

Grupo Financiero HSBC

Financial information at 31 March 2011

1Q11

- ▶ **Press Release**
- ▶ **Quarterly Report**
- ▶ **First Quarter 2011**

*Release date:
29 April 2011*



29 April 2011

GRUPO FINANCIERO HSBC, S.A. DE C.V. FIRST QUARTER 2011 FINANCIAL RESULTS – HIGHLIGHTS

- Net income before taxes for the first quarter of 2011 was MXN979m, an increase of MXN250m or 34.3% compared with MXN729m in the first quarter of 2010. Results were affected by one-off charges associated with the restructuring of regional services provided by the bank. Excluding the effect of these adjustments, net income before taxes would have been MXN1,465m, up by MXN736m or 101.0% compared to the first quarter of 2010.
- Net income for the first quarter of 2011 was MXN855m, unchanged from the first quarter of 2010. Excluding the effect of the one-off charges associated with the restructuring of regional services provided by the bank, net income would have been MXN1,194m, up MXN339m or 39.7% compared with the first quarter of 2010.
- Total operating income, which includes loan impairment charges, for the first quarter of 2011 was MXN7,389m, an increase of MXN1,339m or 22.1% compared with MXN6,050m in the first quarter of 2010.
- Loan impairment charges for the first quarter of 2011 were MXN1,654m, a decrease of MXN959m or 36.7% compared with MXN2,613m in the first quarter of 2010.
- Net loans and advances to customers were MXN167.2bn at 31 March 2011, an increase of MXN21.6bn or 14.9% compared with MXN145.5bn at 31 March 2010. Total impaired loans as a percentage of gross loans and advances to customers improved to 2.7% compared with 4.2% at 31 March 2010. The coverage ratio was 197.7% compared with 149.2% at 31 March 2010.
- At 31 March 2011, deposits were MXN259.6bn, an increase of MXN34.5bn or 15.3% compared with MXN225.2bn at 31 March 2010.
- Return on equity was 7.2% for the first quarter of 2011, unchanged from the first quarter of 2010.
- At 31 March 2011, the bank's capital adequacy ratio was 14.4% and the tier 1 capital ratio was 10.9%, compared with 17.3% and 13.5% respectively at 31 March 2010.
- On 18 March 2011, the bank paid a dividend of MXN1,800m representing MXN1.095 per share. On 22 March 2011, Grupo Financiero HSBC paid a dividend of MXN3,520m representing MXN1.377 per share.
- From the first quarter of 2011 following regulatory requirements issued by the Comisión Nacional Bancaria y de Valores – CNBV, financial figures for both the Insurance and Bond companies are required to be presented on a consolidated basis. As a result, from the first quarter 2010, financial results have been restated to be comparable with first quarter of 2011.

HSBC Mexico S.A. (the bank) is Grupo Financiero HSBC, S.A. de C.V.'s (Grupo Financiero HSBC) primary subsidiary company 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 first quarter ended 31 March 2011) 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.

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

Overview

In the first quarter of 2011, the Mexican economy continued to build on the recovery seen in 2010 and this trend is expected to continue in the second quarter of 2011.

Some moderation is forecast in the second half of the year due to the impact of higher global oil prices; however the overall economy is still expected to expand 4.1% in 2011. Inflation is forecast to be 3.6% for 2011 and it is expected that the Central Bank of Mexico will maintain its policy interest rate at 4.5% during 2011.

In the first quarter of 2011, Grupo Financiero HSBC focused on expanding its credit portfolio and increasing customer deposits, while maintaining strong capital and liquidity positions.

For the quarter ended 31 March 2011, Grupo Financiero HSBC's net income was MXN855m, unchanged from that reported in the first quarter of 2010. Higher trading income and lower impairment charges were offset by lower net interest income and net fee income and higher administrative expenses, largely as a result of the one-off charges associated with the restructuring of regional services provided by the bank. In addition, the effective tax rate for 31 March 2011 was higher than the same period in 2010 as a result of variations in permanent differences, largely due to inflation related tax adjustments.

Net interest income was MXN5,282m, a decrease of MXN157m or 2.9% compared with the first quarter of 2010. This decline is mainly driven by increased interest expense as a result of higher customer deposit volumes and lower consumer lending volumes, particularly in credit cards. This was partially offset by higher volumes of available for sale securities and commercial and government loans.

Loan impairment charges were MXN1,654m, a decline of MXN959m or 36.7% compared with the first quarter of 2010. Lower loan impairment charges in 2011 are mainly as the result of a reduction in consumer lending balances, particularly in credit cards, and a general improvement in credit quality as origination criteria have been tightened and collection practices were improved.

Net fee income was MXN1,438m, a decrease of MXN284m or 16.5% compared with the first quarter of 2010. This decline was mainly driven by lower fee income from ATMs, customer deposits and the loan portfolio, particularly in credit cards. Fee income from credit cards continues to decline as balances reduce, however, the pace of this reduction has slowed compared to previous quarters.

Trading income was MXN1,215m, an increase of MXN526m or 76.3% compared with the first quarter of 2010. This improvement in trading income is mainly the result of solid performance in derivatives trading and the sale of one of our equity investments, partially offset by lower foreign exchange and debt trading results.

Administrative and personnel expenses were MXN6,418m, an increase of MXN1,094m or 20.5% compared with the first quarter of 2010. The increase includes one-off charges associated with the restructuring of regional services provided by the bank and, to a lesser extent, the upgrading and optimisation of the branch network. Excluding the effect of one-off charges related with the restructuring of regional services provided by the bank, the increase in expenses would have been MXN608m or 11.4% compared with the first quarter of 2010.

The performance of Grupo Financiero HSBC's non bank subsidiaries continues to represent an important contribution to the Group's results, particularly HSBC Seguros. For the first quarter of 2011, HSBC Seguros reported net profit of MXN338m, MXN5m or 1.4% less than in the first quarter of 2010. Lower financial income resulting from the low interest rate environment affected profitability. However, this was partially offset by a decrease in technical reserves, higher premiums from the T5 individual life product and renegotiation of coinsurer and reinsurer contracts.

Net loans and advances to customers increased MXN21.6bn or 14.9% to MXN167.2bn at 31 March 2011 compared with 31 March 2010. This increase is mainly driven by growth in the commercial and government portfolios.

At 31 March 2011, total impaired loans decreased by 26.7% to MXN4.8bn compared with 31 March 2010, mainly due to a 54.9% reduction in impaired consumer loans. Total impaired loans as a percentage of gross loans and advances to customers improved to 2.7% from 4.2% at 31 March 2010.

Total loan loss allowances at 31 March 2011 were MXN9.6bn, a decrease of MXN287m or 2.9% compared to 31 March 2010. The total coverage ratio (allowance for loan losses divided by impaired loans) was 197.7% at 31 March 2011 compared with 149.2% at 31 March 2010. This increase in the coverage ratio is primarily due to the reduction in total impaired loans.

Total deposits were MXN259.6bn at 31 March 2011, an increase of MXN34.5bn or 15.3% compared with 31 March 2010. This is due to an increased focus on sales and promotion of flagship deposit products, specifically 'Ahorro' and 'Flexible'.

At 31 March 2011, the bank's capital adequacy ratio was 14.4% compared with 17.3% at 31 March 2010. The Tier 1 capital ratio was 10.9% compared with 13.5% at 31 March 2010. The reduction in the capital adequacy ratio is mainly due to an increase in credit risk assets, the impact of the adoption of local regulatory operational risk requirements, the dividend payment and a reduction in the valuation of available for sale securities, partially offset by a decrease in market risk.

On 18 March 2011, the bank paid a dividend of MXN1,800m representing MXN1.095 per share. On 22 March 2011, Grupo Financiero HSBC paid a dividend of MXN3,520m representing MXN1.377 per share.

Business Highlights

Personal Financial Services (PFS)

During the first quarter of 2011, PFS achieved very strong sales in its consumer loan products and continued to grow its wealth management business. The new branch operating model coupled with the sales campaign 'Gran Venta HSBC' launched at the end of January, provided the momentum for the increase in sales.

At the end of the first quarter of 2011, PFS core customer deposit balances increased 7.7% compared to the first quarter of 2010. In particular, 'Ahorro' and 'Flexible' sales increased by 46%.

Special focus was placed on cross-selling of payroll accounts to our Global Banking and Commercial Banking customers. As a result, payroll accounts reported the highest quarterly growth for the past six years.

During the period, despite the credit card market remaining relatively stagnant, we increased credit card sales as a result of the 'Gran Venta HSBC' campaign. In addition, several strategies were launched aimed at reducing seasonal decreases in credit card balances including: installments on purchases, balance transfers, credit limit increases, extended preferential rates, cash advances, convenience cheques, 10% supermarket purchase rebates and discount on first day of activation purchases. We also launched our new loyalty programme, HSBC MAS, which provides our customers with more benefits and better services.

Commercial Banking

During first quarter of 2011, Commercial Banking deposits continued to grow solidly, reporting a 25% increase compared with 31 March 2010. Additionally, the loan portfolio grew by 41% compared with 31 March 2010.

To provide our Business Banking customers with additional product choice, we launched the new 'HSBC Empresas' credit card. This credit card will allow business banking customers to meet their working capital needs. In addition, we re-priced our products in order to provide competitive product offerings and we continue to increase our presence in branches with specialised account managers for Business Banking customers.

To support our corporate customers, efforts are focused on improving our client service and product offerings, as we believe this segment is key for our growth during 2011.

Global Banking and Markets

Global Markets reported solid revenues in its three core activities: Balance Sheet Management, Sales and Trading, and derivative sales.

During the first quarter of 2011, results also benefited from extraordinary income from the sale of one of our equity investments. Cross-selling of Global Markets products and services to all the bank's customer segments remains the key growth driver.

During the first quarter, Global Banking's credit and lending business originated new lending to corporate clients in excess of MXN 6,671m.

In Debt Capital Markets business, we have placed and participated in bond issuances for a total transaction amount of MXN 60,366m including United Mexican States (UMS), CEMEX, Inbursa, Santander, INFONAVIT, Bancomext and Interacciones, placing HSBC in the top three in local league tables.

Global Banking achieved particularly good results in Client Bank Deposits, by increasing our average balances by 64% year-on-year.

Grupo Financiero HSBC first quarter 2011 financial results as reported to HSBC Holdings plc, our ultimate parent company, under International Financial Reporting Standards (IFRS)

For the quarter ended 31 March 2011, Grupo Financiero HSBC reported pre-tax profits of MXN1,596m, an increase of MXN289m or 22.1% compared with MXN1,307m in 31 March 2010.

The higher results compared to that reported under Mexican GAAP is largely due to lower loan impairment charges as 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.

SALE OF HSBC AFORE TO PRINCIPAL FINANCIAL GROUP

As announced on 11 April 2011, Grupo Financiero HSBC, signed an agreement to sell HSBC Afore, S.A. de C.V., its pension funds management business, to Principal Financial Group, S.A. de C.V. ('Principal') for a cash consideration of MXN2,360m (approximately US\$198m).

Grupo Financiero HSBC and Principal will work together to ensure a smooth transition and have agreed to establish an exclusive distribution agreement, under which Principal will continue the sale and servicing of its pension fund products through the Grupo Financiero HSBC's retail banking network in Mexico.

The transaction, which is subject to regulatory approvals, is expected to be completed in the third quarter of 2011.

About HSBC

Grupo Financiero HSBC, is one of the leading financial groups in Mexico with 1,147 branches, 6,361 ATMs, approximately eight and a half million total customer accounts and more than 20,000 employees. For more information, consult our website at 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 7,500 offices in 87 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa and assets of US\$2,455bn at 31 December 2010, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

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Key Indicators

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

For the quarter ended at

	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011
a) Liquidity	140.61%	141.48%	135.07%	109.19 %	122.15%
Profitability					
b) ROE (Return over equity)	7.17%	1.58%	6.81%	1.87%	7.20%
c) ROA (Return over assets)	0.86%	0.18%	0.74%	0.20 %	0.76%
Asset quality					
d) Impaired loans/total loans	4.25%	4.16%	3.56%	3.12%	2.74%
e) Coverage ratio	149.21%	158.16%	175.18%	173.96 %	197.72%
Capitalization					
f) Credit risk	29.62%	30.37%	27.49%	24.28%	22.70%
g) Credit and market risk operational	17.35%	16.63%	15.86%	14.55%	14.41%
Operating efficiency					
h) Expenses/Total Assets	5.57%	5.40%	5.00%	6.07%	5.68%
i) NIM	5.65%	5.60%	4.73%	5.25%	5.36%
Infrastructure					
Branches	1,191	1,186	1,187	1,144	1,147
ATM	6,358	6,479	6,503	6,331	6,361
Head Count	19,287	19,567	20,466	20,132	20,139

- 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.

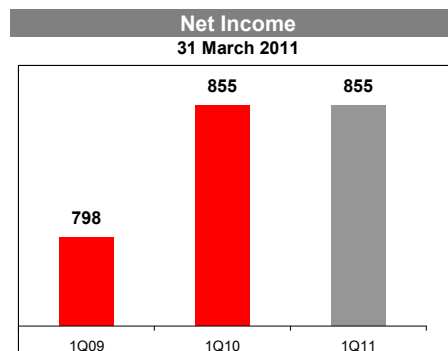
The averages utilized correspond to the average balance of the quarter in study and the balance of the previous quarter.

Income Statement Variance Analysis

Net Income

Net income for Grupo Financiero HSBC at 31 March 2011 was MXN855m, unchanged from that reported on the first quarter of 2010.

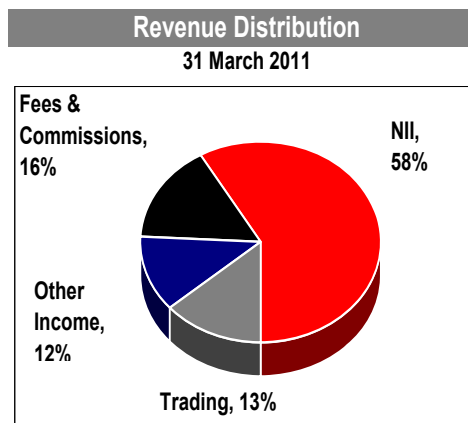
This result was achieved due to stronger trading income coupled with lower credit losses. Non-banking subsidiaries continue to show a strong and steady performance, specially the insurance company and the Brokerage company.



Total Operating Income

At 31 March 2011, the Group's total operating income, was MXN7,389m, an increase of MXN1,339m (22.1%) compared with 2010.

Increased total operating income was highly influenced by larger trading income and a better risk adjusted net interest margin as a consequence of lower loan impairment charges. The Group's risk adjusted NII was MXN3,628m up by 28.4% in comparison to that of March 2010.



Net Interest Income

Net interest income decreased MXN157m for the quarter ended at 31 March 2011 to MXN5,282m, 2.9% less than in the first quarter of 2010.

Lower credits card volumes coupled with higher customer deposits have contributed negatively to the overall performance of the net interest income, nevertheless, higher volumes of available for sale securities have been able to partially offset higher funding costs and lower interest income from the loan portfolio.

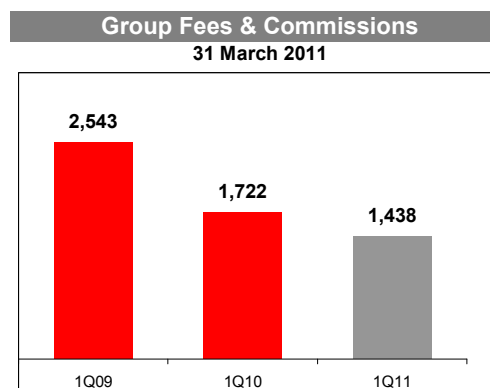
Non-interest Income

Non-interest income for the quarter ended at 31 March 2011 was MXN3,761m; an increase of MXN537m or 16.7% compared with 2010.

► Fee income

The Group's net fee income for the quarter ended at 31 March 2011, was MXN1,438m, a decrease of MXN284m or 16.5% compared with the same period in 2010. Lower ATM transactions and lower payments and cash management volumes have affected fee income, and although credit card fees report lower levels than previous periods, the rate of decrease is improving in comparison to 2010.

For the quarter ended at 31 March 2011, total fee income for the Bank amounted to MXN1,513m, which



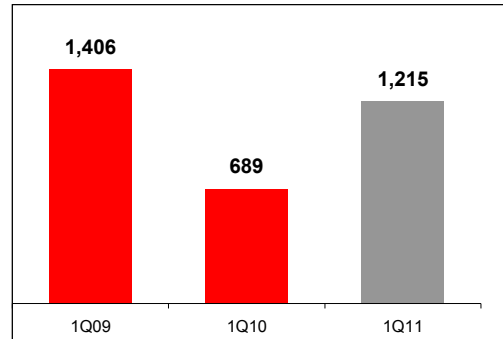
represents 1.05 times the Group's total net fee income.

► **Trading income**

Trading income was MXN1,215m, which represents an increase of MXN526m (76.3%) compared with the first quarter of 2010. Higher trading of derivative instruments has offset lower debt and foreign exchange trading. In addition a sale of one of our equity investments also contributed to this improvement.

The Group's non-interest income to total revenue ratio increased from 38.3% at 31 March 2010 to 41.6% at 31 March 2011, driven by stronger trading income.

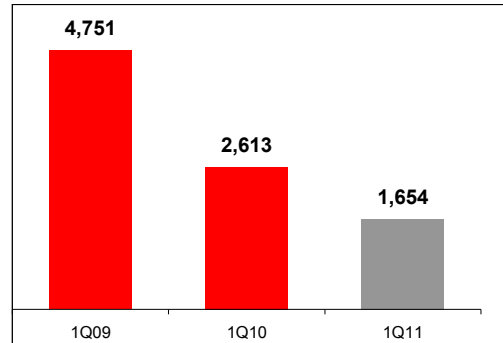
Trading Income
31 March 2011



Loan Impairment Charges

At 31 March 2011, the Group's loan impairment charges were MXN1,654m, which represents a decrease of MXN959m or 36.7% compared with same period prior year. Enhanced asset quality practices related to underwriting, collections and risk management have improved the credit profile of the Group.

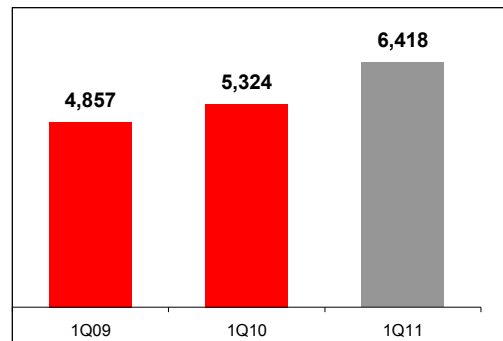
Loan Impairment Charges
31 March 2011



Administrative and Personnel Expenses

The Group's administrative and personnel expenses for the quarter ended 31 March 2011 were MXN6,418m, a MXN1,094m or 20.5% increase compared to the same period in 2010. Excluding the effect of one-off charges related with the restructuring of regional services provided by the bank, the increase in expenses would have been MXN608m or 11.4% compared with the first quarter of 2010.

Administrative Expenses
31 March 2011



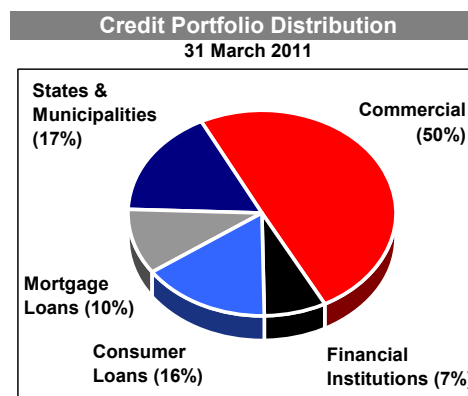
Balance sheet Variance Analysis

At 31 March 2011, the Group's total assets amounted MXN470,825m, which represents an increase of MXN54,496m or 13.1%, compared with the same quarter of 2010, larger positions in available-for-sale instruments and increased volumes in net loans and advances to costumers, particularly commercial loans, have been the key drivers for the increase in assets.

Loan portfolio

The Group's performing loan portfolio balance amounted to MXN171,900m at 31 March 2011, an increase of 15.5% compared with 2010. This growth has been led by loans to states and municipalities and commercial loans, which grew 27.6% and 21.0% respectively when compared with 31 March 2010.

- ▶ **Commercial loans (including financial and government entities)**



At 31 March 2011, the total commercial portfolio increased 26.1% in comparison with 2010; driven mainly by states and municipalities and financial institutions, together these two portfolios have increased 38.0 percent since 31 March 2010.

The States & Municipalities portfolio increased by MXN6,304m or 27.6% compared with first quarter 2010. Financial intermediaries' portfolio continues to report important growth, increasing 69.6% compared to 2010. Growth in this type of loans is key for the reshaping of the Bank's credit portfolio, which is focused to improve asset quality.

- ▶ **Consumer loans**

Consumer loans continue presenting a decreasing trend but at lower pace than that reported in 2010, decreasing 3.8% in comparison to March 2010. Reduction in credit card and auto loan portfolio volumes has driven this portfolio to represent 15.7% of the total performing portfolio, 3.1 percentage points less than last year. As of 31 December 2010, credit card balance was MXN15,615m while auto loans balance was MXN3,988m; 10.3% and 31.1% less than first quarter 2010.

- ▶ **Mortgage loans**

The mortgage loan portfolio for the first quarter 2011 decreased MXN2,216m or 11.2% compared with first quarter 2010. As of March 2011, origination of this type of loans has remained moderate.

Asset quality

As of March 31 2011, the Group's impaired loan portfolio amounted to MXN4,835m, which represents a decrease of MXN1,764m or 26.7% compared to the same period of 2010. As a result of the actions deployed to improve origination and collection operations, coupled with lower exposure to credit cards, auto loans and payroll loans as well as the maturity of lesser quality vintages of this kind of assets has improved significantly the Group's credit profile. Impaired loans to total loan portfolio ratio was 2.7%, 1.5 percentage points lower than the figure recorded in the same period of prior year. The coverage ratio at 31 March 2011 was 197.7%, compared to 149.2 reported at 31 March 2010 due to less impaired loans.

Deposits

The Group's total deposits at 31 March 2011 amounted to MXN259,637m, an increase of 15.3% compared to the 31 March 2010 as a result of a larger deposit base, with 59% of deposits being demand, 39% being time deposits and 2% issued credit securities.

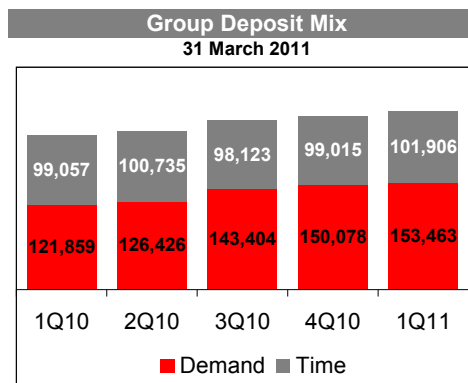
The Bank continues to benefit from its presence in the corporate and business sector as time deposits coming from States and Municipalities report an increase.

► Demand deposits

At 31 March 2011, demand deposits amounted to MXN153,463m, a 25.9% increase compared with 2010, resulting from increased sales efforts focussed to demand deposits from corporate clients.

► Time deposits

Total time deposits increased 5.0% compared to 31 March 2010, this is primarily the result of an increased focus on sales and promotion of flagship deposit products "Ahorro" and "Flexible".



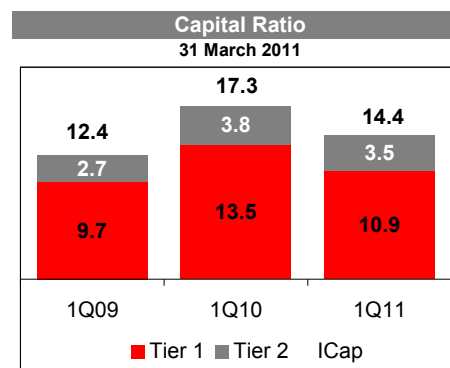
Shareholder's equity

At 31 March 2011, the Group's shareholders' equity was MXN45,448m representing a decrease of 6.1% compared to the same period of 2010.

The Bank's shareholders' equity was MXN35,415 at 31 March 2011, decreasing 12.3% compared to 31 March 2010.

Capital Adequacy Ratio

The Bank's capital adequacy ratio at 31 March 2011 was 14.4%, placing it well above the authorities' requirements. The Tier 1 capital ratio at the end of the reporting period is 10.9%. The reduction in the capital adequacy ratio is mainly due to an increase in credit risk assets, the impact of the adoption of local regulatory operational risk requirements, the dividend payment and a reduction in the valuation of available for sale portfolios, partially offset by a decrease in market risk.



Financial Situation, Liquidity and Capital Resources

HSBC's balance structure has maintained its liquidity. Cash and investments in securities represent 47.7% of total assets, 20 basis points lower than that on the first quarter of 2010. Total assets were MXN470.8bn, up by MXN54.5bn in comparison with 2010. 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 at March 31, 2011

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

	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011
Assets					
Cash and deposits in banks	59,441	46,593	70,241	51,327	53,883
Margin Accounts	3	3	2	42	50
Investments in Securities	148,096	175,312	162,002	155,257	170,743
Trading securities	51,934	63,383	53,076	44,160	37,234
Available-for-sale securities	79,736	95,795	92,815	95,683	118,799
Held to maturity securities	16,426	16,134	16,111	15,414	14,710
Repurchase agreements	14	-	-	1,856	362
Derivative transactions	22,773	27,829	35,337	28,205	25,379
Performing loans					
Commercial loans	101,019	100,967	110,901	121,855	127,399
Commercial entities	70,775	64,781	73,610	81,084	85,672
Loans to financial intermediaries	7,412	11,979	11,948	12,684	12,591
Loans to government entities	22,832	24,207	25,343	28,087	29,136
Consumer loans	28,008	27,306	27,076	26,665	26,948
Mortgages loans	19,769	19,477	19,302	17,557	17,553
Total performing loans	148,796	147,750	157,279	166,077	171,900
Impaired loans					
Commercial loans	1,648	1,857	1,809	1,669	1,721
Commercial entities	1,648	1,857	1,809	1,664	1,335
Financial entities	-	-	-	-	386
Loans to government entities	-	-	-	5	-
Consumer loans	2,794	2,325	1,826	1,574	1,260
Mortgages loans	2,157	2,226	2,176	2,101	1,854
Total non-performing loans	6,599	6,408	5,811	5,344	4,835
Loan portfolio	155,395	154,158	163,090	171,421	176,735
Allowance for loan losses	(9,847)	(10,134)	(10,179)	(9,296)	(9,560)
Net loan portfolio	145,548	144,024	152,911	162,125	167,175
Receivables	-	-	-	-	-
(-) less					
Provision for doubtful receivables	-	-	-	-	-
Total loan portfolio	145,548	144,024	152,911	162,125	167,175
Premium receivables	394	306	308	270	312
Accounts receivables from reinsurers and rebonding companies	357	409	419	555	330
Benefits to be received from trading operations	-	-	-	-	-
Other accounts receivable, net	19,992	28,414	44,835	22,709	28,783
Foreclosed assets	211	165	167	162	165
Property, furniture and equipment, net	7,718	7,739	7,936	9,073	8,799
Long term investments in equity securities	209	192	195	203	200
Long-term assets available for sale	2,245	2,330	2,431	2,422	2,465
Deferred taxes, net	4,774	4,552	4,102	5,292	5,748
Goodwill	1,218	1,218	1,218	1,218	1,218
Other assets, deferred charges and intangibles	3,336	4,213	5,075	5,332	5,213
Total Assets	416,329	443,299	487,179	446,048	470,825

Figures in MXN millions at March 31, 2011

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

	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011
Liabilities					
Deposits	225,183	231,370	245,777	253,247	259,637
Demand deposits	121,859	126,400	143,392	149,989	153,463
Time deposits	99,057	100,735	98,123	99,015	101,906
Retail	99,057	100,672	98,074	98,785	100,753
Money market	-	63	49	230	1,153
Bank bonds outstanding	4,267	4,235	4,262	4,243	4,268
Bank deposits and other liabilities	11,955	16,767	13,869	21,931	19,921
On demand	2,245	5,194	3,000	3,776	3,827
Short term	8,060	9,938	9,282	16,630	14,607
Long term	1,650	1,635	1,587	1,525	1,487
Repurchase agreements	37,469	23,630	38,176	29,911	49,816
Settlement accounts	5,518	13,155	10,606	2,359	1,440
Collateral Sold	16,366	18,589	8,715	11,784	9,215
Repurchase	4,827	11,122	4,301	4,957	4,575
Securities to be received in repo transactions	11,539	7,467	4,414	6,827	4,640
Derivative transactions	24,886	31,376	38,175	30,545	24,009
Technical reserves	10,329	10,263	10,389	10,553	10,670
Reinsurers	201	241	140	197	35
Other accounts payable	25,153	38,086	60,553	25,235	40,073
Income tax and employee profit sharing payable	1,300	1,405	1,466	1,229	1,210
Creditors for settlement of transactions	12,954	21,768	41,396	12,785	23,622
Sundry creditors and others accounts payable	10,899	14,913	17,691	11,221	15,241
Subordinated debentures outstanding	10,006	10,160	10,074	10,007	9,881
Deferred credits	872	848	762	766	680
Total Liabilities	367,938	394,485	437,236	396,535	425,377
Stockholder's Equity					
Paid in capital	32,678	32,678	32,678	32,673	32,673
Capital stock	9,434	9,434	9,434	5,111	5,111
Additional paid in capital	23,244	23,244	23,244	27,562	27,562
Capital Gains	15,702	16,125	17,253	16,830	12,764
Capital reserves	1,648	1,726	1,726	1,726	1,726
Retained earnings	13,136	13,058	13,058	13,058	11,368
Result from the mark-to-market of					
Available-for-sale securities	406	607	890	140	(1,277)
Result from cash flow hedging transactions	(343)	(313)	(308)	(213)	92
Net Income	855	1,047	1,887	2,119	855
Non-controlling interest	11	11	12	10	11
Total Stockholder's Equity	48,391	48,814	49,943	49,513	45,448
Total Liabilities and Capital	416,329	443,299	487,179	446,048	470,825

Figures in MXN millions at March 31, 2011

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

	<u>31 Mar 2010</u>	<u>30 Jun 2010</u>	<u>30 Sep 2010</u>	<u>31 Dec 2010</u>	<u>31 Mar 2011</u>
Memorandum Accounts	2,216,565	2,527,369	2,626,413	2,586,532	2,490,065
Proprietary position	2,175,034	2,481,628	2,573,879	2,541,743	2,399,634
Guarantees granted	25	26	21	21	16
Contingent assets and liabilities	128	124	119	116	115
Irrevocable lines of credit granted	14,013	16,185	17,785	16,201	17,185
Goods in trust or mandate	271,462	277,105	282,699	293,814	310,733
Trust	270,792	276,403	281,952	293,051	306,644
Mandate	670	702	747	763	4,089
Goods in custody or under administration	238,131	250,496	265,633	251,394	257,710
Collateral received by the institution	26,071	21,827	8,432	13,370	14,220
Collateral received and sold or delivered as guarantee	30,896	23,643	12,037	15,143	17,926
Values in deposit	52	53	53	53	53
Suspended interest on impaired loans	273	274	258	254	236
Recovery guarantees for issued bonds	36,508	48,011	48,011	48,011	45,011
Paid claims	-	13	13	13	5
Cancelled claims	1	17	17	17	1
Responsibilities from bonds in force	3,296	3,591	3,591	3,591	3,623
Other control accounts	1,554,178	1,840,263	1,935,210	1,899,745	1,732,800

	<u>31 Mar 2010</u>	<u>30 Jun 2010</u>	<u>30 Sep 2010</u>	<u>31 Dec 2010</u>	<u>31 Mar 2011</u>
Third party accounts	41,531	45,741	52,534	44,789	90,431
Clients current accounts	-	-	-	-	(24)
Custody operations	-	-	-	-	29,793
Transactions on behalf of clients	1,967	1,438	1,438	1,438	10,120
Third party investment banking operations, net	39,564	44,303	51,096	43,351	50,542

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 5,111 millions.

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LUIS PEÑA KEGEL
Chief Executive

GUSTAVO CABALLERO GÓMEZ
Officer Chief Financial Officer

ANDREW PAUL MCCANN
Director of Internal Audit

BRENDA TORRES MELGOZA
Chief Accountant

Consolidated Income Statement

Figures in MXN millions at March 31, 2011

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

	<i>For the quarter ending</i>					<i>Year to date</i>	
	<i>31 Mar 2010</i>	<i>30 Jun 2010</i>	<i>30 Sep 2010</i>	<i>31 Dec 2010</i>	<i>31 Mar 2011</i>	<i>31 Mar 2010</i>	<i>31 Mar 2011</i>
Interest Income	7,265	7,418	6,776	7,204	7,197	7,265	7,197
Earned premiums	686	689	796	602	778	686	778
Interest expense	(1,961)	(2,024)	(2,027)	(2,084)	(2,191)	(1,961)	(2,191)
Increase in technical reserves	(215)	80	(93)	(152)	(154)	(215)	(154)
Claims	(336)	(333)	(405)	(349)	(348)	(336)	(348)
Net interest income	<u>5,439</u>	<u>5,830</u>	<u>5,047</u>	<u>5,221</u>	<u>5,282</u>	<u>5,439</u>	<u>5,282</u>
Loan impairment charges	<u>(2,613)</u>	<u>(2,678)</u>	<u>(2,217)</u>	<u>(1,776)</u>	<u>(1,654)</u>	<u>(2,613)</u>	<u>(1,654)</u>
Risk adjusted net interest income	<u>2,826</u>	<u>3,152</u>	<u>2,830</u>	<u>3,445</u>	<u>3,628</u>	<u>2,826</u>	<u>3,628</u>
Fees and commissions receivable	2,203	2,229	2,105	2,190	1,913	2,203	1,913
Fees payable	(481)	(619)	(550)	(607)	(475)	(481)	(475)
Trading Income	689	395	1,277	462	1,215	689	1,215
Other operating income	813	919	943	1,263	1,108	813	1,108
Administrative and personnel expenses	<u>(5,324)</u>	<u>(5,520)</u>	<u>(5,571)</u>	<u>(6,730)</u>	<u>(6,418)</u>	<u>(5,324)</u>	<u>(6,418)</u>
Net operating income	<u>726</u>	<u>556</u>	<u>1,034</u>	<u>23</u>	<u>971</u>	<u>726</u>	<u>971</u>
Undistributed income from subsidiaries	3	-	-	17	8	3	8
Net income before taxes	<u>729</u>	<u>556</u>	<u>1,034</u>	<u>40</u>	<u>979</u>	<u>729</u>	<u>979</u>
Income tax and employee profit sharing tax	(628)	(389)	14	(659)	(322)	(628)	(322)
Deferred income tax	<u>647</u>	<u>(87)</u>	<u>(331)</u>	<u>767</u>	<u>127</u>	<u>647</u>	<u>127</u>
Income from ongoing operations	748	(80)	717	148	784	748	784
Discontinued operations	107	104	122	87	74	107	74
Non-controlling interest	<u>-</u>	<u>8</u>	<u>1</u>	<u>(3)</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>
Net income (loss)	<u>855</u>	<u>192</u>	<u>840</u>	<u>232</u>	<u>855</u>	<u>855</u>	<u>855</u>

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

This consolidated income statement was approved by the Board of Directors under the responsibility of the following officers."

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LUIS PEÑA KEGEL
Chief Executive

GUSTAVO CABALLERO GÓMEZ
Officer Chief Financial Officer

ANDREW PAUL MCCANN
Director of Internal Audit

BRENDA TORRES MELGOZA
Chief Accountant

Consolidated Statement of Changes in Shareholder's Equity

Figures in MXN millions
From 1 January to 31 March 2011

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

	Paid in capital				Earned capital					Non-controlling interest	Total Stock-holders Equity	
	Capital Stock	Advances for future capital increases	Shares Premiums	Subordinate 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
Balances at 01 January 2011	5,111	-	27,562	-	1,726	13,058	(73)	-	-	2,119	10	49,513
Movements Inherent to the Shareholders Decision												
Subscription of shares	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	-	2,119	-	-	-	(2,119)	-	-
Cash dividends	-	-	-	-	-	(3,520)	-	-	-	-	-	(3,520)
Others	-	-	-	-	-	(289)	-	-	-	-	-	(289)
Total Movements Inherent to the Shareholders Decision	-	-	-	-	-	(1,690)	-	-	-	(2,119)	-	(3,809)
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-
Net result	-	-	-	-	-	-	-	-	-	855	1	856
Result from valuation of available-for-sale securities	-	-	-	-	-	(1,417)	-	-	-	-	-	(1,417)
Result from cash flow hedging transactions	-	-	-	-	-	305	-	-	-	-	-	305
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent for the Recognition of the Comprehensive Income	-	-	-	-	-	(1,112)	-	-	-	855	1	(256)
Balances at 31 March 2011	5,111	-	27,562	-	1,726	11,368	(1,185)	-	-	855	11	45,448

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

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

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LUIS PEÑA KEGEL
Chief Executive

GUSTAVO CABALLERO GÓMEZ
Officer Chief Financial Officer

ANDREW PAUL MCCANN
Director of Internal Audit

BRENDA TORRES MELGOZA
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 2011*

Net income	855
Adjustments for items not involving cash flow:	14,525
Gain or loss on appraisal of activities associated with investment & financing	(597)
Allowances for loan losses	1,677
Depreciation and amortization	774
Provisions	1,737
Income Tax and deferred taxes	195
Technical reserves	10,670
Undistributed income from subsidiaries	69
Changes in items related to operating activities:	
Memorandum accounts	(8)
Investment securities	(28,620)
Repurchase agreements	1,494
Derivative (assets)	3,756
Loan portfolio	(6,704)
Foreclosed assets	(26)
Operating assets	(5,783)
Deposits	6,301
Bank deposits and other liabilities	(2,010)
Settlement accounts	(919)
Creditors repo transactions	19,905
Collateral sold or delivered as guarantee	(2,569)
Derivative (liabilities)	(6,536)
Subordinated debentures outstanding	(126)
Accounts receivables from reinsurers and coinsurers	(330)
Accounts receivables from premiums	(312)
Reinsurers and bonding	35
Other operating liabilities	12,993
Funds provided by operating activities	(9,459)
Investing activities:	
Acquisition of property, furniture and equipment	504
Intangible assets acquisitions	(346)
Funds used in investing activities	158
Financing activities:	
Subscription of Shares	(3,520)
Funds used in financing activities	(3,520)
Increase/decrease in cash and equivalents	2,559
Adjustments to cash flow variations in the exchange rate and inflation levels	-
Cash and equivalents at beginning of period	51,324
Cash and equivalents at end of period	53,883

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

GUSTAVO CABALLERO GÓMEZ
Officer Chief Financial Officer

ANDREW PAUL MCCANN
Director of Internal Audit

BRENDA TORRES MELGOZA
Chief Accountant

Financial Statements HSBC Mexico, S.A.

Consolidated Balance Sheet

Figures in MXN millions at March 31, 2011

HSBC Mexico, S.A. (Bank)

	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011
Assets					
Cash and deposits in banks	59,431	46,590	70,238	51,324	53,881
Margin Accounts	3	3	2	42	50
Investment in Securities	133,620	160,384	146,757	139,540	156,672
Trading securities	45,654	56,639	46,020	36,548	30,554
Available-for-sale securities	79,427	95,478	92,516	95,315	118,799
Held to maturity securities	8,539	8,267	8,221	7,677	7,319
Repurchase agreements	14	-	-	1,856	362
Derivative transactions	22,773	27,829	35,337	28,205	25,379
Performing loans					
Commercial loans	101,019	100,967	110,901	121,855	127,399
Commercial entities	70,775	64,781	73,610	81,084	85,672
Loans to financial intermediaries	7,412	11,979	11,948	12,684	12,591
Loans to government entities	22,832	24,207	25,343	28,087	29,136
Consumer loans	28,008	27,306	27,076	26,665	26,948
Mortgages loans	19,769	19,477	19,302	17,557	17,553
Total performing loans	148,796	147,750	157,279	166,077	171,900
Impaired loans					
Commercial loans	1,648	1,857	1,809	1,669	1,721
Commercial entities	1,648	1,857	1,809	1,664	1,335
Loans to financial intermediaries	-	-	-	-	386
Loans to government entities	-	-	-	5	-
Consumer loans	2,794	2,325	1,826	1,574	1,260
Mortgage Loans	2,157	2,226	2,176	2,101	1,854
Total non-performing loans	6,599	6,408	5,811	5,344	4,835
Total loan portfolio	155,395	154,158	163,090	171,421	176,735
Allowance for loan losses	(9,847)	(10,134)	(10,179)	(9,296)	(9,560)
Net loan portfolio	145,548	144,024	152,911	162,125	167,175
Receivables	-	-	-	-	-
(-) less					
Provision for doubtful receivables	-	-	-	-	-
Total loan portfolio	145,548	144,024	152,911	162,125	167,175
Other accounts receivable	20,253	28,616	44,931	22,870	28,839
Foreclosed assets	211	165	167	162	165
Property, furniture and equipment, net	7,715	7,736	7,932	9,069	8,795
Long term investments in equity securities	134	118	119	123	120
Deferred taxes	4,693	4,558	4,088	5,318	5,636
Other assets, deferred charges and intangibles	3,157	3,900	4,623	4,753	5,011
Total Assets	397,552	423,923	467,105	425,387	452,085

Figures in MXN millions at March 31, 2011

HSBC Mexico, S.A. (Bank)

	<u>31 Mar 2010</u>	<u>30 Jun 2010</u>	<u>30 Sep 2010</u>	<u>31 Dec 2010</u>	<u>31 Mar 2011</u>
Liabilities					
Deposits	225,481	231,570	245,986	253,613	260,297
Demand deposits	122,157	126,600	143,601	150,355	154,123
Time deposits	99,057	100,735	98,123	99,015	101,906
Retail	99,057	100,672	98,074	98,785	100,754
Money market	-	63	49	230	1,152
Bank bonds outstanding	4,267	4,235	4,262	4,243	4,268
Bank deposits and other liabilities	11,955	16,767	13,869	21,931	19,921
On demand	2,245	5,194	3,000	3,776	3,827
Short term	8,060	9,938	9,282	16,630	14,607
Long term	1,650	1,635	1,587	1,525	1,487
Repurchase agreements	42,295	27,954	42,476	34,868	54,392
Loan portfolio	-	1	-	-	-
Settlement accounts	5,518	13,155	10,606	2,359	1,440
Collateral Sold	11,539	14,264	4,415	6,827	4,639
Repurchase	-	6,797	1	-	-
Securities to be received in repo transactions	11,539	7,467	4,414	6,827	4,639
Derivative transactions	24,886	31,376	38,175	30,545	24,009
Other accounts payable	24,645	37,408	59,741	26,304	41,452
Income tax and employee profit sharing payable	1,124	1,083	1,001	654	918
Contributions for future capital increases	-	-	-	2,013	2,013
Creditors for settlement of transactions	12,947	21,300	41,357	12,773	23,440
Sundry creditors and others accounts payable	10,574	15,025	17,383	10,864	15,081
Subordinated debentures outstanding	10,006	10,159	10,074	10,007	9,881
Deferred credits	<u>830</u>	<u>812</u>	<u>724</u>	<u>730</u>	<u>639</u>
Total Liabilities	<u>357,155</u>	<u>383,465</u>	<u>426,066</u>	<u>387,184</u>	<u>416,670</u>
Stockholder's Equity					
Paid in capital	25,605	25,605	25,605	25,605	25,605
Capital stock	5,087	5,087	5,087	5,087	5,087
Additional paid in capital	20,518	20,518	20,518	20,518	20,518
Capital Gains	14,789	14,850	15,431	12,595	9,807
Capital reserves	14,313	14,449	14,449	12,436	10,636
Retained earnings	136	-	-	-	131
Result from the mark-to-market of					
Available-for-sale securities	282	477	750	(48)	(1,277)
Result from cash flow hedging transactions	(343)	(312)	(308)	(213)	92
Net Income	401	236	540	420	225
Non-controlling interest	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total Stockholder's Equity	<u>40,397</u>	<u>40,458</u>	<u>41,039</u>	<u>38,203</u>	<u>35,415</u>
Total Liabilities and Capital	<u>397,552</u>	<u>423,923</u>	<u>467,105</u>	<u>425,387</u>	<u>452,085</u>

Figures in MXN millions at March 31, 2011

HSBC Mexico, S.A. (Bank)

	<u>31 Mar 2010</u>	<u>30 Jun 2010</u>	<u>30 Sep 2010</u>	<u>31 Dec 2010</u>	<u>31 Mar 2011</u>
Memorandum Accounts					
Guarantees granted	25	26	21	21	16
Contingent assets and liabilities	128	124	119	116	115
Irrevocable lines of credit granted	14,013	16,185	17,785	16,201	17,185
Goods in trust or mandate	271,462	277,105	282,699	293,814	310,733
Goods	270,792	276,403	281,952	293,051	306,644
Trusts	670	702	747	763	4,089
Goods in custody or under administration	233,020	245,386	260,522	246,284	252,599
Collateral received by the institution	26,071	21,827	8,432	13,370	14,220
Collateral received and sold or delivered as guarantee	26,071	19,322	7,739	10,182	13,346
Third party investment banking operations, net	39,564	44,303	51,096	43,351	50,542
Suspended interest on impaired loans	273	273	258	254	236
Other control accounts	1,502,835	1,789,751	1,884,176	1,846,445	1,724,155
	<u>2,113,462</u>	<u>2,414,302</u>	<u>2,512,847</u>	<u>2,470,038</u>	<u>2,383,147</u>

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

Historical paid in capital of the Institution amounts to MNX 3,287 millions.
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LUIS PEÑA KEGEL
Chief Executive

GUSTAVO CABALLERO GÓMEZ
Officer Chief Financial Officer

ANDREW PAUL MCCANN
Director of Internal Audit

BRENDA TORRES MELGOZA
Chief Accountant

Consolidated Income Statement

Figures in MXN millions at March 31, 2011

HSBC Mexico, S.A. (Bank)

	For the quarter ending				Year to date		
	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011
Interest income	7,073	7,294	6,605	7,046	7,017	7,073	7,017
Interest expense	(1,915)	(2,062)	(2,028)	(2,087)	(2,196)	(1,915)	(2,196)
Net interest income	<u>5,158</u>	<u>5,232</u>	<u>4,577</u>	<u>4,959</u>	4,821	<u>5,158</u>	4,821
Loan impairment charges	(2,613)	(2,678)	(2,217)	(1,776)	(1,654)	(2,613)	(1,654)
Loan impairment charges	<u>(2,613)</u>	<u>(2,678)</u>	<u>(2,217)</u>	<u>(1,776)</u>	(1,654)	<u>(2,613)</u>	(1,654)
Risk adjusted net interest income	<u>2,545</u>	<u>2,554</u>	<u>2,360</u>	<u>3,183</u>	3,167	<u>2,545</u>	3,167
Fees and commissions receivable	2,104	2,147	2,020	2,089	1,841	2,104	1,841
Account management	178	167	163	164	120	178	120
Services	1,926	1,980	1,857	1,925	1,721	1,926	1,721
Fees payable	(265)	(405)	(350)	(409)	(328)	(265)	(328)
Trading Income	458	353	1,094	315	839	458	839
Foreign exchange	(756)	591	119	18	(556)	(756)	(556)
Securities trading, net	(11)	(44)	(19)	23	8	(11)	8
Repos	-	-	(5)	-	(8)	-	(8)
Swaps	208	427	(208)	287	691	208	691
Valuation off-shore agencies	961	(526)	1,166	(133)	50	961	50
Valuation for trading swaps	56	(95)	41	120	654	56	654
Other operating income	961	1,086	1,010	1,348	1,124	961	1,124
Administrative and personnel expenses	5,523	5,627	5,645	6,890	6,477	5,523	6,477
Personnel expense	2,376	2,360	2,470	2,948	2,783	2,376	2,783
Administrative expense	2,808	2,925	2,835	3,513	2,920	2,808	2,920
Depreciation and amortization	<u>339</u>	<u>342</u>	<u>340</u>	<u>429</u>	774	<u>339</u>	774
Net operating income	<u>280</u>	<u>108</u>	<u>489</u>	<u>(364)</u>	166	<u>280</u>	166
Undistributed income from subsidiaries	2	-	(2)	13	9	2	9
Net income before taxes	<u>282</u>	<u>108</u>	<u>487</u>	<u>(351)</u>	175	<u>282</u>	175
Income tax and employee profit sharing	(470)	(241)	168	(549)	(41)	(470)	(41)
Deferred income tax	<u>589</u>	<u>(40)</u>	<u>(352)</u>	<u>784</u>	94	<u>589</u>	94
Income from ongoing operations	<u>401</u>	<u>(173)</u>	<u>303</u>	<u>(116)</u>	228	<u>401</u>	228
Non-controlling interest	-	8	1	(4)	(3)	-	(3)
Net income (loss)	<u>401</u>	<u>(165)</u>	<u>304</u>	<u>(120)</u>	225	<u>401</u>	225

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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www.cnbv.gob.mx

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Officer Chief Financial Officer

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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 2011

	Paid in capital				Earned Capital				Non-controlling interest	Total stockholder's Equity		
	Capital Stock	Advances for future capital increases	Shares Premium	Subordinated debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement			Results from holding non-monetary assets	Net Income
Balances at 01 January 2011	5,087	-	20,518	-	12,436	-	(261)	-	-	420	3	38,203
Movements Inherent to the Shareholders Decision												
Subscription of shares	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	-	420	-	-	-	(420)	-	-
Others	-	-	-	-	-	(289)	-	-	-	-	-	(289)
Cash dividends	-	-	-	-	(1,800)	-	-	-	-	-	-	(1,800)
Total Movements Inherent to the Shareholders Decision	-	-	-	-	(1,800)	131	-	-	-	(420)	-	(2,089)
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-
Net result	-	-	-	-	-	-	-	-	-	225	-	225
Result from valuation of available-for-sale securities	-	-	-	-	-	-	(1,229)	-	-	-	-	(1,229)
Result from cash flow hedging transactions	-	-	-	-	-	-	305	-	-	-	-	305
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent for the Recognition of the Comprehensive Income	-	-	-	-	-	-	(924)	-	-	225	-	(699)
Balances as at 31 March 2011	5,087	-	20,518	-	10,636	131	(1,185)	-	-	225	3	35,415

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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BRENDA TORRES MELGOZA
Chief Accountant

Consolidated Statement of Cash Flow

Figures in MXN millions

From 1 January to 31 March 2011

HSBC Mexico, S.A. (Bank)

31 Mar 2011

Net income	225
Adjustments for items not involving cash flow:	3,532
Gain or loss on appraisal of activities associated with investment & financing	(597)
Allowances for loan losses	1,677
Depreciation and amortization	774
Provisions	1,737
Income Tax and deferred taxes	(53)
Undistributed income from subsidiaries	(6)
Changes in items related to operating activities:	
Memorandum accounts	(8)
Investment securities	(18,389)
Repurchase agreements	1,494
Derivative (assets)	3,756
Loan portfolio	(6,704)
Foreclosed assets	(5)
Operating assets	(5,969)
Deposits	6,684
Bank deposits and other liabilities	(2,010)
Settlement accounts	(919)
Creditors repo transactions	19,524
Collateral sold or delivered as guarantee	(2,188)
Derivative (liabilities)	(6,536)
Subordinated debentures outstanding	(126)
Other operating liabilities	13,034
Funds provided by operating activities	1,638
Investing activities:	
Acquisition of property, furniture and equipment	(491)
Intangible assets acquisitions	(258)
Funds used in investing activities	(749)
Financing activities:	
Cash dividend	(1,800)
Others	(289)
Funds used or provided by financing activities	2,089
Increase/decrease in cash and equivalents	2,557
Adjustments to cash flow variations in the exchange rate and inflation levels	-
Cash and equivalents at beginning of period	51,324
Cash and equivalents at end of period	53,881

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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Financial Instruments

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

Figures in MXN millions at March 31, 2011

Investments in securities

	<u>31 Mar</u> <u>2010</u>	<u>30 Jun</u> <u>2010</u>	<u>30 Sep</u> <u>2010</u>	<u>31 Dec</u> <u>2010</u>	<u>31 Mar</u> <u>2011</u>
Government securities	46,078	56,968	46,330	35,237	31,289
Bank securities	2,485	2,452	2,783	3,590	2,338
Shares	290	63	-	27	337
Others	3,081	3,900	3,963	5,306	3,270
Trading securities	<u>51,934</u>	<u>63,383</u>	<u>53,076</u>	<u>44,160</u>	<u>37,234</u>
Government securities	77,004	88,319	85,344	88,564	111,732
Bank securities	-	-	-	-	-
Obligations and other securities	2,718	7,466	7,460	7,107	7,050
Shares	14	10	11	12	17
Available for sale securities	<u>79,736</u>	<u>95,795</u>	<u>92,815</u>	<u>95,683</u>	<u>118,799</u>
Special Cetes (net)	11,830	11,855	11,923	11,876	11,572
Sovereign debt securities	-	-	-	-	-
Bank securities	340	337	342	140	142
Corporate securities	4,256	3,942	3,846	3,398	2,996
Securities held to maturity	<u>16,426</u>	<u>16,134</u>	<u>16,111</u>	<u>15,414</u>	<u>14,710</u>
Total Financial Instruments	<u>148,096</u>	<u>175,312</u>	<u>162,002</u>	<u>155,257</u>	<u>170,743</u>

In the first quarter of 2011 investment in securities increase by MXN15,486 million compared to the fourth quarter of 2010; mainly by increase government securities MXN19,220 million, promissory note MXN(3,734) among others.

Repos

HSBC México, S.A. de C.V. (Bank)

Figures in MXN millions at March 31, 2011

	<u>31 Mar</u> <u>2010</u>	<u>30 Jun</u> <u>2010</u>	<u>30 Sep</u> <u>2010</u>	<u>31 Dec</u> <u>2010</u>	<u>31 Mar</u> <u>2011</u>
Repo's Government securities (credit)	40,887	27,375	41,720	33,215	52,677
Repo's Bank securities (credit)	1,176	418	307	1,231	1,441
Repo's Others securities (credit)	222	141	433	406	265
Valuation increase (decrease)	-	-	-	-	-
Accrued interest payable	10	20	16	16	9
Credit balance in repo agreements	<u>42,295</u>	<u>27,954</u>	<u>42,476</u>	<u>34,868</u>	<u>54,392</u>
Repurchase agreements in government securities	14,500	3,000	3,000	5,000	9,000
Accrued interest receivable	14	6	2	7	13
Debit balance repo securities agreements	<u>14,514</u>	<u>3,006</u>	<u>3,002</u>	<u>5,007</u>	<u>9,013</u>
Government securities	14,486	9,801	3,001	3,147	8,641
Interest in collateral delivered as guarantee	14	2	2	4	10
Total in collateral delivered as guarantee	<u>14,500</u>	<u>9,803</u>	<u>3,003</u>	<u>3,151</u>	<u>8,651</u>

Derivative Financial Instruments

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at March 31, 2011

	Futures		Forwards Contracts		Options		Swaps		Total (net)
	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	
For trading									
Pesos	-	-	81,277	77,194	14,697	14,646	81,439	81,669	3,904
US Dollars	-	-	385,116	387,705	13,947	13,902	125,119	124,262	(1,687)
Interest Rate	536	536	268	225	-	-	147,600	147,804	(191)
Total	536	536	466,661	465,154	28,644	28,548	354,158	353,735	2,026
For hedging									
Pesos	-	-	-	-	-	-	20,078	-	20,078
US Dollars	-	-	-	-	-	-	-	20,228	(20,228)
Interest Rate	-	-	-	-	-	-	3,272	3,778	(506)
Total	-	-	-	-	-	-	23,350	24,006	(656)

Collateral Sold or delivered as guarantee

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at March 31, 2011

	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011
Stock borrowing					
Cetes	240	92	-	520	-
Valuation increase (decrease)	-	-	-	28	-
Bonds	11,287	7,364	4,406	6,187	4,640
Valuation increase (decrease)	12	11	8	84	(1)
Shares	-	-	-	8	-
Valuation increase (decrease)	-	-	-	-	-
Total	11,539	7,467	4,414	6,827	4,639

Participation by Subsidiary

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

Group Subsidiaries at March 31, 2011

	Number of Shares owned by subsidiaries	Participation Percentage	Number of Shares owned by HSBC Group
HSBC México, S.A.	1,643,363,189	99.99%	1,643,286,963
HSBC Seguros, S.A. de C.V.	392,200	99.99%	392,199
HSBC Afore, S.A. de C.V.	96,440	99.99%	96,439
HSBC Fianzas, S.A.	759,985,454	97.22%	738,877,715
HSBC Casa de Bolsa, S.A. de C.V.	211,284,511	99.99%	211,284,508
HSBC Global Asset Management (México), S.A. de C.V.	1,000	99.90%	999
HSBC Servicios, S.A. de C.V.	480,100	99.99%	480,099
Total	2,615,602,894		2,594,418,922

Trading income

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at March 31, 2011

	For the quarter ending...				Year to date	
	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011	31 Mar 2011
Valuation	958	(881)	1,527	(66)	641	641
Derivatives	908	(1,036)	952	250	1,081	1,081
Repos	-	-	-	-	-	-
Debt Securities	109	389	219	(243)	(333)	(333)
Foreign Exchange	(59)	(234)	356	(73)	(107)	(107)
Buying and Selling Instruments	(500)	1,234	(433)	381	199	199
Foreign Currency	(697)	826	(238)	89	(462)	(462)
Derivatives	69	73	(602)	314	439	439
Repos	-	-	-	-	-	-
Shares	(1)	(17)	(5)	(10)	(6)	(6)
Debt Securities	129	352	412	(12)	228	228
Total	458	353	1,094	315	839	839

Loan Portfolio

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

By type of currency

Figures in MXN millions at 31 March 2011

	Commercial or Business Activity	Financial Intermediaries	Government Entities	Consumer Loans	Mortgage Loans	Total
Performing Loan Portfolio						
Pesos	65,796	12,485	27,827	26,948	15,854	148,910
US Dollars	19,876	106	1,309	-	-	21,291
Udis Banxico	-	-	-	-	1,699	1,699
Total	85,672	12,591	29,136	26,948	17,553	171,900
Non Performing Loans Portfolio						
Pesos	1,287	386	-	1,260	1,512	4,445
US Dollars	41	-	-	-	7	48
Udis Banxico	7	-	-	-	335	342
Total	1,335	386		1,260	1,854	4,835

The IPAB obligations named Tramo II Serie F and Tramo II matured on April 3, 2006.

Ratings HSBC México, S.A.

HSBC Mexico, S.A. (Bank)

	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>
Global scale ratings			
Foreign currency			
Long term	-	BBB	A-
Long term deposits	Baa1		
Short term	P-2	A-3	F1
Local Currency			
Long term obligations	A2	BBB	A
Long term deposits	A2	BBB	-
Short term	P-1	A-3	F1
BFSR (Moody's)	C-	-	-
Individual / Support rating (Fitch)	-	-	C / 1
National scale / Local currency			
Long term	Aaa.mx	mxAAA	AAA (mex)
Short term	MX-1	mxA -1+	F1+ (mex)
Outlook	Stable	Negative	Stable
Last update	23-Jun-10	06-May-10	21-Jun-10

Loan Portfolio Grading

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at March 31, 2011

	Total loan portfolio	Allowance for Loan Losses by type of loan			Total reserves
		Commercial loans	Consumer loans	Mortgages loans	
Exempted from rating	9,219				
Graded	184,717				
Risk A	90,941	482	33	19	534
Risk A-1	59,520	185	33	19	237
Risk A-2	31,421	298	0	0	298
Risk B	85,174	3,006	1,418	117	4,541
Risk B-1	49,592	960	697	117	1,774
Risk B-2	30,515	1,332	721	0	2,053
Risk B-3	5,067	714	0	0	714
Risk C	5,791	894	542	523	1,959
Risk C-1	4,663	439	542	523	1,504
Risk C-2	1,128	455	0	0	455
Risk D	1,957	221	1,191	36	1,448
Risk E	854	369	125	376	870
Total	193,936	4,973	3,309	1,071	9,353
Less:					
Constituted Reserves					9,560
Surplus					207

1. The rating and constitution of reserves correspond to last day of the balance sheet at March 31, 2011.

2. The lending portfolio is graded according to the rules for grading 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 Committee), and if it is the case, according to the internal methodology authorized by the CNBV. The methodology distinguishes the qualification of the borrower and based on this determines the operation for the commercial portfolio excluding states and municipalities and Investment Projects, it has approved by the CNBV use an internal methodology. For the consumer portfolio and mortgage is made based on the "General Regulations Applicable to Credit Institutions" issued by the CNBV, specifically using the standard methodology.

3. The institution chose to establish reserves for consumer loan portfolio for credit card operations, calculated in accordance with Section II of Article 91 of the general provisions applicable to credit institutions in accordance with Section II of second transitory article of the resolution amending the general provisions applicable to credit institutions, as published in the Official Gazette on August 12, 2009. The article 91 was changed by the 92 published in the Official Gazette on October 25 2010.

In March 2011 the amount to establish such reserves as a result of the score was MXN 2,710 million. The amount up to that date for this concept was MXN 2,428 million, equivalent to 89.58% of the amount specified by the application of the formula set out in that Article transient. The amount from interest due reserve was MXN 101 million.

The implementation of the methodology for qualification of the consumer loan portfolio for credit card operations, led a charge to income to March this year, the allowance for loan losses net MXN 778 million, which was credited to respective provision presented in the balance sheet.

4. On March 2011 the Institution conducted the recognition of initial cumulative financial effect resulting from the first application of Paragraph A of Section One and Section A of Section II, both of Chapter V of Title II of the General

provisions applicable to credit institutions accordance with the general provisions applicable to credit institutions, published on October 25, 2010.

The allowance for loan losses in the mortgage portfolio at March 2011 was by the amount of MXN1.070 million based on article 99 of the General provisions applicable to credit institutions published on October 25, 2010. This allowance based on previous methodology was by the amount of MXN1.277 million, generating an excess by the amount of MXN207 million, which remain to apply for future increases of mortgage portfolio allowance.

Movement	Mortgage loans
Previous balance	1,369
Application of the month	(91)
Balance	1,278
Allowance previous methodology	1,070
Excess pending application	207

The allowance for consumer loan losses at March 2011 was by the amount of MXN715 million, the increase originated by the methodology change was recognized in equity, in the cumulative earnings account by MXN289 million, as indicated by the third paragraph of the resolution transitional mentioned.

Movement	Consumer loans
Previous balance	495
Application of the month	(70)
Balance	426
Allowance previous methodology	715
Capital. Cumulative Earnings	(289)

During this first quarter, the increase in loan loss reserves charged to Income Statement was by the amount of MXN1,655 million.

Non – Performing Loans

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	At the quarter ending				
	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011
Initial Balance of Impaired Loans	7,939	6,599	6,408	5,811	5,344
Increases	4,218	4,190	2,999	3,728	4,217
Transfer of current loans to past due status	4,218	4,190	2,999	3,728	4,217
Decreases	5,558	4,382	3,596	4,195	4,726
Restructurings	16	15	36	236	106
Liquidated credits	4,489	3,297	2,665	2,884	2,134
Charged in cash	1,394	926	603	901	516
Foreclosed assets	22	40	11	6	11
Writeoffs	-	-	-	-	0
Sale of portfolio	3,073	2,330	2,051	1,977	1,607
Transfer to performing loan status	1,062	1,069	898	1,082	2,490
Fx revaluations	9	(1)	3	7	4
Final Balance of Impaired Loan	6,599	6,408	5,811	5,344	4,835

Deferred Taxes

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

Figures in MXN millions at March 31, 2011

	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011
Loan loss reserves	4,623	4,757	4,834	4,780	5,001
Valuation of securities	(224)	(365)	(703)	(256)	231
Fiscal loss	15	6	3	13	67
Other reserves	952	798	604	1,092	705
PTU Payable	113	50	70	106	132
Foreclosed assets	20	18	75	89	120
Stocks VISA & Mastercard	-	-	-	-	0
Other	256	253	228	229	208
Differences in rates of fixed assets	(207)	(177)	(206)	55	114
Fiscal result UDIS-Banxico	(774)	(788)	(803)	(816)	(830)
Total Deferred Taxes	4,774	4,552	4,102	5,292	5,748

Funding, Loans and Investments in Securities

HSBC Mexico, S.A. (Bank)

Funding and bank loans – Average Interest rates

	<i>At the quarter ending</i>				
	<u>31 Mar 2010</u>	<u>30 Jun 2010</u>	<u>30 Sep 2010</u>	<u>31 Dec 2010</u>	<u>31 Mar 2011</u>
MXN pesos					
Funding	2.21%	2.27%	2.32%	2.28%	2.31%
Bank and other loans	5.14%	5.17%	5.31%	5.56%	5.51%
Foreign currency					
Funding	0.07%	0.07%	0.08%	0.08%	0.08%
Bank and other loans	0.61%	0.64%	0.65%	0.89%	0.64%
UDIS					
Funding	0.18%	0.18%	0.21%	0.24%	0.25%

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 historic MXN millions

<i>Instrument</i>	<i>Issue Date</i>	<i>Amount</i>	<i>Currency</i>	<i>Interest payable</i>	<i>Amount in circulation</i>	<i>Rate</i>
		<i>MXN millions</i>			<i>MXN millions</i>	
INTENAL 03	24-NOV-2003	2,200	MXN	7	2,207	25-NOV-2013
HSBC 08	30-SEP-2008	1,818	MXN	4	1,822	20-SEP-2018
HSBC 08-2	18-DEC-2008	2,272	MXN	8	2,280	10-DEC-2018
HSBC 09D(USD300) ¹	26-JUN-2009	3,570	USD	2	3,572	28-JUN-2019
		9,860		21	9,881	

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 historic MXN millions

Instrument	Issue Date	Amount	Currency	Interest	Amount in circulation	Maturity Date
		MXN millions		payable		
Certified Marketable Securities	10-MAY-2006	4,220	MXN	48	4,268	27-ABR-2016
		4,220		48	4,268	

Capital

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

Grupo Financiero HSBC

The Ordinary Shareholders Meeting, held on April 16, 2010, approved the following distribution of the year 2009 financial results, amounting to MXN1,554 million:

- ▶ Five per cent, MXN78 million, to increase legal reserves, and the remaining MXN1,476 million, at the Board's determination to be applied under the concept of previous year's financial results.

The Ordinary Shareholders Meeting, held on December 1, 2010 agreed to increase and reduce the capital stock by cancellation, issue and exchange of securities representing the capital stock.

On December 1, 2010 agreed to increased the capital stock amounting to MXN49,936 million, by issuing 2,555,350,789 shares, which were fully subscribed and paid for 2,555,350,699 shares of HSBC Latin America Holdings (UK) Limited at a price of \$ 19.5418. The total amount contributed by HSBC Latin America Holdings (UK) Limited at the end of December 2010 was MXN49,936 million.

On December 30, 2010 Grupo Financiero HSBC reduced its capital by 2,555,350,544 shares, which were reimbursed to HSBC Holding plc 2,555,081,064 shares of capital stock of Grupo Financiero HSBC at a price per share of \$ 19.5438. The total amount reimbursed to HSBC Holdings plc at the end of December 2010 was MXN49,941 million.

As of December 30, 2010 HSBC Latin America Holdings (UK) Limited is the majority shareholder with a participation rate of 99.99% of the capital stock of Grupo Financiero HSBC.

On March 3, 2011, the Board Directors authorized a dividend payment of \$1.3774 per share for each of the 2,555,351,034 shares outstanding. The total amount paid by the Group was MXN3,520.

On March 31, 2011 was applied under the concept of previous year's financial results the amount of MXN289, for implementing the new methodology for calculating reserves portfolio credit mortgage and consumer loans and current accounting standards.

The capital stock is included in the amount of MXN5,111 million, represented by 2,555,351,034 shares.

Subsidiaries Grupo Financiero HSBC

HSBC Mexico, S.A.

HSBC Mexico, S.A., net income in 2010, figure that was audited by Despacho KPMG Cárdenas Dosal, S.C., was MXN420 million.

- ▶ On March, 2011 one notice was published in accordance to the agreement of the Board meeting, a dividend of \$1.09531478619484 shall be paid per share for each one of the 1,643,363,189 shares. Such dividend was paid on one disbursement on March 18 of 2011.

▶ On March, 2011 were applied MXN\$289 at the retained earnings account because of the initial financial effect due to the new change of method for the calculation of loans impairment charges.
The capital stock increased to MXN3,287 million representing 1,643'363,189 shares.

HSBC Servicios.

The General Ordinary Shareholders meeting held on September 2, 2010 agreed to increase the capital stock amounting to MXN240 million, by issuing 480,000 shares, which were subscribed and paid at price of MXN500 per share.

HSBC Casa de Bolsa

The General Ordinary Shareholders meeting held on November 16, 2010 agreed to increase the capital stock amounting to MXN40 million, by issuing 52,783,710 shares, without nominal value.

Capital Ratio

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at March 31, 2011

	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011
% of assets subject to credit risk					
Tier 1	23.10%	23.54%	21.33%	18.75%	17.14%
Tier 2	6.51%	6.83%	6.16%	5.53%	5.56%
Total regulatory capital	<u>29.62%</u>	<u>30.37%</u>	<u>27.49%</u>	<u>24.28%</u>	<u>22.70%</u>
% of assets subject to credit, market risk and operational risk					
Tier 1	13.53%	12.89%	12.31%	11.24%	10.88%
Tier 2	3.81%	3.74%	3.55%	3.31%	3.53%
Total regulatory capital	<u>17.35%</u>	<u>16.63%</u>	<u>15.86%</u>	<u>14.55%</u>	<u>14.41%</u>
Tier 1	36,334	36,203	36,420	34,243	31,577
Tier 2	10,242	10,506	10,516	10,096	10,245
Total regulatory capital	<u>46,576</u>	<u>46,709</u>	<u>46,937</u>	<u>44,339</u>	<u>41,822</u>
RWA credit risk	157,257	153,775	170,735	182,631	184,191
RWA market risk	86,803	99,177	93,666	87,098	68,617
RWA operational risk	24,461	28,001	31,474	35,043	37,379
RWA credit and market risk	<u>268,522</u>	<u>280,952</u>	<u>295,875</u>	<u>304,772</u>	<u>290,187</u>

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

Other Operating Income (Expenses)

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

Figures in MXN millions at March 31, 2011

	For the quarter ending					Year to date	
	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011	31 Mar 2010	31 Mar 2011
Loans to employees	37	37	34	36	36	37	36
Recoveries	194	260	141	257	282	194	282
Credit portfolio recoveries	256	232	207	192	226	256	226
Result of foreclosed assets	(5)	(8)	12	14	8	(5)	8
Other items of income (expense)	473	610	730	821	720	473	720
Other income (expense) arising from							
Op. Insurance and Bonding	98	98	97	104	106	98	106
Monetary position result	8	(1)	3	10	5	8	5
Other losses	(248)	(309)	(281)	(171)	(275)	(248)	(275)
Total Other Operating Income (expenses)	<u>813</u>	<u>919</u>	<u>943</u>	<u>1,263</u>	<u>1,108</u>	<u>813</u>	<u>1,108</u>

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

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, 2011 is shown below:

Figures in MXN millions

	Bank	Pension funds	Brokerage house	Mutual funds management	Services	Group	Insurance	Bonding	Total
Balance Sheet									
Cash and deposits in banks	-	-	618	6	2	17	10	7	660
Demand deposits	(660)	-	-	-	-	-	-	-	(660)
Repurchase agreements (assets)	-	-	4,575	-	-	-	-	-	4,575
Repurchase agreements (liabilities)	(4,575)	-	-	-	-	-	-	-	(4,575)
Sundry debtors (assets)	267	-	139	13	7	2,013	52	-	2,491
Sundry creditors (liabilities)	(2,206)	-	(17)	(94)	(10)	-	(141)	(3)	(2,471)
Long-term assets available for sale	-	(20)	-	-	-	-	-	-	(20)
Total	(7,174)	(20)	5,315	(75)	(1)	2,030	(79)	4	-
P&L									
Payable commissions	(3)	-	-	(107)	-	-	(3)	-	(113)
Receivable commissions	100	-	15	16	-	-	-	-	131
Discontinued operations	-	(22)	-	-	-	-	-	-	(22)
Interest income	-	-	4	-	-	-	-	-	4
Interest expense	(4)	-	-	-	-	-	-	-	(4)
Repos	(53)	-	-	-	-	-	-	-	(53)
Reverse repos	-	-	53	-	-	-	-	-	53
Administrative services	(78)	-	(25)	(22)	(4)	-	(148)	(1)	(278)
Other income	203	-	-	-	60	-	19	-	282
Total	165	(22)	47	(113)	56	-	(132)	(1)	-

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 Personal Financial Services (PFS), Commercial Banking (CMB), Global Banking and Markets (former name Corporate, Investment Banking and Markets -CIBM), and other corporate activities (OAC). The following is a brief description of the customer segments:

Personal Financial Services (PFS) – 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 – 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.

Other Corporate Activities – This segment includes other business structural operations not covered in the above categories as profit obtain from the rent of corporate buildings, sale of fixed assets and non-performing loans, when they no longer belong to any other segment, centrally registering recovered interests and loan provisions from this segment.

The consolidated incomes statement information condensed by segments as of 31 March 2011, is shown below:

Figures in MXN millions at March 31, 2011

(MXN millions)	Year to date at 31 March 2011				Total
	PFS	CMB	CIBM	OAC	
Net Interest Income	3,321	1,459	502	0	5,282
Provision for Loan Loss	1,077	483	94	0	1,654
Net Interest Income adjusted	2,244	976	408	0	3,628
Fees and Commissions, net	958	412	68	0	1,438
Trading Income	121	35	1,059	0	1,215
Other operation income	688	229	191	0	1,108
Total Revenue	4,011	1,652	1,726	0	7,389
Administrative Expenses	3,901	1,727	790	0	6,418
Operating Income	110	-75	936	0	971
Other Income (Expenses), net	4	3	1	0	8
Profit Before Taxes	114	-72	937	0	979
Taxes	29	-19	185	0	195
Net Income before discontinued operations	85	-53	752	0	784
Discontinued operations	74	0	0	0	74
Minority Shareholders	-2	-1	0	0	-3
Participated Net Income	157	-54	752	0	855

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 three months ended 31 March 2011 and an explanation of the key reconciling items.

<i>Figures in MXN millions</i>	31 Mar 2011
Grupo Financiero HSBC – Net Income Under Mexican GAAP	855
Differences arising from:	
Valuation of pensions and post retirement healthcare benefits †	17
Acquisition costs relating to long-term investment contracts †	(2)
Deferral of fees received and paid on the origination of loans	(8)
Recognition and provisioning for loan impairments †	442
Purchase accounting adjustments †	(6)
Recognition of the present value in-force of long-term insurance contracts †	20
Other †	(23)
HSBC México net income under IFRS	1,295
US dollar equivalent (millions)	107
Add back tax expense	301
HSBC México profit before tax under IFRS	1,596
US dollar equivalent (millions)	132
<i>Exchange rate used for conversion</i>	<i>12.06</i>

† Net of tax at 30 per cent.

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.

Acquisition costs of long-term investment contracts

Mexican GAAP

All costs related to the acquisition of long-term investment contracts are expensed as they are incurred.

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

IFRS

Incremental costs relating to the acquisition of long-term investment contracts are deferred and amortised over the expected life of the contract.

Fees paid and received on the origination of loans

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

Fees and expenses received or paid on origination of a loan that are directly attributable to the origination of that loan are accounted for using the effective interest rate method over the expected life of the loan. This policy has been in effect since 1 January 2005.

Loan impairment charges

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.

Purchase accounting adjustments

Purchase accounting adjustments arose from the valuation of assets and liabilities on acquiring Grupo Financiero Bital in November 2002 under IFRS. Under Mexican GAAP, a different valuation methodology is applied.

Recognition of present value of in-force long-term life insurance contracts

Mexican GAAP

The present value of future earnings are 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

A value is placed on insurance contracts that are classified as long-term insurance business and are in-force at the balance sheet date. The present value of in-force long-term insurance business is determined by discounting future earnings expected to emerge from business currently in force using appropriate assumptions in assessing factors such as recent experience and general economic conditions.

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 CIBM), 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 fulfills the objectives within the pre-established risk parameters.
- ▶ To identify, monitor, and control all relevant risks, including information generated by RMC.
- ▶ To disseminate the information that 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)

This committee also meets monthly, reporting to the Management Board and Asset and Liabilities Committee (ALCO).

The Risk Management Committee has three external members – one of them serving as President, so independent opinions and regulatory compliance is achieved. Internally, the member areas are: Executive Direction, Risks Management, CMB, GBM, PFS, Finance, Audit, Treasury, Global Markets, Planning, Economic Capital, Legal and the Liquidity, Market and Subsidiaries Risks Management areas.

The main objectives of this committee are to:

- ▶ Develop mechanisms to identify actual and potential risks.
- ▶ Value material risk and its potential impact to the bank.
- ▶ Provide advanced solutions to improve risk exposure or mitigate specific and relevant risks.
- ▶ Develop a clear mapping of risk exposure and tendencies in the credit, market, and other risk areas, including potential change of the business strategy.
- ▶ Manage relevant, contingency, and mitigation risks along with consolidated report risk to be presented in the ALCO.

- ▶ Track market, credit, and other relevant risks. Additionally, review and approve objectives, operation, and control procedures along with risk tolerance based on market conditions.

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

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

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

Value at Risk (VaR)

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

Present value of a Basis Point (PVBP) and 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-evaluating 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 (CS01)

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

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

Vega or implied volatility risk

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

Extreme Conditions Tests (Stress Test)

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

Besides this calculus, a linear extrapolation is done using the 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 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) 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 2011 (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 1Q11	Limits*	Average 1Q11	Limits*	Average 1Q11	Limits*
Combined	22.65	40.00	6.30	27.50	20.05	40.00
Interest Rate	22.52	45.00	6.31	N/A	20.11	40.00
FX	0.84	7.00	0.84	7.00	N/A	N/A
Volatility IR	0.07	8.00	0.07	N/A	0.01	2.0
Volatility FX	0.22	2.00	0.22	2.00	N/A	N/A
Equities	0.19	2.50	0.19	N/A	N/A	N/A

** Includes Trading Desk, BST, MMT, Strategic FX & Equity

Value at Risk of Global Market (VaR) (Last quarter comparison)

	31-Dec-10	31-Mar-11	Limits*	Average 4Q10	Average 1Q11
HBMI	25.34	21.16	40.00	23.18	22.65
Accrual	24.09	14.82	40.00	20.65	20.05
All Trading	5.80	7.75	27.50	5.49	6.30

* Absolute Value

N/A = Non Applicable

The Bank's VaR at the end of the 1Q11 varied -16.50% versus the previous quarter. During the quarter the VaR remained under the limits.

The Bank's average VaR for the end of the 1Q11 varied -2.29% versus prior quarter. During the quarter the average VaR remained under the pre-established limits.

Comparison of Market VaR vs. Net capital

Below a chart comparing the market VaR versus net capital is presented for December 31st, 2010 and March 31st, 2011 (in millions of dollars).

Market VaR vs. Net Capital Comparison

Net Capital in million Dollars

	31-Dec-10	31-Mar-11
Total VaR*	23.18	22.65
Net Capital **	3,590.37	3,512.01
VaR / Net Capital	0.65%	0.64%

* The Bank's quarterly VaR average in absolute value

** The Bank's Net Capital at the close of the quarter

The average market VaR represents 0.64% of the net capital in 1Q2011.

Present Value for 1bp (PVBP) for Mexican Pesos Rates

	31-Dec-10	31-Mar-11	Limits*	Average 4Q10	Average 1Q11
Bank	(1.111)	(1.162)	1.650	(1.099)	(1.037)
Accrual	(0.993)	(0.874)	1.250	(0.875)	(0.848)
Trading Desk	(0.046)	(0.171)	0.450	(0.126)	(0.077)
Balance Sheet Trading	(0.073)	(0.117)	0.210	(0.098)	(0.112)

* Absolute Value

NA = Non Applicable

The bank's MXN Rate PVBP for 1Q11 varied 4.54% versus prior quarter. The bank's average PVBP for the 1Q11 varied -5.66% versus prior quarter.

Present Value for 1bp (PVBP) for USD Rate

	31-Dec-10	31-Mar-11	Limits*	Average 4Q10	Average 1Q11
Bank	(0.043)	(0.104)	0.300	(0.016)	(0.074)
Accrual	(0.055)	(0.103)	0.300	(0.036)	(0.100)
Trading Desk	0.011	0.003	0.100	0.007	0.014
Balance Sheet Trading	0.001	(0.004)	0.070	0.014	0.011

* Absolute Value

NA = Non Applicable

The bank's USD Rate PVBP for 1Q11 varied 140.86% versus prior quarter. The bank's average PVBP for the 1Q11 varied 361.46% versus prior quarter.

Present Value for 1bp (PVBP) for UDI Rates					
	31-Dec-10	31-Mar-11	Limits*	Average 4Q10	Average 1Q11
Bank	(0.114)	(0.052)	0.350	(0.175)	(0.123)
Accrual	(0.081)	(0.008)	0.300	(0.139)	(0.068)
Trading Desk	(0.020)	(0.031)	0.100	(0.020)	(0.039)
Balance Sheet Trading	(0.013)	(0.014)	0.050	(0.015)	(0.016)

* Absolute Value

NA = Non Applicable

The bank's UDI Rate PVBP for 1Q11 varied -53.83% versus prior quarter. The bank's average PVBP for the 1Q11 varied -29.62% versus prior 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 daily 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 stress test scenario of 3,329m USD in the 7 days term, 1,469m USD in 1 month term and 1,465m USD in 3 months; obtaining as a result positive cumulative net in all cases.

Along the quarter, average level was 3,657m USD in the 7 days term 1,851m USD in 1 month term and 2,062m USD in 3 months term. Compared versus previous quarter, liquidity position change resulted from the intra group borrowings, Money Market and retail deposits.

Credit Risk

Qualitative Information

Besides periodically monitoring the credit portfolio, HSBC Mexico (HBMX) develops implements and monitors credit risk models and tools for credit risk management. The main objective of this type of management is to have good information on the quality of the portfolio to take opportunistic measures to reduce the potential losses due to credit risk, complying at the same time with the policies and standards of the Group, Basel II and the CNBV.

Credit risk is defined as the risk that a client or counterpart can not 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 the correct measurement of credit risk, HSBC has credit risk measurement methodologies, as well as advanced information systems.

In general, the methodologies separate the client risk (probability that a client 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, HBMX has developed policies and procedures that include the different stages of the credit process: evaluation, origination, control, monitoring and recovery.

The system MRC (Credit Provision Module) was implemented in 4Q07 in order to improve the functionality of the grading system (SICAL). The “Matriz de Calificación” is still being applied to the commercial portfolio. This model is the core element of the regulatory risk grading process. The “Matriz de Calificación” determines the client grade with the analysis of three fundamental areas: payment capacity, payment experience and operational situation. The credit grade is obtained by adjusting the client grade based on the date of the financial statements, the level of support from shareholders and the type and value of guarantees, among others. Both grades, the client and the credit one, can go from 1 to 10, being 1 the minimum risk and 10 the maximum.

Based on the approval given by the CNBV, the “Matriz de Calificación” is used to calculate regulatory credit provisions based on the client risk, MRC (formerly SICAL) is used for the calculations. The internal client risk grade obtained from MRC is mapped to the regulatory one. The regulatory grades of the commercial portfolio can go from A to E.

The calculation of the regulatory provisions for the consumer and mortgage portfolio is done separately, and is based to “Disposiciones de Carácter General Aplicables a las Instituciones de Crédito, published by CNBV”, which used the general methodology.

With the objective of establishing a better infrastructure for credit risk management and measurement for the commercial portfolio, a risk evaluation tool is used: Moody’s Risk Advisor (MRA), which permits a deeper evaluation of the credit quality of clients based on their qualitative and financial information. In October 2006, HBMX implemented three customer risk rating models for the commercial portfolio (one for small market enterprises, another one for middle market enterprises and a third one for large corporates).

In addition to the mentioned client risk grading models, 11 more were implemented for Non-Banking Financial Institutions (NBFIs), another one for banks (MRAfBanks), and one more for global customers, being those the corporate counterparties with annual sales above or equal to MXN 7,000 millions (GLCS). In 4Q07 new versions of GLCS and MRAfBanks were implemented.

The implementation of the mentioned models in the last paragraphs was done along with the introduction of a client risk grading framework, known as Customer Risk Rating (CRR), which contemplates 22 levels, 20 of them are for non-defaulted customers and 2 for defaulted, being 1.1 the level of minimum risk and 10.0 the maximum. The framework includes a direct correspondence to Probabilities of Default and permits a more granular measurement of the credit quality of clients.

With respect to the measurement of Loss Given Default (LGD), which is more related to the transaction risk, HBMX is using a judgmental model for the commercial portfolio since March 2004.

In order to convert the model to an empirical one, HBMX constructed a historical database, which will also be used for the estimation of Exposure at Default (EaD).

LGD is being calculated empirically for the consumer and mortgage portfolio.

In the second half of 2006 a risk-adjusted return model, which measures the profitability of each and every client relationship, was introduced. During 2007, 2008 and 2009 new versions were implemented.

Also, as part of the credit risk management and measurement infrastructure, HBMX has a system to manage, control and monitor the commercial credit approval process known as Approval Workflow (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.

In addition, and with the objective of enhancing the management of guarantees of the commercial portfolio, a system was implemented in 2006, "Garantías II". Finally, it is important to comment that HBMX also has a system that controls the limits and utilization of credit facilities since their origination, "Lineas III".

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

Within the management of the consumer and mortgage portfolio, monthly reports are generated to measure its credit quality. The reports are segmented by product and include general statistics of the portfolio, distribution by number of payments past-due, payments past-due by origination date, payments past-due transitions, among others. In addition, the EL is determined in a monthly basis. The current model to determine the EL considers a two dimension focus, were a PD and LGD is assigned to every credit. The model is calibrated to estimate expected losses in a year, and was elaborated using previous experience with the portfolio.

Quantitative information

The Expected Loss of credit cards, mortgage and other retail portfolio as at March 31st, 2011 is MXN 5,235.1 mln which represents the 11.0% of Total Balance performing a decrease of MXN 618 millions of pesos (-10.6%) in comparison with previous quarter.

The Expected Loss of the commercial portfolio as at March 31st, 2011 is MXN 3,961.2 millions of pesos, showing a decrease of MXN 133.2 millions of pesos (-3.3%) compared to the figure reported in the previous quarter. The EL estimation of this portfolio does not consider undrawn facilities yet.

Operational Risk

Qualitative Information (including Legal and Technological Risk)

Operational Risk is that of incurring in losses due to inadequate or failed internal processes, people and systems or from external events, including technological and legal risks.

In order to manage these risks, a central specialized unit has been established; and a group of middle managers within the business & support units has also been appointed to functionally report to this Unit and are responsible for spreading the Group's operational risk management framework. They both operate according to the policies, procedures, processes and methodologies approved by the Risk Management Committee which are documented in manuals and instruction books as a complement to the Group's operational risk management and internal control framework.

The corporate governance structure which supports the Operational Risk function relies on the Operational Risk and Internal Control Committee and the Operational Risk Management Group, both sub-committees of the Risk Management Committee, which together are responsible for the fulfillment 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 7th annual assessment exercise took place during 2H'10 in order to identify and re-assess relevant operational risks throughout Group's structure. The methodology applied during this exercise was reinforced based upon the Group's new Operational Risk Management Framework. As part of this exercise, relevant identifiable risks were denominated, described and classified into thirteen categories: Compliance, Fiduciary, Legal, Information, Accounting, Tax, External Fraud, Internal Fraud, People, Physical / Instability, Business Continuity, Systems/ Technology and Operations.

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 manuals 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.

The HTS keeps within their strategic plan a pillar that is related to regulatory matters.

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 analyzed 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 tool called Risk Based Project Management (RBPM).
- V. Performing Risk Management activities with the active involvement of a specialized Internal Control area, including but not limited to operational risk, 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 the legal risk in terms of financial loss, sanction and / or reputational damage, detailed attention has been given to the following risks identified as inherent of the legal function:

- ▶ Contractual Risk;
- ▶ Dispute Risk;
- ▶ Legislative Risk;
- ▶ Non-Contractual Rights Risk.

Controls and procedures have been designed to mitigate the risk, which include: The establishment of policies and procedures for the suitable legal function and the celebration of juridical acts which includes the executed by the Institution under a different legal system than the Mexican; the estimation of potential losses derived from adverse judicial or administrative resolutions; the publication to employees and officials of the juridical and administrative dispositions applicable to his operations; adherence to policies regarding the management and control of Intellectual Property; the performance of legal audits as well as the establishment of a historical database on the judicial and administrative resolutions, his causes and costs.

To avoid the possible financial loss due to the non-performance of the applicable juridical and administrative norms and also to avoid unfavorable resolutions, policies and procedures have been implemented that allow identify, measure and control the legal risks with the aim of minimize the risks that the Institution is exposed and could result in losses not estimated.

Moreover institutional policies have been fulfilled and necessary procedures established with regard to Operational Risk and Internal Control.

Quantitative Information (including Legal and Technological Risk)

From the assessment of operational risks resulting from the 7th assessment exercise carried out in 2010, the set of risks is integrated by 532 identified and assessed relevant risks, distributed as follows: 1.0% A type, 12% B type, 43% C type, and 44% D type, which can also be classified according to their primary category onto:

Risks Categorization	Qty of Risks	Percentage
Compliance	92	17%
Fiduciary	1	0.20%
Legal	44	8%
Information	52	10%
Accounting	18	3%
Tax	11	2%
Internal Fraud	21	4%
External Fraud	28	5%
People	31	6%
Physical/ Instability	19	4%
Business Continuity	22	4%
Systems	53	10%
Operations	140	26%
Total	532	100%

Furthermore, since Jan'06, the loss reporting threshold for individualized losses is of USD 10,000, where minor events are aggregated in a single record. 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.

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 and Institutional, and in some lesser degree 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 afore mentioned 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 decret 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.

Internal Control

The administration is responsible of the internal control in HSBC as well as its effectivity. 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 administration 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 behavior, which can increase risk exposure to losses or to reputation damage.
- 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 administration. 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 administration 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 administration 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 administration, 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 effectivity 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.

Corporate Sustainability (CSR)

We believe that being a sustainable bank involves several commitments in our actions; from a business perspective, implies sustainability profitable growth in the long run based on a relationship of trust between our institution and our clients. The sustainable standpoint involves reducing as much as possible the environment impact of our operations and to contribute in our community by supporting programs and projects that promote better education and environment which is the trust of our clients.

Sustainability is achieved through a strategy based on three pillars: Economic: aligning with the principles of Ecuador considering the environmental impact on the group's investments. Environment: Caring for the impact of our carbon footprint on the environment and promoting a sustainable culture within our organization. Social: Supporting education, culture and community projects which promotes employee participation in volunteering programs. This is possible to the community investment which in 2011 represents 0.5% out of our PBT.

2011 is a challenging year not only to consolidate our business but to succeed in both, Community and Environmental Investment and the launch of flagship programs. This keeps on the strategy of focusing on giving to the development of hi-impact programs in Education, Environment and Community benefiting the communities where we operate.

The current flagship programs will consolidate like "Sólo levanta la mano" partnership with Lazos Foundation; community-oriented "Niños y adolescentes migrantes no acompañados" with Save the Children and DIF; as for environment matters, will support the model to combat climate change in water, waste and biodiversity projects.

These actions have enabled us to promote a sustainable commitment to our employees and customers.

Our community investment funds on 3 sources: PBT, Client Contribution and Sustainable Products getting a total of \$75,834,044.33 which comes out as follows: \$40,000,000.00 from PBT which was invested as Group policies as: 50% Education, 25% Environment and 25% for Community. \$14,400,000.00 in ATM'S with client contribution during 3 campaigns: Kids with Cancer, Becalos and Extreme Poverty. Plus, \$16,000,000.00 via Green Insurance which is invested in environment programs.

Education

Through our social programs, we are achieving a positive impact in the life of kids and teenagers, by getting involved and providing financial support to institutions that can give them the access to a better education and because of this they can reach success, a better future for themselves and then a better way of life for their families.

For HSBC, one of the subjects that matters the most for sustainability is education, and today we have three main axes inside this sector: Integral education, Scholarships in urban and rural areas and Financial Education.

Our Programs:

HSBC Lazos Strategic Alliance “Sólo levanta la mano”

Currently the goal of sponsorship is at 84%, which means 783 children sponsored by HSBC employees and clients. The next voluntary activities will be held in April and May and in the second half of 2011 the program of financial education “More Than Money” initially will be implemented within the 8 schools sponsored by HSBC.

Three of the eight schools will start constructing on April and May, thanks to the donations made by HSBC clients.

With these three programs, HSBC is benefiting more than 2,000 children within the 8 schools sponsored by the bank.

Migrants

Development of the Online Diploma “Psychological Attention for Migrants”:

The objective is to train and professionalize personnel directly serving unaccompanied migrant children. It lasts approximately 130 hours and the diploma will be given to 50 people working directly with migrant children in shelters located in borders. This began on 1 April.

Tenosique. Educational Center:

The series of workshops began on January in Ixcaltepec, Oaxaca and in Dolores Hidalgo, Guanajuato on March. The program has the objective to raise awareness on the issue of children traveling alone.

Ozolco Community:

A diagnosis was made about the demographic situation with indicators of health, education, religion, occupation, etc. This allowed us to have a first approximation of the social situation of the community.

Corporate Sustainability of HSBC in alliance with Save The Children, is working within Ozolco’s community, which has a high rate of migrant children.

The work consists of educational, recreational, sports, among others programs, with the children in their school in order to keep them within their community and give them the tools and capabilities to have better opportunities. This is benefiting 542 children and workshops are also being done within the children families.

Zippy’s Friends

The program is being executed successfully in 7 schools currently supported by HSBC to implement Zippy’s Friends, a programme, sponsored by the bank in Latin America, helps young children - five, six & seven year olds - to develop coping and social skills that is being supported by the bank in Latin America.

The status of each elementary school supported by HSBC is as follows:

- “Vicente Guerrero”, Guanajuato and “Felipe Carrillo”, Yucatan are taking Module 6;
- “Juan José Martínez Amaro”, Puebla is taking Module 4;
- “Hidalgo”, Jalisco is taking Module 4;
- “Enrique Gonzalez Aparicio”, D.F. is taking Module 3;
- “Germán de Campo”, Mexico City, is taking Module 4;
- “General Mariano Escobedo”, Tijuana is taking Module 3.

Lazos, the NGO responsible for monitoring and reporting Zippy’s Friends in Mexico, reported improvements within the social behavior of children, they remember and obey the rules and apply them.

The program has managed to create harmony in their classrooms, and to allow children to express their feelings. They

have learned to say what they feel without fear and teachers have been able to learn to have a new and enhanced relationship with their students.

One of the many successful stories it is located at Puebla, where the involvement by the teacher Heriberto has been exemplary and has generated a large participation by students.

With this support given by HSBC, we are currently benefiting 612 children from 7 elementary schools, as well as teachers and parents.

More Than Money

In alliance with the NGO "Impulsa", HSBC is implementing the program of financial education within public schools, with the objective to generate awareness, abilities and strategies for the responsible management of financial resources for children of 5th and 6th grade of elementary schools.

Both the SEP (Secretary of Public Education), as parents, teachers and volunteers of HSBC are highly involved in the implementation of the program.

Environment

Green Insurance

A come out of Green Insurance redefinition for 2010 was to finance projects with four specific topics that addressed: water, waste, energy and forest with four levels of action: education, conservation, protection and production programs. Among the projects that met these requirements are listed below which together sum up to 5.6 million dollars, these projects are:

1.- "Plywood Agro forestry in the northern municipalities of the State of Campeche"

It operates in the municipalities of Tenabo, Calkiní and Hecelchakán. The agro forestry system optimizes production of multi layers and to rehabilitate degraded lands and generate additional income that improves the living standards of the participants in the program. We have invested \$ 2'000, 000.00

2.- "Water Factory Nevado de Toluca"

It establishes the conditions to increase recharge and increase water retention and promotes aquifers environmental regeneration. We have invested \$ 2'000, 000.00

3.- "Chipinque Ecological Park"

Restoration and rehabilitation of Chipinque Ecological Park, affected by Hurricane Alex. Investment of \$ 1'000, 000.00 framed in a volunteer event.

4.- "Eco-environmental restoration project on forest land, Cumbres de Majalca, National Park"

Restoration of 20 hectares of National Park located in Chihuahua which has been affected by natural processes and human activities to compensate for the loss of land and vegetation promotes ecological rehabilitation . Investment of \$250,000.00

5.- "Todos por el agua en San Miguel de Allende"

To protect and restore watersheds that ensure the environmental well recharges the aquifer to ensure water quality and supply of urban and rural communities of San Miguel de Allende, Guanajuato with a cost of \$ 3'540, 000.00

Also assigned the fund for natural disasters than two million dollars for activities to mitigate the damage caused by Hurricane Alex and flooding in Veracruz, with a million pesos for each of these entities.

Community

Under the community investment principle, HSBC has Developer different projects in health, culture and emergency situations.

Our Programmes:

ATM's Campaign

During the first quarter and April of 2011, HSBC will be supporting the Foundation Rebecca de Alba A.C., through an ATM Campaign. With this the bank expects to raise approximately \$4,000,000.00 Mexican pesos in benefit of different NGO's dedicated to support children with cancer diseases.

Natural Disasters

Japan Support

HSBC Mexico joined the global campaign to raise funds for the earthquake's tragedy in Japan, where the donations of our employees reached a total of US 10,801.06. Additionally, the Japanese Embassy in Mexico City reception for donations from the general public into an HSBC account.

Volunteering

Activities:

COLLECTING TOYS

Collecting toys that allowed to reunite 9,945 toys for 6,803 children of 39 cities in 50 institutions; 837 volunteers participated, which is equivalent to 7,428 voluntary working hours.

With the participation of JUGUETRÓN Company, one of the most important clients of the South divisional Meter, we reunited 600 toys, donated by visitors of the EXPO TUS JUGUETES

STORY TELLER

The singer Carlos Baute participated in the story reading "the stupid chicken" and "the lion that saw something in the water", was organized to cheer 100 children, and children with lip problems and cleft palate that receive attention in the ABC clinic.

Additionally, the artist interpreted some of his known topics prepared and with support of 12 HSBC volunteers; the children were allowed take sandwiches and books as gifts.

VERACRUZ EMERGENCY

In follow up of the natural disasters happened in the past months 14 colleagues that were affected by the floods in the state of Veracruz, took part in the presentation of results of the work carried out by the institution Save the Children.

The following day, staff took place in a voluntary military service activity that was carried out in "Heroes of the 21 of April" school, where they took classes for emotional issues caused by the floods; the children were given school kits and entertainment.

STORY TELLER

The "Dar y Amar" institution takes care of young adolescent mothers, received the visit of 11 volunteers and the Argentine singer Mariana Vega was given and activity were 50 children of poor background were given the chance to enjoy a clown show and other similar activities in that community.

The event ended with a piñata activity and the delivery of candies and books for the little ones.

REFORESTATION DAYS IN CHIPINQUE PARK

26 volunteers and 204 relatives participated in the plantation of approximately 600 trees Chipinque Nature Reserve in Monterrey during 3 Saturdays consecutive to contribute in the conservation of the flora and fauna, that has been affected as a result of rain storms and fires.

FINANCIAL EDUCATION PROGRAM “MORE THAN MONEY”

For the first time since the launching of the program (3 years ago), 123 volunteers of the Federal District and State of Mexico have been participating simultaneously in the financial education classes, given to 1,400 children of state schools in 4 schools.

ECOTECHNOLOGIES

The Service Delivery area is our “Number One” department that, for the first trimester of the year, their interest to add its staff in voluntary military service activities, in this occasion, involving 33 colleagues in the application of ecotechnologies to benefit the Great Stone Community in Huixquilucan, State of Mexico. These are the activities that are part of the voluntary work: sowing of fruit trees, construction of firewood oven, 1 solar dehydrator, “worm compost” seeds and the installation of bio- intensive plot.

Communication

The Communication area of Corporate Sustainability has focused its strategy on internal and external awareness by the institutional channels and specialized media sources in Social Responsibility, Environment, Culture and Business. This area is also positioning HSBC Mexico as the reference for sustainable matters in the country. In this quarter we have launched and joined campaigns to create good will among the audience.

CONAGUA

In January 2011, HSBC México joined the national campaign for saving water that the Water Commission and the Communication Board launched to create awareness in water management among our employees. Corporate Sustainability activated electronic media broadcasting video and audio with recommendations for a better water care, also distributed pins with institutional image for the HCP Climate Champions.

SÓLO LEVANTA LA MANO

Sólo levanta la mano, HSBC’s flagship program was introduced in Monterrey in early 2011 with local media coverage where clients and journalists attended to the event and knew the bank’s strategy with the social cause.

AMBULANTE

In order to strengthen our strategy to participate in cultural festivals, this year we joined the Documentaries Festival "Ambulante" that covers twelve Mexican cities where HSBC's presence is important. As a result of this, we started to position HSBC as a financial institution committed with films since we support other festivals such as Morelia and allocates resources to filming industry through the Law 226.

EARTH HOUR

Corporate Sustainability joined the global campaign promoted WWF’s "Earth Hour" where we turned off the energy of 42 properties in Mexico that covered HSBC branches and offices across the country. As part of "Earth Hour" Climate Champions in Cancun and bank’s representative in La Paz joined the celebration of the awareness campaign on energy management. Also, bank employees participated electronically giving advice on how to save electricity and fuel in the bank’s institutional channel.

The Corporate Sustainability Management will continue to build on HSBC's position as the Sustainable Bank of Mexico through its lines of communication and education, environment and volunteerism and will continue to extend relationships with niche media or appropriate to achieve their goal.

Acknowledgments

In March 2011, the Mexican Philanthropy Center awarded HSBC Mexico as a Social Responsibility Business which grants our bank as a solid and responsible institution in its strategy and organizational culture.

Promotion of interaction with employees and areas

Through the initiative of the Regional Diversity Committee of HSBC to apply a Social Inclusion Program, Corporate Sustainability and with the support of HR, approved to create a working group responsible for implementing the next programs:

Apprenticeship / Internship

In collaboration with the NGO “Impulsa”, we have developed a proposal to implement both programs. This will be presented within the Social Diversity Committee, so we can decide if the program should be implemented through “Impulsa”.

People with Disabilities

It was decided to begin including people with disabilities in five branches of HSBC in the metropolitan area. In April the analysis of the facilities will be carried. The program will be held in collaboration with Manpower.

We carried out the evaluation of the HSBC Tower facilities and annexes. On March a working group was established with the objective to coordinate the Social Inclusion Programs in Mexico.

Conclusions

We have focused our investment community by developing and implementing flagship programs; this has strengthened the engagement with our stakeholders. Thanks to our campaigns through which not only involve our staff, but also has allowed active participation of our customers, providing not only financial, but also projects of corporate social responsibility and sustainability to their business.

We have had success in our social and environmental investment with the support of our customers through channels and sustainable products: where we expect to raise 45.00% form clients support.

HSBC Mexico seeks to maintain a balance between environment, society and the profitability of its business by establishing long term relationships with its customers, ensuring the success of HSBC in time, and thanks to their commitment and actions. We then provide support in a multidimensional way, which will impact people and future generations of Mexico.

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