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Vietnam

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Agenda

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Summary

Country overview

Population	87.0 million[1]
GDP growth	4.9% (2009e)[2]
GDP at purchasing power parity	US$251bn[3]
Total exports	US$62.9bn[4]
Total imports	US$79.9bn[4]

Notes:
(1) CIA The World Factbook 2009 (Jul 09 estimate)
(2) HSBC Asian Economics 4Q09
(3) IMF World Economic Outlook Apr 09
(4) Vietnam Ministry of Trade and Industry

Economic outlook

Robust growth

GDP and GDP growth[1]

Highlights

- Country weathering crisis due to swift and strong policy response and huge monetary and fiscal stimulus package
- Construction sector posted strong recovery; retail sales held up; other businesses recovering
- Trade rebounding
- Inflation under control
- Banking sector:
  - cautiously relaxed monetary policy and flexible exchange rate policy
  - growth of credit due to interest rate subsidy scheme
  - credit growth limited to 30% in year as a whole

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

Presence

Largest foreign bank

- **Long history: first office opened in 1870**
- **Largest foreign bank in terms of investment capital, products, staff and network**
- **First foreign bank to locally incorporate (Jan 09); now with 10 outlets**
- **First foreign bank to increase stake at a domestic bank – 20% in Vietnam Technological and Commercial Joint Stock Bank (Techcombank)**
- **Sole foreign strategic partner of Bao Viet, with agreement to increase stake to 18% from 10.3%**

Opportunity

International banking, wealth management and global business connectivity

Pro-growth government reforms towards market liberalisation and international integration

Market opening through membership with AFTA and WTO[1] and bilateral trade agreement with the US to boost financial, retail and trade business

Increasing GDP per capita; target to be a mid-income country by 2010

Young and increasingly affluent population open to banking and financial products

Note:
(1) ASEAN Free Trade Area; World Trade Organization

Strategy

Grow organically, maximise strategic partnerships

Personal Financial Services	• Tap growing mid-market and mass affluent segments • Drive liabilities and asset growth; wealth management • Optimise bancassurance strengths
Commercial Banking	• Capture Greater China potential and cross-border flows
Global Banking and Markets	• Lead growth and development of the country's foreign exchange (FX) and capital markets • Focus on growth of quality assets with strong balance sheet, product range and brand
Insurance	• Strengthen partnerships with Bao Viet to build bancassurance business • Support Bao Viet to become a modern equitised company

Personal Financial Services

Opportunity	• Growing affluent market and mid-market • Low banking penetration • Developing retail sector • Young population open to banking and financial products
Strategy	• Expand distribution through local incorporation and domestic alliances • Strengthen customer experience through customer segmentation, with distinct channels and product ranges
Delivering on strategy	• First bank to launch internet banking with two-factor authentication • Largest foreign bank ATM network, linked to Techcombank ATMs • Partnership to offer selected banking services through Vietnam Post's 1,600+ post office countrywide • First foreign bank to launch dedicated areas for high-net-worth customers • No. 2 in market share for Visa credit card spending and credit cards in force[1] • Leading bancassurance provider

Note:
(1) Visa Ranking Report Q2 2009

Commercial Banking

Opportunity	• Growing trade between Vietnam and the rest of the world since Vietnam joined WTO in 2007 • Strong foreign direct investment flows • Developing SME/MME market
Strategy	• Maintain leading international business position with focus on Greater China and Asia trade • Diversify income stream and grow market share by cross-selling transactional banking, trade finance and insurance
Delivering on strategy	• Over 140 cross-border referrals in 2009; close to 50% generated business • Largest customer base among foreign banks – grew customer numbers by one-third YoY in Sep 09 • Largest foreign bank financing rice export between Vietnam and the Philippines • Opened a third branch, in southern economic hub Binh Duong to service customers in the area and nearby provinces • Best Trade Finance Bank in Vietnam 2009[1]

Note:
(1) The Asset Triple A awards

Global Banking and Markets

Opportunity	• Investment and trade recovering • Domestic market developing • Government set to develop infrastructure
Strategy	• Capture finance advisory opportunities • Tap FX, derivatives and cash management needs from trade transactions • Retain leading market share in key product segments – cross-border custody, domestic fund servicing and FX
Delivering on strategy	• Increasing penetration into large domestic companies with cross-border needs • Focusing on value-added and higher margin products and services • Expanding tailored product range and capabilities

Strategic partnerships

Optimising potential for extended reach and scope

	Techcombank	Bao Viet
Strategy	• Develop a strong and mutually beneficial partnership with Techcombank • Support Techcombank to modernise and deliver quality products	• Grow bancassurance utilising Bao Viet's network • Build Bao Viet into Vietnam's largest and most diversified financial services company
Delivering on strategy	• 9 HSBC executives seconded to Techcombank • 550 ATMs in linked Techcombank and HSBC network • Exploring other areas for collaboration, including corporate banking and transaction banking	• Agreement to increase stake to 18% • 14 HSBC executives seconded to Bao Viet • Technical services agreement extended for another 5 years • Leading market share – bancassurance contribution growing • Expanded product range

Summary

Expand organic business	• Build on local incorporation to expand network and customer base
Optimise strategic partnerships	• Capitalise on partnership with Techcombank and Bao Viet to widen our distribution channels and boost Global Markets • Support partners to modernise and deliver quality products/services
Build insurance leadership	• Deepen cooperation with Bao Viet through cross-selling products and best-practice sharing