HSBC The world's local bank

Analyst Roadshow to Asia-Pacific

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Stable macro-economic conditions

macro economic position in Malaysia is actually regular, reasonable and quite strong growth, so 5% to 6% GDP this year and probably next year as well, about 2% to 3% inflation. The risks coming through are that we have just removed the subsidies on oil. And so the inflation number will probably go up and the growth number will probably come down a little bit. So we're kind of work in progress because like a lot of the rest of Asia Pacific, we haven't really seen the commodity prices come through in the total economy of the country yet.

Financial Performance

Last year, a particularly strong performance from global banking and markets and a total net profit before tax, a record year, just over MYR1 billion, which is about $330 million.

Maximising the HSBC Group advantage

Across all of our businesses, whether it's personal financial services, corporate, or global banking and markets, we are driving customer need, service and sales. So we're no longer product pushed. There has been a tendency in the Malaysian banking world in general to be product-push. We are now trying to find customer need and deliver financial solutions to customer need, so organic growth in the business that we've got.

The second thing is we've been offered the most fantastic opportunity. This is history in the making. We have got an Islamic banking licence. We're the first foreign bank in the whole of Malaysia to get such a thing. And we will have an opportunity to open new branches over the next three years to sell and service to a different customer segment which is different from the Mass Affluent that we are in at the moment to Young and Smart which is one level below that.

In addition to that we're going to be the centre of excellence for the group within Asia Pacific for HSBC. That means we're going to be a booking centre for wholesale deals and we're going to be an advisor for anybody in the region who wants to set up personal financial services in a branch network that is Amanah compliant.

Now in terms of joining up with the rest of the group, apart from the Amanah thing which is fantastic because it connects with the rest of the world, we are as connected as we can possibly be by trade, by payments and cash management. And in fact we were just told the other day that 75% of the multinational companies who want to come into Malaysia in Selangor, which is one of the major states of Malaysia, 75% of those are already customers of HSBC around the world. So we're very much in the flow with the rest of HSBC.

We also have now seen that in the developing world deals are now done, for example, between customers in Malaysia wanting to buy things in India. We've got a big deal going on there at the moment. We find 60% of the trade in Malaysia is done with the rest of the region. And we make connections for all of our customers out into the U.K., to the U.S. and

so on.

Regulatory environment

The regulatory environment in Malaysia has been quite strict for foreign banks so that we can only open branches with their permission. We've got 40 branches at the moment, but in fact, until two years ago, we only had 36. And those four new branches were the first branches we'd been allowed to open for 35 years. An ATM in Malaysia which is not located within branch premises counts as a separate branch. And so you need a licence or approval in order to do that as well. The attraction of having the Amanah licence is that we can now have new branches and standalone ATMs as well. So this is a huge expansion of our distribution and our commercial network.

Market leadership

We're the best foreign bank in Malaysia. That's not just me speaking; that just is true. We're the most successful foreign bank in Malaysia. We have good market share in credit cards, in mortgages, in personal loans. We are the brand of choice in the corporate world because of our distribution, our global network and our footprint in all of the different countries around the world. But the competition is pretty stiff. Local banks cut us on price and we have to compete with them in the local market. There are one or two of the local banks also, CIMB and Maybank, who have aspirations to be regional banks so they're going overseas. And in terms of foreign banks coming in, because of the regulatory regime it's actually quite tough for them to establish themselves. We've been there 124 years. So we're kind of part of the furniture.

Key opportunities

Key thing for HSBC in Malaysia is that we're a full service bank across PFS, CMB, global banking and markets. We're driving our Premier growth. 2% of our personal customers are Premier and they make 20% of our PFS bottomline. So we need more of those. We're getting referrals out of CMB. We're getting referrals out of global banking and markets and we're getting referrals back, in the opposite direction. So this is organic growth and we're going to be hugely successful. But the big excitement is the opening of new branches and the new customer segment that we'll be able to attract as a result of the global Amanah presence and the licence.

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