

# HSBC Mexico

Barclays Global Financial Services Conference 2023



# HSBC Mexico speaker



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**Jorge Arce**

Chief Executive Officer

Joined HSBC and appointed **CEO of HSBC Mexico in February 2020 and Board's Chairman in January 2022**

## **Experience:**

- ◆ He has a career of more than 30 years in the financial sector in Mexico and the United States
- ◆ From 2016 to January 2020, Jorge was Deputy General Director of Global Banking and Markets in Banco Santander Mexico
- ◆ Previously, he had a career of 21 years in Deutsche Bank where he held different positions
- ◆ From October 2011 to March 2016, he was CEO of Deutsche Bank Mexico

# Mexico's economic outlook

# Mexico is a relevant country in the global economy, full of opportunities and growth prospects



Total = \$1.41tn

- ◆ World's **14<sup>th</sup>** largest economy



## Trade Flows

Total = \$1.3tn<sup>2</sup>

- ◆ **Top trading partner** of the world's largest economy (USA)
- ◆ World's **12<sup>th</sup>** largest exporter<sup>2</sup>
- ◆ **Trade hub between Asia, Europe and North America** with 56 trade agreements with 50 countries<sup>3</sup>
- ◆ Top free-trade agreements: **USMCA**, Trans-Pacific Partnership, Mexico-European Union and soon UK-Mexico



Total = \$32bn

- ◆ World's **10<sup>th</sup>** largest FDI recipient



## Population

Total = 127m<sup>5</sup>

- ◆ World's **10<sup>th</sup>** largest population
- ◆ Strong demographic bonus with median age of **29 years**

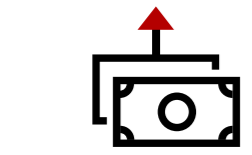


1. Source: World Bank, 2022  
2. Source: World Bank; Trade Map 2022  
3. HSBC internal estimates: data from Mexican government and SICE

4. Source: FDI value in 2021 based on UNCTAD World Investment Report 2022  
5. Source: UN Department of Economic and Social Affairs, Population Division

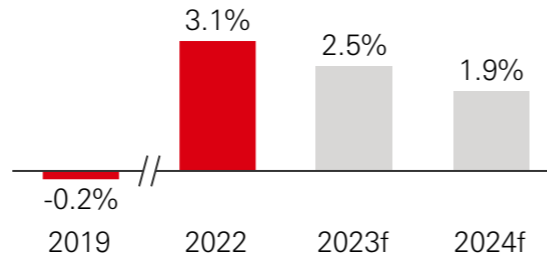
# Mexico's macroeconomic stability is supported by low debt levels and a forecast reduction in inflation in the next few years

## Key macroeconomics indicators<sup>1</sup>



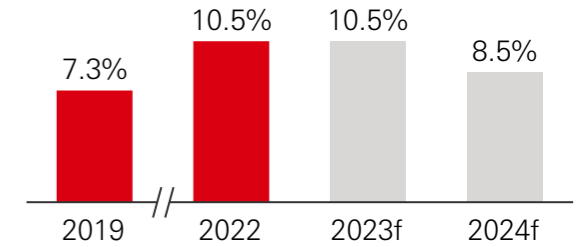
GDP growth, %

GDP growth driven by **dynamic states** and **foreign investment**



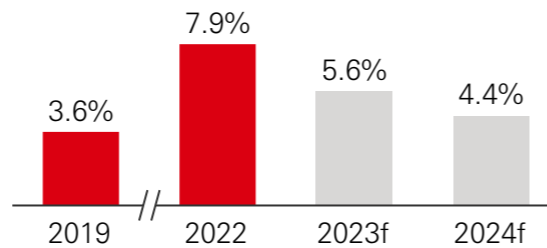
Policy rate  
%, end of period

Bank of Mexico **independent** to adjust the monetary policy to the country's specific situation



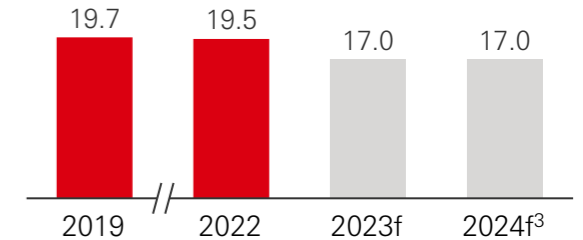
Inflation  
%, end of period

Stabilization of the inflation rates with forecasts reaching **pre COVID-19 pandemic numbers** by **2024**



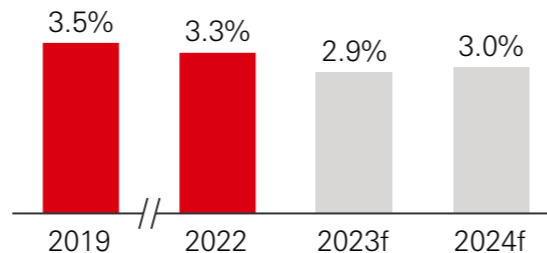
Currency  
MXN/USD  
year-end

Mexican pesos is a currency **deliverable, convertible and the 3rd most traded currency** in emerging markets



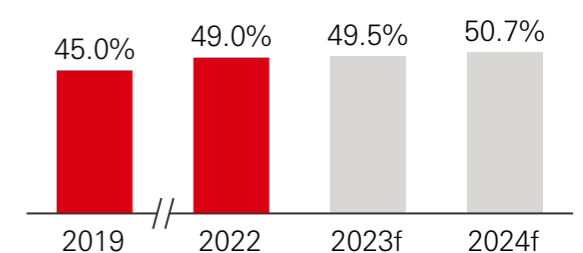
Unemployment, %

**High employment levels** with an unemployment rate lower than both world (c.6%) and OECD (c.5%) means



Debt<sup>2</sup>, % of GDP

Mexican authority managed to **limit the increase** of its debt as % of GDP to **+4pp** since the COVID-19 pandemic



1. Source: HSBC Global Research (Mexico Chartbook and Global Economics Quarterly)  
 2. Gross external debt  
 3. MXN/USD exchange rate projections for 2024 only available until second quarter of 2024

# Mexico is in a strong position to capitalise on the nearshoring opportunity

## Mexico's competitive advantages



- Multiple **trade agreements**, mainly **USMCA** implying:
  - Favorable tariffs
  - Ease of doing business



- Fast and cheap transportation** due to geographical proximity to US

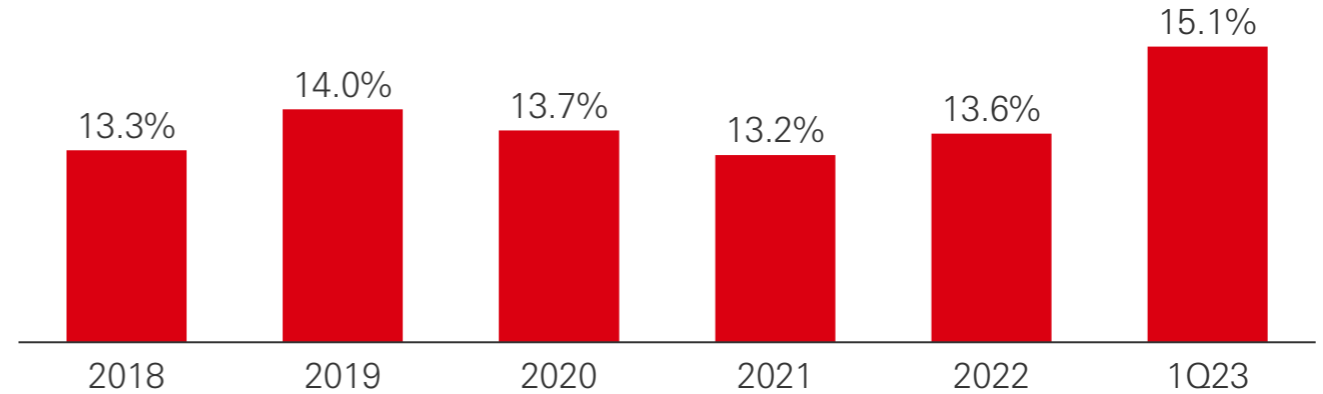


- Highly **skilled workforce** with **low labor costs**



## Mexico is now the #1 exporter country to the US

Mexican exports to the US as % of total exports to the US<sup>1</sup>



## Mexico's foreign investment surges as nearshoring booms

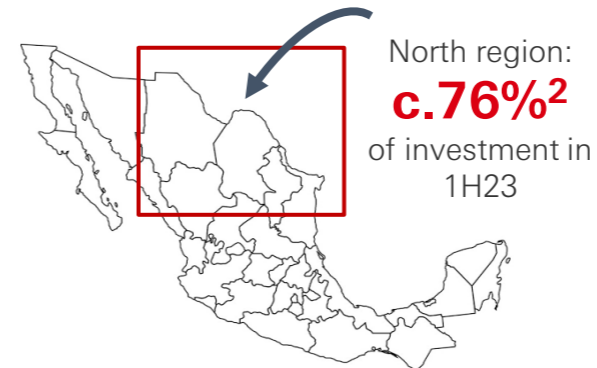
Total investment announced as of 1H23:

# \$16.5bn<sup>2</sup>

Nearshoring investments could result up to **8%** additional **GDP growth** by 2030<sup>3</sup>



## Key regions



## Key sectors



- Automotive



- Audio and video & communications equipment



- Electrical components

1. Trade Map 2018-1Q23

2. Source: HSBC Global Research (Mexico Chartbook)

3. Source: Nearshoring Data Monitor by Santander

# HSBC in Mexico

# HSBC Mexico is a fully fledged franchise with strong retail and wholesale propositions

## Overview<sup>1</sup>

As of June 2023



**5<sup>th</sup>** largest bank in Mexico by assets



**+6m** customers



**+14,000** employees



**+800** branches



**+6,000** ATMs

## HSBC market shares<sup>1</sup>

As of June 2023, % and MXN

**6.8%**

in total deposits  
with **503 MXNbn<sup>2</sup>**

**6.8%**

in total loans  
with **439 MXNbn**

**10.7%**

in mortgages

**7.2%**

in credit cards

## Awards



### Cash Management

Market Leader and/or Best Service  
- *Euromoney 2021 & 2022*



### Asset Manager of the Year

Outstanding AUMs Growth  
- *Global Banking & Finance 2020, 2021 & 2023*



### Trade Finance

Market Leader and/or Best Service  
- *Euromoney 2022 & 2023*



### Best Private Wealth Manager

- *Global Banking & Finance 2021 & 2022*

1. Source: National Commission of Banking and Securities (CNBV)

2. Deposit market share is calculated based on HSBC published deposits and CNBV total system deposits



# HSBC Mexico is a significant PBT contributor for HSBC Group, consistently posting strong profits across business lines

## Ownership chart



HSBC Holdings plc



HSBC Latin America Holdings (UK) Limited



HSBC Mexico, S.A.

## Reported PBT by country<sup>1</sup>

**8<sup>th</sup> largest PBT contributor to HSBC Group**

Rank	Country	1H23 \$m
1	Hong Kong	6,137
2	UK <sup>2</sup>	4,099
3	China	2,058
4	India	766
5	Singapore	719
6	US	649
7	UAE	469
<b>8</b>	<b>Mexico</b>	<b>436</b>
9	Saudi Arabia	326
10	Australia	281

**Wealth & Personal Banking (WPB) #5**

1	Hong Kong	3,567
2	UK <sup>2</sup>	1,341
3	US	259
4	Singapore	255
<b>5</b>	<b>Mexico</b>	<b>196</b>
6	UAE	175

**Commercial Banking (CMB) #4**

1	UK <sup>2</sup>	2,789
2	Hong Kong	1,816
3	US	347
<b>4</b>	<b>Mexico</b>	<b>263</b>
5	China	245
6	Singapore	233

**Global Banking & Markets (GBM) #14**

1	Hong Kong	881
2	India	408
3	China	374
...		
<b>14</b>	<b>Mexico</b>	<b>11<sup>3</sup></b>

1. Excludes France and Canada as these entities are in process of sale. Total PBT figures include WPB, CMB, GBM and Corporate Centre. Corporate Centre PBT for HSBC Mexico in 1H23 was \$(34)m  
 2. UK considers ring-fenced bank, non-ring-fenced bank and Holdings and others  
 3. HSBC Mexico consolidated its GBM and CMB businesses into a single wholesale business led by CMB. During 1H23, GBM reported a PBT of \$11m which corresponds to Markets and Securities Services

# HSBC Mexico financial performance

# Financial performance

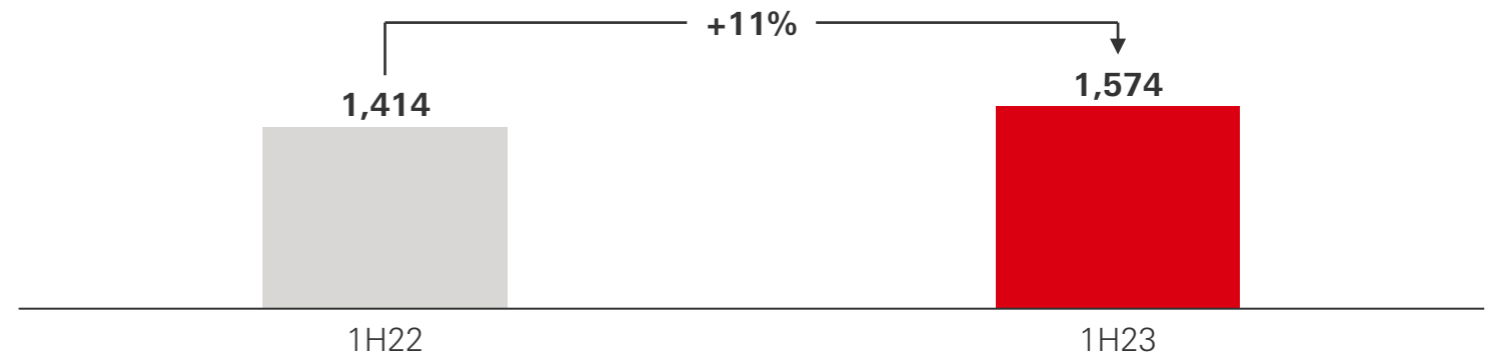
## 1H23 financial performance

\$m	1H23	Δ vs. 1H22	Δ vs. 1H22, %
Revenue	1,574	159	▲ 11%
ECL	(264)	8	▼ 3%
Costs	(880)	0	0%
Associates	6	1	▲ 20%
<b>PBT</b>	<b>436</b>	<b>169</b>	<b>▲ 63%</b>

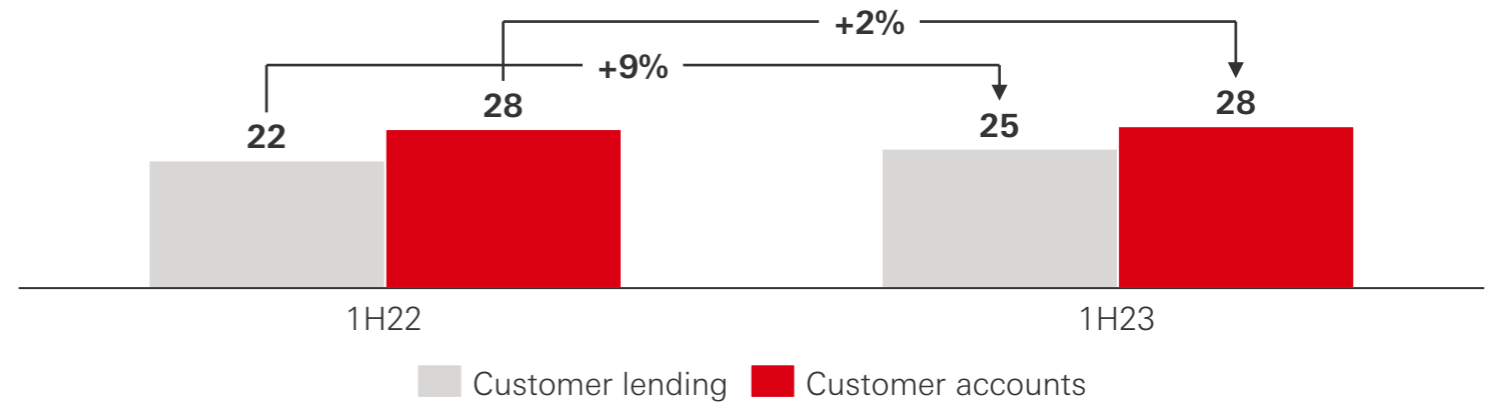
FY22 RoTE

**18%**

## Revenue performance, \$m



## Balance sheet, \$bn



# \$0.9bn PBT from Latin America in FY22\*; full banking operations in Mexico, Argentina and Uruguay and wholesale businesses in Brazil and Chile

	Type of operation	Reported FY22 PBT*	Retail	Wholesale	Highlights
Mexico	Full Banking Operation	c.\$0.6bn	✓	✓	<ul style="list-style-type: none"> <li>◆ 5<sup>th</sup> largest bank by total assets<sup>1</sup></li> <li>◆ Fully-fledged retail and wholesale bank</li> <li>◆ Cash Management Market Leader and Best Service Euromoney 2021 and 2022</li> <li>◆ Trade Finance Market Leader and Best Service Euromoney 2022 and 2023</li> </ul>
Argentina	Full Banking Operation		✓	✓	<ul style="list-style-type: none"> <li>◆ 8<sup>th</sup> largest bank by total assets<sup>2</sup></li> <li>◆ Presence in FX and trade services</li> </ul>
Brazil	Corporate Banking		—	✓	<ul style="list-style-type: none"> <li>◆ Recent expansion to regain wholesale franchise market</li> <li>◆ Presence in DCM and Global Markets</li> </ul>
Chile	Corporate Banking	Latin America, excluding Mexico c.\$0.2bn	—	✓	<ul style="list-style-type: none"> <li>◆ Presence in FX and Fixed income market</li> </ul>
Uruguay	Full Banking Operation		✓	✓	<ul style="list-style-type: none"> <li>◆ Best Service in Trade Finance Euromoney 2023 and 2022</li> </ul>
Peru / Colombia	Rep Office		—	✓	<ul style="list-style-type: none"> <li>◆ Offshore product offering with assets booked in HBUS</li> </ul>

\* FY22 financials prepared on an IFRS 4 basis under our previous geographical reporting framework as published in HSBC Holdings plc's Annual Report and Accounts 2022. Effective from 1 January 2023, the Group has adopted a new financial reporting framework and IFRS 17, see p.28 HSBC Holdings plc Interim Report 2023 for details

1. Source: National Commission of Banking and Securities (CNBV)  
2. Source: Central Bank of Argentina. Figures as of May 2023

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