

Grupo Financiero HSBC

Financial information at 30 September 2009

3Q09

- ▶ **Press Release**
- ▶ **Quarterly Report**
- ▶ **Third Quarter 2009**

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30 October 2009*





October 30, 2009

GRUPO FINANCIERO HSBC, S.A. DE C.V. THIRD QUARTER 2009 FINANCIAL RESULTS – HIGHLIGHTS

- Total operating income before loan impairment charges for the nine months to 30 September 2009 was MXN26,569 million, down by MXN2,101 million or 7.3 per cent compared with MXN28,670 million for the same period in 2008.
- Profit before tax for the nine months to 30 September 2009 was MXN878 million, down by MXN3,493 million or 79.9 per cent compared with MXN4,371 million for the same period in 2008.
- Net income for the nine months to 30 September 2009 was MXN1,563 million, down by MXN2,050 million or 56.7 per cent compared with MXN3,613 million for the same period in 2008.
- Gross loans and advances to customers were MXN158.5 billion at 30 September 2009, down by MXN30.5 billion or 16.1 per cent compared with MXN189.0 billion at 30 September 2008.
- Deposits were MXN222.1 billion at 30 September 2009, down by MXN24.0 billion or 9.8 per cent compared with MXN246.2 billion at 30 September 2008.
- Return on equity was 5.6 per cent for the nine months to 30 September 2009, compared with 12.8 per cent for the same period in 2008.
- The cost efficiency ratio was 59.6 per cent for the nine months to 30 September 2009, compared with 58.5 per cent for the same period in 2008.
- At 30 September 2009, the Bank's regulatory capital adequacy ratio was 13.51 per cent and the tier 1 capital ratio was 9.70 per cent.

HSBC Mexico S.A. (the Bank) is Grupo Financiero HSBC, S.A. de C.V.'s (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 quarter ended 30 September 2009) 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).

Grupo Financiero HSBC, S.A. de C.V. is a 99.99 per cent directly owned subsidiary of HSBC Holdings plc (HSBC Group).

Summary

The Mexican economy experienced a substantial deterioration in 2009 with GDP contracting by 10.3 per cent in the second quarter of the year compared to the same quarter in 2008. The year-on-year drop was the largest for a single quarter on records going back to 1981, but was smaller than estimates of several economists. The economy is widely expected to have improved in the second half of the year, following some early signs of improvement in trade, auto production, and consumer confidence.

The Mexican Central Bank left the overnight interest rate unchanged at 4.5 per cent in September for the second successive month on signs the economy is emerging from recession. This compares to a rate of 4.75 per cent at the end of June 2009. Exchange rate volatility continued throughout the third quarter of 2009. At the end of September 2009, the Mexican Peso closed against the US dollar at 13.55 compared to 13.18* at the end of June 2009.

Grupo Financiero HSBC's net income for the nine months ended 30 September 2009 was MXN1,563 million, a decrease of MXN2,050 million or 56.7 per cent compared to 30 September 2008. Profit before tax for the nine months ended 30 September 2009 was MXN878 million, a decrease of MXN3,493 million or 79.9 per cent compared to 30 September 2008. This was largely due to a fall in net interest income, lower fee income and increased loan impairment charges, partially offset by an increase in trading income.

Net interest income for the nine months to 30 September 2009 decreased by MXN3,157 million or 16.6 per cent to MXN15,905 million compared to the same period in 2008. Interest income reduced primarily as a result of a contraction in the consumer portfolio and lower spreads on deposits.

Loan impairment charges for the nine months ended 30 September 2009 were MXN11,416 million, an increase of MXN1,154 million or 11.2 per cent compared to the same period in 2008. Loan impairment charges decreased 36.1 per cent compared to the second quarter of 2009, this comes largely as a result of the implementation of credit provisioning methodology approved in August 2009.

In August 2009 the local regulator approved changes in the credit provisioning methodology for the consumer portfolio, particularly credit cards. Two alternatives were made available for financial institutions to recognize changes to loan loss allowances resulting from the implementation of the new methodology. The first was to recognize the change directly against retained earnings by 30 September 2009, and the second, to recognize the change through the income statement within a 24 month period. HSBC adopted the latter approach. Credit provisions created since implementation of the new methodology were MXN547 million. Previous credit provisioning methodology would have resulted in reserve requirements of MXN1,477 million.

Net fee income was MXN7,473 million for the nine months to 30 September 2009, a decrease of MXN1,183 million or 13.7 per cent compared to the same period in 2008. This was primarily due to fewer transactions as a result of lower business activity, lower account services fees and

* Source: Banxico (Bank of Mexico) FIX exchange rate

lower credit card fees as a consequence of a smaller consumer portfolio. On 21 August 2009, the Mexican Central Bank approved and implemented new regulatory requirements eliminating the amount of fees that can be charged to customers for certain account services.

Trading income was MXN 2,571 million at 30 September 2009, an increase of MXN1,619 million compared to the same period of 2008. This increase is due to strong performances in foreign exchange and debt trading, which benefited from higher market volatility and favourable trading positions.

Focused cost control resulted in a decrease in administrative expenses of MXN950 million or 5.7 per cent to MXN15,820 million for the nine months ended 30 September 2009 compared to the same period of 2008. This decrease was achieved despite the reclassification of employee profit-sharing taxes to operating expenses as required by local accounting rules. The main drivers of the underlying decrease were a reduction in personnel expenses and the elimination of a credit card cash back promotional facility. Excluding the effects of the reclassification of employee profit-sharing taxes, the decrease in administrative expenses would be MXN1,972 million or 11.1 per cent compared to the same period in 2008, and the improvement in the cost efficiency ratio would be 2.5 percentage points.

Net other income decreased MXN1,188 million or 43.5 per cent to MXN1,545 compared to the same period in 2008. This is mainly due to non-recurring income of MXN1,041 million from the sale of VISA Inc shares recorded during 2008.

The performance of our non-bank subsidiaries, particularly HSBC Seguros, contributed MXN912.8 million of total net income, an increase of MXN125.2 million compared to the same period in 2008.

Gross loans and advances to customers decreased 16.1 per cent to MXN158.5 billion at 30 September 2009 compared to the same period in 2008. Consumer loans decreased significantly as a result of fewer loan originations due to lower market demand and tighter credit risk policies. Government loan portfolios decreased mainly as a result of loan prepayments.

Total impaired loans decreased 7.1 per cent to MXN9,109 million at 30 September 2009 compared to the same period in 2008. Non performing credit card balances decreased 24.5 per cent compared to the same period in 2008. This reduction has been achieved as a result of continued management focus on improving asset quality and the strengthening our collections efforts.

Management efforts to improve asset quality have been focused on measures to reinforce collection operations through the implementation of new platforms and a strengthened organizational structure as well as maintaining a more conservative approach to loan origination.

Total loan loss allowances as at 30 September 2009 were MXN11,051 million of which credit cards comprised MXN3,256 million. This compares to total loan loss allowances of MXN11,970 million at 30 September 2008 and credit cards loan loss allowances of MXN4,863 million.

The total coverage ratio (allowance for loan losses/impaired loans) was 121.3 per cent at 30 September 2009, compared to 122.1 per cent at 30 September 2008. Credit cards coverage ratio was 88.0 per cent at 30 September 2009, compared to 106.3 per cent at 30 September 2008.

Total deposits decreased 9.8 per cent to MXN222.1 billion at 30 September 2009. Demand deposits were MXN113.8 billion, 6.6 per cent lower compared to 30 September 2008, mainly as a result of the economic downturn, strong competition to attract customer deposits and reduced branch operations following a restructuring of the network. Total time deposits decreased MXN15.9 billion or 13.3 per cent compared to 30 September 2008. Customer time deposits (excluding money market funds) at 30 September 2009 increased 9.0 per cent to MXN102.0 billion. This increase is a result of new product offerings and the promotion of existing products.

Business Highlights

Personal Financial Services

The Personal Financial Services (PFS) segment has implemented various strategies aimed at offering differentiated services and driving the growth of the customer base using customer relationship management capabilities.

The use of alternative distribution channels by customers is continually being promoted as the most convenient option for customers to perform their banking transactions. This includes an extensive network of ATMs, electronic and telephone banking.

The consumer loan portfolio has continued to decrease as a consequence of lower demand for credit in the market and more conservative underwriting criteria.

During the third quarter of 2009, PFS continued supporting its customers through different refinancing opportunities for consumer loan products, particularly credit cards and mortgage products in order to improve collections and offer payments solutions to customers to assist them during the difficult economic conditions.

The elimination of foreign currency cash transactions in branches and the reduction of branch operations in the first half of 2009 have led to a reduction in deposit volumes. Nevertheless, an increase in customer time deposits has been observed during the third quarter of 2009 as a result of new product offerings and re-enforcing existing products, such as a new product “*Inversión Express*”, launched in July, which has been well received and has generated approximately 27,000 new accounts since its launch. At the same time, PFS continued to promote the “*Cuenta Flexible HSBC*” and “*Cuenta Ahorro HSBC*” products by providing incentives for customers to open accounts.

Commercial Banking

During the third quarter of 2009, a targeted strategy to capture time deposits was implemented resulting in a 53 per cent increase compared to the second quarter of 2009, further strengthening customer relationships.

Continued focus on strengthening and growing the business in the State and Municipal segment has produced excellent results, increasing the credit portfolio and time deposits when compared to the previous quarter.

Commercial Banking supported its SME customers during the influenza AH1N1 outbreak through federal government programs. In addition, our initiative to restructure commercial loans by increasing the payment term by up to 36 months has been well accepted, decreasing the risk of default on the portfolio.

Global Banking and Markets

Global Markets continues to report strong results for the nine months ended 30 September 2009. This is mainly as a consequence of a favorable positioning of the trading portfolio and an increase in foreign exchange trading and sales.

Balance sheet management continued the positive trend in results despite losses from the sale of securities (mainly USD denominated) as part of a cautious risk management strategy.

HSBC played a leading role as joint bookrunner in the successful global and local equity offering from CEMEX of USD1.8 billion, which is one of the most significant transactions in the Mexican market so far this year.

The Global Banking franchise continued to be positioned as one of the main players in debt refinancing and liability management. GBM played a leading role as one of the six global coordinators that headed the refinancing for USD15 billion in bank debt of CEMEX, one of the largest and most complex transactions in Latin America. Other important debt refinancing projects in which a leading role was played include a USD1.2 billion for an auto-part company, USD465 million for a building materials company, and a USD100 million deal for a white-goods company.

Debt refinancing and a focus on asset quality are essential parts of the strategy to manage the asset portfolio. Specific deals, such as the Asset Backed Loan transaction to an automaker company and debt and equity restructuring for a major infrastructure project, have enhanced the risk profile of our portfolio and increase the profitability of our business.

In addition, pricing strategies implemented at the beginning of this year to reflect changing market conditions and client demand, combined with the increase in our average balance for deposits, have resulted in a solid financial performance.

About HSBC

Grupo Financiero HSBC, S.A. de C.V. is one of the leading financial groups in Mexico with 1,190 branches, 6,084 ATMs, approximately 8.0 million customer accounts and more than 18,900 employees. For more information, consult our website at www.hsbc.com.mx.

Grupo Financiero HSBC, S.A. de C.V. is a 99.99 per cent directly owned subsidiary of HSBC Holdings plc, and a member of the HSBC Group. With around 8,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa and assets of US\$2,422 billion at June 30th 2009, 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

	30 Sep 2008	31 Dec 2008	31 Mar 2009	30 Jun 2009	30 Sep 2009
a) Liquidity	85.79%	85.33%	153.49%	132.42%	124.03%
Profitability					
b) ROE (Return over equity)	8.21%	5.43%	8.85%	(1.64)%	9.82%
c) ROA (Return over assets)	.83%	.50%	.72%	(0.14)%	.90%
Asset quality					
d) Impaired loans/total loans	5.18%	5.92%	5.63%	6.43%	5.75%
e) Coverage ratio	122.14%	125.54%	137.78%	126.51%	121.32%
Capitalization					
f) Credit risk	16.58%	17.53%	18.36%	20.91%	22.14%
g) Credit and market risk operational	12.63%	12.83%	12.39%	13.42%	13.51%
Operating efficiency					
h) Expenses/Total Assets	6.49%	4.99%	4.40%	5.39%	5.14%
i) NIM	8.01%	6.86%	5.46%	5.41%	5.38%
Infrastructure					
Branches	1,251	1,251	1,189	1,190	1,190
ATM	5,878	5,958	5,918	5,992	6,084
Head Count	20,227	20,012	19,599	19,130	18,984

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

For the nine months to September 2009, Grupo Financiero HSBC reported a net income of MXN1,563 million, a decrease of MXN2,050 million (56.7%) compared to the same period in 2008.

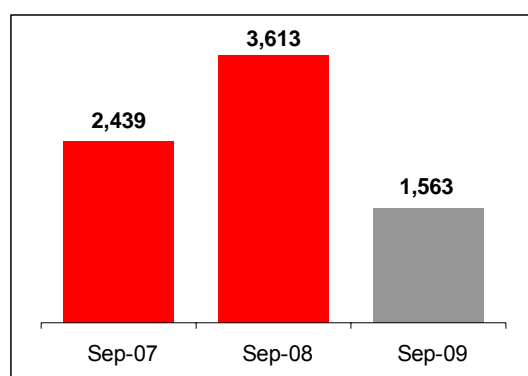
The results of the Group were benefited by the good performance of the subsidiary HSBC Seguros which recorded a profit of MXN912.8 million, which represents an increase of MXN125.2 million or 15.8 per cent compared to the same period in 2008.

Total Operating Income

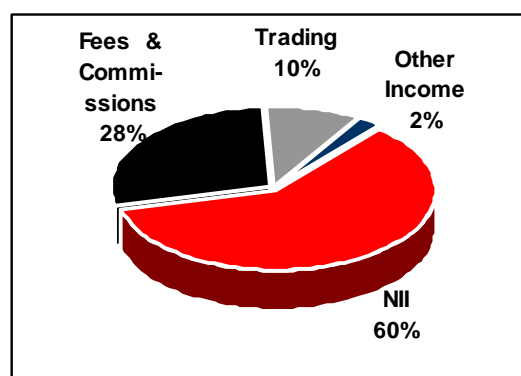
The Group's total operating income for the nine months to September 2009, before loan impairment charges, amounted to MXN26,569 million, which represents a decrease of MXN2,101 million (7.3%) compared to the same period of 2008. Trading income recorded an increase of MXN1,619 million, this was offset by the decrease in net interest income of MXN3,157 million and net fee income of MXN1,183 million, both compared with the same period of 2008.

Total operating income at 30 September 2009, after loan impairment charges, reached MXN15,153 million, a decrease of MXN3,255 million compared to the same period of the prior year. Revenues in the first half of 2009 were affected by the MXN1,154 million increase recorded in loan impairment charges compared to the same period of 2008.

Grupo Financiero HSBC:
Year to date net income



Grupo Financiero HSBC
Revenue distribution YTD 3Q09



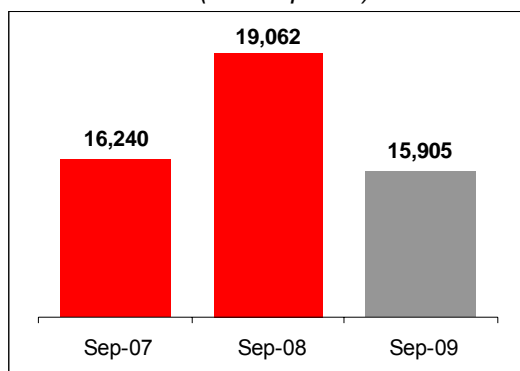
Net Interest Income

Net interest income decreased by MXN3,157 million at 30 September 2009, reaching MXN15,905 million, a 16.6 per cent decrease compared with the nine months at 30 September 2008.

Net interest income has been affected by a decrease of 14.9 per cent in interest income. This decrease is driven by the combination of different factors such as a lower portfolio and deposit volumes and deposits and lower interest rates.

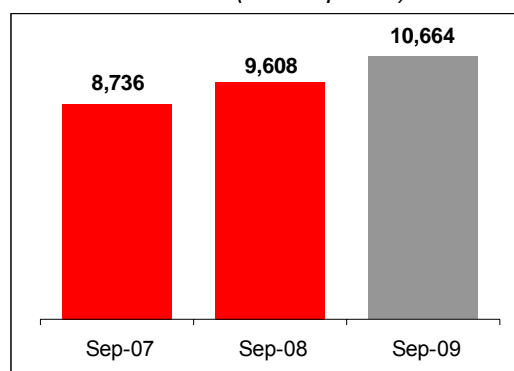
Net interest income

YTD (million pesos)



Non interest income

YTD (million pesos)



Non-interest Income

Non-interest income for the nine months to 30 September 2009 was MXN10,664 million; up MXN1,056 million 11.0 per cent compared to the same period of 2008.

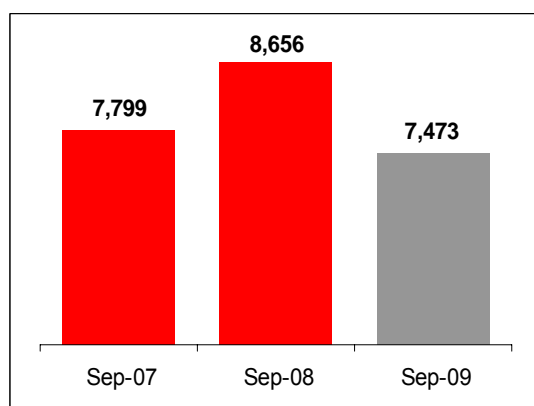
► **Fee income**

The Group's net fee income at 30 September 2009, reached MXN7,473 million, which represents a decrease of MXN1,183 million or 13.7 per cent compared to the same period of 2008. Fee income fell due to lower income from credit cards, account management commissions, as well as a decrease in income from PCM (Payments and cash management) and ATMs. Fee income during the quarter was affected by regulatory changes implemented in August 2009 eliminating the amount of fees that can be charged to customers for certain account services.

Credit card fees decreased by 24.3 per cent compared with the nine months to 30 September 2008, mainly as a result of decreased income from cash withdrawals, lower loan origination, coupled with lower transactions volumes.

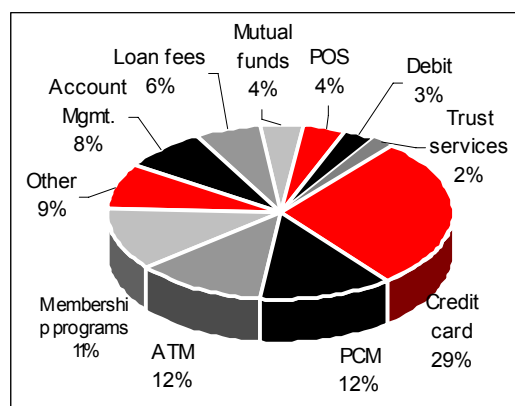
Group fees & commissions

YTD (million pesos)



Bank's fees & commissions distribution

30 June 2009



POS= Point of Sale
 ATM= Automatic Teller Machine
 PCM= Payments & Cash Management

Account Management fees decreased 23.9 per cent compared with the nine months to 30 September 2008, mainly as a result of lower income from returned checks and lower fees related to minimum

balances. This decrease reflects the impact of new provisions applicable from August 2009 relating to the charge of certain account services fees.

ATMs fees decreased by 14.1 per cent compared with the nine months to 30 September 2008, mainly due to lower transaction volumes.

At 30 June 2009, fee income can be essentially explained by the Bank's operations, since they contribute 91.0 per cent of the Group's total net commissions. Total fee income obtained by the Bank amounted to MXN6,799 million at 30 September 2009.

► Trading income

Trading income was MXN2,571 million at 30 September 2009, which represents an increase of MXN1,619 million compared to the same period of 2008. This increase is mainly due to a strong performance from foreign exchange and debt trading positions as a result of market volatility during the third quarter of 2009.

The Group's non-interest income to total to revenue ratio increased from 33.5 per cent at 30 September 2008 to 40.1 per cent in 2009.

► Other income

Other income decreased to MXN1,545 million, which represents a decrease of MXN1,188 million (43.5%) compared with nine months to 30 September 2008, a period in which a non-recurring income of MXN1,041 was recorded from the sale of VISA Inc. shares denominated in U.S. dollars.

Loan Impairment Charges

At 30 September 2009, the Group's loan impairment charges were MXN11,416 million, which represents an increase of MXN1,154 million or 11.2 per cent compared to the prior year. Loan impairment charges decreased 36.1 per cent compared to the second quarter of 2009.

The Group's management is focusing its efforts on improving asset quality by maintaining tight control of origination policies and to strengthen collection efforts, as a result of this the total impaired loan portfolio decreased 7.3 at 30 September 2009 compared to the same period of the prior year. Non performing credit card balances decreased 24.5 per cent compared to the same period in 2008.

In August 2009 the local regulator approved changes in the credit provisioning methodology for the consumer portfolio, particularly credit cards. Two alternatives were made available for financial institutions to recognize changes to loan loss allowances resulting from the implementation of the new methodology. The first was to recognize the change directly against retained earnings by 30 September 2009, and the second, to recognize the change through the income statement within a 24 month period. HSBC adopted the latter approach. Credit provisions created since implementation of the new methodology were MXN547 million. Previous credit provisioning methodology would have resulted in reserve requirements of MXN1,477 million.

Management efforts to improve asset quality have been focused on measures to reinforce collection operations through the implementation of new platforms and a strengthened organizational structure as well as maintaining a more conservative approach to loan origination.

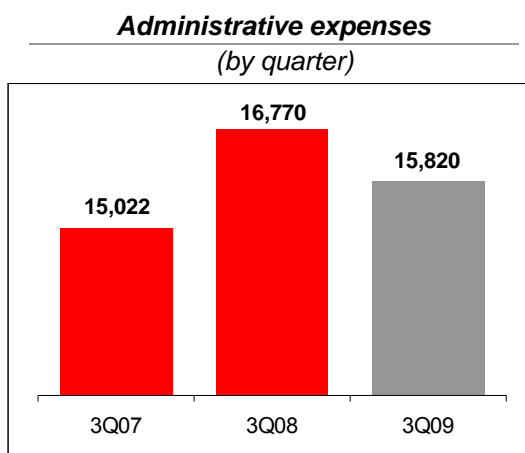
Administrative and Personnel Expenses

At 30 September 2009, the Group's administrative expenses were MXN15,820 million, a MXN950 million or 5.7 per cent decrease compared to the same period of the prior year.

The main drivers of the underlying decrease were a reduction in personnel expenses and the elimination of a credit card cash back promotional facility. Excluding the effects of the reclassification of employee profit-sharing taxes, the decrease in administrative expenses would be MXN1,972 million or 11.1 per

cent compared to the same period in 2008, and the improvement in the cost efficiency ratio would be 2.5 percentage points.

The Group's cost efficiency ratio at 30 September 2009 was 59.5 per cent.



Balance sheet Variance Analysis

At 30 September 2009, the Group's total assets amounted MXN400,619 million, which represents an increase of MXN52,622 million, equivalent to 15.1 per cent, compared to the third quarter of 2008.

Loan portfolio

The Group's performing loan portfolio balance amounted to MXN149,417 million at 30 September 2009, a decrease of 16.6 per cent compared to the third quarter of 2008. The mortgage loan portfolio increased by 7.9 per cent compared to the third quarter of 2008. The commercial portfolio (including financial and government entities) decreased by 15.2 per cent compared to the third quarter of 2008 as a result of several pre-payments, particularly in the public sector and by financial brokers. Consumer portfolio reflected a reduction, recording a decrease of 29.8 per cent compared to the same period of 2008.

The current loan portfolio at the third quarter of 2009 remained at similar levels as the preceding quarter, ended in June 2009, with increases in the commercial (2.6 per cent), government (11.3 per cent) and mortgage (2.8 per cent) portfolios.

► Commercial loans (including financial and government entities)

It must be pointed out that during the second half of 2008, the total commercial portfolio has been affected by several pre-payment transactions performed by the Federal Government; therefore, the balance of the commercial loan portfolio reflects a decrease of MXN17,364 million at the end of September 2009 compared to the same period of the prior year.

Excluding the Government entities' and financial entities' portfolios, the commercial loan portfolio decreased by MXN2,494 million, which is equivalent to a reduction of 3.3 per cent compared to the third quarter of 2008. During the first half of the year, the commercial portfolio balance was affected by the global economic situation and the influenza outbreak in the country, both of which had a negative impact on economic activity. However, both the commercial and the government portfolios once more reflected positive trends at 30 September 2009, with increases of 2.6 per cent and 11.3 per cent, respectively, compared with the second quarter of the year.

► Consumer loans

The consumer loan portfolio decreased mainly as a result of the behaviour observed in the auto and personal loans, as well as credit cards. The reduction in the consumer loan portfolio was mainly due to reduced demand for credit in the market, coupled with tighter origination criteria in order to improve credit quality. Auto loans reduced 24.2 per cent, while personal and payroll loans decreased by 33.8 per cent. Credit card balances decreased 26.7 per cent compared to the third quarter of 2008, with a balance at month-end September of MXN20.9 billion.

► Mortgage loans

The mortgage loan portfolio reflects an increase of MXN1,454 million (7.9%) compared the third quarter of 2008, while compared with the immediately preceding quarter, the growth of the portfolio amounted to MNX547 million (2.8 per cent). Similarly to the commercial and government portfolios, mortgage loan portfolio recorded strong positive trends compared with previous quarters of the year.

Asset quality

As at 30 September 2009, the Group's impaired loan portfolio amounted to MXN9,109 million, which represents a decrease of MXN692 million compared to the prior year. This decrease is largely due to a reduction in the impaired loans of consumer product and credit card loans, resulted from management's efforts to achieve more conservative loan origination and stricter collection management policies. The impaired loans to the total loan portfolio ratio was 5.7 per cent, 0.5 percentage points higher than the

figure recorded in the same period of the prior year, however 0.7 percentage points lower compared to the second quarter of 2009. The coverage ratio at 30 September 2009 was 121.3 per cent, compared with the one observed in the third quarter of 2008 (122.1%).

Various customer support programs have continued during the third quarter in order to optimize collections and reduce customer delinquencies.

Deposits

The Group's total deposits at 30 September 2009 amounted to MXN222,147 million, a decrease of 9.8 per cent compared to the third quarter of the prior year as a consequence of the current economic environment, the elimination of cash transactions in foreign currency in branches and the intense competition to attract deposits. "Inversion Express", launched in July, has partially offset this reduction in deposits, has been well received by customers.

In addition, the savings and investment products, "Cuenta Flexible HSBC" and "Cuenta Ahorro HSBC" are still being promoted and offered to our customers and the general public.

Our presence in the corporate and business sector continues to produce positive results. Our relationship with States and Municipalities segments has also resulted in greater deposit accounts.

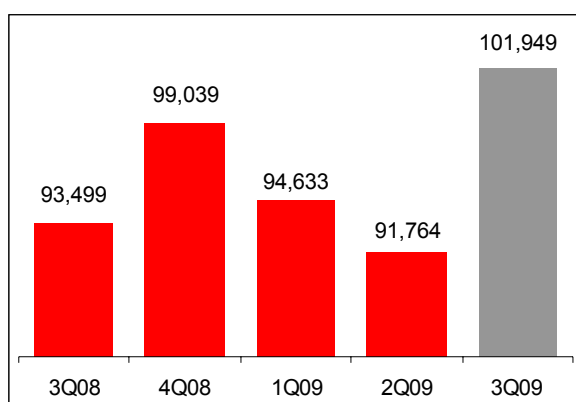
► Demand deposits

At 30 September 2009, demand deposits amounted to MXN113,750 million, 6.6 per cent less compared to the same period of the prior year, as a result of the current economic environment and the level of market competition.

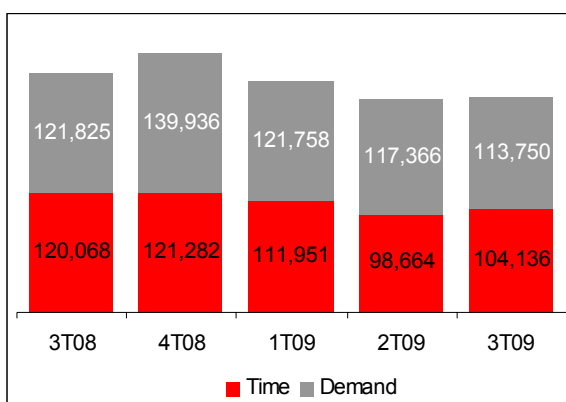
► Time deposits

Total time deposits reduced 13.3 per cent compared to 30 September 2008, mainly due to a decrease of MXN24,382 million in the money market, which was partially offset by an increase of MXN8,450 million in time deposits from the general public. The launch of the "Inversion Express" product in July of this year has been well accepted by the public, with a placement of approximately 27,000 new accounts since its launch. The reduction in money market deposits is the result of current market requirements and a reduction in interest rates. Time deposits at the end of the third quarter of 2009 represented 47.8 per cent of the total in the deposit mix (time and demand).

Group Time deposits (retail)
(September, 2009)



Group deposit mix
(September, 2009)



Shareholder's equity

At 30 September 2009, the Group's shareholders' equity was MXN37,813 million representing a decrease of 2.4 per cent compared to the third quarter of the prior year. Moreover, the Bank's shareholders' equity was MXN30,512 at 30 September 2009, increasing 1.7 per cent compared to 30 September of the prior year.

Capital Adequacy Ratio

Bank's capital adequacy ratio at 30 September 2009 was 13.51 per cent, placing it above the authorities' requirements. The Tier 1 capital ratio at the end of the reporting period is 9.70 per cent.

Financial Statements Grupo Financiero HSBC

Consolidated Balance Sheet

Figures in MXN millions at September 30, 2009

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

	<u>30 Sep 2008</u>	<u>31 Dec 2008</u>	<u>31 Mar 2009</u>	<u>30 Jun 2009</u>	<u>30 Sep 2009</u>
Assets					
Cash and deposits in banks	50,457	74,161	86,326	65,346	60,387
Margin Accounts	-	-	-	3,997	3,685
Investments in Securities	62,802	61,701	118,622	126,999	116,290
Trading securities	33,678	24,259	76,932	73,990	60,071
Available-for-sale securities	25,022	28,507	32,681	43,989	47,450
Held to maturity securities	4,102	8,935	9,009	9,020	8,769
Repurchase agreements	49	140	770	798	3,500
Derivative transactions	23,412	77,453	44,535	31,368	31,865
Performing loans					
Commercial loans	114,213	100,536	101,531	94,019	96,849
Commercial entities	74,528	75,502	77,041	70,184	72,034
Loans to financial intermediaries	17,213	9,484	8,690	7,832	7,008
Loans to government entities	22,472	15,550	15,800	16,003	17,807
Consumer loans	46,637	43,156	40,098	36,564	32,734
Mortgages loans	18,380	19,002	19,531	19,287	19,834
Total performing loans	<u>179,230</u>	<u>162,694</u>	<u>161,160</u>	<u>149,870</u>	<u>149,417</u>
Impaired loans					
Commercial loans	2,073	2,116	2,319	2,425	2,153
Commercial entities	2,073	2,114	2,319	2,425	2,102
Loans to financial intermediaries	-	-	-	-	-
Loans to government entities	-	2	-	-	51
Consumer loans	6,163	6,533	5,750	5,930	4,756
Mortgages loans	1,565	1,596	1,554	1,947	2,200
Other	-	-	-	-	-
Total non-performing loans	<u>9,801</u>	<u>10,245</u>	<u>9,623</u>	<u>10,302</u>	<u>9,109</u>
Loan portfolio	189,031	172,939	170,783	160,172	158,526
Allowance for loan losses	(11,970)	(12,862)	(13,258)	(13,033)	(11,051)
Net loan portfolio	<u>177,061</u>	<u>160,077</u>	<u>157,525</u>	<u>147,139</u>	<u>147,475</u>
Receivables	-	-	-	-	-
(-) less					
Provision for doubtful receivables	-	-	-	-	-
Total loan portfolio	<u>177,061</u>	<u>160,077</u>	<u>157,525</u>	<u>147,139</u>	<u>147,475</u>
Benefits to be received from trading operations	-	-	-	257	168
Other accounts receivable, net	16,774	48,552	18,252	15,396	16,845
Foreclosed assets	91	97	117	134	164
Property, furniture and equipment, net	6,478	6,633	6,616	6,583	6,721
Long term investments in equity securities	3,538	3,507	3,322	3,673	4,000
Deferred taxes, net	2,433	2,117	3,254	3,494	4,168
Goodwill	2,749	2,749	2,749	2,749	2,749
Other assets, deferred charges and intangibles	2,153	2,424	2,374	2,435	2,602
Total Assets	<u>347,997</u>	<u>439,611</u>	<u>444,462</u>	<u>410,368</u>	<u>400,619</u>

Figures in MXN millions at September 30, 2009

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

	30 Sep 2008	31 Dec 2008	31 Mar 2009	30 Jun 2009	30 Sep 2009
Liabilities					
Deposits	246,156	265,464	237,981	220,278	222,147
Demand deposits	121,825	139,936	121,758	117,366	113,750
Time deposits	120,068	121,282	111,951	98,664	104,136
Retail	93,499	99,039	94,633	91,764	101,949
Money market	26,569	22,243	17,318	6,900	2,187
Bank bonds outstanding	4,263	4,246	4,272	4,248	4,261
Bank deposits and other liabilities	7,782	10,652	7,658	22,602	23,029
On demand	-	966	170	1,967	-
Short term	5,414	7,840	5,731	19,111	21,629
Long term	2,368	1,846	1,757	1,524	1,400
Repurchase agreements	65	83	76,581	57,115	32,612
Settlement accounts	-	-	-	3,550	161
Collateral Sold	-	-	-	6,934	6,697
Securities to be received in repo transactions	-	-	-	6,934	6,697
Derivative transactions	23,893	83,148	45,770	29,572	31,621
Other accounts payable	30,483	37,554	33,946	24,289	36,346
Income tax and employee profit sharing payable	1,932	1,009	1,004	1,341	1,742
Creditors for settlement of transactions	-	-	-	11,789	23,265
Sundry creditors and others accounts payable	28,551	36,545	32,942	11,159	11,339
Subordinated debentures outstanding	2,205	5,948	6,216	8,932	9,655
Deferred tax	-	-	-	-	-
Deferred credits	479	492	487	468	538
Total Liabilities	311,063	403,341	408,639	373,740	362,806
Stockholder's Equity					
Paid in capital	21,466	21,466	21,466	23,724	23,725
Capital stock	8,210	8,210	8,210	8,452	8,452
Additional paid in capital	13,256	13,256	13,256	15,272	15,273
Capital Gains	15,464	14,799	14,353	12,900	14,083
Capital reserves	1,442	1,442	1,648	1,648	1,648
Retained earnings	11,582	11,582	13,839	11,582	11,582
Result from the mark-to-market of					
Available-for-sale securities	(1,037)	(2,335)	(1,932)	(979)	(490)
Result from cash flow hedging transactions	-	-	-	-	(220)
Adjustment in the pension employee	(136)	-	-	-	-
Net Income	3,613	4,110	798	649	1,563
Minority interest	4	5	4	4	5
Total Stockholder's Equity	36,934	36,270	35,823	36,628	37,813
Total Liabilities and Capital	347,997	439,611	444,462	410,368	400,619

Figures in MXN millions at September 30, 2009

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

	30 Sep 2008	31 Dec 2008	31 Mar 2009	30 Jun 2009	30 Sep 2009
Memorandum Accounts					
	2,901,384	3,042,496	2,271,016	2,175,281	2,159,896
Guarantees granted	33	41	38	35	31
Contingent assets and liabilities	-	-	131	125	124
Irrevocable lines of credit granted	-	-	10,946	10,539	11,850
Goods in trust or mandate	192,544	197,705	190,490	238,917	249,973
Trust	192,544	197,705	190,490	238,268	249,474
Mandate	-	-	-	649	499
Agente financiero del Gobierno Federal	-	-	-	-	-
Goods in custody or under administration	109,363	160,877	177,672	213,580	204,931
Collateral received by the institution	-	-	-	19,992	14,844
Collateral received and sold or delivered as guarantee	-	-	-	9,677	11,342
Third party investment banking operations, net	25,871	25,694	23,019	56,804	56,489
Other control accounts	2,573,573	2,658,179	1,868,720	1,625,612	1,610,312

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 4,128 millions.

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Consolidated Income Statement

Figures in MXN millions at September 30, 2009

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

	<i>Por el trimestre terminado el</i>				<i>Acumulado al</i>		
	30 Sep 2008	31 Dec 2008	31 Mar 2009	30 Jun 2009	30 Sep 2009	30 Sep 2009	
Interest Income	9,566	9,359	8,749	8,194	7,276	28,469	24,219
Interest expense	(3,033)	(3,247)	(3,372)	(2,884)	(2,058)	(9,407)	(8,314)
Net interest income	<u>6,533</u>	<u>6,112</u>	<u>5,377</u>	<u>5,310</u>	<u>5,218</u>	<u>19,062</u>	<u>15,905</u>
Loan impairment charges	(3,870)	(4,619)	(4,751)	(4,067)	(2,598)	(10,262)	(11,416)
Risk adjusted net interest income	<u>2,663</u>	<u>1,493</u>	<u>626</u>	<u>1,243</u>	<u>2,620</u>	<u>8,800</u>	<u>4,489</u>
Fees and commissions receivable	3,122	3,014	2,789	2,735	2,682	9,518	8,206
Fees payable	(288)	(307)	(246)	(217)	(270)	(862)	(733)
Trading Income	619	1,607	1,406	748	417	952	2,571
Other operating income	-	-	-	363	257	-	620
Total operating income	<u>6,116</u>	<u>5,807</u>	<u>4,575</u>	<u>4,872</u>	<u>5,706</u>	<u>18,408</u>	<u>15,153</u>
Administrative and personnel expenses	(5,913)	(4,927)	(4,857)	(5,755)	(5,208)	(16,770)	(15,820)
Net operating income	<u>203</u>	<u>880</u>	<u>(282)</u>	<u>(883)</u>	<u>498</u>	<u>1,638</u>	<u>(667)</u>
Other income	857	1,149	1,309	640	622	3,377	2,571
Other expenses	(313)	(1,732)	(347)	(229)	(450)	(644)	(1,026)
Net income before taxes	<u>747</u>	<u>297</u>	<u>680</u>	<u>(472)</u>	<u>670</u>	<u>4,371</u>	<u>878</u>
Income tax and employee profit sharing tax	(927)	232	(1,180)	(688)	(646)	(3,263)	(2,514)
Deferred income tax	<u>675</u>	<u>(320)</u>	<u>1,096</u>	<u>640</u>	<u>485</u>	<u>1,666</u>	<u>2,221</u>
Net income before subsidiaries	<u>495</u>	<u>209</u>	<u>596</u>	<u>(520)</u>	<u>509</u>	<u>2,774</u>	<u>585</u>
Undistributed income from subsidiaries	264	288	202	371	406	840	979
Income from ongoing operations	759	497	798	(149)	915	3,614	1,564
Minority interest	-	-	-	-	(1)	(1)	(1)
Net income (loss)	<u>759</u>	<u>497</u>	<u>798</u>	<u>(149)</u>	<u>914</u>	<u>3,613</u>	<u>1,563</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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Consolidated Statement of Changes in Shareholder's Equity

Figures in MXN millions

From 1 January 2009 to 30 September 2009

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

	Paid in capital				Earned capital						Minority 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 2009	8,210	-	13,256	-	1,442	11,582	(2,335)	-	-	4,110	5	36,270
Movements Inherent to the Shareholders Decision												
Subscription of shares	242	-	2,017	-	-	-	-	-	-	-	-	2,259
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	206	-	-	-	-	-	-	206
Transfer of result of prior years	-	-	-	-	-	3,904	-	-	-	(4,110)	-	(206)
Cash dividends	-	-	-	-	-	(3,904)	-	-	-	-	-	(3,904)
Others	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent to the Shareholders Decision	242	-	2,017	-	206	-	-	-	-	(4,110)	-	(1,645)
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income												
Net result	-	-	-	-	-	-	-	-	-	1,563	-	1,563
Result from valuation of available-for-sale securities	-	-	-	-	-	-	1,845	-	-	-	-	1,845
Result from cash flow hedging transactions	-	-	-	-	-	-	-	(220)	-	-	-	(220)
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent for the Recognition of the Comprehensive Income	-	-	-	-	-	-	1,845	(220)	-	1,563	-	3,188
Balances as at 30 September 2009	8,452	-	15,273	-	1,648	11,582	(490)	(220)	-	1,563	5	37,813

"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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Consolidated Statement of Cash Flow

Figures in MXN millions

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

From 1 January to 30 September 2009

Net income	1,563
Adjustments for items not involving cash flow:	8,484
Gain or loss on appraisal of activities associated with investment & financing	(3,152)
Allowances for loan losses	11,415
Depreciation and amortization	920
Income Tax and deferred taxes	293
Undistributed income from subsidiaries	(979)
Other	(13)
Changes in items related to operating activities:	
Margin accounts	(3,685)
Investment securities	(53,407)
Repurchase agreements	(3,362)
Derivative (assets)	49,185
Loan portfolio	1,185
Benefits to be received from trading operations	(168)
Foreclosed assets	(73)
Operating assets	31,863
Deposits	(43,318)
Bank deposits and other liabilities	12,378
Creditors repo transactions	32,528
Collateral sold or delivered as guarantee	6,697
Derivative (liabilities)	(51,527)
Subordinated debentures outstanding	3,707
Other operating liabilities	(3,513)
Funds provided by operating activities	(21,510)
Investing activities:	
Disposal of property, furniture and equipment	10
Acquisition of property, furniture and equipment	(1,017)
Disposal of subsidiaries	30
Cash dividend	475
Intangible assets acquisitions	(163)
Funds used in investing activities	(665)
Financing activities:	
Shares issue	2,258
Cash dividend	(3,904)
Funds provided by financing activities	(1,646)
Increase/decrease in cash and equivalents	(13,774)
Cash and equivalents at beginning of period	-
Cash and equivalents at end of period	74,161
	60,387

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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Financial Statements HSBC Mexico, S.A.

Consolidated Balance Sheet

Figures in MXN millions at September 30, 2009

HSBC Mexico, S.A. (Bank)

	30 Sep 2008	31 Dec 2008	31 Mar 2009	30 Jun 2009	30 Sep 2009
Assets					
Cash and deposits in banks	50,457	73,603	85,756	65,346	60,387
Margin Accounts	-	-	-	3,997	3,685
Investment in Securities	62,150	61,029	118,211	126,442	115,616
Trading securities	33,368	24,000	76,857	73,903	59,870
Available-for-sale securities	24,680	28,093	32,345	43,519	46,977
Held to maturity securities	4,102	8,936	9,009	9,020	8,769
Repurchase agreements	47	134	749	798	3,500
Derivative transactions	23,412	77,453	44,535	31,368	31,865
Performing loans					
Commercial loans	114,213	100,536	101,531	94,019	96,849
Commercial entities	74,528	75,502	77,041	70,184	72,034
Loans to financial intermediaries	17,213	9,484	8,690	7,832	7,008
Loans to government entities	22,472	15,550	15,800	16,003	17,807
Consumer loans	46,637	43,156	40,098	36,564	32,734
Mortgages loans	18,380	19,002	19,531	19,287	19,834
Total performing loans	<u>179,230</u>	<u>162,694</u>	<u>161,160</u>	<u>149,870</u>	<u>149,417</u>
Impaired loans					
Commercial loans	2,073	2,116	2,319	2,425	2,153
Commercial entities	2,073	2,114	2,319	2,425	2,102
Loans to financial intermediaries	-	-	-	-	-
Loans to government entities	-	2	-	-	51
Consumer loans	6,163	6,533	5,750	5,930	4,756
Mortgage Loans	1,565	1,596	1,554	1,947	2,200
Other performing loans	-	-	-	-	-
Total non-performing loans	<u>9,801</u>	<u>10,245</u>	<u>9,623</u>	<u>10,302</u>	<u>9,109</u>
Total loan portfolio	189,031	172,939	170,783	160,172	158,526
Allowance for loan losses	<u>(11,970)</u>	<u>(12,862)</u>	<u>(13,258)</u>	<u>(13,033)</u>	<u>(11,051)</u>
Net loan portfolio	177,061	160,077	157,525	147,139	147,475
Receivables	-	-	-	-	-
(-) less					
Provision for doubtful receivables	-	-	-	-	-
Total loan portfolio	<u>177,061</u>	<u>160,077</u>	<u>157,525</u>	<u>147,139</u>	<u>147,475</u>
Benefits to be received from trading operations	-	-	-	257	168
Other accounts receivable	16,567	48,474	17,927	15,241	16,615
Foreclosed assets	91	97	117	134	164
Property, furniture and equipment, net	6,466	6,622	6,606	6,573	6,714
Long term investments in equity securities	128	139	149	132	127
Deferred taxes	2,410	2,134	3,278	3,536	4,228
Other assets, deferred charges and intangibles	<u>2,111</u>	<u>2,372</u>	<u>2,334</u>	<u>2,368</u>	<u>2,522</u>
Total Assets	<u><u>340,900</u></u>	<u><u>432,134</u></u>	<u><u>437,187</u></u>	<u><u>403,331</u></u>	<u><u>393,066</u></u>

Figures in MXN millions at September 30, 2009

HSBC Mexico, S.A. (Bank)

	30 Sep 2008	31 Dec 2008	31 Mar 2009	30 Jun 2009	30 Sep 2009
Liabilities					
Deposits	246,338	265,697	238,153	220,987	222,269
Demand deposits	122,007	140,169	121,930	118,075	113,872
Time deposits	120,068	121,282	111,951	98,664	104,136
Retail	93,499	99,039	94,633	91,764	101,949
Money market	26,569	22,243	17,318	6,900	2,187
Bank bonds outstanding	4,263	4,246	4,272	4,248	4,261
Bank deposits and other liabilities	7,782	10,652	7,658	22,602	23,029
On demand	-	966	170	1,967	-
Short term	5,414	7,840	5,731	19,111	21,629
Long term	2,368	1,846	1,757	1,524	1,400
Repurchase agreements	63	78	76,560	57,115	32,612
Settlement accounts	-	-	-	3,550	161
Collateral Sold	-	-	-	6,934	6,697
Securities to be received in repo transactions	-	-	-	6,934	6,697
Derivative transactions	23,893	83,148	45,770	29,572	31,621
Other accounts payable	30,131	37,286	33,541	23,988	35,972
Income tax and employee profit sharing payable	1,875	879	955	1,241	1,587
Creditors for settlement of transactions	-	-	-	11,630	21,860
Sundry creditors and others accounts payable	28,256	36,407	32,586	11,117	12,525
Subordinated debentures outstanding	2,205	5,948	6,216	8,932	9,655
Deferred tax	-	-	-	-	-
Deferred credits	479	492	487	468	538
Total Liabilities	310,891	403,301	408,385	374,148	362,554
Stockholder's Equity					
Paid in capital	15,883	15,883	15,883	15,883	16,623
Capital stock	4,272	4,272	4,272	4,272	4,334
Additional paid in capital	11,611	11,611	11,611	11,611	12,289
Capital Gains	14,124	12,948	12,917	13,297	13,886
Capital reserves	12,797	12,797	14,314	14,313	14,313
Retained earnings	-	-	-	-	-
Result from the mark-to-market of Available-for-sale securities	(1,077)	(2,368)	(1,940)	(1,032)	(593)
Result from cash flow hedging transactions	-	-	-	-	(220)
Adjustment in the pension employee	(136)	-	-	-	-
Net Income	2,540	2,519	543	16	386
Minority interest	2	2	2	3	3
Total Stockholder's Equity	30,009	28,833	28,802	29,183	30,512
Total Liabilities and Capital	340,900	432,134	437,187	403,331	393,066

Figures in MXN millions at September 30, 2009

HSBC Mexico, S.A. (Bank)

	<u>30 Sep 2008</u>	<u>31 Dec 2008</u>	<u>31 Mar 2009</u>	<u>30 Jun 2009</u>	<u>30 Sep 2009</u>
Memorandum Accounts					
Guarantees granted	33	41	38	35	31
Contingent assets and liabilities	-	-	131	125	124
Irrevocable lines of credit granted	-	-	10,946	10,539	11,850
Goods in trust or mandate	192,544	197,705	190,490	238,917	249,973
Goods	192,003	197,048	189,451	238,268	249,474
Trusts	541	657	1,039	649	499
Goods in custody or under administration	105,415	156,930	749	209,452	200,803
Collateral received by the institution	-	-	173,725	14,934	10,198
Collateral received and sold or delivered as guarantee	-	-	-	14,735	6,697
Third party investment banking operations, net	25,871	25,694	23,019	56,804	56,489
Amounts committed in transactions with IPAB for Fobaproa	148	151	154	157	159
Amounts contracted in derivative operations	1,914,946	2,038,702	1,263,141	1,036,988	1,036,767
Integrated loan portfolio	198,785	183,806	181,767	170,747	170,408
Other control accounts	418,601	392,669	389,373	374,240	364,776
	<u>2,866,195</u>	<u>3,006,659</u>	<u>2,233,533</u>	<u>2,127,673</u>	<u>2,108,275</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 2,534 millions.

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Consolidated Income Statement

Figures in MXN millions at September 30, 2009

HSBC Mexico, S.A. (Bank)

	For the quarter ending				Year to date		
	30 Sep 2008	31 Dec 2008	31 Mar 2009	30 Jun 2009	30 Sep 2009	30 Sep 2008	30 Sep 2009
Interest income	9,531	9,368	8,656	8,190	7,272	28,411	24,118
Interest expense	(3,004)	(3,290)	(3,288)	(2,856)	(14,307)	(9,379)	(8,163)
Position Monetary	-	-	-	-	-	-	-
Net interest income	<u>6,527</u>	<u>6,078</u>	<u>5,368</u>	<u>5,334</u>	<u>5,253</u>	<u>19,032</u>	<u>15,955</u>
Loan impairment charges	3,870	4,619	4,751	4,067	2,598	10,262	11,416
Loan impairment charges	3,870	4,619	4,751	4,067	2,598	10,262	11,416
Risk adjusted net interest income	<u>2,657</u>	<u>1,459</u>	<u>617</u>	<u>1,267</u>	<u>2,655</u>	<u>8,770</u>	<u>4,539</u>
Fees and commissions receivable	2,926	2,829	2,604	2,539	2,381	8,894	7,524
Account management	315	325	271	247	231	1,007	749
Services	2,611	2,504	2,333	2,292	2,150	7,887	6,775
Fees payable	(291)	(322)	(257)	(254)	(214)	(848)	(725)
Trading Income	617	1,605	1,404	745	416	945	2,565
Foreign exchange	944	3,849	4,080	(7,209)	1,706	744	(1,423)
Securities trading, net	(8)	(38)	(46)	(13)	(5)	19	(64)
Repos	-	-	-	-	-	(3)	-
Swaps	320	175	171	244	87	314	502
Valuation off-shore agencies	(1,026)	(1,412)	(3,140)	7,455	(1,164)	(635)	3,151
Valuation for trading swaps	387	(969)	339	268	(208)	506	399
Other operating income	-	-	-	363	257	-	620
Total operating income	<u>5,909</u>	<u>5,571</u>	<u>4,368</u>	<u>4,660</u>	<u>5,495</u>	<u>17,761</u>	<u>14,523</u>
Administrative and personnel expenses	5,738	5,079	4,754	5,559	5,136	16,195	15,449
Personnel expense	2,616	1,987	2,078	2,489	2,014	6,895	6,581
Administrative expense	2,848	2,820	2,395	2,784	2,774	8,496	7,953
Depreciation and amortization	274	272	281	286	348	804	915
Net operating income	<u>171</u>	<u>492</u>	<u>(386)</u>	<u>(899)</u>	<u>359</u>	<u>1,566</u>	<u>(926)</u>
Other income	781	998	1,319	562	559	3,330	2,440
Other expenses	(368)	(1,520)	(345)	(229)	(449)	(846)	(1,023)
Net income before taxes	<u>584</u>	<u>(30)</u>	<u>588</u>	<u>(566)</u>	<u>469</u>	<u>4,050</u>	<u>491</u>
Income tax and employee profit sharing	(921)	304	(1,137)	(646)	(589)	(3,206)	(2,372)
Deferred income tax	666	(308)	1,083	671	487	1,656	2,241
Net income before subsidiaries	<u>329</u>	<u>(34)</u>	<u>534</u>	<u>(541)</u>	<u>367</u>	<u>2,500</u>	<u>360</u>
Undistributed income from subsidiaries	8	13	10	14	3	41	27
Income from ongoing operations	<u>337</u>	<u>(21)</u>	<u>544</u>	<u>(527)</u>	<u>370</u>	<u>2,541</u>	<u>387</u>
Minority interest	-	-	(1)	-	-	(1)	(1)
Net income (loss)	<u>337</u>	<u>(21)</u>	<u>543</u>	<u>(527)</u>	<u>370</u>	<u>2,540</u>	<u>386</u>

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

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Consolidated Statement of Changes in Shareholder's Equity

Figures in MXN millions

HSBC Mexico, S.A. (Bank)

From 1 January 2009 to 30 September 2009

	Paid in capital				Earned Capital					Minority 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 2009	4,272	-	11,611	-	12,797	-	(2,368)	-	-	2,519	2	28,833
Movements Inherent to the Shareholders Decision												
Subscription of shares	62	-	678	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	1,516	(1,516)	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	-	2,519	-	-	-	(2,519)	-	-
Cash dividends	-	-	-	-	-	(1,003)	-	-	-	-	-	(1,003)
Total Movements Inherent to the Shareholders Decision	62	-	678	-	1,516	-	-	-	-	(2,519)	-	(263)
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income												
Net result	-	-	-	-	-	-	-	-	-	386	1	387
Result from valuation of available-for-sale securities	-	-	-	-	-	-	1,775	-	-	-	-	1,775
Result from cash flow hedging transactions	-	-	-	-	-	-	-	(220)	-	-	-	(220)
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent for the Recognition of the Comprehensive Income	-	-	-	-	-	-	1,775	(220)	-	386	1	1,942
Balances as at 30 September 2009	4,334	-	12,289	-	14,313	-	(593)	(220)	-	386	3	30,512

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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Consolidated Statement of Cash Flow

Figures in MXN millions

From 1 January 2009 to 30 September 2009

HSBC Mexico, S.A. (Bank)

30 Sep 2009

Net income	386
Adjustments for items not involving cash flow:	9,290
Gain or loss on appraisal of activities associated with investment & financing	(3,152)
Allowances for loan losses	11,415
Depreciation and amortization	915
Income Tax and deferred taxes	131
Undistributed income from subsidiaries	(27)
Other	8
Changes in items related to operating activities:	
Margin accounts	(3,685)
Investment securities	(53,544)
Repurchase agreements	(3,369)
Derivative (assets)	49,185
Loan portfolio	1,185
Benefits to be received from trading operations	(168)
Foreclosed assets	(73)
Operating assets	32,089
Deposits	(43,428)
Bank deposits and other liabilities	12,378
Creditors repo transactions	32,534
Collateral sold or delivered as guarantee	6,697
Derivative (liabilities)	(51,527)
Subordinated debentures outstanding	3,707
Other operating liabilities	(3,480)
Funds provided by operating activities	(21,499)
Investing activities:	
Disposal of property, furniture and equipment	10
Acquisition of property, furniture and equipment	(1,017)
Disposal of subsidiaries	23
Disposal of long term investments in equity securities	15
Cash dividend	1
Intangible assets acquisitions	(163)
Funds used in investing activities	(1,131)
Financing activities:	
Shares issue	740
Cash dividend	(1,002)
Funds used or provided by financing activities	(262)
Increase/decrease in cash and equivalents	(13,216)
Cash and equivalents at beginning of period	73,603
Cash and equivalents at end of period	60,387

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 September 30, 2009

Investments in securities

	<u>30 Sep 2008</u>	<u>31 Dec 2008</u>	<u>31 Mar 2009</u>	<u>30 Jun 2009</u>	<u>30 Sep 2009</u>
Government securities	30,972	19,466	74,374	70,613	55,077
Bank securities	1,163	3,917	1,690	1,804	3,036
Shares	113	113	66	15	366
Others	1,430	763	802	1,558	1,592
Trading securities	<u>33,678</u>	<u>24,259</u>	<u>76,932</u>	<u>73,990</u>	<u>60,071</u>
Government securities	17,260	24,394	29,004	38,569	43,742
Bank securities	210	-	-	1,966	-
Obligations and other securities	6,538	3,063	3,326	3,266	3,459
Shares	1,014	1,050	351	188	249
Available for sale securities	<u>25,022</u>	<u>28,507</u>	<u>32,681</u>	<u>43,989</u>	<u>47,450</u>
Sovereign debt securities	-	-	-	-	-
Commercial and industrial subordinated debentures	-	-	-	-	-
Special Cetes (net)	4,102	4,183	4,263	4,328	4,379
MYRAS	-	-	-	-	-
Bank securities	-	320	324	204	209
Corporate securities	-	4,432	4,422	4,488	4,181
Securities held to maturity	<u>4,102</u>	<u>8,935</u>	<u>9,009</u>	<u>9,020</u>	<u>8,769</u>
Total Financial Instruments	<u>62,802</u>	<u>61,701</u>	<u>118,622</u>	<u>126,999</u>	<u>116,290</u>

In the third quarter of 2009 investment in securities decreased by MXN (10,709) million compared to the second quarter of 2009; mainly by decreases government securities (MXN10,363 million), promissory note (MXN1,036) among others.

Repos

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

Figures in MXN millions at September 30, 2009

	<u>30 Sep 2008</u>	<u>31 Dec 2008</u>	<u>31 Mar 2009</u>	<u>30 Jun 2009</u>	<u>30 Sep 2009</u>
Government securities (debit)	41,969	39,382	-	-	-
Bank securities (debit)	584	582	-	-	-
Valuation Increase (decrease)	18	80	-	-	-
Interest in securities receivable under repurchase agreements	<u>42</u>	<u>37</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total in repo agreements (debit)	<u>42,613</u>	<u>40,081</u>	<u>-</u>	<u>-</u>	<u>-</u>
Repo's Government securities (credit)	41,987	39,402	75,946	56,547	31,995
Repo's Bank securities (credit)	584	582	569	482	593
Valuation increase (decrease)	(1)	(2)	-	-	-
Accrued interest payable	<u>82</u>	<u>71</u>	<u>66</u>	<u>86</u>	<u>24</u>
Credit balance in repo agreements	<u>42,652</u>	<u>40,053</u>	<u>76,581</u>	<u>57,115</u>	<u>32,612</u>

	<u>30 Sep 2008</u>	<u>31 Dec 2008</u>	<u>31 Mar 2009</u>	<u>30 Jun 2009</u>	<u>30 Sep 2009</u>
Repurchase agreements in government securities	14,536	8,059	1,521	8,000	3,500
Repurchase agreements in banking securities	-	-	-	-	-
Valuation increase (decrease)	-	-	-	-	-
Accrued interest receivable	16	1	-	1	-
Debit balance repo securities agreements	<u>14,552</u>	<u>8,060</u>	<u>1,521</u>	<u>8,001</u>	<u>3,500</u>
Government securities	14,518	8,039	751	7,202	-
Bank securities	-	-	-	-	-
Valuation increase (decrease)	1	(9)	-	-	-
Interest in securities deliverable under repurchase agreements	10	2	-	1	-
Credit balance repo securities agreements	<u>14,529</u>	<u>8,032</u>	<u>751</u>	<u>7,203</u>	<u>-</u>

Derivative Financial Instruments

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at September 30, 2009

	<u>Futures</u>		<u>Forwards Contracts</u>		<u>Options</u>		<u>Swaps</u>		<u>Total (net)</u>
	<u>Asset position</u>	<u>Liability position</u>	<u>Asset position</u>	<u>Liability position</u>	<u>Asset position</u>	<u>Liability position</u>	<u>Asset position</u>	<u>Liability position</u>	
For trading									
Pesos	-	-	56,259	46,122	30,280	30,305	68,798	70,584	8,326
US Dollars	-	-	51,038	60,181	2,021	2,025	122,666	121,965	(8,446)
Interest Rate	5,581	5,581	216	313	-	-	121,168	120,707	364
Total	<u>5,581</u>	<u>5,581</u>	<u>107,513</u>	<u>106,616</u>	<u>32,301</u>	<u>32,330</u>	<u>312,632</u>	<u>313,256</u>	<u>244</u>
For hedging									
Pesos	-	-	-	-	-	-	1,857	-	
US Dollars	-	-	-	-	-	-	-	2,525	
Interest Rate	-	-	-	-	-	-	2,085	2,975	
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,942</u>	<u>5,500</u>	

Collateral Sold or delivered as guarantee

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at September 30, 2009

	<u>30 Sep 2008</u>	<u>31 Dec 2008</u>	<u>31 Mar 2009</u>	<u>30 Jun 2009</u>	<u>30 Sep 2009</u>
Stock borrowing					
Cetes	-	-	-	1,123	1,437
Valuation increase (decrease)	-	-	-	(13)	-
Bonds	-	-	-	5,584	5,258
Valuation increase (decrease)	-	-	-	240	2
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,934</u>	<u>6,697</u>

Participation by Subsidiary

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

Group Subsidiaries at September 30, 2009

	Number of Shares owned by subsidiaries	Participation Percentage	Number of Shares owned by HSBC Group
HSBC México, S.A.	1,266,853,588	99.99%	1,266,777,362
HSBC Seguros, S.A. de C.V.	392,200	99.99%	392,199
HSBC Afore, S.A. de C.V.	225,500	99.99%	225,499
HSBC Fianzas, S.A.	759,985,454	97.22%	738,877,715
HSBC Casa de Bolsa, S.A. de C.V.	72,727,272	99.99%	72,727,271
HSBC Global Asset Management (México), S.A. de C.V.	1,000	99.90%	999
HSBC Servicios, S.A. de C.V.	100	99.00%	99
Total	2,100,185,114		2,079,001,144

Trading income

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at September 30, 2009

	<i>For the quarter ending...</i>				<i>Year to date</i>		
	<i>30 Sep 2008</i>	<i>31 Dec 2008</i>	<i>31 Mar 2009</i>	<i>30 Jun 2009</i>	<i>30 Sep 2009</i>	<i>30 Sep 2009</i>	
Valuation	(999)	(1,414)	(3,139)	7,455	(1,164)	(634)	3,152
Derivatives	(842)	(161)	(530)	147	182	(480)	(201)
Repos	-	1	(2)	0	(0)	3	(2)
Debt Securities	71	1,336	(4)	(428)	(11)	71	(443)
Foreign Exchange	(228)	(2,590)	(2,603)	7,736	(1,335)	(228)	3,798
Buying and Selling							
Instruments	1,616	3,019	4,543	(6,710)	1,580	1,579	(587)
Foreign Currency	943	3,850	4,080	(7,210)	1,707	743	(1,423)
Derivatives	414	(676)	260	214	(353)	611	121
Repos	20	-	0	0	0	-	0
Shares	26	-	6	4	12	12	22
Debt Securities	213	(155)	197	282	214	213	693
Total	617	1,605	1,404	745	416	945	2,565

Loan Portfolio

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

By type of currency

Figures in MXN millions at September 30, 2009

	Commercial or Business Activity	Financial Intermediaries	Government Entities	Consumer Loans	Mortgage Loans	Total
Performing Loan Portfolio						
Pesos	48,922	6,791	16,420	32,734	19,829	124,696
US Dollars	23,112	217	1,387	-	5	24,721
Udis Banxico	-	-	-	-	-	-
Total	72,034	7,008	17,807	32,734	19,834	149,417
Non Performing Loans Portfolio						
Pesos	2,023	-	51	4,756	2,200	9,030
US Dollars	79	-	-	-	-	79
Udis Banxico	-	-	-	-	-	-
Total	2,102	-	51	4,756	2,200	9,109

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-2	F1
Local Currency			
Long term obligations	A2	BBB+	A+*
Long term deposits	A2	BBB+	-
Short term	P-1	A-2	F1
BFSR (Moody's)	C-	-	-
Individual / Support rating (Fitch)	-	-	C / 1
National scale / Local currency			
Long term	Aaa.mx	mxAAA	AAA (mex)
Short term	MX-1	mxA -1+	F1+ (mex)
Outlook	Stable	Negative	Negative
Last update	19-Oct-09	20-Feb-09	10-Nov-08

(*) Indicates the long term ratings for which the negative outlook rating applies.

Loan Portfolio Grading

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at September 30, 2009

	Total loan portfolio	Allowance for Loan Losses by type of loan			Total reserves
		Commercial loans	Consumer loans	Mortgages loans	
Exempted from rating	8,211				
Graded	162,197				
Risk A	78,209	356	53	56	465
Risk A-1	55,781	140	53	56	249
Risk A-2	22,428	216	0	0	216
Risk B	69,605	2,496	1,013	147	3,656
Risk B-1	49,297	751	366	147	1,264
Risk B-2	13,002	913	647	0	1,560
Risk B-3	7,306	832	0	0	832
Risk C	6,401	816	827	222	1,865
Risk C-1	5,767	502	827	222	1,551
Risk C-2	634	314	0	0	314
Risk D	6,590	319	2,427	945	3,691
Risk E	1,392	974	346	54	1,374
Total	170,408	4,961	4,666	1,424	11,051
Less:					
Constituted Reserves					11,051
Surplus					0

1. The rating and constitution of reserves correspond to last day of the balance sheet at 30 September 2009.
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. In August 12, 2009 the National Banking and Securities Commission (CNBV) approved changes in the credit provisioning methodology for credit cards. HBC adopted to recognize these changes through the income statement within a 24 month period. As of the third quarter of 2009 Credit provisions created since implementation of the new methodology were MXN547 million. Previous credit provisioning methodology would have resulted in reserve requirements of MXN1,477 million.

Non – Performing Loans

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	At the quarter ending				
	30 Sep 2008	31 Dec 2008	31 Mar 2009	30 Jun 2009	30 Sep 2009
Initial Balance of Impaired Loans	9,048	9,801	10,245	9,623	10,302
Increases	6,666	6,975	6,409	8,811	6,204
Transfer of current loans to past due status	6,666	6,975	6,409	8,811	6,204
Decreases	(5,935)	(6,605)	7,031	8,132	7,397
Restructurings	(162)	(120)	64	93	170
Liquidated credits	(4,195)	(4,983)	5,351	5,560	5,636
Charged in cash	(1,112)	(1,194)	1,053	1,443	1,106
Foreclosed assets	(13)	(9)	17	30	30
Writeoffs	-	-	0	0	0
Sale of portfolio	(3,070)	(3,780)	4,281	4,087	4,500
Transfer to performing loan status	(1,578)	(1,502)	1,626	2,468	1,597
	22	74	10	(11)	6
Fx revaluations					
Final Balance of Impaired Loan	9,801	10,245	9,623	10,302	9,109

Deferred Taxes

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

Figures in MXN millions at September 30, 2009

	30 Sep 2008	31 Dec 2008	31 Mar 2009	30 Jun 2009	30 Sep 2009
Loan loss reserves	3,434	2,137	3,100	3,955	4,405
Valuation of securities	(494)	(294)	(128)	(132)	(46)
Fiscal loss	7	6	6	14	24
Other reserves	241	744	619	540	578
PTU Payable	237	389	485	34	55
Foreclosed assets	169	19	72	16	35
Stocks VISA & Mastercard	(170)	-	-	-	-
Other	109	125	109	129	157
Differences in rates of fixed assets	(464)	(307)	(285)	(319)	(283)
Fiscal result UDIS-Banxico	(636)	(702)	(724)	(743)	(757)
Total Deferred Taxes	2,433	2,117	3,254	3,494	4,168

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>30 Sep 2008</u>	<u>31 Dec 2008</u>	<u>31 Mar 2009</u>	<u>30 Jun 2009</u>	<u>30 Sep 2009</u>
MXN pesos					
Funding	3.64%	3.62%	3.40%	2.77%	2.17%
Bank and other loans	7.82%	8.26%	7.79%	6.32%	5.07%
Foreign currency					
Funding	0.77%	0.50%	0.28%	0.22%	0.15%
Bank and other loans	3.00%	3.51%	1.99%	0.82%	0.75%
UDIS					
Funding	0.19%	0.19%	0.19%	0.20%	0.20%

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>MaturityDate</i>
		<i>MXN millions</i>			<i>MXN millions</i>		
INTENAL 03	24-Nov-2003	2,200	MXN	3	2,203	TIIE	25-Nov-2013
HSBC 08	30-Sep-2008	1,818	MXN	8	1,826	TIIE 0.60%	20-Sep-2018
HSBC 08-2	18-Dec-2008	2,272	MXN	1	2,273	TIIE 2.00%	10-Dec-2018
HSBC 09D(USD248) ¹	26-Jun-2009	<u>3,352</u>	USD	<u>1</u>	<u>3,353</u>	LIBOR 3.50%	28-Jun-2019
		<u>9,642</u>		<u>13</u>	<u>9,655</u>		

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

<i>Instrument</i>	<i>Issue Date</i>	<i>Amount</i>	<i>Currency</i>	<i>Interest payable</i>	<i>Amount in circulation</i>	<i>Maturity Date</i>
		<i>MXN millions</i>			<i>MXN millions</i>	
Certified Marketable Securities	10-MAY-2006	<u>4,220</u>	MXN	<u>41</u>	<u>4,261</u>	27-ABR-2016
		<u>4,220</u>		<u>41</u>	<u>4,261</u>	

Capital

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

Grupo Financiero HSBC

The Ordinary Shareholders Meeting, held on March 30, 2009, approved the following distribution of the year 2008 financial results, amounting to MXN4,110 million:

- ▶ Five per cent, MXN206 million, to increase legal reserves, and the remaining MXN2,257 million, at the Board's determination to be applied under the concept of previous year's financial results.

On March 30, 2009 one notice was published in accordance to the agreement of the Board meeting, held on March 31, 2009, a dividend of \$0.847564982 shall be paid per share for each one of the 1,943,032,139 shares. Such dividend was paid on one disbursement on March 31 of 2009.

The general shareholders meeting, held on June 23, 2009 agreed to increase the capital stock amounting to MXN2,259 million, by issuing 120,979,365 shares, which were subscribed and paid at a price of MXN 18.67.

The Ordinary Shareholders Meeting, held on June 30, 2009, approved the dividend of \$1.1617606819009 shall be paid per share for each one of the 1,943,032,139 shares. Such dividend was paid on one disbursement on June 30 of 2009, amounting to MXN2,257.

The capital stock is included in the amount of MXN4,128 million, represented by 2,064,011,504 shares.

Subsidiaries Grupo Financiero HSBC

HSBC Mexico, S.A.

HSBC Mexico, S.A., net income in 2008, figure that was audited by Despacho KPMG Cárdenas Dosal, S.C., was MXN2,519 million.

The Ordinary Shareholders Meeting, held on March 30, 2009, approved the following distribution of the year 2008 financial results in the following accounting distribution:

Ten per cent to increase legal reserves MXN252 million, a dividend of \$0.81133657 shall be paid per share for each one of the 1,235'526,706 shares outstanding. Such dividends were paid on one disbursement on March 31 of 2009 for MXN1,003 million and the remaining MXN1,264 million to other reserves.

The general shareholders meeting, held on August 28, 2009 agreed to increase the capital stock amounting to MXN740 million of which are MXN62 million to capital stock and MXN678 million in shares premiums, by issuing 31'326,882 shares, which were subscribed and paid at a price of MXN23.62 for every 100 shares that they hold.

The capital stock increased to MXN2,534 million representing 1,266'853,588 shares.

HSBC Casa de Bolsa, S.A. de C.V.

The Ordinary Shareholders Meeting, approved to affect the net income recorded in 2008 amounting to MXN95 million to retained earnings in accordance to the Board decision.

HSBC Afore, S.A. de C.V.

On March, 2009, it was ordered the payment of dividend by MXN100 million. Such dividend was paid on one disbursement on March of 2009, and august 2009 by MX 140 million.

HSBC Global Asset Management (México) S.A. de C.V.

The Ordinary Shareholders Meeting, approved to affect the net income recorded in 2008 amounting to MXN29 million to retained earnings in accordance to the Board decision.

HSBC Servicios S.A. de C.V.

The Ordinary Shareholders Meeting, approved to affect the net income recorded in 2008 amounting to MXN43 million to retained earnings in accordance to the Board decision.

Capital Ratio

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at September 30, 2009

	<u>30 Sep 2008</u>	<u>31 Dec 2008</u>	<u>31 Mar 2009</u>	<u>30 Jun 2009</u>	<u>30 Sep 2009</u>
% of assets subject to credit risk					
Tier 1	14.74%	13.79%	14.40%	15.12%	15.89%
Tier 2	1.84%	3.74%	3.96%	5.79%	6.24%
Total regulatory capital	<u>16.58%</u>	<u>17.53%</u>	<u>18.36%</u>	<u>20.91%</u>	<u>22.14%</u>
% of assets subject to credit, market risk and operational risk					
Tier 1	11.23%	10.09%	9.72%	9.70%	9.70%
Tier 2	1.40%	2.74%	2.67%	3.72%	3.81%
Total regulatory capital	<u>12.63%</u>	<u>12.83%</u>	<u>12.39%</u>	<u>13.42%</u>	<u>13.51%</u>
Tier 1	25,818	25,289	25,715	25,317	26,088
Tier 2	3,219	6,860	7,073	9,695	10,249
Total regulatory capital	<u>29,037</u>	<u>32,149</u>	<u>32,788</u>	<u>35,012</u>	<u>36,337</u>
RWA credit risk	175,118	183,381	178,623	167,462	164,150
RWA market risk	49,253	58,907	74,688	78,944	87,110
RWA operational risk	5,543	8,291	11,271	14,483	17,780
RWA credit and market risk	<u>229,914</u>	<u>250,579</u>	<u>264,589</u>	<u>260,889</u>	<u>269,040</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 Expenses, Other Income and Extraordinary Items

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

Figures in MXN millions at September 30, 2009

	<i>For the quarter ending</i>					<i>Year to date</i>	
	<i>30 Sep 2008</i>	<i>31 Dec 2008</i>	<i>31 Mar 2009</i>	<i>30 Jun 2009</i>	<i>30 Sep 2009</i>	<i>30 Sep 2008</i>	<i>30 Sep 2009</i>
Other income							
Loans to employees	44	46	44	40	36	127	120
Recoveries	323	258	475	97	74	870	646
Other income	490	845	790	503	512	2,380	1,805
	857	1,149	1,309	640	622	3,377	2,571
Other expenses	(313)	(1,732)	(347)	(229)	(450)	(644)	(1,026)
Other losses	(313)	(1,732)	(347)	(229)	(450)	(644)	(1,026)
Total other income (expenses)	544	(583)	962	411	172	2,733	1,545

► Other income is 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 *September 30, 2009* is shown below:

Figures in MXN millions

	Bank	Pension funds	Brokerage house	Mutual funds management	Services	Group	Total
Balance Sheet							
Cash and deposits in banks	-	1	98	-	4	19	122
Demand deposits	(122)	-	-	-	-	-	(122)
Sundry debtors (assets)	344	-	1,408	5	75	-	1,832
Sundry creditors (liabilities)	(1,475)	(12)	(10)	(68)	(267)	-	(1,832)
Total	(1,253)	(11)	1,496	(63)	(188)	19	-
P&L							
Payable commissions	(26)	(4)	-	(332)	-	-	(362)
Receivable commissions	284	-	79	7	-	-	370
Interest income	-	-	4	-	-	-	4
Interest expense	(4)	-	-	-	-	-	(4)
Repos	(235)	-	-	-	-	-	(235)
Reverse repos	-	-	235	-	-	-	235
Administrative services	(168)	(31)	(146)	(34)	(467)	(1)	(847)
Other income	670	-	-	10	159	-	839
Total	521	(35)	172	(349)	(308)	(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 *September 30, 2009*, is shown below:

Figures in MXN millions at September 30, 2009

	Year to date at 30 September 2009				
	PFS	CMB	CIBM	OAC	Total
Net Interest Income	11,936	3,709	260	0	15,905
Provision for Loan Loss	(9,676)	(1,552)	(188)	0	(11,416)
Net Interest Income adjusted	2,260	2,157	72	0	4,489
Fees and Commissions, net	5,123	1,696	654	0	7,473
Trading Income	139	76	2,356	0	2,571
Other operation income	442	176	2	0	620
Total Revenue	7,964	4,105	3,084	0	15,153
Administrative Expenses	(10,254)	(3,974)	(1,592)	0	(15,820)
Operating Income	(2,290)	131	1,492	0	(667)
Other Income (Expenses), net	730	267	548	0	1,545
Profit Before Taxes	(1,560)	398	2,040	0	878
Taxes	(521)	133	681	0	293
Net Income before subsidiaries	(1,039)	265	1,359	0	585
Undistributed income from subsidiaries	957	8	14	0	979
Continued Operating Results	(82)	273	1,373	0	1,564
Discontinued Operating Results	0	0	0	0	0
Net Income	(82)	273	1,373	0	1,564
Minority Shareholders	(1)	0	0	0	(1)
Participated Net Income	(83)	273	1,373	0	1,563

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

Grupo Financiero HSBC

HSBC Holdings plc, the parent of Grupo Financiero HSBC S.A. de C.V. reports its results under International Financial Reporting Standards (IFRS). There follows a reconciliation of the results of Grupo Financiero HSBC S.A. de C.V. from Mexican GAAP to IFRS for the six months to 30 September 2009 and an explanation of the key reconciling items.

<i>Figures in MXN millions</i>	30 Sep 2009
Grupo Financiero HSBC – Net Income Under Mexican GAAP	1,563
Differences arising from:	
Valuation of pensions and post retirement healthcare benefits †	146
Acquisition costs relating to long-term investment contracts †	(36)
Deferral of fees received and paid on the origination of loans	(39)
Recognition and provisioning for loan impairments †	3
Purchase accounting adjustments †	(18)
Recognition of the present value in-force of long-term insurance contracts †	7
Tax criteria	303
Other †	349
HSBC México net income under IFRS	2,278
US dollar equivalent (millions)	164
Add back tax expense	1,055
HSBC México profit before tax under IFRS	3,333
US dollar equivalent (millions)	240
<i>Exchange rate used for conversion</i>	13.9

† Net of tax at 28 per cent.

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

Valuation of pensions and post retirement healthcare benefits

Mexican GAAP

Obligations are recognized in the Income Statement of each year based on actuarial computations of the present value of those obligations using the projected unit credit method and real interest rates. Unrecognized past service costs are amortized on an estimated service life of the employees.

IFRS

Obligations are recognized in the Income Statement of each year based on actuarial computations of the present value of those obligations using the projected unit credit method. Actuarial gains and losses are recognized in stockholders equity as they arise. Unrecognized past service cost are recognized in the Income Statement as 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.

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 origination of loans

Mexican GAAP

All fees received on loan origination are deferred and amortized over the life of the loan using straight line method. However, this policy was introduced 1 January 2007, all fees having previously been recognized 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 under 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 authorized methodologies for determining the amount of provision for each type of loan.

IFRS

Loan loss provisions for collectively assessed loans are determined based on a roll-rate methodology reflecting history of losses for each category of loan, past due payments and collateral values. For individually assessed loans, loan loss provisions are calculated based on the discounted cash flow value of the collateral.

Purchase accounting adjustments

These arise from valuations made by HSBC on acquiring Grupo Financiero Bital in November 2002 on various assets and liabilities that differed from the valuation in the local Mexican GAAP books.

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

The present value of future earnings is not recognized. 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 risks (operational 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, and Economic Capital Planning.

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

- ▶ To provide strategic direction and assure the tactical monitoring of a structure balance that fulfills the objectives within the pre-established risk parameters.
- ▶ To identify, monitor, and control all relevant risks, including information generated by RMC.
- ▶ To disseminate the information that 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, CIBM, 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, thereby 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.

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. From January 2006 on, VaR is obtained by Historical Simulation through full valuation, considering 500 historical daily changes on market risk factors. The Board of Directors has determined a confidence

level of 99% with a holding period of one working day, therefore the VaR level becomes the maximum likely loss in a day with a 99% confidence level.

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

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

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

Spread over yield risk

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

Basis Risk

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

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

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

Credit Spread Risk (CSO1)

Credit spread risk or CSO1 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. Furthermore Stress tests are performed for Equities.

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.

Applicable portfolios:

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 third quarter of 2009 (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 3Q09	Limits*	Average 3Q09	Limits*	Average 3Q09	Limits*
Combined	33.07	45.00	6.08	32.50	36.90	42.00
Interest Rate	37.97	50.00	4.06	24.50	36.90	42.00
FX	6.55	12.00	6.55	12.00	N/A	N/A
Volatility IR	0.05	9.50	0.04	7.50	0.03	2.0
Volatility FX	0.07	2.00	0.07	2.00	N/A	N/A
Equities	0.49	2.50	0.49	2.50	N/A	N/A

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

Value at Risk of Global Market (VaR) (Last quarter comparison)					
	30-Jun-09	30-Sep-09	Limits*	Average 2Q09	Average 3Q09
HBMI	31.30	33.61	45.00	34.30	33.07
Accrual	37.48	34.07	42.00	33.08	36.90
All Trading	7.93	7.32	32.50	7.20	6.08

* Absolute Value

N/A = Non Aplicable

The Bank's VaR at the end of the 3Q09 varied 7.36% versus the previous quarter. During the quarter the VaR remained under the limits.

The Bank's average VaR for the end of the 3Q09 varied -3.60% 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 June 30th, 2009 and September 30th, 2009 (in millions of dollars).

Market VaR vs. Net Capital Comparison		
Net Capital in million Dollars		
	30-Jun-09	30-Sep-09
Total VaR*	34.30	33.07
Net Capital **	2,658.06	0.00
VaR / Net Capital	1.29%	

* 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 1.23% of the net capital in 3Q09.

Present Value for 1bp (PVBP) for Mexican Pesos Rates					
	30-Jun-09	30-Sep-09	Limits*	Average 2Q09	Average 3Q09
Bank	(0.765)	(0.872)	1.200	(0.744)	(0.878)
Accrual	(0.679)	(0.728)	0.900	(0.565)	(0.735)
Trading Desk	(0.003)	(0.103)	0.320	(0.125)	(0.074)
Balance Sheet Trading	(0.083)	(0.041)	0.210	(0.054)	(0.069)

* Absolute Value

NA = Non Applicable

The bank's MXN Rate PVBP for 3Q09 varied 13.97% versus prior quarter. The bank's average PVBP for the 3Q09 varied 18.04% versus prior quarter.

Present Value for 1bp (PVBP) for USD Rate					
	30-Jun-09	30-Sep-09	Limits*	Average 2Q09	Average 3Q09
Bank	0.040	0.058	0.300	0.049	0.064
Accrual	0.042	0.050	0.300	0.020	0.043
Trading Desk	(0.011)	0.011	0.050	0.009	0.008
Balance Sheet Trading	0.009	(0.003)	0.065	0.021	0.013

* Absolute Value

NA = Non Applicable

The bank's USD Rate PVBP for 3Q09 varied 44.40% versus prior quarter. The bank's average PVBP for the 3Q09 varied 29.44% versus prior quarter.

Present Value for 1bp (PVBP) for UDI Rates					
	30-Jun-09	30-Sep-09	Limits*	Average 2Q09	Average 3Q09
Bank	(0.231)	(0.312)	0.350	(0.235)	(0.226)
Accrual	(0.164)	(0.158)	0.300	(0.166)	(0.163)
Trading Desk	(0.040)	(0.132)	0.155	(0.045)	(0.043)
Balance Sheet Trading	(0.026)	(0.022)	0.050	(0.024)	(0.020)

* Absolute Value

NA = Non Applicable

The bank's UDI Rate PVBP for 3Q09 varied 34.97% versus prior quarter. The bank's average PVBP for the 3Q09 varied -4.10% 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 limits for ratios both in local currency and in US dollars. These ratios are calculated on a daily basis and compared to the limits authorized by the local ALCO and confirmed by HSBC Group.

Additionally the institution performs a daily review of the cash inflows and outflows and values the requirements of the main customers in order to diversify the sources of funding.

HSBC has implemented a methodology to measure cash flow projections for a period of 12 months and has created different liquidity stress test scenarios.

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.

Quantitative Information

The institution presented at end of the quarter liquidity ratios of 23.5% for 1st line liquidity and 28.2% for 2nd line liquidity, above the 15% minimum required limit. Along the quarter, average levels were 21.2% and 26.2% for 1st and 2nd line liquidity ratios respectively. Compared versus previous quarter, it was observed a benefit in Mexican peso liquidity position resulting from FX transactions, maturity of CDs issued in the market without renewal requirement, funding obtained from Central Bank and the increase in core deposits.

Expected cash flow projections were performed under different liquidity crisis stress test scenarios, obtaining as a result most positive cumulative net in all cases. This reflects an adequate liquidity position of the Institution for the next twelve months.

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 and 2008 new versions were implemented.

Also, as part of the credit risk management and measurement infrastructure, HBMX has an automated system to manage, control and monitor the commercial credit approval process known as Workflow. 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, “Líneas 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, where 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 (EL) of the consumer and mortgage portfolio as at September 30th, 2009 is \$6,489.1 millions of pesos, which represents the 10.9% of Total Balance performing a decrease of 22.6% compared to that of the previous quarter. The Expected Loss of the commercial portfolio as at September 30th, 2009 is \$3,666.9 millions of pesos, showing a decrease of 5.8% compared to the figure reported in the previous quarter. The EL estimation of this portfolio does not consider undrawn facilities yet.

Operational Risk

Operational Risk is that of incurring in losses due to inadequate or failed internal processes, people and systems or from external events, including legal risks. In order to manage these risks, a central specialized unit has been established. 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.

A 5th annual assessment exercise took place during 2H'08 in order to identify and re-assess all operational risks throughout Group's structure. As part of this exercise, all identifiable risks were denominated, described and classified into four general categories: people, processes, systems and external events, and into 23 specific subcategories, including those of legal and technological nature.

Risks were also graded in terms of three parameters: likelihood, impact and exposure, leading to a risk rating as a result of the combination of the three; which in order of relevance, runs from 'A' to 'D'.

Technological Risk

Systems department uses RBPM (Risk Based Project Management) systems development methodology which comprises international processes and practices used to undertake projects since it controls the development's life cycle enabling users, through "Clarity" tool, to have a consistent and efficient project management.

The aforementioned aims to keep an adequate control of technological risk; thus, assuring the continuity of the banking service through the different distribution channels in an agile, secure and reliable manner; whereas the technological risks are still being measured and evaluated in both Risk Management (RMC) and Operational Risk & Internal Control (ORICC) Committees, on a monthly basis, where the most relevant issues are addressed in order to notify the findings and their corresponding mitigation initiatives.

Legal Risk

Within the Legal Risk management, a detailed attention has been given to the following types of risk:

- ▶ Contractual;
- ▶ Litigation;
- ▶ Legislative or Regulatory;
- ▶ Reputation; and
- ▶ Non-contractual rights.

Besides, some measures have been undertaken: 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; 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 loss due to the non-performance of the applicable juridical and administrative norms and to avoid unfavorable resolutions, they have been implemented political and procedures for the identification, measurement and control of the legal risks and to prevent this way as far as possible the above mentioned risks from being able to result in losses not estimated for the Institution.

Quantitative Information (including Legal and Technological Risk)

The assessment of operational risks resulting from the 5th assessment exercise carried out in Fall 2008, and taking into account their upgrades during the first three quarters of 2009, the set of risks at closure of Sep'09, is integrated by 2,600 identified and assessed risks, distributed as follows: 1.0% A type, 10.5% B type, 60.7% C type, and 27.8 %D type, which can also be classified according to their primary category onto: 21.3% people, 50.6% process, 16.9% systems and 11.3% external factors.

Furthermore, for the 7th consecutive year, major incidents are recorded. Since Jan'06, the loss reporting threshold for individualized losses is of USD10,000, 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.

Corporate Sustainability (CSR)

We continue with our effort to spread and to execute the strategy of sustainability of HSBC, which recognizes that the continuous financial success of the Group depends on our capacity to manage and to consider the non-financial information regarding our business

In HSBC we want to build up opportunities of sustainable growth so that our customers, personnel as well as the communities in which we operate develop and prosper while we create an environment that lasts and allows the future generations to prosper. We believe that the financial underlying strength (fortress), the strategy and the geographical scope of our company place to HSBC in a firm position to continue forward.

HSBC thinks that the climatic change is the greatest economic challenge, environmental and social which we face in this century and that will affect both, our business operations and our clients. If we respond now, the implications will be less serious.

We firmly believe that we can obtain more from the communities if we worked closely with the experienced organizations with knowledge in educative and environmental aspects. Our company would not have any future if it did not operate in prosperous societies with educated and enterprising individuals. For HSBC this demonstrates the importance of investing in education and environment protection, We believe those are important elements for innovation and undertaking. We depend on the capacities of future generations; if we did not prepare them properly, we would limit our potential future. The access to education can change life and help to have equal opportunities of growing. It is also a prerequisite for the economic growth and stable development of the societies. According to the policy of HSBC Holdings plc. to support education, the environment and the community, HSBC Mexico donated in the third trimester of 2009, \$ 34,849,398.

Education

HSBC considers that investment in education of children is indispensable, since there are many children and young people who cannot reach their maximum potential owed to the lack of resources and opportunities. One of the most important sections for HSBC is the education heading, in which, at the moment we count on 3 governing axes: integral education, educative scholarships and rights of the children.

Our Programs:

Prevention and assistance to children, migrant children, adolescents and non-accompanied repatriates.

This Program aims to develop skills and abilities in children so that they remain and take root in their communities of origin, promoting a healthy and integral development of migrant childhood, guaranteeing the total respect to their rights, attention of their needs and promotion of development of their capacities.

The program is organized in the following governing axes:

- Economic support to families
- Suitable equipment in medical doctor's offices
- Generation of model libraries
- Model of prevention in children, and adolescents
- Systematization and better practices
- System of evaluation

Alliance: HSBC, National DIF and Save the Children Mexico

Let's learn

Integral support program for students, teachers and families in 15 full time schools with poor results in test ENLACE, a period of six years in the delegations Cuauhtémoc, Miguel Hidalgo and Azcapotzalco, Mexico City. The development program in alliance with the Secretaría de Educación Pública and Pro-education, where the central objective, is to rise the education level that the students receive so that they can have educative access to the best practices and programs allowing them majors opportunities in the future.

The program is organized in the following governing axes:

- Pedagogical update and Development of Abilities for Teachers
- Development of abilities for students
- Human development for family parents
- Fortification of the educative community

System of Integral Protection

This is a program that contributes to the integral development of Mexican children and adolescents with particular attention to the more vulnerable social groups, so that these acquire in their formative process, the knowledge, habits, the understanding of their rights and ethical values that they require to be totally successful in the course of their evolution and become productive citizens who construct their own life, guaranteeing an optimal development and survival, in three main scopes: Education with quality, prevention of the violence and healthful life.

Alliance: Save the Children México

Beyond the money

In alliance with IMPULSA, we are working actively in the program of financial education, with the aim of teaching fundamental financial abilities to children in fifth and sixth primary grades.

The students will include the fundamentals of money and will apply these skills in their daily life, the students will recognize the importance of money management in the decision making. Courses will be given by 113 volunteers. Up to now, 2006 students have been benefited in 52 classrooms.

Entrale

In alliance with A Leer-Ibby and Secretaría de Educación Pública, a special program was launched: Circles of Reading for Young people in secondary schools from D.F., the objective is that reading habits become part of their daily life of the young people of secondary and through this, approach other artistic expressions. We will involve 80 schools (7% of the total in the D.F).

The benefits to the community are, among others, training for creation of strategies, cultural heritage and promotion of reading activities for teachers and students in secondary schools and other artistic expressions related.

The results have been the following: Trained teachers: 286, circles of reading: 816, number of schools in the program: 60, benefited students: 7,522, given books: 1,200, given films and audio books: 600.

Rights of the children

Program Objectives:

- To give visibility to the Rights of the children.
- To spread the 20 years of the ratification of the U.N. Convention of the Rights of Children in Mexico
- To support children and society as a whole so that they know their rights and to promoting protection and participation.

With the aim of ratifying our commitment with the program, the following actions were taken:

- 1st Festival The Rights of the Children, in the National Auditorium, Mexico city, with an attendance of 9000 children
- Forums on The Rights of the Children in San Cristóbal de las Casas, Chiapas, Monterrey and Guadalajara.
- Educative workshops focusing on the rights with the presence of Ha*Ash in San Cristóbal de las Casas, Chiapas, Monterrey and Guadalajara.
- Educative workshops focusing on the rights in 16 country regions in 200 schools with an attendance of 14000 young students.
- Teachers and media sensitization to spread the rights of the childhood.

The channels for the contribution of our clients are through automatic tellers, RAP accounts and Personal Connection.

Bécalos

Bécalos is an initiative with the participation of the Mexican Bank Association (AMB) and Foundation Televisa, in alliance with diverse public and private educative institutions of the country, with the aim of supporting on diverse modalities the educative community and contributing to its development.

The campaign included the period of June - September of 2009 and thanks to the improvements in our channels of contribution such as, automatic tellers, personal connection, branches, RAP accounts, There was an historical collection of 9.5 million that represents 85% of collection in the years 2006-2008.

Environment

Environmental protection in our global operations is already something inherent to HSBC, we have invested in new technologies that help us to reduce costs and carbon emissions; we have established new goals in the use of energy and water, reduction of wastes and carbon dioxide emissions. We have also adopted measures to ensure a systematic application of our sustainable programs in our operations.

Our headquarters in Mexico City, the HSBC Tower, continue implementing systems of energy saving in order to reduce atmospheric emissions. Systems and policies to reduce and recycling water consumption as well as processes for a better waste management.

We have certification LEED granted by the U.S. Green Building Council, we are the first building in its type in Mexico and Latin America with this certification.

HSBC is also directly involved in the communities and their sustainability programs. And part of this plan is contributing to the improvement. HSBC is working on sustainable community programs, environmental education, and income generation.

Our programs:

Chapultepec Park

Program for environmental cleaning in the second section of Chapultepec Park, known as “el sope,” main lung of Mexico City, where several activities related to environmental protection will be held, with the assistance of specialists, voluntary military service of HSBC and Probosque de Chapultepec.

Green Insurance

Through our Green Insurance, the program in the year 2009 has been transformed from forest and jungles protection and recovery to high-priority regions in the country focusing on sustainable rural communities' development including preservation jobs, protection, restoration and ecosystems enrichment. For this year, we are duplicating the regions in which we will operate counting a total of 10 regions (Quintana Roo, Campeche, Chiapas, Oaxaca, State of Mexico, Jalisco, Colima, Nayarit, Durango and Chihuahua) with an investment of 11,9 million. The total of benefited communities is 87 including 97.300 hectares.

The actions taken are:

- Ecological arrangement and management of communitarian programs.
- Nurseries.
- Reforestation on planned territory.
- Management of water supply
- Enrichment of forests and jungles (acahuales).
- Direct protection.
- Soil erosion prevention

Sustainable Communities

In alliance with Naturalia, we are implementing a set of productive projects: conservation, restoration, educative and training. These will benefit directly the community in order to get a sustainable development in the region; we are trying to consolidate these projects in 5 years time. With these projects, the people will improve the quality of life in the community of San Juan Atzingo (State of Mexico) without endangering their natural resources, guaranteeing the environmental services for the region and the bordering urban zones.

Actions are being taken in the following fields:

- Nurseries
- Eco-tourism
- Environmental Education in schools
- Ecotechniques
- Volunteering

Sustainability Room

In alliance with the Interactive Museum of Economy (MIDE) it has been developing the first room of Global Sustainability in Latin America. It will include:

- The room of Global Sustainability
- A place in the web net: MIDE
- A program of Educative Extension
- Policy for a sustainable operation of the museum

The aim of this proposal is to show the wide range of the relations involving economic and social activities of the human being interacting with the environment. The room of Global Sustainability of MIDE will be divided in three main areas: Economic, Social and Environmental Overall.

The Sustainable Room will provide tools so that all the teachers from all the levels find support to their classes with sensorial experiences that give the students emotive and intellectual basis to understand better the matter. It has been planned to inaugurate the Sustainable Room in September 2010.

Community

Considering the principle of supporting the society in which we operate, HSBC has developed diverse projects in the matter of health, culture and emergencies.

Our programs:

Culture

Sponsorship of the exhibition of the English sculptor Anthony Gormley, in Monterrey and Mexico D.F., one of the best known sculptors at a world-wide level and with great international prestige based on the importance of his work. The work of this artist is an attempt to clarify and to include/understand the notion of space, from the analysis of the physical and mental structures by means we build it. For this reason, the work of Antony Gormley has been considered like an extraordinary effort to obtain, by means of the language of the sculpture, to explore the human experience of liberty.

Exhibition will be open on August 19th 2009 at San Idelfonso Museum in Mexico City.

Health

In order to lower the index of deaths in children and young people with cancer (70.000 in a year) HSBC and Foundation Rebeca de Alba launched the campaign "There are dreams that must continue" collecting themselves through ATMs, personal connection and rap account a total of 4 million pesos, the benefited institutions are the following: Instituto Nacional de Cancerología (Mexico City), Foundation Castro Limon (Tijuana), Unidos por el Arte contra el Cancer

(Monterrey, N.L), Mexican Association of Children with Cancer (Guerrero and Zacatecas) and Center of Support of Children with Cancer (Guadalajara).

Emergencies

HSBC Mexico concluded the program of aid to Tabasco, facing the damages caused in this State by the floods happened in 2007. The program “Emergencia Unámonos/Tabasco 2007-2009”, was applied for two years in three stages. The first stage of the program was of immediate response, that is to say, psicoemotional attention to affected children by the floods.

After the floods, HSBC along with Save the Children Foundation several workshops were implemented in primary schools in order to impulse the prevention culture to face the emergencies. The workshops were held by Students and Teachers. “The goal was to put the children back to the school surroundings without fearing new floods”

In the second stage a diplomat was created on Humanitarian Action with Approach of Rights in Situations of Disaster. In the Third stage, a recreational park was donated, first center of its class in Latin America, being totally ecological in its operation, using the most modern techniques for its reconstruction. It can effectively be used as a suitable center of shelter for people moved by emergencies. Investments from the institution, local authorities and clients, amounting MXN23 million.

In conclusion

HSBC Mexico, by its commitments and actions, looks for keeping a balance between environment, society and profitability of our business, establishing long term relations with our clients, ensuring the success of HSBC in the time. In this way we provide support in a multidimensional way, that will have an impact on the people and the future generations of Mexico.

HSBC is recognized as the third sustainable bank in Latin America by the Magazine Latin Finance and holds the symbol of ESR 2009 (Socially Responsible Company) by fourth consecutive year granted by the Mexican Center for Philanthropy.

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