



22 September 2011

Investor Presentation

HSBC Middle East & North Africa Region

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HSBC 

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 and Accounts 2010 and Interim Statement 2011. 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 are provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at www.hsbc.com.

Agenda

- HSBC in the Middle East and North Africa (MENA)
- MENA Regional Economic update
- Interim Results 1H 2011
- Strategic Direction & Actions

A key segment in HSBC's emerging market strategy

Leading international bank in the region connecting Middle East & North Africa with the rest of the world and capturing its opportunity

HSBC Group

To be the world's leading international bank

Our strategy is aligned with global trends: growth in faster growing markets and longevity

Reshaping delivery through improved capital deployment and cost efficiency while positioning for growth

Strength in capital management and liquidity

HSBC in the Middle East

Leading international bank connecting Middle East & North Africa

Positive regional demographics, young rapidly growing populations, under-banked

Building on connectivity and scale in our businesses to key markets in the region, alongside improved cost efficiency

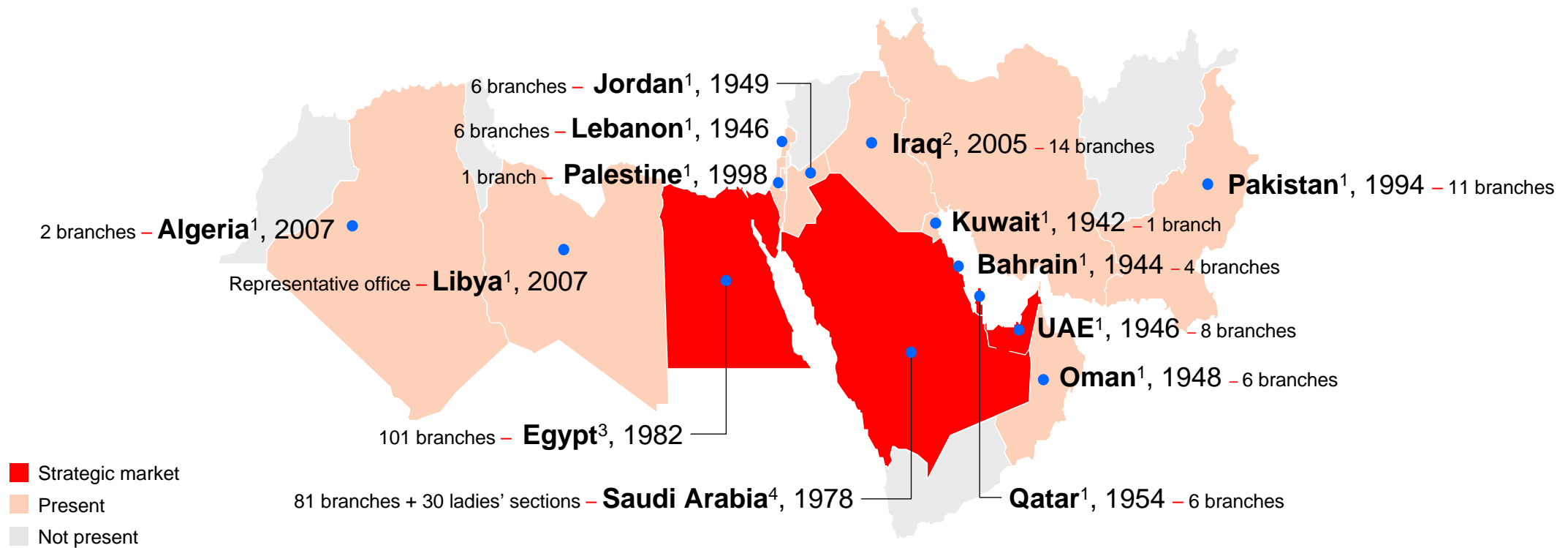
Robust management, set against prudent and sustainable targets

HSBC position and competitive advantages

Largest international bank network in the region with over 50 years of history



HSBC business landscape in MENA: Over 250 branches and offices*



Notes: * As at H1 2011

(1) HBME – HSBC Bank Middle East Ltd.

(2) DESIB (HSBC ownership 70%) – Representation through Dar Es Salaam Investment Bank.

(3) HBEG (HSBC ownership 94%) Egyptian British Bank founded in 1982. Rebranded to HSBC Bank Egypt in 2001.

(4) SABB (HSBC ownership 40%) – Saudi British Bank. HSBC Saudi Arabia Ltd (IBSA) est. 2004 (HSBC ownership 60%). SABB Takaful est. 2006 (HSBC ownership 32%)

Key Business Lines overview

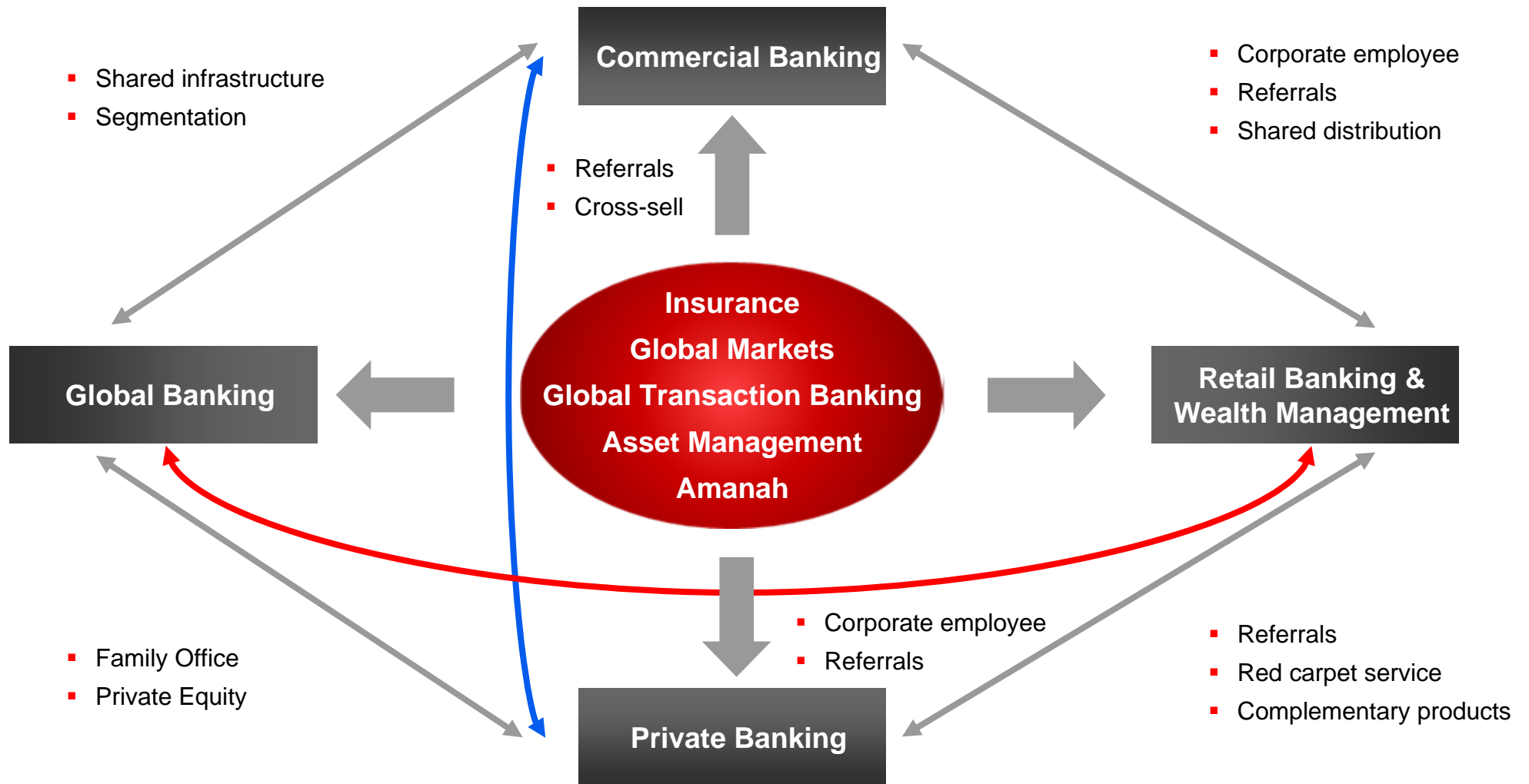
HSBC in the Middle East & North Africa – 1H 2011¹

	Commercial Banking (CMB)	Retail Banking & Wealth Management (RBWM)	Global Banking & Markets (GBM)	Global Private Banking (GPB)
Total Assets	26%	11%	59%	<1%
Total Operating Income	36%	31%	34%	<1%
	<ul style="list-style-type: none"> Global connectivity through Group HSBC network; capturing business throughout customer transactions Leading international bank in the region capturing MENA trade and FDI flows Established banking relationships with the top regional and international companies Focus on transactional products, increase Trade finance, growth in international SMEs 	<ul style="list-style-type: none"> Group developed RBWM solutions and investment products for faster growing and mature markets Unparalleled connectivity with affluent expatriates and diaspora in the region Positioned to capture rising personal and entrepreneurial wealth flows Connectivity with and access to GPB capabilities as wealth accrues 	<ul style="list-style-type: none"> Cross-border leadership, Group network connectivity, global platforms Focus on sustainable revenue markets, active risk management Support multinational clients as they invest within and beyond the region. Long term SWF relationships. Established and recognised regional presence in DCM, ECM, Project Finance - conventional & Islamic 	<ul style="list-style-type: none"> Global offshore platform. Developed, investment solutions Leading position through our franchise in the wealthiest markets, to meet individual wealth needs Enhanced wealth opportunities for GPB clients through access to GBM and CMB connectivity and capabilities, on & offshore

Note:

(1) HSBC Holdings Plc Interim Report & Accounts – Analysis on Middle East Region, 30 June 2011.

Internal alignment allows us to capitalise on market opportunities



MENA Regional Economic update

2011: Weakened global recovery and Unprecedented socio-political change in MENA

Threats

- Global economic recovery significantly challenged 2Q-3Q 2011
- Sentiment weakening further, heightened concerns over potential sovereign default

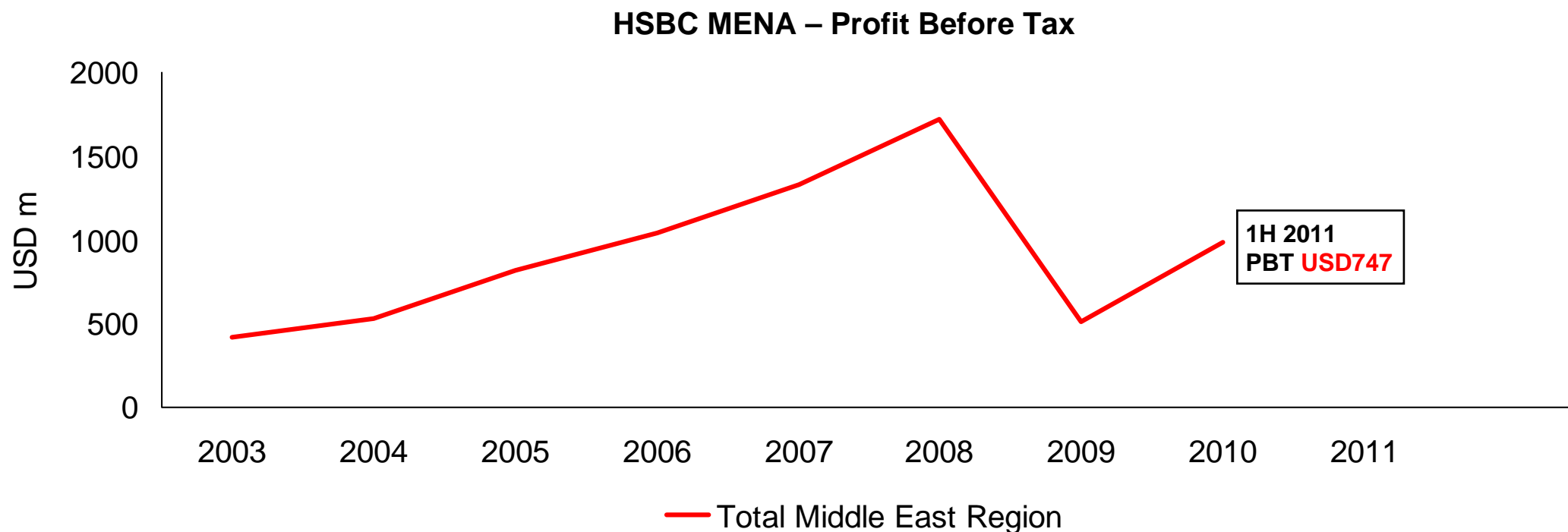
MENA

- Oil price drop, though unlikely to re-create crisis, would result in further headwinds
- Region impacted by reduction in capital flows, despite sovereign reserves
- Banking sector - credit lines remain constrained
- Combined elements could potentially affect recovery/refinancing programmes

Strengths

- Weakening global economies impact MENA, and there are obvious local political risks, but:
- MENA today better placed than in 2008 public finances more stable
 - fewer fiscal vulnerabilities
 - asset prices still depressed, expect to steer well clear of another crisis
- MENA economic performance relatively robust by global standards:
 - home to significant commodity suppliers
 - not as burdened by debt as key Western economies
 - wealthy region

Boom, Bust and Recovery



- Results clearly highlight Middle East credit boom and subsequent bust
- Long term trend line seeks to return to steady, sustainable growth
- Macro Economic fundamentals remain strong

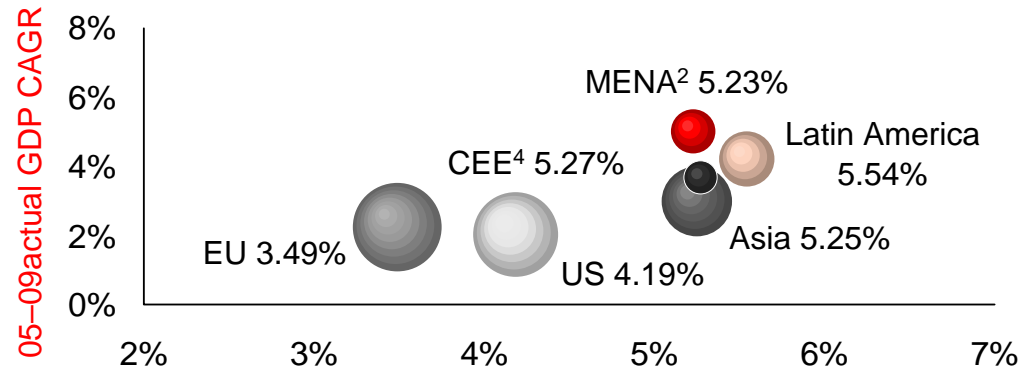
Key trends for MENA

Economic growth potential: Infrastructure development, hydrocarbon revenues, domestic demand



GDP growth trends

YoY GDP growth, %¹



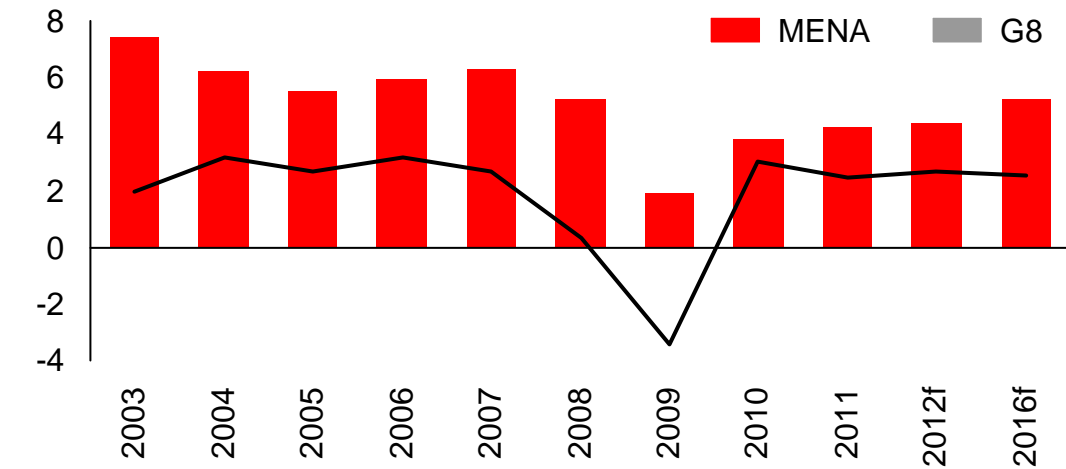
10-15 forecast GDP CAGR

Legend: ● CEE (2,334), ● MENA (3,720), ● Latam (5,965), ● Asia (9,786), ● US (14,119), ● EU (14,770)
 USD bn

Bubble diameter= 2009 recorded GDP

GDP Growth

% YoY¹



Legend: ■ MENA, — Advanced Economies³

58% of world oil reserves

45% of world gas reserves

270m population

- IMF forecasts 1Q11: continuation of robust regional growth despite impact of 'Arab Spring' in affected countries
- Historic growth trends proven, underpinned by increasing economic strength
- Strong underlying fundamentals of geography, oil, gas and demographics remain for long term

Notes:
 (1) Source: IMF April 2011 World Economic Report; HSBC Global Research Economists Report.
 (3) IMF definition "Advanced Economies" includes US, UK, Euro Area (13 countries), Japan and 19 other advanced economies

(2) Middle East & North Africa population excludes Iran and Pakistan.
 (4) CEE - Central & Eastern Europe

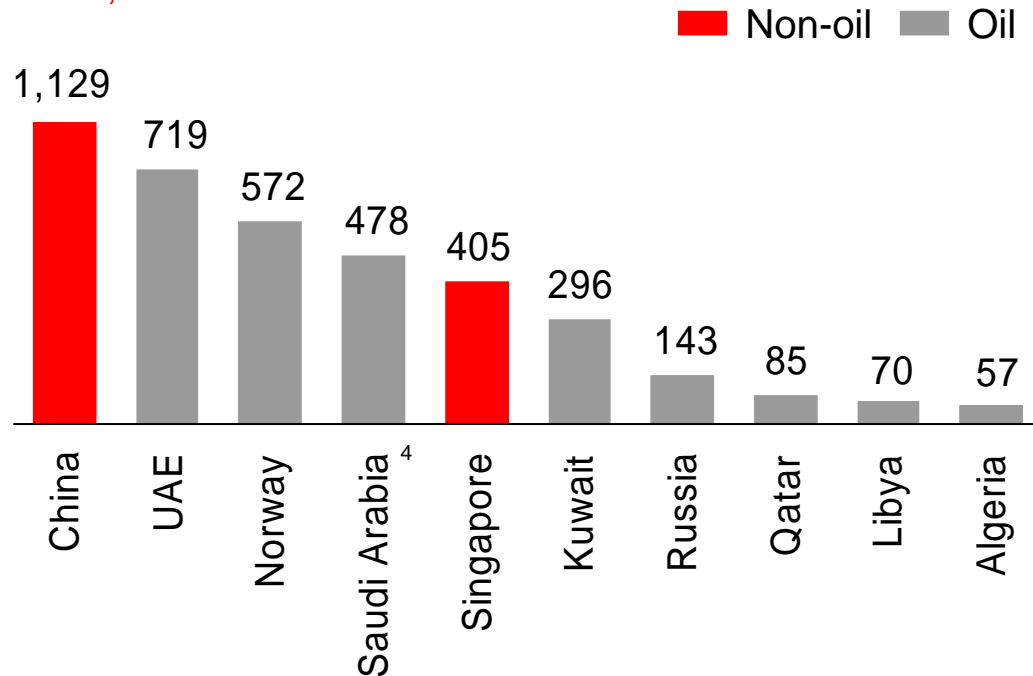
Key trends for MENA

Capital and wealth recycling – diversifying investment portfolios globally



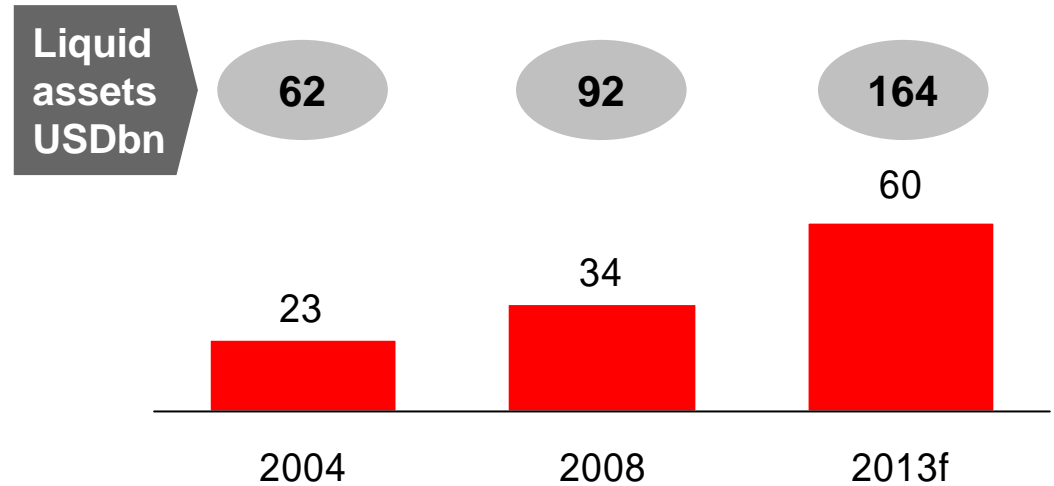
Sovereign Wealth Funds

Assets, USDbn¹



GCC² HNWI³ growth

Individuals, thousands



- Six out of world's Top 10 largest Sovereign Wealth Funds are in the Middle East
- International and regional capital recycling opportunity in addition to local and regional infrastructure investment
- Rapid accumulation of private wealth and growing mass affluent segment; increasing demand for Mature and Faster Growing Markets solutions

¹ World Ranking September 2011. Sovereign Wealth Fund Institute
³ Definition: Data Monitor HNWI – High Net Worth Individual
 Sources: Sovereign Wealth Fund Institute; World Investment Report – UNCTAD

² GCC – Gulf Cooperation Council: United Arab Emirates, Saudi Arabia, Oman, Qatar, Kuwait and Bahrain.
⁴ Saudi Arabian Monetary Authority (SAMA)

Key trends for MENA

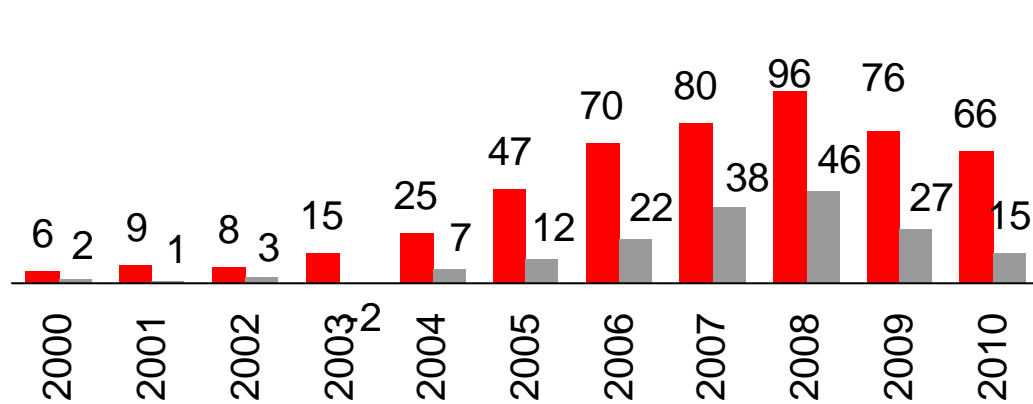
Growing east to east and intra-MENA trade and FDI connectivity



Faster Growing Markets CAGR FDI flows¹ 2000-2010

USDbn

■ MENA Inflow FDI ■ MENA Outflow FDI



Global connectivity shifting East

- Significant intra MENA infrastructure spend and FDI flows continue
- East to East (South-South) migration as Asia replaces EU as principle trade partner
- Fast growing intra MENA trade, playing to HSBC regional network strength

Trade flows with MENA - ranked by growth²

USDbn	2000	2010	CAGR
Intra-MENA	38	195	17.6%
Asia	204	1,016	17.4%
Africa (Sub-Saharan)	16	47	11.5%
Europe	310	895	11.2%
North America	50	135	10.4%

1 Source: IMF GDP – UNCTAD 2010. World Outflows USD2.175bn , and Inflows:USD1.243b

2 Source: IMF Direction of Trade Statistics Database YTD Oct 2010

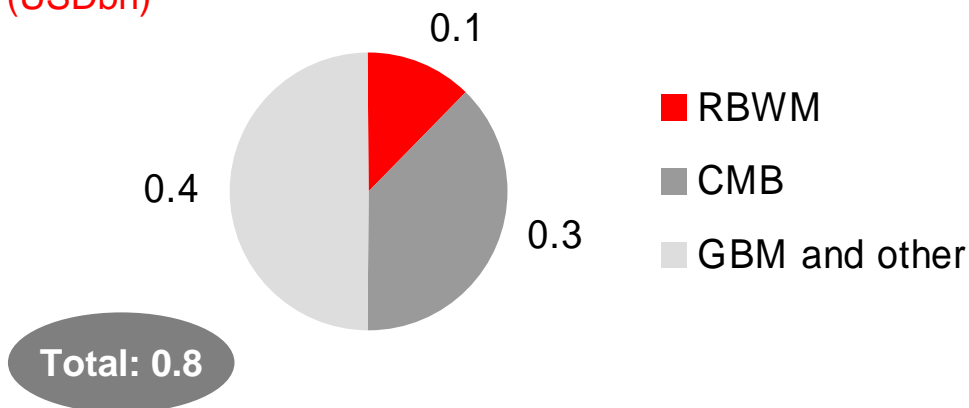
HSBC MENA Interim Results 1H 2011

Improved profits in the Middle East and North Africa region

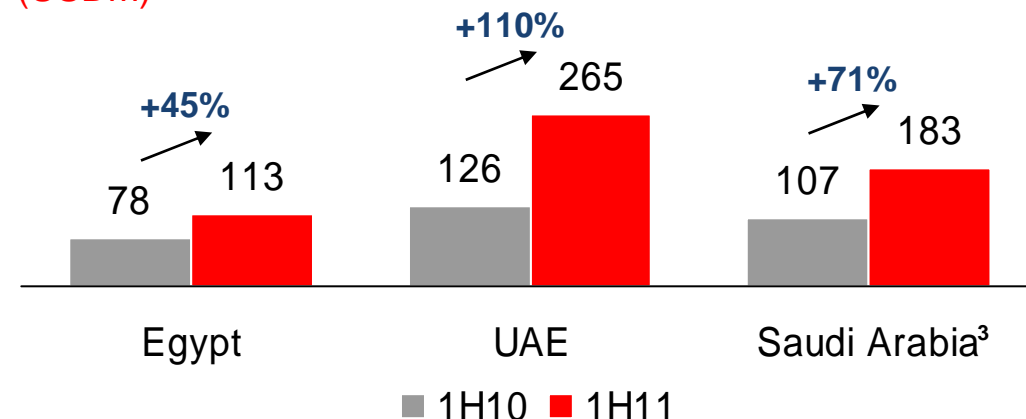
Interim Results	1H10 ¹	2H10 ¹	1H11 ¹
Profit / (loss) before tax (USDbn)	0.4	0.5	0.8
Cost efficiency ratio (%)	42.1	45.9	46.3
Return on risk-weighted assets ² (%)	1.5	2.0	2.7
Advances-to-deposits ratio (%)	71.2	73.7	69.2

- Growth in Commercial Banking (CMB) trade business
- Regional uncertainties and lower Retail Banking and Wealth Management (RBWM) lending balances restrained revenue
- Reduced loan impairments, particularly in Global Banking & Markets (GBM) and RBWM
- Costs driven by higher employee numbers due to investment, and from wage inflation

Profit before tax, 1H11¹
 (USDbn)



Reported PBT
 (USDm)



Notes:
 (1) Underlying basis - A reconciliation between reported and underlying results is available at <http://www.hsbc.com/1/2/investor-relations/financial-info>
 (2) Profit before tax basis
 (3) Saudi Arabia – HSBC's 40% share of SABB profits

Financial performance

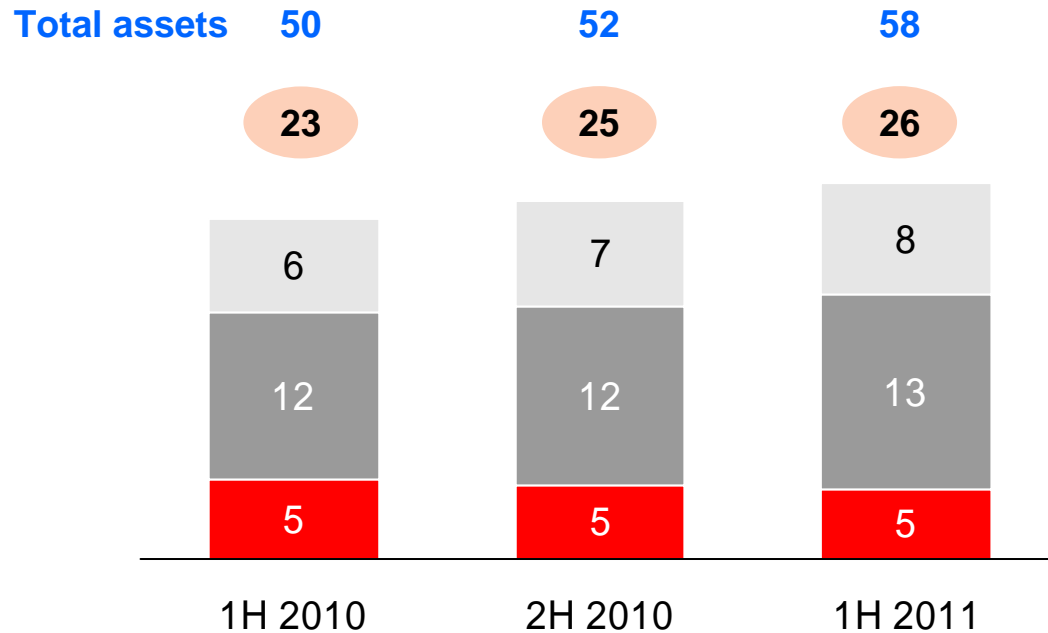
Customer lending and funding

Loans and advances fully funded by deposits



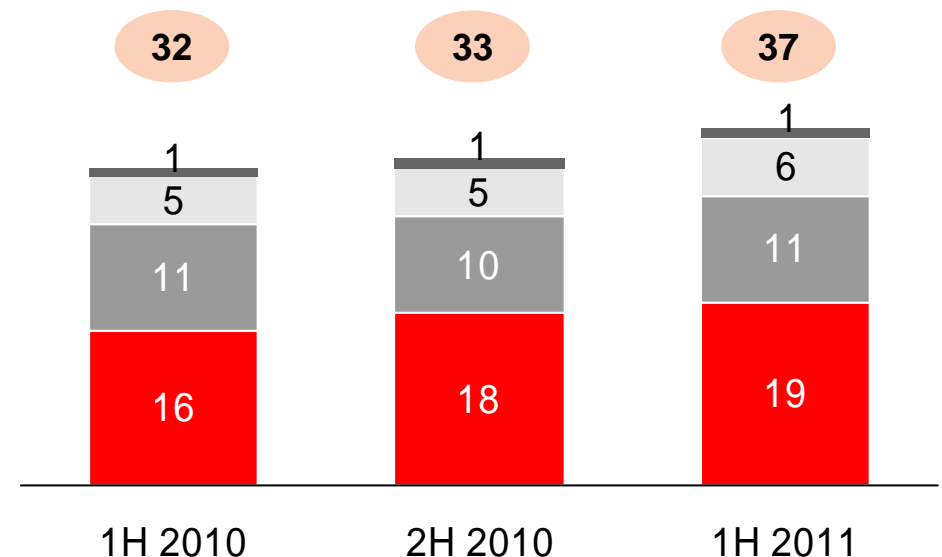
Loans & Advances to Customers - by Customer Group

USDbn



Customer Accounts - by Customer Group

USDbn



■ RBWM ■ CMB ■ GBM ■ GPB

Advances-to-deposits ratio¹

1H 2010
71.2%

2H 2010
73.7%

1H 2011
69.2%

Note:

(1) Simple ADR: Customer loans & advances as a % of Customer Accounts

Financial performance

Loan impairment charges, non-performing loans and coverage

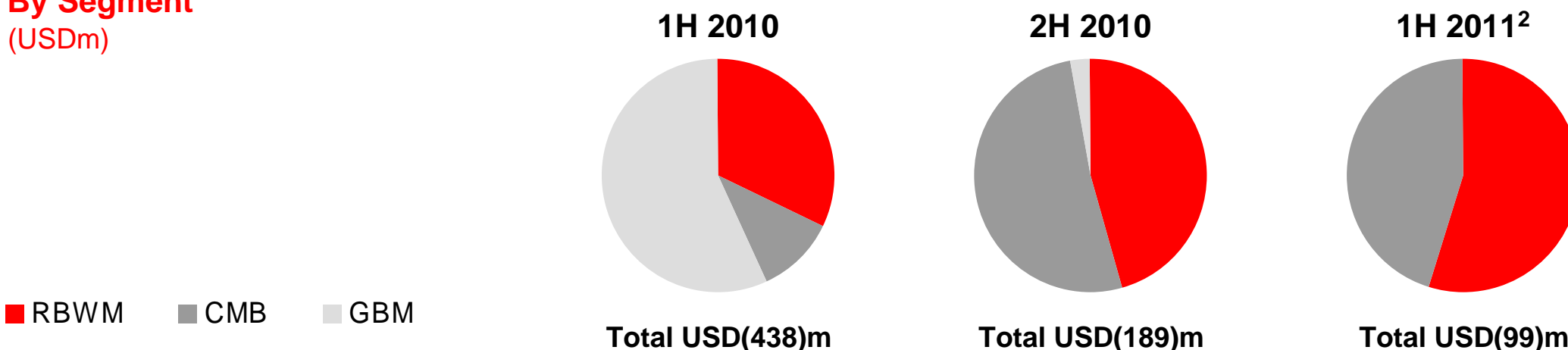
Recent trends – heading in the right direction



Loan impairment charges (and other credit risk provisions)

	1H 2010	2H 2010	1H 2011
'Coverage' ratio ¹	60.1%	54.4%	57.9%
Impaired loans as % of total gross loans & advances	7.9%	9.3%	8.1%
Total impairment allowances as % of total gross loans & advances	6.4%	6.3%	5.8%

By Segment (USDm)



Notes:
 (1) Coverage ratio = individually assessed impairment allowances (provisions)/individually assessed impaired loans
 (2) GBM reported a net release in 1H 2011

HSBC MENA Strategic Direction & Actions

Overview: key direction and actions in MENA



HSBC Middle East & North Africa

Enhanced by over 50 years experience in the region

Prioritisation

Clear focus on key markets - Egypt, Saudi Arabia, UAE and Qatar.
Rebalanced regional revenue streams

Transformation

Operational transformation: integrated business model

Connectivity

Joined-up business aligned by country and product to regional opportunity

Wealth

Full service solutions to capture individual and corporate capital, on and offshore

Global Shariah Compliant Finance

Global lead in Shariah compliant products and services across all segments

Progress on strategy targets

Efficiency and Span of Control

- De-layering management levels, improved client coverage
 - 300 job cuts across region
 - Rationalisation of a further 200 consumer banking roles in six countries
 - Closure of some branches in select markets; renewal/expansion for growth
 - Procurement contracts and IT infrastructure

Hub & Spoke

- Refining "hub & spoke" model and country & regional office roles
 - Clarifying roles enabling more focus on distribution and sales
 - Centralisation of functional operations;
 - RBWM transformation project in six markets with a strengthened regional team and simplified country teams focusing on revenue generation

Centres of Excellence

- Centralising operations and leveraging regional pools of expertise
 - Offshoring and 'right-shoring' to regional skill bases

MENA Actions and implementation

Commercial Banking

- Leverage international network and capture MENA trade and FDI flows
- Drive GBM offerings through CMB customer base, and wealth accumulation via GPB
- Focus on transactional products; increase Trade finance and key MENA partnerships

Retail Banking & Wealth Management

- Deploy Group developed RBWM solutions, where sustainable and profitable
- Attract mass affluent, upwardly mobile and diaspora customer segments; capture rising personal and entrepreneurial wealth flows
- Exploit seamless connectivity with and access to GPB capabilities as wealth accrues

Global Banking & Markets

- GBM global reach; other customer group connectivity to deliver incremental revenues
- Provide market leading project and export finance and advisory services
- Support GBM multinational clients as they invest within and beyond the region

Global Private Banking

- Develop GPB offshore business and extend domestic capabilities as wealth increases
- Enhance wealth opportunities for GPB clients through access to GBM and CMB capabilities, on and off shore

Outlook

Return to previous growth trend after impact of Regional unrest expected to take 2+ years¹

Compelling macro outlook: demographics, oil, gas, trade - long term case for superior returns remain

HSBC Network to connect MENA and the rest of the world

Cross-border leadership in trade, capital and wealth flows

Strategic Actions

Clear focus on connecting customers across geographies and businesses and key markets

Operational transformation; efficiency, control, distribution, connectivity

Focus on revenue growth, cost efficiency and wealth accumulation in mass affluent and HNW markets

Maintaining target commitment: RORWA 2.2 –2.9%

APPENDIX

Market leading Shariah compliant solutions

HSBC Amanah is HSBC Group's International Shariah compliant proposition, offering a wide range of products and services across the entire spectrum of customer groups including Retail, Corporate and Institutional clients

Retail

Financing, Wealth management, Insurance

Corporate

Financing, Trade, PCM, Factoring

Institutional

Syndicated Finance, DCM, FIG, Treasury

- HSBC Amanah is the global Shariah compliant proposition of HSBC Group with total assets USD12.3bn¹
- Global presence across Islamic Markets, positioned to capture cross-border and cross-business opportunities through all segments
- Capacity to customise product and service solutions tailored to client-specific goals and objectives
- Expertise in Islamic structures including Sukuk, Ijarah, Murabaha, Mudaraba, Takaful [Insurance]

Islamic Finance Market

- Industry assets estimated at USD890bn² with a CAGR of 20% over the last 5 years
- Globally 10 countries represent 83% of total Islamic assets³

Guided and Supervised by a leading committee of independent Shariah Scholars

- HSBC Amanah strategic priority - unconditional Shariah compliance throughout all business operations
- Shariah commitment: *“to the highest Shariah standards in the Islamic banking industry, in the development and deployment of all our products and services”*
- Annual Shariah Committee reviews ensure HSBC Amanah operations are Shariah compliant.
- HSBC Amanah Central Shariah Committee:
 - Dr. Mohammed Ali Elgari
 - Sheikh Nizam Yaquby
 - Dr. Muhammed Imran Usmani

League Table Performance

#1 1H11 in International Sukuk with 35.6% market share¹

#1 1H11 in GCC Sukuk with 48% market share, a >15% lead on the nearest competitor¹

(1) Source: Bloomberg December 2010



Basis of preparation (1/2)



Actuals	Actual numbers presented are on a reported basis and include the effect of movements in the fair value of HSBC's own debt related to credit spreads
AMG	The Global Asset Management business formed part of GBM in 2010, but has been included in RBWM for the RoRWA targets. Comparative data will be presented to reflect this reclassification in the Interim Report 2011
Asia	Data for 'Asia' comprises the sum of reported figures for the Hong Kong and Rest of Asia-Pacific geographical regions without the elimination of inter-segment items
Composition of the Group	No changes to the composition of the Group have been assumed other than those described in this presentation
Financial targets	Financial targets are prepared on the basis of the Group's accounting policies as set out in the Annual Report and Accounts 2010, and on the basis of tax rates and laws enacted or substantively enacted as at 31 December 2010. The potential effects on HSBC's operations and performance of the Dodd-Frank Act in the US, the deliberations of the UK Independent Commission on Banking, and a range of evolving regulatory changes which may or may not affect HSBC have not been included in the targets
Other	The main items reported under 'Other' are certain property activities, the estimated impact of the UK bank levy, unallocated investment activities, centrally held investment companies, gains arising from the dilution of interests in associates, movements in the fair value of own debt designated at fair value (the remainder of the Group's gain on own debt is included in GBM) and HSBC's holding company and financing operations. The results also include net interest earned on free capital held centrally, operating costs incurred by the head office operations in providing stewardship and central management services to HSBC, and costs incurred by the Group Service Centres and Shared Service Organisations and associated recoveries

Basis of preparation (2/2)

RoE	Return on equity ('RoE') is profit attributable to ordinary shareholders of the parent company divided by average ordinary shareholders' equity
RoRWA	The metric, return on risk weighted assets ('RoRWA'), is the profit before tax divided by average RWAs. The RWAs have been calculated using FSA rules for the 2010 metrics. The regional and customer group targets are adjusted for Basel 3 rules specific to the GBM business. In all cases, RWAs or financial metrics based on RWAs for geographical segments or customer groups are on a third party basis and exclude intra-HSBC exposures
RoRWA target for Europe	The Europe RoRWA target includes the Group's head office costs, intra-HSBC recharges and the total estimated impact of the UK bank levy
RoRWA target for 'Other'	No RoRWA target has been set for the 'Other' customer group as it is not considered to be a meaningful measure in terms of performance assessment and resource allocation
RWAs for the mainland China associates	RWAs for the mainland China associates have been reallocated from the 'Other' customer group to RBWM, CMB and GBM to align better with the basis for the allocation of their profits. This represents a reclassification from the basis used in HSBC's 2010 Pillar 3 Disclosures. Comparative customer group RWAs will be presented on the new basis in the Interim Report 2011