



8 March 2017

HSBC Mexico

Nuno A Matos 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 2016 Annual Report and Accounts and the Reconciliations of Non-GAAP Financial Measures document which are both available at www.hsbc.com.

Value of the network

- 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

Our highlights

2016 Full Year

Reported PBT
(2015: \$18.9bn)

\$7.1bn

Adjusted PBT
(2015: \$19.5bn)

\$19.3bn

Reported RoE
(2015: 7.2%)

0.8%

Adjusted Jaws¹

1.2%

Ordinary dividends
In respect of the year
(2015: \$0.51)

\$0.51

CET1 ratio
(2015: 11.9%)

13.6%

2016 Financial Performance

- Reported PBT of \$7.1bn was \$11.8bn lower than 2015 and impacted by significant items of \$12.2bn, mainly:
 - non-cash items of \$8.9bn including the write-off of GPB goodwill (\$3.2bn), fair value own credit spread losses on own debt (\$1.8bn)
 - cash items of \$3.3bn including cost to achieve (CTA) investment of \$3.1bn
- Adjusted PBT of \$19.3bn down \$0.2bn or 1%:
 - Revenue of \$50.2bn down \$1.3bn or 2%. Improved performance in CMB (up 1%) and GB&M (up 2%); RBWM and GPB were affected by challenging market conditions
 - 4Q16 revenue included valuation differences on long-term debt and swaps of \$0.7bn; (FY16 \$0.3bn)
 - Operating expenses fell by \$1.2bn or 4% reflecting our cost-saving initiatives and focus on cost management
 - FY16 LICs up 2%; 4Q16 LICs fell by \$0.8bn to \$0.5bn vs. 4Q15
- Growth in lending in Asia (4% vs. 4Q15) and Europe (2% vs 4Q15); continued deposit growth (5% vs. 4Q15)

Capital and dividends

- Strong capital position with a CET1 ratio of 13.6% and a leverage ratio of 5.4%
- We have maintained the dividend at \$0.51 per ordinary share; total dividends in respect of the year of \$10.1bn
- Announcing a further share buy-back of up to \$1.0bn to retire more of the capital that previously supported the Brazil business

Strategy execution

- Clearly defined actions to capture value from our network and connecting our customers to opportunities
 - Completed a \$2.5bn share buy-back following the sale of our Brazil business
 - Further reduced our risk-weighted assets (RWAs) during 2016 by \$143bn as a result of extensive management actions including our sale of operations in Brazil
 - Investment in CTA of \$4.0bn to date generating annualised run rate savings of \$3.7bn
 - Deliver increased annualised cost savings of c\$6bn while continuing to invest in regulatory programmes and compliance
 - Increased market share in a number of key markets and international product areas, including trade finance in Hong Kong and Singapore

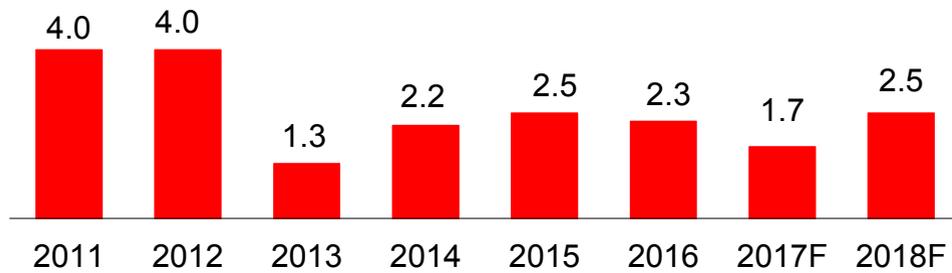
¹ Includes the impact of the UK bank levy.

1. Mexico's economic outlook

Macroeconomic highlights – Key fundamentals

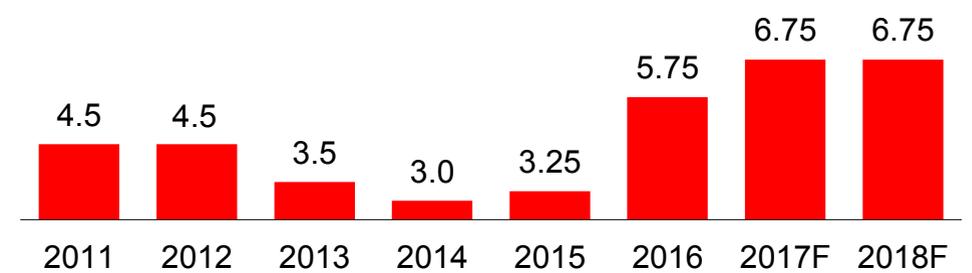
GDP growth

% y-o-y



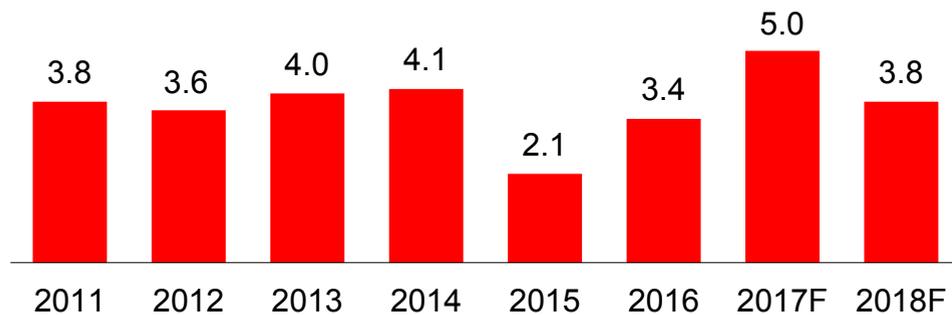
Central Bank policy rate

%



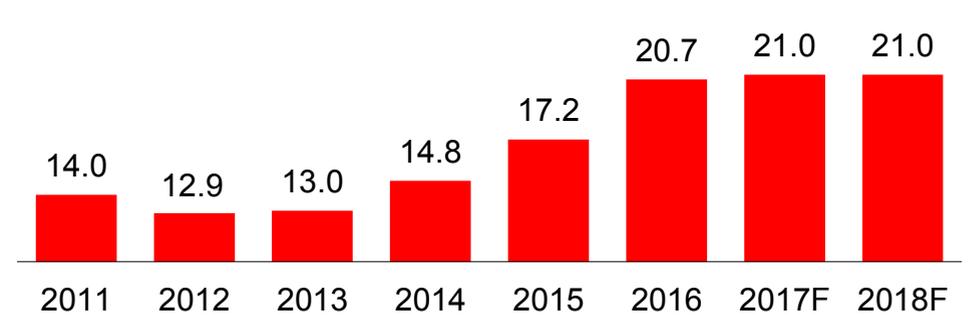
Inflation %

End of period



Foreign Exchange

MXN / USD end-year

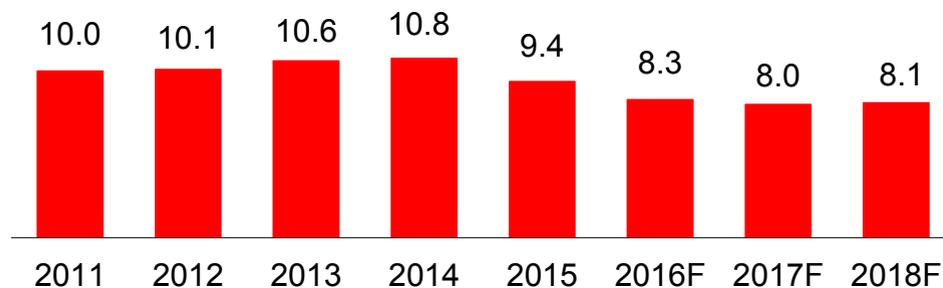


Source: HSBC Global Research, Latin America Economics 1Q17.

Macroeconomic highlights – Financial deepness and trade openness

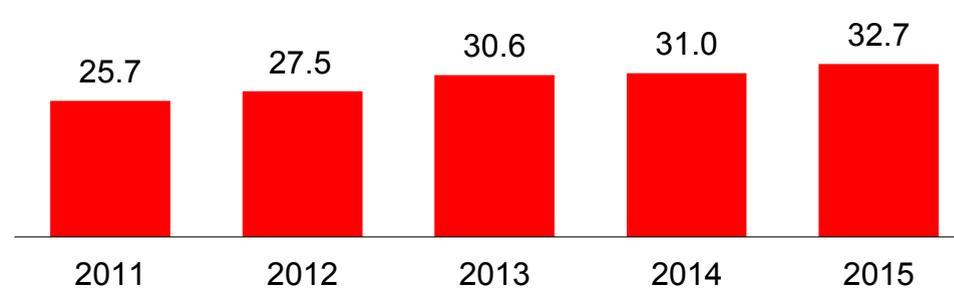
GDP per capita

USDk^{3,4}



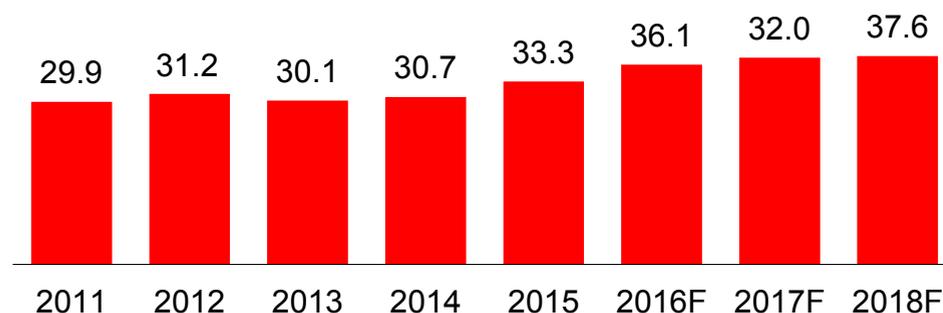
Domestic credit to private sector

As % of GDP²



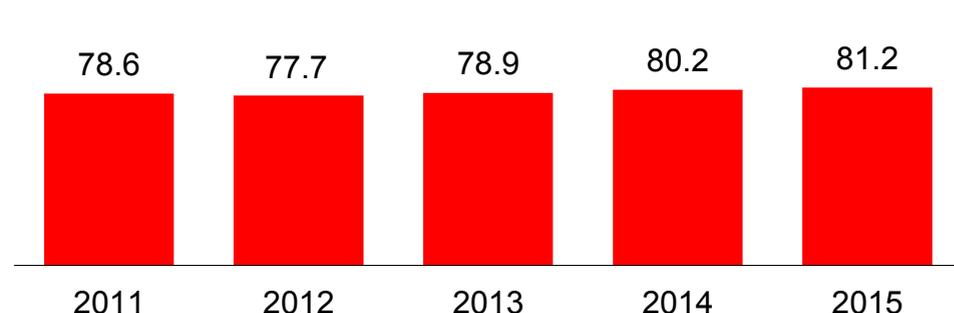
Total Exports

As % of GDP^{1,3}



Exports to USA

As % of total exports^{1,3}

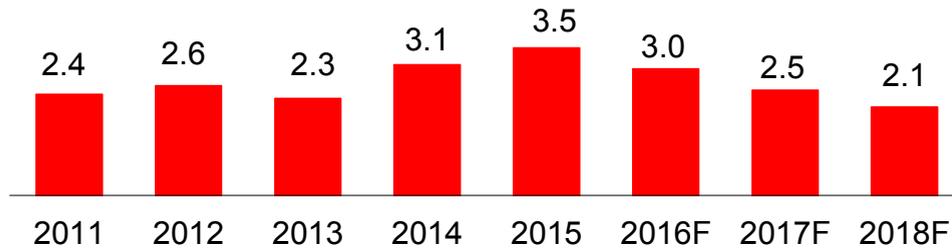


1. Source: HSBC Global Research, Latin America Economics 1Q17.
 2. Source: Worldbank
 3. Trademap.org
 4. Between 2014-2015, MXN depreciated 17.5% while GDP per capita fell 13%

Macroeconomic highlights - Public sector

Central Government Budget Deficit

% GDP



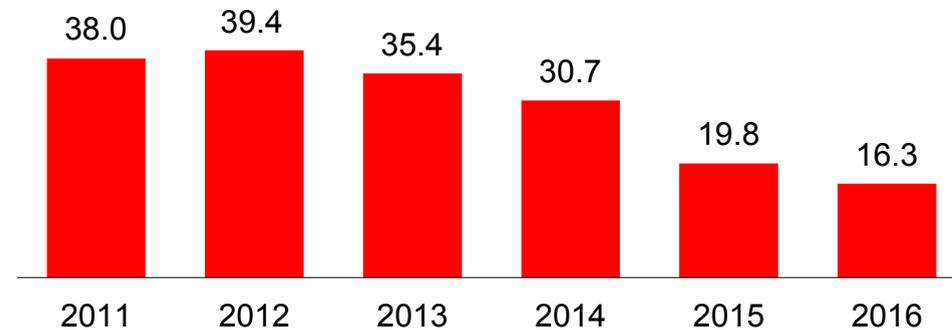
Gross public sector debt

% GDP



Oil revenues

% of total government revenues



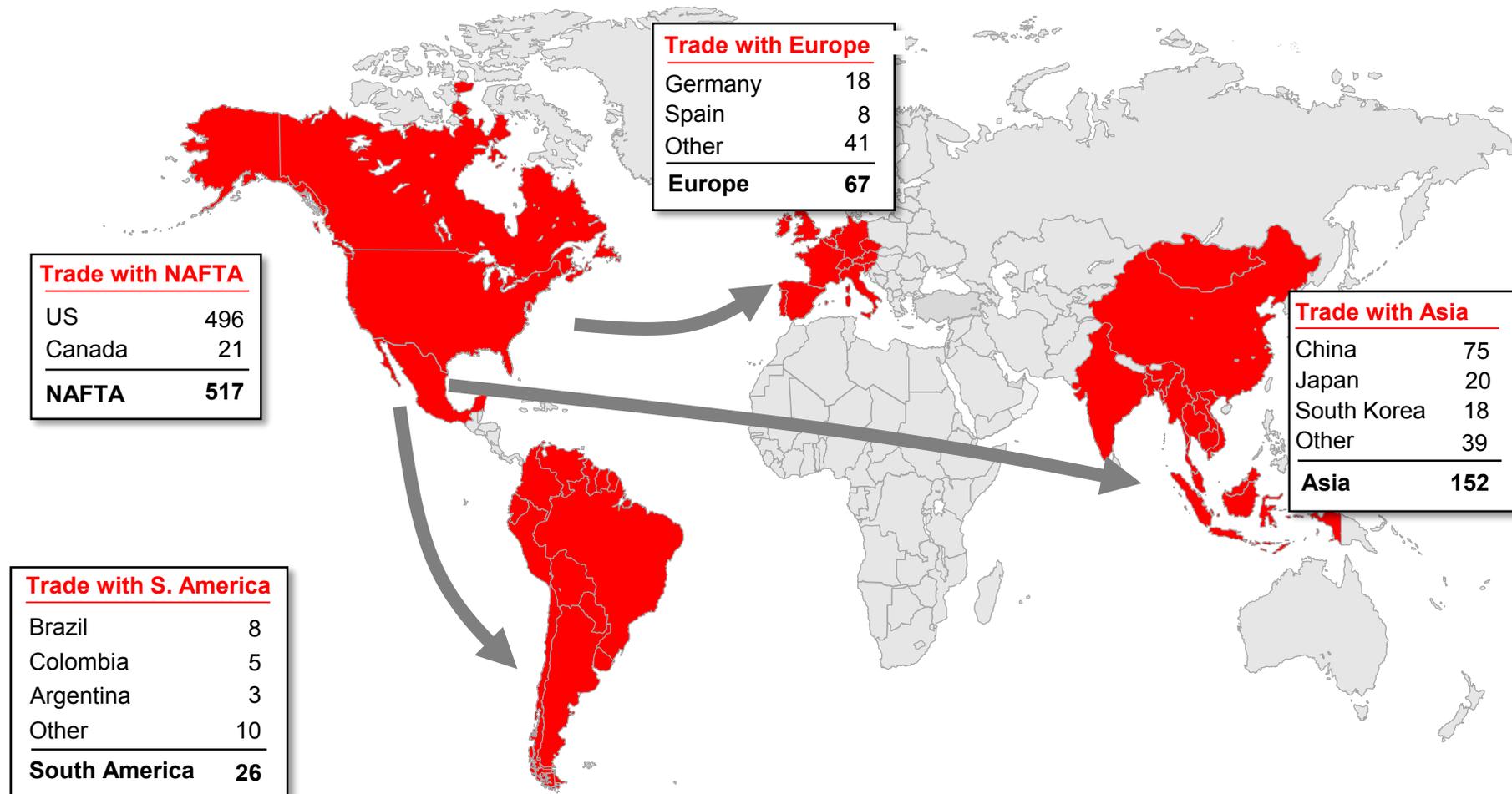
Source: HSBC Global Research, Latin America Economics 1Q17. For Oil revenues, Ministry of Finance (SHCP)

Mexico's trade

Mexico connected to Key regions

Mexico in key trade corridors¹

2015 value of trade (exports and imports), USDbn



1. Source: Trademap.org

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 1st and 2nd 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**

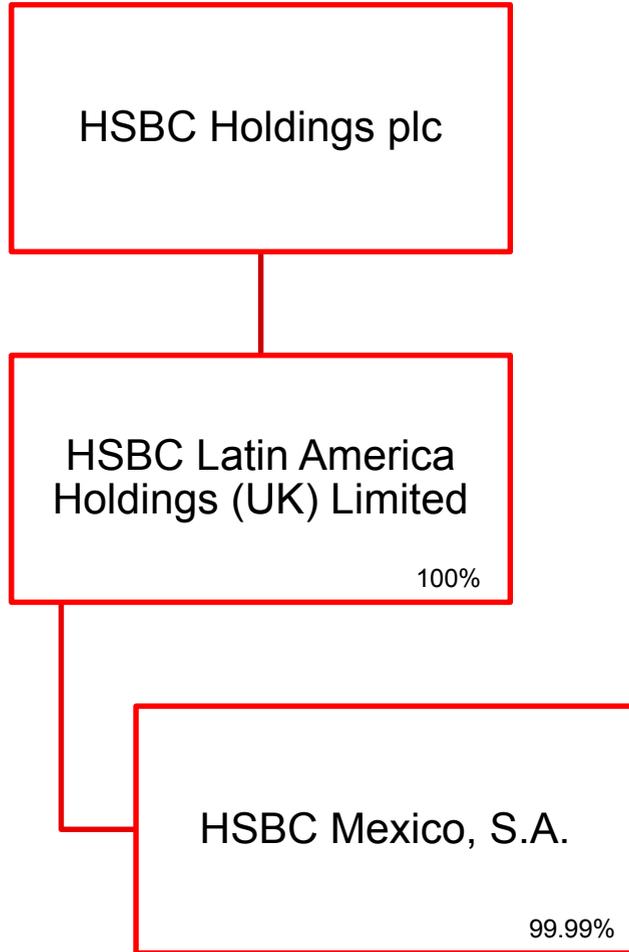
Current Approach and Results

- 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

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

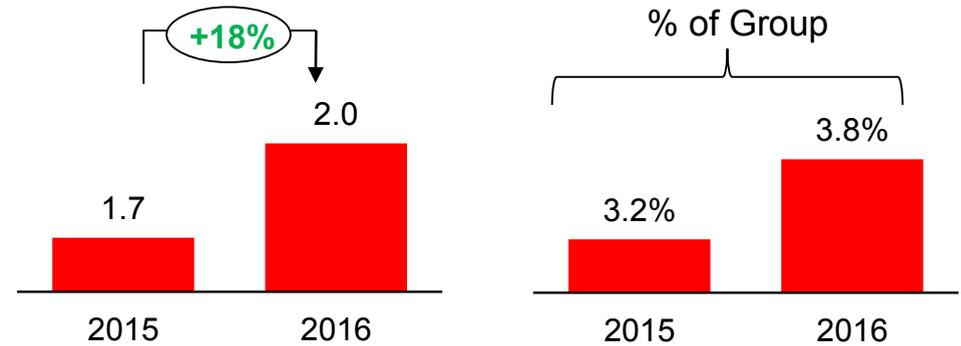
Ownership chart



HSBC Mexico performance¹

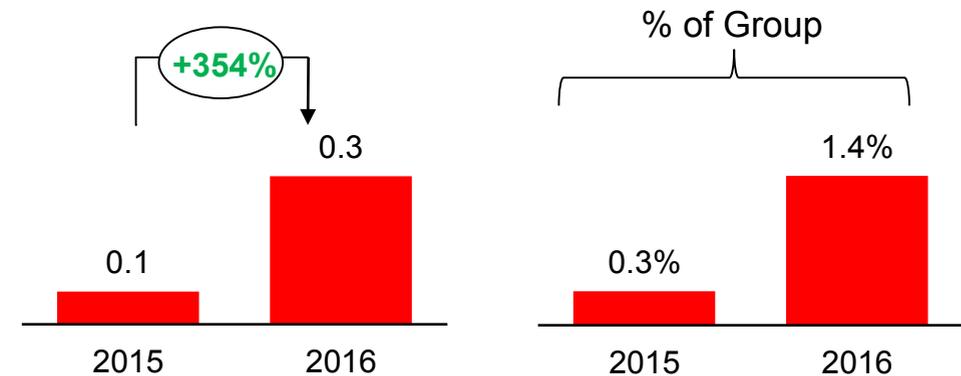
Revenues

USDbn



PBT

USDbn



1. Adjusted figures under IFRS.

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 Irigorri
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, Bank of America, ING and Citibank.

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

HSBC Mexico position

- Competitive top-5 universal bank with scale¹
- Leading trade and cash management bank²
- Important retail player with high customer³ 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 Network⁴

- 974 branches (13.4% Market share, 5th)
- 5,471 ATMs (13.3% Market share, 5th)
- Approximately 16,000 FTEs

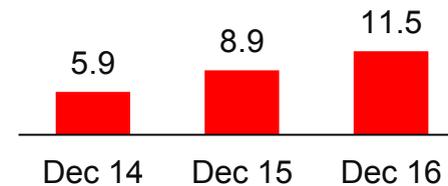
Key businesses

Contribution to HSBC Mexico⁵

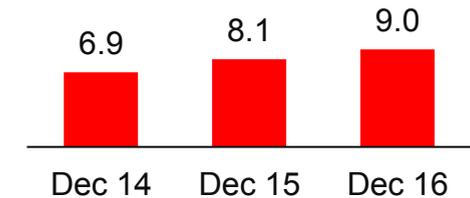
	RBWM	CMB	GB&M
Loans	35%	36%	29%
Revenues ⁶	73%	16%	11%
PBT	44%	29%	27%

Retail products market share trend, %⁴

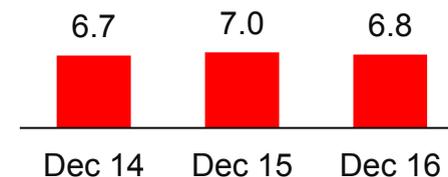
Personal loans



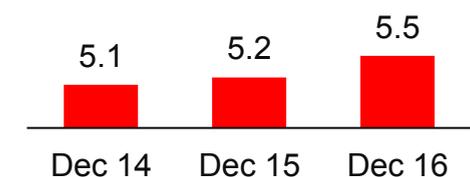
Payroll loans



Credit cards

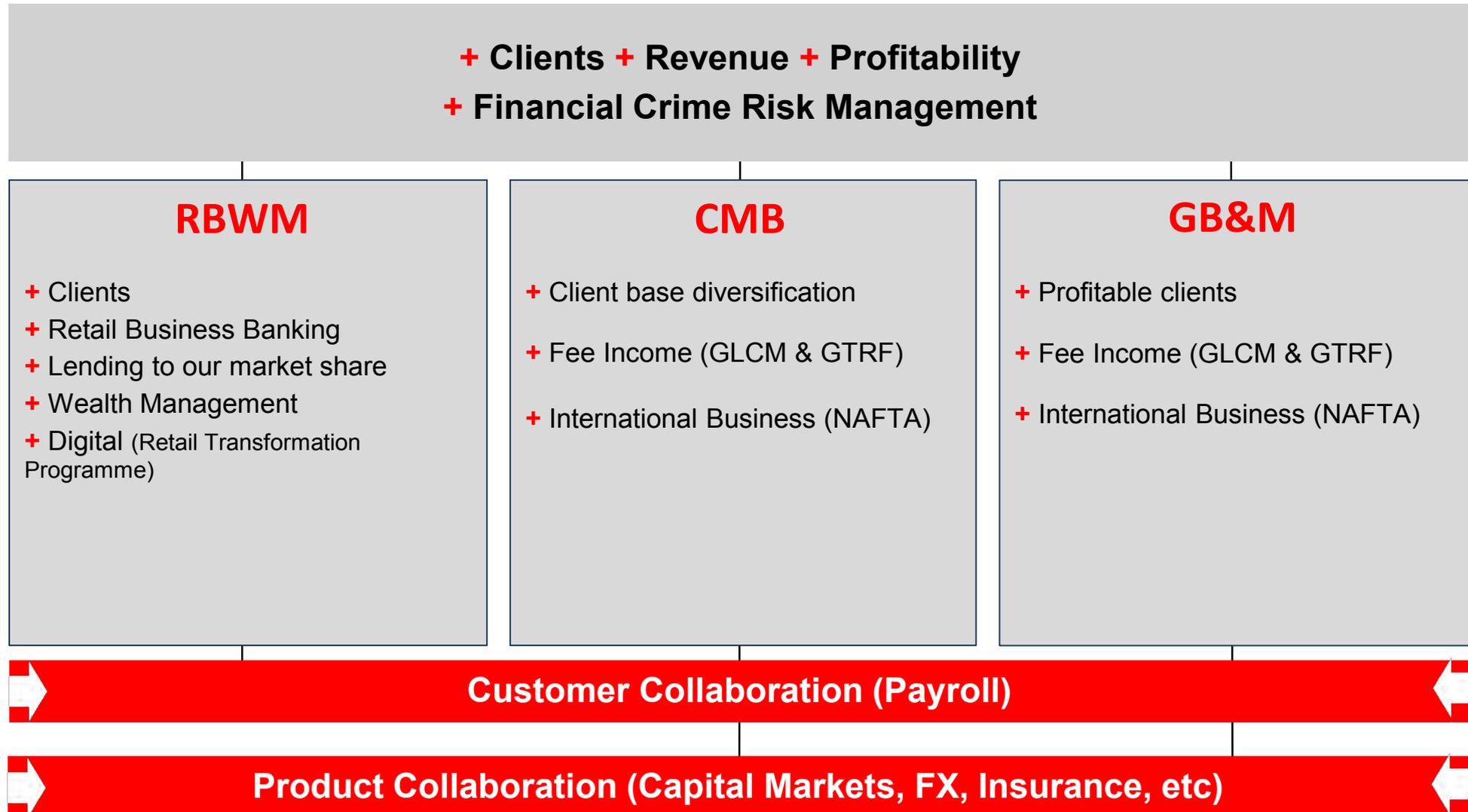


Mortgage loans

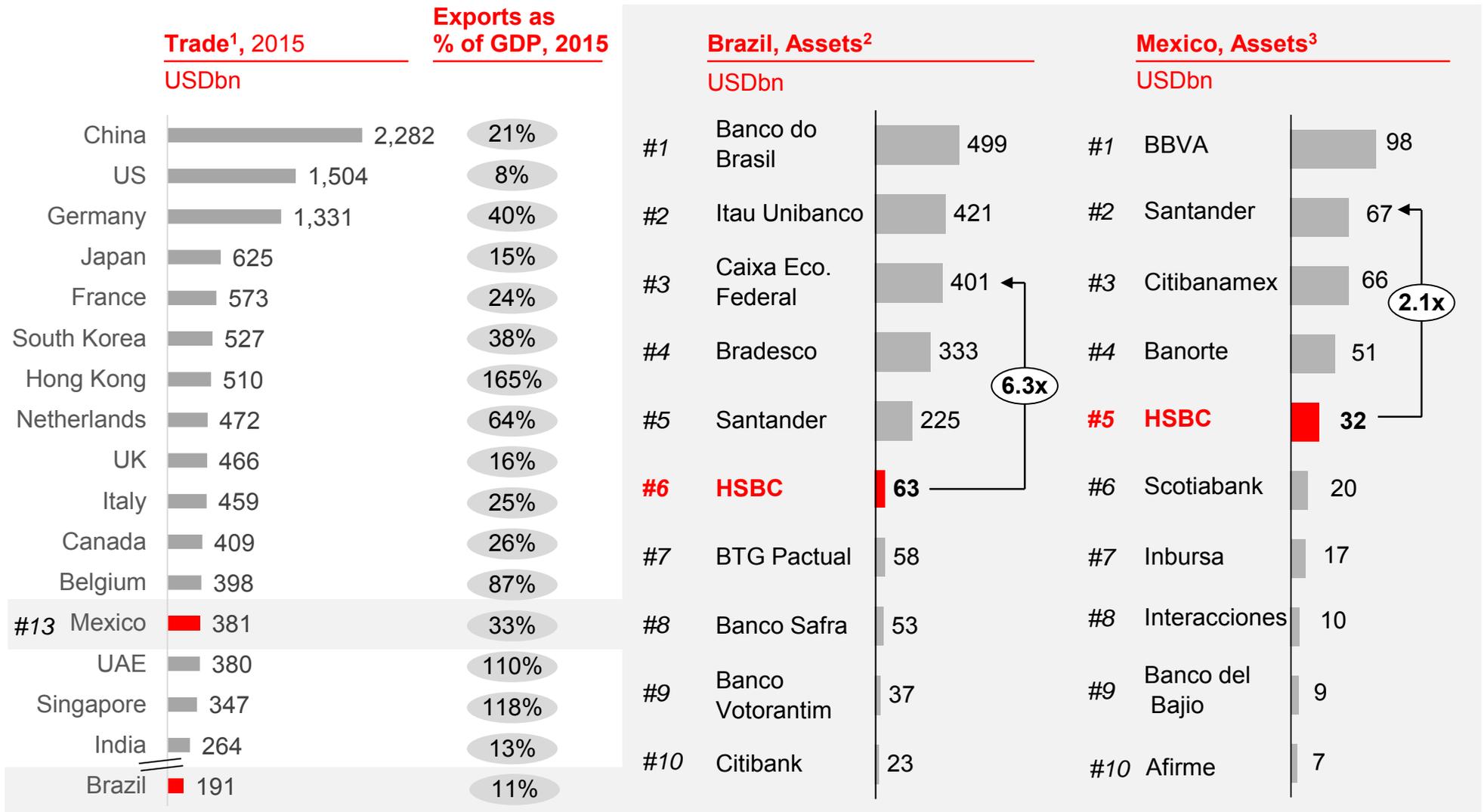


1. Source: National Commission of Banking and Securities
 2. Source: Dealogic
 3. Source: Conducef
 4. Source: National Commission of Banking and Securities. Market share as of Dec 2016 based on 6 major banks in Mexico
 5. Source: 4Q16 HSBC Mexico Local press release
 6. Revenues refers to Total Operating Income excluding Loan impairment charges

Our Strategy – The Right Strategy...



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



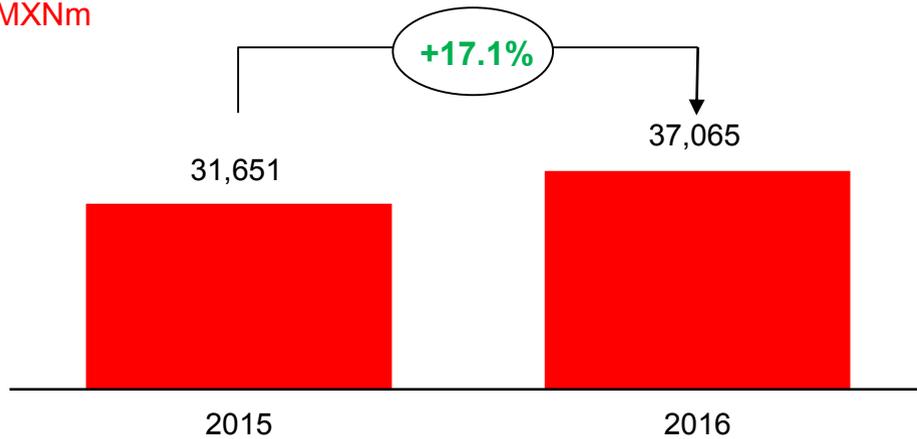
1. Exports; Source: Global Insights, March 2015
 2. Banco Central Do Brasil, data as of December 2014, reported in USD
 3. Mexican Commission of Banking and Securities, data as of December 2015, reported in USD

3. Financial performance

Financial performance 2015-2016

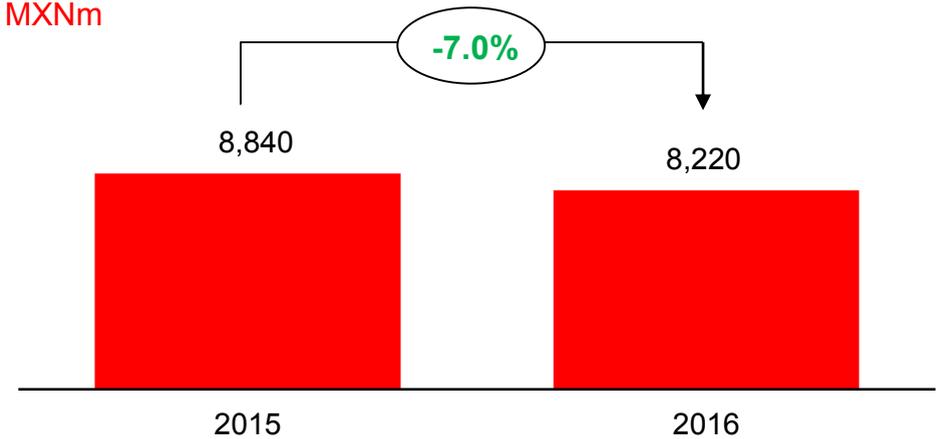
Revenues¹

MXNm



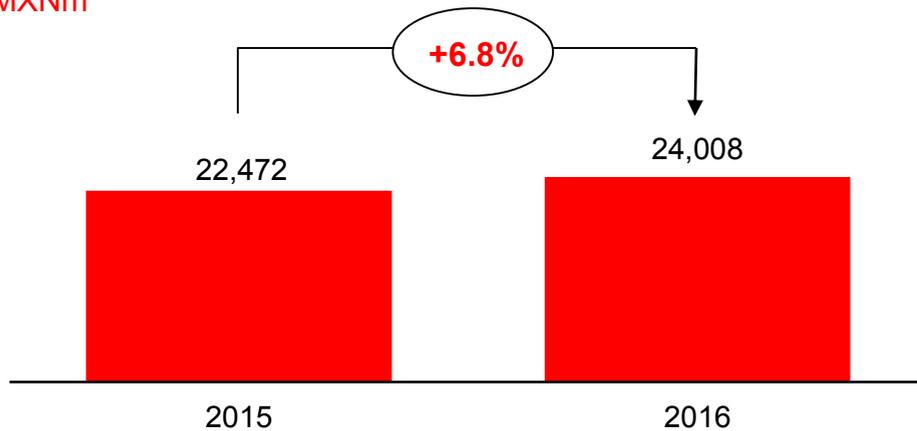
Loan impairment charges

MXNm



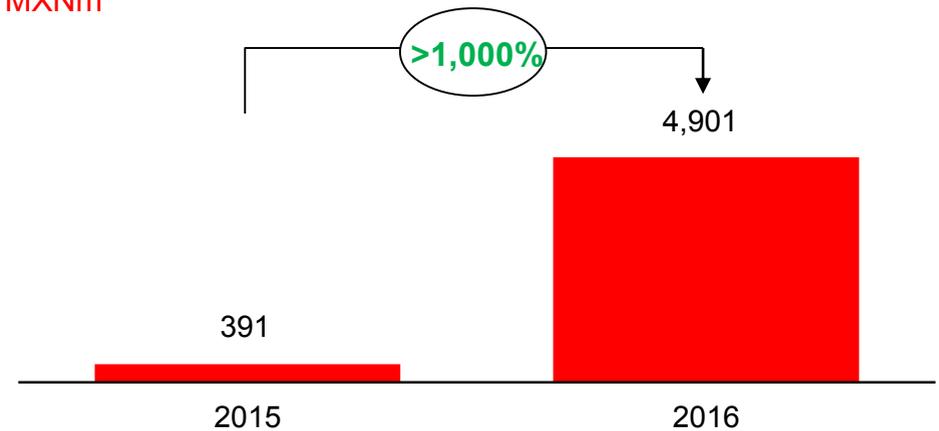
Expenses

MXNm



Profit before taxes

MXNm



Source: HSBC Mexico 4Q16 press release.

1. Revenues refers to Total Operating Income excluding Loan impairment charges
For local GAAP vs. IFRS reconciliation please refer to 4Q16 local press release.

Financial performance 2015-2016² – excluding non-recurrent items

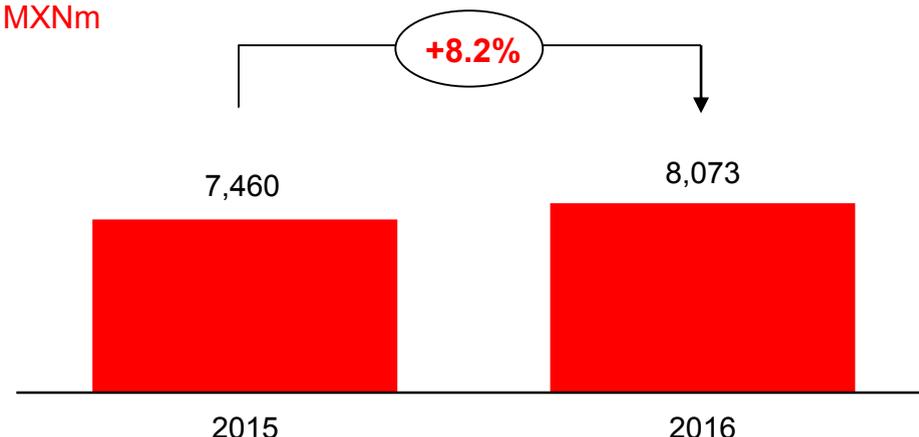
Revenues¹

MXNm



Loan impairment charges

MXNm



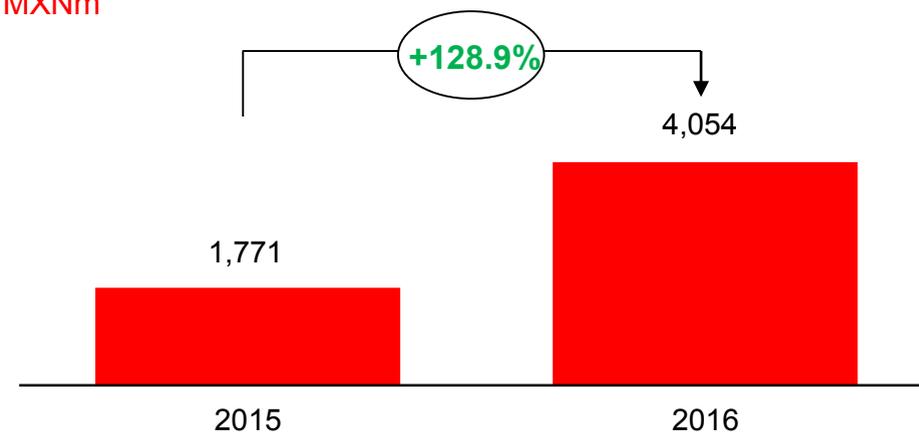
Expenses

MXNm



Profit before taxes

MXNm



Source: HSBC Mexico 4Q16 press release.

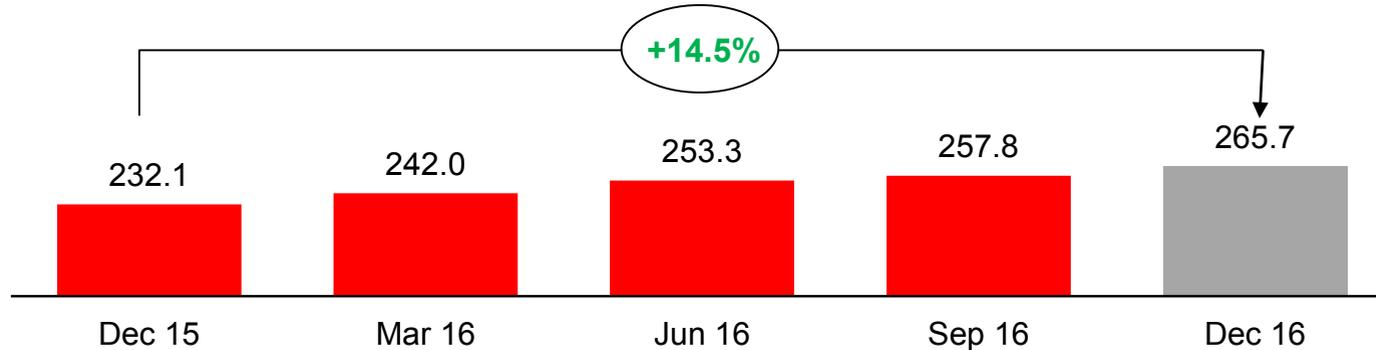
1. Revenues refers to Total Operating Income excluding Loan impairment charges

2. The non-recurrent events were: a) MXN1,380m of net loan impairment charges creation relating to the homebuilders portfolio recognized in 2015; b) MXN 994m transition adjustment income related to Solvency II (new regulatory framework for insurance companies effective since 1 January 2016) recognized in 2016; and c) MXN147m of net loan impairment charges creation relating to the homebuilders portfolio recognized in 2016. For local GAAP vs. IFRS reconciliation please refer to 4Q16 local press release.

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

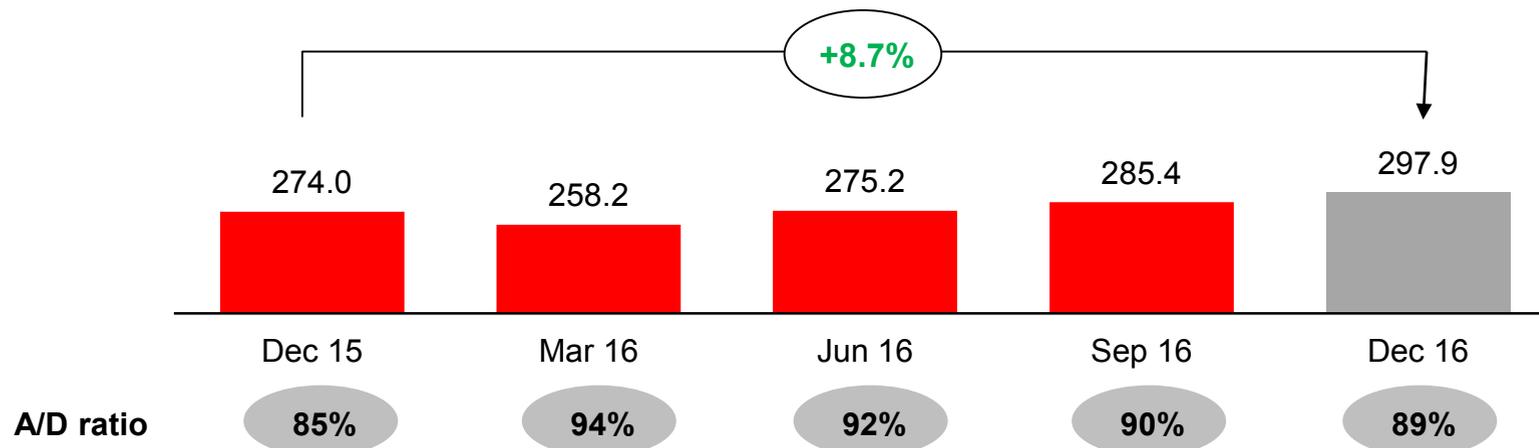
Loans and advances, net

MXNbn



Demand and Time Deposits¹

MXNbn



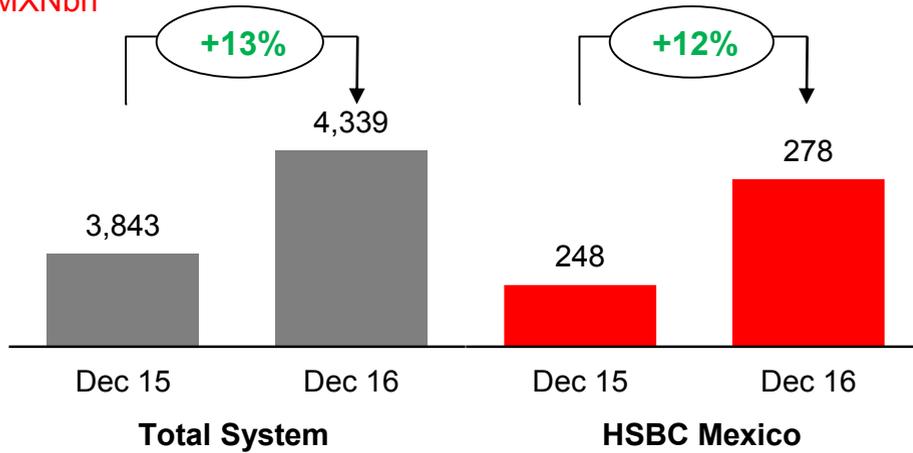
Source: HSBC Mexico 4Q16 press release. Reported figures under local Gaap. Time Deposits excludes money market deposits

1. Demand and Time Deposits disclosed in the Spanish version of the 4Q 2016 press release, and excludes money market deposits Mercado de dinero and Bank Bonds Outstanding Títulos de Crédito emitidos. This Spanish version is publically available in HSBC Mexico website.

Credit gross loan growth as of December 2016

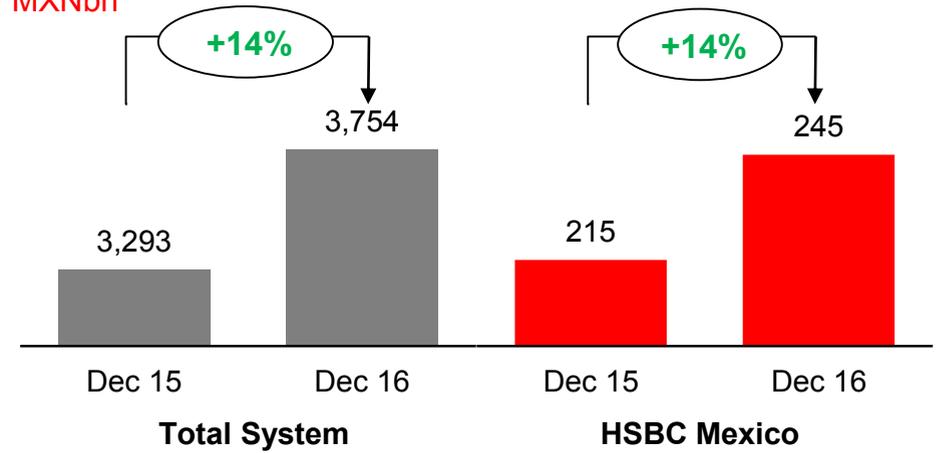
Total Loans

MXNbn



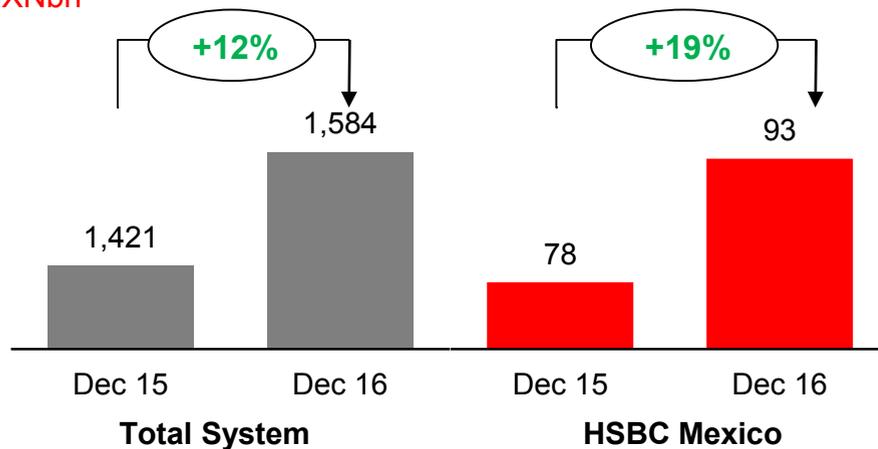
Total Loans (excl. Government)

MXNbn



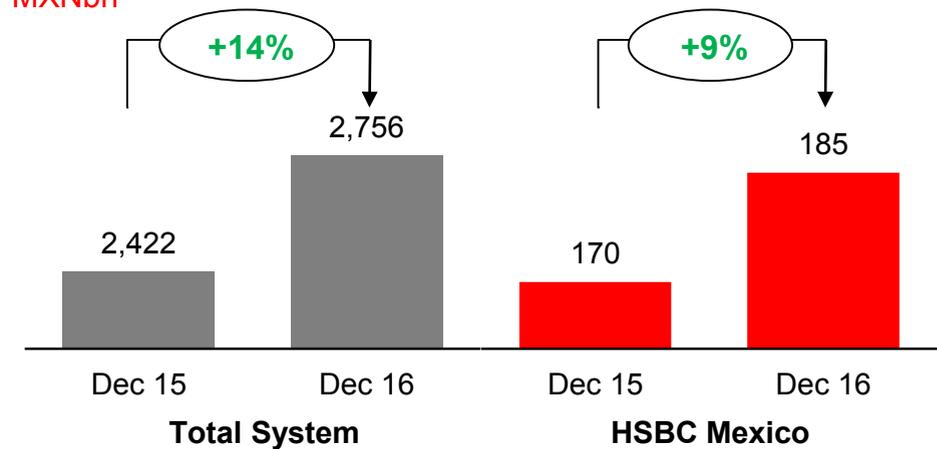
Retail Loans

MXNbn



Wholesale Loans

MXNbn

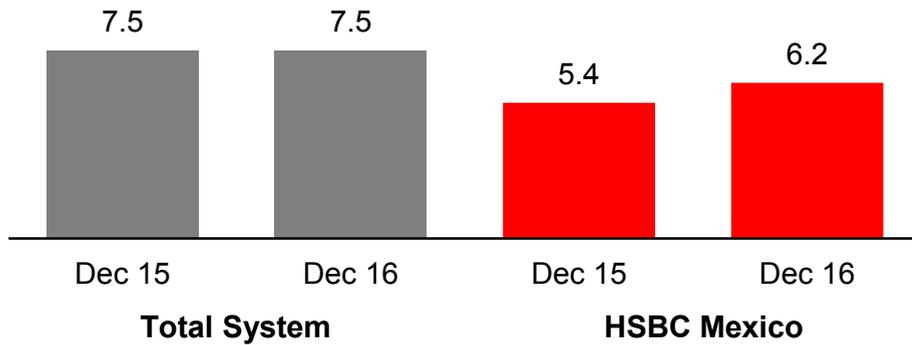


Source: CNBV, figures under local Gaap

Margin increase and lower credit costs

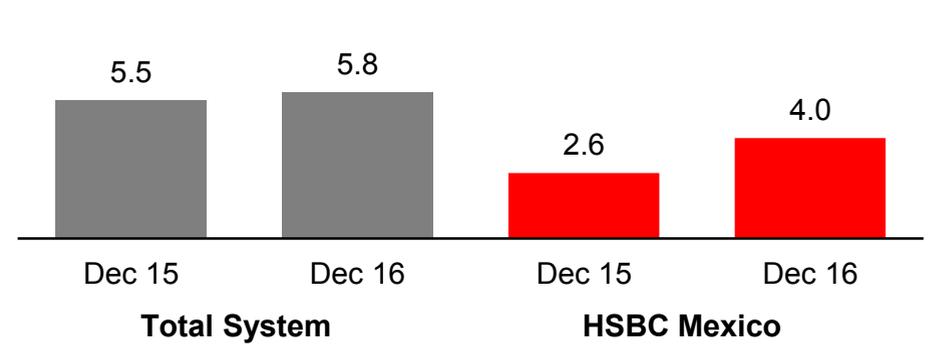
Lending rates (NIM)

%



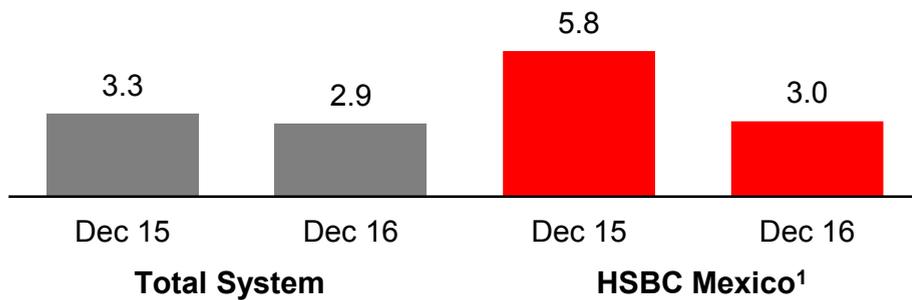
Lending rates (NIM adjusted by LICs)

%



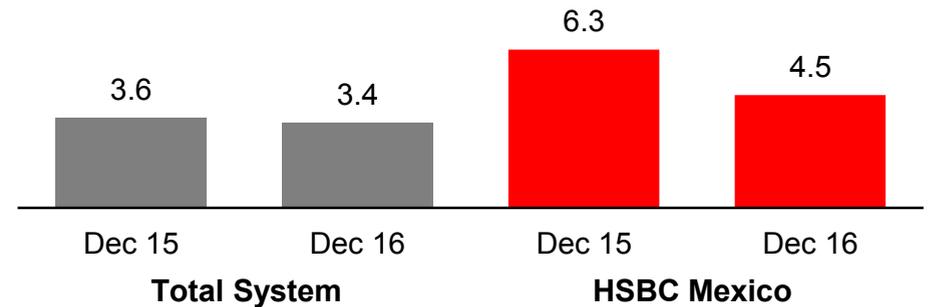
Credit Costs (LICs/Loans)

%



Loan Reserves / Total portfolio

%



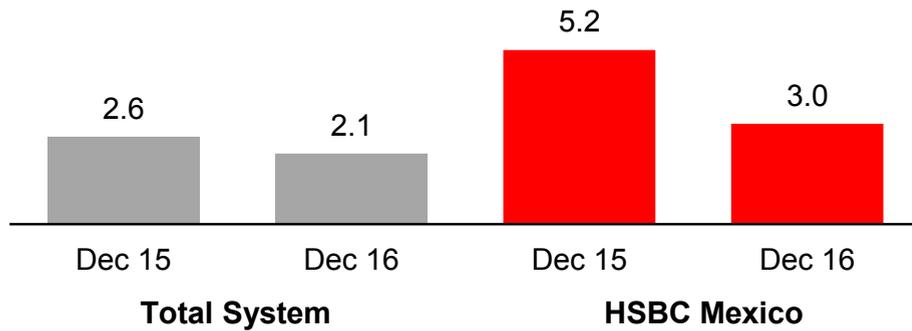
Source: CNBV, figures under local Gaap

1. 2015 includes a non-recurrent item of MXN1,380m of loan impairment charges related to the homebuilders portfolio. 2016 includes the impact of higher retail loan impairment charges.

NPL Ratio converging with the Market

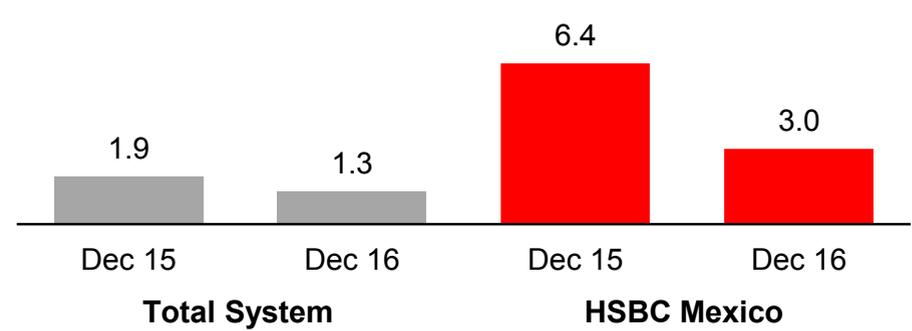
Total NPL ratio

%



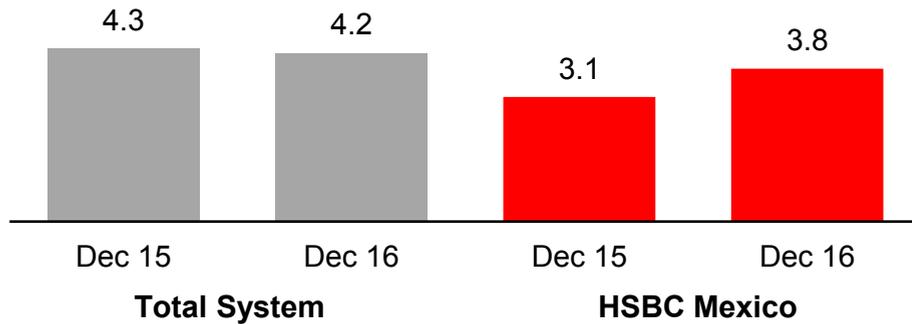
NPL ratio – Commercial

%



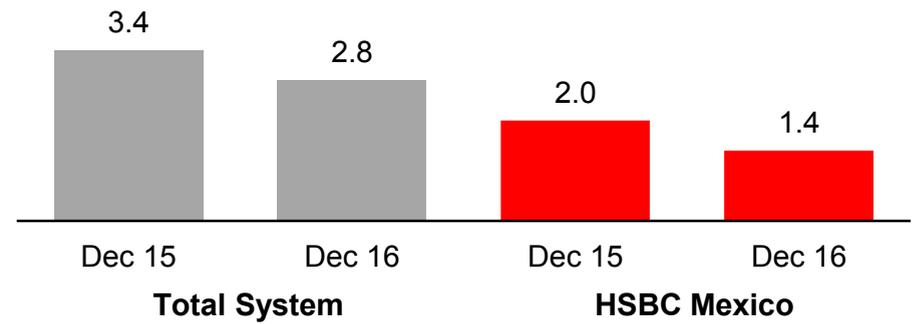
NPL ratio – Retail

%



NPL ratio – Mortgage

%

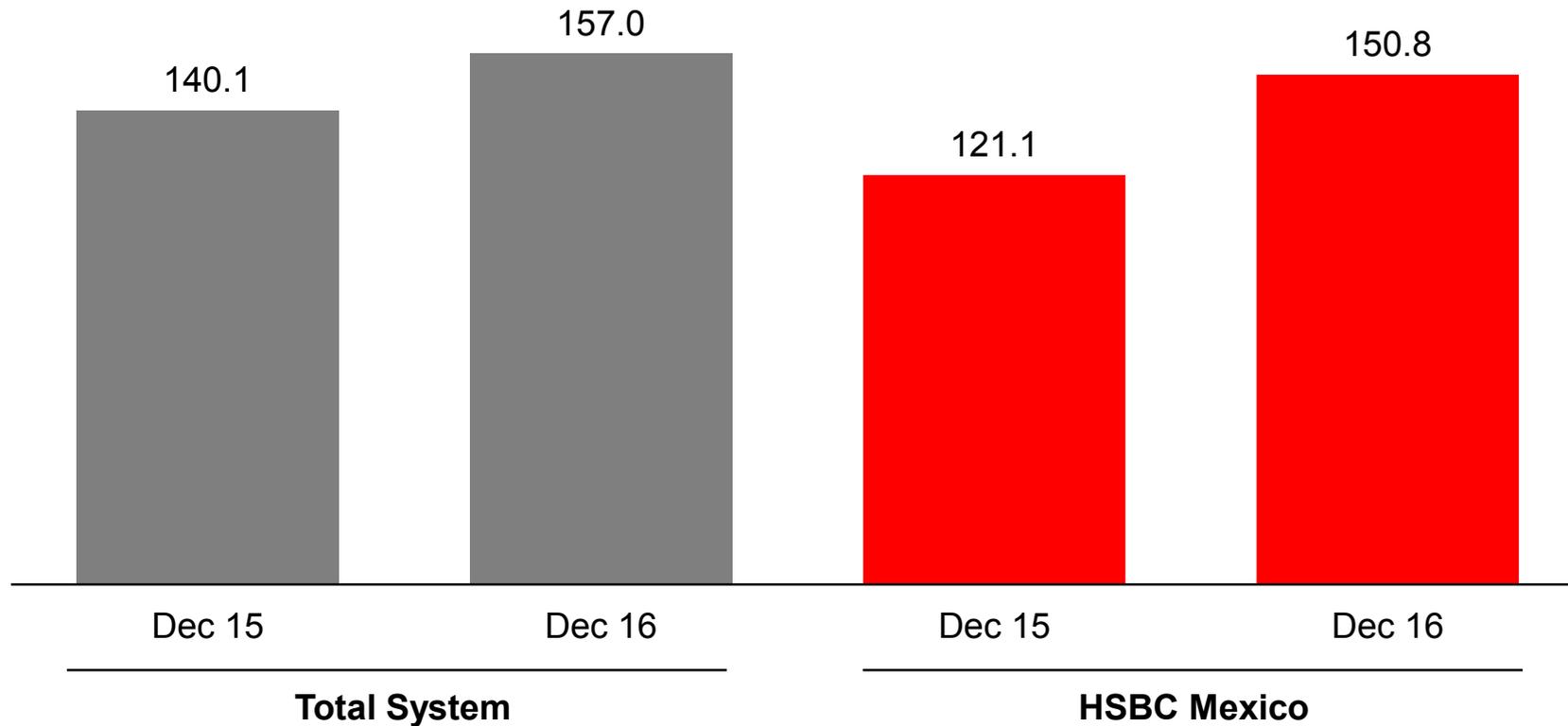


Source: CNBV, figures under local Gaap

Loan quality adjusting gradually to Market

Coverage Index (Reserves / NPL)¹

%



Source: CNBV, figures under local GAAP

1. The increase in the HSBC Coverage Index, is related to lower NPL during 2016

4. Final remarks

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
- Strong progress towards achieving profit commitment as defined in 2015 Investor Update