2009 INVESTOR ROADSHOW – HONG KONG AND SHANGHAI

Taiwan

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HSBC
The world's local bank

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All financial information used in this presentation is reported in accordance with IFRS and extracted from HSBC Holdings plc's 2009 Interim Report unless indicated otherwise. 'Hong Kong' includes Hang Seng Bank, 'Asia' includes Hong Kong and Rest of Asia and 'Asia-Pacific' includes Asia and the Middle East, unless stated otherwise.

Agenda

Country overview

Economic outlook

Opportunity

Presence

Performance

Summary

Country overview

Population	**23.0 million[1]**
GDP growth	**-4.2% (2009e)[2]**
Gross GDP at purchasing power parity	**US$664bn[3]**
Foreign trade	**US$491.6bn[4]**
Foreign exchange reserves	**US$296.4bn (ranked 4th)[1]**

Notes:
(1) CIA The World Factbook 2009 (figures are 2008 estimates except for population at Jul 09 estimates)
(2) HSBC Asian Economics 4Q09
(3) IMF World Economic Outlook Apr 09
(4) CIA The World Factbook 2009 (total of imports and exports 2008 estimates)

Economic outlook

Taiwan back in business

GDP and GDP growth[1]

Economy to rebound in 2010

- Economic recovery, initially driven by rebound in domestic demand, now also supported by increased export orders
- Financial Memorandum of Understanding expected to be signed this year and Economic Cooperation Framework Agreement (ECFA) expected to be signed in 1Q10
- Improving cross-strait relations boosting confidence and investor sentiment
- Capital flows returning, with more to come, especially from domestic investors
- Labour market conditions likely to stabilise as manufacturing sector increases jobs
- Interest rates will rise next year but continue to remain low relative to rest of region

Note:
(1) HSBC Asian Economics 4Q09 (nominal GDP)

Opportunity

Greater China: Mainland China is Taiwan's key trading partner

2008 Greater China trade, US$bn[1]

Exports to mainland China[2]

Notes:
(1) ROC Customs, PRC Customs
(2) Bureau of Foreign Trade

Opportunity

Removal of cross-strait restrictions

Economic developments

30 Jun: RMB/NTD cash conversion allowed

01 Aug: Ceiling removed for China-bound investments

11 Sep: China approval for Mega Bank to set up rep office, first time in 6 years

7 Jul: UnionPay card service launched in Taiwan

14 May: 99 sectors opened to PRC direct corporate investment

Nov – First round of EFCA official negotiation launched

Nov – Signing of MOU and RMB clearing agreement

Dec – Lift restrictions on China-bound investment in sensitive industries

2008 **2009** **2010**

18 Jul: Mainland tourists allowed

4 Jul: Cross-strait charter weekend flights launched

17 May: Ying-jeou Ma elected president

29 Apr: China Mobile announces intention to acquire 12% of Far EasTone

15 Dec: Cross-strait agreements on air and sea transport and postal service

14 May: PRC citizen/business allowed to purchase residential/owner-occupied property in Taiwan

1Q – Signing of ECFA

Dec – Fourth round of Cross-Strait Conference

Other developments

Opportunity

Among most mass affluent individuals in Asia

Number of mass affluent individuals (millions)[1]

Forecast growth of mass affluent in Taiwan 2003 – 2012 (millions)[1]

Note:
(1) Datamonitor Asia-Pacific Wealth Model 2008; includes individuals with liquid assets between US$100,000 and US$2m

Opportunity

Taiwan projected to have second highest percentage of elderly in world by 2050

Percentage of elderly (2010-2050)

Note:
(1) Council of Labour Affairs, Taiwan

Opportunity

HSBC's consistent platform, strong brand and international network positioned for growth

Export-oriented economy with a large trade surplus and one of the world's biggest foreign reserves

Rapidly liberalising cross-strait capital and investment flows

High savings rate, good wealth distribution and strong base of middle class households

Ageing population increases demand for life protection and retirement services

Presence

Building on expanded network from The Chinese Bank (TCB) integration

Diversified businesses:

- 34 HSBC branches in all key cities
- 4 HSBC Asset Management offices
- HSBC Life International
- HSBC Securities
- HSBC Insurance Brokers
- HSBC Factors

Branches[1]

Bank	Greater Taipei	Rest of Taiwan	Total
Standard Chartered	14	72	86
Citibank	27	38	65
HSBC	21	13	34
RBS / ABN / ANZ	8	13	21

Note:
(1) Banks' public websites as at Nov 09

Performance

PBT of US$81m at 1H09

Profit before tax, US$m

Business mix, US$m

Strategy

To leverage on The Chinese Bank acquisition and Greater China platform

Personal Financial Services	• Acquire customers • Focus on Wealth Management; improve cross-sell ratio • Expand into mid-market segment
Commercial Banking	• Expand SME customer base to build scalable business • Strengthen collaboration with CMB teams in Greater China to promote HSBC's on-the-ground capabilities
Global Banking and Markets	• Promote transactional, treasury, lending and risk management services to clients engaged in overseas manufacturing/trading, particularly Greater China
Insurance	• Follow PFS expansion into mid-market distribution focusing on regular premium protection sales • Expand distribution capabilities into Commercial Banking and Private Banking
Asset Management	• Follow PFS expansion into mid-market distribution • Retain market leadership position in select funds

Optimise benefits from The Chinese Bank acquisition

Key results

	Pre-acquisition	Post-TCB acquisition		
	Dec 07	Jun 08	Dec 08	Jun 09
No. of branches	8 branches	44 branches, 3 licences	33 branches, 14 licences	34 branches, 13 licences
PFS customers (‘000s)	550	1,010	800	700
CMB customers (‘000s)	4.5	20	14	11
Staff (full-time equivalents)	2,400	3,800	3,200	3,000
Customer deposits (US$bn)	9.4	12.2	9.7	9.8
Customer advances (US$bn)	3.7	5.3	4.3	4.1

Optimise benefits from The Chinese Bank acquisition

Acquire new customers

Number of new accounts opened, year-to-date 2009

Optimise benefits from The Chinese Bank acquisition

Improving productivity while optimising staff deployment

Improving productivity

- **More than 2,800 successful referrals across customer groups**
- **Cross-sell ratio of investment and insurance products to PFS customers increased by 20%**
- **Average cost per transaction reduced by 36% since TCB systems were integrated into HSBC in Nov 08**

Optimising staff deployment[1]

Note:
(1) Staff counted in terms of full-time equivalents

Greater China

Largest international branch network with over 300 outlets in Greater China

Greater China strategy

- **Combine balance sheet support and strong local relationships with advisory services**
- **Cross-referral program with Hong Kong and mainland China, supported by dedicated marketing programme**
- **Leverage product expertise and common system platform to provide full spectrum of transactional banking**
- **Leverage Premier platform and opportunities**

1,000 largest Taiwan companies in Mainland[1]

		HSBC customers in Taiwan		
		Yes	**No**	**Total**
HSBC customers in mainland China	**Yes**	172	**16**	**188**
	No	**186**	626	**812**
	Total	**358**	**642**	**1,000**

Opportunity: 202 customers being referred cross-strait

Note:
(1) China Credit Information Service

Summary

Competitive in challenging times

Delivering profit and well-positioned for the future

Build on expanded network and customer base

Optimise benefits of TCB integration to build onshore business

Capture Greater China opportunity

Capture cross-border trade, investments and personal finance flows across Greater China