HSBC Holdings plc

Malaysia

HSBC

The world's local bank

Presentation by Mukhtar Hussain

Deputy Chairman and Chief Executive Officer, HSBC Malaysia

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
- HSBC platform for growth
- Strategy: taking the business to the next level
- Delivering growth
- Summary

Economic prospects

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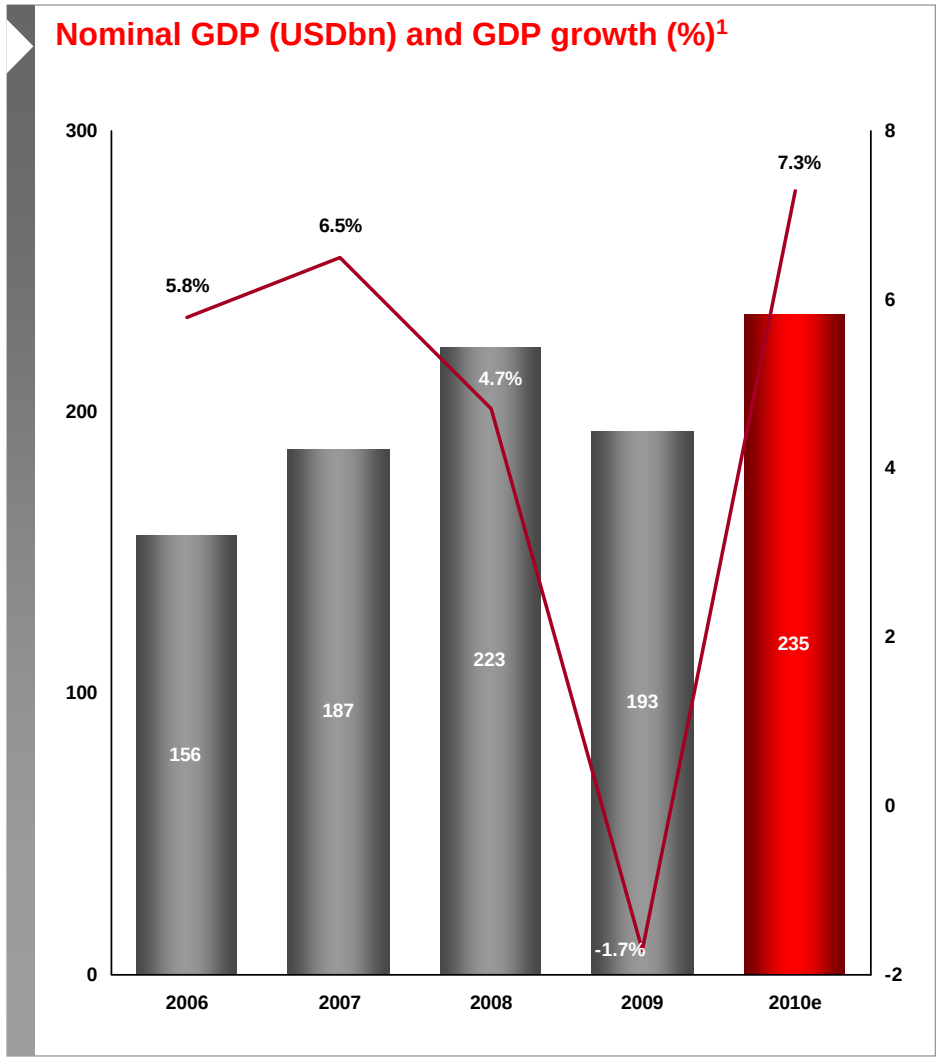
Export-driven growth, room to boost private investments



Population[2]: 28.2 million	Young population – a third aged below 15 years
GDP growth[1]: 7.3 per cent	Robust exports but need investment boost
Gross GDP (PPP)[2]: USD412bn	Industrial sector and fiscal stimulus
Merchandise exports[1]: USD201.4bn	One of the world's largest producers of palm oil and rubber
Merchandise imports[1]: USD154.3bn	Improving domestic consumption

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

Opportunity

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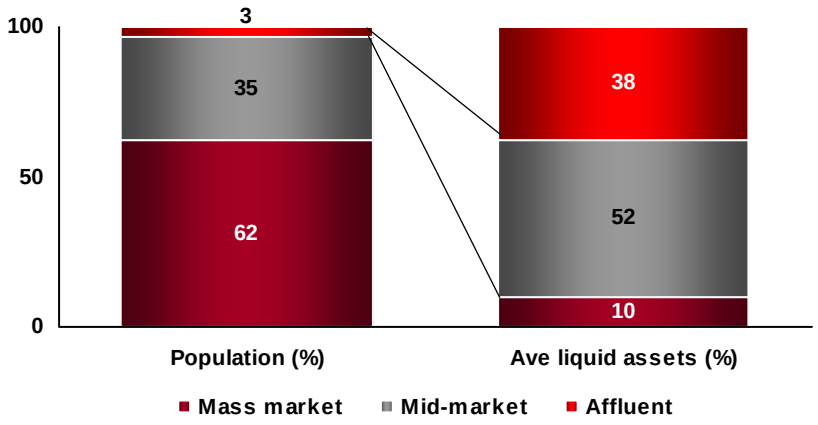
Concentration of wealth among mass affluent and mid-market

Over a third of banking population are mass affluent/mid-market, owning 90 per cent of liquid assets

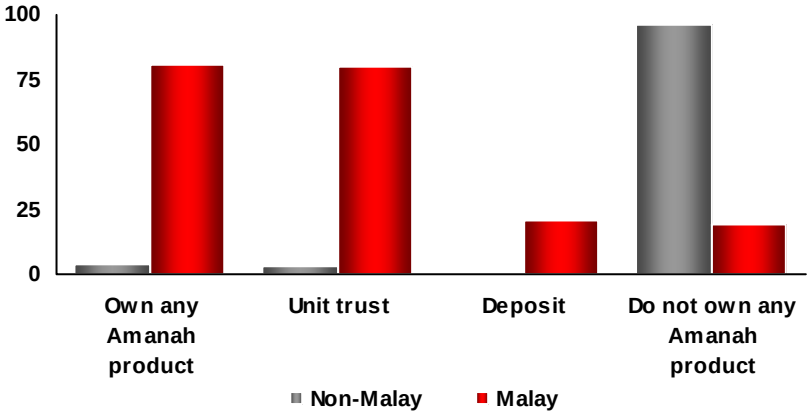
Mass affluent and mid-market population[1]



- Over 150,000 potential mass affluent and over 2 million potential mid-market[1]
- Cash-dominant asset strategy[2]
- Mass affluent average liquid assets of USD66,900; mid-market average liquid assets of USD6,750
- Over a fifth of assets invested in unit trusts – but room to diversify wealth management[2]

Room to grow penetration into Amanah market

Amanah take-up among mass affluent[2]



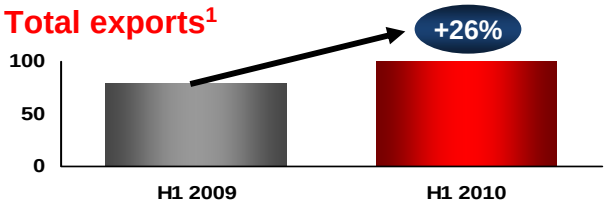
- 81 per cent of mass affluent Malays hold an Amanah product – majority hold unit trusts
- Product market shares concentrated in one or two banks
- 99 per cent of non-Malay mass affluent to consider Amanah products

Notes:
(1) HSBC Market Sizing study (Synovate): mass affluent defined as individuals with minimum total relationship balance (TRB) of USD58,000 and mid-market defined as individuals with minimum TRB of USD2,900. Survey covered Kuala Lumpur/Selangor, Johor Baru, Batu Pahat, Muar, Penang, Kota Kinabalu, Labuan, Sandakan, Tawau, Kuantan, Bentong, Cameron Highlands, Raub, Temerloh, Ipoh, Taiping, Teluk Intan, Alor Star, Sungai Petani, Kota Bahru, Malacca, Seremban, Bintulu, Kuching, Miri, Sibu, Kuala Terengganu
(2) HSBC Affluent Asian Tracker, Nielsen (Q1 2010)

Domestic demand and international trade as key growth engines

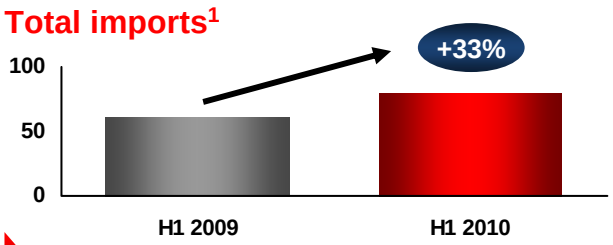
Increasing trade with Asia

Total exports[1]



Exports to: Singapore, China, EU, Japan, US

Total imports[1]

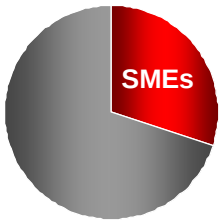


Imports from: China, Singapore, Japan, US, EU

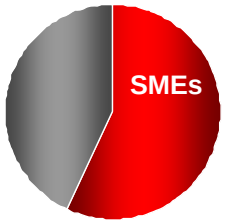
SMEs at heart of the economy

SME contribution to economy[2]

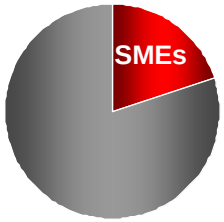
A third of GDP



Over half of employment

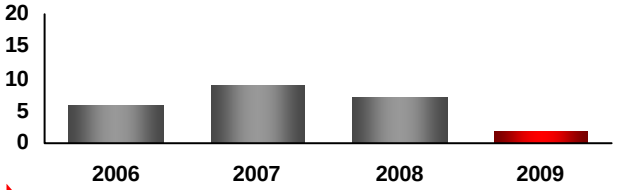


A fifth of exports



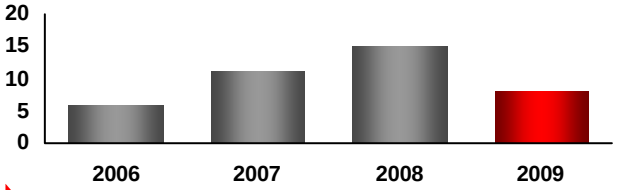
Outward FDI outpacing inward investments

Inward FDI flows[3]



Government to boost FDI

Outward FDI flows[3]

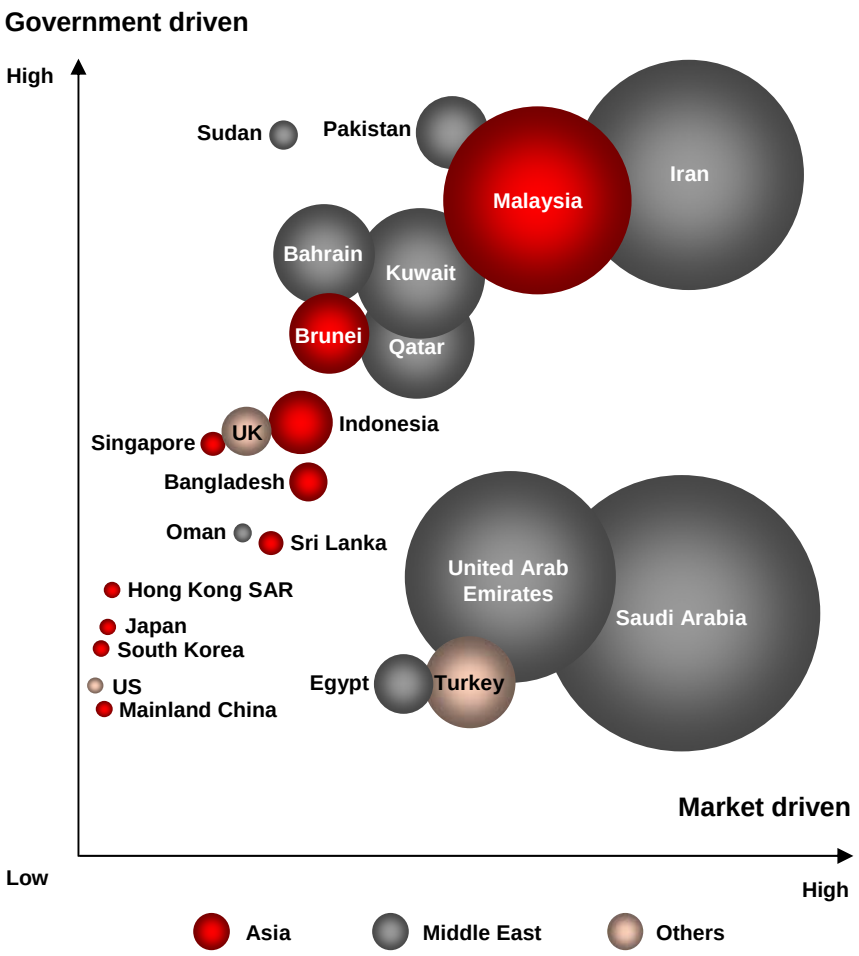


Banking, construction and plantation sectors

Notes:
(1) Department of Statistics Malaysia
(2) National SME Development Council (Malaysia)
(3) UNCTAD (United Nations Conference on Trade and Development)

Distinct financial services tailored to global Muslim sector

Development of Islamic banking markets[1]



Global Islamic banking market[2]:

- Estimated USD1 trillion banking assets and assets under management in 2010
- Over 300 Islamic financial institutions across 75 countries
- Average growth of 15 to 20 per cent annually

Takaful market:

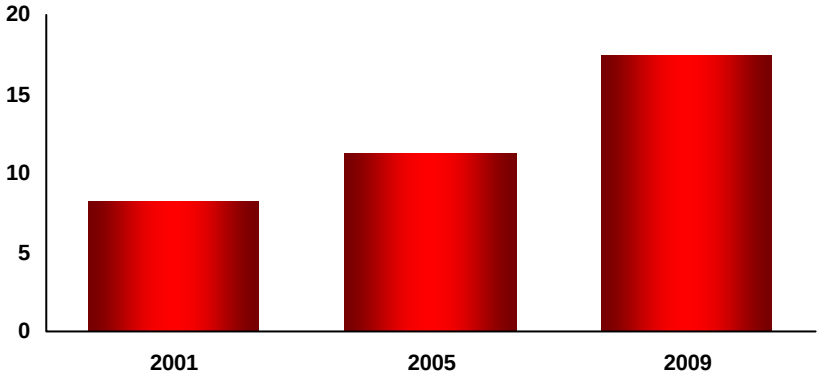
- Estimated contributions at USD7.4 billion in 2015[2]
- Target 15 to 20 per cent annual growth[3]
- More than 110 Takaful operators globally[3]
- In Malaysia, total Takaful assets at USD3.8 billion with market penetration of 7.7 per cent in 2009[3]

Notes:
(1) HSBC Amanah, Illustrative Comparison Model for the development of Islamic Markets and Regulations; circle sizes denote estimate size of the Islamic financial markets in these countries and territories
(2) Moody's Investor Services
(3) Bank Negara Malaysia

Malaysia gearing up to become international hub for Islamic banking

Malaysia – one of the world's most developed Islamic banking markets

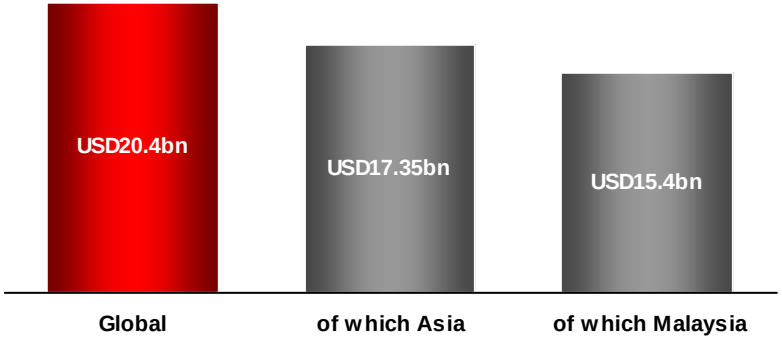
Islamic banking as % of total banking assets in Malaysia[1]



- Emerged in the 1980s
- Current assets at USD65.6bn, growing 18 to 20 per cent annually on average[2]
- Conducive laws and regulations
- Effective and structured Shariah framework
- Growing market demand
- At par with Saudi Arabia and UAE

Malaysia leading global sukuk issuance

Global sukuk issuances, H1 2010[2]



- Islamic bond issuances up 99 per cent from H1 2009[2]
- Sukuk from Asia accounted for 85 per cent of total[2]
- 310 sukuk from Malaysia accounted 75 per cent of total[2]

Notes:
(1) McKinsey & Co; Asia Focus using data from Malaysia International Islamic Finance Centre www.mifc.com (2009 figures as at Jun 2009)
(2) Islamic Finance Information Service

HSBC platform for growth

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Largest foreign bank

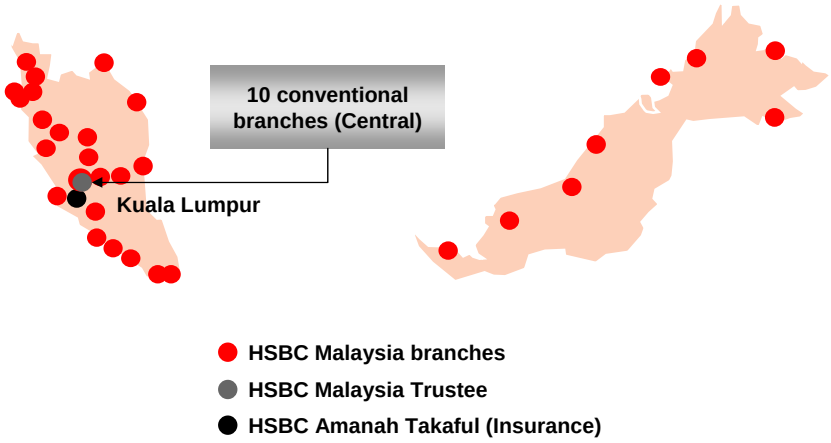
Distribution at 48 outlets

- 40 conventional branches
- 8 HSBC Amanah Malaysia Berhad branches
- HSBC Malaysia Trustee
- HSBC Amanah Takaful
- 5,000 staff
- Over 1.1 million customers bank-wide

Market leadership

- No 1 in Islamic Finance Information Service (IFIS) Global Sukuk Bookrunners ranking, H1 2010
- First to issue RMB Documentary Credit in January 2010
- First Takaful retirement product in Malaysia
- First foreign bank in Treasury Government Housing Loans
- First Amanah cross-border bank guarantee

HSBC in Malaysia



A pioneering sukuk provider

- Largest ever US dollar sovereign sukuk 2010 YTD – the Government of Malaysia's USD1.25 billion sukuk
- World's first sovereign sukuk with the Government of Malaysia's USD600 million sukuk in 2002[1]
- World first exchangeable sukuk with Khazanah's USD750 million Islamic Exchangeable Sukuk in 2006[2]
- World first subordinated bank capital sukuk by Maybank in 2007[3]
- Top foreign bookrunner for ringgit Islamic bonds[4]

The Asset Triple A Awards

- Best Debt House – 2009, 2008, 2007, 2004 and 2003
  - HSBC Malaysia
- MRCB Southern Link Bhd MYR1,044m Sukuk Istisna
  - Best Islamic Project Finance deal – 2008
  - Most innovative Islamic Finance deal – 2008
- Best Islamic Debt House – 2008
  - HSBC

FinanceAsia Awards 2008

- Best Islamic Financing Deal 2008
  - MRCB Southern Link Bhd MYR1,044m Sukuk Istisna

Euromoney Awards 2007 and 2005

- Best Sukuk Deal 2007
  - Maybank USD300m Islamic Tier 2 Sukuk

Notes:
(1) Central Bank, Malaysia
(2) Khazanah Nasional Berhad
(3) International Islamic Financial Market
(4) Bloomberg and Dealogic September 2009

Strategy: taking the business to the next level

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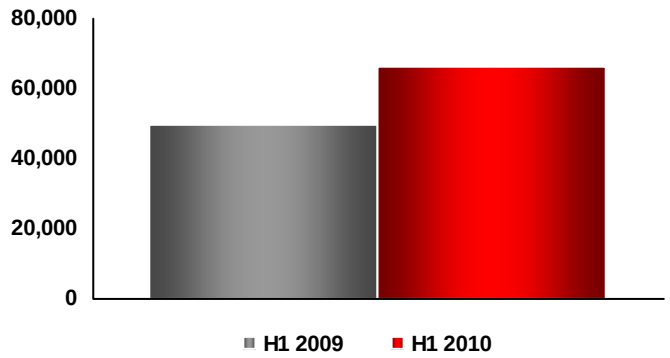
Cross-sales, cross-referrals to build mass affluent share

- Grow Premier and Advance customer base
- Expand investment and insurance product range
- Grow quality assets via relationship-based mortgages and cards
- Build on cross-referral system to tap other bank customers

Build wealth management platform

Premier customer growth, H1 2009 vs H1 2010



- Premier base up 33 per cent to over 66,200
- Over 131,700 Advance customers
- Launched retail bonds, car insurance and road tax renewal service
- Launched new dual currency investment product

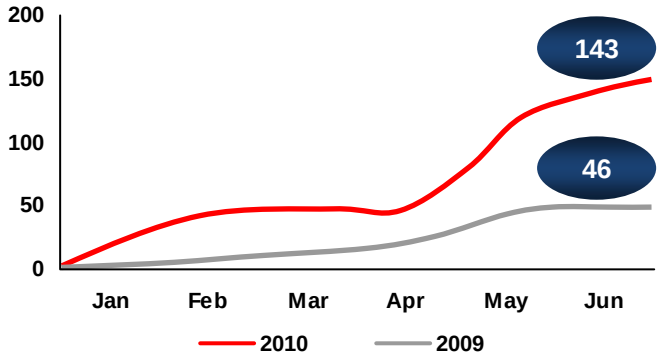
- Launched promotions to boost mortgages and insurance sales
- Over 1,800 new Premier customers from Premier Salary and Wealth programme with CMB launched in August 2010

International connectivity to boost cross-border leadership

- Build product range and channels to grow Business Banking base
- Cross sell cash management, lending, insurance and investments
- Capitalise on equity and debt capital market leadership to secure key deals
- Build on global trade expertise to pioneer products

Grow share of domestic and cross-border business

CMB cross-border referrals (USDm)



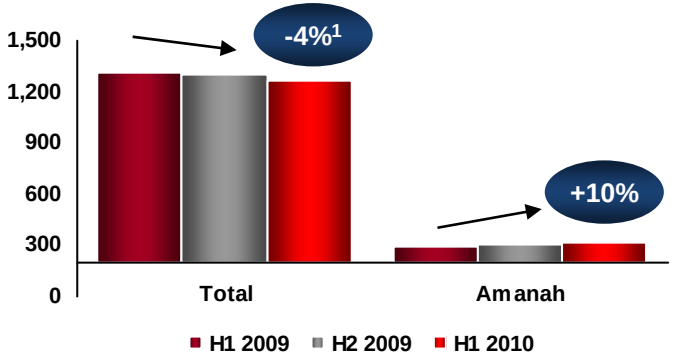
- Close coordination with GBM/CMB teams in Hong Kong and Singapore
- Strengthen coverage of government linked companies and financial institutions
- Issued first RMB DC in Malaysia and first RMB trade settlement

Global Islamic banking strengths to cement Amanah leadership

- Build distribution and channels
- Grow Amanah Premier and Amanah Advance
- Build bancatafakul business
- Lead offshore Shariah syndications and sukuk transactions
- Tailor CMB products

Embed Amanah capabilities across businesses

Amanah customers account for 25% of total customers ('000s)



- Add 18 Amanah branches and 21 offsite ATMs in next 3 years
- Expand wealth management range – murabahah retail deposits and Shariah unit trusts
- Launched Amanah cards and mortgages

- Expand Takaful product range and cross-sell to existing customers
- Set up dedicated sales teams for clients with exclusive Islamic mandates and balance sheets
- Train CMB relationship managers to cross sell Amanah
- Launched Amanah trade products and 28 Shariah-compliant CMB products

Notes:
(1) The decrease in total customer is due to attrition of credit card customers.

Delivering growth

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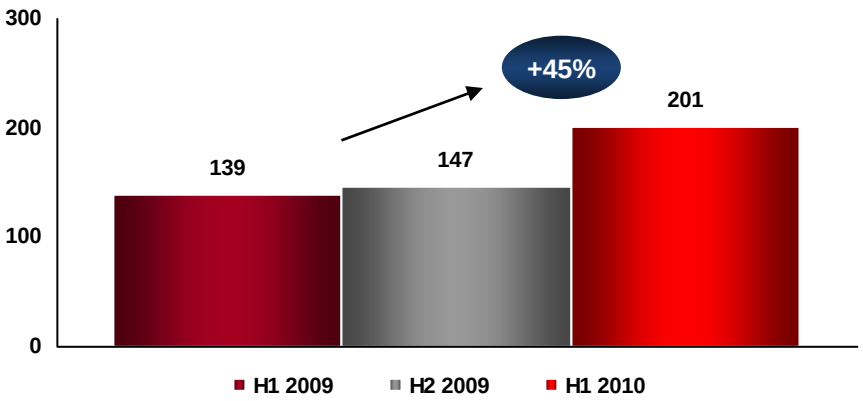
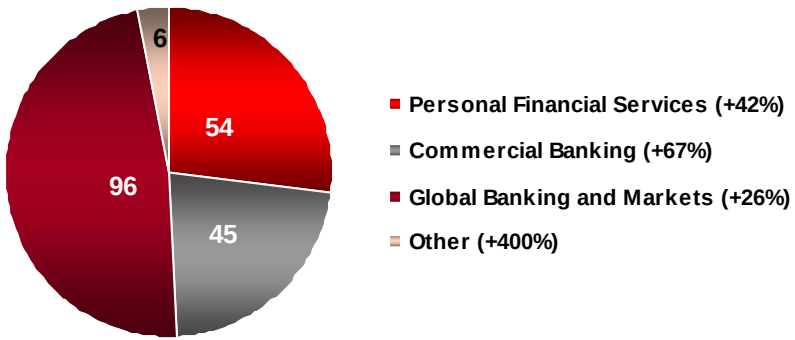
Strong profits across all businesses

PBT up 45 per cent year-on-year to USD201m in H1 2010

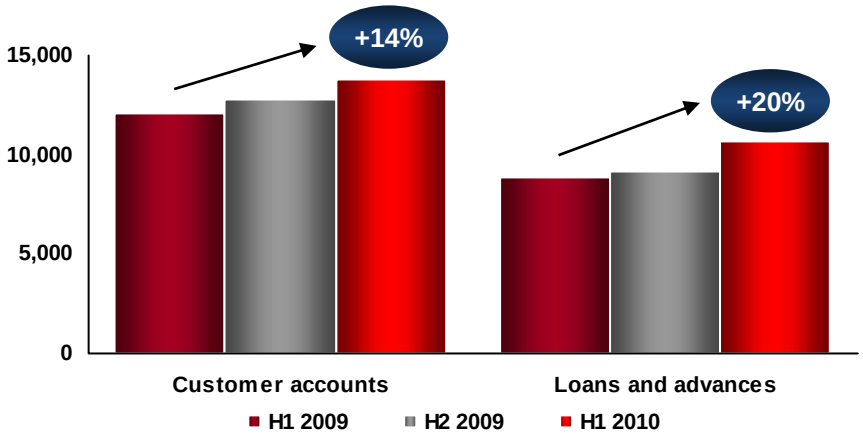
Profit before tax (USDm)



PBT by customer group (USDm), (% change)



Customer accounts and Loans and Advances (USDm)



Highlights

- All customer groups delivering profit
- Loans growing faster than deposits
- Double digit growth in total revenue
- Strong capital position

Summary

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Positioned to transform the business

Building on global Islamic banking strengths to support regional Islamic banking ambitions

Strengthening cross-sales and cross-referral platforms for scale and depth of customer relationships

International connectivity positions us at forefront of key cross-border transactions