HSBC The world's local bank

Analyst Roadshow to Asia-Pacific

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Positioned for growth

Commercial banking looks after all the company business apart from the 4,000 and so accounts that we call global banking accounts. So you can see that we look after companies all the way from the SME small businesses to very large corporates including the middle markets. So you can see that we have a very broad spectrum of customers, we have 2.8m customers in different countries and different customer segments. The opportunities are huge in the sense that we are represented in 65 countries. And there is continuous trade flow and investment flow around all these countries.

The beauty of the commercial banking is that we are able to finance the trade or investment flow at both ends of the equation.

And to do so we don't just sit there and just make use of the branch network. We're trying to make cross-referral, we're trying to make cross-country business easier by setting up a system which we call Global Links, so that we can allow a relationship manager in one country, in Latin America, usually connected to a country in say North America or Europe so that a referral can immediately be done overnight from one country to the next.

And for the originating office they actually track the success or otherwise of the particular referral

Financial performance

Well when results were announced for 2006 our Group CEO Mike Geoghegan described commercial banking as unsung hero. When results for 2007 were made he described us as the jewel in the crown. So that shows that commercial banking has been continuously doing well. It's actually a very sustainable business. When I took over the job in 2003 compared with the results in 2007 it has more than doubled. It was then 3.1b 2003. By 2007 the results are 7.1b.

Year on year growth is around - it's very steady. In the last year, in 2007 compared to 2006 the growth is 19%. So you can see that globally commercial banking is a very steady business

Flexing the overall strategy

Of the 20-plus countries in Asia all have different types of customers, all have different government appetite for foreign banks or how much they can allow foreign banks to do a particular business. So in all the countries that we operate we -- while we have an overall strategy for all the countries, we also tailor-make the particular implementation for individual countries. In Malaysia for example where there is a very big Muslim population Islamic banking is something that we're focusing on. We have just been granted a licence to operate a subsidiary, Islamic subsidiary within Malaysia. This is

the first that Malaysia has granted to a foreign bank. So we're very happy that we can go ahead and proceed with the subsidiary incorporation. And from the subsidiary we will be able to sell, to our customers, Islamic products.

And after we have rolled it out in Malaysia, Malaysia will become a centre of excellence as far as Islamic products are concerned. And this product and this proposition can be easily transported to other Muslim countries like Indonesia, like India, like Sri Lanka, like Bangladesh.

So our strategy is really trying to manufacture once and implement in other countries. So economies of scale is cross-country rather than just within a country.

Competitive advantage

Secondary market listing, primary market listing, bond issues, sophisticated ForEx derivatives, interest rate derivatives and other things. This is an area that we compete with the large international banks. And the good thing is that we beat them in the sense that we are much more international and at the same time we are much more local. So we are able to compete with the foreign banks in that space because we are much closer to our customer, are longer-standing. We don't leave the country easily, unlike some of the foreign banks.

And for the SME space, the small business, very often the competition are large local banks. And again we try to beat the local bank, not in terms of branches, we will never be able to compete with a local bank in terms of the number of branches. What we can compete with them is our international branch network, our ability to remit money faster, to do trade much faster, to make sure that they can get their money out or in much more efficiently and reliably.

So we try to beat the local banks in that sense.

Building on historic strengths

Well I would say commercial banking has very steady business because there will always be small companies all the way to big companies that want a bank to bank with them, to look after them and grow with them and be a partner to them. So you can see from history that we have very stellar performance and we are very confident that we will continue to perform and we will grow with our customers. And the other thing is that because of our international network, because of our financial strengths and our very strong brand we have customer loyalty that will be prepared to stay with us, bank with us and grow with us in the longer term.

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