Grupo Financiero HSBC

Financial information at 31 March 2013

1Q13

► **Press Release**

► **Quarterly Report**

► **First Quarter 2013**

Release date:
29 April 2013

HSBC

29 April 2013

GRUPO FINANCIERO HSBC, S.A. DE C.V.
FIRST Q2013 FINANCIAL RESULTS – HIGHLIGHTS

- Net income before tax for the first quarter of 2013 was MXN2,042m, an increase of MXN803m or 64.8% compared with MXN1,239m for the first quarter of 2012.

- Net income for the first quarter of 2013 was MXN1,484m, an increase of MXN286m or 23.9% compared with MXN1,198m for the first quarter of 2012.

- Total operating income, net of loan impairment charges, for the first quarter of 2013 was MXN7,120m, an increase of MXN375m or 5.6% compared with MXN6,745m for the first quarter of 2012.

- Loan impairment charges for the first quarter of 2013 were MXN1,539m, a decrease of MXN115m or 7.0% compared with MXN1,654m for the first quarter of 2012.

- Administrative and personnel expenses were MXN5,085m, a decrease of MXN429m or 7.8% compared with MXN5,514m for the first quarter of 2012.

- The cost efficiency ratio was 58.7% for the first quarter of 2013, compared with 65.7% for the first quarter of 2012.

- Net loans and advances to customers were MXN188.6bn at 31 March 2013, an increase of MXN9.0bn or 5.0% compared with MXN179.6bn at 31 March 2012. Total impaired loans as a percentage of gross loans and advances improved to 2.2% compared with 2.6% at 31 March 2012.

- At 31 March 2013, deposits were MXN265.0bn, a decrease of MXN36.3bn or 12.0% compared with MXN301.3bn at 31 March 2012.

- Return on equity was 11.2% for the first quarter of 2013 compared with 10.5% for the first quarter of 2012.

- At 31 March 2013, the bank's total capital adequacy ratio was 16.8% and the tier 1 capital ratio was 13.7% compared with 14.7% and 11.4% respectively at 31 March 2012.

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

- On 1 April 2013, the sale of the general insurance manufacturing portfolio to AXA Group was completed.

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

HSBC Mexico S.A. (the bank) is a subsidiary of Grupo Financiero HSBC, S.A. de C.V.'s (Grupo Financiero HSBC) and is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file financial information on a quarterly basis (in this case for the quarter ended 31 March 2013) and this information is publicly available. Given that this information is available in the public domain, Grupo Financiero HSBC, S.A. de C.V. has elected to file this release. HSBC Seguros, S.A. de C.V. Grupo Financiero HSBC (HSBC Seguros) is Grupo Financiero HSBC's insurance group.

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

Overview

The Mexican economy slowed in the first quarter of 2013 as a result of lower manufacturing output due to reduced demand from the US. However, the Mexican peso appreciated against the US dollar largely due to optimism over proposed reforms by the new government. A favourable rate of inflation allowed the Banco de Mexico to cut the policy rate by 50bps to 4.0%.

For the quarter ended 31 March 2013, Grupo Financiero HSBC's net income was MXN1,484m, an increase of MXN286m or 23.9% compared with the first quarter of 2012. The improvement was driven mainly by a reduction in administrative and personnel expenses and loan impairment charges and increases in net interest income and net fee income, partially offset by higher tax expense and lower other operating income.

Net interest income was MXN5,712m, an increase of MXN403m or 7.6% compared with the first quarter of 2012. The improvement was due to higher average loan portfolio balances, mainly in commercial, payroll, personal and mortgage loans, coupled with higher average commercial loans and deposit spreads, partially offset by lower spreads in personal, payroll and credit card loans.

Loan impairment charges were MXN1,539m, a decrease of MXN115m or 7.0% compared with the first quarter of 2012. The reduction is a result of the strategy implemented in the past few years which has focused on improving credit quality and collection processes.

Net fee income was MXN1,631m, an increase of MXN128m or 8.5% compared with the first quarter of 2012. The improvement was driven by lower fee expenses, mainly as a result of a change in the presentation of certain insurance expenses to administration expenses in the first quarter of 2013, lower brokerage fees payable and lower fees paid to the government for guaranteeing small and medium enterprises loans.

Trading income of MXN722m was largely unchanged from the first quarter of 2012.

Administrative and personnel expenses were MXN5,085m, a decrease of MXN429m or 7.8% compared with the first quarter of 2012. This reduction is largely the result of lower restructuring charges in the first quarter of 2013. Excluding the effect of restructuring charges, the decrease would have been MXN133m or 2.6% compared with the first quarter of 2012.

The cost efficiency ratio was 58.7% for the quarter ended 31 March 2013, compared with 65.7% for the quarter ended 31 March 2012.

The effective tax rate was 30.7% for the quarter ended 31 March 2013, compared with 11.1% for the quarter ended 31 March 2012. A large part of this variance is explained by higher inflationary effects recognized in the first quarter of 2012.

The performance of non-banking subsidiaries continued to contribute positively to Grupo Financiero HSBC's results, particularly HSBC Seguros, which reported net income before tax of MXN675m for the quarter ended 31 March 2013, up 28.8% compared with the first quarter of 2012. The main driver for this growth was an increase of 1.7% in direct premiums, mainly in life products (endowments). In addition, the claims ratio decreased to 26.5% from 36.1% as reported in the first quarter of 2012.

Net loans and advances to customers increased MXN9.0bn or 5.0% to MXN188.6bn at 31 March 2013 compared with 31 March 2012. The performing consumer loan portfolio increased by 13.9%, primarily in payroll and personal loans, and performing mortgage and commercial loan portfolios increased by 7.8% and 3.6% respectively.

At 31 March 2013, total impaired loans decreased by 13.1% to MXN4.3bn compared with MXN5.0bn at 31 March 2012. The reduction largely relates to the change in write-off policy for mortgages in April 2012, which resulted in a MXN0.8bn decrease. Impaired consumer loans increased 12.7% as a result of portfolio volume growth. Total impaired loans as a percentage of total loans and advances to customers improved to 2.2% compared with 2.6% at 31 March 2012.

Total loan loss allowances at 31 March 2013 were MXN9.5bn, a decrease of MXN1.5bn or 13.7% compared with 31 March 2012. The total coverage ratio (allowance for loan losses divided by impaired loans) was 220.5% at 31 March 2013 compared with 222.2% at 31 March 2012.

Total deposits were MXN265.0bn at 31 March 2013, a decrease of MXN36.3bn or 12.0% compared with 31 March 2012. Demand deposits decreased 6.3%, while time deposits decreased 20.4% primarily as a result of customers switching to mutual fund products.

Total assets under management in mutual funds increased 33.5% compared with 31 March 2012.

At 31 March 2013, the bank's total capital adequacy ratio was 16.8% and the tier 1 capital ratio was 13.7% compared with 14.7% and 11.4% respectively at 31 March 2012. On 30 January 2013, Grupo Financiero HSBC received a capital injection of US$390m from HSBC Holdings plc, its parent company, through HSBC Latin America Holdings (UK) Limited. In addition, on 31 January 2013 the bank issued US$110m of subordinated debt to HSBC Finance Netherlands. This investment will be used to increase lending throughout the country and the continuing refurbishment of our branch network.

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

Business highlights

Retail Banking and Wealth Management (RBWM)

RBWM increased average demand deposit balances by 7.4% compared with the first quarter of 2012. This was mainly driven by higher balances in Advance, Flexible, Payroll and Premier Accounts.

During the first quarter of 2013, the e-statement strategy was launched to promote customers' use of electronic statements.

RBWM's assets under management in mutual funds increased 38.1%, reflecting the business' strategy of migrating balances from Time Deposits to Funds, which has been supported by specific campaigns.

RBWM increased average performing loan balances by 11.7% compared with 31 March 2012.

Performing personal and payroll loans reported strong growth compared with the first quarter of 2012, increasing average balances by 56.0% and 23.7% respectively. Personal loans achieved record sales, increasing 79.2%, mainly due to the "Gran Venta" campaign. In addition, auto loan sales volumes increased 13.3% compared with 31 March 2012, due to an increased focus on this product.

Mortgage sales volumes increased by 39.4% compared with the same period of 2012, as a result of the strategy of increasing the branch network sales force and developing relationships with real estate agents and developers. In April 2013 a new Mortgage product was launched for a limited time, offering the most competitive mortgage rates in the market, in order to improve sales and grow the portfolio.

Commercial Banking (CMB)

Aligned to our strategy of becoming the leading international bank, CMB is increasing connectivity with global customers throughout the world.

As part of the HSBC Group's global strategy, we have increased the promotion of products such as foreign exchange and trade and receivable finance in order to capture new relationships and support our existing customers' international business opportunities and needs.

Trade revenues increased by 12.4% compared with the first quarter of 2012, reflecting higher trade-related lending. As a result our market share in Mexico increased.

A strong performance from Global Banking and Markets products allowed us to increase revenues in foreign exchange products by 77.2% compared with the first quarter of 2012.

Global Banking and Markets (GBM)

During the first quarter of 2013, Debt Capital Markets business consolidated its position as a leading underwriter in Mexico, achieving second place in the local debt capital market league tables. This is a consequence of the appetite of our clients for this new financing option.

During the quarter, GBM completed its first Equity Capital Markets deal of 2013. This is in addition to the two previous Initial Public Offers executed during 2012 for Grupo Financiero HSBC in Mexico.

Global Banking continued to grow average balances in its performing credit and lending business and customer deposits, which increased by 3.1% and 12.2% respectively compared with 31 March 2012.

Sale of HSBC general insurance manufacturing to AXA Group

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

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

For the quarter ended 31 March 2013, on an IFRS basis, Grupo Financiero HSBC reported a net income before tax of MXN1,726m, a decrease of MXN398m or 18.7% compared with MXN2,124m for the quarter ended 31 March 2012.

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

About HSBC

On 20 March 2013, the Fund Pro organization awarded Grupo Financiero HSBC the "Platinum Performance Awards" in three investment funds categories: Short term debt, Medium term debt and "Flexible Conservador".

Grupo Financiero HSBC is one of the leading financial groups in Mexico with 1,040 branches, 6,453 ATMs and approximately 17,300 employees. For more information, visit www.hsbc.com.mx.

Grupo Financiero HSBC is a 99.99% directly owned subsidiary of HSBC Latin America Holdings (UK) Limited, which is a wholly owned subsidiary of HSBC Holdings plc, and a member of the HSBC Group. With around 6,600 offices covering 81 countries and territories in Europe, the Asia-Pacific region, North and Latin America, the Middle East and North Africa and with assets of US$2,693bn at 31 December 2012, the HSBC Group is one of the world's largest banking and financial services organisation.

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Key Indicators

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

	For the quarter ended at				
	31 Mar 2012	*30 Jun 2012*	*30 Sep 2012*	*31 Dec 2012*	***31 Mar 2013***
a) Liquidity	98.05%	99.93%	95.36%	94.96%	**104.52%**
Profitability					
b) ROE (Return over equity)	11.12%	9.14 %	17.37 %	12.87%	**11.25%**
c) ROA (Return over assets)	1.01 %	0.84 %	1.67 %	1.28%	**1.15%**
Asset quality					
d) Impaired loans/total loans	2.61%	2.16%	1.97%	2.02%	**2.18%**
e) Coverage ratio	222.20%	252.65%	270.18%	233.77%	**220.45%**
Capitalization					
f) Credit risk	21.72%	21.55%	23.00%	22.36%	**25.34%**
g) Credit and market risk operational	14.71%	13.62%	14.40%	14.51%	**16.83%**
Operating efficiency					
h) Expenses/Total Assets	4.33%	4.55%	4.17%	4.49%	**3.93%**
i) NIM	4.81%	5.01%	5.08%	5.11%	**5.00%**
Infrastructure					
Branches	1,066	1,067	1,055	1,040	**1,040**
ATM	6,201	6,240	6,364	6,490	**6,453**
Head Count	18,564	18,110	17,735	17,518	**17,326**

a) Liquidity = Liquid Assets / Liquid Liabilities.
Liquid Assets = Cash and deposits in banks + Trading securities + Available for sale securities
Liquid Liabilities = Demand deposits + Bank deposits and other on demand + Bank deposits and other short term liabilities
b) ROE = Annualized quarter net income / Average shareholders' equity.
c) ROA = Annualized quarter net income / Average total assets.
d) Impaired loans balance at quarter end / Total loans balance at quarter.
e) Coverage ratio = Balance of provisions for loan losses at quarter end / Balance of impaired loans
f) Capitalization ratio by credit risk = Net capital / Credit risk weighted assets.
g) Capitalization ratio by credit and market risk operational = Net capital / Credit and market risk weighted assets.
h) Operating efficiency = Expenses / Total assets
i) NIM = Annualized net interest income / Average performing assets.
Performing assets = Cash and deposits in banks + Investments in securities +Repurchase agreements+ Derivatives operations + Performing loans.

The averages utilized correspond to the average balance of the quarter in study and the balance of the previous quarter.

Relevant Events

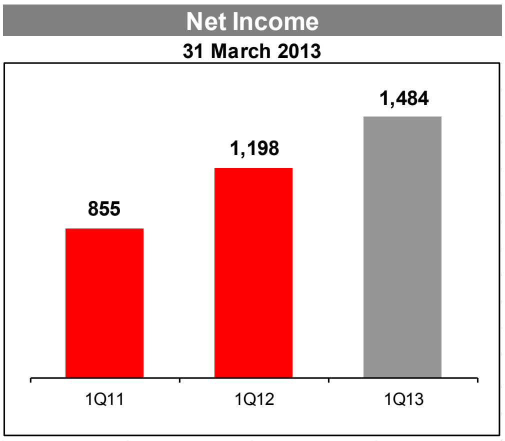
On 30 January 2013, Grupo Financiero HSBC received a capital injection of US$390m from HSBC Holdings plc, its parent company, through HSBC Latin America Holdings (UK) Limited. In addition, on 31 January 2013 the bank issued US$110m of subordinated debt to HSBC Finance Netherlands. This investment will be used to support credit and lending growth across our global businesses and our ongoing programme to improve our physical and technology infrastructure in order to offer world class financial services to our customers. With this additional capital, HSBC reinforces its commitment to and confidence in Mexico.

Income Statement Variance Analysis

Net Income

Net income for Grupo Financiero HSBC at 31 March 2013 was MXN1,484m, an increase of 23.9% compared with the same period of 2012.

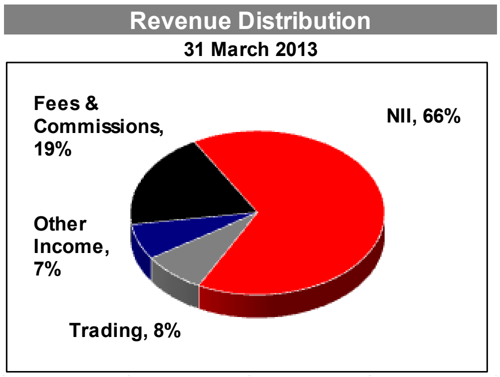
The Group's subsidiaries had solid results during the year, particularly HSBC Mexico and the Insurance Company. This strong performance was mainly due to lower bank administrative expenses, reduced loan impairment charges as well as higher net interest and net fee income; partially offset by higher tax expense and lower other operating income.
The Insurance Company results are mainly explained by an increase in direct premiums and lower claims ratio.



Total Operating Income

At 31 March 2013, the Group's total operating income, net of loan impairment charges, was MXN7,120m, an increase of MXN375m (5.6%) compared with the first quarter of 2012.

Increased total operating income, net of loan impairment charges, is mainly due to increased net interest income combined with lower loan impairment charges and higher net fee income.



Net Interest Income

Net interest income for the quarter ended at 31 March 2013 increased to MXN5,712m, up MXN403m compared to the same period of 2012.

The increase in net interest income was mainly due to higher average volumes in the loan portfolio, particularly on the commercial, payroll, personal and mortgage loans, coupled with increased commercial loan and deposit spreads; this was partially offset by lower spread in personal, payroll and credit card loans.

Non-interest Income

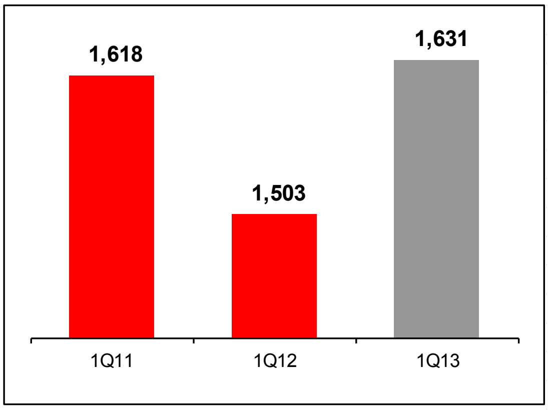
Non-interest income for the first quarter of 2013 was MXN2,947m; a decrease of MXN143m or 4.6% compared with results from the same period of 2012.

► Fee income

The Group's net fee income for the quarter ended at 31 March 2013 was MXN1,631m, an increase of MXN128m or 8.5% compared with the same period of 2012. This increase was mainly due to lower fee expenses related to a change in presentation of certain insurance expenses, lower brokerage payable fees and lower fees paid to the government for guaranteeing SMEs loans.

Group Fees & Commissions

31 March 2013



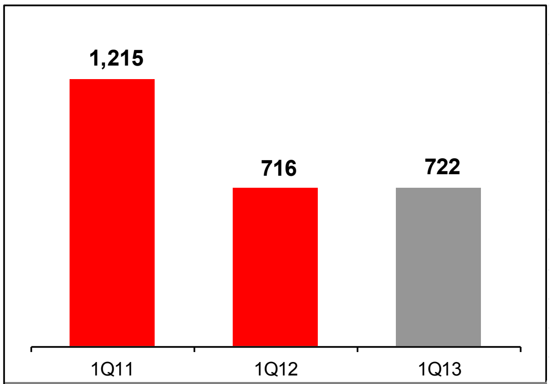
► Trading income

Trading income was MXN722m, largely unchanged from that reported in the first quarter of 2012.

The Group's non-interest income to total revenue ratio decreased from 36.8% for the quarter ended 31 March 2012 to 34.0% for the quarter ended 31 March 2013, driven by lower other operating income, partially offset by higher net fee income.

Trading Income

31 March 2013

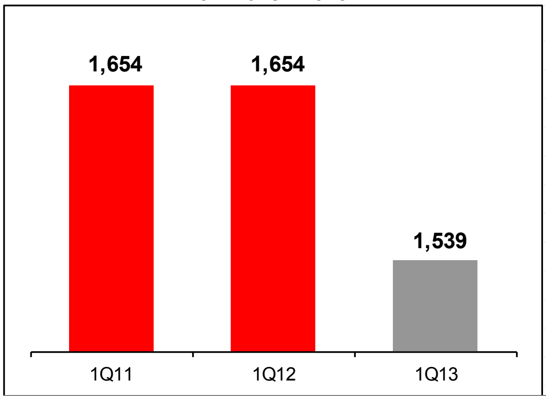


Loan Impairment Charges

At 31 March 2013, the Group's loan impairment charges were MXN1,539m, a decrease of MXN115m or 7.0% compared with the same period of 2012. This decrease was mainly due to the result of the strategy implemented during the past few years which has focused on improving credit quality and collection processes.

Loan Impairment Charges

31 March 2013

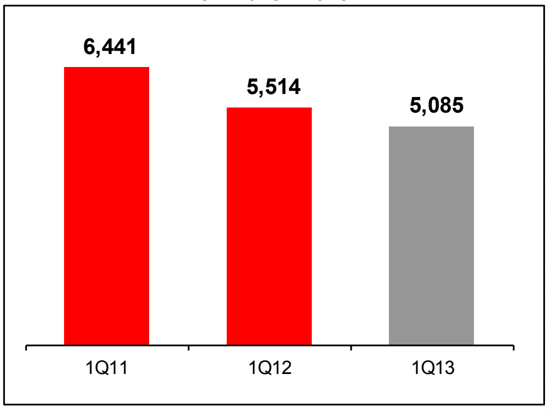


Administrative and Personnel Expenses

The Group's administrative and personnel expenses for the quarter ended at 31 March 2013 were MXN5,085m, a MXN429m or 7.8% decrease compared with the same period of 2012. Excluding the effect of the restructuring charges, the decrease would have been MXN133m or 2.6% compared with the first quarter of 2012.

Administrative Expenses

31 March 2013



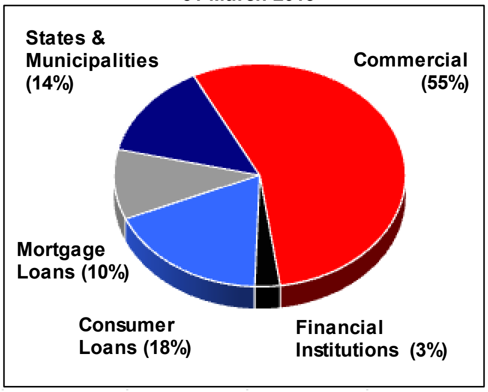
Balance sheet Variance Analysis

At 31 March 2013, the Group's total assets amounted MXN531,298m, which represents an increase of MXN29,680m, compared with 31 March 2012. This increase was driven by increased derivative transactions, higher volumes in the net loan portfolio and increased cash & deposits in bank, partially offset by lower repurchase agreements and investment in securities.

Loan portfolio

The Group's performing loan portfolio balance amounted to MXN193,796m at 31 March 2013, an increase of 4.4% compared with 31 March 2012. This growth has been driven by higher consumer, mortgage and commercial loan portfolios, which grew 13.9%, 7.8% and 3.6% respectively when compared to 31 March 2012.

Credit Portfolio Distribution
31 March 2013



► Commercial loans (including financial and government entities)

At 31 March 2013, the performing commercial portfolio (including financial and government entities) increased 1.8% in comparison with 31 March 2012; mainly driven by the commercial portfolio, in particular by commercial and SMEs portfolios.

Concerning the performing government portfolio, it reported similar levels compared with 31 March 2012. The performing financial intermediaries portfolio decreased 21.0%.

► Consumer loans

At 31 March 2013, performing consumer loans increased 13.9% compared with 31 March 2012. This result is mainly due to sound personal and payroll loan portfolios performance which show an increase of 58.5% and 17.5% respectively, compared with 31 March 2012.

Credit card performing balances were MXN16,058m, up 6.7% compared with 31 March 2012. Auto loan portfolio was MXN2,882m, showing a decrease of 1.9% compared with 31 March 2012.

► Mortgage loans

The mortgage loan portfolio increased MXN1,429m or 7.8% compared with 31 March 2012. The increase reported as of 31 March 2013 can be explained by an improvement in mortgage loan origination, mainly due to increased productivity of the branch network sales force and developing relationships with real estate agents and developers.

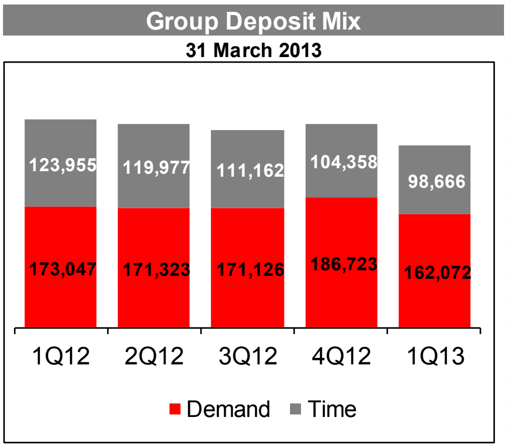
Asset quality

As of 31 March 2013, the Group's impaired loan portfolio amounted to MXN4,327m, which represents a decrease of MXN650m or 13.1% compared with 31 March 2012. This decrease was mostly due to a reduction in impaired mortgage loans related to write-off policy change, partially offset by increased consumer and commercial impaired loans.

Total impaired loans as a percentage of gross loans and advances to customers decreased to 2.2% compared with 2.6% reported at 31 March 2012. The coverage ratio (allowance for loan losses divided by impaired loans) at 31 March 2013 was 220.5%, compared to 222.2% reported at 31 March 2012.

Deposits

The Group's total deposits at 31 March 2013 amounted to MXN265,007m, a decrease of 12.0% compared to the one reported at 31 March 2012, as a result of reduced time and demand deposits.



► Demand deposits

At 31 March 2013, demand deposits were MXN162,072m, down 6.3% compared with 31 March 2012, as result of lower deposits in the commercial business, partially offset by higher deposit balances in the payroll, advance and savings products.

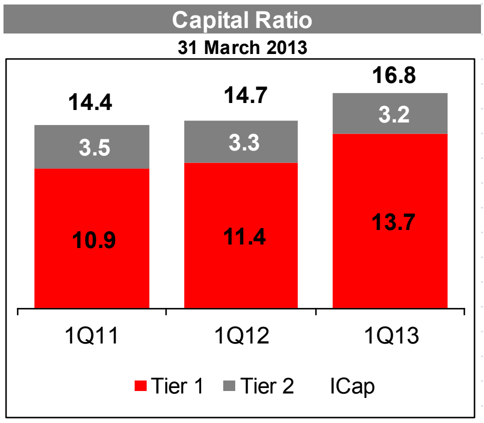
► Time deposits

Total time deposits decreased 20.4% compared to 31 March 2012, primarily as a result of customers shifting to our mutual fund products.

Shareholder's equity

At 31 March 2013, the Group's equity amounted to MXN55,040m, representing an increase of 21.7% compared to 31 March 2012.

The banks equity was MXN47,877m, at 31 March 2013, up 22.4% compared to 31 March 2012.



Capital Adequacy Ratio

The Bank's capital adequacy ratio at 31 March 2013 was 16.8%, placing it well above the authorities' requirements. The Tier 1 capital ratio at the end of the reporting period is 13.7%.

Financial Situation, Liquidity and Capital Resources

HSBC's balance structure has maintained its liquidity. Cash and investments in securities represent 40.3% of total assets, 1.05 percentage points below than the one reported in the first quarter of 2012. Total assets were MXN531.3bn, up by MXN29.7bn in comparison with 31 March 2012. The loan portfolio is adequately diversified across segments, the bank's main credit exposures are with Mexican institutions with top counterparty credit quality and governmental institutions.

Financial Statements Grupo Financiero HSBC

Consolidated Balance Sheet

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

	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012	**31 Mar 2013**
Assets					
Cash and deposits in banks	45,345	51,374	43,430	55,846	**55,703**
Margin Accounts	43	31	77	53	**-**
Investments in Securities	162,092	158,317	155,989	156,787	**158,437**
Trading securities	34,471	40,777	41,593	44,135	**37,680**
Available-for-sale securities	111,857	102,451	99,171	97,339	**105,095**
Held to maturity securities	15,764	15,089	15,225	15,313	**15,662**
Repurchase agreements	9,787	5,402	5,836	7,706	**3,229**
Derivative transactions	36,151	45,847	47,048	43,349	**54,171**
Performing loans					
Commercial loans	136,700	140,315	134,937	142,094	**139,164**
Commercial entities	103,356	106,589	103,060	109,164	**107,067**
Loans to financial intermediaries	6,873	5,191	5,119	4,823	**5,427**
Loans to government entities	26,471	28,535	26,758	28,107	**26,670**
Consumer loans	30,603	31,916	33,390	33,585	**34,848**
Mortgages loans	18,355	18,629	18,889	19,287	**19,784**
Total performing loans	185,658	190,860	187,216	194,966	**193,796**
Impaired loans					
Commercial loans	2,292	2,461	2,019	2,075	**2,460**
Commercial entities	2,292	2,461	1,949	2,072	**2,460**
Financial entities	-	-	-	3	**-**
Loans to government entities	-	-	70	-	**-**
Consumer loans	1,059	1,095	1,076	1,302	**1,194**
Mortgages loans	1,626	655	674	636	**673**
Total non-performing loans	4,977	4,211	3,769	4,013	**4,327**
Loan portfolio	190,635	195,071	190,985	198,979	**198,123**
Allowance for loan losses	(11,059)	(10,639)	(10,183)	(9,381)	**(9,539)**
Net loan portfolio	179,576	184,432	180,802	189,598	**188,584**
Accounts receivable from insurance and bonding companies	-	-	1	2	**3**
Premium receivables	71	69	72	71	**58**
Accounts receivables from reinsurers and rebonding companies	207	141	140	148	**105**
Benefits to be received from trading operations	-	-	-	-	**-**
Other accounts receivable, net	48,136	42,999	42,915	32,075	**53,246**
Foreclosed assets	204	201	234	221	**205**
Property, furniture and equipment, net	7,834	7,714	7,371	7,208	**7,138**
Long term investments in equity securities	156	197	216	227	**234**
Long-term assets available for sale	413	395	388	383	**341**
Deferred taxes, net	6,328	6,042	5,924	6,226	**5,655**
Goodwill	950	950	950	950	**950**
Other assets, deferred charges and intangibles	4,325	3,544	2,797	3,200	**3,239**
Total Assets	501,618	507,655	494,190	504,050	**531,298**

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

	31 Mar 2012	*30 Jun 2012*	*30 Sep 2012*	*31 Dec 2012*	***31 Mar 2013***
Liabilities					
Deposits	301,271	295,537	286,552	295,325	**265,007**
Demand deposits	173,047	171,323	171,126	186,723	**162,072**
Time deposits	123,955	119,977	111,162	104,358	**98,666**
Retail	122,536	118,994	110,226	104,358	**98,666**
Money market	1,419	983	936	-	**-**
Bank bonds outstanding	4,269	4,237	4,264	4,244	**4,269**
Bank deposits and other liabilities	23,888	25,034	23,754	22,727	**29,849**
On demand	-	2,001	1,560	1,980	**7,031**
Short term	22,487	21,446	20,560	19,140	**20,788**
Long term	1,401	1,587	1,634	1,607	**2,030**
Repurchase agreements	12,637	14,786	21,113	20,729	**38,608**
Stock Borrowing	3	-	-	-	**-**
Financial assets pending to be settled	-	1,017	34	-	**754**
Collateral Sold	7,849	8,748	1,557	3,888	**4,084**
Repurchase	5,583	6,025	-	-	**-**
Securities to be received in repo transactions	2,266	2,723	1,557	3,888	**4,084**
Derivative transactions	34,969	45,760	45,267	40,921	**50,472**
Technical reserves	10,504	10,525	10,718	10,935	**11,096**
Reinsurers	20	23	22	16	**20**
Other accounts payable	54,590	48,467	45,327	48,298	**64,481**
Income tax and employee profit sharing payable	1,462	1,334	835	930	**281**
Creditors for settlement of transactions	37,409	29,400	26,926	29,829	**41,223**
Sundry creditors and others accounts payable	15,719	17,733	17,566	17,539	**22,977**
Subordinated debentures outstanding	10,153	10,331	10,158	10,196	**11,395**
Deferred credits	507	498	508	526	**492**
Total Liabilities	456,391	460,726	445,010	453,561	**476,258**
Stockholder's Equity					
Paid in capital	32,673	32,673	32,673	32,673	**37,823**
Capital stock	5,111	5,111	5,111	5,111	**5,637**
Additional paid in capital	27,562	27,562	27,562	27,562	**32,186**
Capital Gains	12,545	14,246	16,496	17,805	**17,207**
Capital reserves	1,832	1,958	2,186	2,157	**2,157**
Retained earnings	8,959	8,833	8,833	8,833	**12,342**
Result from the mark-to-market of Available-for-sale securities	683	1,216	1,157	902	**1,314**
Result from cash flow hedging transactions	(127)	(87)	(93)	(103)	**(90)**
Net Income	1,198	2,326	4,413	6,016	**1,484**
Non-controlling interest	9	10	11	11	**10**
Total Stockholder's Equity	45,227	46,929	49,180	50,489	**55,040**
Total Liabilities and Capital	501,618	507,655	494,190	504,050	**531,298**

Figures in MXN millions

	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012	**31 Mar 2013**
Memorandum Accounts	2,794,342	3,968,847	4,317,285	4,608,204	**4,660,318**
Proprietary position	2,697,506	3,864,416	4,218,773	4,519,547	**4,572,768**
Guarantees granted	9	9	9	4	**-**
Contingent assets and liabilities	-	-	-	-	**-**
Irrevocable lines of credit granted	24,668	25,203	25,312	25,222	**23,431**
Goods in trust or mandate	348,119	368,630	379,835	402,770	**395,854**
Trust	347,489	367,916	379,200	402,114	**395,135**
Mandate	630	714	635	656	**719**
Goods in custody or under administration	288,199	295,763	331,302	332,846	**321,855**
Collateral received by the institution	55,443	51,373	41,959	48,967	**21,188**
Collateral received and sold or delivered as guarantee	53,144	50,255	34,243	43,200	**14,351**
Values in deposit	53	53	53	53	**53**
Suspended interest on impaired loans	239	123	107	113	**122**
Recovery guarantees for issued bonds	35,535	82,821	41,787	45,274	**19,162**
Paid claims	9	12	15	17	**-**
Cancelled claims	-	7	9	22	**5**
Recovery claims	-	-	-	-	**-**
Responsibilities from bonds in force	3,723	3,718	3,613	3,725	**3,763**
Other control accounts	1,888,365	2,986,449	3,360,529	3,617,334	**3,772,984**

	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012	**31 Mar 2013**
Third party accounts	96,836	104,431	98,512	88,657	**87,550**
Clients current accounts	100	(78)	1	-	**-**
Custody operations	36,268	41,655	44,529	38,267	**39,354**
Transactions on behalf of clients	12,406	13,153	980	944	**840**
Third party investment banking operations, net	48,062	49,701	53,002	49,446	**47,356**

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

Consolidated Income Statement

Figures in MXN millions

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

	For the quarter ending					*Year to date*	
	31 Mar 2012	*30 Jun 2012*	*30 Sep 2012*	*31 Dec 2012*	***31 Mar 2013***	*31 Mar 2012*	***31 Mar 2013***
Interest Income	7,932	7,891	8,023	8,284	**7,686**	7,932	**7,686**
Earned premiums	693	744	761	762	**763**	693	**763**
Interest expense	(2,813)	(2,796)	(2,704)	(2,784)	**(2,258)**	(2,813)	**(2,258)**
Increase in technical reserves	(223)	(105)	(263)	(255)	**(289)**	(223)	**(289)**
Claims	(280)	(247)	(231)	(256)	**(190)**	(280)	**(190)**
Net interest income	5,309	5,487	5,586	5,751	**5,712**	5,309	**5,712**
Loan impairment charges	(1,654)	(1,681)	(924)	(418)	**(1,539)**	(1,654)	**(1,539)**
Risk adjusted net interest income	3,655	3,806	4,662	5,333	**4,173**	3,655	**4,173**
Fees and commissions receivable	2,058	2,093	2,171	2,171	**2,051**	2,058	**2,051**
Fees payable	(555)	(561)	(509)	(524)	**(420)**	(555)	**(420)**
Trading Income	716	745	969	524	**722**	716	**722**
Other operating income	871	1,127	652	327	**594**	871	**594**
Administrative and personnel expenses	(5,514)	(5,664)	(5,222)	(5,604)	**(5,085)**	(5,514)	**(5,085)**
Net operating income	1,231	1,546	2,723	2,227	**2,035**	1,231	**2,035**
Undistributed income from subsidiaries	8	20	7	7	**7**	8	**7**
Net income before taxes	1,239	1,566	2,730	2,234	**2,042**	1,239	**2,042**
Income tax and employee profit sharing tax	(293)	(434)	(575)	(696)	**(238)**	(293)	**(238)**
Deferred income tax	155	(87)	(163)	1	**(388)**	155	**(388)**
Income from ongoing operations	1,101	1,045	1,992	1,539	**1,416**	1,101	**1,416**
Discontinued operations	97	83	96	64	**68**	97	**68**
Non-controlling interest	-	-	(1)	-	**-**	-	**-**
Net income (loss)	1,198	1,128	2,087	1,603	**1,484**	1,198	**1,484**

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

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

From 1 January to 31 March 2013

	Paid in capital				Earned capital							
	Capital Stock	Advances for future capital increases	Shares Premiums	Subordinated debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement	Results from holding non-monetary assets (Valuation of permanent investments)	Net income	Non-controlling interest	Total Stock-holders Equity
Balances at 01 January 2013	**5,111**	**-**	**27,562**	**-**	**2,157**	**8,833**	**799**	**-**	**-**	**6,016**	**11**	**50,489**
Movements Inherent to the Shareholders Decision												
Subscription of shares	526	-	4,624	-	-	-	-	-	-	-	-	5,150
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	-	6,016	-	-	-	(6,016)	-	-
Cash dividends	-	-	-	-	-	(2,500)	-	-	-	-	-	(2,500)
Others	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent to the Shareholders Decision	**526**	**-**	**4,624**	**-**	**-**	**3,516**	**-**	**-**	**-**	**(6,016)**	**-**	**2,650**
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income												
Net result	-	-	-	-	-	-	-	-	-	1,484	-	1,484
Result from valuation of available-for-sale securities	-	-	-	-	-	-	412	-	-	-	-	412
Result from cash flow hedging transactions	-	-	-	-	-	-	13	-	-	-	-	13
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	(7)	-	-	-	-	(1)	(8)
Total Movements Inherent for the Recognition of the Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**(7)**	**425**	**-**	**-**	**1,484**	**(1)**	**1,901**
Balances at 31 March 2013	**5,637**	**-**	**32,186**	**-**	**2,157**	**12,342**	**1,224**	**-**	**-**	**1,484**	**10**	**55,040**

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

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

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

Consolidated Statement of Cash Flow

Figures in MXN millions **Grupo Financiero HSBC, S.A. de C.V.**
From 1 January to 31 March 2013

Net income	**1,484**
Adjustments for items not involving cash flow:	**2,612**
Gain or loss on appraisal of activities associated with investment & financing	-
Allowances for loan losses	-
Depreciation and amortization	445
Provisions	1,326
Income Tax and deferred taxes	626
Technical reserves	289
Discontinued operations	(68)
Undistributed income from subsidiaries	(6)
Changes in items related to operating activities:	
Memorandum accounts	53
Investment securities	(1,225)
Repurchase agreements	4,477
Stock borrowing	-
Derivative (assets)	(10,824)
Loan portfolio	1,014
Receivables	-
Foreclosed assets	16
Operating assets	(21,169)
Deposits	(30,318)
Bank deposits and other liabilities	7,122
Settlement accounts	754
Creditors repo transactions	17,879
Collateral sold or delivered as guarantee	196
Derivative (liabilities)	9,550
Subordinated debentures outstanding	1,199
Accounts receivables from reinsurers and coinsurers	42
Accounts receivables from premiums	13
Reinsurers and bonding	4
Other operating liabilities	15,398
Income tax paid	(758)
Funds provided by operating activities	**(6,577)**
Investing activities:	
Acquisition of property, furniture and equipment	(376)
Intangible assets acquisitions	(39)
Other investment activities	110
Funds used in investing activities	**(305)**
Financing activities:	
Subscription of shares	5,150
Cash dividends	(2,500)
Decrease of Shares	-
Others	(7)
Funds used in financing activities	**2,643**
Increase/decrease in cash and equivalents	**(143)**
Adjustments to cash flow variations in the exchange rate and inflation levels	**-**
Cash and equivalents at beginning of period	**55,846**
Cash and equivalents at end of period	**55,703**

The present Consolidated Statement of Cash Flows, with those of other financial entities comprising the Group that are subject to consolidation, was prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Holding Company and the financial entities comprising the group that are subject to consolidation, up to the dates mentioned above.

Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.
This Consolidated Statement of Cash Flows, was approved by the Board of Directors under the responsibility of the following officers.
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LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	NGAR YEE LOUIE	JUAN JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Financial Statements HSBC Mexico, S.A.

Consolidated Balance Sheet

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

	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012	**31 Mar 2013**
Assets					
Cash and deposits in banks	45,345	51,374	43,430	55,846	**55,703**
Margin Accounts	43	31	77	53	**-**
Investment in Securities	147,606	143,224	140,291	140,158	**142,207**
Trading securities	28,435	34,366	34,661	36,338	**30,589**
Available-for-sale securities	111,857	102,451	99,171	97,339	**105,095**
Held to maturity securities	7,314	6,407	6,459	6,481	**6,523**
Repurchase agreements	9,787	5,402	5,836	7,706	**3,229**
Derivative transactions	36,151	45,847	47,048	43,349	**54,171**
Performing loans					
Commercial loans	136,700	140,315	134,937	142,094	**139,164**
Commercial entities	103,356	106,589	103,060	109,164	**107,067**
Loans to financial intermediaries	6,873	5,191	5,119	4,823	**5,427**
Loans to government entities	26,471	28,535	26,758	28,107	**26,670**
Consumer loans	30,603	31,916	33,390	33,585	**34,848**
Mortgages loans	18,355	18,629	18,889	19,287	**19,784**
Total performing loans	185,658	190,860	187,216	194,966	**193,796**
Impaired loans					
Commercial loans	2,292	2,461	2,019	2,075	**2,460**
Commercial entities	2,292	2,461	1,949	2,072	**2,460**
Loans to financial intermediaries	-	-	-	3	**-**
Loans to government entities	-	-	70	-	**-**
Consumer loans	1,059	1,095	1,076	1,302	**1,194**
Mortgage Loans	1,626	655	674	636	**673**
Total non-performing loans	4,977	4,211	3,769	4,013	**4,327**
Total loan portfolio	190,635	195,071	190,985	198,979	**198,123**
Allowance for loan losses	(11,059)	(10,639)	(10,183)	(9,381)	**(9,539)**
Net loan portfolio	179,576	184,432	180,802	189,598	**188,584**
Other accounts receivable	47,523	42,784	41,189	31,972	**52,631**
Foreclosed assets	201	198	231	218	**201**
Property, furniture and equipment, net	7,834	7,714	7,371	7,207	**7,138**
Long term investments in equity securities	143	111	130	139	**145**
Long term assets available for sale	-	7	-		**-**
Deferred taxes	6,224	5,946	5,824	6,138	**5,574**
Other assets, deferred charges and intangibles	4,083	3,160	2,693	3,076	**3,044**
Total Assets	484,516	490,230	474,922	485,460	**512,627**

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

	31 Mar 2012	*30 Jun 2012*	*30 Sep 2012*	*31 Dec 2012*	***31 Mar 2013***
Liabilities					
Deposits	302,116	296,209	287,279	295,873	**265,476**
Demand deposits	173,892	171,995	171,853	187,271	**162,541**
Time deposits	123,955	119,977	111,162	104,358	**98,666**
Retail	122,536	118,994	110,226	104,358	**98,666**
Money market	1,419	983	936	-	**-**
Bank bonds outstanding	4,269	4,237	4,264	4,244	**4,269**
Bank deposits and other liabilities	23,888	25,034	23,754	22,727	**29,849**
On demand	-	2,001	1,560	1,980	**7,031**
Short term	22,487	21,446	20,560	19,140	**20,788**
Long term	1,401	1,587	1,634	1,607	**2,030**
Repurchase agreements	18,219	20,811	21,113	20,729	**38,608**
Stock Borrowing	3	-	-	-	**-**
Financial assets pending to be settled	-	1,017	34	-	**754**
Collateral Sold	2,227	2,723	1,557	3,888	**4,084**
Repurchase	-	-	-	-	**-**
Securities to be received in repo transactions	2,227	2,723	1557	3,888	**4,084**
Derivative transactions	34,969	45,760	45,267	40,921	**50,472**
Other accounts payable	53,305	47,559	43,238	47,813	**63,620**
Income tax and employee profit sharing payable	1,07	909	658	746	**184**
Contributions for future capital increases	-	-	-	-	**-**
Creditors for settlement of transactions	36,70	29,06	24,33	29,556	**40,613**
Sundry creditors and others accounts payable	15,523	17,586	18,244	17,511	**22,823**
Subordinated debentures outstanding	10,153	10,331	10,158	10,196	**11,395**
Deferred credits	505	498	508	526	**492**
Total Liabilities	445,385	449,942	432,908	442,673	**464,750**
Stockholder's Equity					
Paid in capital	27,618	27,618	27,618	27,618	**32,768**
Capital stock	5,261	5,261	5,261	5,261	**5,680**
Additional paid in capital	22,357	22,357	22,357	22,357	**27,088**
Capital Gains	11,513	12,669	14,394	15,167	**15,108**
Capital reserves	9,657	10,373	10,603	10,573	**10,573**
Retained earnings	514	(202)	(204)	(202)	**2,389**
Result from the mark-to-market of Available-for-sale securities	683	1,216	1,157	902	**1,314**
Result from cash flow hedging transactions	(127)	(87)	(93)	(103)	**(90)**
Net Income	786	1,369	2,931	3,997	**922**
Non-controlling interest	-	1	2	2	**1**
Total Stockholder's Equity	39,131	40,288	42,014	42,787	**47,877**
Total Liabilities and Capital	484,516	490,230	474,922	485,460	**512,627**

Figures in MXN millions

Memorandum Accounts

	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012	**31 Mar 2013**
Guarantees granted	9	9	9	4	**-**
Contingent assets and liabilities	-	-	-	-	**-**
Irrevocable lines of credit granted	24,668	25,203	25,312	25,222	**23,431**
Goods in trust or mandate	348,119	368,630	379,835	402,770	**395,854**
Goods	347,489	367,916	379,200	402,114	**395,135**
Trusts	630	714	635	656	**719**
Goods in custody or under administration	283,088	290,653	370,574	365,995	**355,566**
Collateral received by the institution	55,443	51,373	41,959	48,967	**21,188**
Collateral received and sold or delivered as guarantee	47,566	44,235	34,243	43,200	**14,351**
Third party investment banking operations, net	48,063	49,701	53,002	49,446	**47,356**
Suspended interest on impaired loans	239	123	107	113	**122**
Other control accounts	1,876,232	2,974,311	3,349,200	3,606,407	**3,761,261**
	2,683,426	3,804,238	4,254,241	4,542,124	**4,619,129**

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

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

Consolidated Income Statement

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

	For the quarter ending					Year to date	
	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012	**31 Mar 2013**	31 Mar 2012	**31 Mar 2013**
Interest income	7,742	7,702	7,828	8,075	**7,474**	7,742	**7,474**
Interest expense	(2,818)	(2,797)	(2,713)	(2,789)	**(2,262)**	(2,818)	**(2,262)**
Net interest income	4,924	4,905	5,115	5,286	**5,212**	4,924	**5,212**
Loan impairment charges	(1,654)	(1,681)	(924)	(418)	**(1,539)**	(1,654)	**(1,539)**
Risk adjusted net interest income	3,270	3,224	4,191	4,868	**3,673**	3,270	**3,673**
Fees and commissions receivable	1,959	1,966	2,032	2,057	**1,969**	1,959	**1,969**
Account management	103	106	102	104	**89**	103	**89**
Services	1,856	1,860	1,930	1,953	**1,880**	1,856	**1,880**
Fees payable	(448)	(456)	(430)	(460)	**(424)**	(448)	**(424)**
Trading Income	607	740	881	458	**584**	607	**584**
Foreign exchange	(924)	1,290	109	(110)	**(233)**	(924)	**(233)**
Securities trading, net	31	(49)	145	250	**106**	31	**106**
Repos	(1)	(46)	1	(12)	**-**	(1)	**-**
Swaps	177	72	591	103	**311**	177	**311**
Valuation off-shore agencies	1,255	(601)	98	454	**663**	1,255	**663**
Valuation for trading swaps	108	124	151	70	**63**	108	**63**
Valuation for FX options	(39)	(50)	(214)	(297)	**(326)**	(39)	**(326)**
Other operating income	971	1,202	740	346	**636**	971	**636**
Administrative and personnel expenses	5,588	5,788	5,293	5,674	**5,076**	5,588	**5,076**
Personnel expense	2,413	2,430	2,317	2,381	**2,239**	2,413	**2,239**
Administrative expense	2,650	2,980	2,621	2,925	**2,391**	2,650	**2,391**
Depreciation and amortization	525	378	355	368	**446**	525	**446**
Net operating income	771	888	2,121	1,595	**1,362**	771	**1,362**
Undistributed income from subsidiaries	6	19	7	3	**7**	6	**7**
Net income before taxes	777	907	2,128	1,598	**1,369**	777	**1,369**
Income tax	(137)	(240)	(404)	(543)	**(69)**	(137)	**(69)**
Deferred income tax	146	(84)	(162)	11	**(378)**	146	**(378)**
Net income before discontinued operations	786	583	1,562	1,066	**922**	786	**922**
Non-controlling interest	-	-	-	-	**-**	-	**-**
Net income (loss)	786	583	1,562	1,066	**922**	786	**922**

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

Consolidated Statement of Changes in Shareholder’s Equity

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

From 1 January to 31 March 2013

	Paid in capital				Earned Capital							
	Capital Stock	Advances for future capital increases	Shares Premium	Subordinated debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement	Results from holding non-monetary assets	Net Income	Non-controlling interest	**Total stock-holder’s Equity**
Balances at January 1, 2013	5,261	-	22,357	-	10,573	(202)	799	-	-	3,997	2	**42,787**
Movements Inherent to the Shareholders Decision												
Subscription of shares	419		4,731									**5,150**
Capitalization of retained earnings												-
Constitution of reserves												-
Transfer of result of prior years						3,997				(3,997)		-
Others												-
Cash dividends						(1,400)						**(1,400)**
Total Movements Inherent to the Shareholders Decision	419	-	4,731	-	-	2,597	-	-	-	(3,997	-	**3,750**
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income												
Net result										922		**922**
Result from valuation of available-for-sale securities							412					**412**
Result from cash flow hedging transactions							13					**13**
Results from holding non-monetary assets												-
Others						(6)					(1)	**(7)**
Total Movements Inherent for the Recognition of the Comprehensive Income	-	-	-	-		(6)	425	-	-	922	(1)	**1,340**
Balances as at March 31, 2013	**5,680**	**-**	**27,088**	**-**	**10,573**	**2,389**	**1,224**	**-**		**922**	**1**	**47,877**

The present statement of changes in stockholder’s equity was prepared in accordance to the accounting principles for banking institutions which are issued by the Mexican National Banking Commission as specified in Articles 99, 101 y 102 of the Law for Credit Institutions of General Observance and Mandatory, applied in a consistent manner. This statement reflects all movements in capital accounts derived from the operations performed by the Institution up to the date mentioned above.
These operations were performed following healthy banking practices and following applicable legal and administrative requirements.
The present statement has been approved by the Board of Directors under the responsibility of the signing officers.
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LUIS PEÑA KEGEL	GUSTAVO I. MÉNDEZ NARVÁEZ	NGAR YEE LOUIE	JUAN JOSÉ CADENA OROZCO
Chief Executive Officer	Chief Financial Officer	Director of Internal Audit	Chief Accountant

Consolidated Statement of Cash Flow

Figures in MXN millions

From 1 January to 31 March 2013 ***HSBC Mexico, S.A. (Bank)***

	31 Mar 2013
Net income	**922**
Adjustments for items not involving cash flow:	**2,211**
Depreciation and amortization	445
Provisions	1,326
Income Tax and deferred taxes	447
Undistributed income from subsidiaries	(7)
Changes in items related to operating activities:	
Memorandum accounts	53
Investment securities	(870)
Repurchase agreements	4,477
Derivative (assets)	(10,822)
Loan portfolio	1,014
Foreclosed assets	16
Operating assets	(20,659)
Deposits	(30,397)
Bank deposits and other liabilities	7,123
Creditors repo transactions	17,879
Stock borrowing	-
Collateral sold or delivered as guarantee	196
Derivative (liabilities)	9,550
Subordinated debentures outstanding	1,199
Other operating liabilities	15,323
Income tax payable	(758)
Funds provided by operating activities	**(6,676)**
Investing activities:	
Acquisition of property, furniture and equipment	(375)
Intangible assets acquisitions	32
Funds used in investing activities	**(343)**
Financing activities:	
Subscription of shares	5,150
Cash dividends	(1,400)
Others	(7)
Funds used or provided by financing activities	**3,743**
Increase/decrease in cash and equivalents	**(143)**
Adjustments to cash flow variations in the exchange rate and inflation levels	**-**
Cash and equivalents at beginning of period	**55,846**
Cash and equivalents at end of period	**55,703**

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

Financial Instruments

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

Figures in MXN millions

Investments in securities

	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012	**31 Mar 2013**
Government securities	28,318	34,606	34,404	30,339	**26,216**
Bank securities	1,679	2,255	1,236	2,114	**1,579**
Shares	2,464	2,537	4,289	9,832	**8,765**
Others	2,010	1,379	1,664	1,851	**1,120**
Trading securities	34,471	40,777	41,593	44,135	**37,680**
Government securities	98,372	89,491	85,408	93,139	**100,977**
Bank securities	300	301	1,633	1,840	**1,888**
Obligations and other securities	13,176	12,649	12,120	2,359	**2,230**
Shares	9	10	10	0	**0**
Available for sale securities	111,857	102,451	99,171	97,339	**105,095**
Special Cetes (net)	12,794	13,066	13,195	13,392	**13,746**
Bank securities	153	155	158	63	**63**
Corporate securities	2,817	1,868	1,872	1,859	**1,853**
Securities held to maturity	15,764	15,089	15,225	15,313	**15,662**
Total Financial Instruments	162,092	158,317	155,989	156,787	**158,437**

In the first quarter of 2013, investment in securities increased by MXN1,650m, the main changes include: Government Securities MXN3,715m and a decrease in shares MXN1,067m , Bonds 860m, Notes MXN492m and Other MXN354m.

Repos

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

Figures in MXN millions

	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012	**31 Mar 2013**
Repo's Government securities (credit)	12,501	14,533	20,984	20,484	**38,466**
Repo's Bank securities (credit)	-	-	-	-	**-**
Repo's Others securities (credit)	-	-	-	-	**-**
Valuation increase (decrease)	-	-	-	-	**-**
Accrued interest payable	136	253	129	245	**142**
Credit balance in repo agreements	12,637	14,786	21,113	20,729	**38,608**
Repurchase agreements in government securities	51,000	46,500	37,800	43,000	**10,500**
Accrued interest receivable	49	26	43	12	**14**
Debit balance repo securities agreements	51,049	46,526	37,843	43,012	**10,514**
Government securities	41,242	41,113	31,994	35,293	**7,281**
Interest in collateral delivered as guarantee	20	11	13	13	**4**
Total in collateral delivered as guarantee	41,262	41,124	32,007	35,306	**7,285**

Derivative Financial Instruments

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at March 31, 2013

	Futures		Forwards Contracts		Options		Swaps		
	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Total (net)
For trading									
Pesos	-	-	9,868	7,758	21,561	21,506	153,908	136,141	19,932
Foreign currency	-	-	158	159	26,003	26,003	197,042	212,214	(15,173)
Interest Rate	-	-	33	264	-	-	335,356	334,961	164
Total	**-**	**-**	**10,059**	**8,181**	**47,564**	**47,509**	**686,306**	**683,316**	**4,923**
For hedging									
Pesos	-	-	-	-	-	-	2,889	-	2,889
Foreign currency	-	-	-	-	-	-	-	3,129	(3,129)
Interest Rate	-	-	-	-	-	-	4,155	5,139	(984)
Total	**-**	**-**	**-**	**-**	**-**	**-**	**7,044**	**8,268**	**(1,224)**

Collateral Sold or delivered as guarantee

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

Stock borrowing	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012	**31 Mar 2013**
Cetes	672	595	377	1,012	**719**
Valuation increase (decrease)	-	-	-	-	**-**
Bonds	1,551	2,108	1,139	2,884	**3,425**
Valuation increase (decrease)	4	20	41	(8)	**(60)**
Shares	-	-	-	-	**-**
Valuation increase (decrease)	-	-	-	-	**-**
Total	2,227	2,723	1,557	3,888	**4,084**

Loan Portfolio

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

By type of currency

Figures in MXN millions at 31 March 2013

	Commercial or Business Activity	Financial Intermediaries	Government Entities	Consumer Loans	Mortgage Loans	Total
Performing Loan Portfolio						
Pesos	83,971	5,189	26,052	34,848	18,591	168,651
US Dollars	23,096	238	618	-	-	23,952
Udis Banxico	-	-	-	-	1,193	1,193
Total	**107,067**	**5,427**	**26,670**	**34,848**	**19,784**	**193,796**

	Commercial or Business Activity	Financial Intermediaries	Government Entities	Consumer Loans	Mortgage Loans	Total
Non Performing Loans Portfolio						
Pesos	1,632	-	-	1,194	603	3,429
US Dollars	827	-	-	-	1	828
Udis Banxico	1	-	-	-	69	70
Total	**2,460**	**-**	**-**	**1,194**	**673**	**4,327**

Loan Portfolio Grading

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at March 31, 2013

	Total loan portfolio	Allowance for Loan Losses by type of loan: Commercial loans	Consumer loans	Mortgages loans	Total reserves
Excepted from rating	8,610				
Rated	212,944				
Risk A	**142,152**	**637**	**44**	**48**	**729**
Risk A-1	113,795	410	44	48	502
Risk A-2	28,357	227	0	0	227
Risk B	**62,650**	**1,737**	**2,517**	**138**	**4,392**
Risk B-1	41,950	663	1,733	138	2,534
Risk B-2	17,584	578	784	0	1,362
Risk B-3	3,116	496	0	0	496
Risk C	**5,835**	**1,439**	**751**	**198**	**2,388**
Risk C-1	3,789	407	751	198	1,356
Risk C-2	2,046	1,032	0	0	1,032
Risk D	**1,567**	**228**	**1,023**	**3**	**1,254**
Risk E	**740**	**723**	**39**	**14**	**776**
Total	**221,554**	**4,764**	**4,374**	**401**	**9,539**
Less:					
Constituted loan loss provisions					**9,539**
Surplus					**0**

The figures related to the rating and constitution of loan loss allowances correspond to those as at March 31, 2013.

The loan portfolio is graded according to the rules for lending portfolios issued by the Secretaría de Hacienda y Crédito Público (SHCP – Mexican Government's Secretary of Public Lending) and to the methodology established by the CNBV (Mexican Banking and Securities National Commission). The methodology distinguishes the grading of the borrower and determines that grading specifically related to the operation. For the commercial loan portfolio,excluding States and Municipalities the bank applies the CNBV Methodology for commercial loans. For States and Municipalities, the bank applies the methodology issued on October 2011 which is based on CNBV rules. For the consumer and mortgage portfolio, grading is based on the "General Regulations Applicable to Credit Institutions" issued by the CNBV, specifically using the standard methodology.

As at March 2013, the increase in loan loss reserves charged to Income Statement was MXN 1,539 million. In the other hand MXN 1,317 million was related to write offs and MXN 63 million was related to debt forgiveness.

Non – Performing Loans

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	At the quarter ending				
	31 Mar 2012	*30 Jun 2012*	*30 Sep 2012*	*31 Dec 2012*	***31 Mar 2013***
Initial Balance of Impaired Loans	5,082	4,978	4,211	3,769	**4,013**
Increases	2,446	3,126	3,365	3,360	**3,465**
Transfer of current loans to past due status	2,446	3,126	3,365	3,360	**3,465**
Decreases	2,550	3,893	3,807	3,116	**3,151**
Restructurings	88	89	133	182	**82**
Liquidated credits	1,564	2,813	2,451	1,920	**1,819**
Charged in cash	353	544	1,100	741	**608**
Foreclosed assets	6	117	61	9	**-**
Write-offs	-	-	-	-	**-**
Sale of portfolio	1,205	2,152	1,290	1,170	**1,211**
Transfer to performing loan status	836	1,023	1,185	1,019	**1,216**
FX revaluations	(62)	32	(38)	5	**(34)**
Final Balance of Impaired Loan	4,977	4,211	3,769	4,013	**4,327**

Federal Government support programs

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

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

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

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

		March 2013		**December 2012**	
		Portfolio	**Cost**	**Portfolio**	**Cost**
ETA/BADCV	$	587	10	582	10

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

		In charge to	
		Bank	Federal Government
Discounts granted	$	457	973
Additional discount granted by the Bank		93	-
Discount granted at December 31, 2010		550	973
Discounts to unallowed credits(a)		(2)	(3)
Discounts of credits that did not demonstrated compliance with payment (b)		(12)	(26)
Restructured loans under the agreement formalized up to the cut-off date		(1)	-
Total discounts granted at December 31, 2011		535	944
Total additional discounts granted by the Bank that did not belong to ETS		(93)	-
Total additional discounts granted by the Bank that belong to ETS	$	442	944

(a) Through communications issued in April 2011, the Banking Commission requested the replacement of the exhibits for the year ended on December 31, 2010, and later, during the issuance of the report on the correct application (ETS report) on September 29, 2011, the portfolio balances and the related discounts decreased, with 28 credits defined as not subject to the ETS, 24 of which were benefited from the Discount Program.
(b) This corresponds to the credit discounts that as of March 31, 2011 did not demonstrate a compliance with the payment and that would had been chargeable to of the Federal Government, in the event of complying with such condition.

As of December 31, 2010, the discount related to the Federal Government was reclassified to form part of the accounts receivable from the Federal Government which forms part of the current loans portfolio with government entities; the corresponding amount of discount related to the Bank was cancelled against the allowance for loan losses, in accordance with the special accounting criteria issued by the Banking Commission.
A reconciliation of movements in the allowance for loan losses related to the conditioned discount covered by the Bank is shown below:

Opening balance as of 2010	$	70
Debt forgiveness, discounts and/or rebates		(2)
Conditioned discount assigned to the Bank		(550)
Allowance charged to the statement of operations		496
Final Balance at December 31, 2010		14
Adjustments to additional discounts granted by the Bank (loans not subject to or that did not demonstrate payment compliance)		-
	$	14

Determination of obligations of the Federal Government:

The final base amount determined through the ETS Report is $944 divided in five installments of $189 each. As of 31 December 2012 two installments were received and the remaining installments will be payable on the first banking day of June, from 2013 to 2015.
Accordingly, the balance receivable as of 31 March 2013 and 31 December 2012 by ETS amounted to $566 and $566 respectively, of principal plus $21 and $15 corresponding to the accrued not collected financial cost.
The Government discount in Mexican pesos or UDIS related to those credits that should have shown sustained payment by March 31, 2011, according to the agreement, amounts to $167 at December 31, 2010.
There were no discount in charge to the Government related to credits in UDIS for which they received prior discounts over the outstanding balance before they were incorporated in to the “Discount program”, as referred at the numeral 3.1.2 of the Circular 1430 issued by the Banking Commission.

At December 31, 2010 there were some clients that did not meet the requirements to be incorporated into to ETS. However, in accordance to the actual rules it is still possible that they will subsequently be incorporated in to the program;

in such case the Bank must have to absorb 100% of the discount granted. The maximum amount of discount that the Bank would absorb for these credits at 31 March 2013 and 31 December 2012, amount to $20 and $20, respectively.

The number of securities related to BADCV that are held by the Bank at 31 March 2013 are shown as follows:

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

Deferred Taxes

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

Figures in MXN millions

	31 Mar 2012	*30 Jun 2012*	*30 Sep 2012*	*31 Dec 2012*	***31 Mar 2013***
Loan loss reserves	5,800	5,954	5,517	5,342	**5,485**
Valuation of securities	(162)	(563)	(426)	(333)	**(515)**
Fiscal loss	6	17	6	9	**11**
Other reserves	877	872	951	1,221	**667**
PTU Payable	137	53	73	103	**128**
Foreclosed assets	202	219	238	237	**249**
Other	188	174	176	188	**166**
Differences in rates of fixed assets	168	219	276	331	**351**
Fiscal result UDIS-Banxico	(888)	(903)	(887)	(872)	**(887)**
Total Deferred Taxes	6,328	6,042	5,924	6,226	**5,655**

Funding, Loans and Investments in Securities

HSBC Mexico, S.A. (Bank)

Funding and bank loans – Average Interest rates

	At the quarter ending				
	31 Mar 2012	*30 Jun 2012*	*30 Sep 2012*	*31 Dec 2012*	***31 Mar 2013***
MXN pesos					
Funding	2.50%	2.42%	2.33%	2.35%	**2.21%**
Bank and other loans	5.09%	4.88%	4.90%	4.89%	**4.80%**
Foreign currency					
Funding	0.06%	0.06%	0.05%	0.05%	**0.06%**
Bank and other loans	0.75%	0.93%	1.00%	0.95%	**0.91%**
UDIS					
Funding	0.29%	0.21%	0.21%	0.18%	**0.17%**

Long Term Debt

HSBC Mexico, S.A. (Bank)

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

Figures in MXN millions

Instrument	*Issue Date*	*Amount*	*Currency*	*Interest payable*	*Amount in circulation*	*Rate*
		MXN millions			*MXN millions*	
INTENAL 03	24-NOV-2003	2,200	MXN	8	2,208	25-NOV-2013
HSBC 08	30-SEP-2008	1,818	MXN	5	1,823	20-SEP-2018
HSBC 08-2	18-DEC-2008	2,273	MXN	9	2,282	10-DIC-2018
HSBC 09D(USD300)[1]	26-JUN-2009	3,705	USD	12	3,717	28-JUN-2019
HSBC 13-1D(USD)	31-JAN-2013	1,360	USD	5	1,365	10-DEC-2022
		11,356		**39**	**11,395**	

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

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

Figures in MXN millions

Instrument	*Issue Date*	*Amount*	*Currency*	*Interest payable*	*Amount in circulation*	*Maturity Date*
		MXN millions			*MXN millions*	
Certificados Bursátiles	10-MAY-2006	4,220	MXN	49	4,269	27-ABR-2016
		4,220		**49**	**4,269**	

Capital

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

Grupo Financiero HSBC

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

The Annual General Meeting of Shareholders was held on April 26, 2013.

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

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

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

HSBC Mexico, S.A.

HSBC Mexico, S.A., net income in 2012, figure that was audited by Despacho KPMG Cárdenas Dosal, S.C., was MXN922 million.

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

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

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

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

Capital Ratio

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	31 Mar 2012	*30 Jun 2012*	*30 Sep 2012*	*31 Dec 2012*	***31 Mar 2013***
% of assets subject to credit risk					
Tier 1	16.75%	16.58%	18.03%	17.87%	**20.58%**
Tier 2	4.97%	4.97%	5.05%	4.50%	**4.76%**
Total regulatory capital	21.72%	21.55%	23.08%	22.36%	**25.34%**

	31 Mar 2012	30 Jun 2012	30 Sep 2012	31 Dec 2012	**31 Mar 2013**
% of assets subject to credit, market risk and operational risk					
Tier 1	11.34%	10.48%	11.25%	11.59%	**13.67%**
Tier 2	3.37%	3.14%	3.15%	2.92%	**3.16%**
Total regulatory capital	14.71%	13.62%	14.40%	14.51%	**16.83%**
Tier 1	33,785	34,837	36,946	38,373	**44,749**
Tier 2	10,035	10,445	10,347	9,655	**10,343**
Total regulatory capital	43,820	45,282	47,293	48,028	**55,092**
RWA credit risk	201,719	210,167	204,931	214,756	**217,415**
RWA market risk	57,610	83,799	84,459	76,868	**69,953**
RWA operational risk	38,552	38,596	39,004	39,478	**40,073**
RWA credit and market risk	297,881	332,562	328,394	331,102	**327,441**

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

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

Trading income

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	For the quarter ending…					*Year to date*	
	31 Mar 2012	*30 Jun 2012*	*30 Sep 2012*	*31 Dec 2012*	***31 Mar 2013***	*31 Mar 2012*	***31 Mar 2013***
Valuation	1,445	(409)	302	565	**704**	1,445	**704**
Derivatives	1,271	(664)	263	542	**532**	1,271	**532**
Repos	-	-	-	-	**-**	-	**-**
Debt Securities	128	174	(40)	(4)	**193**	128	**193**
Foreign Exchange	46	81	79	27	**(22)**	46	**(22)**
Impairment loss on securities	-	-	-	(14)	**-**	-	**-**
Buying and Selling Instruments	(838)	1,149	579	(93)	**(120)**	(838)	**(120)**
Foreign Currency	(1,002)	1,226	46	(137)	**(212)**	(1,002)	**(212)**
Derivatives	(15)	(404)	47	(70)	**(475)**	(15)	**(475)**
Repos	(1)	-	1	-	**-**	(1)	**-**
Shares	(1)	-	1	1	**35**	(1)	**35**
Debt Securities	181	327	484	113	**532**	181	**532**
Total	607	740	881	458	**584**	607	**584**

Other Operating Income (Expenses)

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

Figures in MXN millions

	For the quarter ending					*Year to date*	
	31 Mar 2012	*30 Jun 2012*	*30 Sep 2012*	*31 Dec 2012*	***31 Mar 2013***	*31 Mar 2012*	***31 Mar 2013***
Loans to employees	34	34	34	34	**34**	34	**34**
Recoveries	144	454	10	11	**5**	144	**5**
Credit portfolio recoveries	173	179	183	195	**187**	173	**187**
Result of Foreclosed assets	6	12	(6)	30	**18**	6	**18**
Property sales	7	(7)	-	-	**-**	7	**-**
Other items of income(expenses)	536	471	373	410	**330**	536	**330**
Other income (expenses) arising from op. Insurance and Bonding	86	91	94	90	**86**	86	**86**
Monetary position result	5	-	13	15	**7**	5	**7**
Other losses	(120)	(107)	(49)	(458)	**(73)**	(120)	**(73)**
Total Other Operating Income (expenses)	871	1,127	652	327	**594**	871	**594**

► Other items of income (expenses) are integrated by expense reimbursements, profits from property sales, furniture and equipment, management services, updates and other.

Information on Customer Segment and Results

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

Consolidated Income Statement by Customer Segment

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

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

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

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

The consolidated incomes statement information condensed by segments as of 31 March 2013 is shown below:

Figures in MXN millions	Year to date at 31 March 2013			
	RBWM	CMB	GBM	Total
Net Interest Income	3,646	1,598	468	5,712
Provision for Loan Loss	1,356	(21)	204	1,539
Net Interest Income adjusted	**2,290**	**1,619**	**264**	**4,173**
Fees and Commissions, net	1,088	380	163	1,631
Trading Income	151	47	524	722
Other operation income	439	96	59	594
Total Revenue	**3,968**	**2,142**	**1,010**	**7,120**
Administrative Expenses	3,218	1,274	593	5,085
Operating Income	**750**	**868**	**417**	**2,035**
Undistributed income from subsidiaries	4	2	1	7
Profit Before Taxes	**754**	**870**	**418**	**2,042**
Taxes	252	292	82	626
Net Income before discontinued operations	**502**	**578**	**336**	**1,416**
Discontinued operations	63	5	-	68
Participated Net Income	**565**	**583**	**336**	**1,484**

Related Party Transactions

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

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

The balance of the transactions carried out as of March 31, 2013 is shown below:
Figures in MXN millions

	Bank	Brokerage house	Mutual funds manage ment	Services	Group	Insurance	Bonding	Total
Balance Sheet								
Cash and deposits in banks	-	416	-	2	14	9	25	466
Demand deposits	(470)	-	-	-	-	-	-	(470)
Premium receivables	-	-	-	-	-	44	-	44
Sundry debtors (assets)	538	166	4	31	-	-	-	739
Sundry creditors (liabilities)	(255)	(287)	(106)	(4)	-	(134)	(1)	(787)
Long-term assets available for sale	-	-	-	-	-	8	-	8
Total	**(187)**	**295**	**(102)**	**29**	**14**	**(73)**	**24**	**-**

	Bank	Brokerage house	Mutual funds manage ment	Services	Group	Insurance	Bonding	Total
P&L								
Payable commissions	(8)	-	(123)	-	-	(45)	-	(176)
Receivable commissions	126	9	4	-	-	-	-	139
Discontinued operations	-	-	-	-	-	(33)	-	(33)
Interest income	-	4	-	-	-	-	-	4
Interest expense	(4)	-	-	-	-	-	-	(4)
Earned premiums	-	-	-	-	-	56	-	56
Administrative and personnel expenses	(57)	(1)	-	-	-	(4)	-	(62)
Administrative services	(72)	(2)	(22)	(4)	-	(35)	(1)	(136)
Other income	140	-	-	72	-	-	-	212
Total	**125**	**10**	**(141)**	**68**	**-**	**(61)**	**(1)**	**-**

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

Grupo Financiero HSBC

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

Figures in MXN millions	**31 Mar 2013**
Grupo Financiero HSBC – Net Income Under Mexican GAAP	**1,484**
Differences arising from:	
Valuation of defined benefit pensions and post-retirement healthcare benefits ♦	23
Deferral of fees received and paid on the origination of loans and other effective interest rate adjustments ♦	23
Loan impairment charges and other differences in presentation under IFRS♦	(204)
Present value in-force of long-term insurance contracts ♦	(131)
Other differences in accounting principles♦	18
Net income under IFRS	**1,213**
US dollar equivalent (millions)	**95**
Add back tax expense	513
Profit before tax under IFRS	**1,726**
US dollar equivalent (millions)	**136**
Exchange rate used for conversion	**12.72**

♦ Net of tax at 30%.

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

Valuation of defined benefit pensions and post-retirement healthcare benefits
Mexican GAAP
Defined benefit pension costs and the present value of defined benefit obligations are calculated at the reporting date by the schemes' actuaries using the Projected Unit Credit Method and real interest rates.

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

Deferral of fees paid and received on the origination of loans and other effective interest rate adjustments
Mexican GAAP
From 1 January 2007, loan origination fees are required to be deferred and amortised over the life of the loan on a straight line basis. Prior to 2007, loan origination fees were recognised up-front.

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

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

IFRS
Impairment losses on collectively assessed loans are calculated as follows:

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

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

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

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

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

Participation by Subsidiary

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

Group Subsidiaries at March 31, 2013

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

Ratings HSBC México, S.A.

HSBC Mexico, S.A. (Bank)

	Moody's	Standard & Poor's	Fitch
Global scale ratings			
Foreign currency			
Long term	-	BBB	A-
Long term deposits	Baa1	-	-
Short term	P-2	A-2	F1
Local Currency			
Long term obligations	A2	BBB	A
Long term deposits	A2	BBB	-
Short term	P-1	A-2	F1
BFSR (Moody's)	C-	-	-
Individual / Support rating (Fitch)	-	-	bbb / 1
National scale / Local currency			
Long term	Aaa.mx	mxAAA	AAA (mex)
Short term	MX-1	mxA -1+	F1+ (mex)
Outlook	Stable	Positive	Stable
Last update	26-Apr-12	13-Mar-13	15-Ago-12

Accounting Policies

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

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

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

Modifications in to the policies, standards and accounting practices

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

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

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

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

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

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

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

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

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

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

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

VI. Improvements to Bulletin D-5 “Leases”

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

Treasury Policies

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

1. To fulfil the needs of our client base, mainly being Corporate, Institutional and Commercial clients.

2. Provide hedges for HSBC Mexico from interest rate, foreign exchange and liquidity risks. The latter as a part of its normal commercial activity.

3. Positioning and Market Maker activities.

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

Dividends Policy

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

Paid Dividends

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

- During 2007, no dividend was paid.

- On 2 April 2008, the Board of Directors authorized a dividend payment for MXN2.8328 per share for the 1,235,526,706 outstanding shares.

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

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

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

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

- Based on the authorization granted by the shareholder assembly, on 26 March 2013 a dividend payment was made for MXN0.887033263241408 per share for the 2,818,383,598 outstanding shares.

Internal Control

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

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

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

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

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

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

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

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

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

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

- The Audit Committee revises periodically the effectiveness of Internal Control and also informs the Administrative Board about the latter. Among the main processes used by the committee in its revisions are: periodical reports of the heads of key risks, annual revision of the performance of internal control against key

HSBC indicators, quarterly confirmations that no significant losses have taken place, contingency or uncertainty caused by deficiencies of the internal controls, internal audit reports, external audit reports and regulatory reports.

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

Risk Management

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

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

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

Assets and Liabilities Committee (ALCO)

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

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

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

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

Risk Management Committee (RMC)

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

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

Objetives and responsibilities:

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

Market Risk Management

Qualitative Information

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

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

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

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

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

- **Foreign exchange or currency risk. -** This risk arises in the open positions on different currencies to the local currency, which generates an exposure to potential losses due to the variation of the corresponding exchange rates.
- **Interest rate risk. -** Arises from asset and liability operations (real nominal or notional), with different expiration dates or re-capitalization dates.
- **Risk related to shares. -** This risk arises from maintaining open positions (purchase or sale) with shares or share-based instruments, causing an exposure to changes in share prices and the instruments based on these prices.
- **Volatility risk. -** Arises in the financial instruments that contain options, in such a way that the price (among others factors) depends on the perceived volatility in the underlying price of the option (interest rates, actions, exchange rate, etc.).

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

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

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

Value at Risk (VaR)

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

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

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

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

Spread over yield risk

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

Basis Risk

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

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

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

Credit Spread Risk (CSO1)

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

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

Vega or implied volatility risk

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

Extreme Conditions Tests (Stress Test)

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

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

Validation and Calibration Methods for Market Risk models:

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

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

Applicable portfolios:

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

The Market Risk management calculates the VaR and the PVBP for the total Bank portfolio and for the specific "Accrual" and "All Trading" 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, Trading Desk and BST).

According to the International Accounting Standards 39 (IAS), the "MMT" portfolio (Money Market Trading) and BST (Balance Sheet Trading) should be part of the "All Trading" portfolio for market VaR calculation, but it has to be part of the "Accrual" portfolio for PVBP calculation.

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

Quantitative Information

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

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

Value at Risk of Global Market (VaR) (Considering all Risk Factors)						
	Bank		All Trading **		Accrual	
	Average 1Q13	Limits*	Average 1Q13	Limits*	Average 1Q13	Limits*
Combined	19.83	38.00	3.95	18.00	17.03	35.00
Interest Rate	15.97	40.00	3.39	N/A	13.15	35.00
Credit Spread	5.62	22.00	0.25	4.00	5.40	22.00
FX	0.66	7.00	0.66	7.00	N/A	N/A
Volatility IR	0.15	4.50	0.15	N/A	0.00	1.00
Volatility FX	0.00	2.00	0.00	2.00	N/A	N/A
Equities	0.30	2.50	0.30	2.50	N/A	N/A

N/A = Not applicable

** Absolute Value*

*** Includes Trading Desk, BST, MMT and Equity*

Value at Risk of Global Market (VaR) (Last quarter comparison)					
	31-Dec-12	27-Mar-13	Limits*	Average 4Q12	Average 1Q13
HBMI	**23.38**	**21.18**	38.00	21.39	19.83
Accrual	**18.84**	**16.48**	35.00	18.65	17.03
All Trading	**4.57**	**3.74**	18.00	3.42	3.95

** Absolute Value*

N/A = Non Aplicable

The Bank's VaR at the end of 1Q13 change -9.41% versus the previous quarter. During the quarter the VaR remained under the limits.

The Bank's average VaR for the end of 1Q13 change -7.29% 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 December 31st, 2012 and March 27th, 2012 (in millions of dollars).

Market VaR vs Net Capital comparison *Net Capital in million dollars*		
	31-Dic-12	27-Mar-13
Total VaR*	21.29	19.83
Net Capital**	3,704.21	4,466.89
VaR / Net Capital	0.57%	0.44%

The average market VaR represents 0.44% of the net capital in 1Q2013.

Present Value for 1bp (PVBP) for Mexican Pesos Rates					
	31-Dec-12	27-Mar-13	Limits*	Average 4Q12	Average 1Q13
Bank	**(1.220)**	**(1.291)**	1.650	(1.134)	(1.181)
Accrual	**(1.013)**	**(1.031)**	1.250	(0.949)	(0.978)
Trading Desk	**(0.039)**	**(0.156)**	0.450	(0.058)	(0.074)
Balance Sheet Trading	**(0.168)**	**(0.104)**	0.210	(0.127)	(0.129)

** Absolute Value*

The bank's MXN Rate PVBP for |1Q13 change 5.82% versus previous quarter. Bank's average PVBP for 1Q13 change 4.14% versus previous quarter.

Present Value for 1bp (PVBP) for USD Rate					
	31-Dec-12	27-Mar-13	Limits*	Average 4Q12	Average 1Q13
Bank	**(0.167)**	**(0.160)**	0.300	(0.181)	(0.194)
Accrual	**(0.160)**	**(0.172)**	0.300	(0.167)	(0.205)
Trading Desk	**(0.009)**	**0.003**	0.100	(0.017)	0.011
Balance Sheet Trading	**0.002**	**0.009**	0.070	0.003	(0.000)

** Absolute Value*

The bank's USD Rate PVBP for 1Q13 change -4.19% versus previous quarter. Bank's average PVBP for 1Q13 change 7.18% versus previous quarter.

Present Value for 1bp (PVBP) for UDI Rates					
	31-Dec-12	27-Mar-13	Limits*	Average 4Q12	Average 1Q13
Bank	**(0.075)**	**(0.068)**	0.300	(0.076)	(0.098)
Accrual	**(0.052)**	**(0.051)**	0.225	(0.056)	(0.052)
Trading Desk	**(0.010)**	**(0.003)**	0.100	(0.007)	(0.034)
Balance Sheet Trading	**(0.013)**	**(0.014)**	0.050	(0.013)	(0.013)

** Absolute Value*

Bank's UDI Rate PVBP for 1Q13 change -9.33% versus prior quarter. Bank's average PVBP for 1Q13 change 28.95% versus previous quarter

Liquidity Risk

Qualitative Information

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

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

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

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

Quantitative Information

The institution presented at end of the quarter expected cash flows under the major stressed scenario of 3,186m USD in the 7 days term; 2,235m USD in the 1 month term and 1,093m USD in 3 months; obtaining a net positive cumulative result in all cases.

Along the quarter, average level was 4,511m USD in the 7 days term 3,083m USD in 1 month term and 2,103m USD in 3 months term With respect to the previous quarter, liquidity position changed mainly by the decrease in core deposits in line with the profitability strategy implemented after the monetary policy adjustment of March 2013.

Credit Risk

Qualitative Information

To manage the credit risk, also adding a periodically monitoring the credit portfolio, HSBC Mexico (HBMX) develop, implement and monitor risk assessment tools. The main goal of this administration is to know the portfolio quality and take actions to reduce potential losses due to credit risk, complying with the Group's policies and standards, Basel II and CNBV guidelines.

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 collection.

Models and Systems used for the quantification and Credit Risk management

Commercial Portfolio

1. Credit Risk Preventive Provisions

The local provision calculation use the Standardized Approach set out in the "*Disposiciones de carácter general aplicables a las instituciones de crédito*" (*Circular Única de Bancos*, CUB).

Therefore, for the estimation of local provisions, HSBC Mexico makes a comprehensive evaluation of the risk associated with each customer of the Commercial Portfolio, based on information about the financial condition of the borrower, including cash flow, liquidity, profitability and debt profile, market indicators, operational and industrial history, management skills and other indicators that help assess the client's ability to pay.

The above information is supplemented by the experience that the Relationship Manager has about the client: strengths and weaknesses, economic environment and other parameters related to their profile, thus concluding an analysis by the areas involved in the lending process to finally assign a direct correspondence with the debtor regulatory qualifications. The ratings of borrowers of the Commercial Portfolio has a direct correspondence with the debtor regulatory ratings, which in terms of credit loss provisions, ranging from the level of risk "A" to level "E" according to the current CNBV standard methodology.

Internal Management Models

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

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

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

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

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

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

1.1. Probability of default Model (PD)

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

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

- A model for global customers to assess the corporate counterparties with annual sales equal or above to USD 700 M (GLCS).
- Another one to assess Bank Financial Institutions (RAfBanks).
- And eleven more, were implemented to assessing Non-Banking Financial Institutions (NBFI DST).

The implementation of the abovementioned models was done along with the customers risk grading framework, known as Customer Risk Rating (CRR), which contemplates 23 levels, of which 2 are for customers in default.

The framework includes a direct correspondence to Probabilities of Default and permits a more granular measurement of the customer's credit quality.

The Probability of Default models included in the internal rating system are monitored quarterly with the aim of examination its proper performance, and if the monitoring results are not expected according to HSBC Group standards, some action plans are taken to meet the established guidelines.

In the latest monitoring results for models of the Commercial Portfolio, excluding global models, there is generally a good statistical performance with an AR (Accuracy Ratio) of 0.51, which is above the threshold set by the HSBC Group. The rest of the global models, GLCS, RAfBanks y NBFI DST, associated to low default portfolios, so it is not currently possible to measure their performance, but a monitoring is performed about their Overrides. It is relevant to mention that these models present an override rate slightly over the desired limits; however, it´s not required to implement corrective actions due to acceptable behaviour of the model in the follow-ups made.

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.

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

The latest quarterly monitoring shows an exposure-weighted LGD estimate of 32.93%, while the observed LGD is 34% for the same period. It is expected that after the implementation of improvements to the model, this overestimation will be reduced.

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

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

The latest quarterly monitoring of the performance of this model yields an acceptable overestimation of 8.6% compared to the observed Exposure at Default.

2. 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 to manage, control and monitoring the commercial credit approval process known as *Workflow Authorization (SIPAC)*. With this system the status of a credit application can be consulted in any stage of the credit process.

For corporate banking the *Credit Approval and Risk Management (CARM)* system is used. This system is being used in HSBC globally.

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

Quantitative information

Regarding to the average balance of the Commercial Portfolio as of March 31st, 2013 is MXN 174,170 M, showing a decrease of MXN 53 M (or 0.03%) compared to the previous quarter.

The Expected Loss of the Commercial Portfolio as of March 31st, 2013 is MXN 6,451 M, showing a decrease of MXN 555 M (or 8%) compared to the figure reported in the previous quarter.

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

MXN M

Business Line	Average Balance*		VAR		Balance		VAR		Expected Loss		VAR	
	4Q2012	1Q2013	($)	(%)	Dec-12	Mar-12	($)	(%)	Dec-12	Mar-12	($)	(%)
CMB	$92,507	$93,811	$1,305	1%	$96,927	$92,189	-$4,738	-5%	$5,555	$4,896	-$659	-12%
GBM	$81,664	$80,289	-$1,375	-2%	$77,473	$72,633	-$4,839	-6%	$1,451	$1,555	$104	7%
GBP	$51	$69	$18	35%	$93	$84	-$9	-10%	$0.054	$0.137	$0.08	155%
Total	**$174,223**	**$174,170**	**-$53**	**-0.03%**	**$174,492**	**$164,906**	**-$9,586**	**-5%**	**$7,006**	**$6,451**	**-$555**	**-8%**

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

Retail Portfolio

Qualitative Information

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

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

Quantitative information

The Expected Loss of the cards, mortgage and other retail portfolio as at March 31st, 2013 is MXN 4,350,214 thousands which represents the 7.8% of Total Balance performing an increase of MXN 48,075 thousands in comparison with previous quarter explained by portfolio growth.

Operational Risk

Qualitative Information

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

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

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

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

First Line of Defence:

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

Second Line of Defence:

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

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

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

Third Line of Defence:

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

Use Test

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

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

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

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

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

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

- Define key operational risks and set minimum standards of control and indicators / meters suitable;

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

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

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

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

Quantitative Information (including Legal and Technological Risk)

From the 9th Operational Risk assessment exercise carried out between 2012-2013, and with all changes and updates performed during 1Q13; there are 2,037 risks identified and assessed as relevant distributed as follows: 5.25% (107) A type, 19.15 % (390) B type, 52.72% (1,074) C type, and 22.88% (446) D type.

The institution holds an Operational Risk historical database since 2007, in which operational losses incidents are registered. Furthermore, the loss reporting threshold for individualized losses is of USD 10,000, where minor events are aggregated in a single record.

The operational risk tolerance level is defined as <= 1.3% of the TOI (Total Operating Income) of the bank, and is monitored monthly through the BSC presented at the Risk Management Committee.

Year to date (31MAR12) total amount of Operational Losses in 2013, are USD 7.7M.

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

Technological Risk

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

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

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

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

I. Throughout agile, secure and reliable Governance structure, focused on maintain an adequate technological risk control and response capabilities for all bank services that are offered throughout the different distribution channels. Risk is managed at the higher level committees: HTS Steering Committee, Risk

Management Committee (RMC), Operational Risk & Internal Control Committee (ORICC) and Operational Risk Management Group (ORMG).

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

III. Performing Risk Based Control Assessments (RCA).

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

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

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

Legal Risk

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

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

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

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

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

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

- Contractual Risk Control

Proper procedures are in place in order to assure that all the documents that generate a contractual relation to the Group, 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 Group that contain restrictions that may affect the business must have the authorization of the Legal Counsel, according to the level required. Additionally, there are procedures in order to have regular reviews of the standard contracts to assure that those maintain the required clauses.

- Dispute Risk Control

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

There are procedures and instructions in order to have an immediate notification to the Legal area if there is an existing threaten regarding a litigation against the Group and the following actions regarding the demand.

- Legislative Risk Control

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

- Non Contractual Rights Control:

There are established procedures in order to assure that the Legal area validates the use of the Group´s trademark, local trademarks, commercial advertising and author rights. If a third party needs to use a Group trademark, a legal validation and authorization is required.

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

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

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

Corporate Sustainability (CSR)

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

Sustainability is achieved through 3 pillars:
1. Economic: alignment with the Ecuador principles and considering the environmental impact of the Group's investments.
2. Environmental: Controlling our carbon footprint and promoting a sustainable culture within our organization.
3. Social: Supporting education, community and environmental projects promoting the positive development of the communities where we operate and to actively involve our employees in volunteer activities. Globally, HSBC's policy is to invest 0.5% of its pre-tax profits to social projects in the communities where it operates.

2013 will be a challenging year for the business and the consolidation of our Community Investment and our flagship projects, which are as follows:
Education:
- “Just raise your hand”, a partnership with Ara and Lazos foundations looking to improve the quality of education and prevent dropout in elementary schools with limited resources.
- English Programme, The aim is to offer high quality English courses to students and teachers and improve their work and development opportunities through the alliance with The British Council and Global English.
- Financial Education, to promote financial education among Mexican population, regardless the life stage on which they are.

Community:
- “Sumando Valor” inclusion programme to hire people with disabilities.
- Woman empowerment programme, aimimg to enhance personal development
- Conclusion of “Attention and Prevention of Lonely Children and Teenage Migrants” a partnership with Save the Children and the DIF.

Environment

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

Our Community Investment fund comes from our profit before taxes and customer contributions. During 1Q 2013, we invested $13.7 million pesos, 55% of such investment was made by HSBC.

1. Climate Business (Sustainable Finance)

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

The CMB work plan has been defined with focus on specific segments to consolidate income. To support the business model and providing guidance towards specific business opportunities, Corporate Sustainability translated and circulated 4 technology briefings, including alternative sources of finance, electric and hybrid vehicles, solar technology, biomass and waste to energy generation.

2. Sustainable Operations

During the 1Q 2013, Corporate Sustainability coordinated the HTS Sustainability Committee, with the participation of the principal operations areas within the bank. As part of the Committee, the results of the sustainable operations metrics for 2012 were presented, and also the 2013 targets and owners were defined. Specific projects aiming to reduce the environmental direct impact derived from the bank's operation are been tracked.

To note, HSBC Mexico headquarters building obtained the LEED Platinum certification for Existing Building: Operations & Maintenance, 85 / 100 points were attempted and 83 points were awarded. This is the first building for a financial institution in Latin America to obtain Platinum for EB:O&M, the first building in Latin America to achieve both, New Construction and EB:O&M, certifications.

Corporate sustaintability has been actively involved in the Integrated Waste Management, a program evolving form a Climate Champions initiative called "Reciclar es Ayudar" aiming to segregate the waste generated in HSBC corporate buildings, sell it to recycling companies and donate the income to charity. The generation is expected to be $900,000 pesos.

3. Communication

During this quarter, the Corporate Sustainability Department gained 16 free press releases with an estimated value of $1,267,639.00 pesos.

Water Day: For world water day we implemented the communication global campaign through water saving tips on ConectaTV and the intranet. Additionally, we distributed 4,000 magazines on water for children in Mexico City´s main buildings.

Earth Hour: We took part in this global campaign by switching off 11 buildings in HSBC Mexico. This year´s event took place at the HSBC Tower and it was chaired by the Ministry of Environment of Mexico City and Lewis Wilson. The event was organized by Carlos Ibarra and Corporate Sustainability teams. More than 400 people attended and we generated around $20,000 USD of free press articles.

HSBC Now: We are working with internal communications on a new story covering the life of an employee who is a wheelchair user and part of Sumando Valor (inclusion programme for people with disabilities) and which will be opening the interbanking games dancing with his partner.

4. Community Investment – Volunteering

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

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

5. Community Investment – Education

Programme HSBC – Lazos "Just raise your hand"

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

The customer fundraising campaign in branches started in February 18th with the objective of raising $2,000 pesos per branch, and thanks to RBWM engagement and support the campaign successfully concluded in March 22th reaching145% of the original target, for a total of $3,335,004.93 pesos. With the raised funds we will be able to provide training to teachers, enhancing the skills and abilities required to improve the quality of education in the schools supported by the program.

The infrastructure improvements in the 9 schools of this phase are ongoing and should be concluded in June-July 2013.

Thanks to this, since 2010 HSBC through its educative flagship programme "Just raise your hand" in alliance with Foundation Lazos and Foundation ARA, has benefited a total of 2,303 underserved students through scholarship sponsors among clients and colleagues and 822 children through "Zippy's Friends" -programme that helps children to develop coping and social skills-, additionally 3,752 parents and 190 teachers have been benefited indirectly. Also, all the infrastructure improvements within our 17 schools located in 13 states of Mexico have been finished thanks to our alliance with Foundation ARA and clients contributions.

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

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

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

Future First

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

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

Mas allá del dinero (More than Money)

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

Sumando Valor- Social Inclusion

In alliance between Corporate Sustainability and Human Resources, HSBC Mexico is hiring people with disabilities through Manpower Foundation A.C., FHADI I.A.P., Colabore A.C. and Teleton Foundation. At the moment, 58 candidates have been hired.

Computer donation: In January CS, thanks to the support of IT & Systems, was able to donate 30 computers, fully installed and ready to use, for the beneficiaries of the intensive course for people with disabilities. The computers will help candidates to practice and strengthen their computer skills.

English Programme

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

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

Global English: (On-line software): 12,058 users have begun using the software and in total, they have completed 77,027 hours training.

Financial Education

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

We are working together with CONDUSEF to print and distribute 50,000 "financial guides" around the USA and Canada. This adds up to our efforts during the National Week of Financial Education. Additionally, we will offer 15 conferences by Gianco Abundiz which will be delivered to employees, clients and students of Universidad del Valle de México. 3 conferences with UVM have already been given.

Aprende con HSBC

19 wives of Business Heads taught financial education to 250 primary school kids in 6 schools. Also 160 students were benefited by receiving glasses to improve their learning and performance.

Attention and Prevention of Lonely Children and Teenage Migrants

The objectives of the programme are basically two: strengthen the communities to avoid migration and attend children and teenage migrants with a safe home return.
A series of integral actions had contributed to avoid the need in many children to leave their communities. In schools, the infrastructure has been improved, the teachers are being trained, kids are granted with a scholarship so they can continue studying, communities are being advised to develop new productive projects and trained in specific occupations to generate income.

Additionally, the emotional and family situations are attended so the children develop better psychological resources allowing them to handle the difficulties inherent to their environment. Last year, besides the 500 scholarships granted, we supported 191 safe returns and the expectation of the program has resulted in hopeful possibilities: in San Mateo Ozcolco, Puebla, school dropout rate has diminished and the training to generate income has been translated in a reduction of 6.6% in the migration possibility.

This programme contemplated since the beginning an implementation strategy of 4 years, this period will conclude in April 2013. The implemented actions and results will be evaluated to establish a strategy to transfer the programme to the allied Institutions with whom the programme was developed.

6. Community Investment - Environment

Water Programme Engaging Activities

The HSS Advocates Volunteer Event was a complete success, thanks to the leadership of the environmental leaders of the program "HSBC Cuida Tu Ambiente" (HSBC Taking Care of the Environment), who where in charge of leading the event in Bosque de Chapultepec, place supported by HSBC and where about 30% of Mexico City water supply is distributed.

We had 133 participants, including the environmental leaders and the 25 HSS volunteers plus family members.

“HSBC Cuida tu Ambiente” Programme

In 2012, HSBC Mexico implemented the HSBC Cuida tu Ambiente Programme, dedicated to create a green working group. This is a force made up of HSBC Mexico collaborators who are committed to incorporate environmental and sustainability issues as an essential part of the bank’s commercial operations and as an intrinsic element in the way we relate to our clients, suppliers and co-workers.

This year, the programme was launched with 96 Leaders and 163 Candidates to continue their extra activities with HSBC Cuida tu Ambiente so they can be capable of joining up our operations with sustainability issues, motivating them to do volunteer work in the communities where we operate, motivating them to be an example of commitment to our institution and our people, encouraging them to promote strategic, sustainable, and permanent development for HSBC Mexico and to be a role model for the Group.

HSBC Seguros “Green Project”

On January, the North Regional carried an environmental activity in Chipinque park, which involved the participation of 40 HSBC’s volunteers and their families in order to produce seeds and planting 230 trees.

7. Clients Contribution

The first campaign of the year is in benefit of our education flagship programme “Just raise your hand”. This campaign will last until April. As of March we have raised $2.7 million pesos.

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

8. Conclusions

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

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

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Annex A

Table I

Common equity Tier 1 capital	*31 Mar 20133*
Ordinary shares graded for Common equity TIER 1 capital and related surplus	**32,768.5**
Retained earnings	**2,327.8**
Accumulated other comprehensive income (and other reserves)	**12,726.4**
Total Common Equity Tier 1 capital attributable to parent company common shareholders	**NA**
Total minority interest given recognition in Common Equity Tier 1 capital	**NA**
Total group Common Equity Tier 1 capital prior to regulatory adjustments	**47,822.7**
Total group Common Equity Tier 1 capital: regulatory adjustments	
Prudential valuation adjustments	**NA**
Goodwill, net of related deferred tax liability	**-**
Intangibles other than mortgage servicing rights, (net of related deferred tax liability)	**788.7**
Deferred tax assets (excluding temporary differences only), net of related deferred tax liabilities	**-**
gains and losses on derivatives held as cash flow hedges	**-**
actuarial reserve	**-**
Securitisation gain on sale (expected future margin income)	**-**
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	**NA**
Defined benefit pension fund assets	**-**
Investments in own shares	**-**
Reciprocal cross holdings in common equity	**-**
Investments in the capital of financial entities where the bank does not own more than 10% of the issued common share capital (amount above the 10% threshold)	**6.8**
Significant investments in the common stock of financial entities (amount above 10% threshold)	**-**
Mortgage servicing rights (amount above 10% threshold)	**-**
Deferred tax assets arising from temporary differences (amount above 10% threshold)	**922.7**
Amount exceeding the 15% threshold	**NA**
which: Significant investments in the common stock of financial entities amounting above 10% threshold	**NA**
which: Mortgage servicing rights	**NA**
which: Deferred tax assets arising from temporary differences	**NA**
Local regulatory adjustments	**1,355.8**
which: Accumulated other comprehensive income (and other reserves)	**-**
which: investments in subordinated debt	**86.8**
which: Profit or increase on the value of assets acquired on securitization positions (Institutions originators)	**-**
which: Investments in multilateral organisms	**-**
which: Investments in related companies	**-**
which: Investments in risk capital	**-**
which: Investments in Mutual funds	**8.8**
which: own stock acquisition financing	**-**
which: Operations that infringe provisions	**-**
which: Deferred charges and prepaid expenses	**1,260.1**
which: First Loss schemes positions	**-**
which: Employee participation on deferred profits	**-**
which: Relevant related people	**-**
which: Defined benefit pension fund assets	**-**
which: Adjustment for capital recognition	**-**
Regulatory adjustments to be applied to Common Equity Tier 1 due to insufficient Additional Tier 1 to cover deductions	**-**

Total Common Equity Tier 1 capital regulatory adjustments	**3,074.0**
Common Equity Tier 1 capital (CET1)	**44,748.7**

Additional Tier 1 capital: Instruments

Additional Tier 1 instruments issued by parent company of group (and any related surplus)	**-(**
of which: Classified as capital under applicable accounting criteria	**-**
of which: Classified as liability under applicable accounting criteria	**NA**
Regulatory adjustments to be deducted from Additional Tier 1 capital	**-**
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**
of which: Instruments issued by subsidiaries to be deducted	**NA**
Total Tier 1 capital prior to regulatory adjustments	**-**

Additional Tier 1 capital: regulatory adjustments

Investment in own additional Tier 1 capital equity shares	**NA**
Reciprocal cross holdings in additional Tier 1 capital equity	**NA**
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**
Significant investments in the capital of financial entities where the bank own more than 10% of the issued common share capital	**NA**
Local regulatory adjustments	**-**
Tier 2 regulatory adjustments which have to be deducted from Additional Tier 1 capital	**NA**
Total Tier 1 capital regulatory adjustments	**-**
Additional Tier 1 capital (AT1)	**-**
Tier 1 capital (T1=CET1+AT1)	**44,748.7**

Tier 2 Capital: instruments and reserves

Tier 2 capital instruments issued by parent company of group (and any related surplus)	**1,359.7**
Tier 2 capital instruments issued by parent company of group to be deducted	**7,182.0**
Instruments that meet the Tier 2 criteria issued by subsidiaries to third parties that are given recognition in Tier 2 capital	**NA**
of which: Instruments issued by subsidiaries to third parties to be deducted from Tier 2 capital	**NA**
Provisions	**1,801.8**
Tier 2 capital prior to regulatory adjustments	**10,343.5**

Tier 2 capital: regulatory adjustments

Investment in own Tier 2 capital instruments	**NA**
Reciprocal cross holdings in Tier 2 capital instruments	**NA**
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**
Significant investments in the capital of financial entities where the bank own more than 10% of the issued common share capital	**NA**
Local regulatory adjustments	**-**
Total Tier 2 capital regulatory adjustments	**-**
Tier 2 capital (T2)	**10,343.5**
Total Capital (TC=T1+T2)	**55,092.2**
Total Risk-weighted assets	**327,440.2**

Capital ratios and supplements

	-
Common equity Tier 1 Capital (as % of total RWAs)	**-**
Tier 1 Capital (as % of total RWAs)	**-**
Total Capital (as % of total RWAs)	**-**
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)	
Of which: Capital conservation supplement	**-**
Of which: Specific bank countercyclical supplement	**NA**
Of which: Global systemically important banks (G-SIBs) supplement	**NA**
Tier 1 common equity available to cover supplements (as a % of total RWAs)	**-**

National minimums (if different from Basel III)

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

Amounts below deduction threshold (before risk weight)

Non-significant investments in the capital of financial entities	**NA**
Significant investments in common stock of financial entities	**NA**
Mortgage servicing rights (net of deferred income tax rate)	**NA**
Deferred income taxes from temporary differences (net of deferred income tax)	**4,567.1**

Applicable limits on the Tier 2 capital inclusion reserves

Eligible reserves on Tier 2 capital inclusion with respect to the exposures subject to the standardized methodology (prior to limit application)	**1,801.8**
Limit of inclusion reserves on Tier 2 capital under standardized methodology	**4,093.0**
Eligible reserves inclusion on Tier 2 capital with respect to the exposures subject to internal ratings methodology (prior to limits application)	**-**
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)

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

Table II

Capital concept	Prior to capital recognition adjustment	% total RWAs	Capital recognition adjustment	Including capital recognition adjustment	% total RWAs
Tier 1 capital 1	44,748.74	13.67	-	44,748.74	13.67
Tier 1 capital 2	0	-	-	0	-
Tier 1 capital	44,748.74	13.67	-	44,748.74	13.67
Tier 2 capital	10,343.48	3.16	-	10,343.48	3.16
Total capital	55,092.22	16.83	-	55,092.22	16.83
Total RWAs	327,440.17	NA	NA	327,440.17	NA
Capitalization index	**16.83**	**NA**	**NA**	**16.83**	**NA**

Table III.1

Balance Sheet concept	Amount
Assets	**512,557**
Cash and deposits in banks	55,704
Margin accounts	-
Investment in securities	139,856
Repurchase agreements	3,229
Stock borrowing	-
Derivative transactions	54,171
Financial assets hedging valuation adjustments	-
Net loan portfolio	188,600
Benefits to be received from trading operations	-
Other accounts receivable (net)	52,547
Foreclosed assets	194
Property, furniture and equipment, net	5,211
Long term investments in equity securities	4,533
Long term assets available for sale	-
Deferred taxes, net	5,490
Other assets	3,022
Liabilities	**464,735**
Deposits	265,477
Bank deposits and other liabilities	29,850
Repurchase agreements	38,608
Stock borrowing	-
Collateral sold	4,084
Derivative transactions	50,472
Financial liabilities hedging valuation adjustments	-
Debentures in trading operations	-
Other accounts payable	64,357
Subordinated debentures outstanding	11,395
Deferred taxes, net	-
Deferred credits	492
Stockholder's equity	**47,822**
Paid in capital	32,769
Capital gains	15,053
Memorandum accounts	**4,613,859**
Guarantees granted	-
Contingent assets and liabilities	-
Irrevocable lines of credit granted	23,431
Goods in trust or mandate	395,854
Federal government financial agent	-
Goods in custody or under administration	355,566
Collateral received by the institution	21,188
Collateral received and sold or delivered as guarantee	14,351
Third party investment banking operations, net	47,356
Suspended interest on impaired loans	122
Other control accounts	3,755,991

Table III.2

Regulatory concepts to be considered for the Net capital components calculation	Amount according to the notes of the regulatory concepts considered for Net capital calculation
Assets	
Goodwill	-
Other intangible assets	788.7
Deferred income tax from fiscal losses and credits	-
Benefits to be received from trading operations	-
Pension plan investments by defined benefits with unrestricted and unlimited access	-
Own shares investments	-
Common equity reciprocal investments	-
Direct investment in the capital of financial entities where the institution does not own more than 10% of issued share capital	-
Indirect investment in the capital of financial entities where the institution does not own more than 10% of issued share capital	6.8
Direct investment in the capital of financial entities where the institution own more than 10% of issued share capital	-
Indirect investment in the capital of financial entities where the institution own more than 10% of issued share capital	-
Deferred income tax from temporary differences	922.7
Recognized reserves as supplementary capital	1,801.8
Subordinated debt investment	86.8
Multilateral organisms investment	-
Related parties investments	-
Risk capital investment	-
Mutual funds investment	8.8
Own shares acquisition financing	-
Deferred charges and prepaid expenses	1,260.1
Employee participation in profit sharing (net)	-
Pension plan investments by defined benefits	-
Compensation chamber investment	-
Liabilities	
Deferred income tax associated to goodwill	-
Deferred income tax associated to other intangibles	-
Pension plan liabilities by defined benefits with unrestricted and unlimited access	-
Deferred income tax associated to pension plan by defined benefits	-
Deferred income tax associated to other different to previous concepts	922.7
Subordinated debentures that coincide with 1-R annex	-
Subordinated debentures subject to transience that counts as core capital 2	-
Subordinated debentures that coincide with 1-S annex	1,359.7
Subordinated debentures subject to transience that counts as supplementary capital	7,182.0
Deferred income tax associated to deferred charges and pre-paid expenses	-
Stockholders' equity	
Paid in capital amount that coincide with Annex 1-Q	32,768.5
Retained earnings	2,327.8
Result from cash flow hedging transactions registered at fair value	12,726.4
Other elements of other capital reserves different to previous ones'	-
Paid in capital amount that coincide with Annex 1-R	-
Paid in capital amount that coincide with Annex 1-S	-
Result from cash flow hedging transactions do not registered at fair value	-
Cumulative conversion effect	-
Results from holding non-monetary assets	-
Memo accounts	
First loss schemes positions	-

Regulatory concepts do not considered in the Balance Sheet	
Reserves pending to constitute	-
Profit or increased asset value of acquired securitization positions	-
Operations that contravene	-
Relevant related parties operations	-
Adjustment for capital recognition	-

Table IV.1

Concept	Equivalent position in Balance	Capital Requirements
Nominal rate operations in local currency	-	4,745.9
Surcharge and revisable rate debt operations in local currency	-	84.2
Real rate or UDIs operations in local currency	-	113.6
Minimum wages growth rate operations in local currency	-	-
UDIs o INPC profit referred positions	-	1.2
Minimum wages growth rate operations in local currency	-	-
Nominal rate operations in foreign currency	-	622.4
Foreign currency or indexed to exchange rate positions	-	29.0
Stock or price index stock positions	-	-

Table IV.2

Concept	RWAs	Capital Requirements
Group I (weighted at 0%)	-	-
Group I (weighted at 10%)	-	-
Group I (weighted at 20%)	-	-
Group II (weighted at 0%)	-	-
Group II (weighted at 10%)	-	-
Group II (weighted at 20%)	6.0	0.5
Group II (weighted at 50%)	3,256.2	260.5
Group II (weighted at 100%)	-	-
Group II (weighted at 120%)	-	-
Group II (weighted at 150%)	-	-
Group III (weighted at 2.5%)	-	-
Group III (weighted at 10%)	495.7	39.7
Group III (weighted at 11.5%)	376.3	30.1
Group III (weighted at 20%)	5,235.3	418.8
Group III (weighted at 23%)	178.7	14.3
Group III (weighted at 50%)	-	-
Group III (weighted at 57.5%)	-	-
Group III (weighted at 100%)	-	-
Group III (weighted at 115%)	-	-
Group III (weighted at 120%)	-	-

Group III (weighted at 138%)	-	-
Group III (weighted at 150%)	-	-
Group III (weighted at 172.5%)	-	-
Group IV (weighted at 0%)	-	-
Group IV (weighted at 20%)	2,462.8	197.0
Group V (weighted at 10%)	-	-
Group V (weighted at 20%)	798.9	63.9
Group V (weighted at 50%)	753.7	60.3
Group V (weighted at 115%)	225.6	18.1
Group V (weighted at 150%)	6,014.9	481.2
Group VI (weighted at 20%)	-	-
Group VI (weighted at 50%)	4,150.7	332.1
Group VI (weighted at 75%)	2,298.6	183.9
Group VI (weighted at 100%)	40,657.3	3,252.6
Group VI (weighted at 120%)	-	-
Group VI (weighted at 150%)	-	-
Group VI (weighted at 172.5%)	-	-
Group VII_A (weighted at 10%)	-	-
Group VII_A (weighted at 11.5%)	-	-
Group VII_A (weighted at 20%)	3,737.9	299.0
Group VII_A (weighted at 23%)	7,133.8	570.7
Group VII_A (weighted at 50%)	1,026.1	82.1
Group VII_A (weighted at 57.5%)	49.9	4.0
Group VII_A (weighted at 100%)	99,987.3	7,999.0
Group VII_A (weighted at 115%)	3,819.1	305.5
Group VII_A (weighted at 120%)	-	-
Group VII_A (weighted at 138%)	-	-
Group VII_A (weighted at 150%)	565.5	45.2
Group VII_A (weighted at 172.5%)	-	-
Group VII_B (weighted at 0%)	-	-
Group VII_B (weighted at 20%)	-	-
Group VII_B (weighted at 23%)	-	-
Group VII_B (weighted at 50%)	-	-
Group VII_B (weighted at 57.5%)	-	-
Group VII_B (weighted at 100%)	4,319.2	345.5
Group VII_B (weighted at 115%)	-	-
Group VII_B (weighted at 120%)	-	-
Group VII_B (weighted at 138%)	-	-
Group VII_B (weighted at 150%)	-	-
Group VII_B (weighted at 172.5%)	-	-
Group VIII (weighted at 125%)	2,368.5	189.5
Group IX (weighted at 100%)	23,835.1	1,906.8

Group IX (weighted at 115%)	-	-
Group X (weighted at 1250%)	1,144.5	91.6
Securitizations with Risk rating 1 (weighted at 20%)	122.5	9.8
Securitizations with Risk rating 2 (weighted at 50%)	-	-
Securitizations with Risk rating 3 (weighted at 100%)	-	-
Securitizations with Risk rating 4 (weighted at 350%)	109.4	8.8
Securitizations with Risk rating 4, 5, 6 or not classified (weighted at 1250%)	-	-
Resecuritizations with Risk rating 1 (weighted at 40%)	-	-
Resecuritizations with Risk rating 2 (weighted at 100%)	-	-
Resecuritizations with Risk rating 3 (weighted at 225%)	-	-
Resecuritizations with Risk rating 4 (weighted at 650%)	-	-
Resecuritizations with Risk rating 5, 6 or not classified (weighted at 1250%)	2,285.5	182.8

Table IV.3

Operational RWAs	Capital Requirements
40,072.6	3,205.8

Average Market and credit RWAs of last 36 months	Average of positive net annual revenues for the last 36 months
21,372.0	24,886.2

Table V

Característica	EN CAPITAL	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO
Emisor	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC (Banco Internacional)	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
Identificador ISIN, CUSIP o Bloomberg	INTENAL	QINTENAL06	HSBC 08	HSBC 09-D	HSBC 13-1D	HSBC 08-2
Marco legal	L.I.C.; C.U.B., L.G.S.M.;	L.I.C.; LGTOC., L.M.V;	L.I.C.; LGTOC., L.M.V;	L.I.C.; LGTOC., L.M.V;	L.I.C.; LGTOC., L.M.V;	L.I.C.; LGTOC., L.M.V;
Tratamiento regulatorio						
Nivel de capital con transitoriedad	N.A.	Complementario	Complementario	Complementario	Complementario	Complementario
Nivel de capital sin transitoriedad	Basico 1	NA	NA	NA	NA	NA
Nivel del instrumento	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias	Institución de crédito sin consolidar subsidiarias
Tipo de instrumento	Acción serie "F" y "B"	Obligacion subordinada	Obligacion subordinada	Obligacion subordinada	Obligacion subordinada	Obligacion subordinada
Monto reconocido en el capital regulatorio	representa la cantidad de $3,880,019,330 de capital nominal a $2.00, más el excedente de prima	0	1,818	3,708	1,360	2,273
Valor nominal del instrumento	$2.00	$100.00	$100.00	100.00	100.00	$100.00
Moneda del instrumento	Pesos mexicanos	Pesos mexicanos	Pesos mexicanos	USD	USD	Pesos mexicanos
Clasificación contable	Capital	Pasivo	Pasivo	Pasivo	Pasivo	Pasivo
Fecha de emisión	31/12/2007; 31/08/2009; 31/10/2009; 31/12/2009; 31/12/2011; 29/01/2013	24/11/2003	02/10/2008	30/06/2009	31/01/2013	22/12/2008

Característica	EN CAPITAL	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO
Fecha de vencimiento	Sin vencimiento	25/11/2013	20/09/2018	28/06/2019	10/12/2022	10/12/2018
Cláusula de pago anticipado	No	SI	SI	SI	SI	SI
Primera fecha de pago anticipado	N.A.	15/12/2008	24/10/2013	24/06/2014	04/02/2018	16/12/2013
Eventos regulatorios o fiscales	No	No	No	No	Si	No
Precio de liquidación de la cláusula de pago anticipado	N.A.	En caso de amortización anticipada, serán amortizadas a su valor nominal y sin pago de premio alguno	Igual a su Valor Nominal más los intereses devengados a la fecha de la amortización anticipada, siempre y cuando (i) el Emisor, a través del Representante Común, informe por escrito su decisión de ejercer dicho derecho de amortizar anticipadamente a los Obligacionistas, a la CNBV, al Indeval y a la BMV, a través de los medios que ésta última determine, cuando menos con 10 (diez) Días Hábiles de anticipación a la fecha en que el Emisor tenga la intención de amortizar anticipadamente la totalidad de las Obligaciones Subordinadas, y (ii) la amortización anticipada se lleve a cabo en la forma y lugar de pago a que se refiere la Cláusula Décima Primera del Acta de Emisión.	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	precio igual a su Valor Nominal más los intereses devengados a lafecha de la amortización anticipada, previa autorización del Banco de México en términos del párrafo quinto del artículo 64 de lacitada LIC, en cualquier Fecha de Pago de Intereses: (i) a partir del quinto año contado a partir de la Fecha de Emisión, o (ii) encaso que las Obligaciones Subordinadas dejen de computar como capital complementario del Emisor como resultado demodificaciones o reformas a las leyes, reglamentos y demás disposiciones aplicables, siempre y cuando (a) el Emisor informe porescrito su decisión de ejercer dicho derecho de amortizar anticipadamente al Obligacionista, cuando menos con 10 (diez) DíasHábiles de anticipación a la fecha en que el Emisor tenga la intención de amortizar anticipadamente la totalidad de las ObligacionesSubordinadas, y (b) la amortización anticipada se lleve a cabo en la forma y lugar de pago a que se refiere el numeral 11 delpresente Título.	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.
Fechas subsecuentes de pago anticipado	N.A.	efectuarse en cualquier de las fechas señaladas para el pago de intereses y se dará a conocer con 28 días naturales de anticipación a	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	22/07/2014 se dará a conocer con 10 días hábiles de anticipación a la fecha de amortización autorizada.	04/03/2018 se dará a conocer con 10 días hábiles de anticipación a la fecha de amortización autorizada.	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

Característica	EN CAPITAL	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO
Rendimientos / dividendos						
Tipo de rendimiento/dividendo	Variable	Variable	Variable	Variable	Variable	Variable
Tasa de Interés/Dividendo	El último conocido fue de marzo 2013 que fue de 0.7216 por acción	Tasa de Interes Interbancaria de Equilibrio (Tiie 28 + 0.50 pp)	Tiie 28 + 0.60 pp	Libor 1 mes + 3.50 pp	Libor 1 mes + 3.65 pp	Tiie 28 + 2.0 pp
Cláusula de cancelación de dividendos	No	No	No	No	No	No
Discrecionalidad en el pago	Obligatorio	Obligatorio	Obligatorio	Obligatorio	Parcialmente Discrecional	Obligatorio
Cláusula de aumento de intereses	No	No	No	No	No	No
Rendimiento/dividendos	No Acumulables	No Acumulables	No Acumulables	No Acumulables	No Acumulables	No Acumulables
Convertibilidad del instrumento	No Convertibles	No Convertibles	No Convertibles	No Convertibles	Convertibles	No Convertibles
Condiciones de convertibilidad	N.A	N.A	N.A	N.A	Las Obligaciones Subordinadas serán de conversión obligatoria en acciones ordinarias representativas del capital social del Emisor, sin que este hecho se considere como un evento de incumplimiento, y la cual se llevará a cabo cuando se presente alguna de las condiciones que a continuación se listan: 1.Cuando el resultado de dividir el capital básico 1 entre los activos ponderados sujetos a riesgo totales del Emisor se ubique en 4.5% o menos. Para efectos de lo dispuesto en el presente numeral, el Emisor deberá proceder a la conversión, el Día Hábil siguiente a la publicación del índice de capitalización a que se refiere el Artículo 221 de las Disposiciones de Capitalización. 2.Cuando la CNBV notifique al Emisor, conforme a lo dispuesto en el Artículo 29 Bis de la LIC, que ha incurrido en alguna de las causales a que se refieren las fracciones IV o V del Artículo 28 de la LIC y en el plazo previsto por el citado Artículo 29 Bis, el Emisor no subsane los hechos o tratándose de la causal de revocación referida en la fracción V no solicite acogerse al régimen de operación condicionada o no reintegre el capital.Para efectos de lo dispuesto en el presente numeral, el Emisor deberá proceder a la conversión, el Día Hábil siguiente a que hubiereconcluido 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 preveanla restitución u otorguen alguna compensación a los tenedores del o los Títulos.	N.A

Característica	EN CAPITAL	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO
Grado de convertibilidad	N.A	N.A	N.A	N.A	La conversión se realizará al menos por el monto que resulte menor de: (i) la totalidad de los Títulos, y (ii) el importe necesario para que el resultado de dividir el capital básico 1 del Emisor entre los activos ponderadossujetos a riesgo totales del Emisor sea de 7.0% (siete por ciento). Cada vez que se actualicen los supuestos antes descritos, operaránuevamente 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
Tasa de conversión	N.A	N.A	N.A	N.A	La conversión así como la remisión o condonación aquí previstas, se realizarán a prorrata respecto de todos los títulos de la misma naturaleza que computen en el capital complementario del Emisor. La conversión de las Obligaciones Subordinadas se llevará a cabo mediante la entrega de 59.80678909 (cincuenta y nueve punto ocho cero seis siete ocho nueve cero nueve) acciones ordinarias representativas del capital social del Emisor por cada ObligaciónSubordinada.	N.A
Tipo de convertibilidad del instrumento	N.A	N.A	N.A	N.A	Obligatoria	N.A
Tipo de instrumento financiero de la convertibilidad	N.A	N.A	N.A	N.A	Acciones Ordinarias	N.A
Emisor del instrumento	N.A	N.A	N.A	N.A	HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC	N.A
Cláusula de disminución de valor (*Write-Down*)	No	No	No	No	No	No
Condiciones para disminución de valor	N.A	N.A	N.A	N.A	N.A	N.A

Característica	EN CAPITAL	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO	EN PASIVO
Grado de baja de valor	N.A	N.A	N.A	N.A	N.A	N.A
Temporalidad de la baja de valor	N.A	N.A	N.A	N.A	N.A	N.A
Mecanismo de disminución de valor temporal	N.A	N.A	N.A	N.A	N.A	N.A
Posición de subordinación en caso de liquidación	N.A	No Preferente	No Preferente	No Preferente	Preferente	No Preferente
Características de incumplimiento	No	No	No	No	No	No
Descripción de características de incumplimiento	N.A	N.A	N.A	N.A	N.A	N.A