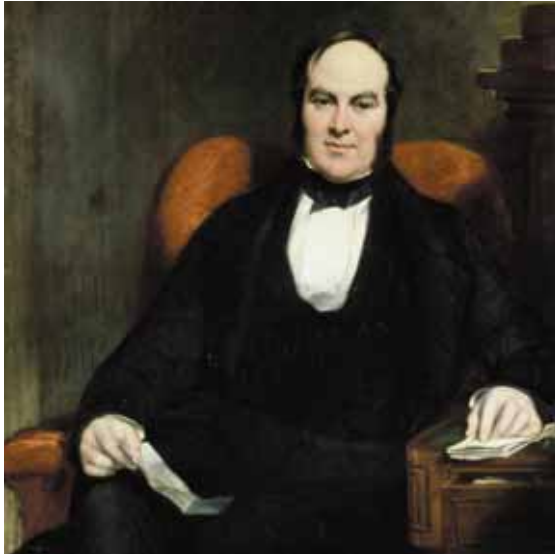


The HSBC Group in Europe

Right: Charles Geach, founder and first manager of Midland Bank in 1836.

Below: Extract from the deed of settlement establishing Midland Bank in August 1836.

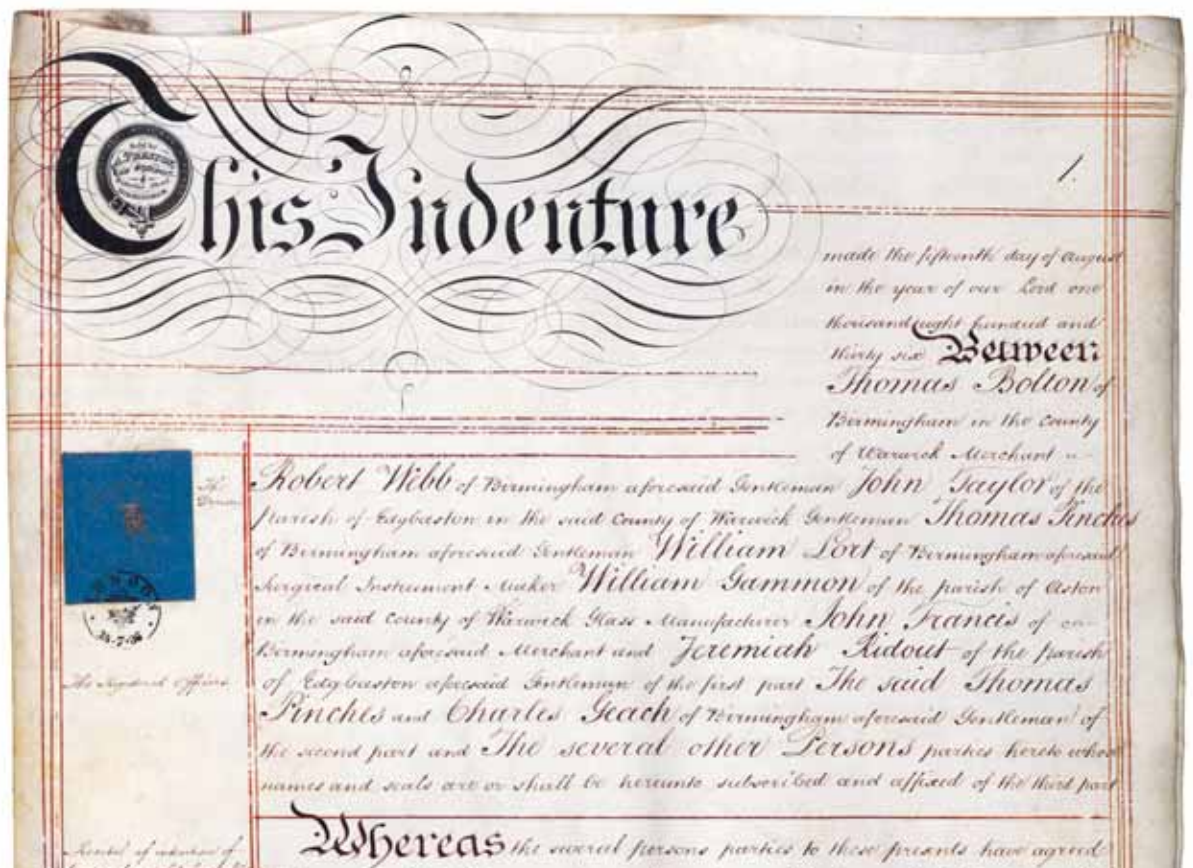


The HSBC Group has maintained a presence in Europe since the opening of the London office of The Hongkong and Shanghai Banking Corporation in July 1865. However, through the acquisition of other banks and companies, the Group's history in this region can be traced back to the late 18th century. It was the acquisition of Midland Bank plc (now HSBC Bank plc) in 1992 which transformed HSBC's representation in Europe, placing it among the leading financial institutions in the world. The Group's position was consolidated still further with the acquisition of Crédit Commercial de France S.A. (now CCF S.A.) in France in 2000.

Origins of Midland Bank, 1836

Midland Bank, which opened for business in Union Street, Birmingham, in August 1836, was the inspiration of its first manager, Charles Geach. Having left a secure appointment at the Bank of England to take up the challenge of commercial banking, Geach had the business support and capital backing of leading merchants and manufacturers in Birmingham. The town and its region were the homeland of the Industrial Revolution and the new bank began business in a thriving but highly competitive local economy.

In the 1830s and 1840s, Midland occupied an important niche in Birmingham business, particularly in the discounting of bills of exchange for its customers. Links with local industrial and commercial concerns were especially strong and, by the 1850s, the bank's customers included railways, iron foundries and engineering concerns, utilities and municipal corporations. Midland established its first branches by acquiring Stourbridge Old Bank in 1851 and Nichols, Baker and Crane of Bewdley in 1862. Both firms had been pioneers of banking in the West Midlands: the origins of the Stourbridge bank can be traced back to 1762 and the Bewdley bank dated from 1777.





Above: *The banking hall and counter of the Pall Mall branch of the London Joint Stock Bank in the 1850s, from a watercolour by E H Martineau. This bank became part of Midland in 1918.*

Left: *Bust of Sir Edward Holden, who led Midland Bank to become the biggest bank in the world by 1918.*

Acquisitions and development

In its first 50 years, Midland steadily enlarged its business in Birmingham and the surrounding region. From the 1880s, it expanded its customer base by opening new branches and by acquiring other banks. Its most important initiative was the decision to move into the wider national market. This was achieved in 1891 by the acquisition of the Central Bank of London (which gave Midland a seat in the London Clearing House) and, in 1898, by taking over the City Bank (which provided a London head office). By 1918, with deposits of £335 million, it ranked as the largest bank in the world. The key figure in this remarkable advance was Edward Holden, Managing Director from 1898 to 1908 and Chairman and Managing Director from 1908 until his death in 1919. He oversaw more than 20 bank amalgamations between 1891 and 1918, and opened new branches throughout England and Wales.

Holden also encouraged the development of Midland's international business; it was the first British bank to set up a foreign exchange department and, by 1919, it was acting as London bank to some 650 correspondent banks throughout the world. From 1907, these correspondents included The Hongkong and Shanghai Banking Corporation.

After the First World War, the leading British banks entered an agreement with the government that they would not attempt further amalgamations without Treasury approval. As a result, Midland turned its attention to expanding its branch network, adding new banking services, mechanising its systems (from 1928) and advertising its activities.



Right: Illustration of Bewdley, Worcestershire in about 1890. The business of Midland Bank's branch (centre) can be traced back to the foundation of Nichols, Baker and Crane in 1777.

Below: The coat of arms blazon granted to Midland in 1952. The bank's motto is *vis unita fortior* — strength united is yet stronger.



Post-war recovery and international alliances

The ending of credit restrictions in 1958 brought renewed competition into British banking. Midland responded by extending its branch network and by introducing a series of innovative services, including personal loans (1958), personal cheque accounts (1958) and cheque cards (1966).

At the same time, the bank diversified its interests away from traditional commercial banking. Forward Trust, which was acquired in 1958, emerged as a leader in instalment finance, leasing

and factoring services. Midland's purchase in 1967 of a share in Montagu Trust, the owner of Samuel Montagu & Co. Limited, was the first association between a British clearing bank and a London merchant bank. Samuel Montagu, with its own distinguished history dating back to 1853, became a wholly owned subsidiary in 1974 and is now part of HSBC's private banking business. Further diversification followed in 1972, when Midland was the leading member of the consortium that acquired the Thomas Cook travel business. After becoming sole owner in 1977, Midland sold its interest in 1992, but the link is maintained by offering Thomas Cook services through the bank's branch network.



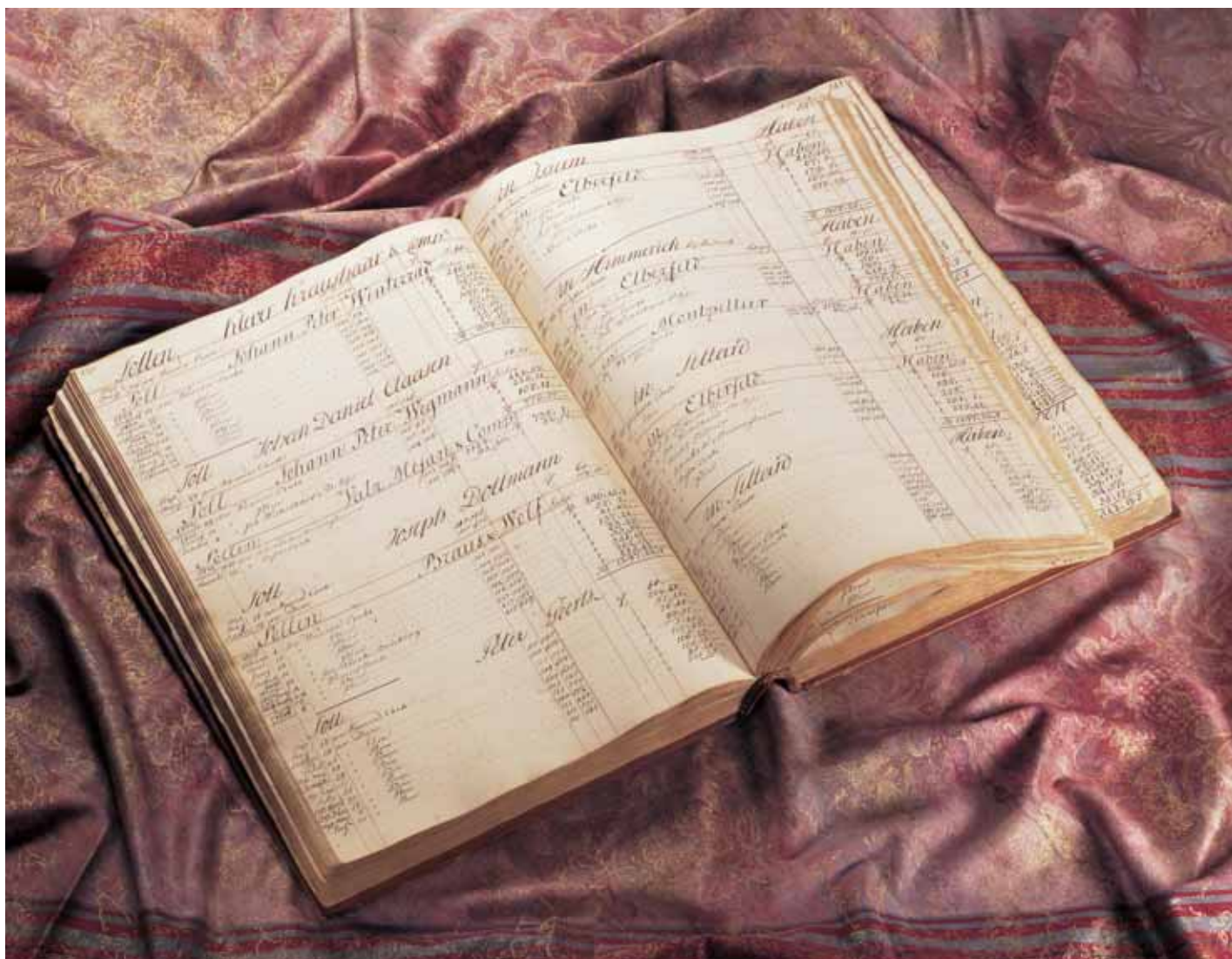
Until 1974, Midland's overseas business relied upon its traditional links with correspondent banks and, in the 1960s, membership of a number of consortia of European and international banks. From 1974, the emphasis switched, first to opening branches or representative offices in the major financial centres of the world and, second, to acquiring international subsidiaries. Of these initiatives, the purchase of a majority share in Crocker National of California, USA, in 1981 proved to be a serious setback to Midland's fortunes. After a series of heavy losses by the Californian bank, Midland took full ownership in 1985 and then sold Crocker to Wells Fargo the following year.

Midland Bank enjoyed greater success with investment in Germany, where the focus of activity was Trinkaus & Burkhardt KGaA, a private bank with a long history of its own. In 1785, Christian Gottfried Jaeger founded a trading company in Düsseldorf, which eventually passed to his nephew, Christian Gottfried Trinkaus. Trinkaus developed the firm into a bank and gave it his own name. In 1972, C G Trinkaus merged with the banking house Burkhardt & Co, which had been founded in Essen in 1841, and operations were extended to Luxembourg and Switzerland. Midland Bank acquired a controlling interest in 1980 and, today, as HSBC Trinkaus & Burkhardt KGaA, the company enjoys a leading position in both commercial and investment banking. Through the acquisition of Samuel Montagu & Co, Midland had also gained a majority share in Guyerzeller Bank AG (now HSBC Guyerzeller Bank AG) in Switzerland.



Left: The interior of Midland Bank's branch in Kendal in the 1890s. The wood panelling, stained glass and counter lamps were all typical features of branch premises during the 19th century and the first half of the 20th century.

Below: The first general ledger of Christian Gottfried Jaeger's trading house, established in Düsseldorf in 1785. The firm was the forerunner of HSBC Trinkaus & Burkhardt KGaA, the Group's principal subsidiary in Germany.



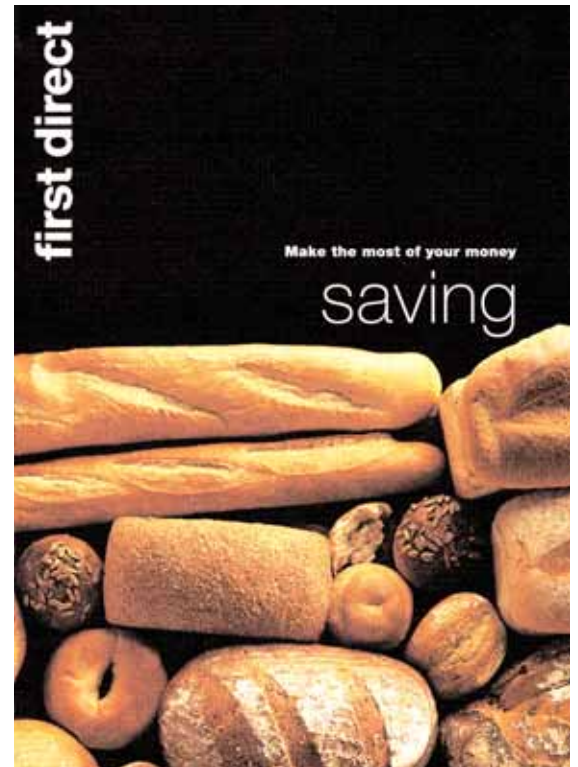
Right: Front cover of a marketing leaflet issued by First Direct, which had pioneered telephone banking in 1989.

Below: Night view of CCF's headquarters in Paris. The building was illuminated during 1994 as part of the bank's centenary celebrations.

Midland joins the HSBC Group

The Hongkong and Shanghai Banking Corporation acquired a 14.9 per cent equity interest in Midland Bank in 1987, and a strong working relationship developed. The most important innovation during this period was the launch of First Direct in 1989. First Direct pioneered the revolutionary concept of telephone banking, with a person-to-person service available 24 hours a day, 365 days a year. It now offers internet banking as well and serves more than one million customers. First Direct is today the most recommended bank in the United Kingdom.

In 1992, HSBC Holdings plc acquired full ownership of Midland Bank. It was one of the largest acquisitions in banking history, giving HSBC the major foothold in Europe that it needed to complement its existing business in Asia and the Americas. Midland was renamed HSBC Bank in 1999 as part of the adoption of the HSBC brand throughout the Group.



Origins of CCF, 1894

Ernest Méjà and Benjamin Rossier founded Banque Suisse et Française at 27, rue Laffite, Paris, on 1 July 1894. They had previously worked together for Banque Fédérale S.A. and their new firm began by taking over the business of the Swiss bank's Paris branch. Méjà remained as joint managing director of the bank with Rossier until his death in 1910. Rossier then continued to run the bank until his retirement in 1936. Both men's valuable contributions to the French economy were recognised when they were made chevaliers of the Légion d'honneur.

From its early days, Banque Suisse et Française took an active interest in commerce and industry. A successful working relationship was developed with the Paris department store Galeries Lafayette. The bank also helped fund the construction of the new Métropolitain underground system and the installation of public lighting in the capital. The early success of the business led to considerable expansion. The number of employees rose tenfold by the turn of the century, and the bank moved to larger headquarters at 20, rue La Fayette. From 1912, the bank began to develop a branch network, with 14 offices opening in Paris and a first provincial office in Lille. An office was also acquired in Marseilles when the business of Banque du Colombier was taken over in 1914.

The creation and development of CCF

In January 1917, the bank's shareholders approved a proposed merger with the Lyons-based Maison Aynard et Fils and Caisse de Crédit de Nice. Maison Aynard et Fils had started out as a drapers' company in the early 18th century, before turning to banking in 1858. Established in 1865, Caisse de Crédit de Nice had opened a number of branches along the Mediterranean coast and in Italy. The resulting business adopted the name Crédit Commercial de France (CCF). Two years later, the business of the Banque de Bordeaux was also acquired.

In 1922, the bank's central management and main services were transferred to 103, avenue des Champs-Élysées. Still the headquarters of the bank today, these former hotel premises offered a prestigious location from which CCF consolidated its standing on the French banking scene. The company continued to expand through the acquisition of other banks and, by the end of the decade, it had become the sixth largest bank in France.

In the 1960s, during the chairmanship of Jacques Merlin, CCF embarked upon a policy of considerable expansion, with the number of branches rising to more than 200. The bank's industrial affairs department and international department were also founded during this period. In 1979, the long-running advertising campaign, 'The Bank of success', was launched, which boosted the number of shareholders from 17,000 to 34,000. Three years later, the bank was nationalised by the French government but this decision was later reversed and CCF was privatised once again in 1987.

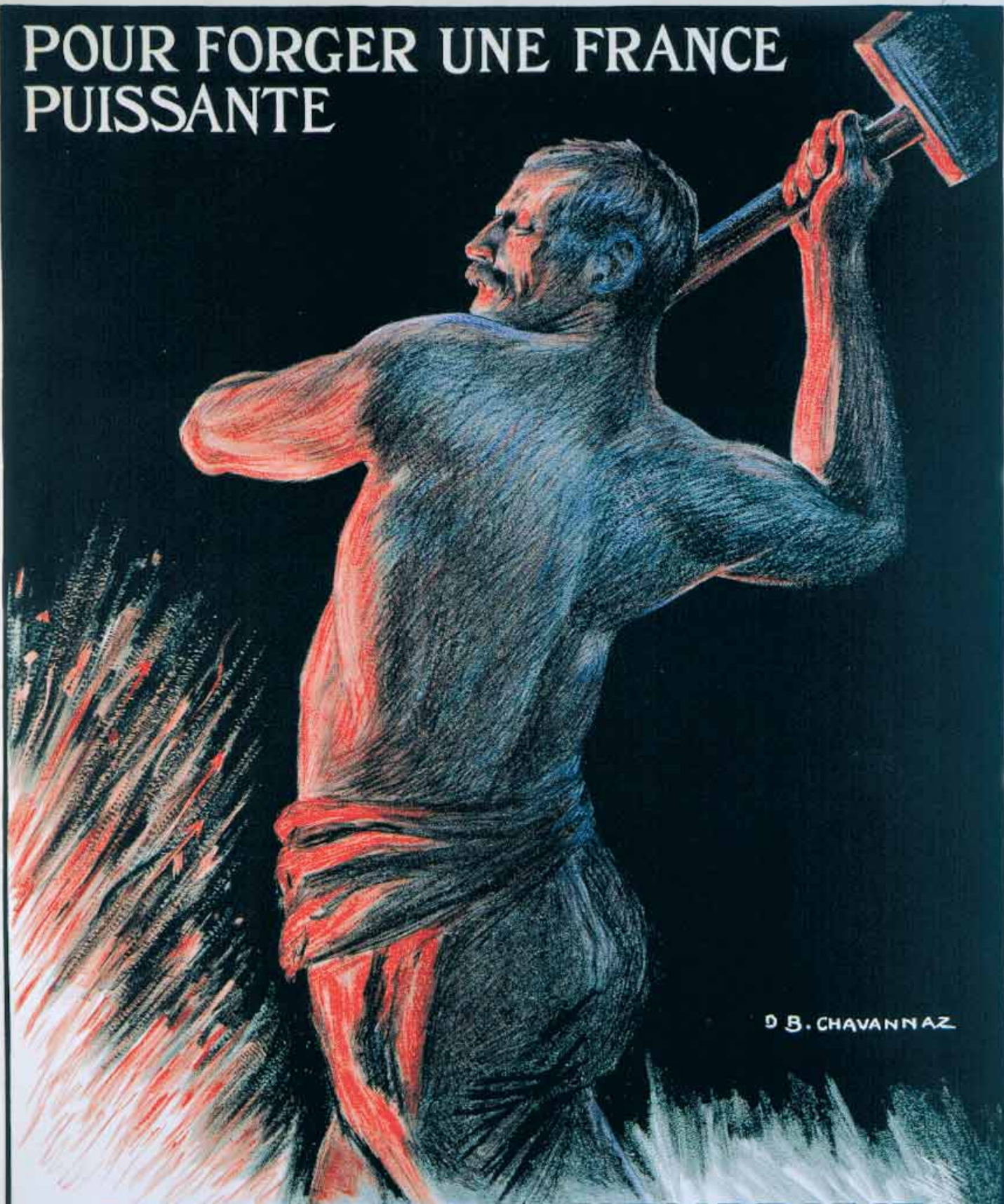
CCF joins the HSBC Group

CCF was operating with 650 branches and assets of €69 billion by the end of the 20th century. In April 2000, HSBC Holdings plc announced its intention to acquire the bank and the deal was completed in July. That month, HSBC Holdings plc was listed on the Paris Stock Exchange for the first time. The acquisition has enabled HSBC to establish a strong position in one of the main European markets, and to build a strong platform in the euro zone. CCF has continued to expand with the purchase of Banque Pelletier (2000) and Banque Herve (2001).

Below and overleaf:
CCF posters
advertising liberation
and reconstruction
loans, which were
issued in France
following the end of the
First World War.



POUR FORGER UNE FRANCE
PUISSANTE



D B. CHAVANNAZ

SOUSCRIVEZ A L'EMPRUNT

CRÉDIT COMMERCIAL
= DE FRANCE =



Other European connections

HSBC can claim long experience of European markets in addition to the connections developed by Midland and CCF. The London office of The Hongkong and Shanghai Banking Corporation was opened within a few months of the bank's founding in 1865, and it continued to play a key role in business and management development. The bank was the first foreign bank to open branches in Lyons (1881) and Hamburg (1889). Both the Mercantile Bank and The British Bank of the Middle East also maintained London offices.

In other facets of its European business, The Hongkong and Shanghai Banking Corporation sought growth through the acquisition of existing businesses. In 1973, for example, the bank obtained a share in Antony Gibbs, the old-established London merchant bank, and took full ownership in 1980. The bulk of this business was later subsumed into the Group, but the insurance connection continues as HSBC Insurance Brokers Limited, one of the largest brokers in the Lloyd's of London market.

In 1971, The British Bank of the Middle East acquired a 20 per cent stake in The Cyprus Popular Bank Limited. This company had been founded in 1901 as the Popular Savings Bank of Limassol. HSBC has since increased its holding to 22 per cent and, in 1996, the marketing name was altered to Laiki Group.

In the 1980s, the deregulation of the London Stock Exchange — 'Big Bang' — gave banks the opportunity to enter new financial markets. In the case of The Hongkong and Shanghai Banking Corporation, this was achieved by the acquisition of James Capel & Co. Limited in 1986. Established in the 1770s, Capel provided access to capital markets and securities activities. This business was subsequently integrated into HSBC's investment banking business.



Far left: Headquarters of Laiki Group in Nicosia, Cyprus.

Left: Headquarters of HSBC Bank Malta p.l.c. in Valletta.

Below: Advertisement by HSBC Bank A.S. in Turkey, using the Group theme of the importance of local knowledge. The advertisement also shows money through the ages and features the bank's popular Advantage card.

In June 1999, HSBC acquired a majority shareholding in Malta's Mid-Med Bank p.l.c. (now HSBC Bank Malta p.l.c.), the largest commercial bank on the island. Two years later, HSBC Bank plc acquired Demirbank TAS, the fifth largest private bank in Turkey. This business has since been merged into HSBC Bank A.S., which had first entered the Turkish market in 1990. These developments have contributed to HSBC's strategy of building a strong, diversified representation throughout Europe.

The advertisement is framed in red and features three items: a gold coin labeled 'LİKVA 3000 yıl önce', another gold coin labeled 'BİZANS 11. yüzyıl', and a modern HSBC Advantage Card labeled 'TÜRKİYE 21. yüzyıl'. Below these items is the slogan 'Biz, yerel bilginin değerini iyi biliriz.' At the bottom, there is a small disclaimer in Turkish and the HSBC logo with the tagline 'Dünyanın yerel bankası'.