Grupo Financiero HSBC

Financial information at 30 June 2015

2Q15

- **Press Release**
- **Quarterly Report**
- **Second Quarter 2015**

Release date:
28 July 2015

HSBC

28 July 2015

GRUPO FINANCIERO HSBC, S.A. DE C.V.
FIRST HALF 2015 FINANCIAL RESULTS – HIGHLIGHTS

- Net income before taxes for the first half of 2015 was MXN2,483m, an increase of MXN118m or 5.0% compared with MXN2,365m for the first half of 2014, mainly due to higher other operating income and lower administrative expenses, partially offset by lower trading income.

- Net income for the first half of 2015 was MXN2,047m, a decrease of MXN93m or 4.3% compared with MXN2,140m for the first half of 2014, mainly due to higher tax expenses, partially offset by higher net income before taxes.

- Total operating income for the first half of 2015 was MXN19,528m, broadly unchanged compared with the same period of 2014, as lower trading and net interest income were partially offset by higher other operating income.

- Loan impairment charges for the first half of 2015 were MXN6,325m, broadly unchanged from the same period of 2014.

- Administrative and personnel expenses for the first half of 2015 were MXN10,745m, a decrease of MXN280m or 2.5% compared with MXN11,025m for the first half of 2014.

- The cost efficiency ratio was 55.0% for the first half of 2015, compared with 56.0% for the first half of 2014.

- Net loans and advances to customers were MXN212.1bn at 30 June 2015, an increase of MXN19.5bn or 10.1% compared with MXN192.7bn at 30 June 2014. Total impaired loans as a percentage of gross loans and advances as at 30 June 2015 decreased to 5.7% compared with 6.3% at 30 June 2014.

- At 30 June 2015, deposits were MXN292.4bn, an increase of MXN25.6bn or 9.6% compared with MXN266.8bn at 30 June 2014.

- Return on equity was 7.6% for the first half of 2015 compared with 7.7% for the first half of 2014.

- At 30 June 2015, the bank's total capital adequacy ratio was 13.7% and the tier 1 capital ratio was 11.5% compared with 14.2% and 11.8% respectively at 30 June 2014.

- In the first quarter of 2015, Grupo Financiero HSBC paid a dividend of MXN1,550m, representing MXN0.55 per share.

HSBC Mexico S.A. (the bank) is a subsidiary of Grupo Financiero HSBC, S.A. de C.V.'s (Grupo Financiero HSBC) and is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file financial information on a quarterly basis (in this case for the quarter ended 30 June 2015) 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).

Since the second quarter of 2015, the positive excess of loan impairment charges recognised during the year to be classified in Other Operating income is measured on an individual basis rather than a portfolio basis. 2014 figures have been restated to reflect this change which implies a reclassification between Loan Impairment Charges and Other Operating Income within the Consolidated Income Statement of MXN3,149m.

Overview

As expected, the Mexican economy slowed its pace of growth in the first quarter of 2015, as it expanded 0.4% vs. 0.7% q-o-q in the fourth quarter of 2014. Industrial production remained weak on the back of the continuing drop in mining and the moderation in construction recovery. Headline inflation maintained its downward trajectory and remained below the central bank's target of 3.0%. Banxico kept the Fondeo rate at 3.0%, pointing out that economic activity is recovering moderately, while inflation expectations remain well-anchored.

On 9 June 2015, HSBC set out 10 strategic actions in its Investor Update for the next two and a half years. One of those actions is to rebuild NAFTA profitability and HSBC has specifically stated that HSBC Mexico is important for the Group due to its relevant geographical position and open economy.

For the first half of 2015, Grupo Financiero HSBC's net income before taxes was MXN2,483m, an increase of MXN118m or 5.0% compared with the first half of 2014, mainly due higher other operating income and lower administrative expenses, partially offset by lower trading income.

Net income was MXN2,047m, a decrease of MXN93m or 4.3% compared with the first half of 2014 mainly due to higher tax expenses, partially offset by higher net income before tax.

Net interest income was MXN10,986m, a decrease of MXN119m or 1.1% compared with the first half of 2014. The decrease is due to lower revenues in the commercial loan portfolio related to a change in the product mix, coupled with higher funding costs, partially offset by the insurance-related business which accounted for an increase of MXN96m.

Loan impairment charges were MXN6,325m, an increase of MXN8m or 0.1% in line with the first half of 2014.

Net fee income was MXN3,104m, a decrease of MXN92m or 2.9% compared with the first half of 2014. This decrease is mainly due to lower account services and treasury fees.

Trading income was MXN666m, a decrease of MXN259m or 28.0% compared with the first half 2014. This decrease is explained mainly by lower gains in bond transactions due to the desk reduced open risk positions on the bond portfolio and higher losses in FX transactions, partially offset by gains in the mark-to-market of fixed income transactions according to the decrease of the interest rates.

Other operating income was MXN4,772m, an increase of MXN314m or 7.0% compared with the first half of 2014, mainly due to a release of loan loss allowances of one of the commercial loans during 2015.

Administrative and personnel expenses were MXN10,745m, a decrease of MXN280m or 2.5% compared with the first half 2014. This decrease is mainly due to lower depreciation and professional fee costs.
The cost efficiency ratio was 55.0% for the first half of 2015, compared with 56.0% for the first half of 2014.

The effective tax rate was 17.6% for the first half of 2015, compared with 4.4% for the first half of 2014. A large part of this variance is explained by higher inflationary effects in the first half of 2014, for which the effective tax rate calculation considered for the whole year projected an inflation effect issued by the Central Bank. This compares with the effective tax rate calculation for the first half of 2015 which considered a half-year projected inflation effect.

Grupo Financiero HSBC's insurance subsidiary, HSBC Seguros, reported net income before tax of MXN763m for the first half of 2015. Excluding discontinued operations, net income before taxes slightly decreased by 2.8% compared with the same period of 2014. Increased benefits for the customers and maturities in endowment product have impacted claims; these have been offset by higher sales.

Net loans and advances to customers were MXN212.1bn at 30 June 2015, an increase of MXN19.5bn or 10.1% compared with MXN192.7bn at 30 June 2014. The performing commercial loan portfolio and loans to government entities increased by 12.0%, while performing mortgage and consumer loan portfolios increased by 8.1% and 7.7% respectively, compared with 30 June 2014.

At 30 June 2015, total impaired loans decreased by 0.1% to MXN12.9bn compared with 30 June 2014, mainly due to lower impaired consumer and mortgage loan portfolio. This decrease resulted from an improved origination strategy on new loans. Total impaired loans as a percentage of total loans and advances to customers decreased to 5.7% compared with 6.3% at 30 June 2014. The non-performing loan ratio of mortgage and consumer impaired loan portfolios decreased to 2.8% compared with 3.7% at 30 June 2014.

Total loan loss allowances at 30 June 2015 were MXN12.6bn, an increase of MXN1.0bn or 8.6% compared with 30 June 2014. The total coverage ratio (allowance for loan losses divided by impaired loans) was 98.1% at 30 June 2015 compared with 90.2% at 30 June 2014.

Total deposits were MXN292.4bn at 30 June 2015, an increase of MXN25.6bn or 9.6% compared with 30 June 2014. Demand deposits increased 10.2% due to higher volumes in retail and commercial segments, while time deposits increased 9.3% due to higher volumes in money market compared to 30 June 2014.

At 30 June 2015, the bank's total capital adequacy ratio was 13.7% and the tier 1 capital ratio was 11.5% compared with 14.2% and 11.8% respectively at 30 June 2014.

In the first quarter of 2015, Grupo Financiero HSBC paid a dividend of MXN1,550m, representing MXN0.55 per share.

Business highlights

Retail Banking and Wealth Management (RBWM)

Average consumer loans for the first half of 2015 increased 7.7% compared with the same period of 2014, mainly driven by:

- A 9.9% increase in average mortgage loans compared with the same period of 2014, mainly due to the reinforcement in sales channels. Several campaigns and strategies this year are expected to increase volumes.

- A 4.2% increase in credit card average balances compared with the same period in 2014. This was mainly due to several strategies based on balance transfer, statement financing, cash advance and increase in credit lines.

- An 8.0% increase in average personal and payroll loans compared with the same period in 2014. Sales performance improved in 2015 as a result of the repositioning of our portfolios, coupled with the positive effects of this year's 'Ahora Es Cuando' and 'Summer campaign' strategies.

Better portfolio performance, mainly in credit card and payroll and personal loans, resulted in a 14.9% decrease in provisions and lower non-performing loan ratios.

The 'Ahora Es Cuando' campaign offered one of the most competitive products in the market, having a favourable influence in sales growth.

The insurance business is focused on the affordability principle to offer to the customer the adequate insurance coverage according to the premium paid. HSBC Mexico has experienced a positive impact from this strategy, benefiting the persistency for Temporary life insurance and Endowment products. Additionally, sales of life products have increased 40% y-o-y leading to a portfolio growth of 5.8% y-o-y.

Our continued focus on fair treatment of our customers has led to an increase in customer satisfaction, placing HSBC in the top tier of the market in customer recommendation.

Commercial Banking (CMB)

CMB results for the first half of 2015 were lower compared to the same period in 2014. Increased credit loan portfolios in Corporate Real Estate, Public Sector and Business Banking loans were partially offset by lower volumes in Large Corporates and Mid-Market Enterprises loans. In addition, higher deposit volumes in the Government segment were offset by lower volumes in States & Municipalities 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:

- Delivering growth in the NAFTA corridor is an important strategic priority and has been identified as part of the top-20 global priority corridors for HSBC Group. From the beginning of 2015, HSBC formally started to drive this effort across a number of different initiatives, with the ultimate aim to improve NAFTA Revenue and Returns. The opportunity is to leverage HSBC's unique presence across the three NAFTA countries to: increase revenues in the intra-NAFTA business; gain market share in the GTRF and PCM product groups; improve profitability in the commercial businesses of Mexico, US and Canada.

- In order to better support international customers, Commercial Banking has strengthened the International Subsidiary Banking team (ISB), with presence in key locations across Mexico. This will be focused in the NAFTA strategic opportunity.

- Continued progress in collaboration with Global Banking and Markets (GBM) that achieved a higher collaboration in FX transactions through our different platforms (NetFX platform and call transactions), delivering good results in products such as FX Options and Interest Rates Derivatives. In the Private Banking collaboration, communication is continuing to strengthen, particularly with the Business Banking segment, as this part of the business is starting to be included as part of a local strategy.

- There were some strategic transfers of portfolios from CMB to the Retail Banking segment. These actions will lead to better customer service, where customers will benefit from our expertise and an integrated view of their needs, as these clients are looking for a closer and simpler relationship with the bank.

- A new revolving credit offer was launched for the Business Banking clients that would continue to be part of CMB.

- Further action continues to support international SMEs through our International Growth Fund (Fondo México Global) and the NAFIN financing programme (Impulso Energético), currently both product offerings were fully approved.

Global Banking and Markets (GBM)

Global Banking continued to grow balances in its credit and lending business mainly in the corporate sector, which increased by MXN12.8bn or 23.5% compared with the same period of 2014. As result of the growth in loan balances, the fees related to financial structuring services increased by MXN5.4m or 20.5%.

The deposits for Global Banking increased by MXN10.5bn or 55.1% compared with the same period of 2014. This increase generated a 20.8% higher net interest income. In addition, trade services business increased fees by MXN17.6m or 18.2% compared with the same period of 2014, mainly in domestic and imports operations.

In the second quarter of 2015, the Debt Capital Markets business improved its status as second in the local debt capital market league tables.

During June, HSBC acted as joint book runner on Nemak’s US$683m (MXN20 per share) initial public offering (IPO). The deal reinforces our growing presence in Mexico’s equity capital markets. This transaction represents the largest Mexican IPO since Grupo Lala’s IPO in October 2013.

Grupo Financiero HSBC’s first half 2015 financial results as reported to HSBC Holdings plc, our ultimate parent company, are prepared in accordance with International Financial Reporting Standards (IFRS)

For the first half 2015, on an IFRS basis, Grupo Financiero HSBC reported a net income before taxes of MXN1,903m, an increase of MXN1,091m or 134.4% compared with MXN812m for the first half of 2014.

The higher net income before tax reported under Mexican GAAP is largely due to differences in accounting for loan impairment charges. A reconciliation and explanation between the Mexican GAAP and IFRS results is included with the financial statements of this document.

Awards

In May 2015, HSBC Mexico was named “Latin American Retail Bank of the year” at the 2015 Global Retail Banking Awards. HSBC Mexico was nominated by technology provider Fiserv, which provided the bank with cash management application software between 2012 and 2014.

In July 2015, HSBC Mexico won the Best Investment Bank award by Euromoney because of its good performance on equity and debt markets as well as its strong position on M&A deals.

About HSBC

Grupo Financiero HSBC is one of the leading financial groups in Mexico with 991 branches, 5,700 ATMs and approximately 16,500 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 over 6,100 offices in 73 countries and territories in Asia, Europe, North and Latin America, the Middle East and North Africa and with assets of US$2,670bn at 31 March 2015, the HSBC Group is one of the world’s largest banking and financial services organisations.

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Contents

Key Financial Indicators

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

	For the quarter ended at				
	30 Jun 2014	***30 Sep 2014***	***31 Dec 2014***	***31 Mar 2015***	***30 Jun 2015***
a) Liquidity	123.69%	121.37%	105.13%	100.52%	**91.23%**
Profitability					
b) ROE (Return over equity)	5.00%	2.50%	(3.69)%	10.86%	**4.33%**
c) ROA (Return over assets)	0.47%	0.23%	(0.33)%	0.94%	**0.37%**
Asset quality					
d) Impaired loans/total loans	6.31%	6.25%	5.29%	5.56%	**5.72%**
e) Coverage ratio	90.21%	90.53%	103.68%	98.73%	**98.07%**
Capitalization					
f) Credit risk	23.36%	22.54%	20.64%	21.46%	**21.46%**
g) Credit, operational and market risk	14.22%	13.87%	13.21%	13.40%	**13.73%**
Operating efficiency					
h) Expenses/Total Assets	3.94%	3.64%	3.76%	3.42%	**3.48%**
i) NIM	2.33%	2.32%	1.74%	1.63%	**1.87%**
Coverage					
j) Coverage of technical reserves	109.53%	109.44%	109.40%	106.22%	**106.40%**
k) Coverage of minimum guarantee capital	309.02%	316.58%	321.43%	197.15%	**186.58%**
l) Coverage of minimum paid capital					
HSBC Seguros, S.A. de C.V.	144.70%	144.70%	144.70%	138.89%	**138.89%**
HSBC Pensiones, S.A.	102.38%	102.38%	102.38%	98.27%	**98.27%**
Infrastructure					
Branches	984	983	984	984	**991**
ATM	5,940	5,825	5,780	5,712	**5,700**
Head Count	17,603	17,548	16,980	16,645	**16,470**

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 financial margin net of allowance for loan losses / Average performing assets.
Performing assets = Cash and deposits in banks + Investments in securities +Debtors under agreements to resell + Securities lending + Derivatives operations + Performing loans.
j) Coverage of technical reserves = Investments that back up technical reserves/ Technical reserves
k) Coverage of minimum guarantee capital = Investments that support or back up the minimum guarantee capital more the surplus investments that back up the technical reserves/ requirement of minimum guarantee capital.
l) Coverage of minimum paid capital = Capital resources of the countable institution in accordance to regulation/minimum capital requirement.

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 second quarter of 2015.

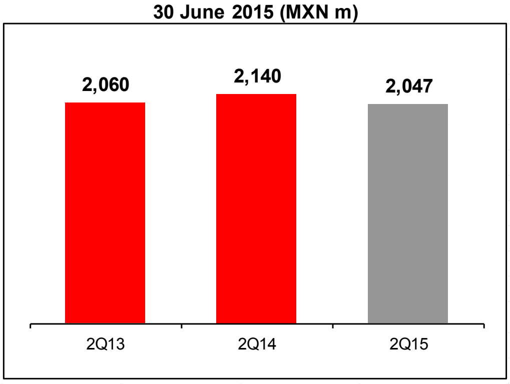
Income Statement Variance Analysis

Net Income

Net income for Grupo Financiero HSBC for the first half of 2015 was MXN2,047m, a decrease of 4.3% compared with the first half of 2014.

The decrease was driven by lower trading income and higher tax expenses, partially offset by higher other operating income and lower administrative expenses.

Net Income
30 June 2015 (MXN m)



Total Operating Income

The Group's total operating income for the first half of 2015 was MXN19,528m, a decrease of MXN156m or 0.8% compared with the first half of 2014.

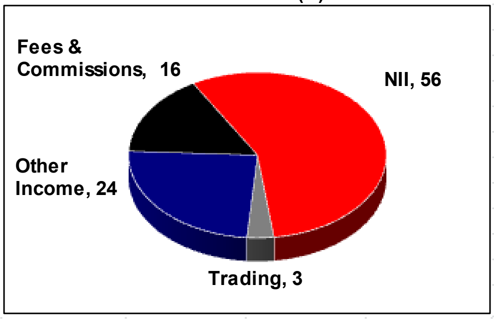
The decrease in total operating income is due to lower trading income, net interest income and net fee income; partially offset by higher other operating income.

Net Interest Income

Net interest income for the first half of 2015 was MXN10,986m, a decrease of MXN119m or 1.1% compared with the first half of 2014.

The decrease is due to lower revenues in the commercial loan portfolio related to a change in the product mix, coupled with higher funding costs, partially offset by the insurance related business which accounted for an increase of MXN96m.

Revenue Distribution
30 June 2015 (%)



Non-interest Income

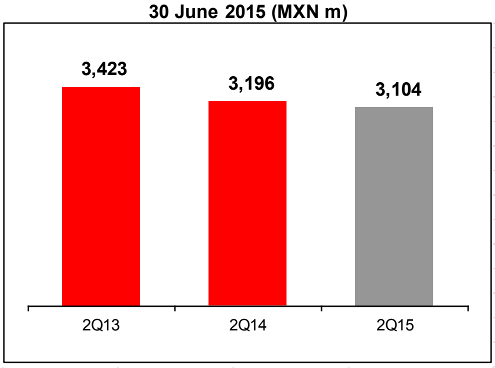
Non-interest income for the first half of 2015 was MXN8,542m; a decrease of MXN37m or 0.4% compared with the first half of 2014.

The Group's non-interest income to total revenue ratio remained practically unchanged from 43.6% for the first half of 2014 to 43.7% for the first half of 2015.

► Fee income

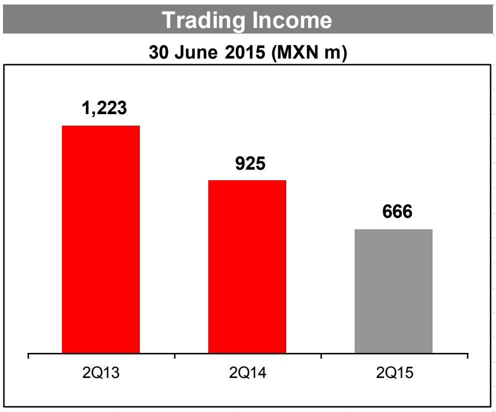
The Group's net fee income for the first half of 2015 was MXN3,104m, a decrease of MXN92m or 2.9% compared with the first half of 2014. This reduction is mainly due to lower account services and treasury fees.

Group Fees & Commissions
30 June 2015 (MXN m)



► Trading income

Trading income for the first half of 2015 was MXN666m, a decrease of MXN259m or 28.0% compared with the first half of 2014. This decrease is explained by lower gains in bond transactions due to the desk reduced open risk positions on the Bond portfolio and higher losses in FX transactions, partially offset by gains in the mark to market of fixed income transactions.

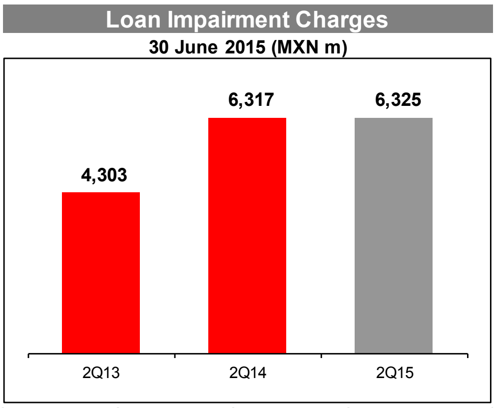


► Other operating income

Other operating income was MXN4,722m, an increase of MXN314m or 7.0% compared with the first half of 2014, mainly due to a release of loan loss allowances of one of the commercial loans during 2015.

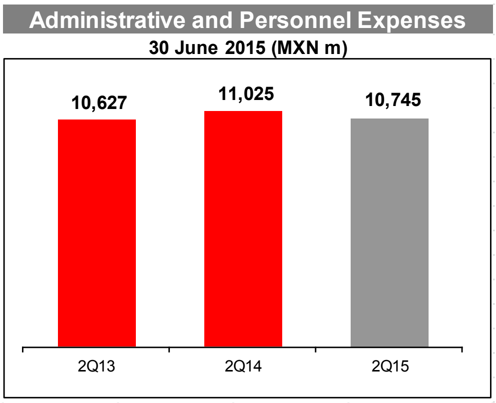
Loan Impairment Charges

For the first half of 2015, the Group's loan impairment charges were MXN6,325m, an increase of MXN8m or 0.1% in line with the first half of 2014.



Administrative and Personnel Expenses

The Group's administrative and personnel expenses for the first half of 2015 were MXN10,745m, a decrease of MXN280m or 2.5% compared with the first half of 2014. This decrease is mainly due to lower depreciation and professional fee costs.



Balance sheet Variance Analysis

At 30 June 2015, the Group's total assets amounted MXN614,159m, which represents an increase of MXN2,678m or 0.4%, compared with 30 June 2014. This increase was mainly driven by an increase in net loans and advances to customers and derivative transactions, partially offset by lower investment in securities.

Loan portfolio

The Group's performing loan portfolio balance was MXN211,899m at 30 June 2015, an increase of 10.7% compared with 30 June 2014. This increase was mainly driven by higher loans in all segments, but in particular in government entities, which increased 65.3%.

► Commercial loans (including financial and government entities)

At 30 June 2015, the performing commercial portfolio (including financial and government entities) increased 12.0% in comparison with 30 June 2014; mainly driven by an increase of MXN12,762m in loans to government entities. Commercial loans increased 2.1% compared with 30 June 2014 mainly in the corporate segment, while loans to financial intermediaries increased 12.1%.

► Consumer loans

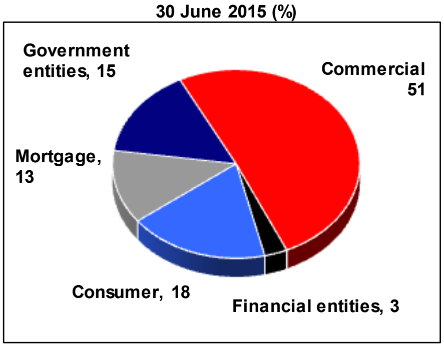
At 30 June 2015, performing consumer loans increased 7.7% compared with 30 June 2014, mainly due to an increase in credit card balances, and higher volumes in personal and payroll loans.

► Mortgage loans

The mortgage performing loan portfolio increased 8.1% compared with 30 June 2014, mainly due to the reinforcement in sales channels.

Credit Portfolio Distribution

30 June 2015 (%)



Asset quality

As of 30 June 2015, the Group's impaired loan portfolio was MXN12,867m, a decrease of MXN17m or 0.1% compared with 30 June 2014. The lower impaired loan portfolio is mainly due to lower impaired consumer and mortgage loan portfolios. This decrease resulted from an improved origination strategy on new loans.

Total impaired loans as a percentage of total loans and advances to customers decreased to 5.7% compared with 6.3% at 30 June 2014. The total coverage ratio (allowance for loan losses divided by impaired loans) was 98.1% at 30 June 2015 compared with 90.2% at 30 June 2014.

Deposits

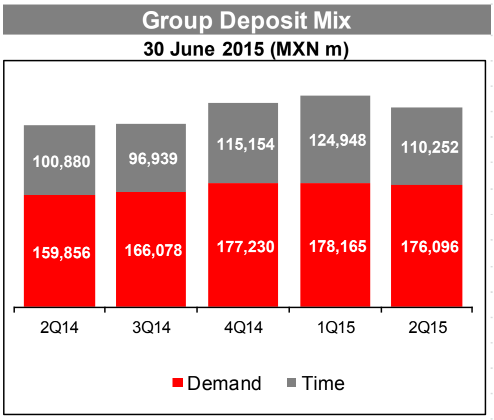
The Group's total deposits at 30 June 2015 were MXN292,380m, an increase of 9.6% compared with 30 June 2014.

► Demand deposits

At 30 June 2015, demand deposits were MXN176,096m, an increase of 10.2% compared with 30 June 2014, mainly due to higher volumes in retail and commercial segments.

► Time deposits

Total time deposits were MXN110,252m at 30 June 2015, an increase of 9.3% compared to 30 June 2014 due to higher volumes in money market.



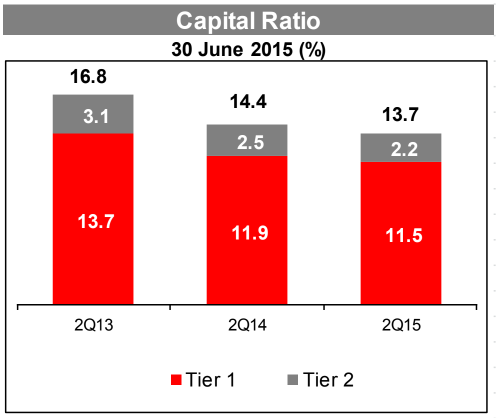
Shareholder's equity

At 30 June 2015, the Group's equity amounted to MXN54,316m, a decrease of 1.6% compared to 30 June 2014.

The Bank's equity was MXN49,184m, at 30 June 2015, a decrease of 1.1% compared to 30 June 2014.

Capital Adequacy Ratio

The Bank's capital adequacy ratio at 30 June 2015 was 13.7%, placing it well above the authorities' requirements. The Tier 1 capital ratio at the end of the reporting period is 11.5%.



Financial Situation, Liquidity and Capital Resources

Group's balance structure has maintained its liquidity. Cash and investments in securities represent 34.7% of total assets. Total assets were MXN614,159m, an increase of MXN2,678m in comparison with 30 June 2014. The loan portfolio is adequately diversified across segments.

Financial Statements Grupo Financiero HSBC

Consolidated Balance Sheet

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

	30 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015
Assets					
Cash and deposits in banks	48,365	32,372	40,690	41,556	**32,734**
Margin Accounts	5	5	7	18	**62**
Investments in Securities	223,957	237,781	219,533	196,530	**180,592**
Trading securities	54,364	64,994	55,004	47,805	**59,495**
Available-for-sale securities	138,007	141,064	132,527	116,627	**89,874**
Held to maturity securities	31,586	31,723	32,002	32,098	**31,223**
Reverse repurchase agreements	-	-	-	8,791	**9,411**
Derivative transactions	55,607	52,497	80,041	77,240	**72,820**
Performing loans					
Commercial loans	130,565	134,805	156,993	145,011	**146,255**
Commercial entities	105,385	103,722	114,574	107,022	**107,633**
Loans to financial intermediaries	5,642	6,677	9,878	6,629	**6,322**
Loans to government entities	19,538	24,406	32,541	31,360	**32,300**
Consumer loans	36,132	36,544	36,371	36,974	**38,902**
Mortgages loans	24,739	25,176	25,853	26,086	**26,742**
Total performing loans	191,436	196,525	219,217	208,071	**211,899**
Impaired loans					
Commercial loans	10,517	10,863	10,102	10,400	**10,970**
Commercial entities	10,432	10,778	10,017	10,315	**10,920**
Financial entities	-	-	-	-	**-**
Loans to government entities	85	85	85	85	**50**
Consumer loans	1,699	1,644	1,568	1,301	**1,345**
Mortgages loans	668	604	573	548	**552**
Total non-performing loans	12,884	13,111	12,243	12,249	**12,867**
Loan portfolio	204,320	209,636	231,460	220,320	**224,766**
Allowance for loan losses	(11,623)	(11,869)	(12,693)	(12,094)	**(12,619)**
Net loan portfolio	192,697	197,767	218,767	208,226	**212,147**
Accounts receivable from insurance and bonding companies	38	41	58	71	**80**
Premium receivables	38	48	36	39	**46**
Accounts receivables from reinsurers and rebonding companies	59	56	59	58	**63**
Benefits to be received from trading operations	168	163	147	140	**133**
Other accounts receivable, net	72,047	57,284	34,834	79,228	**86,958**
Foreclosed assets	139	81	73	95	**80**
Property, furniture and equipment, net	6,574	6,362	6,146	5,994	**5,769**
Long term investments in equity securities	218	228	239	253	**241**
Long-term assets available for sale	-	1	-	-	**-**
Deferred taxes, net	7,338	8,399	8,710	8,604	**8,945**
Goodwill	1,048	1,048	1,048	1,048	**1,048**
Other assets, deferred charges and intangibles	3,183	3,088	3,309	4,107	**3,030**
Total Assets	611,481	597,221	613,697	631,998	**614,159**

Figures in MXN millions

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

	30 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015
Liabilities					
Deposits	266,767	269,329	298,617	309,538	**292,380**
Demand deposits	159,856	166,078	177,230	178,165	**176,096**
Time deposits	100,880	96,939	115,154	124,948	**110,252**
Retail	100,880	96,939	92,680	91,991	**91,569**
Money market	-	-	22,474	32,957	**18,683**
Bank bonds outstanding	6,031	6,312	6,233	6,425	**6,032**
Bank deposits and other liabilities	36,379	31,882	42,021	30,435	**27,122**
On demand	8,301	9,641	13,765	2,100	**-**
Short term	26,471	20,731	26,088	24,661	**23,504**
Long term	1,607	1,510	2,168	3,674	**3,618**
Repurchase agreements	83,300	89,503	60,247	38,187	**37,379**
Stock Borrowing	-	-	-	-	**-**
Financial assets pending to be settled	16	494	-	2,009	**4,276**
Collateral Sold	12,969	17,506	21,897	17,313	**16,366**
Repurchase	300	70	11	-	**-**
Securities to be received in repo transactions	12,669	17,436	21,886	17,313	**16,366**
Derivative transactions	55,222	51,750	81,279	75,151	**73,024**
Technical reserves	11,854	12,056	12,253	12,316	**12,315**
Reinsurers	15	15	10	7	**13**
Other accounts payable	79,720	60,010	32,388	82,355	**85,727**
Income tax and employee profit sharing payable	358	441	165	24	**98**
Creditors for settlement of transactions	64,264	42,279	9,346	61,913	**64,042**
Sundry creditors and others accounts payable	15,098	17,290	22,877	20,418	**21,587**
Subordinated debentures outstanding	9,414	9,602	10,144	10,361	**10,529**
Deferred credits	649	708	710	684	**712**
Total Liabilities	556,305	542,855	559,566	578,356	**559,843**
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	17,348	16,538	16,303	15,815	**16,489**
Capital reserves	2,644	2,644	2,644	2,644	**2,644**
Retained earnings	11,215	11,215	11,215	11,646	**11,646**
Result from the mark-to-market of Available-for-sale securities	1,230	200	489	285	**224**
Result from cash flow hedging transactions	119	(3)	(26)	(223)	**(72)**
Net Income	2,140	2,482	1,981	1,463	**2,047**
Non-controlling interest	5	5	5	4	**4**
Total Stockholder's Equity	55,176	54,366	54,131	53,642	**54,316**
Total Liabilities and Capital	611,481	597,221	613,697	631,998	**614,159**

Figures in MXN millions

	30 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015
Memorandum Accounts	4,640,886	4,730,217	5,052,629	4,826,392	**5,128,335**
Proprietary position	4,530,830	4,613,240	4,947,423	4,725,086	**5,028,817**
Irrevocable lines of credit granted	-	-	-	-	-
Goods in trust or mandate	-	-	-	-	-
Trust	28,049	32,801	33,874	31,239	**245,360**
Mandate	453,989	471,811	458,166	454,445	**434,780**
Goods in custody or under administration	453,328	471,156	457,525	453,589	**433,925**
Collateral received by the institution	661	655	641	856	**855**
Collateral received and sold or delivered as guarantee	370,899	352,342	436,545	424,385	**529,526**
Values in deposit	13,531	17,861	21,979	37,595	**27,099**
Suspended interest on impaired loans	12,969	17,506	21,897	32,063	**17,423**
Recovery guarantees for issued bonds	-	-	-	-	-
Paid claims	295	309	276	219	**227**
Cancelled claims	-	-	-	-	-
Recovery claims	-	-	-	-	-
Responsibilities from bonds in force	-	-	-	-	-
Other control accounts	-	-	-	-	-

	30 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015
Third party accounts	110,056	116,977	105,206	101,306	**99,518**
Clients current accounts	-	-	-	1	-
Custody operations	59,302	69,309	58,973	57,414	**58,241**
Transactions on behalf of clients	-	-	-	-	-
Third party investment banking operations, net	50,754	47,668	46,233	43,891	**41,277**

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	GUILLERMO COLQUHOUN	JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Consolidated Income Statement

Figures in MXN millions

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

	For the quarter ending					Year to date	
	30 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015	30 Jun 2014	30 Jun 2015
Interest Income	7,687	7,827	7,743	7,565	**7,177**	15,218	**14,742**
Earned premiums	696	784	711	705	**705**	1,398	**1,410**
Interest expense	(2,324)	(2,317)	(2,217)	(2,131)	**(1,982)**	(4,374)	**(4,113)**
Net Increase in technical reserves	(95)	(138)	(208)	5	**63**	(356)	**68**
Claims	(372)	(512)	(468)	(537)	**(584)**	(781)	**(1,121)**
Net interest income	5,592	5,644	5,561	5,607	**5,379**	11,105	**10,986**
Loan impairment charges	(2,743)	(2,629)	(3,219)	(3,377)	**(2,948)**	(6,317)	**(6,325)**
Risk adjusted net interest income	2,849	3,015	2,342	2,230	**2,431**	4,788	**4,661**
Fees and commissions receivable	2,059	2,122	2,129	1,974	**2,020**	4,045	**3,994**
Fees payable	(415)	(432)	(434)	(444)	**(446)**	(849)	**(890)**
Trading Income	345	168	142	223	**443**	925	**666**
Other operating income	1,604	1,169	942	3,128	**1,644**	4,458	**4,772**
Administrative and personnel expenses	(5,643)	(5,503)	(5,686)	(5,331)	**(5,414)**	(11,025)	**(10,745)**
Net operating income	799	539	(565)	1,780	**678**	2,342	**2,458**
Share of profits in equity interest	13	15	11	13	**12**	23	**25**
Net income before taxes	812	554	(554)	1,793	**690**	2,365	**2,483**
Income tax and employee profit sharing tax	(427)	(486)	201	(161)	**(324)**	(720)	**(485)**
Deferred income tax	441	274	(156)	(170)	**218**	617	**48**
Income from ongoing operations	826	342	(509)	1,462	**584**	2,262	**2,046**
Discontinued operations	(146)	-	8	-	**-**	(121)	**-**
Non-controlling interest	-	-	-	1	**-**	(1)	**1**
Net income (loss)	680	342	(501)	1,463	**584**	2,140	**2,047**

"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	GUILLERMO COLQUHOUN	JUAN JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Consolidated Statement of Changes in Shareholder's Equity

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

From 1 January to 30 June 2015

	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 2015	**37,823**	**-**	**-**	**-**	**2,644**	**11,215**	**489**	**(26)**	**-**	**1,981**	**5**	**54,131**
Movements Inherent to the Shareholders Decision												
Subscription of shares	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	-	1,981	-	-	-	(1,981)	-	-
Cash dividends	-	-	-	-	-	(1,550)	-	-	-	-	-	(1,550)
Others	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent to the Shareholders Decision	**-**	**-**	**-**	**-**	**-**	**431**	**-**	**-**	**-**	**(1,981)**	**-**	**(1,550)**
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income												
Net result	-	-	-	-	-	-	-	-	-	2,047	-	2,047
Result from valuation of available-for-sale securities	-	-	-	-	-	-	(265)	-	-	-	-	(265)
Result from cash flow hedging transactions	-	-	-	-	-	-	-	(46)	-	-	-	(46)
Results from holding non-monetary assets												
Others	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Total Movements Inherent for the Recognition of the Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**(265)**	**(46)**	**-**	2,047	**(1)**	**1,735**
Balances at 30 June 2015	**37,823**	**-**	**-**	**-**	**2,644**	**11,646**	**224**	**(72)**	**-**	**2,047**	**4**	**54,316**

"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	GUILLERMO COLQUHOUN	JUAN JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Consolidated Statement of Cash Flow

Figures in MXN millions **Grupo Financiero HSBC, S.A. de C.V.**
From 1 January to 30 June 2015

Net income	**2,047**
Depreciation	545
Amortization	182
Provisions	2,343
Income Tax and deferred taxes	437
Technical reserves	(68)
Discontinued operations	-
Share of profits in equity interest	(25)
Adjustments for items not involving cash flow:	**3,414**
Changes in items related to operating activities:	
Margin accounts	(55)
Investment securities	42,787
Repurchase agreements	(9,411)
Derivative (assets)	7,150
Loan portfolio	6,620
Benefits to be received from trading operations	14
Accounts receivables from premiums	(9)
Accounts receivables from reinsurers and coinsurers	(25)
Foreclosed assets	(8)
Operating assets	(51,870)
Deposits	(6,237)
Bank deposits and other liabilities	(14,899)
Creditors repo transactions	(22,868)
Collateral sold or delivered as guarantee	(5,530)
Derivative (liabilities)	(8,254)
Reinsurers and bonding	3
Subordinated debentures outstanding	385
Other operating liabilities	49,699
Income tax payable	943
Funds provided by operating activities	**(11,565)**
Investing activities:	
Acquisition of property, furniture and equipment	(194)
Intangible assets acquisitions	(166)
Cash dividends	23
Other investment activities	35
Funds used in investing activities	**(302)**
Financing activities:	
Cash dividends	(1,550)
Funds used in financing activities	**(1,550)**
Increase/decrease in cash and equivalents	**(7,956)**
Adjustments to cash flow variations in the exchange rate and inflation levels	**-**
Cash and equivalents at beginning of period	**40,690**
Cash and equivalents at end of period	**32,734**

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	GUILLERMO COLQUHOUN	JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Financial Statements HSBC Mexico, S.A.

Consolidated Balance Sheet

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

	30 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015
Assets					
Cash and deposits in banks	48,365	32,370	40,689	41,556	**32,734**
Margin Accounts	5	5	7	18	**62**
Investment in Securities	208,115	221,558	203,153	181,439	**165,133**
Trading securities	49,535	59,879	49,996	44,348	**55,784**
Available-for-sale securities	138,007	141,064	132,527	116,471	**88,735**
Held to maturity securities	20,573	20,615	20,630	20,620	**20,614**
Reverse repurchase agreements	-	-	-	8,791	**9,411**
Derivative transactions	55,607	52,497	80,041	77,240	**72,820**
Performing loans					
Commercial loans	130,565	134,805	156,993	145,011	**146,255**
Commercial entities	105,385	103,722	114,574	107,022	**107,633**
Loans to financial intermediaries	5,642	6,677	9,878	6,629	**6,322**
Loans to government entities	19,538	24,406	32,541	31,360	**32,300**
Consumer loans	36,132	36,544	36,371	36,974	**38,902**
Mortgages loans	24,739	25,176	25,853	26,086	**26,742**
Total performing loans	191,436	196,525	219,217	208,071	**211,899**
Impaired loans					
Commercial loans	10,517	10,863	10,102	10,400	**10,970**
Commercial entities	10,432	10,778	10,017	10,315	**10,920**
Loans to financial intermediaries	-	-	-	-	**-**
Loans to government entities	85	85	85	85	**50**
Consumer loans	1,699	1,644	1,568	1,301	**1,345**
Mortgage Loans	668	604	573	548	**552**
Total non-performing loans	12,884	13,111	12,243	12,249	**12,867**
Total loan portfolio	204,320	209,636	231,460	220,320	**224,766**
Allowance for loan losses	(11,623)	(11,869)	(12,693)	(12,094)	**(12,619)**
Net loan portfolio	192,697	197,767	218,767	208,226	**212,147**
Benefits to be received from trading operations	168	163	147	140	**133**
Other accounts receivable	71,380	56,148	34,412	78,168	**86,413**
Foreclosed assets	139	81	73	95	**80**
Property, furniture and equipment, net	6,574	6,362	6,146	5,994	**5,769**
Long term investments in equity securities	133	141	153	166	**153**
Long term assets available for sale	-	-	-	-	**-**
Deferred taxes	7,222	8,241	8,620	8,479	**8,801**
Other assets, deferred charges and intangibles	3,091	2,950	3,042	3,785	**2,824**
Total Assets	593,496	578,283	595,250	614,097	**596,480**

Figures in MXN millions

HSBC Mexico, S.A. (Bank)

	30 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015
Liabilities					
Deposits	267,218	269,863	299,257	310,207	**293,095**
Demand deposits	160,307	166,612	177,870	178,834	**176,811**
Time deposits	100,880	96,939	115,154	124,948	**110,252**
Retail	100,880	96,939	92,680	91,991	**91,569**
Money market	-	-	22,474	32,957	**18,683**
Bank bonds outstanding	6,031	6,312	6,233	6,425	**6,032**
Bank deposits and other liabilities	36,379	31,882	42,021	30,435	**27,122**
On demand	8,301	9,641	13,765	2,100	**-**
Short term	26,471	20,731	26,088	24,661	**23,504**
Long term	1,607	1,510	2,168	3,674	**3,618**
Repurchase agreements	83,300	89,503	60,247	38,187	**37,379**
Stock Borrowing	-	-	-	-	**-**
Financial assets pending to be settled	16	494	-	2,009	**4,276**
Collateral Sold	12,969	17,506	21,897	17,313	**16,366**
Repurchase	300	70	11	-	**-**
Securities to be received in repo transactions	12,669	17,436	21,886	17,313	**16,366**
Derivative transactions	55,222	51,750	81,279	75,152	**73,024**
Other accounts payable	78,605	58,417	31,647	80,959	**84,792**
Income tax and employee profit sharing payable	293	366	100	-	**74**
Contributions for future capital increases	-	-	-	-	**-**
Creditors for settlement of transactions	63,576	41,099	8,953	60,860	**63,476**
Sundry creditors and others accounts payable	14,736	16,952	22,594	20,099	**21,242**
Subordinated debentures outstanding	9,414	9,602	10,144	10,361	**10,529**
Deferred credits	650	709	712	686	**713**
Total Liabilities	543,773	529,726	547,204	565,309	**547,296**
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	16,952	15,786	15,275	16,018	**16,414**
Capital reserves	11,201	11,188	11,188	11,188	**11,273**
Retained earnings	2,757	2,770	2,770	3,624	**3,539**
Result from the mark-to-market of Available-for-sale securities	1,230	200	489	286	**225**
Result from cash flow hedging transactions	119	(3)	(26)	(223)	**(72)**
Net Income	1,645	1,631	854	1,143	**1,449**
Non-controlling interest	3	3	3	2	**2**
Total Stockholder's Equity	49,723	48,557	48,046	48,788	**49,184**
Total Liabilities and Capital	593,496	578,283	595,250	614,097	**596,480**

Figures in MXN millions

Memorandum Accounts

	30 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015
Guarantees granted	-	-	-	-	
Contingent assets and liabilities	-	-	-	-	
Irrevocable lines of credit granted	28,049	32,801	33,874	31,239	**245,360**
Goods in trust or mandate	453,989	471,811	458,166	454,445	**434,780**
Goods	453,328	471,156	457,525	453,589	**433,925**
Trusts	661	655	641	856	**855**
Goods in custody or under administration	423,902	413,799	488,786	475,047	**581,049**
Collateral received by the institution	13,531	17,861	21,979	37,595	**27,099**
Collateral received and sold or delivered as guarantee	12,969	17,506	21,897	32,063	**17,423**
Third party investment banking operations, net	50,754	47,668	46,233	43,891	**41,277**
Suspended interest on impaired loans	295	309	276	219	**227**
Other control accounts	3,646,090	3,715,601	3,969,619	3,740,994	**3,770,256**
	4,629,579	4,717,356	5,040,830	4,815,493	**5,117,471**

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.
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LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	GUILLERMO COLQUHOUN	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 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015	30 Jun 2014	30 Jun 2015
Interest income	7,476	7,532	7,367	7,320	**6,951**	14,642	**14,271**
Interest expense	(2,296)	(2,319)	(2,220)	(2,135)	**(1,923)**	(4,348)	**(4,058)**
Net interest income	5,180	5,213	5,147	5,185	**5,028**	10,294	**10,213**
Loan impairment charges	(2,742)	(2,630)	(3,218)	(3,377)	**(2,948)**	(6,317)	**(6,325)**
Risk adjusted net interest income	2,438	2,583	1,929	1,808	**2,080**	3,977	**3,888**
Fees and commissions receivable	1,909	1,949	2,014	1,866	**1,869**	3,806	**3,735**
Account management	67	67	65	55	**56**	132	**111**
Services	1,842	1,882	1,949	1,811	**1,813**	3,674	**3,624**
Fees payable	(414)	(431)	(446)	(448)	**(441)**	(849)	**(889)**
Trading Income	331	206	176	262	**461**	933	**723**
Foreign exchange	(106)	(264)	996	(1,738)	**616**	(53)	**(1,122)**
Securities trading, net	81	222	238	469	**121**	221	**590**
Swaps	840	389	564	229	**290**	1,443	**519**
Valuation off-shore agencies	(503)	27	(947)	1,715	**(815)**	(526)	**900**
Valuation for trading swaps	62	(15)	(93)	34	**327**	41	**361**
Valuation for FX options	(43)	(153)	(582)	(447)	**(78)**	(193)	**(525)**
Other operating income	1,650	1,218	1,009	3,171	**1,707**	4,561	**4,878**
Administrative and personnel expenses	5,597	5,458	5,658	5,323	**5,381**	10,965	**10,704**
Personnel expense	2,405	2,400	2,267	2,482	**2,537**	4,865	**5,019**
Administrative expense	2,785	2,602	2,900	2,485	**2,472**	5,296	**4,957**
Depreciation and amortization	407	456	491	356	**372**	804	**728**
Net operating income	317	67	(976)	1,336	**295**	1,463	**1,631**
Share of profits in equity interest	10	13	12	12	**11**	22	**23**
Net income before taxes	327	80	(964)	1,348	**306**	1,485	**1,654**
Income tax	(268)	(328)	276	(1)	**(200)**	(427)	**(201)**
Deferred income tax	439	234	(89)	(205)	**200**	588	**(5)**
Net income before discontinued operations	498	(14)	(777)	1,142	**306**	1,646	**1,448**
Discontinued operations	-	-	-	-	**-**	-	**-**
Non-controlling interest	-	-	-	1	**-**	(1)	**1**
Net income (loss)	498	(14)	(777)	1,143	**306**	1,645	**1,449**

The present income statement was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission as specified in Articles 99, 101 and 102 of the Law for Credit Institutions of general observance and mandatory, applied in a consistent manner. This statement reflects all income and expenses derived from the operations performed by the Institution up to the date mentioned above. These operations were performed following healthy banking practice and following applicable legal and administrative requirements. The present statement has been approved by the Board of Directors under the responsibility of signing officers.
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LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	GUILLERMO COLQUHOUN	JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Consolidated Statement of Changes in Shareholder's Equity

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

From 1 January to 30 June 2015

	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 2015	**5,680**		**27,088**		**11,188**	**2,770**	**489**	**(26)**	**-**	**854**	**3**	**48,046**
Movements Inherent to the Shareholders Decision												
Subscription of shares												-
Capitalization of retained earnings												
Constitution of reserves					85	(85)						-
Transfer of result of prior years						854				(854)		-
Cash dividends												-
Others												
Total Movements Inherent to the Shareholders Decision					85	769	-	-		(854)		-
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income												
Net result										1,449	**(1)**	**1,448**
Result from valuation of available-for-sale securities							(264)					**(264)**
Result from cash flow hedging transactions								(46)				**(46)**
Results from holding non-monetary assets												
Others												-
Total Movements Inherent for the Recognition of the Comprehensive Income							(264)	(46)		1,449	**(1)**	**1,138**
Balances as at 30 June 2015	**5,680**		**27,088**		**11,273**	**3,539**	**225**	**(72)**		**1,449**	**2**	**49,184**

The present statement of changes in stockholder's equity was prepared in accordance to the accounting principles for banking institutions which are issued by the Mexican National Banking Commission as specified in Articles 99, 101 y 102 of the Law for Credit Institutions of General Observance and Mandatory, applied in a consistent manner. This statement reflects all movements in capital accounts derived from the operations performed by the Institution up to the date mentioned above.
These operations were performed following healthy banking practices and following applicable legal and administrative requirements.
The present statement has been approved by the Board of Directors under the responsibility of the signing officers.
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LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	GUILLERMO COLQUHOUN	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 **HSBC Mexico, S.A. (Bank)**

From 1 January to 30 June 2015

Net income	**1,449**
Depreciation	545
Amortization	182
Provisions	2,275
Income Tax and deferred taxes	195
Share of profits in equity interest	(23)
Other	(1)
Adjustments for items not involving cash flow:	**3,173**
Changes in items related to operating activities:	
Memorandum accounts	(55)
Investment securities	41,867
Repurchase agreements	(9,411)
Derivative (assets)	7,150
Loan portfolio	6,620
Benefits to be received from trading operations	14
Foreclosed assets	(7)
Operating assets	(51,808)
Deposits	(6,163)
Bank deposits and other liabilities	(14,899)
Creditors repo transactions	(22,868)
Stock borrowing	-
Collateral sold or delivered as guarantee	(5,530)
Derivative (liabilities)	(8,254)
Subordinated debentures outstanding	385
Other operating liabilities	50,399
Income tax receivable	285
Other	-
Funds provided by operating activities	**(12,275)**
Investing activities:	
Acquisition of property, furniture and equipment	(194)
Intangible assets acquisitions	(166)
Cash dividends	23
Others	35
Funds used in investing activities	**(302)**
Financing activities:	
Cash dividends	-
Funds used or provided by financing activities	**-**
Increase/decrease in cash and equivalents	**(7,955)**
Adjustments to cash flow variations in the exchange rate and inflation levels	**-**
Cash and equivalents at beginning of period	**40,689**
Cash and equivalents at end of period	**32,734**

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

Investment in securities

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

Figures in MXN millions

	30 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015
Government securities	47,551	55,634	47,874	42,536	**54,260**
Bank securities	2,753	4,203	1,105	1,233	**852**
Shares	2,553	3,144	4,186	2,666	**2,867**
Corporate securities	1,507	2,013	1,839	1,370	**1,516**
Trading securities	54,364	64,994	55,004	47,805	**59,495**
Government securities	134,002	137,052	128,323	112,563	**85,735**
Bank securities	1,882	1,880	1,874	1,884	**1,860**
Shares	-	-	-	-	**-**
Corporate securities	2,123	2,132	2,330	2,180	**2,279**
Available for sale securities	138,007	141,064	132,527	116,627	**89,874**
Government securities*	24,986	26,041	25,302	25,377	**24,517**
Bank securities	96	97	149	150	**149**
Special Cetes	5,030	5,066	5,103	5,138	**5,176**
Corporate securities	1,474	519	1,448	1,433	**1,381**
Held to maturity securities	31,586	31,723	32,002	32,098	**31,223**
Total Investment in Securities	223,957	237,781	219,533	196,530	**180,592**

*As of June, 30th, 2015, the Monetary Regulation Bonds amounting to MXN14,284m. The Bonds are booked as Held to Maturity securities within Government Securities classification.

In the second quarter of 2015, investment in securities decreased by MXN15,938m compared to the first quarter of 2015; mainly by decreasing Government Securities MXN15,926m.

Repurchase and Reverse repurchase agreements

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

Figures in MXN millions

	Purchaser				
	30 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015
Repo operations	-	-	-	17,006	**10,368**
Collaterals sold or pledged	(300)	(70)	(11)	(8,215)	**(957)**
Total repurchase agreements	(300)	(70)	(11)	8,791	**9,411**

	Seller				
	30 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015
Repo operations	83,300	89,503	60,247	38,187	**37,379**
Collaterals sold or pledged	-	-	-	-	**-**
	83,300	89,503	60,247	38,187	**37,379**

Derivative transactions

Grupo Financiero HSBC, S.A. de C.V.
Figures in MXN millions at June 30, 2015

Fair value of derivatives for trading purposes

	Swaps		*Forwards*		*Options*		*Futures*		*Net*
	Asset	*Liability*	*Asset*	*Liability*	*Asset*	*Liability*	*Asset*	*Liability*	
Currency	35,143	33,758	13,422	11,922	69	69	-	-	2,885
Interest Rate	23,610	25,496	121	121	170	136	-	-	(1,852)
Equities	-	-	246	246	0	0	-	-	-
Total	**58,753**	**59,254**	**13,789**	**12,289**	**239**	**205**	**-**	**-**	**1,033**

Fair value of derivatives for hedging purposes

	Swaps		*Forwards*		*Options*		*Futures*		*Net*
	Asset	*Liability*	*Asset*	*Liability*	*Asset*	*Liability*	*Asset*	*Liability*	
Currency	-	859	-	-	-	-	-	-	(859)
Interest Rate	39	418	-	-	-	-	-	-	(379)
Total	**39**	**1,277**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,238)**

Collateral received and sold or delivered as guarantee

Grupo Financiero HSBC, S.A. de C.V.
Figures in MXN millions

	30 Jun 2014	*30 Sep 2014*	*31 Dec 2014*	*31 Mar 2015*	*30 Jun 2015*
Pledged (Restricted securities):					
Trading securities	28,562	37,766	33,319	22,381	**27,955**
Securities available for sale	56,079	56,060	35,420	16,310	**35,420**
Securities held to maturity	13,326	14,292	14,302	14,024	**14,302**
	97,967	108,118	83,041	52,715	**77,677**
Received (in memorandum accounts):					
In respect of repo transactions	-	-	-	17,031	**10,385**
In respect of securities loan:	-	-	-	-	**-**
Fixed income	13,531	17,861	21,979	20,564	**16,714**
	13,531	17,861	21,979	37,595	**27,099**
Collateral sold or pledged as guarantee:					
In respect of repo transaction	-	-	-	14,036	**1,056**
In respect of securities loan	300	70	11	715	**-**
Fixed income	12,669	17,436	21,886	17,312	**16,367**
	12,969	17,506	21,897	32,063	**17,423**

Loan Portfolio

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

Figures in MXN millions at June 30, 2015

	Commercial or Business Activity	Financial Intermediaries	Government Entities	Consumer Loans	Mortgage Loans	Total
Non Impaired Loan Portfolio						
Pesos	80,442	6,238	32,300	38,902	26,031	183,913
US Dollars	27,191	84				27,275
Udis					711	711
Total	**107,633**	**6,322**	**32,300**	**38,902**	**26,742**	**211,899**
Impaired Loan Portfolio						
Pesos	10,015	-	50	1,345	499	11,909
US Dollars	770					770
Udis	135				53	188
Total	**10,920**	**-**	**50**	**1,345**	**552**	**12,867**

Loan Portfolio Grading

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

Figures in constant MXN millions at June 30, 2015

		Allowance for Loan Losses by type of loan			
	Total loan portfolio	*Commercial loans*	*Consumer loans*	*Mortgages loans*	*Total reserves*
Excepted from rating	0				
Rated	470,126				
Risk A	**385,448**	**895**	**32**	**81**	**1,008**
Risk A-1	350,726	480	32	81	593
Risk A-2	34,722	415	0	0	415
Risk B	**62,172**	**614**	**2,247**	**120**	**2,981**
Risk B-1	38,406	290	1,290	120	1,700
Risk B-2	16,849	97	957	0	1,054
Risk B-3	6,917	227	0	0	227
Risk C	**8,447**	**544**	**720**	**157**	**1,421**
Risk C-1	6,310	287	720	157	1,164
Risk C-2	2,137	257	0	0	257
Risk D	**11,976**	**4,458**	**1,077**	**8**	**5,543**
Risk E	**2,083**	**1,588**	**62**	**16**	**1,666**
Total	**470,126**	**8,099**	**4,138**	**382**	**12,619**
Less:					
Constituted loan loss allowances					12,619
Surplus					**-**

The figures related to the rating and constitution of loan loss allowances correspond to those as at June 30, 2015 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 Spanish)

In accordance with Article Second of the Transitional Dispositions, HSBC is applying the methodology for grading commercial loans granted to financial institutions.

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 applies 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 June 30, 2015, the increase in loan loss allowances charged to Income Statement was MXN6,325m. In the other hand, MXN2,782m was related to write offs and MXN169m 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.

Portafolio	Probability of default (Weighted)	Loss given default (Weighted)	Exposure at default (MXNm)
Consumer*	10.01%	71.08%	40,247
Mortgages	3.31%	26.48%	27,294
Commercial*	11.43%	41.52%	157,225

*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 June 30, 2015, 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

	For the quarter ended				
	30 Jun 2014	***30 Sep 2014***	***31 Dec 2014***	***31 Mar 2015***	***30 Jun 2015***
Initial Balance of Impaired Loans	12,750	12,884	13,111	12,243	**12,249**
Increases	6,476	5,435	3,384	3,722	**6,398**
Transfer of non-impaired loans to impaired loans	6,476	5,435	3,384	3,722	**6,398**
Decreases	6,342	5,208	4,252	3,716	**5,780**
Restructurings and renewals with cure period	38	37	125	39	**933**
Liquidated credits	4,805	3,446	3,148	2,654	**2,495**
Paid in cash	2,953	1,728	1,128	1,066	**1,141**
Foreclosed assets	-	-	-	8	**-**
Write offs	1,852	1,718	2,020	1,580	**1,354**
Transfer to performing loan status	1,496	1,751	1,062	1,026	**2,369**
FX revaluations	(3)	26	83	3	**17**
Final Balance of Impaired Loan	12,884	13,111	12,243	12,249	**12,867**

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 June 2015 and 31 March 2015, 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:

MXNm	**June 2015**		**March 2015**	
	Portfolio	**Cost**	**Portfolio**	**Cost**
ETA/BADCV	0	0	194	1

The discounts related to the early termination agreement are shown as follows:

MXNm		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:

MXNm		
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 June 2015, five installments were received.

Accordingly, the balance receivable as of 30 June 2015 has been settled.

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 31 March 2015 and 30 June 2015, amounts to MXN13m in both dates.

The number of securities related to BADCV that are held by the Bank at 30 June 2015 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 Jun 2014	*30 Sep 2014*	*31 Dec 2014*	*31 Mar 2015*	***30 Jun 2015***
Deferred tax assets:					
Allowances:					
Allowances for loan losses	6,871	7,158	7,711	7,474	**7,737**
Allowances for foreclosed assets	262	263	262	269	**266**
Other provisions	855	761	674	559	**709**
Property, furniture and equipment	667	667	751	754	**720**
ESPS provisions	72	79	91	92	**39**
Valuation of financial instruments	352	511	515	598	**731**
Commissions received in advance	220	236	236	223	**236**
Other	30	32	32	157	**26**
	9,329	9,707	10,272	10,126	**10,464**
Deferred tax liabilities:					
Interest from Special Central Bank*	(1,022)	(1,037)	(1,051)	(1,065)	**(1,081)**
Valuation of financial instruments	(778)	(165)	(336)	(247)	**(255)**
Deductions in advance	(191)	(106)	(60)	(103)	**(53)**
Income tax deferred by ESPS Deferred	-	-	(115)	(107)	**(130)**
	(1,991)	(1,308)	(1,562)	(1,522)	**(1,519)**
Total Deferred Taxes	7,338	8,399	8,710	8,604	**8,945**

*The concept “Cetes Especiales” previously identified as “Tax result UDIS-Banxico” until the second half of 2014 was associated to the deferred tax from UDIS trusts and Interest from Special Central Bank, currently the deferred tax is solely to performing “Interest from Special Central Bank” interest accrual related to states and municipalities and mortgage projects.

Deposits and Bank Deposits and other liabilities

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

Average Interest rates

	For the quarter ended				
	30 Jun 2014	*30 Sep 2014*	*31 Dec 2014*	*31 Mar 2015*	*30 Jun 2015*
MXN pesos					
Deposits					
Demand deposits	0.69%	0.56%	0.58%	0.67%	0.64%
Time deposits	2.94%	2.63%	2.52%	2.47%	2.51%
Issued credit securities	6.55%	6.27%	6.30%	6.21%	6.56%
Bank deposits and other liabilities					
Call Money	3.98%	3.97%	3.39%	4.58%	7.80%
Banxico Loans	3.60%	2.95%	2.98%	3.22%	3.47%
Development Banking	4.83%	4.51%	4.34%	4.38%	4.34%
Development Funds	3.90%	3.46%	3.42%	3.53%	3.55%
Foreign currency					
Deposits					
Demand deposits	0.05%	0.05%	0.04%	0.04%	0.04%
Time deposits	0.10%	0.10%	0.13%	0.13%	0.10%
Bank deposits and other liabilities					
Call Money	0.64%	0.59%	0.65%	0.64%	0.73%
Development Banking	4.29%	2.83%	3.91%	2.44%	2.18%
Development Funds	1.25%	1.18%	1.24%	1.35%	1.30%
UDIS					
Deposits					
Time deposits	0.17%	0.11%	0.01%	0.01%	0.01%

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 Jun 14 Term		**30 Sep 14** Term		**31 Dec 14** Term		**31 Mar 15** Term		**30 Jun 15** Term	
	Short	Long	Short	Long	Short	Long	Short	Long	Short	Long
MXN Pesos:										
Banxico Loans	-	-		-	1,232	-	201	-	202	-
Development Banking	4,234	-	4,449	-	4,892	-	4,601	1,500	4,201	1,500
Commercial Banking (Call Money)	8,301	-	9,641	-	13,765	-	2,100	-	-	-
Development Funds	3,531	1,553	3,344	1,465	3,906	1,579	3,336	1,567	4,272	1,504
Subtotal	16,066	1,553	17,434	1,465	23,795	1,579	10,238	3,067	8,675	3,004
Foreign currency:										
Banxico Loans	-	-	-	-	-	-	-	-	-	-
Commercial Banking	17,896	-	11,817	-	12,975	-	13,456	-	11,634	-
Development Banking	9	5	23		1,567	-	1,635	-	1,657	-
Development Funds	801	49	1,098	45	1,516	589	1,432	607	1,538	614
Subtotal	18,706	54	12,938	45	16,058	589	16,523	607	14,829	614
Total Term	34,772	1,607	30,372	1,510	39,853	2,168	26,761	3,674	23,504	3,618
Total Bank and other liabilities	$	36,379	$	31,882	$	42,021	$	30,435	$	27,122

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	5	20-SEP-2018
HSBC 08-2	(2)	22-DEC-2008	2,300	MXN	2,271	1	10-DEC-2018
HSBC 09D	(3)	30-JUN-2009	4,706	USD	4,706	1	28-JUN-2019
HSBC 13-1D	(4)	31-JAN-2013	1,725	USD	1,725	2	10-DEC-2022
			10,549		**10,520**	**9**	

(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. 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

Negotiable Certificates of Deposits and Structured Notes

(MXNm)

Issue Date	**Interest rate**	**Maturity Date**		**Jun 2015**
10 May 2006 (2)	9.08%	27 April 2016		1,000
9 December 2013 (1)	TIIE.+ 0.3 bps	3 December.2018		2,300
9 December 2013 (2)	8.08%	27 November.2023		2,700
	Subtotal		$	**6,000**
Interest Payable				32
Total			**$**	**6,032**

(1) Monthly interest payment
(2) Semi-annual interest payment
(3) Structured note with an embedded FX derivative that adjust the security´s return profile
bps: Basis Points

In addition, during the first half of 2015, the Bank issued Certificates of Deposits, which main features are as follows:

Instrument	Total price to public (MXNm)	Interest rate*	Maturity Date
HSBCMX 15001	750	TIIE 28	22/07/2015
HSBCMX 15003	700	TIIE 28	16/07/2015
HSBCMX 15004	1,500	TIIE 28 + 1 bps	14/08/2015
HSBCMX 15005	700	TIIE 28	14/08/2015
HSBCMX 15006	2,000	TIIE 28 + 1 bps	20/08/2015
HSBCMX 15007	7,000	TIIE 28 -3 bps	26/08/2015
HSBCMX 15008	4,000	TIIE 28 -3 bps	27/08/2015
HSBCMX 15009	2,000	TIIE 28	14/12/2015
	18,650		
Interest payable	33		
	$ 18,683		

*bps: Basis Points

Capital

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

Grupo Financiero HSBC

The net income for 2014 of Grupo Financiero HSBC S.A. de C.V., figure that was audited by the Firm KPMG Cárdenas Dosal, S.C., was MXN1,981m.

On February 23, 2015 one notice was published in accordance to the agreement of the shareholders meeting, a dividend of $0.5499606232096730 shall be paid per share for each one of the 2’818,383,598 shares. Such dividend was paid on one disbursement on March 5th of 2015, was MXN1,550m.

The capital stock is included in the amount of MXN5,637 million, represented by 2’818,383,598 shares.

HSBC Mexico, S.A.

The net income for 2014 of HSBC Mexico, S.A., figure that was audited by the firm KPMG Cárdenas Dosal, S.C., was MXN854m.

The general ordinary shareholders meeting, held on April 29, 2015 authorized the use of the net income for 2014 as follows:

- Ten per cent, or MXN85 million, to increase legal reserves.
- The remaining MXN769m, at the Board’s determination to be applied under the concept of other reserves

The capital stock is included in the amount of MXN5,680m represented by 1,940’009,665 shares.

Capital Ratio

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	30 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015
% of assets subject to credit risk					
Tier 1	19.43%	18.54%	16.89%	17.90%	**17.91%**
Tier 2	3.93%	4.00%	3.75%	3.56%	**3.55%**
Total regulatory capital	23.36%	22.54%	20.64%	21.46%	**21.46%**
% of assets subject to credit, market and operational risk					
Tier 1	11.83%	11.41%	10.81%	11.18%	**11.46%**
Tier 2	2.39%	2.46%	2.40%	2.22%	**2.27%**
Total regulatory capital	14.22%	13.87%	13.21%	13.40%	**13.73%**
Tier 1	44,685	42,263	41,593	42,559	**42,744**
Tier 2	9,037	9,114	9,239	8,461	**8,466**
Total regulatory capital	53,722	51,377	50,832	51,020	**51,211**
RWA credit risk	229,970	227,966	246,246	237,714	**238,638**
RWA market risk	105,345	98,975	94,159	97,606	**88,051**
RWA operational risk	42,565	43,362	44,250	45,342	**46,229**
RWA credit, market and operational risk	377,880	370,302	384,655	380,661	**372,917**

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 ended					*Year to date*	
	30 Jun 2014	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015	30 Jun 2014	30 Jun 2015
Investments in Securities	418	(263)	229	(160)	496	416	336
Trading derivatives	(809)	321	(1,200)	1,890	(1,003)	(916)	887
Currencies and metals	69	63	158	45	(19)	76	26
Valuation	**(322)**	**121**	**(813)**	**1,775**	**(526)**	**(424)**	**1,249**
Investments in Securities	257	241	31	231	39	731	270
Trading derivatives	586	136	93	3	299	747	302
Currencies and metals	(176)	(330)	831	(1,786)	631	(129)	(1,155)
Purchase / sale of securities	**667**	**47**	**955**	**(1,552)**	**969**	**1,349**	**(583)**
Total Trading Income	345	168	142	223	443	925	666

Other Operating Income (Expenses)

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

Figures in MXN millions

	For the quarter ended					*Year to date*	
	30 Jun 2014	***30 Sep 2014***	***31 Dec 2014***	***31 Mar 2015***	***30 Jun 2015***	***30 Jun 2014***	***30 Jun 2015***
Recoveries and reimbursements	116	203	156	406	**199**	428	**605**
Reimbursent of expenses incurred on behalf of related companies	231	391	408	195	**423**	418	**618**
Gain on sale of properties	4	-	3	5	**-**	17	**5**
Gain on sale of foreclosed assets	55	56	45	39	**28**	92	**67**
Accrued interest on loans granted to employees	34	32	32	31	**31**	68	**62**
Cancellation of excess of allowance for loan losses on a portfolio basis	1,048	648	364	2,386	**1,062**	3,183	**3,448**
Others	116	(161)	(66)	66	**(99)**	252	**(33)**
Total other operating income (expenses)	1,604	1,169	942	3,128	**1,644**	4,458	**4,772**

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 by segments as of 30 June 2015 is shown below:

Figures in MXN millions	Year to date at 30 June 2015			
	RBWM	**CMB**	**GBM**	**Total**
Net Interest Income	7,654	2,052	1,280	10,986
Loan impairment charges	(4,164)	(1,906)	(255)	(6,325)
Risk adjusted net interest income	**3,490**	**146**	**1,025**	**4,661**
Fees and Commissions, net	2,290	511	303	3,104
Trading Income	16	95	555	666
Other operating income	2,910	1,452	410	4,772
Total Revenue	**8,706**	**2,204**	**2,293**	**13,203**
Administrative and personnel expenses	(7,055)	(2,272)	(1,418)	(10,745)
Net operating income	**1,651**	**(68)**	**875**	**2,458**
Share of profits in equity interest	15	8	2	25
Net income before taxes	**1,666**	**(60)**	**877**	**2,483**
Tax expense	(301)	9	(145)	(437)
Income from ongoing operations	**1,365**	**(51)**	**732**	**2,046**
Discontinued operations	-	-	-	-
Non-controlling interest	1	-	-	1
Net income (loss)	**1,366**	**(51)**	**732**	**2,047**

The balance sheet information by segments as of 30 June 2015 is shown below:

Figures in MXN millions	**RBWM**	**CMB**	**GBM**	**Total**
Net loan portfolio	72,390	76,162	63,595	212,147
Deposits	159,672	79,278	47,398	286,348

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 June 30, 2015 is shown below:

Figures in MXN millions	**Receivable**	**Payable**
HSBC Latin America Holdings (UK) Limited	275	-
HSBC Global Asset Management Limited	-	2
HSBC Bank Brasil, S. A. Banco Multiplo	272	70
HSBC Holdings Plc.	159	13
HSBC Bank USA National Association	-	1
HSBC Bank Argentina S. A.	47	17
HSBC Private Bank (SUISSE) S. A.	1	-
The Hong Kong and Shangai Banking Corporation Limited	-	32
HSBC Software Development (India) Private Limited	-	15
HSBC Software development (Brazil)	-	6
HSBC Technologies and Services (USA) Inc.	-	12
HSBC Bank (Uruguay), S. A.	1	-
HSBC Bank Canada	1	-
HSBC Bank (Chile), S. A.	30	-
HSBC Insurance Holdings Limited	-	6
HSBC Securities (USA) Inc	23	215

HSBC New York Life Seguros de Vida (Argentina), S. A.	18	-
HSBC Argentina Holding, S. A.	1	1
HSBC Bank plc.	13	14
HSBC Global Asset Management (USA) Inc	-	3
	841	**407**

	Jun-15
Transactions:	
Revenues:	
Adminsitrative services	538
Receivable interest and fees	26
Other	64
Expenses:	
Payable interest and fees	47
Administrative expenses	85

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

Grupo Financiero HSBC

HSBC Holdings plc, the ultimate parent of Grupo Financiero HSBC, reports its results under International Financial Reporting Standards (IFRS). Set out below is a reconciliation of the results of Grupo Financiero HSBC from Mexican GAAP to IFRS for the first half of 2015 and an explanation of the key reconciling items.

Figures in MXN millions	**30 Jun 2015**
Grupo Financiero HSBC – Net Income Under Mexican GAAP	**2,047**
Differences arising from:	
Valuation of defined benefit pensions and post-retirement healthcare benefits*	60
Deferral of fees received and paid on the origination of loans and other effective interest rate adjustments*	(18)
Loan impairment charges and other differences in presentation under IFRS*	(328)
Recognition of the present value in-force of long-term insurance contracts *	(32)
Fair value adjustments on derivatives*	(38)
Deferred profit sharing*	1
Other differences in accounting principles*	(64)
Net income under IFRS	**1,628**
US dollar equivalent (millions)	**108**
Add back tax expense	275
Net income before taxes under IFRS	**1,903**
US dollar equivalent (millions)	**126**
Exchange rate used for conversion	*15.14*

* Net of tax at 30%.

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

1. 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.

2.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.

3.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.

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.

4.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.

5.Fair value adjustments on derivatives
Mexican GAAP
Internal valuation models used to valuate over the counter derivatives, are required by regulator to use only "price vendor" inputs from markets observations, such as interest rates, exchange rates and volatilities.
IFRS
Fair Value Adjustments ("FVAs") are applied to reflect factors not captured within the core valuation model that would nevertheless be considered by market participants in determining a trade price.
In 2014, in line with evolving market practice, HSBC revised its estimation methodology for valuing the uncollateralised derivative portfolios by introducing a funding fair value adjustment.

6.Deferred profit sharing
Mexican GAAP
Mexican GAAP requires that a deferred profit sharing is determined by applying a similar model to deferred income taxes; it is derived from temporary differences between the accounting result and income for profit sharing. An asset is recognized only when it can be reasonably assumed that it will generate a benefit, and there is no indication that circumstances will change in such a way that the benefits will not be realized.
IFRS
Deferred profit sharing asset is not permitted under IFRS.

Investment in subsidiaries

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

Group Subsidiaries at June 30, 2015

	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%
Total	

*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	A-3	BBB+	A
Short term	P-2	A-2	F1
Local Currency			
Long term	A2	BBB+	A+
Short term	P-1	A-2	F1
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	Under review	Stable	Stable
Last update	5-Jun-15	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 applying 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

NIF C – 3 "Accounts Receivable"

To be in force for periods that begin since January, 1st, 2018 with retrospective effects, allowing its anticipate application since January, 1st, 2016 if its application is in conjunction with NIF C-20 "Financial Instruments receivables". Following are main changes in this NIF:

- Accounts receivable based on an agreement represent a financial instrument while some others accounts receivable originated by legal or tax law with similar characteristics (e.g. accrued interest), are not financial instruments under this standard.
- Provisions for irrecoverable amounts must recognize at the moment when income is accrued based on expected losses.

- An account receivable must be recognized at its present value if the value of money over the time is representative.
- Reconciliation between initial and final balance of provision for irrecoverable amounts at the end of period reported is mandatory.

NIF C – 9 “Provisions, contingencies and commitments”

To be in force for periods that begin since January, 1st, 2018, allowing its anticipate application since January, 1st, 2016 if its application is in conjunction with NIF C-19 “Financial Instruments payable”. First application of this NIF not generated accounting changes in financial statements. Main aspects that are covered by this NIF are:

- Accounting treatment of Financial Liabilities is out of the scope of this standard.
- Modify the definition of “liability” eliminating the sentence “virtually unavoidable” and including the adjective “likely”.
- Update the terminology used in this standard to align it with the rest of the NIF.

NIF C – 19 “Financial Instruments payable”

To be in force for periods that begin since January, 1st, 2018 with retrospective effects, allowing its anticipate application if its application is in conjunction with NIF C-3 “Accounts Payable”, NIF C-9 “Provisions, contingencies and commitments” and NIF C-20 “Financial Instruments receivables”. Main features that are including in this NIF are:

- Consider the possibility to measure, after initial recognition, some financial liabilities at their fair value when they meet some conditions.
- Outline that financial liabilities agreed in long term must be recognized at their present value at their inception.
- When a financial liability is restructured without a substantial modification in its future cash flows, costs and fees paid during restructuring process will be amortized in conjunction with financial liability under an effective interest rate adjusted.
- Added the rules outlined in IFRIC 19 “Extinction of Financial Liabilities with Equity Instruments”.

NIF C – 20 “Financial Instrument receivable”

To be in force for periods that begin since January, 1st, 2018 with retrospective effects, allowing its anticipate application since January, 1st, 2016 if its application is in conjunction with NIF C-3 “Accounts Payable”, NIF C-9 “Provisions, contingencies and commitments” and NIF C-20 “Financial Instruments receivables”. Main aspects that are covered by this NIF are:

- Outline the classification of financial instruments in asset category. It was excluded for their classification concepts as “intention to acquire” and “possession” instead of it, standard is introducing the concept “model business” which helps to identify if possession of instrument is to gain a contractual profit, gain a contractual profit and sell it to comply with a strategy plan or obtain profits through its buy and sell, according to these concepts entities must classify them in assets categories.
- Measurement of financial instruments is focused in “model business”.
- Transference between categories of Financial Instruments Receivable is not allowed, at least that the “model business” of the entity has changed.
- Implicit derivative instruments that modifies cash flows of principal and interest of financial instrument receivable (IDFC) must not be separated, instead of it, all IDFC must be measured at fair value as it were a Financial Instrument available to trade.
- The effect to extinguish a financial liability must be recorded as a financial income in Statement of profit and losses.
- Introduced the concept amortised cost to measure financial liabilities and effective interest rate method.

NIF D – 3 “Employee benefits”

To be in force for periods that begin since January, 1st, 2016 with retrospective effects, allowing its anticipate application since January, 1st, 2015, leaving without effects last version of NIF D-3. Main changes are described as follows:

- **Direct benefits** - Classification is modified and it is confirmed that deferred profit sharing is part of this caption.
- **Termination benefits** - Modification on basis to identify termination from post employment benefits.
- **Re-measurement** - Modifications on treatment of gains or losses on the plan. Recognition in OCI and amortization of it to profit and loss is possible under certain conditions.
- **Ceiling** - Establishes a ceiling on the assets of the plan.
- **Recognition of post-employment benefits** - In post-employment benefits the past service costs, Plan modifications, personnel reductions, and gains and losses arising from anticipated settlement of obligations shall be immediately recognized in profit and loss.
- **Discount rate** - used in Obligations from defined contribution plans shall be based on high credit quality corporate bonds with an observable market or in the absence of these, in government bonds rates.
- **Expected Interest rate on the assests of the plan** – This concept is no longer applicable as the Interest rate on the assests of the plan will be the same determined as discount rate.
- **Terminations Benefits** - Analysis of termination payments in order to ensure the proper classification is required, as in the case of having pre-existence , classification may change to post retirement benefits

Improvements to NIF 2015

Main improvements are as follows:

NIF B-8 "Consolidated or combined Financial Statements" – Include the description of Investment entities, clarifying that according to their nature is difficult that they take control over other entity in which they hold an investment. This improvement was in force from January, 1st, 2015 and its effects must be recorded in a retrospective manner.

Boletín C-9 "Liabilities, provisions, contingency assets and liabilities and commitments"- Advances received in foreign currency must be recognized at exchange rate applicable to transaction date (historical FX). This improvement was in force from January, 1st, 2015 and its effects must be recorded in a retrospective manner.

I. 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.

The original date to be in force these accounting changes was in July, 2014, however CNBV has been extended this date in many occasions. The last extension published establishes that changes will be in force in January, 2016.

On July 1st, 2015, the CNBV re-issued a new version of Annex 33.-These changes will be in force in same date mentioned in paragraph above.

This version includes in addition to changes published on May, 19th, 2014, accounting clarifications related to classification, recognition and measurement of financial factoring and discount and sale of receivables loans operations, as well as clarifications on definitions applicable to restructured and renewed loans and the characteristics required to recognize these credits as impaired or not.

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 Group in the last three periods and the dividend decreed per share has been the following:

- Based on the authorization granted by the shareholder assembly, on 21th March 2013 a dividend payment was made for MXN 0.887033263241408 per share for the 2'818,383,598 outstanding shares.
- Based on the authorization granted by the shareholder assembly, on 21th March 2014 a dividend payment was made for MXN 1.34154910732631 per share for the 2'818,383,598 outstanding shares.
- Based on the authorization granted by the shareholder assembly, on 23th February 2015 a dividend payment was made for MXN 0.5499606232096730 per share for the 2'818,383,598 outstanding shares.

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

- 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.
- During 2015 HSBC Bank didn't pay dividends.

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 records and to generate trustful financial information for internal use or for its publication. Such processes have been designed to manage error 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 delegation of functions 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 Management 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 Management Board in each of its meetings receives briefs about financial information and the development of business. The Management 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 on a monthly basis. In the RMC, assets and liabilities affairs are discussed.

- Strategic plans are prepared for each line of business, product group and main support areas. In such manner, operational plans are prepared. These plans are approved annually and monitored 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 Management Board for the following risk areas: credit risk, market risk, liquidity risk, operational risk, information technology risk, insurance risk, accounting risk, tax risk, legal risk, compliance risk, human resources risk, reputational risk, acquisition risk, and business risk.

- Internal audit monitors 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 the effectiveness of Internal Control and periodically informs to the Management Board about the latter. Among the main processes used by the Committee in its revisions are: periodical reports of the Heads of functions with key risks, annual revision of the performance of internal control against key HSBC indicators, including financial and non-financial controls, periodical confirmations from Management 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 Audit Committee receives periodically information about measures taken by the Management 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 fulfills the objectives within the pre-established risk parameters.
- To identify, monitor, and control all relevant risks, including information generated by RMC.
- To disseminate the information that 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), 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 zero PVBP (z-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.

Zero PVBP (z-PVBP) aims to measure the effect of movements in interest rates on the financial instruments exposed to them. This way, z-PVBP assumes the scenario of an increase of one basis point in the zero 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 (CS01)

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 z-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 second quarter of 2015 (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 2Q15	Limits*	Average 2Q15	Limits*	Average 2Q15	Limits*
Combined	5.92	35.00	2.85	12.00	5.26	38.00
Interest Rate	4.49	38.00	1.90	9.00	4.04	35.00
Credit Spread	0.49	12.00	0.03	2.00	0.44	12.00
FX	1.81	5.00	1.81	5.00	N/A	N/A
Volatility IR	0.06	4.00	0.06	1.80	0.04	2.50
Volatility FX	0.02	2.00	0.02	2.00	N/A	N/A
Equities	0.00	2.50	0.00	2.50	N/A	N/A

N/A = Not applicable

** Absolute Value*

Value at Risk of Global Market (VaR) (Last quarter comparison)					
	31-Mar-15	30-Jun-15	Limits*	Average 1Q15	Average 2Q15
HBMI	**10.31**	**4.85**	35.00	11.65	5.92
Accrual	**9.38**	**4.04**	38.00	10.83	5.26
Trading Intent	**3.95**	**2.39**	12.00	3.10	2.85

N/A = Not applicable

* Absolute Value

The Bank's VaR at the end of the second quarter of 2015 changed -52.96% versus the previous quarter. During the quarter the VaR remained under the limits.

The Bank's average VaR for the end of the second quarter of 2015 change -49.18% versus prior quarter. During the quarter the average VaR was within the limits.

Comparison of Market VaR vs. Net capital

Below a chart comparing the market VaR versus net capital is presented for March 31st, 2015 and June 30th, 2015 (in millions of dollars).

Market VaR vs. Net Capital Comparison *Net capital in million dollars*		
	31-mar-15	30-jun-15
Total VaR*	11.65	5.92
Net Capital**	3,342.34	3,271.79
VaR / Net Capital	0.35%	0.18%

** 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 0.18% of the net capital in the second quarter of 2015.

Present Value for 1bp (PVBP) for Mexican Pesos Rates					
	31-Mar-15	30-Jun-15	Limits*	Average 1Q15	Average 2Q15
Bank	**(0.861)**	**0.004**	2.050	(1.146)	(0.365)
Accrual	**(0.906)**	**(0.136)**	1.550	(1.133)	(0.455)
Trading Intent	**0.045**	**0.140**	0.500	(0.013)	0.090

* *Absolute Value*

The bank's MXN Rate PVBP for the second quarter of 2015 change -100.46% versus previous quarter. Bank's average PVBP for the second quarter of 2015 change -68.15% versus previous quarter.

Present Value for 1bp (PVBP) for USD Rate					
	31-Mar-15	30-Jun-15	Limits*	Average 1Q15	Average 2Q15
Bank	**0.020**	**0.020**	0.430	0.034	(0.009)
Accrual	**0.035**	**0.032**	0.250	0.014	0.021
Trading Intent	**(0.016)**	**(0.012)**	0.180	0.020	(0.030)

* *Absolute Value*

The bank's USD Rate PVBP for the second quarter of 2015 without no change variation versus previous quarter. Bank's average PVBP for the second quarter of 2015 change -126.47% versus previous quarter.

Present Value for 1bp (PVBP) for UDI Rates					
	31-Mar-15	30-Jun-15	Limits*	Average 1Q15	Average 2Q15
Bank	**(0.034)**	**(0.102)**	0.150	(0.032)	(0.067)
Accrual	**(0.012)**	**(0.010)**	0.050	(0.014)	(0.011)
Trading Intent	**(0.022)**	**(0.091)**	0.100	(0.019)	(0.056)

* *Absolute Value*

Bank's UDI Rate PVBP for the second quarter of 2015 change 200% versus prior quarter. Bank's average PVBP for the second quarter of 2015 change 109.38% 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. This plan was substituted by the Contingency Funding Plan as required by local regulation and Group guidance.

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.

On December 31, 2014 new regulations about liquidity risk requirements for banks were published. Those rules include the implementation of local LCR (Coeficiente de Cobertura de Liquidez – CCL) in line with the proposal set by the BCBS. The rules have been mandatory since January 1, 2015.

HSBC provides the calculations of the LCR required by the EBA on a monthly basis and is implementing the necessary changes to comply with the Delegated act of the rule in October 2015.

Quantitative Information

The institution presented at the end of the quarter expected cash flows under the major stressed scenario of USD2,396m in the 7 days term; USD 3,073m in the 1 month term and USD 954m in 3 months; obtaining a net positive cumulative result in all cases.

Local LCR as of June 15 month end was 245.7%, which is above regulatory minimum of 60%. EBA LCR as of June 15 month end was 365.67% which is above Group's internal minimum of 140% (regulatory minimum of 80% applicable for 2015).

Along the quarter, average level was USD 2,645m in the 7 days term, USD 3,025m in 1 month term and USD 1,327m in 3 months term. With respect to the last quarter, liquidity position decreased due to maturity of short term certificates of deposits issuances.

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 performance and their proper application, so as to carry out necessary adjustments.

With respect to the Probability of default Model (PD), the monitoring intents to make sure that this model is 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)

During 2014 Mexico has developed one new model for assessing the Credit Risk of the customers of Commercial Portfolio that are local Corporate or Corporate, this new model was implemented in January, 2015. This model was developed based on a statistical analysis of different variables: economic factors, financial and qualitative variables, these last differentiating the customers by size.

In addition to the aforementioned model, 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.

The global models, GLCS, RAfBanks y NBFI Models, are associated to low default portfolios, so it is not 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 (23.4%) between the observed and estimated LGD. Currently HSBC Mexico has planned a model development during 2015.

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.

Based on the last monitoring performance of this model shows a correlation (51%) between the values of the observed and estimated EaD. Currently HSBC Mexico has planned a model development during 2015.

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 is used a system called "*Garantías II*". Finally, it is important to mention 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 quarter of 2015.

Quantitative information

Regarding to the average balance of the Commercial Portfolio as of June 30th 2015, it is MXN182,952m, showing a decrease of MXN8,639m (or 4.51%) compared to the previous quarter (The decrease is driven by the customer migration from the BB Parametric portfolio to RBWM Portfolio (Retail BB)).

The Expected Loss of the Commercial Portfolio as of June 30th 2015, is MXN13,609m, showing an increase of MXN630m (or 5%) 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:

MXNm

Business Line	Quarterly Average Balance		VAR		Balance		VAR		Expected Loss		VAR	
	1Q2015	2Q2015	($)	(%)	Mar-15	Jun-15	($)	(%)	Mar-15	Jun-15	($)	(%)
CMB	$95,896	$91,459	-$4,436	-5%	$94,662	$92,379	-$2,283	-2%	$10,805	$11,350	$545	5%
GBM	$95,069	$90,898	-$4,171	-4%	$90,065	$92,873	$2,807	3%	$2,174	$2,259	$85	4%
GBP	$627	$595	-$31	-5%	$629	$624	-$5	-1%	$0.036	$0.045	$0.01	27%
Total	**$191,591**	**$182,952**	**-$8,639**	**-4.51%**	**$185,356**	**$185,876**	**$520**	**0%**	**$12,980**	**$13,609**	**$630**	**5%**

** The Balance and Average Balance includes the contingent exposures,*

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 June 2015 is MXN4,35m, Credit Cards is MXN2,639m Other Retail is MXN1,432m and Mortgage MXN282m.

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 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, to assess the strategies and mitigation plans and to monitor the evolution of operational risks' behaviour and their mitigating actions.

The Group adopts a **'Three Lines of Defence'** model to ensure that risks and controls are properly managed within the risk appetite stated by Global Businesses, Global Functions and HOST (HSBC Operation 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 structures of the Group´s business and support areas.

First Line of Defence:

The First Line of Defence comprises predominantly the management of Global Businesses and HOST 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 processes 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, and the implementation of mitigating actions in order to avoid their possible repetition in the future.
- The identification of control problems corresponding to their activities and the establishment of action plans to fix them, or to 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. These supporting areas become the Risk Stewards (SMEs – Subject Matter Experts) on the specific risks. They are responsible for:

- Providing assurance, oversight, and challenge over the effectiveness of the risk and control activities conducted by the First Line, about the risk that they manage.
- 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.

Quantitative Information

According to the Operational Risk assessment exercise carried out during the first quarter of 2015 and adjusted and calibrated during second quarter, 1,487 risks have been identified and assessed by the different areas of the Bank. From this inventory 0.27% (04 risks) are considered very high, 1.61% (24 risks) are considered high, 17.89% (266 risks) are considered medium, and 80.23% (1,193 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 2015 amounts to USD 56.14M for Operational Losses and it is monthly monitored through the BSC (Balance Score Card) presented at the Risk Management Committee.

Technological Risk

HSBC Operations, Services & Technology (HOST) area in Mexico keeps a continuous assessment of technological risk in adherence to local regulations and the HSBC group internal policies. It has in focus addressing local authorities guidelines, as such as, the ones defined by the Group. Between them are the methodologies related to development and implementation of standard infrastructure that have relation to security guidelines. This is stated on the Functional Instruction Manuals (FIM) of Technology and Security.

HOST is the entity that supplies services and technology solutions for the different channels and the bank business lines. Within the corporate governance schema, HSBC as one of the main functions has the monitoring and assessment of the technological risk to ensure the compliance of local regulation.

The main measures used to control technological risk are:

I. Definition of a Governance structure composed by Senior Committees with the orientation of maintaining reasonable control of the technological risk being agile, secure and reliable for all banking services in the different distribution channels.

II. Keeping different scenarios updated and tested based in the Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) for those events that required the reinstatement of their operation in alternate sites.

III. Performing Risk Control Assessment (RCA)

IV. Handling Information Technology projects through the standard Group methodology: Risk Based Project Management (RBPM), specifically in the domain of software development using the Software Development Life Cycle (SDLC) methodology.

V. Management and administration of technological risks and controls through the Business Risk Control Management (BRCM) area specialized into this matters, including operational risk handling, compliance controls for Sarbanes Oxley (SOx) and internal, external and regulatory audit reviews.

VI. Establishing the risk and performance indicators used to monitor and alert the process owners based in the control trend behavior to ensure the effectiveness of them to mitigating risks.

Legal Risk

To manage and mitigate legal risk, in terms of financial loss, penalties and / or reputational damage it 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: (a) misrepresentation, (b) inadequate documentation, (c) unintended consequences, (d) unintended breach and/or (e) enforceability

- Dispute Adjudication Risk, is the risk of the Institution suffering financial loss or reputational damage due to (a) adverse dispute environment and/or (b) mis-management of disputes. Operational losses resulting from legal claims (whether from judgments or settlements) do not constitute Dispute Adjudication Risk losses unless they are the direct outcome of (a) or (b) above.

- Legislative Risk, which is the risk that the Institution fails to or is unable to identify, analyses, track, impact assess or correctly interpret applicable legislation, case law or regulation, or new regulatory, legislative or doctrinal interpretation of existing laws or regulations, or decisions in the Courts or Regulatory Bodies.

- 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 by the Institution of another party's rights, and includes: (a) infringement, (b) ownership rights or (c) 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:

- Control of Contractual Risk

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, which contain restrictions that may affect the business, must have the authorization of the Legal department, 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.

- Control of Dispute Adjudication Risk

Robust procedures have been established in order to assure a proper response to the disputes filled 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 General Counsel.

Practices or procedures are properly documented and placed to ensure that responsibility is not involuntarily admitted in dispute situations and that cannot be inferred from any internal communication or with third parties.

There are procedures and instructions in order to have an immediate notification to the Legal department if any litigation filed against the Institution or employees is commenced and the following actions regarding the lawsuit.

- Control of Legislative Risk

There are implemented procedures and documented practices for monitoring of any changes or amendments to the current legislation or regulation, as well as any court case whose outcome requires changing the procedures or documentation in force.

In this line of work and together with Compliance area, there are implemented the required regulatory changes in order to continue with the operation of the business according with current legislation.

- Control of Non Contractual Rights:

There are established procedures in order to assure that the Legal department validates the use of the Group trademarks, local trademarks and Copyrights.

The use of Group and local trademarks by a third party must be previously approved by the Legal department.

A procedure is established for Legal department to be able to verify that the holder of a trademark duly authorized the use of it by the Institution.

The Legal department takes care of all the artistic and literary work that has been generated, either by request of the Institution by an employee or external supplier, or through a posterior acquisition of the patrimonial rights, by means of proper documentation.

Furthermore, institutional policies have been complied, procedures regarding Operational Risk and Internal Control requirements have been established, legal audits have been made, estimations of potential losses derived from adverse judicial resolutions have been carried out and a historical database of judicial rulings containing root-causes and costs has been set up.

- 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 has within its essence the responsibility of being sustainable, which means to get involved in the communities where it operates and having environmental friendly operations and investments. Bank's efforts aim to developing programs in three areas: education, environment and community, all with the goal of achieving a significant social transformation.

The Bank'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.

2015 will be a year of great challenges for the business and to continue developing the impact of the Bank's Social and Environmental Investment, this was achieved by keeping the focus toward the bank´s flagship projects:

Education:

- "Just raise your hand", a partnership with ARA and Lazos foundations looking to improve the quality of education and prevent dropout in elementary schools with limited resources.

Community:

- "Sumando Valor" inclusion program to hire people with disabilities.
- "Mujeres Fuerza": Woman empowerment program, 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 US$100m in alliance with Earthwatch, Water Aid and WWF

The Bank'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.

During the first semester of 2015, the Bank invested MXN7.39m, 25% of such investment is made by HSBC and 75% by its customers.

EDUCATION

Through the education support programs it is aimed to provide life skills, as well as provide knowledge that will enable children to become society changing agents.

To develop successful and major impact programs, the Bank has made strategic alliances with expert educational organizations to increase generated impact. This decision allows to unite knowledge, practices and proposals in a manner that the process is enhanced by the contributions of all stakeholders: customers, employees, organizations, schools, teachers and students.

With the educational support programs supported by the Bank, 5,593 students have been sponsored with "Just raise your hand", "Zippy's friends" had benefited 16,667 children and 2,104 children in 6 different cities received financial education classes, supported by 86 bank's volunteers through the program "More than Money". Additionally, the bank continues with the program "See Better to Learn Better" to benefit student from public elementary schools with new glasses.

COMMUNITY

Employees, customers and the entities on which the Bank operates, form a community on which the bank´s integral effort allows us to grow together.

Community support programs driven by the Bank aim to improve the conditions and life quality of the beneficiaries, this is achieved by promoting culture as an expression of human development; implementing actions to promote women empowerment; strengthening communities to prevent migration; and building a culture where all opinions are valued and respected.

These actions have allowed the through the program “Adding Value” the bank had trained its colleagues to create awareness regarding disabilities and attract the talent of 40 people with some kind of disability. Additionally, through the program “Learn with HSBC”, 27 wives of Business Heads started this years’ volunteering activities for different groups in need such as: children, the elderly and people with disabilities, and we continue to work with our women empowerment program “Mujer es fuerza”.

ENVIRONMENT

The Bank reiterates its commitment to manage the environmental impacts of our business contributing to a stable economy and promoting environmental stewardship in the communities where we operate.

The “Green Project of HSBC Insurance” is an initiative that involves the Bank's clients, helping the environment with sanitation and conservation of urban forests, including the most important one within Mexico City, Bosque de Chapultepec.

In commemoration of the environment month, the Bank launched during June different activities in 4 cities to enhance environmental awareness within staff and their families. This included the 5th HSBC Insurance race in favor of Bosque de Chapultepec, with a participation of 2,945 runners.

With the “HSBC Water Program” the Bank achieves a powerful combination of supply, protection and water education, to tackle the global challenge of conserving this valuable resource.

HSBC Mexico has an important reaction capacity for emergencies and disasters. During 2015 there has not been natural disasters situation requiring to activate the Bank’s campaign.

With the Bank’s strategy to mitigate the environmental direct impacts of it operation, the Bank has accomplished zero waste to landfill in four of its main corporate buildings.

VOLUNTEERING

The pillar of the Bank’s volunteering program is the willingness and commitment of our employees to support different causes. HSBC gratefully acknowledges everyone for their conviction to share time, knowledge and experience with society groups in need of support to move ahead.

During 2015, 3,306 volunteers’ participations have been registered all over the country, contributing with 21,428 hours in favor of one of the bank causes.

CUSTOMER CONTRIBUTION

HSBC´s customers play a fundamental role to develop the Sustainability projects; their generosity is the principle and origin of the better future that its trying to build.

Through more of 5,700 ATM’s within the country, the Bank makes its customers wish to help come true and during the first quarter of 2015, we received donations that allow it to proceed with its actions through “Just raise your hand” campaign, active from January 2015 until April 2015, and with “Bécalos” campaign which will be active until August 2015.

Annex A

Table I

Reference	Common equity Tier 1 capital	30 Jun 2015
1	Ordinary shares graded for Common equity TIER 1 capital and related surplus	32,768.5
2	Retained earnings	3,492.8
3	Accumulated other comprehensive income (and other reserves)	12,925.3
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	**49,186.6**
	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)	1,090.8
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)	61.3
19	Significant investments in the common stock of financial entities (amount above 10% threshold)	-
20	Mortgage servicing rights (amount above 10% threshold)	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold)	4,022.4
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	1,267.6
A	which: Accumulated other comprehensive income (and other reserves)	-
B	which: investments in subordinated debt	-
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	81.2
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	1,177.4
	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	6,442.1
29		Common Equity Tier 1 capital (CET1)	42,744.5
		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)	42,744.5
		Tier 2 Capital: instruments and reserves	
46		Tier 2 capital instruments issued by parent company of group (and any related surplus)	1,725.4
47		Tier 2 capital instruments issued by parent company of group to be deducted	5,586.0
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	1,154.7
51		Tier 2 capital prior to regulatory adjustments	8,466.0
		Tier 2 capital: regulatory adjustments	
52		Investment in own Tier 2 capital instruments	NA
53		Reciprocal cross holdings in Tier 2 capital instruments	NA
54		Investments in the capital of financial entities where the bank does not own more than 10% of the issued common share capital (amount above the 10% threshold)	NA

55	Significant investments in the capital of financial entities where the bank own more than 10% of the issued common share capital	NA
56	Local regulatory adjustments	-
57	Total Tier 2 capital regulatory adjustments	-
58	Tier 2 capital (T2)	8,466.0
59	Total Capital (TC=T1+T2)	51,210.5
60	Total Risk-weighted assets	372,917.5
	Capital ratios and supplements	
61	Common equity Tier 1 Capital (as % of total RWAs)	11.46%
62	Tier 1 Capital (as % of total RWAs)	11.46%
63	Total Capital (as % of total RWAs)	13.73%
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	No aplica
67	Of which: Global systemically important banks (G-SIBs) supplement	No aplica
68	Tier 1 common equity available to cover supplements (as a % of total RWAs)	4.46%
	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)	4,676.7
	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	1,341.4
78	Eligible reserves inclusion on Tier 2 capital with respect to the exposures subject to internal ratings methodology (prior to limits application)	-
79	Limit of inclusion reserves on Tier 2 capital under internal ratings methodology	-
	Capital instruments subject to gradual elimination (applicable only between 1 January 2018 and 1 January 2022)	
80	Actual instrument limits on CET1 subject to gradual elimination	NA
81	Excluded amount on CET1 due to limit (excess over the limit after amortization and maturities)	NA
82	Actual instrument limits on AT1 subject to gradual elimination	-
83	Excluded amount on AT1 due to limit (excess over the limit after	-

	amortization and maturities)	
84	Actual instrument limits on T2 subject to gradual elimination	7,311.4
85	Excluded amount on T2 due to limit (excess over the limit after amortization and maturities)	3,209.9

Table II

Capital concept	Prior to capital recognition adjustment	% total RWAs	Capital recognition adjustment	Including capital recognition adjustment	% total RWAs
Tier 1 capital 1	42,744.47	11.46	0.00	42,744.47	11.46
Tier 1 capital 2	0.00	0.00	0.00	0.00	0.00
Tier 1 capital	42,744.47	11.46	0.00	42,744.47	11.46
Tier 2 capital	8,466.05	2.27	0.00	8,466.05	2.27
Total capital	51,210.51	13.73	0.00	51,210.51	13.73
Total RWAs	372,917.48	NA	NA	372,917.48	NA
Capitalization index	**13.73**	**NA**	**NA**	**13.73**	**NA**

Table III.1

Reference	Balance Sheet concept	Amount
	Assets	**596,467**
BG1	Cash and deposits in banks	32,734
BG2	Margin accounts	62
BG3	Investment in securities	162,718
BG4	Repurchase agreements	9,411
BG5	Stock borrowing	
BG6	Derivative transactions	72,820
BG7	Financial assets hedging valuation adjustments	
BG8	Net loan portfolio	211,955
BG9	Benefits to be received from trading operations	133
BG10	Other accounts receivable (net)	86,339
BG11	Foreclosed assets	68
BG12	Property, furniture and equipment, net	3,923
BG13	Long term investments in equity securities	4,793
BG14	Long term assets available for sale	-
BG15	Deferred taxes, net	8,699
BG16	Other assets	2,812
	Liabilities	**547,280**
BG17	Deposits	293,095
BG18	Bank deposits and other liabilities	27,122
BG19	Repurchase agreements	37,379
BG20	Stock borrowing	-
BG21	Collateral sold	16,366
BG22	Derivative transactions	73,024
BG23	Financial liabilities hedging valuation adjustments	-
BG24	Debentures in trading operations	-
BG25	Other accounts payable	89,056
BG26	Subordinated debentures outstanding	10,529
BG27	Deferred taxes, net	-
BG28	Deferred credits	709
	Stockholder's equity	**49,187**
BG29	Paid in capital	32,769

BG30	Capital gains	16,418
	Memorandum accounts	**5,117,178**
BG31	Guarantees granted	-
BG32	Contingent assets and liabilities	-
BG33	Irrevocable lines of credit granted	245,360
BG34	Goods in trust or mandate	434,780
BG35	Federal government financial agent	
BG36	Goods in custody or under administration	581,049
BG37	Collateral received by the institution	27,099
BG38	Collateral received and sold or delivered as guarantee	17,423
BG39	Third party investment banking operations, net	41,277
BG40	Suspended interest on impaired loans	227
BG41	Other control accounts	3,769,963

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	1,090.8	BG16 2812
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	61.3	BG13 4793
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	4,022.4	BG15 8699
13	Recognized reserves as supplementary capital	50	1,154.7	BG8 211955
14	Subordinated debt investment	26 - B	0.0	BG8 211955
15	Multilateral organisms investment	26 - D	0.0	
16	Related parties investments	26 - E	81.2	BG13 4793
17	Risk capital investment	26 - F	0.0	
18	Mutual funds investment	26 - G	9.1	BG13 4793
19	Own shares acquisition financing	26 - H	0.0	
20	Deferred charges and prepaid expenses	26 - J	1,177.4	BG16 2812
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	0.0	
28	Deferred income tax associated to other different to previous concepts	21	4,022.4	BG15 8699
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	0.0	
31	Subordinated debentures that coincide with 1-S annex	46	1,725.4	BG26 10529
32	Subordinated debentures subject to transience that counts as supplementary capital	47	5,586.0	BG26 10529
33	Deferred income tax associated to deferred charges and pre-paid expenses	26 - J	0.0	
	Stockholders' equity			
34	Paid in capital amount that coincide with Annex 1-Q	1	32,768.5	BG29 32769
35	Retained earnings	2	3,492.8	BG30 16418
36	Result from cash flow hedging transactions registered at fair value	3	-72.2	BG30 16418
37	Other elements of other capital reserves different to previous ones'	3	12,997.5	BG30 16418
38	Paid in capital amount that coincide with Annex 1-R	31	0.0	
39	Paid in capital amount that coincide with Annex 1-S	46	0.0	
40	Result from cash flow hedging transactions do not registered at fair value	3, 11	0.0	
41	Cumulative conversion effect	3, 26 - A	0.0	
42	Results from holding non-monetary assets	3, 26 - A	0.0	
			32,768.5	BG29 32769
	Memo accounts			
43	First loss schemes positions	26 - K	0.0	
	Regulatory concepts do not considered in the Balance Sheet			
44	Reserves pending to constitute	12	0.0	
45	Profit or increased asset value of acquired securitization positions	26 - C	0.0	
46	Operations that contravene	26 - I	0.0	
47	Relevant related parties operations	26 - M	0.0	
48	Abrogated	26 - O, 41, 56	0.0	

Table IV.1

Concept	Equivalent position in Balance	Capital Requirements
Nominal rate operations in local currency	75,189	6,015
Surcharge and revisable rate debt operations in local currency	250	20
Real rate or UDIs operations in local currency	2,831	226
Minimum wages growth rate operations in local currency	-	-
UDIs o INPC profit referred positions	16	1
Minimum wages growth rate operations in local currency	-	-
Nominal rate operations in foreign currency	7,953	636
Foreign currency or indexed to exchange rate positions	1,811	145
Stock or price index stock positions	1	0
Possession in goods	-	-

Table IV.2

Concept	RWAs	Capital Requirements
Group I (weighted at 0%)	0.0	0.0
Group I (weighted at 10%)	0.0	0.0
Group I (weighted at 20%)	0.0	0.0
Group II (weighted at 0%)	0.0	0.0
Group II (weighted at 10%)	0.0	0.0
Group II (weighted at 20%)	0.0	0.0
Group II (weighted at 50%)	4,598.3	367.9
Group II (weighted at 100%)	0.0	0.0
Group II (weighted at 120%)	0.0	0.0
Group II (weighted at 150%)	0.0	0.0
Group III (weighted at 2.5%)	0.0	0.0
Group III (weighted at 10%)	2.7	0.2
Group III (weighted at 11.5%)	573.9	45.9
Group III (weighted at 20%)	4,330.5	346.4
Group III (weighted at 23%)	0.0	0.0
Group III (weighted at 50%)	0.0	0.0
Group III (weighted at 57.5%)	0.0	0.0
Group III (weighted at 100%)	3,476.9	278.2
Group III (weighted at 115%)	0.0	0.0
Group III (weighted at 120%)	0.0	0.0

Group III (weighted at 138%)	0.0	0.0
Group III (weighted at 150%)	0.0	0.0
Group III (weighted at 172.5%)	0.0	0.0
Group IV (weighted at 0%)	0.0	0.0
Group IV (weighted at 20%)	5,522.9	441.8
Group V (weighted at 10%)	0.0	0.0
Group V (weighted at 20%)	785.9	62.9
Group V (weighted at 50%)	1,648.9	131.9
Group V (weighted at 115%)	-	-
Group V (weighted at 150%)	7,268.7	581.5
Group VI (weighted at 20%)	0.0	0.0
Group VI (weighted at 50%)	6,968.2	557.5
Group VI (weighted at 75%)	3,269.6	261.6
Group VI (weighted at 100%)	44,242.4	3,539.4
Group VI (weighted at 120%)	0.0	0.0
Group VI (weighted at 150%)	0.0	0.0
Group VI (weighted at 172.5%)	0.0	0.0
Group VII_A (weighted at 10%)	755.9	60.5
Group VII_A (weighted at 11.5%)	0.0	0.0
Group VII_A (weighted at 20%)	7,904.5	632.4
Group VII_A (weighted at 23%)	6,856.3	548.5
Group VII_A (weighted at 50%)	1,879.5	150.4
Group VII_A (weighted at 57.5%)	0.0	0.0
Group VII_A (weighted at 100%)	104,018.7	8,321.5
Group VII_A (weighted at 115%)	688.0	55.0
Group VII_A (weighted at 120%)	0.0	0.0
Group VII_A (weighted at 138%)	0.0	0.0
Group VII_A (weighted at 150%)	0.0	0.0
Group VII_A (weighted at 172.5%)	0.0	0.0
Group VII_B (weighted at 0%)	0.0	0.0
Group VII_B (weighted at 20%)	0.0	0.0
Group VII_B (weighted at 23%)	0.0	0.0
Group VII_B (weighted at 50%)	0.0	0.0
Group VII_B (weighted at 57.5%)	0.0	0.0
Group VII_B (weighted at 100%)	1,668.6	133.5
Group VII_B (weighted at 115%)	0.0	0.0
Group VII_B (weighted at 120%)	0.0	0.0
Group VII_B (weighted at 138%)	0.0	0.0
Group VII_B (weighted at 150%)	0.0	0.0
Group VII_B (weighted at 172.5%)	0.0	0.0
Group VIII (weighted at 125%)	9,186.6	734.9
Group IX (weighted at 100%)	20,540.6	1,643.3

Group IX (weighted at 115%)	0.0	0.0
Group X (weighted at 1250%)	406.3	32.5
Securitizations with Risk rating 1 (weighted at 20%)	43.4	3.5
Securitizations with Risk rating 2 (weighted at 50%)	2.2	0.2
Securitizations with Risk rating 3 (weighted at 100%)	0.0	0.0
Securitizations with Risk rating 4 (weighted at 350%)	0.0	0.0
Securitizations with Risk rating 4, 5, 6 or not classified (weighted at 1250%)	336.6	26.93
Resecuritizations with Risk rating 1 (weighted at 40%)	0.0	0.0
Resecuritizations with Risk rating 2 (weighted at 100%)	0.0	0.0
Resecuritizations with Risk rating 3 (weighted at 225%)	0.0	0.0
Resecuritizations with Risk rating 4 (weighted at 650%)	0.0	0.0
Resecuritizations with Risk rating 5, 6 or not classified (weighted at 1250%)	1,661.5	132.9

Table IV.3

Operational RWAs	**Capital Requirements**
46,229.2	3,698.3

Average Market and credit RWAs of last 36 months	**Average of positive net annual revenues for the last 36 months**
24,655.6	25,704.2

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	1,272	1,591	1,725	2,723
9	Valor nominal del instrumento	$32,768.00	$1,817.60	$2,272.65	$1,725.39	$4,705.62
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.	04/06/2015; 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.	29/06/2015; 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.	20/06/2015 se dará a conocer con 10 días hábiles de anticipación a la fecha de amortización autorizada.	29/06/2015; se dará a conocer con 10 días hábiles de anticipación a la fecha de amortización autorizada.

	Rendimientos / dividendos					
17	Tipo de rendimiento/dividendo	Variable	Variable	Variable	Variable	Variable
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	Libor 1 mes + 3.65 pp	Libor 1 mes + 3.50 pp
19	Cláusula de cancelación de dividendos	No	No	No	No	No
20	Discrecionalidad en el pago	Obligatorio	Obligatorio	Obligatorio	Parcialmente Discrecional	Obligatorio
21	Cláusula de aumento de intereses	No	No	No	No	No
22	Rendimiento/dividendos	No Acumulables	No Acumulables	No Acumulables	No Acumulables	No Acumulables
23	Convertibilidad del instrumento	No Convertibles	No Convertibles	No Convertibles	Convertibles	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.

Annex B

In accordance to the *"Disposiciones de carácter general sobre los requerimientos de liquidez para las instituciones de banca múltiple"* published on December 31st, 2014, the following information is presented in order to comply with Appendix 5 of the mentioned rules.

Disclosure of "Coeficiente de Cobertura de Liquidez" (CCL)

Table I.1
CCL Disclosure format

(Figures are expressed in Mexican Pesos)		Amount (average)	Weighted (average)
ACTIVOS LÍQUIDOSCOMPUTABLES			
1	Total de Activos Líquidos Computables Total Liquid Assets	Not apply	141,683,826,200
Outflows			
2	Financiamiento minorista no garantizado Retail funding no guaranteed	147,290,652,667	9,515,704,633
3	Financiamiento estable Stable Funding	104,267,212,667	5,213,360,633
4	Less stable funding	43,023,440,000	4,302,344,000
5	Major funding not guaranteed	98,076,040,333	45,170,591,800
6	Operational deposits	0	0
7	Not operational deposits	93,427,297,000	40,521,848,467
8	Unsecured debt	4,648,743,333	4,648,743,333
9	Major funding guaranteed	Not apply	66,133,850
10	Additional requirements:	247,013,796,000	33,333,942,100
11	Outflows related to derivatives and other requirements of guarantees	24,742,827,000	10,431,447,000
12	Salidas relacionadas a pérdidas del financiamiento de instrumentos de deuda	0	0
13	Líneas de crédito y liquidez	222,270,969,000	22,902,495,100
14	Other contractual obligations financing	735,116,333	735,116,333
15	Other contingent funding obligations	28,323,515,000	0
16	**TOTAL OUTFLOWS**	Not apply	88,821,488,717
Inflows			
17	Inflows for granted trades	0	0
18	Inflows for trades not granted	28,667,334,333	17,771,738,000
19	Other inflows	29,374,992,000	12,200,958,667
20	**TOTAL INFLOWS**	58,042,326,333	29,972,696,667
			Importe ajustado
21	**TOTAL DE ACTIVOS LIQUIDOS COMPUTABLES** **TOTAL LIQUID ASSETS**	Not apply	141,683,826,200
22	**TOTAL NET OUTFLOWS**	Not apply	58,848,792,050
23	**CCL**	Not apply	248.34

(a) Natural days considered in the quarter.

Natural Days 2Q15	
April	30
May	31
Jun	30
	91

(b) Main variances of the CCL and evolution of the main components

CCL increased from 244.2% in March to 245.5% as of June mainly due to decrease liquid assets 16% and outflows 7% and increase 15% inflows.

(c) Changes in the main components in the reported quarter

Decrease in Liquid Assets is due to the restructuring of the portfolio acquiring more government securities Level 1 and a major amount in cash.

(d) Evolution of the composition of liquid assets

Liquid Assets

	Apr	May	Jun	Var % Apr - Jun
Cash	11,946,484,753	12,905,945,537	9,724,928,884	-18.60%
Deposit in Central Bank	21,249,271,467	21,254,449,801	21,258,379,593	0.04%
Level 1 Securities	104,412,962,285	103,766,967,475	84,305,620,053	-19.26%
Level 2 Securities	4,548,178,959	10,347,103,352	8,017,927,142	76.29%
Level 2B Securities	9,949,581,754	9,527,670,262	9,834,539,848	-1.16%
Equities	162,000	163,000	158,000	-2.47%
Total	152,106,641,218	157,802,299,427	133,141,553,519	

Distribution % Liquid Assets

	Apr	May	Jun
Cash	7.85%	8.18%	7.30%
Deposit in Central Bank	13.97%	13.47%	15.97%
Level 1 Securities	68.64%	65.76%	63.32%
Level 2 Securities	2.99%	6.56%	6.02%
Level 2B Securities	6.54%	6.04%	7.39%
Equities	0.00%	0.00%	0.00%
Total %	100.00%	100.00%	100.00%

(e) Concentration of Funding sources

Description	%
Demand Deposits	48.03%
Time Deposits	29.95%
Negotiable Certificates Deposits Issued	1.64%
Call Money and from other Institutions	7.37%
Repurchase Agreements	10.15%
Subordinated Debentures Outstanding	2.86%
TOTAL	100.00%

(f) Exposures with financial derivatives

Within HSBC Mexico there is a specialized area responsible for the valuation and derivatives so that the internal processes and internal measures allows us to make margin calls in a timely manner

(g) Currency mismatch

Below the breakdown of the CCL by currency as of June 2015:

CONCEPT	Local [1] Currency	Foreign Currency	Total
Liquid Assets	113,579,045,800	10,074,669,753	127,048,942,200
Outflows [2]	65,551,284,481	16,307,161,019	81,858,445,500
Inflows [2]	22,325,701,000	7,782,019,000	30,107,720,000
CCL	263%	118%	246%

[1] MXP and DIS trades included

[2] Net cash inflows and outflows for derivative trades are included in Local Currency Concept

(h) Description of the level of centralization of liquidity management and interaction with group units

Within Finance function, Asset, Liability and Capital Management (ALCM) area is in charge of centralizing the information related to liquidity risk management.

From an operational standpoint, specialized areas are in charge of monitoring liquidity, taking the necessary measures in order to keep liquidity levels within HSBC's risk appetite and in line with local and global regulations.. On this regard, Treasury Back Office area monitors the Bank's liquidity position, dealing with liquidity requirements, settlements, custody and any other operation related to Treasury. The Treasury is in charge of the management of liquidity of the commercial bank and of the funding of daily transactions.

I. Quantitative information

(a) Concentration limits for the different groups of guarantees and main funding sources

Internal concentration limit established for repo and stock borrowing transactions is 5,000 million dollars, expressed in local currency.

The main funding sources of the Bank as of June 2015 were the following:

Description	Amount
Demand Deposits	176,810,521,261
Time Deposits	110,252,308,723
Negotiable Certificates Deposits Issued	6,031,903,750
Call Money and from other Institutions	27,122,029,425
Repurchase Agreements	37,379,171,329
Subordinated Debentures Outstanding	10,528,675,065
	368,124,609,553

(b) Liquidity risk exposures and funding needs

The Bank's liquidity risk exposure is measured through different metrics and reports. Currently, the reports Operational Cashflow Projection (OCP) and Advances to Core Funding ratio (ACF) are metrics established by HSBC Group at a global level in order to monitor and manage liquidity under stressed scenarios (OCP) y and the funding of loans with stable funding (ACF). In addition for the management of liquidity, regulatory reports are considered (ACLME – Régimen de Inversión - , CCL –Coeficiente de Cobertura de Liquidez- and LCR EBA – Liquidity Coverage Ratio reported to Group considering the regulations issued by the EBA (European Banking Authority) and PRA (Prudential Regulatory Authority). During the quarter, the mentioned metrics were within the Bank's risk appetite.

(c) Transactions by maturity and resulting liquidity mismatches

Below is included a breakdown of the assets and liabilities as of June 2015 considering the maturity for each concept. It should be noted that in the case of demand deposits it has been considered the behavior in recent years to assign each in it respective term.

Structural Maturity Report - SUMMARY

		Remaining Maturity				
	Total	<=3M	>3M <=12M	>12M >= 5Y	>5Y <= 10Y	>10Y
Contractual						
Assets	1,642,719,509	778,647,773	261,972,562	493,091,490	20,129,243	88,878,442
Liabilities	1,642,719,509	782,960,315	257,894,100	526,679,849	1,725,394	73,459,851
Funding Mismatch	-	**(4,312,543)**	**4,078,462**	**(33,588,359)**	**18,403,849**	**15,418,591**

II. Qualitative information

(a) Liquidity risk management

In accordance with the “Disposiciones de carácter general aplicables a las instituciones de crédito en materia de riesgo de liquidez”, Asset, Liability and Capital Management (ALCM) are within the Finance function is in charge of informing on a daily basis to the senior management the status of the main indicators and liquidity metrics that are monitored in order to proactively manage liquidity risk. The Treasury is in charge of managing liquidity on a centralized basis with the support of Back Office and Finance.

In addition, a meeting is held on a frequent basis in order to monitor the evolution of deposits and also projections of the main liquidity and funding metrics are presented in order to manage liquidity. Finance, Treasury and representatives of the business lines participate in those meetings.

Finally, through the Assets and Liabilities Committee (ALCO), senior management is informed about the main liquidity and funding metrics that are being monitored. In that committee, funding and liquidity strategies are defined in accordance to the Bank’s risk appetite considering the projected business included in the plan.

(b) Funding Strategy

Every year, an annual operating plan (AOP) is defined establishing the expected growth in loans and deposits for the different line of businesses. Those projections are then considered in order to establish the funding strategy needed in order to project liquidity and funding metrics in accordance to the Bank’s risk appetite.

The Treasury is in charge of managing liquidity and funding centrally with the support of Back Office and Finance.

(c) Liquidity risk mitigating techniques

The Bank maintains a stock of high liquid assets in order to support cash outflows related to different concepts (i.e: deposits, committed facilities, etc) for different stressed scenarios.

On a frequent basis, projections of the main liquidity metrics are reviewed in order to establish the need for additional funding with the objective to maintain the metrics within the Bank’s risk appetite.

In addition, in order to incentivize profitable business growth, an internal methodology is in place in order to charge and credit to the different products the cost of liquidity. On that regard, the maturity of the assets is considered in order to establish the charge and the stability of funding sources is considered for the credits.

(d) Utilization of stress tests

The Bank monitors different liquidity stress scenarios according to Group’s risk appetite through the report OCP. These reports are generated on a monthly basis and in the case of the scenario specific to HSBC México (HS2) the estimation and monitoring is on a daily basis.

During the quarter, the results coming from the report for the different scenarios were within the Bank’s risk appetite.

(e) Description of the funding contingency plan

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.