



Investor Presentation

Youssef Nasr
Chairman
HSBC Bank Middle East

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 Annual Report. Past performance cannot be relied on as a guide to future performance.



Overview

HSBC Group	HSBC in the Middle East
<ul style="list-style-type: none">• The world's leading international bank in emerging markets	<ul style="list-style-type: none">• Middle East contributed 18.8% of the Group PBT in 2008. 8.8% excluding goodwill impairment
<ul style="list-style-type: none">• Our strategy is aligned with global trends: growth in emerging markets and longevity	<ul style="list-style-type: none">• Strategy focuses on organic growth within an expanding demographic currently under-banked
<ul style="list-style-type: none">• We are reshaping our business models to focus on the 'right to win'	<ul style="list-style-type: none">• Building on connectivity and scale in our businesses which are tailored to each country in the region
<ul style="list-style-type: none">• Strength in capital management and liquidity	<ul style="list-style-type: none">• Robust capital and conservative liquidity positions

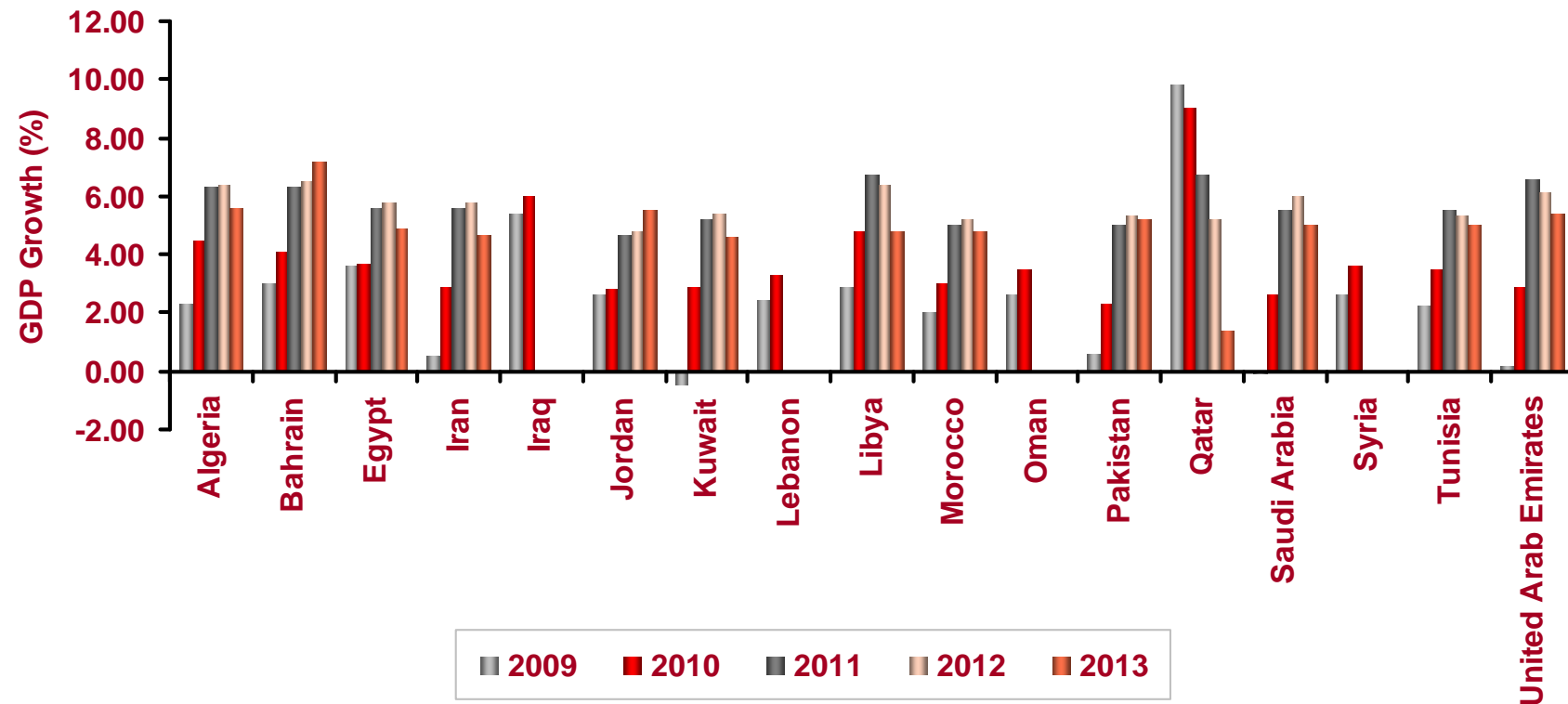


Middle East Overview



Middle East Growth and Opportunity in emerging market economies

- GDP forecasts have been reduced across the Middle East, however, remain above global expectations
- Emerging Middle East economies forecasting strong positive GDP growth



Source: HSBC Global Research for Gulf Countries, Economic Intelligence Unit Limited for remaining countries. No forecast data available beyond 2010 available for Iraq, Lebanon, Oman and Syria



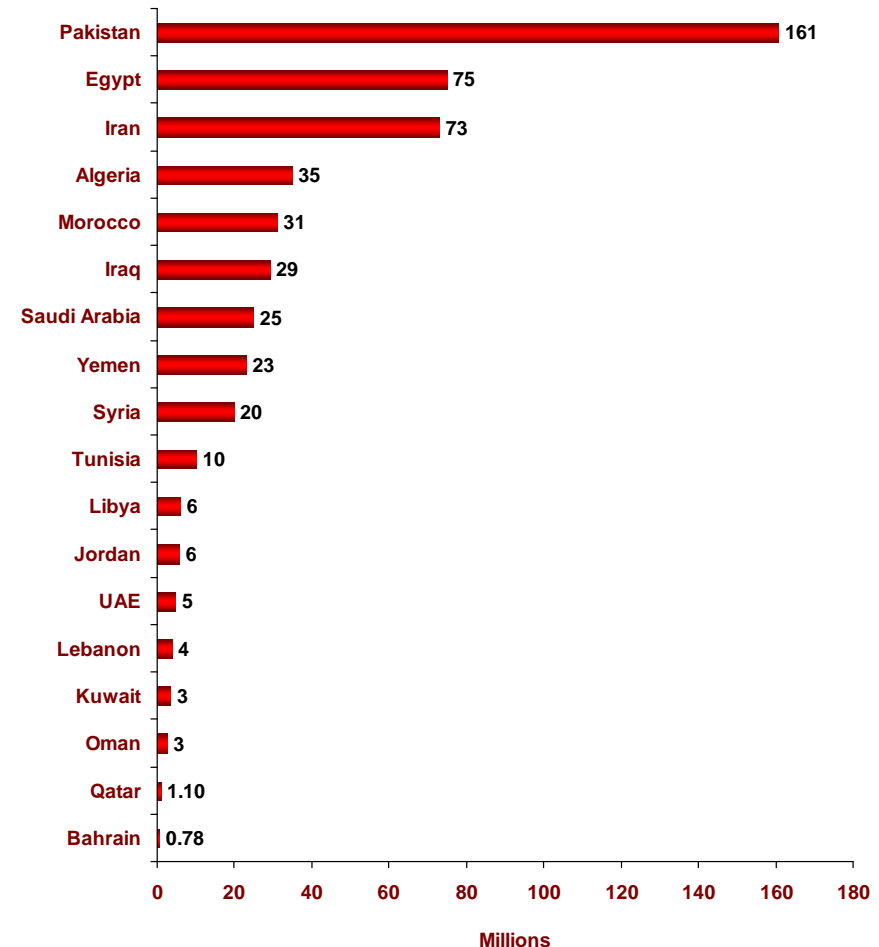
Middle East Growth and Opportunity in emerging market economies

A young and fast growing population...

- Total population throughout Middle East Region, Saudi Arabia and Egypt in 2008 estimated at 395 million
- Average annual population growth rate 4.0%
- Significant population under the age of 30 living in urban areas

...that is currently under-banked

- Low percentage of households with access to financial services
- In some highly populated countries banking penetration is very low



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



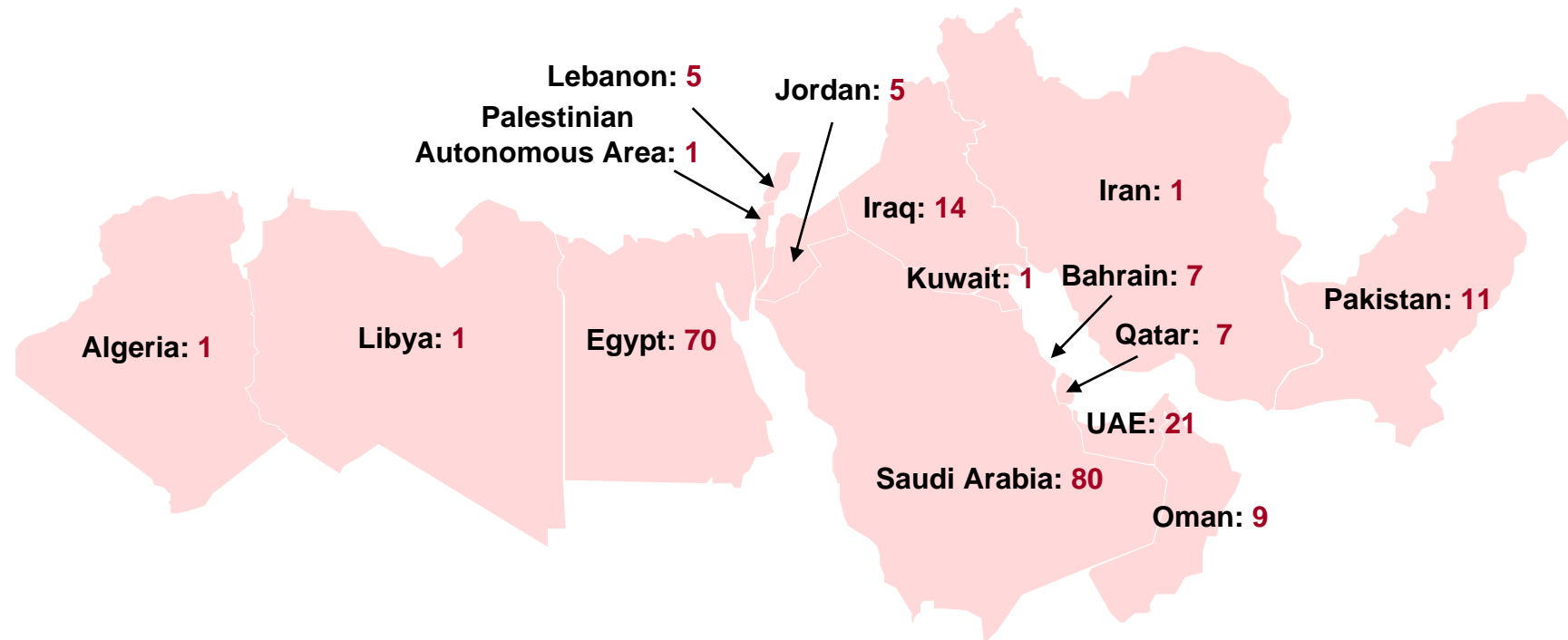
HSBC in the Middle East

HSBC 
The world's local bank



Overview

HSBC Middle East 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)



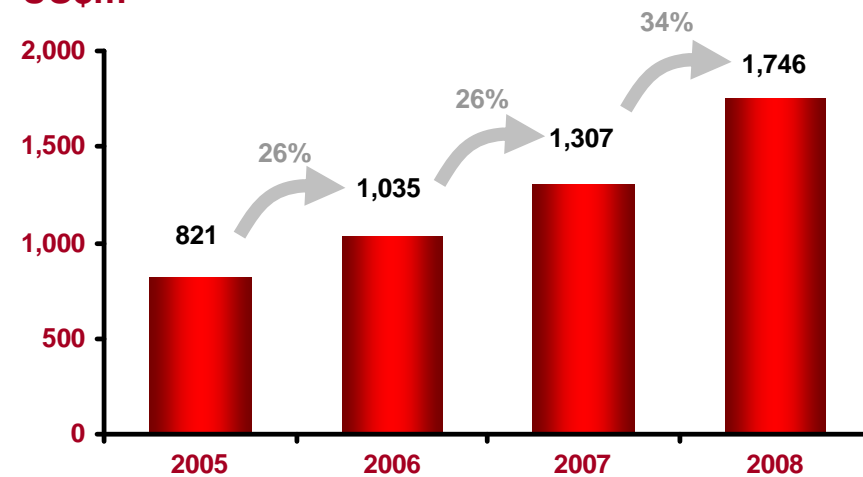
Middle East – Results summary

2008

Rank	Country	PBT2008	% total
1	United Kingdom	6,685	71.8%
2	Hong Kong	5,461	58.7%
3	France	2,840	30.5%
4	China	1,605	17.2%
5	Brazil	910	9.8%
6	United Arab Emirates	861	9.3%
7	Canada	839	9.0%
8	Mexico	714	7.7%
9	India	666	7.2%
10	Singapore	597	6.4%
11	Switzerland	553	5.9%
12	Malaysia	369	4.0%
13	South Korea	313	3.4%
14	Saudi Arabia	295	3.2%
15	Germany	225	2.4%
16	Turkey	224	2.4%
17	Argentina	224	2.4%
18	Egypt	223	2.4%
19	Australia	176	1.9%
20	Taiwan	175	1.9%
21	USA	(16,543)	N/A
	Other	1,895	N/A
Total PBT US\$m		9,307	100.0%

- Profit before tax rose to US\$1,746m in 2008
- Middle East contributed 18.8% of HSBC Group PBT in 2008
- UAE is in the top 10, Saudi Arabia and Egypt are in the top 20 in the Group in terms of geographic profit contribution

Middle East region, profit before tax US\$m



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



US\$m	Full Year Periods		Variance
	2007	2008	%
Net operating income before loan impairment charges	1,911	2,726	43%
Loan impairment charges and other credit risk provisions	(55)	(280)	409%
Net operating Income	1,856	2,446	32%
Total operating expenses	(801)	(1,017)	27%
Associates and joint ventures	252	317	26%
Profit before Tax	1,307	1,746	34%
Customer loans and advances	21,607	27,295	26%
Customer accounts	30,937	35,166	14%
MER share of HSBC's profit before tax	5.4%	18.8%	+1,340 bps
Cost efficiency ratio	41.9%	37.3%	-461 bps

Figures in US\$m under IFRS

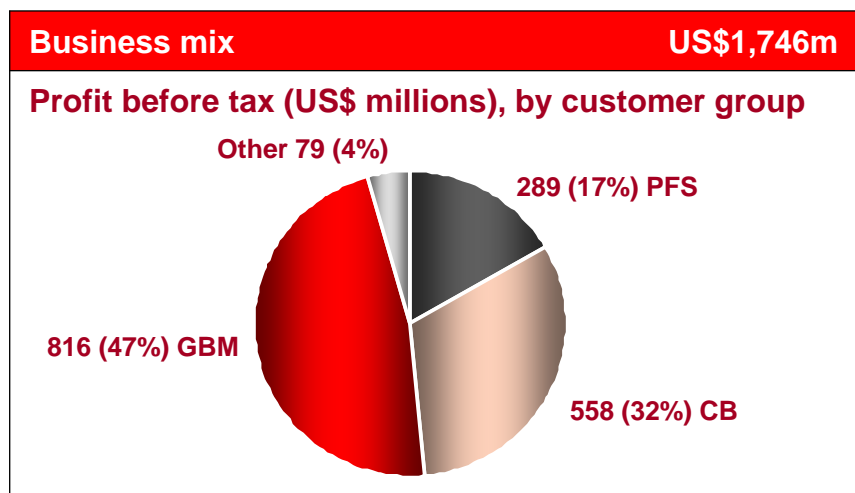
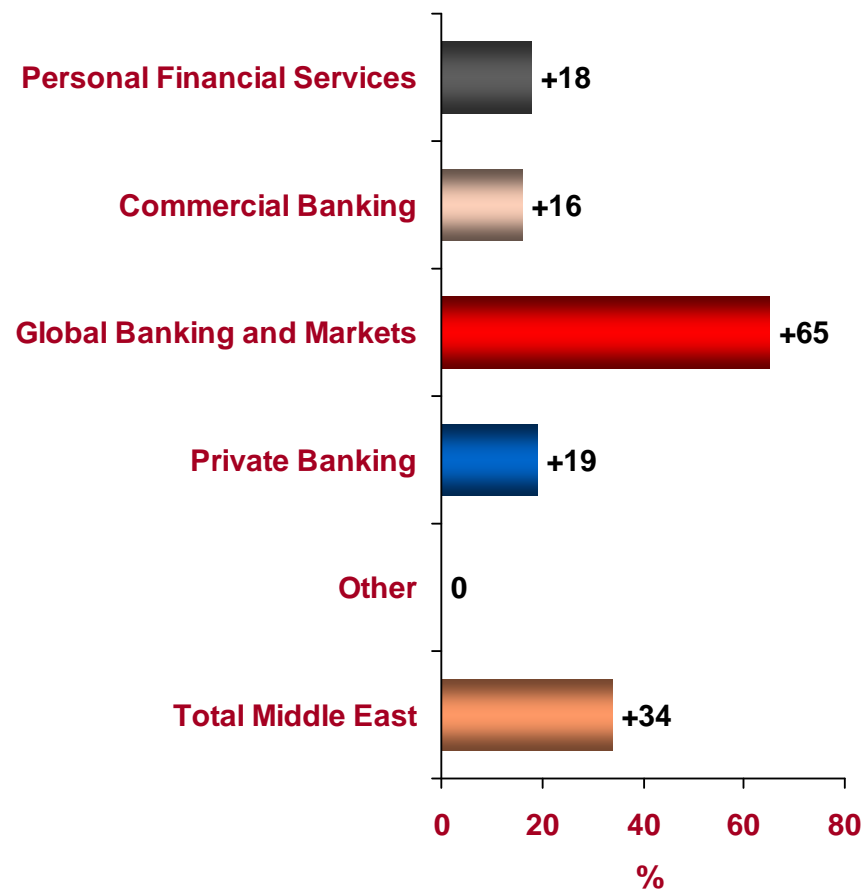
Source: HSBC Holdings plc, 2008 Annual Report & Accounts



Middle East – Results summary by geography and customer group

Profit before tax, US \$m	2007	2008	% change	% of total
Middle East	1,307	1,746	34%	100%
Egypt	153	223	46%	13%
United Arab Emirates	617	861	40%	49%
Other Middle East	300	367	22%	21%
Middle East (excl. Saudi Arabia)	1,070	1,451	36%	83%
Saudi Arabia	237	295	24%	17%

Growth in profit before tax (%) 2008 vs 2007



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



Middle East – Business highlights

PFS

(US\$m)	2007	2008
Profit before tax	245	289

- PBT up 18% despite increased loan impairment charges
- HSBC Premier customers continued to grow
- Credit cards up circa 20% to 1.5 million
- Awards included :
 - Global Finance award for Best Consumer Internet Bank (UAE & Egypt)
 - Best Savings Account (for E-saver) by Banker Middle East Product Awards

CMB

(US\$m)	2007	2008
Profit before tax	482	558

- Full year profit before tax up 16%
- Improved margins and fee income
- Success in expanding small business proposition in key markets
- Industry awards including (from Global Finance Magazine):
 - Best Overall Bank for Cash Management
 - Best Bank for Payment and Collections
 - Best CLS-Linked Bank Offering



Middle East – Business highlights

Global Banking & Markets

(US\$m)	2007	2008
Profit before tax	495	816

- Profit before tax up 65%, and accounted for 47% of total Middle East region profits
- Strong balance sheet growth, and robust FX and trading revenues
- Continued service of excellence:
 - Best Investment Bank in the Middle East, and Best Risk Management in the Middle East (Euromoney)
 - Middle East M&A Adviser of the Year (Acquisition Monthly)
 - Best Bank for Risk Management (Global Finance Magazine)

Private Banking

(US\$m)	2007	2008
Profit before tax	3	4

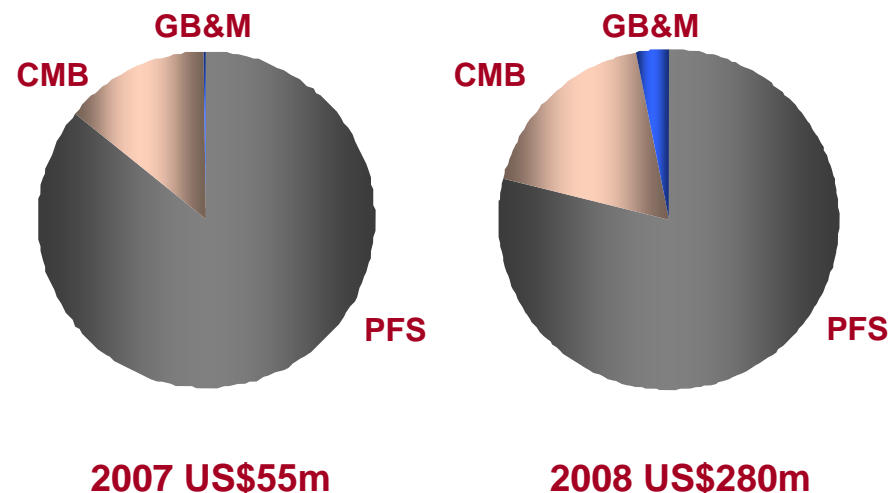
- Record profits (the majority of MENA Private Banking profits are excluded from the above, and are booked in HSBC Europe)
- Significant contribution in developing referral activity among all customer groups
- For the THIRD year running, awarded the Best Private Banking services overall for the Middle East Region (Euromoney)



Middle East – Business highlights

Loan impairment charges & other credit risk provisions by customer group

- Loan impairment charges in the region increased considerably, mainly driven by economic conditions effecting personal lending notably in Dubai
- Deterioration in CMB mainly in UAE



Measures Taken

- Mortgage LTV's trimmed on top of cuts introduced pre-credit crisis
- Further tightening of underwriting criteria and significant limit cuts
- Review of collection strategies entailing focused calling, and enhanced capacity including 'street collectors'
- Overall shift in focus to 'relationship' segment



Conclusion

- HSBC is well positioned to grow in Middle East despite crisis
- Largest and most successful international bank in the region
- Long-established franchise and reputation
- Middle East to continue as a significant contributor to HSBC Group, in line with emerging markets-lead strategy
- Strong performance and current position provides platform for long term sustainable growth
- Remains open to grow business with our core personal and corporate customers