HSBC Holdings plc

Taiwan

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Presentation by John Li

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Forward-looking statements

- **This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Interim Report. Past performance cannot be relied on as a guide to future performance.**

This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial information to the most directly comparable measures under GAAP can be found in HSBC's 2010 Interim Report in the Operating and Financial Review.

Agenda

- Economic prospects
- Opportunity
- Building on expanded platform
- Strategy: taking the business to the next level
- Delivering growth
- Summary

Economic prospects

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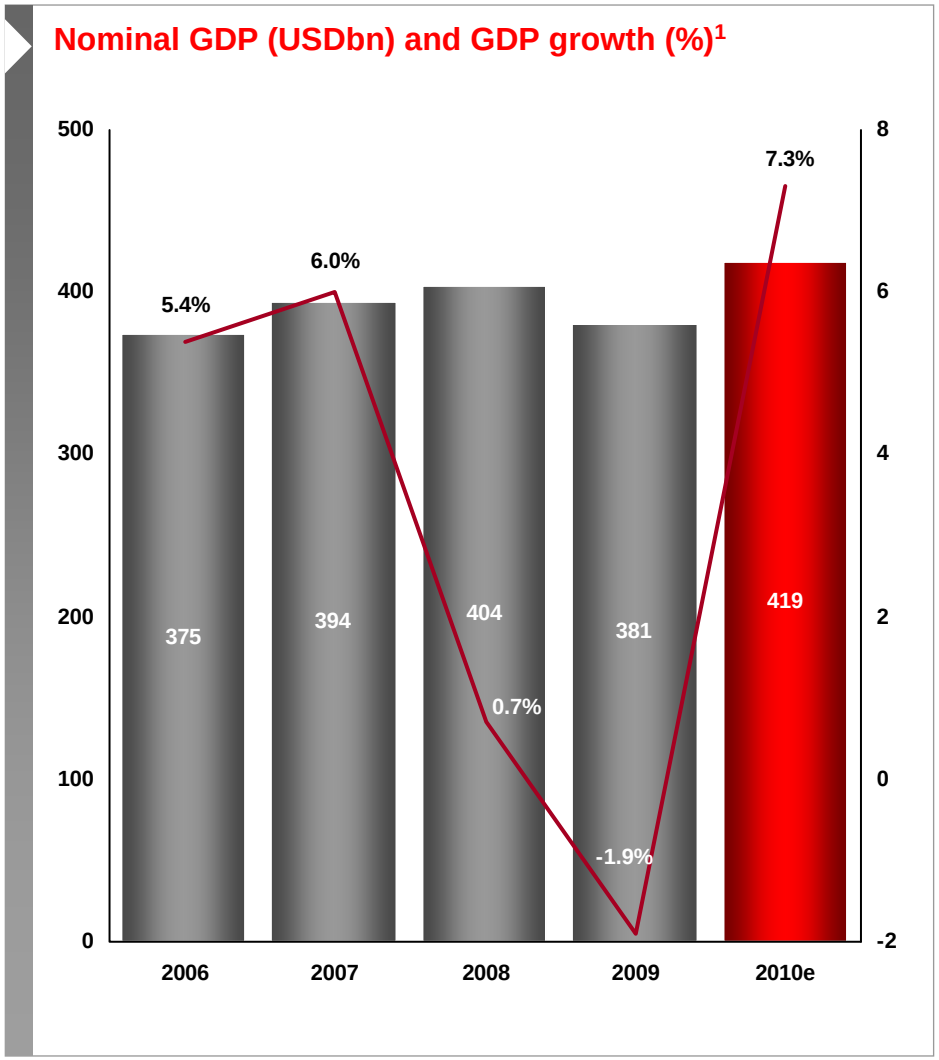
Sustained expansion fuelled by exports and private investments



Population[2]: 23.3m	Stronger labour market with wealth effect
GDP growth[1]: 7.3%	Capital flows returning, especially from domestic investors
Gross GDP (PPP)[2]: US$810.5bn	Among 'four Asian tigers'
Merchandise exports[1]: US$264.2bn	Exports to Asia over 60%, strong mainland China demand
Merchandise imports[1]: US$260.1bn	Mainland China as top import partner

Notes:
(1) HSBC Global Research, 2010 estimates
(2) IMF World Economic Outlook, 2010 estimates

Opportunity

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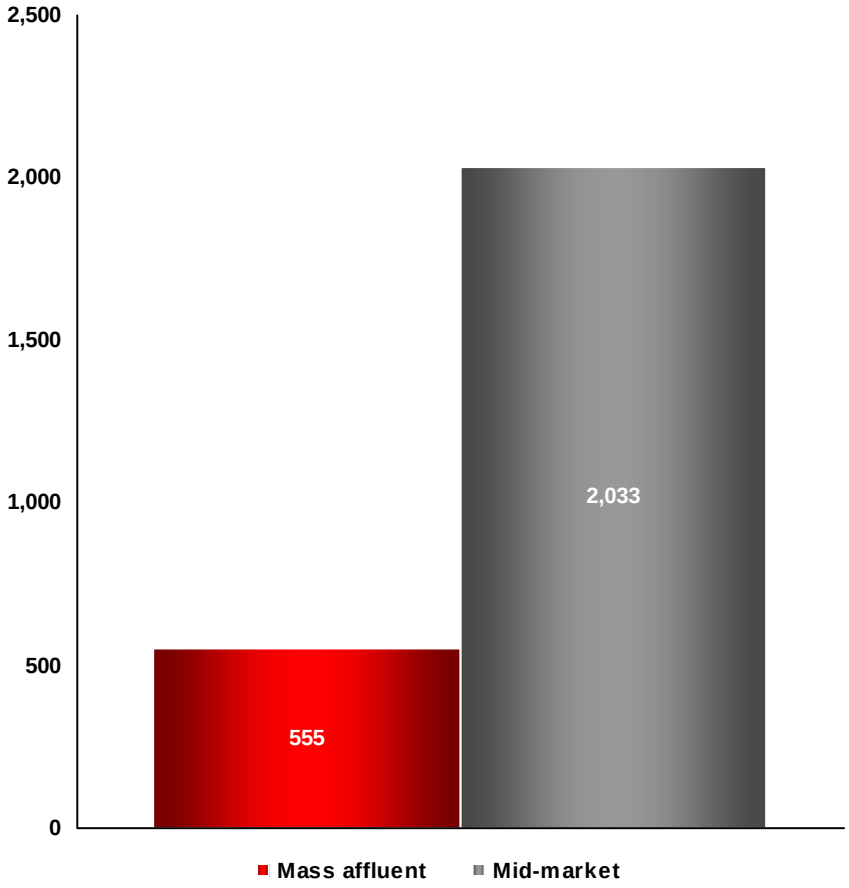
Strong base of mass affluent and mid-market segments

Size of mass affluent and mid-market bases ('000s)[1]

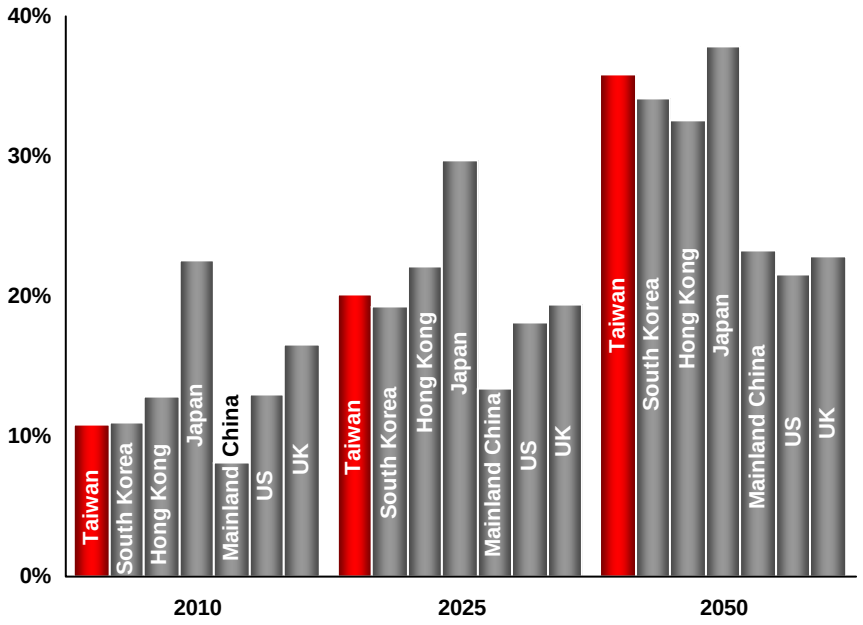


- **Over half a million mass affluent individuals in Taiwan in 2010, nearly a tenth of the banking population**
- **Mass affluent segment with an average of USD245,000 in liquid assets**
- **Over 2 million individuals in the mid-market segment in 2010, a third of the banking population**
- **Mid-market segment with an average of USD28,700 in liquid assets**

Notes:
(1) HSBC Market Sizing Study 2010 (Synovate): mass affluent defined as individuals with minimum total relationship balance (TRB) of USD309,200 and mid-market defined as individuals with minimum TRB of USD92,800. Survey covered Greater Taipei, Taoyuan, Taichung and Kaoshiung, Hsinchu, Fengyuan, Changhua, Tainan, Chiayi, Chungli and Yungkang

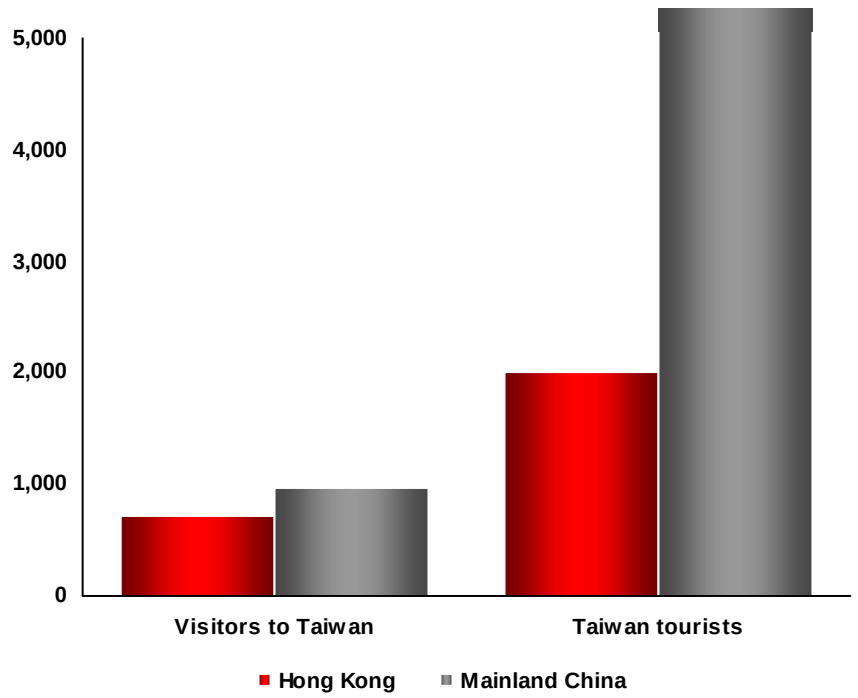
Prospects in ageing population and internationally-mobile

Percentage of elderly (2010-2050)[1]



- Second largest ageing population in the world by 2050

Number of visitors ('000s), 2009[2]

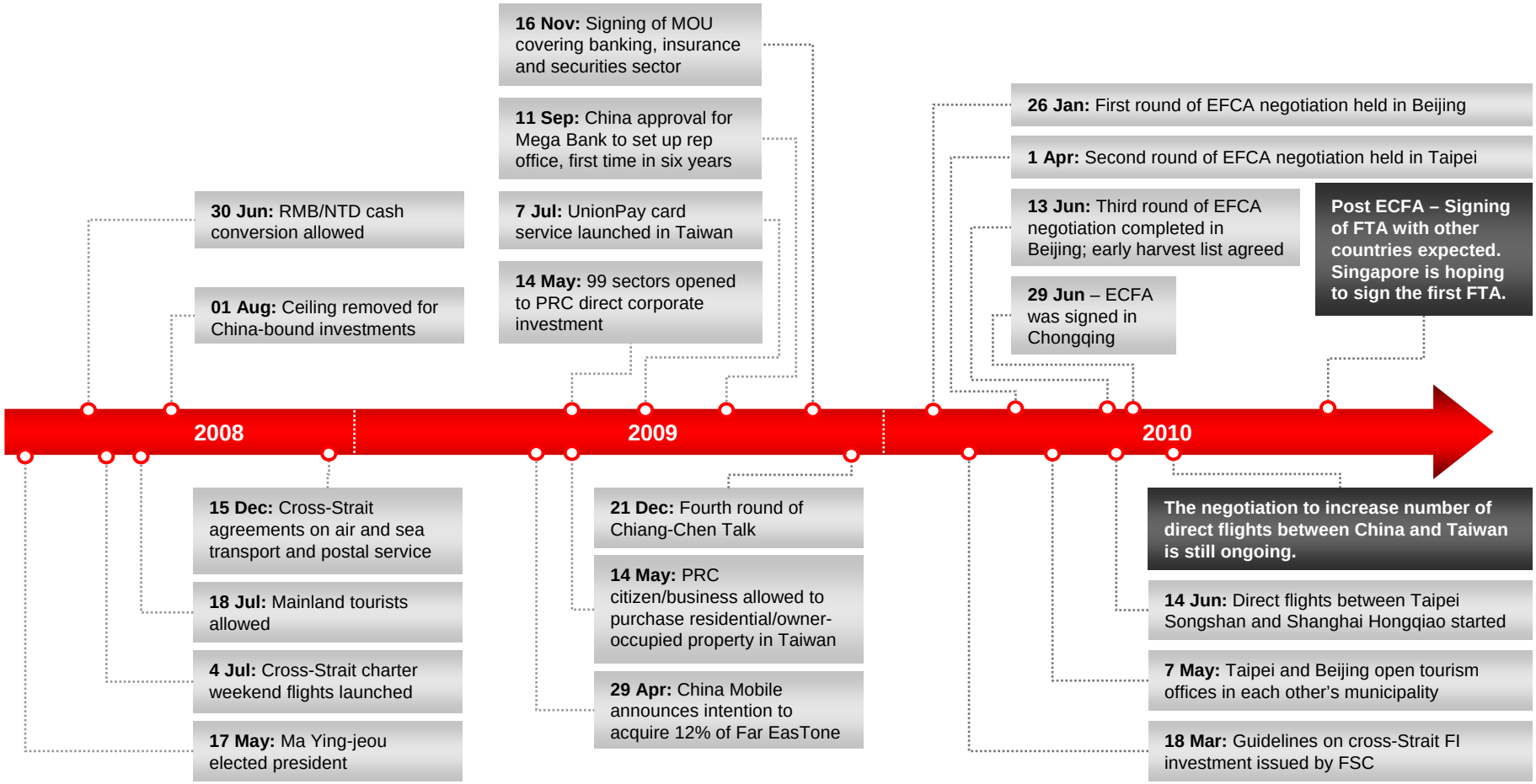


- Two million Taiwanese tourists visited Hong Kong and 5.5 million visited mainland China in 2009
- Nearly one million Mainland tourists and over 700,000 Hong Kong tourists visited Taiwan in 2009
- Over one million Taiwanese residents in the Mainland

Notes:
(1) Council of Labour Affairs, Taiwan
(2) Tourism Bureau Ministry of Transportation and Commerce, Republic of China (Taiwan); Tourism Commission, HKSAR; National Tourism Administration of the People's Republic of China

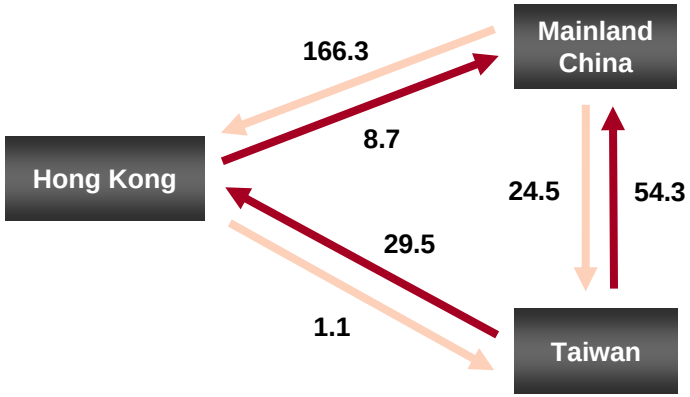
Rapid liberalisation of cross-strait relationships

Economic developments

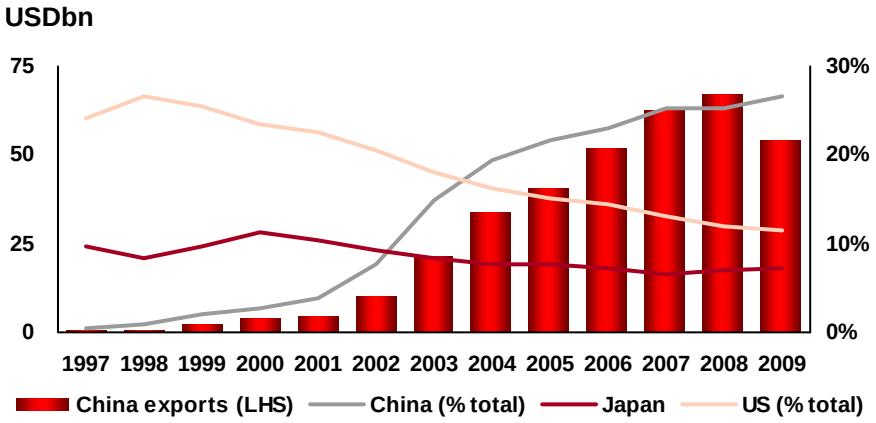


Expansion of Taiwanese businesses fuelled by Greater China prospects

Greater China trade 2009, USDbn[1]



Exports to mainland China[1]



Mainland China as top trade partner

Hong Kong is Taiwan's 3rd top export partner after China and the US[2]

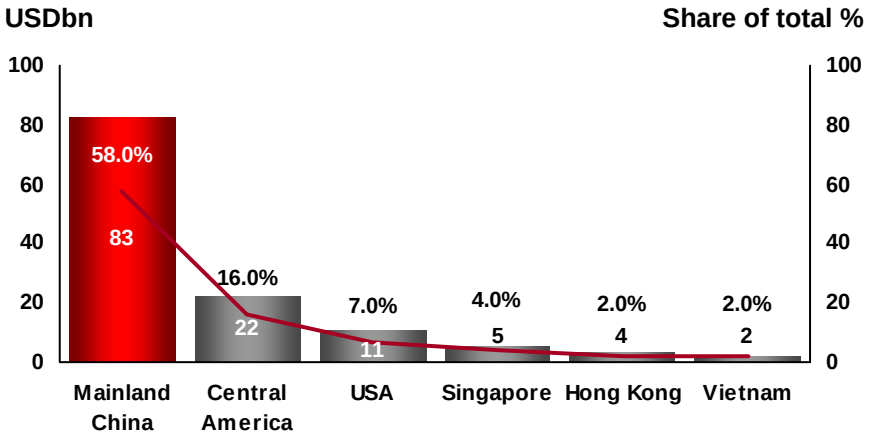
Taiwan exports to Hong Kong at USD29.5 billion in 2009[2]

Mainland China as top FDI destination

Taiwanese companies invested over USD83 billion in mainland China over the last decade

Nearly 60 per cent of total outward FDI invested in the Mainland

Taiwan outward FDI, 1991-2009[2]



Notes:
(1) Bureau of Foreign Trade
(2) Mainland Affairs Council

Building on expanded platform

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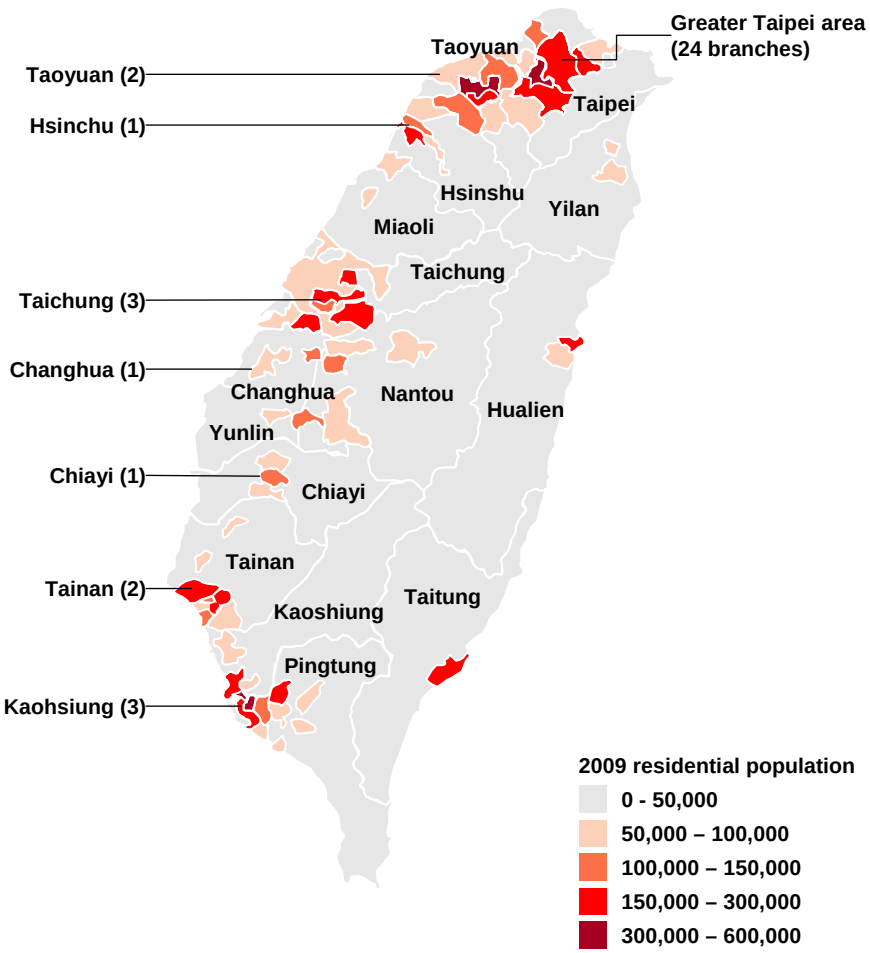
Presence focused on strategic areas



Strategic distribution

- Locally incorporated in May 2010
- 37 branches including 3 new branches and 6 CMB Centres

Financial strength

- Highest ratings for any local financial institution in Taiwan
  - S&P rating of A+ long-term with stable outlook and A-1 short-term
  - Taiwan rating of twAAA long-term with stable outlook and twA-1+ short-term

Market leadership

- No 1 in export factoring – 20 per cent market share[1]
- No 1 foreign bank in D/C negotiation – 4.8 per cent market share[2]
- No 1 Domestic Cash Manager for 2nd consecutive year[3]
- Banks over a third of the 1,000 Taiwanese companies in the Mainland

Notes:
(1) Factors Chain International 2009
(2) Financial Supervisory Commission, Executive Yuan, May 2010
(3) *Euromoney* Cash Management Poll 2009

Optimising benefits from The Chinese Bank acquisition

	Pre-acquisition		Post-acquisition	
	Dec 2007	**Dec 2008**	**Dec 2009**	**Jun 2010**
No. of branches	8 branches	33 branches, 14 licences	34 branches, 13 licences	37 (sub), 1 (HBAP), 9 licences
PFS customers ('000s)	550	800	668	632
CMB customers ('000s)	4.5	14	10	10
FTE	2,400	3,200	3,050	3,100
Deposits (USDbn)	9.4	9.7	9.9	10.4
Loans and advances (USDbn)	3.7	4.3	4.3	5.3

Strategy: taking the business to the next level

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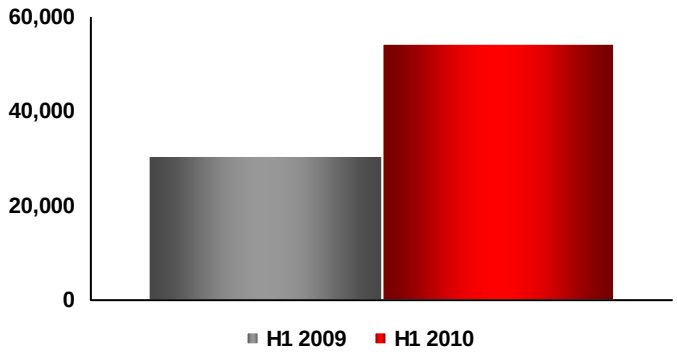
Cross-sales to accelerate emerging affluent market share growth

- Build Premier and Advance base
- Launch new investment products
- Grow mortgages
- Increase cross-sell of insurance products from HSBC Life
- Strengthen referral links to and from Private Banking

Strengthen wealth management platform

Premier customer growth, H1 2009 vs H1 2010



- Premier base up 76 per cent to over 54,200 y-o-y
- Over 37,000 Advance customers
- Conversion rate of SME business owners to Premier/Private Banking at 30 per cent

- Significant increase in assets under management
- Launched secondary bonds, new ETF funds, Gold account and IPO funds
- Strengthen financial planning services and quality of relationship managers
- Expand range of investment and insurance products
- Expand range of delivery channels

Cross-sales to expand small and mid-market businesses base

- Expand SME coverage via direct sales, channels and referrals
- Extend lending, investment and insurance tailored to CMB segments
- Build on trade and payments and cash management expertise

Build on strengths and global platform

- Receivables finance turnover up 126 per cent y-o-y
- Trade turnover up 84 per cent y-o-y
- Dedicated SME/MME services via six CMB Centres

Cross-sales to extend share of wallet in key relationships

Build on leadership and global platform

- Grow quality assets
- Cross-sell transactional, treasury, lending expertise to international MMEs
- Provide balance sheet and advisory support for expansion and integration
- Build international capital markets underwriting and advisory businesses

- Revenue focus will shift to fee income business from net interest income
- Focus on Taiwanese large corporates targeting mainland China's domestic market for expansion
- Tapped Global Banking and Markets customers for EUR and RMB payments and collections mandates
- Won four loan syndication mandates in H1 2010

Build on international connectivity to expand Greater China platform

- **Expand RMB business across personal and corporate customers**
- **Secure key roles in cross-border funding and capital markets deals**
- **Position to capture increased QDII/QDFI and wealth management opportunities**
- **Lead in cross-border transaction banking to strengthen leadership in Payments and Cash Management and Securities Services**

Delivering growth

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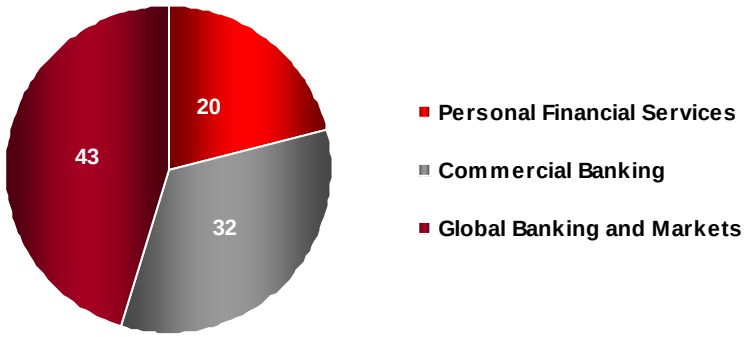
Sustained profits

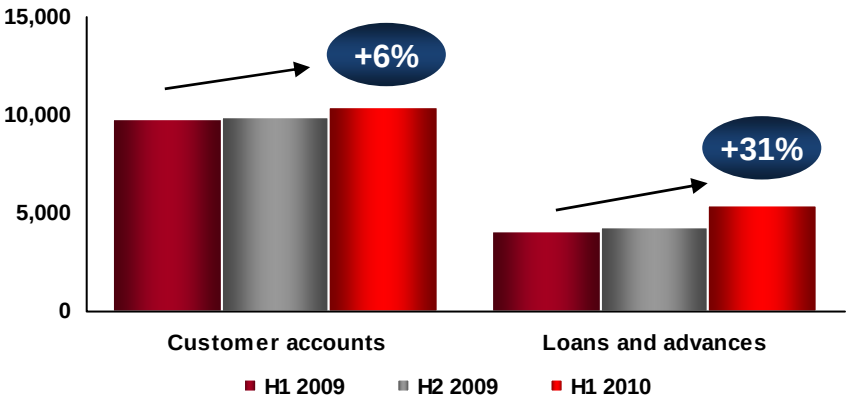
PBT at USD86m up 6 per cent year-on-year in H1 2010

PBT by customer group, H1 2010 (USDm)



Other: (USD9m)

Customer accounts and loans and advances (USDm)

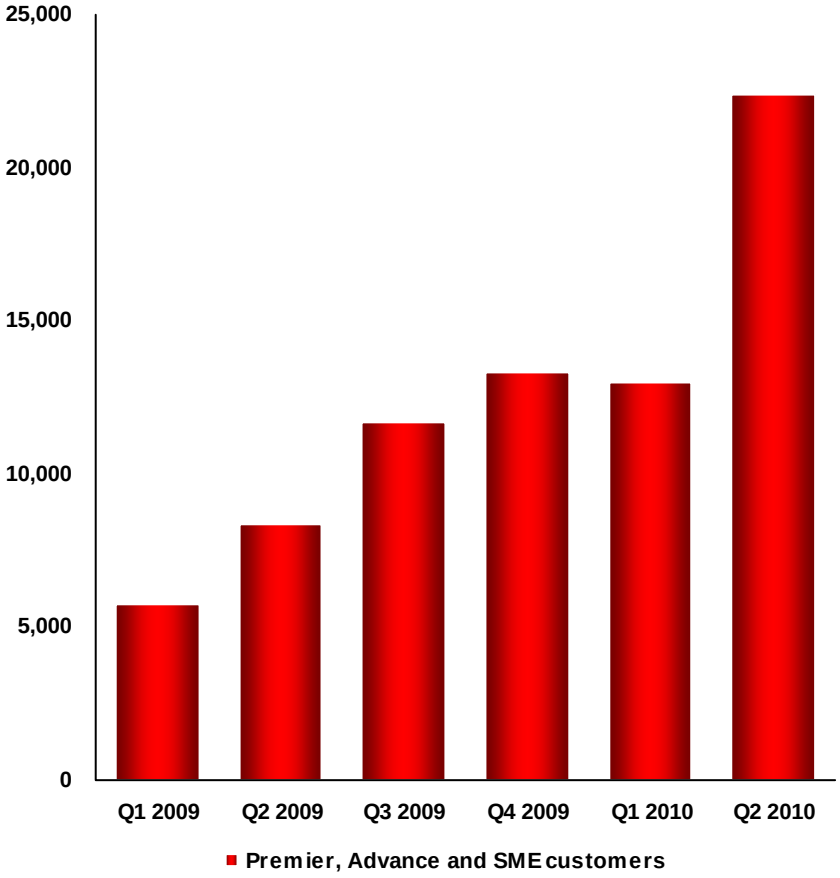


Highlights

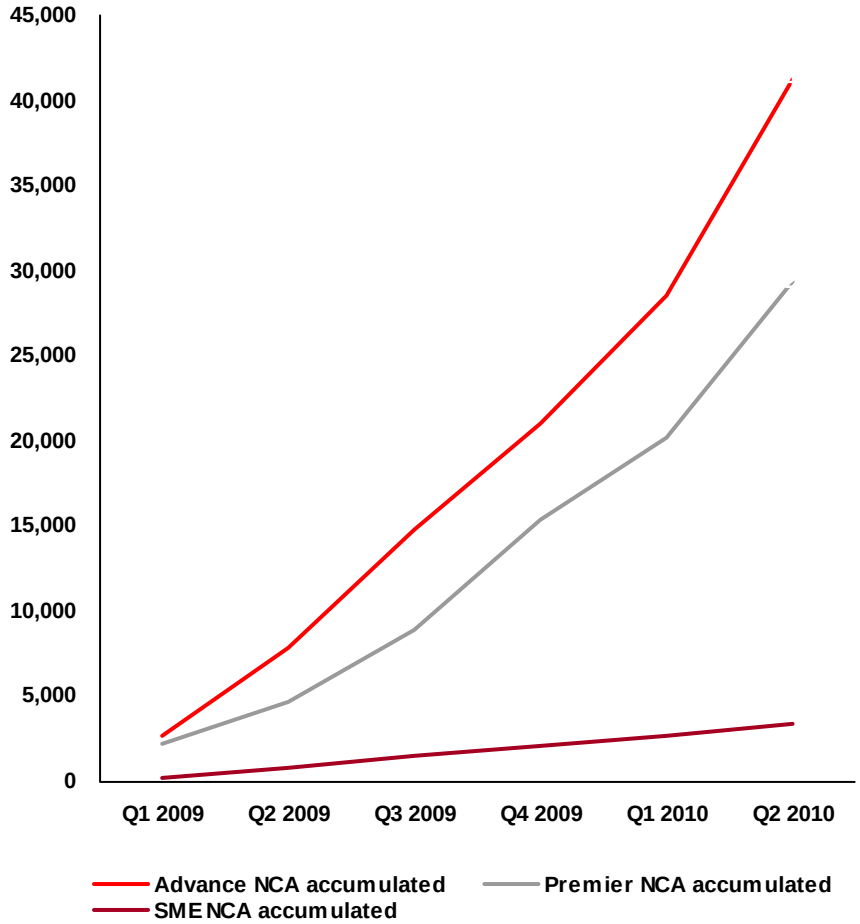
- **PFS returned to profitability**
- **Diversified profit contribution across customer groups**
- **Growing assets – loans and advances up 31 per cent y-o-y**

Growing customer base

Number of new accounts opened, Q1 2009-Q2 2010



New customer accounts (NCA) by proposition, Q1 2009-Q2 2010



Summary

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Positioned to strengthen role in Greater China strategy

- **Building out network and capabilities to grow onshore business**
- **Growing assets selectively and strategically**
- **Cross-sales driving growth in share of wallet**
- **International connectivity to capture cross-border trade, investment and wealth flows especially in Greater China**