



INVESTOR ROADSHOW

The Middle East

YOUSSEF NASR, REGIONAL CEO

13 NOVEMBER 2008

HSBC 
The world's local bank

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.

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Middle East: Overview

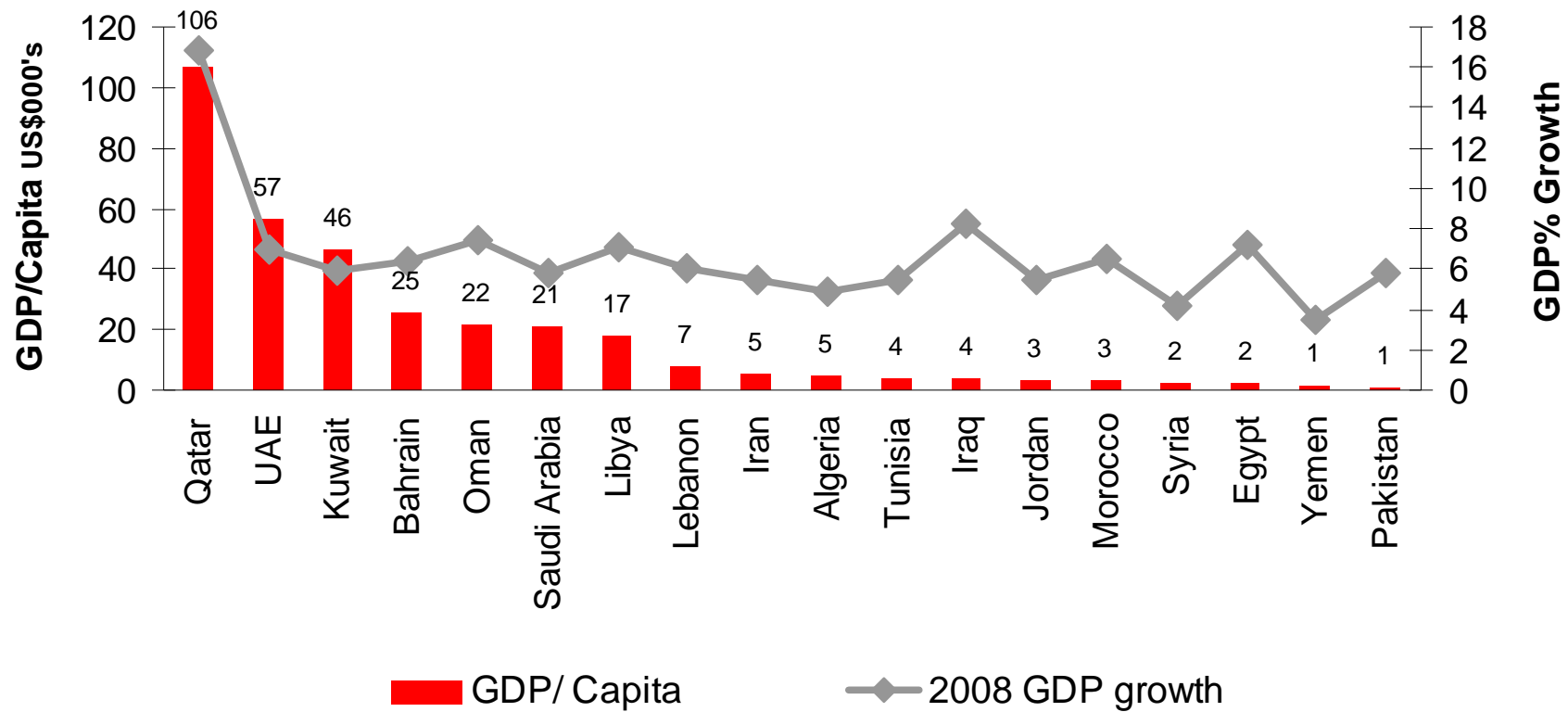
Section 1

HSBC in the Middle East

Section 2

Middle East: Overview

Middle East: Growth in emerging market economies



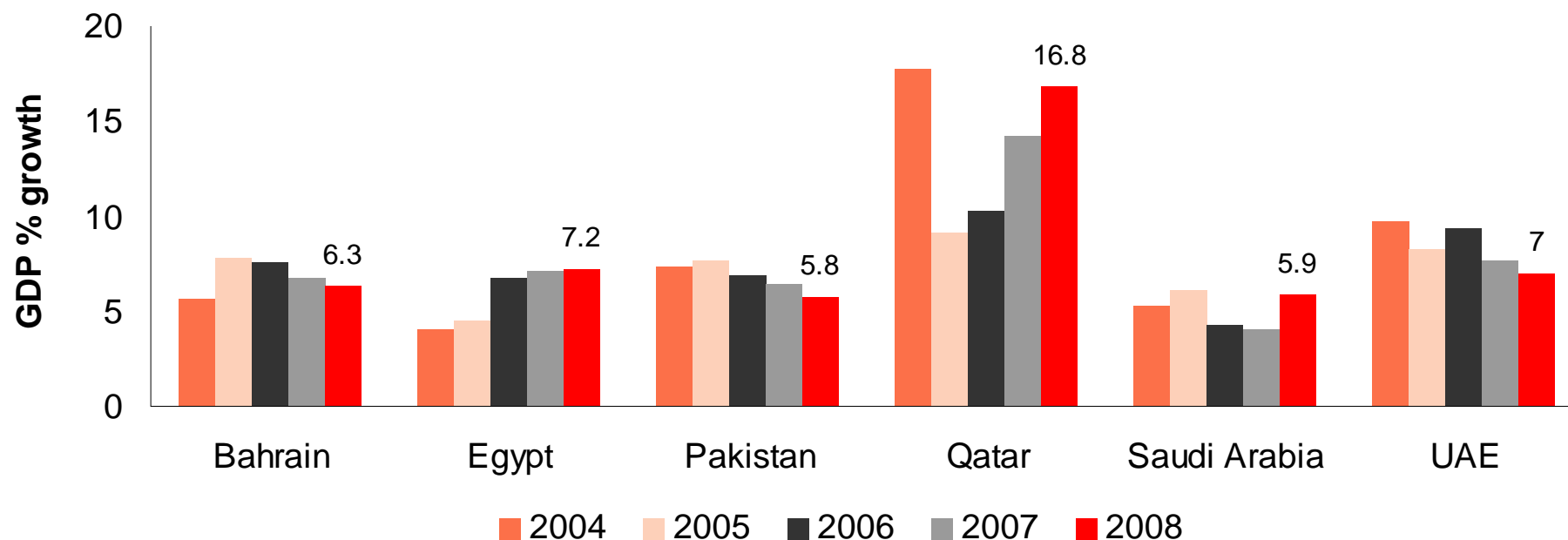
Percentage change of real Gross Domestic Product in 2008 estimate versus 2007

Source: IMF World Economic Outlook database October 2008 and The Economic Intelligence Unit Limited 2008

Economic conditions in 2008

GDP:

- GDP growth remains strong across HSBC's core Middle East emerging markets, compared to EIU projected 3% global growth for 2008



Source: IMF World Economic Outlook database : October 2008

'EIU' – Economic Intelligence Unit

Growth in financial services has outstripped GDP growth

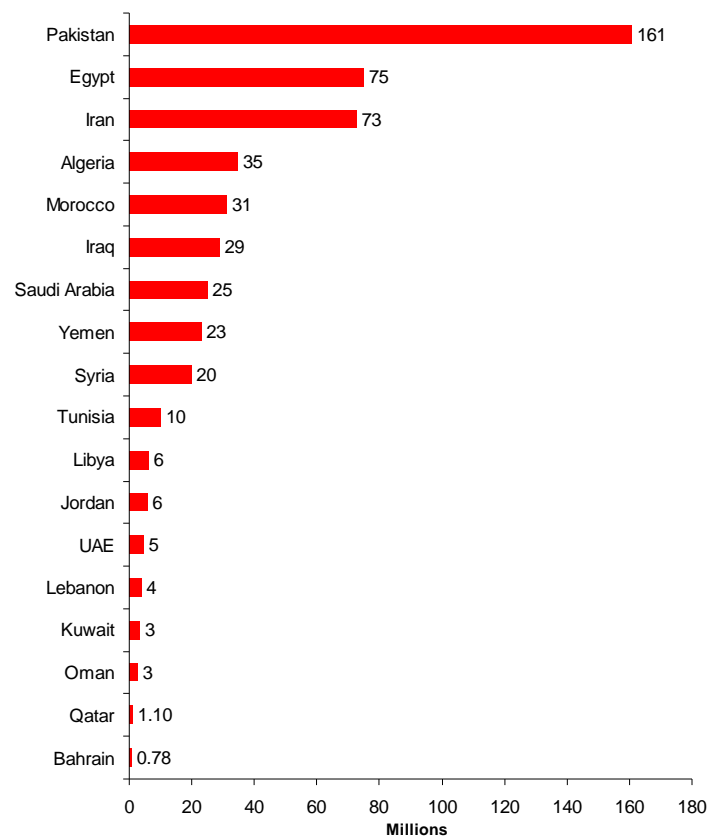
A young and fast growing population...

- Total population throughout Middle East Region, Saudi Arabia and Egypt in 2008 estimated at 395 million
- In the region, youths under 24 years of age represent 50-65% of the population

...that is currently under-banked

- According to World Bank reports, only 36% of households have access to financial services
- Demographic profiles in Pakistan, Egypt and Iraq provide strong platforms for organic and sustainable growth.
- In some large population countries banking penetration is very low, eg Iraq with 17%

Population 2008



Source : IMF World Economic Outlook database October 2008 and The Economic Intelligence Unit Limited 2008

Economic conditions and markets at a glance

Inflation:

- 2008 inflation⁽¹⁾ YTD exceeded 10% across the Gulf and risked rising further in Egypt and Pakistan
- Rapid domestic growth, rising global commodity prices and dollar weakness all drove inflation upward
- However, 2009 inflation is likely to ease as growth moderates
- Market crisis effects and the continued dollar peg will also dampen inflation if a strong dollar persists

Interest rates:

- Policy rates have been cut regionally in line with the Fed
- Interbank rates have risen as access to offshore funding reduced and domestic credit conditions tightened

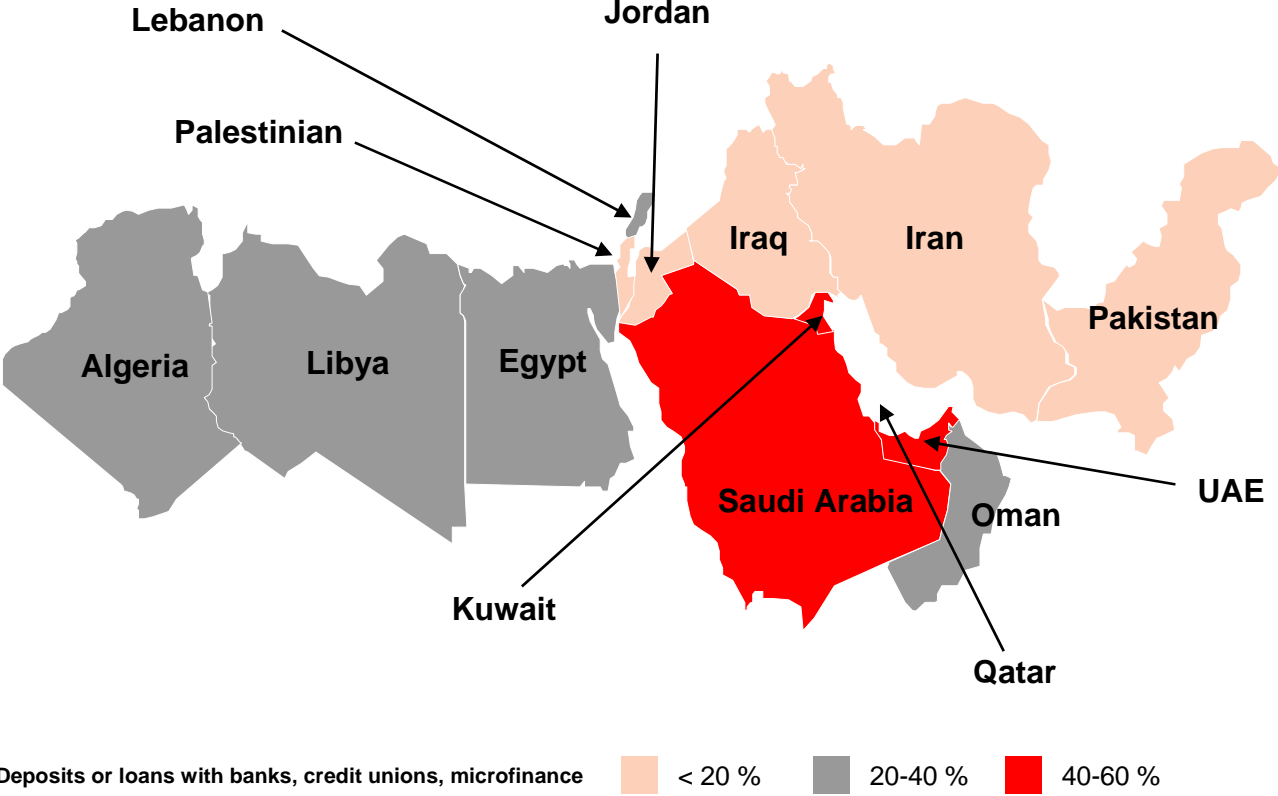
Market stabilization:

- Several countries have intervened positively to support their banking systems with liquidity, capital and deposit guarantees
- Falls in regional stock markets have also been countered by quasi-official support
- Countries with significant sovereign wealth funds play a major role globally

(1) Source: EIU reports & IMF1

Current low financial services penetration provides HSBC with tremendous potential for long term growth in the Middle East region

Percentage of households with accounts in any financial institution



Country	Per cent with access
Egypt	41%
Iran	31%
Iraq	17%
Jordan	37%
Libya	27%
Oman	33%
Pakistan	12%
Saudi Arabia avg. GCC	62%
Syria	17%
Algeria	31%
Tunis	42%
West Bank & Gaza	14%

Source: Finance for All Policies and Pitfalls in Expanding Access, Policy Research Report, The World Bank November 2007

Effects of US slowdown and credit crisis

The region is relatively insulated from current global distress...

- Strong fiscal spending, heavy investment in infrastructure will continue to drive economic growth
- Banking sector well capitalised, low NPLs, and limited exposure to subprime assets
- Strong role of wealthy sovereigns within banking sector minimizes solvency concerns

...but not immune

- Slowing global growth has put oil prices under heavy downward pressure. Fiscal positions remain strong, but deteriorating
- Cost and supply of credit has risen sharply in line with global trends, despite policy rate cuts
- Domestic capital markets falls, and concerns over the property sector in some countries, following a period of negative real interest rates and high liquidity
- Access to overseas debt and equity finance has become more difficult, despite strong credit fundamentals
- Economic growth likely to moderate over 2009 as a result

HSBC in the Middle East

Overview

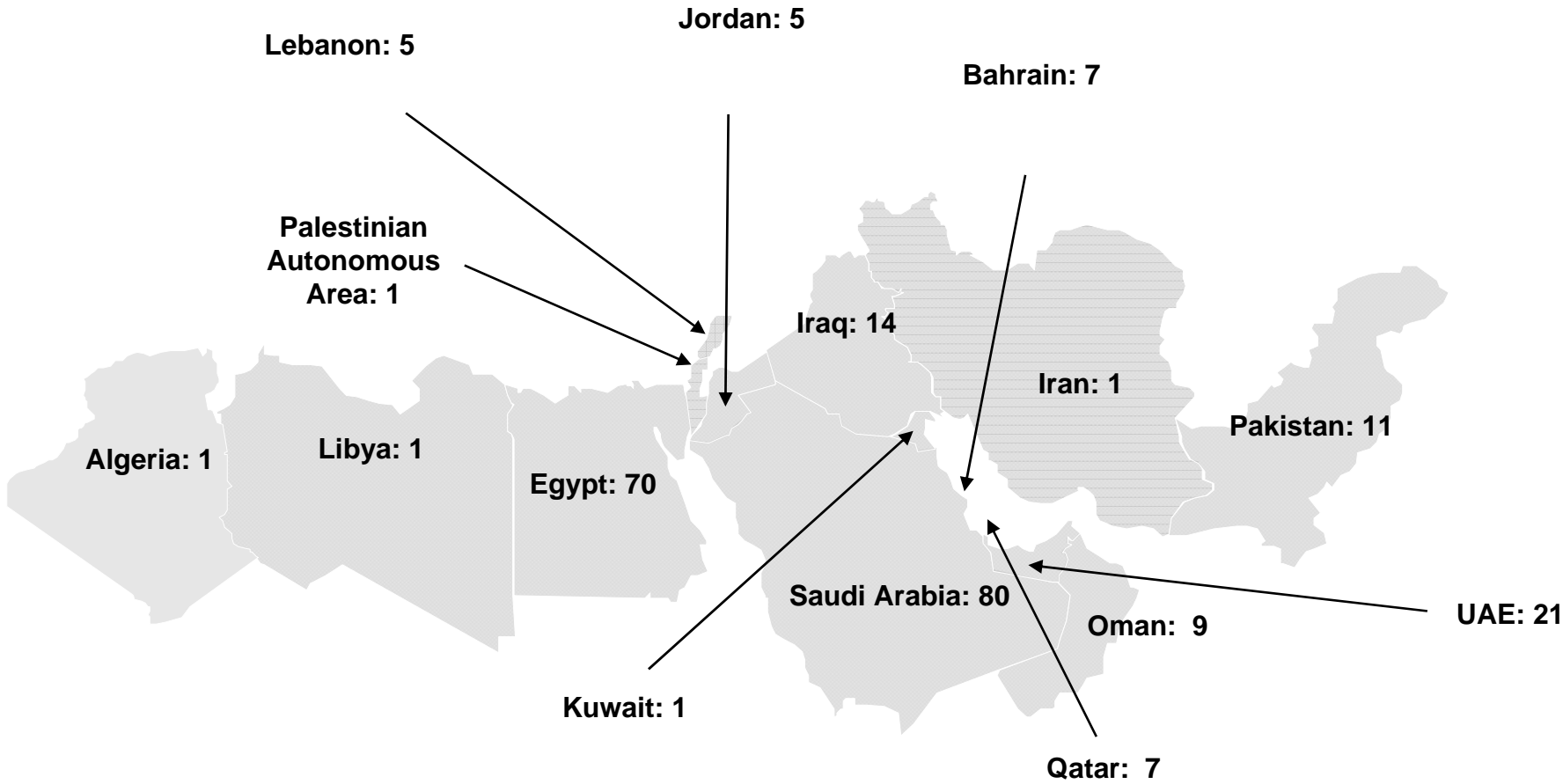
HSBC Group

- The world's leading international bank in emerging markets
- Our strategy is aligned with global trends: growth in emerging markets and longevity
- We are reshaping our business models to focus on the 'right to win'
- Strength in capital management and liquidity

HSBC in Middle East

- Middle East contributed 9.7% of the US\$10.2bn Group PBT in 1H08
- Regional demographics are young and fast growing populations that are under-banked
- Building on connectivity and scale in our businesses which are tailored to each country in the region
- Robust management against prudent targets

HSBC has over 200 branches and offices throughout 15 countries in Middle East region



Offices in Saudi Arabia relate to HSBC's associate Saudi Arabia British Bank (SABB)

The Middle East region is an important contributor to Group earnings

- Middle East contributed 9.7% of HSBC Group PBT in 1H08. Third in importance after UK and Hong Kong
- UAE is in the top 10, Saudi Arabia and Egypt are in the top 20 in the Group in terms of geographic profit contribution

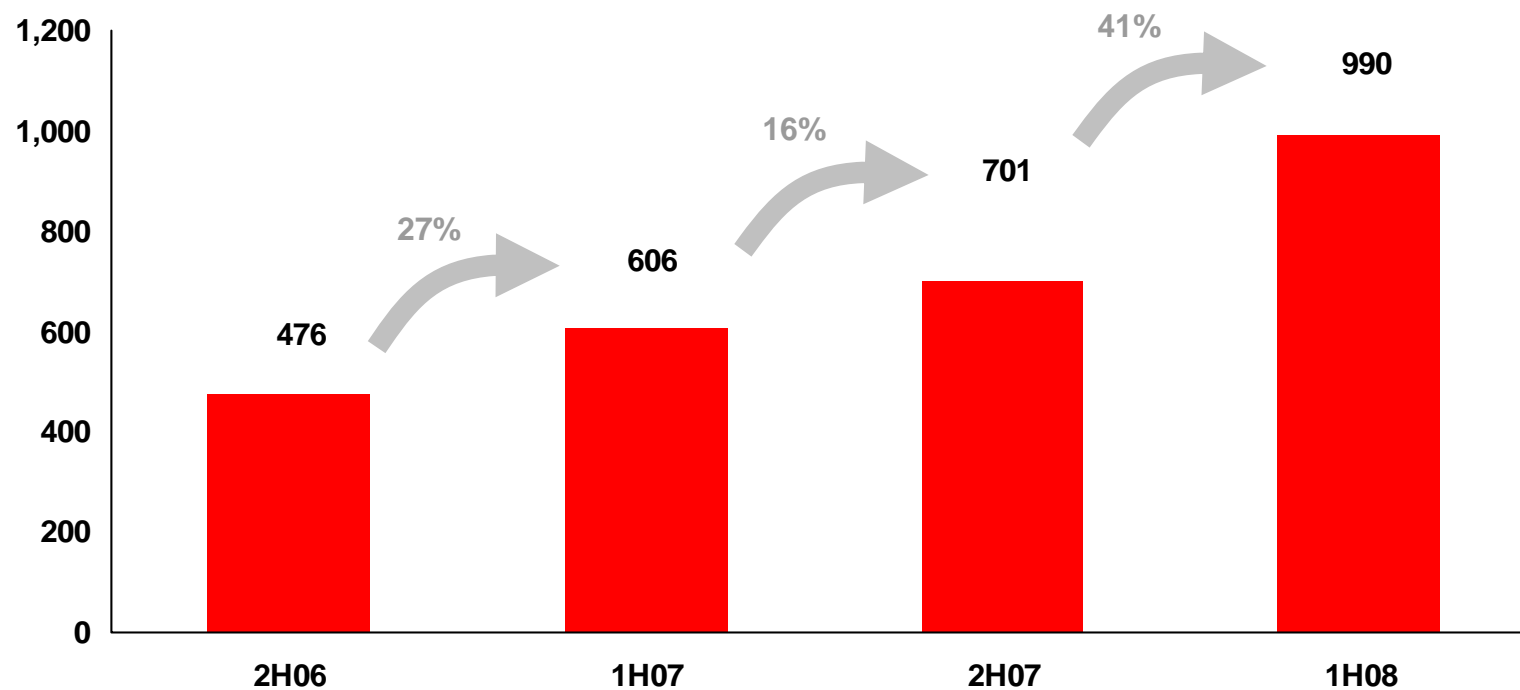
1H08

Rank	Country	PBT
1	United Kingdom	3,479
2	Hong Kong	3,073
3	China	907
4	France	709
5	Brazil	660
6	United Arab Emirates	522
7	Canada	494
8	Mexico	385
9	India	371
10	Singapore	340
11	Switzerland	335
12	Malaysia	209
13	South Korea	177
14	Saudi Arabia	175
15	Germany	155
16	Turkey	126
17	Argentina	119
18	Egypt	115
19	Taiwan	115
20	Australia	100

Figures in US\$m under IFRS
 Source: HSBC Holdings plc, 2008 Interim Report & Accounts

Middle East region – profit before tax rose to almost US\$1bn in 1H08

Middle East region, profit before tax
US\$m

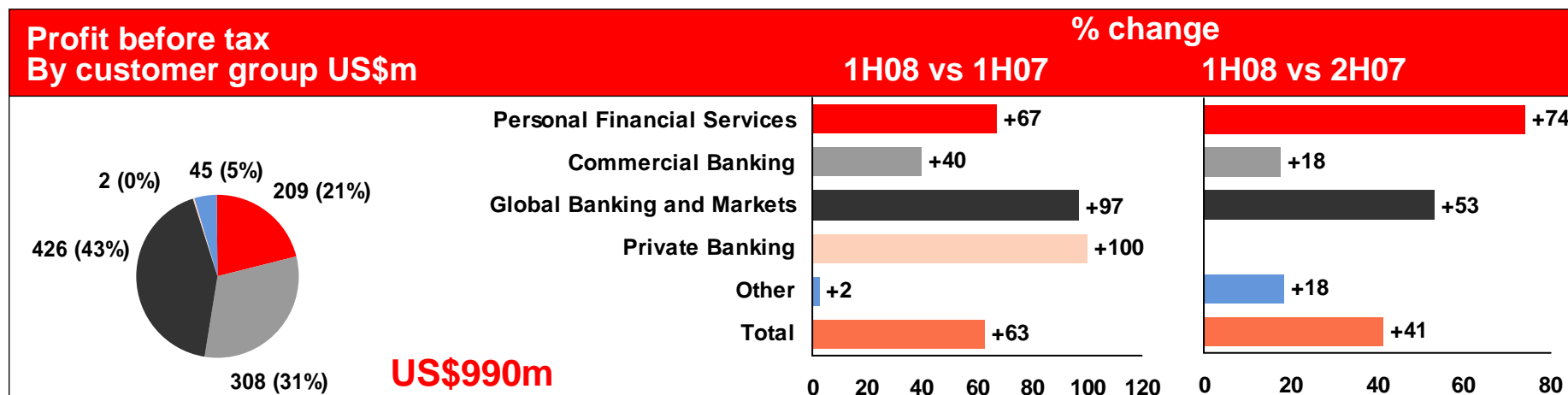


Figures in US\$m under IFRS

Source: HSBC Holdings plc, 2007 and 2008 Interim Reports & Accounts

Exceptional growth in the Middle East region

Profit before tax of US\$990m



Profit before tax, US\$m	1H07	2H07	1H08	% change	
				1H08 vs 1H07	1H08 vs 2H07
Middle East	606	701	990	+63	+41
Egypt	72	81	115	+60	+42
United Arab Emirates	295	322	522	+77	+62
Other Middle East (inc. Pakistan)	128	172	178	+39	+3
Total Middle East (excl. Saudi Arabia)	495	575	815	+65	+42
Total Saudi Arabia (40%)	111	126	175	+58	+39

Figures in US\$m under IFRS

Source: HSBC Holdings plc, 2008 Interim Report & Accounts

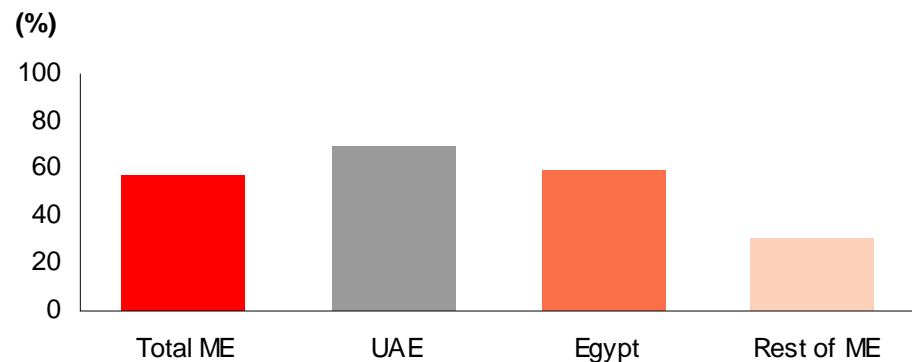
Middle East region summary of results

US\$m	1H07	1H08	% change vs 1H07
Net operating income before loan impairment charges	821	1,307	59%
Loan impairment charges	(10)	(42)	320%
Net operating Income	811	1,265	56%
Total operating expenses	(323)	(462)	43%
Share of profit in associates	118	187	58%
Profit before Tax	606	990	63%
MER share of HSBC's profit before tax	4.3%	9.7%	+540 bps
Cost efficiency ratio	39.3%	35.3%	-400 bps

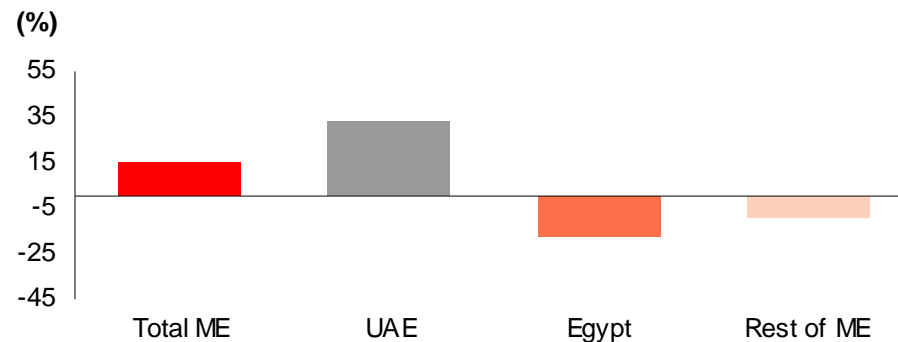
Figures in US\$m under IFRS
Source: Management accounts

Middle East region key indicators 1H08 vs 1H07

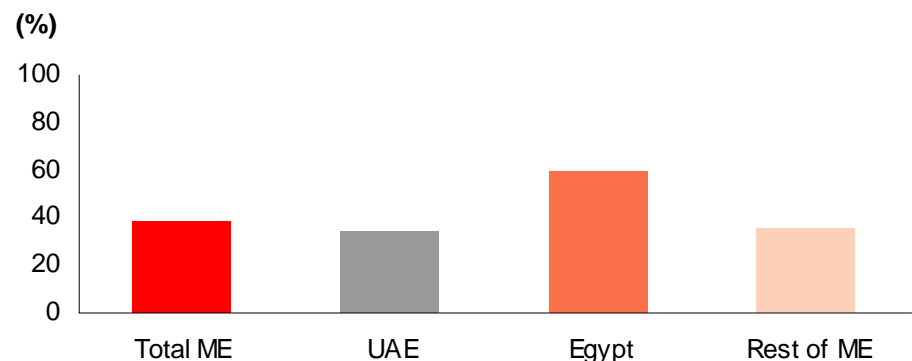
Risk adjusted revenue growth ⁽¹⁾



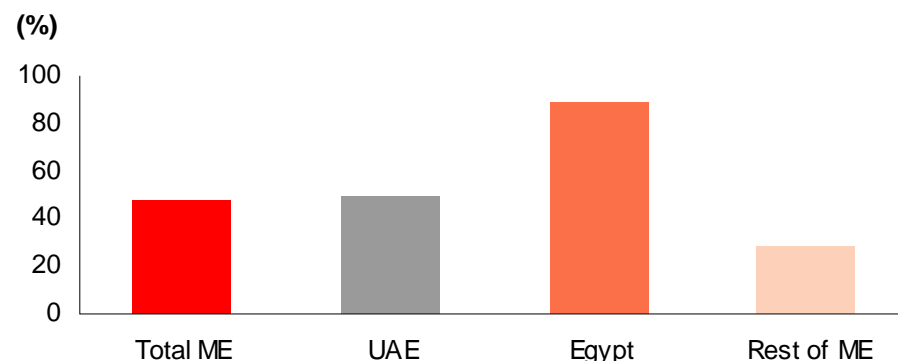
Jaws



Total customer accounts growth



Total customer loans and advances growth



Note : Saudi Arabia figures captured through associate income

(1) Net operating income after loan impairment charges

Figures in US\$m under IFRS

Source: Management accounts

Middle East – Personal Financial Services

(US\$m)	1H08	% change
Profit before tax	209	67
Customer loans & advances (US\$bn)	6.5	58
Customer accounts (US\$bn)	13.1	35

- Strong increase in Operating Profit
 - driven by strong volume growth
 - improved spreads in a falling interest rate environment
 - particularly in personal loans, cards and mortgages resulting in higher NII
- Fee income increased
 - strong sales of investments and insurance
 - higher fees from cards, as both cards in force and cardholders spending increased
- Higher trading income
 - stronger than anticipated FX income,
 - due to higher volatility
 - fuelled by expectations that regional currencies may revalue or unpeg from the US dollar
- Balance sheet growth continued across core asset & liability lines. Mortgages balances doubled

Figures in US\$m under IFRS
Source: Management accounts

Middle East – Commercial Banking

The leading international business bank

(US\$m)	1H08 % change	
Profit before tax	308	40
Customer loans & advances (US\$bn)	12.1	42
Customer accounts (US\$bn)	11.4	43

- PBT growth of 40%
 - underpinned by strong economic activity
 - success of new International Banking Centres and dedicated Business Banking Centres
- Trade & Supply Chain and Payments & Cash Management revenues grew strongly
- Strong cross sales of investment banking products including sukuk deals
- Trading income rose due to customer demand for FX and interest rate hedging products
- Voted Best Bank for Trade Finance, and Best Bank for Payments & Cash Management in the region

Figures in US\$m under IFRS
Source: Management accounts

Middle East – Global Banking and Markets

Exceptionally strong performance

(US\$m)	1H08	% change
Profit before tax	426	97
Customer loans & advances (US\$bn)	6.4	45
Customer accounts (US\$bn)	9.5	43

- Record growth, with the region establishing itself as a major contributor to the Group and its 'emerging markets-led and financing-focussed strategy', adding new skills, new clients and new business at a rapid rate
- Global Banking increased lending, taking advantage of the strong economic growth in the region and wider spreads
- Captured a leading market share of IPO activity
- Largest refining and petrochemical IPO in the region
- DFM and ADX brokerage operation operations begin: First international bank to offer brokerage services on UAE's two domestic exchanges
- Largest non-equity linked Eurobond issuance out of Dubai, and the first ever Middle Eastern issuance combining US\$, Euro and Sterling trenches

Figures in US\$m under IFRS
Source: Management accounts


Middle East – Global Banking and Markets – AWARDS won in 2008



Regional Awards 2008

- *Best Investment Bank in Middle East*


Source: Euromoney, 2008



Country Winner 2008:

Oman: Rusail Power IWPP


Source: The Banker, 2008



Country Winner 2008:

Qatar: AlAqaria \$300m sukuk

Source: The Banker, 2008



Middle East M&A Adviser of the Year

Source: Acquisitions Monthly, 2008



Regional Awards 2008

- *Best Risk Management in Middle East*

Source: Euromoney, 2008



Regional Awards 2008

- *Best Debt House in Saudi Arabia*

Source: Euromoney, 2008

Middle East – Private Banking Building on Group relationships

- **Focus on wider Group capabilities to offer clients global wealth solutions**
- **Strong growth in Client Assets and Funds Under Management**
- **Restructured MENA private banking teams to facilitate strong advisory capability and powerful regional marketing**
- **Makes a material contribution to Private Banking overall and plays a significant role for clients, domestically and internationally**
- **In the rankings by *Euromoney* in January 2008, HSBC's Private Banking operations in the Middle East came top in many categories including Best Private Banking services overall.**

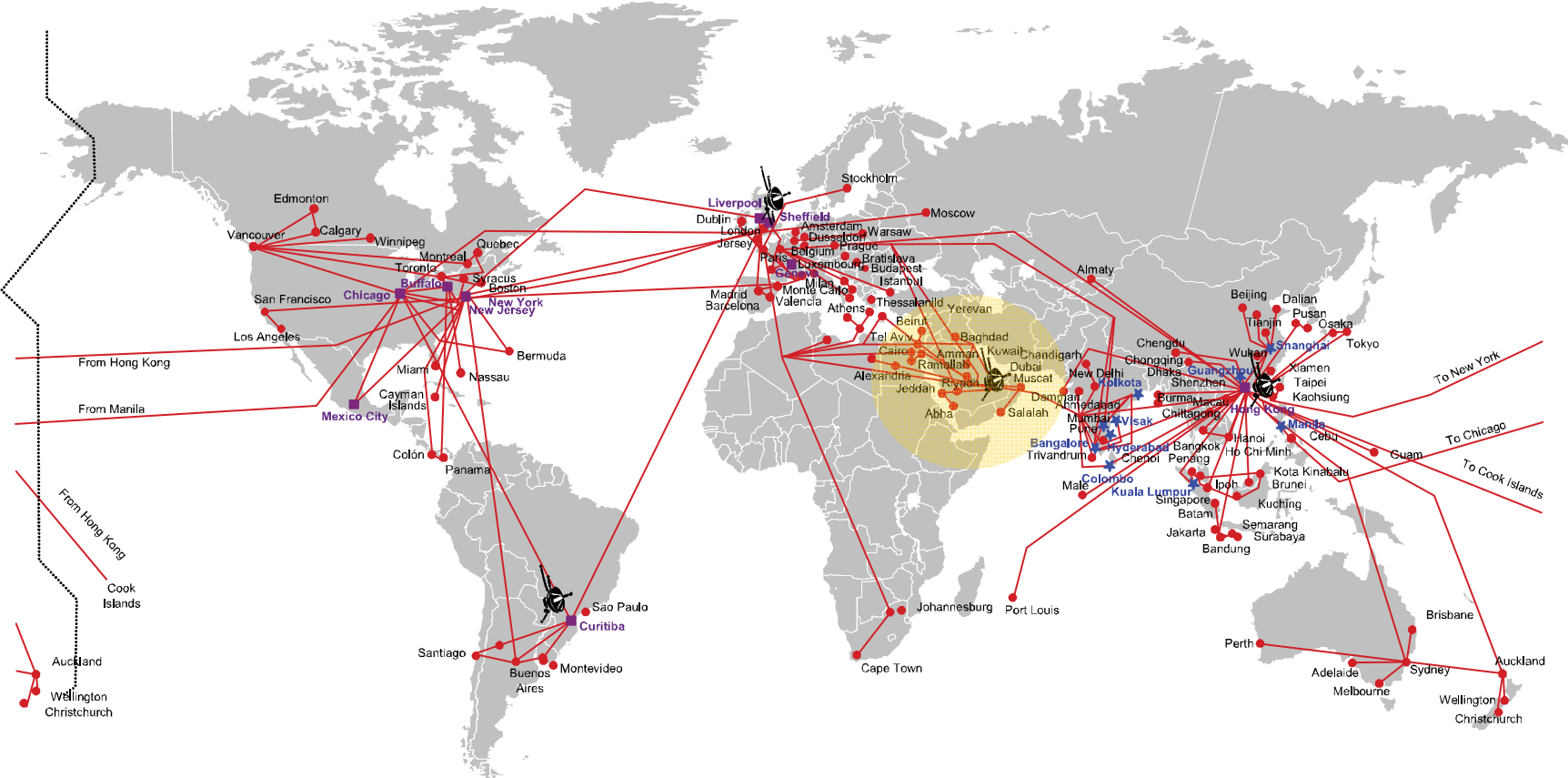
Opportunities in the Middle East are still attractive

- **Continued economic growth where the Middle East has:**
 - Foreign reserves of approximately US\$ 2 trillion
 - Some of the highest GDP per capita countries in the world
 - 70% and 46% of the world's known oil and gas reserves, respectively
- **Rise of Sovereign Wealth funds**
 - Over US\$ 2.3 trillion of capital
 - A strategic investment strategy shifting towards Asia and key industries
- **Government surpluses and infrastructure development**
 - Grew from 1.5% of GDP in 2003 to 14.5% in 2006, increasing spend and diversification across non oil sectors
- **Ownership structures have shifted to increased contribution from the private sectors**
- **Expansion and development of Islamic finance**

Opportunities for HSBC in the Middle East - a period of well deserved consolidation

- **The Central Bank of UAE has acted to improve liquidity and guarantee deposits**
- **Property prices are beginning to soften. HSBC in the Middle East has also restricted new commercial property loans and underwriting criteria for personal mortgages**
- **Integrating operations regionally and globally with the implementation of One HSBC, with the aim to help control costs and provide a robust platform for future growth**
- **Strong focus on deposit growth to further strengthen our balance sheet**
- **Attract and retain high net worth customers**

One HSBC in the Middle East – one of the major hubs and test sites of a substantial Group initiative

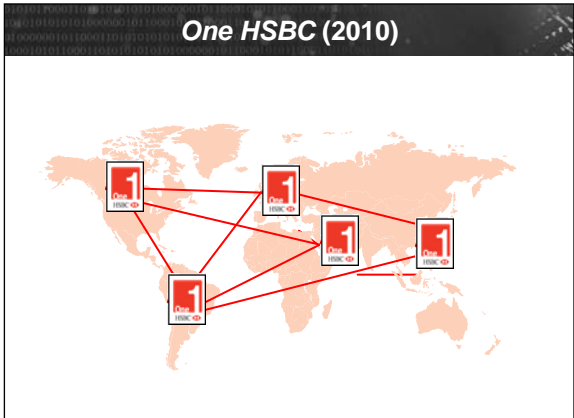
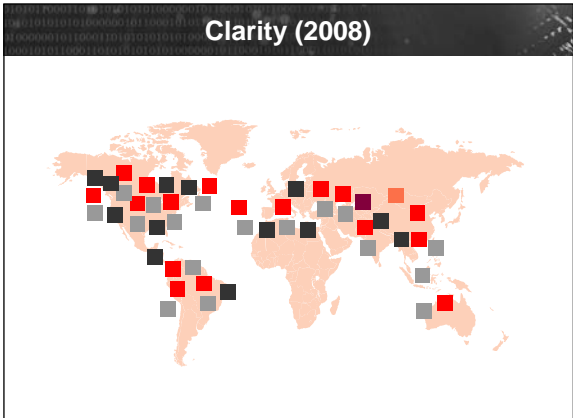
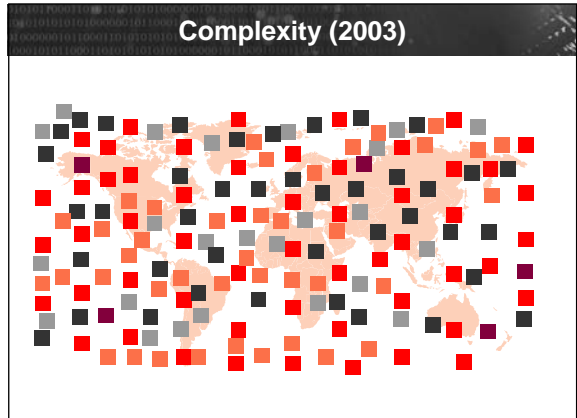


- 513 HSBC corporate entities
- 76 countries (112 cities)
- ~200 international linkages
- 260,000 traffic origins



We believe significant benefits will accrue from driving down complexity and consolidating platforms across our 15 countries

The physical manifestation of Joining Up



- 55 core banking systems
- 24 credit card systems
- 41 internet banking systems
- 40 desktop standards
- 5 unique trading rooms

- 17 core banking systems
- 17 credit card systems
- 13 internet banking systems
- 1 desktop standard
- 1 global trading platform

- One HSBC Banking*
- One HSBC Cards*
- One HSBC Internet*
- One HSBC Distribution*
- One HSBC Markets*

One HSBC Gold Suite in the Middle East
Upgrading core banking systems faster and at lower cost

Countries where implemented	2009/2010 planned countries for <i>One HSBC</i> upgrade
<p>Qatar, Mauritius, Egypt, Singapore, Taiwan, Vietnam, Brunei, Malaysia, Indonesia, Australia, Philippines</p>	<p>Bahrain, Oman, Lebanon, Pakistan, Jordan, Iraq, SABB, Kuwait, India, UAE, Nicaragua, Greece, Malta, Jersey, Spain, France, Canada, USA</p>

- Substantial reduction in costs over deploying systems individually
- New *One HSBC* Gold Suite fully implemented in 36 months on a rolling basis (versus previous time of 5 years)
- Converted countries will upgrade every 18 months

Overview

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Thank you