

HSBC FRANCE

# Investor presentation

PETER BOYLES AND ERIC GROVEN

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HSBC   
The world's local bank

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## HSBC – a powerful brand in France



- Excellent progress in establishing the brand since rebranding in November 2005
- Global Brand awareness<sup>(1)</sup> of around 60 % among target clients compared to just 16 % in November 2005, which increases to more than 75 % in the Paris region
- Considered the most dynamic bank<sup>(1)</sup> by more than 65 % of our target clients and by more than 80 % of our actual clients

(1) Source: Synovate survey (December 2007) – sample size of 300 with an annual revenue equal or higher than EUR36 000

## HSBC France – financial overview <sup>(1)</sup>

EURm	2007	2006	Variance
Net operating income before loan impairment charges	2 924	2 642	10,7%
Loan impairment charges	-52	-10	ns <sup>(2)</sup>
Net operating income	2 872	2 632	9,1%
Operating expenses	-2 033	-1 834	10,9%
Profit before tax	905	817	10,8%

Cost Efficiency ratio	69,5%	69,4%
Tier one ratio	8,86%	9,87%

(1) In this presentation, figures comprise the results of the HSBC France group together with HSBC Bank plc Paris branch (excluding intergroup funding costs) less intergroup capital gains.

(2) Loan impairment charges (EURm):	2007	2006
Global Banking and Markets :	6	13
Commercial Banking :	-33	-25
Personal Financial Services :	-22	-4
Private Banking :	-3	6

## HSBC France – financial overview – business breakdown<sup>(1)</sup>

Net operating income before loan impairment charges (EURm)	2007	2006	Variance
Global Banking and Markets	1 131	941	20.2%
Personal Financial Services	957	890	7.5%
Commercial Banking	715	701	2.0%
Private Banking	107	105	1.9%
Other	14	5	Ns
<b>Total</b>	<b>2 924</b>	<b>2 642</b>	<b>10.7%</b>

Profit before tax (EURm)	2007	2006	Variance
Global Banking and Markets	530	452	17.3%
Personal Financial Services	130	158	-17.7%
Commercial Banking	148	185	-20.0%
Private Banking	18	17	5.9%
Other	79	5	Ns
<b>Total</b>	<b>905</b>	<b>817</b>	<b>10.8%</b>

(1) In this presentation, figures comprise the results of the HSBC France group together with HSBC Bank plc Paris branch (excluding intergroup funding costs) less intergroup capital gains.

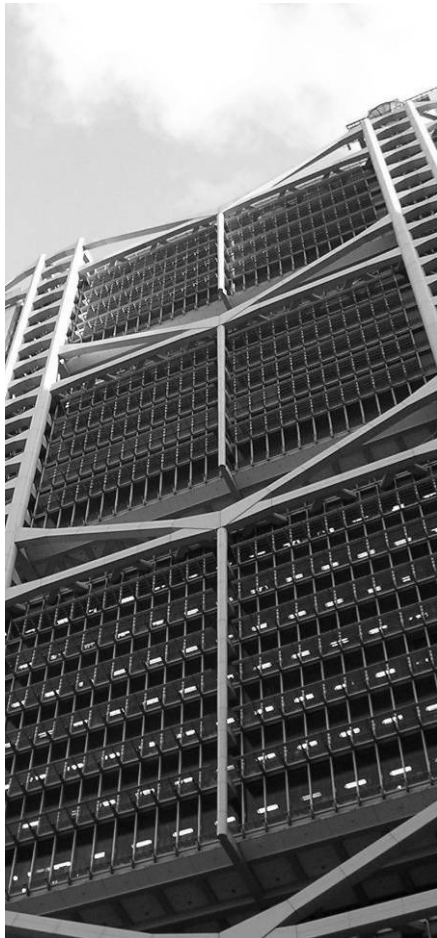
# Personal Financial Services



- Acquisition of Erisa, now renamed HSBC Assurances France, and aggressive push to develop Insurance sales through the branch network and internet (part of HBSC Group's Insurance strategy to grow insurance contribution to 20 % of Group profits)
  - Life Insurance premiums: +9 % ( French market\*: -3 %)
- Significant increase in new customers in 2007
  - New customers: more than 90 000 (versus 2006)
  - Of which, 70 % in strategic segments
    - Students: x2 (partnerships with more than 120 business schools)
- Increasing outstandings: (higher growth rate than principal competitors)
  - Deposits : +8 %
  - Loans : +16 %
  - Life Insurance : +11 %
- Competitive environment
  - Margin pressures
  - Competition to acquire new customers
- Relaunch of HSBC Premier in March 2008 after significant investments in training and systems

\*FFSA figures – January 2008

# Commercial Banking



- Client base: +6 % versus 2006
- Intensive marketing and advertising campaigns, mainly using the theme 'Principal Banker'
  - Development of tailored products and services for different segments
  - Online banking updated with the launch of a new website offering capabilities for international wire transfers and operations in mutual funds
- Competitive advantage of 'international network', with the support of the HSBC Group
  - Great success of 'UK Country Club' and 'China Country Club'
- Increasing outstandings
  - Deposits: +22 %
  - Loans: +19 %
- Competitive environment
  - Competition pressures
  - Improvement in credit margin towards the end of the year
- Launch of Corporate Banking Centres (CBCs)
- Appointment of experienced head and reinforcement of team with two Group appointees



# Global Banking and Markets



- Strong growth in revenues in volatile market conditions and with an increased cost of liquidity
- Strong performances mainly due to M&A, Fixed Income and Interest Rate Derivatives
- Development of the three global platforms implemented in Paris:
  - Equity Derivatives
  - Interest Rate Structured Derivatives
  - Liquid platform (European government bonds, agencies and euro vanilla derivatives)
- Contribute to the success of the HSBC Group:
  - HSBC Global Markets: Interest Rate Derivatives House of the Year (*The Banker* – October 2007)
  - HSBC Global Markets: Rate House of the Year (mtn-1 – Global MTN Awards 2007)
- Good results from Global Banking with excellent progress in developing the business with large French corporates in France and internationally, demonstration of continuing synergies
- Asset management:
  - AuM: +6 % at EUR89 billion
  - Sustained development with institutional clients offsetting the outflows from corporates
  - Strong innovation demonstrated by the specialised Asset Management subsidiaries: Sinopia (the centre of the HSBC Group's expertise in quantitative management) and Halbis
- Market turbulence in H2 2007: very limited impact on Global Banking and Markets results in France



# Private Banking



- New money from private clients: +11.4 % sustained by referrals from HSBC retail banking in France
- AuM: EUR11.7 billion slight fall compared to 2006 linked to outflows from corporates
- Continued strong development with the Group on international business (+170 %)
- Success of new product offerings
  - Structured products (outstandings x2 )
  - Alternative funds launched in partnership with the Group (+70 %)
- Continuing strong growth in:
  - Lending (+19.5 %)
  - Life insurance (+7 %)
- Good performance of funds (awards):
  - For the range:
    - Corbeilles Mieux Vivre Votre Argent – ranked second – category Specialist Banks, over one year
  - For individual product:
    - Patrimoine: ranked first – French Equities – Grands Prix de la Gestion d’Actifs 2007

# HSBC receives firm offer for regional banks in France

- Seven regional banks:

- Société Marseillaise de Crédit (SMC)
- Banque Chaix
- Banque Marze
- Banque de Savoie
- Banque Dupuy de Parseval
- Banque Pelletier
- Crédit Commercial du Sud-Ouest (CCSO)



- Key figures (aggregate):

- Total assets: EUR8 380 million
- Equity: EUR564 million
- Profit after tax: EUR100 million
- Staff: 2,950 employees
- 400 branches

- Potential buyer: Banque Fédérale des Banques Populaires

- Terms of the offer: EUR2 100 million, ie PE 07 = 21x and BV 07 = 3.7x

- Future: in France, we have significant opportunities in Global Banking and Markets, Private Banking, Asset Management, Insurance, Personal Financial Services, especially Premier, and Commercial Banking, through our HSBC-branded retail network. The more international nature of these businesses fits our stated strategy to focus our developed market operations on international connectivity

## Systems and processes

- HSBC France has commenced numerous actions to improve its cost income ratio, and notably:
  - HUB: successful implementation on the Group Retail Banking system HUB for the HSBC platform (excluding HSBC Hervet which is planned in 2008)
  - Merger: legal and operational merger of the five HSBC-branded banks in 2008
  - Re-engineer the operational process, increase straight-through processing of centralised administrative operations and increase the use of global resource centres and offshoring as necessary
  - We will progressively adopt the One HSBC business model in France

## HSBC France – future

- A major opportunity for HSBC France, as well as the Group, in a large and low-risk market with significant international in and outflows
- Personal Financial Services
  - A mass-affluent-focused ‘bancassurance’ model
  - To reallocate and focus resources on Premier to grow three times as fast as the mass-affluent market supported by the Premier relaunch and enhancement of coverage, the value proposition range and marketing initiatives
- Commercial Banking
  - To be the leading International Business Bank
  - To be the leading bank for Corporates and MMEs (CBCs, Global Transactional Banking,...)
  - To be the core banker to 50 % of our SME customers
  - To increase our stock of micro-business customers by 50 %
- Global Banking and Markets
  - Continue to be a key part of the hub-and-spoke model
  - Integration of Global Banking to maximise local and global revenues
- Development of cross-selling and synergies through:
  - Retail connectivity within France: revenue generation between all product lines of business and the network
  - Other French domestic synergies between all product lines of business (eg Insurance with Asset Management and Global Banking and Markets)
  - International connectivity with the Group: France/Group, referrals/distribution/manufacturing