

Commercial Banking – transforming opportunity

London
28 September 2007



HSBC 
The world's local bank



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.



Commercial Banking – transforming opportunity

Sandy Flockhart



Agenda

Overview	Sandy Flockhart
Asia	Margaret Leung
North America	Chris Davies
Latin America	Jose Manuel Dominguez
Europe	Alan Keir
Closing remarks and Q&A	Sandy Flockhart



Strategy and objectives

Be the **leading international business** bank

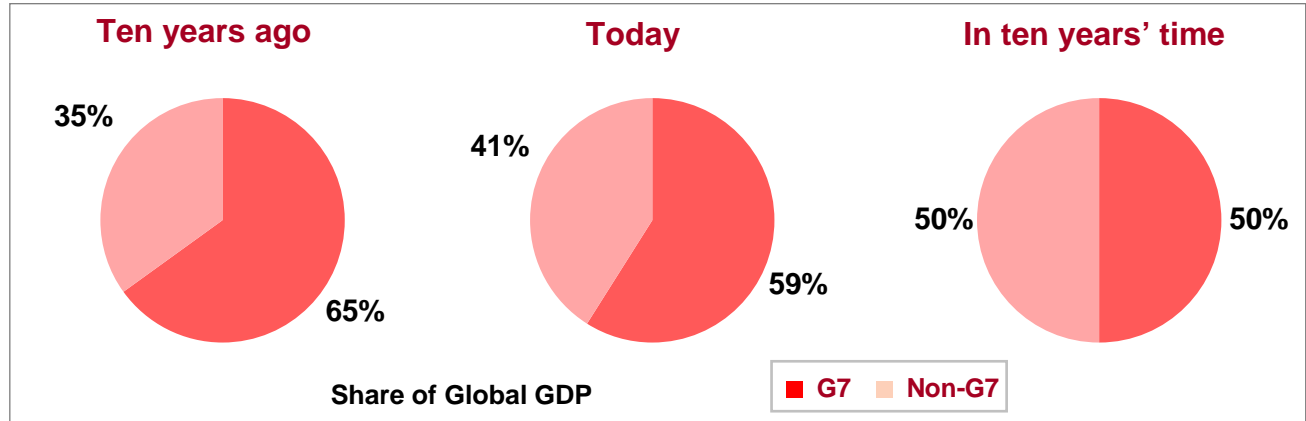
Be the **best bank for small businesses** in target markets

- Unique global footprint to bridge developed to developing markets
- Global transaction banking and receivables financing expertise
- Segmentation and tailoring of services
- Multi-channel relationships and direct banking
- Driving efficiencies
- Strong customer group connections



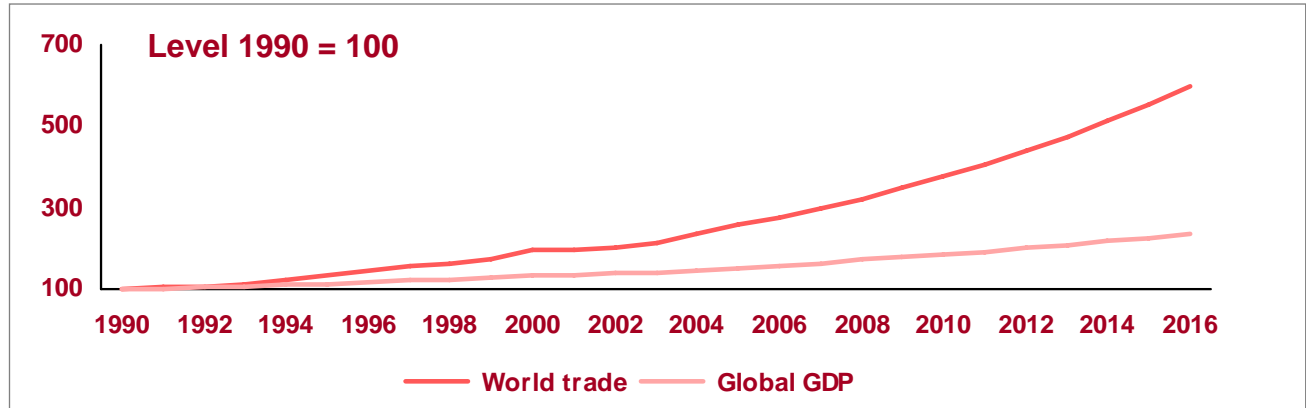
The world as we see it evolving

Emerging markets growing faster than rich countries



Source: HSBC estimates

World trade growing faster than GDP



Source: HSBC estimates



**Core strength in Commercial Banking
1H07 highlights**

Revenue

US\$6.6 billion
(up 23%)

Profit before tax (PBT)

US\$3.4 billion
(up 20%)

PBT contribution

24.2%
(of Group total)

Revenue growth

Double digit
(fifth year running)

Cost efficiency

44.2%
(maintained flat ratio)

Global Links

3,100 referrals
(up 37%)

Presence

**63 countries
and territories**

Relationship Managers

6,900
(up 11%)

Customers

2.7 million
(up 3%)

Notes:

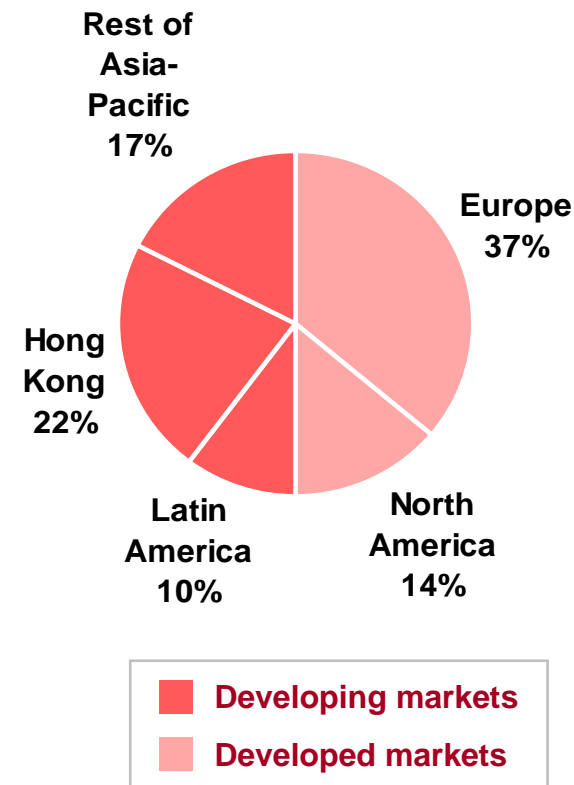
- (1) All growth rates are quoted comparative to 1H06
- (2) Financial data – as reported in 2007 Interim Report



CMB financial performance

US\$m	1H07	1H06	% growth
Net operating income ⁽¹⁾	6,580	5,363	23
Loan impairment charges	(431)	(260)	66
Total operating expenses	(2,907)	(2,385)	22
PBT	3,422	2,862	20
Cost efficiency ratio %	44.2%	44.5%	
Loans and advances to customers (US\$bn)	186	152	22
Customer accounts (US\$bn)	205	166	24

Share of PBT by region



Notes:

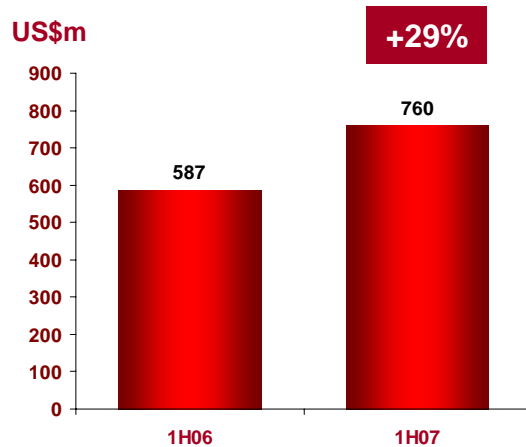
(1) Net operating income before loan impairment charges and other credit risk provisions

(2) Financial data – as reported in 2007 Interim Report

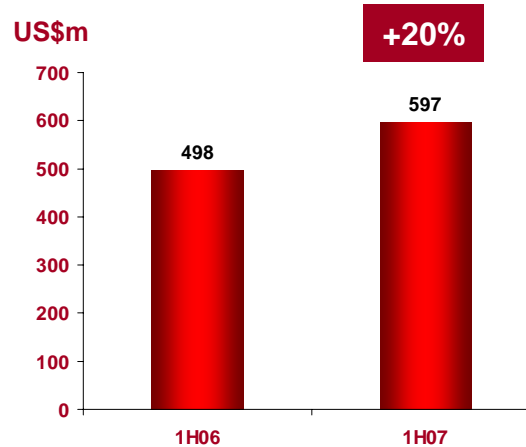


Developing countries – growth engine

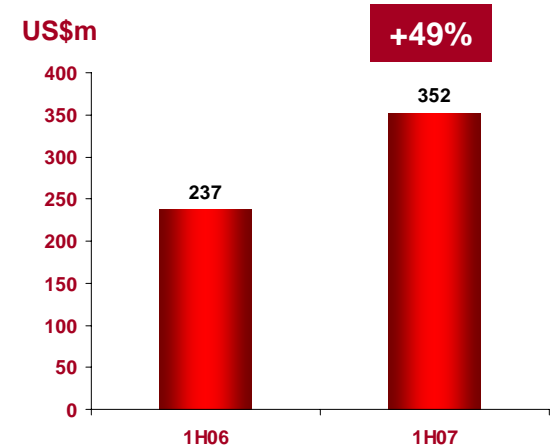
PBT – Hong Kong



PBT – Rest of Asia-Pacific (including the Middle East)



PBT – Latin America

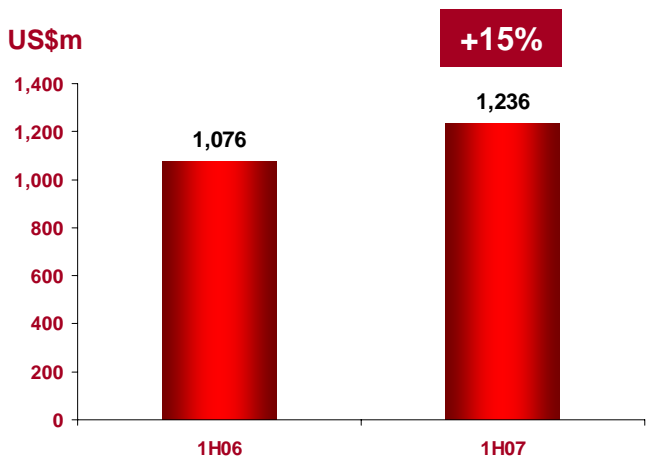


- Unrivalled distribution network in Asia and a growing footprint in the Middle East and Latin America
- Successful regional alignment for business referrals between China, Hong Kong, Taiwan and Vietnam
- Significant growth in India, Malaysia and Latin America
- Unique and dedicated focus on small and medium enterprises (SMEs)
- Connectivity allows us to link a growing pool of internationally-oriented mid-market enterprises (MMEs)/large corporates

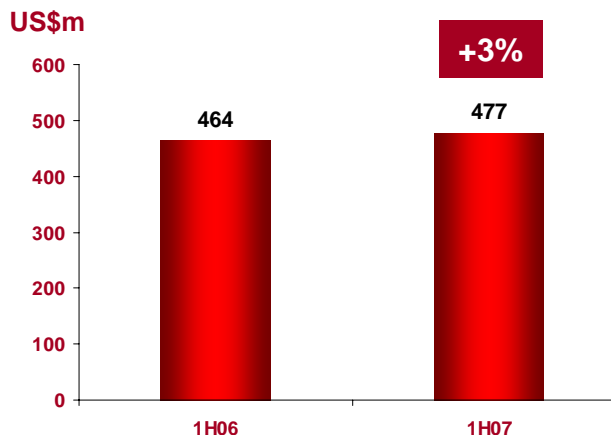


Developed countries – international connectivity and segmentation

PBT – Europe



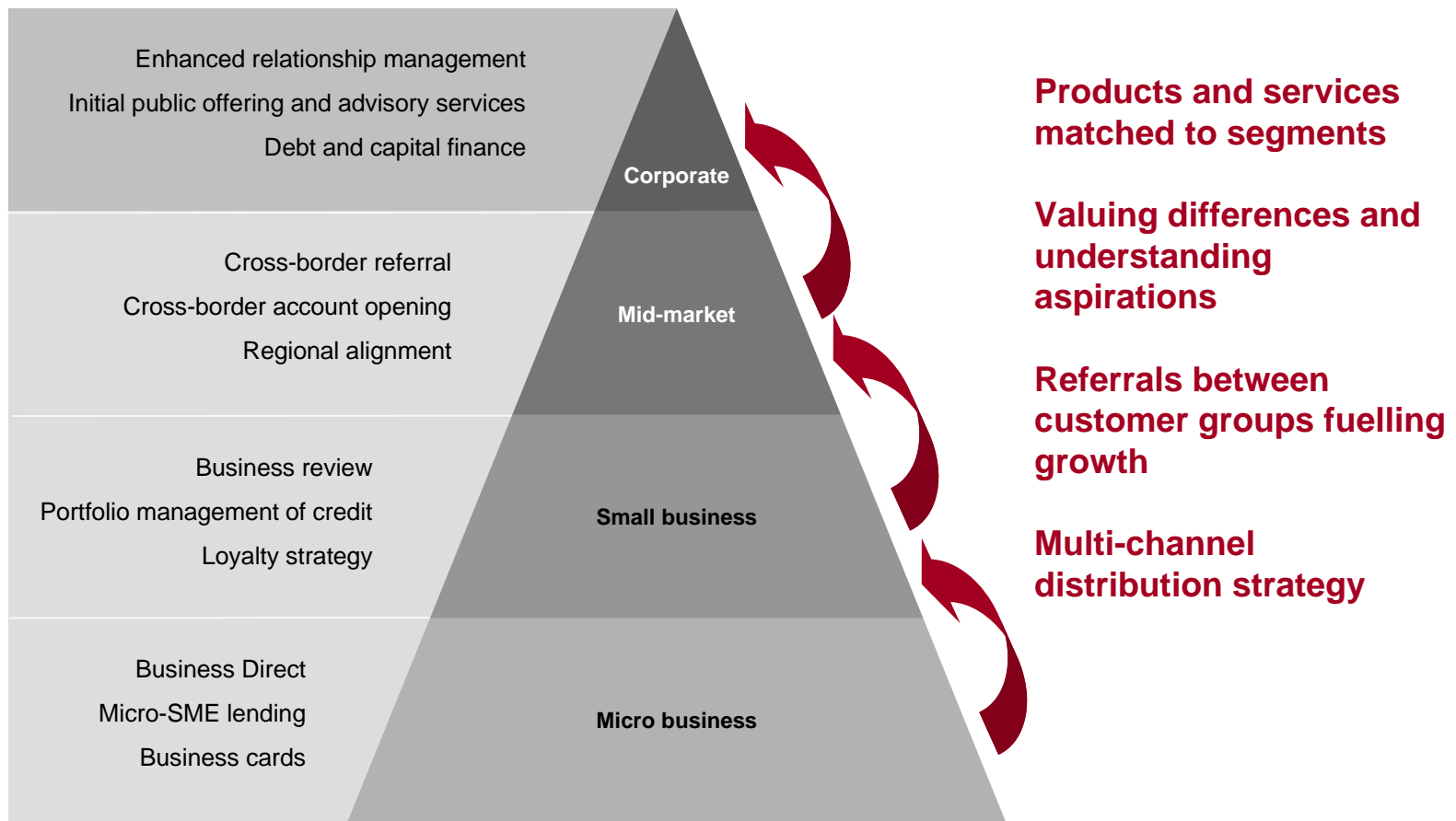
PBT – North America



- Strong performance of CMB in Europe
- Expanded CMB network in the USA
- Increasing demand for CIBM services from MMEs/large corporates
- Leading the way in direct banking and channels
- Connectivity to developing markets



CMB segmentation strategy





To be the leading international business bank

International Banking Centres

- Added seven International Banking Centres (IBCs) in 1H07
- Network now covers 23 countries

Global Links

- Over 3,000 referrals, up 37 per cent
- Total transaction values US\$3.2 billion

End-to-end relationship management

- Corporate International Teams now in six countries – concentrating the expertise
- 247 Global Relationship Managers (RMs) across 30 countries serving customers with multi-country requirements

End-to-end transaction coverage

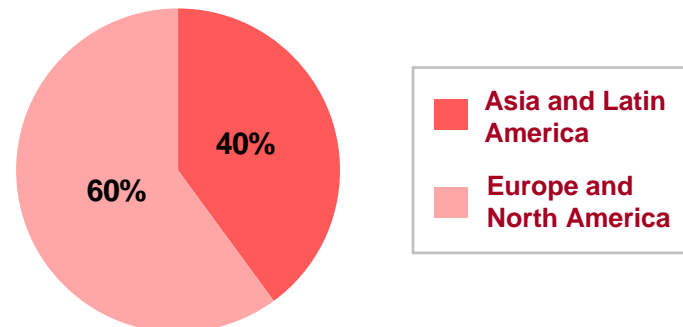
- Join up the bank to capture both ends of the customer transaction
- Leverage strengths in trade finance, payments and cash management, and links to CIBM



To be the best bank for small businesses in target markets

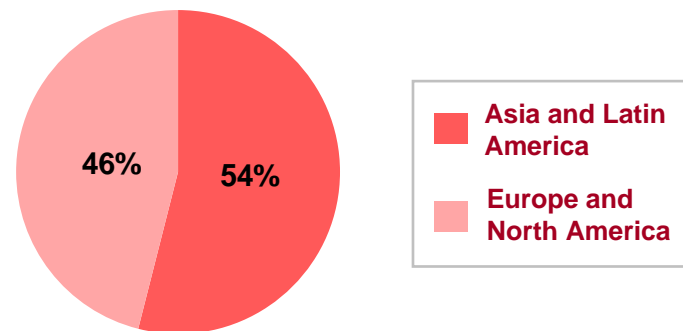
- SMEs are key to growth in emerging markets
- 2.5 million SME customers globally; HSBC’s unique positioning for growth
- Joining up SME capabilities to unlock growth potential
 - Transfer of sophisticated segmentation techniques to support targeted acquisition of new customers
 - Export of credit scoring capabilities from developed markets to developing markets
 - Selected roll-out of our Direct Banking model
 - Building connectivity with Personal Financial Services
- Focus on core products targeted to the right customers and fulfilled via straight-through processing

60% of existing SME customers are in developed markets



SME customer base – June 2007

However, customer acquisition is being driven by Asia, Latin America and the Middle East

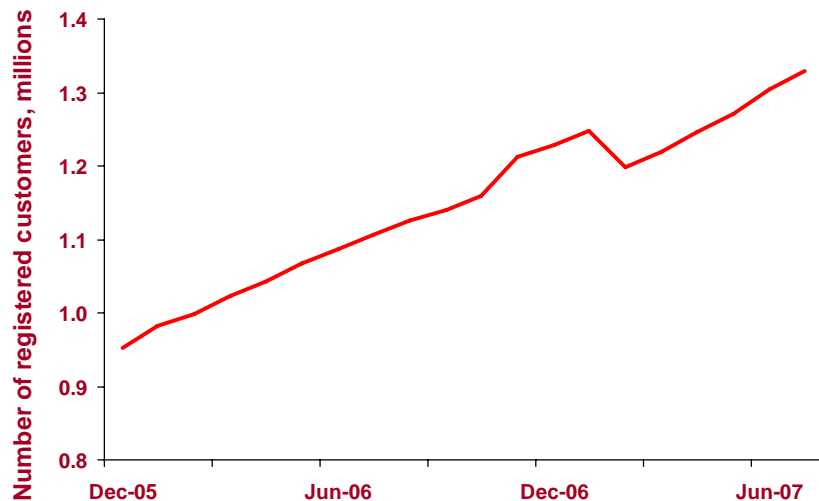


New customers acquired % of total added – June 2006 to June 2007



New channels

Internet banking



- Comparing 1H07 with 1H06
 - Registered customers up 20%, active up 28%
 - Online transaction volumes up 58%
 - Web traffic up 47%
- 2G platform now launched in eight countries, with seven more planned in the next 12 months

Mobile phones/ATMs

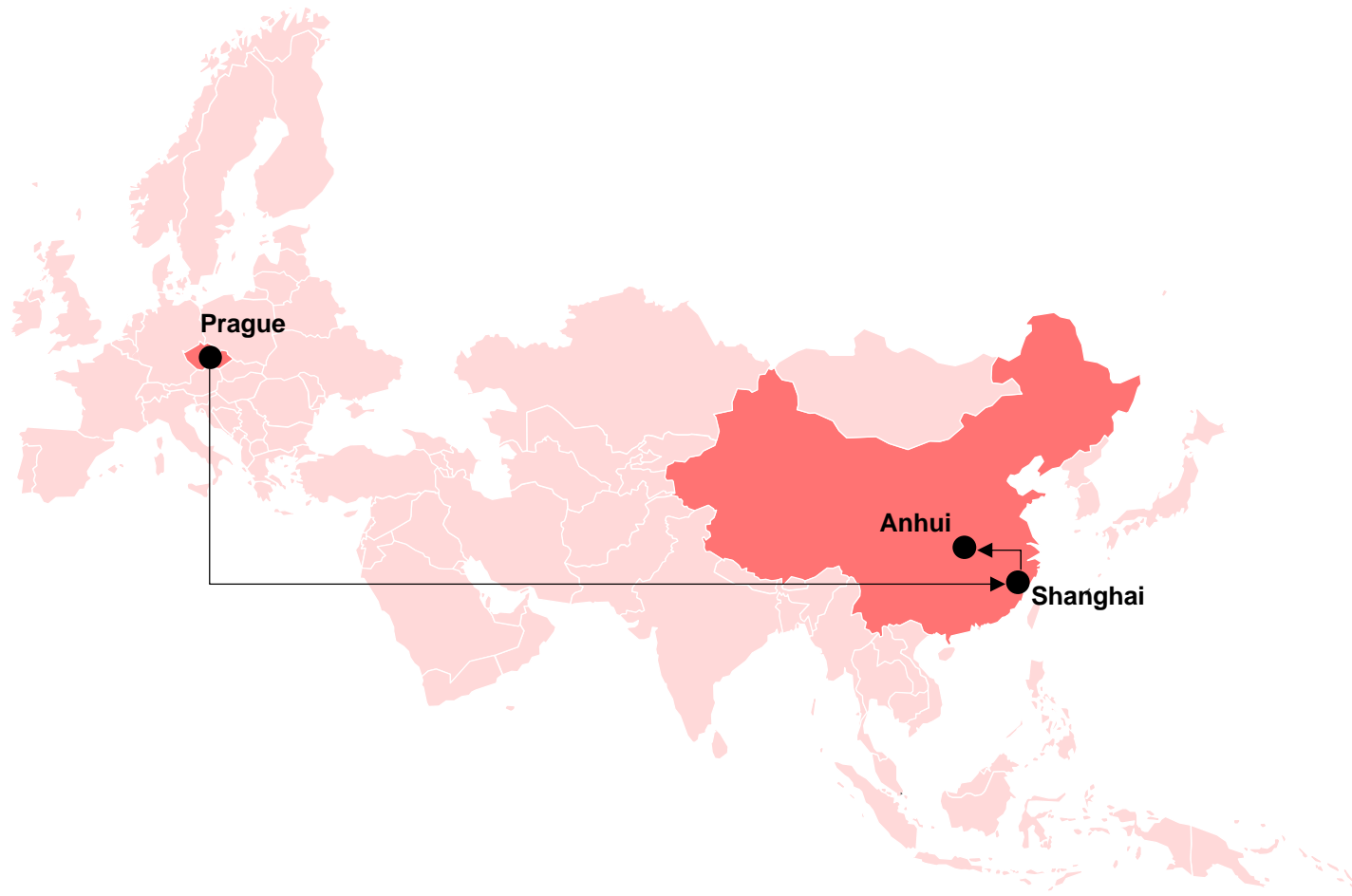
- Text message services – UK
- Transaction verification – Turkey
- Giro Facil by ATM – Brazil

HSBCnet

- Over 30,000 CMB customers
- Ranked #2 in website benchmarking against all global competitors
- Key functionality that supports customers' international needs

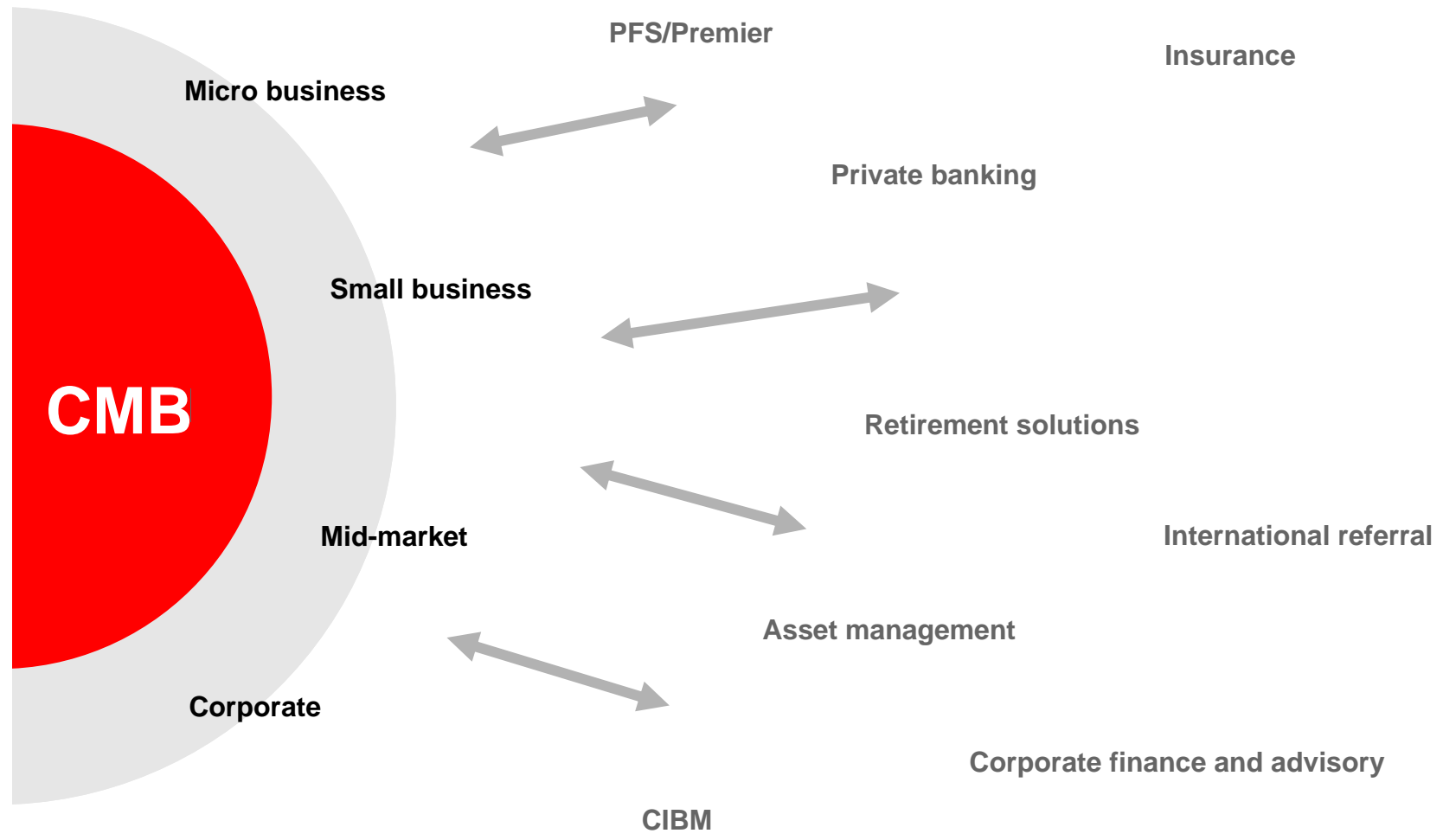


Cross-border cooperation in Emerging Markets





CMB – joined up within HSBC
An incubator for Group businesses





CMB – corporate sustainability



Launched in Hong Kong in 2004, now running in Singapore, Sri Lanka and Korea



Five-year US\$100 million partnership announced in May 2007



India – carbon credit finance

Green Equipment Financing

HSBC helps your business in eco-friendly ways



Hong Kong – green equipment financing offer



USA, UK – green sales targeting SMEs



CMB – our edge

Focus on growth in emerging markets

Clear segmentation of SMEs, especially those with international requirements

Joined up – globally within CMB and to other customer groups



Asia

Margaret Leung



CMB financial performance – Asia

US\$m	1H07	1H06	% growth
Net operating income ⁽¹⁾	1,803	1,474	22
Loan impairment charges	(55)	(19)	189
Total operating expenses	(559)	(484)	15
Associates/Joint ventures	168	114	47
PBT	1,357	1,085	25
Cost efficiency ratio %	31.0	32.8	
Loans and advances to customers (US\$bn)	51.1	41.7	22
Customer accounts (US\$bn)	73.5	56.7	30

Notes:

(1) Net operating income before loan impairment charges and other credit risk provisions

(2) Financial data – as reported in 2007 Interim Report

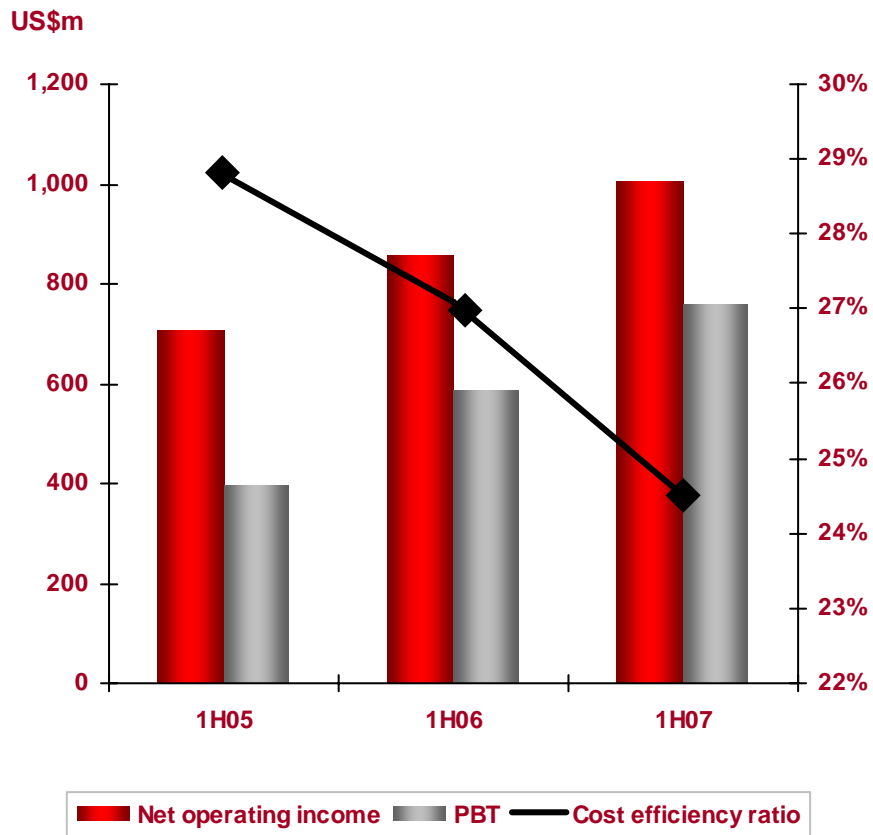
- Contributes 40% of global CMB PBT
- Highly liquid and growing deposits faster than lending
- Diversified revenues across the region – less reliance on Hong Kong



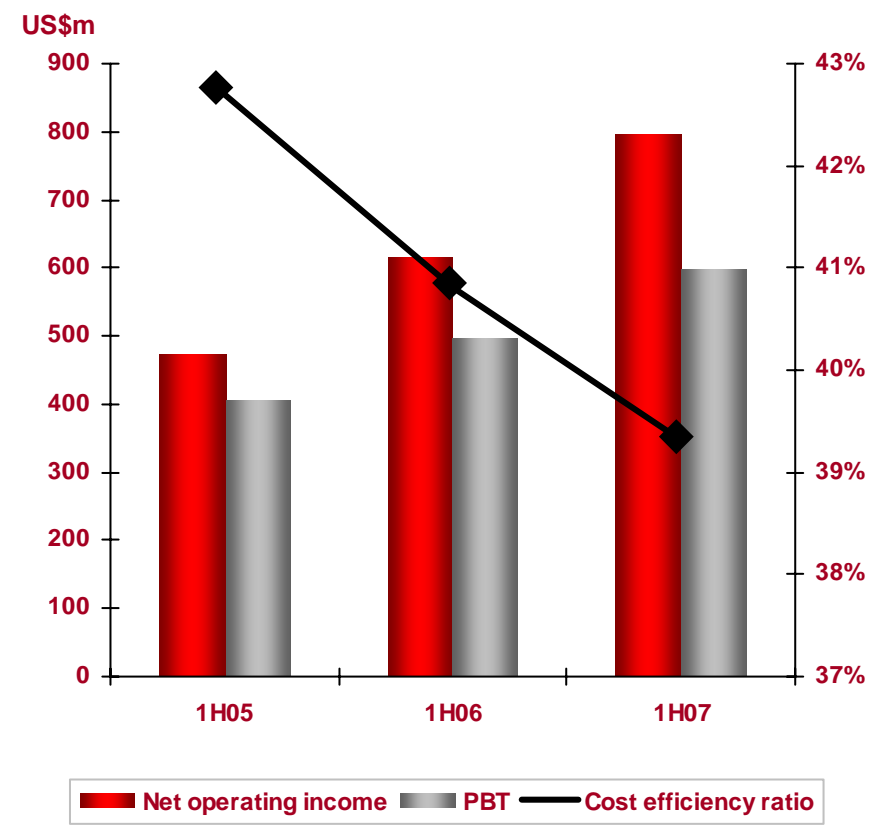
CMB financial performance – Asia

Asia – Financial performance 1H05 to 1H07

Hong Kong



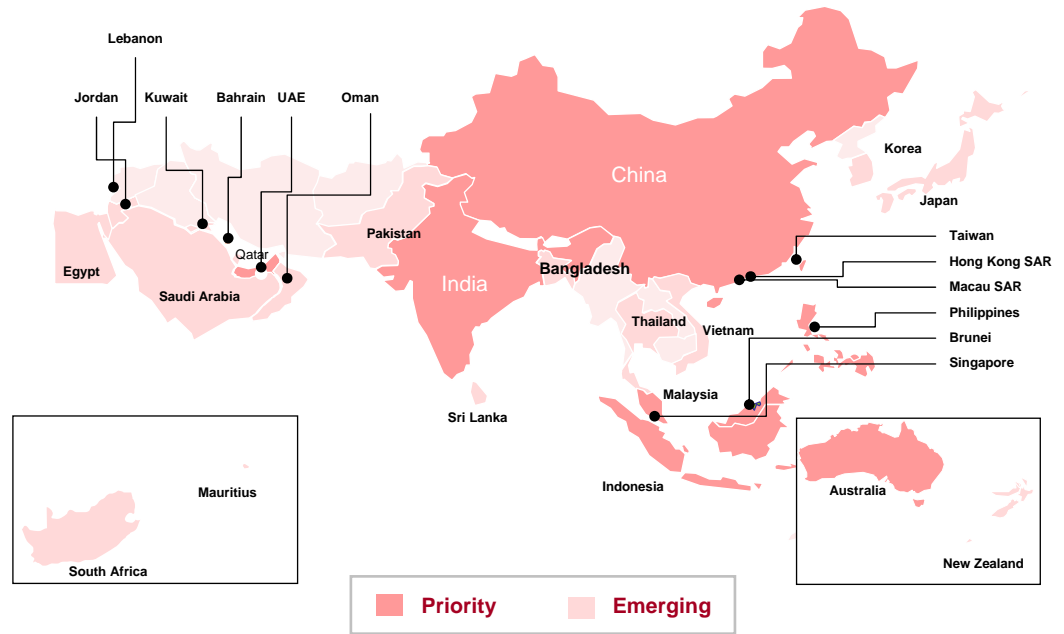
Rest of Asia-Pacific (including the Middle East)





CMB in Asia

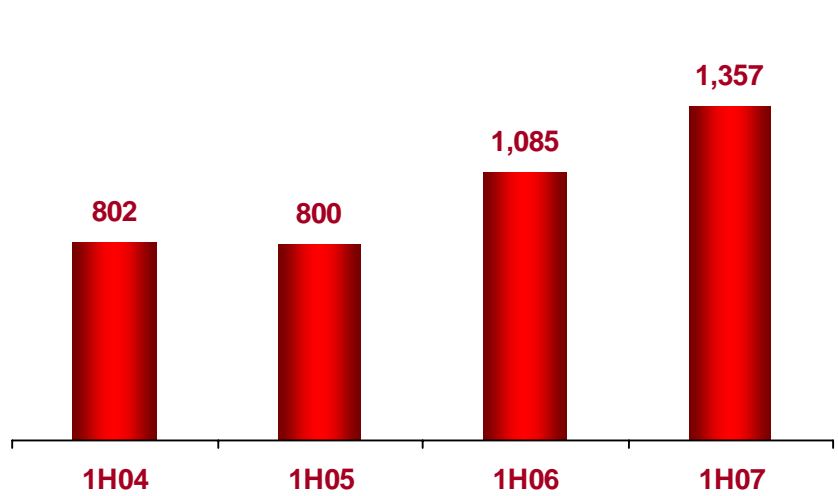
- Investing to capture opportunities of the world's fastest-growing economies
- Diverse customer base – from micro-enterprises to global corporates
- Well-balanced across products and geography
- Increasing cross-border flows from international names
- Significant investment underway in South Korea, India and Vietnam with branch expansions in a number of countries including China and Malaysia



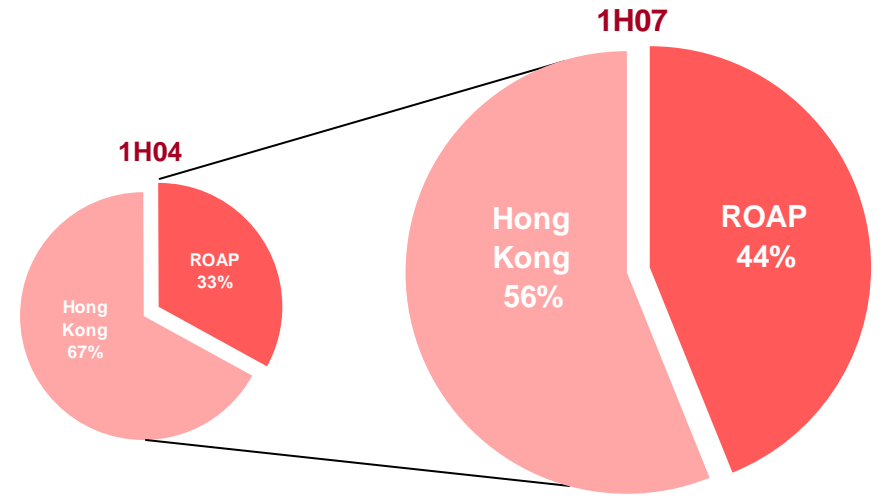


Diversification – beyond Hong Kong

PBT – Asia



PBT

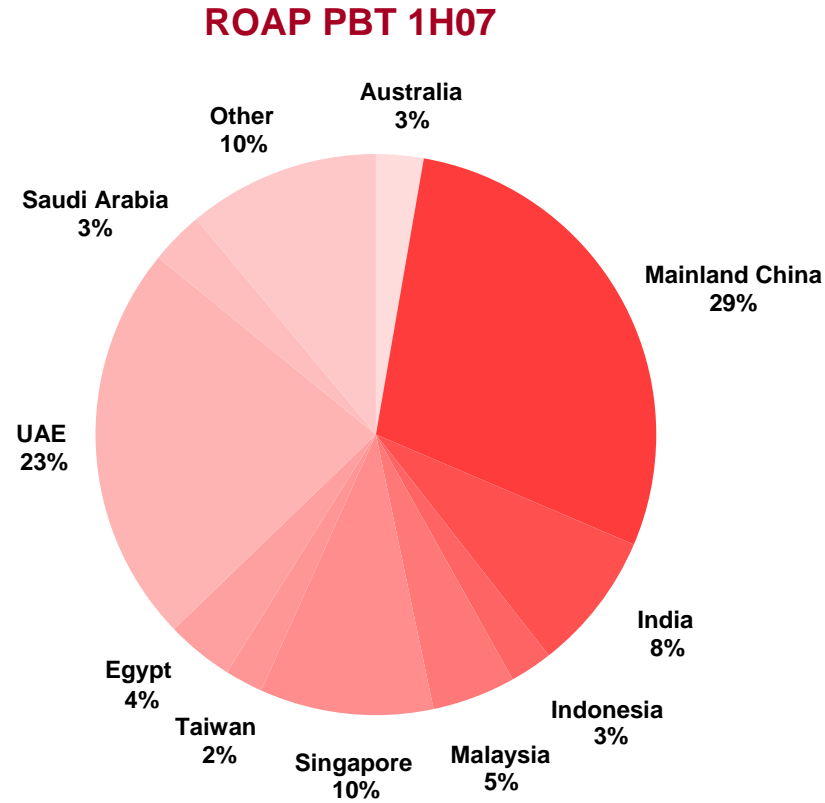


- Multiple growth drivers leading to diversification
- Rest of Asia-Pacific (ROAP) share of PBT has grown to 44% from 33%



ROAP geographic distribution – a balanced picture

- Alignment of countries within the Gulf Cooperation Council contributed to balance sheet growth for UAE
- Singapore marketing campaigns contributed to higher deposit balances
- China branch and staff expansion contributed to customer acquisition
- India expansion into provincial cities



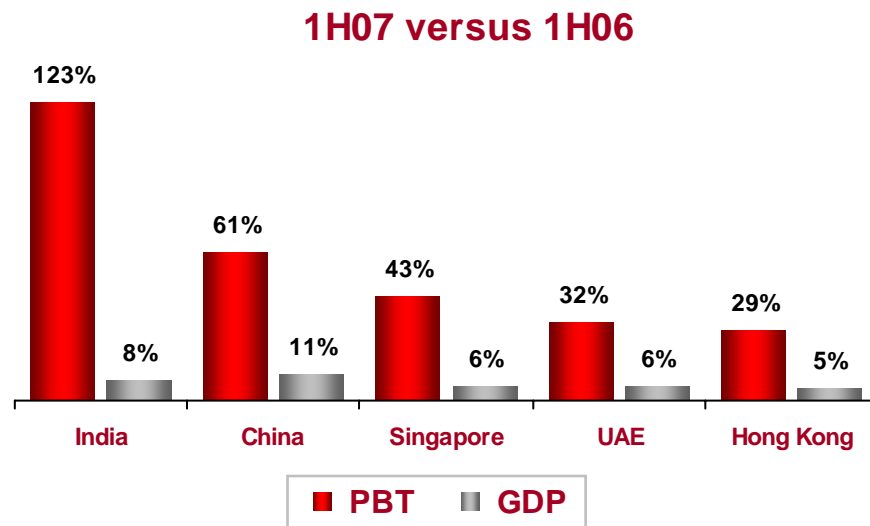


PBT growth rates exceed GDP

CMB growth has outpaced GDP growth

India	15.3 x
China	5.4 x
Singapore	6.8 x
UAE	5.7 x
Hong Kong	5.5 x

Continue to invest in frontline staff resources, enabling CMB to grow faster than GDP





Strategic focus – leading international business

- Additional six IBCs established, total in Asia region, today stands at 16
- Korean and Taiwanese RMs based in China and Vietnamese RMs in Taiwan, leveraging cross-border transactions
- Cross-border referral system (Global Links) and regional alignment have been instrumental in growing successful referrals in Asia by 75% over 1H06
- South Africa joined up with the rest of region in January 2007, tapping into trade flows between Asia and Africa
- HSBC local incorporation in Mauritius in 2H06 has expanded international cross-border banking activity between South Asia and Mauritius



Strategic focus – to be the best small business bank

- HSBC won the Hong Kong Chamber of Small and Medium Business' 'SME's Best Partner Award' in 2007, its second time in a row
- A brand tracking study conducted in July 2007 shows that in eight out of nine key countries, SMEs (and MMEs) consider HSBC as one of the top two foreign banks for financial products and services
- Tradeline in Bangladesh and TradeSmart in Malaysia were launched, improving SME access to finance and handling of international trade
- SME Business Banking Units opened in Qatar, Pakistan, Jordan and UAE
- Successfully acquired and integrated Chailease Credit Services, expanding factoring capabilities in Taiwan
- Business Card, launched in 2006 in Hong Kong, is ahead of all Visa Business Card issuers in Hong Kong on the basis of retail volume



Strategic focus – investment for growth

- Focus on SMEs with international business banking needs through packaged trade products
- Organic investment in people, channels and technology for expansion in China, India and the Middle East to leverage on the rapid growth in the corporate sector
- Expand range of Shariah-compliant products and services, including Islamic Letters of Credit, Collections and Open Account products
- Obtaining an Islamic Subsidiary Banking licence for Amanah Malaysia
- Amanah centres of excellence in Dubai and Malaysia
- Provide Receivable Finance solutions for businesses trading on open account terms in three additional countries in 2008
- Explore direct banking propositions for SMEs in selected markets
- Enhance reach through call centres and commercial transaction centres
- Continue to migrate customers onto e-platforms



North America

Chris Davies



CMB financial performance – North America

US\$m	1H07	1H06	% growth
Net operating income ⁽¹⁾	954	852	12
Loan impairment charges	(46)	(31)	48
Total operating expenses	(443)	(387)	14
PBT	477	464	3
Cost efficiency ratio %	46.4	45.4	
Loans and advances to customers (US\$bn)	34.8	31.8	9
Customer accounts (US\$bn)	33.5	29.4	14

Notes:

(1) Net operating income before loan impairment charges and other credit risk provisions

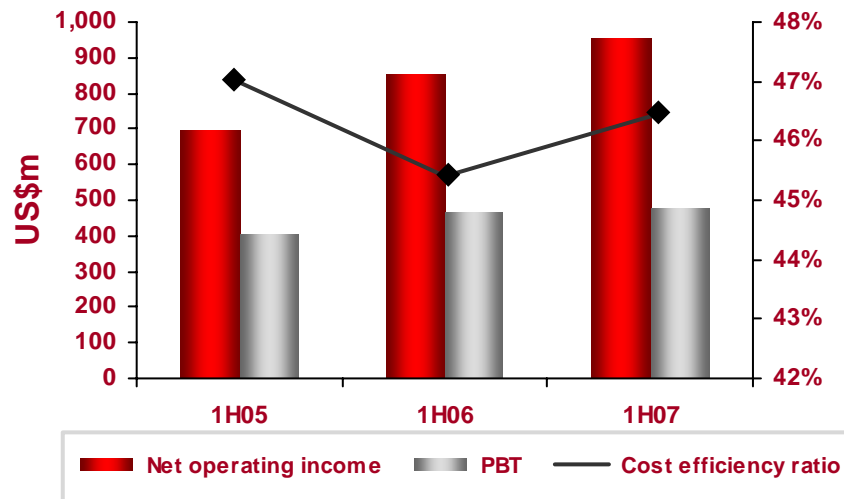
(2) Financial data – as reported in 2007 Interim Report

- Balance sheet growth from US geographic expansion and more effective deposit-raising drove revenues
- Impairment charges rose, reflecting asset growth and a partial reversion to historic credit norms
- Operating expenses reflect the US expansion programme, substantially completed in 2006



CMB financial performance – North America

North America – financial performance 1H05-1H07



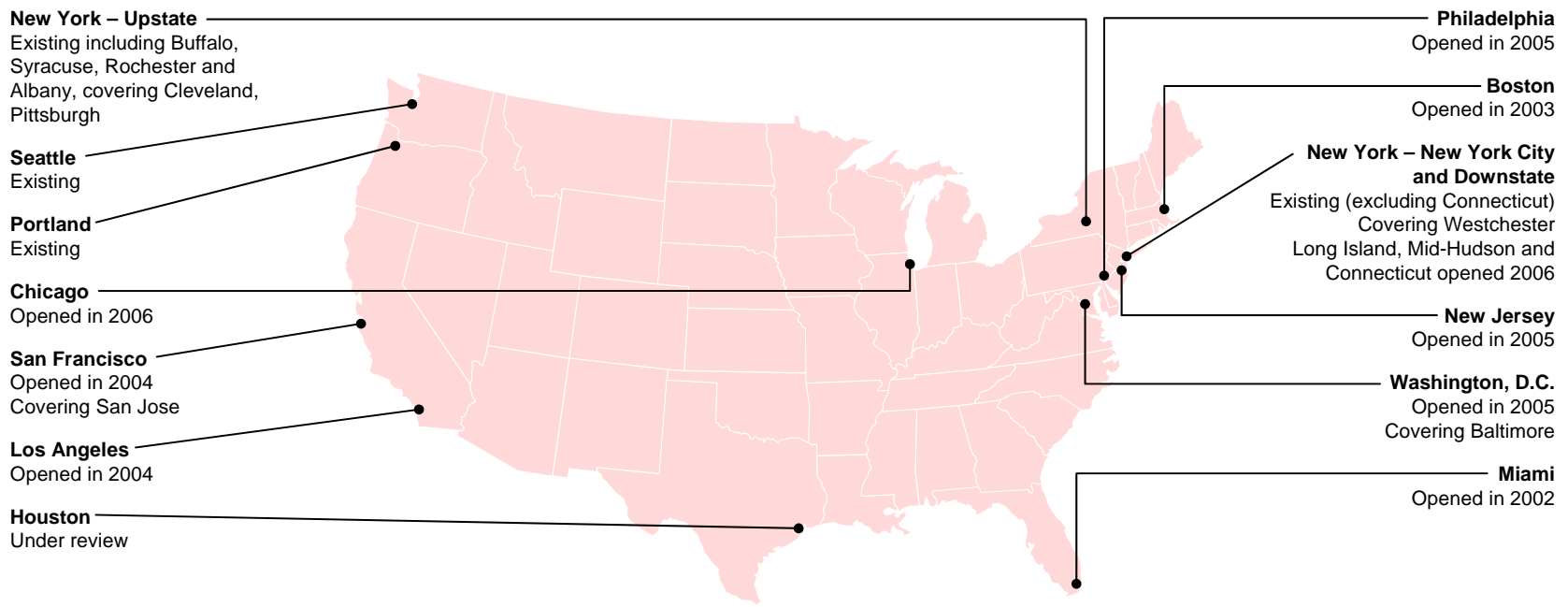
- Consistent revenue and profit growth via organic growth and network expansion
- Expansion strategy to result in coverage in 16 of the top 25 business centres in the USA⁽¹⁾ by the end of 2007
- Focus on further development of sector specialisms in Canada and USA

(1) Business centres ranked by density of CMB prospects by Dun & Bradstreet



CMB in North America United States of America

- Diversification from core geographies to major financial centres nationwide via organic office expansion
- 2007: MME coverage provided by dedicated offices in 16 of the top 25 business centres ranked by CMB prospects (source: Dun & Bradstreet), 2004: MME coverage provided in seven of the same top 25 business centres
- SME sales and service team comprised of 350 Business Segment Leaders, Business RMs and Business Specialists covering a network of over 450 branches

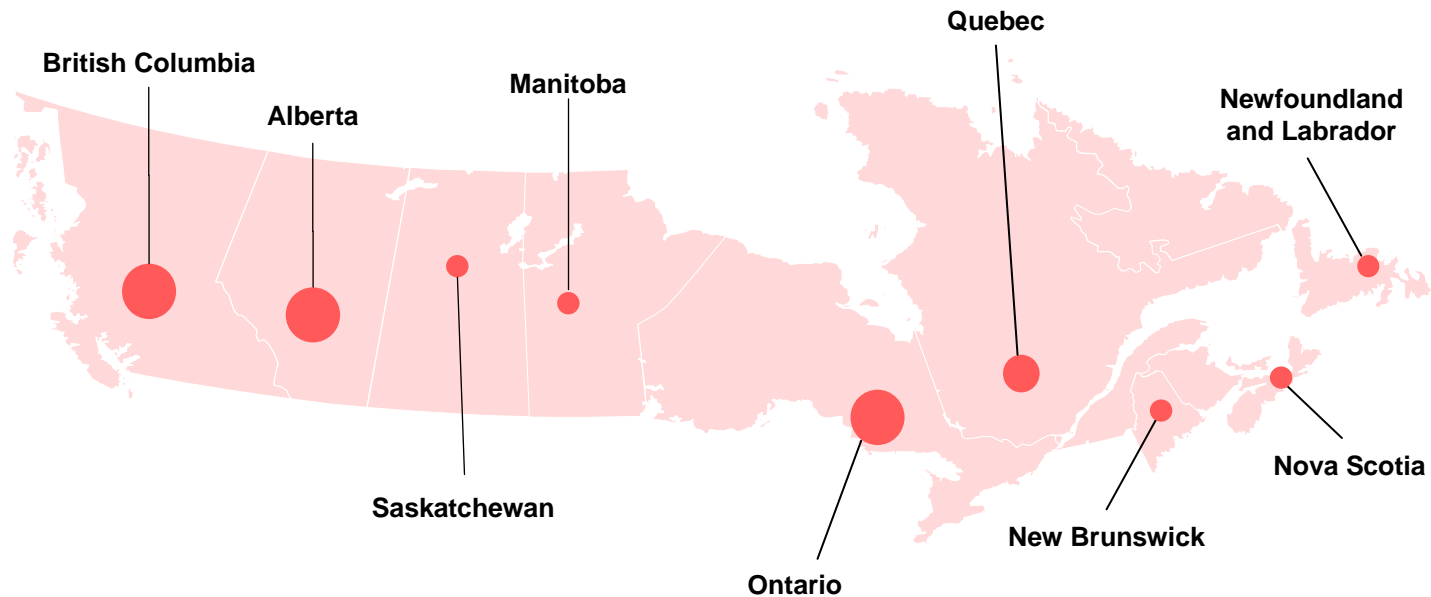




CMB in North America

Canada

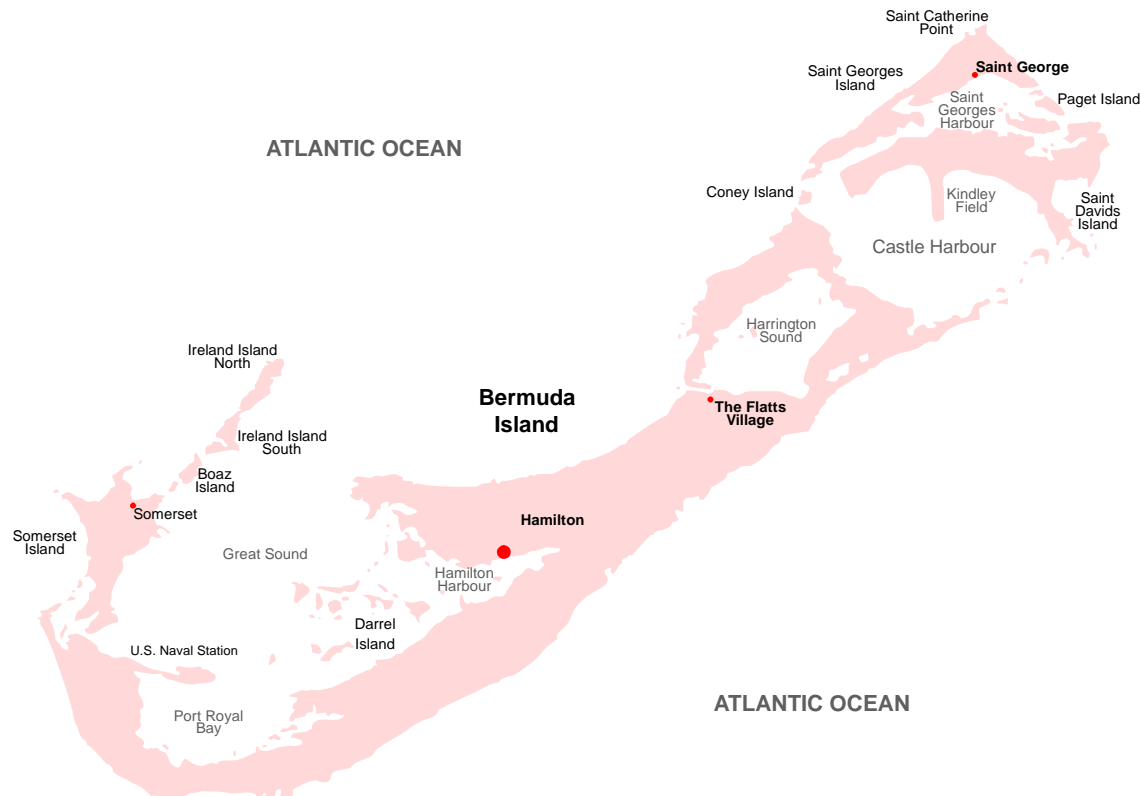
- Canada's seventh-largest bank and leading foreign bank, with a well-established nationwide franchise made up of 127 branches
- Key markets include British Columbia, Alberta and the Greater Toronto Area





CMB in North America Bermuda

- Bermuda's largest bank with a well-established position in Commercial/Corporate Banking
- Key market sectors are Captive Insurance, General Insurance, CRE and SMEs





Strategic focus – leading international business

Region

- IBCs – USA established 2005, Canada in 2007
- Organic investment in the award-winning Payments and Cash Management platform
- Leveraging the CMB franchise to deliver CIBM products

USA

- Focus on pool of internationalising US MME companies nationwide
- Grow customer base selectively
- Sector specialisms to be spread across national footprint
- Joining up with the rest of the Group – bilateral agreements with HSBC Mexico, HSBC Canada and HSBC China

Canada

- Develop closer ties between RMs and largest trading partner countries: USA, Japan, UK, France and Mexico

Bermuda

- Develop closer ties with North American partners
- Leverage leading position with captive and general insurance companies as well as domestic companies



Strategic focus – to be the best small business bank

USA

- Leverage expanded geographic ‘footprint’
- Up-skill RMs to position HSBC as a premium service provider for the SME market
- In late 2008, offer Business Direct banking

Canada

- 2006 SME strategy now being implemented
- Business Direct – customer research initiated, targeted for late 2008
- Segmentation – transfer of MME accounts to ‘full-service’ centres (by end 2007); 50 branches to refocus on SMEs

Bermuda

- Segmentation of key markets to bring increased focus to customer groups
- Deliver ‘joined-up’ strategy to international companies to leverage global franchise
- Roll out Group systems and best practice to improve customer service



Latin America

Jose Manuel Dominguez



CMB financial performance – Latin America

US\$m	1H07	1H06	% change
Net operating income ⁽¹⁾	949	690	38
Loan impairment charges	(74)	(65)	14
Total operating expenses	(523)	(388)	35
PBT	352	237	49
Cost efficiency ratio %	55.1	56.2	
Loans and advances to customers (US\$bn)	12.7	7.4	72
Customer accounts (US\$bn)	14.5	10.3	41

Notes:

(1) Net operating income before loan impairment charges and other credit risk provisions

(2) Financial data – as reported in 2007 Interim Report

(3) 'Underlying' comparative information is expressed at constant currency and adjusted for the effects of acquisitions and disposals

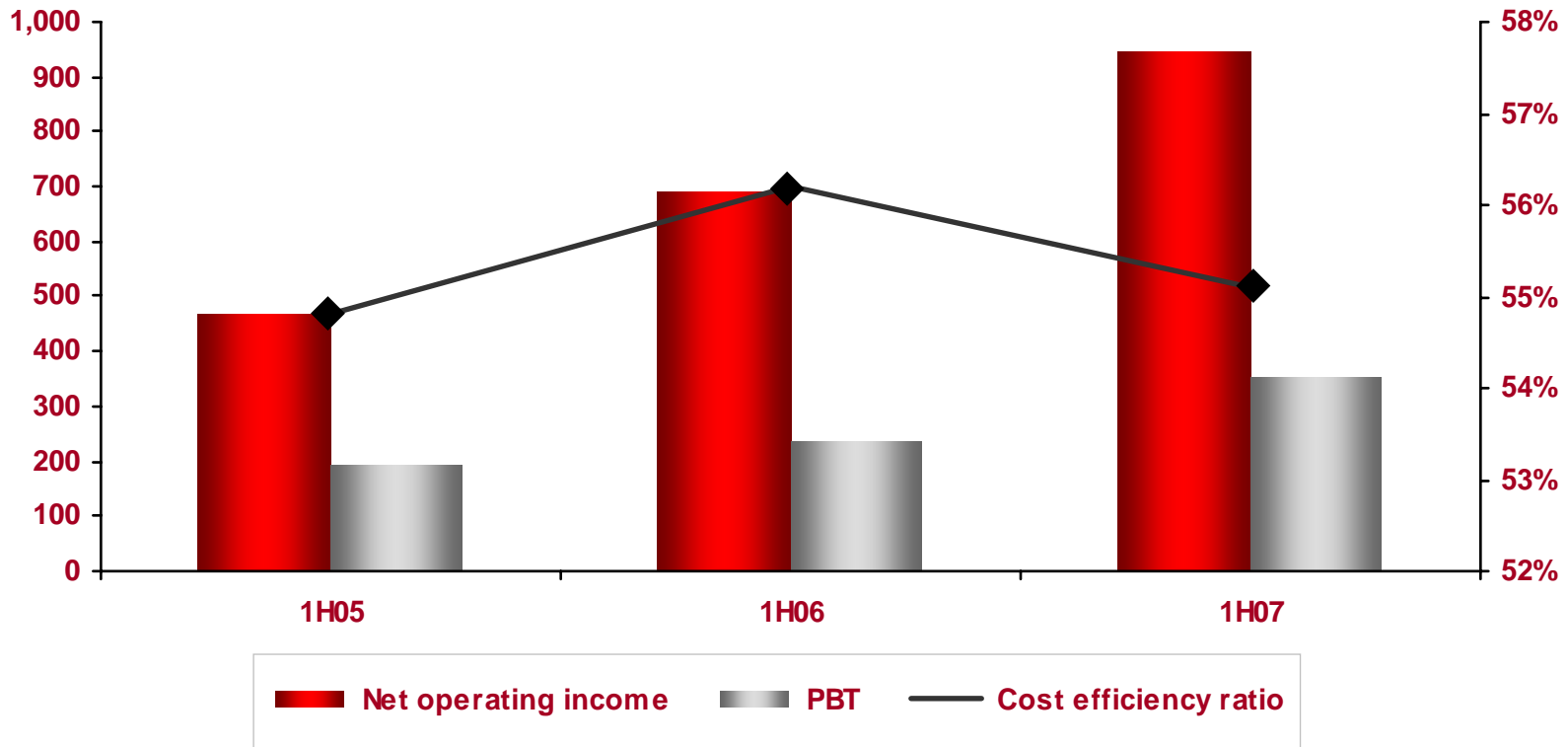
- Strong underlying⁽³⁾ growth – PBT up 35% in Mexico and 32% in Brazil
- Further growth from acquisitions – Grupo Banistmo, BNL/Argentina, Lloyds TSB/Paraguay
- Underlying⁽³⁾ cost efficiency ratio improved by 110 basis points



CMB financial performance – Latin America

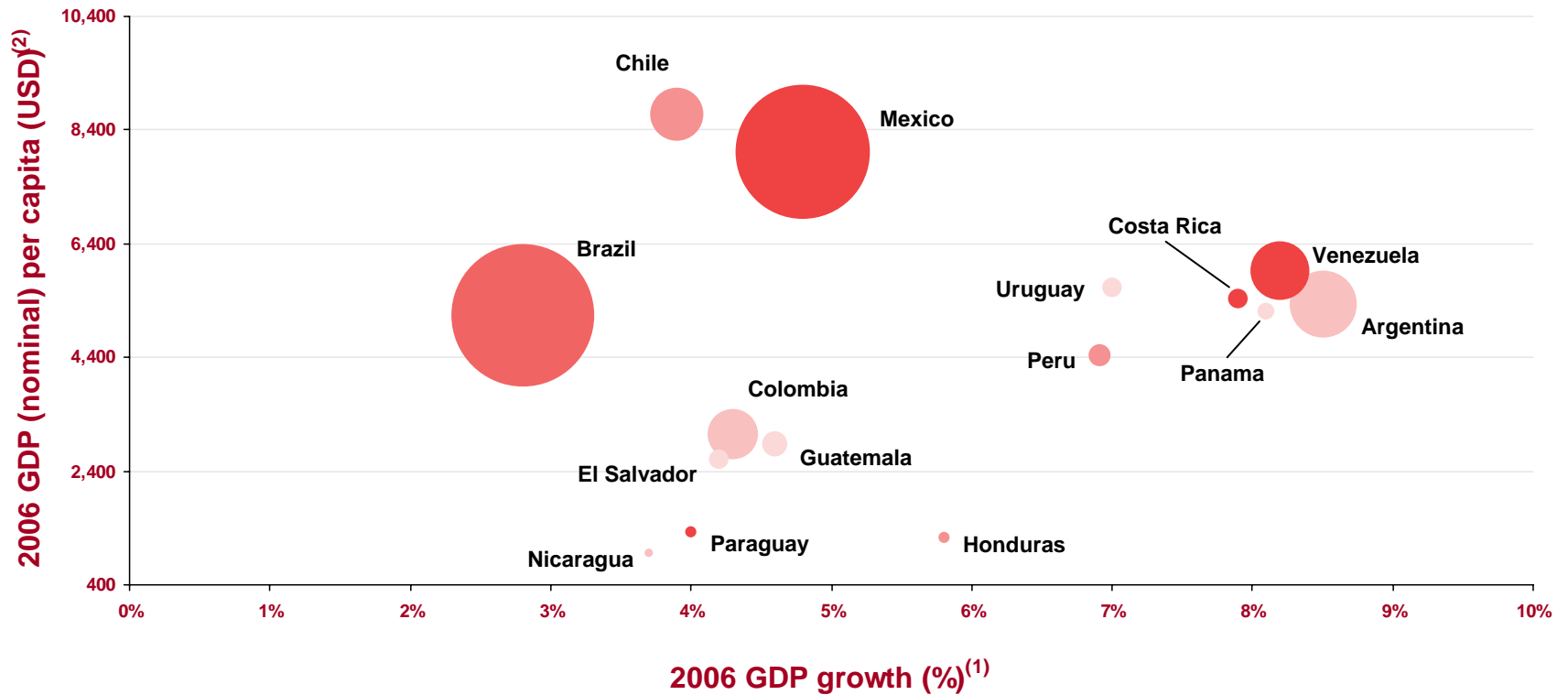
Latin America – financial performance 1H05-1H07

US\$m





Latin America: growth in Emerging Market economies drives opportunities



Notes

(1) Increase in the value of all final goods and services produced within a nation in 2006

(2) The value of all final goods and services produced within a nation in 2006, divided by the average population for the same year

Size of the circle represents GDP size

Source: International Monetary Fund

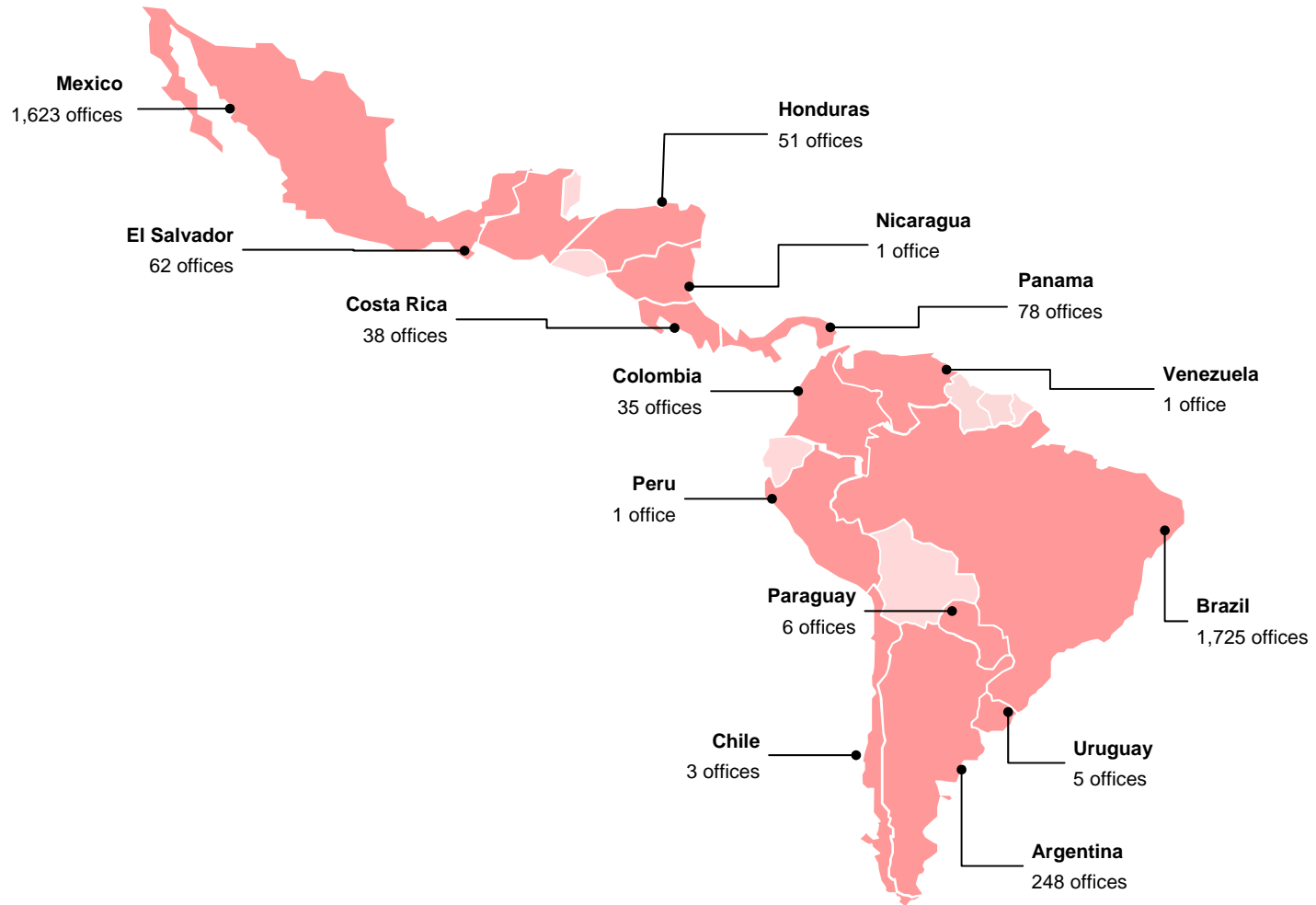


HSBC geographic footprint – 1997 From 10 offices...





HSBC geographic footprint – 2007 ...4,000 offices in 10 years





Payments and cash management

A **CMB** client in the **USA** needed bank accounts in **8 countries in Latin America** at very short notice to support their business development – only one bank could do this.

A global **CMB** customer issued a RFP for the region identifying requirements in **Argentina, Brazil, Colombia, El Salvador, Honduras, Mexico, Nicaragua, Paraguay, Peru** and **Uruguay** – with our presence we could meet their needs.

Connecting our clients

- Drive further client acquisition through innovative solutions and wider product offerings
- Large branch network and tailor-made solutions in the Brazilian market – ConnectBank
- Access to markets in Central America and Colombia
- Roll out *HSBCnet* across the region



Latin America intra-regional trade flows: building scale for future growth

Latin America intra-regional trade flows, 2005⁽¹⁾: US\$111 billion

- Unmatched regional profile following the successful integration of Grupo Banistmo and Lloyds TSB acquisitions
- Uniquely placed as a significant player in trade in most Latin American markets
- Dedicated trade teams
- International desks to maximise business generation from key trading countries outside of the region
- In Mexico, international trade business market share has grown significantly from a market share of 1.9% in 2002 to 16.5% today



(1) Source: WTO



Strategic focus: leading international business

- **Established IBCs**
- **Joining up**
 - Regionally – connecting North and South America with the Grupo Banistmo integration
 - With the rest of the Group – bilateral agreements with HSBC USA and HSBC China
- **Focus on expansion**
 - New countries – Peru launched in November 2006
 - New business lines in existing countries – small business lending, trade services, agribusiness and factoring
 - Acquisitions – BNL in Argentina and LloydsTSB in Paraguay
 - Implementing Group tools to support international business



Strategic focus: leading international business

A large multi-level marketing firm expanded into **Mexico** and relations have been developed with HSBC in **India, Turkey** and the rest of **Latin America**.

WHTB referred a newly created manufacturing company to **Mexico**, generating new financing and cash management business. The company has a large plant in **Brazil** and now all entities are connected by *HSBCnet*.

Joining up for our clients

An important client in **Brazil** is expanding their business in the region. HSBC has provided working capital facilities in **Colombia, Mexico** and **Argentina** to these new subsidiaries with the support of the parent company.



Strategic focus: to be the best small business bank

- SMEs account for over 50% of most countries' GDP within Latin America and provide a strategic sector for governmental support
- Leading regional distribution network
- Dedicated packages to support the growth of small businesses in Brazil and Mexico
- Receivables Financing and Factoring available in Argentina, Brazil, El Salvador and Mexico
- Increase direct channel participation and deepen client penetration

It's all about acknowledging the differences between countries and their different sub-segments.

There is no 'one size fits all' solution, and it cannot be approached from a stand-alone credit point of view.



Europe

Alan Keir



CMB financial performance – Europe

US\$m	1H07	1H06	% change
Net operating income ⁽¹⁾	2,874	2,347	22
Loan impairment charges	(256)	(145)	77
Total operating expenses	(1,382)	(1,126)	23
PBT	1,236	1,076	15
Cost efficiency ratio %	48.1	48	
Loans and advances to customers (US\$bn)	87.2	71.4	22
Customer accounts (US\$bn)	83.4	69.3	20

Notes:

(1) Net operating income before loan impairment charges and other credit risk provisions

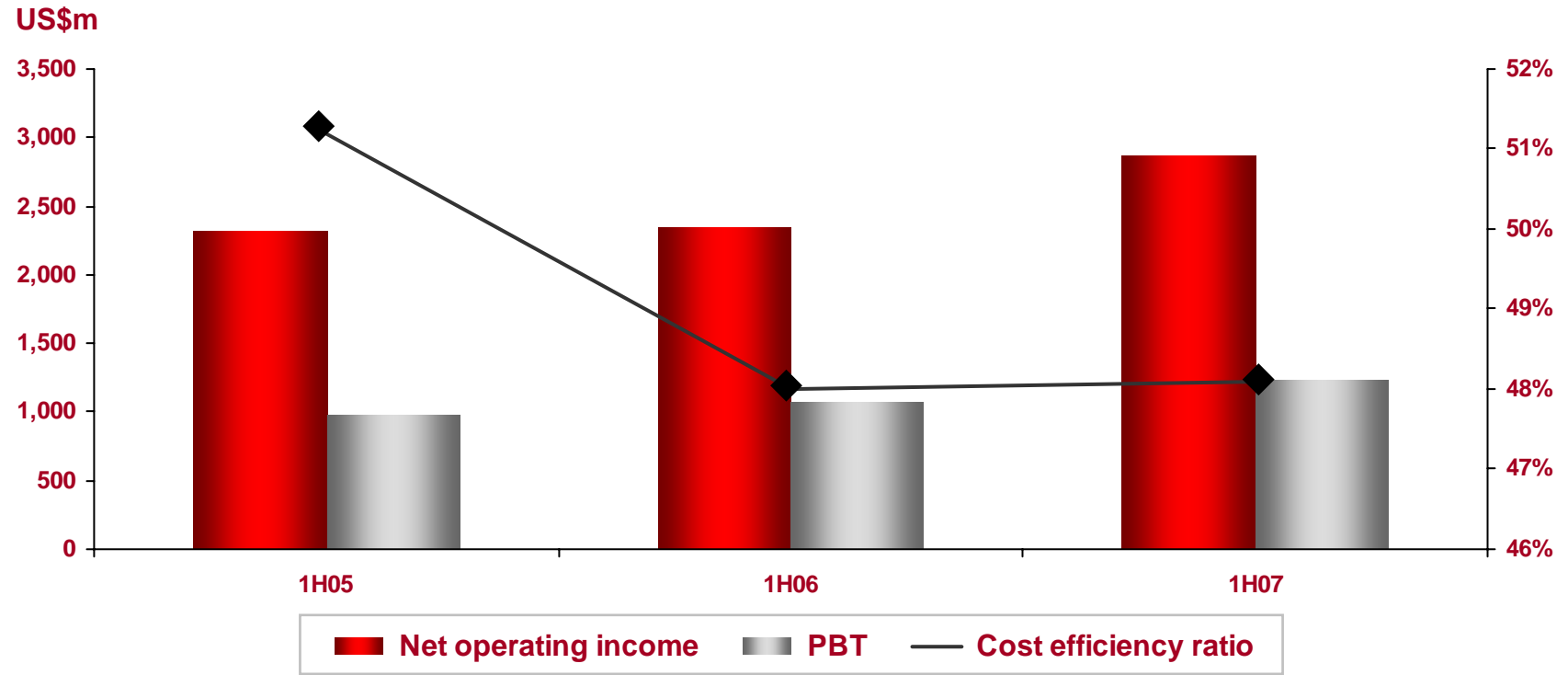
(2) Financial data – as reported in 2007 Interim Report

- Underlying profit growth across all countries
- Broadly spread income growth



CMB financial performance – Europe

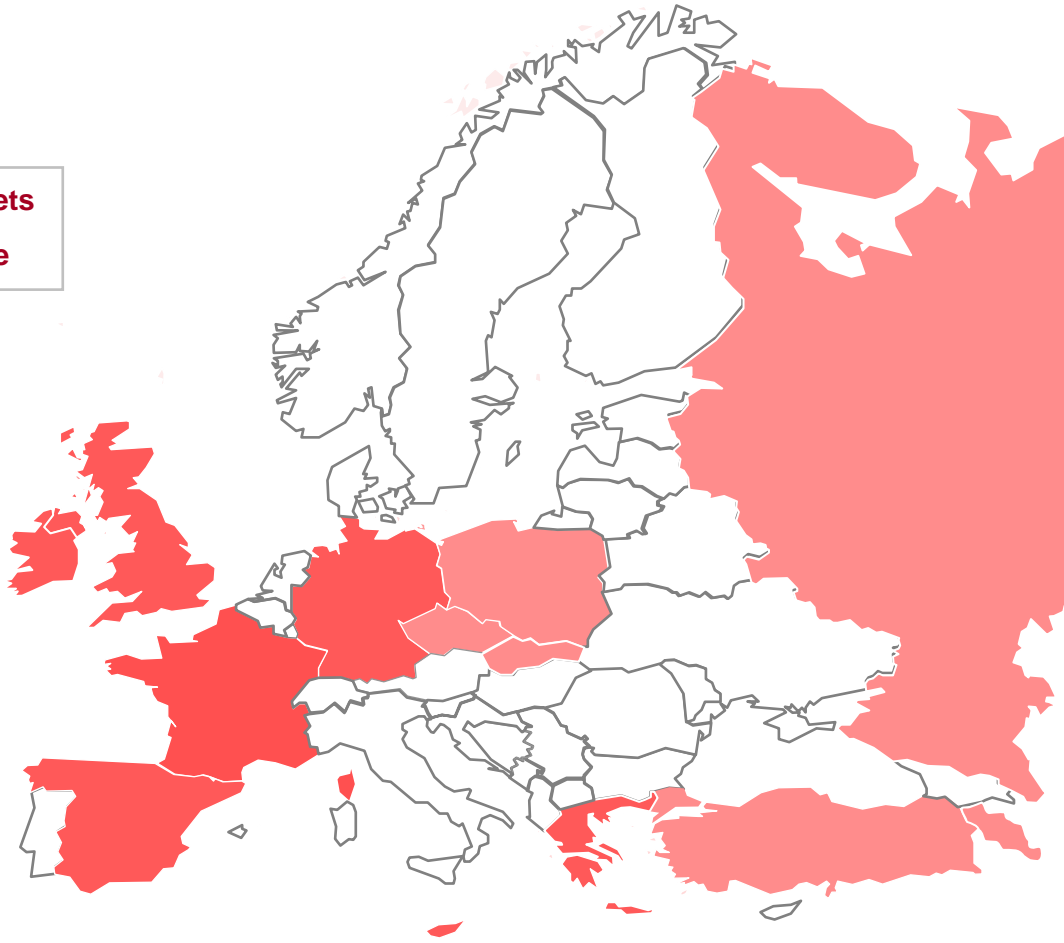
Europe – financial performance, 1H05 to 1H07





Commercial Banking in Europe

- Developed markets
- Emerging Europe





Europe – developed markets

UK

- Continued growth in the corporate banking market
- Revitalised proposition for commercial market, including innovative out-of-town commercial centres, professionals propositions and multicultural banking
- Business Direct launched – free banking for SME customers who use internet or telephone banking

France

- New management team in place
- Focus on income enhancement through improved segmentation, including establishment of Corporate Banking Centre model, initially in Paris but for national deployment

Germany

- Corporate International Team, linked China desk in Shanghai
- Strong investment banking deal flow

Malta

- Recently opened Business Banking Centre
- Greater segmentation and focus on micro businesses



Emerging Europe

Turkey

- Rapid growth in SME customer numbers since launch of the SME strategy in 2006
- SME and particularly micro business becoming the key CMB offering – managed through 69 SME branches
- Strong market position in investment banking

Central and Eastern Europe (CEE)

- 2007-08
 - Targeting growth in existing markets – Poland, Czech Republic, Slovakia
 - Russia retail banking licence obtained in 1H07
- 2008-09: expanding model into new CEE markets
- Significant investment in growing our market share in CEE
 - Roll-out of commercial centres
 - Increasing number of RMs
 - Launching receivables finance in Poland and Czech Republic in early 2008
 - Increased transaction banking focus
- Focus on developing SME markets and investment in channels



Strategic focus – leading international business

- **Middle market**
 - Aggressive targeting of international business and trade flows
 - Integration of ‘International Teams’ across Europe
- **Continuing to leverage HSBC’s perceived strengths in international markets**
 - Aim for market leadership in international payments, trade, receivables finance
- **Investment in HSBC’s infrastructure to make trading overseas ‘as simple as domestic transactions’**
 - IBCs launched in 2006 covering the UK, France, Spain, and Turkey, further roll-outs in the rest of Europe currently underway
 - First major UK bank to provide STP-enabled SWIFT Payments Service on Internet Banking to mass SME customers
 - Global Links – 113% growth in referrals (1H07/1H06) involving European countries
 - Investing in our people – Global Short Term Exchange Programme (GSTEP)



Strategic focus – to be the best small business bank

- Combine branch networks with direct propositions
- Focus on STP technology and core products
- Continue the significant growth in the SME segment in Turkey and launch new SME businesses in Poland and Greece
- Targeted propositions for micro customers in the UK, France, Malta, Poland, Armenia, Turkey
- Spread the Business Direct concept from the UK to selected markets
 - France, Turkey, Malta, CEE



Summary

Sandy Flockhart



CMB

Key awards in 1H07



Awards for Excellence 2007

- Best Factor (HSBC Invoice Finance), fifth consecutive year
- Best Online Trade Finance Provider
- Best Structured Trade Bank
- Best Trade Documentation Bank
- Best Trade Bank – the Middle East

Asian Regional Awards for Excellence 2007

- Best Trade Bank in Hong Kong
- Best Trade Bank in Central Asia



The Asset Magazine
Triple A Awards 2007

- Best Trade Finance Bank, Asia (fifth consecutive win)
- Best Trade Finance Bank, Hong Kong (second consecutive win)
- Best Cash Management Bank, South East Asia (second consecutive win)
- Best Cash Management Bank, Hong Kong (third consecutive win)
- Best Regional Specialist, Payments and Receivables (fourth consecutive win)



The Annual Credit Card Awards 2007


Best Security/Anti-Fraud Development for Secure ePayments



Media Specialists Association – Malaysian Media Awards 2007


Best Integrated Media Campaign – HSBC SME Gateway to Business Success[®]
(Using customer success stories to drive CMB presence via print, public relations, television and radio)

Best use of small budget (under MYR100,000) – SME prosper with HSBC[®]



香港中小企業商會
The Hong Kong Chamber of Small and Medium Business Ltd.

SME's Best Partner Award 2007
(second consecutive year)



Regional Award winners:

Asia-Pacific :
Best Integrated Corporate Bank Site and Best Online Cash Management

The Middle East and Africa:
Best Integrated Corporate Bank Site

Europe :
Best Integrated Corporate Bank Site and Best Information Security Initiatives

Country Award Winners:

Best Corporate/Institutional Internet Bank
China
Malaysia
United Arab Emirates



Global Awards

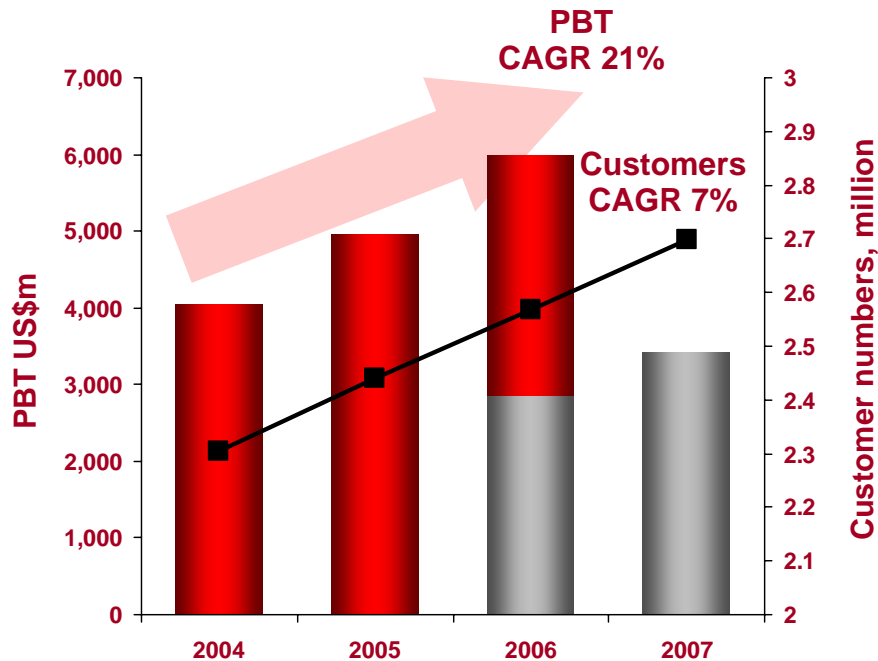
- Best Cash Management House

Regional Awards

- Best Cash Management – North America
- Best Cash Management – Middle East
- Best Bank – Hong Kong SAR



Core strength in commercial banking



- Robust 21% growth in PBT
- Continued 7% growth in customer numbers
- Liquid – with a self-funding strategy



Strategy and objectives

Be the **leading international business** bank

Be the **best bank for small businesses** in target markets

- **Maximising our unique global footprint**
 - More local than international banks but more international than local banks
- **Segmentation and tailoring of services with multi-channel delivery**
 - Gives customer choice but also drives operational efficiencies
- **Leveraging Group connections**
 - To really ‘join up the company’ to our customers’ benefit



Q&A