HSBC The world's local bank

Analyst Roadshow to Asia-Pacific

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There are

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Wealth accumulation creating opportunity

various opportunities to us. Obviously, in global markets I think number one is the increasing wealth accumulation, which means that there is a need for more international products on the one hand, and you've got also companies in Asia getting more sophisticated banks and corporates. They do need to seek alternative means of financing both for domestic and also offshore. And we're also seeing increasing liberation of the underlying market in Asia and, hence, more volatilities in the foreign exchange and interest rate market, so you do have increased need for foreign exchange hedging, and also interest rate hedging from corporates and financial institutions. And these are all the areas that global markets focused on, and I think we have huge opportunities that we can capture.

Financial performance

In 2007 we had a very impressive year in results. Global Banking and Markets profit before tax, up 61 per cent, US$3.55 billion, and then that basically contribute to 60 per cent over in the overall global banking and market for the Bank globally.

Advantages of global footprint

We have offices across Asia, dealing rooms across Asia, and trading and sales staff across Asia, and also the rest of the world. Now, this is on the one hand. Now, on the other hand, we have the capability of the manufacturing products and managing this effectively by centralising the centre of excellence in various major hubs like London and Paris.

Now, these both two ends you need to have a link, and we have an effective team that links up the capability of products and client serving. So they can actually distribute the product as well as solutions to our clients in Asia Pacific, and also link our clients in Asia Pacific to the global opportunities.

Working with regulators

Operating in Asia is still a very challenging proposition because although we're talking about 20 countries that we operate for global markets business across Asia, but these countries are actually very unique not only in their cultural or linguistic way but actually in the underlying economic, and also regulatory environment, there's a lot of differences. So to be able to actually operate effectively and understand what is needed by the domestic market requires local knowledge, and that actually fit in to our long-term strategy.

We have always tried to have a local presence when we start a business. It's never going to be short-term, we dialogue continuously with the regulators and the local parties, and that's why I think we are best placed than any of our competitors

Maintaining competitive advantage

We have the product, we have the connectivities, we have the franchise of the world. I think in terms of local competitiveness, as I said, we have local office, we have local knowledge. The way that we see the local competition, I think one thing is developing quite fast, and will continue to develop in that direction, is the competitiveness of the local bank, particularly, the major local banks. In a lot of the Asian countries we continue to grow, and their ambition, definitely, is not going to be constrained to just the local market. They will try to also expand offshore.

So I think that, basically, means that there's no room for us to be complacent.

Over the last 12 months what we've seen in the financial market, the credit squeeze, the subprime issues, and also a lot of our international counterparts competitors are facing much bigger challenge in terms of capital and also liquidity. So I think HSBC has been very well positioned. We have a very strong capital and liquidity management discipline, and we will continue to do so.

Right to win

You have to know your clients, and it's a long-term client relationship. You need to be able to help the clients. So it's not about a transaction, it's not about a product, it's about a partnership with the clients. Number two is you need to have the risk management capital and liquidity discipline in order to run a long-term sustainable business. Number three, global markets doesn't operate as a standalone business.

We need to work together with customer groups like the commercial banking, and like the personal financial services, PFS, in terms of better communication, coordination, and also help overall to provide better client service. I give you an example. For example, in commercial banking, we actually have a treasury of global markets sell staff sitting with the commercial banking colleagues, because then we can actually provide really on the ground timely solutions and product FIs to their clients, and working with the commercial banking colleagues.

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