

Grupo Financiero HSBC

Financial information at 30 September 2011

3Q11

- ▶ **Press Release**
- ▶ **Quarterly Report**
- ▶ **Third Quarter 2011**

Release date:
31 October 2011



31 October 2011

**GRUPO FINANCIERO HSBC, S.A. DE C.V.
THIRD QUARTER 2011 FINANCIAL RESULTS – HIGHLIGHTS**

- Net income before taxes for the nine months to 30 September 2011 was MXN3,776m, an increase of MXN1,457m or 62.8% compared with MXN2,319m for the same period of 2010. The 2011 results were affected by restructuring charges, the majority of which related to a reorganisation of the bank's regional services. Excluding the effect of these charges, net income before taxes would have been MXN4,866m, up by MXN2,547m or 109.8% compared to the same period of 2010.
- Net income for the nine months to 30 September 2011 was MXN2,720m, an increase of MXN833m or 44.1% compared to the same period of 2010. Excluding the effect of the restructuring charges, net income would have been MXN3,483m, up MXN1,596m or 84.6% compared with the nine months to September 2010.
- Total operating income, net of loan impairment charges, for the nine months to 30 September 2011 was MXN22,566m, an increase of MXN3,835m or 20.5% compared with MXN18,731m for the same period of 2010.
- Loan impairment charges for the nine months to 30 September 2011 were MXN4,750m, a decrease of MXN2,758m or 36.7% compared with MXN7,508m for the same period of 2010.
- Net loans and advances to customers were MXN177.1bn at 30 September 2011, an increase of MXN24.2bn or 15.8% compared with MXN152.9bn at 30 September 2010. Total impaired loans as a percentage of gross loans and advances to customers remained at 3.6% as reported at 30 September 2010. The coverage ratio (allowance for loan losses divided by impaired loans) was 158.4% compared with 175.2% at 30 September 2010.
- At 30 September 2011, deposits were MXN280.7bn, an increase of MXN35.0bn or 14.2% compared with MXN245.8bn at 30 September 2010.
- Return on equity was 7.4% for the nine months to 30 September 2011, compared with 5.2% for the same period in 2010.
- At 30 September 2011, the bank's capital adequacy ratio was 15.2% and the Tier 1 capital ratio was 11.6%, compared with 15.9% and 12.3%, respectively at 30 September 2010.
- From the first quarter of 2011, regulatory requirements issued by the Comisión Nacional Bancaria y de Valores – CNBV – require financial figures for both the insurance and bond companies, HSBC Seguros and Fianzas Mexico respectively, to be presented on a consolidated basis. As a result, the nine months to 30 September 2010 financial results have been re-stated to be comparable with the same period of 2011.
- The sale of HSBC Afore, S.A. de C.V. to Principal Financial Group, S.A. de C.V. was successfully completed in August 2011.

*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 nine months to 30 September 2011) 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).*

Overview

Despite the current global economic uncertainties, the Mexican economy is expected to be able to withstand any potential economic slow-down, especially in the US. This is based on Mexico's sound macroeconomic position, a competitive and diversified exports base and a stronger domestic market.

Inflation is expected to be 3.5% for 2011 and no change is expected to monetary policy interest rates until the fourth quarter of 2012.

For the nine months to 30 September 2011, Grupo Financiero HSBC's net income was MXN2,720m, an increase of MXN833m or 44.1% compared with the same period of 2010. Higher trading income and lower impairment charges were partially offset by lower net interest income, net fee income and increased administrative expenses, the latter largely impacted by the restructuring charges occurred during the first half of 2011.

Net interest income was MXN16,129m, a decrease of MXN187m or 1.1% compared with the same period of 2010. This decline was mainly driven by higher funding costs and a contraction in spreads coupled with lower balances in the credit card portfolio, which were partially offset by higher spreads on available for sale securities.

Loan impairment charges were MXN4,750m, a decline of MXN2,758m or 36.7% compared with the same period of 2010. This decrease is due to a general improvement in credit quality across our portfolios and lower credit card volumes. In addition, a new credit provisioning methodology for States & Municipalities was approved by the CNBV and applied in September 2011. This resulted in a net release of MXN108.7m. The new methodology is based on an expected loss approach.

Net fee income was MXN4,448m, a decrease of MXN439m or 9.0% compared with the same period of 2010. This reduction was mainly a result of lower credit card volumes as well as reduced account services and ATM fees. Regulatory restrictions applied since the beginning of the current year affected fee income by limiting the fees that can be charged for ATM and customer deposit services.

Trading income was MXN2,502m, an increase of MXN141m or 6.0% compared with the same period of 2010. The improvement in trading income is mainly the result of a strong performance in derivatives and the sale of one of our equity investments, partially offset by lower foreign exchange and debt trading results.

Other operating income was MXN4,237m, an increase of MXN1,562m or 58.4% compared to the same period of 2010. This increase is driven by the gain on the sale and leaseback of certain branches in the network, the sale of HSBC Afore, tax recoveries from previous years and lower operational losses recognised during the year.

Administrative and personnel expenses were MXN18,825m, an increase of MXN2,410m or 14.7% compared with the same period of 2010. This increase is mainly driven by IT related costs, higher personnel expenses and restructuring charges. Excluding the effect of the restructuring charges, the increase in expenses would have been MXN1,320m or 8.0% compared with the same period of 2010.

The performance of non-banking subsidiaries contributed positively to Grupo Financiero HSBC's results, particularly HSBC Seguros, which reported a net profit of MXN1,094m for the nine months to 30 September 2011, a 14.4% increase when compared with the same period of 2010. The higher results reported by HSBC Seguros were driven by increased product sales, mainly life products, reflecting a 7.3% increase in earned premiums, in addition to flat operating expenses. The claims ratio decreased 4.9% when compared to the same period of 2010, mainly due to (T-5) individual life products.

Net loans and advances to customers increased MXN24.2bn or 15.8% to MXN177.1bn at 30 September 2011 compared to 30 September 2010. This increase is mainly driven by growth in the commercial portfolio. Consumer portfolio also increased, driven by higher personal and payroll loans, which more than offset a decrease in credit cards.

At 30 September 2011, total impaired loans increased by 11.2% to MXN6.5bn compared with 30 September 2010, mainly as a result of recent restructures, partially offset by a reduction in impaired consumer loans, as collections and underwriting processes were tightened. Total impaired loans as a percentage of gross loans and advances to customers remained at 3.6% as reported at 30 September 2010.

Total loan loss allowances at 30 September 2011 were MXN10.2bn, an increase of MXN52m or 0.5% compared to 30 September 2010. The total coverage ratio (allowance for loan losses divided by impaired loans) was 158.4% at 30 September 2011 compared with 175.2% at 30 September 2010. This reduction in the coverage ratio is mainly the result of increased impaired loans.

Total deposits were MXN280.7bn at 30 September 2011, an increase of MXN35.0bn or 14.2% compared with 30 September 2010. This is the result of increased sales efforts and targeted promotions particularly for 'Advance', 'Inversion diaria', 'Inversion Express' and 'Premier' deposit products.

At 30 September 2011, the bank's capital adequacy ratio was 15.2% compared with 15.9% at 30 September 2010. The tier 1 capital ratio was 11.6% compared with 12.3% at 30 September 2010.

In March 2011, the bank paid a dividend of MXN1,800m representing MXN1.095 per share to Grupo Financiero HSBC and Grupo Financiero HSBC paid a dividend of MXN3,520m representing MXN1.377 per share.

Business highlights

Retail Banking and Wealth Management (RBWM)

RBWM achieved strong sales in its consumer portfolio and continued repositioning the wealth management business from a product focused approach to a relationship approach.

Our sales focus was targeted through campaigns aimed at providing solutions to customer's needs based on Business Intelligence; understanding our customers through their spending and saving patterns and proposing solutions using Customer Relationship Management capabilities, and cross-selling to our existing customer base and expanding our payroll base.

Special focus continues to be placed on leveraging our Global Banking and Commercial Banking relationships to cross-sell our payroll service capabilities. As a result, Personal and Payroll loans sales reported a 63% year on year growth while balances increased 85% year on year.

Credit card balances across the industry remained flat. However, we have increased credit card sales by 4% compared to the last quarter. Average credit card balances decreased 5.7%, from MXN16,405m to MXN15,478m. During the period, several strategies were launched aimed at reducing the credit card seasonal balance decrease with campaigns such as purchases on instalments, balance transfers, credit limit increases and extended preferential rates.

During the third quarter of the year, customer deposits, both time and demand increased MXN12.5 bn compared to 30 September 2010.

Commercial Banking

During the third quarter of 2011, Commercial Banking continued to report growth in deposits, up by 25%, while loans have increased 12%, both compared to 30 September 2010.

Our business proposition for Corporate & Structured Banking was established in three of the country's main cities (Mexico City, Guadalajara and Monterrey), which should enable us to provide specialized services to our corporate customers such as international trade, treasury and investment banking.

Several initiatives have been implemented aimed to support the underwriting of business banking credit facilities, such as preferential interest rates on first draw downs and benefits to current customers.

We have continued to manage our State and Municipalities' portfolio actively through continuous contact and advice to this segment's customers.

Global Banking and Markets

As of 30 September 2011, Global Markets continued to report good revenues in balance sheet management and trading.

In the Debt Capital Markets business, Grupo Financiero HSBC continued to consolidate its position as a leading underwriter in Mexico, maintaining its second place in the local debt capital market league tables. As of September 2011, we have placed and participated in bond issuances for a total transaction amount of MXN112.1bn, including United Mexican States (UMS), CEMEX, Inbursa, Santander, INFONAVIT, Bancomext, Alsea, Gas Natural, Interacciones, Scotiabank, Cadena Mexicana de Exhibición and ICA.

For the nine months to 30 September 2011, Global Banking's credit and lending business originated new lending to corporate clients in excess of MXN17.7bn, compared to MXN 7.6bn for the same period of 2010.

The Project and Export Finance Business also reported a strong performance, executing transactions worth US\$570m.

We continued focussing on customer onboarding processes, developing incremental Global Market product business and executing transactions for Global Banking clients.

Global Banking continued to grow average balances, particularly in Client Bank Deposits which have reported a 61% increase in average balances compared to 30 September 2010.

Sale of HSBC Afore to Principal Financial Group

On 11 April 2011, Grupo Financiero HSBC signed an agreement to sell HSBC Afore, S.A. de C.V., its pension funds management business, to Principal Financial Group, S.A. de C.V. ('Principal') for a cash consideration of MXN2,360m (approximately US\$198m). This sale transaction was successfully completed in August 2011.

Grupo Financiero HSBC 2011 financial results as reported to HSBC Holdings plc, our ultimate parent company, under International Financial Reporting Standards (IFRS)

For the nine months to 30 September 2011, on an IFRS basis, Grupo Financiero HSBC reported pre-tax profits of MXN7,231m, an increase of MXN2,899m or 66.9% compared with MXN4,332m in the first nine months of 2010. The 2011 results were affected by restructuring charges, the majority of which related to a reorganization of the bank's regional services. Excluding the effect of these charges, net income before taxes would have been MXN8,321m, up by MXN3,989m or 92.1% compared to the same period of 2010.

The lower profit reported under Mexican GAAP is largely due to lower loan impairment charges as result of the different provisioning methodologies and the amount recognized as profit on the sale of the pension funds management business (Afore). The goodwill allocated under IFRS on the disposal of Afore is based on the goodwill held in the Grupo Financiero HSBC legal entity, but allocated on the HSBC Group cash generating unit basis. A reconciliation and explanation between the Mexican GAAP and IFRS results is included with the financial statements of this document.

About HSBC

Grupo Financiero HSBC, is one of the leading financial groups in Mexico with 1,079 branches, 6,062 ATMs, approximately eight and a half million total customer accounts and more than 19,000 employees. For more information, visit www.hsbc.com.mx.

Grupo Financiero HSBC is a 99.99% directly owned subsidiary of HSBC Latin America Holdings (UK) Limited, which is a wholly owned subsidiary of HSBC Holdings plc, and a member of the HSBC Group. With around 7,500 offices in over 80 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa and with assets of US\$2,691bn at 30 June 2011, HSBC is one of the world's largest banking and financial services organisations..

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Key Indicators

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

For the quarter ended at

	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011
a) Liquidity	138.84 %	112.22 %	122.15 %	113.02 %	109.07 %
Profitability					
b) ROE (Return over equity)	6.81%	1.87%	7.20%	6.28 %	9.47 %
c) ROA (Return over assets)	0.72%	0.20 %	0.76 %	0.60 %	0.91 %
Asset quality					
d) Impaired loans/total loans	3.56%	3.12%	2.74%	2.47%	3.56%
e) Coverage ratio	175.18 %	173.96 %	197.72 %	215.81%	158.35%
Capitalization					
f) Credit risk	27.49%	24.28%	22.70%	22.81%	22.34%
g) Credit and market risk operational	15.86%	14.55%	14.41%	13.98%	15.16%
Operating efficiency					
h) Expenses/Total Assets	4.79%	5.77%	5.60%	5.41%	4.68%
i) NIM	4.91%	5.06%	5.14%	5.08%	4.94%
Infrastructure					
Branches	1,187	1,144	1,147	1,078	1,079
ATM	6,503	6,331	6,361	6,134	6,062
Head Count	20,466	20,132	20,139	19,400	19,232

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) $NIM = Annualized\ net\ interest\ income / Average\ performing\ assets.$

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

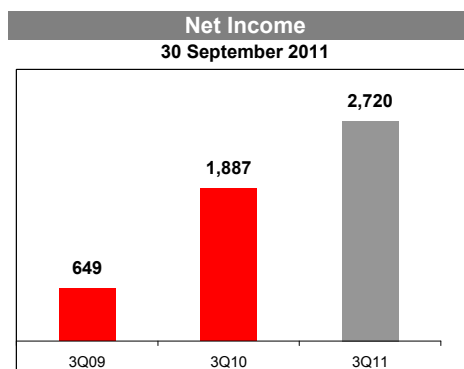
The averages utilized correspond to the average balance of the quarter in study and the balance of the previous quarter.

Income Statement Variance Analysis

Net Income

Net income for Grupo Financiero HSBC at 30 September 2011 was MXN2,720m, an increase of 44.1% compared with the same period of 2010.

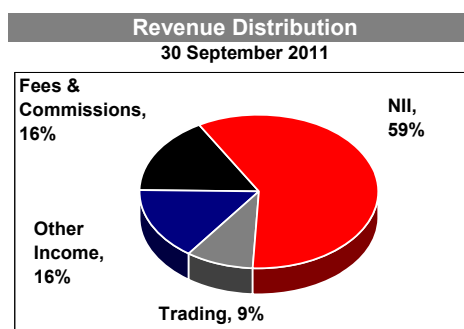
Results were affected by one-off charges related with the restructuring of regional services provided by the bank and the consolidation of our branch network. The non-banking subsidiaries, particularly the insurance company and brokerage company continue showing solid and stable performance.



Total Operating Income

At 30 September 2011, the Group's total operating income, was MXN22,566m, an increase of MXN3,835m (20.5%) compared with 2010.

Increased total operating income is the result of higher trading income and improved risk adjusted net interest margin due to lower loan impairment charges. The Group's risk adjusted NII was MXN11,379m, higher 29.2% over the same period of 2010.



Net Interest Income

Net interest income decreased MXN187m for the nine months to 30 September 2011 to MXN16,129m, 1.1% less compared to the same period of 2010.

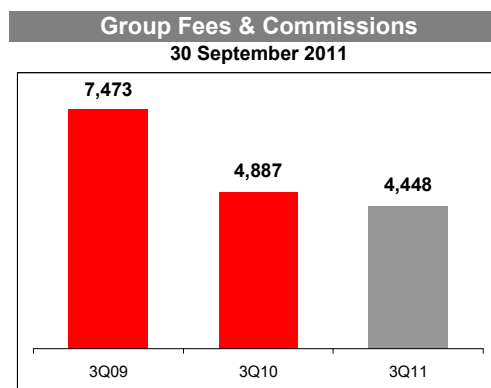
The increase in interest expense was mainly due to higher funding costs, a larger customer deposits base and lower interest income from the credit cards portfolio, all of the above partially offset by higher spreads of available for sale securities.

Non-interest Income

Non-interest income for the nine months to September 2011 was MXN11,187m; an increase of MXN1,264m or 12.7% compared with results from the same period in 2010.

► Fee income

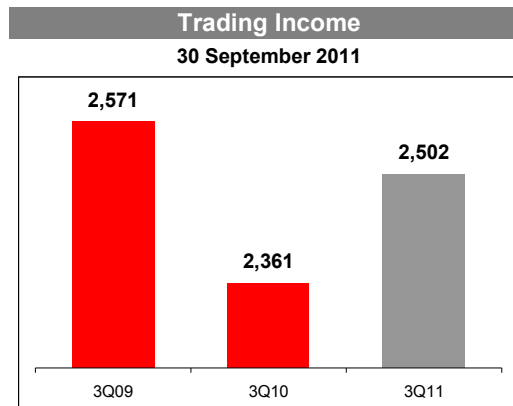
The Group's net fee income for the nine months to September 2011 was MXN4,448m, a decrease of MXN439m or 9.0% compared with the same period in 2010. Lower credit card volumes as well as reduced account services and ATM fees have negatively affected net fee income.



► **Trading income**

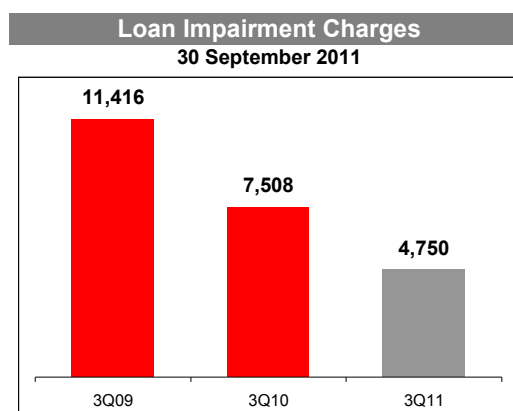
Trading income was MXN2,502m, which represents an increase of MXN141m (6.0%) compared with the same period of 2010. Higher trading of derivative instruments has offset lower debt and foreign exchange trading.

The Group's non-interest income to total revenue ratio increased from 37.8% at 30 September 2010 to 41.0% at 30 September 2011, driven by stronger trading and other operating income.



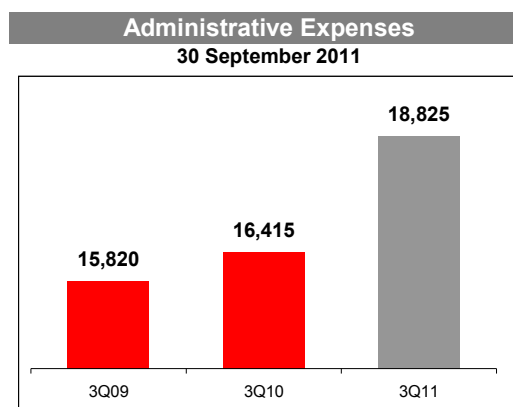
Loan Impairment Charges

At 30 September 2011, the Group's loan impairment charges were MXN4,750m, which represents a decrease of MXN2,758m or 36.7% compared with same period of the prior year. This is a result of a general improvement in asset quality, lower credit card volumes and a new credit provisioning methodology for States & Municipalities.



Administrative and Personnel Expenses

The Group's administrative and personnel expenses for the quarter ended 30 September 2011 were MXN18,825, a MXN2,410m or 14.7% increase compared to the same period in 2010. Excluding the effect of one-off charges related with the restructuring of regional services provided by the bank, the increase in expenses would have been MXN1,320m or 8.0% compared with the same period of 2010.



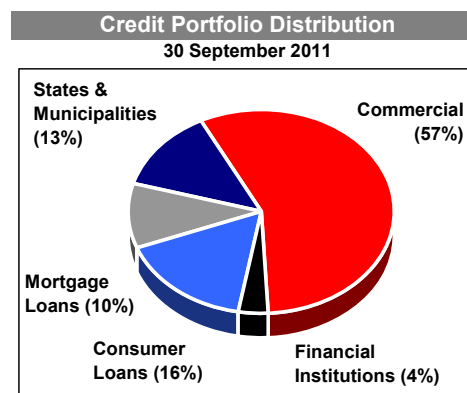
Balance sheet Variance Analysis

At 30 September 2011, the Group's total assets amounted MXN506,277m, which represents an increase of MXN19,098m or 3.9%, compared with the same period of 2010. This increase was driven by higher volumes in the net loan portfolio, mainly in commercial loans.

Loan portfolio

The Group's performing loan portfolio balance amounted to MXN176,635m at 30 September 2011, an increase of 12.3% compared with 2010. This growth has been driven by higher commercial and consumer loan portfolios, which grew 27.5% and 7.5% respectively when compared to 30 September 2010.

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



At 30 September 2011, the total commercial portfolio (including financial and government entities) increased 15.7% in comparison with 2010; mainly driven by commercial loan portfolio.

The commercial loan portfolio continues to report an important growth, up 27.5% compared to the same period of 2010, mainly driven by increased corporate and commercial portfolios. This growth is in line with the Bank's credit portfolio strategy in order to improve asset quality. The government loan portfolio decreased by MXN3,463m or 13.7% compared with the same period of 2010.

► **Consumer loans**

Consumer loans increased 7.5% compared to the same period in 2010. This result is mainly due to sound personal loans and payroll portfolio performance which shows an increase of 92.3% over the same period in 2010.

Credit card balances were MXN15,521m, down 7.3% compared to the same period of the prior year. Auto loan portfolio was MXN3,221m, showing a decrease of 32.9% compared to the same period in 2010.

► **Mortgage loans**

The mortgage loan portfolio decreased MXN1,474m or 7.6% compared with the same period of the prior year. As of September 2011, mortgage loan origination presents stable balances throughout the year.

Asset quality

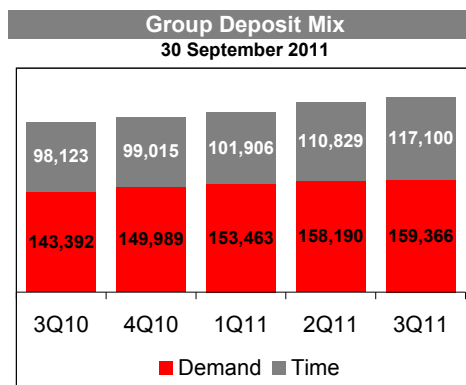
As of September 30 2011, the Group's impaired loan portfolio amounted to MXN6,461m, which represents an increase of MXN650m or 11.2% compared to the same period of 2010. The Group's credit profile continues improving as a result of the actions deployed in order to improve asset quality.

Total impaired loans as a percentage of gross loans and advances to customers remained at 3.6% as reported in September 2010. The coverage ratio (allowance for loan losses divided by impaired loans) at 30 September 2011 was 158.4%, compared to 175.2% reported at 30 September 2010. This reduction in the coverage ratio is mainly the result of increased impaired loans.

Deposits

The Group's total deposits at 30 September 2011 amounted to MXN280,728m, an increase of 14.2% compared to the 30 September 2010, as a result of the sale and promotion of collection products such as "Advance", "Inversion Diaria", "Inversion Express" and "Premier".

HSBC's presence in the commercial sector continues to deliver positive results, particularly in time deposits.



► Demand deposits

At 30 September 2011, demand deposits were MXN159,366m, up 11.1% compared with the same period of 2010, mainly as result of increased sales efforts focussed on demand deposits from our customer base.

► Time deposits

Total time deposits increased 19.3% compared to 30 September 2010, primarily as a result of actions focused on increasing balances of our time deposit products.

Shareholder's equity

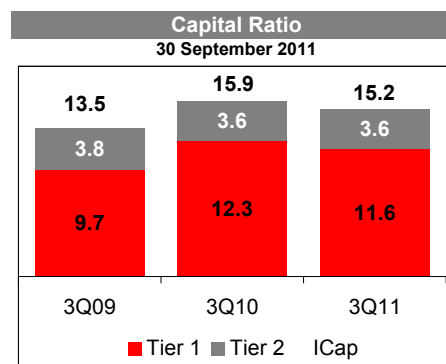
At 30 September 2011, the Group's equity amounted to MXN48,788m, representing a decrease of 2.3% compared to the same period in 2010.

The banks equity was MXN37,982m, at 30 September 2011, down 7.4% compared to 30 September 2010.

Capital Adequacy Ratio

The Bank's capital adequacy ratio at 30 September 2011 was 15.2%, placing it well above the authorities' requirements. The Tier 1 capital ratio at the end of the reporting period is 11.6%. The reduction in the capital rate is the result of an increase in assets with credit risk and the impact of the implementation of local regulatory requirements for operational risk, partially offset by a decrease in market risk.

In addition the capital ratios noted above also reflect the dividend the bank paid on 18 March 2011 of MXN1,800m representing MXN1.095 per share.



Financial Situation, Liquidity and Capital Resources

HSBC's balance structure has maintained its liquidity. Cash and investments in securities represent 43.0% of total assets, 463 basis points lower than that on the third quarter of 2010. Total assets were MXN506.3bn, up by MXN19.1bn in comparison with 2010. The loan portfolio is adequately diversified across segments, the bank's main credit exposures are with Mexican institutions with top counterparty credit quality and governmental institutions.

Financial Statements Grupo Financiero HSBC

Consolidated Balance Sheet

Figures in MXN millions at September 30, 2011

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

	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011
Assets					
Cash and deposits in banks	70,241	51,327	53,883	53,637	55,376
Margin Accounts	2	42	50	8	-
Investments in Securities	162,002	155,257	170,743	172,448	163,264
Trading securities	53,076	44,160	37,234	37,665	37,699
Available-for-sale securities	92,815	95,683	118,799	119,913	110,467
Held to maturity securities	16,111	15,414	14,710	14,870	15,098
Repurchase agreements	-	1,856	362	7,774	7,668
Derivative transactions	35,337	28,205	25,379	28,633	50,979
Performing loans					
Commercial loans	110,901	121,855	127,399	131,523	128,354
Commercial entities	78,507	85,908	90,506	96,623	100,133
Loans to financial intermediaries	7,051	7,860	7,757	6,908	6,341
Loans to government entities	25,343	28,087	29,136	27,992	21,880
Consumer loans	27,076	26,665	26,948	28,613	29,101
Mortgages loans	19,302	17,557	17,553	17,834	17,828
Total performing loans	157,279	166,077	171,900	177,970	175,283
Impaired loans					
Commercial loans	1,809	1,669	1,721	1,330	3,366
Commercial entities	1,809	1,664	1,335	1,330	2,014
Financial entities	-	-	386	-	-
Loans to government entities	-	5	-	-	1,352
Consumer loans	1,826	1,574	1,260	1,324	1,256
Mortgages loans	2,176	2,101	1,854	1,850	1,839
Total non-performing loans	5,811	5,344	4,835	4,504	6,461
Loan portfolio	163,090	171,421	176,735	182,474	181,744
Allowance for loan losses	(10,179)	(9,296)	(9,560)	(9,720)	(10,231)
Net loan portfolio	152,911	162,125	167,175	172,754	171,513
Receivables	-	-	-	5,488	5,600
(-) less					
Provision for doubtful receivables	-	-	-	-	-
Total loan portfolio	152,911	162,125	167,175	178,242	177,113
Premium receivables	308	270	312	310	295
Accounts receivables from reinsurers and rebonding companies	419	555	330	343	284
Benefits to be received from trading operations	-	-	-	-	-
Other accounts receivable, net	44,835	22,709	28,783	32,804	30,916
Foreclosed assets	167	162	165	165	195
Property, furniture and equipment, net	7,936	9,073	8,799	8,205	8,074
Long term investments in equity securities	195	203	200	192	250
Long-term assets available for sale	2,431	2,422	2,465	2,361	2
Deferred taxes, net	4,102	5,292	5,748	5,454	5,508
Goodwill	1,218	1,218	1,218	1,218	1,218
Other assets, deferred charges and intangibles	5,075	5,332	5,213	4,260	5,135
Total Assets	487,179	446,048	470,825	496,054	506,277

Figures in MXN millions at September 30, 2011

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

	<u>30 Sep</u> <u>2010</u>	<u>31 Dec</u> <u>2010</u>	<u>31 Mar</u> <u>2011</u>	<u>30 Jun</u> <u>2011</u>	<u>30 Sep</u> <u>2011</u>
Liabilities					
Deposits	245,777	253,247	259,637	273,255	280,728
Demand deposits	143,392	149,989	153,463	158,190	159,366
Time deposits	98,123	99,015	101,906	110,829	117,100
Retail	98,074	98,785	100,753	109,114	115,035
Money market	49	230	1,153	1,715	2,065
Bank bonds outstanding	4,262	4,243	4,268	4,236	4,262
Bank deposits and other liabilities	13,869	21,931	19,921	30,161	28,927
On demand	3,000	3,776	3,827	3,950	-
Short term	9,282	16,630	14,607	24,744	27,243
Long term	1,587	1,525	1,487	1,467	1,684
Repurchase agreements	38,176	29,911	49,816	48,985	17,176
Stock Borrowing	-	-	-	2	4
Settlement accounts	10,606	2,359	1,440	-	-
Collateral Sold	8,715	11,784	9,215	10,292	12,095
Repurchase	4,301	4,957	4,575	5,524	5,422
Securities to be received in repo transactions	4,414	6,827	4,640	4,768	6,673
Derivative transactions	38,175	30,545	24,009	27,274	50,669
Technical reserves	10,389	10,553	10,670	10,675	10,778
Reinsurers	140	197	35	83	90
Other accounts payable	60,553	25,235	40,073	37,547	45,965
Income tax and employee profit sharing payable	1,466	1,229	1,210	1,162	1,996
Creditors for settlement of transactions	41,396	12,785	23,622	23,110	35,971
Sundry creditors and others accounts payable	17,691	11,221	15,241	13,275	7,998
Subordinated debentures outstanding	10,074	10,007	9,881	9,824	10,435
Deferred credits	762	766	680	645	622
Total Liabilities	<u>437,236</u>	<u>396,535</u>	<u>425,377</u>	<u>448,743</u>	<u>457,489</u>
Stockholder's Equity					
Paid in capital	32,678	32,673	32,673	32,673	32,673
Capital stock	9,434	5,111	5,111	5,111	5,111
Additional paid in capital	23,244	27,562	27,562	27,562	27,562
Capital Gains	17,253	16,830	12,764	14,627	16,105
Capital reserves	1,726	1,726	1,726	1,832	1,832
Retained earnings	13,058	13,058	11,368	11,262	11,262
Result from the mark-to-market of					
Available-for-sale securities	890	140	(1,277)	220	758
Result from cash flow hedging transactions	(308)	(213)	92	(270)	(467)
Net Income	1,887	2,119	855	1,583	2,720
Non-controlling interest	12	10	11	11	10
Total Stockholder's Equity	<u>49,943</u>	<u>49,513</u>	<u>45,448</u>	<u>47,311</u>	<u>48,788</u>
Total Liabilities and Capital	<u>487,179</u>	<u>446,048</u>	<u>470,825</u>	<u>496,054</u>	<u>506,277</u>

Figures in MXN millions at September 30, 2011

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

	<i>30 Sep 2010</i>	<i>31 Dec 2010</i>	<i>31 Mar 2011</i>	<i>30 Jun 2011</i>	<i>30 Sep 2011</i>
Memorandum Accounts					
Proprietary position	2,626,413	2,586,532	2,490,065	2,729,366	2,967,174
	2,539,853	2,506,435	2,399,634	2,633,899	2,870,275
Guarantees granted	21	21	16	16	14
Contingent assets and liabilities	119	116	115	95	95
Irrevocable lines of credit granted	17,785	16,201	17,185	16,909	19,193
Goods in trust or mandate	282,699	293,814	310,733	311,753	313,369
Trust	281,952	293,051	306,644	307,939	309,526
Mandate	747	763	4,089	3,814	3,843
Goods in custody or under administration	265,633	251,394	257,710	265,996	253,350
Collateral received by the institution	8,504	13,446	14,220	40,791	35,774
Collateral received and sold or delivered as guarantee	12,037	15,143	17,926	40,524	36,971
Values in deposit	53	53	53	53	53
Suspended interest on impaired loans	258	254	236	224	230
Recovery guarantees for issued bonds	48,011	48,011	45,011	36,649	34,191
Paid claims	13	13	5	14	56
Cancelled claims	17	17	1	2	24
Responsibilities from bonds in force	3,591	3,591	3,623	3,614	3,416
Other control accounts	1,901,112	1,864,361	1,732,800	1,917,259	2,173,539

	<i>30 Sep 2010</i>	<i>31 Dec 2010</i>	<i>31 Mar 2011</i>	<i>30 Jun 2011</i>	<i>30 Sep 2011</i>
Third party accounts					
	86,560	80,097	90,431	95,467	96,899
Clients current accounts	(37)	(2)	(24)	149	(169)
Custody operations	25,462	25,396	29,793	31,969	33,640
Transactions on behalf of clients	10,039	11,352	10,120	11,896	11,607
Third party investment banking operations, net	51,096	43,351	50,542	51,453	51,821

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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LUIS PEÑA KEGEL
Chief Executive Officer

GUSTAVO CABALLERO GÓMEZ
Chief Financial Officer

ANDREW PAUL MCCANN
Director of Internal Audit

JUAN JOSÉ CADENA OROZCO
Chief Accountant

Consolidated Income Statement

Figures in MXN millions at September 30, 2011

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

	<i>For the quarter ending</i>				<i>Year to date</i>		
	<i>30 Sep 2010</i>	<i>31 Dec 2010</i>	<i>31 Mar 2011</i>	<i>30 Jun 2011</i>	<i>30 Sep 2011</i>	<i>30 Sep 2011</i>	
Interest Income	6,776	7,204	7,197	7,614	7,863	21,459	22,674
Earned premiums	796	602	778	741	758	2,171	2,277
Interest expense	(2,027)	(2,084)	(2,191)	(2,609)	(2,734)	(6,012)	(7,534)
Increase in technical reserves	(93)	(152)	(154)	21	(81)	(228)	(214)
Claims	(405)	(349)	(348)	(341)	(385)	(1,074)	(1,074)
Net interest income	<u>5,047</u>	<u>5,221</u>	<u>5,282</u>	<u>5,426</u>	<u>5,421</u>	<u>16,316</u>	<u>16,129</u>
Loan impairment charges	<u>(2,217)</u>	<u>(1,776)</u>	<u>(1,654)</u>	<u>(1,548)</u>	<u>(1,548)</u>	<u>(7,508)</u>	<u>(4,750)</u>
Risk adjusted net interest income	<u>2,830</u>	<u>3,445</u>	<u>3,628</u>	<u>3,878</u>	<u>3,873</u>	<u>8,808</u>	<u>11,379</u>
Fees and commissions receivable	2,105	2,190	1,913	1,963	2,077	6,537	5,953
Fees payable	(550)	(607)	(475)	(491)	(539)	(1,650)	(1,505)
Trading Income	1,277	462	1,215	683	604	2,361	2,502
Other operating income	943	1,263	1,108	1,489	1,640	2,675	4,237
Administrative and personnel expenses	<u>(5,571)</u>	<u>(6,730)</u>	<u>(6,418)</u>	<u>(6,542)</u>	<u>(5,865)</u>	<u>(16,415)</u>	<u>(18,825)</u>
Net operating income	<u>1,034</u>	<u>23</u>	<u>971</u>	<u>980</u>	<u>1,790</u>	<u>2,316</u>	<u>3,741</u>
Undistributed income from subsidiaries	-	17	8	9	18	3	35
Net income before taxes	<u>1,034</u>	<u>40</u>	<u>979</u>	<u>989</u>	<u>1,808</u>	<u>2,319</u>	<u>3,776</u>
Income tax and employee profit sharing tax	14	(659)	(322)	(454)	(748)	(1,003)	(1,524)
Deferred income tax	<u>(331)</u>	<u>767</u>	<u>127</u>	<u>102</u>	<u>46</u>	<u>229</u>	<u>275</u>
Income from ongoing operations	<u>717</u>	<u>148</u>	<u>784</u>	<u>637</u>	<u>1,106</u>	<u>1,545</u>	<u>2,527</u>
Discontinued operations	<u>122</u>	<u>87</u>	<u>74</u>	<u>94</u>	<u>5</u>	<u>333</u>	<u>173</u>
Non-controlling interest	<u>1</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>26</u>	<u>9</u>	<u>20</u>
Net income (loss)	<u>840</u>	<u>232</u>	<u>855</u>	<u>728</u>	<u>1,137</u>	<u>1,887</u>	<u>2,720</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 to 30th September 2011

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

	Paid in capital				Earned capital						Non-controlling interest	Total Stock-holders Equity
	Capital Stock	Advances for future capital increases	Shares 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		
Balances at 01 January 2011	5,111	-	27,562	-	1,726	13,058	(73)	-	-	2,119	10	49,513
Movements Inherent to the Shareholders Decision												
Subscription of shares	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	106	2,013	-	-	-	(2,119)	-	-
Cash dividends	-	-	-	-	-	(3,520)	-	-	-	-	-	(3,520)
Others	-	-	-	-	-	(289)	-	-	-	-	-	(289)
Total Movements Inherent to the Shareholders Decision	-	-	-	-	106	(1,796)	-	-	-	(2,119)	-	(3,809)
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-
Net result	-	-	-	-	-	-	-	-	-	2,720	-	2,720
Result from valuation of available-for-sale securities	-	-	-	-	-	-	618	-	-	-	-	618
Result from cash flow hedging transactions	-	-	-	-	-	-	(254)	-	-	-	-	(254)
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent for the Recognition of the Comprehensive Income	-	-	-	-	-	-	364	-	-	2,720	-	3,084
Balances at 30 September 2011	5,111	-	27,562	-	1,832	11,262	291	-	-	2,720	10	48,788

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

The present statement of changes in stockholder's equity was approved by the Board of Directors under the responsibility of the following officers."
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LUIS PEÑA KEGEL
Chief Executive Officer

GUSTAVO CABALLERO GÓMEZ
Chief Financial Officer

ANDREW PAUL MCCANN
Director of Internal Audit

JUAN JOSÉ CADENA OROZCO
Chief Accountant

Consolidated Statement of Cash Flow

Figures in MXN millions

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

From 1 January to 30 September 2011

Net income	2,720
Adjustments for items not involving cash flow:	10,644
Gain or loss on appraisal of activities associated with investment & financing	(1,074)
Allowances for loan losses	4,771
Depreciation and amortization	1,951
Provisions	3,414
Income Tax and deferred taxes	1,249
Technical reserves	214
Discontinued operations	173
Undistributed income from subsidiaries	(54)
Changes in items related to operating activities:	
Memorandum accounts	42
Investment securities	(20,359)
Repurchase agreements	(5,812)
Stock borrowing	3
Derivative (assets)	(21,784)
Loan portfolio	(14,139)
Receivables	(5,600)
Foreclosed assets	(53)
Operating assets	(7,915)
Deposits	27,394
Bank deposits and other liabilities	6,996
Settlement accounts	(2,359)
Creditors repo transactions	(12,736)
Collateral sold or delivered as guarantee	312
Derivative (liabilities)	20,124
Subordinated debentures outstanding	427
Accounts receivables from reinsurers and coinsurers	(284)
Accounts receivables from premiums	(295)
Reinsurers and bonding	90
Other operating liabilities	26,900
Funds provided by operating activities	(9,048)
Investing activities:	
Acquisition of property, furniture and equipment	3,813
Intangible assets acquisitions	(268)
Funds used in investing activities	3,545
Financing activities:	
Cash dividends	(3,520)
Decrease of Shares	-
Others	(289)
Funds used in financing activities	(3,809)
Increase/decrease in cash and equivalents	4,052
Adjustments to cash flow variations in the exchange rate and inflation levels	-
Cash and equivalents at beginning of period	51,324
Cash and equivalents at end of period	55,376

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 September 30, 2011

HSBC Mexico, S.A. (Bank)

	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011
Assets					
Cash and deposits in banks	70,238	51,324	53,881	53,634	55,376
Margin Accounts	2	42	50	8	-
Investment in Securities	146,757	139,540	156,672	157,931	145,470
Trading securities	46,020	36,548	30,554	30,808	27,757
Available-for-sale securities	92,516	95,315	118,799	119,913	110,467
Held to maturity securities	8,221	7,677	7,319	7,210	7,246
Repurchase agreements	-	1,856	362	7,773	7,668
Derivative transactions	35,337	28,205	25,379	28,633	50,979
Performing loans					
Commercial loans	110,901	121,855	127,399	131,523	128,354
Commercial entities	78,507	85,908	90,506	96,623	100,133
Loans to financial intermediaries	7,051	7,860	7,757	6,908	6,341
Loans to government entities	25,343	28,087	29,136	27,992	21,880
Consumer loans	27,076	26,665	26,948	28,613	29,101
Mortgages loans	19,302	17,557	17,553	17,834	17,828
Total performing loans	157,279	166,077	171,900	177,970	175,283
Impaired loans					
Commercial loans	1,809	1,669	1,721	1,330	3,366
Commercial entities	1,809	1,664	1,335	1,330	2,014
Loans to financial intermediaries	-	-	386	-	-
Loans to government entities	-	5	-	-	1,352
Consumer loans	1,826	1,574	1,260	1,324	1,256
Mortgage Loans	2,176	2,101	1,854	1,850	1,839
Total non-performing loans	5,811	5,344	4,835	4,504	6,461
Total loan portfolio	163,090	171,421	176,735	182,474	181,744
Allowance for loan losses	(10,179)	(9,296)	(9,560)	(9,720)	(10,231)
Net loan portfolio	152,911	162,125	167,175	172,754	171,513
Receivables	-	-	-	5,488	5,600
(-) less					
Provision for doubtful receivables	-	-	-	-	-
Total loan portfolio	152,911	162,125	167,175	178,242	177,113
Other accounts receivable	44,931	22,870	28,839	32,887	30,948
Foreclosed assets	167	162	165	161	191
Property, furniture and equipment, net	7,932	9,069	8,795	8,205	8,073
Long term investments in equity securities	119	123	120	113	170
Long term assets available for sale	-	-	-	1	3
Deferred taxes	4,088	5,318	5,636	5,328	5,386
Other assets, deferred charges and intangibles	4,623	4,753	5,011	3,917	4,642
Total Assets	467,105	425,387	452,085	476,833	486,019

Figures in MXN millions at September 30, 2011

HSBC Mexico, S.A. (Bank)

	<u>30 Sep</u> <u>2010</u>	<u>31 Dec</u> <u>2010</u>	<u>31 Mar</u> <u>2011</u>	<u>30 Jun</u> <u>2011</u>	<u>30 Sep</u> <u>2011</u>
Liabilities					
Deposits	245,986	253,613	260,297	274,106	281,464
Demand deposits	143,601	150,355	154,123	159,041	160,102
Time deposits	98,123	99,015	101,906	110,829	117,100
Retail	98,074	98,785	100,754	109,114	115,035
Money market	49	230	1,152	1,715	2,065
Bank bonds outstanding	4,262	4,243	4,268	4,236	4,262
Bank deposits and other liabilities	13,869	21,931	19,921	30,161	28,927
On demand	3,000	3,776	3,827	3,950	-
Short term	9,282	16,630	14,607	24,744	27,243
Long term	1,587	1,525	1,487	1,467	1,684
Repurchase agreements	42,476	34,868	54,392	54,509	22,598
Stock Borrowing	-	-	-	2	4
Settlement accounts	10,606	2,359	1,440	-	-
Collateral Sold	4,415	6,827	4,639	4,769	6,673
Repurchase	1	-	-	-	-
Securities to be received in repo transactions	4,414	6,827	4,639	4,769	6,673
Derivative transactions	38,175	30,545	24,009	27,274	50,669
Other accounts payable	59,741	26,304	41,452	38,743	46,680
Income tax and employee profit sharing payable	1,001	654	918	694	1,113
Contributions for future capital increases	-	2,013	2,013	2,013	2,013
Creditors for settlement of transactions	41,357	12,773	23,440	22,900	25,897
Sundry creditors and others accounts payable	17,383	10,864	15,081	13,136	17,657
Subordinated debentures outstanding	10,074	10,007	9,881	9,824	10,435
Deferred credits	724	730	639	606	587
Total Liabilities	<u>426,066</u>	<u>387,184</u>	<u>416,670</u>	<u>439,994</u>	<u>448,037</u>
Stockholder's Equity					
Paid in capital	25,605	25,605	25,605	25,605	25,605
Capital stock	5,087	5,087	5,087	5,087	5,087
Additional paid in capital	20,518	20,518	20,518	20,518	20,518
Capital Gains	15,431	12,595	9,807	11,231	12,374
Capital reserves	14,449	12,436	10,636	11,069	11,069
Retained earnings	-	-	131	(302)	(301)
Result from the mark-to-market of					
Available-for-sale securities	750	(48)	(1,277)	220	758
Result from cash flow hedging transactions	(308)	(213)	92	(270)	(467)
Net Income	540	420	225	514	1,315
Non-controlling interest	3	3	3	3	3
Total Stockholder's Equity	<u>41,039</u>	<u>38,203</u>	<u>35,415</u>	<u>36,839</u>	<u>37,982</u>
Total Liabilities and Capital	<u>467,105</u>	<u>425,387</u>	<u>452,085</u>	<u>476,833</u>	<u>486,019</u>

Figures in MXN millions at September 30, 2011

HSBC Mexico, S.A. (Bank)

	<u>30 Sep</u> <u>2010</u>	<u>31 Dec</u> <u>2010</u>	<u>31 Mar</u> <u>2011</u>	<u>30 Jun</u> <u>2011</u>	<u>30 Sep</u> <u>2011</u>
Memorandum Accounts					
Guarantees granted	21	21	16	16	14
Contingent assets and liabilities	119	116	115	95	95
Irrevocable lines of credit granted	17,785	16,201	17,185	16,909	19,193
Goods in trust or mandate	282,699	293,814	310,733	311,753	313,370
Goods	281,952	293,051	306,644	307,939	309,527
Trusts	747	763	4,089	3,814	3,843
Goods in custody or under administration	260,522	246,284	252,599	260,885	248,240
Collateral received by the institution	8,432	13,370	14,220	40,791	35,774
Collateral received and sold or delivered as guarantee	7,739	10,182	13,346	34,990	31,561
Third party investment banking operations, net	51,096	43,351	50,542	51,453	51,821
Suspended interest on impaired loans	258	254	236	224	230
Other control accounts	1,884,176	1,846,445	1,724,155	1,908,613	2,171,910
	<u>2,512,847</u>	<u>2,470,038</u>	<u>2,383,147</u>	<u>2,625,729</u>	<u>2,872,208</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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Chief Executive Officer

GUSTAVO CABALLERO GÓMEZ
Chief Financial Officer

ANDREW PAUL MCCANN
Director of Internal Audit

JUAN JOSÉ CADENA OROZCO
Chief Accountant

Consolidated Income Statement

Figures in MXN millions at September 30, 2011

HSBC Mexico, S.A. (Bank)

	For the quarter ending				Year to date		
	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011	30 Sep 2011	
Interest income	6,605	7,046	7,017	7,430	7,651	20,972	22,098
Interest expense	(2,028)	(2,087)	(2,196)	(2,614)	(2,738)	(6,005)	(7,548)
Net interest income	<u>4,577</u>	<u>4,959</u>	<u>4,821</u>	<u>4,816</u>	4,913	<u>14,967</u>	14,550
Loan impairment charges	(2,217)	(1,776)	(1,654)	(1,548)	(1,548)	(7,508)	(4,750)
Risk adjusted net interest income	<u>2,360</u>	<u>3,183</u>	<u>3,167</u>	<u>3,268</u>	3,365	<u>7,459</u>	9,800
Fees and commissions receivable	2,020	2,089	1,841	1,882	1,926	6,271	5,649
Account management	163	164	120	126	121	508	367
Services	1,857	1,925	1,721	1,756	1,805	5,763	5,282
Fees payable	(350)	(409)	(328)	(349)	(386)	(1,020)	(1,063)
Trading Income	1,094	315	839	682	490	1,905	2,011
Foreign exchange	119	18	(556)	358	189	(46)	(9)
Securities trading, net	(19)	23	8	103	210	(74)	321
Repos	(5)	-	(8)	-	-	(5)	(8)
Swaps	(208)	287	691	245	31	427	967
Valuation off-shore agencies	1,166	(133)	50	131	170	1,601	351
Valuation for trading swaps	41	120	654	(28)	84	(2)	710
Valuation for FX options	-	-	-	(127)	(194)	-	(321)
Other operating income	1,010	1,348	1,124	1,607	1,582	3,057	4,313
Administrative and personnel expenses	5,645	6,890	6,477	6,619	5,935	16,795	19,031
Personnel expense	2,470	2,948	2,783	2,536	2,621	7,206	7,940
Administrative expense	2,835	3,513	2,920	3,296	2,924	8,568	9,140
Depreciation and amortization	340	429	774	787	390	1,021	1,951
Net operating income	<u>489</u>	<u>(364)</u>	<u>166</u>	<u>471</u>	1,042	<u>877</u>	1,679
Undistributed income from subsidiaries	(2)	13	9	9	17	-	35
Net income before taxes	487	(351)	175	480	1,059	877	1,714
Income tax	168	(549)	(41)	(277)	(334)	(543)	(652)
Deferred income tax	(352)	784	94	89	51	197	234
Net income before discontinued operations	<u>303</u>	<u>(116)</u>	<u>228</u>	<u>292</u>	776	<u>531</u>	1,296
Non-controlling interest	<u>1</u>	<u>(4)</u>	<u>(3)</u>	<u>(3)</u>	(3)	<u>9</u>	19
Net income (loss)	<u>304</u>	<u>(120)</u>	<u>225</u>	<u>289</u>	801	<u>540</u>	1,315

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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Chief Accountant

Consolidated Statement of Changes in Shareholder's Equity

Figures in MXN millions

HSBC Mexico, S.A. (Bank)

From 1 January to 30 September 2011

	Paid in capital				Earned Capital					Non-controlling 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
Balances at January 31, 2011	5,087	-	20,518	-	12,436	-	(261)	-	-	420	3	38,203
Movements Inherent to the Shareholders Decision												
Subscription of shares	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	433	(433)	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	-	420	-	-	-	(420)	-	-
Others	-	-	-	-	(1,800)	-	-	-	-	-	-	(1,800)
Cash dividends	-	-	-	-	-	(289)	-	-	-	-	-	(289)
Total Movements Inherent to the Shareholders Decision	-	-	-	-	(1,367)	(302)	-	-	-	(420)	-	(2,089)
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-
Net result	-	-	-	-	-	-	-	-	-	1,315	-	1,315
Result from valuation of available-for-sale securities	-	-	-	-	-	-	806	-	-	-	-	806
Result from cash flow hedging transactions	-	-	-	-	-	-	(254)	-	-	-	-	(254)
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	1	-	-	-	-	-	1
Total Movements Inherent for the Recognition of the Comprehensive Income	-	-	-	-	-	1	552	-	-	1,315	-	1,868
Balances as at September 30, 2011	5,087	-	20,518	-	11,069	(301)	291	-	-	1,315	3	37,982

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 to 30 September 2011

HSBC Mexico, S.A. (Bank)

	30 Sep 2011
Net income	1,315
Adjustments for items not involving cash flow:	9,426
Gain or loss on appraisal of activities associated with investment & financing	(1,072)
Allowances for loan losses	4,769
Depreciation and amortization	1,951
Provisions	3,414
Income Tax and deferred taxes	418
Undistributed income from subsidiaries	(54)
Changes in items related to operating activities:	
Memorandum accounts	42
Investment securities	(7,654)
Repurchase agreements	(5,812)
Derivative (assets)	(21,785)
Loan portfolio	(14,139)
Receivables	(5,600)
Foreclosed assets	(50)
Operating assets	(8,075)
Deposits	27,852
Bank deposits and other liabilities	6,996
Creditors repo transactions	(12,270)
Stock borrowing	3
Collateral sold or delivered as guarantee	(154)
Derivative (liabilities)	20,124
Subordinated debentures outstanding	427
Other operating liabilities	12,862
Income tax payable	3,473
Funds provided by operating activities	(3,760)
Investing activities:	
Acquisition of property, furniture and equipment	(1,948)
Intangible assets acquisitions	1,108
Funds used in investing activities	(840)
Financing activities:	
Cash dividend	(1,800)
Others	(289)
Funds used or provided by financing activities	(2,089)
Increase/decrease in cash and equivalents	4,052
Adjustments to cash flow variations in the exchange rate and inflation levels	-
Cash and equivalents at beginning of period	51,324
Cash and equivalents at end of period	55,376

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 September 30, 2011

Investments in securities

	<u>30 Sep</u> <u>2010</u>	<u>31 Dec</u> <u>2010</u>	<u>31 Mar</u> <u>2011</u>	<u>30 Jun</u> <u>2011</u>	<u>30 Sep</u> <u>2011</u>
Government securities	46,330	35,237	31,289	29,422	27,423
Bank securities	2,783	3,590	2,338	3,265	2,345
Shares	-	27	337	313	2,945
Others	3,963	5,306	3,270	4,665	4,986
Trading securities	<u>53,076</u>	<u>44,160</u>	<u>37,234</u>	<u>37,665</u>	<u>37,699</u>
Government securities	85,344	88,564	111,732	112,768	102,764
Bank securities	-	-	-	-	-
Obligations and other securities	7,460	7,107	7,050	7,133	7,686
Shares	11	12	17	12	17
Available for sale securities	<u>92,815</u>	<u>95,683</u>	<u>118,799</u>	<u>119,913</u>	<u>110,467</u>
Special Cetes (net)	11,923	11,876	11,572	11,884	12,119
Bank securities	342	140	142	143	145
Corporate securities	3,846	3,398	2,996	2,843	2,834
Securities held to maturity	<u>16,111</u>	<u>15,414</u>	<u>14,710</u>	<u>14,870</u>	<u>15,098</u>
Total Financial Instruments	<u>162,002</u>	<u>155,257</u>	<u>170,743</u>	<u>172,448</u>	<u>163,264</u>

In the third quarter of 2011 investment in securities decrease by MXN9,184m compared to the second quarter of 2011; mainly by decrease government securities by MXN12,002m.

Repos**HSBC México, S.A. de C.V. (Bank)**

Figures in MXN millions at September 30, 2011

	<u>30 Sep</u> <u>2010</u>	<u>31 Dec</u> <u>2010</u>	<u>31 Mar</u> <u>2011</u>	<u>30 Jun</u> <u>2011</u>	<u>30 Sep</u> <u>2011</u>
Repo's Government securities (credit)	41,720	33,215	52,677	47,523	17,031
Repo's Bank securities (credit)	307	1,231	1,441	968	-
Repo's Others securities (credit)	433	406	265	380	-
Valuation increase (decrease)	-	-	-	-	-
Accrued interest payable	16	16	9	114	145
Credit balance in repo agreements	<u>42,476</u>	<u>34,868</u>	<u>54,392</u>	<u>48,985</u>	<u>17,176</u>
Repurchase agreements in government securities	3,000	5,000	9,000	29,951	27,300
Accrued interest receivable	2	7	13	42	32
Debit balance repo securities agreements	<u>3,002</u>	<u>5,007</u>	<u>9,013</u>	<u>29,993</u>	<u>27,332</u>
Government securities	3,001	3,147	8,641	22,215	19,661
Interest in collateral delivered as guarantee	2	4	10	4	3
Total in collateral delivered as guarantee	<u>3,003</u>	<u>3,151</u>	<u>8,651</u>	<u>22,219</u>	<u>19,664</u>

Derivative Financial Instruments

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at September 30, 2011

	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	-	-	67,600	63,443	10,546	10,619	99,171	100,096	3,159
Foreign currency	-	-	63,794	66,567	42,428	42,499	168,106	167,417	(2,155)
Interest Rate	1	1	-	-	-	-	226,500	225,512	1,049
Total	1	1	131,394	130,010	52,974	53,118	493,838	493,025	2,053
For hedging									
Pesos	-	-	-	-	-	-	6,112	-	6,112
Foreign currency	-	-	-	-	-	-	-	7,055	(7,055)
Interest Rate	-	-	-	-	-	-	5,092	5,892	(800)
Total	-	-	-	-	-	-	11,204	12,947	(1,743)

Collateral Sold or delivered as guarantee

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at September 30, 2011

	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011
Stock borrowing					
Cetes	-	520	-	560	237
Valuation increase (decrease)	-	28	-	-	-
Bonds	4,407	6,187	4,640	4,188	6,462
Valuation increase (decrease)	8	84	(1)	(2)	(26)
Shares	-	8	-	24	-
Valuation increase (decrease)	-	-	-	(1)	-
Total	4,415	6,827	4,639	4,769	6,673

Participation by Subsidiary

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

Group Subsidiaries at September 30, 2011

	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 Fianzas, S.A.	759,985,454	97.22%	738,877,715
HSBC Casa de Bolsa, S.A. de C.V.	264,068,221	99.99%	264,068,217
HSBC Global Asset Management (México), S.A. de C.V.	1,000	99.90%	999
HSBC Servicios, S.A. de C.V.	480,100	99.99%	480,099
Total	2,668,290,164		2,647,106,192

Trading income

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at September 30, 2011

	For the quarter ending...					Year to date	
	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011	30 Sep 2010	30 Sep 2011
Valuation	1,527	(66)	640	190	158	1,604	988
Derivatives	952	250	1,080	(303)	344	824	1,121
Repos	-	-	-	-	-	-	-
Debt Securities	219	(243)	(333)	386	31	717	84
Foreign Exchange	356	(73)	(107)	107	(217)	63	(217)
Buying and Selling Instruments	(433)	381	199	492	332	301	1,023
Foreign Currency	(238)	89	(462)	243	293	(109)	74
Derivatives	(602)	314	439	8	(298)	(460)	149
Repos	-	-	-	-	-	-	-
Shares	(5)	(10)	(6)	(6)	(21)	(23)	(33)
Debt Securities	412	(12)	228	247	358	893	833
Total	1,094	315	839	682	490	1,905	2,011

Loan Portfolio

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

By type of currency

Figures in MXN millions at 30 September 2011

	Commercial or Business Activity	Financial Intermediaries	Government Entities	Consumer Loans	Mortgage Loans	Total
Performing Loan Portfolio						
Pesos	74,077	6,199	20,397	29,101	16,327	146,101
US Dollars	26,056	142	1,483	-	-	27,681
Udis Banxico	-	-	-	-	1,501	1,501
Total	100,133	6,341	21,880	29,101	17,828	175,283
Non Performing Loans Portfolio						
Pesos	1,227	-	1,352	1,256	1,533	5,368
US Dollars	781	-	-	-	6	787
Udis Banxico	6	-	-	-	300	306
Total	2,014	-	1,352	1,256	1,839	6,461

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)

	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>
Global scale ratings			
Foreign currency			
Long term	-	BBB	A-
Long term deposits	Baa1		
Short term	P-2	A-3	F1
Local Currency			
Long term obligations	A2	BBB	A
Long term deposits	A2	BBB	-
Short term	P-1	A-3	F1
BFSR (Moody's)	C-	-	-
Individual / Support rating (Fitch)	-	-	C / 1
National scale / Local currency			
Long term	Aaa.mx	mxAAA	AAA (mex)
Short term	MX-1	mxA -1+	F1+ (mex)
Outlook			
Stable	Stable	Stable	Stable
Last update	17-Jun-11	20-May-11	16-Ago-11

Loan Portfolio Grading

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at September 30, 2011

	Total loan portfolio	Allowance for Loan Losses by type of loan			Total reserves
		Commercial loans	Consumer loans	Mortgages loans	
Exempted from rating	8,976				
Graded	191,976				
Risk A	81,720	419	59	39	517
Risk A-1	53,532	162	59	39	260
Risk A-2	28,188	257	0	0	257
Risk B	102,704	4,022	1,928	115	6,065
Risk B-1	63,686	1,084	1,157	115	2,356
Risk B-2	32,364	1,554	771	0	2,325
Risk B-3	6,654	1,384	0	0	1,384
Risk C	5,702	879	603	614	2,096
Risk C-1	4,542	387	603	614	1,604
Risk C-2	1,160	492	0	0	492
Risk D	1,529	161	1,043	3	1,207
Risk E	321	275	53	18	346
Total	200,952	5,756	3,686	789	10,231
Less:					
Constituted Reserves					10,231
Surplus					0

1. The rating and constitution of reserves correspond to last day of the balance sheet at September 30, 2011.

2. The lending portfolio is graded according to the rules for lending portfolios issued by the Secretaría de Hacienda y Crédito Público (SHCP – Mexican Government's Secretary of Public Lending) and to the methodology established by the CNBV (Mexican Banking and Securities National 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 in which the Institution applied the new Methodology since September 2011 based on CNBV provisions. 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. In order to comply with regulations published in the Official Gazette on August 12, 2009, related to the methodology of reserves for consumer loan portfolio for credit card operations the institution applied Section II of Article 91 of the general provisions applicable to credit institutions and Section II of second transitory article of the mentioned resolution. The article 91 of the Official Gazette of August 12, 2009 was changed by the 92 published on October 25 2010.

The score effect established in point II of second transitory resolution published August 2009, finished on August 2011. The total amount for this concept was MXN 2,645 million. The amount from interest due reserve was MXN 98 million.

The implementation of the methodology for qualification of the consumer loan portfolio for credit card operations, led a charge to income statement as September of this year, by the amount of MXN 2,296 millions, which was credited to respective provision presented in the balance sheet.

4. On March 2011 considering the methodology change of reserves for non revolving consumer loan portfolio and for mortgages; the Institution conducted the recognition of initial cumulative financial effect resulting from the first application of Paragraph A of Section One and Section A of Section II, both of Chapter V of Title II of the General

provisions applicable to credit institutions accordance with the general provisions applicable to credit institutions, published on October 25, 2010.

The allowance for loan losses in the mortgage portfolio at March 2011 based on article 99 of the General provisions applicable to credit institutions published on October 25, 2010 generates an amount in excess by MXN 207 million, amount that was applied versus reserves to create on April 2011.

The allowance for consumer loan losses at March 2011 was by the amount of MXN 715 million, the increase originated by the methodology change was recognized in equity, in the cumulative earnings account by MXN 289 million, as indicated by the third paragraph of the resolution transitional mentioned.

Movement	Consumer loans
Previous balance	495
Application of the month	(69)
Balance	426
Allowance previous methodology	715
Capital. Cumulative Earnings	(289)

5. The new CNBV provisioning methodology for States and Municipalities was applied in September 2011 by the Institution. This new regulatory methodology applies to credit exposures with States & Municipalities (and their administrative bodies), and is based on an Expected Loss approach, taking into account a Probability of Default (PD), an Exposure at Default (EaD) and a Loss Given Default (LGD) for each customer and credit exposure, according to a set of rules defined by the Regulator, in comparison to the previous approach that was mainly based on the credit ratings assigned to the States and Municipalities by the Rating Agencies that were recognized by the Regulator for this purpose.

In order to comply with Article V of Transitory Dispositions of the general provisions applicable to credit institutions, published on October 5, 2011, the following details the P&L and Balance Sheet effect of the application of new and previous methodology of provisioning States and Municipalities:

	New Methodology	Previous Methodology	Net Effect
States & Municipalities	Million of pesos		
Loan Impairment Charges	(109)	987	(1,096)
Allowance for loan losses	907	2,003	(1,096)

The net release of these provisions was applied in the P&L in the Loan Impairment Charges Account.

As September 2011, the increase in loan loss reserves charged to Income Statement was by the amount of MXN 4,750 millions, from this amount MXN 18 millions belongs to foreclosed assets on the mortgage portfolio, MXN 3,807 millions to write offs and MXN 487 millions to debt forgiveness.

Non – Performing Loans

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	At the quarter ending				
	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011
Initial Balance of Impaired Loans	6,408	5,811	5,344	4,835	4,504
Increases	2,999	3,728	4,217	2,094	4,382
Transfer of current loans to past due status	2,999	3,728	4,217	2,094	4,382
Decreases	3,596	4,195	4,726	2,426	2,425
Restructurings	36	236	106	64	106
Liquidated credits	2,665	2,884	2,134	1,591	1,649
Charged in cash	603	901	516	278	357
Foreclosed assets	11	6	11	8	35
Write-offs	-	-	-	-	-
Sale of portfolio	2,051	1,977	1,607	1,305	1,257
Transfer to performing loan status	898	1,082	2,490	769	759
FX revaluations	3	7	4	(2)	89
Final Balance of Impaired Loan	5,811	5,344	4,835	4,504	6,461

Deferred Taxes

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

Figures in MXN millions at September 30, 2011

	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011
Loan loss reserves	4,834	4,780	5,001	5,077	5,181
Valuation of securities	(703)	(256)	231	(98)	(200)
Fiscal loss	3	13	67	11	6
Other reserves	604	1,092	705	866	796
PTU Payable	70	106	132	54	80
Foreclosed assets	75	89	120	134	165
Other	228	229	208	185	194
Differences in rates of fixed assets	(206)	55	114	69	144
Fiscal result UDIS-Banxico	(803)	(816)	(830)	(844)	(858)
Total Deferred Taxes	4,102	5,292	5,748	5,454	5,508

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>30 Sep 2010</i>	<i>31 Dec 2010</i>	<i>31 Mar 2011</i>	<i>30 Jun 2011</i>	<i>30 Sep 2011</i>
MXN pesos					
Funding	2.32%	2.28%	2.31%	2.43%	2.44%
Bank and other loans	5.31%	5.56%	5.51%	5.27%	5.10%
Foreign currency					
Funding	0.08%	0.08%	0.08%	0.08%	0.06%
Bank and other loans	0.65%	0.89%	0.64%	0.62%	0.68%
UDIS					
Funding	0.21%	0.24%	0.25%	0.30%	0.34%

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	3	2,203	25-NOV-2013
HSBC 08	30-SEP-2008	1,818	MXN	-	1,818	20-SEP-2018
HSBC 08-2	18-DIC-2008	2,272	MXN	3	2,275	10-DIC-2018
HSBC 09D(USD300) ¹	26-JUN-2009	4,137	USD	2	4,139	28-JUN-2019
		10,427		8	10,435	

¹ Expressed in local currency at issuance date FX rate.

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

Figures in 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	42	4,262	27-ABR-2016
		4,220		42	4,262	

Capital

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

Grupo Financiero HSBC

On March 3, 2011, the Board Directors authorized a dividend payment of \$1.3774 per share for each of the 2,555,351,034 shares outstanding. The total amount paid by the Group was MXN3,520.

On March 31, 2011 was applied under the concept of previous year's financial results the amount of MXN289, for implementing the new methodology for calculating reserves portfolio credit mortgage and consumer loans and current accounting standards.

The Ordinary Shareholders Meeting, held on April 28, 2011, approved the following distribution of the year 2010 financial results, amounting to MXN2,119 million:

- Five per cent, MXN106 million, to increase legal reserves, and the remaining MXN2,013 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 2,555,351,034 shares.

Subsidiaries Grupo Financiero HSBC

HSBC Mexico, S.A.

HSBC Mexico, S.A., net income in 2010, figure that was audited by Despacho KPMG Cárdenas Dosal, S.C., was MXN420 million.

- ▶ Ten per cent, MXN42 million, to increase legal reserves, and the remaining MXN378 million, at the Board's determination to be applied under the concept of other reserves.
- ▶ On March, 2011 one notice was published in accordance to the agreement of the Board meeting, a dividend of \$1.09531478619484 shall be paid per share for each one of the 1,643,363,189 shares. Such dividend was paid on one disbursement on March 18 of 2011.
- ▶ On March, 2011 were applied MXN\$289 at the retained earnings account because of the initial financial effect due to the new change of method for the calculation of loans impairment charges.

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 September 30, 2011

	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011
% of assets subject to credit risk					
Tier 1	21.33%	18.75%	17.14%	17.56%	17.07%
Tier 2	6.16%	5.53%	5.56%	5.25%	5.27%
Total regulatory capital	<u>27.49%</u>	<u>24.28%</u>	<u>22.70%</u>	<u>22.81%</u>	<u>22.34%</u>
% of assets subject to credit, market risk and operational risk					
Tier 1	12.31%	11.24%	10.88%	10.77%	11.58%
Tier 2	3.55%	3.31%	3.53%	3.22%	3.58%
Total regulatory capital	<u>15.86%</u>	<u>14.55%</u>	<u>14.41%</u>	<u>13.98%</u>	<u>15.16%</u>
Tier 1	36,420	34,243	31,577	33,694	34,610
Tier 2	10,516	10,096	10,245	10,065	10,688
Total regulatory capital	<u>46,937</u>	<u>44,339</u>	<u>41,822</u>	<u>43,759</u>	<u>45,298</u>
RWA credit risk	170,735	182,631	184,191	191,870	202,792
RWA market risk	93,666	87,098	68,617	83,414	57,667
RWA operational risk	31,474	35,043	37,379	37,704	38,298
RWA credit and market risk	<u>295,875</u>	<u>304,772</u>	<u>290,187</u>	<u>312,988</u>	<u>298,757</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 Operating Income (Expenses)

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

Figures in MXN millions at September 30, 2011

	For the quarter ending					Year to date	
	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011	30 Sep 2010	30 Sep 2011
Loans to employees	34	36	36	35	34	108	105
Recoveries	141	257	282	251	668	595	1,201
Credit portfolio recoveries	207	192	226	166	160	695	552
Result of Foreclosed assets	12	14	8	1	11	(1)	20
Property sales	-	-	-	604	9	-	613
Other items of income(expenses)	730	821	720	601	780	1,813	2,101
Other income (expenses) arising from op. Insurance and Bonding	97	104	106	106	111	293	323
Monetary position result	3	10	5	(1)	11	10	15
Other losses	<u>(281)</u>	<u>(171)</u>	<u>(275)</u>	<u>(274)</u>	<u>(144)</u>	<u>(838)</u>	<u>(693)</u>
Total Other Operating Income (expenses)	<u>943</u>	<u>1,263</u>	<u>1,108</u>	<u>1,489</u>	<u>1,640</u>	<u>2,675</u>	<u>4,237</u>

► Other items of income (expenses) are 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 September 30, 2011 is shown below:

Figures in MXN millions

	Bank	Brokerage house	Mutual funds manage ment	Services	Group	Insurance	Bonding	Total
Balance Sheet								
Cash and deposits in banks	-	678	2	2	20	28	5	735
Demand deposits	(735)	-	-	-	-	-	-	(735)
Repurchase agreements (assets)	-	5,422	-	-	-	-	-	5,422
Repurchase agreements (liabilities)	(5,422)	-	-	-	-	-	-	(5,422)
Sundry debtors (assets)	408	9,979	9	9	2,013	53	-	12,471
Sundry creditors (liabilities)	(12,049)	(114)	(75)	-	(13)	(217)	(3)	(12,471)
Long-term assets available for sale	-	-	-	-	-	-	-	-
Total	(17,798)	15,965	(64)	11	2,020	(136)	2	-
P&L								
Payable commissions	(9)	-	(317)	-	-	(8)	-	(334)
Receivable commissions	288	46	14	-	-	-	-	348
Discontinued operations	-	-	-	-	-	-	-	-
Interest income	-	17	-	-	-	-	-	17
Interest expense	(17)	-	-	-	-	-	-	(17)
Repos	(168)	-	-	-	-	-	-	(168)
Reverse Repos	-	168	-	-	-	-	-	168
Earned premiums	-	-	-	-	-	146	2	148
Administrative and personnel expenses	(148)	-	-	-	-	-	-	(148)
Administrative services	(235)	(134)	(63)	(1)	(12)	(455)	(14)	(914)
Other income	666	-	2	184	-	48	-	900
Total	377	97	(364)	183	(12)	(269)	(12)	-

Information on Customer Segment and Results

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

Consolidated Income Statement by Customer Segment

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

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

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

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

Other Corporate Activities(OCA) – 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 30 September 2011, is shown below:

Figures in MXN millions at September 30, 2011

(MXN millions)	Year to date at 30 September 2011				Total
	RBWM	CMB	GBM	OCA	
Net Interest Income	10,211	4,549	1,369	0	16,129
Provision for Loan Loss	3,176	1,791	-217	0	4,750
Net Interest Income adjusted	7,035	2,758	1,586	0	11,379
Fees and Commissions, net	2,577	1,317	554	0	4,448
Trading Income	304	113	2,085	0	2,502
Other operation income	2,570	815	852	0	4,237
Total Revenue	12,487	5,002	5,077	0	22,566
Administrative Expenses	11,525	5,070	2,230	0	18,825
Operating Income	963	-68	2,846	0	3,741
Other Income (Expenses), net	21	11	3	0	35
Profit Before Taxes	984	-57	2,849	0	3,776
Taxes	342	-20	927	0	1,249
Net Income before discontinued operations	642	-37	1,922	0	2,527
Discontinued operations	173	0	0	0	173
Minority Shareholders	13	6	1	0	20
Participated Net Income	827	-31	1,924	0	2,720

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

Grupo Financiero HSBC

HSBC Holdings plc, the ultimate parent of Grupo Financiero HSBC, reports its results under International Financial Reporting Standards (IFRS). Set out below is a reconciliation of the results of Grupo Financiero HSBC from Mexican GAAP to IFRS for the six months ended 30 September 2011 and an explanation of the key reconciling items.

<i>Figures in MXN millions</i>	30 Sep 2011
Grupo Financiero HSBC – Net Income Under Mexican GAAP	2,720
Differences arising from:	
Valuation of pensions and post retirement healthcare benefits [†]	72
Acquisition costs relating to long-term investment contracts [†]	(5)
Deferral of fees received and paid on the origination of loans	9
Recognition and provisioning for loan impairments [†]	774
Purchase accounting adjustments [†]	(146)
Recognition of the present value in-force of long-term insurance contracts [†]	131
Sale of 100% of the outstanding shares of a Social Security Company (Afore) [†]	976
Other [†]	834
Net income under IFRS	5,365
US dollar equivalent (millions)	443
Add back tax expense	1,866
Profit before tax under IFRS	7,231
US dollar equivalent (millions)	597
<i>Exchange rate used for conversion</i>	12.11

[†] Net of tax at 30 per cent.

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

Valuation of defined benefit pensions and post retirement healthcare benefits

Mexican GAAP

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

IFRS

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

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.

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

IFRS

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

Fees paid and received on the origination of loans

Mexican GAAP

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

IFRS

Fees and expenses received or paid on origination of a loan that are directly attributable to the origination of that loan are accounted for using 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 methodologies for determining the amount of provision for each type of loan.

IFRS

Impairment losses on collectively assessed loans are calculated as follows:

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

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

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

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

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

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

Assets and Liabilities Committee (ALCO)

This committee meets monthly, chaired by 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 (RBWM, CMB, and GBM), and support areas like Treasury, Finance, Balance Management, Planning and Economic Capital.

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

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

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

Risk Management Committee (RMC)

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, GBM, RBWM, 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

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.
- ▶ **Credit Spread risk.** - This is the risk that mark-to-market value of a corporate bond, inter-bank bond or sovereign debt in foreign currency, decreases due to changes in the credit quality perception of the issuer.

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

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

Value at Risk (VaR)

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

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

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

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

Spread over yield risk

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

Basis Risk

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

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

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

Credit Spread Risk (CSO1)

Credit spread risk or 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.

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

Validation and Calibration Methods for Market Risk models:

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

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

Applicable portfolios:

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

The Market Risk management calculates the VaR and the PVBP for the total Bank portfolio and for the specific “Accrual” and “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 third quarter of 2011 (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 3Q11	Limits*	Average 3Q11	Limits*	Average 3Q11	Limits*
Combined	15.12	40.00	3.90	27.50	11.93	40.00
Interest Rate	10.57	45.00	2.37	N/A	9.04	40.00
Credit Spread	8.90	24.00	2.36	16.00	6.61	24.00
FX	0.66	7.00	0.66	7.00	N/A	N/A
Volatility IR	0.06	8.00	0.06	N/A	0.00	2.00
Volatility FX	0.27	2.00	0.27	2.00	N/A	N/A
Equities	0.02	2.50	0.02	N/A	N/A	N/A

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

Value at Risk of Global Market (VaR) (Last quarter comparison)					
	30-Jun-11	30-Sep-11	Limits*	Average 2Q11	Average 3Q11
HBMI	14.49	24.03	40.00	17.02	15.12
Accrual	12.97	11.57	40.00	14.38	11.93
All Trading	3.38	12.07	27.50	3.90	3.90

* Absolute Value
N/A = Non Applicable

The Bank's VaR at the end of 3Q11 change 65.84% versus the previous quarter. During the quarter the VaR remained under the limits.

The Bank's average VaR for the end of 3Q11 change -11.16% versus prior quarter. During the quarter the average VaR was within the limits.

Comparison of Market VaR vs. Net capital

Below a chart comparing the market VaR versus net capital is presented for June 30, 2011 and September 30, 2011 (in millions of dollars).

Market VaR vs. Net Capital Comparison		
Net Capital in million Dollars		
	30-Jun-11	30-Sep-11
Total VaR*	17.02	15.12
Net Capital **	3,732.72	3,282.62
VaR / Net Capital	0.46%	0.46%

* 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 0.46% of the net capital in 3Q2011.

Present Value for 1bp (PVBP) for Mexican Pesos Rates					
	30-Jun-11	30-Sep-11	Limits*	Average 2Q11	Average 3Q11
Bank	(1.211)	(0.031)	1.650	(1.214)	(0.800)
Accrual	(0.921)	(0.013)	1.250	(0.941)	(0.591)
Trading Desk	(0.137)	0.063	0.450	(0.135)	(0.122)
Balance Sheet Trading	(0.154)	(0.081)	0.210	(0.138)	(0.087)

* Absolute Value NA = Non Applicable

The bank's MXN Rate PVBP for 3Q11 change -97.44% versus previous quarter. Bank's average PVBP for 3Q11 change -34.10% versus previous quarter.

Present Value for 1bp (PVBP) for USD Rate					
	30-Jun-11	30-Sep-11	Limits*	Average 2Q11	Average 3Q11
Bank	(0.066)	(0.110)	0.300	(0.097)	(0.096)
Accrual	(0.063)	(0.101)	0.300	(0.097)	(0.106)
Trading Desk	(0.008)	(0.021)	0.100	(0.005)	(0.006)
Balance Sheet Trading	0.005	0.012	0.070	0.004	0.016

* Absolute Value NA = Non Applicable

The bank's USD Rate PVBP for 3Q11 change 66.67% versus previous quarter. Bank's average PVBP for 3Q11 change -1.03% versus previous quarter.

Present Value for 1bp (PVBP) for UDI Rates					
	30-Jun-11	30-Sep-11	Limits*	Average 2Q11	Average 3Q11
Bank	(0.105)	(0.266)	0.350	(0.108)	(0.089)
Accrual	(0.072)	(0.062)	0.300	(0.067)	(0.069)
Trading Desk	(0.019)	(0.193)	0.250	(0.022)	(0.007)
Balance Sheet Trading	(0.014)	(0.012)	0.050	(0.019)	(0.013)

* Absolute Value NA = Non Applicable

Bank's UDI Rate PVBP for 3Q11 change 153.33% versus prior quarter. Bank's average PVBP for 3Q11 varied -17.59% versus previous quarter.

Liquidity Risk

Qualitative Information

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

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

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

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

Quantitative Information

The institution presented at end of the quarter expected cash flows under the major stressed scenario of USD4,736m in the 7 days term; USD2,974m in the 1 month term and USD2,656m in 3 months; obtaining as a result positive cumulative net in all cases.

Along the quarter, average level was USD4,935m in the 7 days term USD2,887m in 1 month term and USD2,673m in 3 months term. Compared versus previous quarter, liquidity position change resulted from less repo transactions and the foreign exchange.

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, authorization, 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, publicadas 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.

HSBC Mexico has developed eight models for assessing credit risk of customers of commercial portfolio with annual sales up to MXN\$ 7,000 million. These models were implemented in October 2010 and were developed based on a statistical analysis of the different economic activities that resulted in four major segments, which in turn were subdivided by annual turnover level, greater and less than MXN\$ 100 million.

It is important to note that these models were reviewed and approved by experts in models development of HSBC Group Head Office.

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

- ▶ A model for global customers to assess the corporate counterparties with annual sales equal or above to MXN\$ 7,000 million (GLCS).
- ▶ Another one to assess Bank Financial Institutions (MRAfBanks)
- ▶ And eleven more, were implemented to assessing Non-Banking Financial Institutions (NBFIs).

The implementation of the abovementioned models was done along with the customers risk grading framework, known as Customer Risk Rating (CRR), which contemplates 23 levels, 21 of them are for performing customers and 2 for defaulted customers. The framework includes a direct correspondence to Probabilities of Default to each CRR and permits a more granular measurement of the customer's credit quality.

Regarding to the Loss Given Default (LGD) estimation, which represents the economic loss as a percentage of the Exposure at Default that HSBC Mexico will face at the time a customer defaults, HSBC Mexico developed a local model for assessing the Middle Market Enterprises and corporate customers, which was implemented in February 2011. In addition, for Bank Financial Institutions HSBC Mexico implemented (June 2010) a model developed by Group HSBC Head Office.

For Exposure at Default (EaD) estimation, HSBC México also developed a model for Middle Market Enterprises and corporate customers, which was implemented in October 2010. Besides the Exposure at Default estimation for Banking Financial Institutions is based on the guidelines established by the Group HSBC.

Locally developed models to estimate the Loss Given Default and Exposure at Default described above, were reviewed and approved by experts in model development of the HSBC Group Head Office.

In the second half of 2006 a risk-adjusted return model, which measures the profitability of each customer relationship, was introduced. During 1Q11 a new version 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 behaviour 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, were 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 of credit cards, mortgage and other retail portfolio as at September 30th, 2011 is MXN 5,326.6 millions of pesos which represents the 10.7% of Total Balance performing an increase of MXN 284 millions of pesos (5.6%) in comparison with previous quarter.

The Expected Loss of the commercial portfolio as at September 30th, 2011 is MXN 5,030.1 millions of pesos, showing an increase of MXN 178.9 millions of pesos (3.7%) compared to the figure reported in the previous quarter.

Operational Risk

Qualitative Information (including Legal and Technological Risk)

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

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 fulfilment of applicable norms and regulations in force as well as to understand the institution's risk profile, to establish risk management priorities, assess the strategies and mitigation plans and monitor the evolution of operational risks' behaviour and their mitigants.

A 7th annual assessment exercise took place during 2H'10 in order to identify and re-assess relevant operational risks throughout HSBC Mexico. The methodology applied during this exercise was reinforced based upon the Group's new Operational Risk Management Framework. As part of this exercise, relevant identifiable risks were denominated, described and classified into thirteen categories: Compliance, Fiduciary, Legal, Information, Accounting, Tax, External Fraud, Internal Fraud, People, Physical / Instability, Business Continuity, Systems/ Technology and Operations.

Technological Risk

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

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

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

The HTS keeps within their strategic plan a pillar that is related to regulatory matters.

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

- I. Throughout agile, secure and reliable Governance structure, focused on maintain an adequate technological risk control and response capabilities for all bank services that are offered throughout the different distribution channels. Risk is managed at the higher level committees: HTS Steering Committee, Risk Management Committee (RMC), Operational Risk & Internal Control Committee (ORICC) and Operational Risk Management Group (ORMG).
- II. Keeping updated and testing the different case scenarios analyzed on their Businesses Continuity Plan (BCP) and related Disaster Recovery Plan (DRP), for those events that require reinstate their operation on alternate sites.
- III. Performing Risk Based Control Assessments (RCA).
- IV. The management of Information Technology Projects using a group standard tool called Risk Based Project Management (RBPM).
- V. Performing Risk Management activities with the active involvement of a specialized Internal Control area, including but not limited to operational risk, internal, external and regulatory audit management.
- VI. Throughout metrics and dashboards as tools that allow the measurement of the main goals defined within the strategic plans, which in overall refer to systems availability, the compliance on time and quality of major projects and budget, those measurements are reviewed on different forums and committees for decisions making.

Legal Risk

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

- ▶ Contractual Risk;
- ▶ Dispute Risk;
- ▶ Legislative Risk;
- ▶ Non-Contractual Rights Risk.

Controls and procedures have been designed to mitigate the risk, which include: The establishment of policies and procedures for the suitable legal function and the celebration of juridical acts which includes the executed by the Institution under a different legal system than the Mexican; 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; adherence to policies regarding the management and control of Intellectual Property; the performance of legal audits as well as the establishment of a historical database on the judicial and administrative resolutions, his causes and costs.

To avoid the possible financial loss due to the non-performance of the applicable juridical and administrative norms and also to avoid unfavourable resolutions, policies and procedures have been implemented that allow identify, measure and control the legal risks with the aim of minimize the risks that the Institution is exposed and could result in losses not estimated.

Moreover institutional policies have been fulfilled and necessary procedures established with regard to Operational Risk and Internal Control.

Quantitative Information (including Legal and Technological Risk)

From the assessment of operational risks resulting from the 7th assessment exercise carried out updated in the 3Q'11, the set of risks is integrated by 458 identified and assessed relevant risks, distributed as follows: 3% (12) A type, 15% (68) B type, 44% (203) C type, and 38% (165) D type, which can also be classified according to their primary category onto:

Risk Categorization	Qty. of Risks	Percentage
Compliance	71	0.16
Legal	36	0.08
Information	46	0.1
Accounting	16	0.03
Tax	9	0.03
Physical/ Instability	8	0.02
External Fraud	25	0.05
Internal Fraud	20	0.04
People	25	0.05
Business Continuity	19	0.04
Systems	48	0.1
Operations	133	0.29
Fiduciary	2	0.01
Totals	458	100%

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.

Treasury Policies

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

1. To fulfil the needs of our client base, mainly being Corporate and Institutional, and in some lesser degree Commercial clients.
2. Provide hedges for HSBC Mexico from interest rate, foreign exchange and liquidity risks. The latter as a part of its normal commercial activity.
3. Positioning and Market Maker activities.

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

Dividends Policy

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

Paid Dividends

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

- During 2007, no dividend was paid.
- On 2 April 2008, the Board of Directors authorized a dividend payment for MXN2.8328 per share for the 1,235,526,706 outstanding shares.
- Based on the authorization granted by the Board of Directors on 30 March 2009, on 31 March 2009 a dividend payment was made for MXN0.81133657 per share for the 1,235,526,706 outstanding.
- Based on the authorization granted by the Board of Directors on 29 October 2010 a dividend payment was made for MXN1.22497679421977 per share for the 1,643,363,189 outstanding shares.
- Based on the authorization granted by the Board of Directors, on 18 March 2011 a dividend payment was made for MXN1.09531478619484 per share for the 1,643,363,189 outstanding shares.

Internal Control

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

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

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

(Chief Executive Officer) to delegate faculties to the rest of the Managers who receive the appropriate authority to develop their activities.

- The administrative board in each of its meetings receives briefs about financial information, the development of business, management of key personnel and drafts copies of each committee reunion held. The administrative board also receives presentations of key business areas and of any other relevant affairs that have been requested.
- The systems and procedures that exist in HSBC to identify, manage and inform about relevant risks include: credit, changes in market prices of financial instruments, liquidity, operation errors, law or normativity infringements, non authorized activities and fraud. The exposure to such risks is supervised by the Assets and Liabilities Committee (ALCO) and by the Executive Committee. The Risk Management Committee (RMC), chaired by an external member of the Administrative Board, is celebrated in a monthly basis. In the RMC, assets and liabilities affairs are discussed. Each subsidiary holds individual RMCs that are discussed in HSBC's RMC.
- New procedures have been established in order to identify new risks arising from changes in market place practices as well as from client behaviour, which can increase risk exposure to losses or to reputation damage.
- Strategic plans are prepared for each client segment, product group and main support areas. In such manner, operational plans are prepared. These plans are approved annually and revised periodically, establishing key initiatives for our businesses and their possible financial effects.
- Responsibility on the financial performance, capital expenditure, budget exercise, credit risk and market risk are delegated with certain limits to the administration. Additionally, risk management policies are established by the Administrative Board for the following risk areas: credit risk, market risk, liquidity risk, operation risk, information technology risk, insurance risk, accounting risk, fiscal risk, legal risk, human resources risk, reputational risk, acquisition risk, and business risk.
- Internal audit supervises the effectivity of the internal control structure. Internal audit tasks are focused in supervising the areas that represent the higher risks for HSBC, to determine such areas, risk assessments take place. The head of this functions reports to the Audit Committee.
- The administration is responsible to assure that recommendations given by the internal audit area are implemented in the stipulated time; confirmation of implementations is handed to internal audit. The administration must also confirm in annual basis to internal audit that measures have been taken to implement recommendations given by an external author or the regulator.
- The Audit Committee revises periodically the effectiveness of Internal Control and also informs the Administrative Board about the latter. Among the main processes used by the committee in its revisions are: periodical reports of the heads of key risks, annual revision of the performance of internal control against key HSBC indicators, quarterly confirmations that no significant losses have taken place, contingency or uncertainty caused by deficiencies of the internal controls, internal audit reports, external audit reports and regulatory reports.
- The administration, through the Audit Committee, realizes an annual review of the effectivity of the internal control, which covers key financial, operational and compliance indicators as well as the effectivity of the risk management system. The Audit Committee receives periodically information about measures taken by the Administrative Board to correct or resolve any weakness or error detected through the operation of HSBC's internal control.

Corporate Sustainability (CSR)

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 involves reducing as much as possible the environment impact of our operations and to contribute in 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: Supporting education, culture and community projects which promote employee participation in volunteering programs. This is possible to the community investment which in 2011 represents 0.5% out of our PBT.

2011 is a challenging year not only to consolidate our business but to succeed in both, Community and Environmental Investment and the launch of flagship programs. This keeps on the strategy of focusing on giving to the development of hi-impact programs in Education, Environment and Community benefiting the communities where we operate.

The current flagship programs will consolidate like "Sólo levanta la mano" partnership with Lazos Foundation; community-oriented "Niños y adolescentes migrantes no acompañados" with Save the Children and DIF; as for environment matters, will support the model to combat climate change in water, waste and biodiversity projects.

These actions have enabled us to promote a sustainable commitment to our employees and customers.

Our community investment funds on 3 sources: PBT, Client Contribution and Sustainable Products getting a total of MXN70.4m which comes out as follows: MXN40.0m from PBT which was invested as Group policies as: 50% Education, 25% Environment and 25% for Community. MXN14.4m in ATM'S with client contribution during 3 campaigns: Kids with Cancer, Becalos and Extreme Poverty. Plus MXN16.0m via Green Insurance, which is invested in environmental programs.

Education

Through our social programs, we are achieving a positive impact in the life of kids and teenagers, by getting involved and providing financial support to institutions that can give them the access to a better education and because of this they can reach success, a better future for themselves and then a better way of life for their families.

For HSBC, one of the subjects that matters the most for sustainability is education, and today we have three main axes inside this sector: Integral education, Scholarships in urban and rural areas and Financial Education.

Our Programs:

HSBC - Lazos Strategic Alliance

Currently the sponsorships goal (integral scholarships) is at 109%, which means 1,013 children sponsored by both HSBC employees and clients. The 17 voluntary activities realized, which represent 119% vs. objective, were a complete success. To note, more than 450 volunteers participated summing up a total of 2,700 hours of volunteering. In the second half of 2011 the financial education program "More Than Money", will be implemented in the 8 schools sponsored by HSBC.

The infrastructure improvement constructions done in the 8 schools will be concluded at the end of October, thanks to HSBC clients donations and alliances made with Consorcio ARA, Moctezuma, Meteco and Pepsico.

On 26th October the inauguration event for the second phase, presenting the results and new goals of the Program, took place at the HSBC Tower, with Luis Peña Kegel, CEO HSBC Mexico, Fernando Landeros Verdugo, Lazos Founder and German Ahumada Russek, CEO Consorcio ARA as guests of honor.

For the second phase, 8 new schools will be added to the program within the Estado de Mexico, Chiapas, Chihuahua, Coahuila, D.F, Jalisco, Oaxaca and Queretaro, sponsoring 1,201 children.

Migrants

Tenesque, Educational Centre:

The series of workshops that aim to raise awareness about the issues related to children travelling alone started began in January and has continued since then in different communities such as Ixcaltepec, Oaxaca, Ozolco, Puebla and Dolores Hidalgo, Guanajuato.

Ozolco Community:

We began working with Ozolco's community, which has a high rate of migrant children. First of all, a detailed diagnosis of the demographic situation of Ozolco – including indicators such as health, education, religion and occupation - was made in order to have a detailed picture of the community's current social situation.

Additionally, we started a program consisting of educational, recreational and sport activities with children in order to avoid migration by enabling them with tools that will help them have better opportunities. This program is benefiting 542 children.

As committed in the announcements made on May 11th in San Mateo Ozolco, Puebla, by Enrique de la Madrid Cordero, Executive Director of Corporate Communications and Public Relations of HSBC Mexico and Mrs. Margarita Zavala Mexico's First Lady and President of the National DIF, along with members of the Committee, the construction of the dining room for the elementary school "Miguel Negrete" was finished. As well, the construction of the classroom, and sport facilities of the school "Emiliano Zapata" will be finished in the upcoming weeks. The Trust also seeks to further encourage the delivery of workshops, both in primary and high school, securities, food and risks of illegal migration.

Zippy's Friends

The program successfully completed its first scholar year. Thanks to this, HSBC in alliance with Lazos Foundation benefited 646 children from 1st and 2nd grades of 7 elementary schools and 19 teachers.

The next phase started on 24th October, due to the affiliation process that requires for the new schools of the second phase of the program.

Environment

Green Insurance

In order to continue the new projects supported by HSBC Green Insurance, the allocation committee met to assess the organizations for the second half of 2011. The projects listed below will generate a potential environmental impact of a volunteer team and bank employees and to ensure the final destination of resources.

1.- "Fideicomiso Pro Bosque Chapultepec"

Sanitation Forestry in El Sope, running track located in the second section of Chapultepec Park, as well as the rehabilitation of green areas in the same district park. This project is part of the Management Plan for the Rescue of Second Section of Forest Chapultepec. The main purpose of this project is to rehabilitate and rescue the Second Section of Chapultepec Park.

2.- "Parque Ecológico Chipinque"

Restoration and rehabilitation of Chipinque Ecological Park through dams of branches, well-stone dams, vegetative practices, planting grass and fertilizer application for the recovery and accumulation of soil, production of 25,000 pine trees in the forest nursery Park Chipinque, which will be used for reforestation in these areas, so it will carry out various activities for the rehabilitation of gaps and villages affected by the detachment and sliding of earthy material and vegetation.

3.- "Bosque La Primavera"

Investment through the strengthening of strategic capacities of local actors is encouraged participation and empowerment in actions that contribute to permanence of the environment of this protected natural area of the State of Jalisco and in turn drive that favour local enterprises improve their economic conditions.

4.- “Fábrica de Agua Nevado de Toluca”

Establishes the conditions for increasing water retention and recharge aquifers and promotes increasing environmental regeneration.

5.- “Todos por el agua en San Miguel de Allende”

To protect and restore watersheds that ensure the environmental well recharges the aquifer that ensures water quality and supply of urban and rural communities of San Miguel de Allende, Guanajuato.

6.- “Consejo Civil Mexicano para la Silvicultura”

The aim is to reduce the accelerated deterioration of natural resources in Mexico, encouraging a greater number of communities, ejidos and forest producers to develop their productive activities under the rules of good forestry.

7.- “Grupo Ecológico Sierra Gorda”

The Biosphere Reserve of the Sierra Gorda is the most diverse protected area in Mexico and hosts some of the best preserved forest massifs of central Mexico. The purpose of this resource is to look after the forests that provide air and water, soil, heat balance and causes of biodiversity

8.- “Alternare”

This project aims to solve the main problems of the Biosphere Reserve of the Monarch Butterfly that requires capacity building of local people in different aspects such as generating processes that support them to make decisions regarding the use and care of their natural resources. It requires that the community is good information on the status of their resources especially water that can build a community environmental awareness.

9.- “Proyectos de Alto Impacto en Agua”

This semester has decided to support three high-impact projects in water: a) Water Hucholes Communities with an investment of one million pesos, b) Urban Island Federal District with a million dollars and another project in Tlaxcala.

HSBC Insurance race

The first HSBC Insurance race to support Chapultepec Woods was held. Corporate Sustainability played an important role in the operation and strategy. In the whole process, from the planning stage on, careful control was taken to ensure that ecological guidelines were followed in regard to responsible consumption, energy savings, reduction of ecological footprint, care with water usage, trash separation and recycling. Environmental awareness was emphasized so that throughout the event, participants' actions remained congruent with the sustainable principles.

HTS Reforestation

In August, personnel from HTS carried out a one day reforestation activity. Over 1,000 trees were planted by the 200 volunteers.

Community

Under the community investment principle, HSBC has Developer different projects in health, culture and emergency situations.

Our Programmes:

ATM's

The ATM's campaign in support of Becalos program concluded, raising MXN4.4m. The campaign in support of “In Our Hands” concluded on 30th October 2011.

Future First

On August two Mexican Non SOS NGO's and two SOS projects were recommended by the Future First Global Committee for Cycle 1, with this a total of 290 children will be benefited.

On October the Non SOS NGO's recommended by the Future First Global Committee for Cycle 2 will be announced, for which Mexico proposed 4 Non SOS.

Volunteering

Activities:

Medals with cause

Thanks to the participation and effort of 400 colleagues in the "Juegos Interbancarios", HSBC donated 6 wheelchairs and 148 pair of eye-glasses to people in need. 10 gold medals amounted to one wheelchair, 1 silver medal to 2 pair of glasses and lastly 1 bronze medal to 1 pair of glasses.

Ecotechnie

31 volunteers attended to participate in the construction of a bio-bed intensive nopal, a wood-saving stoves, organoponics in tires and making waterproofing tanks maintain a rain water collection, eco-techniques models that have been replicated by communities to improve their standard of living in harmony with the environment.

Reforestation in Toluca

Lead by HTS, 45 volunteers and 80 family members met up again at the Nevado de Toluca to continue working on the reforestation of the area, planting a total of 1,000 trees in benefit of the project "Banco de Agua", supported by HSBC.

Activity in Benefit of "Parque de la Alameda"

43 Volunteers from Tecnoparque organized the first activity towards improving the floor at "Parque de la Alameda", which involved fertilizing the soil and in the future carry out reforestations in the area.

Communication

During this quarter, the Corporate Sustainability Department gained 10 free press releases with an estimated value of MXN2.5m.

Corporate Sustainability Reporting Channel

During the third quarter of the year, we began using an innovation communication channel. We have placed plastic holders on the inside of the doors of all the bathroom stalls in the HSBC Tower, Toluca and Tecnoparque where we are free to post our campaigns. We have published the results of the activities carried out in commemoration of World Environment Day and information on our ecological footprint, our energy savings, water and waste management, Green Insurance projects, the sustainable race, and the bank games.

Recognitions

On August 15th the Mexican Center for the Philanthropy (CEMEFI) recognized the program "Raise Your Hand" of HBMX as Best Practice for Corporate Social Responsibility 2011 Best Practice in the category of Community Engagement. HSBC was one of the 8 companies that received the recognition within a total of 500 Mexican companies.

CEMEFI is an institution that promotes in Mexico the philanthropic participation, engagement and social responsibility of the citizens and businesses to achieve a much more equitable and prosperous society.

Promotion of interaction with employees and areas

Through the initiative of the Regional Diversity Committee of HSBC to apply a Social Inclusion Program, Corporate

Sustainability and with the support of Human Resources, approved to create a working group responsible for implementing the next programs:

People with Disabilities

In alliance between Corporate Sustainability, RBWM and Human Resources, HSBC México is hiring people with disabilities through Manpower Foundation A.C., FHADI I.A.P. and Colabore A.C. At the moment there are 13 candidates that have been hired, however each Tuesday a meeting is held in way to achieve the goal of 90 candidates hired at the end of 2011.

Conclusions

We have focused our investment community by developing and implementing flagship programs; this has strengthened the engagement with our stakeholders. Thanks to our campaigns through which not only involve our staff, but also has allowed active participation of our customers, providing not only financial, but also projects of corporate social responsibility and sustainability to their business.

We have had success in our social and environmental investment with the support of our customers through channels and sustainable products: where we expect to raise 45% from clients support.

HSBC Mexico seeks to maintain a balance between environment, society and the profitability of its business by establishing long term relationships with its customers, ensuring the success of HSBC in time, and thanks to their commitment and actions. We then provide support in a multidimensional way, which will impact people and future generations of Mexico.

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