

# HSBC Holdings plc

## 2007 Interim Results

### Media presentation

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# 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.**

# 2007 interim results

## Key financial results

### Revenue

Up 16% ex-dilution gains, or 20%  
to US\$38.5bn as reported

### Costs

US\$18.6bn up 15%

### Loan impairment charges

US\$6.3bn up 63%;  
down 5% from 2H06

### Profit before tax

Up 5% ex-dilution gains, or 13%  
to US\$14.2bn as reported

### Attributable profit

Up 13% ex-dilution gains, or 25%  
to US\$10.9bn as reported

### EPS

Up 10% ex-dilution gains, or 22%  
to US\$0.95 as reported

# 2007 interim results

## Regional highlights

### Pre-eminent in Asia

**PBT up 30% ex-dilution gains, or 55% to US\$6.7bn as reported**

### Strengthening regional business in Latin America

**PBT US\$1.0bn up 16%**

### Progress in North America

**PBT down 35% to US\$2.4bn from 1H06 and up 163% from 2H06**

### Challenges absorbed in Europe

**PBT up 13% to US\$4.1bn**

# 2007 interim results

## Customer group highlights

### Challenges in Personal Financial Services

**PBT down 20% to US\$4.7bn**

### Core strength in Commercial Banking

**PBT US\$3.4bn up 20%**

### Record profits at Corporate, Investment Banking and Markets

**PBT up 32% to US\$4.2bn  
and positive jaws of over 6  
percentage points**

### Leveraging the Group in Private Banking

**PBT up 30% to US\$0.8bn**

**Douglas Flint**

**Financial performance – first half, 2007**

## 2007 interim results

| US\$bn   |        |        |        | % Change |         |
|--|--------|--------|--------|----------|---------|
|  | 1H06   | 2H06   | 1H07   | vs 1H06  | vs 2H06 |
| Net operating income before loan impairment charges    | 32.2   | 33.2   | 38.5   | + 19.6   | + 16.0  |
| Loan impairment charges                                | (3.9)  | (6.7)  | (6.3)  | + 63.1   | -5.0    |
| Net operating income                                   | 28.3   | 26.5   | 32.2   | + 13.6   | + 21.3  |
| Total operating expenses                               | (16.1) | (17.4) | (18.6) | + 15.3   | + 6.9   |
| Profit before tax                                      | 12.5   | 9.6    | 14.2   | + 13.1   | + 48.0  |
| Profit attributable to shareholders                    | 8.7    | 7.1    | 10.9   | + 24.8   | + 54.3  |
| Earnings per share (US\$)                              | 0.78   | 0.62   | 0.95   | + 21.8   | + 53.2  |
| Dividends per share (US\$),<br>in respect of half year | 0.30   | 0.51   | 0.34   | + 13.3   |         |
| Tier 1 ratio (%)                                       | 9.4    | 9.4    | 9.3    |          |         |

## **2007 interim results**

### **Noteworthy items**

**Gains arising from dilution of interest in Chinese associates, US\$1,076m**

**Tax rate, at 18.7%, driven by geographical mix and tax free disposals**

**Gain on sale of 8 Canada Square expected to be recognised in 2H07, US\$1.3bn**

# 2007 interim results

## Adjusted for dilution gains

| US\$bn   | 1H06   | 2H06   | 1H07 <sup>1</sup> | % Change |         |
|--|--------|--------|-------------------|----------|---------|
|  |        |        |                   | vs 1H06  | vs 2H06 |
| Net operating income before loan impairment charges    | 32.2   | 33.2   | 37.4              | + 16.3   | + 12.8  |
| Loan impairment charges                                | (3.9)  | (6.7)  | (6.3)             | + 63.1   | -5.0    |
| Net operating income                                   | 28.3   | 26.5   | 31.1              | + 9.8    | + 17.3  |
| Total operating expenses                               | (16.1) | (17.4) | (18.6)            | + 15.3   | + 6.9   |
| Profit before tax                                      | 12.5   | 9.6    | 13.1              | + 4.5    | + 36.7  |
| Profit attributable to shareholders                    | 8.7    | 7.1    | 9.9               | + 13.3   | + 40.1  |
| Earnings per share (US\$)                              | 0.78   | 0.62   | 0.86              | + 10.3   | + 38.7  |
| Dividends per share (US\$),<br>in respect of half year | 0.30   | 0.51   | 0.34              | + 13.3   |         |

(1) Excludes gains arising from dilution of interest in Chinese associates

# Underlying growth

## Excluding dilution gains, 1H07 vs 1H06 and 2H06

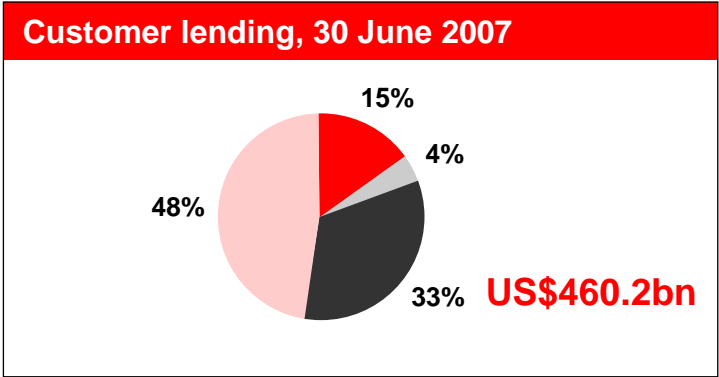
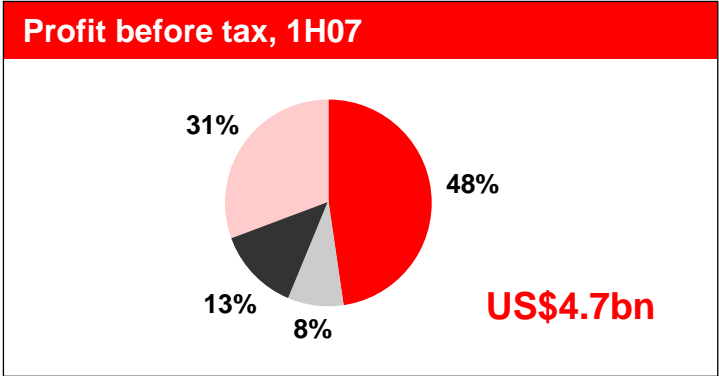
| US\$bn  | Restated |        | 1H07   | Acquisitions/Dilution<br>Disposals | Gain | Rest of<br>HSBC | % Change ex Dilution Gains |        |
|---|----------|--------|--------|------------------------------------|------|-----------------|----------------------------|--------|
|   | 1H06     | 2H06   |        |                                    |      |                 | v 1H06                     | v 2H06 |
| Net operating income<br>before loan impairment<br>charges | 33.3     | 33.8   | 38.5   | 0.4                                | 1.1  | 37.0            | + 11.3                     | + 9.7  |
| Loan impairment<br>charges                                | (4.0)    | (6.7)  | (6.3)  | (0.1)                              |      | (6.2)           | + 57.4                     | -6.9   |
| Net operating Income                                      | 29.3     | 27.1   | 32.2   | 0.3                                | 1.1  | 30.8            | + 5.0                      | + 13.8 |
| Total operating<br>expenses                               | (16.8)   | (17.8) | (18.6) | (0.2)                              |      | (18.4)          | + 9.7                      | + 3.6  |
| Profit before tax   | 12.9     | 9.7    | 14.2   | 0.1                                | 1.1  | 13.0            | + 1.0                      | + 33.4 |

(1) At constant currency

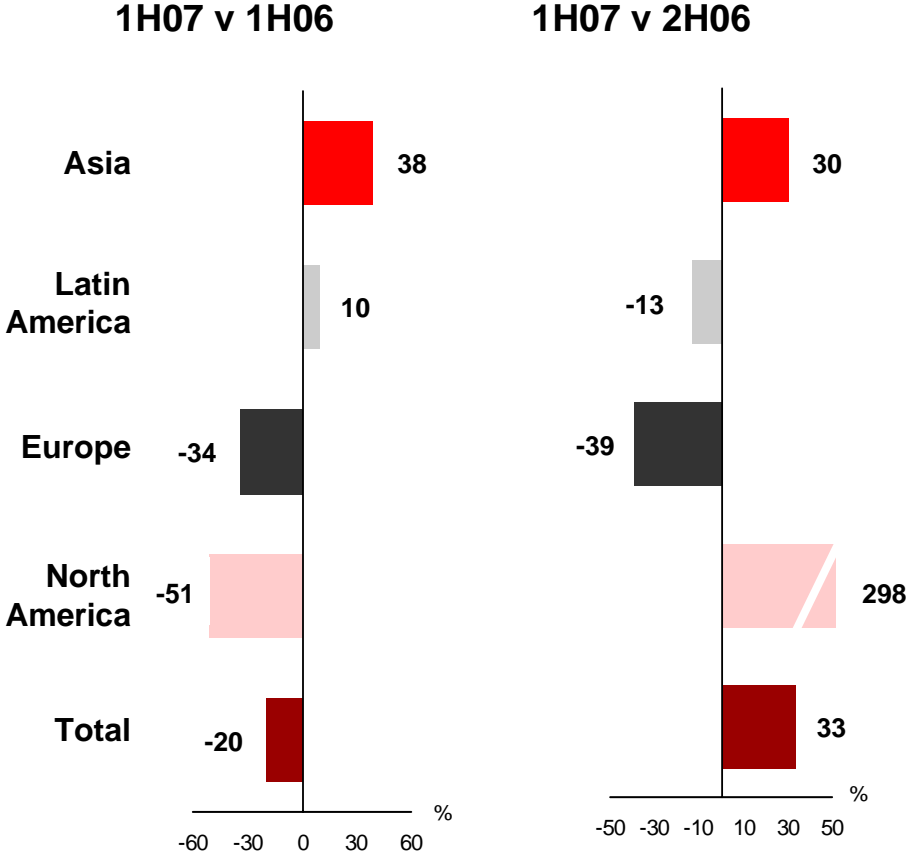
(2) Gains arising from dilution of interest in Chinese associates

# Personal Financial Services

## Regional mix

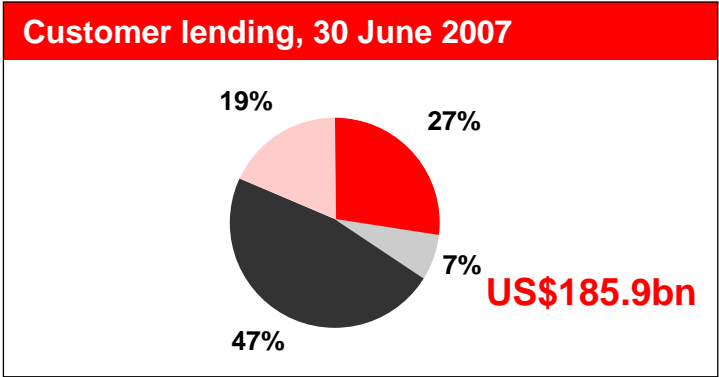
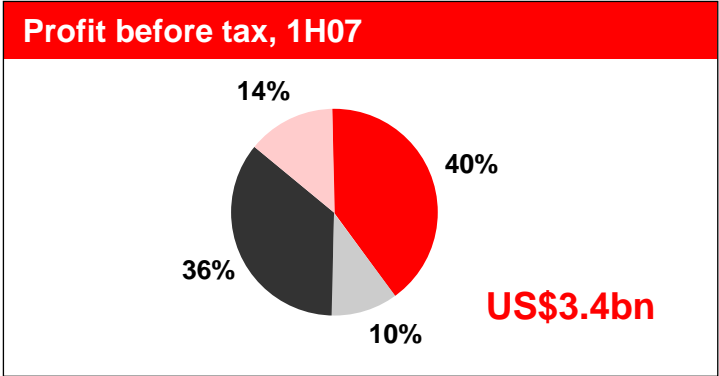


## Growth in profit before tax (%)

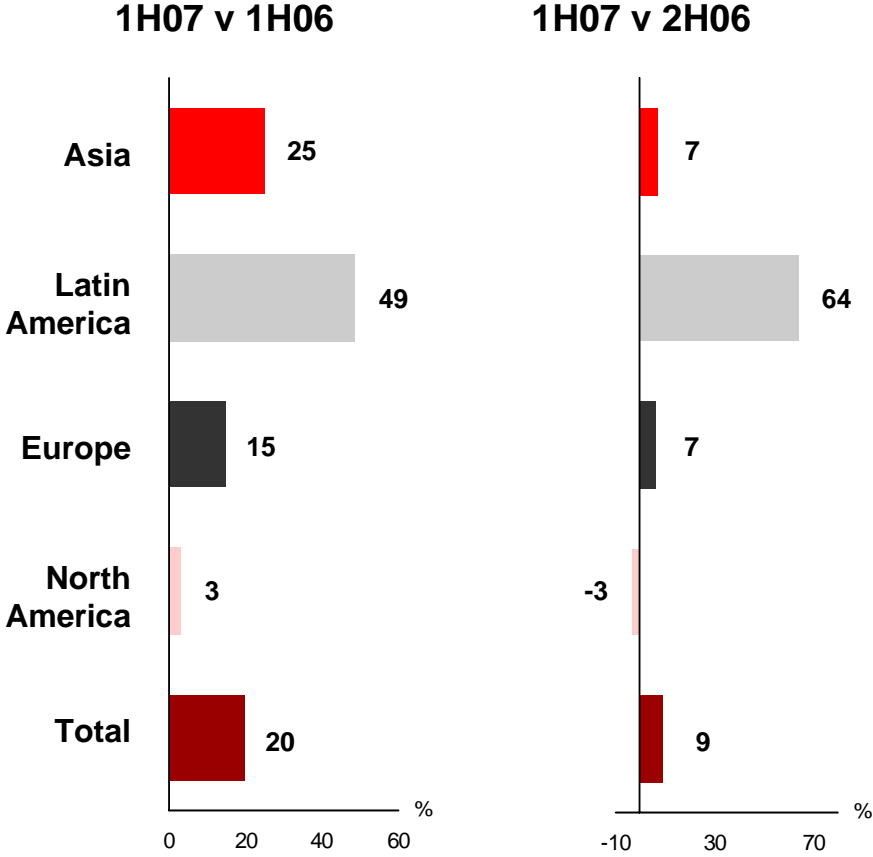


# Commercial Banking

## Regional mix

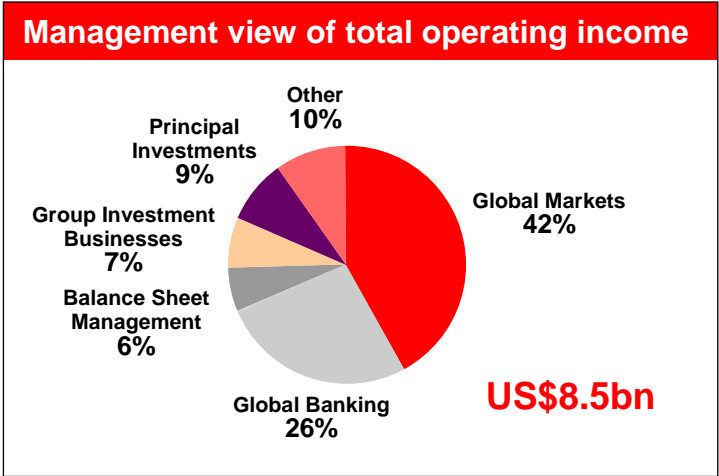
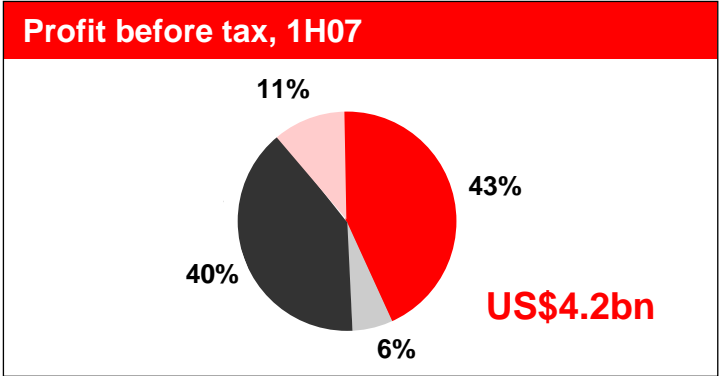


## Growth in profit before tax (%)

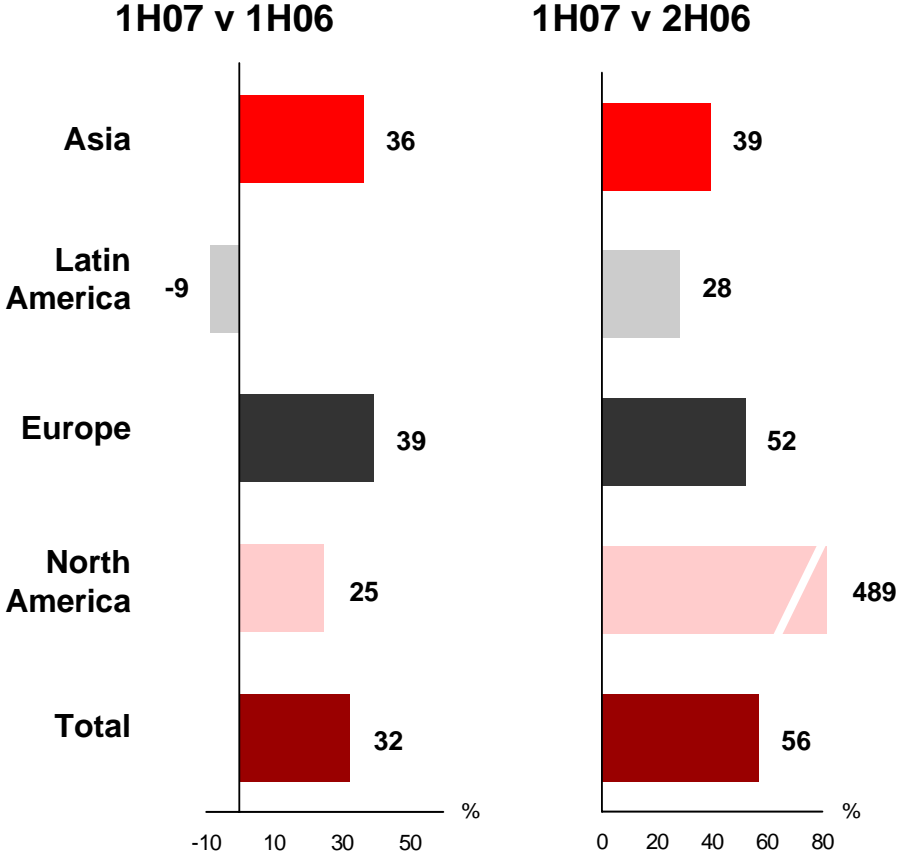


# Corporate, Investment Banking and Markets

## Regional mix

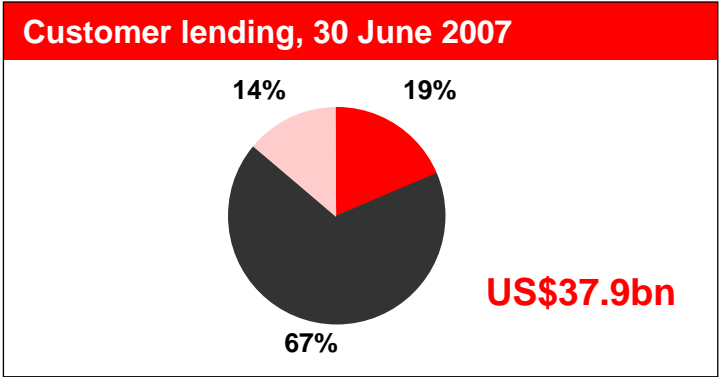
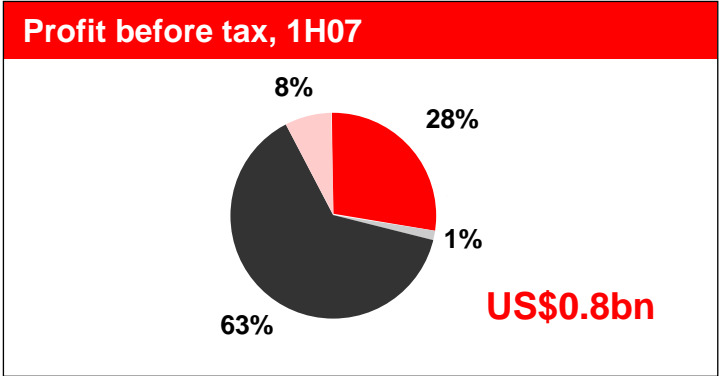


## Growth in profit before tax (%)



# Private Banking

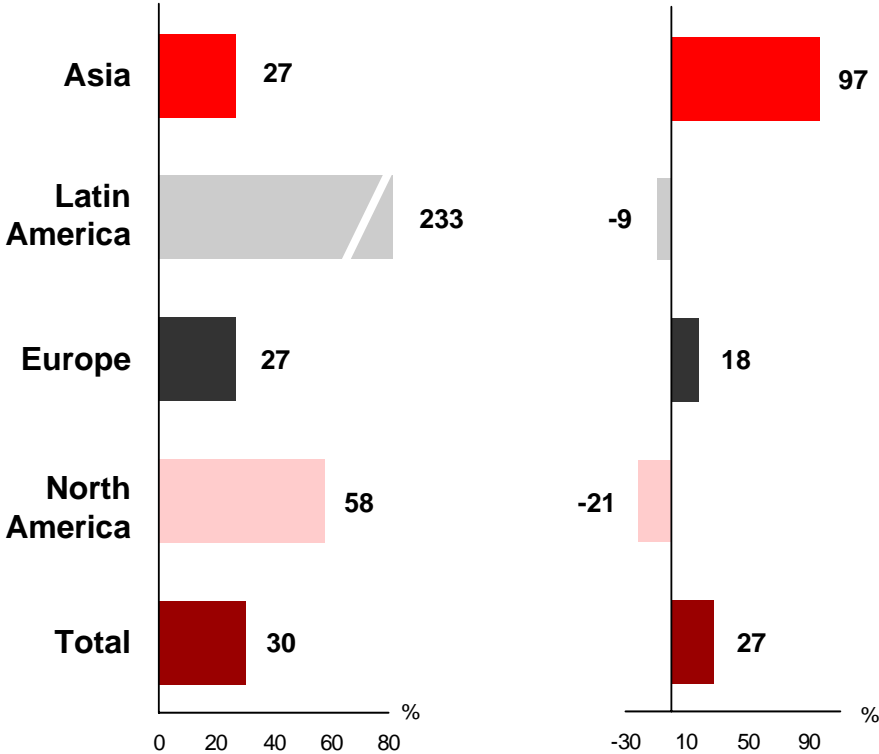
## Regional mix



## Growth in profit before tax (%)

1H07 v 1H06

1H07 v 2H06



# Credit quality has remained broadly stable

| Loan impairment charges/(net recoveries) | US\$ millions |              |              | As a % of average advances (annualised) |             |             |
|--|---------------|--------------|--------------|---|-------------|-------------|
|  | 1H06          | 2H06         | 1H07         | 1H06                                    | 2H06        | 1H07        |
| <b>Personal Financial Services</b>       |               |              |              |   |             |             |
| Europe                                   | 847           | 991          | 1,127        | 1.37                                    | 1.41        | 1.53        |
| Hong Kong                                | 55            | 64           | 74           | 0.32                                    | 0.36        | 0.40        |
| Rest of Asia-Pacific                     | 289           | 256          | 252          | 2.07                                    | 1.75        | 1.68        |
| North America                            | 2,117         | 4,566        | 3,774        | 2.01                                    | 4.13        | 3.46        |
| of which US mortgage services            | 338           | 1,833        | 760          | 1.39                                    | 7.16        | 3.25        |
| Latin America                            | 401           | 363          | 701          | 8.14                                    | 5.62        | 8.01        |
| <b>Total</b>                             | <b>3,709</b>  | <b>6,240</b> | <b>5,928</b> | <b>1.82</b>                             | <b>2.84</b> | <b>2.63</b> |

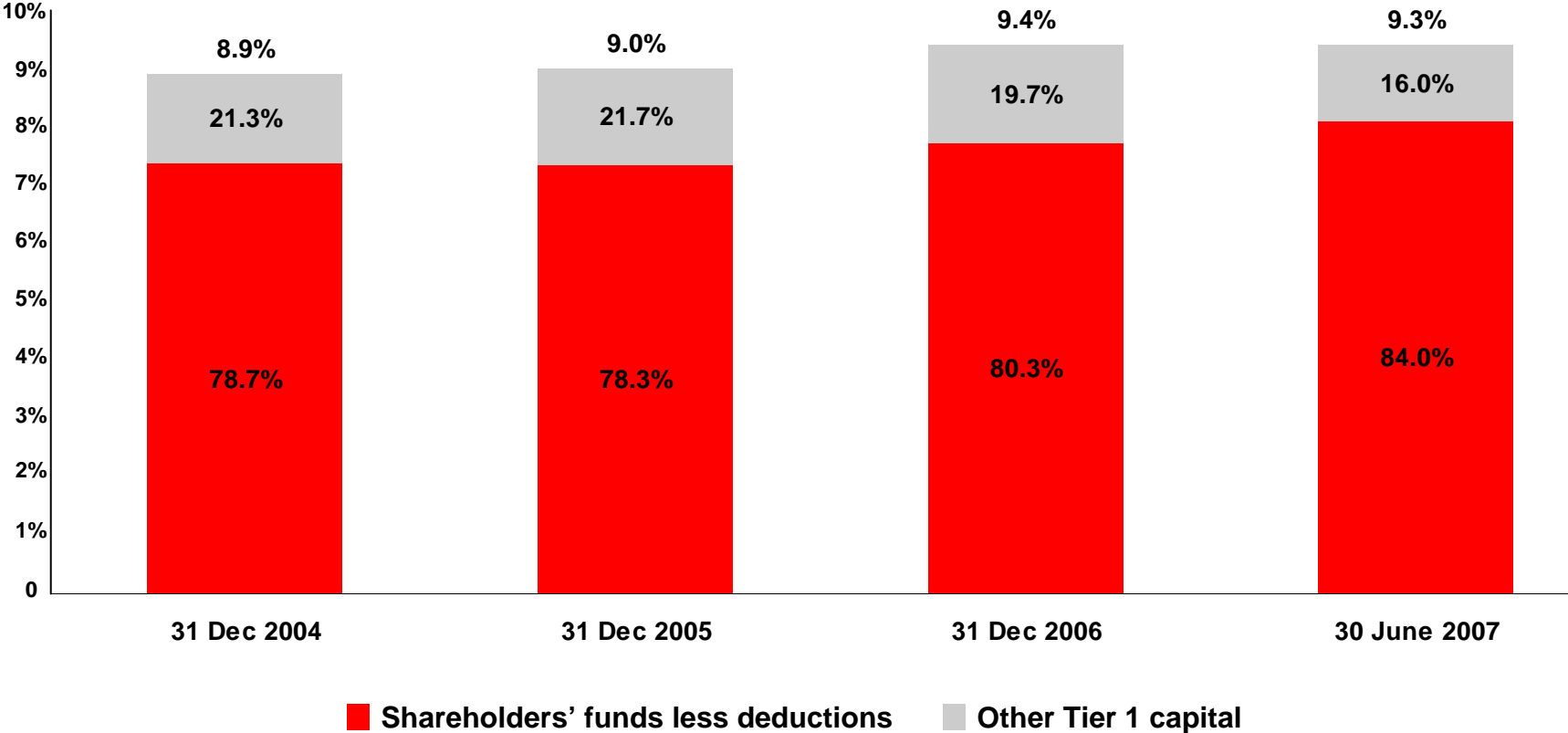
# Credit quality has remained broadly stable

| Loan impairment charges/(net recoveries) | US\$ millions |            |            | As a % of average advances (annualised) |             |             |
|--|---------------|------------|------------|---|-------------|-------------|
|  | 1H06          | 2H06       | 1H07       | 1H06                                    | 2H06        | 1H07        |
| <b>Commercial Banking</b>                |               |            |            |   |             |             |
| Europe                                   | 145           | 241        | 256        | 0.43                                    | 0.64        | 0.61        |
| Hong Kong                                | 38            | 31         | 1          | 0.37                                    | 0.27        | 0.01        |
| Rest of Asia-Pacific                     | (19)          | (10)       | 54         | (0.20)                                  | (0.10)      | 0.46        |
| North America                            | 31            | 43         | 46         | 0.20                                    | 0.25        | 0.27        |
| Latin America                            | 65            | 132        | 74         | 1.92                                    | 2.98        | 1.25        |
| <b>Total</b>                             | <b>260</b>    | <b>437</b> | <b>431</b> | <b>0.36</b>                             | <b>0.54</b> | <b>0.49</b> |

| Loan impairment charges/(net recoveries)         | US\$ millions |      |      | As a % of average advances (annualised) |        |       |
|--|---------------|------|------|---|--------|-------|
|  | 1H06          | 2H06 | 1H07 | 1H06                                    | 2H06   | 1H07  |
| <b>Corporate, Investment Banking and Markets</b> | (109)         | (10) | (24) | (0.12)                                  | (0.01) | -0.02 |
| <b>Private Banking</b>                           | 29            | 4    | 9    | 0.20                                    | 0.02   | 0.05  |

# Capital strength – HSBC's hallmark

## Consistently strong Tier 1 capital ratios (%)

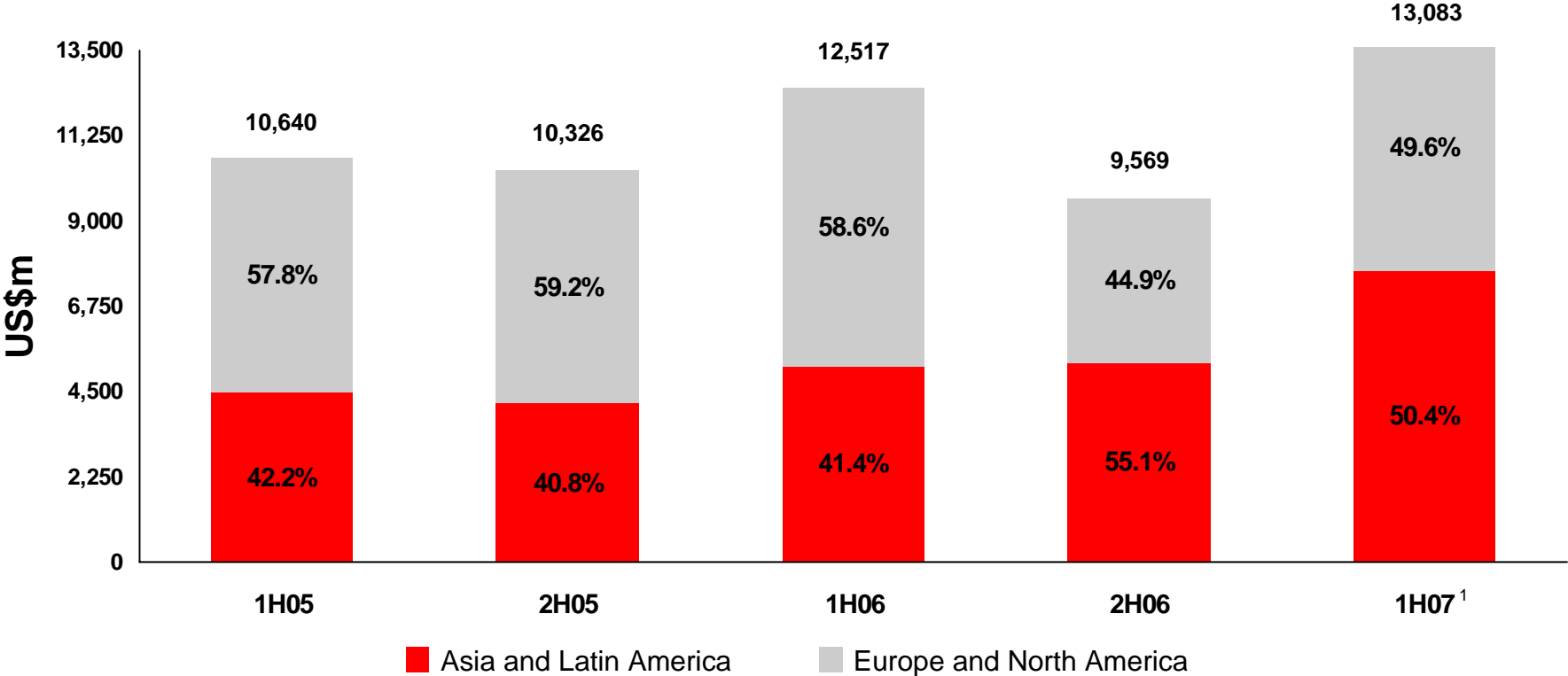


**Michael Geoghegan**

**Business achievements – first half, 2007**

# Rebalancing towards developing markets

## Composition of group profit before tax



(1) Excludes gains arising from dilution of interest in Chinese associates

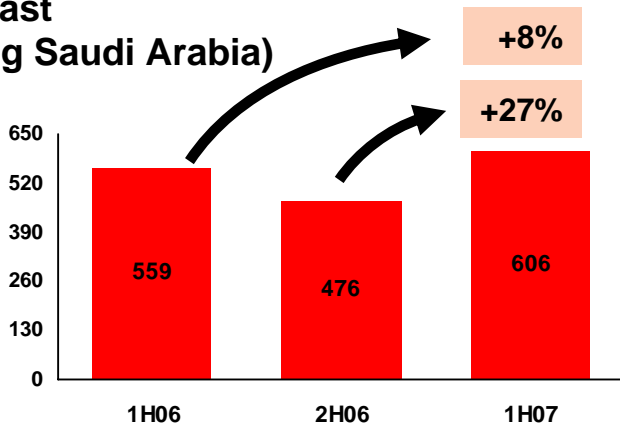
# Developing countries – world’s largest and most profitable international emerging markets bank

- Pre-eminent international bank in Asia
- Strength in Greater China
- Leveraging the customer group connections
- Significant growth in India, Singapore, Malaysia, UAE, Egypt, Brazil and Turkey
- Building regional business in Latin America

## Profit before tax

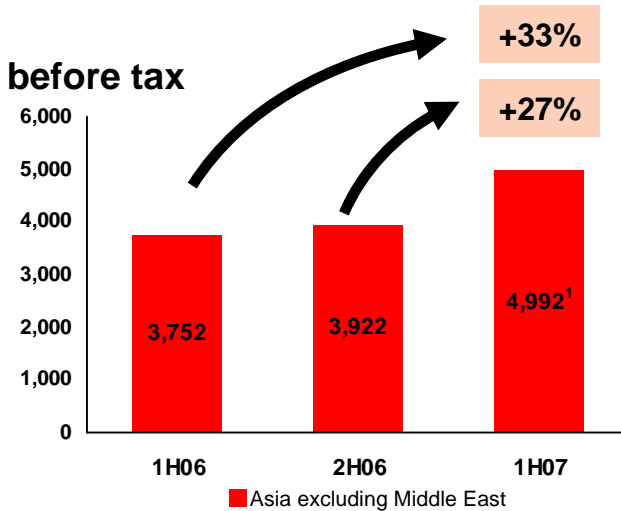
### Middle East (including Saudi Arabia)

US\$m



## Profit before tax

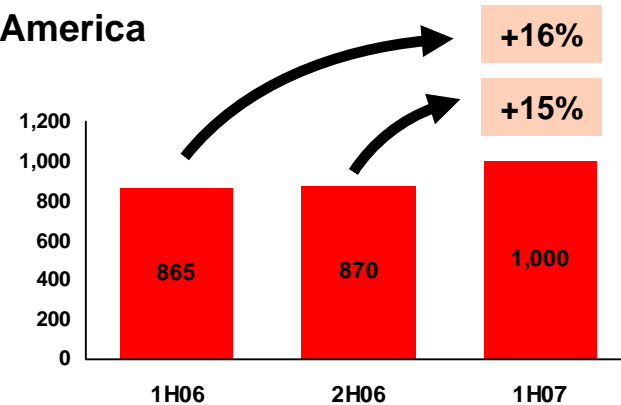
Asia  
US\$m



(1) Excluding gains arising from dilution of interest in Chinese associates

## Latin America

US\$m



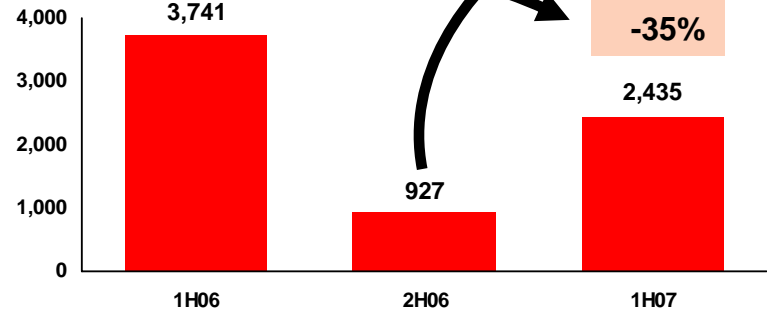
# Developed countries – a diversified Group

- Challenging environment in UK PFS
- Strong performance in CMB, CIBM and PB in Europe
- Success in the US direct proposition
- Expanded CMB network in the US
- Strong growth in Canada
- Good progress in managing the US mortgage services portfolio
- Satisfactory performance from US consumer finance, ex mortgage services

## Profit before tax

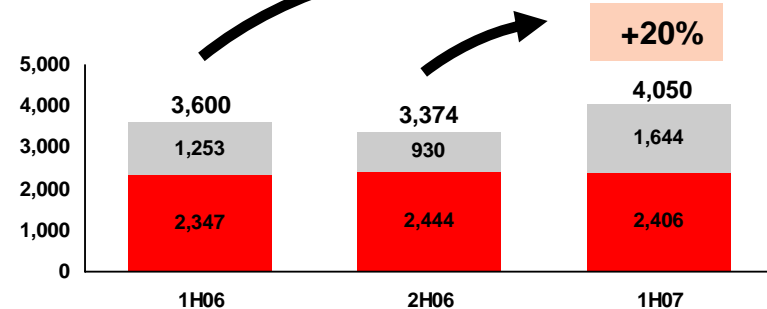
### North America

US\$m



### Europe

US\$m



■ UK ■ Rest of Europe

# US Consumer Finance – making good progress

## US Mortgage Services

- Reduced portfolio
- Stopped underwriting sub-prime mortgages from correspondents
- Centralised collection activities
- Developed sophisticated calling programme – over 19,000 customers contacted in last 6 months

## Other results

- Consumer finance, excluding mortgage services – profit before tax of US\$1.6bn

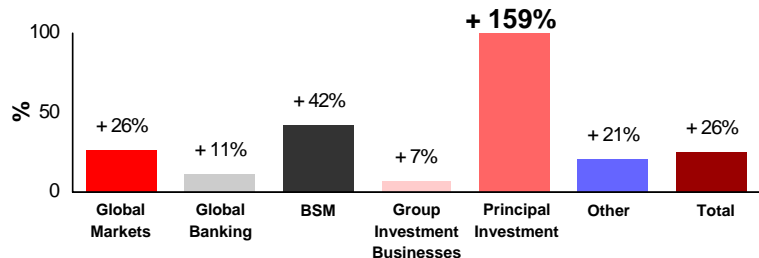
# US Mortgage Services – loan portfolio

| US\$bn              | Total Portfolio | ARMs   | 2 <sup>nd</sup> Liens | Stated Income |
|---------------------|-----------------|--------|-----------------------|---------------|
| At 31 December 2006 | 49.5            | 27.1   | 10.1                  | 11.8          |
|                     | -16% ↓          | -30% ↓ | -18% ↓                | -20% ↓        |
| At 30 June 2007     | 41.4            | 19.0   | 8.2                   | 9.4           |

# Corporate, Investment Banking and Markets – success in emerging markets-led and financing-focused strategy

- Benefit from geographic network and strengthened product capabilities
- Asia and LatAm contributed 49% of CIBM profit
- Global Markets success broadly based
- Global Banking strength in financing and payments and cash management
- Group Investments Businesses continued expansion in emerging markets

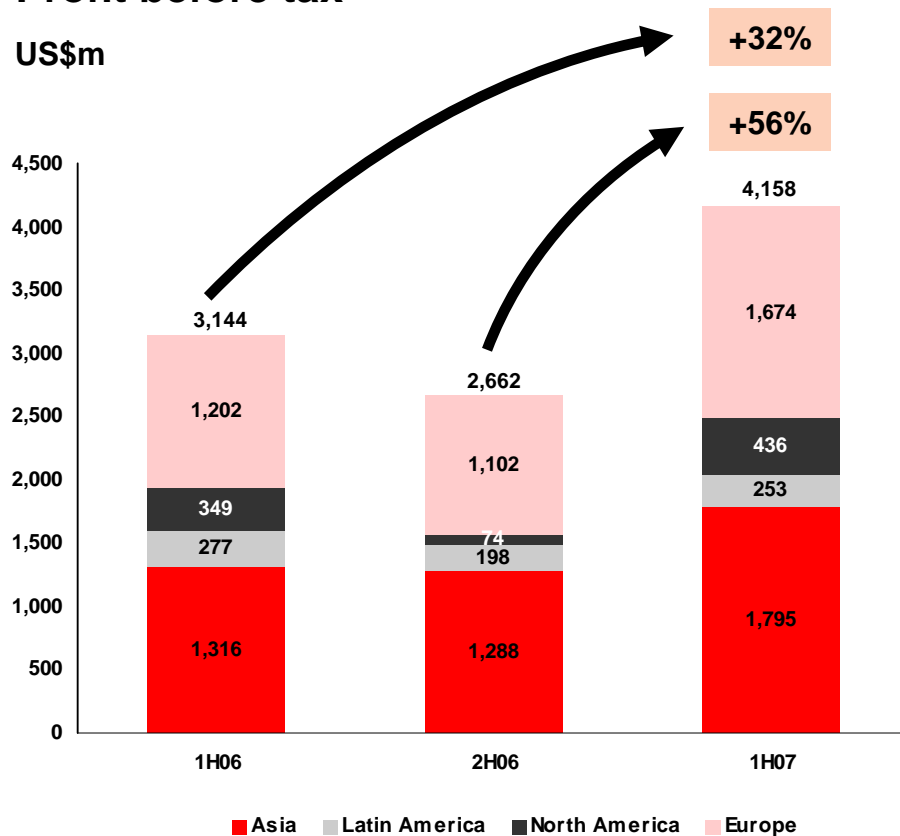
Growth in revenue<sup>1</sup>, 1H07 v 1H06



(1) Management view of total operating income

Profit before tax


US\$m



# CIBM – key transactions

# CIBM – major awards


May 2007



Transaction value  
US\$1.2bn

Bookrunner and  
Mandated Lead  
Arranger


April 2007



GBP1.8bn

Bookrunner and  
Mandated Lead  
Arranger

April 2007



GBP3.4bn

Bookrunner and  
Mandated Lead  
Arranger



Best Risk  
Management House




Regional Awards

- Best Risk Management in Asia
- Best Foreign Exchange in Asia
- Best Project Finance in Asia
- Best Risk Management in Middle East
- Best Cash Management in the Middle East
- Best Cash Management in North America

Country Awards


- Best Risk Management in Asia
- Best Bank in Hong Kong
- Best Debt House in Hong Kong
- Best Debt House in Saudi Arabia
- Best M&A House in Saudi Arabia
- Best Bank in Honduras



Euromoney Islamic Finance Awards

- Best International Islamic Bank
- Best Sukuk House
- Best Project Finance House
- Best Project Finance Deal – Rabigh Refinery and Petrochemical Project
- Best Sukuk Deal – Khazanah Nasional Berhad

Pending



Transaction value  
US\$11.6bn

Bookrunner and  
Mandated Lead  
Arranger


May 2007



SGD650 million

IB – M&A-Public  
Offer  
Adviser/ Sole  
Provider

June 2007



US\$758 million

Singapore  
Telecommunications  
Limited

Acquisition of a 30%  
stake in Warid Telecom  
(Pvt) Limited

Adviser



Best Cash  
Management House



Foreign Exchange Poll 2007

Ranked #1

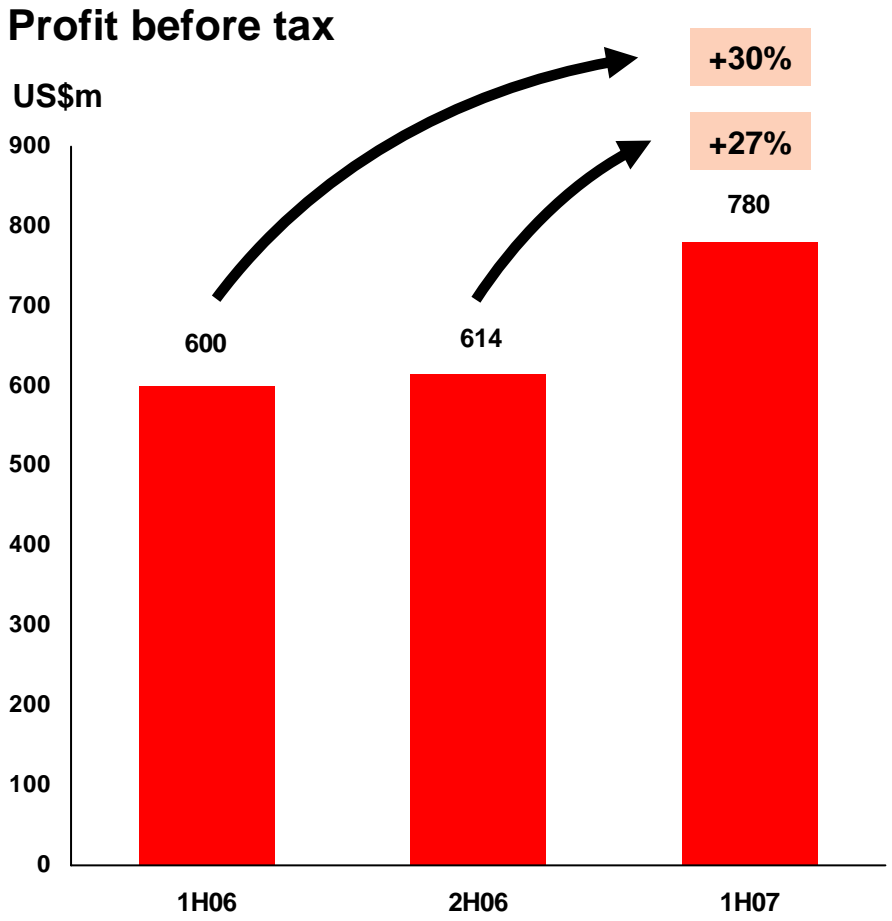
- Who's best where? – Asia and Middle East
- Best for currencies – Hong Kong dollar
- Best for currencies – Chinese Yuan
- Best for currencies – Middle Eastern currencies
- Best for currencies – Asian currencies
- Best for currencies – S/E



- Cross-border deal of the year 2007 – Arcelor-Mittal
- Financing package of the year 2007 – BAA-Ferrovial

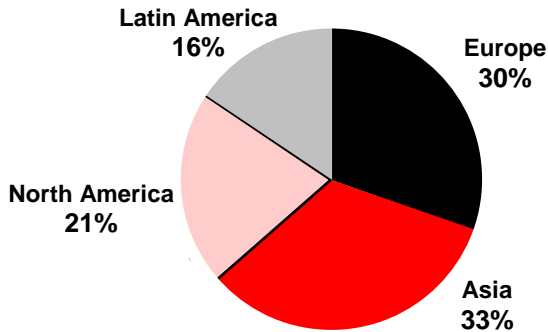
# Private Banking – benefiting from Group connections

- Client assets under management increased by 11 % to US\$370 billion
- Cross-referral business – over US\$1.5bn of client assets referred into Private Banking
- Extended footprint in Canada and Panama

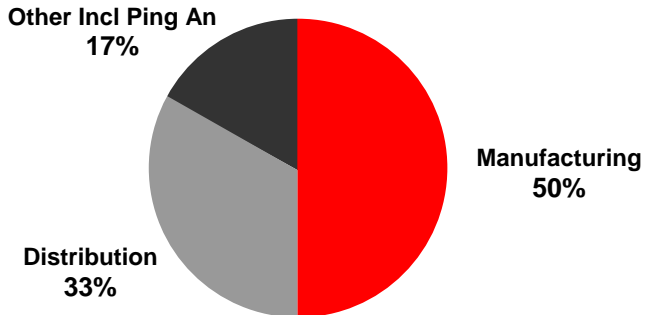


# Insurance – developing our income stream

PBT by region, 1H07



PBT by source of business, 1H07



- Insurance contributed US\$1.6bn\* or 11% to group profit
- Three transactions initiated: acquired remaining 50% of life & general insurer Erisa in France; J/V with Aviva in UK and plan to create J/V with Canara Bank and OBC in India
- Saudi Takaful IPO 7x over subscribed
- Established HSBC Insurance brand – with high quality ‘brand’ experience

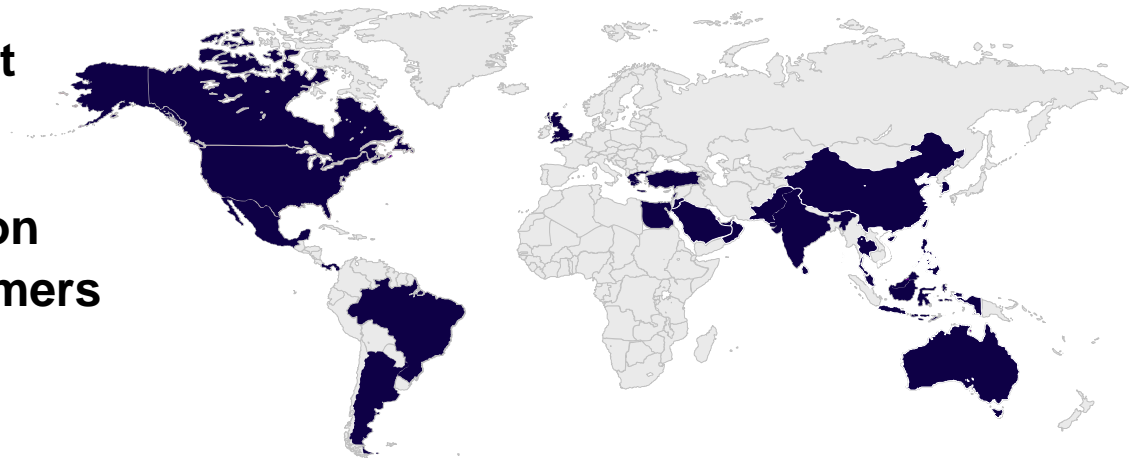
Note: The results of Insurance are reported within customer groups, primarily PFS

\* Excludes the effect of the \$485m Ping An dilution gain

# Joining up the company

## (a) HSBC Premier

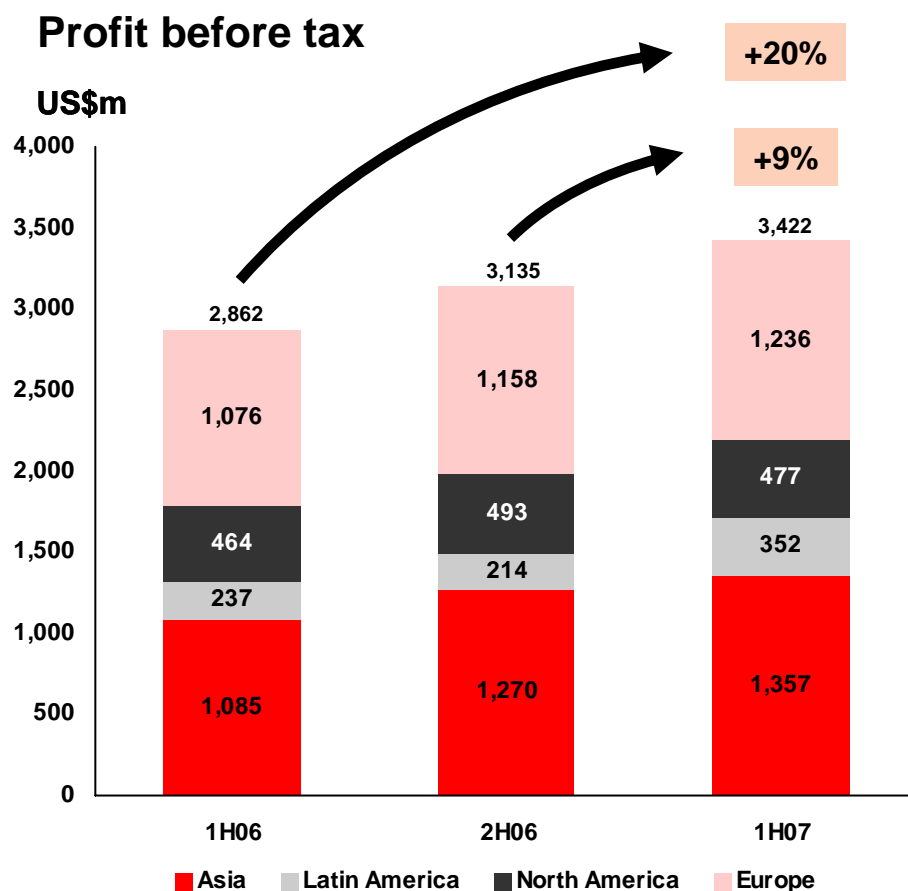
- Launched simultaneously in 35 markets in May 2007
- Comprehensive and consistent proposition to mass affluent customers across many markets
- Over 250 International HSBC Premier centres worldwide
- Since launch in May 2007  
– 75,000 new customers at 30 June 07
- Targeted to attract 4 million new HSBC Premier customers



# Joining up the company

## (b) Commercial Banking – strengthening international links

- Strategy: to be the best bank for small business and the leading international business bank
- Expanded customer base to 2.7m with emphasis on growth in emerging markets
- Global links cross-referral system generated 37% more referrals
- Direct channel usage increased helped by enhanced business internet banking platform



# Joining up the company

## (c) The benefits of common IT platforms

Rationalising internet platform – shared in over **60 markets**

Whirl – reducing cost per credit card account by **16%**

Implementing HSBCnet throughout **Latin America**

HSBC Direct launched in Korea and Canada – Asian deposits now exceed **US\$1bn**

**Stephen Green**

# Outlook – HSBC well positioned

- Robust global economic growth and reduced dependence on US economy
- US economy still expected to grow despite weak housing market
- Emerging markets continue to benefit from strong trade and investment flows
- Asset prices very stretched in several markets and risk premia rising
- Concern about inflation with interest rates unlikely to fall
- Risks of asset price dislocation where credit structures are stretched

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Group is positioned to:

- Invest for diversified growth
- Maintain strong capital ratios
- Continue prudent stance on risks

# 2007 interim results

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