

Grupo Financiero HSBC

Financial information at 30 September 2015

3Q15

- ▶ **Press Release**
- ▶ **Quarterly Report**
- ▶ **Third Quarter 2015**

*Release date:
28 October 2015*



28 October 2015

**GRUPO FINANCIERO HSBC, S.A. DE C.V.
THIRD QUARTER 2015 FINANCIAL RESULTS – HIGHLIGHTS**

- Net income before taxes for the nine months to 30 September 2015 was MXN1,425m, a decrease of MXN1,494m or 51.2% compared with MXN2,919m for the nine months to 30 September 2014, mainly due to higher loan impairment charges.
- Net income for the nine months to 30 September 2015 was MXN1,519m, a decrease of MXN963m or 38.8% compared with MXN2,482m for the nine months to 30 September 2014, mainly due to lower net income before taxes, partially offset by lower tax expenses.
- Total operating income, excluding loan impairment charges for the nine months to 30 September 2015 was MXN28,089m, a decrease of MXN266m or 0.9% compared with MXN28,355m for the nine months to 30 September 2014 mainly due to lower trading income, net fee income and net interest income, partially offset by higher other operating income.
- Loan impairment charges for the nine months to 30 September 2015 were MXN10,507m, an increase of MXN1,561m or 17.4% compared with MXN8,946m for the nine months to 30 September 2014.
- Administrative and personnel expenses for the nine months to 30 September 2015 were MXN16,191m, a decrease of MXN337m or 2.0% compared with MXN16,528m for the nine months to 30 September 2014.
- The cost efficiency ratio decreased to 57.6% for the nine months to 30 September 2015, compared with 58.3% for the nine months to 30 September 2014.
- Net loans and advances to customers were MXN215.7bn at 30 September 2015, an increase of MXN17.9bn or 9.1% compared with MXN197.8bn at 30 September 2014. Total impaired loans as a percentage of gross loans and advances as at 30 September 2015 decreased to 5.5% compared with 6.3% at 30 September 2014.
- At 30 September 2015, deposits were MXN273.5bn, an increase of MXN4.1bn or 1.5% compared with MXN269.3bn at 30 September 2014.
- Return on equity was 3.8% for the nine months to 30 September 2015 compared with 6.0% for the nine months to 30 September 2014.
- At 30 September 2015, the bank's total capital adequacy ratio was 12.7% and the tier 1 capital ratio was 10.4 % compared with 13.9% and 11.4% respectively at 30 September 2014.

- In the first quarter of 2015, Grupo Financiero HSBC paid a dividend of MXN1,550m, representing MXN0.55 per share.
- For the nine months to 30 September 2015, on an IFRS basis, Grupo Financiero HSBC reported a net income of MXN2,338m, an increase of MXN1,067m or 84.0% compared with MXN1,271m for the nine months to 30 September 2014. The main difference between the Mexican GAAP and IFRS results relates to the homebuilders' provisions that were already provisioned in the IFRS financial statements (impact of MXN868m net of tax in Mexican GAAP).

HSBC Mexico S.A. (the bank) is a subsidiary of Grupo Financiero HSBC, S.A. de C.V.'s (Grupo Financiero HSBC) and is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file financial information on a quarterly basis (in this case for the quarter ended 30 September 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 December 2014, interest income on Cross Currency and Interest Rate Swaps which was previously classified in Interest Expense has been classified within Interest Income. 2014 figures have been restated to reflect this change for a total of MXN718m.

Since the second quarter of 2015, the positive excess of loan impairment charges, determined monthly, 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 some reclassifications between Loan Impairment Charges and Other Operating Income for a total of MXN3,713m.

Finally, since the second quarter of 2015, the valuation of the inflation-indexed investment in securities of the insurance business which was previously classified in Trading Income has been classified in Net Interest Income. 2014 figures have been restated to reflect this change for a total of MXN202m.

Overview

The Mexican economy continued to recover moderately during the second quarter of 2015, growing 0.5% q-o-q, though reflecting uneven growth paths among sectors. This quarter's rise in economic activity was attributed to the expansion in services. In contrast, industrial production remained weak on the back of lower manufacturing activity derived from a reduction in US exports, combined with the still weak mining and construction sectors.

Headline inflation maintained its downward trajectory which started at the beginning of the year, reaching all-time low levels of 2.5% annually as of September 2015. Banxico has maintained the policy rate at 3.0% since June 2014, though noting that it would remain attentive to the Federal Reserve's movements as they might represent a concern to financial stability. Global market volatility and weak commodity prices have added downward pressure on emerging market currencies. For the Mexican peso, the effect has been absorbed by the exchange rate reaching historical levels of MXN17/US\$.

For the nine months to 30 September 2015, Grupo Financiero HSBC's net income before taxes was MXN1,425m, a decrease of MXN1,494m or 51.2% compared with the nine months to 30 September 2014, mainly due higher loan impairment charges.

Net income was MXN1,519m, a decrease of MXN963m or 38.8% compared with the nine months to 30 September 2014 mainly due to lower net income before taxes, partially offset by lower tax expenses.

Net interest income was MXN16,638m, a decrease of MXN111m or 0.7% compared with the nine months to 30 September 2014. The decrease is due to lower revenues in the commercial loan portfolio, related to a change in the product mix and lower market rates compared to the same period of 2014, partially offset by the insurance-related business which accounted for an increase of MXN153m.

Loan impairment charges were MXN10,507m, an increase of MXN1,561m or 17.4% compared with the nine months to 30 September 2014. In line with the progress of the Commercial Insolvency and Bankruptcy Law (known as 'concurso mercantil') processes for certain existing customers of the homebuilders' portfolio, their loan loss allowances levels have been increased in the third quarter of 2015 by MXN1,780m.

Net fee income was MXN4,631m, a decrease of MXN255m or 5.2% compared with the nine months to 30 September 2014. This decrease is mainly due to lower account services and structuring loan portfolio fees.

Trading income was MXN775m, a decrease of MXN318m or 29.1% compared with the nine months to 30 September 2014. This decrease is explained mainly by lower gains in the mark-to-market of derivative transactions and losses in FX transactions tied to market volatility, partially offset by gains in the mark-to-market of fixed income transactions.

Other operating income was MXN6,045m, an increase of MXN418m or 7.4% compared with the nine months to 30 September 2014, mainly due to a release of loan loss allowances of one of the commercial loans in the first quarter 2015.

Administrative and personnel expenses were MXN16,191m, a decrease of MXN337m or 2.0% compared with the nine months to 30 September 2014. This decrease is mainly due to lower staff and depreciation costs.

The cost efficiency ratio decreased to 57.6% for the nine months to 30 September 2015, compared with 58.3% for the nine months to 30 September 2014.

The effective tax rate was -6.5% for the nine months to 30 September 2015, compared with 10.8% for the nine months to 30 September 2014. A large part of this variance is explained by higher non-taxable income related to Brazilian Bonds coupled with inflationary effects, in proportion to a lower profit before tax.

Grupo Financiero HSBC's insurance subsidiary, HSBC Seguros, reported net income before tax of MXN1,223m for the nine months to 30 September 2015. Excluding discontinued operations, net income before taxes increased 7.7% compared with the same period in 2014, mainly driven by higher sales.

Net loans and advances to customers were MXN215.7bn at 30 September 2015, an increase of MXN17.9bn or 9.1% compared with MXN197.8bn at 30 September 2014. The performing commercial loan portfolio and loans to government entities increased by 9.9%, while performing consumer and mortgage loan portfolios increased by 17.9% and 10.3% respectively, compared with 30 September 2014.

At 30 September 2015, total impaired loans decreased by 4.2% to MXN12.6bn compared with 30 September 2014, mainly due to lower impaired consumer 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 5.5% compared with 6.3% at 30 September 2014. The non-performing loan ratio of mortgage and consumer impaired loan portfolios decreased to 2.6% compared with 3.5% at 30 September 2014.

Total loan loss allowances at 30 September 2015 were MXN14.5bn, an increase of MXN2.6bn or 22.1% compared with 30 September 2014. The total coverage ratio (allowance for loan losses divided by impaired loans) was 115.3% at 30 September 2015 compared with 90.5% at 30 September 2014. The higher coverage ratio reflects the update of loan loss allowances on certain existing customers of the homebuilders' portfolio in line with the progress of the Commercial Insolvency and Bankruptcy Law ('concurso mercantil') processes.

Total deposits were MXN273.5bn at 30 September 2015, an increase of MXN4.1bn or 1.5% compared with 30 September 2014. Demand deposits increased 5.9% due to higher volumes in retail and commercial segments, while time deposits decreased 5.7% due to pricing strategies.

At 30 September 2015, the bank's total capital adequacy ratio was 12.6% and the tier 1 capital ratio was 10.4% compared with 13.9% and 11.4% respectively at 30 September 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)

Customers are offered a range of products according to their needs. The Business Banking portfolio was successfully migrated from CMB, to be managed by RBWM, and several improved and competitive pricing products have been launched for our customers' benefit.

Customer acquisition has improved, showing a positive trend in our three customer profiles: Premier, Advance and Retail, growing 11% compared with the same period last year. Retail customer deposits at 30 September 2015 have grown 5.2% compared with 30 September 2014, showing continued customer confidence.

Average consumer loans for the nine months to 30 September 2015 increased 4.9% compared with the same period of 2014, mainly driven by:

- A 5.5% increase in average balances for both personal and payroll loans compared with the same period in 2014, offering one of the most attractive prices in the market.
- A 3.7% increase in credit card average balances compared with the same period in 2014, mainly due to strategies such as balance transfer, statement financing, cash advance and increase in credit lines and improving activation rates and use of the cards.
- A 7.5% increase in average mortgage loans compared with the same period of 2014, mainly due to the reinforcement in sales channels and campaigns with one of the most attractive rate offered in the market.

Several campaigns were successfully launched during the year: 'Ahora es Cuando', 'Summer Campaign' and 'Back to School'. These campaigns offered customers the right set of products with appropriate pricing to allow for sales growth while generating positive risk adjusted results for the Bank.

The insurance business is focused on the affordability strategy, to offer a premium payment according to customer income. HSBC Mexico has experienced a positive impact from this strategy, benefiting the persistency for Temporary life insurance. Additionally, annualised premiums of new life products sales for the nine months to 30 September of 2015 have increased 40.2% compared with the same period of 2014, leading to a portfolio growth of 10.6% compared with 30 September of 2014.

Commercial Banking (CMB)

CMB results for the third quarter of 2015 were impacted by loan impairment charges, mainly related to homebuilders. Increased credit loan portfolios in Corporate Real Estate, Public Sector and Mid-Market Enterprises loans were partially offset by lower volumes in Large Corporates and Business Banking loans. In addition, lower deposit volumes in the States & Municipalities segment were partially offset by higher volumes in Government 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.
- 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). In the Private Banking collaboration, communication is continuing to strengthen, particularly with the Business Banking segment.
- Support for international SMEs continues 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 MXN10.6bn or 19.2% compared with the same period of 2014. As result of the growth in loan balances, the fees related to financial structuring services increased by MXN4.3m or 15.7%.

The deposits for Global Banking increased by MXN9.6bn or 49.8% compared with the same period of 2014. This increase generated MXN34.7m or 15.1% higher net interest income. In addition, trade services business increased fees by MXN16.4m or 11.9% compared with the same period of 2014, mainly in domestic and imports operations.

HSBC eCommerce revenues have grown compared with the same period in 2014, by 10.2%. In FX eCommerce HSBC Mexico has successfully participated in three different MultiBank Portals providing competitive pricing over the Banking Portal for enterprises called HSBCnet.

During 2015, Debt Capital Markets business has improved its participation in the local debt capital market. The fees related to the growth in this business have increased 40.3% compared with the same period of 2014.

Collaboration revenues continue to increase, driven by strong relationship between GBM and CMB reflecting positive results in FX Spot and FX Forwards revenues which increased 31%, while FX Options and Interest Rates Derivatives increased 182% and 93% respectively compared with the same period of 2014.

Grupo Financiero HSBC's third quarter 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 nine months to 30 September 2015, on an IFRS basis, Grupo Financiero HSBC reported a net income before taxes of MXN2,604m, an increase of MXN1,375m or 112.0% compared with MXN1,228m for the nine months to 30 September 2014.

The lower 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 July 2015, HSBC Mexico was awarded Best Investment Bank by Euromoney because of its good performance on equity and debt markets as well as its strong position on M&A deals.

In October 2015, Payments and Cash Management Mexico was awarded Best Domestic Cash Management by Euromoney for the fourth consecutive year.

About HSBC

Grupo Financiero HSBC is one of the leading financial groups in Mexico with 988 branches, 5,678 ATMs and approximately 16,300 employees. For more information, visit www.hsbc.com.mx.

Grupo Financiero HSBC is a 99.99% directly owned subsidiary of HSBC Latin America Holdings (UK) Limited, which is a wholly owned subsidiary of HSBC Holdings plc, and a member of the HSBC Group. With around 6,100 offices in 72 countries and territories in Asia, Europe, North and Latin America, the Middle East and North Africa and with assets of US\$2,572bn at 30 June 2015, the HSBC Group is one of the world's largest banking and financial services organisations.

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Key Financial Indicators

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

	For the quarter ended at				
	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015	30 Sep 2015
a) Liquidity	121.37%	105.13%	100.52%	91.23%	75.67%
Profitability					
b) ROE (Return over equity)	2.50%	(3.69)%	10.86%	4.33%	(3.93)%
c) ROA (Return over assets)	0.23%	(0.33)%	0.94%	0.37%	(0.34)%
Asset quality					
d) Impaired loans/total loans	6.25%	5.29%	5.56%	5.72%	5.46%
e) Coverage ratio	90.53%	103.68%	98.73%	98.07%	115.32%
Capitalization					
f) Credit risk	22.54 %	20.64 %	21.46 %	21.46 %	18.87%
g) Credit, operational and market risk	13.87 %	13.21 %	13.40 %	13.73 %	12.96%
Operating efficiency					
h) Expenses/Total Assets	3.64%	3.76%	3.42%	3.48%	3.52%
i) NIM	2.32%	1.74%	1.63%	1.87%	1.15%
Coverage					
j) Coverage of technical reserves	109.44%	109.40%	106.22%	106.40%	108.11%
k) Coverage of minimum guarantee capital	316.58%	321.43%	197.15%	186.58%	305.40%
l) Coverage of minimum paid capital					
HSBC Seguros, S. A. de C. V.	144.70%	144.70%	138.89%	138.89%	138.89%
HSBC Pensiones, S. A.	102.38%	102.38%	98.27%	98.27%	98.27%
Infrastructure					
Branches	983	984	984	991	988
ATM	5,825	5,780	5,712	5,700	5,678
Head Count	121.37%	105.13%	100.52%	91.23%	75.67

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

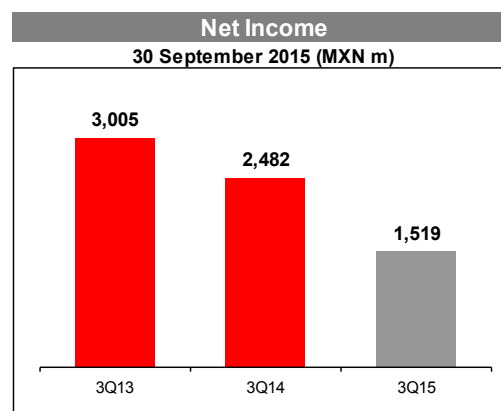
There are no relevant events to disclose during the third quarter of 2015.

Income Statement Variance Analysis

Net Income

Net income for Grupo Financiero HSBC for the nine months to 30 September 2015 was MXN1,519m, a decrease of 38.8% compared with the same period of 2014.

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



Total Operating Income

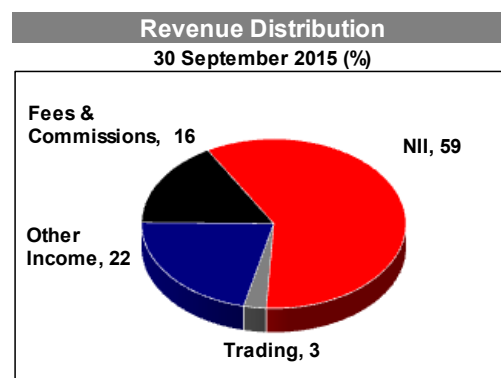
The Group's total operating income for the nine months to 30 September 2015 was MXN28,089m, a decrease of MXN266m or 0.9% compared with the same period of 2014.

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

Net Interest Income

Net interest income for the nine months to 30 September 2015 was MXN16,638m, a decrease of MXN111m or 0.7% compared with the same period of 2014.

The decrease is due to lower revenues in the commercial loan portfolio related to a change in the product mix and lower market rates, partially offset by the insurance-related business which accounted for an increase of MXN153m.



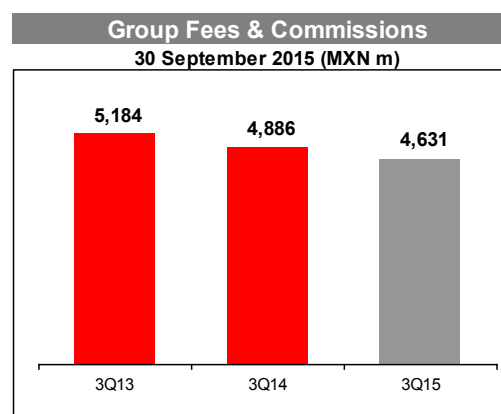
Non-interest Income

Non-interest income for the nine months to 30 September 2015 was MXN11,451m; a decrease of MXN155m or 1.3% compared with the same period of 2014.

The Group's non-interest income to total revenue ratio remained practically unchanged from 40.9% for the nine months to 30 September 2014 to 40.8% for the same period of 2015.

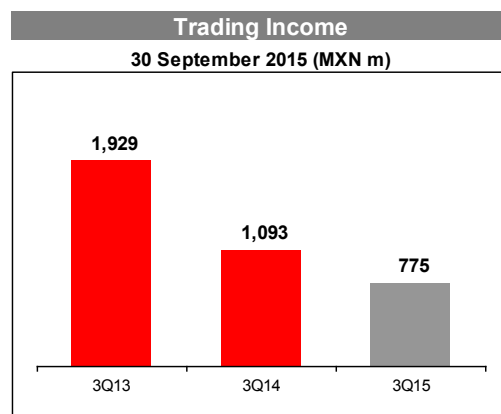
► Fee income

The Group's net fee income for the nine months to 30 September 2015 was MXN4,631m, a decrease of MXN255m or 5.2% compared with the same period of 2014. This reduction is mainly due to lower account services and structuring loan portfolio fees.



► **Trading income**

Trading income for the nine months to 30 September 2015 was MXN775m, a decrease of MXN318m or 29.1% compared with the same period of 2014. This decrease is explained by lower gains in the mark-to-market of derivative transactions and losses in FX transactions tied to market volatility, partially offset by gains in the mark-to-market of fixed income transactions.

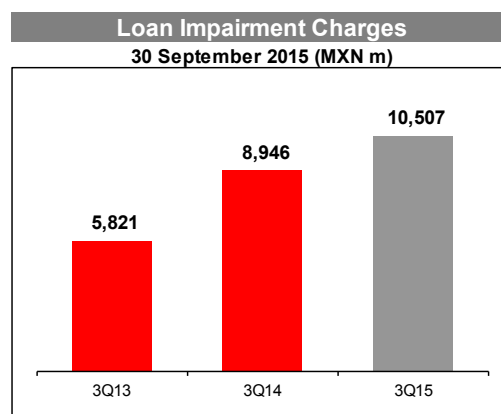


► **Other operating income**

Other operating income was MXN6,045m, an increase of MXN418m or 7.4% compared with the same period of 2014, mainly due to a release of loan loss allowances of one of the commercial loans in the first quarter of 2015.

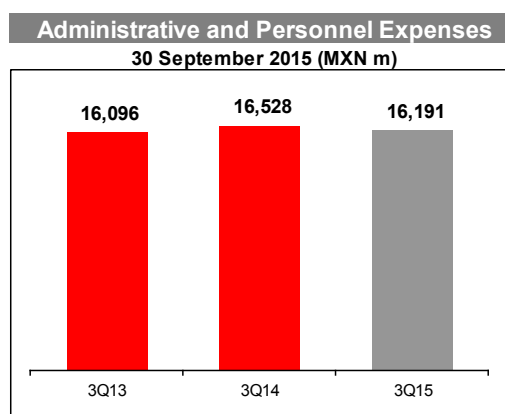
Loan Impairment Charges

For the nine months to 30 September 2015, the Group's loan impairment charges were MXN10,507m, an increase of MXN1,561m or 17.4% compared with the same period of 2014. In line with the progress of the Commercial Insolvency and Bankruptcy Law (known as 'concurso mercantil') processes for certain existing customers of the homebuilders' portfolio, their loan losses allowances levels have been increased in the third quarter of 2015 by MXN1,780m.



Administrative and Personnel Expenses

The Group's administrative and personnel expenses for the nine months to 30 September 2015 were MXN16,191m, a decrease of MXN337m or 2.0% compared with the same period of 2014. This decrease is mainly due to lower staff and depreciation costs.



Balance sheet Variance Analysis

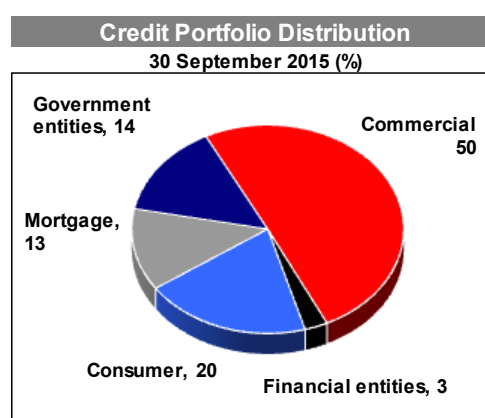
At 30 September 2015, the Group's total assets amounted MXN623,124m, which represents an increase of MXN25,903m or 4.3%, compared with 30 September 2014. This increase was mainly driven by an increase in net loans and advances to customers and derivative transactions, partially offset by lower investment in securities.

Loan portfolio

The Group's performing loan portfolio balance was MXN217,610m at 30 September 2015, an increase of 10.7% compared with 30 September 2014. This increase was driven by higher loans in all segments.

► Commercial loans (including financial and government entities)

At 30 September 2015, the performing commercial portfolio (including financial and government entities) increased 8.9% in comparison with 30 September 2014; mainly driven by an increase of MXN6,856m and MXN5,790m in loans to government entities and commercial loans respectively.



► Consumer loans

At 30 September 2015, performing consumer loans increased 17.9% compared with 30 September 2014, mainly due to an increase in volumes in personal and payroll loans, and higher credit card balances.

► Mortgage loans

The mortgage performing loan portfolio increased 10.3% compared with 30 September 2014, mainly due to the reinforcement in sales channels and campaigns with one of the most attractive rate offer in the market.

Asset quality

As of 30 September 2015, the Group's impaired loan portfolio was MXN12,566m, a decrease of MXN545m or 4.2% compared with 30 September 2014. The lower impaired loan portfolio is mainly due to lower impaired consumer 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 5.5% compared with 6.3% at 30 September 2014. The total coverage ratio (allowance for loan losses divided by impaired loans) was 115.3% at 30 September 2015 compared with 90.5% at 30 September 2014. The higher coverage ratio reflects the update of loans loss allowances on certain existing customers of the homebuilders' portfolio in line with the progress of the Commercial Insolvency and Bankruptcy Law ('concurso mercantil') processes.

Deposits

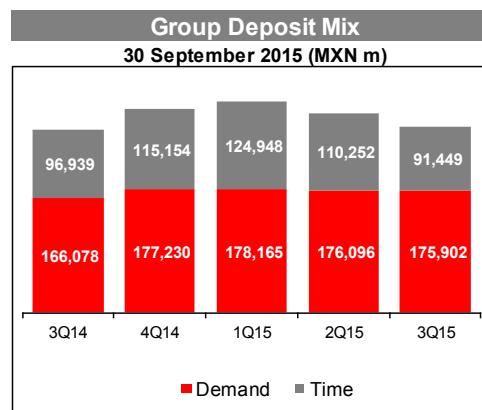
The Group's total deposits at 30 September 2015 were MXN273,464m, an increase of 1.5% compared with 30 September 2014.

► Demand deposits

At 30 September 2015, demand deposits were MXN175,902m, an increase of 5.9% compared with 30 September 2014, mainly due to higher volumes in retail and commercial segments.

► Time deposits

Total time deposits were MXN91,449m at 30 September 2015, a decrease of 5.7% compared to 30 September 2014 due to pricing strategies.



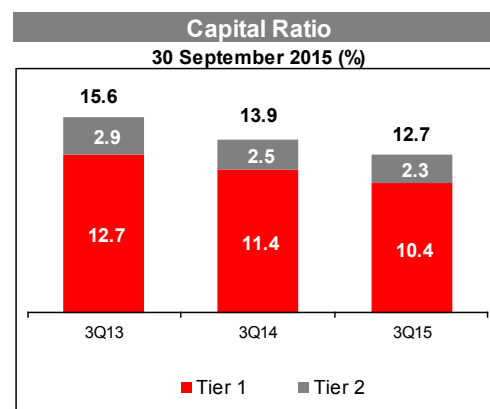
Shareholder's equity

At 30 September 2015, the Group's equity amounted to MXN53,171m, a decrease of 2.2% compared to 30 September 2014.

The Bank's equity was MXN47,669m, at 30 September 2015, a decrease of 1.8% compared to 30 September 2014.

Capital Adequacy Ratio

The Bank's capital adequacy ratio at 30 September 2015 was 12.7%, placing it well above the authorities' requirements. The Tier 1 capital ratio at the end of the reporting period is 10.4



Financial Situation, Liquidity and Capital Resources

Group's balance structure has maintained its liquidity. Cash and investments in securities represent 30.5% of total assets. Total assets were MXN623,124m, an increase of MXN25,903m in comparison with 30 September 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.

	<u>30 Sep</u> <u>2014</u>	<u>31 Dec</u> <u>2014</u>	<u>31 Mar</u> <u>2015</u>	<u>30 Jun</u> <u>2015</u>	<u>30 Sep</u> <u>2015</u>
Assets					
Cash and deposits in banks	32,372	40,690	41,556	32,734	51,812
Margin Accounts	5	7	18	62	38
Investments in Securities	237,781	219,533	196,530	180,592	138,458
Trading securities	64,994	55,004	47,805	59,495	37,346
Available-for-sale securities	141,064	132,527	116,627	89,874	69,778
Held to maturity securities	31,723	32,002	32,098	31,223	31,334
Reverse repurchase agreements	-	-	8,791	9,411	23,623
Derivative transactions	52,497	80,041	77,240	72,820	87,047
Performing loans					
Commercial loans	134,805	156,993	145,011	146,255	146,742
Commercial entities	103,722	114,574	107,022	107,633	109,512
Loans to financial intermediaries	6,677	9,878	6,629	6,322	5,968
Loans to government entities	24,406	32,541	31,360	32,300	31,262
Consumer loans	36,544	36,371	36,974	38,902	43,096
Mortgages loans	25,176	25,853	26,086	26,742	27,772
Total performing loans	196,525	219,217	208,071	211,899	217,610
Impaired loans					
Commercial loans	10,863	10,102	10,400	10,970	10,696
Commercial entities	10,778	10,017	10,315	10,920	10,646
Financial entities	-	-	-	-	-
Loans to government entities	85	85	85	50	50
Consumer loans	1,644	1,568	1,301	1,345	1,331
Mortgages loans	604	573	548	552	539
Total non-performing loans	13,111	12,243	12,249	12,867	12,566
Loan portfolio	209,636	231,460	220,320	224,766	230,176
Allowance for loan losses	(11,869)	(12,693)	(12,094)	(12,619)	(14,491)
Net loan portfolio	197,767	218,767	208,226	212,147	215,685
Accounts receivable from insurance and bonding companies	41	58	71	80	85
Premium receivables	48	36	39	46	41
Accounts receivables from reinsurers and rebonding companies	56	59	58	63	63
Benefits to be received from trading operations	163	147	140	133	131
Other accounts receivable, net	57,284	34,834	79,228	86,958	85,948
Foreclosed assets	81	73	95	80	122
Property, furniture and equipment, net	6,362	6,146	5,994	5,769	5,486
Long term investments in equity securities	228	239	253	241	250
Long-term assets available for sale	1	-	-	-	17
Deferred taxes, net	8,399	8,710	8,604	8,945	10,156
Goodwill	1,048	1,048	1,048	1,048	1,048
Other assets, deferred charges and intangibles	3,088	3,309	4,107	3,030	3,114
Total Assets	<u>597,221</u>	<u>613,697</u>	<u>631,998</u>	<u>614,159</u>	<u>623,124</u>

Figures in MXN millions

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

	<u>30 Sep 2014</u>	<u>31 Dec 2014</u>	<u>31 Mar 2015</u>	<u>30 Jun 2015</u>	<u>30 Sep 2015</u>
Liabilities					
Deposits	269,329	298,617	309,538	292,380	273,464
Demand deposits	166,078	177,230	178,165	176,096	175,902
Time deposits	96,939	115,154	124,948	110,252	91,449
Retail	96,939	92,680	91,991	91,569	89,447
Money market	-	22,474	32,957	18,683	2,002
Bank bonds outstanding	6,312	6,233	6,425	6,032	6,113
Bank deposits and other liabilities	31,882	42,021	30,435	27,122	37,880
On demand	9,641	13,765	2,100	-	10,121
Short term	20,731	26,088	24,661	23,504	24,007
Long term	1,510	2,168	3,674	3,618	3,752
Repurchase agreements	89,503	60,247	38,187	37,379	25,226
Stock Borrowing	-	-	-	-	-
Financial assets pending to be settled	494	-	2,009	4,276	384
Collateral Sold	17,506	21,897	17,313	16,366	18,375
Repurchase	70	11	-	-	-
Securities to be received in repo transactions	17,436	21,886	17,313	16,366	18,375
Derivative transactions	51,750	81,279	75,151	73,024	92,196
Technical reserves	12,056	12,253	12,316	12,315	12,332
Reinsurers	15	10	7	13	5
Other accounts payable	60,010	32,388	82,355	85,727	98,319
Income tax and employee profit sharing payable	441	165	24	98	85
Creditors for settlement of transactions	42,279	9,346	61,913	64,042	72,661
Sundry creditors and others accounts payable	17,290	22,877	20,418	21,587	25,573
Subordinated debentures outstanding	9,602	10,144	10,361	10,529	11,029
Deferred credits	708	710	684	712	743
Total Liabilities	<u>542,855</u>	<u>559,566</u>	<u>578,356</u>	<u>559,843</u>	<u>569,953</u>
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	16,538	16,303	15,815	16,489	15,344
Capital reserves	2,644	2,644	2,644	2,644	2,644
Retained earnings	11,215	11,215	11,646	11,646	11,646
Result from the mark-to-market of					
Available-for-sale securities	200	489	285	224	(336)
Result from cash flow hedging transactions	(3)	(26)	(223)	(72)	(129)
Net Income	2,482	1,981	1,463	2,047	1,519
Non-controlling interest	5	5	4	4	4
Total Stockholder's Equity	<u>54,366</u>	<u>54,131</u>	<u>53,642</u>	<u>54,316</u>	<u>53,171</u>
Total Liabilities and Capital	<u>597,221</u>	<u>613,697</u>	<u>631,998</u>	<u>614,159</u>	<u>623,124</u>

Figures in MXN millions

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

	<u>30 Sep</u> <u>2014</u>	<u>31 Dec</u> <u>2014</u>	<u>31 Mar</u> <u>2015</u>	<u>30 Jun</u> <u>2015</u>	<u>30 Sep</u> <u>2015</u>
Memorandum Accounts	4,730,217	5,052,629	4,826,392	5,128,335	5,813,921
Proprietary position	4,680,333	5,005,300	4,781,384	5,085,976	5,771,670
Irrevocable lines of credit granted	-	-	-	-	-
Goods in trust or mandate	-	-	-	-	-
Trust	32,801	33,874	31,239	245,360	264,067
Mandate	471,811	458,166	454,445	434,780	447,791
Goods in custody or under administration	471,156	457,525	453,589	433,925	446,938
Collateral received by the institution	655	641	856	855	853
Collateral received and sold or delivered as guarantee	419,435	494,422	480,684	586,685	969,229
Values in deposit	17,861	21,979	37,595	27,099	43,916
Suspended interest on impaired loans	17,506	21,897	32,064	17,423	30,778
Recovery guarantees for issued bonds	-	-	-	-	-
Paid claims	309	276	219	227	213
Cancelled claims	-	-	-	-	-
Recovery claims	-	-	-	-	-
Responsibilities from bonds in force	-	-	-	-	-
Other control accounts	-	-	-	-	-
	<u>30 Sep</u> <u>2014</u>	<u>31 Dec</u> <u>2014</u>	<u>31 Mar</u> <u>2015</u>	<u>30 Jun</u> <u>2015</u>	<u>30 Sep</u> <u>2015</u>
Third party accounts	49,884	47,329	45,008	42,359	42,251
Clients current accounts	-	-	1	-	-
Custody operations	2,216	1,096	1,116	1,082	1,794
Transactions on behalf of clients	-	-	-	-	-
Third party investment banking operations, net	47,668	46,233	43,891	41,277	40,457

The present balance statement was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission as specified in Article 30 of the Law for Credit Institutions, of general observance and mandatory, applied in a consistent manner, this statement reflects all operations performed by the institution up to the date mentioned above, these operations were performed following healthy banking practice and following applicable legal and administrative requirements. The present statement has been approved by the Board of Directors under the responsibility of the signing officers.

Historical paid in capital of the Institution amounts to MXN 5,637 million.

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LUIS PEÑA KEGEL
Chief Executive Officer

GUSTAVO I. MÉNDEZ NARVÁEZ
Chief Financial Officer

GUILLERMO COLQUHOUN
Director of Internal Audit

JOSÉ CADENA OROZCO
Chief Accountant

Consolidated Income Statement

Figures in MXN millions

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

	For the quarter ending				Year to date		
	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015	30 Sep 2015	30 Sep 2015	
Interest Income	7,827	7,743	7,565	7,177	7,178	23,045	21,920
Earned premiums	784	711	705	705	713	2,182	2,123
Interest expense	(2,317)	(2,217)	(2,131)	(1,982)	(1,717)	(6,691)	(5,830)
Net Increase in technical reserves	(138)	(208)	5	63	13	(494)	81
Claims	(512)	(468)	(537)	(584)	(535)	(1,293)	(1,656)
Net interest income	<u>5,644</u>	<u>5,561</u>	<u>5,607</u>	<u>5,379</u>	<u>5,652</u>	<u>16,749</u>	<u>16,638</u>
Loan impairment charges	(2,629)	(3,219)	(3,377)	(2,948)	(4,182)	(8,946)	(10,507)
Risk adjusted net interest income	<u>3,015</u>	<u>2,342</u>	<u>2,230</u>	<u>2,431</u>	<u>1,470</u>	<u>7,803</u>	<u>6,131</u>
Fees and commissions receivable	2,122	2,129	1,974	2,020	2,014	6,167	6,008
Fees payable	(432)	(434)	(444)	(446)	(487)	(1,281)	(1,377)
Trading Income	168	142	223	443	109	1,093	775
Other operating income	1,169	942	3,128	1,644	1,273	5,627	6,045
Administrative and personnel expenses	(5,503)	(5,686)	(5,331)	(5,414)	(5,446)	(16,528)	(16,191)
Net operating income	<u>539</u>	<u>(565)</u>	<u>1,780</u>	<u>678</u>	<u>(1,067)</u>	<u>2,881</u>	<u>1,391</u>
Share of profits in equity interest	15	11	13	12	9	38	34
Net income before taxes	<u>554</u>	<u>(554)</u>	<u>1,793</u>	<u>690</u>	<u>(1,058)</u>	<u>2,919</u>	<u>1,425</u>
Income tax and employee profit sharing tax	(486)	201	(161)	(324)	(74)	(1,206)	(559)
Deferred income tax	274	(156)	(170)	218	604	891	652
Income from ongoing operations	<u>342</u>	<u>(509)</u>	<u>1,462</u>	<u>584</u>	<u>(528)</u>	<u>2,604</u>	<u>1,518</u>
Discontinued operations	-	8	-	-	-	(121)	-
Non-controlling interest	-	-	1	-	-	(1)	1
Net income (loss)	<u>342</u>	<u>(501)</u>	<u>1,463</u>	<u>584</u>	<u>(528)</u>	<u>2,482</u>	<u>1,519</u>

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

LUIS PEÑA KEGEL
Chief Executive Officer

GUSTAVO I. MÉNDEZ NARVÁEZ
Chief Financial Officer

GUILLERMO COLQUHOUN
Director of Internal Audit

JUAN JOSÉ CADENA OROZCO
Chief Accountant

Consolidated Statement of Changes in Shareholder's Equity

Figures in MXN millions
From 1 January to 30 September 2015

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

	Paid in capital				Earned capital					Non-controlling interest	Total Stock-holders Equity	
	Capital Stock	Advances for future capital increases	Shares Premiums	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
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	-	-	-	-	-	-	-	-	-	1,519	-	1,519
Result from valuation of available-for-sale securities	-	-	-	-	-	-	(825)	-	-	-	-	(825)
Result from cash flow hedging transactions	-	-	-	-	-	-	-	(103)	-	-	-	(103)
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Total Movements Inherent for the Recognition of the Comprehensive Income	-	-	-	-	-	-	(825)	(103)	-	1,519	(1)	590
Balances at 30 September 2015	37,823	-	-	-	2,644	11,646	(336)	(129)	-	1,519	4	54,171

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

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

GUSTAVO I. MÉNDEZ NARVÁEZ
Chief Financial Officer

GUILLERMO COLQUHOUN
Director of Internal Audit

JUAN JOSÉ CADENA OROZCO
Chief Accountant

Consolidated Statement of Cash Flow

Figures in MXN millions

From 1 January to 30 September 2015

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

Net income	1,519
Depreciation	813
Amortization	329
Provisions	3,179
Income Tax and deferred taxes	(93)
Technical reserves	(81)
Discontinued operations	-
Share of profits in equity interest	(35)
Adjustments for items not involving cash flow:	4,112
Changes in items related to operating activities:	
Margin accounts	(31)
Investment securities	80,108
Repurchase agreements	(23,623)
Derivative (assets)	(7,160)
Loan portfolio	3,081
Benefits to be received from trading operations	16
Accounts receivables from premiums	(4)
Accounts receivables from reinsurers and coinsurers	(31)
Foreclosed assets	(49)
Operating assets	(50,950)
Deposits	(25,154)
Bank deposits and other liabilities	(4,142)
Creditors repo transactions	(35,021)
Collateral sold or delivered as guarantee	(3,521)
Derivative (liabilities)	10,918
Reinsurers and bonding	(5)
Subordinated debentures outstanding	885
Other operating liabilities	62,387
Income tax payable	(220)
Funds provided by operating activities	7,484
Investing activities:	
Acquisition of property, furniture and equipment	(232)
Intangible assets acquisitions	(329)
Cash dividends	23
Other investment activities	95
Funds used in investing activities	(443)
Financing activities:	
Cash dividends	(1,550)
Funds used in financing activities	(1,550)
Increase/decrease in cash and equivalents	11,122
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	51,812

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
Chief Executive Officer

GUSTAVO I. MÉNDEZ NARVÁEZ
Chief Financial Officer

GUILLERMO COLQUHOUN
Director of Internal Audit

JOSÉ CADENA OROZCO
Chief Accountant

Financial Statements HSBC Mexico, S.A.**Consolidated Balance Sheet**

Figures in MXN millions

HSBC Mexico, S.A. (Bank)

	<u>30 Sep 2014</u>	<u>31 Dec 2014</u>	<u>31 Mar 2015</u>	<u>30 Jun 2015</u>	<u>30 Sep 2015</u>
Assets					
Cash and deposits in banks	32,370	40,689	41,556	32,734	51,812
Margin Accounts	5	7	18	62	38
Investment in Securities	221,558	203,153	181,439	165,133	122,325
Trading securities	59,879	49,996	44,348	55,784	34,466
Available-for-sale securities	141,064	132,527	116,471	88,735	67,199
Held to maturity securities	20,615	20,630	20,620	20,614	20,660
Reverse repurchase agreements	-	-	8,791	9,411	23,623
Derivative transactions	52,497	80,041	77,240	72,820	87,047
Performing loans					
Commercial loans	134,805	156,993	145,011	146,255	146,742
Commercial entities	103,722	114,574	107,022	107,633	109,512
Loans to financial intermediaries	6,677	9,878	6,629	6,322	5,968
Loans to government entities	24,406	32,541	31,360	32,300	31,262
Consumer loans	36,544	36,371	36,974	38,902	43,096
Mortgages loans	25,176	25,853	26,086	26,742	27,772
Total performing loans	196,525	219,217	208,071	211,899	217,610
Impaired loans					
Commercial loans	10,863	10,102	10,400	10,970	10,696
Commercial entities	10,778	10,017	10,315	10,920	10,646
Loans to financial intermediaries	-	-	-	-	-
Loans to government entities	85	85	85	50	50
Consumer loans	1,644	1,568	1,301	1,345	1,331
Mortgage Loans	604	573	548	552	539
Total non-performing loans	13,111	12,243	12,249	12,867	12,566
Total loan portfolio	209,636	231,460	220,320	224,766	230,176
Allowance for loan losses	(11,869)	(12,693)	(12,094)	(12,619)	(14,491)
Net loan portfolio	197,767	218,767	208,226	212,147	215,685
Benefits to be received from trading operations	163	147	140	133	131
Other accounts receivable	56,148	34,412	78,168	86,413	85,077
Foreclosed assets	81	73	95	80	122
Property, furniture and equipment, net	6,362	6,146	5,994	5,769	5,486
Long term investments in equity securities	141	153	166	153	164
Long term assets available for sale	-	-	-	-	17
Deferred taxes	8,241	8,620	8,479	8,801	9,990
Other assets, deferred charges and intangibles	2,950	3,042	3,785	2,824	3,036
Total Assets	578,283	595,250	614,097	596,480	604,553

Figures in MXN millions

HSBC Mexico, S.A. (Bank)

	<u>30 Sep</u> <u>2014</u>	<u>31 Dec</u> <u>2014</u>	<u>31 Mar</u> <u>2015</u>	<u>30 Jun</u> <u>2015</u>	<u>30 Sep</u> <u>2015</u>
Liabilities					
Deposits	269,863	299,257	310,207	293,095	273,967
Demand deposits	166,612	177,870	178,834	176,811	176,405
Time deposits	96,939	115,154	124,948	110,252	91,449
Retail	96,939	92,680	91,991	91,569	89,447
Money market	-	22,474	32,957	18,683	2,002
Bank bonds outstanding	6,312	6,233	6,425	6,032	6,113
Bank deposits and other liabilities	31,882	42,021	30,435	27,122	37,880
On demand	9,641	13,765	2,100	-	10,121
Short term	20,731	26,088	24,661	23,504	24,007
Long term	1,510	2,168	3,674	3,618	3,752
Repurchase agreements	89,503	60,247	38,187	37,379	25,226
Stock Borrowing	-	-	-	-	-
Financial assets pending to be settled	494	-	2,009	4,276	384
Collateral Sold	17,506	21,897	17,313	16,366	18,375
Repurchase	70	11	-	-	-
Securities to be received in repo transactions	17,436	21,886	17,313	16,366	18,375
Derivative transactions	51,750	81,279	75,152	73,024	92,196
Other accounts payable	58,417	31,647	80,959	84,792	97,084
Income tax and employee profit sharing payable	366	100	-	74	67
Contributions for future capital increases	-	-	-	-	-
Creditors for settlement of transactions	41,099	8,953	60,860	63,476	71,767
Sundry creditors and others accounts payable	16,952	22,594	20,099	21,242	25,250
Subordinated debentures outstanding	9,602	10,144	10,361	10,529	11,029
Deferred credits	709	712	686	713	743
Total Liabilities	<u>529,726</u>	<u>547,204</u>	<u>565,309</u>	<u>547,296</u>	<u>556,884</u>
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	15,786	15,275	16,018	16,414	14,899
Capital reserves	11,188	11,188	11,188	11,273	11,273
Retained earnings	2,770	2,770	3,624	3,539	3,539
Result from the mark-to-market of Available-for-sale securities	200	489	286	225	(337)
Result from cash flow hedging transactions	(3)	(26)	(223)	(72)	(129)
Net Income	1,631	854	1,143	1,449	553
Non-controlling interest	3	3	2	2	2
Total Stockholder's Equity	<u>48,557</u>	<u>48,046</u>	<u>48,788</u>	<u>49,184</u>	<u>47,669</u>
Total Liabilities and Capital	<u>578,283</u>	<u>595,250</u>	<u>614,097</u>	<u>596,480</u>	<u>604,553</u>

Figures in MXN millions

HSBC Mexico, S.A. (Bank)

	<u>30 Sep 2014</u>	<u>31 Dec 2014</u>	<u>31 Mar 2015</u>	<u>30 Jun 2015</u>	<u>30 Sep 2015</u>
Memorandum Accounts					
Guarantees granted	-	-	-	-	-
Contingent assets and liabilities	-	-	-	-	-
Irrevocable lines of credit granted	32,801	33,874	31,239	245,360	264,067
Goods in trust or mandate	471,811	458,166	454,445	434,780	447,791
Goods	471,156	457,525	453,589	433,925	446,938
Trusts	655	641	856	855	853
Goods in custody or under administration	413,799	488,786	475,047	581,049	963,592
Collateral received by the institution	17,861	21,979	37,595	27,099	43,916
Collateral received and sold or delivered as guarantee	17,506	21,897	32,063	17,423	30,778
Third party investment banking operations, net	47,668	46,233	43,891	41,277	40,456
Suspended interest on impaired loans	309	276	219	227	213
Other control accounts	<u>3,715,601</u>	<u>3,969,619</u>	<u>3,740,994</u>	<u>3,770,256</u>	<u>4,011,780</u>
	<u>4,717,356</u>	<u>5,040,830</u>	<u>4,815,493</u>	<u>5,117,471</u>	<u>5,802,593</u>

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

GUSTAVO I. MÉNDEZ NARVÁEZ
Chief Financial Officer

GUILLERMO COLQUHOUN
Director of Internal Audit

JOSÉ CADENA OROZCO
Chief Accountant

Consolidated Income Statement

Figures in MXN millions

HSBC Mexico, S.A. (Bank)

	For the quarter ending				Year to date		
	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015	30 Sep 2015	30 Sep 2015	
Interest income	7,532	7,367	7,320	6,951	6,907	22,174	21,178
Interest expense	(2,319)	(2,220)	(2,135)	(1,923)	(1,720)	(6,667)	(5,778)
Net interest income	<u>5,213</u>	<u>5,147</u>	<u>5,185</u>	<u>5,028</u>	<u>5,187</u>	<u>15,507</u>	<u>15,400</u>
Loan impairment charges	(2,630)	(3,218)	(3,377)	(2,948)	(4,182)	(8,946)	(10,507)
Risk adjusted net interest income	<u>2,583</u>	<u>1,929</u>	<u>1,808</u>	<u>2,080</u>	<u>1,005</u>	<u>6,561</u>	<u>4,893</u>
Fees and commissions receivable	1,949	2,014	1,866	1,869	1,883	5,755	5,618
Account management	67	65	55	56	54	199	165
Services	1,882	1,949	1,811	1,813	1,829	5,556	5,453
Fees payable	(431)	(446)	(448)	(441)	(498)	(1,280)	(1,387)
Trading Income	206	176	262	461	143	1,139	866
Foreign exchange	(264)	996	(1,738)	616	(125)	(317)	(1,247)
Securities trading, net	222	238	469	121	192	443	782
Swaps	389	564	229	290	264	1,832	783
Valuation off-shore agencies	27	(947)	1,715	(815)	255	(499)	1,155
Valuation for trading swaps	(15)	(93)	34	327	(281)	26	80
Valuation for FX options	(153)	(582)	(447)	(78)	(162)	(346)	(687)
Other operating income	1,218	1,009	3,171	1,707	1,298	5,779	6,176
Administrative and personnel expenses	5,458	5,658	5,323	5,381	5,403	16,423	16,107
Personnel expense	2,400	2,267	2,482	2,537	2,150	7,265	7,169
Administrative expense	2,602	2,900	2,485	2,472	2,838	7,898	7,795
Depreciation and amortization	<u>456</u>	<u>491</u>	<u>356</u>	<u>372</u>	<u>415</u>	<u>1,260</u>	<u>1,143</u>
Net operating income	<u>67</u>	<u>(976)</u>	<u>1,336</u>	<u>295</u>	<u>(1,572)</u>	<u>1,531</u>	<u>59</u>
Share of profits in equity interest	<u>13</u>	<u>12</u>	<u>12</u>	<u>11</u>	<u>10</u>	<u>35</u>	<u>33</u>
Net income before taxes	<u>80</u>	<u>(964)</u>	<u>1,348</u>	<u>306</u>	<u>(1,562)</u>	<u>1,566</u>	<u>92</u>
Income tax	(328)	276	(1)	(200)	83	(755)	(118)
Deferred income tax	<u>234</u>	<u>(89)</u>	<u>(205)</u>	<u>200</u>	<u>583</u>	<u>821</u>	<u>578</u>
Net income before discontinued operations	<u>(14)</u>	<u>(777)</u>	<u>1,142</u>	<u>306</u>	<u>(896)</u>	<u>1,632</u>	<u>552</u>
Discontinued operations	-	-	-	-	-	-	-
Non-controlling interest	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>1</u>
Net income (loss)	<u>(14)</u>	<u>(777)</u>	<u>1,143</u>	<u>306</u>	<u>(896)</u>	<u>1,631</u>	<u>553</u>

The present income statement was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission as specified in Articles 99, 101 and 102 of the Law for Credit Institutions of general observance and mandatory, applied in a consistent manner. This statement reflects all 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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Director of Internal Audit

JOSÉ CADENA OROZCO
Chief Accountant

Consolidated Statement of Changes in Shareholder's Equity

Figures in MXN millions

HSBC Mexico, S.A. (Bank)

From 1 January to 30 September 2015

	Paid in capital				Earned Capital					Non-controlling interest	Total stockholder's Equity	
	Capital Stock	Advances for future capital increases	Shares Premium	Subordinated debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement	Results from holding non-monetary assets			Net Income
Balances at 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	-	-	-	-	-	-	-	-	-	553	(1)	552
Result from valuation of available-for-sale securities	-	-	-	-	-	-	(826)	-	-	-	-	(826)
Result from cash flow hedging transactions	-	-	-	-	-	-	-	(103)	-	-	-	(103)
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent for the Recognition of the Comprehensive Income	-	-	-	-	-	-	(826)	(103)	-	553	(1)	(377)
Balances as at 30 September 2015	5,680	-	27,088	-	11,273	3,539	(337)	(129)	-	553	2	47,669

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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GUILLERMO COLQUHOUN
Director of Internal Audit

JUAN JOSÉ CADENA OROZCO
Chief Accountant

Consolidated Statement of Cash Flow

Figures in MXN millions
From 1 January to 30 September 2015

HSBC Mexico, S.A. (Bank)

Net income	553
Depreciation	813
Amortization	329
Provisions	3,131
Income Tax and deferred taxes	(460)
Share of profits in equity interest	(34)
Other	-
Adjustments for items not involving cash flow:	3,779
Changes in items related to operating activities:	
Memorandum accounts	(31)
Investment securities	79,861
Repurchase agreements	(23,623)
Derivative (assets)	(7,160)
Loan portfolio	3,081
Benefits to be received from trading operations	16
Foreclosed assets	(49)
Operating assets	(50,706)
Deposits	(25,291)
Bank deposits and other liabilities	(4,142)
Creditors repo transactions	(35,021)
Stock borrowing	-
Collateral sold or delivered as guarantee	(3,521)
Derivative (liabilities)	10,918
Subordinated debentures outstanding	885
Other operating liabilities	62,001
Other	-
Funds provided by operating activities	7,218
Investing activities:	
Acquisition of property, furniture and equipment	(232)
Intangible assets acquisitions	(329)
Proceeds on disposal of long-lived assets available for sale	2
Cash dividends	23
Others	109
Funds used in investing activities	(427)
Financing activities:	
Cash dividends	-
Funds used or provided by financing activities	-
Increase/decrease in cash and equivalents	11,123
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	51,812

The present Statement of Cash Flows was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission, as specified in Articles 99, 101 and 102 of the Law for Credit Institutions of general observance and mandatory, applied in a consistent manner. This statement reflects all movements in funds derived from the operations performed by the Institution up to the date mentioned above.

These operations were performed following healthy banking practice and following applicable legal and administrative requirements.

The present Statement of Cash Flows has been approved by the Board of Directors under the responsibility of signing the officers.

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Investment in securities

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

Figures in MXN millions

	<u>30 Sep 2014</u>	<u>31 Dec 2014</u>	<u>31 Mar 2015</u>	<u>30 Jun 2015</u>	<u>30 Sep 2015</u>
Government securities	55,634	47,874	42,536	54,260	31,337
Bank securities	4,203	1,105	1,233	852	897
Shares	3,144	4,186	2,666	2,867	3,422
Corporate securities	2,013	1,839	1,370	1,516	1,690
Trading securities	<u>64,994</u>	<u>55,004</u>	<u>47,805</u>	<u>59,495</u>	<u>37,346</u>
Government securities	137,052	128,323	112,563	85,735	65,500
Bank securities	1,880	1,874	1,884	1,860	1,880
Shares	-	-	-	-	-
Corporate securities	2,132	2,330	2,180	2,279	2,398
Available for sale securities	<u>141,064</u>	<u>132,527</u>	<u>116,627</u>	<u>89,874</u>	<u>69,778</u>
Government securities*	26,041	25,302	25,377	24,517	24,586
Bank securities	97	149	150	149	150
Special Cetes	5,066	5,103	5,138	5,176	5,216
Corporate securities	519	1,448	1,433	1,381	1,382
Held to maturity securities	<u>31,723</u>	<u>32,002</u>	<u>32,098</u>	<u>31,223</u>	<u>31,334</u>
Total Investment in Securities	<u>237,781</u>	<u>219,533</u>	<u>196,530</u>	<u>180,592</u>	<u>138,458</u>

*As of September, 30th, 2015, the valuation of Special Cetes associated with "Programa de Apoyo para Deudores de Créditos de Vivienda, Programa de Apoyo para la Edificación de Vivienda en Proceso de Construcción en su etapa de Créditos Individualizados & Programa de Apoyo Crediticio a los Estados y Municipios" amounting to MXN5,216m. The Special Cetes are booked as Held to Maturity securities within Government Securities classification.

Repurchase and Reverse repurchase agreements

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

Figures in MXN millions

	<i>Purchaser</i>				
	<u>30 Sep 2014</u>	<u>31 Dec 2014</u>	<u>31 Mar 2015</u>	<u>30 Jun 2015</u>	<u>30 Sep 2015</u>
Repo operations	-	-	17,006	10,368	26,142
Collaterals sold or pledged	(70)	(11)	(8,215)	(957)	(2,519)
Total repurchase agreements	<u>(70)</u>	<u>(11)</u>	<u>8,791</u>	<u>9,411</u>	<u>23,623</u>
	<i>Seller</i>				
	<u>30 Sep 2014</u>	<u>31 Dec 2014</u>	<u>31 Mar 2015</u>	<u>30 Jun 2015</u>	<u>30 Sep 2015</u>
Repo operations	89,503	60,247	38,187	37,379	25,226
Collaterals sold or pledged	-	-	-	-	-
	<u>89,503</u>	<u>60,247</u>	<u>38,187</u>	<u>37,379</u>	<u>25,226</u>

Derivative transactions

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

Figures in MXN millions at September 30, 2015

Fair value of derivatives for trading purposes

	<i>Swaps</i>		<i>Forwards</i>		<i>Options</i>		<i>Futures</i>		<i>Net</i>
	<i>Asset</i>	<i>Liability</i>	<i>Asset</i>	<i>Liability</i>	<i>Asset</i>	<i>Liability</i>	<i>Asset</i>	<i>Liability</i>	
Currency	42,464	45,956	17,095	15,532	123	123	-	-	(1,929)
Interest Rate	27,058	28,629	89	89	117	94	-	-	(1,548)
Equities	-	-	85	85	-	-	-	-	-
Total	69,522	74,585	17,269	15,706	240	217	-	-	(3,477)

Fair value of derivatives for hedging purposes

	<i>Swaps</i>		<i>Forwards</i>		<i>Options</i>		<i>Futures</i>		<i>Net</i>
	<i>Asset</i>	<i>Liability</i>	<i>Asset</i>	<i>Liability</i>	<i>Asset</i>	<i>Liability</i>	<i>Asset</i>	<i>Liability</i>	
Currency	-	1,234	-	-	-	-	-	-	(1,234)
Interest Rate	16	454	-	-	-	-	-	-	(438)
Total	16	1,688	-	-	-	-	-	-	(1,672)

Collateral received and sold or delivered as guarantee

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

Figures in MXN millions

	<u>30 Sep 2014</u>	<u>31 Dec 2014</u>	<u>31 Mar 2015</u>	<u>30 Jun 2015</u>	<u>30 Sep 2015</u>
<i>Pledged (Restricted securities):</i>					
Trading securities	37,766	33,319	22,381	27,955	15,955
Securities available for sale	56,060	35,420	16,310	35,420	17,540
Securities held to maturity	14,292	14,302	14,024	14,302	-
	<u>108,118</u>	<u>83,041</u>	<u>52,715</u>	<u>77,677</u>	33,495
<i>Received (in memorandum accounts):</i>					
In respect of repo transactions	-	-	17,031	10,385	26,156
In respect of securities loan:	-	-	-	-	-
Fixed income	17,861	21,979	20,564	16,714	17,760
	<u>17,861</u>	<u>21,979</u>	<u>37,595</u>	<u>27,099</u>	43,916
<i>Collateral sold or pledged as guarantee:</i>					
In respect of repo transaction	-	-	14,036	1,056	12,266
In respect of securities loan	70	11	715	-	137
Fixed income	17,436	21,886	17,312	16,367	18,375
	<u>17,506</u>	<u>21,897</u>	<u>32,063</u>	<u>17,423</u>	30,778

Loan Portfolio

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

Figures in MXN millions at September 30, 2015

	Commercial or Business Activity	Financial Intermediaries	Government Entities	Consumer Loans	Mortgage Loans	Total
Non Impaired Loan Portfolio						
Pesos	79,619	5,906	31,262	43,096	27,104	186,987
US Dollars	29,893	62	-	-	-	29,955
Udis	-	-	-	-	668	668
Total	109,512	5,968	31,262	43,096	27,772	217,610

Impaired Loan Portfolio

Pesos	10,179	-	50	1,331	496	12,056
US Dollars	332	-	-	-	-	332
Udis	135	-	-	-	43	178
Total	10,646	-	50	1,331	539	12,566

Loan Portfolio Grading

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

Figures in constant MXN millions at September 30, 2015

	Total loan portfolio	Allowance for Loan Losses by type of loan			Total reserves
		Commercial loans	Consumer loans	Mortgages loans	
Excepted from rating	0				
Rated	494,245				
Risk A	402,890	900	35	82	1,017
Risk A-1	367,160	464	35	82	581
Risk A-2	35,730	436	0	0	436
Risk B	67,639	666	2,445	138	3,249
Risk B-1	44,981	346	1,534	138	2,018
Risk B-2	16,524	96	911	0	1,007
Risk B-3	6,134	224	0	0	224
Risk C	9,882	549	714	157	1,420
Risk C-1	8,503	392	714	157	1,263
Risk C-2	1,379	157	0	0	157
Risk D	8,266	2,791	1,001	6	3,798
Risk E	5,568	4,928	56	23	5,007
Total	494,245	9,834	4,251	406	14,491
Less:					
Constituted loan loss allowances					14,491
Surplus					-

The figures related to the rating and constitution of loan loss allowances correspond to those as at September 30, 2015 and include 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 5 October 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 30 September, 2015, the increase in loan loss allowances charged to Income Statement was MXN10,507m. In the other hand, MXN4,078m was related to write offs and MXN393m 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*	9.55%	70.53%	53,994
Mortgages	3.34%	26.45%	28,027
Commercial*	11.33%	42.74%	142,652

*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 30 September 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 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015	30 Sep 2015
Initial Balance of Impaired Loans	12,884	13,111	12,243	12,249	12,867
Increases	5,435	3,384	3,722	5,486	5,910
Transfer of non-impaired loans to impaired loans	5,435	3,384	3,722	5,486	5,910
Decreases	5,208	4,252	3,716	4,868	6,211
Restructurings and renewals with cure period	37	125	39	21	53
Liquidated credits	3,446	3,148	2,654	2,495	3,561
Paid in cash	1,728	1,128	1,066	1,141	2,100
Foreclosed assets	-	-	8	-	41
Write offs	1,718	2,020	1,580	1,354	1,420
Transfer to performing loan status	1,751	1,062	1,026	2,369	2,630
FX revaluations	26	83	3	17	33
Final Balance of Impaired Loan	13,111	12,243	12,249	12,867	12,566

Federal Government support programs

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

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

- Additional Benefits to Housing Loan Debtors (BADCV).

The financial support program consists of discounts granted to debtors, which are generally absorbed proportionately by the Federal Government and the Bank, in accordance with the terms of each program. Certain discounts are conditional subject to the net cash flows contributed by the Bank to the specific economic sector. As of 30 September 2015 and 30 June 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	September 2015		June 2015	
	Portfolio	Cost	Portfolio	Cost
ETA/BADCV	0	0	0	0

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	\$	<u>14</u>

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 30 June 2015 and 30 September 2015, amounts to MXN13m and MXN11m, respectively.

The number of securities related to BADCV that are held by the Bank at 30 September 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 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015	30 Sep 2015
Deferred tax assets:					
Allowances:					
Allowances for loan losses	7,158	7,711	7,474	7,737	8,590
Allowances for foreclosed assets	263	262	269	266	295
Other provisions	761	674	559	709	753
Property, furniture and equipment	667	751	754	720	732
ESPS provisions	79	91	92	39	35
Valuation of financial instruments	511	515	598	731	955
Commissions received in advance	236	236	223	236	256
Other	32	32	157	26	29
	<u>9,707</u>	<u>10,272</u>	<u>10,126</u>	<u>10,464</u>	<u>11,645</u>
Deferred tax liabilities:					
Interest from Special Central Bank*	(1,037)	(1,051)	(1,065)	(1,081)	(1,096)
Valuation of financial instruments	(165)	(336)	(247)	(255)	(128)
Deductions in advance	(106)	(60)	(103)	(53)	(38)
Income tax deferred by ESPS	-	(115)	(107)	(130)	(227)
Deferred	<u>(1,308)</u>	<u>(1,562)</u>	<u>(1,522)</u>	<u>(1,519)</u>	<u>(1,489)</u>
Total Deferred Taxes	<u>8,399</u>	<u>8,710</u>	<u>8,604</u>	<u>8,945</u>	<u>10,156</u>

*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 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015	30 Sep 2015
MXN pesos					
Deposits					
Demand deposits	0.56%	0.58%	0.67%	0.64%	0.54%
Time deposits	2.63%	2.52%	2.47%	2.51%	2.58%
Issued credit securities	6.27%	6.30%	6.21%	6.56%	6.53%
Bank deposits and other liabilities					
Call Money	5.71%	3.42%	3.84%	4.70%	4.26%
Banxico Loans	2.95%	2.98%	3.22%	3.47%	3.52%
Development Banking	4.51%	4.34%	4.38%	4.34%	4.42%
Development Funds	3.46%	3.42%	3.53%	3.55%	3.42%
Foreign currency					
Deposits					
Demand deposits	0.05%	0.04%	0.04%	0.04%	0.04%
Time deposits	0.10%	0.13%	0.13%	0.10%	0.09%
Bank deposits and other liabilities					
Call Money	0.59%	0.65%	0.64%	0.73%	0.86%
Development Banking	2.83%	3.91%	2.44%	2.18%	2.95%
Development Funds	1.18%	1.24%	1.35%	1.30%	1.25%
UDIS					
Deposits					
Time deposits	0.11%	0.01%	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 Sep 14 Term		31 Dec 14 Term		31 Mar 15 Term		30 Jun 15 Term		30 Sep 15 Term	
	Short	Long	Short	Long	Short	Long	Short	Long	Short	Long
MXN Pesos:										
Banxico Loans	-	-	1,232	-	201	-	202	-	402	-
Development Banking	4,449	-	4,892	-	4,601	1,500	4,201	1,500	3,445	1,500
Commercial Banking (Call Money)	9,641	-	13,765	-	2,100	-	-	-	10,121	-
Development Funds	3,344	1,465	3,906	1,579	3,336	1,567	4,272	1,504	3,999	1,570
Subtotal	17,434	1,465	23,795	1,579	10,238	3,067	8,675	3,004	17,967	3,070
Foreign currency:										
Banxico Loans	-	-	-	-	-	-	-	-	-	-
Commercial Banking	11,817	-	12,975	-	13,456	-	11,634	-	12,951	-
Development Banking	23	-	1,567	-	1,635	-	1,657	-	1,774	-
Development Funds	1,098	45	1,516	589	1,432	607	1,538	614	1,436	682
Subtotal	12,938	45	16,058	589	16,523	607	14,829	614	16,161	682
Total Term	30,372	1,510	39,853	2,168	26,761	3,674	23,504	3,618	34,128	3,752
Total Bank and other liabilities	\$	<u>31,882</u>	\$	<u>42,021</u>	\$	<u>30,435</u>	\$	<u>27,122</u>	\$	<u>37,880</u>

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	Interest payable	Maturity Date	
				circulation			
		MXN millions		MXN millions			
HSBC 08	(1)	02-OCT-2008	1,817	MXN	1,817	1	20-SEP-2018
HSBC 08-2	(2)	22-DEC-2008	2,300	MXN	2,273	3	10-DEC-2018
HSBC 09D	(3)	30-JUN-2009	5,071	USD	5,071	2	28-JUN-2019
HSBC 13-1D	(4)	31-JAN-2013	1,859	USD	1,859	3	10-DEC-2022
			11,047		11,020	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)

Instrument	Issue Date	Issue Amount	Currency	Total price to	Interest Payable	Maturity Date
		(MXN Millions)		public (MXN Millions)		
		(MXN Millions)		(MXN Millions)	(MXN millions)	
HSB0001 06 (1)	10/MAY/2006	1,000	MXN	1,000	39	27/APR/2016
HSBC13 (2)	09/DEC/2013	2,300	MXN	2,300	4	03/DEC/2018
HSBC13-2 (3)	09/DEC/2013	2,700	MXN	2,700	70	27/NOV/2023
		6,000		6,000	113	

- (1) Stock Exchange Certificate fixed coupon 9.08%
- (2) Stock Exchange Certificate floating rate 1m TIIE rate + 0.3 fixed margin over Index
- (3) Stock Exchange Certificate semi-annually fixed coupon 8.08%

In addition, at 30 September 2015, the Bank had outstanding the following Certificates of Deposits:

Instrument	Issue Date	Issue Amount	Currency	Total price to	Interest Payable	Maturity Date
		(MXN Millions)		public (MXN Millions)		
		(MXN Millions)		(MXN Millions)	(MXN millions)	
HSBCMX 15009 (1)	26/JUN/2015	2,000	MXN	2,000	2	14/DEC/2015
		2,000		2,000	2	

- (1) Certificate of deposit floating rate 1m TIIE rate

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

The profit of MXN1,981m, at the Board's determination to be applied under the concept of retained earnings.

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 of retained earnings

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

	<u>30 Sep 2014</u>	<u>31 Dec 2014</u>	<u>31 Mar 2015</u>	<u>30 Jun 2015</u>	<u>30 Sep 2015</u>
% of assets subject to credit risk					
Tier 1	18.54%	16.89%	17.90%	17.91%	15.51%
Tier 2	4.00%	3.75%	3.56%	3.55%	3.36%
Total regulatory capital	<u>22.54%</u>	<u>20.64%</u>	<u>21.46%</u>	<u>21.46%</u>	<u>18.87%</u>
% of assets subject to credit, market and operational risk					
Tier 1	11.41%	10.81%	11.18%	11.46%	10.43%
Tier 2	2.46%	2.40%	2.22%	2.27%	2.26%
Total regulatory capital	<u>13.87%</u>	<u>13.21%</u>	<u>13.40%</u>	<u>13.73%</u>	<u>12.69%</u>
Tier 1	42,263	41,593	42,559	42,744	39,832
Tier 2	9,114	9,239	8,461	8,466	8,627
Total regulatory capital	<u>51,377</u>	<u>50,832</u>	<u>51,020</u>	<u>51,211</u>	<u>48,460</u>
RWA credit risk	227,966	246,246	237,714	238,638	256,864
RWA market risk	98,975	94,159	97,606	88,051	78,239
RWA operational risk	43,362	44,250	45,342	46,229	46,766
RWA credit, market and operational risk	<u>370,302</u>	<u>384,655</u>	<u>380,661</u>	<u>372,917</u>	<u>381,869</u>

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

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

	<u>For the quarter ended</u>					<u>Year to date</u>	
	<u>30 Sep 2014</u>	<u>31 Dec 2014</u>	<u>31 Mar 2015</u>	<u>30 Jun 2015</u>	<u>30 Sep 2015</u>	<u>30 Sep 2014</u>	<u>30 Sep 2015</u>
Investments in Securities	(263)	229	(160)	496	7	152	343
Trading derivatives	321	(1,200)	1,890	(1,003)	(201)	(595)	686
Currencies and metals	63	158	45	(19)	132	140	158
Valuation	<u>121</u>	<u>(813)</u>	<u>1,775</u>	<u>(526)</u>	<u>(62)</u>	<u>(303)</u>	<u>1,187</u>
Investments in Securities	241	31	231	39	419	972	689
Trading derivatives	136	93	3	299	16	883	318
Currencies and metals	(330)	831	(1,786)	631	(264)	(459)	(1,419)
Purchase / sale of securities	<u>47</u>	<u>955</u>	<u>(1,552)</u>	<u>969</u>	<u>171</u>	<u>1,396</u>	<u>(412)</u>
Total Trading Income	<u>168</u>	<u>142</u>	<u>223</u>	<u>443</u>	<u>109</u>	<u>1,093</u>	<u>775</u>

Other Operating Income (Expenses)

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

Figures in MXN millions

	For the quarter ended					Year to date	
	30 Sep 2014	31 Dec 2014	31 Mar 2015	30 Jun 2015	30 Sep 2015	30 Sep 2014	30 Sep 2015
Recoveries and reimbursements	203	156	406	199	199	631	804
Reimbursent of expenses incurred on behalf of related companies	391	408	195	423	217	809	835
Gain on sale of properties	-	3	5	-	-	17	5
Gain on sale of foreclosed assets	56	45	39	28	29	148	96
Accrued interest on loans granted to employees	32	32	31	31	31	100	93
Cancellation of excess of allowance for loan losses on a portfolio basis	648	364	2,386	1,062	789	3,831	4,237
Others	(161)	(66)	66	(99)	8	91	(25)
Total other operating income (expenses)	1,169	942	3,128	1,644	1,273	5,627	6,045

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 September 2015 is shown below:

<i>Figures in MXN millions</i>	Year to date at 30 September 2015			
	RBWM	CMB	GBM	Total
Net Interest Income	11,651	3,121	1,866	16,638
Loan impairment charges	(6,001)	(4,463)	(43)	(10,507)
Risk adjusted net interest income	5,650	(1,342)	1,823	6,131
Fees and Commissions, net	3,442	739	450	4,631
Trading Income	17	143	615	775
Other operating income	3,716	2,084	245	6,045
Total Revenue	12,825	1,624	3,133	17,582
Administrative and personnel expenses	(10,950)	(3,210)	(2,031)	(16,191)
Net operating income	1,875	(1,586)	1,102	1,391
Share of profits in equity interest	20	11	3	34
Net income before taxes	1,895	(1,575)	1,105	1,425
Tax expense	(213)	120	186	93
Income from ongoing operations	1,682	(1,455)	1,291	1,518
Discontinued operations	-	-	-	-
Non-controlling interest	-	-	1	1
Net income (loss)	1,682	(1,455)	1,292	1,519

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

<i>Figures in MXN millions</i>	RBWM	CMB	GBM	Total
Net loan portfolio	73,524	77,491	64,670	215,685
Deposits	159,495	79,172	28,684	267,351

Related Party Transactions

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

In the normal course of its operations, the HSBC Group carries out transactions with related parties and members of the Group. According to the policies of the Group, all loan operations with related parties are authorized by the Board and they are negotiated with market rates, guarantees and overall standard banking practices.

The balance of the transactions at September 30, 2015 is shown below:

<i>Figures in MXN millions</i>	Receivable	Payable
HSBC Latin America Holdings (UK) Limited	424	-
HSBC Global Asset Management Limited	-	4
HSBC Bank Brasil, S. A. Banco Multiplo	252	117
HSBC Holdings Plc.	175	12
HSBC Bank Argentina S. A.	-	30
HSBC Private Bank (SUISSE) S. A.	1	-
The Hong Kong and Shanghai Banking Corporation Limited	-	52
HSBC Software Development (India) Private Limited	-	18
HSBC Software development (Brazil)	-	10
HSBC Technologies and Services (USA) Inc.	-	30
HSBC Bank (Uruguay), S. A.	1	-
HSBC Bank (Chile), S. A.	9	-
HSBC Insurance Holdings Limited	-	3
HSBC Securities (USA) Inc	342	497
HSBC New York Life Seguros de Vida (Argentina), S. A.	20	-
HSBC Argentina Holding, S. A.	1	1

HSBC Bank plc.	14	18
HSBC Global Operations Company LTD	-	7
HSBC Global Asset Management (USA) Inc	-	3
	1,239	802

	<u>Sep-15</u>	
Transactions:		
Revenues:		
Administrative services		744
Receivable interest and fees		44
Other		98
Expenses:		
Payable interest and fees		66
Administrative expenses		75

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

Grupo Financiero HSBC

HSBC Holdings plc, the ultimate parent of Grupo Financiero HSBC, reports its results under International Financial Reporting Standards (IFRS). Set out below is a reconciliation of the results of Grupo Financiero HSBC from Mexican GAAP to IFRS for the nine months to 30 September 2015 and an explanation of the key reconciling items. In September 2015, the main reconciling item relates to the homebuilders' provisions that were already provisioned in the IFRS financial statements (impact of MXN868m net of tax in Mexican GAAP).

	30 Sep
	<u>2015</u>
<i>Figures in MXN millions</i>	
Grupo Financiero HSBC – Net Income Under Mexican GAAP	1,519
Differences arising from:	
Valuation of defined benefit pensions and post-retirement healthcare benefits [†]	89
Deferral of fees received and paid on the origination of loans and other effective interest rate adjustments [†]	(75)
Loan impairment charges and other differences in presentation under IFRS [†]	857
Recognition of the present value in-force of long-term insurance contracts [†]	142
Fair value adjustments on derivatives [†]	(40)
Deferred profit sharing [†]	(155)
Other differences in accounting principles [†]	1
Net income under IFRS	<u>2,338</u>
US dollar equivalent (millions)	150
Add back tax expense	266
Net income before taxes under IFRS	<u>2,604</u>
US dollar equivalent (millions)	167
<i>Exchange rate used for conversion</i>	<i>15.58</i>

† Net of tax at 30%.

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

Valuation of defined benefit pensions and post-retirement healthcare benefits

Mexican GAAP

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

IFRS

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

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

Mexican GAAP

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

IFRS

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

Loan impairment charges and other differences in presentation under IFRS

Mexican GAAP

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

Cash recoveries of written off loans and the positive excess of loan impairment charges determined monthly, 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.

Cash recoveries of written off loans and the positive excess of loan impairment charges recognized during the year are presented in Loan Impairment Charges.

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

Mexican GAAP

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

IFRS

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

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

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

Fair value adjustments on derivatives

Mexican GAAP

Internal valuation models used to value 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.

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 September 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)

	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>
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	Stable	Stable	Stable
Last update	11-Sep-15	25-Sep-15	15-Sep-15

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 assets of the plan** – This concept is no longer applicable as the Interest rate on the assets 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.

Furthermore, 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 however up to now, it has not been issued in DOF.

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 21st 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 21st 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 shall meet monthly and usually on the fourth week of the month.

The Committee is composed by one Board Member, the HBMX CEO, the responsible of the UAIR ("Unidad para la Administración Integral de Riesgos") and the Head of Audit (has the right to voice but not vote). High-level HBMX officials will be participating; they have the right to voice but not to vote. Including LAM CRO, Head of RBWM HBMX, Head of CMB HBMX, Head of GB HBMX, HBMX CFO, Head of Global Markets HBMX, Head of Private Banking HBMX, Director of Legal HBMX, Subdirector MX CRAO (Secretary). The Committee is chaired by a Board Member.

Objetives and responsibilities:

- ▶ Monitor current risks with the potential to have an impact on the Company's operation, evaluate its likelihood and effect on our financial results or reputation. Also, develop a focused and integrated methodology for the identification of such risks within HBMX.
- ▶ Propose solutions for improving risk profile and review risk strategies for mitigating specific or material risks.
- ▶ Develop a clear view of the overall risk profile and trends in credit, market, liquidity, insurance, operational and reputational risks and internal controls within HBMX which might have an impact on our long term business strategy.
- ▶ A Risk-focused process to manage material risks, contingencies and mitigating actions, and consolidate risk reporting as an input to the ALCO process.

- ▶ Approve/ratify (as appropriate) proposed changes in policies and guidelines for integral risk administration, in accordance with CNBV rules and regulations.
- ▶ Approval of the maximum tolerance for market risk, credit risk and other risks considered acceptable for the Bank in relation to derivative trading operations.
- ▶ The RMC reviews and approves goals, operations and control procedures, as well as required risk tolerance levels, based on market conditions.
- ▶ Authorize the Terms of Reference (TOR) of the Committees that report into the RMC, including the authorization of its members, as well as providing guidance and overseeing their activities.
- ▶ Approve the methodologies for measuring and identifying all types of risk.
- ▶ 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
- ▶ 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.
- ▶ 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:

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 valued with different rate curves (for example, a government bond hedged with a by-product of inter-bank rates) so that its market value may differ from each other, generating an imperfect hedge.
- ▶ **Credit Spread risk.** - This is the risk that mark-to-market value of a corporate bond, inter-bank bond or sovereign debt in foreign currency, decreases due to changes in the credit quality perception of the issuer.

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

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

Value at Risk (VaR)

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

Present value of a Basis Point (PVBP) and 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-valuing 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 third 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 3Q15	Limits*	Average 3Q15	Limits*	Average 3Q15	Limits*
Combined	6.42	35.00	1.75	12.00	5.56	38.00
Interest Rate	5.38	38.00	1.24	9.00	5.21	35.00
Credit Spread	-	12.00	-	2.00	2.78	12.00
FX	0.95	5.00	0.92	5.00	N/A	N/A
Volatility IR	0.08	4.00	0.05	1.80	0.03	2.50
Volatility FX	0.03	2.00	0.03	2.00	N/A	N/A
Equities	0.01	2.50	0.01	2.50	N/A	N/A

N/A = Not applicable

* Absolute Value

Value at Risk of Global Market (VaR) (Last quarter comparison)					
	30-Jun-15	30-Sep-15	Limits*	Average 2Q15	Average 3Q15
HBMI	4.85	11.97	35.00	5.92	6.42
Accrual	4.04	11.59	38.00	5.26	5.56
Trading Intent	2.39	1.50	12.00	2.85	1.75

N/A = Not applicable

* Absolute Value

The Bank's VaR at the end of the third quarter of 2015 changed 146% versus the previous quarter. During the quarter the VaR remained under the limits.

The Bank's average VaR for the end of the third quarter of 2015 changed 8.45% versus prior quarter. During the quarter the average VaR was within the limits.

Comparison of Market VaR vs. Net capital

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

Market VaR vs. Net Capital Comparison		
Net capital in million dollars		
	30-jun-15	30-sep-15
Total VaR*	5.92	6.42
Net Capital**	3,271.79	2,861.63
VaR / Net Capital	0.18%	0.22%

* 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 0.22% of the net capital in the third quarter of 2015.

Present Value for 1bp (PVBP) for Mexican Pesos Rates					
	30-Jun-15	30-Sep-15	Limits*	Average 2Q15	Average 3Q15
Bank	0.004	(0.234)	2.050	(0.365)	0.053
Accrual	(0.136)	(0.318)	1.550	(0.455)	(0.009)
Trading Intent	0.140	0.084	0.500	0.090	0.063

* Absolute Value

The bank's MXN Rate PVBP for the third quarter of 2015 changed -5,950% versus previous quarter. Bank's average PVBP for the second quarter of 2015 changed -114% versus previous quarter.

Present Value for 1bp (PVBP) for USD Rate					
	30-Jun-15	30-Sep-15	Limits*	Average 2Q15	Average 3Q15
Bank	0.020	0.042	0.430	(0.009)	0.023
Accrual	0.032	0.042	0.250	0.021	0.017
Trading Intent	(0.012)	0.001	0.180	(0.030)	0.007

* Absolute Value

The bank's USD Rate PVBP for the third quarter of 2015 without no changed 110% versus previous quarter. Bank's average PVBP for the second quarter of 2015 changed -355% versus previous quarter.

Present Value for 1bp (PVBP) for UDI Rates					
	30-Jun-15	30-Sep-15	Limits*	Average 2Q15	Average 3Q15
Bank	(0.102)	(0.068)	0.150	(0.067)	(0.076)
Accrual	(0.010)	(0.008)	0.050	(0.011)	(0.009)
Trading Intent	(0.091)	(0.060)	0.100	(0.056)	(0.067)

* Absolute Value

Bank's UDI Rate PVBP for the second quarter of 2015 changed -33% versus prior quarter. Bank's average PVBP for the second quarter of 2015 changed 13% 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 US\$1,346m in the 7 days term; US\$2,501m in the 1 month term and US\$2,204m in 3 months; obtaining a net positive cumulative result in all cases.

Along the quarter, average level was US\$ 2,049m in the 7 days term, US\$ 2,599m in 1 month term and US\$ 2,314m in 3 months term.

As of 30 September 2015, local LCR was 173.10%, which is above regulatory minimum of 60%. EBA LCR as of 30 September 2015 was 222.8% which is above Group's internal minimum of 140% (regulatory minimum of 80% applicable for 2015).

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 intends 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.

1.1. 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.

1.2. Loss Given default Model (LGD)

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

The most recent monitoring shows a low correlation (31.89%) between the observed and estimated LGD.

1.3. Exposure at default Model (EAD)

For Exposure at Default (EaD) estimation, HSBC México also developed a model for Middle Market Enterprises and Corporate customers. 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 relatively low correlation (25%) between the values of the observed and estimated EaD.

3. Credit Evaluation Systems

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

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

In addition, and with the objective of enhancing the management of guarantees of the Commercial Portfolio, it is used a system called "*Garantias IP*". 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, "*Lineas IIP*".

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 30 September 2015, it is MXN189,503m, showing a decrease of MXN6,551m (or 3.58%) compared to the previous quarter.

The Expected Loss of the Commercial Portfolio as of 30 September 2015, is MXN13,341m, showing an increase of MXN473m (or 4%) 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	
	2Q2015	3Q2015	(\$)	(%)	Jun-15	Sep-15	(\$)	(%)	Jun-15	Sep-15	(\$)	(%)
CMB	\$91,459	\$95,861	\$4,402	5%	\$92,379	\$96,740	\$4,361	5%	\$11,350	\$10,859	-\$492	-4%
GBM	\$90,898	\$92,817	\$1,919	2%	\$92,873	\$92,625	-\$248	0%	\$2,259	\$2,483	\$224	10%
GBP	\$595	\$825	\$230	39%	\$624	\$696	\$72	12%	\$0.045	\$0.042	\$0.00	-7%
Total	\$182,952	\$189,503	\$6,551	3.58%	\$185,876	\$190,061	\$4,185	2%	\$13,609	\$13,341	-\$268	-2%

* 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 from those with bad, and that the model continues assigning high scores to clients with a low risk. If a low efficiency is detected in a model, it is recalibrated or replaced.

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

Quantitative information

The Expected Loss of RBWM portfolio as at 30 September 2015 is MXN4,454m, Credit Cards is MXN2,705m Other Retail is MXN1,444m and Mortgage MXN305m

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 assess 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 with 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.

Operational Risk provides independent operational risk oversight and own the Operational Risk Management Framework. They provide holistic operational risk reporting on exposure and appetite to support senior decision making. Operational Risk is also a Risk Steward for certain risk events.

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 evaluation of operational risks in the year 2015, a total of 1,492 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, 18.36% (274 risks) are considered medium, and 79.76% (1,190 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 US\$56.7m 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 filed 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 USD100m 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 nine months to 30 September 2015, the Bank invested MXN13.5m, 35% of such investment is made by HSBC and 65% 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 year's 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 its 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.

For the nine months to 30 September 2015, 4,396 volunteers' participations have been registered all over the country, contributing with 32,515 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 is trying to build.

Through more of 5,600 ATM's within the country, the Bank makes its customers wish to help come true and 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 was active until August 2015 and with Casa de la Amistad which will be active during September and October.

Annex A

Table I

Reference	Common equity Tier 1 capital	30 Sep 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)	11,410.7
4	Total Common Equity Tier 1 capital attributable to parent company common shareholders	NA
5	Total minority interest given recognition in Common Equity Tier 1 capital	NA
6	Total group Common Equity Tier 1 capital prior to regulatory adjustments	47,672.0
	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)	1,131.1
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)	54.7
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)	5,366.4
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	1,287.4
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	81.8
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	7,839.7
29	Common Equity Tier 1 capital (CET1)	39,832.4

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)	39,832.4

Tier 2 Capital: instruments and reserves

46	Tier 2 capital instruments issued by parent company of group (and any related surplus)	1,859.6
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	1,181.6
51	Tier 2 capital prior to regulatory adjustments	8,627.2

Tier 2 capital: regulatory adjustments

52	Investment in own Tier 2 capital instruments	NA
53	Reciprocal cross holdings in Tier 2 capital instruments	NA
54	Investments in the capital of financial entities where the bank does not own more than 10% of the issued common share capital (amount above	NA

	the 10% threshold)	
55	Significant investments in the capital of financial entities where the bank own more than 10% of the issued common share capital	NA
56	Local regulatory adjustments	-
57	Total Tier 2 capital regulatory adjustments	-
58	Tier 2 capital (T2)	8,627.2
59	Total Capital (TC=T1+T2)	48,459.5
60	Total Risk-weighted assets	381,869.0

Capital ratios and supplements

61	Common equity Tier 1 Capital (as % of total RWAs)	10.43%
62	Tier 1 Capital (as % of total RWAs)	10.43%
63	Total Capital (as % of total RWAs)	12.69%
64	Institutional specific supplement (at least should include: the requirement of Tier 1 common equity plus the capital conservation buffer, plus countercyclical mattress, plus G-SIB mattress; expressed as a % of total RWAs)	7%
65	Of which: Capital conservation supplement	2.5%
66	Of which: Specific bank countercyclical supplement	NA
67	Of which: Global systemically important banks (G-SIBs) supplement	NA
68	Tier 1 common equity available to cover supplements (as a % of total RWAs)	3.43%

National minimums (if different from Basel III)

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

Amounts below deduction threshold (before risk weight)

72	Non-significant investments in the capital of financial entities	NA
73	Significant investments in common stock of financial entities	NA
74	Mortgage servicing rights (net of deferred income tax rate)	NA
75	Deferred income taxes from temporary differences (net of deferred income tax)	4,519.9

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	1,452.2
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	7,445.6
85	Excluded amount on T2 due to limit (excess over the limit after amortization and maturities)	3,575.8

Table II

Capital concept	Prior to capital recognition adjustment	% total RWAs	Capital recognition adjustment	Including capital recognition adjustment	% total RWAs
Tier 1 capital 1	39,832.35	10.43	0.00	39,832.35	10.43
Tier 1 capital 2	0.00	0.00	0.00	0.00	0.00
Tier 1 capital	39,832.35	10.43	0.00	39,832.35	10.43
Tier 2 capital	8,627.20	2.26	0.00	8,627.20	2.26
Total capital	48,459.55	12.69	0.00	48,459.55	12.69
Total RWAs	381,868.99	NA	NA	381,868.99	NA
Capitalization index	12.69	NA	NA	12.69	NA

Table III.1

Reference	Balance Sheet concept	Amount
	Assets	
		604,532
BG1	Cash and deposits in banks	51,811
BG2	Margin accounts	38
BG3	Investment in securities	119,953
BG4	Repurchase agreements	23,623
BG5	Stock borrowing	-
BG6	Derivative transactions	87,047
BG7	Financial assets hedging valuation adjustments	
BG8	Net loan portfolio	215,504
BG9	Benefits to be received from trading operations	131
BG10	Other accounts receivable (net)	84,997
BG11	Foreclosed assets	110
BG12	Property, furniture and equipment, net	3,661
BG13	Long term investments in equity securities	4,737
BG14	Long term assets available for sale	4
BG15	Deferred taxes, net	9,886
BG16	Other assets	3,030
	Liabilities	556,860
BG17	Deposits	273,967
BG18	Bank deposits and other liabilities	37,879
BG19	Repurchase agreements	25,226
BG20	Stock borrowing	-
BG21	Collateral sold	18,375
BG22	Derivative transactions	92,197
BG23	Financial liabilities hedging valuation adjustments	-
BG24	Debentures in trading operations	-
BG25	Other accounts payable	97,449
BG26	Subordinated debentures outstanding	11,029
BG27	Deferred taxes, net	-
BG28	Deferred credits	738
	Stockholder's equity	47,672

BG29	Paid in capital	32,769
BG30	Capital gains	14,903
	Memorandum accounts	5,802,309
BG31	Guarantees granted	-
BG32	Contingent assets and liabilities	-
BG33	Irrevocable lines of credit granted	264,067
BG34	Goods in trust or mandate	447,791
BG35	Federal government financial agent	
BG36	Goods in custody or under administration	963,592
BG37	Collateral received by the institution	43,916
BG38	Collateral received and sold or delivered as guarantee	30,778
BG39	Third party investment banking operations, net	40,456
BG40	Suspended interest on impaired loans	213
BG41	Other control accounts	4,011,496

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	1,131.1	BG16 3030
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	54.7	BG13 4737
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	5,366.4	BG15 9886
13	Recognized reserves as supplementary capital	50	1,181.6	BG8 215504
14	Subordinated debt investment	26 - B	0.0	BG8 215504
15	Multilateral organisms investment	26 - D	0.0	
16	Related parties investments	26 - E	81.8	BG13 4737
17	Risk capital investment	26 - F	0.0	
18	Mutual funds investment	26 - G	9.1	BG13 4737
19	Own shares acquisition financing	26 - H	0.0	
20	Deferred charges and prepaid expenses	26 - J	1,196.6	BG16 3030
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	5,366.4	BG15 9886
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	1,859.6	BG26 11029
32	Subordinated debentures subject to transience that counts as supplementary capital	47	5,586.0	BG26 11029
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 14903
36	Result from cash flow hedging transactions registered at fair value	3	-129.4	BG30 14903
37	Other elements of other capital reserves different to previous ones'	3	11,540.2	BG30 14903
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	
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	61,383	4,911
Surcharge and revisable rate debt operations in local currency	195	16
Real rate or UDIs operations in local currency	2,047	164
Minimum wages growth rate operations in local currency	-	-
UDIs o INPC profit referred positions	7	1
Minimum wages growth rate operations in local currency	-	-
Nominal rate operations in foreign currency	8,920	714
Foreign currency or indexed to exchange rate positions	5,686	455
Stock or price index stock positions	1	0
Possession in goods	61,383	4,911

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%)	4,847.5	387.8
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%)	18.1	1.5
Group III (weighted at 11.5%)	678.9	54.3
Group III (weighted at 20%)	4,733.3	378.7
Group III (weighted at 23%)	0.0	0.0
Group III (weighted at 50%)	303.3	24.3
Group III (weighted at 57.5%)	0.0	0.0
Group III (weighted at 100%)	3,390.0	271.2
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%)	5,279.4	422.3

Group V (weighted at 10%)	0.0	0.0
Group V (weighted at 20%)	746.9	59.8
Group V (weighted at 50%)	1,649.5	132.0
Group V (weighted at 115%)	-	-
Group V (weighted at 150%)	6,201.7	496.1
Group VI (weighted at 20%)	0.0	0.0
Group VI (weighted at 50%)	7,457.6	596.6
Group VI (weighted at 75%)	3,463.0	277.0
Group VI (weighted at 100%)	48,110.0	3,848.8
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%)	786.3	62.9
Group VII_A (weighted at 11.5%)	0.0	0.0
Group VII_A (weighted at 20%)	9,181.0	734.5
Group VII_A (weighted at 23%)	8,733.0	698.6
Group VII_A (weighted at 50%)	8,334.4	666.8
Group VII_A (weighted at 57.5%)	0.0	0.0
Group VII_A (weighted at 100%)	111,442.3	8,915.4
Group VII_A (weighted at 115%)	711.7	56.9
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%)	52.2	4.2
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%)	1,639.2	131.1
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%)	6,641.7	531.3
Group IX (weighted at 100%)	20,385.7	1,630.8
Group IX (weighted at 115%)	0.0	0.0
Group X (weighted at 1250%)	407.5	32.6
Securitized with Risk rating 1 (weighted at 20%)	33.4	2.7
Securitized with Risk rating 2 (weighted at 50%)	2.0	0.2
Securitized 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%)	0.0	0.0
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%)	1,634.9	130.8

Table IV.3

Operational RWAs	Capital Requirements
46,765.7	3,741.3
Average Market and credit RWAs of last 36 months	Average of positive net annual revenues for the last 36 months
24,941.7	26,360.5

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"	Obligación 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	1,860	2,723
9	Valor nominal del instrumento	\$32,768.00	\$1,817.60	\$2,272.65	\$1,859.58	\$5,071.59
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 través de los medios que ésta última determine, cuando menos con 10 (diez) Días Hábiles de anticipación a la fecha en que el Emisor tenga la intención de amortizar anticipadamente la totalidad de las Obligaciones Subordinadas, y (ii) la amortización anticipada se lleve a cabo en la forma y lugar de pago a que se refiere la Cláusula Décima Primera del Acta de Emisión.	Igual a su Valor Nominal más los intereses devengados a la fecha de la amortización anticipada, siempre y cuando (i) el Emisor, a través del Representante Común, informe por escrito su decisión de ejercer dicho derecho de amortizar anticipadamente a los Obligacionistas, a la CNBV, al Indeval y a la BMV, a través de los medios que ésta última determine, cuando menos con 10 (diez) Días Hábiles de anticipación a la fecha en que el Emisor tenga la intención de amortizar anticipadamente la totalidad de las Obligaciones Subordinadas, y (ii) la amortización anticipada se lleve a cabo en la forma y lugar de pago a que se refiere la Cláusula Décima Primera del Acta de Emisión.	Precio igual a su Valor Nominal más los intereses devengados a la fecha de la amortización anticipada, previa autorización del Banco de México en términos del párrafo quinto del artículo 64 de la citada LIC, en cualquier Fecha de Pago de Intereses: (i) a partir del quinto año contado a partir de la Fecha de Emisión, o (ii) en caso que las Obligaciones Subordinadas dejen de computar como capital complementario del Emisor como resultado de modificaciones o reformas a las leyes, reglamentos y demás disposiciones aplicables, siempre y cuando (a) el Emisor informe por escrito su decisión de ejercer dicho derecho de amortizar anticipadamente al Obligacionista, cuando menos con 10 (diez) Días Hábiles de anticipación a la fecha en que el Emisor tenga la intención de amortizar anticipadamente la totalidad de las Obligaciones Subordinadas, y (b) la amortización anticipada se lleve a cabo en la forma y lugar de pago a que se refiere el numeral 11 del 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.	22/10/2015; 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.	19/10/2015; 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.	18/10/2015; se dará a conocer con 10 días hábiles de anticipación a la fecha de amortización autorizada.	28/10/2015; se dará a conocer con 10 días hábiles de anticipación a la fecha de amortización autorizada.

	<i>Rendimientos / dividendos</i>					
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	<p>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:</p> <ol style="list-style-type: none"> 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	Si	No	Si
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. 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 Bank 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. Currency 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).

The Bank generates liquidity stress reports on a monthly basis which allows an analysis of the adequacy of the financial resources under certain stress scenarios. For further detail refer to the Notes to financial statements, number 30.

As it is mentioned in the note 4, starting on June 2013, the Bank opted for performing the calculation on the loan loss allowances considering the methodology of expected loss issued by the authority according to the Dispositions, except for the credits granted to financial institutions which was applied starting on March 2014, this had an effect on Credit Risk and Complementary Capital. For the Complementary Capital the differential between the loan loss allowances for investment projects, financial entities and total other additional reserves for expected loss and non-computing additional allowances as Complementary Capital.

The Bank informs the Administration Committee of Assets and Liabilities on a monthly basis the trend of the capital index, detailing the levels of total and core capital. Furthermore the explanation of the important variations in the credit and market risk weighted assets, as well as the movements of the stockholders' equity.

Additionally, prior to the performance of important commercial and treasury operations, their potential impact on the capital requirement is measured, with the purpose of being authorized by the Committees mentioned in the previous paragraph. In the aforementioned operations, the Bank considers as a base a minimum capital index, which is higher than the one established by the Early Alerts issued by the CNBV.

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) for the Third Quarter 2015

Table I.1

Formato de revelación del Coeficiente de Cobertura de Liquidez

(Cifras en pesos Mexicanos)		Importe sin ponderar (promedio)	Importe ponderado (promedio)
ACTIVOS LÍQUIDOS COMPUTABLES			
1	Total de Activos Líquidos Computables	No aplica	119,066,469,033
Outflows			
2	Financiamiento minorista no garantizado	130,363,646,333	7,831,014,783
3	Financiamiento estable	104,106,997,000	5,205,349,850
4	Financiamiento menos estable	26,256,649,333	2,625,664,933
5	Financiamiento mayorista no garantizado	120,271,382,000	57,000,557,800
6	Depósitos operacionales	0	0
7	Depósitos no operacionales	115,202,268,000	51,931,443,800
8	Deuda no garantizada	5,069,114,000	5,069,114,000
9	Financiamiento mayorista garantizado	No aplica	161,853,700
10	Requerimientos adicionales:	261,582,458,000	35,053,035,550
11	Salidas relacionadas a instrumentos financieros derivados y otros requerimientos de garantías	31,178,713,667	11,204,821,333
12	Salidas relacionadas a pérdidas del financiamiento de instrumentos de deuda	0	0
13	Líneas de crédito y liquidez	230,403,744,333	23,848,214,217
14	Otras obligaciones de financiamiento contractuales	663,462,333	663,462,333
15	Otras obligaciones de financiamiento contingentes	36,158,158,000	0
16	TOTAL DE SALIDAS DE EFECTIVO	No aplica	100,709,924,167
Inflows			
17	Entradas de efectivo por operaciones garantizadas	0	0
18	Entradas de efectivo por operaciones no garantizadas	29,910,992,667	19,072,711,167
19	Otras entradas de efectivo	33,069,136,333	13,208,144,917
20	TOTAL DE ENTRADAS DE EFECTIVO	62,980,129,000	32,280,856,083
Importe ajustado			
21	TOTAL DE ACTIVOS LIQUIDOS COMPUTABLES	No aplica	119,066,469,033
22	TOTAL NETO DE SALIDAS DE EFECTIVO	No aplica	68,429,068,083
23	COEFICIENTE DE COBERTURA DE LIQUIDEZ	No aplica	173.52

(a) Natural days considered in the quarter.

Natural Days 3Q15

July	31
August	31
September	30
	92

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

CCL increased from 245.5% as of June 2015, to 174.05% as of September mainly due to a 11% decrease in liquid assets and a 19% and 8% increase in outflows and inflows, respectively.

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

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

(d) Evolution of the composition of liquid assets

Liquid Assets

Figures in Mexican Pesos

	Jul	Aug	Sep	Var % Jul-Sep
Cash	11,218,380,000	10,856,016,000	9,651,593,000	-13.97%
Deposit in Central Bank	26,836,994,000	21,168,339,000	21,273,613,000	-20.73%
Level 1 Securities	87,554,931,000	63,902,203,000	72,782,551,000	-16.87%
Level 2 Securities	6,787,622,000	7,086,680,000	5,017,764,000	-26.07%
Level 2B Securities	10,318,355,000	11,082,278,000	10,294,308,000	-0.23%
Equities	2,945,000	152,000	147,000	-95.01%
Total	142,719,227,000	114,095,668,000	119,019,976,000	

Distribution % Liquid Assets

	Jul	Aug	Sep
Cash	7.86%	9.51%	8.11%
Deposit in Central Bank	18.80%	18.55%	17.87%
Level 1 Securities	61.35%	56.01%	61.15%
Level 2 Securities	4.76%	6.21%	4.22%
Level 2B Securities	7.23%	9.71%	8.65%
Equities	0.00%	0.00%	0.00%
Total %	100.00%	100.00%	100.00%

(e) Concentration of Funding sources

Description	%
Demand Deposits	52.18%
Time Deposits	26.22%
Negotiable Certificates Deposits Issued	2.38%
Call Money and from other Institutions	7.84%
Repurchase Agreements	8.14%
Subordinated Debentures Outstanding	3.24%
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 September 2015:

Figures in Mexican Pesos

CONCEPT	Local ¹ Currency	Foreign Currency	Total
Liquid Assets	98,955,967	14,177,569	113,133,536
Outflows ²	76,236,968	21,179,163	97,416,131
Inflows ²	22,304,794	10,109,359	32,414,153
CCL	183%	128%	174%

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 30 September 2015 were the following:

Figures in Mexican Pesos

Description	Amount	%
Demand Deposits	177,891,407,615	52.18%
Time Deposits	89,396,836,248	26.22%
Negotiable Certificates Deposits Issued	8,114,594,278	2.38%
Call Money and from other Institutions	26,736,638,327	7.84%
Repurchase Agreements	27,734,953,967	8.14%
Subordinated Debentures Outstanding	11,030,135,422	3.24%
	340,904,565,857	100.00%

(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 September 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.

Figures in Mexican Pesos

Structural Maturity Report - Summary						
	Total	Remaining Maturity				
		<=3M	>3M <=12M	>12M >= 5A	>5A <= 10A	>10A
Assets	1,523,744,368	635,330,183	267,530,994	503,933,773	21,401,616	95,547,803
Liabilities + Capital	1,523,744,368	614,106,393	268,212,175	561,153,001	1,859,583	78,413,217
Funding Mismatch	0	21,223,790	(681,181)	(57,219,229)	19,542,033	17,134,586

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.