



Investor Presentation

HSBC Middle East & North Africa Region

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Forward-looking statements

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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

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- **HSBC MENA Position and Strategic Direction** **Section 2**
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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

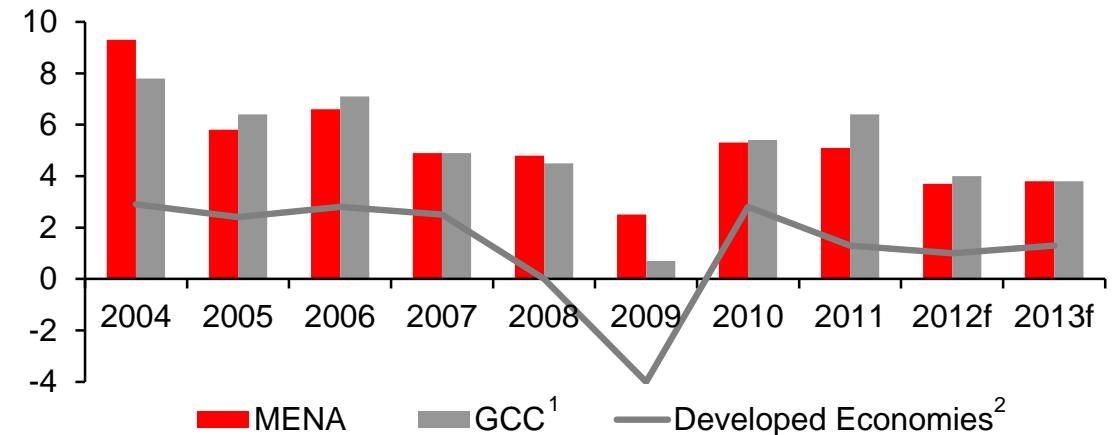
- Regional economic performance relatively robust by global standards:
 - home to large commodity suppliers
 - not as debt burdened as Western economies
 - wealthy region with increasing demand driven infrastructure spend and investment
- GCC today better placed than in 2008:
 - public finances more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

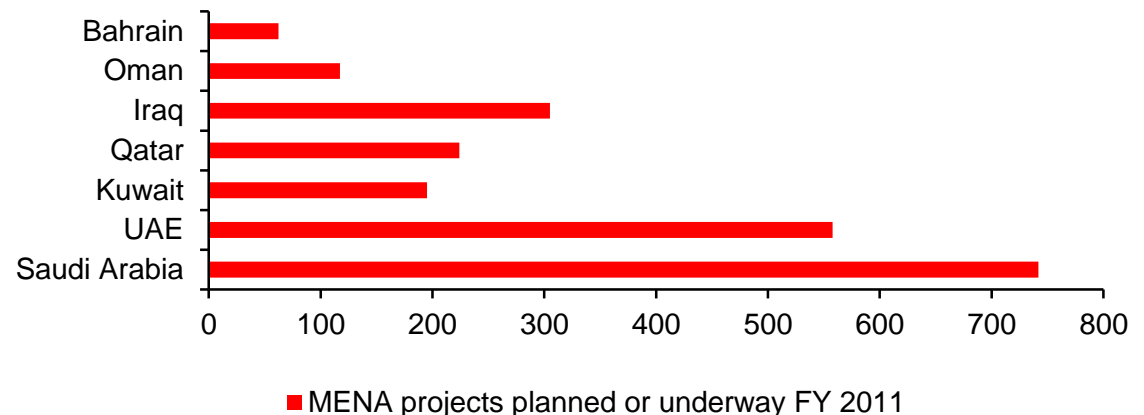
2004-2011 YoY GDP growth trends

GDP Actual (USD bn) (Source: IMF World Economic Report Jan 2012; HSBC Global Research)



Increasing infrastructure investment spend

(USD bn)



Source: MEED Gulf Report 1Q12

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

270m
population¹

45% of world
gas reserves¹

58% of world
oil reserves¹

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 forecasts³ 2012 and 2013: expect stronger regional growth relative to 2011, despite impact of the 'Arab Spring'

Notes:

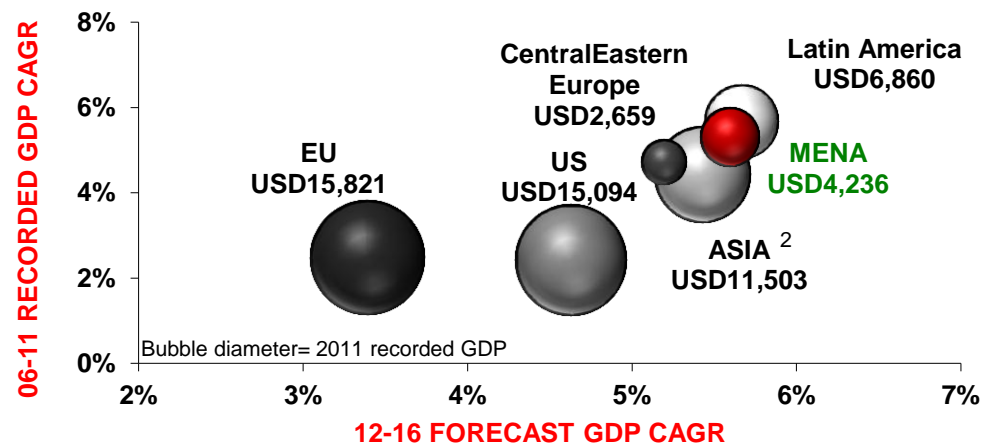
1) Population excludes Iran and Pakistan. 270m = (3.9% of global 7bn). Source: IMF 2012

2) Asia does not include China or India

3) IMF WEO Update July 2012

2011 GDP Actual USDbn

YoY GDP CAGR % (Source: IMF World Economic Report April 2012)



MENA fundamentals vs other markets

FY 2011 (Source: IMF, Global Research)

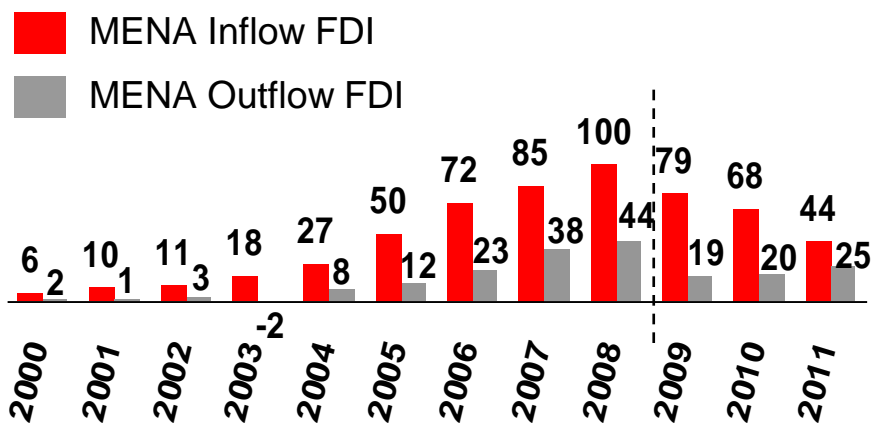
	Developed Economies	MENA	Emerging Markets
GDP Growth %	1.3	5.1	6.8
Government Budget (% of GDP)	-5.1	5	0.2*
Investment (% of GDP)	18.8	26.6	31.8
Government Gross Debt (% of GDP)	104	13	39
Current Account Balance (% of GDP)	-0.2	13.2	1.9

* EMEA as EM budget not currently available

Growing 'East to East' and intra-MENA trade and FDI flows

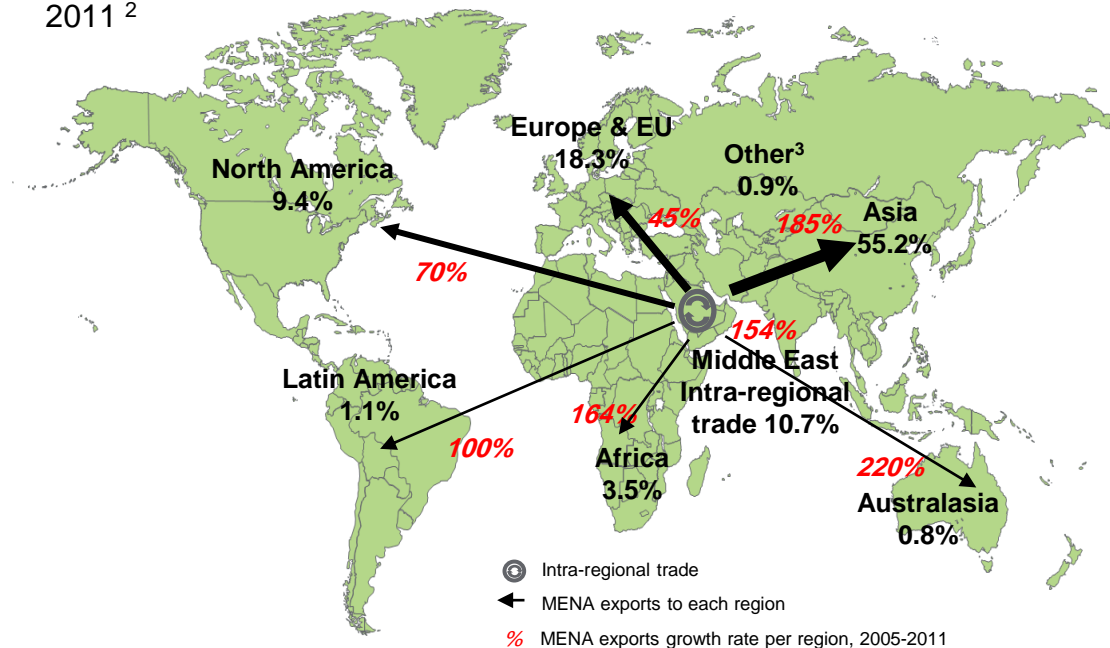
Faster Growing Markets FDI flows¹ 2000-2011

USDbn



MENA Major Export flows

2011²



Trade flows⁴ with MENA - ranked by growth²

USDbn	2000	2010	2011	CAGR 2000-2011
Intra-MENA	34	206	261	20%
Asia	147	673	906	18%
Africa (Sub-Saharan)	10	34	41	14%
Latin America	9	29	39	14%
North America	51	135	174	12%
European Union	142	360	407	10%

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*

	Locations	Branches	Non-Branch retail units	Est. / Changed
Priority Growth markets	<ul style="list-style-type: none"> ▪ UAE ¹ ▪ Saudi Arabia ⁴ ▪ Egypt ³ 	<ul style="list-style-type: none"> ▶ 8 ▶ 80 ▶ 80 	<ul style="list-style-type: none"> 14 + 2 ¹ - 13 + 5 ³ 	<ul style="list-style-type: none"> 1946, 2012 1978 1982
Network markets	<ul style="list-style-type: none"> ▪ Algeria ¹ ▪ Bahrain ¹ ▪ Kuwait ¹ ▪ Jordan ¹ ▪ Qatar ¹ ▪ Oman ¹ ▪ Lebanon ¹ 	<ul style="list-style-type: none"> ▶ 2 ▶ 4 ▶ 1 ▶ 4 ▶ 3 ▶ 91 ⁵ ▶ 3 	<ul style="list-style-type: none"> - 1 - - - 3 - 	<ul style="list-style-type: none"> 2007 1944 1942 1949 1954 1948, 2012 1946
Small markets	<ul style="list-style-type: none"> ▪ Palestine ¹ ▪ Libya ¹ ▪ Iraq ² 	<ul style="list-style-type: none"> ▶ 1 ▶ Rep office ▶ 9 	<ul style="list-style-type: none"> - - - 	<ul style="list-style-type: none"> 1998 2007 2005

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

Strategy execution :

Examples of initiatives:

Key actions 2011-1H12:

Portfolio Rationalisation

- Ongoing Five Filter reviews of focus markets
- Exit underperforming businesses
- Reshape regional network to maintain scale

Consistent Business Models

- Ongoing operational transformation programme
- Enhancement in service delivery and client coverage
- 'Hub & Spoke', centralising and offshore initiatives

Restructured Functions

- De-layering management levels
- Rationalisation and offshoring to centres of excellence
- Rationalisation of RBWM and GPB in the region

Re-engineered processes / Streamlined IT

- Ongoing re-engineering of systems and procedures
- Improved efficiency, streamlining, centralising
- Improved controls, operations and infrastructure

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

▪ Exited from

- Pakistan, Kuwait retail banking
- UAE retail brokerage services
- UAE onshore Private Banking¹
- Principal Investments Business²

▪ Disposed of select branches in

- Iraq, Jordan, Lebanon, Qatar, Bahrain

▪ Restructured & rationalised

- De-layered across region (c.300 FTE)³
- RBWM transformation (c.200 FTE)³

▪ Consolidated

- Investment in Saudi Arabia (IBSA)

▪ 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

▪ Merger with Oman International Bank

- Acquisition of Lloyds UAE onshore
- Re-opened rep office in Libya

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 results¹

Resilient revenues and improved costs despite headwinds

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

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

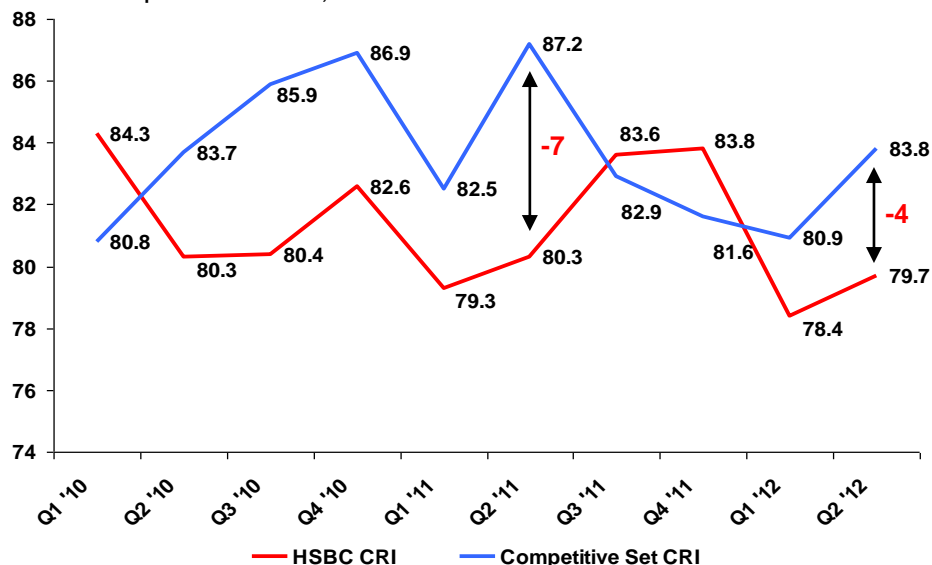
Streamlined market leading propositions and advisory-led advantage

RBWM Strategy Day commitments

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

Customer Recommendation Index 1H 2012

Source: Ipsos/Mori Research, UAE



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

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

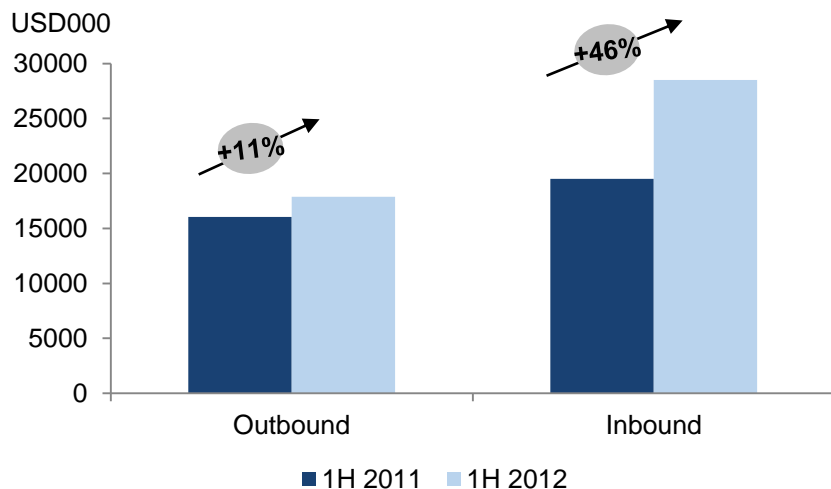
- Revenues remained flat despite continued regional political uncertainty
- Increasing cross border revenues and network referrals
- Successful business re-engineering, aligned with target operating model
- Increased trade revenues, with five countries in top 25 for trade globally¹

Initiatives:

- 3rd 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 MOUs² established with UAE Free Trade Zones

MENA connectivity: facilitating in and outbound referrals

(Source: Internal MI, excluding intra regional flows)



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**

Notes:

1) Five countries include: UAE, Saudi Arabia, Egypt, Qatar and Algeria

2) MoU – Memorandum of Understanding

Global Banking and Markets

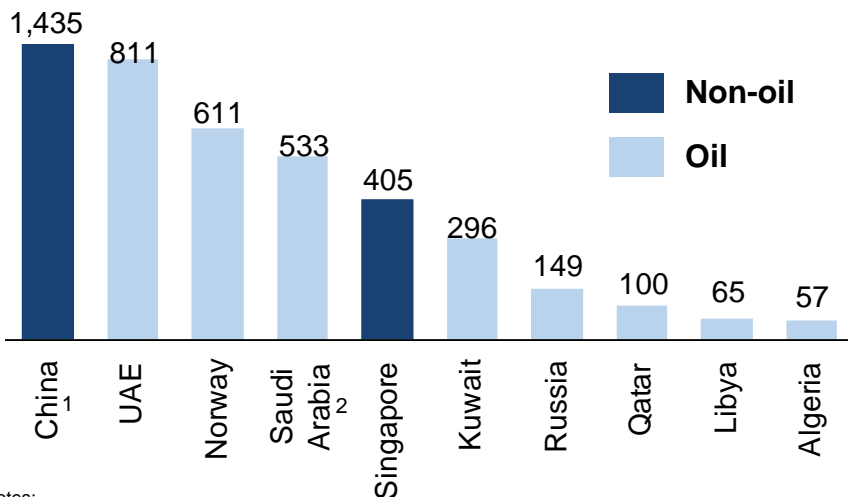
Maintaining and increasing regional lead through global platforms and collaboration

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

Sovereign Wealth Funds

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



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

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 position³ in regional DCM issuance
- Established relationships with the top multinational and regional companies

Initiatives:

- Dedicated FIG⁴ & 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 GREs⁴ 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&L and operating capability within the region
- **Strategic re-engineering to deliver sustainable cost savings**

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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