represent largest quantum and strongest growth

Asia-Pacific - North America
USD1.0 trillion
CAGR 2000-09: 3.7%

ME – North America
USD0.1 trillion
CAGR 2000-09: **8.2%**

Asia-Pacific - Europe
USD1.4 trillion
CAGR 2000-09: 8.8%

Europe - North America
USD0.63 trillion
CAGR 2000-09: 3.7%

ME - Europe
USD0.4 trillion
CAGR 2000-09: **9.6%**

ME - Asia
USD0.53 trillion
CAGR 2000-09: **13.3%**

North America - Latin America
USD0.55 trillion
CAGR 2000-09: 4.0%

ME - Africa
USD0.02 trillion
CAGR 2000-09: **10.2%**

Asia-Pacific - Latin America
USD0.27 trillion
CAGR 2000-09: 14.1%

Source: HSBC Trade and Supply Chain Analysis based on International Trade Centre and Comtrade 2009 data

CMB Middle East well positioned to support global trade

Imports

	UAE	Saudi Arabia	Qatar	Egypt	Oman	Jordan	Bahrain	Lebanon	Pakistan	Kuwait
1	India	USA	USA	USA	UAE	Saudi Arabia	UAE	France	China	USA
2	China	China	UAE	China	India	China	France	USA	Saudi Arabia	China
3	USA	Germany	Italy	Germany	USA	USA	USA	Italy	UAE	Germany
4	Germany	Japan	Japan	Italy	China	Germany	China	China	Kuwait	Japan
5	Japan	UK	Germany	Turkey	Germany	Egypt	Japan	Germany	USA	UAE

Exports

	UAE	Saudi Arabia	Qatar	Egypt	Oman	Jordan	Bahrain	Lebanon	Pakistan	Kuwait
1	India	Japan	Japan	USA	China	Iraq	UAE	UAE	USA	Japan
2	Iran	China	Republic of Korea	Italy	Japan	USA	India	Switzerland	UAE	Republic of Korea
3	Iraq	USA	Singapore	Spain	Thailand	India	Japan	Jordan	Afghanistan	India
4	Switzerland	Republic of Korea	India	India	Republic of Korea	Saudi Arabia	USA	Turkey	China	Taiwan
5	Qatar	India	Thailand	France	UAE	UAE	Republic of Korea	Algeria	UK	USA

Source: www.Trademap.org (2009)

CMB Middle East well positioned to support global trade

Imports

	UAE	Saudi Arabia	Qatar	Egypt	Oman	Jordan	Bahrain	Lebanon	Pakistan	Kuwait
1	India	USA	USA	USA	UAE	Saudi Arabia	UAE	France	China	USA
2	China	China	UAE	China	India	China	France	USA	Saudi Arabia	China
3	USA	Germany	Italy	Germany	USA	USA	USA	Italy	UAE	Germany
4	Germany	Japan	Japan	Italy	China	Germany	China	China	Kuwait	Japan
5	Japan	UK	Germany	Turkey	Germany	Egypt	Japan	Germany	USA	UAE

Exports

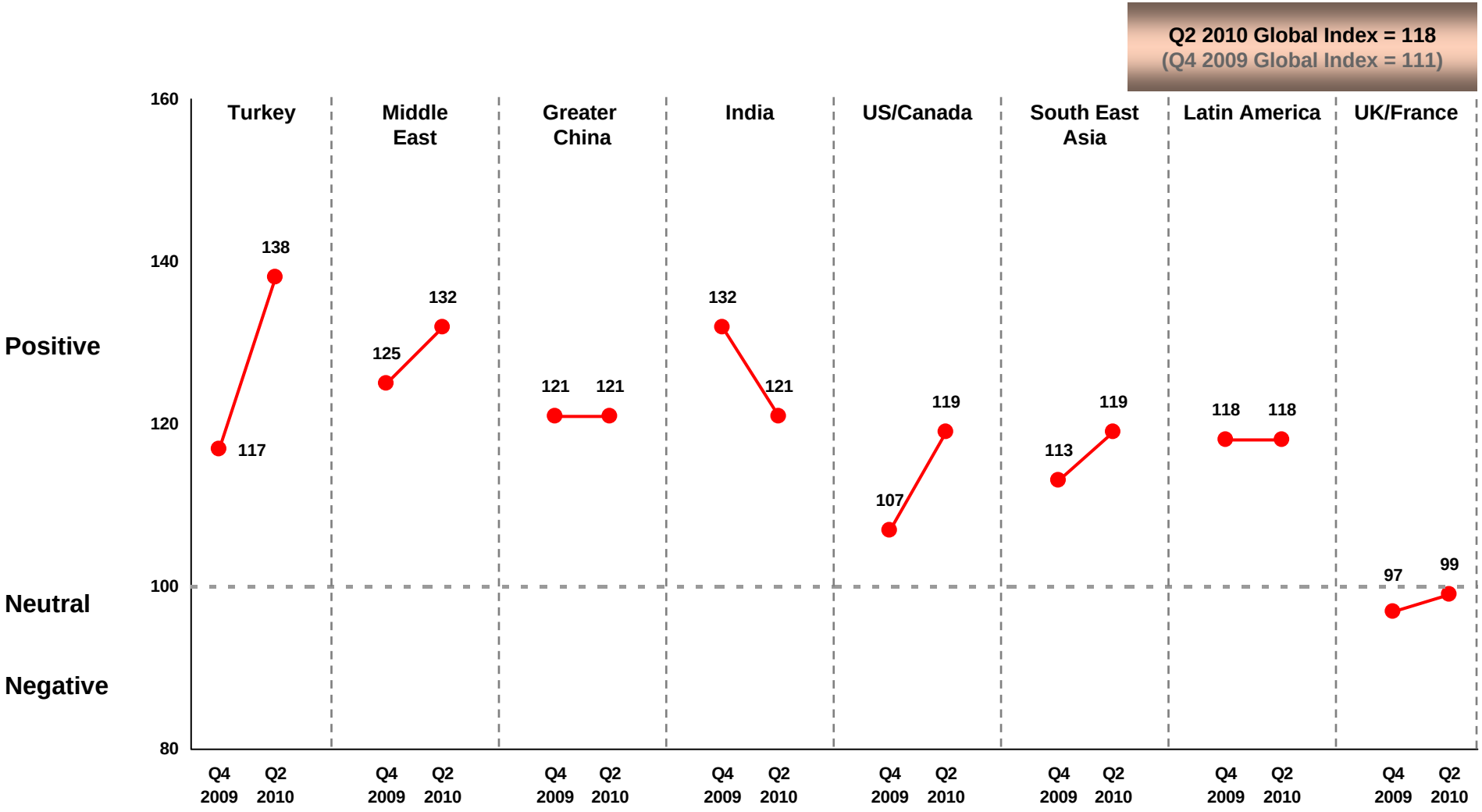
	UAE	Saudi Arabia	Qatar	Egypt	Oman	Jordan	Bahrain	Lebanon	Pakistan	Kuwait
1	India	Japan	Japan	USA	China	Iraq	UAE	UAE	USA	Japan
2	Iran	China	Republic of Korea	Italy	Japan	USA	India	Switzerland	UAE	Republic of Korea
3	Iraq	USA	Singapore	Spain	Thailand	India	Japan	Jordan	Afghanistan	India
4	Switzerland	Republic of Korea	India	India	Republic of Korea	Saudi Arabia	USA	Turkey	China	Taiwan
5	Qatar	India	Thailand	France	UAE	UAE	Republic of Korea	Algeria	UK	USA

Source: www.Trademap.org (2009)

China/India

Regional small business confidence monitor

Middle East: confident region exhibiting strong growth



Source: HSBC Group research

Strategy execution:
leveraging international connectivity

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Leveraging international connectivity

Commercial Banking: Leading International Business

- **To be the leading international bank bringing the best of HSBC globally and consistently to our international customers in the Middle East region**
- **Aligning HSBC with increasing business and trade flows between the Middle East region and the rest of the world, with emphasis on the Asia (China and India)**
- **Leveraging HSBC's ability to service customers and clearly articulate the benefits of being at 'both ends' of transactions**

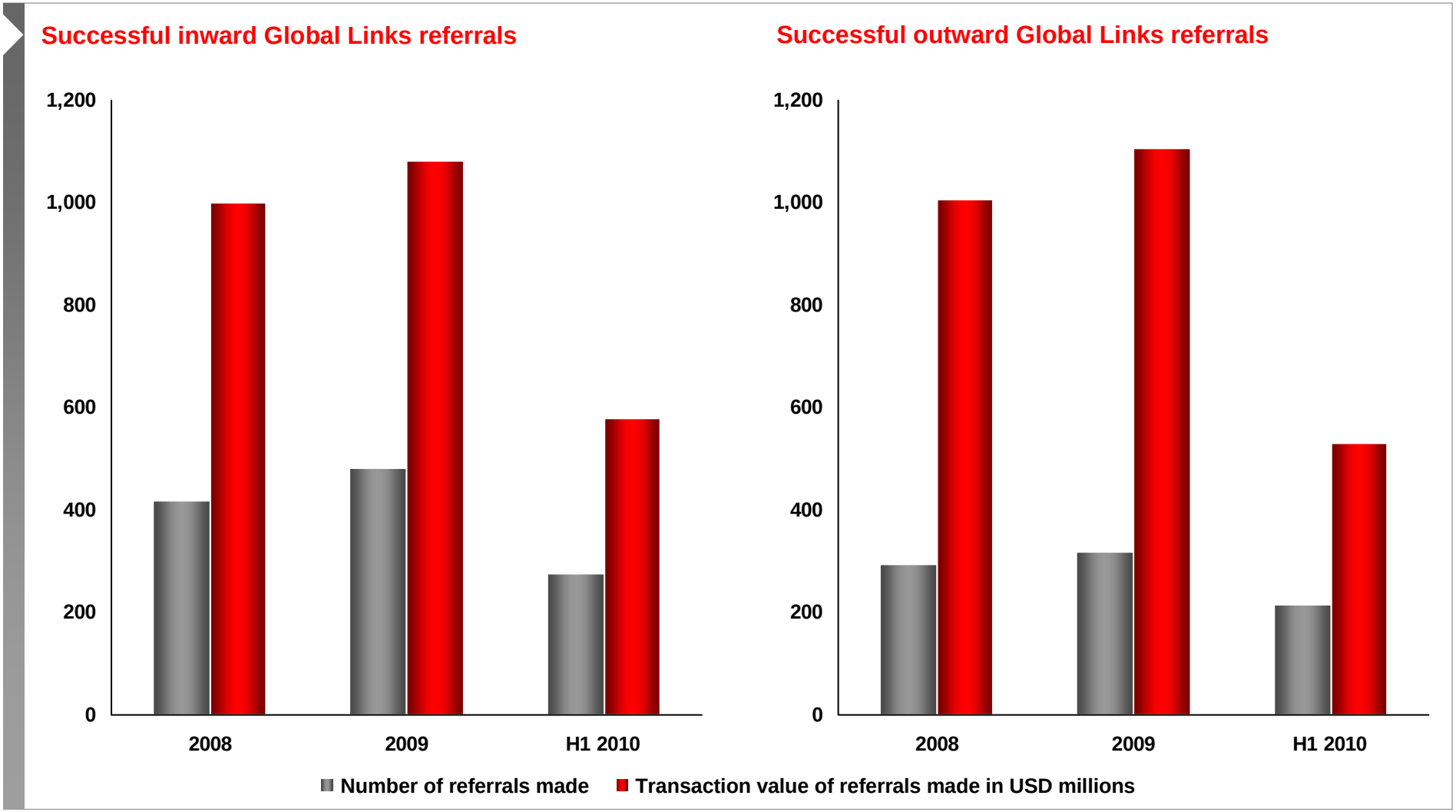
Leveraging international connectivity

Investing in our channels and network to support customers

What we are doing today	Impact
Dedicated country desks	**Increasing cross-border referrals, leveraging trade flows**
Cross-border job swaps	**Empowering relationship managers to champion LIB with benefit of first-hand experience. Over 500 RMs to undertake LIB training before year-end**
Twinning initiative	**Strategically aligning relationship management with global trade corridors and customer demand**
Active cross-posting of regional nationals	
Leading international business (LIB) training courses being undertaken	

Leveraging international connectivity

Increasing cross-border referrals through Global Links



Source: HSBC Global Links system

Leveraging international connectivity

Investing in our channels and network to support customers

What we are doing today	Impact
Investing in Transaction Banking	Trade volumes improving (up 35 per cent by volume and 20 per cent by value on a year-on-year basis) [1]
Consistent global business model, common customer propositions and systems	61 Payments Cash Management cross-border mandates booked [1]
Supporting SME segment, launched USD100m International SME Fund in UAE in January 2010 (75 per cent allocated)	24 per cent remittance growth in the MENA region [1]
	34 per cent increase in guarantee and bonds income
	75 per cent of all Trade DCs issued are directed to HSBC Group offices
	Improved customer experience

Notes:
(1) Source: HSBC internal transaction counts. HSBC turnover compared to country turnover

Results

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Performance highlights

Sustainable growth

USDm	H1 2009	H2 2009	H1 2010
Net operating income[1]	420	375	376
Loan impairment charges	(83)	(490)	(47)
Net operating income	337	(115)	329
Operating expenses	(135)	(134)	(150)
Associates and joint ventures	50	18	79
Profit/(Loss) before tax	**252**	**(231)**	**258**
Loans and advances to customers (net)[2]	**11,567**	**10,281**	**11,541**
Customer accounts	**9,844**	**10,122**	**10,482**

- **Year-on-year improvement**
- **Trade revenues on the rise**
- **Reduced loan impairment charges**
- **Resumption of underlying asset growth**

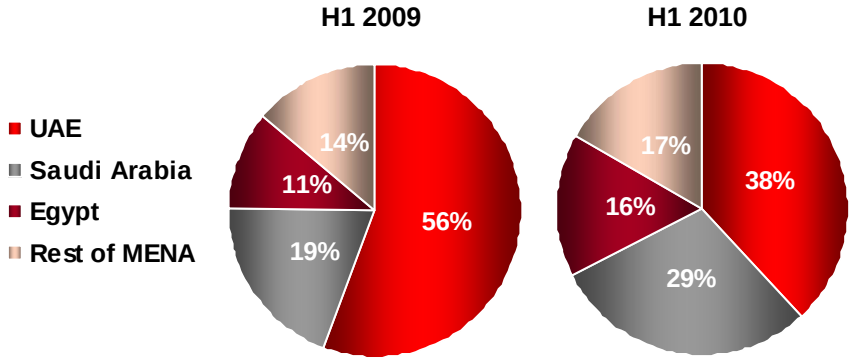
Notes:
(1) Before loan impairment charges
(2) Net of impairment allowances

Diversity of our results

By geography

- PBT contribution from non-UAE areas increased from 44 per cent to 62 per cent
- Contribution across 12 sites

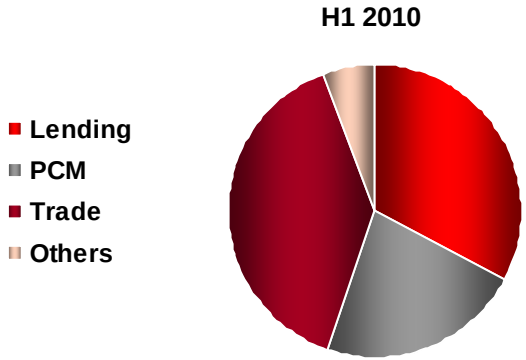
Profit before tax % – by country



By product

- Reduced dependency on lending revenues
- Increased contribution from Trade and Supply Chain and Payments and Cash Management

Revenue by product



Note: Graph includes revenues from HSBC Bank Middle East Ltd and HSBC Bank Egypt (but not Saudi British Bank)

Summary

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Executing the HSBC advantage

How HSBC connectivity helps our customers go global

LuLu

HYPERMARKETS • SUPERMARKETS • DEPARTMENT STORES

The transaction

- **Operating accounts and credit facilities extended in five MENA countries and three non-MENA countries**

The characteristics

- **Increase in funded assets to support operations throughout the region**
- **Payments Cash Management mandates won for 19 operating entities across the region**
- **Trade and foreign exchange lines implemented across the region**

Key messages

- **Exhibits HSBC's strong presence across the region and globally**
- **Displays strategic focus on emerging markets and financing-led transactions**
- **Highlights execution and delivery across key regional markets**
- **Close relationship with owner/key management team of the customer**

An award winning franchise

Sustained recognition

Best Cash Management House in the Middle East (2005-2007, 2009-2010)

Best Domestic Cash Manager in United Arab Emirates, Saudi Arabia, Qatar, Bahrain, Jordan, Kuwait and Lebanon (2008)

Best Overall Bank for Cash Management in the Middle East (2007-2010)

Best Bank for Payments and Collections in the Middle East (2007-2010)

Best CLS-Linked Bank Offering in the Middle East (2008-2010)

Best Trade Finance Bank in MENA (2006-2009)

Leading Trade Services Bank in the Middle East and North Africa (2007-2010)

Best Trade Bank in Middle East (2010)

Best Overall Bank for Cash Management in the Middle East (2007-2010)

Best Bank for Payments and Collections in the Middle East (2007-2010)

Best CLS-Linked Bank Offering in the Middle East (2008-2010)

Best Trade Finance Provider in Saudi Arabia (2009)

Best Supply Chain Provider in Middle East (2008-2009)

Middle East Logistic Awards- Best Trade Finance Bank in Middle East (2006-2009)

Positioned for sustained growth

- **Clear strategy: international connectivity, consistency and sustainability**
- **Build customer base and deepen relationships via cross-sales and cross-referrals**
- **Lead our customers to succeed overseas, leveraging our international connectivity and global capabilities**