Grupo Financiero HSBC

Financial information at 31 December 2012

4Q12

► **Press Release**

► **Quarterly Report**

► **Fourth Quarter 2012**

Release date:
28 February 2013

HSBC

28 February 2013

GRUPO FINANCIERO HSBC, S.A. DE C.V.
2012 FINANCIAL RESULTS – HIGHLIGHTS

- Net income before tax for the year ended 31 December 2012 was MXN7,770m, an increase of MXN5,021m or 182.6% compared with MXN2,749m for 2011. Improved results were mainly driven by higher net interest income, reduced costs, and lower loan impairment charges, partially offset by lower other operating income.

- Net income for the year ended 31 December 2012 was MXN6,016m, an increase of MXN3,506m or 139.7% compared with MXN2,510m for 2011.

- Total operating income, net of loan impairment charges, for the year ended 31 December 2012 was MXN29,733m, an increase of MXN1,477m or 5.2% compared with MXN28,256m for 2011, mainly due to increased net interest income combined with lower loan impairment charges, partially offset by one-off gains recognised in 2011 resulting from the sale and leaseback of certain branches in the network and the sale of HSBC Afore.

- Loan impairment charges for the year ended 31 December 2012 were MXN4,677m, a decrease of MXN2,060m or 30.6% compared with MXN6,737m for 2011, reflecting the strategic reduction of the higher risk credit card portfolio, as well as improvements to both the collection and credit quality of the total portfolio.

- Administrative and personnel expenses were MXN22,005m, a decrease of MXN3,465m or 13.6% compared with MXN25,470m for 2011. Excluding the effect of restructuring charges, which were MXN1,175m lower than those incurred in 2011, the decrease would have been MXN2,290m or 9.6% compared with 2011 as a result of strict cost control and cost reduction strategies implemented since 2011.

- The cost efficiency ratio was 63.9% for the year ended 31 December 2012, compared with 72.8% for 2011.

- Net loans and advances to customers were MXN189.6bn at 31 December 2012, an increase of MXN12.9bn or 7.3% compared with MXN176.7bn at 31 December 2011. Total impaired loans as a percentage of gross loans and advances improved to 2.0% compared with 2.7% at 31 December 2011. The coverage ratio (allowance for loan losses divided by impaired loans) was 233.8% compared with 214.5% at 31 December 2011.

- At 31 December 2012, deposits were MXN295.3bn, a decrease of MXN2.1bn or 0.7% compared with MXN297.4bn at 31 December 2011.

- Return on equity was 12.4% for the year ended 31 December 2012 compared with 5.2% for 2011.

- At 31 December 2012, the bank's total capital adequacy ratio was 14.5% and the tier 1 capital ratio was 11.6% compared with 15.3% and 11.7% respectively at 31 December 2011. On 30 January 2013, Grupo Financiero HSBC received a capital injection of US$390m from HSBC Holdings plc, its parent company, through HSBC Latin America Holdings (UK) Limited. In addition, on 31 January 2013 the bank issued US$110m of subordinated debt to HSBC Finance Netherlands.

- In the first quarter of 2012, the bank paid a dividend of MXN1,400m, representing MXN0.81 per share, and Grupo Financiero HSBC paid a dividend of MXN2,400m, representing MXN0.94 per share.

2011 results have been restated to reflect the Afore and the general insurance manufacturing businesses as discontinued operations.

HSBC Mexico S.A. (the bank) is a subsidiary of Grupo Financiero HSBC, S.A. de C.V.'s (Grupo Financiero HSBC) and is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file financial information on a quarterly basis (in this case for the quarter ended 31 December 2012) and this information is publicly available. Given that this information is available in the public domain, Grupo Financiero HSBC, S.A. de C.V. has elected to file this release. HSBC Seguros, S.A. de C.V. Grupo Financiero HSBC (HSBC Seguros) is Grupo Financiero HSBC's insurance group.

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

Overview

Growth held up well in Mexico in 2012 led, in particular, by favourable industrial exports to the US. Enhanced competitiveness helped Mexican exports to gain a larger share of total US imports. Domestically, demand stayed largely unchanged, encouraged by labour reforms passed by the new administration. Despite the growth figures, inflation ended 2012 slightly below 4% and converging to the 3% inflation target pursued by Banco de Mexico.

For the year ended 31 December 2012, Grupo Financiero HSBC's net income was MXN6,016m, an increase of MXN3,506m or 139.7% compared with 2011. Improved net income was mainly driven by a reduction in administrative and personnel expenses, lower loan impairment charges and higher net interest income, partially offset by lower other operating income.

Net interest income was MXN22,134m, an increase of MXN928m or 4.4% compared with 2011. Improved net interest income was due to higher average loan portfolio balances, mainly in commercial, payroll, personal and mortgage loans, coupled with higher average deposit balances, partially offset by lower spreads in credit cards, payroll and business banking loans.

Loan impairment charges were MXN4,677m, a decrease of MXN2,060m or 30.6% compared with 2011, reflecting the strategic reduction of the higher risk credit card portfolio, as well as improvements to both the collection and credit quality of the total portfolio following targeted sales campaigns and enhanced pre-screening of new customers. In April 2012, a change in the write-off policy for mortgage loans was implemented and generated a one-off increase in loan impairment charges of MXN659m.

Net fee income was MXN6,344m, an increase of MXN351m or 5.9% compared with 2011. The increase was mainly due to higher fees from equity and debt capital markets, trade services, payroll loans and cards transaction fees. In addition, customer loyalty scheme contracts were renegotiated and consequently the associated costs are now reported in fee expenses.

Trading income was MXN2,954m, a decrease of MXN309m or 9.5% compared with 2011. The decrease was impacted by the gain of MXN279m arising from the sale of one of Grupo Financiero HSBC's equity investments in the first quarter of 2011.

Other operating income was MXN2,978m, a decrease of MXN1,553m or 34.3% compared with 2011. This decrease was impacted by one-off gains recognised in 2011 resulting from the sale and leaseback of certain branches in the network and the gain from the sale of HSBC Afore.

Administrative and personnel expenses were MXN22,005m, a decrease of MXN3,465m or 13.6% compared with 2011. Excluding the effect of restructuring charges, which were MXN1,175m lower than those incurred in 2011, the decrease would have been MXN2,290m or 9.6% compared with 2011. This decrease reflects cost reduction initiatives implemented in 2011 in both regional and local operations, such as reconfiguring the regional structures and other rationalisation programmes, and the write-off of intangible assets. At 31 December 2012, the number of full time employees was 17,518, a reduction of 1,403 or 7.4%, compared with 31 December 2011.

The cost efficiency ratio was 63.9% for the year ended 31 December 2012, compared with 72.8% for 2011.

The performance of non-banking subsidiaries continued to contribute positively to Grupo Financiero HSBC's results, particularly HSBC Seguros, which reported net income before taxes of MXN2,324m for the year ended 31 December 2012, up 11.4% compared with 31 December 2011. The main driver for this growth was a reduction in the claims ratio for the Term Life Insurance product to 20.0% from 24.7% reported in 2011. In addition, the endowment insurance product reported a 25.6% rise in sales compared to 2011.

Net loans and advances to customers increased MXN12.9bn or 7.3% to MXN189.6bn at 31 December 2012 compared with 31 December 2011. This increase was mainly driven by growth in the performing consumer loan portfolio of 14.6%, primarily in payroll and personal loans, as well as an 8.5% and 8.1% growth in the performing government entities and the performing commercial loan portfolios respectively.

At 31 December 2012, total impaired loans decreased by 21.0% to MXN4.0bn compared with MXN5.1bn at 31 December 2011. The reduction in impaired loans is mainly as a result of lower mortgage loans, which includes an MXN0.8bn decrease relating to the change in write-off policy in April 2012. Impaired consumer loans increased 5.5% as a result of portfolio volume growth during the year. The total of impaired loans as a percentage of total loans and advances to customers improved to 2.0% compared with 2.7% at 31 December 2011.

Total loan loss allowances at 31 December 2012 were MXN9.4bn, a decrease of MXN1.5bn or 13.9% compared with 31 December 2011. The total coverage ratio (allowance for loan losses divided by impaired loans) was 233.8% at 31 December 2012 compared with 214.5% at 31 December 2011.

Total deposits were MXN295.3bn at 31 December 2012, a decrease of MXN2.1bn or 0.7% compared with 31 December 2011. Demand deposits increased 8.5% resulting from continued sales efforts and targeted promotions, while time deposits decreased 13.8%.

Assets under management in mutual funds increased 22.9% compared with 31 December 2011, as a result of marketing campaigns targeting Premier customers.

At 31 December 2012, the bank's total capital adequacy ratio was 14.5% and the tier 1 capital ratio was 11.6% compared with 15.3% and 11.7% respectively at 31 December 2011. On 30 January 2013, Grupo Financiero HSBC received a capital injection of US$390m from HSBC Holdings plc, its parent company, through HSBC Latin America Holdings (UK) Limited. In addition, on 31 January 2013 the bank issued US$110m of subordinated debt to HSBC Finance Netherlands. On a pro-forma basis, these capital transactions would increase the bank's total capital adequacy ratio and tier 1 capital ratio to 16.4% and 13.1% respectively. This investment will be used to support credit and lending growth across our global businesses and our ongoing programme to improve our physical and technology infrastructure in order to offer world class financial services to our customers. With this additional capital, HSBC reinforces its commitment to and confidence in Mexico.

In 2012, the bank paid a dividend of MXN1,400m representing MXN0.81 per share and Grupo Financiero HSBC paid a dividend of MXN2,400m representing MXN0.94 per share.

Business highlights

Retail Banking and Wealth Management (RBWM)

RBWM increased loan and deposit average balances by 8.6% and 7.1% respectively compared to 2011.

Personal and payroll loans reported strong growth compared to 2011, increasing average balances by 52.9% and 49.2% respectively, supported by a strategy focused on simplifying and improving the sales processes in all channels, and increasing sales productivity at branches. Additionally, auto loan volumes in our branch network increased 48.4% compared with 2011, mainly due to improved sales efforts.

Mortgage originations increased 64.3% compared with 2011, mainly due to increased focus of the branch network sales force.

New credit cards issued increased 45.5% compared to 2011. This is mainly due to targeted offers to incentivise use and increase portfolio balances. During the last quarter of 2012, these campaigns translated into increased monthly billing.

Assets under management in mutual funds increased 38.7% compared to 31 December 2011, as a result of marketing campaigns targeting Premier customers.

In addition, the individual life product "Vida Premier" was launched in the fourth quarter of 2012, which offers basic life coverage and includes terminal illness benefits.

Commercial Banking (CMB)

CMB grew loan and deposit average balances by 5.0% and 6.3% respectively compared to 2011.

Aligned to our strategy of becoming the leading international bank, total operating income for trade transactions increased 29.1% compared with 2011. Additionally, foreign exchange operations revenues increased 42.9% compared with 2011, mainly due to an increase in the cross-selling of our Global Banking products to our CMB customers.

During 2012, HSBC participated in a syndicated loan issuance and is currently acting as Joint Bookrunner for COMEX, which represents a landmark transaction for the segment in Mexico.

The small and medium enterprises segment reported 16.0% growth in its average loan portfolio compared with 2011, mainly due to increased balances in the Tarjeta HSBC Empresas credit portfolio.

Global Banking and Markets

Global Markets trading income decreased MXN309m compared with 2011. The decrease was impacted by a gain of MXN279m arising from the sale of one of the Grupo Financiero HSBC's equity investments in the first quarter of 2011.

In Debt Capital Markets, Grupo Financiero HSBC maintained its status as one of the top five leading Mexican underwriters[1], placing and participating in bond issuances for a total transaction amount of MXN77,949m.

During 2012, in Equity Capital Markets, Grupo Financiero HSBC acted as Joint Bookrunner in respect of two Initial Public Offerings and one equity follow-on. These deals were allocated between Mexican and international investors. These deals represented landmark transactions for Grupo Financiero HSBC as they were its first lead roles in the region.

Global Banking continued to grow average balances in its credit and lending business and customer deposits, which increased 15.7% and 36.3% respectively compared with 2011. In addition, Global Banking trade services revenues increased MXN73m to MXN185m, up 65.1% compared to 2011.

The Project Finance Business performed strongly with an increase in fee income of MXN45m or 279.3% compared with the previous year.

Sale of HSBC general insurance manufacturing to AXA Group

On 6 March 2012, Grupo Financiero HSBC announced the agreement to sell a portfolio of general insurance assets and liabilities in Mexico with completion expected in 2013. Under the terms of this agreement, the purchasers will provide general insurance products to HSBC to sell to our retail customers. This long-term collaboration will broaden and strengthen the suite of general insurance products available to our customers.

Grupo Financiero HSBC 2012 financial results as reported to HSBC Holdings plc, our ultimate parent company, are prepared in accordance with International Financial Reporting Standards (IFRS)

For the year ended 31 December 2012, on an IFRS basis, Grupo Financiero HSBC reported pre-tax profits of MXN9,060m, an increase of MXN1,082m or 13.6% compared with MXN7,978m in 2011.

The lower profit reported under Mexican GAAP is largely due to the use of the effective interest rate method under IFRS, lower expenses under IFRS recognised in respect of defined benefit pension plans as well as lower loan impairment charges under IFRS as a result of the different provisioning methodologies. A reconciliation and explanation between the Mexican GAAP and IFRS results is included with the financial statements of this document.

About HSBC

During 2012, HSBC Mexico won several honours, among them the Best Internet Banking in Mexico, awarded by Global Finance magazine and the Best Companies to Work 2012 in Gender Equity, for its equal opportunities initiative, policies and processes for attracting talent and professional growth.

[1] Source: Bloomberg Finance

In March, HSBC Mexico was selected by Great Place to Work Mexico within the 19 best companies to work for in the country with over 5,000 employees. The group also received the Inclusive Company "Gilberto Rincon Gallardo" award, given by the Ministry of Labor for its inclusive work practices towards vulnerable groups.

In May, HSBC Mexico was recognized by the magazine Expansion in the ranking Super Empresas 2012 (Super Companies 2012), in the category of companies with more than 3,000 employees.

In October, HSBC Mexico received the award Best Companies to Work in the Financial Sector 2012, given by Great Place to Work Institute after a thorough evaluation exercise of 34 financial groups, the ranking was published in the newspaper El Financiero.

In July 2012 HSBC Mexico paid a fine of MXN379m in respect of non-compliance with anti-money laundering systems and controls. Since 2009 HSBC Mexico management has committed significant additional resources to strengthen the firm's capabilities and to ensure compliance with local and international regulations in this regard, including actions such as: stopping the purchase, sale and deposit of US Dollars, strengthening the internal control and Anti-Money Laundering departments, implementing a new organisational culture focused on the mitigation and management of risks, improving the reporting and detection systems of unusual transactions, and enforcing strict policies regarding knowing our customers. This is part of the HSBC Group's commitment to implementing the highest standards for compliance globally.

Grupo Financiero HSBC is one of the leading financial groups in Mexico with 1,040 branches, 6,490 ATMs and approximately 17,500 employees. For more information, visit www.hsbc.com.mx.

Grupo Financiero HSBC is a 99.99% directly owned subsidiary of HSBC Latin America Holdings (UK) Limited, which is a wholly owned subsidiary of HSBC Holdings plc, and a member of the HSBC Group. With around 6,900 offices in over 80 countries and territories in Europe, the Asia-Pacific region, North and Latin America, the Middle East and Africa and with assets of US$2,721bn at 30 September 2012, the HSBC Group is one of the world's largest banking and financial services organisations.

For further information contact:

Mexico City

Lyssette Bravo
Public Affairs
Telephone: +52 (55) 5721 2888

Andrea Colín
Investor Relations
Telephone: +52 (55) 5721 3001

London

Patrick Humphris
Group Media Relations
Telephone: +44 (0)20 7992 1631

Guy Lewis
Investor Relations
Telephone: +44 (0)20 7992 1938

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Key Indicators

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

	For the quarter ended at				
	31 Dec 2011	*31 Mar 2012*	*30 Jun 2012*	*30 Sep 2012*	***31 Dec 2012***
a) Liquidity	104.84 %	98.05%	99.93%	95.36%	**94.96%**
Profitability					
b) ROE (Return over equity)	(1.77) %	11.12 %	9.14 %	17.37 %	**12.87%**
c) ROA (Return over assets)	(0.17) %	1.01 %	0.84 %	1.67 %	**1.28%**
Asset quality					
d) Impaired loans/total loans	2.71%	2.61%	2.16%	1.97%	**2.02%**
e) Coverage ratio	214.48%	222.20%	252.65%	270.18%	**233.77%**
Capitalization					
f) Credit risk	22.05%	21.72%	21.55%	23.00%	**22.36%**
g) Credit and market risk operational	15.26%	14.71%	13.62%	14.40%	**14.51%**
Operating efficiency					
h) Expenses/Total Assets	5.25%	4.33%	4.55%	4.17%	**4.49%**
i) NIM	4.68%	4.81%	5.01%	5.08%	**5.11%**
Infrastructure					
Branches	1,067	1,066	1,067	1,055	**1,040**
ATM	6,195	6,201	6,240	6,364	**6,490**
Head Count	18,921	18,564	18,110	17,735	**17,518**

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

Relevant Events

On 30 January 2013, Grupo Financiero HSBC received a capital injection of US$390m from HSBC Holdings plc, its parent company, through HSBC Latin America Holdings (UK) Limited. In addition, on 31 January 2013 the bank issued US$110m of subordinated debt to HSBC Finance Netherlands. On a pro-forma basis, these capital transactions would increase the bank's total capital adequacy ratio and tier 1 capital ratio to 16.4% and 13.1% respectively. This investment will be used to support credit and lending growth across our global businesses and our ongoing programme to improve our physical and technology infrastructure in order to offer world class financial services to our customers. With this additional capital, HSBC reinforces its commitment to and confidence in Mexico.

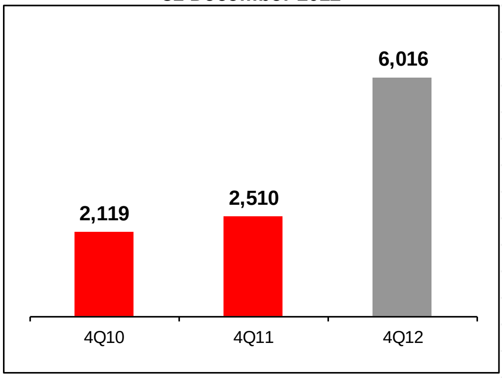
Income Statement Variance Analysis

Net Income

Net income for Grupo Financiero HSBC for the year ended 31 December 2012 was MXN6,016m, an increase of 139.7% compared with 2011.

The Group's subsidiaries had solid results during the year, particularly HSBC Mexico and the Insurance Company. This strong performance was mainly due to higher net interest income, lower bank administrative expenses, reduced loan impairment charges; partially offset by lower other operating income.
The Insurance Company results are mainly explained by lower claims ratio on Term Life Insurance product.

Net Income
31 December 2012

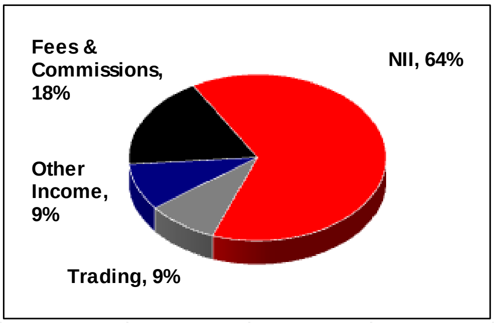


Total Operating Income

For the year ended 31 December 2012, the Group's total operating income, net of loan impairment charges, was MXN29,733m, an increase of MXN1,477m (5.2%) compared with 2011.

Increased total operating income, net of loan impairment charges, is mainly due to increased net interest income combined with lower loan impairment charges, partially offset by one-off gains recognised in 2011.

Revenue Distribution
31 December 2012



Net Interest Income

Net interest income for the year ended at 31 December 2012 increased to MXN22,134m, up MXN928m compared to 2011.

The increase in net interest income was mainly due to higher average volumes in the loan portfolio, particularly on the commercial, payroll, personal and mortgage loans, coupled with increased deposit average volumes; this was partially offset by lower spread in credit card, payroll and business banking loans.

Non-interest Income

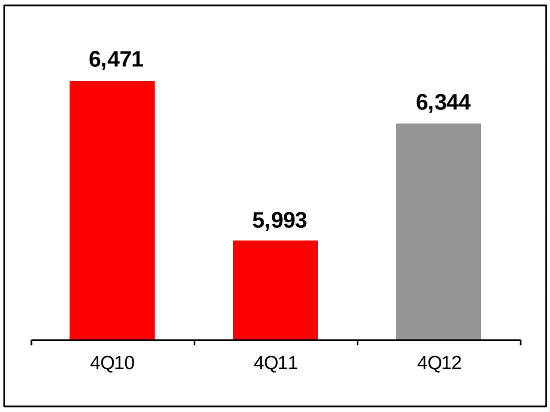
Non-interest income for the year ended at 2012 was MXN12,276m; a decrease of MXN1,511m or 11.0% compared with results from 2011.

► Fee income

The Group's net fee income for the year ended at 31 December 2012 was MXN6,344m, an increase of MXN351m or 5.9% compared with 2011. This increase was mainly due to higher fees from equity & debt capital markets, trade services, payroll loans and card transaction fees.

Group Fees & Commissions

31 December 2012



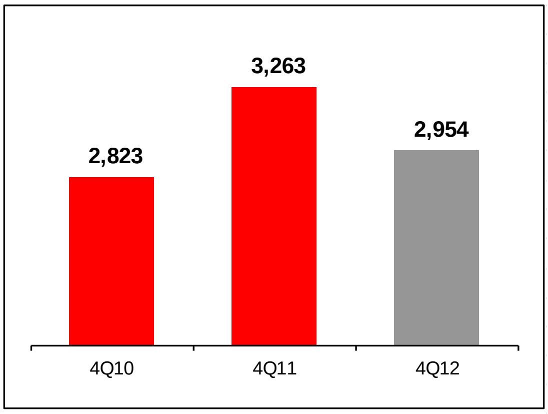
► Trading income

Trading income was MXN2,954m, which represents a decrease of MXN309m (9.5%) compared with the same period of 2011. Lower trading income was impacted by the gain from the sale of one of our equity investments in the first quarter of 2011.

The Group's non-interest income to total revenue ratio decreased from 39.7% for the year ended 31 December 2011 to 35.7% for the year ended 31 December 2012, driven by lower other operating and trading income.

Trading Income

31 December 2012

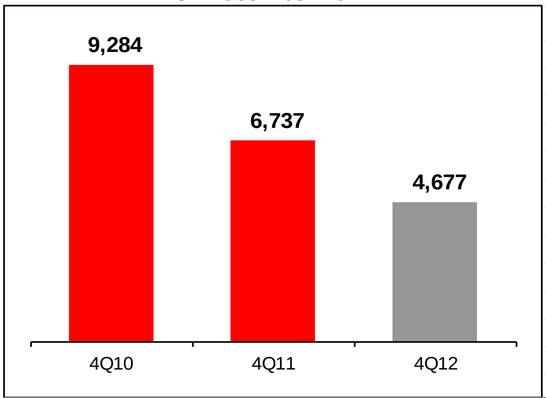


Loan Impairment Charges

For the year ended 31 December 2012, the Group's loan impairment charges were MXN4,677m, a decrease of MXN2,060m or 30.6% compared with the same period of 2011. This decrease was mainly due to a reduction of the higher risk credit card portfolio, improvements in collection and credit quality loan portfolio and enhanced pre-screening of new customers. A change in the write-off policy for mortgage loans implemented in April 2012 generated a one-off increase in loan impairment charges.

Loan Impairment Charges

31 December 2012

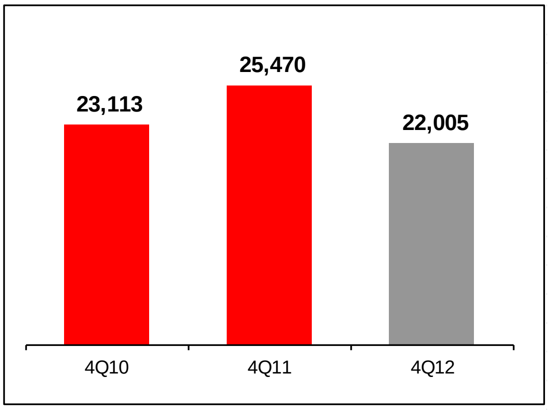


Administrative and Personnel Expenses

The Group's administrative and personnel expenses for the year ended at 31 December 2012 were MXN22,005m, a MXN3,465m or 13.6% decrease compared with 2011. Excluding the effect of the restructuring charges, which were MXN1,175m lower than those incurred in the same period of 2011, the decrease would have been MXN2,290m or 9.6% compared with 2011.

Administrative Expenses

31 December 2012



Balance sheet Variance Analysis

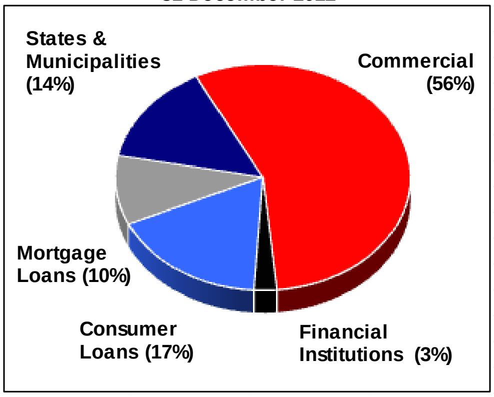
At 31 December 2012, the Group's total assets amounted MXN504,050m, which represents an increase of MXN541m, compared with 31 December 2011. This increase was driven by higher volumes in the net loan portfolio and increased cash & deposits in bank, partially offset by lower investment in securities.

Loan portfolio

The Group's performing loan portfolio balance amounted to MXN194,966m at 31 December 2012, an increase of 6.8% compared with 31 December 2011. This growth has been driven by higher consumer, government and commercial loan portfolios, which grew 14.6%, 8.5% and 8.1% respectively when compared to 31 December 2011.

Credit Portfolio Distribution

31 December 2012



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

At 31 December 2012, the total commercial portfolio (including financial and government entities) increased 5.1% in comparison with 31 December 2011; mainly driven by commercial and government loan portfolio.

The commercial loan portfolio continues to report growth, up 8.1% compared with 31 December 2011, mainly driven by increased commercial and SMEs portfolios.

Loan to government entities portfolio reported a 8.5% growth compared with 31 December 2011, driven by increased lending to states and municipalities.

► **Consumer loans**

At 31 December 2012, consumer loans increased 14.6% compared with 31 December 2011. This result is mainly due to sound personal and payroll loan portfolios performance which show an increase of 46.7% and 25.7% respectively, compared with 31 December 2011.

Credit card balances were MXN16,535m, up 8.0% compared with 31 December 2011. Auto loan portfolio was MXN2,773m, showing a decrease of 7.4% compared with 31 December 2011.

► **Mortgage loans**

The mortgage loan portfolio increased MXN1,229m or 6.8% compared with 31 December 2011. The increase reported as of 31 December 2012 can be explained by an improvement in mortgage loan origination, mainly due to increased productivity of the branch network sales force.

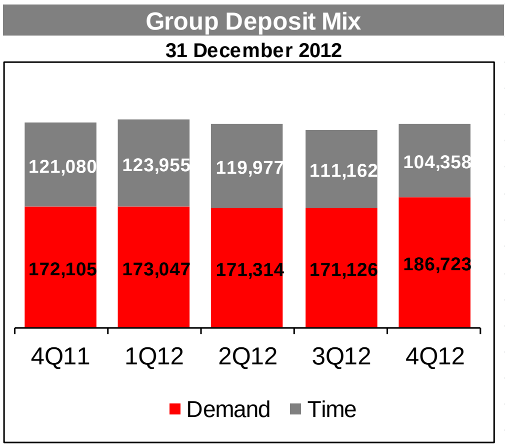
Asset quality

As of 31 December 2012, the Group's impaired loan portfolio amounted to MXN4,013m, which represents a decrease of MXN1,069m or 21.0% compared with 31 December 2011. This decrease was mostly due to a reduction in impaired mortgage loans related to write-off policy change.

Total impaired loans as a percentage of gross loans and advances to customers decreased to 2.0% compared with 2.7% reported at 31 December 2011. The coverage ratio (allowance for loan losses divided by impaired loans) at 31 December 2012 was 233.8%, compared to 214.5% reported at 31 December 2011.

Deposits

The Group's total deposits at 31 December 2012 amounted to MXN295,325m, a decrease of 0.7% compared to the one reported at 31 December 2011, as a result of reduced time deposits.



► Demand deposits

At 31 December 2012, demand deposits were MXN186,723m, up 8.5% compared with 31 December 2011, as result of higher payroll, premiere and advance customer accounts, supported by continued sales efforts and targeted promotions in order to increase demand deposits volumes.

HSBC's presence in the commercial sector continues presenting a positive trend, particularly in demand deposits.

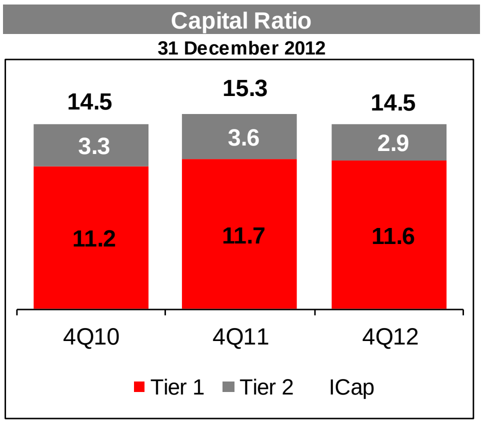
► Time deposits

Total time deposits decreased 13.8% compared to 3 December 2011, primarily as a result of customers shifting towards our group higher yield product offerings, resulting in reduced bank's funding cost.

Shareholder's equity

At 31 December 2012, the Group's equity amounted to MXN50,489m, representing an increase of 9.3% compared to 31 December 2011.

The banks equity was MXN42,787m, at 31 December 2012, up 8.3% compared to 31 December 2011.



Capital Adequacy Ratio

The Bank's capital adequacy ratio at 31 December 2012 was 14.5%, placing it well above the authorities' requirements. The Tier 1 capital ratio at the end of the reporting period is 11.6%.

Financial Situation, Liquidity and Capital Resources

HSBC's balance structure has maintained its liquidity. Cash and investments in securities represent 42.2% of total assets, 3.13 percentage points below than the one reported in 2011. Total assets were MXN504.1bn, up by MXN0.5bn in comparison with 31 December 2011. 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 December 31, 2012 **Grupo Financiero HSBC, S.A. de C.V.**

	31 Dec 2011	31 Mar 2012	30 Jun 2012	30 Sep 2012	**31 Dec 2012**
Assets					
Cash and deposits in banks	51,224	45,345	51,374	43,430	55,846
Margin Accounts	27	43	31	77	53
Investments in Securities	176,921	162,092	158,317	155,989	156,787
Trading securities	50,310	34,471	40,777	41,593	44,135
Available-for-sale securities	111,164	111,857	102,451	99,171	97,339
Held to maturity securities	15,447	15,764	15,089	15,225	15,313
Repurchase agreements	5,749	9,787	5,402	5,836	7,706
Derivative transactions	42,906	36,151	45,847	47,048	43,349
Performing loans					
Commercial loans	135,196	136,700	140,315	134,937	142,094
Commercial entities	101,012	103,356	106,589	103,060	109,164
Loans to financial intermediaries	8,268	6,873	5,191	5,119	4,823
Loans to government entities	25,916	26,471	28,535	26,758	28,107
Consumer loans	29,302	30,603	31,916	33,390	33,585
Mortgages loans	18,058	18,355	18,629	18,889	19,287
Total performing loans	182,556	185,658	190,860	187,216	194,966
Impaired loans					
Commercial loans	2,027	2,292	2,461	2,019	2,075
Commercial entities	2,027	2,292	2,461	1,949	2,072
Financial entities	-	-	-	-	3
Loans to government entities	-	-	-	70	-
Consumer loans	1,234	1,059	1,095	1,076	1,302
Mortgages loans	1,821	1,626	655	674	636
Total non-performing loans	5,082	4,977	4,211	3,769	4,013
Loan portfolio	187,638	190,635	195,071	190,985	198,979
Allowance for loan losses	(10,900)	(11,059)	(10,639)	(10,183)	(9,381)
Net loan portfolio	176,738	179,576	184,432	180,802	189,598
Accounts receivable from insurance and bonding companies	-	-	-	1	2
Premium receivables	44	71	69	72	71
Accounts receivables from reinsurers and rebonding companies	161	207	141	140	148
Benefits to be received from trading operations	-	-	-	-	-
Other accounts receivable, net	29,288	48,136	42,999	42,915	32,075
Foreclosed assets	207	204	201	234	221
Property, furniture and equipment, net	8,080	7,834	7,714	7,371	7,208
Long term investments in equity securities	221	229	197	216	227
Long-term assets available for sale	490	486	468	461	456
Deferred taxes, net	6,504	6,328	6,042	5,924	6,226
Goodwill	877	877	877	877	877
Other assets, deferred charges and intangibles	4,072	4,325	3,544	2,797	3,200
Total Assets	503,509	501,691	507,655	494,190	504,050

Figures in MXN millions at December 31, 2012 Grupo Financiero HSBC, S.A. de C.V.

	31 Dec 2011	31 Mar 2012	30 Jun 2012	30 Sep 2012	**31 Dec 2012**
Liabilities					
Deposits	297,428	301,271	295,537	286,552	295,325
Demand deposits	172,106	173,047	171,323	171,126	186,723
Time deposits	121,079	123,955	119,977	111,162	104,358
Retail	119,297	122,536	118,994	110,226	104,358
Money market	1,782	1,419	983	936	-
Bank bonds outstanding	4,243	4,269	4,237	4,264	4,244
Bank deposits and other liabilities	32,536	23,888	25,034	23,754	22,727
On demand	5,866	-	2,001	1,560	1,980
Short term	24,923	22,487	21,446	20,560	19,140
Long term	1,747	1,401	1,587	1,634	1,607
Repurchase agreements	9,327	12,637	14,786	21,113	20,729
Stock Borrowing	4	3	-	-	-
Financial assets pending to be settled	-	-	1,017	34	-
Collateral Sold	17,704	7,849	8,748	1,557	3,888
Repurchase	6,046	5,583	6,025	-	-
Securities to be received in repo transactions	11,658	2,266	2,723	1,557	3,888
Derivative transactions	43,296	34,969	45,760	45,267	40,921
Technical reserves	10,203	10,504	10,525	10,718	10,935
Reinsurers	13	20	23	22	16
Other accounts payable	35,843	54,589	48,467	45,327	48,298
Income tax and employee profit sharing payable	1,780	1,462	1,334	835	930
Creditors for settlement of transactions	18,354	37,409	29,400	26,926	29,829
Sundry creditors and others accounts payable	15,709	15,718	17,733	17,566	17,539
Subordinated debentures outstanding	10,488	10,153	10,331	10,158	10,196
Deferred credits	488	507	498	508	526
Total Liabilities	457,330	456,390	460,726	445,010	453,561
Stockholder’s Equity					
Paid in capital	32,673	32,673	32,673	32,673	32,673
Capital stock	5,111	5,111	5,111	5,111	5,111
Additional paid in capital	27,562	27,562	27,562	27,562	27,562
Capital Gains	13,495	12,619	14,246	16,496	17,805
Capital reserves	1,832	1,832	1,958	2,186	2,157
Retained earnings	8,849	8,959	8,833	8,833	8,833
Result from the mark-to-market of Available-for-sale securities	547	683	1,216	1,157	902
Result from cash flow hedging transactions	(243)	(127)	(87)	(93)	(103)
Net Income	2,510	1,272	2,326	4,413	6,016
Non-controlling interest	11	9	10	11	11
Total Stockholder’s Equity	46,179	45,301	46,929	49,180	50,489
Total Liabilities and Capital	503,509	501,691	507,655	494,190	504,050

Figures in MXN millions at December 31, 2012 | Grupo Financiero HSBC, S.A. de C.V.

	31 Dec 2011	31 Mar 2012	30 Jun 2012	30 Sep 2012	**31 Dec 2012**
Memorandum Accounts	2,783,256	2,794,342	3,968,847	4,317,285	4,608,204
Proprietary position	2,687,312	2,697,506	3,864,416	4,218,773	4,519,547
Guarantees granted	14	9	9	9	4
Contingent assets and liabilities	-	-	-	-	-
Irrevocable lines of credit granted	22,425	24,668	25,203	25,312	25,222
Goods in trust or mandate	328,375	348,119	368,630	379,835	402,770
Trust	327,848	347,489	367,916	379,200	402,114
Mandate	527	630	714	635	656
Goods in custody or under administration	256,883	288,199	295,763	331,302	332,846
Collateral received by the institution	54,796	55,443	51,373	41,959	48,967
Collateral received and sold or delivered as guarantee	53,869	53,144	50,255	34,243	43,200
Values in deposit	53	53	53	53	53
Suspended interest on impaired loans	236	239	123	107	113
Recovery guarantees for issued bonds	35,383	35,535	82,821	41,787	45,274
Paid claims	60	9	12	15	17
Cancelled claims	24	-	7	9	22
Recovery claims	1	-	-	-	-
Responsibilities from bonds in force	3,552	3,723	3,718	3,613	3,725
Other control accounts	1,931,641	1,888,365	2,986,449	3,360,529	3,617,334

	31 Dec 2011	31 Mar 2012	30 Jun 2012	30 Sep 2012	**31 Dec 2012**
Third party accounts	95,944	96,836	104,431	98,512	88,657
Clients current accounts	13	100	(78)	1	-
Custody operations	35,328	36,268	41,655	44,529	38,267
Transactions on behalf of clients	13,585	12,406	13,153	980	944
Third party investment banking operations, net	47,018	48,062	49,701	53,002	49,446

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

Consolidated Income Statement

Figures in MXN millions at December 31, 2012 ***Grupo Financiero HSBC, S.A. de C.V.***

	For the quarter ending					*Year to date*	
	31 Dec 2011	*31 Mar 2012*	*30 Jun 2012*	*30 Sep 2012*	***31 Dec 2012***	*31 Dec 2011*	***31 Dec 2012***
Interest Income	7,850	7,932	7,891	8,023	8,284	30,492	32,130
Earned premiums	587	694	743	761	762	2,455	2,960
Interest expense	(2,638)	(2,813)	(2,796)	(2,704)	(2,784)	(10,172)	(11,097)
Increase in technical reserves	(278)	(223)	(105)	(263)	(255)	(481)	(846)
Claims	(232)	(280)	(247)	(231)	(256)	(1,088)	(1,014)
Net interest income	5,289	5,310	5,486	5,586	5,751	21,206	22,133
Loan impairment charges	(1,987)	(1,654)	(1,681)	(924)	(418)	(6,737)	(4,677)
Risk adjusted net interest income	3,302	3,656	3,805	4,662	5,333	14,469	17,456
Fees and commissions receivable	2,086	2,058	2,093	2,171	2,171	8,038	8,493
Fees payable	(652)	(555)	(561)	(509)	(524)	(2,045)	(2,149)
Trading Income	772	716	745	969	524	3,263	2,954
Other operating income	484	872	1,126	652	327	4,531	2,977
Administrative and personnel expenses	(6,604)	(5,441)	(5,737)	(5,222)	(5,604)	(25,470)	(22,004)
Net operating income	(612)	1,306	1,471	2,723	2,227	2,786	7,727
Undistributed income from subsidiaries	(72)	8	20	7	7	(37)	42
Net income before taxes	(684)	1,314	1,491	2,730	2,234	2,749	7,769
Income tax and employee profit sharing tax	(845)	(293)	(434)	(575)	(696)	(2,266)	(1,998)
Deferred income tax	1,060	164	(96)	(163)	1	1,323	(94)
Income from ongoing operations	(469)	1,185	961	1,992	1,539	1,806	5,677
Discontinued operations	278	87	93	96	64	703	340
Non-controlling interest	(19)	-	-	(1)	-	1	(1)
Net income (loss)	(210)	1,272	1,054	2,087	1,603	2,510	6,016

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

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

From 1 January to 31 December 2012

	Paid in capital				Earned capital							
	Capital Stock	Advances for future capital increases	Shares Premiums	Subordinated debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement	Results from holding non-monetary assets (Valuation of permanent investments)	Net income	Non-controlling interest	**Total Stock-holders Equity**
Balances at 01 January 2012	**5,111**	**-**	**27,562**	-	**1,832**	**8,849**	**304**	**-**	**-**	2,510	**11**	**46,179**
Movements Inherent to the Shareholders Decision												
Subscription of shares	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	126	2,384	-	-	-	(2,510)	-	-
Cash dividends	-	-	-	-	-	(2,400)	-	-	-	-	-	**(2,400)**
Others	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent to the Shareholders Decision	-	-	-	-	**126**	(16)	-	-	-	(2,510)	-	**(2.400)**
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-
Net result	-	-	-	-	-	-	-	-	-	6,016	-	**6,016**
Result from valuation of available-for-sale securities	-	-	-	-	-	-	**355**	-	-	-	-	**355**
Result from cash flow hedging transactions	-	-	-	-	-	-	**140**	-	-	-	-	**140**
Results from holding non-monetary assets												
Others	-	-	-	-	199	-	-	-	-	-	-	**199**
Total Movements Inherent for the Recognition of the Comprehensive Income	-	-	-	-	**199**	-	495	-	-	6,016	-	**6,710**
Balances at 31 December 2012	**5,111**	**-**	**27,562**	-	**2,157**	**8,833**	**799**	**-**	**-**	6,016	**11**	**50,489**

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

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

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

Consolidated Statement of Cash Flow

Figures in MXN millions **Grupo Financiero HSBC, S.A. de C.V.**
From 1 January to 31 December 2012

Net income	**6,016**
Adjustments for items not involving cash flow:	**6,351**
Gain or loss on appraisal of activities associated with investment & financing	-
Allowances for loan losses	-
Depreciation and amortization	1,736
Provisions	2,058
Income Tax and deferred taxes	2,092
Technical reserves	846
Discontinued operations	(340)
Undistributed income from subsidiaries	(41)
Changes in items related to operating activities:	
Memorandum accounts	(26)
Investment securities	20,646
Repurchase agreements	(1,957)
Stock borrowing	(4)
Derivative (assets)	(254)
Loan portfolio	(12,859)
Receivables	-
Foreclosed assets	(14)
Operating assets	(1,182)
Deposits	(2,103)
Bank deposits and other liabilities	(9,810)
Settlement accounts	-
Creditors repo transactions	11,402
Collateral sold or delivered as guarantee	(13,816)
Derivative (liabilities)	(2,375)
Subordinated debentures outstanding	(291)
Accounts receivables from reinsurers and coinsurers	11
Accounts receivables from premiums	(27)
Reinsurers and bonding	3
Other operating liabilities	8,298
Funds provided by operating activities	**(4,358)**
Investing activities:	
Acquisition of property, furniture and equipment	(579)
Intangible assets acquisitions	(408)
Others	-
Funds used in investing activities	**(987)**
Financing activities:	
Cash dividends	(2,400)
Decrease of Shares	-
Others	-
Funds used in financing activities	**(2,400)**
Increase/decrease in cash and equivalents	**4,622**
Adjustments to cash flow variations in the exchange rate and inflation levels	**-**
Cash and equivalents at beginning of period	**51,224**
Cash and equivalents at end of period	**55,846**

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

HSBC

Financial Statements HSBC Mexico, S.A.

Consolidated Balance Sheet

Figures in MXN millions at December 31, 2012 **HSBC Mexico, S.A. (Bank)**

	31 Dec 2011	31 Mar 2012	30 Jun 2012	30 Sep 2012	**31 Dec 2012**
Assets					
Cash and deposits in banks	51,224	45,345	51,374	43,430	**55,846**
Margin Accounts	27	43	31	77	**53**
Investment in Securities	161,747	147,606	143,224	140,291	**140,158**
Trading securities	43,313	28,435	34,366	34,661	**36,338**
Available-for-sale securities	111,164	111,857	102,451	99,171	**97,339**
Held to maturity securities	7,270	7,314	6,407	6,459	**6,481**
Repurchase agreements	5,749	9,787	5,402	5,836	**7,706**
Derivative transactions	42,906	36,151	45,847	47,048	**43,349**
Performing loans					
Commercial loans	135,196	136,700	140,315	134,937	**142,094**
Commercial entities	101,012	103,356	106,589	103,060	**109,164**
Loans to financial intermediaries	8,268	6,873	5,191	5,119	**4,823**
Loans to government entities	25,916	26,471	28,535	26,758	**28,107**
Consumer loans	29,302	30,603	31,916	33,390	**33,585**
Mortgages loans	18,058	18,355	18,629	18,889	**19,287**
Total performing loans	182,556	185,658	190,860	187,216	**194,966**
Impaired loans					
Commercial loans	2,027	2,292	2,461	2,019	**2,075**
Commercial entities	2,027	2,292	2,461	1,949	**2,072**
Loans to financial intermediaries	-	-	-	-	**3**
Loans to government entities	-	-	-	70	**-**
Consumer loans	1,234	1,059	1,095	1,076	**1,302**
Mortgage Loans	1,821	1,626	655	674	**636**
Total non-performing loans	5,082	4,977	4,211	3,769	**4,013**
Total loan portfolio	187,638	190,635	195,071	190,985	**198,979**
Allowance for loan losses	(10,900)	(11,059)	(10,639)	(10,183)	**(9,381)**
Net loan portfolio	176,738	179,576	184,432	180,802	**189,598**
Other accounts receivable	29,335	47,523	42,784	41,189	**31,972**
Foreclosed assets	203	201	198	231	**218**
Property, furniture and equipment, net	8,080	7,834	7,714	7,371	**7,207**
Long term investments in equity securities	138	143	111	130	**139**
Long term assets available for sale	-	-	7	-	
Deferred taxes	6,409	6,224	5,946	5,824	**6,138**
Other assets, deferred charges and intangibles	3,506	4,083	3,160	2,693	**3,076**
Total Assets	486,062	484,516	490,230	474,922	**485,460**

Figures in MXN millions at December 31, 2012 **HSBC Mexico, S.A. (Bank)**

	31 Dec 2011	31 Mar 2012	30 Jun 2012	30 Sep 2012	**31 Dec 2012**
Liabilities					
Deposits	298,119	302,116	296,209	287,279	295,873
Demand deposits	172,797	173,892	171,995	171,853	187,271
Time deposits	121,079	123,955	119,977	111,162	104,358
Retail	119,297	122,536	118,994	110,226	104,358
Money market	1,782	1,419	983	936	-
Bank bonds outstanding	4,243	4,269	4,237	4,264	4,244
Bank deposits and other liabilities	32,536	23,888	25,034	23,754	22,727
On demand	5,866	-	2,001	1,560	1,980
Short term	24,923	22,487	21,446	20,560	19,140
Long term	1,747	1,401	1,587	1,634	1,607
Repurchase agreements	15,373	18,219	20,811	21,113	20,729
Stock Borrowing	4	3	-	-	-
Financial assets pending to be settled	-	-	1,017	34	-
Collateral Sold	11,658	2,227	2,723	1,557	3,888
Repurchase	-	-	-	-	-
Securities to be received in repo transactions	11,658	2,227	2,723	1557	3,888
Derivative transactions	43,296	34,969	45,760	45,267	40,921
Other accounts payable	34,572	53,305	47,559	43,238	47,813
Income tax and employee profit sharing payable	795	1,079	909	658	746
Contributions for future capital increases	-	-	-	-	-
Creditors for settlement of transactions	18,355	36,703	29,064	24,336	29,556
Sundry creditors and others accounts payable	15,422	15,523	17,586	18,244	17,511
Subordinated debentures outstanding	10,488	10,153	10,331	10,158	10,196
Deferred credits	520	505	498	508	526
Total Liabilities	446,566	445,385	449,942	432,908	442,673
Stockholder's Equity					
Paid in capital	27,618	27,618	27,618	27,618	27,618
Capital stock	5,261	5,261	5,261	5,261	5,261
Additional paid in capital	22,357	22,357	22,357	22,357	22,357
Capital Gains	11,875	11,513	12,669	14,394	15,167
Capital reserves	11,057	9,657	10,373	10,603	10,573
Retained earnings	(202)	514	(202)	(204)	(202)
Result from the mark-to-market of Available-for-sale securities	547	683	1,216	1,157	902
Result from cash flow hedging transactions	(243)	(127)	(87)	(93)	(103)
Net Income	716	786	1,369	2,931	3,997
Non-controlling interest	3	-	1	2	2
Total Stockholder's Equity	39,496	39,131	40,288	42,014	42,787
Total Liabilities and Capital	486,062	484,516	490,230	474,922	485,460

Figures in MXN millions at December 31, 2012 HSBC Mexico, S.A. (Bank)

Memorandum Accounts

	31 Dec 2011	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012
Guarantees granted	14	9	9	9	4
Contingent assets and liabilities	-	-	-	-	-
Irrevocable lines of credit granted	22,425	24,668	25,203	25,312	25,222
Goods in trust or mandate	328,375	348,119	368,630	379,835	402,770
Goods	327,848	347,489	367,916	379,200	402,114
Trusts	527	630	714	635	656
Goods in custody or under administration	251,772	283,088	290,653	370,574	365,995
Collateral received by the institution	54,796	55,443	51,373	41,959	48,967
Collateral received and sold or delivered as guarantee	47,829	47,566	44,235	34,243	43,200
Third party investment banking operations, net	47,018	48,063	49,701	53,002	49,446
Suspended interest on impaired loans	236	239	123	107	113
Other control accounts	1,919,501	1,876,232	2,974,311	3,349,200	3,606,407
	2,671,966	2,683,426	3,804,238	4,254,241	4,542,124

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 3,461 millions.

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

Consolidated Income Statement

Figures in MXN millions at December 31, 2012 **HSBC Mexico, S.A. (Bank)**

	For the quarter ending					Year to date	
	31 Dec 2011	31 Mar 2012	30 Jun 2012	30 Sep 2012	**31 Dec 2012**	31 Dec 2011	**31 Dec 2012**
Interest income	7,643	7,742	7,702	7,828	8,075	29,741	31,347
Interest expense	(2,642)	(2,818)	(2,797)	(2,713)	(2,789)	(10,190)	(11,117)
Net interest income	5,001	4,924	4,905	5,115	5,286	19,551	20,230
Loan impairment charges	(1,987)	(1,654)	(1,681)	(924)	(418)	(6,737)	(4,677)
Risk adjusted net interest income	3,014	3,270	3,224	4,191	4,868	12,814	15,553
Fees and commissions receivable	2,001	1,959	1,966	2,032	2,057	7,650	8,014
Account management	120	103	106	102	104	487	415
Services	1,881	1,856	1,860	1,930	1,953	7,163	7,599
Fees payable	(386)	(448)	(456)	(430)	(460)	(1,449)	(1,794)
Trading Income	609	607	740	881	458	2,620	2,686
Foreign exchange	787	(924)	1,290	109	(110)	778	365
Securities trading, net	217	31	(49)	145	250	538	377
Repos	-	(1)	(46)	1	(12)	(8)	(58)
Swaps	373	177	72	591	103	1,340	943
Valuation off-shore agencies	(650)	1,255	(601)	98	454	(299)	1,206
Valuation for trading swaps	72	108	124	151	70	782	453
Valuation for FX options	(190)	(39)	(50)	(214)	(297)	(511)	(600)
Other operating income	802	971	1,202	740	346	5,115	3,259
Administrative and personnel expenses	6,861	5,588	5,788	5,293	5,674	25,892	22,343
Personnel expense	2,726	2,413	2,430	2,317	2,381	10,666	9,541
Administrative expense	3,297	2,650	2,980	2,621	2,925	12,437	11,176
Depreciation and amortization	838	525	378	355	368	2,789	1,626
Net operating income	(821)	771	888	2,121	1,595	858	5,375
Undistributed income from subsidiaries	(76)	6	19	7	3	(41)	35
Net income before taxes	(897)	777	907	2,128	1,598	817	5,410
Income tax	(761)	(137)	(240)	(404)	(543)	(1,413)	(1,324)
Deferred income tax	1,077	146	(84)	(162)	11	1,311	(89)
Net income before discontinued operations	(581)	786	583	1,562	1,066	715	3,997
Non-controlling interest	(18)	-	-	-	-	1	-
Net income (loss)	(599)	786	583	1,562	1,066	716	3,997

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

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

From 1 January to 31 December 2012

	Paid in capital				Earned Capital							
	Capital Stock	Advances for future capital increases	Shares Premium	Subordinated debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement	Results from holding non-monetary assets	Net Income	Non-controlling interest	**Total stock-holder's Equity**
Balances at January 31, 2012	5,261	-	22,357	-	11,057	(202)	547	(243)	-	716	3	39,496
Movements Inherent to the Shareholders Decision												
Subscription of shares	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	716	(716)	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-		716	-	-	-	(716)		-
Others	-	-	-	-		-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,400)		-	-	-	-	-	**(1,400)**
Total Movements Inherent to the Shareholders Decision	-	-	-	-	(684)	-	-	-	-	(716)	-	**(1,400)**
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-
Net result	-	-	-	-	-	-	-	-	-	3,997	-	**3.997**
Result from valuation of available-for-sale securities	-	-	-	-	-	-	355	-	-	-	-	**355**
Result from cash flow hedging transactions	-	-	-	-	-	-	-	140	-	-	-	**140**
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	200	-	-	-	-	-	(1)	**199**
Total Movements Inherent for the Recognition of the Comprehensive Income	-	-	-	-	200	-	355	140	-	3,997	(1)	**4,691**
Balances as at December 31, 2012	**5,261**	**-**	**22,357**	**-**	**10,573**	**(202)**	**902**	**(103)**	**-**	**3,997**	**2**	**42,787**

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 31 December 2012 ***HSBC Mexico, S.A. (Bank)***

	31 Dec 2012
Net income	**3,997**
Adjustments for items not involving cash flow:	**5,016**
Depreciation and amortization	1,626
Provisions	1,903
Income Tax and deferred taxes	1,413
Undistributed income from subsidiaries	(35)
Other	109
Changes in items related to operating activities:	
Memorandum accounts	(26)
Investment securities	22,100
Repurchase agreements	(1,957)
Derivative (assets)	(254)
Loan portfolio	(12,860)
Foreclosed assets	(15)
Operating assets	(1,840)
Deposits	(2,246)
Bank deposits and other liabilities	(9,809)
Creditors repo transactions	5,356
Stock borrowing	(4)
Collateral sold or delivered as guarantee	(7,770)
Derivative (liabilities)	(2,375)
Subordinated debentures outstanding	(292)
Other operating liabilities	11,393
Income tax payable	(1,405)
Funds provided by operating activities	**(2,004)**
Investing activities:	
Acquisition of property, furniture and equipment	(579)
Intangible assets acquisitions	408
Funds used in investing activities	**(987)**
Financing activities:	
Cash dividend	(1,400)
Others	-
Funds used or provided by financing activities	**(1,400)**
Increase/decrease in cash and equivalents	**4,622**
Adjustments to cash flow variations in the exchange rate and inflation levels	**-**
Cash and equivalents at beginning of period	**51,224**
Cash and equivalents at end of period	**55,846**

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 December 31, 2012

Investments in securities

	31 Dec 2011	*31 Mar 2012*	*30 Jun 2012*	*30 Sep 2012*	***31 Dec 2012***
Government securities	42,109	28,318	34,606	34,404	**30,339**
Bank securities	2,402	1,679	2,255	1,236	**2,114**
Shares	1,538	2,464	2,537	4,289	**9,832**
Others	4,261	2,010	1,379	1,664	**1,851**
Trading securities	50,310	34,471	40,777	41,593	**44,135**
Government securities	108,236	98,372	89,491	85,408	**93,139**
Bank securities	0	300	301	1,633	**1,840**
Obligations and other securities	2,917	13,176	12,649	12,120	**2,359**
Shares	11	9	10	10	**0**
Available for sale securities	111,164	111,857	102,451	99,171	**97,339**
Special Cetes (net)	12,484	12,794	13,066	13,195	**13,392**
Bank securities	150	153	155	158	**63**
Corporate securities	2,813	2,817	1,868	1,872	**1,859**
Securities held to maturity	15,447	15,764	15,089	15,225	**15,313**
Total Financial Instruments	176,921	162,092	158,317	155,989	**156,787**

In the four quarter of 2012, investment in securities increase by MXN 798 million compared to the last quarter of 2012; mainly by increasing shares 5,533 Million.

Repos

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

Figures in MXN millions at December 31, 2012

	31 Dec 2011	*31 Mar 2012*	*30 Jun 2012*	*30 Sep 2012*	***31 Dec 2012***
Repo's Government securities (credit)	9,044	12,501	14,533	20,984	**20,484**
Repo's Bank securities (credit)	-	-	-	-	-
Repo's Others securities (credit)	2	-	-	-	-
Valuation increase (decrease)	-	-	-	-	-
Accrued interest payable	281	136	253	129	**245**
Credit balance in repo agreements	9,327	12,637	14,786	21,113	**20,729**
Repurchase agreements in government securities	40,200	51,000	46,500	37,800	**43,000**
Accrued interest receivable	39	49	26	43	**12**
Debit balance repo securities agreements	40,239	51,049	46,526	37,843	**43,012**
Government securities	34,470	41,242	41,113	31,994	**35,293**
Interest in collateral delivered as guarantee	20	20	11	13	**13**
Total in collateral delivered as guarantee	34,490	41,262	41,124	32,007	**35,306**

Derivative Financial Instruments

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at December 31, 2012

	Futures		Forwards Contracts		Options		Swaps		
	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Total (net)
For trading									
Pesos	-	-	17,040	15,317	23,615	23,563	149,823	143,224	8,374
Foreign currency	-	-	37	48	36,564	36,564	212,767	217,846	(5,090)
Interest Rate	932	932	67	176	-	-	302,905	302,586	210
Total	**932**	**932**	**17,144**	**15,541**	**60,179**	**60,127**	**665,495**	**663,656**	**3,494**
For hedging									
Pesos	-	-	-	-	-	-	1,619	-	1,619
Foreign currency	-	-	-	-	-	-	-	1,740	(1,740)
Interest Rate	-	-	-	-	-	-	2,897	3,842	(945)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**4,516**	**5,582**	**(1,066)**

Collateral Sold or delivered as guarantee

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at December 31, 2012

Stock borrowing	*31 Dec 2011*	*31 Mar 2012*	*30 Jun 2012*	*30 Sep 2012*	***31 Dec 2012***
Cetes	643	672	595	377	**1,012**
Valuation increase (decrease)	-	-	-	-	**-**
Bonds	11,021	1,551	2,108	1,139	**2,884**
Valuation increase (decrease)	(6)	4	20	41	**(8)**
Shares	-	-	-	-	**-**
Valuation increase (decrease)	-	-	-	-	**-**
Total	11,658	2,227	2,723	1,557	**3,888**

Loan Portfolio

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

By type of currency

Figures in MXN millions at 31 December 2012

	Commercial or Business Activity	*Financial Intermediaries*	*Government Entities*	*Consumer Loans*	*Mortgage Loans*	*Total*
Performing Loan Portfolio						
Pesos	84,205	4,593	27,458	33,585	18,063	167,904
US Dollars	24,959	230	649	-	-	25,838
Udis Banxico	-	-	-	-	1,224	1,224
Total	**109,164**	**4,823**	**28,107**	**33,585**	**19,287**	**194,966**

	Commercial or Business Activity	*Financial Intermediaries*	*Government Entities*	*Consumer Loans*	*Mortgage Loans*	*Total*
Non Performing Loans Portfolio						
Pesos	1,236	3	-	1,302	555	3,096
US Dollars	835	-	-	-	1	836
Udis Banxico	1	-	-	-	80	81
Total	**2,072**	**3**	**-**	**1,302**	**636**	**4,013**

Loan Portfolio Grading

HSBC Mexico, S.A. (Bank)

Figures in constant MXN millions at December 31, 2012

		Allowance for Loan Loses by type of loan			
	Total loan portfolio	*Commercial loans*	*Consumer loans*	*Mortgages loans*	*Total reserves*
Excepted from rating	8,597				
Rated	215,609				
Risk A	**142,748**	**652**	**45**	**45**	**742**
Risk A-1	113,416	410	45	45	500
Risk A-2	29,332	242	0	0	242
Risk B	**64,551**	**1,739**	**2,362**	**136**	**4,237**
Risk B-1	43,518	708	1,564	136	2,408
Risk B-2	17,463	558	798	0	1,356
Risk B-3	3,570	473	0	0	473
Risk C	**5,798**	**1,245**	**736**	**179**	**2,160**
Risk C-1	5,027	935	736	179	1,850
Risk C-2	771	310	0	0	310
Risk D	**1,603**	**214**	**1,073**	**2**	**1,289**
Risk E	**909**	**894**	**45**	**14**	**953**
Total	**224,206**	**4,744**	**4,261**	**376**	**9,381**
Less:					
Constituted loan loss provisions					**9,381**
Surplus					**0**

The figures related to the rating and constitution of loan loss provisions correspond to those at the last day of the balance sheet date, as at December 31, 2012.
The loan portfolio is graded according to the rules for lending portfolios issued by the Secretaria de Hacienda y Crédito Publico (SHCP – Mexican Government's Secretary of Public Lending) and to the methodology established by the CNBV (Mexican Banking and Securities National Committee).

For the commercial loan portfolio, during the first nine months of 2012 the bank applied an internal methodology authorized by the CNBV on Official Document number 141-3/5814/2012 dated January 9, 2012 by CNBV, excluding States and Municipalities in which the Bank applied the new Methodology issued on October 2011 which is based on CNBV provisions. Since October 2012, the Bank is applying the CNBV Methodology for commercial loans.

The consumer and mortgage portfolio is made based on the "General Regulations Applicable to Credit Institutions" issued by the CNBV, specifically using the standard methodology.

During the second quarter of 2012, HSBC Mexico modified the written off policy for mortgage loans. This change consisted in writing of loans after seven past due payments (PDP) instead of writing off after twenty four PDP.

As a result of the change in the written of policy for mortgage loans and before effectively writing off the loans, HSBC Mexico constituted 100% of loan loss reserves on those loans affected. In this sense, on April 2012 HSBC Mexico increased the mortgages loan loss reserve by MXN 659 million according to B-6 criteria, paragraph 71 of General Rules for financial institutions.

As at December 2012, the increase in loan loss reserves charged to Income Statement was MXN 4,677 million. In the other hand, MXN 5,506 million was related to write offs and MXN 546 million was related to debt forgiveness.

Non – Performing Loans

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	At the quarter ending				
	31 Dec 2011	*31 Mar 2012*	*30 Jun 2012*	*30 Sep 2012*	***31 Dec 2012***
Initial Balance of Impaired Loans	6,461	5,082	4,978	4,211	**3,769**
Increases	2,739	2,446	3,126	3,365	**3,360**
Transfer of current loans to past due status	2,739	2,446	3,126	3,365	**3,360**
Decreases	4,118	2,550	3,893	3,807	**3,116**
Restructurings	117	88	89	133	**182**
Liquidated credits	1,748	1,564	2,813	2,451	**1,920**
Charged in cash	398	353	544	1,100	**741**
Foreclosed assets	28	6	117	61	**9**
Write-offs	-	-	-	-	**-**
Sale of portfolio	1,322	1,205	2,152	1,290	**1,170**
Transfer to performing loan status	2,268	836	1,023	1,185	**1,019**
FX revaluations	15	(62)	32	(38)	**5**
Final Balance of Impaired Loan	5,082	4,977	4,211	3,769	**4,013**

Federal Government support programs

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

Figures in MXN millions

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

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

The financial support programs and agreements consist of discounts granted to debtors, which are generally absorbed proportionately by the Federal Government and the Bank, in accordance with the terms of each program. Certain discounts are conditional subject to the net cash flows contributed by the Bank to the specific economic sector. As of December 31, 2011 and 2010, receivables from the Federal Government in connection with discounts granted and the costs in charge of the Bank and the early termination scheme (ETA for its acronym in Spanish) (see chart in note 11a), are analyzed as follows:

		2012		2011	
		Portfolio	Cost	Portfolio	Cost
ETA/BADCV	$	582	10	758	50

Early termination scheme:

As mentioned in note 1 to the financial statements on July 15, 2010 an agreement to finalize the support programmes related to mortgage loans or BADCV was signed. The discounts related to the early termination agreement are shown as follows:

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

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

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

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

Determination of obligations of the Federal Government:

The final base amount determined through the ETS Report is $944 divided in five installments of $189 each. As of 31 December 2012 two installments were received and the remaining installments will be payable on the first banking day of June, from 2013 to 2015.
Accordingly, the balance receivable as of December 31, 2012 and 2011 by ETS amounted to $566 and $755 respectively, of principal plus $15 and $3 corresponding to the accrued not collected financial cost.
The Government discount in Mexican pesos or UDIS related to those credits that should have shown sustained payment by March 31, 2011, according to the agreement, amounts to $167 at December 31, 2010.
There were no discount in charge to the Government related to credits in UDIS for which they received prior discounts over the outstanding balance before they were incorporated in to the "Discount program", as referred at the numeral 3.1.2 of the Circular 1430 issued by the Banking Commission.

At December 31, 2010 there were some clients that did not meet the requirements to be incorporated into to ETS. However, in accordance to the actual rules it is still possible that they will subsequently be incorporated in to the program; in such case the Bank must have to absorb 100% of the discount granted. The maximum amount of discount that the Bank would absorb for these credits at December 31, 2012 and 2011, amount to $20 and $82, respectively. The number of securities related to BADCV that are held by the Bank at December 31, 2012 are shown as follows:

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

Deferred Taxes

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

Figures in MXN millions at December 31, 2012

	31 Dec 2011	*31 Mar 2012*	*30 Jun 2012*	*30 Sep 2012*	***31 Dec 2012***
Loan loss reserves	5,618	5,800	5,954	5,517	5,342
Valuation of securities	(58)	(162)	(563)	(426)	(333)
Fiscal loss	8	6	17	6	9
Other reserves	1,309	877	872	951	1,221
PTU Payable	111	137	53	73	103
Foreclosed assets	190	202	219	238	237
Other	193	188	174	176	188
Differences in rates of fixed assets	6	168	219	276	331
Fiscal result UDIS-Banxico	(873)	(888)	(903)	(887)	(872)
Total Deferred Taxes	6,504	6,328	6,042	5,924	6,226

Funding, Loans and Investments in Securities

HSBC Mexico, S.A. (Bank)

Funding and bank loans – Average Interest rates

	At the quarter ending				
	31 Dec 2011	*31 Mar 2012*	*30 Jun 2012*	*30 Sep 2012*	***31 Dec 2012***
MXN pesos					
Funding	2.40%	2.50%	2.42%	2.33%	**2.35%**
Bank and other loans	5.10%	5.09%	4.88%	4.90%	**4.89%**
Foreign currency					
Funding	0.08%	0.06%	0.06%	0.05%	**0.05%**
Bank and other loans	0.66%	0.75%	0.93%	1.00%	**0.95%**
UDIS					
Funding	0.29%	0.29%	0.21%	0.21%	**0.18%**

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

Instrument	*Issue Date*	*Amount*	*Currency*	*Interest payable*	*Amount in circulation*	*Rate*
		MXN millions			*MXN millions*	
INTENAL 03	24-NOV-2003	2,200	MXN	7	2,207	25-NOV-2013
HSBC 08	30-SEP-2008	1,818	MXN	3	1,821	20-SEP-2018
HSBC 08-2	18-DIC-2008	2,273	MXN	6	2,279	10-DIC-2018
HSBC 09D(USD300)[1]	26-JUN-2009	3,886	USD	3	3,889	28-JUN-2019
		10,177		**19**	**10,196**	

[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

Instrument	*Issue Date*	*Amount*	*Currency*	*Interest payable*	*Amount in circulation*	*Maturity Date*
		MXN millions			*MXN millions*	
Certificados Bursátiles	10-MAY-2006	4,220	MXN	24	4,244	27-ABR-2016
		4,220		**24**	**4,244**	

Capital

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

Grupo Financiero HSBC

Grupo Financiero HSBC S.A. de C.V., net income in 2011, figure that was audited by Despacho KPMG Cárdenas Dosal, S.C., was MXN2,510 million.

On March 30, 2012, the Board Directors authorized a dividend payment of $0.939206 per share for each of the 2,555,351,034 shares outstanding. The total amount paid by the Group was MXN 2,400 million.

The Ordinary Shareholders Meeting, held on April 27, 2012, approved the following distribution of the year 2011 financial results, amounting to MXN2,510 million:

- Five per cent, MXN126 million, to increase legal reserves, and the remaining MXN2,384 million, at the Board's determination to be applied under the concept of previous year's financial results.

On August 2012 was applied against other reserves account the amount of MXN199 million, the effect of transfer of subsidiary

The capital stock is included in the amount of MXN 5,111 million, represented by 2,555,351,034 shares.

HSBC Mexico, S.A.

HSBC Mexico, S.A., net income in 2011, figure that was audited by Despacho KPMG Cárdenas Dosal, S.C., was MXN716 million.

Ten per cent, MXN72 million, to increase legal reserves, and the remaining MXN644 million, at the Board's determination to be applied under the concept of other reserves

On October, 2011 one notice was published in accordance to the agreement of the Board meeting, a dividend of $0.809099009096675 shall be paid per share for each one of the 1,730,319,756 shares. Such dividend was paid on one disbursement on March 29 of 2012.

On August 2012 was applied against other reserves account the amount of MXN200, the effect of transfer of subsidiary.

On December 17, 2012, the Extraordinary Shareholders agreed to issue and place subordinated preferred, convertible necessarily ordinary shares representing the share capital of the Company up to an amount of MX500 million, same as at December 31, 2012 no had been issued.

The capital stock increased to MXN 3,461 million representing 1,730'319,756 shares.

Capital Ratio

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at December 31, 2012

	31 Dec 2011	*31 Mar 2012*	*30 Jun 2012*	*30 Sep 2012*	***31 Dec 2012***
% of assets subject to credit risk					
Tier 1	16.96%	16.75%	16.58%	18.03%	**17.87%**
Tier 2	5.09%	4.97%	4.97%	5.05%	**4.50%**
Total regulatory capital	22.05%	21.72%	21.55%	23.08%	**22.36%**

	31 Dec 2011	31 Mar 2012	30 Jun 2012	30 Sep 2012	**31 Dec 2012**
% of assets subject to credit, market risk and operational risk					
Tier 1	11.74%	11.34%	10.48%	11.25%	**11.59%**
Tier 2	3.52%	3.37%	3.14%	3.15%	**2.92%**
Total regulatory capital	15.26%	14.71%	13.62%	14.40%	**14.51%**
Tier 1	34,441	33,785	34,837	36,946	**38,373**
Tier 2	10,343	10,035	10,445	10,347	**9,655**
Total regulatory capital	44,784	43,820	45,282	47,293	**48,028**
RWA credit risk	203,092	201,719	210,167	204,931	**214,756**
RWA market risk	51,923	57,610	83,799	84,459	**76,868**
RWA operational risk	38,454	38,552	38,596	39,004	**39,478**
RWA credit and market risk	293,469	297,881	332,562	328,394	**331,102**

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.

Trading income

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at December 31, 2012

	For the quarter ending…					*Year to date*	
	31 Dec 2011	*31 Mar 2012*	*30 Jun 2012*	*30 Sep 2012*	***31 Dec 2012***	*31 Dec 2011*	***31 Dec 2012***
Valuation	(373)	1,445	(409)	302	**565**	615	**1,903**
Derivatives	(499)	1,271	(664)	263	**542**	622	**1,412**
Repos	-	-	-	-	**-**	-	**-**
Debt Securities	(154)	128	174	(40)	**(4)**	(70)	**258**
Foreign Exchange	280	46	81	79	**27**	63	**233**
Impairment loss on securities	-	-	-	-	**(14)**	-	**(14)**
Buying and Selling Instruments	982	(838)	1,149	579	**(93)**	2,005	**797**
Foreign Currency	685	(1,002)	1,226	46	**(137)**	759	**133**
Derivatives	191	(15)	(404)	47	**(70)**	340	**(442)**
Repos	-	(1)	-	1	**-**	-	**-**
Shares	20	(1)	-	1	**1**	(13)	**1**
Debt Securities	86	181	327	484	**112**	919	**1,104**
Total	609	607	740	881	**458**	2,620	**2,686**

Other Operating Income (Expenses)

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

Figures in MXN millions at December 31, 2012

	For the quarter ending					*Year to date*	
	31 Dec 2011	*31 Mar 2012*	*30 Jun 2012*	*30 Sep 2012*	***31 Dec 2012***	*31 Dec 2011*	***31 Dec 2012***
Loans to employees	39	34	34	34	34	144	136
Recoveries	245	144	454	10	11	1,446	619
Credit portfolio recoveries	139	173	179	183	195	691	730
Result of Foreclosed assets	58	6	12	(6)	30	78	42
Property sales	-	7	(7)	-	-	613	-
Other items of income(expenses)	136	537	470	373	410	2,127	1,790
Other income (expenses) arising from op. Insurance and Bonding	87	86	91	94	90	332	361
Monetary position result	13	5	-	13	15	26	33
Other losses	(233)	(120)	(107)	(49)	(458)	(926)	(734)
Total Other Operating Income (expenses)	484	872	1,126	652	327	4,531	2,977

► Other items of income (expenses) are integrated by expense reimbursements, profits from property sales, furniture and equipment, management services, updates and other.

Information on Customer Segment and Results

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

Consolidated Income Statement by Customer Segment

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

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

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

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

The consolidated incomes statement information condensed by segments as of 31 December 2012 is shown below:

Figures in MXN millions at December 31, 2012

(MXN millions)	Year to date at 31 December 2012			
	RBWM	CMB	GBM	Total
Net Interest Income	14,088	6,292	1,753	22,133
Provision for Loan Loss	5,668	-666	-325	4,677
Net Interest Income adjusted	**8,420**	**6,958**	**2,078**	**17,456**
Fees and Commissions, net	3,782	1,599	963	6,344
Trading Income	341	198	2,415	2,954
Other operation income	2,311	418	248	2,977
Total Revenue	**14,854**	**9,173**	**5,704**	**29,731**
Administrative Expenses	13,410	5,978	2,616	22,004
Operating Income	**1,444**	**3,195**	**3,088**	**7,727**
Undistributed income from subsidiaries	26	13	3	42
Profit Before Taxes	**1,470**	**3,208**	**3,091**	**7,769**
Taxes	438	955	699	2,092
Net Income before discontinued operations	**1,032**	**2,253**	**2,392**	**5,677**
Discontinued operations	316	24	0	340
Minority Shareholders	-1	0	0	-1
Participated Net Income	**1,347**	**2,277**	**2,392**	**6,016**

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 December 31, 2012 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	-	503	-	2	15	4	24	548
Demand deposits	(548)	-	-	-	-	-	-	(548)
Repurchase agreements (assets)	-	-	-	-	-	-	-	-
Repurchase agreements (liabilities)	-	-	-	-	-	-	-	-
Sundry debtors (assets)	203	74	9	17	-	53	-	356
Sundry creditors (liabilities)	(144)	(22)	(67)	(1)	-	(120)	(1)	(355)
Long Term investments in equity securities	-	-	-	-	(74)	-	-	(74)
Long-term assets available for sale	-	-	-	-	-	(1)	-	(1)
Other assets	-	-	-	-		-	-	
Retained earnings					74			74
Total	**(489)**	**555**	**(58)**	**18**	**15**	**(64)**	**23**	**-**

	Bank	Brokerage house	Mutual funds management	Services	Group	Insurance	Bonding	Total
P&L								
Payable commissions	(20)	-	(458)	-	-	(12)	-	(490)
Receivable commissions	437	55	18	-	-	-	-	510
Discontinued operations	-	-	-	-	-	(150)	-	(150)
Interest income	-	24	-	-	-	-	-	24
Interest expense	(24)	-	-	-	-	-	-	(24)
Repos	(176)	-	-	-	-	-	-	(176)
Reverse repos	-	176	-	-	-	-	-	176
Earned premiums	-	-	-	-	-	208	4	212
Administrative and personnel expenses	(280)	-	-	(6)	-	-	-	(286)
Administrative services	(270)	(55)	(80)	(2)	(2)	(425)	(5)	(839)
Undistributed income from subsidiaries	-	-	-	-	-	-	-	-
Other income	686	-	-	283	74	-	-	1,043
Total	**353**	**200**	**(520)**	**275**	**72**	**(379)**	**(1)**	**-**

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 year ended 31 December 2012 and an explanation of the key reconciling items.

Figures in MXN millions	**31 Dec 2012**
Grupo Financiero HSBC – Net Income Under Mexican GAAP	**6,016**
Differences arising from:	
Valuation of defined benefit pensions and post-retirement healthcare benefits ᵠ	211
Deferral of fees received and paid on the origination of loans and other effective interest rate adjustments ᵠ	491
Loan impairment charges and other differences in presentation under IFRSᵠ	107
Recognition of the present value in-force of long-term insurance contracts ᵠ	10
Other differences in accounting principlesᵠ	(53)
Net income under IFRS	**6,782**
US dollar equivalent (millions)	**515**
Add back tax expense	2,278
Profit before tax under IFRS	**9,060**
US dollar equivalent (millions)	**687**
Exchange rate used for conversion	**13.19**

ᵠ Net of tax at 30%.

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

Valuation of defined benefit pensions and post-retirement healthcare benefits
Mexican GAAP
Defined benefit pension costs and the present value of defined benefit obligations are calculated at the reporting date by the schemes' actuaries using the Projected Unit Credit Method and real interest rates.

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

Deferral of fees paid and received on the origination of loans and other effective interest rate adjustments
Mexican GAAP
From 1 January 2007, loan origination fees are required to be deferred and amortised over the life of the loan on a straight line basis. Prior to 2007, loan origination fees were recognised up-front.

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

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

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

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

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

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.

Participation by Subsidiary

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

Group Subsidiaries at December 31, 2012

	Shares owned by subsidiaries	Participation Percentage	Number of Shares owned by HSBC Group
HSBC México, S.A.	1,730,319,756	99.99%	1,730,243,530
HSBC Seguros, S.A. de C.V.	392,200	99.99%	392,199
HSBC Fianzas, S.A.	759,985,454	97.22%	738,877,715
HSBC Casa de Bolsa, S.A. de C.V.	482,620,848	99.99%	482,620,841
HSBC Global Asset Management (México), S.A. de C.V.	1,000	99.90%	999
HSBC Servicios, S.A. de C.V.	480,089	99.99%	480,088
Total	**2,973,799,347**		**2,952,615,372**

Ratings HSBC México, S.A.

HSBC Mexico, S.A. (Bank)

	Moody's	Standard & Poor's	Fitch
Global scale ratings			
Foreign currency			
Long term	-	BBB	A-
Long term deposits	Baa1	-	-
Short term	P-2	A-2	F1
Local Currency			
Long term obligations	A2	BBB	A
Long term deposits	A2	BBB	-
Short term	P-1	A-2	F1
BFSR (Moody's)	C-	-	-
Individual / Support rating (Fitch)	-	-	bbb / 1
National scale / Local currency			
Long term	Aaa.mx	mxAAA	AAA (mex)
Short term	MX-1	mxA -1+	F1+ (mex)
Outlook	Stable	Stable	Stable
Last update	26-Apr-12	11-Jul-12	15-Ago-12

Accounting Policies

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

The accounting criteria established by the CNBV and the CNSF, follow the Financial Reporting Standards (NIF for its acronym in Spanish) issued by the Mexican Financial Reporting Standards (CINIF for its acronym in Spanish). The accounting criteria include specific rules for accounting, valuation, presentation and disclosure, which in some cases are different from the NIF.

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

Modifications in to the policies, standards and accounting practices

1. Modifications to the criterion B-6 “Loan Portfolio”

The main modification to this criterion refers to the inclusion of specific rules for assigned a classification as current or past due to the restructured and renewed loans.

2. Modifications to the criterion B-10 “Trusts”

Indicates that in the case of assets under the trust, of those trusts that requests, obtains and maintains the registration of its securities in the National Securities Registry, the assets must be valuated based on the accounting rules for such purposes for securities issuers and to other market participants.

3. Modifications to the criterion C-5 “Consolidation for special purpose entities”

The most important modification concerns in to the elimination of the paragraphs referring to the identification of an unconsolidated SPE, looking for standardize the approach with the currently International Standard.

4. On 1 October 2012, HSBC Mexico homologated the rating methodology of commercial loans to stop using an internal methodology that was approved by the CNBV to adhere to the general rules issued by the SHCP and established by the CNBV

5. Amendments to Articles 57 and 238 of the General Provisions applicable to credit institutions

a) To determine the net positions in favor of an institution from derivatives transactions, the institutions must offset receivables and payables arising from transactions that are entered into with any counterparty. Such compensation shall be effected for balances that are held with the same counterparty, without differentiating the type of instrument, the underlying, currency and term.

b) To determine the net positions in favor of an institution from derivatives transactions, the institution may consider cash deposits pledged as collateral only to reduce credit balances to ensure such deposits. In any case, the remaining balance of the deposits considered to reduce credit balances should be considered within the concept of financing.

c) To determine the net positions in favor of an institution from derivatives transactions, the institution may consider cash deposits pledged as collateral only to reduce credit balances to ensure such deposits. In any case, the remaining balance of the deposits considered to reduce credit balances should be considered within the amount of operations to which the second paragraph of Article 73 of the Law of credit institutions

Treasury Policies

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

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

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

3. Positioning and Market Maker activities.

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

Dividends Policy

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

Paid Dividends

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

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

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

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

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

Internal Control

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

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

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

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

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

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

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

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

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

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

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

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

Risk Management

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

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

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

Assets and Liabilities Committee (ALCO)

This committee meets monthly, chaired by 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 and Planning.

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

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

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

Risk Management Committee (RMC)

The Committee shall be accountable to the Board of Directors of the Company.
The Committee shall meet with such frequency and at such times as it may determine. It is expected that the Committee will meet monthly and usually on the third week of the month.

In order to achieve independent advice and in line with the local regulation, the Risk Management Committee has three external board members and high-level HSBC Mexico officials, including HSBC Mexico Chief Executive Officer (CEO), Latin America Chief Risk Officer (CRO), HSBC Mexico CRO, Head of Audit HSBC Mexico, Head of Retail Banking and Wealth Management HSBC Mexico, Head of Commercial Banking HSBC Mexico, Head of Global Banking HSBC Mexico, Deputy CEO and Chief Technology and Services Officer HSBC Mexico (CTSO), HSBC Mexico Chief Financial Officer, Head of Legal HSBC Mexico, Head of Global Markets HSBC Mexico, Secretary. An external Board Member shall be Chairman of the Committee

The main objectives of this committee are to:

- Monitor current risks with the potential to have an impact on the Company's operation, evaluate its likelihood and effect on our financial results or reputation. Also, develop a focused and integrated methodology for the identification of such risks within HSBC Mexico.
- Propose solutions for improving risk profile and review risk strategies for mitigating specific or material risks.
- Develop a clear view of the overall risk profile and trends in credit, market, liquidity, insurance, operational and reputational risks and internal controls within HSBC Mexico which might have an impact on our long term business strategy.
- A Risk-focused process to manage material risks, contingencies and mitigating actions, and consolidate risk reporting as an input to the ALCO process.
- Approve/ratify (as appropriate) proposed changes in policies and guidelines for integral risk administration, in accordance with CNBV rules and regulations.
- Approval of the maximum tolerance for market risk, credit risk and other risks considered acceptable for the Bank in relation to derivative trading operations.

- The RMC reviews and approves goals, operations and control procedures, as well as required risk tolerance levels, based on market conditions.
- Authorize the Terms of Reference (TOR) of the Committees that report into the RMC, including the authorization of its members, as well as providing guidance and overseeing their activities.
- Approve the methodologies for measuring and identifying all types of risk.
- Oversight of New Product approvals and subsequent review / amendments.
- Approval of changes to the provisioning methodologies including Economic Factors and Emergence Periods.
- Develop and modify the objectives, guidelines and policies on credit management and loan origination.
- Review open significant issues to be included in the CEO Attestation (as per the timing of the CEO Attestation) and monitor the resolution of these issues.

Market Risk Management

Qualitative Information

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

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

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

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

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

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

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

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

Value at Risk (VaR)

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

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

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

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

Spread over yield risk

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

Basis Risk

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

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

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

Credit Spread Risk (CSO1)

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

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

Vega or implied volatility risk

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

Extreme Conditions Tests (Stress Test)

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

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

Validation and Calibration Methods for Market Risk models:

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

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

Applicable portfolios:

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

The Market Risk management calculates the VaR and the PVBP for the total Bank portfolio and for the specific "Accrual" and "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, Credit Spread 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 and FVH) 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 fourth quarter of 2012 (millions of dollars).

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

	Bank		All Trading **		Accrual	
	Average 4Q12	Limits*	Average 4Q12	Limits*	Average 4Q12	Limits*
Combined	21.39	38.00	3.42	18.00	18.65	35.00
Interest Rate	16.99	40.00	2.94	N/A	14.46	35.00
Credit Spread	5.46	22.00	0.38	4.00	5.09	22.00
FX	0.64	7.00	0.64	7.00	N/A	N/A
Volatility IR	0.19	4.50	0.19	N/A	0.00	1.00
Volatility FX	0.01	2.00	0.01	2.00	N/A	N/A
Equities	0.19	2.50	0.19	2.50	N/A	N/A

N/A = Not applicable

** Absolute Value*

*** Includes Trading Desk, BST, MMT and Equity*

Value at Risk of Global Market (VaR) (Last quarter comparison)					
	28-Sep-12	31-Dec-12	Limits*	Average 3Q12	Average 4Q12
HBMI	**23.51**	**23.38**	38.00	24.20	21.39
Accrual	**21.61**	**18.84**	35.00	22.47	18.65
All Trading	**2.40**	**4.57**	18.00	2.87	3.42

** Absolute Value*

The Bank's VaR at the end of 4Q12 change -0.55% versus the previous quarter. During the quarter the VaR remained under the limits.

The Bank's average VaR for the end of 4Q12 change -11.61% 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 September 28th, 2012 and December 31st, 2012 (in millions of dollars).

Market VaR vs. Net Capital Comparison *Net Capital in million Dollars*		
	28-Sep-12	31-Dec-12
Total VaR*	24.20	21.39
Net Capital **	3,674.92	3,704.21
VaR / Net Capital	0.66%	0.58%

** 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 0.58% of the net capital in 4Q2012.

Present Value for 1bp (PVBP) for Mexican Pesos Rates					
	28-Sep-12	31-Dec-12	Limits*	Average 3Q12	Average 4Q12
Bank	**(1.260)**	**(1.220)**	1.650	(1.112)	(1.134)
Accrual	**(1.091)**	**(1.013)**	1.250	(0.937)	(0.949)
Trading Desk	**(0.053)**	**(0.039)**	0.450	(0.076)	(0.058)
Balance Sheet Trading	**(0.115)**	**(0.168)**	0.210	(0.099)	(0.127)

** Absolute Value*

The bank's MXN Rate PVBP for 4Q12 change -3.17% versus previous quarter. Bank's average PVBP for 4Q12 change 1.98% versus previous quarter.

Present Value for 1bp (PVBP) for USD Rate					
	28-Sep-12	**31-Dec-12**	**Limits***	**Average 3Q12**	**Average 4Q12**
Bank	**(0.224)**	**(0.167)**	0.300	(0.213)	(0.181)
Accrual	**(0.208)**	**(0.160)**	0.300	(0.240)	(0.167)
Trading Desk	**(0.025)**	**(0.009)**	0.100	0.009	(0.017)
Balance Sheet Trading	**0.009**	**0.002**	0.070	0.019	0.003

** Absolute Value*

The bank's USD Rate PVBP for 4Q12 change -25.45% versus previous quarter. Bank's average PVBP for 4Q12 change -15.02% versus previous quarter.

Present Value for 1bp (PVBP) for UDI Rates					
	28-Sep-12	**31-Dec-12**	**Limits***	**Average 3Q12**	**Average 4Q12**
Bank	**(0.097)**	**(0.075)**	0.300	(0.074)	(0.076)
Accrual	**(0.059)**	**(0.052)**	0.225	(0.058)	(0.056)
Trading Desk	**(0.026)**	**(0.010)**	0.100	(0.003)	(0.007)
Balance Sheet Trading	**(0.013)**	**(0.013)**	0.050	(0.012)	(0.013)

** Absolute Value*

Bank's UDI Rate PVBP for 4Q12 change -22.68% versus prior quarter. Bank's average PVBP for 4Q12 change 2.70% versus previous quarter

Liquidity Risk

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

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

Liquidity Risk

Qualitative Information

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

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

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

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

Quantitative Information

The institution presented at end of the quarter expected cash flows under the major stressed scenario of 4,424m USD in the 7 days term; 2,754m USD in the 1 month term and 2,578m USD in 3 months; obtaining a net positive cumulative result in all cases.

Along the quarter, average level was 4,763m USD in the 7 days term 3,074m USD in 1 month term and 2,246m USD in 3 months term With respect to the previous quarter, the liquidity position changed mainly due to seasonal year end deposits movement in the most stressful scenario.

Credit Risk

Qualitative Information

To manage the credit risk, also adding a periodically monitoring the credit portfolio, HSBC Mexico develop, implement and monitor risk assessment tools. The main goal of this administration is to know the portfolio quality and take actions to reduce potential losses due to credit risk, complying with the Group's policies and standards, Basel II and CNBV guidelines.

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

For correct credit risk measurement, HSBC has credit risk measurement methodologies, as well as advanced information systems.

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

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

Models and Systems used for the quantification and Credit Risk management

Commercial Portfolio

1. Credit Risk Preventive Provisions

In October 2012, HSBC Mexico changed the internal methodology for local provisions calculation that had been approved by the *Comisión Nacional Bancaria y de Valores* (CNBV) since 2006 to adopt the Standardized Approach set out in the " *Disposiciones de carácter general aplicables a las instituciones de crédito*" (*Circular Única de Bancos*, CUB) for this purpose.

Therefore, for the estimation of local provisions, HSBC Mexico makes a comprehensive evaluation of the risk associated with each customer of the Commercial Portfolio, based on information about the financial condition of the borrower, including cash flow, liquidity, profitability and debt profile, market indicators, operational and industrial history, management skills and other indicators that help assess the client's ability to pay.

The above information is supplemented by the experience that the Relationship Manager has about the client: strengths and weaknesses, economic environment and other parameters related to their profile, thus concluding an analysis by the areas involved in the lending process to finally assign a direct correspondence with the debtor regulatory qualifications. The ratings of borrowers of the Commercial Portfolio has a direct correspondence with the debtor regulatory ratings, which in terms of credit loss provisions, ranging from the level of risk "A" to level "E" according to the current CNBV methodology.

The final impact of this methodology change was a reduction of MXN1,243m of provisions.

Internal Management Models

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

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

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

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

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

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

1.1. Probability of default Model (PD)

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

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

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

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

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

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

In the latest monitoring results for models of the Commercial Portfolio, excluding global models, there is generally a good statistical performance with an AR (Accuracy Ratio) of 0.56, which is above the threshold set by the HSBC Group. The rest of the global models, GLCS, RAf Banks y NBFI DST are very low defaulted models so it is not currently possible to measure their performance, but a monitoring is performed about their Overrides. It is relevant to mention that these models present a very low override rates.

1.2. Loss Given default Model (LGD)

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

During 2012, we worked on improvements to LGD model to provide greater granularity and accuracy, which were submitted to the standards the HSBC Group has determined for these models. These improvements will be implemented in 2013.

The latest quarterly monitoring shows an exposure-weighted LGD estimate of 47%, while the observed LGD is 38% for the same period. It is expected that after the implementation of improvements to the model, this overestimation is reduced.

1.3. Exposure at default Model (EAD)

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

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

The latest quarterly monitoring of the performance of this model yields an acceptable overestimation of 8.6% compared to the observed Exposure at Default.

2. Credit Evaluation Systems

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

Furthermore, HSBC Mexico has a system to manage, control and monitoring the commercial credit approval process known as *Workflow Authorization (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. This system is being used in HSBC globally.

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

Quantitative information

The Expected Loss of the Commercial Portfolio as of December 31st, 2012 is MXN 7,006 M, showing a decrease of MXN 269 M (or 4%) compared to the figure reported in the previous quarter.

Regarding to the average balance of the Commercial Portfolio as of December 31st, 2012 is MXN 174,223 M, showing an increase of MXN 247 M (or 0.1%) compared to the previous quarter.

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

MXN M

Business Line	Average Balance*		VAR		Balance		VAR		Expected Loss		VAR	
	3Q2012	4Q2012	($)	(%)	Sep-12	Dic-12	($)	(%)	Sep-12	Dic-12	($)	(%)
CMB	$91,565	$92,507	$942	1%	$90,593	$96,927	$6,334	7%	$5,832	$5,555	-$277	-5%
GBM	$82,371	$81,664	-$706	-1%	$81,464	$77,473	-$3,991	-5%	$1,443	$1,451	$8	1%
GBP	$40	$51	$11	28%	$83	$93	$10	12%	$0.06	$0.05	-$0.002	-3%
Total	**$173,976**	**$174,223**	**$247**	**0.1%**	**$172,140**	**$174,492**	**$2,352**	**1%**	**$7,275**	**$7,006**	**-$269**	**-4%**

*Average balance of the last three quarters.

Retail Portfolio

Qualitative Information

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

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

Quantitative information

The Expected Loss of the cards, mortgage and other retail portfolio as at December 31st, 2012 is MXN 4,302,139 thousands which represents the 7.9% of Total Balance performing an decrease of MXN 50,225 thousands in comparison with previous quarter wherein the EL represented the 8.1% of Total Balance.

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.

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

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

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

First Line of Defence:

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

Second Line of Defence:

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

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

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

Third Line of Defence:

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

Use Test

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

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

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

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

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

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

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

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

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

ORIC department is responsible to lead and coordinate the annual RCA process. The latest completed assessment took place from 2011 to 2012. As part of this exercise, relevant identifiable risks were denominated, described and classified into fifthteen categories: Compliance, Fiduciary, Legal, Information, Accounting, Tax, External Fraud, Internal Fraud, People, Political, Physical, Business Continuity, Systems, Operations and Project.

Quantitative Information (including Legal and Technological Risk)

From the 8th Operational Risk assessment exercise carried out between 2011-2012, and with all changes and updates performed during 4Q12; there are 654 risks identified and assessed as relevant distributed as follows: 3.7% (24) A type, 14 % (92) B type, 60.7% (397) C type, and 21.6% (141) D type.

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

The operational risk tolerance level is defined as <= 1.3% of the TOI (Total Operating Income) of the bank, and is monitored monthly through the BSC presented at the Risk Management Committee.

Year to date (31DIC12) total amount of Operational Losses in 2012, are USD 42.5M.

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

Technological Risk

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

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

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

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

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

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

III. Performing Risk Based Control Assessments (RCA).

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

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

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

Legal Risk

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

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

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

- Legislative Risk, which is the risk that HSBC fails to adhere to the laws of the jurisdictions in which it operates, and includes: compliance with laws and change of law.

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

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

- Contractual Risk Control

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

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

- Dispute Risk Control

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

There are procedures and instructions in order to have an immediate notification to the Legal area if there is an existing threaten regarding a litigation against the Group and the following actions regarding the demand.

- Legislative Risk Control

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

- Non Contractual Rights Control:

There are established procedures in order to assure that the Legal area validates the use of the Group´s trademark, local trademarks, commercial advertising and author rights. If a third party needs to use a Group trademark, a legal validation and authorization is required.

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

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

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

Corporate Sustainability (CSR)

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

Sustainability is achieved through 3 pillars:

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

2012 was a challenging year for the business and the consolidation of our Community Investment and our flagship projects, which are as follows:

- Education: “Just raise your hand”, a partnership with Ara and Lazos foundations looking to improve the quality of education and prevent dropout in elementary schools with limited resources.
- Community: “Attention and Prevention of Lonely Children and Teenage Migrants” a partnership with Save the Children and the DIF.
- Environment: “HSBC Seguros Green Project” and “Cuida tu Ambiente”, a new flagship project aiming to create an employee environmental task force.

Our Community Investment fund comes from our profit before taxes and customer contributions. In 2012, we invested $99 million pesos, 82% of such investment was made by HSBC.

1. Sustainable Finance

Climate Business

During 2012, Corporate Sustainability continued working, together with CMB, in the strategy for Climate Business, putting together the main stakeholders and coordinating progress.

2. Community Investment – Education

Programme HSBC – Lazos “Just raise your hand”

During 2011 - 2012 HSBC successfully concluded the second phase of the programme, we benefited 8 new schools and 4,132 underserved students with 41 volunteering activities, values education and teachers training (124% vs. objective).

During this year, we had the goal of finding 1,226 scholarship sponsors among clients and colleagues and we found 1,290 representing 105% of our goal.

Additionally, all the infrastructure improvements within our 8 new schools were finished and their inaugurations were carried out during September and October. To note, thanks to this events and our alliance with Lazos the press media covered the inaugurations, having as result 24 free press releases.

On October 24th the annual event of the programme was held on the Tower HSBC, were Luis Peña, CEO of HSBC Mexico, Alejandro Pérez-Teuffer, Lazos Chairman and German Ahumada Russek, CEO Consorcio ARA announced the results of the programme during the school year 2011 – 2012 and new goals for the school year 2012 - 2013. To note, in this event we launched a new project with AMCO – private company that has presence in more than 10,000 private schools within Mexico and dedicates to enhance their quality of education – in order to capacitate teachers with the final objective to improve the learning abilities of the students affiliated to our schools, as this being a pilot project we started it within 9 schools.

Thanks to this, since 2010 HSBC through its educative flagship programme "Just raise your hand" in alliance with Foundation Lazos and Foundation ARA, has benefited a total of 2,303 underserved students through scholarship sponsors among clients and colleagues and 822 children through "Zippy's Friends" -programme that helps children to develop coping and social skills-, additionally 3,752 parents and 190 teachers have been benefited indirectly. Also, all the infrastructure improvements within our 17 schools located in 13 states of Mexico have been finished thanks to our alliance with Foundation ARA and clients contributions.

SROI Result on “Just raise your hand” (See end of report for the note on SROI)
The SROI showed that the programme is having a positive impact on quality of education, since our study proved that the impact on “ENLACE” within our schools is +1.4% vs. schools of same type and municipality that are not supported by our programme.

This improvement means that HSBC has achieved gains of 1.4 M USD for the students that it supports through the Lazos programme, since studies showed that lifetime income increases by $365 per percentage point on ENLACE score.

Zippy’s Friends

Zippy’s Friends is a programme that helps young children from 1st and 2nd grades develops their emotional health. The second phase of the programme concluded successfully and the third phase started in September, benefiting 1,600 children and 100 teachers and will finish in July 2013.

To note, until the 2011-2012 school term the programme was carried out only in alliance with Lazos, but thanks to the Future First fund we were able to also start Zippy’s Friends with NEMI foundation and we are proud to announce that the Committee approved this project. Thanks to this, at the end of 2015 we will benefit a total of 27,400 children and 760 teachers.

Attention and Prevention of Lonely Children and Teenage Migrants

We continue to work with the communities of San Mateo Ozolco, Suchiate, Huixtla, Tijuana, and header Atzalan Calpan, which have high migration rates, benefiting over 7,400 persons with educational, recreational and sport activities and by empowering them so they can have better opportunities.

Transportation
We established an agreement with Volaris and Aeromexico about ticket donations and we have transported 191 children safely back home.

Mentoring/Volunteering
In cooperation with Save the Children, we will start a volunteering programme with HSBC employees in Puebla. The volunteers will carry out different activities throughout the year, starting this summer, with the aim of getting to know the kids of San Mateo Ozolco primary school, and spending time with them. They will also serve as “mentors” for the children, as they will be giving them advice and financial orientation.

Scholarship Programme
The main objective of the scholarship programme is to provide financial support for unaccompanied migrant children and adolescents, to continue with their studies and prevent dropout. In this regard, 500 children have opened their accounts and they have received their first deposit. Scholarships were given to primary, secondary and highschool kids. The beneficiaries will receive $ 800 pesos per month over a period of 12 months.

Ozolco Community
We continue our work in Ozolco’s community, which has a high rate of migrant children.

In May, our First Lady, Margarita Zavala, and our CEO, Luis Peña inaugurated the infrastructure projects done by HSBC Mexico in Ozolco, Puebla: two classrooms, a dinning room and a sports facility. To note, Ozolco is one of the most important communities we work with along with Save the Children.

The Hunger Project
It was decided to explore a third model for social intervention, different to Save the Children and DIF, focusing on the lack of opportunities as consequence of migration. Such model will be developed with the foundation The Hunger Project and consists on the reconstruction of the social tissue through empowering the complete community.

SROI Result on Migrants in Ozolco (See end of report for the note on SROI)
The SROI showed that the program is having a positive impact on quality of education and it is reducing dropout rates in Ozolco. This improvement translates in a reduction in the probability of migration by 6.5% and an increase in the expected income of the youth.

Seminar with former First Lady, Margarita Zavala
We held a seminar with the objective of presenting the results of the Trust's work from the last 4 years and of creating continuity. Margarita Zavala, the wife of the President, requested that the seminar was at HSBC and lasted half a day. During the opening ceremony the speakers were: Luis Peña Kegel, Cecilia Occelli, President of the board of Save the Children México, Laura F. Dogu, from the US Embassy and Margarita Zavala. On the second half of the seminar she moderated the discussion panel.

Future First

All the four bids we proposed to the Future First Committee were approved; thanks to this, we will benefit 1,212 children in 4 states.

In addition, a Special Fund was launched, and we are proud to announce that JUCONI and NEMI bids, two non-profit organizations, were approved, thanks to this we will benefit 25,000 children in the State of Mexico, Puebla, Yucatan, Baja California, Chihuahua, Guanajuato, Queretaro, Coahuila, Sinaloa, Jalisco, Morelos and Mexico City with a budget of 700,000 USD.

We are planning to carry an event in February were we can invite press media and announce all the support that HSBC is doing in benefit of thousand of beneficiaries in order they can develop life skills and allow them to be a productive asset for the society.

English Programme

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

The British Council: The pilot group of 363 master teachers has been trained and will start cascading the course, reaching 11,000 teachers who will reach 550,000 students.

Global English: (On-line software): 9,760 users have begun using the software and in total, they have completed 48,278 hours training.

Financial Education

Comic: The Comic on financial education was launched in alliance with VISA, Marvel and Condusef on the 4th of September. 11,000 copies will be distributed and there will be 60 "Comic-telling" activities at MIDE (Museo de Economía).

Partnership with UVM (Universidad del Valle de México): we have had 4 conferences on financial education at UVM, reaching more than 1,000 students directly and over 600,500 students through the web.

World Trade Center (WTC) - Annual Conference

HSBC supported CONDUSEF during the National Week on Financial Education (SNEF) holding a magisterial conference at the WTC took place on the 4th October. There were over 500 attendants and there was very good feedback.

2. Community Investment - Environment

With the “Green Project” of HSBC Mexico Insurance, we are supporting 4 different urban forests projects: Bosque de Chapultepec in Mexico City, Nevado de Toluca in Estado de México, Bosque la Primavera in Guadalajara and Chipinque in Nuevo León.

In 2012, HSBC Mexico implemented the HSBC Cuida tu Ambiente programme, dedicated to creating a green working group. This is a force made up of HSBC Mexico collaborators who are committed to incorporating environmental and sustainability issues as an essential part of the bank’s commercial operations and as an intrinsic element in the way we relate to our clients, suppliers and co-workers.

This year the programme was launched with 30 Leaders who had previously participated in the HCP programme and were sponsoring new candidates. Of the 60 candidates who signed up to become environmental leaders, 96 achieved certification with a minimum of 110 points, an equivalent of 44 hours of volunteer work.

3. Clients Contribution

The third campaign of the year ran from September to October, and we raised $2,009,086.27 pesos in benefit of the Foundation “Michou y Mau”, a non-profit organization dedicated to caring for children who have suffered severe burns.

The fourth and last campaign of the year was carried from November to December, in benefit of a NGO’s located in each one of our Divisions: “Nuestras Manos”, “Dibujando un Mañana”, “Comedor Santa María”, “Castro Limon”, “GANAC”, “RAS”, “Mayama”, “Vida Digna” , non-profit organizations dedicated to different causes, such as Youth Educational Development, Cancer, Access to Alimentation, among others. In this campaign we raised $2,212,110.61 pesos.

4. Stakeholder Engagement

Volunteering

During 2012, we have involved 2,517 colleagues in community, education and environment programs.

More Than Money

345 volunteers finished Financial Education program and 1576 students were benefited in 12 elementary schools.

Climate Entrepreneurs

The programme was implemented in 7 cities and 123 volunteers participated. Now 1,640 students of elementary schools have the tools and knowledge to reduce the climate change in their lives and families.

Volunteering Day

80 employees and their families participated in the “Volunteer Day” celebration. The event was carried at the aviary park in Mexico called "El Nido" (The Nest), which is bringing endangered species back from the brink of extinction.

The park is home to 3,000 birds and 320 different species including the quetzal bird with its lustrous green plumage which was venerated by the Aztecs and Mayans.

Toy Drive

On December, 70 colleagues participated in our traditional campaign managed 100% by volunteers. They carried activities all around the country, through this 9,422 unprivileged children will be benefited with new toys.

5. People and Diversity

Social Inclusion

In alliance between Corporate Sustainability and Human Resources, HSBC Mexico is hiring people with disabilities through Manpower Foundation A.C., FHADI I.A.P., Colabore A.C. and Fundación Teletón. At the moment, 56 candidates that have been hired, and we have had various "sensibilization" sessions throughout the year. Moreover, the sensibilization course is now part of the introduction session for all new employees at HSBC Mexico.

The third Intensive Course for people with disabilities took place successfully. The first 3 weeks covered self-esteem, motivation and values to achieve an "Independent life". The last 6 days covered sales, customer care and tips for work. The main aim is to give the necessary tools to people with disabilities, in order to offer better work opportunities. Moreover, we detected the need for giving candidates high school, and the 4th group of the intensive course started lessons for the next three months to complete high school. In total, 57 people have benefited from the programme.

Ivonne Marquez
One of the employees hired under Sumando Valor, the inclusion programme for people with disabilities, represented Mexico at the London Paralympics basketball games. Her story (before and after) was featuring on HSBC Now and was up locally on the TV screens, intranet and social media.

6. Awards and Recognition

In 2012 HSBC Mexico was awarded for 7th consecutive year for being a Socially Responsible Company, by the CEMEFI (Mexican Center for Philanthropy).

HSBC Mexico was also awarded the distinction of Inclusive Company: "Gilberto Rincón Gallardo". Margarita Zavala, First Lady of Mexico and President of DIF, gave the distinction to 38 institutions. To note, HSBC was the only bank to receive this award.

On December 5, HSBC Mexico was awarded by Executive World Magazine (Mundo Ejecutivo) 10th place in its ranking amongst the 50 companies with the best social responsibility programs in Mexico. In 2010 we occupied the 33rd place. In 2011 we were awarded 6th place. This year the questionnaire changed and was developed following ISO 26000 standards which includes ethics strongly, and despite of the reputational issues that we went through this year, we managed to stay in the TOP 10. The ranking includes financial groups, consumer companies, automotive, department stores, and other industries, covering almost all sectors of the economy.

7. Communication

Sustainability Report 2011

We launched the Corporate Sustainability Report 2011. We distributed 1,500 hard copies and shared it on the intranet, internet and with specialized media. It was also distributed during the quarter Directors meeting, EXCO and MANCO.

Communication

During 2012, the Corporate Sustainability Department gained 166 free press releases with an estimated value of $7,985,047 pesos.

Social Return on Investment (SROI – estudio de McKinsey)

We had an assessment period with McKinsey, and an evaluation tool was developed to understand and estimate the social impact of HSBC's corporate sustainability initiatives on society and on HBSC's business. The tool aims to review the progress of each programme, provide relevant information to articulate internal and external communication in a consistent manner, and more importantly, improve the effectiveness of the programs, learn how to better allocate resources and therefore, maximize the impact of HSBC's corporate sustainability initiatives.

9. Conclusions

2012 was a very challenging year. We continue to focus our Community Investment by strengthening our flagship programs; this has helped us develop further our stakeholder engagement. Thanks to these campaigns that involve not only our staff, but also our clients, we are being able to provide an added value to our customers, giving them the option of participating in socially responsible and environmentally friendly projects.

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

Contacts

Media enquiries:

London:	Patrick Humphris Tel: +44 (0)20 7992 1631
Mexico City:	Lyssette Bravo Tel: +52 (55) 5721 2888

Investor Relations:

London:	Guy Lewis Tel: +44 (0)20 7992 1938
Mexico City:	Andrea Colín Tel: +52 (55) 5721 3001