

# HSBC Latin America Citigroup Roadshow

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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's Annual Report and Accounts as well the results submitted by HSBC Group businesses throughout Latin America, including Grupo Financiero HSBC Mexico.**

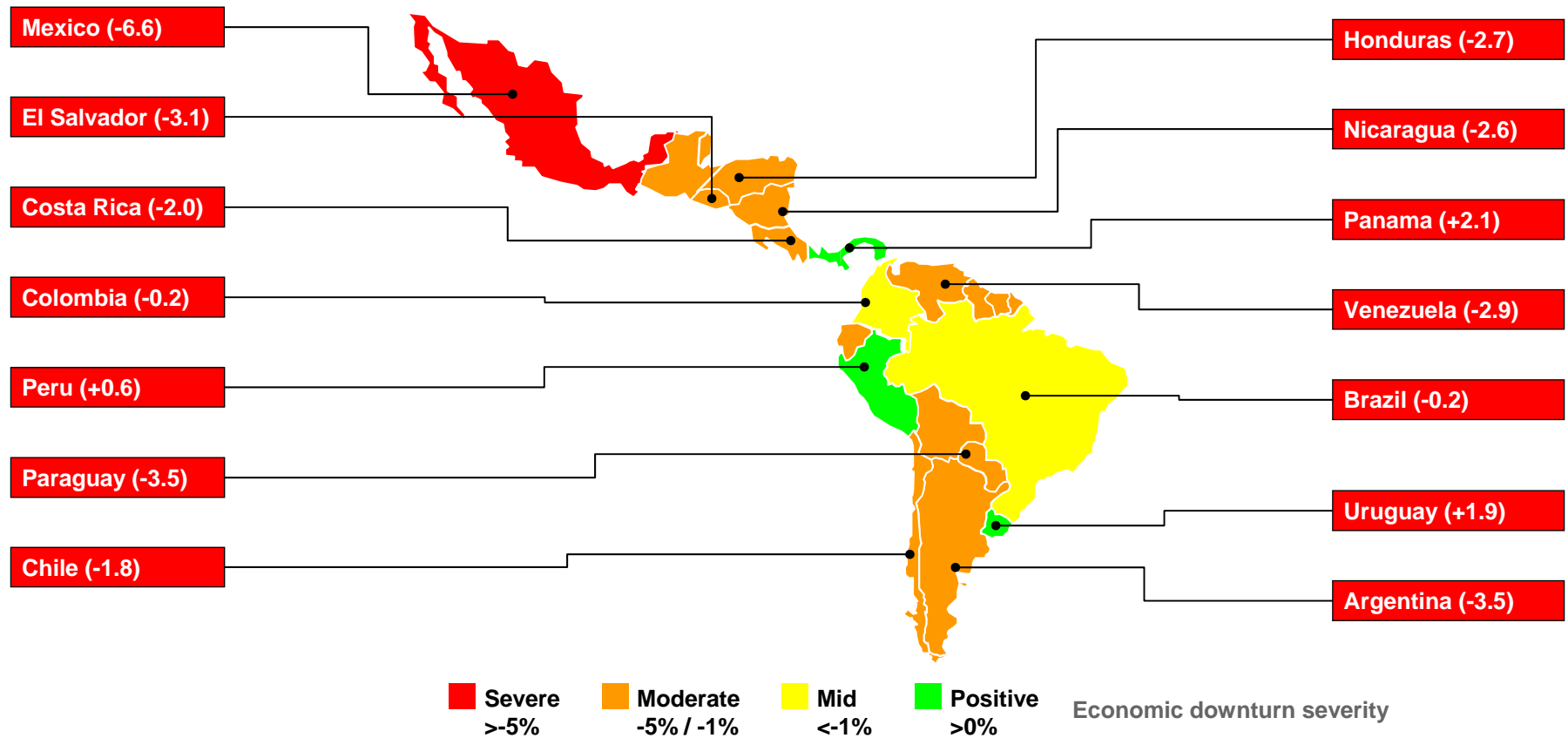
# Agenda

<b>Impact of economic crisis</b>	<b>4</b>
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# Impact of economic crisis

# 2009e Latin America macroeconomic situation

Global economic recession has impacted Latin America's GDP growth, reporting a 2.7% contraction for 2009



Source: HSBC Latin America Insight Q1 2010  
Figures referred to 2009e Real GDP (% yoy)

# 2009e Latin America macroeconomic situation

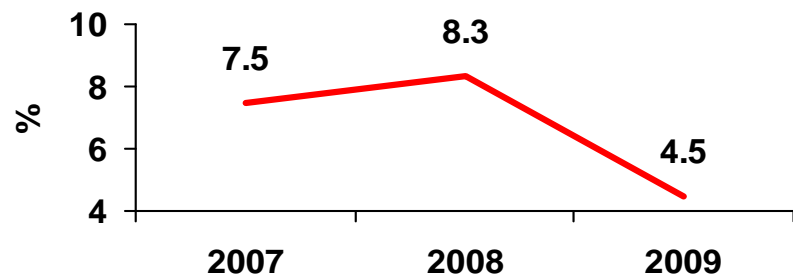
	<b>GDP</b>	<b>FX</b>	<b>Inflation</b>	<b>Unemployment</b>	<b>Interest rate*</b>
<b>Positive</b>					
Panama	2.1	1.0	1.9	6.9	3.3
Uruguay	1.9	19.7	5.9	7.3	8.0
Peru	0.6	2.9	0.2	8.2	1.3
<b>Mild</b>					
Brazil	-0.2	1.7	4.3	8.1	8.8
Colombia	-0.2	1.918	2.0	12.5	3.0
<b>Moderate</b>					
Chile	-1.8	506.4	-1.4	9.7	0.5
Costa Rica	-2.0	571.8	4.1	7.8	9.8
Honduras	-2.7	19.0	3.0	7.4	5.0
Venezuela	-2.9	2.2	26.9	7.9	N.A.
Nicaragua	-2.6	20.8	0.9	7.5	14.0
El Salvador	-3.1	1.0	-0.2	7.7	9.0
Paraguay	-3.5	4,600	1.9	8.4	N.A.
Argentina	-3.5	3.8	14.8	9.5	9.0
<b>Severe</b>					
Mexico	-6.6	13.1	3.6	6.7	4.5
<b>Latin America</b>	<b>-2.7</b>	<b>N.A.</b>	<b>5.5</b>	<b>7.9</b>	<b>N.A.</b>

Source: HSBC Latin America Insight Q1 2010  
 \*HSBC Latin America Outlook for 2010  
 Unemployment rate (average %)  
 Real GDP and Inflation (% y-o-y)  
 Interest rate and FX (currency / USD) end of period

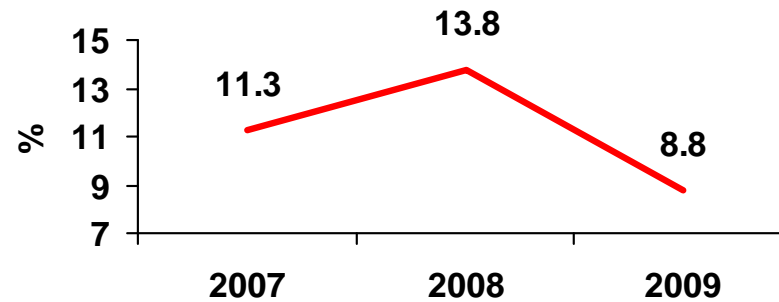
# Latin America

## Central Bank Rates (end year %)

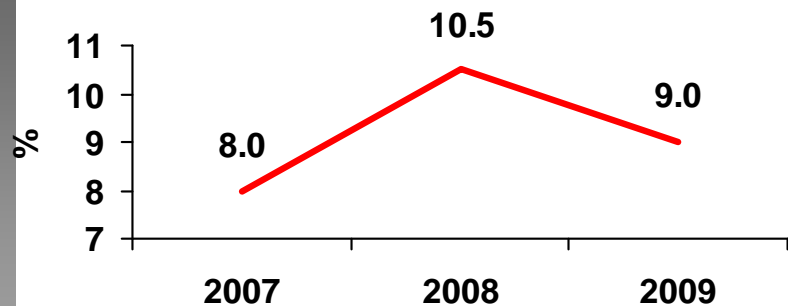
### Mexico



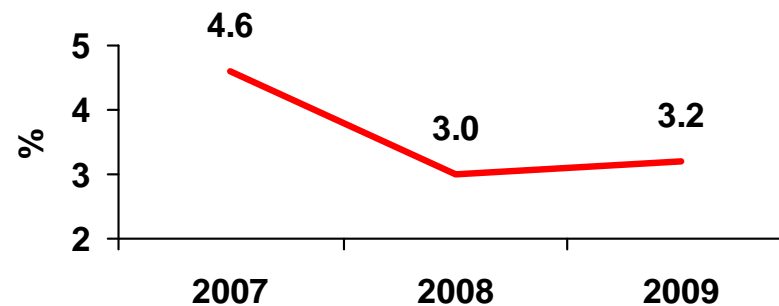
### Brazil



### Argentina



### Panama



# Strategic actions in 2009



# Latin America

## Strategic actions in 2009

**We adapted our strategy to manage the economic situation ....**

**Restricted RWA growth**

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**Significant improvements in collections and credit origination models revised**

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**Sound and prudent liquidity management...negative effect on PBT**

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**Tight expense control, expenses grew less than inflation despite investments in infrastructure and IT projects**

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**Downsizing: total FTE reduction of almost 10,000 between 2008 and 2009 (54,288 in Dec 2009 vs 63,851 in June 08)**

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**Capital injection of approximately USD 1.3 billion provides stronger platform for growth**

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# Latin America results 2009

# Latin America

## Latin America balance sheet information

US\$m	2007	2008	2009	% change 2009 vs 2008	% change 2008 vs 2007
Loans and advances to customers (net)	47,923	42,287	47,629	13	-12
Loans and advances to banks (net)	12,675	14,572	18,608	28	15
Trading assets, financial instruments designated at fair value and financial investments	24,715	18,753	28,779	53	-24
<b>Total assets</b>	<b>102,649</b>	<b>102,946</b>	<b>115,967</b>	<b>13</b>	<b>0</b>
Deposits by banks	4,092	5,598	5,421	-3	37
Customer accounts	61,292	59,443	72,889	23	-3
Loans and Advances to Customers / Customer accounts ratio	78.2%	71.1%	65.3%	-580 bps	-710 bps
<b>RWAs*</b>					
HSBC Mexico	18,513	21,037	22,624	8	14
HSBC Brazil	27,365	30,851	41,782	35	13
HSBC Bank Panama	7,824	9,498	9,142	-4	21
<b>Total Capital adequacy ratios</b>					
HSBC Mexico	14.2%	12.8%	17.8%	497 bps	-140 bps
HSBC Brazil	13.6%	12.0%	15.3%	325 bps	-160 bps

Figures in US\$ m under IFRS

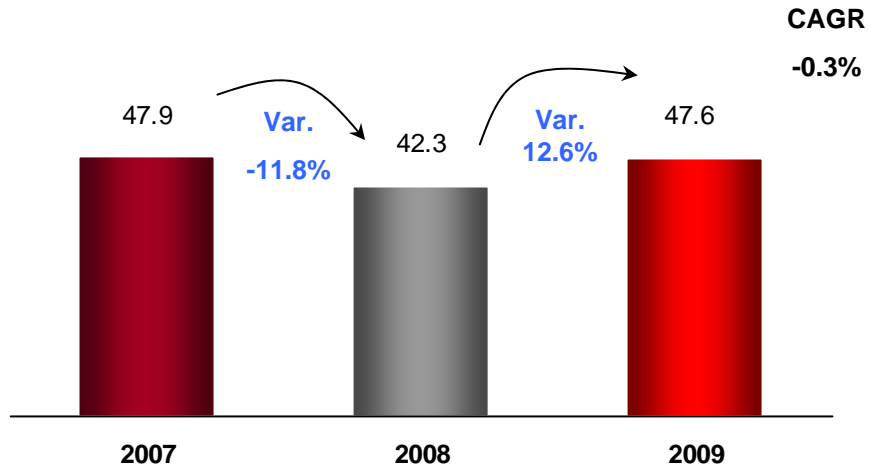
RWA's for 2009 and 2008 under Basel II, for 2007 under Basel I

Capital Ratios for Mexico and Brazil under local regulatory standards.

# Latin America

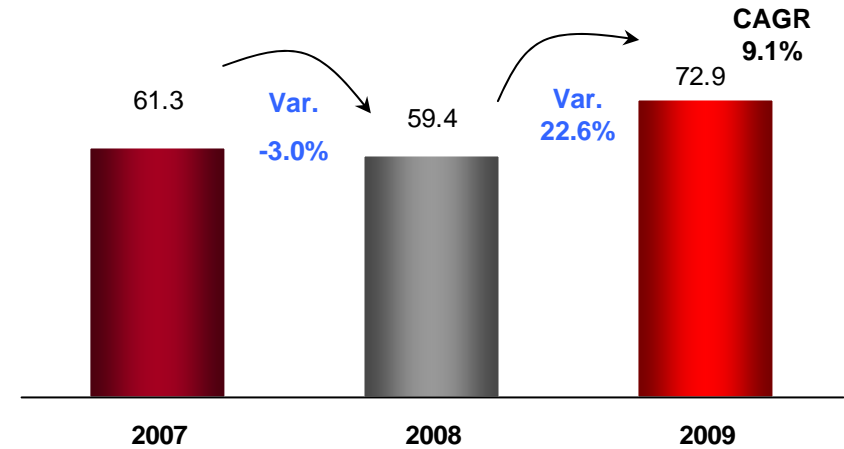
## Results

### Loans and Advances to customers



Loans and advances to customers increased in 2009 despite conservative credit origination criteria

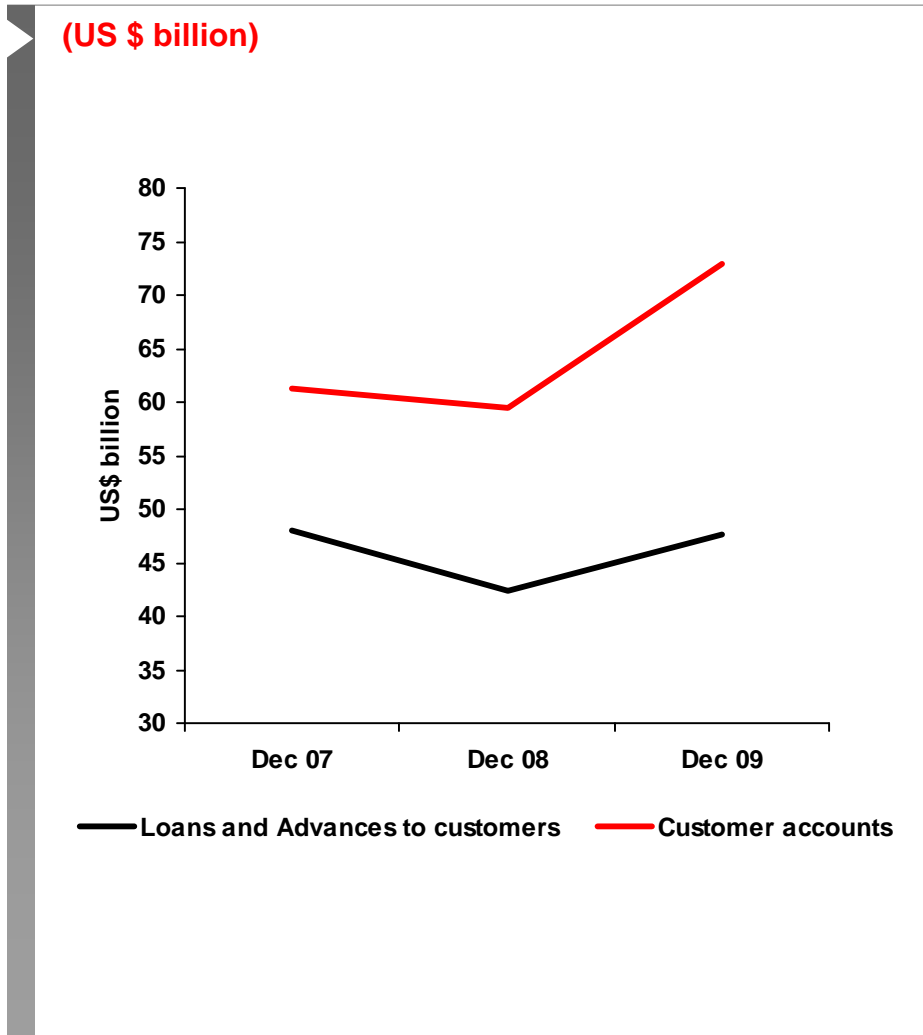
### Customer accounts



Customer accounts increased, strengthening our liquidity ratios.

# Latin America

## Customer accounts & Loans and advances to customers

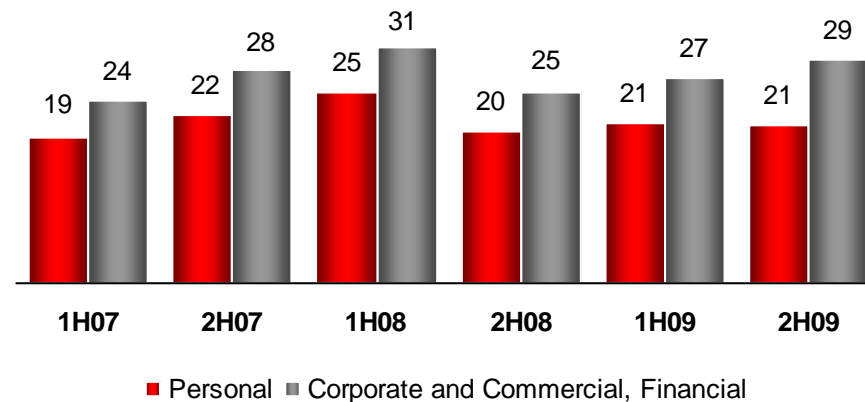
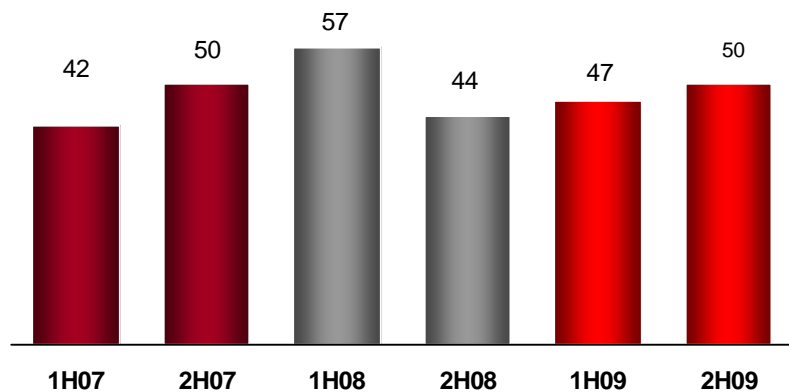


▶ Through 2009, HSBC maintained its focus to increase customer accounts, thus maintaining strong liquidity levels.

# Latin America

## Credit Profile - Gross Loans and Advances to customers

Gross Loans and Advances to customers (US\$ billion)

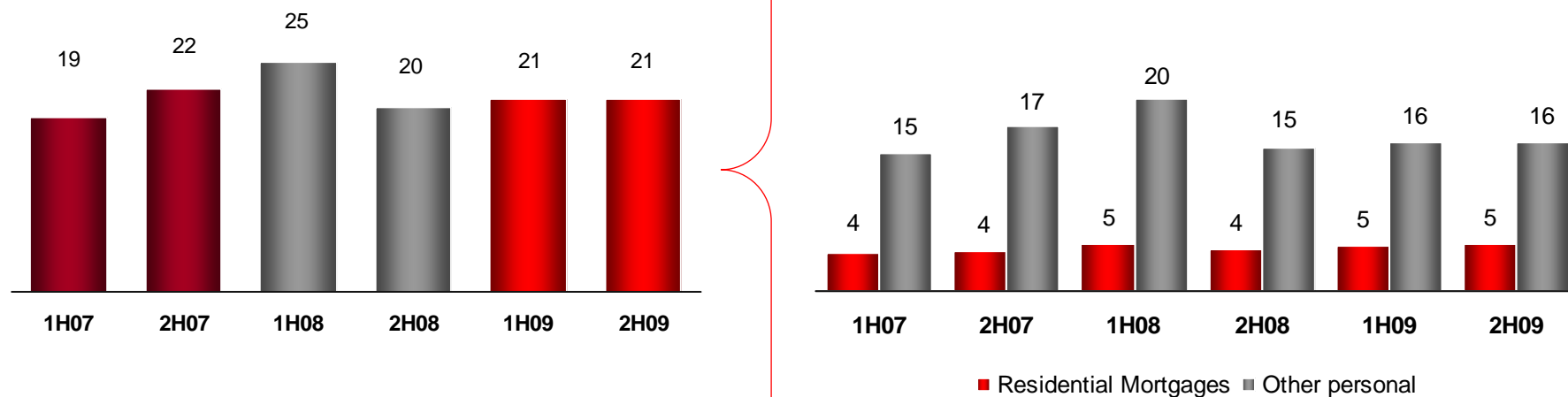


Figures in US\$ billion under IFRS  
Source: 2009 HSBC Holdings plc Annual Report and Accounts

# Latin America

## Credit Profile - Gross Loans and Advances to customers

### Personal (US\$ billion)

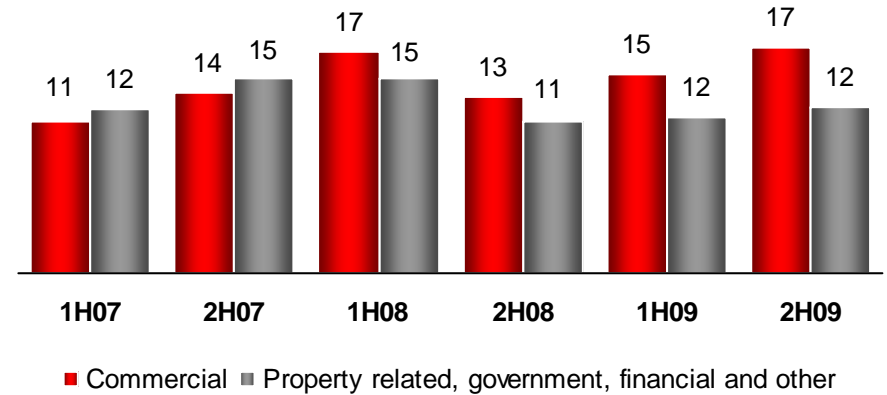
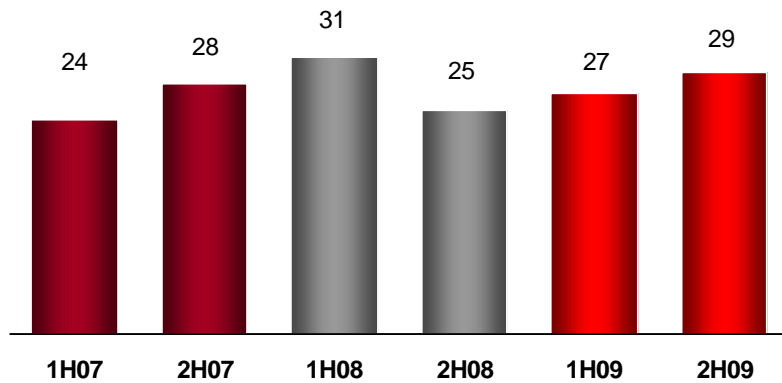


Figures in US\$ billion under IFRS  
Source: 2009 HSBC Holdings plc Annual Report and Accounts

# Latin America

## Credit Profile - Gross Loans and Advances to customers

### Corporate and Commercial, Financial (US\$ billion)



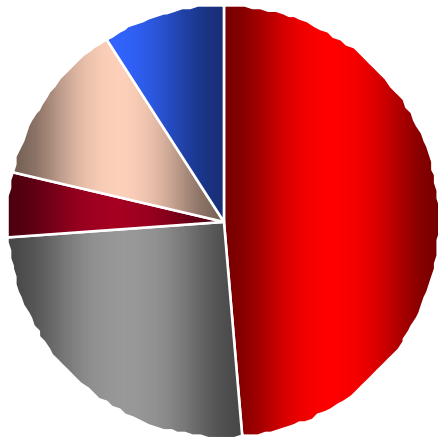
Figures in US\$ billion under IFRS  
Source: 2009 HSBC Holdings plc Annual Report and Accounts



# Latin America

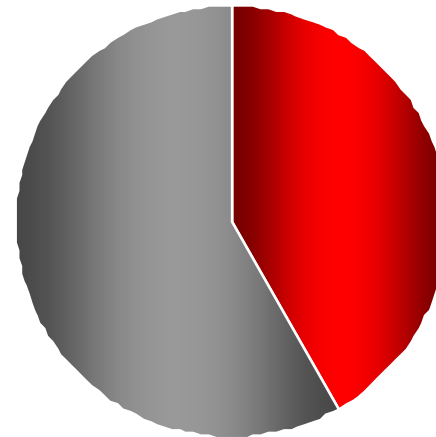
## Credit Profile Dec 09 – Gross Loans and Advances to customers

By country



- Brazil (49%)
- Mexico (25%)
- Argentina (5%)
- Panama (12%)
- Other (9%)

By business



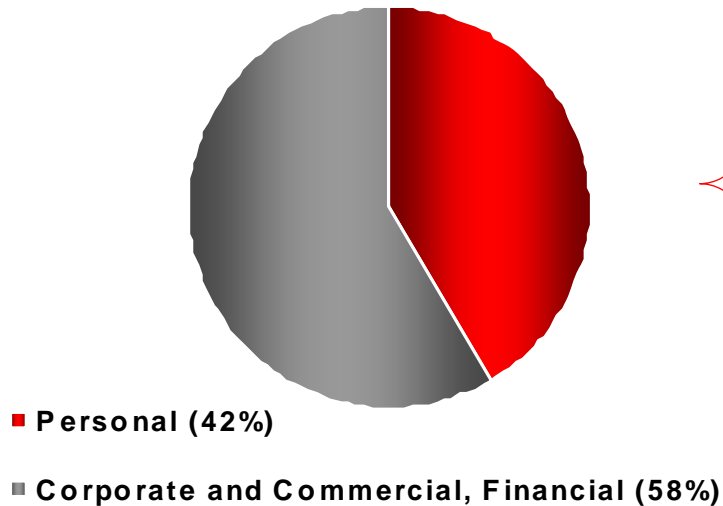
- Personal (42%)
- Corporate and Commercial, Financial (58%)

**US\$50,182 million**

# Latin America

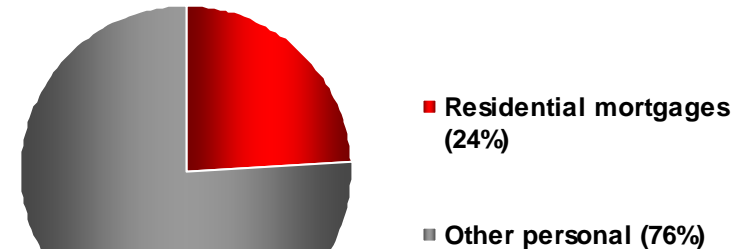
## Credit Profile Dec 09 – Gross Loans and Advances to customers

### By business



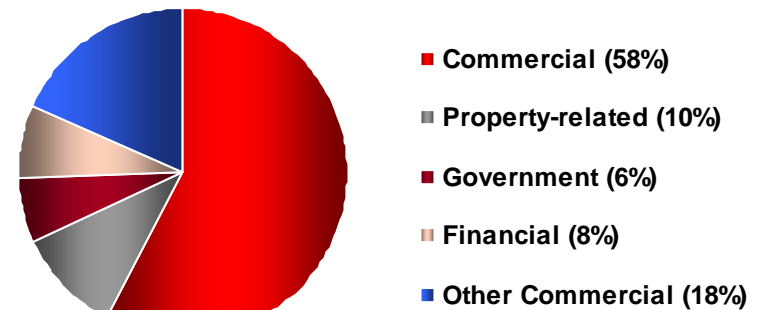
**US\$50,182 million**

### Personal by product



**US\$20,845 million**

### Corporate and Commercial, Financial by sector



**US\$29,337 million**

# Latin America

## Latin America summary of results

US\$m	2007	2008	2009	% change 2009 vs 2008	% change 2008 vs 2007
Net Interest Income	5,576	6,458	5,573	-14	16
Net Fee Income	2,153	2,167	1,729	-20	1
Other Income*	1,536	1,888	1,722	-9	23
<b>Net operating income before loan impairment charges</b>	<b>9,265</b>	<b>10,513</b>	<b>9,024</b>	<b>-14</b>	<b>13</b>
Loan impairment charges	(1,697)	(2,492)	(2,526)	1	47
<b>Net operating Income</b>	<b>7,568</b>	<b>8,021</b>	<b>6,498</b>	<b>-19</b>	<b>6</b>
Total operating expenses	(5,402)	(5,990)	(5,375)	-10	11
Profit in associates and joint ventures	12	6	1	-83	-50
<b>Profit before Tax</b>	<b>2,178</b>	<b>2,037</b>	<b>1,124</b>	<b>-45</b>	<b>-6</b>
<b>Share of HSBC's profit before tax</b>	<b>9.0%</b>	<b>21.9%</b>	<b>15.9%</b>	<b>-600 bps</b>	<b>1290 bps</b>
<b>Cost efficiency ratio</b>	<b>58.3%</b>	<b>57.0%</b>	<b>59.6%</b>	<b>260 bps</b>	<b>-130 bps</b>

\*Includes net trading income

# Latin America

Latin America is an important contributor to Group earnings

▶ **Latin America contributed 15.9% of HSBC Group PBT in 2009. (Mexico, Brazil and Argentina: 14%)**

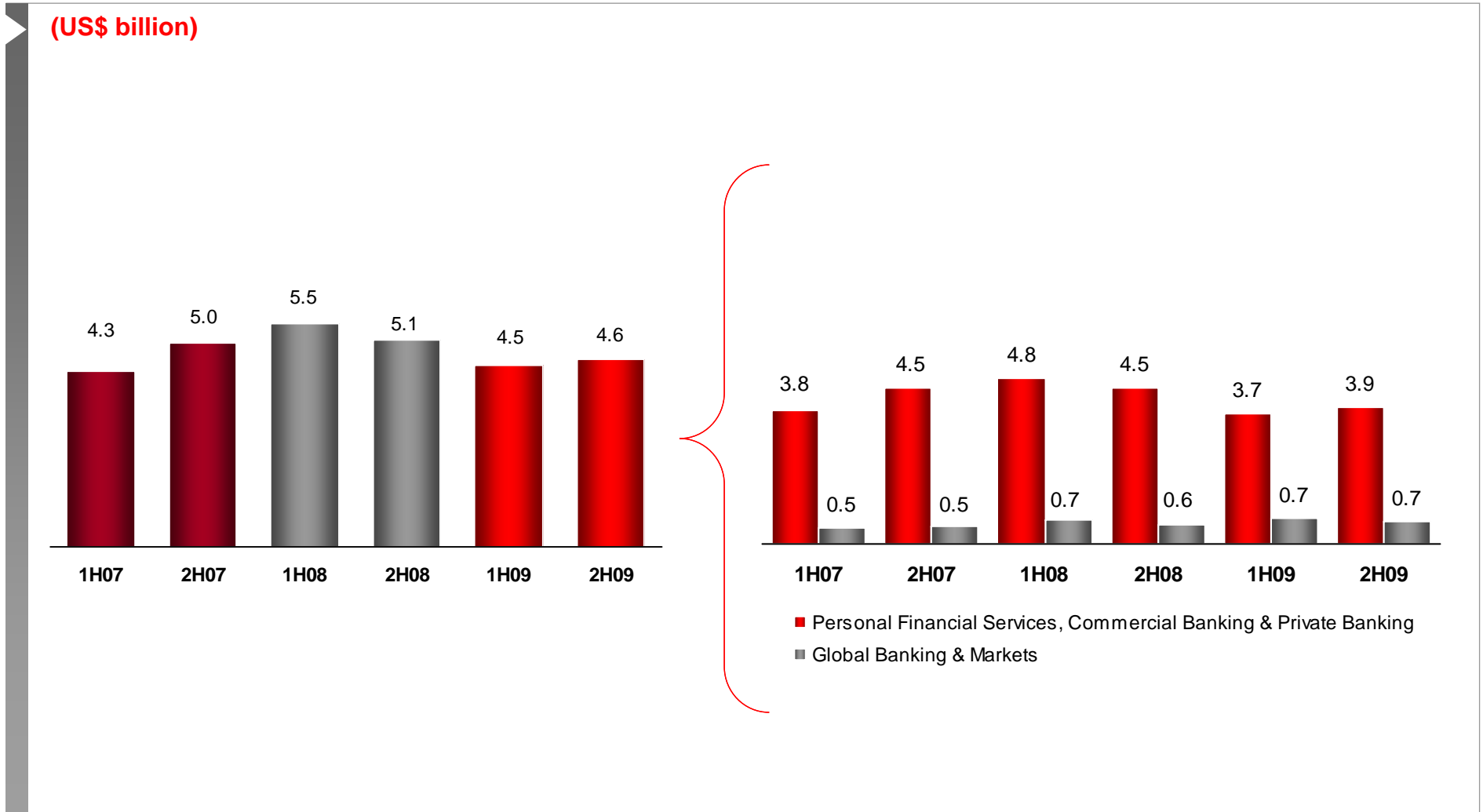
▶ **Mexico, Brazil and Argentina are in the top 20 countries in terms of profit contribution**

Rank	Country	PBT 2009	% Total
1	Hong Kong	5,029	71
2	United Kingdom	2,126	30
3	China	1,632	23
4	France	624	9
5	Singapore	542	8
6	<b>Brazil</b>	<b>510</b>	<b>7</b>
7	Switzerland	450	6
8	Canada	423	6
9	India	374	5
10	South Korea	359	5
11	Germany	290	4
12	Malaysia	286	4
13	<b>Mexico</b>	<b>272</b>	<b>4</b>
14	Turkey	261	4
15	<b>Argentina</b>	<b>232</b>	<b>3</b>
16	Egypt	224	3
17	Australia	198	3
18	Saudi Arabia	193	3
19	Taiwan	160	2
21	USA	-8,304	-117
	Other	1,198	17
	<b>Total PBT US\$m</b>	<b>7,079</b>	<b>100</b>

Figures in US\$ m under IFRS  
Source: 2009 HSBC Holdings plc Annual Report and Accounts

# Latin America

## Revenues



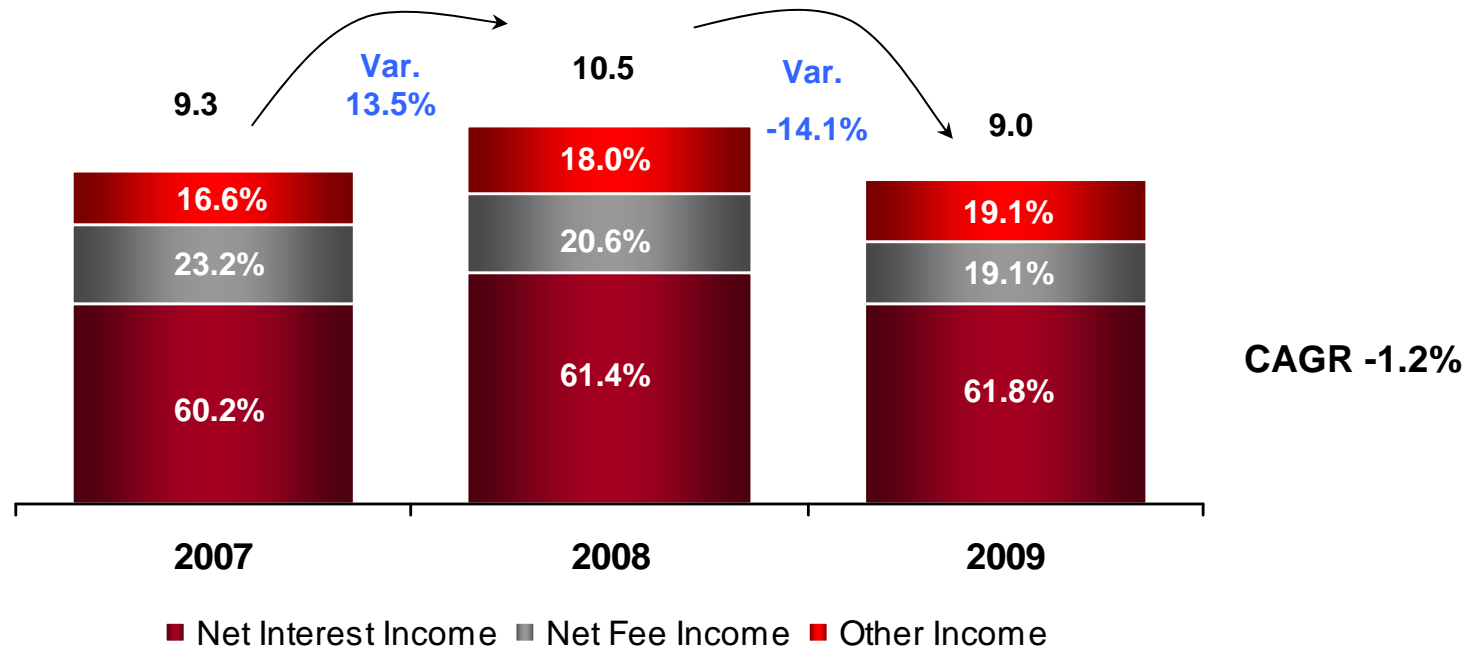
Figures in US\$ billion under IFRS  
 Source: 2009 HSBC Holdings plc Annual Report and Accounts

# Latin America

## Results

### Total Operating Income (US\$ billion)

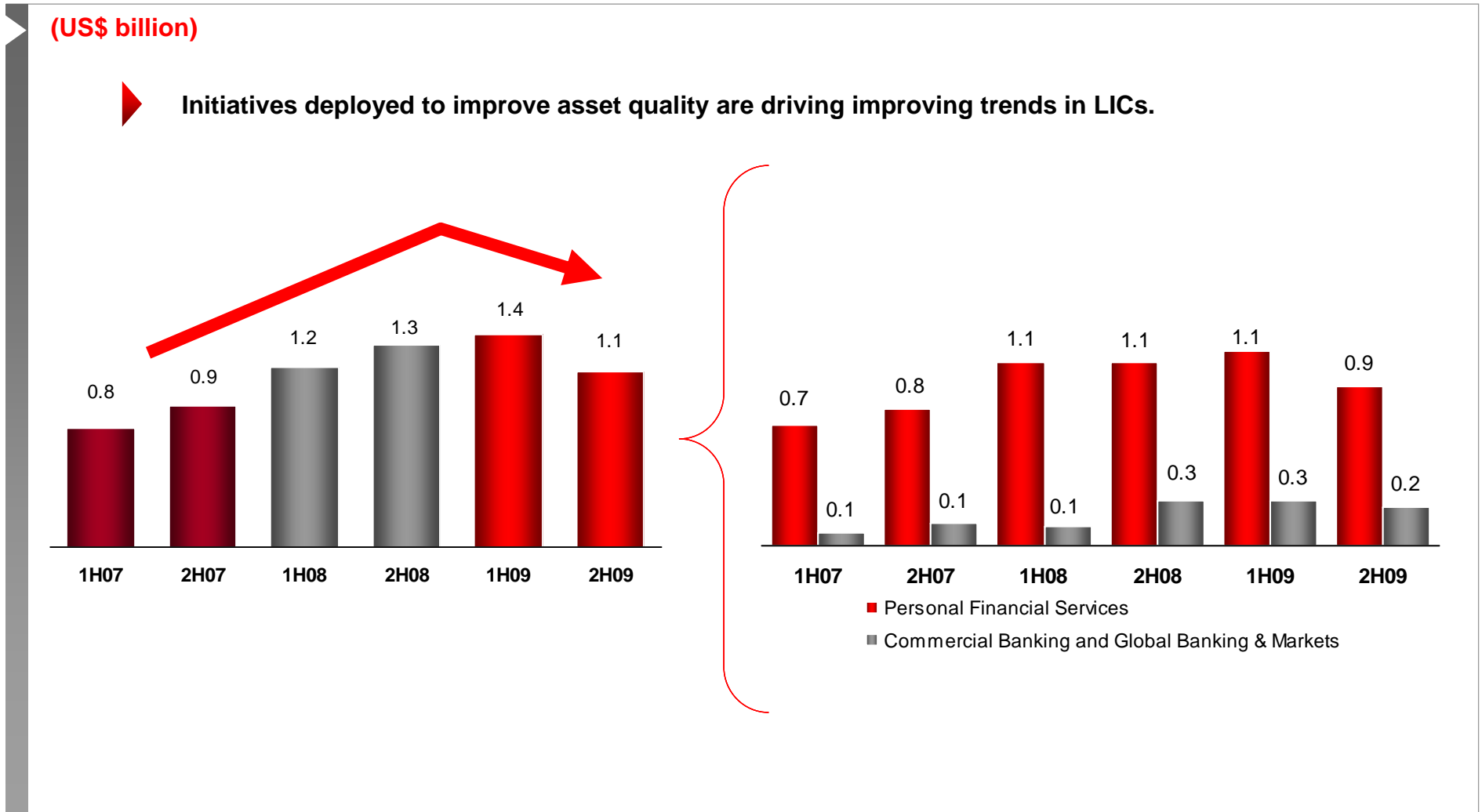
Income in 2009 was affected by challenging economic conditions and decreased compared to 2008



Figures in US\$ billion under IFRS  
Source: 2009 HSBC Holdings plc Annual Report and Accounts

# Latin America

## Loan impairment charges and other credit risk provisions

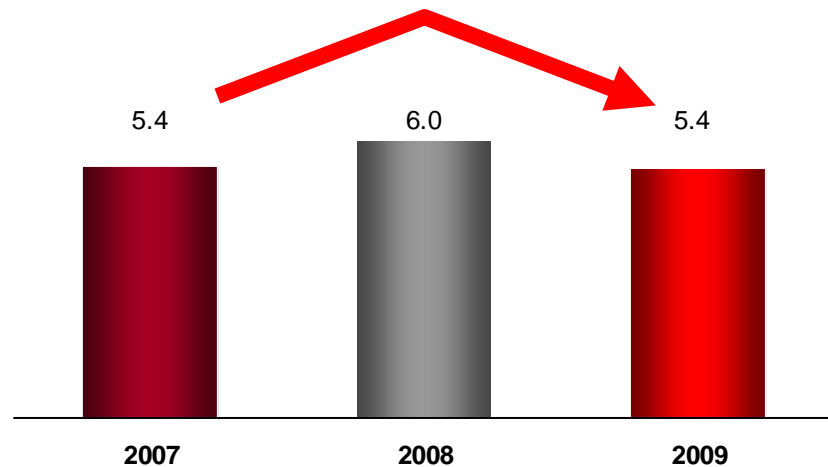


Figures in US\$ billion under IFRS  
Source: 2009 HSBC Holdings plc Annual Report and Accounts

# Latin America

## Total Operating Expenses

(US \$ billion)



- ▶ **Strict expense control measures implemented in 2009**
- ▶ **FTE decrease almost 10,000 from 63,851 in June 08 to 54,288 in Dec 09.**

Figures in US\$ billion under IFRS  
Source: 2009 HSBC Holdings plc Annual Report and Accounts

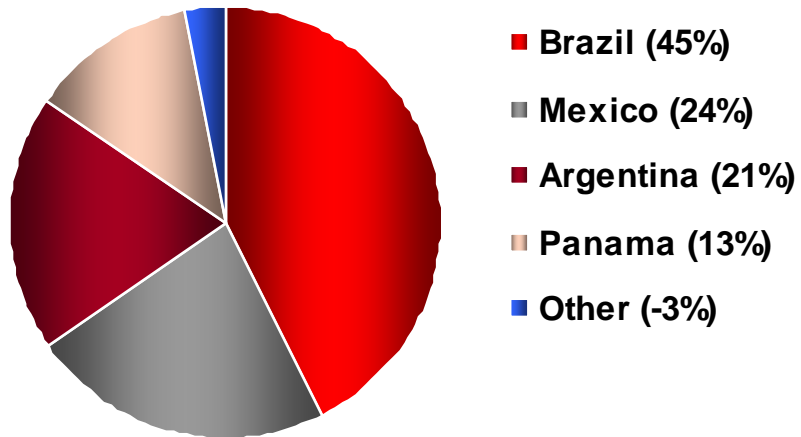


# Latin America

## Results by geography

### Profit before tax

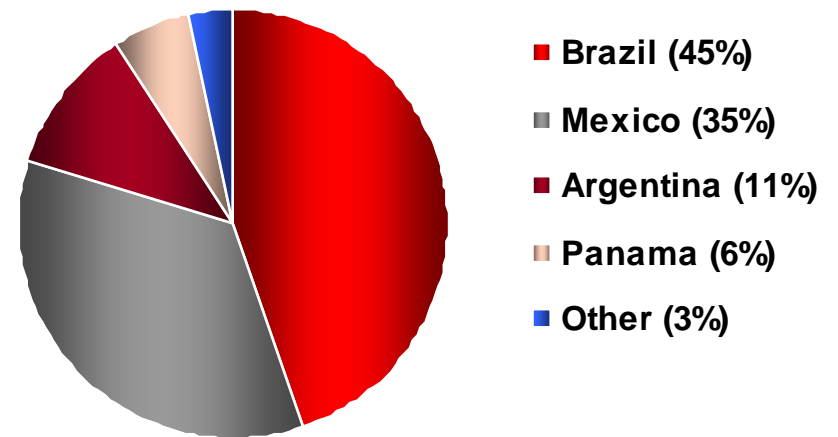
2009



2009: US\$1,124 million

### Profit before tax

2008



2008: US\$2,037 million

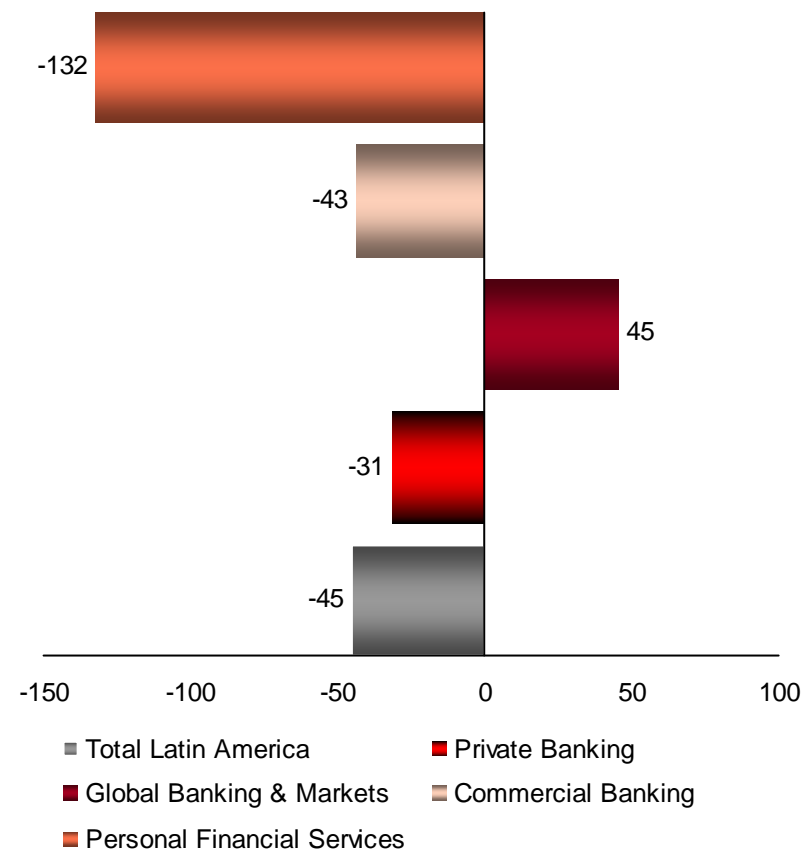
# Latin America

## Results by customer group

### Profit before tax

Customer Group US\$ m	US\$m	% share
Personal Financial Services	(216)	-19
Commercial Banking	399	35
Global Banking and Markets	931	83
Private Banking	11	1
Other	(1)	0
<b>Total</b>	<b>1,124</b>	<b>100</b>

### % 2009 versus 2008

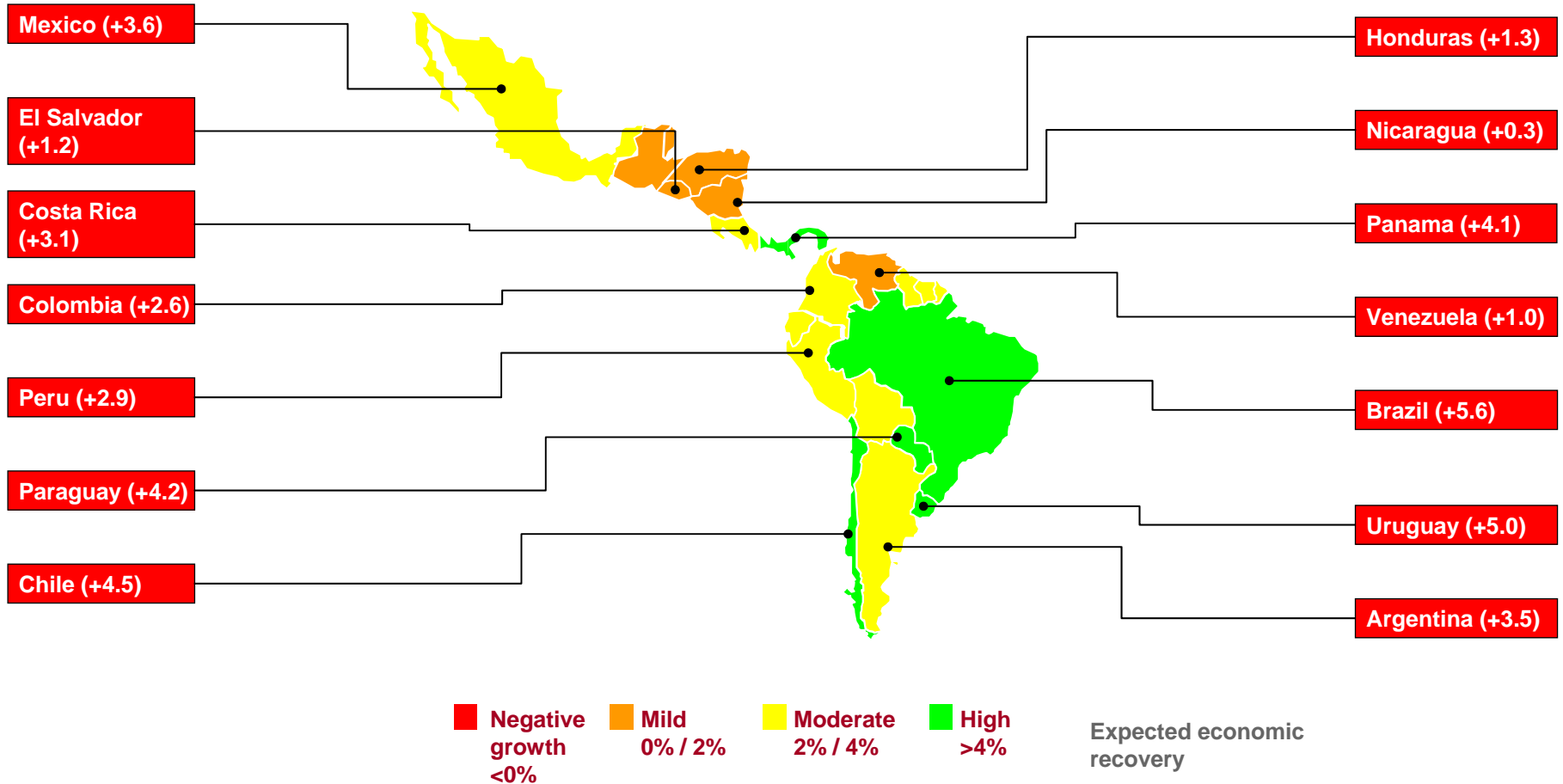


Figures in US\$ m under IFRS

# Key strategic initiatives

# 2010e Latin America macroeconomic situation

Latin American economies are expected to recover in 2010, expected GDP growth of 4.0%



Source: HSBC Latin America Insight Q1 2010  
Figures referred to 2010e Real GDP (% yoy)

# 2010e Latin America macroeconomic situation

	<b>GDP</b>	<b>FX</b>	<b>Inflation</b>	<b>Unemployment</b>	<b>Interest rate*</b>
<b>High</b>					
Brazil	5.6	1.6	4.6	7.7	10.3
Uruguay	5.0	19.0	5.8	7.1	7.5
Chile	4.5	460	2.3	8.2	2.8
Paraguay	4.2	4,785	4.9	7.8	N.A.
Panama	4.1	1.0	2.7	6.8	4.2
<b>Moderate</b>					
Mexico	3.6	12.9	4.9	6.0	5.5
Argentina	3.5	4.1	15.7	8.4	8.5
Costa Rica	3.1	610.3	7.1	6.0	9.5
Peru	2.9	2.8	1.9	7.8	2.0
Colombia	2.6	1,850	3.4	11.9	4.0
<b>Mild</b>					
Honduras	1.3	20	5.7	6.8	5.5
El Salvador	1.2	1.0	3.6	6.8	8.5
Venezuela	1.0	2.6	42.0	7.9	N.A.
Nicaragua	0.3	21.9	7.0	7.1	13.5
<b>Latin America</b>	<b>4.0</b>	<b>N.A.</b>	<b>7.3</b>	<b>7.4</b>	<b>N.A.</b>

Source: HSBC Latin America Insight Q1 2010

\*HSBC Latin America Outlook for 2010

Unemployment rate (average %)

Real GDP and Inflation (% y-o-y)

Interest rate and FX (currency / USD) end of period

# Latin America

## Strategic Direction

### Leveraging the HSBC Brand

- Differentiate and position our global brand
- Leverage on our international connectivity through systems and standard processes
- Off-shore and on-shore products and services to global customers/clients in Wealth Management, Premier, Private Banking, Global Banking and Markets and Commercial Banking
- Premier, Wealth Management and on-shore Private Banking will be the drivers of customer acquisition for the mass affluent market segment

### Regionalisation

- Centralization of the smaller countries into our hubs
- Simplified branch model for smaller countries to allow efficiency in management structures, deployment of capital, management of risk and systems implementations
- Good balance between regional control and local responsibility in decision making to maintain operational flexibility and commercial responsiveness

### Rightsizing

- Right size to take advantage of emerging opportunities, compete profitably and effectively
- Main focus on larger countries. Balanced presence in all customer groups with an emphasis on the mass affluent within Personal Financial Services
- Align cost-to-serve by customer segment through direct channels
- Focus away from non core and redeploy balance sheet to Gold Premier segments
- Further develop cost efficient channels such as: ATMs, internet and call centres

## Preparing for growth...



Improve asset quality

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Quality of service and sales productivity

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Premier and Gold/Advance  
business propositions

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Focus on Business Banking Segment

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Integral Payments and Cash Management product  
offering

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Renovate branch network

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Improve operational efficiency levels

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Control environment

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Capital injection of USD 700 million provides strong  
platform for growth

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## Niches to grow...

**Build on relationships**

**Leverage global capabilities in Commercial Banking and Global Banking and Markets**

**Premier and Gold/Advance business propositions**

**Focus growth in Business Banking and keep market share in Mid Market Enterprises and Large Local Corporate**

**Leverage global presence – increase share of wallet with select customer base**

**Core consumer finance**

**Low cost model proposition for middle income customers**

**Leverage the use of direct channels**

**Refocus geographically**

**Capital injection of USD 600 million provides strong platform for growth**



**Conservative  
and flexible...**

**Liability driven expansion**

**Selective asset growth**

**Bancassurance**

**Grow small business franchise, focus on GTB**

**Keep leading position in FX and Trading. Selective use of B/S**

**Quality and branding**

**Manage currency, interest rate and duration gaps**

**Efficiency improvement**

**One HSBC deployment**

## One-stop shop...

**Shift from product to customer driven business model**

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**Develop Bancassurance**

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**Premier, SME and international connectivity focus**

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**Focus on global and regional customers leveraging branch network**

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**Regional single funding centre**

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**From Banistmo to regional integration**

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**Centralize operations**

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**Bundling of products**

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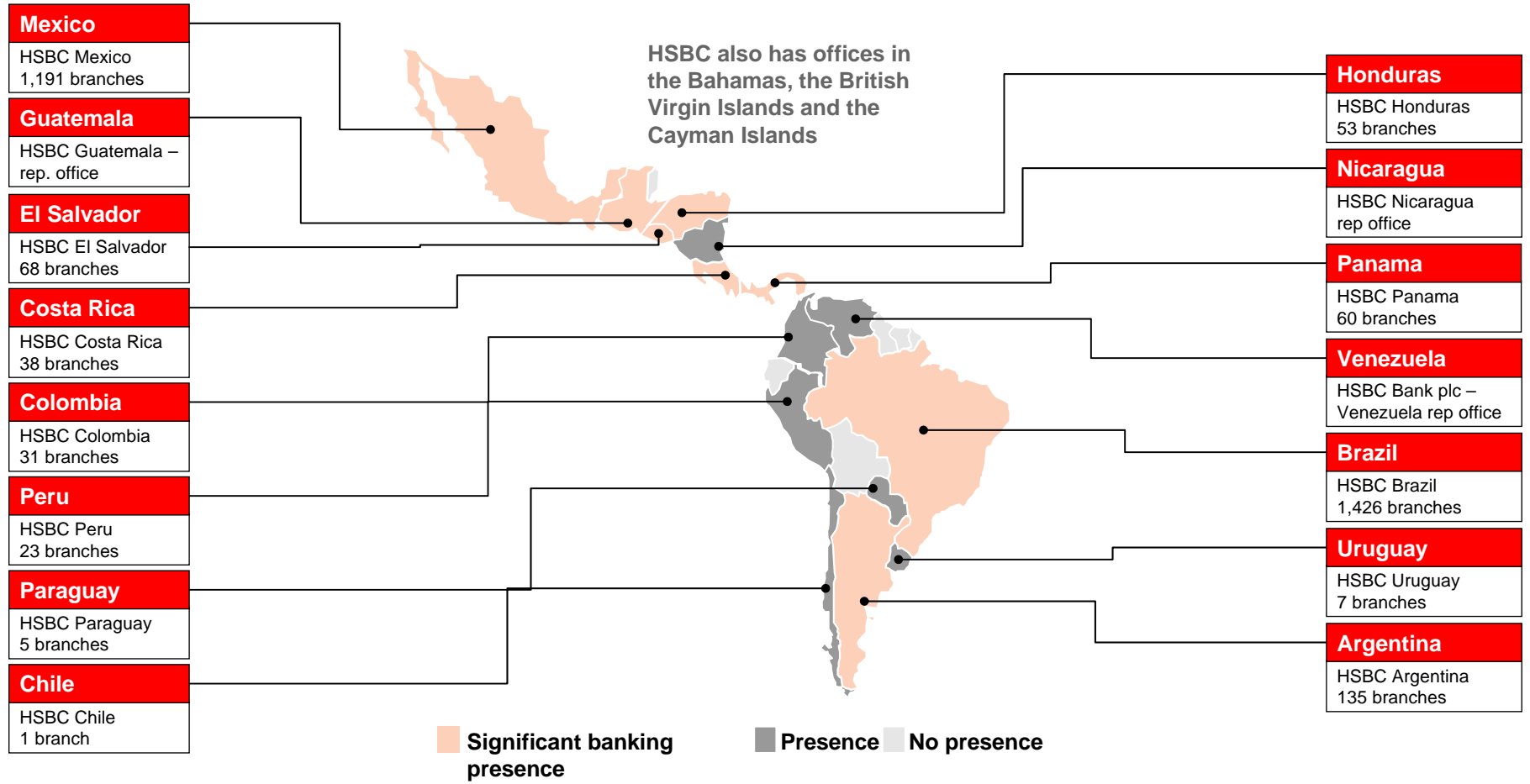
# Closing remarks

- ▶ **Region hit by US and Global Recession, especially Mexico and Central America**
- ▶ **Management has focused on**
  - ▶ **Assets: Strong tightening of credit criteria – reduced credit portfolio in line with market conditions**
  - ▶ **Expenses: Deployed actions to reduce expenditure**
- ▶ **Latin America is a sensitive region but with long term return**
- ▶ **Efficiency and standardization will be key drivers. Necessary investments in infrastructure in place to support growth, anticipating economic recovery**
- ▶ **Strong Capital and Liquidity ratios: reinforced by capital injection in late 2009.**

# Appendix: Footprint

# Latin America

As at December 2009 HSBC has more than 3,000 branches throughout 17 countries in Latin America.



# HSBC Latin America