



July 2015

HSBC in MENA

Investor Update 2015

HSBC 



Important notice and forward-looking statements

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This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is ‘adjusted performance’ which is computed by adjusting reported results for the year-on-year effects of foreign currency translation differences and significant items which distort year-on-year comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business. Reconciliation of non-GAAP financial measurements to the most directly comparable measures under GAAP is provided in the ‘reconciliations of non-GAAP financial measures’ supplement available at www.hsbc.com.

Key Messages

Key messages

Leverage unique position	<ul style="list-style-type: none"> ▪ The longest serving international bank in MENA ▪ Maintain position as one of the largest networks in the region offering a balanced universal banking model ▪ Build on award winning franchise in key products: Trade, PCM², Capital Financing, Markets with 'Top 3' ratings
Grow in Priority Markets	<ul style="list-style-type: none"> ▪ HSBC will focus on its three priority markets in MENA, which comprise significant banking asset pools and high GDP growth (>3% 2015e) ▪ Disposed of Jordan and Pakistan, reducing footprint in non-core markets to re-focus on the UAE, Saudi Arabia, Egypt and faster-growing opportunities across the GCC
Deliver Strong performance	<ul style="list-style-type: none"> ▪ MENA reported record profits in 2014 with positive JAWS ▪ Strong RoRWA³ performance with delivery of consistent returns ▪ Maintain balanced earnings across three core global businesses
Implementing Global Standards	<ul style="list-style-type: none"> ▪ MENA continues to pilot a number of Global Standards programmes and initiatives ▪ Global policies under implementation in one of our most challenging operating environments, are building further strength in an already resilient business

MENA financials¹

2014, as reported
USDbn

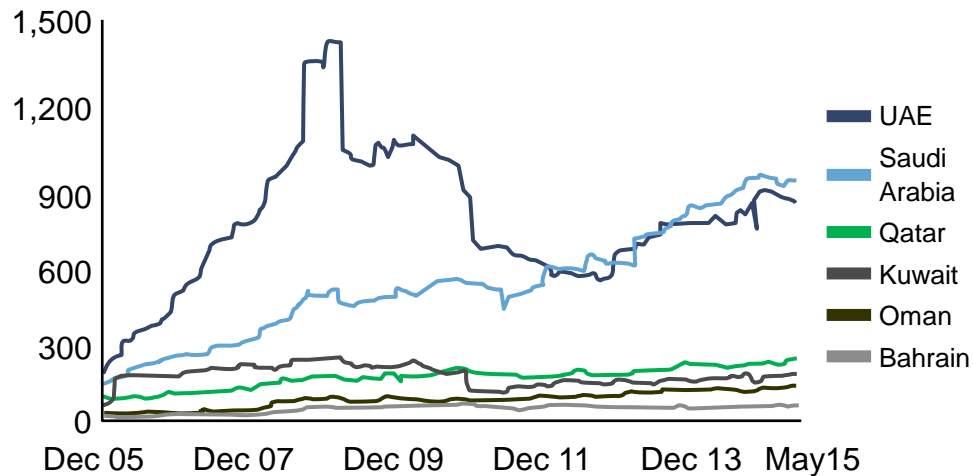
Revenue	2.5
Operating expenses	1.2
LICs⁴	0.0
PBT	1.8
CER	48%
RWA	63
RoRWA³ incl' associates	2.91%
RoRWA³ excl' associates	2.90%

1. Financials are on a Reported basis
 2. PCM: Payments and Cash Management
 3. RoRWA: Return on Risk Weighted Assets
 4. At FY14 MENA recorded USD6m of net Loan Impairment Releases

MENA region has strong macro fundamentals with significant public infrastructure investment spend

Value of GCC projects¹ planned or underway

USDbn

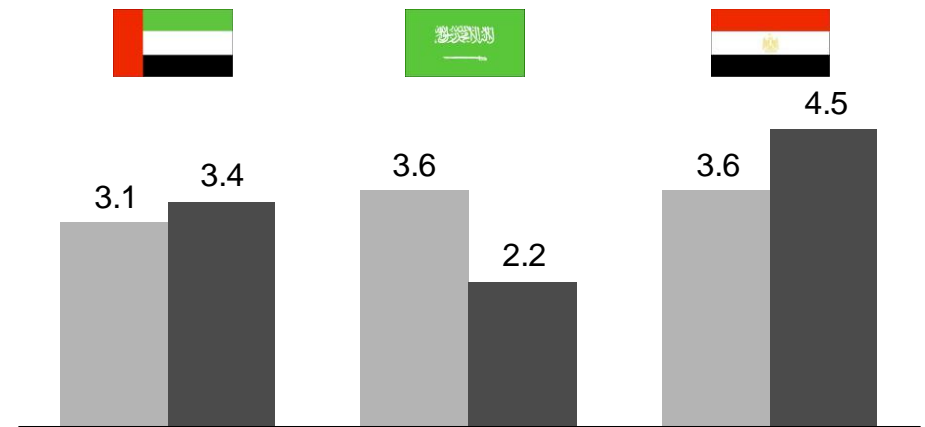


- GCC public spending has continued on an upward trajectory since 2007, doubling to c.USD570bn by 2014
- Infrastructure development across the GCC grew by ~10% YoY 2014-2015², driven primarily by Saudi Arabia and the UAE which have led the region's construction boom since 2006, followed by Qatar and now Oman
- Notwithstanding recent oil price adjustments, regional hydro-carbon producers' low debt-GDP levels and reserves are estimated sufficient to maintain spending in the short-medium term⁴

Real GDP Growth³ within MENA Priority Markets

Real GDP growth, %

2015E 2016E



- MENA's fundamentals and mid-to-long term outlook remain positive:
 - Significant oil (~52% of the estimated world total) and gas reserves (~47% of the estimated world total)⁵
 - Young and fast-growing demographics demanding rapid economic development to offset unemployment risks⁴
 - Regional diversification agendas driving significant development programmes, funded initially by hydro-carbon wealth⁴

Source:

1. MEED Projects 2015

3. HSBC Global Research 'CEEMEA* Economics 2Q15' (*Central Eastern Europe Middle East & Africa)

4. MENA State budgets and World Bank Annual Reports, IMF 2014 Report on 'Diversification in the GCC', HSBC Global Research 'CEEMEA Economics 2Q15'

2. May 2014 to May 2015

5. BP Statistical Handbook 2014

Supported by sizeable pools of capital and banking revenue, with client groups evolving and seeking to diversify...

USD2.3trn¹

Estimated assets managed by four **GCC SWFs**, which are among the world's top 10

90%²

Majority of companies in the Middle East are resilient family-owned businesses with focus on the **long term**

USD88bn²

Estimate nearly 60% of MENA's USD1.5trn GDP in 2012 was generated by the **top 10** Family businesses

USD45k/90k³

estimated GDP per Capita of the **UAE/Qatar** in 2014, compared to an CEEMEA average of USD8.4k

113m⁴

projected population of **Egypt** by 2030, up from a current population of c.88m with **32%** under the age of 15

USD17bn⁵

size of corporate banking revenue pools in the **UAE, Saudi Arabia** and **Egypt** with average CAGR estimate of 11% 2014-18

Source:

1 SWF Institute

3 HSBC Global Research CEEMEA Economics 2Q15

5 McKinsey MENA Banking Sector Analysis 2014

2 Ernst & Young Family Business Yearbook 2014

4 Population Reference Bureau 2014

...in addition to opportunities arising from developments that are re-shaping the region

1

The re-emergence of equities

- MSCI reclassification of the **UAE** and **Qatar** to Emerging Market status
- Saudi Arabia's **USD550bn¹** 'Tadawul' stock exchange opened to foreign investors
- Improving valuations reinvigorating equity capital markets and acquisitions across the Middle East
- Companies seeking public listing increasingly attracted to MENA markets led to a total of **27 IPO's** worth **USD11.5bn²** in 2014 alone (vs **USD3.0bn** in 2013)

2

New financing avenues

- **Growing sophistication** among corporate clients for syndicated, structured and collateralised financing
- Improving appetite for corporates looking at capital market financing
- Continued focus of regional banks to expand capital base through **Basel III** compliant Tier 1 capital issuance
- Non-corporate client base also seeking more complex, regulated solutions

3

Shifting global investment and trade corridors

- Increased investments by MENA banks and **sovereign wealth funds** in global equity or funding opportunities
- Continued appetite of investment managers and international banks to finance **MENA infrastructure development** projects
- MENA-India and MENA-China trade are expected to grow by **16.3%** and **13.1%** respectively up to 2020³

4

Resilient sentiment, but watching oil price closely

- **Multinationals** continued focus on opportunities in the Middle East region, notwithstanding regional challenges
- Positive developments in **Egypt** with stabilisation well underway
- 2015 budgets of the **UAE, Saudi Arabia** (KSA FX reserves now equivalent to ~90% of GDP⁴) and **Oman** highlight commitment to high levels of public spending - despite fear of impact from low oil price trends

Sources:

1 Market cap of Saudi Arabia's stock exchange the 'Tadawul', June 2015

2 EY IPO Report, Zawya IPO Monitor

3 EY and Oxford Economics 'Trading Places' report

4 HSBC Global Research Economics Report: The Economics of Falling Oil Prices

HSBC is the leading international banking franchise in MENA

- 1** Over **60** years of history across MENA with **significant presence** in three of the Group's **Priority Markets**
- 2** Offering an international footprint across **10** MENA markets. Multi-channel approach with over **250¹ branches** and a range of digital channels
- 3** **The largest international bank** by assets, in a Region largely dominated by state-owned financial institutions
- 4** True **Universal Banking model²** in MENA, with multi award-winning positions in Trade, PCM, Capital Financing and Markets business
- 5** Efficient: 8,305³ employees for the Region, equivalent to only **3.2%** of global HSBC FTE

1. Total of 252 branches as at 31DEC14, as reported in HBME, SABB and HBON Annual Reports & Accounts FY 2014 and on HSBC.com

2. Banking model comprises: CMB: Commercial Banking, RBWM: Retail Banking & Wealth Management, GB&M: Global Banking & Markets, GPB: Global Private Banking

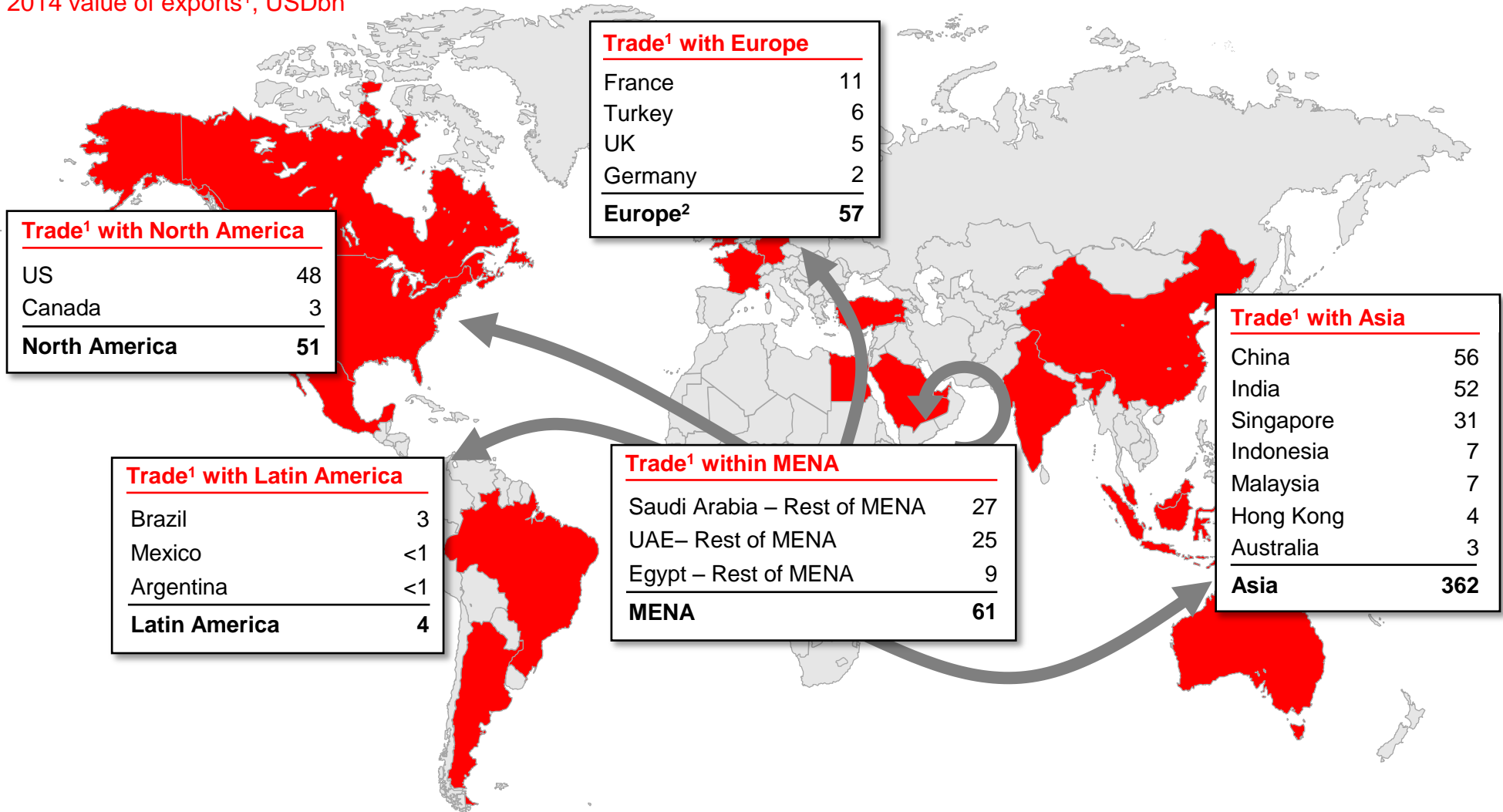
3. As reported FY 2014, excl. SABB (Numbers not consolidated as SABB is an Associate of HSBC)

Leveraging Unique Position

Unique geographic position leverages HSBC's international network to capture intra-regional and Asian trade flows

MENA key trade corridors

2014 value of exports¹, USDbn



Source: Oxford Economics as of APR15

1. Total merchandise export flow from priority countries

2. Excludes Russia

Leveraging Unique Position

Facilitating outbound and inbound flows, connecting MENA across the global network

FLOW
EVENT

1

National Commercial Bank (NCB)



- **Regions involved:** MENA, Europe, Asia and US
- **Global Businesses:** GB&M

Deals

- **Capital Financing:** Multiple solutions at parent and subsidiary level
- **ECM:** USD6bn IPO the Middle East's largest ever and the world's second largest in 2014; winner of 3 awards to date

2

Qatar Airways (QA)



- **Regions involved:** MENA and Europe
- **Global Businesses:** GB&M

Deals

- **M&A:** Sole financial advisor, equity finance provider, broker and global custodian on QA's strategic acquisition of a 9.99% stake in International Consolidated Airlines Group, SA (IAG) (valued at USD1.8bn)
- **PCM:** India mandate in QA's largest market outside Qatar

3

NMC Health Plc



- **Regions involved:** MENA and Europe
- **Global Businesses:** CMB, GB&M

Deals

- **Syndicated facility:** Underwriter, bookrunner and mandated lead arranger
- **M&A:** Advisor on NMC's acquisition of 86.4% stake in Clinica Eugin
- **Broking:** Appointed as corporate broker for LSE listing
- **Other:** Additional event-driven business

4

Orascom Construction Industries (OCI)



- **Regions involved:** MENA and Europe
- **Global Businesses:** CMB, GB&M

Deals

- **ECM:** Joint Co-ordinator for dual listing of the Orascom Construction business on Nasdaq Dubai and EGX
- **Syndicated Facility:** Mandated Lead Arranger and Bookrunner
- **Other:** GTRF¹ (incl. CSTF²) and PCM revenue streams

Source: Global Businesses, public links to deal announcements

1. Global Trade and Receivables Finance
2. Commodity and Structured Trade Finance

Leveraging Unique Position

Strength of the franchise and client-focused strategy continues to be recognised by our target markets

Capital Financing

- **Best Export Finance Arranger - EMEA** (2013,2014), Trade Finance Magazine Awards for Excellence
- **Best Islamic Project Finance House** (2014), Euro money Islamic Finance Awards
- **Best Emerging Markets Debt House** (2014), Euromoney
- **Best M&A House in the Middle East** (2014), EMEA Finance Achievement Awards
- **Best Transaction Services House in the Middle East** (2015), Euromoney



Global Markets

- **Best Emerging Markets Bank** (2014), Euromoney
- **Best Investment Bank** in the Middle East (2014, 2015), Euromoney
- **Best DCM House** in the Middle East (2014, 2015), Euromoney
- **Best ECM House** in the UAE and in the Middle East (2014, 2015), Euromoney
- **Best Sukuk House** (2014), Euromoney Islamic Finance Awards
- **No.1 in Equity Sales, CEEMEA, MENA based** (2011-2014), Extel



PCM

- **Best Cash Management Bank** in the Middle East (2005–07, 2009, 2010, 2011, 2013, 2014), Euromoney Cash Management Survey
- **Best Cash Management provider for Financial Institutions** (2011, 2014), EuroMoney Cash Management Survey



GTRF

- **Best Trade Bank in the World** (2014), Trade & Forfeiting Review Awards
- **Best Trade Advisor - EMEA** (2014), Trade Finance Magazine Awards
- **Best Trade Finance Bank - MENA** (2014), Global Trade Review



HSBC Securities Services

- **Best Custody Specialist - Middle East** (2014), Assets Asian Awards
- **Best Sub-Custodian** (2014), MENA Fund Manager Fund Services Awards



Grow in priority markets

HSBC has reduced its MENA footprint from 15 to 10 markets...

HSBC presence in MENA

■ Priority Markets ■ Network Markets ■ Exited Markets



Strategic actions 2011-14

Businesses sold:

- Jordan, Pakistan

Exits (completed / in progress):

- RBWM in Kuwait and Palestine, and Retail Brokerage in the UAE
- Libya and Iran Rep offices¹
- Iraq²

Positioning for growth:

- Select branches closed or disposed of across the region
- Dynamic repositioning of key branches to growth areas

1. As part of strategic actions 2011-2014 Rep Offices in Iran and Libya were closed. (Full country exit of Libya is being finalised with the regulatory authorities)

2. HSBC has no business or management presence in Iraq and is completing the exit process

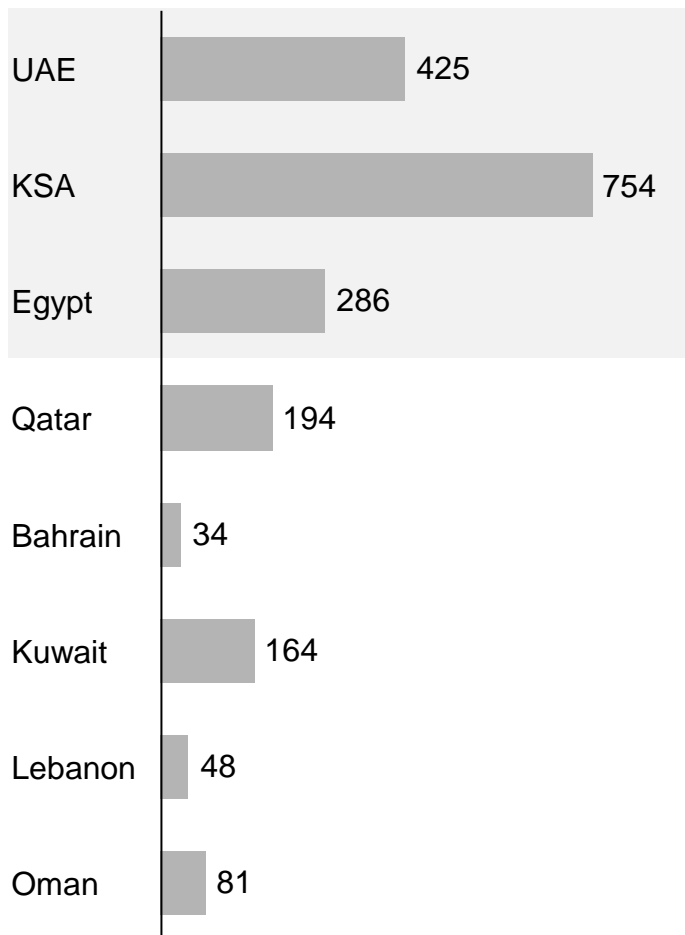
Grow in priority markets

...resulting in increased focus on Priority Markets in the GCC and Egypt

GDP¹ 2014e

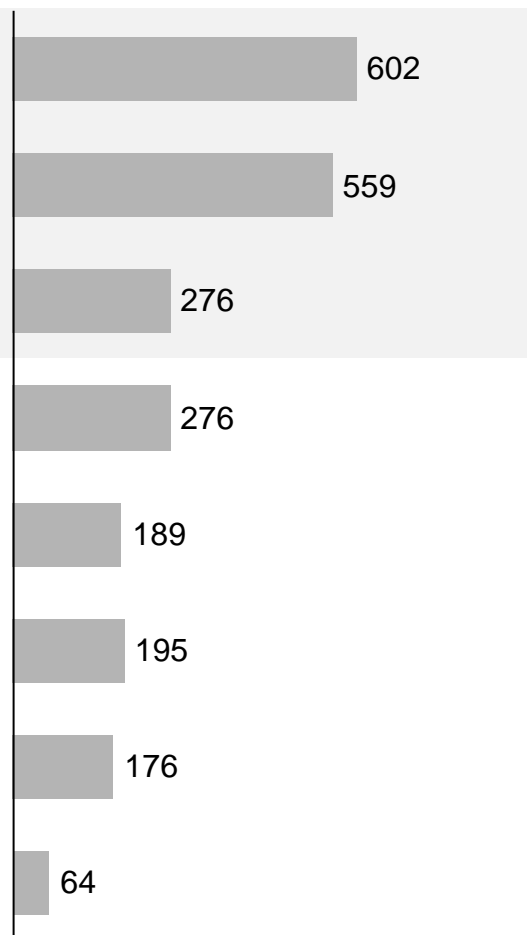
USDbn

HSBC Priority Markets



Total banking sector assets² 2014e

USDbn



- Maintain and grow strong position
- Focus on SWF investments and capital recycling opportunities
- Further develop high growth segments



- Ongoing investment in technology and digital channels
- Focus on attracting multinationals (MNCs) and advising / financing government infrastructure projects



- Leverage dominant position with Multinational Corporates and in International Subsidiary Banking (ISB)
- Drive asset growth in RBWM

Source:

1. HSBC Global Research Middle East Economics 2Q15

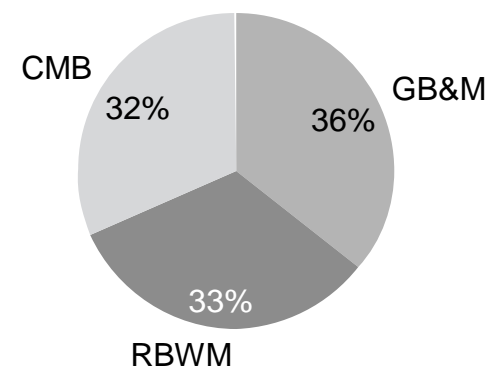
Delivering Strong performance

MENA continues to deliver robust financial results, contributing to c.10% of Group profits

		2013	2014	% Var YoY
Revenue ^{1,2} USDm		2,503	2,548	+1.8%
	CER	51.5%	47.7%	
	JAWS	(7.5%)	7.5%	
PBT ^{1,3} USDm		1,694	1,826	+7.8%
	RoRWA ^{1,3}	2.7%	2.9%	
Loans & Advances ¹ USDbn		27	29	+6.8%
	Loan loss rate	(0.14%)	(0.02%)	
Customer Accounts ¹ USDbn		39	40	+2.7%
	A/D ratio	70.3%	73.2%	

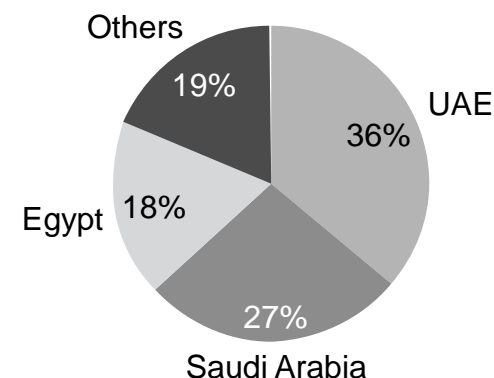
Equally distributed earnings by Global Business...

MENA FY14 Revenue^{1,2} by Global Business



...focus on our three priority markets

MENA FY14 PBT^{1,3} by Country



1. Reported basis except where otherwise stated. Source: HSBC Holdings plc reports on 'MENA' 2013, 2014
 2. Revenues do not include income from associates
 3. PBT and RoRWA include income from associates

Summary and Targets

Key messages

Market summary

- MENA offers a range of significant banking asset pools supported by strong macro fundamentals
- Demand-driven growth in the UAE, Egypt and Saudi Arabia expected to continue at pace

HSBC position

- Long-term presence and commitment to MENA place HSBC in a unique position to benefit from the region's growth opportunities
- HSBC's balanced universal banking model, award winning franchise and extensive global network offer a unique platform within the region

Strategic priorities

- Maintain leadership and unique position in MENA through selective growth in Priority Markets
- Protect and grow revenues through balanced focus across business lines
- Drive incremental growth through increased collaboration and synergies
- Implement and drive Global Standards

Strong track record in delivering growth

Since 2009¹ we have...

- Streamlined a resilient and profitable business, contributing record PBT equivalent to **c.10% of Group profits** with **positive Jaws** by FY14
- Carefully managed **CER** despite significant regional events and investment 2009-2014
- Consistently delivered strong **RoRWA**
- Successfully repositioned and de-risked the loan portfolio, with **focus on priority markets** and targeted lending
- Continued investment in the businesses, delivering **Global Standards**

Our aspiration is to ...

- Achieve above **USD2bn PBT** in MENA, leveraging its unique geographic position and increasing revenue synergies
- Maintain leadership positions in **GB&M** and **CMB**, further develop **RBWM** and channel diversification
- Support **RMB internationalisation** within the MENA region
- Strengthen our position as..
 - a Leading International Bank, with continued focus on the **UAE, Saudi Arabia and Egypt**
 - Maintain Top-5 bank position in **priority markets**²

1. Figures on a Reported basis

2. Top 5 ranking vs non state-owned financial institutions and assessed through full industry peer analysis by country