

Latin America – transforming opportunity

London
23 May 2007



HSBC 
The world's local bank



HSBC in Latin America

Sandy Flockhart

President

HSBC Latin America and the Caribbean
Group Managing Director



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 (HGHQ). 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.



Agenda

Overview Latin America Sandy Flockhart

Personal Financial Services Rafael Arana

Commercial Banking Jose Manuel Dominguez

Corporate, Investment Banking and Markets John Flint

Mexico Paul Thurston

Brazil Emilson Alonso

Argentina Antonio Losada

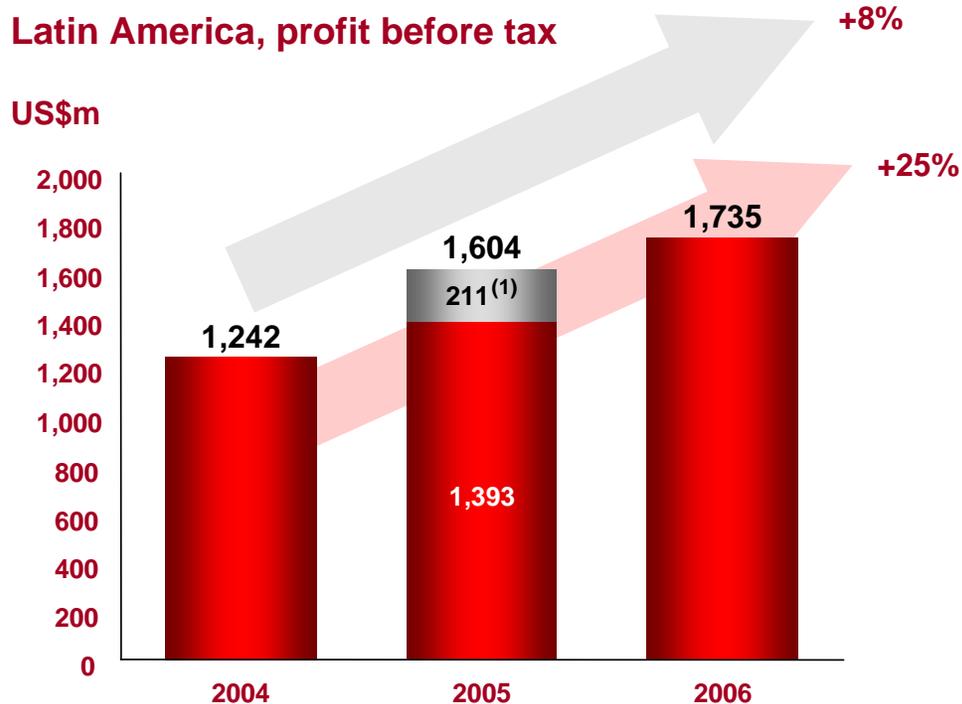
Closing remarks and Q&A session Sandy Flockhart

All figures in this HSBC Group presentation for Latin America & the Caribbean region. Financial information for HSBC Group to International Financial Reporting Standards.



Latin America – profit before tax rises to US\$1.7bn

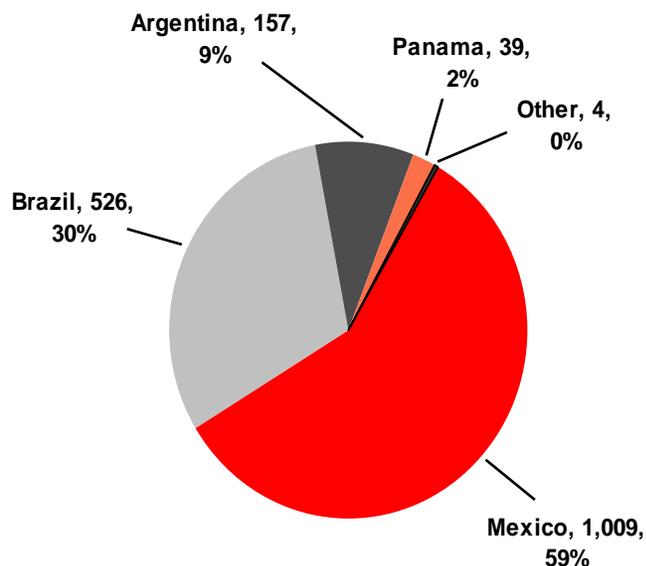
- Latin America contributes 8% of Group PBT
- Strong growth of 25%⁽¹⁾
- Mexico profit exceeds US\$1bn
- Integrated acquisition in Argentina
- Opened in Peru
- Purchased Banistmo





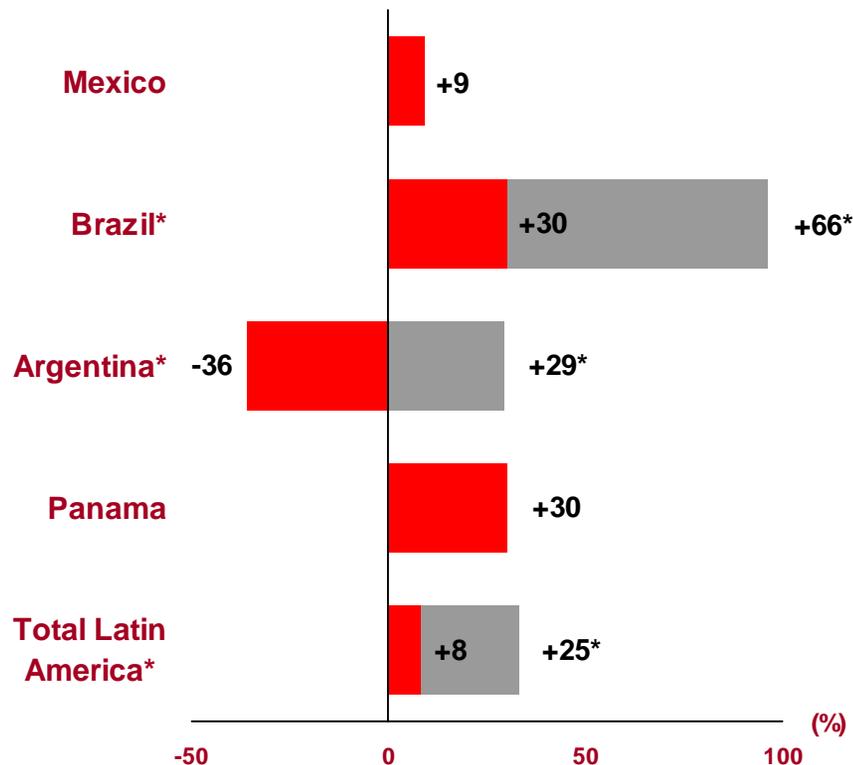
Latin America PBT by Country

Profit before tax Composition (US\$m), 2006



Profit before tax

2006 vs. 2005 (%)

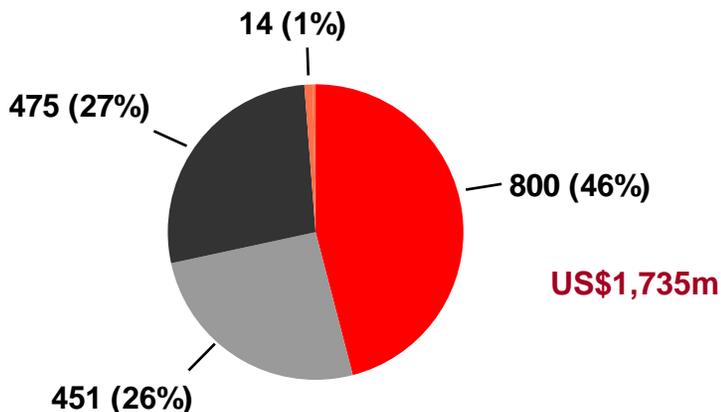


*Adjusted for a US\$ 89m gain on the sale of Property and Casualty Insurance business in Brazil and a US\$122m one-off on coverage bond receipts in Argentina

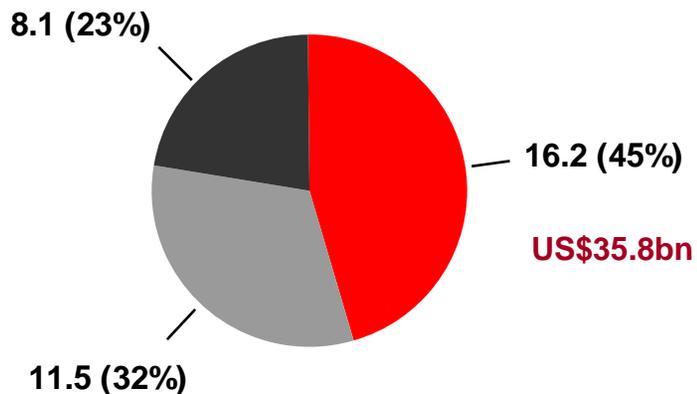


Latin America Business mix

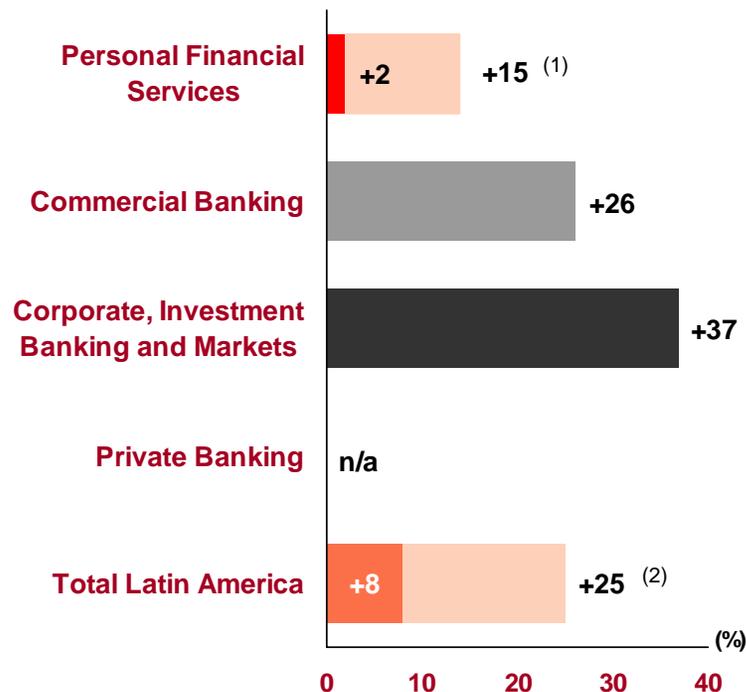
Profit before tax (US\$ millions), 2006



Customer lending (US\$ billions), 31 December 2006



Growth in profit before tax (%), 2006 – 2005



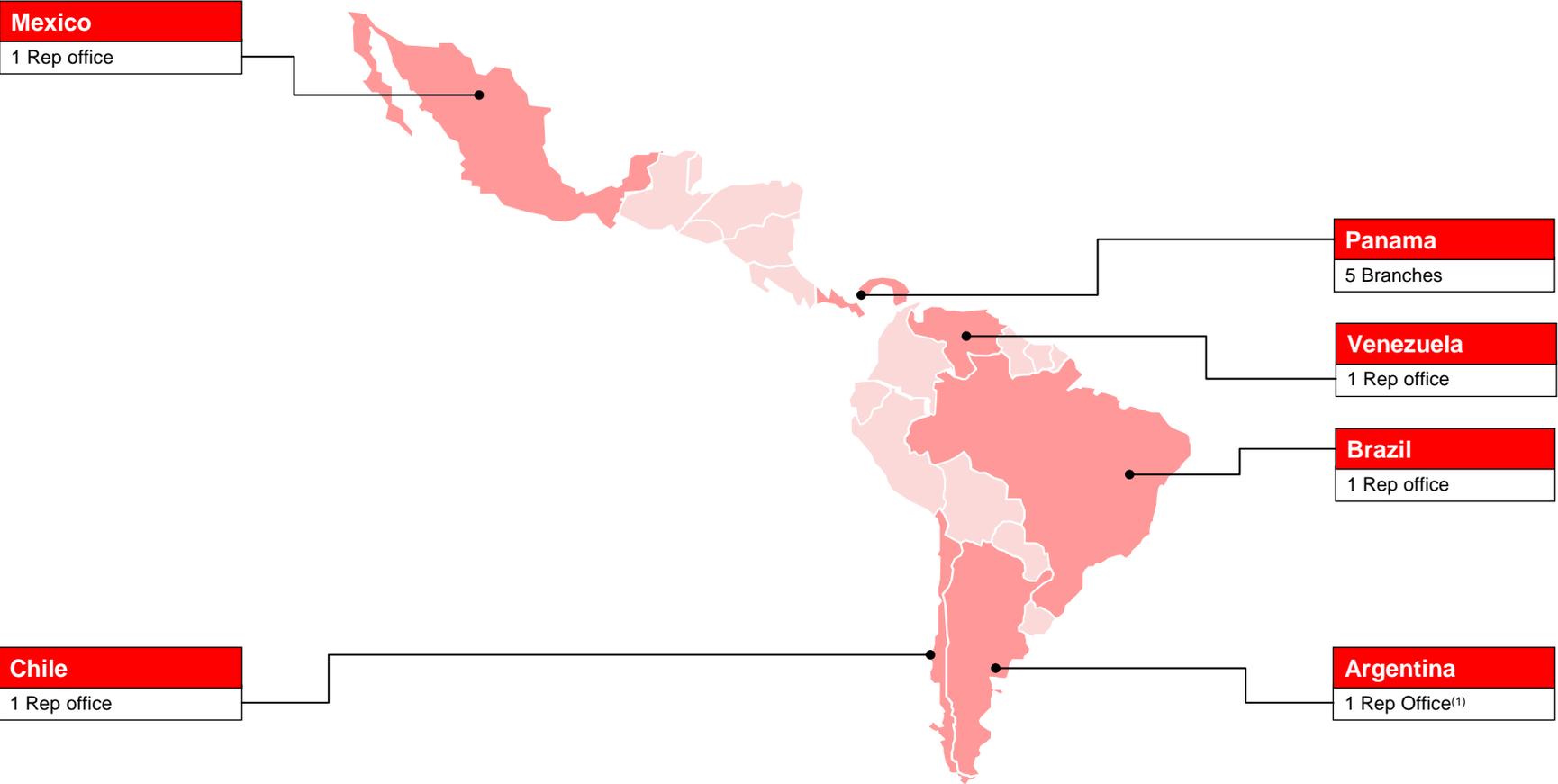
(1) Excluding, for 2005, US\$89m gain on sale of Property and Casualty insurance business in Brazil

(2) Excluding, for 2005, US\$ 89m gain on sale of Property and Casualty insurance business in Brazil and US\$ 122m in one-off coverage bond receipts in Argentina



HSBC in Latin America in January 1997

From 10 operational offices...



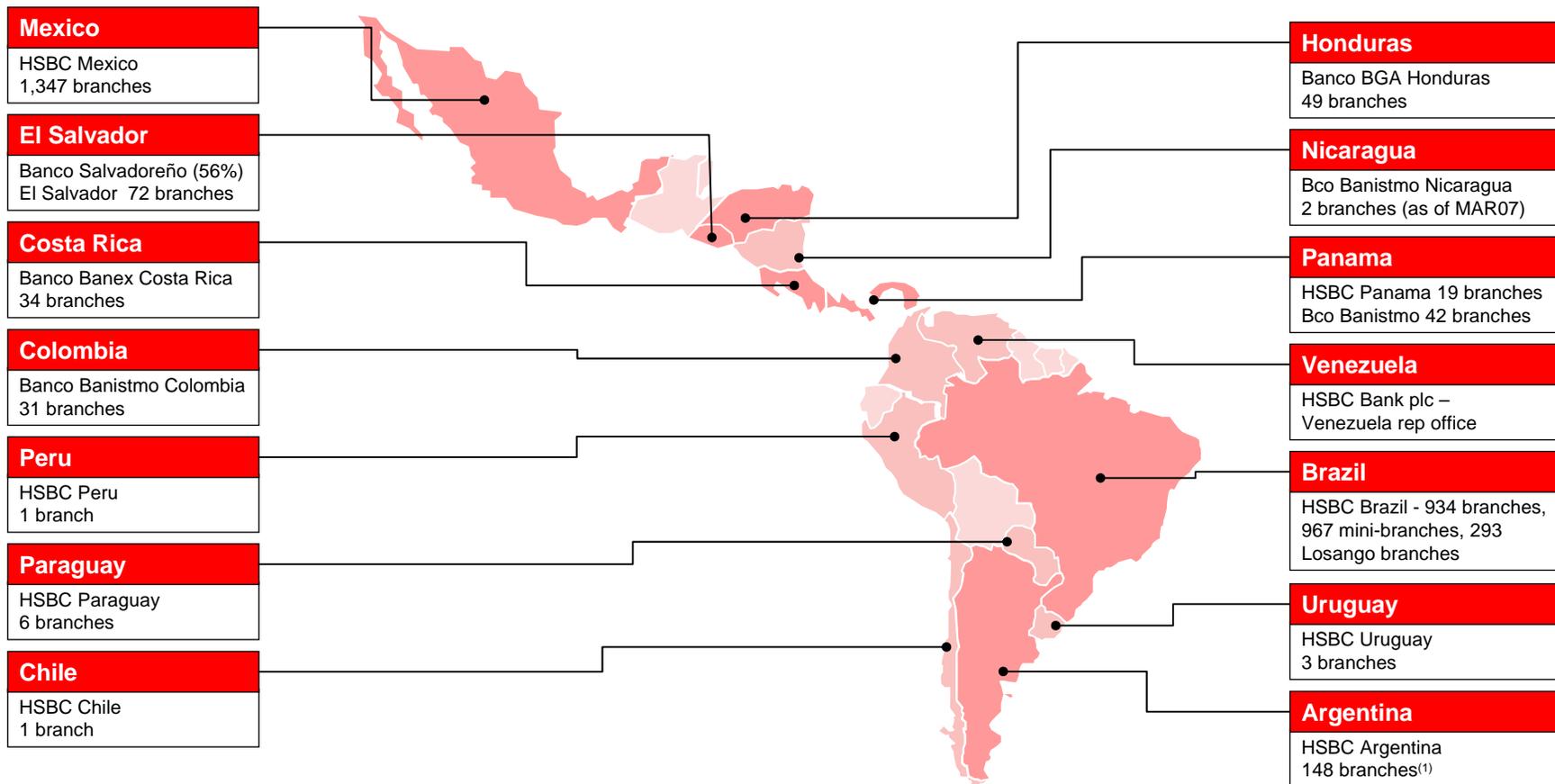


HSBC Geographic footprint: 2006

To 4,000 operational offices, in less than 10 years

HSBC also has offices in the Bahamas, the British Virgin Islands and the Cayman Islands

LAM now has more than 20% of HSBC's employees with 67k in LAM



(1) Post-consolidation with BNL in Argentina

■ Significant banking presence ■ Presence



Our Structure – Latin American Regional Organisation

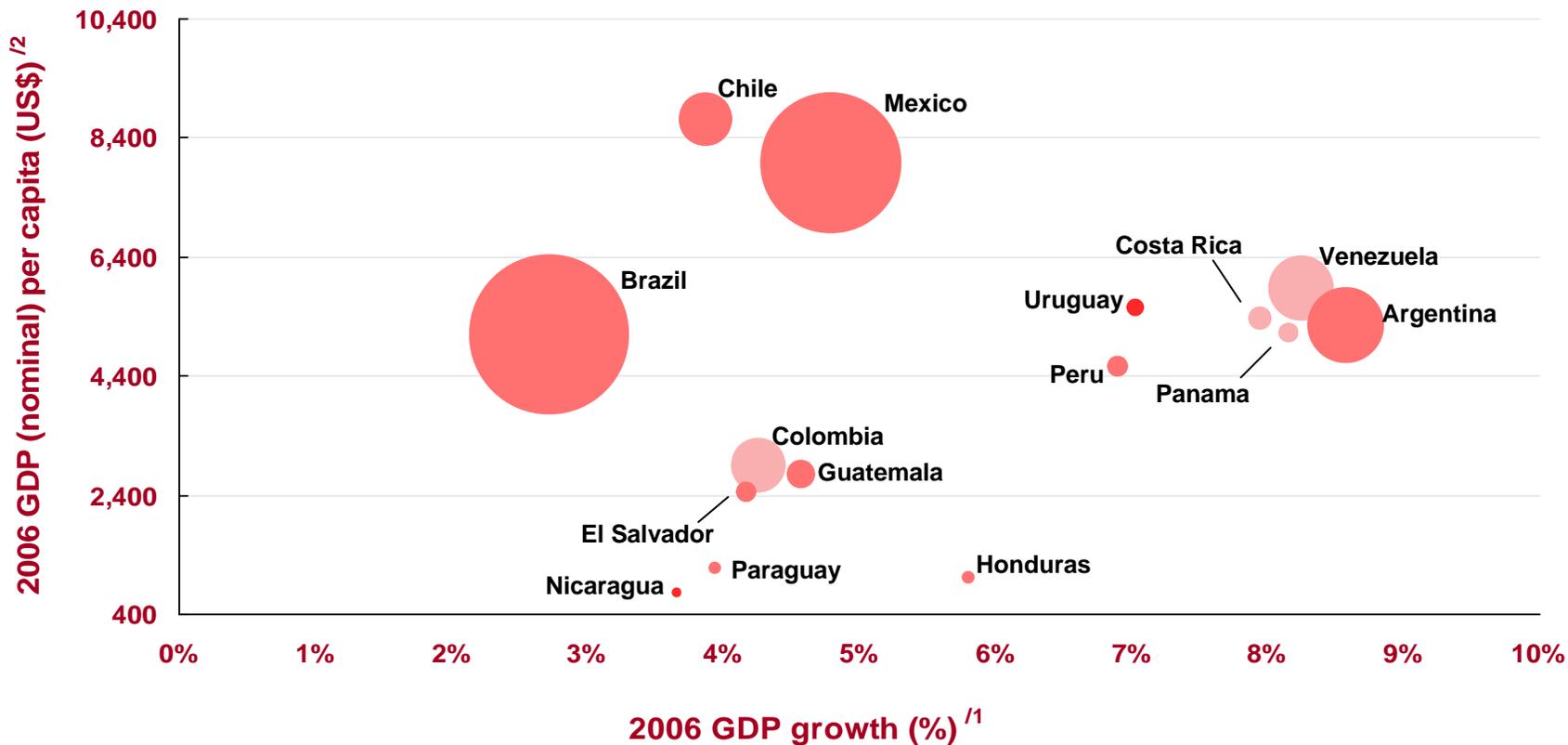


The new Latin American Regional hub for HSBC based in Mexico provides a focused management structure attuned to the region’s emerging market needs.

* These regional roles will be combined with the respective function in Mexico or Brazil



Latin America: Growth in emerging market economies



¹Increase in the value of all final goods and services produced within a nation in 2006

²The value of all final goods and services produced within a nation in 2006, divided by the average population for the same year

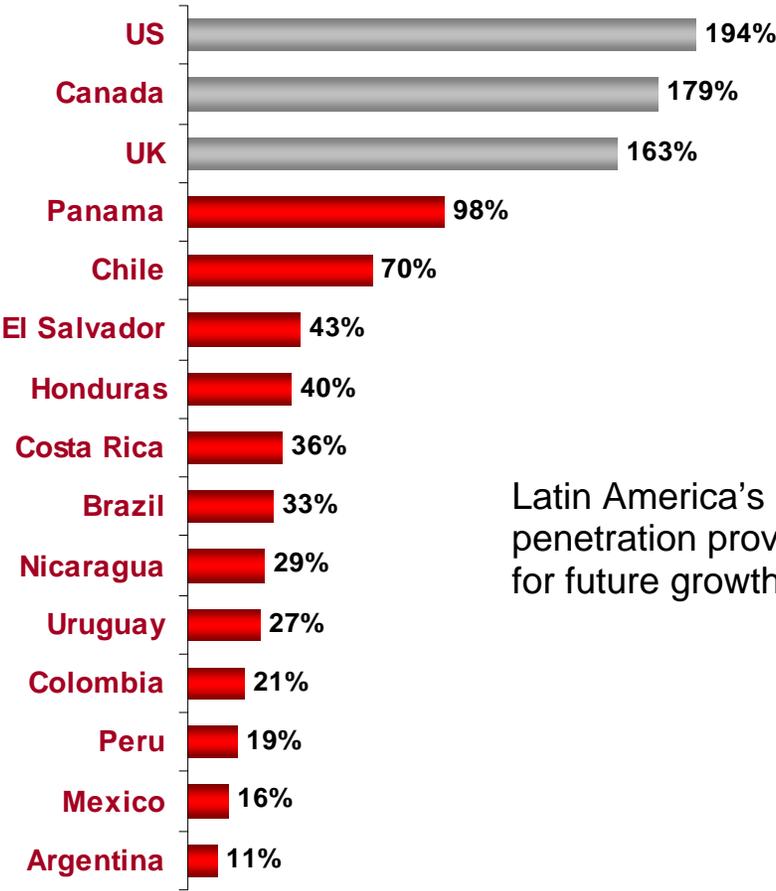
Size of the circle represents GDP size

Source: International Monetary Fund



Latin America is an under-banked region

Domestic credit of the Private Sector/GDP



Latin America’s current low financial services penetration provides HSBC with a solid platform for future growth.

Source: International Monetary Fund, figures for 2005



Acquisition of Grupo Banistmo

On 23 November 2006, HSBC acquired Grupo Banistmo, Central America's leading financial services company for US\$1.97 billion¹:

- US\$9.5bn in Assets
- 253 Branches and 6,611 Headcount in 7 countries, and 1.3 million customers
- Full range of banking services including consumer finance, treasury, trade, brokerage, insurance and pension management
- Access to 5 new countries
- Market-leading platforms in Honduras, Costa Rica and El Salvador, plus an important foothold in Colombia
- Panama: complementing HSBC's existing 19 branch infrastructure for market leadership
- Access to the region's 83 million, under-banked population
- Encouraging economic prospects with the ratification of CAFTA and the expansion of the Panama Canal



On 29 March 2007, HSBC (via Grupo Banistmo) announced the results of the two tender offers launched on 27 February 2007 for outstanding minority stakes in El Salvador at (95.29% for the Holding Company IFB and 97.04% for the bank) for a total consideration of US\$162.2 million.

The transaction solidifies HSBC as the leading financial institution in the region with an excellent distribution network and a solid growth platform going forward.

Figures as at 30 September 2006
¹Comprising of USD 1.77 billion in cash and USD 195 million in contingent consideration



Joining-up the region: IT roll-out

Current Regional Situation

- 4,300 IT Staff
- US\$700m in annual IT spending - around 2 billion transactions per year
- Each LAM country currently runs different core banking software
- Group Systems running in Mexico, Brazil and Argentina for CIBM/CMB businesses

IT Applications Strategy

- 5 Year rationalisation program: combination of HSBC Mexico Systems and Global HSBC Systems
- Emphasis on functionality, quality, security and availability
- Use of global cash management, internet infrastructure, HR, money laundering, capital adequacy and HSBC Mexico's award-winning CRM
- Priority conversions for Argentina and Panama acquisitions

IT Operations Strategy

- Relocate LAM processing to Mexico over next 3 years
- New US\$30m Tier IV Data Centre in Mexico for 4Q07
- Create an integrated telecommunications network
- Regionalised IT security function



Regional Strategy for Growth

Formation of the region

- Successful integration of Banistmo into HSBC's operations
- Leveraging synergies between LAM and the HSBC Group

Organic growth

- Build out of the Insurance business; leveraging growth across customer segments
- Corporate and retail development opportunities

Greenfield expansion

- New countries – Peru launched in November 2006, Guatemala banking license application
- New business lines in existing countries – consumer finance and SME business

**Strategy and organisational structure aligned with customer segmentation
Not 'one-size fits all', but rather, 'the world's local bank' for a diverse region**



Latin-America: key points

- HSBC: a leading regional distribution network
- Integrating our operations: regionally and globally
- Long-term growth prospects for financial services





Personal Financial Services

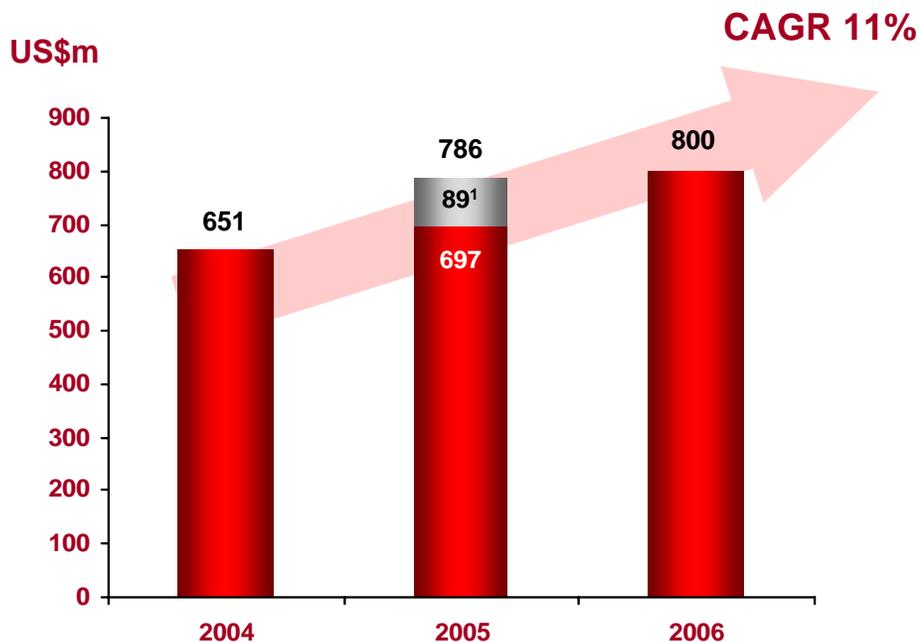
Rafael Arana Garza

Head, Personal Financial Services, Latin America



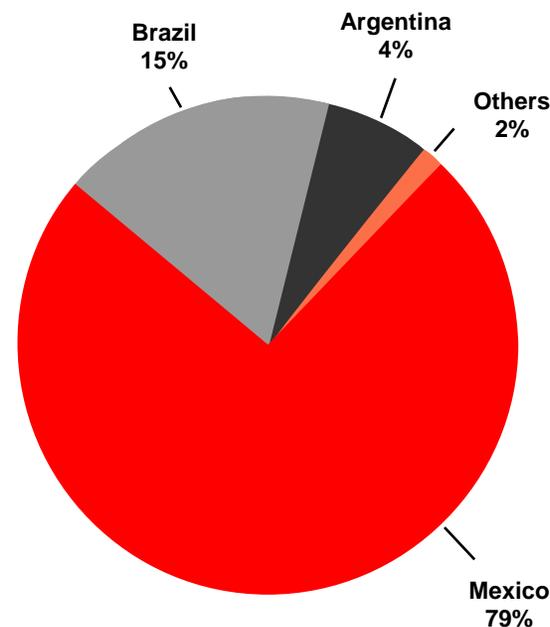
Latin America profit before tax, 2006

- Profit before tax US\$800m, up 15%¹
- Contributes to 8.5% of global PFS PBT



(1) Gain on sale of Property and casualty insurance business in Brazil

Share of profit before tax by country





Attractive, high growth but complex market

- Region with a GDP of US\$2.6 trillion in 2006, similar to China and three times higher than India
- Demographics, size and income distribution create a complex environment
- All segments present in every country

Building-out market share: International and local competition

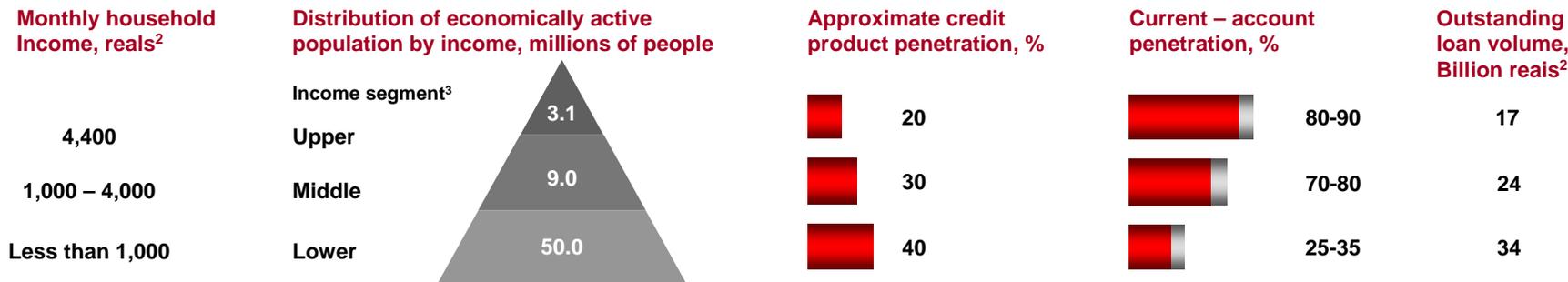
- Aggressive competition in market share and share of wallet
- Santander, BBVA, Citi and HSBC all sizable investments in the region
- Strong local Banks in key countries. ITAU, BRADESCO, Banorte, Banco de Chile



Income Distribution:

A great disparity

Brazil, 2001¹



¹Latest available data

²2001 average conversion rate: 1 real = \$0.43

³Based on Target Marketing segmentation; upper = segment A, middle = segment B, lower = segment C, D and E

Source: Pesquisa Nacional por Amostra de Domicilios (PNAD), Instituto Brasileiro de Geografia y Estatística (IBGE); Target Marketing; McKinsey analysis

Informal Economy as % of GDP

- Latin America 38%
- Peru 61%
- Colombia 43%
- Brazil 42%
- Mexico 33%
- Argentina 29%
- South Korea 29%
- India 26%
- China 16%



The challenge: brand awareness, distribution, cost, risk analytics, CRM and collections

- Serve the different markets and segment with the right products, service model, distribution and cost

Distribution: not a single model, but a full range of possibilities

	BR	MEX	ARG	PAN	URU	PERU
Branches	✓	✓	✓	✓	✓	✓
ATM's	✓	✓	✓	✓	✓	
Phone Banking	✓	✓		✓	✓	
Internet	✓	✓	✓	✓	✓	
Mobile Sales Force	✓	✓	✓	✓		
Mobile Phone	✓	✓		✓		
P.O.S	✓	✓	✓	✓		
Retailers	✓	✓	✓	✓		

4,000 operational offices

8,162 ATM's

20,000 Retailers

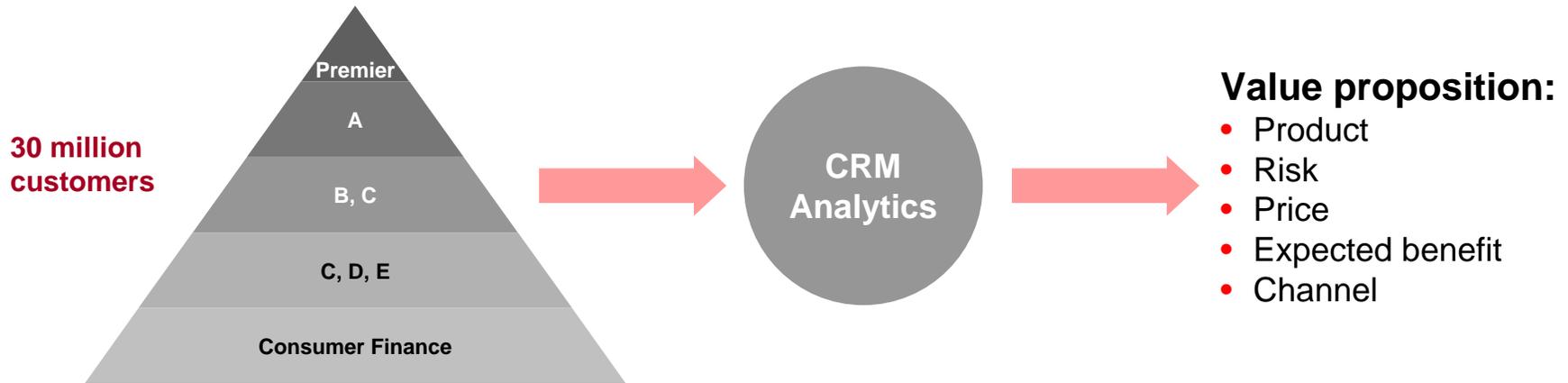


PFS strengths across the region and opportunities for growth

	Mexico	Brazil	Argentina	Central America
Characteristics	<ul style="list-style-type: none"> • Approx 20% of branch and ATM infrastructure • Highly competitive 	<ul style="list-style-type: none"> • Sizeable branch and ATM network • Low income class participation • Strong competition 	<ul style="list-style-type: none"> • Fast growing market • Low banking penetration • Intense competition 	<ul style="list-style-type: none"> • Consolidating banking system • Strong local and global players (Citibank and GE) • Unsophisticated markets
Strengths	<ul style="list-style-type: none"> • Bundled products • Award-winning CRM • ATM – direct sales • Credit cards • Personal Loans • Product Innovation 	<ul style="list-style-type: none"> • CRM capabilities • Direct Channels service and sales proposition • Cross-sales with other segments • Losango and Consumer Finance 	<ul style="list-style-type: none"> • Sales/cross-sell culture • Cards • Bancassurance • Quality Service 	<ul style="list-style-type: none"> • Regional presence • Attractive Margins – Cards • Personal Loans • HSBC value after re-branding
Opportunities	<ul style="list-style-type: none"> • Direct/Internet banking • Straight-through processing • Increase cross-sales • Coincident Insurance sales • Premier 	<ul style="list-style-type: none"> • Increase customers and current accounts • Low cost solutions for excellent service • Balance customer acquisition between payroll and open market 	<ul style="list-style-type: none"> • Consumer Finance • Premier • Branding • Direct Channels 	<ul style="list-style-type: none"> • Bundled products • Remittances • Distribution Channels – External sales force and call centers • ATMs as a business unit • Credit cards • Premier



Customer segmentation: providing the right offer, the right price and the right service proposition to 30 million customers



CRM

- One to one interaction
- Multi-channel
- Inbound and outbound
- Realtime arbitration

Analytics

- Clustering
- Risk and price analysis
- Propensity models
- Realtime data-mining

Deploy Brazil’s top of the line and Mexico’s award-winning CRM across the region



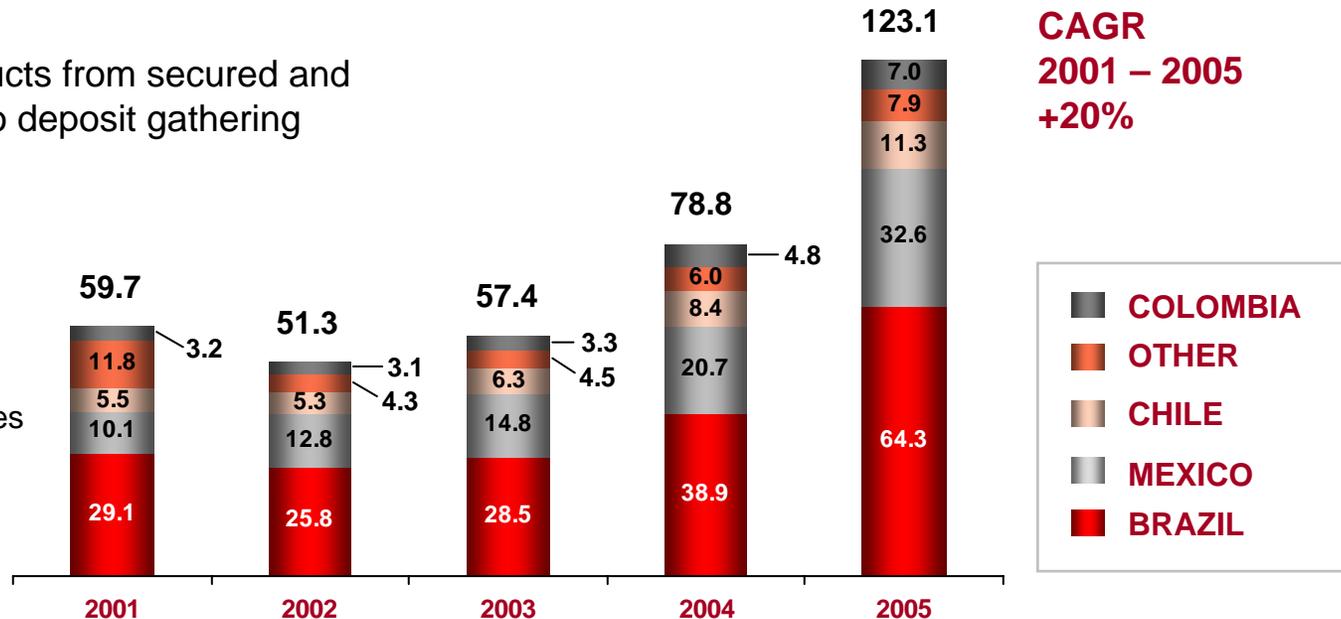
Consumer Finance: managing risk, cost and alliances

Market has grown 20% CAGR

- Brazil, Mexico and Argentina in different stages of evolution
- Losango leading the way and sharing knowledge, sophisticated credit risk collections model
- Low cost infrastructure
- Manage alliances
- Full range of products from secured and unsecured loans to deposit gathering

A growing market

Outstanding loan volumes in consumer finance for key Latin American markets, (US\$bn)



Latest available data

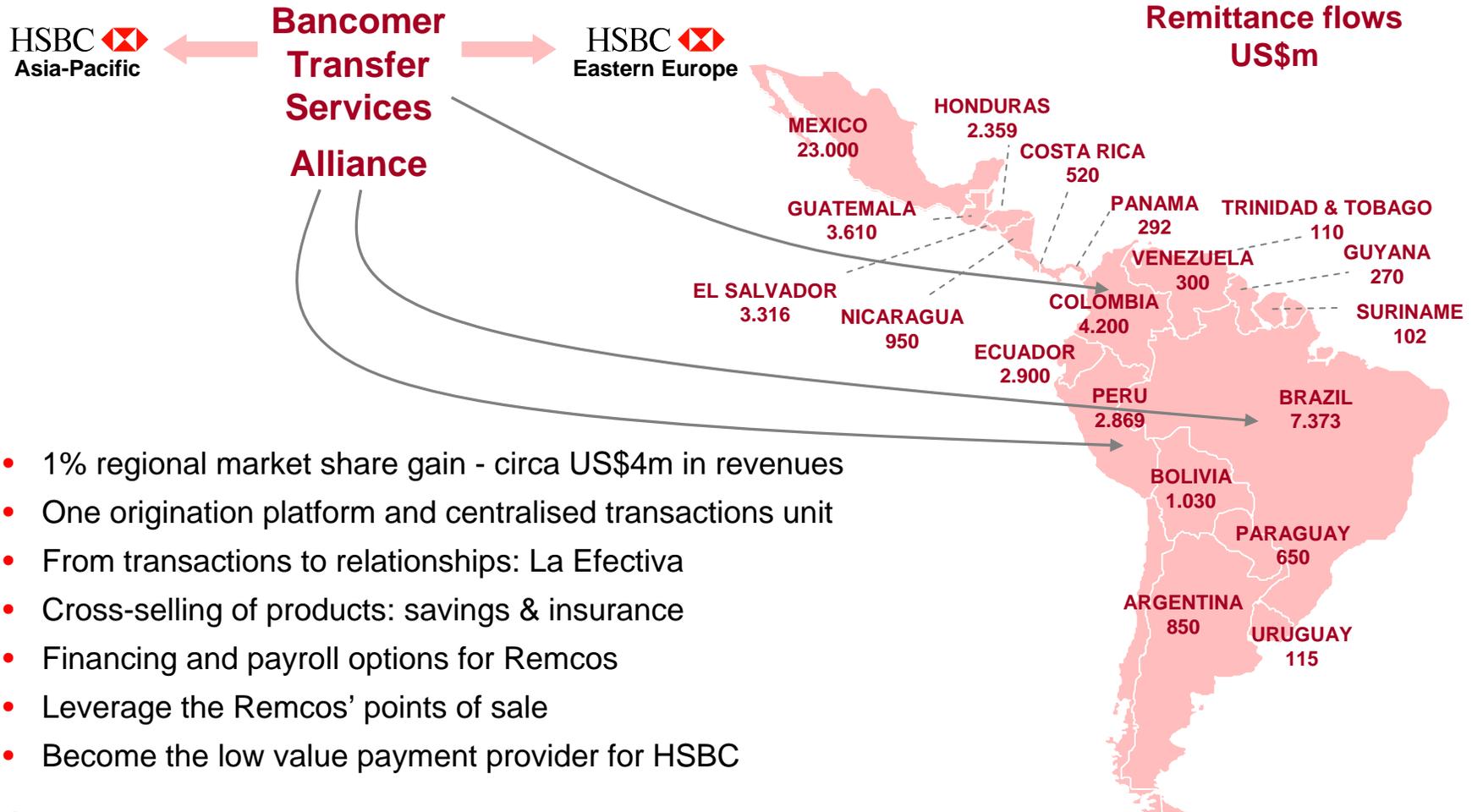
²Compound annual growth rate

Source: Central banks for countries shown; McKinsey analysis



Remittances: leveraging the Mexican experience in a US\$61bn market

Remittance companies (traffic source)*



- 1% regional market share gain - circa US\$4m in revenues
- One origination platform and centralised transactions unit
- From transactions to relationships: La Efectiva
- Cross-selling of products: savings & insurance
- Financing and payroll options for Remcos
- Leverage the Remcos' points of sale
- Become the low value payment provider for HSBC

*Source: Interamerican Development Bank, 2006



Global Premier: targeting the affluent segment

- Launch Global Premier
- International offshore services
- Credit card loyalty and rewards around the world
- Financial planning and wealth management
- Capitalise on our branch network
- 370k current Premier customers, representing 4%-5% of total LAM market
 - An average of 5+ products each
 - Target contribution of 1/3 of PFS total revenues

Insurance: choosing the right model

- One of the leading Manufacturing and Bancassurance capabilities in the region
- Increase cross-sales across customer groups
- Fully integrated insurance components within bundled products
- Continue to diversify product range and channel distribution (i.e. mobile sales force)
- Life, credit protection, pension, P and C long term relationships
- Implementation of Bancassurance model in Central America



PFS: key points

- Capitalise both mass consumer and affluent market opportunities

How? Join-up the region through:

- Clear customer segmentation, cross selling and sharing of best practices
- Building scale in our platform through straight through processing, back-office and IT consolidation to improve efficiency



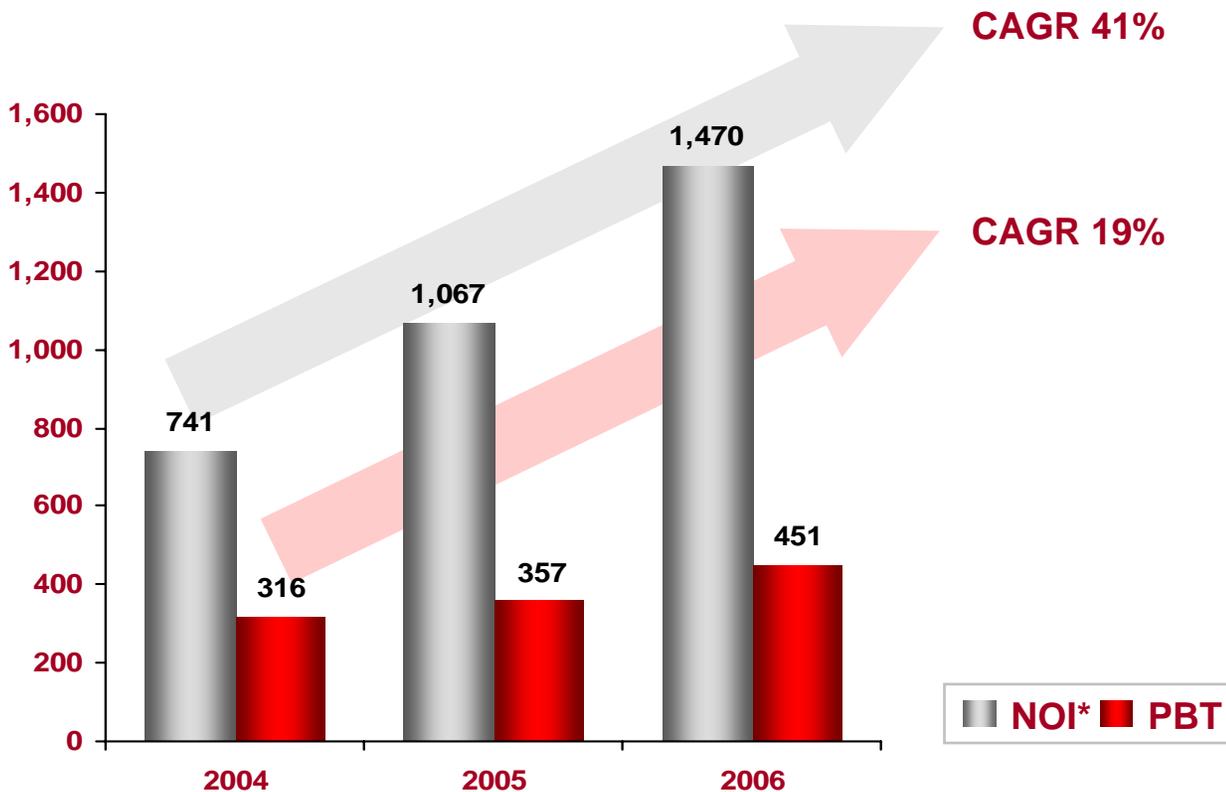
Commercial Banking

José Manuel Domínguez
Head, Commercial Banking, Latin America



Latin America profit before tax, 2006

- Profit before tax US\$451m, up 26%
- Contributes to 7.5% of global CMB PBT

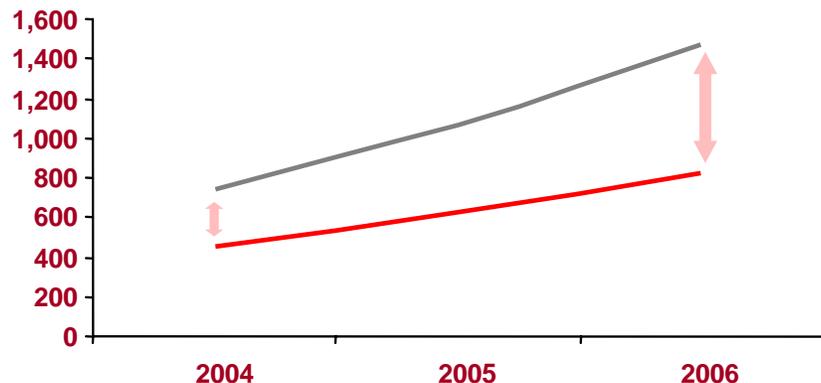


*NOI – Net Operating Income before loan impairment charges and other credit risk provisions



Improving efficiency...

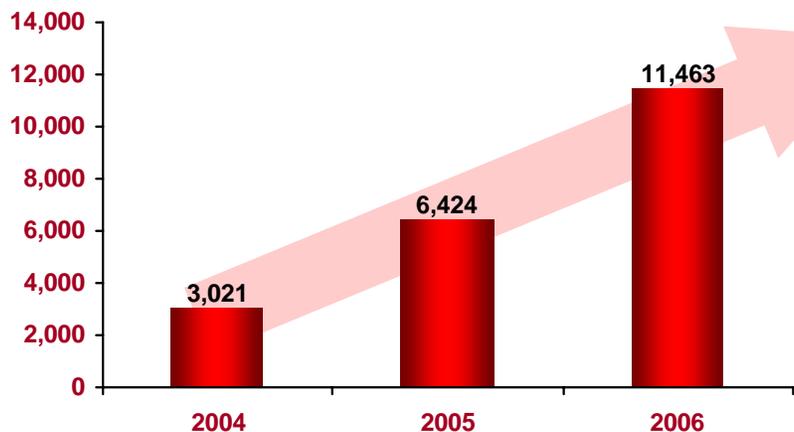
US\$m



- CMB Latin America continues to improve in cost efficiency:
 - 2004 cost efficiency ratio: **60.5**
 - 2005 cost efficiency ratio: **58.2**
 - 2006 cost efficiency ratio: **55.9**

— Total operating income before LICs
 — Total operating expenses

...and growth in loans and advances to customers

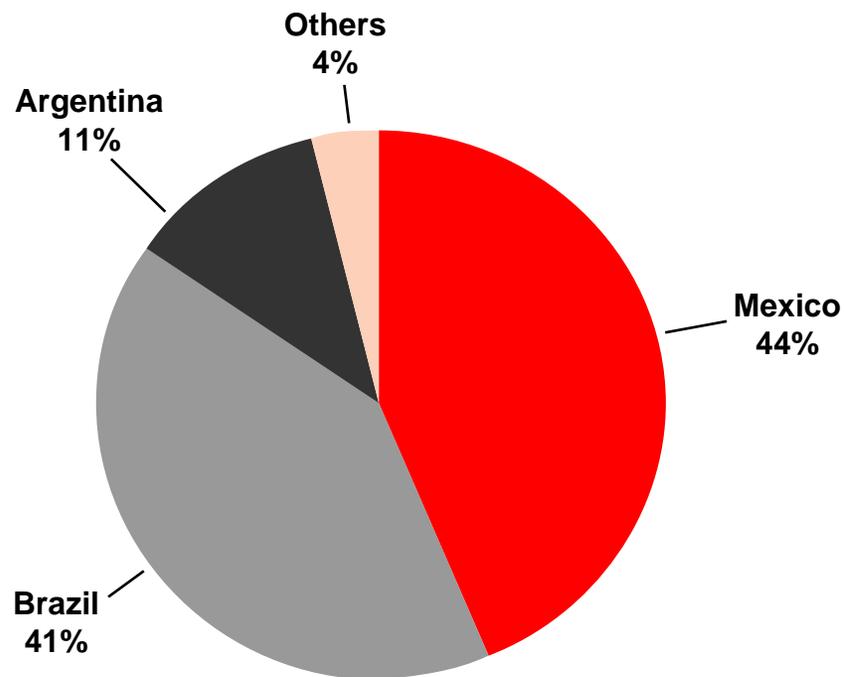


CAGR 95%

- Loans and advances to customers reached US\$11.5bn in 2006, up 78%



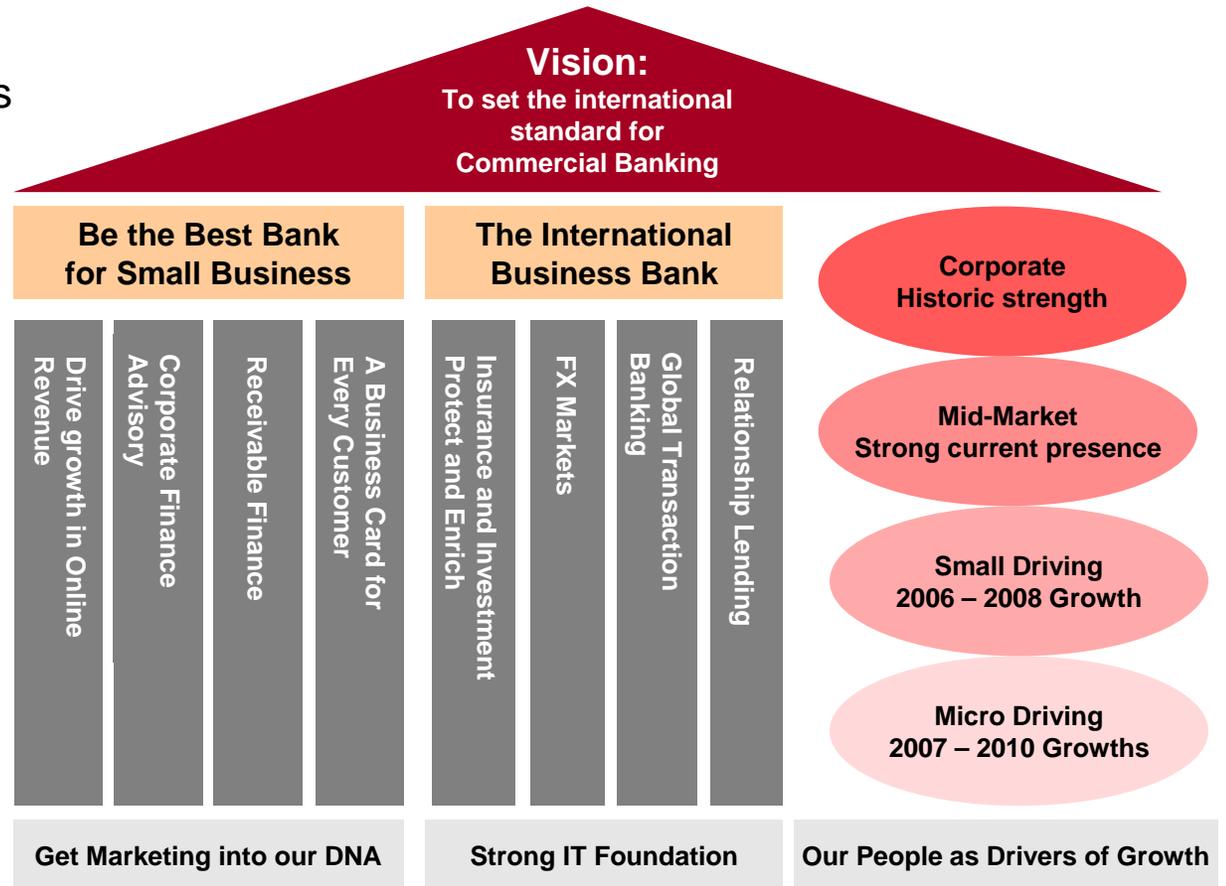
Profit before tax dominated by the Mexican and Brazilian markets





Developing the Global CMB strategy within Latin America

- Multi channel distribution strategy
- Segmentation approach
- Valuing difference and understanding aspirations





CMB strengths across the region and opportunities for growth

	Mexico	Brazil	Argentina	Central America
Characteristics	<ul style="list-style-type: none"> Highly competitive market place Significant proportion of businesses are SMEs (+95%) 	<ul style="list-style-type: none"> National coverage Full product range Strong competition 	<ul style="list-style-type: none"> Fast growing market Profitable segment Intense competition 	<ul style="list-style-type: none"> Consolidating banking system Strong local & global players Limited SME propositions Few truly regional players
Strengths	<ul style="list-style-type: none"> Best Bank for small businesses Fast growing trade services business Local and Global capabilities Segmented model Dedicated RM – single point of contact for MME clients 	<ul style="list-style-type: none"> Main bank for SME High product penetration Cross-sales with PFS (CUAs), GPB, (IPOs) Leverage consumer finance relationships 	<ul style="list-style-type: none"> Segmented model (SME, MME, Large) Trade Services Agribusiness Insurance 	<ul style="list-style-type: none"> Regional presence HSBC valueafter re-branding Dedicated RM – single point of contact for MME clients Local market knowledge
Opportunities	<ul style="list-style-type: none"> Focus on Cross border business Bundled products for SME clients Direct Selling/ Internet Banking Increase cross-sales Leasing 	<ul style="list-style-type: none"> Increase sales through direct channels Explore further retail partnership and supply chain Implement SME Micro Segment 	<ul style="list-style-type: none"> Expanded coverage Value-chain finance PCM SME Direct Channels 	<ul style="list-style-type: none"> Focus on Cross border business Implement segmentation model Bundled products for SME clients Direct Selling/Internet Banking Increase cross-sales Regional Trade Services and Factoring



Strategic focus – Leading International Business

- Join-up the region through International Business Centres in Mexico, Brazil & Argentina
 - Mexico IBC → Central America; Brazil IBC → Smaller South American Countries
 - On-site Coaching and business training to ensure fluid integration of CMB Model
- Connect intra-regional business flows
- Cross-border referral system
- Leverage HSBC's International Trade Services expertise to fuel growth
 - Strong market share growth in Mexico: 2% upon acquisition → 13.1% at Dec06*
 - Trade Services call centre and dedicated trade service sales team established in Argentina
- Roll-out of CMB platform and re-branding in Central America

*Source: Mexican Banking and Securities Commission



Strategic focus – Best Small Business Bank

- Capitalize on large and diverse small business markets across the region
 - Over half of the GDP in most Latin America countries
- Continued implementation of mass SME segment products
 - “Estimulo”, and “Estímulo Empresarial” packaged products in Mexico
- Build upon success of Brazil’s “Giro Facil” revolving loan and overdraft facility
 - Launch the micro CMB segment in Brazil
- Increase direct channel participation and deepen client penetration



Building scale for future growth with intra-regional...

Latin America intra-regional trade flows, 2005: US\$111bn*

- HSBC has dedicated trade teams in: Argentina, Brazil, Chile, Mexico, Panama, Peru and Uruguay
- Leverage Group expertise to expand platform and roll-out model in Central America

...and Asian trade flows

- Rapidly growing China, India and South-East Asia markets
- Converting opportunities:
 - Dedicated China Trade Desk in Brazil
 - Brazil/Asia Pacific "Deal of the Year 2006"
Euromoney Trade Finance Magazine
- Utilising HSBC's global trade services strength in Asia



*Source: WTO International Trade Statistics and Banco Nacional de Comercio Exterior, 2005



Payments and Cash Management – a tremendous opportunity

- Well positioned to take advantage of regional cash management opportunities
- Continued development and roll-out of services to Central America
- Drive further client acquisition through innovative solutions and wider product offerings

Country	Electronic Payments	Payroll	Overdraft	Referenced Collection
Mexico	✓	✓	✓	✓
Brazil	✓	✓	✓	✓
Chile	✓	✗	✓	✗
Colombia	✓	✗	✓	✗
Honduras	✓	✓	✓	✗
Nicaragua	✓	✗	✓	✗
Costa Rica	✓	✓	✓	✓
Panama	✓	✗	✓	✗
Paraguay	✓	✓	✓	✗
El Salvador	✓	✗	✓	✗
Peru	✓	✓	✓	✗
Uruguay	✗	✗	✓	✗
Argentina	✓	✓	✓	✗



CMB: key points

- Capitalise on commercial banking market opportunities

How? Join-up the region through:

- ‘Leading international bank’ and driving cross border opportunities: a ‘sticky’ business
- ‘Best small business bank’ with direct banking focus





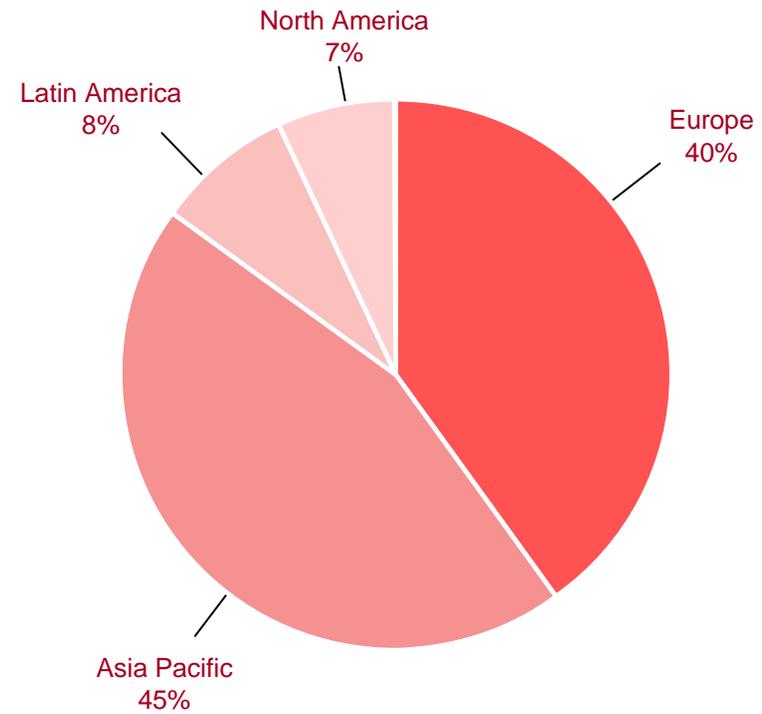
Corporate, Investment Banking and Markets – Latin America

John Flint
Group Treasurer

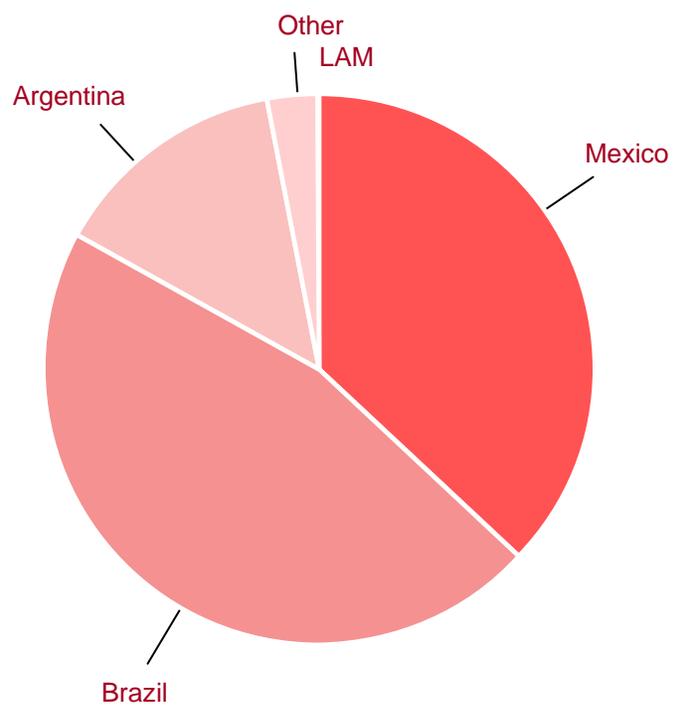


Latin America contributes 8% of global CIBM profit before tax, primarily driven by the Mexican and Brazilian markets

CIBM profit before tax – 2006

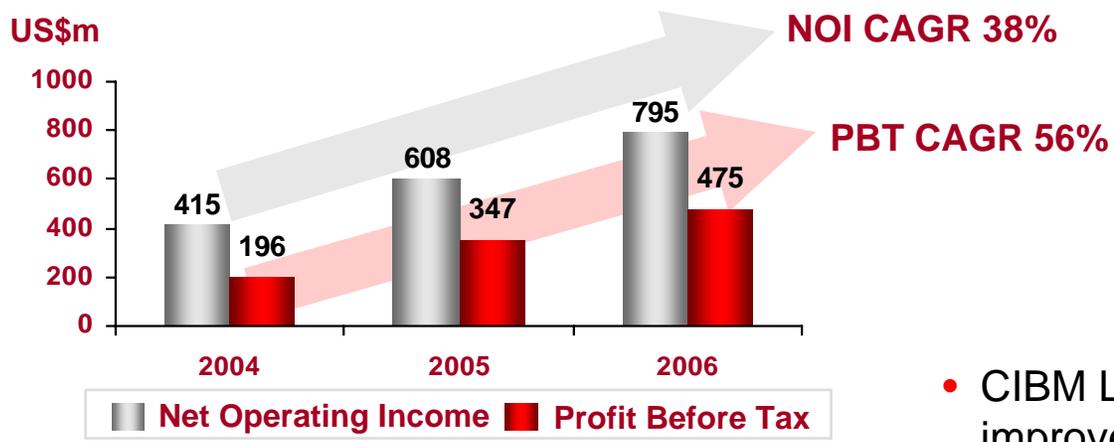


CIBM Latin America profit before tax – 2006



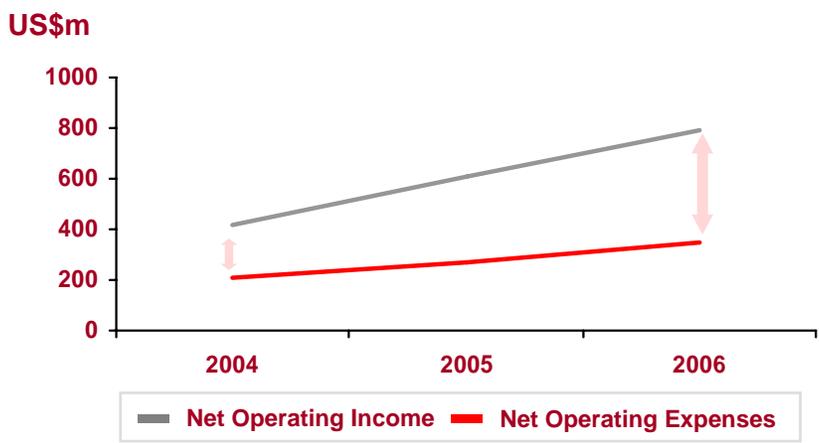


CIBM Latin America continues to deliver strong year-on-year growth in both revenue and profit whilst maintaining positive “Jaws”



Source: HSBC 2006 Annual Reports and Accounts

- CIBM Latin America continues to improve in cost efficiency:



Source: HSBC 2006 Annual Reports & Accounts

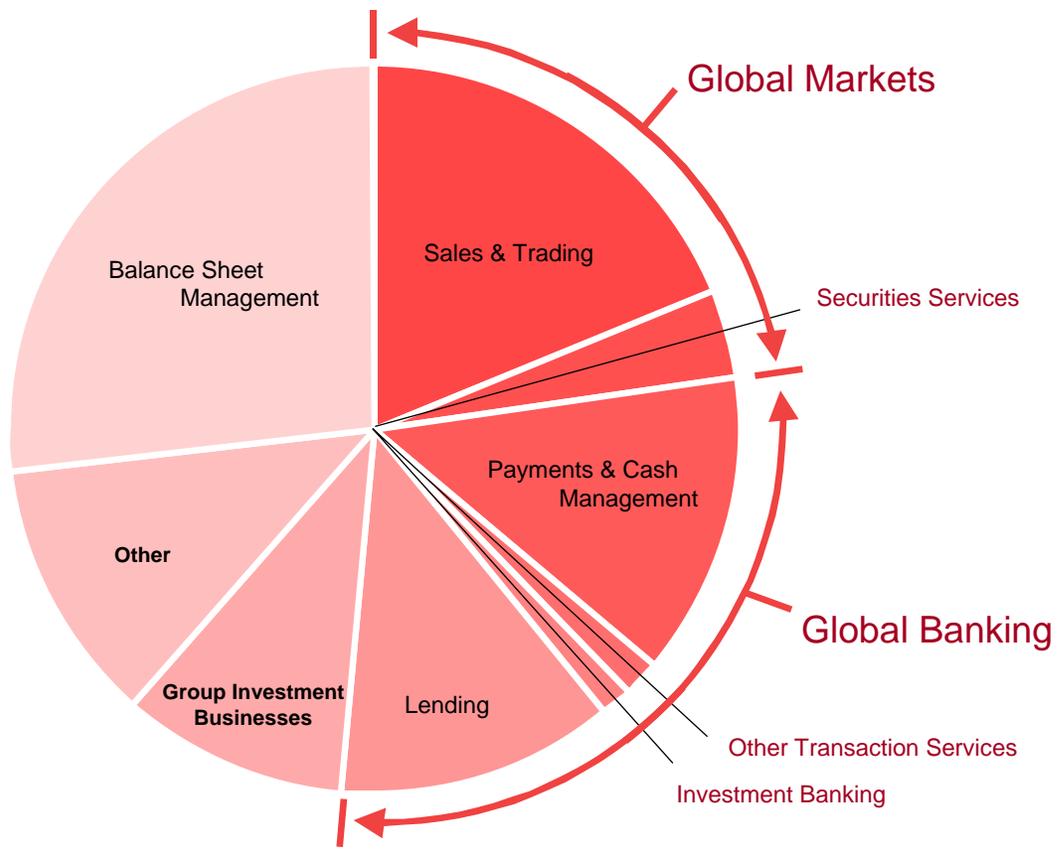
- 2004 cost efficiency ratio: **51.1%**
- 2005 cost efficiency ratio: **44.9%**
- 2006 cost efficiency ratio: **43.5%**

Net Operating Income figures are before loan impairment charges and other credit risk provisions



CIBM Latin America's net operating income continues to be well balanced across business lines

Net operating income – 2006



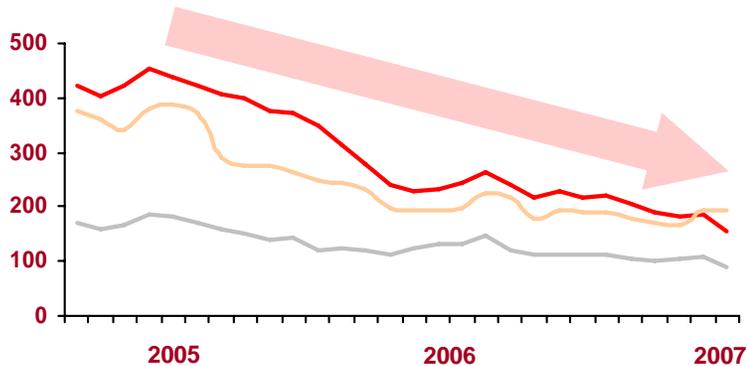
Net Operating Income after loan impairment charges and other credit risk provisions



Improving sovereign debt conditions and trade opportunities with Asia

EMBI - Emerging Market Bond Index

Spread (bps)

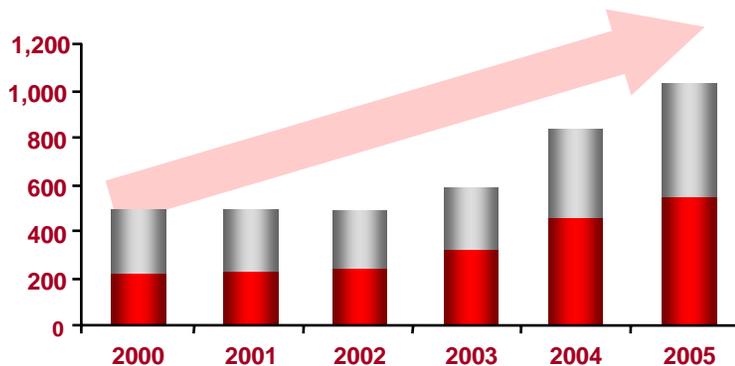


Source: Bloomberg

- Country Risk Factors (measured by EMBI) for **Brazil** and **Mexico** have been declining over the past few years, making these markets safer, and more attractive to investors

Legend: Mexico (Grey), Brazil (Red), Emerging Markets (Yellow)

Latin America trade with Asia (US\$bn)



Source: International Monetary Fund

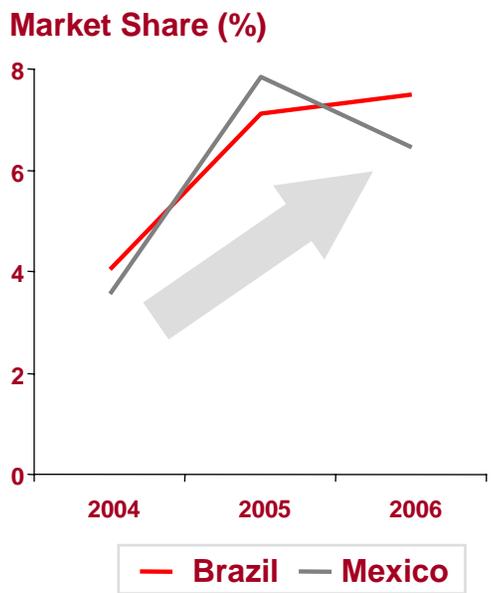
- Increased opportunities to leverage our global presence and offer global solutions to increasingly sophisticated multinational customers

Legend: Latin America imports from Asia (Grey), Latin America exports to Asia (Red)



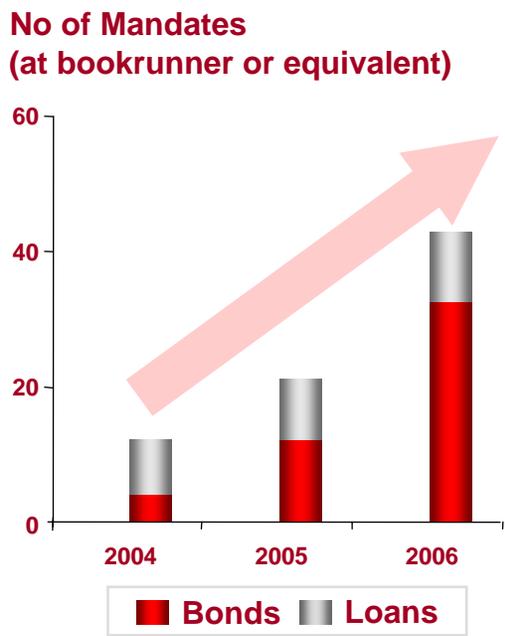
In Global Markets, we are successfully replicating our Asian business model in Latin America

- As illustrated by FX market share...

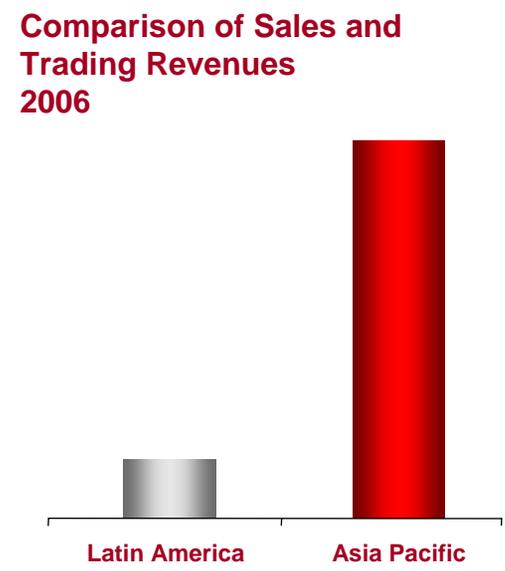


Source: Banco de México, Banco Central do Brasil

- ...and origination



- Significant potential upside exists



- Hub and spoke management complemented by in-depth on-the-ground coverage expertise
- Strong local distribution coupled with global EM distribution provides an optimal execution platform for issuers



We are successfully growing our business and gaining recognition in FX...

Argentina

- In Argentina as we have recently taken the lead in **FX Spot** and **NDF** market share

Treasury Rankings Argentina – Market Share as of April 2007

Rank	Entity	FX Spot	NDF
1	HSBC	16.4%	24.0%
2	Citibank	13.2%	19.9%
3	BBVA Banco Frances	8.9%	9.6%

Source: MAE

Chile

- Our investment in Chile is also proving fruitful, gaining market share in the **FX**, **FX Forward**, and **Fixed Income** markets

HSBC Chile Global Markets – 2006 Rankings

Rank	Market	Market Share
1	FX Market	13.5%
3	Fixed Income Market	10.8%

Source: OTC Electronic System & Bolsa de Comercio de Santiago

- HSBC continues to show evidence of growth with recognition by Euromoney for its FX operations in Latin America

Latin America Currencies

Ranked # 3
Best Bank for Latin American Currencies in 2007





...as well as capital markets

Mexico

- In less than 2 years, our **DCM** business in Mexico has grown from a low base to top 3 in the market as well as placing several first-ever deals in the local market

Mexican Debt League Tables – 2006 Rankings

Rank	Underwriter	2006 Rank	2005 Rank	2004 Rank
1	Citigroup	1	1	2
2	BBVA	2	3	1
3	HSBC	3	7	-

Source: Bloomberg

- Some Latin America major deals:

Mexico

<p>Dec 2006</p>  <p>MXN8.0 billion Issue of floating-rate notes</p> <p>Joint Bookrunner</p>	<p>Best Local Currency Multilateral Bond of the Year – 2005***</p>  <p>IADB MXN 2.0 billion (Combined)</p> <p>8.67% Fixed Bond</p>	<p>Dec 2006</p>  <p>MXN527 million MBS Bond 5.60% due 2036</p> <p>Joint Bookrunner and Lead Arranger</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Brazil

<p>Feb 2007</p>  <p>BRL 791.3 million Initial Public Offering</p> <p>Co-Manager</p>	<p>Dec 2006</p>  <p>BRL 5.5 billion Issue of debentures</p> <p>Co-Lead Manager</p>	<p>April 2005</p>  <p>BRL 1.3 billion Debentures Public Offering</p> <p>Co-Lead Manager</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

***Awarded by Emerging Markets Magazine



Latin America is a key market to continue developing our transaction services businesses

Payments & Cash Management (PCM)

- **HSBC Brazil** has one of the **largest branch networks** in the country, and provides tailor made solutions to the Brazilian market, such as **ConnectBank (CB)**
- **HSBC Mexico** controls approximately **33%** of all **collection transactions** via branches in Mexico, whilst **HSBC Argentina** commands **28%** of the **payments market** (datanet) in Argentina
- Our recent acquisition of **Grupo Banistmo** has given us access to markets in Central America and Colombia, further improving our **presence** and increasing our PCM capabilities for **potential growth** in the region



Trade Services

- By sharing best practices and leveraging on our international network, we have grown our market share in Trade Services Mexico from **2.1%** to **13.1%** in just over **3 years**

Mexico – Trade Services Ranking by Market Share					
Rank	Institution	2006	2005	2004	2003
1	BBVA Bancomer	23.1%	20.6%	36.6%	39.2%
2	Santander	23.0%	22.2%	16.7%	18.4%
3	Banamex	21.5%	23.5%	16.4%	20.9%
4	HSBC	13.1%	10.2%	5.6%	2.1%

Source: Comisión Nacional Bancaria y de Valores (CNBV) - Mexico



Group Investment Businesses – progress and recognition

- **Growing product range.** Business includes mutual funds, retirement and insurance
- **Progress is increasingly evident**
 - Top 3 in the Institutional and CMB markets and 2nd largest foreign asset manager in Brazil¹
 - Largest offshore active Brazil Equity Fund²
 - 4th largest Mutual Fund Manager in Mexico³
 - One of the largest asset managers in Argentina (6th)⁴
- Latin America is a core component of HSBC's Group Investment Businesses **Emerging Markets Capabilities**
 - Core component of HSBC BRIC Freestyle and BRIC Markets Funds, among the largest BRIC funds in the world

- Our strong presence in Brazil has led us to win several awards...

- **Exame Magazine:**

- Best Asset Manager of Multimarket Funds – 2006



- **GazetaInvest Magazine:**

- 'HSBC FIC Recebíveis Multimercado' – Awarded as the best Multi Asset Fund without equity



¹ Source: ANBID, as of March 31, 2007

² Source: EPFR, as of March 31, 2007

³ Source: El Financiero, May 8th 2007

⁴ Source: CAFCI, as of April 30, 2007



Connectivity in action



- Without a major global financial centre in Latin America, **Connectivity** and **Collective Management** are key aspects for success
- Leverage on our global distribution and significant regional presence provides us with substantial competitive advantages



CIBM: key points

We have leveraged the Group's experience in Asia to successfully build out our capabilities in Latin America

- We are now well established in key markets
- We have a clear set of development priorities

To be the leading wholesale bank by focusing on financing and emerging markets



Mexico

Paul Thurston
Chief Executive Officer
HSBC Mexico

HSBC 
The world's local bank



Agenda

- **Market environment**
 - Improving macroeconomics
 - Financial services market opportunities
- **HSBC in Mexico: Overview**
 - Platform for growth
 - Growing into our infrastructure
 - Performance and Return on Investment in Mexico
- **Customer segment strategy**
 - PFS
 - CMB
 - CIBM
- **Closing Remarks**

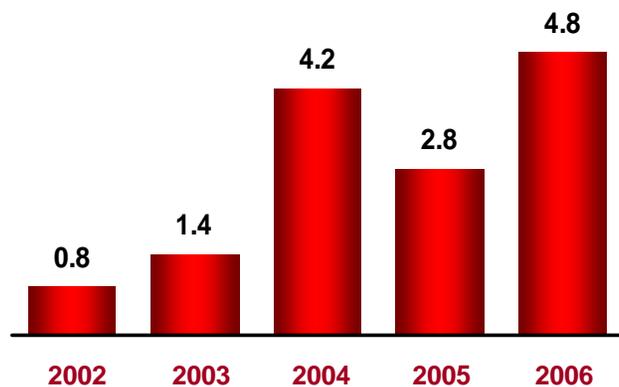


Market environment – Improving macroeconomics

Economic conditions:

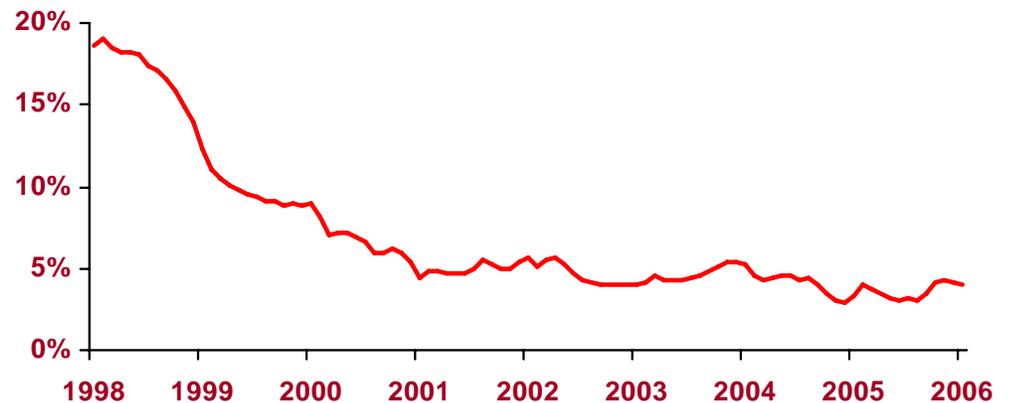
- GDP growth: 4.8% in 2006, 2007 estimate 2.7%
- Low inflation: 3.6% in 2006, less than 4% in 2007
- Possibility of the central bank tightening the overnight rate in the short term, with further changes unlikely for the rest of 2007

GDP growth vs. prior year (%)



Source: INEGI

Consumer Headline Inflation – Annual variation (%)



Source: Mexican Central Bank



Growth in financial services driven by demographics and demand

A young population

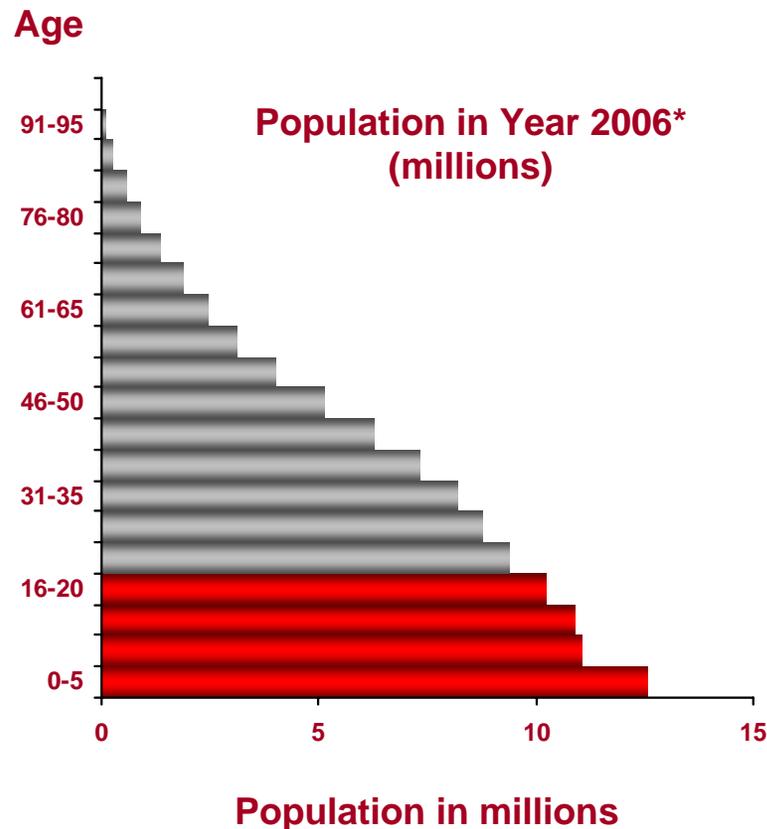
- Average age range 25-29
- Currently 45m Mexicans less than 20 years old
- Next 5 years → 11m potential new bank customers
- Next 10 years → 22m new potential customers

An under-banked population

- Only one in five Mexicans have a bank account
- 30% of households have no access to financial services

Strong demand for credit

- Domestic credit only 16% of GDP
- Home ownership expanding rapidly
- One million Mexicans have acquired a new home in the last four years



Source: CONAPO (National Population Institution)



HSBC Mexico has a strong platform for growth

Extensive branch and ATM Network

- 1,347 branches (19% market share*)
- 5,437 ATMs (23% market share*)
- 23,700 staff of which 15,720 are client-facing
- 16.2% market share in deposits*
- 11.6% market share in performing loans*

Strong and growing customer base

- 7.8 million personal customers
- 11 million non-customers using the branch and ATM network
- More than 90,000 small business customers

A multi-line financial services group

- Commercial bank, including strengthened corporate banking and global markets, private banking
- Insurance Company, Pension Fund Management, Asset Management, Trust services, Stock Brokerage

Regionalisation

Four regions with full responsibility for customer relationships

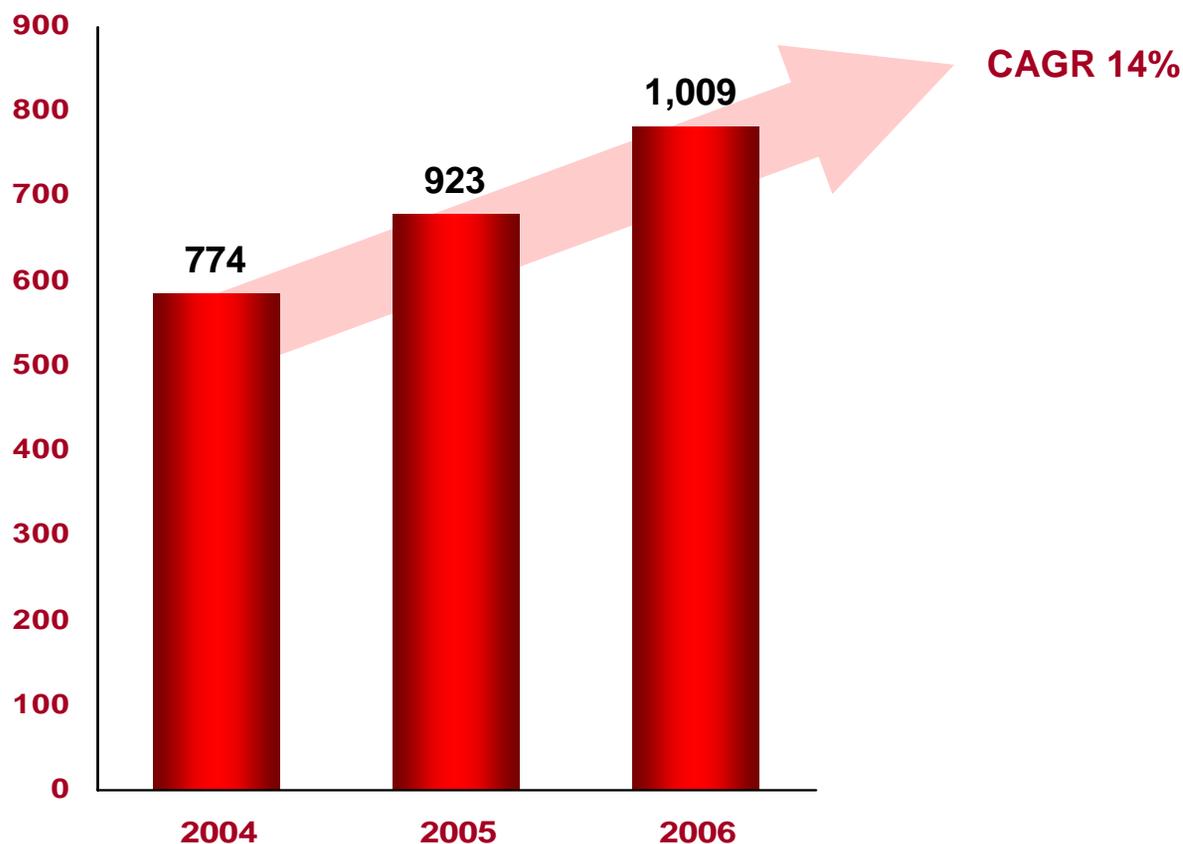


* Source: Mexican Bank's Association (ABM) Interchange committee among Mexico's six largest banks



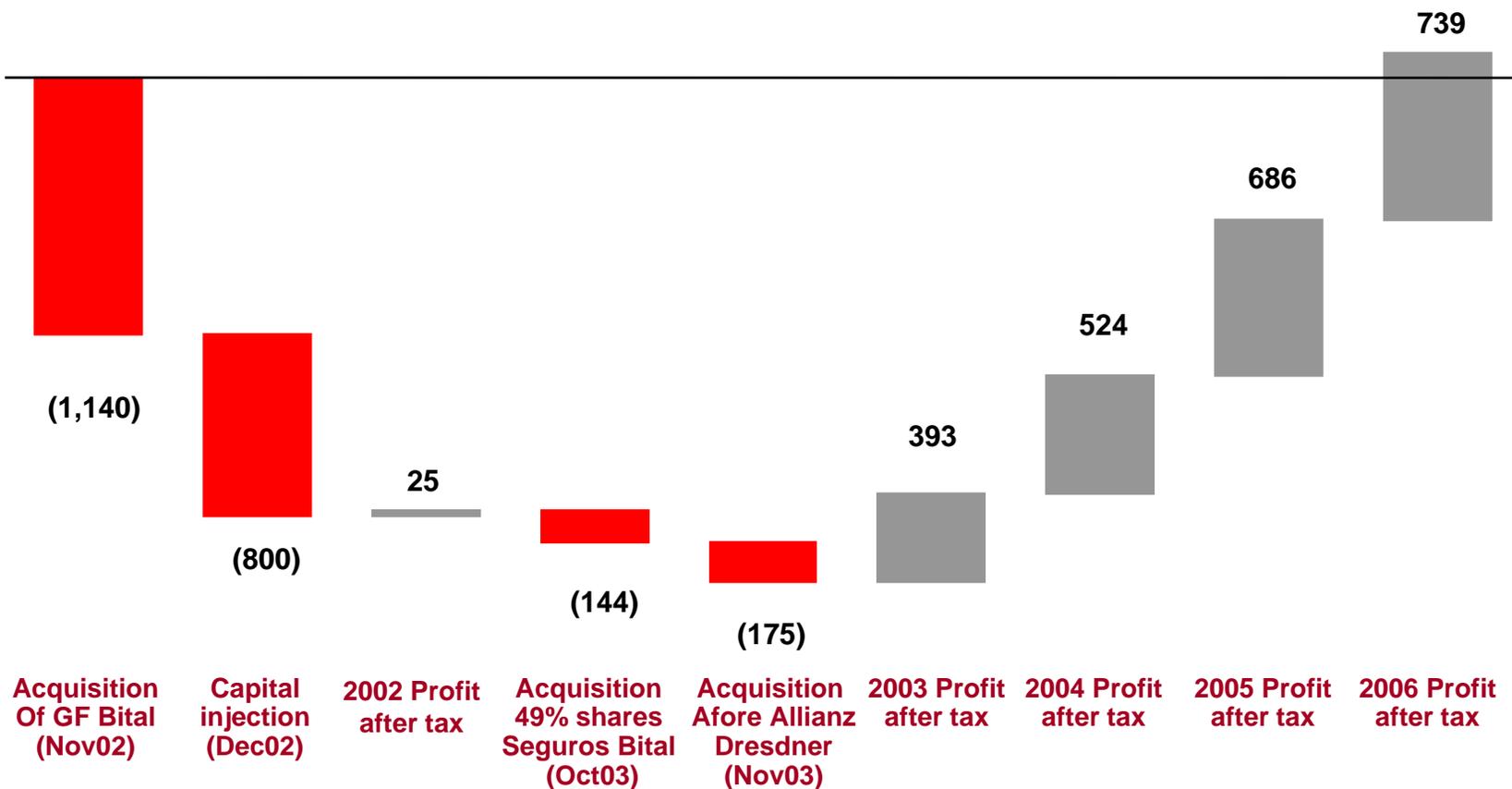
HSBC Mexico is the largest emerging market contributor to the Group

Profit before tax, US\$ million





Return On Investment* – A successful acquisition for HSBC in Mexico



2002 – 2003 figures under UK GAAP

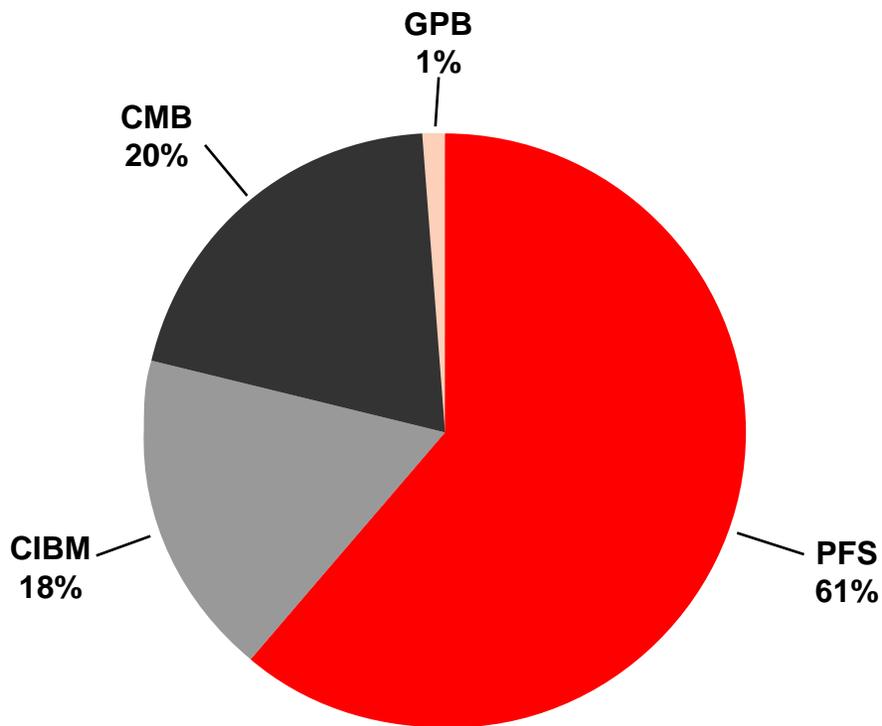
2004 – 2006 figures under IFRS

*Includes Panama



Retail businesses account for more than 80% of earnings

HSBC Mexico – Profit before tax by customer segment 2006





Personal banking strategy

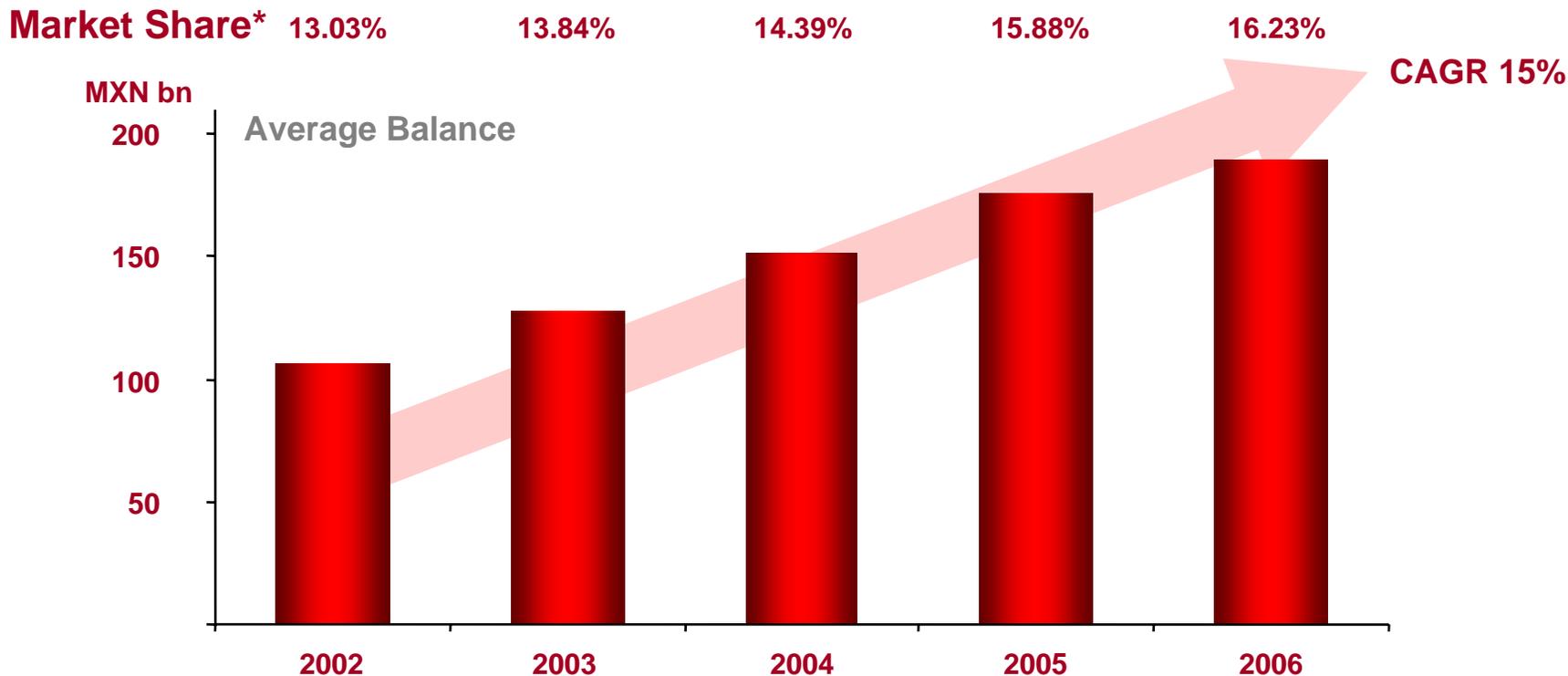
Investing for organic growth in key segments of the market

- Building scale in our credit card and personal loans portfolios
- Building out the value of customer base:
 - Leveraging our CRM capability to drive cross sales
 - Encompass mass market through one simplified core product: Tu Cuenta
 - Building insurance penetration through packages and coincident sales
 - HSBC Premier global re-launch
- Convert the non-customers who use our distribution network
- Product delivery through direct channels and web-based technology:
 - ATMs as a direct sales channels
 - First bank in Mexico to offer pre-approved mortgages via Internet: Mortgage Express Approval
- Payroll product: Joining-up the business across customer segments



Steady expansion of the deposit base

- Gaining market share each year
- HSBC has the lowest cost of funds in the market

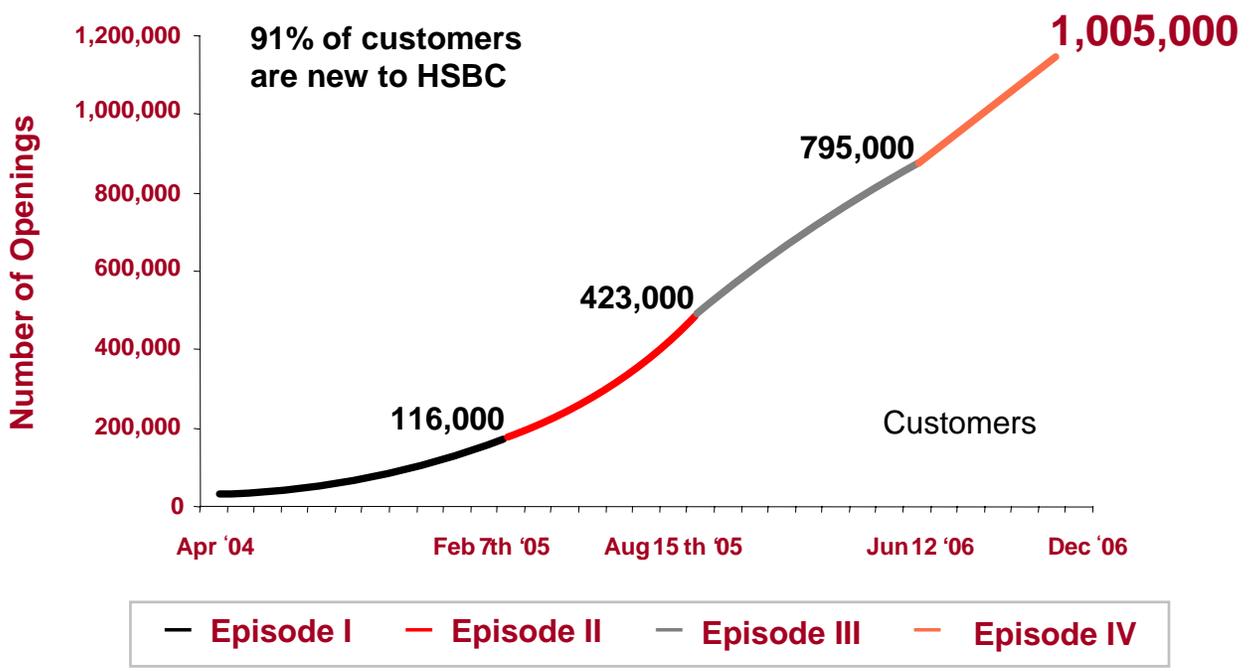


* Source: Mexican Bank's Association (ABM) Interchange committee among Mexico's six largest banks



Tu Cuenta – The first integrated financial services package of its kind

Episode I
<ul style="list-style-type: none"> • Checking Account • Debit Card • Phone Bank Services • Internet Bank Services
Episode II
<ul style="list-style-type: none"> • Credit Card • Personal Loan (ATM Disposal) • Family Insurance • Time Deposits • Mutual Funds • Preferred terms in auto loans and mortgages • Social Responsibility • Service Guarantees
Episode III
<ul style="list-style-type: none"> • Immediate Credit Card • Additional Insurances • Direct Billing Services
Episode IV
<ul style="list-style-type: none"> • Cash Back Program 1% Debit Card and 5% credit Card

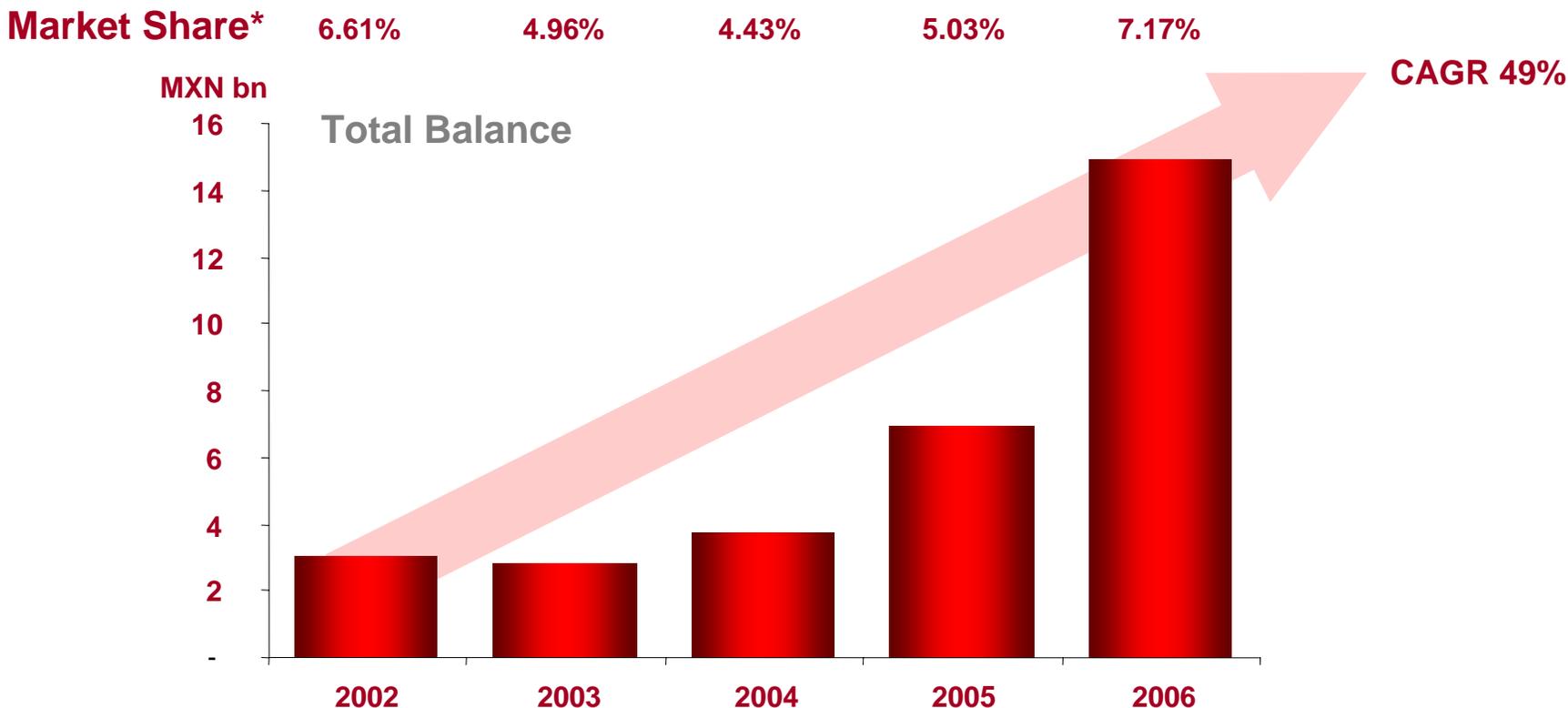


**Cross Sale:
Over 4 products per
Tu Cuenta package**



Investment in Card Receivables

- In 2006, credit cards receivables grew by 117%, gaining over 200 bps in market share versus prior year



Figures in MXN millions

* Source: Mexican Bank's Association (ABM) Interchange committee among Mexico's six largest banks

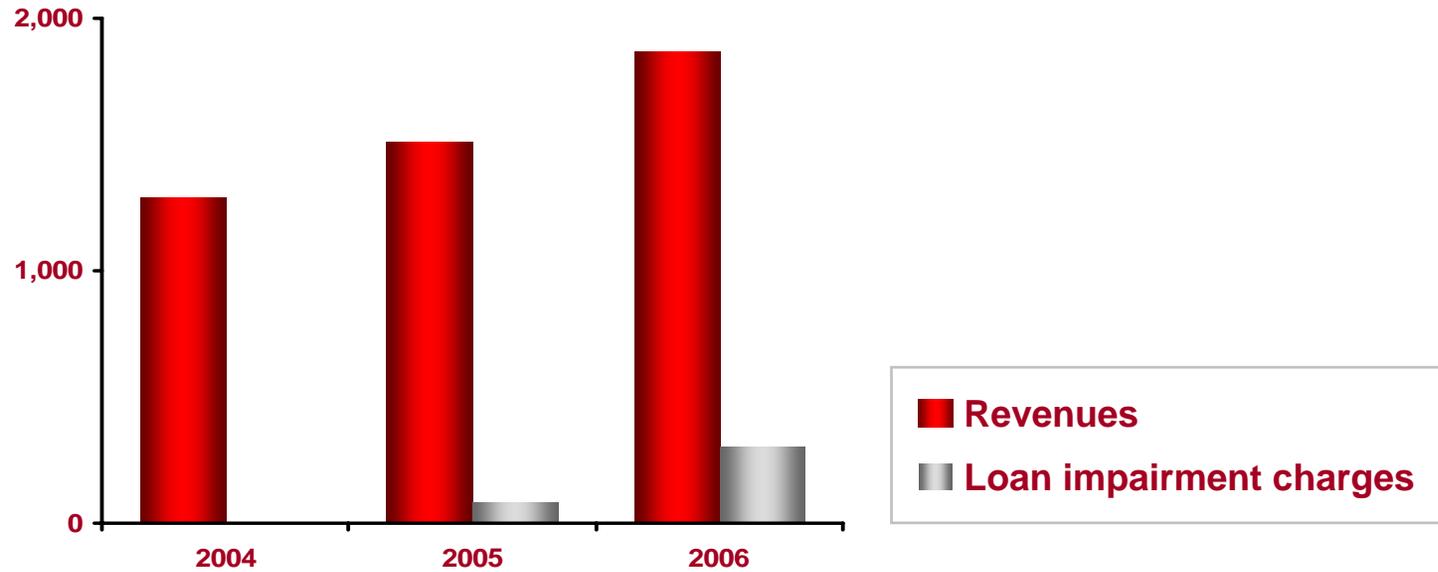


Building PFS customers and revenues

- We have added more than two million new personal customers in the last three years
- PFS revenues have grown at a CAGR of 20%
- We are re-positioning the balance sheet, with more credit card and unsecured loans
- The investment in marketing and sales costs and loan impairment charges is affordable with current market rates and fees

PFS revenues and loan impairment charges

(US\$m)





Commercial Banking strategy

Best Small Business Bank in Mexico

- Bundled products, *Estímulo* and *Estímulo Empresarial*
- Development of the SME model with PFS
- SME award from the Ministry of the Economy for the second consecutive year in 2006

Segmented approach to the Middle Market

- Segmentation to support enhanced customer service and understanding
- Enhanced and tailored products for payments and cash management services
- Sell structured products, investment banking and derivatives to upper mid-market segment
- Sector specialisation for Real Estate Financing, Government and Agribusiness

Leading international business bank

- Build upon HSBC's Global Transaction Banking and receivables finance expertise to facilitate domestic intra-regional and international trade flows
 - Trade services market share grown from 2% in Dec 2002 to 13% in Dec 2006
 - Offer both domestic and international factoring products
- International Banking Centre launched to expand cross-border business for global Commercial Banking customers



Commercial Banking: Segmentation and specialisation

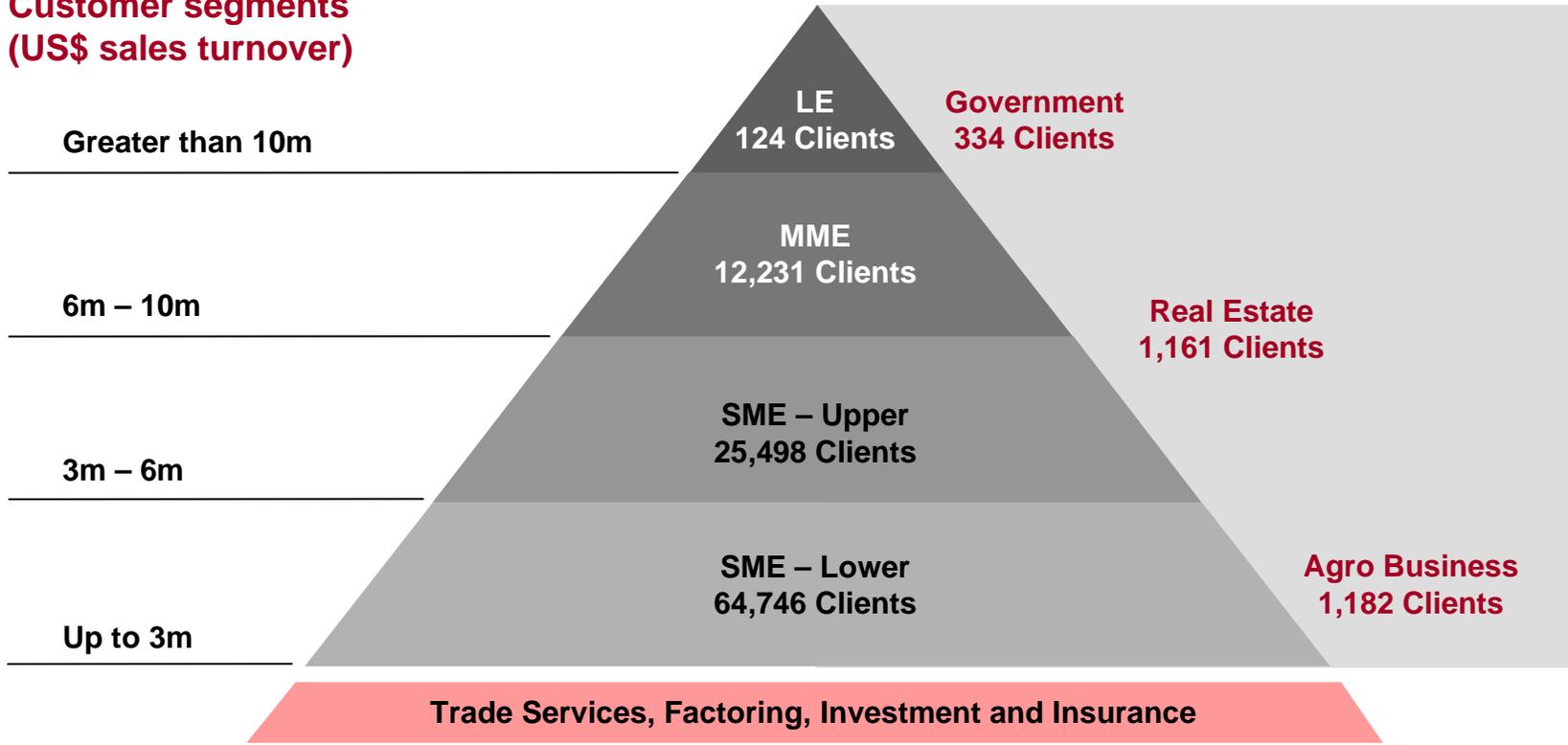
Segmentation

Differentiated approach according to customer size and needs

Specialisation

Differentiated approach according to sector

Customer segments (US\$ sales turnover)





Corporate, Investment Banking and Markets strategy

Building local capabilities and leveraging the Group's unique footprint

- Support Mexican corporates and Mexican institutions with global aspirations and global multinationals with a Mexican presence
- Building local capabilities through Group expertise and systems:
 - Expanding product sophistication on the back of installation of Group treasury systems in 2005
 - Fixed Income Trading – Market Maker, Ranked second in league tables
 - Debt Capital Markets from non-existent to top three player
- Leveraging our global distribution capabilities
 - America Movil's MXN8 billion thirty-year Euro peso bond in 2006
 - Broad Global Distribution: US (47%), Mexico (42%) and Europe (11%)
- On March 29, 2007, HSBC issued a mortgage securitisation for MXN2.5 billion, the largest for this type of issue in Latin America
- Success in cross-selling ancillary business – e.g. Payments and cash management: extending product offering and market share growth



Mexico: key points

- Mexico is a fast growing financial services market
- HSBC has made a successful acquisition and has a platform for growth
- We continue to invest in growing into the infrastructure
- We are building scale and investing in customer acquisition
- And in increasing cross sales/share of wallet to add value from our customer base
- We are growing our insurance business and will leverage the launch of HSBC Premier to build out in the more affluent market
- There is continued potential for mass market growth, tapping the demographics and targeting the youth market
- And to grow our commercial business in key sectors through our targeted approach
- And to leverage our Group and regional capabilities for commercial and corporate customers



Brazil

Emilson Alonso

President and Chief Executive Officer, Brazil

HSBC 
The world's local bank



Agenda

- **Economic Overview**
 - Recent Performance
 - Outlook for 2007
- **HSBC Brazil Overview**
 - Financial
 - Contribution
 - Strategic Plan
 - Customers
 - Presence
- **Main Business Performance and Strategic Drivers**
 - PFS, Insurance and Consumer Finance
 - CMB
 - CIBM
 - Private Banking



Economic overview

Recent Performance

- Low average growth rates coupled with high volatility have marked Brazilian GDP in recent years: 29% in 2006 vs 2.3% in 2005
- High and volatile annual interest rates: 13.25% in 2006 vs 17.25% in 2005
- Decline in inflation: 3.1% in 2006 vs 5.7% in 2005
- Robust trade balance: US\$ 46.1bn surplus in 2006

Outlook for 2007

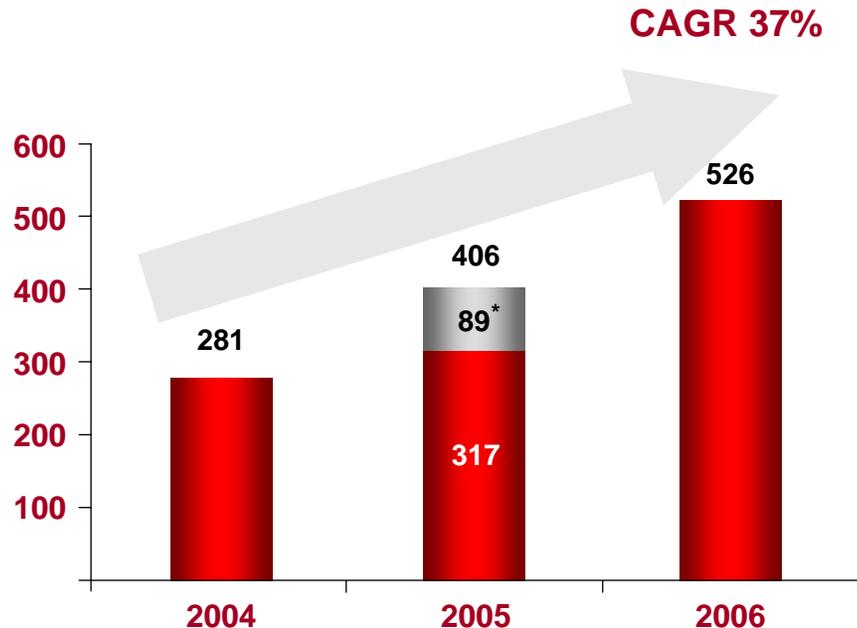
- The current account is expected to show a surplus of 1.1% of GDP, consistent with healthy solvency conditions
- As a result, we expect the exchange rate to be relatively stable
- A strong BRL should maintain inflation rate below target for the second year in a row
- GDP growth is expected to accelerate in 2007
- Overnight interest rates to stabilise at historically lower levels



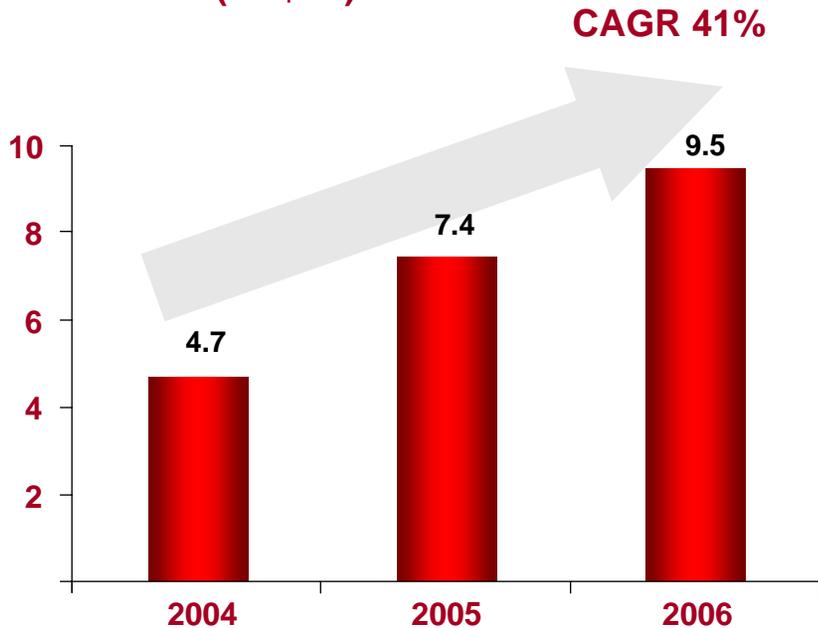
Profit before tax; loans and advances

- Strong Performance in PBT through organic growth
- Loans and Advances to customers reached US\$ 9.5bn

Profit Before Tax (US\$m)



Average Loans and Advances to Customers (US\$bn)



*Excluding, for 2005, US\$89m gain on sale of Property and Casualty insurance business in Brazil



Business mix

Profit Before Tax (US\$m), 2006

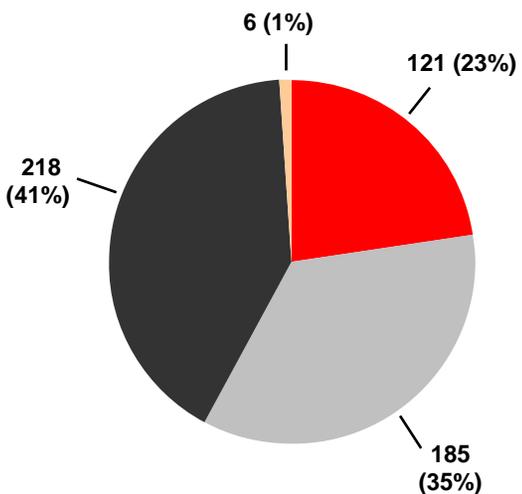
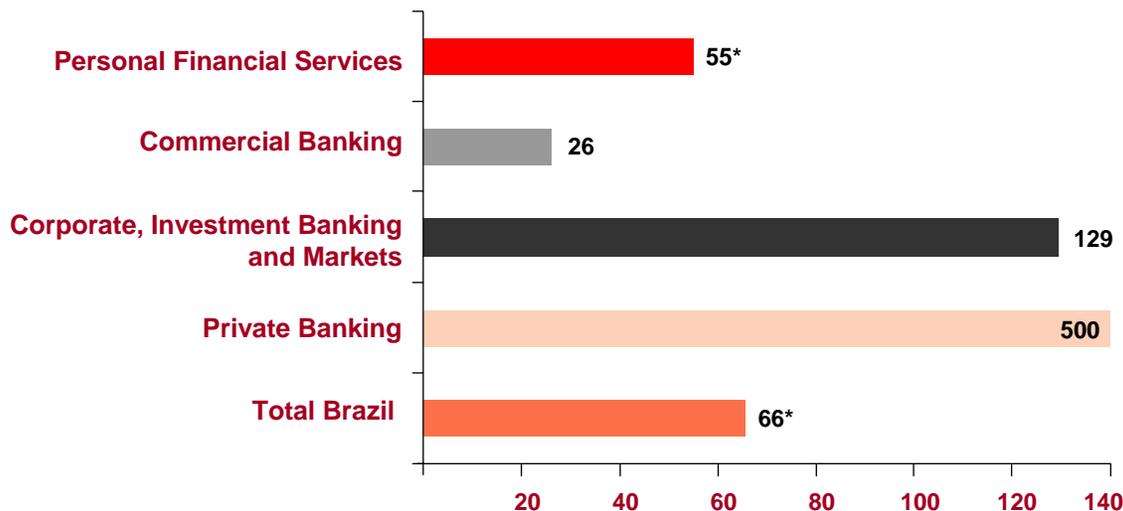


Chart does not include other of US\$ -4m

Growth in profit before tax (%), 2005 – 2006

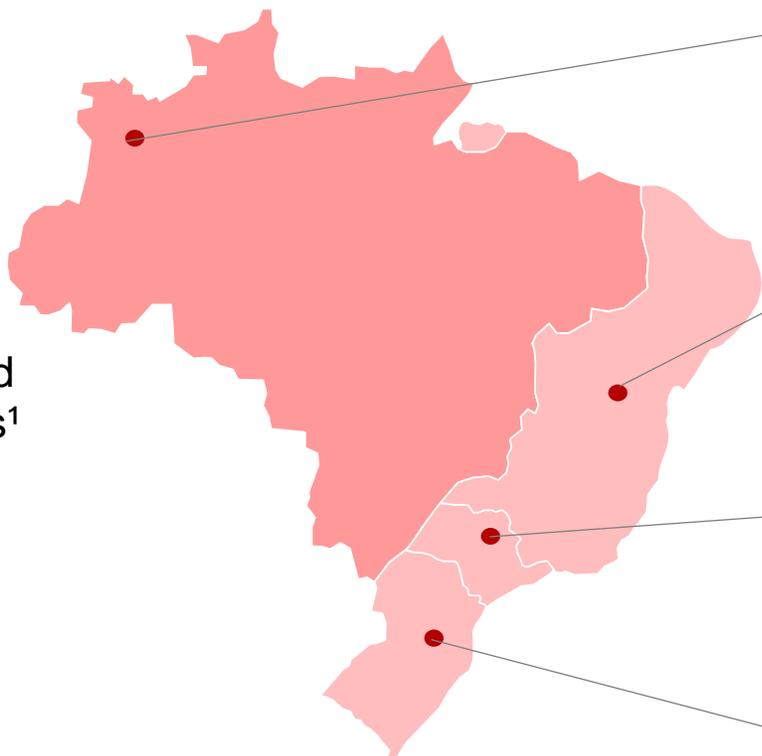


*Excluding, for 2005, US\$89m gain on sale of Property and Casualty insurance business in Brazil



Total Brazil
Branches: 934
ATMs: 5.833
Mini-branches (PABs): 967
Losango branches: 293

- 7th largest non state-owned bank ranked by total assets¹
- 2nd largest International Custodian and 6th Domestic Custodian²
- 4th largest by deposits¹
- 5th largest by branches¹
- 6th largest by AUM³



Centre-North

Branches: **150**
 ATMs: **919**
 Mini-branches (PABs): **177**
 Losango branches: **45**

East-Northeast

Branches: **233**
 ATMs: **1.493**
 Mini-branches (PABs): **157**
 Losango branches: **104**

São Paulo

Branches: **303**
 ATMs: **1.730**
 Mini-branches (PABs): **340**
 Losango branches: **76**

Parana-South

Branches: **245**
 ATMs: **1.691**
 Mini-branches (PABs): **293**
 Losango branches: **68**

Source: ¹Brazil Central Bank as Dec06

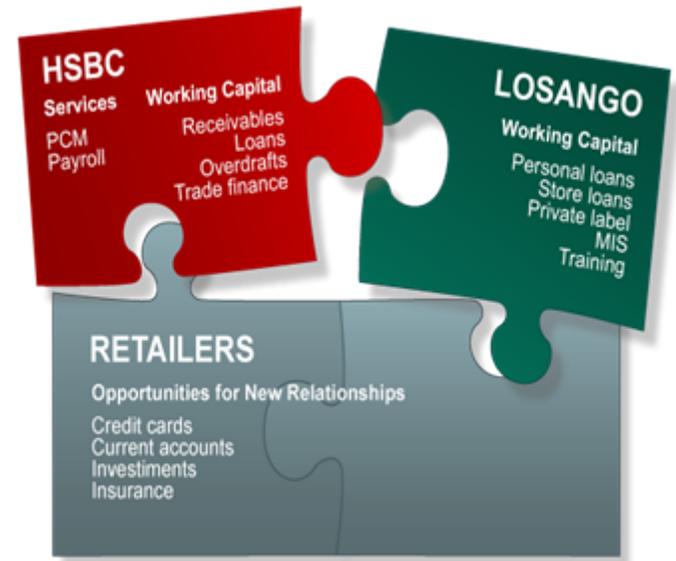
²CMV Brazil – SEC

³ANBID – Local Ranking



‘The best retail bank for retailers’ Joining-up

- Business growth driven by relationship and experience with retailers, providing:
 - Consumer Finance, CMB, and CIBM services
 - Strong focus on cross-referral opportunities for PFS, Private Banking, and Investment Services
- Gain scale in key businesses such as Cards, Auto Finance and Private Label
- Improve productivity through: call centres, ATMs, internet and direct sales
- Aim to become an employer of choice in the financial services industry
- Optimum use of information – MIS, Credit and Collection analytics
- Sustained investment in the Brand





**Business
(329k customers)**

**Personal
(2.7m customers)**

Corporate* 0.6

Private 1k

MME/LLC 10k

Premier 135k

SME Upper 17k

Gold 302k

SME 198k

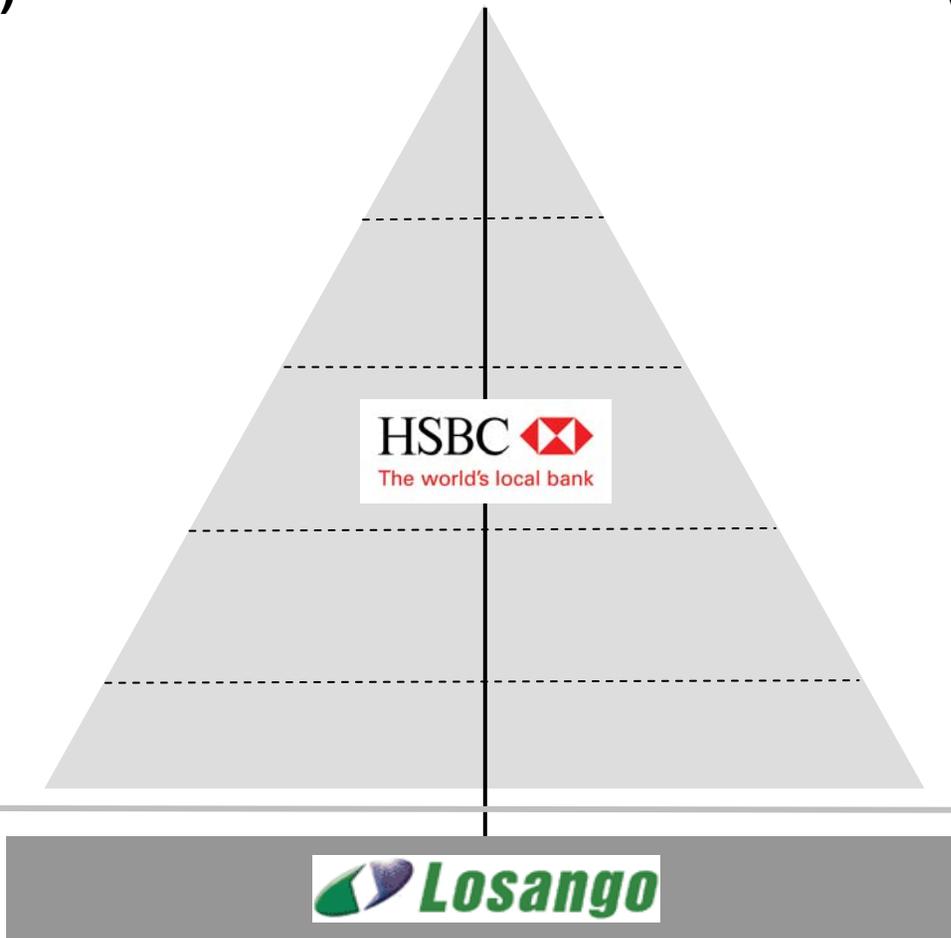
Super Class 1,720k

Micros 104k

Global 581k

Business 20.5k

Personal 19.3m



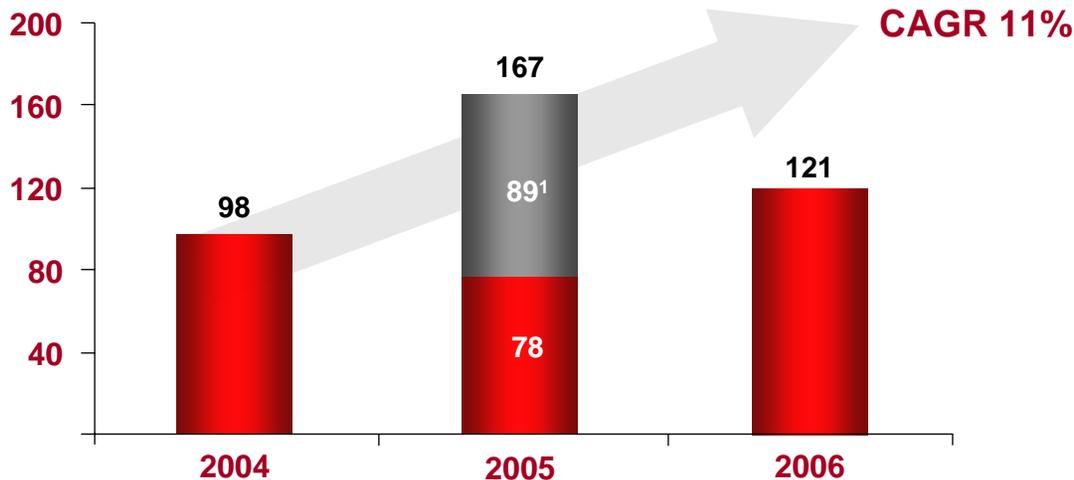
Data-Base Dec06 *Groups



PFS – profit before tax and loans portfolio

- Fee income rose by 25%, largely from increased current account fees, reflecting growth in customer numbers
- Net interest income rose by 9%
- Average loans balances were 18% higher, driving by rising customer numbers and increase on secured loans: vehicle financing (36%), pension and payroll loans (84%). This way, increasing modestly the loan impairment charges
- Average card balances rose by 19%, with an increase of 27% of number of cards issued

Profit Before Tax (US\$m)

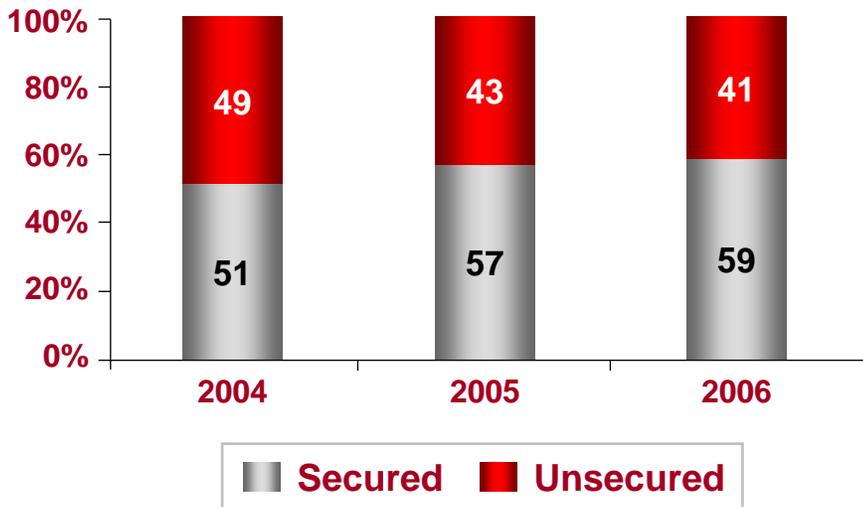


¹Gain from sale of the P&C insurance manufacturing business in 2005

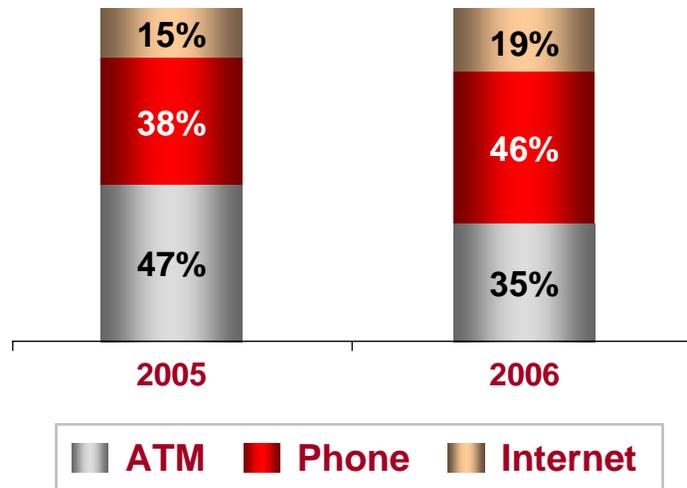


PFS – assets and channels

Secured loans vs Unsecured loans



Direct channels – Products sold portion



- Customer Assets grow supported by a stronger focus on secured loans (Payroll Loans, Autofinance and Mortgage)

- Growth in products sold through the internet and phone banking



PFS – assets and channels

- Focus on direct channels to increase participation
- Grow auto finance business to reach USD 2.5bn assets portfolio
- Focus on Payroll loans and instalment loans
- Leverage wealth management offering through remodelled Premier
- Joining up and Grow customer base – acquisition through:
 - 60% from Payroll relationships
 - 30% from Open market – Private Banking, Premier and Gold
 - 10% from Monolines – Consumer finance, auto finance, insurance, cards



Consumer Finance – key strategic drivers

- Losango: position our consumer finance business with a multi-product and multi-channel proposition
- Focus on customers in the lower mass market income segment – upsell and cross-sell within HSBC's mainstream PFS: insurance, auto finance, credit card
- Capitalise on Losango's retail relationships for private label cards, payroll and potentially to become CMB customers
- Maintain a multi-product strategy to increase our share of CDE classes, including credit cards, insurance, capitalization and simple banking accounts



Insurance – key strategic drivers

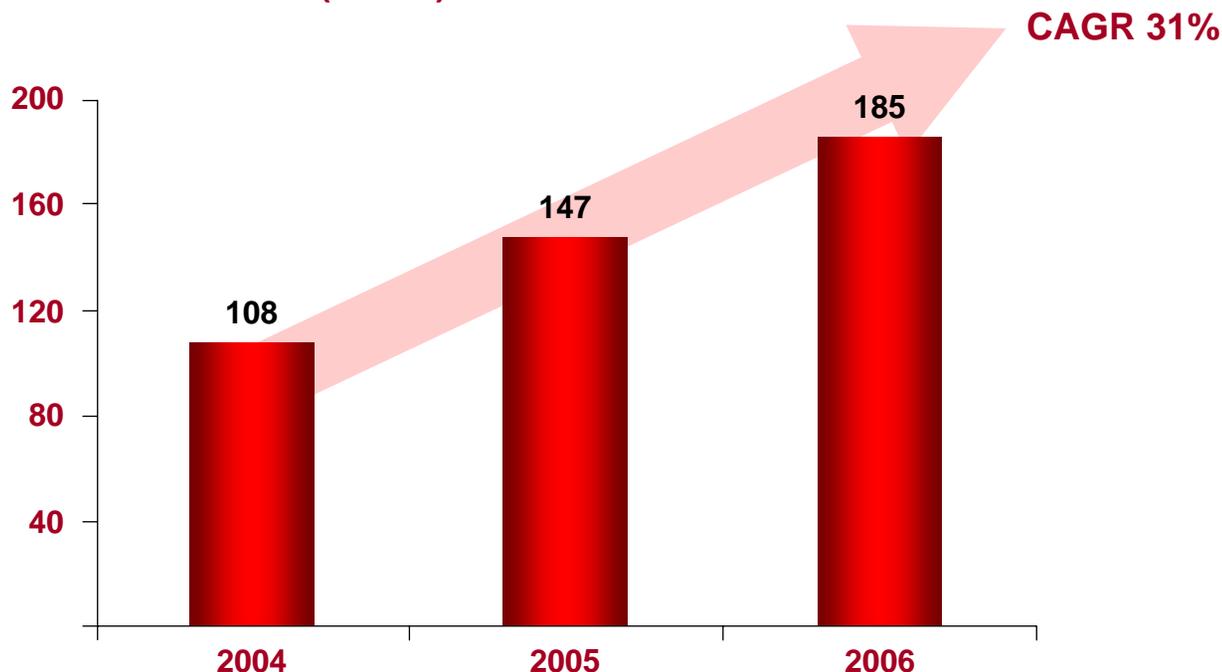
- Manufacturing and ‘Bancassurance’ distribution
- Brokerage (through HSBC Broker)
 - Fully utilise the synergies with the bank where the risk is not underwritten by HSBC (especially P&C products)
- Manufacturing
 - Long term and assets accumulation products: life, pension, and capitalization
- Strategic focus
 - Financially driven products such as Pension, Capitalization and Life
 - Leverage on existing relationships and Cross sales opportunities to PFS and Consumer Finance with focus on Pension, Capitalization, Life, Motor, Property and Card insurances



CMB – profit before tax and loans portfolio

- Lending Balances rose by 16% primarily driven by small and middle market customers
- Net interest income was 12% higher than 2005
- Fee income rose by 47% as effective cross-selling led to an increase in the average number of products held per customer

Profit Before Tax (US\$m)





CMB – key strategic drivers

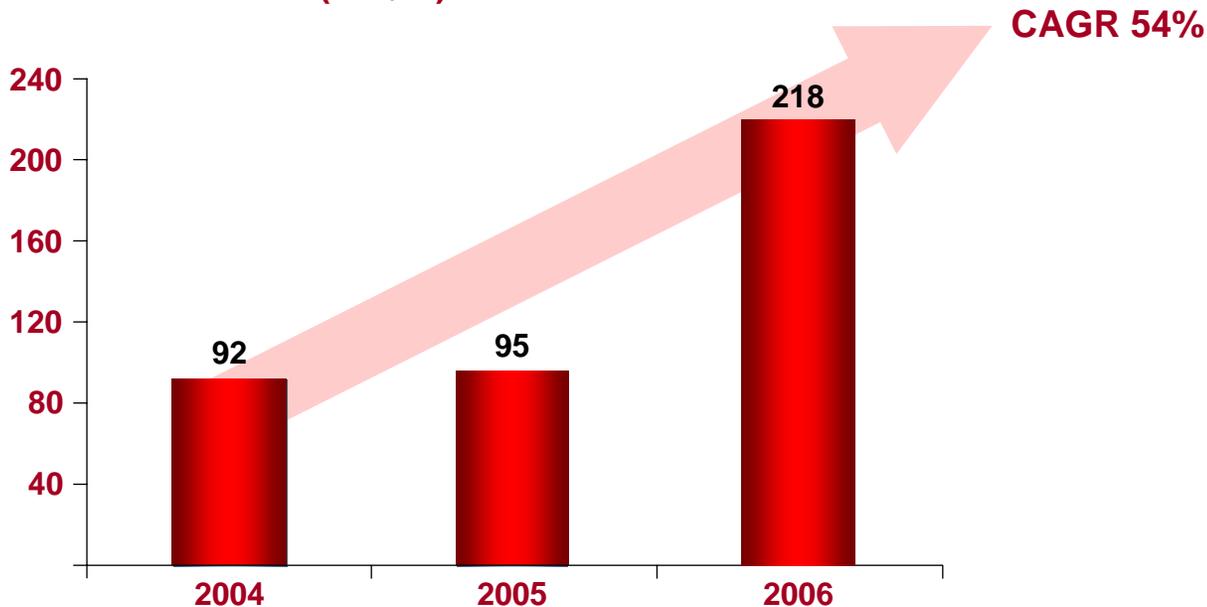
- Be the best Retail banker for Retailers
- Leverage on existing relationships – and their supply chain
- Increase direct channel penetration
- Cross sell into other business lines – PFS (payroll), insurance and investments
- Dominate international business in the segment – leverage on group referrals and GTB
- Expand in distribution of payroll loans and credit cards
- Develop new credit model to leverage risk and sales opportunities
- Launch SME segment
- Expand penetration and share of wallet in SME/MME/LLC by growing the customer acquisition sales force
- Grow the presence of sub-branches located within CMB customer premises



CIBM – profit before tax

- Improvement in market positioning (2006 Panel Industry Survey)
- Increase use of balance sheet – leveraging ancillary business
- Higher revenues from trading activities flowed from marketing the wider product range and enhanced delivery capabilities of Global Markets and greater volatility in local markets resulted in higher business volumes in foreign exchange and currency derivatives

Profit Before Tax (US\$m)





CIBM – key strategic drivers

- Leverage on existing relationships
 - Increase use of balance sheet leveraging ancillary business
 - Focus on supply chain concept
- Increase cross sales and penetration in customer base
 - Align relationships with Investment Banking, Global Markets, GTB and PFS opportunities
- Differentiate through value added proposition
 - ECM – strong growth in numbers of ECM deals
 - DCM – good track record of book runner roles and a strong position on the market with leading names
 - M&A – focus on cross border deals and one-stop shop solutions
 - Markets – increased penetration on FX, swaps, options, forwards
 - Structured products
- Continue investment in technology and e-solutions in our Trade Services and PCM propositions and align local e-solutions with global group technology
- Promote Intragroup Trade Business (China Trade Desk, India/Middle East Trade Desk and LatAm Trade Desk)



Private Banking – profit before tax

- Revenue and cost benefits arose from initiatives to join up the business, including cross referrals from PFS and CMB

Key strategic drivers

- 3rd Best Private Bank in Brazil¹
- Cross-referrals: 60% of all new relationships are originated out of CMB and PFS
- Strong synergies with Asset Management to offer local or global funds
- Enhancement and development of services offered: investment advice and local wealth structuring client solutions (succession planning, real estate and tax advisory)
- Leverage and strongly advertise: HSBC's competitive advantage; global distribution capability; access to markets and investment expertise to offer offshore investments – either booked offshore or through local funds

¹Source: Euromoney Private Banking Annual Survey (2006)



Brazil: key points

- Improving and stable economy – low inflation and lower interest rates – accelerating economic growth
- Increased requirement for financial services and opportunities in all segments
- The Bank shows positive trends in PBT and assets with low credit losses
- Focus continuous improvement in IT and operational support





Argentina

Antonio Losada
Chief Executive Officer
HSBC Argentina



Agenda

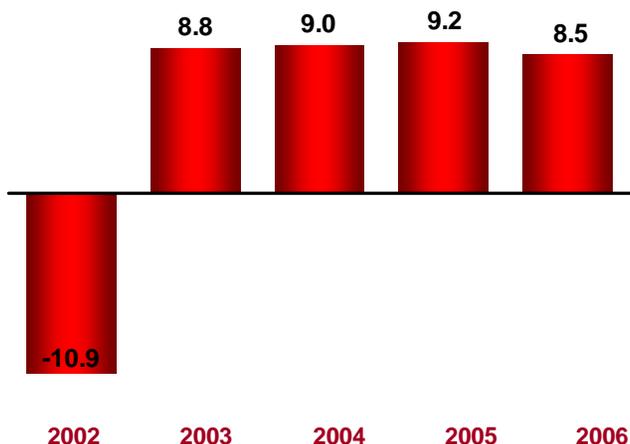
- Macro-economy
- Financial system
- HSBC Argentina's position as a financial services group
- Strategy



Argentina’s macro-economic fundamentals have improved

- Increased financial strength
 - Very competitive real exchange rate
 - ‘Twin surpluses’ (Fiscal and Current Account) and high reserves levels (USD 37B)
 - Improved Debt Profile after restructuring
- Improving social indicators (e.g., single-digit unemployment, poverty levels below 20%)
- Challenges ahead: inflation, investment levels, energy capacity, increased government spending

GDP growth vs. prior year (%)



Government Primary Surplus/GDP (%)

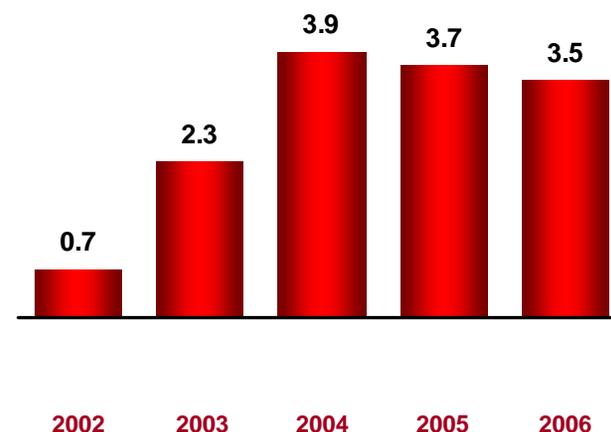


Chart Source: Argentina’s Economy Ministry and Central Bank, Analyst reports

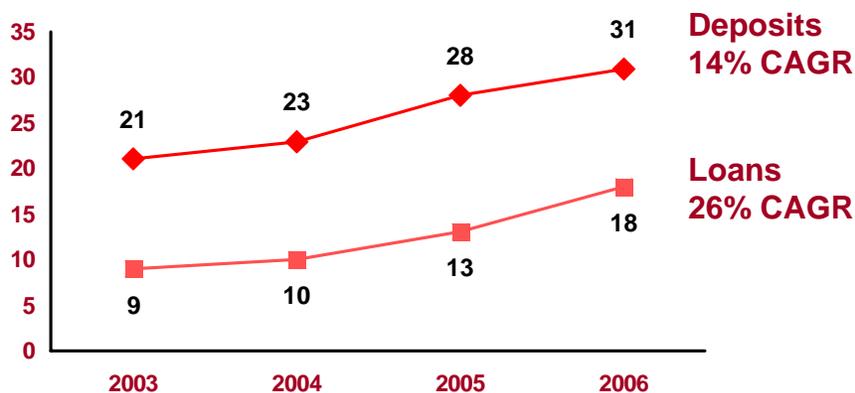


Financial system recovered, showing growth potential

- Banks are profitable again
- Ample room for growth
 - Loans/GDP in Chile – 70%; Brazil – 33%; Mexico – 16%, Argentina – 11%
 - Low Bancarization levels
- Non-performing loan ratios at low levels
- Challenges: funding of long-term credit given short maturity of deposits and limited hedging options

Private Sector Deposits and Loans – as of December

US\$m



GDP Penetration

% of GDP



Source: Argentina's Economy Ministry and Central Bank



We offer a full-suite of financial products and services

	BANK	P&C INSURANCE	LIFE AND ANNUITIES*	PENSIONS*
Offering	Full-suite of Banking products and services	Retail and Commercial P&C insurance	Individual and Group Life and Annuities	Pensions and Retirement
Number of customers (Thousands)	1.200	265	250	580
		Total Group Customers: 1.860		
Target Segments	Retail, Commercial, Corporate	Retail, Commercial, Corporate	Retail, Commercial, Corporate	Retail
Market Share	6% (deposits, loans)** 16% (FX)	7% (GWP)	11% (GWP)	12% (affiliates) 12% (FUM)
Ranking (unit)	# 4 private bank** # 6 total system loans # 7 total system deposits # 1 FX	# 4 (GWP)	# 1 (GWP)	# 6 (affiliates) # 5 (FUM)
			*Partnership with New York Life	

** Private Sector Loans and Deposits only

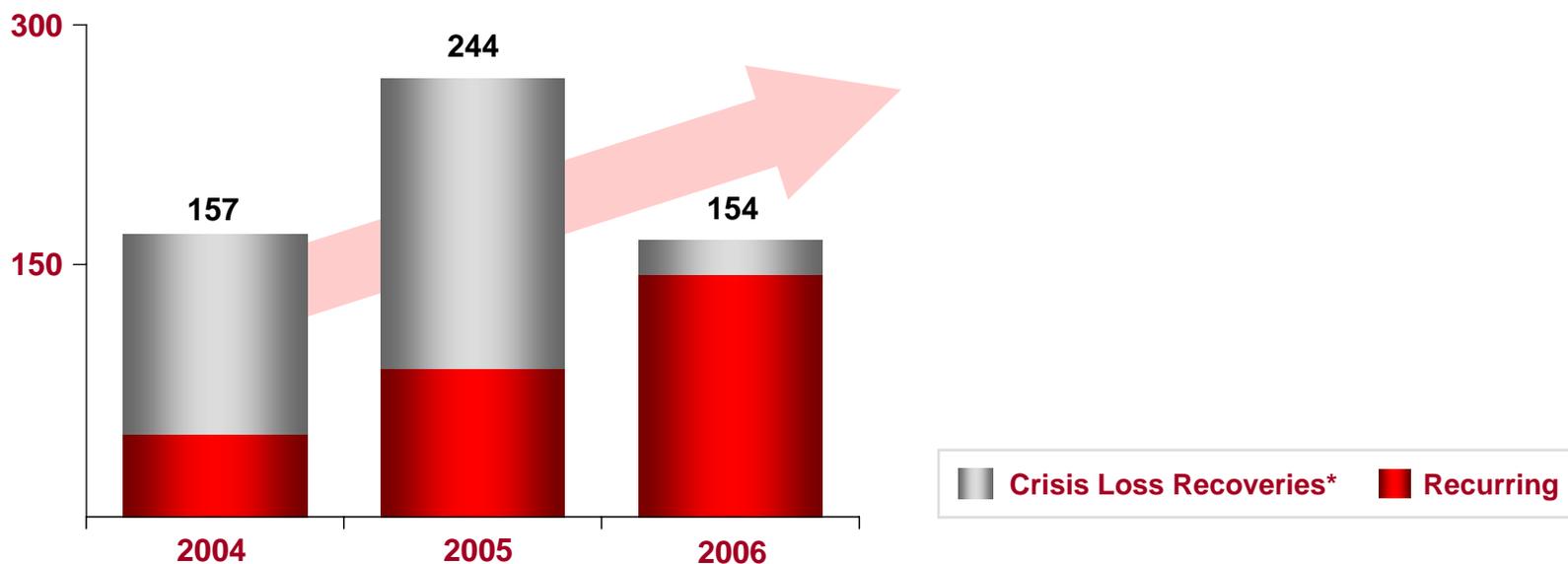
Source: Central Bank, Insurance's Superintendencia, SAFJP, Mercado Abierto Electrónico



Profitable franchise, with improving earnings quality

Profit before tax*

US\$m

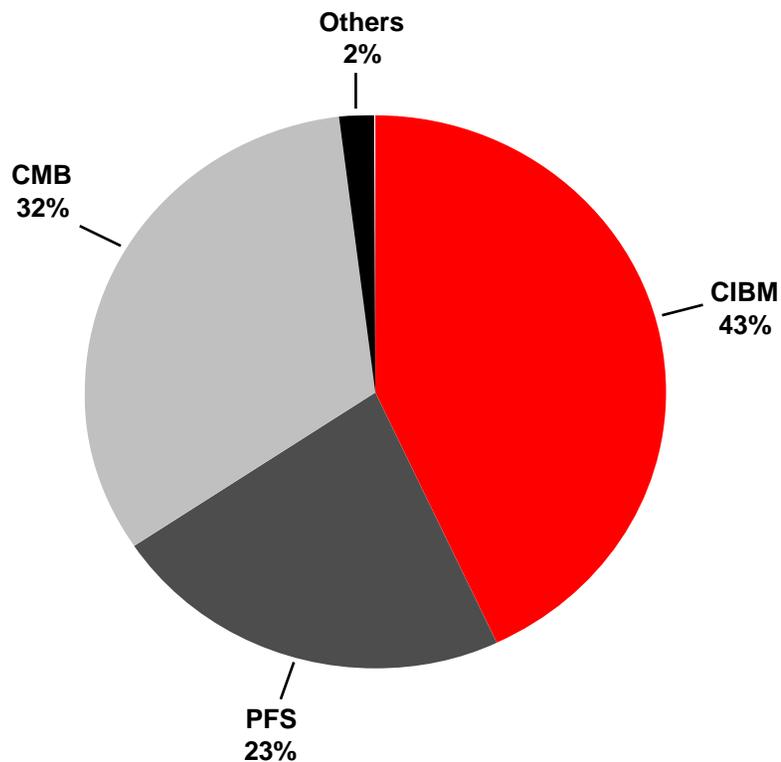


*Crisis Loss Recoveries: positive impact from Government Compensation Bonds, recoveries of pre-crisis loans, and releases of B&D provisions due to higher recovery rates; partially offset by 'Amparos' provision and other items



Group earnings are diversified...

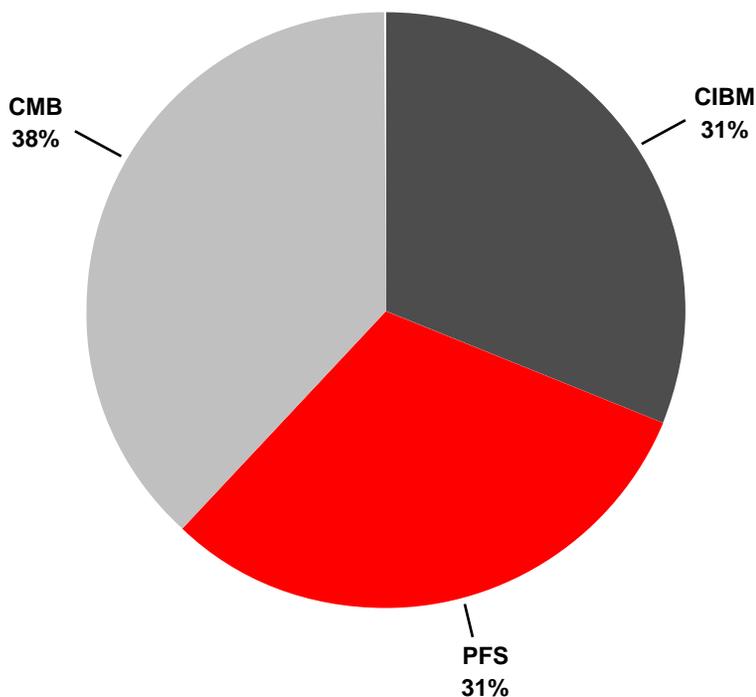
HSBC Argentina – Profit before tax by customer group 2006





...and HSBC Argentina loans are balanced across customer groups

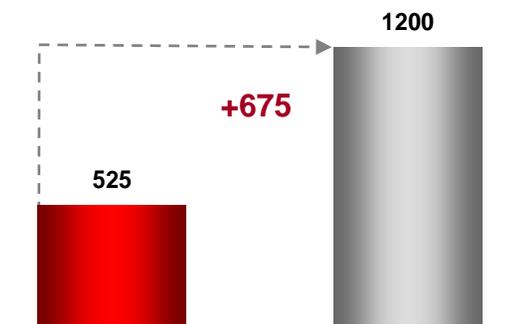
HSBC Argentina – Loans and Advances to Private Sector Customers 2006 (%)



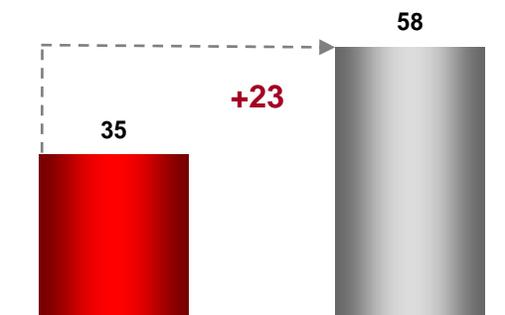


BNL's acquisition: scale, customers and distribution

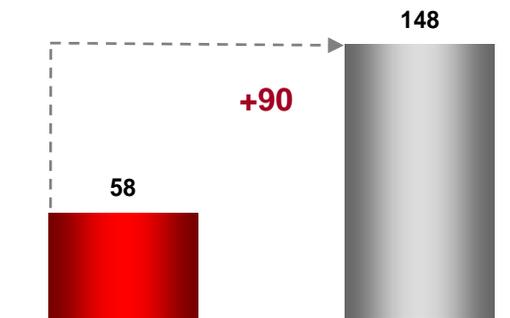
PFS Customers
Thousands



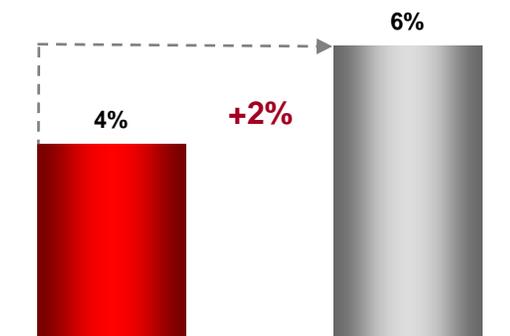
CMB Customers
Thousands



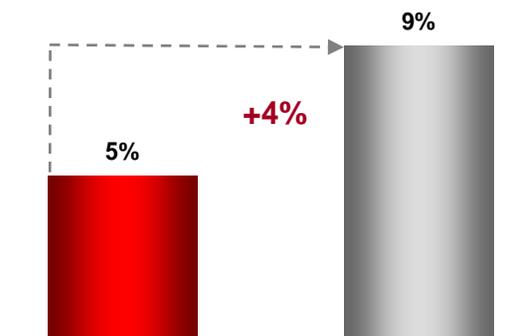
Branch network
Number of branches



Market Share – Loans and Deposits*
% of GDP



Market Share – Credit Cards Spend



Private Sector Loans and Deposits
Source: Central Bank, HSBC, Cards industry reports



HSBC has a leading Insurance business in Argentina

- HSBC manufactures and distributes P&C, Life and Annuities, and Pension
 - Leading market positions (#1 in Life and Annuities, #4 in P&C, #5 in Pension FUMs)
- Primarily focused on PFS and CMB segments
- Prudent manufacturing strategy
 - P&C: underwriting of risks where market conditions are attractive
 - Life and Annuities: full-suite of individual and group products
- Multi-channel distribution to drive profitable growth
 - Redoubling Bancassurance model
 - Growth in sales from Direct Channels, particularly in P&C
 - Specialised sales forces for Life and Pensions (who also sell simple PFS products)
 - Automating commercial and operational processes with sales forces and independent agents (Virtual Office)



Our Strategy aims at Growth with Quality...

Focus primarily on PFS and CMB Growth with Quality...

- Increase PFS sales in Premier and Gold (affluent and mass affluent)
- Launch cross-sell, activation and utilization campaigns in ex-BNL portfolio
- Ramp-up recently launched Consumer Finance business for mass-market
- Leverage strong position in CMB, based on segmented and specialised offerings (e.g., agribusiness)
- Further grow in CIBM Global and Regional customers, and support PFS and CMB
- Be recognised as leading Quality provider

...further 'joining-up' our Global, Regional and Local businesses and customers...

- Further drive cross-sell of Banking and Insurance to larger customer base
- Step up Bancassurance model
- Deepen referrals between customer segments
- Continue driving strong flow of Regional and Global referrals



...leveraging our strengths in products, services and distribution...

...taking advantage of our strengths in products and services...

- Treasury: #1 in FX Spot and NDF, referent in Bonds
- Trade Services: leading positions in imports and exports
- Leasing, Agribusiness, SME: strong offerings
- Insurance: # 1 in Life, Annuities, Cargo; # 4 in P&C
- Improving propositions: PCM, Payroll

...exploiting our expanded branch distribution, direct channels and alliances...

- Exploit expanded branch coverage for PFS and CMB sales
- Drive Direct sales of PFS and SME banking and insurance products
- Increase alliances for Consumer Finance
- Improving E-offering



...and focusing on risk management and efficiency

...while following prudent risk management practices...

- Manage a primarily retail (short-tenor) focused business
- Allow minimal structural balance-sheet mismatches
- Attain conservative Asset-to-Deposit ratios
- Drive sound credit quality and portfolio management
- Prudent insurance manufacturing

...and improving our Operational efficiency and Technology

- Further integrate BNL Operations and IT
- Making significant investments to revamp IT
- Invest in Straight-Through-Processing to open and maintain core products
- Continue migrating transactions to automated channels (almost 90% of transactions)
- Automate sales and servicing of 3rd party channels



Argentina: key points

HSBC Argentina can be an important growth contributor

- Growing economy, with improved fundamentals
- Financial Services industry recovered and growing
- HSBC well positioned as a leading franchise in Argentina
- Portfolio of complementary Businesses and Segments, with multiple opportunities for 'joining-up' to drive profitable growth
- Investing in IT to improve service and gain efficiencies





Closing Remarks

Sandy Flockhart

President

HSBC Latin America and the Caribbean
Group Managing Director



HSBC Latin America is:

A leading regional distribution network

Working at integrating our operations

An opportunity for long-term growth prospects





Q&A