



HSBC Latin America

Barcap Roadshow

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March 2012

HSBC 

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. Past performance cannot be relied on as a guide to future performance.

This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial information to the most directly comparable measures under GAAP are provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at www.hsbc.com.

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Latin America relevance and economic overview

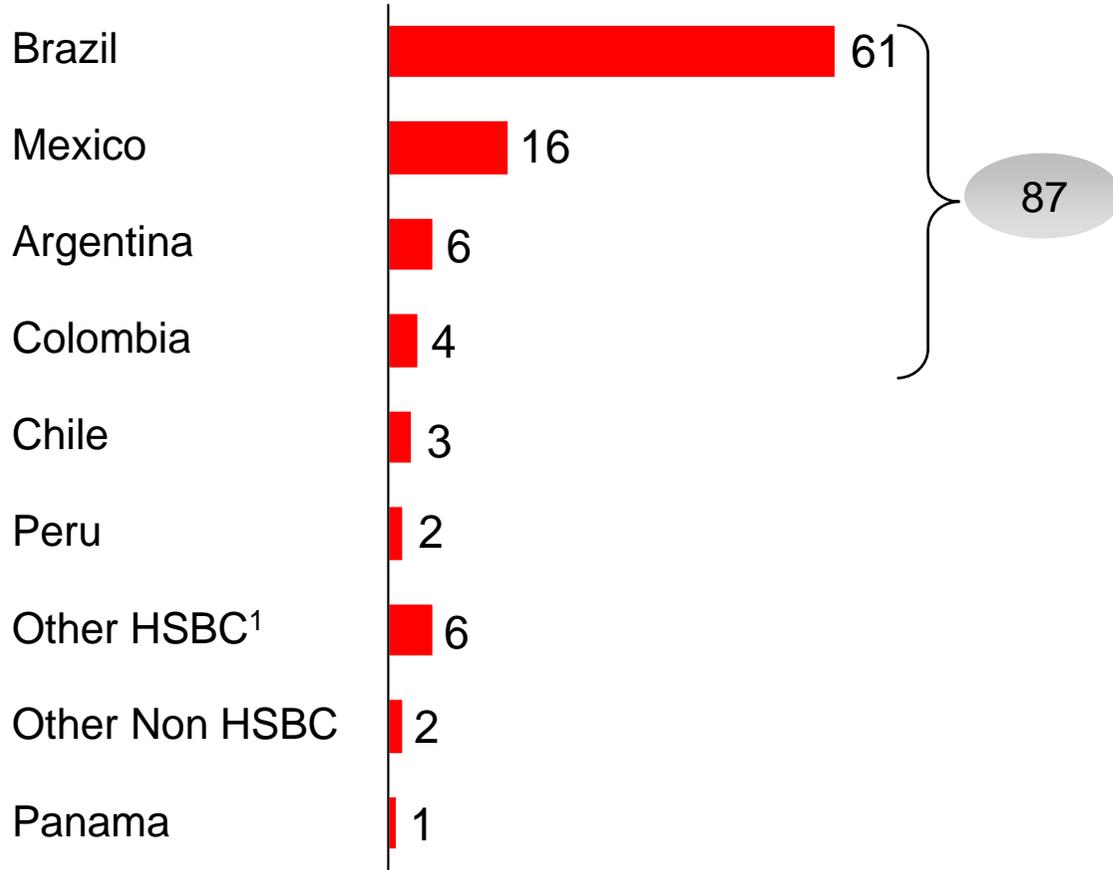
Latin America

Significant presence in relevant markets



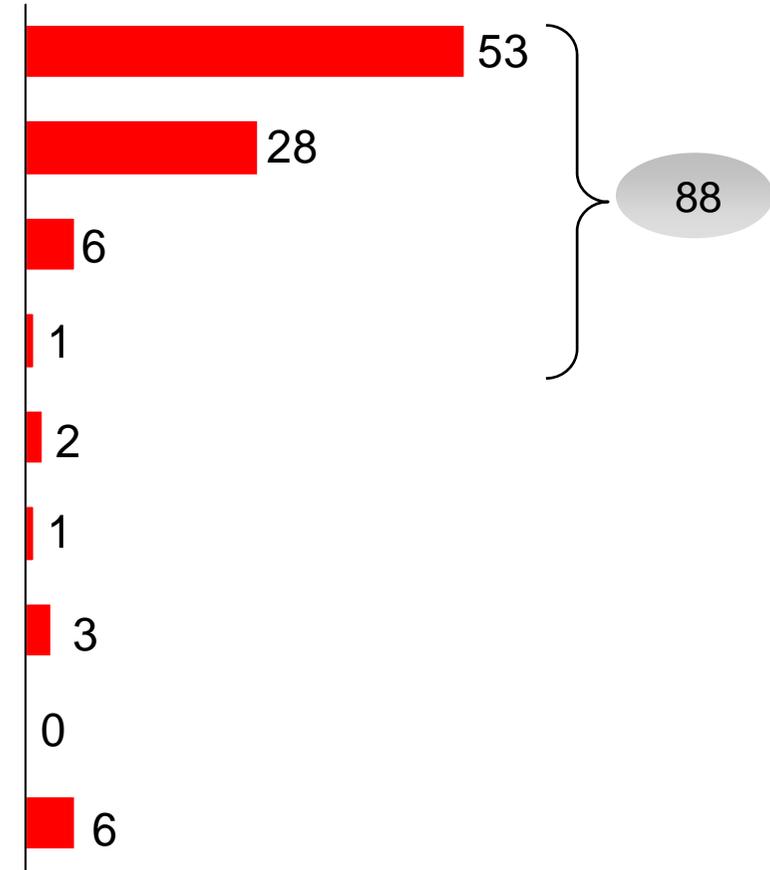
Share of Latin America GDP Growth

(%) 2010 - 2020



Share of HSBC Latin America Assets

(%) 2011



USD5.5 trillion forecast absolute nominal GDP growth

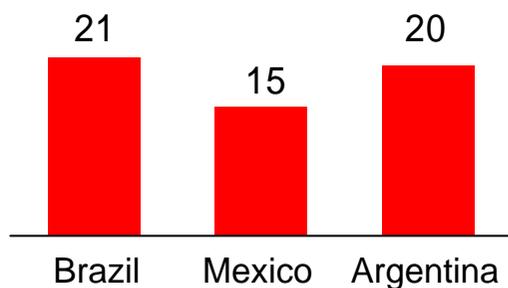
¹ Other HSBC: El Salvador, Costa Rica, Honduras, Uruguay, Paraguay, Venezuela (Rep Office), Guatemala (Rep Office) and Nicaragua (Rep Office)
 Source: HSBC Global Insights and 2011 LAM MANCO presentation

Latin America GDP Growth

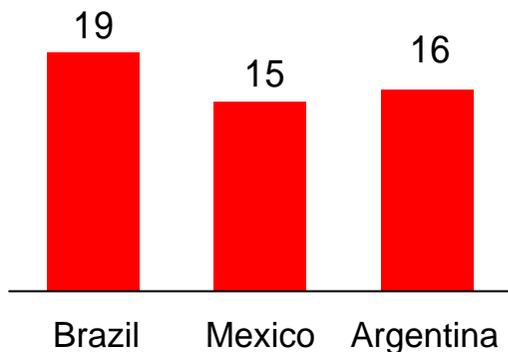
Market strong historical numbers...

CAGR 2006-10, (%)

Credit¹

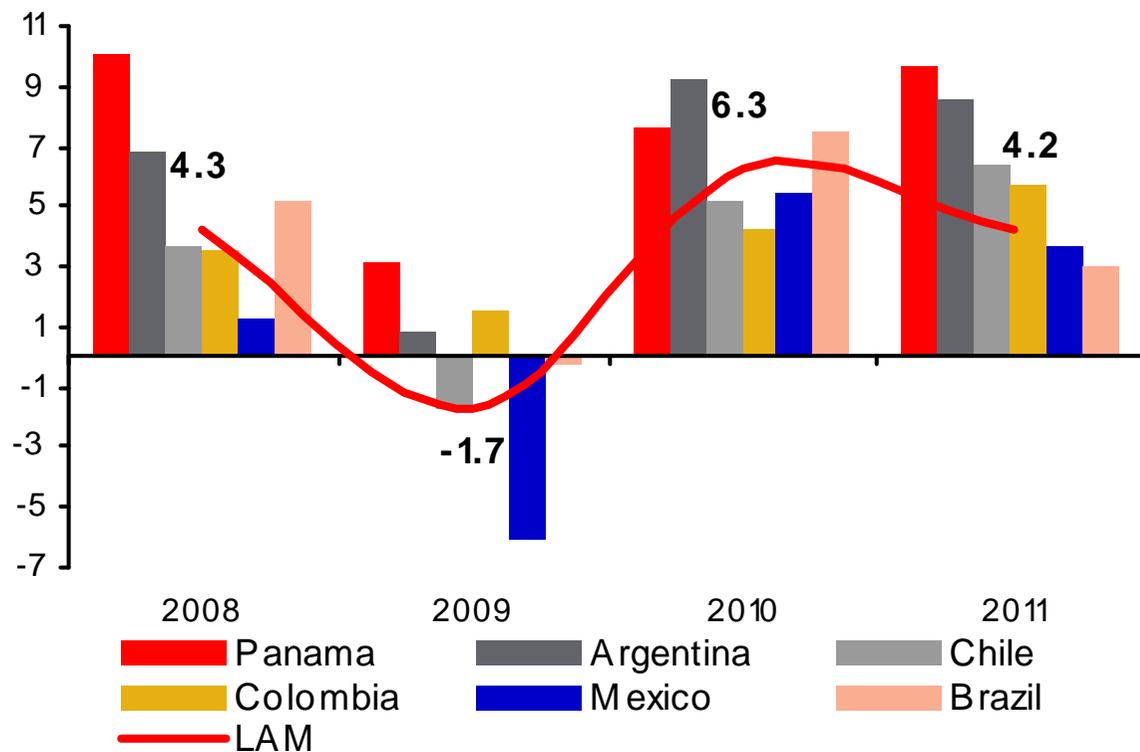


Deposits²



... and significant growth among the region

GDP Growth, (%)



¹ Domestic credit to private sector

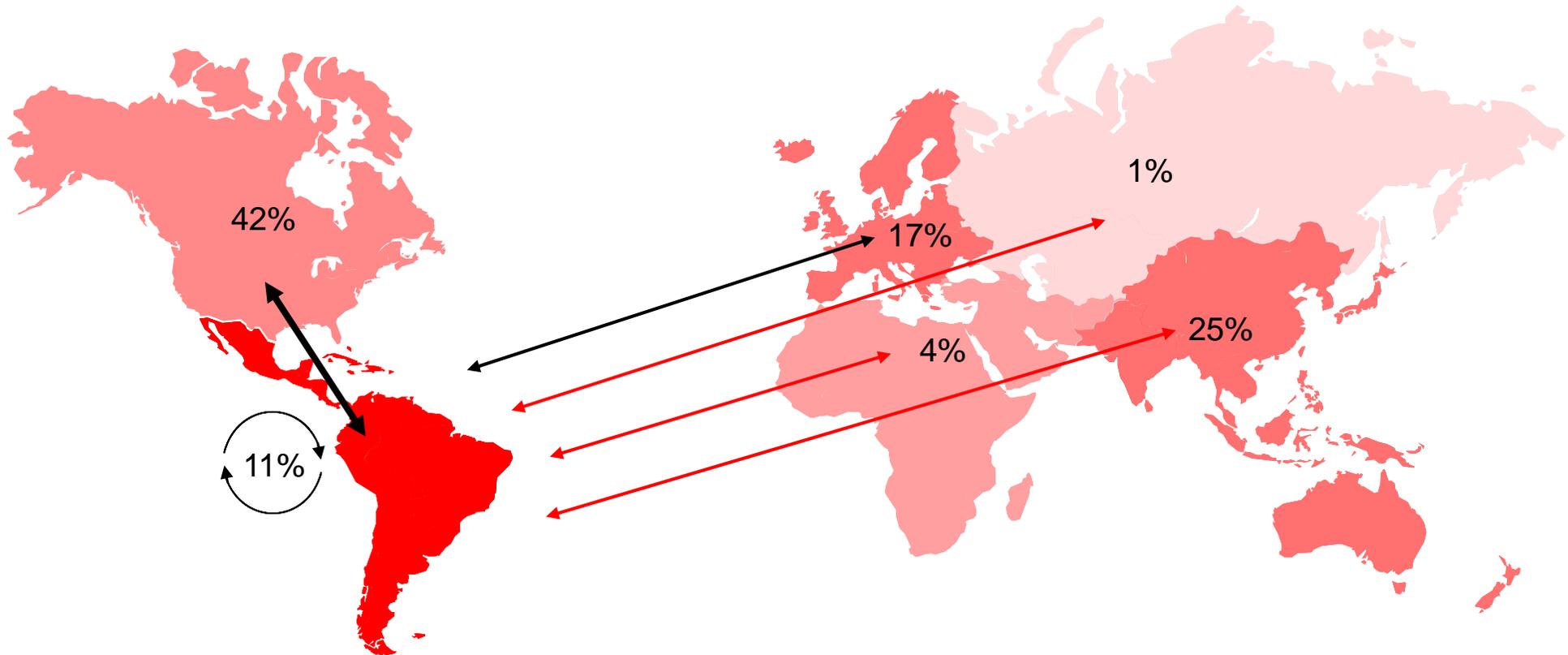
² Customer deposits

Source: Local Superintendencies and Central Banks, BMI, IMF and HSBC Global Research Latin America Economics 1Q 2012

Latin America

Connectivity fast growing

- Trade between LAM and other regions was **USD1.4 trillion¹** in 2010 (6% of World trade)
- LAM trade will grow from USD1.4 to **USD3.0 trillion** by 2020 (7.6% CAGR)



- LAM includes some of the fastest growing cross regional trade corridors (e.g. China to Brazil, 37% CAGR and LAM to Asia, 20% CAGR)

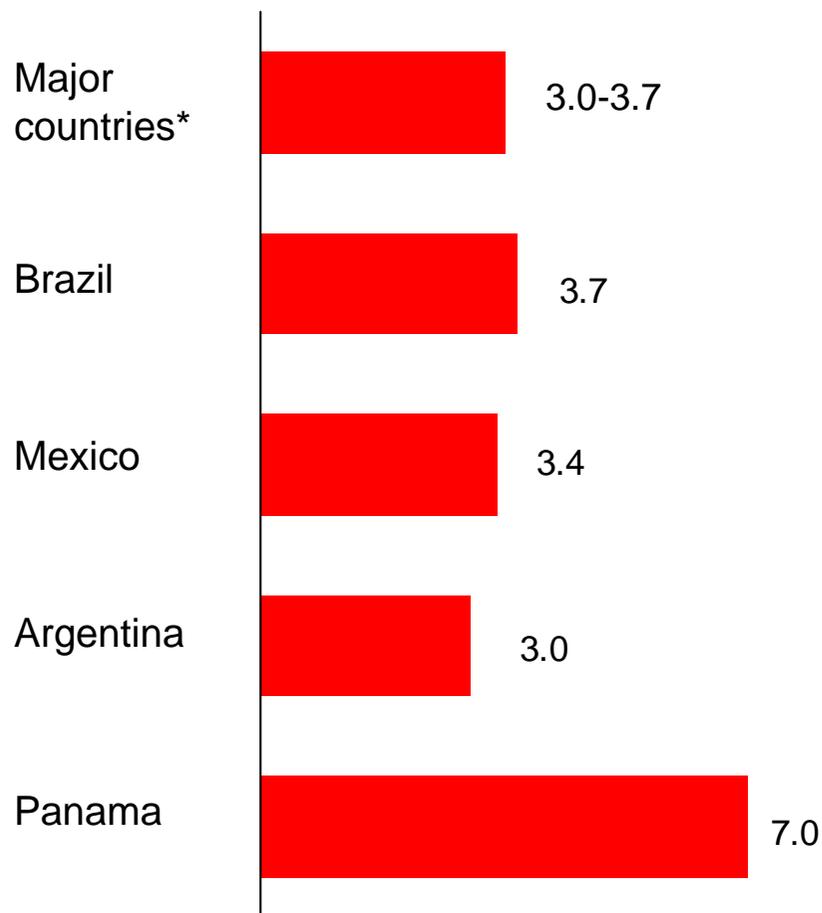
¹ Intra-regional using exports only.

Source: International Trade Centre. Figures considering merchandise trade and continental LAM.

Latin America Outlook for 2012



Expected GDP Growth (%) 2012



Key trends

- Growth forecasts slightly reduced due to global situation
- Similar degree of vulnerability to a crisis as in 2008
- In general, room for easing fiscal, monetary and FX policies, if required

- Growth bottomed, expected to slightly rebound in 2012

- More competitive (e.g., vs. China) and resilient**

- More marked slowdown with high inflation and limited buffers

- Cushioned by public investment and Canal infrastructure

Risks: marked deterioration in China and/or Europe

- Lower commodity prices
- Reduced FDI flows

* Argentina, Brazil, Chile, Colombia, Mexico, Venezuela

Source: HSBC Global Research, Latin America Economics 1Q 2012

**Source: Mexico Economics: Unexpectedly resilient growth

Strategic direction

Latin America

Become the leading international bank serving key growth segments and markets

1

Retail Banking and Wealth Management - Positioned to capture social mobility and wealth creation

- Develop client centric strategy
- Invest in distribution channels
- Sub-segment affluent propositions

2

Commercial Banking - The leading commercial bank for international businesses

- Develop unique offerings based on international network, e.g., RMB settlements
- Continue optimising centralised business platforms

3

Global Banking and Markets - Connecting Latin America and the world

- Connect corporate customers throughout Latin America and main global centers
- Develop tailored financial solutions for high growth companies

4

Increase capital and cost efficiency

- Increase operational effectiveness through portfolio rationalisation and sustainable cost savings

1 Retail Banking and Wealth Management – Positioned to capture social mobility and wealth creation

Key opportunities

- Demographics and upward social mobility
- Wealth Management proposition as key differentiator: “one-stop shop”
- Retail banking and lending: over 50% of profit pool
- Over USD17m of potential wealth insurance profit before tax for every 1% increase in penetration rate

HSBC position

- Relevant and scalable presence in key markets to capture retail banking opportunities
- Integrated business model, with strong cross referrals among business lines
- Insurance: strong and well integrated bank assurance and voluntary pension proposition, focusing on internal distribution
- Close to 9% penetration rate for wealth insurance
- Strong Asset Management capabilities: USD55bn in Assets under Management (AUMs)

Key actions

Move from a product oriented approach to a **client centric strategy**

Leverage Business Intelligence, providing seamless customer experience across different distribution channels

Leverage **Global Propositions** (Premier, Advance)

Accelerate infrastructure and process reengineering programs

Brazil and Mexico combined aspiration to generate a PBT of over USD1bn for Retail Banking Wealth Management

2 Commercial Banking – The leading commercial bank for international businesses

Key opportunities

- Clear internationalisation trend amongst small and mid-size businesses
- Customers with international needs; double in-country and triple overall relationship revenues
- 90% of the companies are small businesses, generating a significant portion of country's employment and GDP

HSBC position

- Top positions in Trade market share
 - Mexico #3 (19%)
 - Brazil #5 (7%)
 - Argentina #2 (14%)
- 21% of our customers are international
- Large Commercial Banking network and clientele in key markets
- Feeder of the Retail Banking and Wealth Management proposition through payroll services

Source: International Chamber of Commerce, Argentina Central Bank, Brazil Banks Association, HSBC International Business Survey, Dun & Bradstreet, TNS Global

Key actions

Dedicated inter-regional desks in Asia, North America and in Latin America

Regional Payments and Cash Management team providing connectivity through HSBC Net in all countries and client management support

Regional Trade operations and booking unit in Panama to support smaller sites

First institution to settle in RMB in Mexico, Brazil and Argentina

Brazil and Mexico combined aspiration to generate a PBT of over USD900m for Commercial Banking

3 Global Banking and Markets – Connecting Latin America and the world

Key opportunities

- Supporting global customers in Latin America
- Increasingly local customers require international Trade Services and Cash Management
- Asia: Latin America's fastest growing trading partner
- Faster Growing Markets companies acquiring Mature Markets assets

HSBC position

- Strong brand position
- Unparalleled position in Debt Capital Markets ranking
- Unmatched connectivity with Asia, Europe and US
- Key sector coverage from US and Europe
- Alignment between Global Banking and Markets product offering and Commercial Banking distribution
- Local currency balance sheets and funding capability

Key actions

Cross-selling between segments, products and geographies

Focus on delivery of high-value added products to core Global Banking and Markets' clients

Leverage HSBC connectivity to develop lower volatility revenue streams

Complete build out of country desks in key South-South regions¹

Brazil and Mexico combined aspiration to generate a PBT of over USD1.1bn for Global Banking and Markets

¹ Defined as Asia, Middle East, Africa, and Latin America

Latin America

Country initiatives



Brazil

Wealth Management

- Grow premium client base
- Focus on Wealth Management products

Leverage on China/Brazil trade corridor

- Capture financial trade flows with China (USD7.6bn² in 2012)

Mexico

Cards and consumer credit

- Continue increasing payroll and personal loans: new commercial relations and Customer Relationship Management
- Increase credit card portfolio through new sales (instant delivery), targeted campaigns and early activation

Commercial Banking - Business Banking

- Improve origination and disbursement processes in Mass portfolio
- Increase balances through installment loans and refill campaigns

Argentina

Build scale

- CRM: implement Campaign Management System and Multichannel integration
- Continue differentiation in Premier segment

Leading with international businesses

- Maintain #1 in Fx spot and Non Deliverable Forwards
- Close gap vs. Citi (#1) in Trade
- Continue growing in Agribusiness, Payments and Cash Management and Latin America referrals

Panama

Become a regional player

- Global Markets made it's first derivatives trade in Guatemala
- Global Private Banking implemented referral scheme
- Centralization of inbound and outbound communication to and from Representative Offices
- Consolidation of Regional Booking Unit and Trade & Supply Chain

Shifting headcount from back to front office to support business growth

Latin America

Execution of 5 filters strategy in Latin America



- In Mexico, the sale of HSBC Afore to Principal Financial Group was successfully completed in August 2011
- In the second half of 2011 we completed the sale of our retail banking operations in Chile
- In January 2012, we entered into an agreement to sell our operations in Costa Rica, Honduras and El Salvador. We expect to complete this transaction during 2012, subject to regulatory approval

2011 Results

Latin America

Increased income in all business lines reflecting favourable economic conditions and the increase in our customer base



USDm	2009	2010	2011	% Better / (worse)	
				2010 vs 2009	2011 VS 2010
Net Interest Income	5,573	6,311	6,956	13	10
Net Fee Income	1,729	1,749	1,781	1	2
Net Trading Income	848	733	1,378	(14)	88
Other Income	874	938	1,338	7	43
Net operating income before loan impairment charges	9,024	9,731	11,453	8	18
Loan impairment charges and other credit risk provisions	(2,526)	(1,544)	(1,883)	(39)	22
Net operating Income	6,498	8,187	9,570	26	17
Total operating expenses	(5,375)	(6,394)	(7,255)	19	13
Profit in associates and joint ventures	1	2	0	100	(100)
Profit before Tax	1,124	1,795	2,315	60	29
Share of HSBC's profit before tax	15.9%	9.4%	10.6%	(650) bps	120 bps

Latin America

Improved financial ratios



	2009	2010	2011	Better / (worse)	
				2010 vs 2009	2011 VS 2010
RoRWA	1.4%	2.0%	2.3%	60 bps	30 bps
Cost efficiency ratio	59.6%	65.7%	63.3%	610 bps	(240) bps
JAWS	-4.0%	-11.0%	4.2%	(700) bps	1,520 bps
LICs / Advances	5.3%	2.7%	3.4%	(264) bps	70 bps

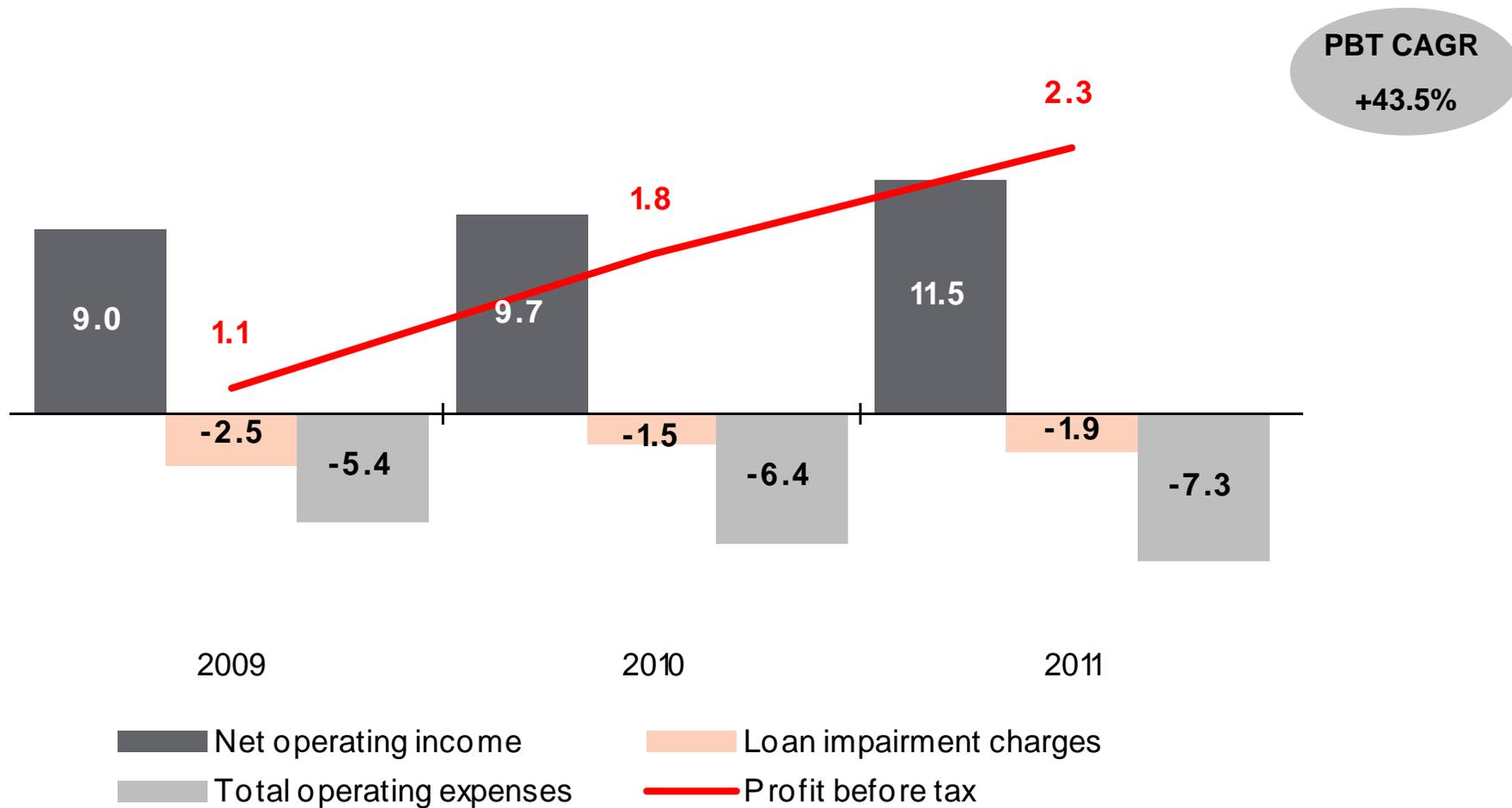
Latin America

Financial result trends



Latin America - Profit before tax

USDbn



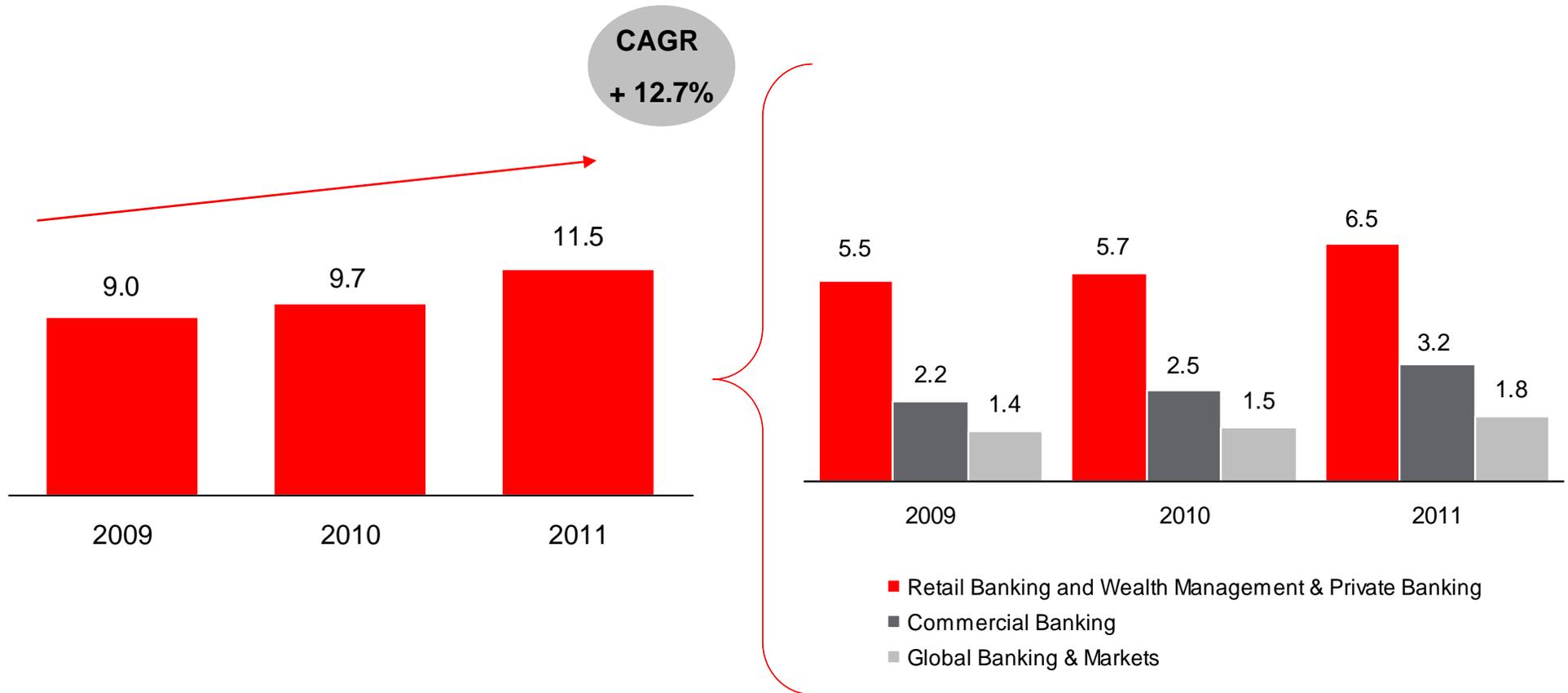
Latin America

Improved revenues in Global Banking and Markets and Commercial Banking in the region



Revenues

USDbn



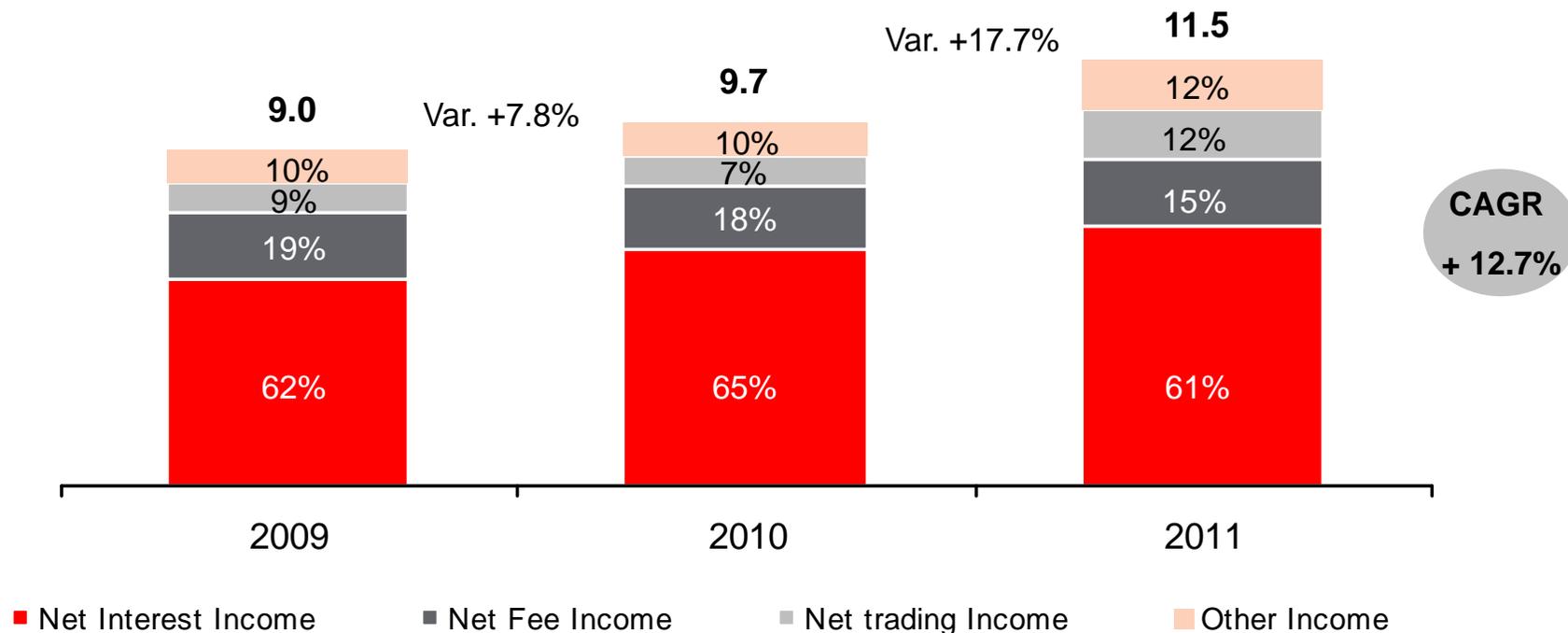
Latin America

Positive trend in operating income



Total Operating Income

USDbn



- Net interest income driven by higher average lending balances in Commercial Banking and Retail Banking and Wealth Management
- Lower net fee income driven by fewer transaction volumes related with regulatory changes in Mexico site

- Improved trading activity from foreign exchange income and increased client activity
- Increased Other Operating Income was due to gains from the sale and leaseback of branches in Mexico and higher life insurance sales in Brazil and Mexico

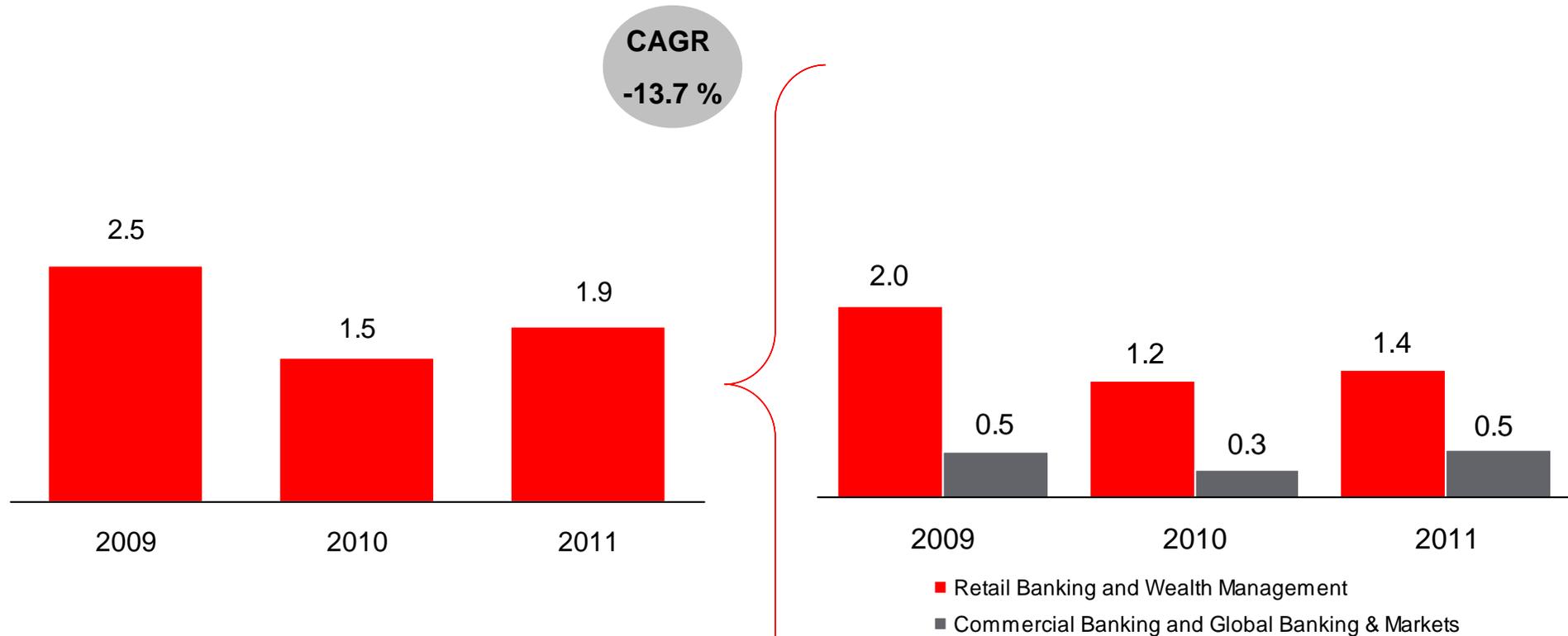
Latin America

Increased loan impairment charges in 2H11 driven by strong loan growth and higher delinquency in Brazil



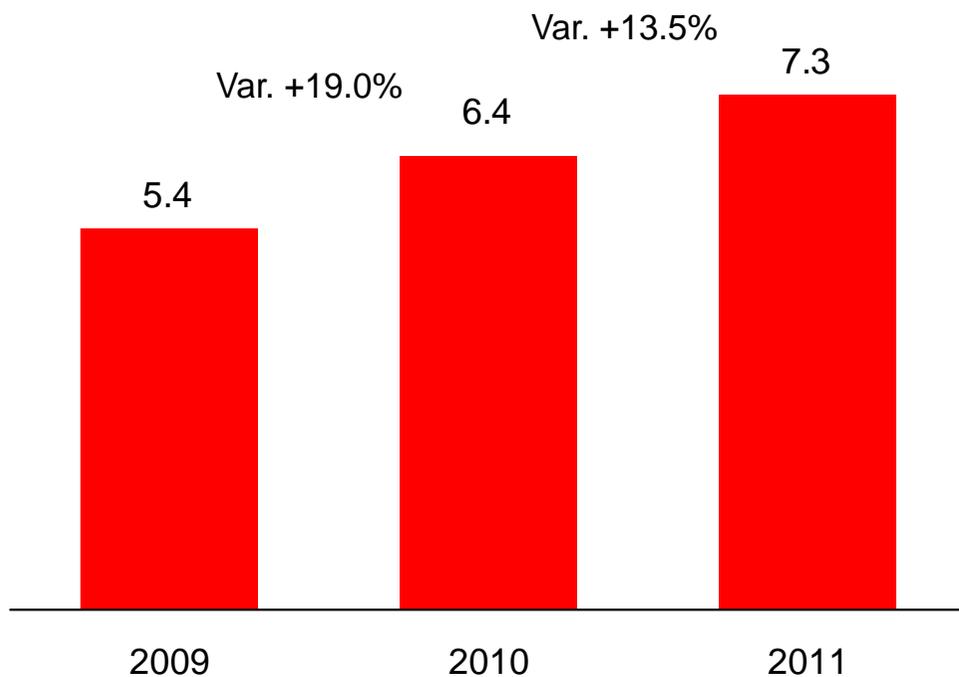
Loan impairment charges and other credit risk provisions

USDbn



Total Operating Expenses (USD billion)

USDbn



Main key drivers:

- Restructuring of our regional and country support functions (USD338m for 2011)
- Mexico's branch network consolidation
- Inflationary pressures and business growth

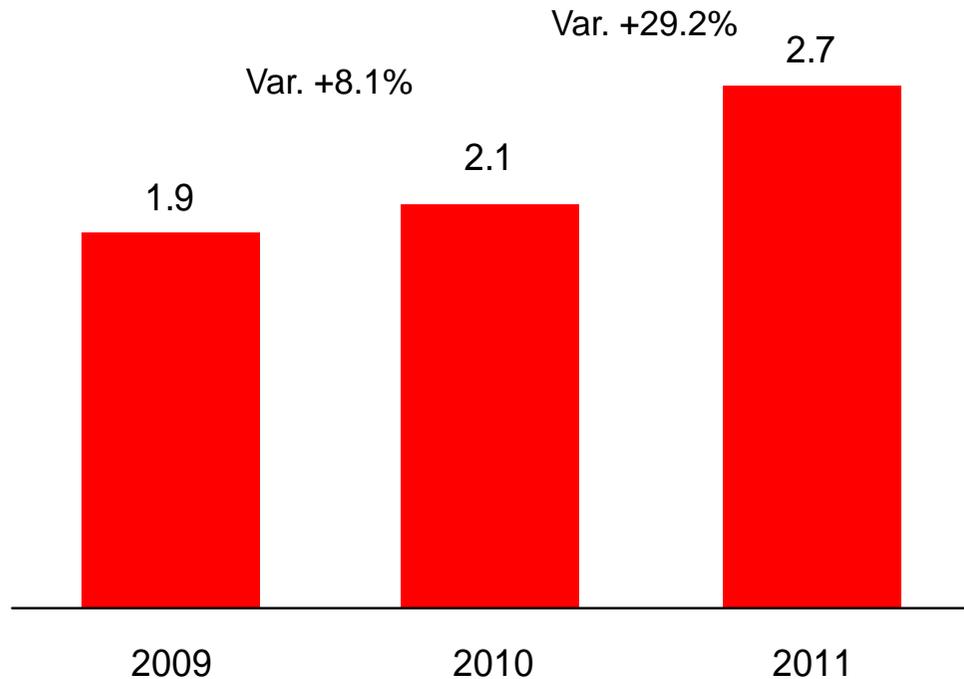
Latin America

Insurance premiums represent 23% of Latin America's revenues



Net earned insurance premiums

USDbn



- Insurance premiums increased in 2011 compared to 2010 driven by improved economic conditions and higher sales
- Strong performance due to higher premiums on pension products in Brazil
- Strong growth in Argentina due to volume growth and repricing of motor insurance policies
- In Mexico, improved premiums and claims in term life products

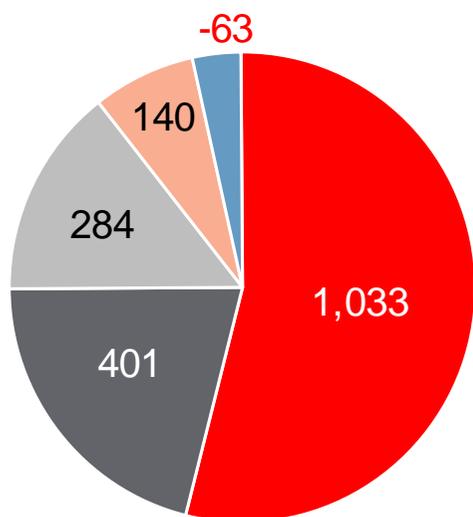
Latin America

Strong results in Latin America's main sites



2010 Profit before tax

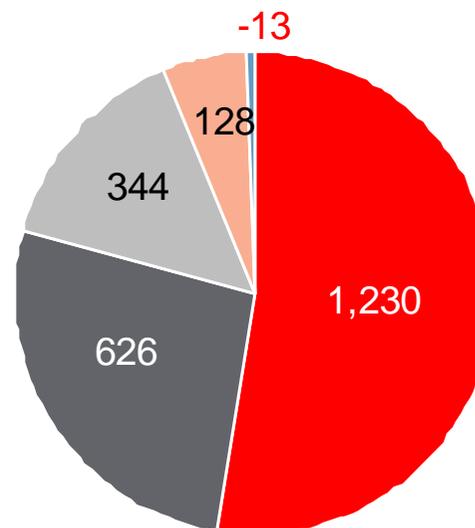
USDm



2010: 1,795 USDm

2011 Profit before tax

USDm



2011: 2,315 USDm

Var
+29%

- Brazil
- Mexico
- Argentina
- Panama
- Other

Latin America

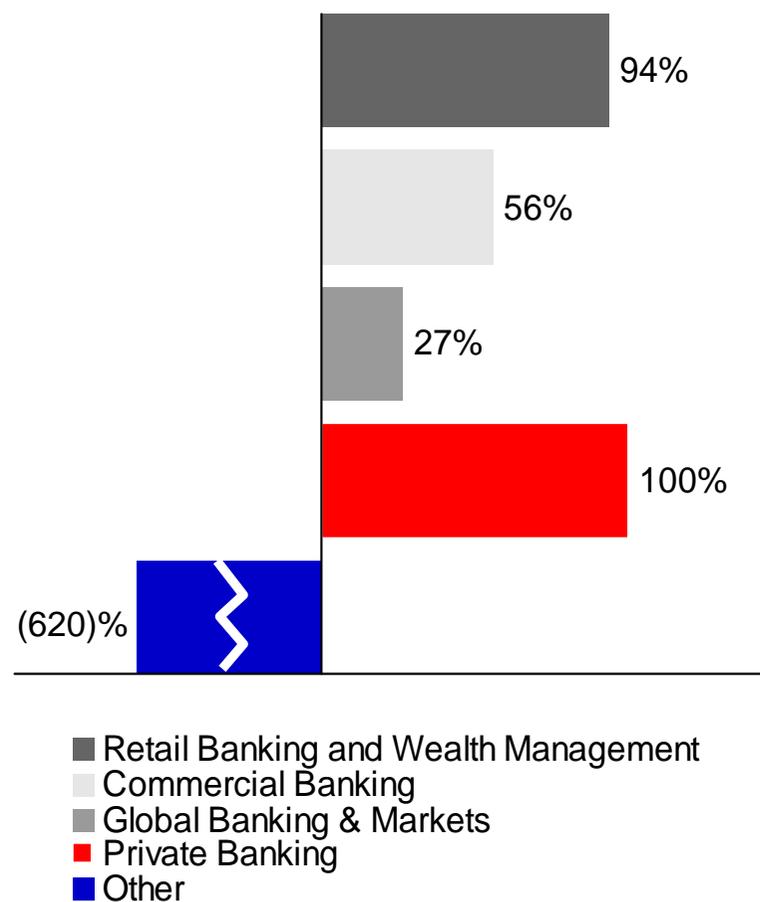
Improved results in all global businesses



Profit before tax 2011

Customer Group	USDm	%Share
Retail Banking and Wealth Management	703	30
Commercial Banking	867	38
Global Banking and Markets	1,049	45
Private Banking	20	1
Other	-324	-14
Total	2,315	100

% 2011 versus 2010



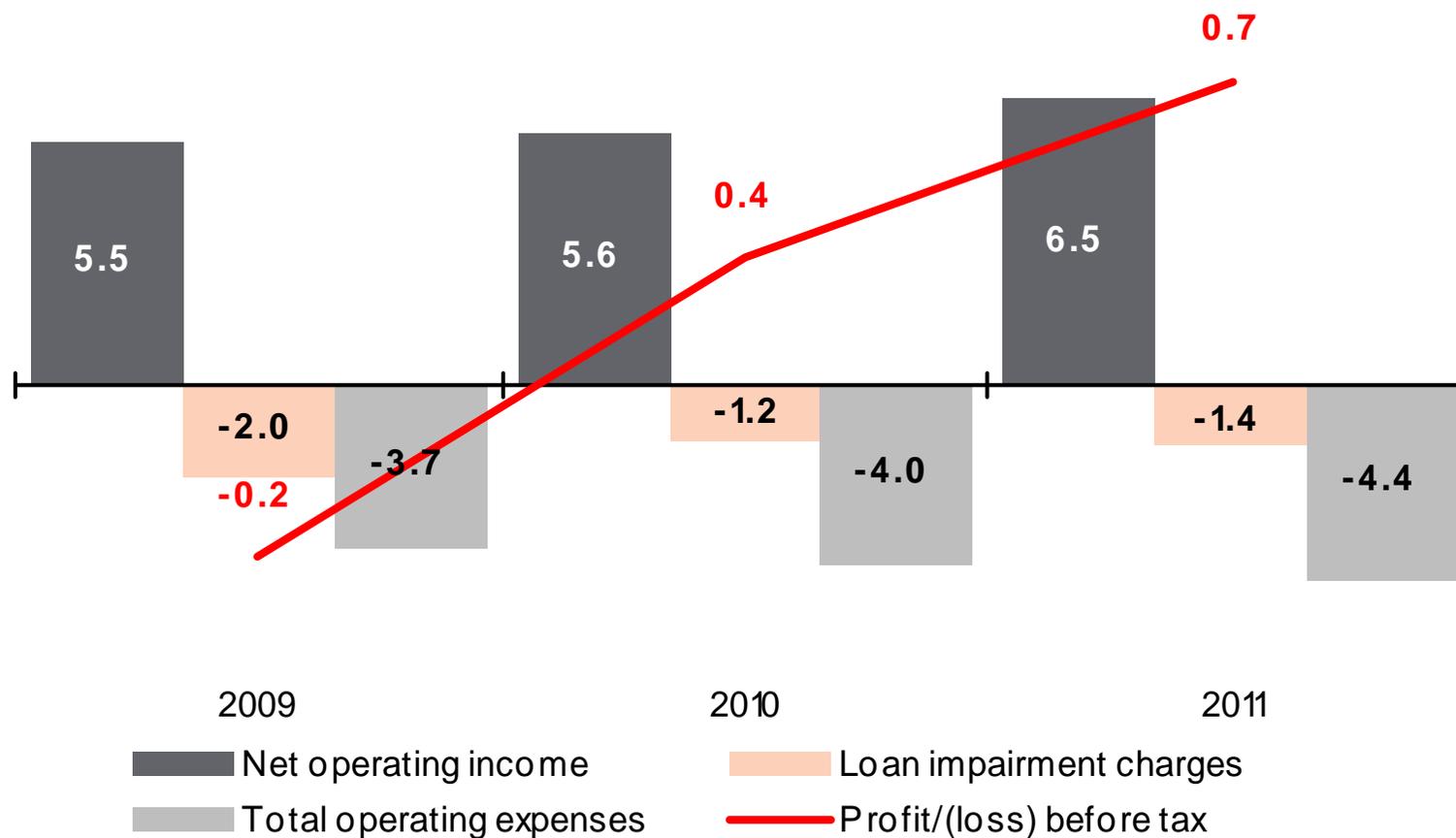
Latin America

Financial result trends



Retail Banking and Wealth Management - Profit before tax

USD bn



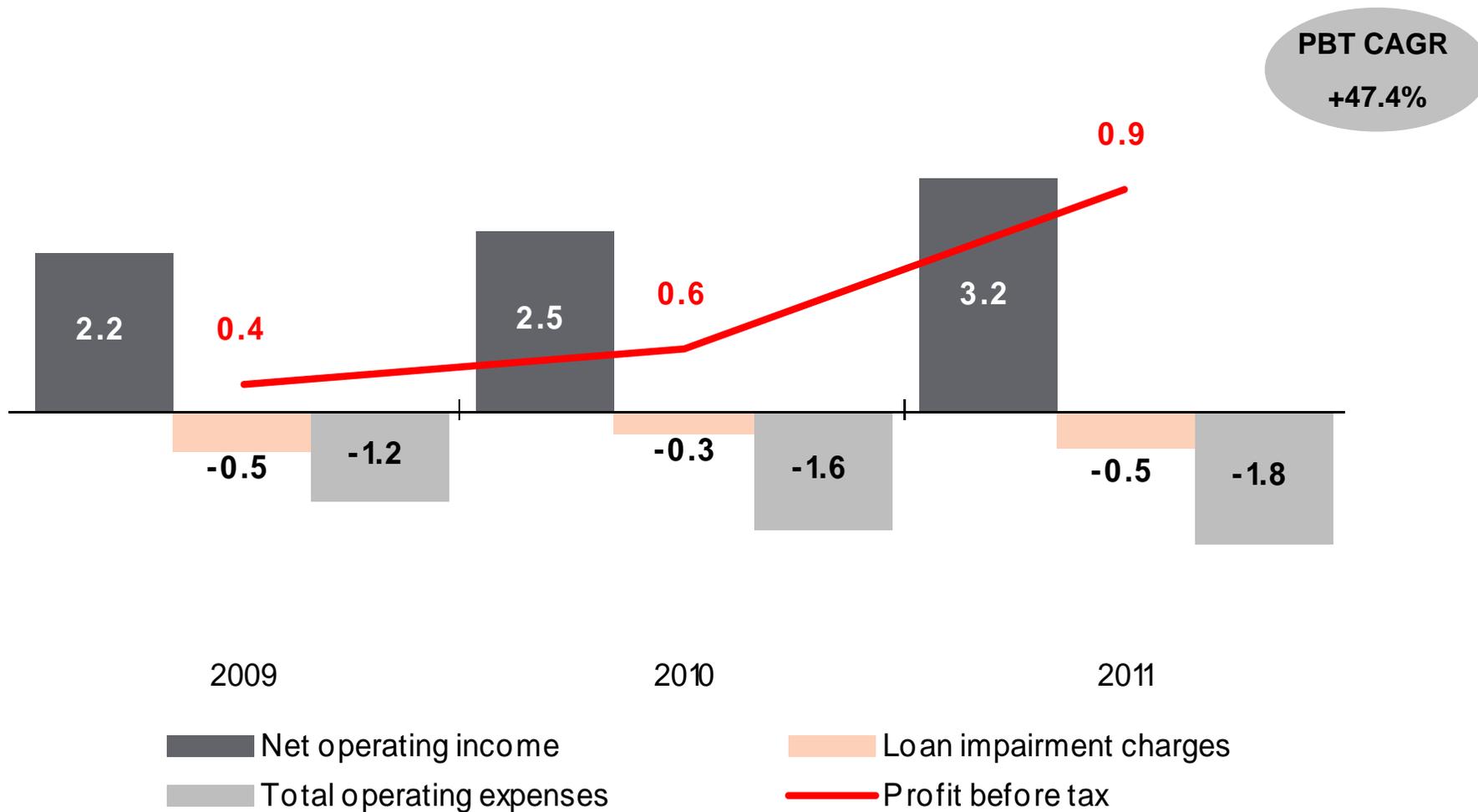
Latin America

Financial result trends



Commercial Banking - Profit before tax

USD bn



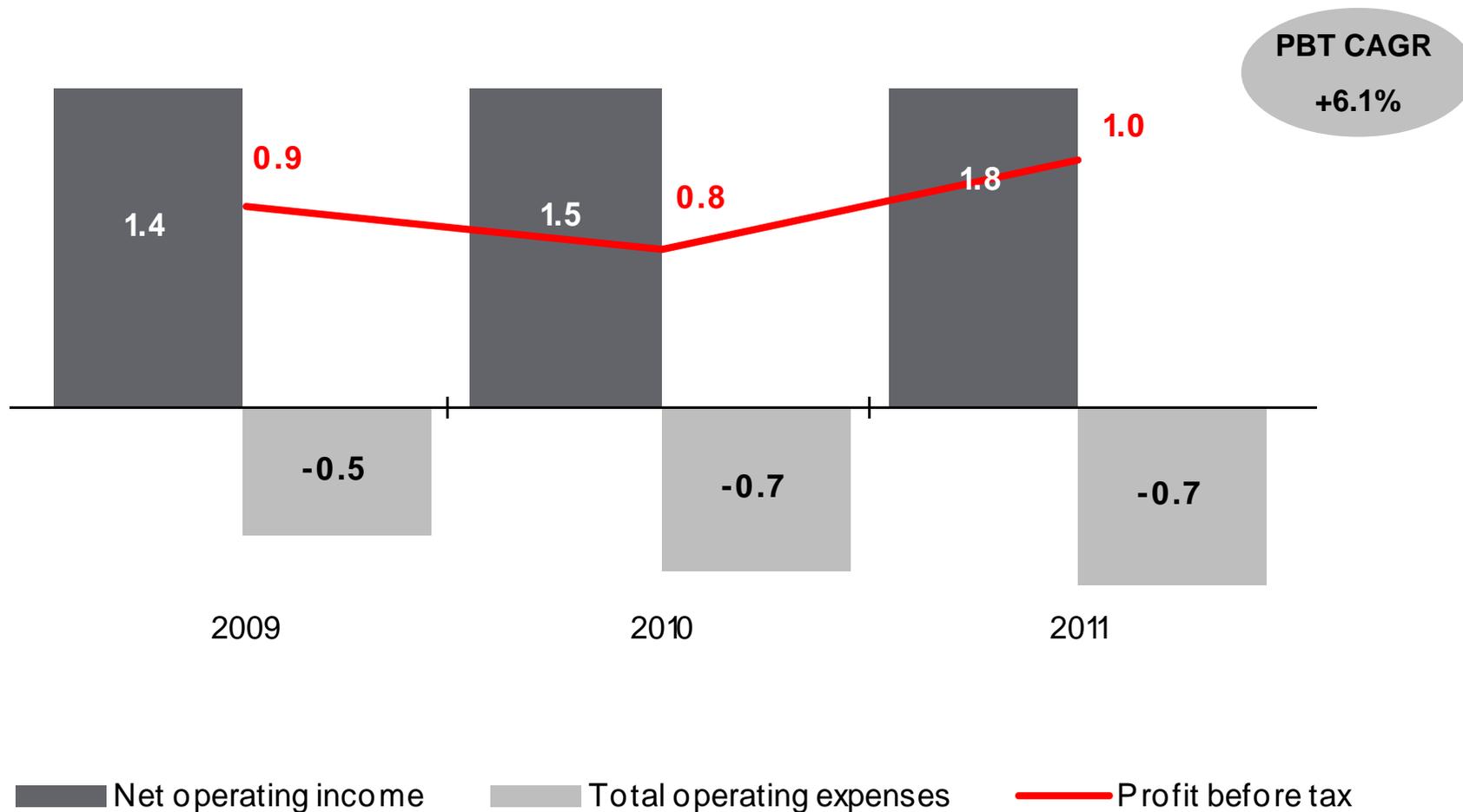
Latin America

Financial result trends



Global Banking and Markets - Profit before tax

USD bn



Loan impairment charges are not presented as they are not significant in Global Banking and Markets
Figures in USD billion under IFRS
Source: 2011 HSBC Holdings plc Annual Report and Accounts

Latin America Financial overview

Summary of reported results – Balance sheet



USDm	2009	2010	2011	% Better / (worse)	
				2010 vs 2009	2011 VS 2010
Loans and advances to customers (net) ¹	47,629	57,987	55,938	22	(4)
Loans and advances to banks (net) ¹	18,608	27,354	20,836	47	(24)
Total assets	115,967	139,938	144,889	21	4
Customer accounts	72,889	88,526	78,760	21	(11)
Loans and Advances to Customers / Customer accounts ratio	65.3%	65.5%	71.0%	20 bps	550 bps
RWAs	81.7	95.9	102.3	17	7

1. Net of impairment allowances
 Figures in USD million under IFRS
 Source: 2011 HSBC Holdings plc Annual Report and Accounts

Latin America

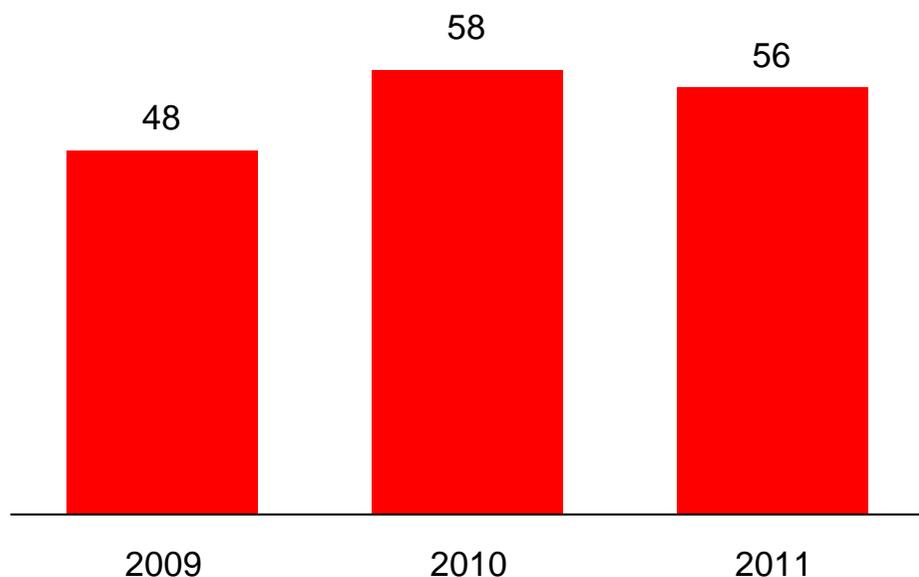
Repositioning credit portfolio while maintaining strong liquidity position



Loans and advances to customers (net)¹

USD bn

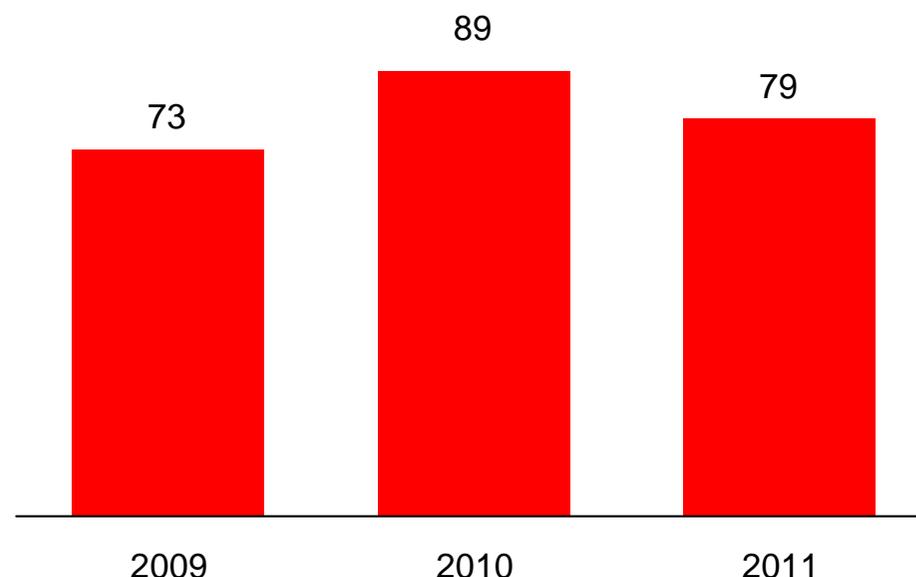
CAGR
+ 8.4%



Customer accounts

USD bn

CAGR
+ 3.9%



- Lending portfolio has been repositioned towards higher credit-quality customers

- Customer accounts in stable levels maintaining strong liquidity ratios

1. Net of impairment allowances
Figures in USD billion under IFRS
Source: 2011 HSBC Holdings plc Annual Report and Accounts

Latin America

Liquidity ratios remained strong

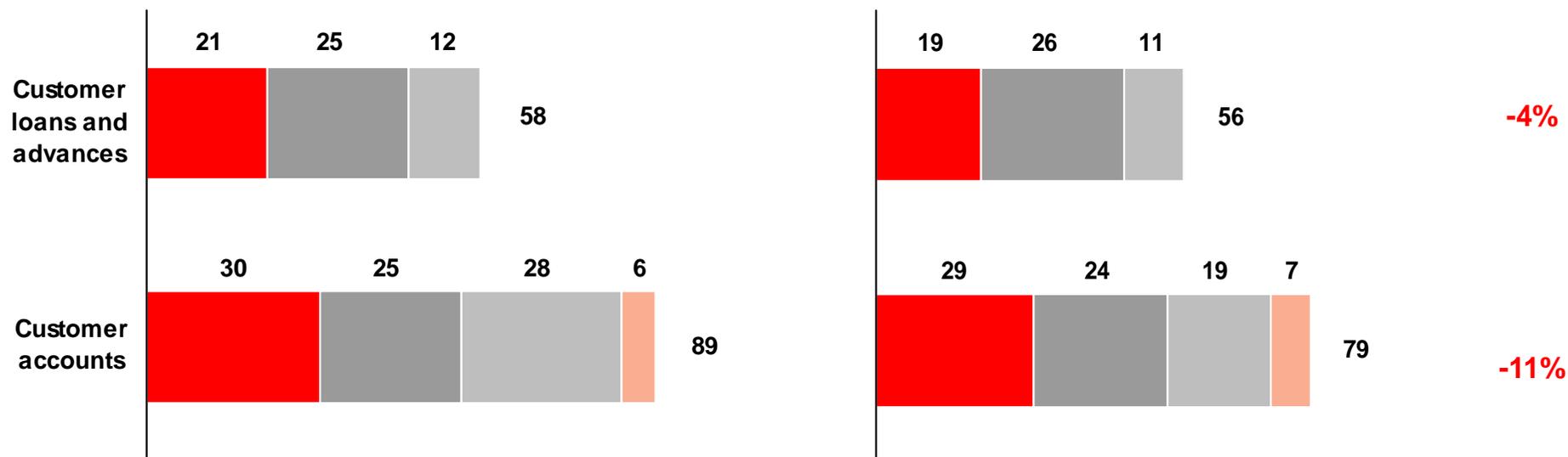


31 Dec 2010

31 Dec 2011

Change

USD bn



■ Retail Banking and Wealth Management
 ■ Commercial Banking
 ■ Global Banking and Markets
 ■ Private Banking & Other

Advances-to-deposits ratio

65.5%

71.0%

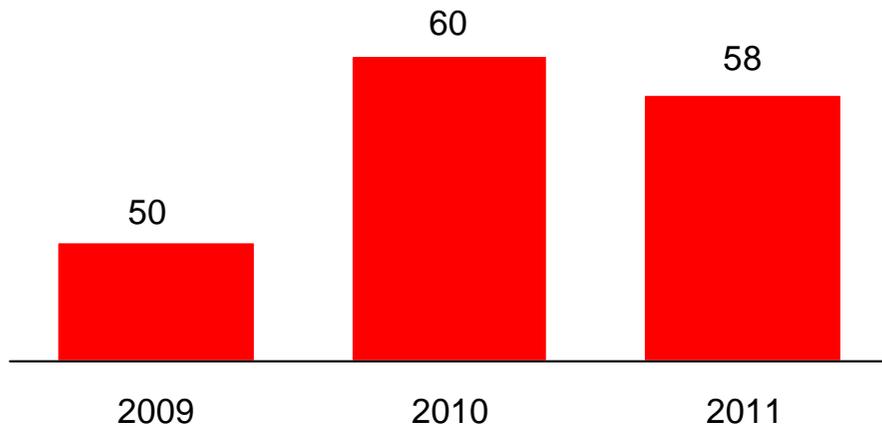
Latin America

Stable pattern in personal lending and growth in CMB and GB&M lending balances

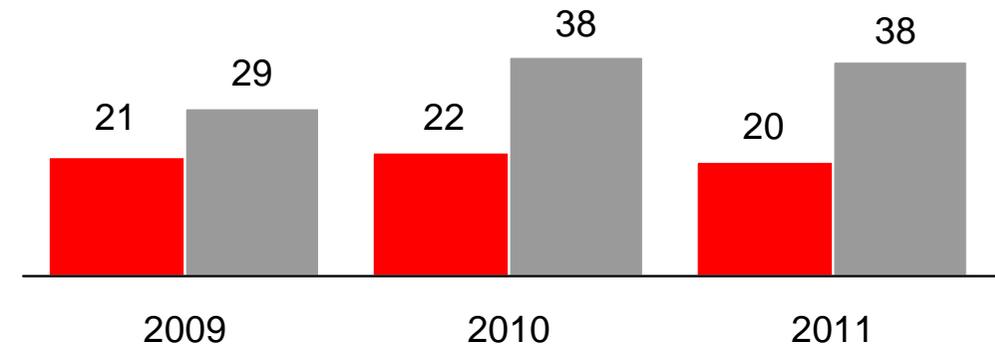


Gross loans and advances to customers

(USD bn)

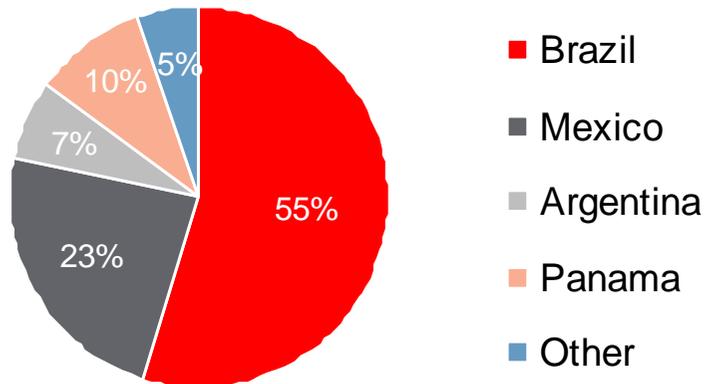


CAGR Personal -1.8%
CAGR Corporate and commercial, financial 13.6%



■ Personal ■ Corporate and commercial, Financial

2011 customer lending balances by country



■ Portfolio mix repositioned to higher credit-quality customers

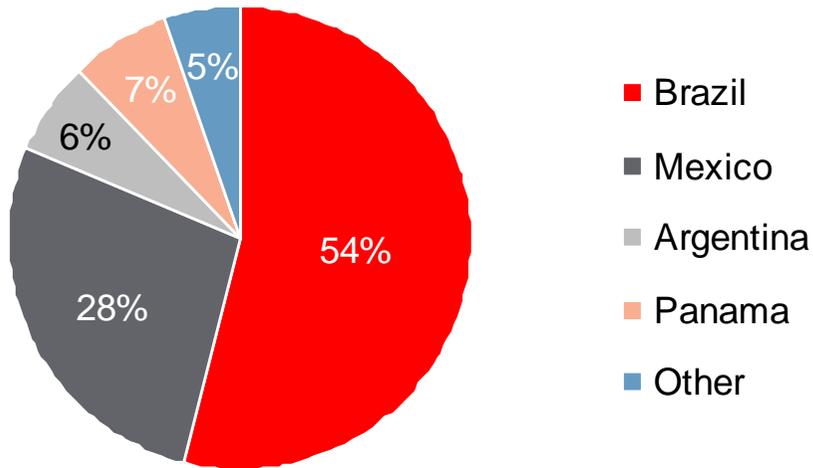
Latin America

Strong focus in customer deposits among countries and businesses

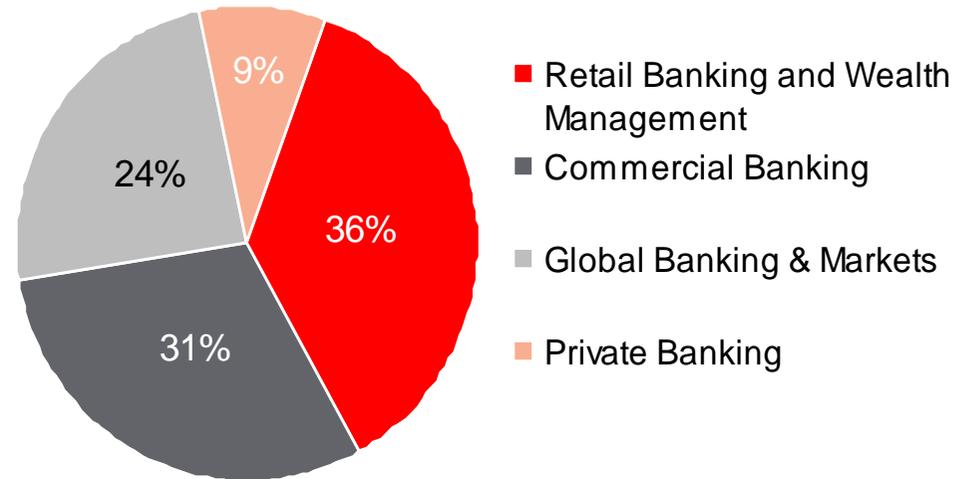


Customer accounts by business – December 2011

By country



By business



78,760 USDm

Closing remarks

In summary...



- Latin America is a key player in the emerging markets growth story
- Relatively positive outlook for Latin America in 2012, in a challenging world
- HSBC Group Results show a year of progress on new strategy
- Agreement to sell our operations in Costa Rica, Honduras and El Salvador to Banco Davivienda
- HSBC Latin America results show marked improvements vs. 2010
- We are closing the gap against our key competitors on financial performance
- Key priorities for HSBC Latin America for 2012 will be to focus on business growth and efficiency in line with message delivered on investor day
- Continued analysis of our business through five filters

If you have any further questions please visit the Investor Relations website:

<http://www.hsbc.com/1/2/investor-relations>

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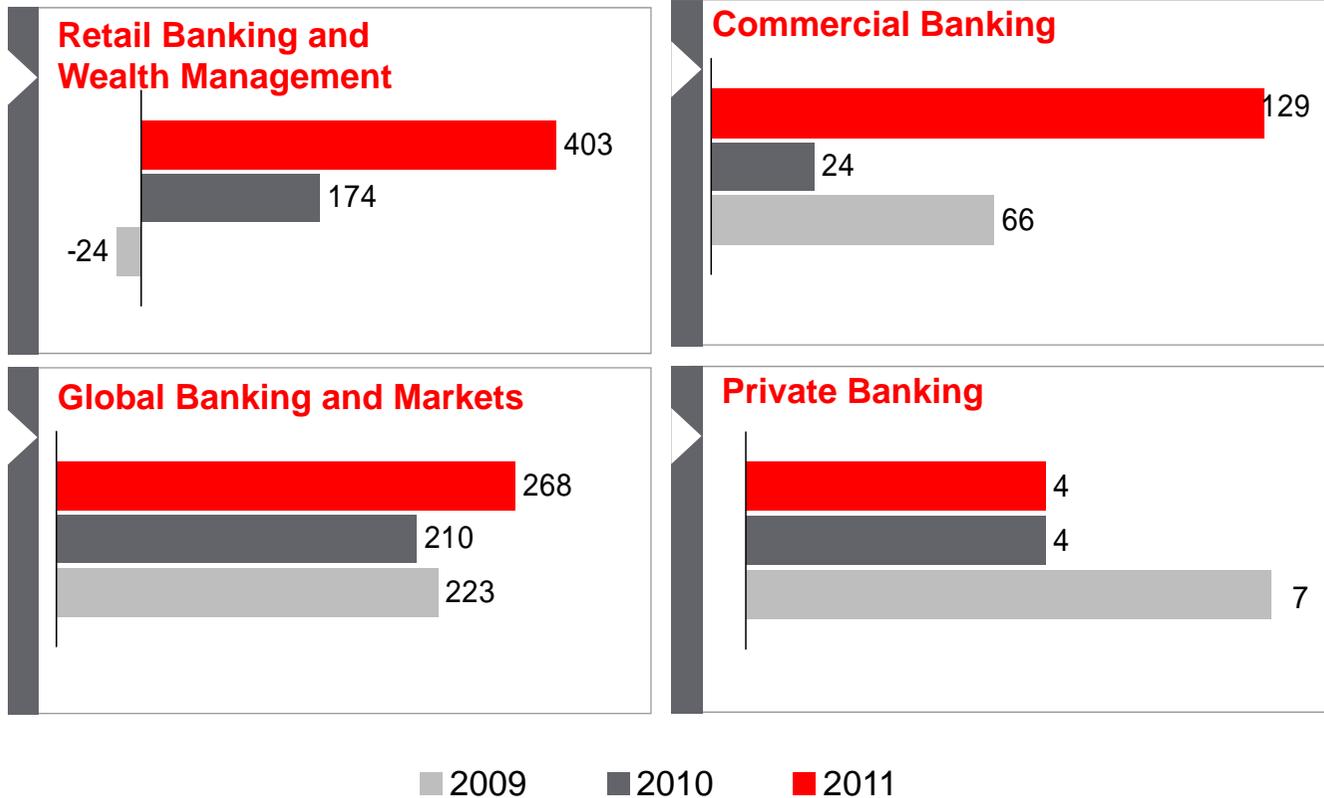
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Appendix

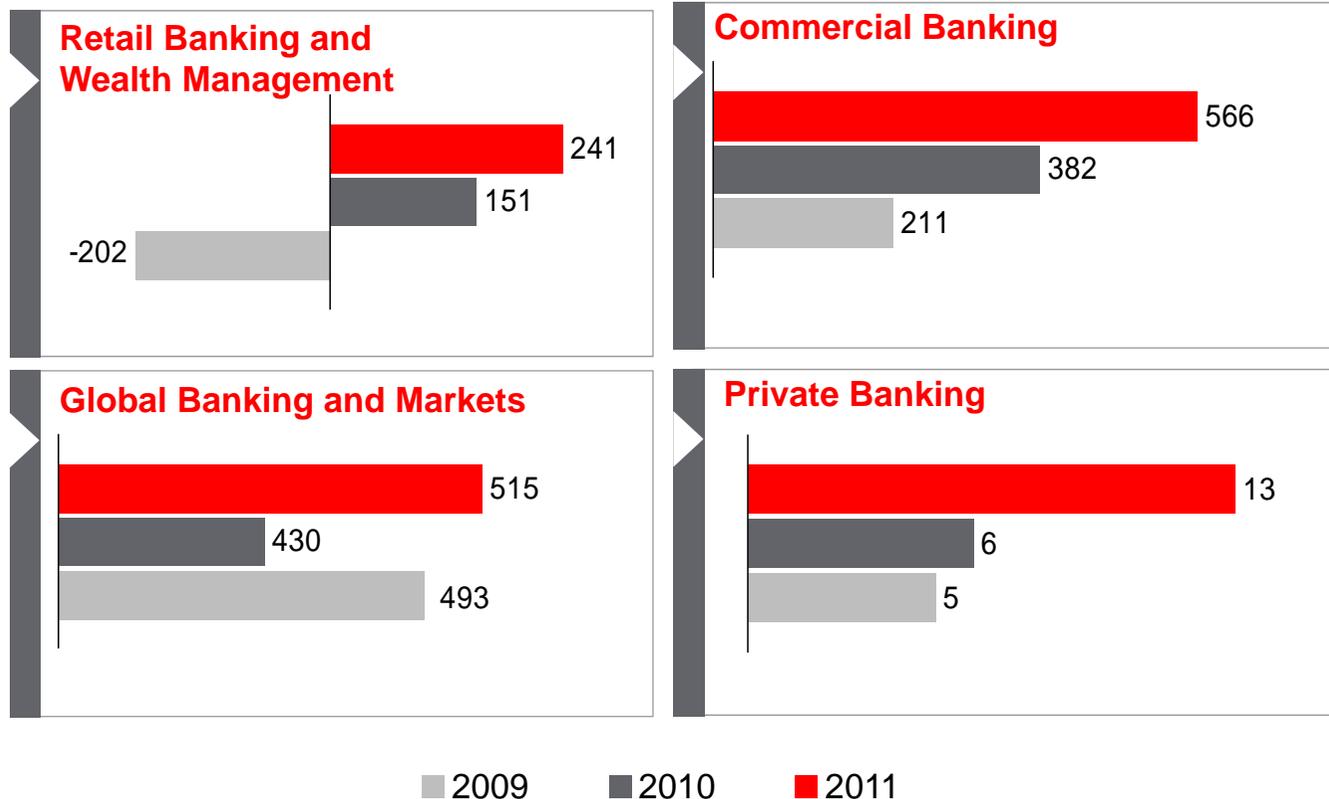
Profit before tax by line of business (USDm)



- 56% increase in profit before tax
- 4.4% decrease in gross loans and advances compared with 2010
- 2.2% increase in customer deposits compared with 2010



Profit before tax by line of business (USDm)



- 19% increase in profit before tax
- 2% increase in gross loans and advances compared with 2010
- 14% decrease in customer deposits compared with 2010



Profit before tax by line of business (USDm)

Retail Banking and Wealth Management



Commercial Banking



Global Banking and Markets



Private Banking

No significant Global Private Banking PBT for Argentina

■ 2009 ■ 2010 ■ 2011

- 21% increase in profit before tax
- 20% increase in gross loans and advances compared with 2010
- 22% increase in customer deposits compared with 2010



Profit before tax by line of business (USDm)

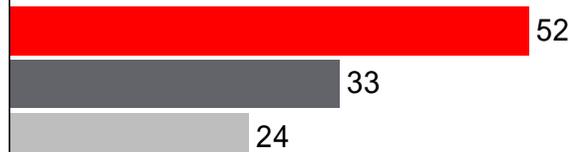
Retail Banking and Wealth Management



Commercial Banking



Global Banking and Markets



Private Banking



■ 2009 ■ 2010 ■ 2011

- 9% decrease in profit before tax
- 11% decrease in gross loans and advances compared with 2010
- 26% decrease in customer deposits compared with 2010





HSBC Latin America

Barcap Roadshow

Victor Jimenez Chief Financial Officer Latin America

March 2012

HSBC 