



11 May 2011

Latin America

Investor Day

Emilson Alonso

Chief Executive Latin America and Caribbean

HSBC 

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 Annual Report and Accounts 2010. 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 are provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at www.hsbc.com.

Key trends for Latin America¹



Overview

- Market relevance
 - 540m people (8% of world population)
 - 17 countries
 - 2 languages
- GDP of Latin America is equivalent to c.80% of mainland China's GDP
- Strong economic recovery from the crisis
- 5 investment grade countries: Brazil, Chile, Mexico, Peru and Panama

Long-term trends

Economic growth

Growth supported by strong demographics and social mobility:

- Forecast increase of 48million in economically active population by 2020
- In Brazil and Mexico only, ABC classes are forecast to have increased 35million by 2014

Trade

- Over 80% of trade is done with global partners outside the region
- Mainland China and Asia are growing in importance as trade partners in addition to US

Financial services penetration

- Strong growth potential following historical 2 two-digit CAGRs in credit and deposits (2006-2010)
- Most relevant markets in the region still show low penetration rates

Key trends for Latin America

Strong historical growth in banking with sizeable future potential



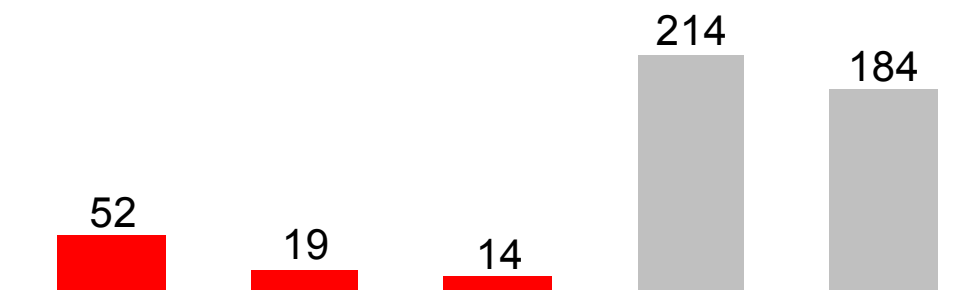
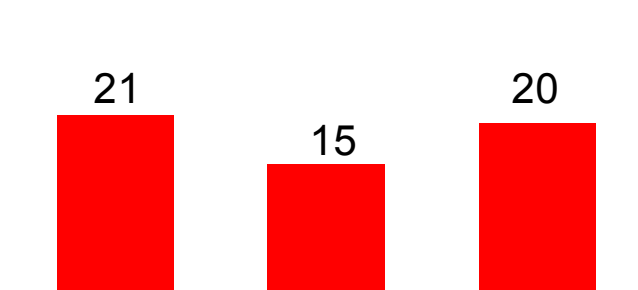
Strong historical numbers...

CAGR 2006-10

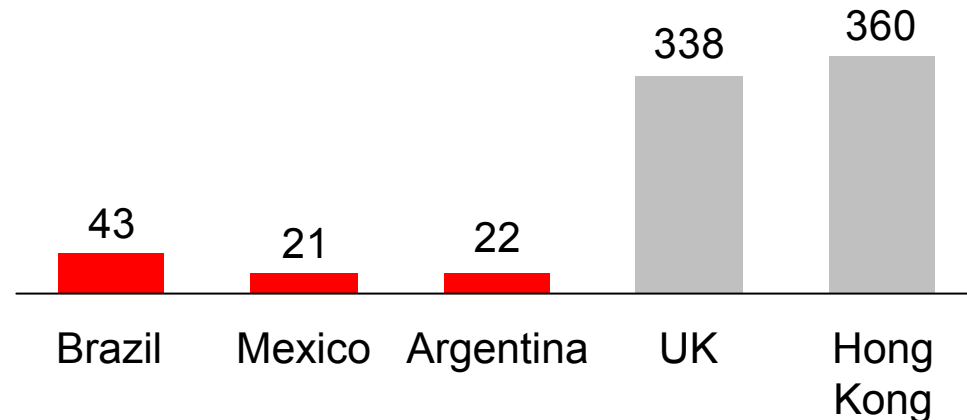
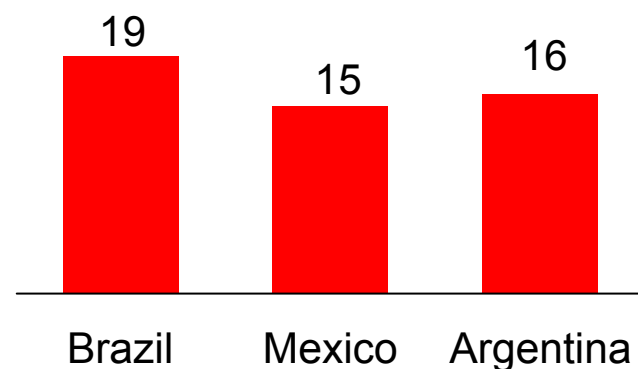
... and significant potential for further growth

% of GDP, 2010

Credit¹



Deposits²



¹ Domestic credit to private sector

² Customer deposits

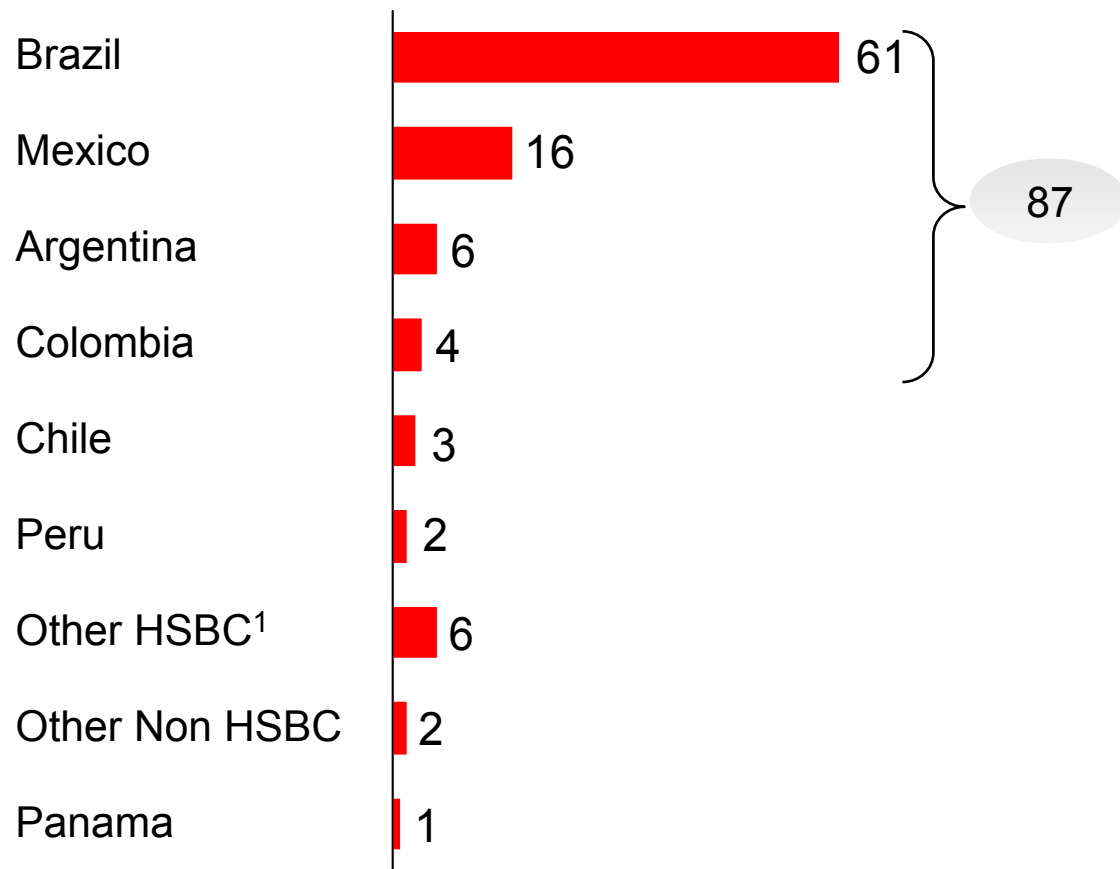
Source: Local Superintendencies and Central Banks, BMI, IMF, HSBC estimates.

HSBC: Significant presence in relevant markets



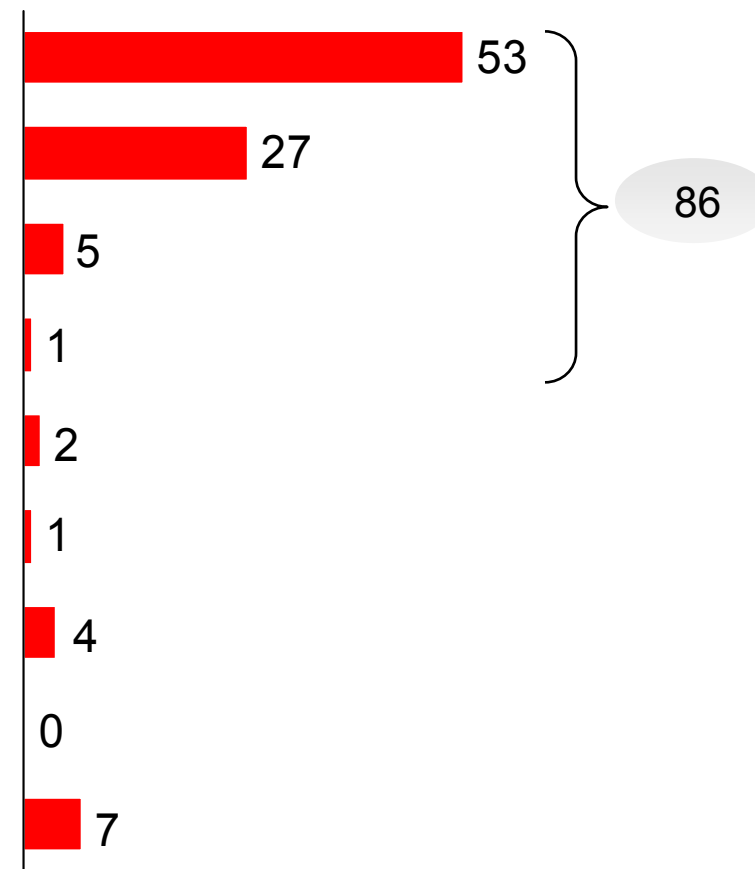
Share of Latin America GDP Growth

%, 2010-2020



Share of HSBC Latin America Assets

%, 2010



USD5.5 trillion forecast absolute nominal GDP growth

¹ Other HSBC: El Salvador, Costa Rica, Honduras, Uruguay, Paraguay, Venezuela (Rep Office), Guatemala (Rep Office) and Nicaragua (Rep Office)
Source: Global Insights

HSBC: Relevant footprint / scalable platform



Latin America¹

RBWM Customers	>16m
CMB Customers	>719k
Branches	>2.4k

RBWM Customers

Brazil ²	8.4m
Mexico	5.2m
Argentina	1.4m
Panama	0.4m

CMB Customers

Brazil	407k
Mexico	177k
Argentina	76k
Panama	18k

Branches

Brazil	865
Mexico	1,144
Argentina	118
Panama	67

¹ Figures as of Dec 2010

² Includes 3.8m from Losango and non-core segments

Latin America vs. rest of the Group - Strong cost challenge

2010

- Relevant and scalable footprint in the region
- That implies a significant infrastructure and thus expense base of USD 6.4bn
- We have a significant cost efficiency challenge of 65.7%
- But also an opportunity for growth through leveraging our connectivity and presence

Large scalable footprint in Latin America

2010



- Over 150 million transactions per month
- 80% through direct channels

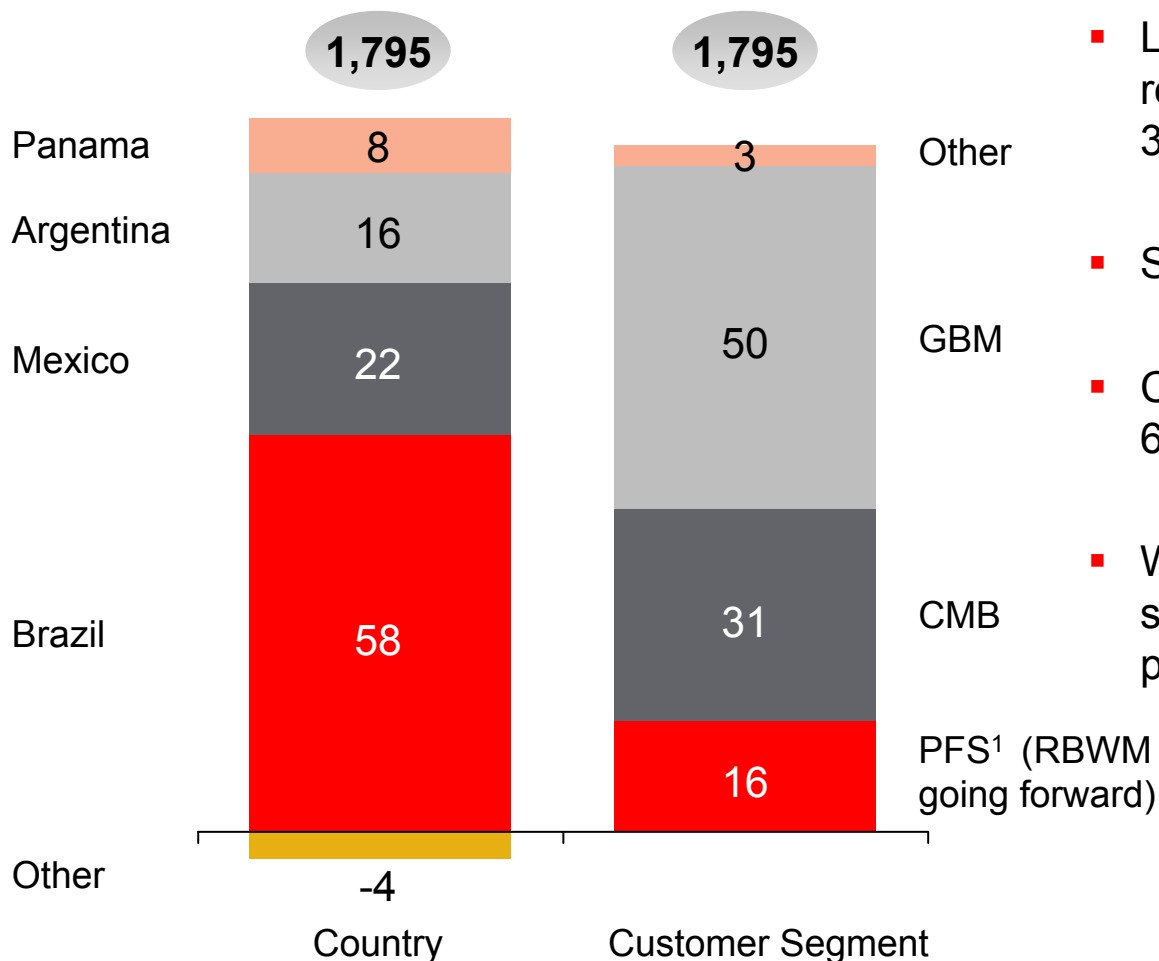
- HSBC presence
- No HSBC presence

HSBC: 2010 Financials



PBT composition

%, 2010 USDm



Financial indicators

2010

- Loan impairment charges / advances of 2.7% represents significant improvement versus previous 3 years
- Strong capital position
- Customer advances / Customer accounts ratio of 66% represents a strong liquidity position
- With 33% of the regional PBT, Insurance is a significant source of profits in low economic cycle periods

¹ Does not include AMG

Strategic direction and actions overview



Latin America

Become the leading international bank serving key growth segments and markets

1

RBWM - Positioned to capture social mobility and wealth creation

- Develop client centric strategy
- Invest in distribution channels
- Sub-segment affluent propositions

2

CMB - The leading commercial bank for international businesses

- Develop unique offerings based on international network, e.g., RMB settlements
- Continue optimising centralised business platforms

3

GBM - Connecting Latin America and the world

- Connect corporate customers throughout Latin America and main global centers
- Develop tailored financial solutions for high growth companies

4

Increase capital and cost efficiency

- Increase operational effectiveness through portfolio rationalisation and sustainable cost savings

1 RBWM – Positioned to capture social mobility and wealth creation



Key opportunities

- Demographics and upward social mobility
- Wealth Management proposition as key differentiator: “one-stop shop”
- Retail banking and lending: over 50% of profit pool
- Over USD17m of potential wealth insurance PBT for every 1% increase in penetration rate

HSBC position

- Relevant and scalable presence in key markets to capture retail banking opportunities
- Integrated business model, with strong cross referrals among business lines
- Insurance: strong and well integrated bank assurance and voluntary pension proposition, focusing on internal distribution
- Close to 9% penetration rate for wealth insurance
- Strong Asset Management capabilities: USD55bn in AuMs

Key actions

Move from a product oriented approach to a **client centric strategy**

Leverage Business Intelligence, providing seamless customer experience across different distribution channels

Leverage **Global Propositions** (Premier, Advance)

Accelerate infrastructure and process reengineering programs

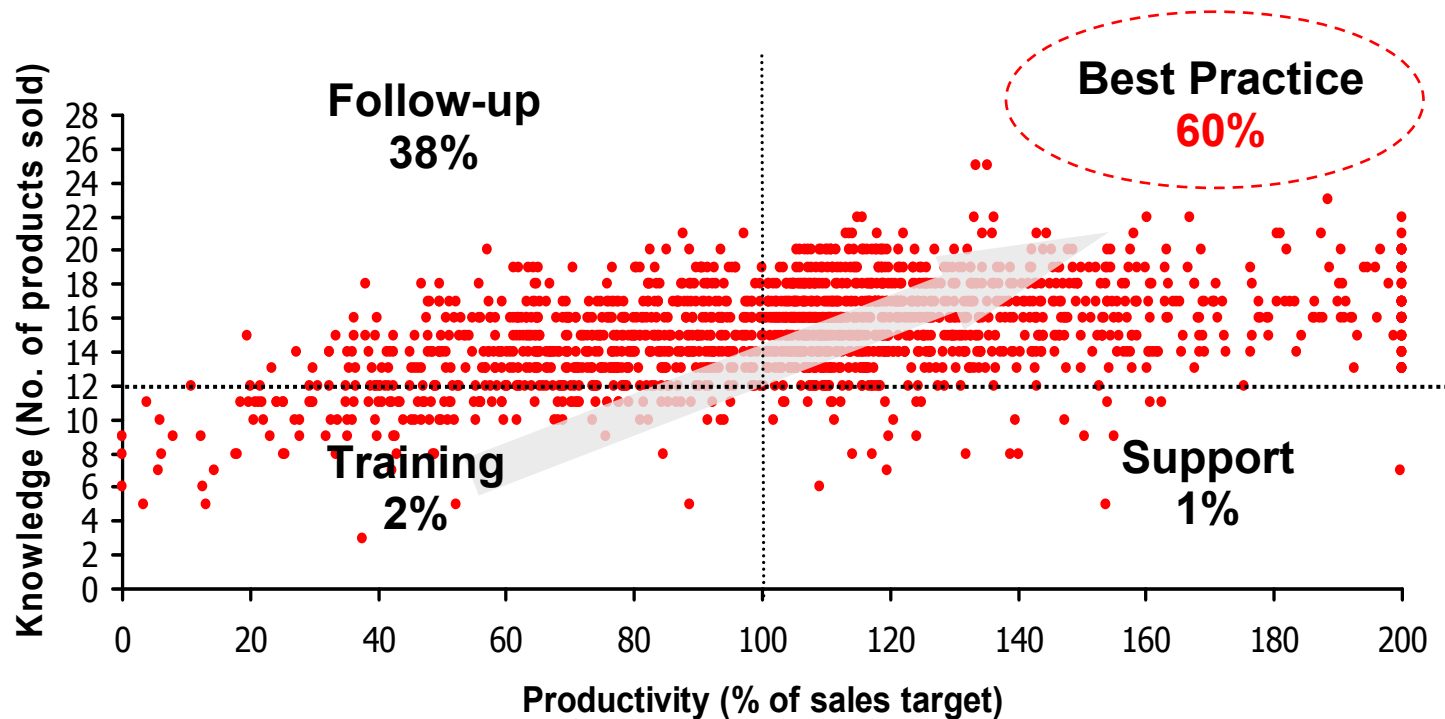
Brazil and Mexico combined aspiration to generate a PBT of over USD1bn for RBWM

Examples: Increased sales productivity and consistency



Sales monitoring and coaching process and incentive programme¹

- Sales team performance progress: over 20% net revenues increase in Brazil
- In March 2010 37% of Relationship Managers reached Best Practice; in 2011 this improved to 60%



2 CMB – The leading commercial bank for international businesses



Key opportunities

- Clear internationalisation trend amongst small and mid-size businesses
- Customers with international needs; double in-country and triple overall relationship revenues
- 90% of the companies are small businesses, generating a significant portion of country's employment and GDP

HSBC position

- Top positions in Trade market share
 - Mexico #3 (19%)
 - Brazil #5 (7%)
 - Argentina #2 (14%)
- 21% of our customers are international
- Large CMB network and clientele in key markets
- Feeder of the RBWM proposition through payroll services

Key Actions

Dedicated inter-regional desks in Asia, North America and in Latin America

Regional PCM team providing connectivity through HSBC Net in all countries and client management support

Regional Trade operations and booking unit in Panama to support smaller sites

First institution to settle in RMB in Mexico, Brazil and Argentina

Brazil and Mexico combined aspiration to generate a PBT of over USD900m for CMB

Strategic direction and actions

Examples: Recognition and partner of choice for top Latin American issuers

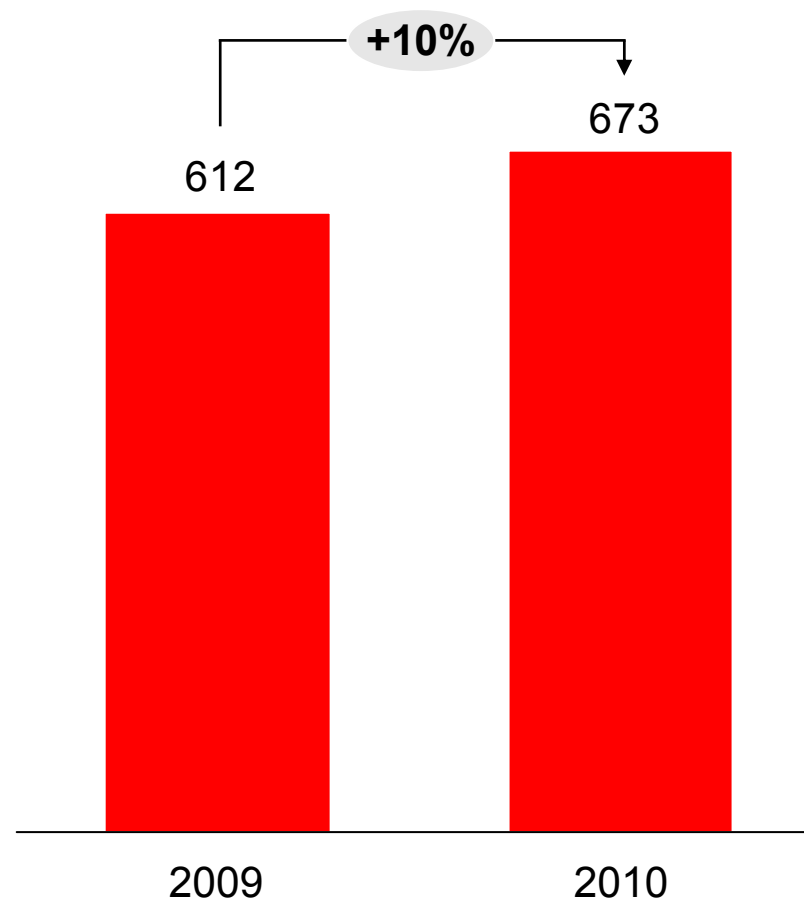


Capabilities in place to lead in CMB

- CMB and GBM joint efforts:
 - Casa Saba (Mexico):
 - USD637m deal - Financing, Advisory and Capital Markets
 - Jaguar Energy (Guatemala):
 - Lead arranger of a USD350 million syndicated project finance loan
 - Awarded Latin Finance Best Project Finance Deal of 2010
- Euromoney #2 PCM Award in Latin America
- 1,245 new HSBCnet clients in 2010

Business Banking in Latin America

HSBC active customers, thousands



3 GBM – Connecting Latin America and the world



Key opportunities

- Supporting global customers in Latin America
- Increasingly local customers require international Trade services and Cash Management
- Asia: Latin America's fastest growing trading partner
- Faster Growing Markets companies acquiring Mature Markets assets

HSBC position

- Strong brand position
- Unparalleled position in DCM ranking
- Unmatched connectivity with Asia, Europe and US
- Key sector coverage from US and Europe
- Alignment between GBM product offering and Commercial Banking distribution
- Local currency balance sheets and funding capability

Key Actions

Cross-selling between segments, products and geographies

Focus on delivery of high-value added products to core GBM Clients

Leverage HSBC connectivity to develop lower volatility revenue streams

Complete build out of country desks in key South-South regions¹

Brazil and Mexico combined aspiration to generate a PBT of over USD1.1bn for GBM

¹ Defined as Asia, Middle East, Africa, and Latin America

Examples: Global banking and markets achievements



Unique capabilities to connect our clients

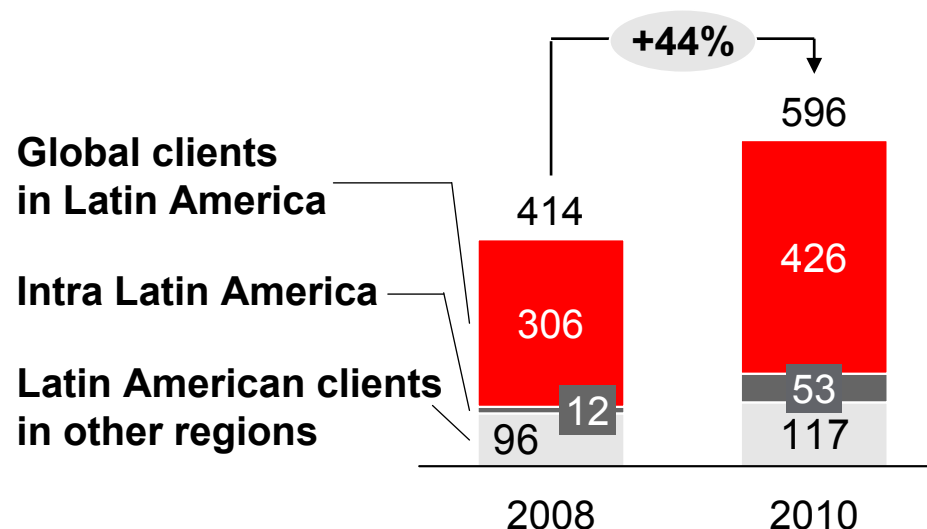
- 2010 - 2011 significant transactions:
 - **Camargo Correa** (BRA): Adviser in a USD1.7bn cross border transaction
 - **Arca Contal** (MEX): Sole adviser in a USD6.3bn transaction
 - **Cemex** (MEX): Joint Bookrunner of a USD715m Subordinated Convertible Notes
 - **Petrotemex** (MEX) Exclusive advisor, Joint Lead Arranger and Bookrunner of a USD600m syndication
- Advisory, ECM and PEF fees increased 48% in 2010 versus prior year, showing our focus in becoming strategic partners to clients in Latin America

Top positions in Latin America league tables¹

DCM, 2009		DCM, 2010	
Rank	USDbn	Rank	USDbn
2. HSBC	8.7	1. HSBC	12.1

Connectivity contributing to revenues

GBM revenues from global interaction, USDm



¹ Source: Bloomberg, International and Domestic bonds excluding Venezuela

4 Increase capital and cost efficiency



Key levers		Example of initiatives	Cost saving USDm
Cost efficiency	Portfolio rationalisation	- Exit underperforming/non-strategic businesses (e.g., Pension Business in Mexico and Costa Rica) - Rationalise portfolios (e.g., Auto Finance and Payroll Loans in Brazil)	180-200
	Re-engineer functions	Rightsizing regional and country support structures	160 -190
	Re-engineer processes	Infrastructure optimisation and processes review	80 - 100
	Implement consistent Business Models	Consolidating branch network	20 - 40

Savings to fund

- Hiring of RMs to boost sales in Brazil and Mexico, move back office staff to front
- Branch network expansion in Argentina and consolidation in Mexico
- Expenses increase from inflationary pressures (union-agreements)



Competitive Advantages

Significant player in relevant markets

Strongly connected business internationally and regionally

Business platform integrated across business lines

Scalable operational platform to support efficiency and growth

Strategic Actions

Focus of organic growth in relevant markets

Rationalise businesses portfolio

Cost reduction initiatives to improve cost efficiency

Service clients with international needs

Target RoRWA

2.6%-3.3%

Basis of preparation (1/2)



Actuals	Actual numbers presented are on a reported basis and include the effect of movements in the fair value of HSBC's own debt related to credit spreads
AMG	The Global Asset Management business formed part of GBM in 2010, but has been included in RBWM for the RoRWA targets. Comparative data will be presented to reflect this reclassification in the Interim Report 2011
Asia	Data for 'Asia' comprises the sum of reported figures for the Hong Kong and Rest of Asia-Pacific geographical regions without the elimination of inter-segment items
Composition of the Group	No changes to the composition of the Group have been assumed other than those described in this presentation
Financial targets	Financial targets are prepared on the basis of the Group's accounting policies as set out in the Annual Report and Accounts 2010, and on the basis of tax rates and laws enacted or substantively enacted as at 31 December 2010. The potential effects on HSBC's operations and performance of the Dodd-Frank Act in the US, the deliberations of the UK Independent Commission on Banking, and a range of evolving regulatory changes which may or may not affect HSBC have not been included in the targets
Other	The main items reported under 'Other' are certain property activities, the estimated impact of the UK bank levy, unallocated investment activities, centrally held investment companies, gains arising from the dilution of interests in associates, movements in the fair value of own debt designated at fair value (the remainder of the Group's gain on own debt is included in GBM) and HSBC's holding company and financing operations. The results also include net interest earned on free capital held centrally, operating costs incurred by the head office operations in providing stewardship and central management services to HSBC, and costs incurred by the Group Service Centres and Shared Service Organisations and associated recoveries

Basis of preparation (2/2)

RoE	Return on equity ('RoE') is profit attributable to ordinary shareholders of the parent company divided by average ordinary shareholders' equity
RoRWA	The metric, return on risk weighted assets ('RoRWA'), is the profit before tax divided by average RWAs. The RWAs have been calculated using FSA rules for the 2010 metrics. The regional and customer group targets are adjusted for Basel 3 rules specific to the GBM business. In all cases, RWAs or financial metrics based on RWAs for geographical segments or customer groups are on a third party basis and exclude intra-HSBC exposures
RoRWA target for Europe	The Europe RoRWA target includes the Group's head office costs, intra-HSBC recharges and the total estimated impact of the UK bank levy
RoRWA target for 'Other'	No RoRWA target has been set for the 'Other' customer group as it is not considered to be a meaningful measure in terms of performance assessment and resource allocation
RWAs for the mainland China associates	RWAs for the mainland China associates have been reallocated from the 'Other' customer group to RBWM, CMB and GBM to align better with the basis for the allocation of their profits. This represents a reclassification from the basis used in HSBC's 2010 Pillar 3 Disclosures. Comparative customer group RWAs will be presented on the new basis in the Interim Report 2011

Acronyms and definitions



A/D ratio	Ratio of customer advances to customer deposits	ETF	Exchange traded funds	NYSE	New York Stock Exchange
Advance	HSBC Advance, a global banking proposition for the mass-affluent segment of customers	EU	European Union	OCC	Office of the Comptroller of Currency
AFS	Available for sale	FCA	UK Financial Conduct Authority	OTC	Over the counter
AMG	Global Asset Management	FDI	Foreign direct investment	PBT	Profit before tax
APS	Asset Protection Scheme	FIG	Financial Institutions Group	PCM	Payment and Cash Management, a division of Global Banking and Markets
ASEAN	The Association of South East Asian Nations	FPC	UK Financial Policy Committee	PFS	Personal Financial Services
ASP	Asia-Pacific	FRB	Federal Reserve Board	PPI	Payment protection insurance
AUM	Assets under management	FSA	Financial Services Authority	PRA	UK Prudential Regulation Authority
BoCom	Bank of Communications Co., Limited, mainland China's fourth largest bank by market capitalisation	FSB	Financial Stability Board	Premier	HSBC's premium global banking service
bps	Basis points (a basis point is 1/100 of a percentage point)	FVOD	Fair value of own debt related to credit spreads	RBWM	Retail Banking and Wealth Management global business, which comprises the existing Personal Financial Services customer group and Global Asset Management
BSM	Balance Sheet Management, a division of Global Banking and Markets	FX	Foreign exchange	RMs	Relationship managers
CAGR	Compound annual growth rate	GBM	Global Banking and Markets global business	RMB	Renminbi
CER	The cost efficiency ratio is total operating expenses divided by net operating income before loan impairment charges and other credit risk provisions	GDP	Gross Domestic Product	ROE	Return on equity
CHF	Swiss franc	GPB	Global Private Banking global business	RoRWA	Pre-tax return on risk weighted assets
CMB	Commercial Banking customer group	GTB	Global Transaction Banking	RWAs	Risk weighted assets
CML	Consumer and Mortgage Lending	HK	Hong Kong Special Administrative Region of the People's Republic of China	SIFIs	Systemically Important Financial Institutions
CoEs	Centres of excellence	HNWI	High net worth individuals	SMEs	Small and medium-sized enterprises
Core Tier 1 capital	The highest quality form of regulatory capital that comprises total shareholders' equity and related non-controlling interests, less goodwill and intangible assets and certain other regulatory adjustments	HSS	HSBC Securities Services	STP	Straight through processing
CRD	Capital Requirements Directive	ICB	Independent Commission on Banking	TARP	Troubled Asset Relief Program
CRM	Customer relationship management	IPO	Initial public offering	Tier 2 capital	A component of regulatory capital, comprising qualifying subordinated loan capital, related non-controlling interests, allowable collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties
CVA	Credit valuation adjustment	IT	Information technology	UHNW	Ultra high net worth individuals
DCM	Debt capital markets	KYC	Know your customer	UK	United Kingdom
DTA	Deferred tax asset	LC	Letters of credit	US	United States of America
EBA	European Banking Authority	LIC	Loan impairment charges	VaR	Value at risk: a measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence
ECA	Export credit agency	M&A	Mergers and acquisitions	YoY	Year on year
EM	Emerging markets	Mainland China	People's Republic of China excluding Hong Kong		
EMEA	Europe, Middle East and Africa	MENA	Middle East and North Africa		
ESMA	European Securities and Markets Authority	MLA	Mandated lead arranger		
		MMEs	Mid-market enterprises		
		NAFTA	North American Free Trade Agreement		
		NNM	Net new money		