

HSBC Amanah Malaysia Berhad

Investor Presentation, 13 September 2018



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Overview of HSBC Amanah Malaysia Berhad

Key Credit Highlights

Financial Highlights

HSBC Group Sustainability

HSBC Sustainable Development Goals (SDG) Bond Framework

Q&A Session



Overview of HSBC Amanah Malaysia Berhad



Overview of HSBC Amanah Malaysia Berhad (“HSBC Amanah”)

- ◆ The **first locally incorporated foreign bank** to be **awarded** an Islamic banking license in Malaysia and has been in operation since 2008
- ◆ Largest subsidiary (by asset size) of a locally incorporated foreign bank and the 2nd most profitable foreign Islamic bank in Malaysia (by profit before tax)¹
- ◆ Both HSBC Amanah and its parent company, HSBC Malaysia have rating of AAA with stable outlook by RAM Rating Services Berhad (RAM), its highest rating
- ◆ Wholly owned by HSBC Bank Malaysia Berhad, which in turn is ultimately owned by HSBC Holdings plc, a leading global banking group
- ◆ One of the two global Islamic Banking hubs for HSBC Group
- ◆ Malaysia is among the Group’s eight scale markets, a strategically important part of the HSBC Group
- ◆ HSBC Amanah has 26 branches nationwide, the largest Islamic Bank network among locally incorporated foreign banks in Malaysia, 6th largest among all Malaysian Islamic Banks²
- ◆ HSBC Malaysia has a network of 68 branches in the country as at August 2018

¹ Based on financial statements of the leading foreign Islamic financial institutions in Malaysia by profitability

² <http://aibim.com/ver2/index.php/industry-information/islamic-banking-resources/islamic-banking-branches>

Key Credit Highlights

Key Credit Highlights

STRATEGIC IMPORTANCE to HSBC Malaysia and HSBC Group¹

-Given HSBC Amanah's strategic role as HSBC Malaysia's Islamic banking arm and one of the HSBC Group's two global Amanah hubs

CLOSE INTEGRATION with parent company, HSBC Malaysia¹

-Operationally integrated with HSBC Malaysia, sharing back-room operations, risk management capabilities and distribution channels, also benefitting from the HSBC Group's solid global franchise, international network and product expertise

STRONG CAPITALISATION¹

-HSBC Amanah's common equity tier-1 (CET-1) capital and total capital ratios remained strong at a respective 12.1% and 17.8% as at 31 December 2017

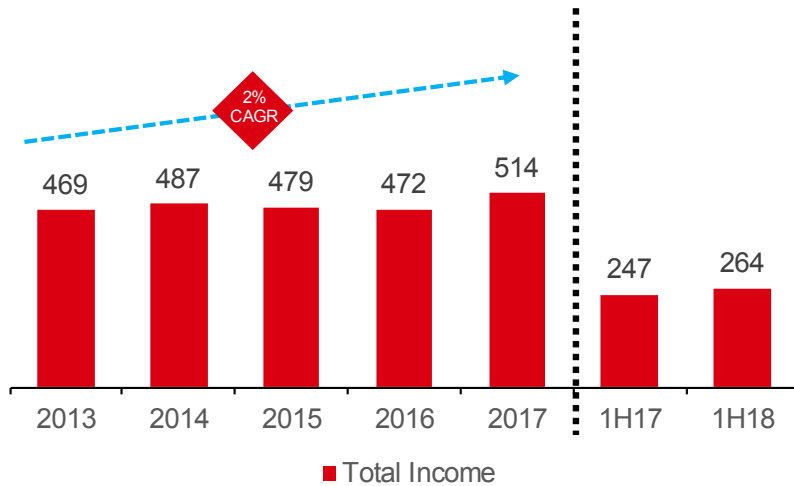
HIGHEST ISSUE RATING by RAM¹

- HSBC Amanah has a Financial Institution Rating of AAA, the highest on RAM's national scale

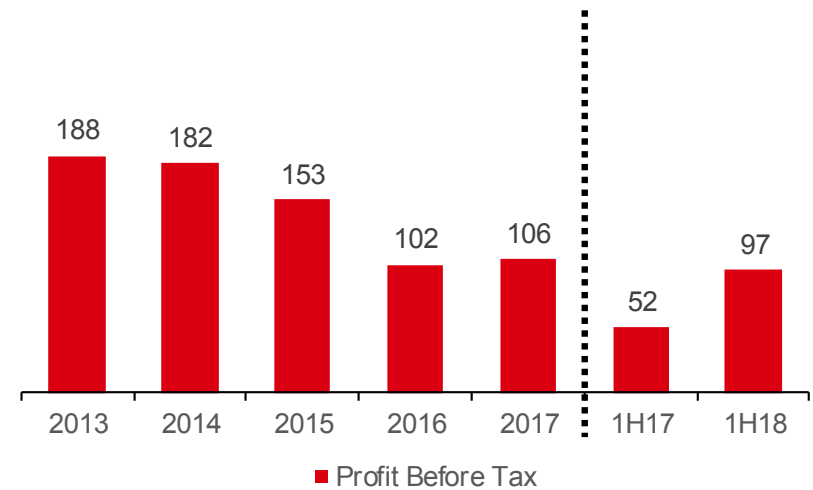
1. Source: HSBC Amanah Malaysia Berhad Credit Rating Rationale by RAM Rating Services Berhad (June 2018)

Financial Highlights

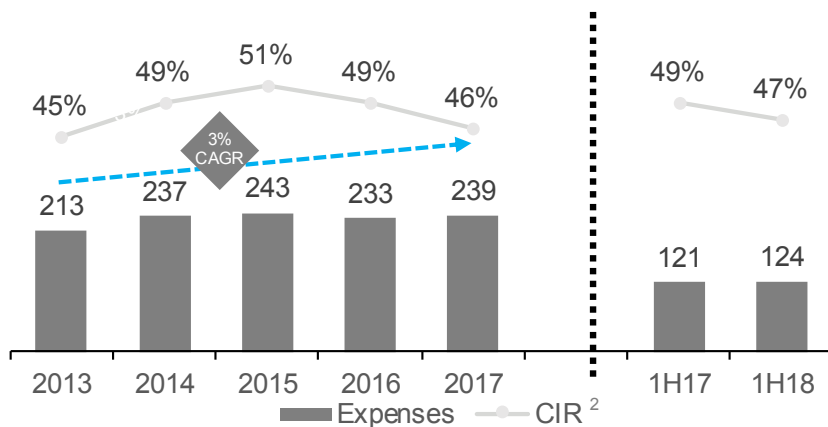
Income (MYR'mil)¹



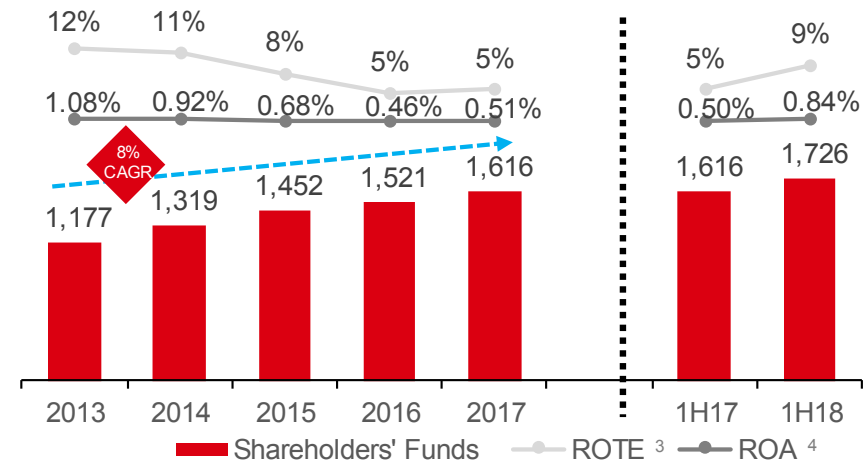
Profit Before Tax (MYR'mil)



Disciplined Cost Management (MYR'mil/Ratio %)



Returns and Shareholders' Funds (MYR'mil/Ratio %)



1. Total income is the sum of 'Income derived from investment of depositors' funds and others', 'Income derived from investment of shareholder's funds' and 'Income attributable to depositors'.

2. CIR – Cost income ratio

3. ROTE - Return on tangible equity – calculated as profit after tax divided by average tangible equity. Tangible equity is equal to total equity attributable to the owner of the Bank.

4. ROA – Return on assets – calculated as profit after tax divided by average total assets (two point average)

Source: HSBC Amanah financial statements

Note: 1H18 financial figures are yet to be audited

HSBC Group Sustainability



HSBC's Commitment on Sustainability

- HSBC is fully committed to its own sustainability approach and compliance with the sustainability commitments that we have made in the public domain
- HSBC recognises that we have responsibilities not only towards our customers, employees and shareholders, but also the countries and communities in which we operate. This means understanding and managing the impact we have on society and the environment, and investing in the future of our employees and the communities we serve
- HSBC Group Sustainability's mandate is to ensure that the business translates this recognition into practice.

Context

- **Climate change** represents an urgent and irreversible threat to human society, as recognised by the **almost 200 countries** that have **signed the 2015 Paris Agreement** on climate change.
- An estimated **USD90 trillion of investment is needed** in new green infrastructure over the next 15 years – **double the current annual rate** of spending – just to keep the global temperature increase below two degrees.
- Major injections of **capital are needed** to pay for **more efficient and less carbon-intensive technologies and infrastructure**, to **reduce the carbon footprint** of established companies and industries, and to **cover the costs of climate adaptation**.

HSBC's Commitments

Provide **USD100bn** of sustainable financing and investment by 2025

- Provide USD 100bn of financing/investment to develop clean energy, lower-carbon technologies, and projects that contribute to the delivery of the Paris Agreement and the UN Sustainable Development Goals
- Lead the development of sustainable capital markets, support corporate and institutional clients in managing risks and promote sustainable investment products for retail and private banking clients

Source **100% of our electricity from renewables sources** by 2030 (90% by 2025)

- Use direct investment and direct purchases via PPAs and similar mechanisms that directly help the financing of new renewable electricity assets.
- Collaborate with RE100, governments and regulators to open up renewable energy markets where PPAs¹ or similar are not currently available
- Reduce electricity per FTE by 20% by 2020

Reduce our exposure to **thermal coal** and actively manage the transition for other high carbon sectors

- Discontinue financing of new thermal coal mines (including new customers dependent on it) and new coal-fired power plants in developed countries and continuously reinforce lending criteria in developing countries
- Engage with clients in high carbon sectors to influence their transition strategies
- Continuously review our risk policies on low carbon technologies

Adopt recommendations of Task Force on Climate-related Financial Disclosures

- Report according to governance/ strategy/ risk management recommendations of the task force
- Engage with academia/ industry associations/ civil society networks to support robust climate scenario analysis to price transition and physical risk
- Promote uptake of these recommendations across our global network

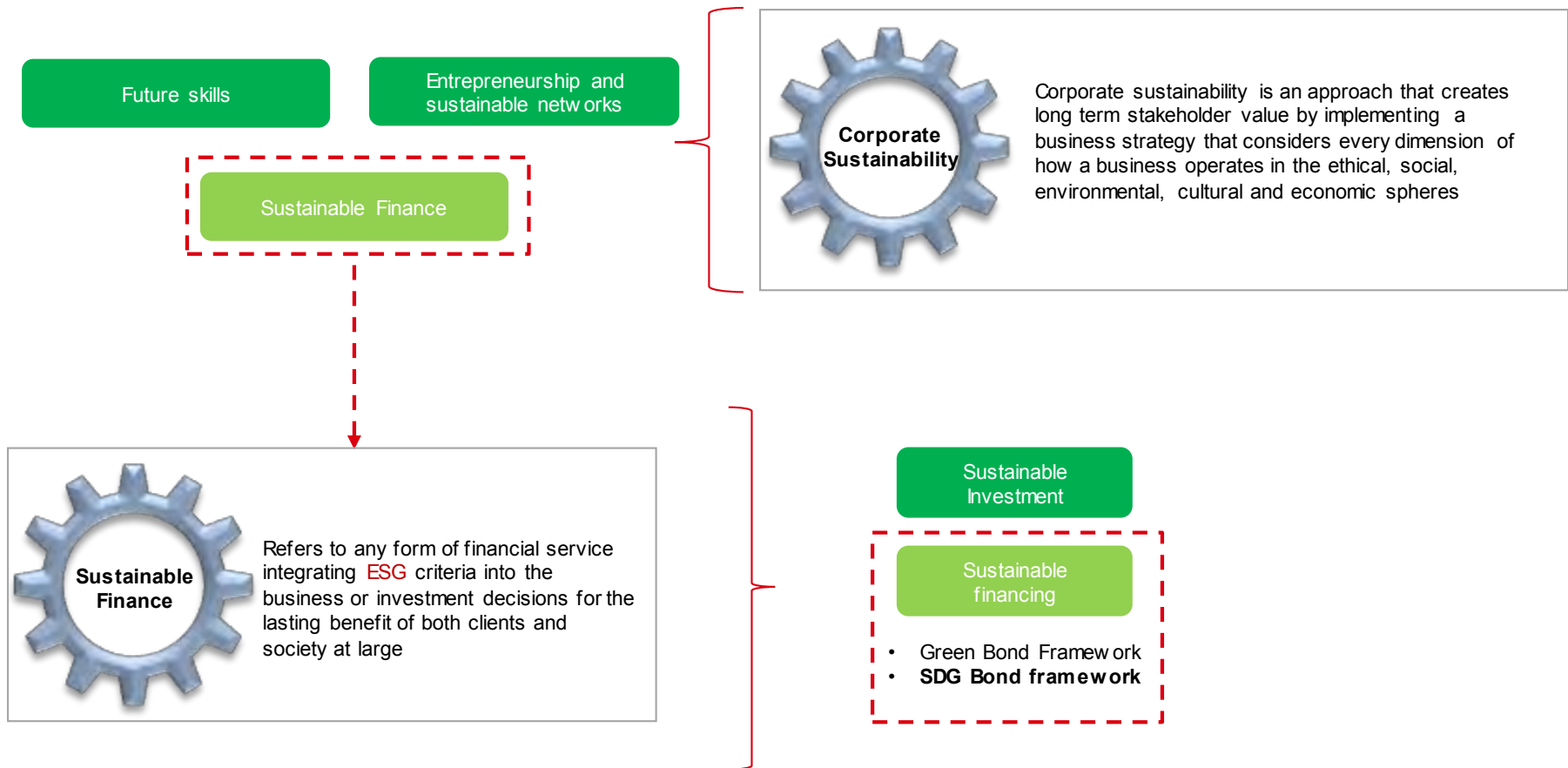
Lead and shape the debate around sustainable finance and investment

- Establish a Centre of Sustainable Finance to provide thought leadership about climate change and the role of the financial services sector.
- Promote the development of industry-wide definitions, standards, tools and metrics to enhance market analysis of Environmental Social Governance (ESG) issues and impacts.

1. PPA – Power purchase agreement
2. FTE – Full time equivalent

An Overview of Sustainability at HSBC

At HSBC, it is important how business is conducted and sustainability sits at the core of HSBC strategic priorities where we rely on integrated approach to climate business and sustainability leveraging on HSBC's unique global presence and capabilities

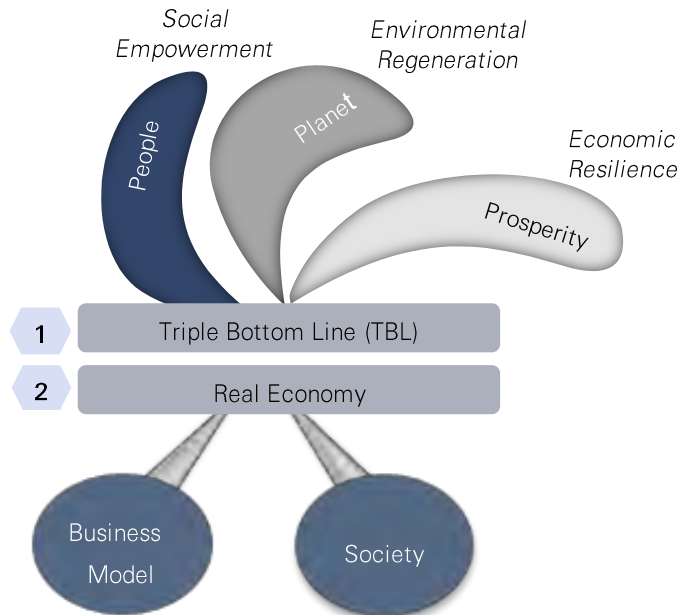


HSBC Amanah and Sustainability

- Guided by HSBC Group sustainability agenda, HSBC Amanah aspires to lead by example through implementation of the group sustainability direction which is also in line with Bank Negara's Value Based Intermediation (VBI) initiative.
- VBI is a new initiative driven by Bank Negara Malaysia that was first introduced in July 2017 with an aim to generate positive and sustainable impacts on the economy, community and environment through the Islamic financial institutions' practices, conduct and offerings consistent with shareholder's sustainable returns and long term interests¹
- VBI is not a completely new concept as VBI shares similarities with several well-established concepts such as **ESG, Sustainable, Responsible, Impact Investing (SRI), Ethical/Sustainable Finance and faith based banking**
- A self assessment tool, the VBI scorecard covering both elements of business performance and overall bank's culture and practices will be used to measure how well banks adopt VBI

The Two Angles of VBI

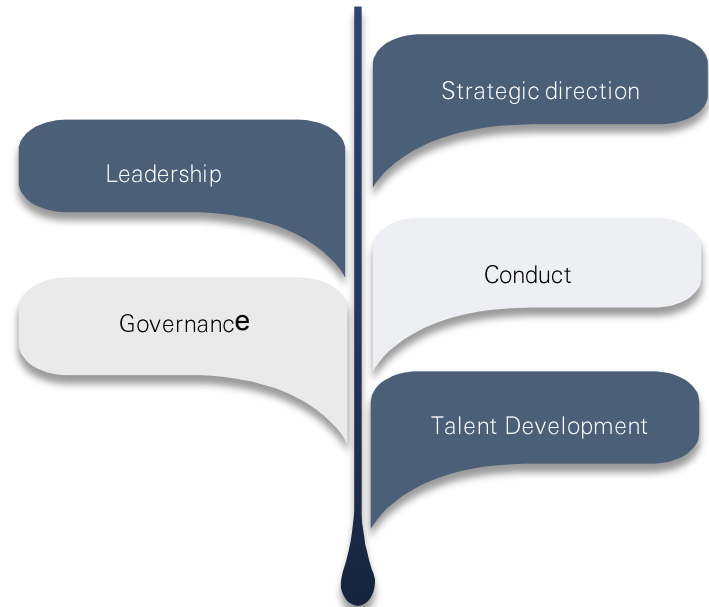
Quantitative factors²



Meeting financial needs of communities i.e enterprises and individuals in productive and sustainable economies

Serving local communities

Qualitative elements



¹ Bank Negara Malaysia, Strategy Paper - Value Based Intermediation, March 2018

² Scorecard, Global Alliance Banking for Values

HSBC Sustainable Development Goals (SDG) Framework

Summary Eligible Sectors (1/2)

The full framework is available on our website



- **Eligibility criteria:** Activities that strengthen the capacity of all countries, in particular developing countries, for provisions of free or subsidized healthcare, and early warning, risk reduction and management of health crises
- **Examples:** Hospitals; Healthcare centres; Training for medical professionals; Vaccines / medicines; Provision / distribution of healthcare equipment and services



- **Eligibility criteria:** Activities that expand access to primary, secondary, adult and vocational education; Activities that target women and minority inclusion in education; Activities that improve educational infrastructure
- **Examples:** Construction of schools; Construction of Campus; Construction of student housing; Educational grants; Training for educational professionals



- **Eligibility criteria:** Activities that expand public access to safe and affordable drinking water; Activities that provide access to adequate sanitation facilities; Activities that improve water quality; Activities that increase water-use efficiency through water recycling, treatment and reuse
- **Examples:** Water supply & distribution; Water treatment facilities; Water saving systems, technologies and water metering; Training sessions / workshops to improve sanitation knowledge of less well off populations



- **Eligibility criteria:** Generation of energy from renewable sources; Construction / maintenance / expansion of associated distribution networks; Manufacture of components of renewable energy technology; Development and implementation of products or technology that reduces energy consumption;
- **Examples:** Renewable energy projects including wind, solar, small scale hydro and biomass and their associated components; Grid expansion / development that carries a minimum of 85% renewable Energy; Smart grids; Smart meters

Summary Eligible Sectors (2/2)



- **Eligibility criteria:** Develop quality, reliable, sustainable infrastructure, to support affordable and equitable access for all that will also benefit economic development and human well-being;
- Upgrade and retrofit infrastructure to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes
- **Examples:** Rail transportation projects for public use; Development of roads in areas that lack connectivity, or in areas lacking infrastructure; Communication projects including internet coverage and mobile phone usage



- **Eligibility criteria:** Activities that expand or maintain the supply of affordable housing; Activities that expand or maintain access to sustainable transport systems
- **Examples:** Rail transportation projects for public use; Development of roads in areas that lack connectivity, or in areas lacking infrastructure; Construction of Social Housing; Right to Buy schemes



- **Eligibility criteria:** Adaptation projects that demonstrably contribute to reducing vulnerability to climate change identified in the project area and do not increase carbon emissions
- **Examples:** Natural disaster prevention infrastructure; Education programmes to increase awareness and knowledge on climate related issues

Excluded sectors: Nuclear power generation; Weapons; Alcohol; Gambling / adult entertainment; Palm oil

HSBC is a committed sustainable finance partner



- **HSBC has committed to provide USD100bn of sustainable financing and investment** by 2025 to develop clean energy, lower-carbon technologies and projects that contribute to the delivery of the Paris Agreement and the UN Sustainable Development Goals
- HSBC ranked by Global Capital as **#1 Most Impressive Bank in Asia Pacific Green/SRI Capital Markets, #2 for EMEA, #3 for Americas – the only bank to be ranked in the top 3 for all global markets in 2017** (awarded Sept 2017)
- **HSBC awarded Best Underwriter in the Environmental Finance Green Bond Awards 2017** (awarded April 2017)
- HSBC is a **longstanding member of the ICMA¹ Green Bond Principles Executive Committee**
- HSBC was one of the **founding writers of the Social Bond Principles** and continues to work closely with ICMA on their development
- ICMA have also launched new **Sustainability Bond Guidelines** to provide guidance for bonds combining green and social projects, which HSBC supported
- **HSBC France issued its inaugural EUR500m Green Bond in 2015**
 - In September 2016, the first related progress report was published; proceeds were used across 20 projects/clients, of which 81% in Renewable Energy, 16% in Sustainable Waste Management and 2% in Energy Efficiency²
- **Group-wide information on HSBC's green and sustainability bonds, including annual progress reports, may be found here : <https://www.hsbc.com/investor-relations/fixed-income-investors/green-and-sustainability-bonds>**

1. ICMA – International Capital Markets Association

2. 1% unallocated

Rationale of the Proposed SDG Sukuk Issuance



Q & A Session



