HSBC

News Release

30 April 2024

GRUPO FINANCIERO HSBC, S.A. DE C.V. 1Q 2024 FINANCIAL RESULTS HIGHLIGHTS

- For the three months to 31 March 2024, profit before tax was MXN2,762m, a decrease of MXN600m or 17.8% compared with MXN3,362m for the same period in 2023.
- Net income for the three months to 31 March 2024 was MXN2,037m, a decrease of MXN335m or 14.1% compared with MXN2,372m for the same period in 2023.
- Total operating income excluding loan impairment charges for the three months to 31 March 2024 was MXN14,462m, an increase of MXN752m or 5.5% compared with MXN13,710m for the same period in 2023.
- Loan impairment charges for the three months to 31 March 2024 were MXN3,146m, a decrease of MXN173m or 5.2% compared with MXN3,319m for the same period in 2023.
- Administrative and personnel expenses for the three months to 31 March 2024 were MXN8,615m, an increase of MXN1,543m or 21.8%, compared with MXN7,072m for the same period in 2023.
- The cost efficiency ratio was 59.6% for the three months to 31 March 2024 compared with 51.6% for the same period in 2023.
- At 31 March 2024, net loans and advances to customers were MXN461.9bn, an increase of MXN47.8bn or 11.5% compared with MXN414.1bn at 31 March 2023.
- At 31 March 2024, total stage 3 loans were MXN11.4bn, representing 2.4% of gross loans compared to March 2023 when stage 3 loans were MXN12.4bn representing 2.9% of gross loans.
- At 31 March 2024, total deposits were MXN564bn, an increase of MXN61.9bn, or 12.3%, compared with MXN502.1bn at 31 March 2023.
- Return on equity was 9.8% for the three months to 31 March 2024, whereas for the same period in 2023 it was 12.2%.
- At 31 March 2024, the bank’s total capital adequacy ratio was 16.1% and the common equity tier 1 capital ratio was 11.5%, compared with 14.8% and 11.3%, respectively, at 31 March 2023. HSBC’s global strategy is to work with optimal levels of capital with a reasonable buffer above regulatory limits.

Grupo Financiero HSBC's financial results for the three months to 31 March 2024 as reported to HSBC Holdings plc, our ultimate parent company, are prepared in accordance with International Financial Reporting Standards ('IFRS').

Profit before tax for the period was MXN3,158m, a decrease of MXN854m compared with MXN4,012m for the same period in 2023. The decrease is mainly driven by higher loan impairment charges and operating expenses partially offset by higher net interest income and net fee income.

The main differences between Mexican GAAP and IFRS results for the three months to 31 March 2024 relate to differences in loan impairment charges, post-employment benefit, effective interest rate, deferred profit sharing, other insurance adjustment and additional tier 1 (AT1).

Overview

Economic activity dropped 0.6% month over month in January 2024, reflecting a slow start to the year. Yet, it recovered in February 2024, as economic activity grew 1.4% month over month, led by increases of 16.5% and 1.2% month over month in agriculture and services, respectively. In contrast, industrial output dropped 0.1% month over month. On an annual basis, the economy accelerated its pace of growth to 2.6% in February, from 1.0% in January, using seasonally-adjusted figures. Agriculture, services and industrial production grew 5.8%, 3.2% and 1.5% year on year, respectively.

Inflation decreased to 4.4% year over year in March from 4.7% in December 2023. Core inflation led the decline, as its annual rate eased to 4.6% in March from 5.1% in December. Meanwhile, non-core inflation had upside pressures, as it rose to 4.0% in March from 3.4% in December year over year.

During Q1 2024 (in March), Mexico's central bank (Banxico) cut the monetary policy rate by 25bp to 11.00% from 11.25% previously Q4 2023.

Financial Performance – Key Metrics

- Grupo Financiero's profit before tax for the three months to 31 March 2024 was MXN2,762m, a decrease of MXN600m or over 17.8% compared with MXN3,362m for the same period in 2023.

- Net interest income for the three months to 31 March 2024 was MXN11,537m, an increase of MXN897m or 8.4% compared with MXN10,640m for the same period in 2023. The increase is mainly explained by the growth of retail loan portfolio.

- Loan impairment charges for the three months to 31 March 2024 were MXN3,146m, a decrease of MXN173m or 5.2% compared with MXN3,319m for the same period in 2023. The decrease is mainly driven by higher amount of releases wholesale individual clients, partially offset by retail portfolio growth.

- Net fee income for the three months to 31 March 2024 was MXN2,437m, an increase of MXN188m or 8.4% compared with MXN2,249m for the same period in 2023 mainly driven by increase in commercial activity.

- Trading income for the three months to 31 March 2024 was MXN956m, an increase of MXN230m or 31.7% compared with MXN726m for the same period in 2023, driven by lower credit reserves and higher revenues from FX and structuring products with corporates clients.

- Other operating income/(expenses) for the three months to 31 March 2024 was a loss of MXN 738m, increased by MXN598m or over 100% compared with a loss of MXN140m for the same period in 2023, main drivers were an increase insurance technical reserves and higher IPAB contributions, partially offset by recoveries.

- Administrative and personnel expenses for the three months to 31 March 2024 were MXN8,615m, an increase of MXN1,543m or 21.8%, compared with MXN7,072m for the same period in 2023 mainly due to higher staff expenses, IT and related tax costs.

- The cost efficiency ratio was 59.6% for the three months to 31 March 2024 compared with 51.6% for the same period in 2023.

- The effective tax rate was 26.2% for the three months to 31 March 2024, compared with 29.4% reported for the same period in 2023. The variation is mainly driven by the inflationary effects generated by a higher position on the monetary assets.

- At 31 March 2024, net loans and advances were MXN461.9bn showing an overall increase of MXN47.8bn, or 11.5% compared with MXN414.1bn. The increase is driven by 14.3% growth in Wealth and Personal Banking (WPB) portfolio compared to 31 March 2023, with mortgage loans growing 14.7%, additionally to an increase in Commercial Banking (CMB) portfolio by 8.3%.

- Credit cost ratios[1] and loan loss reserves ratios[2] as of March 2024 were 2.6% (3.1% as of March 2023) and 3.6% (3.8% as of March 2023) respectively.

- Return on equity was 9.8% for the three months to 31 March 2024, whereas for the same period 2023 was 12.2%.

- Total stage 3 loans at 31 March 2024 were MXN11.4bn representing 2.4% of gross loans. Following the HSBC approach to stage 3, of the 2.4%, 0.1% relates to loans with an indication of unlikeliness to pay despite not being 90 days past due and 2.3% relates to loans with 90 or more days past due. As of March 2023, stage 3 loans were MXN12.4bn and 2.9% as a percentage of gross loans, of which 0.4% were related to loans with an indication of unlikeliness to pay despite not being 90 days past due and 2.5% were related to loans with 90 or more days of past due.

- At 31 March 2024, total loan loss allowances were MXN17.2bn, an increase of MXN0.7bn or 3.7% compared with MXN16.5bn to same period in 2023. The total coverage ratio (allowance for loan losses divided by stage 3 loans) was 150.7% at 31 March 2024 compared with 133.0% at 31 March 2023.

- At 31 March 2024, total deposits were MXN564.1bn, an increase of MXN62.0bn or 12.3%, compared with MXN502.1bn at 31 March 2023, mainly driven by higher time deposits and demand deposits.

- On 28 February 2024, HSBC Mexico (bank) issued MXN 1,712.6m Tier 2 capital instruments on a private placement to HSBC Latin America Holdings (UK) Limited to comply with the local TLAC (Total Loss-Absorbing Capacity) applicable to DSIBs (Domestic Systemically Important Banks). DSIBs must maintain an additional capital buffer of 6.5% of RWAs or 3.75% of the Leverage Exposure measure, whichever is higher. From December 2023 DSIBs have to meet 50% of the requirement. This will increase by an additional 25% for each of the remaining two years, so that it is fully implemented by December 2025.

- HSBC Bank Mexico (‘the bank’) profit before tax for the three months to 31 March 2024 was MXN2,219m, a decrease of MXN719m or 24.5% compared with MXN2,938m for the same period in 2023 mainly driven by higher expenses and partially offset by operating income.

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[1] Credit Cost Ratio: Loan Impairment charges annualized/Gross Loans.

[2] Loan Loss Reserve Ratio: Loan Loss Reserves/Gross Loans.

- HSBC Bank Mexico net income for the three months to 31 March 2024 was MXN1,653m, a decrease of MXN410m or 19.9% compared with MXN2,063m for the same period in 2023.

- HSBC Bank Mexico net interest income for the three months to 31 March 2024 was MXN11,390m an increase of MXN906m or 8.6%, compared with MXN10,484m for the same period in 2023.

- The profit before tax of Grupo Financiero HSBC's insurance subsidiary for the three months to 31 March 2024 was MXN357m, an increase of MXN60m or 20.22% compared with MXN297m for the same period in 2023, mainly driven by the increase in premiums and higher market to market from financial instruments, partially offset by higher technical reserves.

HSBC Mexico S.A. ('the bank') is a subsidiary of Grupo Financiero HSBC, S.A. de C.V. (Grupo Financiero HSBC) and is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file financial information on a quarterly basis (in this case for the period ended 31 March 2024) and this information is publicly available. Given that this information is available in the public domain, Grupo Financiero HSBC has elected to file this release. HSBC Seguros, S.A. de C.V. Grupo Financiero HSBC (HSBC Seguros) is Grupo Financiero HSBC's insurance subsidiary.

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

Business highlights[3] *(Amounts described include the impact of internal cost and value of funds applied to different lines of business).*

The description of line of business is as follows:

Wealth and Personal Banking (WPB): Line of business serving individuals that includes mostly consumer products, among which are credit cards, personal and car loans, as well as mortgage loans and deposits. Additionally, a group of individuals with business activity is also served, whose main products are credit lines for working capital; as well as a specific group of small businesses, with term loan products and financial services related to checking accounts and cash management.

Commercial Banking (CMB): Line of business serving local companies, multinationals and Institutional clients with financials needs in Mexican pesos and other currencies like loans for working capital, term loans, financing products for export activities; Treasury management, including current accounts, payments, corporate cards and liquidity management. Additionally, it offers Global Markets solutions to serve a local and domestic client with simple financial needs and solutions that require a global presence in other financial markets.

Market & Securities Services (MSS): Line of business specialized in financial markets and securities custody, which offers a diversity of money market and capital markets products, including liquidity instruments, foreign exchange, government and corporate debt, derivatives and structured products, as well as intermediation in the stock market. MSS provides solutions mainly to governments, central banks, local corporations, international investors, institutional investors and, in general, financial market participants.

Wealth and Personal Banking (WPB)[4]

Profit before tax for the three months to 31 March 2024 was of MXN221m, a decrease of MXN1,528m compared with the MXN1,749m for the same period in 2023, mainly driven by higher loan impairment charges and administrative expenses, partially offset by higher revenues. With Markets Treasury allocation, profit before tax was MXN195m.

Total revenue for the three months to 31 March 2024 was MXN10,276m, an increase of MXN600m or 6%, compared with MXN9,676m for the same period of 2023. This is mainly driven by higher spreads across the deposits portfolio, coupled with higher volumes across lending mainly in credit cards and payroll loans.

Loan impairment charges for the three months to 31 March 2024 were MXN3,724m, an increase of MXN732m or 24% compared with MXN2,992m for the same period in 2023, mainly explained by provisions derived from higher loan portfolio.

Administrative and personnel expenses for the three months to 31 March 2024 were MXN6,387m, an increase of MXN1,404m or 28% compared with MXN4,983m for the same period of 2023, mainly due to higher staff expenses, IT and related tax costs.

At 31 March 2024, Net loans and advances to customers were MXN251.6bn, it is showing an overall increase of MXN31.5bn or 14% compared with MXN220.1bn for the same period of 2023. This increase is mainly in Cards with a 37% compared to the same period last year, followed by Mortgage and Auto (13% and 29% respectively).

[3] *Markets Treasury total loss before tax for the three months of 2024 was MXN55m. Since June 2020, Markets Treasury is allocated out to the global businesses, to align them better with their revenue and expense and for the three months of 2024 loss before tax allocation by business was MXN-27m to WPB, MXN-15m to CMB and MXN-13m to MSS.*

[4] *WPB does not include Insurance results which was MXN356m in profit before tax as of 31 March 2024*

At 31 March 2024, total deposits we were MXN280.5bn, an increase of MXN10.5bn or 4% compared with MXN270.0bn for 2023, Funds under management portfolio of MXN168.3bn grew 29% compared with 2023.

During the first quarter of 2024 was released the fund balance operations in Mobile, as a result the customers that have a mutual fund contract will be able to have the portability of their purchase and sale operations through mobile. In addition, Digital Autograph Signature (or FAD for the name in Spanish) was implemented for Business Banking accounts, which is a unique and international patent equivalent to a paper signature.

Commercial Banking (CMB)

Profit before tax for the three months to 31 March 2024 was MXN2,808m, an increase of MXN529m or 23% compared with MXN2,279m for the same period in 2023 mainly explained by loan impairment charges releases, partly offset by lower net interest income, net fee income and higher administration and personnel expenses. With Markets Treasury allocation, profit before tax was MXN2,793m.

Total revenue for the three months to 31 March 2024 was MXN3,665m, a decrease of MXN188m or 5% compared with MXN3,853m for the same period in 2023, mainly explained by spread contraction on assets; this is partly offset by higher balances in assets and deposits, coupled with better trading income.

Loan impairment charges for the three months to 31 March 2024 were a MXN578m release, a reduction of MXN905m compared with MXN327m credit provisions for same period in 2023, explained by a higher amount of releases on certain individual clients on the Local Corporate segment during this year, as well as an improvement on client's internal risk ratings.

Administration and personnel expenses for the three months to 31 March 2024 were MXN1,439m, an increase of MXN197m or 16% compared with MXN1,242m for the same period in 2023, explained by higher staff expenses, IT costs and related tax costs.

At 31 March 2024, net loans and advances to customers were MXN210bn, an increase of MXN16.1bn or 8% compared with MXN193.9bn for the same period in 2023, driven by increase on International Corporates & Multinational segments observed since 4Q23.

At 31 March 2024, total deposits were MXN242.9bn, an increase of MXN22.8bn or 10% compared with MXN220.1bn for the same period in 2023, mainly to support the strong increase on the asset side.

HSBC Mexico has acted as Joint Bookrunners with a Corporate client in their 6th bond issuance in the local market with a 3yr Floating Rate Notes and 10yr Fixed Rate Notes with a total issuance amount of MXN 6bn.

HSBC Mexico also participated as bookrunners on another 4 transactions comprising in total above MXN 50bn, supporting the clients on continued and also first issuances (after more than 10 years absence) in the local market and positioning them as key players. Within these transactions, one issuance was ESG related and another one with a social component related intending to promote financial inclusion through employment generation, socioeconomic advancement, empowerment, and access to essential services.

Markets and Security Services (MSS)

Loss before tax for the three months to 31 March 2024 was MXN 28m, a decrease of MXN 123m which represents -129% compared with profit MXN 95m in 2023. The decrease is mainly coming from fixed income trading. With Markets Treasury allocation, Loss before tax was MXN 41m.

Administrative and personal expenses for three months to 31 March 2024 were MXN 261m, an increase of MXN31m or a 14% compared with MXN 230m for the same period in 2023 mainly driven by staff costs.

Awards and Recognitions

Mente Mujer Dalia Empower Recognition – Category Forces that Transform

Heraldo Media Group, via Mente Mujer and Dalia Empower, a female empowerment platform, recognized HSBC México for its Women to the World initiative, a program with gender perspective that supports the personal and professional development of women. This program was launched in Mexico in 2022 and offers exclusive benefits in financial services, training, mentoring, networking and international support. All HSBC Mexico clients are automatically part of the Women to the World program.

About HSBC

Grupo Financiero HSBC is one of the leading financial groups in Mexico with 842 branches, 5,565 ATMs and 13,736 employees as of 31 March 2024.

For more information, visit www.hsbc.com.mx.

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in 62 countries and territories. With assets of US$3,000bn at 31 March 2024, HSBC is one of the world's largest banking and financial services organisation.

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Consolidated Income Statement – GROUP three months ended 31 March 2024

Figures in MXN Millions

	Group	
	31-Mar-24	**31-Mar-23**
Interest income	22,478	19,486
Interest expense	(10,941)	(8,846)
Net interest income	11,537	10,640
Loan impairment charges	(3,146)	(3,319)
Risk-adjusted net interest income	8,391	7,321
Fees and commissions receivable	3,348	3,000
Fees payable	(911)	(751)
Premiums, Technical Provisions, Claims and Other Liabilities (Insurance)	270	235
Trading income	956	726
Other operating income (expense)	(738)	(140)
Total operating income	11,316	10,391
Administrative and personnel expenses	(8,615)	(7,072)
Net operating income	2,701	3,319
Share of profits in equity interest	61	43
Profit/(loss) before tax	2,762	3,362
Income tax	(725)	(990)
Net income before discontinued operations	2,037	2,372
Discontinued Operations	-	
Net income	**2,037**	**2,372**

Consolidated Income Statement – BANK three months ended 31 March 2024

Figures in MXN Millions

	Bank	
	31-Mar-24	**31-Mar-23**
Interest income	22,340	19,344
Interest expense	(10,950)	(8,860)
Net interest income	11,390	10,484
Loan impairment charges	(3,146)	(3,319)
Risk-adjusted net interest income	8,244	7,165
Fees and commissions receivable	3,122	2,857
Fees payable	(1,020)	(888)
Trading income	682	662
Other operating income (expense)	(321)	93
Total operating income	10,707	9,889
Administrative and personnel expenses	(8,549)	(6,994)
Net operating income	2,158	2,895
Share of profits in equity interest	61	43
Profit/(loss) before tax	2,219	2,938
Income tax	(566)	(875)
Net income before discontinued operations	1,653	2,063
Discontinued Operations	-	-
Net income	1,653	2,063

Consolidated Balance Sheet – 2024 (Comparatives)

Figures in MXN millions	Group		Bank	
	31 Mar 24	31 Mar 23	31 Mar 24	31 Mar 23
Assets				
Cash and cash equivalents	67,716	62,224	67,548	62,035
Margin accounts	64	109	64	109
Financial Investments	**182,382**	**157,899**	**164,428**	**146,445**
Trading financial investments	79,246	69,737	67,764	64,657
Financial investments hold to collect or sale	67,097	68,618	60,625	62,244
Financial investments hold to collect principal and interest (securities) (net)	36,039	19,544	36,039	19,544
Reverse repurchase agreements	42,726	39,627	42,726	39,627
Derivative transactions	25,832	39,917	25,832	39,917
Loan and advances - credit risk stage 1				
Commercial loans	221,864	204,168	221,864	204,168
Consumer loans	97,011	84,815	97,011	84,815
Mortgage loans	142,537	124,596	142,537	124,596
Total loan portfolio with credit risk stage 1	461,412	413,579	461,412	413,579
Loan and advances - credit risk stage 2				
Commercial loans	710	316	710	316
Consumer loans	3,020	2,434	3,020	2,434
Mortgage loans	2,323	1,774	2,323	1,774
Total loan portfolio with credit risk stage 2	6,053	4,524	6,053	4,524
Loan and advances - credit risk stage 3				
Commercial loans	5,103	7,396	5,103	7,396
Consumer loans	2,807	2,079	2,807	2,079
Mortgage loans	3,479	2,968	3,479	2,968
Total loan portfolio with credit risk stage 3	11,389	12,443	11,389	12,443
Loan Portfolio measured at Fair Value				
Gross loans and advances to customers	478,854	430,546	478,854	430,546
Expected credit losses	(17,164)	(16,544)	(17,164)	(16,544)
Gross loans and advances to customers - Insurance	167	142	-	-
Total net loans and advances to customers	**461,857**	**414,144**	**461,690**	**414,002**
Premium receivables	2,660	2,162	-	-
Accounts receivables from reinsurers and rebonding companies	124	45	-	-
Other accounts receivable (net)	44,201	45,606	44,203	45,940
Foreclosed assets	249	269	249	269
Long term assets held for sale	10	10	10	10
Property, Furniture and Equipment (Net)	6,549	6,369	6,549	6,369
Property, Furniture and Equipment (Net) – Rights-of-Use Assets (RoU)	3,271	2,098	3,266	2,091
Prepayments and other assets	6,934	6,953	6,899	6,886
Long-term investments	1,400	1,810	1,355	1,353
Deferred income tax asset (net)	7,093	6,786	6,986	6,653
Intangible assets (net)	7,425	7,362	7,425	7,362
Intangible Assets (Net) - Rights of Use Assets	284	231	-	-
Goodwill	955	955	-	-
Benefits Receivable in Securitization Transactions	10	10	10	10
Total assets	**861,742**	**794,586**	**839,240**	**779,078**

Consolidated Balance Sheet - 2023 (continued)
Figures in MXN millions

	Group		Bank	
	31 Mar 24	**31 Mar 23**	**31 Mar 24**	**31 Mar 23**
Liabilities				
Deposits	**564,064**	**502,128**	**564,443**	**502,376**
Demand deposits	364,503	345,097	364,863	345,345
Time deposits	188,978	144,111	188,997	144,111
Bank bond outstanding	8,636	11,412	8,636	11,412
Global deposit account without movements	1,947	1,508	1,947	1,508
Bank deposits and other liabilities	**12,014**	**11,817**	**12,014**	**11,817**
On demand	0	3,001	0	3,001
Short-term	4,857	5,214	4,857	5,214
Long-term	7,157	3,602	7,157	3,602
Pending Securities to pay	-	-	-	-
Technical reserves	16,577	10,087	-	-
Repurchase agreements	47,030	34,683	47,030	34,683
Collateral sold	**34,635**	**39,228**	**34,635**	**39,228**
Reports (credit balance)	23,199	27,030	23,199	27,030
Securities lending	11,436	12,198	11,436	12,198
Derivative Financial Liabilities	**27,144**	**40,417**	**27,144**	**40,417**
Trading Derivatives	27,136	40,414	27,136	40,414
Hedging Derivatives	8	3	8	3
Accounts Payable from reinsurers and rebonding companies	16	19	-	-
Lease liabilities	3,323	2,394	3,318	2,387
Other payable accounts	**38,533**	**48,621**	**37,733**	**48,181**
Settlement accounts	15,410	22,555	15,296	22,682
Income tax and employee profit sharing payable	3,354	7,182	3,354	7,182
Contributions for future capital increases	1,177	1,440	1,102	1,341
Sundry creditors and other accounts payable	18,592	17,444	17,981	16,976
Financial instruments qualifying as liabilities (subordinated debt)	**26,927**	**19,528**	**26,927**	**19,528**
Subordinated debentures outstanding	26,927	19,528	26,927	19,528
Income tax liabilities	67	645	38	601
Employee benefit liabilities	4,937	4,039	4,876	3,997
Deferred credits and receivable in advance	1,895	1,579	1,895	1,500
Total liabilities	**777,162**	**715,185**	**760,054**	**704,715**
Equity				
Paid in capital	**43,373**	**43,373**	**38,318**	**38,318**
Capital stock	6,218	6,218	6,132	6,132
Additional paid in capital	37,155	37,155	32,186	32,186
Other reserves	**44,811**	**40,295**	**44,287**	**40,120**
Capital reserves	1,244	1,244	14,510	13,510
Retained earnings - prior years	41,530	36,679	28,126	24,547
Net income	2,037	2,372	1,651	2,063
Result from the mark-to-market of available- for-sale securities	(717)	(1,416)	(721)	(1,233)
Result from cash flow hedging transactions	(160)	(857)	(160)	(857)
Adjustment in the employee pension	(2,730)	(2,005)	(2,541)	(1,993)
Total Controlling Interest's	84,577	79,390	79,183	74,355
Minority interest in capital	3	11	-	8
Total Shareholder's Equity	**84,580**	**79,401**	**79,183**	**74,363**
Total liabilities and equity	**861,742**	**794,586**	**839,237**	**779,078**

Consolidated Balance Sheet – 2024 (continued)

Figures in MXN millions	**Group**		**Bank**	
	31-Mar-24	**31-Mar-23**	**31-Mar-24**	**31-Mar-23**
Memorandum Accounts				
Third party accounts	**471**	**30,975**	-	-
Clients current accounts	471	1,755	-	-
Custody operations	0	29,220	-	-
Proprietary position	**3,659,755**	**4,803,597**	**3,446,306**	**4,600,475**
Irrevocable lines of credit granted	361,809	311,550	361,809	311,550
Goods in trust or mandate	**201,076**	**197,785**	**201,076**	**197,785**
Trusts	200,220	196,960	200,220	196,960
Mandate	856	825	856	825
Goods in custody or under administration	358,646	1,542,355	358,646	1,542,355
Collateral received by the institution	54,616	52,137	54,616	52,137
Collateral received and sold or delivered as guarantee	34,638	39,416	34,638	39,416
Suspended interest on stage 3 loans	756	658	756	658
Other control accounts	2,648,214	2,659,696	2,434,765	2,456,574
Total Memorandum Account	**3,660,226**	**4,834,572**	**3,446,306**	**4,600,475**

Consolidated Statement of Changes in Shareholders' Equity

Figures in MXN millions

Group	Capital contributed	Capital reserves	Retained earnings – prior years	Valuation of financial investments hold to collect or sale	Valuation of cash flow hedging transactions	Remeasurement of defined benefits to employees	Total controlling interest	Minority interest	**Total equity**
Total Balances at 01 Jan 2024	43,373	1,244	41,530	(916)	(199)	(2,568)	82,463	3	**82,467**
Adjustments for accounting changes	-	-	-	-	-	-	-	-	-
Cash Dividends*	-	-	-	-	-	-	**-**	-	**-**
Capitalization of other equity items	-	-	-	-	-	-	**-**	-	**-**
Comprehensive Income:									
Net Income	-	-	2,037	-	-	-	**2,037**	-	**2,037**
Other comprehensive income:									
Valuation of financial investments hold to collect or sale	-	-	-	199	-	-	**199**	-	**199**
Valuation of cash flow hedging transactions	-	-	-	-	39	-	**39**	-	**39**
Remeasurement of defined benefits to employees	-	-	-	-	-	(162)	**(162)**	-	**(162)**
Total	**-**	**-**	**2,037**	**199**	**39**	**(162)**	**2,113**	-	**2,113**
Final balances as of 31 March 2024	**43,373**	**1,244**	**43,567**	**(717)**	**(160)**	**(2,730)**	**84,577**	**3**	**84,580**

***Include AT1 coupon payments**

Consolidated Statement of Changes in Shareholders' Equity

Figures in MXN million

Bank	Capital contributed	Capital reserves	Retained earnings – prior years	Valuation of financial investments hold to collect or sale	Valuation of cash flow hedging transactions	Remeasurement of defined benefits to employees	Total controlling interest	Minority interest	**Total equity**
Total Balances at 01 Jan 2024	38,318	14,510	28,125	(754)	(199)	(2,551)	77,449	-	**77,499**
Adjustments for accounting changes	-	-	-	-	-	-	-	-	-
Movements inherent to the shareholders' decision:									
Dividends Declared (including AT1 coupon payments)	-	-	-	-	-	-	**-**	-	**-**
Capitalization of other equity items	-	-	-	-	-	-	**-**	-	**-**
Reserve Movements	-	-	-	-	-	-	**-**	-	**-**
Comprehensive Income:									
Net Income	-	-	1,651	-	-	-	**1,651**	-	**1,651**
Other comprehensive income:									
Valuation of financial investments hold to collect or sale	-	-	-	33	-	-	**33**	-	**33**
Valuation of cash flow hedging transactions	-	-	-	-	39	-	**39**	-	**39**
Remeasurement of defined benefits to employees	-	-	-	-	-	10	**10**	-	**10**
Participation in comprehensive income of other entities	-	-	-	-	-	-	**-**	-	**-**
Total	**-**	**-**	**1,651**	**33**	**39**	**10**	**1,733**	**-**	**1,733**
Final balances as of 31 March 2024	**38,318**	**14,510**	**29,776**	**(721)**	**(160)**	**(2,541)**	**79,182**	**-**	**79,182**

Consolidated Statement of Cash Flow – Group

Figures in MXN millions	31 Mar 2024
Profit/(loss) before taxes	**2,762**
Adjustments for items associated with investing activities	**1,090**
Depreciation of property, furniture and equipment	294
Amortization of intangible assets	857
Participation in the net result of other entities	(61)
Adjustments for items associated with financing activities	**1,115**
Interest associated with bank deposits and other liabilities	327
Financial instruments qualifying as liabilities (subordinated debt)	788
Changes in items related to operating activities	**(2,924)**
Bank deposits and other liabilities	(3,762)
Margin accounts	49
Financial investments	(36,109)
Reverse repurchase agreements	3,318
Derivative transactions (assets)	2,820
Loan Portfolio (net)	(10,680)
Debtors of re-insurance	50
Recoverable amounts for reinsurance and refinancing (net)	(30)
Change in benefits from receiving securitization operations	-
Change in inventories	-
Other accounts receivable (net)	(8,447)
Foreclosed assets (net)	102
Deposits	40,279
Technical Reserves	1,743
Repurchase agreements	18,724
Collaterals sold or given in guarantee	(7,325)
Derivative transactions (liabilities)	(2,445)
Accounts payable for reinsurers	4
Change of assets/liabilities for employee benefits	(364)
Other accounts payable	4,977
Other provisions	(4,770)
Income tax payments	(1,058)
Net cash flows from operating activities	**2,043**
Investing activities:	
Payments for the acquisition of property, furniture and equipment	(67)
Proceeds from the sale of property, furniture and equipment	-
Collections of cash dividends from permanent investments	181
Payments for acquisition of intangible assets	(374)
Other receipts from investing activities	-
Other payments from investing activities	-
Net cash flows from investing activities	**(260)**
Financing activities:	
Payments of bank loans and other organizations	(1,048)
Cash Dividend Payments	-
Proceeds from the issuance of financial instruments that qualify as liabilities	-
Collections for the issuance of financial instruments that qualify as liabilities	-
Net cash flows from financing activities	**(1,048)**
Increase/decrease in cash and equivalents	735
Cash and equivalents at beginning of period	66,981
Cash and equivalents as of 31 December 2023	**67,716**

Consolidated Statement of Cash Flow - Bank *Figures in MXN millions*	**31 Mar 2024**
Profit/()loss before taxes	**2,217**
Adjustments for items associated with investing activities	**1,090**
Depreciation of property, furniture and equipment	294
Amortization of intangible assets	857
Other adjustments for items associated with investing activities	(61)
Adjustments for items associated with financing activities	**1,115**
Interest associated with bank deposits and other liabilities	327
Financial instruments qualifying as liabilities (subordinated debt)	788
Changes in items related to operating activities:	**(2,381)**
Bank deposits and other liabilities	(3,762)
Margin accounts	49
Financial investments	(34,086)
Reverse repurchase agreements	3,318
Derivative transactions (assets)	2,820
Loans and advances (net)	(10,675)
Change in benefits from receiving securitization operations	-
Other accounts receivable (net)	(8,005)
Foreclosed assets (net)	102
Other Operating Assets	(1,281)
Deposits	40,357
Repurchase agreements	
Collaterals sold or given in guarantee	18,724
Derivative transactions (liability)	(7,325)
Adjustments for employee benefits	(2,445)
Other operational liabilities	5,855
Change of assets/liabilities for employee benefits	(343)
Other accounts payable	(1,439)
Other provisions	(3,389)
Income tax payments	(856)
Net cash flows from operating activities	**2,041**
Investing activities:	
Payments for the acquisition of property, furniture and equipment	(67)
Proceeds from the sale of property, furniture and equipment	-
Collections of cash dividends from permanent investments	181
Payments for acquisition of intangible assets	(374)
Other payments from investing activities	-
Net cash flows from investing activities	**(260)**
Financing activities:	
Lease liability payments	(1,047)
Cash Dividend Payments	-
Proceeds from the issuance of financial instruments that qualify as liabilities	-
Payments associated with financial instruments that qualify as a liability	-
Net cash flows from financing activities	**(1,047)**
Increase/decrease in cash and equivalents	734
Cash and equivalents at beginning of period	66,814
Cash and equivalents as of 31 December 2023	**67,548**

Changes in Mexican accounting standards

Introduction

Grupo Financiero HSBC consolidated financial statements are prepared in accordance with the accounting standards applicable to financial group holding companies in Mexico, they are issued by the National Banking and Securities Commission (CNBV for its acronym in Spanish). Those accounting standards are based on the Financial Reporting Standards (NIF for its acronym in Spanish) issued by the Mexican Financial Reporting Standards Council (CINIF for its acronym in Spanish), but including specific rules for accounting, valuation, presentation and disclosure for particular financial institutions transactions, which in some cases are different.

Subsidiaries financial statements are prepared in accordance with accounting standards issued by CNBV applicable to banks, excepting by the Insurance Company (HSBC Seguros) which are prepared in line with accounting standards issued by National Insurance and Bonding Commission (CNSF for its acronym in Spanish).

The recent changes or new developments in accounting standards issued by CNBV or CINIF applicable to the bank as principal subsidiary of Grupo Financiero HSBC, are described below:

I. Improvements of NIF 2024 issued by CINIF applicable to Financial Institutions.

CINIF issued a document called "Improvements of NIF 2024", which mainly includes the following changes and improvements:

Improvements involving accounting changes.

NIF A-1 "Conceptual Framework of Financial Reporting Standards" – The CINIF split disclosures requirements of NIF in two sections: i) Disclosures applicable to all entities and ii) Additional disclosures applicable to public interest entities. In consequence, the conceptual framework of NIF adds the definition of public interest entities and explanations to understand the separation of disclosures in particular standards by each type of entity. These changes will be in force in 2025, but it is allowed early adoption in 2024.

NIF D-6 "Capitalisation of Integral Financial Result (RIF by its acronym in Spanish)" – The CINIF was questioned about if a productor biological asset should be recognised as asset and in consequence being recognised the capitalisation of the RIF, as part of its acquisition cost. As a result, the CINIF concluded in a positive way to recognise it as an asset and RIF as part of acquisition cost, while it is not ready to produce. This change drove some changes in NIF D-6, which, even if it is applicable to banks, no expectation that it would originate financial impacts, due to these types of assets are not applicable to financial institutions.

NIF C-10 "Derivatives and Hedging relationships" – Inclusion of the accounting treatment of the hedging for equity instruments measure at Fair Value through Other Comprehensive Income in accordance with NIF C-2, "Financial Instruments".

NIF B-17 "Determination of Fair Value", NIF C-2 "Financial Instruments", NIF C-16 "Impairment of Financial Instruments to Collect and/or Hold to Collect & Sale", NIF C-20, Financial Instruments to Hold to Collect and INIF-24 Accounting Recognition in the Adoption of Free-Risk Rates" –By definition of NIF Glossary, the objective of Hold-to-Collect or Sale financial instruments is to collect principal and interest cash flows or obtain a profit by their sale in the market. Nevertheless, the purpose of these instruments must be to get a profit in the market by their sale once market conditions could be favourable to the holder, rather than choosing between collect the principal and interest or sale. In consequence, the definition was changed to reconfirm that the purpose should be to Hold-to-Collect

& Sale, even if eventually they are not sold because unfavourable market conditions, but not affecting their original classification.

Due to the changes in the definition, this originates a serial of updates in other NIF (NIF B-17, C-16, C-20 e INIF 24) not representing accounting changes.

Improvements which do not originate accounting changes.

NIF B-7 “Business combinations” – Discarding the accounting recognition in acquirer balance sheet of those unaccrued employee benefits liabilities, because NIF D-3 Employee Benefits, indicates those unaccrued expenses are not subject to be recognised.

Likewise, it was included a precision to indicate that an acquisition in stages are not limited to associates, instead any type of entity in which the acquirer had had a previous participation before it obtains control, such as a joint venture or other permanent investment.

NIF B-8 “Consolidation of Financial Statements” – A precision was included to clarify a difference with IFRS 10 in the holding’s requirements to exercise the option to not consolidate financial statements, which is related to the non-consolidation follows an specific purpose knows by the holding entity such as for statutory purposes.

NIF B-11 “Non-current assets Held-for-Sale and Discontinued Operations” – A clarification was included to consider the term of “Entity’s component” as a synonym of “Cash Generating Unit or Group of Cash Generating Unit” in the interpretation of the standard to identify Discounted Operations.

NIF C-2 “Financial Instruments” – It was included that FX translation differences originated by those equity instruments designated irrevocable to be measured at fair value in Other Comprehensive Income (OCI), should be recognised in the same OCI.

NIF C-5 “Prepayments”, NIF C-9 “Provisions, Contingencies and Commitments” and NIF C-10 “Derivatives and Hedging relationships” – Precisions added to understand better the accounting treatment for financial guarantees by both issuer and holder.

NIF C-6 “Property, Plant & Equipment” – Costs incurred and revenue earned by the PP&E item, while it has not been allocated in the place and conditions envisaged to be used by the entity, are not capitalised and should be recognised on income statement, as they are accrued/incurred.

NIF C-6 “Property, Plant & Equipment” and NIF C-8 “Intangible Assets” – A precision added to determine that these assets are subject to a review at the end of the reporting annual period to confirm that their residual value, expected useful life and depreciation/amortisation methodology are still appropriated and they do not have to change.

NIF C-7 “Associates, Joint Ventures and Other Permanent Investments” – A clarification was included to indicate that the accounting treatment applicable to non-monetary assets capital contributions included in NIF C-7, are just applicable for those that do not meet "business" definition included in NIF B-7 “Business Combinations”.

NIF C-8 “Intangible Assets” – Clarification added to indicate that expenses incurred in pre-operating phases of the entity would be recognised as intangible assets as they meet requirements set out in NIF C-8, otherwise they should be expensed.

NIF C-19 “Financial Liabilities” – Precisions added to clarify in renegotiated debts what commissions should be included in quantitative de-recognition test of 10% and in which income statement line should be presented the gain or loss in renegotiation or de-recognition of these financial instruments.

NIF D-8 "Shared Based Payments" – It was included the specification of a difference between NIF D-8 and IFRS 2, which is related to the accounting recognition of a liability with a third-party for goods or services received, that will be settled by a variable number of entity's equity instruments in accordance with their fair value. The capitalisation of the liability occurs upon the issuance of the shares.

ONIF 3 "Summary of Financial Instruments Standard" – Elimination of the reference of differences between NIF and IFRS, because they are included in introduction paragraphs of each NIF related to Financial Instruments and the book called "Differences between NIF and IFRS" issued by the CINIF.

NIF Glossary – By improvements, they were included some new terms and modifications of others.

No significant financial impacts were observed in the implementation of all these changes.

II. NIF Disclosures.

On December 14th, 2023, the CINIF approved changes in the disclosures of each NIF, splitting disclosures in two sections: i) Disclosures applicable to all entities and ii) Additional disclosures applicable to public interest entities.

These changes will be in force in 2025, but it is allowed early adoption in 2024. No relevant impacts are expected by its implementation.

III. Special accounting rules issued by National Banking Commission applicable to borrowers affected by the OTIS hurricane in the state of Guerrero during October, 2023.

CNBV issued temporary special accounting rules "the benefit programme" applicable to borrowers of retail, mortgages and commercial loans affected by natural disaster occurred in the state of Guerrero in October 2023. Loans are subject to receive the benefit programme if they are classified for accounting purposes as stage of credit risk 1 or 2 on its balance sheet at October, 24th, 2023 and documentation is completed no later than October, 31th, 2024 (During first days of April, 2024, the CNBV extended the period to adhere to "the benefit programme").

In summary, "the benefit programme" granted by HSBC provides to borrowers partial or total payment holidays until 6 months, which could involve a change in original term of the loans, extending their maturity for the same period. During the benefit programme period, loans will not be flagged as restructure transactions and they will still be reported on their current stage 1 or 2 for accounting purposes.

Important to highlight that "the benefit programme" HSBC granted is adhered to criteria established by CNBV, with the purpose to provide a relief to those borrowers affected by this natural disaster.

Financial Impacts

At the reporting end period, the outstanding balance of loans adhered to the programme are:

Loan Category	Gross loans carrying amount (MXN $m)	Gross Loans in the benefit programme (MXN $m)	Gross Loans in the benefit programme/ Gross Loans carrying amount %	Balances of principal and interest deferred (MXN $m)
Corporate	227,677	5	0.002%	1
Consumer	102,838	238	0.231%	17
Mortgages	148,339	382	0.258%	15
Total	**478,854**	**625**		**33**

Below, an estimation of the financial impacts under Mex GAAP calculated at the reporting period end, assuming that loans would have not been adhered to the programme:

Loan Category	Balances transfer from stage 1 to 2 (MXN $m)	Balances transfer from stage 2 to 3 (MXN $m)	Additional Increase in loan loss provision (MXN $m)	Interest not recognised in B/S and PnL (MXN $m)
Corporate	-	5	4	-
Consumer	11	225	163	2
Mortgages	22	361	62	3
Total	**33**	**591**	**229**	**5**

Note: These impacts were calculated assuming that customers with temporary payment reliefs became past due since the day the benefit was granted

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 at 31 March 2024 and an explanation of the key reconciling items.

Figures in MXN millions	**31 Mar 2024**
Grupo Financiero HSBC – Profit / (loss) before tax under Mexican GAAP	**2,762**
Differences arising from:	
Loan impairment charges and other differences in presentation under IFRS	357
IFRS16	117
Effective Interest Rate	94
Valuation of defined benefit pensions and post-retirement healthcare benefits, including post-employment benefits	61
Fair value adjustments on financial instruments	(14)
Deferred profit sharing	(43)
AT1 Valuation	(73)
Other insurance adjustments[5]	(121)
Others	18
Profit before/(loss) tax under IFRS	**3,158**

[5] *Includes technical reserves and effects from IFRS 17*

Summary of key differences between results as reported under Mexican GAAP and IFRS

1. Valuation of defined benefit pensions and post-retirement healthcare benefits, including post-employment benefits

Mexican GAAP

The present value of Defined Benefit Obligations "DBO" (including indemnity benefits for other reasons that restructuring), are calculated at the reporting date by the schemes" actuaries through the Projected Unit Credit Method using a corporate/governmental bond rate as a base rate to determine the discount rate applicable.

The net costs recognize in the income statement mainly comprises the current service cost, plus the unwinding of the discount rate on plan liabilities (the discount rate used could be either corporate or government rate as long as it is applicable on consistent way), less the expected return on plan assets. 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.

According to Mexican Accounting standard, actuarial gains and losses could be: 1) recognized separately in "shareholders" Other Comprehensive Income in the bank's consolidated financial statements" and recycling through P&L over the average working life of the employees or 2) fully recognized in income statement, as election of the entity.

IFRS

The main differences between Mexican GAAP and IFRS comprise:

- Actuarial gains/losses are recognized in OCI under IFRS not subject to be recycling or recognize totally in income statement.

- The measurement of the present value of DBO is based on a Mexican governmental rate bond, instead of a corporate rate bond.

- There are not included in DBO the indemnity benefits given that they are not considered as part of benefits granted from past services.

2. Effective interest rate (EIR) adjustments

Mexican GAAP

From 2023, HSBC completed the adoption of the EIR method, where the commissions charged to the borrowers and incremental costs incurred to third parties at loan inception are recorded into a deferred credit account (liability) and as an asset, respectively. Both are part of loan net value to determine the effective interest rate and being recognised using the EIR method in the net interest income during the expecting life of the financial instruments in accordance with CNBV accounting standards.

Nevertheless, there are still some differences in EIR calculation for Mex GAAP in comparison with IFRS, such as: the exception of the use of EIR in credit cards and the possibility to not adjust the original EIR for those loans which the interest rate is resettable during their expected life.

Important to highlight that HSBC applies the EIR for those loans originated at or after the implementation date (01Jan23) using a portfolio approach in accordance with the CNBV accounting standards and transitory provisions applicable to the implementation.

IFRS

After initial recognition, an entity shall measure the loan at its amortised cost using the effective interest rate "EIR" method without exceptions.

The amortised cost of the financial instrument includes any premium discounts of fees paid and or received as result of the recognition of the financial asset.

3. Loan impairment charges and other differences in presentation under IFRS

Mexican GAAP

Loan impairment charges are calculated following the rules issued by the CNBV which since 2022 adopted an approach of Expected Credit Losses (ECL), nevertheless it will maintain some differences with IFRS methodology. Such rules establish different methodologies for ECL provisions for each type of loan.

IFRS

The impairment requirements under IFRS 9 are based on ECL concept that requires the recognition of provisions on a timely basis and forward-looking manner. ECL is determined via a two-step approach: 1) where the financial instruments are first assessed at inception regarding to for their relative credit deterioration, and 2) on ongoing basis followed by the measurement of the ECL (which depends on the credit deterioration categories).

Financial instruments with status of "performing" are considered in "Stage 1". Financial instruments which are considered to have experienced a significant increase in credit risk are in "Stage 2". Financial instruments for which there is objective evidence of impairment (in default or credit deterioration) are in "Stage 3". Financial instruments that are credit-impaired upon initial recognition are POCI, remaining this category until derecognition.

4. Fair value adjustments on financial instruments

Mexican GAAP

Since 2022, the NIF B-17 "Fair Value Measurement" requires that for those derivatives and financial instruments that should be measured at fair value, its value should be adjusted to reflect factors that would not be captured by the internal methodology of valuation, such as Debit and Credit Value Adjustments (CVA/DVA) and the use of a price into the Bid/Offer differential, as long as those financial instruments are included in the scope of article 175 Bis 3 of CNBV regulation.

IFRS

Fair Value Adjustments ("FVAs") include additional factors than those specified in Mexican GAAP.

5. Deferred-profit sharing (PTU diferida)

Mexican GAAP

Accounting standards requires that a Deferred-Employee Profit Sharing (Deferral PTU) shall be calculated applying a similar model to deferred income tax (assets and liabilities method). It is derived from temporary differences between the accounting profit and income to be used to calculate the profit sharing. Given the changes issued on 23 April 2021 by the Mexican government to introduce a threshold in the calculation of the "Employee Profit Sharing" (PTU by its acronym in Spanish) (the more favourable to the employee between a cap of three months of employee's wages or the average of PTU paid during the three last periods), some modifications to determine the new procedure to calculate deferral PTU:

Step 1.- Calculate the temporary differences between accounting and taxable for PTU at the reporting end period.

Step 2.- Determine the PTU rate expected to be incurred during the following years, based on financial and tax projections or the PTU incurred in the current period.

Step 3.- PTU rate x temporary differences amount.

An asset or liability for the Deferral PTU would be recognized according to method of comparing assets and liabilities sets out in Income Tax standards applicable in Mexico (*NIF D-4 "Income Taxes"*).

IFRS

Deferral PTU is not allowed to recognize under IFRS.

6. Insurance liabilities and Insurance premiums recognized on an annualised basis

Mexican GAAP

Insurance liabilities are determined based on Solvency II methodology established by local regulator (CNSF) which considers best estimate liability and a risk margin concept. The best estimate is based on up-to-date credible information and realistic assumptions and aims to represent a total liability valuation aligned to its expected pricing transfer to the customer. The risk margin is calculated as the cost of providing an amount of capital equal to 10% of the Solvency Capital Requirement necessary to support the insurance obligations over their lifetime.

Insurance premiums are recognized under annualization criteria which is based in determine the total premium for the coverage period (one year), consequently total premium is recognized since the moment where insurance contracts are written.

IFRS

For insurance liabilities starting in 2023, INMX applied IFRS17 accounting standard, that Aims to align insurance accounting with the principles applied by other industries, while recognizing the specific complexities of the contracts, their long term nature, and the linkages to underlying assets (especially for participating contracts).

Establish Globally consistent standard, setting a framework for measuring insurance contracts consistent with observable market parameters, and based on best estimate assumptions, the. Profits recognised in line with service provision (i.e. over the life of the contract) and included Enhanced and more granular disclosures.

7. Perpetual Subordinated Debt – AT1

Mexican GAAP

The perpetual subordinated debt is considered as compound financial instrument, i.e. principal meets financial liability definition while coupon of interest meets equity definition given the discretionary in its payment by the issuer according to "NIF C-11 Share Capital" and "NIF C-12 Financial Instruments with liability and equity features". Based on this, principal is measured as a financial liability at amortised cost and coupons are accounted as dividends from retained earnings. Given the instrument is denominated in US$, principal is recognized as foreign currency transaction and reported using the closing rate. Exchange rate changes are recognized in income statement. On the other hand, coupons of interest are recognized in equity when holder has the right to receive payment at historical cost (equity is non-monetary item under "NIF B-15 "The Effects of Changes in Foreign Exchange Rates").

IFRS

Considering the features of the instruments, the perpetual subordinated debt (AT1) is measured according to IFRS 9 as an equity instrument. As such, equity instruments are not re-measured subsequent to initial recognition. As the AT1 is classified and accounted for as equity, coupons interest payments are accounted as dividends from retained earnings and recognized when the holder's right to receive payment is established. No subsequent gains or losses are recognized in profit or loss in respect of the AT1 during its life. For instruments in a foreign currency which is different to functional currency of the issuer, no retranslation is applicable (equity is a non-monetary item under IAS 21 – The Effects of Changes in Foreign Exchange Rates).