

HSBC Mexico 1Q20

March 2020



PUBLIC

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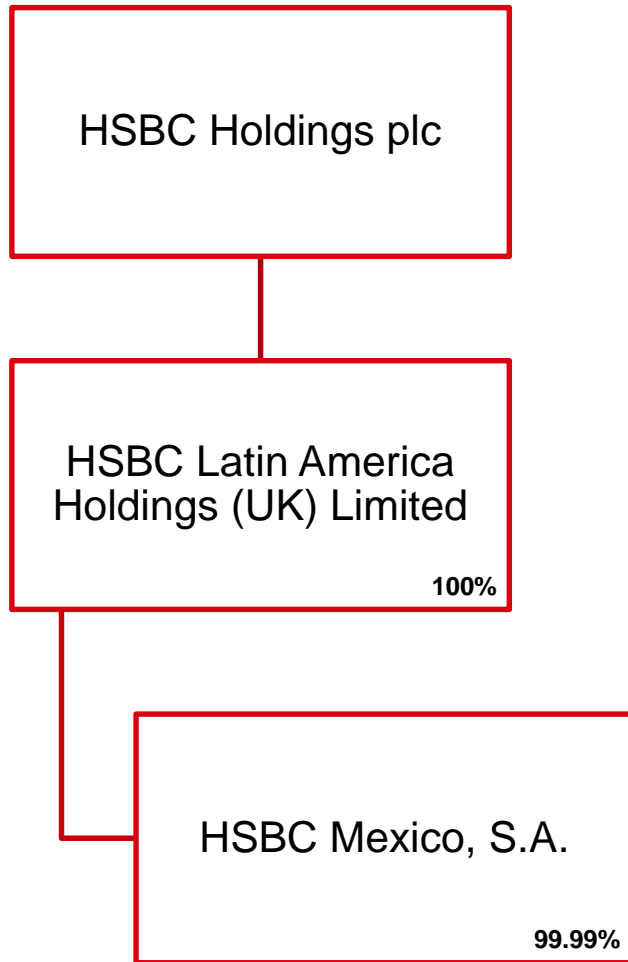
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1. HSBC in Mexico



Our Mexican business is strategically important to the Group

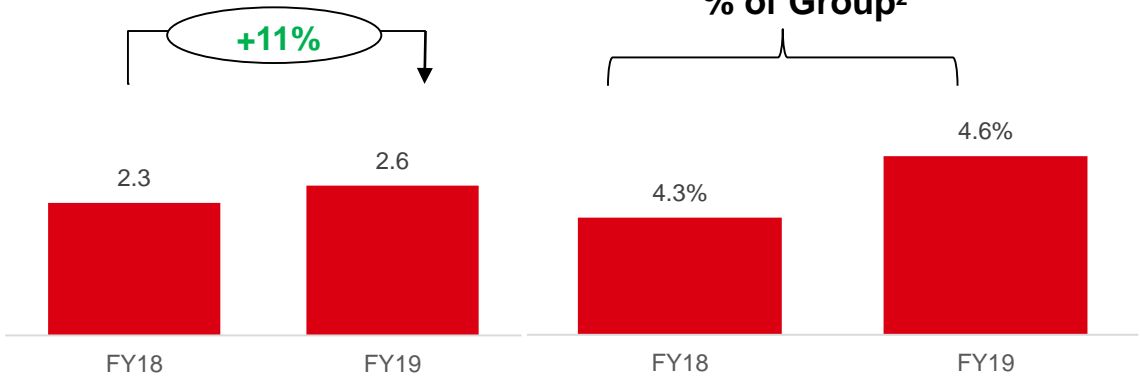
Ownership chart



HSBC Mexico performance¹

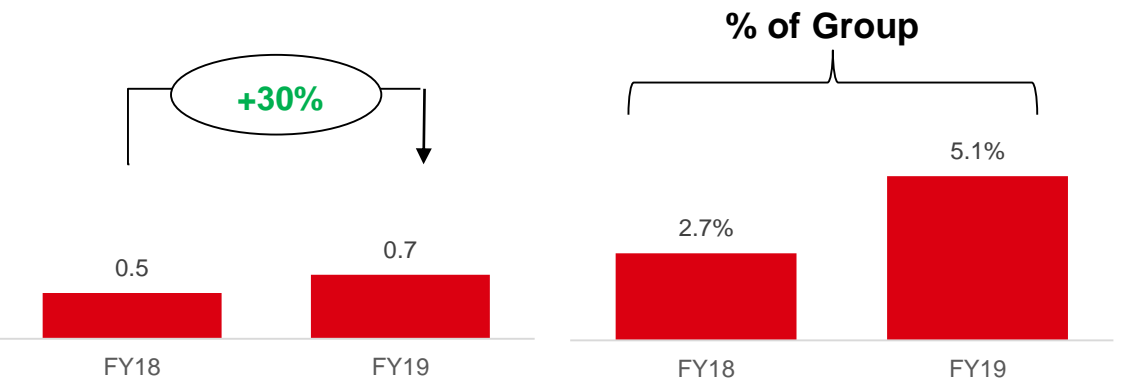
Reported revenue

USDbn



Reported profit before tax³

USDbn

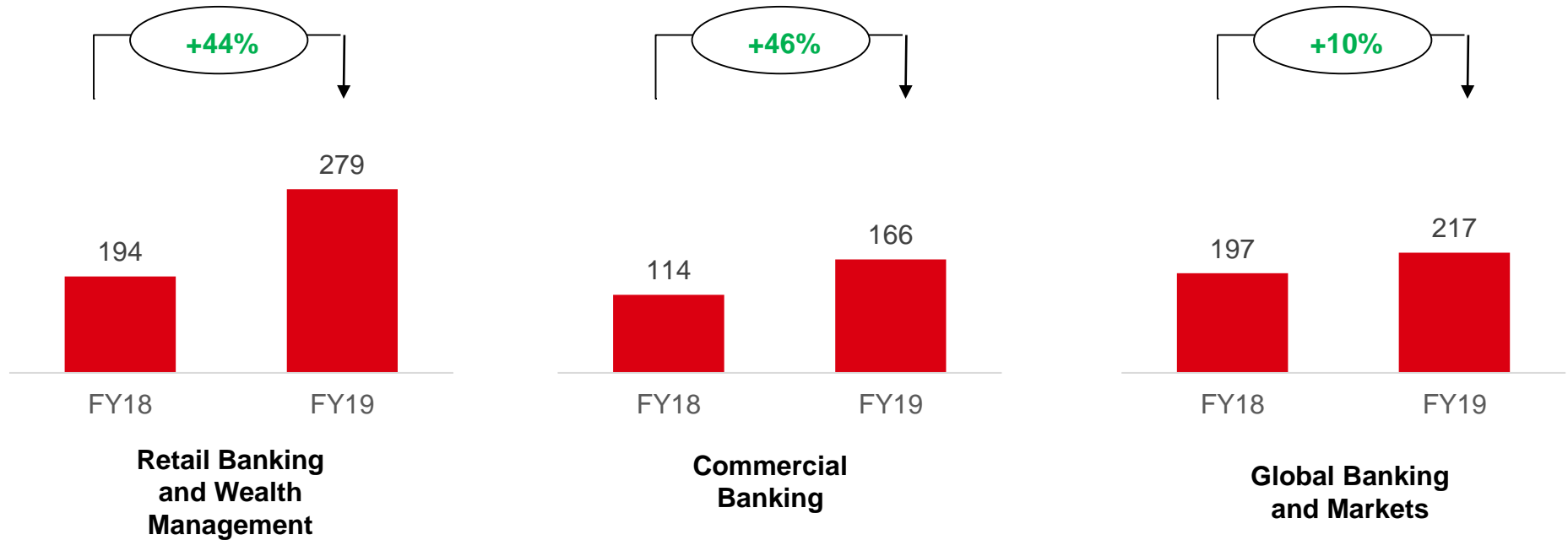


1. Source: HSBC Holdings plc Annual Report Accounts 2019. Reported figures under IFRS
 2. Includes intra-group transactions
 3. FY19 Group reported profit before tax includes a \$7.3bn goodwill impairment charge

All lines of business grew profit before tax in FY19

HSBC Mexico - reported profit before tax

USDm



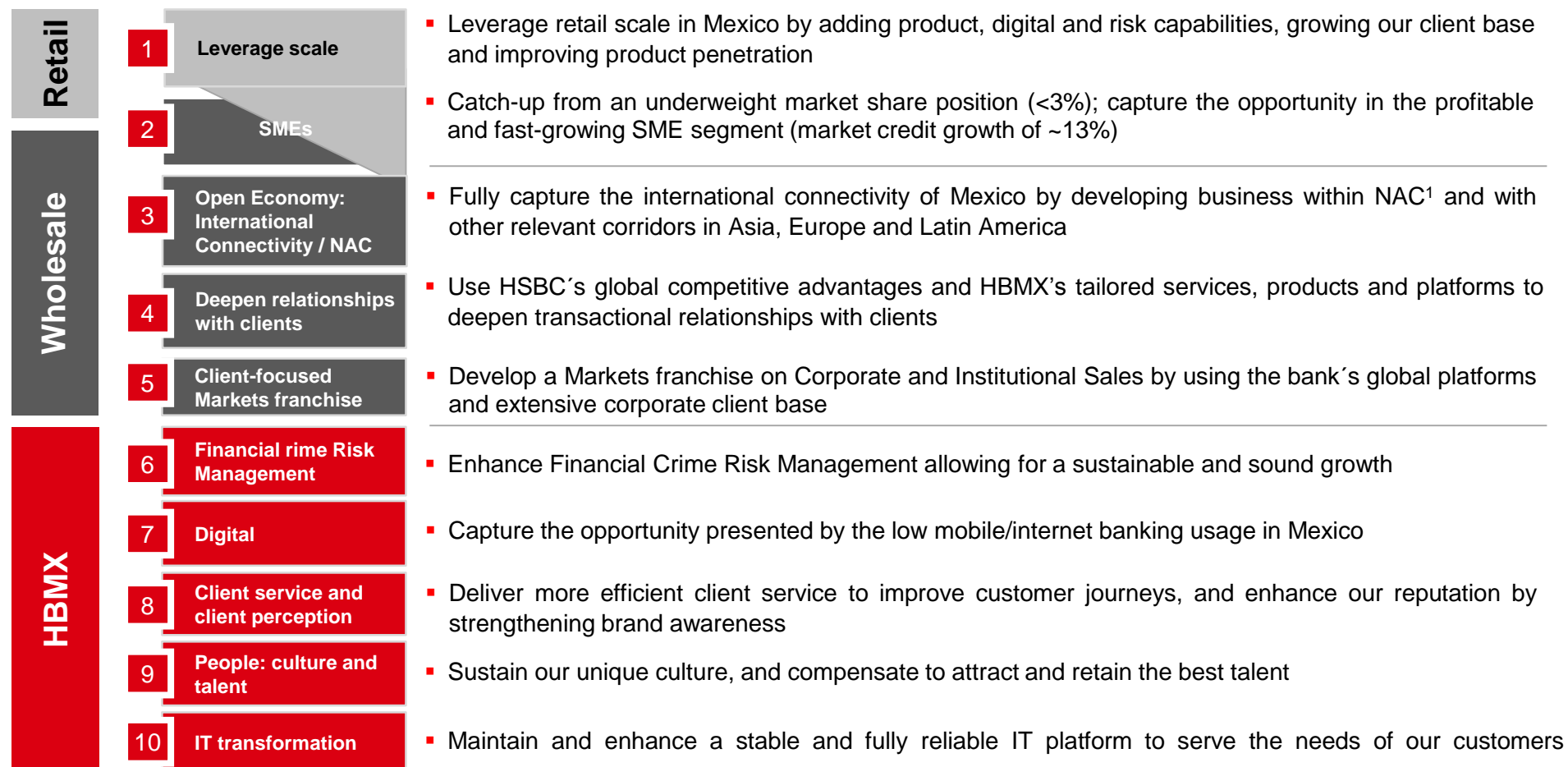
1. Source: HSBC Holdings plc Annual Report Accounts 2019. Reported figures under IFRS

2018-2020 strategy remains in place

Two main strategic pillars...

- (i) Fully leverage our retail scale to reach a 10% market share (to match our branch market share),
- (ii) Become the leading wholesale bank for international customers and local customers with transaction banking needs.

...and ten strategic initiatives:



1. North America Corridor, comprising Mexico, Canada and the USA

Euromoney awards: a successful strategy

HSBC Mexico:

**Latin America's best bank
transformation 2018**



Best Bank in Mexico 2019



Covid-19

Support measures

- **HSBC has donated MXN15million** for the Temporary Hospital Unit of the Citibanamex Convention Center, and for the Mexican Red Cross in their purchase of ventilators and medical equipment
- **We have encouraging and facilitating employees to join the fight against Covid-19** by donating to the Mexican Red Cross through various means (ATMs, internet banking, mobile banking, and HSBC branches)

Client measures

- **75% of branches remain open.** HSBC Mexico has taken preventive measures in branches with access limited to 10-20 persons and a minimum distance of 1.5-2 metres. Branches operate with 60% employees, participating under a rotation scheme
- **Customers and users are invited to make use of digital services;** mobile banking, contact centre and depositors. ATMs can now supply up to MXN9,500
- **Our Business Banking executives have been equipped with the necessary technology** to mobilise in the event that any SME client requires attention for their company
- **We are able to advise clients** about saving money in times of contingency and protection through their credit cards
- **Increase the possibility of buying insurance** with HSBC cards and with the Total Control application
- **Increase security against fraud during the contingency** due to fraud cases derived by Covid-19

Potencial impacts

- **Should the Covid-19 outbreak continue to cause disruption to economic activity globally through 2020,** it is expected to trigger an increase in expected credit losses. In addition, it will have impacts on our income due to lower lending and transaction volumes and lower wealth and insurance manufacturing revenue due to equity markets volatility and weakness and, lower interest rates which will negatively impact net interest income.
- **In addition to credit risk, the Covid-19 outbreak will have material impacts on capital and liquidity.** The Bank Regulator (CNBV) and the Central Bank have initiated a series of capital and liquidity measures, including the reduction of certain regulatory capital buffers and minimum liquidity ratios, to support the ability of banks to supply credit to businesses and households through this period of economic disruption.
- **At 31 March 2020, our capital and liquidity ratios remain solid** allowing to continue supporting our customers throughout the Covid-19 outbreak

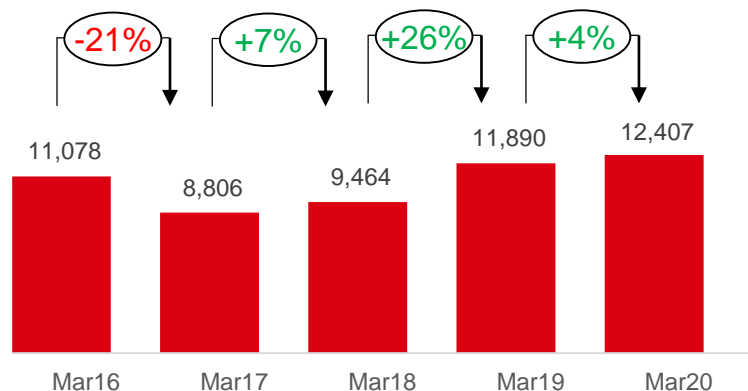
3. HSBC Mexico financial performance



Reported financial performance 1Q20 – Mexico GAAP

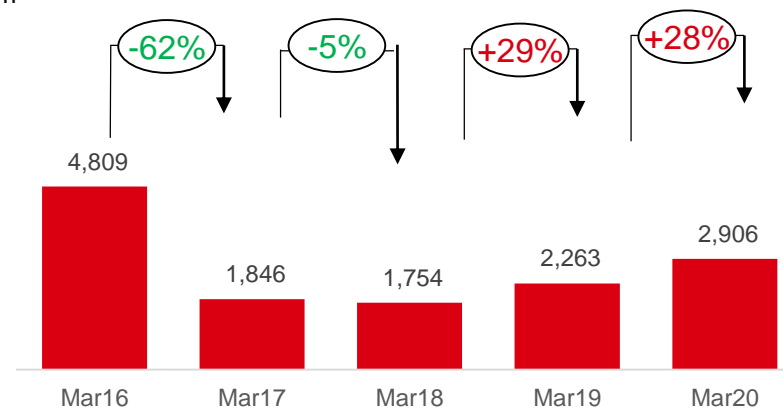
Revenue^{1,2,3,4,5}

MXNm



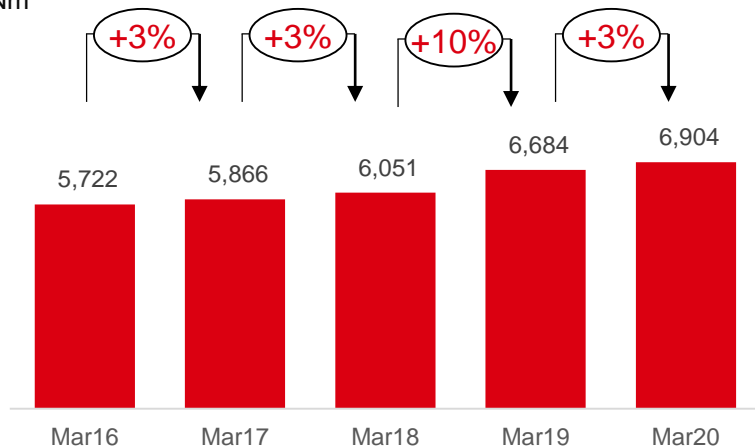
Loan impairment charges and other credit risk provisions^{3,4,5}

MXNm



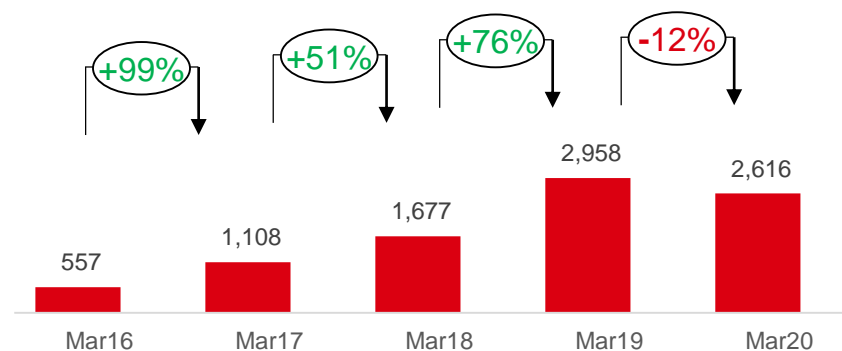
Operating expenses

MXNm



Profit before tax²

MXNm



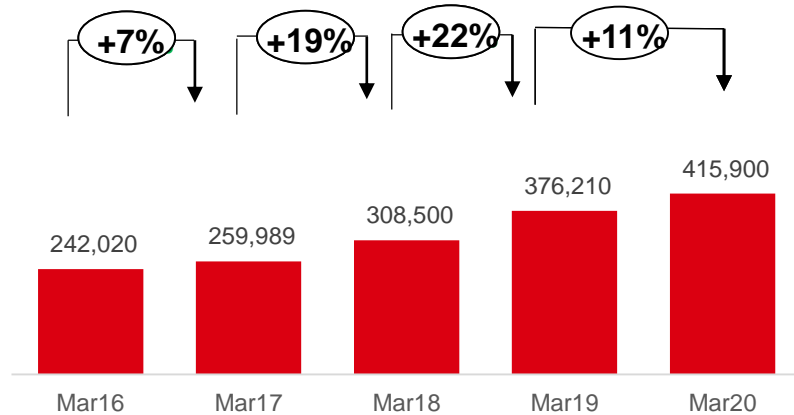
Source: HSBC Mexico 1Q20 press release. Figures under Mexico GAAP

1. Revenue refers to Total Operating Income excluding Loan impairment charges
2. March 2019 figures includes MXN 1,296m of gain in sale of 50% of the joint venture booked in January 2019
3. March 2016 reported income, includes the reversal of previous year excess loan impairment reserves.
4. From March 2018 onwards, the reversal of previous years excess reserves is reported in Loan impairment charges, following a change regulations.
5. March 2017 reported income was MXN 9.126m, which included the reversal of previous years reserves in Other income. For comparison purposes, MXN 320m was reclassified to Loan impairment charges.

Reported financial performance 1Q20 – Mexico GAAP

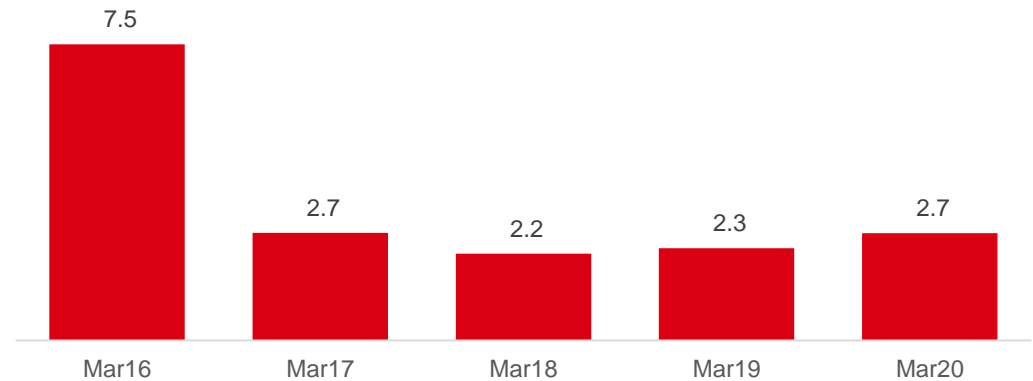
Net Loans advances to customers^{1,2}

MXNm



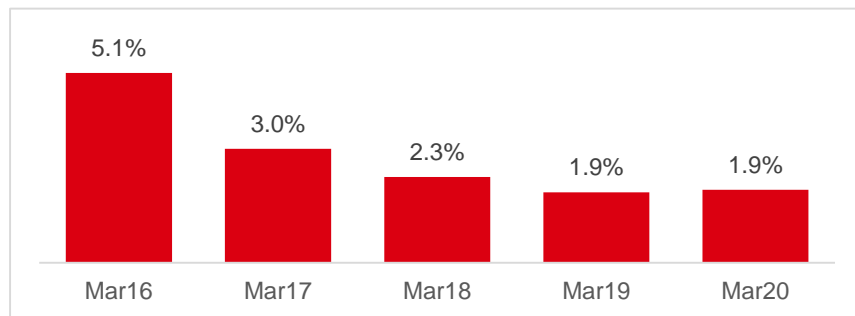
LICs^{1,2} / loans %

MXNm



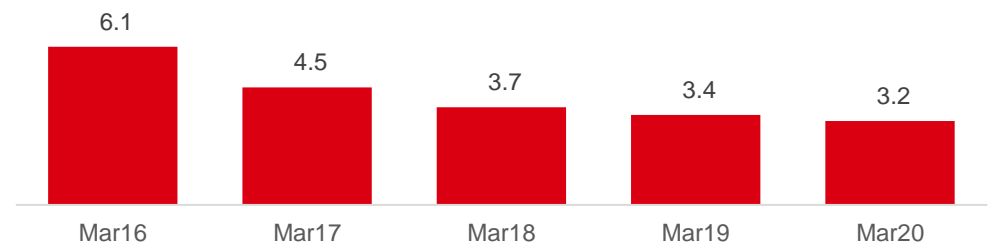
Non performing loan ratio³ %

MXNm



LLR⁴ / loans %

MXNm



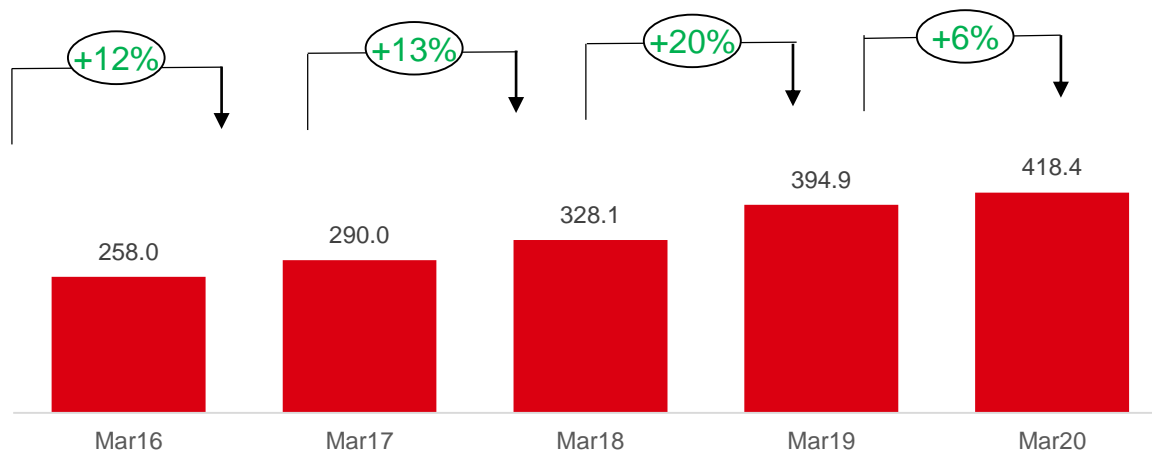
Source: HSBC Mexico1Q20 press release. Figures under Mexico GAAP

1. Figures are under local GAAP.
2. Annualised LICs as a % of gross loans and advances to customers.
3. Non-performing loans as a % of gross loans and advances to customers.
4. LLR = allowance for loan losses as a % of gross loans and advances to customers

Credit portfolio and deposits

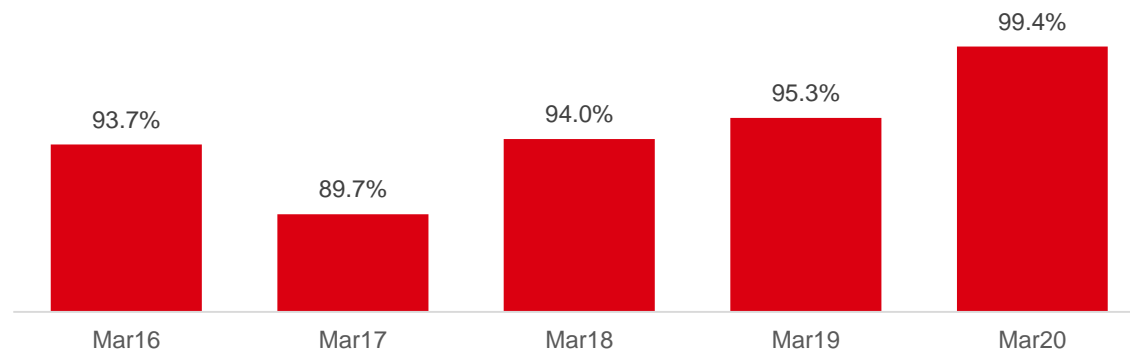
Deposits¹

MXNbn



Advances to deposits ratio (ADR) %²

MXNbn

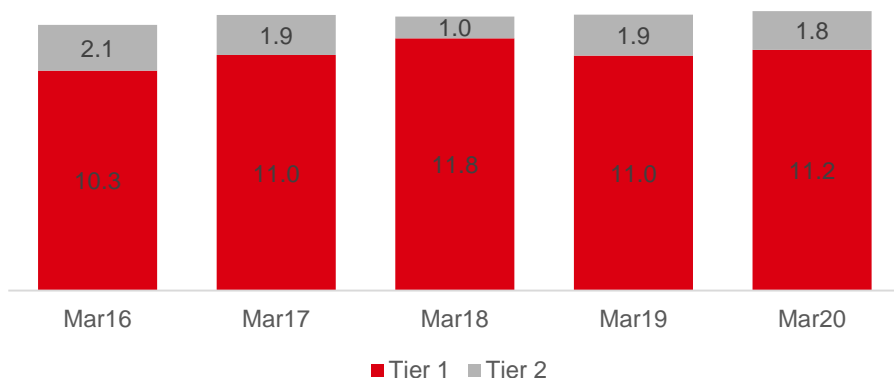
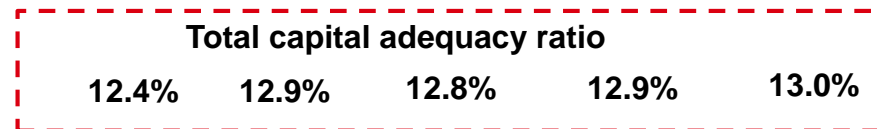


1. Source: HSBC Mexico 1Q20 press release. Reported figures under local GAAP. Time Deposits exclude money market deposits
 2. Demand and Time Deposits disclosed in the Spanish version of the 1Q20 press release, and excludes money market deposits (Mercado de dinero). This Spanish version is publicly available on the HSBC Mexico website at <https://www.about.hsbc.com.mx/es-mx/investor-relations>
 3. March 2020 ratio increased due to 25% FX rate depreciation in March 2020 mainly driven by the revaluation of the USD Loan portfolio partially offset by the revaluation of the USD Deposits.

HSBC Mexico Bank – capital

Total capital adequacy ratio at 1Q20 was 13.0%, 190bps above regulatory requirements

Capitalisation %¹



- At 31 March 2020, the bank’s total capital adequacy ratio was 13.0% and the tier 1 capital ratio was 11.2%
- The minimum capital ratios for HSBC Mexico under local rules as of March 2020 are:
 - CET1 Ratio: $CET1 \geq 7\% + DSIB$ **7.60%**
 - Tier 1 Capital Ratio $\geq 8.5\% + DSIB$ **9.10%**
 - Total Capital Ratio $\geq 10.5\% + DSIB$ **11.10%**
 - DSIB 60 bps
- In April 20, CNBV issued a press release allowing the banks to use up to 50% of their capital conservation buffer (2.5% of RWA’s).

CET1: Common Equity Tier 1
 DSIB: Domestic Systemically Important Bank

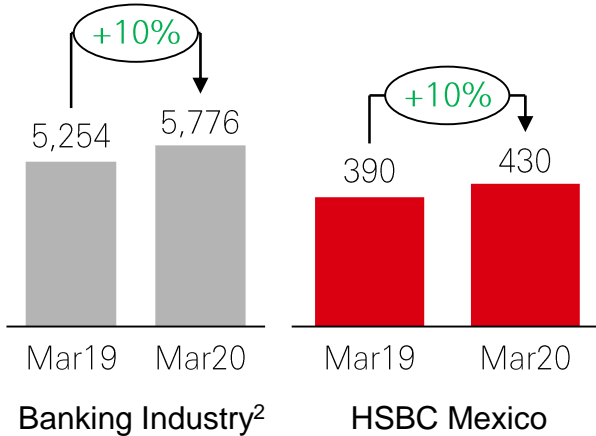
1. Source: CNBV for figures from March 2016 to March 2019. March 2020 figures according to HSBC Mexico 1Q20 press release.

4. Peer bank review

HBMX vs Industry

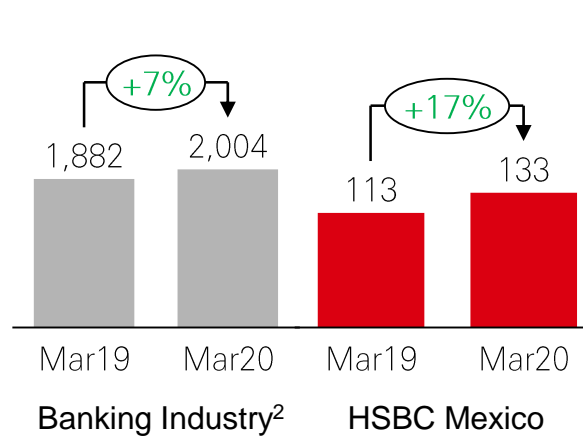
Total loans¹

MXNbn



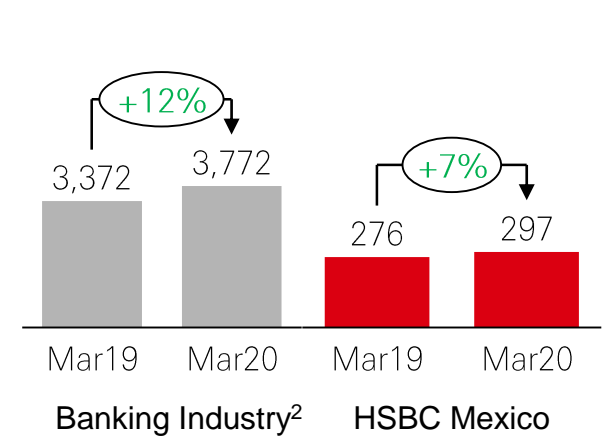
Retail loans

MXNbn



Wholesale loans

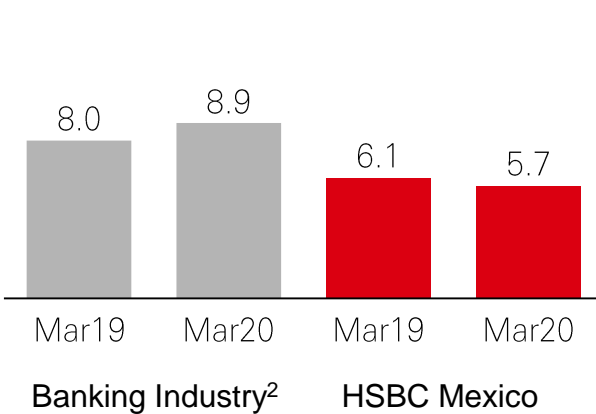
MXNbn



Lending rates (NIM)

(3 months rolling average)

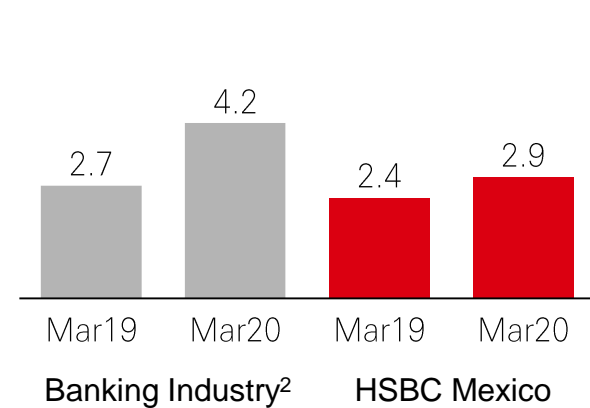
%



Credit Cost

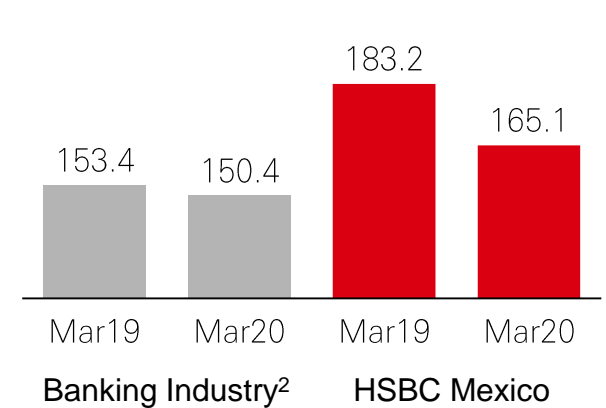
(Annualized LICs/avg. loans)

%



Coverage index (loan reserves/NPL)

%

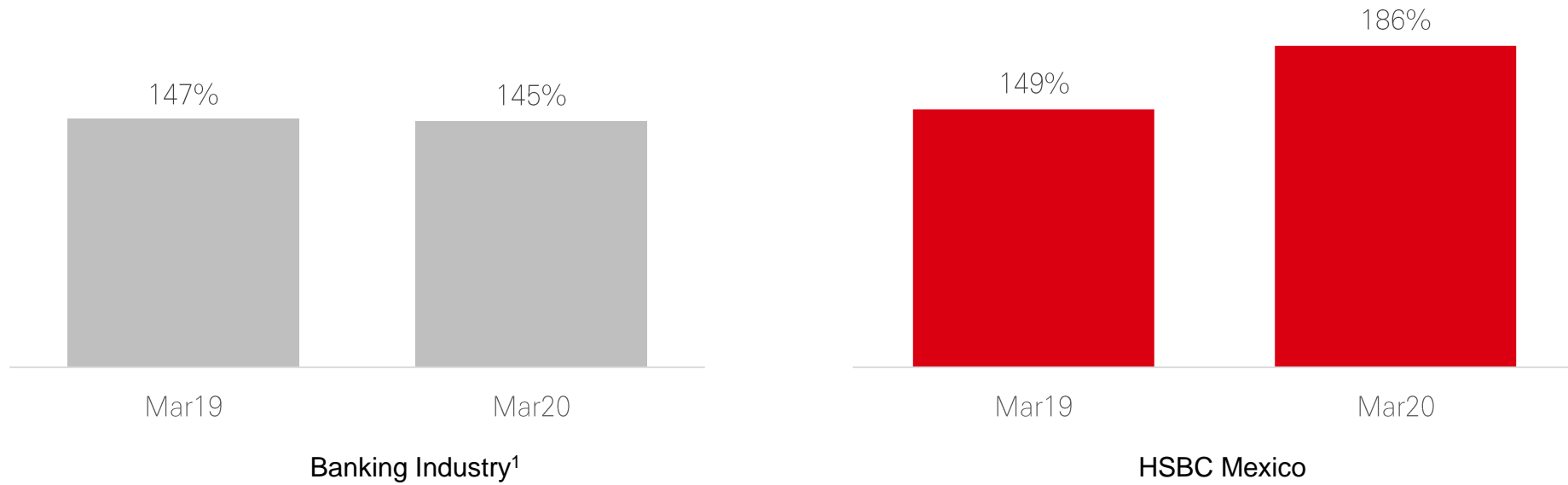


Source: CNBV, figures under local GAAP as of March 2020

1. Total loans may not cast due to rounding

2. Banking industry comprises the six largest banks in Mexico including HSBC

HBMX vs Industry – Liquidity coverage ratio



Source: CNBV

1. Banking industry average of the six largest banks in Mexico including HSBC

5. Characteristics of the offer

Medium term notes

Issuance of medium term notes (*Certificados Bursátiles bancarios*) up to MXN10,000 million

Issuer	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	
Type of Security	Certificados Bursátiles Bancarios de largo plazo	
Issuance amount	Up to MXN 40,000 million	
Maximum amount of issuance	Up to MXN 10,000 million	
Target issuance amount	MXN 5,000 million	
Currency	Pesos	
Local rating	[AAA(Mex) (Fitch); Aaa (Mex) (Moody's)]	
Type of interest rate	Variable	Fix
Local code for issuance	HSBC 20	HSBC 20-2
Term	1,092 days (~3 yrs)	3,640 days (~10 yrs)
Reference rate	TIIE 28	MBONO 29
Frequency of interest payment	Every 28 days	Every 182 days
Date of book creation	[11 June 2020]	[11 June 2020]
Issuance date	[15 June 2020]	[15 June 2020]
Maturity date	[12 June 2023]	[3 June 2030]
Amortisation	Bullet	
Guarantee	No specific guarantee	
Book runner	