

HSBC Holdings plc

Resilience in the face of uncertainty

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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



- **Market turmoil and outlook**

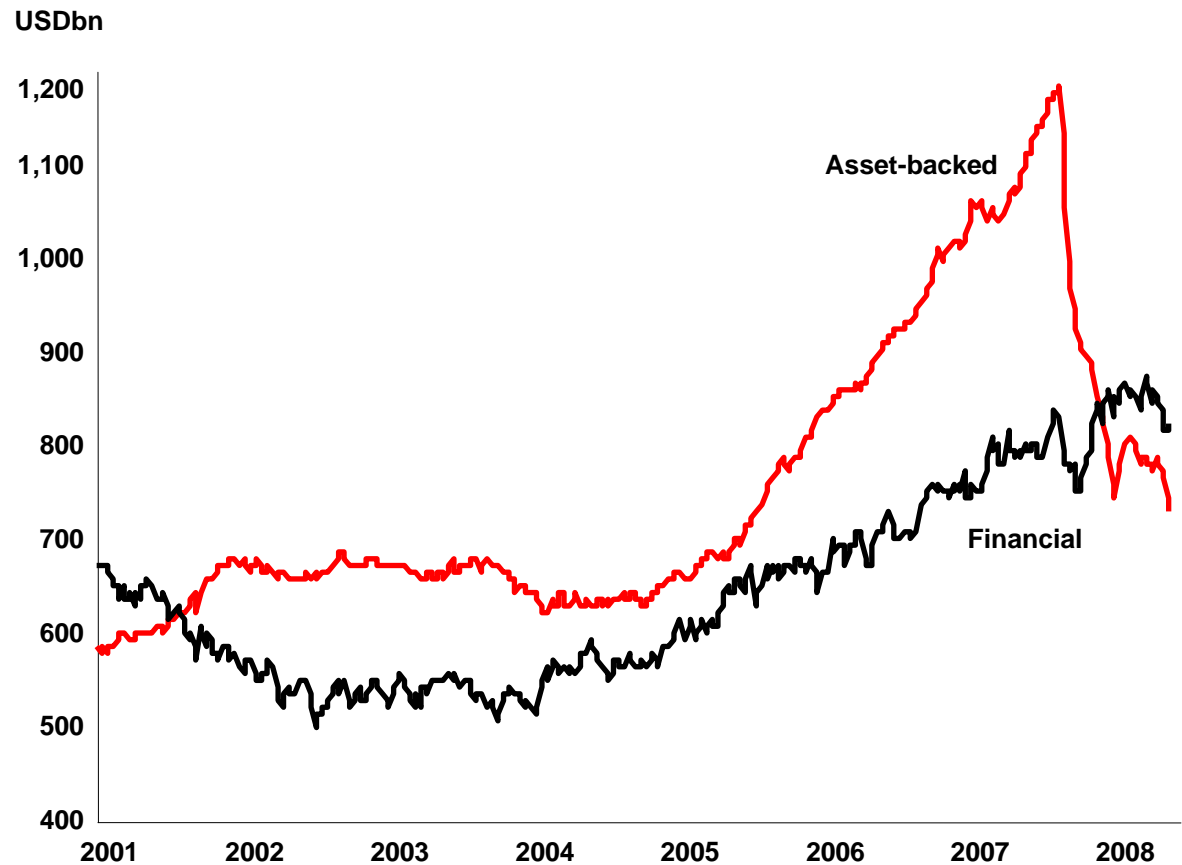
- **Resilience of HSBC's strategy**

- **Challenges and opportunities ahead**

Financial market dislocation

- Industry's recent propensity for high leverage
- Growth models that depended on such leverage are now unsustainable

US commercial paper: shrinking ABCP market




Source: The Federal Reserve

Outlook for rest of 2008

- **US will be weak and may move into recession**
- **Europe will be relatively weak**
- **Asia and other emerging markets will probably exhibit reasonable growth**
- **Future risk from demand led inflationary pressure**
- **Illiquidity in the markets is a continuing concern**
- **Deleveraging of the financial system**
- **Tighter regulation**

- **Market turmoil and outlook**



- **Resilience of HSBC's strategy**

- **Challenges and opportunities ahead**

Resilience of HSBC's strategy

The world's leading international emerging markets bank

Generating sustainable and profitable growth through strategies that focus on:

- **Being positioned in fast-growing markets**
- **Having good customer relationships based on fairness**
- **Running efficient operations**
- **A strong capital base and balance sheet**

Strategy aligned with trends that will shape the global economy

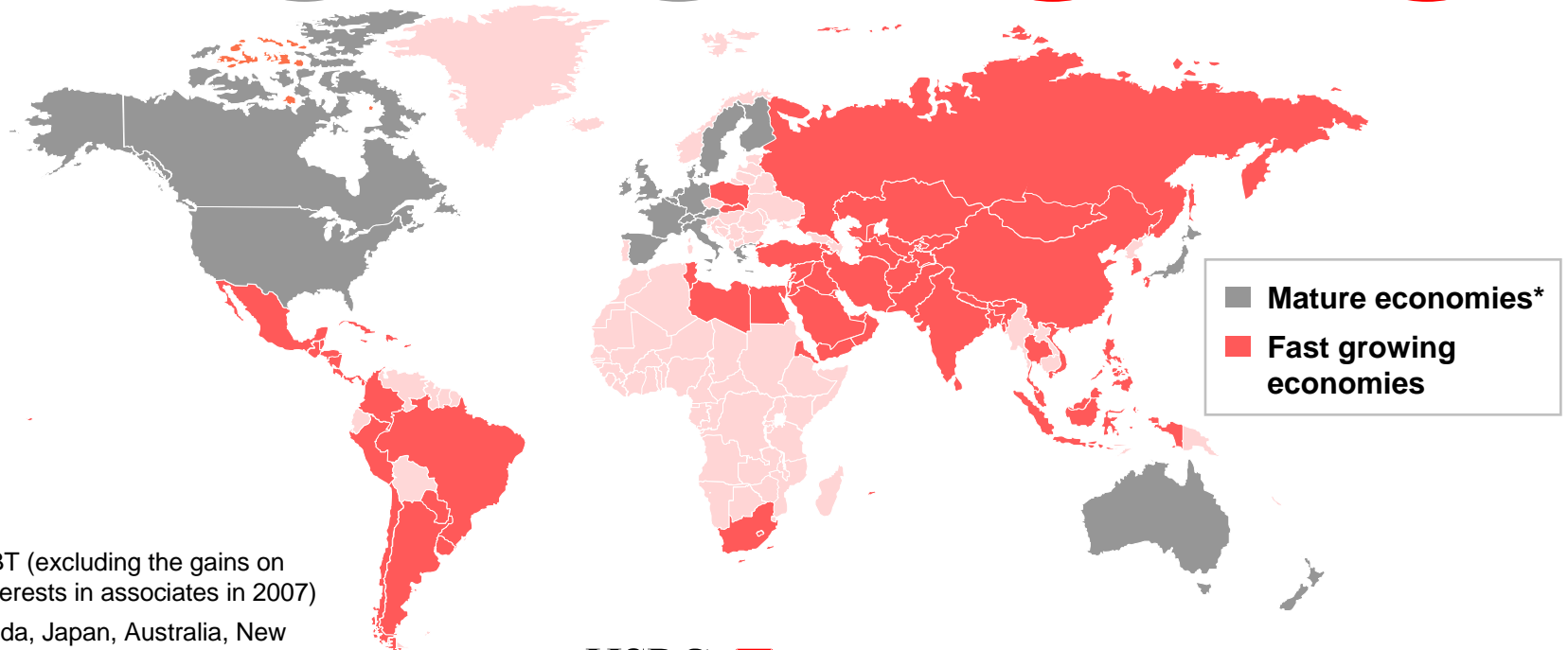
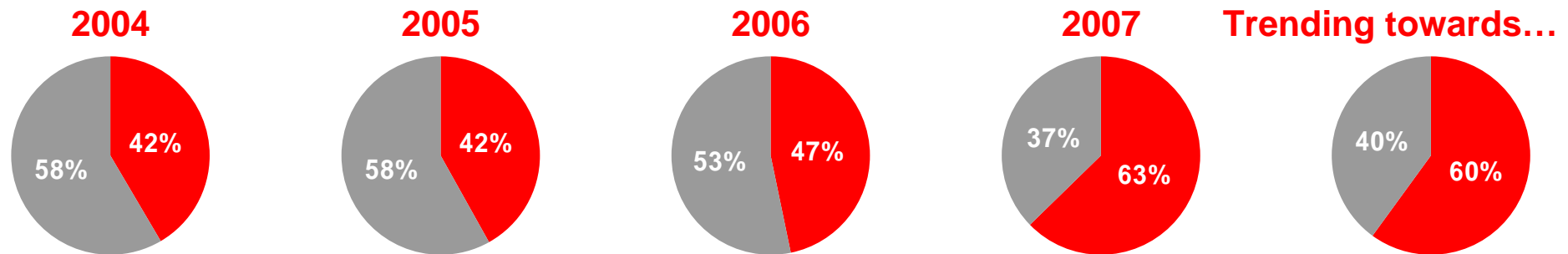
Align ourselves with three long-term trends

- Emerging markets growing faster than mature ones
- World trade and investment grow faster than the world economy
- Longevity is increasing

We will

- Invest primarily in fast-growing markets
- Use our unique global network for the benefit of our internationally connected customers in developed markets
- Maintain financial strength

We are reshaping to focus primarily on fast growing economies



Based on PBT (excluding the gains on dilution of interests in associates in 2007)

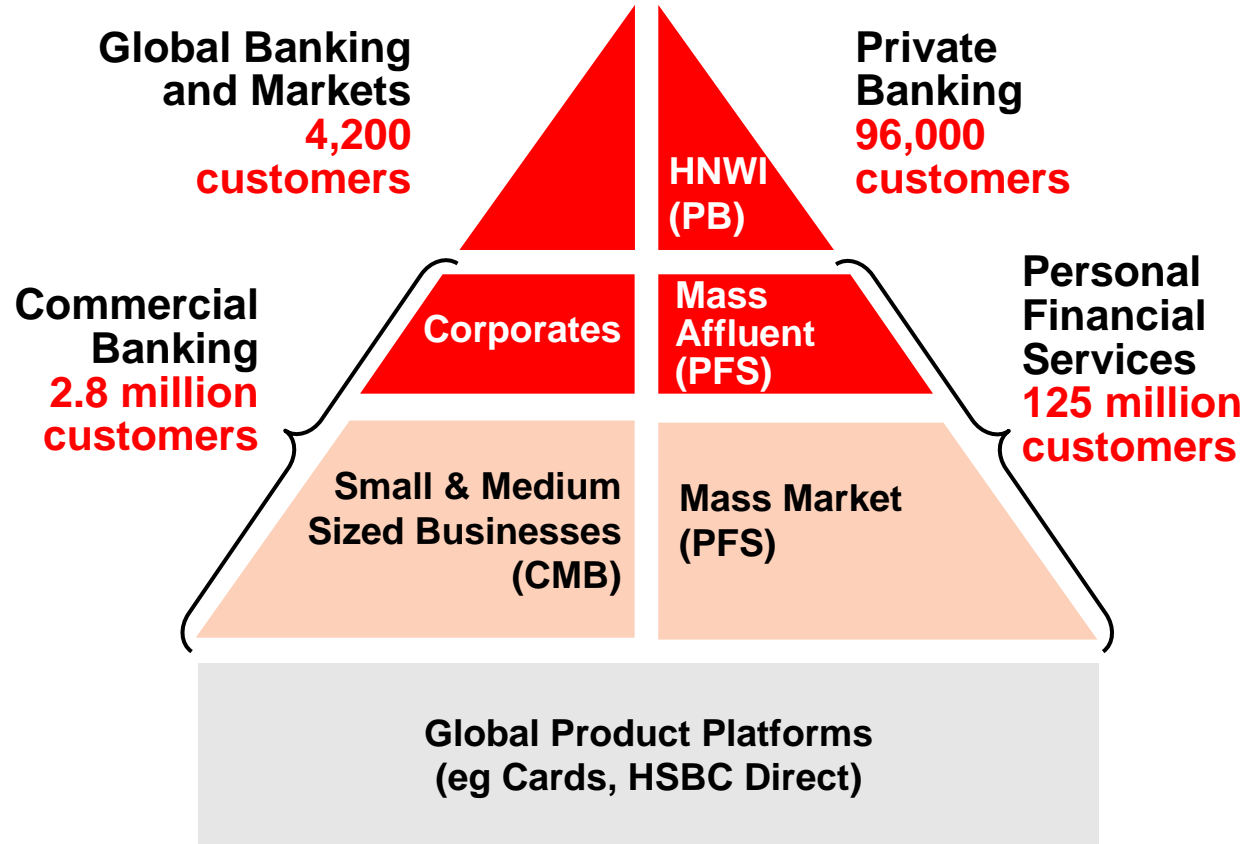
* USA, Canada, Japan, Australia, New Zealand, EU15, Switzerland, Malta

Business models that 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



We are defining business models that determine how we will participate in markets

Business models

Full



Full service bank across all Customer Groups

Today

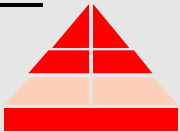
(# of countries/territories)

- 14 PFS
- 20 CMB

Aspiration

- Measured increase mainly in CMB
- Sharpened deployment of business model

Selective

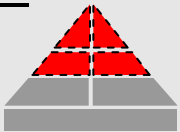


Targeted propositions in specific customer segments

- 31 PFS
- 30 CMB

- Realign countries between selective and network models
- Measured increase in country coverage
- Sharpened deployment of business models

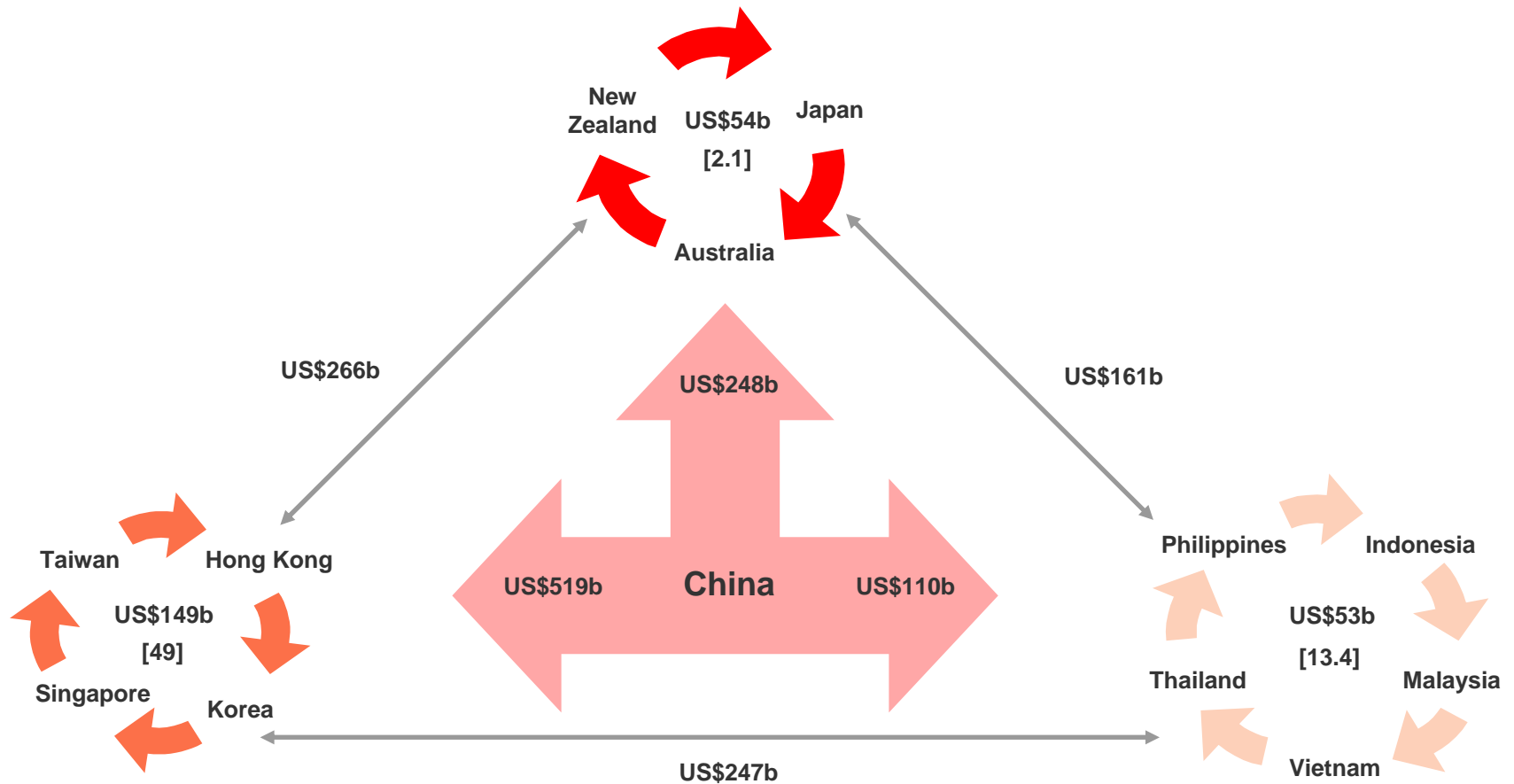
Network



Small presence complementing the global network

- 8 PFS
- 14 CMB

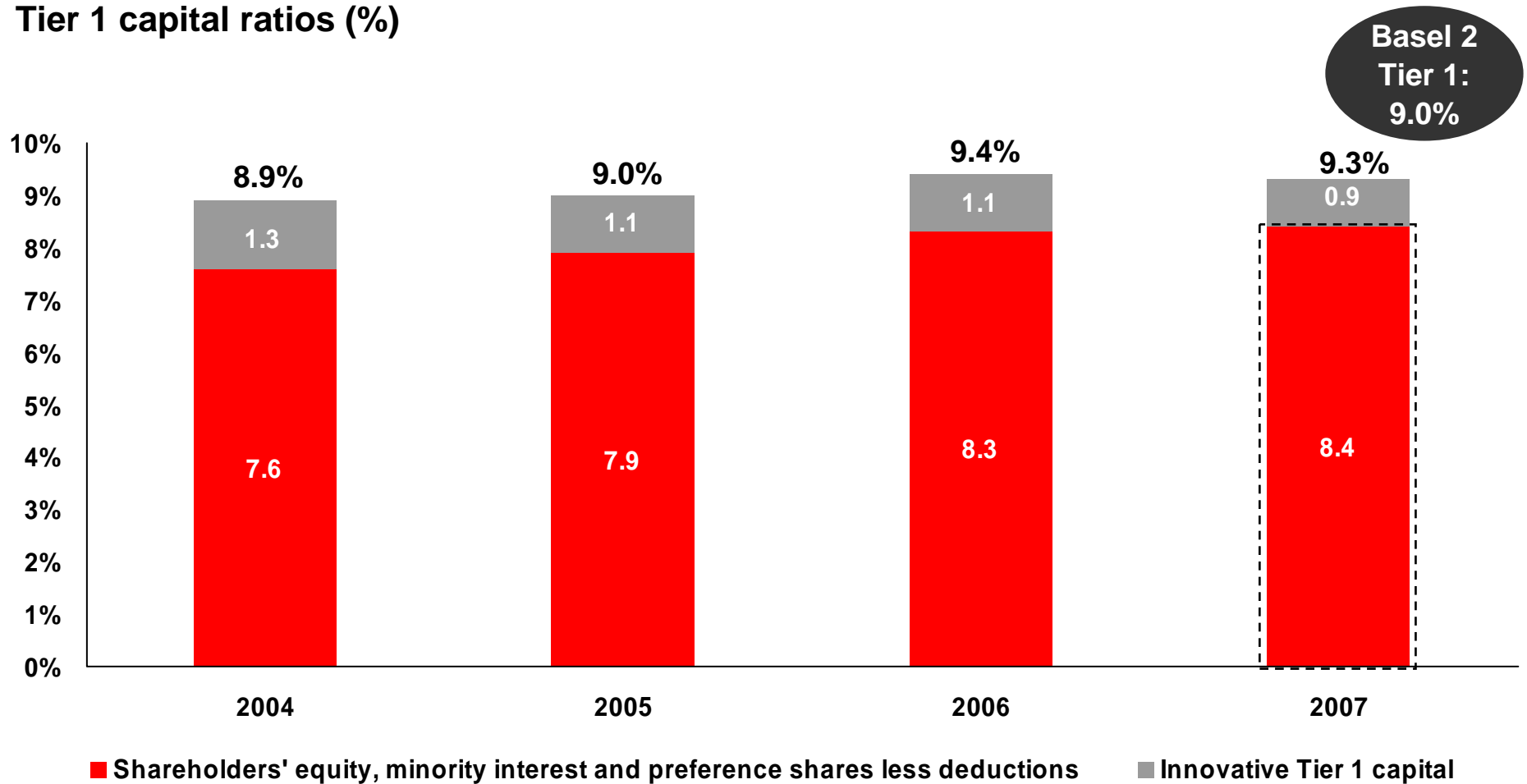
Intra regional trade growing faster than world trade



Numbers in brackets give the number of times trade flows have increased from 1990-2006
Source: IMF

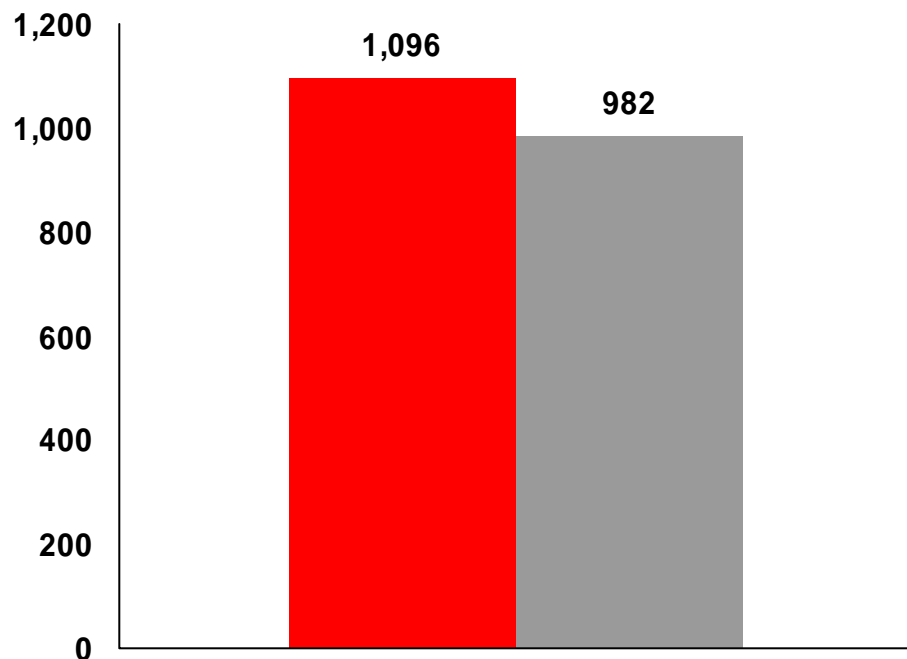
Signature capital strength

Tier 1 capital ratios (%)



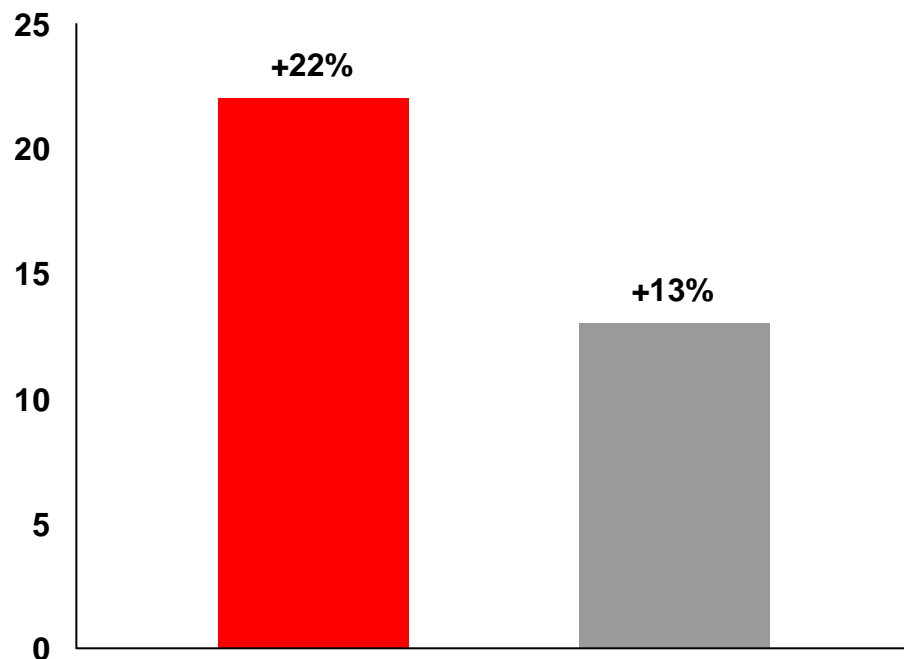
HSBC's strong deposit base

US\$ billion, 31 December 2007



■ Customer Deposits ■ Customer Loans and Advances

% Growth, 2007 vs 2006



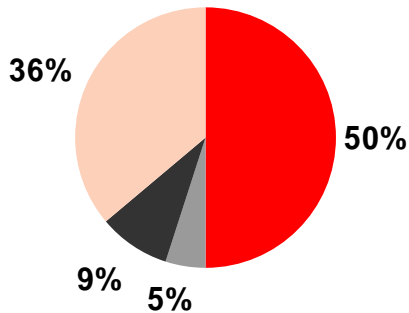
Money market/CP funding costs below Libor for main Group entities

Benefits of diversification by geography and customer group

2007 Profit before tax: US\$24.2bn, up 10%

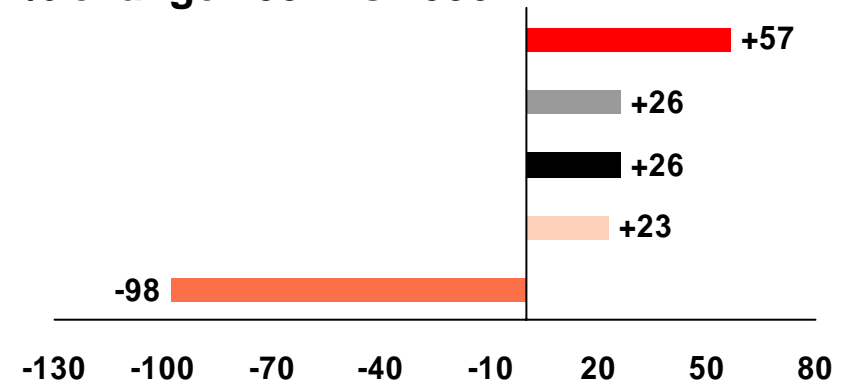
Geography

% share



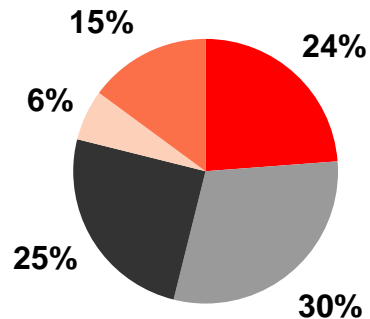
- Asia-Pacific (50%)
- Middle East (5%)
- Latin America (9%)
- Europe (36%)
- North America (0%)

% change 2007 vs 2006



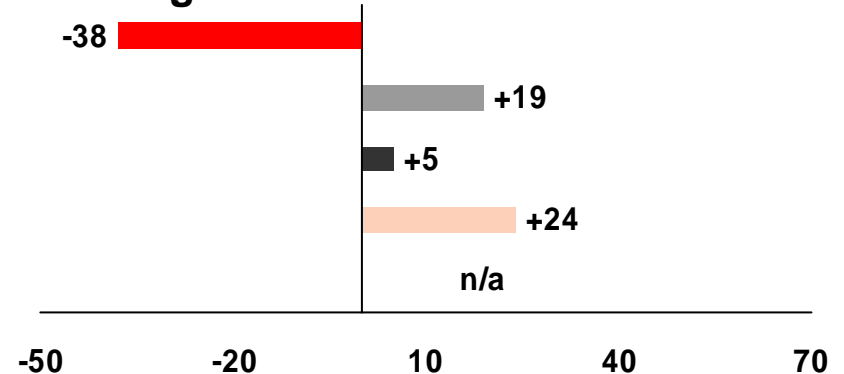
Customer group

% share



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

% change 2007 vs 2006



1Q 08 key highlights

- **Q1 2008 profit ahead of Q1 2007**
- **Pre-tax profits up in all emerging markets in Asia-Pacific, the Middle East and Latin America**
- **European businesses performed well with the UK retail business increasing pre-tax profit**
- **US profit down as a result of higher consumer finance loan impairments and additional write-downs in Global Banking and Markets**
- **Resilient profitability in Global Banking and Markets**
- **Group underlying revenue comfortably ahead of 1Q 2007**

- **Market turmoil and outlook**

- **Resilience of HSBC: strategy**



- **Challenges and opportunities ahead**

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**

Restructuring in the US consumer finance business

Actions taken include:

- **Discontinued wholesale and correspondent originated mortgages**
- **Reduced mortgage services portfolio from US\$50bn to US\$34bn**
- **Reduced branch based business**

Achievements

- **US credit card business remains profitable**
- **HFC contribution breakeven since beginning of 2006**
- **Provisions have been increased**

Continue to build out organically and selectively through acquisition in emerging markets

Strong growth in Rest of Asia 2005-2007

- Customer loans up by US\$32bn to US\$102bn
- Incremental operating expense up by US\$2bn
- Operating profit up by US\$1.5bn

Acquisitions

- KEB outstanding
- Strategic partnerships in Vietnam (Techcombank and Bao Viet)
- Integration of the Chinese Bank and rebranded Chailese Credit Card Services in Taiwan
- 50% joint venture with National Trust Ltd in China
- IL&FS Investsmart in India, retail brokerage (agreed to acquire 73%)

Mainland China – Expanding the network

- 67 service outlets
- Regional focus: Bohai Rim, Yangtze River Delta, Pearl River Delta and Western region

- Cities with branches and sub-branches
- Cities with branches only
- Branch approved, to be opened this year
- Regions of focus



Progress in joining up the company

- **HSBC Premier – on the way to achieving 6m target by 2011**
- **Global links system servicing global inter-connectivity for Commercial Banking customers**
- **Focused alignment in Global Banking Markets resulted in many awards including, Best Risk Management House – both globally and in Asia**
- **Staff engagement**
- **Monitor customer service**
- ***One HSBC* – continue to streamline our underlying processes through development of common systems for common products and services on a global basis**

Strengthen the brand

HSBC: the world's local bank

Leading international emerging markets bank

Widespread international network

Uniquely international customer base

Signature financial strength

Diversity works