

## Analyst Roadshow to Asia-Pacific



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### Macro-economic overview

macro side, clearly we are seeing some stress in the system around inflation. You've seen it in food prices; you've seen it in, clearly, energy. But core inflation still in most markets remains manageable. And we're seeing very strong export growth still continue, broadly based across the region. So overall the economic environment remains reasonably robust, I think on a relative sense at least, compared to other parts of the world. We're seeing our corporate clients in the Asia Pacific region continue to trade strongly. And the overall leverage levels are reasonably manageable. So I'm cautiously optimistic that we'll continue to see strong growth.

### Financial performance

We had a very strong year in 2007. The business, in terms of PBT, was up 61% over the comparable period in 2006, so very strong, broadly based growth in the business. And we're glad to say first trading statement for this year reflects that continued growth.

### Continued opportunities for growth

think if you look at the opportunities, clearly we retain a very strong balance sheet position. That puts us in a strong position in relation to servicing this growth, continuing to deliver quality of service and product to our clients in these emerging markets. Our market share is still probably got room for some growth. So we continue to expand, we continue to expand our customer relationships and broaden them not just in product, but in actual new-to-bank customers. And so I think there's really very good opportunity for us across the region.

### Leveraging HSBC Group

Communication, communication, communication. That's ultimately the key to this. We've put in place a framework of committee meetings -- I know this sounds very process driven but very important -- committees which really cross fertilise between our business groups. So it takes best practice from private banking to commercial banking to corporate institutional banking across to the investment bank. So we're starting to see that connectivity, that dialogue, really yield significantly enhanced results. On top of that, the communication internationally, prioritisation of how we put our balance sheet to work is now being dealt with on a global basis. That historically has not happened. It's really been region by region. So that prioritisation of how we use our capital, how we deal with our customers, how we focus on them, is really creating that connection and that joined-up approach.

I would suggest that we maybe have a disadvantage in terms of connecting up. But if we can get that communication right, we have absolutely have an advantage in terms of being in that 83 countries around the world, being on every continent, having every customer group represented. So yes, we do have an advantage if we can effectively tap into it.

### **Managing different regulatory regimes**

think as far as the regulatory environment is concerned in the Asia Pacific region, there are certainly certain markets where we are restricted in terms of what we can do. We do not have an A-share licence for example in China. There are new A-share licences being granted. So we're limited. But that's a relatively small part of our business. If I go and look at the regulatory environment more generally, it's actually relatively benign and therefore is not really an impediment to us doing business. It's no worse than some regulatory environments in other parts of the world. So I don't see it as a restriction. And it's certainly something that's understandable. It's clear. And I think we can work with it.

### **Building on strong relationships**

At HSBC clearly we have the strength of the balance sheet which is important, but we have the longevity of relationships. This is really a core strength of the organisation. We have a breadth and depth in the relationships across the Asia Pacific region which allows us to build, in a client-centric focused way, to build product on to that. So you take a relationship, you're looking to proactively deliver to those clients the full product suite. And I think it's a change. It's a little counterintuitive compared to the way that some banks are approaching life which is to push much more product at their customers. We're turning it around. We're being proactive in going to our customers and saying, "Well, where are your needs? As you expand your business internationally, how can we help you?"

### **Unique competitive position**

The local banks clearly, in certain elements of what they provide to clients domestically, are competitive. Some of them have a stronger access to local customer deposits. The ability to provide cheap funding exists. But they can't compete with us in terms of that end-to-end connectivity when our clients are looking to expand overseas. So we have that ability to service an Indonesian company looking to expand in Latin America or a Chinese company looking to go to South Africa. That being at both of ends of the funds service again is something the local banks can't provide.

### **Key strengths**

think that focus on the customer, that ability to connect globally, internationally, intra-regionally, that strength of balance sheet and that overall control of risk management.

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