



# HSBC Mexico

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CEO HSBC México

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This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is 'adjusted performance' which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business. Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in the Interim Report 2016 and the Reconciliations of Non-GAAP Financial Measures document which are both available at [www.hsbc.com](http://www.hsbc.com).

**1**

Reduce Group RWAs by c. \$290bn and re-deploy towards higher performing businesses; return GB&M to Group target profitability

**2**

Optimise global network

**3**

Rebuild NAFTA profitability

**4**

Set up UK Ring-Fenced Bank

**5**

Realise \$4.5-5.0bn cost savings, deliver an exit rate in 2017 equal to 2014 operating expenses

**6**

Revenue growth above GDP from our international network

**7**

Capture growth opportunities in Asia: Pearl River Delta, ASEAN, Asset Management, Insurance

**8**

Extend leadership in RMB internationalisation

**9**

Complete Global Standards implementation

### 3rd Quarter 2016

**Reported PBT**  
(3Q15: \$6.1bn)

**\$0.8bn**

**Adjusted PBT**  
(3Q15: \$5.2bn)

**\$5.6bn**

**Adjusted revenue**  
(3Q15: \$12.5bn)

**\$12.8bn**

**Adjusted Jaws**

**5.6%**

**CET1 ratio<sup>1</sup>**  
(2Q16: 12.1%)

**13.9%**

### 3Q16 Financial Performance (vs. 3Q15)

- Reported PBT of \$0.8bn includes the impact of the disposal of our operations in Brazil, changes in fair value of our own debt and costs-to-achieve
- Adjusted PBT of \$5.6bn up \$0.4bn or 7%;
  - Revenue of \$12.8bn up \$0.3bn or 2%: Client-facing GB&M up 11% and Principal RBWM up 9%;
  - LICs up \$0.1bn; compared with 2Q16, LICs decreased by \$0.2bn
  - 4% fall in costs reflecting the effect of transformational cost saving programmes

### 9M16 vs 9M15

- Reported PBT of \$10.6bn
- Adjusted PBT of \$16.7bn down \$1.0bn: lower revenue (mainly client-facing GB&M and Principal RBWM); higher LICs; 4% fall in costs
- Positive Jaws of 1.5%; \$1.3bn of savings realised

### Capital and liquidity

- Strong capital position with a CET1 ratio<sup>1</sup> of 13.9% and leverage ratio of 5.4%
- Change in PRA regulatory treatment of BoCom, resulting in a \$121bn reduction in RWAs and a \$5.6bn threshold deduction from capital driving a 104bps increase to CET1

### Strategy

- Further reduction in RWAs through the completion of Brazil disposal and other management actions
- Increased market share in a number of key markets and international product areas, including trade finance in Hong Kong and Singapore
- Share buy-back programme is now 59%<sup>2</sup> complete and expect to finish in late 2016 or early 2017

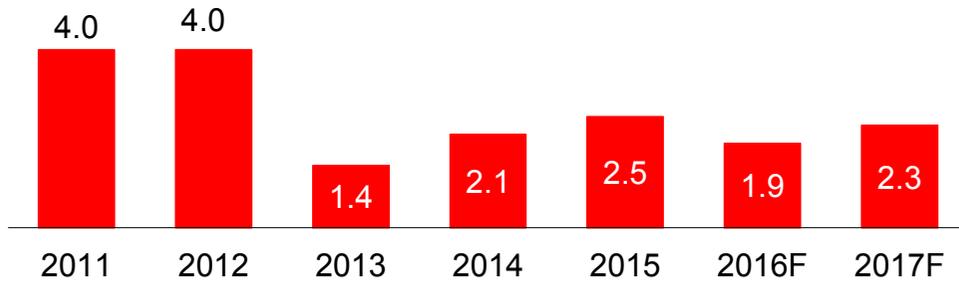
1. Since 1 January 2015 the CRD IV transitional CET1 and end point CET1 capital ratios have been aligned for HSBC Holdings plc  
2. As at 2<sup>nd</sup> November 2016

# 1. Mexico's economic outlook

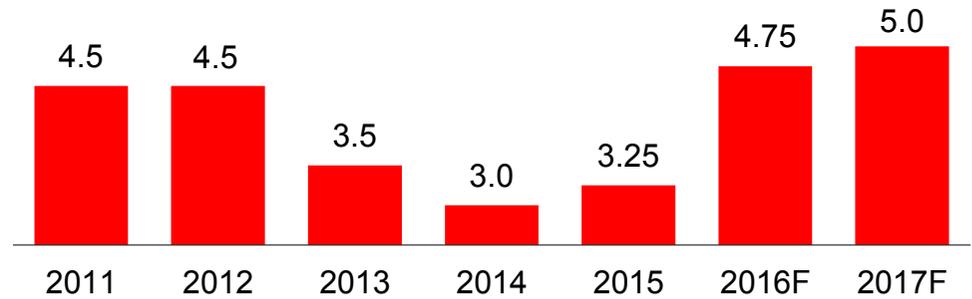
# Mexico's economic outlook

## Macroeconomic highlights – Key fundamentals

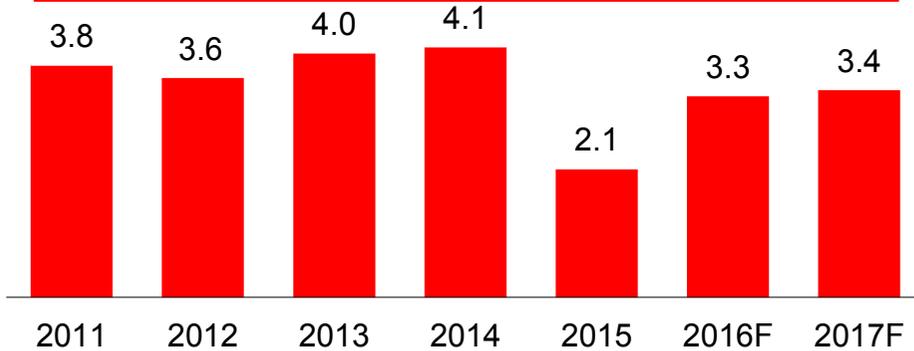
### GDP growth (% y-o-y)



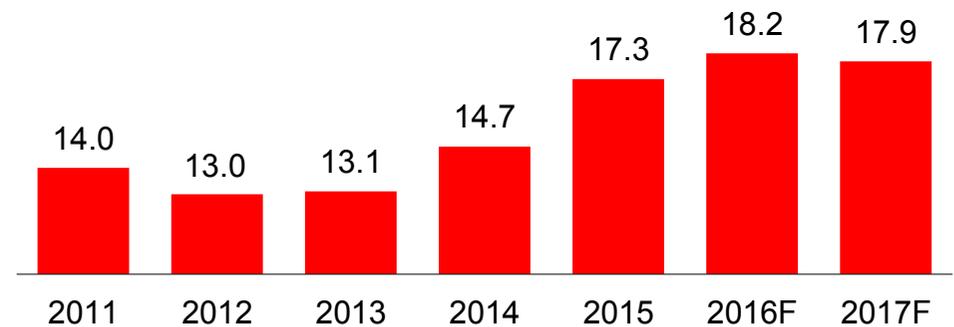
### Central Bank policy rate (%)



### Inflation % (end of period)



### Foreign Exchange

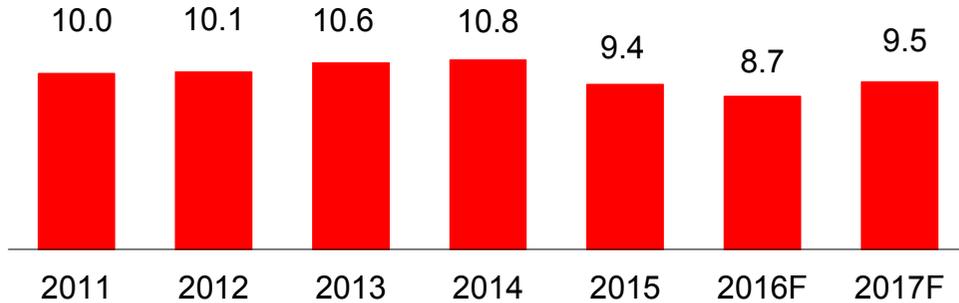


# Mexico's economic outlook

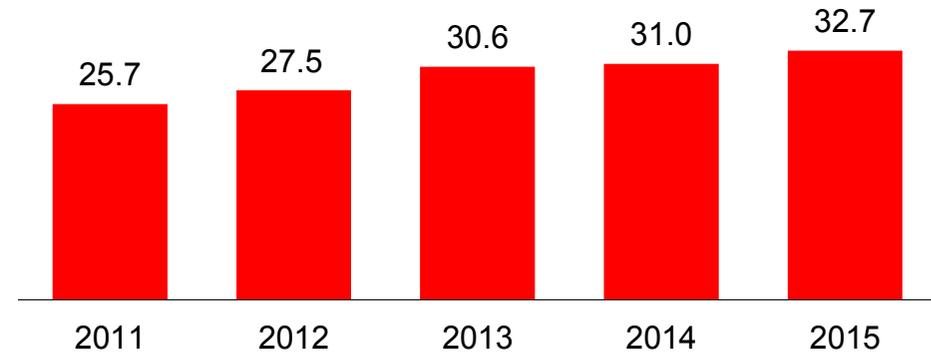
## Macroeconomic highlights – Financial deepness and trade openness



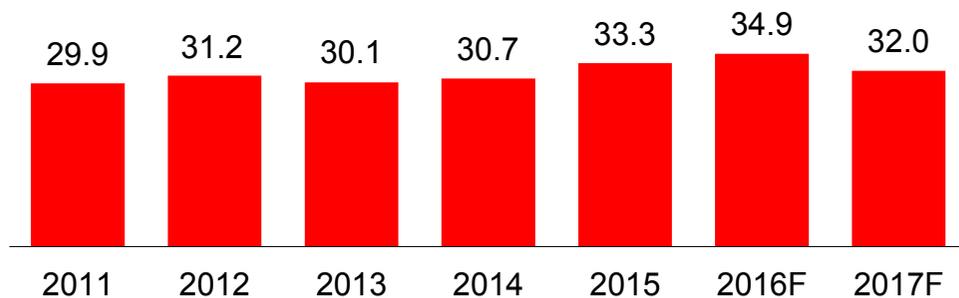
### GDP per capita (USD '000)<sup>1&4</sup>



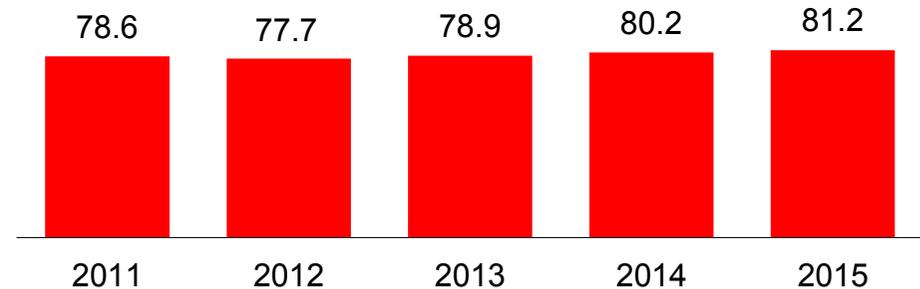
### Domestic credit to private sector (as % of GDP)<sup>2</sup>



### Total Exports (as % of GDP)<sup>1&3</sup>



### Exports to USA (as % of total exports)<sup>1&3</sup>



1. Source: HSBC Global Research, Global Economics 4Q16 & Latin America Economics 4Q16.

2. Source: Worldbank

3. Trademap.org

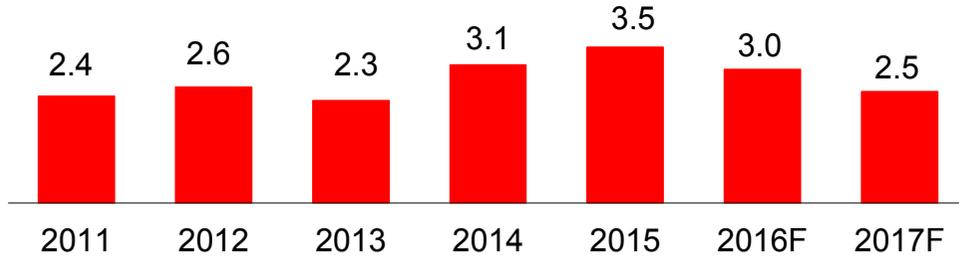
4. Between 2014-2015, MXN depreciated 17.5% while GDP per capita fell 13%

# Mexico's economic outlook

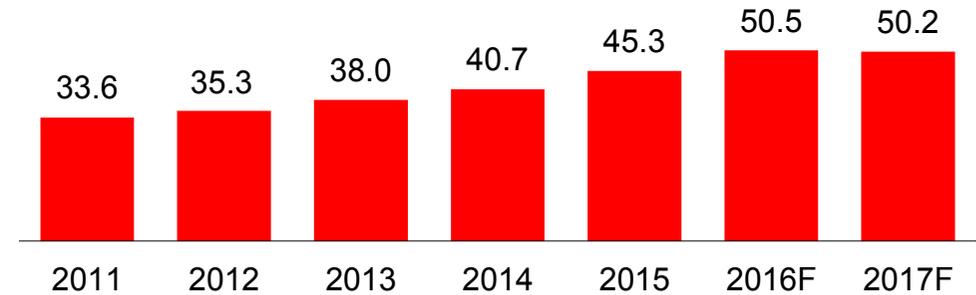
## Macroeconomic highlights - Public sector



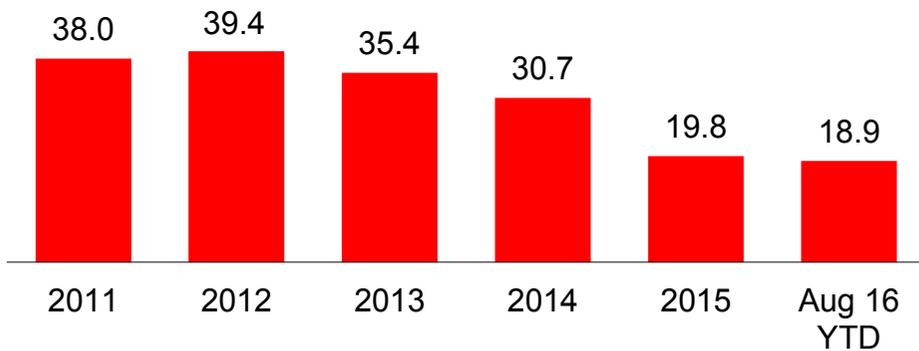
### Budget Deficit (% GDP)



### Gross public sector debt (% GDP)



### Oil revenues (% of total gov revenues)



# Mexico's trade

## Mexico connected to Key regions

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

2015 value of trade (exports and imports), USDbn



# Mexico's trade NAFTA Opportunities



## HSBC Advantages

- HSBC is the leading international bank and US-Mexico and US-Canada are amongst **top trade corridors** in the World and will be 1<sup>st</sup> and 2<sup>nd</sup> largest commodity corridors by 2020
- HSBC has **significant presence in all three countries**

## Opportunities for HSBC

- **International Trade** (NAFTA countries with the World), as expressed by GTRF proposition
- **Intra-NAFTA** trade opportunities
- Regional **cash management** mandates
- Coverage in one country of **subsidiaries** of companies headquartered in another country, as expressed by CMB ISB and GB Multis teams
- Sector approach namely **Commodities, Auto, Agriculture and Food, Industrial Machinery**

## Current Approach and Results

- Explore and measure opportunities in Multis and ISB subsidiaries, both intra-NAFTA and from outside in
- Increased connectivity and communication across the Region and the Group
- Enhanced products and marketing tools; onboarding times on process of being reduced

## 2. HSBC in Mexico

# HSBC in Mexico

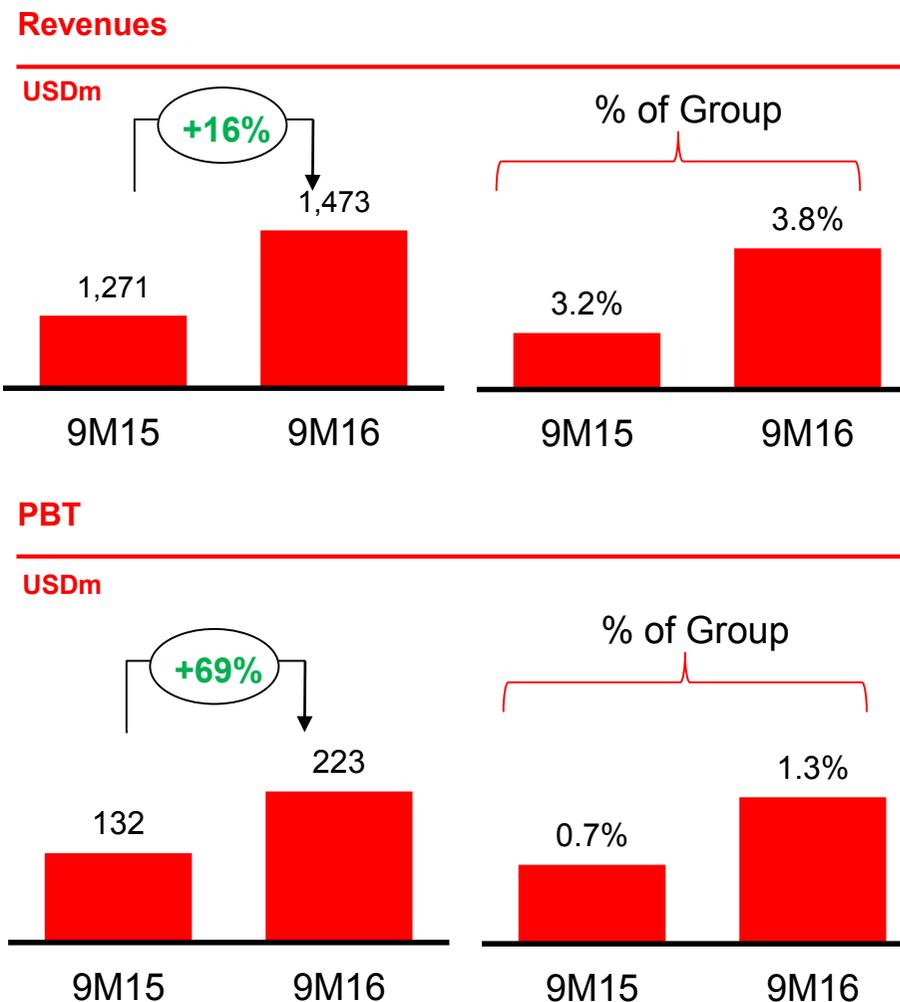
The Mexican operation has been considered strategically important for Group with significant potential to improve



## Ownership chart



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



1. adjusted figures under IFRS,

# HSBC in Mexico

## Key executives bios



**Nuno A. Matos**  
**CEO**

Joined HSBC in March 2015. Appointed CEO of HSBC Mexico in December 2015.  
Experience: Worked for Santander since 1994 in a variety of retail banking, investment banking and functional leadership roles across Europe, the US and Latin America. Also worked at Banco de Portugal.

**Estanislao de la Torre**  
**COO**

Joined HSBC and appointed COO in August 2016.  
Experience: Worked for Santander since 1998 in different leadership operational roles in Mexico. Also worked at Grupo Bursatil Mexicano as Chief Administration and Financial Officer.

**Brian McGuire**  
**CRO**

Joined HSBC in 1997. Appointed CRO in July 2016.  
Experience: Several leadership roles within Risk and Audit departments across Asia and Latin America. Also worked at Wells Fargo in US.

**Martin Peusner**  
**CFO**

Joined HSBC in 2007. Appointed CFO in November 2016.  
Experience: Former CFO of HSBC Argentina and HSBC Brazil. Also worked in Citibank in several roles and as CFO for Citibank Colombia.

**Juan Parma**  
**Head RBWM**

Joined HSBC in 1997. Appointed Head of RBWM Latin America in January 2016.  
Experience: Several leadership roles within retail banking and commercial banking in Argentina, Brazil and Panama.

**Juan Marotta**  
**Head CMB**

Joined HSBC in 1998. Appointed Head of CMB Latin America in January 2014.  
Experience: Several leadership roles within retail banking and commercial banking in Argentina and Mexico

**Esteban Levin**  
**Co-head GB**

Joined HSBC in 2011. Appointed Co-Head of GB in July 2016.  
Experience: Managing director of Global Banking in HSBC since 2011. Senior management roles in PEMEX since 2002. Also worked at McKinsey and Company.

**Jose Iragorri**  
**Co-head GB**

Joined HSBC in 2010. Appointed Co-Head of GB in July 2016.  
Experience: Managing director of Global Banking in HSBC with experience in corporate customers.

**Herbert Perez**  
**Head GM**

Joined HSBC and appointed Head of GM in August 2015.  
Experience: Senior management positions mostly in global banks, sales & trading in Mexico and NY. Worked at several financial institutions such as Structura Capital Management, Vector Brokerage House,<sup>12</sup> Bank of America, ING and Citibank.

# HSBC in Mexico

HSBC Mexico is a key player in the Mexican Financial System with room to grow



## HSBC Mexico position

- Competitive top-5 universal bank with scale<sup>1</sup>
- Leading trade and cash management bank<sup>2</sup>
- Important retail player with high customer<sup>3</sup> satisfaction

## National coverage

- Presence in all 32 states of Mexico
- Our branch and ATM network is well distributed accordingly to GDP distribution within the country and its cities which are its most important economic centres: Mexico City, Monterrey and Guadalajara

## Extensive branch and ATM Network<sup>4</sup>

- 974 branches (13.4% Market share, 5<sup>th</sup>)
- 5,610 ATMs (13.9% Market share, 5<sup>th</sup>)
- Approximately 16,000 FTEs

1. Source: National Commission of Banking and Securities

2. Source: Dealogic

3. Source: Condusef

4. Source: National Commission of Banking and Securities. Market share as of June 2016 based on 6 major banks in Mexico

5. Source: 3Q16 HSBC Mexico Local press release

6. Revenues refers to Total Operating Income excluding Loan impairment charges

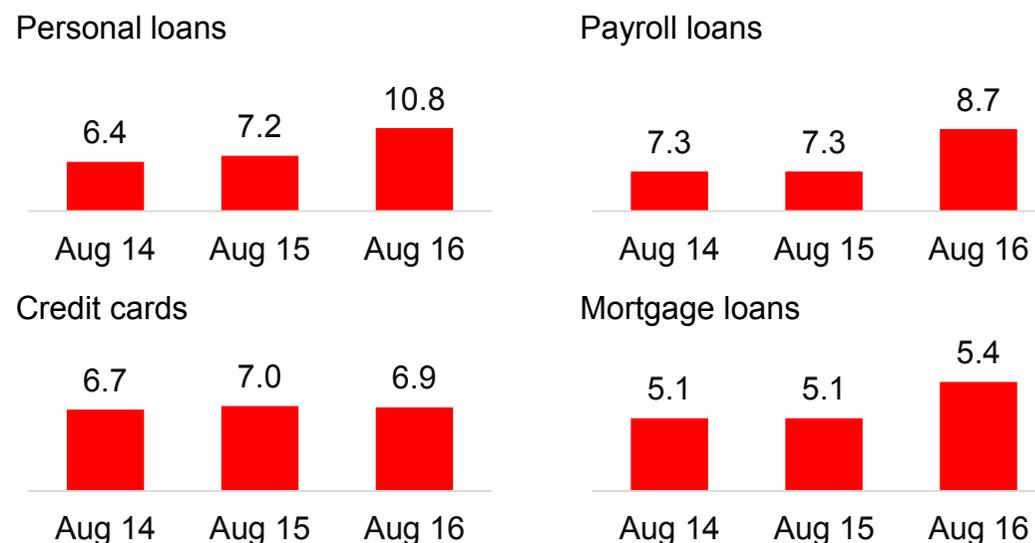
7. Source: National Commission of Banking and Securities. Market share as of August 2016 based on 6 major banks in Mexico

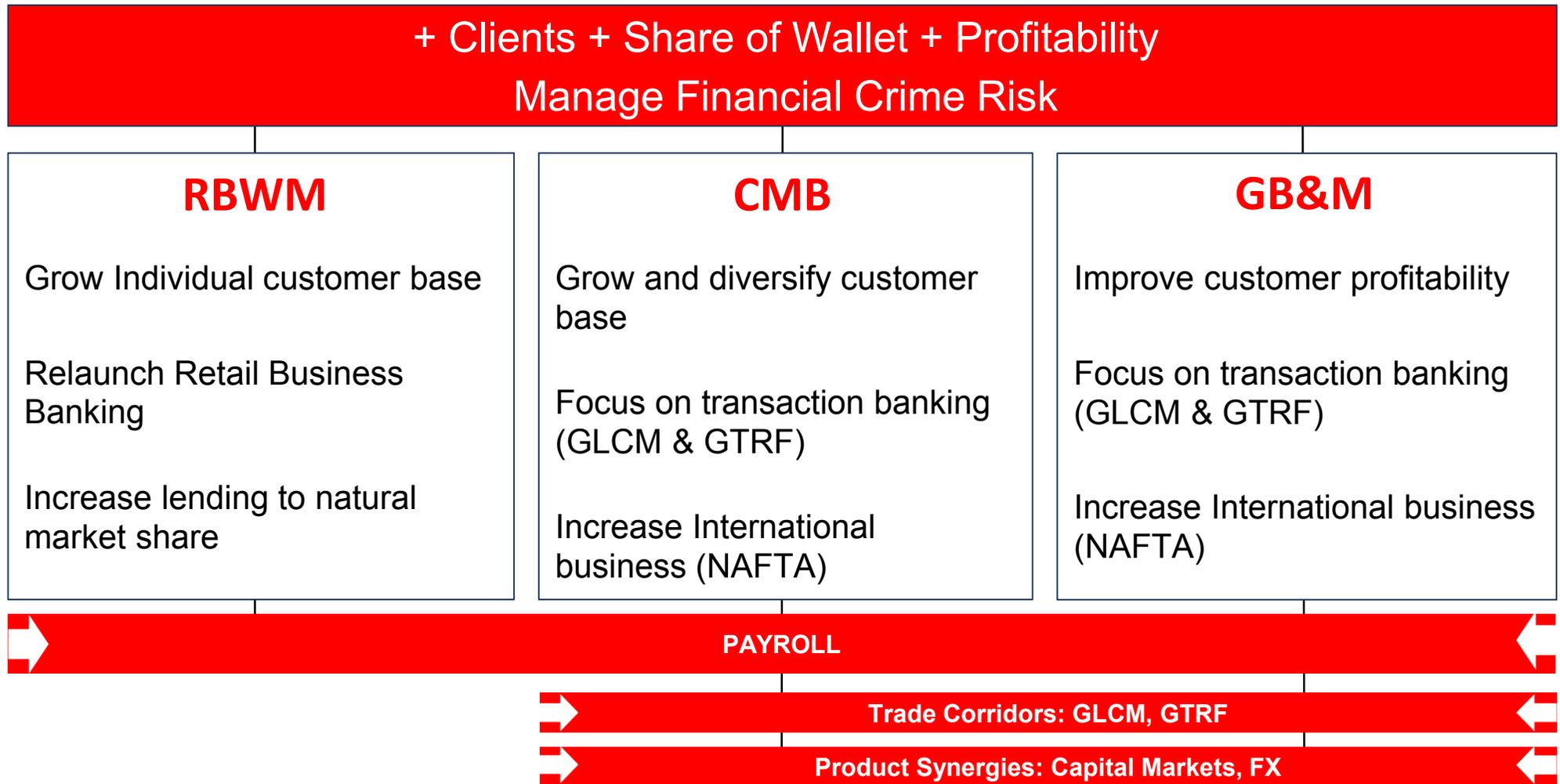
## Key businesses

### Contribution to HSBC Mexico<sup>5</sup>

	RBWM	CMB	GB&M
Loans	35%	36%	29%
Revenues <sup>6</sup>	73%	16%	11%
PBT	44%	29%	27%

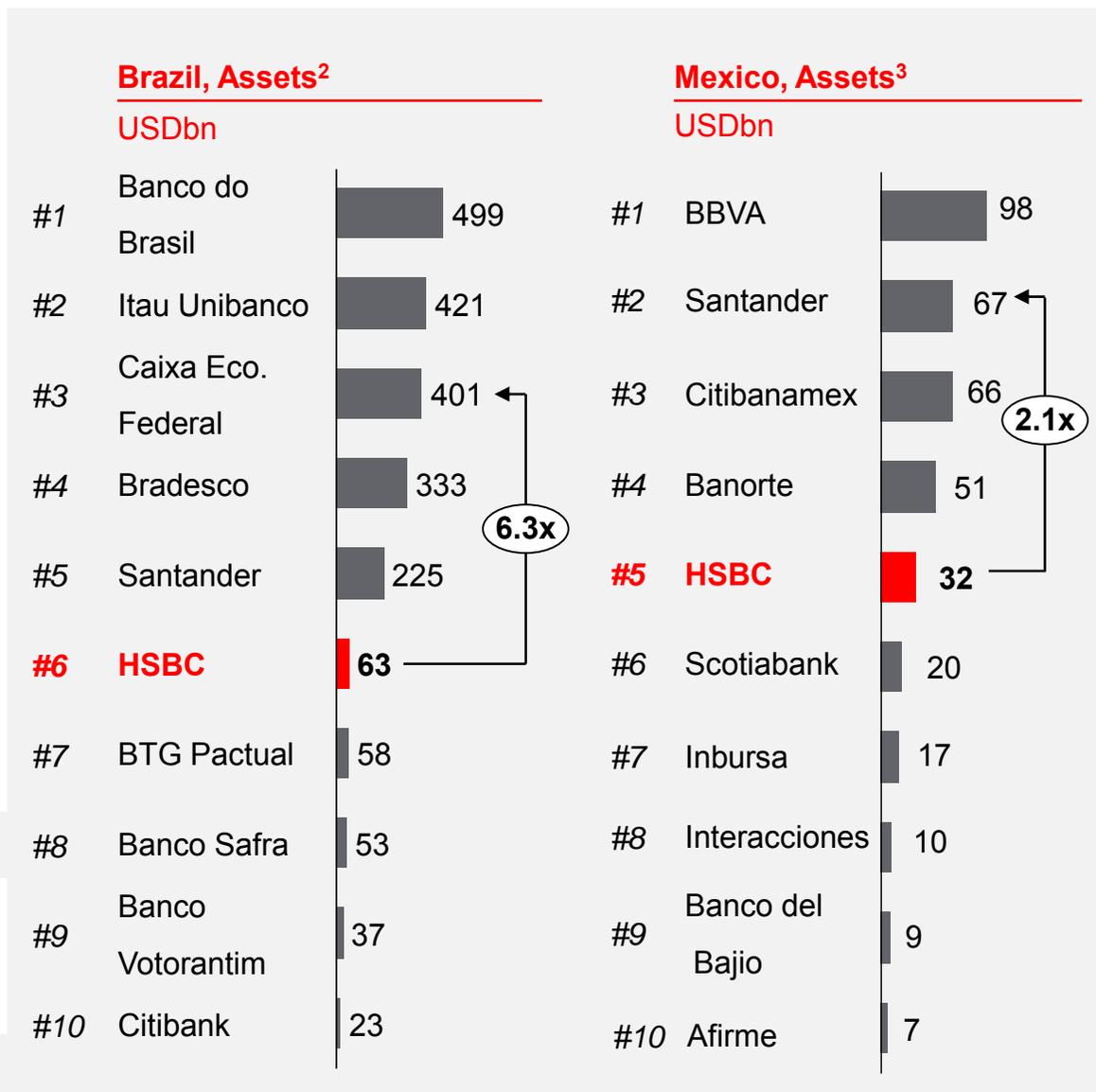
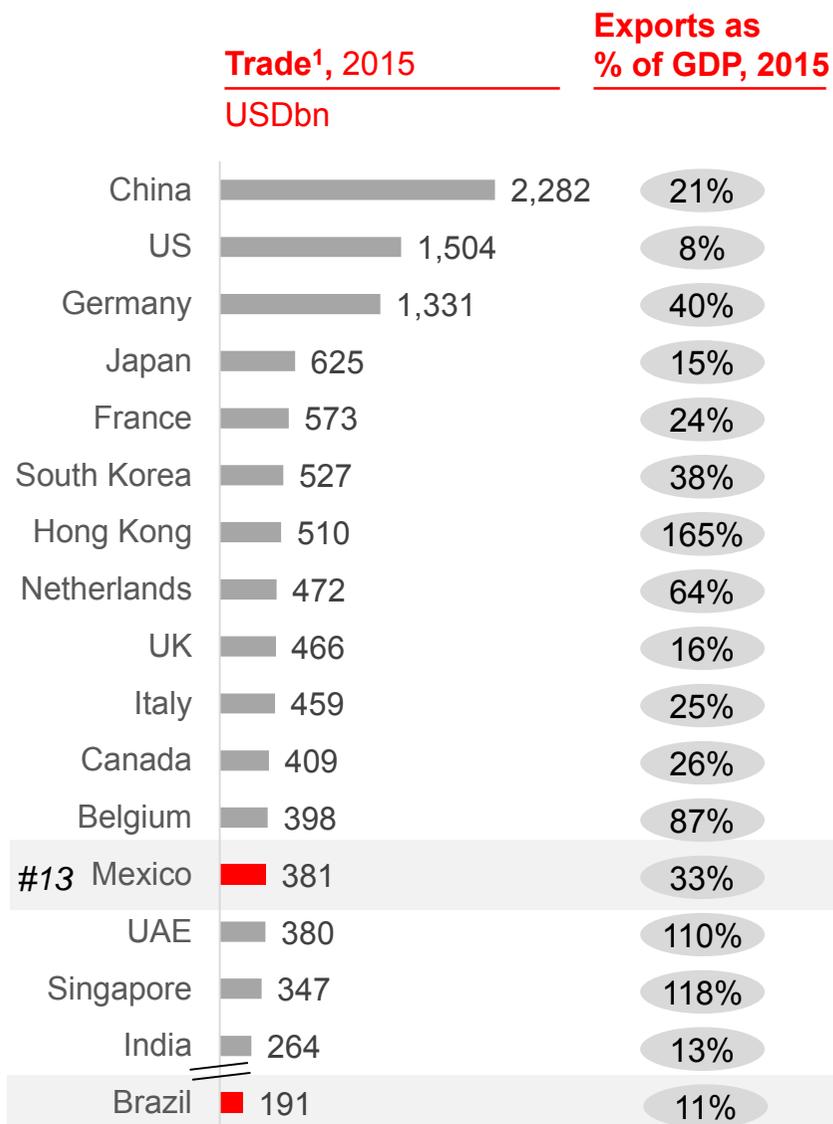
### Retail products market share trend (%)<sup>7</sup>





# HSBC in Mexico

HSBC Mexico operates with scale in a connected economy, which in contrast to the Brazil operation pre-sale



1. Exports; Source: Global Insights, March 2015  
 2. Banco Central Do Brasil, data as of December 2014, reported in USD  
 3. Mexican Commission of Banking and Securities, data as of December 2015, reported in USD

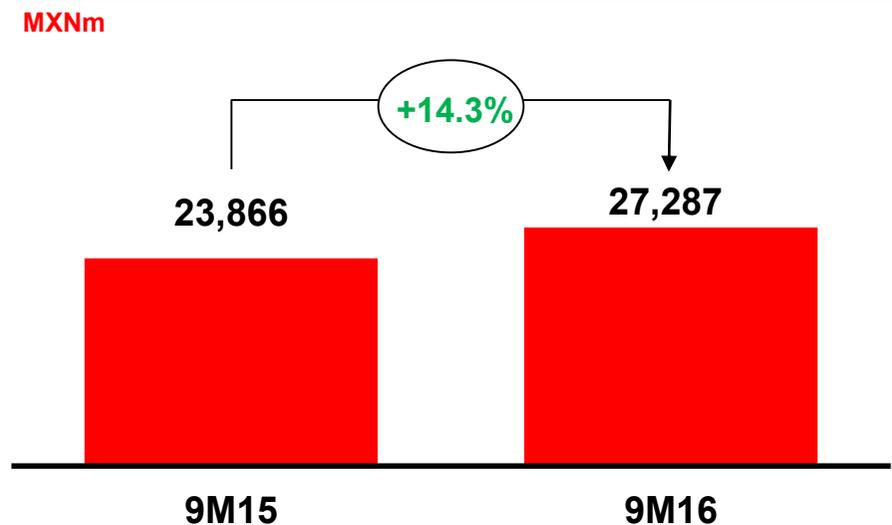
# 3. Financial performance

# HSBC Mexico

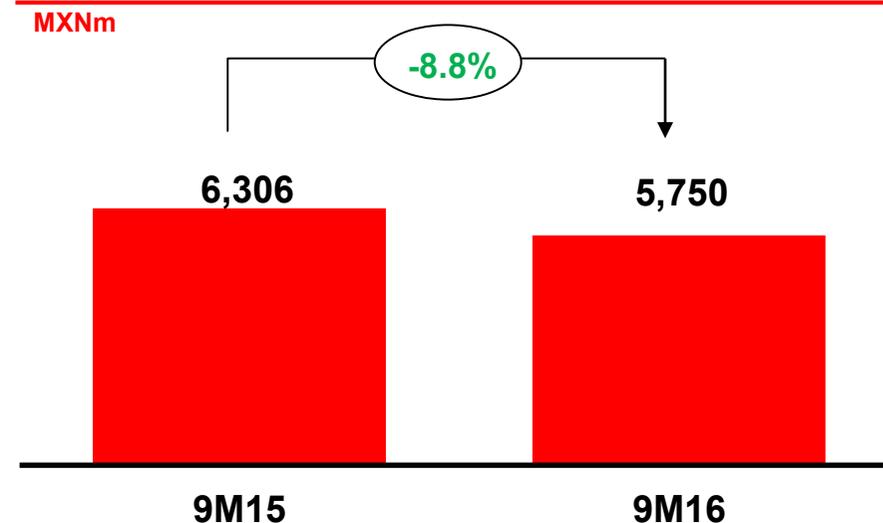
## Financial performance 2015-2016



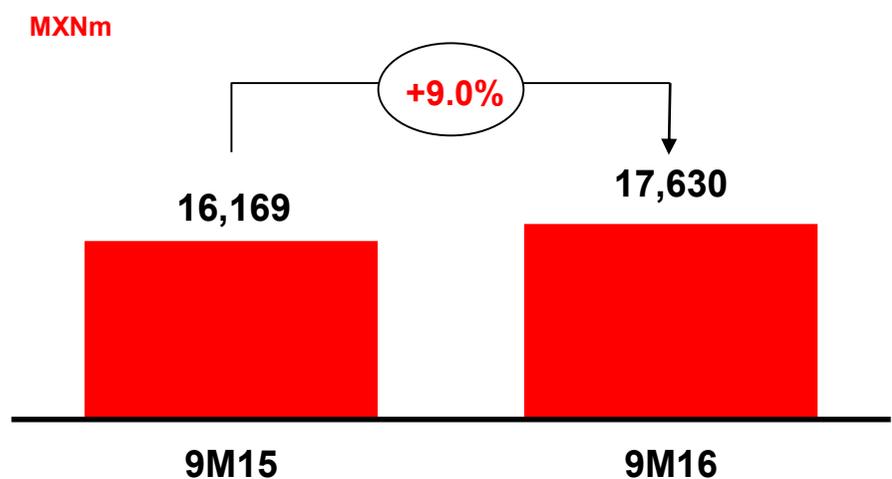
### Revenues<sup>1</sup>



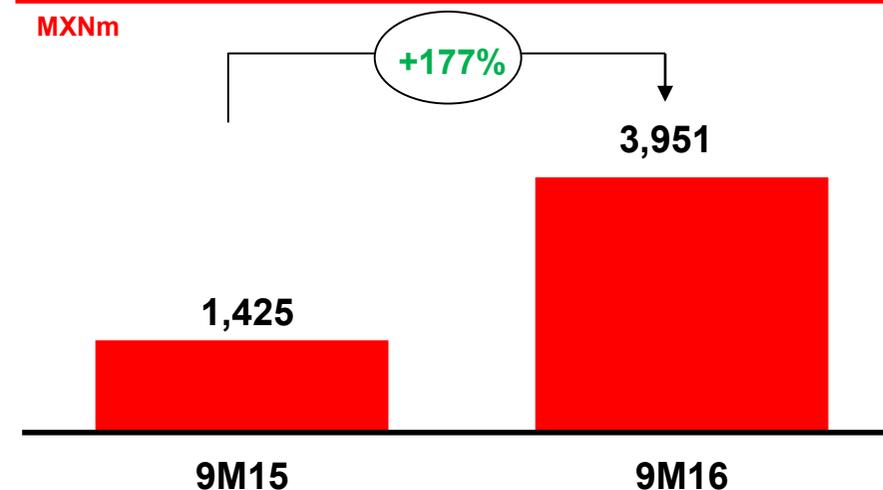
### Loan impairment charges



### Expenses



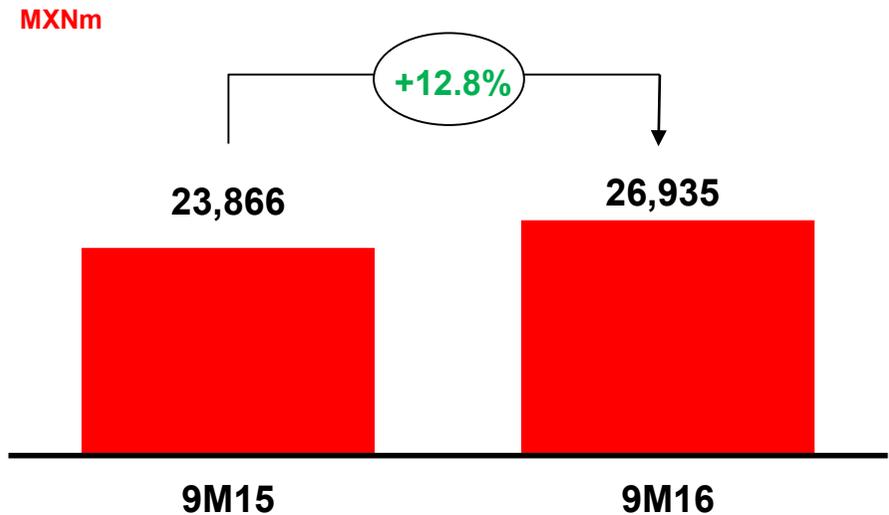
### Profit before taxes



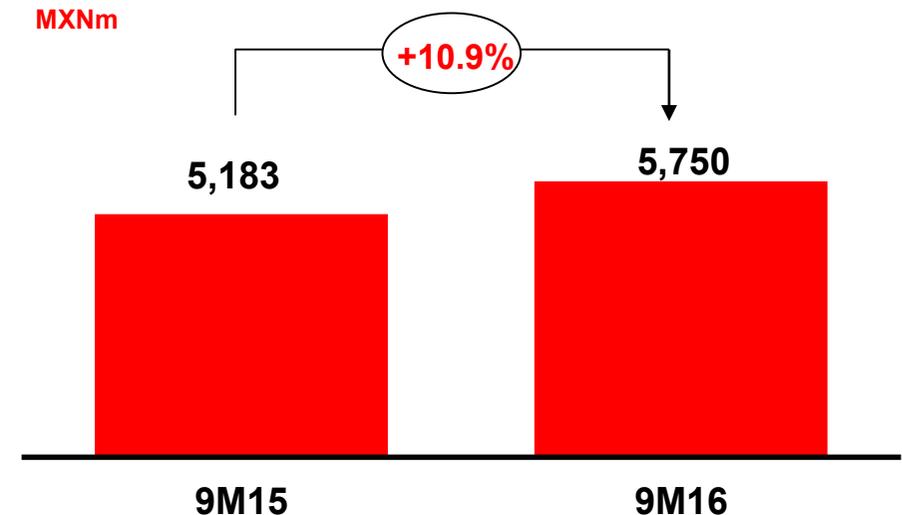
Source: HSBC Mexico 3Q16 press release.

<sup>1</sup> Revenues refers to Total Operating Income excluding Loan impairment charges, as per the press release. For local GAAP vs IFRS reconciliation please refer to 3Q16 local press release.

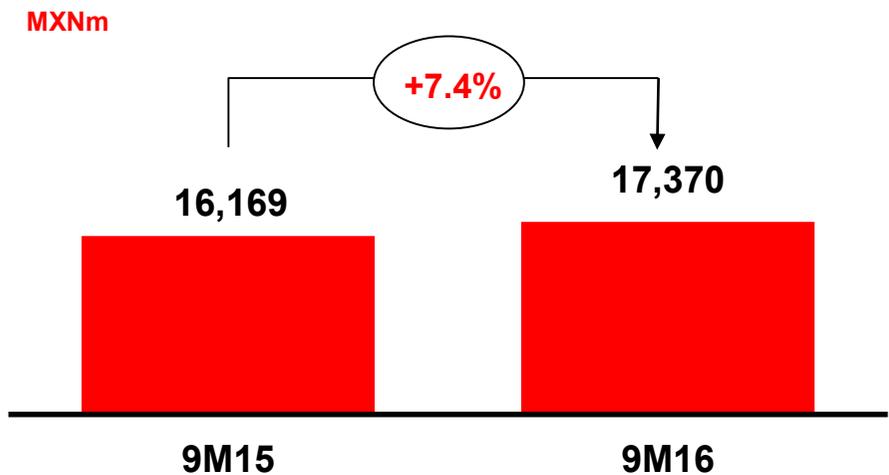
### Revenues<sup>1</sup>



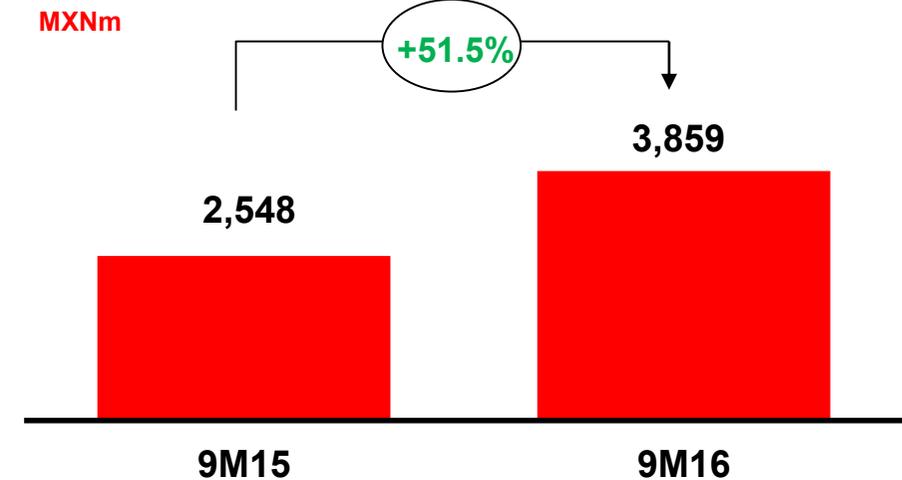
### Loan impairment charges



### Expenses



### Profit before taxes



Source: HSBC Mexico 3Q16 press release.

<sup>1</sup> Revenues refers to Total Operating Income excluding Loan impairment charges, as per the press release

<sup>2</sup> The non-recurrent events were: a) MXN1,123m benefit related to the release of a loan loss allowance recognized in the first nine months of 2015; b) MXN361m transition adjustment income related to Solvency II recognized in the first nine months of 2016; and c) MXN269m administrative expenses related to a decrease of a deferred profit sharing asset recognized in the first nine months of 2016.

For local GAAP vs IFRS reconciliation please refer to 1H16 local press release.

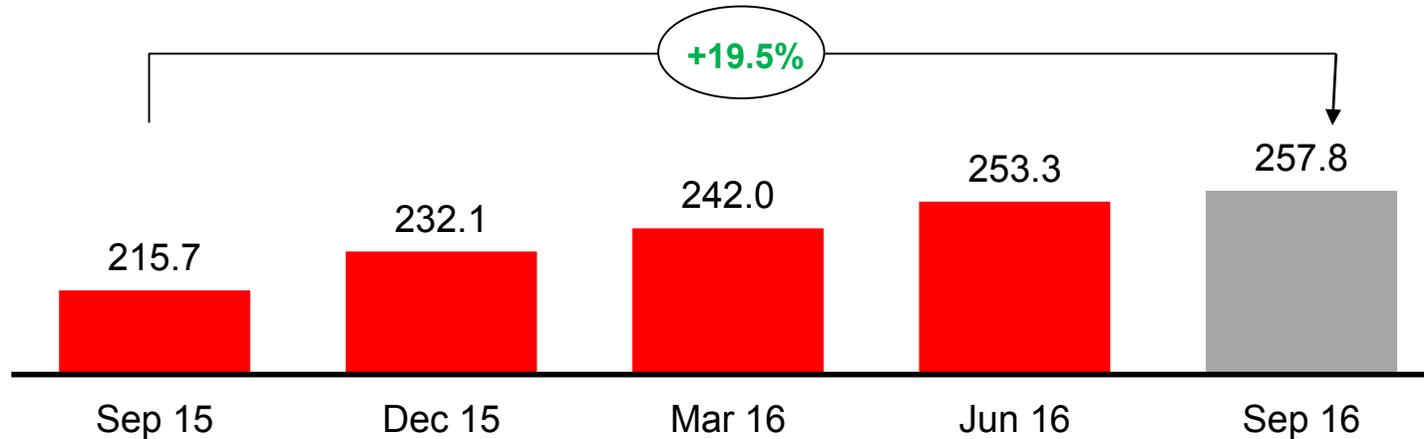
# HSBC Mexico

Credit portfolio increasing steadily, whilst deposits being managed with a view to reach an effective A/D ratio



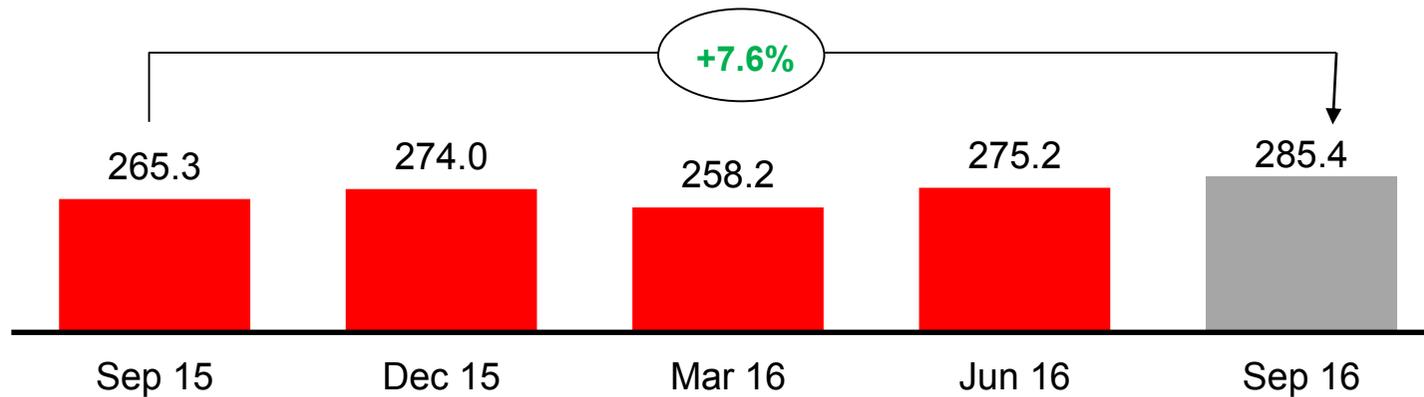
## Loans and advances, net

MXN bn



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

MXN bn



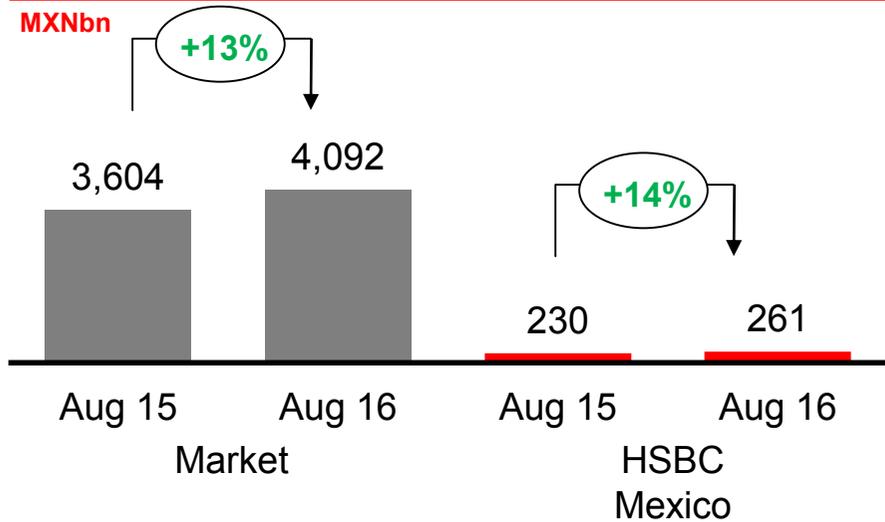
<sup>1</sup> Demand and Time Deposits disclosed in the Spanish version of the Q3 2016 press release, page 8, and excludes money market deposits *Mercado de dinero* and Bank Bonds Outstanding *Títulos de Crédito emitidos*. This Spanish version is publicly available in HSBC Mexico website.  
Source: HSBC Mexico 3Q16 press release. Reported figures under local Gaap. Time Deposits excludes money market deposits

# HSBC vs Market

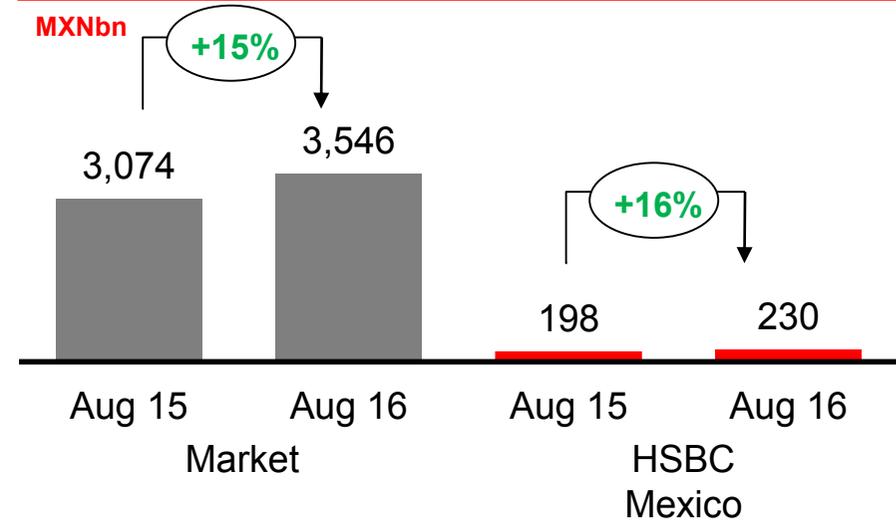
## Credit loan growth as of August 2016



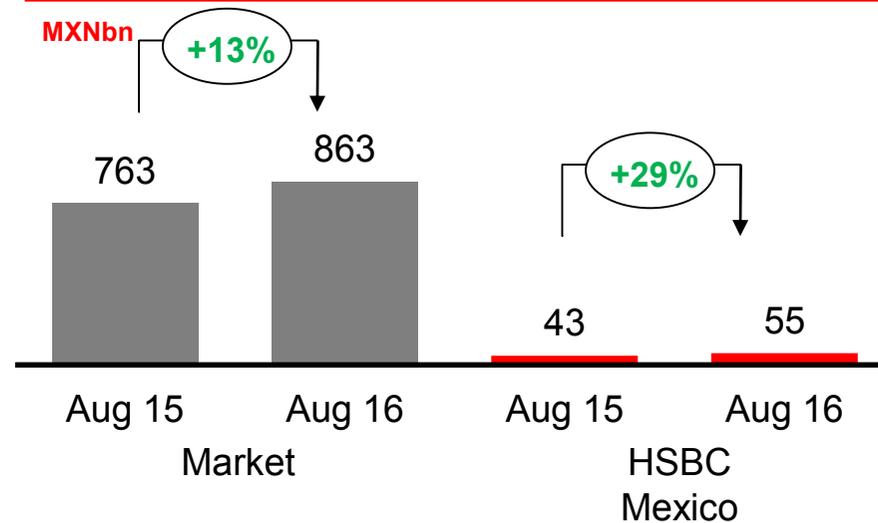
### Total gross loans



### Total gross loans (excl. Gov)



### Consumer loans (mortgage not included)



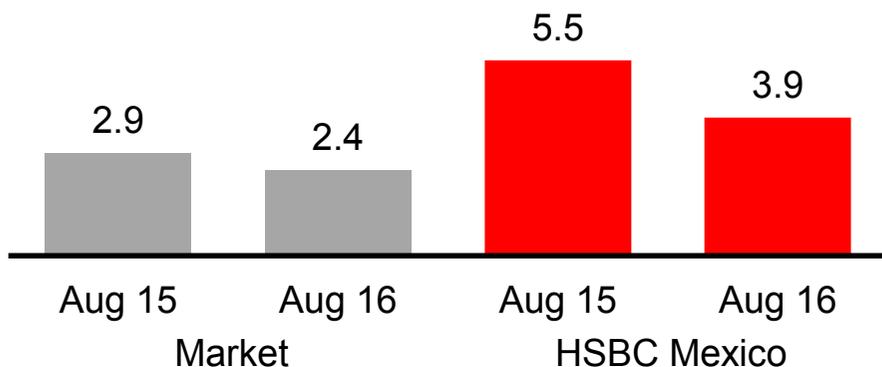
# HSBC vs Market

## NPL ratio as of August 2016



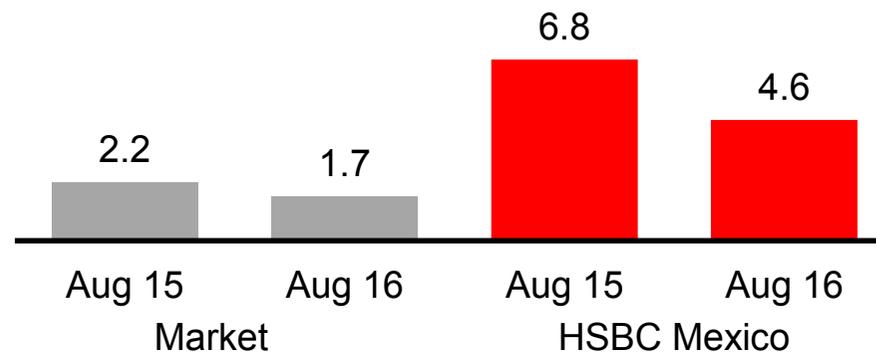
### Total NPL ratio

(%)



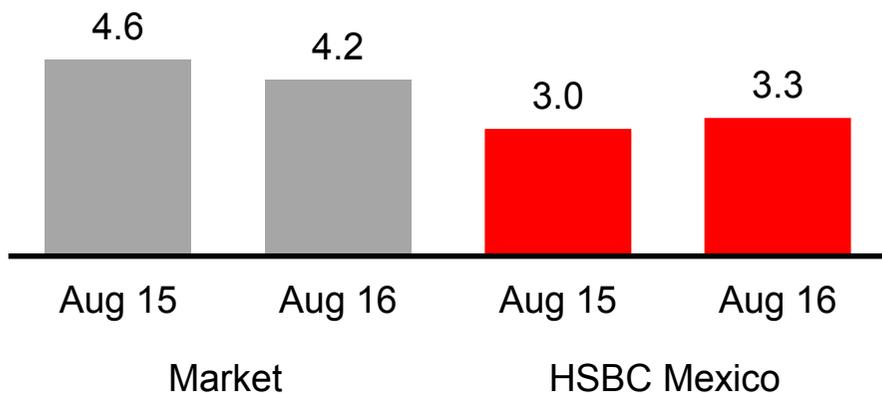
### Commercial NPL ratio

(%)



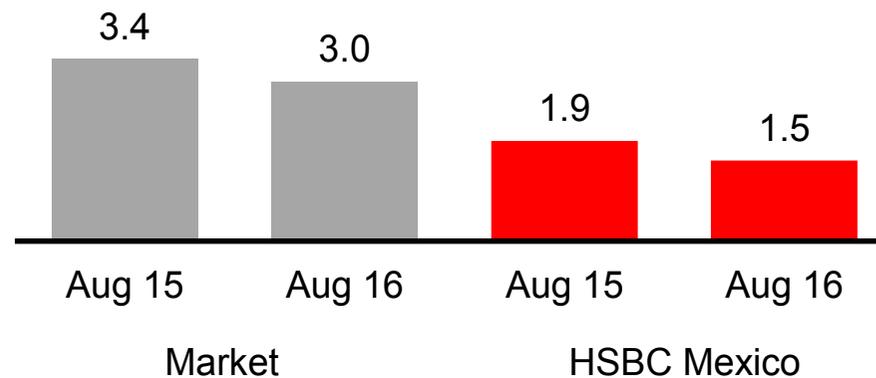
### Consumer NPL ratio

(%)



### Mortgage NPL ratio

(%)



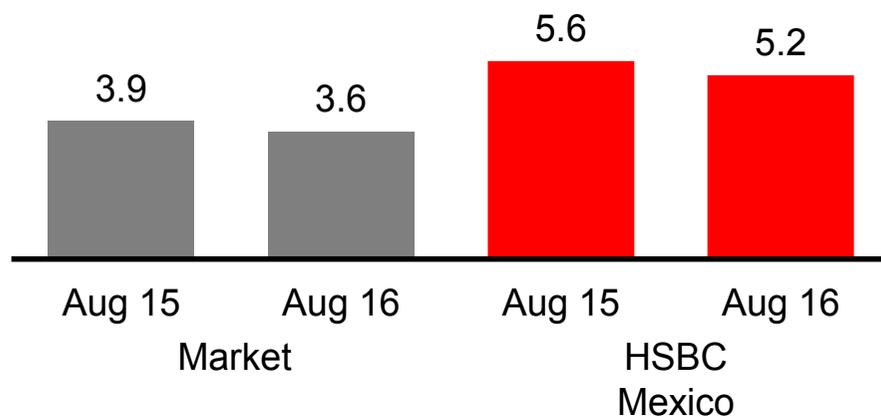
# HSBC vs Market

## Credit quality as of August 2016



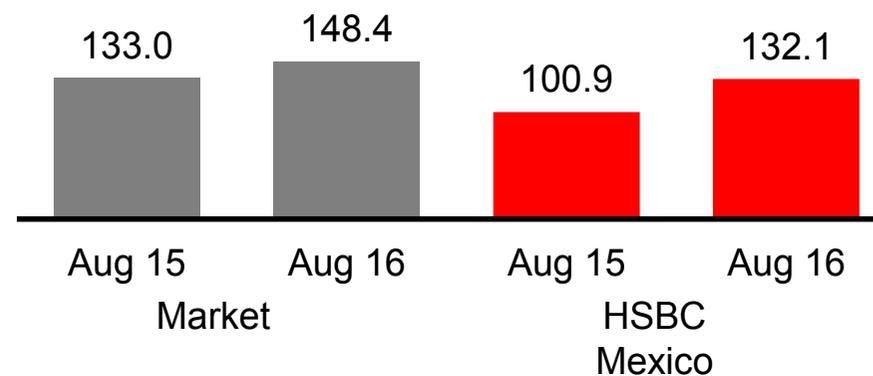
### Loss reserves / Loans

(%)



### Coverage ratio (Reserves / NPL)

(%)



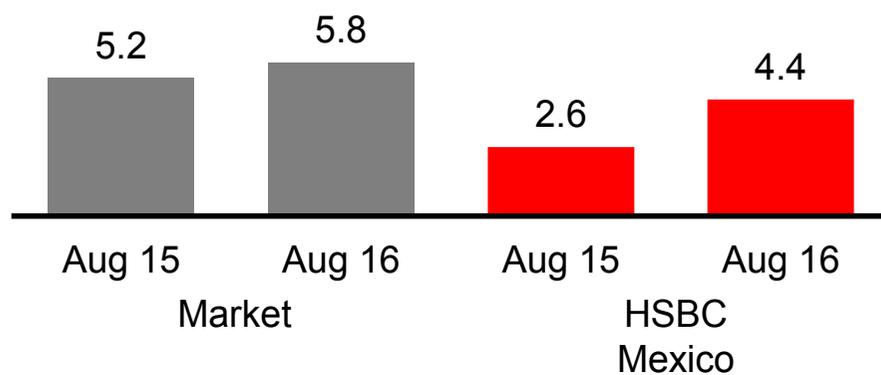
# HSBC vs Market

## Market data as of August 2016



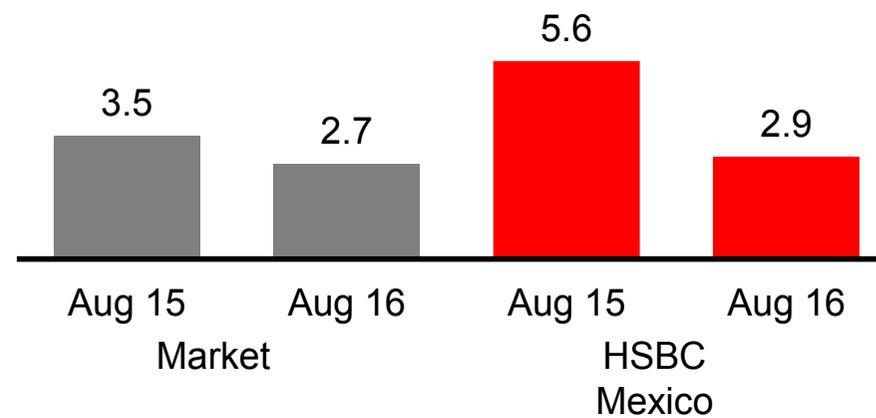
### Lending rates (NIM adjusted by LICs)

(%)



### Credit Costs (LICs/Loans)

(%)



## 4. Final remarks

- Turnaround financial performance
- Increase new to bank customer base in RBWM through CMB/GB payroll collaboration
- Increase market share of wallet of existing customers across all businesses, and become a player commensurate with our retail scale
- Grow CMB/GB focusing on international subsidiaries and NAFTA
- Continue to execute financial crime risk management plan
- In line to deliver profit commitment as defined in 2015 Investor Update.