

# Grupo Financiero HSBC

*Financial information at 31 March 2010*

## 1Q10

- ▶ **Press Release**
- ▶ **Quarterly Report**
- ▶ **First Quarter 2010**

*Release date:  
30 April 2010*



30 April 2010

**GRUPO FINANCIERO HSBC, S.A. DE C.V.  
FIRST QUARTER 2010 FINANCIAL RESULTS – HIGHLIGHTS**

- Total operating income for the quarter ended 31 March 2010 was MXN5,324 million, up by MXN568 million or 11.9 per cent compared with MXN4,756 million in the same period in 2009.
- Net income for the quarter ended 31 March 2010 was MXN855 million, up by MXN57 million or 7.1 per cent compared with MXN798 million for the same period in 2009.
- Profit before tax for the quarter ended 31 March 2010 was MXN400 million, down by MXN281 million or 41.3 per cent compared with MXN681 million for the same period in 2009.
- Loan impairment charges for the first quarter of 2010 were MXN2,613 million, down by MXN2,138 or 45 per cent compared with MXN4,751 million for the same period in 2009.
- Net loans and advances to customers were MXN145.5 billion at 31 March 2010, down by MXN12.0 billion or 7.6 per cent compared with MXN157.5 billion at 31 March 2009. Total impaired loans as a percentage of gross loans and advances to customers improved to 4.2 per cent from 5.6 cent compared to 31 March 2009 and the coverage ratio was 149.2 per cent compared to 137.8 per cent at 31 March 2009.
- Time and demand deposits were MXN220.9 billion at 31 March 2010, down by MXN12.8 billion or 5.5 per cent compared with MXN233.7 billion at 31 March 2009.
- Return on equity was 7.2 per cent for quarter ended 31 March 2010, compared with 8.8 per cent for the same period in 2009.
- At 31 March 2010, the bank's capital adequacy ratio was 17.3 per cent. The tier 1 capital ratio was 13.5 per cent.

*HSBC Mexico S.A. (the Bank) is Grupo Financiero HSBC, S.A. de C.V.'s (Grupo Financiero 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 2010) 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).*

*Figures for the financial statements for 2009 have been reclassified for comparative purposes following changes in local accounting rules deployed in 2009.*

## Overview

The Mexican economy has shown strong signs of recovery during the first quarter of 2010 and GDP is forecast to grow by at least 3.6 per cent in 2010 compared to a contraction of 6.5 per cent in 2009. The annual consumer price index rate is forecast to increase to 5 per cent from 3.6 per cent in 2009. This is largely attributable, however, to an increase in taxes and public tariffs at the beginning of this year. As economic growth remains below economic capacity, the overnight interest rate, currently at 4.5 per cent, is forecast to remain stable until the fourth quarter of 2010. The Mexican peso has benefited from liquidity in international markets and positive interest rate differentials and consequently appreciated to 12.35 to the US dollar from 13.1 at the end of 2009.

During 2010, Grupo Financiero HSBC will focus on strengthening relationships with its customers while at the same time maintaining solid capitalization ratios, sound liquidity and disciplined expense control.

For the quarter ended 31 March 2010, Grupo Financiero HSBC's net income was MXN855 million, an increase of MXN57 million or 7.1 per cent compared to the same period in 2009. This increase is mainly driven by the decline in loan impairment charges and a lower taxation expense. This was partially offset by a decrease in trading income, net fee income, net interest income and an increase in administrative expenses.

Net interest income was MXN5,166 million, a decrease of MXN212 million or 3.9 per cent compared to the same period in 2009. This reduction was mainly driven by lower margins on customer deposits driven by decreased market interest rates, and lower consumer portfolio volumes, particularly credit cards.

Loan impairment charges at 31 March 2010 were MXN2,613 million, a decrease of MXN2,138 million or 45 per cent compared to the same period in 2009. This reduction is mainly due to lower portfolio volumes, particularly consumer loans, improved risk management and stronger collections operations. The decrease in loan impairment charges was achieved despite MXN233 million of additional reserve requirements resulting from local regulatory changes in the methodology for calculating provisions for consumer loans introduced in the third quarter of 2009.

Risk adjusted net interest income for the quarter ended 31 March 2010 was MXN2,553 million, up by MXN1,926 million or 307.2 per cent compared with MXN627 million in the same period in 2009.

Net fee income was MXN2,060 million, a decrease of MXN483 million or 19 per cent compared to the same period in 2009. This decrease is mainly due to a reduction in credit card fees driven by lower portfolio volumes, lower transactional volumes from payments and cash management and a reduction in account management fees.

Trading income was MXN460 million, a decrease of MXN946 million or 67.3 per cent compared to the same period in 2009. This decrease is mainly driven by lower foreign exchange and debt instrument trading, partially offset by an increase in derivative trading.

Administrative expenses were MXN5,566 million, an increase of MXN709 million or 14.6 per cent compared to the same period in 2009. A large component of this increase is related to expenditure on infrastructure and technological projects and expenditure in relation to maintenance of the branch network. The cost:efficiency ratio was 70.1 per cent for the quarter ended 31 March 2010, compared with 51.1 per cent for the same period in 2009.

Net other income was MXN642 million, a decrease of MXN140 million or 17.9 per cent compared to the same period in 2009. This decrease is mainly due to lower non recurring income from a special promotion of VISA products in 2009 offset by a decrease in operating losses.

The performance of our non-banking subsidiaries, particularly HSBC Seguros, contributed positively to Grupo Financiero HSBC's quarterly results, reporting a net profit of MXN 342.8 million at 31 March 2010, an increase of 81.8 per cent compared with the same period in 2009. The higher results were driven by growth in net premium income as a result of the launch of new products during the second and third quarters of 2009, lower claims particularly in individual life products, and higher investment income driven by increases in interest rate positions.

Net loans and advances to customers decreased MXN12.0 billion, or 7.6 per cent to MXN145.5 billion at 31 March 2010 compared to 31 March 2009. This decrease was largely a result of the economic slowdown in 2009, reduced risk appetite and more prudent credit origination criteria.

Total impaired loans decreased 31.4 per cent to MXN6,599 million at 31 March 2010 compared to 31 March 2009. This decrease is mainly due to a 51.4 per cent reduction in non-performing consumer loans. Total impaired loans as a percentage of gross loans and advances to customers improved to 4.2 per cent from 5.6 per cent at 31 March 2009.

Total loan loss allowances at 31 March 2010 were MXN9,847 million, a decrease of MXN3,411 million or 25.7 per cent compared to 31 March 2009.

The total coverage ratio (allowance for loan losses divided by impaired loans) was 149.2 per cent at 31 March 2010, compared to 137.8 per cent at 31 March 2009.

Total deposits decreased by MXN12.8 billion or 5.4 per cent to MXN225.2 billion at 31 March 2010 compared to 31 March 2009. Demand deposits were MXN121.9 billion, largely unchanged from 31 March 2009. US dollar demand deposits were lower as a consequence of the elimination of dollar cash transactions in our branch network in the first quarter 2009, offset by higher MXN peso demand deposits. Total time deposits decreased by MXN12.9 billion or 11.5 per cent principally as a result of lower money market deposits as funding requirements decreased in line with lower asset balances.

At 31 March 2010, the bank's capital adequacy ratio was 17.3 per cent compared to 12.4 per cent at 31 March 2009. The tier 1 capital ratio was 13.5 per cent compared to 9.7 per cent at 31 March 2009. This increase is a result of the MXN8,954 million capital injection received in the fourth quarter of 2009.

## **Business Highlights**

### **Personal Financial Services**

During the first quarter of 2010, Personal Financial Services (PFS) continued the implementation of the new business model in the branch network, focussing on increasing productivity and improving customer service through the alignment of all service channels (ATMs, call centres, and internet banking).

As at 31 March 2010, the performing consumer loan portfolio decreased MXN 12.1 billion, or 30.2 per cent, to MXN28.0 billion compared to 31 March 2009. This trend is consistent within the banking industry where, to differing degrees, banks have reduced exposure and tightened credit origination criteria.

Improvements in the quality of the credit card portfolio were achieved through cautious underwriting criteria (targeting the internal customer base) and through the launch of targeted credit reactivation strategies. Monthly average purchases per active credit card increased by approximately 30 per cent, strengthening our purchasing volume market share.

During the month of March, the "Uno con Uno" mortgage product was launched, aimed at providing customers with a competitive product while at the same time strengthening long-term customer relationships.

During the first quarter of 2010, PFS continued to focus on improving the customer experience through redesigning sales and operations to facilitate product access through all distribution channels, maintaining time deposit market share and setting the foundations for demand deposits growth. As of March 2010 total average MXN peso deposits increased 2.1 per cent largely driven by a 5.4 per cent increase in time deposits as a result of the continuous promotion of our deposit products, offset by a 1.6 per cent decrease in average MXN peso demand deposits.

### **Commercial Banking**

During the first quarter of 2010, Commercial Banking focused on increasing customer deposits and strengthening customer relationships. As a result average MXN peso total deposits increased 7.9 per cent driven by growth in customer time deposits. Additionally, in accordance with the strategy, CMB strengthened its presence in the States and Municipalities segment increasing average loan balances year on year.

CMB continued implementing pricing initiatives to business banking offerings making them more competitive. Specialised Business Banking service teams located in the branch network completed training to improve service to Business Banking customers and strengthen our position in this important segment.

### **Global Banking and Markets**

Global Markets had a positive start to the year. Balance Sheet Management achieved strong results through correct interest rate positioning and the sale of certain available for sale securities.

Grupo Financiero HSBC is currently ranked third in the Debt Capital Markets League Tables as at 31 March 2010. During the first quarter, the bank participated as both joint lead manager and bookrunner in the majority of the main transactions, including the Pemex corporate bond issuance which was the largest issuance ever in the Mexican debt capital market.

Global Banking results were affected by lower loan portfolio volumes mainly due to loan prepayments, as well as lower spreads and fees. During the fourth quarter of 2009 and the first quarter of 2010, clients have increasingly accessed the bond markets as a means of obtaining lower cost funding. HSBC Global Markets has benefited from this trend and HSBC continues to hold a leading position in the bond market.

### **About HSBC**

Grupo Financiero HSBC, S.A. de C.V. is one of the leading financial groups in Mexico with 1,191 branches, 6,358 ATMs, approximately 7.7 million customer accounts and more than 19,200 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 8,000 offices in 88 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa and assets of US\$2,364 billion at 31 December 2009, 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*

	<b>31 Mar 2009</b>	<b>30 Jun 2009</b>	<b>30 Sep 2009</b>	<b>31 Dec 2009</b>	<b>31 Mar 2010</b>
a) Liquidity	153.49%	132.42%	124.03%	119.80%	<b>140.61%</b>
<b>Profitability</b>					
b) ROE (Return over equity)	8.85%	(1.64)%	9.82%	3.73%	<b>7.17%</b>
c) ROA (Return over assets)	.72%	(0.14)%	.90%	0.37%	<b>0.86%</b>
<b>Asset quality</b>					
d) Impaired loans/total loans	5.63%	6.43%	5.75%	4.96%	<b>4.25%</b>
e) Coverage ratio	137.78%	126.51%	121.32%	131.60%	<b>149.21%</b>
<b>Capitalization</b>					
f) Credit risk	18.36%	20.91%	22.14%	28.85%	<b>29.62%</b>
g) Credit and market risk operational	12.39%	13.42%	13.51%	17.81%	<b>17.35%</b>
<b>Operating efficiency</b>					
h) Expenses/Total Assets	4.40%	5.39%	5.14%	5.93%	<b>5.57%</b>
i) NIM	5.46%	5.41%	5.38%	5.82%	<b>5.65%</b>
<b>Infrastructure</b>					
Branches	1,189	1,190	1,190	1,191	<b>1,191</b>
ATM	5,918	5,992	6,084	6,249	<b>6,358</b>
Head Count	19,599	19,130	18,984	19,222	<b>19,287</b>

*For the quarter ended at*

a) *Liquidity = Liquid Assets / Liquid Liabilities.*

*Liquid Assets = Cash and deposits in banks + Trading securities + Available for sale securities*

*Liquid Liabilities = Demand deposits + Bank deposits and other on demand + Bank deposits and other short term liabilities*

b) *ROE = Annualized quarter net income / Average shareholders equity.*

c) *ROA = Annualized quarter net income / Average total assets.*

d) *Impaired loans balance at quarter end / Total loans balance at quarter.*

e) *Coverage ratio = Balance of provisions for loan losses at quarter end / Balance of impaired loans*

f) *Capitalization ratio by credit risk = Net capital / Credit risk weighted assets.*

g) *Capitalization ratio by credit and market risk operational = Net capital / Credit and market risk weighted assets.*

h) *Operating efficiency = Expenses / Total assets*

i) *NIM = Annualized net interest income / Average performing assets.*

*Performing assets = Cash and deposits in banks + Investments in securities + Repurchase agreements + Derivatives operations + Performing loans.*

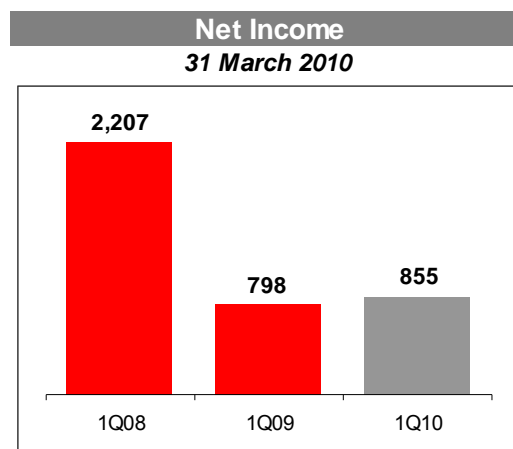
*The averages utilized correspond to the average balance of the quarter in study and the balance of the previous quarter.*

## Income Statement Variance Analysis

### Net Income

Grupo Financiero HSBC's net income for the quarter ended 31 March 2010 was MXN855million, an increase of MXN57 million (7.1%) compared to the same period in 2009.

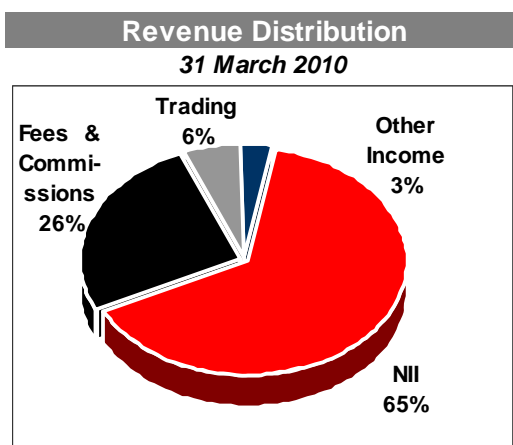
The results of HSBC Seguros recorded a profit of MXN324.7 million, which represents an increase of MXN154 million or 81.8 per cent compared to the same period in 2009, contributing in a positive way to the Group's results.



### Total Operating Income

The Group's total operating income for the quarter ended 31 March 2009, before loan impairment charges, was MXN7,937 million, a decrease of MXN1,570 million (16.5%) compared to the same period of 2009. This decrease is mainly due to the decrease in trading income of MXN946 million and net fee income of MXN212 million compared to the first quarter of 2009, partially offset by an increase in other income of MXN71 million.

Total operating income for the quarter ended 31 March 2010, after loan impairment charges, was MXN5,324 million, an increase of MXN568 million (11.9%) compared to the same period of the prior year. Revenues were benefited by the MXN2,138 million decrease in loan impairment charges compared to the same period in 2009.



### Net Interest Income

Net interest income decreased by MXN212 million during the first quarter of 2010, reaching MXN5,166 million, a 3.9 per cent decrease compared to the same period in 2009.

Net interest income has been affected by a decrease of 18.6 per cent in interest income. This decrease is driven by lower margins on customer deposits driven by decreased market interest rates, and lower consumer portfolio volumes, particularly credit cards.

### Non-interest Income

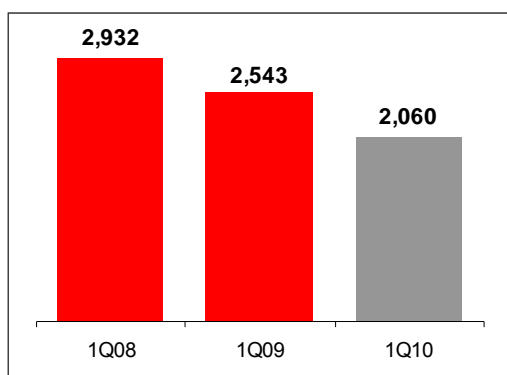
Non-interest income for the first quarter of 2010 was MXN2,771 million; a decrease of MXN1,358 million or 32.9 per cent compared to the same period in 2009.



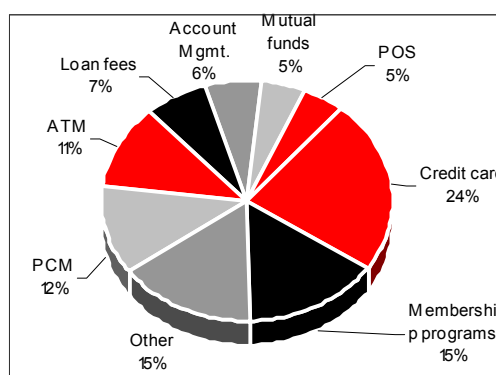
► **Fee income**

The Group's net fee income for the first quarter 2010, was MXN2,060 million, a decrease of MXN483 million or 19.0 per cent compared to the same period in 2009. Fee income fell due to a reduction in credit card fees driven by lower portfolio volumes, lower transactional volumes from payments and cash management and a reduction in account management fees.

**Group Fees & Commissions**  
31 March 2010



**Bank's Fees & Commissions Distribution**  
31 March 2010



Account management fees decreased by 39.4 per cent compared to the same period in 2009, mainly driven by lower income from returned checks and lower fees related to minimum balances.

**Credit card** fees decreased by 39.0 per cent compared to the same period in 2009, mainly as a result of lower loan origination, coupled with decreased income from cash withdrawals.

ATMs fees decreased by 26.8 per cent compared to the same period in 2009, mainly due to lower transaction volumes.

During the first quarter of 2010, total fee income obtained by the Bank amounted to MXN1,839 million, which represents 89.3 per cent of the Group's total net commissions.

► **Trading income**

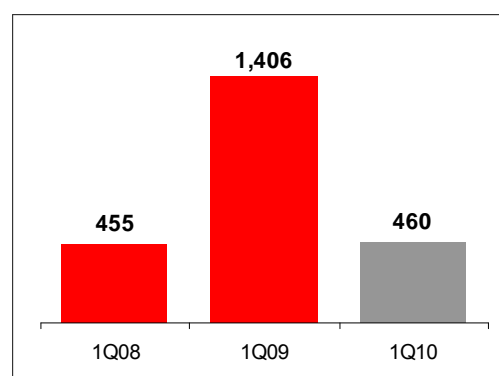
Trading income was MXN460 million, which represents a decrease of MXN946 million (67.3%) compared to the same period of 2009. This decrease is mainly due to lower foreign exchange and debt instrument trading, partially offset by an increase in derivative trading.

The Group's non-interest income to total to revenue ratio decreased from 43.4 per cent at 31 March 2009 to 34.9 per cent for the same period in 2010, mainly due to lower trading income.

► **Other income**

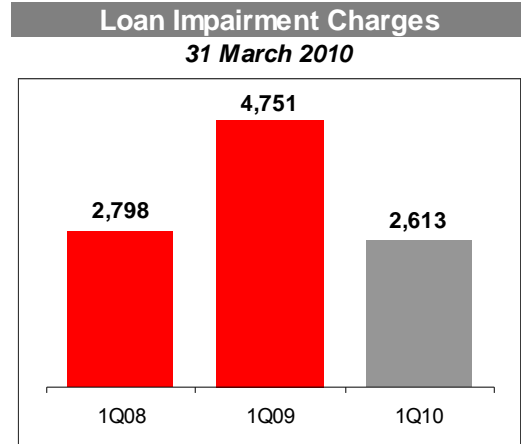
Other income decreased to MXN642 million, which represents a decrease of MXN140 million (17.9%) compared to the same period in 2009. This decrease is mainly due to lower non recurring income from a special promotion of VISA products in 2009 offset by a decrease in operating losses.

**Trading**  
31 March 2010



### Loan Impairment Charges

The Group's loan impairment charges were MXN2,613 million, which represents a decrease of MXN2,138 million or 45.0 per cent compared to the same period of the prior year. This reduction is mainly due to lower portfolio volumes, particularly consumer loans, improved risk management and stronger collections operations. The decrease in loan impairment charges was achieved despite additional reserve requirements resulting from local regulatory changes in the methodology for calculating provisions for consumer loans introduced in the third quarter of 2009.

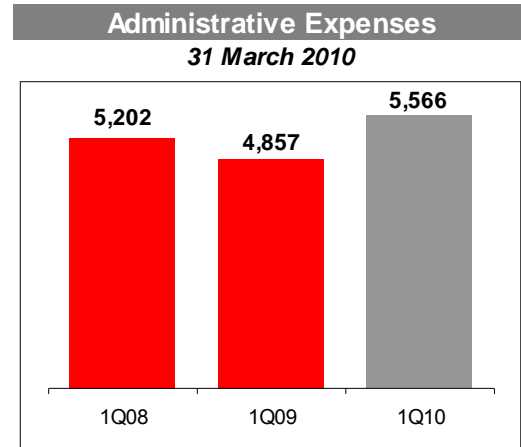


### Administrative and Personnel Expenses

The Group's administrative expenses during the first quarter 2010 were MXN5,566 million, a MXN709 million or 14.6 per cent increase compared to the same period of the prior year.

This increase is mainly due to expenditure on infrastructure and technological projects and expenditure in relation to maintenance of the branch network.

The Group's cost efficiency ratio for the quarter ended at 31 March 2010 was 70.1 per cent.



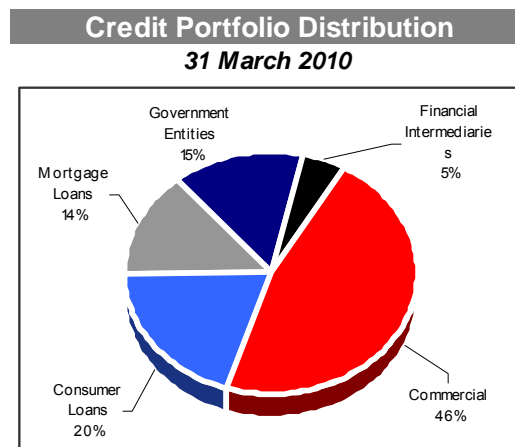
## Balance sheet Variance Analysis

At 31 March 2010, the Group's total assets amounted MXN405,492 million, which represents a decrease of MXN41,799 million, equivalent to 9.3 per cent, compared to the first quarter of 2009, mainly driven by a reduction in the loan portfolio.

### Loan portfolio

The Group's performing loan portfolio balance amounted to MXN148,796 million at 31 March 2010, a decrease of 7.7 per cent compared to the first quarter of 2009. The mortgage loan portfolio increased by 1.2 per cent compared to the first quarter of 2009. The commercial portfolio (including financial and government entities) slightly decreased by 0.5 per cent compared to the first quarter of 2009 driven by lower commercial loan origination. The consumer portfolio registered a 30.2 percent reduction over the same period of 2009.

The current loan portfolio on the first quarter of 2010 register similar levels as the preceding quarter, ended in December 2009, with increases in the financial entities (6.6 per cent), government (18.5 per cent) and mortgage (0.6 per cent) portfolios.



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

During the first quarter of 2010, the total commercial portfolio decreased 0.5 per cent mainly due to a reduction in commercial loan volumes; therefore, the balance of the commercial loan portfolio reflects a decrease of MXN512 million at the end of March 2010 compared to the same period of the prior year. The balance of the commercial loan portfolio continues to be affected by the global economic situation, which had a negative impact on economic activity in our country.

The Government entities' portfolio increased by MXN7,032 million, which is equivalent to 44.5 per cent increase compared to the first quarter of 2009. The Group's strategy of serving the public sector, -particularly States and Municipalities-, has helped to lessen the impact of the decline in economic activity in the corporate sector.

#### ► 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. The reduction in the consumer loan portfolio during the first quarter of 2010 was mainly due to reduced demand for credit in the market, coupled with tighter origination criteria in order to improve credit quality. Auto loans reduced 19.3 per cent, while personal and payroll loans decreased by 30.8 per cent. Credit card balances decreased 30.2 per cent compared to the first quarter of 2009, with a balance at month-end March of MXN17.4 billion.

#### ► Mortgage loans

The mortgage loan portfolio for the first quarter of 2010 reflects an increase of MXN238 million (1.2%) compared the first quarter of 2009. In March 2010, "Uno con uno", the Bank's new mortgage loan product was released with the intention of having a competitive product and strengthen our long-term relationship with our clients.

## Asset quality

As at 31 March 2010, the Group's impaired loan portfolio amounted to MXN6,599 million, which represents a decrease of MXN3,024 million (31.4%) compared to the same period of the prior year. This decrease is largely due to a reduction in the impaired loans of consumer product and credit card loans, resulted from management's efforts to achieve more conservative loan origination and stricter collection management policies. The impaired loans to the total loan portfolio ratio was 4.25 per cent, 1.38 percentage points lower than the figure recorded in the same period of the prior year and 0.71 percentage points lower compared to the fourth quarter of 2009. The coverage ratio at 31 March 2010 was 149.2 per cent, compared to 137.8 reported at 31 March 2009.

## Deposits

The Group's total deposits at 31 March 2010 amounted to MXN225,206 million, a decrease of 5.4 per cent compared to the first quarter of the prior year as a consequence of lower funding through money market. "Inversion Express", launched in July 2009, has partially offset this reduction in deposits, has been well received by customers.

Our presence in the corporate and business sector continues to produce positive results, particularly in time deposits. Our relationship with States and Municipalities segments has also resulted in greater deposit accounts.

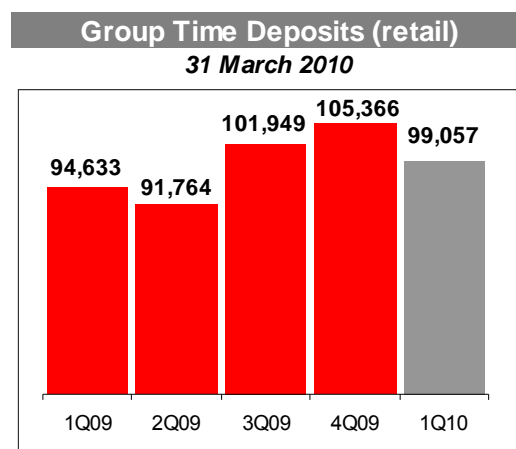
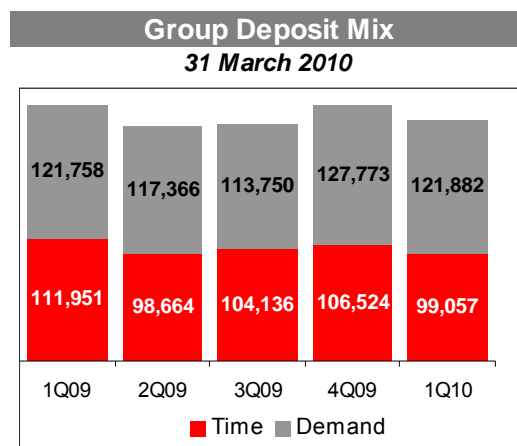
### ► Demand deposits

At 31 March 2010, demand deposits amounted to MXN121,882 million, 0.1 per cent higher compared to the same period of the prior year, despite the effects of the previous year economic downturn and the level of competition in the market.

### ► Time deposits

Total time deposits reduced 11.5 per cent compared to 31 March 2009, mainly due to a decrease of MXN17,318 million in the money market, which was partially offset by an increase of MXN4,425 million in time deposits from the general public. The launch of the "Inversion Express" product in July 2009 has been well accepted by the public, with a placement of approximately 98,000 new accounts since its launch. The decrease in money market deposits is largely as a result of funding requirements decreased in line with the lower asset balances.

Time deposits at the end of the first quarter of 2010 represented 44.8 per cent of the total in the deposit mix (time and demand).



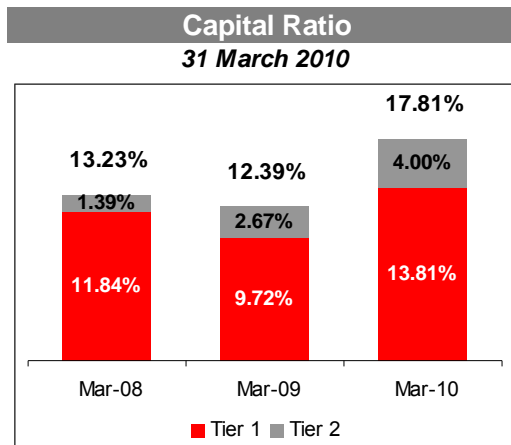
**Shareholder's equity**

At 31 March 2010, the Group's shareholders' equity was MXN48,383 million representing an increase of 35.1 per cent compared to the first quarter of the prior year.

The Bank's shareholders' equity was MXN40,397 at 31 March 2010, increasing 40.3 per cent compared to 31 March of the prior year. This increase is largely due to the capital injection of MXN8,954 million received on December 2009 by Grupo Financiero HSBC.

**Capital Adequacy Ratio**

Bank's capital adequacy ratio at 31 March 2010 was 17.3 per cent, placing it above the authorities' requirements. The Tier 1 capital ratio at the end of the reporting period is 13.5 per cent.



## Financial Statements Grupo Financiero HSBC

### Consolidated Balance Sheet

Figures in MXN millions at March 31, 2010

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

	<u>31 Mar</u> <u>2009</u>	<u>30 Jun</u> <u>2009</u>	<u>30 Sep</u> <u>2009</u>	<u>31 Dec</u> <u>2009</u>	<u>31 Mar</u> <u>2010</u>
<b>Assets</b>					
Cash and deposits in banks	86,319	65,346	60,387	68,322	59,431
Margin Accounts	7	3,997	3,685	3	3
Investments in Securities	121,451	126,999	116,290	121,471	134,967
Trading securities	76,932	73,990	60,071	41,339	46,386
Available-for-sale securities	35,510	43,989	47,450	71,630	80,042
Held to maturity securities	9,009	9,020	8,769	8,502	8,539
Repurchase agreements	770	798	3,500	1,593	14
Derivative transactions	44,535	31,368	31,865	24,113	22,773
Performing loans					
Commercial loans	101,531	94,019	96,849	102,305	101,019
Commercial entities	77,041	70,184	72,034	76,091	70,775
Loans to financial intermediaries	8,690	7,832	7,008	6,951	7,412
Loans to government entities	15,800	16,003	17,807	19,263	22,832
Consumer loans	40,098	36,564	32,734	30,048	28,008
Mortgages loans	19,531	19,287	19,834	19,660	19,769
Total performing loans	161,160	149,870	149,417	152,013	148,796
Impaired loans					
Commercial loans	2,319	2,425	2,153	1,745	1,648
Commercial entities	2,319	2,425	2,102	1,745	1,648
Loans to financial intermediaries	-	-	-	-	-
Loans to government entities	-	-	51	-	-
Consumer loans	5,750	5,930	4,756	3,826	2,794
Mortgages loans	1,554	1,947	2,200	2,368	2,157
Other	-	-	-	-	-
Total non-performing loans	9,623	10,302	9,109	7,939	6,599
Loan portfolio	170,783	160,172	158,526	159,952	155,395
Allowance for loan losses	(13,258)	(13,033)	(11,051)	(10,447)	(9,847)
Net loan portfolio	157,525	147,139	147,475	149,505	145,548
Receivables	-	-	-	-	-
(-) less					
Provision for doubtful receivables	-	-	-	-	-
Total loan portfolio	157,525	147,139	147,475	149,505	145,548
Benefits to be received from trading operations	-	257	168	-	-
Other accounts receivable, net	18,252	15,396	16,845	7,708	20,170
Foreclosed assets	117	134	164	174	211
Property, furniture and equipment, net	6,616	6,583	6,721	7,525	7,715
Long term investments in equity securities	3,322	3,673	4,000	3,662	4,023
Deferred taxes, net	3,254	3,494	4,168	4,268	4,667
Goodwill	2,749	2,749	2,749	2,749	2,749
Other assets, deferred charges and intangibles	2,374	2,435	2,602	2,697	3,221
<b>Total Assets</b>	<u>447,291</u>	<u>410,368</u>	<u>400,619</u>	<u>393,790</u>	<u>405,492</u>

Figures in MXN millions at March 31, 2010

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

	<u>31 Mar 2009</u>	<u>30 Jun 2009</u>	<u>30 Sep 2009</u>	<u>31 Dec 2009</u>	<u>31 Mar 2010</u>
<b>Liabilities</b>					
Deposits	237,981	220,278	222,147	238,539	225,206
Demand deposits	121,758	117,366	113,750	127,773	121,882
Time deposits	111,951	98,664	104,136	106,524	99,057
Retail	94,633	91,764	101,949	105,366	99,057
Money market	17,318	6,900	2,187	1,158	-
Bank bonds outstanding	4,272	4,248	4,261	4,242	4,267
Bank deposits and other liabilities	7,658	22,602	23,029	24,856	11,955
On demand	170	1,967	-	3,336	2,245
Short term	5,731	19,111	21,629	20,236	8,060
Long term	1,757	1,524	1,400	1,284	1,650
Repurchase agreements	76,581	57,115	32,612	24,502	42,295
Settlement accounts	-	3,550	161	-	5,518
Collateral Sold	-	6,934	6,697	6,305	11,539
Securities to be received in repo transactions	-	6,934	6,697	6,305	11,539
Derivative transactions	48,599	29,572	31,621	27,132	24,886
Other accounts payable	33,946	24,289	36,346	14,515	24,874
Income tax and employee profit sharing payable	1,004	1,341	1,742	1,179	1,201
Creditors for settlement of transactions	-	11,789	23,265	2,984	12,954
Sundry creditors and others accounts payable	32,942	11,159	11,339	10,352	10,719
Subordinated debentures outstanding	6,216	8,932	9,655	10,221	10,006
Deferred tax	-	-	-	-	-
Deferred credits	487	468	538	731	830
<b>Total Liabilities</b>	<u>411,468</u>	<u>373,740</u>	<u>362,806</u>	<u>346,801</u>	<u>357,109</u>
<b>Stockholder's Equity</b>					
Paid in capital	21,466	23,724	23,725	32,678	32,678
Capital stock	8,210	8,452	8,452	9,434	9,434
Additional paid in capital	13,256	15,272	15,273	23,244	23,244
Capital Gains	14,353	12,900	14,083	14,308	15,702
Capital reserves	1,648	1,648	1,648	1,648	1,648
Retained earnings	13,839	11,582	11,582	11,582	13,136
Result from the mark-to-market of Available-for-sale securities	(1,932)	(979)	(490)	(76)	406
Result from cash flow hedging transactions	-	-	(220)	(400)	(343)
Adjustment in the pension employee	-	-	-	-	-
Net Income	798	649	1,563	1,554	855
Minority interest	4	4	5	3	3
Total Stockholder's Equity	<u>35,823</u>	<u>36,628</u>	<u>37,813</u>	<u>46,989</u>	<u>48,383</u>
<b>Total Liabilities and Capital</b>	<u>447,291</u>	<u>410,368</u>	<u>400,619</u>	<u>393,790</u>	<u>405,492</u>

Figures in MXN millions at March 31, 2010

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

	<b>31 Mar 2009</b>	<b>30 Jun 2009</b>	<b>30 Sep 2009</b>	<b>31 Dec 2009</b>	<b>31 Mar 2010</b>
<b>Memorandum Accounts</b>					
	2,271,016	2,175,281	2,159,896	2,110,033	<b>2,165,550</b>
Guarantees granted	38	35	31	30	<b>25</b>
Contingent assets and liabilities	131	125	124	126	<b>128</b>
Irrevocable lines of credit granted	10,946	10,539	11,850	15,071	<b>14,013</b>
Goods in trust or mandate	190,490	238,917	249,973	266,641	<b>271,462</b>
Trust	190,490	238,268	249,474	264,890	<b>270,792</b>
Mandate	-	649	499	1,751	<b>670</b>
Agente financiero del Gobierno Federal	-	-	-	-	<b>-</b>
Goods in custody or under administration	177,672	213,580	204,931	246,061	<b>238,131</b>
Collateral received by the institution	173,725	19,992	14,844	16,649	<b>26,071</b>
Collateral received and sold or delivered as guarantee	-	9,677	11,342	20,130	<b>30,896</b>
Third party investment banking operations, net	23,019	56,804	56,489	57,064	<b>39,564</b>
Other control accounts	1,694,995	1,625,612	1,610,312	1,488,261	<b>1,545,260</b>

The present balance statement was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission as specified in Article 30 of the Law for Credit Institutions, of general observance and mandatory, applied in a consistent manner, this statement reflects all operations performed by the institution up to the date mentioned above, these operations were performed following healthy banking practice and following applicable legal and administrative requirements. The present statement has been approved by the Board of Directors under the responsibility of the signing officers.

Historical paid in capital of the Institution amounts to MXN 5,111 millions.

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## Consolidated Income Statement

Figures in MXN millions at March 31, 2010

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

	<i>For the quarter ending</i>				<i>Year to date</i>	
	<b>31 Mar 2009</b>	<b>30 Jun 2009</b>	<b>30 Sep 2009</b>	<b>31 Dec 2009</b>	<b>31 Mar 2010</b>	<b>31 Mar 2010</b>
Interest Income	8,750	8,194	7,276	7,197	<b>7,126</b>	<b>7,126</b>
Interest expense	(3,372)	(2,884)	(2,058)	(1,882)	<b>(1,960)</b>	<b>(1,960)</b>
Net interest income	<u>5,378</u>	<u>5,310</u>	<u>5,218</u>	<u>5,315</u>	<u><b>5,166</b></u>	<u><b>5,166</b></u>
Loan impairment charges	<u>(4,751)</u>	<u>(4,067)</u>	<u>(2,598)</u>	<u>(3,056)</u>	<u><b>(2,613)</b></u>	<u><b>(2,613)</b></u>
Risk adjusted net interest income	<u>627</u>	<u>1,243</u>	<u>2,620</u>	<u>2,259</u>	<u><b>2,553</b></u>	<u><b>2,553</b></u>
Fees and commissions receivable	2,789	2,735	2,682	2,508	<b>2,336</b>	<b>2,336</b>
Fees payable	(246)	(217)	(270)	(276)	<b>(276)</b>	<b>(276)</b>
Trading Income	1,406	748	417	290	<b>460</b>	<b>460</b>
Other operating income	<u>180</u>	<u>363</u>	<u>257</u>	<u>214</u>	<u><b>251</b></u>	<u><b>251</b></u>
Total operating income	<u>4,756</u>	<u>4,872</u>	<u>5,706</u>	<u>4,995</u>	<u><b>5,324</b></u>	<u><b>5,324</b></u>
Administrative and personnel expenses	<u>(4,857)</u>	<u>(5,755)</u>	<u>(5,208)</u>	<u>(5,877)</u>	<u><b>(5,566)</b></u>	<u><b>(5,566)</b></u>
Net operating income	<u>(101)</u>	<u>(883)</u>	<u>498</u>	<u>(882)</u>	<u><b>(242)</b></u>	<u><b>(242)</b></u>
Other income	1,125	640	622	740	<b>894</b>	<b>894</b>
Other expenses	<u>(343)</u>	<u>(229)</u>	<u>(450)</u>	<u>(602)</u>	<u><b>(252)</b></u>	<u><b>(252)</b></u>
Net income before taxes	<u>681</u>	<u>(472)</u>	<u>670</u>	<u>(744)</u>	<u><b>400</b></u>	<u><b>400</b></u>
Income tax and employee profit sharing tax	<u>(1,180)</u>	<u>(688)</u>	<u>(646)</u>	<u>284</u>	<u><b>(524)</b></u>	<u><b>(524)</b></u>
Deferred income tax	1,096	640	485	181	<b>618</b>	<b>618</b>
Net income before subsidiaries	<u>597</u>	<u>(520)</u>	<u>509</u>	<u>(279)</u>	<u><b>494</b></u>	<u><b>494</b></u>
Undistributed income from subsidiaries	<u>201</u>	<u>371</u>	<u>406</u>	<u>269</u>	<u><b>361</b></u>	<u><b>361</b></u>
Income from ongoing operations	<u>798</u>	<u>(149)</u>	<u>915</u>	<u>(10)</u>	<u><b>855</b></u>	<u><b>855</b></u>
Minority interest	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>1</u>	<u>-</u>	<u>-</u>
<b>Net income (loss)</b>	<u><b>798</b></u>	<u><b>(149)</b></u>	<u><b>914</b></u>	<u><b>(9)</b></u>	<u><b>855</b></u>	<u><b>855</b></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  
From 1 January 2009 to 31 March 2010

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

	Paid in capital				Earned capital					Minority Interest	Total Stock-holders Equity	
	Capital Stock	Advances for future capital increases	Subordinate Shares d Premiums	Subordinate debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement	Results from holding non-monetary assets (Valuation of permanent investments)			Net income
<b>Balances at 01 January 2010</b>	9,434	-	23,244	-	1,648	11,582	(476)	-	-	1,554	3	46,989
<b>Movements Inherent to the Shareholders Decision</b>												
Subscription of shares	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	-	1,554	-	-	-	(1,554)	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Movements Inherent to the Shareholders Decision</b>	-	-	-	-	-	1,554	-	-	-	(1,554)	-	-
<b>Movements for the Recognition of the Comprehensive Income</b>												
<b>Comprehensive Income</b>												
Net result	-	-	-	-	-	-	-	-	-	855	-	855
Result from valuation of available-for-sale securities	-	-	-	-	-	-	482	-	-	-	-	482
Result from cash flow hedging transactions	-	-	-	-	-	-	57	-	-	-	-	57
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Movements Inherent for the Recognition of the Comprehensive Income</b>	-	-	-	-	-	-	539	-	-	855	-	1,394
<b>Balances as at 31 March 2010</b>	<b>9,434</b>	<b>-</b>	<b>23,244</b>	<b>-</b>	<b>1,648</b>	<b>13,136</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>855</b>	<b>3</b>	<b>48,383</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 Cash Flow

Figures in MXN millions

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

From 1 January to 31 March 2010

<b>Net income</b>	<b>855</b>
<b>Adjustments for items not involving cash flow:</b>	<b>1,547</b>
Gain or loss on appraisal of activities associated with investment & financing	(959)
Allowances for loan losses	2,621
Depreciation and amortization	340
Accrual	-
Income Tax and deferred taxes	(94)
Undistributed income from subsidiaries	(361)
Other	-
<b>Changes in items related to operating activities:</b>	
Margin accounts	-
Investment securities	(7,330)
Repurchase agreements	1,579
Derivative (assets)	2,189
Loan portfolio	1,344
Benefits to be received from trading operations	-
Foreclosed assets	(46)
Operating assets	(12,460)
Deposits	(13,332)
Bank deposits and other liabilities	(12,901)
Creditors repo transactions	17,794
Collateral sold or delivered as guarantee	5,235
Derivative (liabilities)	(2,246)
Subordinated debentures outstanding	(215)
Other operating liabilities	10,149
<b>Funds provided by operating activities</b>	<b>(10,240)</b>
<b>Investing activities:</b>	
Disposal of property, furniture and equipment	-
Acquisition of property, furniture and equipment	(529)
Disposal of subsidiaries	-
Cash dividend	-
Intangible assets acquisitions	(254)
<b>Funds used in investing activities</b>	<b>(1,053)</b>
<b>Financing activities:</b>	
Shares issue	-
Cash dividend	-
<b>Funds provided by financing activities</b>	<b>-</b>
Increase/decrease in cash and equivalents	<b>(8,891)</b>
<b>Adjustments to cash flow variations in the exchange rate and inflation levels</b>	<b>-</b>
Cash and equivalents at beginning of period	<b>68,322</b>
<b>Cash and equivalents at end of period</b>	<b>59,431</b>

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

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## Financial Statements HSBC Mexico, S.A.

### Consolidated Balance Sheet

Figures in MXN millions at March 31, 2010

HSBC Mexico, S.A. (Bank)

	<b>31 Mar 2009</b>	<b>30 Jun 2009</b>	<b>30 Sep 2009</b>	<b>31 Dec 2009</b>	<b>31 Mar 2010</b>
<b>Assets</b>					
Cash and deposits in banks	85,749	65,346	60,387	68,322	<b>59,431</b>
Margin Accounts	7	3,997	3,685	3	<b>3</b>
Investment in Securities	121,040	126,442	115,616	120,241	<b>133,620</b>
Trading securities	76,857	73,903	59,870	40,607	<b>45,654</b>
Available-for-sale securities	35,174	43,519	46,977	71,132	<b>79,427</b>
Held to maturity securities	9,009	9,020	8,769	8,502	<b>8,539</b>
Repurchase agreements	749	798	3,500	1,593	<b>14</b>
Derivative transactions	44,535	31,368	31,865	24,113	<b>22,773</b>
Performing loans					
Commercial loans	101,531	94,019	96,849	102,305	<b>101,019</b>
Commercial entities	77,041	70,184	72,034	76,091	<b>70,775</b>
Loans to financial intermediaries	8,690	7,832	7,008	6,951	<b>7,412</b>
Loans to government entities	15,800	16,003	17,807	19,263	<b>22,832</b>
Consumer loans	40,098	36,564	32,734	30,048	<b>28,008</b>
Mortgages loans	19,531	19,287	19,834	19,660	<b>19,769</b>
Total performing loans	161,160	149,870	149,417	152,013	<b>148,796</b>
Impaired loans					
Commercial loans	2,319	2,425	2,153	1,745	<b>1,648</b>
Commercial entities	2,319	2,425	2,102	1,745	<b>1,648</b>
Loans to financial intermediaries	-	-	-	-	-
Loans to government entities	-	-	51	-	-
Consumer loans	5,750	5,930	4,756	3,826	<b>2,794</b>
Mortgage Loans	1,554	1,947	2,200	2,368	<b>2,157</b>
Other performing loans	-	-	-	-	-
Total non-performing loans	9,623	10,302	9,109	7,939	<b>6,599</b>
Total loan portfolio	170,783	160,172	158,526	159,952	<b>155,395</b>
Allowance for loan losses	(13,258)	(13,033)	(11,051)	(10,447)	<b>(9,847)</b>
Net loan portfolio	157,525	147,139	147,475	149,505	<b>145,548</b>
Receivables	-	-	-	-	-
(-) less					
Provision for doubtful receivables	-	-	-	-	-
Total loan portfolio	157,525	147,139	147,475	149,505	<b>145,548</b>
Benefits to be received from trading operations	-	257	168	-	-
Other accounts receivable	17,927	15,241	16,615	7,620	<b>20,253</b>
Foreclosed assets	117	134	164	174	<b>211</b>
Property, furniture and equipment, net	6,606	6,573	6,714	7,525	<b>7,715</b>
Long term investments in equity securities	149	132	127	133	<b>134</b>
Deferred taxes	3,278	3,536	4,228	4,305	<b>4,693</b>
Other assets, deferred charges and intangibles.....	2,334	2,368	2,522	2,608	<b>3,157</b>
<b>Total Assets</b>	<b>440,016</b>	<b>403,331</b>	<b>393,066</b>	<b>386,142</b>	<b>397,552</b>

Figures in MXN millions at March 31, 2010

HSBC Mexico, S.A. (Bank)

	<u>31 Mar 2009</u>	<u>30 Jun 2009</u>	<u>30 Sep 2009</u>	<u>31 Dec 2009</u>	<u>31 Mar 2010</u>
<b>Liabilities</b>					
Deposits	238,153	220,987	222,269	238,726	225,481
Demand deposits	121,930	118,075	113,872	127,960	122,157
Time deposits	111,951	98,664	104,136	106,524	99,057
Retail	94,633	91,764	101,949	105,366	99,057
Money market	17,318	6,900	2,187	1,158	-
Bank bonds outstanding	4,272	4,248	4,261	4,242	4,267
Bank deposits and other liabilities	7,658	22,602	23,029	24,856	11,955
On demand	170	1,967	-	3,336	2,245
Short term	5,731	19,111	21,629	20,236	8,060
Long term	1,757	1,524	1,400	1,284	1,650
Repurchase agreements	76,560	57,115	32,612	24,544	42,295
Settlement accounts	-	3,550	161	-	5,518
Collateral Sold	-	6,934	6,697	6,305	11,539
Securities to be received in repo transactions	-	6,934	6,697	6,305	11,539
Derivative transactions	48,599	29,572	31,621	27,132	24,886
Other accounts payable	33,541	23,988	35,972	14,130	24,645
Income tax and employee profit sharing payable	955	1,241	1,587	1,014	1,124
Creditors for settlement of transactions	-	11,630	21,860	2,984	12,947
Sundry creditors and others accounts payable	32,586	11,117	12,525	10,132	10,574
Subordinated debentures outstanding	6,216	8,932	9,655	10,221	10,006
Deferred tax	-	-	-	-	-
Deferred credits	487	468	538	731	830
<b>Total Liabilities</b>	<u>411,214</u>	<u>374,148</u>	<u>362,554</u>	<u>346,645</u>	<u>357,155</u>
<b>Stockholder's Equity</b>					
Paid in capital	15,883	15,883	16,623	25,605	25,605
Capital stock	4,272	4,272	4,334	5,087	5,087
Additional paid in capital	11,611	11,611	12,289	20,518	20,518
Capital Gains	12,917	13,297	13,886	13,889	14,789
Capital reserves	14,314	14,313	14,313	14,313	14,313
Retained earnings	-	-	-	-	136
Result from the mark-to-market of Available-for-sale securities	(1,940)	(1,032)	(593)	(160)	282
Result from cash flow hedging transactions	-	-	(220)	(400)	(343)
Adjustment in the pension employee	-	-	-	-	-
Net Income	543	16	386	136	401
Minority interest	2	3	3	3	3
Total Stockholder's Equity	<u>28,802</u>	<u>29,183</u>	<u>30,512</u>	<u>39,497</u>	<u>40,397</u>
<b>Total Liabilities and Capital</b>	<u>440,016</u>	<u>403,331</u>	<u>393,066</u>	<u>386,142</u>	<u>397,552</u>

Figures in MXN millions at March 31, 2010

HSBC Mexico, S.A. (Bank)

	<u>31 Mar</u> <u>2009</u>	<u>30 Jun</u> <u>2009</u>	<u>30 Sep</u> <u>2009</u>	<u>31 Dec</u> <u>2009</u>	<u>31 Mar</u> <u>2010</u>
<b>Memorandum Accounts</b>					
Guarantees granted	38	35	31	30	<b>25</b>
Contingent assets and liabilities	131	125	124	126	<b>128</b>
Irrevocable lines of credit granted	10,946	10,539	11,850	15,071	<b>14,013</b>
Goods in trust or mandate	190,490	238,917	249,973	266,641	<b>271,462</b>
Goods	189,451	238,268	249,474	264,890	<b>270,792</b>
Trusts	1,039	649	499	1,751	<b>670</b>
Goods in custody or under administration	749	209,452	200,803	240,951	<b>233,020</b>
Collateral received by the institution	173,725	14,934	10,198	16,649	<b>26,071</b>
Collateral received and sold or delivered as guarantee	-	14,735	6,697	15,203	<b>26,071</b>
Third party investment banking operations, net	23,019	56,804	56,489	57,064	<b>39,564</b>
Suspended interest on impaired loans	154	157	159	250	<b>273</b>
Amounts contracted in derivative operations	1,263,141	1,036,988	1,036,767	892,568	<b>970,458</b>
Integrated loan portfolio	181,767	170,747	170,408	175,055	<b>150,178</b>
Other control accounts	389,373	374,240	364,776	376,400	<b>382,199</b>
	<u>2,233,533</u>	<u>2,127,673</u>	<u>2,108,275</u>	<u>2,056,008</u>	<u><b>2,113,462</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 operations performed by the institution up to the date mentioned above, these operations were performed following healthy banking practice and following applicable legal and administrative requirements. The present statement has been approved by the Board of Directors under the responsibility of the signing officers.  
 Historical paid in capital of the Institution amounts to MNX 3,287 millions.  
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**Consolidated Income Statement**

Figures in MXN millions at March 31, 2010

HSBC Mexico, S.A. (Bank)

	<i>For the quarter ending</i>				<i>Year to date</i>		
	<b>31 Mar 2009</b>	<b>30 Jun 2009</b>	<b>30 Sep 2009</b>	<b>31 Dec 2009</b>	<b>31 Mar 2010</b>	<b>31 Mar 2009</b>	<b>31 Mar 2010</b>
Interest income	8,657	8,190	7,272	7,130	<b>7,073</b>	8,657	<b>7,073</b>
Interest expense	(3,288)	(2,856)	(2,019)	(1,863)	<b>(1,915)</b>	(3,288)	<b>(1,915)</b>
Position Monetary	-	-	-	-	-	-	-
Net interest income	<u>5,369</u>	<u>5,334</u>	<u>5,253</u>	<u>5,267</u>	<b>5,158</b>	<u>5,369</u>	<b>5,158</b>
Loan impairment charges	(4,751)	4,067	2,598	3,056	<b>(2,613)</b>	(4,751)	<b>(2,613)</b>
Loan impairment charges	(4,751)	4,067	2,598	3,056	<b>(2,613)</b>	(4,751)	<b>(2,613)</b>
Risk adjusted net interest income	<u>618</u>	<u>1,267</u>	<u>2,655</u>	<u>2,211</u>	<b>2,545</b>	<u>618</u>	<b>2,545</b>
Fees and commissions receivable	2,604	2,539	2,381	2,241	<b>2,104</b>	2,604	<b>2,104</b>
Account management	271	247	231	205	<b>178</b>	271	<b>178</b>
Services	2,333	2,292	2,150	2,036	<b>1,926</b>	2,333	<b>1,926</b>
Fees payable	(257)	(254)	(214)	(270)	<b>(265)</b>	(257)	<b>(265)</b>
Trading Income	1,404	745	416	287	<b>458</b>	1,404	<b>458</b>
Foreign exchange	4,080	(7,209)	1,706	1,246	<b>(756)</b>	4,080	<b>(756)</b>
Securities trading, net	(46)	(13)	(5)	4	<b>(11)</b>	(46)	<b>(11)</b>
Repos	-	-	-	-	-	-	-
Swaps	171	244	87	289	<b>208</b>	171	<b>208</b>
Valuation off-shore agencies	(3,140)	7,455	(1,164)	(1,413)	<b>961</b>	(3,140)	<b>961</b>
Valuation for trading swaps	339	268	(208)	161	<b>56</b>	339	<b>56</b>
Other operating income	<u>180</u>	<u>363</u>	<u>257</u>	<u>214</u>	<b>251</b>	<u>180</u>	<b>251</b>
Total operating income	<u>4,549</u>	<u>4,660</u>	<u>5,495</u>	<u>4,683</u>	<b>5,093</b>	<u>4,549</u>	<b>5,093</b>
Administrative and personnel expenses	(4,754)	(5,559)	(5,136)	(5,632)	<b>(5,523)</b>	(4,754)	<b>(5,523)</b>
Personnel expense	2,078	2,489	2,014	2,223	<b>2,376</b>	2,078	<b>2,376</b>
Administrative expense	2,395	2,784	2,774	3,088	<b>2,808</b>	2,395	<b>2,808</b>
Depreciation and amortization	281	286	348	321	<b>339</b>	281	<b>339</b>
Net operating income	<u>(205)</u>	<u>(899)</u>	<u>359</u>	<u>(949)</u>	<b>(430)</b>	<u>(205)</u>	<b>(430)</b>
Other income	1,135	562	559	800	<b>958</b>	1,135	<b>958</b>
Other expenses	(341)	(229)	(449)	(600)	<b>(248)</b>	(341)	<b>(248)</b>
Net income before taxes	<u>589</u>	<u>(566)</u>	<u>469</u>	<u>(749)</u>	<b>280</b>	<u>589</u>	<b>280</b>
Income tax and employee profit sharing	(1,137)	(646)	(589)	337	<b>(470)</b>	(1,137)	<b>(470)</b>
Deferred income tax	1,083	671	487	156	<b>589</b>	1,083	<b>589</b>
Net income before subsidiaries	<u>535</u>	<u>(541)</u>	<u>367</u>	<u>(256)</u>	<b>399</b>	<u>535</u>	<b>399</b>
Undistributed income from subsidiaries	<u>9</u>	<u>14</u>	<u>3</u>	<u>6</u>	<b>2</b>	<u>9</u>	<b>2</b>
Income from ongoing operations	<u>544</u>	<u>(527)</u>	<u>370</u>	<u>(250)</u>	<b>401</b>	<u>544</u>	<b>401</b>
Minority interest	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b>-</b>	<u>(1)</u>	<b>-</b>
Net income (loss)	<u>543</u>	<u>(527)</u>	<u>370</u>	<u>(250)</u>	<b>401</b>	<u>543</u>	<b>401</b>

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 2010 to 31 March 2010

	Paid in capital				Earned Capital					Minority Interest	Total stockholder's Equity	
	Capital Stock	Advances for future capital increases	Shares Premium	Subordinated debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement	Results from holding non-monetary assets			Net Income
<b>Balances at 01 January 2010</b>	5,087	-	20,518	-	14,313	-	(560)	-	-	136	3	39,497
<b>Movements Inherent to the Shareholders Decision</b>												
Subscription of shares	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	-	136	-	-	-	(136)	-	-
Transfer of result of prior years	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Movements Inherent to the Shareholders Decision</b>	-	-	-	-	-	136	-	-	-	(136)	-	-
<b>Movements for the Recognition of the Comprehensive Income</b>												
Comprehensive Income												
Net result	-	-	-	-	-	-	-	-	-	401	-	401
Result from valuation of available-for-sale securities	-	-	-	-	-	-	442	-	-	-	-	442
Result from cash flow hedging transactions	-	-	-	-	-	-	57	-	-	-	-	57
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Movements Inherent for the Recognition of the Comprehensive Income</b>	-	-	-	-	-	-	499	-	-	401	-	900
<b>Balances as at 31 March 2010</b>	5,087	-	20,518	-	14,313	136	(61)	-	-	401	3	40,397

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 Cash Flow**

Figures in MXN millions

From 1 January 2010 to 31 March 2010

**HSBC Mexico, S.A. (Bank)****31 Mar 2010**

<b>Net income</b>	<b>401</b>
<b>Adjustments for items not involving cash flow:</b>	<b>1,882</b>
Gain or loss on appraisal of activities associated with investment & financing	(958)
Allowances for loan losses	2,621
Depreciation and amortization	340
Accrual	-
Income Tax and deferred taxes	(119)
Undistributed income from subsidiaries	(2)
Other	-
<b>Changes in items related to operating activities:</b>	
Margin accounts	-
Investment securities	(7,313)
Repurchase agreements	(1,579)
Derivative (assets)	2,248
Loan portfolio	1,344
Benefits to be received from trading operations	-
Foreclosed assets	(46)
Operating assets	(12,633)
Deposits	(13,243)
Bank deposits and other liabilities	(12,901)
Creditors repo transactions	17,751
Collateral sold or delivered as guarantee	5,235
Derivative (liabilities)	(2,246)
Subordinated debentures outstanding	215
Other operating liabilities	10,345
<b>Funds provided by operating activities</b>	<b>(10,095)</b>
<b>Investing activities:</b>	
Disposal of property, furniture and equipment	-
Acquisition of property, furniture and equipment	(529)
Disposal of subsidiaries	-
Disposal of long term investments in equity securities	-
Cash dividend	-
Intangible assets acquisitions	(550)
<b>Funds used in investing activities</b>	<b>(1,079)</b>
<b>Financing activities:</b>	
Shares issue	-
Cash dividend	-
<b>Funds used or provided by financing activities</b>	<b>-</b>
<b>Increase/decrease in cash and equivalents</b>	<b>(8,891)</b>
<b>Adjustments to cash flow variations in the exchange rate and inflation levels</b>	<b>-</b>
<b>Cash and equivalents at beginning of period</b>	<b>68,322</b>
<b>Cash and equivalents at end of period</b>	<b>59,431</b>

The present Statement of Cash Flows was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission, as specified in Articles 99, 101 and 102 of the Law for Credit Institutions of general observance and mandatory, applied in a consistent manner. This statement reflects all movements in funds derived from the operations performed by the Institution up to the date mentioned above.

These operations were performed following healthy banking practice and following applicable legal and administrative requirements.

The present Statement of Cash Flows has been approved by the Board of Directors under the responsibility of signing the officers.

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## Financial Instruments

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

Figures in MXN millions at March 31, 2010

#### Investments in securities

	<u>31 Mar</u> <u>2009</u>	<u>30 Jun</u> <u>2009</u>	<u>30 Sep</u> <u>2009</u>	<u>31 Dec</u> <u>2009</u>	<u>31 Mar</u> <u>2010</u>
Government securities	74,374	70,613	55,077	36,229	<b>40,912</b>
Bank securities	1,690	1,804	3,036	2,562	<b>2,475</b>
Shares	66	15	366	16	<b>290</b>
Others	802	1,558	1,592	2,532	<b>2,709</b>
Trading securities	<u>76,932</u>	<u>73,990</u>	<u>60,071</u>	<u>41,339</u>	<u><b>46,386</b></u>
Government securities	29,004	38,569	43,742	66,793	<b>77,341</b>
Bank securities	-	1,966	-	1,212	-
Obligations and other securities	6,155	3,266	3,459	3,611	<b>2,687</b>
Shares	351	188	249	14	<b>14</b>
Available for sale securities	<u>35,510</u>	<u>43,989</u>	<u>47,450</u>	<u>71,630</u>	<u><b>80,042</b></u>
Sovereign debt securities	4,263	4,328	4,379	4,189	<b>4,237</b>
Special Cetes (net)	-	-	-	-	-
Bank securities	324	204	209	204	<b>208</b>
Corporate securities	4,422	4,488	4,181	4,109	<b>4,094</b>
Securities held to maturity	<u>9,009</u>	<u>9,020</u>	<u>8,769</u>	<u>8,502</u>	<u><b>8,539</b></u>
Total Financial Instruments	<u>121,451</u>	<u>126,999</u>	<u>116,290</u>	<u>121,471</u>	<u><b>134,967</b></u>

In the first quarter of 2010 investment in securities increase by MXN13,496 million compared to the fourth quarter of 2009; mainly by increase government securities MXN15,231 million, promissory note MXN(1,310) among others.

## Repos

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

Figures in MXN millions at March 31, 2010

	<u>31 Mar</u> <u>2009</u>	<u>30 Jun</u> <u>2009</u>	<u>30 Sep</u> <u>2009</u>	<u>31 Dec</u> <u>2009</u>	<u>31 Mar</u> <u>2010</u>
Repo's Government securities (credit)	75,925	56,547	31,995	23,996	<b>40,887</b>
Repo's Bank securities (credit)	590	482	593	484	<b>1,176</b>
Repo's Others securities (credit)	-	-	-	-	<b>222</b>
Valuation increase (decrease)	-	-	-	-	-
Accrued interest payable	66	86	24	22	<b>10</b>
Credit balance in repo agreements	<u>76,581</u>	<u>57,115</u>	<u>32,612</u>	<u>24,502</u>	<u><b>42,295</b></u>
Repurchase agreements in government securities	1,521	8,000	3,500	10,501	<b>14,500</b>
Accrued interest receivable	-	1	-	9	<b>14</b>
Debit balance repo securities agreements	<u>1,521</u>	<u>8,001</u>	<u>3,500</u>	<u>10,510</u>	<u><b>14,514</b></u>
Government securities	751	7,202	-	8,916	<b>14,486</b>
Interest in collateral delivered as guarantee	-	1	-	1	<b>14</b>
Total in collateral delivered as guarantee	<u>751</u>	<u>7,203</u>	<u>-</u>	<u>8,917</u>	<u><b>14,500</b></u>

## Derivative Financial Instruments

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

Figures in MXN millions at March 31, 2010

	Futures		Forwards Contracts		Options		Swaps		Total (net)
	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	
For trading									
Pesos	-	-	44,990	37,391	10,214	10,240	66,100	67,987	5,686
US Dollars	-	-	40,981	47,680	6,219	6,212	112,210	112,170	(6,652)
Interest Rate	4,522	4,522	148	396	-	-	104,586	104,420	(82)
<b>Total</b>	<b>4,522</b>	<b>4,522</b>	<b>86,119</b>	<b>85,467</b>	<b>16,433</b>	<b>16,452</b>	<b>282,896</b>	<b>284,577</b>	<b>(1,048)</b>
For hedging									
Pesos	-	-	-	-	-	-	1,653	-	1,653
US Dollars	-	-	-	-	-	-	-	2,003	(2,003)
Interest Rate	-	-	-	-	-	-	1,836	2,551	(715)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,489</b>	<b>4,554</b>	<b>(1,065)</b>

## Collateral Sold or delivered as guarantee

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

Figures in MXN millions at March 31, 2010

	31 Mar 2009	30 Jun 2009	30 Sep 2009	31 Dec 2009	31 Mar 2010
<b>Stock borrowing</b>					
Cetes	-	1,123	1,437	788	240
Valuation increase (decrease)	-	(13)	-	-	-
Bonds	-	5,584	5,258	5,504	11,287
Valuation increase (decrease)	-	240	2	(3)	12
Shares	-	-	-	17	-
Valuation increase (decrease)	-	-	-	(1)	-
<b>Total</b>	<b>-</b>	<b>6,934</b>	<b>6,697</b>	<b>6,305</b>	<b>11,539</b>

## Participation by Subsidiary

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

Group Subsidiaries at March 31, 2010

	Number of Shares owned by subsidiaries	Participation Percentage	Number of Shares owned by HSBC Group
HSBC México, S.A.	1,643,363,189	99.99%	1,643,286,963
HSBC Seguros, S.A. de C.V.	392,200	99.99%	392,199
HSBC Afore, S.A. de C.V.	96,440	99.99%	96,439
HSBC Fianzas, S.A.	759,985,454	97.22%	738,877,715
HSBC Casa de Bolsa, S.A. de C.V.	158,500,801	99.99%	158,500,798
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>2,562,339,184</b>		<b>2,541,155,212</b>

## Trading income

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

Figures in MXN millions at March 31, 2010

	For the quarter ending...				Year to date	
	31 Mar 2009	30 Jun 2009	30 Sep 2009	31 Dec 2009	31 Mar 2010	31 Mar 2010
<b>Valuation</b>	(3,139)	7,455	(1,157)	(829)	<b>958</b>	(3,139) <b>958</b>
Derivatives	(530)	147	(1,153)	(590)	<b>908</b>	(530) <b>908</b>
Repos	(2)	-	-	-	-	(2) -
Debt Securities	(4)	(428)	(11)	(255)	<b>109</b>	(4) <b>109</b>
Foreign Exchange	(2,603)	7,736	7	17	(59)	(2,603) (59)
<b>Buying and Selling Instruments</b>	4,543	(6,710)	1,573	1,116	(499)	4,543 (500)
Foreign Currency	4,080	(7,210)	1,700	1,229	(697)	4,080 (697)
Derivatives	260	214	(353)	(245)	<b>69</b>	260 <b>69</b>
Repos	-	-	-	-	(0)	- -
Shares	6	4	12	(12)	(1)	6 (1)
Debt Securities	197	282	214	144	<b>129</b>	197 <b>129</b>
<b>Total</b>	<b>1,404</b>	<b>745</b>	<b>416</b>	<b>287</b>	<b>458</b>	<b>1,404 458</b>

## Loan Portfolio

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

#### By type of currency

Figures in MXN millions at March 31, 2010

	Commercial or Business Activity	Financial Intermediaries	Government Entities	Consumer Loans	Mortgage Loans	Total
<b>Performing Loan Portfolio</b>						
Pesos	50,613	7,294	21,588	28,008	16,155	123,658
US Dollars	20,162	118	1,239	-	-	21,519
Udis Banxico	-	-	5	-	3,614	3,619
<b>Total</b>	<b>70,775</b>	<b>7,412</b>	<b>22,832</b>	<b>28,008</b>	<b>19,769</b>	<b>148,796</b>
<b>Non Performing Loans Portfolio</b>						
Pesos	1,604	-	-	2,794	1,678	6,076
US Dollars	44	-	-	-	-	44
Udis Banxico	-	-	-	-	479	479
<b>Total</b>	<b>1,648</b>	<b>-</b>	<b>-</b>	<b>2,794</b>	<b>2,157</b>	<b>6,599</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-3	F1
<b>Local Currency</b>			
Long term obligations	A2	BBB	A
Long term deposits	A2	BBB	-
Short term	P-1	A-3	F1
<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 (mex)
Short term	MX-1	mxA -1+	F1+ (mex)
<b>Outlook</b>	Stable	Negative	Negative
<b>Last update</b>	19-Oct-09	14-Dic-09	23-Nov-09

(\*) Indicates the long term ratings for which the negative outlook rating applies.

## Loan Portfolio Grading

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

Figures in MXN millions at March 31, 2010

	Total loan portfolio	Allowance for Loan Losses by type of loan			Total reserves
		Commercial loans	Consumer loans	Mortgages loans	
Exempted from rating	8,332				
Graded	161,459				
<b>Risk A</b>	<b>77,224</b>	<b>364</b>	<b>54</b>	<b>57</b>	<b>475</b>
Risk A-1	52,143	121	54	57	232
Risk A-2	25,081	243	0	0	243
<b>Risk B</b>	<b>73,519</b>	<b>2,654</b>	<b>1,029</b>	<b>134</b>	<b>3,817</b>
Risk B-1	53,400	863	385	134	1,382
Risk B-2	13,332	965	644	0	1,609
Risk B-3	6,787	826	0	0	826
<b>Risk C</b>	<b>4,918</b>	<b>672</b>	<b>667</b>	<b>174</b>	<b>1,513</b>
Risk C-1	4,269	368	667	174	1,209
Risk C-2	649	304	0	0	304
<b>Risk D</b>	<b>4,751</b>	<b>228</b>	<b>1,666</b>	<b>1,087</b>	<b>2,981</b>
<b>Risk E</b>	<b>1,047</b>	<b>632</b>	<b>293</b>	<b>136</b>	<b>1,061</b>
<b>Total</b>	<b>169,791</b>	<b>4,550</b>	<b>3,709</b>	<b>1,588</b>	<b>9,847</b>
Less:					
Constituted Reserves					<b>9,847</b>
Surplus					<b>0</b>

1. The rating and constitution of reserves correspond to last day of the balance sheet at March 31, 2010.
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. The methodology distinguishes the qualification of the borrower and based on this determines the operation for the commercial portfolio excluding states and municipalities and Investment Projects, it has approved by the CNBV use an internal methodology. For the consumer portfolio and mortgage is made based on the "General Regulations Applicable to Credit Institutions" issued by the CNBV, specifically using the standard methodology.
3. The institution chose to establish reserves for consumer loan portfolio for credit card operations, calculated in accordance with Section II of Article 91 of the general provisions applicable to credit institutions in accordance with Section II of second transitory article of the resolution amending the general provisions applicable to credit institutions, as published in the Official Gazette on August 12, 2009.

In March 2010 the amount to establish such reserves as a result of the score was MXN 4,228 million. The amount up to that date for this concept was MXN 2,731 million, equivalent to 64.58% of the amount specified by the application of the formula set out in that Article transient.

The implementation of the new methodology for qualification of the consumer loan portfolio for credit card operations, led a charge to income, the allowance for loan losses net of MXN602 million, which was credited to the respective provision that presented in the balance sheet.

**Non – Performing Loans****HSBC Mexico, S.A. (Bank)**

Figures in MXN millions

	<i>At the quarter ending</i>				
	<u>31 Mar 2009</u>	<u>30 Jun 2009</u>	<u>30 Sep 2009</u>	<u>31 Dec 2009</u>	<u>31 Mar 2010</u>
<b>Initial Balance of Impaired Loans</b>	10,245	9,623	10,302	9,109	7,939
Increases	6,409	8,811	6,204	4,670	4,218
Transfer of current loans to past due status	6,409	8,811	6,204	4,670	4,218
Decreases	7,031	8,132	7,397	5,840	5,558
Restructurings	64	93	170	41	16
Liquidated credits	5,351	5,560	5,636	4,646	4,489
Charged in cash	1,053	1,443	1,106	942	1,394
Foreclosed assets	17	30	30	23	22
Writeoffs	-	-	-	-	-
Sale of portfolio	4,281	4,087	4,500	3,681	3,073
Transfer to performing loan status	1,626	2,468	1,597	1,156	1,062
Fx revaluations	10	(11)	6	3	9
<b>Final Balance of Impaired Loan</b>	<u>9,623</u>	<u>10,302</u>	<u>9,109</u>	<u>7,939</u>	<u>6,599</u>

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

Figures in MXN millions at March 31, 2010

	<u>31 Mar 2009</u>	<u>30 Jun 2009</u>	<u>30 Sep 2009</u>	<u>31 Dec 2009</u>	<u>31 Mar 2010</u>
Loan loss reserves	3,100	3,955	4,405	4,055	<b>4,623</b>
Valuation of securities	(128)	(132)	(46)	(40)	<b>(240)</b>
Fiscal loss	6	14	24	17	<b>15</b>
Other reserves	619	540	578	863	<b>858</b>
PTU Payable	485	34	55	88	<b>113</b>
Foreclosed assets	72	16	35	17	<b>20</b>
Stocks VISA & Mastercard	-	-	-	-	<b>-</b>
Other	109	129	157	227	<b>257</b>
Differences in rates of fixed assets	(285)	(319)	(283)	(199)	<b>(205)</b>
Fiscal result UDIS-Banxico	(724)	(743)	(757)	(760)	<b>(774)</b>
<b>Total Deferred Taxes</b>	<u>3,254</u>	<u>3,494</u>	<u>4,168</u>	<u>4,268</u>	<u><b>4,667</b></u>

## 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 2009</i>	<i>30 Jun 2009</i>	<i>30 Sep 2009</i>	<i>31 Dec 2009</i>	<i>31 Mar 2010</i>
MXN pesos					
Funding	3.40%	2.77%	2.17%	2.19%	<b>2.21%</b>
Bank and other loans	7.79%	6.32%	5.07%	5.21%	<b>5.14%</b>
Foreign currency					
Funding	0.28%	0.22%	0.15%	0.10%	<b>0.07%</b>
Bank and other loans	1.99%	0.82%	0.75%	0.70%	<b>0.61%</b>
UDIS					
Funding	0.19%	0.20%	0.20%	0.20%	<b>0.18%</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 TIIE (interbank rate) of the previous month.

*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>Rate</i>
		<i>MXN millions</i>			<i>MXN millions</i>	
INTENAL 03	24-NOV-2003	2,200	MXN	7	2,207	25-NOV-2013
HSBC 08	30-SEP-2008	1,818	MXN	4	1,822	20-SEP-2018
HSBC 08-2	18-DEC-2008	2,272	MXN	8	2,280	10-DEC-2018
HSBC 09D(USD300) <sup>1</sup>	26-JUN-2009	3,696	USD	1	3,697	28-JUN-2019
		<b>9,986</b>		<b>20</b>	<b>10,006</b>	

<sup>1</sup> Expressed in local currency at issuance date FX rate.

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

*Figures in 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	47	4,267	27-ABR-2016
		<b>4,220</b>		<b>47</b>	<b>4,267</b>	



## Capital

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

#### Grupo Financiero HSBC

The Ordinary Shareholders Meeting, held on April 16, 2010, approved the following distribution of the year 2009 financial results, amounting to MXN1,554 million:

- Five per cent, MXN78 million, to increase legal reserves, and the remaining MXN1,476 million, at the Board's determination to be applied under the concept of previous year's financial results.

The capital stock is included in the amount of MXN5,111 million, represented by 2,555,350,789 shares.

#### Subsidiaries Grupo Financiero HSBC

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

HSBC Mexico, S.A., net income in 2009, figure that was audited by Despacho KPMG Cárdenas Dosal, S.C., was MXN136 million.

- Five per cent, MXN13 million, to increase legal reserves, and the remaining MXN123 million, at the Board's determination to be applied under the concept of other reserves.

The capital stock increased to MXN3,287 million representing 1,643'363,189 shares.

## Capital Ratio

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

Figures in MXN millions at March 31, 2010

	<u>31 Mar</u> <u>2009</u>	<u>30 Jun</u> <u>2009</u>	<u>30 Sep</u> <u>2009</u>	<u>31 Dec</u> <u>2009</u>	<u>31 Mar</u> <u>2010</u>
% of assets subject to credit risk					
Tier 1	14.40%	15.12%	15.89%	22.37%	<b>23.10%</b>
Tier 2	3.96%	5.79%	6.24%	6.48%	<b>6.51%</b>
Total regulatory capital	<u>18.36%</u>	<u>20.91%</u>	<u>22.14%</u>	<u>28.85%</u>	<u><b>29.62%</b></u>
% of assets subject to credit, market risk and operational risk					
Tier 1	9.72%	9.70%	9.70%	13.81%	<b>13.53%</b>
Tier 2	2.67%	3.72%	3.81%	4.00%	<b>3.81%</b>
Total regulatory capital	<u>12.39%</u>	<u>13.42%</u>	<u>13.51%</u>	<u>17.81%</u>	<u><b>17.35%</b></u>
Tier 1	25,715	25,317	26,088	35,927	<b>36,334</b>
Tier 2	7,073	9,695	10,249	10,401	<b>10,242</b>
Total regulatory capital	<u>32,788</u>	<u>35,012</u>	<u>36,337</u>	<u>46,328</u>	<u><b>46,576</b></u>
RWA credit risk	178,623	167,462	164,150	160,597	<b>157,257</b>
RWA market risk	74,688	78,944	87,110	78,397	<b>86,803</b>
RWA operational risk	11,271	14,483	17,780	21,066	<b>24,461</b>
RWA credit and market risk	<u>264,589</u>	<u>260,889</u>	<u>269,040</u>	<u>260,061</u>	<u><b>268,522</b></u>

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, 2010

	For the quarter ending				Year to date		
	31 Mar 2009	30 Jun 2009	30 Sep 2009	31 Dec 2009	31 Mar 2010	31 Mar 2009	31 Mar 2010
Other income							
Loans to employees	44	40	36	37	37	44	37
Recoveries	475	97	74	210	193	475	193
Other income	606	503	512	493	664	606	664
	1,125	640	622	740	894	1,125	894
Other expenses	(343)	(229)	(450)	(602)	(252)	(343)	(252)
Other losses	(343)	(229)	(450)	(602)	(252)	(343)	(252)
Total other income (expenses)	782	411	172	138	642	782	642

► 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, 2010 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	177	-	79	17	274
Demand deposits	(274)	-	-	-	-	-	(274)
Repurchase agreements (assets)	-	-	4,827	-	-	-	4,827
Repurchase agreements (liabilities)	(4,827)	-	-	-	-	-	(4,827)
Sundry debtors (assets)	335	-	7	7	-	-	349
Sundry creditors (liabilities)	(3)	(14)	(44)	(63)	(225)	-	(349)
<b>Total</b>	<b>(4,769)</b>	<b>(13)</b>	<b>4,967</b>	<b>(56)</b>	<b>(146)</b>	<b>17</b>	<b>-</b>
<b>P&amp;L</b>							
Payable commissions	(2)	(2)	-	(101)	-	-	(105)
Receivable commissions	92	-	13	11	-	-	116
Interest income	-	-	1	-	-	-	1
Interest expense	(1)	-	-	-	-	-	(1)
Repos	(57)	-	-	-	-	-	(57)
Reverse repos	-	-	57	-	-	-	57
Administrative services	(1)	(24)	(53)	(14)	-	-	(92)
Other income	79	1	-	1	-	-	81
<b>Total</b>	<b>110</b>	<b>(25)</b>	<b>18</b>	<b>(103)</b>	<b>-</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, 2010*, is shown below:

Figures in MXN millions at March 31, 2010

(Cifras en millones de pesos)	Year to date at 31 March 2010				
	PFS	CMB	CIBM	OAC	Total
Net Interest Income	3,517	1,169	480	-	5,166
Provision for Loan Loss	(2,469)	(110)	(34)	-	(2,613)
<b>Net Interest Income adjusted</b>	<b>1,048</b>	<b>1,059</b>	<b>446</b>		<b>2,553</b>
Fees and Commissions, net	1,340	525	195	-	2,060
Trading Income	53	38	369	-	460
Other operation income	224	27	-	-	251
<b>Total Revenue</b>	<b>2,665</b>	<b>1,649</b>	<b>1,010</b>	<b>-</b>	<b>5,324</b>
Administrative Expenses	(3,102)	(1,405)	(642)	(416)	(5,566)
<b>Operating Income</b>	<b>(437)</b>	<b>244</b>	<b>368</b>	<b>(416)</b>	<b>(241)</b>
Other Income (Expenses), net	161	23	120	338	641
<b>Profit Before Taxes</b>	<b>(277)</b>	<b>267</b>	<b>488</b>	<b>(78)</b>	<b>400</b>
Taxes	26	23	45	-	94
<b>Net Income before subsidiaries</b>	<b>(251)</b>	<b>289</b>	<b>534</b>	<b>(78)</b>	<b>494</b>
Undistributed income from subsidiaries	361	-	-	-	361
<b>Continued Operating Results</b>	<b>110</b>	<b>289</b>	<b>534</b>	<b>(78)</b>	<b>855</b>
<b>Net Income</b>	<b>110</b>	<b>289</b>	<b>534</b>	<b>(78)</b>	<b>855</b>
Minority Shareholders	-	-	-	-	-
<b>Participated Net Income</b>	<b>110</b>	<b>289</b>	<b>534</b>	<b>(78)</b>	<b>855</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). Set out below is a reconciliation of the results of Grupo Financiero HSBC S.A. de C.V. from Mexican GAAP to IFRS for the three months to 31 March 2010 and an explanation of the key reconciling items.

<i>Figures in MXN millions</i>	<b>31 Mar. 2010</b>
<b>Grupo Financiero HSBC – Net Income Under Mexican GAAP</b>	<b>855</b>
Differences arising from:	
Valuation of pensions and post retirement healthcare benefits †	20
Acquisition costs relating to long-term investment contracts †	(10)
Deferral of fees received and paid on the origination of loans	21
Recognition and provisioning for loan impairments †	360
Purchase accounting adjustments †	(6)
Recognition of the present value in-force of long-term insurance contracts †	6
Other †	(249)
<b>HSBC México net income under IFRS</b>	<b>997</b>
<b>US dollar equivalent (millions)</b>	<b>78</b>
Add back tax expense	310
<b>HSBC México profit before tax under IFRS</b>	<b>1,307</b>
<b>US dollar equivalent (millions)</b>	<b>102</b>
<i>Exchange rate used for conversion</i>	12.8

† Net of tax at 30 per cent.

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

IFRS adjustments are calculated in accordance with HSBC Group accounting policies.

#### 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.

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

**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. This policy was introduced from 1 January 2007, previous to this all fees were 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.

**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**

Impairment losses on collectively assessed loans are calculated as follows:

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

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

**Purchase accounting adjustments**

Purchase accounting adjustments arose from the valuation of assets and liabilities on acquiring Grupo Financiero Bital in November 2002 under IFRS. Under Mexican GAAP, a different valuation methodology is applied.

**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, there by causing losses for the Group”, that is to say, the potential loss derived from changes in the risk factors will impact the valuation or the expected results of assets and liabilities operations or will cause contingent liabilities, such as interest rates, exchange rates, and price indices, among others.

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

- ▶ **Foreign exchange or currency risk.** - This risk arises in the open positions on different currencies to the local currency, which generates an exposure to potential losses due to the variation of the corresponding exchange rates.
- ▶ **Interest rate risk.** - Arises from asset and liability operations (real nominal or notional), with different expiration dates or re-capitalization dates.
- ▶ **Risk related to shares.** - This risk arises from maintaining open positions (purchase or sale) with shares or share-based instruments, causing an exposure to changes in share prices and the instruments based on these prices.
- ▶ **Volatility risk.** - Arises in the financial instruments that contain options, in such a way that the price (among others factors) depends on the perceived volatility in the underlying price of the option (interest rates, actions, exchange rate, etc.).
- ▶ **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-valuating the whole position exposed to interest rates.

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

**Spread over yield risk**

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

**Basis Risk**

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

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

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

**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 “All Trading” portfolios.

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

According to the International Accounting Standards 39 (IAS), the “MMT” portfolio (Money Market Trading) and BST (Balance Sheet Trading) should be part of the “All Trading” portfolio for market VaR calculation, but it has to be part of the “Accrual” portfolio for PVBP calculation.

The stress tests are carried out for the Bank’s portfolio and for the “All 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 “All Trading” and “Accrual” portfolios for the first quarter of 2010 (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.

Value at Risk of Global Market (VaR) (Considering all Risk Factors)						
	Bank		All Trading **		Accrual	
	Average 1Q10	Limits*	Average 1Q10	Limits*	Average 1Q10	Limits*
Combined	35.82	45.00	6.69	27.50	30.13	45.00
Interest Rate	35.54	50.00	6.58	N/A	30.13	42.00
FX	0.83	12.00	0.83	12.00	N/A	N/A
Volatility IR	0.02	8.00	0.03	N/A	0.02	2.0
Volatility FX	0.08	2.00	0.08	2.00	N/A	N/A
Equities	0.45	2.50	0.45	N/A	N/A	N/A

\*\* Includes Trading Desk, BST, MMT, Strategic FX & Equity

**Value at Risk of Global Market (VaR) (Last quarter comparison)**

	31-Dec-09	31-Mar-10	Limits*	Average 3Q09	Average 1Q10
HBMI	34.79	34.28	45.00	30.59	35.82
Accrual	33.51	27.95	45.00	33.39	30.13
All Trading	3.31	5.11	27.50	6.20	6.69

\* Absolute Value

N/A = Non Aplicable

The Bank's VaR at the end of the 1Q10 varied -1.46% versus the previous quarter. During the quarter the VaR remained under the limits.

The Bank's average VaR for the end of the 1Q10 varied 17.10% versus prior quarter. During the quarter the average VaR remained under the pre-established limits.

**Comparison of Market VaR vs. Net capital**

Below a chart comparing the market VaR versus net capital is presented for December 31st, 2009 and March 31st, 2010 (in millions of dollars).

<b>Market VaR vs. Net Capital Comparison</b>		
<i>Net Capital in million Dollars</i>		
	31-Dec-09	31-Mar-10
Total VaR*	30.59	35.82
Net Capital **	3,545.70	3,777.30
VaR / Net Capital	0.86%	0.95%

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

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

The average market VaR represents 0.95% of the net capital in 1Q10.

<b>Present Value for 1bp (PVBP) for Mexican Pesos Rates</b>					
	31-Dec-09	31-Mar-10	Limits*	Average 4Q09	Average 1Q10
Bank	(0.759)	(0.882)	1.200	(0.801)	(0.873)
Accrual	(0.590)	(0.732)	0.900	(0.654)	(0.661)
Trading Desk	(0.101)	(0.087)	0.320	(0.105)	(0.152)
Balance Sheet Trading	(0.069)	(0.063)	0.210	(0.043)	(0.061)

\* Absolute Value

NA = Non Aplicable

The bank's MXN Rate PVBP for 1Q10 varied 16.21% versus prior quarter. The bank's average PVBP for the 1Q10 varied 8.99% versus prior quarter.

<b>Present Value for 1bp (PVBP) for USD Rate</b>					
	31-Dec-09	31-Mar-10	Limits*	Average 4Q09	Average 1Q10
Bank	0.077	0.084	0.300	0.062	0.099
Accrual	0.055	0.063	0.300	0.058	0.062
Trading Desk	0.025	0.015	0.050	0.001	0.031
Balance Sheet Trading	(0.002)	0.007	0.070	0.003	0.006

\* Absolute Value

NA = Non Aplicable

The bank's USD Rate PVBP for 1Q10 varied 9.09% versus prior quarter. The bank's average PVBP for the 1Q10 varied 59.68% versus prior quarter.

Present Value for 1bp (PVBP) for UDI Rates					
	31-Dec-09	31-Mar-10	Limits*	Average 4Q09	Average 1Q10
Bank	(0.205)	(0.228)	0.350	(0.217)	(0.207)
Accrual	(0.156)	(0.165)	0.300	(0.161)	(0.160)
Trading Desk	(0.027)	(0.044)	0.080	(0.035)	(0.028)
Balance Sheet Trading	(0.021)	(0.019)	0.050	(0.022)	(0.019)

\* Absolute Value

NA = Non Aplicable

The bank's UDI Rate PVBP for 1Q10 varied 11.22% versus prior quarter. The bank's average PVBP for the 1Q10 varied -4.61% versus prior quarter.

## Liquidity Risk

### Qualitative Information

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

HSBC has implemented a methodology to measure liquidity risk based on cash flow projections for a period of 12 months in local currency and in US dollars.

This methodology is calculated on a daily basis under different stress test scenarios, in a period of 6 months the Cumulative Net Cash flows projections must be positive. Major stress test scenario considers the following assumptions: 100% withdrawal of non-core deposits, security haircuts of 10% for government securities and 20% for liquid equities, no further issuance possible, no deposits or non-retail CDs are renewed on maturity, disbursement 20% of committed facilities and no new business growth.

Additionally the institution performs a daily review of the cash inflows and outflows and values the requirements of the main customers in order to diversify the sources of funding.

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

### Quantitative Information

Expected cash flow projections were performed under different liquidity crisis stress test scenarios, obtaining as a result positive cumulative net in all cases. This reflects an adequate liquidity position of the Institution for the next twelve months.

The institution presented at end of the quarter a surplus in expected cash flow under the major stress test scenario of 1,617m USD. Along the quarter, average level was 1,301m USD. Compared versus previous quarter, liquidity position was affected resulting from a change in methodology to estimate Core deposits.

## Credit Risk

### Qualitative Information

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

Credit risk is defined as the risk that a client or counterpart can not or does not want to comply with a commitment celebrated with a member or members of the Group, i.e. the potential loss due to the lack of payment from a client or counterpart. For the correct measurement of credit risk, HSBC has credit risk measurement methodologies, as well as advanced information systems.

In general, the methodologies separate the client risk (probability that a client will default to his/her payment commitments: Probability of Default) from the transaction risk (risk related with the structure of the credit, including principally the value and type of guarantees).

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

The system MRC (Credit Provision Module) was implemented in 4Q07 in order to improve the functionality of the grading system (SICAL). The “Matriz de Calificación” is still being applied to the commercial portfolio. This model is the core element of the regulatory risk grading process. The “Matriz de Calificación” determines the client grade with the analysis of three fundamental areas: payment capacity, payment experience and operational situation. The credit grade is obtained by adjusting the client grade based on the date of the financial statements, the level of support from shareholders and the type and value of guarantees, among others. Both grades, the client and the credit one, can go from 1 to 10, being 1 the minimum risk and 10 the maximum.

Based on the approval given by the CNBV, the “Matriz de Calificación” is used to calculate regulatory credit provisions based on the client risk, MRC (formerly SICAL) is used for the calculations. The internal client risk grade obtained from MRC is mapped to the regulatory one. The regulatory grades of the commercial portfolio can go from A to E.

The calculation of the regulatory provisions for the consumer and mortgage portfolio is done separately, and is based to “Disposiciones de Carácter General Aplicables a las Instituciones de Crédito, published by CNBV”, which used the general methodology.

With the objective of establishing a better infrastructure for credit risk management and measurement for the commercial portfolio, a risk evaluation tool is used: Moody’s Risk Advisor (MRA), which permits a deeper evaluation of the credit quality of clients based on their qualitative and financial information. In October 2006, HBMX implemented three customer risk rating models for the commercial portfolio (one for small market enterprises, another one for middle market enterprises and a third one for large corporates).

In addition to the mentioned client risk grading models, 11 more were implemented for Non-Banking Financial Institutions (NBFIs), another one for banks (MRAfBanks), and one more for global customers, being those the corporate counterparties with annual sales above or equal to MXN 7,000 millions (GLCS). In 4Q07 new versions of GLCS and MRAfBanks were implemented.

The implementation of the mentioned models in the last paragraphs was done along with the introduction of a client risk grading framework, known as Customer Risk Rating (CRR), which contemplates 22 levels, 20 of them are for non-defaulted customers and 2 for defaulted, being 1.1 the level of minimum risk and 10.0 the maximum. The framework includes a direct correspondence to Probabilities of Default and permits a more granular measurement of the credit quality of clients.

With respect to the measurement of Loss Given Default (LGD), which is more related to the transaction risk, HBMX is using a judgmental model for the commercial portfolio since March 2004. In order to convert the model to an empirical one, HBMX constructed a historical database, which will also be used for the estimation of Exposure at Default (EaD). LGD is being calculated empirically for the consumer and mortgage portfolio. In the second half of 2006 a risk-adjusted return model, which measures the profitability of each and every client relationship, was introduced. During 2007, 2008 and 2009 new versions were implemented.

Also, as part of the credit risk management and measurement infrastructure, HBMX has a system to manage, control and monitor the commercial credit approval process known as Approval Workflow (SIPAC). With this

system the status of a credit application can be consulted in any stage of the credit process. For corporate banking the Credit Approval and Risk Management (CARM) system is used.

In addition, and with the objective of enhancing the management of guarantees of the commercial portfolio, a system was implemented in 2006, "Garantías II". Finally, it is important to comment that HBMX also has a system that controls the limits and utilization of credit facilities since their origination, "Líneas III".

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

Within the management of the consumer and mortgage portfolio, monthly reports are generated to measure its credit quality. The reports are segmented by product and include general statistics of the portfolio, distribution by number of payments past-due, payments past-due by origination date, payments past-due transitions, among others. In addition, the EL is determined in a monthly basis. The current model to determine the EL considers a two dimension focus, where a PD and LGD is assigned to every credit. The model is calibrated to estimate expected losses in a year, and was elaborated using previous experience with the portfolio.

### Quantitative information

The Expected Loss (EL) of the consumer and mortgage portfolio as at March 31st, 2010 is \$8,773.68 millions of pesos, which represents the 16.6% of Total Balance performing a decrease of \$4,417.8 millions of pesos compared to previous quarter due to model changes in Credit Cards and Mortgages portfolios. The Expected Loss of the commercial portfolio as at March 31st, 2010 is \$3,419.9 millions of pesos, showing a decrease of 1.83% compared to the figure reported in the previous quarter. The EL estimation of this portfolio does not consider undrawn facilities yet.

### Operational Risk

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Operational Risk is that of incurring in losses due to inadequate or failed internal processes, people and systems or from external events, including technological and legal risks.

In order to manage these risks, a central specialized unit has been established; and a group of middle managers within the business & support units has also been appointed to functionally report to this Unit and are responsible for spreading the Group's operational risk management framework. They both operate according to the policies, procedures, processes and methodologies approved by the Risk Management Committee which are documented in manuals and instruction books as a complement to the Group's operational risk management and internal control framework.

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

A 6th annual assessment exercise took place during 2H'09 in order to identify and re-assess all operational risks throughout Group's structure. As part of this exercise, all identifiable risks were denominated, described and classified into four general categories: people, processes, systems and external events, and into 23 specific subcategories, including those of legal and technological nature.

Risks were also graded in terms of three parameters: likelihood, impact and exposure, leading to a risk rating as a result of the combination of the three; which in order of relevance, runs from 'A' to 'D'.

## Technological Risk

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The IT area maintains the adequate control of the technological risk through three means:

- 1) In order to realize the project, through processes and international practices, the software development life cycle is controlled via an internal methodology identified as RBPM (Risk Bases Project Management), and the Clarity tool (global HSBC tool) to guarantee a consistent and efficient management of the projects.
- 2) Additionally, through the DRP (Disaster Recovery Plan) process focused in the recovery of the systems in case of disasters, and the management of Service Levels and critic processes, the continuity is ensured, covering the client's service expectations and global HSBC standards.
- 3) Through an agile, secure and reliable Governance structure, and oriented to maintain an adequate technological risk control and response capacities for all the banking services that offer in their different distribution channels, the risk is managed in the senior management committees: HTS Steering Committee, Risk Management Committee (RMC) y Operational Risk & Internal Control Committee (ORICC).

## Legal Risk

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Legal Risk Management is attending the following types of risk:

- ▶ Contractual;
- ▶ Litigation;
- ▶ Legislative; and
- ▶ Non-contractual rights.

There have been taken following measures: the establishment of policies and procedures for the suitable legal function and the celebration of juridical acts; the estimation of potential losses derived from adverse judicial or administrative resolutions; the publication to employees and officials of the juridical and administrative dispositions applicable to his operations as well as the establishment of a historical database on the judicial and administrative resolutions, his causes and costs.

To avoid the possible loss due to the nonperformance of the applicable juridical and administrative norms and to avoid unfavorable resolutions, they have been implemented policies and procedures for the identification, measurement and control of the legal risks and to prevent this way, as far as possible, the above mentioned risks from being able to result in losses not estimated for the Institution.

## Quantitative Information (including Legal and Technological Risk)

The assessment of operational risks resulting from the 6th assessment exercise carried out in Fall 2009, and taking into account their upgrades at closure of 1Q10, the set of risks is integrated by 2,297 identified and assessed risks, distributed as follows: 0.5% A type, 10.8% B type, 65.6% C type, and 23.1% D type, which can also be classified according to their primary category onto: 20.6% people, 51.9% process, 16.3% systems and 11.2% external factors.

Furthermore, since Jan'06, the loss reporting threshold for individualized losses is of USD 10,000, where minor events are aggregated in a single record. Both event types are recorded in the ad-hoc corporate system platform specifically designed for the management of operational risk and record of operational losses.

## Corporate Sustainability (CSR)

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The global and local economic crisis brings significant challenges to economic and social development in Mexico.

We believe that being a sustainable bank involves several commitments in our actions; from a business perspective implies sustainability profitable growth in the long run based on a relationship of trust between our institution and our clients. The sustainable standpoint engage reduce as much as possible the environment impact of our operations and contribute to our community by supporting programs and projects that promote better education and environment which is the trust of our clients.

Sustainability is achieved through a strategy based on three pillars: Economic: aligning with the principles of Ecuador considering the environmental impact on the group's investments. Environment: Caring for the impact of our carbon footprint on the environment and promoting a sustainable culture within our organization. Social: Through our community investment, through a defined annual fund 05% to our earnings before taxes.

During the first quarter of this year we have focused on developing a strategic plan that allows us to focus our community investment by 2011 in larger programs, impact, and that in turn drive the internal commitment of our employees through volunteerism, and as better positioning between our costumers and the union.

The Income of Our Investment Community Fund has three sources of income: PBT, Channels and sustainable products, having as a goal this year a total of \$ 74,688,456.00 consisting of \$40,000,000.00 of PBT to be invested in accordance with the policies of the group indicated by 50% in Education, 25 % in Environment and Community 25%, \$ 18,688,456.00 channels (ATM's) donations from our customers that are channeled through four campaigns during Child Protection, Child Cancer, Bécalos and extreme poverty and / or community and \$ 16,000,000.00 also contribution of customers through products (green insurance) fund that invests in programs to benefit the environment.

According to HGHQ policy of supporting education, environment and community, HBMX won in the first quarter of 2010, \$ 15,762,091.37.

### Education

Based on our social programs, we expect to make influence positively in the lives of children and teenagers, getting involved directly and providing financial support to those projects which let access to a better quality in education; we also expect to create, at the same time, a positive attitude in children and young people, by opening opportunities to facilitate the achievement to success, creating a better future for themselves and better quality of life for their families.

One of the most important sections for HSBC is education, in which, at the moment, we count on 3 governing axes: Integral Education, Educative Scholarships and Rights of the Children.

### Our Programs:

#### **Prevention and Treatment of Children and Adolescents Migrants and Returnees Unaccompanied**

HSBC signed an investment of 40 million pesos to four years with the National DIF, President of Mexico and Save the Children for the program of prevention and care for children and young unaccompanied migrants and returnees seeking to develop capabilities and skills children to stay and take root in their home communities by promoting healthy and full of migrant children, ensuring full respect for their rights, the care of their needs and promoting the development of their capacities, the ultimate goal of the migrant child may rejoin his family and formal education. They have conducted several regions, some of whom have attended the first lady, Ms. Margarita Zavala. As first steps have been visited Tijuana migrant centers, Mexicali, Colorado and San Luis Ríos Tapachula and communities that reject them as Acquixtla, Puebla. The Trust is already legally constituted and the first funds being transferred.

#### **Learn**

A six year program of whole support to pupils, teachers and families, in 15 full time schools with low score in the national test ENLACE. This program applies in Mexico City, particularly in regions like Miguel Hidalgo, Azcapotzalco and Cuauhtémoc.

The program was developed in alliance with the Ministry of Public Education (SEP) and Pro-Education focusing mainly on increasing the quality in education that pupils receive. In this way, they would have access to the best practices and educational programs, providing better opportunities in the future.

**Integral Protection System /Bicibus**

In partnership with Sport City and The Record newspaper in support of Save the Children Mexico was held to raise funds through bank ATMs and the burning of calories in the Bicibus. The Bicibus is a Turistic bus conditioned with 18 stationary bicycles that are parked in corporate buildings, universities, public places, etc. In Mexico, Toluca, Monterrey, Guadalajara which invites HSBC volunteers, customers and general public to burn calories to support Save the Children, for every five calories burned, HSBC donated \$ 5.00 pesos. It raised a little over 3 million pesos in total. The spokesman of the campaign was Eugenio Derbez for the second year and will have local spokespeople like soccer teams Chivas, Estudiantes, the Municipality of Monterrey, broadcasters Televisa Monterrey, among others.

Integral Protection Program aims to contribute to the integral development of children and teenagers of Mexico with particular attention to vulnerable social groups, so that they acquire in their learning process, knowledge, habits, understanding their rights and ethical values that need to be fully realized in the course of its evolution and become productive citizens build their own lives, ensuring their optimal development and survival, in three main areas: quality education, violence prevention and healthier life.

**More than money**

In alliance with *Impulsa*, we work actively in the program of financial education, aimig to teach basic finances issues to children in fifth and sixth grade of primary school.

The program has a broad involvement with SEP, parents and volunteers from HSBC.

The students will understand the basic principles of money and will apply them in daily life. The students will recognize the importance of money management in taking decisions, Classes are given by our 113 volunteers. Up to now, 2006 students in 52 classrooms have been benefited.

**Environment**

Our head office in Mexico City, the HSBC Tower, will continue implementing processes for energy saving to reduce atmospheric emissions, water consumption measures and recycling water as well as developing policies and processes for a better waste management.

We are a LEED certified company granted by the U.S. Green Building Council, which means to be the first building of this type in Mexico and Latin America. The first building getting such certification.

HSBC is also involved directly into the communities, implementing programs to improve the sustainability. As part of this plan, HSBC is working on community sustainable projects, environment education programs, and income generation.

**Our programs:****Earth Hour**

In supporting the global campaign "Earth Hour", HSBC Mexico joined in turning-off the lights in our corporate offices and creating awareness among the employers. May 27<sup>th</sup> from 8:30 to 9:30 pm was created awareness about climate change and the importance of creating a sustainable culture. It is the second consecutive year that HSBC is added, also part of the main sponsors of both the City Government, as with the Federal Government.

**Chapultepec Forest**

Through our Green Insurance, the environmental sanitation program started in the second section of Chapultepec Park, referred to as "El Sopo" with an investment of 5 million pesos, which will be held in various environmental activities with specialists in the matter, voluntary and trust HSBC PROBOSQUES de Chapultepec; the main lung of the city of Mexico is Bosque de Chapultepec.

**Green Insurance**

Nowadays we are in the process of the Green Insurance 2009 follow up which main goal is to develop rural communities through conservation, protection, and restoration efforts in the of the ecosystems. We have operations in 10 states: Quintana Roo, Campeche, Chiapas, Oaxaca, State of Mexico, Jalisco, Colima, Nayarit Durango and Chihuahua, and have invested 11.9 million benefiting 87 communities and assisted 97,300 hectares.

The taken actions we have made:

1. Ecological Arrangement and community managed programs.
2. Nurseries.
3. Reforestation on planned territory.
4. Prevention and management of wood fires.
5. Management of water sources.
6. Soil enrichment of jungles and forests.
7. Direct protection.



8. Retention of soils.

### Sustainable Communities

Along Naturalia, we have invested 1,7 million pesos and we are implementing a set of productive projects, conservation, restoration, educational and training, leading the community to achieve a sustainable development in the region. We want to consolidate these projects in 5 years as well as improving the quality of life in the community of San Juan Atzingo (State of Mexico) not compromising its natural resources, guaranteeing the environmental services for the region and the urban bordering zones.

The actions take are:

1. Nurseries
2. Ecotourism
3. Environmental instruction in schools
4. Ecotecnias
5. Volunteering

### Community

In order to support the society where we operate, HSBC has developed several projects on the subject of health, culture and emergencies.

#### Our programs:

##### Culture

We sponsor the National Museum of Anthropology with a grant of \$1,000,000.00. Many volunteers has been recruited to serve the Museum and are also invited to the most important exhibitions that they carried out during the year.

##### Health (Fundación IMSS)

In order to support the victims of the ABC Day-care center tragedy in Hermosillo, Sonora we leaned to Foundation IMSS a total of 4 million pesos that will serve to the rehabilitation and family support to the survivorsof more than 48 mortal victims and more than 100 children affected.

### Emergencies

#### Haiti

After the tragedy that Haiti went through, HSBC Mexico collaborated with the international community supporting to Save the Children Foundation in the program of emergencies. ATM's were at the disposal of the clients and donated in favor of Haiti. We fundraised \$1.888.700,00 pesos in ATM's and \$3.267.940,38 in account RAP giving a total of \$5,156,640.38

#### Chile

Along the Chilean Embassywe fundraised money to the victims of earthquakes in the South American country. HSBC and the Embassy of Chile in Mexico released advertising in newspapers with the account information where the people could contribute to this cause.

#### State of Mexico

Due to terrible floods, the bank supported their employees. This economic help concluded with a total of \$150.000 pesos that were distributed within the employees who were damaged by these terrible floods in the Mexico City metro area

### Volunteering

Thanks to the proactive participation of Mexican volunteers, at the end of the 1<sup>st</sup> quarter of 2010, we completed 45% of the target for Mexico to Balance Score Card.

Toys Collection is an initiative of Mexican employees who donate toys and money to benefit the disadvantaged children in institutions. 666 volunteers in 32 states participated and collected enough toys to cheer up 4 000 children across the country.

Our financial education program for children from 15 schools in Mexico City, provided an opportunity for 55 volunteers to teach in 30 groups with 811 students accumulated a total of 351 volunteer hours.

As a complement to financial education program, “APRENDAMOS” is another program in cooperation with 3 important institutions: SEP, UNAM and PROED. 14 volunteers joined 94 hours in training in environmental issues to bring these children with information on biodiversity, environmental attitudes, waste separation, saving water, nature conservation and climate change

In addition, our volunteering realized visits and support initiatives to benefit and impact more children through BICIBUS and the Mexican Tennis Open or spend a little time to play with children with AIDS and helped disability children in sale of products made by them.

## Communication

The Communication area of the CS department has centered its messages in the first quarter of the 2010 to manage media relations to create awareness of the bank within clients and audience to be recognized as the Sustainable Bank in the country.

In the period January-March 2010, this Direction has hosted 4 press conferences with great media coverage that resulted in an ad equivalence of more than \$2 million pesos in press, radio, television and Internet. The campaigns where we participated are:

- Bicibus, in favor of Save the Children (2 conferences; opening and closure)
- The Earth Hour, in collaboration with WWF
- Rebecca de Alba Foundation

In addition, we increased our relations with Federal Government hosting the Television of Presidency in our headquarters to record a program in sustainable buildings. Also we participated in the UN campaign “Blue Heart” illuminating the lobby in blue to combat human trafficking.

Corporate Sustainability will continue to build the HSBC position as the Sustainable Bank in Mexico.

## CSR Certification

In March 2010, HSBC México was awarded for the fifth consecutive year with the Certification in “Social Responsible Company”, by the Mexican Philanthropy Centre (CEMEFI), and Aliarse.

This recognition certifies HSBC México as a company that is truly committed to a social responsible management as part of its culture and business strategy.

## Conclusions

The economic crisis that crashed the world in 2009 leaves us social challenges in our community, for this reason, we must make more efficient our communitarian investment. We managed to potentialise our social and environmental investment with the fundraising among our clients that represents 46,44% of the active participation.

With commitment and actions, HSBC Mexico is looking forward to keep a balance in environment, society and business, establishing long term relations with our clients, assuring the success HSBC. In this way we provide support in a multidimensional way that will impact our people and the future generations in Mexico.

HSBC has been awarded for the 5th consecutive year with the ESR 2010 symbol (Social Responsible Company) granted by the Mexican Center for Philanthropy.

## Contacts

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