

HSBC Holdings plc and HSBC Bank Middle East Limited

October 2010



Presentation to Fixed Income Investors

Forward-looking statements

- This document is issued by HSBC Bank Middle East Limited.
- 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. They involve known and unknown risks and uncertainty, the nature of which may cause actual results, performance or events to differ materially from those expressed or implied in such statements.. Additional detailed information concerning important factors could cause actual results to differ materially from what 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.

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HSBC Group

HSBC 
The world's local bank

Overview

History and development of HSBC

1865		Established in Hong Kong and Shanghai
Asia and Middle East		
1959		British Bank of the Middle East purchased
1965	Hong Kong	Acquired majority of Hang Seng Bank
1986	Australia	Established Hongkong Bank of Australia
2002	China	Investment in Ping An Insurance – now 16.78%
2004	China	Investment in Bank of Communications – now 19.01%
2008	Taiwan	Assumed The Chinese Bank
2009	Indonesia	98.96% of PT Bank Ekonomi acquired
Latin America		
1997	Argentina	Acquired Banco Roberts
1997	Brazil	Assumed Banco Bamerindus do Brazil
2002	Mexico	Acquired 99.59% of Grupo Financiero Bital
2006	Panama	Purchased Grupo Banistmo
Europe		
1992	UK	Purchased Midland Bank plc
2000	France	Investment in 99.99% of CCF's equity
North America		
1981	Canada	Hongkong Bank of Canada established
1987	USA	Purchased Marine Midland Bank
1999	USA	Republic New York Corp purchased
2003	USA	Household International, Inc. purchased

HSBC Holdings plc at 30 June 2010

Market capitalisation	US\$161bn
Total assets	US\$2,418,454 m
Total equity	US\$143,323m
Countries and territories	87
Offices	8,000
Staff numbers (FTE)	287,571

Staff Numbers at 30 June 2010

Hong Kong	28,397	10%
Rest of Asia-Pacific	88,605	31%
Middle East	8,264	3%
Latin America	54,886	19%
Europe	73,431	25%
North America	33,988	12%
Total	287,571	100%

Strategy

Delivering superior growth and earnings over time

Our heritage

- Asian trade origins
- Deep roots in many geographies
- International management culture
- Financial strength

Our strategy

- Align presence with global trends
- Invest primarily in developing markets
- Focus developed markets businesses on international connectivity
- Maintain financial strength

Shaping our business

Reshape business to focus on fast growing (emerging) markets and markets with connectivity

Personal Financial Services:
use our global scale and local knowledge to grow profitably in selected markets

Commercial Banking:
the leading international business bank

Global Banking & Markets:
emerging-markets led and financing-focused wholesale bank

Private Banking:
a world leading international private bank integrated into a unique distribution network

Insurance:
aim to double contribution to 20% of Group Profit Before Tax

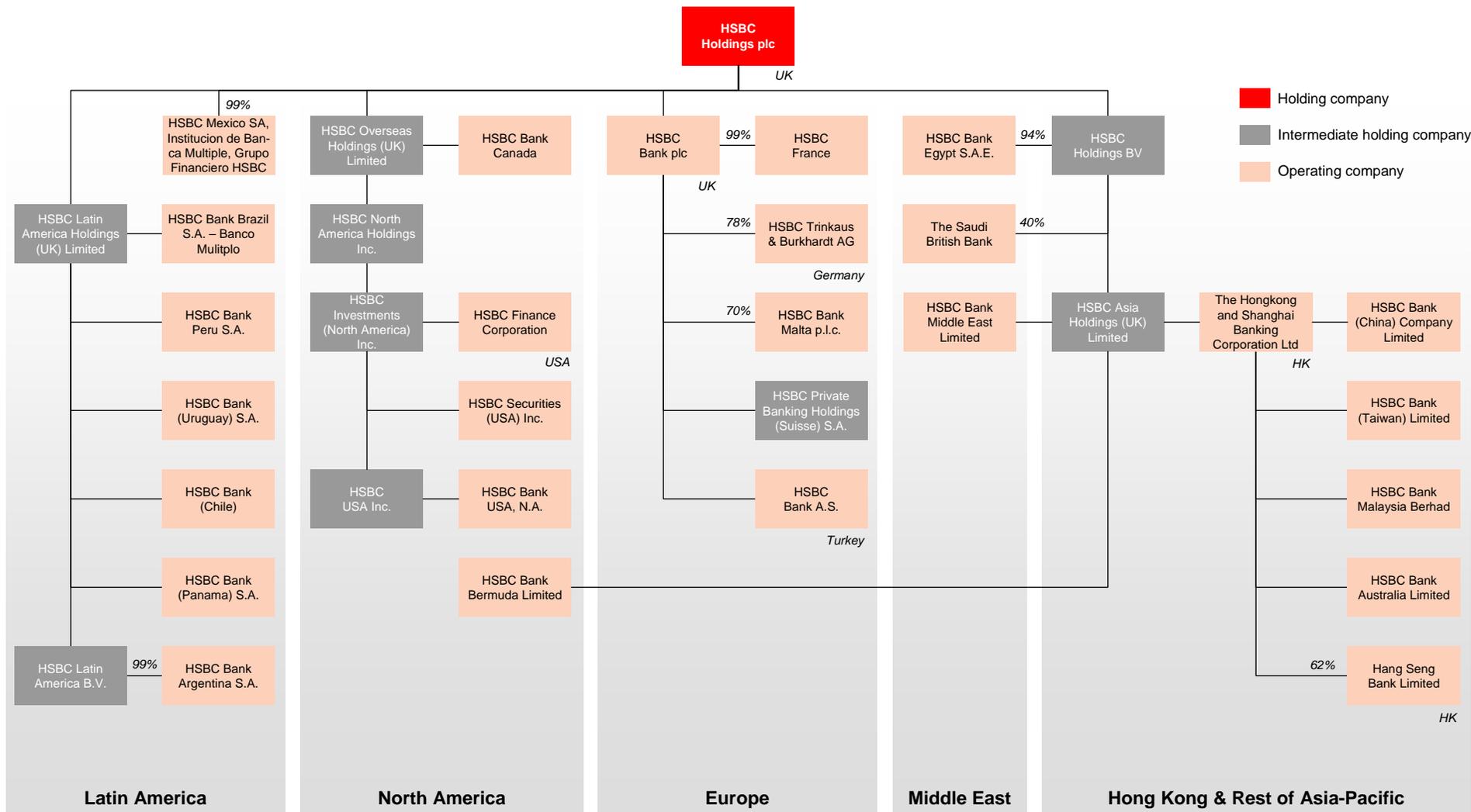
Global Trends

- Emerging markets growing faster than rich countries
- World trade growing faster than GDP
- Longevity increasing virtually everywhere

Our tactics

- Leverage brand and network to increase revenues
- Use scale to maximise efficiency
- Align objectives and incentives to ensure our people are engaged

Simplified structure chart



Notes:

(1) All entities wholly owned unless shown otherwise (part ownership rounded down to nearest percent)

(2) At 30 June 2010

HSBC Holdings plc Financial Performance, 1H10

IFRS

Financial overview

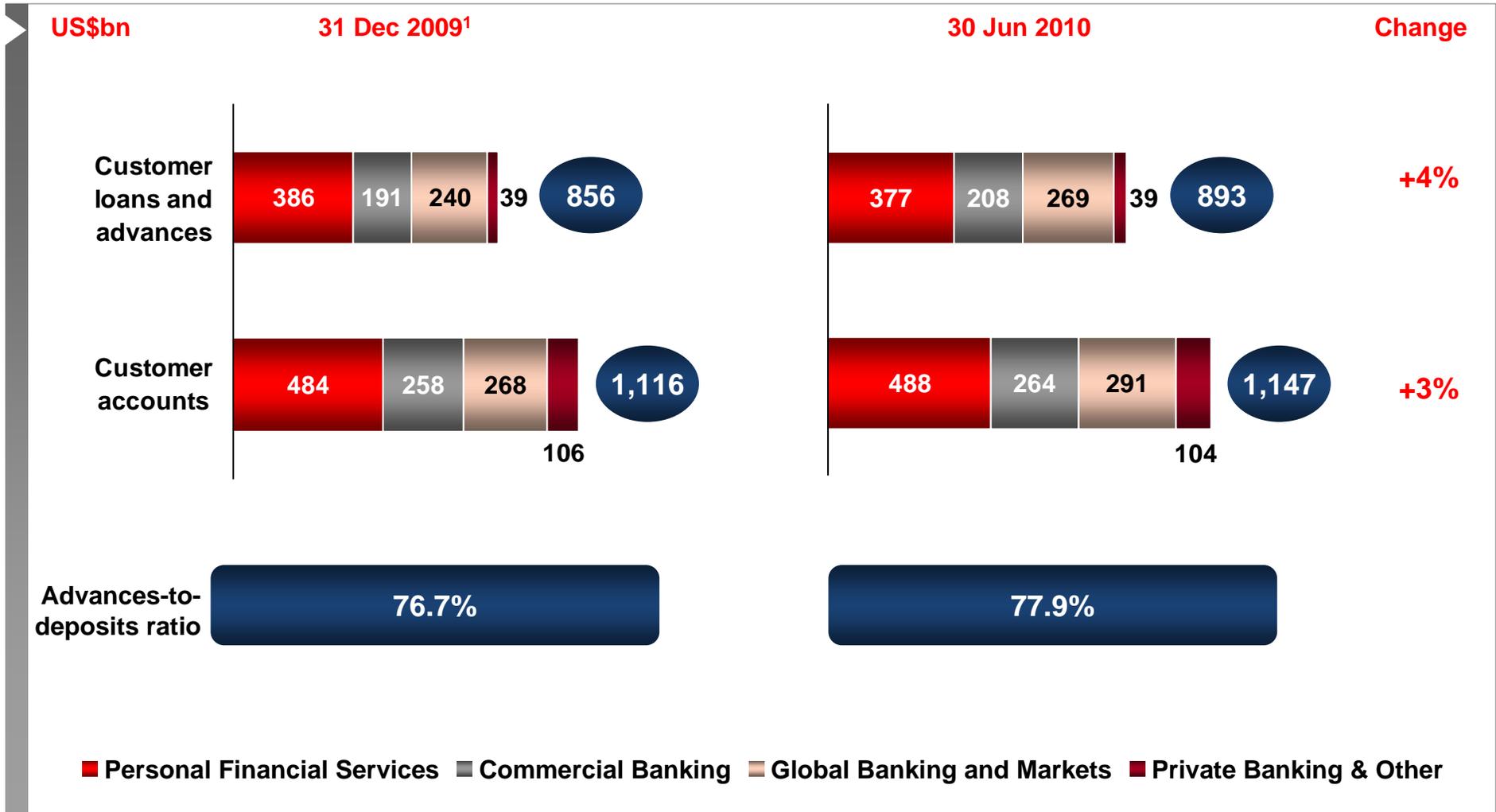
Summary of reported results

US\$m	1H09	2H09	1H10	% Better / (worse)	
				1H09	2H09
Income ex changes in FV of own debt due to credit spread	37,198	35,516	34,477	(7)	(3)
Loan impairment charges ¹	(13,931)	(12,557)	(7,523)	+46	+40
Operating expenses	(16,658)	(17,737)	(18,111)	(9)	(2)
Associates and joint ventures	867	914	1,187	+37	+30
Profit before tax, ex changes in FV of own debt due to credit spread	7,476	6,136	10,030	+34	+63
Changes in FV of own debt due to credit spread	(2,457)	(4,076)	1,074	n/m	n/m
Profit before tax	5,019	2,060	11,104	+121	+439
Profit after tax	3,733	2,961	7,248	+94	+145

Note:

(1) Loan impairment charges and other credit risk provisions

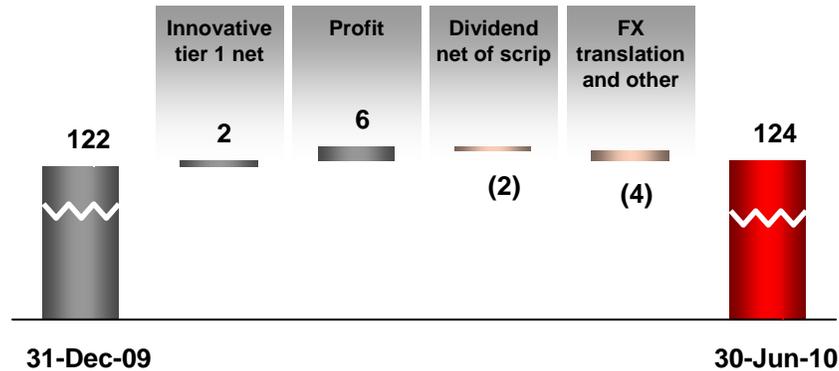
Maintaining our funding strength



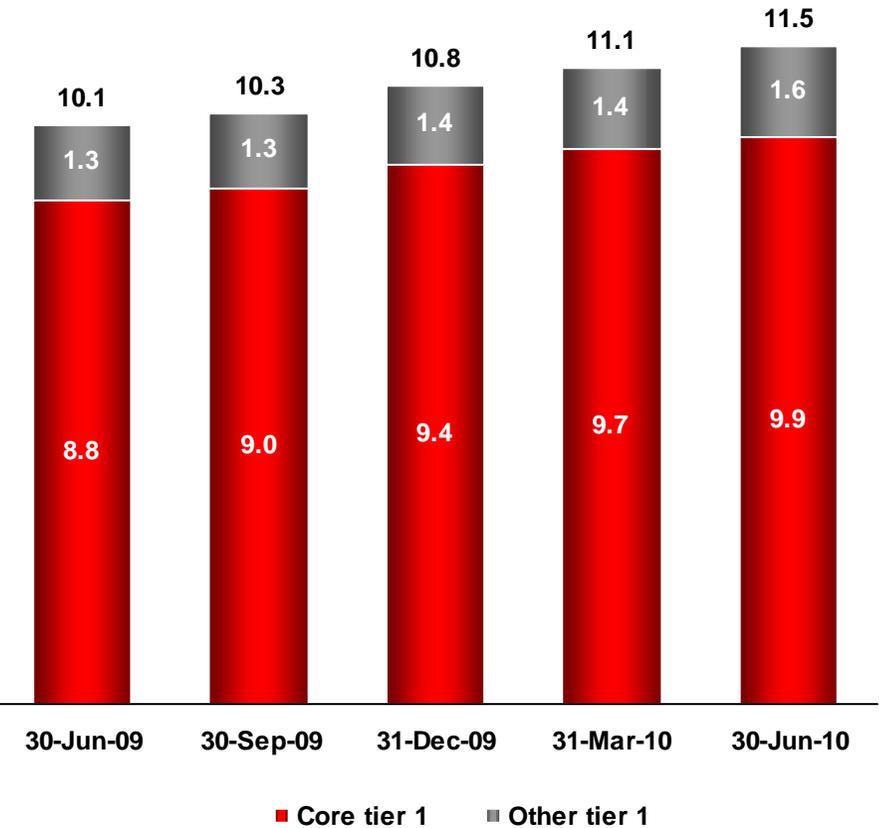
Note:
(1) Underlying basis

Further strengthening the capital base

Movement in tier 1 capital
US\$bn



Tier 1 ratio (%)

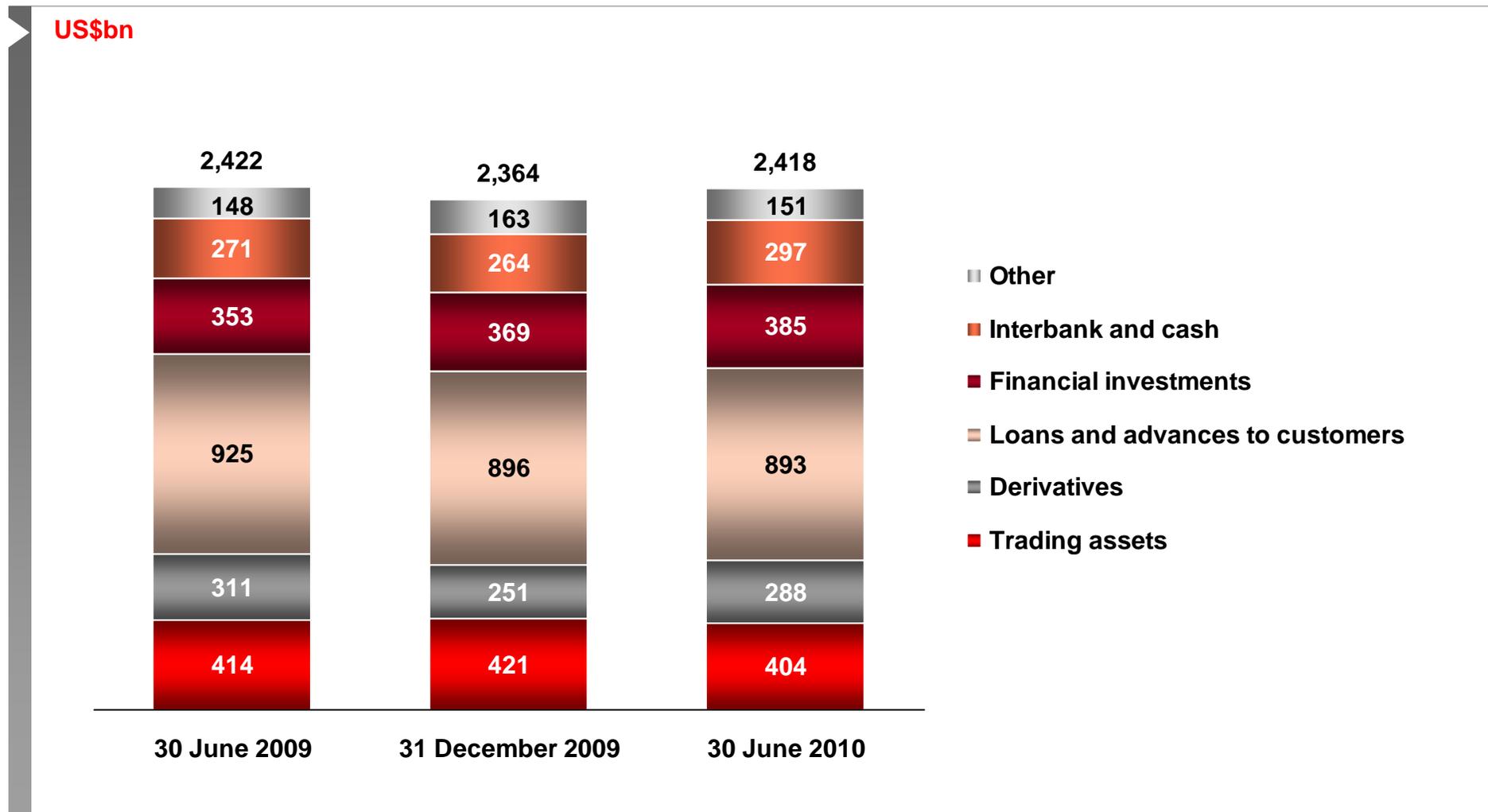


Risk-weighted assets
US\$bn

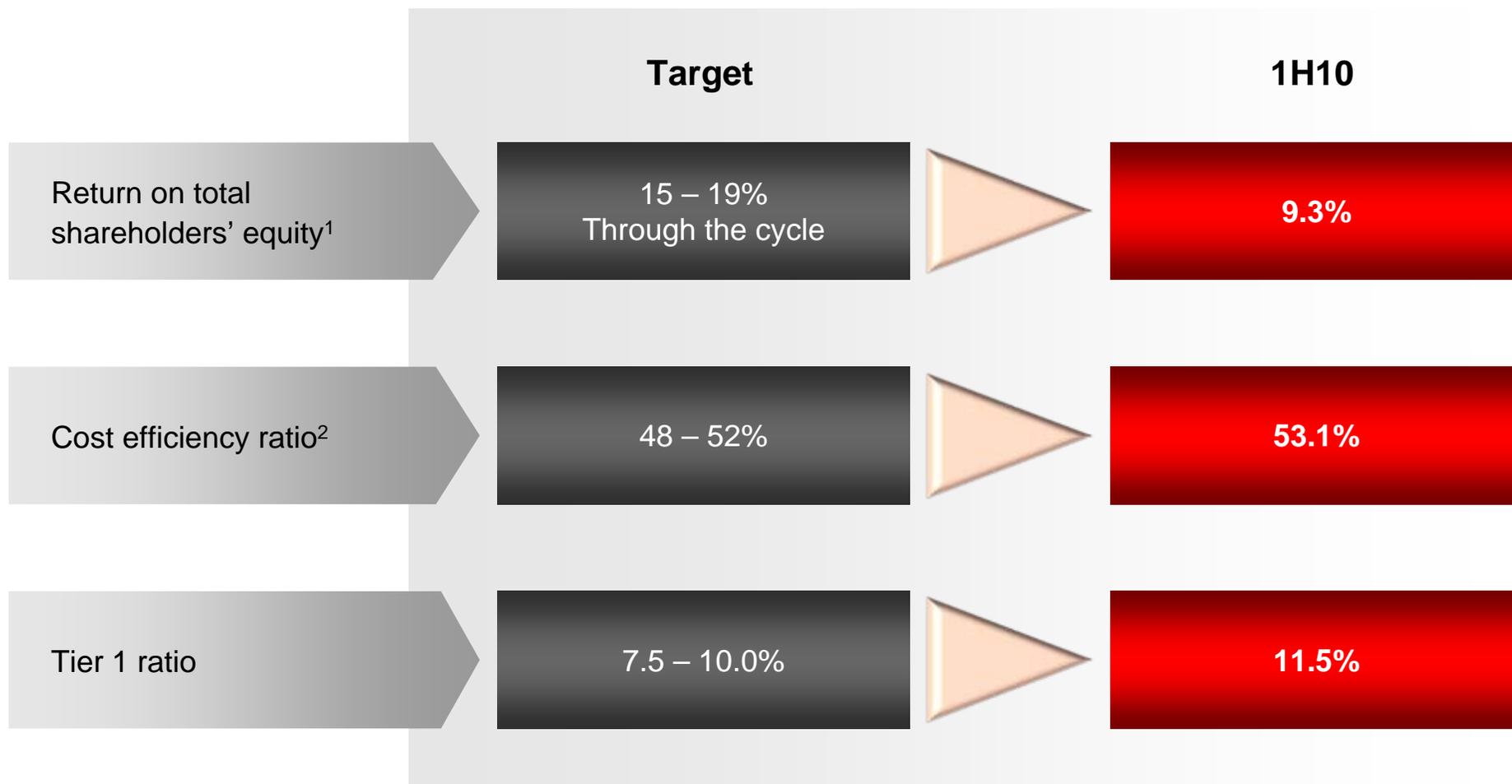


Managing balance sheet risk

Movement in Group consolidated assets



Moving to the benchmark targets



Notes:

(1) Excludes change in FV of own debt designated at FV due to credit spread

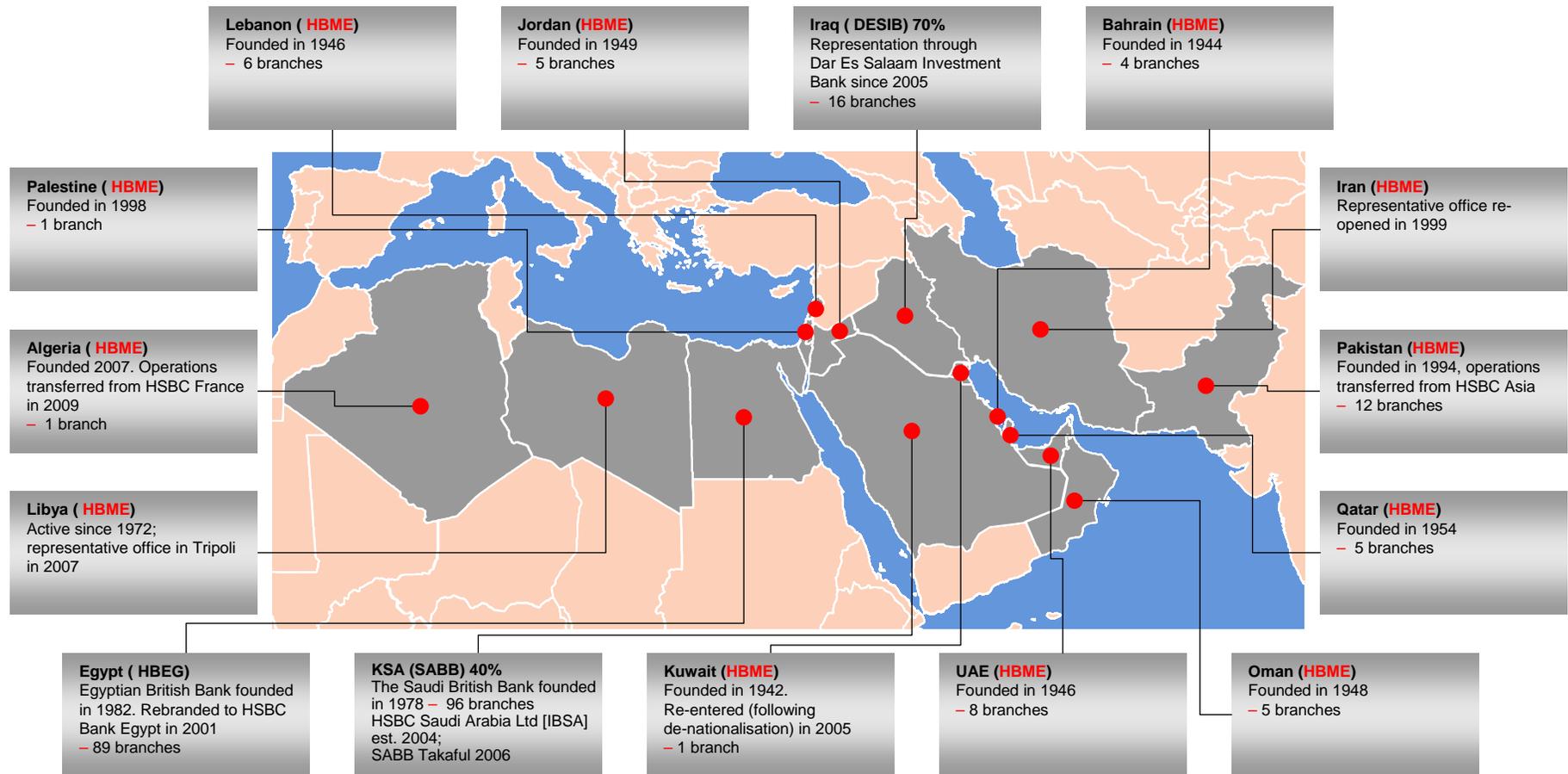
(2) Underlying basis

HSBC in the Middle East

Largest international bank network in the region

...and HSBC Bank Middle East Limited¹ is an integral part of the region

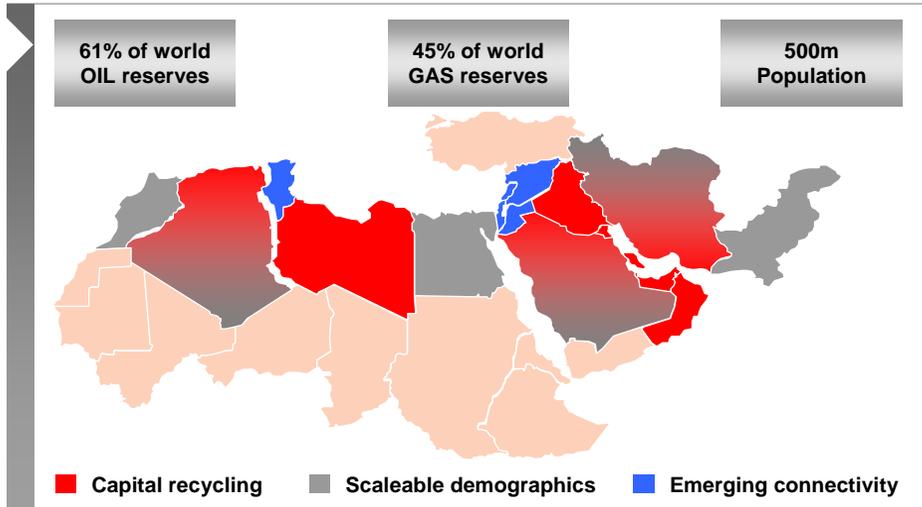
No Middle East bank has HSBC's international presence
 No international bank has HSBC's presence in the Middle East



(1) HBME = HSBC Bank Middle East Limited

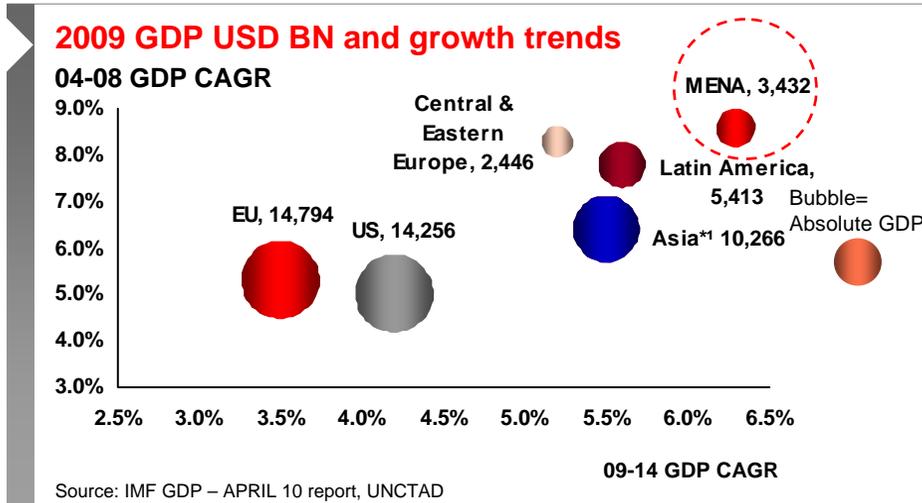
Long term economic growth potential

Infrastructure development, surplus oil and gas revenues, populous domestic demand



Middle East region fundamental to Group emerging markets led strategy

Wider Middle East region offers lucrative opportunities



HSBC wins by providing connectivity and expertise

Note:

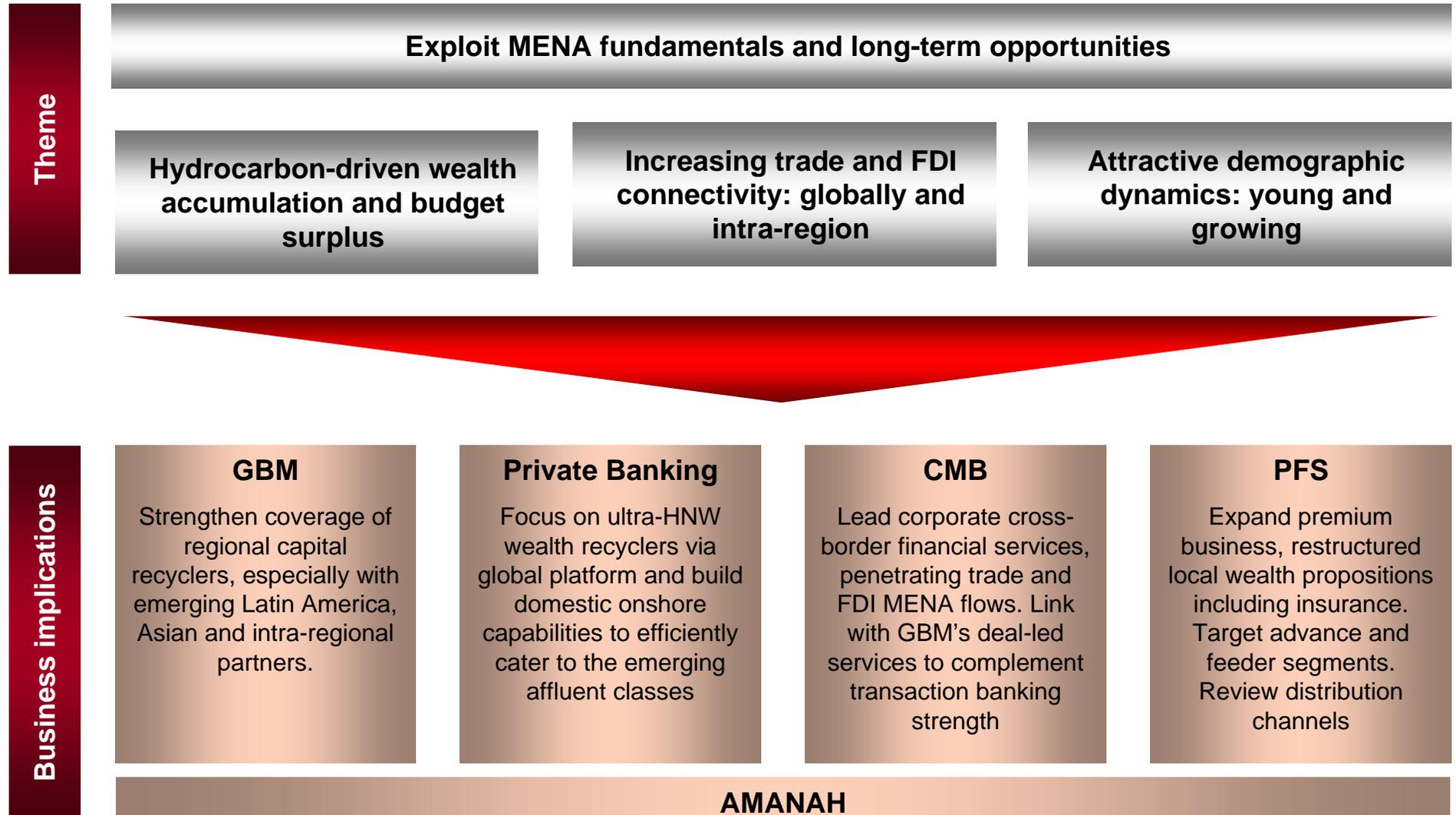
SOURCES: HSBC Global Research

(1) ASIA—excluding India & China. Note: China 2008 GDP of USD7,916 billion (04-08 GDP CAGR of 14%, 09-14 GDP CAGR of 11%), whereas India had a GDP of USD3,288 billion (04-08 CAGR 12%, 09-14 CAGR 9%)

(2) MENA includes Pakistan

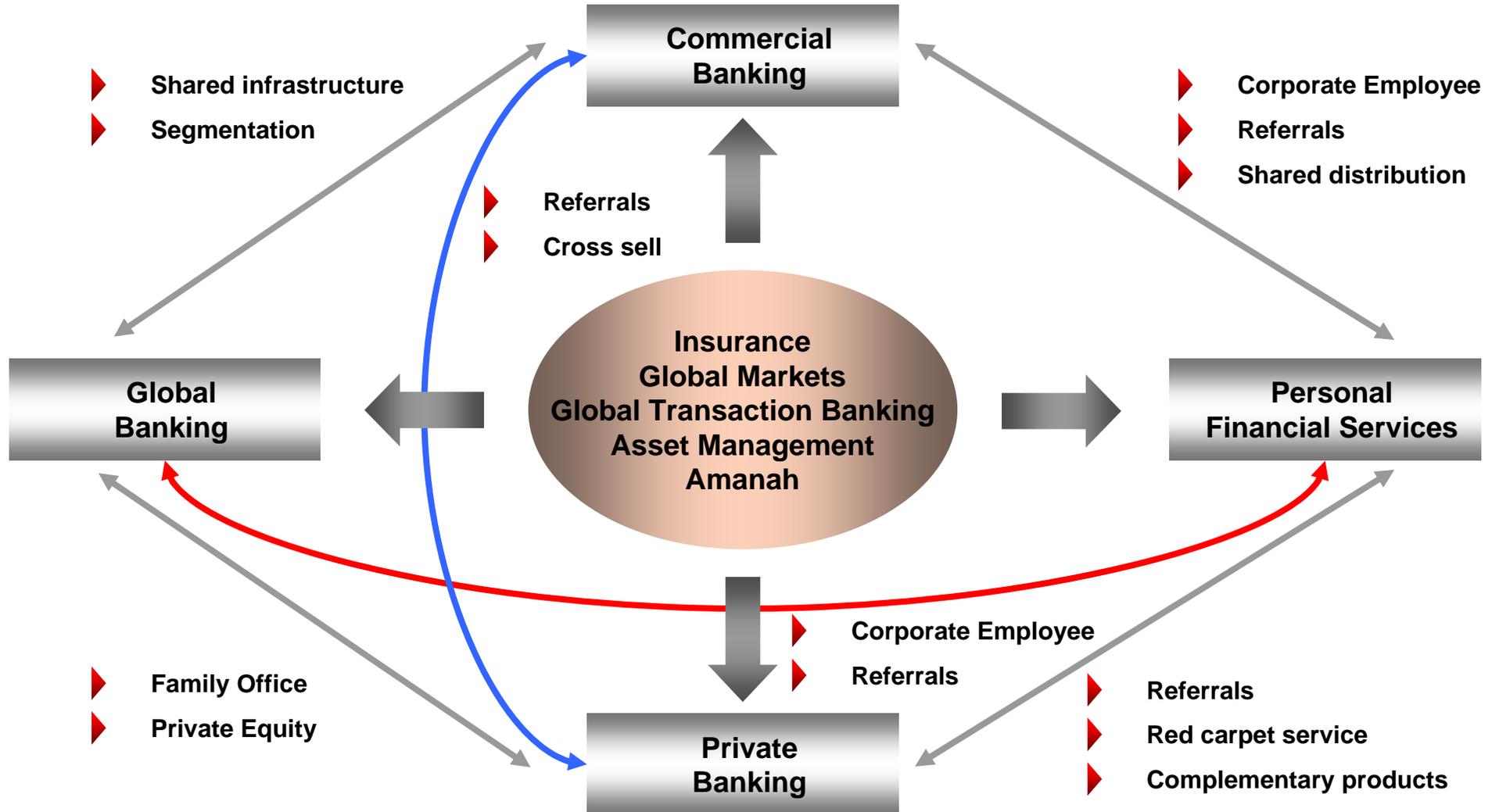
Integrated Business Model

MENA's economic dynamics play to HSBC's core strengths: connectivity, regional presence and global reach



Cross-business opportunities

Internal alignment allows us to capitalise on market opportunities



HSBC in the Middle East – Financial Performance, 1H10

Financial overview

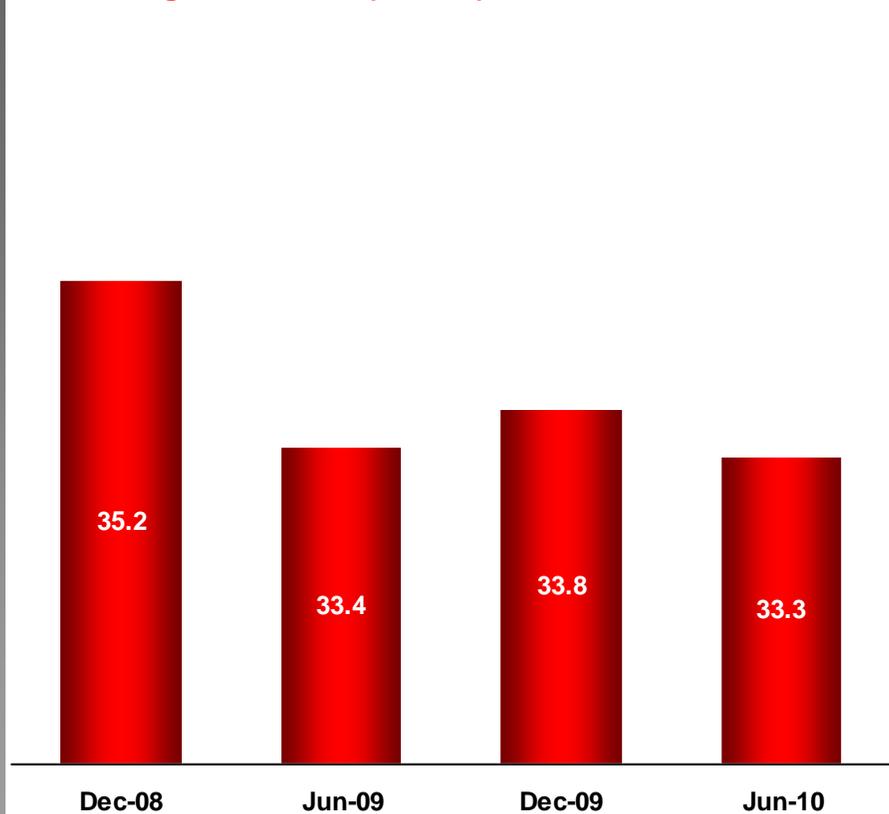
Summary of reported results

US\$m	2008	2009	1H09	2H09	1H10
HSBC Bank Middle East Limited					
Income	2,275	2,215			
Loan impairment charges	(285)	(1,273)			
Operating expenses	(820)	(873)	<i>Not Published</i>		
Share of profit from associates	22	4			
Profit before tax	1,192	73			
Middle East Region, Profit before tax					
UAE and other (mainly HSBC Bank Middle East Ltd)	1,228	38	381	(343)	161
Egypt (based on HSBC's shareholding)	223	224	120	104	78
Saudi Arabia (based on HSBC's shareholding)	295	193	142	51	107
Total Middle East	1,746	455	643	(188)	346

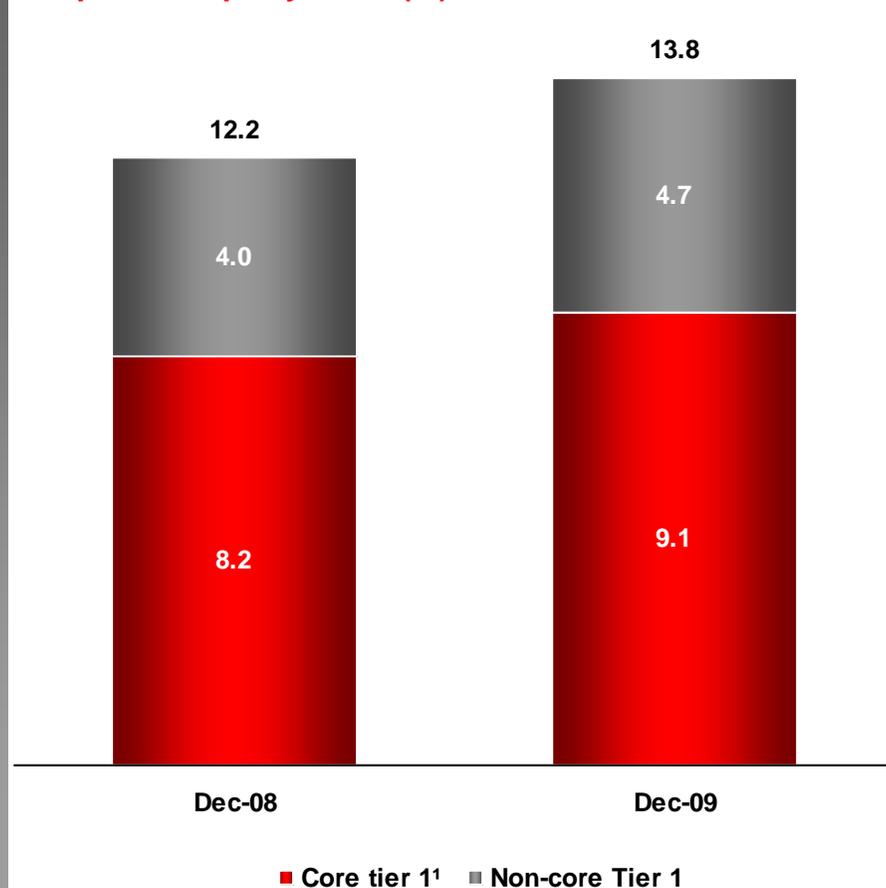
Capital strength

Strong capital ratio

HSBC Bank Middle East Limited
Risk-weighted assets (US\$bn)



HSBC Bank Middle East Limited
Capital Adequacy Ratio (%)

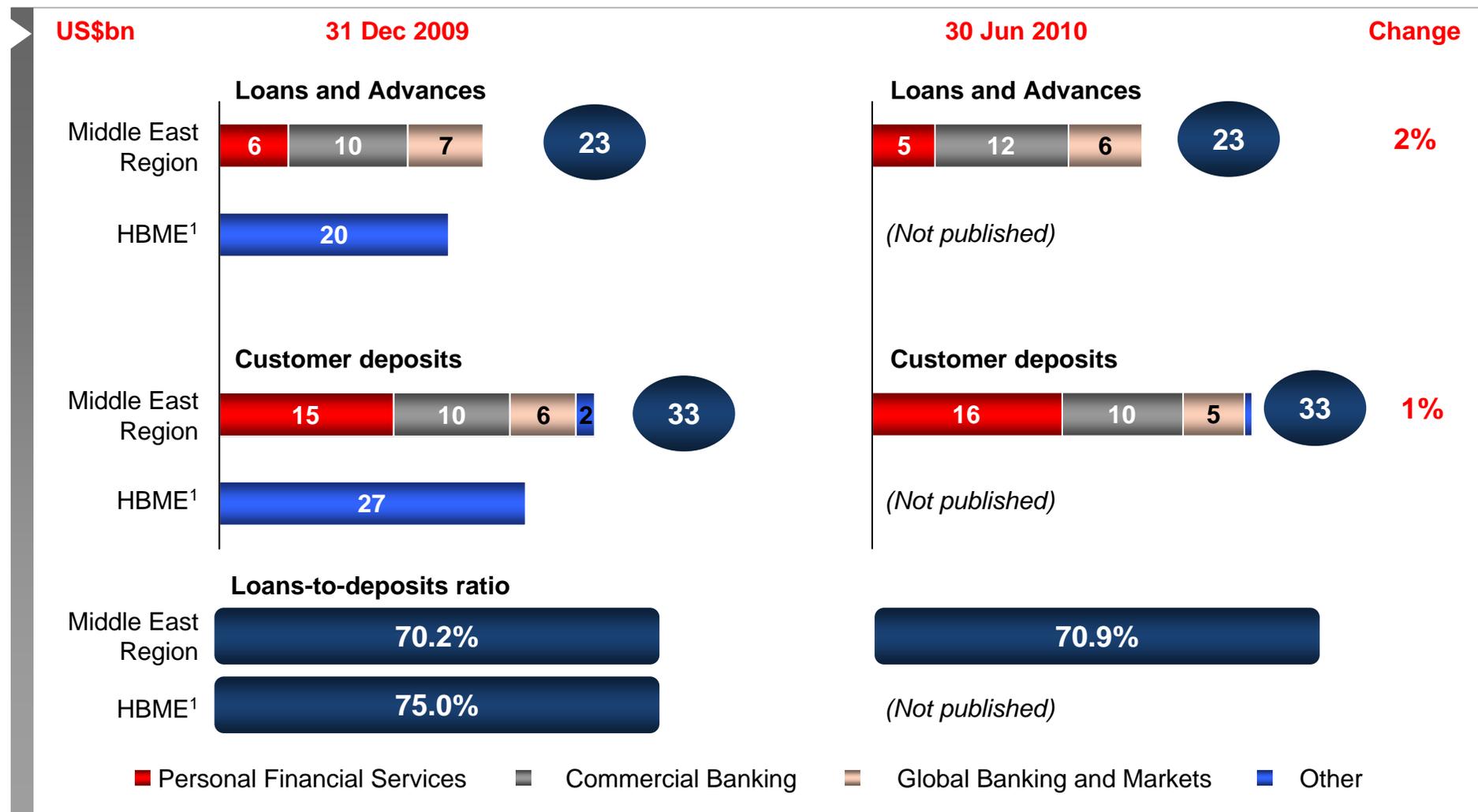


Note:

(1) Core tier 1 capital represents tier 1 capital excluding preferred shares and non-controlling interest in subsidiary and trust

Funding

Loans and advances fully funded by deposits



Note:
 (1) HBME = HSBC Bank Middle East Limited

HSBC Bank Middle East Limited

Well positioned for sustainable growth

Macro position and outlook are positive: demographics, trade, oil and gas

Unrivalled presence and connectivity

Core component of HSBC's strategy

Strong regional management team, to fully exploit the opportunity

Credit issues in resolution through decisive action; indicators suggest worst is behind us

Robust leverage and capital ratios (including core)

Strong balance sheet and liquidity

AA- long term rating from Fitch, and A1 long term rating from Moody's

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