Grupo Financiero HSBC

Financial information at 30 September 2014

3Q14

► **Press Release**

► **Quarterly Report**

► **Third Quarter 2014**

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28 October 2014

HSBC

28 October 2014

GRUPO FINANCIERO HSBC, S.A. DE C.V.
THIRD QUARTER 2014 FINANCIAL RESULTS – HIGHLIGHTS

- Net income before tax for the nine months to 30 September 2014 was MXN2,919m, a decrease of MXN1,202m or 29.2% compared with MXN4,121m for the same period in 2013. The results for the nine months to 30 September 2013 included MXN744m income related to the recognition of a distribution agreement signed with AXA Group. Excluding this effect, net income before taxes decreased 13.6% compared with the same period in 2013.

- Net income for the nine months to 30 September 2014 was MXN2,482m, a decrease of MXN523m or 17.4% compared with MXN3,005m for the same period 2013, mainly due to lower profit before taxes from reduced total operating income and higher administrative and personnel expenses; partially offset by lower loan impairment charges and tax expenses. Excluding the effect of the AXA distribution agreement and discontinued operations, net income increased 20.7% compared with the same period in 2013.

- Total operating income, net of loan impairment charges, for the nine months to 30 September 2014 was MXN19,409m, a decrease of MXN777m or 3.8% compared with MXN20,186m for the same period in 2013.

- Loan impairment charges for the nine months to 30 September 2014 were MXN5,233m, a decrease of MXN588m or 10.1% compared with MXN5,821m for the same period in 2013.

- Administrative and personnel expenses for the nine months to 30 September 2014 were MXN16,528m, an increase of MXN432m or 2.7% compared with MXN16,096m for the same period in 2013.

- The cost efficiency ratio increased to 67.1% for the nine months to 30 September 2014, compared with 61.9% for the same period in 2013, mainly due to reduced total operating income and higher administrative and personnel expenses.

- Net loans and advances to customers were MXN197.8bn at 30 September 2014, an increase of MXN11.3bn or 6.1% compared with MXN186.4bn at 30 September 2013. Total impaired loans as a percentage of gross loans and advances as at 30 September 2014 increased to 6.3% compared with 5.3% at 30 September 2013.

- At 30 September 2014, deposits were MXN269.3bn, an increase of MXN14.3bn or 5.6% compared with MXN255.0bn at 30 September 2013.

- Return on equity was 6.0% for the nine months to 30 September 2014 compared with 7.6% for the same period in 2013.

- At 30 September 2014, the bank's total capital adequacy ratio was 13.9% and the tier 1 capital ratio was 11.4% compared with 15.6% and 12.7% respectively at 30 September 2013.

- In the first quarter of 2014, the bank paid a dividend of MXN576m, representing MXN0.30 per share, and Grupo Financiero HSBC paid a dividend of MXN3,781m, representing MXN1.34 per share.

2013 results have been restated to reflect the general insurance manufacturing businesses and HSBC Fianzas, the bonding company, which have been sold, as discontinued operations.

HSBC Mexico S.A. (the bank) is a subsidiary of Grupo Financiero HSBC, S.A. de C.V.'s (Grupo Financiero HSBC) and is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file financial information on a quarterly basis (in this case for the quarter ended 30 September 2014) 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

The second quarter of 2014 GDP figures surprised to the upside, reflecting a quarter-on-quarter increase of 1.0% in seasonally adjusted terms. This result was mainly supported by higher external demand, in particular from manufacturing exports to the US, while domestic demand also reflected some moderate improvement. Meanwhile, inflation surpassed the 4.0% level in annual terms on the back of a low comparison base and a stronger-than-expected rebound in agricultural prices. Hence, Banxico kept the monetary policy rate unchanged at 3.0%. The MXN-USD exchange rate has recently weakened to an average of 13.12 for the third quarter of 2014 on the back of better-than-expected results in the US, which may accelerate the tightening of its monetary policy.

For the nine months to 30 September 2014, Grupo Financiero HSBC's net income before tax was MXN2,919m a decrease of MXN1,202m or 29.2% compared with the same period in 2013. The decrease was driven mainly by lower trading income, lower net interest income, in particular from the insurance business, lower net fee income and higher administrative and personnel expenses; partially offset by a decrease in loan impairment charges. The results for the nine months to 30 September 2013 include MXN744m income related to the recognition of a distribution agreement signed with AXA Group. Excluding this effect, net income before taxes decreased 13.6% compared with the same period in 2013.

Net income was MXN2,482m, a decrease of MXN523m or 17.4% compared with the same period in 2013 due to lower net income before tax partially offset by lower tax expenses, largely due to higher inflationary effects which benefited the effective tax rate for the nine months to 30 September 2014. Excluding the effect of the AXA distribution agreement income in 2013 and discontinued operations, net income increased 20.7% compared with the same period in 2013.

Net interest income was MXN16,548m, a decrease of MXN473m or 2.8% compared with the same period in 2013. The decrease is mainly due to the insurance related business which accounted for MXN456m of the decrease and lower spreads in non-interest bearing deposits due to a decrease in market rates, partially offset by higher average loan portfolio balances, as well as higher spreads in credit cards.

Loan impairment charges were MXN5,233m, a decrease of MXN588m or 10.1% compared with the same period in 2013. The decrease is mainly due to higher loan impairment charges in 2013 related to a finance project and to other commercial loans.

Net fee income was MXN4,886m, a decrease of MXN298m or 5.7% compared with the same period of 2013. This decrease is mainly due to lower account services and alternative channels fees, partially offset by MXN65.9m commissions related to the AXA distribution agreement for general insurance sales in branches signed in April 2013 and higher fees on Debt Capital Markets transactions.

Trading income was MXN1,295m, a decrease of MXN634m or 32.9% compared with the same period in 2013. This decrease is explained by losses in foreign exchange transactions and the negative mark to market of derivatives partially offset by gains in bond transactions.

Other operating income was MXN1,913m, an increase of MXN40m or 2.1% compared with the same period of 2013. The results for the nine months to 30 September 2013 include MXN744m income related to the recognition of a distribution agreement signed with AXA Group. Excluding this effect, other operating income increased 69.4% compared with the same period of 2013, mainly due to an impairment provision on a defaulted derivative that was recognised as an account receivable in 2013 and higher loan recoveries recognised in 2014.

Administrative and personnel expenses were MXN16,528m, an increase of MXN432m or 2.7% compared with the same period of 2013. This increase is mainly due to investment in the compliance and risk functions partially funded by sustainable cost savings that had been achieved in previous years.

The cost efficiency ratio increased to 67.1% for the nine months to 30 September 2014, compared with 61.9% for the same period in 2013, mainly due to reduced total operating income and higher administrative and personnel expenses.

The effective tax rate was 10.8% for the nine months to 30 September 2014, compared with 35.0% for the same period in 2013. This variance is largely due to higher inflationary effects which benefited the effective tax rate in the nine months to 30 September 2014. As at 30 September 2014, the effective tax rate calculation considers the whole year projected inflation effect issued by the Central Bank as established in the Mexican Income Tax Law instead of considering the real inflation on a monthly basis; this change was in order to better reflect the expected tax consequences at the end of the reporting period.

Discontinued operations include the general insurance manufacturing businesses sold in April 2013 and HSBC Fianzas sold in December 2013. The results for the nine months to 30 September 2014 include a gain following adjustments at the completion of the insurance business sale and a provision for a probable legal case following the completion of the sale of HSBC Fianzas.

Grupo Financiero HSBC's insurance subsidiary, HSBC Seguros, reported net income before tax of MXN1,136.2m for the nine months to 30 September 2014. Excluding discontinued operations and one-offs, net income before tax decreased 22.3% compared with the same period in 2013. The decrease is explained by lower premium income in life insurance products due to reduced sales. Additionally, the claim ratio increased to 58.8% from 43.6% for the nine months to 30 September 2013, mainly due to maturities of endowment policies that represent 67% of the total increase. Excluding maturities, the claim ratio increased to 41.5% from 36.9% for the nine months to 30 September 2013. Endowment insurance product gross written premiums increased 14.9% compared with the same period in 2013.

Net loans and advances to customers were MXN197.8bn at 30 September 2014, an increase of MXN11.3bn or 6.1% compared with MXN186.4bn at 30 September 2013. The performing loans to government entities increased by 19.3%, performing commercial loan portfolio increased by 2.4% primarily in the corporate segment, and the mortgage loan portfolio increased by 10.1%, compared with the same period in 2013. The performing consumer loan portfolio decreased by 3.6% mainly in payroll and personal loans, partially offset by credit cards that increased 6.8%, compared to the position at 30 September 2013.

At 30 September 2014, total impaired loans increased by 25.1% to MXN13.1bn compared with MXN10.5bn at 30 September 2013. The higher impaired loan portfolio is associated with the performance of certain home builders and other impaired commercial loans. Total impaired loans as a percentage of total loans and advances to customers increased to 6.3% compared with 5.3% at 30 September 2013. The non-performing loan ratio of mortgage and consumer impaired loan portfolios remain unchanged in 3.5% compared 30 September 2013.

Total loan loss allowances at 30 September 2014 were MXN11.9bn, an increase of MXN0.2bn or 1.8% compared with 30 September 2013. The total coverage ratio (allowance for loan losses divided by impaired loans) was 90.5% at 30 September 2014 compared with 111.3% at 30 September 2013. This decrease was primarily a result of the increase in impaired commercial loans.

Total deposits were MXN269.3bn at 30 September 2014, an increase of MXN14.3bn or 5.6% compared with 30 September 2013. Demand deposits increased by 7.4% while time deposits decreased 2.4%.

At 30 September 2014, the bank's total capital adequacy ratio was 13.9% and the tier 1 capital ratio was 11.4% compared with 15.6% and 12.7% respectively at 30 September 2013.

In the first quarter of 2014, the bank paid a dividend of MXN576m representing MXN0.30 per share and Grupo Financiero HSBC paid a dividend of MXN3,781m representing MXN1.34 per share.

Business highlights

Retail Banking and Wealth Management (RBWM)

Average consumer loans showed an 8.4% improvement compared with the same period of 2013, mainly driven by:

- A 21.0% increase in average mortgage loans compared with the same period in 2013, as a result of ongoing campaigns. This year, the campaign is based on an 8.45% mortgage rate.
- A 6.8% increase in credit card average balances compared with the same period in 2013, mainly due to a higher number of revolving accounts as a consequence of several strategies in Balance Transfer, Statement Financing, Cash advance and increase in credit lines.

In September 2014, HSBC relaunched the Advance proposition with the objective to attract new customers and strengthen the relationship with our current customer base. The proposition is focused to 25 to 40 year old customers, providing them with credit solution to their everyday needs. This relaunch was done on a nationwide basis.

Commercial Banking (CMB)

CMB results for the nine months to 30 September 2014, compared with the same period in 2013, were affected by lower performing loan balances, mainly related to exposure to home builders' portfolios and a strategic reduction in the business banking loan balances, coupled with lower spreads in deposits.

Aligned to our global strategy of becoming the leading international trade and business bank, CMB continues to increase connectivity with global customers throughout the world. It is important to highlight the following points:

- Further action continues to support international SMEs through the MXN13bn International Growth Fund; approximately 91% of the Fund has been authorized to customers one year after launch and 36% has been deployed.
- In the second quarter of 2014 HSBC launched a financing programme (MXN26bn) together with NAFIN, addressed to the Energy Sector, which will provide support to suppliers or clients of both governmental and private institutions involved in the sector. This program provides financing for investment projects such as the creation and infrastructure development, modernization, environmental improvement and technological development. As of September 2014, approximately 17% (MXN4.1bn) of the program has been deployed.
- Continued progress in collaboration with Global Banking and Markets (GBM) and Global Private Banking (GPB). Closer coordination with GBM expertise has delivered growth in more complex products with sophisticated clients. In addition, GPB communication is continuing to strengthen, as there has been a wider collaboration between these two segments, trying to leverage our CMB client base, particularly in the Business Banking segment, as this part of the business is starting to be included as part of a local strategy.

Payments and Cash Management Mexico has been awarded Best Domestic Cash Management by Euromoney for the third consecutive year.

Global Banking and Markets

Trading income was MXN1,295m, a decrease of MXN634m or 32.9% compared with the same period in 2013. This decrease is explained by losses in foreign exchange transactions and the negative mark to market of derivatives partially offset by gains in bonds transactions.

During the third quarter of 2014, Equity Capital Markets business maintained its status as one of the top three in the local equity market league tables, mainly for the three significant deals closed during the year. In the last one at Fibra Terrafina, HSBC was elevated by the company as Joint Global Coordinator for its follow on, which further strengthens our equity capital markets and real estate sector credentials in Mexico and Latin America.

During the third quarter of 2014, Debt Capital Markets business improved its position as a leading underwriter in Mexico, reaching second place in the local debt capital market league tables.

As a result of the increased business in the bond and interest rate markets, at the end of the third quarter of 2014, HSBC was placed third in the ranking of Market Makers for the Mexican Ministry of Finance (SHCP).

Global Banking continued to grow average balances in its performing credit and lending business mainly in Government sector, which increased MXN6,071m or 12.5% compared with the same period of 2013. As result of growth in loan balances, the fees related to financial structuring services increased MXN18.0m or 46.9% compared with the same period of 2013.

Grupo Financiero HSBC's third quarter 2014 financial results as reported to HSBC Holdings plc, our ultimate parent company, are prepared in accordance with International Financial Reporting Standards (IFRS)

For the nine months to 30 September 2014, on an IFRS basis, Grupo Financiero HSBC reported a net income before tax of MXN1,228m, a decrease of MXN672m or 35.4% compared with MXN1,900m for the same period of 2013.

The higher net income before tax reported under Mexican GAAP is largely due to higher loan impairment charges under IFRS as a result of the different provisioning methodologies, coupled with a reduction of the present value of in-force long-term insurance business, a concept which is only recognised under IFRS, as well as with higher deferral of fees paid on the origination of loans. A reconciliation and explanation between the Mexican GAAP and IFRS results is included with the financial statements of this document.

About HSBC

Grupo Financiero HSBC is one of the leading financial groups in Mexico with 983 branches, 5,825 ATMs and approximately 17,500 employees. For more information, visit www.hsbc.com.mx.

Grupo Financiero HSBC is a 99.99% directly owned subsidiary of HSBC Latin America Holdings (UK) Limited, which is a wholly owned subsidiary of HSBC Holdings plc, and a member of the HSBC Group. With around 6,200 offices in 74 countries and territories in Asia, Europe, North and Latin America, the Middle East and North Africa and with assets of US$2,754bn at 30 June 2014, the HSBC Group is one of the world's largest banking and financial services organisations.

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Key Financial Indicators

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

	For the quarter ended at				
	30 Sep 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014	**30 Sep 2014**
a) Liquidity	98.64%	106.93%	108.51%	123.69%	**121.37%**
Profitability					
b) ROE (Return over equity)	6.90%	5.11%	10.68%	5.00%	**2.50%**
c) ROA (Return over assets)	0.78%	0.56%	1.10%	0.47%	**0.23%**
Asset quality					
d) Impaired loans/total loans	5.29%	5.93%	6.18%	6.31%	**6.25%**
e) Coverage ratio	111.27%	100.55%	92.53%	90.21%	**90.53%**
Capitalization					
f) Credit risk	23.97%	22.26%	22.74%	23.36%	**22.54%**
g) Credit, operational and market risk	15.63%	14.81%	14.38%	14.22%	**13.87%**
Operating efficiency					
h) Expenses/Total Assets	4.49%	4.43%	4.04%	3.94%	**3.64%**
i) NIM	5.28%	4.95%	4.62%	4.59%	**4.29%**
Infrastructure					
Branches	1,001	987	987	984	**983**
ATM	6,252	6,120	6,045	5,940	**5,825**
Head Count	17,570	17,527	17,752	17,603	**17,548**

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, operational and market risk = 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 of the balance of the quarter in analysis and the balance of the previous quarter.

Relevant Events

There are no relevant events to disclose during the third quarter of 2014.

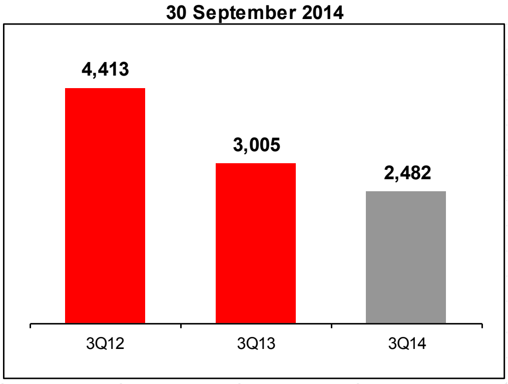
Income Statement Variance Analysis

Net Income

Net income for Grupo Financiero HSBC for the nine months to 30 September 2014 was MXN2,482m, a decrease of 17.4% compared with the same period of 2013.

The decrease was driven by lower trading income, lower net interest income in particular from the insurance business, lower net fee income and higher administrative and personnel expenses; partially offset by a decrease in loan impairment charges and lower tax expenses. The results for the nine months to 30 September 2013 include MXN744m income related to the recognition of the AXA distribution agreement. Excluding the effect of the AXA distribution agreement income in 2013 and discontinued operations, net income increased 20.7% compared with the same period in 2013.

Net Income
30 September 2014

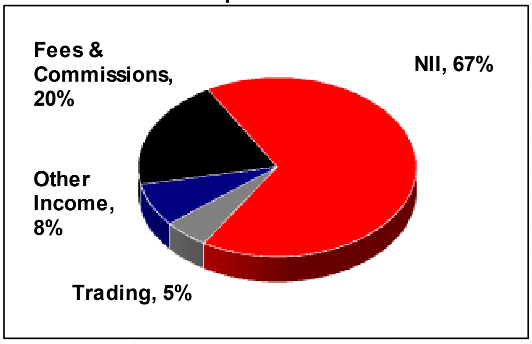


Total Operating Income

The Group's total operating income, net of loan impairment charges, for the nine months to 30 September 2014 was MXN19,409m, a decrease of MXN777m or 3.8% compared with the same period of 2013.

The decrease in total operating income, net of loan impairment charges, is due to lower trading income, lower net interest income and lower net fee income, partially offset by a decrease in loan impairment charges.

Revenue Distribution
30 September 2014



Net Interest Income

Net interest income for the nine months to 30 September 2014 decreased to MXN16,548m, a reduction of MXN473m or 2.8% compared with the same period of 2013.

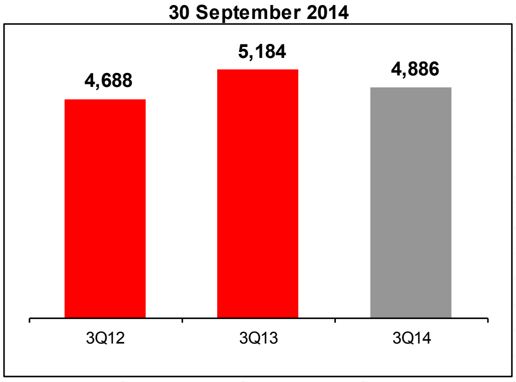
The reduction is mainly due to the insurance related business by the amount of MXN456m and lower spreads in non-interest bearing deposits due to a decrease in market rates, partially offset by higher average loan portfolio balances, as well as higher spreads in credit cards.

Non-interest Income

Non-interest income for the nine months to 30 September 2014 was MXN8,094m; a decrease of MXN892m or 9.9% compared with the same period 2013.

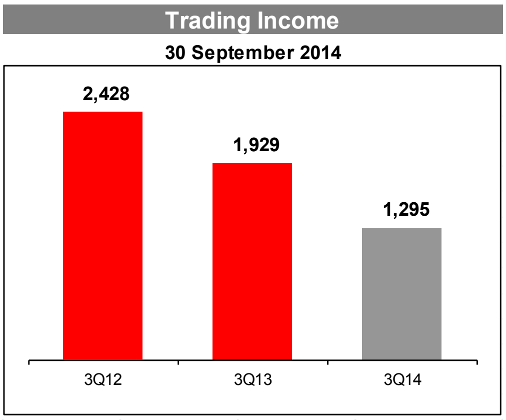
The Group's non-interest income to total revenue ratio decreased from 34.6% for the nine months to 30 September 2013 to 32.8% for the nine months to 30 September 2014, mainly driven by lower trading income and lower net fee income.

Group Fees & Commissions
30 September 2014



► Fee income

The Group's net fee income for the nine months to 30 September 2014 was MXN4,886m, a decrease of MXN298m or 5.7% compared with the same period 2013. This reduction is mainly due to lower account services and alternative channels fees, partially offset by MXN65.9m fees related to the AXA distribution agreement for general insurance sales distribution in branches signed in April 2013 and higher fees on Debt Capital Markets transactions.

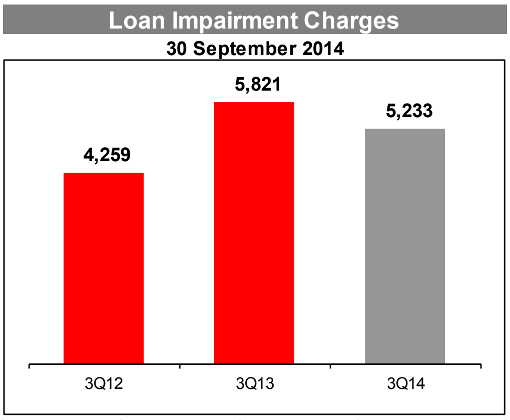


► Trading income

Trading income was MXN1,295m, a decrease of MXN634m or 32.9% compared with the same period of 2013. This decrease is explained by realized losses in Foreign Exchange transactions, partially offset by gains in the netted result of realized gains and the negative mark to market of derivatives and bond transactions.

► Other operating income

Other operating income was MXN1,913m, an increase of MXN40m or 2.1% compared with the same period of 2013. The results for the nine months to 30 September 2013 include MXN744m income related to the recognition of the AXA distribution agreement. Excluding this effect, other operating income increased 69.4% compared with same period of 2013, mainly due to an impairment provision on a defaulted derivative that was recognised as an account receivable in 2013 and higher loan recoveries in 2014.

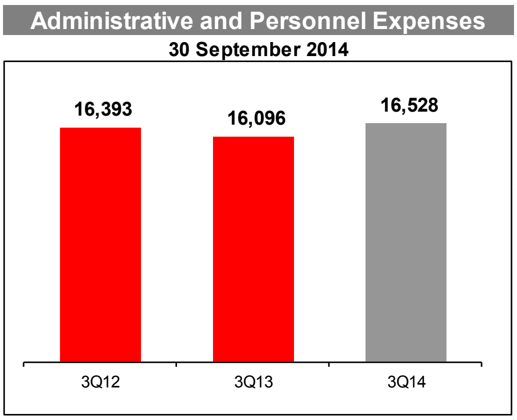


Loan Impairment Charges

For the nine months to 30 September 2014, the Group's loan impairment charges were MXN5,233m, a decrease of MXN588m or 10.1% compared with the same period of 2013. The decrease is mainly due to higher loan impairment charges in 2013 related to a finance project and other commercial loans.

Administrative and Personnel Expenses

The Group's administrative and personnel expenses for the nine months to 30 September 2014 were MXN16,528m, an increase of MXN432m or 2.7% compared with the same period of 2013. This increase is mainly due to investment in the compliance and risk functions partially funded by sustainable cost savings that had been achieved in previous years.

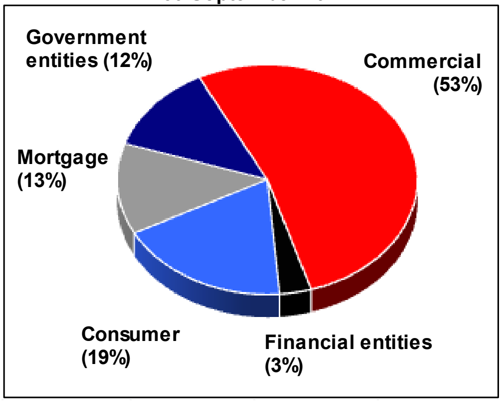


Balance sheet Variance Analysis

At 30 September 2014, the Group's total assets amounted MXN597,221, which represents an increase of MXN115,027m or 23.9%, compared with 30 September 2013. This increase was mainly driven by an increase in investment in securities and total loan portfolio.

Credit Portfolio Distribution

30 September 2014



Loan portfolio

The Group's performing loan portfolio balance was MXN196,525m at 30 September 2014, an increase of 4.8% compared with 30 September 2013. This increase was mainly driven by higher government entities, mortgage and commercial loans balances, which increased 19.3%, 10.1% and 2.4%, respectively, partially offset by lower consumer loan portfolio.

► Commercial loans (including financial and government entities)

At 30 September 2014, the performing commercial portfolio (including financial and government entities) increased 6.3% in comparison with 30 September 2013; mainly driven by an increase of MXN3,953m and MXN2,453m in government entities and commercial loan portfolios, respectively.

► Consumer loans

At 30 September 2014, performing consumer loans decreased 3.6% compared with 30 September 2013, due to a reduction in payroll and personal loans, partially offset by an increase in credit card balances.

► Mortgage loans

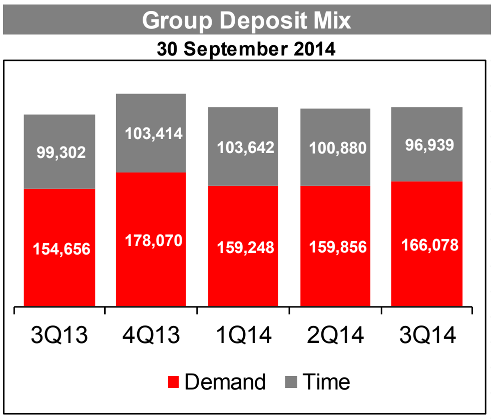
The mortgage performing loan portfolio increased MXN2,300m or 10.1% compared with 30 September 2013, as a result of ongoing campaigns. This year, the campaign is based on an 8.45% mortgage rate.

Asset quality

As of 30 September 2014, the Group's impaired loan portfolio was MXN13,111m, an increase of MXN2,628m or 25.1% compared with 30 September 2013. The higher impaired loan portfolio is associated with the performance of certain home builders and other impaired commercial loans.

Total impaired loans as a percentage of total loans and advances to customers increased to 6.3% compared with 5.3% at 30 September 2013. The total coverage ratio (allowance for loan losses divided by impaired loans) was 90.5% at 30 September 2014 compared with 111.3% at 30 September 2013.

Deposits



The Group's total deposits at 30 September 2014 were MXN269,329m, an increase of 5.6% compared with 30 September 2013, mainly as a result of increased demand deposits and bank bonds issuances.

► Demand deposits

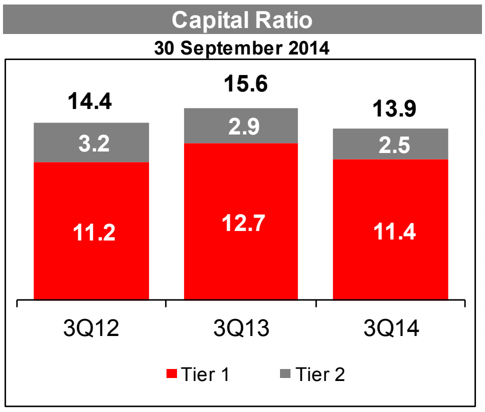
At 30 September 2014, demand deposits were MXN166,078m, an increase of 7.4% compared with 30 September 2013.

► Time deposits

Time deposits were MXN96,939m at 30 September 2014, a decrease of 2.4% compared to 30 September 2013.

Shareholder's equity

At 30 September 2014, the Group's equity amounted to MXN54,366m, a decrease of 1.9% compared to 30 September 2013.



The Bank's equity was MXN48,557m, at 30 September 2014, an increase of 2.4% compared to 30 September 2013.

Capital Adequacy Ratio

The Bank's capital adequacy ratio at 30 September 2014 was 13.9%, placing it well above the authorities' requirements. The Tier 1 capital ratio at the end of the reporting period is 11.4 %.

Financial Situation, Liquidity and Capital Resources

Group's balance structure has maintained its liquidity. Cash and investments in securities represent 45.2% of total assets, 5.6 percentage points higher than 30 September 2013. Total assets were MXN597,221m, an increase of MXN115,027m in comparison with 30 September 2013. 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 Sep 2013	*31 Dec 2013*	*31 Mar 2014*	*30 Jun 2014*	***30 Sep 2014***
Assets					
Cash and deposits in banks	47,996	55,407	39,657	48,365	**32,372**
Margin Accounts	-	-	-	5	**5**
Investments in Securities	143,325	171,422	177,021	223,957	**237,781**
Trading securities	39,143	58,568	54,731	54,364	**64,994**
Available-for-sale securities	87,857	96,081	105,138	138,007	**141,064**
Held to maturity securities	16,325	16,773	17,152	31,586	**31,723**
Reverse repurchase agreements	2,600	500	-	-	**-**
Derivative transactions	51,231	49,769	48,873	55,607	**52,497**
Performing loans					
Commercial loans	126,837	130,679	132,366	130,565	**134,805**
Commercial entities	101,269	108,207	106,105	105,385	**103,722**
Loans to financial intermediaries	5,115	4,339	7,358	5,642	**6,677**
Loans to government entities	20,453	18,133	18,903	19,538	**24,406**
Consumer loans	37,896	37,675	36,497	36,132	**36,544**
Mortgages loans	22,876	24,480	24,538	24,739	**25,176**
Total performing loans	187,609	192,834	193,401	191,436	**196,525**
Impaired loans					
Commercial loans	8,250	9,665	10,417	10,517	**10,863**
Commercial entities	8,210	9,617	10,347	10,432	**10,778**
Financial entities	2	3	-	-	**-**
Loans to government entities	38	45	70	85	**85**
Consumer loans	1,539	1,788	1,634	1,699	**1,644**
Mortgages loans	694	703	699	668	**604**
Total non-performing loans	10,483	12,156	12,750	12,884	**13,111**
Loan portfolio	198,092	204,990	206,151	204,320	**209,636**
Allowance for loan losses	(11,664)	(12,223)	(11,798)	(11,623)	**(11,869)**
Net loan portfolio	186,428	192,767	194,353	192,697	**197,767**
Accounts receivable from insurance and bonding companies	12	18	28	38	**41**
Premium receivables	39	53	38	38	**48**
Accounts receivables from reinsurers and rebonding companies	114	73	69	59	**56**
Benefits to be received from trading operations	262	182	176	168	**163**
Other accounts receivable, net	31,258	40,404	54,654	72,047	**57,284**
Foreclosed assets	184	159	152	139	**81**
Property, furniture and equipment, net	6,910	6,927	6,822	6,574	**6,362**
Long term investments in equity securities	221	234	239	218	**228**
Long-term assets available for sale	303	35	24	-	**1**
Deferred taxes, net	6,590	7,710	7,603	7,338	**8,399**
Goodwill	1,048	1,048	1,048	1,048	**1,048**
Other assets, deferred charges and intangibles	3,673	3,832	3,256	3,183	**3,088**
Total Assets	482,194	530,540	534,013	611,481	**597,221**

Figures in MXN millions

	30 Sep 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014	**30 Sep 2014**
Liabilities					
Deposits	254,997	287,520	269,047	266,767	**269,329**
Demand deposits	154,656	178,070	159,248	159,856	**166,078**
Time deposits	99,302	103,414	103,642	100,880	**96,939**
Retail	99,302	103,414	103,642	100,880	**96,939**
Bank bonds outstanding	1,039	6,036	6,157	6,031	**6,312**
Bank deposits and other liabilities	25,118	20,510	26,710	36,379	**31,882**
On demand	4,017	2,900	2,767	8,301	**9,641**
Short term	18,741	15,466	21,864	26,471	**20,731**
Long term	2,360	2,144	2,079	1,607	**1,510**
Repurchase agreements	28,513	34,765	53,875	83,300	**89,503**
Stock Borrowing	1	-	-	-	**-**
Financial assets pending to be settled	-	-	220	16	**494**
Collateral Sold	3,796	9,076	8,490	12,969	**17,506**
Repurchase	-	-	-	300	**70**
Securities to be received in repo transactions	3,796	9,076	8,490	12,669	**17,436**
Derivative transactions	49,754	47,643	47,009	55,222	**51,750**
Technical reserves	11,223	11,432	11,759	11,854	**12,056**
Reinsurers	11	13	16	15	**15**
Other accounts payable	41,087	53,750	53,264	79,720	**60,010**
Income tax and employee profit sharing payable	818	954	237	358	**441**
Creditors for settlement of transactions	27,843	37,659	37,611	64,264	**42,279**
Sundry creditors and others accounts payable	12,426	15,137	15,416	15,098	**17,290**
Subordinated debentures outstanding	11,699	9,463	9,456	9,414	**9,602**
Deferred credits	600	599	604	649	**708**
Total Liabilities	426,799	474,771	480,450	556,305	**542,855**
Stockholder's Equity					
Paid in capital	37,823	37,823	37,823	37,823	**37,823**
Capital stock	5,637	5,637	5,637	5,637	**5,637**
Additional paid in capital	32,186	32,186	32,186	32,186	**32,186**
Capital Gains	17,561	17,942	15,735	17,348	**16,538**
Capital reserves	2,458	2,458	2,458	2,644	**2,644**
Retained earnings	11,473	11,489	11,401	11,215	**11,215**
Result from the mark-to-market of Available-for-sale securities	539	290	386	1,230	**200**
Result from cash flow hedging transactions	86	(9)	30	119	**(3)**
Net Income	3,005	3,714	1,460	2,140	**2,482**
Non-controlling interest	11	4	5	5	**5**
Total Stockholder's Equity	55,395	55,769	53,563	55,176	**54,366**
Total Liabilities and Capital	482,194	530,540	534,013	611,481	**597,221**

Figures in MXN millions

	30 Sep 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014	**30 Sep 2014**
Memorandum Accounts	4,235,729	4,262,890	4,415,235	4,640,886	**4,730,217**
Proprietary position	4,142,475	4,168,813	4,321,862	4,530,830	**4,613,240**
Irrevocable lines of credit granted	24,915	25,561	26,906	28,049	**32,801**
Goods in trust or mandate	409,079	439,469	444,093	453,989	**471,811**
Trust	408,294	438,533	443,442	453,328	**471,156**
Mandate	785	936	651	661	**655**
Goods in custody or under administration	298,790	341,218	334,311	370,899	**352,342**
Collateral received by the institution	13,584	17,291	8,719	13,531	**17,861**
Collateral received and sold or delivered as guarantee	10,289	16,583	8,490	12,969	**17,506**
Values in deposit	47	-	-	-	**-**
Suspended interest on impaired loans	175	221	264	295	**309**
Recovery guarantees for issued bonds	19,104	-	-	-	**-**
Paid claims	13	-	-	-	**-**
Cancelled claims	9	-	-	-	**-**
Recovery claims	-	-	-	-	**-**
Responsibilities from bonds in force	3,418	-	-	-	**-**
Other control accounts	3,363,052	3,328,470	3,499,079	3,651,098	**3,720,610**

	30 Sep 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014	**30 Sep 2014**
Third party accounts	93,254	94,077	93,373	110,056	**116,977**
Clients current accounts	-	-	-	-	**-**
Custody operations	42,898	43,724	42,616	59,302	**69,309**
Transactions on behalf of clients	682	-	-	-	**-**
Third party investment banking operations, net	49,674	50,353	50,757	50,754	**47,668**

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 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 million.
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LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	DAVID CRICHTON MEECHIE	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 Sep 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014	**30 Sep 2014**	30 Sep 2013	**30 Sep 2014**
Interest Income	7,337	7,378	7,246	7,444	**7,404**	22,483	**22,094**
Earned premiums	772	749	702	696	**784**	2,281	**2,182**
Interest expense	(1,920)	(1,927)	(1,911)	(2,057)	**(1,973)**	(6,313)	**(5,941)**
Increase in technical reserves	(157)	(298)	(261)	(95)	**(138)**	(592)	**(494)**
Claims	(376)	(331)	(409)	(372)	**(512)**	(838)	**(1,293)**
Net interest income	5,656	5,571	5,367	5,616	**5,565**	17,021	**16,548**
Loan impairment charges	(1,518)	(2,265)	(1,525)	(1,643)	**(2,065)**	(5,821)	**(5,233)**
Risk adjusted net interest income	4,138	3,306	3,842	3,973	**3,500**	11,200	**11,315**
Fees and commissions receivable	2,199	2,233	1,986	2,059	2,122	6,478	**6,167**
Fees payable	(438)	(508)	(434)	(415)	(432)	(1,294)	**(1,281)**
Trading Income	706	491	726	321	248	1,929	**1,295**
Other operating income	(26)	658	805	504	604	1,873	**1,913**
Administrative and personnel expenses	(5,469)	(5,606)	(5,382)	(5,643)	(5,503)	(16,096)	**(16,528)**
Net operating income	1,110	574	1,543	799	**539**	4,090	**2,881**
Share of profits in equity interest	13	12	10	13	**15**	31	**38**
Net income before taxes	1,123	586	1,553	812	**554**	4,121	**2,919**
Income tax	(511)	(741)	(293)	(427)	**(486)**	(1,503)	**(1,206)**
Deferred income tax	245	1,007	176	441	**274**	60	**891**
Net income before discontinued operations	857	852	1,436	826	**342**	2,678	**2,604**
Discontinued operations	88	(142)	25	(146)	**-**	328	**(121)**
Non-controlling interest	(1)	-	(1)	-	**-**	(1)	**(1)**
Net income (loss)	944	710	1,460	680	**342**	3,005	**2,482**

"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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LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	DAVID CRICHTON MEECHIE	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 — ***Grupo Financiero HSBC, S.A. de C.V.***

From 1 January to 30 September 2014

	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	Result from cash flow hedging transactions	Results from holding non-monetary assets (Valuation of permanent investments)	Net income	Non-controlling interest	**Total Stock-holders Equity**
Balances at 01 January 2014	**37,823**	**-**	**-**	**-**	**2,458**	**11,489**	**281**	**-**	**-**	**3,714**	**4**	**55,769**
Movements Inherent to the Shareholders Decision												
Subscription of shares	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	186	(186)	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	-	3,714	-	-	-	(3,714)	-	-
Cash dividends	-	-	-	-	-	(3,781)	-	-	-	-	-	(3,781)
Others	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent to the Shareholders Decision	**-**	**-**	**-**	**-**	**186**	**(253)**	**-**	**-**	**-**	**(3,714)**	**-**	**(3,781)**
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income												
Net result	-	-	-	-	-	-	-	-	-	2,482	-	2,482
Result from valuation of available-for-sale securities	-	-	-	-	-	-	(90)	-	-	-	-	(90)
Result from cash flow hedging transactions	-	-	-	-	-	-	6		-	-	-	6
Results from holding non-monetary assets												
Others	-	-	-	-	-	(21)	-	-	-	-	1	(20)
Total Movements Inherent for the Recognition of the Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**(21)**	**(84)**	**-**	**-**	**2,482**	**1**	**2,378**
Balances at 30 September 2014	**37,823**	**-**	**-**	**-**	**2,644**	**11,215**	**197**	**-**	**-**	**2,482**	**5**	**54,366**

“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	DAVID CRICHTON MEECHIE	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 September 2014*	***Grupo Financiero HSBC, S.A. de C.V.***
Net income	**2,482**
Adjustments for items not involving cash flow:	**10,056**
Allowances for loan losses	5,115
Depreciation	947
Amortization	313
Provisions	2,879
Income Tax and deferred taxes	315
Technical reserves	494
Discontinued operations	30
Share of profits in equity interest	(37)
Changes in items related to operating activities:	
Memorandum accounts	(5)
Investment securities	(65,953)
Repurchase agreements	500
Derivative (assets)	(2,696)
Loan portfolio	(10,137)
Benefits to be received from trading operations	19
Foreclosed assets	78
Operating assets	(16,193)
Deposits	(18,191)
Bank deposits and other liabilities	11,373
Creditors repo transactions	54,738
Collateral sold or delivered as guarantee	8,430
Derivative (liabilities)	4,106
Subordinated debentures outstanding	139
Accounts receivables from reinsurers and coinsurers	(6)
Accounts receivables from premiums	5
Reinsurers and bonding	2
Other operating liabilities	4,219
Income tax payable	(1,628)
Funds provided by operating activities	**(31,200)**
Investing activities:	
Acquisition of property, furniture and equipment	(425)
Intangible assets acquisitions	(182)
Cash dividends	37
Other investment activities	(22)
Funds used in investing activities	**(592)**
Financing activities:	
Cash dividends	(3,781)
Funds used in financing activities	**(3,781)**
Increase/decrease in cash and equivalents	**(23,035)**
Adjustments to cash flow variations in the exchange rate and inflation levels	**-**
Cash and equivalents at beginning of period	**55,407**
Cash and equivalents at end of period	**32,372**

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	DAVID CRICHTON MEECHIE	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 Sep 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014	**30 Sep 2014**
Assets					
Cash and deposits in banks	47,996	55,407	39,657	48,365	**32,370**
Margin Accounts	-	-	-	5	**5**
Investment in Securities	126,161	153,455	161,642	208,115	**221,558**
Trading securities	32,047	51,121	50,216	49,535	**59,879**
Available-for-sale securities	87,857	96,081	105,138	138,007	**141,064**
Held to maturity securities	6,257	6,253	6,288	20,573	**20,615**
Reverse repurchase agreements	2,600	500	-	-	**-**
Derivative transactions	51,231	49,769	48,873	55,607	**52,497**
Performing loans					
Commercial loans	126,837	130,679	132,366	130,565	**134,805**
Commercial entities	101,269	108,207	106,105	105,385	**103,722**
Loans to financial intermediaries	5,115	4,339	7,358	5,642	**6,677**
Loans to government entities	20,453	18,133	18,903	19,538	**24,406**
Consumer loans	37,896	37,675	36,497	36,132	**36,544**
Mortgages loans	22,876	24,480	24,538	24,739	**25,176**
Total performing loans	187,609	192,834	193,401	191,436	**196,525**
Impaired loans					
Commercial loans	8,250	9,620	10,417	10,517	**10,863**
Commercial entities	8,210	9,617	10,347	10,432	**10,778**
Loans to financial intermediaries	2	3	-	-	**-**
Loans to government entities	38	45	70	85	**85**
Consumer loans	1,539	1,788	1,634	1,699	**1,644**
Mortgage Loans	694	703	699	668	**604**
Total non-performing loans	10,483	12,156	12,750	12,884	**13,111**
Total loan portfolio	198,092	204,990	206,151	204,320	**209,636**
Allowance for loan losses	(11,664)	(12,223)	(11,798)	(11,623)	**(11,869)**
Net loan portfolio	186,428	192,767	194,353	192,697	**197,767**
Benefits to be received from trading operations	262	182	176	168	**163**
Other accounts receivable	31,048	40,293	53,582	71,380	**56,148**
Foreclosed assets	184	159	152	139	**81**
Property, furniture and equipment, net	6,910	6,927	6,822	6,574	**6,362**
Long term investments in equity securities	134	148	156	133	**141**
Long term assets available for sale	3	5	2	-	**-**
Deferred taxes	6,479	7,624	7,489	7,222	**8,241**
Other assets, deferred charges and intangibles	3,490	3,637	3,157	3,091	**2,950**
Total Assets	462,926	510,873	516,061	593,496	**578,283**

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

	30 Sep 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014	**30 Sep 2014**
Liabilities					
Deposits	255,528	287,808	269,428	267,218	**269,863**
Demand deposits	155,187	178,358	159,629	160,307	**166,612**
Time deposits	99,302	103,414	103,642	100,880	**96,939**
Retail	99,302	103,414	103,642	100,880	**96,939**
Money market	-	-	-	-	**-**
Bank bonds outstanding	1,039	6,036	6,157	6,031	**6,312**
Bank deposits and other liabilities	25,118	20,510	26,710	36,379	**31,882**
On demand	4,017	2,900	2,767	8,301	**9,641**
Short term	18,741	15,466	21,864	26,471	**20,731**
Long term	2,360	2,144	2,079	1,607	**1,510**
Repurchase agreements	28,513	34,765	53,875	83,300	**89,503**
Stock Borrowing	1	-	-	-	**-**
Financial assets pending to be settled	-	-	220	16	**494**
Collateral Sold	3,796	9,076	8,490	12,969	**17,506**
Repurchase	-	-	-	300	**70**
Securities to be received in repo transactions	3,796	9,076	8,490	12,669	**17,436**
Derivative transactions	49,754	47,643	47,009	55,222	**51,750**
Other accounts payable	40,494	53,401	51,975	78,605	**58,417**
Income tax and employee profit sharing payable	700	916	215	293	**366**
Contributions for future capital increases	-	-	-	-	**-**
Creditors for settlement of transactions	24,109	37,519	36,525	63,576	**41,099**
Sundry creditors and others accounts payable	15,685	14,966	15,235	14,736	**16,952**
Subordinated debentures outstanding	11,699	9,463	9,456	9,414	**9,602**
Deferred credits	600	601	606	650	**709**
Total Liabilities	415,503	463,267	467,769	543,773	**529,726**
Stockholder's Equity					
Paid in capital	32,768	32,768	32,768	32,768	**32,768**
Capital stock	5,680	5,680	5,680	5,680	**5,680**
Additional paid in capital	27,088	27,088	27,088	27,088	**27,088**
Capital Gains	14,654	14,836	15,521	16,952	**15,786**
Capital reserves	10,973	10,973	10,973	11,201	**11,188**
Retained earnings	1,420	1,436	2,985	2,757	**2,770**
Result from the mark-to-market of Available-for-sale securities	539	290	386	1,230	**200**
Result from cash flow hedging transactions	86	(9)	30	119	**(3)**
Net Income	1,636	2,146	1,147	1,645	**1,631**
Non-controlling interest	1	2	3	3	**3**
Total Stockholder's Equity	47,423	47,606	48,292	49,723	**48,557**
Total Liabilities and Capital	462,926	510,873	516,061	593,496	**578,283**

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

Memorandum Accounts

	30 Sep 2013	*31 Dec 2013*	*31 Mar 2014*	*30 Jun 2014*	***30 Sep 2014***
Guarantees granted	-	-	-	-	**-**
Contingent assets and liabilities	-	-	-	-	**-**
Irrevocable lines of credit granted	24,915	25,561	26,906	28,049	**32,801**
Goods in trust or mandate	409,079	439,469	444,093	453,989	**471,811**
Goods	408,294	438,533	443,442	453,328	**471,156**
Trusts	785	936	651	661	**655**
Goods in custody or under administration	293,153	378,679	370,679	423,902	**413,799**
Collateral received by the institution	13,584	17,291	8,719	13,531	**17,861**
Collateral received and sold or delivered as guarantee	10,289	16,583	8,490	12,969	**17,506**
Third party investment banking operations, net	49,674	50,353	50,757	50,754	**47,668**
Suspended interest on impaired loans	175	221	264	295	**309**
Other control accounts	3,394,401	3,318,620	3,493,224	3,646,090	**3,715,601**
	4,195,270	4,246,777	4,403,132	4,629,579	**4,717,356**

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 MXN 3,880 million.
www.hsbc.com.mx, Home Investor Relations Financial Information.
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LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	DAVID CRICHTON MEECHIE	JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Consolidated Income Statement

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

	For the quarter ending					Year to date	
	30 Sep 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014	**30 Sep 2014**	30 Sep 2013	**30 Sep 2014**
Interest income	7,125	7,149	7,027	7,240	**7,189**	21,845	**21,456**
Interest expense	(1,925)	(1,931)	(1,913)	(2,060)	**(1,976)**	(6,325)	**(5,949)**
Net interest income	5,200	5,218	5,114	5,180	**5,213**	15,520	**15,507**
Loan impairment charges	(1,518)	(2,265)	(1,525)	(1,643)	**(2,065)**	(5,821)	**(5,233)**
Risk adjusted net interest income	3,682	2,953	3,589	3,537	**3,148**	9,699	**10,274**
Fees and commissions receivable	2,112	2,158	1,897	1,909	**1,949**	6,200	**5,755**
Account management	87	85	65	67	**67**	271	**199**
Services	2,025	2,073	1,832	1,842	**1,882**	5,929	**5,556**
Fees payable	(444)	(513)	(435)	(414)	**(431)**	(1,297)	**(1,280)**
Trading Income	669	390	602	331	**206**	1,883	**1,139**
Foreign exchange	252	527	53	(106)	**(264)**	452	**(317)**
Securities trading, net	63	220	140	81	**222**	224	**443**
Swaps	518	(22)	603	840	**389**	2,125	**1,832**
Valuation off-shore agencies	(70)	(431)	(23)	(503)	**27**	(416)	**(499)**
Valuation for trading swaps	117	234	(21)	62	**(15)**	354	**26**
Valuation for FX options	(211)	(138)	(150)	(43)	**(153)**	(856)	**(346)**
Other operating income	25	749	861	551	**654**	2,059	**2,066**
Administrative and personnel expenses	5,406	5,605	5,368	5,597	**5,458**	15,968	**16,423**
Personnel expense	2,461	2,343	2,460	2,405	**2,400**	7,058	**7,265**
Administrative expense	2,505	2,939	2,511	2,785	**2,602**	7,570	**7,898**
Depreciation and amortization	440	323	397	407	**456**	1,340	**1,260**
Net operating income	638	132	1,146	317	**68**	2,576	**1,531**
Share of profits in equity interest	9	13	12	10	**13**	30	**35**
Net income before taxes	647	145	1,158	327	**81**	2,606	**1,566**
Income tax	(348)	(667)	(159)	(268)	**(328)**	(1,009)	**(755)**
Deferred income tax	258	1,033	149	439	**233**	39	**821**
Net income before discontinued operations	557	511	1,148	498	**(14)**	1,636	**1,632**
Non-controlling interest	-	(1)	(1)				**(1)**
Net income (loss)	557	510	1,147	498	**(14)**	1,636	**1,631**

The present income statement was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission as specified in Articles 99, 101 and 102 of the Law for Credit Institutions of general observance and mandatory, applied in a consistent manner. This statement reflects all income and expenses derived from the operations performed by the Institution up to the date mentioned above. These operations were performed following healthy banking practice and following applicable legal and administrative requirements. The present statement has been approved by the Board of Directors under the responsibility of signing officers.
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Chief 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 September 2014

	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 01 January 2014	**5,680**		**27,088**		**10,973**	**1,436**	**290**	**(9)**		**2,146**	**2**	**47,606**
Movements Inherent to the Shareholders Decision												
Subscription of shares												-
Capitalization of retained earnings												
Constitution of reserves					215	(215)						-
Transfer of result of prior years						2,146				(2,146)		-
Cash dividends						(576)						**(576)**
Others												
Total Movements Inherent to the Shareholders Decision					215	1,355				(2,146)		**(576)**
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income												
Net result										1,631	1	**1,632**
Result from valuation of available-for-sale securities							(90)					**(90)**
Result from cash flow hedging transactions								6				**6**
Results from holding non-monetary assets												
Others						(21)						**(21)**
Total Movements Inherent for the Recognition of the Comprehensive Income						(21)	(90)	6		1,631	1	**1,527**
Balances as at 30 September 2014	**5,680**		**27,088**		**11,188**	**2,770**	**200**	**(3)**		**1,631**	**3**	**48,557**

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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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 September 2014 ***HSBC Mexico, S.A. (Bank)***

	30 Sep 2014
Net income	**1,631**
Adjustments for items not involving cash flow:	**8,801**
Depreciation	947
Amortization	313
Provisions	2,527
Income Tax and deferred taxes	(67)
Share of profits in equity interest	(34)
Other	5,115
Changes in items related to operating activities:	
Memorandum accounts	(5)
Investment securities	(67,697)
Repurchase agreements	500
Derivative (assets)	(2,696)
Loan portfolio	(10,137)
Benefits to be received from trading operations	19
Foreclosed assets	78
Operating assets	(15,220)
Deposits	(17,945)
Bank deposits and other liabilities	11,373
Creditors repo transactions	54,738
Stock borrowing	-
Collateral sold or delivered as guarantee	8,430
Derivative (liabilities)	4,106
Subordinated debentures outstanding	-
Other operating liabilities	139
Income tax payable	3,229
Other	(1,208)
Funds provided by operating activities	**(32,296)**
Investing activities:	
Acquisition of property, furniture and equipment	(425)
Intangible assets acquisitions	(182)
Cash dividends	37
Others	(27)
Funds used in investing activities	**(597)**
Financing activities:	
Cash dividend	(576)
Funds used or provided by financing activities	**(576)**
Increase/decrease in cash and equivalents	**(23,037)**
Adjustments to cash flow variations in the exchange rate and inflation levels	**-**
Cash and equivalents at beginning of period	**55,407**
Cash and equivalents at end of period	**32,370**

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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Investment in securities

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

Figures in MXN millions

Investments in securities	30 Sep 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014	**30 Sep 2014**
Government securities	34,285	49,353	48,347	47,551	**55,634**
Bank securities	256	2,240	2,170	2,753	**4,203**
Shares	3,497	5,319	2,624	2,553	**3,144**
Others	1,105	1,656	1,590	1,507	**2,013**
Trading securities	39,143	58,568	54,731	54,364	**64,994**
Government securities	83,951	92,117	101,179	134,002	**137,052**
Bank securities	1,893	508	538	1,882	**1,880**
Shares	-	-	-	-	**-**
Others	2,013	3,456	3,421	2,123	**2,132**
Available for sale securities	87,857	96,081	105,138	138,007	**141,064**
Government securities	14,712	15,165	15,543	30,016	**31,107**
Bank securities	63	95	96	96	**97**
Others	1,550	1,513	1,513	1,474	**519**
Held to maturity securities	16,325	16,773	17,152	31,586	**31,723**
Total Investment in Securities	143,325	171,422	177,021	223,957	**237,781**

In the third quarter of 2014, investment in securities increased by MXN13,824 million compared to the second quarter of 2014; mainly by increasing Government Securities MXN12,224 million.

Repurchase and Reverse repurchase agreements

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

Figures in MXN millions

	Purchaser				
	30 Sep 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014	**30 Sep 2014**
Repo operations	9,008	8,001	-	-	**-**
Collaterals sold or pledged	(6,408)	(7,501)	-	(300)	**(70)**
Total repurchase agreements	2,600	500	-	(300)	**(70)**

	Seller				
	30 Sep 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014	**30 Sep 2014**
Repo operations	28,513	34,765	53,875	83,300	**89,503**
Collaterals sold or pledged	-	-	-	-	**-**
Total repurchase agreements	28,513	34,765	53,875	83,300	**89,503**

Derivative transactions

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

Figures in MXN millions at September 30, 2014

Fair value of derivatives for trading purposes

	Swaps		*Forwards*		*Options*		*Futures*		*Net*
	Asset	*Liability*	*Asset*	*Liability*	*Asset*	*Liability*	*Asset*	*Liability*	
Currency	20,063	18,763	5,241	3,928	224	229	-	-	2,609
Interest Rate	26,376	27,429	155	155	151	71	-	-	(973)
Equities	-	-	125	125	-	-	-	-	-
Total	**46,440**	**46,192**	**5,520**	**4,207**	**375**	**300**	**-**	**-**	**1,636**

Fair value of derivatives for hedging purposes

	Swaps		*Forwards*		*Options*		*Futures*		*Net*
	Asset	*Liability*	*Asset*	*Liability*	*Asset*	*Liability*	*Asset*	*Liability*	
Currency	-	334	-	-	-	-	-	-	(334)
Interest Rate	162	716	-	-	-	-	-	-	(554)
Total	**162**	**1,051**	**-**	**-**	**-**	**-**	**-**	**-**	**(889)**

Collateral Sold or delivered as guarantee

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

Figures in MXN millions

	30 Sep 2013	*31 Dec 2013*	*31 Mar 2014*	*30 Jun 2014*	***30 Sep 2014***
Pledged (Restricted securities):					
Trading securities	14,184	28,292	30,253	28,562	**37,766**
Securities available for sale	19,859	16,922	32,654	56,079	**56,060**
Securities held to maturity	-	-	-	-	**14,292**
	34,043	45,214	62,907	97,967	**108,118**
Received (in memorandum accounts):					
In respect of repo transactions	9,020	8,008	-	-	**-**
In respect of securities loan	-	-	-	-	**-**
Fixed income	4,533	9,283	8,719	13,531	**17,861**
	13,553	17,291	8,719	13,531	**17,861**
Collateral sold or pledged as guarantee:					
In respect of repo transaction	6,146	7,507	-	-	**-**
In respect of securities loan	266	-	-	300	**70**
Fixed income	3,877	9,076	8,490	12,669	**17,436**
	10,289	16,583	8,490	12,969	**17,506**

Loan Portfolio

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

By type of currency

Figures in MXN millions at September 30, 2014

	Commercial or Business Activity	Financial Intermediaries	Government Entities	Consumer Loans	Mortgage Loans	Total
Non Impaired Loan Portfolio						
Pesos	80,347	6,449	24,406	36,544	24,330	172,076
US Dollars	23,375	228				23,603
Udis Banxico					846	846
Total	**103,722**	**6,677**	**24,406**	**36,544**	**25,176**	**196,525**
Impaired Loan Portfolio						
Pesos	10,001	-	85	1,642	539	12,267
US Dollars	777			2		779
Udis Banxico					65	65
Total	**10,778**	**-**	**85**	**1,644**	**604**	**13,111**

Loan Portfolio Grading

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

Figures in constant MXN millions at September 30, 2014

		Allowance for Loan Losses by type of loan			
	Total loan portfolio	*Commercial loans*	*Consumer loans*	*Mortgages loans*	*Total reserves*
Excepted from rating	191				
Rated	242,247				
Risk A	**165,254**	**848**	**25**	**64**	**937**
Risk A-1	133,011	467	25	64	556
Risk A-2	32,243	381	0	0	381
Risk B	**57,019**	**591**	**2,175**	**147**	**2,913**
Risk B-1	32,278	186	1,299	147	1,632
Risk B-2	16,522	123	876	0	999
Risk B-3	8,219	282	0	0	282
Risk C	**7,257**	**306**	**879**	**180**	**1,365**
Risk C-1	6,994	271	879	180	1,330
Risk C-2	263	35	0	0	35
Risk D	**10,661**	**4,106**	**1,342**	**5**	**5,453**
Risk E	**2,056**	**1,118**	**79**	**4**	**1,201**
Total	**242,438**	**6,969**	**4,500**	**400**	**11,869**
Less:					
Constituted loan loss allowances					11,869
Surplus					**0**

The figures related to the rating and constitution of loan loss allowances correspond to those as at September 30, 2014 and includes figures related to credit lines of revolving credit.

The loan portfolio is graded according to the rules issued by the Secretaría de Hacienda y Crédito Público (SHCP – Mexican Government's Secretary of Public Lending) based on loan loss provisions methodology applicable to credit institutions in Mexico (the Dispositions) issued by the Banking Commission (CNBV for its acronym in English).

On 24 June 2013, the CNBV issued changes related to the Dispositions, which are applicable to the methodology for grading commercial loans granted to the following customers: 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 ".

Except for the methodology for grading commercial loans granted to financial institutions, in accordance with Article Second of the Transitional Dispositions, HSBC elected to apply the methodology in advance, starting on June 2013. With regards to the methodology for grading commercial loans granted to financial institutions, Article Third of those Transitional Dispositions provides that the adoption the new methodology would be in force from January 1, 2014, and the financial impacts resulted from the changes on this methodology must be recognized no later than on June 30, 2014. HSBC elected to apply on March 2014 the new methodology for commercial loans granted to financial institutions, and as a result, a debit in retained earnings was recognized on March 2014 for MXN31 million (MXN22 million net of deferred taxes).

The rest of the commercial portfolio, except for States and Municipalities and Investment Projects, is graded according to the methodology established 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 which is based on concepts such as expected loss, probability of default, exposure at default and the loss given default, based primarily on grading's assigned by rating agencies.

For the consumer and mortgage portfolio, grading is based on the General Regulations issued by the CNBV, specifically using the standard methodology.

As at September 2014, the increase in loan loss allowances charged to Income Statement was MXN5,233 million. In the other hand, MXN5,325 million was related to write offs and MXN175 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 loan portfolios.

Portfolio	Probability of default	Loss given default	MXN Million Exposure at default
Consumer	11.88%	71.25%	47,198
Mortgages	3.89%	26.81%	25,780
Commercial	10.38%	40.61%	133,549

The aforementioned information was calculated with the local methodology of CNBV.

The figures related to weighted average of the probability of default and severity of loss and exposure to default for each of the loan portfolios correspond to those as at September 30, 2014, consumer portfolio includes figures related to revolving facilities, while commercial portfolio excludes the investment projects, not unconditionally cancellable commitments, prepayments of interest and overdrafts.

Impaired Loans

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

Figures in MXN millions

	At the quarter ending				
	30 Sep 2013	31 Dec 2013	31 Mar 2014	30 Jun 2014	**30 Sep 2014**
Initial Balance of Impaired Loans	8,278	10,483	12,156	12,750	**12,884**
Increases	5,959	6,607	8,516	6,476	**5,435**
Transfer of non-impaired loans to impaired loans	5,959	6,607	8,516	6,476	**5,435**
Decreases	3,754	4,948	7,922	6,342	**5,208**
Restructurings and renewals with cure period	101	58	38	38	**37**
Liquidated credits	2,611	3,140	4,699	4,805	**3,446**
Paid in cash	1,232	1,579	3,036	3,078	**1,842**
Foreclosed assets	3	11	1	-	**-**
Write offs	1,376	1,549	1,662	1,727	**1,604**
Transfers to non-impaired loans status	1,050	1,732	3,185	1,496	**1,751**
FX revaluations	8	(4)	-	(3)	**26**
Final Balance of Impaired Loan	10,483	12,156	12,750	12,884	**13,111**

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 the loan support program with debtors of credit institutions:

- Additional Benefits to Housing Loan Debtors (BADCV).

The financial support program consists 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 September 2014 and 2013, 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), are analyzed as follows:

		September 2014		**September 2013**	
		Portfolio	**Cost**	**Portfolio**	**Cost**
ETA/BADCV	$	191	3	382	2

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

Determination of obligations of the Federal Government:

The final base amount determined through the ETS Report is MXN944m divided in five installments of MXN189m each. As of 30 September 2014 four installments were received and the remaining installment will be payable on the first banking day of June 2015.

Accordingly, the balance receivable as of 30 September 2014 by ETS amounts MXN189m of principal plus MXN16m 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, amounted MXN167m 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 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 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 September 2014 and 30 June 2014, amount to MXN52m and MXN55m, respectively.

The number of securities related to BADCV that are held by the Bank at 30 September 2014 are shown as follows:

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

Deferred Taxes, net

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

Figures in MXN millions

	30 Sep 2013	*31 Dec 2013*	*31 Mar 2014*	*30 Jun 2014*	***30 Sep 2014***
Deferred tax assets:					
Allowances:					
Allowances for loan losses	5,957	6,705	6,826	6,871	**7,158**
Allowances for foreclosed assets	265	277	292	262	**263**
Other provisions	646	979	627	855	**761**
Property, furniture and equipment	550	639	735	667	**667**
ESPS provisions	95	121	141	72	**79**
Valuation of financial instruments	293	258	176	352	**511**
Commissions received in advance	214	215	213	220	**236**
Other	29	31	39	30	**32**
	8,049	9,225	9,049	9,329	**9,707**
Deferred tax liabilities:					
Interest from Special CETES UDIS Central Bank	(912)	(990)	(1,006)	(1,022)	**(1,037)**
Valuation of financial instruments	(334)	(233)	(112)	(778)	**(165)**
Deductions in advance	(213)	(292)	(328)	(191)	**(106)**
Others	-	-	-	-	**-**
	(1,459)	(1,515)	(1,446)	(1,991)	**(1,308)**
Total Deferred Taxes	6,590	7,710	7,603	7,338	**8,399**

Deposits and Bank Deposits and other liabilities

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

Average Interest rates

	At the quarter ending				
	30 Sep 2013	*31 Dec 2013*	*31 Mar 2014*	*30 Jun 2014*	***30 Sep 2014***
MXN pesos					
Deposits					
Demand deposits	0.83%	0.88%	0.94%	0.69%	**0.56%**
Time deposits	3.35%	3.24%	3.08%	2.94%	**2.63%**
Issued credit securities	9.08%	7.55%	6.73%	6.55%	**6.27%**
Bank deposits and other liabilities					
Call Money	3.89%	3.44%	3.24%	3.39%	**2.92%**
Banxico Loans	3.99%	3.83%	3.47%	3.60%	**2.95%**
Development Banking	5.32%	5.08%	4.86%	4.83%	**4.51%**
Development Funds	3.77%	3.47%	3.90%	3.90%	**3.46%**
Foreign currency					
Deposits					
Demand deposits	0.06%	0.05%	0.05%	0.05%	**0.05%**
Time deposits	0.16%	0.13%	0.13%	0.10%	**0.10%**
Bank deposits and other liabilities					
Call Money	0.80%	0.68%	0.64%	0.64%	**0.59%**
Development Banking	3.64%	2.33%	3.14%	4.29%	**2.83%**
Development Funds	1.32%	1.33%	1.29%	1.25%	**1.18%**
UDIS					
Deposits					
Time deposits	0.15%	0.17%	0.17%	0.17%	**0.16%**

Bank deposits and other liabilities

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

Figures in MXN millions

Bank deposits and other liabilities are integrated as follows:

	30 Sep 13		**31 Dec 13**		**31 Mar 14**		**30 Jun 14**		**30 Sep 14**	
	Term		Term		Term		Term		Term	
	Short	Long	Short	Long	Short	Long	Short	Long	Short	Long
MXN Pesos:										
Banxico Loans	-	-	-	-	-	-	-	-		-
Development Banking	3,464	-	3,309	-	3,535	-	4,234	-	4,449	-
Commercial Banking (Call Money)	4,017	-	2,900	-	2,767	-	8,301	-	9,641	-
Development Funds	3,268	1,913	4,187	1,703	3,638	1,644	3,531	1,553	3,344	1,465
Subtotal	10,749	1,913	10,396	1,703	9,940	1,644	16,066	1,553	17,434	1,465
Foreign currency:										
Banxico Loans	-	-	-	-	-	-	-	-	-	-
Commercial Banking	11,559	-	7,548	-	14,073	-	17,896	-	11,817	-
Development Banking	8	8	15	7	3	6	9	5	23	
Development Funds	442	439	407	434	615	429	801	49	1,098	45
Subtotal	12,009	447	7,970	441	14,691	435	18,706	54	12,938	45
Total Term	22,758	2,360	18,366	2,144	24,631	2,079	34,772	1,607	30,372	1,510
Total Bank and other liabilities	$	25,118	$	20,510	$	26,710	$	36,379	$	31,882

Subordinated debentures and bank bonds outstanding

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

HSBC Mexico, S.A. has issued convertible and non-convertible subordinated debentures, which are not convertible into shares of its capital stock, listed at Mexican Stock Market (BMV).

Figures in MXN millions

Instrument	Issue Date	Amount	Currency	Amount in circulation	Interest payable	Maturity Date
		MXN millions		MXN millions		
HSBC 08 (1)	02-OCT-2008	1,818	MXN	1,818	1	20-SEP-2018
HSBC 08-2 (2)	22-DEC-2008	2,300	MXN	2,272	2	10-DEC-2018
HSBC 09D (3)	30-JUN-2009	4,030	USD	4,030	-	28-JUN-2019
HSBC 13-1D (4)	31-JAN-2013	1,478	USD	1,478	1	10-DEC-2022
		9,626		**9,598**	**4**	

(1) Non-convertible. Monthly payment over 1m TIIE rate + 0.60 p.p.
(2) Non-convertible. Monthly payment over 1m TIIE rate + 2.00 p.p.
(3) Non-convertible. Original issue amount US$300 million, revaluated to Mexican Pesos at close exchange rate. Monthly payment over 1m LIBOR rate + 3.50 p.p. fixed margin over index
(4) Convertible debentures under certain conditions. Original issue amount US$110 million, revaluated to Mexican Pesos at close exchange rate. Monthly payment over 1m LIBOR rate + 3.65 p.p. fixed margin over index

HSBC México, S.A., has issued long-term Bank Bonds Outstanding as follows:

Figures in MXN millions

Instrument	Issue Date	Amount	Currency	Amount in circulation	Interest payable	Maturity Date
		MXN millions		MXN millions		
HSB0001 06 (1)	10-MAY-2006	1,000	MXN	1,000	39	27-APR-2016
HSBC 13 (2)	09-DEC-2013	2,300	MXN	2,300	4	03-DEC-2018
HSBC 13-2 (3)	09-DEC-2013	2,700	MXN	2,700	68	27-NOV-2023
HSBC 09-14 (4)	23-JUL-2014	21	MXN	21	0	27-OCT-2014
HSBC 12-14 (4)	27-AGO-2014	180	MXN	180	0	03-OCT-2014
		6,201		**6,201**	**111**	

(1) Stock Exchange Certificate fixed coupon 9.08%
(2) Stock Exchange Certificate floating rate 1m TIIE rate + 0.3 p.p. fixed margin over index.
(3) Stock Exchange Certificate semi-annually coupon 8.08%
(4) Structured note with embedded FX derivative that adjust the security´s return profile.

Capital

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

Grupo Financiero HSBC

The net income for 2013 of Grupo Financiero HSBC S.A. de C.V., figure that was audited by the Firm KPMG Cárdenas Dosal, S.C., was MXN3,714m.

On March 21, 2014 one notice was published in accordance to the agreement of the shareholders meeting, a dividend of $1.341549107326310 shall be paid per share for each one of the 2,818,383,598 shares. Such dividend was paid on one disbursement on March 28th of 2014, was MXN3,781m.

The general ordinary shareholders meeting, held on April 28, 2014 authorised the use of the net income for 2013 as follows:

- Five per cent, or MXN186 million, to increase legal reserves

- The remaining MXN3,528 million, at the Board's determination to be applied under the concept of other reserves

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

HSBC Mexico, S.A.

The net income for 2013 of HSBC Mexico, S.A., figure that was audited by the firm KPMG Cárdenas Dosal, S.C., was MXN2,146m.

On 21 March 2014, one notice was published in accordance to the agreement of the shareholders meeting, a dividend of $0.2969057373227060 was paid per share for each one of the 1,940,009,665 shares. Such dividend was paid on one disbursement on March 27st of 2014, was MXN576m.

The general ordinary shareholders meeting, held on April 28, 2014 authorised the use of the net income for 2013 as follows:

- Ten per cent, or MXN215 million, to increase legal reserves. On this quarter it was applied only Individual Bank reserve MXN228 million.

- The remaining MXN1,931m, at the Board's determination to be applied under the concept of other reserves

The capital stock is included in the amount of MXN 3,880m represented by 1,940,009,665 shares.

Capital Ratio

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	30 Sep 2013	*31 Dec 2013*	*31 Mar 2014*	*30 Jun 2014*	***30 Sep 2014***
% of assets subject to credit risk					
Tier 1	19.52%	18.00%	18.79%	19.43%	**18.54%**
Tier 2	4.45%	4.26%	3.95%	3.93%	**4.00%**
Total regulatory capital	23.97%	22.26%	22.74%	23.36%	**22.54%**
% of assets subject to credit, market risk and operational risk					
Tier 1	12.73%	11.98%	11.88%	11.83%	**11.41%**
Tier 2	2.90%	2.83%	2.50%	2.39%	**2.46%**
Total regulatory capital	15.63%	14.81%	14.38%	14.22%	**13.87%**
Tier 1	43,134	41,871	42,869	44,685	**42,263**
Tier 2	9,843	9,908	9,014	9,037	**9,114**
Total regulatory capital	52,977	51,779	51,883	53,722	**51,377**
RWA credit risk	221,027	232,602	228,156	229,970	**227,966**
RWA market risk	77,031	75,882	90,820	105,345	**98,975**
RWA operational risk	40,830	41,097	41,813	42,565	**43,362**
RWA credit and market risk	338,889	349,581	360,789	377,880	**370,302**

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

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

Figures in MXN millions

	For the quarter ending					*Year to date*	
	30 Sep 2013	*31 Dec 2013*	*31 Mar 2014*	*30 Jun 2014*	***30 Sep 2014***	*30 Sep 2013*	***30 Sep 2014***
Investments in Securities	309	(45)	144	394	**(183)**	(314)	**355**
Trading derivatives	(179)	(71)	(107)	(809)	**321**	554	**(595)**
Currencies and metals	84	20	7	69	**63**	158	**139**
Valuation	214	(96)	44	(346)	**201**	398	**(101)**
Investments in Securities	(67)	14	474	257	**241**	263	**972**
Trading derivatives	391	65	161	586	**136**	974	883
Currencies and metals	168	508	47	(176)	**(330)**	294	**(459)**
Purchase / sale of securities	492	587	682	667	**47**	1,531	**1,396**
Total Trading Income	706	491	726	321	**248**	1,929	**1,295**

Other Operating Income (Expenses)

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

Figures in MXN millions

	For the quarter ending					*Year to date*	
	30 Sep 2013	*31 Dec 2013*	*31 Mar 2014*	*30 Jun 2014*	***30 Sep 2014***	*30 Sep 2013*	***30 Sep 2014***
Recoveries and reimbursements	167	177	312	116	**203**	537	**631**
Reimbursent of expenses incurred on behalf of related companies	215	403	221	197	**402**	743	**820**
Gain on sale of properties	0	75	13	4	**0**	0	**17**
Gain on sale of foreclosed assets	34	(3)	37	55	**56**	79	**148**
Accrued interest on loans granted to employees	35	34	34	34	**32**	103	**100**
Cancellation of excess of allowance for loan losses on a portfolio basis	(522)	2	86	(52)	**84**	4	**118**
Others	45	(30)	102	150	**(173)**	407	**79**
Total other operating income (expenses)	(26)	658	805	504	**604**	1,873	**1,913**

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 income statement information condensed by segments as of 30 September 2014 is shown below:

Figures in MXN millions	**Year to date at 30 September 2014**			
	RBWM	**CMB**	**GBM**	**Total**
Net Interest Income	10,584	4,069	1,895	16,548
Loan impairment charges	4,404	733	96	5,233
Risk adjusted net interest income	**6,180**	**3,336**	**1,799**	**11,315**
Fees and Commissions, net	3,444	930	512	4,886
Trading Income	182	140	973	1,295
Other operating income	1,365	329	219	1,913
Total operating income	**11,171**	**4,735**	**3,503**	**19,409**
Administrative and personnel expenses	10,361	4,091	2,076	16,528
Net operating income	**810**	**644**	**1,427**	**2,881**
Share of profits in equity interest	23	10	5	38
Net income before taxes	**833**	**654**	**1,432**	**2,919**
Tax expense	90	71	154	315
Net income before discontinued operations	**743**	**584**	**1,277**	**2,604**
Discontinued operations	29	(72)	(78)	(121)
Non-controlling interest	(1)	-	-	(1)
Net income (loss)	**771**	**511**	**1,200**	**2,482**

The balance sheet information condensed by segments as of 30 September 2014 is shown below:

Figures in MXN millions	**RBWM**	**CMB**	**GBM**	**Total**
Net loan portfolio	63,132	84,397	50,238	197,767
Deposits	144,701	94,041	30,587	269,329

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 at September 30, 2014 is shown below:
Figures in MXN millions

	Receivable	Payable
Balance:		
HSBC Latin America Holdings (UK) Limited	402	-
HSBC Bank Brazil, S. A. Banco Multiplo	251	146
HSBC Holdings Plc.	47	245
HSBC Bank Argentina S. A.	14	6
HSBC Private Bank (SUISSE) S. A.	1	13
The Hong Kong and Shangai Banking Corporation Limited	-	33
HSBC Software Development (India) Private Limited	-	22
HSBC Software development (Brazil)	-	11
HSBC Technologies and Services (USA) Inc.	-	62
HSBC Bank (Uruguay), S. A.	13	-
HSBC Bank Canada	-	6
HSBC Bank (Chile), S. A.	9	-
HSBC Insurance Holdings Limited	-	7
HSBC New York Life Seguros de Vida (Argentina), S. A.	14	-
HSBC Argentina Holding, S. A.	6	-
HSBC Bank plc.	11	61
HSBC PB Service (SUISSE) S. A.	-	6
HSBC Global Operations Company LTD	-	24
HSBC Software Development (Guangdong)	-	3
Total	**768**	**645**

	Sep 2014
Profit and Losses:	
Income Administrative Services	763
Administrative Expenses and promotion	(1,040)

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 nine months ended 30 September 2014 and an explanation of the key reconciling items.

Figures in MXN millions	**30 Sep 2014**
Grupo Financiero HSBC – Net Income Under Mexican GAAP	**2,482**
Differences arising from:	
Valuation of defined benefit pensions and post-retirement healthcare benefits♦	88
Deferral of fees received and paid on the origination of loans and other effective interest rate adjustments♦	(41)
Loan impairment charges and other differences in presentation under IFRS♦	(725)
Recognition of the present value in-force of long-term insurance contracts ♦	(197)
Other differences in accounting principles♦	(336)
Net income under IFRS	**1,271**
US dollar equivalent (millions)	**93**
Add back tax expense	(43)
Net income before tax under IFRS	**1,228**
US dollar equivalent (millions)	**96**
Exchange rate used for conversion	***13.12***

♦ 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.

Recoveries of written off loans are presented in Other Operating Income.

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.

Loan Impairment Charges increase in the first half of 2014 is partly due to refinements to the collective impairment model, primarily in RBWM.

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.

Recoveries of written off loans are presented in Loan Impairment Charges.

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.

Reduction of Present value of in-force long-term life insurance contracts for the nine months to 30 September 2014 is related to the reduction of sales.

Investment in subsidiaries

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

Group Subsidiaries at September 30, 2014

	Participation %*
HSBC México, S.A.	99.99%
HSBC Seguros, S.A. de C.V.	100.00%
HSBC Casa de Bolsa, S.A. de C.V.	100.00%
HSBC Global Asset Management (México) , S.A. de C.V.	100.00%
HSBC Servicios, S.A. de C.V.	100.00%

*The controlling interest includes the direct and indirect interest of the Group in its subsidiaries.

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	A3	-	-
Short term	P-2	A-2	F1
Local Currency			
Long term obligations	A2	BBB+	A+
Long term deposits	A2	BBB+	-
Short term	P-1	A-2	F1
BFSR (Moody's)	C-	-	-
Individual / Support rating (Fitch)	-	-	bbb / 1
National scale / Local currency			
Long term	Aaa.mx	mxAAA	AAA (mex)
Short term	MX-1	mxA -1+	F1+ (mex)
Outlook	Stable	Stable	Stable
Last update	03-Jul-14	24-Sep-14	13-Aug-14

Accounting Policies

These consolidated financial statements are prepared in accordance with the accounting criteria for financial group holding companies in Mexico, at the consolidated balance sheet date, established by the Banking Commission (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, 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. The CINIF has issued the NIF and Improvements listed below.

NIF C-11 "stokeholders' equity"

- Requires that in order to capitalize the advances for future capital stock increases, at the stockholders' or partners' meeting it shall be agreed that such advances be applied for future capital stock increases and also, the price per share to be issued pursuant to such contributions shall be fixed. Furthermore, it shall be agreed that these contributions shall not be refunded before being capitalized.
- Broadly identifies financial instruments with characteristics of equity which would otherwise, be regarded as liabilities. However, the specific standard that classifies financial instruments as either equity or liabilities, within the same compound financial instrument, is NIF C-12 "Financial instruments with characteristics of liabilities and equity".

Modifications to the NIF C-12 "Financial instruments with characteristics of liabilities and equity"

- This NIF sets forth that the primary characteristic to be met for a financial instrument to be classified as an equity instrument, is that its holder be exposed to the entity's risk and rewards rather than the right to charge the entity a fixed amount.
- By exception, if certain conditions apply and, provided there is no other obligation virtually assured to require payment to the holder, a redeemable instrument is classified as equity.
- The subordination concept is included.
- An instrument may be classified as equity if there is an option to issue a fixed number of shares at a price fixed in a currency other than the issuer's functional currency, provided that all existing owners of the same class of equity instruments have that option, on a pro rata basis.

In December 2013 the CINIF published the document referred to as "2014 NIF improvements", which contains precise modifications to some NIF:

Improvements to NIF C-5 "Prepayments"

Provides that amounts paid in foreign currency be recognised at the exchange rate in force as of the transaction date, and shall not be modified as a result of foreign exchange fluctuations between the functional currency and the foreign currency in which the prices of goods and services regarding such prepayments are denominated. Additionally, it provides that impairment losses arising from prepayments, as well as the reversal of such losses, shall be reported as part of the net income or loss for the period.

Improvements to NIF C-15 "Impairment or disposal of long-lived assets"

Provides that the impairment loss for a long-lived asset in use, as well as the reversal thereof, and the impairment loss of long-lived, available-for-sale assets, including increases or decreases, shall be reported in the results of operations for the period, under the line items of costs and expenses, where depreciation and amortization is recognized. The impairment loss and reversal thereof, for indefinite-lived intangible assets, including goodwill, shall be presented in the results of operations for the period, under the line item for depreciation and amortization expenses on assets of the cash generating unit to which such tangible assets relate. Under no circumstances shall impairment losses be presented as part of the expenses that have been capitalized in the value of a certain asset.

Likewise, it sets out that in order to report the impairment losses of associates, joint ventures and other permanent investments, and the goodwill thereof, the provisions of NIF C-7 shall be complied with. NIF C-7 provides that impairment losses be recognized under the line item equity in the net income or loss of other entities.

Additionally, NIF C-15 sets out that assets and liabilities identified with discontinued operations shall be presented in the statement of financial position, grouped in a single line item of assets and a single line item of liabilities, classified as short-term, and shall not be offset between them. Furthermore, such items shall be reported as long-term in the event of sale agreements that are essentially purchase options and sale - leaseback agreements. It also provides that the entity shall not restate previously issued statements of financial position as a result of such reclassification.

II. 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 ". Article Third of the Transitional Dispositions provides that the new methodology for commercial portfolio granted to financial institutions included on section IV of Article 110 of Dispositions would be in force from January 1st, 2014; and the financial impacts resulted from the changes on this methodology must be recognised no later than June 30th, 2014. HSBC chose to adopt on March 2014 the methodology for commercial portfolio granted to financial institutions. As result of the adoption HSBC recognised a debit in retained earnings on March 2014 for MXN 31 million (MXN 22 million net of deferred tax).

HSBC has not determined the retrospective financial effect from the application of this new methodology related to the year 2013. 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 Standards B-1 "Accounting changes and correction of errors" required in this ruling by the CNBV.

Below is a comparison between the amounts of loan loss provisions for commercial portfolio granted to financial institutions, calculated with the methodology published on June 24, 203 compared with the amounts of loan loss provisions calculated according to the methodology in force prior to that date, both as at March 2014

MXN millions	
Prior methodology	Actual methodology
134	174

III. Program to support victims of weather phenomena "Ingrid", "Manuel" and "Odile".

As a consequence of some natural disasters caused by the weather phenomena " Ingrid " and " Manuel " in 2013, and "Odile" in September 2014 in several locations in Mexico, and as action to support customers affected by these natural phenomena, the CNBV issued wavers "P065/2013" dated October 18, 2013, and "P110/2014" dated September 19, 2014 for the special temporary accounting criteria for credits from customers who had their homes or source of payment of their credits in the localities of Mexico that were declared in emergency or natural disaster by the Secretary of the Interior (Secretaria de Gobernacion) by publication in the official gazette during the months of September and October 2013, and September 2014. The authorized accounting criteria refer not to consider as past due in accordance with paragraphs 58 to 63 of the standard B-6 of Appendix 33 of the Provisions, or as restructured in accordance with the provisions of paragraph 28 of the same criteria B-6, those loans to which would have applied them the benefit referred to in the following paragraph, provided they comply with the following: 1) that the credit would have been recognized as current on the date of the incident; 2) that the restructuring or renewal conclude no later than 120 calendar days after the date of loss , and 3) the new maturity date is not more than three months from the original maturity date.

The benefit that HSBC made available to customers, upon request, is to defer the total payments for up to three months. The program applied for those loans included on the following portfolios: mortgages, auto, personal, payroll, credit card and SMEs.

At December 31, 2013 and September 30, 2014, the amount that would have been recognised and presented in the consolidated balance sheet and consolidated income statement if the special accounting standards approved by the CNBV would not had been applied, which are related to interests, was immaterial because the benefit applied by HSBC only was the deferral of payment of principal and interest up to 3 months, it was not necessary to make any record in accounting resulting from the application of this program to support victims.

IV. Amendments to Annex 33 of the general provisions applicable to credit institutions.

On May 19, 2014, the CNBV published in the DOF amendments to Annex 33 of the Provisions. Changes to accounting standards were performed in order to achieve consistency between the accounting criteria for credit institutions and international accounting standards.

Among the most important changes are the following:

Adds or modifies concepts to make them consistent with local and international accounting standards, without involving changes to current accounting policies.

Presentation of overdrafts on checking accounts of customers who do not have a line of credit for such purposes are classified as Other receivables from the entry in force of the new provisions. Currently are recognised as part of the loan portfolio. In addition it states that such overdraft are considered past due debts and must necessarily create an estimate for bad debts or doubtful accounts for the full amount of the overdraft at the time of recognition.

More detail is required in the disclosure of the loan portfolio in the financial statements and related regulatory reports.

As a result of the amendments to the Law of Concursos Mercantiles, published in the DOF on January 10, 2014, the CNBV published in the DOF of September 24, 2014 amendments to criterion B-6 “Loan portfolio” of the Annex 33 of provisions. These amendments relate to allow classification as current loans to those loans that continue to receive payment in terms of the provision of Section VIII of Article 43 of the Law of Concursos Mercantiles, as well as loans granted under Article 75 in relation to Sections II and III of Article 224 of the same Law. Derived from these modifications, some disclosure of these transactions in the Financial Statements and related regulatory reports are required.

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

Group HSBC (including HSBC Mexico) does not have a fixed dividend policy. The decision to decree or not to make payment of dividends is determined by the shareholder assembly and the Board of Directors, such decision is based on the reinvestment and capitalization needs.

Paid Dividends

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

- Based on the authorization granted by the Board of Directors on 29th 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 18th 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 29th 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 26th March 2013 a dividend payment was made for MXN 0.721645889326 per share for the 1,940,009,665 outstanding shares.
- Based on the authorization granted by the shareholder assembly, on 27th March 2014 a dividend payment was made for MXN 0.296905737322706 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 to provide a reasonable safeguard that the organisation operates in an effective and sound way.
The key procedures that the Management has established have been designed to facilitate the effectiveness 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 and the development of business. 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), is celebrated in a monthly basis. In the RMC, assets and liabilities affairs are discussed.

- 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, operational 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 effectiveness 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 is also responsible to implement recommendations given by the external auditor 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, periodical 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 effectiveness 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 Bank General Manager and having the Group Executive Directors as members. These Directors are the heads of the bank's main business lines (RBWM, CMB, and GBM), and support areas like Treasury, Finance, Balance Management and Planning.

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

- To provide strategic direction and assure the tactical monitoring of a structure balance that fulfils the objectives within the pre-established risk parameters.
- To identify, monitor, and control all relevant risks, including information generated by RMC.

- To disseminate the information that is 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 to which this Institution is subject. 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 Subdirector (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.
- Risk monitoring and reporting – material risk trends in Credit, Market, Liquidity, Insurance, Asset Management, Private Banking, Reputational, Sustainability, Strategic and Operational risk and Internal Controls, including Financial Crime Compliance, Regulatory Compliance and Security & Fraud related matters and Audit issues, which have an impact on the Company´s subsidiaries, or have a local or wider Regional / Group impact.
- 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.
- 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.
- Appoint and remove the Head of the UAIR ("Unidad para la Administración Integral de Riesgos"). The appointment or removal shall respectively be ratified by the Board of the Company.
- Report to the Board, at least quarterly, on the exposure to the risk assumed by the Company, as well as the failure of exposure limits and Risk Appetite.
- Ensure, at all times, knowledge by all staff involved in risk decisions, on the Risk Appetite and levels of Risk Tolerance.
- 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.

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) 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 third quarter of 2014 (millions of dollars).

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

Value at Risk of Global Market (VaR) (Considering all Risk Factors)						
	Bank		Trading Intent		Accrual	
	Average 3Q14	Limits*	Average 3Q14	Limits*	Average 3Q14	Limits*
Combined	13.75	38.00	3.38	13.00	12.32	38.00
Interest Rate	13.07	40.00	3.23	9.50	12.03	38.00
Credit Spread	2.86	22.00	0.58	3.00	2.21	22.00
FX	1.21	5.00	1.21	5.00	N/A	N/A
Volatility IR	0.08	4.00	0.08	1.80	-	2.50
Volatility FX	0.03	2.00	0.03	2.00	N/A	N/A
Equities	0.01	2.50	0.01	2.50	N/A	N/A

N/A = Not applicable

** Absolute Value*

Value at Risk of Global Market (VaR) (Last quarter comparison)					
	30-Jun-14	30-Sep-14	Limits*	Average 2Q14	Average 3Q14
HBMI	**15.48**	**14.24**	38.00	14.21	13.75
Accrual	**14.05**	**12.60**	38.00	13.65	12.32
Trading Intent	**2.68**	**4.87**	13.00	3.73	3.38

N/A = Not applicable

* Absolute Value

The Bank's VaR at the end of the third quarter of 2014 changed -8.01% versus the previous quarter. During the quarter the VaR remained under the limits.

The Bank's average VaR for the end of the third quarter of 2014 changed -3.24% versus prior quarter. During the quarter the average VaR was within the limits.

Comparison of Market VaR vs. Net capital

Below a chart comparing the market VaR versus net capital is presented for June 30th, 2014 and September 30th, 2014 (in millions of dollars).

Market VaR vs. Net Capital Comparision		
Net Capital in million Dollars		
	30-Jun-14	30-Sep-14
Total VaR *	14.21	13.75
Net Capital **	4,141.78	3,814.11
VaR / Net Capital	0.35%	0.36%

** 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 0.36% of the net capital in the third quarter of 2014.

Present Value for 1bp (PVBP) for Mexican Pesos Rates					
	30-Jun-14	30-Sep-14	Limits*	Average 2Q14	Average 3Q14
Bank	**(1.332)**	**(1.076)**	2.050	(1.273)	(1.194)
Accrual	**(1.219)**	**(0.902)**	1.550	(1.216)	(1.058)
Trading Intent	**(0.113)**	**(0.174)**	0.500	(0.057)	(0.136)

** Absolute Value*

The bank's MXN Rate PVBP at the third quarter of 2014 change -19.22% versus previous quarter. Bank's average PVBP for 3Q14 change -6.21% versus previous quarter.

Present Value for 1bp (PVBP) for USD Rate					
	30-Jun-14	30-Sep-14	Limits*	Average 2Q14	Average 3Q14
Bank	**0.062**	**0.091**	0.430	0.041	0.045
Accrual	**0.043**	**(0.014)**	0.300	0.015	0.020
Trading Intent	**0.019**	**0.105**	0.130	0.026	0.024

** Absolute Value*

The bank's USD Rate PVBP at the third quarter of 2014 changed 46.77% versus previous quarter. Bank's average PVBP at the third quarter of 2014 change 9.76% versus previous quarter.

Present Value for 1bp (PVBP) for UDI Rates					
	30-Jun-14	30-Sep-14	Limits*	Average 2Q14	Average 3Q14
Bank	**(0.079)**	**(0.020)**	0.150	(0.067)	(0.049)
Accrual	**(0.024)**	**(0.019)**	0.050	(0.026)	(0.022)
Trading Intent	**(0.055)**	**(0.001)**	0.100	(0.042)	(0.027)

** Absolute Value*

Bank's UDI Rate PVBP at the third quarter of 2014 changed -74.68% versus prior quarter. Bank's average PVBP at the third quarter of 2014 changed -26.87% 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 possible 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.

The Contingency & Funding Plan is subject to approval every year by the ALCO and the Board. It contains all the elements required by the CUB (Annex 12C) and Group's requirements based on the international experience it counts with, for example: Trigger events, crisis management team, and specific members' responsibilities, action plans, funding sources by availability, capacity and costs, internal and external communication plans and CNBV notification templates in case of activation.

In order for every member to have a clear understanding of their functions within the plan, personal meetings are held on a semi-annual basis before the plan is subject to Board approval.

Quantitative Information

The institution presented at the end of the quarter expected cash flows under the major stressed scenario of USD 889m in the 7 days term; USD 1,683m in the 1 month term and USD 459m in 3 months; obtaining a net positive cumulative result in all cases.

Along the quarter, average level was USD 2,166m in the 7 days term, USD 1,620m in 1 month term and USD 673m in 3 months term. With respect to the last quarter, liquidity position was affected by an increase in advances and the maturity of an interbank loan received.

Credit Risk

Qualitative Information

HSBC Mexico (HBMX) develops, implements and monitors credit risk models and tools for credit risk management and portfolio monitoring and analysis. 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 new rules for estimating credit loss provisions established by 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 MXN12,500m. 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 MXN100m.

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 USD1,000m (GLCS).
- Another one to assess Bank Financial Institutions (RAfBanks).
- And eleven more, were implemented to assessing Non-Banking Financial Institutions (NBFI Models).

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 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 the Probability of Default model presents an inappropriate statistical performance. Therefore a new Probability of Default model was development under the HSBC Global Standards Group and it will be implemented in 2014.

The global models, GLCS, RAfBanks y NBFI Models, are associated to low default portfolios, so it is not currently possible to measure their performance, but a monitoring is performed on their override rates, which are within the thresholds that have been established by HSBC Group.

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.

The most recent monitoring shows a low correlation (20.21%) between the observed and estimated LGD.

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. The Exposure at Default estimation for Banking Financial Institutions is based on the guidelines established by the Group HSBC.

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

Based on the last monitoring performance of this model shows a low correlation (22.9%) 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.

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*".

With the aim to ensure consistency in the local provisioning process of the Commercial and Financial Institutions Portfolios, the Risk Application was implemented in HSBC Mexico during the first half of 2014.

Quantitative information

Regarding to the average balance of the Commercial Portfolio as of September 30th 2014, it is MXN178,904m, showing an increase of MXN6,329m (or 3.67%) compared to the previous quarter.

The Expected Loss of the Commercial Portfolio as of September 30th 2014 is MXN12,417m, showing a decrease of MXN2,106m compared to the figure reported in the previous quarter.

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

MXN

Business Line	Quarterly Average Balance		VAR		Balance		VAR		Expected Loss		VAR	
	2Q2014	3Q2014	($)	(%)	Jun-14	Sep-14	($)	(%)	Jun-14	Sep-14	($)	(%)
CMB	$96,581	$96,030	-$552	-1%	$96,807	$95,666	-$1,141	-1%	$12,487	$10,366	-$2,121	-17%
GBM	$75,680	$82,089	$6,408	8%	$72,456	$82,929	$10,472	14%	$2,036	$2,051	$15	1%
GBP	$314	$786	$472	150%	$287	$783	$496	173%	$0.039	$0.067	$0.03	74%
Total	**$172,576**	**$178,904**	**$6,329**	**3.67%**	**$169,551**	**$179,378**	**$9,827**	**6%**	**$14,523**	**$12,417**	**-$2,106**	**-15%**

** The Balance and Average Balance include the contingent exposures. The Expected Loss has been calculated by the Bank's Internal Risk Methodology.*

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 30 September 2014 is MXN4,678m, Credit Cards is MXN2,732m Other Retail is MXN1,628m and Mortgage MXN317m. (*The Expected Loss has been calculated by the Bank´s Internal Risk Methodology.)*

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 (RMC), 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 mitigates.

The Group adopts a **'Three Lines of Defence'** model to ensure that risks and controls are properly managed by Global Businesses, Global Functions and HTS (HSBC Technology & Services) on an on-going basis. The model delineates management accountabilities and responsibilities over risk management and the control environment. This model should be applied with common sense, considering the business and support areas structures of the Group.

First Line of Defence:

The First Line of Defence comprises predominantly the management of Global Businesses and HTS who are accountable for their day to day activities, processes and controls. It also includes the supporting areas regarding their specific responsibility but excluding the advisory activities to the businesses.

Within this first line, all the employees must be alert regarding the operational risks and operational risk incidents during the execution of their daily responsibilities. Additionally, the Heads of the Global Businesses / Global Functions are responsible for the operational risk management of the process under their management. The operational risk management includes mainly:

- The identification and assessment of the risks and operational controls in line with the Risk and Control Assessment Policy.
- The identification and escalation of incidents according the corresponding internal policy.
- The identification of control problems corresponding to their activities and the establishment of action plans to fix them, or formalise risk acceptances when those plans are not feasible.

The line managers must also identify and asses the operational risks and controls as part of their decision – making process. The operational risks and controls must be continuously monitored, including:

- Risks and controls of critical processes.
- Risks and controls of main projects.
- Purchasing of businesses and due diligences.
- Business initiatives, including new products or significant changes to the existing ones.
- Planning and budgeting processes.
- Outsourcing agreements, supplier´s selection and usage of internal products.

To carry out these monitoring activities, BRCMs (Business Risk and Control Managers) could be nominated in key businesses and processes within this first line in order to oversee the implementation of the operational risk management framework.

This monitoring of key controls can be performed using different approaches, as for example thematic reviews of a particular process, specific control testing or the analysis of KRIs (key risks indicators).

The BRCMs must yearly develop a detailed monitoring plan which has to include the monitoring activities to be carried out the following year. This plan must be subject to be reviewed and updated according to the circumstances, with the aim of ensuring that the monitoring activities performed are in line whit the entity´s risk profile.

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 within their first line of defence activities, as mentioned in the previous item.

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:

The “use test” is an activity that is in charge of Operational Risk and aims to collect evidence that the operational risk framework is being used as part of decision – making process.

While carrying out the test use is an internal requirement, it is also a formal practice of risk management in relation to the collection of evidence that the following facts are being performed continuously:

- The Senior Management is aware and is involved in the operational risk management.
- The operational risk processes and the management information is used in the decision – making process.
- The quality of operational risk management information is useful for making proper business decisions.

The Operational Risk Management is responsible for identifying, through continuous oversight and specific reviews, if the above mentioned statements are fulfilled and if the operational risk management is being properly used to identify and manage the risk of the company.

Quantitative Information (including Legal and Technological Risk)

According to the 10th Operational Risk assessment exercise carried out at the end of 2013, and considering further updates performed during 3Q14; 1,659 risks have been identified and assessed by the different areas of the Bank. From this inventory 8.32% (138 risks) are considered very high, 16.64% (276 risks) are considered High, 31.77% (527 risks) are considered Medium, and 43.28% (718 risks) are considered Low.

The institution holds an Operational Risk historical database since 2007, in which operational losses incidents are registered.

The Operational Risk appetite statement for the bank for 2014 amounts to USD 42.76M for Operational Losses and it is monthly monitored through the BSC (Balance Score Card) presented at the Risk Management Committee.

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 Group manual and procedures, 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 Management Group (ORMG) and HTS Risk Management Meeting (HTS RMM).

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), incidents, 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, is the risk of the Institution suffering financial loss, legal or regulatory action or reputational damage because its rights and/or obligations under a contract to which it is a party are technically defective. Such technical defects include: misrepresentation, inadequate documentation, unintended consequences, unintended breach and/or enforceability

  Notwithstanding the above, Contractual Risk does not include the risk of financial loss, legal or regulatory action or reputational damage caused by: (i) Commercial risks in a contract as a result of poor negotiation by the business of the core commercial terms (eg. on price, term, scope etc.); (ii) The business failing to comply with the terms of the contract including as a result of operational error; or
  (iii) Business error or oversight in the pre-contractual process.

- Dispute Risk, is the risk of the Institution suffering financial loss or reputational damage due to (a) adverse dispute environment and/or (b)failure of management of disputes

  Operational losses resulting from legal claims (whether from judgements or settlements) do not constitute Dispute Risk losses unless they are the direct outcome of (a) or (b) above.

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

- Non-Contractual Rights Risk, which is the risk that the Institution assets are not properly owned or protected or are infringed by others or the infringement of another party's rights, and includes: infringement, ownership rights and/or 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 responsibility is not admitted involuntarily in dispute situations, and that responsibility is not inadvertently allowed inside and that cannot 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 commenced against 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 changes or amendment to the legislation or 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 with current law and regulation.

- Non Contractual Rights Control:

There are established procedures in order to assure that the Legal department validates the use of the Group 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 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.

- Anti-money laundering and sanctions-related

In October 2010, HSBC Bank USA entered into a consent cease and desist order with the OCC and the indirect parent of that company, HNAH, entered into a consent cease and desist order with the Federal Reserve Board (the 'Orders'). These Orders required improvements to establish an effective compliance risk management programme across HSBC's US businesses, including various issues relating to US Bank Secrecy Act ('BSA') and anti-money laundering ('AML') compliance. Steps continue to be taken to address the requirements of the Orders to ensure compliance, and that effective policies and procedures are maintained.

In addition, in December 2012, HSBC Holdings, HNAH and HSBC Bank USA entered into agreements with US and UK government agencies regarding past inadequate compliance with the BSA and AML and sanctions laws. Among those agreements, HSBC Holdings and HSBC Bank USA entered into a five-year deferred prosecution agreement with the DoJ, the US Attorney's Office for the Eastern District of New York, and the US Attorney's Office for the Northern District of West Virginia (the 'US DPA'), HSBC Holdings entered into a two-year deferred prosecution agreement with the New York County District Attorney (the 'DANY DPA'), and HSBC Holdings consented to a cease and desist order and HSBC Holdings and HNAH consented to a monetary penalty order with the Federal Reserve Board ('FRB'). In addition, HSBC Bank USA entered into a monetary penalty consent order with FinCEN and a separate monetary penalty order with the OCC. HSBC Holdings also entered into an agreement with the Office of Foreign Assets Control ('OFAC') regarding historical transactions involving parties subject to OFAC sanctions and an undertaking with the UK Financial Services Authority, now a Financial Conduct Authority ('FCA') Direction, to comply with certain forward-looking AML- and sanctions-related obligations.

Under these agreements, HSBC Holdings and HSBC Bank USA made payments totalling US$1,921m to US authorities and are continuing to comply with ongoing obligations. On 1 July 2013, the US District Court for the Eastern District of New York approved the US DPA and retained authority to oversee implementation of the same. Under the agreements with the DoJ, FCA, and the FRB, an independent monitor (who is, for FCA purposes, a 'skilled person' under Section 166 of the Financial Services and Markets Act) will evaluate and regularly assess the effectiveness of HSBC's AML and sanctions compliance function and HSBC's progress in implementing its remedial obligations under the agreements. The monitorship, which began on 22 July 2013, is proceeding as anticipated and consistent with the timelines and requirements set forth in the relevant agreements.

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.

HSBC Bank USA 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 and imposing certain restrictions on HSBC Bank USA 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. HSBC Bank USA also entered into a separate consent order with the OCC requiring it to adopt an enterprise wide compliance programme.

The settlement with US and UK authorities does not preclude private litigation relating to, among other things, HSBC'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)

HSBC defines Sustainability as a business philosophy based on the application of integral actions perusing long term results, in compliance with its co-participation ideology generating a relationship of trust with its customers and ally institutions.

From the Sustainable perspective, HSBC's efforts aim to improve life quality in the communities where it operate, supporting and/or developing programs in three areas: education, environment and community, all with the goal of achieving a significant social transformation and reduce as much as possible the environmental impact of its operations.

HSBC's strategy considers the 3 pillars of Sustainability:

1. Economic: alignment with the Ecuador principles and considering the environmental impact of the Group's investments.
2. Environmental: Controlling environmental direct impacts and promoting a sustainable culture within its organization.
3. Social: Supporting education, community and environmental projects promoting the positive development of the communities where the bank operates and to actively involve its employees in volunteer activities.

This year is expected to be a challenging year for the business and to maximize the impact of the HSBC's Community Investment and its 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 Global English.

Community:

- "Sumando Valor" inclusion programme to hire people with disabilities.
- "Mujeres Fuerza": Woman empowerment programme, aiming to enhance personal development

Environment

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

HSBC's Community Investment fund comes from its profit before taxes and customer contributions. Globally, HSBC's policy is to invest 0.5% of its pre-tax profits to social projects.

For 2014, the target is to invest MXN41.5m, 75.9% of such investment is made by HSBC and 24.1% by its customers.

1. Climate Business (Sustainable Finance)

HSBC's Corporate Sustainability department 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 to properly identify Climate Business opportunities and potential customers, following up and communicating success deals and consolidating income.

The current pipeline of Climate Business projects includes: efficiency equipment and BRT (Bus Rapid Transit).

2. Sustainable Operations

With the Integrated Waste Management program HSBC works towards the correct segregation, disposition and recycling of waste generated in its corporate buildings. Due to this program, the bank had recycled 385 tons of waste and 27 tons of e-waste during the first three quarters of the year.

REDUCE Global Campaign: HSBC's Corporate Sustaintability department coordinated this global campaign aligned with CRE, HTS and communications, which aims to reduce our CO2 emissions by one ton per person per year by 2020. The REDUCE program implies that each of the employees review our daily actions and to implement changes that help us reduce our environmental footprint on the planet, such as turning off the computer at night, recycling our trash, or fail to print documents. The campaign was implemented at national level and is part of a sustainable business strategy, headed by a short video of waste management shown in ConectaTV.

To continue engaging employees in this campaign HSBC organized another screening of "Chasing Ice" and presented a second video produced locally to create awareness on the importance of recycling.

3. Communication

For the nine months to 30 September 2014, the Corporate Sustainability Department gained 36 free press releases with an estimated value of USD490,000.

4. Community Investment – Volunteering

Financial Education "More Than Money"
1,743 children were benefited about earning, spending, sharing and saving money in 7 cities thanks to the participation of 123 volunteers who invested 2,059 hours in training and teaching in 16 schools.

Advantages Programme
In September, HSBC started the training of 18 volunteers in 2 cities to teach "Ventajas" programme (Advantages) which is a practical and interactive program that enforces the importance of staying in school and consider the consequences and implications of deciding to leave school early.

This program strives to positively influence attitudes of students regarding the value of their education in ensuring lifelong self-sufficiency and reasonable living standards. The students see how their education relates to careers and future earnings potential.

Visit to children at hospitals
37 volunteers took moments of joy, entertainment and companionship to 200 children seen in outpatient and hospitalization, the groups organized readings made in each of the beds of young patients, who received a scholar kit at the end of each of the volunteers.

Aprende con HSBC
The program aims to integrate the partners of Business Heads in the communities where HSBC operates through various volunteering activities with children. During this quarter, 26 volunteers taught "More than Money" to 324 primary school kids in 5 schools. At the end of the course Professor Q, a theatre performance aimed at teaching basic finance was shown to 1,226 kids in 4 schools. Also, 71 students were benefited by receiving glasses to improve their learning and performance.

Moreover, the volunteers visited Asilo Primavera for mother's day and donated basic supplies for the shelter home. The activities of the second semester have started with 23 volunteers teaching the values programme for 382 children. We will also have different activities such as story-telling events, a visit to Santa Martha, Christmas donations, etc.
Finally, Rosy Sandoval has given 6 out of 7 courses on Personal and Emotional Development.

5. Community Investment - Education

"Just raise your hand"

The flagship educational program "Just raise your hand", in alliance with Lazos & Ara foundations has benefited a total of 8,561 underserved children through customers and employees sponsorships, and also 1,513 children through "Zippy's Friends", program that supports early elementary school kids to develop their emotional health.

During 2014, 1,045 children had received a sponsorship for a total of 5,593 sponsorships and added 8 new schools to reach 34 schools in 27 states.

“Zippy’s Friends”

“Zippy’s Friends” is a program to support early elementary school kids to develop their emotional health. To date, 12,667 students had been benefited with the program, 7,836 were benefited during the school year 2013-2014.

See Better to Learn Better

The program 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.

Additionally, the program is working together with the HSBC’s flagship education program “Just raise your hand”, where children with vision problems are assisted, enhancing the education quality in our schools and benefiting children in a much more integral way.

During the school cycle 2013 -2014, 44,122 children were benefited

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. HSBC is working to expand the project in 3 states: Guanajuato, Monterrey and Mexico City.

Global English: (On-line software): this quarter 8,278 users have begun using the software, and in total they have completed 29,473 hours training.

Financial Education

This year HSBC has offered 13 conferences by Gianco Abundiz for employees, students of Universidad del Valle de México and payroll clients. HSBC will have 5 for the National Week of Financial Education 2014 (SNEF) which will take place at the MUTEC at the end of October.

HSBC supported CONDUSEF by printing 70,000 financial education guides that were distributed in USA and Canada.

Additionally, 30,000 comics were printed in alliance with VISA and MARVEL, 20,000 will also be distributed at national level during the SNEF and the other 10,000 will be distributed throughout the rest of HSBC´s activities.

MUJERes fuerza (Women Empowerment in rural communities)

The objective of the program 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 program 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. HSBC has worked in 3 states (Edo. De México, Hidalgo and Morelos) and 12 municipalities. Up to date 754 women have been directly benefited by the program and 5,438 indirectly.

Sumando Valor- Social Inclusion

In alliance between Corporate Sustainability and Human Resources, HSBC México is hiring people with disabilities through Manpower Foundation A.C., FHADI I.A.P., Colabore A.C. and Teletón Foundation. At the moment, 48 candidates have been hired.

Through our existing alliance with UVM and the foundations HSBC work with, HSBC is expanding the training center for people with disabilities in order to expand and to deliver the course in Campus Coyoacan. The launch of the new center will take place in January 2015.

As part of business engagement Jorge Font has given motivational conferences for HSBC employees in the 8 Divisions. During October (Month of Diversity and Inclusion) HSBC will have several activities lined up for the campaign, such as: conferences, discussion panels, 5 volunteering activities linked to D&I as well as a communication campaign to create awareness between employees.

6. Community Investment - Environment

HSBC Water Programme

The HSBC Water Programme is a 5 year and USD100m initiative launched in 2012 in alliance with Earthwatch, Water Aid and WWF.

The program is supporting, through the Global Fund and together with Isla Urbana, to provide a sustainable source of water to families living in conditions of chronic water shortage through the installation of rainwater-harvesting (RWH) systems in low-income communities in southern Mexico City and indigenous Huichol communities in Jalisco. Up to date the program has benefited 636 people.

Additionally, HSBC has involved its staff by training them to become Citizen Science Leaders, with the objective of contributing with a Global fresh water research. During the first three quarters, we have trained 126 people.

"HSBC Cuida tu Ambiente" Programme – Citizens Scientist Leaders

Thanks to the leadership of the environmental leaders of the program "HSBC Cuida Tu Ambiente" (HSBC Taking Care of the Environment), HSBC has been actively supporting the rehabilitation of "Bosque de Chapultepec", where about 30% of Mexico City water supply is distributed. After 10 months of work HSBC finally concluded the 100% of the plants HSBC had to relocate, thanks to the participation of HSBC volunteers and their family members.

The program has also been working together with the NGO Isla Urbana, which is supported by the HSBC Water Programme. With them HSBC has successfully concluded its work, installing 12 rainwater harvesting systems, 4 biodigestors and 8 hydroponic systems.

Through all this work, more than 2,060 volunteer hours were donated and on October 25th and 26th HSBC had a meeting with Environmental Leaders in order to have feedback about our activities so HSBC can enhance the program.

Environmental Month

On June and July, HSBC carried out several activities in order to promote the protection and conservation of the environment:

Three reforestations in the State of Mexico, Jalisco and Queretaro.

Sustainability Fair in 5 different HSBC buildings located at Mexico City and the States of Mexico and Jalisco.

Twelve environmental courses for HSBC volunteers and their family members.

Thanks to these activities 7,840 volunteer hours were donated and HSBC had 4,881 participants (volunteers and family members).

HSBC Insurance Race

The 4th Race in benefit of "Bosque de Chapultepec" took place on Sunday 28th September, having a participation of 2,900 runners (43% above 2013) and raised more than MXN1m (42% above 2013).

Since it was a "Green Race" and aligned to HSBC´s REDUCE strategy, HSBC managed to recycle 83% of the inorganic waste generated during the race.

7. Client Contribution

For the nine months to 30 September 2014HSBC's total client contribution was over MXN8m obtained through 3 campaigns in ATM's: "Just raise your hand" the flagship education program; Becalos; and Casa de la Amistad para Niños con Cancer.

8. Conclusions

The great challenges HSBC Mexico is facing this year are also an opportunity to focus its Community Investment on strengthening its flagship programs and on those projects helping the Bank to develop further its stakeholder engagement. Furthermore, with these campaigns the Bank continues to involve not only its staff through volunteering, but also its clients. HSBC Mexico has managed to add value to its users, providing them opportunities to participate in social responsible and environmentally friendly programs.

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Annex A

Table I

Reference		Common equity Tier 1 capital	30 Sep 2014
1		Ordinary shares graded for Common equity TIER 1 capital and related surplus	32,768.5
2		Retained earnings	2,829.0
3		Accumulated other comprehensive income (and other reserves)	12,961.9
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	48,559.4
		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)	1,038.9
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)	20.9
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)	3,571.3
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	1,665.5
	A	which: Accumulated other comprehensive income (and other reserves)	-
	B	which: investments in subordinated debt	94.4
	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	78.7
	F	which: Investments in risk capital	-
	G	which: Investments in Mutual funds	9.1
	H	which: own stock acquisition financing	-

	I	which: Operations that infringe provisions	-
	J	which: Deferred charges and prepaid expenses	1,483.3
	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	6,296.5
29		Common Equity Tier 1 capital (CET1)	42,262.9
		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)	42,262.9
		Tier 2 Capital: instruments and reserves	
46		Tier 2 capital instruments issued by parent company of group (and any related surplus)	1,477.6
47		Tier 2 capital instruments issued by parent company of group to be deducted	6,384.0
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	1,252.7
51		Tier 2 capital prior to regulatory adjustments	9,114.3
		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	NA

	the 10% threshold)	
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)	9,114.3
59	Total Capital (TC=T1+T2)	51,377.2
60	Total Risk-weighted assets	370,294.0
	Capital ratios and supplements	
61	Common equity Tier 1 Capital (as % of total RWAs)	11.41%
62	Tier 1 Capital (as % of total RWAs)	11.41%
63	Total Capital (as % of total RWAs)	13.87%
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)	4.41%
	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)	4,583.4
	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	1,276.0
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	7,861.6
85	Excluded amount on T2 due to limit (excess over the limit after amortization and maturities)	1,736.2

Table II

Capital concept	Prior to capital recognition adjustment	% total RWAs	Capital recognition adjustment	Including capital recognition adjustment	% total RWAs
Tier 1 capital 1	42,262.89	11.41	0.00	42,262.89	11.41
Tier 1 capital 2	0.00	0.00	0.00	0.00	0.00
Tier 1 capital	42,262.89	11.41	0.00	42,262.89	11.41
Tier 2 capital	9,114.27	2.46	0.00	9,114.27	2.46
Total capital	51,377.16	13.87	0.00	51,377.16	13.87
Total RWAs	370,294.02	NA	NA	370,294.02	NA
Capitalization index	13.87	NA	NA	13.87	NA

Table III.1

Reference	Balance Sheet concept	Amount
	Assets	578,273
BG1	Cash and deposits in banks	32,370
BG2	Margin accounts	5
BG3	Investment in securities	219,306
BG4	Repurchase agreements	-
BG5	Stock borrowing	
BG6	Derivative transactions	52,497
BG7	Financial assets hedging valuation adjustments	
BG8	Net loan portfolio	197,535
BG9	Benefits to be received from trading operations	163
BG10	Other accounts receivable (net)	56,096
BG11	Foreclosed assets	71
BG12	Property, furniture and equipment, net	4,488
BG13	Long term investments in equity securities	4,649
BG14	Long term assets available for sale	1
BG15	Deferred taxes, net	8,155
BG16	Other assets	2,937
	Liabilities	529,713
BG17	Deposits	269,863
BG18	Bank deposits and other liabilities	31,883
BG19	Repurchase agreements	89,503
BG20	Stock borrowing	-
BG21	Collateral sold	17,506
BG22	Derivative transactions	51,750
BG23	Financial liabilities hedging valuation adjustments	-
BG24	Debentures in trading operations	-
BG25	Other accounts payable	58,902
BG26	Subordinated debentures outstanding	9,602
BG27	Deferred taxes, net	-
BG28	Deferred credits	704
	Stockholder's equity	48,560
BG29	Paid in capital	32,769

BG30	Capital gains	15,791
		4,717,019
	Memorandum accounts	-
BG31	Guarantees granted	-
BG32	Contingent assets and liabilities	32,801
BG33	Irrevocable lines of credit granted	471,811
BG34	Goods in trust or mandate	
BG35	Federal government financial agent	413,799
BG36	Goods in custody or under administration	17,860
BG37	Collateral received by the institution	17,506
BG38	Collateral received and sold or delivered as guarantee	47,668
BG39	Third party investment banking operations, net	309
BG40	Suspended interest on impaired loans	3,715,265
BG41	Other control accounts	48,560

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	0.0	
2	Other intangible assets	9	1,038.9	BG16 2937
3	Deferred income tax from fiscal losses and credits	10	0.0	
4	Benefits to be received from trading operations	13	0.0	
5	Pension plan investments by defined benefits with unrestricted and unlimited access	15	0.0	
6	Own shares investments	16	0.0	
7	Common equity reciprocal investments	17	0.0	
8	Direct investment in the capital of financial entities where the institution does not own more than 10% of issued share capital	18	0.0	
9	Indirect investment in the capital of financial entities where the institution does not own more than 10% of issued share capital	18	20.9	BG13 4649
10	Direct investment in the capital of financial entities where the institution own more than 10% of issued share capital	19	0.0	
11	Indirect investment in the capital of financial entities where the institution own more than 10% of issued share capital	19	0.0	
12	Deferred income tax from temporary differences	21	3,571.3	BG15 8155
13	Recognized reserves as supplementary capital	50	1,252.7	BG8 197535
14	Subordinated debt investment	26 - B	94.4	BG8 197535
15	Multilateral organisms investment	26 - D	0.0	
16	Related parties investments	26 - E	78.7	BG13 4649
17	Risk capital investment	26 - F	0.0	
18	Mutual funds investment	26 - G	9.1	BG13 4649
19	Own shares acquisition financing	26 - H	0.0	
20	Deferred charges and prepaid expenses	26 - J	1,483.3	BG16 2937

21	Employee participation in profit sharing (net)	26 - L	0.0	
22	Pension plan investments by defined benefits	26 - N	0.0	
23	Compensation chamber investment	26 - P	0.0	
	Liabilities			
24	Deferred income tax associated to goodwill	8	0.0	
25	Deferred income tax associated to other intangibles	9	0.0	
26	Pension plan liabilities by defined benefits with unrestricted and unlimited access	15	0.0	
27	Deferred income tax associated to pension plan by defined benefits	15	2,440.0	BG15 7153
28	Deferred income tax associated to other different to previous concepts	21	0.0	
29	Subordinated debentures that coincide with 1-R annex	31	0.0	
30	Subordinated debentures subject to transience that counts as core capital 2	33	1,426.8	BG26 9414
31	Subordinated debentures that coincide with 1-S annex	46	6,384.0	BG26 9414
32	Subordinated debentures subject to transience that counts as supplementary capital	47	0.0	
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	15		
35	Retained earnings	21	3,571.3	BG15 8155
36	Result from cash flow hedging transactions registered at fair value	31	0.0	
37	Other elements of other capital reserves different to previous ones'	33		
38	Paid in capital amount that coincide with Annex 1-R	46	1,477.6	BG26 9602
39	Paid in capital amount that coincide with Annex 1-S	47	6,384.0	BG26 9602
40	Result from cash flow hedging transactions do not registered at fair value	26 - J		
41	Cumulative conversion effect			
42	Results from holding non-monetary assets			
		1	32,768.5	BG29 32769
	Memo accounts	2	2,829.0	BG30 15791
43	First loss schemes positions	3	-3.1	BG30 15791
		3	12,964.9	BG30 15791
	Regulatory concepts do not considered in the Balance Sheet	31	0.0	
44	Reserves pending to constitute	46	0.0	
45	Profit or increased asset value of acquired securitization positions	3, 11	0.0	
46	Operations that contravene	3, 26 - A	0.0	
47	Relevant related parties operations	3, 26 - A	0.0	
48	Adjustment for capital recognition			

Table IV.1

Concept	Equivalent position in Balance	Capital Requirements
Nominal rate operations in local currency	86,882	6,950.6

Surcharge and revisable rate debt operations in local currency	808	64.6
Real rate or UDIs operations in local currency	1,082	86.6
Minimum wages growth rate operations in local currency	-	-
UDIs o INPC profit referred positions	16	1.3
Minimum wages growth rate operations in local currency	-	-
Nominal rate operations in foreign currency	8,160	652.8
Foreign currency or indexed to exchange rate positions	2,025	162.0
Stock or price index stock positions	2	0.2

Table IV.2

Concept	**RWAs**	**Capital Requirements**
Group I (weighted at 0%)	0.00	0.00
Group I (weighted at 10%)	0.00	0.00
Group I (weighted at 20%)	0.00	0.00
Group II (weighted at 0%)	0.00	0.00
Group II (weighted at 10%)	0.00	0.00
Group II (weighted at 20%)	278.69	22.30
Group II (weighted at 50%)	6,687.92	535.03
Group II (weighted at 100%)	0.00	0.00
Group II (weighted at 120%)	0.00	0.00
Group II (weighted at 150%)	0.00	0.00
Group III (weighted at 2.5%)	0.00	0.00
Group III (weighted at 10%)	6.71	0.54
Group III (weighted at 11.5%)	470.73	37.66
Group III (weighted at 20%)	4,505.94	360.47
Group III (weighted at 23%)	118.79	9.50
Group III (weighted at 50%)	0.00	0.00
Group III (weighted at 57.5%)	0.00	0.00
Group III (weighted at 100%)	0.00	0.00
Group III (weighted at 115%)	0.00	0.00
Group III (weighted at 120%)	0.00	0.00
Group III (weighted at 138%)	0.00	0.00
Group III (weighted at 150%)	0.00	0.00
Group III (weighted at 172.5%)	0.00	0.00
Group IV (weighted at 0%)	0.00	0.00
Group IV (weighted at 20%)	4,065.88	325.28
Group V (weighted at 10%)	0.00	0.00
Group V (weighted at 20%)	619.43	49.55
Group V (weighted at 50%)	1,546.55	123.72
Group V (weighted at 115%)	0.00	0.00
Group V (weighted at 150%)	6,275.06	502.01

Group VI (weighted at 20%)	0.00	0.00
Group VI (weighted at 50%)	5,851.18	468.09
Group VI (weighted at 75%)	3,386.19	270.90
Group VI (weighted at 100%)	42,144.60	3,371.50
Group VI (weighted at 120%)	0.00	0.00
Group VI (weighted at 150%)	0.00	0.00
Group VI (weighted at 172.5%)	0.00	0.00
Group VII_A (weighted at 10%)	620.38	49.63
Group VII_A (weighted at 11.5%)	0.00	0.00
Group VII_A (weighted at 20%)	6,452.68	516.22
Group VII_A (weighted at 23%)	5,634.47	450.76
Group VII_A (weighted at 50%)	858.69	68.70
Group VII_A (weighted at 57.5%)	0.00	0.00
Group VII_A (weighted at 100%)	102,792.04	8,223.29
Group VII_A (weighted at 115%)	736.00	58.84
Group VII_A (weighted at 120%)	0.00	0.00
Group VII_A (weighted at 138%)	0.00	0.00
Group VII_A (weighted at 150%)	0.00	0.00
Group VII_A (weighted at 172.5%)	0.00	0.00
Group VII_B (weighted at 0%)	0.00	0.00
Group VII_B (weighted at 20%)	0.00	0.00
Group VII_B (weighted at 23%)	0.00	0.00
Group VII_B (weighted at 50%)	0.00	0.00
Group VII_B (weighted at 57.5%)	0.00	0.00
Group VII_B (weighted at 100%)	2,169.42	173.55
Group VII_B (weighted at 115%)	0.00	0.00
Group VII_B (weighted at 120%)	0.00	0.00
Group VII_B (weighted at 138%)	0.00	0.00
Group VII_B (weighted at 150%)	0.00	0.00
Group VII_B (weighted at 172.5%)	0.00	0.00
Group VIII (weighted at 125%)	9,487.43	759.00
Group IX (weighted at 100%)	20,649.70	1,651.98
Group IX (weighted at 115%)	0.00	0.00
Group X (weighted at 1250%)	157.50	12.60
Securitizations with Risk rating 1 (weighted at 20%)	58.47	4.68
Securitizations with Risk rating 2 (weighted at 50%)	2.47	0.20
Securitizations with Risk rating 3 (weighted at 100%)	0.00	0.00
Securitizations with Risk rating 4 (weighted at 350%)	0.00	0.00
Securitizations with Risk rating 4, 5, 6 or not classified (weighted at 1250%)	356.86	28.55
Resecuritizations with Risk rating 1 (weighted at 40%)	0.00	0.00
Resecuritizations with Risk rating 2 (weighted at 100%)	0.00	0.00

Resecuritizations with Risk rating 3 (weighted at 225%)	0.00	0.00
Resecuritizations with Risk rating 4 (weighted at 650%)	0.00	0.00
Resecuritizations with Risk rating 5, 6 or not classified (weighted at 1250%)	2,032.38	162.59

Table IV.3

Operational RWAs	Capital Requirements
43,361.8	3,468.9

Average Market and credit RWAs of last 36 months	Average of positive net annual revenues for the last 36 months
23,126.3	26,462.1

Referencia	Característica	EN CAPITAL	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO
1	Emisor	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC
2	Identificador ISIN, CUSIP o Bloomberg	INTENAL	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, CUB	L.I.C.; LGTOC; L.M.V: CUB	L.I.C.; LGTOC; L.M.V: CUB	L.I.C.; LGTOC; L.M.V: CUB
	Tratamiento regulatorio					
4	Nivel de capital con transitoriedad	N.A.	Complementario	Complementario	Complementario	Complementario
5	Nivel de capital sin transitoriedad	Básico 1	NA	NA	Complementario	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
7	Tipo de instrumento	Acción serie "F" y "B"	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 nominal a $2.00, más el excedente de prima en venta de acciones y su actualización por 28,888,503,834	1,454	1,818	1,478	3,112
9	Valor nominal del instrumento	$32,768.00	$1,817.60	$2,272.65	$1,477.63	$4,029.90
9A	Moneda del instrumento	Pesos mexicanos	Pesos mexicanos	Pesos mexicanos	USD	USD
10	Clasificación contable	Capital	Pasivo	Pasivo	Pasivo	Pasivo
11	Fecha de emisión	31/12/2007; 31/08/2009; 31/10/2009; 31/12/2009; 31/12/2011; 29/01/2013	02/10/2008	22/12/2008	31/01/2013	30/06/2009
12	Plazo del instrumento	Perpetuidad	Vencimiento	Vencimiento	Vencimiento	Vencimiento
13	Fecha de vencimiento	Sin vencimiento	20/09/2018	10/12/2018	10/12/2022	28/06/2019

14	Cláusula de pago anticipado	No	SI	SI	SI	SI
15	Primera fecha de pago anticipado	N.A.	26/09/2013	16/12/2013	05/01/2018	28/06/2014
15A	Eventos regulatorios o fiscales	No	No	No	Si	No
15B	Precio de liquidación de la cláusula de pago anticipado	N.A.	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 travésde 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 presente Título.	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.	23/10/2014; Deberá 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.	20/10/2014; Deberá 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.	23/10/2014 se dará a conocer con 10 días hábiles de anticipación a la fecha de amortización autorizada.	28/10/2014 se dará a conocer con 10 días hábiles de anticipación a la fecha de amortización autorizada.

HSBC

	Rendimientos / dividendos					
17	Tipo de rendimiento/dividendo	Variable	Variable	Variable	Variable	Variable
18	Tasa de Interés/Dividendo	El último conocido fue de marzo 2014 que fue de 0.296906 por acción	Tiie 28 + 0.60 pp	Tiie 28 + 2.0 pp	Variable	Libor 1 mes + 3.50 pp
19	Cláusula de cancelación de dividendos	No	No	No	Libor 1 mes + 3.65 pp	No
20	Discrecionalidad en el pago	Obligatorio	Obligatorio	Obligatorio	No	Obligatorio
21	Cláusula de aumento de intereses	No	No	No	Parcialmente Discrecional	No
22	Rendimiento/dividendos	No Acumulables	No Acumulables	No Acumulables	No	No Acumulables
23	Convertibilidad del instrumento	No Convertibles	No Convertibles	No Convertibles	No Acumulables	No Convertibles
24	Condiciones de convertibilidad	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 del o los Títulos.	N.A

25	Grado de convertibilidad	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
26	Tasa de conversión	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	Obligatoria	N.A
28	Tipo de instrumento financiero de la convertibilidad	N.A	N.A	N.A	Acciones Ordinarias	N.A
29	Emisor del instrumento	N.A	N.A	N.A	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	N.A
30	Cláusula de disminución de valor (Write-Down)	No	No	No	No	No
31	Condiciones para disminución de valor	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
33	Temporalidad de la baja de valor	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
35	Posición de subordinación en caso de liquidación	N.A	No Preferente	No Preferente	Preferente	No Preferente
36	Características de incumplimiento	No	Si	Sí	No	Sí
37	Descripción de características de incumplimiento	N.A	N.A	N.A	No	N.A

Table VI

Capital management

Concerning capital management, the Bank made semiannually an internal assessment of capital adequacy identifying and measuring exposure to different risks that the entity faces as well as the Insurance and Brokerage businesses. The document generated for this purpose is called Internal Capital Adequacy Assessment Process ("ICAAP"). This document serves to ensure that under a prospective analysis, the capital of the Financial Grupo (considering the equity of Bank, Insurance and Brokerage companies) is sufficient and supported by a strong risk management framework. This report is generated to meet the request of the Group (UK) in accordance with Pillar II of the Basel II guidelines.

The Bank has an internal frame rate of minimum levels of total and core capital above early warnings defined by the CNBV. These levels are approved annually by the Administration Committee of Assets and Liabilities (ALCO).

Moreover, on a quarterly basis the expected impacts on total capital ratio are calculated considering sensitivity to variables such as exchange rate, interest rate and credit spread where the following is evaluated:

1. Rate sensitivity: sensitivity is evaluated by monitoring the impact on core capital ratio and the capitalization ratio, where a 10% to 20% increase/decrease shock is applied in the exchange rate of each major currencies.
2. Sensitivity to interest rates: the impact of a movement in the interest rate in the core capital ratio and the capitalization ratio is measured. In this exercise, the impact on those classified as available for sale and cash flow hedges directly affecting capital reserves instruments is calculated. The shock is considered for this calculation is an increase / decrease in market interest rates of 200 basis points.
3. Sensitivity to credit spread: sensitivity in the core capital and the capitalization ratio to 300 basis point movement in the country risk is calculated, as well as on available for sale instruments. The shock considered is an increase / decrease of 300 basis points.

The results generated are presented in the Administration Committee of Assets and Liabilities (ALCO).

Finally, the Bank generates liquidity stress reports on a monthly basis which allows an analysis of the adequacy of the financial resources under certain stress scenarios. For further details, refer to the Note to Financial Statements number 30.