



Our Vision: Asia-Pacific

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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.

All financial figures in this presentation for “Hong Kong” include Hang Seng Bank and references to “Asia-Pacific” include Hong Kong (and Hang Seng Bank) and rest of Asia-Pacific but exclude the Middle East and dilution gains from Chinese associates. Financial information for HSBC Group uses International Financial Reporting Standards.

Agenda

The world's largest and most profitable international emerging markets bank

- **Our strategic vision**
- **Joining up our businesses**
- **Asia-Pacific – engine for growth**

Closing remarks

The world's largest and most
profitable international
emerging markets bank

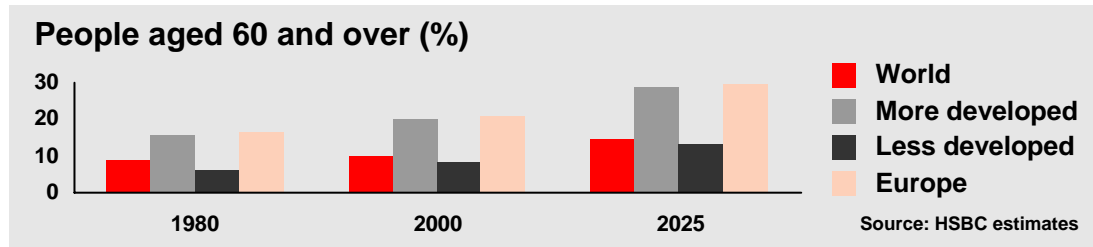
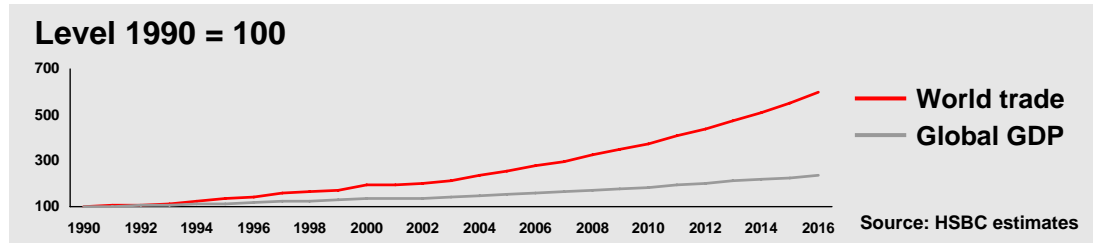
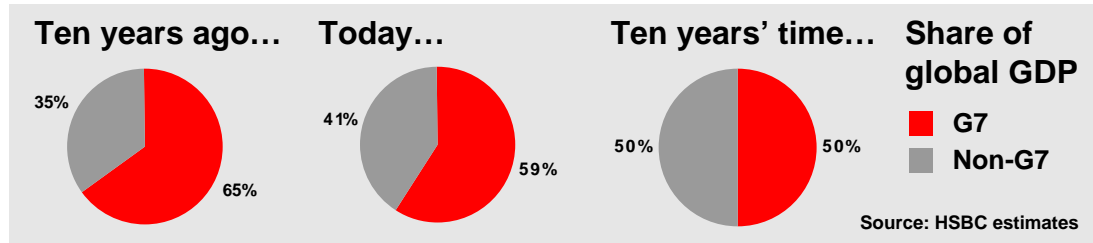
Our outlook – the world

Outlook	Strategic Thinking	Asia Platform	Our Businesses	Key Countries	Positioning
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1. Emerging markets growing faster than rich countries

2. World trade growing faster than GDP

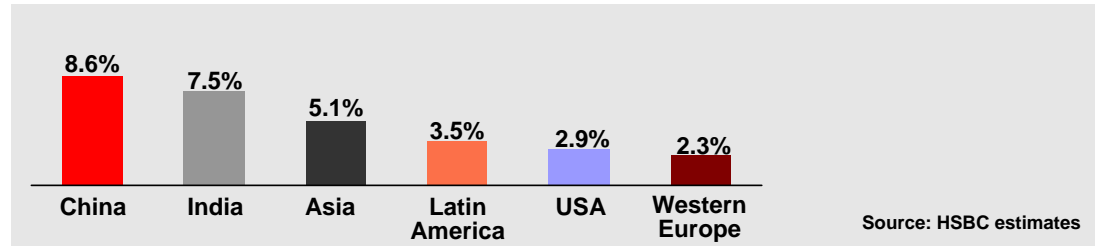
3. Longevity increasing virtually everywhere



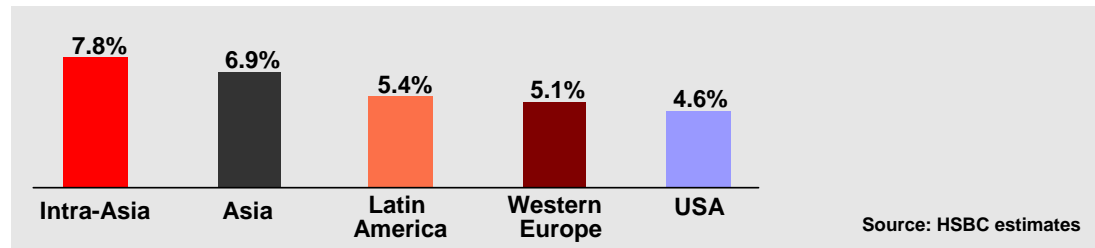
Our outlook – emerging markets

Outlook	Strategic Thinking	Asia Platform	Our Businesses	Key Countries	Positioning
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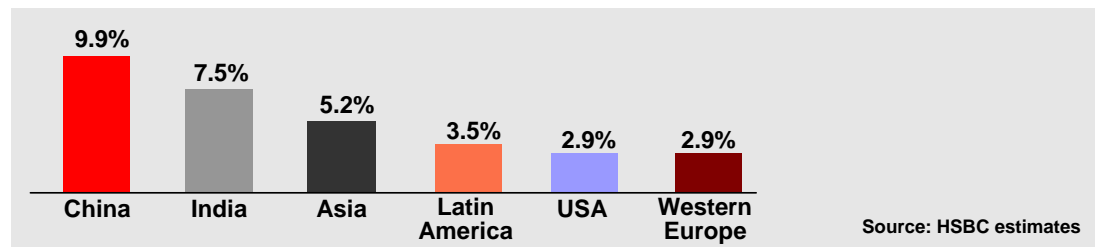
**GDP growth
(2006 – 2020F)**



**Trade growth
(2000 – 2020F)**



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



Our strategic vision

Outlook

Strategic Thinking

Asia Platform

Our Businesses

Key Countries

Positioning

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

**Leveraging our unique international network through
customer groups, global platforms and culture**

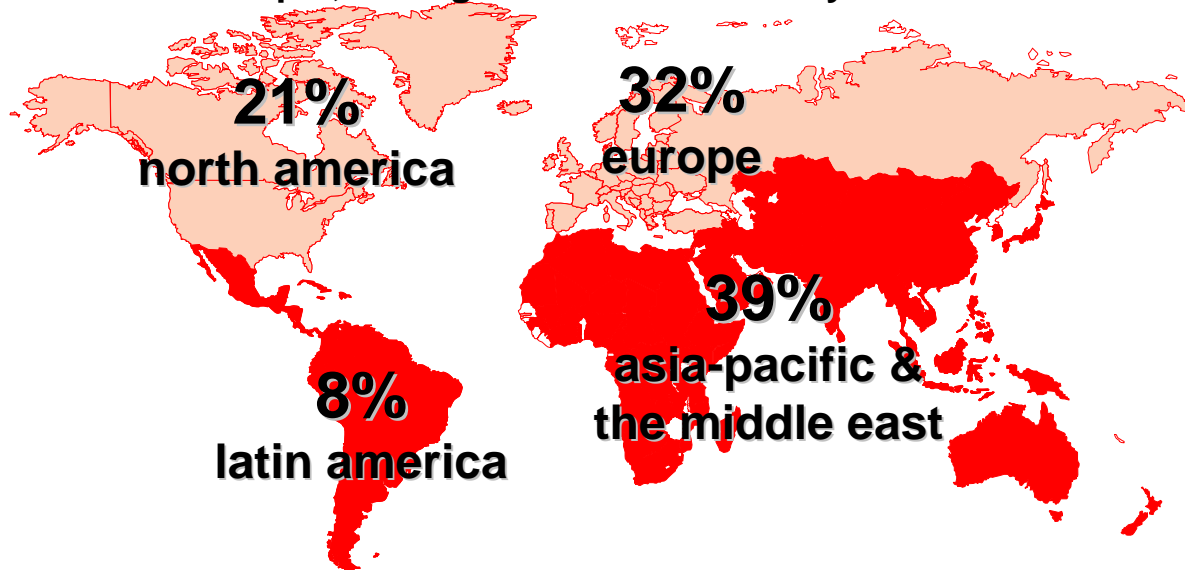
**Benefiting from global diversification, strong capital
base and continued prudent stance on risks**

Linking developing and developed markets

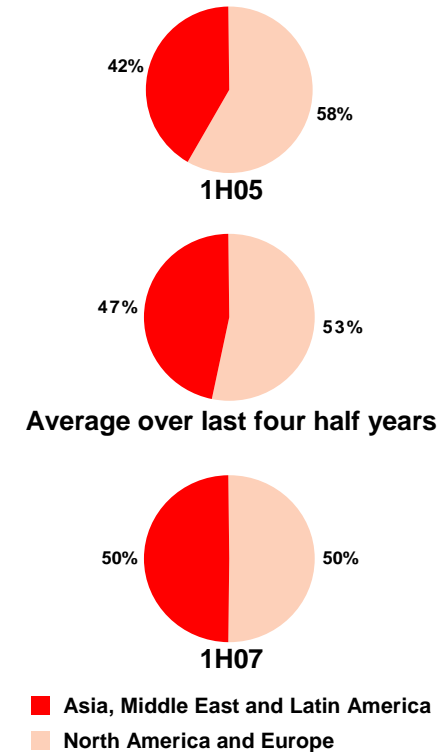
Our strategic vision

Outlook	Strategic Thinking	Asia Platform	Our Businesses	Key Countries	Positioning
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Profit before tax split, average over last four half years¹



Rebalancing over last two years¹



(1) Excluding dilution gains

Asia-Pacific 1H07

Joining up our geographies

Outlook

Strategic Thinking

Asia Platform

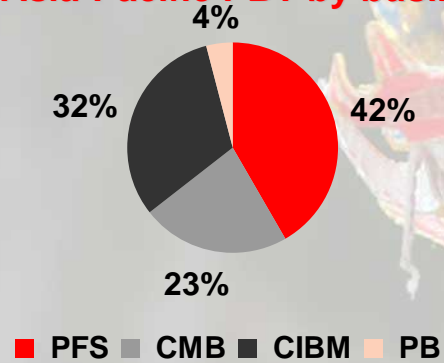
Our Businesses

Key Countries

Positioning

pbt up **33%** to **US\$4.992bn**

Asia-Pacific PBT by business



- Pre-eminent international bank in Asia
- Hong Kong: 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

(1) Others at -1%

Emerging markets Asia-Pacific (1H07)

Our outlook

Outlook	Strategic Thinking	Asia Platform	Our Businesses	Key Countries	Positioning
		PBT (US\$m)		% change	
		1H07		1H07 vs 1H06	
Asia-Pacific		4,992		33%	
Hong Kong SAR		3,330		25%	
Mainland China (ex dilution gains)		473		69%	
India		299		39%	
Singapore		267		44%	
Malaysia		145		13%	
Indonesia		58		115%	
South Korea		58		21%	
Taiwan		43		200%	
Other		319		24%	

Personal Financial Services 1H07

Joining up our businesses

Outlook

Strategic Thinking

Asia Platform

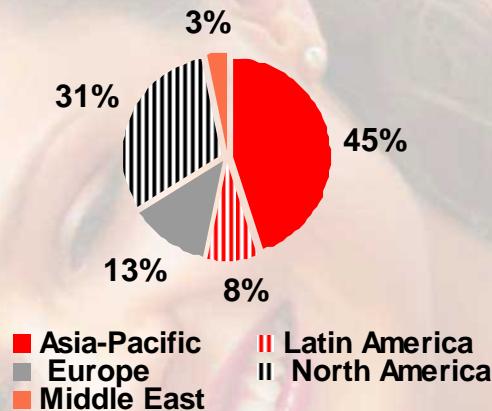
Our Businesses

Key Countries

Positioning

pbt up **45%** to **US\$2.12bn** (Asia-Pacific)

Group PFS PBT by region



- Preferred provider with top class ethical sales and service culture
- Direct channels
- Consumer finance in emerging markets
- Focus on delivery of core products
- Global Premier
- Insurance

Commercial Banking 1H07

Joining up our businesses

Outlook

Strategic Thinking

Asia Platform

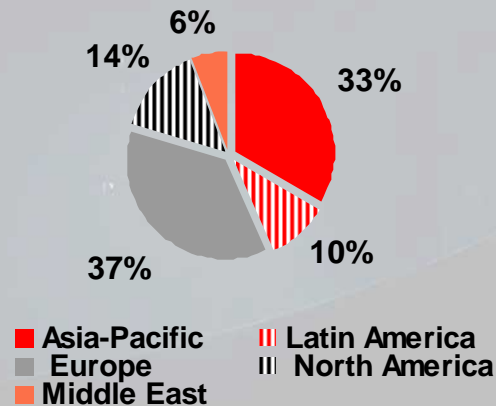
Our Businesses

Key Countries

Positioning

pbt up **26%** to **US\$1.14bn** (Asia-Pacific)

Group CMB PBT by region



- To be the leading international business bank
- Strengthening international connectivity
- Expanding customer base with emphasis on SME growth in second-tier countries
- Global Links cross-referral system increased by 130%¹ over 1H06 to US\$3.1bn
- Direct channel usage increased helped by enhanced Business Internet Banking platform expansion

(1) Includes Middle East

Corporate, Investment Banking and Markets 1H07

Joining up our businesses

Outlook	Strategic Thinking	Asia Platform	Our Businesses	Key Countries	Positioning
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pbt up **42%** to **US\$1.58bn** (Asia-Pacific)

Group CIBM PBT by region

Region	Percentage
Asia-Pacific	38%
Europe	40%
North America	11%
Latin America	6%
Middle East	5%

- Emerging markets-led and financing-focussed wholesale bank
- 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 continued expansion in emerging markets

Private Banking 1H07

Joining up our businesses

Outlook

Strategic Thinking

Asia Platform

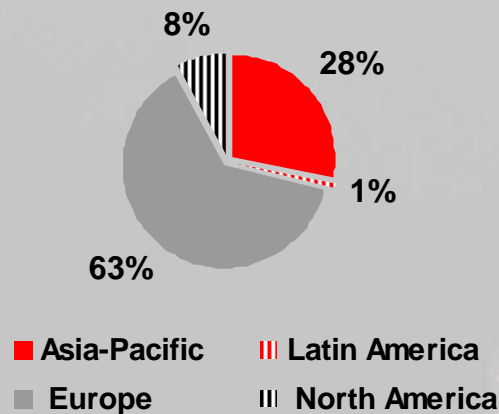
Our Businesses

Key Countries

Positioning

pbt up **27%** to **US\$216m** (Asia-Pacific)

Group PB PBT by region



- Outstanding international service
- Client assets increased by 22%¹ to US\$62 billion
- Net new money in 1H07 at US\$5 billion¹
- Expanding onshore in Japan, India and other markets; growing in Singapore

(1) Covers Hong Kong only

Insurance (Group) 1H07

Joining up our businesses

Outlook

Strategic Thinking

Asia Platform

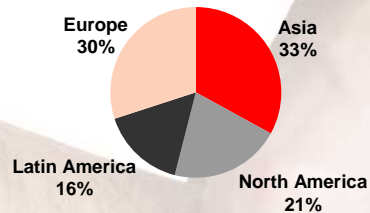
Our Businesses

Key Countries

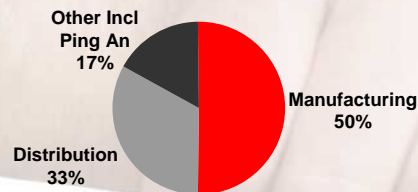
Positioning

contributed **US\$1.6bn¹** or **11%** to group pbt

pbt by region, 1H07



pbt by source of business, 1H07



- A world class bancassurer and top 10 player
- Developing our income stream through distribution
- Market leader in Hong Kong
- Expanded regional footprint
 - New life insurance branch in Taiwan
 - Joint ventures in China and India
 - 10% investment in Bao Viet in Vietnam (Sep07)

(1) Group figures. The results of Insurance are reported within customer groups, primarily PFS

Global Operations

Joining up our businesses

Outlook	Strategic Thinking	Asia Platform	Our Businesses	Key Countries	Positioning	
			<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 and shift to re-engineering</p> <ul style="list-style-type: none">• 10 centres of excellence in 5 countries• 29,000 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 USA, Korea, Taiwan and Canada• <u>CRM</u>: Global Premier, Global Links in CMB, and ClientVision in CIBM	

Asia – pre-eminent international bank

Asia-Pacific – engine for growth

Outlook	Strategic Thinking	Asia Platform	Our Businesses	Key Countries	Positioning
Opportunities <ul style="list-style-type: none">• Growing mass affluence• Intra-regional trade and investment flows				Strategy <ul style="list-style-type: none">• Branch network expansion• Internet and alternative channels across all businesses• Strategic partners to broaden reach and gain distribution• Delivering products to Asia and distributing emerging markets funds globally• Focus on niche wealth segments and other emerging consumer segments (i.e. Islamic banking, consumer finance, non-resident Indians and immigrant communities)	
Challenges <ul style="list-style-type: none">• Regulatory constraints on foreign banks					

Hong Kong – springboard into the Pearl River Delta

Asia-Pacific – engine for growth

Outlook

Strategic Thinking

Asia Platform

Our Businesses

Key Countries

Positioning

To grow the leadership position and be the leading cross-border bank

- **Personal Financial Services – leverage success in multi-channel distribution to focus on wealth management, investment and insurance; re-launch Premier**
- **Commercial Banking – grow value from the existing base by servicing regional and global needs**
- **Corporate, Investment Banking and Markets – deliver high margin and cross-border solutions in Global Markets and Global Banking**

China – leading international bank

Asia-Pacific – engine for growth

Outlook	Strategic Thinking	Asia Platform	Our Businesses	Key Countries	Positioning	
				Organic business HSBC Bank (China) Co. Ltd. <ul style="list-style-type: none">• 15 branches, 37 sub-branches• Local incorporation, full RMB services• Drive expansion of the branch network in key economic zones: Pearl River Delta, Yangtze River Delta and Bohai Rim• Focus on Premier in PFS• Leverage our global network in CMB and CIBM	Strategic investments Bank of Communications <ul style="list-style-type: none">• 19% ownership (as at 28Oct07)• 2,600+ outlets• Co-branded credit cards (>2 million)• Qualified Domestic Institutional Investor scheme, trade and payments• Knowledge sharing• Joint business cooperation Ping An Insurance <ul style="list-style-type: none">• 16.8% ownership• 200,000 agents	

India – a large national franchise

Asia-Pacific – engine for growth

Outlook

Strategic Thinking

Asia Platform

Our Businesses

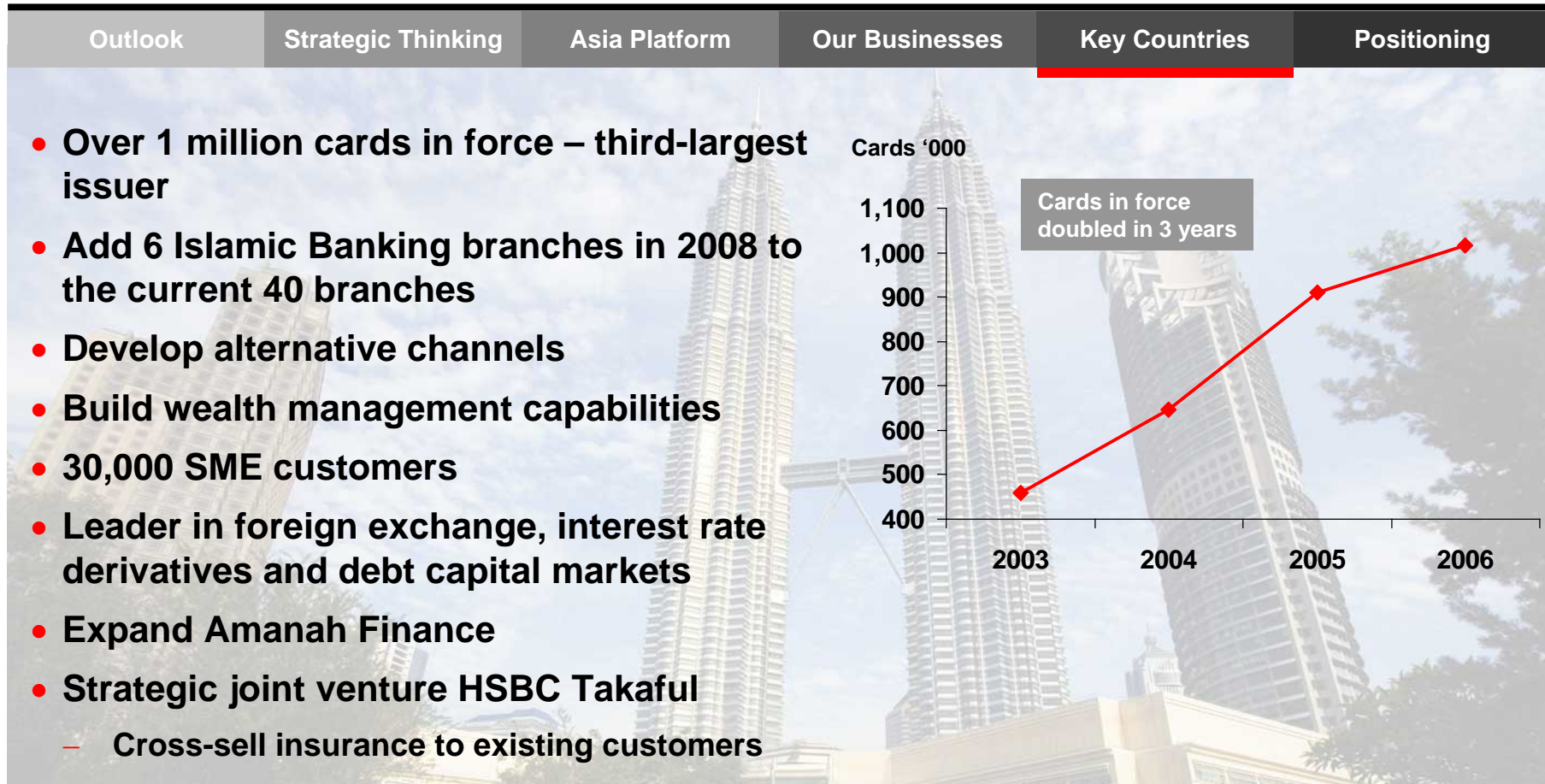
Key Countries

Positioning

- **Investing in Personal Financial Services**
 - 47 branches, 26 cities
 - 2.8 million customers
 - 2.5 million credit cards
 - Non-resident Indian services in key markets abroad
- **Launched consumer finance, HSBC Pragati**
 - 29 branches, 24 cities
- **Corporate, Investment Banking and Markets and Commercial Banking driving profits**
 - Facilitates 5% of Indian trade, 30,000 small business customers
 - Leader in foreign exchange, growing share of debt capital markets and project finance
- **Strategic partnership**
 - Insurance joint venture with Canara Bank and Oriental Bank of Commerce

Malaysia – extend national franchise

Asia-Pacific – engine for growth



Indonesia – growing the distribution network

Asia-Pacific – engine for growth

Outlook	Strategic Thinking	Asia Platform	Our Businesses	Key Countries	Positioning
<ul style="list-style-type: none">• Add 24 branches and 50 consumer finance outlets to reach 168 locations next year• Add 79 automated teller machines to reach 129 ATM outlets next year					
Personal Financial Services:					
<ul style="list-style-type: none">• Premier• Credit cards – 674,000 cards in force (No. 2 position)• Consumer finance – Pinjaman HSBC, the fastest growing in the country					
Commercial Banking and Corporate, Investment Banking and Markets:					
<ul style="list-style-type: none">• Expand our SME business• Build on our leadership position in Payments and Cash Management• Grow our market share among foreign banks in trade finance• Consolidate our 42% market share in custody					
<ul style="list-style-type: none">• Cross-sell insurance to all customer groups• Grow Amanah Finance					

Vietnam – poised for growth

Asia-Pacific – engine for growth

Outlook

Strategic Thinking

Asia Platform

Our Businesses

Key Countries

Positioning

Well positioned for market growth

- Concentrate on cards and personal loans
- Mid and upper SME commercial banking
- Corporate, international and sophisticated local corporates
- Pioneer and participate in development of Vietnam capital market

Strategic partnerships

- Techcombank: 5th largest bank, agreement for 15% stake with intention to reach 20%
- Bao Viet: largest insurer, 10% stake with pre-emptive rights to reach 25%
- Offer distribution and scope for collaboration in businesses such as cards, bancassurance and asset management

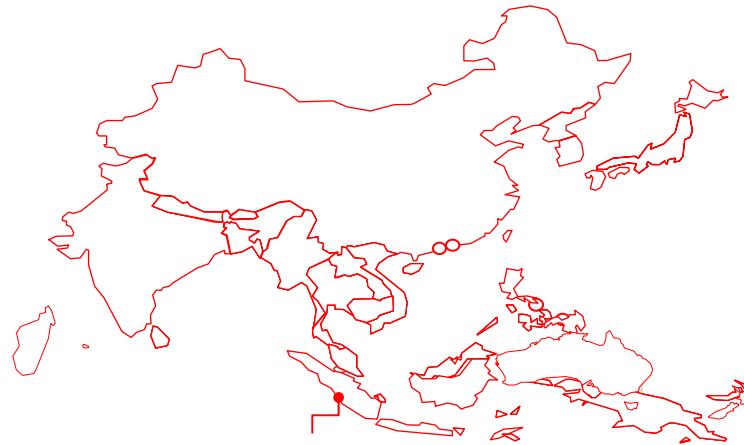
Closing remarks

Asia-Pacific – changes in the past decade

Investing and reaping

Outlook	Strategic Thinking	Asia Platform	Our Businesses	Key Countries	Positioning
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From 314 branches¹ and 35,000² staff today in 1997...



From PBT US\$2.557bn³ and assets US\$190.4bn⁴ in 1997...

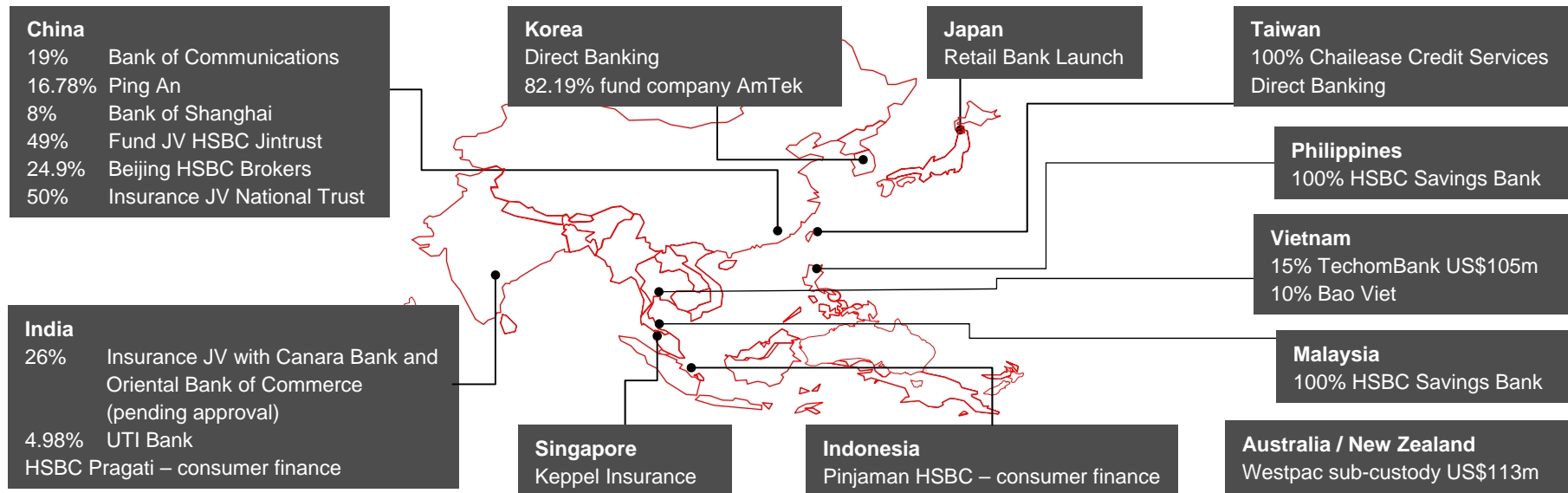
(1-2) Asia-Pacific excluding Middle East
(3-4) Uses GAAP and pre-IFRS accounting standards

Asia-Pacific – the future, now

Investing and reaping

Outlook	Strategic Thinking	Asia Platform	Our Businesses	Key Countries	Positioning
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...to 339 branches¹ and 62,400² staff today



...to PBT US\$6.674bn³ and assets US\$502bn⁴ today

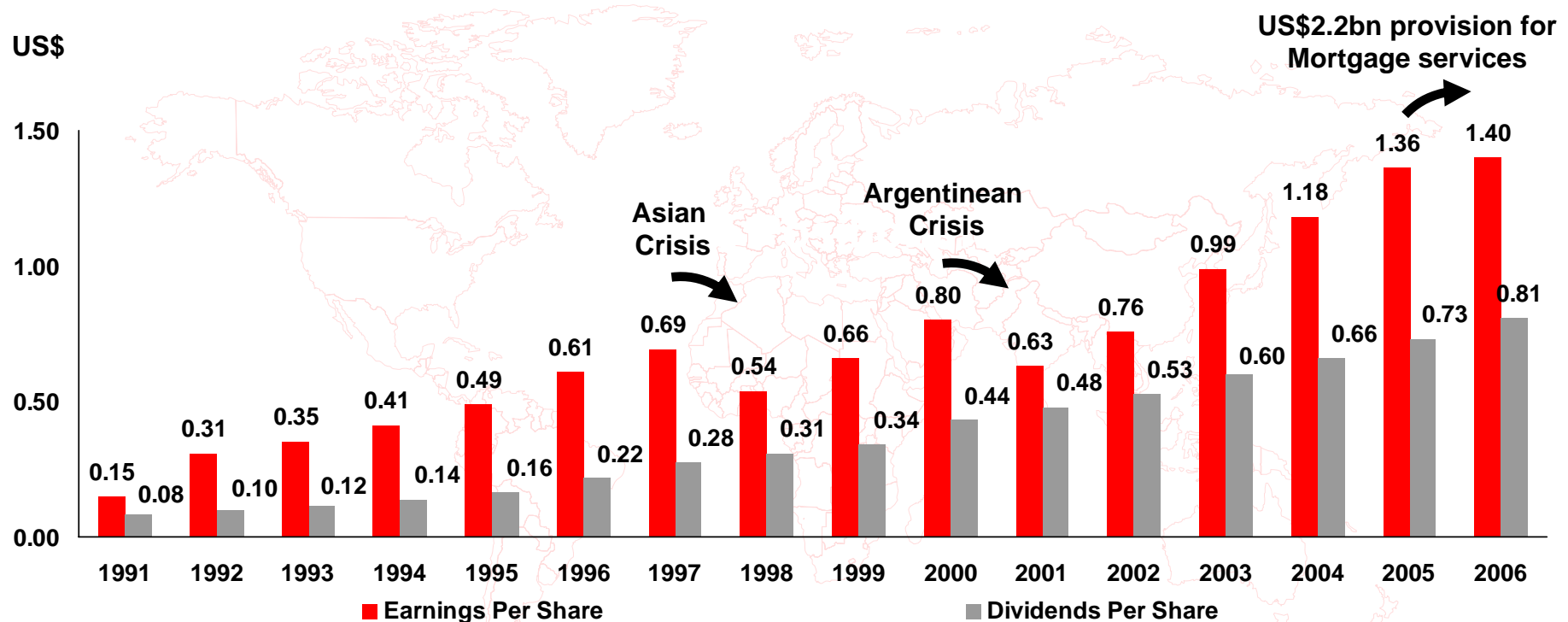
(1) Asia-Pacific ex Middle East
 (2) Asia-Pacific ex Middle East, including Group Service Centers
 (3-4) Uses IFRS accounting standards



Where we have come from

The benefits of global diversification

Outlook	Strategic Thinking	Asia Platform	Our Businesses	Key Countries	Positioning
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- (1) UK gap to 2003, IFRS basis from 2004
- (2) Dividends per share in respect of each year

Our strategic vision

Outlook

Strategic Thinking

Asia Platform

Our Businesses

Key Countries

Positioning

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

**Leveraging our unique international network through
customer groups, global platforms and culture**

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