

HSBC in the Middle East

When HSBC acquired The British Bank of the Middle East in 1959, it gained entry to one of the most diverse and rapidly changing financial markets in the world. Its new subsidiary was among the largest and most experienced banking companies in the Middle East.

Origins, 1889

The British Bank of the Middle East, now called HSBC Bank Middle East Limited, was established in London in September 1889. Originally known as the Imperial Bank of Persia, the new company began life as banker to the imperial government of Persia. Earlier in 1889, Baron Julius de Reuter, a founder of the bank (and also the creator of Reuters), had obtained a 60-year banking concession from the Shah of Persia, which allowed the new bank to issue notes as well as to act as the state bank of Persia. Unusually for an overseas bank at that time, the Imperial Bank was also granted a Royal Charter by the British government.

Right: *The official seal of the Imperial Bank of Persia. The lion and sun emblem also featured on the notes issued by the bank.*

Below: *Postcard of Tehran in 1938, showing the chief office of the Imperial Bank of Iran (formerly the Imperial Bank of Persia).*



The Imperial Bank of Persia first opened for business in Tehran in late 1889. A year later, it took over the Persian business of the New Oriental Banking Corporation and, between 1890 and 1893, it opened seven branches elsewhere in the country. Initially, the bank was handicapped by the international weakness of silver — Persia's monetary standard — but, from 1896 until the First World War, the bank played an increasingly important role as the state bank and in the exchange markets. Commercial bank deposits grew steadily and, by the 1920s, the bank had opened 26 branches.

Diversification in the Middle East

In the 1930s and 1940s, political change in Persia transformed the outlook for the Imperial Bank. In 1930, for example, the issue of banknotes was transferred to Bank Melli Iran, which had recently been established as the Persian national bank. When the country changed its name to Iran, the Imperial Bank was renamed the Imperial Bank of Iran in 1935. Then, in 1949, foreign banks were required to transfer 55 per cent of their deposits to the Iranian state bank. Two years later, the bank's foreign exchange permit was withdrawn, leaving little option but to close the chief office in Tehran.

These momentous changes required the bank to remodel its strategy and reorganise its representation. The process was already under way in the early 1940s, when the Imperial Bank pioneered banking in the Gulf states. In this region, banking was to play a vital role in the development of the oil industry in the Middle East. Branches were opened in Kuwait (1942), Bahrain (1944), Dubai (1946) and Muscat (1948). Similarly, branches were opened in the cities of the 'fertile crescent' — Beirut (1946), Damascus (1947) and Amman (1949). This diversification throughout the Middle East was reflected in the change of name in 1949 to The British Bank of Iran and the Middle East. Following the withdrawal from Iran, in 1952 the bank obtained a new Royal Charter under the shorter name of The British Bank of the Middle East.

Regional expansion and Group alliances

The strategy of regional expansion was successfully maintained in the 1950s. By 1959, when the bank was acquired by the Group, it had added offices in Saudi Arabia, Aden, Libya, Sharjah, Qatar, Tunisia, Morocco and Abu Dhabi. From 1959, the bank was again represented in Iran but this return ended when the country's banks were nationalised in 1979.



Above: Portrait of Baron Julius de Reuter. He founded the Imperial Bank of Persia in 1889, having obtained a 60-year banking concession from the Shah of Persia.

Left: The coat of arms of The British Bank of the Middle East, granted in 1957.



Above: A 1,000 toman note printed by the Imperial Bank of Persia in about 1890.

Right: An extract from a staff register of the Imperial Bank of Persia, noting officers' movements between branches in the 1920s.



Nationalisation of the banking industry was a continuing factor in the Middle East from the 1960s and, as a result, the bank ended its presence in Syria, Iraq, Aden and Libya. Elsewhere, and especially in the oil-rich economies of the Gulf, the bank reinforced its branch network or entered local banking alliances. In 1978, for instance, the bank's business in Saudi Arabia was transferred to a new bank, The Saudi British Bank, in which the Group took a 40 per cent shareholding. The Group also invested in the Hongkong Egyptian Bank S.A.E., which was established in 1982 and in which the Group took a 40 per cent share.



In 1994, the head office of The British Bank of the Middle East was transferred to Jersey and, in 1999, the bank was renamed HSBC Bank Middle East. The investment in the Egyptian subsidiary was increased to 90 per cent in 2001, and the bank was renamed HSBC Bank Egypt S.A.E.

HSBC has pioneered services and products in the region, building on its international capability and global reach. An innovative range of products, available through HSBC Amanah Finance, allows HSBC to provide viable Islamic alternatives to conventional finance. With this range of interests, HSBC is one of the leading banking and financial services organisations in the Middle East.



Above: Staff at the Tehran office of the Imperial Bank of Persia in about 1920.

Right: Members of staff at work in the offices of The Saudi British Bank, an associated company of the HSBC Group, established in Riyadh in 1978.