

LONDON, 28 OCTOBER 2008



# Becoming *One HSBC*

## 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 Interim Report.

# Becoming *One HSBC*



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**Ken Harvey**

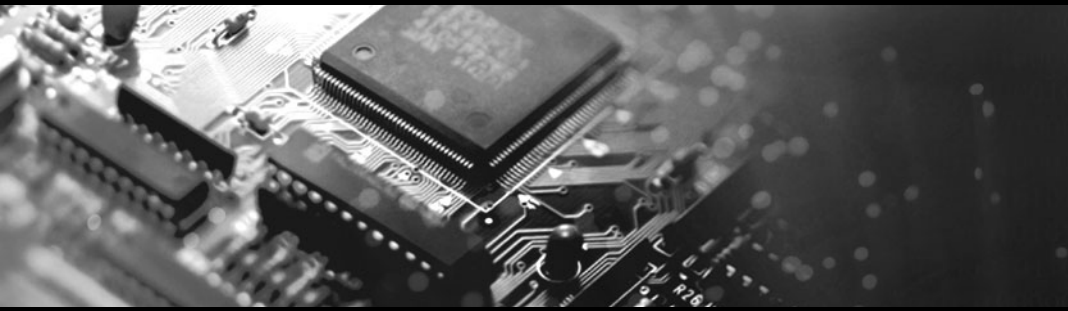
***One HSBC*: The power of change**

**Kevin Newman**

**The implementation of change**

**Ken Harvey**

# Building a foundation for change



**Ken Harvey**

Group Managing Director and Group  
Chief Technology and Services Officer

# Building a foundation for change

## Addressing the objectives of the Group

### HSBC Group

- The world's leading international bank in emerging markets
- Our strategy is aligned with global trends: growth in emerging markets, international trade and longevity
- We are reshaping our business models to focus on the 'right to win'
- Strength in capital management and liquidity

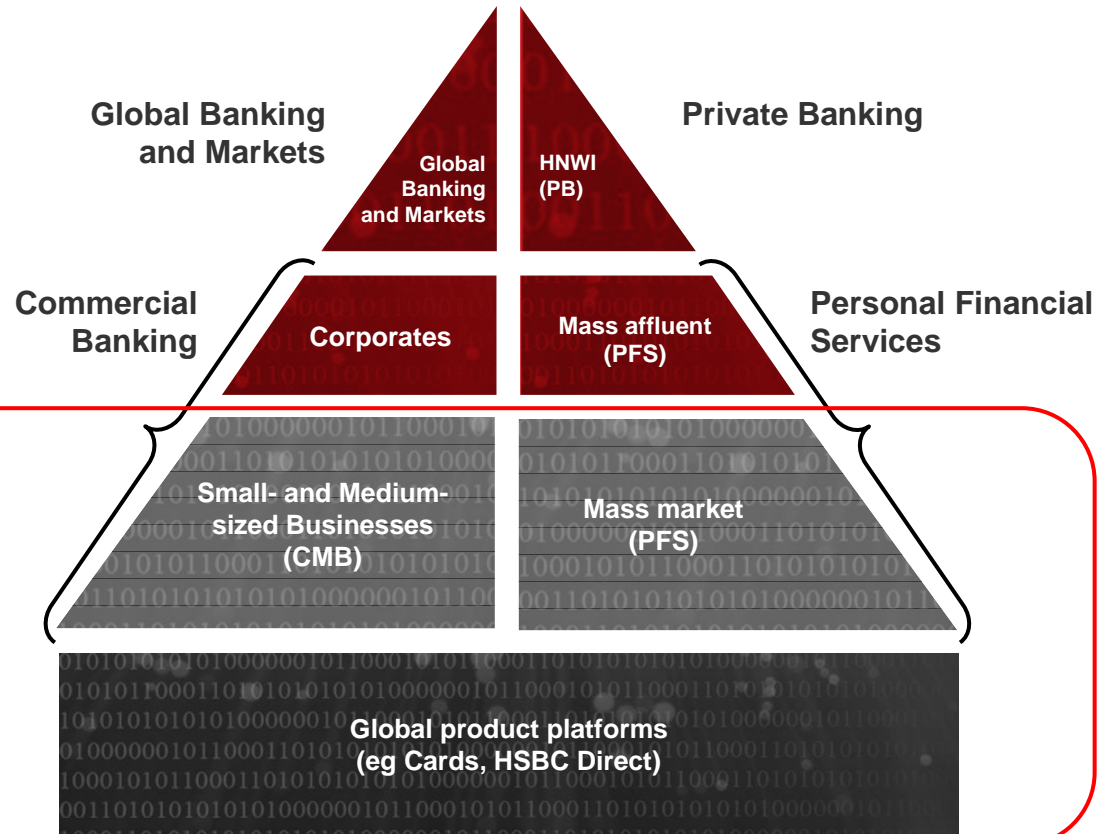
### HSBC Technology and Services (HTS)

- Deliver systems locally with the economies of global scale
- Reduce barriers to entry
- Leverage our global distribution capability
- Improve the customer experience
- Focus on improving the cost efficiency ratio

# Building a foundation for change

**Strategy: delivering superior growth and earnings over time**  
**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



# Building a foundation for change

## How we measure the Group

Financial measures	Target range	1H08
Return on total shareholders' equity	15-19% through the cycle	12.1%
Cost efficiency ratio	48-52%	51.0%
Tier 1 capital (Basel II)	7.5-9.0%	8.8%
Total shareholder return	Above peer group average	Top 5

### Focus for HTS:

- Leverage world-class technology across group
- Provide unparalleled global connectivity
- Focus on improving cost efficiency

# Building a foundation for change



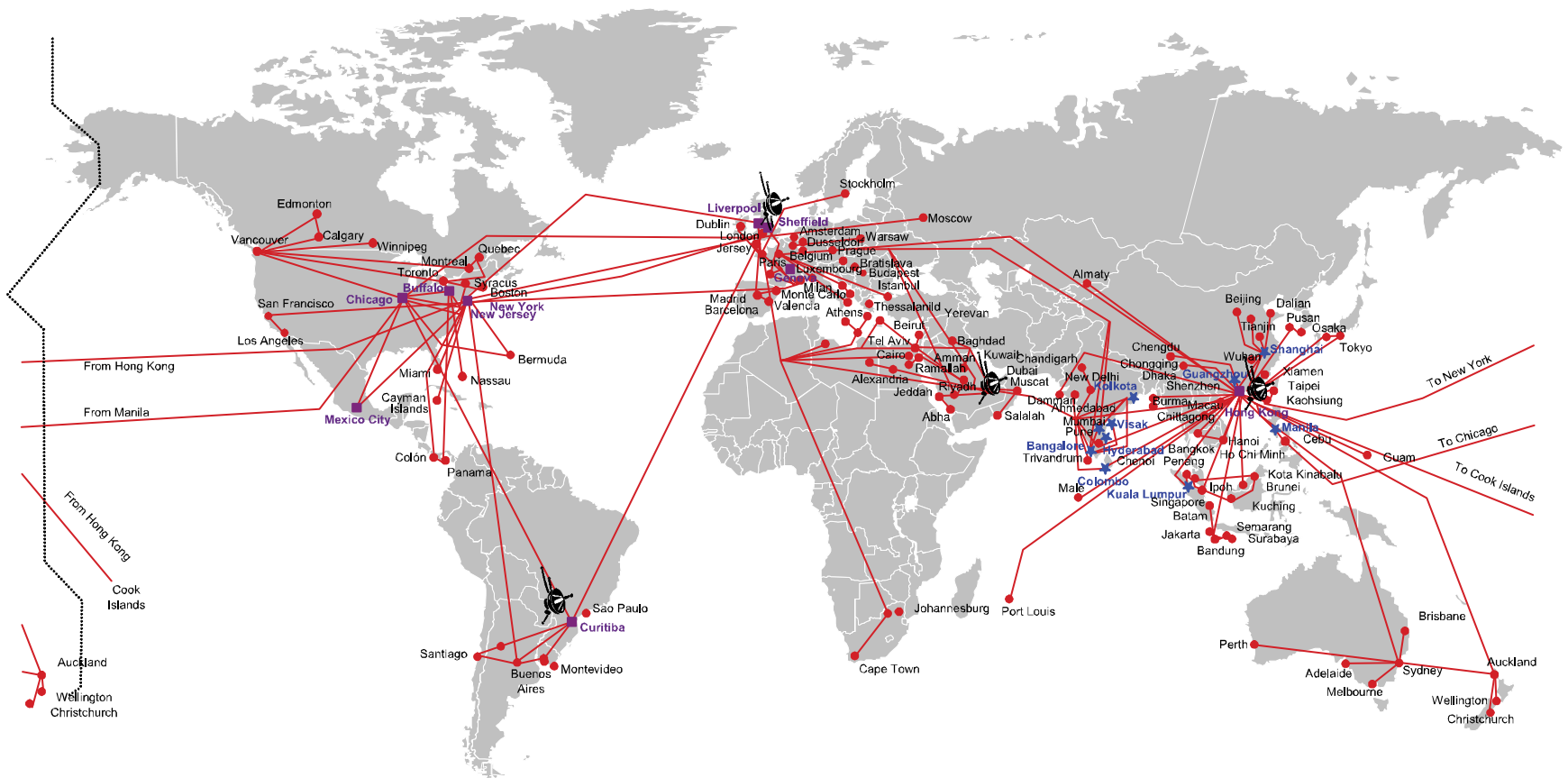
## Defining a new leadership position Chief Technology and Services Officer (CTSO)

- New position formed on 1 October 2008, integrating the roles of the Chief Operating Officer (COO) and Chief Information Officer (CIO)
- Recognition of a technology-driven focus
- Managing the middle and back offices of the Group (over one-third of FTE)
- Supporting all geographic regions and global businesses
- Ensuring greater discipline in monetising our strategic investments



# Building a foundation for change

## One of the world's largest, privately operated corporate networks



- 513 HSBC corporate entities
- 76 countries (112 cities)
- ~200 international linkages
- 260,000 traffic origins

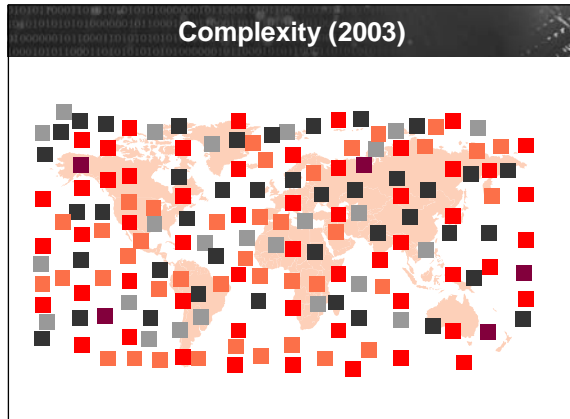
# Building a foundation for change

## New regional data centres in full production

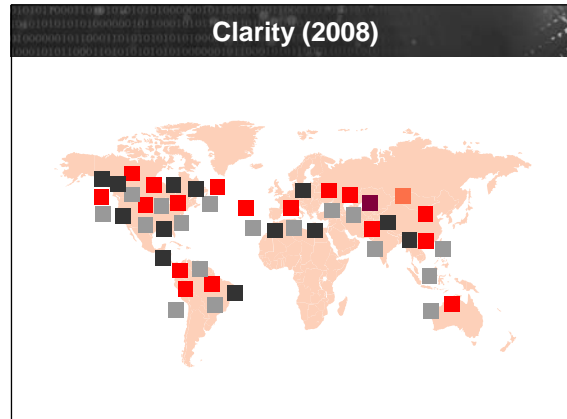


# Building a foundation for change

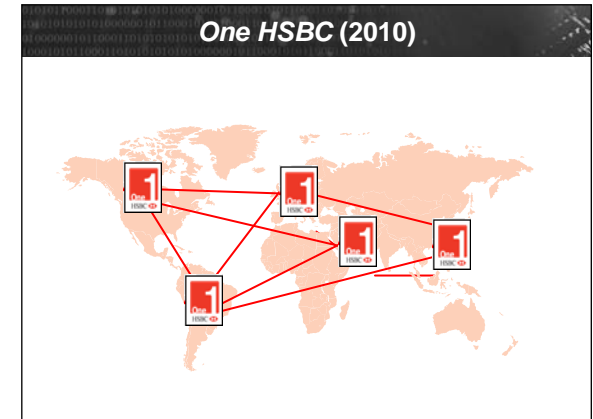
## The physical manifestation of Joining Up



- 55 core banking systems
- 24 credit card systems
- 41 internet banking systems
- 40 desktop standards
- 5 unique trading rooms



- 17 core banking systems
- 17 credit card systems
- 13 internet banking systems
- 1 desktop standard
- 1 global trading platform

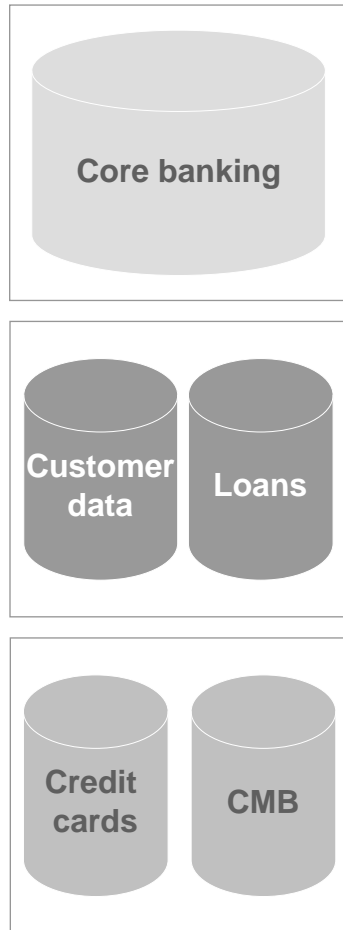


- One HSBC Banking
- One HSBC Cards
- One HSBC Internet
- One HSBC Distribution
- One HSBC Markets

# Building a foundation for change

## A common messaging layer: more efficient, faster deployments

Different host servers

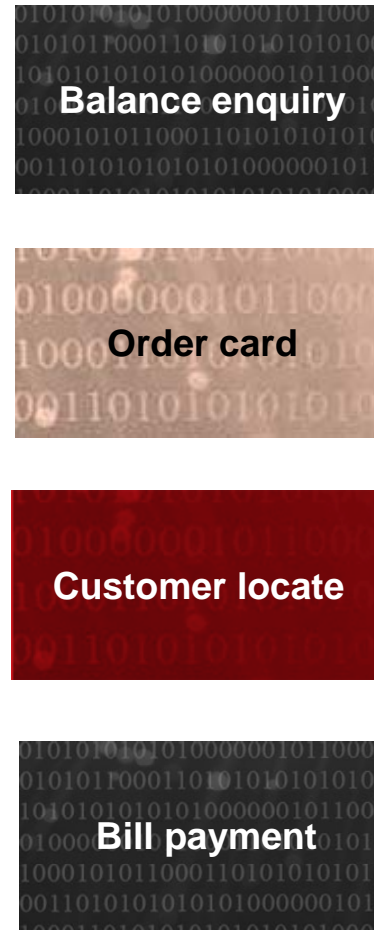


Build once



Our  
competitive  
edge

Common transactions



Deploy many



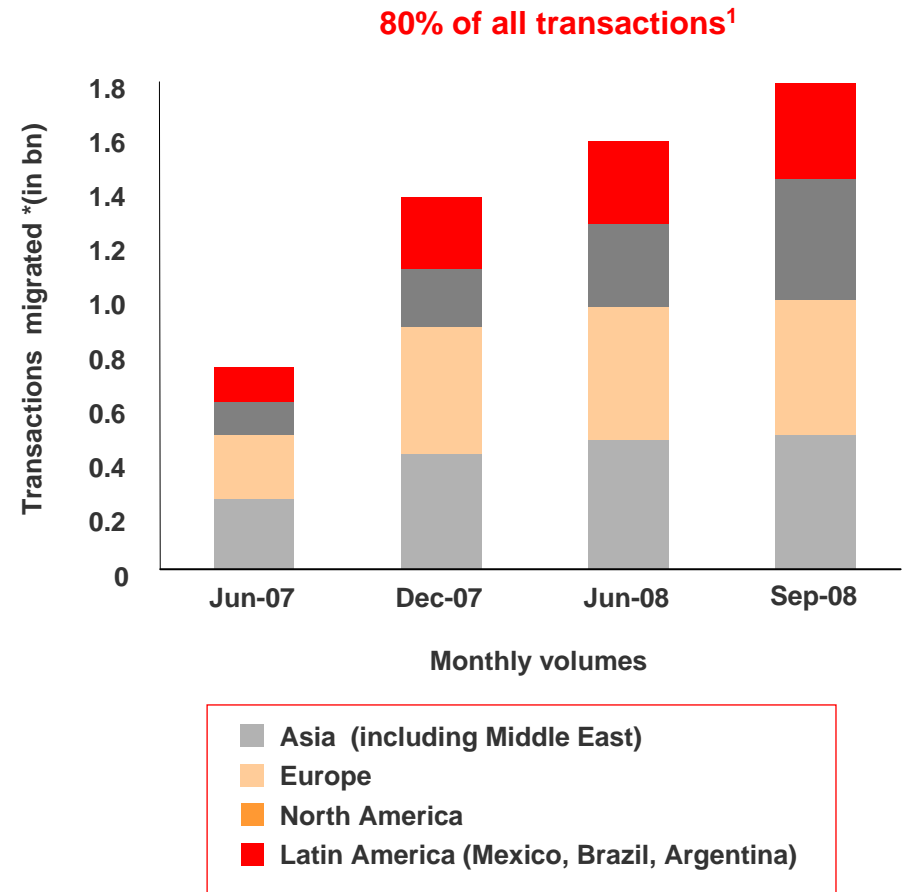
# Building a foundation for change

## Transactions processed through a common messaging layer

### Our competitive edge

Higher percentage of transactions processed through a common messaging layer:

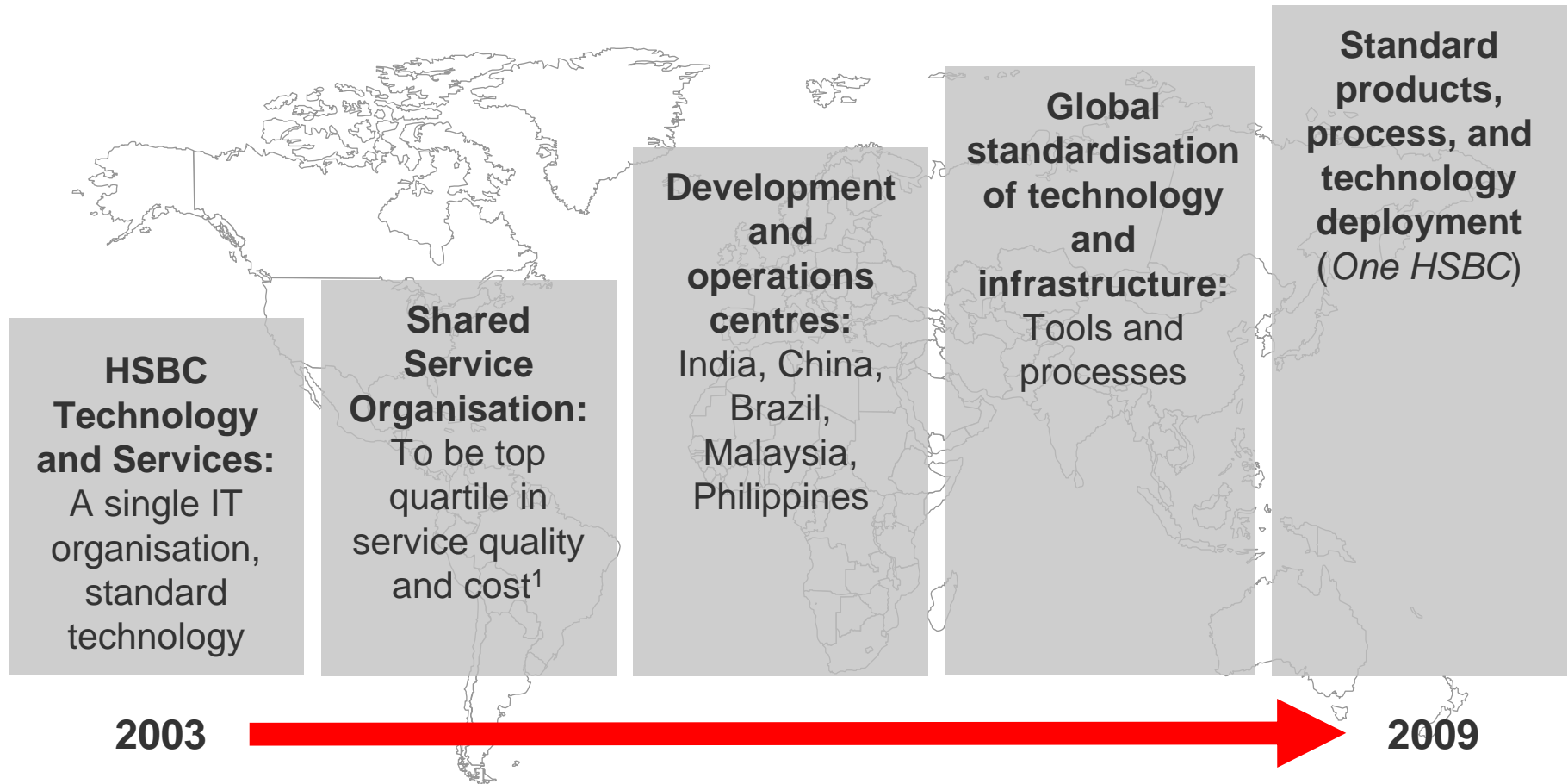
- Any product
- Any channel
- Any geography



1) Source: Software House, Monthly CIO Report September 2008

# Building a foundation for change

## The foundation of *One HSBC*



1) Benchmarked annually by independent industry surveys

# Building a foundation for change

## Development and operations centres Centres of excellence in low cost countries

### Global Technology (GLT)

- Grown from 2,400 FTE (YE 2004) to 8,900 (1H08) of a total global development workforce of 21,000 (1H08)
- Participate in development of all Group systems
- Attrition rates of 10%, less than half industry average (21%)
- Skilled participation in development, testing, support, project management, analysis, architecture and finance
- Over 50% of our global development workforce in low cost countries

### Global Resourcing

- Grown from 11,400 FTE (YE 2004) to 33,200 in 2008 (1H08)
- Provides service excellence to 40 HSBC Group companies
- The largest global research team is based out of Bangalore, India
- On a daily basis, the Payments centre handles transactions from 11 regions in 126 currencies
- Expertise from transitioning over 1,000 processes spread across 10 regional entities, varied operating models and service lines

# Building a foundation for change

## Defining *One HSBC*



### *One HSBC*

- Re-engineer product and process
- Design rigorous business and technical standards
- Scale for the largest and the smallest countries
- Implement in Group wide releases
- Release in multi-currency, multi-channel, multi-language standards

### *The One HSBC Vision*

- One Group, One Goal, *One HSBC*
- Reduce barriers to entry
- Leverage global distribution capability
- Improve the customer experience
- Focus on improving cost efficiency



# Building a foundation for change

## One HSBC process and technology Global platforms



### **One HSBC Distribution**



Internet | Mobile | Self Service | Branch | Call Centre | ATM



### **One HSBC Channel enablement**



Customer ID and verification | Account opening | Collections Servicing and payments | Sales dialogues management



### **One HSBC Decisioning**



Customer data management | Business intelligence  
Customer intelligence | Real time decisioning



### **One HSBC Manufacturing**



Checking and deposits | Cards | Insurance and wealth  
Loans and mortgages



### **One HSBC Markets**



FX | Equities | Money markets | Rates | Payments

# Building a foundation for change

## **One HSBC products** **Facilitating compelling customer propositions**



**Personal Financial Services:**  
**HSBC Premier**



Global service | Multi-country proposition | Single view  
Unparalleled features

**Commercial Banking:**  
**Leading international business**



Global links | Automated forms

**Global Banking and Markets:**  
**HSBCnet**



E-Treasury | Business intelligence | Sales services

**Global Banking and Markets:**  
**Markets**



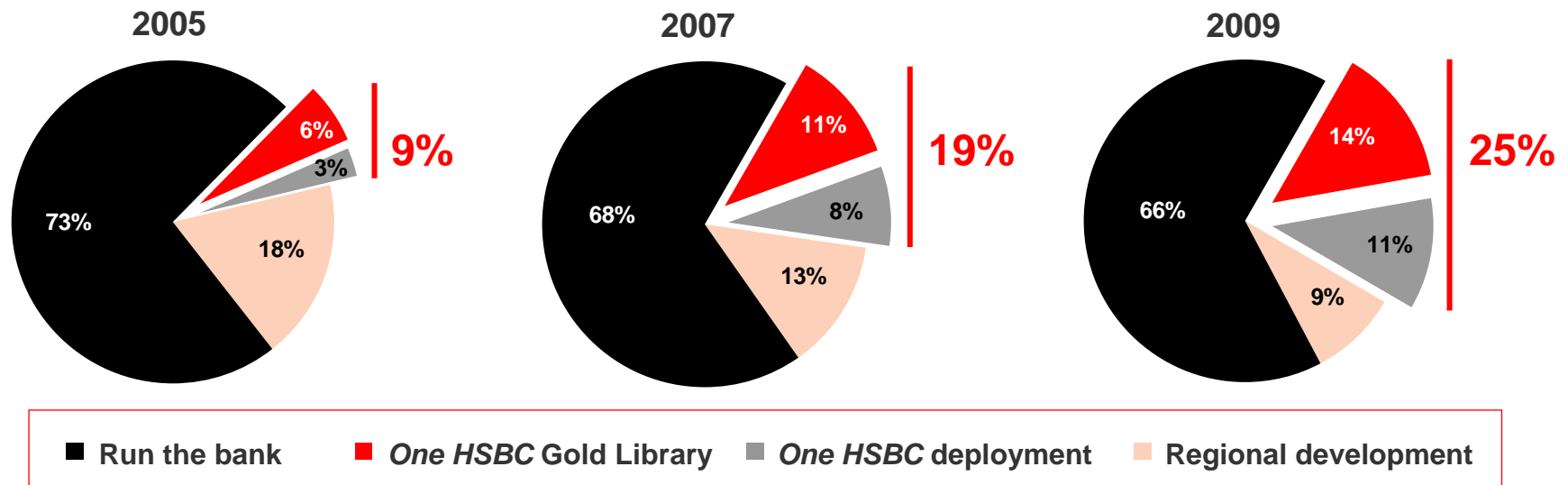
FX | Equities

# Building a foundation for change

## Shifting from 'local to global systems' and from 'run the bank to change the bank'



### Overall split of IT spend<sup>1</sup>



### From 2005 to 2009:

- Increase *One HSBC* spend to 25%
- *One HSBC* deployment spend to more than treble
- Regional spend decreases as legacy systems retire

1) IT spend is on an estimated cash basis

# Building a foundation for change

## The opportunity the foundation yields Enhanced cost efficiency

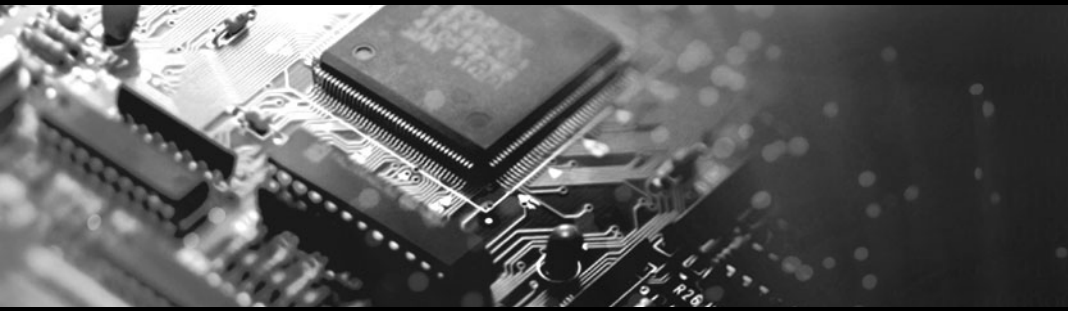


- Exploit direct channels and rationalise physical distribution
- Increase automation of manual processes
- Retire of legacy systems and processes
- Improve leverage of offshore development centres
- Transition to 'paperless' environment

**Opportunity to achieve hundreds of millions (US \$) in savings from 2009**

# *One HSBC: The power of change*

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**Kevin Newman**  
*One HSBC* Director  
and Group General Manager

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# One HSBC: The power of change

## Objectives of the programme

- Eliminating the barriers to entry
- Leveraging our global distribution capability
- Improving the customer experience
- Improving cost efficiency



### Design guidelines of *One HSBC*

- Relentlessly challenge the status quo
- Provide solution at first contact
- Build once, modular and joined up
- ZERO exception processes
- Eliminate the need for back office
- Give the customer options not products
- Eliminate the need for manuals
- Incorporate Test and Learn tactics
- Provide the same tools to customer and staff
- Build green (paperless)

# One HSBC: The power of change

## Objectives of the programme

- **Eliminating the barriers to entry**
- Leveraging our global distribution capability
- Improving the customer experience
- Improving cost efficiency



## Eliminating the barriers to entry



### Barriers

- Piecemeal deployments costly
- Re-design and customisation costly
- Customised systems continually require customised upgrades

### One HSBC

- Integrates systems into a single 'Gold Suite' package
- Clusters multiple countries in regional implementations
- Provides standardised upgrades that are faster and cheaper
- Enables single deployments for global use
- Deploys 'best in class' capabilities in all markets
- Significantly reduces the cost of entry into a new market



# One HSBC: The power of change

## Objectives of the programme

- Eliminating the barriers to entry
- **Leveraging our global distribution capability**
- Improving the customer experience
- Improving cost efficiency



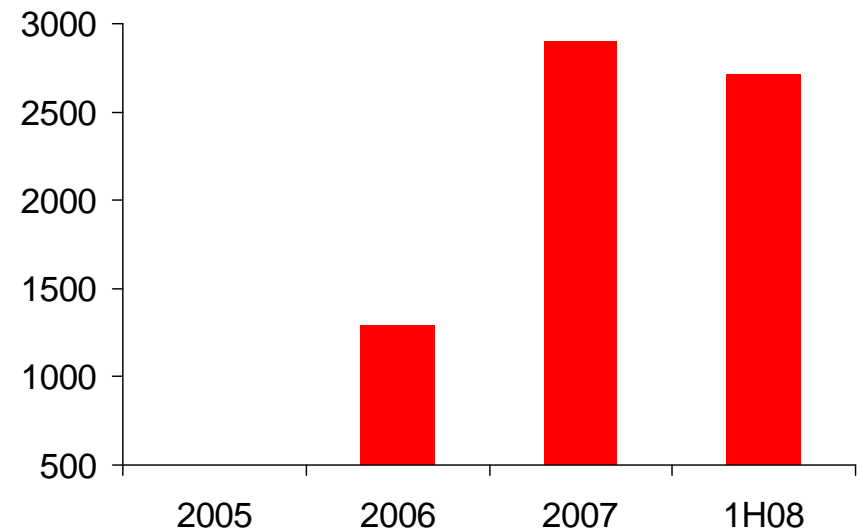
## Leveraging our global distribution capability Commercial Banking



### Growth through **Global Links**

- A common platform for cross-border referrals and streamlined account opening
- In 1H08, cross-border referrals increased 126% in number and 83% in value to US\$5.6bn
- Live in 64 countries

Number of CMB referrals



# One HSBC: The power of change

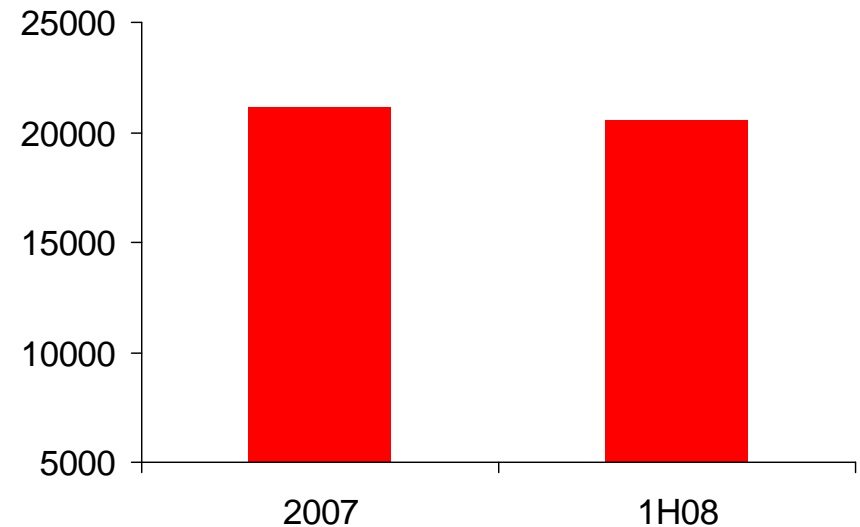
## Leveraging our global distribution capability Personal Financial Services



### Growth through joining up HSBC Premier

- A common platform for cross-border referrals and streamlined account opening
- Credit history “transferred” around the world
- Real estate purchases facilitated in any market
- Live in 47 countries

Number of HSBC Premier referrals



# One HSBC: The power of change

## Leveraging our global distribution capability HSBCnet



- Drives increasing levels of direct access by our customers
- 40,000 customers (corporates and financial institutions) and growing
- Recognised as 'best in class'



**Best Online Platform (tied) in the US  
Large Corporates Category**

2008 Online Services Benchmarking Study



**Second in the Global Banking category**

2008 Online Services Benchmarking Study

# One HSBC: The power of change

## Objectives of the programme

- Eliminating the barriers to entry
- Leveraging our global distribution capability
- **Improving the customer experience**
- Improving cost efficiency



# One HSBC: The power of change

## Improving the customer experience HSBC Premier



### Enabling global transfers (instant Me2Me)

Situation: **Customer has multiple accounts in multiple currencies**

- Functions:
- View all customer accounts
  - Transfer funds in real time
  - Competitive FX rates

- Benefit:
- Instantaneous, paperless transfer on a single screen

## Improving the customer experience Multi channels



### Offering a multi-channel customer experience

Situation: **Customer has multiple devices**

Functions:

- Access via internet
- Access via mobile device

Benefit:

- Identical customer experience across channels



## Improving the customer experience Collections



### Providing an overview of all the customer's accounts

Situation: **Customer account is past due**

- Functions:
- Review delinquent account
  - Review additional accounts
  - Log action





# One HSBC: The power of change

## Improving the customer experience Collections



### Current collections solution

- Multiple 'green' screens
- HSBC employee unable to view other customer accounts

```
OCOM ( ) COMPANY NAME PAGE 01
30/03/2002
COLLECTOR MAINTENANCE
07:07:52
ORGANIZATION 301 COLLECTOR JOHN DOE TEAM ( ONE )
NAME: ( ) COMPANY NAME PAGE 01
PHONE: ( ) COLLECTOR MAINTENANCE
02022 07:07:52
00000 ORGANIZATION 301 COLLECTOR JOHN DOE TEAM ( ONE )
USER:
NAME: ( ) COMPANY NAME PAGE 01
PHONE: ( ) COLLECTOR MAINTENANCE
02022 07:07:52
00000 ORGANIZATION 301 COLLECTOR JOHN DOE TEAM ( ONE )
USER:
PTP F ( ) COMPANY NAME PAGE 01
( Y ) COLLECTOR MAINTENANCE
TERMS 0000 07:07:52
999999 USER:
( 100 NAME: ( JOHN DOE )
ALT Q PHONE: ( 00000000000000000000 ) EXT ( 5287 ) OPEN (
EXCEP TERM 02022001 ) CLOSED (
) 999999 00000000 )
MAX A ( 100 USER: CODE 1 ( ) DATE 1 ( 00000000 )
009999 CODE 2 ( ) DATE 1 ( 00000000 )
009999 ALT PTP FREQ: WKLY ( Y ) BI-WK ( Y ) MONTHLY ( Y ) QUARTERLY
EXCEP ( Y )
) TERMS: WEEK ( 052 ) MONTH ( 012 ) AMT: MIN ( 000000000 ) MAX (
) 9999999999 )
STATU MAX 0099 B/A/T ( B ) PCT: MIN ( 090 ) MAX
CURRE 0099 ( 100 )
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PF6=O ALT QUEUES TO WORK: ( ) ( ) ( ) ( ) ( )
STAT EXCEPTION MANAGER ( ) PRINT FLAG ( Y ) TIME ZONE OFFSET ( 0
CURE )
PERC MAX ASSIGNMENT: RPT PCT ( 100 ) MTD NBR ( 99999999 ) AMT (
PF1 009999999999999999 )
PF6 009999999999999999 )
TOT NBR ( 99999999 ) AMT (
009999999999999999 )
STATUS ( 2 ) DATE LAST MAINT 15/07/2002 LAST MAINT OPER RV
CURRENCY 344 NOD 2 PER ITEM NOD 3
PERCENTAGE NOD 7
PF1=OCMN PF2=OCOI PF3=OCOM PF4=OCOA PF5=OCLM
PF6=OCOT
```

# One HSBC: The power of change

## Improving the customer experience Collections



### One HSBC solution

#### Benefits:

- Quick collecting on a single screen
- Provides customer view of delinquent and current accounts for a quick and accurate solution

The screenshot displays the HSBC Collections interface. At the top, it shows 'HSBC' and 'Customer Information' for 'JOHN DOE'. The interface includes a sidebar with navigation options like 'Locate A/C', 'A/C Info', 'A/C Maint', 'Collections', 'Manual Queue', 'Administration', and 'Test Size'. The main area shows customer details and a table of accounts.

Worked	Account Number	Is Account Delinquent	Days Delinquent	Type	Amount Due or Available	Current Balance	Credit Limit	Last Action/Date	Promised Amount/Date	Block Codes	Next Work Date	Currency Code
<input type="checkbox"/>	0000000001000199956	No	000	AMB	AED 3380.28	AED 0.00	AED 83991.00		AED 0.00	/		AED
<input type="checkbox"/>	0000000001000199980	No	000	AME	AED 8198.61	AED 0.00	AED 208250.00		AED 0.00	/		AED
<input checked="" type="checkbox"/>	0000000001000199001	Yes	000	CVP	AED 8.00	AED 306958.33	AED 150000.00	29/18/2007	AED 0.00	W /	29/18/2007	AED
<input checked="" type="checkbox"/>	0000000001000199002	Yes	000	CUA	AED 8.00	AED 286.22	AED 8.00	29/18/2007	AED 0.00	/	29/18/2007	AED
<input type="checkbox"/>	0006229621780001206	No	000	S28	AED 8.00	AED 0.00	AED 8.00		AED 0.00	L /		AED

# One HSBC: The power of change

## Objectives of the programme

- Eliminating the barriers to entry
- Leveraging our global distribution capability
- Improving the customer experience
- **Improving cost efficiency**



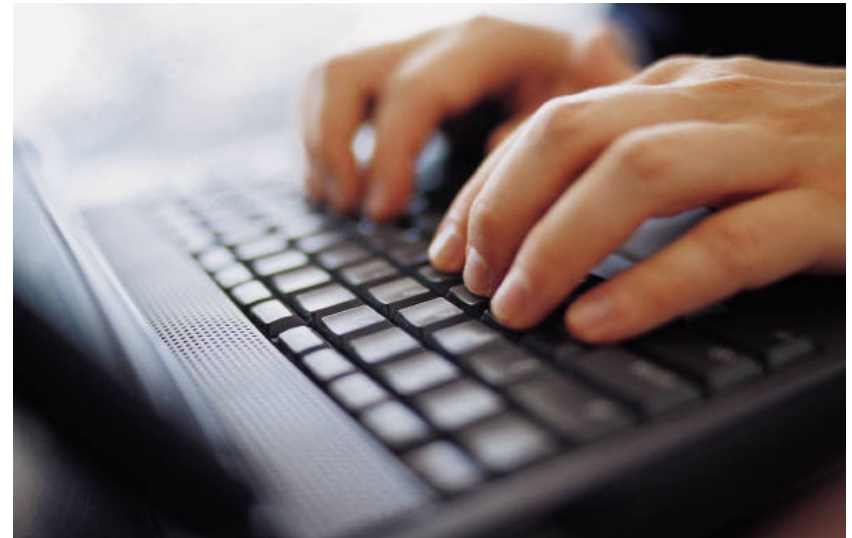
## Improving cost efficiency Call centre



### Standardising call centre practice for optimum efficiency

Situation: **Customer loses debit card**

- Functions:
- Find customer record
  - Cancel lost card
  - Issue new card
  - Log action



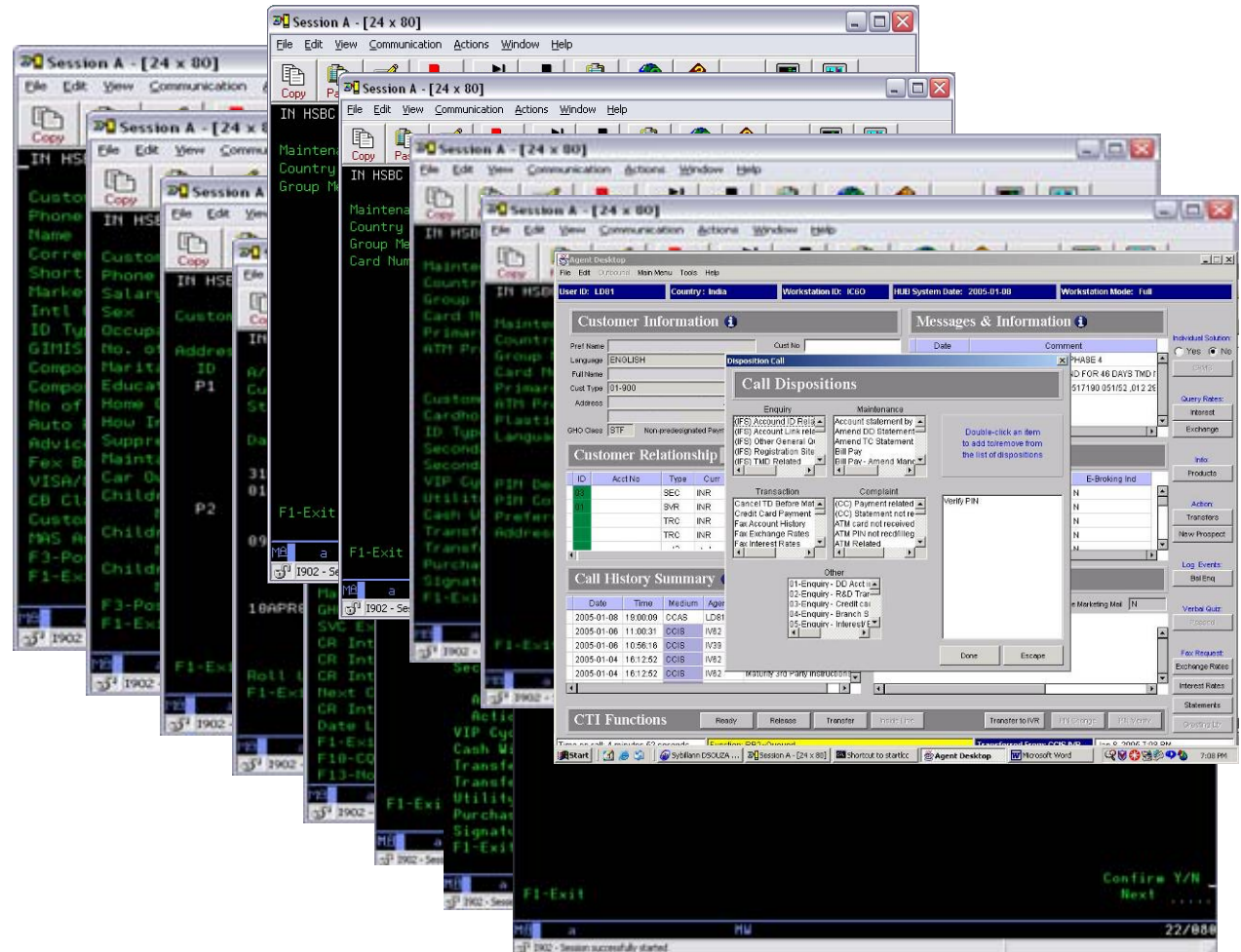
# One HSBC: The power of change



## Improving cost efficiency Call centre

### Former process

1. Verbal Quiz – 1
2. Verbal Quiz – 2
3. Verbal Quiz – 3
4. Verbal Quiz – 4
5. Verbal Quiz – 5
6. Search Card – 1
7. Search Card – 2
8. Block Card
9. Replace Card – 1
10. Replace Card – 2
11. Replace Card – 3
12. Replace Card – 4
13. Manual Dispositions



**Estimated time: 6 minutes**

# One HSBC: The power of change

## Improving cost efficiency Call centre



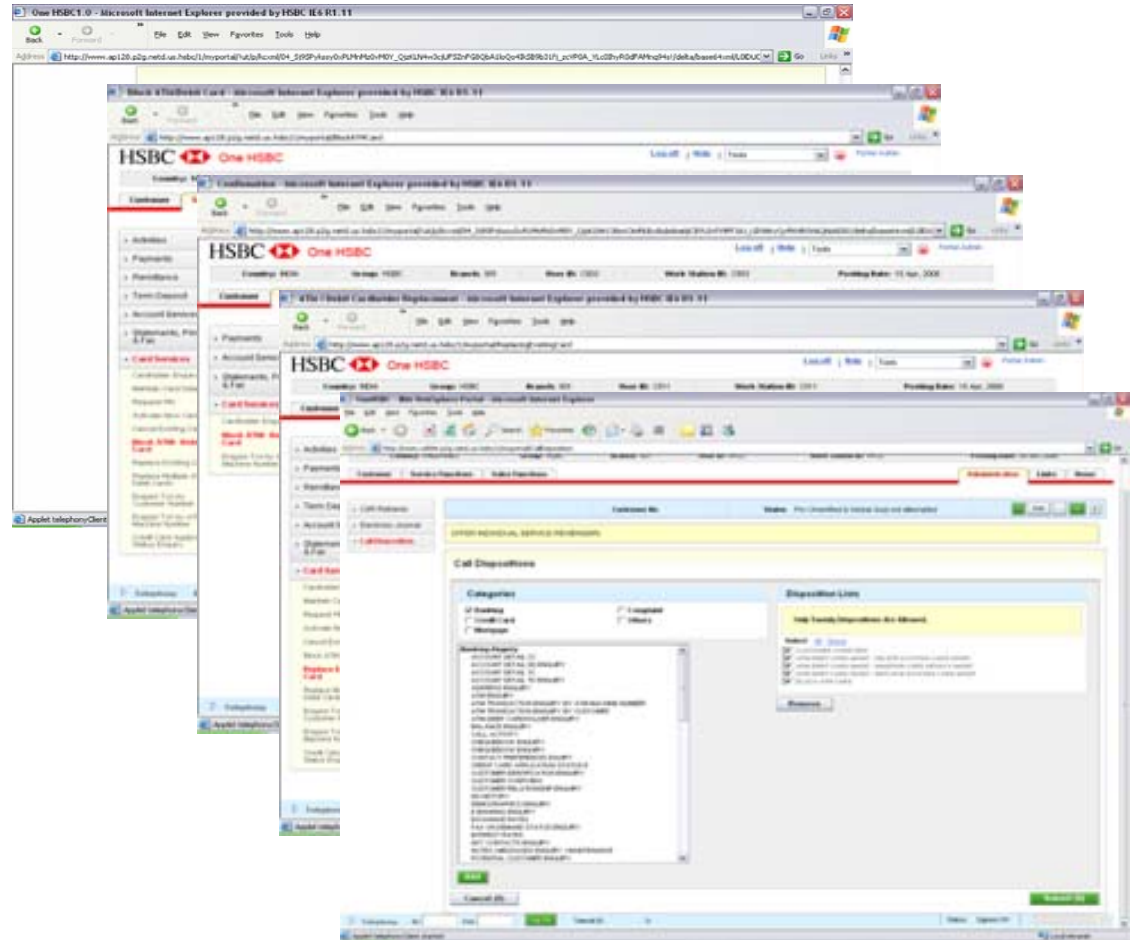
### One HSBC solution

1. Automated Verbal Quiz
2. Block Card
3. Block Card Confirmation
4. Replace Card
5. Automated Dispositions

### Benefits:

- Faster, easier transaction for staff and customer
- Increases productivity of staff

**Estimated time: 4 minutes**



# One HSBC: The power of change

## Improving cost efficiency Call centre



### Transaction performance improvement

Transaction type	Time (in seconds)		Improvement
	Old	One HSBC	
Transaction enquiry	115	90	22%
Stop cheque request	190	160	16%
Change phone banking status	95	65	32%
Block and replace debit card	360	240	33%

\*Average call handle time

Study conducted at Mumbai, India, May 2008

# One HSBC: The power of change

## One HSBC products

### Facilitating compelling customer propositions



**Eliminates the barriers to entry**



Gold Suite, regional and global deployments

**Leverages our global distribution capability**



Becoming one bank operating in multiple countries

**Improves the customer experience**



Multi-channel, customer-centric, efficient, convenient

**Improves cost efficiency**

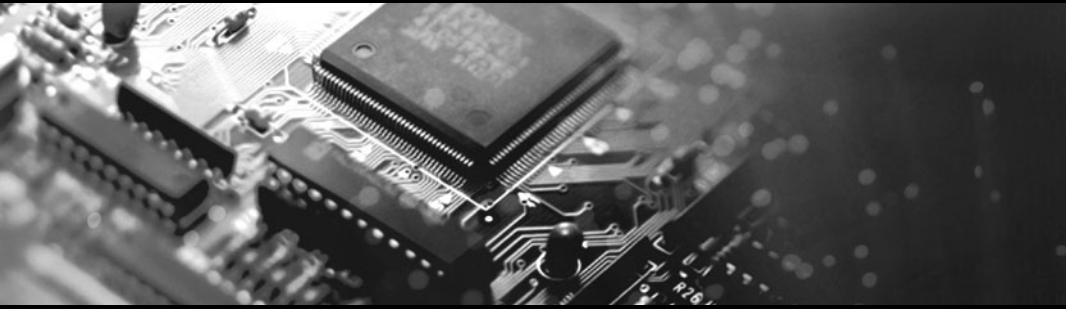


Transaction time, reducing necessity of staff assistance



# The implementation of change

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**Ken Harvey**

Group Managing Director and Group  
Chief Technology and Services Officer

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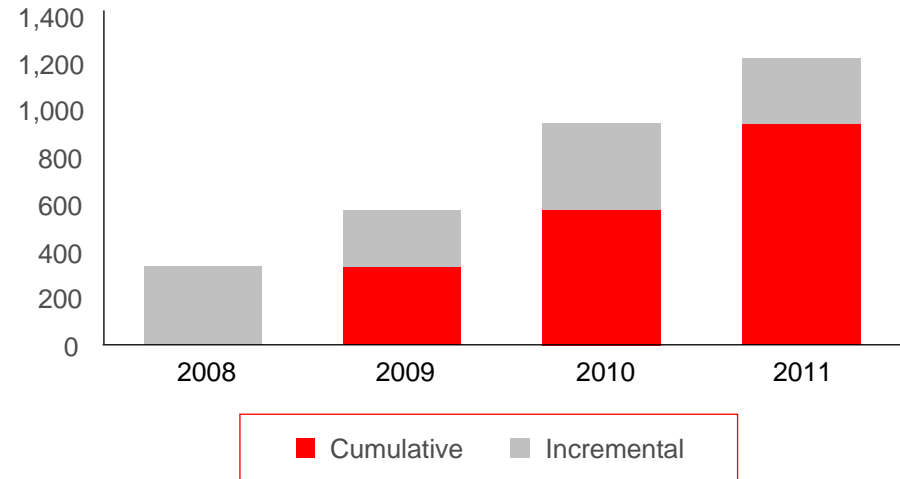
# The implementation of change

## One HSBC deployment velocity



- Already over 200 *One HSBC* implementations in 2008
- More than double expected in 2009
- Over 90% of all deployment work to be completed by YE 2011

Deployments per year



# The implementation of change

## Eliminating the barriers to entry: *One HSBC Gold Suite* Upgrading core banking systems faster and at lower cost



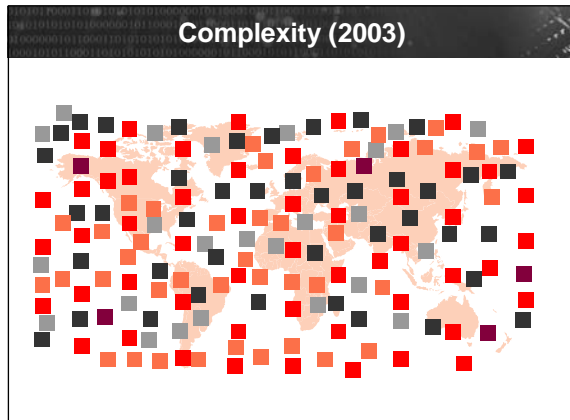
Countries where implemented	2009/2010 planned countries for <i>One HSBC</i> upgrade
Qatar, Mauritius, Egypt, Singapore, Taiwan, Vietnam, Brunei, Malaysia, Indonesia*	Bahrain, Oman, Lebanon, Pakistan, Jordan, Iraq, SABB, Kuwait, India, UAE, Nicaragua, Greece, Malta, Jersey, Spain, France, Canada, USA

\*Other countries already deployed include Australia and the Philippines

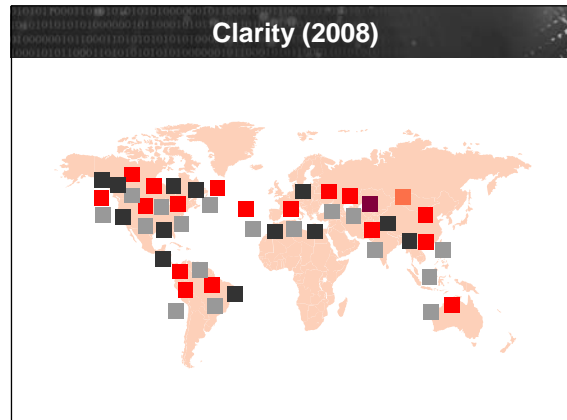
- Substantial reduction in costs over deploying systems individually
- New *One HSBC* Gold Suite fully implemented in 36 months on a rolling basis (versus previous time of 5 years)
- Converted countries will upgrade every 18 months

# Building a foundation for change

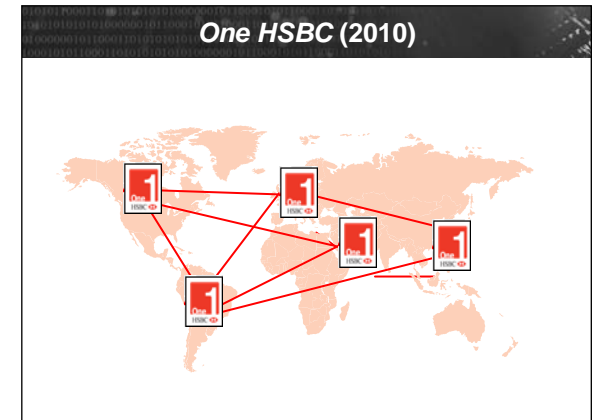
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- One HSBC Banking
- One HSBC Cards
- One HSBC Internet
- One HSBC Distribution
- One HSBC Markets



# The implementation of change

## The size of the opportunity



- Sustainable cost efficiency with the *One HSBC* roll-out
- New *One HSBC* Gold Suite fully implemented in 36 months on a rolling basis
- Expansion into new markets is enabled at a lower cost
- Opportunity to achieve hundreds of millions (US \$) in savings from 2009

# The implementation of change

## Summary

### HSBC Group

- The world's leading international bank in emerging markets
- Our strategy is aligned with global trends: growth in emerging markets, international trade and longevity
- We are reshaping our business models to focus on the 'right to win'
- Strength in capital management and liquidity

### HSBC Technology and Services (HTS)

- Deliver systems locally with the economies of global scale
- Reduce barriers to entry
- Leverage our global distribution capability
- Improve the customer experience
- Focus on improving the cost efficiency ratio