HSBC Holdings plc

Global Banking and Markets

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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.

Contents

- Economy
- Global Banking and Markets in the Middle East
- Performance
- Client base
- Capturing and building the opportunity
- Conclusion – positioned for growth

Economy

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Economy

A region with strong growth prospects

- **The MENA region accounts for 61 per cent of global oil reserves and 45 per cent of global gas reserves; GDP forecasts of key countries across the region remain higher than those of the developed world**

- **Significant capital generation from the region primarily from the hydrocarbon sector**

- **Several countries in the region have embarked on a strategy of diversification and investment focused on infrastructure development and boosting non-hydrocarbon growth**

- **Steps for diversification are supplemented by capital recycling and investment in other regions across the globe**

- **Our clients need a global bank offering a full suite of banking products with connectivity across the globe**

Global Banking and Markets in the Middle East

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Global Banking and Markets in the Middle East

An integrated business in a unique position

Largest Middle East regional footprint of any bank, with an effective hub and spoke model

- **Presence in 15 countries, with over 250 branches and offices**
- **11 dealing rooms across the Middle East**

Focus on broadening and deepening relationships with clients

Reprioritising markets and diversifying regional income streams

A joined-up business – by country and product

Realigned with changing client landscape

- **Key adviser on restructurings across the region**
- **Strong focus on credit and managing exposures**

Performance

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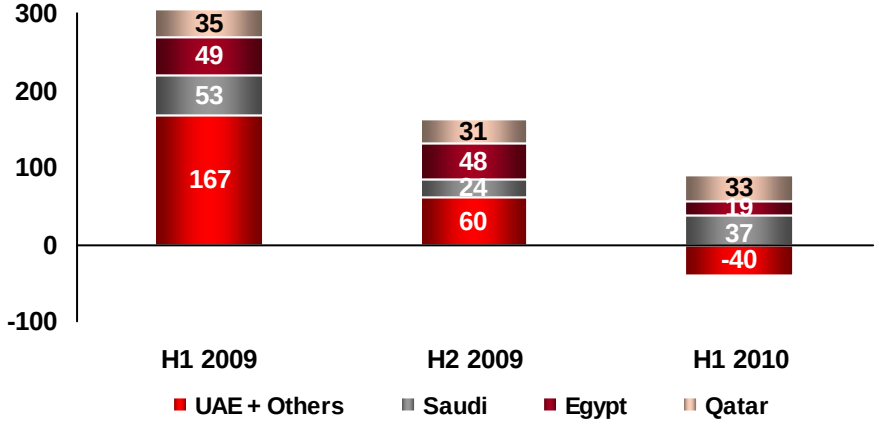
Performance highlights

Middle East – Global Banking and Markets

USDm	H1 2009	H2 2009	H1 2010
Net operating income[1]	429	393	384
Loan impairment charges	(64)	(109)	(250)
Net operating income	365	284	134
Operating expenses	(117)	(138)	(127)
Associates and joint ventures	56	17	42
Profit/(Loss) before tax	**304**	**163**	**49**
Loans and advances to customers (net)[2]	**6,799**	**6,554**	**6,389**
Customer accounts	**7,312**	**5,752**	**5,359**

PBT by geography, USDm



Key points

- **Most of the economies of the Middle East stabilised during the first half of 2010, but continued to show growth rates far short of pre-crisis levels**
- **Increased loan impairment charges reduced PBT, driven by:**
  - **Economic downturn that worsened in the latter part of 2009, continued to affect activity first half 2010**
  - **Further restructuring activity in UAE and the region**

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

Client base

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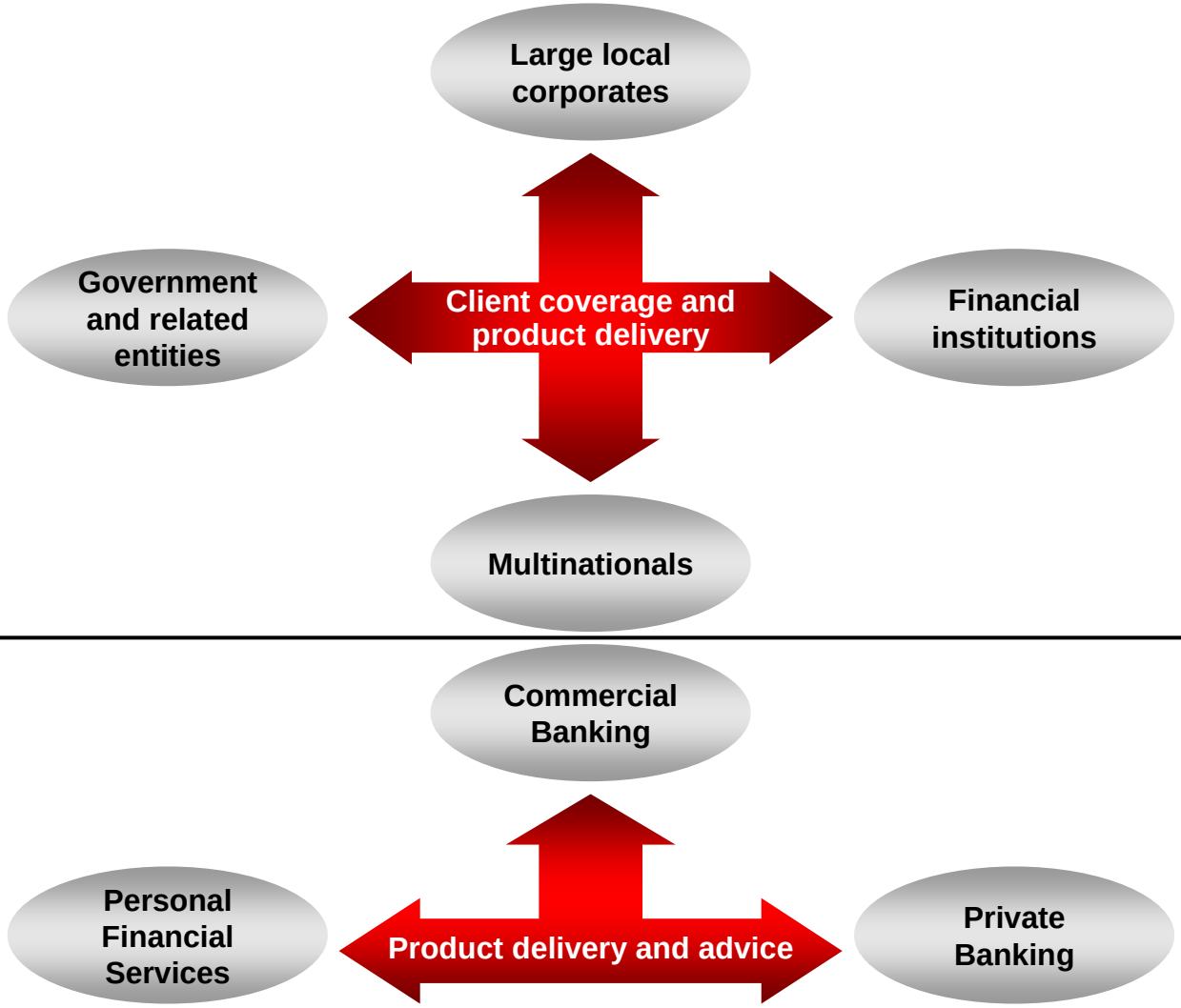
Global Banking and Markets client base

Broad-based performance across key products and target client groups



Capturing and building the opportunity

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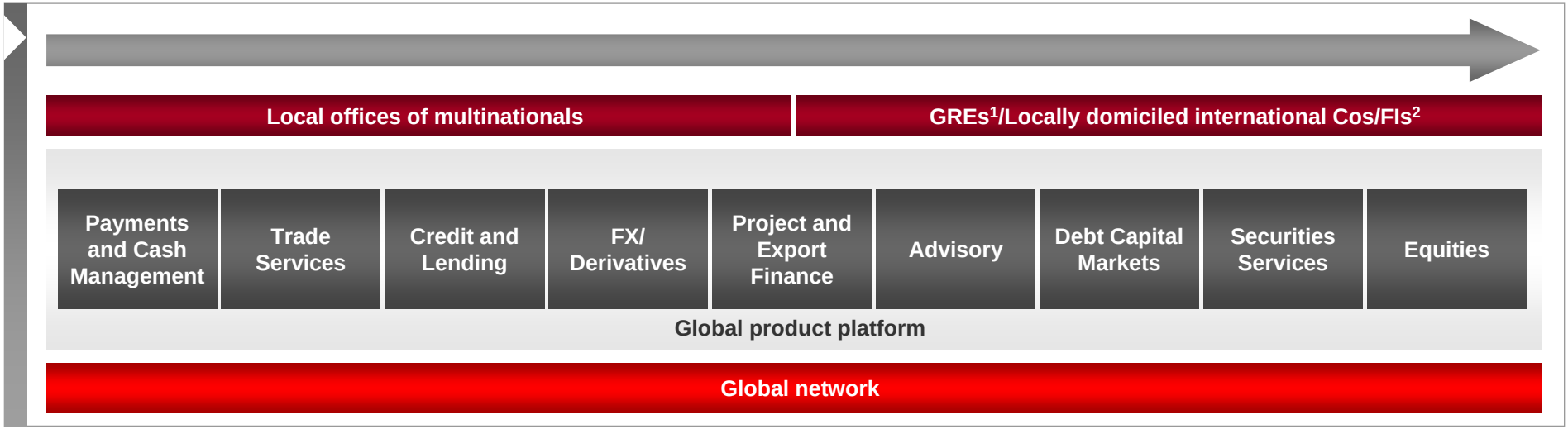
Capturing the opportunity

Building on our distinctive strengths

Trends	Our response
Client-driven demand for an integrated wholesale banking model	Emerging markets-lead, financing focused
Governments/Sovereign wealth funds looking for investment opportunities	Strengthened coverage of priority government and institutional clients
Infrastructure development – a key focus across the region	Leveraging on project and export finance capabilities
Investment in the region by key global clients	Regional approach to multinational clients
Increased demand for Islamic solutions	Building an Islamic Finance Centre of Excellence
Competitors are investing in the Securities Service and Custody business	Protect market-leading position in GCC and expand to new markets Launch of an Islamic securities services product
Market uncertainties remain	Invested in aligning capabilities across the product suite in leveraged and acquisition financing, bond, syndicated debt, bilateral debt and equity capital markets

Operating an integrated wholesale banking model

Delivery of full product suite across customers



Achieve a top three relationship bank position with key clients

Improve our market share with large corporates, government entities and FIs with strong credit fundamentals and who require cross-border financial services

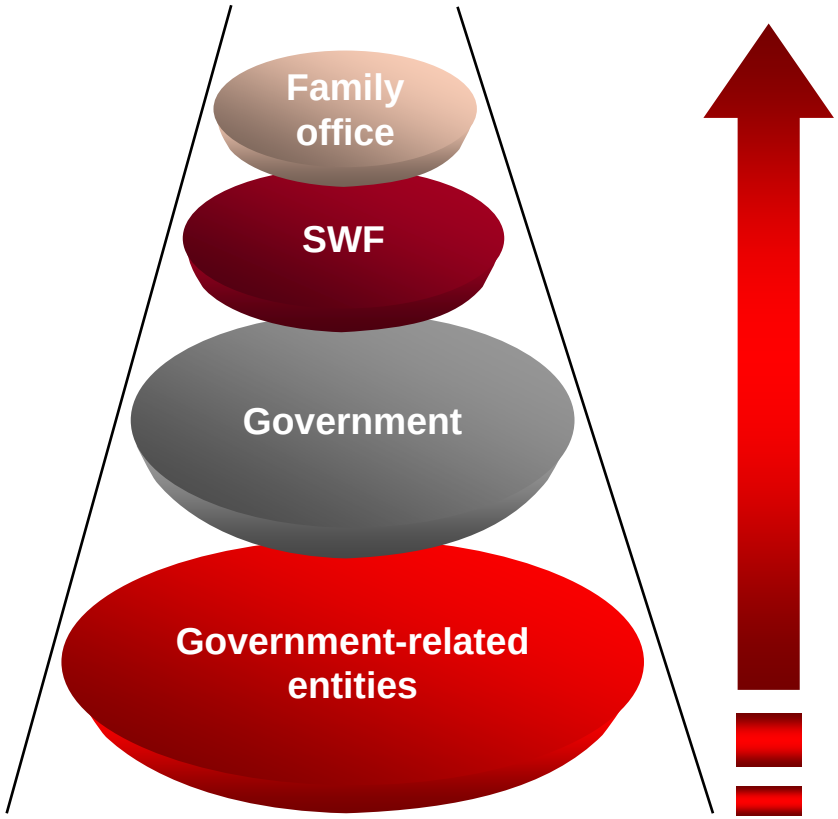
- **Increased strategic dialogue with core clients and mandated roles in M&A, debt capital markets, leveraged acquisition finance and equity capital markets**
- **Focusing on asset managers, insurance companies and other non-banking FIs in the region**
- **New segmentation and prioritisation of multinational clients to ensure more focused marketing activities**
- **Access trade and investment flows across emerging markets-to-emerging markets corridors**

Notes:
(1) Government-related entities
(2) Financial institutions

Coverage of GREs and sovereign wealth funds

Intermediating sovereign surpluses is a significant opportunity

Enhancing coverage capability across the spectrum

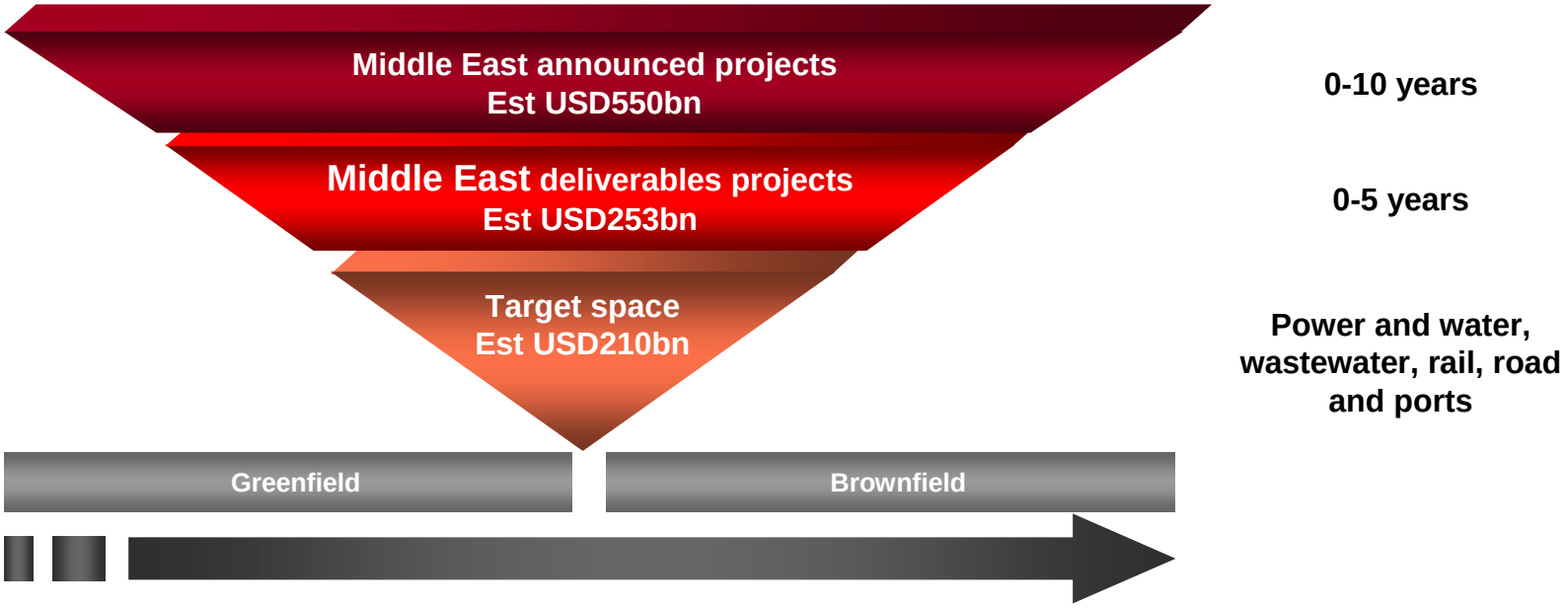


Key initiatives

- **Focus on sovereign wealth funds and family offices**
- **Drive relationships with governments and related entities across the region**
  - **To capture 'event' business such as advisory, equity capital markets, leveraged and acquisition finance**
  - **To drive significant 'flow' business, such as transaction banking, custody and clearing, asset management and foreign exchange**

Leveraging Project and Export Finance capabilities

Capturing the infrastructure opportunity



Strategy

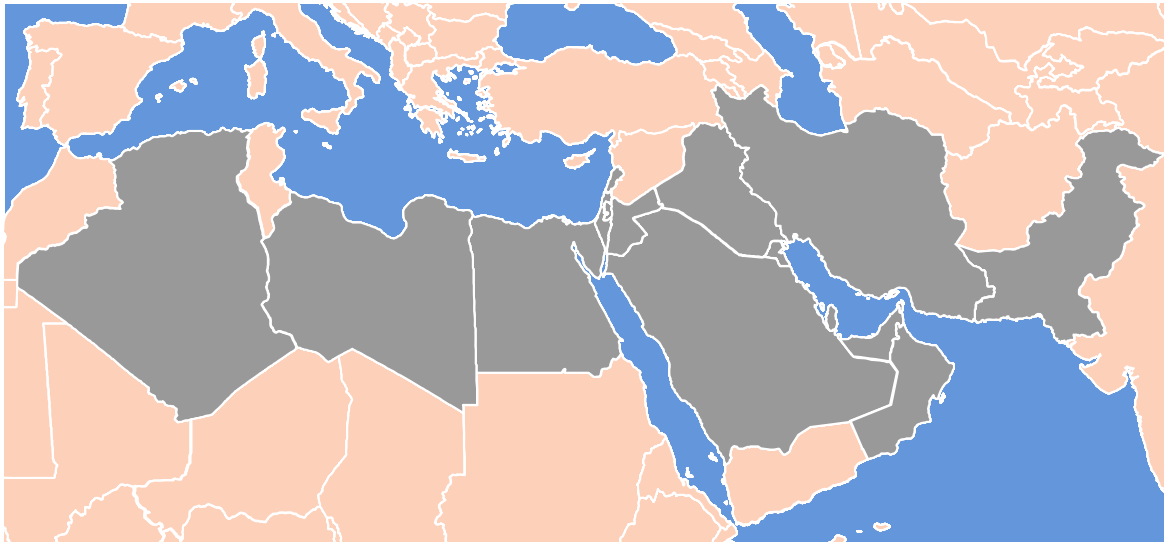
- **Target opportunities in our core strength areas – GCC markets, Egypt and Libya in the sub-sectors of power and water and wastewater**
- **Establish a relationship, as an adviser and an arranger for project finance at Greenfield stage (potentially with ECA) and access DCM, ECM and M&A wallet opportunities further down the development continuum**

Source: HSBC's internal estimates

Taking a proactive role in restructurings across the region

Responding to market and customer needs via a unique advisory product

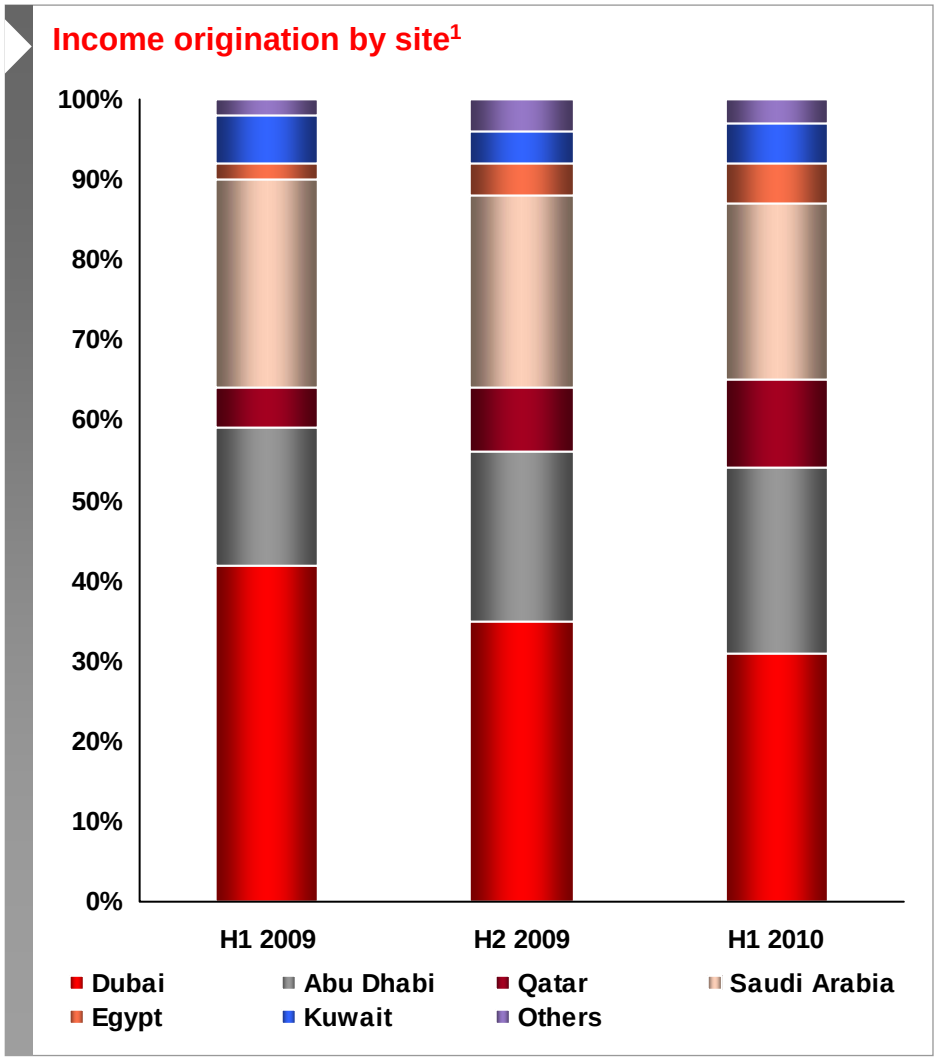
- **Key player in the region in the restructuring segment, with some notable successes**
- **Acting as industry leader, given our international and regional base**
- **Working with key clients to manage through re-profiling of financial obligations**



Global Investment House	Regional state-owned utility	Regional Trading Company	Large private steel manufacturing company	Diversified industrial group
USD3 billion	USD1.5 billion	USD1 billion	USD2.2 billion	N/A
Sole Financial Adviser on the restructuring of USD3 billion in debt facilities and liabilities	Ongoing restructuring of debt facilities	Restructuring adviser for the Group, which has interests across trading and real estate	Restructuring adviser	Restructuring adviser

Diversifying regional income streams

Fastest revenue growth from clients based in Abu Dhabi and Qatar



Global Markets

- Treasury sales centre set up in Abu Dhabi
- Capturing EM-to-EM capital flows through FX hedges

Islamic Finance

- Ongoing build-out of Amanah proposition across the region

Advisory

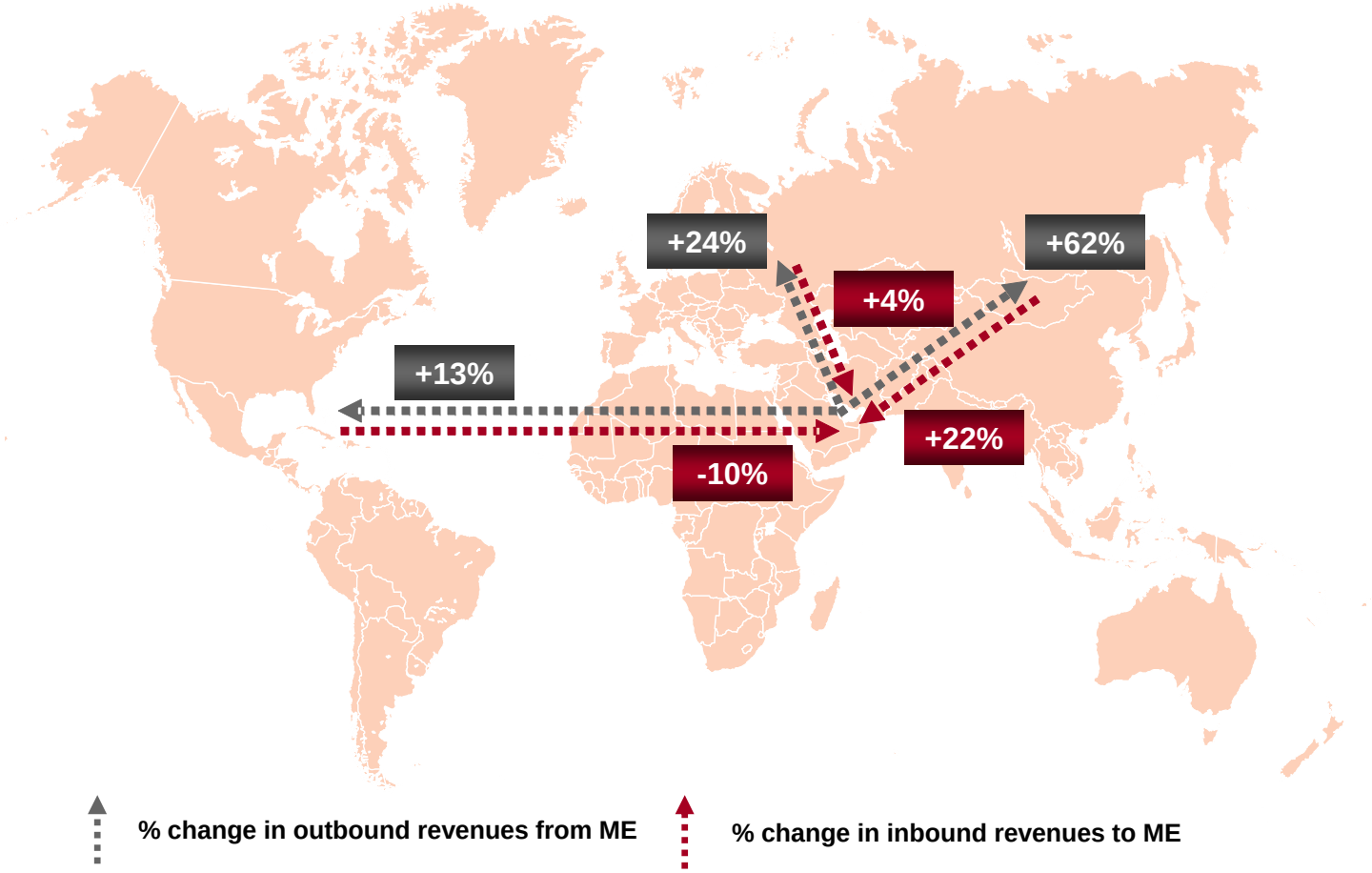
- Active deal discussions with clients in Egypt, Libya and Morocco
- Expanded to include sector-specific advisory mandates

Source: Internal HSBC MI
(1) Global revenue for ME domiciled clients, excluding FIs

Growth in connectivity

Focus on capital recycling

Despite facing a difficult 2009, this region will continue to remain a critical market, at the heart of trade and investment flows



Source: Internal HSBC MI, reflecting growth between H1 2009 and H1 2010

Market recognises the success of our strategy

Sustained position at the top of emerging markets league tables

2009-H1 2010 Middle East ECM league table

Rank	Bookrunner	Deal value (USDm)	No	% share
1	HSBC Bank plc	745	4	19.2
2	Riyad Bank	640	1	16.5
3	Qatar National Bank	465	1	12.0
4	Bank of America Merrill Lynch	424	2	10.9
5	EFG-Hermes	248	2	6.4
6	Deutsche Bank AG	202	1	5.2
7	Citi	193	2	5.0
8	Al Mal Capital PSC	163	1	4.2
9	JP Morgan	133	1	3.4
10	Aldukheil Financial Group	110	1	2.8

Source: Bloomberg
Note: Given limited ECM activity YTD 2010, ranking represents 2009-H1 2010 period

H1 2010 Middle East M&A league table

Rank	Financial adviser	Deal value (USDm)	No	% share
1	HSBC Bank plc	12,129	4	27.8
2	UBS	12,120	3	27.7
3	Barclays Capital	12,000	2	27.5
4	Standard Chartered plc	11,000	3	25.2
5	BNP Paribas SA	10,940	2	25.0
6	Global Investment House (KSC)	10,700	1	24.5
7	Goldman Sachs & Co	7,396	6	16.9
8	Lazard	5,096	5	11.7
9	RBS	4,931	3	11.3
10	Commerzbank AG	4,931	1	11.3

Source: Thomson Reuters

Debt capital markets

EMEA Bonds H1 2010

Rank	Name	Amount (USDm)	Issues	Share (%)
1	HSBC	6,945	17	8.5
2	Deutsche Bank	6,543	19	8
3	Barclays Capital	6,414	34	7.9
4	Citi	5,779	20	7.1
5	VTB Capital	4,442	22	5.5

MENA Region Bonds H1 2010

Rank	Name	Amount (USDm)	Issues	Share (%)
1	HSBC Bank plc	3,188.19	11	27.4
2	Deutsche Bank AG	970.83	4	8.3
3	Samba	933.3	1	8
4	BNP Paribas	816.67	2	7
5	Morgan Stanley	750	2	6.4

GCC Bonds and Sukuk H1 2010

Rank	Name	Amount (USDm)	Issues	Share (%)
1	HSBC	1,981.36	7	25.6
2	Deutsche Bank	970.83	4	12.5
3	Samba	933.3	1	12
4	JP Morgan	604.17	2	7.8
5	Citi	466.67	2	6

Islamic Bonds H1 2010

Rank	Name	Amount (USDm)	Issues	Share (%)
1	HSBC	1,629	5	25.1
2	CIMB	1,409	25	21.7
3	Samba Financial	933	1	14.4
4	Aminvestment Bank	669	10	10.3
5	Barclays Capital	416	1	6.4

Source: Bloomberg

Market recognises the success of our strategy

Our achievements are a testament to the strength of our franchise

Best Investment Bank in the Middle East (2010)

Best Investment Bank in Saudi Arabia (2010)

Best Cash Management House in the Middle East (2010)

Best Emerging Markets Debt House (2010)

Best Supply Chain Finance Provider – Middle East (2010)

Best Sub-Custodian – Middle East (2010)

Best Debt Bank – Middle East (2010)

Conclusion – Positioned for Growth

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Positioned for growth

Increasing market share through geographic and customer group synergies

Core geographies	UAE KSA Qatar Egypt Kuwait
Sector focus	Government and GREs; Financial Institutions; Local Corporates; Multinationals

Transaction Banking → Lending → Debt Capital Mkts → FX & Derivatives → Advisory

Critical success factors	Intensity of coverage; Driving cross-sales; Leveraging our international network