

Latin America

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Latin America

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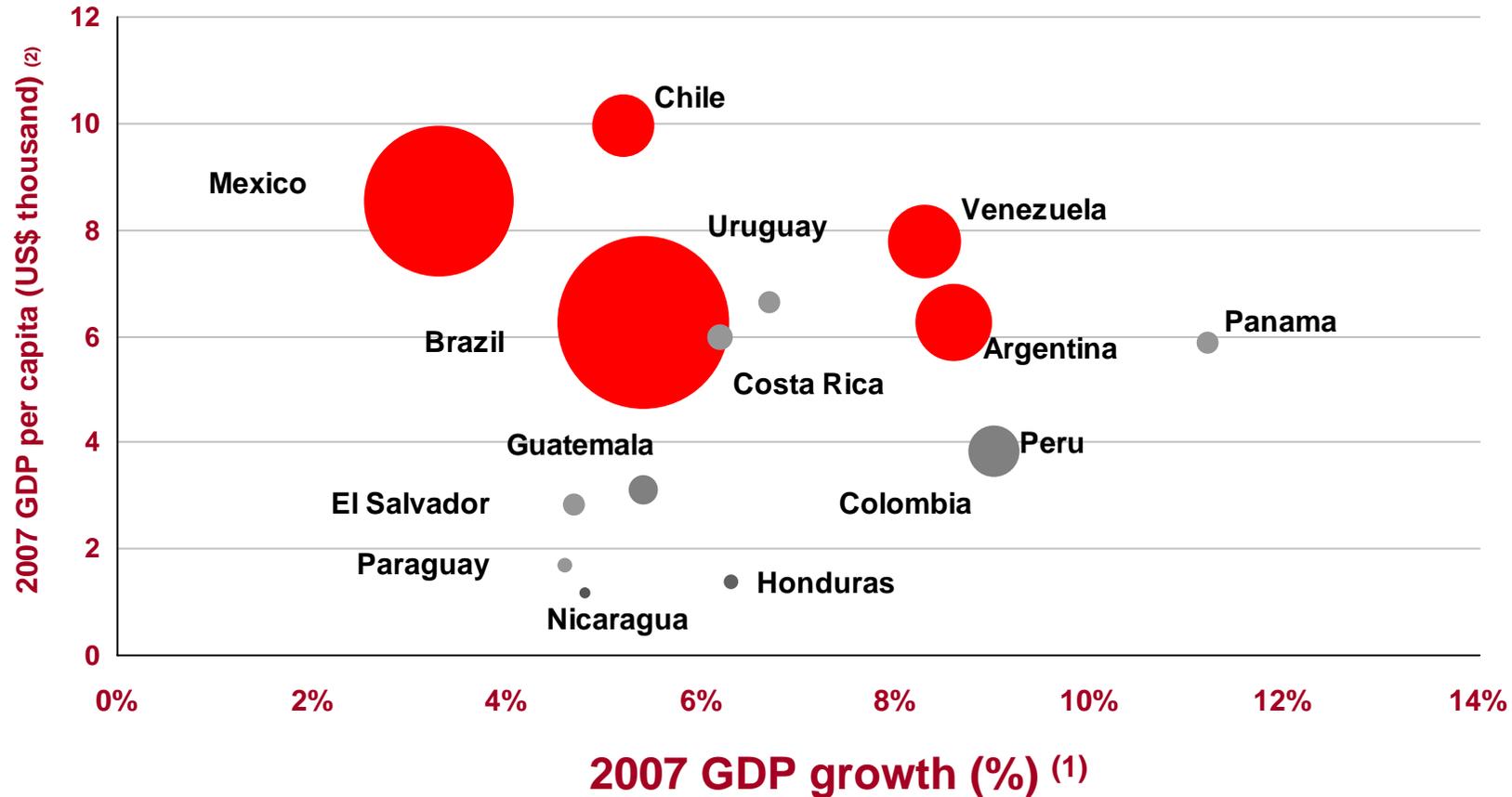


Forward-looking statements

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of HSBC Holdings plc (HSBC Group). These forward-looking statements represent HSBC 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 HSBC Holdings plc. Annual Report and Accounts as well the results submitted by HSBC Group businesses throughout Latin America, including Grupo Financiero HSBC Mexico.



Latin America: Growth in emerging market economies



(1) Percentage change of real Gross Domestic Product in 2007 versus 2006.

(2) 2007 Gross Domestic Product divided by the average population for the same year.

Size of the circle represents GDP size

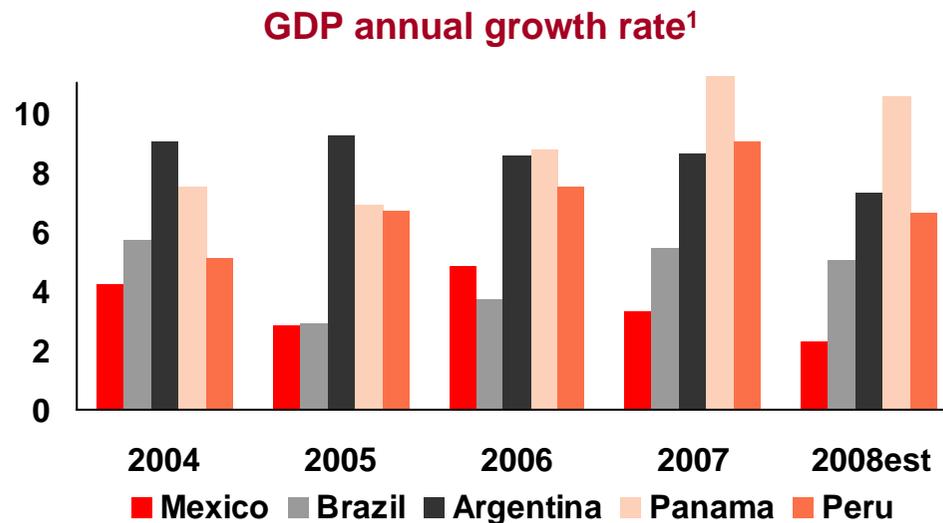
Source: HSBC Global Research



Economic Conditions in 2008

GDP:

- GDP growth in Latin America will decline slightly in 2008.
- Panama (10.5%), Argentina (7.3%) and Peru (6.6%) are expected to be the fastest growing economies.
- Brazil GDP growth is expected to decrease by 40bps from 2007 and Mexico growth could be lower by up to 100bps.



(2) Source: HSBC Global Research; real annual percentage change of GDP



Economic Conditions and Population at a glance

Inflation:⁽¹⁾

- Inflation in Venezuela is high and growing. Argentina could reach double digit inflation by end 2008 and Honduras is also expected to see rising inflation, getting near to 9.5%.
- Brazil may observe increasing inflation pressures up to 5% whereas Mexico inflation rates are expected to remain broadly flat, and most other countries are expected to show a decrease.

Interest rates:

- Lower interest rates in the region and higher personal disposable income have led to an expansion in consumption, which is contributing to the growing strength of domestic demand.

Population:

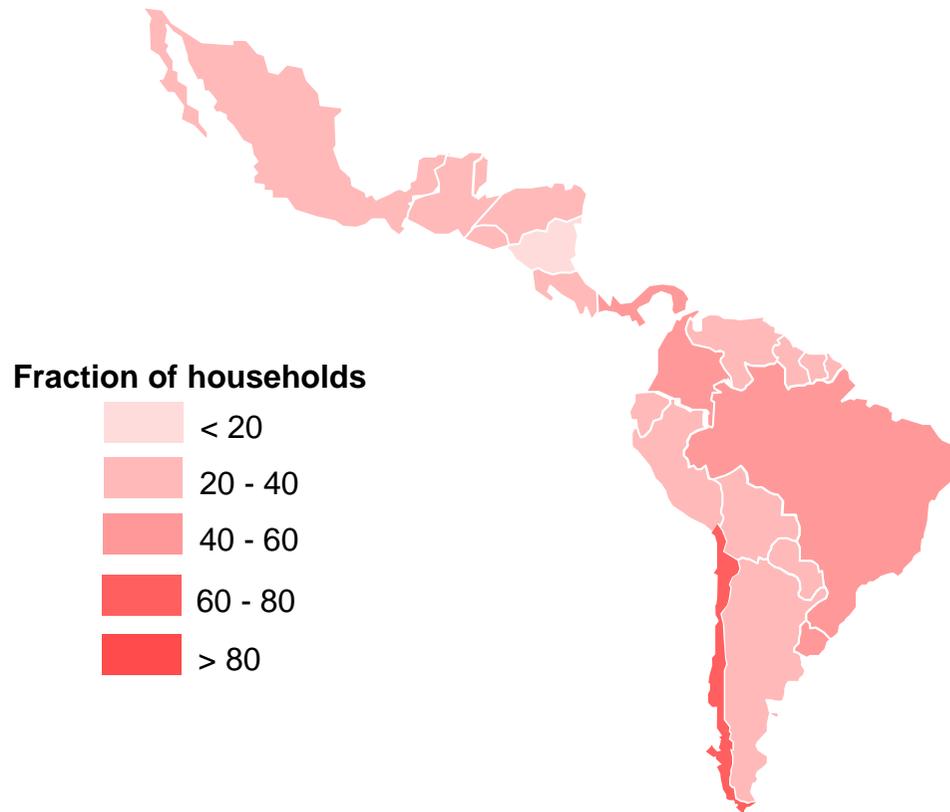
- Latin America has a large and growing population - growing at an average annual rate of 1.4% (World Bank statistics).
- Access to financial services remains low – the population with access to financial services in the region is 33% (ranging from 60% in Chile to only 5% in Nicaragua).
- The top five countries with the highest number of inhabitants with no access to financial services are Brazil, Mexico, Colombia, Argentina and Peru adding together 246m potential users.

(1) Source: HSBC Global Research and Central Banks



Percentage of households with an account (deposits or loans) in any financial institution (banks, credit unions, microfinance)

- Latin America's current low financial services penetration provides HSBC with potential for future growth

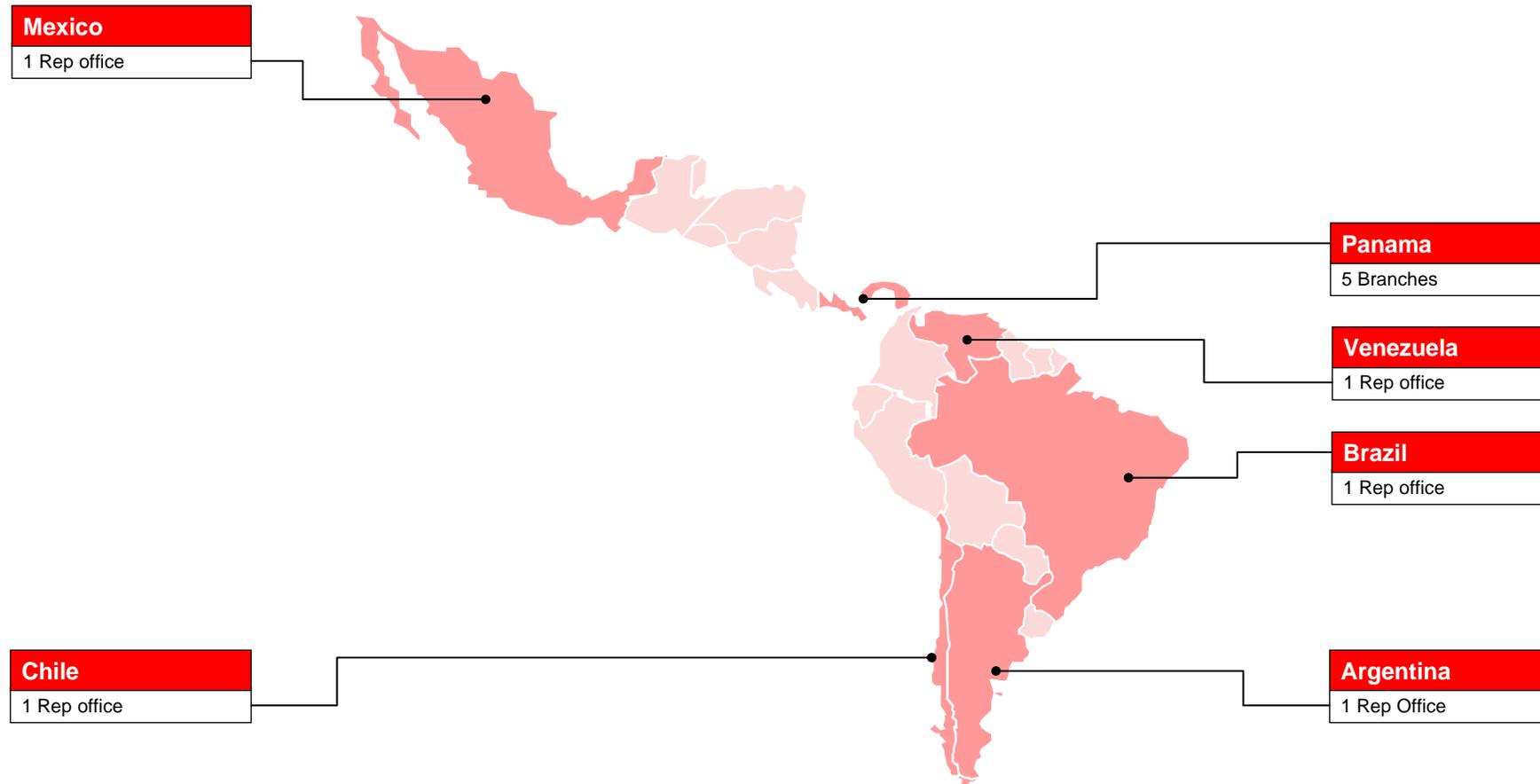


Country	Percent with access
Canada	96
United Kingdom	91
United States	91
Chile	60
Panama	46
Brazil	43
Uruguay	42
Colombia	41
Ecuador	35
Guatemala	32
Costa Rica	29
Argentina	28
Venezuela	28
El Salvador	26
Peru	26
Honduras	25
Mexico	25
Nicaragua	5

Source: Finance for All? Policies and Pitfalls in Expanding Access. Policy Research Report. The World Bank. November 07



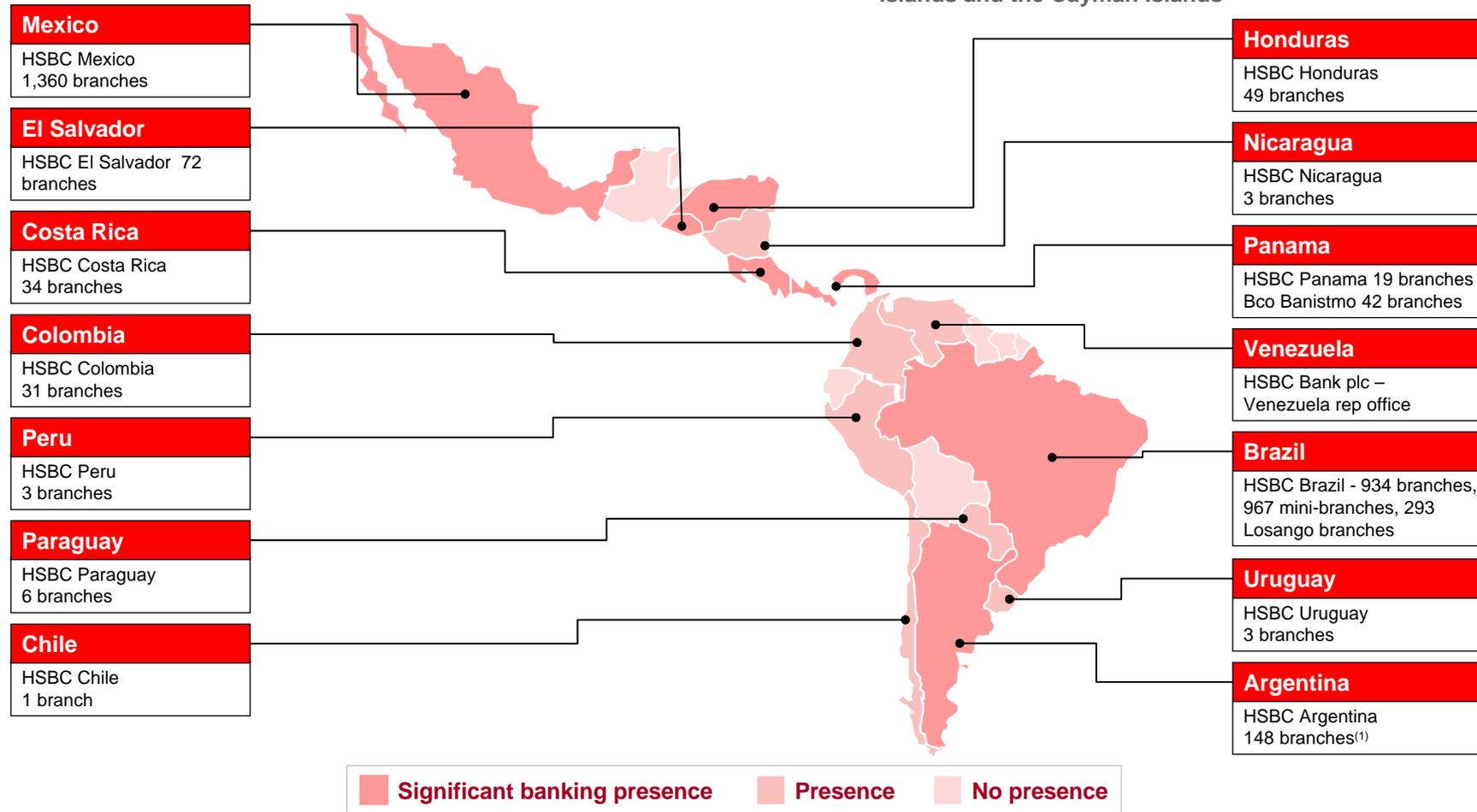
HSBC in Latin America in January 1997 From 10 operational offices...





HSBC has 4,000 branches throughout 16 countries in Latin America

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



(1) Post-consolidation with BNL in Argentina



Latin America is an important contributor to Group earnings

Full Year 2007

- Latin America contributed 9% of HSBC Group PBT in 2007
- Mexico and Brazil are both in the top 10, and Argentina is in the top 20 countries in terms of geographic profit contribution

Rank	Country	PBT	% total
1	Hong Kong	7,339	30.3%
2	United Kingdom	5,792	23.9%
3	China	2,361	9.8%
4	France	1,033	4.3%
5	Canada	983	4.1%
6	Mexico	980	4.0%
7	Brazil	879	3.6%
8	United Arab Emirates	617	2.5%
9	Singapore	550	2.3%
10	India	529	2.2%
11	Switzerland	475	2.0%
12	Turkey	336	1.4%
13	Malaysia	330	1.4%
14	Germany	295	1.2%
15	Saudi Arabia	237	1.0%
16	Argentina	201	0.8%
17	Bermuda	173	0.7%
18	Malta	157	0.6%
19	Egypt	153	0.6%
20	Australia	124	0.5%
	Other	668	2.8%
	Total PBT US\$m	24,212	100.0%

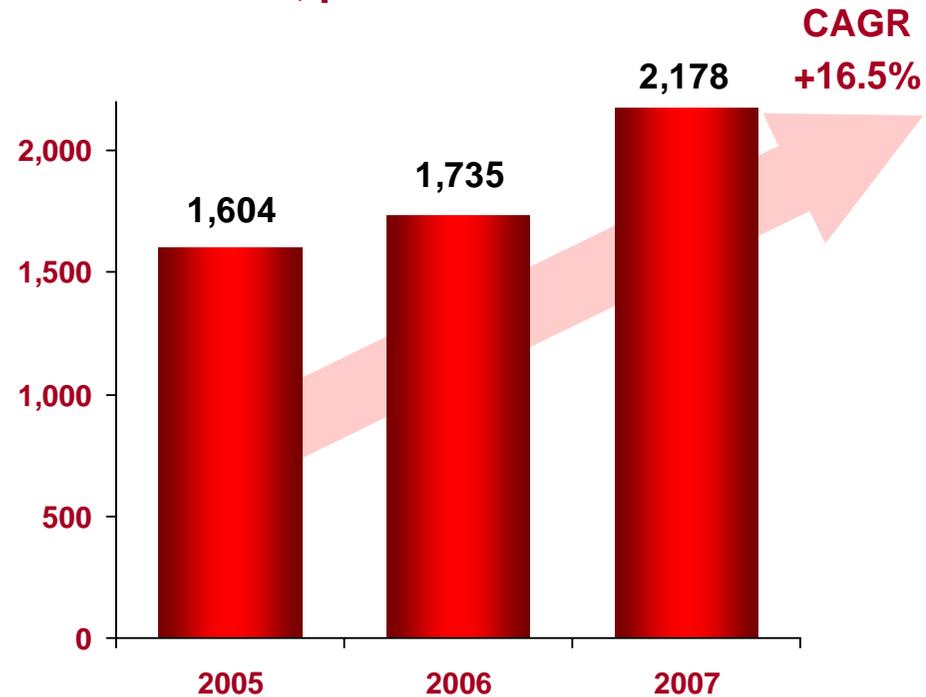
Figures in US\$ m under IFRS

Source: HSBC Holdings plc. Annual Report & Accounts



Latin America – profit before tax rose to US\$2.2bn in 2007

Latin America, profit before tax



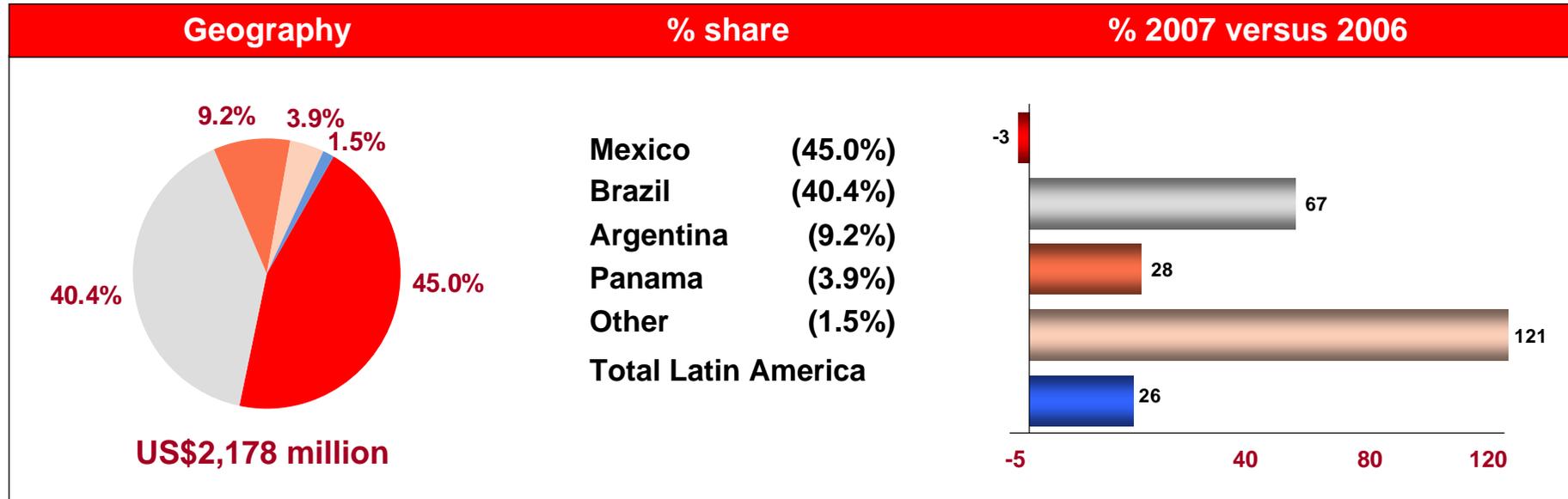
Strong profit growth in 2007, 26% higher than 2006

Figures in US\$ m under IFRS

Source: HSBC Holdings plc. Annual Report & Accounts



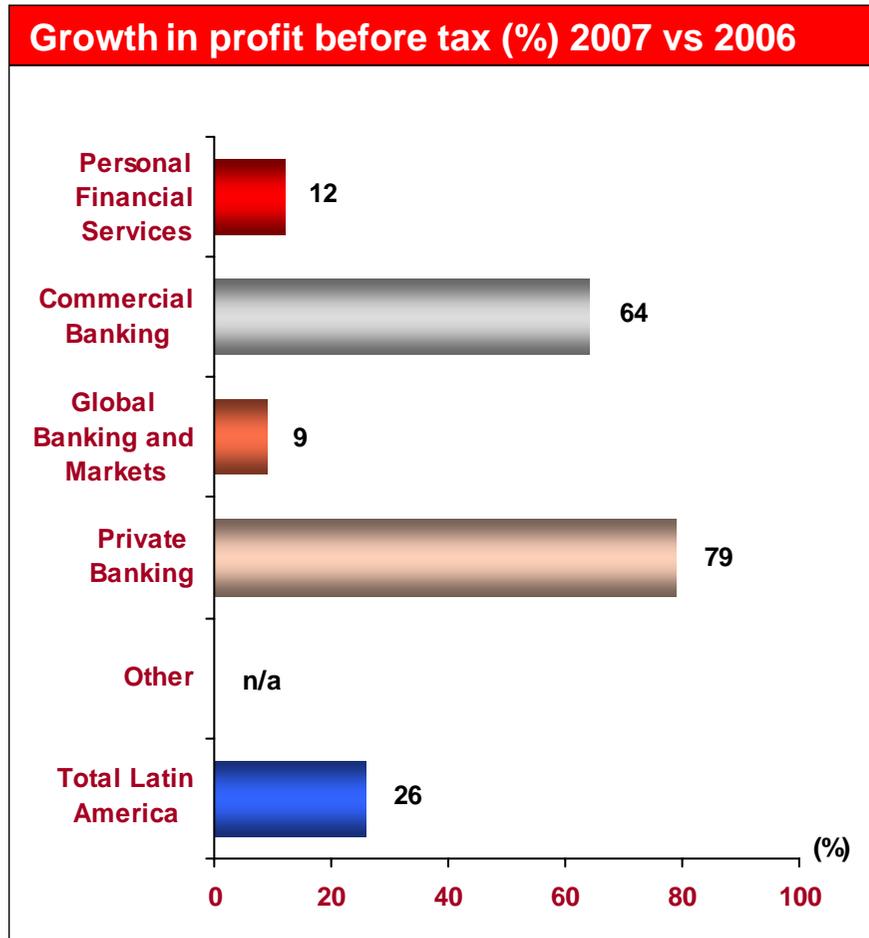
Results by geography
Profit before tax



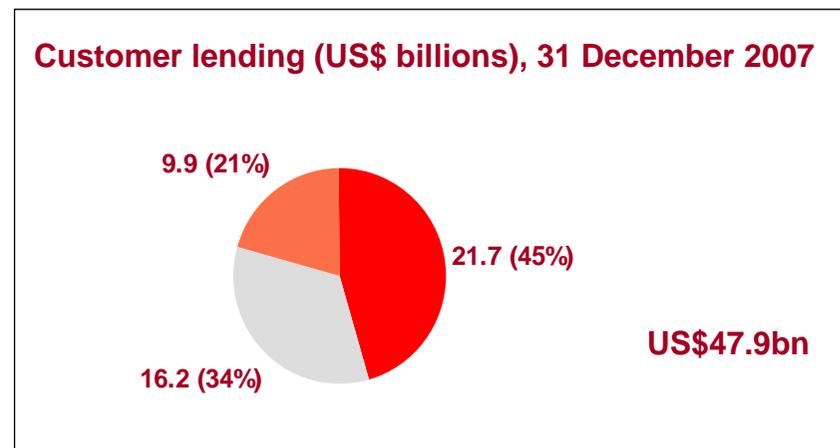
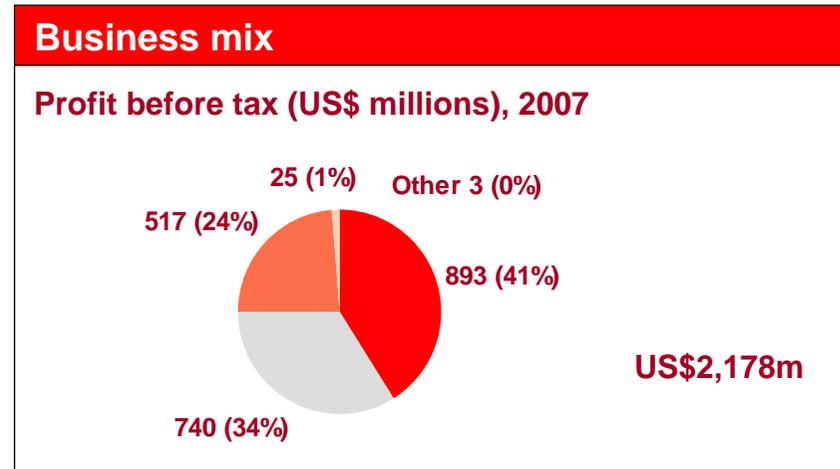
Figures in US\$ m under IFRS



Results by customer group



Figures in US\$ m under IFRS





Latin America summary of results

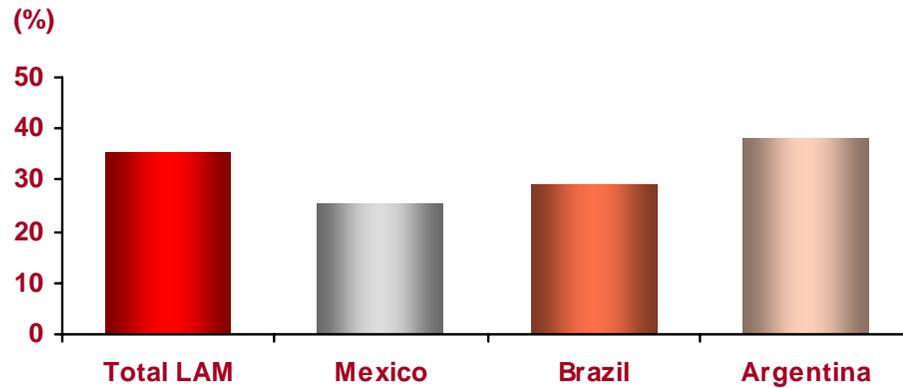
US\$m	Full Year Periods		
	2006	2007	% Change vs. 2006
Net Interest Income	4,197	5,576	32.9%
Net Fee Income	1,630	2,153	32.1%
Trading Income	537	548	2%
Other Income	471	988	109.8%
Net operating income before loan impairment charges	6,835	9,265	35.6%
Loan impairment charges	(938)	(1,697)	80.9%
Net operating Income	5,897	7,568	28.3%
Total operating expenses	(4,166)	(5,402)	29.7%
Profit in associates and joint ventures	4	12	200%
Profit before Tax	1,735	2,178	25.5%
Share of HSBC's profit before tax	7.9%	9%	110 bps
Cost efficiency ratio	61%	58.3%	270 bps

Figures in US\$ m under IFRS

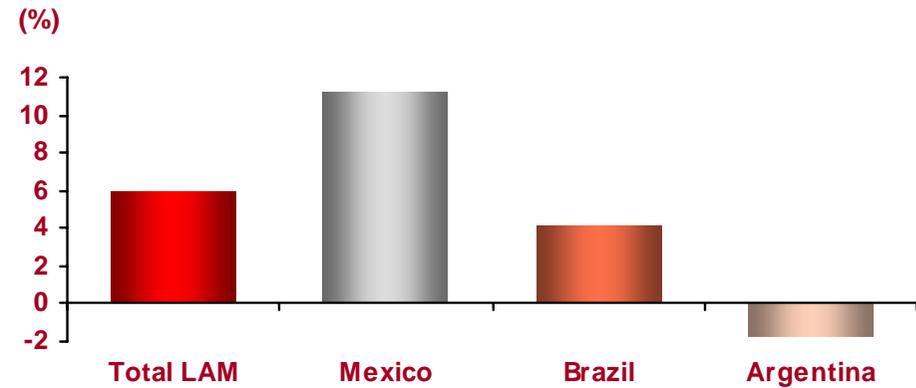


Latin America Key Indicators 2007 versus 2006 as reported

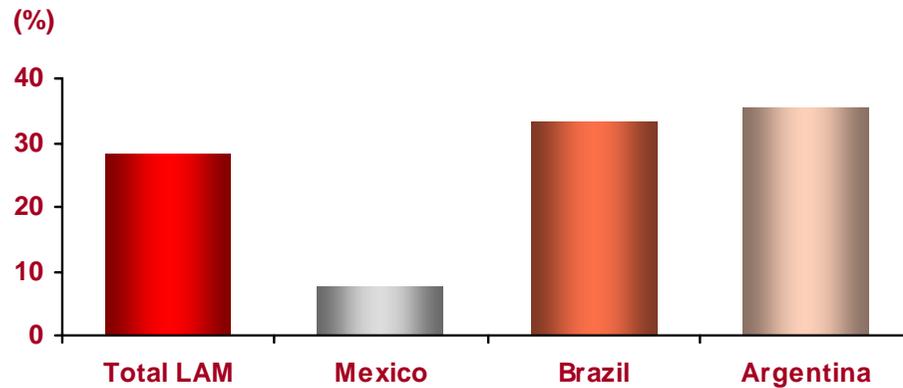
Revenue growth



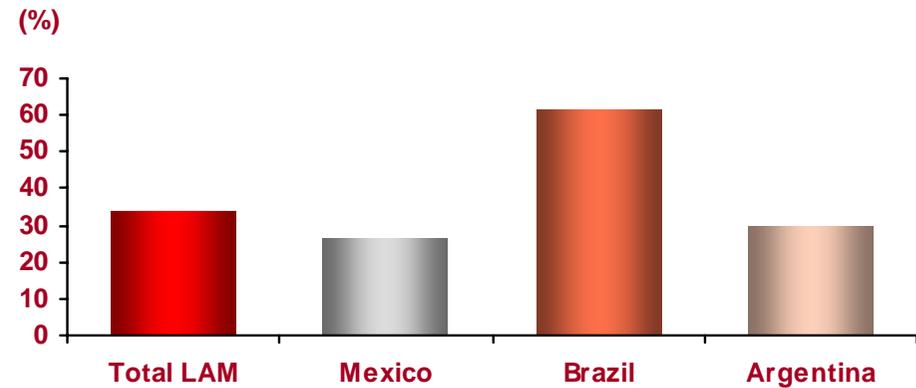
Jaws



Risk adjusted Revenue growth



Total Net Loan Portfolio growth



Figures in US\$ m under IFRS



Opportunities in Latin America

- **Macroeconomic stability**
- **Growing bankable population**
- **Rising middle class**
- **Demand for more diverse financial services**
- **Long-term growth prospects for financial services**
- **Accelerating foreign direct investment**
- **Joining up emerging markets – regional solutions**
- **Joining up with our global distribution network**
- **Integrating our operations: regionally and globally**



Mexico

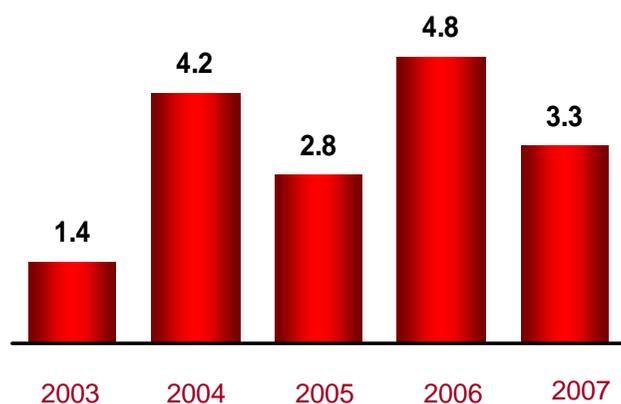
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The Mexican economy

- One of the highest GDP per capita in Latin America
- Inflation has been well controlled
- Stable macroeconomic conditions over recent years

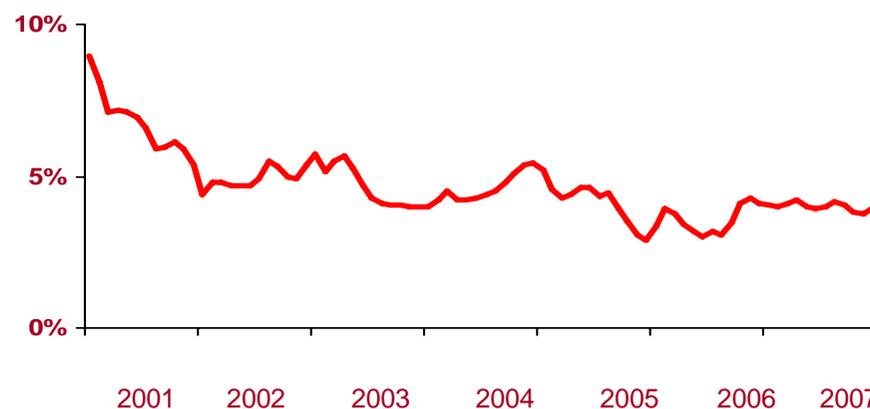
GDP growth vs. prior year (%)



Source: INEGI

Source: HSBC with data from the Federal Reserve and INEGI

Consumer Headline Inflation – Annual variation (%)

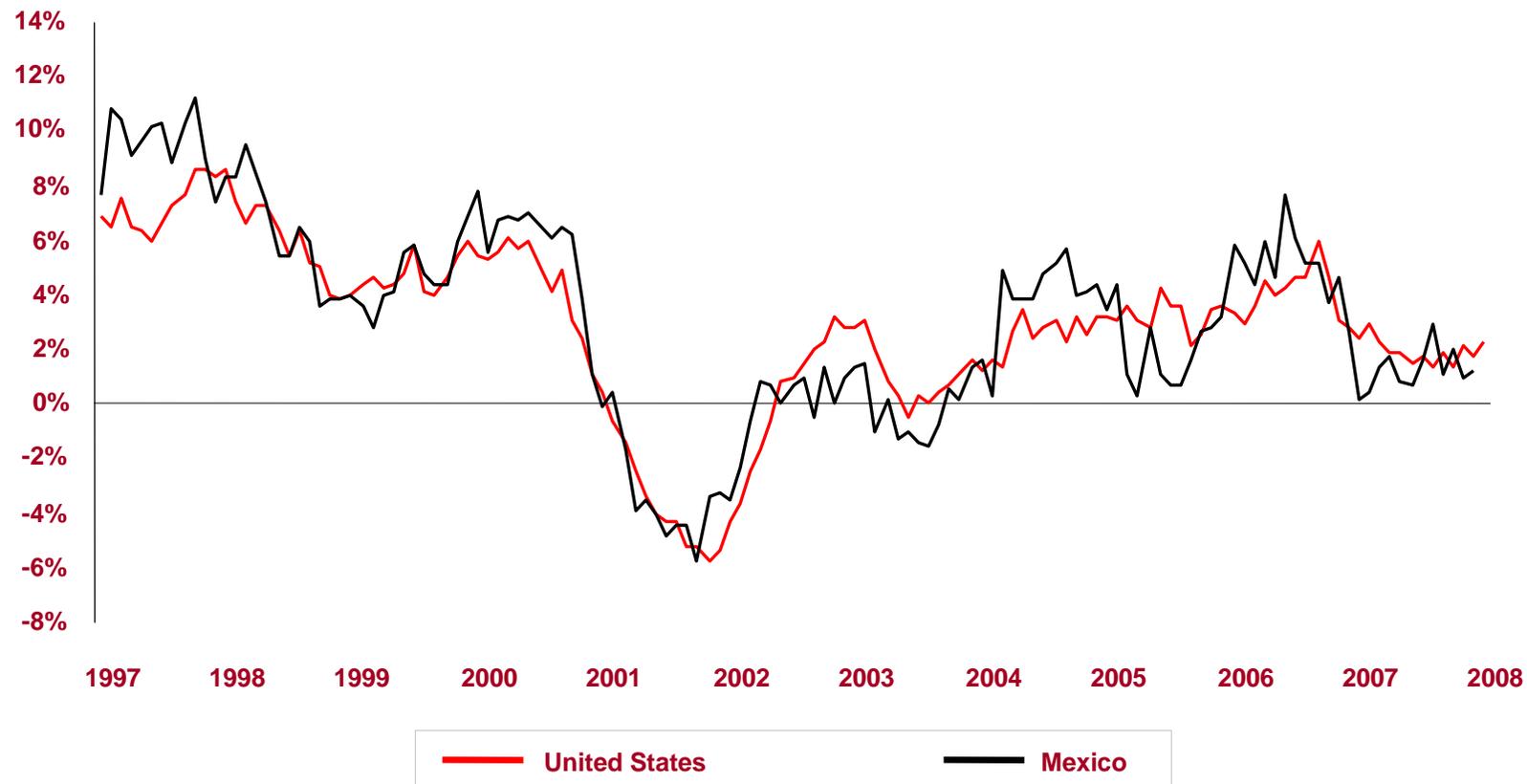


Source: Mexican Central Bank



High correlation between Mexican and US economies

Industrial Production: Mexico versus US
(seasonally adjusted annual variation)



Source: HSBC with data from the Federal Reserve and INEGI



Effects of US slowdown economy in Mexico

- The US economic cycle determines to a greater extent the economic cycle in Mexico.
- Mexico sends more than 80% of its exports to the US, which is also Mexico's largest source of foreign direct investment and remittances.
- The Mexican Ministry of Finance lowered its forecast for Mexico's 2008 economic growth to 2.8 percent from 3.7 percent, 90 bps drop.
- Banco de Mexico (Central Bank) expects that there will be 620,000 jobs created in the formal economy in 2008, down from 756,000 in 2007.



Mexico's response to US slowdown: Countercyclical policies

Economic Support Programme:

- 10 point plan to increase economic activity, promote investment and generate employment
- MXN60 billion (0.5% of projected GDP)
- Increased expenditure, fiscal stimulus, lower electricity fees, lower trade tariffs

Additional factors:

- Higher public revenues due to record oil prices
- Structural reforms in process
- More diversified economy that reduces its vulnerability



Growth in financial services has outstripped GDP growth

A young population

- Total population in 2008 estimated at 106.2 million
- Average age range 28-29
- Currently 42 million Mexicans are less than 20 years old

An under-banked population

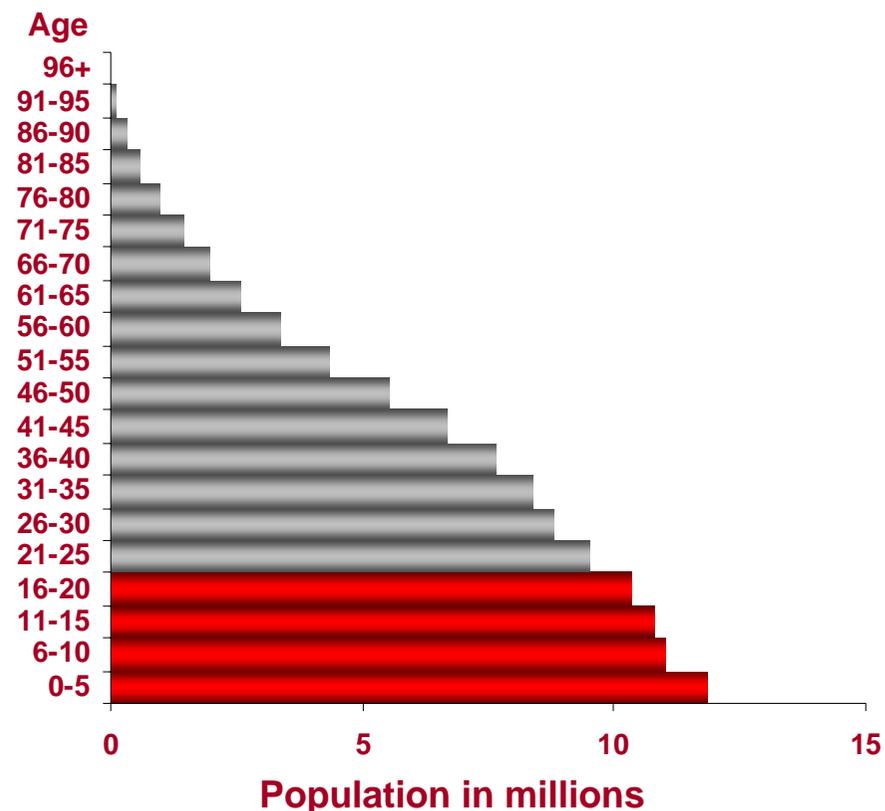
- According to INEGI*, 25% of households have access to financial services

Strong demand for credit

- Domestic credit only 22.3% of GDP**
- Home ownership expanding rapidly
- One million Mexicans have acquired a new home in the last four years

Sustainable growth of middle class during the last decade

Population in year 2008
(millions)



*National Institute for Statistics, Geography and Informatics

** IMF World Economic Outlook 2007

Source: CONAPO (National Population Council)



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HSBC Mexico has a strong platform for growth

Extensive branch and ATM Network

- 1,360 branches (18% market share*)
- 5,741 ATMs (22% market share*)
- More than 23,000 FTE
- 16.6% market share in deposits*
- 13.7% market share in performing loans*

Strong and growing customer base

- 8.6 million personal customers
- More than 100,000 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



Figures in MXN millions under MEX-GAAP

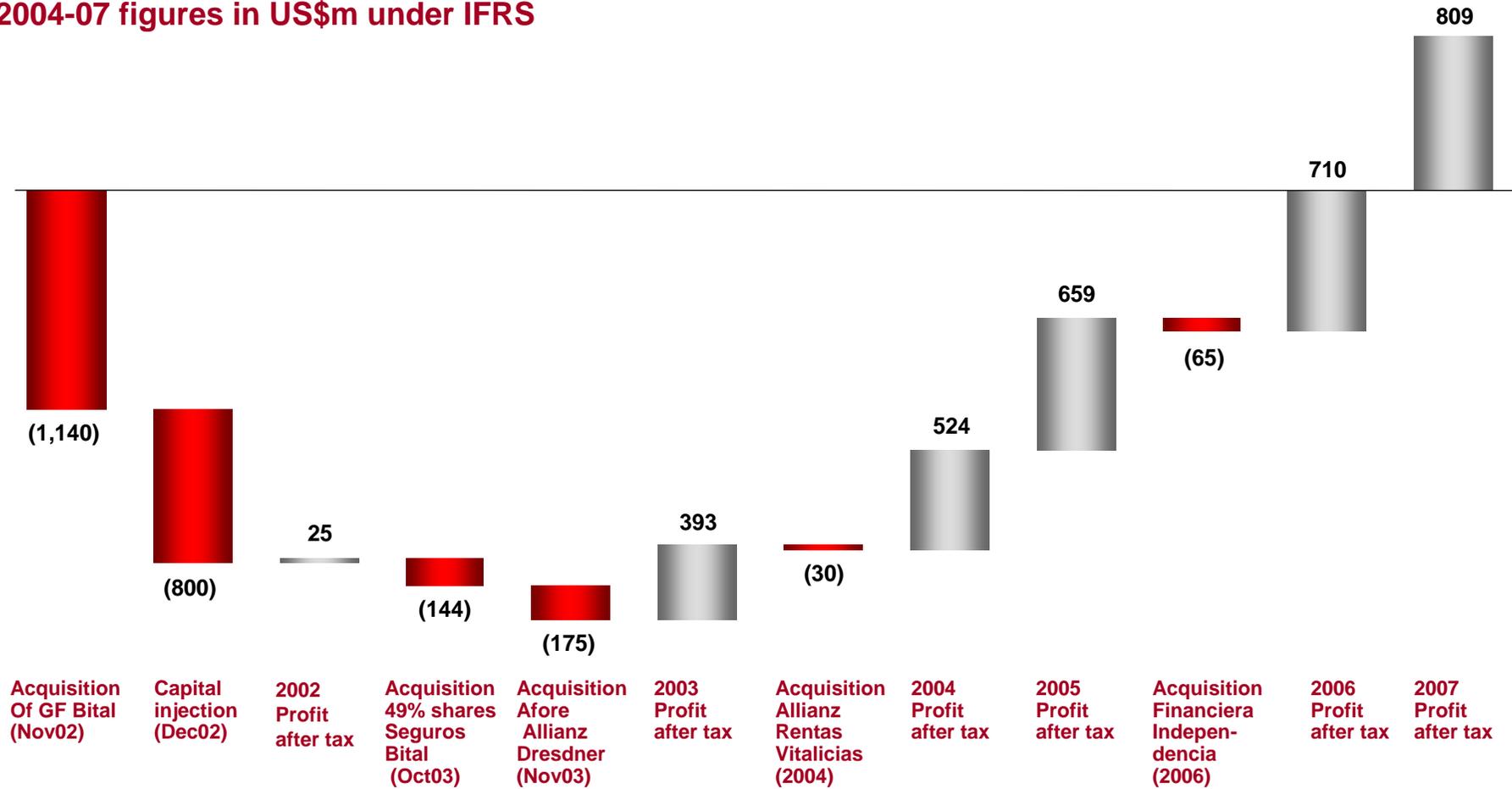
*Source: Published Financial Statements, press releases, and Mexican Bank's Association (ABM)



Return On Investment – A successful acquisition for HSBC in Mexico

2002-03 figures in US\$m under UK GAAP

2004-07 figures in US\$m under IFRS



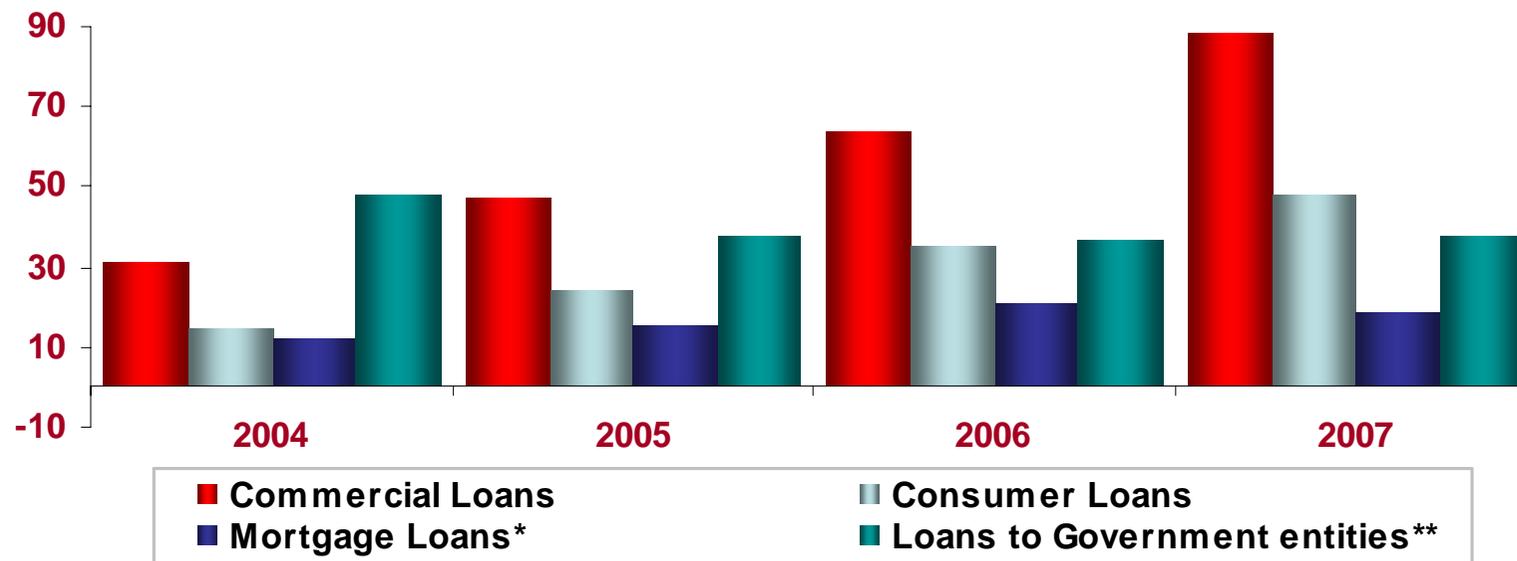


HSBC Mexico

- Total Performing loans portfolio increased 81% from 2004 to 2007 with a CAGR of 21.8%
- Commercial and consumer loans have grown strongly – increasing from 43.4% to 71.0% of the total portfolio between 2004 - 2007.

Performing loans portfolio trend

2004-07



*In 2007 two portfolios totalling MXN 5.9 billion, were securitised

** Includes Fobaproa/IPAB loans

Figures in MXN millions under MEX-GAAP



HSBC Mexico: 2007 highlights

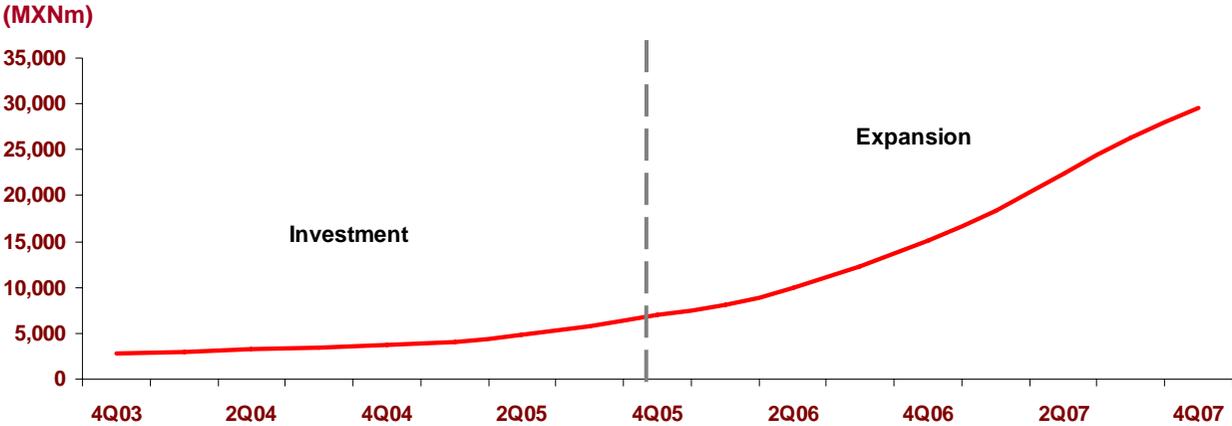
Personal Financial Services

We continued to invest in building scale in our credit card and personal loan portfolios, and growing our middle and upper market service propositions and insurance revenues

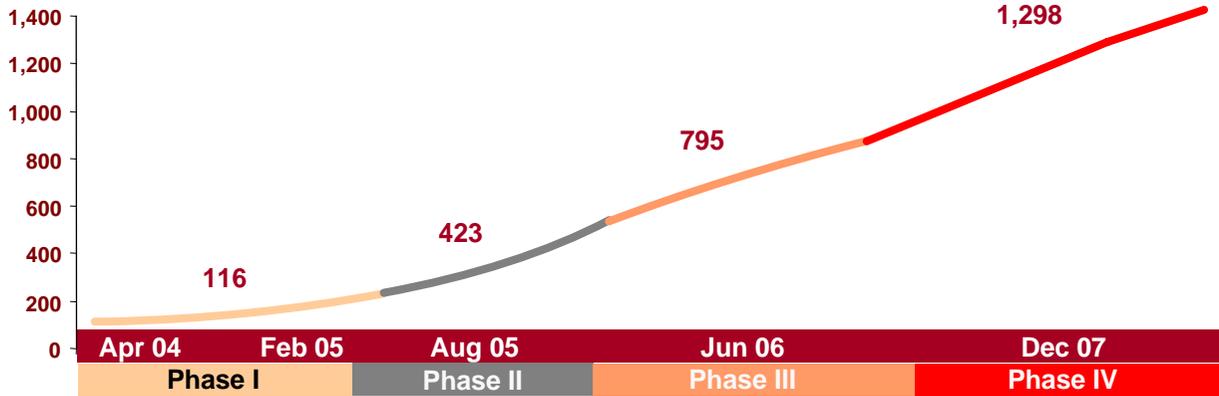
- Our credit card base grew by 619,000 cards, driving interest and fee income
- Demand for mortgages remained strong and HSBC's speed of service and competitive rates, supported by marketing campaigns, fuelled growth
- HSBC Group's Global Premier service was relaunched during 2007, and our Premier base is a strong source of deposits, investment and insurance sales
- Continued strong sales of our middle market package (293,900 new *Tu Cuenta* packages were opened in 2007)



Credit card balances 2003-07



Tu Cuenta – The first integrated financial services of its kind offered locally (thousand of packages)



Figures in MXNm under MEX-GAAP



HSBC Mexico: 2007 highlights

Commercial Banking

We continued to leverage our strategy to become the leading international business bank and the best bank for small businesses

- Lending balances were driven by increases in commercial real estate and larger local and global CMB customers, complemented by strong volume growth in trade, factoring and deposits
- Effective targeted marketing campaigns resulted in customer acquisition and increased cross-sales to existing customers
- Leveraging the HSBC Group's geographical presence and enhanced product capabilities, our trade services market share grew by 4.1% year-on-year, and international factoring was launched during the fourth quarter of 2007
- International Banking Centre launched to expand cross-border business for Mexican businesses who are, or are seeking to, operate internationally



HSBC Mexico: 2007 highlights

Global Banking and Markets

We continue to enable major Mexican companies to access the international capital markets, as part of Global Banking & Market's emerging market-led, financing focused strategy

- Increased income received from successful mandates in debt capital markets, and an increase in activity in payments and cash management and project finance reflected HSBC's strategic investments in new transactional infrastructure
- We leveraged our markets capabilities in New York and elsewhere to build our penetration in Mexico's corporate market
- Trading results were driven by a strong performance in retail foreign exchange, but balance sheet management earnings fell back from the record levels achieved in the prior year



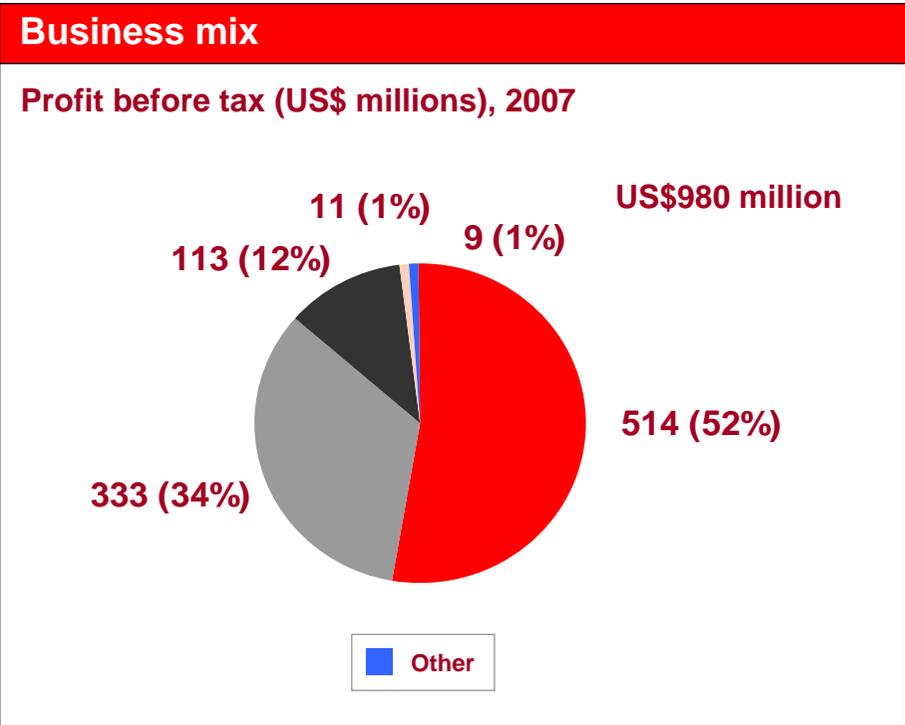
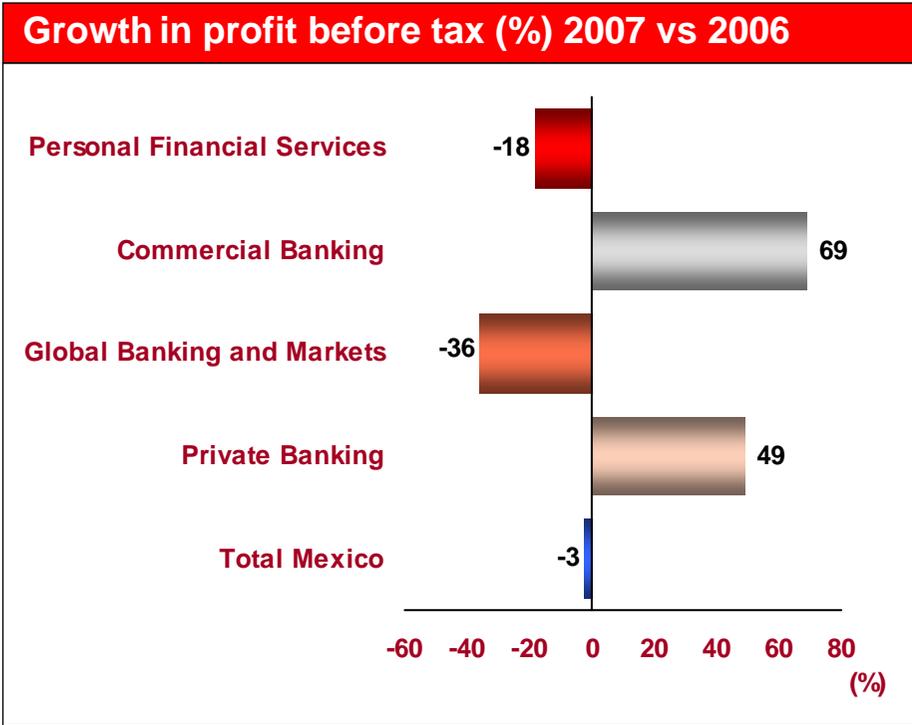
2007 Results - IFRS Basis

US\$m	2006	2007	2007 vs 2006
Net operating income before loan impairment charges	2,834	3,553	25.4%
Loan impairment charges	(232)	(757)	226.0%
Total operating expenses	(1,597)	(1,824)	14.2%
Profit in associates and joint ventures	4	7	83.3%
Profit before tax	1,009	980	(2.9%)

Figures in US\$m under IFRS



HSBC Mexico – Profit before tax by customer segment 2007

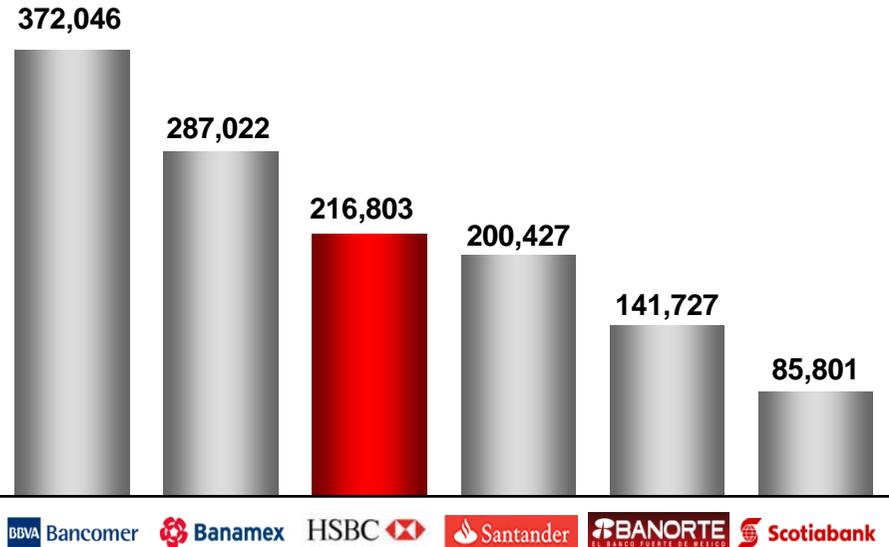


Figures in US\$m under IFRS

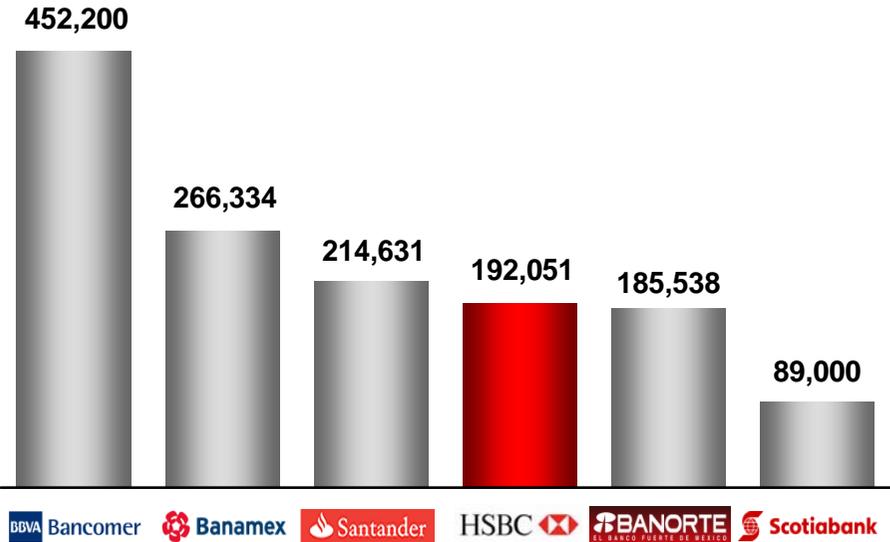


HSBC Mexico versus the competition

Customer deposits December 2007



Performing loans December 2007

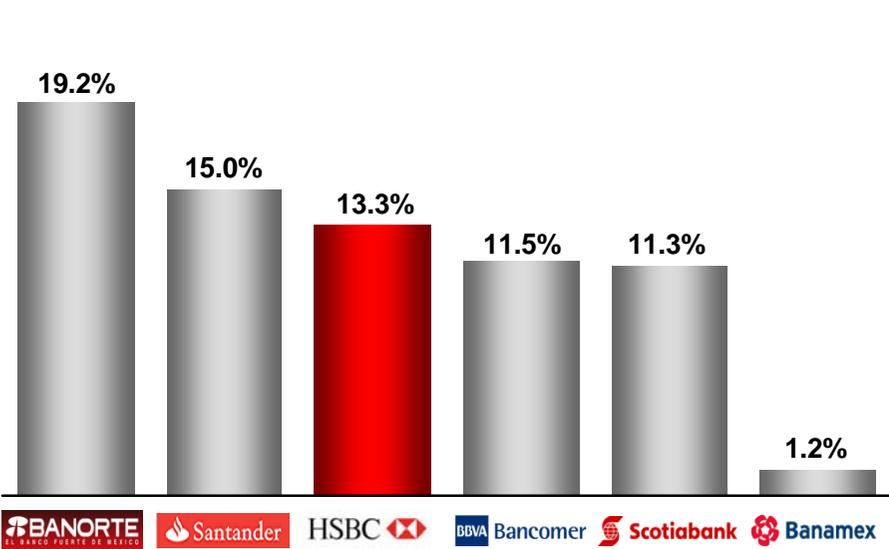


Figures in MXN millions under MEX-GAAP
Source: Published Financial Statements, press releases, and Mexican Bank's Association (ABM)

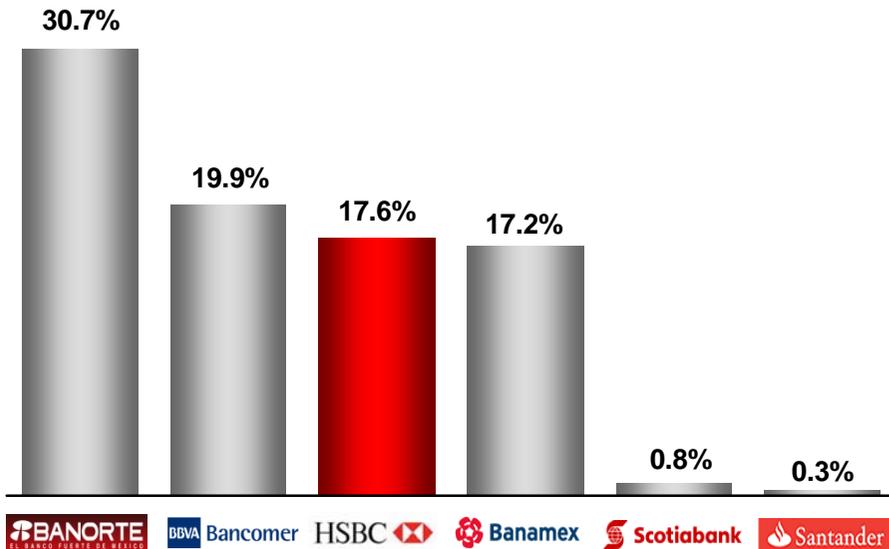


HSBC Mexico versus the competition

Customer deposits growth
2007 versus 2006



Performing loans growth
2007 versus 2006

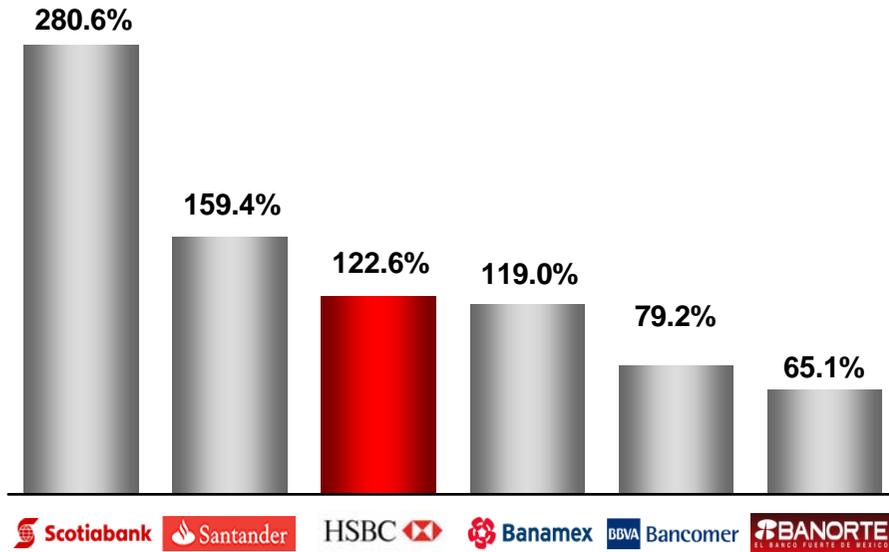


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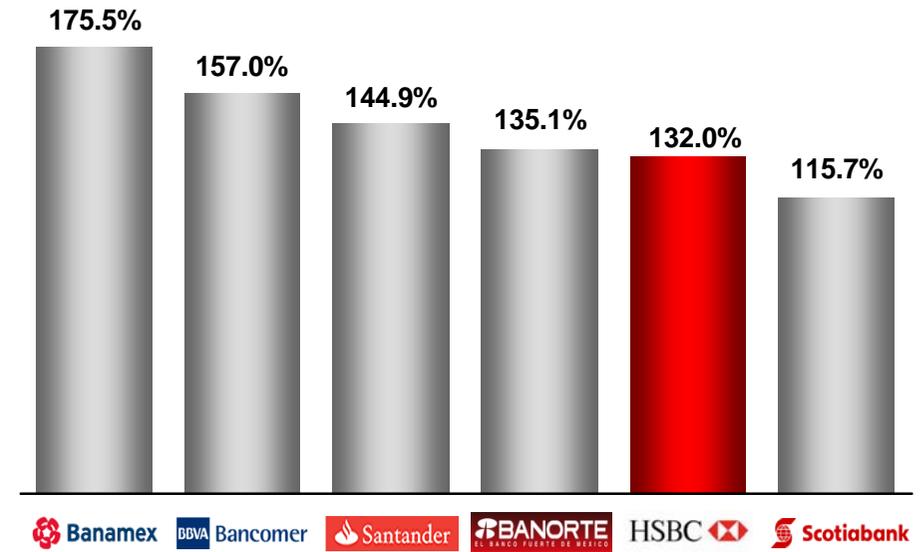


HSBC Mexico versus the competition

Loan impairment charges
2007 versus 2006



Loan loss reserves/Impaired loans
December 2007



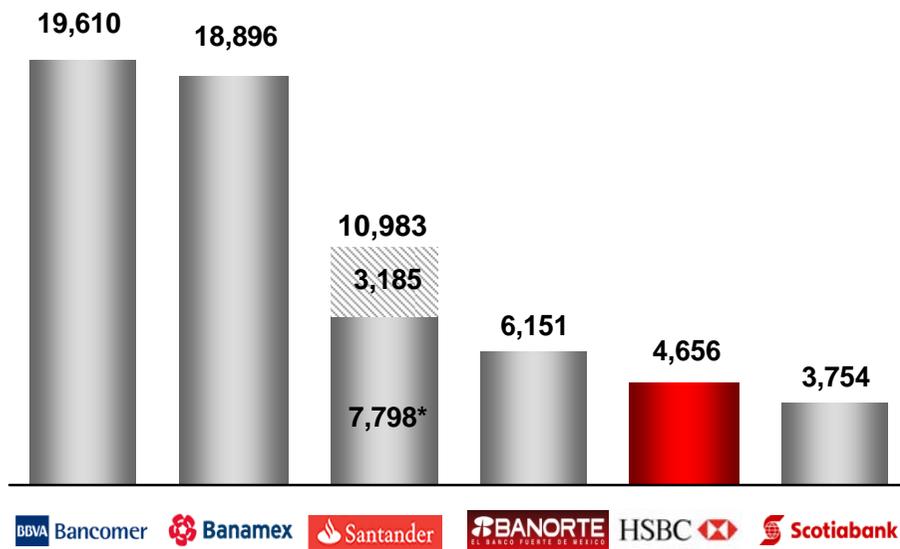
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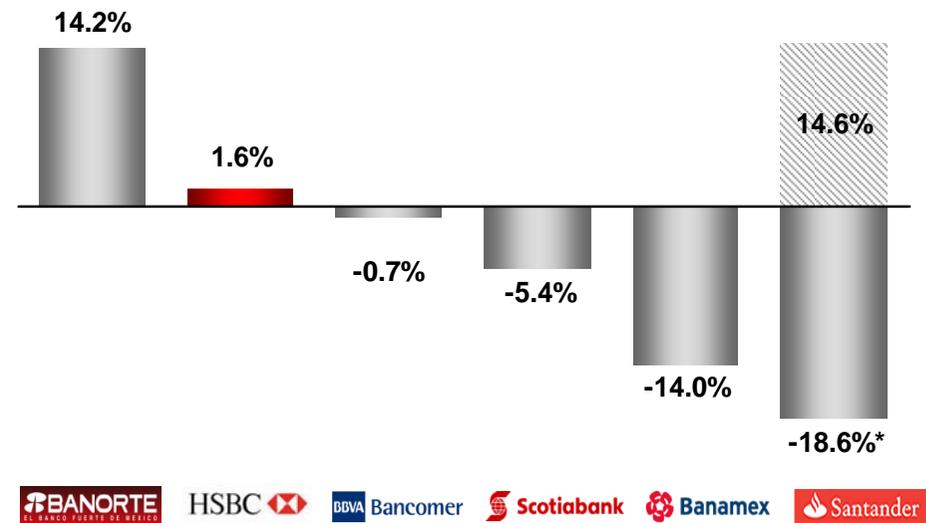


HSBC Mexico versus the competition

Net income 2007



Net income growth 2007 versus 2006



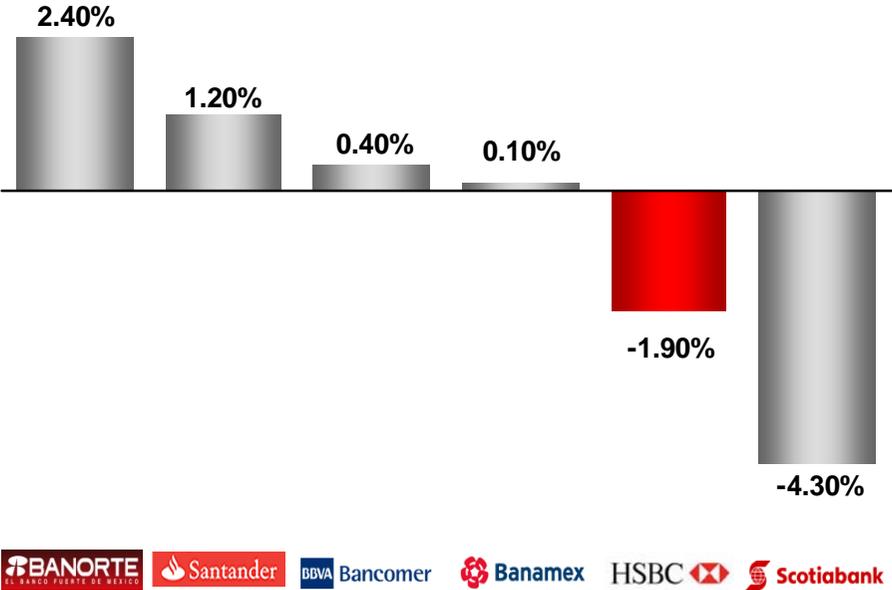
*Santander net income excludes MXN 3,185 million from the sale of Afore Santander
 Figures in MXN millions under MEX-GAAP

Source: Published Financial Statements, press releases, and Mexican Bank's Association (ABM)



HSBC Mexico versus the competition

Cost efficiency ratio change
2007 versus 2006



Figures in MXN millions under MEX-GAAP
Source: Published Financial Statements, press releases, and Mexican Bank's Association (ABM)



Mexico: Key points

- Mexico is a fast growing financial services market
- HSBC has made a successful acquisition and has a platform for growth
- We are building scale and beginning to leverage scale economies
- We are investing in customer acquisition
- Portfolio management is becoming increasingly fine tuned and portfolios are maturing
- Increasing cross sales to add value from our customer base
- We are growing our insurance business and are leveraging the launch of HSBC Premier to build out in the more affluent market
- There is continued potential for middle market growth, tapping the demographics and targeting the youth market
- Our commercial business is growing healthily in key sectors through our targeted approach
- And we are leveraging our Group and regional capabilities for commercial and corporate customers



Q&A