



Morgan Stanley Financials Conference

HSBC in 2008 and Beyond

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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.

Performance in 2007

Profit before tax

US\$24.2bn

+10%

Attributable profit

US\$19.1bn

+21%

Earnings per share

US\$1.65

+18%

Dividends per share

US\$0.90

+11%

Return on total shareholder's equity

15.9%

Up from 15.7%

Tier 1 capital (Basel 1)

9.3%

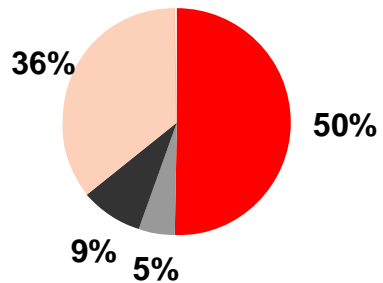
Against 9.4% in 2006

Record profit before tax even after loan impairments of US\$17bn

Diversity by geography and customer group

Profit before tax, US\$234.2bn

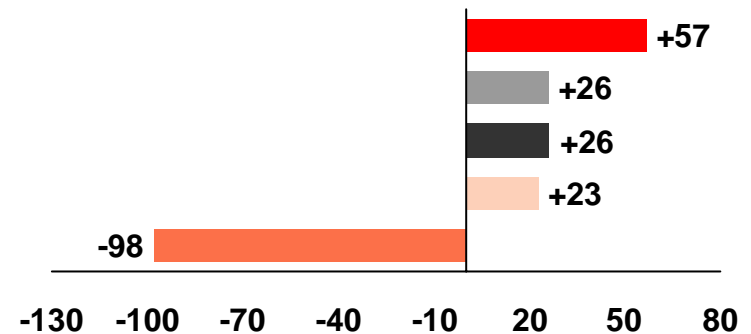
Geography



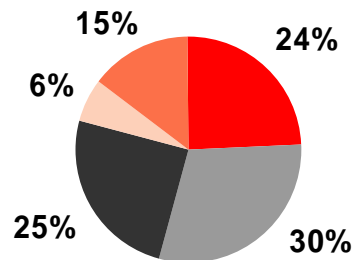
% share

- Asia Pacific (50%)
- Middle East (5%)
- Latin America (9%)
- Europe (36%)
- North America (0%)

% change 2007 vs 2006



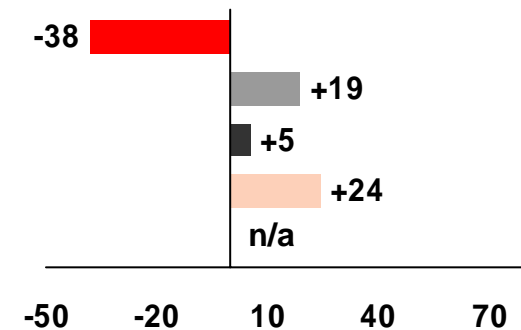
Customer group



% share

- Personal Financial Services
- Commercial Banking
- Global Banking and Markets
- Private Banking
- Other

% change 2007 vs 2006



Ramifications of Financial targets

Return on total shareholders' equity (through the cycle)

15-19%

Cost efficiency ratio

48-52%

Tier 1 capital (Basel 2)

7.5-9.0%

Total shareholder return

Above peer group average

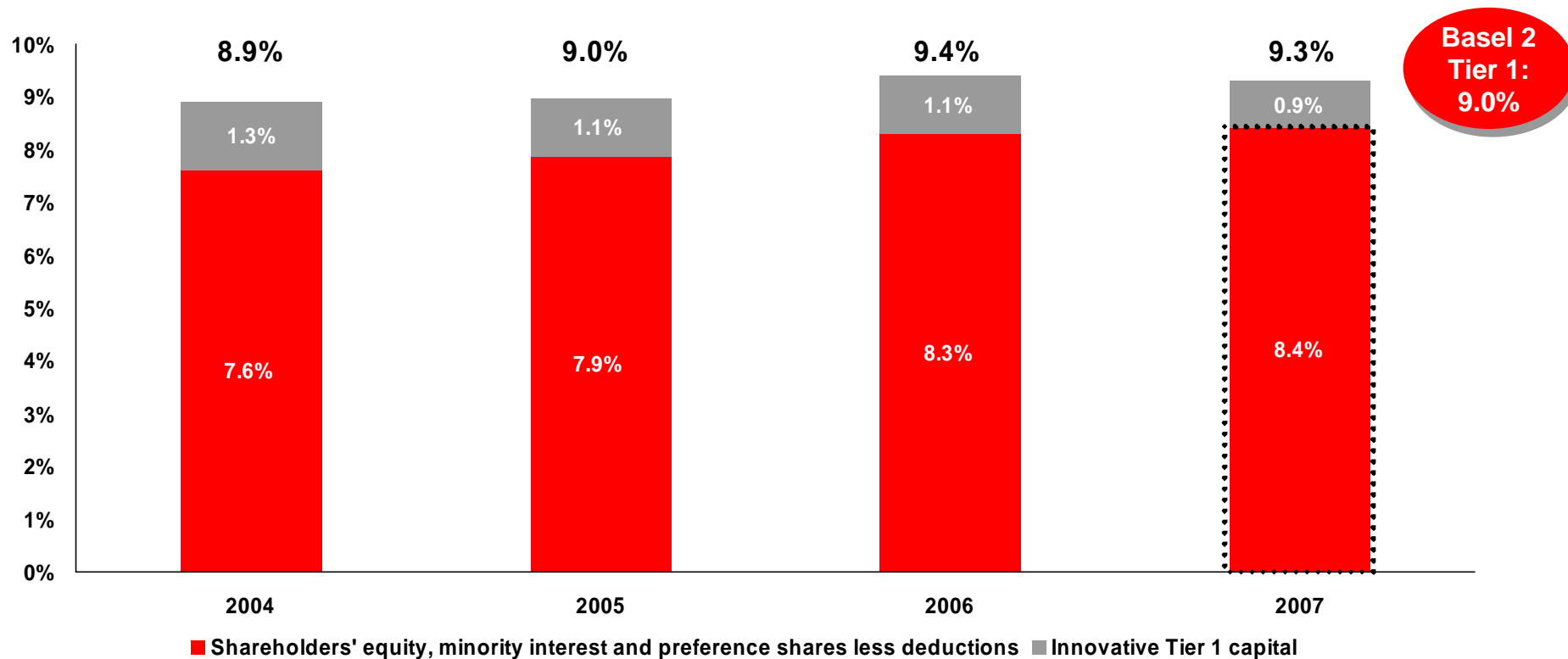
1. Financial Markets

HSBC

- Continuing illiquidity and deleveraging in financial markets

- Signature capital strength and liquidity

① Signature capital strength: Tier 1 capital ratios (%)



1. Financial Markets

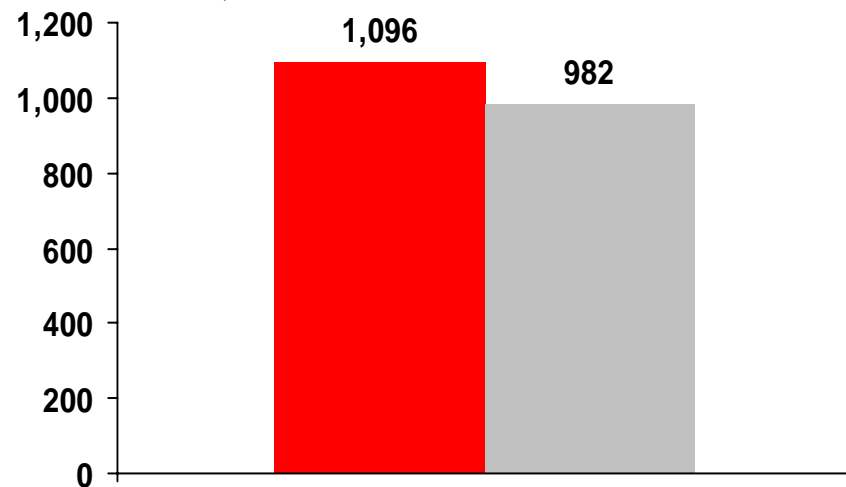
HSBC

- Continuing illiquidity and deleveraging in financial markets

- Signature capital strength and liquidity

② HSBC's strong deposit base

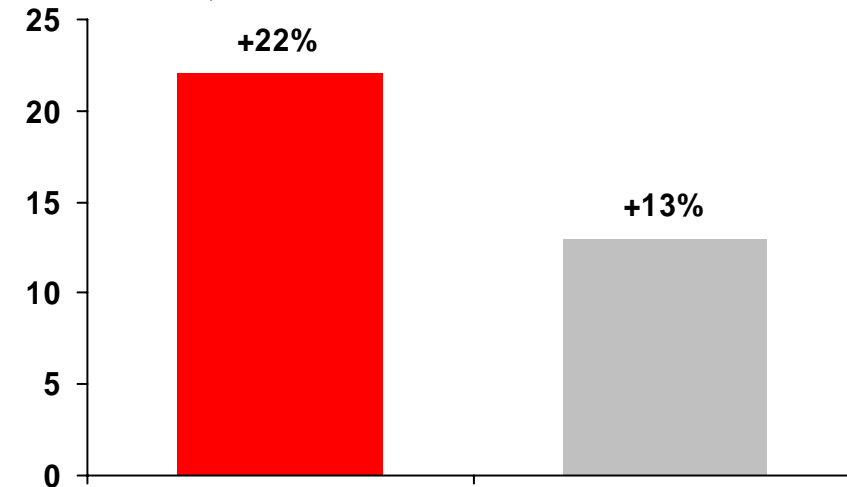
US\$ billion, 31 December 2007



■ Customer Deposits

■ Customer Loans and Advances

% Growth, 2007 v. 2006



Money market/CP funding costs below Libor for main Group entities during credit crisis

1. Financial Markets

HSBC

- Continuing illiquidity and deleveraging in financial markets
- Strong market risk management

③ Global Banking and Markets benefiting from volatility

- Absorbed Write-downs in Global Banking and Markets in 2007 with record profits
- No material holdings of CDOs backed by US subprime assets
- Reorganised SIVs (of total investments at end Dec: 81%, AAA; 9%, AA; 10%, A)
- Balance sheet strength providing trading opportunities

2. US and UK

HSBC

- Worsening US economy; is UK to follow?

- US business: restructure, focus on profitability and credit quality

① HSBC Finance Corporation

• Portfolio

- Reducing net assets
- Managing collections directly and proactively
- Tightening origination criteria across the board
- Face-to-face relationship management in consumer lending
- Maximise potential government incentives

• Liquidity

- Minimal additional funding requirements in 2008. Total debt of US\$147bn, of which US\$123bn is long term debt

2. US and UK

HSBC

- Worsening US economy; is UK to follow?

- UK: Portfolio positioning and focus on segmentation

② UK to follow US?

• Portfolio positioning

- PFS: reduced market share in unsecured and real estate lending over the last 18 months
- CMB: continued focus on higher quality credit and reduced exposure to real estate

• Segmentation

- Leveraging brand value for customer acquisition and pricing
- Upgrading customer base: Premier and Plus
- Multi-channelled

3. Fast Growing Markets

HSBC

- Asia, Middle East and Latam continuing to perform well in 2008

- Largest international emerging markets bank

① Personal Financial Services

- Growing mass affluent and expanding middle-class consumers
- Strong footprint and brand
- No slowdown appearing

② Commercial Banking

- Capturing cross-border transactions
- Supporting growing Mid-Market, Small and Micro sectors

③ Global Banking and Markets

- Strong investment flows; corporate international ambitions
- Custody, brokerage and foreign exchange all strong
- Providing multi-geography, multi-product financing solutions

4. Demographics

HSBC

- Longevity increasing virtually everywhere

- Insurance and wealth management

1 Insurance

- Preferred Strategic Partners country roll-outs including Turkey, Indonesia and France
- Issuing policies through the JV with Hana Life in South Korea
- Direct business roll-out in key countries including Mexico, Brazil and Saudi Arabia

2 Wealth Management

- Gaining share
- Branch recognition and capital strength is signature

3 Private Banking

- Building intra-group partnerships
- Expanding our emerging market and on-shore presence

4 Premier

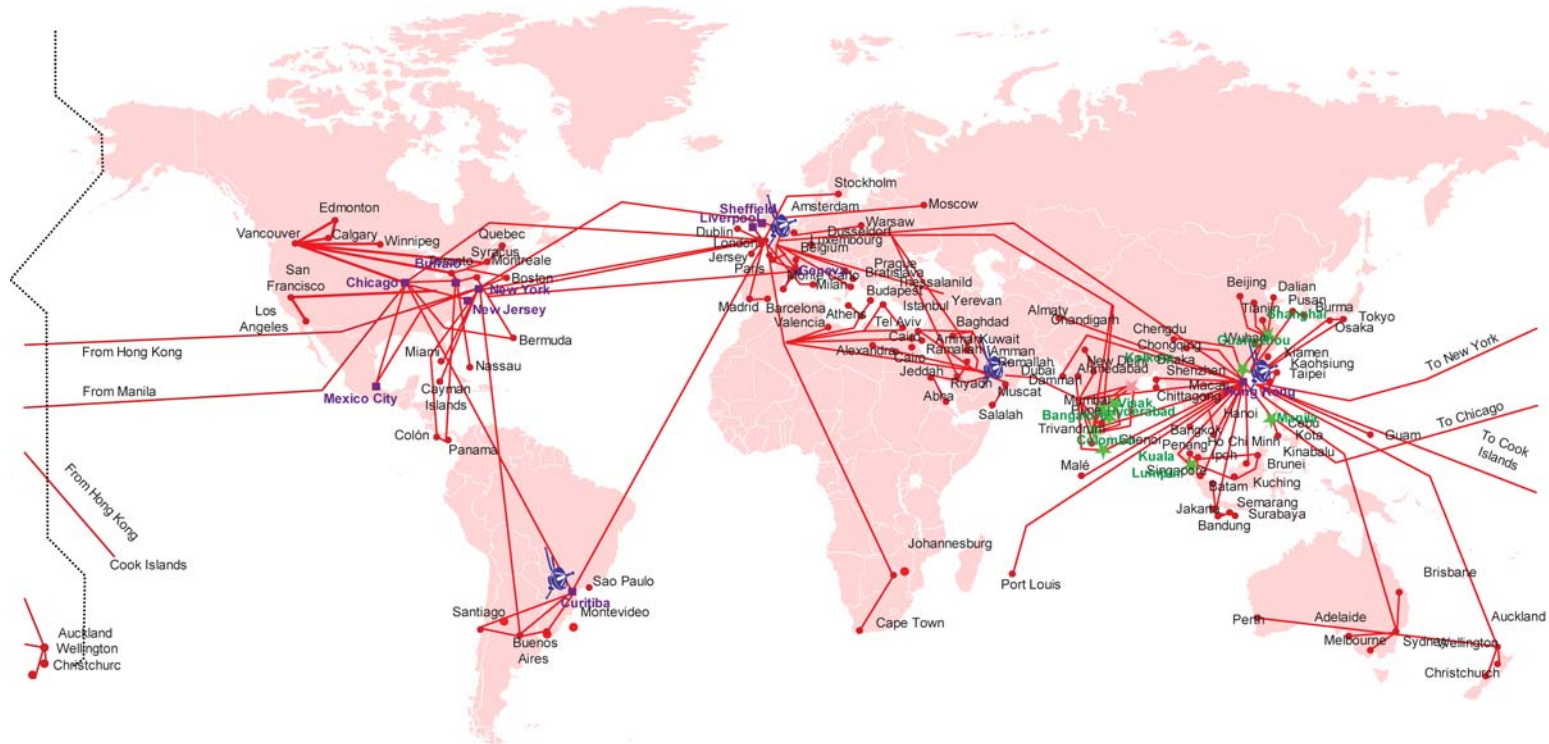
- Progress in customer acquisition
- Continuing improvement in customer service

5. Operating efficiency

HSBC

- Benefits from scale

- World's largest privately operated integrated corporate network



Reducing unit cost of production 10% per annum

HSBC: the world's local bank

Largest international emerging markets bank

Widespread international network

Uniquely international customer base

Signature financial strength

Diversity works