



Rebalancing towards developing markets

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HSBC HOLDINGS PLC

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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.

The world as we see it evolving

Our strategic vision

Our Strategy

Our Geographies

Our Businesses

Our Organisation

Our Performance

**Global universal bank with
leading developing markets presence**

Rebalancing towards developing and fast growing markets

Re-engineering developed markets businesses

**Leveraging our unique international connectivity through
customer groups and common platforms**

**Benefiting from global diversification, strong capital base and
continued prudent stance on risks**

Our outlook

Our strategic vision

Our Strategy

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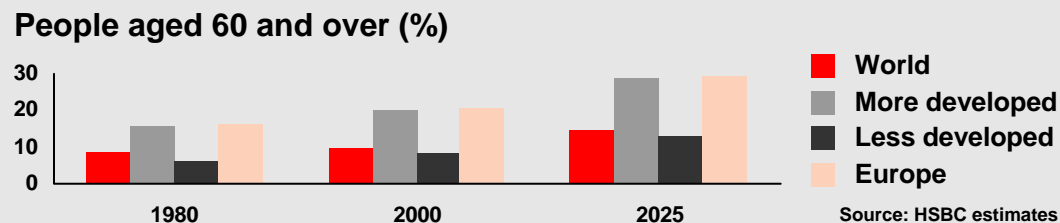
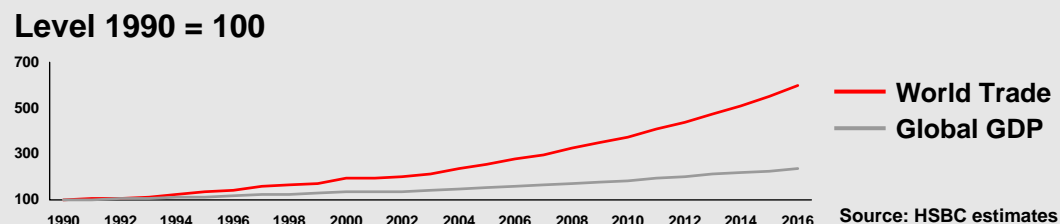
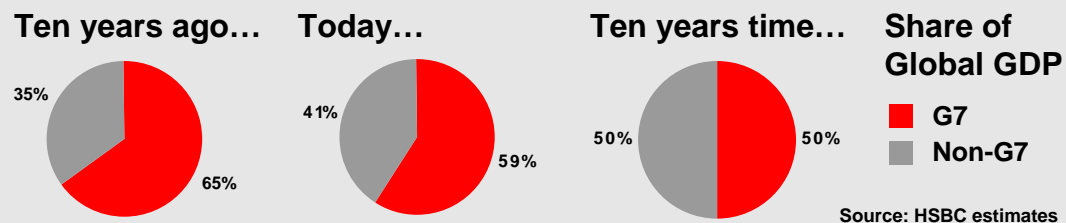
Our Organisation

Our Performance

1. Emerging markets growing faster than rich countries...

2. World trade growing faster than GDP...

3. Longevity increasing virtually everywhere...



Developing markets – economic context

Joining up our geographies

Our Strategy

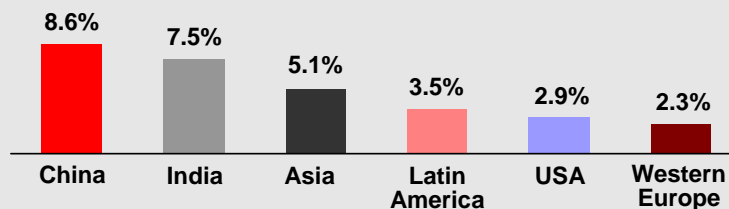
Our Geographies

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Our Organisation

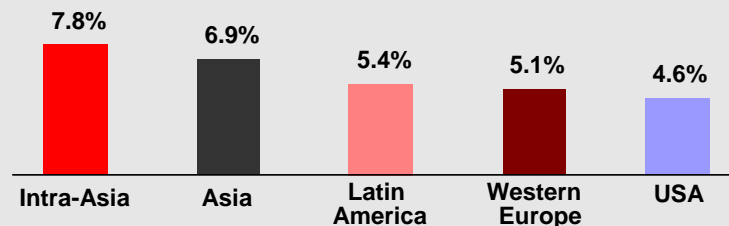
Our Performance

**GDP growth
(2006 – 2020F)**



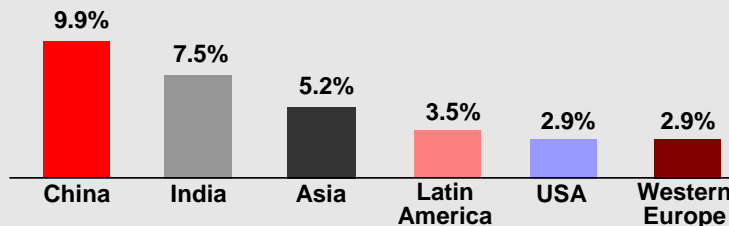
Source: HSBC estimates

**Trade growth
(2000 – 2020F)**



Source: HSBC estimates

**Household consumption
(2006 – 2020F)**



Source: HSBC estimates

Rebalancing towards developing markets

Joining up our geographies

Our Strategy

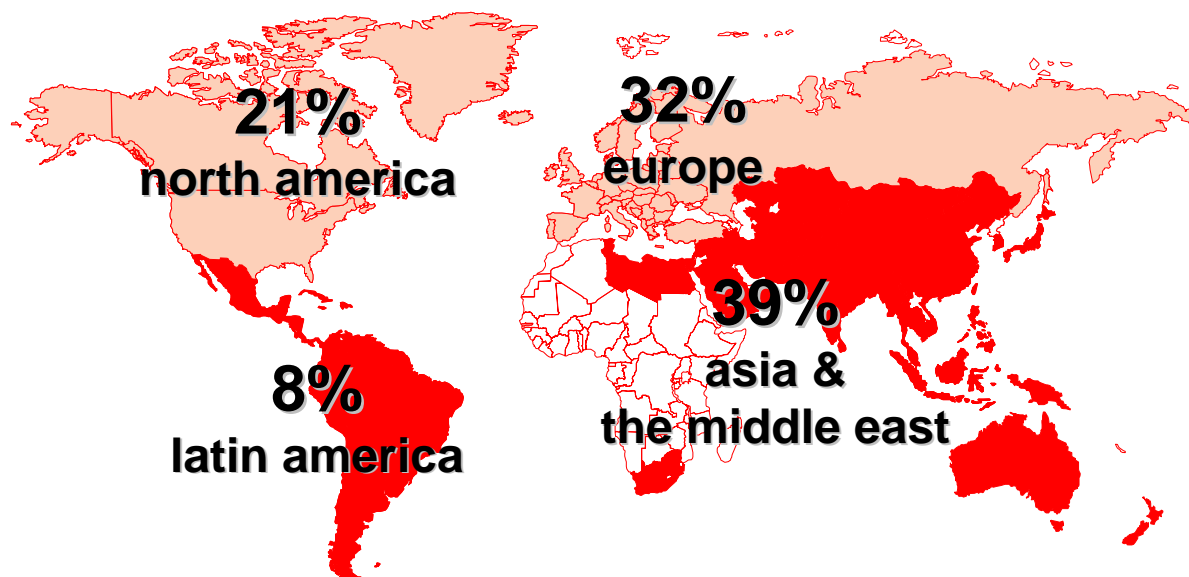
Our Geographies

Our Businesses

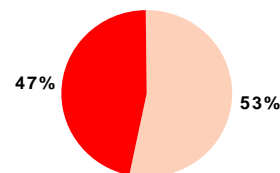
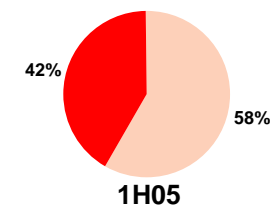
Our Organisation

Our Performance

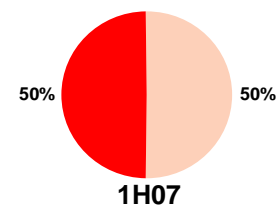
Profit before tax split, average over last four half years¹



Rebalancing over last two years¹



Average over last four half years



■ Asia, Middle East and Latin America
■ North America and Europe

(1) Excluding dilution gains

Our positioning

Joining up our geographies

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HSBC is the largest and most profitable international emerging markets bank

Strong presence in the world's most dynamic economies

Largest international bank in mainland China, second largest in India and growing impressively, fourth largest in Brazil

Unique global reach – a bridge between developed and developing countries for our customers

Developing markets: Asia

Pre-eminent international bank

Joining up our geographies

Our Strategy

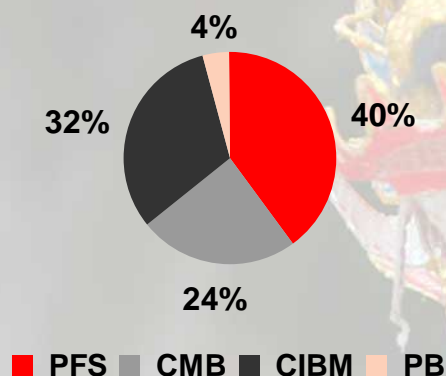
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pbt up **30%** to **US\$5.6bn** ex dilution gains (1H07)



- Hong Kong (profit before tax up 25%): gateway to China
- China: two-prong strategy with leading position amongst international institutions
- Combination of organic and inorganic investments
- Focussed market expansion in key businesses using direct channels

Developing markets: Middle East

Unrivalled historic presence

Joining up our geographies

Our Strategy

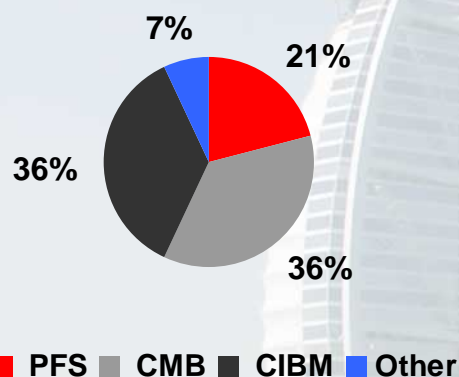
Our Geographies

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pbt up **8%** to **US\$606m** (1H07)



- Onshore platform of over 208 branches and offices across 15 countries, with almost 10,000 staff
- Strengthening presence in the Gulf States
- Additional organic investment in infrastructure
- First global bank to receive approval to set up UAE brokerage

Developing markets: Latin America

A leading regional distribution network

Joining up our geographies

Our Strategy

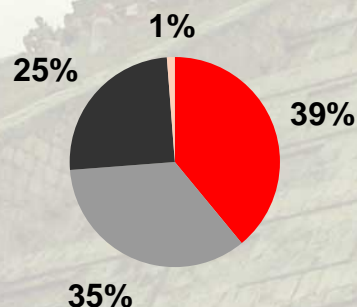
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pbt up **16%** to **US\$1.0bn** (1H07)



■ PFS ■ CMB ■ CIBM ■ PB

- Expansion to 4,000 offices in less than 10 years in 14 countries
- Integration of Banistmo and BNL (Argentina)
- Replication of global businesses: credit cards, consumer finance, foreign exchange, trade and payments & cash management

Developed markets: Europe

Driving links between developing and developed markets

Re-engineering our businesses

Our Strategy

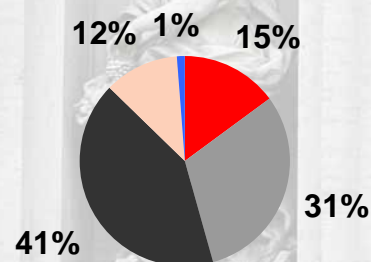
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pbt up **13%** to **US\$4.1bn** (1H07)



■ PFS ■ CMB ■ CIBM
■ PB ■ Other

- PFS continues to have challenges; focus is on clear segmentation, enhanced channel capacity, and Global Premier
- CMB revenues driven by customer recruitment and cross-sales in the UK; expansion in Turkey, Spain, Malta and Poland
- In CIBM, London and Paris are centres of excellence driving global markets and global banking
- Private Banking: improved cooperation with other businesses

Developed markets: North America

Re-shaping the business with our differentiated proposition

Re-engineering our businesses

Our Strategy

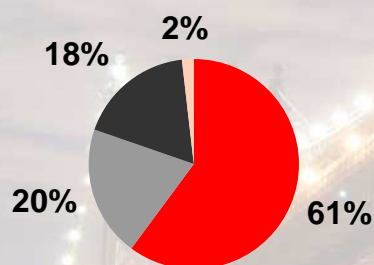
Our Geographies

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Our Performance

pbt down **35%** to **US\$2.4bn** (1H07)



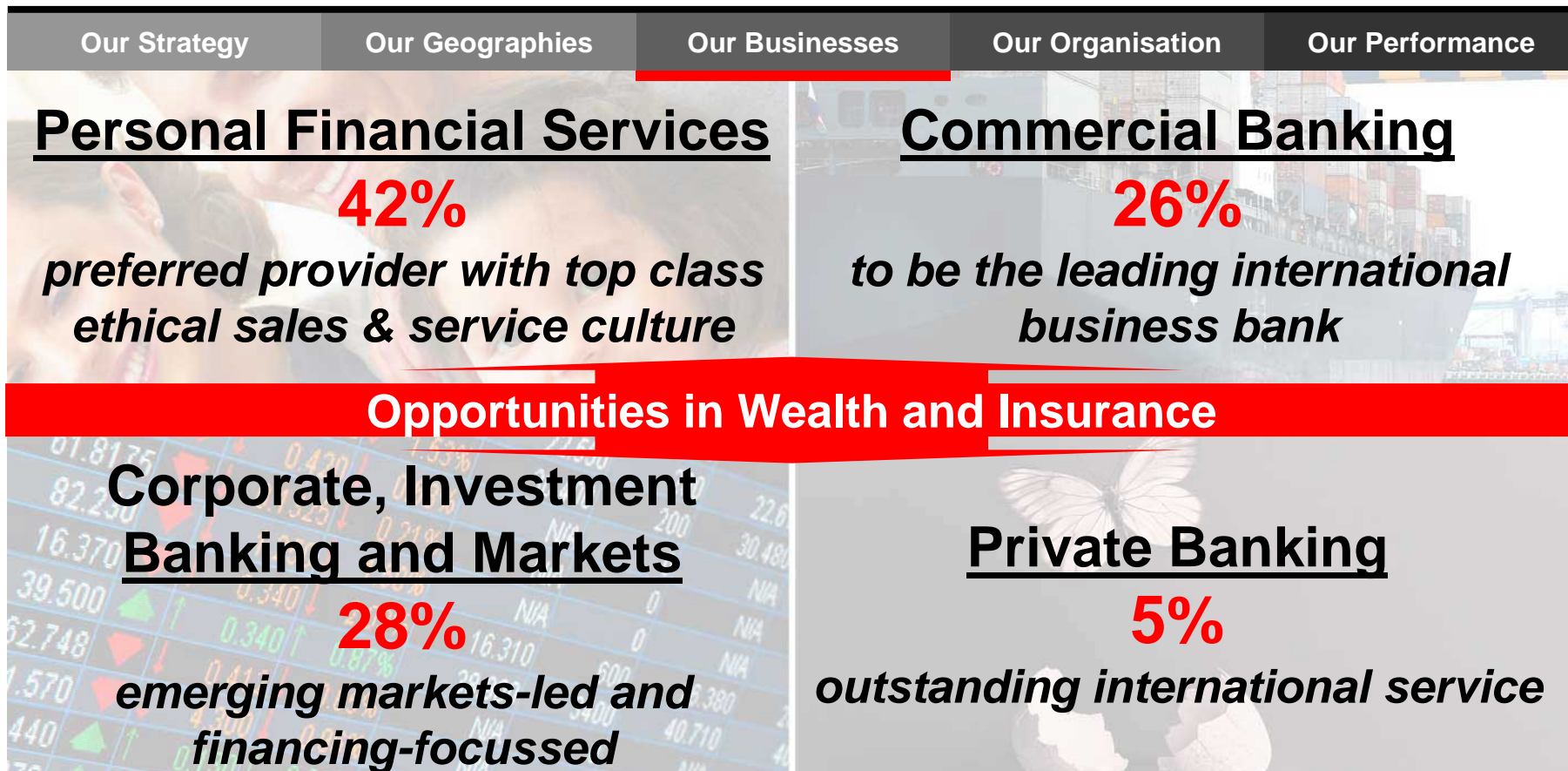
■ PFS ■ CMB ■ CIBM ■ PB

-1% Other

- PFS: (1) restructuring mortgage services; and (2) focussing on our strengths: credits cards 'a top 5 player' with growing market share; HSBC Direct; Global Premier; and links to Latin America
- CMB: capitalising on international connectivity
- CIBM: focus on the distribution of Emerging Market product into the U.S.

Split of business by profit before tax¹

Joining up our businesses



(1) Average over the last 4 half years (1H07, 2H06, 1H06 and 2H05), excluding dilution gains. Average pbt for other customer groups was -1%

Personal Financial Services

Preferred provider with top class ethical sales
and service culture

Joining up our businesses

Our Strategy

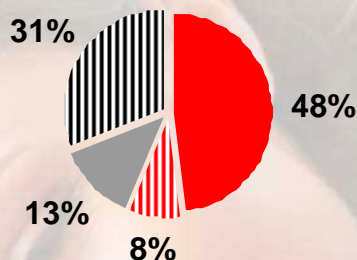
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pbt down **20%** to **US\$4.7bn** (1H07)



■ Asia
■ Europe
■ Latin America
■ North America

- Global Premier
- Direct channels
- Focus on delivery of core products
- Consumer Finance in emerging markets

Increasing customer recommendation Through better propositions – Global Premier

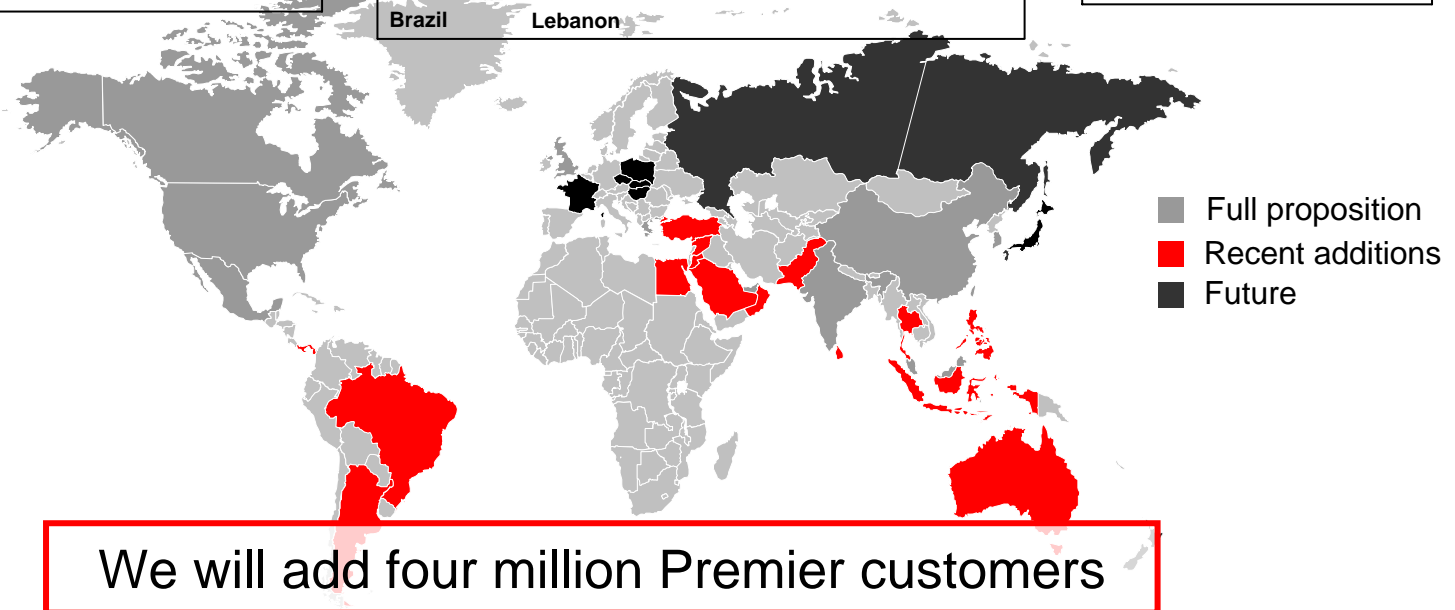
Joining up our businesses

Our Strategy	Our Geographies	Our Businesses	Our Organisation	Our Performance
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Full proposition			
Canada	India	Singapore	UK
China	Jersey (Offshore)	South Korea	USA
Greece	Malaysia	Taiwan	
Hong Kong	Mexico	UAE	

Recent additions				
Argentina	Brunei	Macau	Pakistan	Sri Lanka
Australia	Egypt	Malta	Panama	Thailand
Bahrain	Indonesia	Qatar	Philippines	Turkey
Bermuda	Jordan	Oman	Saudi Arabia	
Brazil	Lebanon			

Future (2008)	
France	Japan
Poland	New Zealand
Slovakia	Russia
Czech Republic	Hungary



Increasing customer recommendation Through better propositions – the power of HSBC Direct

Joining up our businesses

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HSBC Direct Canada

Launched: June 2007

HSBC Direct USA

Customers: 568K

Launched: November 2005

HSBC Direct Korea

Customers: 49K

Launched: February 2007

HSBC Direct Taiwan

Customers: 73K

Launched: November 2006

We will expand up to four other countries in 2008

Commercial Banking

To be the leading international business bank

Joining up our businesses

Our Strategy

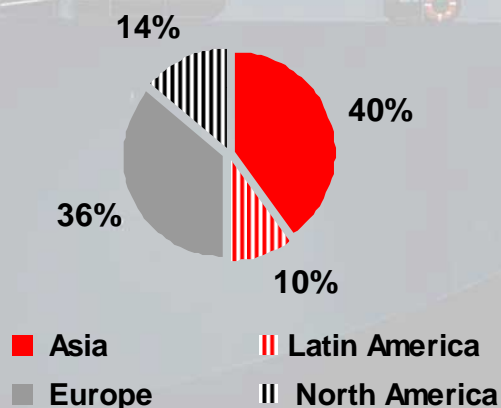
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pbt up **20%** to **US\$3.4bn** (1H07)



- Strengthening international links
- Expanded customer base to 2.7m with emphasis of growth in emerging markets
- Strengthened network with increase in International Banking Centres, Corporate International team and Global Relationship managers
- Direct channel usage increased helped by enhanced business internet banking platform expansion in emerging markets

Making our global distribution work

Joining up our businesses

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over

10,000

offices

in 83

countries

and territories

Global links
Increase in cross referrals

+37%

Our global distribution is our key competitive advantage

Corporate, Investment Banking & Markets

Emerging markets-led and financing-focussed wholesale bank

Joining up our businesses

Our Strategy

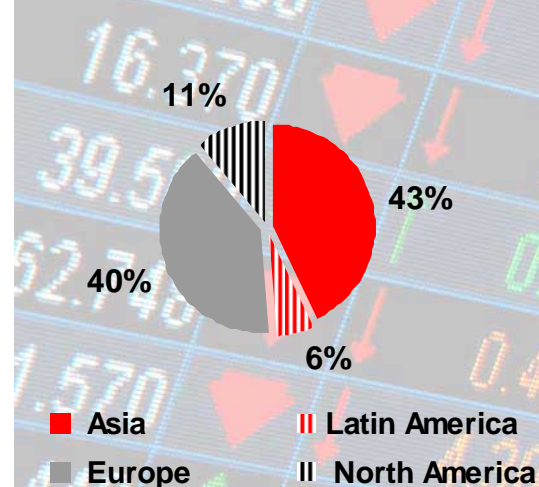
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pbt up **32%** to **US\$4.2bn** (1H07)



- Hub and spoke model
- Benefit from geographic network and strengthened product capabilities
- Global Markets success broadly based
- Global Banking strength in financing and payments and cash management
- Group Investment Businesses benefiting from expertise in emerging markets

Asia and Latin America contributed 49% of PBT

Private Banking

Outstanding international service

Joining up our businesses

Our Strategy

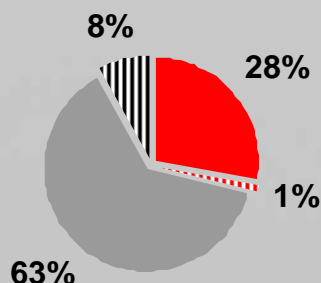
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pbt up **30%** to **US\$0.8bn** (1H07)



■ Asia
■ Europe
■ Latin America
■ North America

- Client assets increased by 11% to US\$370bn
- Cross-referral business – close to US\$2bn in ‘total client assets’ referred into Private Banking
- Aim to increase contribution from wealth management in affluent market

Voted third best private bank in Euromoney in 2006 and 2007

Insurance

A world class bancassurer and top ten player

Joining up our businesses

Our Strategy

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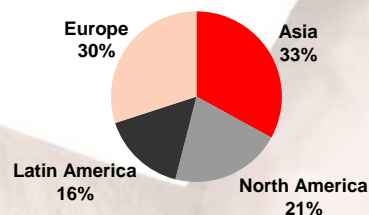
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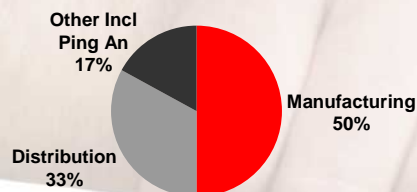
Our Performance

contributed **US\$1.6bn** or **11%** to group pbt (1H07)

pbt by region, 1H07



pbt by source of business, 1H07



- Developing our income stream through distribution
- 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 Oriental and Canara banks in India
- Saudi Takaful IPO 7x over subscribed
- Established HSBC Insurance brand announced 10% investment in Bao Viet in Vietnam (Sep07)
- To create J/V with National Trust in China

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

Our organisation

Joining up our businesses

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Our brand

HSBC 

The world's local bank

- **23rd most valuable brand in the world**
- **No. 4 financial service brand**

**Fastest growing brand in
financial services**

Source: Interbrand

Our people

- **Breadth of experience at board level**
- **Seasoned Senior Management team**
- **Strong values, high integrity**

Driving staff engagement

Global operations

Joining up our businesses

Our Strategy	Our Geographies	Our Businesses	Our Organisation	Our Performance
 <h3>Technology</h3> <p>Build once, deploy many</p> <ul style="list-style-type: none">• One global network, self managed• 230,000 miles of fibre optic cable• 80 global group platforms• 4 global data centre pairs, two regional• 42% of development in low cost countries		 <h3>Global Resourcing</h3> <p>Lift & shift to re-engineering</p> <ul style="list-style-type: none">• 13 centres in 5 countries• 28,000+ employees• Wide range of processes: from payments to collections to analytics	 <h3>Global Platforms</h3> <p>Linking up</p> <ul style="list-style-type: none">• <u>Credit cards</u>: 116m cards• <u>HSBCnet</u>: 33,000 clients• <u>Global transaction banking</u>: PCM; sub-custody; trade• <u>HSBC Direct</u>: launched in the US, Korea, and Canada• <u>CRM</u>: Global Premier; GlobalLinks in CMB; and ClientVision in CIBM	

The benefits of global diversification

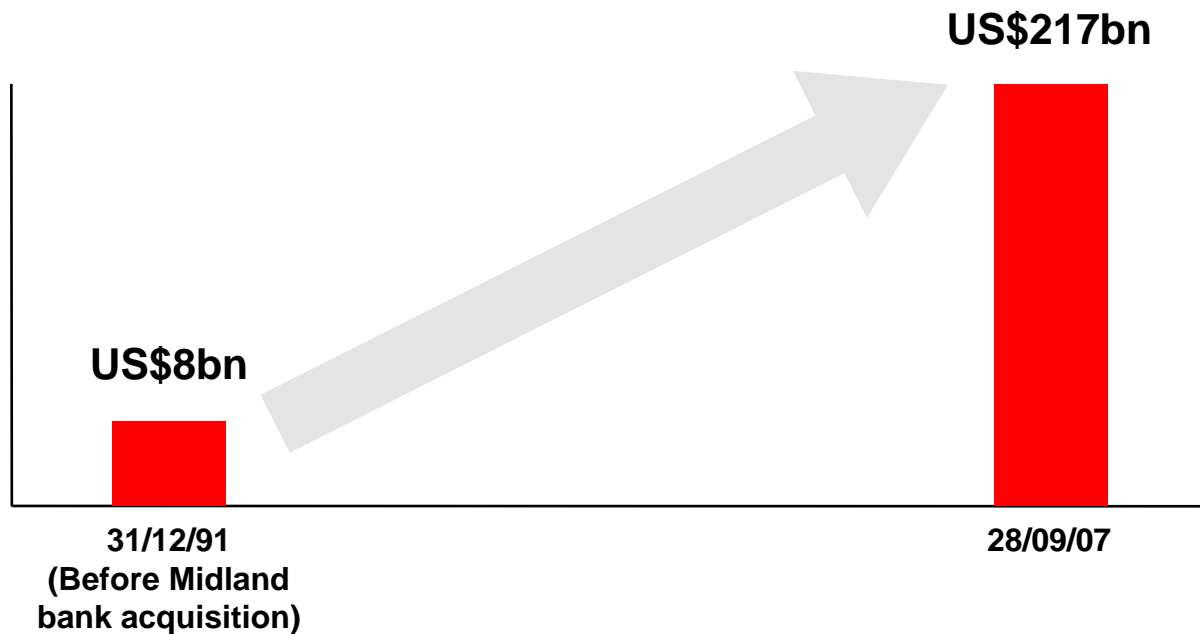
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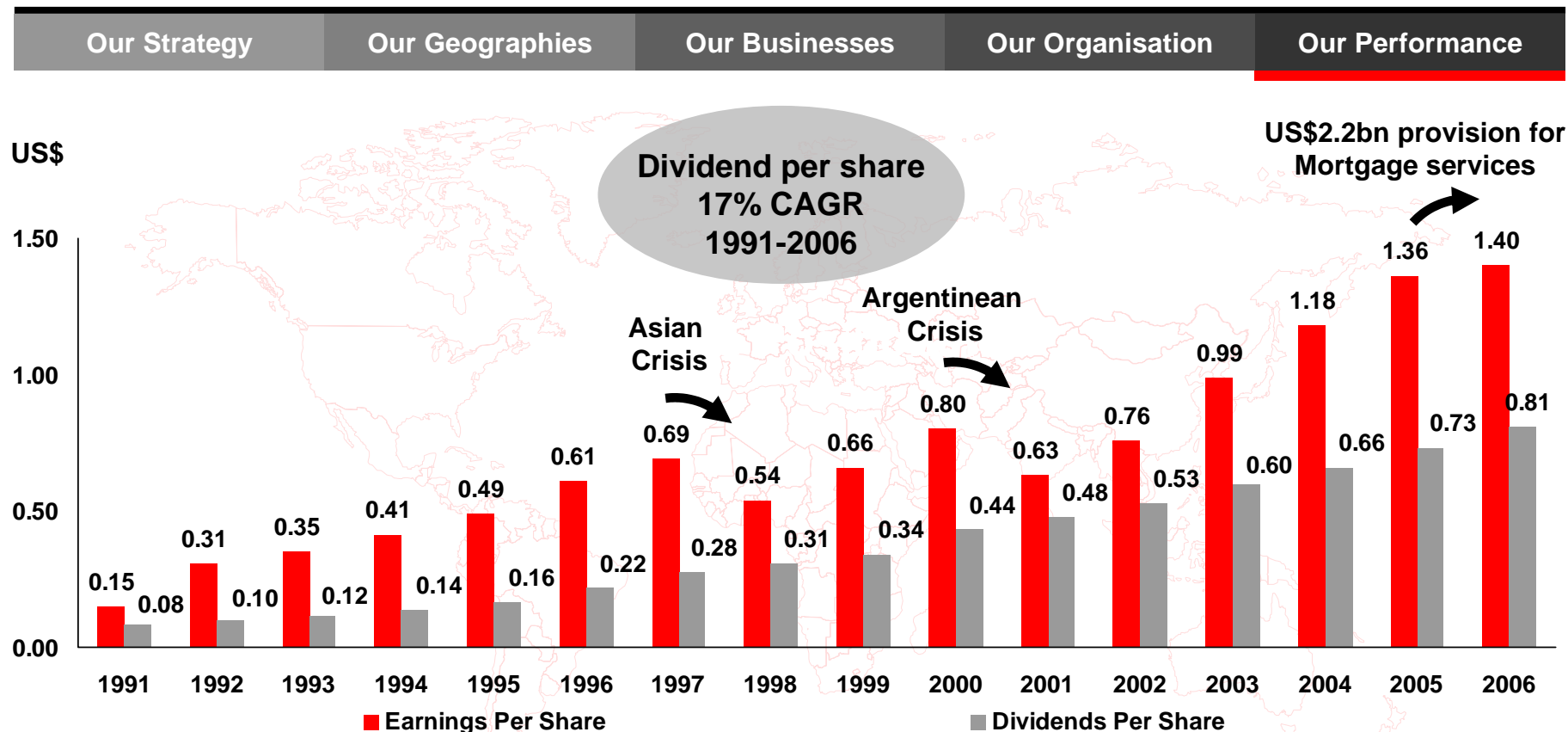
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US\$209bn increase in market capitalisation

The benefits of global diversification



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

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