



2009 INVESTOR ROADSHOW – HONG KONG AND SHANGHAI

# Indonesia

RAKESH BHATIA  
CHIEF EXECUTIVE OFFICER  
INDONESIA

DAY 2, 17 NOVEMBER 2009



HSBC   
The world's local bank

## 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.**

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**

**Presence**

**Opportunity**

**Performance**

**Bank Ekonomi**

**Personal Financial Services**

**Commercial Banking**

**Global Banking and Markets**

**HSBC Amanah Syariah**

**Strategy**

**Summary**



# Country overview

<b>Population</b>	<b>240.3 million (ranked 4<sup>th</sup>)<sup>1</sup></b>
<b>GDP growth</b>	<b>4.3% (2009e)<sup>2</sup></b>
<b>Gross GDP at purchasing power parity</b>	<b>US\$939.6bn<sup>3</sup></b>
<b>Total exports</b>	<b>US\$139.3bn<sup>1</sup></b>
<b>Total imports</b>	<b>US\$116bn<sup>1</sup></b>

Notes:

(1) CIA The World Factbook 2009 (figures are 2008 estimates except for population at Jul 09 estimates)

(2) HSBC Asian Economics 4Q09

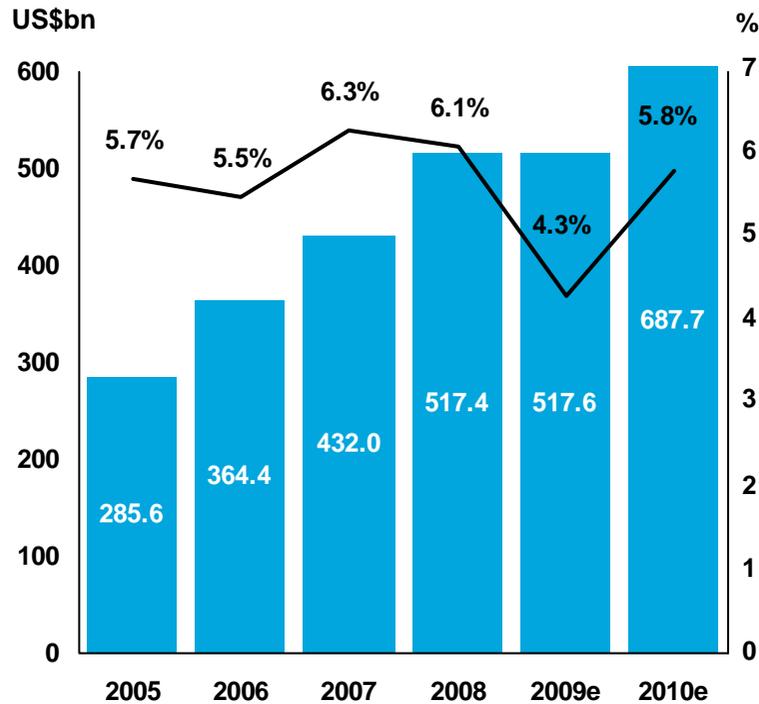
(3) IMF World Economic Outlook Apr 09



# Economic outlook

*Strong domestic economy*

## GDP and GDP growth<sup>1</sup>



Note:

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

## Highlights

- Country set for steady growth in 2009 and 2010
- Inflation to peak around mid-2010
- Central bank will probably move rates modestly higher next year
- Significant structural progress since 1997-98 crisis
- Government encouraging greater inward foreign direct investment (FDI)



# Presence

*Expanding footprint*

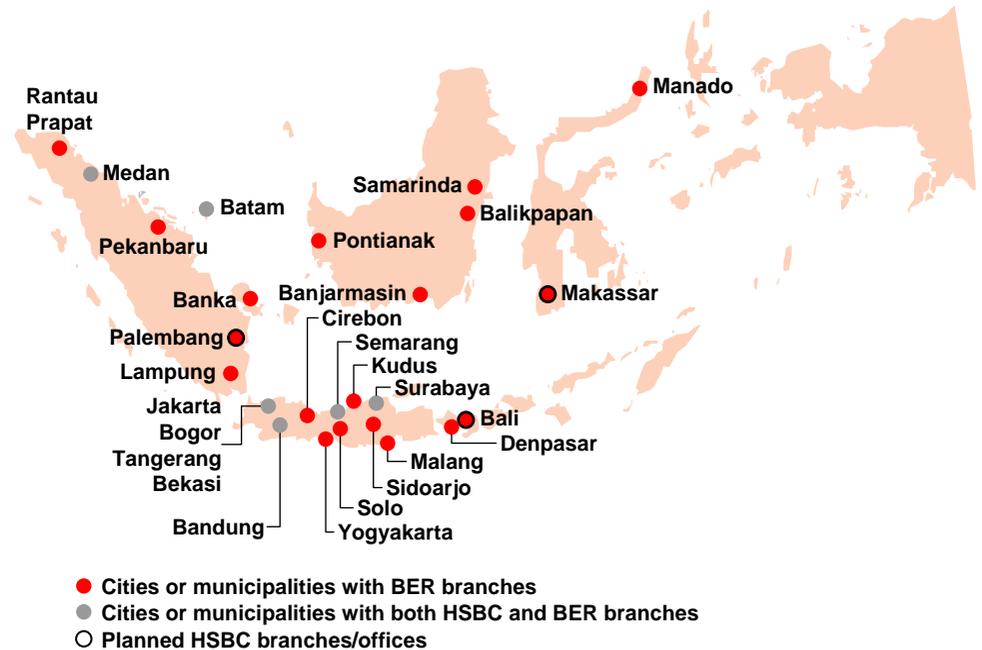
## Largest foreign bank network

- 115 HSBC-branded outlets in 10 cities
- 121 HSBC ATMs
- 18,000 ATMs via Bersama network

## Acquired 98.96% of Bank Ekonomi<sup>1</sup>

- A leading SME/SEMM<sup>2</sup> local bank
- 94 outlets in 27 cities<sup>1</sup>
- Doubled branch network to 209 outlets in 27 cities<sup>1</sup>

**Over 5,000 staff<sup>3</sup>**



Notes:

- (1) As at Nov 09
- (2) Self-employed mass market
- (3) As at end-Sep 09; full-time equivalents, including Bank Ekonomi



# Opportunity

**Improved economic environment – country credit ratings improving and stabilising**

**Strong domestic consumption**

**Investments expected in infrastructure development**

**Low credit penetration but growing rapidly**

**Under-served insurance market**

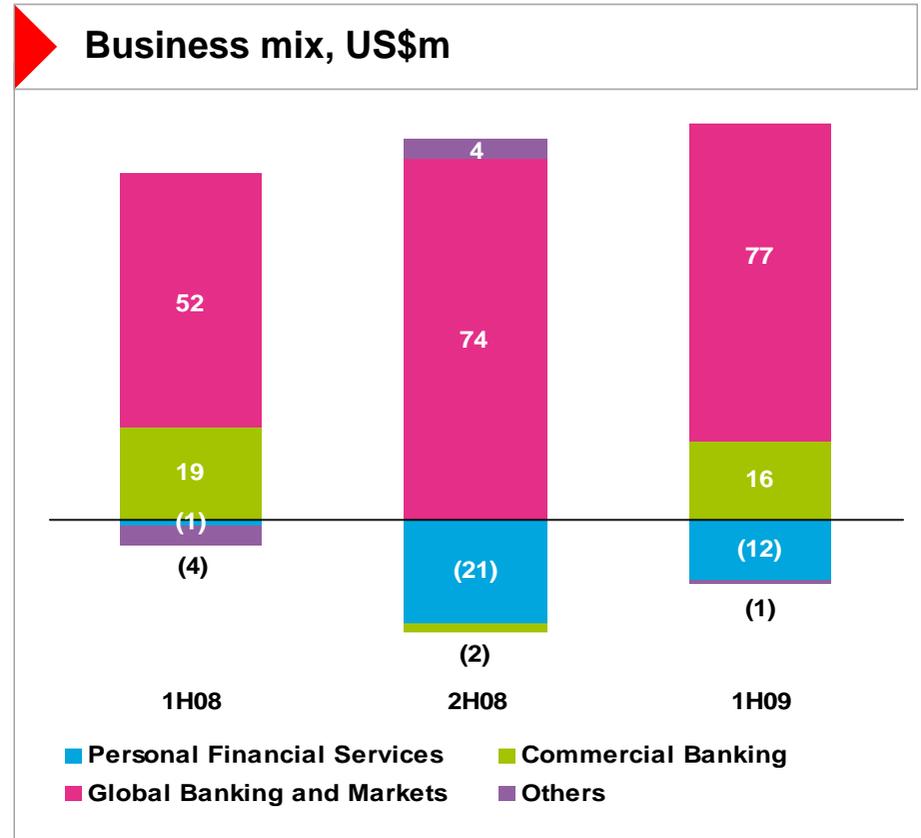
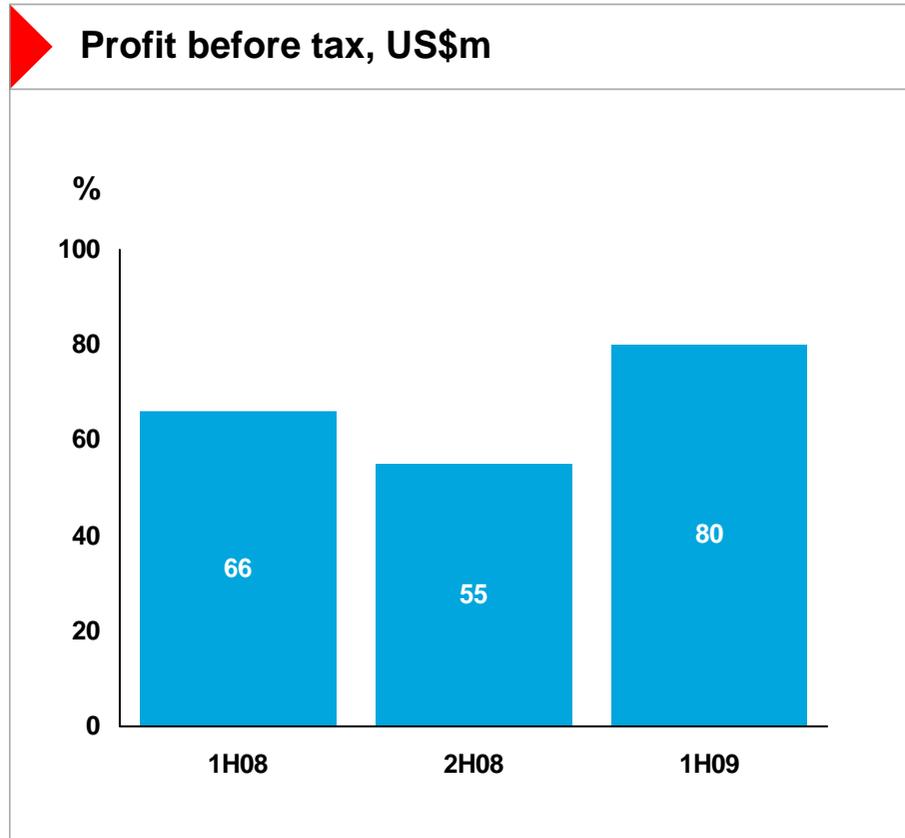
**SMEs at the heart of economic activity**

**Largest Muslim population in the world with low Islamic banking penetration**



# Performance

PBT of US\$80m at 1H09



# Bank Ekonomi acquisition

*Strategic move to build solid business in Indonesia*

**Leapfrog organic business growth**

**Remove regulatory barriers to organic growth**

**Strong synergies**

**Achieve level playing field with competitors**

**Benefit from a steady profit stream**

**Benefit from recent local regulatory change in earnings structure**

**Extend reach across all customer segments**



# Bank Ekonomi

*Transforming business*

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## Provisional fair values

US\$m, 30 Jun 09<sup>1</sup>

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Customer advances	775
Financial investments	542
Other assets	546
Customer deposits	1,732
Other liabilities	30
Intangible assets	58
Goodwill	483

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Note:

(1) The Hongkong and Shanghai Banking Corporation Limited 2009 Interim Results



# Personal Financial Services

## Opportunity

- 317,000 mass affluent – to grow by 50% by 2012<sup>1</sup>
- Mid-market segment to reach 2.5 million by 2012<sup>1</sup>
- 11 million credit cards in circulation, growing at CAGR 12%<sup>2</sup>
- Under-developed pensions and insurance sectors – 3% penetration<sup>3</sup>
- Room to grow Islamic banking penetration among Muslim population

## Strategy

- Grow mass affluent and mid-market customer base through Premier and Advance
- Upgrade credit card base to Platinum and Gold; spur usage
- Strengthen insurance cross-sales
- Embed Amanah products in all customer propositions

## Delivering on strategy

- Launched AirAsia credit card, first co-branded card in Indonesia combining regional airline and an international bank
  - Awarded Best Co-branded Card (Lafferty Market Intelligence 2009)
- Launched PowerVantage Plus account for mid-market segment

### Notes:

- (1) 2007 Capgemini, Merrill Lynch Wealth Report; 2006 Indonesia Socio Economic Survey; Central Bureau of Statistics; Data Bank Indonesia
- (2) Visa Indonesian Market Overview 2009
- (3) Asian Insurance Review



# Commercial Banking

## Opportunity

- SME GDP is 46% of total GDP<sup>1</sup>
- Low loan or credit/GDP ratio at 24%<sup>2</sup>
- Expanded SME/MME potential customer base after Bank Ekonomi acquisition

## Strategy

- Build on Bank Ekonomi's leadership in the SME/MME segment, complementing HSBC's strong corporate customer base
- Grow in key industry segments, eg commodity-based and telecommunications
- Capture cross-border transactions between local subsidiaries and overseas parent companies

## Delivering on strategy

- Launched 'leading international business bank' initiative in 2009, linking global investors and global businesses with the Indonesian market
- Focused asset growth in target industry segments and high-yielding liability growth
- Expanded range of Islamic finance products for SMEs/MMEs

Notes:

- (1) International Finance Corporation
- (2) World Bank Indonesia Economic Quarterly Sep 09



# Global Banking and Markets

## Opportunity

- More than 100 state-owned enterprises (SOEs)<sup>1</sup>
- Growth in approved FDI projects for transport and telecommunications in 2009<sup>2</sup>
- Sovereign bond issuance opportunities

## Strategy

- Increase penetration in major global companies through extensive Bank Ekonomi network
- Deepen SOE relationships
- Build on expertise in Islamic finance through HSBC Amanah

## Delivering on strategy

- Increasing cross-sales especially on payroll, trade and payments and cash management
- Winning SOE mandates against local competition
- Capturing major debt capital markets transactions/hedging solutions
- Growing customer base within Islamic finance markets

Notes:

(1) Ministry of SOE

(2) Economist Intelligence Unit Aug 09



# HSBC Amanah Syariah

## Opportunity

- 200 million Muslims – more than 85% of population<sup>1</sup>
- Only 1.7% have Shariah accounts<sup>2</sup>
- Emergence of 30 Shariah banks (full banks or units of banks) among 122 banks in Indonesia
- Islamic banking assets at US\$6bn – average growth of 38% over past 5 years<sup>3</sup>
- HSBC Amanah Syariah is first and only foreign bank in Shariah banking
- Indonesian government plans to become regular issuer of Sukuk in domestic and global capital markets as part of its funding strategy

## Strategy

- Develop and offer innovative Shariah products and services for personal, corporate and institutional banking customers
- Distribute full range of Shariah products through all HSBC branches nationwide
- Focus on offshore Shariah syndications and Sukuk transactions
- Offer Islamic leasing and develop a bundled Commercial Banking Islamic proposition

## Delivering on strategy

- Arranged largest international Islamic syndication and sovereign's first global and retail Sukuks
- Plan to expand wealth management product range
- Arrange landmark syndications and Sukuk transactions; expand product offering for Islamic banks and non-bank financial institutions
- Plan to launch full range of Amanah commercial banking products

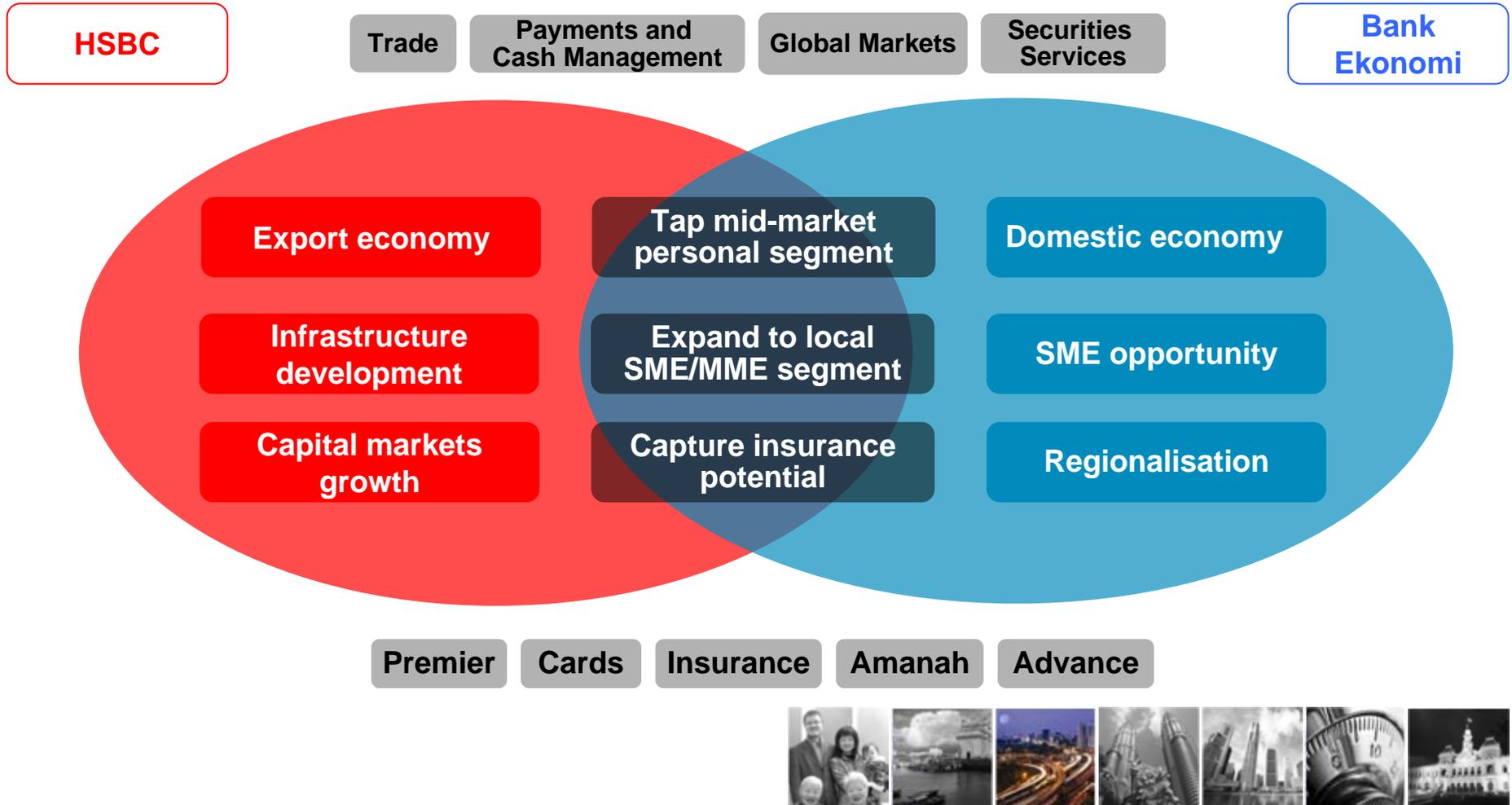
### Notes:

- (1) CIA The World Factbook 2009
- (2) Moody's, Bank Indonesia
- (3) Bank Indonesia, Indonesian Capital Market and Financial Institutions Supervisory Agency



# Strategy

Optimise combined platform to build solid business



# Summary

## Build on our strengths

- Maintain leadership in cards, Global Markets and Global Transaction Banking
- Leverage international connectivity for cross-border transactions
- Continue to expand network, the largest of all foreign banks in Indonesia

## Grow customer penetration and build scale

- Grow base of Premier and Advance by tapping mass affluent and aspirant segment
- Build market share for HSBC Amanah Takaful
- Expand reach of large domestic corporates and SOEs

## Integrate Bank Ekonomi

- Optimise synergies to grow Advance and SME businesses

