

# Grupo Financiero HSBC

*Financial information at 31 March 2009*

## 1Q09

- ▶ **Press Release**
- ▶ **Quarterly Report**
- ▶ **First Quarter 2009**

*Release date:  
30 April 2009*



30 April 2009

**GRUPO FINANCIERO HSBC, S.A. DE C.V.  
FIRST QUARTER 2009 FINANCIAL RESULTS – HIGHLIGHTS**

- Net income for the first quarter of 2009 was MXN798 million, down by MXN1,409 million or 63.8 per cent compared with MXN2,207 million for the same period in 2008.
- Profit before tax for the first quarter of 2009 was MXN680 million, down by MXN2,396 million or 77.9 per cent compared with MXN3,076 million for the same period in 2008.
- Total operating income before loan impairment charges for the first quarter of 2009 was MXN9,326 million, down by MXN312 million or 3.2 per cent compared with MXN9,638 million for the same period in 2008.
- Gross loans and advances to customers were MXN170.8 billion at 31 March 2009, down by MXN31.1 billion or 15.4 per cent compared with MXN201.9 billion at 31 March 2008.
- Deposits were MXN238.0 billion at 31 March 2009, down by MXN25.3 billion or 9.6 per cent compared with MXN263.3 billion at 31 March 2008.
- The cost efficiency ratio was 52.1 per cent for the first quarter of 2009, compared with 54.0 per cent for the same period in 2008.
- Return on equity was 8.8 per cent for the first quarter of 2009, compared with 23.4 per cent for the same period in 2008.
- At 31 March 2009, the Bank's regulatory capital adequacy ratio was 12.4 per cent. The tier 1 capital ratio at 31 March 2009 was 9.7 per cent.

*HSBC Mexico S.A. (the Bank) is Grupo Financiero HSBC, S.A. de C.V.'s (HSBC) primary subsidiary company 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 31 March 2009) 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.*

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

*Grupo Financiero HSBC, S.A. de C.V. is a 99.99 per cent directly owned subsidiary of HSBC Holdings plc (HSBC Group).*

## Overview

The first quarter of 2009 was challenging for Grupo Financiero HSBC, S.A de C.V. as the operating environment continued the deteriorating trends seen at the end of 2008. Mexico's economy is expected to contract by 3 per cent in 2009 while annual inflation is expected to fall to 3.5 per cent in 2009, compared to 6.5 per cent reported for 2008. During the first quarter of 2009 the Mexican Central Bank reduced interbank interest rates three times, from 8.25 per cent to 6.75\* per cent. Volatility in the Mexican peso against the US dollar exchange rate continued during the first quarter of the year, increasing from 13.83 at 31 December 2008 to 14.15\* at 31 March 2009.

In such a turbulent environment, Grupo Financiero HSBC, S.A. de C.V. focussed on maintaining a conservative approach to risk management, bringing new efficiencies to systems and processes and improving the services offered to customers.

At 31 March 2009, Grupo Financiero HSBC's net income was MXN798 million, MXN1,409 million less than the net income of the same period in 2008 (a decrease of 63.8 per cent). This result was largely due to increased loan impairment charges, particularly on credit card and corporate loan portfolios, reflecting the weakening in the economy.

The fall in profit before tax for the first quarter was exacerbated by the recognition of MXN1,041 million in the first quarter of 2008 arising from the sale of Visa Inc. US dollar denominated securities coupled with additional regulatory credit provisions in the first quarter of 2009 of MXN618 million relating to the corporate loan portfolio. Excluding the effect of these two items, the decrease in profit before tax for the first quarter of 2009 reduces to 36.2 per cent.

Net interest income decreased by MXN874 million to MXN5,377 million at 31 March 2009, a 14 per cent decrease compared to the same period in 2008. This result was largely driven by treasury's strategy of deploying a larger portion of surplus liquidity in low yielding investments offset with increased trading income. Additionally, while interest margins improved in the first quarter compared to first quarter of 2008, a reduction in commercial and consumer loan volumes negatively impacted net interest income.

Net fee income was MXN2,543 million at 31 March 2009, which represents a 13.3 per cent decrease compared to the same period in 2008. Grupo Financiero HSBC adopted a cautious approach to consumer lending in the first quarter and fee income decreased mainly from a fall in credit card revenues, account management fees and reductions in transaction volumes from ATMs and payments and cash management services.

Trading income was MXN1,406 million at 31 March 2009, which represents an increase of MXN951 million or 209.0 per cent compared to the same period in 2008. This is mainly due to a strong performance from trading positions as a result of market volatility during the quarter, partially offset by lower net interest income.

With an uncertain outlook for revenues, Grupo Financiero HSBC, S.A. de C.V.'s management continues to focus on active cost control. As a result, administrative expenses decreased by

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\* Source: Banxico (Banco de México) TIIE rate and FIX exchange rate.

MXN345 million, or 6.6 per cent, to MXN4,857 million during the quarter to 31 March 2009 compared to the same period in 2008. This reflects a combination of selective investment to improve productivity and expense control. Cost savings were generated from a review of servicing certain customer propositions particularly those related to credit card promotions, and personnel expenses. The cost efficiency ratio was 52.1 per cent for the first quarter of 2009, an improvement of 1.9 per cent compared to the same period in 2008.

Net other income decreased by MXN476 million or 33.1 per cent to MXN962 million compared to the same period in 2008, when non recurring income of MXN1,401 million was generated from the sale of Visa Inc. US dollar denominated securities IPO shares. Other income of MXN1,309 million in the first quarter of 2009 was primarily generated from reimbursements of regional operating expenses and income from portfolio recoveries.

Loan impairment charges during the quarter to 31 March 2009 were MXN4,751 million, an increase of MXN1,953 million or 69.8 per cent compared to the same period in 2008. This increase is primarily the result of greater delinquency rates in the consumer loan portfolio, particularly credit cards, coupled with general weakening of credit quality reflecting the current economic market conditions. Additional credit provisions were also required in accordance with regulatory requirements for the commercial portfolio, specifically corporate loans as a result of changes in credit ratings.

Grupo Financiero HSBC's allowance for loan losses as a percentage of impaired loans was 137.8 per cent at 31 March 2009, compared to 134.0 per cent in the same period of 2008. Management continues to focus its efforts on improving asset quality by maintaining a more cautious approach to origination and risk management and strengthening collections operations. In addition, we continue to proactively support our customers with the '*Plan de Solución HSBC*' promotion to optimise collections by working with our customers proactively to agree on revised repayment terms.

The non-bank subsidiaries, particularly HSBC Seguros, made a contribution to the results of MXN188 million or 23.6 per cent of total net income. Performance of our insurance business has been driven by the increase in sales of life insurance products, stable claims behaviour and good expense control.

Gross loans and advances to customers decreased by 15.4 per cent to MXN170.8 billion at 31 March 2009, compared to the same period of 2008. Reductions in the loan portfolio were mainly driven by decreases in consumer lending and commercial loans as a result of the combination of lower customer demand, prepayments on government loan portfolio and lower origination.

Total deposits decreased 9.6 per cent to MXN238.0 billion at 31 March 2009, of which demand deposits were MXN122.0 billion, 2.5 per cent lower than the same period in 2008. This reduction is mainly as a consequence of intense competition to attract deposits from the public. Time deposits, which include money market at 31 March 2009, decreased by MXN22.5 billion or 16.7 per cent due to lower market funding requirements.

In the first quarter of 2009, a dividend of MXN1,647 million was declared and paid to HSBC Holdings plc. The Bank remains strongly capitalised with a total capital ratio of 12.4 per cent at 31 March 2009, down 84 basis points compared to 13.2 per cent at 31 March 2008. Tier 1 capital ratio of 9.7 per cent.

## **Business highlights**

### **Personal Financial Services**

During the first quarter of 2009 this business segment continued implementing different strategies to promote the use of alternative distribution channels as the most convenient option for customers for a range of transactions. This included using the Bank's extensive network of ATMs and internet and telephone banking facilities. As of January 2009, foreign currency cash transactions in branches were migrated to alternative channels.

This business continues to actively promote the '*Plan de Solución HSBC*' to its customers in order to enhance collections and provide revised repayment terms thus reducing delinquency.

There is a continuing focus on reinforcing deposit strategies through savings and investment products such as '*Cuenta Flexible HSBC*' and '*Cuenta Ahorro HSBC*' respectively.

As part of the worldwide launch, the HSBC Premier Family Services offer was launched in Mexico in February 2009, extending the Premier offering to family members and including additional services such as Family Financial Planning, Financial Education and Global Safety Net.

For the first quarter of 2009 the mortgage loan portfolio recorded an increase of MXN553 million or 2.9 per cent compared to same period in 2008. Consumer lending decreased by MXN8,351 million or 17.2 per cent compared to same period in 2008, in accordance with management focus on risk management and improving credit quality.

### **Commercial Banking**

Asset quality in our commercial and corporate credit portfolios remained relatively stable. Interest income has increased and loan impairment charges have remained stable.

During the first quarter, we launched the '*Estimulo*' nationwide campaign that focused on strengthening our packaged product offering aimed at small and medium sized businesses (PYMEs), achieving sales of more than 23,000 packages. In addition, HSBC launched the '*Por PYME*' support programme, which offers assistance to SME customers who require extended repayment terms.

As at 31 March 2009, commercial loan portfolio has been affected by a MXN25.9 billion or 62 per cent decrease in the loans to government entities portfolio compared with the same period in 2008, as a result of several government loan prepayments.

### **Global Banking and Markets**

The Global Banking and Markets segment showed solid performance during the first quarter of 2009. Despite lower customer volumes and reduced appetite for market risk, the volatility in the global financial markets and favourable positioning in foreign exchange have resulted in strong trading results.

Balance sheet management recorded improved results, which were partially offset by losses incurred from the sale of US dollar denominated securities.

Grupo Financiero HSBC was ranked first in the March 2009 Debt Capital Markets League Tables. This has supported the gradual reopening of the Mexican market, which had seen limited activity since late 2008. The main Debt Capital Market deals, in which our role was both joint lead manager and bookrunner, were MXN10,000 million from *Petróleos Mexicanos*, MXN3,500 million from *Kimberly Clark de Mexico* and MXN1,989 million from *Coca Cola FEMSA*.

The Global Banking segment continues to position its portfolio in line with market conditions and customer demand. The segment remains focused on working closely with our core relationships in order to best serve their financial situation and tailoring facilities to address difficult market conditions.

### **Subsequent events**

At the end of April, Mexican authorities reported a swine flu outbreak in Mexico City. The impact of this is still to be determined. HSBC continues to monitor the situation closely and will take appropriate action. HSBC's primary focus is on the well being of our staff and their families.

### **About HSBC**

Grupo Financiero HSBC, S.A. de C.V. is Mexico's fourth largest banking and financial services institution with 1,189 branches, 5,918 ATMs, approximately 7.8 million customer accounts and more than 19,500 employees. For more information, consult our website at [www.hsbc.com.mx](http://www.hsbc.com.mx).

Grupo Financiero HSBC, S.A. de C.V. is a 99.99 per cent directly owned subsidiary of HSBC Holdings plc, and a member of the HSBC Group. With around 9,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa and assets of US\$2,527 billion at 31 December 2008, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

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## Key Indicators

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

For the quarter ended at

	31 Mar 2008	30 Jun 2008	30 Sep 2008	31 Dec 2008	31 Mar 2009
a) Liquidity	88.50%	96.98%	85.79%	85.33%	<b>153.49%</b>
<b>Profitability</b>					
b) ROE (Return over equity)	23.43%	7.00%	8.21%	5.43%	<b>8.85%</b>
c) ROA (Return over assets)	2.47%	.70%	.83%	.50%	<b>.72%</b>
<b>Asset quality</b>					
d) Impaired loans/total loans	3.90%	4.64%	5.18%	5.92%	<b>5.63%</b>
e) Coverage ratio	134.01%	124.21%	122.14%	125.54%	<b>137.78%</b>
<b>Capitalization</b>					
f) Credit risk	18.17%	17.30 %	16.58%	17.53%	<b>18.36%</b>
g) Credit and market risk operational	13.23%	13.53%	12.63%	12.83%	<b>12.39%</b>
<b>Operating efficiency</b>					
h) Expenses/Total Assets	5.83%	6.09%	6.49%	4.99%	<b>4.40%</b>
i) NIM	7.64%	7.56%	8.01%	6.86%	<b>5.46%</b>
<b>Infrastructure</b>					
Branches	1,359	1,332	1,251	1,251	<b>1,189</b>
ATM	5,855	5,875	5,878	5,958	<b>5,918</b>
Head Count	22,659	22,803	20,227	20,012	<b>19,599</b>

a)  $Liquidity = \text{Liquid Assets} / \text{Liquid Liabilities}$ .

$Liquid Assets = \text{Cash and deposits in banks} + \text{Trading securities} + \text{Available for sale securities}$

$Liquid Liabilities = \text{Demand deposits} + \text{Bank deposits and other on demand} + \text{Bank deposits and other short term liabilities}$

b)  $ROE = \text{Annualized quarter net income} / \text{Average shareholders equity}$ .

c)  $ROA = \text{Annualized quarter net income} / \text{Average total assets}$ .

d)  $\text{Impaired loans balance at quarter end} / \text{Total loans balance at quarter}$ .

e)  $\text{Coverage ratio} = \text{Balance of provisions for loan losses at quarter end} / \text{Balance of impaired loans}$

f)  $\text{Capitalization ratio by credit risk} = \text{Net capital} / \text{Credit risk weighted assets}$ .

g)  $\text{Capitalization ratio by credit and market risk operational} = \text{Net capital} / \text{Credit and market risk weighted assets}$ .

h)  $\text{Operating efficiency} = \text{Expenses} / \text{Total assets}$

i)  $NIM = \text{Annualized net interest income} / \text{Average performing assets}$ .

$\text{Performing assets} = \text{Cash and deposits in banks} + \text{Investments in securities} + \text{Derivatives operations} + \text{Performing loans}$ .

The averages utilized correspond to the average balance of the quarter in study and the balance of the previous quarter.



## Income Statement Variance Analysis

### Net Income

For the first quarter of 2009, Grupo Financiero HSBC reported net income of MXN798 million, a decrease of MXN1,409 million (63.8%) compared to the same period in 2008. This result was largely due to increased loan impairment charges, particularly on credit card and corporate loan portfolios, reflecting the weakening in the economy.

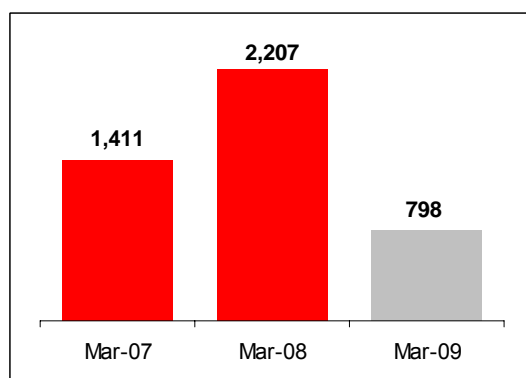
Taken as a whole, the income of HSBC México S.A. (the Bank) and HSBC Seguros represent 91.6 per cent of the Group's net income in the first quarter of 2009, recording MXN543 million and MXN188, respectively.

### Total Operating Income

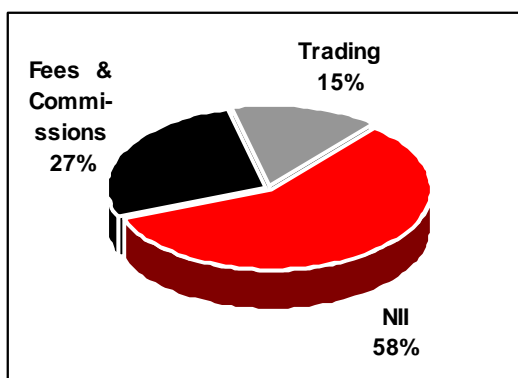
The Group's total operating income in the first quarter of 2009, before loan impairment charges, amounted to MXN9,326 million, which represents a decrease of MXN312 million (3.2%) compared to the same period of 2008. This downward shift is due to the decrease recorded in net interest income of MXN874 million and net commission income of MXN389 million, both compared with the first quarter of 2008.

Total operating income at 31 March 2009, after loan impairment charges, reached MXN4,575 million, which represents a decrease of MXN2,265 million compared to the same period of the prior year. Revenues in the first quarter of 2009 were affected by the MXN1,953 million increase recorded in loan impairment charges compared to the same period of 2008.

**Grupo Financiero HSBC:**  
Year to date net income



**Grupo Financiero HSBC**  
Revenue distribution YTD 1Q09

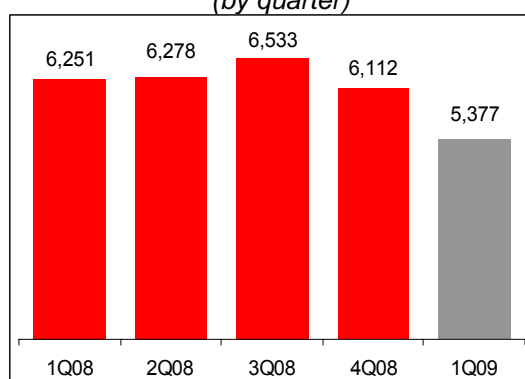


### Net Interest Income

Net interest income decreased by MXN874 million at 31 March 2009, reaching MXN5,377 million, which represents a variation of 14.0 per cent compared to the result obtained in the first quarter of 2008.

Net interest income has been affected by a decrease of 6.8 per cent in interest income. Additionally, while interest margins improved in the first quarter compared to first quarter of 2008, a reduction in commercial and consumer loan volumes negatively impacted net interest income. Net interest income was also affected by an increase in interest expense resulting from greater funding costs.

**Net interest income**  
(by quarter)



## Non-interest Income

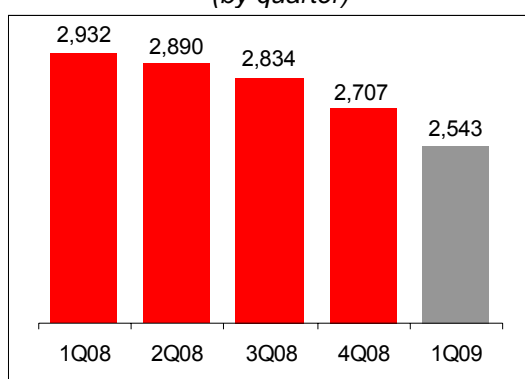
Non-interest income at the end of the first quarter of 2009 was MXN3,949 million; up MXN562 million (16.6%) compared to the same period of 2008.

### ► Fee income

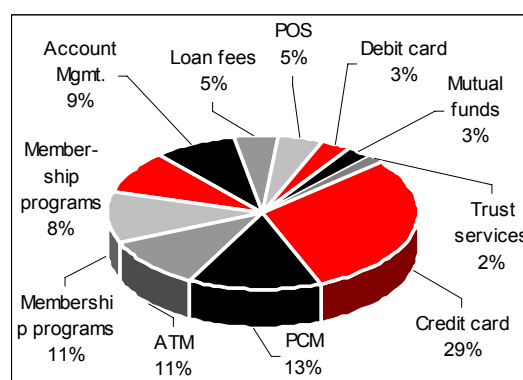
The Group's net fee income at 31 March 2009, reached MXN2,543 million, which represents a decrease of MXN389 million or 13.3 per cent compared to the same period of 2008. Fee income fell due to lower income from credit cards, account management commissions, as well as a decrease in income from ATMs and account management.

**Credit card** fees decreased by 22.1 per cent compared to the end of the first quarter of 2008, mainly due to more moderate placement of plastic. Fees earned from membership programmes also reduced by 4.2 per cent.

**Group fees & commissions**  
(by quarter)



**Bank's fees & commissions distribution**  
31 March 2009



POS= Point of Sale  
ATM= Automatic Teller Machine  
PCM= Payments & Cash Management

Despite the improvement and renewal strategy in prior periods in **ATMs** to promote the use of our ATM network by non-HSBC customers, ATMs fees decreased by 26.2 per cent compared with the same quarter of the prior year.

At 31 March 2009, fee income can be essentially explained by the Bank's operations, since they contribute 92.3 per cent of the Group's total net commissions. Total fee income obtained by the Bank amounted to MXN2,347 million at 31 March 2009.

#### ► Trading income

Trading income was MXN1,406 million at 31 March 2009, which represents an increase of MXN951 million compared to the same period of 2008. This increase is mainly due to a strong performance from trading positions as a result of market volatility during the quarter, partially offset by lower net interest income.

The Group's non-interest income to total to revenue ratio increased from 35.1 per cent at the end of the first quarter of 2008 to 42.3 per cent en 2009.

#### ► Other income

Other income fell to MXN962 million, which represents a decrease of MXN476 million (33.1%) compared to the end of the first quarter of 2008. Non-recurring income of MXN1,309 million recorded during the quarter from the reimbursement of inter-company administration expenses and income from the recovery of past-due portfolios was largely offset by other operating expenses.

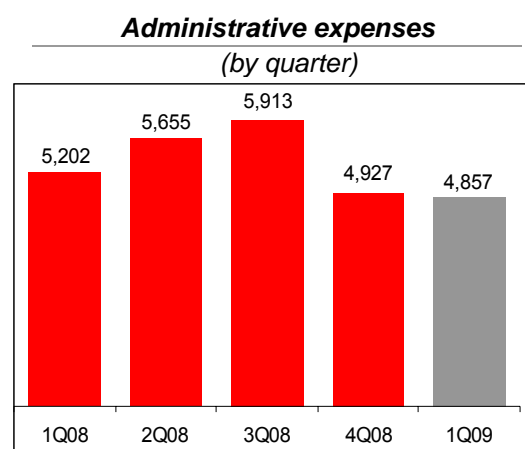
## Loan Impairment Charges

At 31 March 2009, the Group's loan impairment charges were MXN4,751 million, which represents an increase of MXN1,953 million compared to the prior year. This increase is primarily the result of greater delinquency rates in the consumer loan portfolio, particularly credit cards, coupled with general weakening of credit quality reflecting the current economic market conditions.

The Group's management continues to focus its efforts on improving asset quality by maintaining a more cautious approach to origination and risk management and strengthening collections operations. At 31 March 2009, HSBC maintains adequate past-due portfolio coverage of 137.8 per cent.

## Administrative and Personnel Expenses

At 31 March 2009, the Group's administrative expenses were MXN4,857 million, representing a decrease of MXN345 million (6.6%) compared to the same period of the prior year.



The decrease recorded in administrative expenses reflects a combination of selective investment to improve productivity and expense control. Cost savings were generated from a review of servicing certain customer propositions particularly those related to credit card promotions, and personnel expenses.

The Group's cost efficiency ratio at 31 March 2009 was 52.1 per cent, which represents an improvement compared to the 54.0 per cent recorded in the same period of the prior year. The Group's Management continues implementing various actions to improve operating efficiency, including personnel and infrastructure optimisations, among others.

## Balance sheet Variance Analysis

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At 31 March 2009, the Group's total assets amounted MXN444,462 million, which represents an increase of MXN82,250 million, equivalent to 22.7 per cent, compared to the first quarter of 2008.

### Loan portfolio

The Group's performing loan portfolio balance amounted to MXN161,160 million at 31 March 2009, a figure that represents a decrease of 17.0 per cent compared to the first quarter of 2008. The mortgage loan portfolio recorded increased by 2.9 per cent compared to the first quarter of 2008. The commercial portfolio (including financial and government entities) decreased by 19.8 per cent compared to the first quarter of 2008 as the result of several pre-payments, particularly in the public sector. Consumer lending was the second component of the portfolio that reflected a reduction, recording a decrease of 17.2 per cent compared to the same period of 2008. It must be mentioned that the Group's performing portfolio maintained similar levels to those of the immediately preceding quarter with a decrease of 0.9%, mainly due to the decrease in the consumer credit balance, whereas the rest of the segments recorded moderate growth in comparison with the end of the fourth quarter of 2008.

#### ► Commercial loans (including financial and government entities)

It must be pointed out that during 2008, the total commercial portfolio has been affected by several pre-payment transactions performed by the Federal Government; therefore, despite greater placement at State and Municipal entity-levels, the balance of the commercial loan portfolio as a whole reflects a decrease of MXN25,872 million at the end of March 2009 compared to the same period of the prior year.

Excluding the Government entities' portfolio, the commercial loan and financial entities' portfolio increased by MXN778 million, which is equivalent to growth of 0.9 per cent compared to the first quarter of 2008.

#### ► Consumer loans

The consumer loan portfolio decreased mainly as a result of the behaviour observed in the auto and personal loans, as well as credit cards. Auto loans reduced 21.1 per cent, while personal and payroll loans decreased by 21.0 per cent. Credit card balances decreased 11.9 per cent compared to the first quarter of 2008, with a balance at month-end March of MXN24.9 billion. In terms of the variation against the previous quarter, consumer loan is the only portfolio that reflects a balance reduction, equivalent to 7.1 per cent compared to the fourth quarter of 2008.

#### ► Mortgage loans

The mortgage loan portfolio reflects an increase of MXN553 million (2.9%) compared to the end of the first quarter of 2008. Also, it is important to mention that in September 2008, the portfolio was securitised for a little more than MXN1,6 billion. However, excluding this effect, the year-on-year growth in the mortgage loan portfolio at 31 March 2009 would have been 11.7 per cent.

### Asset quality

As at 31 March 2009, the Group's impaired loan portfolio amounted to MXN9,623 million, which represents an increase of MXN1,752 million compared to the prior year. This increase is largely due to a higher volume of credit cards and mortgage loans in the impaired loan portfolio. The impaired loans to the total loan portfolio ratio is 5.6 per cent, 1.7 percentage points higher than the figure recorded in the same period of the prior year, but lower by 0.3 percentage points than the previous quarter. The allowance for loan losses at 31 March 2008 was 137.8 per cent, compared with the one observed in the first quarter of 2008 (134.0%).

The "Plan de Solución HSBC" promotion seeks to improve collections and reduce default among our customers by renegotiating existing credits by granting competitive repayment facilities. Also, the Group's

Management continues to focus its efforts on improving the quality of assets by implementing measures to help strengthen risk management and collections.

## Deposits

The Group's total deposits at the first quarter of 2009 amounted to MXN237,981 million, a decrease of 9.6 per cent compared to the first quarter of the prior year as a consequence of intense competition to attract deposits.

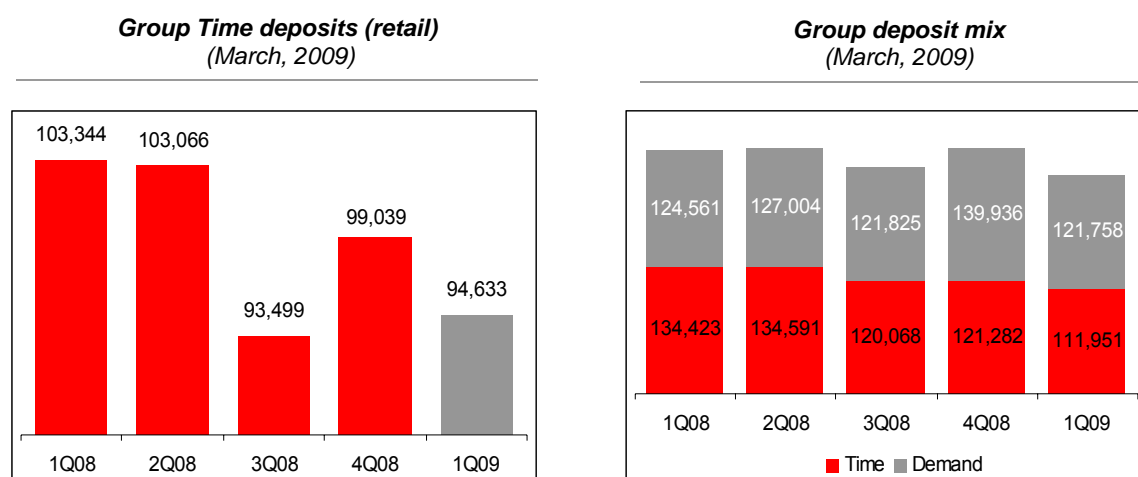
The Group continues reinforcing its savings and investment offer with its "*Cuenta Flexible HSBC*" and "*Cuenta Ahorro HSBC*" products, which adapt to customers needs and offer a comprehensive package of services. In the same way, initiatives have been implemented in order to strengthen our presence in the corporate and government sectors in order to attract deposits.

### ► Demand deposits

At 31 March 2009, demand deposits amounted to MXN121,758 million, 2.3 per cent less compared to the same period of the prior year, which is consistent with market trends.

### ► Time deposits

Total time deposits reduced 16.7 per cent compared to 31 March 2008, mainly due to a decrease of MXN13,761 million in the money market and by MXN8,711 million in time deposits from the general public. Time deposits at the end of the first quarter of 2009 represented 47.9 per cent of the total in the deposit mix (time and demand).



## Shareholder's equity

At 31 March 2009, the Group's shareholders' equity was MXN35,823 million representing a decrease of 2.7 per cent compared to the first quarter of the prior year. Moreover, the Bank's shareholders' equity was MXN28,802 at 31 March 2009, decreasing 6.0 per cent compared to 31 March of the prior year.

## Capital Adequacy Ratio

Bank's capital adequacy ratio at 31 March 2009 was 12.4 per cent, placing it above the authorities' requirements. The Tier 1 capital ratio at the end of the reporting period is 9.7 per cent.

## Financial Statements Grupo Financiero HSBC

### Consolidated Balance Sheet

Figures in MXN millions at March 31, 2009

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

	31 Mar 2008	30 Jun 2008	30 Sep 2008	31 Dec 2008	31 Mar 2009
<b>Assets</b>					
Cash and deposits in banks	53,961	51,596	50,457	74,161	86,326
Investments in Securities	64,293	82,415	62,802	61,701	118,622
Trading securities	30,874	50,311	33,678	24,259	76,932
Available-for-sale securities	29,469	28,080	25,022	28,507	32,681
Held to maturity securities	3,950	4,024	4,102	8,935	9,009
Securities and derivative operations	16,045	16,260	23,461	77,593	45,305
Repurchase agreements	47	42	49	140	770
Collateral received under lending transactions	-	-	-	-	-
Securities deliverable under lending transactions	-	-	-	-	-
Derivative transactions	15,998	16,218	23,412	77,453	44,535
Performing loans					
Commercial loans	126,625	118,585	114,213	100,536	101,531
Commercial entities	71,358	72,561	74,528	75,502	77,041
Loans to financial intermediaries	13,595	14,596	17,213	9,484	8,690
Loans to government entities	41,672	31,428	22,472	15,550	15,800
Consumer loans	48,449	47,872	46,637	43,156	40,098
Mortgages loans	18,978	19,490	18,380	19,002	19,531
Total performing loans	194,052	185,947	179,230	162,694	161,160
Impaired loans					
Commercial loans	2,381	2,246	2,073	2,116	2,319
Commercial entities	2,381	2,246	2,073	2,114	2,319
Loans to financial intermediaries	-	-	-	-	-
Loans to government entities	-	-	-	2	-
Consumer loans	4,294	5,432	6,163	6,533	5,750
Mortgages loans	1,196	1,370	1,565	1,596	1,554
Other	-	-	-	-	-
Total non-performing loans	7,871	9,048	9,801	10,245	9,623
Loan portfolio	201,923	194,995	189,031	172,939	170,783
Allowance for loan losses	(10,549)	(11,238)	(11,970)	(12,862)	(13,258)
Net loan portfolio	191,374	183,757	177,061	160,077	157,525
Receivables	-	-	-	-	-
(-) less					
Provision for doubtful receivables	-	-	-	-	-
Total loan portfolio	191,374	183,757	177,061	160,077	157,525
Other accounts receivable, net	21,172	30,421	16,774	48,552	18,252
Foreclosed assets	89	80	91	97	117
Property, furniture and equipment, net	6,402	6,419	6,478	6,633	6,616
Long term investments in equity securities	3,037	3,263	3,538	3,507	3,322
Deferred taxes, net	1,142	1,805	2,433	2,117	3,254
Goodwill	2,749	2,749	2,749	2,749	2,749
Other assets, deferred charges and intangibles	1,948	2,087	2,153	2,424	2,374
<b>Total Assets</b>	<b>362,212</b>	<b>380,852</b>	<b>347,997</b>	<b>439,611</b>	<b>444,462</b>

Figures in MXN millions at March 31, 2009

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

	<u>31 Mar 2008</u>	<u>30 Jun 2008</u>	<u>30 Sep 2008</u>	<u>31 Dec 2008</u>	<u>31 Mar 2009</u>
<b>Liabilities</b>					
Deposits	263,256	265,849	246,156	265,464	<b>237,981</b>
Demand deposits	124,561	127,004	121,825	139,936	<b>121,758</b>
Time deposits	134,423	134,591	120,068	121,282	<b>111,951</b>
Retail	103,344	103,066	93,499	99,039	<b>94,633</b>
Money market	31,079	31,525	26,569	22,243	<b>17,318</b>
Bank bonds outstanding	4,272	4,254	4,263	4,246	<b>4,272</b>
Bank deposits and other liabilities	7,245	9,529	7,782	10,652	<b>7,658</b>
On demand	-	1,031	-	966	<b>170</b>
Short term	4,591	5,996	5,414	7,840	<b>5,731</b>
Long term	2,654	2,502	2,368	1,846	<b>1,757</b>
Securities and derivative transactions	16,004	15,705	23,958	83,231	<b>122,351</b>
Repurchase agreements	73	53	65	83	<b>76,581</b>
Collateral delivered under lending transactions	-	-	-	-	-
Stock borrowings	-	-	-	-	-
Derivative transactions	15,931	15,652	23,893	83,148	<b>45,770</b>
Other accounts payable	36,239	49,980	30,483	37,554	<b>33,946</b>
Income tax and employee profit sharing payable	1,610	1,595	1,932	1,009	<b>1,004</b>
Sundry creditors and others accounts payable	34,629	48,385	28,551	36,545	<b>32,942</b>
Subordinated debentures outstanding	2,211	2,201	2,205	5,948	<b>6,216</b>
Deferred tax	-	-	-	-	-
Deferred credits	438	480	479	492	<b>487</b>
<b>Total Liabilities</b>	<b>325,393</b>	<b>343,744</b>	<b>311,063</b>	<b>403,341</b>	<b>408,639</b>
<b>Stockholder's Equity</b>					
Paid in capital	21,466	21,466	21,466	21,466	<b>21,466</b>
Capital stock	8,210	8,210	8,210	8,210	<b>8,210</b>
Additional paid in capital	13,256	13,256	13,256	13,256	<b>13,256</b>
Capital Gains	15,351	15,638	15,464	14,799	<b>14,353</b>
Capital reserves	1,162	1,442	1,442	1,442	<b>1,648</b>
Retained earnings	11,863	11,679	11,582	11,582	<b>13,839</b>
Result from the mark-to-market of available-for-sale securities	-	(201)	(1,037)	(2,335)	<b>(1,932)</b>
Results of foreign operations exchange	-	-	-	-	-
Cumulative effect of restatement	-	-	-	-	-
Gains on non-monetary asset valuation	-	-	-	-	-
Valuation of fixed assets	-	-	-	-	-
Valuation of permanent investments	119	-	-	-	-
Adjustment in the pension employee	-	(136)	(136)	-	-
Net Income	2,207	2,854	3,613	4,110	<b>798</b>
Minority interest in capital	2	4	4	5	<b>4</b>
<b>Total Stockholder's Equity</b>	<b>36,819</b>	<b>37,108</b>	<b>36,934</b>	<b>36,270</b>	<b>35,823</b>
<b>Total Liabilities and Capital</b>	<b>362,212</b>	<b>380,852</b>	<b>347,997</b>	<b>439,611</b>	<b>444,462</b>



Figures in MXN millions at March 31, 2009

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

	<u>31 Mar</u> <u>2008</u>	<u>30 Jun</u> <u>2008</u>	<u>30 Sep</u> <u>2008</u>	<u>31 Dec</u> <u>2008</u>	<u>31 Mar</u> <u>2009</u>
<b>Memorandum Accounts</b>					
Transactions on behalf of third parties	107,098	58,094	57,110	57,583	<b>56,554</b>
Customer current accounts	61	11	116	(20)	<b>(38)</b>
Customer banks	2	1	-	2	-
Customer Interests	-	-	144	-	-
Customer Interests receivables	59	10	(28)	(22)	<b>(38)</b>
Customer securities	78,053	27,325	26,813	26,850	<b>27,719</b>
Customer securities in custody	78,044	27,316	26,804	26,841	<b>27,716</b>
Pledged customers securities and documents	9	9	9	9	<b>3</b>
Transactions on behalf of customer	28,984	30,758	30,181	30,753	<b>28,873</b>
Investment on behalf of customers, net	26,528	28,165	25,871	25,694	<b>23,019</b>
Customer repurchase transactions	2,456	2,593	4,310	5,059	<b>5,854</b>
Transactions for the group's own accounts	2,466,865	2,440,935	2,844,274	2,984,913	<b>2,214,462</b>
Accounts for the group's own registry	227,969	493,798	301,940	358,623	<b>379,277</b>
Contingent assets and liabilities	-	-	-	-	<b>131</b>
Guarantees granted	35	34	33	41	<b>38</b>
Irrevocable lines of credit granted	-	-	-	-	<b>10,946</b>
Goods in trust or mandate	170,020	188,624	192,544	197,705	<b>190,490</b>
Goods in custody or under administration	57,914	305,140	109,363	160,877	<b>177,672</b>
Repurchase/resale agreements	(28)	(11)	(16)	56	-
Securities receivable under repos	46,160	35,008	42,613	40,081	<b>5,846</b>
(-)less					
Creditors repo transactions	46,199	35,027	42,652	40,053	<b>5,855</b>
Reverse repo transactions	3,629	12,595	14,552	8,060	<b>5,855</b>
(less)					
Securities deliverable under repos	3,618	12,587	14,529	8,032	<b>5,846</b>
Securities receivable	-	-	-	-	-
Securities receivable under stock borrowing	-	-	-	-	-
(less)					
Securities deliverable under stock borrowing	-	-	-	-	-
(less)					
Accrued interests receivable on non performing loans	-	-	-	-	-
Other registry accounts	<u>2,238,924</u>	<u>1,947,148</u>	<u>2,542,350</u>	<u>2,626,234</u>	<u><b>1,835,185</b></u>

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 3,886 millions.

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**Consolidated Income Statement**

Figures in MXN millions at March 31, 2009

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

	For the quarter ending....				Year to date		
	31 Mar 2008	30 Jun 2008	30 Sep 2008	31 Dec 2008	31 Mar 2009	31 Mar 2008	31 Mar 2009
Interest Income	9,392	9,511	9,566	9,359	<b>8,749</b>	9,392	<b>8,749</b>
Interest expense	<u>(3,141)</u>	<u>(3,233)</u>	<u>(3,033)</u>	<u>(3,247)</u>	<u>(3,372)</u>	<u>(3,141)</u>	<u>(3,372)</u>
Net interest income	<u>6,251</u>	<u>6,278</u>	<u>6,533</u>	<u>6,112</u>	<u>5,377</u>	<u>6,251</u>	<u>5,377</u>
Loan impairment charges	<u>(2,798)</u>	<u>(3,594)</u>	<u>(3,870)</u>	<u>(4,619)</u>	<u>(4,751)</u>	<u>(2,798)</u>	<u>(4,751)</u>
Risk adjusted net interest income	<u>3,453</u>	<u>2,684</u>	<u>2,663</u>	<u>1,493</u>	<u>626</u>	<u>3,453</u>	<u>626</u>
Fees and commissions receivable	3,218	3,178	3,122	3,014	<b>2,789</b>	3,218	<b>2,789</b>
Fees payable	(286)	(288)	(288)	(307)	<b>(246)</b>	(286)	<b>(246)</b>
Trading Income	<u>455</u>	<u>(122)</u>	<u>619</u>	<u>1,607</u>	<u>1,406</u>	<u>455</u>	<u>1,406</u>
Total operating income	<u>6,840</u>	<u>5,452</u>	<u>6,116</u>	<u>5,807</u>	<u>4,575</u>	<u>6,840</u>	<u>4,575</u>
Administrative and personnel expenses	<u>(5,202)</u>	<u>(5,655)</u>	<u>(5,913)</u>	<u>(4,927)</u>	<u>(4,857)</u>	<u>(5,202)</u>	<u>(4,857)</u>
Net operating income	<u>1,638</u>	<u>(203)</u>	<u>203</u>	<u>880</u>	<u>(282)</u>	<u>1,638</u>	<u>(282)</u>
Other income	1,673	847	857	1,149	<b>1,309</b>	1,673	<b>1,309</b>
Other expenses	<u>(235)</u>	<u>(96)</u>	<u>(313)</u>	<u>(1,732)</u>	<u>(347)</u>	<u>(235)</u>	<u>(347)</u>
Net income before taxes	<u>3,076</u>	<u>548</u>	<u>747</u>	<u>297</u>	<u>680</u>	<u>3,076</u>	<u>680</u>
Income tax and employee profit sharing tax	<u>(1,694)</u>	<u>(642)</u>	<u>(927)</u>	<u>232</u>	<u>(1,180)</u>	<u>(1,694)</u>	<u>(1,180)</u>
Deferred income tax	<u>531</u>	<u>460</u>	<u>675</u>	<u>(320)</u>	<u>1,096</u>	<u>531</u>	<u>1,096</u>
Net income before subsidiaries	<u>1,913</u>	<u>366</u>	<u>495</u>	<u>209</u>	<u>596</u>	<u>1,913</u>	<u>596</u>
Undistributed income from subsidiaries	<u>294</u>	<u>282</u>	<u>264</u>	<u>288</u>	<u>202</u>	<u>294</u>	<u>202</u>
Income from ongoing operations	<u>2,207</u>	<u>648</u>	<u>759</u>	<u>497</u>	<u>798</u>	<u>2,207</u>	<u>798</u>
Discontinued and extraordinary operations, and changes in accounting policies, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Minority interest	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>2,207</u>	<u>647</u>	<u>759</u>	<u>497</u>	<u>798</u>	<u>2,207</u>	<u>798</u>

"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 at March 31, 2009

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

From 1 January 2008 to 31 March 2009

	Paid in capital					Earned capital								Minority Interest	Total Stock-holders Equity	
	Capital Stock	Advances for future capital increases	Shares Premiums	Subordinated debentures outstanding	Donations	Capital Reserves	Retained earnings	Surplus (Déficit) from securities	Results of foreign operations exchange	Cumulative effect of restatement	Results from holding non-monetary assets (Valuation of permanent fixed assets)	Results from holding non-monetary assets (Valuation of permanent investments)	Ajustes por obligaciones laborales al retro			Net income
<b>Balances at 31 December 2008</b>	8,210	-	13,256	-	-	1,442	11,582	(2,335)	-	-	-	-	-	4,110	5	36,270
<b>Movements Inherent to the Shareholders Decision</b>																
Subscription of shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	3,904	-	-	-	-	-	-	(4,110)	-	-
Constitution of reserves	-	-	-	-	-	206	-	-	-	-	-	-	-	-	-	206
Cash dividends	-	-	-	-	-	-	(1,647)	-	-	-	-	-	-	-	-	(1,647)
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	206	2,257	-	-	-	-	-	-	(4,110)	-	(1,647)
<b>Movements for the Recognition of the Comprehensive Income</b>																
Net result	-	-	-	-	-	-	-	-	-	-	-	-	-	798	-	798
Surplus (Deficit) from securities	-	-	-	-	-	-	-	403	-	-	-	-	-	-	-	403
Result from translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative effect of restatement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments to retirement fund obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Minority Interest</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)
<b>Total</b>	-	-	-	-	-	-	-	403	-	-	-	-	-	798	(1)	1,200
<b>Balances as at 31 March 2009</b>	<b>8,210</b>	<b>-</b>	<b>13,256</b>	<b>-</b>	<b>-</b>	<b>1,648</b>	<b>13,839</b>	<b>(1,932)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>798</b>	<b>4</b>	<b>35,823</b>

"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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## Consolidated Statement of Changes in Financial Position

Figures in MXN millions at March 31, 2009

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

From 1 January to 31 March 2009

<b>Operating activities:</b>	
<b>Net income</b>	<b>798</b>
<b>Items included in operations not requiring (providing) funds:</b>	
Result from mark-to-market valuations	2,725
Allowances for loan losses	4,751
Depreciation and amortisation	281
Deferred taxes	(1,096)
Minority interest	-
Undistributed income from subsidiaries, net	(202)
Adjustment in the employee pensions	-
Others	(10)
<b>Total operating items not requiring funds</b>	<b><u>7,247</u></b>
<b>Changes in items related to operations:</b>	
Decrease / increase in retail deposit and money desk	(27,484)
Decrease / increase in loan portfolio	(2,200)
Decrease / increase in investment in securities	(61,577)
Decrease / increase in securities and derivative transactions, net	71,408
Bank deposits and other liabilities	(2,994)
<b>Funds provided by operating activities</b>	<b><u><u>(15,600)</u></u></b>
<b>Financing activities:</b>	
Subordinated debentures outstanding	267
Cash dividend	(1,647)
Decrease/increase in accounts payable	(3,605)
<b>Funds used or provided in financing activities</b>	<b><u><u>(4,985)</u></u></b>
<b>Investing activities:</b>	
Property, furniture and equipment, net	2,469
Decrease /increase in deferred charges or credits, net	(46)
Foreclosed assets	(22)
Decrease /increase in accounts receivable	30,349
<b>Funds used in investing activities</b>	<b><u><u>32,750</u></u></b>
Increase /decrease in cash and equivalents	<b>12,165</b>
Cash and equivalents at beginning of period	<u>74,161</u>
<b>Cash and equivalents at end of period</b>	<b><u><u>86,326</u></u></b>

The present consolidated Statement of changes in financial position, 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 changes in financial position, was approved by the Board of Directors under the responsibility of the following officers.

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## Financial Statements HSBC Mexico, S.A.

### Consolidated Balance Sheet

Figures in MXN millions at March 31, 2009

HSBC Mexico, S.A. (Bank)

	31 Mar 2008	30 Jun 2008	30 Sep 2008	31 Dec 2008	31 Mar 2009
<b>Assets</b>					
Cash and deposits in banks	53,961	51,596	50,457	73,603	85,756
Investment in Securities	62,971	81,730	62,150	61,029	118,211
Trading securities	29,939	50,209	33,368	24,000	76,857
Available-for-sale securities	29,082	27,497	24,680	28,093	32,345
Held to maturity securities	3,950	4,024	4,102	8,936	9,009
Repurchase agreements	-	-	-	-	749
Securities and derivative operations	16,043	16,252	23,459	77,587	44,535
Repurchase agreements	45	34	47	134	-
Collateral received under lending transactions	-	-	-	-	-
Securities deliverable under lending transactions	-	-	-	-	-
Derivative transactions	15,998	16,218	23,412	77,453	44,535
Performing loans					
Commercial loans	126,625	118,585	114,213	100,536	101,531
Commercial entities	71,358	72,561	74,528	75,502	77,041
Loans to financial intermediaries	13,595	14,596	17,213	9,484	8,690
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Mortgages loans	18,978	19,490	18,380	19,002	19,531
Total performing loans	194,052	185,947	179,230	162,694	161,160
Impaired loans					
Commercial loans	2,381	2,246	2,073	2,116	2,319
Commercial entities	2,381	2,246	2,073	2,114	2,319
Loans to financial intermediaries	-	-	-	-	-
Loans to government entities	-	-	-	2	-
Consumer loans	4,294	5,432	6,163	6,533	5,750
Mortgage Loans	1,196	1,370	1,565	1,596	1,554
Immediate collection, remittances and other	-	-	-	-	-
Total non-performing loans	7,871	9,048	9,801	10,245	9,623
Total loan portfolio	201,923	194,995	189,031	172,939	170,783
Allowance for loan losses	(10,549)	(11,238)	(11,970)	(12,862)	(13,258)
Net loan portfolio	191,374	183,757	177,061	160,077	157,525
Receivables	-	-	-	-	-
(-) less					
Provision for doubtful receivables	-	-	-	-	-
Total loan portfolio	191,374	183,757	177,061	160,077	157,525
Other accounts receivable	21,109	30,313	16,567	48,474	17,927
Foreclosed assets	89	80	91	97	117
Property, furniture and equipment, net	6,390	6,407	6,466	6,622	6,606
Long term investments in equity securities	146	121	128	139	149
Deferred taxes	1,087	1,810	2,410	2,134	3,278
Other assets, deferred charges and intangibles .....	1,914	2,057	2,111	2,372	2,334
<b>Total Assets</b>	<b>355,084</b>	<b>374,123</b>	<b>340,900</b>	<b>432,134</b>	<b>437,187</b>

Figures in MXN millions at March 31, 2009

**HSBC Mexico, S.A. (Bank)**

	<u>31 Mar 2008</u>	<u>30 Jun 2008</u>	<u>30 Sep 2008</u>	<u>31 Dec 2008</u>	<u>31 Mar 2009</u>
<b>Liabilities</b>					
Deposits	263,393	266,019	246,338	265,697	<b>238,153</b>
Demand deposits	124,698	127,174	122,007	140,169	<b>121,930</b>
Time deposits	134,423	134,591	120,068	121,282	<b>111,951</b>
Bank bonds outstanding	4,272	4,254	4,263	4,246	<b>4,272</b>
Bank deposits and other liabilities	7,245	9,529	7,782	10,652	<b>7,658</b>
On demand	-	1,031	-	966	<b>170</b>
Short term	4,591	5,996	5,414	7,840	<b>5,731</b>
Long term	2,654	2,502	2,368	1,846	<b>1,757</b>
Repurchase agreements	-	-	-	-	<b>76,560</b>
Securities and derivative transactions	16,004	15,697	23,956	83,226	<b>45,770</b>
Repurchase agreements	73	45	63	78	-
Collateral received under lending transactions	-	-	-	-	-
Stock borrowings	-	-	-	-	-
Derivative transactions	15,931	15,652	23,893	83,148	<b>45,770</b>
Other accounts payable	35,142	49,744	30,131	37,286	<b>33,541</b>
Income tax and employee profit sharing payable	1,546	1,540	1,875	879	<b>955</b>
Sundry creditors and others accounts payable	33,596	48,204	28,256	36,407	<b>32,586</b>
Subordinated debentures outstanding	2,211	2,201	2,205	5,948	<b>6,216</b>
Deferred tax	-	-	-	-	-
Deferred credits	438	480	479	492	<b>487</b>
<b>Total Liabilities</b>	<u>324,433</u>	<u>343,670</u>	<u>310,891</u>	<u>403,301</u>	<u>408,385</u>
<b>Stockholder's Equity</b>					
Paid in capital	15,883	15,883	15,883	15,883	<b>15,883</b>
Capital stock	4,272	4,272	4,272	4,272	<b>4,272</b>
Additional paid in capital	11,611	11,611	11,611	11,611	<b>11,611</b>
Capital Gains	14,767	14,568	14,124	12,948	<b>12,917</b>
Capital reserves	10,577	12,797	12,797	12,797	<b>14,314</b>
Retained earnings	2,196	-	-	-	-
Surplus (Deficit) from securities	256	(296)	(1,077)	(2,368)	<b>(1,940)</b>
Results of foreign operations exchange	-	-	-	-	-
Cumulative effect of restatement	-	-	-	-	-
Gains on non monetary asset valuation	-	-	-	-	-
Adjustment in the pension employee	(136)	(136)	(136)	-	-
Net Income	1,874	2,203	2,540	2,519	<b>543</b>
Minority interest in capital	1	2	2	2	<b>2</b>
Total Stockholder's Equity	<u>30,651</u>	<u>30,453</u>	<u>30,009</u>	<u>28,833</u>	<u>28,802</u>
<b>Total Liabilities and Capital</b>	<u>355,084</u>	<u>374,123</u>	<u>340,900</u>	<u>432,134</u>	<u>437,187</u>

Figures in MXN millions at March 31, 2009

**HSBC Mexico, S.A. (Bank)**

	<u>31 Mar</u> <u>2008</u>	<u>30 Jun</u> <u>2008</u>	<u>30 Sep</u> <u>2008</u>	<u>31 Dec</u> <u>2008</u>	<u>31 Mar</u> <u>2009</u>
<b>Memorandum Accounts</b>					
Guarantees granted	35	34	33	41	38
Contingent assets and liabilities	-	-	-	-	131
Irrevocable lines of credit granted	-	-	-	-	10,946
Other contingent obligations	129	130	131	134	-
Irrevocable lines of credit granted	10,761	9,081	9,721	10,827	-
Goods in trust or mandate	170,020	188,624	192,544	197,705	190,490
Goods	169,351	187,889	192,003	197,048	189,451
Trusts	669	735	541	657	1,039
Collateral received by the institution	-	-	-	-	173,725
Goods in custody or under administration	53,969	301,195	105,415	156,930	749
Third party investment banking operations, net	26,528	28,165	25,871	25,694	23,019
Amounts committed in transactions with IPAB for Fobaproa	141	143	148	151	154
Amounts contracted in derivative operations	1,628,602	1,306,093	1,914,946	2,038,702	1,263,141
Investments of retirement savings system funds	3,540	-	-	-	-
Integrated loan portfolio	212,720	204,111	198,785	183,806	181,767
Other control accounts	383,027	427,589	418,617	392,613	389,373
	<u>2,489,472</u>	<u>2,465,165</u>	<u>2,866,211</u>	<u>3,006,603</u>	<u>2,233,533</u>
Securities receivable under repos	43,715	32,423	38,321	35,042	-
(less) Repurchase agreements	<u>(43,743)</u>	<u>(32,434)</u>	<u>(38,342)</u>	<u>(34,994)</u>	-
	<u>(28)</u>	<u>(11)</u>	<u>(21)</u>	<u>48</u>	-
Reverse repurchase agreements	1,173	10,002	10,242	3,001	-
(less) Securities deliverable under repos	<u>(1,173)</u>	<u>(10,002)</u>	<u>(10,237)</u>	<u>(2,993)</u>	-
	<u>-</u>	<u>-</u>	<u>5</u>	<u>8</u>	-
Securities deliverable under stock borrowing	-	-	-	-	-
(Less) Receivables as guarantee for securities lending	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-

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 2,471 millions.

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**Consolidated Income Statement**

Figures in MXN millions at March 31, 2009

**HSBC Mexico, S.A. (Bank)**

For the quarter ending

Year to date

	31 Mar 2008	30 Jun 2008	30 Sep 2008	31 Dec 2008	31 Mar 2009	31 Mar 2008	31 Mar 2009
Interest income	9,389	9,491	9,531	9,368	8,656	9,389	<b>8,656</b>
Interest expense	(3,143)	(3,232)	(3,004)	(3,290)	(3,288)	(3,143)	<b>(3,288)</b>
Net interest income	<u>6,246</u>	<u>6,259</u>	<u>6,527</u>	<u>6,078</u>	<u>5,368</u>	<u>6,246</u>	<u><b>5,368</b></u>
Loan impairment charges	2,798	3,594	3,870	4,619	4,751	2,798	<b>4,751</b>
Loan impairment charges	<u>2,798</u>	<u>3,594</u>	<u>3,870</u>	<u>4,619</u>	<u>4,751</u>	<u>2,798</u>	<u><b>4,751</b></u>
Risk adjusted net interest income	<u>3,448</u>	<u>2,665</u>	<u>2,657</u>	<u>1,459</u>	<u>617</u>	<u>3,448</u>	<u><b>617</b></u>
Fees and commissions receivable	3,011	2,957	2,926	2,829	2,604	3,011	<b>2,604</b>
Account management	336	356	315	325	271	336	<b>271</b>
Services	<u>2,675</u>	<u>2,601</u>	<u>2,611</u>	<u>2,504</u>	<u>2,333</u>	<u>2,675</u>	<u><b>2,333</b></u>
Fees payable	(280)	(277)	(291)	(322)	(257)	(280)	<b>(257)</b>
Trading Income	455	(127)	617	1,605	1,404	455	<b>1,404</b>
Foreign exchange	(33)	(167)	944	3,849	4,080	(33)	<b>4,080</b>
Securities trading, net	(15)	42	(8)	(38)	(46)	(15)	<b>(46)</b>
Repos	(3)	-	-	-	-	(3)	<b>-</b>
Swaps	(116)	110	320	175	171	(116)	<b>171</b>
Valuation off-shore agencies	319	72	(1,026)	(1,412)	(3,140)	319	<b>(3,140)</b>
Valuation for trading swaps	<u>303</u>	<u>(184)</u>	<u>387</u>	<u>(969)</u>	<u>339</u>	<u>303</u>	<u><b>339</b></u>
Total operating income	<u>6,634</u>	<u>5,218</u>	<u>5,909</u>	<u>5,571</u>	<u>4,368</u>	<u>6,634</u>	<u><b>4,368</b></u>
Administrative and personnel expenses	5,083	5,374	5,738	5,079	4,754	5,083	<b>4,754</b>
Personnel expense	2,137	2,142	2,616	1,987	2,078	2,137	<b>2,078</b>
Administrative expense	2,688	2,960	2,848	2,820	2,395	2,688	<b>2,395</b>
Depreciation and amortization	<u>258</u>	<u>272</u>	<u>274</u>	<u>272</u>	<u>281</u>	<u>258</u>	<u><b>281</b></u>
Net operating income	<u>1,551</u>	<u>(156)</u>	<u>171</u>	<u>492</u>	<u>(386)</u>	<u>1,551</u>	<u><b>(386)</b></u>
Other income	1,694	855	781	998	1,319	1,694	<b>1,319</b>
Other expenses	(255)	(223)	(368)	(1,520)	(345)	(255)	<b>(345)</b>
Net income before taxes	<u>2,990</u>	<u>476</u>	<u>584</u>	<u>(30)</u>	<u>588</u>	<u>2,990</u>	<u><b>588</b></u>
Income tax and employee profit sharing	(1,650)	(635)	(921)	304	(1,137)	(1,650)	<b>(1,137)</b>
Deferred income tax	<u>521</u>	<u>469</u>	<u>666</u>	<u>(308)</u>	<u>1,083</u>	<u>521</u>	<u><b>1,083</b></u>
Net income before subsidiaries	<u>1,861</u>	<u>310</u>	<u>329</u>	<u>(34)</u>	<u>534</u>	<u>1,861</u>	<u><b>534</b></u>
Undistributed income from subsidiaries	13	20	8	13	10	13	<b>10</b>
Income from ongoing operations	<u>1,874</u>	<u>330</u>	<u>337</u>	<u>(21)</u>	<u>544</u>	<u>1,874</u>	<u><b>544</b></u>
Discontinued and extraordinary operations, and changes in accounting policies, net	-	-	-	-	-	-	<b>-</b>
Minority interest	-	(1)	-	-	(1)	-	<b>(1)</b>
Net income (loss)	<u>1,874</u>	<u>329</u>	<u>337</u>	<u>(21)</u>	<u>543</u>	<u>1,874</u>	<u><b>543</b></u>

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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## Consolidated Statement of Changes in Shareholder's Equity

Figures in MXN millions

HSBC Mexico, S.A. (Bank)

From 1 January 2008 to 31 March 2009

	Paid in capital					Earned Capital							Minority interest	Total stockholder's Equity		
	Capital Stock	Advances for future capital increases	Shares Premium	Subordinated debentures outstanding	Donations	Capital Reserves	Retained earnings	Surplus (Deficit) from securities	Cash for hedge reserve	Results of foreign operations exchange	Cumulative effect of restatement	Results from holding non-monetary assets			Adjustments to retirement fund obligations	Net Income
<b>Balances at 31 December 2008</b>	4,272	-	11,611	-	-	12,797	-	(2,368)	-	-	-	-	-	2,519	2	28,833
<b>Movements Inherent to the Shareholders Decision</b>																
Subscription of shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	-	1,517	(1,517)	-	-	-	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	-	-	2,519	-	-	-	-	-	-	(2,519)	-	-
Cash dividends	-	-	-	-	-	-	(1,002)	-	-	-	-	-	-	-	-	(1,002)
<b>Total</b>	-	-	-	-	-	1,517	-	-	-	-	-	-	-	(2,519)	-	(1,002)
<b>Movements for the Recognition of the Comprehensive Income</b>																
Net result	-	-	-	-	-	-	-	-	-	-	-	-	-	543	-	543
Result from valuation of available-for-sale securities	-	-	-	-	-	-	-	428	-	-	-	-	-	-	-	428
Cash for hedge reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Result from translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative effect of restatement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments to retirement fund obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Minority Interest</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	428	-	-	-	-	-	543	-	971
<b>Balances as at 31 March 2009</b>	4,272	-	11,611	-	-	14,314	-	(1,940)	-	-	-	-	-	543	2	28,802

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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## Consolidated Statement of Changes in Financial Position

Figures in MXN millions

From 1 January 2008 to 31 March 2009

HSBC Mexico, S.A. (Bank)

### Operating activities:

<b>Net income</b>	<b>543</b>
<b>Items included in operations not requiring (providing) funds:</b>	
Result from mark to market valuations	2,725
Allowance for loan losses	4,751
Depreciation and amortisation	281
Deferred taxes	(1,082)
Undistributed income from subsidiaries, net	(9)
Value loss estimation for foreclosed assets	2
Adjustment in the employee pensions	-
Minority interest	1
Other	-
<b>Total operating items not requiring funds</b>	<b>7,212</b>

### Changes in operating accounts:

Decrease/increase in retail deposit and money desk	(27,544)
Decrease/increase in loan portfolio	(2,200)
Decrease/increase in securities and derivative transactions, net	68,696
Decrease/increase in financial instruments	(56,837)
Bank deposits and other liabilities	(2,994)
<b>Funds provided by operations</b>	<b>(13,667)</b>

### Financing activities:

Subordinated debentures outstanding	267
Cash dividend	(1,002)
Contributions or reimbursements of capital contributed	(3,745)
Decrease/increase in accounts payable	-
<b>Funds used or provided by financing activities</b>	<b>(4,480)</b>

### Investing activities:

Property, furniture and equipment and long-term investments	(266)
Decrease/increase in deferred credits	3
Decrease/increase in foreclosed assets	(22)
Decrease/increase in accounts receivable	30,585
<b>Funds used in investing activities</b>	<b>30,300</b>
Increase/decrease in cash and equivalents	<b>12,153</b>
Cash and equivalents at beginning of period	73,603
<b>Cash and equivalents at end of period</b>	<b>85,756</b>

The present statement of changes in financial position 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 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 at March 31, 2009

#### Investments in securities

	<u>31 Mar</u> 2008	<u>30 Jun</u> 2008	<u>30 Sep</u> 2008	<u>31 Dec</u> 2008	<u>31 Mar</u> 2009
Government securities	27,786	46,395	30,972	19,466	<b>74,374</b>
Bank securities	1,250	2,918	1,163	3,917	<b>1,690</b>
Shares	1,037	113	113	113	<b>66</b>
Others	801	885	1,430	763	<b>802</b>
Trading securities	<u>30,874</u>	<u>50,311</u>	<u>33,678</u>	<u>24,259</u>	<u><b>76,932</b></u>
Government securities	23,214	19,809	17,260	24,394	<b>29,004</b>
Bank securities	318	1,330	210	-	-
Obligations and other securities	5,266	5,921	6,538	3,063	<b>3,326</b>
Shares	671	1,020	1,014	1,050	<b>351</b>
Available for sale securities	<u>29,469</u>	<u>28,080</u>	<u>25,022</u>	<u>28,507</u>	<u><b>32,681</b></u>
Sovereign debt securities	-	-	-	-	-
Commercial and industrial subordinated debentures	2	2	-	-	-
Special Cetes (net)	3,948	4,022	4,102	4,183	<b>4,263</b>
MYRAS	-	-	-	-	-
Bank securities	-	-	-	320	<b>324</b>
Corporate securities	-	-	-	4,432	<b>4,422</b>
Securities held to maturity	<u>3,950</u>	<u>4,024</u>	<u>4,102</u>	<u>8,935</u>	<u><b>9,009</b></u>
Total Financial Instruments	<u>64,293</u>	<u>82,415</u>	<u>62,802</u>	<u>61,701</u>	<u><b>118,622</b></u>

In the first quarter of 2009 investment in securities increased by MXN 56,921 million compared to prior first; mainly by MXN59,519 million increase in government securities, MXN302 million in promissory note securities, in promissory note MXN(2,234), MXN(745) million in shares and increase in other by MXN79 million

## Repos

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

Figures in MXN millions at March 31, 2009

	<u>31 Mar</u> <u>2008</u>	<u>30 Jun</u> <u>2008</u>	<u>30 Sep</u> <u>2008</u>	<u>31 Dec</u> <u>2008</u>	<u>31 Mar</u> <u>2009</u>
Government securities (debit)	45,417	34,164	41,969	39,382	<b>5,846</b>
Bank securities (debit)	694	810	584	582	-
Valuation Increase (decrease)	34	20	18	80	-
Interest in securities receivable under repurchase agreements	15	14	42	37	-
Total in repo agreements (debit)	<u>46,160</u>	<u>35,008</u>	<u>42,613</u>	<u>40,081</u>	<u><b>5,846</b></u>
Repo's Government securities (credit)	45,428	34,173	41,987	39,402	<b>5,855</b>
Repo's Bank securities (credit)	694	810	584	582	-
Valuation increase (decrease)	3	(1)	(1)	(2)	-
Accrued interest payable	74	45	82	71	-
Credit balance in repo agreements	<u>46,199</u>	<u>35,027</u>	<u>42,652</u>	<u>40,053</u>	<u><b>5,855</b></u>
Repurchase agreements in government securities	3,629	11,593	14,536	8,059	<b>5,855</b>
Repurchase agreements in banking securities	-	1,000	-	-	-
Valuation increase (decrease)	-	-	-	-	-
Accrued interest receivable	-	2	16	1	-
Debit balance repo securities agreements	<u>3,629</u>	<u>12,595</u>	<u>14,552</u>	<u>8,060</u>	<u><b>5,855</b></u>
Government securities	3,618	11,585	14,518	8,039	<b>5,846</b>
Bank securities	-	1,000	-	-	-
Valuation increase (decrease)	-	-	1	(9)	-
Interest in securities deliverable under repurchase agreements	-	2	10	2	-
Credit balance repo securities agreements	<u>3,618</u>	<u>12,587</u>	<u>14,529</u>	<u>8,032</u>	<u><b>5,846</b></u>

## Derivative Financial Instruments

### HSBC Mexico, S.A. (Bank)

Figures in MXN millions at March 31, 2009

	<i>Futures</i>		<i>Forwards</i> <i>Contracts</i>		<i>Options</i>		<i>Swaps</i>		<i>Total</i> <i>(net)</i>
	<i>Asset</i> <i>position</i>	<i>Liability</i> <i>position</i>	<i>Asset</i> <i>position</i>	<i>Liability</i> <i>position</i>	<i>Asset</i> <i>position</i>	<i>Liability</i> <i>position</i>	<i>Asset</i> <i>position</i>	<i>Liability</i> <i>position</i>	
For trading									
Pesos	-	-	139,577	89,416	40,612	40,675	-	-	50,098
US Dollars	-	-	84,684	135,039	1	15	555,388	556,825	(51,806)
Interest Rate	5,848	5,848	100	376	-	-	861,915	861,166	473
Total	<u>5,848</u>	<u>5,848</u>	<u>224,361</u>	<u>224,831</u>	<u>40,613</u>	<u>40,690</u>	<u>1,417,303</u>	<u>1,417,991</u>	<u>(1,235)</u>
For hedging									
Pesos	-	-	-	-	-	-	3,723	-	-
US Dollars	-	-	-	-	-	-	-	5,283	-
Interest Rate	-	-	-	-	-	-	11,945	13,214	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,668</u>	<u>18,497</u>	<u>-</u>

## Participation by Subsidiary

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

Group Subsidiaries at March 31, 2009

	Number of Shares owned by subsidiaries	Participation Percentage	Number of Shares owned by HSBC Group
HSBC México, S.A.	1,235,526,706	99.99%	1,235,450,480
HSBC Seguros, S.A. de C.V.	392,200	99.99%	392,199
HSBC Afore, S.A. de C.V.	225,500	99.99%	225,499
HSBC Fianzas, S.A.	759,985,454	97.22%	738,877,715
HSBC Casa de Bolsa, S.A. de C.V.	72,727,272	99.99%	72,727,271
HSBC Global Asset Management (México), S.A. de C.V.	1,000	99.90%	999
HSBC Servicios, S.A. de C.V.	100	99.00%	99
<b>Total</b>	<b>2,068,858,232</b>		<b>2,047,674,262</b>

## Trading income

### HSBC Mexico, S.A. (Bank)

Figures in MXN millions at March 31, 2009

	<i>For the quarter ending...</i>				<i>Year to date</i>		
	<i>31 Mar 2008</i>	<i>30 Jun 2008</i>	<i>30 Sep 2008</i>	<i>31 Dec 2008</i>	<i>31 Mar 2009</i>	<i>31 Mar 2009</i>	
<b>Valuation</b>	546	(181)	(999)	(1,414)	<b>(3,139)</b>	546	<b>(3,139)</b>
Derivatives	547	(185)	(842)	(161)	<b>(530)</b>	547	<b>(530)</b>
Repos	(1)	4	-	1	<b>(2)</b>	(1)	<b>(2)</b>
Debt Securities	-	-	71	1,336	<b>(4)</b>	-	<b>(4)</b>
Foreign Exchange	-	-	(228)	(2,590)	<b>(2,603)</b>	-	<b>(2,603)</b>
<b>Buying and Selling Instruments</b>	(91)	54	1,616	3,019	<b>4,543</b>	(91)	<b>4,543</b>
Foreign Currency	(33)	(167)	943	3,850	<b>4,080</b>	(33)	<b>4,080</b>
Derivatives	(40)	237	414	(676)	<b>260</b>	(40)	<b>260</b>
Repos	4	(24)	20	-	<b>0</b>	4	<b>0</b>
Shares	(22)	8	26	-	<b>6</b>	(22)	<b>6</b>
Debt Securities	-	-	213	(155)	<b>197</b>	-	<b>197</b>
<b>Total</b>	455	(127)	617	1,605	<b>1,404</b>	455	<b>1,404</b>

## Loan Portfolio

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

#### By type of currency

Figures in MXN millions at March 31, 2009

	Commercial or Business Activity	Financial Intermediaries	Government Entities	Consumer Loans	Mortgage Loans	Total
<b>Performing Loan Portfolio</b>						
Pesos	49,618	8,324	14,375	40,098	19,526	131,941
US Dollars	27,423	366	1,425	-	5	29,219
Udis Banxico	-	-	-	-	-	-
<b>Total</b>	<b>77,041</b>	<b>8,690</b>	<b>15,800</b>	<b>40,098</b>	<b>19,531</b>	<b>161,160</b>
<b>Non Performing Loans Portfolio</b>						
Pesos	2,103	-	-	5,750	1,554	9,407
US Dollars	216	-	-	-	-	216
Udis Banxico	-	-	-	-	-	-
<b>Total</b>	<b>2,319</b>	<b>-</b>	<b>-</b>	<b>5,750</b>	<b>1,554</b>	<b>9,623</b>

The IPAB obligations named Tramo II Serie F and Tramo II matured on April 3, 2006.

## Ratings HSBC México, S.A.

### HSBC Mexico, S.A. (Bank)

	Moody's	Standard & Poor's	Fitch
<b>Global scale ratings</b>			
<b>Foreign currency</b>			
Long term	-	BBB+	A
Long term deposits	Baa1		
Short term	P-2	A-2	F1
<b>Local Currency</b>			
Long term obligations	Aa2	BBB+	-
Long term deposits	Aa2	BBB+	-
Short term	P-1	A-2	
<b>BFSR (Moody's)</b>	C	-	-
<b>Individual / Support rating (Fitch)</b>	-	-	C / 1
<b>National scale / Local currency</b>			
Long term	Aaa.mx	mxAAA	AAA (mx)
Short term	MX-1	mxA -1+	F1+ (mx)
<b>Outlook</b>	Stable (m)	Negative	Stable
<b>Last update</b>	20-Nov-08	20-Feb-09	24-Sep-08

## Loan Portfolio Grading

### HSBC Mexico, S.A. (Bank)

Figures in MXN millions at March 31, 2009

	<i>Total loan portfolio</i>	<i>Allowance for Loan Losses by type of loan</i>			<i>Total reserves</i>
		<i>Commercial loans</i>	<i>Consumer loans</i>	<i>Mortgages loans</i>	
Exempted from rating	8,405				
Graded	173,361				
<b>Risk A</b>	<b>83,792</b>	<b>396</b>	<b>60</b>	<b>55</b>	<b>512</b>
Risk A-1	57,000	138	60	55	254
Risk A-2	26,792	258	0	0	258
<b>Risk B</b>	<b>76,578</b>	<b>2,845</b>	<b>1,151</b>	<b>135</b>	<b>4,131</b>
Risk B-1	47,656	397	717	135	1,250
Risk B-2	24,851	1,769	434	0	2,202
Risk B-3	4,341	679	0	0	679
<b>Risk C</b>	<b>5,722</b>	<b>698</b>	<b>1,692</b>	<b>159</b>	<b>2,548</b>
Risk C-1	5,258	499	1,692	159	2,349
Risk C-2	464	199	0	0	199
<b>Risk D</b>	<b>4,632</b>	<b>396</b>	<b>2,339</b>	<b>678</b>	<b>3,412</b>
<b>Risk E</b>	<b>2,637</b>	<b>937</b>	<b>1,609</b>	<b>109</b>	<b>2,655</b>
Total	<b>181,766</b>	<b>5,272</b>	<b>6,850</b>	<b>1,136</b>	<b>13,258</b>
Less:					
Constituted Reserves					<b>13,258</b>
Surplus					<b>0</b>

1. The rating and constitution of reserves correspond to last day of the balance sheet at 31 March 2009.

2. The lending portfolio is graded according to the rules for grading 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 Committee), and if it is the case, according to the internal methodology authorized by the CNBV. For the second stage of the commercial lending portfolio, the institution will use the CNBV methodology, published on December 2, 2005. For the Consumer Lending portfolio and the Mortgage portfolio, the Institution will use the methodology of the regulation document published on December 2, 2005.

## Non – Performing Loans

### HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	At the quarter ending				
	31 Mar 2008	30 Jun 2008	30 Sep 2008	31 Dec 2008	31 Mar 2009
<b>Initial Balance of Impaired Loans</b>	8,025	7,871	9,048	9,801	<b>10,245</b>
Increases	7,641	6,781	6,666	6,975	<b>6,409</b>
Transfer of current loans to past due status	7,641	6,781	6,666	6,975	<b>6,409</b>
Decreases	(7,797)	(5,601)	(5,935)	(6,605)	<b>7,031</b>
Restructurings	(95)	(221)	(162)	(120)	<b>64</b>
Liquidated credits	(6,465)	(3,600)	(4,195)	(4,983)	<b>5,351</b>
Charged in cash	(3,733)	(860)	(1,112)	(1,194)	<b>1,053</b>
Foreclosed assets	-	(17)	(13)	(9)	<b>17</b>
Writeoffs	-	-	-	-	<b>0</b>
Sale of portfolio	(2,732)	(2,723)	(3,070)	(3,780)	<b>4,281</b>
Transfer to performing loan status	(1,237)	(1,780)	(1,578)	(1,502)	<b>1,626</b>
Fx revaluations	2	(3)	22	74	<b>10</b>
<b>Final Balance of Impaired Loan</b>	<b>7,871</b>	<b>9,048</b>	<b>9,801</b>	<b>10,245</b>	<b>9,623</b>

## Deferred Taxes

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

Figures in MXN millions at March 31, 2009

	31 Mar 2008	30 Jun 2008	30 Sep 2008	31 Dec 2008	31 Mar 2009
Loan loss reserves	2,139	2,710	3,434	2,137	3,100
Valuation of securities	(548)	(309)	(494)	(294)	(128)
Fiscal loss	28	7	7	6	6
Other reserves	268	232	241	744	619
PTU Payable	308	171	237	389	485
Foreclosed assets	174	164	169	19	72
Stocks VISA & Mastercard	(185)	(170)	(170)	-	-
Other	101	110	109	125	109
Differences in rates of fixed assets	(520)	(487)	(464)	(307)	(285)
Fiscal result UDIS-Banxico	(623)	(623)	(636)	(702)	(724)
<b>Total Deferred Taxes</b>	<b>1,142</b>	<b>1,805</b>	<b>2,433</b>	<b>2,117</b>	<b>3,254</b>



## Funding, Loans and Investments in Securities

### HSBC Mexico, S.A. (Bank)

Funding and bank loans – Average Interest rates

	<i>At the quarter ending</i>				
	<i>31 Mar 2008</i>	<i>30 Jun 2008</i>	<i>30 Sep 2008</i>	<i>31 Dec 2008</i>	<i>31 Mar 2009</i>
MXN pesos					
Funding	3.42%	3.74%	3.64%	3.62%	<b>3.40%</b>
Bank and other loans	7.39%	7.42%	7.82%	8.26%	<b>7.79%</b>
Foreign currency					
Funding	1.27%	0.86%	0.77%	0.50%	<b>0.28%</b>
Bank and other loans	4.73%	3.06%	3.00%	3.51%	<b>1.99%</b>
UDIS					
Funding	0.20%	0.19%	0.19%	0.19%	<b>0.19%</b>

## 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 THIE (interbank rate) of the previous month; THIE (interbank rate) plus 60 basis points and THIE (interbank rate) plus 200 basis points of the previous month, respectively.

Figures in historic MXN millions

<i>Instrument</i>	<i>Issue Date</i>	<i>Amount</i>	<i>Currency</i>	<i>Interest payable</i>	<i>Amount in circulation</i>	<i>Maturity Date</i>
		<i>MXN millions</i>			<i>MXN millions</i>	
INTENAL 03	24-NOV-2003	2,200	MXN	11	2,211	25-NOV-2013
HSBC 08	30-SEP-2008	1,818	MXN	6	1,823	20-SEP-2018
HSBC 08-2	18-DEC-2008	2,172	MXN	9	2,182	10-DEC-2018
		<b>6,190</b>		<b>26</b>	<b>6,216</b>	

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

Figures in historic MXN millions

<i>Instrument</i>	<i>Issue Date</i>	<i>Amount</i>	<i>Currency</i>	<i>Interest payable</i>	<i>Amount in circulation</i>	<i>Maturity Date</i>
		<i>MXN millions</i>			<i>MXN millions</i>	
Certified Marketable Securities	10-MAY-2006	4,220	MXN	52	4,272	27-ABR-2016
		<b>4,220</b>		<b>52</b>	<b>4,272</b>	

## Capital

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

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#### **Grupo Financiero HSBC**

The Ordinary Shareholders Meeting, held on March 30, 2009, approved the following distribution of the year 2008 financial results, amounting to MXN4,110 million:

- ▶ Five per cent, MXN206 million, to increase legal reserves, and the remaining MXN2,257 million, at the Board's determination to be applied under the concept of previous year's financial results.

On March 30, 2009 one notice was published in accordance to the agreement of the Board meeting, held on March 31, 2009, a dividend of \$0.847564982 shall be paid per share for each one of the 1,943,032,139 shares. Such dividend was paid on one disbursement on March 31 of 2009.

The capital stock is included in the amount of MXN3,886 million, represented by 1,943,032,139 shares..

#### **Subsidiaries Grupo Financiero HSBC**

##### **HSBC Mexico, S.A.**

HSBC Mexico, S.A., net income in 2008, figure that was audited by Despacho KPMG Cárdenas Dosal, S.C., was MXN2,519 million.

The Ordinary Shareholders Meeting, held on March 30, 2009, approved the following distribution of the year 2008 financial results in the following accounting distribution:

Ten per cent to increase legal reserves MXN252 million, a dividend of \$0.81133657 shall be paid per share for each one of the 1,235'526,706 shares outstanding. Such dividends were paid on one disbursement on March 30 of 2009 for MXN1,002 million and the remaining MXN1,265 million to other reserves.

The capital stock was settled at MXN2,471 million, represented by 1,235'526,706 shares.

##### **HSBC Casa de Bolsa, S.A. de C.V.**

The Ordinary Shareholders Meeting, approved to affect the net income recorded in 2008 amounting to MXN95 million to retained earnings in accordance to the Board decision.

##### **HSBC Afore, S.A. de C.V.**

On March, 2009, it was ordered the payment of dividend by MXN100 million. Such dividend was paid on one disbursement on March of 2009.

## Capital Ratio

### HSBC Mexico, S.A. (Bank)

Figures in MXN millions at March 31, 2009

	<u>31 Mar</u> <u>2008</u>	<u>30 Jun</u> <u>2008</u>	<u>30 Sep</u> <u>2008</u>	<u>31 Dec</u> <u>2008</u>	<u>31 Mar</u> <u>2009</u>
% of assets subject to credit risk					
Tier 1	16.26%	15.40%	14.74%	13.79%	14.40%
Tier 2	1.91%	1.89%	1.84%	3.74%	3.96%
Total regulatory capital	<u>18.17%</u>	<u>17.30%</u>	<u>16.58%</u>	<u>17.53%</u>	<u>18.36%</u>
% of assets subject to credit and market risk <sup>1/</sup>					
Tier 1	11.84%	12.04%	11.23%	10.09%	9.72%
Tier 2	1.39%	1.48%	1.40%	2.74%	2.67%
Total regulatory capital	<u>13.23%</u>	<u>13.53%</u>	<u>12.63%</u>	<u>12.83%</u>	<u>12.39%</u>
Tier 1	28,267	26,988	25,818	25,289	25,715
Tier 2	<u>3,322</u>	<u>3,315</u>	<u>3,219</u>	<u>6,860</u>	<u>7,073</u>
Total regulatory capital	<u>31,589</u>	<u>30,303</u>	<u>29,037</u>	<u>32,149</u>	<u>32,788</u>
RWA credit risk	173,848	175,196	175,118	183,381	178,623
RWA market risk <sup>1/</sup>	64,119	45,815	49,253	58,907	74,688
Operational risk	<u>713</u>	<u>3,026</u>	<u>5,543</u>	<u>8,291</u>	<u>11,271</u>
RWA credit and market risk	<u>238,680</u>	<u>224,037</u>	<u>229,914</u>	<u>250,579</u>	<u>264,589</u>

<sup>1/</sup> As of March 2008 market risk weighted assets include operational risk.

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.

## Other Expenses, Other Income and Extraordinary Items

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

Figures in MXN millions at March 31, 2009

	<i>For the quarter ending</i>					<i>Year to date</i>	
	<u>31 Mar</u> <u>2008</u>	<u>30 Jun</u> <u>2008</u>	<u>30 Sep</u> <u>2008</u>	<u>31 Dec</u> <u>2008</u>	<u>31 Mar</u> <u>2009</u>	<u>31 Mar</u> <u>2008</u>	<u>31 Mar</u> <u>2009</u>
Other income							
Loans to employees	40	43	44	46	<b>44</b>	40	<b>44</b>
Recoveries	252	295	323	258	<b>475</b>	252	<b>475</b>
Other income	<u>1,381</u>	<u>509</u>	<u>490</u>	<u>845</u>	<b>790</b>	<u>1,381</u>	<b>790</b>
	<u>1,673</u>	<u>847</u>	<u>857</u>	<u>1,149</u>	<b>1,309</b>	<u>1,673</u>	<b>1,309</b>
Other expenses							
Other losses	<u>(235)</u>	<u>(96)</u>	<u>(313)</u>	<u>(1,732)</u>	<b>(347)</b>	<u>(235)</u>	<b>(347)</b>
	<u>(235)</u>	<u>(96)</u>	<u>(313)</u>	<u>(1,732)</u>	<b>(347)</b>	<u>(235)</u>	<b>(347)</b>
Total other income (expenses)	<u>1,438</u>	<u>751</u>	<u>544</u>	<u>(583)</u>	<b>962</b>	<u>1,438</u>	<b>962</b>

► Other income is integrated by expense reimbursements, profits from property sales, furniture and equipment, management services, updates and other.

## 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 *March* 31, 2009 is shown below:

Figures in MXN millions

	Bank	Pension funds	Brokerage house	Mutual funds management	Services	Group	Total
<b>Balance Sheet</b>							
Cash and deposits in banks	-	1	94	-	44	34	173
Demand deposits	(173)	-	-	-	-	-	(173)
Repos (assets)	-	-	9	-	-	-	9
Reverse repos (liabilities)	(9)	-	-	-	-	-	(9)
Sundry debtors (assets)	311	-	12	3	-	-	326
Sundry creditors (liabilities)	(6)	(8)	(17)	(64)	(231)	-	(326)
<b>Total</b>	<b>123</b>	<b>(7)</b>	<b>98</b>	<b>(61)</b>	<b>(187)</b>	<b>34</b>	<b>-</b>
<b>P&amp;L</b>							
Payable commissions	-	(4)	(17)	(103)	-	-	(124)
Receivable commissions	105	-	16	3	-	-	124
Interest income	-	-	2	-	-	-	2
Interest expense	(2)	-	-	-	-	-	(2)
Repos	(91)	-	-	-	-	-	(91)
Reverse repos	-	-	91	-	-	-	91
Administrative services	-	(7)	(7)	(9)	(351)	-	(374)
Other income	374	-	-	-	-	-	374
<b>Total</b>	<b>386</b>	<b>(11)</b>	<b>85</b>	<b>(109)</b>	<b>(351)</b>	<b>-</b>	<b>-</b>

## 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 Personal Financial Services (PFS), Commercial Banking (CMB), Global Banking and Markets (former name Corporate, Investment Banking and Markets -CIBM), and other corporate activities (OAC). The following is a brief description of the customer segments:

*Personal Financial Services (PFS)* – 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* – 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.

*Other Corporate Activities* – This segment includes other business structural operations not covered in the above categories as profit obtain from the rent of corporate buildings, sale of fixed assets and non-performing loans, when they no longer belong to any other segment, centrally registering recovered interests and loan provisions from this segment.

The consolidated incomes statement information condensed by segments as of *March 31, 2009*, is shown below:

*Figures in MXN millions at March 31, 2009*

	Year to date at 31 March 2009				Total
	PFS	CMB	CIBM	OAC	
Net Interest Income	4,251	1,393	(267 )	0	5,377
Provision for Loan Loss	4,393	322	36	0	4,751
<b>Net Interest Income adjusted</b>	<b>(142 )</b>	<b>1,071</b>	<b>(303 )</b>	<b>0</b>	<b>626</b>
Fees and Commissions, net	1,803	550	190	0	2,543
Trading Income	104	30	1,272	0	1,406
<b>Total Revenue</b>	<b>1,765</b>	<b>1,651</b>	<b>1,159</b>	<b>0</b>	<b>4,575</b>
Administrative Expenses	3,098	1,280	479	0	4,857
<b>Operating Income</b>	<b>(1,333 )</b>	<b>371</b>	<b>680</b>	<b>0</b>	<b>(282)</b>
<b>Other Income (Expenses), net</b>	<b>553</b>	<b>294</b>	<b>115</b>	<b>0</b>	<b>962</b>
<b>Profit Before Taxes</b>	<b>(780 )</b>	<b>665</b>	<b>795</b>	<b>0</b>	<b>680</b>
<b>Taxes</b>	<b>(96 )</b>	<b>82</b>	<b>98</b>	<b>0</b>	<b>84</b>
<b>Net Income before subsidiaries</b>	<b>(684 )</b>	<b>583</b>	<b>697</b>	<b>0</b>	<b>596</b>
Undistributed income from subsidiaries	202	0	0	0	202
Continued Operating Results	(482 )	583	697	0	798
Discontinued Operating Results	0	0	0	0	0
<b>Net Income</b>	<b>(482 )</b>	<b>583</b>	<b>697</b>	<b>0</b>	<b>798</b>
Minority Shareholders	0	0	0	0	0
<b>Participated Net Income</b>	<b>(482 )</b>	<b>583</b>	<b>697</b>	<b>0</b>	<b>798</b>

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

### Grupo Financiero HSBC

HSBC Holdings plc, the parent of Grupo Financiero HSBC S.A. de C.V. reports its results under International Financial Reporting Standards (IFRS). There follows a reconciliation of the results of Grupo Financiero HSBC S.A. de C.V. from Mexican GAAP to IFRS for the first quarter ended 31 March 2009 and an explanation of the key reconciling items.

<i>Figures in MXN millions</i>	<b>31 Mar. <u>2009</u></b>
<b>Grupo Financiero HSBC – Net Income Under Mexican GAAP</b>	<b>798</b>
Differences arising from:	
Valuation of pensions and post retirement healthcare benefits †	18
Acquisition costs relating to long-term investment contracts †	(13)
Deferral of fees received and paid on the origination of loans	20
Recognition and provisioning for loan impairments †	327
Purchase accounting adjustments †	(6)
Recognition of the present value in-force of long-term insurance contracts †	2
Tax criteria	(51)
Other †	214
<b>HSBC México net income under IFRS</b>	<b><u>1,309</u></b>
<b>US dollar equivalent (millions)</b>	<b>91</b>
Add back tax expense	548
<b>HSBC México profit before tax under IFRS</b>	<b><u>1,857</u></b>
<b>US dollar equivalent (millions)</b>	<b>129</b>
<i>Exchange rate used for conversion</i>	<b>14.4</b>

† Net of tax at 28 per cent.

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

##### **Valuation of pensions and post retirement healthcare benefits**

###### **Mexican GAAP**

Obligations are recognised in the Income Statement of each year based on actuarial computations of the present value of those obligations using the projected unit credit method and real interest rates.

Unrecognised past service costs are amortised on an estimated service life of the employees.

###### **IFRS**

Obligations are recognised in the Income Statement of each year based on actuarial computations of the present value of those obligations using the projected unit credit method.

Actuarial gains and losses are recognised in stockholders equity as they arise.

Unrecognised past service cost are recognised in the Income Statement as they arise.

##### **Acquisition costs of long-term investment contracts**

###### **Mexican GAAP**

All costs related to the acquisition of long-term investment contracts are expensed as they are incurred.

###### **IFRS**

Incremental costs relating to the acquisition of long-term investment contracts are deferred and amortised over the expected life of the contract.

**Fees paid and received on origination of loans****Mexican GAAP**

All fees received on loan origination are deferred and amortised over the life of the loan using straight line method. However, this policy was introduced 1 January 2007, all fees having previously been recognised up front.

**IFRS**

Fees and expenses received or paid on origination of a loan that are directly attributable to the origination of that loan are accounted for under the effective interest rate method over the expected life of the loan. This policy has been in effect since 1 January 2005.

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

*(continued)*

**Loan impairment charges****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 authorised methodologies for determining the amount of provision for each type of loan.

**IFRS**

Loan loss provisions for collectively assessed loans are determined based on a roll-rate methodology reflecting history of losses for each category of loan, past due payments and collateral values. For individually assessed loans, loan loss provisions are calculated based on the discounted cash flow value of the collateral.

**Purchase accounting adjustments**

These arise from valuations made by HSBC on acquiring Grupo Financiero Bital in November 2002 on various assets and liabilities that differed from the valuation in the local Mexican GAAP books.

**Recognition of 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**

A value is placed on insurance contracts that are classified as long-term insurance business and are in-force at the balance sheet date. The present value of in-force long-term insurance business is determined by discounting future earnings expected to emerge from business currently in force using appropriate assumptions in assessing factors such as recent experience and general economic conditions.

## Risk Management

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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 risks (operational 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

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

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 fulfills 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)

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This committee also meets monthly, reporting to the Management Board and Asset and Liabilities Committee (ALCO).

The Risk Management Committee has three external members – one of them serving as President, so independent opinions and regulatory compliance is achieved. Internally, the member areas are: Executive Direction, Risks Management, CMB, CIBM, PFS, Finance, Audit, Treasury, Global Markets, Planning, Economic Capital, Legal and the Liquidity, Market and Subsidiaries Risks Management areas.

The main objectives of this committee are to:

- ▶ Develop mechanisms to identify actual and potential risks.
- ▶ Value material risk and its potential impact to the bank.
- ▶ Provide advanced solutions to improve risk exposure or mitigate specific and relevant risks.
- ▶ Develop a clear mapping of risk exposure and tendencies in the credit, market, and other risk areas, including potential change of the business strategy.
- ▶ Manage relevant, contingency, and mitigation risks along with consolidated report risk to be presented in the ALCO.



- ▶ Track market, credit, and other relevant risks. Additionally, review and approve objectives, operation, and control procedures along with risk tolerance based on market conditions.

## Market Risk Management

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### 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, thereby 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.).
- ▶ **Basic or margin risk.** - This risk arises when an instrument is utilized for hedging and each one of them is valued 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.

### 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. From January 2006 on, 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-valuing 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)

### **Credit Spread Risk (CSO1)**

Credit spread risk or CSO1 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.

### **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.

### **Applicable portfolios:**

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

The VaR is calculated for each one of the mentioned portfolios and is also itemized by risk factors (Interest Rates and Exchange Rates). The PVBP risk is presented by interest rate and portfolio subdivision (Accrual and Trading).

According to the International Accounting Standards 39 (IAS), the “MMT” portfolio (Money Market Trading) and BST (Balance Sheet Trading) should be part of the “Trading” portfolio for market VaR calculation, but it has to be part of the “Accrual” portfolio for PVBP calculation. In the middle of 2007, the AFR portfolio has been included as a part of the Total Trading VaR, this presents the same characteristics of the portfolios previously mentioned. From December 28<sup>th</sup>, 2008, the positions of AFR were moved into AFS. In this same date a reclassification of AFS and Trading portfolio was realized to place them into Held to Maturity (HTM). For all the previous, a report with the international standard (IAS) is generated as well as another one for local intentions (Local GAAP)

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

### **Quantitative Information**

Below, the market VaR and the Bank’s PVBP will be presented and their subdivisions in the “Trading” and “Accrual” portfolios for the first quarter of 2009 (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.

## Corporate Sustainability (CSR)

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### From Corporate Responsibility to Corporate Sustainability

In HSBC we look for actions to maintain a balance between environment, society and profitability of our business, establishing long term relations with our clients, assuring, in this way, the success of HSBC along the time. We provide support in a multidimensional way, and this will affect in today's people as well as to the future generations.

We continue with our efforts to disseminate and implement the strategy for sustainability of HSBC, which recognizes that the continued financial success of the Group depends on our ability to manage and consider the non-financial information related to our business. This demonstrates that the financial issues are not isolated from our central operations and functions and are an integral part of the way in which we operate. We prefer to use the terms "Corporate Sustainability" instead of "Corporate Responsibility" since it describes in more detail our direct management of environmental impacts, the risk of sustainability and business opportunities, as well as our investment activities in the communities.

Our mission is to be recognized by our actions like a leading company in sustainability helping to make México a better country.

Our vision is to create financial products that generate profits with features and benefits to sustainability, providing added value to society, client bank, as well as leading a sustainable and replicable model in the financial sector including education, counseling and care for the environment, creating a cultural change that involves our government and related and empowering our employees as a driving force in implementing the programs.

For HSBC, sustainability is taking decisions in order to maintain proper balance between the environment, society and economy to ensure a successful long-term business

Our objectives are:

- Improve the quality of life among the Mexicans
- To place HSBC as a sustainable bank (social and environmental) in México
- Generate more revenue to the bank

According to HSBC Holdings policies to support education, environment and the community, HSBC Mexico donated MXN12,971,221 in the first quarter of 2009.

### Education

Human Capital, intellectual and education are factors that HSBC considers as essential for the progress of nations. HSBC contemplates that investment in children education is also very important since many children and young people can not reach their full potential owed to the lack of resources and opportunities.

Therefore, through our social programs, we seek to positively impact the lives of these children and adolescents by involving directly and providing financial support to projects that provide access to higher quality education, which in turn creates a positive attitude among children and young people and opens opportunities for success, creating a better future for themselves and, eventually, a better quality of life for their families.

### Our Programs

#### Children's Rights

The program's objective is the diffusion of children's rights through workshops, and regional meetings aiming to sensitize the media, authorities and society at large of the importance of creating a culture on the treatment of children. The channels for the delivery of our customers are via ATM's, RAP and personal connections.

In order to confirm our commitment to the program, in the month of March was held at the Auditorio Nacional in Mexico City, the First Festival of the right of children, achieving an attendance of 9000 children. The program is conducted jointly with *Save the Children*, *Fundación CIE* and the group *HA-ASH* (duet Mexican Pop Music Art)

#### Beyond the money

In partnership with *IMPULSA* we are working actively in the financial education program suited to primary students of 5th and 6<sup>th</sup> grade in primary school. The students will be able to understand the fundamentals of money and will apply these skills to their everyday lives. Also, the students will identify the importance of management money in decision making. The classes will be given by our volunteers

**Let's Learn**

We started the program in partnership with the Ministry of Public Education (SEP) and *Pro- Educación* in order to improve the educational quality through a comprehensive educational support, training and empowering students, teachers and parents.

The program will be implemented in 15 primary public schools, full time in the Federal District (DF). The main objective is: to raise the education level received by the students so that they can have access to the best educational practices and programs that enable them to get more opportunities in the future.

**Child Development Centers**

In partnership with *Save the Children* and the State Governments, we are enabling Community Centers that will support the development of poor children on a regional level in which they will receive counseling, psychological help, medical assistance, and educative formation through play and games.

**Let's Participate!**

In partnership with Read-A IBBY and The Ministry of Public Education (SEP) was formed The Reading Circle Youth Secondary DF. The goal is to make reading a part of everyday life of young high school and through this, approach other artistic expression. We are closer to 80 secondary schools (7% in DF) and 2400 students will be attended.

The approach to the reading program is part of a range of formative offer divided into seven main fields: (Math, Spanish, Science, Ethics and Civic Education, Arts Education, Physical Education and Information Technologies and Communication) which will provide alternative spaces for learning, recreation and socialization for young people who attend secondary schools. The format of workshops based on leisure activities seeks to encourage the development of learning skills by competences and this will affect positively a better educational performance.

**Sponsor them!**

The campaign *Sponsor them!* Is an initiative from Mexican Bank Association (AMB Asociación Mexicana de Bancos), Fundación Televisa and twelve financial institutions more, including HSBC México. The campaign has begun renovating and improving our collect channels such as ATM's, personal connections, bank branches and RAP accounts.

**Learning and Skills Building. - Working together with Fundación Quiera (ABM)**

The program is to provide resources, alliances and links to increase efficiency in the assistance for homeless children, provide strategic information and experience through the following areas:

Interchange and learning, sharing results, systematize and validate successful models; Research, study and diagnosis on the problematic situation of homeless children or risk. Diffusion, sharing results, better practices and sharing results concerning to research and studies.

**Environment**

In HSBC Mexico we are working actively to reduce the direct impact of its operations in the environment. In this, the headquarters in Mexico City, Torre HSBC, continues implementing energy saving systems to reduce atmospheric emissions. Systems to reduce water consumption and recycle water as well as policies and processes for better management of waste. We have LEED certification awarded by the U.S. Green Building Council, making it the first building of its kind in Mexico and Latin America, in having this certification.

HSBC is also involved into the communities, directly in their programs to improve sustainability and to find better and greener ways of living under a view to sustainability, as part of this plan, HSBC is working on the following programs:

**Safe Planet**

Through our Green Insurance Verde, since 2009 the program will be transforming from conservation and recovery of forests in priority regions of the country to a focus on sustainable development of rural communities through the labor of protection, restoration and enhancement of ecosystems. By 2009, we will have doubled the regions where we operate, estimating a total of 9, with an investment of 11.9 MP, assisting 87 communities and more than 97,000 acres.

**Sustainable Communities**

In partnership with Naturalia, we implemented a set of productive projects, conservation, restoration, education and training that directly benefits the community to achieve sustainable development in the region, in 5 years we pretend to consolidate sustainable productive and conservation projects to improve the quality of life of the community of San Juan Atzingo (State of Mexico), without compromising its natural resources, ensuring environmental services for the region and surrounding urban areas.

**Sustainability Room**

In partnership with the Museo Interactivo de Economía (MIDE) is being developed the first room of global sustainability in Latin America. It will include the social, environmental and economic means of permanent and interactive displays with the latest technology to help reduce impacts of climate change. Under the Banking Convention held in March, MIDE and HSBC set up an stand with graphic panels showing the aims and objectives that will have the room of Sustainability.

**Community**

Under the principle of supporting a society in which we operate, HSBC has developed various programs to support the community, under the following programs:

**Culture**

Sponsorship of the exhibition of English Sculptor Anthony Gormley, in Monterrey and Mexico City, one of the most renowned sculptors worldwide and more prestigious at international level for the importance of his work. The work of this artist is an attempt to clarify and understand the concept of space, from the analysis of physical and mental structures through which it is built. Therefore, the work of Antony Gormley has been viewed as an extraordinary effort to achieve, through the language of sculpture, exploring the human experience of freedom.

**Health**

With the aim of reducing the death rate in children and young people with cancer (70,000 per year) HSBC and Fundación Rebeca de Alba, launched the campaign "Dreams that must go on" we will be raising funds through ATMs, personal connection and RAP accounts. The resources will be allocated to 6 subject specialists institutions located in Tijuana, Monterrey, Guadalajara, Zacatecas, Guerrero

**Emergencies**

In March, started the restoration of the City Park Recreation Atasta, Villahermosa, Tabasco. The park became a multipurpose space, which means that it will serve as a recreational, sporting, environmental, and educational as well as temporary shelter. This is the first kind of park in Mexico.

The Municipal Government Center, Universidad Juárez Autónoma de Tabasco and the ex-Timbiriche Benny joined the project.

**In Conclusion**

HSBC Mexico, for his commitment, has been recognized by Latin Finance magazine as the third sustainable bank in Latin America and the first in Mexico and for the fourth consecutive year, the Mexican Center for Philanthropy, awarded the distinction of a Socially Responsible Company HSBC Mexico.

**Contacts**

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