HSBC Mexico speaker

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

**GDP**

- Total = $1.41tn
- World’s 14th largest economy

**Trade Flows**

- Total = $1.3tn
- Top trading partner of the world’s largest economy (USA)
- World’s 12th largest exporter
- Trade hub between Asia, Europe and North America with 56 trade agreements with 50 countries
- Top free-trade agreements: USMCA, Trans-Pacific Partnership, Mexico-European Union and soon UK-Mexico

**FDI**

- Total = $32bn
- World’s 10th largest FDI recipient

**Population**

- Total = 127m
- World’s 10th largest population
- Strong demographic bonus with median age of 29 years

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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

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’s foreign investment surges as nearshoring booms

Total investment announced as of 1H23: $16.5bn²

Nearshoring investments could result up to **8%** additional **GDP growth** by 2030³

Mexico is now the #1 exporter country to the US

Mexican exports to the US as % of total exports to the US¹

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>13.3%</td>
</tr>
<tr>
<td>2019</td>
<td>14.0%</td>
</tr>
<tr>
<td>2020</td>
<td>13.7%</td>
</tr>
<tr>
<td>2021</td>
<td>13.2%</td>
</tr>
<tr>
<td>2022</td>
<td>13.6%</td>
</tr>
<tr>
<td>1Q23</td>
<td>15.1%</td>
</tr>
</tbody>
</table>

Key regions

- North region: c.76%² of investment in 1H23

Key sectors

- Automotive
- Audio and video & communications equipment
- Electrical components

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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

As of June 2023

- 5th largest bank in Mexico by assets
- +6m customers
- +14,000 employees
- +800 branches
- +6,000 ATMs

HSBC market shares

As of June 2023, % and MXN

- 6.8% in total deposits with 503 MXNbn
- 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
- Trade Finance
  Market Leader and/or Best Service
  - Euromoney 2022 & 2023
- Asset Manager of the Year
  Outstanding AUMs Growth
  - Global Banking & Finance 2020, 2021 & 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

### 8th largest PBT contributor to HSBC Group

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>1H23 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hong Kong</td>
<td>6,137</td>
</tr>
<tr>
<td>2</td>
<td>UK²</td>
<td>4,099</td>
</tr>
<tr>
<td>3</td>
<td>China</td>
<td>2,058</td>
</tr>
<tr>
<td>4</td>
<td>India</td>
<td>766</td>
</tr>
<tr>
<td>5</td>
<td>Singapore</td>
<td>719</td>
</tr>
<tr>
<td>6</td>
<td>US</td>
<td>649</td>
</tr>
<tr>
<td>7</td>
<td>UAE</td>
<td>469</td>
</tr>
<tr>
<td>8</td>
<td>Mexico</td>
<td>436</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>$m</th>
<th>1H23</th>
<th>Δ vs. 1H22</th>
<th>Δ vs. 1H22, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,574</td>
<td>159</td>
<td>11%</td>
</tr>
<tr>
<td>ECL</td>
<td>(264)</td>
<td>8</td>
<td>3%</td>
</tr>
<tr>
<td>Costs</td>
<td>(880)</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Associates</td>
<td>6</td>
<td>1</td>
<td>20%</td>
</tr>
<tr>
<td>PBT</td>
<td>436</td>
<td>169</td>
<td>63%</td>
</tr>
</tbody>
</table>

Revenue performance, $m

- 1H22: 1,414
- 1H23: 1,574

Δ vs. 1H22: +11%

Balance sheet, $bn

- 1H22: 22
- 1H23: 28

Δ vs. 1H22, %: +9%

FY22 RoTE: 18%

Comparisons to 1H22 are presented on a constant currency basis.
$0.9bn PBT from Latin America in FY22*; full banking operations in Mexico, Argentina and Uruguay and wholesale businesses in Brazil and Chile

<table>
<thead>
<tr>
<th>Type of operation</th>
<th>Reported FY22 PBT*</th>
<th>Retail</th>
<th>Wholesale</th>
<th>Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico Full Banking Operation</td>
<td>c.$0.6bn</td>
<td>✓</td>
<td>✓</td>
<td>• 5th largest bank by total assets¹</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Fully-fledged retail and wholesale bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Cash Management Market Leader and Best Service Euromoney 2021 and 2022</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Trade Finance Market Leader and Best Service Euromoney 2022 and 2023</td>
</tr>
<tr>
<td>Argentina Full Banking Operation</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>• 8th largest bank by total assets²</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Presence in FX and trade services</td>
</tr>
<tr>
<td>Brazil Corporate Banking</td>
<td>Latin America, excluding Mexico c.$0.2bn</td>
<td>—</td>
<td>✓</td>
<td>• Recent expansion to regain wholesale franchise market</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Presence in DCM and Global Markets</td>
</tr>
<tr>
<td>Chile Corporate Banking</td>
<td></td>
<td>—</td>
<td>✓</td>
<td>• Presence in FX and Fixed income market</td>
</tr>
<tr>
<td>Uruguay Full Banking Operation</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>• Best Service in Trade Finance Euromoney 2023 and 2022</td>
</tr>
<tr>
<td>Peru / Colombia Rep Office</td>
<td></td>
<td>—</td>
<td>✓</td>
<td>• Offshore product offering with assets booked in HBUS</td>
</tr>
</tbody>
</table>

* FY23 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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