

# HSBC Mexico

## LatAm Financials CEO Conference

November 2022



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Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts for the fiscal year ended 31 December 2021 filed with the Securities and Exchange Commission (the “SEC”) on Form 20-F on 23 February 2022 (the “2021 Form 20-F”), the Grupo Financiero HSBC 2021 Financial Results Highlights published on 25 February 2022 (the “2021 Financial Results Highlights”), our 1Q 2022 Earning Release furnished to the SEC on Form 6-K on 26 April 2022 (the “1Q 2022 Earnings Release”), our Interim Financial Report for the six months ended 30 June 2022, furnished to the SEC on Form 6-K on 1 August 2022 (the “2022 Interim Report”), our 3Q 2022 Earnings Release, which we furnished to the SEC on Form 6-K on 25 October 2022 (the “3Q 2022 Earnings Release”) and the Grupo Financiero HSBC 3Q 2022 press release.

## Alternative Performance Measures

This Presentation contains non-IFRS measures used by management internally that constitute alternative performance measures under non-GAAP financial measures. 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. Alternative Performance Measures and the most directly comparable measures under IFRS are provided in our 2021 Form 20-F, our 1Q 2022 Earnings Release, our 2022 Interim Report, our 3Q 2022 Earnings Release and the Grupo Financiero HSBC 2021 Financial Results Highlights and 3Q 2022 press release, each of which are available at [www.hsbc.com](http://www.hsbc.com).

Information in this Presentation was prepared as at 30 November 2022.

# HSBC Mexico speakers

**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.

**Martin Peusner**

**Chief  
Financial  
Officer**

Joined HSBC in 2007. Appointed CFO in November 2016.

Experience:

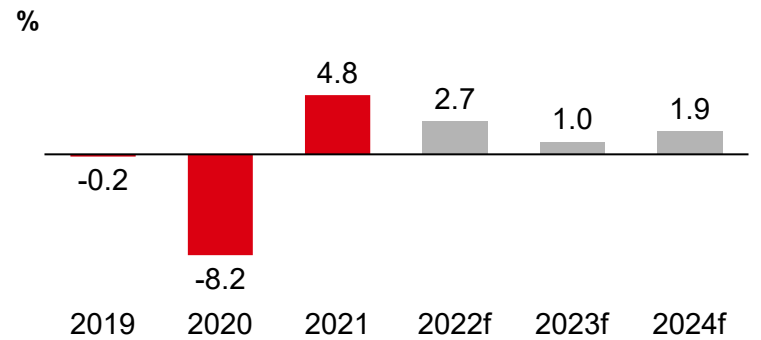
- He has a career of more than 30 years in the financial sector in Latin America.
- From 2012 and 2016, Martin was Chief Financial Officer of HSBC Brazil.
- From 2007 to 2012, he was Chief Financial Officer of HSBC Argentina.
- He also worked in Citibank in several roles and as CFO for Citibank Colombia.

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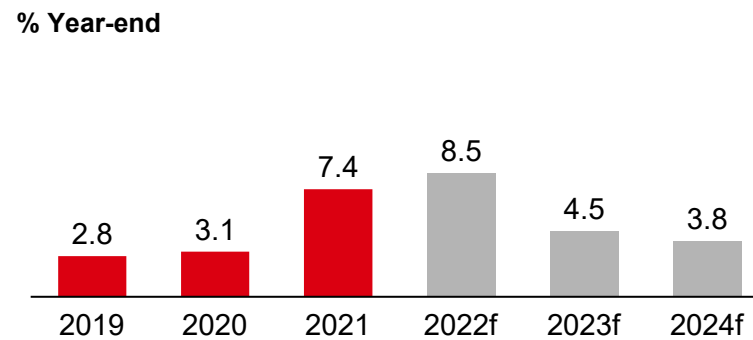
# 1. Mexico's economic outlook

# Mexico's macroeconomic stability is supported by low debt levels, a stable currency, and an expected reduction of inflation in the next few years

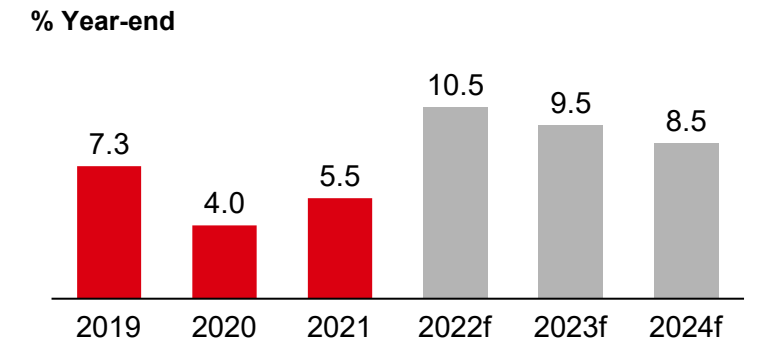
## GDP growth



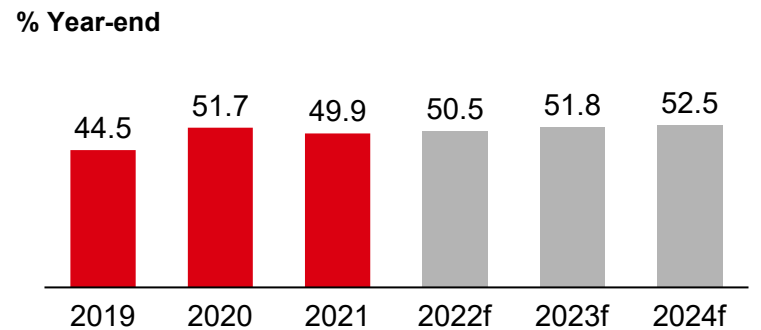
## Inflation



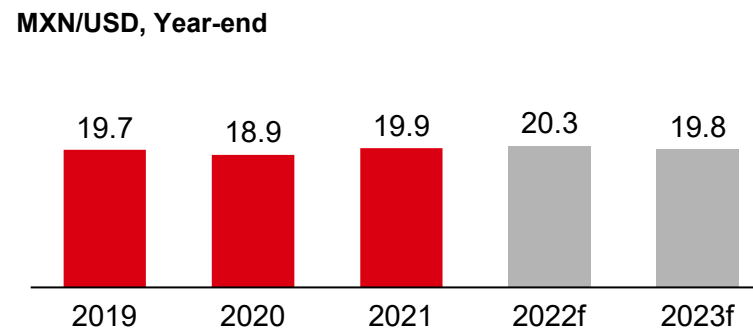
## Policy rate



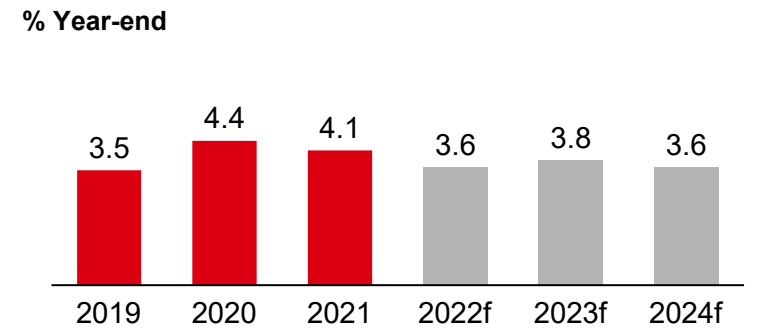
## Debt/GDP<sup>1</sup>



## Currency



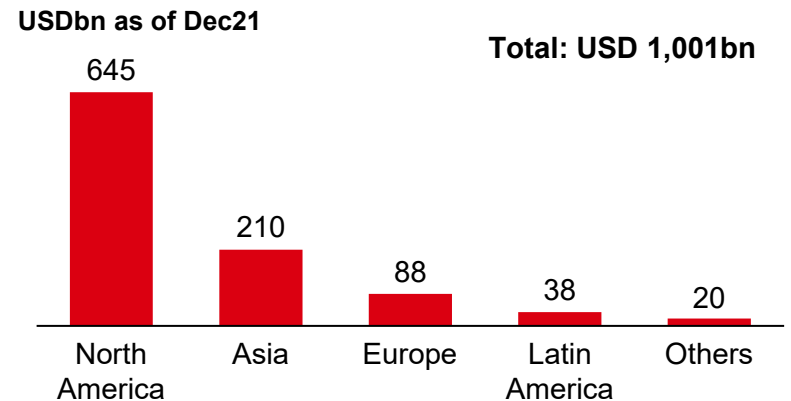
## Unemployment rate



Source: HSBC Global research, Mexico Economic chartbook 1Nov 22  
 1. Source: HSBC Global research, Latam multi-asset Outlook, 13 Oct 22

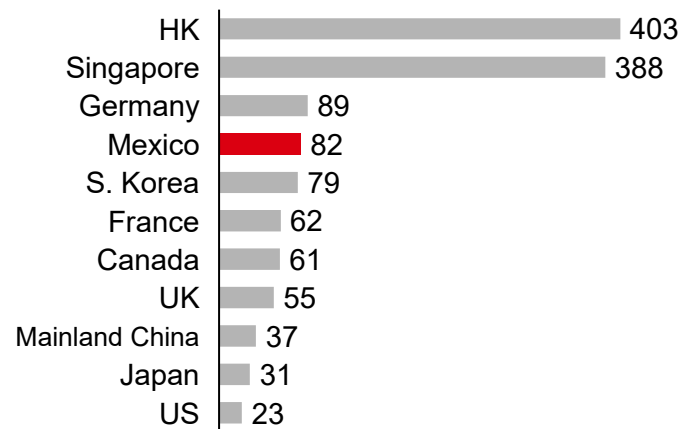
# Mexico remains as one of the top recipients of FDI in the world, and its banking sector has shown to be consistently profitable and with large opportunities for growth

## Mexico's value of trade (exports + imports)<sup>1</sup>

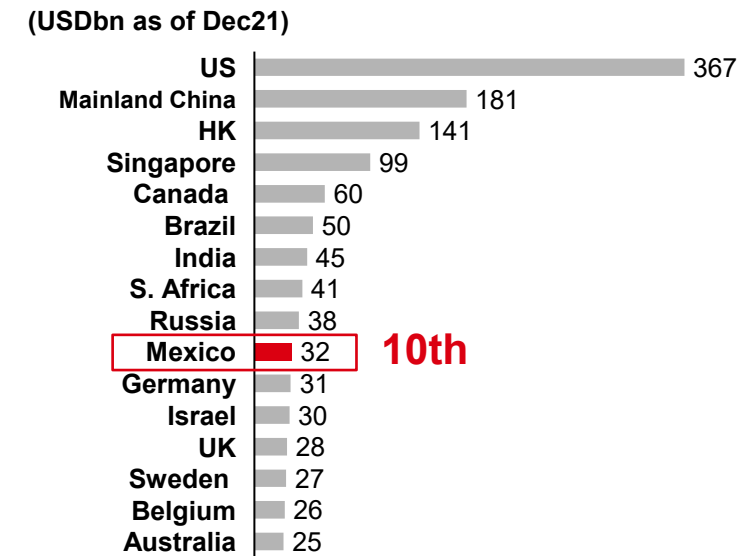


## Degree of openness<sup>2</sup>

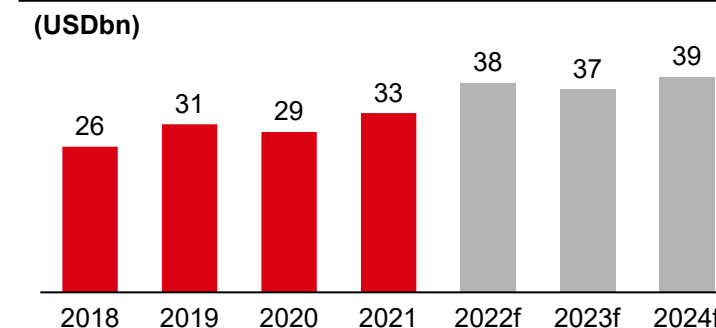
Trade balance as % of GDP as of Dec21



## FDI inflows (top 15 host economies)<sup>3</sup>

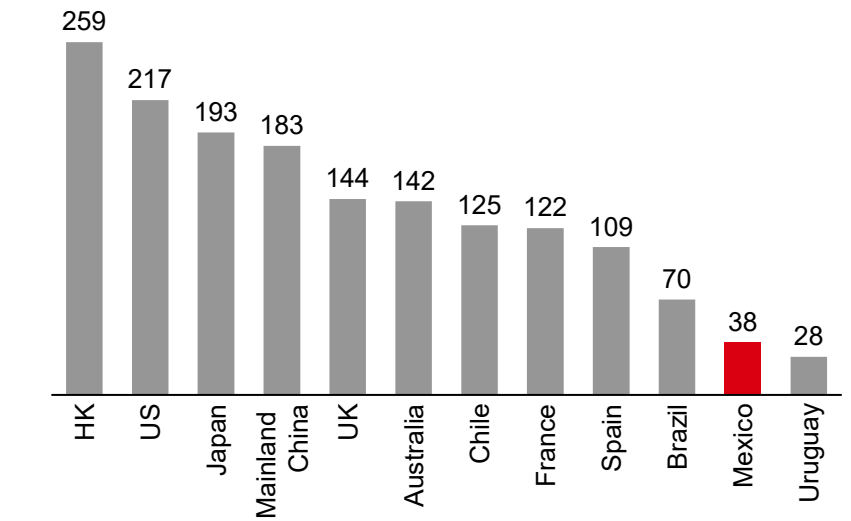


## Mexico's Net FDI<sup>4</sup>

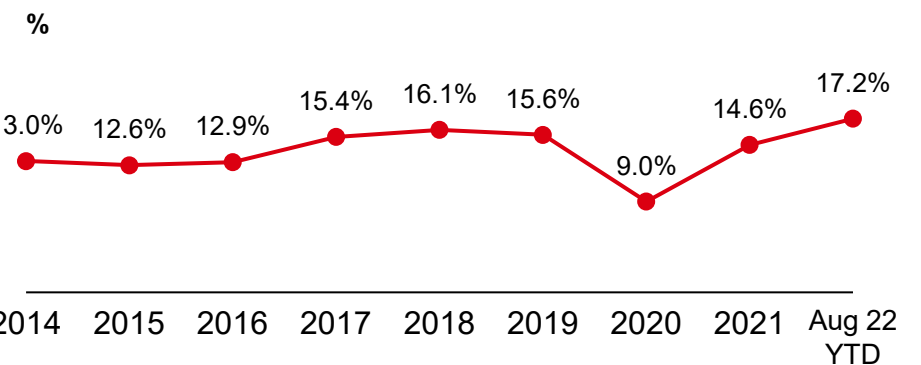


## Domestic credit to private sector<sup>2</sup>

% of GDP as of Dec20



## Avg. banking market ROE<sup>5</sup>



1. Source: Trademap.org  
 2. Source: World bank  
 3. Source: UNCTAD World investment report 2022  
 4. Source: HSBC Global research, Mexico Economic chartbook 1Nov 22  
 5. Source: CNBV (National Commission of Banking and Securities)

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## 2. HSBC in Mexico



# HSBC Mexico has become one of the key markets for the Group in recent years, posting strong profits across our businesses consistently

## Ownership chart



## HSBC Mexico performance: Reported profit before tax by country/territory<sup>1</sup>

Rank	Country/territory	1H22 USDm
1	Hong Kong	2,489
2	UK	2,127
3	Mainland China	1,940
4	India	644
5	US	405
6	Canada	389
<b>7</b>	<b>Mexico</b>	<b>267</b>
8	UAE	262
9	Singapore	261
10	France	231

### WPB #3

1	Hong Kong	1,570
2	UK	614
<b>3</b>	<b>Mexico</b>	<b>123</b>
4	France	117
5	Canada	98
6	US	92

### CMB #8

1	UK	1,203
2	Hong Kong	567
3	Canada	263
4	US	220
5	India	156
6	France	143
7	Mainland China	137
<b>8</b>	<b>Mexico</b>	<b>112</b>

### GB&M #11

1	Hong Kong	518
2	India	324
3	Mainland China	310
4	US	255
....		
<b>11</b>	<b>Mexico</b>	<b>86</b>

1. Source: HSBC Holdings plc Interim report 2022. Reported figures under IFRS



# In Mexico, HSBC stands as a top 5 bank with a large and profitable retail banking business while becoming a front-runner in key wholesale banking products

## Key figures<sup>1</sup>

As of Sep 22



**6.0m**  
customers



**879**  
branches



**5,621**  
ATMs



**c.14,500**  
employees

## Market share<sup>2</sup>

As of Aug 22

**6.0%** → **5th**  
total assets share      largest bank  
in Mexico

**8.5%**  
retail loans share

**5.8%**  
wholesale loans share

**7.1%**  
deposits share

**5.4%**  
AUMs share

## Awards

**Cash Management Market Leader and Best Service**  
*- Euromoney 2020 & 2021*

**Trade Finance Market Leader and Best Service**  
*- Euromoney 2022*

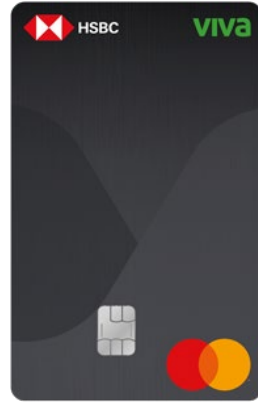
**Mexico's Best Bank**  
*- Euromoney 2019*

**Latin America's Best Bank Transformation**  
*- Euromoney 2018*

1. Source: HSBC Mexico 3Q22 press release.

2. Source: National Commission of Banking and Securities

# During the first half of 2022 HSBC completed a series of partnerships and collaboration deals with leading companies in Mexico



## Co-branded credit card with Mastercard and Viva Aerobus

In September 2022, HSBC Mexico launched the **Viva and Viva Plus credit cards** with a competitive offer and benefits for travelers in Mexico

## Exclusive sponsor of ECOBICI

Jointly with Grupo Expansion sponsored the new **ECOBICI network**. ECOBICI is the public bicycle system operated by the Mexico City government to offer a sustainable solution for mobility to the citizens



## Strategic alliance with Kavak

In September 2022, we completed a **strategic alliance with Kavak** to grow our auto loans business. The alliance is expected to increase our auto loans market share.



## Re-launch of Global Private Banking proposition

Jointly with the GPB launch, HSBC Mexico introduced **Titanium**, a credit card designed for global private banking clients, in partnership with American Express and Mastercard.



## Sustainable Innovation Leader Companies Awards

HSBC in partnership with EY held the first edition of the **Sustainable Innovation Leader Companies Awards**.



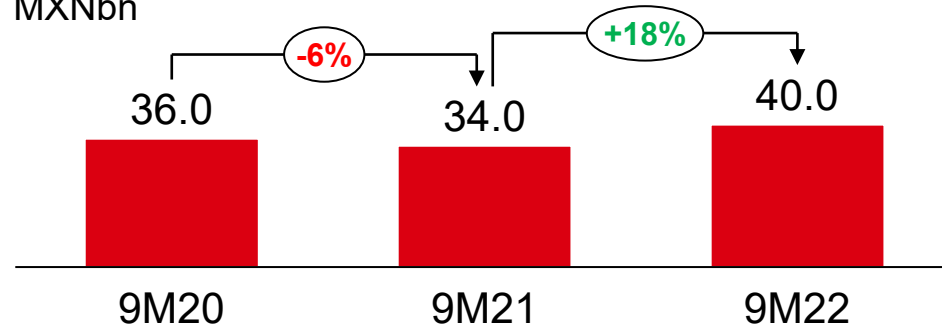
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## 3. HSBC Mexico financial performance

# HSBC Mexico profits grew 59% versus previous year with c.15% return on equity

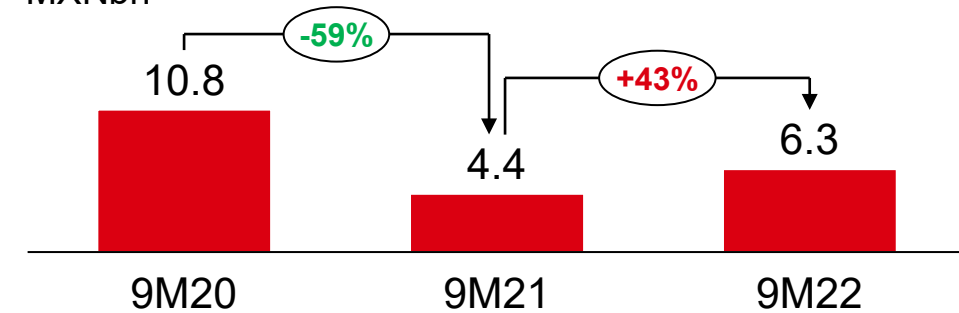
## Revenue<sup>1,2</sup>

MXNbn



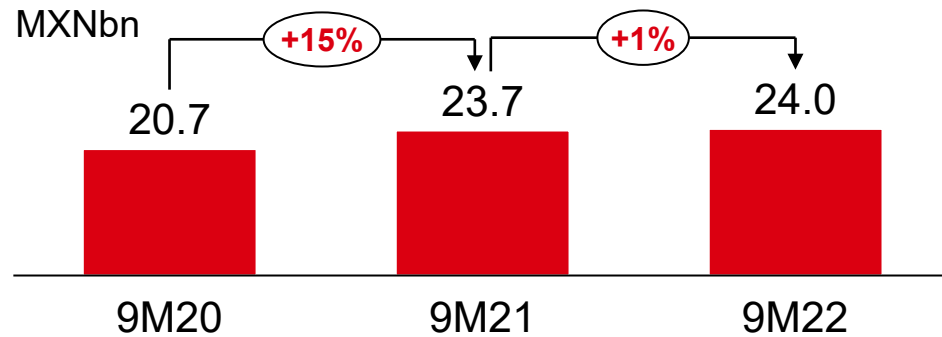
## Loan impairment charges and other credit risk provisions

MXNbn



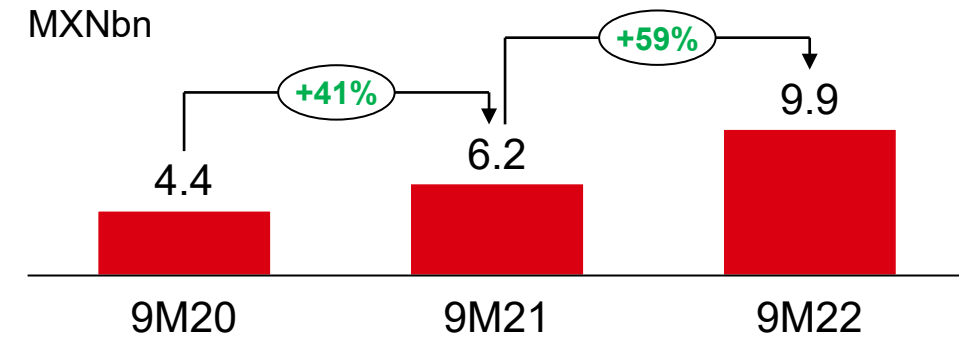
## Operating expenses<sup>2</sup>

MXNbn



## Profit before tax

MXNbn



USDm<sup>3</sup>

218	308	491
6.3%	8.4%	14.9%

ROE

Source: HSBC Mexico 3Q22 and 3Q21 press releases. Figures under under local GAAP for 2020 and 2021; and IFRS9 for 2022

1. Revenue refers to Total operating income excluding Loan impairment charges and share of profits in interest equities

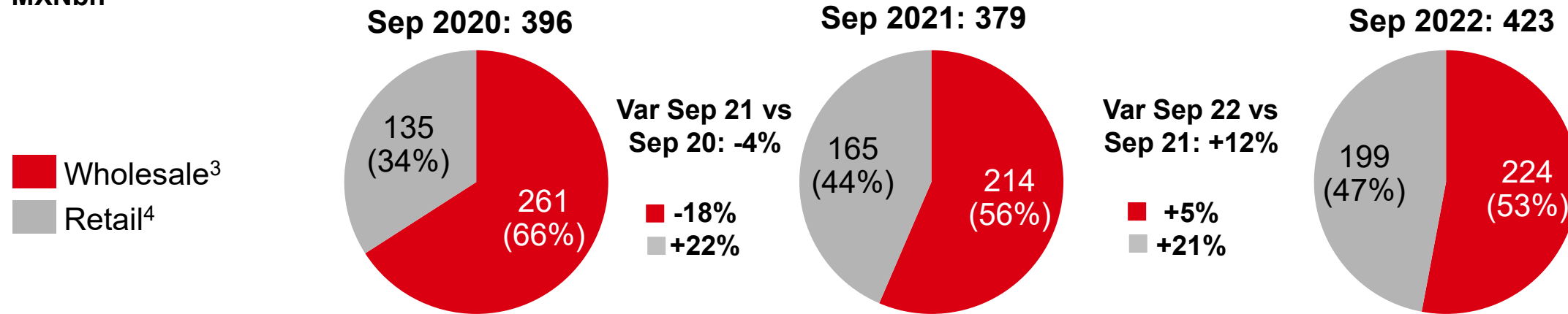
2. A recent change in the accounting criteria was applicable to financial institutions migrating from Local GAAP to IFRS9 basis. For like-for-like comparison 9M22 Revenue was adjusted excluding IPAB fee and including IPAB fee for Operating expenses. There are other discrepancies but IPAB fee is the main one, hence we include this view for comparison purposes. Figures as reported, included in the appendix.

3. USD PBT using constant FX @20.13 MXN/USD as of 30 Sep 2022.

# Our credit portfolio posted 12% growth versus last year, with an increased share of the retail portfolio as we align to the Mexican market and look for higher profitability

## Gross loans and advances to customers<sup>1</sup>

MXNbn



## Market Share<sup>2</sup>

%	Sep 20	Sep 21	Aug 22*
Wholesale <sup>3</sup>	7.4%	6.5%	5.8%
Retail <sup>4</sup>	6.8%	8.0%	8.5%
<b>Total portfolio</b>	<b>7.2%</b>	<b>7.0%</b>	<b>6.9%</b>

1. Source: HSBC Mexico 3Q22 and 3Q21 press releases. Figures under under local GAAP for 2020 and 2021; and IFRS9 for 2022

2. Source: CNBV, National Commission of Banking and Securities

3. Wholesale loans includes: Commercial loans, loans to financial intermediaries and loans to government entities

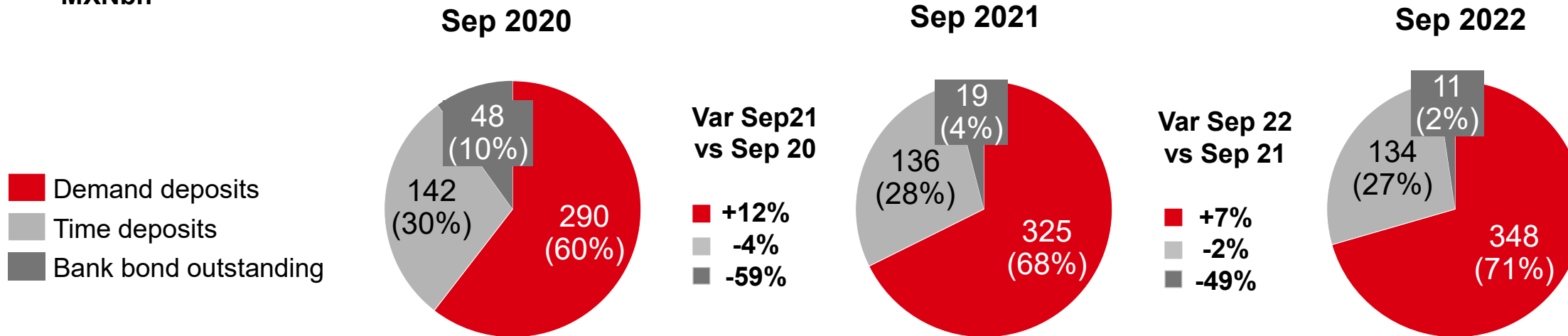
4. Retail loans includes: Consumer loans and mortgage loans

\* August 2022 is the latest data available to calculate market share

# Our mix in the deposits balance has also been optimized to reduce our funding cost

## Deposits balances<sup>1,2</sup>

MXNbn



## Market Share<sup>4</sup>

%	Sep 20	Sep 21	Aug 22*
Demand deposits	7.2%	7.5%	7.2%
Time deposits <sup>3</sup>	9.7%	9.6%	8.5%
Bank bond outstanding	12.0%	5.9%	3.4%

1. Source: HSBC Mexico 3Q22 and 3Q21 press releases. Figures under local GAAP for 2020 and 2021; and IFRS9 for 2022

2. Demand deposits (Depósitos de exigibilidad inmediata), Time Deposits (Depósitos a plazo del público en general) and Bank bond outstanding (Títulos de créditos emitidos) disclosed in the Spanish version of the 3Q22 and 3Q21 press release, This Spanish version is publicly available in HSBC Mexico website.

3. Time deposits excludes money market deposits (Mercado de dinero).

4. Source: CNBV, National Commission of Banking and Securities

\* August 2022 is the latest data available to calculate market share

## Final remarks

- **Mexico's economy looks solid.** The Mexican economy remains healthy with low debt levels, a stable currency, and an expected reduction of the inflation rate in the next few years
- **Mexico remains as a highly open economy with large opportunities for the banking sector.** It is one of the top recipients of FDI in the world, and its banking sector has shown to be profitable over the years, with large room for growth to be captured through nearshoring
- **HSBC stands as a top 5 bank in Mexico with relevant scale and strong performance.** The bank has a large and profitable retail banking business, while becoming a front-runner in key wholesale banking products
- **HSBC Mexico profits grew 59% versus previous year with c.15% return on equity.** As of September 2022, HSBC reported profits before taxes of USD 491m, mainly driven by strong revenue growth (+17% YoY)
- **Loan portfolio and deposits balances mixes have been improved** to increase revenues and optimize our funding cost. In addition, our market share in key products and segments has significantly improved

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# 4. Appendix



# Appendix:

## Consolidated Income Statement – Grupo Financiero HSBC S.A. de C.V.

### Nine months ended 30 September 2021

Figures in MXN Millions

	<b>Group 30 Sep 21</b>
Interest income	39,746
Interest expense	(14,098)
Net interest income	<u>25,648</u>
Loan impairment charges	(4,417)
Risk-adjusted net interest income	<u>21,231</u>
Fees and commissions receivable	8,099
Fees payable	(2,087)
Trading income	1,565
Other operating income	787
Total operating income	<u>29,595</u>
Administrative and personnel expenses	(23,695)
Net operating income	<u>5,900</u>
Share of profits in equity interest	<u>303</u>
Profit/(loss) before tax	<u>6,203</u>
Income tax	(1,324)
Deferred income tax	(638)
Net income before discontinued operations	4,241
Discontinued Operations	462
<b>Net income</b>	<b><u>4,703</u></b>

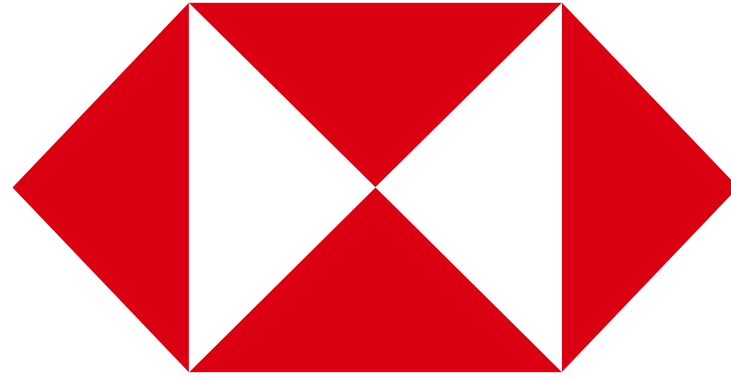
### Nine months ended 30 September 2022

Figures in MXN Millions

	<b>Group 30 Sep 2022</b>
Interest income	45,047
Interest expense	(15,308)
Net interest income	<u>29,739</u>
Loan impairment charges	(6,299)
Risk-adjusted net interest income	<u>23,440</u>
Fees and commissions receivable	8,391
Fees payable	(1,836)
Premiums, Technical Provisions, Claims and Other Liabilities (Insurance)	629
Trading income	2,153
Other operating income	(733)
Total operating income	<u>32,044</u>
Administrative and personnel expenses	(22,316)
Net operating income	<u>9,728</u>
Share of profits in equity interest	<u>146</u>
Profit/(loss) before tax	<u>9,874</u>
Income tax	(1,466)
Net income before discontinued operations	8,408
Discontinued Operations	-
Net income	<u>8,408</u>

1. Source: HSBC Mexico 3Q22 press releases. Figures as reported under under local GAAP for 2021; and IFRS9 for 2022

Grupo Financiero HSBC implemented the changes in the Mexican Accounting Standards that make them consistent with national and international financial reporting standards on 01 January 2022, with the exception of the effective interest method that will be adopted on 01 January 2023 for which the CNBV was previously notified. In accordance with the regulation, HSBC will not restate the 2021 financial statements to make them comparable to the financial statements in 2022.



Opening up a world of opportunity