HSBC Holdings plc

Commercial Banking

HSBC
The world's local bank

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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

- Opportunity: Asia in liftoff
- HSBC leadership
- Strategy execution: Leveraging international connectivity
- Delivering growth
- Summary

Opportunity: Asia in lift off

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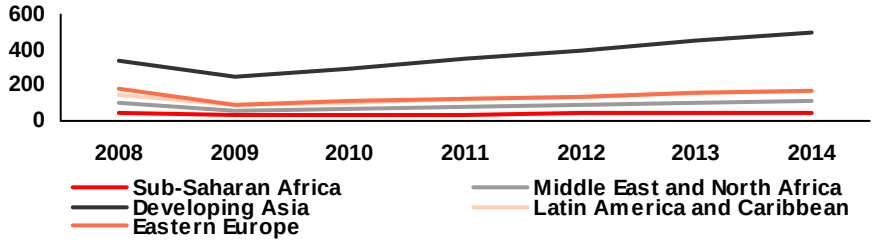
A more globally connected world

FDI, GDP and growing internationalisation of business

Foreign direct investments

- Asia dominates FDI flows
- Developing Asia FDI growing faster

FDI inflows

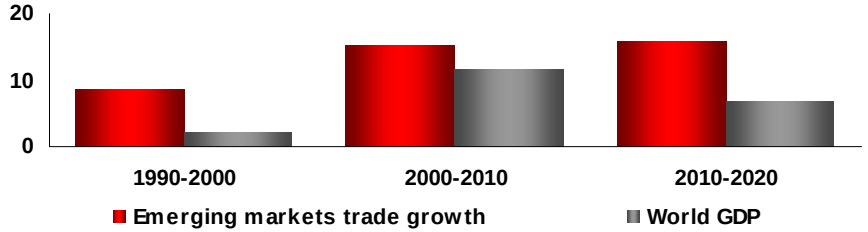


Source: Economist Intelligence Unit

GDP and trade

- Emerging Asia to contribute over half of global trade in 2020[1]
- Emerging markets trade growing faster than world GDP[1]

World GDP and emerging markets trade growth[1] (%)

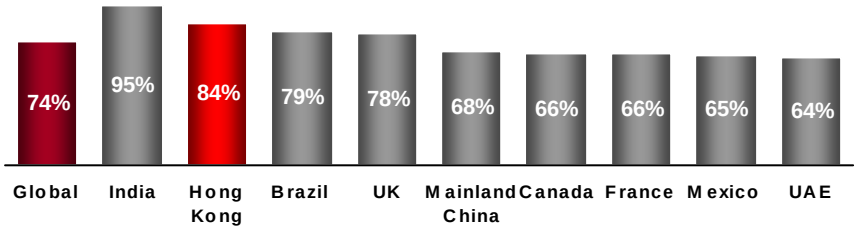


Source: UN, World Bank and HSBC estimates

Businesses to become international[2]

- 74 per cent of corporates plan to expand international business
- 37 per cent of SMEs plan to go overseas in two years
- 65 per cent of companies' international business grew faster than domestic business

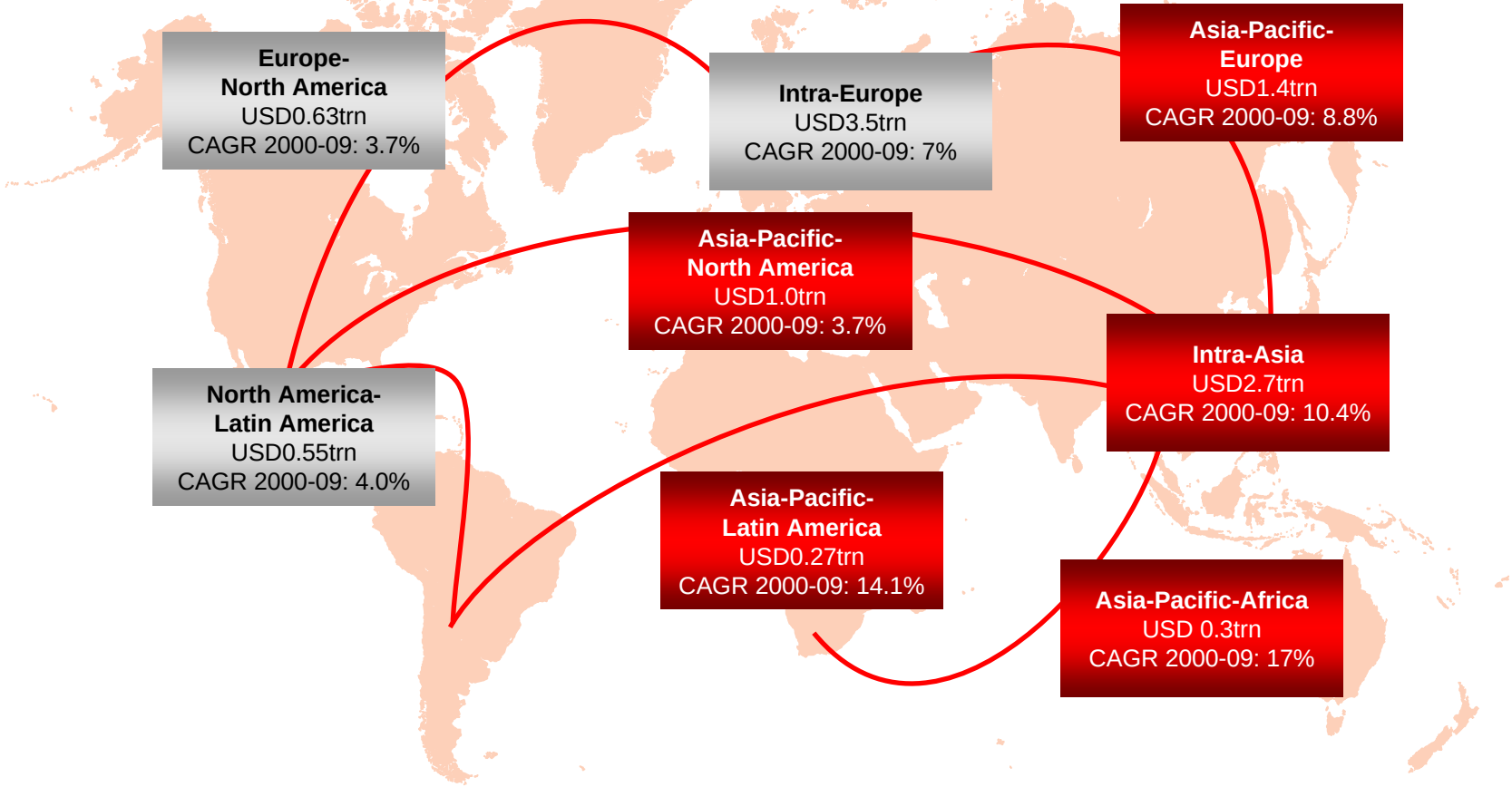
Corporates plan to expand international business



Notes:
(1) HSBC Global Research
(2) HSBC International Business survey

Asia at the centre of global trade flows

- **Asia: Intra-Asia trade flows growing over 10 per cent to be world's second largest**
- **Fastest growth in South-South corridors of Asia-Pacific – Africa and Asia-Pacific – Latin America**



Notes:
(1) Source: HSBC Trade and Supply Chain Analysis based on International Trade Centre and Comtrade data

HSBC leadership

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HSBC: a world of international connectivity

World's leading global network

- **1,650 relationship managers across Asia-Pacific**
- **Operations in 19 Asia-Pacific countries and territories**
- **CMB customers: 735,000 in Asia**
- **500+ Asia-Pacific outlets with CMB services**

● **Scope of HSBC Group**

Connecting customers internationally

Investing in channels and network

Extensive international platform today

- **19 international banking centres with dedicated international business teams and country desks**
- **Expanding footprint in mainland China, India, Vietnam and Indonesia**
- **Growing Islamic Banking presence and capabilities**
- **370,000 small and medium-size business customers account for over one third of global Business Internet Banking users**
- **HSBC*net* users up 27 per cent in August 2010 year-on-year**

Building and investing for future

- **Launched international video conferencing – 500+ new accounts opened monthly**
- **Build out Greater China strategy – 50 per cent of new customers in Hong Kong are mainland Chinese companies**
- **Building One HSBC sales and customer data management platform**
- **Rollout of e-channels and mobile banking**

Strategy execution:
Leveraging international connectivity

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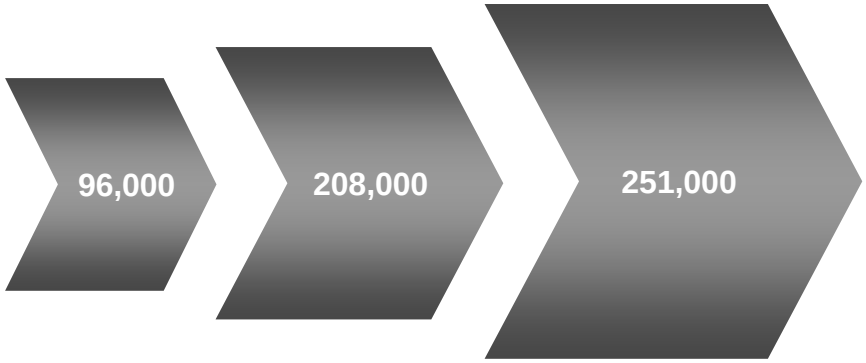
Leveraging international connectivity

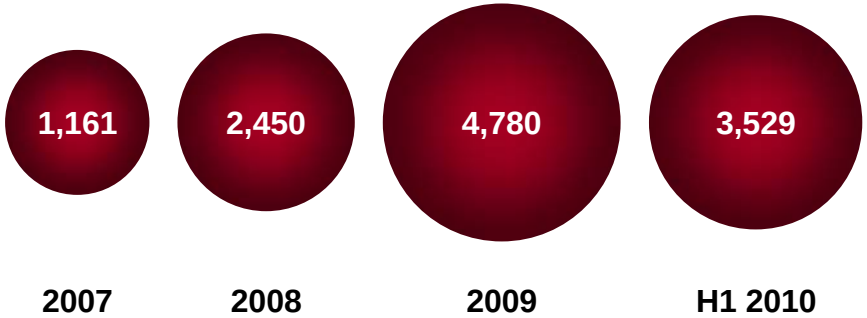
Increasing cross-border referrals through global links

Achievements in Asia-Pacific

Total new international customers in ASP



Successful global link referrals (count)



- **34 per cent of CMB customers in Asia-Pacific are international**
- **Revenue from international customers more than twice the revenue from domestic customers**
- **Asia Pacific Global Links transaction value exceeded USD3.8 billion – tripled from last year**
- **Extensive country desk network covering global trade corridors**
- **Increasing cross-border job swaps for employees to develop international skills to drive business growth**

Strengthening cross-sale capability

Leading market position in our product offerings

Product types		
Trade and Supply Chain	Trade transformation and investment in IT	Trade turnover up 33 per cent in Aug 2010 year-on-year
Payment and Cash Management	Global platforms are deployed	Cross-border mandates up three times Bank-wide remittance up 40 per cent
Receivables Finance	Launched Supplier Invoice Finance	#1 in Hong Kong, UK[1] Won Marks & Spencer mandate
RMB capabilities	Internationally focused	Available across 29 markets globally[2]

Notes:
(1) Based on Factors Chain International data (a combination of imports and exports)
(2) As at September 2010

International bank of choice for RMB in six continents

- First foreign bank to settle cross-border RMB trade in Asean countries with HSBC presence
- RMB transactions completed in 5 out of 6 continents
- Product capability:
  - Account Services
  - Trade and Supply Chain
  - Financing
  - Payment and Cash Management
  - Exchange and risk hedging
  - Insurance and investment

Deepening relationship and strengthening capability

Adding value through investment banking

Coverage and solution

Collaboration with Global Banking and Markets	200 high potential customers identified and client planning agreed
Full product suite via Global Capital Financing (GCF)	Solutions cover Debt Capital Markets (DCM), Syndicated Finance, Leveraged and Acquisition Finance (LAF) and Project and Export Finance (PEF)
Alignment and incentives	Agreed targeted revenue sharing and shared performance measures
Proven deal traction	Broad range of transactions including cross-border deals

Strategy in action: helping our customers go global

| CONSUMER PRODUCTS

Godrej Consumer Products Limited (GCPL) part of the USD4.2 billion Godrej group – a leading hair care and household care company in India pursuing global targets as part of inorganic growth strategy

Existing relationship

- HSBC one of many banks offering transactional facilities to the Godrej group and GCPL

HSBC strength in cross-border event-driven financing and end-to-end solutions

- Commercial Banking tapped into Investment Banking, Leveraged Acquisition Finance and Debt Capital Market expertise
- HSBC acted as the Mandated Lead Arranger, Underwriter and Bookrunner for the GCPL-Megasari deal[1]
- A complex, offshore USD loan into a SPV at Mauritius

Expanded share of wallet using HSBC's emerging markets connectivity

- The structure entailed legal and security structuring across 6 geographies: Netherlands, Mauritius, Indonesia, Hong Kong, Singapore and Labuan

More wins within three months

- Acquisition finance for acquisitions in Nigeria and Argentina
- Equity issue of USD115 million to refinance acquisition of 51 per cent stake of its JV with Sara Lee Inc
- Non-convertible debenture – Rupee bond issue of USD 42 million
- Import facilities for target companies – Indonesia, Argentina, Nigeria
- Cash management facilities – work in progress

HSBC strengths

Ability to provide end-to-end solutions to key clients in record time

Strategic focus on emerging markets and financing-led transactions

Joined up execution across key developed/emerging markets

Notes:
(1) GCPL acquired a 100% stake in Indonesia-based Megasari Group

Delivering growth

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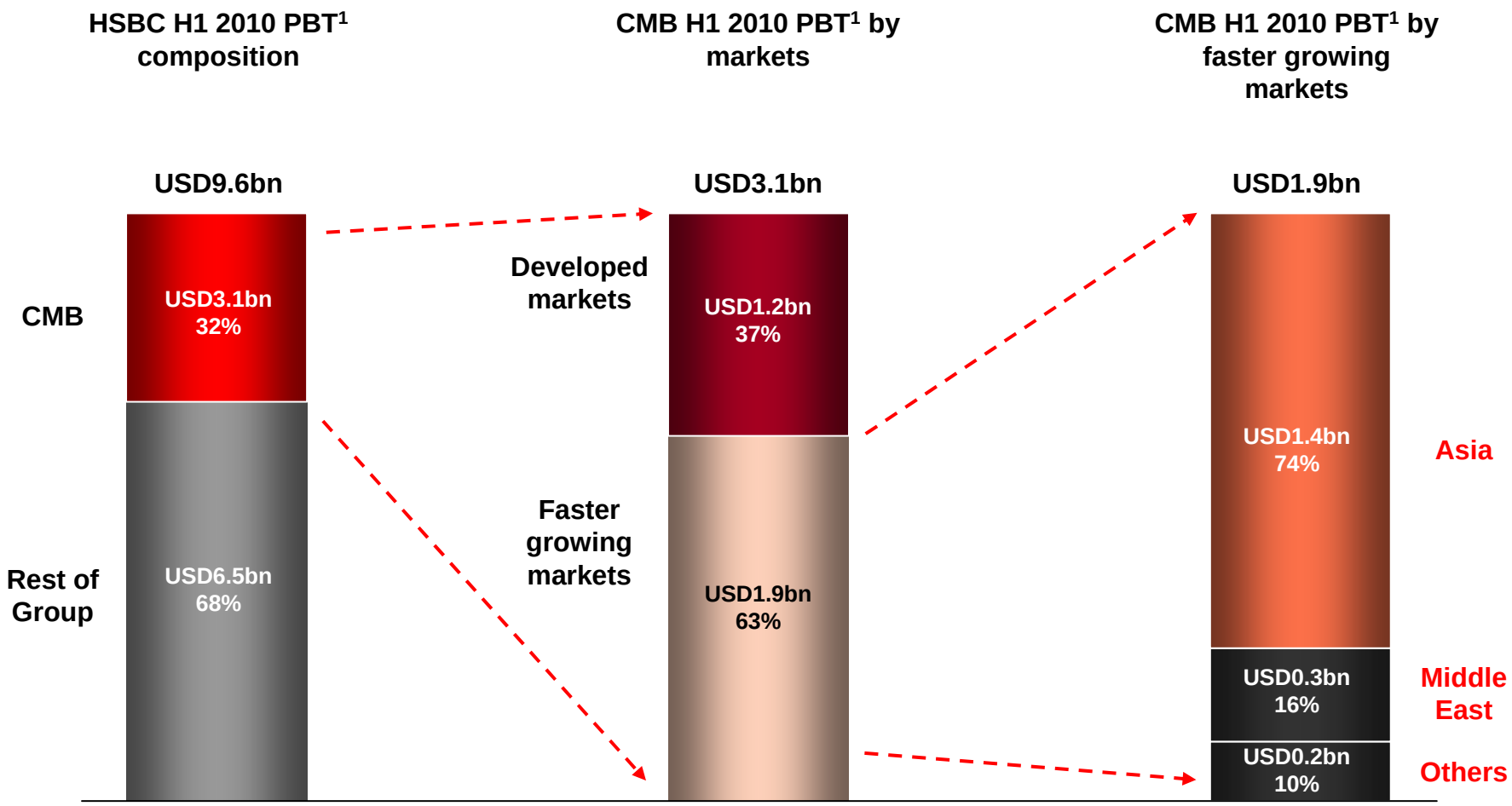
CMB contribution to HSBC

63 countries and territories, significant contribution in faster growing markets



Notes:
(1) On an underlying basis

Diversity of our results

Balanced income

By geography

Diversity between Hong Kong and Rest of Asia-Pacific

Contribution across 19 sites

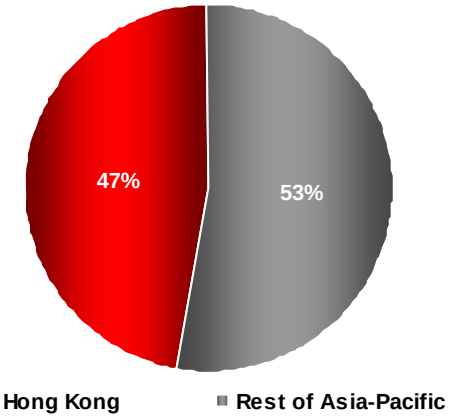
By customer segment

High Business Banking deposits driving low asset deposit ratio and funding Corporate Banking

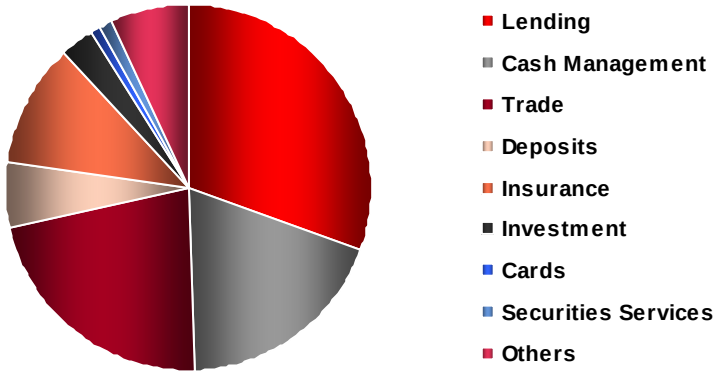
By product

Asset and transactional banking growth with a broad contribution across other lines

Profit before tax (%) – by geography, H1 2010



Revenue – by product, H1 2010



Strong growth in Asia

Driving forces of PBT growth

USDm

	H1 2010	H1 2009	% change
Net interest income	935	860	8.7
Non-fund income	798	623	28.1
Total income	1,733	1,483	16.9
LIC	16	(288)	n/a
Net operating income	1,749	1,195	46.4
Operating expenses	(674)	(572)	17.8
Operating profit	1,075	623	72.6
Share of profit in associates	354	260	36.2
PBT	1,429	883	61.8
Hong Kong	**672**	**424**	**58.5**
Rest of Asia-Pacific	**757**	**459**	**64.9**
Loan and advances to customers	63,468	48,375	31.2
Customer accounts	94,608	80,761	17.1

- **Strong fee income growth driven by increased business volume, significant rise in cross-border business and value added activities, higher insurance contribution**
- **Balanced product revenues in lending, payments and cash management, deposits, trade, insurance and market**
- **Interest rates increase in some countries generated higher net interest income**
- **Consistent low cost income ratio at 39 per cent**
- **Lower impairments as credit quality and business environment improved**
- **Expanded and improved the quality of the balance sheet**
- **Strong growth in customer numbers and liabilities**

Summary

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Well positioned to profit from Asian economies' boom

- **Asia's growth and trade will outpace rest of the world**
- **CMB is uniquely placed as the leading international bank**
- **We have a clear strategy to deepen relationships and to take customers overseas**
- **We are building a diverse sustainable profit base and superior returns**