HSBC Holdings plc

Vietnam

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Presentation by Tom Tobin

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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.**

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 growth
- Opportunity
- Growing market presence
- Strategy: taking the business to the next level
- Summary

Economic growth

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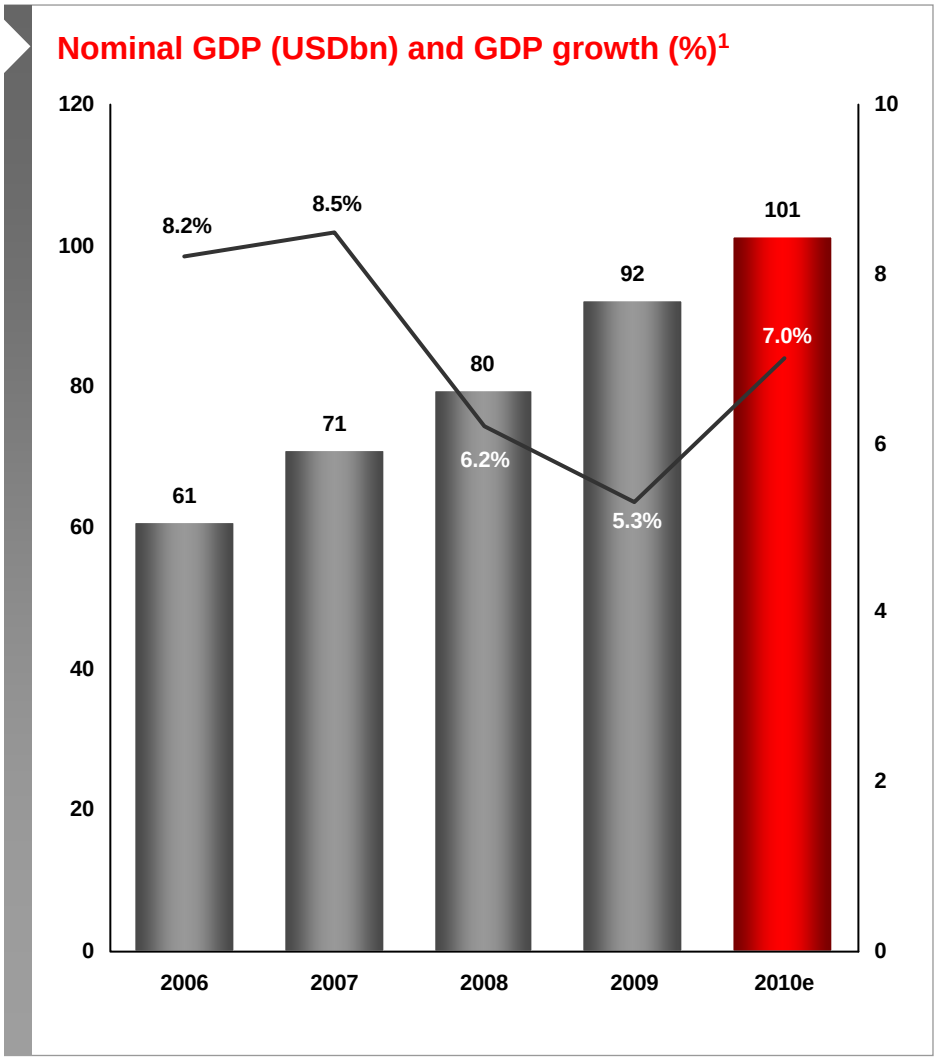
A high-potential emerging markets economy



Population[2]: 88.3m	Over a quarter live in cities; 60 per cent aged under 30
GDP growth[1]: 7.0 per cent	Strong industrial production and consumption
Gross GDP (PPP)[2]: USD276bn	Private sector comprises two-thirds of economy; 1.5 million new jobs a year
Merchandise exports[1]: USD68bn	US, EU and Japan main partners
Merchandise imports[1]: USD80bn	Asian imports feed domestic demand

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

Opportunity

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Growth drivers

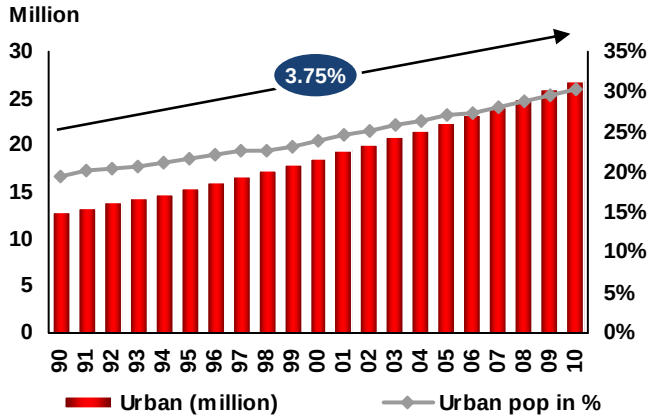
- **Profitable business especially strong income growth in CMB. Significant business growth in corporate finance services, foreign exchange, international payments and global banking**
- **Strong liquidity position, CAR well above local regulation**
- **Asset growth driven by trade finance and working capital finance; personal loans and cards**
- **Continuing considerable investment into broadening network and extending operations**
- **Strengthened position as the leading foreign-owned bank by successfully introducing HSBC Premier**
- **Maintained strong position in sub-custody and clearing services for foreign investors and fund services for domestic funds**

Notes:
(1) Performance refers to 1H 2010 vs 1H 2009

Room to grow retail banking penetration among emerging affluent

Rising wealth from urbanisation

Urban population growth[1]



- Urban middle class over 23 million[2]
- Urban residents accounted for 25 per cent of the total population and rising by 952,000 a year[2]
- To boost food consumption, property, car purchase
- GDP per capita rose to USD1,146 in 2010 from USD638 in 2005 (12 per cent CAGR)[3]

Room to expand use of banking services

- By end-May 2010, there were 24 million cards across 48 card issuers[5]
- USD72 million retail purchases/card withdrawals by domestic card users versus USD237 million by tourists[1]
- Lending to the property market at USD7.89 billion in 2009, exceeding 10 per cent of the total outstanding loans [3]
- USD6.28 billion remitted via banks by nearly three million overseas Vietnamese[4]

Notes:
(1) Vietnam Banking market study (Bao Toan Tran, 2008). Urban middle class defined as those with monthly income of USD500 living in the six major cities
(2) General Statistics Office Vietnam and Ministry of Finance 2009
(3) HSBC Global Research
(4) State Bank of Vietnam 2009
(5) Vietnam Banks Association, June 2010

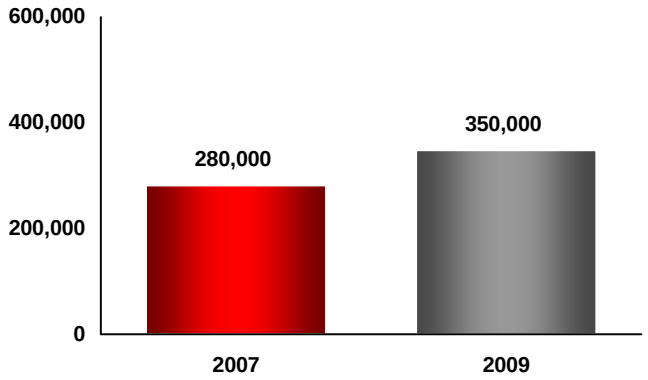
Vietnamese enterprises gearing up for international integration

Room to grow SME lending

Top trade partners include the US, mainland China, Asean

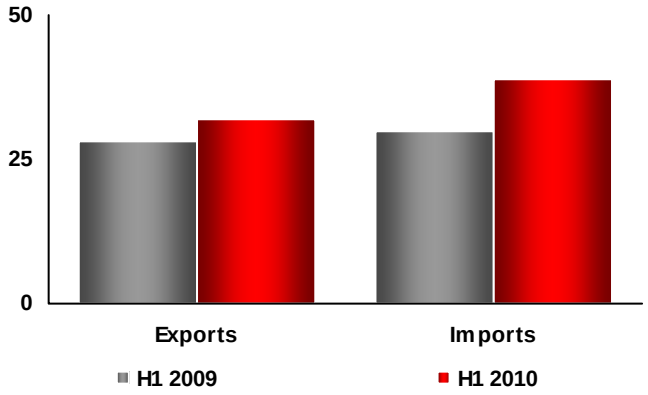
Emerging role as manufacturing centre

SME market size, 2007-2009[1]



- Some 350,000 SMEs account for 97 per cent of registered businesses[2]
- SMEs contribute 50 per cent of the annual GDP and 55 per cent of investments
- SMEs create over 500,000 new jobs each year[2]
- SMEs growing by 22 per cent per annum in terms of industrial production value[2]
- Less than a fifth of SMEs have access to bank lending

Exports and imports (USDbn), H1 2009 versus H1 2010[2]



- US, Asean and EU are top export partners
- Mainland China, Asean and Japan are top import partners
- USD5.4bn FDI in H1 2010, up 6 per cent – a third invested in the manufacturing sector
- Manufacturing output up 15 per cent in H1 2010

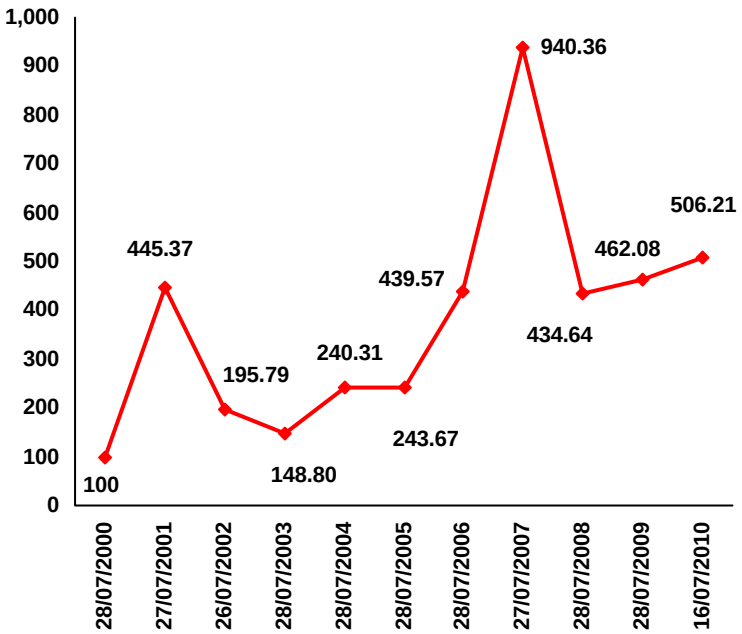
Notes:
(1) Ministry of Planning and Investment, 2009
(2) General Statistics Office, Vietnam, July 2010

Capital markets development a key growth driver

Stock market in early stages of development

Undeveloped bond market

VN-Index during 2000-2010[1]



- Launched in 2000, owned and operated by government
- 584 listed firms as at August 2010[1] from original 2
- Two corporate bonds listed (Bank for Investment and Development of Vietnam and Ho Chi Minh City Investment Fund for Urban Development)[1]
- Market capitalisation represents 40 per cent of GDP

Privatisation and venture capitalism a work in progress

5,615 enterprises privatised or converted into limited liability or joint stock companies by May 2010[2]

Over 1,000 state-owned enterprises (SOEs) to be equitised by 2015[2]

Notes:
(1) State Securities Commission of Vietnam, 2010
(2) Ministry of Finance, May 2010

Growing market presence

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Largest foreign bank in terms of investments, network and staff

Long-term commitment

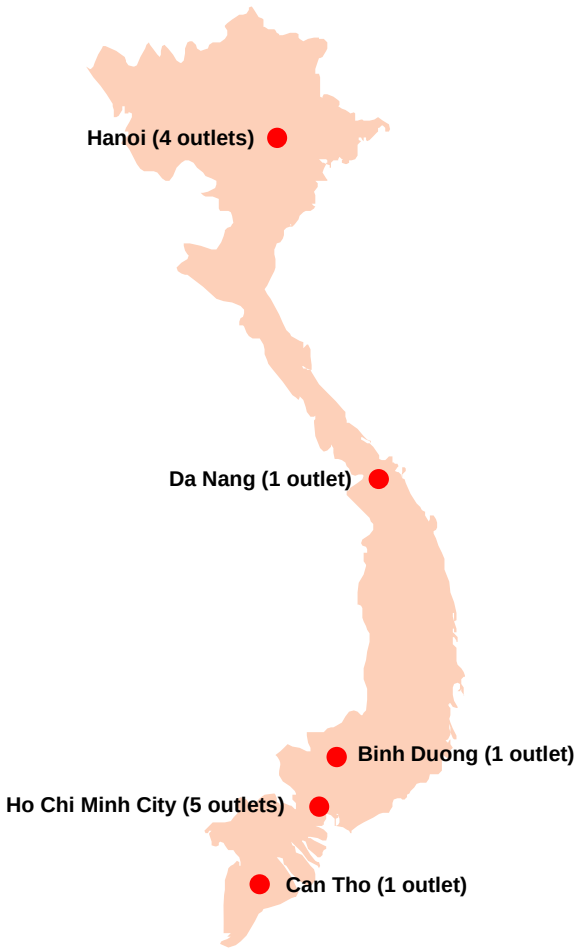
- Established in 1870
- One of the first foreign banks to locally incorporate in 2009

Fast-growing presence

- 12 branches and transaction offices in key cities
- 149 ATMs
- Over 1,600 deposit outlets via Vietnam Post
- Over 2,000 cash collection points[1]

Strategic investments

- 20 per cent stake in Techcombank
- 18 per cent stake in Bao Viet



Note:
(1) Cash collection points refer to private and public banks and the Vietnam Post Corporation who are authorised by HSBC to accept deposits for the Bank's Payments and Cash Management customers

Strategy: taking the business to the next level

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Expand product range, distribution and cross-sales

Grow mass affluent market share

Increase transaction branches and multi-channel presence

Grow assets via mortgages, personal loans and cards

- **Expand distribution to grow liabilities: opened two more branches (Da Nang and Can Tho) in September 2010**
- **29 per cent of total personal installment loans (PIL) and cards sales generated through online banking**
- **75 per cent of local transfers and 40 per cent of overseas transfers conducted online**

Grow wealth management product range to build Premier

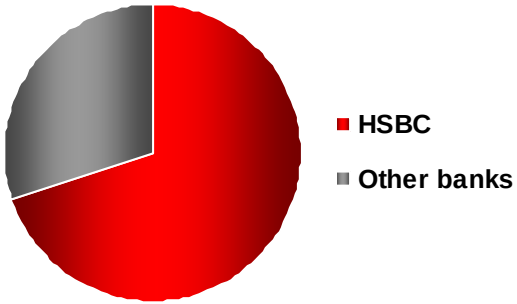
- **Growing PILs and mortgages books**
- **Launched Premier in May 2010 – 1,000 new customers with 5.6 cross-sell ratio in the first month**
- **The first bank to offer dual currency deposits to personal banking clients**

Build on strengths, differentiate via international connectivity

- Increase transaction branches and multi-channel presence
- Deepen relationships via trade, Payments and Cash Management, Global Markets and insurance
- Build capital markets capabilities and strengthen product pipeline
- Increase cross-border transactions

Grow SME, MME and corporate share

- Capture significant share of rice exports – 13 per cent share1
- Cross-sell Group insurance to CMB customers
- Grow SME customer base focus on Trade and Supply Chain, Payments and Cash Management and multi-channels
- Tap MMEs and large corporates for global banking and maintain pioneering role in development of local capital markets



- Banker to 70 per cent of largest corporates[1]
- Relationships with major state-owned banks[1]
- First AUD/USD FX option target redemption with a local bank
- Target role as collection bank for securities settlement and IPOs
- Extend lending to large property projects

Note:
(1) Estimates based on data from General Statistics Office

Maximise strategic partnerships

	Strategy	Delivering growth
Techcombank	Support modernisation and collaborate on product development	13 HSBC executives seconded Extend RMB hedging and funding for Greater China customers Expand distribution – 820 ATMs linked to HSBC
Bao Viet	Drive bancassurance leadership	15 HSBC executives seconded First to offer car insurance via HSBC-Bao Viet tie-up New policy administration support for life and general insurance companies

Summary

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Positioned to deliver on strategy for the long term

- **Cross-sales, cross-border leadership and balance sheet strength to drive organic growth**
- **Focus on international mass affluent population and businesses**
- **Positioned for growth via investments in Techcombank and Bao Viet**