Grupo Financiero HSBC

Financial information at 30 September 2013

3Q13

► **Press Release**

► **Quarterly Report**

► **Third Quarter 2013**

Release date:
31 October 2013

HSBC

31 October 2013

GRUPO FINANCIERO HSBC, S.A. DE C.V.
THIRD QUARTER 2013 FINANCIAL RESULTS – HIGHLIGHTS

- Net income before tax for the nine months to 30 September 2013 was MXN4,121m, a decrease of MXN1,381m or 25.1% compared with MXN5,502m for the same period in 2012.

- Net income for the nine months to 30 September 2013 was MXN3,005m, a decrease of MXN1,408m or 31.9% compared with MXN4,413m for the same period in 2012.

- Total operating income, net of loan impairment charges, for the nine months to 30 September 2013 was MXN20,186m, a decrease of MXN1,674m or 7.7% compared with MXN21,860m for the same period in 2012.

- Loan impairment charges for the nine months to 30 September 2013 were MXN5,817m, an increase of MXN1,558m or 36.6% compared with MXN4,259m for the same period in 2012.

- Administrative and personnel expenses were MXN16,096m, a decrease of MXN297m or 1.8% compared with MXN16,393m for the same period in 2012.

- The cost efficiency ratio was 61.9% for the nine months to 30 September 2013, compared with 62.8% for the same period in 2012.

- Net loans and advances to customers were MXN186.4bn at 30 September 2013, an increase of MXN5.6bn or 3.1% compared with MXN180.8bn at 30 September 2012. Total impaired loans as a percentage of gross loans and advances increased to 5.3% compared with 2.0% at 30 September 2012.

- At 30 September 2013, deposits were MXN255.0bn, a decrease of MXN31.6bn or 11.0% compared with MXN286.5bn at 30 September 2012.

- Return on equity was 7.6% for the nine months to 30 September 2013 compared with 12.3% for the same period in 2012.

- At 30 September 2013, the total capital adequacy ratio of Grupo Financiero HSBC's principal subsidiary, HSBC Mexico S.A. ('the bank') was 15.6% and the tier 1 capital ratio was 12.7% compared with 14.4% and 11.3% respectively at 30 September 2012.

- In the first quarter of 2013, the bank paid a dividend of MXN1,400m, representing MXN0.72 per share, and Grupo Financiero HSBC paid a dividend of MXN2,500m, representing MXN0.89 per share.

2012 results have been restated to reflect the general insurance manufacturing businesses and the bonding company as discontinued operations.

HSBC Mexico S.A. (the bank) is a subsidiary of Grupo Financiero HSBC, S.A. de C.V.'s (Grupo Financiero HSBC) and is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file financial information on a quarterly basis (in this case for the quarter ended 30 September 2013) and this information is publicly available. Given that this information is available in the public domain, Grupo Financiero HSBC, S.A. de C.V. has elected to file this release. HSBC Seguros, S.A. de C.V. Grupo Financiero HSBC (HSBC Seguros) is Grupo Financiero HSBC's insurance group.

Results are prepared in accordance with Mexican GAAP (Generally Accepted Accounting Principles).

Overview

The Mexican economy contracted 0.7% quarter-on-quarter in the second quarter of 2013. However, a modest recovery is expected in the second half of 2013, and strengthening during 2014. Inflation is expected to remain low and the monetary policy rate was reduced 25bp to 3.75% in September 2013.

For the nine months to 30 September 2013, Grupo Financiero HSBC's net income was MXN3,005m, a decrease of MXN1,408m or 31.9% compared with the same period in 2012. The reduction was driven mainly by higher loan impairment charges, lower trading and other operating income and a higher effective tax rate, partially offset by an increase in net interest income and net fee income, as well as reduced administrative and personnel expenses.

Net interest income was MXN17,021m, an increase of MXN653m or 4.0% compared with the same period in 2012. The improvement was due to higher average loan portfolio balances, mainly in mortgage, payroll, personal and credit cards loans, partially offset by lower interest income in non-interest bearing deposits due to a decrease in market rates and lower spreads in personal and payroll loans, as well as lower balances in commercial and corporate portfolio loans.

Loan impairment charges were MXN5,817m, an increase of MXN1,558m or 36.6% compared with the same period in 2012. In April 2012, loan impairment charges were negatively impacted by a MXN659m one-off charge relating to a change in the write-off policy for mortgage loans. The resulting increase is mainly explained by the higher loan impairment charges related to specific customers of the home builders' portfolio, and the increase in the impaired consumer loan portfolio arising from loan growth and portfolio deterioration, the latter being in line with general market experience. New CNBV regulations relating to the methodology for calculating loan impairment allowances for commercial lending were implemented on 30 June 2013. The implementation of this new methodology increased loan loss allowances by MXN799m, which were recognised through retained earnings.

Net fee income was MXN5,184m, an increase of MXN496m or 10.6% compared with the same period in 2012. The improvement was driven by lower fee expenses, mainly as a result of a change in the presentation of certain insurance expenses to administration expenses in the first half of 2013. In addition, higher fee income was explained by an increase in annual fees charged on credit cards and a higher number of transactions, coupled with higher investment funds and account services fees.

Trading income of MXN1,929m decreased by MXN499m or 20.6% compared with the same period in 2012, mainly in bonds and derivatives as a consequence of recent interest rate market volatility.

Other operating income was MXN1,869m, a decrease of MXN766m or 29.1% compared with the same period in 2012. This reduction is mainly due to an impairment provision on a defaulted derivative that is recognised as an account receivable.

Administrative and personnel expenses were MXN16,096m, a decrease of MXN297m or 1.8% compared with the same period in 2012. Excluding the non-recurrence of the MXN379m CNBV fine in 2012, administrative and personnel expenses would have increased by MXN82m or 0.5%

compared with the same period of 2012. This increase is largely explained by higher compliance and risk costs as a result of the implementation of HSBC global standards.

The cost efficiency ratio was 61.9% for the nine months to 30 September 2013, compared with 62.8% for the same period in 2012.

The effective tax rate was 35.0% for the nine months to 30 September 2013, compared with 25.2% for the same period in 2012. A large part of this variance is explained by higher inflationary effects which benefited the effective tax rate in the first nine months of 2012, and higher non-deductible provisions in the first nine months of 2013.

HSBC Seguros, Grupo Financiero HSBC's insurance subsidiary, reported a net income before tax of MXN1,568m, excluding discontinued operations, for the first nine months of 2013, a decrease of 11.5% compared with the same period of 2012. This was mainly due to an increase in the claims ratio to 36.7% from 31.6% reported in the same period of 2012. In addition, investment income decreased 12.2% mainly due to market volatility in interest rates during 2013 and gross written premiums increased 3.6% in life products (mainly Becahorro).

Net loans and advances to customers were MXN186.4bn at 30 September 2013, an increase of MXN5.6bn or 3.1% compared with MXN180.8bn at 30 September 2012. The performing mortgage loan portfolio increased by 21.1% and the performing consumer loan portfolio increased by 13.5% primarily in personal and payroll loans. The performing commercial loan portfolio decreased by 1.7% due to the ongoing reclassification of certain home builder loans to the impaired portfolio. Government loans decreased 23.6% due to a prepayment in one significant loan in the second quarter of 2013.

At 30 September 2013, total impaired loans increased by 178.1% to MXN10.5bn compared with MXN3.8bn at 30 September 2012. The higher impaired loan portfolio is largely associated with increased impaired commercial loans related to the performance of the home builder market during the second quarter of 2013. Total impaired loans as a percentage of total loans and advances to customers increased to 5.3% compared with 2.0% at 30 September 2012.

Total loan loss allowances at 30 September 2013 were MXN11.7bn, an increase of MXN1.5bn or 14.5% compared with 30 September 2012. A total of MXN799m of the increase in loan loss allowances were recognised through retained earnings in June 2013 as a consequence of applying the new CNBV methodology for commercial loans. The total coverage ratio (allowance for loan losses divided by impaired loans) was 111.3% at 30 September 2013 compared with 270.2% at 30 September 2012. This decrease was primarily a result of the increase in impaired commercial loans.

Total deposits were MXN255.0bn at 30 September 2013, a decrease of MXN31.6bn or 11.0% compared with 30 September 2012. Demand deposits decreased by 9.6% mainly related to a reduction of high interest bearing accounts in Commercial and Global Banking due to re-pricing strategies in order to offset the decrease in market interest rates, while time deposits decreased by 10.7% in part due to customers switching to mutual fund products.

Total assets under management in mutual funds were MXN79,897m, an increase of 4.7% compared with 30 September 2012.

Available-for-sale securities were MXN88.1bn, a decrease of MXN11.0bn or 11.1% compared with 30 September 2012. The decrease was largely as a result of the managed reduction in customer deposits.

At 30 September 2013, the bank's total capital adequacy ratio was 15.6% and the tier 1 capital ratio was 12.7% compared with 14.4% and 11.3% respectively at 30 September 2012.

In the first quarter of 2013, the bank paid a dividend of MXN1,400m representing MXN0.72 per share and Grupo Financiero HSBC paid a dividend of MXN2,500m representing MXN0.89 per share.

Business highlights

Retail Banking and Wealth Management (RBWM)

RBWM increased demand deposits average balances by 4.2% compared with the previous year, mainly driven by higher balances in Advance, Payroll and Flexible accounts.

RBWM's assets under management decreased by 0.1% compared with the same period of the previous year largely as a result of lower fund returns in recent months. New campaigns were launched in August to retain and attract new customer for time deposits and mutual funds, including a special money market repo product offer for new money to the bank.

Personal loans continued to experience strong sales compared to the prior year, with sales volumes higher by 101.8%. During the third quarter of 2013, the 'Back to school' campaign was launched to enhance sales performance during the period. Payroll loans balances allocated through direct channels improved 27.3% compared to the previous year, particularly through the contact centre and Personal Internet Banking.

Mortgage sales volumes increased by 110.0% compared with the same period of 2012, largely as a result of a mortgage campaign launched on April 2013 which at the time was the most competitive mortgage rate in the market of 8.70%. In September 2013, new prices for mortgages of 8.45% were launched for premier customers, which is the lowest rate in the market.

Credit cards average balances increased 7.5% compared with the same period of the prior year; credit card sales have increased 16.0% versus last year and activation rates have improved consistently throughout the quarter.

Commercial Banking (CMB)

CMB results for the nine months to 30 September 2013 were impacted by loan impairment charges, mainly related to provisions on exposures to home builders.

Aligned to our global strategy of becoming the leading international trade and business bank, CMB is increasing connectivity with global customers throughout the world. It is important to highlight the following points:

- Appetite for renminbi ('RMB') denominated transactions continues to grow, with in excess of 20 Global Trade & Receivable Finance transactions executed year to date and continued pipeline build. The first peso/RMB forward transaction was closed in August.

- Further action taken to support international SMEs through the US$1bn International Growth Fund, with market leading pricing for this key target customer segment.

- Continued progress in collaboration with Global Banking and Markets and Global Private Banking, with strong year-on-year growth in sales of Global Markets products. An increasing number of corporate clients has been on-boarded onto the HSBCnet platform, which is supporting growth of foreign exchange flow business.

Global Banking and Markets (GBM)

Global Markets trading income was MXN1,929m, down MXN499m compared with the same period of 2012. The decrease was mainly in bonds and derivatives as a consequence of recent interest rate market volatility.

During the third quarter of 2013, Debt Capital Markets maintained its status as one of the top three leading Mexican underwriters[1]. Some of the most relevant deals during this quarter were acting as Lead Arranger & Bookrunner in a financing facility for Alsea and as Joint Lead Manager and Bookrunner on a new MXN10.4bn (US$770m) Cebures issuance by Pemex due September 2024. This transaction represents the first fixed rate Global Depository Note issuance of the year, diversifying the client's investor base and extending its amortisation curve in the long-term.

Global Banking average customer deposits decreased 8.3%, however the lower balances were offset by higher deposit spreads resulting in higher net interest income of 9.0%.

The Project Finance Business closed new deals related to the wind renewable energy sector parks which will be located in Oaxaca. The Credit and Lending Business participated in the credit facility for the Prudential/Terrafina acquisition of KIMCO/American Industries industrial real estate portfolio. With this transaction Terrafina became the largest Real Estate Investment Trust (Fideicomiso de Inversiones de Bienes Raices FIBRAS) in Mexico.

Sale of HSBC Fianzas to Afianzadora ASERTA

On 22 August 2013, Grupo Financiero HSBC entered into an agreement to sell HSBC Fianzas, its subsidiary which undertakes bonding and surety business, to Afianzadora Aserta. This transaction is subject to regulatory approvals. The sale represents further progress in the execution of the HSBC Group's strategy.

Grupo Financiero HSBC's financial results for the nine months to 30 September 2013 as reported to HSBC Holdings plc, our ultimate parent company, are prepared in accordance with International Financial Reporting Standards (IFRS)

[1] Source: Bloomberg Finance

For the nine months to 30 September 2013, on an IFRS basis, Grupo Financiero HSBC reported a net income before tax of MXN1,899m, a decrease of MXN5,656m or 74.8% compared with MXN7,555m for the same period of 2012.

The higher net income before tax reported under Mexican GAAP is largely due to higher loan impairment charges under IFRS mainly as a result of recognising through the income statement the home builders loan impairment charges that were recognised through retained earnings in Mexican GAAP, and a reduction of the present value of in-force long-term insurance business, a concept which is only recognised under IFRS. A reconciliation and explanation between the Mexican GAAP and IFRS results is included with the financial statements of this document.

About HSBC

HSBC Mexico S.A. was the winning company in the category of Community Engagement at the Incluye Awards 2013 for the inclusion program, 'Sumando Valor'.

Grupo Financiero HSBC is one of the leading financial groups in Mexico with 1,001 branches, 6,252 ATMs and approximately 17,500 employees. For more information, visit www.hsbc.com.mx.

Grupo Financiero HSBC is a 99.99% directly owned subsidiary of HSBC Latin America Holdings (UK) Limited, which is a wholly owned subsidiary of HSBC Holdings plc, and a member of the HSBC Group. With around 6,600 offices in over 80 countries and territories in Europe, Hong Kong, Rest of Asia-Pacific, North and Latin America, the Middle East and North Africa and with assets of US$2,645bn at 30 June 2013, the HSBC Group is one of the world's largest banking and financial services organisations.

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Key Indicators

Grupo Financiero HSBC, S.A. de C.V.

	For the quarter ended at				
	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013	**30 Sep 2013**
a) Liquidity	95.13%	94.75%	104.28%	98.23%	**98.78%**
Profitability					
b) ROE (Return over equity)	17.37 %	12.87%	11.25%	4.22%	**6.91%**
c) ROA (Return over assets)	1.67 %	1.29%	1.15%	0.45%	**0.78%**
Asset quality					
d) Impaired loans/total loans	1.97%	2.02%	2.18%	4.29%	**5.29%**
e) Coverage ratio	270.18%	233.77%	220.45%	135.71%	**111.27%**
Capitalization					
f) Credit risk	23.00%	22.36%	25.34%	24.16%	**24.02%**
g) Credit and market risk operational	14.40%	14.51%	16.83%	16.15%	**15.63%**
Operating efficiency					
h) Expenses/Total Assets	4.17%	4.49%	3.93%	4.34%	**4.49%**
i) NIM	5.07%	5.20%	5.00%	5.10%	**5.28%**
Infrastructure					
Branches	1,055	1,040	1,040	1,021	**1,001**
ATM	6,364	6,490	6,453	6,350	**6,252**
Head Count	17,735	17,518	17,326	17,287	**17,570**

a) Liquidity = Liquid Assets / Liquid Liabilities.
Liquid Assets = Cash and deposits in banks + Trading securities + Available for sale securities
Liquid Liabilities = Demand deposits + Bank deposits and other on demand + Bank deposits and other short term liabilities
b) ROE = Annualized quarter net income / Average shareholders' equity.
c) ROA = Annualized quarter net income / Average total assets.
d) Impaired loans balance at quarter end / Total loans balance at quarter.
e) Coverage ratio = Balance of provisions for loan losses at quarter end / Balance of impaired loans
f) Capitalization ratio by credit risk = Net capital / Credit risk weighted assets.
g) Capitalization ratio by credit and market risk operational = Net capital / Credit and market risk weighted assets.
h) Operating efficiency = Expenses / Total assets
i) NIM = Annualized net interest income / Average performing assets.
Performing assets = Cash and deposits in banks + Investments in securities +Repurchase agreements+ Derivatives operations + Performing loans.
The averages utilized correspond to the average balance of the quarter in study and the balance of the previous quarter.

Relevant Events

Sale of HSBC Fianzas to Afianzadora ASERTA

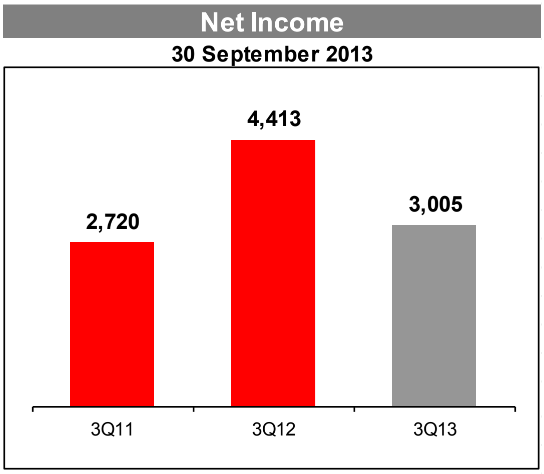
On 22 August 2013, Grupo Financiero HSBC has entered into an agreement to sell HSBC Fianzas, its subsidiary which undertakes bonding and surety business, to Afianzadora Aserta. This transaction is subject to regulatory approvals. The sale represents further progress in the execution of the HSBC Group's strategy.

Income Statement Variance Analysis

Net Income

Net income for Grupo Financiero HSBC at 30 September 2013 was MXN3,005m, a decrease of 31.9% compared with the same period of 2012.

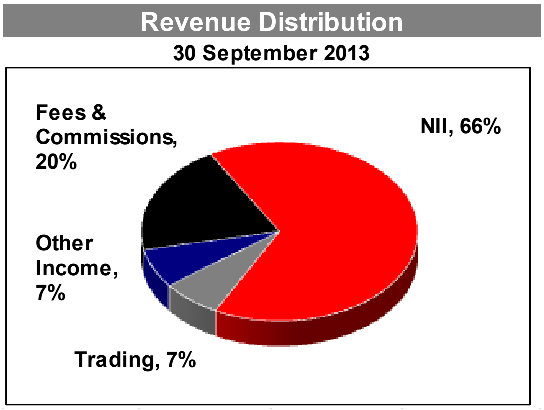
The decrease was mainly due to higher loan impairment charges, lower trading and other operating income, and increased tax expense, partially offset by an increase in net interest income and net fee income, as well as reduced administrative and personnel expenses.



Total Operating Income

The Group's total operating income, net of loan impairment charges, for the first nine months of 2013 was MXN20,186m, a decrease of MXN1,674m (7.7%) compared with the same period in 2012.

The decrease in total operating income, net of loan impairment charges, is mainly due to increased loan impairment charges, lower other operating income and a reduction in trading income.



Net Interest Income

Net interest income for the nine months to 30 September 2013 increased to MXN17,021m, up MXN653m (4.0%) compared to the same period of 2012.

The increase in net interest income was mainly due to higher average loan portfolio balances, mainly in mortgage, payroll, personal and credit cards loans, partially offset by lower interest income in non-interest bearing deposits due to a decrease in market rates and lower spreads in personal and payroll loans, as well as lower balances in commercial and corporate portfolio loans .

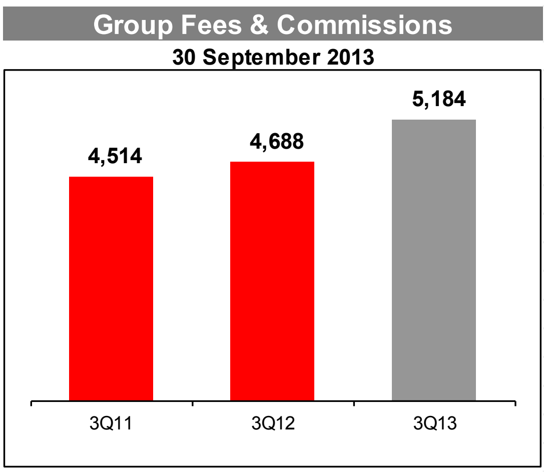
Non-interest Income

Non-interest income for the first nine months of 2013 was MXN8,982m; a decrease of MXN769m or 7.9% compared with results from the same period of 2012.

The Group's non-interest income to total revenue ratio decreased from 37.3% for the first nine months of 2012 to 34.5% for the first nine months of 2013, driven by lower other operating and trading income, partially offset by higher net fee income.

► **Fee income**

The Group's net fee income for the first nine months of 2013 was MXN5,184m, an increase of MXN496m or 10.6% compared with the same period of 2012. This increase was mainly due to lower fee expenses related to a change in presentation of certain insurance



expenses in the first half of 2013, and higher fee income related to increased annual fees charged on credit cards and a higher number of transactions, coupled with higher investment funds and account services fees.

► Trading income

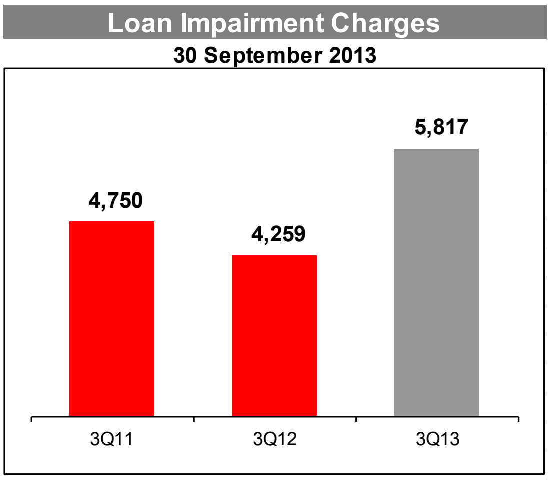
Trading income was MXN1,929m, a decrease of MXN499m or 20.6% compared with the first nine months of 2012, mainly in bonds and derivatives as a consequence of recent interest rate market volatility.

► Other operating income

Other operating income was MXN1,869m, a decrease of MXN766m or 29.1% compared with the first nine months of 2012. This reduction is mainly due to an impairment provision on a defaulted derivative that is recognised as an account receivable.

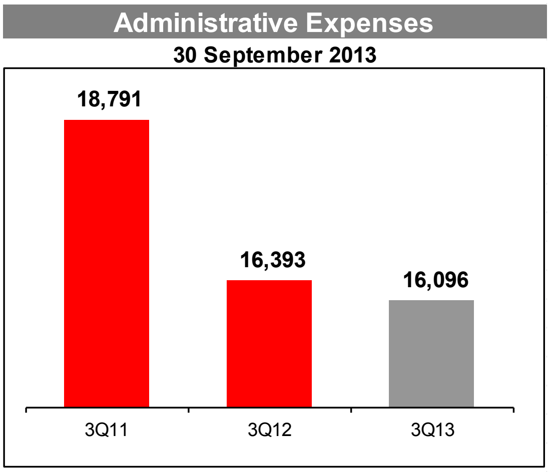
Loan Impairment Charges

For the nine months to 30 September 2013, the Group's loan impairment charges were MXN5,817m, an increase of MXN1,558m or 36.6% compared with the same period of 2012. The increase is mainly explained by the higher loan impairment charges related to specific customers of the home builders' portfolio, and the increase in the impaired consumer loan portfolio arising from loan growth and portfolio deterioration, the latter being in line with general market experience.



Administrative and Personnel Expenses

The Group's administrative and personnel expenses for the nine months to 30 September 2013 were MXN16,096m, a MXN297m or 1.8% decrease compared with the same period of 2012. Excluding the non-recurrence of the MXN379m CNBV fine in 2012, administrative and personnel expenses would have increased by MXN82m or 0.5% compared with the same period of 2012. This increase is largely explained by higher compliance and risk costs as a result of the implementation of HSBC global standards.



Balance sheet Variance Analysis

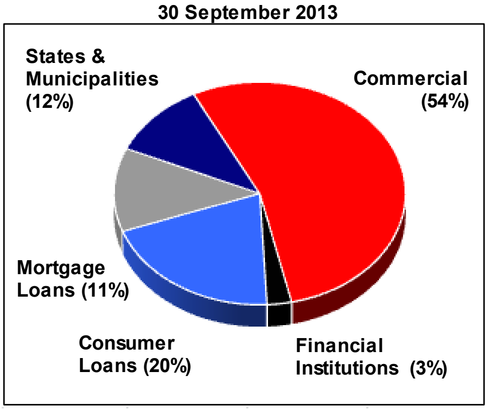
At 30 September 2013, the Group's total assets amounted MXN482,194m, which represents a decrease of MXN11,737m, compared with 30 September 2012. This decrease was mainly driven by a reduction in investment in securities and other accounts receivable, partially offset by an increase in cash and total loan portfolio.

Loan portfolio

The Group's performing loan portfolio balance amounted to MXN187,609m at 30 September 2013, an increase of 0.2% compared with 30 September 2012. This increase has been driven by higher mortgage and consumer loan portfolios, which increased 21.1% and 13.5% respectively when compared to 30 September 2012. The latter was partially offset by reduced balances in government and commercial portfolios.

Credit Portfolio Distribution

30 September 2013



► Commercial loans (including financial and government entities)

At 30 September 2013, the performing commercial portfolio (including financial and government entities) decreased 6.0% in comparison with 30 September 2012; mainly driven by government and commercial loan portfolio.

The performing commercial loan portfolio decreased 1.7% due to the ongoing reclassification of certain home builder loans to the impaired portfolio. The performing government loan portfolio decreased 23.6% compared with 30 September 2012, due to a prepayment in one significant loan in the second quarter of 2013. The performing financial intermediaries' loan portfolio decreased 0.1%.

► Consumer loans

At 30 September 2013, performing consumer loans increased 13.5% compared with 30 September 2012. This result is mainly due to sound personal and payroll loan portfolios performance which show an increase of 66.2% and 7.9% respectively, compared with 30 September 2012.

Credit card performing balances were MXN17,646m, up 8.6% compared with 30 September 2012. Auto loan performing portfolio was MXN2,867m, showing an increase of 3.2% compared with 30 September 2012.

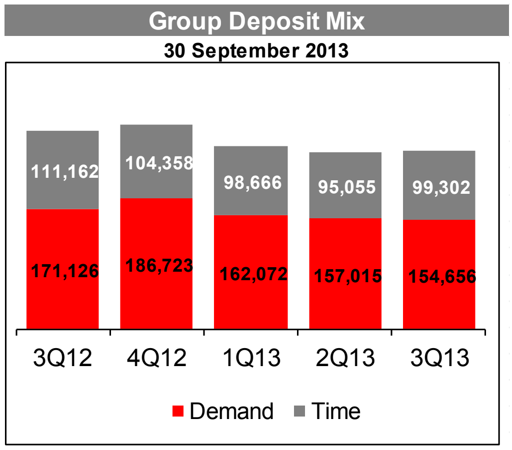
► Mortgage loans

The mortgage performing loan portfolio increased MXN3,987m or 21.1% compared with 30 September 2012. The increase reported as of 30 September 2013 was largely the result of a limited time mortgage campaign, launched during April 2013, which offered the most competitive mortgage rate in the market at that time (8.70%). In September 2013, new prices for mortgages of 8.45% were launched for premier customers, which is the lowest rate in the market.

Asset quality

As of 30 September 2013, the Group's impaired loan portfolio amounted to MXN10,483m, which represents an increase of MXN6,714m or 178.1% compared with 30 September 2012. This increase is largely associated with increased impaired commercial loans related with the performance of the home builder market during the second quarter of 2013.

Total impaired loans as a percentage of gross loans and advances to customers increased to 5.3% compared with 2.0% reported at 30 September 2012. The coverage ratio (allowance for loan losses divided by impaired loans) at 30 September 2013 was 111.3%, compared to 270.2% reported at 30 September 2012.



Deposits

The Group's total deposits at 30 September 2013 amounted to MXN254,997m, a decrease of 11.0% compared to the reported at 30 September 2012, as a result of reduced time and demand deposits.

► Demand deposits

At 30 September 2013, demand deposits were MXN154,656m, down 9.6% compared with 30 September 2012, mainly related to a reduction of high interest bearing accounts in Commercial and Global Banking due to re-pricing strategies in order to offset the decrease in market interest rates.

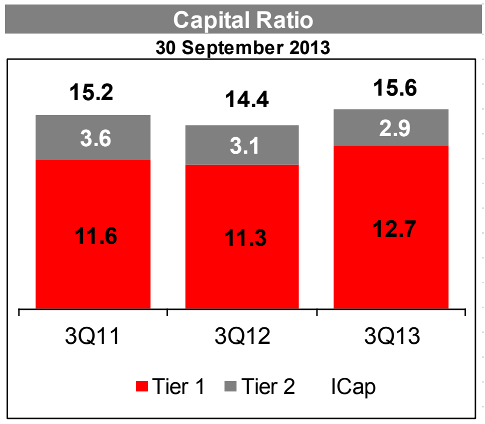
► Time deposits

Total time deposits decreased 10.7% compared to 30 September 2012, in part due to customers switching to mutual fund products.

Shareholder's equity

At 30 September 2013, the Group's equity amounted to MXN55,395m, representing an increase of 12.6% compared to 30 September 2012.

The banks equity was MXN47,423m, at 30 September 2013, up 12.9% compared to 30 September 2012.



Capital Adequacy Ratio

The Bank's capital adequacy ratio at 30 September 2013 was 15.6%, placing it well above the authorities' requirements. The Tier 1 capital ratio at the end of the reporting period is 12.7%.

Financial Situation, Liquidity and Capital Resources

HSBC's balance structure has maintained its liquidity. Cash and investments in securities represent 39.7% of total assets, 0.55 percentage points below than the one reported in the first nine months of 2012. Total assets were MXN482,194m, down by MXN11,737m in comparison with 30 September 2012. The loan portfolio is adequately diversified across segments.

Financial Statements Grupo Financiero HSBC

Consolidated Balance Sheet

Figures in MXN millions

Grupo Financiero HSBC, S.A. de C.V.

	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013	**30 Sep 2013**
Assets					
Cash and deposits in banks	43,430	55,846	55,703	54,649	**47,996**
Margin Accounts	77	53	-	18	**-**
Investments in Securities	155,989	156,347	157,982	139,606	**143,587**
Trading securities	41,593	43,695	37,225	34,130	**39,143**
Available-for-sale securities	99,171	97,339	105,095	89,363	**88,119**
Held to maturity securities	15,225	15,313	15,662	16,113	**16,325**
Repurchase agreements	5,836	7,706	3,229	9,833	**2,600**
Derivative transactions	47,048	43,349	54,171	47,719	**51,231**
Performing loans					
Commercial loans	134,937	142,094	139,164	127,007	**126,837**
Commercial entities	103,060	109,164	107,067	100,489	**101,269**
Loans to financial intermediaries	5,119	4,823	5,427	4,978	**5,115**
Loans to government entities	26,758	28,107	26,670	21,540	**20,453**
Consumer loans	33,390	33,585	34,848	36,775	**37,896**
Mortgages loans	18,889	19,287	19,784	20,736	**22,876**
Total performing loans	187,216	194,966	193,796	184,518	**187,609**
Impaired loans					
Commercial loans	2,019	2,075	2,460	6,244	**8,250**
Commercial entities	1,949	2,072	2,460	6,237	**8,210**
Financial entities	-	3	-	7	**2**
Loans to government entities	70	-	-	-	**38**
Consumer loans	1,076	1,302	1,194	1,338	**1,539**
Mortgages loans	674	636	673	696	**694**
Total non-performing loans	3,769	4,013	4,327	8,278	**10,483**
Loan portfolio	190,985	198,979	198,123	192,796	**198,092**
Allowance for loan losses	(10,183)	(9,381)	(9,539)	(11,234)	**(11,664)**
Net loan portfolio	180,802	189,598	188,584	181,562	**186,428**
Accounts receivable from insurance and bonding companies	1	2	3	6	**12**
Premium receivables	69	69	55	35	**39**
Accounts receivables from reinsurers and rebonding companies	109	117	74	90	**114**
Benefits to be received from trading operations	-	-	-	-	**-**
Other accounts receivable, net	42,915	32,073	53,246	38,822	**31,258**
Foreclosed assets	231	218	201	181	**184**
Property, furniture and equipment, net	7,371	7,208	7,138	6,905	**6,910**
Long term investments in equity securities	216	227	233	221	**221**
Long-term assets available for sale	521	518	482	299	**303**
Deferred taxes, net	5,922	6,226	5,655	6,485	**6,590**
Goodwill	1,048	1,048	1,048	1,048	**1,048**
Other assets, deferred charges and intangibles	2,791	3,195	3,237	3,927	**3,673**
Total Assets	493,931	503,800	531,041	491,406	**482,194**

Figures in MXN millions

Grupo Financiero HSBC, S.A. de C.V.

	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013	**30 Sep 2013**
Liabilities					
Deposits	286,552	295,325	265,007	253,085	**254,997**
Demand deposits	171,126	186,723	162,072	157,015	**154,656**
Time deposits	111,162	104,358	98,666	95,055	**99,302**
Retail	110,226	104,358	98,666	95,055	**99,302**
Money market	936	-	-	-	**-**
Bank bonds outstanding	4,264	4,244	4,269	1,015	**1,039**
Bank deposits and other liabilities	23,754	22,727	29,849	26,646	**25,118**
On demand	1,560	1,980	7,031	2,901	**4,017**
Short term	20,560	19,140	20,788	21,455	**18,741**
Long term	1,634	1,607	2,030	2,290	**2,360**
Repurchase agreements	21,113	20,729	38,608	30,521	**28,513**
Stock Borrowing	-	-	-	-	**1**
Financial assets pending to be settled	34	-	754	248	**-**
Collateral Sold	1,557	3,888	4,084	7,086	**3,796**
Repurchase	-	-	-	-	**-**
Securities to be received in repo transactions	1,557	3,888	4,084	7,086	**3,796**
Derivative transactions	45,267	40,921	50,472	44,974	**49,754**
Technical reserves	10,487	10,703	10,863	11,016	**11,223**
Reinsurers	15	14	14	16	**11**
Other accounts payable	45,306	48,282	64,463	51,505	**41,087**
Income tax and employee profit sharing payable	832	929	280	650	**818**
Creditors for settlement of transactions	26,926	29,829	41,223	32,260	**24,366**
Sundry creditors and others accounts payable	17,548	17,524	22,960	18,595	**15,903**
Subordinated debentures outstanding	10,158	10,196	11,395	11,650	**11,699**
Deferred credits	508	526	492	585	**600**
Total Liabilities	444,751	453,311	476,001	437,332	**426,799**
Stockholder's Equity					
Paid in capital	32,673	32,673	37,823	37,823	**37,823**
Capital stock	5,111	5,111	5,637	5,637	**5,637**
Additional paid in capital	27,562	27,562	32,186	32,186	**32,186**
Capital Gains	16,496	17,805	17,207	16,240	**17,561**
Capital reserves	2,186	2,157	2,157	2,458	**2,458**
Retained earnings	8,833	8,833	12,342	11,473	**11,473**
Result from the mark-to-market of Available-for-sale securities	1,157	902	1,314	315	**539**
Result from cash flow hedging transactions	(93)	(103)	(90)	(66)	**86**
Net Income	4,413	6,016	1,484	2,060	**3,005**
Non-controlling interest	11	11	10	11	**11**
Total Stockholder's Equity	49,180	50,489	55,040	54,074	**55,395**
Total Liabilities and Capital	493,931	503,800	531,041	491,406	**482,194**

Figures in MXN millions

	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013	**30 Sep 2013**
Memorandum Accounts	4,317,285	4,608,204	4,660,318	3,997,875	**4,235,729**
Proprietary position	4,204,374	4,505,932	4,558,944	3,894,991	**4,127,258**
Guarantees granted	9	4	-	-	**-**
Contingent assets and liabilities	-	-	-	-	**-**
Irrevocable lines of credit granted	25,312	25,222	23,431	22,991	**24,915**
Goods in trust or mandate	379,835	402,770	395,854	406,324	**409,079**
Trust	379,200	402,114	395,135	405,643	**408,294**
Mandate	635	656	719	681	**785**
Goods in custody or under administration	316,903	280,964	268,677	297,620	**298,790**
Collateral received by the institution	41,959	48,967	21,188	23,022	**13,584**
Collateral received and sold or delivered as guarantee	34,243	43,200	14,351	16,017	**10,289**
Values in deposit	53	53	53	53	**47**
Suspended interest on impaired loans	107	113	122	143	**175**
Recovery guarantees for issued bonds	41,787	45,274	19,162	18,891	**19,104**
Paid claims	15	17	-	12	**13**
Cancelled claims	9	22	5	7	**9**
Recovery claims	-	-	-	-	**-**
Responsibilities from bonds in force	3,613	3,725	3,763	3,743	**3,418**
Other control accounts	3,360,529	3,655,601	3,812,338	3,106,168	**3,347,835**

	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013	**30 Sep 2013**
Third party accounts	112,911	102,272	101,374	102,884	**108,471**
Clients current accounts	1	-	-	-	**-**
Custody operations	44,529	38,267	39,354	41,553	**42,898**
Transactions on behalf of clients	15,379	14,559	14,664	14,999	**15,899**
Third party investment banking operations, net	53,002	49,446	47,356	46,332	**49,674**

The present balance statement was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission as specified in Article 30 of the Law for Credit Institutions, of general observance and mandatory, applied in a consistent manner, this statement reflects all operations performed by the institution up to the date mentioned above, these operations were performed following healthy banking practice and following applicable legal and administrative requirements. The present statement has been approved by the Board of Directors under the responsibility of the signing officers.
Historical paid in capital of the Institution amounts to MXN 5,637 millions.
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LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	NGAR YEE LOUIE	JUAN JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Consolidated Income Statement

Figures in MXN millions

Grupo Financiero HSBC, S.A. de C.V.

	For the quarter ending					Year to date	
	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013	**30 Sep 2013**	30 Sep 2012	**30 Sep 2013**
Interest Income	8,018	8,279	7,681	7,465	**7,337**	23,833	**22,483**
Earned premiums	756	760	759	750	**772**	2,180	**2,281**
Interest expense	(2,704)	(2,784)	(2,258)	(2,135)	**(1,920)**	(8,313)	**(6,313)**
Increase in technical reserves	(263)	(254)	(288)	(147)	**(157)**	(589)	**(592)**
Claims	(229)	(254)	(190)	(272)	**(376)**	(743)	**(838)**
Net interest income	5,578	5,747	5,704	5,661	**5,656**	16,368	**17,021**
Loan impairment charges	(924)	(418)	(1,539)	(2,238)	**(2,040)**	(4,259)	**(5,817)**
Risk adjusted net interest income	4,654	5,329	4,165	3,423	**3,616**	12,109	**11,204**
Fees and commissions receivable	2,169	2,170	2,048	2,231	**2,199**	6,313	**6,478**
Fees payable	(507)	(524)	(420)	(436)	**(438)**	(1,625)	**(1,294)**
Trading Income	970	526	721	502	**706**	2,428	**1,929**
Other operating income	645	323	592	780	**497**	2,635	**1,869**
Administrative and personnel expenses	(5,220)	(5,600)	(5,083)	(5,544)	**(5,469)**	(16,393)	**(16,096)**
Net operating income	2,711	2,224	2,023	956	**1,111**	5,467	**4,090**
Undistributed income from subsidiaries	7	7	7	11	**13**	35	**31**
Net income before taxes	2,718	2,231	2,030	967	**1,124**	5,502	**4,121**
Income tax and employee profit sharing tax	(571)	(696)	(235)	(757)	**(511)**	(1,289)	**(1,503)**
Deferred income tax	(158)	1	(388)	203	**245**	(96)	**60**
Income from ongoing operations	1,989	1,536	1,407	413	**858**	4,117	**2,678**
Discontinued operations	99	67	77	163	**88**	297	**328**
Non-controlling interest	(1)	-	-	-	**(1)**	(1)	**(1)**
Net income (loss)	2,087	1,603	1,484	576	**945**	4,413	**3,005**

"The consolidated income statement, with those of the other financial entities comprising the Group that are subject to consolidation, were prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Holding Company and the other financial entities comprising of that are subject to consolidation, up to the dates mentioned above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.
This consolidated income statement was approved by the Board of Directors under the responsibility of the following officers."
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Consolidated Statement of Changes in Shareholder’s Equity

Figures in MXN millions **Grupo Financiero HSBC, S.A. de C.V.**

From 1 January to 30 September 2013

	Paid in capital				Earned capital							
	Capital Stock	Advances for future capital increases	Shares Premiums	Subordinated debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement	Results from holding non-monetary assets (Valuation of permanent investments)	Net income	Non-controlling interest	**Total Stock-holders Equity**
Balances at 01 January 2013	**5,111**	**-**	**27,562**	**-**	**2,157**	**8,833**	**799**	**-**	**-**	**6,016**	**11**	**50,489**
Movements Inherent to the Shareholders Decision												
Subscription of shares	526		4,624	-	-	-	-	-	-	-	-	5,150
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	301	(301)	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	-	6,016	-	-	-	(6,016)	-	-
Cash dividends	-	-	-	-	-	(2,500)	-	-	-	-	-	(2,500)
Others	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent to the Shareholders Decision	**526**	**-**	**4,624**	**-**	**301**	**3,215**	**-**	**-**	**-**	**(6,016)**	**-**	**2,650**
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income												
Net result	-	-	-	-	-	-	-	-	-	3,005	-	3,005
Result from valuation of available-for-sale securities	-	-	-	-	-	-	(363)	-	-	-	-	(363)
Result from cash flow hedging transactions	-	-	-	-	-	-	189	-	-	-	-	189
Results from holding non-monetary assets												
Others	-	-	-	-	-	(575)	-	-	-	-	-	(575)
Total Movements Inherent for the Recognition of the Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**(575)**	**(174)**	**-**	**-**	**3,005**	**-**	**2,256**
Balances at 30 September 2013	**5,637**	**-**	**32,186**	**-**	**2,458**	**11,473**	**625**	**-**	**-**	**3,005**	**11**	**55,395**

“The present statement of changes in stockholder’s equity, with those of other financial entities comprising the Group that are subject to consolidation, was prepared in accordance with the accounting criteria for financial group holding companies issued by the national Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Holding Company and the financial entities comprising the group that are subject to consolidation, up to the dates mentioned above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

The present statement of changes in stockholder’s equity was approved by the Board of Directors under the responsibility of the following officers.”

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LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	NGAR YEE LOUIE	JUAN JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Consolidated Statement of Cash Flow

Figures in MXN millions — ***Grupo Financiero HSBC, S.A. de C.V.***

From 1 January to 30 September 2013

Net income	**3,005**
Adjustments for items not involving cash flow:	**5,724**
Depreciation and amortization	1,340
Provisions	2,707
Income Tax and deferred taxes	1,443
Technical reserves	592
Discontinued operations	(328)
Undistributed income from subsidiaries	(30)
Changes in items related to operating activities:	
Memorandum accounts	53
Investment securities	12,539
Repurchase agreements	5,107
Stock borrowing	1
Derivative (assets)	(7,882)
Loan portfolio	3,170
Foreclosed assets	33
Operating assets	816
Deposits	(40,328)
Bank deposits and other liabilities	2,392
Creditors repo transactions	7,783
Collateral sold or delivered as guarantee	(92)
Derivative (liabilities)	8,833
Subordinated debentures outstanding	1,503
Accounts receivables from reinsurers and coinsurers	(7)
Accounts receivables from premiums	30
Reinsurers and bonding	(3)
Other operating liabilities	(8,357)
Income tax payable	(3,350)
Funds provided by operating activities	**(17,759)**
Investing activities:	
Acquisition of property, furniture and equipment	(1,041)
Intangible assets acquisitions	(478)
Cash dividends	81
Other investment activities	543
Funds used in investing activities	**(895)**
Financing activities:	
Shares issue	5,150
Cash dividends	(2,500)
Decrease of Shares	-
Others	(575)
Funds used in financing activities	**2,075**
Increase/decrease in cash and equivalents	**(7,850)**
Adjustments to cash flow variations in the exchange rate and inflation levels	-
Cash and equivalents at beginning of period	**55,846**
Cash and equivalents at end of period	**47,996**

The present Consolidated Statement of Cash Flows, with those of other financial entities comprising the Group that are subject to consolidation, was prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Holding Company and the financial entities comprising the group that are subject to consolidation, up to the dates mentioned above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.
This Consolidated Statement of Cash Flows, was approved by the Board of Directors under the responsibility of the following officers.
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LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	NGAR YEE LOUIE	JUAN JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Financial Statements HSBC Mexico, S.A.

Consolidated Balance Sheet

Figures in MXN millions **HSBC Mexico, S.A. (Bank)**

	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013	30 Sep 2013
Assets					
Cash and deposits in banks	43,430	55,846	55,703	54,649	**47,996**
Margin Accounts	77	53	-	18	**-**
Investment in Securities	140,291	140,158	142,207	122,966	**126,423**
Trading securities	34,661	36,338	30,589	27,065	**32,047**
Available-for-sale securities	99,171	97,339	105,095	89,363	**88,119**
Held to maturity securities	6,459	6,481	6,523	6,538	**6,257**
Repurchase agreements	5,836	7,706	3,229	9,833	**2,600**
Derivative transactions	47,048	43,349	54,171	47,719	**51,231**
Performing loans					
Commercial loans	134,937	142,094	139,164	127,007	**126,837**
Commercial entities	103,060	109,164	107,067	100,489	**101,269**
Loans to financial intermediaries	5,119	4,823	5,427	4,978	**5,115**
Loans to government entities	26,758	28,107	26,670	21,540	**20,453**
Consumer loans	33,390	33,585	34,848	36,775	**37,896**
Mortgages loans	18,889	19,287	19,784	20,736	**22,876**
Total performing loans	187,216	194,966	193,796	184,518	**187,609**
Impaired loans					
Commercial loans	2,019	2,075	2,460	6,244	**8,250**
Commercial entities	1,949	2,072	2,460	6,237	**8,210**
Loans to financial intermediaries	-	3	-	7	**2**
Loans to government entities	70	-	-	-	**38**
Consumer loans	1,076	1,302	1,194	1,338	**1,539**
Mortgage Loans	674	636	673	696	**694**
Total non-performing loans	3,769	4,013	4,327	8,278	**10,483**
Total loan portfolio	190,985	198,979	198,123	192,796	**198,092**
Allowance for loan losses	(10,183)	(9,381)	(9,539)	(11,234)	**(11,664)**
Net loan portfolio	180,802	189,598	188,584	181,562	**186,428**
Other accounts receivable	41,189	31,972	52,631	38,090	**31,048**
Foreclosed assets	231	218	201	181	**184**
Property, furniture and equipment, net	7,371	7,207	7,138	6,905	**6,910**
Long term investments in equity securities	130	139	145	136	**134**
Long term assets available for sale	-		-	-	**3**
Deferred taxes	5,824	6,138	5,574	6,360	**6,479**
Other assets, deferred charges and intangibles	2,693	3,076	3,044	3,743	**3,490**
Total Assets	474,922	485,460	512,627	472,162	**462,926**

Figures in MXN millions **HSBC Mexico, S.A. (Bank)**

	30 Sep 2012	*31 Dec 2012*	*31 Mar 2013*	*30 Jun 2013*	***30 Sep 2013***
Liabilities					
Deposits	287,279	295,873	265,476	253,563	**255,528**
Demand deposits	171,853	187,271	162,541	157,493	**155,187**
Time deposits	111,162	104,358	98,666	95,055	**99,302**
Retail	110,226	104,358	98,666	95,055	**99,302**
Money market	936	-	-	-	**-**
Bank bonds outstanding	4,264	4,244	4,269	1,015	**1,039**
Bank deposits and other liabilities	23,754	22,727	29,849	26,646	**25,118**
On demand	1,560	1,980	7,031	2,901	**4,017**
Short term	20,560	19,140	20,788	21,445	**18,741**
Long term	1,634	1,607	2,030	2,290	**2,360**
Repurchase agreements	21,113	20,729	38,608	30,521	**28,513**
Stock Borrowing	-	-	-	-	**1**
Financial assets pending to be settled	34	-	754	248	**-**
Collateral Sold	1,557	3,888	4,084	7,077	**3,796**
Repurchase	-	-	-	-	**-**
Securities to be received in repo transactions	1557	3,888	4,084	7,077	**3,796**
Derivative transactions	45,267	40,921	50,472	44,974	**49,754**
Other accounts payable	43,238	47,813	63,620	50,408	**40,494**
Income tax and employee profit sharing payable	658	746	184	527	**700**
Contributions for future capital increases	-	-	-	-	**-**
Creditors for settlement of transactions	24,33	29,556	40,613	31,576	**24,109**
Sundry creditors and others accounts payable	18,244	17,511	22,823	18,305	**15,685**
Subordinated debentures outstanding	10,158	10,196	11,395	11,650	**11,699**
Deferred credits	508	526	492	585	**600**
Total Liabilities	432,908	442,673	464,750	425,672	**415,503**
Stockholder's Equity					
Paid in capital	27,618	27,618	32,768	32,768	**32,768**
Capital stock	5,261	5,261	5,680	5,680	**5,680**
Additional paid in capital	22,357	22,357	27,088	27,088	**27,088**
Capital Gains	14,394	15,167	15,108	13,721	**14,654**
Capital reserves	10,603	10,573	10,573	10,973	**10,973**
Retained earnings	(204)	(202)	2,389	1,420	**1,420**
Result from the mark-to-market of Available-for-sale securities	1,157	902	1,314	315	**539**
Result from cash flow hedging transactions	(93)	(103)	(90)	(66)	**86**
Net Income	2,931	3,997	922	1,079	**1,636**
Non-controlling interest	2	2	1	1	**1**
Total Stockholder's Equity	42,014	42,787	47,877	46,690	**47,423**
Total Liabilities and Capital	474,922	485,460	512,627	472,162	**462,926**

Figures in MXN millions

HSBC Mexico, S.A. (Bank)

Memorandum Accounts

	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013	**30 Sep 2013**
Guarantees granted	9	4	-	-	**-**
Contingent assets and liabilities	-	-	-	-	**-**
Irrevocable lines of credit granted	25,312	25,222	23,431	22,991	**24,915**
Goods in trust or mandate	379,835	402,770	395,854	406,324	**409,079**
Goods	379,200	402,114	395,135	405,643	**408,294**
Trusts	635	656	719	681	**785**
Goods in custody or under administration	370,574	365,995	355,566	291,983	**293,153**
Collateral received by the institution	41,959	48,967	21,188	23,022	**13,584**
Collateral received and sold or delivered as guarantee	34,243	43,200	14,351	16,017	**10,289**
Third party investment banking operations, net	53,002	49,446	47,356	46,332	**49,674**
Suspended interest on impaired loans	107	113	122	143	**175**
Other control accounts	3,349,200	3,606,407	3,761,261	3,150,463	**3,394,401**
	4,254,241	4,542,124	4,619,129	3,957,275	**4,195,270**

The present income statement was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission as specified in Articles 99, 101 and 102 of the Law for Credit Institutions, of general observance and mandatory, applied in a consistent manner, this statement reflects all operations performed by the institution up to the date mentioned above, these operations were performed following healthy banking practice and following applicable legal and administrative requirements. The present statement has been approved by the Board of Directors under the responsibility of the signing officers.
Historical paid in capital of the Institution amounts to MNX 3,880 millions.
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www.cnbv.gob.mx

LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	NGAR YEE LOUIE	JUAN JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Consolidated Income Statement

Figures in MXN millions **HSBC Mexico, S.A. (Bank)**

	For the quarter ending					*Year to date*	
	30 Sep 2012	*31 Dec 2012*	*31 Mar 2013*	*30 Jun 2013*	***30 Sep 2013***	*30 Sep 2012*	***30 Sep 2013***
Interest income	7,828	8,075	7,474	7,246	**7,125**	23,272	**21,845**
Interest expense	(2,713)	(2,789)	(2,262)	(2,138)	**(1,925)**	(8,328)	**(6,325)**
Net interest income	5,115	5,286	5,212	5,108	**5,200**	14,944	**15,520**
Loan impairment charges	(924)	(418)	(1,539)	(2,238)	**(2,040)**	(4,259)	**(5,817)**
Risk adjusted net interest income	4,191	4,868	3,673	2,870	**3,160**	10,685	**9,703**
Fees and commissions receivable	2,032	2,057	1,969	2,119	**2,112**	5,957	**6,200**
Account management	102	104	89	95	**87**	311	**271**
Services	1,930	1,953	1,880	2,024	**2,025**	5,646	**5,929**
Fees payable	(430)	(460)	(424)	(429)	**(444)**	(1,334)	**(1,297)**
Trading Income	881	458	584	630	**669**	2,228	**1,883**
Foreign exchange	109	(110)	(233)	433	**252**	475	**452**
Securities trading, net	145	250	106	55	**63**	127	**224**
Repos	1	(12)	-	-	**-**	(46)	**(0)**
Swaps	591	103	311	1,296	**518**	840	**2,125**
Valuation off-shore agencies	98	454	663	(1,009)	**(70)**	752	**(416)**
Valuation for trading swaps	151	70	63	174	**117**	383	**354**
Valuation for FX options	(214)	(297)	(326)	(319)	**(211)**	(303)	**(856)**
Other operating income	740	346	636	872	**547**	2,913	**2,055**
Administrative and personnel expenses	5,293	5,674	5,076	5,486	**5,406**	16,669	**15,968**
Personnel expense	2,317	2,381	2,239	2,358	**2,461**	7,160	**7,058**
Administrative expense	2,621	2,925	2,391	2,674	**2,505**	8,251	**7,570**
Depreciation and amortization	355	368	446	454	**440**	1,258	**1,340**
Net operating income	2,121	1,595	1,362	576	**638**	3,780	**2,576**
Undistributed income from subsidiaries	7	3	7	14	**9**	32	**30**
Net income before taxes	2,128	1,598	1,369	590	**647**	3,812	**2,606**
Income tax	(404)	(543)	(69)	(592)	**(348)**	(781)	**(1,009)**
Deferred income tax	(162)	11	(378)	159	**258**	(100)	**39**
Net income before discontinued operations	1,562	1,066	922	157	**557**	2,931	**1,636**
Non-controlling interest	-	-	-	-	**-**	-	**-**
Net income (loss)	1,562	1,066	922	157	**557**	2,931	**1,636**

The present income statement was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission as specified in Articles 99, 101 and 102 of the Law for Credit Institutions of general observance and mandatory, applied in a consistent manner. This statement reflects all income and expenses derived from the operations performed by the Institution up to the date mentioned above. These operations were performed following healthy banking practice and following applicable legal and administrative requirements. The present statement has been approved by the Board of Directors under the responsibility of signing officers.
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LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	NGAR YEE LOUIE	JUAN JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

HSBC

Consolidated Statement of Changes in Shareholder's Equity

Figures in MXN millions **HSBC Mexico, S.A. (Bank)**

From 1 January to 30 September 2013

	Paid in capital				Earned Capital							
	Capital Stock	Advances for future capital increases	Shares Premium	Subordinated debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement	Results from holding non-monetary assets	Net Income	Non-controlling interest	**Total stock-holder's Equity**
Balances at January 31, 2012	**5,261**		**22,357**		**10,573**	**(202)**	**902**	**(103)**		**3,997**	**2**	**42,787**
Movements Inherent to the Shareholders Decision												
Subscription of shares	419		4,731									**5,150**
Capitalization of retained earnings												
Constitution of reserves					400	(400)						**-**
Transfer of result of prior years						3,997				(3,997)		**-**
Cash dividends						(1,400)						**(1,400)**
Others												
Total Movements Inherent to the Shareholders Decision	419		4,731		400	2,197				(3,997)		**3,750**
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income												
Net result										1,636		**1,636**
Result from valuation of available-for-sale securities							(363)	189				**(174)**
Result from cash flow hedging transactions												
Results from holding non-monetary assets												
Others						(575)					(1)	**(576)**
Total Movements Inherent for the Recognition of the Comprehensive Income						(575)	(363)	189		1,636	(1)	**(886)**
Balances as at September 30, 2013	**5,680**		**27,088**		**10,973**	**1,420**	**539**	**86**		**1,636**	**1**	**47,423**

The present statement of changes in stockholder's equity was prepared in accordance to the accounting principles for banking institutions which are issued by the Mexican National Banking Commission as specified in Articles 99, 101 y 102 of the Law for Credit Institutions of General Observance and Mandatory, applied in a consistent manner. This statement reflects all movements in capital accounts derived from the operations performed by the Institution up to the date mentioned above.
These operations were performed following healthy banking practices and following applicable legal and administrative requirements.
The present statement has been approved by the Board of Directors under the responsibility of the signing officers.
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Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Consolidated Statement of Cash Flow

Figures in MXN millions
From 1 January to 30 September 2013

HSBC Mexico, S.A. (Bank)

	30 Sep 2013
Net income	**1,636**
Adjustments for items not involving cash flow:	**4,987**
Depreciation and amortization	1,340
Provisions	2,707
Income Tax and deferred taxes	970
Undistributed income from subsidiaries	(30)
Changes in items related to operating activities:	
Memorandum accounts	53
Investment securities	13,514
Repurchase agreements	5,107
Derivative (assets)	(7,882)
Loan portfolio	3,170
Foreclosed assets	33
Operating assets	924
Deposits	(40,347)
Bank deposits and other liabilities	2,392
Creditors repo transactions	7,783
Stock borrowing	1
Collateral sold or delivered as guarantee	(92)
Derivative (liabilities)	8,833
Subordinated debentures outstanding	1,503
Other operating liabilities	(8,515)
Income tax payable	(2,746)
Funds provided by operating activities	**(16,269)**
Investing activities:	
Acquisition of property, furniture and equipment	(1,045)
Intangible assets acquisitions	(414)
Others	81
Funds used in investing activities	**(1,378)**
Financing activities:	
Shares issue	5,150
Cash dividend	(1,400)
Others	(576)
Funds used or provided by financing activities	**3,174**
Increase/decrease in cash and equivalents	**(7,850)**
Adjustments to cash flow variations in the exchange rate and inflation levels	-
Cash and equivalents at beginning of period	**55,846**
Cash and equivalents at end of period	**47,996**

The present Statement of Cash Flows was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission, as specified in Articles 99, 101 and 102 of the Law for Credit Institutions of general observance and mandatory, applied in a consistent manner. This statement reflects all movements in funds derived from the operations performed by the Institution up to the date mentioned above.
These operations were performed following healthy banking practice and following applicable legal and administrative requirements.
The present Statement of Cash Flows has been approved by the Board of Directors under the responsibility of signing the officers.
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Financial Instruments

Grupo Financiero HSBC, S.A. de C.V.

Figures in MXN millions

Investments in securities	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013	**30 Sep 2013**
Government securities	35,631	29,978	25,840	26,795	**34,285**
Bank securities	1,266	2,101	1,566	954	**256**
Shares	2,653	9,832	8,765	5,186	**3,497**
Others	1,598	1,785	1,054	1,195	**1,105**
Trading securities	41,148	43,695	37,225	34,130	**39,143**
Government securities	85,408	93,139	100,977	85,250	**83,951**
Bank securities	1,633	1,840	1,888	1,854	**1,893**
Obligations and other securities	12,120	2,359	2,230	2,259	**2,275**
Shares	10	-	-	-	**-**
Available for sale securities	99,171	97,339	105,095	89,363	**88,119**
Special Cetes (net)	13,195	13,392	13,746	14,175	**14,712**
Bank securities	158	63	63	64	**63**
Corporate securities	1,872	1,859	1,853	1,874	**1,550**
Securities held to maturity	15,225	15,313	15,662	16,113	**16,325**
Total Financial Instruments	155,544	156,347	157,982	139,606	**143,587**

In the third quarter of 2013, investment in securities increased by MXN 3,981 million compared to the second quarter of 2013; mainly by increasing Government Securities MXN 6,191 Million.

Repos

Grupo Financiero HSBC, S.A. de C.V.

Figures in MXN millions

	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013	**30 Sep 2013**
Repo's Government securities (credit)	20,984	20,484	38,466	30,295	**28,398**
Repo's Bank securities (credit)	-	-	-	-	-
Repo's Others securities (credit)	-	-	-	-	-
Valuation increase (decrease)	-	-	-	-	-
Accrued interest payable	129	245	142	226	**115**
Credit balance in repo agreements	21,113	20,729	38,608	30,521	**28,513**
Repurchase agreements in government securities	37,800	43,000	10,500	13,000	**9,000**
Accrued interest receivable	43	12	14	16	**8**
Debit balance repo securities agreements	37,843	43,012	10,514	13,016	9,008
Government securities	31,994	35,293	7,281	3,182	**6,407**
Interest in collateral delivered as guarantee	13	13	4	1	**1**
Total in collateral delivered as guarantee	32,007	35,306	7,285	3,183	**6,408**

Derivative Financial Instruments

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at September 30, 2013

	Futures		Forwards Contracts		Options		Swaps		
	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Total (net)
For trading									
Pesos	-	-	4,511	3,089	84	40	29,213	30,671	8
Foreign currency	-	-	72	397	230	230	16,862	14,519	2,018
Interest Rate									
Total	**-**	**-**	**4,583**	**3,486**	**314**	**270**	**46,075**	**45,190**	**2,026**
For hedging									
Pesos	-	-	-	-	-	-	256	33	223
Foreign currency	-	-	-	-	-	-	-	772	(772)
Interest Rate									
Total							**256**	**805**	**(549)**

Collateral Sold or delivered as guarantee

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

Stock borrowing	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013	**30 Sep 2013**
Cetes	377	1,012	719	1,009	**1,212**
Valuation increase (decrease)	-	-	-	-	**-**
Bonds	1,139	2,884	3,425	6,085	**2,597**
Valuation increase (decrease)	41	(8)	(60)	(17)	**(13)**
Shares	-	-	-	-	**-**
Valuation increase (decrease)	-	-	-	-	**-**
Total	1,557	3,888	4,084	7,077	**3,796**

Loan Portfolio

Grupo Financiero HSBC, S.A. de C.V.

By type of currency

Figures in MXN millions at September 30, 2013

	Commercial or Business Activity	Financial Intermediaries	Government Entities	Consumer Loans	Mortgage Loans	Total
Performing Loan Portfolio						
Pesos	75,443	4,979	20,453	37,896	21,812	160,583
US Dollars	25,826	136	-	-	-	25,962
Udis Banxico	-	-	-	-	1,064	2,128
Total	**101,269**	**5,115**	**20,453**	**37,896**	**22,876**	**187,609**

Non Performing Loans Portfolio						
Pesos	7,507	2	38	1,539	629	9,715
US Dollars	703	-	-	-	-	703
Udis Banxico	-	-	-	-	65	65
Total	**8,210**	**2**	**38**	**1,539**	**694**	**10,483**

Loan Portfolio Grading

HSBC Mexico, S.A. (Bank)

Figures in constant MXN millions at September 30, 2013

		Allowance for Loan Losses by type of loan			
	Total loan portfolio	*Commercial loans*	*Consumer loans*	*Mortgages loans*	*Total reserves*
Excepted from rating	4,388				
Rated	218,619				
Risk A	**162,691**	**4,604**	**24**	**61**	**4,689**
Risk A-1	157,922	4,505	24	61	4,590
Risk A-2	4,769	99	0	0	99
Risk B	**44,590**	**299**	**2,376**	**151**	**2,826**
Risk B-1	27,293	92	1,545	151	1,788
Risk B-2	12,202	41	831	0	872
Risk B-3	5,095	166	0	0	166
Risk C	**7,540**	**399**	**952**	**184**	**1,535**
Risk C-1	5,373	161	952	184	1,297
Risk C-2	2,167	238	0	0	238
Risk D	**3,752**	**1,218**	**1,333**	**9**	**2,560**
Risk E	**46**	**5**	**48**	**1**	**54**
Total	**223,007**	**6,525**	**4,733**	**406**	**11,664**
Less:					
Constituted loan loss provisions					11,664
Surplus					**0**

The figures related to the rating and constitution of loan loss allowances correspond to those as at September 30, 2013. The loan portfolio is graded according to the rules for lending portfolios issued by the Secretaría de Hacienda y Crédito Público (SHCP – Mexican Government's Secretary of Public Lending) and to the methodology established by the CNBV (Mexican Banking and Securities National Commission). On June 24, 2013, some changes were issued which relates to the loan loss provisions methodology applicable to credit institutions in Mexico (the Dispositions) and which are applicable to the methodology for grading commercial loans granted to the following clients: financial institutions, individuals with business activities and others different than: projects with own source of payment, trustees acting under trusts not included in the projects with own source of payment and credit schemes commonly known as " structured ". Although mandatory as of December 31, 2013, in accordance with Article Second of the Transitional Dispositions, HSBC chose to early adopt the methodology on June 2013. The rest of the commercial portfolio, except for States and Municipalities and Investment Projects, is rated according to the methodology issued by the CNBV which distinguishes client grading and based on this grading determines the one applicable for the operation. For States and Municipalities and Investment Projects, HSBC apply the methodology in force issued on October 5, 2011. For the consumer and mortgage portfolio, grading is based on the "General Regulations Applicable to Credit Institutions" issued by the CNBV, specifically using the standard methodology.

As at September 2013, the increase in loan loss reserves charged to Income Statement was MXN 5,817 million. In the other hand, MXN 4,122 million was related to write offs and MXN 210 million was related to debt forgiveness.

Below is the weighted average of the probability of default and severity of loss and exposure to default for each of the loan portfolios.

Portfolio	Probability of default	Loss given default	MXN Million Exposure at default
Consumer	12.05%	71.00%	48,378
Mortgages	4.72%	27.29%	23,570
Commercial*	12%	44%	115,440

Figures expressed as at September 2013
*Commercial - Excludes Projects with own source of payment and Loans to financial institutions, since the methodology does not consider the probability of default and the loss given default.

Non – Performing Loans

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	At the quarter ending				
	30 Sep 2012	*31 Dec 2012*	*31 Mar 2013*	*30 Jun 2013*	***30 Sep 2013***
Initial Balance of Impaired Loans	4,211	3,769	4,013	4,327	**8,278**
Increases	3,365	3,360	3,465	7,876	**5,959**
Transfer of current loans to past due status	3,365	3,360	3,465	7,876	**5,959**
Decreases	3,807	3,116	3,151	3,925	**3,754**
Restructurings	133	182	82	94	**101**
Liquidated credits	2,451	1,920	1,819	2,088	**2,611**
Charged in cash	1,100	741	608	868	**1,232**
Foreclosed assets	61	9	0	1	**3**
Write-offs	-	-	0	-	**-**
Sale of portfolio	1,290	1,170	1,211	1,219	**1,376**
Transfer to performing loan status	1,185	1,019	1,216	1,788	**1,050**
FX revaluations	(38)	5	-34	45	**8**
Final Balance of Impaired Loan	3,769	4,013	4,327	8,278	**10,483**

Federal Government support programs

Grupo Financiero HSBC, S.A. de C.V.

As a result of the economic crisis in 1995, the Federal Government and the Mexican Bankers' Association established loan support programs and agreements with debtors of credit institutions:

- Financial Support to the Agricultural, Cattle-raising and Fishery Sector (FINAPE).
- Additional Benefits to Housing Loan Debtors (BADCV).

The financial support programs and agreements consist of discounts granted to debtors, which are generally absorbed proportionately by the Federal Government and the Bank, in accordance with the terms of each program. Certain discounts are conditional subject to the net cash flows contributed by the Bank to the specific economic sector. As of 30 September 2013 and 31 December 2012, receivables from the Federal Government in connection with discounts granted and the costs in charge of the Bank and the early termination scheme (ETA for its acronym in Spanish) (see chart in note 11a), are analyzed as follows:

		September 2013		December 2012	
		Portfolio	Cost	Portfolio	Cost
ETA/BADCV	$	382	2	582	10

The discounts related to the early termination agreement are shown as follows:

		In chargeto	
		Bank	Federal Government
Discountsgranted	$	457	973
Additional discount granted by the Bank		93	-
Discountgranted at December 31, 2010		550	973
Discounts to unallowed credits(a)		(2)	(3)
Discounts of credits that did not demonstrated compliance with payment (b)		(12)	(26)
Restructured loans under the agreement formalized up to the cut-off date		(1)	-
Total discounts granted at December 31, 2011		535	944
Total additional discounts granted by the Bank that did not belong to ETS		(93)	-
Total additional discounts granted by the Bank that belong to ETS	$	442	944

(a) Through communications issued in April 2011, the Banking Commission requested the replacement of the exhibits for the year ended on December 31, 2010, and later, during the issuance of the report on the correct application (ETS report) on September 29, 2011, the portfolio balances and the related discounts decreased, with 28 credits defined as not subject to the ETS, 24 of which were benefited from the Discount Program.
(b) This corresponds to the credit discounts that as of March 31, 2011 did not demonstrate a compliance with the payment and that would had been chargeable to of the Federal Government, in the event of complying with such condition.

As of December 31, 2010, the discount related to the Federal Government was reclassified to form part of the accounts receivable from the Federal Government which forms part of the current loans portfolio with government entities; the corresponding amount of discount related to the Bank was cancelled against the allowance for loan losses, in accordance with the special accounting criteria issued by the Banking Commission.
A reconciliation of movements in the allowance for loan losses related to the conditioned discount covered by the Bank is shown below:

Opening balance as of 2010	$	70
Debt forgiveness, discounts and/or rebates		(2)
Conditioned discount assigned to the Bank		(550)
Allowance charged to the statement of operations		496
Final Balance at December 31, 2010		14
Adjustments to additional discounts granted by the Bank (loans not subject to or that did not demonstrate payment compliance)		-
	$	14

Determination of obligations of the Federal Government:

The final base amount determined through the ETS Report is $944 divided in five installments of $189 each. As of 31 December 2012 two installments were received and the remaining installments will be payable on the first banking day of June, from 2013 to 2015.
Accordingly, the balance receivable as of 30 September 2013 and 31 December 2012 by ETS amounted to $377 and $566 respectively, of principal plus $4.92 and $15 corresponding to the accrued not collected financial cost.
The Government discount in Mexican pesos or UDIS related to those credits that should have shown sustained payment by March 31, 2011, according to the agreement, amounts to $167 at December 31, 2010.
There were no discount in charge to the Government related to credits in UDIS for which they received prior discounts over the outstanding balance before they were incorporated in to the “Discount program”, as referred at the numeral 3.1.2 of the Circular 1430 issued by the Banking Commission.

At December 31, 2010 there were some clients that did not meet the requirements to be incorporated into to ETS. However, in accordance to the actual rules it is still possible that they will subsequently be incorporated in to the program; in such case the Bank must have to absorb 100% of the discount granted. The maximum amount of discount that the Bank would absorb for these credits at 30 September 2013 and 31 December 2012, amount to $20 and $23, respectively.

Concerning the NPL ratio, the following table shows detailed information from January 2013 up to September 2013.

	NON PERFORMING PORTFOLIO BALANCE	TOTAL PORTFOLIO BALANCE	NPL Ratio
Jan-13	56953259.6	1134862461	5.02%
Feb-13	55258231.2	1126913537	4.90%
Mar-13	55673831.4	1121316477	4.97%
Apr-13	46006542.5	1102360267	4.17%
May-13	59176359.2	1081382119	5.47%
Jun-13	58370766.7	1066749776	5.47%
Jul-13	62489335.3	1040515897	6.01%
Aug-13	57832983.8	1030808640	5.61%
Sep-13	54515604.1	1010509789	5.39%
		AVERAGE	4.91%

The number of securities related to BADCV that are held by the Bank at 30 September 2013 are shown as follows:

Program	Trust number	Term	Due date	Number of securities	
				Special CETES	Special "C" CETES
Programs to support debtors of mortgage credits	421-5	20 years	13/07/2017	12,549,378	766,145
	422-9	25 years	07/07/2022	5,772,652	184,517
	423-2	30 years	01/07/2027	30,074,223	-
Programs to support the construction of houses in the stage of individualize credits	432-6	25 years - from 230 to 330 thousand Udis	11/08/2022	74,389	50,693

Deferred Taxes

Grupo Financiero HSBC, S.A. de C.V.

Figures in MXN millions

	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013	**30 Sep 2013**
Loan loss reserves	5,517	5,342	5,485	5,783	**5,957**
Valuation of securities	(426)	(333)	(515)	103	**(41)**
Fiscal loss	6	9	11	6	**5**
Other reserves	951	1,221	667	678	**670**
PTU Payable	73	103	128	69	**95**
Foreclosed assets	238	237	249	258	**265**
Other	176	188	166	196	**214**
Differences in rates of fixed assets	276	331	351	293	**337**
Fiscal result UDIS-Banxico	(887)	(872)	(887)	(901)	**(912)**
Total Deferred Taxes	5,924	6,226	5,655	6,485	**6,590**

Funding, Loans and Investments in Securities

HSBC Mexico, S.A. (Bank)

Funding and bank loans – Average Interest rates

	At the quarter ending				
	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013	**30 Sep 2013**
MXN pesos					
Funding	2.33%	2.35%	2.21%	1.88%	**1.89%**
Bank and other loans	4.90%	4.89%	4.80%	4.21%	**4.24%**
Foreign currency					
Funding	0.05%	0.05%	0.06%	0.05%	**0.06%**
Bank and other loans	1.00%	0.95%	0.91%	0.97%	**0.84%**
UDIS					
Funding	0.21%	0.18%	0.17%	0.16%	**0.15%**

Long Term Debt

HSBC Mexico, S.A. (Bank)

HSBC Mexico, S.A. has long term non-convertible subordinated debentures. These instruments pay monthly interest at a rate equivalent to the average 28-day TIIE (interbank rate) of the previous month.

Figures in MXN millions

Instrument	*Issue Date*	*Amount*	*Currency*	*Interest payable*	*Amount in circulation*	*Rate*
		MXN millions			*MXN millions*	
INTENAL 03	24-NOV-2003	2,200	MXN	4	2,204	25-NOV-2013
HSBC 08	30-SEP-2008	1,818	MXN	1	1,819	20-SEP-2018
HSBC 08-2	18-DEC-2008	2,273	MXN	3	2,276	10-DEC-2018
HSBC 09D(US$300)[1]	26-JUN-2009	3,949	US$	1	3,950	28-JUN-2019
HSBC 13-1D(US$)	31-JAN-2013	1,449	US$	1	1,450	10-DEC-2022
		11,689		**10**	**11,699**	

[1] Expressed in local currency at issuance date FX rate.

HSBC México, S.A., has also issued long term certified marketable securities listed in the Mexican Stock Exchange.

Figures in MXN millions

Instrument	*Issue Date*	*Amount*	*Currency*	*Interest payable*	*Amount in circulation*	*Maturity Date*
		MXN millions			*MXN millions*	
Bank bonds out-siding	10-MAY-2006	1,000	MXN	39	1,039	27-APR-2016
		1,000		**39**	**1,039**	

Capital

Grupo Financiero HSBC, S.A. de C.V.

Grupo Financiero HSBC

Grupo Financiero HSBC S.A. de C.V., net income in 2012, figure that was audited by Despacho KPMG Cárdenas Dosal, S.C., was MXN6,016 million.

At the ordinary meeting of shareholders held on April 26, 2013, the use of profits for the year 2012 was authorized. These amounted MXN6, 016 million as follows:

Five per cent, MXN301 million, to increase legal reserves, and the remaining MXN5,715 million, at the Board's determination to be applied under the concept of other reserves.

The general extraordinary shareholders meeting, held on January 24, 2013 agreed to increase the capital stock amounting to MXN5,150 million of which are MXN526 million to capital stock and MXN4,624 million in shares premiums, by issuing 263'032,564 shares, which were subscribed and paid at a price of MXN19.57932476998380.

On March 21, 2013 one notice was published in accordance to the agreement of the shareholders meeting, a dividend of $0.88703326324 shall be paid per share for each one of the 2'818,383,598 shares. Such dividend was paid on one disbursement on March 26, 2013.

The capital stock is included in the amount of MXN5,637 million, represented by 2'818,383,598 shares.

HSBC Mexico, S.A.

HSBC Mexico, S.A., net income in 2012, figure that was audited by Despacho KPMG Cárdenas Dosal, S.C., was MXN3,997 million.

At the ordinary meeting of shareholders held on April 26, 2013, the use of profits for the year 2012 was authorized. These amounted MXN3,997 million as follows:

Ten per cent, MXN400 million, to increase legal reserves, and the remaining MXN3,597 million, at the Board's determination to be applied under the concept of other reserves.

The general extraordinary shareholders meeting, held on January 24, 2013 agreed to increase the capital stock amounting to MXN5,150 million of which are MXN419 million to capital stock and MXN4,731 million in shares premiums, by issuing 209'689,909 shares, which were subscribed and paid at a price of MXN24.5600754890763.

On March, 2013 one notice was published in accordance to the agreement of the shareholders meeting, a dividend of $0.721645889326020 shall be paid per share for each one of the 1,940,009,665 shares. Such dividend was paid on one disbursement on March 26 of 2013.

On December 17, 2012, the Extraordinary Shareholders agreed to issue and place subordinated preferred, convertible necessarily ordinary shares representing the share capital of the Company up to an amount of US$500 million, same as at March 31, 2013 were issued only US$110 million.

The capital stock increased to MXN3,880 million representing 1,940'009,665 shares.

Capital Ratio

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	30 Sep 2012	*31 Dec 2012*	*31 Mar 2013*	*30 Jun 2013*	***30 Sep 2013***
% of assets subject to credit risk					
Tier 1	18.0%	17.9%	20.6%	20.1%	**19.56%**
Tier 2	4.1%	4.5%	4.7%	4.1%	**4.46%**
Total regulatory capital	23.1%	22.4%	25.3%	24.2%	**24.02%**
% of assets subject to credit, market risk and operational risk					
Tier 1	11.2%	11.6%	13.7%	13.4%	**12.73%**
Tier 2	3.2%	2.9%	3.1%	2.7%	**2.90%**
Total regulatory capital	14.4%	14.5%	16.8%	16.1%	**15.63%**
Tier 1	36,946	38,373	44,749	42,561	**43,134**
Tier 2	10,348	9,655	10,343	8,615	**9,840**
Total regulatory capital	47,294	48,028	55,092	51,176	**52,974**
RWA credit risk	204,931	214,756	217,415	211,851	**220,560**
RWA market risk	84,688	76,868	69,952	64,597	**77,472**
RWA operational risk	39,004	39,478	40,073	40,500	**40,830**
RWA credit and market risk	328,623	331,102	327,440	316,948	**338,863**

With a capital ratio above 10%, HSBC Mexico, S.A. is classified in category I, according to the General Standards referred in article 134 Bis from the Financial Institutions Law and according to the General Standards principles for financial institutions issued by the Mexican Banking and Securities Commission referred in article 220.

Annex "A" of this document presents the disclosure required by Annex 1-O "Disclosure of information relating to the capitalization" of the Local regulation applicable to Credit Institutions (Circular unica de Bancos), in accordance with Article 2 bis 119 of that regulation.

Trading income

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	For the quarter ending					*Year to date*	
	30 Sep 2012	*31 Dec 2012*	*31 Mar 2013*	*30 Jun 2013*	***30 Sep 2013***	*30 Sep 2012*	***30 Sep 2013***
Valuation	302	565	704	(738)	**133**	1,338	**99**
Derivatives	263	542	532	(121)	**(134)**	870	**277**
Repos	-	-	-	-	**-**	-	**-**
Debt Securities	(40)	(4)	194	(713)	**183**	262	**(336)**
Foreign Exchange	79	27	(22)	96	**84**	206	**158**
Impairment loss on securities	-	(14)	-	-	**-**	-	**-**
Buying and Selling Instruments	579	(93)	(120)	1,368	**536**	890	**1,784**
Foreign Currency	46	(137)	(212)	338	**168**	270	**294**
Derivatives	47	(70)	(475)	576	**329**	(372)	**430**
Repos	1	-	-	-	**-**	-	**-**
Shares	1	1	35	(180)	**(163)**	-	**(308)**
Debt Securities	484	113	532	634	**202**	992	**1,368**
Total	881	458	584	630	**669**	2,228	**1,883**

Other Operating Income (Expenses)

Grupo Financiero HSBC, S.A. de C.V.

Figures in MXN millions

	Por el trimestre terminado el					*Acumulado al*	
	30 Sep 2012	*31 Dec 2012*	*31 Mar 2013*	*30 Jun 2013*	***30 Sep 2013***	*30 Sep 2012*	***30 Sep 2013***
Loans to employees	34	34	34	34	**34**	102	**102**
Recoveries	10	11	5	4	**1**	608	**10**
Credit portfolio recoveries	183	195	187	174	**166**	535	**527**
Result of Foreclosed assets	(6)	30	18	27	**33**	12	**78**
Property sales	-	-	-	-	**-**	-	**-**
Estimate for doubtful	-		-	(487)	**(23)**		**(510)**
Other items of income (expenses)	376	408	329	1,023	**268**	1,374	**1,620**
Other income (expenses) arising from op. Insurance and Bonding	87	89	86	81	**82**	265	**249**
Monetary position result	10	14	6	(6)	**-**	15	**-**
Other losses	(49)	(458)	(73)	(70)	**(64)**	(276)	**(207)**
Total Other Operating Income (expenses)	645	323	592	780	**497**	2,635	**1,869**

Information on Customer Segment and Results

Grupo Financiero HSBC, S.A. de C.V.

Consolidated Income Statement by Customer Segment

The consolidated income statement by customer segment includes Retail Banking and Wealth Management (RBWM), Commercial Banking (CMB) and Global Banking and Markets (GBM). The following is a brief description of the customer segments:

Retail Banking and Wealth Management (RBWM) – retail banking operations focusing on the individual by offering a the complete spectrum of financial needs from checking/deposits accounts to credit cards, personal and auto loans, and mortgages, among others.

Commercial Banking (CMB) – CMB covers all small and medium sized companies by offering lending in Mexican Pesos and other currencies, lines of credit for working capital, export financing, in addition to trade services, fiduciary and other financial services, among others.

Global Banking and Markets (GBM) – This segment includes product lines directed towards large, multinational corporations and consists of treasury and custody services, corporate finance advising, risk administration, trade services, and money market and capital investments.

The consolidated incomes statement information condensed by segments as of 30 September 2013 is shown below:

Figures in MXN millions	**Year to date at 30 September 2013**			
	RBWM	**CMB**	**GBM**	**Total**
Net Interest Income	11,599	4,625	797	17,021
Provision for Loan Loss	4,332	971	514	5,817
Net Interest Income adjusted	**7,267**	**3,654**	**283**	**11,204**
Fees and Commissions, net	3,567	1,143	474	5,184
Trading Income	122	134	1,673	1,929
Other operation income	1,878	344	-353	1,869
Total Revenue	**12,834**	**5,275**	**2,077**	**20,186**
Administrative Expenses	10,295	4,026	1,775	16,096
Operating Income	**2,539**	**1,249**	**302**	**4,090**
Undistributed income from subsidiaries	18	10	3	31
Profit Before Taxes	**2,557**	**1,259**	**305**	**4,121**
Taxes	895	441	107	1,443
Net Income before discontinued operations	**1,662**	**818**	**198**	**2,678**
Discontinued operations	358	-2	-28	328
Minority shareholders	-1	-	-	-1
Participated Net Income	**2,019**	**816**	**170**	**3,005**

Related Party Transactions

Grupo Financiero HSBC, S.A. de C.V.

In the normal course of its operations, the HSBC Group carries out transactions with related parties and members of the Group. According to the policies of the Group, all loan operations with related parties are authorized by the Board and they are negotiated with market rates, guarantees and overall standard banking practices.

The balance of the transactions carried out as of September 30, 2013 is shown below:
Figures in MXN millions

	Bank	Brokerage house	Mutual funds management	Services	Group	Insurance	Bonding	Total
Balance Sheet								
Cash and deposits in banks	-	465	2	-	15	18	-	**500**
Demand deposits	(530)	-	-	-	-	-	-	**(530)**
Premium receivables	-	-	-	-	-	41	-	**41**
Sundry debtors (assets)	441	141	8	17	-	-	-	**607**
Sundry creditors (liabilities)	(200)	(218)	(59)	(9)	-	(164)	-	**(650)**
Long-term assets available for sale	-	-	-	-	-	2	30	**32**
Total	**(289)**	**388**	**(49)**	**8**	**15**	**(103)**	**30**	**-**
P&L								
Payable commissions	(23)	-	(384)	-	-	(145)	-	**(552)**
Receivable commissions	395	24	13	-	-	-	-	**432**
Discontinued operations	-	-	-	-	-	(42)	(4)	**(46)**
Interest income	-	11	-	-	-	-	-	**11**
Interest expense	(11)	-	-	-	-	-	-	**(11)**
Earned premiums	-	-	-	-	-	156	-	**156**
Administrative and personnel expenses	(158)	(2)	-	-	-	(14)	-	**(174)**
Administrative services	(183)	(23)	(68)	(15)	(1)	(172)	-	**(462)**
Other income	460	-	-	186	-	-	-	**646**
Total	**480**	**10**	**(439)**	**171**	**(1)**	**(217)**	**(4)**	**-**

Differences between Mexican GAAP and International Financial Reporting Standards (IFRS)

Grupo Financiero HSBC

HSBC Holdings plc, the ultimate parent of Grupo Financiero HSBC, reports its results under International Financial Reporting Standards (IFRS). Set out below is a reconciliation of the results of Grupo Financiero HSBC from Mexican GAAP to IFRS for the first nine months of 2013 and an explanation of the key reconciling items.

Figures in MXN millions	**30 Sep 2013**
Grupo Financiero HSBC – Net Income Under Mexican GAAP	**3,005**
Differences arising from:	
Valuation of defined benefit pensions and post-retirement healthcare benefits*	70
Deferral of fees received and paid on the origination of loans and other effective interest rate adjustments*	(44)
Loan impairment charges and other differences in presentation under IFRS*	(1,728)
Recognition of the present value in-force of long-term insurance contracts *	(223)
Differences in tax criteria	(3,204)
Other differences in accounting principles*	177
Net income under IFRS	(1,947)
US dollar equivalent (millions)	**(154)**
Add back tax expense	**3,846**
Profit before tax under IFRS	**1,899**
US dollar equivalent (millions)	**150**
Exchange rate used for conversion	*12.68*

* Net of tax at 30%.

Summary of key differences between Grupo Financiero HSBC's results as reported under Mexican GAAP and IFRS

Valuation of defined benefit pensions and post-retirement healthcare benefits

Mexican GAAP

Defined benefit pension costs and the present value of defined benefit obligations are calculated at the reporting date by the schemes' actuaries using the Projected Unit Credit Method and real interest rates.

IFRS

Defined benefit pension costs and the present value of defined benefit obligations are calculated at the reporting date by the schemes' actuaries using the Projected Unit Credit Method. The net charge to the income statement mainly comprises the current service cost, plus the unwinding of the discount rate on plan liabilities, less the expected return on plan assets, and is presented in operating expenses. Past service costs are charged immediately to the income statement to the extent that the benefits have vested, and are otherwise recognised on a straight-line basis over the average period until the benefits vest. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Actuarial gains and losses are recognised in other comprehensive income in the period in which they arise.

Deferral of fees paid and received on the origination of loans and other effective interest rate adjustments

Mexican GAAP

From 1 January 2007, loan origination fees are required to be deferred and amortised over the life of the loan on a straight line basis. Prior to 2007, loan origination fees were recognised up-front.

IFRS
Effective interest rate method is used for the recognition of fees and expenses received or paid that are directly attributable to the origination of a loan and for other transaction costs, premiums or discounts.

Loan impairment charges and other differences in presentation under IFRS
Mexican GAAP
Loan impairment charges are calculated following the rules issued by the Mexican Ministry of Finance and the National Banking and Securities Commission. Such rules establish methodologies for determining the amount of provision for each type of loan.

IFRS
Impairment losses on collectively assessed loans are calculated as follows:

- When appropriate empirical information is available, the Bank utilises roll rate methodology. This methodology employs statistical analysis of historical data and experience of delinquency and default to estimate the amount of loans that will eventually be written off as a result of events occurring before the balance sheet date which the Bank is not able to identify on an individual loan basis, and that can be reliably estimated.
- In other cases, loans are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss.

Impairment losses on individually assessed loans are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loans current carrying value.

Present value of in-force long-term life insurance contracts
Mexican GAAP
The present value of future earnings is not recognised. Premiums are accounted for on a received basis and reserves are calculated in accordance with guidance as set out by the Insurance Regulator (Comisión Nacional de Seguros y Fianzas).

IFRS
The value placed on insurance contracts that are classified as long-term insurance business or long-term investment contracts with discretionary participating features ('DPF') and are in force at the balance sheet date is recognised as an asset. The asset represents the present value of the equity holders' interest in the issuing insurance companies' profits expected to emerge from these contracts written at the balance sheet date.

The present value of in-force long-term insurance business and long-term investment contracts with DPF, referred to as 'PVIF', is determined by discounting the equity holders' interest in future profits expected to emerge from business currently in force using appropriate assumptions in assessing factors such as future mortality, lapse rates and levels of expenses, and a risk discount rate that reflects the risk premium attributable to the respective contracts. The PVIF incorporates allowances for both non-market risk and the value of financial options and guarantees. The PVIF asset is presented gross of attributable tax in the balance sheet and movements in the PVIF asset are included in 'Other operating income' on a gross of tax basis.

Differences in tax criteria
IFRS
On 31 May 2013 the Mexican Tax Authorities issued a criterion related to deductions on loan portfolio sales. The impact was to reduce the amount of deferred tax assets recognised under IFRS. There is no impact under Mexican GAAP as the related deferred tax assets were not previously recognised.

Participation by Subsidiary

Grupo Financiero HSBC, S.A. de C.V.

Group Subsidiaries at September 30, 2013

	Shares owned by subsidiaries	Participation Percentage	Number of Shares owned by HSBC Group
HSBC México, S.A.	1,940,009,665	99.99%	1,939,933,439
HSBC Seguros, S.A. de C.V.	392,200	99.99%	392,199
HSBC Fianzas, S.A.	759,985,454	97.22%	738,877,715
HSBC Casa de Bolsa, S.A. de C.V.	482,620,848	99.99%	482,620,841
HSBC Global Asset Management (México), S.A. de C.V.	1,000	99.90%	999
HSBC Servicios, S.A. de C.V.	480,089	99.99%	480,088
Total	**3,183,489,256**		**3,162,305,281**

Ratings HSBC México, S.A.

HSBC Mexico, S.A. (Bank)

	Moody's	Standard & Poor's	Fitch
Global scale ratings			
Foreign currency			
Long term	-	BBB	A
Long term deposits	Baa1	-	-
Short term	P-2	A-2	F1
Local Currency			
Long term obligations	A2	BBB	A+
Long term deposits	A2	BBB	-
Short term	P-1	A-2	F1
BFSR (Moody's)	C-	-	-
Individual / Support rating (Fitch)	-	-	bbb / 1
National scale / Local currency			
Long term	Aaa.mx	mxAAA	AAA (mex)
Short term	MX-1	mxA -1+	F1+ (mex)
Outlook	Stable	Positive	Stable
Last update	26-Jun-13	12-Mar-13	14-Aug-13

Accounting Policies

These financial statements are prepared under the banking law, in accordance with the accounting criteria for financial group holding companies in Mexico, at the balance sheet date, established by the Banking Committee (CNBV for its acronym in Spanish), who is responsible for the inspection and supervision of the financial group holding companies and for reviewing their financial information. The financial statements of subsidiaries have been prepared under the accounting criteria established by the CNBV, except for the financial statements of HSBC Seguros and HSBC Fianzas, which are prepared under the criteria for insurance and bonding institutions in Mexico, issued by the National Commission of Insurance and Bonds (CNSF for its acronym in Spanish)

The accounting criteria established by the CNBV and the CNSF, follow the Financial Reporting Standards (NIF for its acronym in Spanish) issued by the Mexican Financial Reporting Standards (CINIF for its acronym in Spanish).

The accounting criteria include specific rules for accounting, valuation, presentation and disclosure, which in some cases are different from the NIF.

The accounting criteria indicate that the commission diffuses specific rules for specialized operations, and when the CNBV or the NIF (as applicable) do not indicate a specific accounting criterion for financial group holding companies, it must be analyzed a supplementary process established in the NIF A-8, and just in case that the International Financial Reporting Standards (IFRS) referred in the NIF A-8 do not provide solution to the accounting recognition, can opt to apply another supplementary rule that belongs to any other regulatory scheme (it has to comply with all the requirements mentioned in the NIF). For apply the mentioned supplementary rules, it must be in the following order: Generally Accepted Accounting Principles of the United States (USGAAP) and any accounting standard that is part of a set of formal and recognized standards.

Modifications in to the policies, standards and accounting practices

I. Modifications to the NIF B-8 “Consolidated or combined financial statements”

a) Modification the definition of control;
b) Includes the terms of “protective rights” and “structured entity” and incorporates the concepts of principal and agent.
c) The term “Special Purpose Entity” or SPE is eliminated.

II. Modifications to the NIF C-7 “Associates, joint ventures and other permanent investments”

a) It is provided that investments in joint ventures should be accounted for by the equity method.
b) The term “Special Purpose Entity” or SPE is eliminated.
c) It is stipulated that all the effects that have an impact on the net profit or loss of a holding company, arising from its permanent investments in associates, joint ventures and others, should be recognized under the heading of “equity in the results of other entities”.
d) Additional disclosures are required.

III. Modifications to the NIF C-21 “Joint arrangements”

a) Defines the term of “joint arrangement”, and classifies into two types: “joint operations” and “joint ventures”.
b) A joint venture accounts for its interest in the joint venture as a permanent investment using the equity method.

In December 2012 the CINIF published a document called “Improvements to 2013 NIF, which contains specific amendments to certain existing NIF:

IV. Improvements to NIF C-5 “Prepayments”, Bulletins C-9 “Liabilities, provisions, contingent assets and liabilities and commitments” and C-12 “Financial instruments with characteristics of liabilities, equity or both”

Changes provide that expenses on the issue of debentures should be presented as a reduction of the corresponding liability and charged to income based on the effective interest method.

V. Improvements to NIF D-4 “Income taxes”

Establishes that current and deferred income tax shall be recognized and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event that is recognized in a different period, outside profit or loss, either in other comprehensive income or directly in equity.

VI. Improvements to Bulletin D-5 “Leases”

Define that costs incurred and directly attributable to negotiating and arranging a lease, both for the lessor and lessee shall be deferred in the lease.

VII. Changes in the loan loss provisions methodology for the commercial loan portfolio

On June 24, 2013, the CNBV issued changes to the loan loss provisions methodology applicable to credit institutions in Mexico (the Dispositions) which are applicable to the methodology for grading commercial loans granted to the following clients: financial institutions, individuals with business activities and others different than: projects with own source of payment, trustees acting under trusts not included in the projects with own source of payment and credit schemes commonly known as " structured ". In accordance with Article Second of the Transitional Dispositions, HSBC chose to early adopt on June 2013 the methodology for commercial portfolio included on section V of Article 110 of Dispositions. As result of the early adoption HSBC recognised in retained earnings on June 2013 MXN 799 million (MXN 575 million net of deferred tax).

The Bank has not determined the retrospective financial effect from the application of this new methodology related to the year 2012. Although management has made all reasonable efforts, it has not been possible to obtain the historical information required by the new methodologies, as well as the development of specific systems. Therefore, these consolidated financial statements do not include the information required by paragraph 11 of the Financial Reporting Standars B-1 "Accounting changes and correction of errors" required in this ruling by the Banking Commission.

Below is a comparison between the amounts of loan loss provisions, calculated with the methodology published on June 24, 2013 compared with the amounts of loan loss provisions calculated according to the methodology in force prior to that date, both as at June 2013:

MXN millions Prior methodology	Actual methodology
3,944	4,547

Treasury Policies

HSBC Mexico, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC (HSBC Mexico) has three specific objectives in Treasury activities:

1. To fulfil the needs of our client base, mainly being Corporate, Institutional and Commercial clients.

2. Provide hedges for HSBC Mexico from interest rate, foreign exchange and liquidity risks. The latter as a part of its normal commercial activity.

3. Positioning and Market Maker activities.

All of the aforementioned is implemented in compliance with limits established by local regulating entities and with the high control standards from HSBC Group.

Dividends Policy

Grupo HSBC (including HSBC Mexico) does not have a fixed dividend policy. The decision to decreet or no to make payment of dividends is determined by the shareholder assembly and the Board of Directors, such decision is based on the reinvestment and capitalization needs.

Paid Dividends

The frequency of the dividends paid by the Bank in the last four periods and the dividend decreted per share has been the following:

- Based on the authorization granted by the Board of Directors on 30 March 2009, on 31 March 2009 a dividend payment was made for MXN0.81133657 per share for the 1,235,526,706 outstanding.

- Based on the authorization granted by the Board of Directors on 29 October 2010 a dividend payment was made for MXN1.22497679421977 per share for the 1,643,363,189 outstanding shares.

- Based on the authorization granted by the Board of Directors, on 18 March 2011 a dividend payment was made for MXN1.09531478619484 per share for the 1,643,363,189 outstanding shares.

- Based on the authorization granted by the Board of Directors, on 29 March 2012 a dividend payment was made for MXN0.809099009096675 per share for the 1,730,319,756 outstanding shares.

- Based on the authorization granted by the shareholder assembly, on 26 March 2013 a dividend payment was made for MXN 0.721645889326 per share for the 1,940,009,665 outstanding shares.

Internal Control

The Management is responsible of the internal control in HSBC and for reviewing its effectiveness. Procedures have been developed to prevent the disposal or non-authorized use of assets in order to maintain adequate accounting registers and to generate trustful financial information for internal use or for its publication. Such processes have been designed to manage risk and not to eliminate it; therefore they can only provide a reasonable safeguard against material deviations, errors, losses or frauds.

The key procedures that the Management has established have been designed to facilitate the effectivity of HSBC's internal controls and include the following:

- A clear due diligence has been established, supported by a detailed definition of authority limits enhancing effective operational controls. Responsibility is delegated through writings with instructions clearly defined, including transactional ranges. Appropriate information is considered to determine the level of authority as well as the approach of such responsibility granted in individual basis; this is accomplished through the implementation of monitoring and reporting procedures, adequate segregation of functions and a management structure designed to control responsibility limits. In summary, the administrative board authorises the CEO (Chief Executive Officer) to delegate faculties to the rest of the Managers who receive the appropriate authority to develop their activities.

- The administrative board in each of its meetings receives briefs about financial information, the development of business, management of key personnel and drafts copies of each committee reunion held. The administrative board also receives presentations of key business areas and of any other relevant affairs that have been requested.

- The systems and procedures that exist in HSBC to identify, manage and inform about relevant risks include: credit, changes in market prices of financial instruments, liquidity, operation errors, law or normativity infringements, non-authorized activities and fraud. The exposure to such risks is supervised by the Assets and Liabilities Committee (ALCO) and by the Executive Committee. The Risk Management Committee (RMC), chaired by an external member of the Administrative Board, is celebrated in a monthly basis. In the RMC, assets and liabilities affairs are discussed. Each subsidiary holds individual RMCs that are discussed in HSBC's RMC.

- New procedures have been established in order to identify new risks arising from changes in market place practices as well as from client behaviour, which can increase risk exposure to losses or to reputation damage in HSBC's.

- Strategic plans are prepared for each client segment, product group and main support areas. In such manner, operational plans are prepared. These plans are approved annually and revised periodically, establishing key initiatives for our businesses and their possible financial effects.

- Responsibility on the financial performance, capital expenditure, budget exercise, credit risk and market risk are delegated with certain limits to the Management. Additionally, risk management policies are established by the Administrative Board for the following risk areas: credit risk, market risk, liquidity risk, operation risk, information technology risk, insurance risk, accounting risk, fiscal risk, legal risk, human resources risk, reputational risk, acquisition risk, and business risk.

- Internal audit supervises the effectivity of the internal control structure. Internal audit tasks are focused in supervising the areas that represent the higher risks for HSBC, to determine such areas, risk assessments take place. The head of this functions reports to the Audit Committee.

- The Management is responsible to assure that recommendations given by the internal audit area are implemented in the stipulated time; confirmation of implementations is handed to internal audit. The Management must also confirm in annual basis to internal audit that measures have been taken to implement recommendations given by an external author or the regulator.

- The Audit Committee revises periodically the effectiveness of Internal Control and also informs the Administrative Board about the latter. Among the main processes used by the committee in its revisions are: periodical reports of the heads of key risks, annual revision of the performance of internal control against key HSBC indicators, quarterly confirmations that no significant losses have taken place, contingency or uncertainty caused by deficiencies of the internal controls, internal audit reports, external audit reports and regulatory reports.

- The Management, through the Audit Committee, realizes an annual review of the effectivity of the internal control, which covers key financial, operational and compliance indicators as well as the affectivity of the risk management system. The Audit Committee receives periodically information about measures taken by the Administrative Board to correct or resolve any weakness or error detected through the operation of HSBC's internal control.

Risk Management

Risk management in Financial Group HSBC involves compliance with the norms and regulations on risk management included within the CNBV requirements, as well as with norms established by the Group on a worldwide level whose ultimate objective is to generate value for its shareholders while maintaining a conservative risk profile.

Fundamental to carry out this work is the recognition of the essential precepts for an efficient and integral risks management, including quantifiable risks (credit, market and liquidity), as well as non-quantifiable, operational risk (technological and legal), under the sights that the basic processes of identifying, measuring, monitoring, limiting, controlling and disclosure will be satisfied.

Bank's Risk management framework in their main subsidiaries, begins with the Council Administration, whose main responsibility is the approval of objectives, alignment and policies relative to the topic, such as the determination of risk exposure limits which are supported by the ALCO and RMC committees.

Assets and Liabilities Committee (ALCO)

This committee meets monthly, chaired by Bank General Manager and having the Group Executive Directors as members. These Directors are the heads of the bank's main business lines (RBWM, CMB, and GBM), and support areas like Treasury, Finance, Balance Management, Planning and Economic Capital.

ALCO is the main vehicle to achieve the objectives of an adequate assets and liabilities management. It has the following objectives:

- To provide strategic direction and assure the tactical monitoring of a structure balance that fulfils the objectives within the pre-established risk parameters.
- To identify, monitor, and control all relevant risks, including information generated by RMC.
- To disseminate the information that required to make decisions.
- General review of funds sources and destinations.
- To determine the most likely environment for the bank's assets and liabilities along with contingency scenarios to be used in planning activities.
- To evaluate rates, price alternatives and portfolio mixes.

- To review and take on the responsibility for: assets and liabilities distribution and maturity dates; interest margin size and position; liquidity levels and economic profit.

Local Assets and Liabilities Committees, as Mexico, report directly to the Group Finance Department in London as a way to strengthen the decision making process.

Risk Management Committee (RMC)

The HBMX Board established the Risk Management Committee with the objective of controlling and managing the different types of risk. According to the guidelines for Risk Administration established by the Comisión Nacional Bancaria y de Valores ("CNBV"), the RMC carries out the following functions.

The Committee comprises diverse external advisors and high-level HBMX officials, including the HBMX CEO, LAM CRO, HBMX CRO, Head Audit HBMX, Head RBWM HBMX, Head CMB HBMX, Head GBM HBMX, Head CTSO HBMX, CFO HBMX, Head Legal HBMX, Head GM HBMX, Head PB HBMX, Risk Manager (secretary). The committee is chaired by and external advisor on a monthly basis

Objectives and responsibilities:

- Monitor current risks with the potential to have an impact on the Company's operation, evaluate its likelihood and effect on our financial results or reputation. Also, develop a focused and integrated methodology for the identification of such risks within HBMX.
- Propose solutions for improving risk profile and review risk strategies for mitigating specific or material risks.
- Develop a clear view of the overall risk profile and trends in credit, market, liquidity, insurance, operational and reputational risks and internal controls within HBMX which might have an impact on our long term business strategy.
- A Risk-focused process to manage material risks, contingencies and mitigating actions, and consolidate risk reporting as an input to the ALCO process.
- Approve/ratify (as appropriate) proposed changes in policies and guidelines for integral risk administration, in accordance with CNBV rules and regulations.
- Approval of the maximum tolerance for market risk, credit risk and other risks considered acceptable for the Bank in relation to derivative trading operations.
- The RMC reviews and approves goals, operations and control procedures, as well as required risk tolerance levels, based on market conditions.
- Authorize the Terms of Reference (TOR) of the Committees that report into the RMC, including the authorization of its members, as well as providing guidance and overseeing their activities.
- Approve the methodologies for measuring and identifying all types of risk.
- Oversight of New Product approvals and subsequent review / amendments.
- Approval of changes to the provisioning methodologies including Economic Factors and Emergence Periods.
- Develop and modify the objectives, guidelines and policies on credit management and loan origination.
- Review open significant issues to be included in the CEO Attestation (as per the timing of the CEO Attestation) and monitor the resolution of these issues.
- Monitor current risks that could have an impact in the legal entities that comprise "GrupoFinanciero HSBC Mexico S.A. de C.V.", according to the frequency defined for each entity:
  - ✓ Bank, Brokerage House (including Mutual Funds), Bonding, Global Asset Management, Insurance, Life Insurance and Pension entities on a monthly basis.
  - ✓ Real State and Foundation entities on a semiannually basis.
  - ✓ Services Provider and Financial Services entities on a quarterly basis.

Also the HBMX legal entities list and status should be updated on a semiannual basis.

Market Risk Management

Qualitative Information

Description of the qualitative aspects related to the Integral Management of Risks processes:

Market risk management at HSBC consists of identifying, measuring, monitoring, limiting, controlling, reporting and revealing the different risks the institution is facing.

The Board of Directors includes a Risk Committee that manages risk and ensures the operations to be executed in accordance with the objectives, policies and procedures for prudent risk management, as well as within the specific global limits set out by the Board.

Market risk is defined as "the risk that the rates and market prices on which the Group has taken positions – interest rates, exchange rates, stock prices, etc.- will oscillate in an adverse way to the positions taken, there by causing losses for the Group", that is to say, the potential loss derived from changes in the risk factors will impact the valuation or the expected results of assets and liabilities operations or will cause contingent liabilities, such as interest rates, exchange rates, and price indices, among others.

The main market risks the Group is facing can be classified as follows:

- **Foreign exchange or currency risk. -** This risk arises in the open positions on different currencies to the local currency, which generates an exposure to potential losses due to the variation of the corresponding exchange rates.
- **Interest rate risk. -** Arises from asset and liability operations (real nominal or notional), with different expiration dates or re-capitalization dates.
- **Risk related to shares. -** This risk arises from maintaining open positions (purchase or sale) with shares or share-based instruments, causing an exposure to changes in share prices and the instruments based on these prices.
- **Volatility risk. -** Arises in the financial instruments that contain options, in such a way that the price (among others factors) depends on the perceived volatility in the underlying price of the option (interest rates, actions, exchange rate, etc.).
- **Basis or margin risk. -** This risk arises when an instrument is utilized for hedging and each one of them is valuated with different rate curves (for example, a government bond hedged with a by-product of inter-bank rates) so that its market value may differ from each other, generating an imperfect hedge.
- **Credit Spread risk. -** This is the risk that mark-to-market value of a corporate bond, inter-bank bond or sovereign debt in foreign currency, decreases due to changes in the credit quality perception of the issuer.

Main elements of the methodologies employed in the management of market risks:

HSBC has decided to use Value at Risk (VaR) and the "Present Value of a Basis Point "(PVBP) in order to identify and quantify Market Risk. Both measures are monitored daily, based on market risk exposure limits set by the Board of Directors and marking-to-market all trading positions.

Value at Risk (VaR)

VaR is a statistical measure of the worst probable loss in a portfolio because of changes in the market risk factors of the instruments for a given period of time; therefore the calculation of VaR implies the use of a confidence level and a time horizon. VaR is obtained by Historical Simulation through full valuation, considering 500 historical daily changes on market risk factors. The Board of Directors has determined a confidence level of 99% with a holding period of one working day, therefore the VaR level becomes the maximum likely loss in a day with a 99% confidence level.

Present value of a Basis Point (PVBP) and Forward PVBP (F-PVBP)

PVBP is a measure of market risk exposure arising from movements in interest rates. This measure illustrates the potential loss by movements of a basis point in interest rates involved with the pricing of financial assets and liabilities, by re-valuating the whole position exposed to interest rates.

Forward PVBP (F-PVBP) aims to measure the effect of movements in interest rates on the financial instruments exposed to them. This way, F-PVBP assumes the scenario of an increase of one basis point in the implied forward rates from the curve.

Spread over yield risk

Spread over yield risk is understood as the possible adverse fluctuation in the market value of positions in financial instruments quoted with an over yield (Mexican floating government bonds), arising from market fluctuations in this risk factor.

Basis Risk

Basis / Spread risk is a term used to describe the risk arising from the move of a market (by its internal factors) against other markets. Basis risk increases when an instrument is used to hedge another one and these two instruments are priced with different interest rate curves

These differences arise because of the diverse features between the markets, among them:

- Regulation
- Each Market Restrictions
- Calendars
- Market Conventions (term basis in interest rates)
- Others

Credit Spread Risk (CSO1)

Credit spread risk or CS01 is used to describe the risk of holding private sector issued securities in the trading books that can change in value as a function of changes in the perceived creditworthiness of the respective issuer.

This market perceived credit quality of those corporate bonds is reflected in a spread over the risk free rate for those securities. HSBC uses limits to manage and control the corporate spread risk on its trading books.

Vega or implied volatility risk

HSBC takes positions on instruments that are price sensitive to changes in market implied volatilities such as interest rate and foreign exchange options. Vega limits are used to control the risk against changes in market implied volatilities.

Extreme Conditions Tests (Stress Test)

These are models that take into account extreme values that sporadically occur, therefore they are highly improbable according to probability distributions assumed for the market risk factors, but if these extreme events occur could generate moderate to severe impacts. The generation of stress scenarios in HSBC, for the analysis of the sensitivity of positions and their risk exposure to interest rates, is carried out by considering hypothetical scenarios. Both negative and positive changes in interest rates are considered in order to fully measure the impact on the different portfolios.

Besides this calculus, a linear extrapolation is done using the Forward PVBP based on hypothetical extreme scenarios (assuming that the portfolio is completely linear) to compare both results and obtain portfolio's implied convexity. Also stress test is done in foreign exchange and equity positions.

Validation and Calibration Methods for Market Risk models:

Aiming to timely detect any decrease in the forecasting quality of the model, automatic data loading systems are used, in such a way that no manual feeding is required. Besides, in order to prove the reliability of the VaR calculation model, a back testing is carried out, which consists of evaluating that the maximum forecasted losses do not exceed, in average, the established confidence level, contrasting the P&L should had been generated if the portfolio had remained constant during the VaR’s forecast horizon.

In the PVBP case, this is compared with the portfolios' sensitivity to market quotes. The obtained results had shown that the models are reliable. Also, with the purpose to reinforce the validation and verification of the risk factors, we design a selected set of matrices showing that risk factors' behavior are in line with the predominant financial market prices and consistent with the previous day values.

Applicable portfolios:

For a detail and accurate portfolio management, HSBC Mexico Market Risk Management Department, use the international standards (IAS) and local standards (local GAAP) to obtain an effective market risk management. The division between accounting schemes has strict control and every portfolio is perfectly well suited and identified in each accounting standard. This division allows calculating any market risk measure (sensitivity measures, potential loss measures and stress test) in sub portfolios in line with the accounting.

The Market Risk management calculates the VaR and the PVBP for the total Bank portfolio and for the specific "Accrual" and "Trading Desk" portfolios.

The VaR is calculated for each one of the mentioned portfolios and is also itemized by risk factors (Interest Rates, Exchange Rates, Interest Rates volatilities, FX volatilities, Credit Spread and Equities).

The PVBP risk is presented by interest rate and portfolio subdivision (Accrual and Trading Desk).

The stress tests are carried out for the Bank's portfolio and for the "Trading Desk" and "Accrual" portfolios. Besides a special stress test for Available for Sale Securities (AFS) and for Hedging Securities (CFH and FVH) is carried out.

Quantitative Information

Below, the market VaR and the Bank's PVBP will be presented and their subdivisions in the "Trading Desk" and "Accrual" portfolios for the third quarter of 2013 (millions of dollars).

The following VaR and PVBP limits belongs to the latest updating Limit Mandate of Market Risk previously approved both by the Board and for the Risk Committee.

	Bank		Trading Intent		Accrual	
	Average 3Q13	Limits*	Average 3Q13	Limits*	Average 3Q13	Limits*
Combined	19.72	38.00	2.35	15.00	18.47	35.00
Interest Rate	15.00	40.00	2.09	10.00	14.16	38.00
Credit Spread	6.84	22.00	0.44	4.00	6.45	22.00
FX	0.50	5.00	0.50	5.00	N/A	N/A
Volatility IR	0.06	4.50	0.06	2.00	0.00	2.50
Volatility FX	-	2.00	-	2.00	N/A	N/A
Equities	0.01	2.50	0.01	2.50	N/A	N/A

N/A = Not applicable

** Absolute Value*

	28-Jun-13	30-Sep-13	Limits*	Average 2Q13	Average 3Q13
HBMI	**19.64**	**19.81**	38.00	21.05	19.72
Accrual	**18.56**	**20.07**	35.00	18.07	18.47
Trading Intent	**2.14**	**1.83**	15.00	3.96	2.35

The Bank's VaR at the end of 3Q13 change 0.87% versus the previous quarter. During the quarter the VaR remained under the limits.

The Bank's average VaR for the end of 3Q13 change -6.32% versus prior quarter. During the quarter the average VaR was within the limits.

Comparison of Market VaR vs. Net capital

Below a chart comparing the market VaR versus net capital is presented for June 28th, 2013 and September 30th, 2013 (in millions of dollars).

Market VaR vs. Net Capital Comparison *Net Capital in million Dollars*		
	28-Jun-13	**30-Sep-13**
Total VaR*	21.05	19.72
Net Capital **	3,928.17	4,020.91
VaR / Net Capital	0.54%	0.49%

** The Bank's quarterly VaR average in absolute value*

*** The Bank's Net Capital at the close of the quarter*

The average market VaR represents 0.49% of the net capital in 3Q2013.

Present Value for 1bp (PVBP) for Mexican Pesos Rates					
	28-Jun-13	**30-Sep-13**	**Limits***	**Average 2Q13**	**Average 3Q13**
Bank	**(0.659)**	**(1.195)**	1.800	(1.144)	(0.963)
Accrual	**(0.655)**	**(1.167)**	1.250	(0.979)	(0.895)
Trading Intent	**(0.004)**	**(0.028)**	0.550	(0.134)	(0.068)

** Absolute Value*

The bank's MXN Rate PVBP for |3Q13 change 81.34% versus previous quarter. Bank's average PVBP for 3Q13 change -15.82% versus previous quarter.

Present Value for 1bp (PVBP) for USD Rate					
	28-Jun-13	**30-Sep-13**	**Limits***	**Average 2Q13**	**Average 3Q13**
Bank	**(0.185)**	**0.080**	0.430	(0.173)	0.026
Accrual	**(0.220)**	**0.043**	0.300	(0.185)	(0.010)
Trading Intent	**0.035**	**0.036**	0.130	0.007	0.036

** Absolute Value*

The bank's US$ Rate PVBP for 3Q13 change -143.24% versus previous quarter. Bank's average PVBP for 3Q13 change -115.03% versus previous quarter.

Present Value for 1bp (PVBP) for UDI Rates					
	28-Jun-13	**30-Sep-13**	**Limits***	**Average 2Q13**	**Average 3Q13**
Bank	**(0.053)**	**(0.047)**	0.350	(0.066)	(0.049)
Accrual	**(0.040)**	**(0.035)**	0.250	(0.048)	(0.038)
Trading Intent	**(0.013)**	**(0.012)**	0.100	(0.011)	(0.011)

** Absolute Value*

Bank's UDI Rate PVBP for 3Q13 change -11.32% versus prior quarter. Bank's average PVBP for 3Q13 change -25.76% versus previous quarter.

Liquidity Risk

Qualitative Information

Liquidity risk is generated by gaps in the maturity of assets and liabilities of the institution. The liabilities considering the customer deposits, both current and time deposit accounts, have different maturities than the assets considering the loan portfolios and the investment in securities.

HSBC has implemented liquidity ratio limits, both in national currency and in U.S. dollars. These liquidity ratios are calculated on a monthly basis and compared with the limits permitted by the Asset and Liability Committee and confirmed by the HSBC Group. Additionally, the institution conducts a daily review of the cash commitments and the requirements of major customers to diversify funding sources.

HSBC additionally has implemented a methodology for measuring the risk of liquidity based on cash flow projections with different maturities and liquidity scenario.

The institution has developed and implemented since 2003 a Liquidity Contingency Plan that defines the potential contingency levels, the officers responsible for the plan, the steps to be followed in each different scenario and the alternate sources of funding the institution would have available. The plan has been reviewed and approved by the local ALCO at the beginning of the year.

Quantitative Information

The institution presented at end of the quarter expected cash flows under the major stressed scenario of US$ 2,344m in the 7 days term; US$ 1,400m in the 1 month term and US$ 320m in 3 months; obtaining a net positive cumulative result in all cases.

Along the quarter, average level was US$ 3,063m in the 7 days term US$ 1,587m in 1 month term and US$ 745m in 3 months term. With respect to the last quarter, the liquidity position decreased due to an increase in loan portfolio and less liquid securities bought with enhanced profitability to optimize liquidity allocation.

Credit Risk

Qualitative Information

HSBC Mexico (HBMX) develops, implements and monitors credit risk models and tools for credit risk management and portfolio monitoring and analysis. The main objective of this type of management is to have good information on the quality of the portfolio to take opportunistic measures to reduce the potential losses due to credit risk, complying at the same time with the policies and standards of the Group, Basel II and the CNBV.

Credit risk is defined as the risk that a customer or counterpart cannot or does not want to comply with a commitment celebrated with a member or members of the Group, i.e. the potential loss due to the lack of payment from a client or counterpart.

For correct credit risk measurement, HSBC has credit risk measurement methodologies, as well as advanced information systems. In general, the methodologies separate the customer risk (probability that a customer will default to his/her payment commitments: Probability of Default) from the transaction risk (risk related with the structure of the credit, including principally the value and type of guarantees).

In addition, HSBC Mexico has developed policies and procedures that include the different stages of the credit process: evaluation, authorization, origination, control, monitoring and recovery.

Models and Systems used for the quantification and Credit Risk management

Commercial Portfolio

1. Credit Risk Preventive Provisions

HSBC Mexico adopted from June 2013 new rules for estimating credit loss provisions established by CNBV in the "*Disposiciones de carácter general aplicables a las instituciones de crédito*" (*Circular Única de Bancos*, CUB), which set up an Expected Loss approach.

2. Internal Management Models

Through an extensive methodological review process by HSBC Group experts, HSBC Mexico has different models for internal risk management, developed to encompass the three key parameters of Credit Risk:

1. Probability of default (PD),
2. Loss Given default (LGD),
3. Exposure at default (EAD)

These models are internally evaluated and monitored on a quarterly basis to assess their performing and their proper application, so as to carry out necessary adjustments in a timely manner.

With respect to the Probability of default Model (PD), the monitoring intent to make sure that this model are still differentiating customers that comply with the acquired HSBC obligations of those who will not, ordering the customers by appropriate risk levels. In addition, the model quantification is validated by comparing with the observed default rates to know its accuracy.

On the other hand, for the Exposure at default and Loss Given default Models, validates that the loss estimations in which the institution may be incurred in the event that the customer fails be more precise with a sufficient degree of conservatism.

It is important to note that each models version is subject to the HSBC Group expert review and the approval process of this are attached to the standards established by the Group.

2.1. Probability of default Model (PD)

HSBC Mexico has developed eight models for assessing the credit risk rating of the customers of Commercial Portfolio that are local Corporate or Corporate with annual sales up to MXN 7,000 M. These models were developed based on a statistical analysis of different economic activities that resulted in four major segments, which in turn were subdivided by annual turnover level, greater and less than MXN 100 M.

In addition to the aforementioned models, HSBC Mexico has implemented the following global models that were developed by HSBC Group Head Office.

- A model for global customers to assess the corporate counterparties with annual sales equal or above to US$ 700 M (GLCS).
- Another one to assess Bank Financial Institutions (RAfBanks).
- And eleven more, were implemented to assessing Non-Banking Financial Institutions (NBFI DST).

The implementation of the abovementioned models was done along with the customers risk grading framework, known as Customer Risk Rating (CRR), which contemplates 23 levels, of which 2 are for customers in default.

The framework includes a direct correspondence to Probabilities of Default and permits a granular measurement of the customer's credit quality.

The Probability of Default models included in the internal rating system are monitored on a quarterly basis with the aim of examining their proper performance, and if the monitoring results are not as expected according to HSBC Group standards, some action plans are taken to meet the established guidelines.

In the latest monitoring results for the local models of the Commercial Portfolio (for Corporates with annual turnover up to MXN 7,000 M) there is generally a good statistical performance with an AR (Accuracy Ratio) of 0.57, which is above the threshold set by the HSBC Group; however the override rate is over the desired limits for the models. It is important to mention that these 8 models are under redevelopment.

The global models, GLCS, RAfBanks y NBFI DST, are associated to low default portfolios, so it is not currently possible to measure their performance, but a monitoring is performed on their override rates, which are within the thresholds that have been established by HSBC Group.

2.2. Loss Given default Model (LGD)

Regarding to the Loss Given Default (LGD) estimation, which represents the economic loss as a percentage of the Exposure at Default that HSBC Mexico will face at the time a customer defaults, HSBC Mexico developed a local model for assessing the Middle Market Enterprises and Corporate customers. In addition, for Bank Financial Institutions HSBC Mexico has implemented a model developed by Group HSBC Head Office.

The most recent monitoring shows a low correlation (17.89%) between the observed and estimated LGD. Currently, LGD model is under redevelopment process.

2.3. Exposure at default Model (EAD)

For Exposure at Default (EaD) estimation, HSBC México also developed a model for Middle Market Enterprises and Corporate customers. The Exposure at Default estimation for Banking Financial Institutions is based on the guidelines established by the Group HSBC.

With the purpose to get a more accurate measurement of risk, the Exposure at default model was modified in 2012, and is currently being evaluated under the Standards that HSBC Group has determined, to be subsequently updated in computing systems.

The latest quarterly monitoring performance of this model shows a satisfactory correlation (over 50%) between the values of the observed and estimated EaD.

3. Credit Evaluation Systems

In order to establish a better infrastructure management and risk measurement for the Commercial Portfolio, HSBC Mexico used a risk evaluation tool called *Moody´s Risk Analyst (RA),* whichallows an assessment of the credit quality of customers based on its financial and qualitative information.

Furthermore, HSBC Mexico has a system used at global level to manage, control and monitoring the commercial credit approval process known as *Credit Application and Risk Management (CARM)* through the major of the cases are approved. With this system the status of a credit application can be consulted in any stage of the credit process. Also, the minor of the cases continue to be approved by Workflow Authorization (SIPAC), this system will be replaced by CARM at the end of this year.

In addition, and with the objective of enhancing the management of guarantees of the Commercial Portfolio, it's used a system called "*Garantías II*". Finally, it is important to comment that HSBC Mexico also has a system that controls the limits and utilization of credit facilities since their origination, "*Líneas III*".

Quantitative information

Regarding to the average balance of the Commercial Portfolio as of September 30th 2013, it is MXN 157,767M, showing a decrease of MXN 2,544 M (or 1.59%) compared to the previous quarter.

The Expected Loss of the Commercial Portfolio as of September 30th 2013 is MXN 10,358M, showing an increase of MXN 1,150M (or 12%) compared to the figure reported in the previous quarter.

It is detailed below the average balance and Expected Loss for the Commercial Portfolio by line of business:

MXN M

Business Line	Quarterly Average Balance		VAR		Balance		VAR		Expected Loss		VAR	
	2Q2013	3Q2013	($)	(%)	Jun-13	Sep-13	($)	(%)	Jun-13	Sep-13	($)	(%)
CMB	$93,475	$93,777	$302	0%	$94,762	$93,144	-$1,618	-2%	$7,557	$8,647	$1,090	14%
GBM	$66,727	$63,865	-$2,862	-4%	$61,448	$66,815	$5,367	9%	$1,651	$1,711	$60	4%
GBP	$109	$125	$16	15%	$113	$130	$17	15%	$0.047	$0.112	$0.06	137%
Total	**$160,311**	**$157,767**	**-$2,544**	**-1.59%**	**$156,322**	**$160,088**	**$3,766**	**2%**	**$9,208**	**$10,358**	**$1,150**	**12%**

Retail Portfolio

Qualitative Information

The efficiency evaluation of the origination models for the consumer and mortgage portfolio is done periodically: the population being evaluated is compared to the one used in the development of the models, that the model can distinguish clients with good behavior form those with bad, and that the model continues assigning high scores to clients with a low risk. If a low efficiency is detected in a model, it is recalibrated or replaced.

Within the retail credit risk management activities, a several metrics about portfolio profiles and performance are reported on a monthly basis. These reports are divided by product and include general statistics of the portfolio as delinquent status, vintages analysis, and origination strategies, expected loss, among others. The expected loss approach adopted of the Credit Cards and Mortgages portfolios was developed under the Basel 2 Internal Rating Based approach. The rest of the portfolios adopted a bi dimensional framework that associates a Probability of Default and a Loss Given Default to every loan.

Quantitative information

The Expected Loss of RBWM portfolio as at September 30th is MXN 5,003,986 k, Credit Cards is MXN 3,249,514, Other Retail $1,096,715 and Mortgage $657,757.

Operational Risk

Qualitative Information

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

The corporate governance structure which supports the Operational Risk function relies on the Operational Risk and Internal Control Committee (ORICC), sub-committee of the Risk Management Committee, which is responsible for the fulfilment of applicable norms and regulations in force as well as to understand the institution's risk profile, to establish risk management priorities, assess the strategies and mitigation plans and monitor the evolution of operational risks' behaviour and their mitigants.

A well-established and maintained internal control structure is vital to the success of all operations. Group methodology stipulates that all management within the Group is accountable for identifying, assessing and managing the broad spectrum of risks to which the Group is subject.

The Group adopts a **'Three Lines of Defence'** model to ensure that the risks and controls are properly managed by Global Businesses, Global Functions and HTS on an on-going basis. The model delineates management accountabilities and responsibilities over risk management and the control environment. The 'Three Lines of Defence' model should be applied with common sense and takes account of the Group's business and functional structures.

First Line of Defence:

The First Line of Defence comprises predominantly management of Global Businesses and HTS who are accountable and responsible for their day to day activities, processes and controls. The First Line of Defence must ensure all key risks within their activities and operations are identified, mitigated and monitored by an appropriate control environment that is commensurate with risk appetite. It is the responsibility of management to establish their own control teams where required to discharge these accountabilities.

Second Line of Defence:

The Second Line comprises predominantly the Global Functions whose role is to ensure that the Group's Risk Appetite Statement is observed. They are responsible for:

- Providing assurance, oversight, and challenge over the effectiveness of the risk and control activities conducted by the First Line
- Establishing frameworks to identify and measure the risks being taken by their respective parts of the business
- Monitoring the performance of the key risks, through the key indicators and oversight/assurance programmes against defined risk appetite and tolerance levels

Global Functions must also maintain and monitor controls for which they are directly responsible.

Third Line of Defence:

Internal Audit provides independent assurance as to the effectiveness of the design, implementation and embedding of the risk management frameworks, as well as the management of the risks and controls by the First Line and control oversight by the Second Line.

Use Test

Use test is ongoing verification to gather evidence of compliance with the ORIC management framework within the business decision making process. It is also a formal practice referred to gathering evidence that the following facts are carried out continuously:

- The Top Management is aware and is involved in the management of operational risk.
- Operational risk management information is used for decision-making.
- The Operational risk management information quality is adequate to support the business decisions making.

Senior management must inform to Local ORIC the results of their risks and controls assessment as part of its decision-making process, and these should be reflected in the reports of the entity.

The heads of the areas (senior management), should for their Operational Risk and Internal Control Process oversight:

- Establish an adequate organizational structure with BRCMs Team (Business Risk and Control Managers) in order to ensure effective coverage of all business and operations under their responsibility, ensuring that BRCMs Staff members are individuals with experience and skills suitable for the performance of their functions:
  - ✓ Identify and assess operational risks and controls as part of the decision making process (Use Test).
  - ✓ Identify and report operational loss incidents.

BRCM teams are responsible, within their respective areas of the following:

- Define key operational risks and set minimum standards of control and indicators / meters suitable;
- Undertake supervision to verify the adequacy of the monitoring of administrative control (functional). When these teams carry out supervision, ORIC can strengthen this work fulfilling its oversight responsibilities to avoid duplication of effort;
- Review and report key indicators and take the appropriate action when an area is operating or is under the risk of operating outside the established risk appetite;

ORIC team is responsible for ensuring compliance with the minimum standards.

An 9th annual assessment exercise took place from March 2012 to March 2013 in order to identify and re-assess relevant operational risks and Controls throughout HSBC Mexico. The methodology applied in accordance to the Group's Operational Risk Management Framework, specifies that all areas of the Group should conduct a Risk Assessment and Control (RCA) or a Questionnaire at least once a year. The methodology and Control Risk Assessment (RCA) replaced the ABCD approach identification and self-assessment of operational risk (RSA) and is applicable to all entities of HSBC.

ORIC department is responsible to lead and coordinate the annual RCA process. The latest completed assessment took place from March 2012 to 2013. As part of this exercise, relevant identifiable risks were denominated, described and classified into fifthteen categories: Compliance, Fiduciary, Legal, Information, Accounting, Tax, External Fraud, Internal Fraud, People, Political, Physical, Business Continuity, Systems, Operations and Project.

Quantitative Information (including Legal and Technological Risk)

From the 9th Operational Risk assessment exercise carried out between 2012-2013, and with all changes and updates performed during 3Q13; there are 2711 risks identified and assessed as relevant distributed as follows: 9.70% (263) A type, 16.78 % (455) B type, 45.92% (1,245) C type, and 27.59% (748) D type.

The institution holds an Operational Risk historical database since 2007, in which operational losses incidents are registered. Furthermore, the loss reporting threshold for individualized losses is of US$ 10,000, where minor events are aggregated in a single record.

The Operational Risk appetite statement for the bank is US$ 34.42m for Operational Losses plus US$ 9.12m for CROLs, and is monthly monitored through the BSC presented at the Risk Management Committee.

Year to date (30SEP13) total amount of Operational Losses in 2013, are US$ 36.41m.

Both event types are recorded in the ad-hoc corporate system platform specifically designed for the management of operational risk and record of operational losses.

Technological Risk

HSBC México Technology Services (HTS) area keeps a continuous technological risk assessment in adherence to the local laws and regulations and their internal policies, attending the baselines of the local authorities and group's guidelines, between them, those related to the development of methodologies and installation of standard infrastructure, the above as stated on their Technology Functional Instruction Manual (IT FIM).

Interlaced to their operation schemes, HTS also is aligned to the statements within another manual and procedures, between them, the Operations Functional Instruction Manual (OPS FIM), the above due HTS acts as the entity that supplies technology and services for all bank channels and their business lines.

Inside their corporate governance framework, HSBC follow up the matters and requirements made for the local authority throughout their compliance area, where one of their main accountabilities is to keep a continuous review of the assessed risk as well as, the monitoring to comply with the local regulations.

Major methods/methodologies used on the assessment of technological risk are:

I. Throughout agile, secure and reliable Governance structure, focused on maintain an adequate technological risk control and response capabilities for all bank services that are offered throughout the different distribution channels. Risk is managed at the higher level committees: HTS Steering Committee, Risk Management Committee (RMC), Operational Risk & Internal Control Committee (ORICC) and Operational Risk Management Group (ORMG).

II. Keeping updated and testing the different case scenarios analysed on their Businesses Continuity Plan (BCP) and related Disaster Recovery Plan (DRP), for those events that require reinstate their operation on alternate sites.

III. Performing Risk Based Control Assessments (RCA).

IV. The management of Information Technology Projects using a group standard methodology called Risk Based Project Management (RBPM), specifically in the domain for software development is the SDLC (Software Development Life Cycle).

V. Performing Risk Management activities with the active involvement of a specialized Business Risk and Control Managers (BRCM's), including but not limited to operational risk, Sarbanes Oxley (SOX), internal, external and regulatory audit management.

VI. Throughout metrics and dashboards as tools that allow the measurement of the main goals defined within the strategic plans, which in overall refer to systems availability, the compliance on time and quality of major projects and budget, those measurements are reviewed on different forums and committees for decisions making.

Legal Risk

To manage and mitigate legal risk, in terms of financial loss, penalties and / or reputational damage that has been given detailed attention to the following risks identified as typical of the legal function:

- Contractual Risk, which is the risk that the rights and/or obligations within a contractual relationship are defective, and includes: misrepresentation, documentation, unintended consequences, unintended breach, enforceability and external factors.

- Dispute Risk, which is made up of the risks that the Institution is subject to when it is involved in or managing a potential or actual dispute, and includes: exposure and management of disputes.

- Legislative Risk, which is the risk that HSBC fails to adhere to the laws of the jurisdictions in which it operates, and includes: compliance with laws, compliance risk (the risk owner of this risk is Compliance's department) and change of law.

- Non-Contractual Rights Risk, which is the risk that Institution's assets are not properly owned or are infringed by others or the infringement by an Institutional member of another party's rights, and includes: infringement, ownership rights and legal responsibility.

Policies were designed to have controls and procedures to identify measure and manage legal risk in order to avoid financial losses and operational errors. The risk mitigation is sought with the following controls:

- Contractual Risk Control

Proper procedures are in place in order to assure that all the documents that generate a contractual relation to the Institution, have been reviewed by an internal or external lawyer, through the required documentation or standard contracts.

All the contracts that are signed by a member of the Institution that contain restrictions that may affect the business must have the authorization of the Legal Counsel, according to the level required. Additionally, there are procedures in order to have regular reviews of the standard contracts to assure that those maintain the required clauses.

- Dispute Risk Control

Robust procedures have been established in order to assure a proper response to the disputes against the institution and to defend those in an efficient way, being able to take actions in order to protect and maintain the institution´s rights, as well as communicating the status of the litigation cases to the Legal Head.

Practices or procedures are properly documented and placed to ensure that responsability is not admitted involuntarily in dispute situations, and that responsibility is not inadvertently allowed inside and that can not be inferred from any internal correspondence or third parties.

There are procedures and instructions in order to have an immediate notification to the Legal department if any litigation is threatened or commenced against the institution or employees and the following actions regarding the demand.

- Legislative Risk Control

There are implemented procedures and documented practices for monitoring of any new law or proposed regulation, as well as any court case that arises from the need of changing a procedure and the current documentation in their respective jurisdiction or in other.
With this action and together with Compliance are implemented the required regulatory changes in order to continue with the operation of the business according to the law.

- Non Contractual Rights Control:

There are established procedures in order to assure that the Legal department validates the use of Headquarters' trademark, local trademarks, commercial advertising and author rights.

The use of a mark by a third party is approved in advance by Marketing's department and Headquarters Advertising and Marketing Communication and is documented by a written license agreement which will be issued by Legal Department.

A procedure is established in order to have a previous validation of any use of trademarks or commercial advertising of a third party.

The legal department takes care of all the artistic and literary work that has been generated by an employee or external supplier or through a posterior acquisition of the rights with the proper documentation.

Legal department is involved in any social media activities and campaigns initiated by their business within their jurisdiction. Legal Headquarters approval is required for all social media activities.

Regarding Legal Operational Controls, is based on the scheme of Three lines of defense, referred to in Operational Risk section, in order to ensure that risks and controls are properly managed through the exercise of first and second line of defense function.

All the institution´s policies have been established as well as the procedures needed to comply with the Operational Risk and Internal Control requirements; audits have been done, as well as estimations of potential losses from adverse judicial resolutions in order to have a historical database with a root-cause analysis.

Corporate Sustainability (CSR)

We strongly believe that being a sustainable bank involves several commitments in our daily act, from a business perspective; sustainability primarily involves a long-term profitable growth, based on a relationship of trust between our institution and our customers. From the Sustainable perspective, implies to reduce as much as possible the environmental impact of our operations and contribute to our community by supporting programs and projects promoting better education, environment and community integration.

Sustainability is achieved through 3 pillars:

1. Economic: alignment with the Ecuador principles and considering the environmental impact of the Group's investments.
2. Environmental: Controlling our carbon footprint and promoting a sustainable culture within our organization.
3. Social: Supporting education, community and environmental projects promoting the positive development of the communities where we operate and to actively involve our employees in volunteer activities. Globally, HSBC's policy is to invest 0.5% of its pre-tax profits to social projects in the communities where it operates.

2013 will be a challenging year for the business and the consolidation of our Community Investment and our flagship projects, which are as follows:
Education:

- "Just raise your hand", a partnership with ARA and Lazos foundations looking to improve the quality of education and prevent dropout in elementary schools with limited resources.
- English Programme, The aim is to offer high quality English courses to students and teachers and improve their work and development opportunities through the alliance with The British Council and Global English.
- Financial Education, to promote financial education among Mexican population, regardless the life stage on which they are.

Community:

- "Sumando Valor" inclusion programme to hire people with disabilities.
- "Mujeres Fuerza": Woman empowerment programme, aiming to enhance personal development

Environment.

- "HSBC Seguros Green Project" and "Cuida tu Ambiente", a project aiming to create an employee environmental task force.
- HSBC Water Programme, 5 year Global programme with an investment of US$ 100m in alliance with Earthwatch, Water Aid and WWF.

Our Community Investment fund comes from our profit before taxes and customer contributions. During 1H 2013, we invested $46.57 million pesos, 66% of such investment was made by HSBC.

1. Climate Business (Sustainable Finance)

Corporate Sustainability continues working together with CMB and GBM, in the strategy for Climate Business, putting together the main stakeholders and coordinating progress.

The CMB workplan has been defined with focus on specific segments (Large Corporate Finance, Real Estate, Municipality & States and MME), providing the required training to properly identify Climate Business opportunities and potential customers, following up and communicating success deals and consolidating income.

To support the business model and providing guidance towards specific business opportunities, Corporate Sustainability translated and circulated 4 technology briefings, including alternative sources of finance, electric and hybrid vehicles, solar technology, biomass and waste to energy generation.

The current pipeline of Climate Business projects includes: a wind farm development, the production of biodiesel with palm oil, a biomass project and energy efficiency equipment.

2. Sustainable Operations

During the 3Q 2013, Corporate Sustainability coordinated the HTS Sustainability Committee, chaired by HBMX COO & Deputy CEO, the Committee has the participation of Corporate Real Estate, Procurement, ITO, Sustainable Leaders and Corporate Sustainability.

As part of the Committee, an update of the sustainable operations metrics for 2013 was presented, with positive results in energy consumption, disposed waste, paper consumption and sustainable engagement. Specific projects aiming to reduce the environmental direct impact derived from the bank's operation are been tracked.

CS has been actively involved in the Integrated Waste Management, a program evolving form a Climate Champions initiative called "Reciclar es Ayudar" aiming to segregate the waste generated in HSBC corporate buildings, sell it to recycling companies and donate the income to charity. The program has generated approximately $800,00 MXN during this year, 92% of 2013 target.

The renewable energy strategy was reviewed during the last committee. Mexico was selected for a first approach of the renewable energy consumption, having Ernest & Young conducting the Global assessment. CRE, together with JLL will be sending information to E&Y for the Business Case. CRE MX has been contacted by some player in the "Green Market", including hydro, wind and solar projects.

LEED Platinum Certification event: The unveiling of the plate took place on 9th April and it was chaired by Sean O'Sullivan. The tower was the first building in Latin America to obtain both LEED certifications: Construction and Operation & Maintenance.

REDUCE Global Campaign: We coordinated this global campaign aligned with CRE, HTS and communications, which aims to reduce our CO2 emissions by one ton per person per year by 2020. The REDUCE program implies that each of the employees review our daily actions and to implement changes that help us reduce our environmental footprint on the planet, such as turning off the computer at night, recycling our trash, or fail to print documents . The campaign was implemented at national level and is part of a sustainable business strategy.

3. Communication

Up to date, the Corporate Sustainability Department gained 121 free press releases with an estimated value of US$749,844.

Volunteering Campaign

The LAM volunteering campaign was launched with the support of HR. The campaign was coordinated by HBMX and it was launched simultaneously in LAM.

Additionally, we successfully developed various campaigns: Toy Drive, Solo levanta la mano, Water and Environmental Month, Month of the Diversity and Inclusion, Campaign United for Mexico and for our employees. In total we made seven videos of the various programs.

Sustainability Report 2012- We launched the Corporate Sustainability Report 2012. We distributed 500 hard copies and shared it on the intranet, internet and with specialized media. Additionally we developed a digital APP downloadable for free on the Itunes store, however it is not available for downloads anymore.

4. Community Investment – Volunteering

On January we started the volunteer activities through the Toy Drive campaign. We successfully collected toys for 9, 805 children in 41 cities. 841 volunteers participated in different activities, donating 5,180 hours.

Until now we had a participation of 2,873 volunteers, donating 27,296 hours distributed in Education, Environment and Community activities.

5. Community Investment – Education

Programme HSBC – Lazos "Just raise your hand"

For the school year 2012 – 2013, our goals are to benefit 2,082 more underserved students through scholarship sponsors, add 8 new schools to the program located in Aguascalientes, Tamaulipas, Morelos, Quintana Roo, Sonora, Hidalgo and Guerrero and then raise $2,296,000 MXN in a customer fundraising campaign at the branches.

The fundraising campaign in branches began in February 18th, with the target of raising $2,296,000 MXN per branch; the campaign was finished in March 22th accomplished the 145% of the target for a total collection of $3,335,004.93 MXN

The "Solo levanta la mano" sponsorship campaign began last April 15th, with a target of 2 sponsors per branch giving us a total of 2082 sponsorships. The campaign was finished in July 31th accomplished the 108% of the goal with 2,245 children sponsored.

Until today, we have completed 8 infrastructure improvement constructions in schools supported by the program, this provide them to have better conditions that will later reflect in develop their academic abilities

In September we made three openings for schools with improvements located in Tamaulipas, Aguascalientes and Hidalgo additional to the one in Cancun opened last June, we had the presence of the Divisional Director and the HSBC volunteers that delivered school kits to all the students as part of the event.

In order to improve the quality learning of children, HSBC volunteers have shown greater commitment performing reading circles sessions making the reading habit fun for the students.

Ver Bien Para Aprender Mejor (See Better, Learn Better)

The programme is administered jointly with the association "Ver Bien para Aprender Mejor", together with the Ministry of Public Education and offers top-quality corrective glasses for children in public primary and secondary schools who have been diagnosed with vision problems like nearsightedness, astigmatism and farsightedness.

"Ver Bien para Aprender Mejor" has started to work together with our flagship education programme "Sólo levanta la mano" (Just Raise Your Hand) during the school year 2012 – 2013, benefiting 371 children diagnosed and served, through this we will enhance the quality of education in our schools by benefiting our children in a much more integral way.

Future First

For the bid cycle of 2013, we proposed two SOS and five NON SOS projects that will benefit 1,299 disadvantaged children and young people by providing them with access to education and life skills training, thereby enabling them to become positive and productive assets of society. And we will look to engage local staff through volunteer activities.

Nevertheless, the Future First Committee will have to send their approval.

On April, we carried an activity with HSBC employees in order to give a day of joy and happiness to children benefited by the NGO EDNICA, which is an NGO supported by Future First.

Mas allá del dinero (More than Money)

62 volunteers were trained in order to teach financial education and promote a culture of financial education in communities where we operate. Through this, we will reach 10 elementary schools of Mexico City and State of Mexico, benefiting an estimated of 4,200 students who will learn the basic concepts of business and economics and how education is relevant to the workplace.

Sumando Valor- Social Inclusion

In alliance between Corporate Sustainability and Human Resources, HBMX is hiring people with disabilities through Manpower Foundation A.C., FHADI I.A.P., Colabore A.C. and Teletón Foundation. At the moment, 60 candidates have been hired. The fifth Intensive Course for people with disabilities took place successfully and 58 people have graduated successfully from the course.
Since 2011 we have delivered 186 wheelchairs, 126 out of these, have been donated this year.

During October (Month of Diversity and Inclusion) we had several activities lined up for the campaign, such as: Jorge Font Conference in Leones, one in the HSBC Tower on the 31st October, a volunteering activity with 60 employees and 100 children with disabilities. We held a Diversity and Inclusion Fair in the Tower, Tecnoparque and Monterrey where various foundations that work with vulnerable groups such as indigenous women, people with disabilities, children with cancer, etc. were invited to sell their products.

The video for Juan Pablo and Guadalupe was filmed, which has been used as sensitization to different areas and has been shown in ConectaTV this month. As part of the communication campaign, a brochure was printed with information about the program and employees can refer candidates for job positions.

Through our existing alliance with UVM and the foundations we work with, we are expanding the training center for people with disabilities in order to expand and to deliver the course in Campus Coyoacan. We have had working meetings and the UVM is currently working on the development of the content and assessment of the viability of the project.

English Programme
The aim is to offer high quality English courses to students and teachers and improve their work and development opportunities through the alliance with two different organizations:

The British Council: The pilot group of 363 master teachers was trained and has finished cascading the course, reaching 11,000 teachers who will reach 550,000 students. We are working to expand the project in 3 states: Guanajuato, Monterrey and Mexico City and 6 more states for next year.

Global English: (On-line software): 20,000 users have begun using the software, this represents 100% of the target. On total year investment, this has a cost of means a cost US$ 3.3 per hour.

Financial Education

Financial Education: Through our alliance with Universidad del Valle de México on the 19th February we launched the Degree on Financial and Banking Business. This adds up to our efforts to consolidate financial education in different sectors of society.

Additionally, we offered 15 conferences by Gianco Abundiz, which will be delivered to employees, clients and students of Universidad del Valle de México. 13 conferences were already given.

We supported CONDUSEF and ABM during the National Week on Financial Education (SNEF) holding 3 magisterial conferences by Gianco Abundiz and 11 "comic-stories"; additionally we distributed 900 comics in alliance with VISA.

An APP on personal finances is in development together with Marketing and WOBI. We have launched the videos with tips on finances which is being features on Youtube, Facebook and ConectaTV. The APP will be available in 2014.

Aprende con HSBC

The program aims to integrate the partners of Business Heads in the communities where we operate through various volunteering activities with children. During the first semester, More than Money was taught to 250 primary school kids in 6 schools. Also, 160 students were benefited by receiving glasses to improve their learning and performance. At the end all the schools were taken to the Interactive Economy Museum (MIDE) as closure of the programme.

In addition, we carried out wheelchair donation (mentioned above) and story-telling sessions at the Federico Gomez Hospital, at IPPLIP (primary school for deaf children) and at Santa Martha's female prison, participation in the annual reforestation and the sustainable fair.
We began the Financial Education conferences, we conducted three conferences with Rosy Sandoval, a volunteering activity with a foundation for children with disabilities This week we started the Values program.

MUJERes fuerza (Women Empowerment in rural communities)

After the first 8 months of working with NEMI and Social Value for our flagship community programme for the empowerment of women, we are proud to share the first results.

The objective of the programme is to develop actions to promote the empowerment of women living in poverty, seeking to encourage self-management capacities in order to improve their condition and quality of life. The beneficiaries of the programme are committed and inclusive women with leadership skills.

The empowerment of these women is achieved by working closely with them through seminars, conferences and different dynamics and topics such as: diagnosing the community, self-esteem, self-management, gender construction, communication, sustainable family, financial education and leadership. We have worked in 3 states (Edo. De México, Hidalgo and Morelos) and 12 municipalities. Up to date 754 women have been directly benefited by the programme and 5,438 indirectly.

6. Community Investment - Environment

Water Programme Engaging Activities

On April 10th we held an event in Cancun to announce the HSBC Water Programme support to preserve the mayan aquifer through "Amigos de Sian Ka'an". Media, government, and NGO's were present during the event. This support was announced by Miguel Laporta, Head of Corporate Sustainability HSBC Mexico and Gonzalo Merediz, Executive Director Amigos de Sian Ka'an. The HSBC Water Programme will support the implementation of state of the art research technologies, the development of a water conservation culture in local communities, promotion of public policies related to waste water treatment, and protection of the tropical forest relevant for the aquifer recharge
More than 10 volunteers, who helped in the restoration of water investigation facilities in the natural reserve of Sian Ka'an, participated in the event. One of the volunteers explained the activities on which they are supporting the project. H2O, a short film related to water scarcity awareness, also supported by HBMX, was presented as part of the event. There was important media coverage with 12 press releases.

Until today we have had five training (May 18th, May 25th, 31st August, 7th and 28th September) of CSL's trained in Xochimilco. All groups were integrated by former Climate Champions, the Business and Corporate Sustainability. The trainings included a trip in a motorized "trajinera" (a traditional Xochimilco boat) to the "chinampa", a plot of land traditionally destined to agriculture since prehispanic times. The sessions included Earthwatch presentations about the programme and the water challenge, followed by the presentation of the Xoxhimilco. Teams of 4 got into smaller "trajineras" for sampling and measuring water quality and birds and insect watching. Both teams left Cuemanco with a true understanding of the water challenge, the local project and really engaged with the future activities of the HSBC Water Programme.

“HSBC Cuida tu Ambiente” Programme

Thanks to the leadership of the environmental leaders of the program "HSBC Cuida Tu Ambiente" (HSBC Taking Care of the Environment), have been in charge of leading the rehabilitation in “Bosque de Chapultepec”, where about 30% of Mexico City water supply is distributed and at El Nido, place where endangered species are saved from extinction, both supported by HSBC.

At the moment we have had 1,874 participants in 25 activities, including the environmental leaders volunteers + family members. They achieved a complete forestation of the Cárcamo de Dolores with in the Bosque de Chapultepec.

Environmental Month

On June, HSBC Mexico carried on several activities in benefit of the environment:
Reforestation in the Nevado de Toluca, State of Mexico
Sustainability Fair in 5 different HSBC buildings located at Mexico City and the States of Mexico, Jalisco and Nuevo León.
Environmental Courses for HSBC volunteers and their family members.

All of this activities were lead and carried by members of “HSBC Cuida tu Ambiente” Programme – Citizens Scientist Leaders in alliance with NGO partners supported by HSBC. Thanks to this we manage to achieve valuable results, such as:

- 4,654 participants
- 6,000 trees planted
- 8 conferences for HSBC employees about environmental topics, such as ecotechnics, best practices at home and work, among others.
- 15 Environmental Courses

7. Clients Contribution

The first campaign of the year, in benefit of our education flagship programme “Just raise your hand” concluded on April, after this our second campaign in benefit of “Becalos”, initiative aligned with the Mexican Banks Association. As of June we have raised $5.9 million pesos. Now we are running our third campaign in benefit to CMR foundation cause. With a joint CMR Safe the Children and us launched especial campaign “Unámonos por México” raising more than $3.4 million pesos donated by our clients.

As part of “Just raise your hand” a customer fundraising campaign in branches was executed from February 18th to March 22th with a total fundraising of $3,335,004.93 pesos.

8. Rewards

Premios Incluye 2013
HBMX was the winning company for the Include Awards “Premios Incluye 2013” in the category of Community Engagement for our inclusion programme for people with disabilities: **Sumando Valor.**
This category recognizes companies that collaborate with public and private institutions that support people with disabilities through their actions, programmes and processes.

The award is given by “Movimiento Congruencia” and it recognizes excellence demonstrated by companies involved in the inclusion of the talent and potential who represent people with disabilities. The awards are aligned to the UN International Convention on the Rights of Persons with Disabilities enacted in 2006.

9. Conclusions

We continue to focus our Community Investment by strengthening our flagship programs; this has helped us develop further our stakeholder engagement. Thanks to these campaigns that involve not only our staff, but also our clients, we are being able to provide an added value to our customers, giving them the option of participating in socially responsible and environmentally friendly projects.

HSBC Mexico seeks to maintain a balance between environment, society and profits by establishing long term relationships with our customers. We are certain this will ensure our success in the long term.

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Annex A

Table I

Referencia		Common equity Tier 1 capital	30 Sep 2013
1		Ordinary shares graded for Common equity TIER 1 capital and related surplus	32,768.5
2		Retained earnings	1,359.8
3		Accumulated other comprehensive income (and other reserves)	13,245.5
4		Total Common Equity Tier 1 capital attributable to parent company common shareholders	**NA**
5		Total minority interest given recognition in Common Equity Tier 1 capital	**NA**
6		Total group Common Equity Tier 1 capital prior to regulatory adjustments	47,373.8
		Total group Common Equity Tier 1 capital: regulatory adjustments	
7		Prudential valuation adjustments	**NA**
8		Goodwill, net of related deferred tax liability	**-**
9		Intangibles other than mortgage servicing rights, (net of related deferred tax liability)	907.8
10		Deferred tax assets (excluding temporary differences only), net of related deferred tax liabilities	
11		gains and losses on derivatives held as cash flow hedges	**-**
12		actuarial reserve	**-**
13		Securitisation gain on sale (expected future margin income)	**-**
14		Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	**NA**
15		Defined benefit pension fund assets	**-**
16		Investments in own shares	**-**
17		Reciprocal cross holdings in common equity	**-**
18		Investments in the capital of financial entities where the bank does not own more than 10% of the issued common share capital (amount above the 10% threshold)	**8.3**
19		Significant investments in the common stock of financial entities (amount above 10% threshold)	**-**
20		Mortgage servicing rights (amount above 10% threshold)	
21		Deferred tax assets arising from temporary differences (amount above 10% threshold)	1,901.8
22		Amount exceeding the 15% threshold	**NA**
23		which: Significant investments in the common stock of financial entities amounting above 10% threshold	**NA**
24		which: Mortgage servicing rights	**NA**
25		which: Deferred tax assets arising from temporary differences	**NA**
26		Local regulatory adjustments	1,421.8
	A	which: Accumulated other comprehensive income (and other reserves)	-
	B	which: investments in subordinated debt	92.6
	C	which: Profit or increase on the value of assets acquired on securitization positions (Institutions originators)	**-**
	D	which: Investments in multilateral organisms	**-**
	E	which: Investments in related companies	**-**
	F	which: Investments in risk capital	**-**
	G	which: Investments in Mutual funds	8.8
	H	which: own stock acquisition financing	
	I	which: Operations that infringe provisions	
	J	which: Deferred charges and prepaid expenses	1,320.4
	K	which: First Loss schemes positions	**-**

	L	which: Employee participation on deferred profits	-
	M	which: Relevant related people	-
	N	which: Defined benefit pension fund assets	-
	O	which: Adjustment for capital recognition	-
27		Regulatory adjustments to be applied to Common Equity Tier 1 due to insufficient Additional Tier 1 to cover deductions	-
28		Total Common Equity Tier 1 capital regulatory adjustments	4,239.6
29		Common Equity Tier 1 capital (CET1)	43,134.2

Additional Tier 1 capital: Instruments

30	Additional Tier 1 instruments issued by parent company of group (and any related surplus)	-
31	of which: Classified as capital under applicable accounting criteria	-
32	of which: Classified as liability under applicable accounting criteria	NA
33	Regulatory adjustments to be deducted from Additional Tier 1 capital	-
34	Instruments that meet the Additional Tier 1 criteria issued by subsidiaries to third parties that are given recognition in group Additional Tier 1 capital	NA
35	of which: Instruments issued by subsidiaries to be deducted	NA
36	Total Tier 1 capital prior to regulatory adjustments	-

Additional Tier 1 capital: regulatory adjustments

37	Investment in own additional Tier 1 capital equity shares	NA
38	Reciprocal cross holdings in additional Tier 1 capital equity	NA
39	Investments in the capital of financial entities where the bank does not own more than 10% of the issued common share capital (amount above the 10% threshold)	NA
40	Significant investments in the capital of financial entities where the bank own more than 10% of the issued common share capital	NA
41	Local regulatory adjustments	-
42	Tier 2 regulatory adjustments which have to be deducted from Additional Tier 1 capital	NA
43	Total Tier 1 capital regulatory adjustments	-
44	Additional Tier 1 capital (AT1)	-
45	Tier 1 capital (T1=CET1+AT1)	43,134.2

Tier 2 Capital: instruments and reserves

46	Tier 2 capital instruments issued by parent company of group (and any related surplus)	1,449.2
47	Tier 2 capital instruments issued by parent company of group to be deducted	7,182.0
48	Instruments that meet the Tier 2 criteria issued by subsidiaries to third parties that are given recognition in Tier 2 capital	NA
49	of which: Instruments issued by subsidiaries to third parties to be deducted from Tier 2 capital	NA
50	Provisions	1,208.9
51	Tier 2 capital prior to regulatory adjustments	9,840.1

Tier 2 capital: regulatory adjustments

52	Investment in own Tier 2 capital instruments	NA
53	Reciprocal cross holdings in Tier 2 capital instruments	NA
54	Investments in the capital of financial entities where the bank does not own more than 10% of the issued common share capital (amount above the 10% threshold)	NA
55	Significant investments in the capital of financial entities where the bank own more than 10% of the issued common share capital	NA
56	Local regulatory adjustments	-

57	Total Tier 2 capital regulatory adjustments	-
58	Tier 2 capital (T2)	9,840.1
59	Total Capital (TC=T1+T2)	52,974.3
60	Total Risk-weighted assets	338,862.7

Capital ratios and supplements

61	Common equity Tier 1 Capital (as % of total RWAs)	12.73%
62	Tier 1 Capital (as % of total RWAs)	12.73%
63	Total Capital (as % of total RWAs)	15.63%
64	Institutional specific supplement (at least should include: the requirement of Tier 1 common equity plus the capital conservation buffer, plus countercyclical mattress, plus G-SIB mattress; expressed as a % of total RWAs)	7.00%
65	Of which: Capital conservation supplement	2.50%
66	Of which: Specific bank countercyclical supplement	**NA**
67	Of which: Global systemically important banks (G-SIBs) supplement	**NA**
68	Tier 1 common equity available to cover supplements (as a % of total RWAs)	**5.73%**

National minimums (if different from Basel III)

69	Common equity Tier 1 capital minimum ratio (if different from minimum required by Basel 3)	**NA**
70	Tier 1 capital minimum ratio (if different from minimum required by Basel 3)	**NA**
71	Total capital minimum ratio (if different from minimum required by Basel 3)	**NA**

Amounts below deduction threshold (before risk weight)

72	Non-significant investments in the capital of financial entities	**NA**
73	Significant investments in common stock of financial entities	**NA**
74	Mortgage servicing rights (net of deferred income tax rate)	**NA**
75	Deferred income taxes from temporary differences (net of deferred income tax)	**4,503.6**

Applicable limits on the Tier 2 capital inclusion reserves

76	Eligible reserves on Tier 2 capital inclusion with respect to the exposures subject to the standardized methodology (prior to limit application)	-
77	Limit of inclusion reserves on Tier 2 capital under standardized methodology	1,208.9
78	Eligible reserves inclusion on Tier 2 capital with respect to the exposures subject to internal ratings methodology (prior to limits application)	**-**
79	Limit of inclusion reserves on Tier 2 capital under internal ratings methodology	**-**

Capital instruments subject to gradual elimination (applicable only between 1 January 2018 and 1 January 2022)

80	Actual instrument limits on CET1 subject to gradual elimination	**NA**
81	Excluded amount on CET1 due to limit (excess over the limit after amortization and maturities)	**NA**
82	Actual instrument limits on AT1 subject to gradual elimination	**-**
83	Excluded amount on AT1 due to limit (excess over the limit after amortization and maturities)	**-**
84	Actual instrument limits on T2 subject to gradual elimination	7,980.0
85	Excluded amount on T2 due to limit (excess over the limit after amortization and maturities)	798.0

Table II

Capital concept	Prior to capital recognition adjustment	% total RWAs	Capital recognition adjustment	Including capital recognition adjustment	% total RWAs
Tier 1 capital 1	43,134.20	12.73	-	43,134.20	12.73
Tier 1 capital 2	-	-	-	-	-
Tier 1 capital	43,134.20	12.73	-	43,134.20	12.73
Tier 2 capital	9,840.13	2.90	-	9,840.13	2.90
Total capital	52,974.33	15.63	-	52,974.33	15.63
Total RWAs	338,862.66	NA	NA	338,862.66	NA
Capitalization index	15.63	NA	NA	15.63	NA

Table III.1

Reference	Balance Sheet concept	Amount
	Assets	**462,840**
BG1	Cash and deposits in banks	47,976
BG2	Margin accounts	-
BG3	Investment in securities	123,930
BG4	Repurchase agreements	2,600
BG5	Stock borrowing	-
BG6	Derivative transactions	51,231
BG7	Financial assets hedging valuation adjustments	-
BG8	Net loan portfolio	186,436
BG9	Benefits to be received from trading operations	-
BG10	Other accounts receivable (net)	30,999
BG11	Foreclosed assets	177
BG12	Property, furniture and equipment, net	5,001
BG13	Long term investments in equity securities	4,608
BG14	Long term assets available for sale	3
BG15	Deferred taxes, net	6,405
BG16	Other assets	3,474
	Liabilities	**415,466**
BG17	Deposits	255,527
BG18	Bank deposits and other liabilities	25,118
BG19	Repurchase agreements	28,513
BG20	Stock borrowing	1
BG21	Collateral sold	3,796
BG22	Derivative transactions	49,754
BG23	Financial liabilities hedging valuation adjustments	-
BG24	Debentures in trading operations	-
BG25	Other accounts payable	40,462
BG26	Subordinated debentures outstanding	11,699
BG27	Deferred taxes, net	-
BG28	Deferred credits	596
	Stockholder's equity	**47,374**
BG29	Paid in capital	32,769
BG30	Capital gains	14,605
	Memorandum accounts	**4,195,269**
BG31	Guarantees granted	-
BG32	Contingent assets and liabilities	-
BG33	Irrevocable lines of credit granted	24,915
BG34	Goods in trust or mandate	409,079

BG35	Federal government financial agent	-
BG36	Goods in custody or under administration	293,153
BG37	Collateral received by the institution	13,584
BG38	Collateral received and sold or delivered as guarantee	10,289
BG39	Third party investment banking operations, net	49,674
BG40	Suspended interest on impaired loans	175
BG41	Other control accounts	3,394,400

Table III.2

Identifier	Regulatory concepts to be considered for the Net capital components calculation	Equity report reference	Amount according to the notes of the regulatory concepts considered for Net capital calculation	Balance Sheet report reference
	Assets			
1	Goodwill	8	-	
2	Other intangible assets	9	907.8	BG16 3474
3	Deferred income tax from fiscal losses and credits	10	-	
4	Benefits to be received from trading operations	13	-	
5	Pension plan investments by defined benefits with unrestricted and unlimited access	15	-	
6	Own shares investments	16	-	
7	Common equity reciprocal investments	17	-	
8	Direct investment in the capital of financial entities where the institution does not own more than 10% of issued share capital	18	-	
9	Indirect investment in the capital of financial entities where the institution does not own more than 10% of issued share capital	18	8.3	BG13 4608
10	Direct investment in the capital of financial entities where the institution own more than 10% of issued share capital	19	-	
11	Indirect investment in the capital of financial entities where the institution own more than 10% of issued share capital	19	-	
12	Deferred income tax from temporary differences	21	1,901.8	BG15 6405
13	Recognized reserves as supplementary capital	50	1,208.9	BG8 186436
14	Subordinated debt investment	26 - B	92.6	BG8 186436
15	Multilateral organisms investment	26 - D	-	
16	Related parties investments	26 - E	-	
17	Risk capital investment	26 - F	-	
18	Mutual funds investment	26 - G	8.8	BG13 4608
19	Own shares acquisition financing	26 - H	-	
20	Deferred charges and prepaid expenses	26 - J	1,320.4	BG16 3474
21	Employee participation in profit sharing (net)	26 - L	-	
22	Pension plan investments by defined benefits	26 - N	-	
23	Compensation chamber investment	26 - P	-	
	Liabilities			
24	Deferred income tax associated to goodwill	8	-	
25	Deferred income tax associated to other intangibles	9	-	
26	Pension plan liabilities by defined benefits with unrestricted and unlimited access	15	-	
27	Deferred income tax associated to pension plan by	15	-	

	defined benefits			
28	Deferred income tax associated to other different to previous concepts	21	1,901.8	BG15 6405
29	Subordinated debentures that coincide with 1-R annex	31	-	
30	Subordinated debentures subject to transience that counts as core capital 2	33	-	
31	Subordinated debentures that coincide with 1-S annex	46	1,449.2	BG26 11699
32	Subordinated debentures subject to transience that counts as supplementary capital	47	7,182.0	BG26 11699
33	Deferred income tax associated to deferred charges and pre-paid expenses	26 - J	-	
	Stockholders' equity			
34	Paid in capital amount that coincide with Annex 1-Q	1	32,768.5	BG29 32769
35	Retained earnings	2	1,359.8	BG30 14605
36	Result from cash flow hedging transactions registered at fair value	3	13,245.5	BG30 14605
37	Other elements of other capital reserves different to previous ones'	3	-	
38	Paid in capital amount that coincide with Annex 1-R	31	-	
39	Paid in capital amount that coincide with Annex 1-S	46	-	
40	Result from cash flow hedging transactions do not registered at fair value	3, 11	-	
41	Cumulative conversion effect	3, 26 - A	-	
42	Results from holding non-monetary assets	3, 26 - A	-	
	Memo accounts			
43	First loss schemes positions	26 - K	-	
	Regulatory concepts do not considered in the Balance Sheet			
44	Reserves pending to constitute	12	-	
45	Profit or increased asset value of acquired securitization positions	26 - C	-	
46	Operations that contravene	26 - I	-	
47	Relevant related parties operations	26 - M	-	
48	Adjustment for capital recognition	26 - O, 41, 56	-	

Table IV.1

Concept	Equivalent position in Balance	Capital Requirements
Nominal rate operations in local currency	68,155	5,452.4
Surcharge and revisable rate debt operations in local currency	1,171	93.7
Real rate or UDIs operations in local currency	998	79.9
Minimum wages growth rate operations in local currency	-	-
UDIs o INPC profit referred positions	-	-
Minimum wages growth rate operations in local currency	-	-
Nominal rate operations in foreign currency	6,350	508.0
Foreign currency or indexed to exchange rate positions	769	61.5
Stock or price index stock positions	30	2.4

Table IV.2

Concept	RWAs	Capital Requirements
Group I (weighted at 0%)	-	-
Group I (weighted at 10%)	-	-
Group I (weighted at 20%)	-	-
Group II (weighted at 0%)	-	-
Group II (weighted at 10%)	-	-
Group II (weighted at 20%)	6.0	0.5
Group II (weighted at 50%)	5,906.0	472.5
Group II (weighted at 100%)	-	-
Group II (weighted at 120%)	-	-
Group II (weighted at 150%)	-	-
Group III (weighted at 2.5%)	-	-
Group III (weighted at 10%)	109.7	8.8
Group III (weighted at 11.5%)	414.6	33.2
Group III (weighted at 20%)	3,486.3	278.9
Group III (weighted at 23%)	5,659.4	452.8
Group III (weighted at 50%)	-	-
Group III (weighted at 57.5%)	-	-
Group III (weighted at 100%)	-	-
Group III (weighted at 115%)	-	-
Group III (weighted at 120%)	-	-
Group III (weighted at 138%)	-	-
Group III (weighted at 150%)	-	-
Group III (weighted at 172.5%)	-	-
Group IV (weighted at 0%)	-	-
Group IV (weighted at 20%)	1,944.6	155.6
Group V (weighted at 10%)	-	-
Group V (weighted at 20%)	781.4	62.5
Group V (weighted at 50%)	820.7	65.7
Group V (weighted at 115%)	-	-
Group V (weighted at 150%)	7,072.1	565.8
Group VI (weighted at 20%)	-	-
Group VI (weighted at 50%)	4,802.0	384.2
Group VI (weighted at 75%)	3,050.4	244.0
Group VI (weighted at 100%)	43,466.9	3,477.4
Group VI (weighted at 120%)	-	-
Group VI (weighted at 150%)	-	-
Group VI (weighted at 172.5%)	-	-
Group VII_A (weighted at 10%)	479.7	38.4
Group VII_A (weighted at 11.5%)	-	-

Group VII_A (weighted at 20%)	4,795.6	383.6
Group VII_A (weighted at 23%)	-	-
Group VII_A (weighted at 50%)	740.5	59.2
Group VII_A (weighted at 57.5%)	-	-
Group VII_A (weighted at 100%)	96,097.1	7,687.8
Group VII_A (weighted at 115%)	1,445.3	115.6
Group VII_A (weighted at 120%)	-	-
Group VII_A (weighted at 138%)	-	-
Group VII_A (weighted at 150%)	702.8	56.2
Group VII_A (weighted at 172.5%)	-	-
Group VII_B (weighted at 0%)	-	-
Group VII_B (weighted at 20%)	-	-
Group VII_B (weighted at 23%)	-	-
Group VII_B (weighted at 50%)	-	-
Group VII_B (weighted at 57.5%)	-	-
Group VII_B (weighted at 100%)	3,589.6	287.2
Group VII_B (weighted at 115%)	-	-
Group VII_B (weighted at 120%)	-	-
Group VII_B (weighted at 138%)	-	-
Group VII_B (weighted at 150%)	-	-
Group VII_B (weighted at 172.5%)	-	-
Group VIII (weighted at 125%)	7,110.7	568.9
Group IX (weighted at 100%)	24,593.3	1,967.0
Group IX (weighted at 115%)	-	-
Group X (weighted at 1250%)	986.3	78.9
Securitizations with Risk rating 1 (weighted at 20%)	103.9	8.3
Securitizations with Risk rating 2 (weighted at 50%)	4.1	0.3
Securitizations with Risk rating 3 (weighted at 100%)	-	-
Securitizations with Risk rating 4 (weighted at 350%)	105.0	8.4
Securitizations with Risk rating 4, 5, 6 or not classified (weighted at 1250%)		
Resecuritizations with Risk rating 1 (weighted at 40%)		
Resecuritizations with Risk rating 2 (weighted at 100%)		
Resecuritizations with Risk rating 3 (weighted at 225%)		
Resecuritizations with Risk rating 4 (weighted at 650%)		
Resecuritizations with Risk rating 5, 6 or not classified (weighted at 1250%)	2,286.3	182.9

Table IV.3

Operational RWAs	Capital Requirements
40,830.3	3,266.4

Average Market and credit RWAs of last 36 months	Average of positive net annual revenues for the last 36 months
21,776.1	25,196.4

Table V

Referencia	Característica	EN CAPITAL	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO
1	Emisor	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC (Banco	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC
2	Identificador ISIN, CUSIP o Bloomberg	INTENAL	QINTENAL06	HSBC 08	HSBC 08-2	HSBC 13-1D	HSBC 09-D
3	Marco legal	L.I.C.; C.U.B., L.G.S.M.;	L.I.C.; LGTOC., L.M.V;	L.I.C.; LGTOC., L.M.V;	L.I.C.; LGTOC., L.M.V;	L.I.C.; LGTOC., L.M.V;	L.I.C.; LGTOC., L.M.V;
	Tratamiento regulatorio						
4	Nivel de capital con transitoriedad	N.A.	Complementario	Complementario	Complementario	Complementario	Complementario
5	Nivel de capital sin transitoriedad	Basico 1	NA	NA	NA	NA	NA
6	Nivel del instrumento	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias
7	Tipo de instrumento	Acción serie "F" y "B"	Obligacion subordinada	Obligacion subordinada	Obligacion subordinada	Obligacion subordinada	Obligacion subordinada
8	Monto reconocido en el capital regulatorio	Acciones "F" 1,805,754,708; "B" 134,254,957 lo cual representa la cantidad de $3,880,019,330 de capital nominal a $2.00, más el excedente de	0	1,818	2,273	1,449	3,952
9	Valor nominal del instrumento	$2.00	$100.00	$100.00	$100.00	100.00	100.00
9A	Moneda del instrumento	Pesos mexicanos	Pesos mexicanos	Pesos mexicanos	Pesos mexicanos	USD	USD
10	Clasificación contable	Capital	Pasivo	Pasivo	Pasivo	Pasivo	Pasivo
11	Fecha de emisión	31/12/2007; 31/08/2009; 31/10/2009; 31/12/2009; 31/12/2011; 29/01/2013	24/11/2003	02/10/2008	22/12/2008	31/01/2013	30/06/2009
12	Plazo del instrumento	Perpetuidad	Vencimiento	Vencimiento	Vencimiento	Vencimiento	Vencimiento
13	Fecha de vencimiento	Sin vencimiento	25/11/2013	20/09/2018	10/12/2018	10/12/2022	28/06/2019
14	Cláusula de pago anticipado	No	SI	SI	SI	SI	SI
15	Primera fecha de pago anticipado	N.A.	15/12/2008	24/10/2013	16/12/2013	04/02/2018	24/06/2014
15A	Eventos regulatorios o fiscales	No	No	No	No	Si	No

Referencia	Característica	EN CAPITAL	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO
15B	Precio de liquidación de la cláusula de pago anticipado	N.A.	En caso de amortización anticipada, serán amortizadas a su valor nominal y sin pago de premio alguno	Igual a su Valor Nominal más los intereses devengados a la fecha de la amortización anticipada, siempre y cuando (i) el Emisor, a través del Representante Común, informe por escrito su decisión de ejercer dicho derecho de amortizar anticipadamente a los Obligacionistas, a la CNBV, al Indeval y a la BMV, a través de los medios que ésta última determine, cuando menos con 10 (diez) Días Hábiles de anticipación a la fecha en que el Emisor tenga la intención de amortizar anticipadamente la totalidad de las Obligaciones Subordinadas, y (ii) la amortización anticipada se lleve a cabo en la forma y lugar de pago a que se refiere la Cláusula Décima Primera del Acta de Emisión.	Igual a su Valor Nominal más los intereses devengados a la fecha de la amortización anticipada, siempre y cuando (i) el Emisor, a través del Representante Común, informe por escrito su decisión de ejercer dicho derecho de amortizar anticipadamente a los Obligacionistas, a la CNBV, al Indeval y a la BMV, a través de los medios que ésta última determine, cuando menos con 10 (diez) Días Hábiles de anticipación a la fecha en que el Emisor tenga la intención de amortizar anticipadamente la totalidad de las Obligaciones Subordinadas, y (ii) la amortización anticipada se lleve a cabo en la forma y lugar de pago a que se refiere la Cláusula Décima Primera del Acta de Emisión.	Precio igual a su Valor Nominal más los intereses devengados a la fecha de la amortización anticipada, previa autorización del Banco de México en términos del párrafo quinto del artículo 64 de la citada LIC, en cualquier Fecha de Pago de Intereses: (i) a partir del quinto año contado a partir de la Fecha de Emisión, o (ii) en caso que las Obligaciones Subordinadas dejen de computar como capital complementario del Emisor como resultado de modificaciones o reformas a las leyes, reglamentos y demás disposiciones aplicables, siempre y cuando (a) el Emisor informe por escrito su decisión de ejercer dicho derecho de amortizar anticipadamente al Obligacionista, cuando menos con 10 (diez) Días Hábiles de anticipación a la fecha en que el emisor tenga la intención de amortizar anticipadamente la totalidad de las Obligaciones Subordinadas, y (b) la	A un precio igual a su Valor Nominal más los intereses devengados a la fecha de la amortización anticipada, siempre y cuando (i) el Emisor, a través del Representante Común, informe por escrito su decisión de ejercer dicho derecho de amortizar anticipadamente a los Obligacionistas, a la CNBV, al Indeval y a la BMV, a través de los medios que ésta última determine, cuando menos con 10 (diez) Días Hábiles de anticipación a la fecha en que el Emisor tenga la intención de amortizar anticipadamente la totalidad de las Obligaciones Subordinadas, y (ii) la amortización anticipada se lleve a cabo en la forma y lugar de pago a que se refiere la Cláusula Décima Primera del Acta de Emisión
16	Fechas subsecuentes de pago anticipado	N.A.	28/01/2009; Debera efectuarse en cualquier de las fechas señaladas para el pago de intereses y se dará a conocer con 28 días naturales de anticipación a la fecha de amortización autorizada.	21/11/2013; Debera efectuarse en cualquier de las fechas señaladas para el pago de intereses y se dará a conocer con 10 días hábiles de anticipación a la fecha de amortización autorizada.	13/01/2014; Debera efectuarse en cualquier de las fechas señaladas para el pago de intereses y se dará a conocer con 10 días hábiles de anticipación a la fecha de amortización autorizada.	04/03/2018 se dará a conocer con 10 días hábiles de anticipación a la fecha de amortización autorizada.	22/07/2014 se dará a conocer con 10 días hábiles de anticipación a la fecha de amortización autorizada.
	Rendimientos / dividendos						
17	Tipo de rendimiento/dividendo	Variable	Variable	Variable	Variable	Variable	Variable
18	Tasa de Interés/Dividendo	El último conocido fue de marzo 2013 que fue de 0.7216 por acción	Tasa de Interes Interbancaria de Equilibrio (Tiie 28 + 0.50 pp)	Tiie 28 + 0.60 pp	Tiie 28 + 2.0 pp	Libor 1 mes + 3.65 pp	Libor 1 mes + 3.50 pp
19	Cláusula de cancelación de dividendos	No	No	No	No	No	No
20	Discrecionalidad en el pago	Obligatorio	Obligatorio	Obligatorio	Obligatorio	Parcialmente Discrecional	Obligatorio

Referencia	Característica	EN CAPITAL	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO
21	Cláusula de aumento de intereses	No	No	No	No	No	No
22	Rendimiento/dividendos	No Acumulables	No Acumulables	No Acumulables	No Acumulables	No Acumulables	No Acumulables
23	Convertibilidad del instrumento	No Convertibles	No Convertibles	No Convertibles	No Convertibles	Convertibles	No Convertibles
24	Condiciones de convertibilidad	N.A	N.A	N.A	N.A	Las Obligaciones Subordinadas serán de conversión obligatoria en acciones ordinarias representativas del capital social del Emisor, sin que este hecho se considere como un evento de incumplimiento, y la cual se llevará a cabo cuando se presente alguna de las condiciones que a continuación se listan: 1.Cuando el resultado de dividir el capital básico 1 entre los activos ponderados sujetos a riesgo totales del Emisor se ubique en 4.5% o menos.Para efectos de lo dispuesto en el presente numeral, el Emisor deberá proceder a la conversión, el Día Hábil siguiente a la publicación del índice de capitalización a que se refiere el Artículo 221 de las Disposiciones de Capitalización. 2.Cuando la CNBV notifique al Emisor, conforme a lo dispuesto en el Artículo 29 Bis de la LIC, que ha incurrido en alguna de lascausales a que se refieren las fracciones IV o V del Artículo 28 de la LIC y en el plazo previsto por el citado Artículo 29 Bis, el Emisor no subsane los hechos o tratándose de la causal de revocación referida en la fracción V no solicite acogerse al régimen de operación condicionada o no reintegre el capital. Para efectos de lo dispuesto en el presente numeral, el Emisor deberá proceder a la conversión, el Día Hábil siguiente a que hubiere concluido el plazo referido en el antes mencionado Artículo 29 Bis de la LIC. En todo caso, la conversión en acciones referida en este inciso será definitiva, por lo que no podrán incluirse cláusulas que prevean la restitución u otorguen alguna compensación a los tenedores del o los Títulos.	N.A
25	Grado de convertibilidad	N.A	N.A	N.A	N.A	La conversión se realizará al menos por el monto que resulte menor de: (i) la totalidad de los	N.A

Referencia	Característica	EN CAPITAL	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO
26	Tasa de conversión	N.A	N.A	N.A	N.A	La conversión así como la remisión o condonación aquí previstas, se realizarán a prorrata respecto de todos los títulos de la misma naturaleza que computen en el capital complementario del Emisor. La conversión de las Obligaciones Subordinadas se llevará a cabo mediante la entrega de 59.80678909 (cincuenta y nueve punto ocho cero seis siete ocho nueve cero nueve) acciones ordinarias representativas del capital social del Emisor por cada Obligación Subordinada.	N.A
27	Tipo de convertibilidad del instrumento	N.A	N.A	N.A	N.A	Obligatoria	N.A
28	Tipo de instrumento financiero de la convertibilidad	N.A	N.A	N.A	N.A	Acciones Ordinarias	N.A
29	Emisor del instrumento	N.A	N.A	N.A	N.A	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	N.A
30	Cláusula de disminución de valor (*Write-Down*)	No	No	No	No	No	No
31	Condiciones para disminución de valor	N.A	N.A	N.A	N.A	N.A	N.A
32	Grado de baja de valor	N.A	N.A	N.A	N.A	N.A	N.A
33	Temporalidad de la baja de valor	N.A	N.A	N.A	N.A	N.A	N.A
34	Mecanismo de disminución de valor temporal	N.A	N.A	N.A	N.A	N.A	N.A
35	Posición de subordinación en caso de liquidación	N.A	No Preferente	No Preferente	No Preferente	Preferente	No Preferente
36	Características de incumplimiento	No	No	No	No	No	No
37	Descripción de características de incumplimiento	N.A	N.A	N.A	N.A	N.A	N.A