



# HSBC Mexico

## Goldman Sachs investor meeting

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## Forward-looking statements



This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report and Accounts 2011 and Interim Report 2012. Past performance cannot be relied on as a guide to future performance.

This presentation contains information presented in local GAAP basis extracted from HSBC Mexico financial press release for 2Q12. Information regarding HSBC Latin America and certain HSBC Mexico financials as extracted from the HSBC Holdings plc Interim Report 2012.

**1 Economic outlook**

**2 Financial performance**

**3 Conclusions**

# Economic outlook

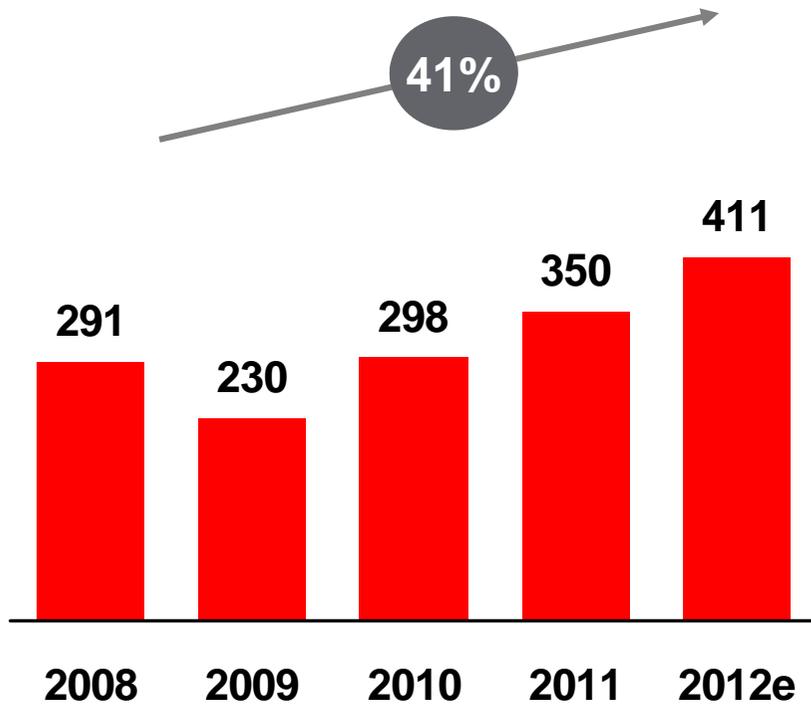
# Economic indicators 2011

	<b>GDP (PPP USD Billion)</b>	<b>GDP per capita USD (PPP)</b>	<b>Inflation (%)</b>	<b>Openness (Exports + Imports / GDP, %)</b>
Mexico	1,661	14,609	3.8	59
Brazil	2,294	11,769	6.5	19
Russia	2,383	16,736	6.1	42
India	4,457	3,693	6.6	34
China	11,299	8,382	4.1	48
South Africa	555	10,973	6.0	44

# Connectivity: Mexico's trade balance

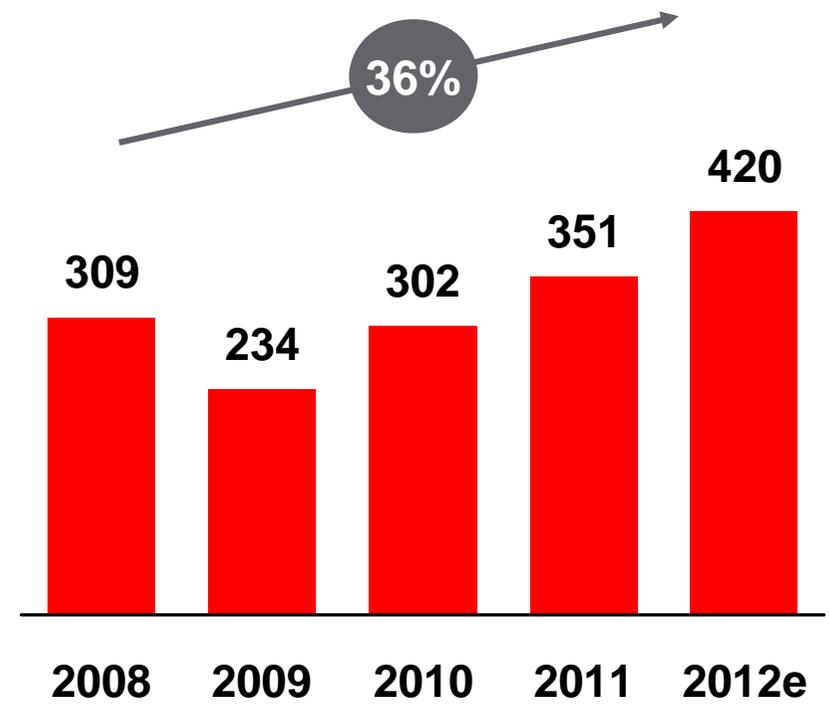
## Total Exports

USDbn



## Total Imports

USDbn

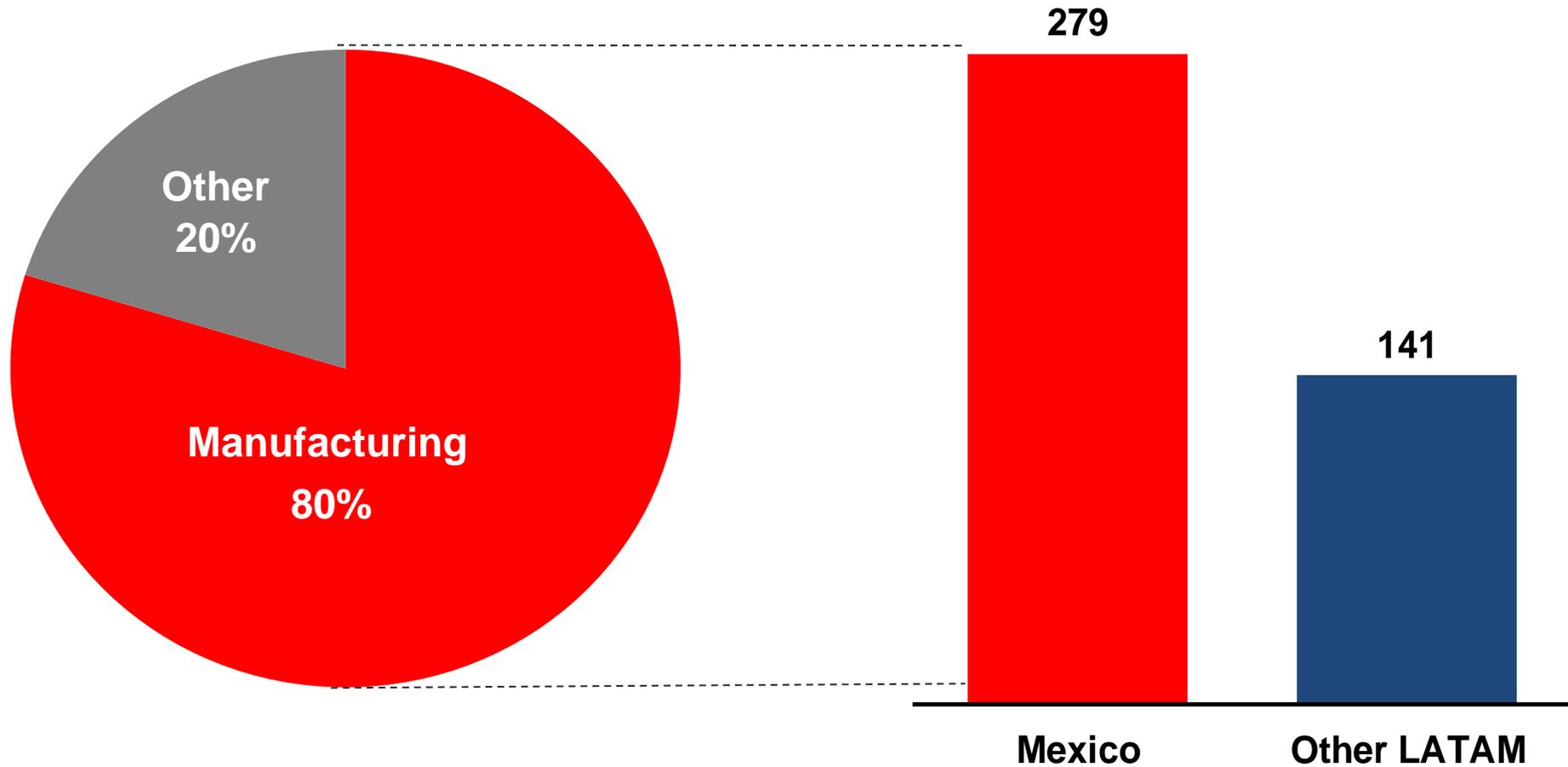


- 42 free trade agreements with countries that represent 65% of world's GDP
- 77% of total exports to US as of 1H12

# Mexico's exports 2011, USDbn



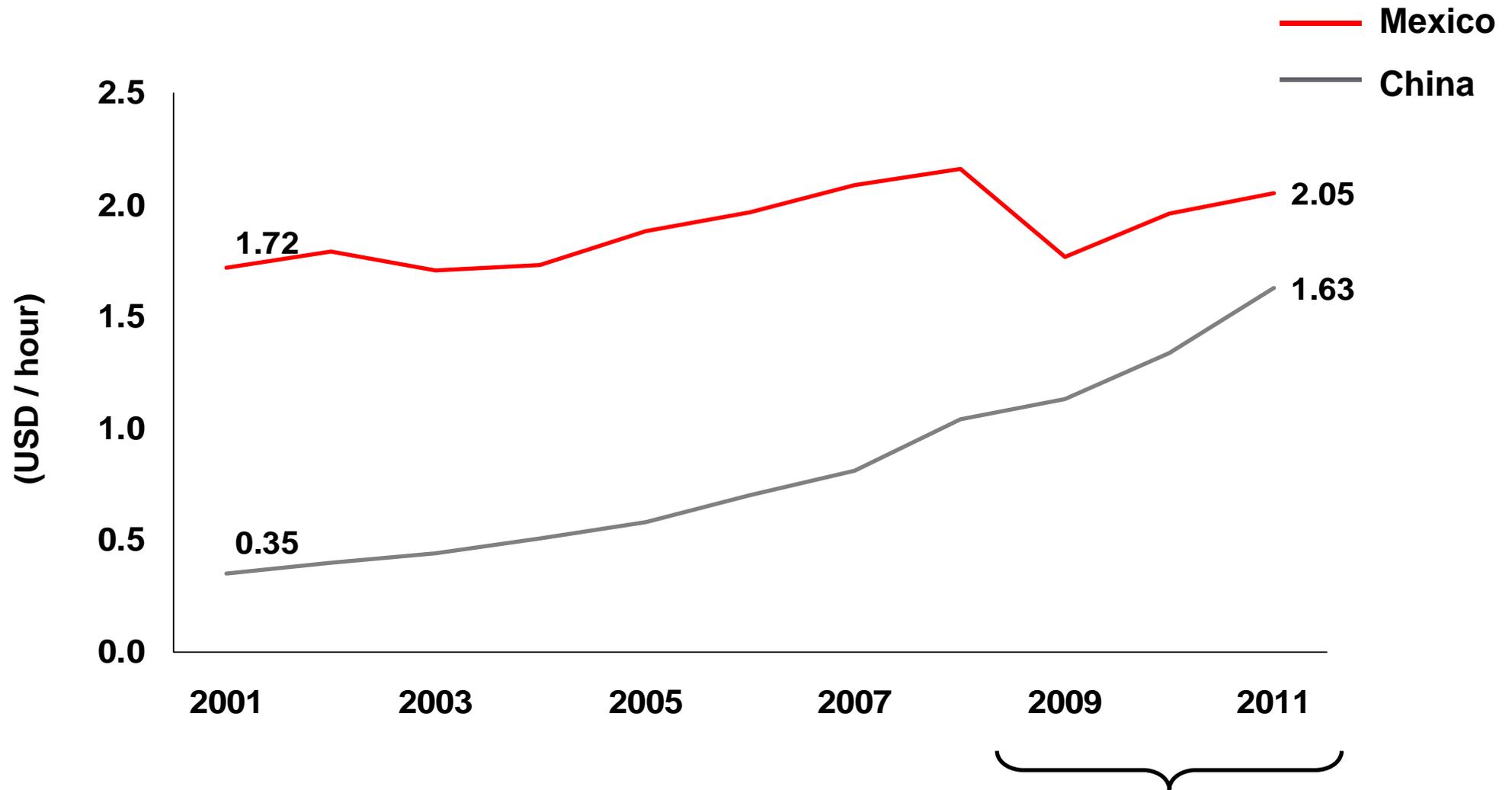
Total Exports: 349



- Important for connectivity: Trade & Domestic supply chains

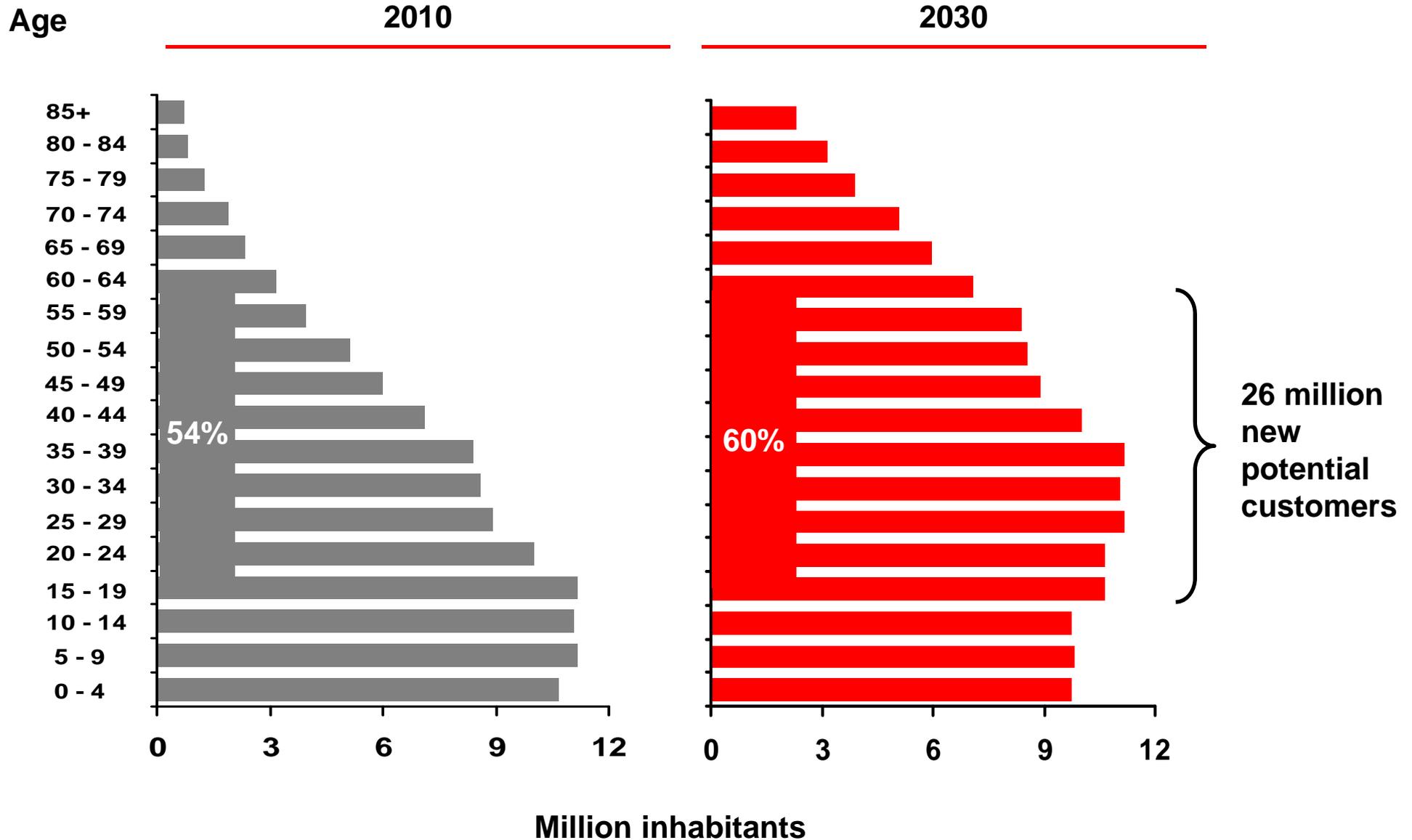
# Labour: Recovering competitiveness

## Hourly wage



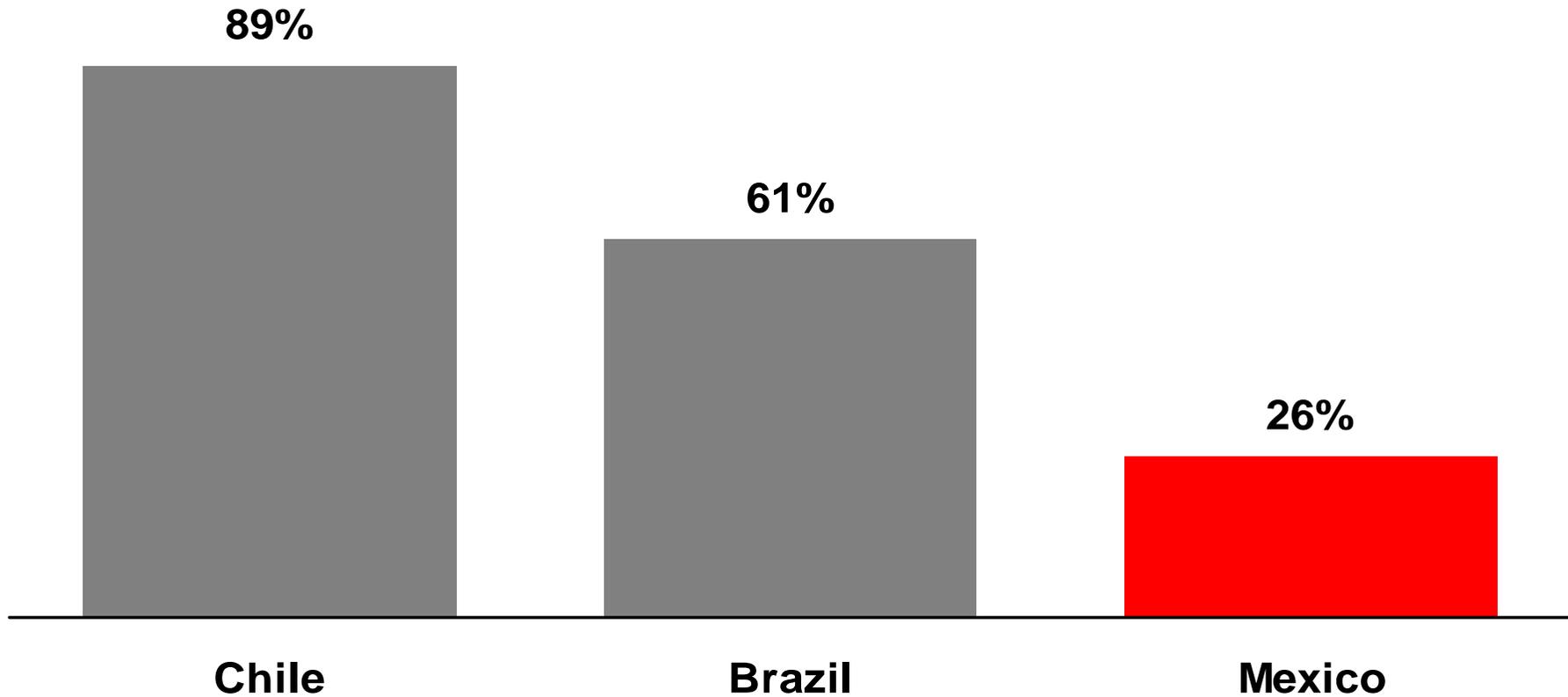
Mexico increased to 11.9% its share of US imports (+60 bps)

# Demographic bonus



## Opportunity in lending

Domestic credit to private sector (% of GDP), 2011



## Mexico is a strategic country for HSBC

- Mexico has been defined in HSBC's Strategy as one of the "Priority Growth Markets"
- It is the 7th largest PBT contributor to the Group in 1H12
- The Mexico Retail Banking and Wealth Management business is one of the largest in the Group...
  - 2nd largest Branch Network
  - Largest ATM network
  - Largest RBWM business in the Latin America region
- ...and is very profitable
  - Third place in RBWM PBT after the "Home Markets"

# Financial Performance

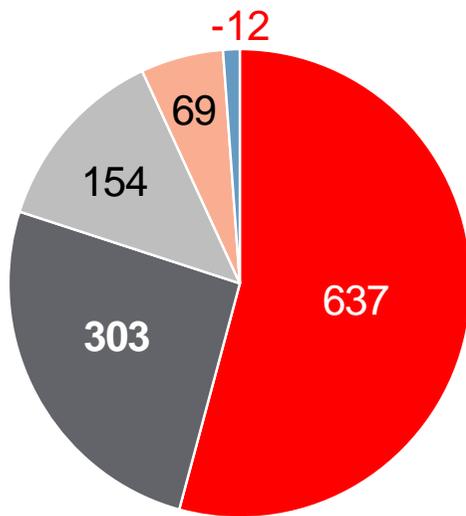
# Latin America

Mexico has increased their contribution to the region's profit before tax



## 1H11 Profit before tax

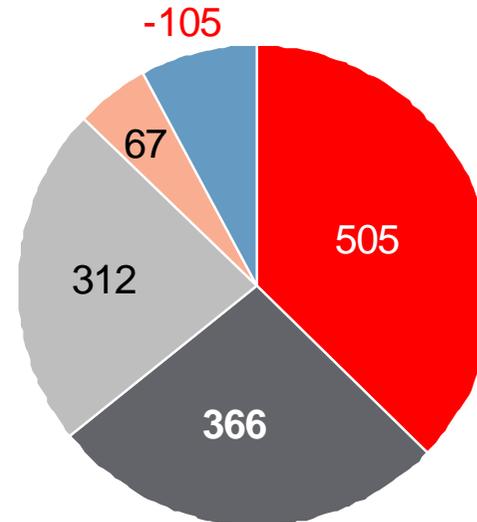
USDm



1H11: 1,151 USDm

## 1H12 Profit before tax

USDm



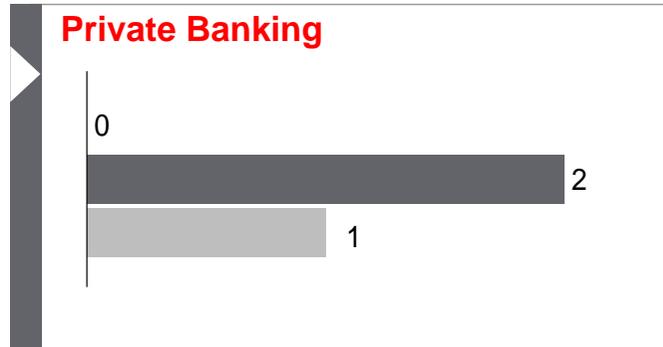
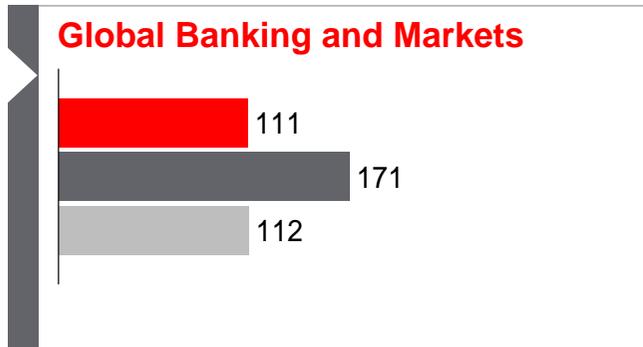
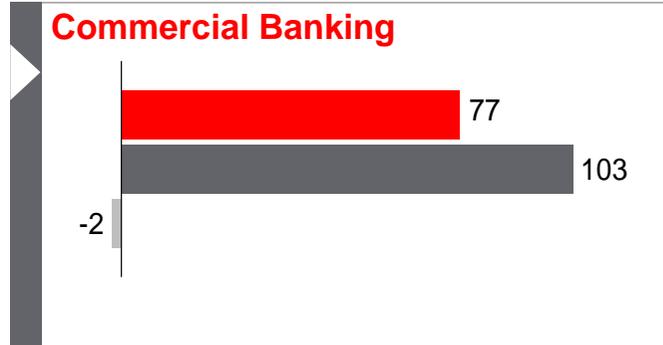
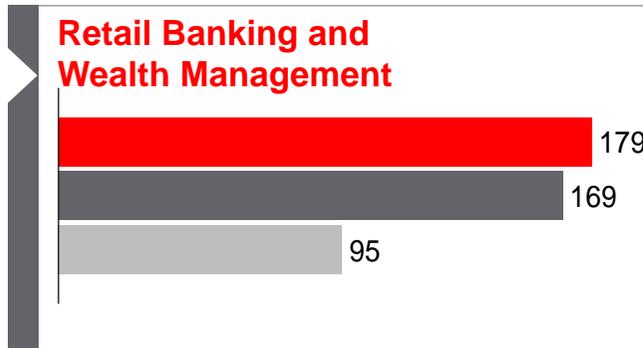
1H12: 1,145 USDm

- Brazil
- Mexico
- Argentina
- Panama
- Other

Var  
-0.5%

## Profit before tax by Global Business (USDm)

■ 20.8% increase in profit before tax



■ 1H10   ■ 1H11   ■ 1H12



# HSBC Mexico

## Income Statement



Millions MXN, Mexican GAAP	1H11	1H12	% Better / (worse)
Net Interest Income	10,642	10,848	2
Other Operating Income	7,376	6,535	(11)
Fees	2,948	3,003	2
Trading Income	1,896	1,462	(23)
Other income	2,532	2,070	(18)
<b>Total Operating Income</b>	<b>18,018</b>	<b>17,383</b>	<b>(4)</b>
Other expenses	(12,939)	(11,117)	14
<b>Net Operating Income</b>	<b>5,079</b>	<b>6,266</b>	<b>23</b>
LICs	(3,202)	(3,335)	(4)
Taxes	(526)	(695)	(32)
Undistributed Income from Subsidiaries	17	28	65
Discontinued Operations	215	62	(71)
<b>Net Income</b>	<b>1,583</b>	<b>2,326</b>	<b>47</b>

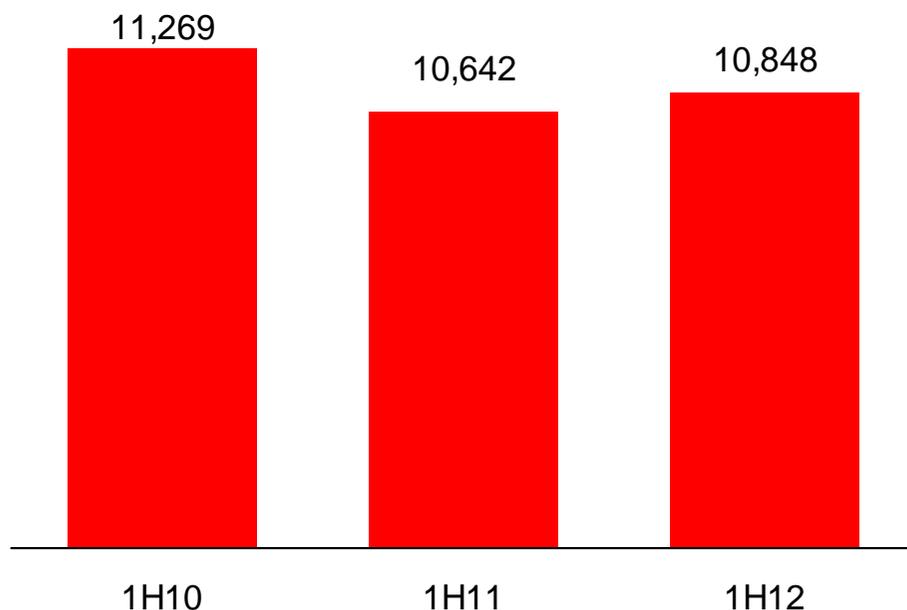
# HSBC Mexico

## Operating income



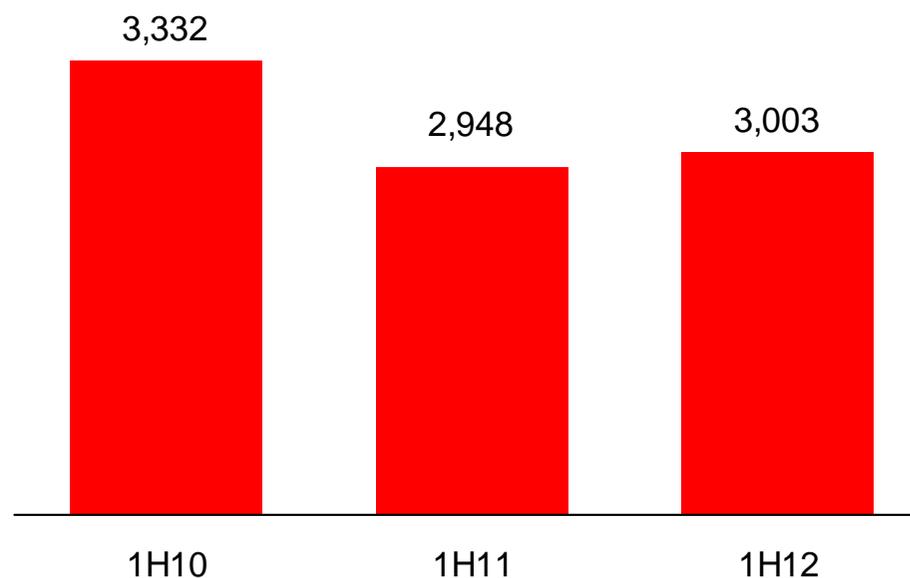
### Net Interest Income

MXN m



### Fees

MXN m



- Higher net interest income, compared 1H12 vs 1H11, was due to loan portfolio growth, mainly in payroll, consumer and commercial loans
- Increased deposit volumes
- Partially offset by lower spreads in credit cards, payroll and business banking loans

- Higher structuring fees earned from project finance, and increased equity and debt capital markets and trade services fees
- Mostly offset by lower account services fees, as customers migrated to electronic channels, coupled with an increase in brokerage, credit and debit card fees payable

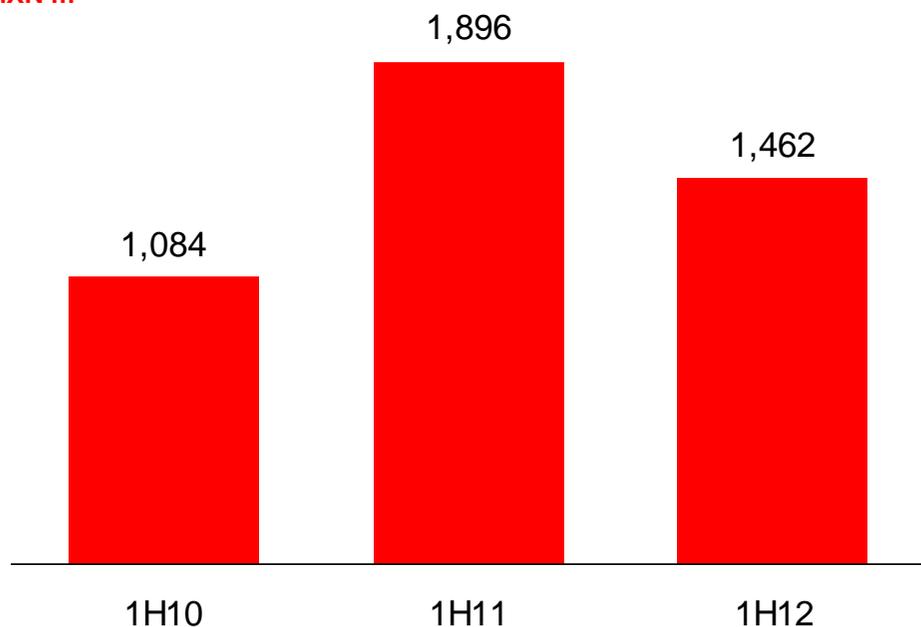
# HSBC Mexico

## Operating income



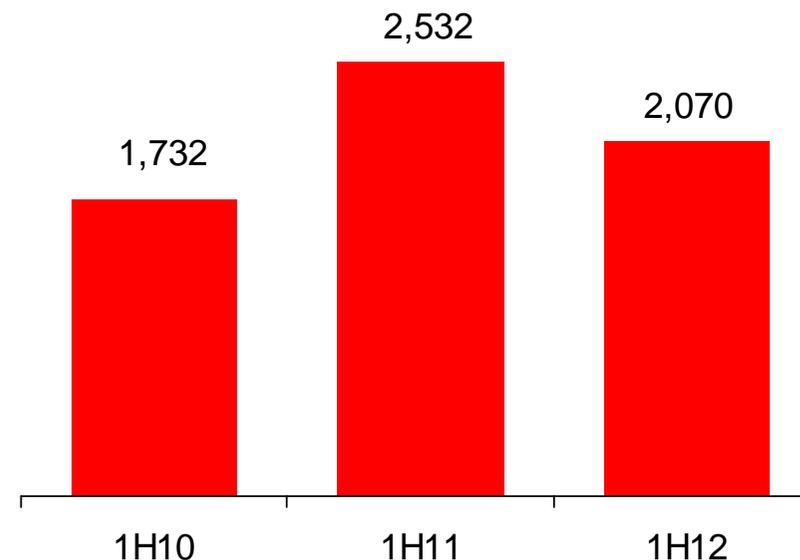
### Trading

MXN m



### Other Operating Income

MXN m

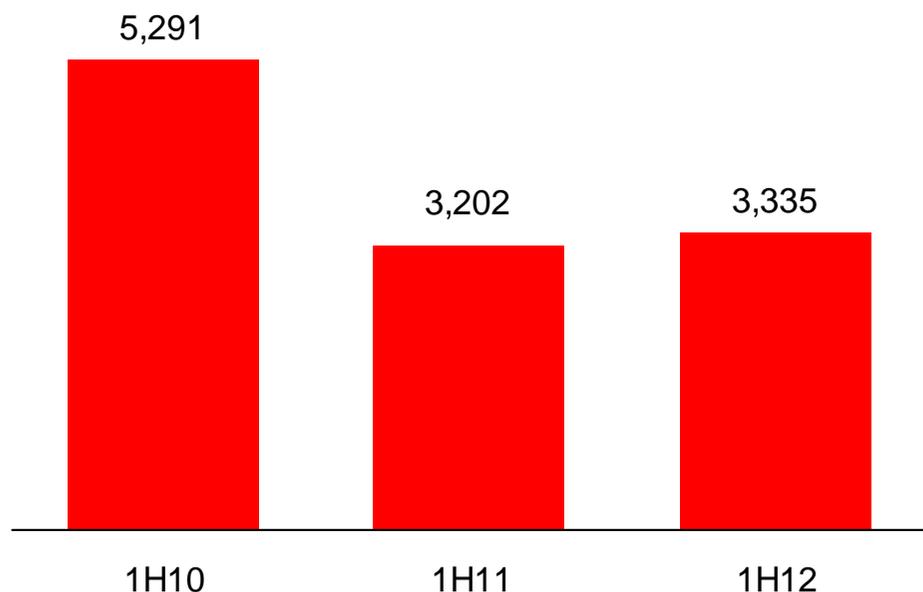


- Decreased trading mostly due certain large derivatives deals and a gain of MXN279m arising from the sale of one of the Grupo Financiero HSBC's equity investments in the first quarter of 2011.

- The increase in 1H11 was mainly driven by:
  - The gain on the sale and leaseback of certain branches in the network
  - Reduced operational losses

### Loan impairment charges

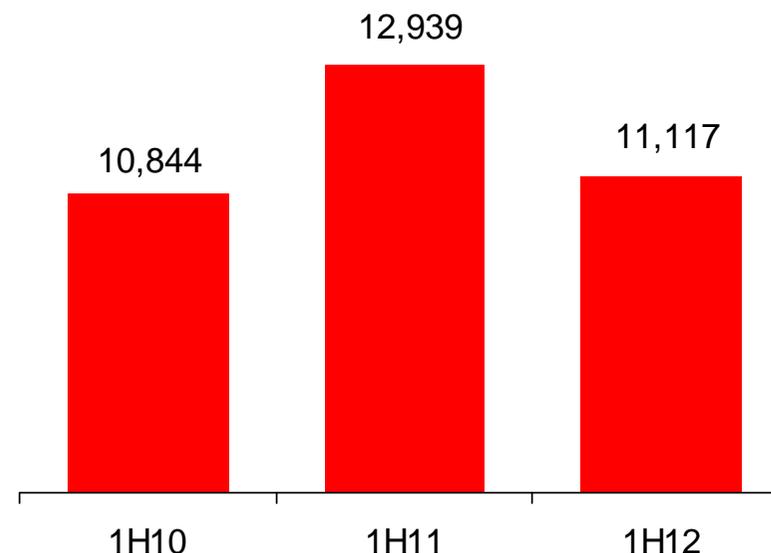
MXN m



- Increased LICs mainly due to a change in the write-off policy for mortgage loans implemented in April 2012, generating a one off increase in loan impairment charges of MXN659m.
- Excluding the change in write-off policy, loan impairment charges decreased 16.4% compared with the first half of 2011

### Administrative expenses

MXN m



- Cost reduction initiatives implemented in 2011 in both regional and local operations, such as rightsizing the regional structures and other rationalisation programmes, in addition to the write-off of intangible assets
- In June 2012 the bank fully provisioned a fine imposed by the National Banking and Securities Commission (CNBV), amounting to MXN379m

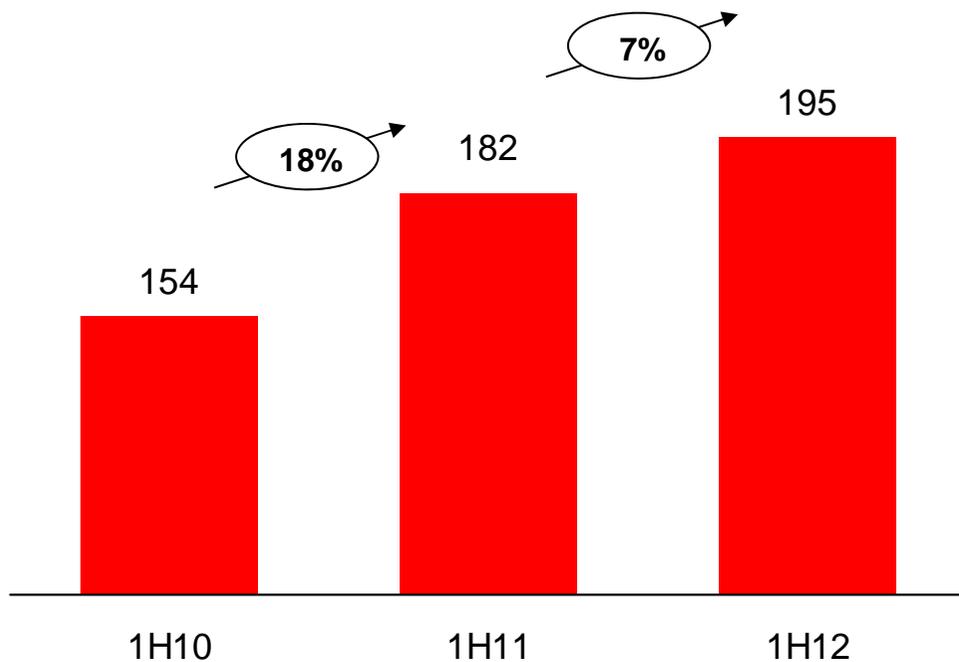
# HSBC Mexico

## Loans and advances



### Total credit portfolio

MXN bn



Total loans and advances to customers increased in both the commercial and consumer portfolios.

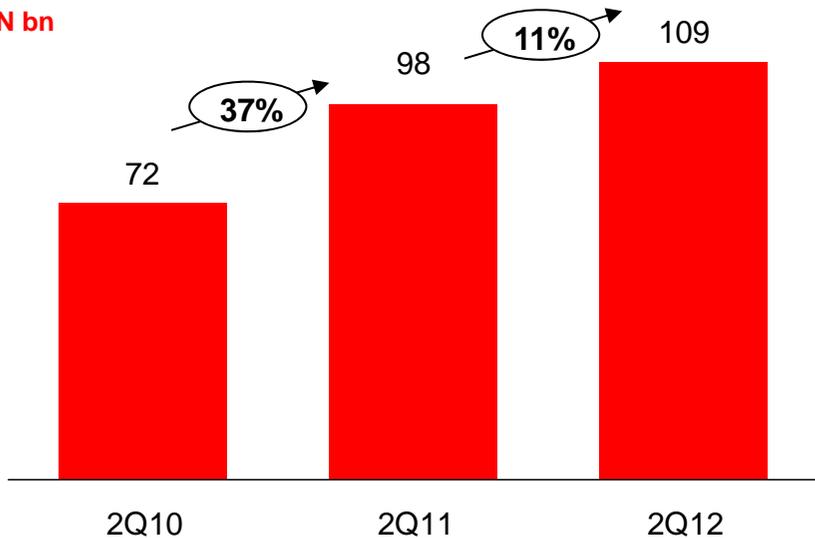
- Commercial portfolio growth is mainly due to higher lending to mid-market enterprises.
- Consumer portfolio growth was mainly driven by increased payroll and personal loans.

# HSBC Mexico Total Loan Portfolio



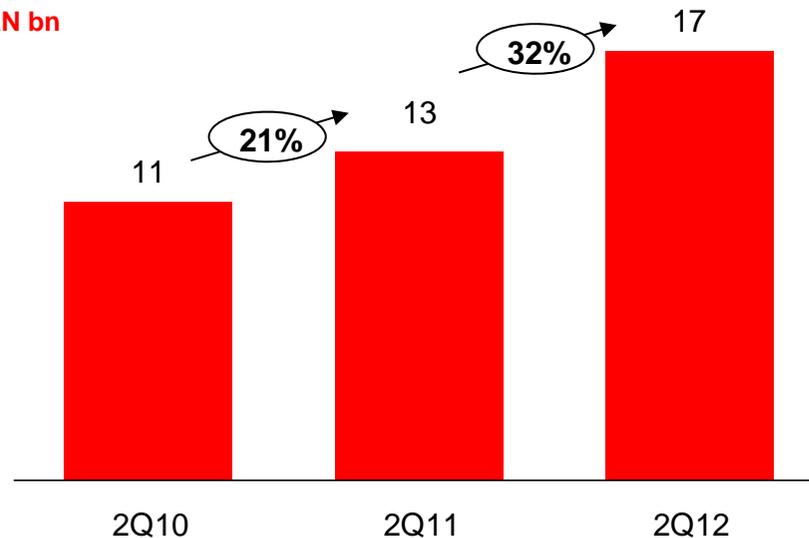
## Commercial

MXN bn



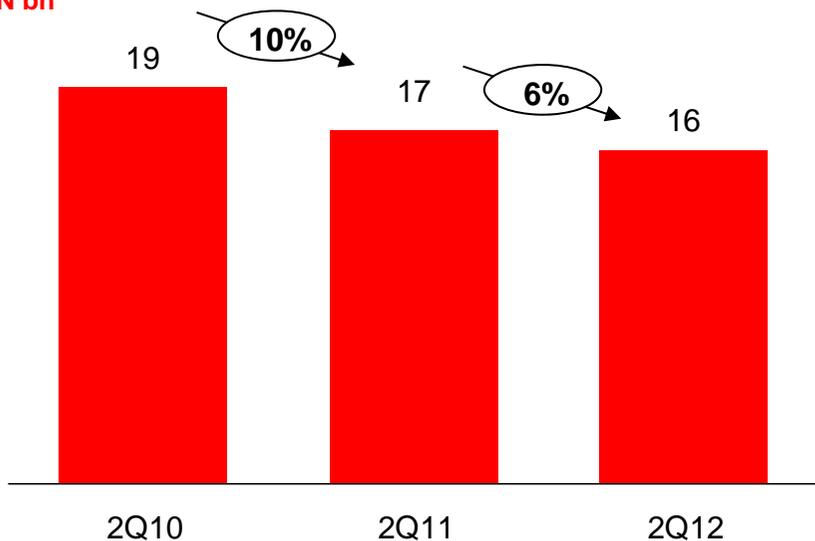
## Consumer (excl. credit card)\*

MXN bn



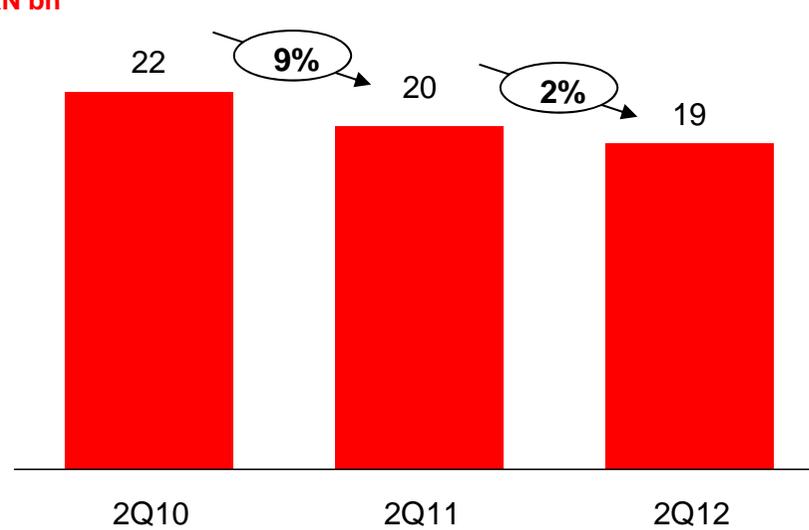
## Credit card

MXN bn



## Mortgage

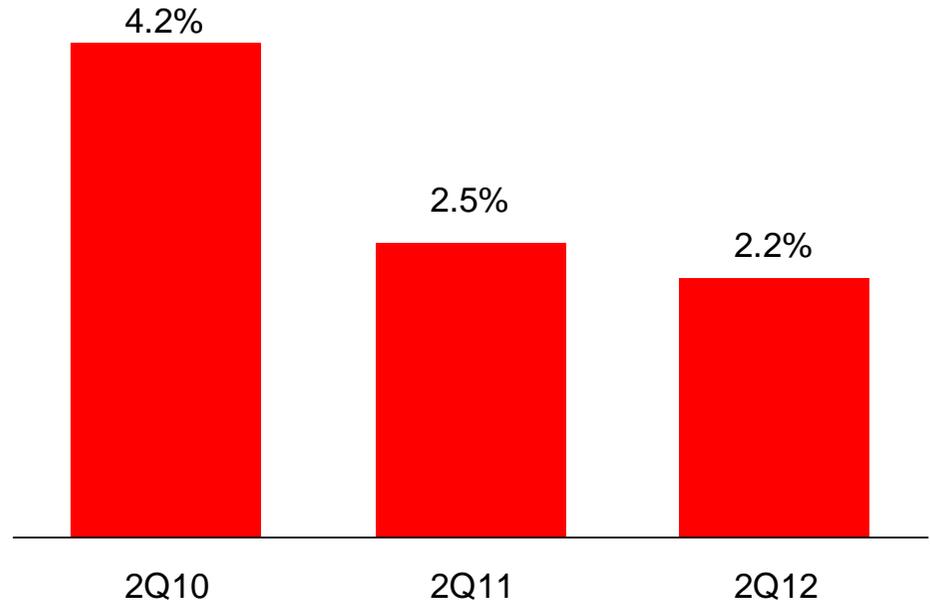
MXN bn



\* Consumer growth include payroll, personal and auto loans, the latest no more an strategic product  
Figures in MXN under local gaap  
Source: 2Q12 and 2Q11 Press releases, HSBC Mexico

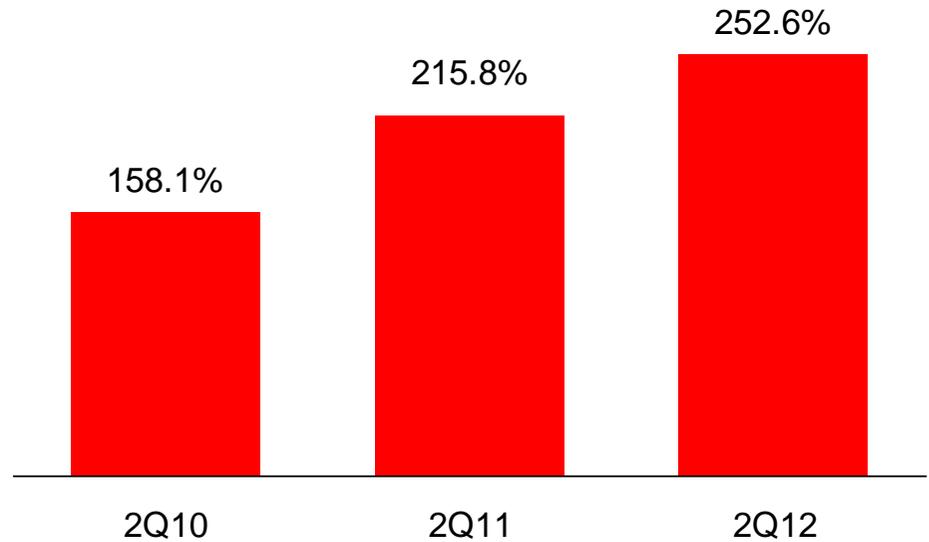
### Non performing loan ratio

(%)



### Coverage ratio

(%)

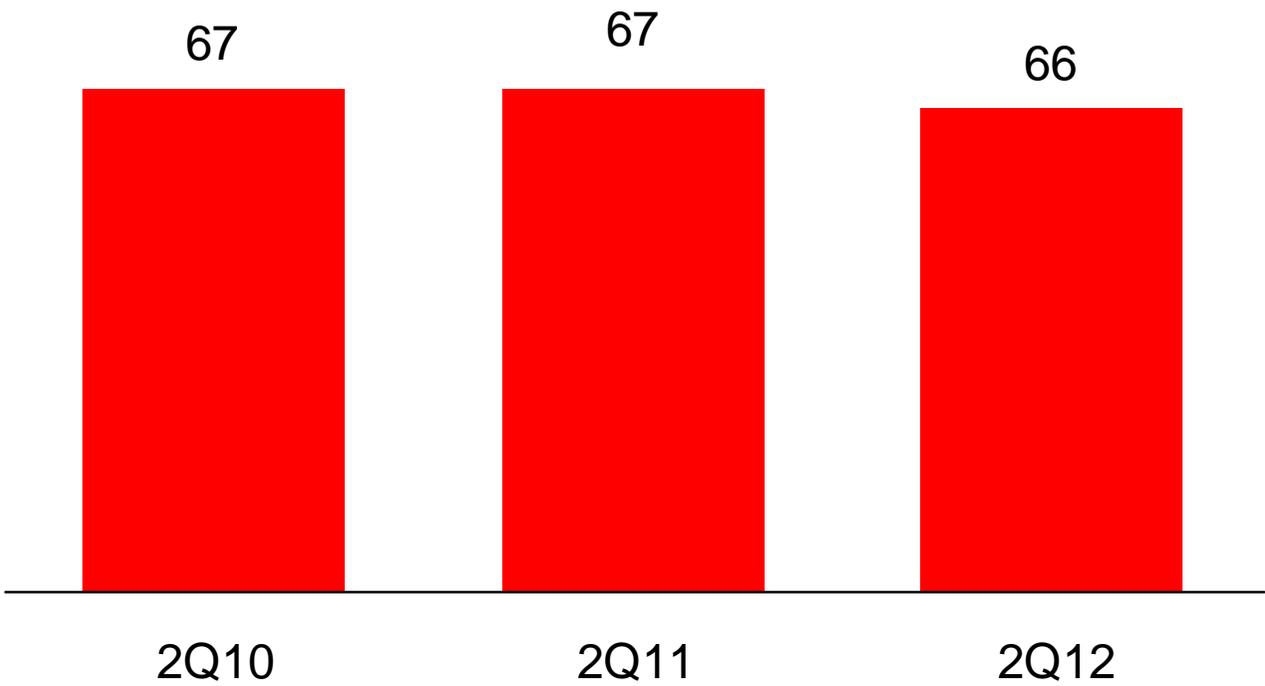


Figures in MXN under local gaap  
Source: 2Q12 and 2Q11 Press releases, HSBC Mexico

**Advance to deposit ratio**

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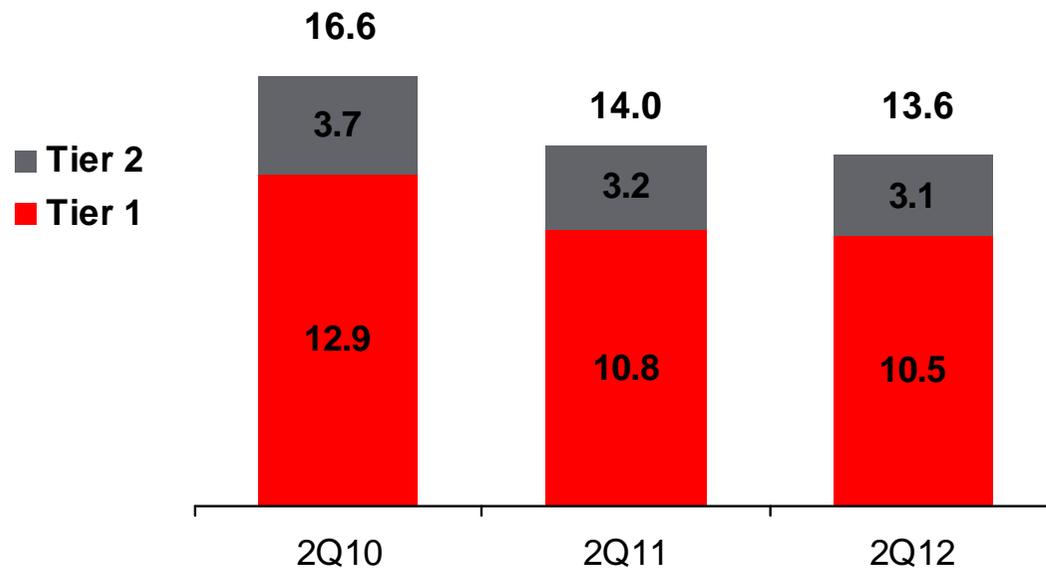
(%)



Figures in MXN under local gaap  
Source: 2Q12 and 2Q11 Press releases, HSBC Mexico

### Capital Index

(%)



- As at 2Q12, HSBC continues with a solid capital position, with a capital adequacy ratio above state authorities' requirements of 10%.
- In March 2012, the bank paid a dividend of MXN1.4 billions, representing MXN0.81 per share

# Conclusions

## Organic and sustainable growth

- Positive outlook for Mexico for the remainder of 2012, in a challenging world
- Mexico is a key player in the faster growing markets growth story
- RBWM and CMB credit focus
- Improve the control environment and cost control
- Prudent and consistent credit growth
- International and intersegment connectivity
- Consolidation of the debt market leadership



# HSBC Mexico

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