



December 2017

HSBC Mexico

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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, HSBC Group Interim Report, the Reconciliations of Non-GAAP Financial Measures document and HSBC Mexico press release which are available at www.hsbc.com.

Information in this Document was prepared as of 5 December 2017.

Our highlights

3rd Quarter 2017

Reported PBT

(3Q16: \$0.8bn)

\$4.6bn

Adjusted PBT

(3Q16: \$5.5bn)

\$5.4bn

Reported RoE¹

(9M16: 4.4%)

8.2%

Adjusted Jaws²

(4.9)%

A/D ratio

(3Q16: 67.9%)

70.7%

CET1 ratio³

(3Q16: 13.9%)

14.6%

3Q17 Financial Performance (vs. 3Q16 unless otherwise stated)

- Reported PBT of \$4.6bn was \$3.8bn higher than 3Q16
- Adjusted PBT of \$5.4bn:
 - Revenue of \$13.0bn up \$0.3bn or 3% up in all three of our largest global businesses:
 - RBWM up \$0.3bn or 6% primarily from increased deposit revenue and included favourable market impacts; excluding these market impacts, revenue increased 5%
 - CMB up \$0.2bn or 5% driven by our Global Liquidity and Cash Management business
 - GB&M up \$0.1bn or 2% primarily from our transaction banking businesses, notably our Global Liquidity and Cash Management and Securities Services businesses
 - Lower LICs reflecting a stable credit environment
 - Increase in operating costs of 7% in part reflecting planned investment in business growth as previously disclosed and increased performance-related costs

9M17

- Reported PBT of \$14.9bn was \$4.3bn higher than 9M16
- Adjusted PBT of \$17.4bn was \$1.2bn or 8% higher than 9M16
- Adjusted revenue of \$39.1bn was \$1.1bn higher than 9M16 reflecting the increased value of our deposit franchise across RBWM and CMB; GB&M revenue 6% higher, despite subdued market conditions
- Adjusted costs of \$22.4bn increased by \$0.9bn or 4% in part reflecting investment for growth

Balance Sheet and capital

- \$69bn or 8% lending growth since 3Q16 (excluding CML run-off and red-inked balances); \$34bn or 3% growth in deposit balances
- Strong capital position with a CET1 ratio of 14.6% and a leverage ratio of 5.7%

Strategy execution

- Completed 71% of the \$2bn buy-back announced in July 2017
- Further \$13bn of RWA reductions in 3Q17 bringing the total reduction to \$309bn since the start of 2015
- \$5.2bn of annual run-rate cost savings realised and remain committed to delivering positive jaws for 2017
- Continue to make good progress with actions to deploy capital and deliver revenue growth:
 - Delivered growth from our international network with 7% increase in transaction banking products and a 14% rise in synergies between global businesses
 - Pivot to Asia generating returns and driving over 70% of Group profits; 17% lending growth vs. 3Q16;
 - \$1.1bn lending growth in Guangdong vs. 3Q16
 - Maintained momentum in Asian Insurance and Asset Management businesses with annualised new business premiums and AuM up 13% and 17% respectively

1. Annualised

2. Includes the impact of UK bank levy

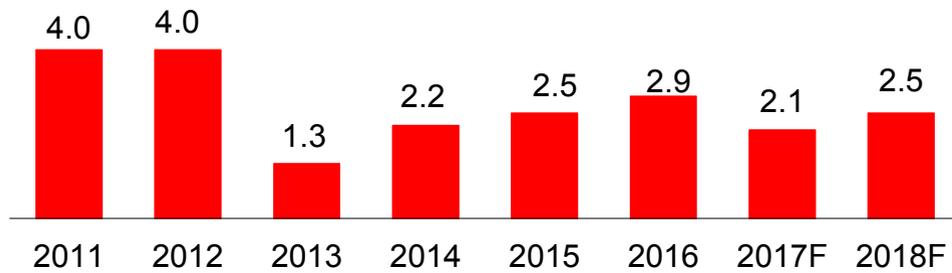
3. Unless otherwise stated, risk-weighted assets and capital are calculated and presented on a transitional CRD IV basis as implemented in the UK by the Prudential Regulation Authority

1. Mexico's economic outlook

Macroeconomic highlights – Key fundamentals

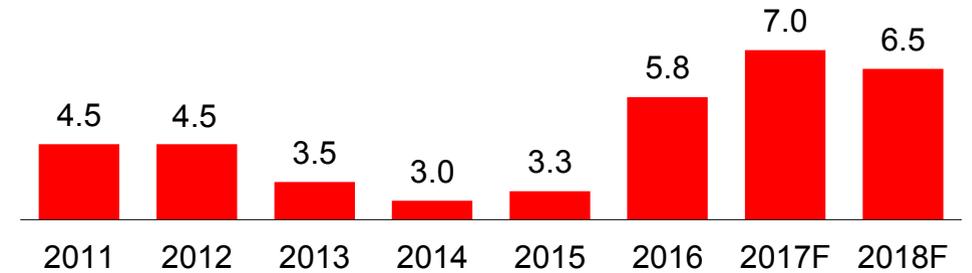
GDP growth

% y-o-y



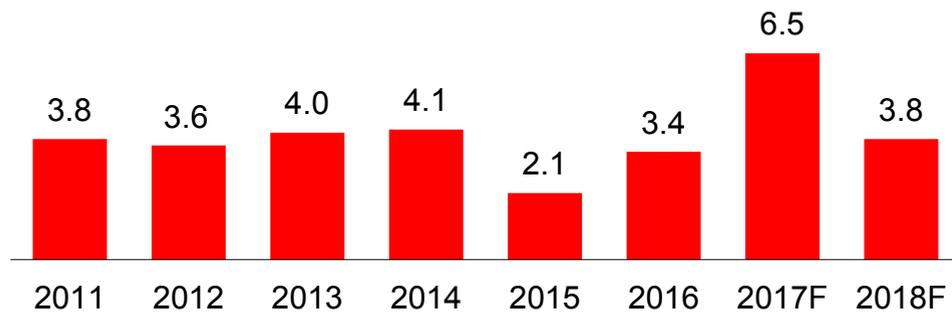
Central Bank policy rate

%



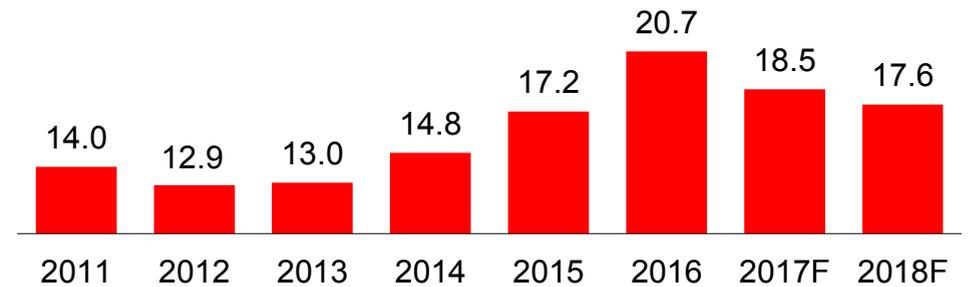
Inflation %

End of period



Foreign Exchange

MXN / USD end-year

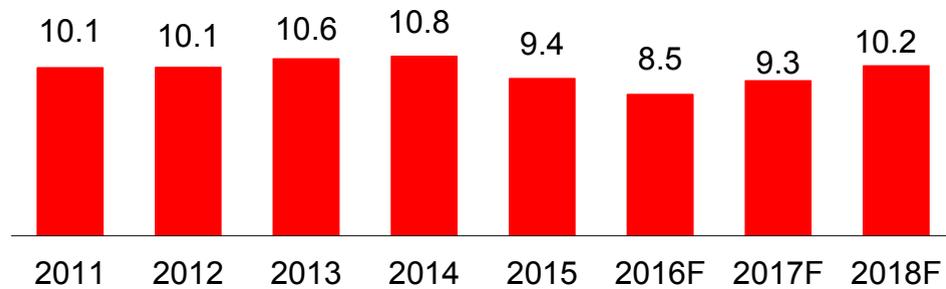


Source: HSBC Global Research, Latin America Economics 4Q17.

Macroeconomic highlights – Financial depth and trade openness

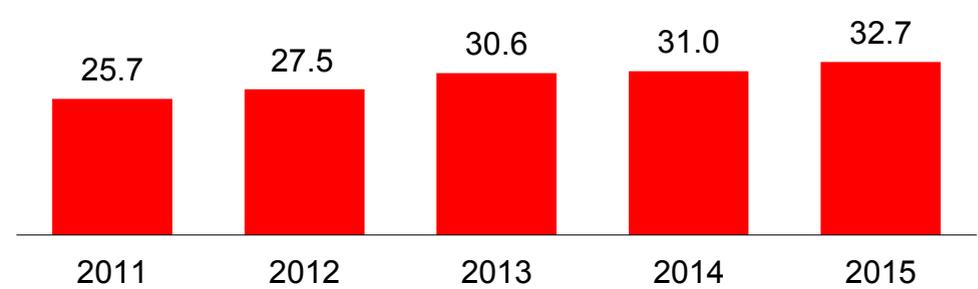
GDP per capita

USDk^{3,4}



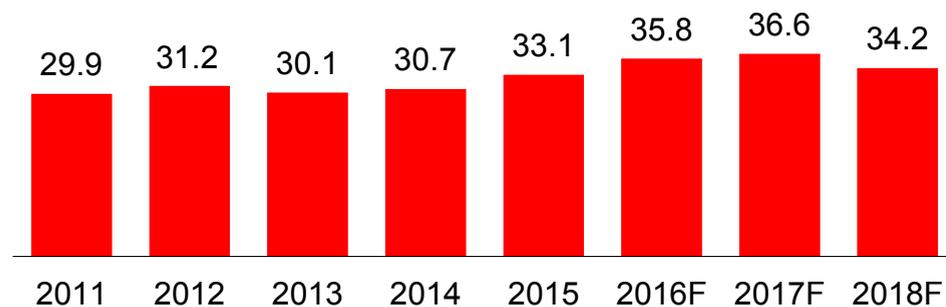
Domestic credit to private sector

As % of GDP²



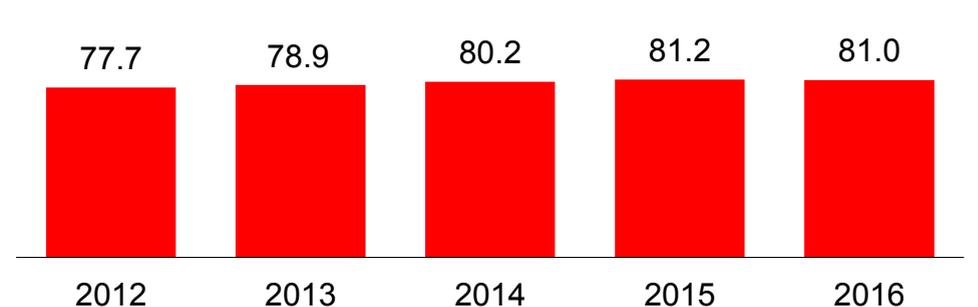
Total Exports

As % of GDP^{1,3}



Exports to USA

As % of total exports^{1,3}

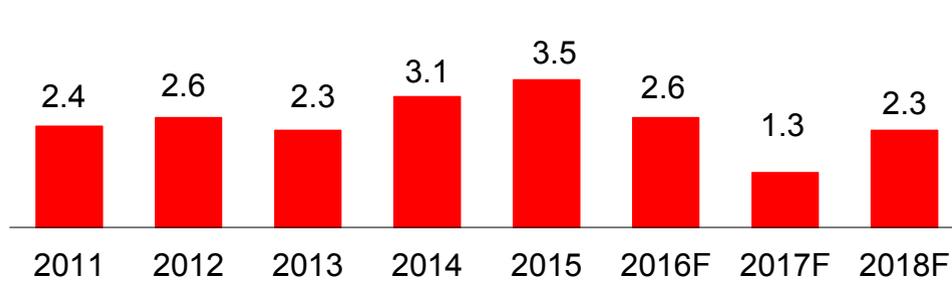


1. Source: HSBC Global Research, Latin America Economics 4Q17.
 2. Source: Worldbank
 3. Trademap.org
 4. Between 2014-2015, MXN depreciated 17.5% while GDP per capita fell 13%

Macroeconomic highlights - Public sector

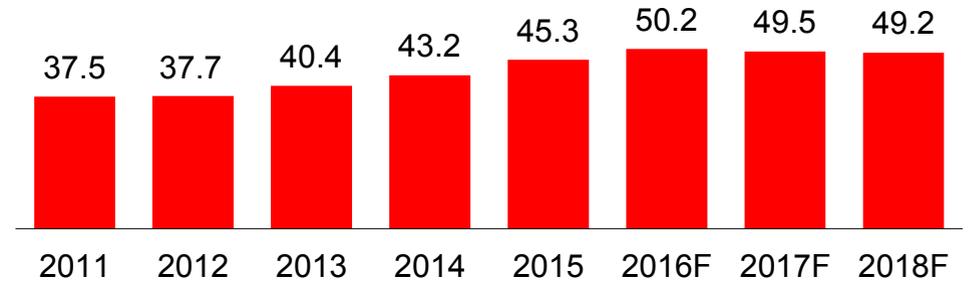
Central Government Budget Deficit

% GDP



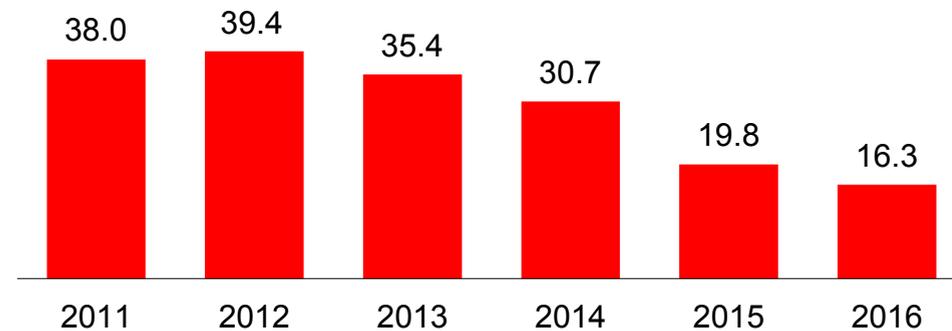
Public Sector Borrowing Requirements

% GDP



Oil revenues

% of total government revenues



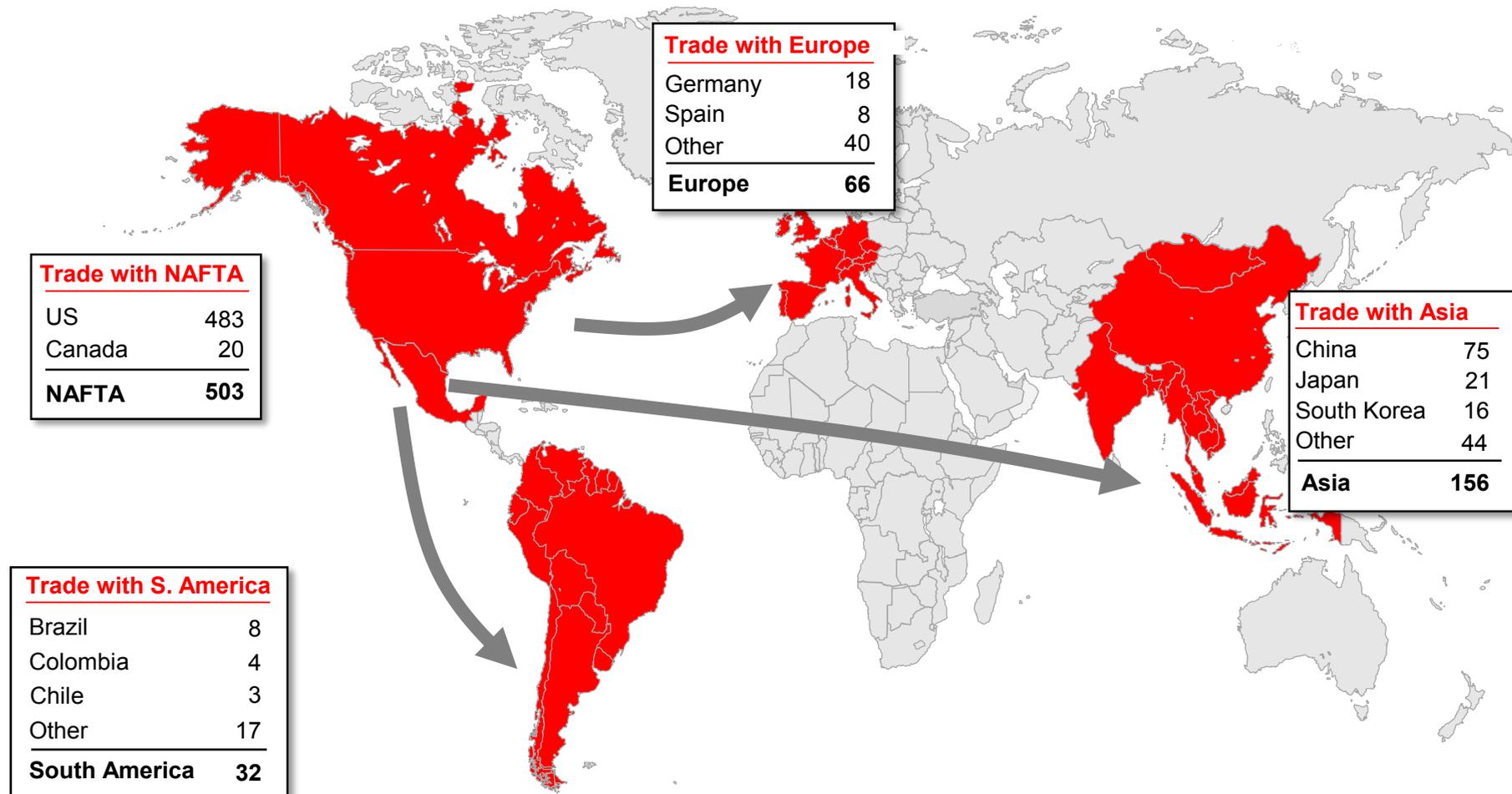
Source: HSBC Global Research, Latin America Economics 4Q17. For Oil revenues, Ministry of Finance (SHCP)

Mexico's trade

Mexico connected to key regions

Mexico in key trade corridors¹

2016 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**

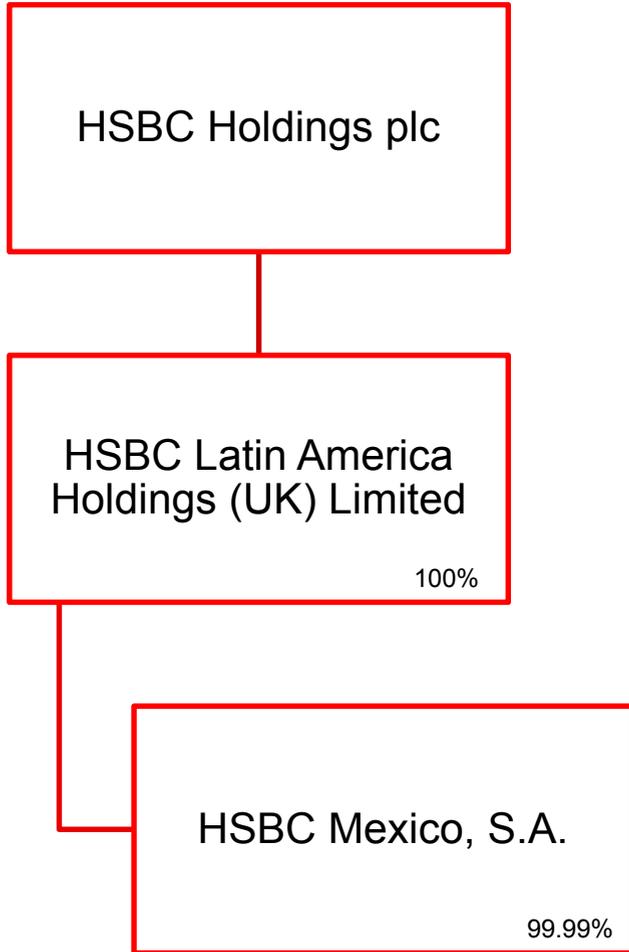
Current Approach and Results

- 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

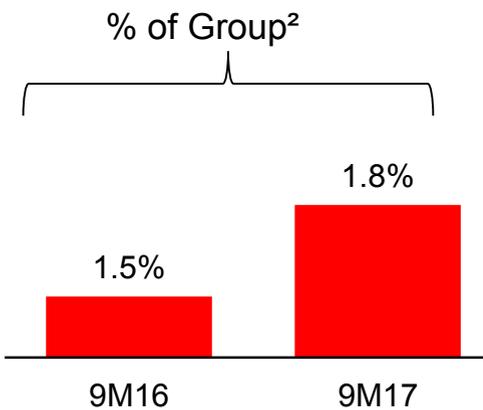
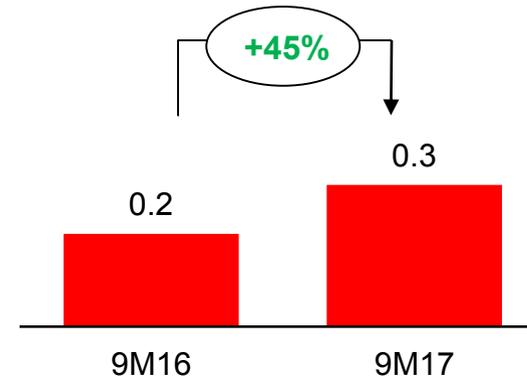
Our Mexican business is strategically important to Group with significant potential to improve

Ownership chart



HSBC Mexico performance¹

PBT
USDbn



1. Adjusted figures under IFRS.
2. Adjusted PBT HSBC Mexico compared with adjusted PBT HSBC Holdings

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

Jose Iragorri
Head GB

Joined HSBC in 2010. Appointed 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 customer satisfaction³

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

- 972 branches (13.4% Market share, 5th)
- 5,552 ATMs (13.3% Market share, 5th)
- Approximately 16,000 FTEs

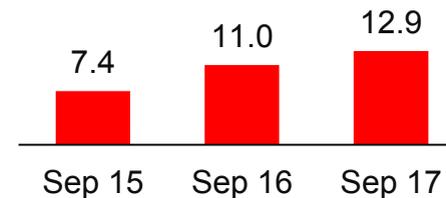
Key businesses

Contribution to HSBC Mexico results as of 3Q17 YTD⁵

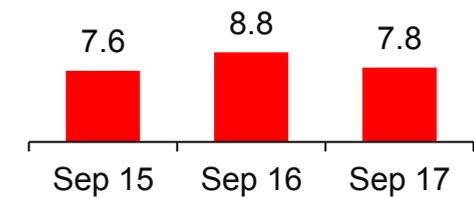
	RBWM	CMB	GB&M	Corporate Centre ⁷	Total
Loans	36%	32%	32%	-	100%
Revenues ⁶	70%	14%	11%	5%	100%
PBT	44%	24%	32%	-	100%

Retail products market share trend, %⁴

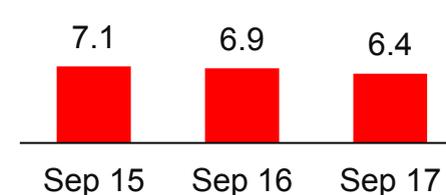
Personal loans



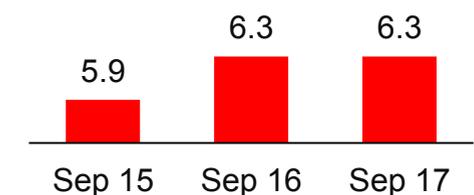
Payroll loans



Credit cards



Mortgage loans



1. Source: National Commission of Banking and Securities

2. Source: Dealogic

3. Source: Condusef

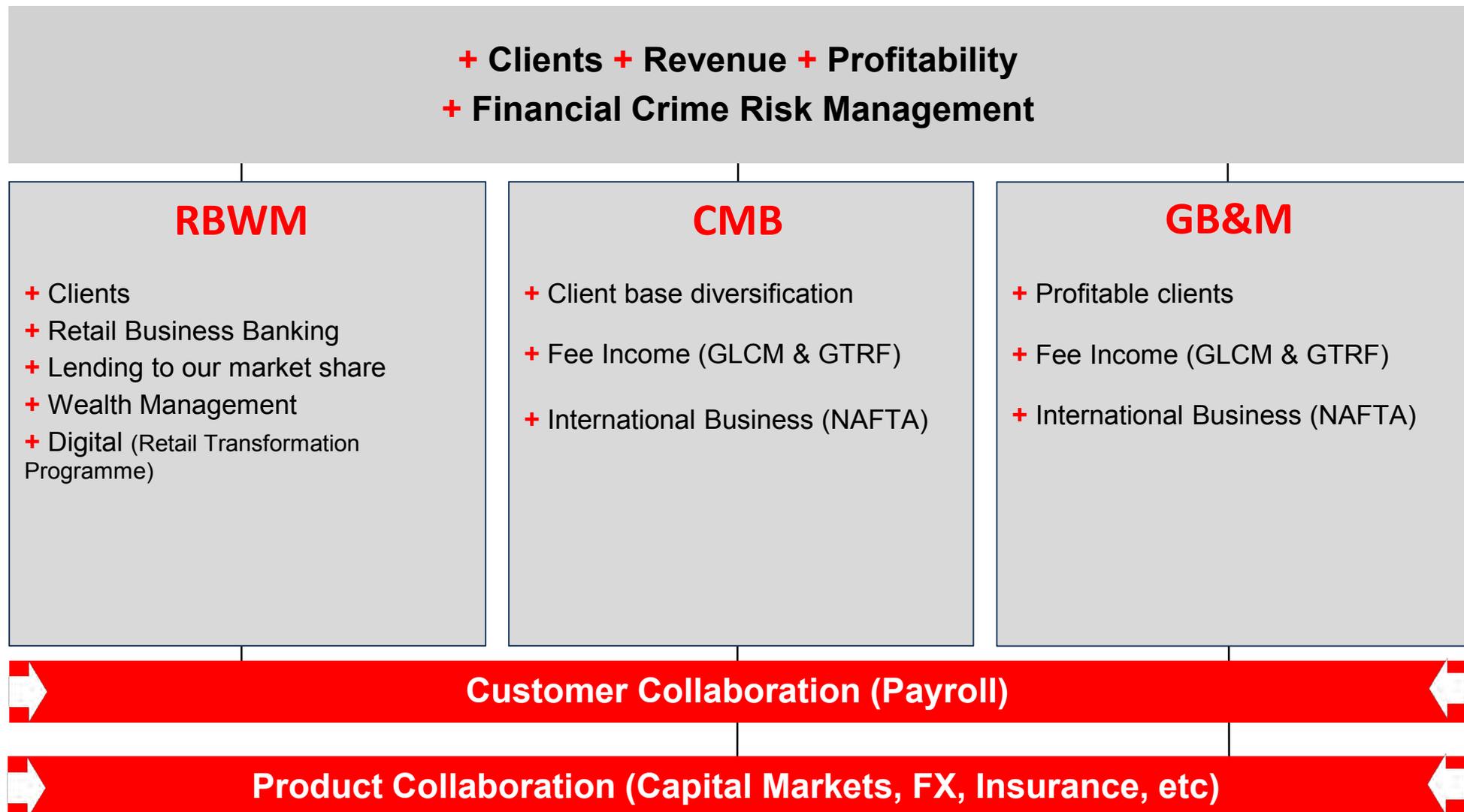
4. Source: National Commission of Banking and Securities. Market share based on 6 major banks in Mexico

5. Source: 3Q17 HSBC Mexico Local press release

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

7. Corporate Centre includes the HSBC Mexico treasury (Balance Sheet Management) and costs and revenues arising from technology solution services provided to other entities of the group

Our Strategy – The Right Strategy...

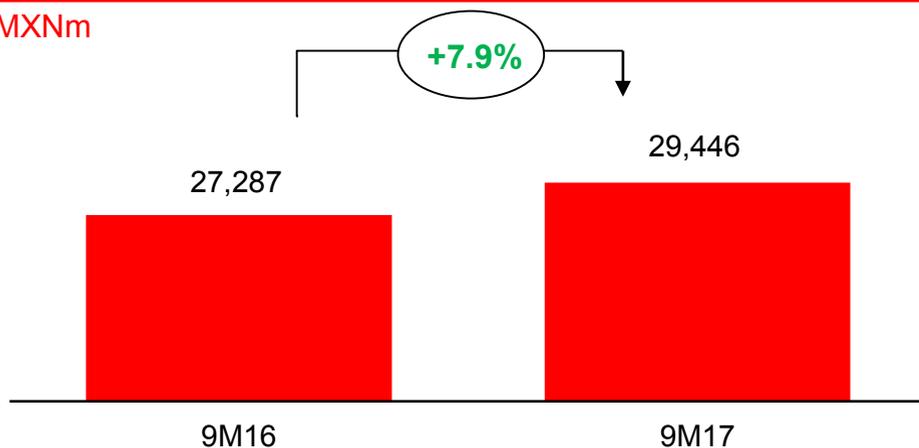


3. Financial performance

Reported financial performance 9M17

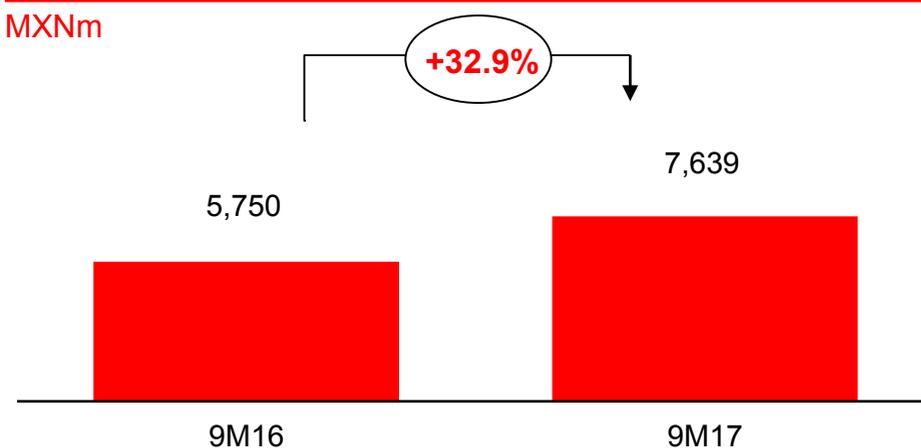
Revenues¹

MXNm



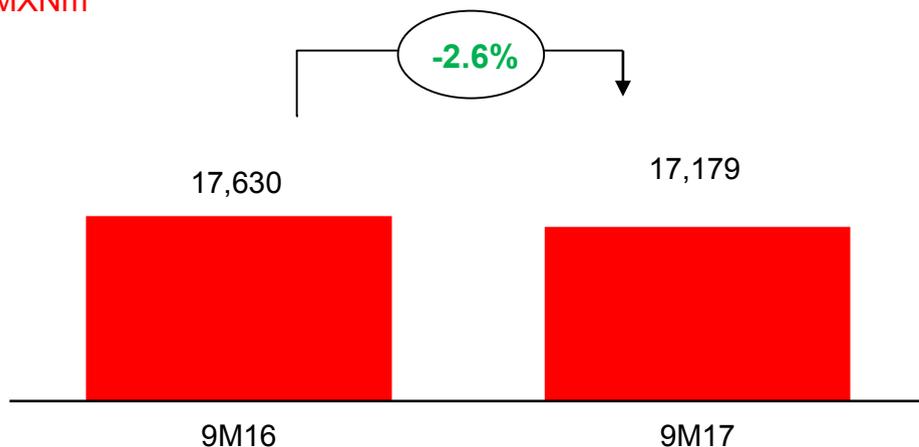
Loan impairment charges

MXNm



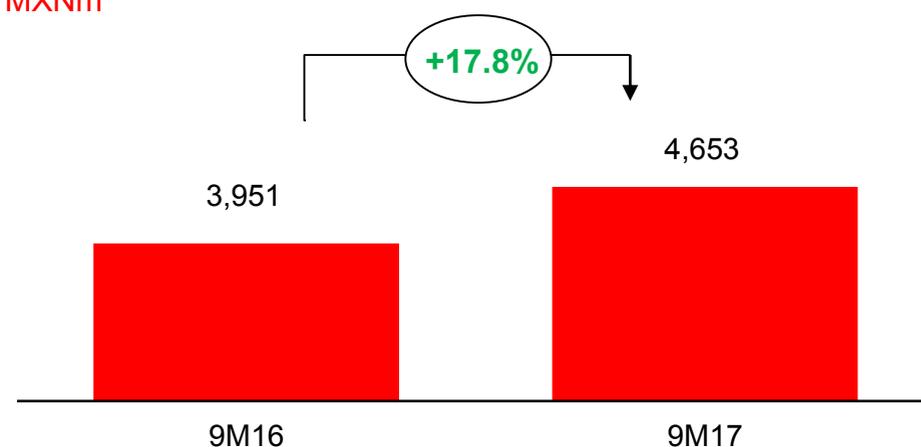
Expenses

MXNm



Profit before taxes

MXNm

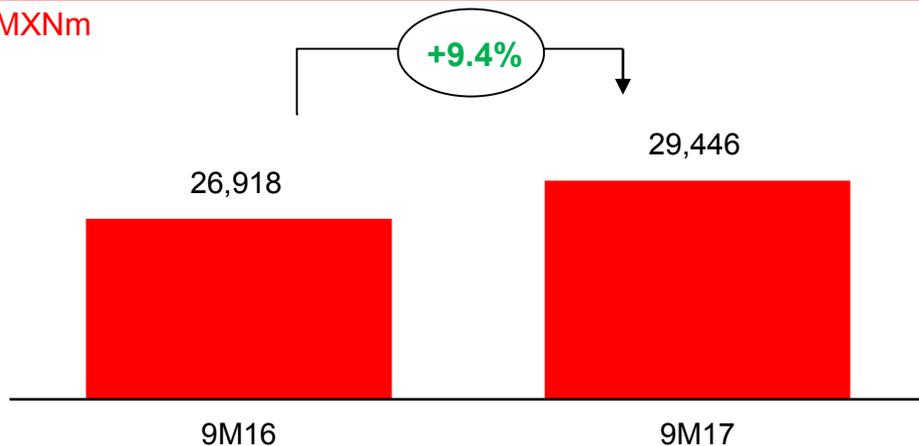


Source: HSBC Mexico 3Q17 press release. Figures under local GAAP
 1. Revenues refers to Total Operating Income excluding Loan impairment charges
 For local GAAP vs. IFRS reconciliation please refer to 3Q17 local press release.

Financial performance 9M17² – excluding non-recurrent items

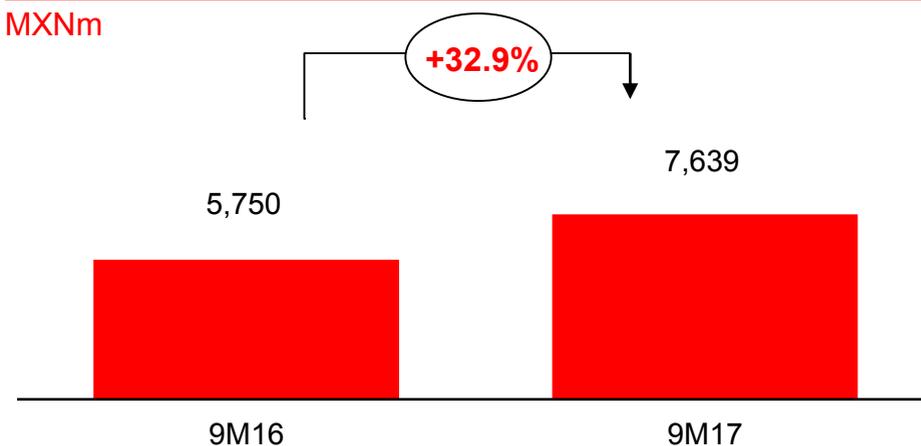
Revenues¹

MXNm



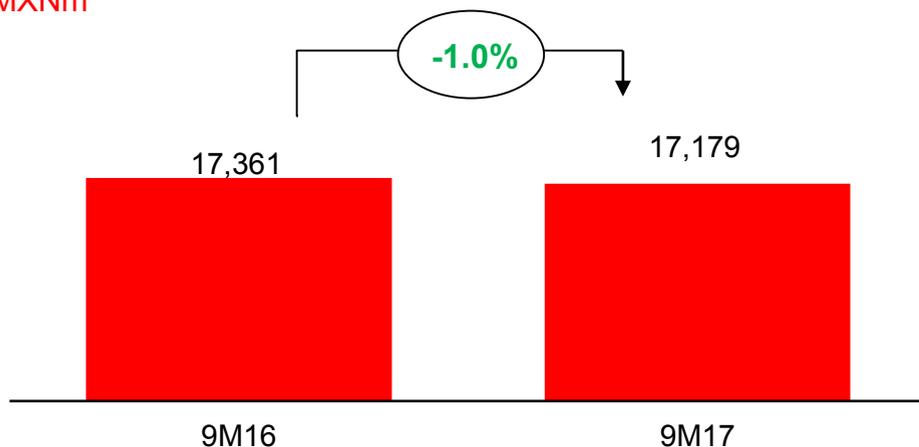
Loan impairment charges

MXNm



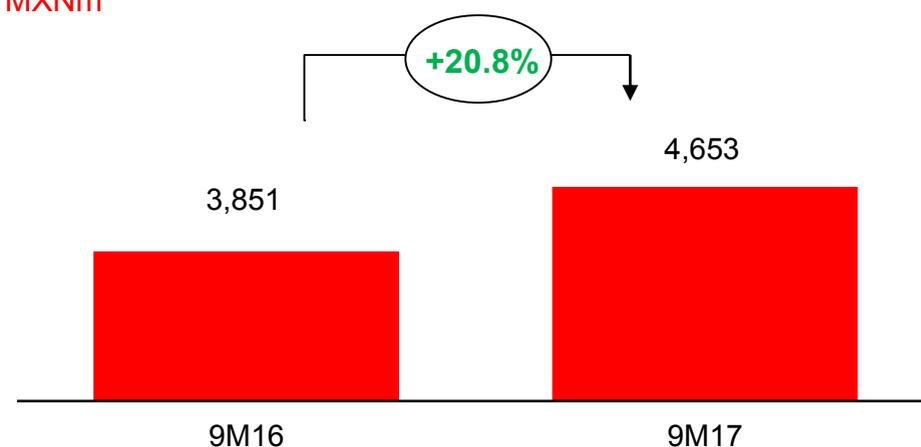
Expenses

MXNm



Profit before taxes

MXNm



Source: HSBC Mexico 3Q17 press release. Figures under local GAAP

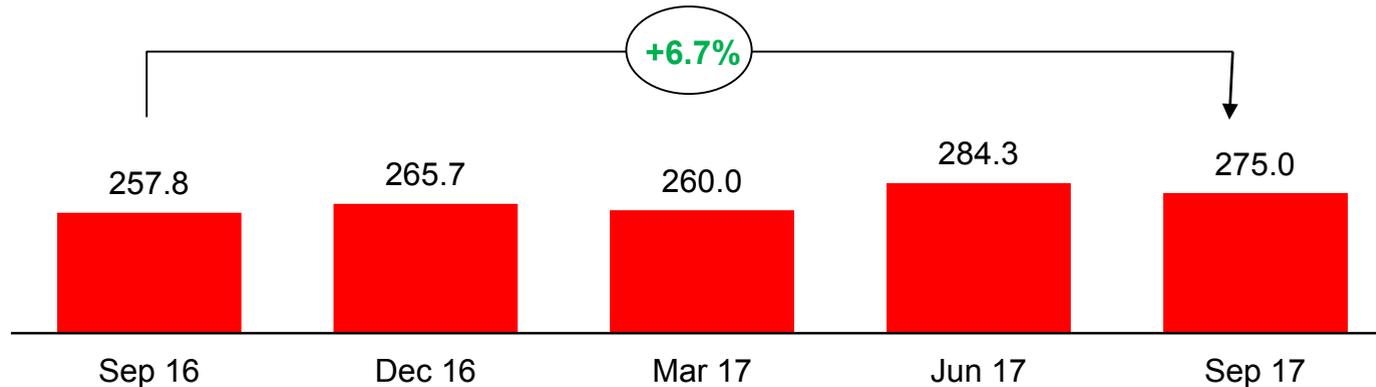
1. Revenues refers to Total Operating Income excluding Loan impairment charges

2. The non-recurrent events were: MXN 369m transition adjustment income related to Solvency II (new regulatory framework for insurance companies effective since 1 January 2016) recognized in 2016 and MXN269m administrative expenses related to a decrease of a deferred profit sharing asset recognised in 9M16

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

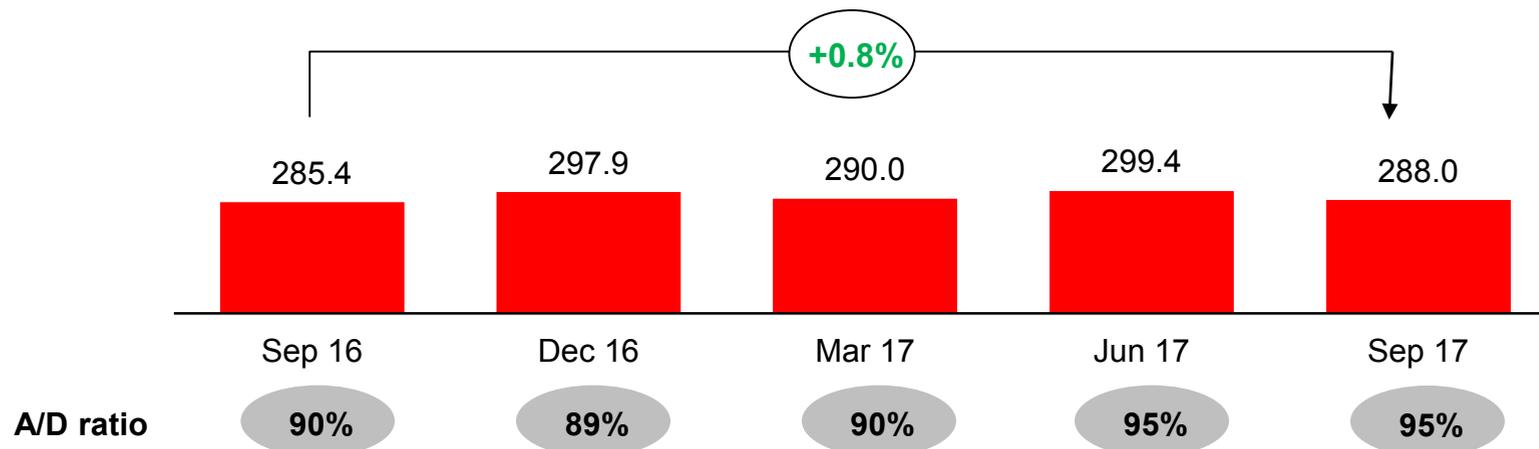
Loans and advances, net

MXNbn



Demand and Time Deposits¹

MXNbn



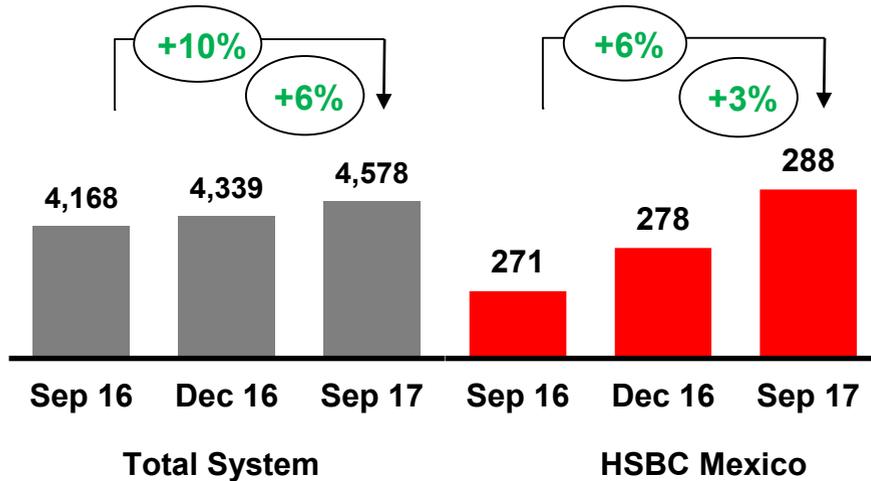
Source: HSBC Mexico 3Q17 press release. Reported figures under local Gaap. Time Deposits excludes money market deposits

1. Demand and Time Deposits disclosed in the Spanish version of the 3Q 2017 press release, 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.

HSBC Credit growth (gross loans), as of Sep 2017, is below market for wholesale, while retail credit growth is in similar levels as of Market

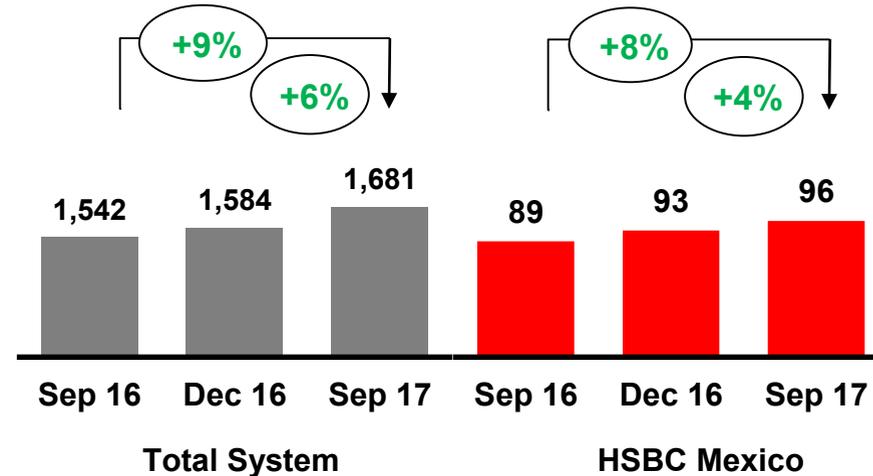
Total loans

MXNbn



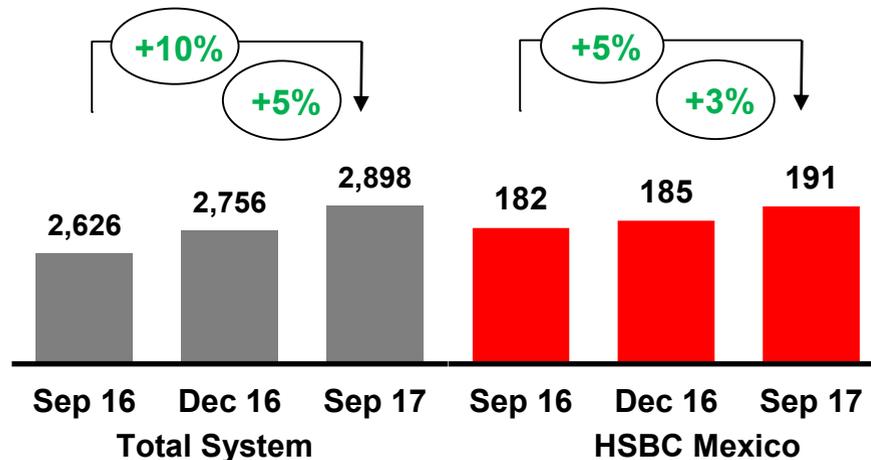
Retail loans

MXNbn



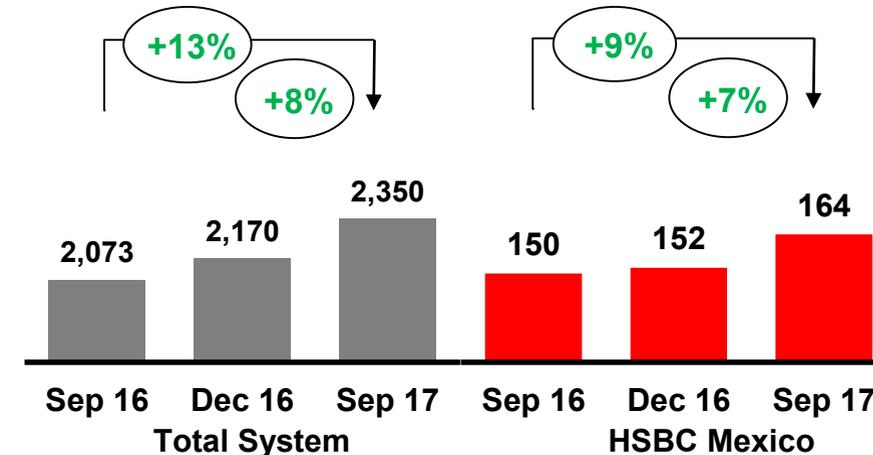
Wholesale loans

MXNbn



Wholesale loans (excl. Gob)

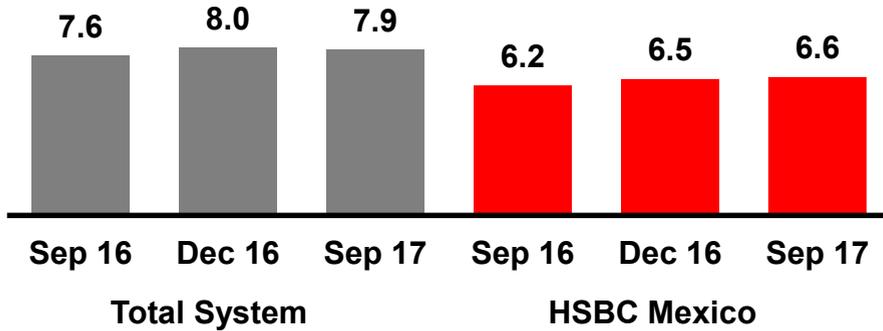
MXNbn



HSBC margins increased and credit costs were lower, closing the gap with the market

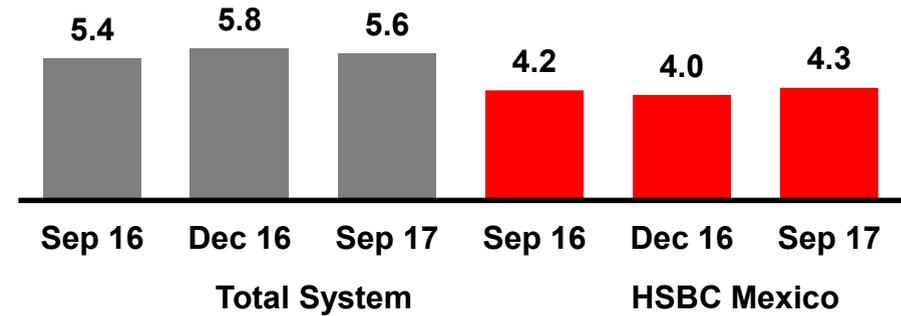
Lending rates (NIM)

(%)



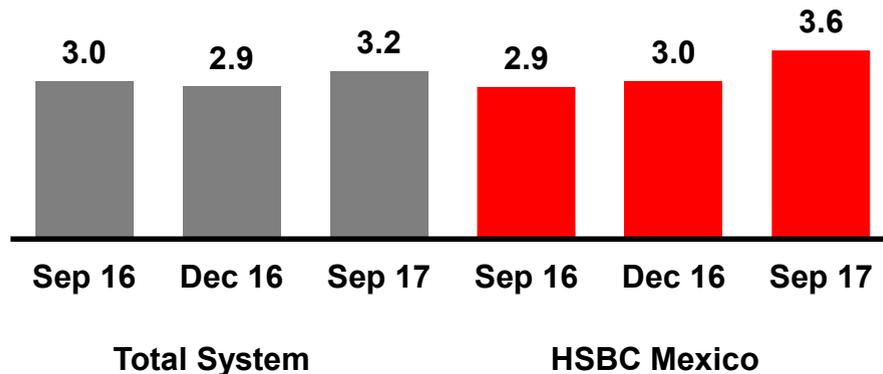
Lending rates (NIM adjusted by LICs)

(%)



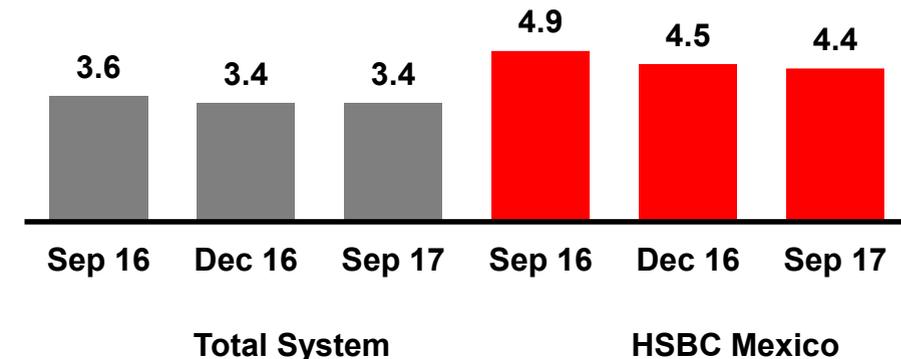
Credit Cost (LICs/loans)

(%)



Loan reserves / Total Portfolio

(%)

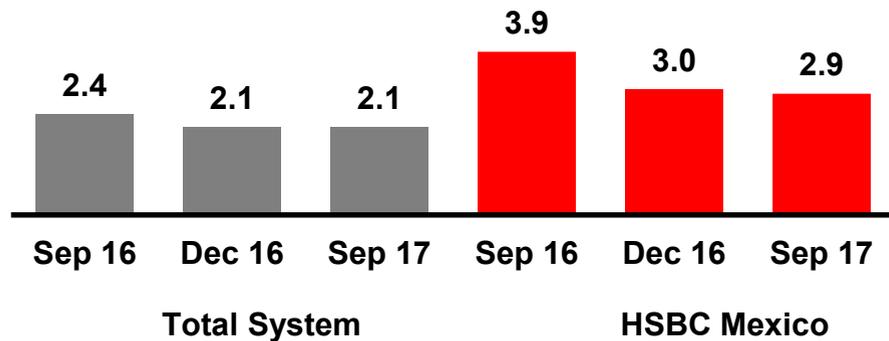


Source: CNBV, figures under local Gaap

NPL Ratio converging with the Market

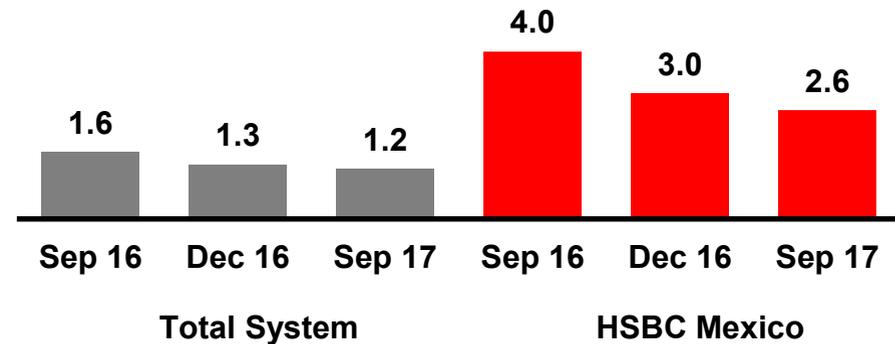
Total NPL ratio

(%)



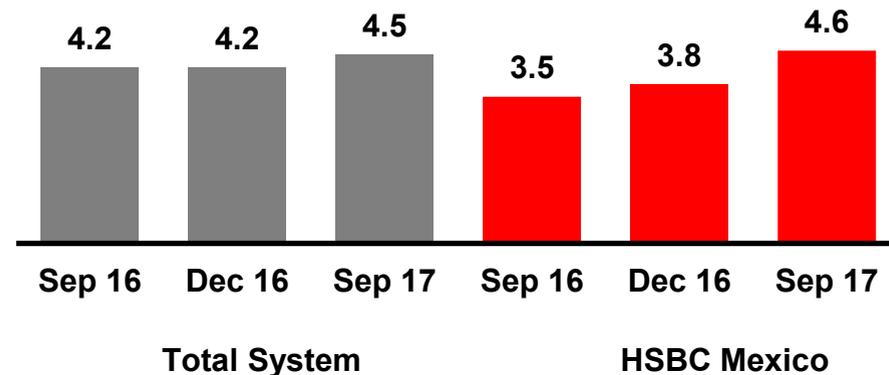
NPL ratio - Wholesale

(%)



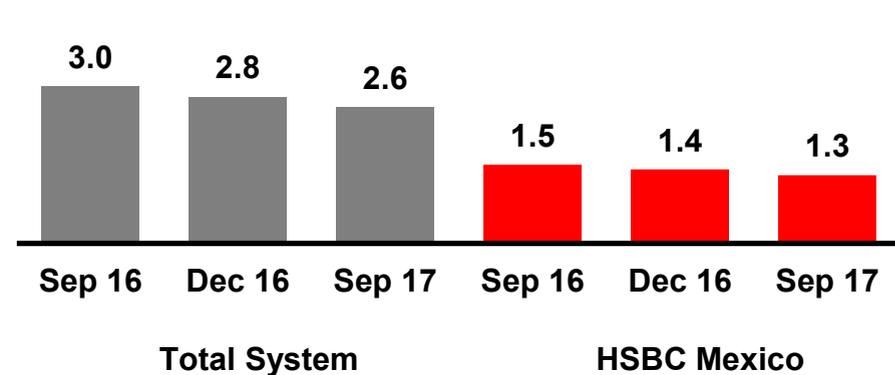
NPL ratio – Retail (excl. Mortgage)

(%)



NPL ratio – Mortgage

(%)



4. Final remarks

Final remarks

- Continue 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
- Plan for 2018-2020 on progress, leveraged in our Retail franchise and our Global Competitive advantages

