The HSBC Group
Our story
HSBC's founders started out in 1865 with a clear and simple aim – to establish a bank in Hong Kong and Shanghai for the support of local and foreign trade ‘which has become so much more extensive and varied than in former years’.

Down the decades, we have grown and adapted in order to weather change and meet the many challenges we have encountered along the way: revolutions, global conflict, economic crises, natural disasters, new markets and shifting demographics. Throughout it all, we have remained committed to our purpose: connecting customers to opportunities and enabling businesses to thrive and economies to prosper.

It is said that business is all about the bottom line, but behind the numbers are the people who make it happen: our employees, our customers, our shareholders and the communities in which we operate. Together, they have shaped HSBC into the organisation it is today.

This is their story.
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The birth of the bank

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the modern HSBC Group. The company opened in Hong Kong on 3 March 1865 and in Shanghai one month later.

Its head office was in Wardley House at 1 Queen’s Road in the City of Victoria; the heart of Hong Kong’s Central district. The life of the city centred on these dusty streets facing the constantly ship-filled harbour, and it was here that Hong Kong’s key financial institution was born.

Its founder was Thomas Sutherland, the Hong Kong Superintendent for the Peninsular and Oriental Steam Navigation Company. He established the bank as a response to the needs of the China coast business communities. Hong Kong’s growth as an entrepôt meant local businesses needed more sophisticated banking facilities, but most transactions were still handled by European trading houses rather than banks. The bank was created to correct this deficiency.

Sutherland’s banking prospectus attracted interest across Hong Kong’s business spectrum, including American and Indian trading houses and European firms. HSBC’s founding board was multicultural right from the start, including men of Scottish, German, Indian, American, English and Norwegian descent. It was international in its business scope and customer-focused in its approach; the early response from customers in Hong Kong and Shanghai was positive.

Yet it could all have ended as swiftly as it began. Six of Hong Kong’s 11 foreign banks collapsed in early 1866 due to bank runs, which in turn brought down many other businesses. HSBC weathered this financial storm by maintaining its payment period for bills of exchange when many banks were slashing theirs. This brought the bank virtually immediate recognition as a leading financial institution and built a reputation, that endures to the present day, for resilience during crises.

Thomas Sutherland

Thomas Sutherland was sailing along the South China coast on the steamer SS Manila in 1864 when he read an article on Scottish banking in Blackwood’s Magazine. He was a Scot himself, and despite never having held a bank account, he resolved to found a bank in Hong Kong based on sound Scottish banking principles.

Unlike all other foreign banks in the territory, the new bank was to be locally headquartered and managed, unhindered by overseas directors with little knowledge or interest in the affairs of Hong Kong. Sutherland drew up a prospectus, and the bank’s Provisional Committee met in August 1864. Total capital was set at HKD5 million, all the shares allotted to Hong Kong were quickly taken up and the bank was born.

1: An HSBC staff photo from 1871. The bank’s first Chief Manager, Victor Kresser, is seated at the centre.

2: HSBC’s first head office, Wardley House (at the centre), photographed in 1870.

3: Hong Kong’s busy harbour depicted by a Chinese artist in the 1860s.
Early customers

HSBC’s very first customer was its first Chief Manager, Victor Kresser, whose name can be found in the bank’s original customer ledger. The ledger survives, opening a window on the early dealings of the fledgling organisation. Its alphabetical list of individual and commercial clients includes the merchant firm Abdoolally Ebrahim & Co, which still banks with HSBC today. Another early customer was Hormusjee Mody, a Parsee merchant who was instrumental in founding The University of Hong Kong in 1910.

Wayfoong

Since the late 19th century, the Chinese population of Hong Kong has known The Hongkong and Shanghai Banking Corporation Limited by the rather more nimble nickname Wayfoong, represented by the Chinese characters 迴豐 (hui-feng). In popular Cantonese romanisation, hui-feng became Wayfoong and translates as ‘abundance of remittances’ or ‘focus of wealth’.
By the end of its first decade of operations, HSBC was represented in seven countries across Asia, Europe and North America. It financed the export of tea and silk from China, cotton and jute from India, sugar from the Philippines, rice and silk from Vietnam and bought silver in San Francisco.

The bank’s particular focus was financing trade along the China coast, lending money to local export merchants and expanding its network of offices to Fuzhou and Xiamen to serve tea merchants. Shanghai was particularly important to HSBC’s success; it was a centre for trade to Japan, a large port commanding the imports and exports of China’s vast interior and a hub for the tea and silk trade. The Shanghai branch was a crucial contributor to the bank’s early profits, occasionally outstripping the head office in Hong Kong in net earnings.

In Japan, the bank built up its foreign trade and exchange business and expanded through new offices in Kobe (1870) and Osaka (1872). The bank’s managers offered advice and assistance to the modernising Japanese government on currency and banking matters, and HSBC supported the introduction of a standardised currency – the silver yen – in 1879.

In India, the bank opened branches in the country’s principal silver markets – Kolkata (1867) and Mumbai (1869) – and dealt chiefly with the finance of silver imports. HSBC learnt a number of valuable lessons in these early years. Economic downswings, business collapses and the decline in the value of silver encouraged tight internal controls, prudent lending and strong reserves. By putting these principles into practice, the bank prospered.

Branching out

Trade finance was a strong feature of the new bank’s local and international business. Following the flow of commerce, it expanded rapidly, establishing branches in ports such as Yokohama (1866), Kolkata (1867), Ho Chi Minh City (1870) and Manila (1875).

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A valuable lesson

The 1870s were difficult for HSBC. Falling silver prices and a string of failures in the banking and mercantile sectors resulted in a period of commercial uncertainty. The bank was overexposed to certain industries, and its London manager had engaged in unauthorised transactions, forcing HSBC to spend a large sum from its reserves to cover losses. To address these issues, the bank appointed its first inspector and introduced new internal controls. By 1880, the bank’s chairman was able to report: “The business of the bank is sound and prosperous.”
Tools of the trade

HSBC began issuing banknotes in Hong Kong and China in 1865 to stimulate and accelerate trade. The notes were easier and more practical to use than silver (which was bulky and required testing and weighing at every transaction) and were trusted by local merchants as a stable and secure currency unit for transacting business. Nicknamed ‘large cotton quilts’ by the Chinese, banknotes were crucial to Hong Kong’s development as a global trading hub, and HSBC quickly became the colony’s principal note issuer. The bank also issued notes in Japan, Singapore, Penang, Thailand and seven cities across China.

Connecting customers to opportunities

Throughout its history, HSBC has sought to link its customers to financial opportunities. The bank’s first branch in France opened in 1881, not in Paris but in Lyon, the world’s largest importer of raw Chinese silk. Both the Lyon and Ho Chi Minh City branches were ideally placed to support the raw silk trade between Vietnam and France. Across the Pacific, HSBC’s first North American office was established in San Francisco in 1875. This branch supported the area’s large Chinese expatriate contingent by providing remittance facilities between California and China.
The age of Jackson

By 1900, HSBC was operating in 16 countries and financing trade across the world. The branch network in Asia now extended to Singapore and to cities in present-day Malaysia, Myanmar, Sri Lanka, Vietnam and Indonesia.

Thomas Jackson, HSBC Chief Manager between 1876 and 1902, dominated this period of the bank’s growth. As the new century dawned – with Jackson at the helm – HSBC was the foremost financial institution in Asia.

But Jackson did not do it alone – he was supported by an expert team of international managers and local staff. The international officers were trained in London and Hong Kong before taking up appointments across the globe. They were expected to be self-reliant, resilient and decisive, acting as ambassadors for the bank wherever they went. Upon reaching upper management, these bankers could call on their experiences in the varied settings of HSBC’s operations to get the job done. Equally important were the bank’s local staff, whose nationalities varied according to branch location. In Hong Kong, the local staff comprised Chinese and Portuguese employees working as clerks, shroffs and administrators, who ensured that daily operations ran smoothly.

HSBC strengthened its international reputation with its achievements in government finance. By the 1880s, it was acting as a banker to the government of Hong Kong and as a sole or joint banker for British government accounts in China, Japan, Penang and Singapore. The period saw the issuance of China’s first public loan, the eight per cent Foochow (Fuzhou) loan, in 1874. The bank issued many subsequent loans for government railway and infrastructure projects.

In addition to guiding the bank through troubled times, Jackson set an example in commercial morality. In doing so, he won the confidence and loyalty of his staff and the citizens they served and ensured that this once-small local bank became a prominent actor on the world’s financial stage.

Thomas Jackson

Thomas Jackson was born in Ireland in 1841 and joined HSBC in 1866. He moved swiftly up the ranks. In 1871, he was appointed Manager at Yokohama, where he presided over a prosperous period for the branch. In 1877, aged only 35, he was appointed Chief Manager of HSBC. This was a testing post as the bank had lost all but HKD100,000 of its original HKD1 million reserve. Jackson proved himself equal to the role, and by the time he retired in 1888, he had turned the bank around. This was not the last the world would hear of the talismanic Irishman. Twice more, in 1890 and 1893, the bank fell into crisis, and Jackson returned from retirement to, in his own words, set the bank ‘on an even keel’. He was knighted in 1899, and to commemorate his incalculable contribution to the company, HSBC erected a bronze statue of Sir Thomas in Hong Kong’s Statue Square in 1902. It remains there to this day, standing sentinel before the Hong Kong office.

1: Chief Manager Thomas Jackson (bottom row centre) surrounded by members of the bank’s international staff in 1902.
2: HSBC’s first tailor-made head office, erected at 1 Queen’s Road Central in Hong Kong in 1886. Its interior was ultra-modern, featuring gas lighting, a lift and fire extinguishers.
The marriage rule

In the bank’s earlier days, junior officers had to wait 10 years before marrying – a period known as being ‘on ice’. This was not only a means of guaranteeing the mobility and flexibility of the bank’s staff but also a cost-saving measure since married staff required housing. Officers who married early or in secret risked dismissal, earning HSBC the nickname ‘Heart and Soul Breaking Corporation’. In special circumstances, the chief manager would make exceptions, but generally, employees had to resign themselves to a period ‘on ice’. The marriage rule was gradually relaxed to four years by the 1950s before it was phased out completely.

Who does not know TJ? I believe, ladies and gentlemen, that if letters were dropped in the post at St Petersburg, Berlin, Paris, London, San Francisco… addressed ‘TJ China’ they would find their way into the Hongkong and Shanghai Bank in Queen’s Road.

Sir Henry Blake
Governor of Hong Kong, 1902

Someone did actually attempt to reach Thomas Jackson using the above approach. The card was addressed and delivered safely to ‘TJ China’.

Supporting growth

In the years leading up to and immediately following the First World War, HSBC looked to consolidate and expand within its Asian markets. In Singapore, the bank’s main business was the financing of rubber and tin, which were the port’s most important exports.

Singapore Manager John Peter persuaded leading rubber merchants to open HSBC accounts and held the Straits dollar steady through his exchange operations at a time when silver was wildly fluctuating. He was knighted for his efforts.

The bank played an active role in the development of the economy and infrastructure of the Philippines during this period. From 1899 to 1910, it helped the government to stabilise the country’s monetary system, and in 1906, HSBC financed a 150-mile extension of the Manila-Dagupan railway. HSBC’s expansion into China also continued as the bank opened a series of branches in Hongkou and Guangzhou (1909), Qingdao (1914) and Harbin (1915).

In the same period, HSBC participated in Japanese railway and municipal loans for new harbours, waterworks and gasworks. The bank shared in the issue of JPY278 million of these loans between 1906 and 1912. In recognition of these achievements, London Manager Alfred Townsend was decorated by the Emperor of Japan. In Sri Lanka, despite early challenges and keen competition, the Colombo branch began to see positive results from the import and export finance of tea, rubber and coconuts, enjoying record profits in 1919.

Considering the shock and disruption brought by war to international trade in this period, the bank had performed admirably. HSBC had solidified and extended its position as the leading bank in Asia during one of the 20th century’s most turbulent episodes, again demonstrating its resilience and capacity for growth.

The Beijing Manager

Guy Hillier was the first manager of the Beijing branch. He opened the branch in 1885 and remained its manager until 1924. This lengthy posting was even more impressive considering the fact that he began to go blind from 1896. His loss of sight caused him to tender his resignation that same year, but the request was denied. Hillier’s knowledge of Chinese and his skills at negotiating with the Chinese administration were too valuable to lose. Instead, the bank sent an assistant to the branch to read all correspondence to him and help him in any way he required. Hillier was the lynchpin in HSBC’s dealings with the Chinese authorities, helping the bank to win the government’s trust and much of the loan business for Chinese infrastructure projects.

1: HSBC’s Yokohama branch staff in 1907.
2: HSBC’s Singapore office at Collyer Quay, 1895 (rear left).
3: Map showing the HSBC-financed Manila-Dagupan railway in 1906.
4: A five-tical banknote issued by HSBC in Thailand, 1890.
Pioneering in Thailand

HSBC was the first bank of any kind to open in Thailand, establishing its Bangkok branch in 1888 at the request of the Thai monarchy and the British Legation. The bank also issued Thailand’s very first banknotes in 1889, marking a crucial and pioneering step in the development of the nation’s economy and banking system. One of HSBC’s first Thai customers was the country’s ruler, King Chulalongkorn, who held a private account.
Interwar banking

As the tumult of the First World War receded, HSBC approached the 1920s with a view to expanding in its Asian markets.

New buildings at major branches such as Bangkok (1921), Manila (1922) and Shanghai (1923) reflected the bank’s confidence in the business of the region, which saw a return to prosperity as new industries were developed.

The new Shanghai office anchored HSBC’s position as the dominant foreign bank in China throughout the 1920s, particularly in exchange banking. The bank maintained its position in spite of growing political uncertainty, increasing competition from modern Chinese banks and relatively modest trade growth. The Shanghai branch financed local tea and silk exporters, bought and sold foreign exchange and made funds directly available to Chinese traders.

The bank passed another milestone in 1929 when it opened its second office in Hong Kong, across the harbour in Kowloon. The branch was established to serve the district’s growing population and foreshadowed the rapid expansion of the bank’s Hong Kong branch network in the decades to come.

In Japan, business continued to grow. Customers now came not only from international trading firms but also from local Japanese businesses. After the destruction of the Yokohama branch during the Great Kanto earthquake in 1923, HSBC established its Tokyo branch, which became its principal office in Japan after the Second World War.

HSBC had emerged from the First World War in a sound financial position. A prudent wartime fiscal policy had ensured that its earnings and reserves remained intact. This, combined with its enlarged footprint in Asia, meant the bank was in a strong position to withstand the jarring impact of the Great Depression.

Shanghai branch

HSBC completed its tailor-made office on the Shanghai Bund in 1923. The instructions to architects Palmer and Turner had been unequivocal: “Spare no expense, but dominate the Bund.” The grandeur of the new office reflected the bank’s increasing presence in Asia. It was one of Shanghai’s first air-conditioned buildings and had electric lifts, both groundbreaking features at the time. The building also featured two bronze lions guarding the main entrance, which became the models for all subsequent incarnations of the now-famous HSBC lions. The building’s interior was crowned with an intricate Venetian mosaic dome above the octagonal entrance hall, symbolising international commerce and illustrating the banking centres of the East and West.

1: All of HSBC’s Hong Kong business was conducted at the head office at 1 Queen’s Road Central until 1929, when the bank opened a second office inside the Peninsula Hotel in Kowloon. Pictured are the Kowloon branch staff in 1935.

2: The magnificent entrance hall of the Shanghai office.

3: HSBC’s Shanghai branch, completed in 1923.
Not so much a staunch vessel as a wonderful lighthouse ... of the China coast.

Quote from Jardine Matheson’s Tientsin agent on the importance of HSBC to the China trade, 1925.

The HSBC lions

The popularity of the lions guarding the Shanghai office prompted HSBC to replicate them in bronze outside the new Hong Kong head office in 1935. The lion sitting on the right, named Stitt, has a calm demeanor to symbolise the bank’s stability and security, while the one on the left, named Stephen, roars to convey the bank’s strength and protective nature. Named ‘Stephen’ and ‘Stitt’ after renowned senior HSBC executives, the Hong Kong lions were removed during the Second World War. Their return to the bank after the war was associated with the return of prosperity to Hong Kong, reinforcing the belief that the lions protect not only the bank but the city itself.
HSBC’s new head office, completed in 1935, looks out on Hong Kong’s harbour.
In 1931, its two main branches, Hong Kong and Shanghai, reported declining earnings, while branches in India, Japan, China, Sri Lanka and Indonesia all suffered losses. Presiding over this particularly turbulent episode in the bank’s history was the powerful character of Vandeleur Grayburn, who was appointed Chief Manager in 1930. Described by colleagues as a ‘big, brawny, electrifying individual’ and possessing a flair for exchange banking, Grayburn did not suffer fools gladly. Unprecedented economic adversity demanded drastic measures, and Grayburn duly delivered. Staff bonuses were cut or cancelled, shareholder dividends were reduced and the bank’s efforts were focused on financing China’s development and meeting the country’s exchange banking requirements.

Despite the economic repercussions of the 1929 Wall Street Crash, HSBC decided to redevelop its head office in Hong Kong once again. The aim was to enlarge the bank’s silver storage, accommodate more staff, and strengthen ties with some of HSBC’s oldest clients. This was a testament to the bank’s resilience and its commitment to the city’s future. The cutting-edge building was completed in 1935 and described by Hong Kong’s governor as ‘up to date, not to say quite a few minutes ahead of the clock’.

HSBC endured the 1930s, albeit at great cost – its inner reserves were drawn down and the bank had devoted much of its resources to survival rather than expansion. Nevertheless, Grayburn’s tenacity had preserved enough resources to provide the bank with a strong foundation for growth after the Second World War.

Challenges and change

Although it was on a relatively even financial keel, the bank inevitably suffered alongside its customers during the Great Depression.

Sir Vandeleur Grayburn
Chief Manager during the 1930s. He received a knighthood in 1937.

“
I would not say we came through unscathed, but I can safely say that we found ample balm to cure any bruises we received.

Vandeleur Grayburn
Chief Manager, 1936
Frontier banking

HSBC employees were expected to cope with the unexpected, and sometimes they had to do just that. In 1932, two off-duty staff of the Harbin branch in northern China were attacked by bandits while enjoying an afternoon of golf. After successfully thwarting the kidnapping attempt with their golf clubs, they returned to work and sent a telegram to head office to report the incident. The reply was “excellent use of niblicks”. (‘Niblick’ is a now-obscure name for a type of golf club.)

1935 head office

Having risen to the challenge of designing HSBC’s office on the Shanghai Bund, architectural firm Palmer and Turner were handed another concise yet challenging brief for the bank’s new head office: “Please build us the best bank in the world.” The building was designed to cutting-edge specifications with an art deco structure influenced by the Manhattan skyline. It was Hong Kong’s first air-conditioned building and built with special high-tensile steel, making it typhoon-proof. High-speed lifts and an invisible panel heating system were installed, as was a ninth-floor flat for the chief manager. The magnificent banking hall was decorated with European marble and topped by an elaborate mosaic vault depicting eastern and western scenes of industry and trade.
Crisis and recovery

The bank faced one of its most challenging times during the Second World War.

As the Japanese Army advanced through Asia from the beginning of December 1941, so the bank retreated branch by branch until most of its network in the East was shut down. Many staff demonstrated immense courage, sticking to their posts until the last moments to help customers access cash or send money abroad. The majority of the British staff were captured and interned in civilian camps, where their living conditions were alleviated by the help of local staff.

The bank had already taken steps to prepare for the worst: head office was moved to London on 16 December 1941, and the robust reserves built up during times of peace cushioned the bank through times of war. With only the London, Indian and US branches still in operation, the bank did its best to support the war effort and the families of interned staff. In 1943, the bank received the terrible news that its Chief Manager, Sir Vandeleur Grayburn, had died in captivity in Hong Kong.

Even in the midst of war, HSBC’s management was always planning for the bank’s return to the East. As soon as the war was over, the bank swung into action, and its support was instrumental in Hong Kong’s reconstruction – lending money to restore public utilities, reopen the port for business and restart the Star Ferry service. Head office was relocated back to the territory in June 1946, and the bank busied itself loaning funds to businesses whose machinery, warehouses and stock had been destroyed during the war, even if they had no security to offer for these loans. In March 1947, the bank was able to announce at its Annual General Meeting that nearly all branches had reopened and a dividend would be paid to shareholders for the first time since the beginning of the war.
Death in captivity

After the fall of Hong Kong on Christmas Day 1941, Sir Vandeleur Grayburn, Chief Manager of HSBC, and his senior staff were interned in the Sun-Wah Hotel and marched to the bank each day to assist the Japanese liquidators. The majority of the other staff were interned in Stanley camp, and Grayburn and his colleagues attempted to ease their captivity by smuggling money to them for food and medical supplies. Unfortunately, their activities were discovered, and Grayburn; his deputy, David Edmonston and Charles Hyde were arrested and imprisoned. Grayburn died in prison in August 1943 from meningitis and septicaemia, Hyde was executed in October 1943 and Edmonston died of malnutrition in August 1944. It was a tragic loss of a generation of the bank’s leadership.

Many staff demonstrated immense courage, sticking to their posts until the last moments to help customers access cash or send money abroad.
The founding of the People’s Republic of China in 1949 profoundly altered the bank’s immediate business prospects in the country and during the early 1950s, HSBC began a gradual withdrawal from China. Eventually, only the Shanghai branch remained, relocated from the Bund to a modest office block. In other markets, such as Malaysia, the bank had to adapt to a changed political environment as newly independent states emerged in the region.

The bank’s Hong Kong homeland was reinventing itself as a manufacturing centre. The region’s population swelled with thousands of new Chinese migrants who brought with them entrepreneurialism, expertise and contacts. From the late 1940s, the bank began a new line of business, granting loans to build cotton mills and textile factories. At the heart of this industrialisation lay the bustling district of Mong Kok, where HSBC experimented by opening a branch to serve the new breed of manufacturers. It was a resounding success, and other branches soon appeared in industrial areas. Industry began to branch out from textiles into buttons, enamelware, shoes, gloves, plastic flowers and toys. By 1953, there were more than 3,000 factories in Hong Kong. HSBC began new relationships with Chinese businessmen and provided finance for all areas of their operations – loans to build factories, credits to import raw materials and foreign exchange to cover imports and exports. Hong Kong’s role as an entrepôt was waning, but its star as a manufacturing centre was on the rise.

1: Mr Bradford, Manager of the Mong Kok branch, enjoying a dinner with some of his customers.
2: Mr Bradford visits one of the new garment workshops in Mong Kok.
3: A busy toy factory production line in Hong Kong (Image courtesy of The Public Records Office of Hong Kong).
4: New Mong Kok branch opened in 1954 to cater for the growing demands of industrial finance.
5: Hong Kong bids farewell to Arthur Morse, Chief Manager of the bank between 1942 and 1953.
Sir Arthur Morse

Arthur Morse took the helm at HSBC at one of the lowest points in its history. Most of the bank’s branches were closed and occupied during the war, and his predecessor had died in prison. However, by the time he had stepped down in 1953, HSBC had risen from the ashes of the war and played an invaluable part in the rebuilding and rehabilitation of Hong Kong. On the day he left Hong Kong, an immense crowd gathered to give him a magnificent send-off.

The man who since liberation has probably done more for Hong Kong than any other single individual ... his guiding motive has been the welfare of the Colony and the bank as one unit ... in short, he is a very great citizen of Hong Kong.

– Hong Kong’s governor, Sir Alexander Grantham, commenting on the retirement of Arthur Morse in 1953.

Mong Kok branch

Mong Kok means ‘busy corner’, and by the early 1950s, it was just that. The streets around Nathan Road were a hive of industry, humming with the sounds of yarn spinning, textile manufacture, cloth dyeing and garment production. HSBC opened its first branch in the area in 1948, and by 1952, the volume of business had grown enormously – savings accounts had increased fivefold, and current accounts more than tenfold. A new eight-storey building was erected in 1954 to cater for all the new customers. The chief manager paid tribute to their resourcefulness in his speech on the opening of the branch: “The opening of this new office may be looked upon as an act of faith on the part of the bank – in the first place, in what the industry of the Chinese people can achieve and, secondly, faith in the future of Hong Kong.”
Diversification

The closure of HSBC’s branches in mainland China allowed the bank to devote more resources to Hong Kong, but it also ran the risk of narrowing its range of interests.

Under the leadership of Michael Turner, the bank avoided this possibility by diversifying its business through a series of acquisitions and alliances. Taking advantage of strong links across the Pacific with the Chinese diaspora, the bank opened a new subsidiary in the USA – The Hongkong and Shanghai Banking Corporation of California – in 1955. Later in the decade, the bank made two watershed acquisitions that introduced it to new markets and gave it a first taste of working as a ‘group’ of companies.
The Mercantile Bank

With roots in the mercantile community of 19th century Mumbai, the Chartered Mercantile Bank of India, London and China was a British bank which provided trade finance and exchange to overseas traders. Its sphere of operations overlapped with HSBC, but it had greater expertise and experience in India, where it had about half of its branches and specialised in the ‘bazaar business’ – small and medium-sized local businesses. Unfortunately for the bank, it was in the wrong place at the wrong time: restricted from opening new branches in the newly independent states of Asia in the post-war period and hampered by regulations and high tax rates, it found growth a challenge. Its relatively small size made it a likely takeover target for US banks looking to break into the East. Its eventual purchase by HSBC in 1959 allowed it to continue operating independently for many years. Many of today’s HSBC branches in India can trace their roots back to the business of the Mercantile Bank.

HSBC Bank Middle East

Founded in 1889 as The Imperial Bank of Persia, this bank started life acting as the state bank of Persia (present-day Iran), opening branches throughout the country and providing trade and exchange services for exporters and importers. Political upheaval in the region caused many changes of name and strategy. From the late 1940s onwards, the bank withdrew from Iran to concentrate on the newly opening markets of the Gulf. It was a banking pioneer in these modernising states and played a vital role supporting the nascent oil industry. By the late 1950s, the bank had been renamed The British Bank of the Middle East and was operating in all the Gulf states and throughout the Middle East into North Africa. In 1959, the bank became a takeover target and welcomed HSBC’s approach to join the wider HSBC Group.
A modern financial centre

By the time HSBC celebrated its centenary in 1965, it was a very different institution from the business that had opened 100 years previously.

There were new types of customer – the first generation of Chinese entrepreneurs in Hong Kong; new branches – a large network throughout the region and a new branch opening every week in Hong Kong by the early 1970s – and new staff; highly educated Chinese who began to take on managerial roles. The growing branch network was linked by a ground-breaking computer system that allowed customers to transact business easily in any office of the bank and which laid the foundations for the sophisticated systems of today.

Hong Kong established itself as one of the world’s most important financial centres from the 1960s onwards. The Hang Seng index was established in 1969, the stock market boomed in the decade that followed and many foreign banks opened offices and subsidiaries in the territory. HSBC responded to competition by founding its own investment banking subsidiary, Wardley, to cater for customers who required merchant banking services and to ensure that the bank continued to play a major part in this new chapter in Hong Kong’s history.

1: During the 1960s and 1970s, the bank expanded its branch network in Hong Kong, even using mobile branches.
2: HSBC’s first computer arrived in Hong Kong in the 1960s, and the bank quickly used the new technology to support its growing branch network.
3: New branches in Hong Kong were opened with traditional ceremonies and firecrackers.
4: View of Hong Kong and the harbour in 1966.
5: The first street sign for Hang Seng Bank used in 1933.
6: Dr Ho Sin-hang, one of the founders of Hang Seng Bank who retained a life-long connection with the bank.
Hang Seng Bank

On 3 March 1933, the sound of Chinese firecrackers heralded the opening of Hang Seng Bank at 70 Wing Lok Street in Hong Kong. The ‘ever-growing native bank’, as it can be translated, specialised in three key areas of business – gold trading, money changing and remittances – and found a stream of customers requiring its services.

Dr Ho Sin-hang, one of the bank’s founders and its first manager, recalled: “The shop was small and old-fashioned. You walked up three steps and then you were at the counter.” In the 1950s, as Hong Kong became a manufacturing centre, Hang Seng reinvented itself as a commercial bank offering retail banking for the general public and industrial lending facilities for the new businesses springing up in the region. Its emphasis was always on customer service, and it soon gained a reputation for courtesy and efficiency. By the mid-1960s, Hang Seng had built a solid customer base and an expanding branch network and was regarded as the leading private Chinese bank in Hong Kong. However, in 1965, a crisis began in the Chinese banking sector which eventually spread to Hang Seng. HSBC stepped in to publicly pledge its support for the institution and took a majority interest to rescue Hang Seng from difficulty. Even though HSBC remains a majority shareholder, Hang Seng retains its autonomy and distinctive culture to this day.
New opportunities

At the end of the 1970s, mainland China took its first steps in what would become the world’s largest programme of national economic reform and modernisation.

The early Special Economic Zones permitted foreign trade and investment, and HSBC, with its long history in China, was keen to be involved in this stage of the country’s development. In 1979, a representative office opened in Guangzhou, closely followed by another in Beijing. The bank built up expertise in working with the mainland, especially as many of its customers began to relocate their operations from Hong Kong to China. In 1984, HSBC became the first foreign bank since 1949 to be granted a banking licence in China for its branch in Shenzhen.

At the same time, the Western world embarked on a programme of deregulation and liberalisation that dramatically changed the banking environment. HSBC seized the opportunities this presented, establishing or buying new subsidiaries in Australia, New Zealand and Canada. The bank was also keen to break into the large US market and did so in 1980 with the purchase of a controlling interest in Marine Midland Bank of New York State.

Hong Kong itself was still HSBC’s most important market, and the bank invested in a striking and ground-breaking new headquarters building, opened with great fanfare in 1986. Designed by Norman (now Lord) Foster, the new building was another visible demonstration of the bank’s commitment to its birthplace.

1: The busy banking hall counter at HSBC’s new head office building in 1986.
2: Map showing HSBC offices in China in 1988.
3: One of a new series of publications issued by HSBC in the 1980s to help familiarise customers and investors with doing business in China.
4: In 1981, the Hongkong Bank of Canada opened its doors for business – one of the many new subsidiaries established in the 1980s.

Opposite: The new headquarters of the bank at 1 Queen’s Road Central in Hong Kong.
The new building was another visible demonstration of the bank’s commitment to its birthplace.
A global business

By the end of the 1980s, HSBC was a financial powerhouse in the Asia-Pacific region with a strong foothold in the US market. It needed a European element to transform the bank into a truly global operation.

In 1992, in one of the biggest banking acquisitions in history, HSBC closed a deal with the UK’s Midland Bank that would finally deliver the European piece of the global jigsaw. As part of this purchase, HSBC agreed to move the head office of its newly formed holding company to London to meet the requirements of the UK regulatory authorities. The 1990s and 2000s saw the further expansion of HSBC’s footprint, especially in the emerging markets of Latin America and Turkey and the mature economies of France, Switzerland and the USA. To bring clarity to customers, investors and staff, HSBC introduced a unified brand for all its subsidiaries in 1998, and the hexagon symbol was rolled out across the world.

Despite its adventures overseas, HSBC retained a clear focus on its place of birth. The bank weathered the Asian financial crisis of the late 1990s, doing its best to help customers and governments maintain stability through this period of volatility. Growth in China followed the establishment of the locally incorporated HSBC Bank China in 2007, and this organic growth has been augmented by a series of alliances with Chinese financial institutions.

Midland Bank

In 1836, Midland Bank opened for business in Birmingham – the heartland of the UK’s industrial revolution. Links with local industrial and commercial concerns were strong, and the new bank soon had railways, iron foundries and engineering businesses on its books. The bank prospered, opening new branches and acquiring neighbouring banking businesses. By the turn of the century, it was a successful business with a nationwide network of branches and a new London head office.

Midland Bank built on this success in the 20th century, adding new business lines and pioneering banking services such as personal loans. Purchases of Samuel Montagu, a leading British merchant bank; Trinkaus & Burkhardt in Germany and Guyerzeller in Switzerland gave Midland a broad portfolio of banking interests. This portfolio became part of HSBC in 1992, along with the highly successful telephone banking business, first direct, which had revolutionised personal banking in the UK.

1: Back office staff of Midland Bank in York in 1928.
2: From the late 1990s, HSBC’s sponsorship of the Jaguar Formula 1 team gave the hexagon symbol greater global recognition.
3: HSBC advert on a bus in São Paulo, Brazil in 2000.

Top right: Painting of the banking hall of the Pall Mall branch of the London Joint Stock Bank, which later became part of Midland Bank.

Bottom right: Inside a first direct call centre in the 1990s. First direct introduced the UK to the revolutionary concept of a telephone-only bank that is open 24 hours a day, 365 days a year.
The way ahead

HSBC’s long and eventful history has equipped it to meet recent challenges and adapt for the future.

In February 2007, HSBC released a trading update announcing large provisions to cover potential losses in its US consumer finance subsidiary. This announcement was one of the first warning bells of the financial crisis to come and alerted markets to the possible global impact that a downturn in the US housing market could have on banks. HSBC acted swiftly and prudently to curtail its own losses and provide much-needed liquidity to other institutions through interbank lending. Drawing on its long experience, HSBC survived this period of extraordinary and unprecedented turbulence in economies and markets around the world. In 2009, the bank announced a rights issue to raise approximately USD17.7 billion to maintain its signature capital strength and enhance its ability to deal with an uncertain world.

Since 2011, HSBC has restructured and refocused its business to meet the challenges of the post-crisis world. A programme of closures and disposals has made HSBC more nimble, easier to manage and better placed to react to growth opportunities as they arise. As the centre of economic gravity moves east, HSBC is one of the few truly international banks with a network that spans the markets most relevant to international trade and capital flows.

The bank has grown far beyond Sir Thomas Sutherland’s vision of a locally owned and managed institution that understood local needs for regional trade finance. HSBC has absorbed the lessons of its past and stayed attuned to the needs of its customers. As the world changes and new markets blossom and flourish, we continue to be where the growth is, connecting customers to opportunities. We enable businesses to thrive and economies to prosper, helping people fulfil their hopes and dreams and realise their ambitions.

1: HSBC’s partnership with the Asian Rugby Football Union delivers significant grass roots programmes throughout the region.
2: ‘In the future’, HSBC’s new brand campaign, was unveiled in 2012.
Opposite: The head office of HSBC Holdings plc at 8 Canada Square in London.
Shanghai, where HSBC has had an uninterrupted presence since 1865.
The Chinese staff of the Hong Kong head office in front of the bank premises in 1928.