



HSBC in the Middle East

September 2009

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 and Interim Reports. Past performance cannot be relied on as a guide to future performance.

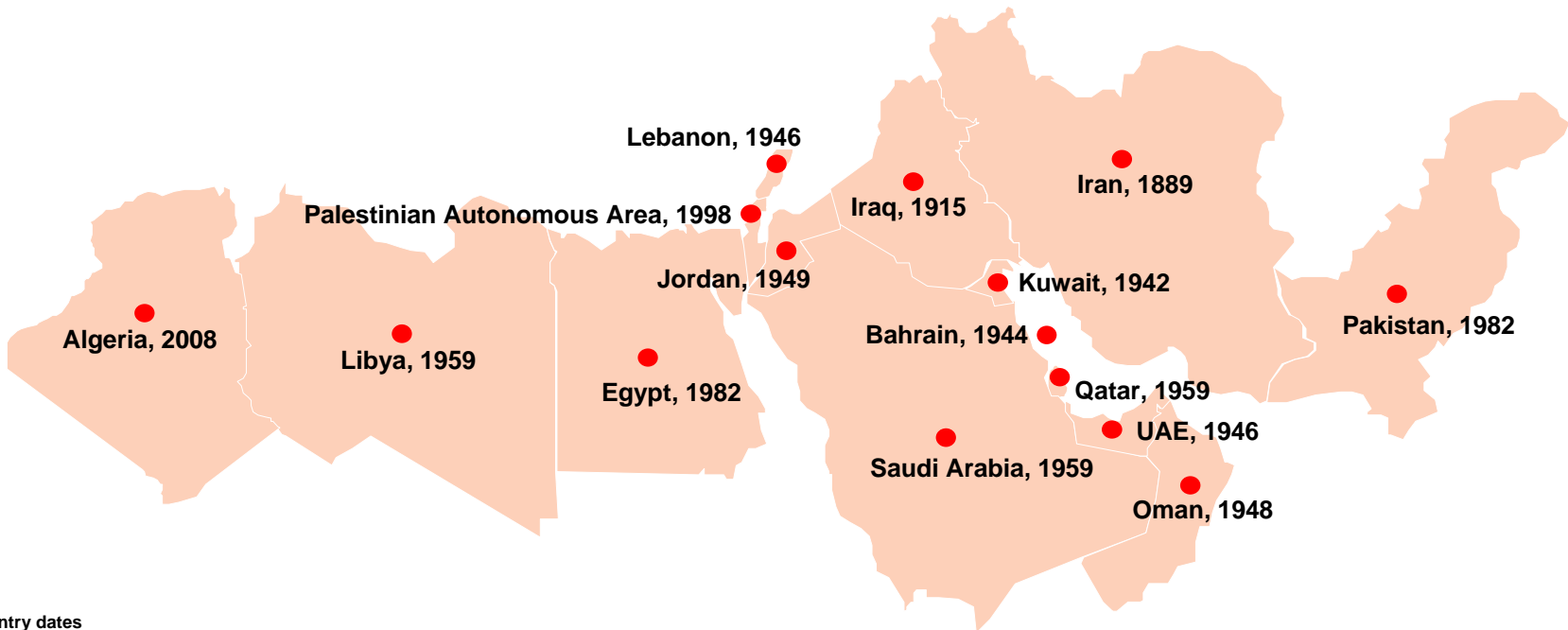
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Presence

History in Middle East spans 120 years

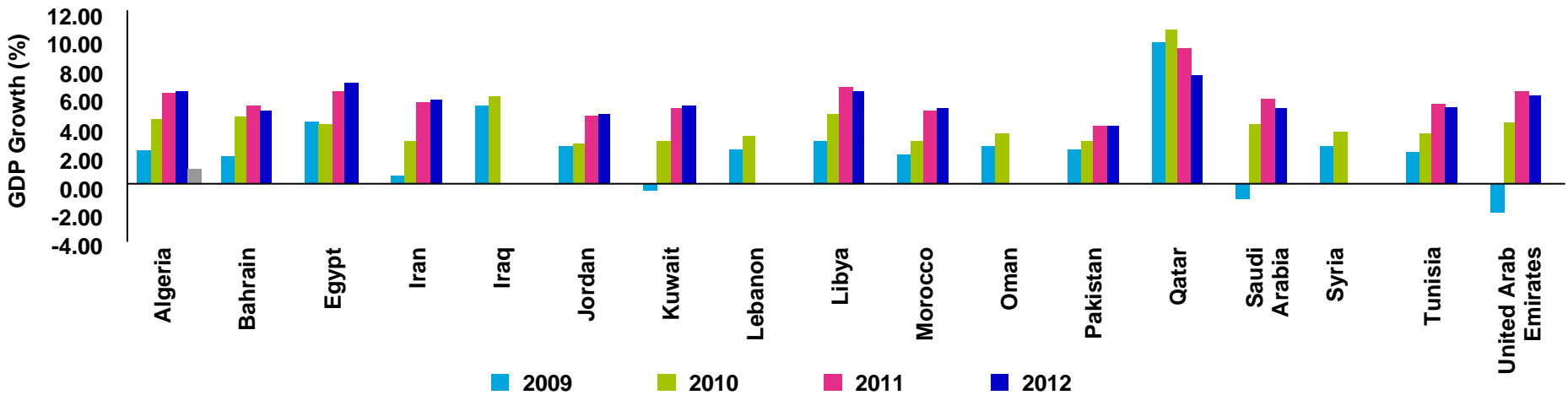
Presence in 15 countries with over 250 branches and offices



Original entry dates

Opportunity

- ▶ GDP forecasts have been reduced across the Middle East, however, remain above global expectations
- ▶ Emerging Middle East economies forecasting strong positive GDP growth
- ▶ Region accounts for 61% per cent of global oil reserves and 45% of global gas reserves
- ▶ Access to a total population of over 500 million with an average annual population growth rate of 4%
- ▶ Significant population under the age of 30 living in urban areas



GDP growth rates source: HSBC Global Research for Gulf Countries, Economic Intelligence Unit Limited for remaining countries. No forecast data available beyond 2010 for Iraq, Lebanon, Oman and Syria
 Other: IMF World Economic Outlook database December 2008, The Economic Intelligence Unit Limited, CIA world factbook 2008

Financial overview

Summary of reported results

Profit before tax US\$m	1H07	2H07	1H08	2H08	1H09	% change vs	
						1H08	2H08
Total operating income	831	1,080	1,306	1,362	1,369	+5	+1
Loan impairment charges and other credit risk provisions	(10)	(45)	(41)	(238)	(391)	+854	+64
Net operating income	821	1,035	1,265	1,124	978	-23	-13
Total operating expenses	(333)	(468)	(460)	(499)	(482)	+5	-3
Operating profit	488	567	805	625	496	-38	-21
Share of profit in associates and joint ventures	118	134	185	131	147	-21	+12
Profit before tax	606	701	990	756	643	-35	-15
Cost Efficiency Ratio	40.1%	43.3%	35.2%	36.6%	35.2%		

The 2007 PBT analysis above has not been previously published and therefore not subject to external audit

Financial overview

Summary of reported results (cont'd)

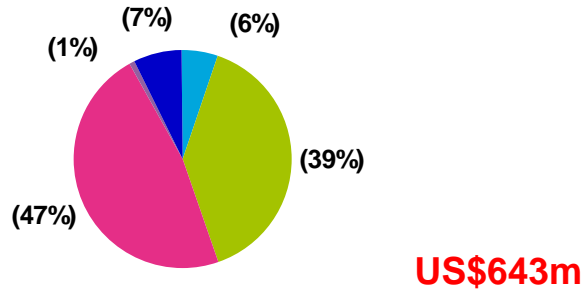
Profit before tax US\$m	1H07	2H07	1H08	2H08	1H09	% change vs	
						1H08	2H08
Egypt	72	81	115	108	120	+4	+11
United Arab Emirates	295	322	522	339	311	-40	-8
Other	128	172	178	189	70	-61	-63
Total Middle East (excluding Saudi Arabia)	495	575	815	636	501	-39	-21
Saudi Arabia	111	126	175	120	142	-19	+18
Total Middle East	606	701	990	756	643	-35	-15

Financial overview

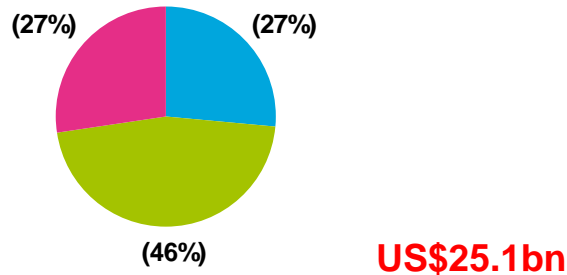
Summary of reported results (cont'd)

Business mix, 1H09

Profit / (loss) before tax

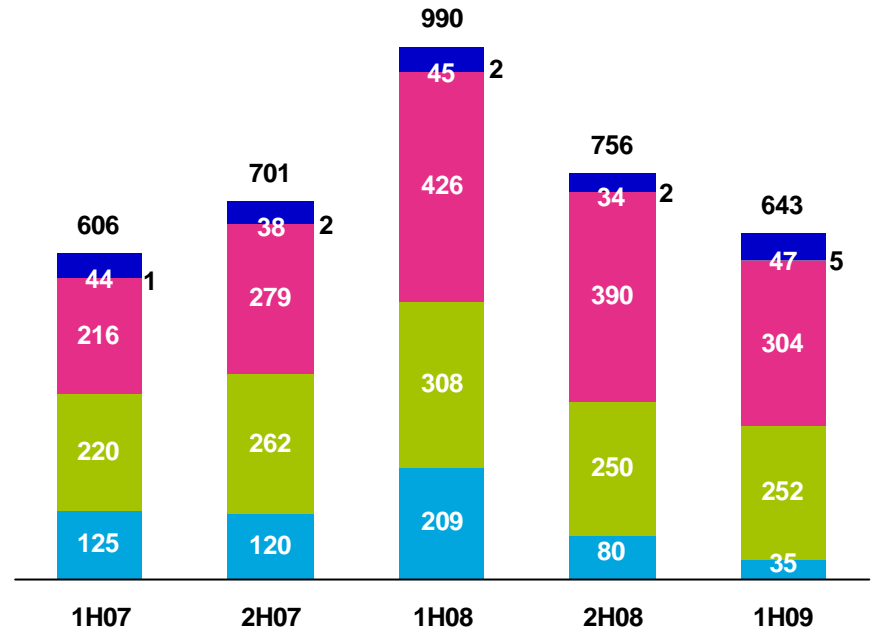


Customer lending, 30 Jun 09



Business mix, 1H07 – 1H09

Profit / (loss) before tax, US\$m



- Personal Financial Services
- Commercial Banking
- Global Banking and Markets
- Private Banking
- Other

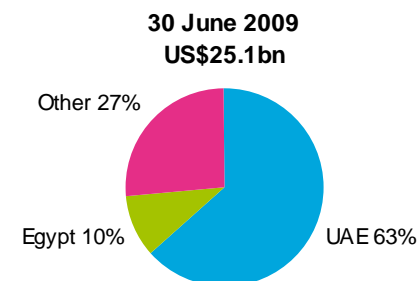
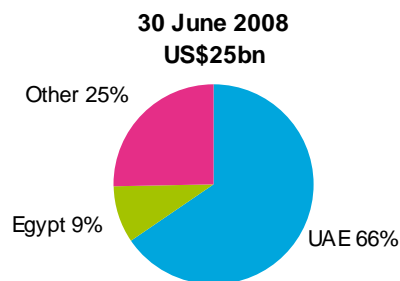
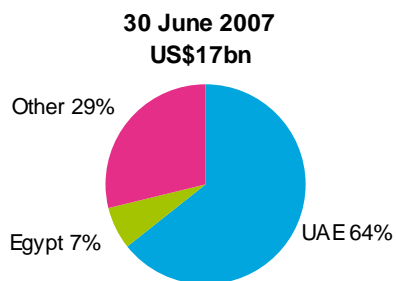
Financial overview

Summary of reported results (cont'd)

Customer Loans and Advances to Customer Accounts Ratio

US\$m	1H07	2H07	1H08	2H08	1H09
Customer loans and advances	17.0	21.6	25.0	27.3	25.1
Customer accounts	26.3	30.9	36.3	35.2	34.3
Advances to Deposits Ratio UAE	71%	76%	79%	89%	82%
Advances to Deposits Ratio Egypt	36%	46%	42%	46%	44%
Advances to Deposits Ratio Middle East	65%	70%	69%	78%	73%

Loans and advances to customers (net) by country



■ UAE ■ Egypt ■ Other

Financial overview

Summary of reported results (cont'd)

Loan impairment charges and other credit risk provisions	US\$m			% of avg advances annualised		
	1H08	2H08	1H09	1H08	2H08	1H09
Personal Financial Services	65	158	244	2.26	4.55	7.10
Commercial Banking	(23)	68	83	(0.40)	1.05	1.36
Global Banking and Market	0	12	64	0	0.38	1.92

PFS increase due to default rates on Consumer Lending, notably credit cards and personal lending in Dubai

CMB increase due to decline in local business operating activity and some significant large business groups in difficulty, also reflected in Global Banking and Markets

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

HBME Strategy

PFS

Strengthen share of market competitive advantage

Focus on Premier and Advance customers and rationalise the product suite

Grow HSBC Premier customers with high cross-sell ratio and growing deposits. Premier customers have increased 14% since 2008

Invest in enhancing Customer Service and Brand

Roll out of One HSBC systems – Retail Distribution, Cards and Collections

Migrate customers from branches to direct channels and implement Direct Banking within branches

CMB

To be the leading international business bank and the best bank for business

Finance international trade and service customers at both ends of a cross-border transaction

Drive small business acquisition via liabilities and transaction banking services

Work in partnership with Premier, Private Banking and Insurance on referrals and cross sales

Continue to be an active incubator for new business and generator of cross sales

Private Banking

Concentrate on high net wealth section delivering a comprehensive service

Saudi Arabia, Abu Dhabi and Qatar priority markets

Leverage “joined up” approach with GB&M and referral initiatives between HBME, SABB & HBEG

Disciplined focus on “Troika” concept for Investment Advisory

Roll out “Private Ledger facility”

HBME Strategy

Global Banking and Markets

A top relationship and coverage bank, and a leader in financial markets, recognized for industry and sector expertise

Continue to grow and expand franchise with existing clients

Expand relationship resources covering financial institutions and non-bank financial institutions sectors

Enhance ground relationship coverage in key Middle East markets

Sustain market leading positions in Private and Export Finance, Custody services and Sukuk debt arranging

Continue to build out Markets business

Focus advisory services on key client needs

Amanah

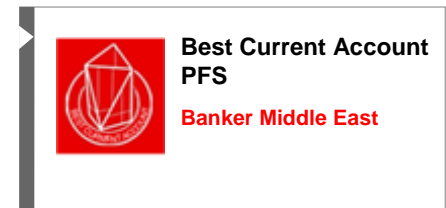
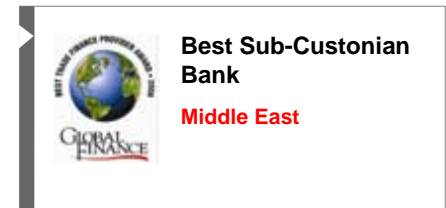
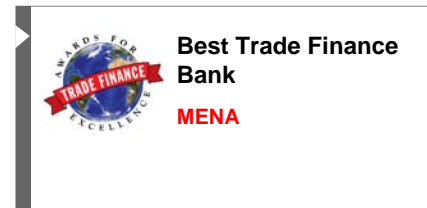
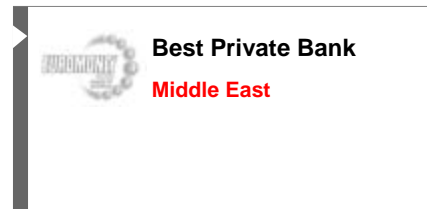
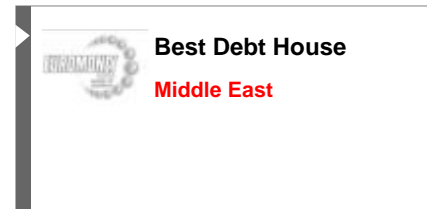
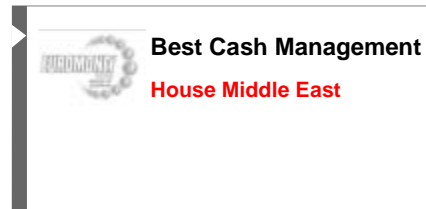
Position HSBC as the premier, cross-border financial institution serving the Shariah compliant financial needs of retail, corporate and institutional needs

Increase market share in Islamic finance in key emerging markets




Put in place a comprehensive Amanah retail and corporate customer proposition in key GCC markets

Ensure the Amanah brand, is widely respected, recognised and trusted to deliver the highest standards of Shariah integrity

Recognition



Summary

-  **Largest and most successful international bank in the region**
-  **Long-established franchise and reputation**
-  **Remains open to grow business and support our core personal and corporate customers**
-  **Capital, liquidity and breadth of earnings provide opportunity to grow despite the crisis**
-  **Middle East to continue as a significant contributor to HSBC Group, in line with emerging markets-led strategy**