

British Chamber of Commerce in Mexico

Speech by Sir John Bond
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Ambassador, Baroness Dunn, Mr Jonathan Davies, ladies and gentlemen, good morning; thank you for inviting me to your breakfast today.

It is always a great pleasure to visit your lovely country, today more so than ever as we are here for celebratory reasons: the official blessing and opening of our new Mexican headquarters. Some of you may have seen our new building on the Paseo de la Reforma, in front of El Angel.

Our new building is a visible symbol of the success of my Mexican colleagues in developing our business since 2002, when they joined the HSBC Group. The combination of a strong local Mexican bank with a strong international partner has proved a winning formula; Mexico is now HSBC's fourth largest business.

We have been made very welcome in Mexico, although I am conscious that there is some disquiet about foreign ownership of Mexican banks. I would like to reassure you that we at HSBC believe passionately that the only rationale for having foreign banks in your financial system is if they contribute to the economic and social goals of the communities they serve.

In countries like Mexico, where our business is very substantial, it is particularly important that our presence benefits the Mexican people and serves the national interest. We believe we can make a valuable contribution to helping Mexico's social and economic development by providing a safe place for the nation's savings and an efficient system of intermediation of savings into loans and investments for people from all walks of life.

The positive role of financial institutions in social and economic development is depicted in a mural that was painted for one of our forebears in Mexico, Banco Internacional. The mural, *El crédito transforma a México*, by Juan O'Gorman will be unveiled in the lobby of our new HQ this evening.

Ladies and gentlemen, I've been asked to reflect on HSBC this morning; I hope you will forgive me if my subject seems self-centred!

When I reflect on HSBC, what strikes me most is this. How is it that a relatively small bank founded in a city

on the south China coast became one of the three largest banks in the world?

This is a question I've asked myself many times. Perhaps we simply had a very good strategic planning department in 1865! In fact, I am sure we did. But leaving that aside, I have come to the conclusion that three factors have made HSBC what it is today. Internationalism, insecurity and a healthy dose of luck.

I'll start with Lady Luck. In my view, a large measure of our success can be attributed to being in the right place at the right time. We were founded in Hong Kong and Shanghai in 1865, when they were major international trading centres. The Chinese people are some of the most gifted entrepreneurs in the world, and there is no question in my mind that much of our historic and current success was built on the foundations of our Chinese clients, both in and outside of China.

And of course, we were lucky to be in Hong Kong in the 1960s onwards, when the city began its extraordinary period of wealth creation. In 1968 the city had a per capita GDP of under 5,000 dollars, about half as much as western European nations.

In the space of 30 years, Hong Kong's GDP per head reached over 20,000 dollars, and exceeded the western European average. This must be one of the greatest examples of wealth creation anywhere. I have often said that banks are a leveraged play on the economies they serve, and cannot do better than either their clients or those economies; so we were very fortunate to be in Hong Kong.

The second distinguishing feature of HSBC that I mentioned is our internationalism. Indeed, this is probably our key characteristic.

We are not a British bank; we are owned by 200,000 people in some 100 countries and territories. We have clients in over 200 countries – more countries than the UN has members! We happen to be headquartered in Britain.

Internationality has been a characteristic of the company from the very outset. Our founders were a group of international businessmen; unusually, our original investors were not families, but companies; companies who were looking for a local bank to finance trade, as a better alternative to London finance houses.

**banks contribute
to economic
development**

That we were deliberately founded outside Western capitals, ultimately became a great source of strength. I believe it has been a major strategic strength for HSBC to be headquartered outside London and New York for the first 127 years of its history.

I believe our international exposure has given us a different mindset to that of a domestic banking institution.

It's easy to forget in the days of the mobile phone and the blackberry that communication was not always so easy. If I remember correctly, when HSBC returned to Indonesia in 1968, they gave the ingoing manager, a man called Paddy Ryan, a banker's draft for 500,000 US dollars and said to him 'go and build a business'. That was his capital. He banked the cheque, looked for premises, put the signs up, recruited staff, and started the business. And the message from head office was that the new business had to raise its own deposits in order to make loans.

It is, dare I say, a very different experience from that of a young London or New York banker of the day.

The difficulties of communications with head office meant that it was crucial that we had a core cadre of management who were independently minded, but who shared the same values, and who you could trust. And we still value the spirit of international teamwork very highly indeed. We believe that colleagues who know and trust each other, and who have a shared sense of values, are the foundation stone of our international business. We are very proud of the fact that our top 50 executives – including executive directors of HSBC – have clocked up around 1000 years of service. And our Board of Directors has experience of working in 30 countries.

Although we have been international throughout our history, with offices dotted about the globe, it is only in the last 30 years that we have really spread our wings outside Asia. By the late 1970s, we'd reached a market position in Hong Kong where we knew that our ability to grow further would be constrained. A decision had to be made as to whether the bank should remain a strong Asian player, or follow our clients into Western markets. The second choice was whether to head first for Europe or America. Notwithstanding the fact that a lot of the top management of the time was British, the bank chose to go east to America rather than to Europe, because that was the primary trading and investment destination of our clients.

I mentioned that insecurity was a third factor in our success. What does this mean?

Because we were founded in developing markets, we grew up in an environment that was inherently less

stable than, for example, London or New York. My predecessors at HSBC survived wars, civil wars, riots, revolution, economic upheavals. Personally, I have worked under military dictatorships, in democracies, monarchies and a colonial government. I have served the Royal family in Thailand, I have visited timber concessions in the jungles of Borneo; I have climbed volcanoes in Indonesia. I have witnessed riots in Hong Kong and Indonesia, the Vietnam war, the Cultural Revolution in China.

And for a time at least, the bank lived with the uncertainty over the future of Hong Kong; I don't think it is an exaggeration to say that Hong Kong historically had a refugee mentality, and refugees are, by definition, insecure.

Insecurity has had some positive consequences. Insecurity kills complacency, the Achilles heel of so many businesses. Insecurity encouraged us to be conservative; we believed in financial strength and prudence; we were thrifty with shareholders money because tomorrow was always uncertain.

But with insecurity often comes a desire to keep moving, an alertness to opportunities. And in HSBC that bred some visionary leaders, people who were capable of making very bold decisions. It was this extraordinary combination of people who blended prudence and conservatism with an unerring eye for an opportunity when it arose.

Over the years, the bank has taken some incredibly brave decisions. And we were able to make many of our most significant acquisitions because we were financially strong when others were weak. That strategy enabled us to buy Hang Seng Bank in Hong Kong, Marine Midland in the US, Midland Bank in the UK and Household International in the US.

And by taking some bold risks, HSBC has been able to grow and diversify its earnings dramatically. As late as 1991, more than 90 per cent of HSBC's profits were made in Hong Kong. Today, Hong Kong produces 22 per cent of the Group's profits, and no one country accounts for more than a quarter of the total. We believe that this gives us a unique geographic footprint that will appeal to our shareholders and clients alike.

Ladies and gentlemen, these are just the broad brushstrokes of our history, not a detailed canvas. But our experiences have been character-forming; they have taught HSBC the self-reliance and flexibility that remain the essence of our character today. The values of our founders are still alive in HSBC today. They are integrity, genuine concern for our clients, international teamwork, financial strength, conservative risk appetite, blended with bold opportunism.

**we value
international
teamwork highly**

And in my judgement, this character is the foundation stone on which our business has been built.

But the overarching key to HSBC's success has been a top management team who put the interests of HSBC ahead of their personal interest, one totally committed to and passionate about HSBC, and who understood that our people are the key to our success.

I joined an organisation which had a market value of around 50 million US dollars, and ended up working for one with a market capitalisation of 190 billion US dollars – it has been an exciting journey. We must have done something right