HSBC

28 October 2016

News Release

GRUPO FINANCIERO HSBC, S.A. DE C.V.
THIRD QUARTER 2016 FINANCIAL RESULTS - HIGHLIGHTS

- For the nine months to 30 September 2016, Grupo Financiero HSBC reported a profit before taxes of MXN 3,951m an increase of MXN2,526m or 177.3% compared with MXN1,425m for the same period of 2015.

- Excluding non-recurrent items, profit before taxes for the nine months to September 2016 was MXN3,859m an increase of MXN1,311m or 51.5% compared with the same period of 2015.

- Non-recurrent items included in the profit before tax for the nine months to 30 September 2015 is MXN1,123m of net loan impairment charges creation for the homebuilders portfolio. The profit before tax for the nine months to 30 September 2016 include a MXN361m transition adjustment income related to Solvency II (new regulatory framework for insurance companies effective since 1 January 2016) and MXN269m decrease of deferred profit sharing asset due to the sale of one commercial loan.

- Excluding non-recurrent items, net income for the nine months to 30 September 2016 was MXN3,090m, an increase of MXN786m or 34.1%. On a reported basis net income for the nine months to 30 September 2016 was MXN3,154m, an increase of MXN1,636m or 107.8% compared with MXN1,518m for the same period of 2015.

- Total operating income, excluding loan impairment charges, for the nine months to 30 September 2016 was MXN27,287m, an increase of MXN3,421m or 14.3% compared with MXN23,866m for the same period of 2015.

- Excluding non-recurrent items, loan impairment charges for the nine months to 30 September 2016 were MXN5,750m, an increase of MXN567m or 10.9%. This increase is driven by portfolio growth coupled with credit performance in personal and payroll portfolios. On a reported basis loan impairment charges for the nine months to 30 September 2016 were MXN5,750m, a decrease of MXN556m or 8.8% compared with MXN6,306m for the same period of 2015.

- Excluding non-recurrent items, administrative and personnel expenses for the nine months to 30 September 2016 were MXN17,370m an increase of MXN1,201m or 7.4%, of which 1.5% was due to a higher investment in transformation and improvement of online customer platforms and processes . On a reported basis administrative and personnel expenses for the nine months to 30 September 2016 were MXN17,630m, an increase of MXN1,461m or 9.0% compared with MXN16,169m for the nine months to 30 September 2015.

- The cost efficiency ratio was 64.6% for the nine months to 30 September 2016, compared with 67.7% for the same period of 2015.

This news release is issued by
HSBC Holdings plc

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Incorporated in England with limited liability. Registered number 617987

- Net loans and advances to customers were MXN257.8bn at 30 September 2016, an increase in both retail and wholesale portfolios of MXN42.1bn or 19.6% compared with MXN215.7bn at 30 September 2015. Total impaired loans as a percentage of gross loans and advances at 30 September 2016 decreased to 3.5% compared with 5.5% at 30 September 2015.

- At 30 September 2016, total deposits were MXN295.9bn, an increase of MXN22.4bn or 8.2% compared with MXN273.5bn at 30 September 2015.

- Return on equity was 8.0% for the nine months to September 2016 compared with 3.8% for the same period of 2015.

- At 30 September 2016, the bank's preliminary total capital adequacy ratio was 12.3% and the preliminary tier 1 capital ratio was 10.2% compared with 12.6% and 10.4% respectively at 30 September 2015. HSBC's global strategy is to work with optimal levels of capital with a reasonable buffer above regulatory limits.

- For the third quarter of 2016, Grupo Financiero HSBC's business performance increased compared to the second quarter of 2016: profit before taxes was MXN1,452m, an increase of MXN455m or 45.6%.

- On an IFRS basis, for the nine months to 30 September 2016, profit before taxes was MXN3,762m, an increase of MXN1,158m or 44.5% compared with MXN2,604m for the same period of 2015. The main differences between the Mexican GAAP and IFRS results for the period January-September 2016 relate to differences in accounting for loan impairment charges and insurance liabilities.

- Grupo Financiero HSBC received on the 11th October 2016 a capital injection of MXN 5.5bn from its Holding company "HSBC Holdings plc". This capital injection demonstrates the commitment and confidence in the organic growth of the Mexican subsidiary.

HSBC Mexico S.A. (the bank) is a subsidiary of Grupo Financiero HSBC, S.A. de C.V. (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 2016) and this information is publicly available. Given that this information is available in the public domain, Grupo Financiero HSBC 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).

The results for the 3rd Quarter of 2016 include MXN361m transition adjustment income related to Solvency II (new regulatory framework for insurance companies which took effect on 1 January 2016), with no reclassification for the previous year.

Since the second quarter of 2016, the positive excess of loan impairment charges, determined monthly, to be classified in Other Operating Income, is measured on a portfolio basis rather than on an individual basis. Third quarter 2015 figures have been restated to reflect this change, which implies certain reclassifications between Loan Impairment Charges and Other Operating Income for a total of MXN4,201m. This restatement follows a clarification of the rule as per a formal consultation to the local regulator.

Finally, certain impairments of fixed/intangibles assets which were previously classified in Administrative and Personnel Expenses have been classified in Other Operating Income. 3rd quarter 2015 figures have been restated to reflect this change for a total of MXN64m.

Overview

The Mexican economy had a slow down in the third quarter of the year. The poor performance of economic growth so far has been driven by a broad decline of industrial activity. The main external threat for economic activity has come from a reduction of external demand, particularly from the US. However, there are other domestic factors such as the slowness of construction due to lower dynamism from public projects as well as a depressed oil output that may extend the weak performance of industrial production. Moreover, the pace of growth in the service sector has decelerated in the last months and may eventually get contaminated by the lack of traction in other sectors.

Inflation posted a considerable rise and stood at 2.97% in September. This acceleration was driven by the continuing expansion of the core component, combined with a strong rebound in agricultural prices. Part of the increase in core inflation was due to the pass-through from the MXN depreciation. In fact, the Mexican central bank mentioned that the short-term balance of risks for inflation has deteriorated. Given this backdrop, Banxico delivered an additional 50bps rate increase to 4.75%.

For the nine months to 30 September 2016, Grupo Financiero HSBC reported a profit before taxes of MXN 3,951m an increase of MXN2,526m or 177.3% compared with MXN1,425m for the same period of 2015.

Excluding non-recurrent items, profit before taxes for the nine months to September 2016 was MXN3,859m an increase of MXN1,311m or 51.5% compared with the same period of 2015.

Non-recurrent items included in the profit before tax for the nine months to 30 September 2015 is MXN1,123m of net loan impairment charges creation for the homebuilders portfolio. The profit before tax for the nine months to 30 September 2016 include a MXN361m transition adjustment income related to Solvency II (new regulatory framework for insurance companies effective since 1 January 2016) and MXN269m decrease of deferred profit sharing asset due to the sale of one commercial loan.

Net interest income for the nine months to 30 September 2016 was MXN20,232m, an increase of MXN3,594m or 21.6% compared with the same period of 2015. The increase is driven by higher loan volumes, particularly in consumer and commercial loan portfolios and higher average deposit spreads in the retail and corporate segments. In addition, the higher net interest income is due to the insurance-related business (premiums, claims and technical reserves) which accounted for an increase of MXN658m compared with the nine months to 30 September 2015, explained by growth in term life portfolio due to higher sales coupled with the MXN361m Solvency II initial adjustment income.

Excluding non-recurrent items, loan impairment charges for the nine months to 30 September 2016 were MXN5,750m, an increase of MXN567m or 10.9%. This increase is driven by portfolio growth coupled with credit performance in personal and payroll portfolios. On a reported basis loan impairment charges for the nine months to 30 September 2016 were MXN5,750m, a decrease of MXN556m or 8.8% compared with MXN6,306m for the same period of 2015.

Net fee income was MXN5,017m, an increase of MXN386m or 8.3% compared with the nine months to September 2015. This increase is due to higher credit card and structuring loan portfolio fees.

Trading income was MXN428m, a decrease of MXN347m or 44.8% compared with the nine months to 30 September 2015. This decrease is driven by mark-to-market results of derivatives and lower gains on sale of available of sale debt securities partly offset by higher results in FX transactions.

Other operating income was MXN1,610m, a decrease of MXN212m or 11.6% compared with the nine months to September 2015, driven by higher prior year tax provision releases losses on commercial loan transfers.

Excluding non-recurrent items, administrative and personnel expenses for the nine months to 30 September 2016 were MXN17,370m an increase of MXN1,201m or 7.4%, of which 1.5% was due to a higher investment in transformation and improvement of online customer platforms and processes. On a reported basis administrative and personnel expenses for the nine months to 30 September 2016 were MXN17,630m, an increase of MXN1,461m or 9.0% compared with MXN16,169m for the nine months to 30 September 2016.

The cost efficiency ratio was 64.6% for the nine months to 30 September 2016, compared with 67.7% for the same period of 2015.

The effective tax rate was 20.39% for the nine months to September 2016 is higher compared with -6.66% for the same period of 2015. The increase is driven by a higher profit before tax during 2016 but similar inflationary and non-taxable income when comparing the two periods, having a major specific weight in the 2015 effective tax rate.

Grupo Financiero HSBC's insurance subsidiary, HSBC Seguros, reported profit before tax of MXN1,540m for the nine months of 2016. This amount includes a benefit due to Solvency II of MXN635m (MXN361m for the transition adjustment recognised through P&L as recommended by the Comisión Nacional de Seguros y Fianzas and MXN274m for the movements of the period). Excluding the transition impact, net income before tax increased 5.8% compared with the same period of 2015. This positive performance is driven by higher sales in term life portfolio coupled with stable claims.

Net loans and advances to customers were MXN257.8bn at 30 September 2016, an increase of MXN42.1bn or 19.6% compared with MXN215.6bn at 30 September 2015. The performing consumer and mortgage loan portfolios increased by 26.3% and 17.1% respectively, while the performing commercial loan portfolio increased by 18.0%, compared with the same period of 2015.

At 30 September 2016, total impaired loans decreased by 23.5% to MXN9.6bn compared with 30 September 2015, due to a lower impaired commercial loan portfolio, as a result of a partial sale of the homebuilders' portfolio, improvement in credit profile of non performing customers, and an active management in the retail portfolio. Total impaired loans as a percentage of gross loans and advances at 30 September 2016 decreased to 3.5% compared with 5.5% at 30 September 2015.

Total loan loss allowances at 30 September 2016 were MXN13.2bn, a decrease of MXN1.3bn or 8.6% compared with 30 September 2015. The total coverage ratio (allowance for loan losses divided by impaired loans) was 137.8% at 30 September 2016 compared with 115.3% at 30 September 2015. The higher coverage ratio is in line with the decrease of impaired loans balance driven by the partial sale of the homebuilders' portfolio improvement in credit profile of non-performing customers, and an active management in the retail portfolio.

At 30 September 2016, total deposits were MXN295.9bn, an increase of MXN22.4bn or 8.2% compared with MXN273.5bn at 30 September 2015. Demand deposits increased by 14.1% due to higher deposit balances across all segments. Time deposits decreased by 1.8% due to lower retail deposit balances.

At 30 September 2016, the bank's preliminary total capital adequacy ratio was 12.3% and the preliminary tier 1 capital ratio was 10.2% compared with 12.6% and 10.4% respectively at 30 September 2015. HSBC's global strategy is to work with optimal levels of capital with a reasonable buffer above regulatory limits.

Relevant events

Grupo Financiero HSBC received on the 11th October 2016 a capital injection of MXN 5.5bn from its Holding company "HSBC Holdings plc". This capital injection demonstrates the commitment and confidence in the organic growth of the Mexican subsidiary.

Business highlights

Retail Banking and Wealth Management (RBWM)

RBWM revenues for the nine months to September 2016 have presented a significant growth compared to the same period of 2015. Results were driven by a robust growth in lending balances in payroll and personal loans and a solid performance in insurance.
The performing RBWM consumer, credit card and mortgage loan portfolio as at 30 September 2016 increased 22.7% compared with the same period of 2015. Average number of credit cards issued per month increased 18.2% compared with the same period of 2015.
Personal loans and payroll loans portfolio balance at 30 September 2016 increased 87.6% and 34.1% respectively compared with balances as at 30 September 2015. In both portfolios HSBC continues to outgrow the market with Personal Loans reaching 10.6% of the share that the top 6 banks country has and Payroll loans reaching 8.8% (+1.7p.p.). Monthly average drawdowns of mortgages were MXN762m per month for the first nine months of 2016, increasing balances 13.7% compared with the same period of 2015.

The insurance business continues to be focused on offering fair value for our customers. This strategy has generated a positive impact, improving the persistency for temporary life insurance portfolio. By better targeting and segmentation, annualised premiums of life product sales for 2016 have increased 25% compared with the same period of 2015, leading to a portfolio growth of 12% compared with the same period of 2015.

Aligned to our Country Strategic Plan of leveraging the branch network and multichannel offer RBWM's strategy rests on effectively:

- Accelerate customer base growth with focus on Payroll acquisition with enhanced collaboration with CMB and GBM and for non-payroll customer's acquisition focus on reviewing and enhancing value propositions and products offerings.
- Continuously improve our lending portfolio by capturing pricing opportunities in fees and rates and reviewing essential capabilities such as credit risk appetite and analytics to deliver data solutions that cover customer and product information to deploy triggers and campaigns focused on customer needs.
- Turnaround Retail Business Banking as a priority by strengthening the proposition, commercial model, product portfolio, processes and enablers.
- Increase channel productivity and leverage third-party sales agents to better serve customers.
- Implement Contact Centre and digital enhancements leveraging group solutions.
- Leverage RBWM Transformation Programme, to deliver sustainable improvements in sales and service processes, multichannel, sales processes and sales funnel to improve customer experience.

Commercial Banking (CMB)

CMB results for the nine months to September 2016 reflect higher revenues by 22% compared with the same period of 2015, driven by an increase on the net interest income from the loan portfolio of 33.9% supported by an increase of 17.2% in volumes, particularly on the Corporate Banking side and Corporate Real Estate segments coupled with 13.4% increase in deposits volumes and higher spreads as a result of a change in mix of products. In addition, higher Fee Income from a shared revenue strategy with RBWM in regards to Payroll.

Aligned to our global strategy of becoming the leading international trade and business bank, CMB continues to increase connectivity with global customers and is focusing on these key elements

- Improve Mexico profitability by deepening our relationship with our existing customers, improving our understanding of client needs. Special attention on a Customer Profitability Analysis that provides key insights.
- Leverage strong NAFTA connectivity and continue to develop product proposition and investment in technology to capture market share. Team investments made in Mexico have enabled a more consistent NAFTA offering higher referral activities.
- Commercial Banking has strengthened the International Subsidiary Banking team (ISB) with a presence in key locations across Mexico. Through the ISB proposition, HSBC Mexico provides financial solutions and strengthens the links with our global network.

- Launch of new trade loan solutions and enhancements to supply chain system resulted in more competitive alternate solutions to working capital finance. In addition, Global Trade & Receivable Finance (GTRF) product offering expanded to provide Structured Trade Finance solutions to commodities customers - initial focus on key clients & strategic Oil & Gas companies suppliers'.
- For Global Liquidity & Cash Management (GLCM), enhancements made on the manual collection process and reinforcement of product campaigns coupled with a strategy implementation to enhance balance sheet growth.

Global Banking and Markets (GBM)

GBM results for the nine months to September 2016 reflect higher revenues by 17% compared with the same period of 2015, driven by an increase on the net interest income from the loan portfolio of 40% as a result higher volumes and spreads compared to 2015. This was coupled with higher deposit income by 13.4% driven by rates.

Global Banking continues to grow balances in credit and lending business in the corporate sector as of September 2016 following effective business strategies, which increased by MXN4.4bn or 7.2% compared with the same period of 2015. As result, net interest income increased by MXN160m or 35.5%. This was coupled with increased net interest income from deposits MXN142m or 53.6% vs September 2015 driven by rates.

In addition, trade services business increased its balances by MXN2.2bn or 48.9% compared with the same period of 2015, in NAFTA corridor, which generated MXN54m or 67.6% higher net interest income.

Improved services and relationship with corporate customers have increased revenues in the Payments & Cash Management business by 47.1% compared with the same period of 2015.

Business synergies have increased in 2016 particularly in Asset and Structured Finance, following a joint effort with CMB clients who generated higher fees during the first half of 2016 by MXN20m in Global Banking (MXN40m across Global Banking and CMB).

During 2016, the Debt Capital Markets business closed several international transactions with local customers, strengthening the outbound revenues and the link with our global network.

CMB FX sales business continued its steady growth during 2016. The bank continues to diversify the customers base and customers product portfolio through the use of FX forwards and FX options, with the support of the Risk Advisory Team.

Trading income was MXN428m, a decrease of MXN347m or 44.8% compared with the first half of 2015. This decrease is driven by mark-to-market results of derivatives and bonds transactions offset by higher results in FX transactions.

Grupo Financiero HSBC's third Quarter of 2016 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 2016, on an IFRS basis, Grupo Financiero HSBC reported a net income before taxes of MXN3,762m, an increase of MXN1,158m or 44.5% compared with MXN2,604m for the nine months to 30 September 2015. The higher net income before tax reported under Mexican GAAP compared with IFRS for the third quarter of 2016 is due to differences in accounting for loan impairment charges and insurance liabilities. A reconciliation and explanation between the Mexican GAAP and IFRS results is included with the financial statements of this document.

Awards

HSBC continues to be independently recognised and received the following awards during the third quarter of 2016

On September 26th 2016, HSBC Mexico won, for the fifth consecutive year, the "Best Cash Management Bank" awarded by Euromoney, in recognition to the quality of its products and services and the value added offered to its clients.

Euromoney magazine gives these awards on an annual basis to the participants of the local, regional and global financial industry, using a methodology based on surveys to the Top Management in charge of managing finance or treasury of their companies, in more than 55 countries.

The "Best Cash Management Bank" category includes, among other things, comprehensive solutions for collection and payments, optimal liquidity management and connectivity through the use of digital platforms.

Additionally, on July 11th, HSBC was considered the Best Financing Bank in Latin America by Euromoney magazine, for being a strong and diversified business.
On July 26th, HSBC was awarded as the Best International Trade Bank Worldwide by the specialized publication in commerce and finance themes, Trade and Forfaiting Review (TFR).
TFR is a leading publication on trade financing in the market, which provides updated information to professionals anywhere in the world. Among the readers of this specialized environment are entrepreneurs, leaders of financial areas, professionals in matters of foreign trade and supply chain financing, who decide the winners in each category, according to their knowledge and experience.

In other categories, on August 25th 2016, the Council to Prevent and Eliminate Discrimination in Mexico City (COPRED by its Spanish acronym) welcomed HSBC Mexico to the "Great agreement for the equal treatment CDMX" through the delivery of the welcome letter and the unveiling of the "Non Discrimination" plaque. With that, HSBC Mexico demonstrated, once again, its commitment to adopting labour practices of inclusion through the development of social responsibility policies.

About HSBC

Grupo Financiero HSBC is one of the leading financial groups in Mexico with 974 branches, 5,595 ATMs and more than 16,000 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 6,000 offices in 71 countries and territories in Europe, Asia, Middle East and North Africa, North America and Latin America, the HSBC Group is one of the world's largest banking and financial services organisations.

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Consolidated Income Statement – GROUP September 2016

	Reported	Solvency II	Deferred profit sharing	Excluding non-recurrent items
Interest income	**28,512**	(350)	-	**28,162**
Interest expense	**(8,280)**	(2)	-	**(8,282)**
Net interest income	**20,232**	(352)	-	**19,880**
Loan impairment charges	**(5,750)**	-	-	**(5,750)**
Risk-adjusted net interest income	**14,482**	(352)	-	**14,130**
Fees and commissions receivable	**6,455**	-	-	**6,455**
Fees payable	**(1,438)**	-	-	**(1,438)**
Trading income	**428**	-	-	**428**
Other operating income	**1,610**	-	-	**1,610**
Total operating income	**21,537**	(352)	-	**21,185**
Administrative and personnel expenses	**(17,630)**	(9)	269	**(17,370)**
Net operating income	**3,907**	(361)	269	**3,815**
Share of profits in equity interest	**44**	-	-	**44**
Profit/(loss) before taxes	**3,951**	(361)	269	**3,859**
Income tax	**(637)**	108	(80)	**(609)**
Deferred income tax	**(160)**	-	-	**(160)**
Net income before discontinued operations	**3,154**	(253)	189	**3,090**
Discontinued operations	**-**	-	-	**-**
Minority interest	**-**	-	-	**-**
Profit/(loss)	**3,154**	(253)	189	**3,090**

Consolidated Income Statement – GROUP September 2015

Figures in MXN millions	**Reported**	**Homebuilders loan impairment charges**	**Excluding non-recurrent items**
Interest income	24,043	-	24,043
Interest expense	(7,405)	-	(7,405)
Net interest income	16,638	-	16,638
Loan impairment charges	(6,306)	1,123	(5,183)
Risk-adjusted net interest income	10,332	1,123	11,455
Fees and commissions receivable	6,008	-	6,008
Fees payable	(1,377)	-	(1,377)
Trading income	775	-	775
Other operating income	1,822	-	1,822
Total operating income	17,560	1,123	**18,683**
Administrative and personnel expenses	(16,169)	-	(16,169)
Net operating income	1,391	1,123	**2,514**
Share of profits in equity interest	34	-	**34**
Profit/loss before taxes	1,425	1,123	**2,548**
Income tax	(559)	-	**(559)**
Deferred income tax	652	(337)	**315**
Net income before discontinued operations	1,518	786	**2,304**
Discontinued operations	-	-	**-**
Minority interest	1	-	**1**
Profit/(loss)	1,519	786	**2,305**

Consolidated Income Statement – BANK September 2016

	Reported	Increase in recovery of intracompany recharges	Deferred profit sharing	Excluding non-recurrent items
Interest income	**25,370**	-	-	**25,370**
Interest expense	**(7,145)**	-	-	**(7,145)**
Net interest income	**18,225**	-	-	**18,225**
Loan impairment charges	**(5,750)**	-	-	**(5,750)**
Risk-adjusted net interest income	**12,475**	-	-	**12,475**
Fees and commissions receivable	**6,129**	-	-	**6,129**
Fees payable	**(1,441)**	-	-	**(1,441)**
Trading income	**509**	-	-	**509**
Other operating income	**1,883**	(123)	-	**1,760**
Total operating income	**19,555**	(123)	-	**19,432**
Administrative and personnel expenses	**(17,513)**	-	269	**(17,244)**
Net operating income	**2,042**	(123)	269	**2,188**
Share of profits in equity interest	**39**	-	-	**39**
Profit/(loss) before taxes	**2,081**	(123)	269	**2,227**
Income tax	**(34)**	37	(81)	**(78)**
Deferred income tax	**(214)**	-	-	**(214)**
Net income before discontinued operations	**1,833**	(86)	188	**1,935**
Discontinued operations	**-**	-	-	**-**
Minority interest	**-**	-	-	**-**
Profit/(loss)	**1,833**	(86)	188	**1,935**

Consolidated Income Statement – BANK September 2015

Figures in MXN millions	**Reported**	**Homebuilders loan impairment charges**	**Excluding non-recurrent items**
Interest income	21,178	-	**21,178**
Interest expense	(5,778)	-	**(5,778)**
Net interest income	15,400	-	**15,400**
Loan impairment charges	(6,306)	1,123	(5,183)
Risk-adjusted net interest income	9,094	1,123	10,217
Fees and commissions receivable	5,618	-	**5,618**
Fees payable	(1,387)	-	**(1,387)**
Trading income	866	-	**866**
Other operating income	1,953	-	**1,953**
Total operating income	16,144	1,123	**17,267**
Administrative and personnel expenses	(16,085)	-	**(16,085)**
Net operating income	59	1,123	**1,182**
Share of profits in equity interest	33	-	**33**
Profit/loss before taxes	92	1,123	**1,215**
Income tax	(118)	-	**(118)**
Deferred income tax	578	192	**770**
Net income before discontinued operations	552	1,315	**1,867**
Discontinued operations	-	-	**-**
Minority interest	-	-	**-**
Profit/loss	552	1,315	**1,867**

Consolidated Balance Sheet	GROUP		BANK	
	30 Sep	30 Sep	30 Sep	30 sep
Figures in MXN millions	2016	2015	2016	2015
Assets				
Cash and deposits in banks	**41,327**	51,812	**41,238**	51,812
Margin accounts	**175**	38	**175**	38
Investment in securities	**149,415**	138,458	**132,982**	122,325
Trading securities	**30,041**	37,346	**27,555**	34,466
Available-for-sale securities	**91,332**	69,778	**85,717**	67,199
Held to maturity securities	**28,042**	31,334	**19,710**	20,660
Repurchase agreements	**13,898**	23,623	**13,898**	23,623
Derivative transactions	**79,188**	87,047	**79,188**	87,047
Performing loans				
Commercial loans	**129,138**	109,426	**129,138**	109,426
Loans to financial intermediaries	**13,889**	5,968	**13,889**	5,968
Consumer loans	**54,442**	43,096	**54,442**	43,096
Mortgage loans	**32,529**	27,772	**32,529**	27,772
Loans to government entities	**31,419**	31,262	**31,419**	31,262
Total performing loans	**261,417**	217,524	**261,417**	217,524
Impaired loans				
Commercial loans	**7,180**	10,646	**7,180**	10,646
Loans to financial intermediaries	**-**	-	**-**	-
Consumer loans	**1,946**	1,331	**1,946**	1,331
Mortgage loans	**485**	539	**485**	539
Loans to government entities	-	50	-	50
Total impaired loans	**9,611**	12,566	**9,611**	12,566
Gross loans and advances to customers	**271,028**	230,090	**271,028**	230,090
Allowance for loan losses	**(13,240)**	(14,491)	**(13,240)**	(14,491)
Net loans and advances to customers	**257,788**	215,599	**257,788**	215,599
Accounts receivable from insurers and bonding companies	**121**	85	**-**	-
Premium receivables	**358**	41	**-**	-
Accounts receivable from reinsurers and rebonding companies	**44**	63	**-**	-
Benefits to be received from trading operations	**106**	131	**106**	131
Other accounts receivable	**66,512**	85,948	**65,717**	85,076
Foreclosed assets	**317**	122	**317**	122
Property, furniture and equipment, net	**5,043**	5,486	**5,043**	5,486
Long-term investments in equity securities	**286**	250	**189**	164
Long-term assets available for sale	**-**	17	**-**	17
Deferred taxes and deferred profit sharing	**10,119**	10,156	**9,985**	9,990
Goodwill	**1,048**	1,048	**-**	-
Other assets, deferred charges and intangibles	**3,016**	3,114	**3,013**	3,036
Total assets	**628,761**	623,038	**609,639**	604,466

Consolidated Balance Sheet *(continued)*

Figures in MXN millions	GROUP 30 Sep 2016	GROUP 30 Sep 2015	BANK 30 Sep 2016	BANK 30 Sep 2015
Liabilities				
Deposits	**295,864**	273,464	**296,416**	273,967
Demand deposits	**200,644**	175,902	**200,901**	176,405
Time deposits	**89,799**	91,449	**89,424**	91,449
Bank bonds outstanding	**5,421**	6,113	**5,421**	6,133
Global deposit account without movements	**-**	-	**670**	0
Bank deposits and other liabilities	**39,593**	37,880	**39,593**	37,880
On demand	**4,361**	10,121	**4,361**	10,121
Short-term	**29,274**	24,007	**29,274**	24,007
Long-term	**5,958**	3,752	**5,598**	3,752
Repurchase agreements	**46,695**	25,226	**46,695**	25,226
Settlement accounts	**-**	384	**-**	384
Collateral sold	**13,397**	18,375	**13,397**	18,375
Derivative transactions	**86,050**	92,196	**86,050**	92,196
Technical reserves	**11,826**	12,332	**-**	-
Accounts payable from reinsurers and rebonding companies	**8**	5	**-**	-
Other accounts payable	**68,324**	98,233	**66,785**	97,084
Income tax and employee profit sharing payable	**185**	85	**5**	67
Sundry creditors	**68,139**	98,148	**66,780**	97,017
Subordinated debentures outstanding	**12,048**	11,029	**12,048**	11,029
Deferred taxes and deferred profit sharing	**1,243**	743	**1,226**	743
Total liabilities	**575,048**	569,867	**562,210**	556,884
Equity				
Paid in capital	**37,823**	37,823	**32,768**	32,768
Capital stock	**5,637**	5,637	**5,680**	5,680
Additional paid in capital	**32,186**	32,186	**27,088**	27,088
Other reserves	**15,886**	15,344	**14,659**	14,899
Capital reserves	**2,644**	2,644	**11,273**	11,273
Retained earnings	**10,901**	11,646	**2,575**	3,539
Result from the mark to market valuation of available-for-sale securities	**(414)**	(336)	**(431)**	(337)
Result from cash flow hedging transactions	**(399)**	(129)	**(399)**	(129)
Adjustment in the employee pension scheme	**-**	-	**(192)**	-
Net income	**3,154**	1,519	**1,833**	553
Minority interest in capital	**4**	4	**2**	2
Total equity	**53,713**	53,171	**47,429**	47,669
Total liabilities and equity	**628,761**	623,038	**609,639**	604,553

Consolidated Balance Sheet *(continued)*

	GROUP		BANK	
Figures in MXN millions	**30 Jun 2016**	**30 Jun 2015**	**30 Sep 2016**	**30 Sep 2015**
Memorandum Accounts	**5,597,968**	5,813,921	**5,585,319**	5,802,593
Third party accounts	**41,436**	42,251	**38,524**	40,456
Clients current accounts	**1,868**	-	**-**	-
Custody operations	**1,044**	1,794	**-**	-
Transactions on behalf of clients	-	-	**-**	-
Third party investment banking operations, net	**38,524**	40,457	**38,524**	40,456
Proprietary position	**5,556,532**	5,771,670	**5,546,795**	5,762,137
Guarantees granted	**-**	-		
Irrevocable lines of credit granted	**271,987**	264,067	**271,987**	264,067
Goods in trust or mandate	**445,450**	447,791	**445,450**	447,791
Goods in custody or under administration	**1,057,173**	969,229	**1,051,536**	963,592
Collateral received by the institution	**27,833**	43,916	**27,833**	43,916
Collateral received and sold or delivered as guarantee	**25,339**	30,778	**25,339**	30,778
Deposit of assets	**-**	-	**-**	-
Suspended interest on impaired loans	**214**	213	**214**	213
Recovery guarantees for issued bonds	**-**	-	**-**	-
Paid claims	**-**	-	**-**	-
Cancelled claims	**-**	-	**-**	-
Responsibilities from bonds in force	**-**	-	**-**	-
Other control accounts	**3,728,536**	4,015,676	**3,724,436**	4,011,780

Consolidated Income Statement

	GROUP		BANK	
Figures in MXN millions	**30 Sep 2016**	**30 Sep 2015**	**30 Sep 2016**	**30 Sep 2015**
Interest income	**26,156**	21,920	**25,370**	21,178
Interest expense	**(7,130)**	(5,830)	**(7,145)**	(5,778)
Earned premiums	**2,356**	2,123	**-**	-
Technical reserves	**472**	81	**-**	-
Claims	**(1,622)**	(1,656)	**-**	-
Net interest income	**20,232**	16,638	**18,225**	15,400
Loan impairment charges	**(5,750)**	(6,306)	**(5,750)**	(6,306)
Risk-adjusted net interest income	**14,482**	10,332	**12,475**	9,094
Fees and commissions receivable	**6,455**	6,008	**6,129**	5,618
Fees payable	**(1,438)**	(1,377)	**(1,441)**	(1,387)
Trading income	**428**	775	**509**	866
Other operating income	**1,610**	1,822	**1,883**	1,953
Total operating income	**21,537**	17,560	**19,555**	16,144
Administrative and personnel expenses	**(17,630)**	(16,169)	**(17,513)**	(16,085)
Net operating income	**3,907**	1,391	**2,042**	59
Share of profits in equity interest	**44**	34	**39**	33
Profit/loss before taxes	**3,951**	1,425	**2,081**	92
Income tax	**(637)**	(559)	**(34)**	(118)
Deferred income tax	**160**	652	**(214)**	578
Net income before discontinued operations	**3,154**	1,518	**1,833**	552
Discontinued operations	**-**	-	**-**	-
Minority interest	**-**	-	**-**	-
Profit/loss	**3,154**	1,518	**1,833**	552

Consolidated Statement of Changes in Shareholders' Equity

GROUP

Figures in MXN millions	Capital contributed	Capital reserves	Retained earnings	Result from valuation of available-for-sale securities	Result from cash flow hedging transactions	Net income	Minority interest	**Total equity**
Balances at 31 December 2015	**37,823**	**2,644**	**11,646**	**(599)**	**(93)**	**510**	**4**	**51,935**
Movements inherent to the shareholders' decision								
Shares issue	-	-	-	-	-	-	-	**-**
Transfer of result of prior years	-	-	510	-	-	(510)	-	**-**
Constitution of reserves		-	-	-	-	-	-	**-**
Cash dividends	-	-	(880)	-	-	-	-	**(880)**
Total	**-**	**-**	**(370)**	**-**	**-**	**(510)**	**-**	**(880)**
Movements for the recognition of the comprehensive income								
Net income	-	-	-	-	-	3,154	-	**3,154**
Result from valuation of available-for-sale securities	-	-	-	185	-	-	-	**185**
Result from cash flow hedging transactions	-	-	-	-	(306)	-	-	**(306)**
Others	-	-	(375)	-	-	-	-	**(375)**
Total	**-**	**-**	**(375)**	**185**	**(306)**	**3,154**	**-**	**2,658**
Balances at 30 September 2016	**37,823**	**2,644**	**10,901**	**(414)**	**(399)**	**3,154**	**4**	**53,713**

Consolidated Statement of Changes in Shareholders' Equity *(continued)*

BANK

Figures in MXN millions	Capital contributed	Capital reserves	Retained earnings	Result from valuation of available-for-sale securities	Result from cash flow hedging transactions	Adjustment in defined benefit pension plans	Net income	Minority interest	Total equity
Balances at 1 January 2016	**32,768**	**11,273**	**3,539**	**(595)**	**(93)**	**-**	**(698)**	**2**	**46,196**
Movements inherent to the shareholders' decision									
Share issue	-	-	-	-	-	-	-	-	**-**
Transfer of result of prior years	-	-	(698)	-	-	-	698	-	**-**
Constitution of reserves	-	-	-	-	-	-	-	-	**-**
Cash dividends	-	-	-	-	-	-	-	-	**-**
Others	-	-	-	-	-	-	-	-	**-**
Total	**-**	**-**	**(698)**	**-**	**-**	**-**	**698**	**-**	**-**
Movements for the recognition of the comprehensive income									
Net income	-	-	-	-	-	-	1,833		**1,833**
Result from valuation of available-for-sale securities	-	-	-	164			-	-	**164**
Result from cash flow hedging transactions	-	-	-	-	(306)	-	-	-	**(306)**
Adjustment in defined benefit pension plans	-	-	-	-	-	(192)	-	-	**(192)**
Others	-	-	(266)	-	-	-		-	**(266)**
Total	**-**	**-**	**(266)**	**164**	**(306)**	**(192)**	**1,833**	**-**	**1,233**
Balances at 30 September 2016	**32,768**	**11,273**	**2,575**	**(431)**	**(399)**	**(192)**	**1,833**	**2**	**47,429**

Consolidated Statement of Cash Flows

GROUP

Figures in MXN millions	30 Sep 2016
Net income	**3,154**
Adjustments for items not involving cash flow:	**4,344**
Allowances for loan losses	-
Depreciation	698
Amortisation	215
Provisions	3,150
Income tax and deferred taxes	797
Technical reserves	(472)
Discontinued operations	-
Share of profit in equity interest	(44)
Others	-
Changes in items related to operating activities:	
Margin accounts	(152)
Investment securities	(9,504)
Repurchase agreements	7,708
Derivative (assets)	224
Loan portfolio	(25,642)
Benefits to be received from trading operations	15
Foreclosed assets	(193)
Operating assets	(28,423)
Deposits	15,820
Bank deposits and other liabilities	2,110
Creditors repo transactions	14,242
Collateral sold or delivered as guarantee	(7,252)
Derivative (liabilities)	701
Subordinated debentures outstanding	873
Accounts receivables from reinsurers and coinsurers	69
Accounts receivables from premiums	(328)
Reinsurers and bonding	3
Other operating liabilities	19,982
Income tax paid	(972)
Funds provided by operating activities	**(10,719)**
Investing activities:	
Proceeds on disposal of property, furniture and equipment	49
Acquisition of property, furniture and equipment	(381)
Intangible asset acquisitions & prepaid expenses	(315)
Cash dividends	27
Other investment activities	45
Funds used in investing activities	**(575)**
Financing activities:	
Cash dividends	(880)
Others	(263)
Funds used in financing activities	**(1,143)**
Financing activities:	
Increase/Decrease in cash and equivalents	(4,939)
Cash and equivalents at beginning of period	46,266
Cash and equivalents at end of period	**41,327**

Consolidated Statement of Cash Flows *(continued)*

BANK

Figures in MXN millions	**30 Sep 2016**
Net income	**1,833**
Adjustments for items not involving cash flow:	**(1,593)**
Allowances for loan losses	-
Depreciation	698
Amortisation	215
Provisions	(2,715)
Income tax and deferred taxes	248
Share of profits in equity interest	(39)
Others	-
Changes in items related to operating activities:	
Margin accounts	(152)
Investment securities	(9,455)
Repurchase agreements	7,708
Derivative (assets)	224
Loan portfolio	(25,890)
Benefits to be received from trading operations	15
Foreclosed assets	(193)
Operating assets	(28,008)
Deposits	15,833
Bank deposits and other liabilities	2,110
Creditors repo transactions	14,242
Collateral sold or delivered as guarantee	(7,252)
Derivative (liabilities)	701
Subordinated debentures outstanding	873
Other operating liabilities	25,084
Income tax paid	(537)
Funds provided by operating activities	**(4,697)**
Investing activities:	
Acquisition of property, furniture and equipment	(381)
Intangible asset acquisitions & prepaid expenses	(315)
Proceeds on disposal of property, furniture and equipment	49
Cash dividends	27
Long-term investments in equity securities	-
Others	49
Funds used in investing activities	**(571)**
Financing activities:	-
Cash dividends	-
Funds used in financing activities	**-**
Financing activities:	
Increase / Decrease in cash and equivalents	(5,028)
Cash and equivalents at beginning of period	46,266
Cash and equivalents at end of period	**41,238**

Changes in accounting rules

- Mexican GAAP new accounting rules for defined benefit pension plans are in force starting January 2016 (NIF D-3). Those are mostly aligned with IFRS.

CNBV issued a transitory rule to recognise accounting changes on defined benefit pension plans on an annual and progressive basis during a period of 5 years (20% each year). Grupo Financiero HSBC adhered to this option.

Main impacts are as follows:

a) Plan changes modifications: unrecognised balances on transition were recognised in Retained earnings, this effect was MXN19m, net of deferred taxes.
b) Actuarial gains and losses: unrecognised cumulative balance is recognised in 'Adjustment in the employee defined benefit pension plans' which is presented separately in shareholders' equity in the bank's consolidated financial statements, this effect was MXN202m, net of deferred taxes, at 30 September 2016. The recycling through P&L is done over the average working life of the employees.

On February 2016, Secretaría de Hacienda y Crédito Público 'SHCP' (Mexican Government Authority) recommended that Mexican domestic market is considered as a deep market managing high credit quality bonds for NIF D-3 purposes. This would result in a change in discount rates used to calculate liabilities at present value, using corporate bonds rates instead of governmental bonds rates. The Bank is analysing if a change in discount rate would be possible.

- During 2014, a new Insurance Law was issued which follows the European Solvency II principles proposing a new framework for operations, risk profile and prudential supervision of Insurance Companies in Mexico. Changes are in force starting January 2016. Main impacts are as follows:

  a) From an Insurance Liabilities perspective a Best Estimate Liabilities + Risk Margin approach is now considered;
  b) Insurance Premiums and Technical Reserves for short term insurance contracts are recognised on an annualised basis;
  c) From the Assets perspective, a Mark to Market assessment is considered for all financial assets; and
  d) Capital requirements are based on risks.

The initial application of Solvency II related to the insurance premiums now recognised on an annualised basis of MXN253m, net of deferred taxes, (MXN361m before taxes) was recognised through P&L as being defined by CNSF recommendation. Additionally, there was an initial application benefit of MXN142m, net of deferred taxes, also related to Solvency II, due to the difference of market vs contractual rates on technical reserves, which was recognised in retained earnings; further movements were recognised in retained earnings for this concept for MXN-35m as at 30 September 2016.

- On December 2015, the CNBV issued a new loan loss allowance methodology for credit cards and other revolving loans. The new methodology is in force starting 1st April 2016. Main changes are related to the incorporation of new variables such as those obtained from credit bureau and to the period in which the client has maintained a relationship with the bank. Initial application of MXN248m, net of deferred taxes, was recognised in retained earnings.

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 third quarter of 2016 and an explanation of the key reconciling items.

Figures in MXN millions	**30 Sep 2016**
Grupo Financiero HSBC – Net Income Under Mexican GAAP	**3,154**
Differences arising from:	
Valuation of defined benefit pensions and post-retirement healthcare benefits, including post-employment benefits [††]	198
Deferral of fees received and paid on the origination of loans and other effective interest rate adjustments [†]	128
Loan impairment charges and other differences in presentation under IFRS [†]	(608)
Recognition of the present value in-force of long-term insurance contracts [†]	150
Fair value adjustments on financial instruments [†]	79
Deferred profit sharing [†]	180
Insurance liabilities and Insurance premiums recognised on an annualised basis [†]	(422)
Other differences in accounting principles [†]	(499)
Net income under IFRS	**2,360**
US dollar equivalent (millions)	**129**
Add back tax expense	1,403
Net income before taxes under IFRS	**3,763**
US dollar equivalent (millions)	**205**
Exchange rate used for conversion	***18.3128***

[†] *Net of tax at 30%*

[††] *Net of tax at 16%*

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, including post-employment 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. 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. 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 separately in 'shareholders' equity in the bank's consolidated financial statements' but then are recycled through P&L over the average working life of the employees. See also the Changes in Accounting rules section.

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. Indemnity payments are not considered as a liability for termination benefits.

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 recognised 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 financial instruments
Mexican GAAP
Mexican GAAP requires that for those Derivatives and Investment in Securities required to be fair valued, valuations shall be obtained from prices or application of internal valuation models, applied uniformly and consistently among the operations with same nature.

Inputs for Internal valuation models such as interest rates, exchange rates and volatilities as well as prices used to valuate positions shall be obtained from authorised price vendors.

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 recognised 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 realised.

IFRS
Deferred profit sharing asset is not permitted under IFRS.

Insurance liabilities and Insurance premiums recognised on an annualised basis
Mexican GAAP
As explained in the Changes in accounting rules section, new Insurance accounting principles are in place from 2016.We only present differences in insurance liabilities and insurance premiums recognised on an annualised basis / P&L.

Insurance liabilities are calculated as the sum of a best estimate and a risk margin. The best estimate is based on up-to-date credible information and realistic assumptions and aims to represent a total liability valuation aligned to its expected pricing transfer to the customer. The risk margin is calculated as the cost of providing an amount of capital equal to the Solvency Capital Requirement necessary to support the insurance obligations over their lifetime.

Insurance premiums are recognised in the tenor of the insurance contract.

IFRS
IFRS reserving process is based on a liability adequacy test to ensure that the carrying amount of liabilities is sufficient in the light of estimated future cash flows defined by a prudent, non-market consistent set of rules for such estimated cash flows (instead of using realistic assumptions) and not using risk margins components.

Insurance premiums are recognised as incurred.