Grupo Financiero HSBC

Financial information at 30 June 2013

2Q13

► **Press Release**

► **Quarterly Report**

► **Second Quarter 2013**

Release date:
31 July 2013

31 July 2013

GRUPO FINANCIERO HSBC, S.A. DE C.V.
FIRST HALF 2013 FINANCIAL RESULTS – HIGHLIGHTS

- Net income before tax for the first half of 2013 was MXN3,019m, an increase of MXN214m or 7.6% compared with MXN2,805m for the first half of 2012.

- Net income for the first half of 2013 was MXN2,060m, a decrease of MXN266m or 11.4% compared with MXN2,326m for the first half of 2012.

- Total operating income, net of loan impairment charges, for the first half of 2013 was MXN13,632m, a decrease of MXN323m or 2.3% compared with MXN13,955m for the first half of 2012.

- Loan impairment charges for the first half of 2013 were MXN3,777m, an increase of MXN442m or 13.3% compared with MXN3,335m for the first half of 2012.

- Administrative and personnel expenses were MXN10,631m, a decrease of MXN547m or 4.9% compared with MXN11,178m for the first half of 2012.

- The cost efficiency ratio was 61.1% for the first half of 2013, compared with 64.7% for the first half of 2012.

- Net loans and advances to customers were MXN181.6bn at 30 June 2013, a decrease of MXN2.9bn or 1.6% compared with MXN184.4bn at 30 June 2012. Total impaired loans as a percentage of gross loans and advances increased to 4.3% compared with 2.2% at 30 June 2012.

- At 30 June 2013, deposits were MXN253.1bn, a decrease of MXN42.5bn or 14.4% compared with MXN295.5bn at 30 June 2012.

- Return on equity was 7.9% for the first half of 2013 compared with 10.0% for the first half of 2012.

- At 30 June 2013, the bank's total capital adequacy ratio was 16.2% and the tier 1 capital ratio was 13.4% compared with 13.6% and 10.5% respectively at 30 June 2012.

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

2012 results have been restated to reflect the general insurance manufacturing businesses as a discontinued operation.

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

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

Overview

In Mexico, growth remained weak, with lacklustre economic results in the first quarter of 2013, partly as government spending in the country moderated during the first months of the new administration. Core inflation remained under control and headline inflation continued to converge towards the mid-point of the inflation target (3.0%) expected later this year.

For the first half of 2013, Grupo Financiero HSBC's net income was MXN2,060m, a decrease of MXN266m or 11.4% compared with the first half of 2012. The reduction was driven mainly by higher loan impairment charges, an increased tax expense, and lower trading and other operating income, partially offset by an increase in net interest income and net fee income, as well as reduced administrative and personnel expenses.

Net interest income was MXN11,373m, an increase of MXN577m or 5.3% compared with the first half of 2012. The improvement was due to higher average loan portfolio balances, mainly in payroll, personal, credit cards and higher business banking loans, partially offset by lower spreads in personal and payroll loans and lower interest income in non-interest bearing deposits due to a decrease in market rates.

Loan impairment charges were MXN3,777m, an increase of MXN442m or 13.3% compared with the first half of 2012. In the first half of 2012 loan impairment charges were negatively impacted by a MXN659m one-off charge relating to a change in the write-off policy for mortgage loans. Excluding the 2012 one-off, there was an increase of MXN1,101m, mainly explained by higher loan impairment charges of MXN802m related to a finance project, a states and municipalities loan and the home builders' portfolio, which was impacted by a change in policy regarding housing development; and the increase in the impaired consumer loan portfolio arising from loan growth.

Loan impairment charges for the period exclude the loan impairment allowances for commercial lending due to the new CNBV methodology effective on 30 June 2013. The implementation of this new methodology increased loan loss allowances by MXN799m, which were recognized through retained earnings.

Net fee income was MXN3,428m, an increase of MXN393m or 12.9% compared with the first half of 2012. The improvement was driven by lower fee expenses, mainly as a result of a change in the presentation of certain insurance expenses to administration expenses in the first half of 2013. In addition, higher fee income was explained by increased card fees as the number of customers increased by 10.4%, higher investment funds fees related to the ongoing promotion of this product which resulted in a 26.0% increase in volumes and higher account services fees.

Trading income of MXN1,223m decreased by MXN238m or 16.3% compared with the first half of 2012, mainly due to a steepening of the yield curve in recent months which negatively affected long bond positions, partially offset by derivative gains.

Other operating income was MXN1,385m, a decrease of MXN613m or 30.7% compared with the first half of 2012. This reduction is mainly due to an impairment provision on a defaulted derivative related to a specific customer that was recognised as an account receivable.

Administrative and personnel expenses were MXN10,631m, a decrease of MXN547m or 4.9% compared with the first half of 2012. This decrease is the result of cost reduction initiatives such as the restructure of operational processes, reengineering of global functions and technological infrastructure, lower restructuring expenses and the non-recurrence of MXN379m CNBV fine paid in 2012 as a result of non-compliance with anti-money laundering systems and controls identified by the CNBV in 2007 and 2008. This was partially offset by higher compliance and risk costs as a result of the implementation of HSBC global standards and the strategy of repositioning portfolios.

The cost efficiency ratio was 61.1% for the first half of 2013, compared with 64.7% for the first half of 2012.

The effective tax rate was 39.3% for the first half of 2013, compared with 23.7% for the first half of 2012. A large part of this variance is explained by higher inflationary effects which benefited the effective tax rate in the first half of 2012, and higher non-deductible provisions in the first half of 2013.

The performance of non-banking subsidiaries continued to contribute positively to Grupo Financiero HSBC's results, particularly HSBC Seguros, which reported net income before tax of MXN1,417m for the first half of 2013, up 26.3% compared with the first half of 2012. This increase was mainly due to a gain on the sale of the general insurance manufacturing portfolio in Mexico of MXN423m, which took place on 1 April 2013. In addition, a regulatory change to the methodology of calculating the incurred but not reported claims reserve resulted in a release of MXN126m.

Excluding these one-off effects, HSBC Seguros would have reported a net income before tax of MXN868m for the first half of 2013, down 13.5% compared with the same period of 2012. This was mainly due to an increase in the underlying claims ratio to 39.3% from 35.7% reported in the first half of 2012. This was coupled with lower investment income as a result of the steepening of the yield curve, principally in the second quarter of 2013.

Net loans and advances to customers decreased MXN2.9bn or 1.6% to MXN181.6bn at 30 June 2013 compared with 30 June 2012. The performing commercial loan portfolio decreased by 5.7% due to lower demand and the reclassification of certain home builder loans to the impaired portfolio. Government loans decreased due to a prepayment in one significant loan. The performing consumer loan portfolio increased by 15.2% primarily in payroll and personal loans and the performing mortgage loan portfolio increased by 11.3%.

At 30 June 2013, total impaired loans increased by 96.6% to MXN8.3bn compared with MXN4.2bn at 30 June 2012. The higher impaired loan portfolio is largely associated with increased impaired commercial loans related with the performance of the home builder market during the second quarter of 2013, which was impacted by a change in policy regarding housing development. Total impaired loans as a percentage of total loans and advances to customers increased to 4.3% compared with 2.2% at 30 June 2012.

Total loan loss allowances at 30 June 2013 were MXN11.2bn, an increase of MXN0.6bn or 5.6% compared with 30 June 2012. A total of MXN799m of loan loss allowances were recognized through retained earnings as a consequence of applying the new CNBV methodology for commercial loans. The total coverage ratio (allowance for loan losses divided by impaired loans) was 135.7% at 30 June 2013 compared with 252.6% at 30 June 2012. This decrease was primarily a result of the increase in impaired commercial loans related to the home builders' portfolio.

Total deposits were MXN253.1bn at 30 June 2013, a decrease of MXN42.5bn or 14.4% compared with 30 June 2012. Demand deposits decreased by 8.4% mainly related to a reduction of high interest bearing accounts in Commercial and Global Banking due to re-pricing strategies in order to offset the decrease in market interest rates, while time deposits decreased by 20.8% primarily as a result of customers switching to mutual fund products.

Total assets under management in mutual funds were MXN89,268m an increase of 26.0% compared with 30 June 2012.

Available for sale securities were MXN89.4bn, a decrease of MXN13.1bn or 12.8% compared with 30 June 2012. The decrease was largely as a result of the managed reduction in customer deposits.

At 30 June 2013, the bank's total capital adequacy ratio was 16.2% and the tier 1 capital ratio was 13.4% compared with 13.6% and 10.5% respectively at 30 June 2012.

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

Business highlights

Retail Banking and Wealth Management (RBWM)

During the second quarter of 2013 we launched our "Mobile" strategy, to enable customers to pay their credit cards and utility bills, review their statements and transfer their funds to other accounts through their mobile phones.

RBWM's assets under management experienced strong growth in mutual funds, with an increase of 67.7% in balances compared to the same period of the previous year, mostly due to strategies focused on the Premier segment as part of our wealth management strategy. Our mutual funds are growing at a faster pace than the market average, increasing our market share.

Personal loans achieved record sales volumes with an increase of 110.8% compared to the same period of the previous year, mainly due to pre-approved customer relationship management (CRM) offers, and an improvement in sales through our Contact Centre.

Mortgage sales volumes increased 76.7% compared with the same period of 2012, as a result of a limited time mortgage campaign, launched during April 2013, offering the most competitive mortgage rate in the market at that time (8.70%) in order to improve sales and grow the portfolio.

Commercial Banking (CMB)

Aligned to our global strategy of becoming the Leading International Trade and Business Bank, CMB is improving connectivity with global customers throughout the world. Some of the highlights are:

- The first import documentary credit denominated in RMB was executed on 9 April 2013.
- The launch during July of a very competitively priced International Growth Fund (export and import financing) of USD1.0bn for our clients.
- Strong collaboration with Global Banking and Markets and Global Private Banking (GPB), including new debt capital market transactions and strong referrals in GPB taking advantage of enterprise relationships.
- Special focus on trade services in order to capture new relationships and support our existing customers' international business opportunities and needs. As a consequence trade revenues for the first half of 2013 increased 18.4% compared with the first half of 2012.

The commercial loan portfolio has been affected during the second quarter of 2013 as a result of credit deterioration in the home builder market as well as specific provisions in the mid-market portfolio.

Global Banking and Markets (GBM)

During the second quarter of 2013, Debt Capital Markets business improved its position as a leading underwriter in Mexico, achieving first place in the local debt capital market league tables.

Global Banking credit and lending business in local currency experienced a slowdown growth in average balances compared with 30 June of 2012 as a consequence of the lower economic activity, resulting in a lower demand.

Global Banking average customer deposits decreased 5.1%, however the lower balances were offset by higher deposit spreads resulting in higher net interest income.

Sale of HSBC general insurance manufacturing to AXA Group

On 1 April 2013, the sale of the general insurance manufacturing portfolio to AXA Group was completed. Under the terms of this agreement, the purchaser will provide general insurance products to Grupo Financiero HSBC for our retail customers. From April 2013, a long-term distribution agreement has begun which will broaden and strengthen the suite of general insurance products available to our customers. This transaction represents another step in the execution of the HSBC Group's global strategy.

Grupo Financiero HSBC first half 2013 financial results as reported to HSBC Holdings plc, our ultimate parent company, are prepared in accordance with International Financial Reporting Standards (IFRS)

For the half year ended 30 June 2013, on an IFRS basis, Grupo Financiero HSBC reported a net income before tax of MXN1,740m, a decrease of MXN2,964m or 63.0% compared with MXN4,704m for the half ended 30 June 2012.

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

About HSBC

HSBC won the following prizes in the Latin American region at this year's Euromoney awards for Excellence.

HSBC obtained first place in:

- Best Risk Adviser in Latin America
- Best Project Finance House in Latin America
- Best Debt House in Latin America

Grupo Financiero HSBC is one of the leading financial groups in Mexico with 1,021 branches, 6,350 ATMs and approximately 17,300 employees. For more information, visit www.hsbc.com.mx.

Grupo Financiero HSBC is a 99.99% directly owned subsidiary of HSBC Latin America Holdings (UK) Limited, which is a wholly owned subsidiary of HSBC Holdings plc, and a member of the HSBC Group. With around 6,600 offices in over 80 countries and territories in Europe, Hong Kong, Rest of Asia-Pacific, North and Latin America, the Middle East and North Africa and with assets of US$2,681bn at 31 March 2013, the HSBC Group is one of the world's largest banking and financial services organisation.

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Key Indicators

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

	For the quarter ended at				
	30 Jun 2012	*30 Sep 2012*	*31 Dec 2012*	*31 Mar 2013*	***30 Jun 2013***
a) Liquidity	99.93%	95.36%	94.96%	104.52%	**98.48%**
Profitability					
b) ROE (Return over equity)	9.79 %	17.37 %	12.87%	11.25%	**4.22%**
c) ROA (Return over assets)	0.89 %	1.67 %	1.28%	1.15%	**0.45%**
Asset quality					
d) Impaired loans/total loans	2.16%	1.97%	2.02%	2.18%	**4.29%**
e) Coverage ratio	252.65%	270.18%	233.77%	220.45%	**135.71%**
Capitalization					
f) Credit risk	21.55%	23.00%	22.36%	25.34%	**24.16%**
g) Credit and market risk operational	13.62%	14.40%	14.51%	16.83%	**16.15%**
Operating efficiency					
h) Expenses/Total Assets	4.49%	4.17%	4.49%	3.93%	**4.34%**
i) NIM	5.01%	5.08%	5.20%	5.00%	**5.09%**
Infrastructure					
Branches	1,067	1,055	1,040	1,040	**1,021**
ATM	6,240	6,364	6,490	6,453	**6,350**
Head Count	18,110	17,735	17,518	17,326	**17,287**

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

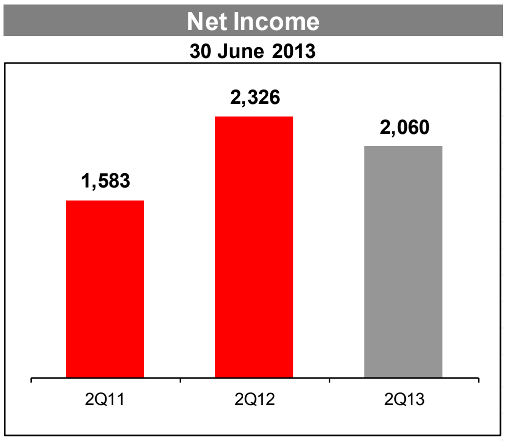
There are no relevant events to disclose during the second quarter of 2013.

Income Statement Variance Analysis

Net Income

Net income for Grupo Financiero HSBC for the first half of 2013 was MXN2,060m, a decrease of 11.4% compared with the same period of 2012.

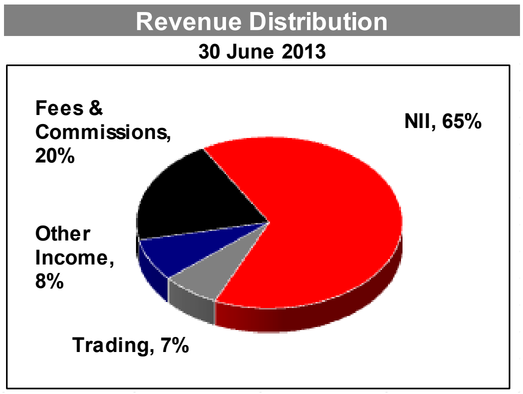
The decrease was mainly due to higher loan impairment charges, increased tax expense, and lower trading and other operating income, partially offset by an increase in net interest income and net fee income, as well as reduced administrative and personnel expenses.



Total Operating Income

The Group's total operating income, net of loan impairment charges, for the first half of 2013 was MXN13,632m, a decrease of MXN323m (2.3%) compared with the first half of 2012.

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



Net Interest Income

Net interest income for the first half of 2013 increased to MXN11,373m, up MXN577m compared to the same period of 2012.

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

Non-interest Income

Non-interest income for the first half of 2013 was MXN6,036m; a decrease of MXN458m or 7.1% compared with results from the same period of 2012.

The Group's non-interest income to total revenue ratio decreased from 37.6% for the first half of 2012 to 34.7% for the first half of 2013, driven by lower other operating and trading income, partially offset by higher net fee income.

► **Fee income**

The Group's net fee income for the first half of 2013 was MXN3,428m, an increase of MXN393m or 12.9% compared with the same period of 2012. This increase was mainly due to lower fee expenses related to a change in presentation of certain insurance expenses in the first half of 2013, and higher fee income related to increased card, investment funds and account services fees.

► **Trading income**

Trading income was MXN1,223m, a decrease of MXN238m or 16.3% compared with the first half of 2012, mainly due to a steepening of the yield curve, partially offset by derivative gains.

► **Other operating income**

Other operating income was MXN1,385m, a decrease of MXN613m or 30.7% compared with the first half of 2012. This reduction is mainly due to an impairment provision on a defaulted derivative related to a specific customer that was recognised as an account receivable.

Loan Impairment Charges

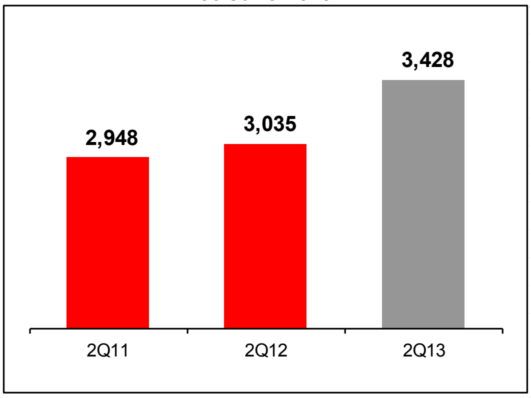
The Group's loan impairment charges for the first half of 2013 were MXN3,777m, an increase of MXN442m or 13.3% compared with the same period of 2012. In the first half of 2012 loan impairment charges were negatively impacted by a MXN659m one-off charge relating to a change in the write-off policy for mortgage loans. Excluding the 2012 one-off, there was an increase of MXN1,101m, mainly explained by higher loan impairment charges of MXN802m related to a finance project, a states and municipalities loan and the home builders' portfolio, which was impacted by a change in policy regarding housing development; and the increase in the impaired consumer loan portfolio arising from loan growth.

Administrative and Personnel Expenses

The Group's administrative and personnel expenses for the first half of 2013 were MXN10,631m, a MXN547m or 4.9% decrease compared with the same period of 2012. This decrease is the result of cost reduction initiatives such as the restructure of operational processes, reengineering of global functions and technological infrastructure, lower restructuring expenses and the non-recurrence of MXN379m CNBV fine in 2012.

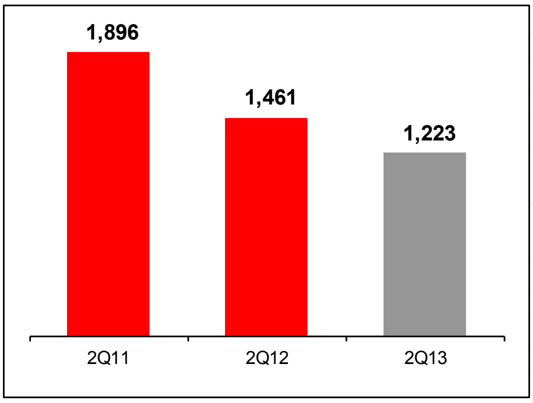
Group Fees & Commissions

30 June 2013



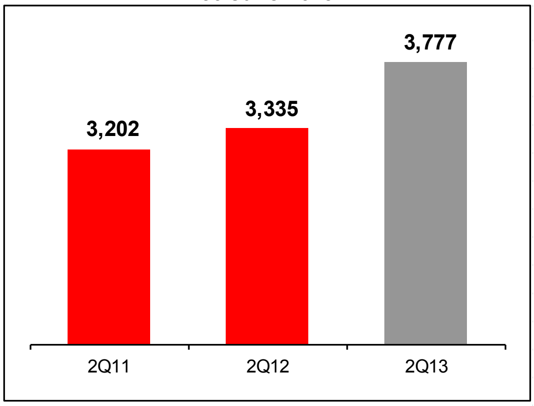
Trading Income

30 June 2013



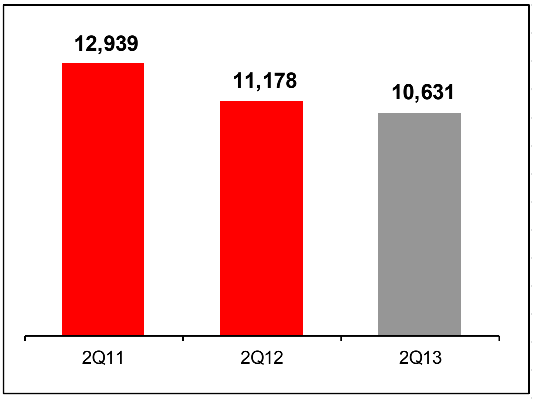
Loan Impairment Charges

30 June 2013



Administrative Expenses

30 June 2013



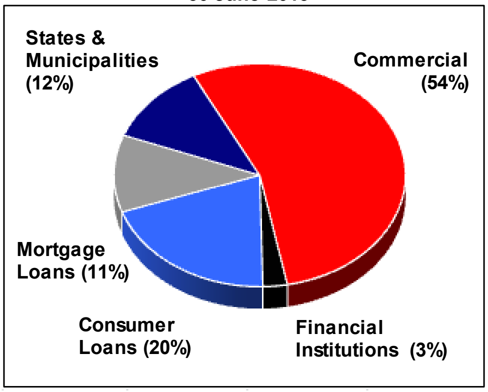
Balance sheet Variance Analysis

At 30 June 2013, the Group's total assets amounted MXN491,672m, which represents a decrease of MXN15,983m, compared with 30 June 2012. This decrease was mainly driven by a reduction in investment in securities and decreased total loan portfolio.

Loan portfolio

The Group's performing loan portfolio balance amounted to MXN184,518m at 30 June 2013, a decrease of 3.3% compared with 30 June 2012. This reduction has been driven by lower government and commercial loan portfolios, which decreased 24.5% and 5.7% respectively when compared to 30 June 2012.

Credit Portfolio Distribution
30 June 2013



► Commercial loans (including financial and government entities)

At 30 June 2013, the performing commercial portfolio (including financial and government entities) decreased 9.5% in comparison with 30 June 2012; mainly driven by government and commercial loan portfolio.

The performing commercial loan portfolio decreased by 5.7% due to lower demand and the reclassification of certain home builder loans to the impaired portfolio. The performing government loan portfolio decreased 24.5% compared with 30 June 2012, due to a prepayment in one significant loan. The performing financial intermediaries loan portfolio decreased 4.1%.

► Consumer loans

At 30 June 2013, performing consumer loans increased 15.2% compared with 30 June 2012. This result is mainly due to sound personal and payroll loan portfolios performance which show an increase of 66.9% and 15.7% respectively, compared with 30 June 2012.

Credit card performing balances were MXN16,771m, up 7.3% compared with 30 June 2012. Auto loan performing portfolio was MXN2,897m, showing an increase of 2.5% compared with 30 June 2012.

► Mortgage loans

The mortgage performing loan portfolio increased MXN2,107m or 11.3% compared with 30 June 2012. The increase reported as of 30 June 2013 can be explained by an improvement in mortgage loan origination, mainly as a result of a limited time mortgage campaign, launched during April 2013, which offered the most competitive mortgage rate in the market at that time (8.70%).

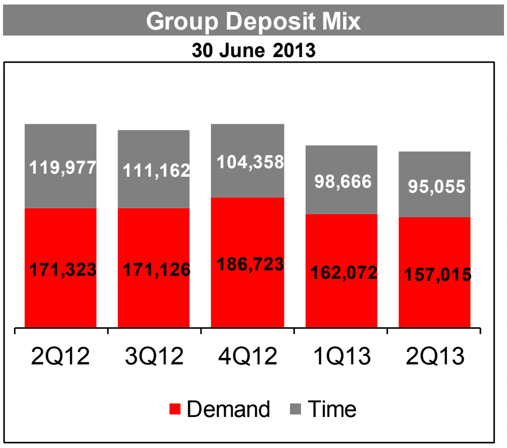
Asset quality

As of 30 June 2013, the Group's impaired loan portfolio amounted to MXN8,278m, which represents an increase of MXN4,067m or 96.6% compared with 30 June 2012. This increase is largely associated with increased impaired commercial loans related with the performance of the home builder market during the second quarter of 2013, which was impacted by a change in policy regarding housing development.

Total impaired loans as a percentage of gross loans and advances to customers increased to 4.3% compared with 2.2% reported at 30 June 2012. The coverage ratio (allowance for loan losses divided by impaired loans) at 30 June 2013 was 135.7%, compared to 252.6% reported at 30 June 2012.

Deposits

The Group's total deposits at 30 June 2013 amounted to MXN253,085m, a decrease of 14.4% compared to the reported at 30 June 2012, as a result of reduced time and demand deposits.



► Demand deposits

At 30 June 2013, demand deposits were MXN157,015m, down 8.4% compared with 30 June 2012, mainly related to a reduction of high interest bearing accounts in Commercial and Global Banking due to re-pricing strategies in order to offset the decrease in market interest rates.

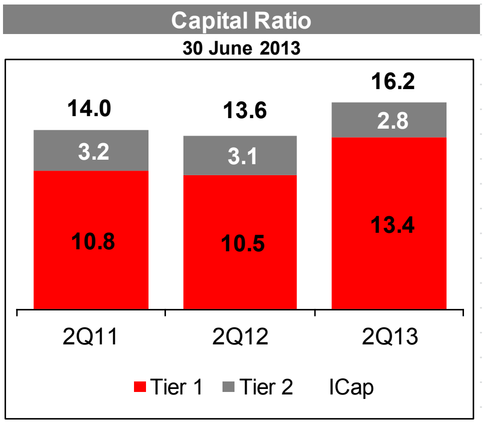
► Time deposits

Total time deposits decreased 20.8% compared to 30 June 2012, primarily as a result of customers switching to mutual fund products.

Shareholder's equity

At 30 June 2013, the Group's equity amounted to MXN54,074m, representing an increase of 15.2% compared to 30 June 2012.

The banks equity was MXN46,490m, at 30 June 2013, up 15.4% compared to 30 June 2012.



Capital Adequacy Ratio

The Bank's capital adequacy ratio at 30 June 2013 was 16.2%, placing it well above the authorities' requirements. The Tier 1 capital ratio at the end of the reporting period is 13.4%.

Financial Situation, Liquidity and Capital Resources

HSBC's balance structure has maintained its liquidity. Cash and investments in securities represent 39.6% of total assets, 1.70 percentage points below than the one reported in the first half of 2012. Total assets were MXN491,672m, down by MXN15,983m in comparison with 30 June 2012. The loan portfolio is adequately diversified across segments.

Financial Statements Grupo Financiero HSBC

Consolidated Balance Sheet

Figures in MXN millions

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

	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	30 Jun 2013
Assets					
Cash and deposits in banks	51,374	43,430	55,846	55,703	**54,649**
Margin Accounts	31	77	53	-	**18**
Investments in Securities	158,317	155,989	156,787	158,437	**140,064**
Trading securities	40,777	41,593	44,135	37,680	**34,586**
Available-for-sale securities	102,451	99,171	97,339	105,095	**89,365**
Held to maturity securities	15,089	15,225	15,313	15,662	**16,113**
Repurchase agreements	5,402	5,836	7,706	3,229	**9,833**
Derivative transactions	45,847	47,048	43,349	54,171	**47,719**
Performing loans					
Commercial loans	140,315	134,937	142,094	139,164	**127,007**
Commercial entities	106,589	103,060	109,164	107,067	**100,489**
Loans to financial intermediaries	5,191	5,119	4,823	5,427	**4,978**
Loans to government entities	28,535	26,758	28,107	26,670	**21,540**
Consumer loans	31,916	33,390	33,585	34,848	**36,775**
Mortgages loans	18,629	18,889	19,287	19,784	**20,736**
Total performing loans	190,860	187,216	194,966	193,796	**184,518**
Impaired loans					
Commercial loans	2,461	2,019	2,075	2,460	**6,244**
Commercial entities	2,461	1,949	2,072	2,460	**6,237**
Financial entities	-	-	3	-	**7**
Loans to government entities	-	70	-	-	**-**
Consumer loans	1,095	1,076	1,302	1,194	**1,338**
Mortgages loans	655	674	636	673	**696**
Total non-performing loans	4,211	3,769	4,013	4,327	**8,278**
Loan portfolio	195,071	190,985	198,979	198,123	**192,796**
Allowance for loan losses	(10,639)	(10,183)	(9,381)	(9,539)	**(11,234)**
Net loan portfolio	184,432	180,802	189,598	188,584	**181,562**
Accounts receivable from insurance and bonding companies	-	1	2	3	**6**
Premium receivables	69	72	71	58	**39**
Accounts receivables from reinsurers and rebonding companies	141	140	148	105	**122**
Benefits to be received from trading operations	-	-	-	-	**-**
Other accounts receivable, net	42,999	42,915	32,075	53,246	**38,824**
Foreclosed assets	201	234	221	205	**184**
Property, furniture and equipment, net	7,714	7,371	7,208	7,138	**6,905**
Long term investments in equity securities	197	216	227	234	**221**
Long-term assets available for sale	297	290	285	243	**64**
Deferred taxes, net	6,042	5,924	6,226	5,655	**6,486**
Goodwill	1,048	1,048	1,048	1,048	**1,048**
Other assets, deferred charges and intangibles	3,544	2,797	3,200	3,239	**3,928**
Total Assets	507,655	494,190	504,050	531,298	**491,672**

Figures in MXN millions

	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	**30 Jun 2013**
Liabilities					
Deposits	295,537	286,552	295,325	265,007	**253,085**
Demand deposits	171,323	171,126	186,723	162,072	**157,015**
Time deposits	119,977	111,162	104,358	98,666	**95,055**
Retail	118,994	110,226	104,358	98,666	**95,055**
Money market	983	936	-	-	**-**
Bank bonds outstanding	4,237	4,264	4,244	4,269	**1,015**
Bank deposits and other liabilities	25,034	23,754	22,727	29,849	**26,646**
On demand	2,001	1,560	1,980	7,031	**2,901**
Short term	21,446	20,560	19,140	20,788	**21,455**
Long term	1,587	1,634	1,607	2,030	**2,290**
Repurchase agreements	14,786	21,113	20,729	38,608	**30,521**
Stock Borrowing	-	-	-	-	**-**
Financial assets pending to be settled	1,017	34	-	754	**248**
Collateral Sold	8,748	1,557	3,888	4,084	**7,086**
Repurchase	6,025	-	-	-	**-**
Securities to be received in repo transactions	2,723	1,557	3,888	4,084	**7,086**
Derivative transactions	45,760	45,267	40,921	50,472	**44,974**
Technical reserves	10,525	10,718	10,935	11,096	**11,250**
Reinsurers	23	22	16	20	**22**
Other accounts payable	48,467	45,327	48,298	64,481	**51,531**
Income tax and employee profit sharing payable	1,334	835	930	281	**654**
Creditors for settlement of transactions	29,400	26,926	29,829	41,223	**32,260**
Sundry creditors and others accounts payable	17,733	17,566	17,539	22,977	**18,617**
Subordinated debentures outstanding	10,331	10,158	10,196	11,395	**11,650**
Deferred credits	498	508	526	492	**585**
Total Liabilities	460,726	445,010	453,561	476,258	**437,598**
Stockholder's Equity					
Paid in capital					
Capital stock	32,673	32,673	32,673	37,823	**37,823**
Additional paid in capital	5,111	5,111	5,111	5,637	**5,637**
	27,562	27,562	27,562	32,186	**32,186**
Capital Gains					
Capital reserves	14,246	16,496	17,805	17,207	**16,240**
Retained earnings	1,958	2,186	2,157	2,157	**2,458**
Result from the mark-to-market of Available-for-sale securities	8,833	8,833	8,833	12,342	**11,473**
Result from cash flow hedging transactions	1,216	1,157	902	1,314	**315**
Net Income	(87)	(93)	(103)	(90)	**(66)**
Non-controlling interest	2,326	4,413	6,016	1,484	**2,060**
Total Stockholder's Equity	10	11	11	10	**11**
	46,929	49,180	50,489	55,040	**54,074**
Total Liabilities and Capital					
	507,655	494,190	504,050	531,298	**491,672**

Figures in MXN millions

	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	**30 Jun 2013**
Memorandum Accounts	3,968,847	4,317,285	4,608,204	4,660,318	**3,997,875**
Proprietary position	3,864,416	4,218,773	4,519,547	4,572,768	**3,894,991**
Guarantees granted	9	9	4	-	**-**
Contingent assets and liabilities	-	-	-	-	**-**
Irrevocable lines of credit granted	25,203	25,312	25,222	23,431	**22,991**
Goods in trust or mandate	368,630	379,835	402,770	395,854	**406,324**
Trust	367,916	379,200	402,114	395,135	**405,643**
Mandate	714	635	656	719	**681**
Goods in custody or under administration	295,763	331,302	332,846	321,855	**297,620**
Collateral received by the institution	51,373	41,959	48,967	21,188	**23,022**
Collateral received and sold or delivered as guarantee	50,255	34,243	43,200	14,351	**16,017**
Values in deposit	53	53	53	53	**53**
Suspended interest on impaired loans	123	107	113	122	**143**
Recovery guarantees for issued bonds	82,821	41,787	45,274	19,162	**18,891**
Paid claims	12	15	17	-	**12**
Cancelled claims	7	9	22	5	**7**
	-		-	-	**-**
Recovery claims		-			
Responsibilities from bonds in force	3,718	3,613	3,725	3,763	**3,743**
Other control accounts	2,986,449	3,360,529	3,617,334	3,772,984	**3,106,168**

	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	**30 Jun 2013**
Third party accounts	104,431	98,512	88,657	87,550	**102,884**
Clients current accounts	(78)	1	-	-	**-**
Custody operations	41,655	44,529	38,267	39,354	**41,553**
Transactions on behalf of clients	13,153	980	944	840	**14,999**
Third party investment banking operations, net	49,701	53,002	49,446	47,356	**46,332**

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

Consolidated Income Statement

Figures in MXN millions

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

	For the quarter ending					Year to date	
	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	**30 Jun 2013**	30 Jun 2012	**30 Jun 2013**
Interest Income	7,891	8,023	8,284	7,686	**7,471**	15,823	**15,157**
Earned premiums	744	761	762	763	**757**	1,437	**1,520**
Interest expense	(2,796)	(2,704)	(2,784)	(2,258)	**(2,135)**	(5,609)	**(4,393)**
Increase in technical reserves	(105)	(263)	(255)	(289)	**(148)**	(328)	**(437)**
Claims	(247)	(231)	(256)	(190)	**(284)**	(527)	**(474)**
Net interest income	5,487	5,586	5,751	5,712	**5,661**	10,796	**11,373**
Loan impairment charges	(1,681)	(924)	(418)	(1,539)	**(2,238)**	(3,335)	**(3,777)**
Risk adjusted net interest income	3,806	4,662	5,333	4,173	**3,423**	7,461	**7,596**
Fees and commissions receivable	2,093	2,171	2,171	2,051	**2,233**	4,151	**4,284**
Fees payable	(561)	(509)	(524)	(420)	**(436)**	(1,116)	**(856)**
Trading Income	745	969	524	722	**501**	1,461	**1,223**
Other operating income	1,127	652	327	594	**791**	1,998	**1,385**
Administrative and personnel expenses	(5,664)	(5,222)	(5,604)	(5,085)	**(5,546)**	(11,178)	**(10,631)**
Net operating income	1,546	2,723	2,227	2,035	**966**	2,777	**3,001**
Undistributed income from subsidiaries	20	7	7	7	**11**	28	**18**
Net income before taxes	1,566	2,730	2,234	2,042	**977**	2,805	**3,019**
Income tax and employee profit sharing tax	(434)	(575)	(696)	(238)	**(764)**	(727)	**(1,002)**
Deferred income tax	(92)	(158)	1	(388)	**204**	63	**(184)**
Income from ongoing operations	1,040	1,997	1,539	1,416	**417**	2,141	**1,833**
Discontinued operations	88	91	64	68	**159**	185	**227**
Non-controlling interest	-	(1)	-	-	**-**	-	**-**
Net income (loss)	1,128	2,087	1,603	1,484	**576**	2,326	**2,060**

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

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

From 1 January to 30 June 2013

	Paid in capital				Earned capital							
	Capital Stock	Advances for future capital increases	Shares Premiums	Subordinated debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement	Results from holding non-monetary assets (Valuation of permanent investments)	Net income	Non-controlling interest	**Total Stock-holders Equity**
Balances at 01 January 2013	**5,111**	**-**	**27,562**	**-**	**2,157**	**8,833**	**799**	**-**	**-**	**6,016**	**11**	**50,489**
Movements Inherent to the Shareholders Decision												
Subscription of shares	526		4,624	-	-	-	-	-	-	-	-	5,150
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	301	(301)	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	-	6,016	-	-	-	(6,016)	-	-
Cash dividends	-	-	-	-	-	(2,500)	-	-	-	-	-	(2,500)
Others												
Total Movements Inherent to the Shareholders Decision	**526**	**-**	**4,624**	**-**	**301**	**3,215**	**-**	**-**	**-**	**(6,016)**	**-**	**2,650**
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income												
Net result	-	-	-	-	-	-	-	-	-	2,060	-	2,060
Result from valuation of available-for-sale securities	-	-	-	-	-	-	(587)	-	-	-	-	(587)
Result from cash flow hedging transactions	-	-	-	-	-	-	37	-	-	-	-	37
Results from holding non-monetary assets												
Others	-	-	-	-	-	(575)	-	-	-	-	-	(575)
Total Movements Inherent for the Recognition of the Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**(575)**	**(550)**	**-**	**-**	**2,060**	**-**	**935**
Balances at 30 June 2013	**5,637**	**-**	**32,186**	**-**	**2,458**	**11,473**	**249**	**-**	**-**	**2,060**	**11**	**54,074**

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

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

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

Consolidated Statement of Cash Flow

Figures in MXN millions **Grupo Financiero HSBC, S.A. de C.V.**
From 1 January to 30 June 2013

Net income	**2,060**
Adjustments for items not involving cash flow:	**4,377**
Gain or loss on appraisal of activities associated with investment & financing	-
Allowances for loan losses	-
Depreciation and amortization	900
Provisions	2,099
Income Tax and deferred taxes	1,185
Technical reserves	437
Discontinued operations	(227)
Undistributed income from subsidiaries	(17)
Changes in items related to operating activities:	
Memorandum accounts	36
Investment securities	16,130
Repurchase agreements	(2,127)
Derivative (assets)	(4,370)
Loan portfolio	8,036
Foreclosed assets	36
Operating assets	(6,749)
Deposits	(42,240)
Bank deposits and other liabilities	3,919
Settlement accounts	248
Creditors repo transactions	9,792
Collateral sold or delivered as guarantee	3,198
Derivative (liabilities)	4,053
Subordinated debentures outstanding	1,454
Accounts receivables from reinsurers and coinsurers	22
Accounts receivables from premiums	32
Reinsurers and bonding	6
Other operating liabilities	1,524
Income tax paid	(1,897)
Funds provided by operating activities	**(8,897)**
Investing activities:	
Acquisition of property, furniture and equipment	(598)
Intangible assets acquisitions	(728)
Others	514
Funds used in investing activities	**(812)**
Financing activities:	
Share issue	5,150
Cash dividends	(2,500)
Others	(575)
Funds used in financing activities	**2,075**
Increase/decrease in cash and equivalents	**(1,197)**
Adjustments to cash flow variations in the exchange rate and inflation levels	**-**
Cash and equivalents at beginning of period	**55,846**
Cash and equivalents at end of period	**54,649**

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

Financial Statements HSBC Mexico, S.A.

Consolidated Balance Sheet

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

	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	**30 Jun 2013**
Assets					
Cash and deposits in banks	51,374	43,430	55,846	55,703	**54,649**
Margin Accounts	31	77	53	-	**18**
Investment in Securities	143,224	140,291	140,158	142,207	**122,966**
Trading securities	34,366	34,661	36,338	30,589	**27,065**
Available-for-sale securities	102,451	99,171	97,339	105,095	**89,363**
Held to maturity securities	6,407	6,459	6,481	6,523	**6,538**
Repurchase agreements	5,402	5,836	7,706	3,229	**9,833**
Derivative transactions	45,847	47,048	43,349	54,171	**47,719**
Performing loans					
Commercial loans	140,315	134,937	142,094	139,164	**127,007**
Commercial entities	106,589	103,060	109,164	107,067	**100,489**
Loans to financial intermediaries	5,191	5,119	4,823	5,427	**4,978**
Loans to government entities	28,535	26,758	28,107	26,670	**21,540**
Consumer loans	31,916	33,390	33,585	34,848	**36,775**
Mortgages loans	18,629	18,889	19,287	19,784	**20,736**
Total performing loans	190,860	187,216	194,966	193,796	**184,518**
Impaired loans					
Commercial loans	2,461	2,019	2,075	2,460	**6,244**
Commercial entities	2,461	1,949	2,072	2,460	**6,237**
Loans to financial intermediaries	-	-	3	-	**7**
Loans to government entities	-	70	-	-	**-**
Consumer loans	1,095	1,076	1,302	1,194	**1,338**
Mortgage Loans	655	674	636	673	**696**
Total non-performing loans	4,211	3,769	4,013	4,327	**8,278**
Total loan portfolio	195,071	190,985	198,979	198,123	**192,796**
Allowance for loan losses	(10,639)	(10,183)	(9,381)	(9,539)	**(11,234)**
Net loan portfolio	184,432	180,802	189,598	188,584	**181,562**
Other accounts receivable	42,784	41,189	31,972	52,631	**38,090**
Foreclosed assets	198	231	218	201	**181**
Property, furniture and equipment, net	7,714	7,371	7,207	7,138	**6,905**
Long term investments in equity securities	111	130	139	145	**136**
Long term assets available for sale	7	-		-	**-**
Deferred taxes	5,946	5,824	6,138	5,574	**6,360**
Other assets, deferred charges and intangibles	3,160	2,693	3,076	3,044	**3,743**
Total Assets	490,230	474,922	485,460	512,627	**472,162**

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

Liabilities

	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	**30 Jun 2013**
Deposits	296,209	287,279	295,873	265,476	**253,563**
Demand deposits	171,995	171,853	187,271	162,541	**157,493**
Time deposits	119,977	111,162	104,358	98,666	**95,055**
Retail	118,994	110,226	104,358	98,666	**95,055**
Money market	983	936	-	-	**-**
Bank bonds outstanding	4,237	4,264	4,244	4,269	**1,015**
Bank deposits and other liabilities	25,034	23,754	22,727	29,849	**26,646**
On demand	2,001	1,560	1,980	7,031	**2,901**
Short term	21,446	20,560	19,140	20,788	**21,445**
Long term	1,587	1,634	1,607	2,030	**2,290**
Repurchase agreements	20,811	21,113	20,729	38,608	**30,521**
Stock Borrowing	-	-	-	-	**-**
Financial assets pending to be settled	1,017	34	-	754	**248**
Collateral Sold	2,723	1,557	3,888	4,084	**7,077**
Repurchase	-	-	-	-	**-**
Securities to be received in repo transactions	2,723	1557	3,888	4,084	**7,077**
Derivative transactions	45,760	45,267	40,921	50,472	**44,974**
Other accounts payable	47,559	43,238	47,813	63,620	**50,408**
Income tax and employee profit sharing payable	909	658	746	184	**527**
Contributions for future capital increases	-	-	-	-	**-**
Creditors for settlement of transactions	29,064	24,336	29,556	40,613	**31,576**
Sundry creditors and others accounts payable	17,586	18,244	17,511	22,823	**18,305**
Subordinated debentures outstanding	10,331	10,158	10,196	11,395	**11,650**
Deferred credits	498	508	526	492	**585**
Total Liabilities	449,942	432,908	442,673	464,750	**425,672**

Stockholder's Equity

	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	**30 Jun 2013**
Paid in capital	27,618	27,618	27,618	32,768	**32,768**
Capital stock	5,261	5,261	5,261	5,680	**5,680**
Additional paid in capital	22,357	22,357	22,357	27,088	**27,088**
Capital Gains	12,669	14,394	15,167	15,108	**13,721**
Capital reserves	10,373	10,603	10,573	10,573	**10,973**
Retained earnings	(202)	(204)	(202)	2,389	**1,420**
Result from the mark-to-market of Available-for-sale securities	1,216	1,157	902	1,314	**315**
Result from cash flow hedging transactions	(87)	(93)	(103)	(90)	**(66)**
Net Income	1,369	2,931	3,997	922	**1,079**
Non-controlling interest	1	2	2	1	**1**
Total Stockholder's Equity	40,288	42,014	42,787	47,877	**46,690**
Total Liabilities and Capital	490,230	474,922	485,460	512,627	**472,162**

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

Memorandum Accounts

	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	**30 Jun 2013**
Guarantees granted	9	9	4	-	**-**
Contingent assets and liabilities	-	-	-	-	**-**
Irrevocable lines of credit granted	25,203	25,312	25,222	23,431	**22,991**
Goods in trust or mandate	368,630	379,835	402,770	395,854	**406,324**
Goods	367,916	379,200	402,114	395,135	**405,643**
Trusts	714	635	656	719	**681**
Goods in custody or under administration	290,653	370,574	365,995	355,566	**291,983**
Collateral received by the institution	51,373	41,959	48,967	21,188	**23,022**
Collateral received and sold or delivered as guarantee	44,235	34,243	43,200	14,351	**16,017**
Third party investment banking operations, net	49,701	53,002	49,446	47,356	**46,332**
Suspended interest on impaired loans	123	107	113	122	**143**
Other control accounts	2,974,311	3,349,200	3,606,407	3,761,261	**3,150,463**
	3,804,238	4,254,241	4,542,124	4,619,129	**3,957,275**

The present income statement was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission as specified in Articles 99, 101 and 102 of the Law for Credit Institutions, of general observance and mandatory, applied in a consistent manner, this statement reflects all operations performed by the institution up to the date mentioned above, these operations were performed following healthy banking practice and following applicable legal and administrative requirements. The present statement has been approved by the Board of Directors under the responsibility of the signing officers.
Historical paid in capital of the Institution amounts to MNX 3,880 millions.
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LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	NGAR YEE LOUIE	JUAN JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

HSBC

Consolidated Income Statement

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

	For the quarter ending					Year to date	
	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	**30 Jun 2013**	30 Jun 2012	**30 Jun 2013**
Interest income	7,702	7,828	8,075	7,474	**7,246**	15,444	**14,720**
Interest expense	(2,797)	(2,713)	(2,789)	(2,262)	**(2,138)**	(5,615)	**(4,400)**
Net interest income	4,905	5,115	5,286	5,212	**5,108**	9,829	**10,320**
Loan impairment charges	(1,681)	(924)	(418)	(1,539)	**(2,238)**	(3,335)	**(3,777)**
Risk adjusted net interest income	3,224	4,191	4,868	3,673	**2,870**	6,494	**6,543**
Fees and commissions receivable	1,966	2,032	2,057	1,969	**2,119**	3,925	**4,088**
Account management	106	102	104	89	**95**	209	**184**
Services	1,860	1,930	1,953	1,880	**2,024**	3,716	**3,904**
Fees payable	(456)	(430)	(460)	(424)	**(429)**	(904)	**(853)**
Trading Income	740	881	458	584	**630**	1,347	**1,214**
Foreign exchange	1,290	109	(110)	(233)	**433**	366	**200**
Securities trading, net	(49)	145	250	106	**55**	(18)	**161**
Repos	(46)	1	(12)	-	**-**	(47)	**-**
Swaps	72	591	103	311	**1,296**	249	**1,607**
Valuation off-shore agencies	(601)	98	454	663	**(1,009)**	654	**(346)**
Valuation for trading swaps	124	151	70	63	**174**	232	**237**
Valuation for FX options	(50)	(214)	(297)	(326)	**(319)**	(89)	**(645)**
Other operating income	1,202	740	346	636	**872**	2,173	**1,508**
Administrative and personnel expenses	5,788	5,293	5,674	5,076	**5,486**	11,376	**10,562**
Personnel expense	2,430	2,317	2,381	2,239	**2,358**	4,843	**4,597**
Administrative expense	2,980	2,621	2,925	2,391	**2,674**	5,630	**5,065**
Depreciation and amortization	378	355	368	446	**454**	903	**900**
Net operating income	888	2,121	1,595	1,362	**576**	1,659	**1,938**
Undistributed income from subsidiaries	19	7	3	7	**14**	25	**21**
Net income before taxes	907	2,128	1,598	1,369	**590**	1,684	**1,959**
Income tax	(240)	(404)	(543)	(69)	**(592)**	(377)	**(661)**
Deferred income tax	(84)	(162)	11	(378)	**159**	62	**(219)**
Net income before discontinued operations	583	1,562	1,066	922	**157**	1,369	**1,079**
Non-controlling interest	-	-	-	-	**-**	-	
Net income (loss)	583	1,562	1,066	922	**157**	1,369	**1,079**

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

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

HSBC

Consolidated Statement of Changes in Shareholder's Equity

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

From 1 January to 30 June 2013

	Paid in capital				Earned Capital							
	Capital Stock	Advances for future capital increases	Shares Premium	Subordinated debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement	Results from holding non-monetary assets	Net Income	Non-controlling interest	**Total stock-holder's Equity**
Balances at January 31, 2013	5,261		22,357		10,573	(202)	902	(103)		3,997	2	**42,787**
Movements Inherent to the Shareholders Decision												
Subscription of shares	419		4,731									**5,150**
Capitalization of retained earnings												
Constitution of reserves					400	(400)						
Transfer of result of prior years						3,997				(3,997)		
Cash dividends						(1,400)						**(1,400)**
Total Movements Inherent to the Shareholders Decision	419		4,731		400	2,197	902	(103)		(3,997)		**3,750**
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income												
Net result										1,079		**1,079**
Result from valuation of available-for-sale securities							(587)					**(587)**
Result from cash flow hedging transactions								37				**37**
Results from holding non-monetary assets												**-**
Others						(575)					(1)	**(576)**
Total Movements Inherent for the Recognition of the Comprehensive Income						(575)	(587)	37		1,079	(1)	**(47)**
Balances as at June 30, 2013	5,680		27,088		10,973	1,420	315	(66)		**1,079**	**1**	**46,490**

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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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

From 1 January to 30 June 2013 ***HSBC Mexico, S.A. (Bank)***

	30 June 2013
Net income	**1,079**
Adjustments for items not involving cash flow:	**3,857**
Depreciation and amortization	900
Provisions	2,099
Income Tax and deferred taxes	879
Undistributed income from subsidiaries	(21)
Changes in items related to operating activities:	
Margin accounts	36
Investment securities	16,847
Repurchase agreements	(2,127)
Derivative (assets)	(4,370)
Loan portfolio	8,036
Foreclosed assets	36
Operating assets	(6,118)
Deposits	(42,310)
Bank deposits and other liabilities	3,919
Creditors repo transactions	9,792
Stock borrowing	-
Collateral sold or delivered as guarantee	3,189
Derivative (liabilities)	4,053
Subordinated debentures outstanding	1,454
Other operating liabilities	1,351
Income tax payable	(1,897)
Funds provided by operating activities	**(8,109)**
Investing activities:	
Acquisition of property, furniture and equipment	(598)
Intangible assets acquisitions	(667)
Others	66
Funds used in investing activities	**(1,199)**
Financing activities:	
Shares issue	5,150
Cash dividend	(1,400)
Others	(575)
Funds used or provided by financing activities	**3,175**
Increase/decrease in cash and equivalents	**(1,197)**
Adjustments to cash flow variations in the exchange rate and inflation levels	**-**
Cash and equivalents at beginning of period	**55,846**
Cash and equivalents at end of period	**54,649**

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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Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Financial Instruments

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

Figures in MXN millions

Investments in securities

	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	**30 Jun 2013**
Government securities	34,606	34,404	30,339	26,216	**27,172**
Bank securities	2,255	1,236	2,114	1,579	**967**
Shares	2,537	4,289	9,832	8,765	**5,186**
Others	1,379	1,664	1,850	1,120	**1,261**
Trading securities	40,777	41,593	44,135	37,680	**34,586**
Government securities	89,491	85,408	93,139	100,977	**85,252**
Bank securities	301	1,633	1,840	1,888	**1,854**
Obligations and other securities	12,649	12,120	2,360	2,230	**2,259**
Shares	10	10	0	0	**0**
Available for sale securities	102,451	99,171	97,339	105,095	**89,365**
Special Cetes (net)	13,066	13,195	13,391	13,746	**14,175**
Bank securities	155	158	63	63	**64**
Corporate securities	1,868	1,872	1,859	1,853	**1,874**
Securities held to maturity	15,089	15,225	15,313	15,662	**16,113**
Total Financial Instruments	158,317	155,989	156,787	158,437	**140,064**

In the second quarter of 2013, investment in securities decreased by MXN (18,373)m, the main changes include: Government Securities MXN(14,769)m, shares MXN(3,579)m.

Repos

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

Figures in MXN millions

	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	**30 Jun 2013**
Repo's Government securities (credit)	14,533	20,984	20,484	38,466	**30,295**
Repo's Bank securities (credit)	-	-	-	-	-
Repo's Others securities (credit)	-	-	-	-	-
Valuation increase (decrease)	-	-	-	-	-
Accrued interest payable	253	129	245	142	**226**
Credit balance in repo agreements	14,786	21,113	20,729	38,608	**30,521**
Repurchase agreements in government securities	46,500	37,800	43,000	10,500	**13,000**
Accrued interest receivable	26	43	12	14	**16**
Debit balance repo securities agreements	46,526	37,843	43,012	10,514	**13,016**
Government securities	41,113	31,994	35,293	7,281	**3,182**
Interest in collateral delivered as guarantee	11	13	13	4	**1**
Total in collateral delivered as guarantee	41,124	32,007	35,306	7,285	**3,183**

Derivative Financial Instruments

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at June 30, 2013

	Futures		Forwards Contracts		Options		Swaps		
	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Total (net)
For trading									
Pesos	-	-	4,538	2,726	80	36	26,843	27,697	1,002
Foreign currency	-	-	10	34	226	226	16,008	14,158	1,826
Interest Rate	-	-	-	-	-	-			-
Total	**-**	**-**	**4,548**	**2,760**	**306**	**262**	**42,851**	**41,855**	**2,828**
For hedging									
Pesos	-	-	-	-	-	-	14	-	14
Foreign currency	-	-	-	-	-	-	-	97	(97)
Interest Rate	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**14**	**97**	**(83)**

Collateral Sold or delivered as guarantee

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

Stock borrowing	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	**30 Jun 2013**
Cetes	595	377	1,012	719	**1,009**
Valuation increase (decrease)	-	-	-	-	**-**
Bonds	2,108	1,139	2,884	3,425	**6,085**
Valuation increase (decrease)	20	41	(8)	(60)	**(17)**
Shares	-	-	-	-	**-**
Valuation increase (decrease)	-	-	-	-	**-**
Total	2,723	1,557	3,888	4,084	**7,077**

Loan Portfolio

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

By type of currency

Figures in MXN millions at June 30, 2013

	Commercial or Business Activity	Financial Intermediaries	Government Entities	Consumer Loans	Mortgage Loans	Total
Performing Loan Portfolio						
Pesos	75,720	4,741	21,519	36,775	19,611	158,366
US Dollars	24,769	237	21	-	-	25,027
Udis Banxico	-	-	-	-	1,125	1,125
Total	**100,489**	**4,978**	**21,540**	**36,775**	**20,736**	**184,518**

Non Performing

Loans Portfolio						
Pesos	5,509	7	-	1,338	626	7,480
US Dollars	727	-	-	-	1	728
Udis Banxico	1	-	-	-	69	70
Total	**6,237**	**7**	**-**	**1,338**	**696**	**8,278**

Loan Portfolio Grading

HSBC Mexico, S.A. (Bank)

Figures in constant MXN millions at June 30, 2013

		Allowance for Loan Losses by type of loan			
	Total loan portfolio	*Commercial loans*	*Consumer loans*	*Mortgages loans*	*Total reserves*
Excepted from rating	4,387				
Rated	211,399				
Risk A	**156,160**	**4,296**	**24**	**52**	**4,372**
Risk A-1	148,746	4,166	24	52	4,242
Risk A-2	7,414	130	0	0	130
Risk B	**47,925**	**801**	**2,283**	**139**	**3,223**
Risk B-1	31,975	276	1,491	139	1,906
Risk B-2	12,027	60	792	0	852
Risk B-3	3,923	465	0	0	465
Risk C	**4,006**	**133**	**868**	**158**	**1,159**
Risk C-1	3,856	115	868	158	1,141
Risk C-2	150	18	0	0	18
Risk D	**3,257**	**1,170**	**1,166**	**12**	**2,348**
Risk E	**51**	**60**	**49**	**23**	**132**
Total	**215,786**	**6,460**	**4,390**	**384**	**11,234**
Less:					
Constituted loan loss provisions					**11,234**
Surplus					**0**

The figures related to the rating and constitution of loan loss allowances correspond to those as at June 30, 2013.

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

As at June 2013, the increase in loan loss reserves charged to Income Statement was MXN 3,777 million. In the other hand, MXN 2,607 million was related to write offs and MXN 129 million was related to debt forgiveness.

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

Portfolio	Weighted average		MXN Million
	Probability of default	Loss given default	Exposure at default
Consumer	11.47%	70.94%	46,941
Mortgages	4.20%	26.46%	21,081
Commercial	11.79%	44%	114,849

Non – Performing Loans

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	At the quarter ending				
	30 Jun 2012	*30 Sep 2012*	*31 Dec 2012*	*31 Mar 2013*	***30 Jun 2013***
Initial Balance of Impaired Loans	4,978	4,211	3,769	4,013	**4,326**
Increases	3,126	3,365	3,360	3,465	**7,876**
Transfer of current loans to past due status	3,126	3,365	3,360	3,465	**7,876**
Decreases	3,893	3,807	3,116	3,151	**3,925**
Restructurings	89	133	182	82	**94**
Liquidated credits	2,813	2,451	1,920	1,819	**2,088**
Charged in cash	544	1,100	741	608	**868**
Foreclosed assets	117	61	9	-	**1**
Write-offs	-	-	-	-	**-**
Sale of portfolio	2,152	1,290	1,170	1,211	**1,219**
Transfer to performing loan status	1,023	1,185	1,019	1,216	**1,788**
FX revaluations	32	(38)	5	(34)	**45**
Final Balance of Impaired Loan	4,211	3,769	4,013	4,327	**8,277**

Federal Government support programs

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

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

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

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

		June 2013		December 2012	
		Portfolio	Cost	Portfolio	Cost
ETA/BADCV	$	380	10	582	10

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 30 June 2013 and 31 December 2012 by ETS amounted to $377 and $566 respectively, of principal plus $2.41 and $15 corresponding to the accrued not collected financial cost.
The Government discount in Mexican pesos or UDIS related to those credits that should have shown sustained payment by March 31, 2011, according to the agreement, amounts to $167 at December 31, 2010.

There were no discount in charge to the Government related to credits in UDIS for which they received prior discounts over the outstanding balance before they were incorporated in to the “Discount program”, as referred at the numeral 3.1.2 of the Circular 1430 issued by the Banking Commission.

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

The number of securities related to BADCV that are held by the Bank at 30 June 2013 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

	30 Jun 2012	*30 Sep 2012*	*31 Dec 2012*	*31 Mar 2013*	***30 Jun 2013***
Loan loss reserves	5,954	5,517	5,342	5,485	**5,783**
Valuation of securities	(563)	(426)	(333)	(515)	**103**
Fiscal loss	17	6	9	11	**6**
Other reserves	872	951	1,221	667	**678**
PTU Payable	53	73	103	128	**69**
Foreclosed assets	219	238	237	249	**258**
Other	174	176	188	166	**196**
Differences in rates of fixed assets	219	276	331	351	**293**
Fiscal result UDIS-Banxico	(903)	(887)	(872)	(887)	**(901)**
Total Deferred Taxes	6,042	5,924	6,226	5,655	**6,485**

Funding, Loans and Investments in Securities

HSBC Mexico, S.A. (Bank)

Funding and bank loans – Average Interest rates

	At the quarter ending				
	30 Jun 2012	*30 Sep 2012*	*31 Dec 2012*	*31 Mar 2013*	***30 Jun 2013***
MXN pesos					
Funding	2.42%	2.33%	2.35%	2.21%	**1.88%**
Bank and other loans	4.88%	4.90%	4.89%	4.80%	**4.21%**
Foreign currency					
Funding	0.06%	0.05%	0.05%	0.06%	**0.05%**
Bank and other loans	0.93%	1.00%	0.95%	0.91%	**0.97%**
UDIS					
Funding	0.21%	0.21%	0.18%	0.17%	**0.16%**

Long Term Debt

HSBC Mexico, S.A. (Bank)

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

Figures in MXN millions

Instrument	*Issue Date*	*Amount*	*Currency*	*Interest payable*	*Amount in circulation*	*Rate*
		MXN millions			*MXN millions*	
INTENAL 03	24-NOV-2003	2,200	MXN	2	2,202	25-NOV-2013
HSBC 08	30-SEP-2008	1,818	MXN	6	1,824	20-SEP-2018
HSBC 08-2	18-DEC-2008	2,273	MXN	11	2,284	10-DIC-2018
HSBC 09D(USD300)[1]	26-JUN-2009	3,905	USD	2	3,907	28-JUN-2019
HSBC 13-1D(USD)	31-JAN-2013	1,433	USD	0	1,433	10-DEC-2022
		11,629		**21**	**11,650**	

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

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

Figures in MXN millions

Instrument	*Issue Date*	*Amount*	*Currency*	*Interest payable*	*Amount in circulation*	*Maturity Date*
		MXN millions			*MXN millions*	
Bank bonds out-siding	10-MAY-2006	1,000	MXN	15	1,015	27-ABR-2016
		1,000		**15**	**1,015**	

Capital

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

Grupo Financiero HSBC

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

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

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

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

The capital stock is included in the amount of MXN 5,637 million, represented by 2'818,383,598 shares.

HSBC Mexico, S.A.

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

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

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

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

On December 17, 2012, the Extraordinary Shareholders agreed to issue and place subordinated preferred, convertible necessarily ordinary shares representing the share capital of the Company up to an amount of MX500 million, same as at March 31, 2013 were issued only US110 million.

The capital stock increased to MXN 3,880 million representing 1,940'009,665 shares.

Capital Ratio

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	30 Jun 2012	*30 Sep 2012*	*31 Dec 2012*	*31 Mar 2013*	***30 Jun 2013***
% of assets subject to credit risk					
Tier 1	16.58%	18.03%	17.87%	20.58%	**20.09%**
Tier 2	4.97%	5.05%	4.50%	4.76%	**4.07%**
Total regulatory capital	21.55%	23.08%	22.36%	25.34%	**24.16%**

	30 Jun 2012	30 Sep 2012	31 Dec 2012	31 Mar 2013	**30 Jun 2013**
% of assets subject to credit, market risk and operational risk					
Tier 1	10.48%	11.25%	11.59%	13.67%	**13.43%**
Tier 2	3.14%	3.15%	2.92%	3.16%	**2.72%**
Total regulatory capital	13.62%	14.40%	14.51%	16.8%	**16.15%**
Tier 1	34,837	36,946	38,373	44,749	**42,561**
Tier 2	10,445	10,347	9,655	10,343	**8,615**
Total regulatory capital	45,282	47,293	48,028	55,092	**51,176**
RWA credit risk	210,167	204,931	214,756	217,415	**211,796**
RWA market risk	83,799	84,459	76,868	69,953	**64,673**
RWA operational risk	38,596	39,004	39,478	40,073	**40,500**
RWA credit and market risk	332,562	328,394	331,102	327,441	**316,969**

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

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

Trading income

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	For the quarter ending…					*Year to date*	
	30 Jun 2012	*30 Sep 2012*	*31 Dec 2012*	*31 Mar 2013*	***30 Jun 2013***	*30 Jun 2012*	***30 Jun 2013***
Valuation	(409)	302	565	704	**(738)**	1,036	**(34)**
Derivatives	(664)	263	542	532	**(121)**	607	**411**
Repos	-	-	-	-	**-**	-	**-**
Debt Securities	174	(40)	(4)	194	**(713)**	302	**(519)**
Foreign Exchange	81	79	27	(22)	**96**	127	**74**
Impairment loss on securities	-	-	(14)	-	**-**	-	**-**
Buying and Selling Instruments	1,149	579	(93)	(120)	**1,369**	311	**1,249**
Foreign Currency	1,226	46	(137)	(212)	**338**	224	**126**
Derivatives	(404)	47	(70)	(475)	**576**	(419)	**101**
Repos	-	1	-	-	**-**	(1)	**-**
Shares	-	1	1	35	**(180)**	(1)	**(145)**
Debt Securities	327	484	113	532	**635**	508	**1,167**
Total	740	881	458	584	**631**	1,347	**1,215**

Other Operating Income (Expenses)

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

Figures in MXN millions

	Por el trimestre terminado el					*Acumulado al*	
	30 Jun 2012	*30 Sep 2012*	*31 Dec 2012*	*31 Mar 2013*	***30 Jun 2013***	*30 Jun 2012*	***30 Jun 2013***
Loans to employees	34	34	34	34	**34**	68	**68**
Recoveries	454	10	11	5	**4**	598	**9**
Credit portfolio recoveries	179	183	195	187	**174**	352	**361**
Result of Foreclosed assets	12	(6)	30	18	**27**	18	**45**
Property sales	(7)	-	-	-	**-**	-	**-**
Estimate for doubtful		-	-	-	**(487)**	-	**(487)**
Other items of income (expenses)	471	373	410	330	**1,033**	1,007	**1,363**
Other income (expenses) arising from op. Insurance and Bonding	91	94	90	86	**83**	177	**169**
Monetary position result	-	13	15	7	**(7)**	5	**-**
Other losses	(107)	(49)	(458)	(73)	**(70)**	(227)	**(143)**
Total Other Operating Income (expenses)	1,127	652	327	594	**791**	1,998	**1,385**

Information on Customer Segment and Results

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

Consolidated Income Statement by Customer Segment

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

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

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

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

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

Figures in MXN millions	Year to date at 30 June 2013				
	RBWM	CMB	GBM	OAC	Total
Net Interest Income	7,391	3,114	868	-	11,373
Provision for Loan Loss	2,592	803	382	-	3,777
Net Interest Income adjusted	**4,799**	**2,311**	**486**	**-**	**7,596**
Fees and Commissions, net	2,329	782	317	-	3,428
Trading Income	67	85	1,071	-	1,223
Other operation income	1,514	249	-378	-	1,385
Total Revenue	**8,709**	**3,427**	**1,496**	**-**	**13,632**
Administrative Expenses	6,933	2,576	1,125	-3	10,631
Operating Income	**1,776**	**851**	**371**	**3**	**3,001**
Undistributed income from subsidiaries	12	5	1	-	18
Profit Before Taxes	**1,788**	**856**	**372**	**3**	**3,019**
Taxes	760	365	60	1	1,186
Net Income before discontinued operations	**1,028**	**491**	**312**	**2**	**1,833**
Discontinued operations	211	16	-	-	227
Participated Net Income	**1,239**	**507**	**312**	**2**	**2,060**

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 June 30, 2013 is shown below:
Figures in MXN millions

	Bank	Brokerage house	Mutual funds management	Services	Group	Insurance	Bonding	Total
Balance Sheet								
Cash and deposits in banks	-	423	-	1	15	6	33	**478**
Demand deposits	(478)	-	-	-	-	-	-	**(478)**
Premium receivables	-	-	-	-	-	39	-	**39**
Sundry debtors (assets)	571	385	6	18	-	-	-	**980**
Sundry creditors (liabilities)	(441)	(394)	(69)	(5)	-	(107)	(5)	**(1,021)**
Long-term assets available for sale	-	-	-	-	-	8	-	**8**
Total	**(348)**	**414**	**(63)**	**14**	**15**	**(60)**	**28**	**-**

	Bank	Brokerage house	Mutual funds management	Services	Group	Insurance	Bonding	Total
P&L								
Payable commissions	(16)	-	(255)	-	-	(92)	-	**(363)**
Receivable commissions	263	16	9	-	-	-	-	**288**
Discontinued operations	-	-	-	-	-	(43)	-	**(43)**
Interest income	-	8	-	-	-	-	-	**8**
Interest expense	(8)	-	-	-	-	-	-	**(8)**
Earned premiums	-	-	-	-	-	107	-	**107**
Administrative and personnel expenses	(107)	(1)	-	-	-	(9)	(1)	**(118)**
Administrative services	(129)	(17)	(45)	(7)	(1)	(107)	(4)	**(310)**
Other income	308	-	-	131	-	-	-	**439**
Total	**311**	**6**	**(291)**	**124**	**(1)**	**(144)**	**(5)**	**-**

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

Grupo Financiero HSBC

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

Figures in MXN millions	**30 Jun 2013**
Grupo Financiero HSBC – Net Income Under Mexican GAAP	**2,060**
Differences arising from:	
Valuation of defined benefit pensions and post-retirement healthcare benefits♦	46
Deferral of fees received and paid on the origination of loans and other effective interest rate adjustments♦	11
Loan impairment charges and other differences in presentation under IFRS♦	(1,126)
Recognition of the present value in-force of long-term insurance contracts ♦	(199)
Differences in tax criteria	(3,204)
Other differences in accounting principles♦	269
Net income under IFRS	(2,143)
US dollar equivalent (millions)	**(171)**
Add back tax expense	**3,883**
Profit before tax under IFRS	**1,740**
US dollar equivalent (millions)	**139**
Exchange rate used for conversion	*12.56*

♦ Net of tax at 30%.

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

Valuation of defined benefit pensions and post-retirement healthcare benefits

Mexican GAAP

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

IFRS

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

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

Mexican GAAP

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

IFRS

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

Loan impairment charges and other differences in presentation under IFRS

Mexican GAAP

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

IFRS

Impairment losses on collectively assessed loans are calculated as follows:

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

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

Present value of in-force long-term life insurance contracts

Mexican GAAP

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

IFRS

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

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

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

Participation by Subsidiary

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

Group Subsidiaries at June 30, 2013

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

Ratings HSBC México, S.A.

HSBC Mexico, S.A. (Bank)

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

Accounting Policies

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

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

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

Modifications in to the policies, standards and accounting practices

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

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

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

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

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

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

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

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

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

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

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

VI. Improvements to Bulletin D-5 “Leases”

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

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

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

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

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

MXN millions

Prior methodology	Actual methodology
3,944	4,547

Treasury Policies

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

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

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

Dividends Policy

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

Paid Dividends

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

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

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

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

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

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

Internal Control

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

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

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

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

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

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

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

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

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

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

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

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

Risk Management

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

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

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

Assets and Liabilities Committee (ALCO)

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

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

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

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

Risk Management Committee (RMC)

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

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

Objetives and responsibilities:

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

- Monitor current risks that could have an impact in the legal entities that comprise "GrupoFinanciero HSBC Mexico S.A. de C.V.", according to the frequency defined for each entity:
  - ✓ Bank, Brokerage House (including Mutual Funds), Bonding, Global Asset Management, Insurance, Life Insurance and Pension entities on a monthly basis.
  - ✓ Real State and Foundation entities on a semiannually basis.
  - ✓ Services Provider and Financial Services entities on a quarterly basis.

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

Market Risk Management

Qualitative Information

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

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

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

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

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

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

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

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

Value at Risk (VaR)

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

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

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

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

Spread over yield risk

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

Basis Risk

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

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

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

Credit Spread Risk (CSO1)

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

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

Vega or implied volatility risk

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

Extreme Conditions Tests (Stress Test)

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

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

Validation and Calibration Methods for Market Risk models:

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

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

Applicable portfolios:

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

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

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

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

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

Quantitative Information

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

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

	Bank		Trading Intent		Accrual	
	Average 2Q13	Limits*	Average 2Q13	Limits*	Average 2Q13	Limits*
Combined	21.05	38.00	3.96	15.00	18.07	35.00
Interest Rate	16.15	40.00	3.07	N/A	13.45	38.00
Credit Spread	6.05	22.00	0.49	4.00	5.61	22.00
FX	0.58	5.00	0.58	5.00	N/A	N/A
Volatility IR	0.11	4.50	0.11	N/A	0.00	2.50
Volatility FX	0.02	2.00	0.02	2.00	N/A	N/A
Equities	0.07	2.50	0.07	2.50	N/A	N/A

N/A = Not applicable

** Absolute Value*

Value at Risk of Global Market (VaR) (Last quarter comparison)					
	27-Mar-13	28-Jun-13	Limits*	Average 1Q13	Average 2Q13
HBMI	**21.18**	**19.64**	38.00	19.83	21.05
Accrual	**16.48**	**18.56**	35.00	17.03	18.07
All Trading	**3.74**	**2.14**	15.00	3.95	3.96

** Absolute Value*

N/A = Non Aplicable

The Bank's VaR at the end of 2Q13 change -7.27% versus the previous quarter. During the quarter the VaR remained under the limits.

The Bank's average VaR for the end of 2Q13 change 6.15% 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 March 27th, 2013 and June 28th, 2013 (in millions of dollars).

Market VaR vs. Net Capital Comparison *Net Capital in million Dollars*		
	27-Mar-13	28-Jun-13
Total VaR*	19.83	21.05
Net Capital **	4,456.87	3,928.17
VaR / Net Capital	0.45%	0.54%

** 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 0.54% of the net capital in 2Q2013.

Present Value for 1bp (PVBP) for Mexican Pesos Rates					
	27-Mar-13	28-Jun-13	Limits*	Average 1Q13	Average 2Q13
Bank	**(1.291)**	**(0.659)**	1.800	(1.181)	(1.144)
Accrual	**(1.031)**	**(0.655)**	1.250	(0.978)	(0.979)
Trading Intent	**(0.156)**	**(0.004)**	0.550	(0.074)	(0.134)

** Absolute Value*

The bank's MXN Rate PVBP for |2Q13 change -48.95% versus previous quarter. Bank's average PVBP for 2Q13 change -3.13% versus previous quarter.

Present Value for 1bp (PVBP) for USD Rate					
	27-Mar-13	28-Jun-13	Limits*	Average 1Q13	Average 2Q13
Bank	**(0.160)**	**(0.185)**	0.430	(0.194)	(0.173)
Accrual	**(0.172)**	**(0.220)**	0.300	(0.205)	(0.185)
Trading Intent	**0.003**	**0.035**	0.130	0.011	0.007

** Absolute Value*

The bank's USD Rate PVBP for 2Q13 change 15.63% versus previous quarter. Bank's average PVBP for 2Q13 change -10.82% versus previous quarter.

Present Value for 1bp (PVBP) for UDI Rates					
	27-Mar-13	28-Jun-13	Limits*	Average 1Q13	Average 2Q13
Bank	**(0.068)**	**(0.053)**	0.350	(0.098)	(0.066)
Accrual	**(0.051)**	**(0.040)**	0.250	(0.052)	(0.048)
Trading Intent	**(0.003)**	**(0.013)**	0.100	(0.034)	(0.011)

** Absolute Value*

Bank's UDI Rate PVBP for 2Q13 change -23.01% versus prior quarter. Bank's average PVBP for 2Q13 change -32.98% versus previous quarter

Liquidity Risk

Qualitative Information

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

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

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

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

Quantitative Information

The institution presented at end of the quarter expected cash flows under the major stressed scenario of USD 3,968m in the 7 days term; USD 2,757m in the 1 month term and USD 1,845m in 3 months; obtaining a net positive cumulative result in all cases.

Along the quarter, average level was USD 3,705m in the 7 days term USD 2,500m in 1 month term and USD 1,722m in 3 months term.

Credit Risk

Qualitative Information

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

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

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

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

Models and Systems used for the quantification and Credit Risk management

Commercial Portfolio

1. Credit Risk Preventive Provisions

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

2. Internal Management Models

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

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

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

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

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

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

2.1. Probability of default Model (PD)

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

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

- A model for global customers to assess the corporate counterparties with annual sales equal or above to 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 on a quarterly basis with the aim of examining their proper performance, and if the monitoring results are not as expected according to HSBC Group standards, some action plans are taken to meet the established guidelines.

In the latest monitoring results for models of the Commercial Portfolio, excluding global models, there is generally a good statistical performance with an AR (Accuracy Ratio) of 0.55, which is above the threshold set by the HSBC Group. The rest of the global models, GLCS, RAfBanks y NBFI DST, are associated to low default portfolios, so it is not currently possible to measure their performance, but a monitoring is performed on their Overrides. It is relevant to mention that these models present an override rate slightly over the desired limits; however, it is not required to implement corrective actions due to the acceptable behaviour of the models in the follow-up analyses.

Currently some improvements are being made to the models developed by HSBC México for the Commercial Portfolio, considering the most recent information to improve their accuracy.

2.2. Loss Given default Model (LGD)

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

During 2013, we will include improvements to LGD model to provide greater granularity and accuracy, which have been revised against the standards that HSBC Group has determined for LGD models.

The most recent monitoring shows a 55% of correlation between the observed and estimated LGD. It is expected that after the improvements implementation to the model, this correlation increases.

2.3. Exposure at default Model (EAD)

For Exposure at Default (EaD) estimation, HSBC México also developed a model for Middle Market Enterprises and Corporate customers. 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 it is currently being evaluated under the Standards that HSBC Group has determined, to be subsequently updated in computing systems.

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

3. Credit Evaluation Systems

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

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

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

Quantitative information

The average balance of the Commercial Portfolio as of June 30th 2013 is MXN 170,138M, showing a decrease of MXN 4,032 M (or 2.31%) compared to the previous quarter.

The Expected Loss of the Commercial Portfolio as of June30th 2013 is MXN 9,208M, showing an increase of MXN 2,757 M (or 43%) compared to the figure reported in the previous quarter due to a material deterioration in a specific portfolio

It is detailed below 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	
	1Q2013	2Q2013	($)	(%)	Mar-13	Jun-13	($)	(%)	Mar-13	Jun-13	($)	(%)
CMB	$93,811	$93,631	-$180	0%	$92,189	$94,762	$2,574	3%	$4,896	$7,557	$2,661	54%
GBM	$80,289	$76,417	-$3,872	-5%	$72,633	$61,448	-$11,186	-15%	$1,555	$1,651	$96	6%
GBP	$69	$90	$20	29%	$84	$113	$29	34%	$0.137	$0.047	-$0.09	-65%
Total	**$174,170**	**$170,138**	**-$4,032**	**-2.31%**	**$164,906**	**$156,322**	**-$8,583**	**-5%**	**$6,451**	**$9,208**	**$2,757**	**43%**

***Average balance of the last 12 months.**

Retail Portfolio

Qualitative Information

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

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

Quantitative information

The Expected Loss of RBWM portfolio as at June 30th is MXN 4,752,140 k, Credit Cards is MXN 3,058,237, Other Retail $978,655 and Mortgage $715,249.

Operational Risk

Qualitative Information

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

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

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

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

First Line of Defence:

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

Second Line of Defence:

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

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

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

Third Line of Defence:

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

Use Test

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

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

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

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

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

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

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

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

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

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

Quantitative Information (including Legal and Technological Risk)

From the 9th Operational Risk assessment exercise carried out between 2012-2013, and with all changes and updates performed during 2Q13; there are 2,932 risks identified and assessed as relevant distributed as follows: 9.17% (269) A type, 21.11 % (919) B type, 45.19% (1,325) C type, and 24.52% (719) 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 appetite statement for the bank is USD 34.42M for Operational Losses plus USD 9.12M for CROLs, and is monthly monitored through the BSC presented at the Risk Management Committee.

Year to date (30JUN13) total amount of Operational Losses in 2013, are USD 25.05M.

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

Technological Risk

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

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

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

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

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

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

III. Performing Risk Based Control Assessments (RCA).

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

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

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

Legal Risk

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

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

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

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

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

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

- Contractual Risk Control

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

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

- Dispute Risk Control

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

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

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

- Legislative Risk Control

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

- Non Contractual Rights Control:

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

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

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

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

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

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

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

► US regulatory and law enforcement investigations

In December 2012, HSBC Holdings plc ('HSBC Holdings'), the Grupo Financiero HSBC S.A. de C.V.'s ultimate parent company, HSBC Bank USA, N.A. ('HBUS'), and HSBC North America Holdings ('HNAH') entered into agreements to achieve a resolution with US and UK government agencies regarding past inadequate compliance with anti-money laundering ('AML'), Bank Secrecy Act (BSA) and sanctions laws. Among other agreements, HSBC Holdings and HBUS entered into a five-year Deferred Prosecution Agreement (the 'US DPA') with the US Department of Justice ('DOJ'), HSBC Holdings entered into a two-year Deferred Prosecution Agreement with the New York County District Attorney ('DANY'), and HSBC Holdings consented to a cease and desist order with the Federal Reserve Board ('FRB'). HSBC Holdings also entered into an Undertaking with the UK Financial Services Authority (now a Financial Conduct Authority ('FCA') Direction) to comply with certain forward-looking obligations with respect to anti-money laundering and sanctions requirements over a five-year term.

In addition, HBUS entered into a monetary penalty consent order with the US Department of the Treasury's Financial Crimes Enforcement Network ('FinCEN') and a separate monetary penalty order with the Office of the Comptroller of the Currency ('OCC'). HBUS also entered into a separate consent order with the OCC requiring it to correct the circumstances and conditions as noted in the OCC's then most recent report of examination, imposing certain restrictions on HBUS directly or indirectly acquiring control of, or holding an interest in, any new financial subsidiary, or commencing a new activity in its existing financial subsidiary, unless it receives prior approval from the OCC. HBUS entered into a separate consent order with the OCC requiring it to adopt an enterprise wide compliance program.

Under these agreements, HSBC Holdings and HBUS will continue to cooperate fully with US and UK regulatory and law enforcement authorities and take further action to strengthen its compliance policies and procedures. Under its agreements with DOJ, the FCA, and the FRB, an independent corporate compliance monitor will evaluate the HSBC Group's progress in implementing its obligations under the relevant agreements. Michael Cherkasky has been selected as the independent monitor, and, on 1 July, 2013, the United States District Court for the Eastern District of New York approved the US DPA and retained authority to oversee implementation of the same.

If HSBC Holdings and HSBC Bank USA fulfil all of the requirements imposed by the US DPA, the DOJ's charges against those entities will be dismissed at the end of the five-year period of that agreement. Similarly, if HSBC Holdings fulfils all of the requirements imposed by the DANY DPA, DANY's charges against it will be dismissed at the end of the two-year period of that agreement. The DoJ may prosecute HSBC Holdings or HSBC Bank USA in relation to the matters which are the subject of the US DPA if HSBC Holdings or HSBC Bank USA breaches the terms of the US DPA, and DANY may prosecute HSBC Holdings in relation to the matters which are subject of the DANY DPA if HSBC Holdings violates the terms of the DANY DPA.

Under these agreements, HSBC Holdings has certain obligations to ensure that entities in the HSBC Group, including the Grupo Financiero HSBC, S.A. de C.V. and its subsidiaries, comply with certain requirements. Steps continue to be taken to implement ongoing obligations under the US DPA, FCA direction, and other settlement agreements, including obligations imposed by relevant authorities in Mexico.

The settlement with U.S. and U.K. authorities does not preclude private litigation relating to, among other things, the HSBC Group's compliance with applicable AML/ BSA and sanctions laws or other regulatory or law enforcement actions for AML/BSA or sanctions matters not covered by the various agreements.

Corporate Sustainability (CSR)

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

Sustainability is achieved through 3 pillars:

1. Economic: alignment with the Ecuador principles and considering the environmental impact of the Group's investments.
2. Environmental: Controlling our carbon footprint and promoting a sustainable culture within our organization.

3. Social: Supporting education, community and environmental projects promoting the positive development of the communities where we operate and to actively involve our employees in volunteer activities. Globally, HSBC's policy is to invest 0.5% of its pre-tax profits to social projects in the communities where it operates.

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

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

Community:

- "Sumando Valor" inclusion programme to hire people with disabilities.
- Woman empowerment programme, aimimg to enhance personal development

Environment

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

Our Community Investment fund comes from our profit before taxes and customer contributions. During 1H 2013, we invested $28.13 million pesos, 67% of such investment was made by HSBC.

1. Climate Business (Sustainable Finance)

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

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

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

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

2. Sustainable Operations

During the 2Q 2013, Corporate Sustainability coordinated the HTS Sustainability Committee, chaired by HBMX COO & Deputy CEO, the Committee has the participation of Corporate Real Estate, Procurement, ITO, Sustainable Leaders and Corporate Sustainability.

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

CS has been actively involved in the Integrated Waste Management, a program evolving form a Climate Champions initiative called "Reciclar es Ayudar" aiming to segregate the waste generated in HSBC corporate buildings, sell it to recycling companies and donate the income to charity. The program has generated approximately US $40k during this year, 48% of 2013 target.

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

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

3. Communication

During this quarter, the Corporate Sustainability Department gained 28 free press releases with an estimated value of $151,213 USD.

Volunteering Campaign

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

Up to date, we could count the number of clicks we got on 2 weekly newsletters:
Comunica 16 may: 806
Comunica 30 may: 778
Total: 1,584 clicks

Since the launch, 69 employees registered themselves for the volunteering activities; some of them have already started participating.

Sustainability Report 2012- We launched the Corporate Sustainability Report 2012. We distributed 500 hard copies and shared it on the intranet, internet and with specialized media. Additionally we developed a digital APP downloadable for free on the Itunes store.

4. Community Investment – Volunteering

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

During this quarter, we had a participation of 1,114 volunteers, donating 7,015 hours distributed in Education, Environment and Community activities.

5. Community Investment – Education

Programme HSBC – Lazos "Just raise your hand"

For the school year 2012 – 2013, our goals are to benefit 2,114 more underserved students through scholarship sponsors, add 9 new schools and raise $2,296,000 pesos in a customer fundraising campaign in branches. We are aiming for a social investment of more than $50,000,000 pesos at the end of this school year.

During 2Q 2013 "Sólo levanta la mano" sponsorship campaign is ongoing, with a target of 2 sponsors per branch for a total of 2082 sponsorships. To date the target has a 42% completion thanks to RBWM engagement and support. The target will be accomplished by July 2013.

The infrastructure improvements of this phase of the program are ongoing, with consluded works in more than 50% of the schools.

On June, the first inauguration event of the infrastructure improvements took place in the school located in Cancun, where we had the presence of the Divisional Head and HSBC volunteers. Our colleagues delivered school kits to all the students during the event.

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

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

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

Future First

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

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

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

Mas allá del dinero (More than Money)

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

Sumando Valor- Social Inclusion

In alliance between Corporate Sustainability and Human Resources, HBMX is hiring people with disabilities through Manpower Foundation A.C., FHADI I.A.P., Colabore A.C. and Teletón Foundation. At the moment, 58 candidates have been hired. The fourth Intensive Course for people with disabilities took place successfully and 13 people graduated with the presence of HR, RBWM, representatives of the NGO’s and DIF.
Wheelchair donations: An integration activity for Credit Cards (TDC) area was organized where 25 people “built” 10 wheelchairs and donated them to people in need. The outcome was to donate another 10 chairs by the end of the year through “Programa + Puntos”.
In June we organized an activity for HR for the closing of the Advanced Leadership Core Programme, where approximately 60 Sub-directors assisted to Grupo Altía and in groups they “built” 10 wheelchairs and donated them to people in need.
Finally, through “Aprende con HSBC” another 10 wheelchairs were donated.

English Programme

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

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

Global English: (On-line software): 13, 894users have begun using the software and in total, they have completed 90,298 hours training. Based on total year investment, this has a cost of means a cost $ 3.3 USD per hour.

Financial Education

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

Additionally, we will offer 15 conferences by Gianco Abundiz which will be delivered to employees, clients and students of Universidad del Valle de México. 6 conferences with UVM have already been given and we are coordinating with HR the first conference for employees.

We have started planning the National Week for Financial Education (SNEF) together with the Mexican Banks Association, which will take place in October.

Aprende con HSBC

19 wives of Business Heads taught financial education to 250 primary school kids in 6 schools. Also, 160 students were benefited by receiving glasses to improve their learning and performance. At the end all the schools were taken to the Interactive Economy Museum (MIDE) as closure of the programme.

In addition, we carried out wheelchair donation (mentioned above) and story-telling sessions at the Federico Gomez Hospital, at IPPLIP (primary school for deaf children) and at Santa Martha's female prison.

MUJERes fuerza (Women Empowerment in rural communities)

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

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

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

6. Community Investment - Environment

Water Programme Engaging Activities

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

During May, HBMX had the first two groups of CSL's trained in Xochimilco. Both groups were integrated by former Climate Champions, the Business and Corporate Sustainability, we are pleased to have the sponsorship of Victor Malvaez, Divisional Head of RBWM. The trainings included a trip in a motorized "trajinera" (a traditional Xochimilco boat) to the "chinampa", a plot of land traditionally destined to agriculture since prehispanic times. The sessions included Earthwatch presentations about the programme and the water challenge, followed by the presentation of the Xoxhimilco project by REDES. Teams of 4 got into smaller "trajineras" for sampling and measuring water quality and birds and insect watching. Both teams left Cuemanco with a true understanding of the water challenge, the local project and really engaged with the future activities of the HSBC Water Programme.

"HSBC Cuida tu Ambiente" Programme

Thanks to the leadership of the environmental leaders of the program "HSBC Cuida Tu Ambiente" (HSBC Taking Care of the Environment), have been in charge of leading the rehabilitation in "Bosque de Chapultepec", where about 30% of

Mexico City water supply is distributed and at El Nido, place where endangered species are saved from extinction, both supported by HSBC.

At the moment we have had 1,269 participants in 15 activities, including the environmental leaders volunteers + family members.

Environmental Month

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

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

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

7. Clients Contribution

The first campaign of the year, in benefit of our education flagship programme "Just raise your hand" concluded on April, currently we are in the second campaign in benefit of "Becalos", initiative aligned with the Mexican Banks Association. As of June we have raised $5.9 million pesos.

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

8. Conclusions

During 1H 2013 we continue to focus our Community Investment by strengthening our flagship programs; this has helped us develop further our stakeholder engagement. Thanks to these campaigns that involve not only our staff, but also our clients, we are being able to provide an added value to our customers, giving them the option of participating in socially responsible and environmentally friendly projects.

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

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Annex A

Table I

Referencia		Common equity Tier 1 capital	*30 Jun 2013*
1		Ordinary shares graded for Common equity TIER 1 capital and related surplus	32,768.5
2		Retained earnings	1,359.8
3		Accumulated other comprehensive income (and other reserves)	12,306.7
4		Total Common Equity Tier 1 capital attributable to parent company common shareholders	**NA**
5		Total minority interest given recognition in Common Equity Tier 1 capital	**NA**
6		Total group Common Equity Tier 1 capital prior to regulatory adjustments	46,435.1
		Total group Common Equity Tier 1 capital: regulatory adjustments	
7		Prudential valuation adjustments	**NA**
8		Goodwill, net of related deferred tax liability	-
9		Intangibles other than mortgage servicing rights, (net of related deferred tax liability)	874.9
10		Deferred tax assets (excluding temporary differences only), net of related deferred tax liabilities	
11		gains and losses on derivatives held as cash flow hedges	-
12		actuarial reserve	-
13		Securitisation gain on sale (expected future margin income)	-
14		Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	**NA**
15		Defined benefit pension fund assets	-
16		Investments in own shares	-
17		Reciprocal cross holdings in common equity	-
18		Investments in the capital of financial entities where the bank does not own more than 10% of the issued common share capital (amount above the 10% threshold)	**6.3**
19		Significant investments in the common stock of financial entities (amount above 10% threshold)	-
20		Mortgage servicing rights (amount above 10% threshold)	
21		Deferred tax assets arising from temporary differences (amount above 10% threshold)	1,843.9
22		Amount exceeding the 15% threshold	**NA**
23		which: Significant investments in the common stock of financial entities amounting above 10% threshold	**NA**
24		which: Mortgage servicing rights	**NA**
25		which: Deferred tax assets arising from temporary differences	**NA**
26		Local regulatory adjustments	1,149.2
	A	which: Accumulated other comprehensive income (and other reserves)	-
	B	which: investments in subordinated debt	90.9
	C	which: Profit or increase on the value of assets acquired on securitization positions (Institutions originators)	-
	D	which: Investments in multilateral organisms	-
	E	which: Investments in related companies	-
	F	which: Investments in risk capital	-
	G	which: Investments in Mutual funds	8.7
	H	which: own stock acquisition financing	
	I	which: Operations that infringe provisions	
	J	which: Deferred charges and prepaid expenses	1,049.6
	K	which: First Loss schemes positions	-

	L	which: Employee participation on deferred profits	-
	M	which: Relevant related people	-
	N	which: Defined benefit pension fund assets	-
	O	which: Adjustment for capital recognition	-
27		Regulatory adjustments to be applied to Common Equity Tier 1 due to insufficient Additional Tier 1 to cover deductions	-
28		Total Common Equity Tier 1 capital regulatory adjustments	3,874.3
29		Common Equity Tier 1 capital (CET1)	42,560.7

Additional Tier 1 capital: Instruments

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

Additional Tier 1 capital: regulatory adjustments

37	Investment in own additional Tier 1 capital equity shares	NA
38	Reciprocal cross holdings in additional Tier 1 capital equity	NA
39	Investments in the capital of financial entities where the bank does not own more than 10% of the issued common share capital (amount above the 10% threshold)	NA
40	Significant investments in the capital of financial entities where the bank own more than 10% of the issued common share capital	NA
41	Local regulatory adjustments	-
42	Tier 2 regulatory adjustments which have to be deducted from Additional Tier 1 capital	NA
43	Total Tier 1 capital regulatory adjustments	-
44	Additional Tier 1 capital (AT1)	-
45	Tier 1 capital (T1=CET1+AT1)	42,560.7

Tier 2 Capital: instruments and reserves

46	Tier 2 capital instruments issued by parent company of group (and any related surplus)	1,433.1
47	Tier 2 capital instruments issued by parent company of group to be deducted	7,182.0
48	Instruments that meet the Tier 2 criteria issued by subsidiaries to third parties that are given recognition in Tier 2 capital	NA
49	of which: Instruments issued by subsidiaries to third parties to be deducted from Tier 2 capital	NA
50	Provisions	-
51	Tier 2 capital prior to regulatory adjustments	8,615.1

Tier 2 capital: regulatory adjustments

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

57	Total Tier 2 capital regulatory adjustments	-
58	Tier 2 capital (T2)	8,615.1
59	Total Capital (TC=T1+T2)	51,175.8
60	Total Risk-weighted assets	316,968.6

Capital ratios and supplements

61	Common equity Tier 1 Capital (as % of total RWAs)	13.43%
62	Tier 1 Capital (as % of total RWAs)	13.43%
63	Total Capital (as % of total RWAs)	16.15%
64	Institutional specific supplement (at least should include: the requirement of Tier 1 common equity plus the capital conservation buffer, plus countercyclical mattress, plus G-SIB mattress; expressed as a % of total RWAs)	7%
65	Of which: Capital conservation supplement	2.5%
66	Of which: Specific bank countercyclical supplement	**NA**
67	Of which: Global systemically important banks (G-SIBs) supplement	**NA**
68	Tier 1 common equity available to cover supplements (as a % of total RWAs)	**6.43%**

National minimums (if different from Basel III)

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

Amounts below deduction threshold (before risk weight)

72	Non-significant investments in the capital of financial entities	**NA**
73	Significant investments in common stock of financial entities	**NA**
74	Mortgage servicing rights (net of deferred income tax rate)	**NA**
75	Deferred income taxes from temporary differences (net of deferred income tax)	**4,440.5**

Applicable limits on the Tier 2 capital inclusion reserves

76	Eligible reserves on Tier 2 capital inclusion with respect to the exposures subject to the standardized methodology (prior to limit application)	-
77	Limit of inclusion reserves on Tier 2 capital under standardized methodology	2,408.4
78	Eligible reserves inclusion on Tier 2 capital with respect to the exposures subject to internal ratings methodology (prior to limits application)	**-**
79	Limit of inclusion reserves on Tier 2 capital under internal ratings methodology	**-**

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

80	Actual instrument limits on CET1 subject to gradual elimination	**NA**
81	Excluded amount on CET1 due to limit (excess over the limit after amortization and maturities)	**NA**
82	Actual instrument limits on AT1 subject to gradual elimination	**-**
83	Excluded amount on AT1 due to limit (excess over the limit after amortization and maturities)	**-**
84	Actual instrument limits on T2 subject to gradual elimination	7,979.9
85	Excluded amount on T2 due to limit (excess over the limit after amortization and maturities)	797.9

Table II

Capital concept	Prior to capital recognition adjustment	% total RWAs	Capital recognition adjustment	Including capital recognition adjustment	% total RWAs
Tier 1 capital 1	42,560.74	13.43	-	42,560.74	13.43
Tier 1 capital 2	-	-	-	-	-
Tier 1 capital	42,560.74	13.43	-	42,560.74	13.43
Tier 2 capital	8,615.06	2.72	-	8,615.06	2.72
Total capital	51,175.80	16.15	-	51,175.80	16.15
Total RWAs	316,968.57	NA	NA	316,968.57	NA
Capitalization index	16.15	NA	NA	16.15	NA

Table III.1

Reference	Balance Sheet concept	Amount
	Assets	**472,078**
BG1	Cash and deposits in banks	54,622
BG2	Margin accounts	18
BG3	Investment in securities	120,538
BG4	Repurchase agreements	9,833
BG5	Stock borrowing	
BG6	Derivative transactions	47,719
BG7	Financial assets hedging valuation adjustments	
BG8	Net loan portfolio	181,573
BG9	Benefits to be received from trading operations	
BG10	Other accounts receivable (net)	38,037
BG11	Foreclosed assets	174
BG12	Property, furniture and equipment, net	4,987
BG13	Long term investments in equity securities	4,562
BG14	Long term assets available for sale	-
BG15	Deferred taxes, net	6,284
BG16	Other assets	3,731
	Liabilities	**425,643**
BG17	Deposits	253,564
BG18	Bank deposits and other liabilities	26,646
BG19	Repurchase agreements	30,521
BG20	Stock borrowing	-
BG21	Collateral sold	7,077
BG22	Derivative transactions	44,974
BG23	Financial liabilities hedging valuation adjustments	-
BG24	Debentures in trading operations	-
BG25	Other accounts payable	50,631
BG26	Subordinated debentures outstanding	11,650
BG27	Deferred taxes, net	-
BG28	Deferred credits	580
	Stockholder's equity	**46,435**
BG29	Paid in capital	32,769
BG30	Capital gains	13,666
	Memorandum accounts	**3,956,909**
BG31	Guarantees granted	-
BG32	Contingent assets and liabilities	-
BG33	Irrevocable lines of credit granted	22,991
BG34	Goods in trust or mandate	406,323

BG35	Federal government financial agent	
BG36	Goods in custody or under administration	291,983
BG37	Collateral received by the institution	23,022
BG38	Collateral received and sold or delivered as guarantee	16,017
BG39	Third party investment banking operations, net	46,332
BG40	Suspended interest on impaired loans	143
BG41	Other control accounts	3,150,098

Table III.2

Identifier	Regulatory concepts to be considered for the Net capital components calculation	Equity report reference	Amount according to the notes of the regulatory concepts considered for Net capital calculation	Balance Sheet report reference
	Assets			
1	Goodwill	8	-	
2	Other intangible assets	9	874.9	BG16 3731
3	Deferred income tax from fiscal losses and credits	10	-	
4	Benefits to be received from trading operations	13	-	
5	Pension plan investments by defined benefits with unrestricted and unlimited access	15	-	
6	Own shares investments	16	-	
7	Common equity reciprocal investments	17	-	
8	Direct investment in the capital of financial entities where the institution does not own more than 10% of issued share capital	18	-	
9	Indirect investment in the capital of financial entities where the institution does not own more than 10% of issued share capital	18	6.3	BG13 4562
10	Direct investment in the capital of financial entities where the institution own more than 10% of issued share capital	19	-	
11	Indirect investment in the capital of financial entities where the institution own more than 10% of issued share capital	19	-	
12	Deferred income tax from temporary differences	21	1,843.9	BG15 6284
13	Recognized reserves as supplementary capital	50	-	BG8 181573
14	Subordinated debt investment	26 - B	90.9	BG8 181573
15	Multilateral organisms investment	26 - D	-	
16	Related parties investments	26 - E	-	
17	Risk capital investment	26 - F	-	
18	Mutual funds investment	26 - G	8.7	BG13 4562
19	Own shares acquisition financing	26 - H	-	
20	Deferred charges and prepaid expenses	26 - J	1,049.6	BG16 3731
21	Employee participation in profit sharing (net)	26 - L	-	
22	Pension plan investments by defined benefits	26 - N	-	
23	Compensation chamber investment	26 - P	-	
	Liabilities			
24	Deferred income tax associated to goodwill	8	-	
25	Deferred income tax associated to other intangibles	9	-	
26	Pension plan liabilities by defined benefits with unrestricted and unlimited access	15	-	
27	Deferred income tax associated to pension plan by	15	-	

	defined benefits			
28	Deferred income tax associated to other different to previous concepts	21	1,843.9	BG15 6284
29	Subordinated debentures that coincide with 1-R annex	31	-	
30	Subordinated debentures subject to transience that counts as core capital 2	33	-	
31	Subordinated debentures that coincide with 1-S annex	46	1,433.1	BG26 11650
32	Subordinated debentures subject to transience that counts as supplementary capital	47	7,182.0	BG26 11650
33	Deferred income tax associated to deferred charges and pre-paid expenses	26 - J	-	
	Stockholders' equity			
34	Paid in capital amount that coincide with Annex 1-Q	1	32,768.5	BG29 32769
35	Retained earnings	2	1,359.8	BG30 13666
36	Result from cash flow hedging transactions registered at fair value	3	12,306.7	BG30 13666
37	Other elements of other capital reserves different to previous ones'	3	-	
38	Paid in capital amount that coincide with Annex 1-R	31	-	
39	Paid in capital amount that coincide with Annex 1-S	46	-	
40	Result from cash flow hedging transactions do not registered at fair value	3, 11	-	
41	Cumulative conversion effect	3, 26 - A	-	
42	Results from holding non-monetary assets	3, 26 - A	-	
	Memo accounts			
43	First loss schemes positions	26 - K	-	
	Regulatory concepts do not considered in the Balance Sheet			
44	Reserves pending to constitute	12	-	
45	Profit or increased asset value of acquired securitization positions	26 - C	-	
46	Operations that contravene	26 - I	-	
47	Relevant related parties operations	26 - M	-	
48	Adjustment for capital recognition	26 - O, 41, 56	-	

Table IV.1

Concept	Equivalent position in Balance	Capital Requirements
Nominal rate operations in local currency	51,851	4,148.1
Surcharge and revisable rate debt operations in local currency	529	42.3
Real rate or UDIs operations in local currency	1,011	80.8
Minimum wages growth rate operations in local currency	-	-
UDIs o INPC profit referred positions	4	0.4
Minimum wages growth rate operations in local currency	-	-
Nominal rate operations in foreign currency	10,237	819.0
Foreign currency or indexed to exchange rate positions	1,041	83.3
Stock or price index stock positions	-	-

Table IV.2

Concept	RWAs	Capital Requirements
Group I (weighted at 0%)	-	-
Group I (weighted at 10%)	-	-
Group I (weighted at 20%)	-	-
Group II (weighted at 0%)	-	-
Group II (weighted at 10%)	-	-
Group II (weighted at 20%)	6.0	0.5
Group II (weighted at 50%)	2,933.2	234.7
Group II (weighted at 100%)	-	-
Group II (weighted at 120%)	-	-
Group II (weighted at 150%)	-	-
Group III (weighted at 2.5%)	-	-
Group III (weighted at 10%)	134.1	10.7
Group III (weighted at 11.5%)	311.8	24.9
Group III (weighted at 20%)	4,159.2	332.7
Group III (weighted at 23%)	134.6	10.8
Group III (weighted at 50%)	-	-
Group III (weighted at 57.5%)	-	-
Group III (weighted at 100%)	17.0	1.4
Group III (weighted at 115%)	-	-
Group III (weighted at 120%)	-	-
Group III (weighted at 138%)	-	-
Group III (weighted at 150%)	-	-
Group III (weighted at 172.5%)	-	-
Group IV (weighted at 0%)	-	-
Group IV (weighted at 20%)	2,157.1	172.6
Group V (weighted at 10%)	-	-
Group V (weighted at 20%)	772.1	61.8
Group V (weighted at 50%)	738.4	59.1
Group V (weighted at 115%)	216.0	17.3
Group V (weighted at 150%)	7,287.1	583.0
Group VI (weighted at 20%)	-	-
Group VI (weighted at 50%)	4,322.4	345.8
Group VI (weighted at 75%)	2,533.3	202.7
Group VI (weighted at 100%)	42,053.5	3,364.3
Group VI (weighted at 120%)	-	-
Group VI (weighted at 150%)	-	-
Group VI (weighted at 172.5%)	-	-
Group VII_A (weighted at 10%)	386.4	30.9
Group VII_A (weighted at 11.5%)	-	-

Group VII_A (weighted at 20%)	4,725.0	378.0
Group VII_A (weighted at 23%)	5,570.6	445.6
Group VII_A (weighted at 50%)	1,045.4	83.6
Group VII_A (weighted at 57.5%)	-	-
Group VII_A (weighted at 100%)	94,028.4	7,522.3
Group VII_A (weighted at 115%)	843.0	67.4
Group VII_A (weighted at 120%)	-	-
Group VII_A (weighted at 138%)	-	-
Group VII_A (weighted at 150%)	706.0	56.5
Group VII_A (weighted at 172.5%)	-	-
Group VII_B (weighted at 0%)	-	-
Group VII_B (weighted at 20%)	-	-
Group VII_B (weighted at 23%)	-	-
Group VII_B (weighted at 50%)	-	-
Group VII_B (weighted at 57.5%)	-	-
Group VII_B (weighted at 100%)	3,216.5	257.3
Group VII_B (weighted at 115%)	-	-
Group VII_B (weighted at 120%)	-	-
Group VII_B (weighted at 138%)	-	-
Group VII_B (weighted at 150%)	-	-
Group VII_B (weighted at 172.5%)	-	-
Group VIII (weighted at 125%)	5,232.3	418.6
Group IX (weighted at 100%)	24,335.4	1,946.8
Group IX (weighted at 115%)	-	-
Group X (weighted at 1250%)	1,161.3	92.9
Securitizations with Risk rating 1 (weighted at 20%)	108.8	8.7
Securitizations with Risk rating 2 (weighted at 50%)	-	-
Securitizations with Risk rating 3 (weighted at 100%)	-	-
Securitizations with Risk rating 4 (weighted at 350%)	-	-
Securitizations with Risk rating 4, 5, 6 or not classified (weighted at 1250%)	374.0	29.92
Resecuritizations with Risk rating 1 (weighted at 40%)	-	-
Resecuritizations with Risk rating 2 (weighted at 100%)	-	-
Resecuritizations with Risk rating 3 (weighted at 225%)	-	-
Resecuritizations with Risk rating 4 (weighted at 650%)	-	-
Resecuritizations with Risk rating 5, 6 or not classified (weighted at 1250%)	2,286.3	182.9

Table IV.3

Operational RWAs	Capital Requirements
40,499.9	3,240.0

Average Market and credit RWAs of last 36 months	Average of positive net annual revenues for the last 36 months
21,600.0	24,525.4

Table V

	Característica	EN CAPITAL	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO
1	Emisor	HSBC México, S.A., Institución de Banca	HSBC México, S.A., Institución de Banca	HSBC México, S.A., Institución de Banca	HSBC México, S.A., Institución de Banca	HSBC México, S.A., Institución de Banca	HSBC México, S.A., Institución de Banca
2	Identificador ISIN, CUSIP o Bloomberg	INTENAL	QINTENAL06	HSBC 08	HSBC 08-2	HSBC 13-1D	HSBC 09-D
3	Marco legal	L.I.C.; C.U.B., L.G.S.M.;	L.I.C.; LGTOC., L.M.V;	L.I.C.; LGTOC., L.M.V;	L.I.C.; LGTOC., L.M.V;	L.I.C.; LGTOC., L.M.V;	L.I.C.; LGTOC., L.M.V;
	Tratamiento regulatorio						
4	Nivel de capital con transitoriedad	N.A.	Complementario	Complementario	Complementario	Complementario	Complementario
5	Nivel de capital sin transitoriedad	Basico 1	NA	NA	NA	NA	NA
6	Nivel del instrumento	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias
7	Tipo de instrumento	Acción serie "F" y "B"	Obligacion subordinada	Obligacion subordinada	Obligacion subordinada	Obligacion subordinada	Obligacion subordinada
8	Monto reconocido en el capital regulatorio	Acciones "F" 1,805,754,708; "B" 134,254,957 lo cual representa la cantidad de $3,880,019,330 de capital	0	1,818	2,273	1,433	3,908
9	Valor nominal del instrumento	$2.00	$100.00	$100.00	$100.00	100.00	100.00
9A	Moneda del instrumento	Pesos mexicanos	Pesos mexicanos	Pesos mexicanos	Pesos mexicanos	USD	USD
10	Clasificación contable	Capital	Pasivo	Pasivo	Pasivo	Pasivo	Pasivo
11	Fecha de emisión	31/12/2007; 31/08/2009; 31/10/2009; 31/12/2009;	24/11/2003	02/10/2008	22/12/2008	31/01/2013	30/06/2009
12	Plazo del instrumento	Perpetuidad	Vencimiento	Vencimiento	Vencimiento	Vencimiento	Vencimiento
13	Fecha de vencimiento	Sin vencimiento	25/11/2013	20/09/2018	10/12/2018	10/12/2022	28/06/2019
14	Cláusula de pago anticipado	No	SI	SI	SI	SI	SI
15	Primera fecha de pago anticipado	N.A.	15/12/2008	24/10/2013	16/12/2013	04/02/2018	24/06/2014
15A	Eventos regulatorios o fiscales	No	No	No	No	Si	No

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

	Característica	EN CAPITAL	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO
21	Cláusula de aumento de intereses	No	No	No	No	No	No
22	Rendimiento/dividendos	No Acumulables	No Acumulables	No Acumulables	No Acumulables	No Acumulables	No Acumulables
23	Convertibilidad del instrumento	No Convertibles	No Convertibles	No Convertibles	No Convertibles	Convertibles	No Convertibles
24	Condiciones de convertibilidad	N.A	N.A	N.A	N.A	Las Obligaciones Subordinadas serán de conversión obligatoria en acciones ordinarias representativas del capital social del Emisor, sin que este hecho se considere como un evento de incumplimiento, y la cual se llevará a cabo cuando se presente alguna de las condiciones que a continuación se listan: 1.Cuando el resultado de dividir el capital básico 1 entre los activos ponderados sujetos a riesgo totales del Emisor se ubique en 4.5% o menos. Para efectos de lo dispuesto en el presente numeral, el Emisor deberá proceder a la conversión, el Día Hábil siguiente a la publicación del índice de capitalización a que se refiere el Artículo 221 de las Disposiciones de Capitalización. 2.Cuando la CNBV notifique al Emisor, conforme a lo dispuesto en el Artículo 29 Bis de la LIC, que ha incurrido en alguna de las causales a que se refieren las fracciones IV o V del Artículo 28 de la LIC y en el plazo previsto por el citado Artículo 29 Bis, el Emisor no subsane los hechos o tratándose de la causal de revocación referida en la fracción V no solicite acogerse al régimen de operación condicionada o no reintegre el capital. Para efectos de lo dispuesto en el presente numeral, el Emisor deberá proceder a la conversión, el Día Hábil siguiente a que hubiere concluido el plazo referido en el antes mencionado Artículo 29 Bis de la LIC. En todo caso, la conversión en acciones referida en este inciso será definitiva, por lo que no podrán incluirse cláusulas que prevean la restitución u otorguen alguna compensación a los tenedores de lo los Títulos.	N.A
25	Grado de convertibilidad	N.A	N.A	N.A	N.A	La conversión se realizará al menos por el monto que resulte menor de: (i) la totalidad de los Títulos, y (ii) el importe necesario para que el resultado de dividir el capital básico 1 del Emisor entre los activos ponderados sujetos a riesgo totales del Emisor sea de 7.0% (siete por ciento). Cada vez que se actualicen los supuestos antes descritos, operará nuevamente la conversión en acciones ordinarias, en los mismos términos. La conversión deberá realizarse observando en todo momento los límites de tenencia accionaria por persona o grupo de personas, previstos en las leyes aplicables. Para efectos de lo anterior, el Emisor desde el momento de la Emisión se asegurará y verificará que se dé cumplimiento a dichos límites o bien, que se presenten los avisos y/o se obtengan las autorizaciones correspondientes.	N.A

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