

# HSBC Mexico update 1H19

September 2019



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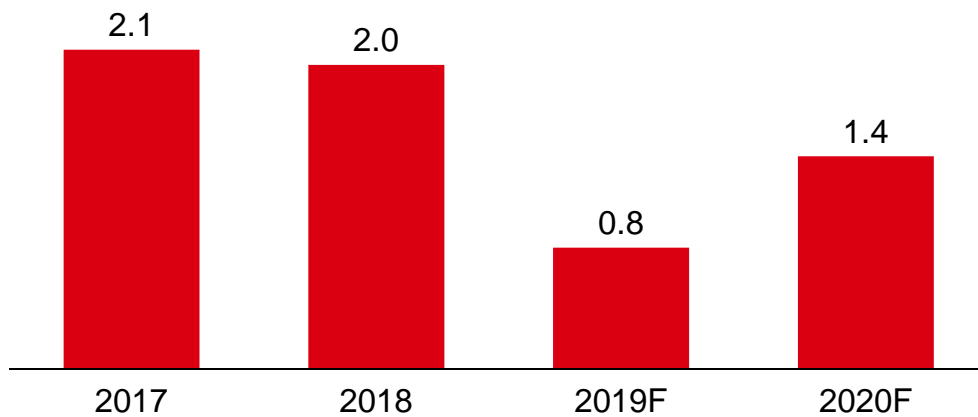
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# 1. Mexico's economic outlook

# Low growth but a stable outlook for macroeconomic fundamentals

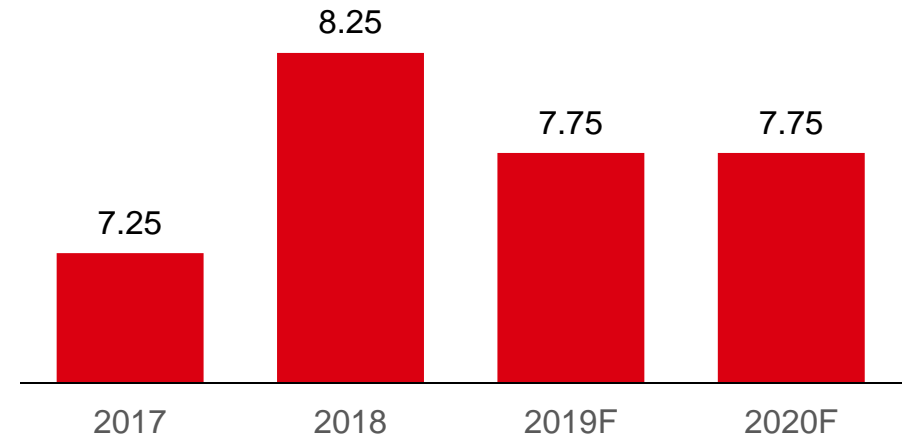
## GDP growth

% y-o-y



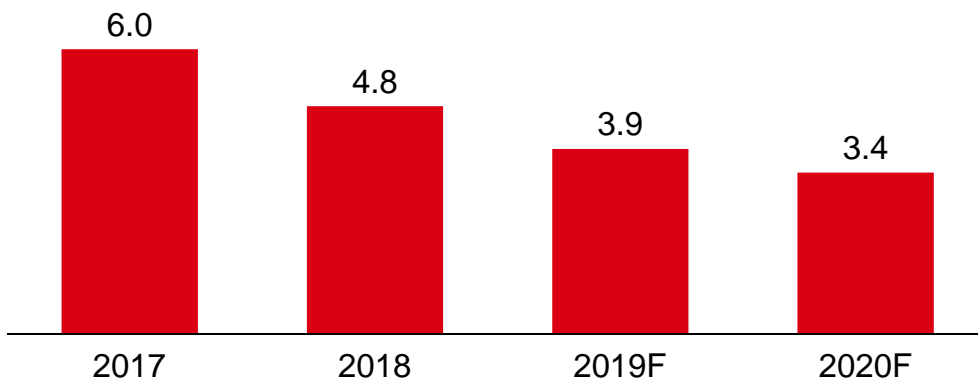
## Central Bank policy rate

% End of period



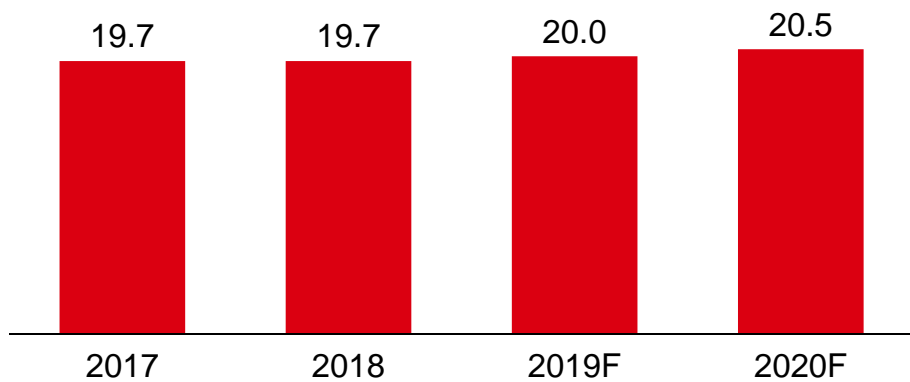
## Inflation

% End of period



## Foreign exchange

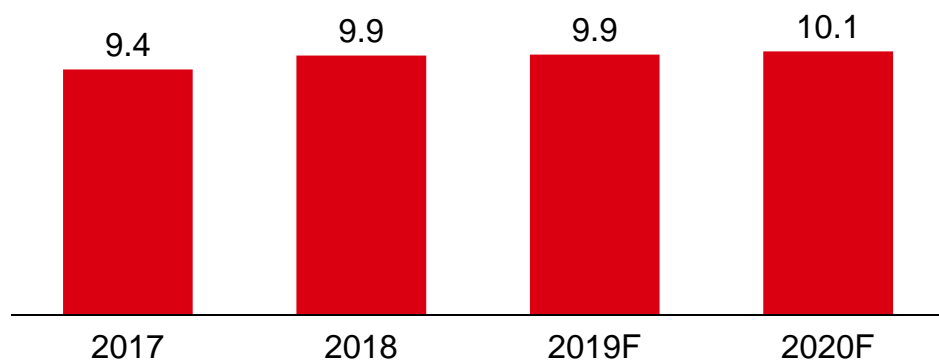
MXN / USD end-year



# An open economy with significant opportunities for banking and trade

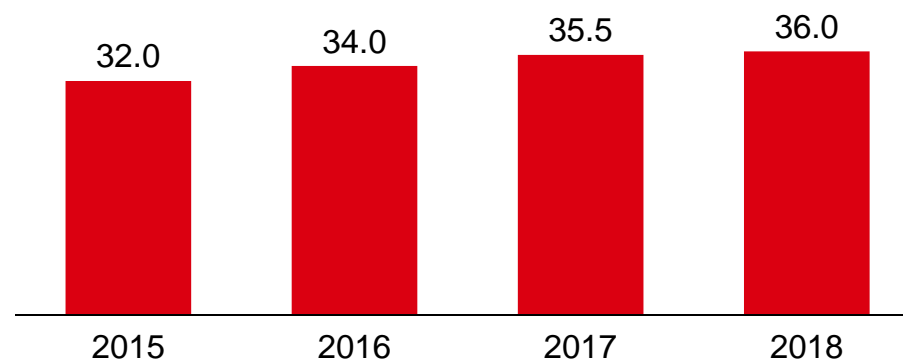
## GDP per capita

USDk<sup>1</sup>



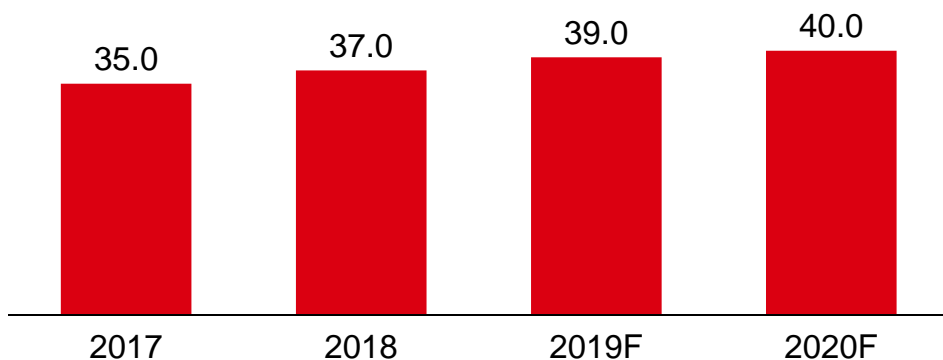
## Domestic credit to private sector

As % of GDP<sup>2</sup>



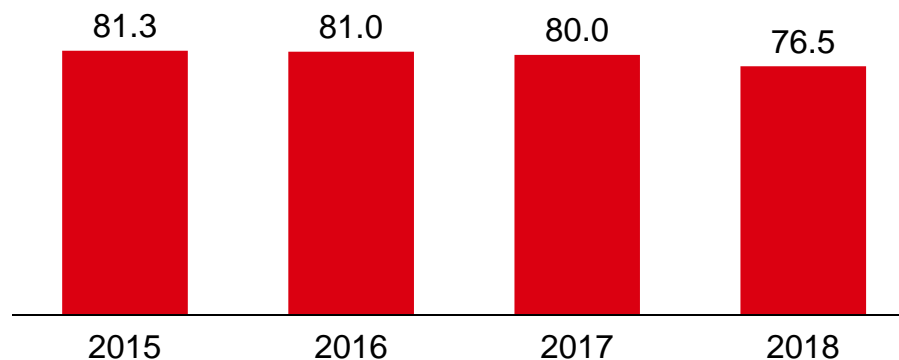
## Total exports

As % of GDP<sup>1</sup>



## Exports to USA

As % of total exports<sup>3</sup>

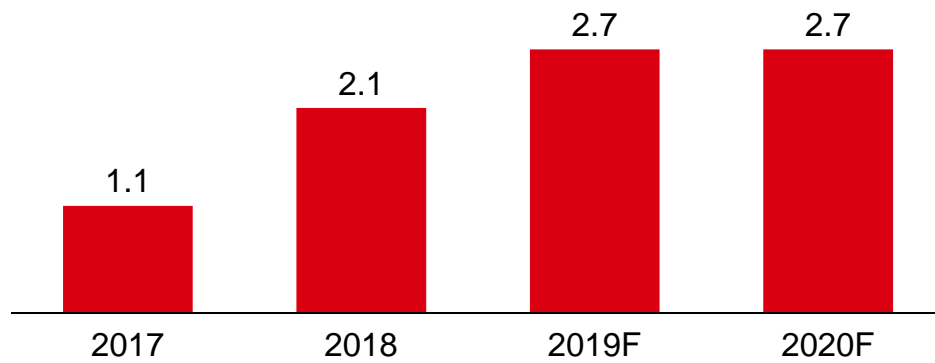


1. Source: HSBC Global Research, Latin America Economics 2Q19  
2. Source: Worldbank  
3. Trademap.org FY18 figures as of Dec 18

## Macroeconomic highlights - public sector

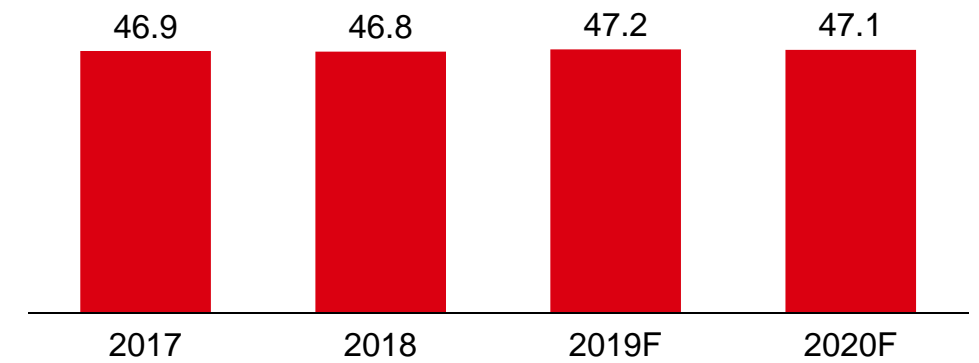
### Central Government budget deficit

% GDP<sup>1</sup>



### Gross public sector debt

% GDP<sup>1</sup>

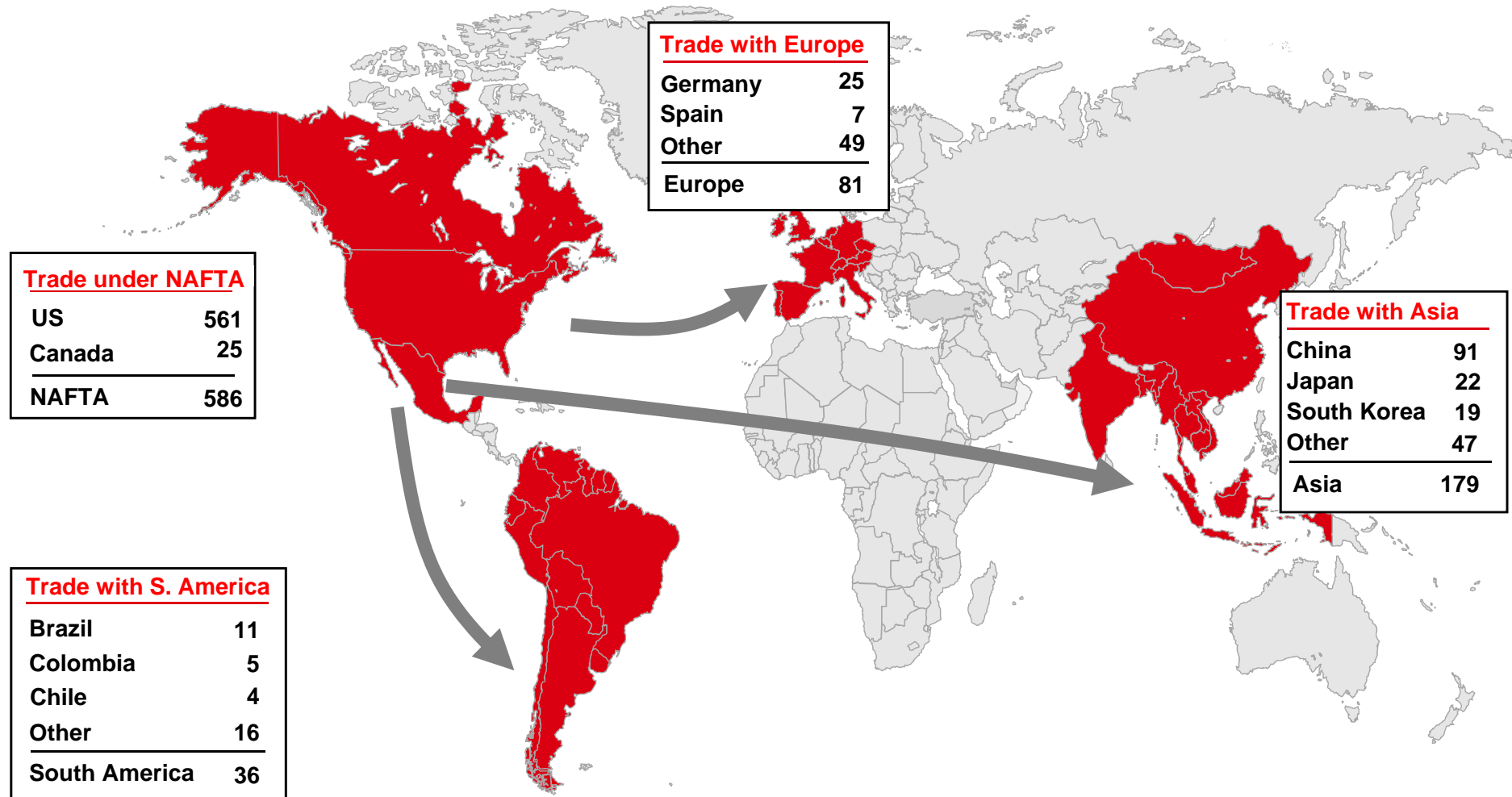


1. Source: HSBC Global Research, Latin America Economics 2Q19

# Trade: Mexico connected to key regions

## Mexico in key trade corridors<sup>1</sup>

2018 value of trade (exports and imports), USDbn



1. Source: Trademap.org FY 2018 figures

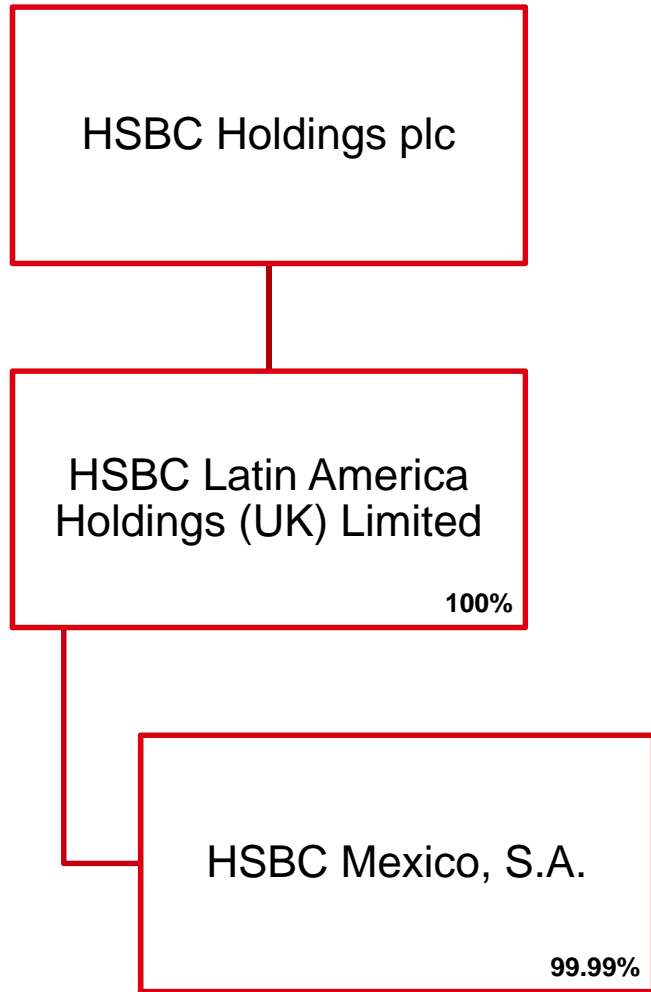
## 2. HSBC in Mexico





# Our Mexican business is strategically important to Group with significant potential to improve

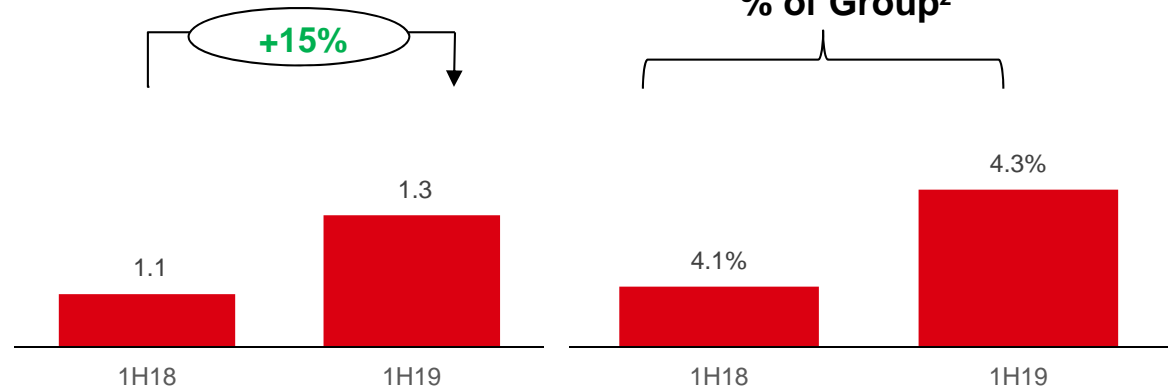
## Ownership chart



## HSBC Mexico performance<sup>1</sup>

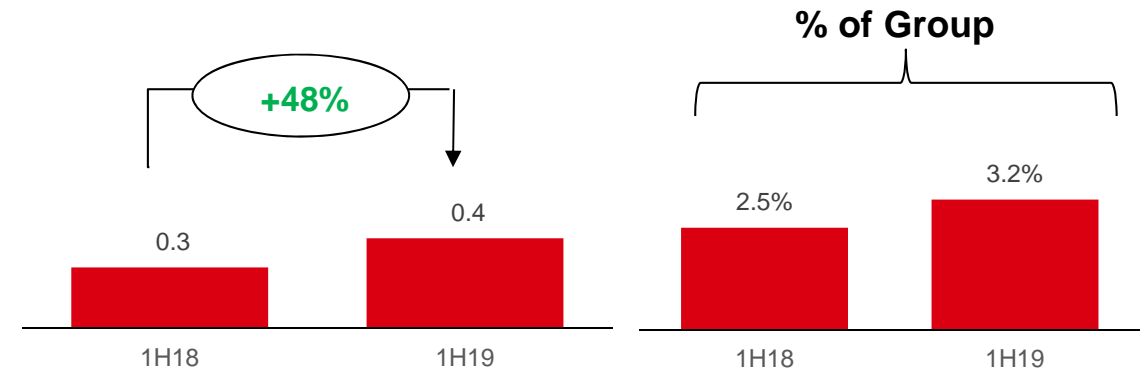
### Reported revenue

USDbn



### Reported PBT

USDbn



1. Source: HSBC Holdings plc Interim Report 2019. Reported figures under IFRS  
 2. Includes intra-group transactions

## Key executives

<p><b>Nuno A. Matos</b> CEO</p>	<p>Joined HSBC in March 2015. Appointed CEO of HSBC Mexico in December 2015. Experience: Worked for Santander between 1994 and 2015 in a variety of retail banking, investment banking and functional leadership roles across Europe, the US and Latin America. Also worked at Banco de Portugal.</p>
<p><b>Estanislao de la Torre</b> COO</p>	<p>Joined HSBC and appointed COO in August 2016. Experience: Worked for Santander between 1998 and 2016 in different leadership operational roles in Mexico. Also worked at Grupo Bursatil Mexicano as Chief Administration and Financial Officer.</p>
<p><b>Guillermo Colquhoun</b> CRO</p>	<p>Joined HSBC in 2005. Appointed CRO in March 2018. Experience: Former Head of Internal Audit of HSBC Mexico. Senior management positions in Mexico, Brazil and Argentina, with an extensive experience of more than 20 years in the financial services industry.</p>
<p><b>Martin Peusner</b> CFO</p>	<p>Joined HSBC in 2007. Appointed CFO in November 2016. Experience: Former CFO of HSBC Argentina and HSBC Brazil. Also worked in Citibank in several roles and as CFO for Citibank Colombia.</p>
<p><b>Juan Parma</b> Head of RBWM</p>	<p>Joined HSBC in 1997. Appointed Head of RBWM Latin America in January 2016. Experience: Several leadership roles within retail banking and commercial banking in Argentina, Brazil and Panama.</p>
<p><b>Juan Perez Rocha</b> Head of CMB</p>	<p>Joined HSBC in 2014. Appointed Head of Commercial Banking Mexico in April 2019. Experience: Several leadership roles commercial banking in Mexico</p>
<p><b>Jose Iragorri</b> Head of Global Banking</p>	<p>Joined HSBC in 2010. Appointed Head of Global Banking in July 2016. Experience: Managing Director of Global Banking in HSBC with experience in corporate customers.</p>
<p><b>Herbert Perez</b> Head of Global Markets</p>	<p>Joined HSBC and appointed Head of Global Markets in August 2015. Experience: Senior management positions mostly in global banks, sales and trading in Mexico and New York. Worked at several financial institutions such as Structura Capital Management, Vector Brokerage House, Bank of America, ING and Citibank.</p>

# HSBC Mexico is a top 5 bank with national presence and has been increasing its share and returns in the market

## HSBC in Mexico<sup>1</sup>



5.4 million customers



961 branches



1H19 PBT Growth<sup>1</sup>: 31% vs 1H18



c. 16,000 FTEs



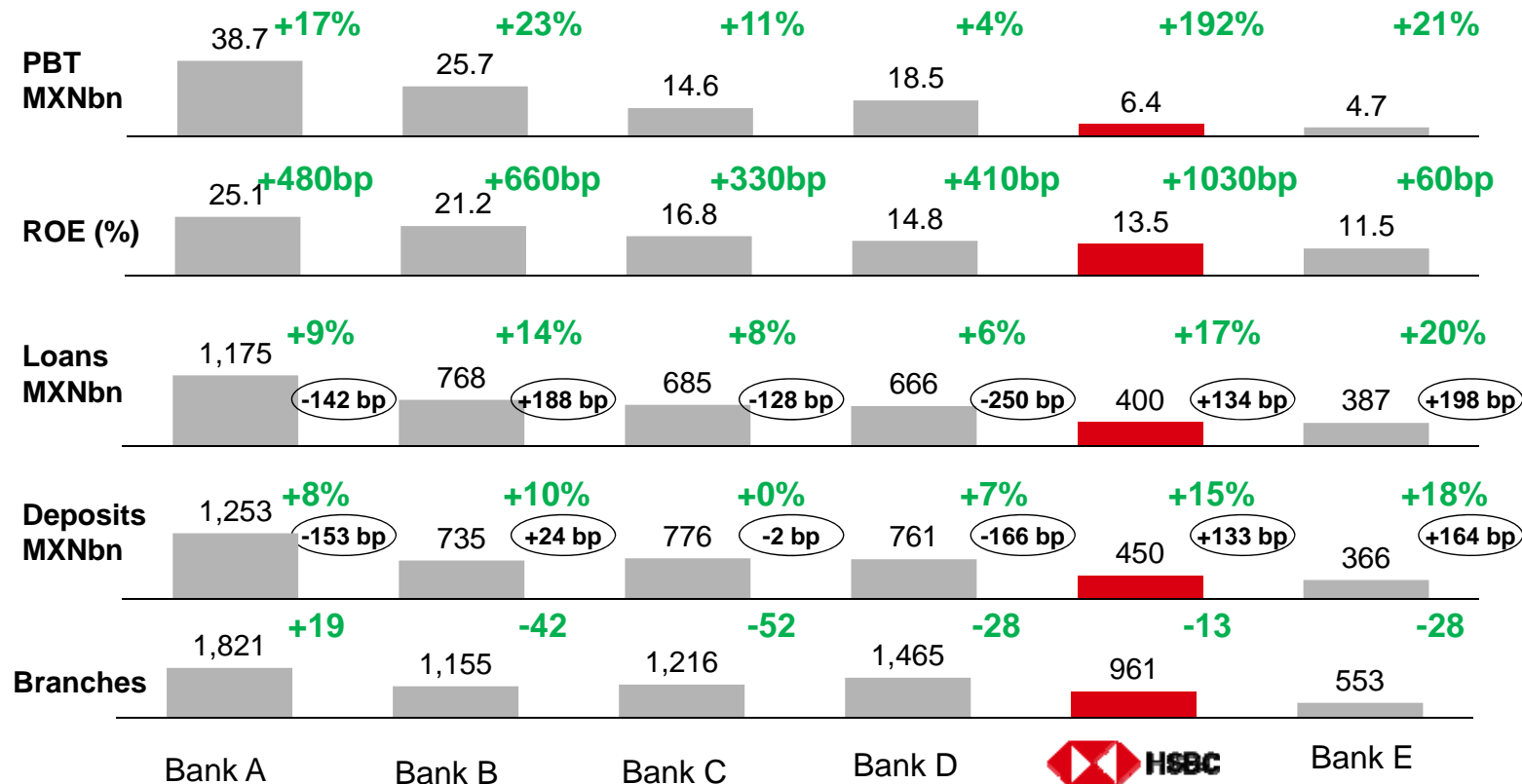
5,600 ATMs



1H19 ROE: 13.5%

## Top 6 banks in the Mexican Financial System figures local GAAP 1H19<sup>2</sup>

○ = market share var 2015-2018 vs Top 6 Banks  
Variances refers to CAGR 2015-2018



1. Source: HSBC Mexico 2Q19 press release, figures under Local GAAP  
2. Source: National Commission of Banking and Securities

## 2018-2020 Strategy

Two main strategic pillars...

- (i) Fully leverage our retail scale to reach a 10% fair market share (as our branch market share),
- (ii) Become the leading Wholesale bank for international customers and local customers with transaction banking needs.

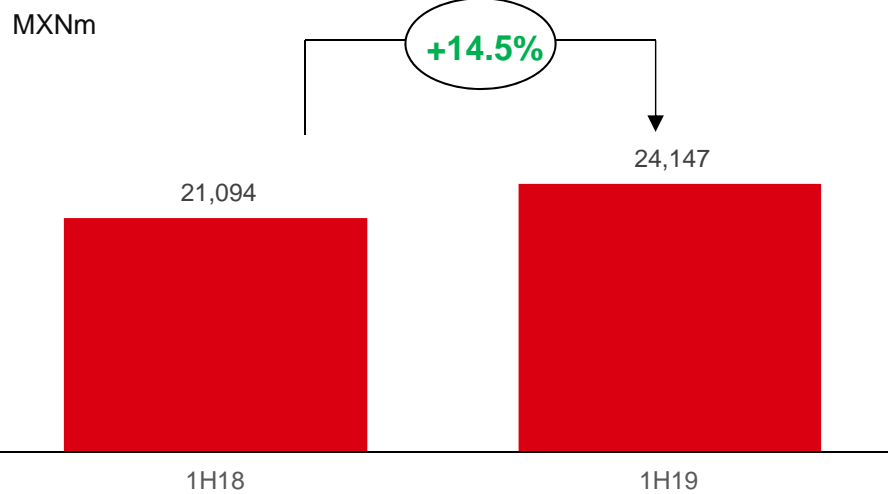
...and ten strategic initiatives:



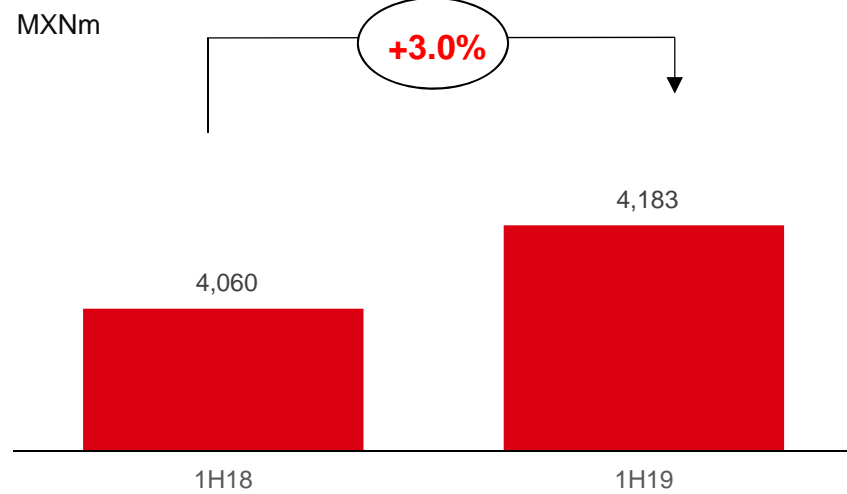
# 3. HSBC Mexico financial performance

# Reported financial performance 1H19 – Mexico GAAP

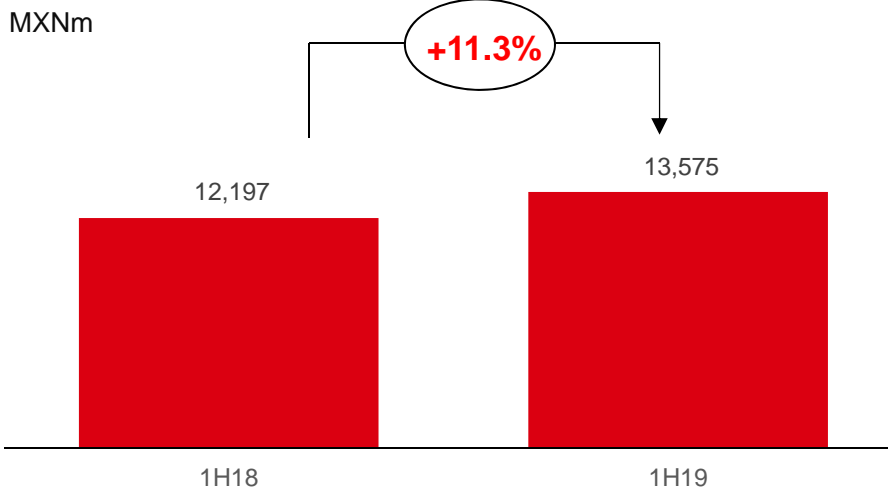
## Revenue<sup>1</sup>



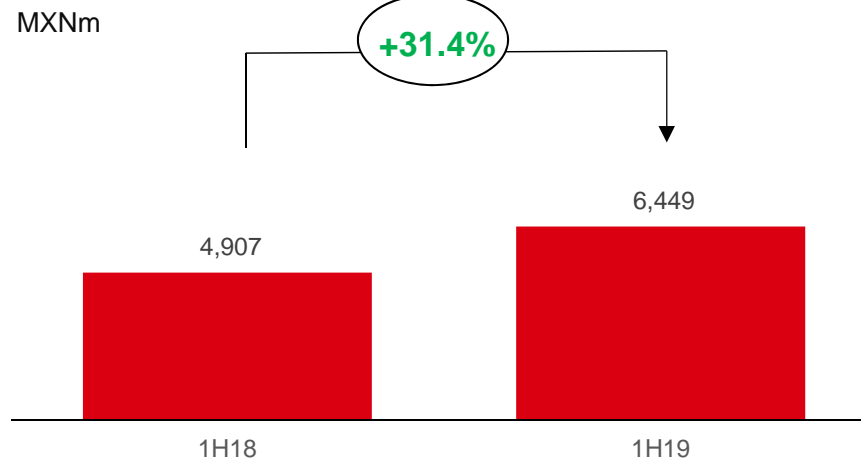
## Loan impairment charges and other credit risk provisions



## Operating expenses



## Profit before tax

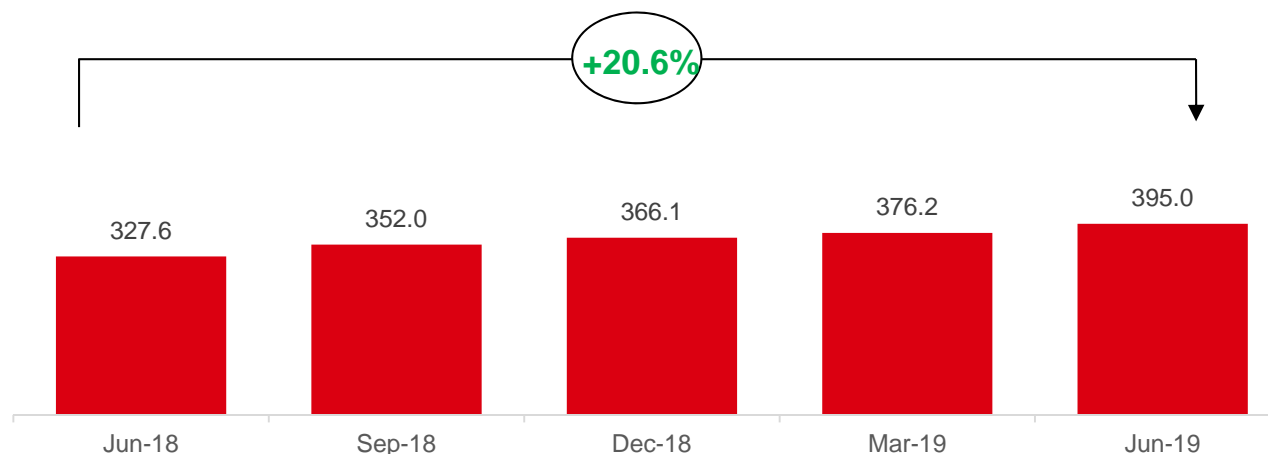


Source: HSBC Mexico 2Q19 press release. Figures under local GAAP  
1. Revenue refers to Total Operating Income excluding Loan impairment charges

# Credit portfolio and Deposits

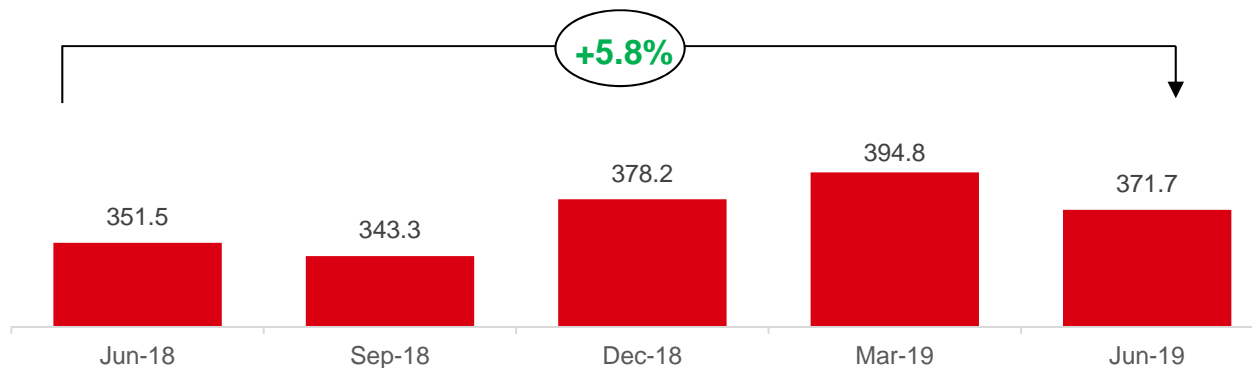
## Loans and advances to customers, net

MXNbn

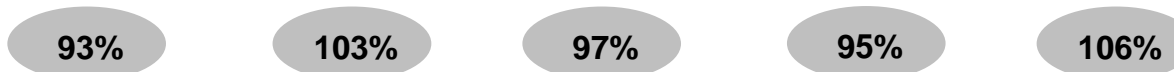


## Demand and Time Deposits<sup>1</sup>

MXNbn



**A/D ratio**



Source: HSBC Mexico 2Q19 press release. Reported figures under local GAAP. Time Deposits exclude money market deposits

1. Demand and Time Deposits disclosed in the Spanish version of the 2Q 2019 press release, and excludes money market deposits (Mercado de dinero) and Bank Bonds Outstanding (Títulos de Crédito emitidos). This Spanish version is publicly available in HSBC Mexico website.

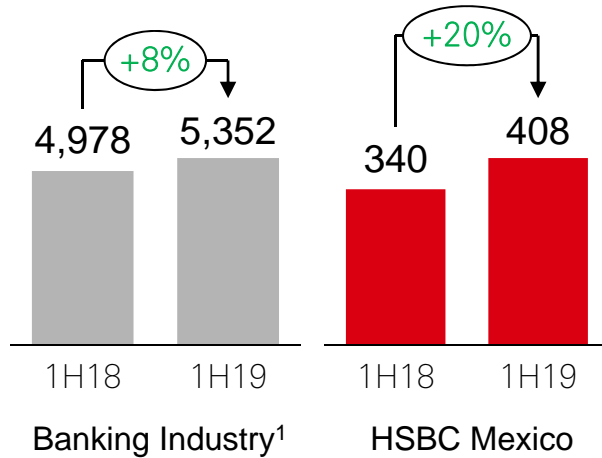
# 4. Bank peer review



# HBMX vs Industry

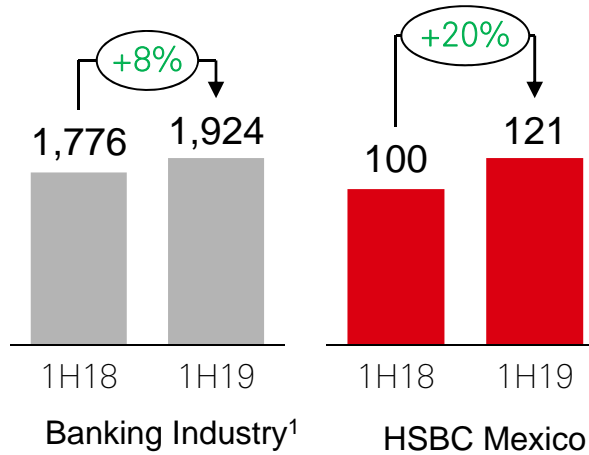
## Total loans

MXNbn



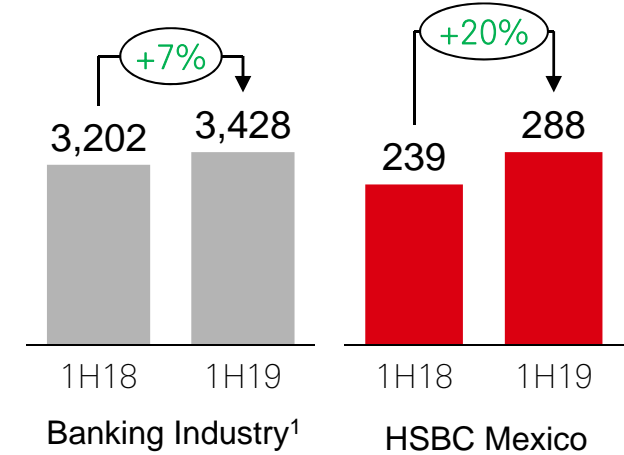
## Retail loans

MXNbn



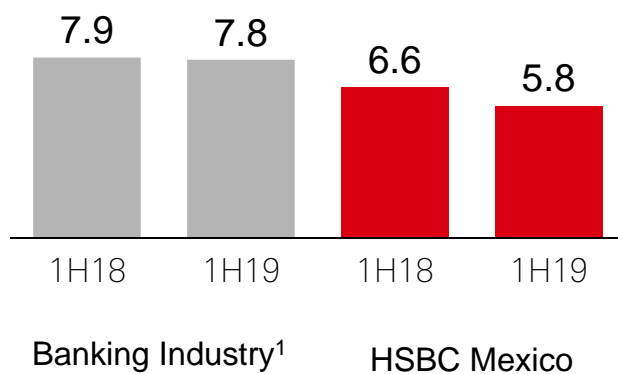
## Wholesale loans

MXNbn



## Lending rates (NIM)

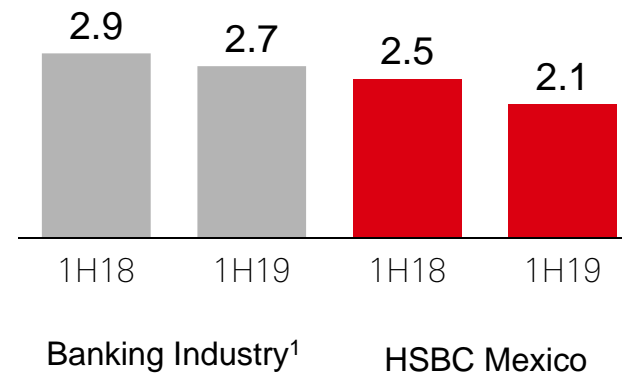
% (3 months rolling average)



## Credit Cost

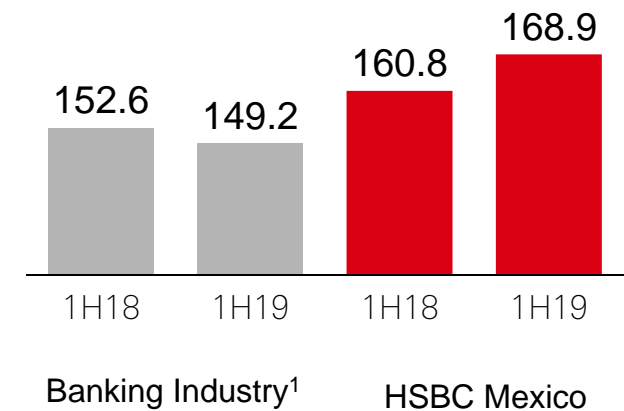
(Annualized LICs/avg. loans)

%



## Coverage index (loan reserves/NPL)

%



Source: CNBV, figures under local GAAP as of Jun 2019

1. Banking industry comprises the six largest banks in Mexico including HSBC

