Investor Presentation
HSBC Middle East & North Africa Region

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13 September 2012
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 2011 and Interim Report issued on 30 July 2012. 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

- Middle East & North Africa Macroeconomic Overview  Section 1
- HSBC MENA Position and Strategic Direction  Section 2
- Financial Performance  Section 3
- Global Business Strategy and Outlook  Section 4
- Summary  Section 5
Key Messages

- Macro economic update: signs of normalisation, despite significant headwinds across the Middle East and North Africa as geopolitical tensions continue

- The region’s fundamentals and mid to long-term outlook remain attractive, with vast oil and gas reserves, increasing South-South flows and growth rates higher than those of developed markets

- Opportunity: fast growing youth demographic, significant demand-driven infrastructure investment, rapid accumulation of private wealth and international and regional capital recycling

- HSBC MENA: Increasing efficiency through portfolio rationalisation and investment, with positive capital deployment and sustainable cost savings

- HSBC well capitalised, structurally and strategically positioned to capture the opportunity in MENA
Middle East & North Africa - Regional Overview
Middle East & North Africa macroeconomic overview
2008-2011: global economic slowdown and unprecedented socio-political change in MENA

Strengths
- Regional economic performance relatively robust by global standards:
  - home to large commodity suppliers
  - not as debt burdened as Western economies
  - wealthy region with increasing demand driven infrastructure spend and investment
- GCC today better placed than in 2008:
  - public finances more stable
  - fewer fiscal vulnerabilities
  - asset prices not as over-inflated as before

Challenges
- Slowdown in global economic recovery and concerns over potential sovereign default in developed markets
- Post-revolution economies affected by reduced investment activity and oil prices
- Regional geopolitical risk levels intensify
- Security and capability constraints weigh on delivery of capital spending pledges

2004-2011 YoY GDP growth trends
GDP Actual (USD bn) (Source: IMF World Economic Report Jan 2012; HSBC Global Research)

Increasing infrastructure investment spend
(USD bn)

Source: HSBC Global Research
1) GCC – Gulf Cooperation Council: UAE, Saudi Arabia, Oman, Qatar, Kuwait and Bahrain
2) Developed Economies includes US, Canada, EU Monetary Union, UK, Australia, NZ, Japan
Middle East & North Africa fundamentals
Key longer-term trends and outlook remain attractive

Long-term opportunities remain with strong underlying fundamentals of oil, gas demographics and geographic location:

✓ Fast growing population, young demographics and increasing household income

✓ A region of faster growing economies in line with emerging market strategy

✓ Historic growth trends proven, underpinned by increasing economic strength

✓ IMF forecasts\(^3\) 2012 and 2013: expect stronger regional growth relative to 2011, despite impact of the ‘Arab Spring’

Notes:
1) Population excludes Iran and Pakistan. 270m = \((3.9\% \text{ of global 7bn). Source: IMF 2012}\)
2) Asia does not include China or India
3) IMF WEO Update July 2012
Growing ‘East to East’ and intra-MENA trade and FDI flows

Faster Growing Markets FDI flows¹ 2000-2011
USDbn

- MENA Inflow FDI
- MENA Outflow FDI

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflow</th>
<th>Outflow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>6</td>
<td>2</td>
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<td>2001</td>
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<td>23</td>
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<tr>
<td>2006</td>
<td>72</td>
<td>38</td>
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<td>2007</td>
<td>85</td>
<td>44</td>
</tr>
<tr>
<td>2008</td>
<td>100</td>
<td>44</td>
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<td>2009</td>
<td>79</td>
<td>19</td>
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<tr>
<td>2010</td>
<td>68</td>
<td>20</td>
</tr>
<tr>
<td>2011</td>
<td>44</td>
<td>25</td>
</tr>
</tbody>
</table>

MENA Major Export flows
2011²

- Europe & EU 18.3%
- Other 0.9%
- Asia 55.2%
- Middle East Intra-regional trade 10.7%
- Africa 3.5%
- Australasia 0.8%

Trade flows ⁴ with MENA - ranked by growth ²

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Intra-MENA</td>
<td>34</td>
<td>206</td>
<td>261</td>
<td>20%</td>
</tr>
<tr>
<td>Asia</td>
<td>147</td>
<td>673</td>
<td>906</td>
<td>18%</td>
</tr>
<tr>
<td>Africa (Sub-Sahara)</td>
<td>10</td>
<td>34</td>
<td>41</td>
<td>14%</td>
</tr>
<tr>
<td>Latin America</td>
<td>9</td>
<td>29</td>
<td>39</td>
<td>14%</td>
</tr>
<tr>
<td>North America</td>
<td>51</td>
<td>135</td>
<td>174</td>
<td>12%</td>
</tr>
<tr>
<td>European Union</td>
<td>142</td>
<td>360</td>
<td>407</td>
<td>10%</td>
</tr>
</tbody>
</table>

Notes:
1) Source: UNCTAD FDI Flows update 2012
2) Source: IMF Direction of Trade Statistics (DoTS) Database Update January 2012
3) ‘Other’ is remaining number after subtracting DoTS main regional groups from global trade total
4) Trade flow figures = exports + imports
HSBC MENA Position and Strategic Direction
Largest international bank in the region with over 50 years of history
Rationalised portfolio, positioning across faster growing markets

HSBC network in the MENA region: over 285 branches and offices in 13 countries*

<table>
<thead>
<tr>
<th>Locations</th>
<th>Branches</th>
<th>Non-Branch retail units</th>
<th>Est. / Changed</th>
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<td><strong>Priority Growth markets</strong></td>
<td></td>
<td></td>
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<td>UAE</td>
<td>8</td>
<td>14 + 2</td>
<td>1946, 2012</td>
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<td></td>
<td>80</td>
<td>13</td>
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<td>5</td>
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<td>Saudi Arabia</td>
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<tr>
<td>Egypt</td>
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<td><strong>Network markets</strong></td>
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<td>-</td>
<td>1942</td>
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<td>1949</td>
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<td>1948, 2012</td>
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<td>1946</td>
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<td>Bahrain</td>
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<td>Jordan</td>
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<td>Oman</td>
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<tr>
<td><strong>Small markets</strong></td>
<td></td>
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<tr>
<td>Palestine</td>
<td>1</td>
<td>-</td>
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<td>Libya</td>
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<td>2007</td>
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<td></td>
<td>Rep office</td>
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<tr>
<td>Iraq</td>
<td>2</td>
<td>-</td>
<td>2005</td>
</tr>
</tbody>
</table>

Notes: * As at 10 September 2012; HSBC Holdings Annual Report & Accounts country analysis
1) HBME – HSBC Bank Middle East Ltd. Additional 2 units are standalone MEFCO offices. Kuwait retains one branch for CMB and GB&M business, Retail closed in December 2011
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. Additional 16 units are Corporate implants and ForEx kiosks
4) SABB (HSBC ownership 40%) – Saudi British Bank. HSBC Saudi Arabia Ltd (IBSA) est. 2004 (HSBC ownership 49%)
5) Increased branch network of newly merged entity: HSBC Oman SAOG, listed on the Oman Stock Exchange (HSBC ownership 51% through HBME)
## HSBC MENA report card
Increasing efficiency through portfolio rationalisation and sustainable cost savings

<table>
<thead>
<tr>
<th>Strategy execution</th>
<th>Examples of initiatives</th>
<th>Key actions 2011-1H12:</th>
</tr>
</thead>
</table>
| Portfolio Rationalisation | ▪ Ongoing Five Filter reviews of focus markets  
▪ Exit underperforming businesses  
▪ Reshape regional network to maintain scale | ▪ Exit from  
– Pakistan, Kuwait retail banking  
– UAE retail brokerage services  
– UAE onshore Private Banking\(^1\)  
– Principal Investments Business\(^2\) |
| Consistent Business Models | ▪ Ongoing operational transformation programme  
▪ Enhancement in service delivery and client coverage  
▪ ‘Hub & Spoke’, centralising and offshore initiatives | ▪ **Disposed of select branches in**  
– Iraq, Jordan, Lebanon, Qatar, Bahrain |
| Restructured Functions | ▪ De-layering management levels  
▪ Rationalisation and offshoring to centres of excellence  
▪ Rationalisation of RBWM and GPB in the region | ▪ **Restructured & rationalised**  
– De-layered across region (c.300 FTE)\(^3\)  
– RBWM transformation (c.200 FTE)\(^3\) |
| Re-engineered processes / Streamlined IT | ▪ Ongoing re-engineering of systems and procedures  
▪ Improved efficiency, streamlining, centralising  
▪ Improved controls, operations and infrastructure | ▪ **Consolidated**  
– Investment in Saudi Arabia (IBSA) |
| Investment, Capital Deployment and Growth | ▪ Ongoing faster growing market investment in line with Five Filters  
▪ Consolidating existing positions of competitive advantage  
▪ Driving development in markets where we have scale  
▪ Focused revenue strategies to meet RoRWA targets | ▪ **Optimised/Standardised**  
– Premises across the region (ongoing)  
– Global Resource, centres of excellence  
▪ **Enhanced controls and Compliance**  
– Improved collections systems  
– Reduced operational loss and/or fraud |

### Notes:
1) MENA onshore Private Bank converted to a representative office for GPB
2) Exited only part of the Principal Investments Business
3) FTE rationalisation announced since May 2011, not including net headcount increase following merger in Oman and acquisition in the UAE
Financial Performance - 1H12 Interim Results
# Financial performance – 1H12 Interim results

Resilient revenues and improved costs despite headwinds

<table>
<thead>
<tr>
<th>Key Metrics</th>
<th>Group, 1H12</th>
<th>MENA, 1H11</th>
<th>MENA, 1H12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Returns</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PBT (USDm) reported</td>
<td>12,737</td>
<td>747</td>
<td>772</td>
</tr>
<tr>
<td>Revenue (USDm)</td>
<td>36,897</td>
<td>1,236</td>
<td>1,237</td>
</tr>
<tr>
<td>RoRWA (%)</td>
<td>1.8</td>
<td>2.7</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Efficiency and Simplification</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CER (%)</td>
<td>57.5</td>
<td>46.4</td>
<td>43.4</td>
</tr>
<tr>
<td>Costs (USDm)</td>
<td>(21,204)</td>
<td>(574)</td>
<td>(537)</td>
</tr>
<tr>
<td>Jaws $^2$ (%)</td>
<td>0.0$^3$</td>
<td>0.7$^4$</td>
<td>6.5$^3$</td>
</tr>
<tr>
<td>Sustainable saves (USDm)</td>
<td>c.800</td>
<td>c.10</td>
<td>c.35</td>
</tr>
<tr>
<td><strong>Capital and Liquidity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADR (%)</td>
<td>76.3</td>
<td>69.2</td>
<td>71.5</td>
</tr>
<tr>
<td>Core Tier 1 Ratio (%)</td>
<td>11.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1) Reported basis - HSBC Holdings Financial Reporting FY 2011 and 1H 2012
2) Jaws profitability measure: an indicator calculated by subtracting expense growth from income growth
3) Jaws 1H12 vs 1H11
4) Jaws 1H11 vs 1H10
Global Business Strategy and Outlook
Retail Banking and Wealth Management
Streamlined market leading propositions and advisory-led advantage

RBWM Strategy Day commitments
- Dynamic portfolio management focusing investment in key growth markets where we can achieve scale and returns
- Deploy global connectivity and solutions through consistent, integrated platforms
- Maintain position as a leading provider of premium banking in Priority Markets
- Focus on standardised propositions and service led relationships to build revenue
- Build sustainable asset book of cards, loans and mortgages, where profitable
- Position to capture rising entrepreneurial and personal wealth flow

Key achievements FY 2011 and 1H12
- PBT up 4% from prior year, positive Jaws
- Lower cost base and more efficient sales models
- Targeted lending generating lower delinquencies and increased sales
- Hub & Spoke structure driving sales through centralised support
- Ongoing alignment of target operating models
- Enhanced collaboration with Global Businesses and Business Partners

Initiatives:
- Service enhancements include customer service improvement plans, Mobile Banking, new Financial Planning Tools
- Strategic partnership agreement with Zurich moving to deployment
- Transition following Oman merger and Lloyds UAE acquisition underway
- Increased investment in Business Risk and Control Framework

Priorities 2012-2013
- Business growth through existing and developed relationships
  - Focused Sales Activity Management
- Accelerate Wealth growth as a priority
  - Build a Wealth Oriented Premium Customer based Business
- Customer Value Management
  - Investment in customer experience and portfolio analysis
  - Competitive segment pricing strategy, differentiation for target market
- Regional portfolio management under the Five Filters
  - Ongoing transformation programmes, restructuring and rationalisation
- Maintain a risk managed, sustainable growth strategy
  - Continued cost management initiatives
  - Positioning to anticipate regulatory change or restrictions

Customer Recommendation Index 1H 2012
Source: Ipsos/Mori Research, UAE
Commercial Banking
Driving trade revenues and cross business connectivity

CMB Strategy Day commitments

I. Leverage global connectivity through Group HSBC network

II. Position as leading international trade & business bank capturing MENA trade and FDI flows

III. Enhance established relationships with the top regional and international companies

IV. Target growth in revenue from internationally oriented business banking customers

V. Drive sales of GBM products to the CMB customer base

Key achievements 1H12

- Revenues remained flat despite continued regional political uncertainty
- Increasing cross border revenues and network referrals
- Successful business re-engineering, aligned with target operating model
- Increased trade revenues, with five countries in top 25 for trade globally\(^1\)

Initiatives:
- 3\(^{rd}\) UAE International Trade SME fund launched committing AED1bn, for new and existing customers with cross border trading requirements
- “China day” held in the UAE, establishing HSBC as a premier bank for MENA-China Trade and RMB flow business
- Innovative solutions: Clientsphere, Receivable Finance regional roll-out
- Strategic MOUs\(^2\) established with UAE Free Trade Zones

MENA connectivity: facilitating in and outbound referrals
(Source: Internal MI, excluding intra regional flows)

<table>
<thead>
<tr>
<th></th>
<th>1H 2011</th>
<th>1H 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outbound</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inbound</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1) Five countries include: UAE, Saudi Arabia, Egypt, Qatar and Algeria
2) MoU – Memorandum of Understanding

Priorities 2012-2013

- Strengthen our position as the leading international trade and business bank
  - Continue to drive revenues through international connectivity
  - Capture growth in International Small Medium Enterprises (SMEs)
- Global aim of doubling trade and receivable finance revenues
- Continue collaboration with GBM and GPB to drive referrals
- Payments and cash management (PCM) to drive funding through liability growth
- Drive and maintain efficiency gains while maintaining active risk management
- Solutions-based selling to meet evolving client requirements
GBM Strategy Day commitments

I. Leverage global reach: cross-border leadership and cross-customer group connectivity
II. Focus on sustainable revenue markets, with active risk management
III. Support multinational clients and SWF relationships as they invest in/outside the region
IV. Further develop award winning regional product/service lead - conventional and Islamic
V. Increase Private Bank position in the wealthiest markets through Global offshore platform

Key achievements FY 2011 and 1H12
- Increased cross-sell contribution from sales of GBM products to CMB, RWBM, GPB customers
- Greater connectivity and East to East / South-South flows
- Award winning business, with continued No.1 league table position\(^3\) in regional DCM issuance
- Established relationships with the top multinational and regional companies

Initiatives:
- Dedicated FIG\(^4\) & SWF coverage, and strengthened client desks for mainland China, South Korea and India, in Saudi Arabia, UAE and Oman
- Innovative solutions: Structured Notes, Energy Solutions, bespoke Islamic Risk Management products and custody services

Priorities 2012-2013
- Continued Emerging Markets-Led, Financing-Focused strategy
- Delivering incremental revenues from collaboration with CMB
- Business growth through existing and developed relationships
  - Top 3 international bank relationship position with key clients.
  - Support SWFs and GREs\(^4\) with capital recycling
- Maintain no.1 league table status in DCM across both conventional and Islamic issuances
- Maintain a risk managed, sustainable growth strategy
  - Diversified Balance Sheet, P&amp;L and operating capability within the region
- Strategic re-engineering to deliver sustainable cost savings

Sovereign Wealth Funds
Assets, USDbn (Source: SWF Institute world ranking 1Q 2012)

<table>
<thead>
<tr>
<th>Country</th>
<th>Oil</th>
<th>Non-oil</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1,435</td>
<td></td>
</tr>
<tr>
<td>UAE</td>
<td>811</td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>611</td>
<td></td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>533</td>
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<tr>
<td>Singapore</td>
<td>405</td>
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<tr>
<td>Kuwait</td>
<td>296</td>
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<tr>
<td>Russia</td>
<td>149</td>
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<td>Qatar</td>
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<td>Libya</td>
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<tr>
<td>Algeria</td>
<td>57</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1) Includes all Chinese SWF’s + Hong Kong
2) Saudi Arabian Monetary Authority (SAMA)
3) Bloomberg DCM, ECM League tables
4) FIG – Financial Institutions Group. GRE – Government Related Entity
Summary

Progress in transformation and implementation of our strategy

- Delivering improved efficiency, control and distribution: Sustainable saves continue ahead of target
- Deploying simplified, integrated operating models: De-layered and rationalised all regional businesses
- Capturing revenue opportunities: Regional development spend, increasing wealth flows and capital recycling

Growth through investment in key markets

- Focus on Priority Markets: Egypt, Saudi Arabia, UAE - Robust results first half 2012
- Resilient performance from Network Markets: Qatar, Oman, Algeria

Building on competitive advantages, brand strength and presence

- Focus on balance sheet strength and prudent management: Strong ADR, reinforced Compliance & Risk functions
- Broad distribution network and aligned operations: Increasing connectivity benefit and investment for growth
- Regional lead in GBM, CMB products /services: Customer-focused, market optimised range of solutions
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