

Strategy Update

London
23 November 2007



Stephen Green, Group Chairman
HSBC Holdings plc



Michael Geoghegan, Group Chief Executive
HSBC Holdings plc



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.



Agenda

Introduction	Stephen Green
Shaping the business	Stephen Green
Joining up	Michael Geoghegan
Summary	Stephen Green



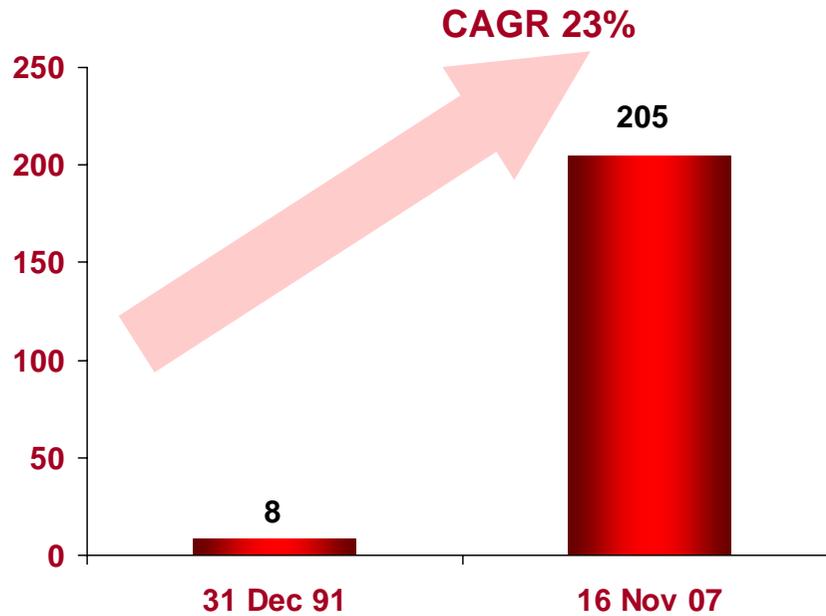
We are the world's local bank





We have consistently created strong value

Market capitalisation (US\$bn)



Growth from organic investments and acquisitions

31Dec91 – 30Jun07	US\$bn
Tier 1 capital 31Dec91	9
Retained profits ¹	55
Newly issued capital ²	62
Goodwill on acquisitions	(38)
FX translation and others	9
Tier 1 capital 30Jun07	97

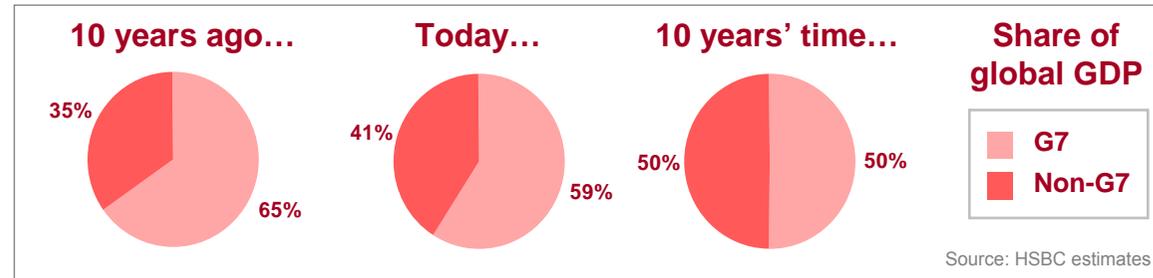
¹ Profit attributable to shareholders (excluding goodwill amortisation) less dividends payable

² Includes new share capital issued (including shares issued for share option schemes), shares issued in lieu of dividends and other capital issuances that qualifies as Tier 1 capital

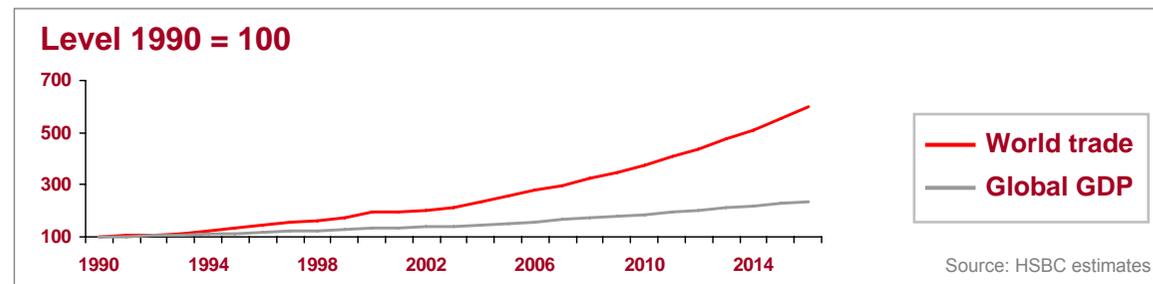


Our strategy is aligned with trends that will shape the global economy

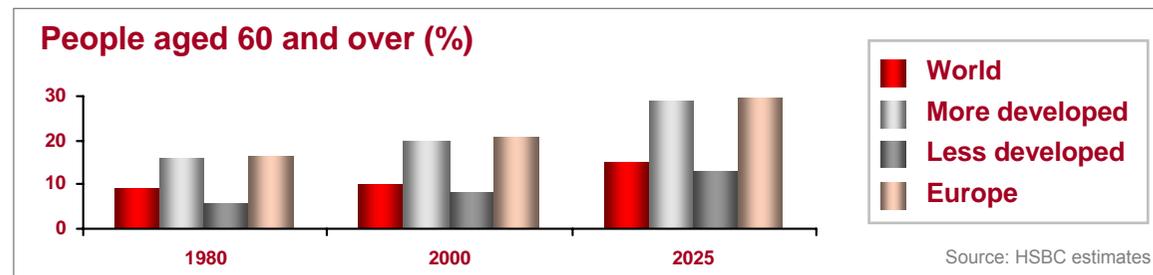
1. Emerging markets growing faster than rich countries...



2. World trade growing faster than GDP...



3. Longevity increasing virtually everywhere...





Our strategy is focused on delivering superior growth and earnings over time



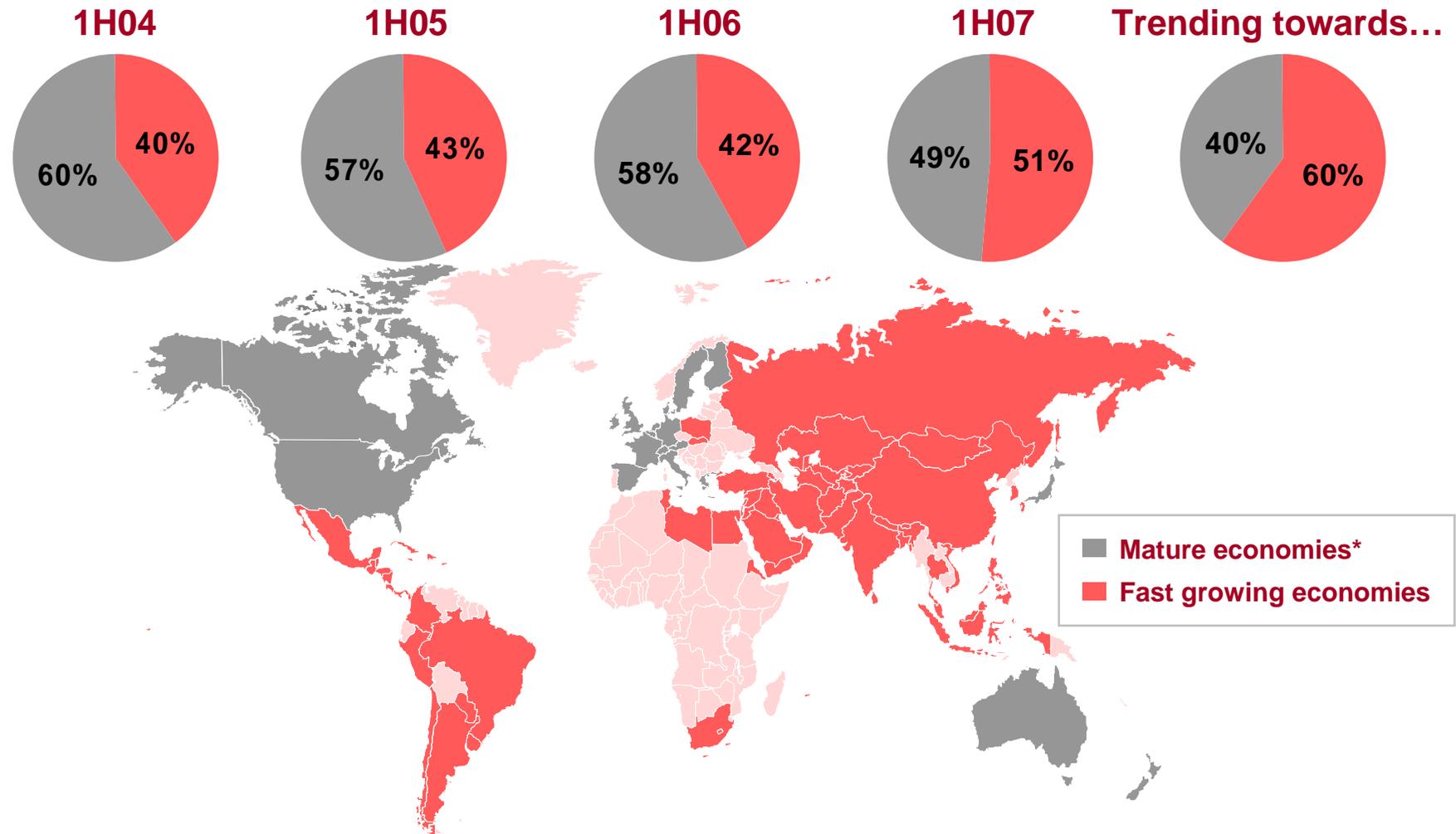


Shaping the business

Stephen Green



We are reshaping to focus primarily on high growth economies

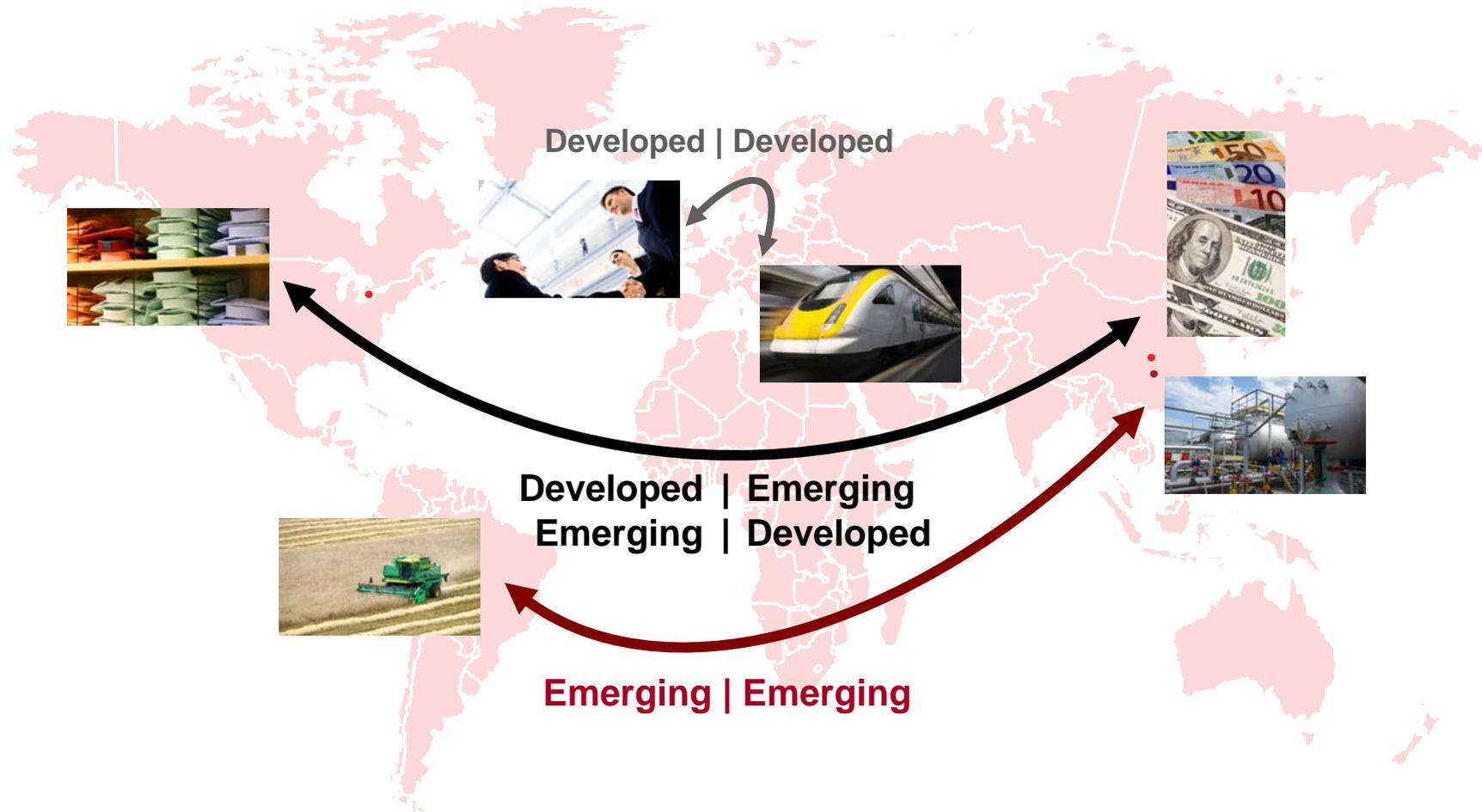


Based on PBT (excluding the gains on dilution of interests in associates in 1H2007)

* USA, Canada, Japan, Australia, New Zealand, EU15, Switzerland, Malta

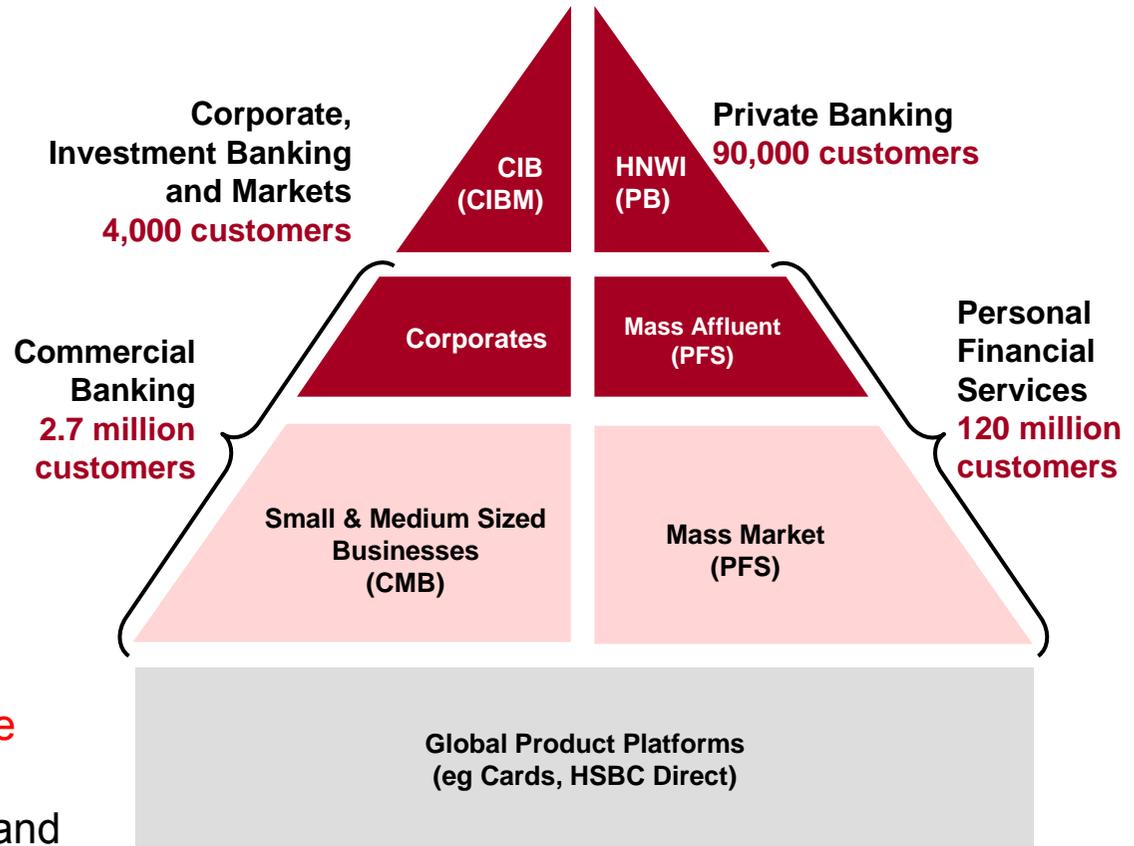


Inter-connectivity is increasing... being at both ends matters



Business models which define our 'right to win'

- 1 Businesses with international customers where **Emerging Markets connectivity** is critical
- 2 Businesses with local customers where **efficiency** can be achieved through global scale
- 3 Products where **global scale** is critical to **effectiveness**: efficiency, expertise and brand





Corporate, Investment Banking and Markets

Emerging markets-led and financing-focused wholesale bank

Positioned for the next wave of global growth

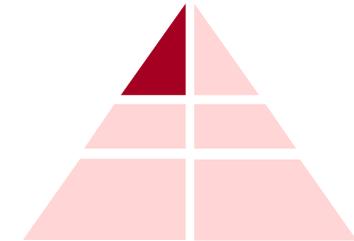
- Aligned with our global network and emerging markets presence
- Asia-Pacific, the Middle East and Latin America have strong investment needs
- Asia-Pacific and the Middle East are major sources of investible funds

Global product scale

- Global scale in markets and transactional products
- London and Paris are strong global product innovation centres

Group balance sheet

- Underlying strength derived from our balance sheet in terms of capital and liquidity



CIBM
US\$4,158m
PBT
(1H07)



Private Banking

A world leading international private bank integrated into a unique distribution network

Customer links with other businesses

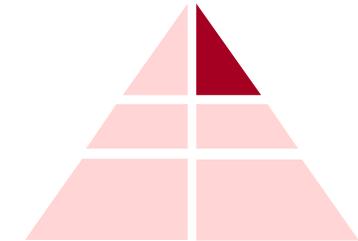
- Customer base builds upon intra-Group referrals from PFS and Commercial Banking
- Globally US\$2bn total client asset referrals in 1H07

Product links with other businesses

- Critical ability to source and distribute HSBC products globally within an open architecture framework

Global onshore and offshore network

- Operating in 94 offices in 37 countries
- Swiss-based global platform
- Onshore franchises in high-growth markets fully aligned with Group focus



**Private Banking
US\$780m
PBT
(1H07)**



Commercial Banking

The leading international business bank serving corporates and small businesses

Global network with local coverage



- Capture both ends of the customer transaction
- Network of International Banking centres across 23 countries to serve customers with cross-border needs
- Strength of franchise reflected in customer accounts of US\$205bn (+22% 1H07 vs 1H06) and customer loans of US\$186bn (+24% 1H07 vs 1H06)

Links with other Group businesses

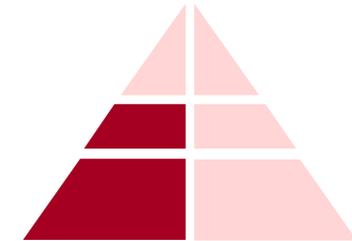


- An incubator for other businesses: CIBM, PFS, and PB
- Cross-border referral system, referrals up 37% (1H07 vs 1H06)

Global processes



- Leverages global scale, eg transactional products (GTB), receivables finance, Business Direct



CMB
US\$3,422m
PBT
(1H07)



Personal Financial Services

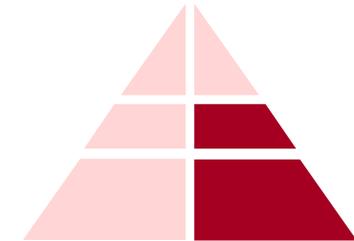
Use our global scale and local knowledge to grow profitably in selected markets

Winning models

- 1 In **emerging markets** where we have or can build/acquire scale
- 2 In **mature markets** where we have scale
- 3 In **customer segments** which have strong international connectivity
- 4 In **monoline products** where global scale is critical and we have it

Examples

- Mexico, Brazil, Turkey, Panama, Saudi Arabia
- Hong Kong, UK
- Global Premier
- Consumer Finance (cards), direct banking



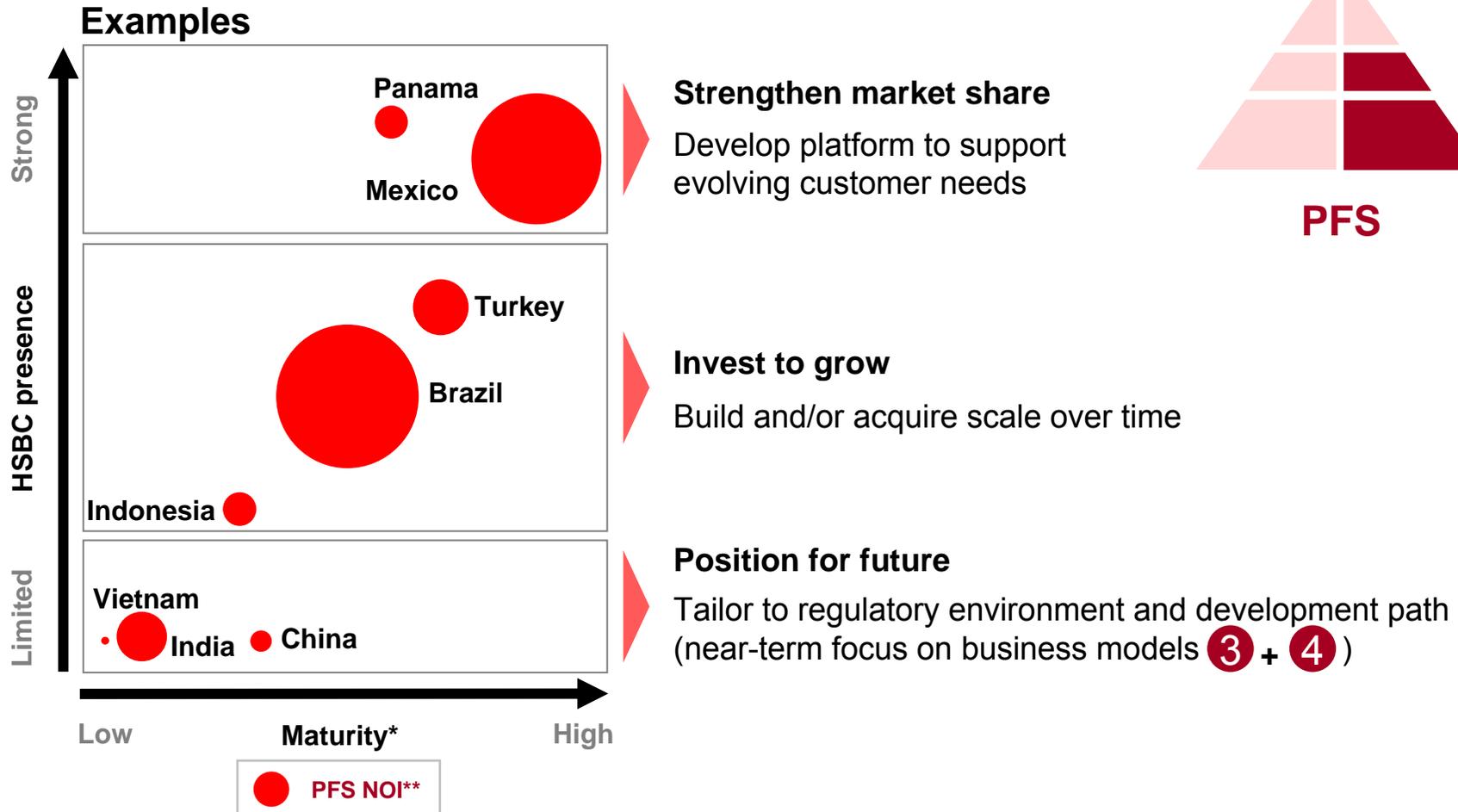
PFS
US\$4,729m
PBT
(1H07)

We will only participate where we have a 'right to win'

Some emerging markets: options for moving from **3 + 4** → **1** as regulation evolves



1 In emerging markets where we have or can build/acquire scale: Three clusters



* Based on GNI per capita

** Net operating income before loan impairment charges and other credit risk provisions



2 In mature markets where we have scale: a robust position in selected markets

Example: UK PFS

Critical mass

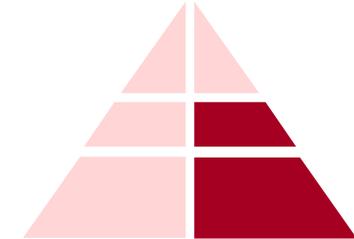
- Ranked fifth overall* with sustained market position
- Strong market share in core products, eg current accounts (15%), credit cards (12%)
- Very strong flow of deposits plus high value current accounts

Attractive and sustainable

- Attractive demographics, eg high relative percentage of young and high-income customers
- Distinctive propositions, eg HSBC brand and global capabilities

Opportunities for growth

- Operating efficiency – realise additional benefits from HSBC global operating model and scale
- Sharper segmentation and distribution to align against profitable customer segments
- Distribution-led strategy of targeting high-growth wealth management/ insurance business



PFS

* Rank based on PFA Assets



Focused on delivering superior growth and earnings over time

- We are reshaping to focus primarily on **fast growing (emerging) economies**

- Inter-connectivity is increasing... being at **both ends** matters

- **CIBM**: emerging markets-led and financing-focused wholesale bank

- **Private Banking**: a world leading international private bank integrated into a unique distribution network

- **Commercial Banking**: the leading international business bank

- **PFS**: use our global scale and local knowledge to grow profitably in selected markets

- Trending towards 60:40

- We will continue to build on our strong position in the midst of the world's trade and investment flows

- Positioning for the next wave of global growth

- Building on intra-Group referrals

- Strengthening international links

- We will use the business models, which give us a 'right to win'



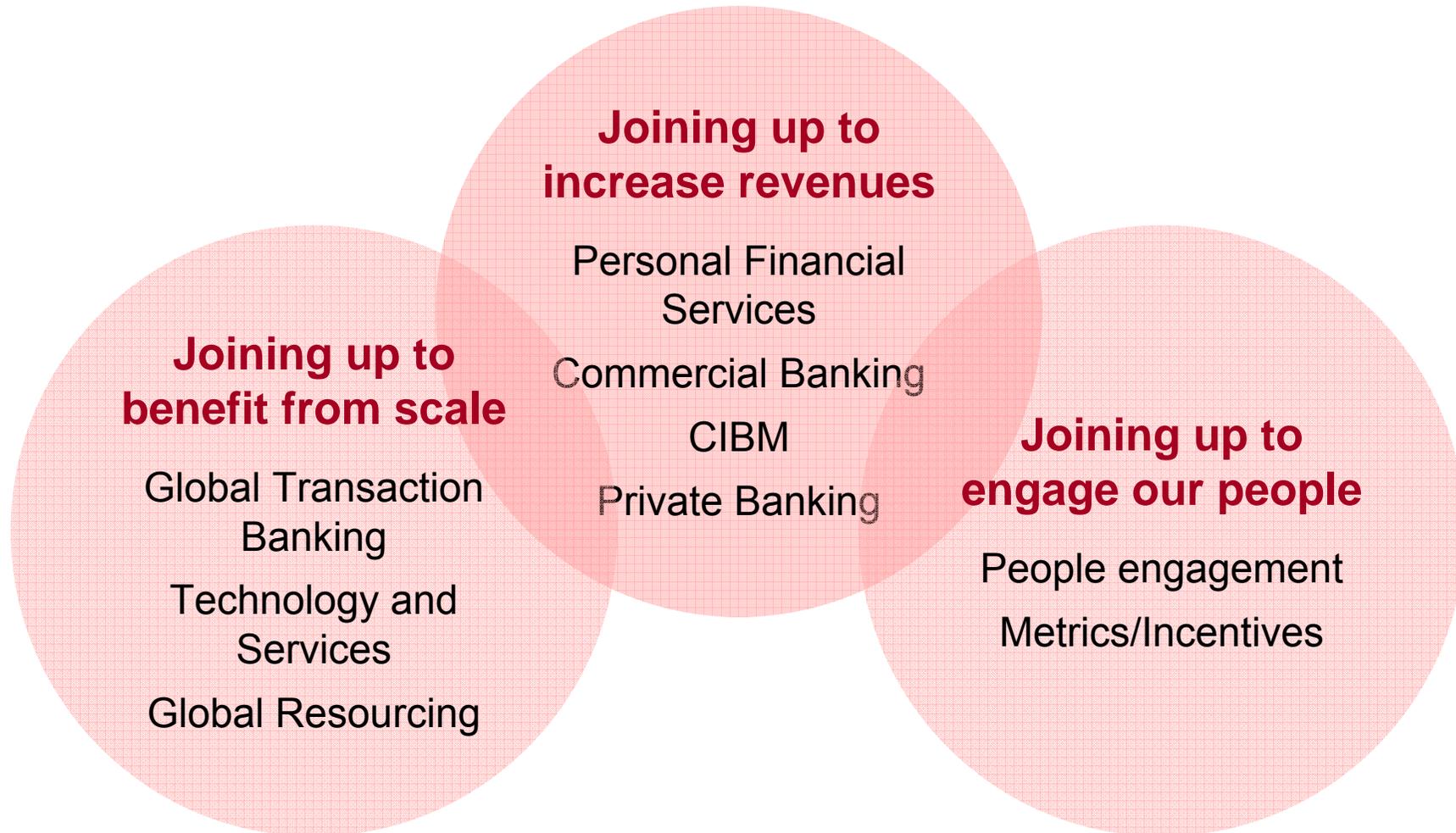
Joining up

Michael Geoghegan

HSBC 
The world's local bank



What is joining up?





Global Premier: unbeatable global proposition

Proposition

- Comprehensive and consistent proposition to mass affluent customers across many markets



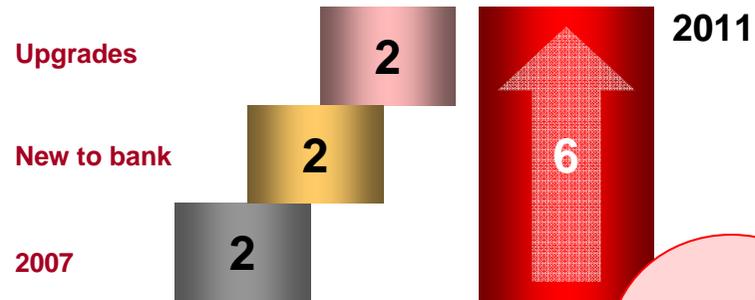
Presence

- Launched simultaneously in 35 markets with a major marketing campaign
- Over 250 International Premier Centres worldwide



Significant increase in customers

customers, millions



Over US\$1,000 in revenue per customer





Credit cards: a leading global proposition in cards building on our global presence and scale economies

Global scale

- 75% of cards on a global platform
- Target of over 90% by end 2008

Global distribution

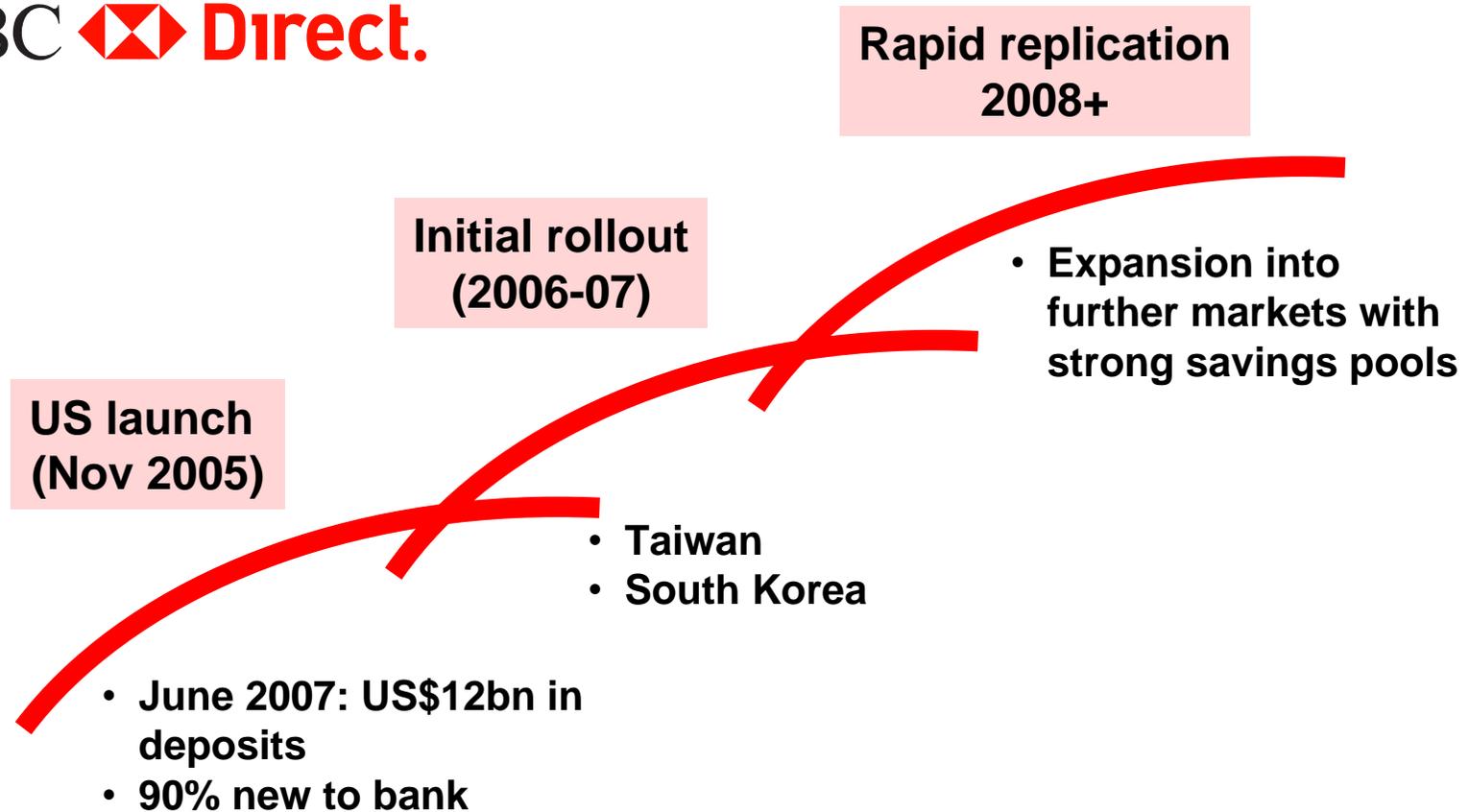
- Top five global issuer with over 120 million cards in force
- Issuing in 40 countries, with cutting-edge analytics and strong marketing
- 10 countries with more than one million cards, up from six countries in 2003
- Key partnerships including:
 - Marks & Spencer (UK) | General Motors (USA)
 - Best Buy (USA, Canada, China, Mexico)
 - Wal*Mart through the BoCom JV (China)
 - Accor Hotels, Ricardo Eletro and DMA (Brazil), Delta Airlines





Build business model in one market and deploy many

HSBC  **Direct.**



**Common internet platform
Common brand – HSBC Direct**



We are uniquely positioned to serve both ends of customer transactions

Geographical linkages:
Global network with local coverage

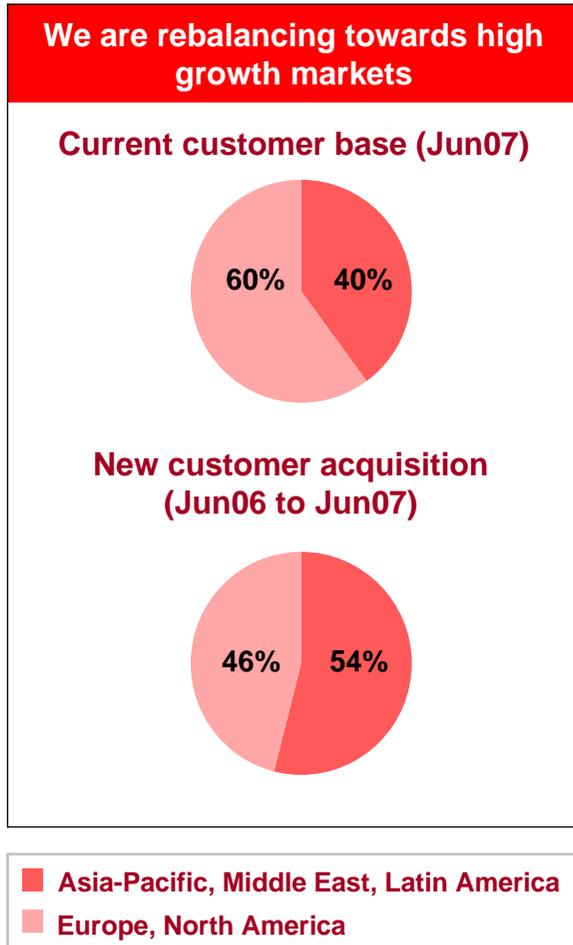
- Added seven International Banking Centres (IBCs) in 1H07
- IBC network covers 23 countries (1H07) with a target of 50 at end of 2007
- 247 Global Relationship Managers across 30 countries serving customers with multi-country requirements

Customer linkages:
Links with other businesses

- Over 3,000 referrals, up 37 per cent (1H07 versus 1H06) via Global Links
- Total transaction values up US\$3.2bn
- Incubator for other businesses: CIBM, PB, PFS



We are employing our global expertise and local presence 'to be the best bank for small businesses in target markets'



Extending expertise from developed markets to developing ones

With global scale and connectivity

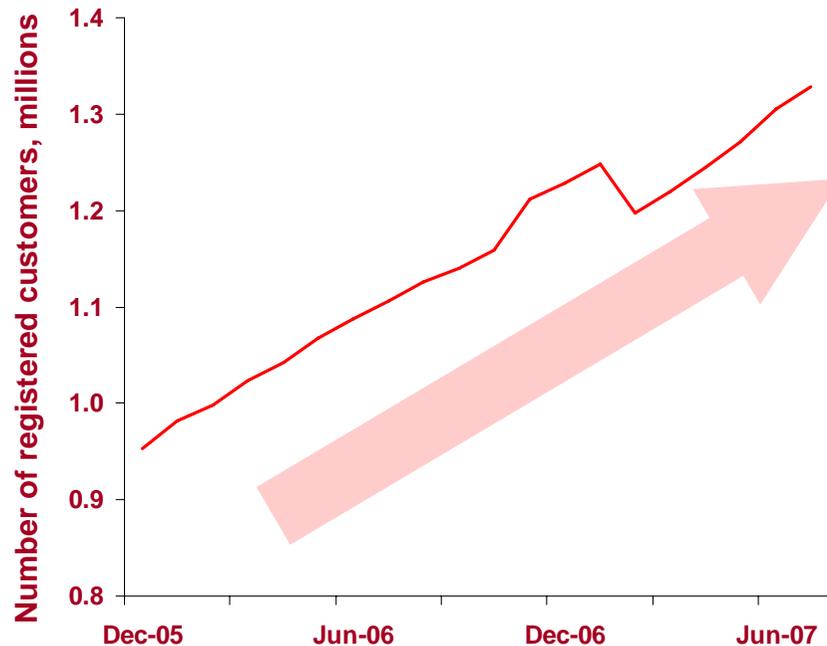
- Customer segmentation
- Credit scoring capabilities
- Receivables finance on a domestic and international basis – a key open-account trading product
- Direct banking in select markets
- 2.5 million SME customers globally
- Core products and straight-through processing
- Connectivity with PFS, eg Global Premier customers

40% of SME customers do business internationally



Global platforms provide us with a leading scalable customer proposition

Business internet banking



Build once – deploy many

Strong customer adoption...

- Comparing 1H07 with 1H06
 - Registered customers up 20%;
 - active up 28%
 - Online transaction volumes up 58%
 - Web traffic up 47%

...with plans for further rollouts

- 2G platform now launched in eight countries, with seven more in the next 12 months

Additionally, CMB customers benefit from using global Group systems:
HSBCnet – CIBM | Credit Cards – PFS



Implementing our refined strategy

Sharper focus

- Added enhanced financing capabilities and improved the credit process
- Focused the number of sectors with full Investment Banking coverage

Working closer with the Group

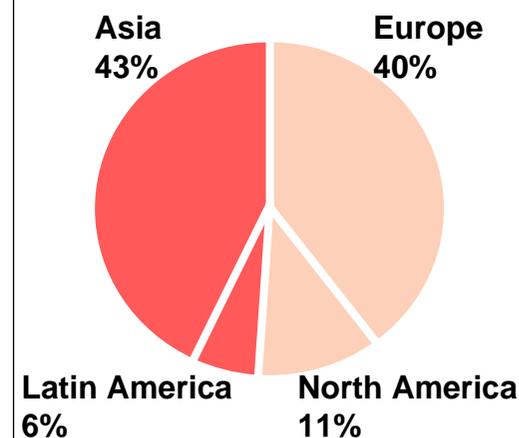
- Strong relationship with CMB customers
- Group Investment Businesses benefiting from expertise in emerging markets

Taking advantage of scale

- Leading scalable global transaction platform (GTB) for providing cash, payments, trade and security services
- 1,000 people employed in Global Service Centres

Approximately 50% of CIBM's PBT is from fast growing markets

1H07, (PBT based)



CIBM: emerging markets-led and financing-focused



Multiple product emerging markets leadership...

Foreign exchange	Risk management
 <p>Best Bank for Emerging Asian Currencies</p> <p>Best Bank for Emerging EMEA currencies</p> <p>Best Bank in FX in Asia-Pacific</p>	 <p>Best Risk Management – Asia Euromoney Awards for Excellence – 2007</p> <p><i>"HSBC's risk management and foreign exchange businesses boast 19 dealing rooms across Asia, including frontier markets such as Bangladesh, Vietnam and Sri Lanka. With almost 700 professionals in the region, the bank services more than 12,000 corporate and institutional customers with more products in more markets than any other competitor."</i></p>

Bloomberg DCM league tables	2002	2003	2004	2005	2006	YTD07
Asia-Pacific ex Japan	1	1	1	2	1	1
Asian local currencies	1	1	1	1	1	1

Selected deals

<p>April 2007</p>  <p>USD5.4 billion</p> <p>Initial Public Offering</p> <p>Joint Global Co-Coordinator/Joint Bookrunner/Joint Lead Manager</p>	<p>July 2007</p>  <p>CNY5 billion</p> <p>Issue of fixed-rate notes</p> <p>Bookrunner/Joint Lead Manager</p>	<p>August 2007</p>  <p>USD9.2 billion</p> <p>Acquisition Finance Bookrunner/Joint Lead Arranger</p>	<p>October 2007</p>  <p>CNY4.02 billion</p> <p>ABS – Structured Bonds</p> <p>Sole Project Adviser</p>	<p>October 2007</p>  <p>USD60 million and RMB500 million</p> <p>Syndicated loan facility</p> <p>Bookrunner/Mandated Coordinating Arranger</p>	<p>September 2007</p>  <p>IB – M&A-Public Offer</p> <p>Adviser/Financing Bank</p>
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...developed markets product strength

Foreign exchange



FX-Week
Best Banks
Awards
2007

Best Bank in Forward FX
Best Bank – Corporates
Best Bank for FX Research and Strategy

Cash management



Best Cash Management House
Euromoney Awards for Excellence – 2007

Risk management



Best Risk Management
Euromoney Awards for Excellence – 2007

Leading market research survey 2006

- # 1 Global Corporate Banking – Market Penetration
- # 3 Global Interest Rate Derivatives – Market Share
- # 4 Global Foreign Exchange – Market Share

The Banker

Interest rate derivatives house of the year

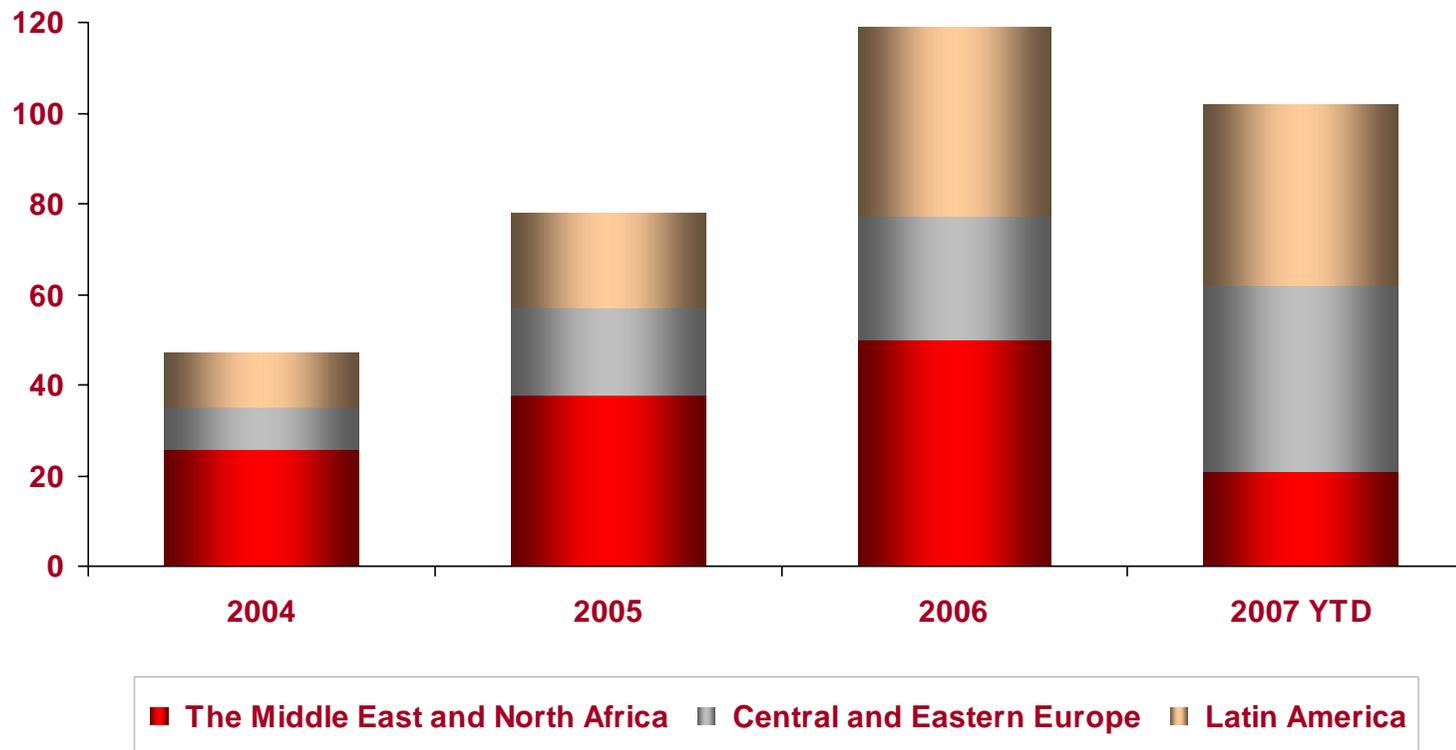
The Banker Investment Banking Awards – 2007

"This year's Interest Rate Derivatives House of the Year is HSBC, in recognition of its pioneering role in many emerging markets and its leadership in asset and liability management hedging products in the developed markets..."



We have rolled out our Asian financing model with great success to other emerging economies

Global Markets: number of mandates at bookrunner or equivalent





A world leading international private bank integrated into a unique distribution network

Building brand recognition

- The third-largest international private bank

Building intra-Group partnerships

- Cross-referrals from PFS and CMB, eg over 40% of new UK customers (2007) are Group referrals

Geographic expansion: emerging markets and onshore

- Uniquely located in the growth markets where new wealth is being created (Asia, the Middle East, Latin America, India)
- Offer onshore services unlike most offshore private banks

Product leadership

- Using HSBC's strengths in emerging markets to provide investment options, eg Private Banking clients took up approximately 30% of US\$1.1bn launch of HSBC's MultiAlpha China fund
- Building annuity income through product leadership in areas such as credit, hedge funds, tactical investments and estate planning



A three-step strategic plan building on our core strengths

- We have 120 million customers
- Our penetration is low or average (with some exceptions, eg Hong Kong)
- Our aspiration is to increase contribution to 20% of Group PBT

1 Build on Group distribution
Use HSBC's distribution capabilities to existing wealthier clients to build Life Pension and Investments (LPI)

2 Employ Group expertise
Rolling out creditor enhancement/protection – target 20% client penetration, 11 new markets

3 Leverage Group strength
Create strategic partnerships to provide best of breed, eg 16 projects with AXA, AIG, Allianz, Zurich and ING worldwide

Recent activities in EM

- **China:** Ping An stake
- **Saudi Arabia:** Established SABB Takaful Company
- **India:** JV Life company with Canara Bank and Oriental Bank of Commerce
- **South Korea:** 50% in Hana Life Insurance Co.
- **Vietnam:** Stake in Bao Viet

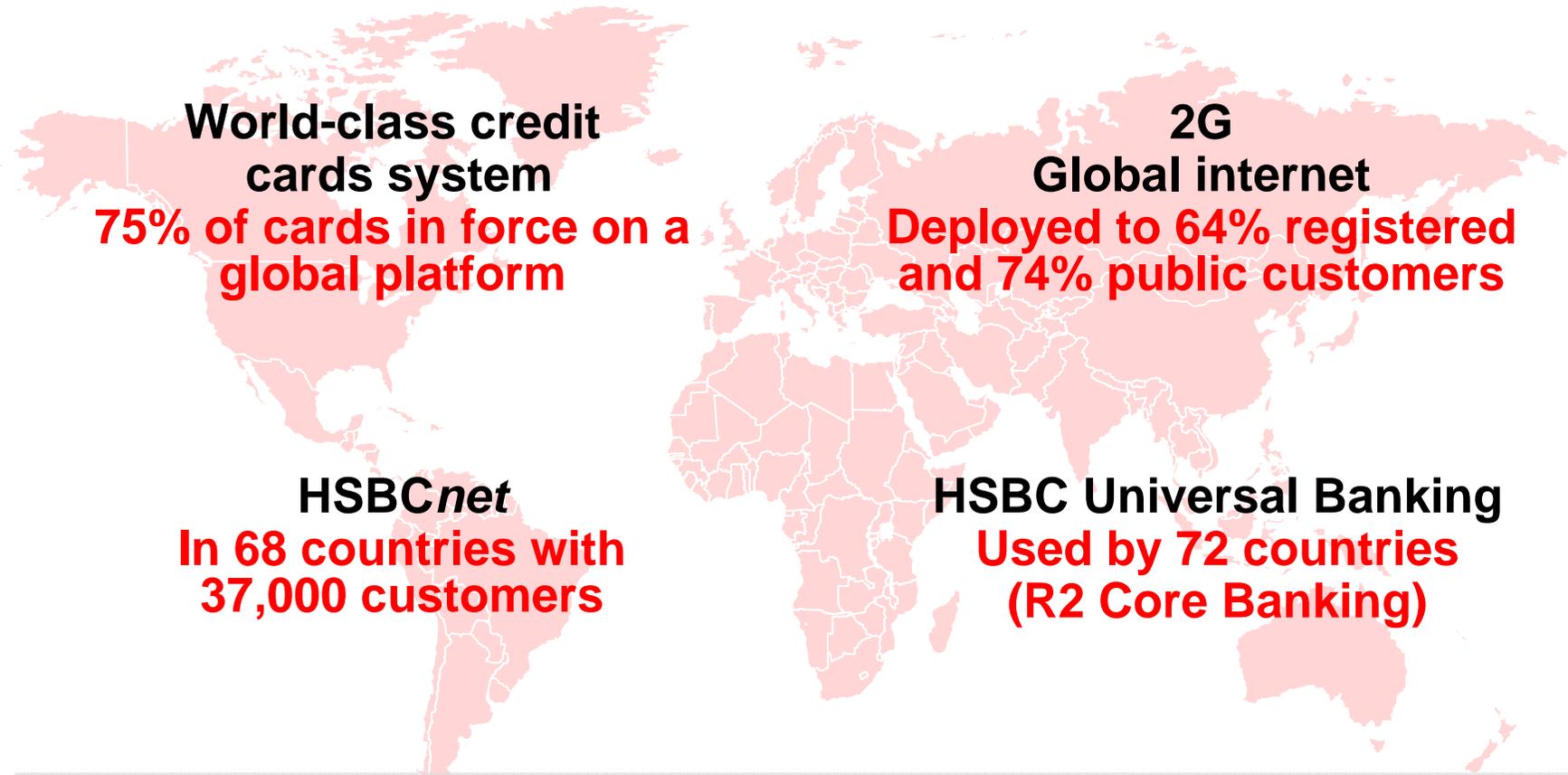


Global Transaction Banking provides a globally scaled product suite for CIBM and CMB customers

Global scale propositions	<ul style="list-style-type: none">• Payments and Cash Management (PCM): Best Cash Management House globally (2007)• Trade Services: Best Trade Finance Bank in Asia, Hong Kong and the UK – Global Finance 2007• Securities Services: third globally for assets under fund administration – Alternative Investments
Systems	<ul style="list-style-type: none">• Eg global sub-custody platform operational in 36 countries, with transaction volume growth of 100% (since Jan07)
Processes	<ul style="list-style-type: none">• Eg rollout of Global Payments System with improved STP – has enabled USD processing of 94% STP (vs 87% before rollout) with volumes growing 17% year-on-year



One HSBC – build once, deploy many



OneHSBC 24/7 delivery
Internet | Branch | Call centre
Assets | Liabilities | Insurance



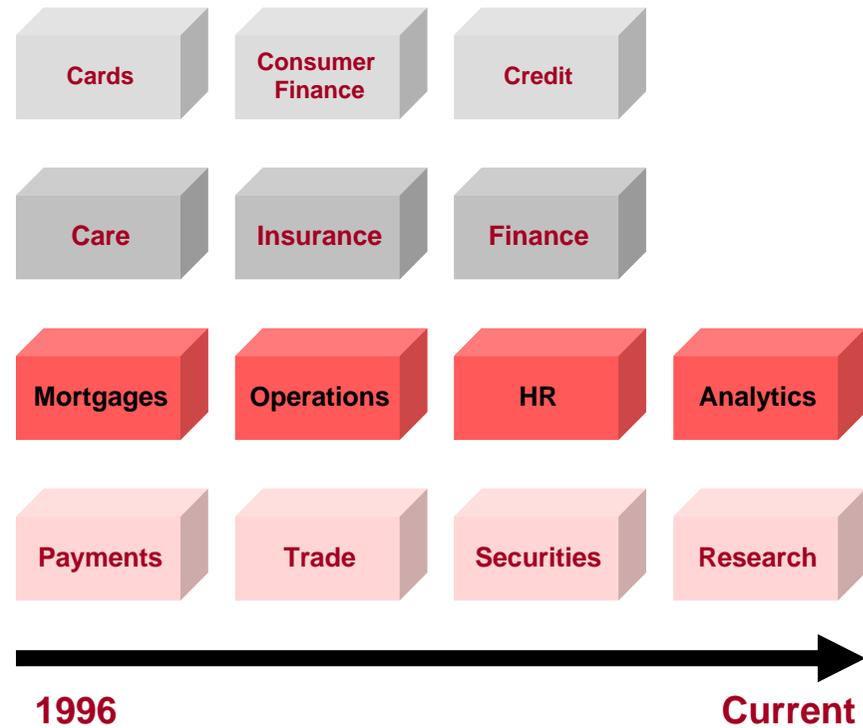
One of the largest 'business and knowledge entity' in financial services evolving from lift-and-shift to re-engineering

15 Group Service Centres in five Asian countries



29,000+ employees

Evolving from basic lift-and-shift work to relocating high-end functions





Our people, our culture – the best place to work

Strength of the Group culture enabling successful management of over 315,000 colleagues in 83 countries and 10,000 offices

- **Stronger emphasis on a performance management complemented by differentiated, market-driven total reward**
- **Focus on developing depth and breadth of leadership and people capability aligned to our business strategy and operating plans**
- **A sustainable culture that is meritocratic, performance-driven, progressive international – and underpinned by integrity**
- **An engaged workforce**



Our performance metrics

Financial

Examples:
Revenue Growth, Cost Efficiency, Risk Adjusted Return, Return on Equity

Customer

Examples:
Brand health scorecard, customer recommendation



We will report further at our 2007 results

Internal process

Examples:
Global Premier accounts, Group referrals, PFS cross sell ratio, Cards operating expense per customer

People

Examples:
employee engagement, attrition rates

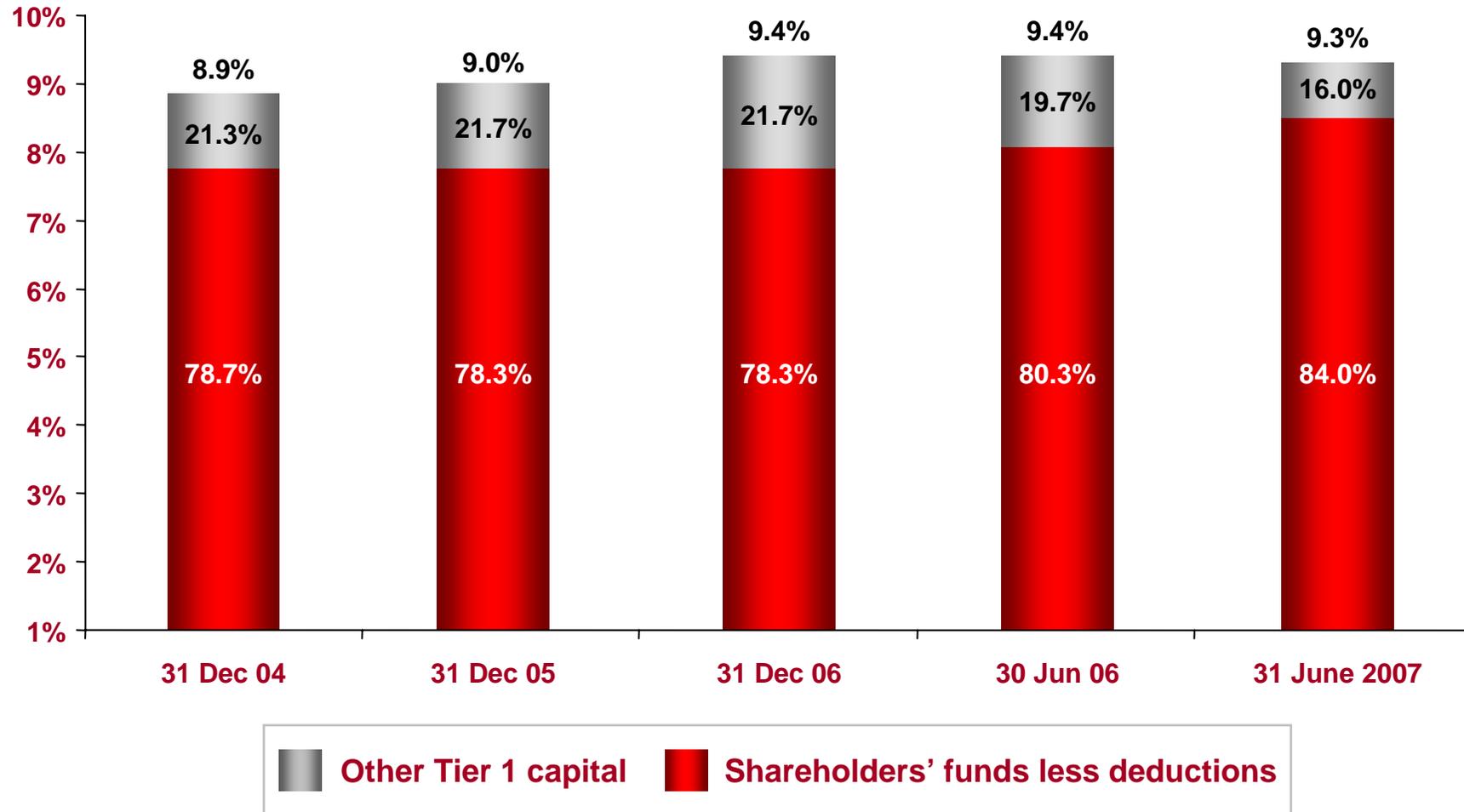


Summary

Stephen Green

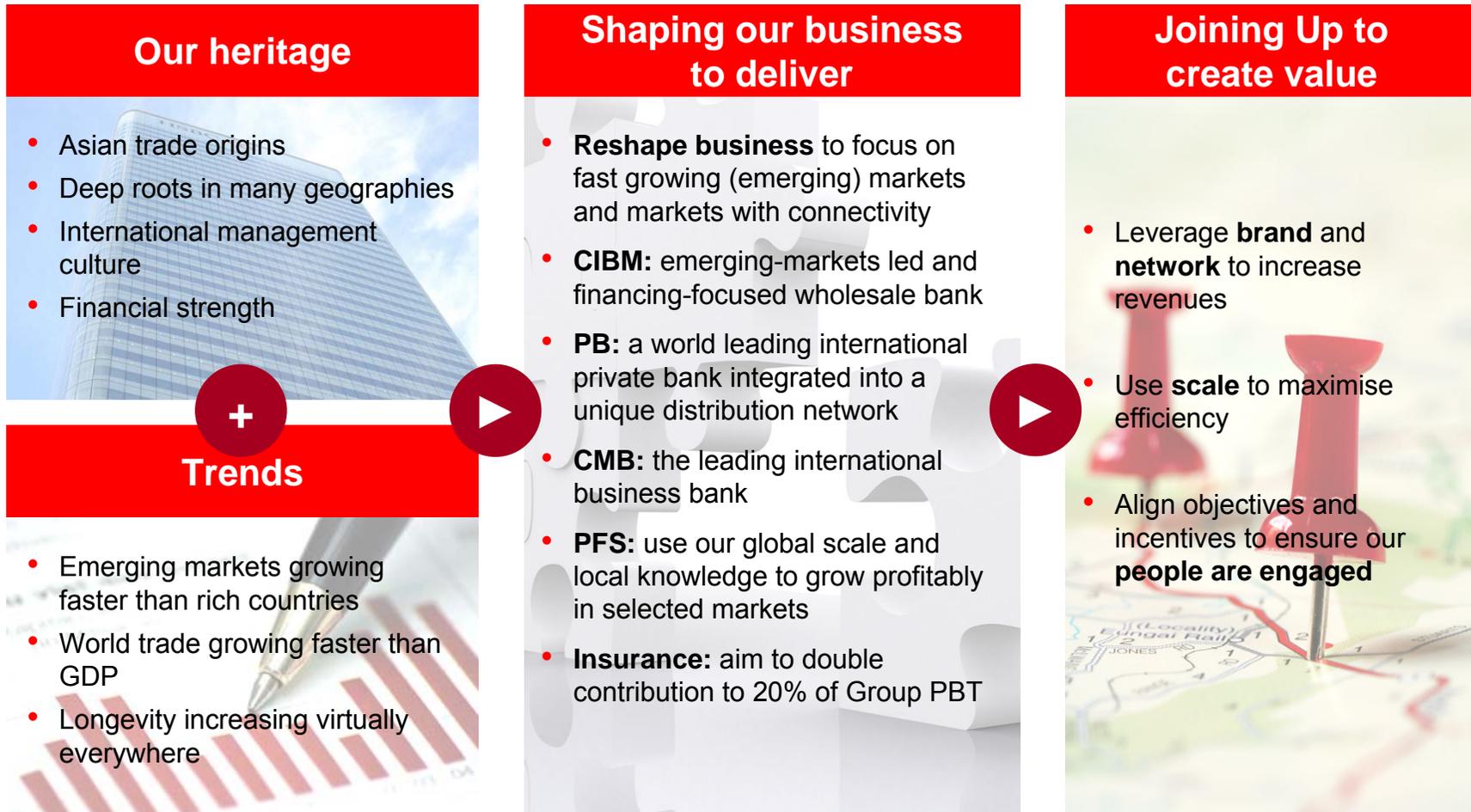


Consistently strong Tier 1 capital ratios





Our strategy is focused on delivering superior growth and earnings over time





We are the world's local bank

