2009 INVESTOR ROADSHOW – HONG KONG AND SHANGHAI

Malaysia

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DAY 2, 17 NOVEMBER 2009

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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.

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

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Commercial Banking

Global Banking

Global Markets

HSBC Amanah Malaysia Berhad

HSBC Amanah Takaful

Summary

Country overview

Population	**28.3 million[1]**
GDP growth	**-3.3% (2009e)[2]**
Gross GDP at purchasing power parity	**US$374bn[3]**
Total exports	**US$97.1bn[1]**
Total imports	**US$75.7bn[1]**

Notes:
(1) Department of Statistics Malaysia (Aug 09)
(2) Malaysian Institute of Economic Research (MIER) 3Q09 Economic Outlook Report
(3) IMF World Economic Outlook Apr 09

Economic outlook

Benefiting from regional trade recovery

GDP growth[1]

Highlights

- Economy contracted at slower rate of -3.9% in 2Q09 vs -6.2% in 1Q09 due mainly to higher public spending and growth in private consumption
- Improved consumer confidence
- Exports around 120% of GDP – to benefit from upturn in regional and global trade
- Stimulus and fiscal stimulus yet to filter through
- High palm oil prices and rubber prices to boost agricultural sector
- Expect unemployment to reverse trend in 2010
- Expect sustained V-shaped recovery but high fiscal deficit a challenge; and imperative that reforms continue

Note:
(1) Department of Statistics Malaysia (GDP growth rates – constant 2000 prices); MIER 3Q09 Economic Outlook Report

Presence

Expanding mainstream and Islamic banking footprint

Largest foreign bank network

- 40 conventional branches
- 4 HSBC Amanah Malaysia Berhad branches
- HSBC Malaysia Trustee
- HSBC Amanah Takaful

Around 5,000 staff

Over 1.1 million customers bank-wide

1 Global Resourcing Centre

HSBC entities in Malaysia

HSBC in Malaysia	% ownership	Outlets
HSBC Bank Malaysia Berhad	100%	40
HSBC Amanah Malaysia Berhad	100%	4
HSBC Amanah Takaful (Malaysia) Berhad	49%	1
HSBC (Malaysia) Trustee Berhad	60%	1
HSBC Electronic Data Processing (Malaysia) Sdn Bhd	100%	1
HSBC Nominees (Tempatan) Sdn Bhd	99.99%	1
HSBC Nominees (Asing) Sdn Bhd	99.99%	1
HSBC (Kuala Lumpur) Nominees Sdn Bhd	98%	1

Opportunity

Growing middle class, emerging multi-sector economy, regulatory reforms

- **Young population – average age of 25 years old (60% below 30 years old)[1]**
- **Investments in high technology industries, medical technology, pharmaceuticals**
- **Leading exporter of oil, electronics and palm oil – but stimulating domestic demand**
- **Focus on 5 economic corridors outside Kuala Lumpur – Iskandar, Eastern, Northern, Sabah and Sarawak[2]**
- **More than half of the population are Muslim (60%)[1] – positioning Malaysia as international Islamic financial hub**

Notes:
(1) CIA The World Factbook 2009
(2) Five-year National Development Plan, Ministry of Finance, Malaysia

Performance

PBT of US$139m at 1H09

Profit before tax, US$m

Business mix, 1H09, US$m

Country strategy

Positioning for potential growth surge

- **Build regional centre of excellence in Islamic banking**
- **Build on global network and connectivity**
- **Drive integrated distribution**
- **Attract new customers and expand product reach through HSBC Amanah and HSBC Amanah Takaful**
- **Maximise opportunities from 3 licences and multi-channel capabilities**

Strategy

Build a balanced business organically

Personal Financial Services	• Focus on mass affluent and mid-market • Drive wealth management, bancassurance (Takaful) and Islamic banking
Commercial Banking	• Protect leading franchise – expand and deepen SME/MME customer base; leverage international footprint • Grow bancassurance and Islamic banking share
Global Banking and Markets	• Dominate international banking for local companies • Target onshore banking needs of multinationals
HSBC Amanah Malaysia Berhad	• Build regional centre of excellence for Islamic banking • Expand range of retail/corporate/wholesale products • Attract a new customer base
HSBC Amanah Takaful	• Focus on product development and bancassurance • Build on existing partnership with Jerneh Insurance

Personal Financial Services

Opportunity	• Mass affluent population to grow to 650,000 by 2012[1] • New channels to tap into young professional segment via HSBC Amanah • Room to grow bancassurance contribution to total insurance income
Strategy	• Grow Premier and mid-market base to increase wealth management sales • Grow market share in credit card receivables and personal installment loans (PIL) • Expand insurance business via HSBC Amanah Takaful and HSBC Amanah • Continually improve customer experience
Delivering on strategy	• Grew Premier customer base by 40% YoY in Aug 09 • Doubled sales productivity from 6 products a week in Jan 09 to 12 a week in Aug 09 • Improved telesales productivity from 90 to 170 sales per month over same period

Note:
(1) Datamonitor, Nielsen, McKinsey and HSBC estimates

Commercial Banking

Opportunity	• Untapped SME market potential • Amanah/Takaful business opportunities
Strategy	• Grow SME customer base; increase liabilities • Focus on relationships with cross-border needs – trade and cash management – leveraging international footprint • Increase customers' product holding/usage through cross-selling • Maximise benefits from e-channel capabilities
Delivering on strategy	• Over 5,700 new CMB customers in first 9 months of year • Business Internet Banking sign-ups up 32% YoY in 3Q09 Business Telephone Banking sign-ups up 29% YoY in 3Q09

Global Banking

Opportunity	• Untapped potential with Government and government-linked corporations (GLCs) • International Currency Business Unit as regional centre for cross-border Islamic finance • Increased trade and investment flows to and from Malaysia and Middle East, and mainland China and India
Strategy	• Grow share of wallet for event financing, transactional banking and foreign exchange/derivatives • Expand client coverage of Malaysian corporations, multinationals and GLCs • Strengthen alignment with Investment Banking • Focus on Islamic banking proposition for deals
Delivering on strategy	• Islamic deal of the year[1]: MRCB Southern Link • Strong deal flow with GLCs • Building equity capital markets credentials e.g. joint lead arranger for Genting International rights issue

Note:
(1) *Finance Asia* Award 2008, *The Asset* Islamic Finance Deal of the Year 2008

Global Markets

Opportunity	• Strong growth in retail foreign exchange and ample liquidity in the market • Financing-led hedging opportunities • Client education on changes in accounting treatment and capital framework
Strategy	• Build on IT solutions for FX and wealth management sales • Focus on HSBC Securities Services FX potential • Increase focus on GLCs with specialised coverage for Islamic institutions • Build flow products income in HSBC Amanah Malaysia
Delivering on strategy	• Strong growth in investment products sales • Increased trading proficiency: No.1 Primary Dealer from 2007-2009[1] • Ranked No. 1 among foreign banks in debt capital markets league tables[2]

Notes:
(1) Central Bank, Malaysia
(2) Bloomberg Underwriter rankings 2008 Debt – Asia-Pacific

HSBC Amanah's global footprint

Building on global network and expertise in a growth market

Highlights

- In 2008, Islamic banking sector grew by 27% YoY vs the conventional banking sector at 19%[1]
- Growth rate at about 20% CAGR, albeit projected to slow[1]

Muslim % by country

- 0-19%
- 20-39%
- 40-59%
- 60-79%
- 80-100%
- HSBC Amanah presence

Note:
(1) Oliver Wyman Research 2009

Malaysia as regional hub for Islamic banking

Best-positioned to capture affinity and non-affinity market potential

Development of Islamic markets[1]

Competitive advantage of Malaysia

- Conducive legal and regulatory framework
- Effective Shariah framework
- Growing significance of Islamic finance driven by market demand
- Progressive institutional and product development
- Tier 1 geography for Islamic business, along with Saudi Arabia and the United Arab Emirates
- Within HSBC – aligned leadership – with Global Head of HSBC Amanah also incoming CEO HSBC Bank Malaysia

Note:
(1) HSBC Amanah, Illustrative Comparison Model for the development of Islamic Markets and Regulations; circle sizes denote estimated size of the Islamic financial market in these countries and territories

HSBC Amanah Malaysia Berhad

Leading foreign Islamic bank; first locally incorporated foreign bank with Islamic bank licence

	Strategy	Delivering on strategy
Personal Financial Services	• Develop full range of core Shariah-compliant products and services • Expand sales and distribution channels • Build wealth management business	• Launched 10 products for young professional segment
Commercial Banking	• Expand take-up of core Shariah-compliant commercial/corporate products within SME/MME customer base	• Acquiring new customers via BusinessVantage • Replicating conventional products to offer close alternatives
Global Banking and Markets	• Focus on flow products • Leverage International Currency Business Unit	• Expanding product range

HSBC Amanah Malaysia Berhad

Global leadership in Islamic capital markets

MYR Islamic Bonds League Table – 2003 to 2009[1]

Rank	Name	RMm	Issues	%
1	**HSBC**	**8,793.67**	**137**	**6.0**
2	UOB	4,106.00	106	2.8
3	OCBC	3,940.50	58	2.7
4	Standard Chartered	2,936.07	50	2.0
5	RBS	2,538.33	14	1.7

Pioneering Sukuk leadership in Malaysia

- World's first Sukuk with the Government of Malaysia's US$600m Sukuk in 2002[2]
- World's first exchangeable Sukuk with Khazanah's US$750m Islamic Exchangeable Sukuk in 2006[3]
- World's first subordinated bank capital Sukuk by Maybank in 2007[4]
- Top foreign bookrunner for Ringgit Islamic bonds[5]

Notes:
(1) Bloomberg Sep 09
(2) Central Bank, Malaysia
(3) Khazanah Nasional Berhad
(4) International Islamic Financial Market
(5) Bloomberg and Dealogic Sep 09

HSBC Amanah Takaful

Opportunity	• Low insurance penetration • Customer base not limited to Muslims • Corporate and commercial customer base yet to be fully tapped
Strategy	• Leverage bancassurance model • Focus on product development for both retail and corporate customers • Establish alternative distribution partners
Delivering on strategy	• As at Sep 09, gross written contributions grew by 150% YoY; comprised general business growth of 19% and life business growth of 163% • 9 products to be launched in 2010, with investment-linked propositions • Achieving efficiency through straight-through-processing

Summary

Drive organic growth	• Grow network to build both conventional and Islamic banking businesses
Strengthen Islamic banking leadership	• Reach new customers • Develop new products • Focus on Islamic solutions – ‘Amanah First’
Grow mass affluent and middle market segments	• Grow Premier, wealth management, insurance and cards business • Continually improve customer experience
Enhance franchise in Corporate and Commercial banking	• Focus on local and multinational companies with onshore and cross-border needs • Grow SME customer base