

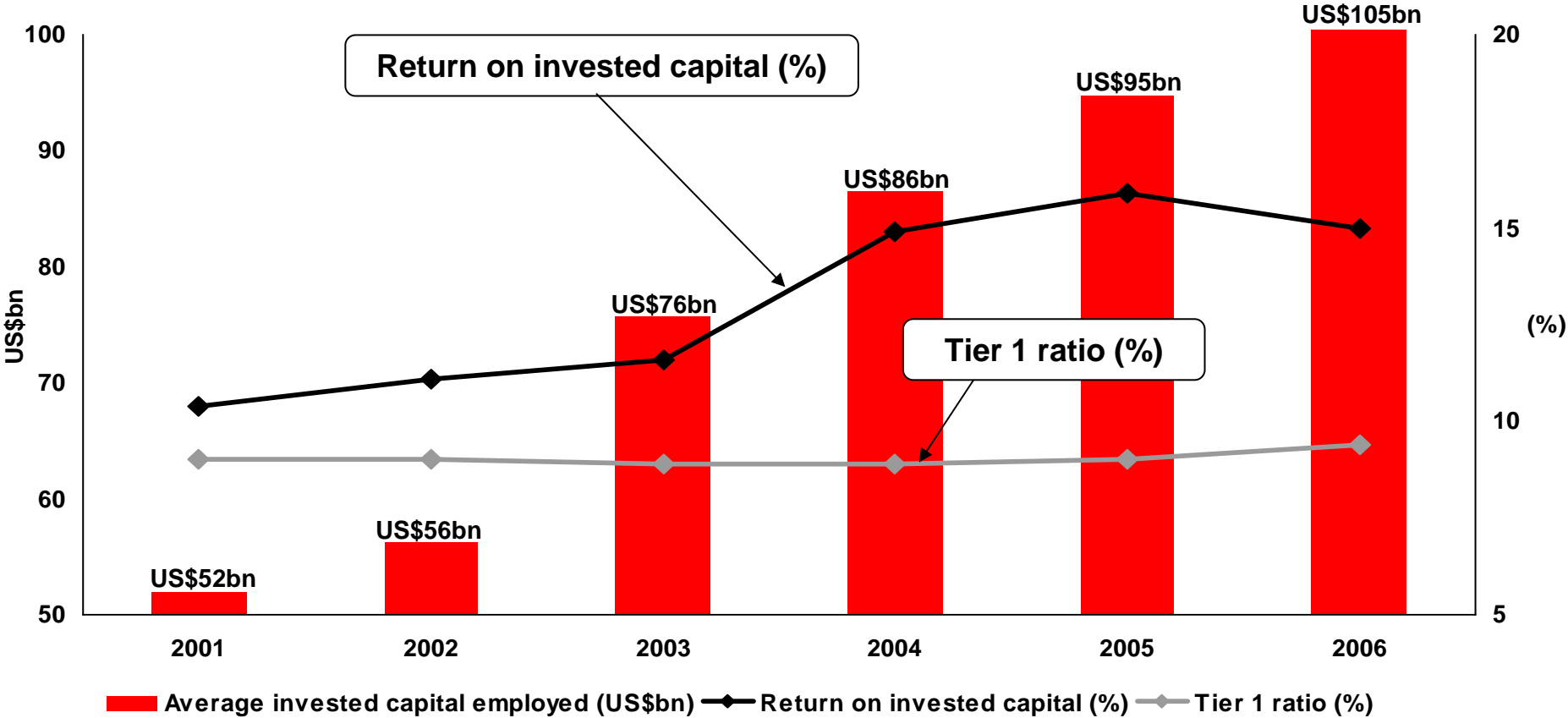


# M&A: Curse or Cure?

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# Maintaining capital efficiency



(1) UK gaap to 2003, IFRS basis from 2004  
 (2) Dividends per share in respect of each year

# HSBC acquisition framework

- Strategic fit
- Human fit
- Technology fit
- Something shareholders cannot do?
- Financial returns
- Market reaction

# Curse or Cure ?

## Cure

- Licence to operate
- Access to resources
- Access to distribution
- Economies of scale
- Diversification imbalances
- Capital and funding gaps

## Curse

- Management diversion
- Technology strain
- Management and control framework
- Employee engagement
- Aggregated risk resolution
- Regulatory and accounting spaghetti

## Challenges to successful M&A

- Balancing operational independence with consistency of control framework
- Delivering clear lines of management accountability
- Avoiding silos and tribes
- Aligning reward structures for legacy and incoming management
- Remembering what made the target successful

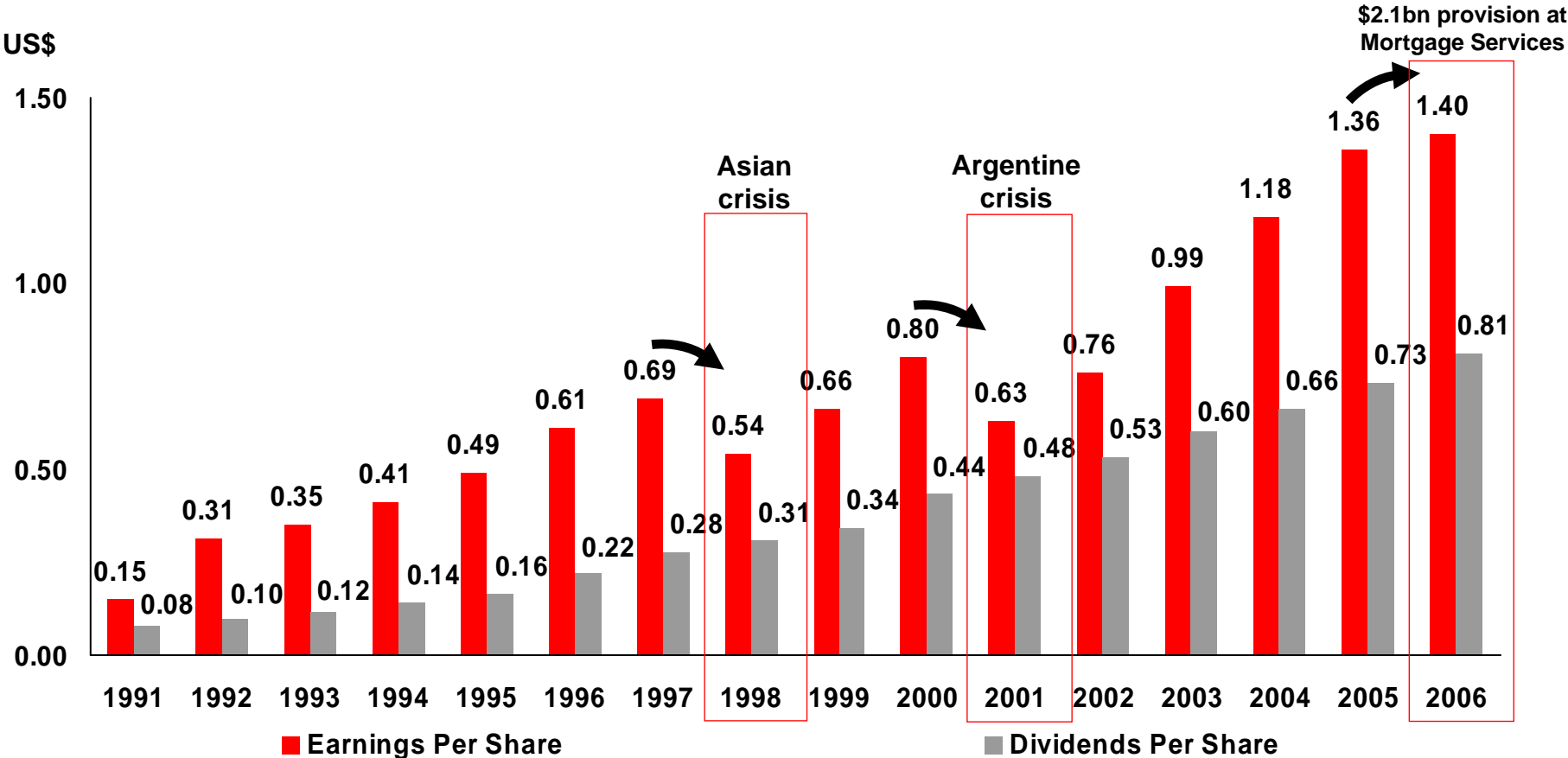
Demonstrate creation of shareholder value

## Impact of the current environment

- Real focus being given to the benefits of scale and diversification
- Capital discipline under scrutiny
- Stock market rating - Use it or Lose it
- Liquid market – high acquisition premia
- Does scale offer differentiation and returns that offset complexity?
- Disintermediating banks - is this an option for investors?

# Where we have come from

## Financial performance over 15 years



(1) UK gaap to 2003, IFRS basis from 2004  
 (2) Dividends per share in respect of each year



Thank you