

Grupo Financiero HSBC

Financial information at 31 December 2010

4Q10

- ▶ **Press Release**
- ▶ **Quarterly Report**
- ▶ **Fourth Quarter 2010**

*Release date:
1 March 2011*



1 March 2010

**GRUPO FINANCIERO HSBC, S.A. DE C.V.
FOURTH QUARTER 2010 FINANCIAL RESULTS – HIGHLIGHTS**

- Net income before taxes and undistributed profits of subsidiaries for the year ended 31 December 2010 was MXN1,106 million, an increase of MXN972 million or 725.4 per cent compared with MXN134 million in 2009.
- Net income for the year ended 31 December 2010 was MXN2,119 million, an increase of MXN565 million or 36.4 per cent compared with MXN1,554 million in 2009.
- Total operating income for the year ended 31 December 2010 was MXN21,653 million, an increase of MXN1,505 million or 7.5 per cent compared with MXN20,148 million in 2009.
- Loan impairment charges for the year ended 31 December 2010 were MXN9,284 million, a decrease of MXN5,188 or 35.8 per cent compared with MXN14,472 million in 2009.
- Net loans and advances to customers were MXN162.1 billion at 31 December 2010, an increase of MXN12.6 billion or 8.4 per cent compared with MXN149.5 billion at 31 December 2009. Total impaired loans as a percentage of gross loans and advances to customers improved to 3.1 per cent compared with 5.0 per cent at 31 December 2009. The coverage ratio was 174.0 per cent compared with 131.6 per cent at 31 December 2009.
- Deposits were MXN253.3 billion at 31 December 2010, an increase of MXN14.8 billion or 6.2 per cent compared with MXN238.5 billion at 31 December 2009.
- Return on equity was 4.4 per cent for the year ended 31 December 2010, compared with 3.7 per cent in 2009.
- At 31 December 2010, the bank's capital adequacy ratio was 14.5 per cent and the tier 1 capital ratio was 11.2 per cent, compared with 17.8 per cent and 13.8 per cent respectively at 31 December 2009.

HSBC Mexico S.A. (the bank) is Grupo Financiero HSBC, S.A. de C.V.'s (Grupo Financiero HSBC) primary subsidiary company and is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file financial information on a quarterly basis (in this case for the quarter ended 31 December 2010) and this information is publicly available. Given that this information is available in the public domain, Grupo Financiero HSBC, S.A. de C.V. has elected to file this release.

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

Overview

Mexico's economy continued to recover in 2010 and GDP rose by 5.5% in the year. Strong external demand was the main driver of the recovery, leading to robust growth in the production of Mexican manufactured goods. By contrast, domestic demand was lacklustre, reflecting high unemployment, restricted credit availability and low levels of consumer confidence. This weak domestic demand and the rise in the peso kept inflation subdued during 2010 and the Central Bank of Mexico maintained its policy rate at 4.5% throughout the year.

Within this economic environment, Mexican banks experienced moderate growth in their credit portfolios, mainly driven by commercial lending activity, offsetting a decrease in demand for consumer loans. Additionally, a general improvement in asset quality was reported across the financial system, resulting in lower loan impairment charges.

In 2010, Grupo Financiero HSBC benefited from actions deployed in previous periods, focussed on improving asset quality through cautious risk management and strengthened collection practices. This resulted in improved profitability, driven by lower loan impairment charges. Business plans and infrastructure projects continue to be supported by our solid capital base which is a key component to our strategy to become the best bank for its clients, shareholders and employees.

For the year ended 31 December 2010, Grupo Financiero HSBC's net income was MXN2,119 million, an increase of MXN565 million or 36.4 per cent compared with 2009. A reduction in loan impairment charges in the bank and improved income from its subsidiaries, mainly in HSBC Seguros, were key drivers in achieving this result.

Net interest income was MXN19,966 million, a decrease of MXN1,254 million or 5.9 per cent compared with 2009. This was primarily driven by decreased deposit margins as a result of lower interest rates, coupled with a reduction in consumer lending volumes, particularly in the credit card portfolio. The bank has partially mitigated this through decreasing its reliance on higher cost wholesale market funding.

Loan impairment charges were MXN9,284 million, a decrease of MXN5,188 million or 35.8 per cent compared with 2009. During 2010, the bank continued its cautious origination criteria and enhanced collection practices, which reduced credit losses to their lowest levels since before the economic crisis. The reduction in loan impairment charges was achieved despite MXN597 million of additional reserves for the "Punto Final" programme recognised in July 2010, a government programme aimed to support mortgage loans impacted by the 1995 economic crisis.

Net fee income was MXN7,843 million, a decrease of MXN1,862 million or 19.2 per cent compared with 2009. This was mainly due to lower credit card fees as a result of the lower credit card volumes. In addition, lower transactional volumes from payments and cash management (PCM), and ATM transactions contributed to the decrease in fee income. Fee income was also affected by regulatory restrictions limiting the fees that can be charged for certain banking services.

Trading income was MXN2,228 million, a decrease of MXN633 million or 22.1 per cent compared with 2009. A decline in market volatility, which resulted in fewer trading opportunities, meant that the strong performance in foreign exchange and debt trading achieved in 2009 was not repeated. This was partially offset by an increase in derivative trading.

Administrative and personnel expenses were MXN23,819 million, an increase of MXN2,122 million or 9.8 per cent compared with 2009. This increase is largely driven by expenditure in relation to maintenance of the branch network and higher personnel expenses. In addition, regional infrastructure and technology projects have contributed to the increase.

The performance of Grupo Financiero HSBC's subsidiaries improved, particularly HSBC Seguros and HSBC Afore. The insurance company, HSBC Seguros, reported net profit of MXN1,232 million, up 6.5 per cent compared with 2009. This increase is primarily a result of higher earned premiums in the (T-5) individual life product and life endowment products, in addition to higher income in the investment portfolio. Results have also benefited from savings from renegotiation of reinsurance contracts and expense control. HSBC Afore reported net profit of MXN307 million, up 4.1 per cent compared with 2009, driven by higher income from pension fund investments coupled with decreased expenses.

Net loans and advances to customers increased MXN12.6 billion or 8.4 per cent to MXN162.1 billion at 31 December 2010 compared with 31 December 2009. This increase is driven mainly by growth in the commercial portfolio, particularly in financial institutions and government entities.

Total impaired loans decreased by 32.7 per cent to MXN5.3 billion at 31 December 2010 compared with 31 December 2009, due mainly to a 58.9 per cent reduction in impaired consumer loans. Total impaired loans as a percentage of gross loans and advances to customers improved to 3.1 per cent from 5.0 per cent at 31 December 2009.

Total loan loss allowances at 31 December 2010 were MXN9.3 billion, a decrease of MXN1.2 billion or 11.0 per cent when compared with 31 December 2009. The total coverage ratio (allowance for loan losses divided by impaired loans) was 174.0 per cent at 31 December 2010, when compared with 131.6 per cent at 31 December 2009.

Total deposits were MXN253.3 billion at 31 December 2010, an increase of MXN14.8 billion or 6.2 per cent compared with 31 December 2009. This is due to an increased focus on sales and promotion of deposit products.

At 31 December 2010, the bank's capital adequacy ratio was 14.5 per cent compared with 17.8 per cent at 31 December 2009. The Tier 1 capital ratio was 11.2 per cent compared with 13.8 per cent at 31 December 2009.

Business Highlights

Personal Financial Services (PFS)

During 2010, PFS grew core customer deposits by 21 per cent. This was achieved primarily through the promotion of deposit product offerings to our affluent segments, the launch of the Advance proposition in May 2010, which provides differentiating services to wealth in progress individuals.

A key strategy relating to wealth management products was to increase sales and competitiveness in affluent segments specifically in respect of Balanced Funds which provided our relationship managers with straight forward and effective investment products that diversify the customer's investment portfolio according to their risk profile.

Special focus was placed in the promotion of Demand Deposit accounts, which resulted in increased account openings and growth in net payroll accounts. Payroll accounts growth was supported by significant improvements to the on-boarding process and post-sale services.

The loan portfolio decreased 17 per cent compared to 2009 in line with the general market. This decrease is mainly due to lower credit cards, partly offset by growth in personal and payroll loans.

Despite the contraction in the consumer lending market, several strategies were put in place to promote our products. In the credit card business, one of the main strategies implemented for the Advance segment was the launching of the Visa Advance card, which provides a superior credit card proposition for Advance customers. In addition, several promotions were deployed, such as instalments on all purchases, the "Back-to-school" program, balance transfers and cheques for cash advances.

In order to support our personal loan product offering and improve customer experience, the "Oferta Permanente" promotion was launched, providing simplified credit availability through our ATM network to our pre-approved payroll customers. In addition, in the second half of 2010, consumer products were promoted through direct mailing campaigns.

In the month of November, an agreement was signed with the Asociación Mexicana de Profesionales Inmobiliarios ("AMPI"), the largest realtor association in Mexico, to promote our mortgage products among all of their affiliates. This is expected to generate increased sales.

Commercial Banking

During 2010, Commercial Banking grew its loan portfolio and its deposit base 37 per cent and 16 per cent respectively compared to 31 December 2009. The increase in the loan portfolio was mainly driven by the Commercial and States & Municipalities segments. Customer deposit growth was largely driven by Mexican peso demand deposits. While loan growth has been strong, asset quality has been maintained as result of prudent origination criterion and through adherence to our risk appetite levels.

During the fourth quarter of 2010, Business Banking reported strong results with approved loan applications increasing 48 per cent compared to the third quarter.

Global Banking and Markets

Global Markets reported strong results in 2010, driven by favourable positioning on Trading and efficient positioning on Rates in Balance Sheet Management. Significant achievements this year include the roll out of the HSBC FX Net platform, the automation of Delivery Versus Payment FX settlement solution, the launch of structured notes and 24 hour trading on Mexican bonds. These developments provide a solid base for future growth of the Global Markets franchise.

Debt Capital Markets further strengthened its client servicing capabilities by providing value added services and high quality execution in the global and local markets. This assisted the business in obtaining repeat issuances from our clients. The bank continues to be a leading underwriter in Mexico and maintained its second position in the local debt issuance league tables.

Service to our client base was enhanced with a specific focus on offering a best in class access to Foreign Exchange products. Sales efforts have already resulted in significant demand for the FX Net platform and it is expected to be a key driver of revenue growth.

Global Banking closed a number of deals with Corporate and Institutional clients, while maintaining a high quality asset base. During the year, Global Banking improved both market penetration and its share of available business, with increased cross-selling of existing products such as Debt, Custody, Trust, Trade Services, Advisory and Debt Capital Markets.

In 2010, we have originated new loans to corporate clients in excess of MXN20 billion, meeting their needs for working capital, debt refinancing, Debt Capital Markets and Advisory transactions. The Bank has participated in the majority of the main infrastructure deals in Mexico and is recognized as one of the top Project Finance Advisors.

The Advisory business, launched in Mexico in 2010, participated in important deals such as Embotelladoras Arca's acquisition of Ecuador Bottling Company; Casa Saba in its acquisition of Farmacias Ahumada and Petrotekem in its acquisition of some business assets from Eastman Chemical.

Within Global Banking, the Global Transactional Business (GTB), achieved particularly strong results, primarily in Trade Services and client Bank Deposits. Additionally, existing product capabilities have been upgraded and client-oriented solutions have been developed in order to provide an integrated GTB Product Offering to our clients, including Payroll, Deposits, Payments and Cash Management and LAM Connection.

HSBC Mexico 2010 Results as reported to HSBC Holdings plc, our ultimate parent company, under International Financial Reporting Standards (IFRS)

For the year ended 31 December 2010, HSBC Mexico reported pre-tax profits of MXN5,294 million, an increase of MXN1,488 million or 39 per cent compared with MXN3,806 in 2009.

The higher results compared to that reported under Mexican GAAP is largely due to lower loan impairment charges as result of the different provisioning methodologies. A reconciliation and explanation between the Mexican GAAP and IFRS results is included with the financial statements of this document.

About HSBC

Grupo Financiero HSBC, S.A. de C.V. is one of the leading financial groups in Mexico with 1,144 branches, 6,331 ATMs, approximately eight million total customer accounts and more than 20,000 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 Latin America Holdings (UK) Limited, which is a wholly owned subsidiary of HSBC Holdings plc, and a member of the HSBC Group. With around 7,500 offices in 87 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa and assets of US\$2,455 billion at 31 December 2010, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

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Key Indicators

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

For the quarter ended at

	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010
a) Liquidity	119.80%	140.61%	141.48%	135.07%	109.19 %
Profitability					
b) ROE (Return over equity)	3.73%	7.17%	1.58%	6.81%	1.87%
c) ROA (Return over assets)	0.37%	0.86%	0.18%	0.74%	0.20 %
Asset quality					
d) Impaired loans/total loans	4.96%	4.25%	4.16%	3.56%	3.12%
e) Coverage ratio	131.60%	149.21%	158.16%	175.18%	173.96 %
Capitalization					
f) Credit risk	28.85%	29.62%	30.37%	27.49%	24.28%
g) Credit and market risk operational	17.81%	17.35%	16.63%	15.86%	14.55%
Operating efficiency					
h) Expenses/Total Assets	5.93%	5.57%	5.40%	5.00%	6.07%
i) NIM	5.82%	5.65%	5.60%	4.73%	5.25%
Infrastructure					
Branches	1,191	1,191	1,186	1,187	1,144
ATM	6,249	6,358	6,479	6,503	6,331
Head Count	19,222	19,287	19,567	20,466	20,132

a) $Liquidity = Liquid Assets / Liquid Liabilities.$

$Liquid Assets = Cash and deposits in banks + Trading securities + Available for sale securities$

$Liquid Liabilities = Demand deposits + Bank deposits and other on demand + Bank deposits and other short term liabilities$

b) $ROE = Annualized quarter net income / Average shareholders equity.$

c) $ROA = Annualized quarter net income / Average total assets.$

d) $Impaired\ loans\ balance\ at\ quarter\ end / Total\ loans\ balance\ at\ quarter.$

e) $Coverage\ ratio = Balance\ of\ provisions\ for\ loan\ losses\ at\ quarter\ end / Balance\ of\ impaired\ loans$

f) $Capitalization\ ratio\ by\ credit\ risk = Net\ capital / Credit\ risk\ weighted\ assets.$

g) $Capitalization\ ratio\ by\ credit\ and\ market\ risk\ operational = Net\ capital / Credit\ and\ market\ risk\ weighted\ assets.$

h) $Operating\ efficiency = Expenses / Total\ assets$

i) $NIM = Annualized\ net\ interest\ income / Average\ performing\ assets.$

$Performing\ assets = Cash\ and\ deposits\ in\ banks + Investments\ in\ securities + Repurchase\ agreements + Derivatives\ operations + Performing\ loans.$

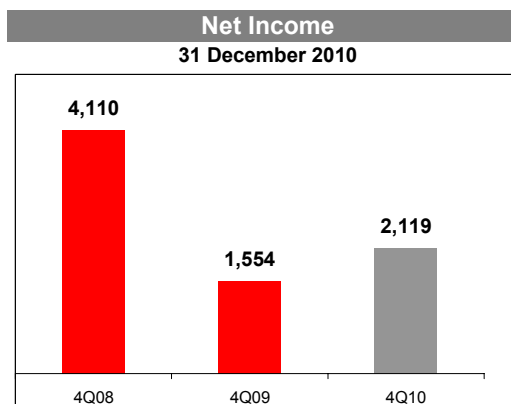
The averages utilized correspond to the average balance of the quarter in study and the balance of the previous quarter.

Income Statement Variance Analysis

Net Income

Net income for Grupo Financiero HSBC at 31 December 2010 was MXN2,119 million, an increase of MXN565 million (36.4 per cent) compared with the same period in 2009.

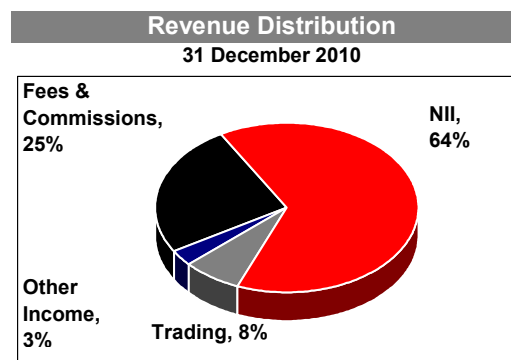
An improved credit profile based on cautious underwriting and reduced credit losses improved profitability on the bank, while subsidiaries like HSBC Seguros, HSBC Casa de Bolsa and HSBC Operadora de Fondos continue to show solid growth invigorating Grupo Financiero HSBC's net income.



Total Operating Income

At 31 December 2010, the Group's total operating income, was MXN21,653 million, an increase of MXN1,505 million (7.5 per cent) compared with 2009.

Total operating income has benefited from a better funding profile and decreased loan impairment charges, as well as a quarterly stable trading income during 2010 despite a notable reduction when compared to 2009. The Group's risk adjusted NII improved MXN3,934 million or 58.3 per cent in comparison to that of December 2009.



Net Interest Income

Net interest income decreased by MXN1,254 million for the year ended at 31 December 2010 to MXN19,966 million, a 5.9 per cent decrease compared with 2009.

Interest income from consumer loans, particularly credit cards continue to limit interest income, while available for sale securities have partially offset the negative effects of the loan portfolio. Interest expense has also been properly managed during 2010, as the bank has continued to promote customer deposits, and has limited its reliance on market funding.

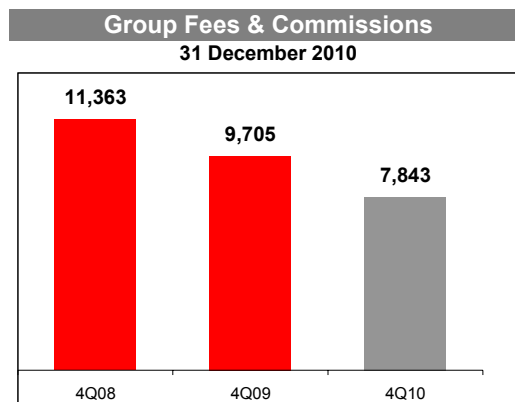
Non-interest Income

Non-interest income for the year ended at 31 December 2010 was MXN10,971 million; a decrease of MXN2,429 million or 18.1 per cent compared with 2009.

► **Fee income**

The Group's net fee income for the year ended at 31 December 2010, was MXN7,843 million, a decrease of MXN1,862 million or 19.2 per cent compared with 2009. Lower volumes of the consumer portfolio, particularly credit cards continue to negatively affect fee income, in addition to lower transactional volumes from payments and cash management and ATM transactions.

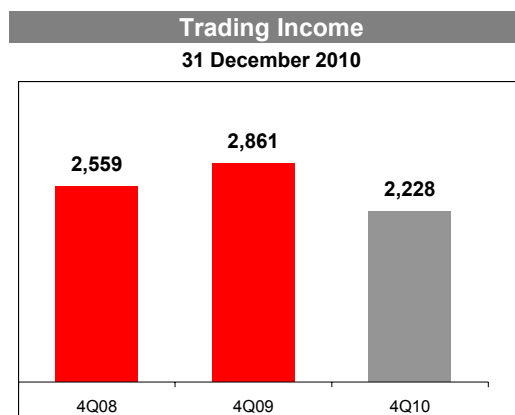
For the year ended at 31 December 2010, total fee income for the Bank amounted to MXN6,931 million, which represents 71.4 per cent of the Group's total net fee income.



► **Trading income**

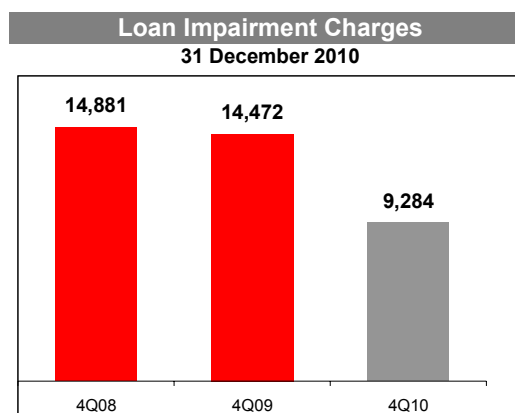
Trading income was MXN2,228 million, which represents a decrease of MXN633 million (22.1 per cent) compared with 2009. While still reflecting the extraordinary volatility experienced in 2009, trading income has remained at lower but strong levels thanks to derivative trading that has partially offset the negative effects of less foreign exchange and debt trading.

The Group's non-interest income to total to revenue ratio decreased from 38.7 per cent at 31 December 2009 to 35.5 per cent for the same period in 2010, mainly due to lower fee income and decreased trading income.



Loan Impairment Charges

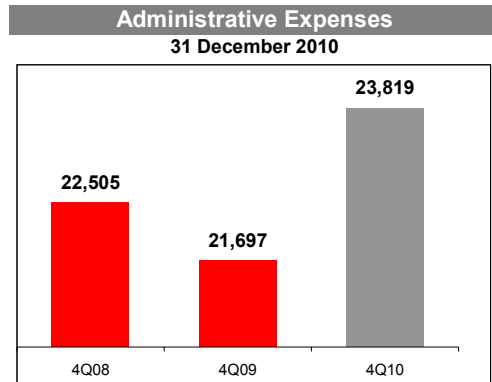
The Group's loan impairment charges were MXN9,284 million, which represents a decrease of MXN5,188 million or 35.8 per cent compared with prior year. As of 2008, the bank has implemented several strategies to improve asset quality based on cautious underwriting, stronger collections and improved risk management procedures. This decrease was achieved in spite of the creation of additional reserves for MXN596.7 million in the third quarter for "Punto Final"; a governmental program directed to support mortgage loans originated from the 1995 economic crisis.



Administrative and Personnel Expenses

The Group's administrative and personnel expenses for the year ended at 31 December 2010 were MXN23,819 million, a MXN2,122 million or 9.8 per cent increase compared to the same period in 2009.

Increase in administrative and personnel expenses is primarily attributable to larger infrastructure and technological regional expenditure.



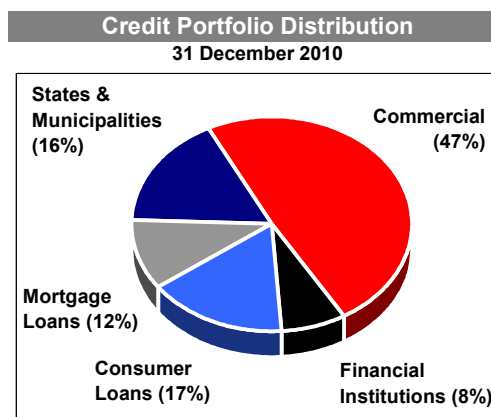
Balance sheet Variance Analysis

At 31 December 2010, the Group's total assets amounted MXN434,685 million, which represents an increase of MXN40,895 million or 10.4 per cent, compared with 2009, mainly driven by growth in the available-for-sale positions in the investment portfolio and higher net loans and advances to costumers.

Loan portfolio

The Group's performing loan portfolio balance amounted to MXN166,077 million at 31 December 2010, an increase of 9.3 per cent compared with 2009. This growth has been led by loans to financial institutions and states and municipalities which grew 82.5 per cent and 45.8 per cent respectively when compared with 31 December 2009.

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



At 31 December 2010, the total commercial portfolio increased 6.6 per cent in comparison with 2009; driven mainly by financial institutions and states and municipalities, together these two portfolios have grown 55.5 percent since 31 December 2009.

The States & Municipalities portfolio increased by MXN8,824 million or 45.8 per cent compared with year end 2009. Financial intermediaries' portfolio also has shown strong growth, increasing 82.5 per cent compared to 2009. These two portfolios have significantly improved the asset quality of the portfolio mix and contributed greatly to the gradual growth of our business.

- ▶ **Consumer loans**

Consumer loans continue presenting a decreasing trend as this portfolio has decreased 11.3 per cent since 31 December 2009. Reduction in credit card and auto loan portfolio volumes has driven this portfolio to represent 16.1 per cent of the total performing portfolio, 3.7 per cent less than last year. As of 31 December 2010, credit card balance was MXN16,307 million while auto loans balance was MXN4,371 millions; 14.4 per cent and 27.1 per cent less than the closing of 2009.

- ▶ **Mortgage loans**

The mortgage loan portfolio for the fourth quarter of 2010 decreased MXN2,103 million or 10.7 per cent less than the fourth quarter of 2009. Current economic conditions and cautious consumer demand have contributed to the slow down in underwriting of this type of loans, as current deployed actions are targeted to limit HSBC's exposure to risky assets. Additional reserves for MXN597 millions were recognized in July 2010, for the "Punto Final" programme, a government programme aimed to support mortgage loans impacted by the 1995 economic crisis.

Asset quality

As of December 31 2010, the Group's impaired loan portfolio amounted to MXN5,344 million, which represents a decrease of MXN2,595 million or 32.7 per cent compared to the same period of 2009. As a result of the actions deployed to improve origination and collection operations, coupled with lower exposure to credit cards, auto loans and payroll loans as well as the maturity of lesser quality vintages of this kind of assets has improved significantly the Group's credit profile. Impaired loans to total loan portfolio ratio was 3.1 per cent, 1.8 percentage points lower than the figure recorded in prior year. The

coverage ratio at 31 December 2010 was 174.0 per cent, compared to 131.6 reported at 31 December 2009.

Deposits

The Group's total deposits at 31 December 2010 amounted to MXN253,336 million, an increase of 6.2 per cent compared to the 31 December 2009 as a result of a larger deposit base composed mainly of time and demand deposits.

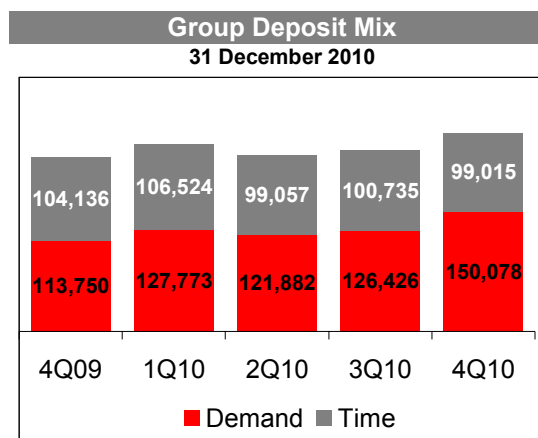
The Bank continues to benefit from its presence in the corporate and business sector as time deposits coming from States and Municipalities report an increase.

► Demand deposits

At 31 December 2010, demand deposits amounted to MXN150,078 million, a 17.5 per cent increase compared with 2009, resulting from increased sales efforts focussed on expanding the customer deposit base in an efficient manner.

► Time deposits

Total time deposits decreased 7.0 per cent compared to 31 December 2009, mainly due to strong focus on demand deposits over time deposits, favouring deposit funding mix.



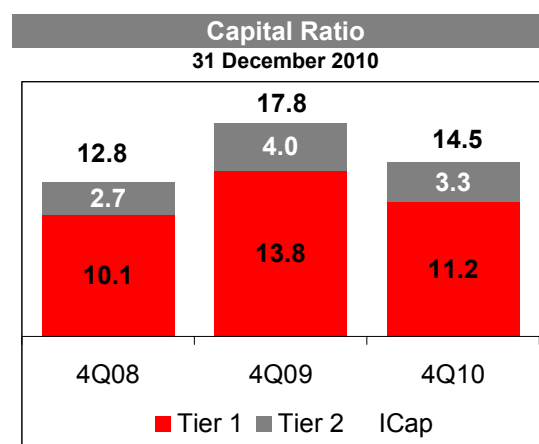
Shareholder's equity

At 31 December 2010, the Group's shareholders' equity was MXN49,507 million representing an increase of 5.4 per cent compared to the same period of 2009.

The Bank's shareholders' equity was MXN38,203 at 31 December 2010, decreasing 3.3 per cent compared to 31 December 2009. This decrease is explained by cash dividends paid by the bank during 2010.

Capital Adequacy Ratio

The Bank's capital adequacy ratio at 31 December 2010 was 14.5 per cent, placing it well above the authorities' requirements. The Tier 1 capital ratio at the end of the reporting period is 11.2 per cent.



Financial Situation, Liquidity and Capital Resources

HSBC's balance structure has maintained its liquidity. Cash and investments in securities represent 44.6 per cent of total assets, 3.6 per cent less than in 2009 due to lower funds from operating activities. Total assets were of MXN434.7 billion, up by MXN40.9 billion in comparison with 2009. The loan portfolio is adequately diversified across segments, the bank's main credit exposures are with Mexican institutions with top counterparty credit quality and governmental institutions.

Financial Statements Grupo Financiero HSBC

Consolidated Balance Sheet

Figures in MXN millions at December 31, 2010

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

	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010
Assets					
Cash and deposits in banks	68,322	59,431	46,590	70,238	51,324
Margin Accounts	3	3	3	2	42
Investments in Securities	121,471	134,967	161,953	148,262	142,456
Trading securities	41,339	46,386	57,463	46,681	38,550
Available-for-sale securities	71,630	80,042	96,223	93,360	96,229
Held to maturity securities	8,502	8,539	8,267	8,221	7,677
Repurchase agreements	1,593	14	-	-	1,856
Derivative transactions	24,113	22,773	27,829	35,337	28,205
Performing loans					
Commercial loans	102,305	101,019	100,967	110,901	121,855
Commercial entities	76,091	70,775	64,781	73,610	81,084
Loans to financial intermediaries	6,951	7,412	11,979	11,948	12,684
Loans to government entities	19,263	22,832	24,207	25,343	28,087
Consumer loans	30,048	28,008	27,306	27,076	26,665
Mortgages loans	19,660	19,769	19,477	19,302	17,557
Total performing loans	152,013	148,796	147,750	157,279	166,077
Impaired loans					
Commercial loans	1,745	1,648	1,857	1,809	1,669
Commercial entities	1,745	1,648	1,857	1,809	1,664
Loans to government entities	-	-	-	-	5
Consumer loans	3,826	2,794	2,325	1,826	1,574
Mortgages loans	2,368	2,157	2,226	2,176	2,101
Total non-performing loans	7,939	6,599	6,408	5,811	5,344
Loan portfolio	159,952	155,395	154,158	163,090	171,421
Allowance for loan losses	(10,447)	(9,847)	(10,134)	(10,179)	(9,296)
Net loan portfolio	149,505	145,548	144,024	152,911	162,125
Receivables	-	-	-	-	-
(-) less					
Provision for doubtful receivables	-	-	-	-	-
Total loan portfolio	149,505	145,548	144,024	152,911	162,125
Other accounts receivable, net	7,708	20,170	28,565	45,039	23,000
Foreclosed assets	174	211	165	167	162
Property, furniture and equipment, net	7,525	7,715	7,736	7,932	9,069
Long term investments in equity securities	3,662	4,023	4,287	4,656	3,605
Deferred taxes, net	4,268	4,667	4,481	4,023	5,225
Goodwill	2,749	2,749	2,749	2,749	2,749
Other assets, deferred charges and intangibles	2,697	3,221	3,982	4,725	4,867
Total Assets	393,790	405,492	432,364	476,041	434,685

	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010
Liabilities					
Deposits	238,539	225,206	231,396	245,789	253,336
Demand deposits	127,773	121,882	126,426	143,404	150,078
Time deposits	106,524	99,057	100,735	98,123	99,015
Retail	105,366	99,057	100,672	98,074	98,785
Money market	1,158	-	63	49	230
Bank bonds outstanding	4,242	4,267	4,235	4,262	4,243
Bank deposits and other liabilities	24,856	11,955	16,767	13,869	21,931
On demand	3,336	2,245	5,194	3,000	3,776
Short term	20,236	8,060	9,938	9,282	16,630
Long term	1,284	1,650	1,635	1,587	1,525
Repurchase agreements	24,502	42,295	27,954	42,476	29,911
Settlement accounts	-	5,518	13,155	10,606	2,359
Collateral Sold	6,305	11,539	14,264	4,415	11,784
Repurchase	-	-	6,797	1	-
Securities to be received in repo transactions	6,305	11,539	7,467	4,414	11,784
Derivative transactions	27,132	24,886	31,376	38,175	30,545
Other accounts payable	14,515	24,874	37,674	59,977	24,575
Income tax and employee profit sharing payable	1,179	1,201	1,197	1,149	841
Creditors for settlement of transactions	2,984	12,954	21,768	41,396	12,785
Sundry creditors and others accounts payable	10,352	10,719	14,709	17,432	10,949
Subordinated debentures outstanding	10,221	10,006	10,160	10,074	10,007
Deferred credits	731	830	812	724	730
Total Liabilities	346,801	357,109	383,558	426,105	385,178
Stockholder's Equity					
Paid in capital	32,678	32,678	32,678	32,678	32,673
Capital stock	9,434	9,434	9,434	9,434	5,111
Additional paid in capital	23,244	23,244	23,244	23,244	27,562
Capital Gains	14,308	15,702	16,125	17,253	16,829
Capital reserves	1,648	1,648	1,726	1,726	1,726
Retained earnings	11,582	13,136	13,058	13,058	13,058
Result from the mark-to-market of Available-for-sale securities	(76)	406	607	890	139
Result from cash flow hedging transactions	(400)	(343)	(313)	(308)	(213)
Net Income	1,554	855	1,047	1,887	2,119
Non-controlling interest	3	3	3	5	5
Total Stockholder's Equity	46,989	48,383	48,806	49,936	49,507
Total Liabilities and Capital	393,790	405,492	432,364	476,041	434,685

Figures in MXN millions at December 31, 2010

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

	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010
Memorandum Accounts					
	2,110,033	2,165,550	2,464,653	2,567,753	2,522,592
Guarantees granted	30	25	26	21	21
Contingent assets and liabilities	126	128	124	119	116
Irrevocable lines of credit granted	15,071	14,013	16,185	17,785	16,201
Goods in trust or mandate	266,641	271,462	277,105	282,699	293,814
Trust	264,890	270,792	276,403	281,952	293,051
Mandate	1,751	670	702	747	763
Goods in custody or under administration	246,061	238,131	250,496	265,633	251,394
Collateral received by the institution	16,649	26,071	21,827	12,730	13,370
Collateral received and sold or delivered as guarantee	20,130	30,896	23,643	12,037	15,143
Third party investment banking operations, net	57,064	39,564	44,303	51,096	43,351
Accrued interest receivable from performing loans	250	273	273	258	254
Other control accounts	1,488,011	1,544,987	1,830,671	1,925,375	1,888,928

The present balance statement was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission as specified in Article 30 of the Law for Credit Institutions, of general observance and mandatory, applied in a consistent manner, this statement reflects all operations performed by the institution up to the date mentioned above, these operations were performed following healthy banking practice and following applicable legal and administrative requirements. The present statement has been approved by the Board of Directors under the responsibility of the signing officers.
Historical paid in capital of the Institution amounts to MXN 5,111 millions.
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LUIS PEÑA KEGEL
Chief Executive

GUSTAVO CABALLERO GÓMEZ
Officer Chief Financial Officer

ANDREW PAUL MCCANN
Director of Internal Audit

BRENDA TORRES MELGOZA
Chief Accountant

Consolidated Income Statement

Figures in MXN millions at December 31, 2010

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

	For the quarter ending				Year to date		
	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Dec 2010	
Interest Income	7,197	7,126	7,265	6,616	7,055	31,416	28,062
Interest expense	(1,882)	(1,960)	(2,024)	(2,027)	(2,085)	(10,196)	(8,096)
Net interest income	<u>5,315</u>	<u>5,166</u>	<u>5,241</u>	<u>4,589</u>	<u>4,970</u>	<u>21,220</u>	<u>19,966</u>
Loan impairment charges	(3,056)	(2,613)	(2,678)	(2,217)	(1,776)	(14,472)	(9,284)
Risk adjusted net interest income	<u>2,259</u>	<u>2,553</u>	<u>2,563</u>	<u>2,372</u>	<u>3,194</u>	<u>6,748</u>	<u>10,682</u>
Fees and commissions receivable	2,508	2,336	2,367	2,268	2,347	10,714	9,318
Fees payable	(276)	(276)	(414)	(359)	(426)	(1,009)	(1,475)
Trading Income	290	460	355	1,097	316	2,861	2,228
Other operating income	<u>214</u>	<u>251</u>	<u>224</u>	<u>219</u>	<u>206</u>	<u>834</u>	<u>900</u>
Total operating income	<u>4,995</u>	<u>5,324</u>	<u>5,095</u>	<u>5,597</u>	<u>5,637</u>	<u>20,148</u>	<u>21,653</u>
Administrative and personnel expenses	(5,877)	(5,566)	(5,653)	(5,675)	(6,925)	(21,697)	(23,819)
Net operating income	<u>(882)</u>	<u>(242)</u>	<u>(558)</u>	<u>(78)</u>	<u>(1,288)</u>	<u>(1,549)</u>	<u>(2,166)</u>
Other income	740	894	1,150	1,052	1,241	3,311	4,337
Other expenses	(602)	(252)	(358)	(283)	(172)	(1,628)	(1,065)
Net income before taxes	<u>(744)</u>	<u>400</u>	<u>234</u>	<u>691</u>	<u>(219)</u>	<u>134</u>	<u>1,106</u>
Income tax and employee profit sharing tax	284	(524)	(281)	121	(588)	(2,230)	(1,272)
Deferred income tax	<u>181</u>	<u>618</u>	<u>(51)</u>	<u>(339)</u>	<u>779</u>	<u>2,402</u>	<u>1,007</u>
Net income before subsidiaries	<u>(279)</u>	<u>494</u>	<u>(98)</u>	<u>473</u>	<u>(28)</u>	<u>306</u>	<u>841</u>
Undistributed income from subsidiaries	<u>269</u>	<u>361</u>	<u>282</u>	<u>367</u>	<u>263</u>	<u>1,248</u>	<u>1,273</u>
Income from ongoing operations	<u>(10)</u>	<u>855</u>	<u>184</u>	<u>840</u>	<u>235</u>	<u>1,554</u>	<u>2,114</u>
Discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-controlling interest	<u>1</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>5</u>
Net income (loss)	<u><u>(9)</u></u>	<u><u>855</u></u>	<u><u>192</u></u>	<u><u>840</u></u>	<u><u>232</u></u>	<u><u>1,554</u></u>	<u><u>2,119</u></u>

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

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

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LUIS PEÑA KEGEL
Chief Executive

GUSTAVO CABALLERO GÓMEZ
Officer Chief Financial Officer

ANDREW PAUL MCCANN
Director of Internal Audit

BRENDA TORRES MELGOZA
Chief Accountant

Consolidated Statement of Changes in Shareholder's Equity

Figures in MXN millions

From 1 January to 31 December 2010

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

	Paid in capital				Earned capital						Non-controlling interest	Total Stock-holders Equity
	Capital Stock	Advances for future capital increases	Shares Premiums	Subordinate debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement	Results from holding non-monetary assets (Valuation of permanent investments)	Net income		
Balances at 01 January 2010	9,434	-	23,244	-	1,648	11,582	(476)	--	-	1,554	3	46,989
Movements Inherent to the Shareholders Decision												
Subscription of shares	(4,323)	-	4,318	-	-	-	-	-	-	-	-	(5)
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	78	(78)	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	-	1,554	-	-	-	(1,554)	-	-
--Cash dividends	-	-	-	-	-	--	-	-	-	-	-	-
Total Movements Inherent to the Shareholders Decision	(4,323)	-	4,318	-	78	1,476	-	-	-	(1,554)	-	(5)
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-
Net result	-	-	-	-	-	-	-	-	-	2,119	2	2,121
Result from valuation of available-for-sale securities	-	-	-	-	-	-	215	-	-	-	-	215
Result from cash flow hedging transactions	-	-	-	-	-	-	187	-	-	-	-	187
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent for the Recognition of the Comprehensive Income	-	-	-	-	-	-	402	-	-	2,119	2	2,523
Balances at 31 December 2010	5,111	-	27,562	-	1,726	13,058	(74)	-	-	2,119	5	49,507

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

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

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LUIS PEÑA KEGEL

Chief Executive

GUSTAVO CABALLERO GÓMEZ

Officer Chief Financial Officer

ANDREW PAUL MCCANN

Director of Internal Audit

BRENDA TORRES MELGOZA

Chief Accountant

Consolidated Statement of Cash Flow

Figures in MXN millions

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

From 1 January to 31 December 2010

Net income	2,119
Adjustments for items not involving cash flow:	10,956
Gain or loss on appraisal of activities associated with investment & financing	(1,873)
Allowances for loan losses	9,407
Depreciation and amortization	1,612
Provisions	2,823
Income Tax and deferred taxes	265
Undistributed income from subsidiaries	(1,278)
Changes in items related to operating activities:	
Memorandum accounts	(39)
Investment securities	(20,268)
Repurchase agreements	(263)
Derivative (assets)	(2,507)
Loan portfolio	(21,903)
Foreclosed assets	-
Operating assets	(15,314)
Deposits	14,797
Bank deposits and other liabilities	(2,925)
Settlement accounts	2,359
Creditors repo transactions	5,409
Collateral sold or delivered as guarantee	5,479
Derivative (liabilities)	3,413
Subordinated debentures outstanding	(214)
Other operating liabilities	4,940
Funds provided by operating activities	(27,036)
Investing activities:	
Acquisition of property, furniture and equipment	(1,659)
Intangible assets acquisitions	(1,365)
Funds used in investing activities	(3,024)
Financing activities:	
Subscription of Shares	49,936
Decrease of Shares	(49,941)
Funds used in financing activities	(5)
Increase/decrease in cash and equivalents	(16,990)
Adjustments to cash flow variations in the exchange rate and inflation levels	(8)
Cash and equivalents at beginning of period	68,322
Cash and equivalents at end of period	51,324

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

GUSTAVO CABALLERO GÓMEZ
Officer Chief Financial Officer

ANDREW PAUL MCCANN
Director of Internal Audit

BRENDA TORRES MELGOZA
Chief Accountant

Financial Statements HSBC Mexico, S.A.

Consolidated Balance Sheet

Figures in MXN millions at December 31, 2010

HSBC Mexico, S.A. (Bank)

	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010
Assets					
Cash and deposits in banks	68,322	59,431	46,590	70,238	51,324
Margin Accounts	3	3	3	2	42
Investment in Securities	120,241	133,620	160,384	146,757	139,540
Trading securities	40,607	45,654	56,639	46,020	36,548
Available-for-sale securities	71,132	79,427	95,478	92,516	95,315
Held to maturity securities	8,502	8,539	8,267	8,221	7,677
Repurchase agreements	1,593	14	-	-	1,856
Derivative transactions	24,113	22,773	27,829	35,337	28,205
Performing loans					
Commercial loans	102,305	101,019	100,967	110,901	121,855
Commercial entities	76,091	70,775	64,781	73,610	81,084
Loans to financial intermediaries	6,951	7,412	11,979	11,948	12,684
Loans to government entities	19,263	22,832	24,207	25,343	28,087
Consumer loans	30,048	28,008	27,306	27,076	26,665
Mortgages loans	19,660	19,769	19,477	19,302	17,557
Total performing loans	152,013	148,796	147,750	157,279	166,077
Impaired loans					
Commercial loans	1,745	1,648	1,857	1,809	1,669
Commercial entities	1,745	1,648	1,857	1,809	1,664
Loans to government entities	-	-	-	-	5
Consumer loans	3,826	2,794	2,325	1,826	1,574
Mortgage Loans	2,368	2,157	2,226	2,176	2,101
Total non-performing loans	7,939	6,599	6,408	5,811	5,344
Total loan portfolio	159,952	155,395	154,158	163,090	171,421
Allowance for loan losses	(10,447)	(9,847)	(10,134)	(10,179)	(9,296)
Net loan portfolio	149,505	145,548	144,024	152,911	162,125
Receivables	-	-	-	-	-
(-) less					
Provision for doubtful receivables	-	-	-	-	-
Total loan portfolio	149,505	145,548	144,024	152,911	162,125
Other accounts receivable	7,620	20,253	28,616	44,931	22,870
Foreclosed assets	174	211	165	167	162
Property, furniture and equipment, net	7,525	7,715	7,736	7,932	9,069
Long term investments in equity securities	133	134	118	119	123
Deferred taxes	4,305	4,693	4,558	4,088	5,318
Other assets, deferred charges and intangibles	2,608	3,157	3,900	4,623	4,753
Total Assets	386,142	397,552	423,923	467,105	425,387

Figures in MXN millions at December 31, 2010

HSBC Mexico, S.A. (Bank)

	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010
Liabilities					
Deposits	238,726	225,481	231,570	245,986	253,613
Demand deposits	127,960	122,157	126,600	143,601	150,355
Time deposits	106,524	99,057	100,735	98,123	99,015
Retail	105,366	99,057	100,672	98,074	98,785
Money market	1,158	-	63	49	230
Bank bonds outstanding	4,242	4,267	4,235	4,262	4,243
Bank deposits and other liabilities	24,856	11,955	16,767	13,869	21,931
On demand	3,336	2,245	5,194	3,000	3,776
Short term	20,236	8,060	9,938	9,282	16,630
Long term	1,284	1,650	1,635	1,587	1,525
Repurchase agreements	24,544	42,295	27,954	42,476	34,868
Loan portfolio	-	-	1	-	-
Settlement accounts	-	5,518	13,155	10,606	2,359
Collateral Sold	6,305	11,539	14,264	4,415	6,827
Repurchase	-	-	6,797	1	-
Securities to be received in repo transactions	6,305	11,539	7,467	4,414	6,827
Derivative transactions	27,132	24,886	31,376	38,175	30,545
Other accounts payable	14,130	24,645	37,408	59,741	26,304
Income tax and employee profit sharing payable	1,014	1,124	1,083	1,001	654
Contributions for future capital increases	-	-	-	-	2,013
Creditors for settlement of transactions	2,984	12,947	21,300	41,357	12,773
Sundry creditors and others accounts payable	10,132	10,574	15,025	17,383	10,864
Subordinated debentures outstanding	10,221	10,006	10,159	10,074	10,007
Deferred credits	731	830	812	724	730
Total Liabilities	346,645	357,155	383,465	426,066	387,184
Stockholder's Equity					
Paid in capital	25,605	25,605	25,605	25,605	25,605
Capital stock	5,087	5,087	5,087	5,087	5,087
Additional paid in capital	20,518	20,518	20,518	20,518	20,518
Capital Gains	13,889	14,789	14,850	15,431	12,595
Capital reserves	14,313	14,449	14,449	14,449	12,436
Retained earnings	-	-	-	-	-
Result from the mark-to-market of Available-for-sale securities	(160)	282	477	750	(48)
Result from cash flow hedging transactions	(400)	(343)	(312)	(308)	(213)
Net Income	136	401	236	540	420
Non-controlling interest	3	3	3	3	3
Total Stockholder's Equity	39,497	40,397	40,458	41,039	38,203
Total Liabilities and Capital	386,142	397,552	423,923	467,105	425,387

Figures in MXN millions at December 31, 2010

HSBC Mexico, S.A. (Bank)

	<u>31 Dec 2009</u>	<u>31 Mar 2010</u>	<u>30 Jun 2010</u>	<u>30 Sep 2010</u>	<u>31 Dec 2010</u>
Memorandum Accounts					
Guarantees granted	30	25	26	21	21
Contingent assets and liabilities	126	128	124	119	116
Irrevocable lines of credit granted	15,071	14,013	16,185	17,785	16,201
Goods in trust or mandate	266,641	271,462	277,105	282,699	293,814
Goods	264,890	270,792	276,403	281,952	293,051
Trusts	1,751	670	702	747	763
Goods in custody or under administration	240,951	233,020	245,386	260,522	246,284
Collateral received by the institution	16,649	26,071	21,827	8,432	13,370
Collateral received and sold or delivered as guarantee	15,203	26,071	19,322	7,739	10,182
Third party investment banking operations, net	57,064	39,564	44,303	51,096	43,351
Suspended interest on impaired loans	250	273	273	258	254
Other control accounts	1,444,023	1,502,835	1,789,751	1,884,176	1,846,445
	<u>2,056,008</u>	<u>2,113,462</u>	<u>2,414,302</u>	<u>2,512,847</u>	<u>2,470,038</u>

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

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

GUSTAVO CABALLERO GÓMEZ
 Officer Chief Financial Officer

ANDREW PAUL MCCANN
 Director of Internal Audit

BRENDA TORRES MELGOZA
 Chief Accountant

Consolidated Income Statement

Figures in MXN millions at December 31, 2010

HSBC Mexico, S.A. (Bank)

	For the quarter ending				Year to date		
	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Dec 2010	
Interest income	7,130	7,073	7,294	6,605	7,046	31,248	28,018
Interest expense	(1,863)	(1,915)	(2,062)	(2,028)	(2,087)	(10,026)	(8,092)
Net interest income	<u>5,267</u>	<u>5,158</u>	<u>5,232</u>	<u>4,577</u>	<u>4,959</u>	<u>21,222</u>	<u>19,926</u>
Loan impairment charges	(3,056)	(2,613)	(2,678)	(2,217)	(1,776)	(14,472)	(9,284)
Loan impairment charges	<u>(3,056)</u>	<u>(2,613)</u>	<u>(2,678)</u>	<u>(2,217)</u>	<u>(1,776)</u>	<u>(14,472)</u>	<u>(9,284)</u>
Risk adjusted net interest income	<u>2,211</u>	<u>2,545</u>	<u>2,554</u>	<u>2,360</u>	<u>3,183</u>	<u>6,750</u>	<u>10,642</u>
Fees and commissions receivable	2,241	2,104	2,147	2,020	2,089	9,765	8,360
Account management	205	178	167	163	164	954	672
Services	2,036	1,926	1,980	1,857	1,925	8,811	7,688
Fees payable	(270)	(265)	(405)	(350)	(409)	(995)	(1,429)
Trading Income	287	458	353	1,094	315	2,852	2,220
Foreign exchange	1,246	(756)	591	119	18	(177)	(28)
Securities trading, net	4	(11)	(44)	(19)	23	(60)	(51)
Repos	-	-	-	(5)	-	-	(5)
Swaps	289	208	427	(208)	287	791	714
Valuation off-shore agencies	(1,413)	961	(526)	1,166	(133)	1,738	1,468
Valuation for trading swaps	161	56	(95)	41	120	560	122
Other operating income	214	251	224	219	206	834	900
Total operating income	<u>4,683</u>	<u>5,093</u>	<u>4,873</u>	<u>5,343</u>	<u>5,384</u>	<u>19,206</u>	<u>20,693</u>
Administrative and personnel expenses	5,632	5,523	5,627	5,645	6,890	21,081	23,685
Personnel expense	2,223	2,376	2,360	2,470	2,948	8,804	10,154
Administrative expense	3,088	2,808	2,925	2,835	3,513	11,041	12,081
Depreciation and amortization	321	339	342	340	429	1,236	1,450
Net operating income	<u>(949)</u>	<u>(430)</u>	<u>(754)</u>	<u>(302)</u>	<u>(1,506)</u>	<u>(1,875)</u>	<u>(2,992)</u>
Other income	800	958	1,171	1,072	1,314	3,240	4,515
Other expenses	<u>(600)</u>	<u>(248)</u>	<u>(309)</u>	<u>(281)</u>	<u>(172)</u>	<u>(1,623)</u>	<u>(1,010)</u>
Net income before taxes	<u>(749)</u>	<u>280</u>	<u>108</u>	<u>489</u>	<u>(364)</u>	<u>(258)</u>	<u>513</u>
Income tax and employee profit sharing	337	(470)	(241)	168	(549)	(2,035)	(1,092)
Deferred income tax	<u>156</u>	<u>589</u>	<u>(40)</u>	<u>(352)</u>	<u>784</u>	<u>2,397</u>	<u>981</u>
Net income before subsidiaries	<u>(256)</u>	<u>399</u>	<u>(173)</u>	<u>305</u>	<u>(129)</u>	<u>104</u>	<u>402</u>
Undistributed income from subsidiaries	6	2	-	(2)	13	33	13
Income from ongoing operations	<u>(250)</u>	<u>401</u>	<u>(173)</u>	<u>303</u>	<u>(116)</u>	<u>137</u>	<u>415</u>
Non-controlling interest	<u>-</u>	<u>-</u>	<u>8</u>	<u>1</u>	<u>(4)</u>	<u>(1)</u>	<u>5</u>
Net income (loss)	<u>(250)</u>	<u>401</u>	<u>(165)</u>	<u>304</u>	<u>(120)</u>	<u>136</u>	<u>420</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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LUIS PEÑA KEGEL
Chief Executive

GUSTAVO CABALLERO GÓMEZ
Officer Chief Financial Officer

ANDREW PAUL MCCANN
Director of Internal Audit

BRENDA TORRES MELGOZA
Chief Accountant

Consolidated Statement of Changes in Shareholder's Equity

Figures in MXN millions

HSBC Mexico, S.A. (Bank)

From 1 January to 31 December 2010

	Paid in capital				Earned Capital				Non-controlling interest	Total stockholder's Equity		
	Capital Stock	Advances for future capital increases	Shares Premium	Subordinated debentures outstanding	Capital Reserves	Retained earnings	Surplus/ Deficit from securities	Cumulative effect of restatement			Results from holding non-monetary assets	Net Income
Balances at 01 January 2010	5,087	-	20,518	-	14,313	-	(560)	-	-	136	3	39,497
Movements Inherent to the Shareholders Decision												
Subscription of shares	-	-	-	-	-	-	-	-	-	-	-	-
Capitalization of retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
Constitution of reserves	-	-	-	-	136	(136)	-	-	-	-	-	-
Transfer of result of prior years	-	-	-	-	-	136	-	-	-	(136)	-	-
Cash dividends	-	-	-	-	(2,013)	-	-	-	-	-	-	(2,013)
Total Movements Inherent to the Shareholders Decision	-	-	-	-	(1,877)	-	-	-	-	(136)	-	(2,013)
Movements for the Recognition of the Comprehensive Income												
Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-
Net result	-	-	-	-	-	-	-	-	-	420	-	420
Result from valuation of available-for-sale securities	-	-	-	-	-	-	112	-	-	-	-	112
Result from cash flow hedging transactions	-	-	-	-	-	-	187	-	-	-	-	187
Results from holding non-monetary assets	-	-	-	-	-	-	-	-	-	-	-	-
Total Movements Inherent for the Recognition of the Comprehensive Income	-	-	-	-	-	-	299	-	-	420	-	719
Balances as at 31 December 2010	5,087	-	20,518	-	12,436	-	(261)	-	-	420	3	38,203

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 to 31 December 2010

HSBC Mexico, S.A. (Bank)

31 Dec 2010

Net income	420
Adjustments for items not involving cash flow:	11,997
Gain or loss on appraisal of activities associated with investment & financing	(1,871)
Allowances for loan losses	9,407
Depreciation and amortization	1,612
Provisions	2,756
Income Tax and deferred taxes	111
Undistributed income from subsidiaries	(18)
Changes in items related to operating activities:	
Memorandum accounts	(39)
Investment securities	(18,773)
Repurchase agreements	(263)
Derivative (assets)	(2,507)
Loan portfolio	(21,903)
Foreclosed assets	-
Operating assets	(15,100)
Deposits	14,887
Bank deposits and other liabilities	(2,925)
Settlement accounts	2,359
Creditors repo transactions	10,324
Collateral sold or delivered as guarantee	522
Derivative (liabilities)	3,413
Subordinated debentures outstanding	(214)
Other operating liabilities	5,203
Funds provided by operating activities	(24,976)
Investing activities:	
Acquisition of property, furniture and equipment	(2,966)
Intangible assets acquisitions	(1,465)
Funds used in investing activities	(4,431)
Financing activities:	
Cash dividend	(2,013)
Contributions for future capital increases	2,013
Funds used or provided by financing activities	-
Increase/decrease in cash and equivalents	(16,990)
Adjustments to cash flow variations in the exchange rate and inflation levels	(8)
Cash and equivalents at beginning of period	68,322
Cash and equivalents at end of period	51,324

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 December 31, 2010

Investments in securities

	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010
Government securities	36,229	40,912	51,379	40,389	30,152
Bank securities	2,562	2,475	2,442	2,622	3,388
Shares	16	290	63	-	27
Others	2,532	2,709	3,579	3,670	4,983
Trading securities	<u>41,339</u>	<u>46,386</u>	<u>57,463</u>	<u>46,681</u>	38,550
Government securities	66,793	77,341	88,778	85,889	88,742
Bank securities	1,212	-	-	-	-
Obligations and other securities	3,611	2,687	7,435	7,460	7,475
Shares	14	14	10	11	12
Available for sale securities	<u>71,630</u>	<u>80,042</u>	<u>96,223</u>	<u>93,360</u>	96,229
Sovereign debt securities	4,189	4,237	4,284	4,333	4,378
Special Cetes (net)	-	-	-	-	-
Bank securities	204	208	203	207	-
Corporate securities	4,109	4,094	3,780	3,681	3,299
Securities held to maturity	<u>8,502</u>	<u>8,539</u>	<u>8,267</u>	<u>8,221</u>	7,677
Total Financial Instruments	<u>121,471</u>	<u>134,967</u>	<u>161,953</u>	<u>148,262</u>	142,456

In the fourth quarter of 2010 investment in securities decrease by MXN(5,806) million compared to the third quarter of 2010; mainly driven by lower government securities MXN (7,385) million, in bonus by MXN 1,328 million, promissory note MXN178, shares by MNX 28 million and MXN 45 million among others.

Repos

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

Figures in MXN millions at December 31, 2010

	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010
Repo's Government securities (credit)	23,996	40,887	27,375	41,720	28,258
Repo's Bank securities (credit)	484	1,176	418	307	1,231
Repo's Others securities (credit)	-	222	141	433	406
Valuation increase (decrease)	-	-	-	-	-
Accrued interest payable	22	10	20	16	16
Credit balance in repo agreements	<u>24,502</u>	<u>42,295</u>	<u>27,954</u>	<u>42,476</u>	29,911
Repurchase agreements in government securities	10,501	14,500	3,000	3,000	5,000
Accrued interest receivable	9	14	6	2	7
Debit balance repo securities agreements	<u>10,510</u>	<u>14,514</u>	<u>3,006</u>	<u>3,002</u>	5,007
Government securities	8,916	14,486	9,801	3,001	3,147
Interest in collateral delivered as guarantee	1	14	2	2	4
Total in collateral delivered as guarantee	<u>8,917</u>	<u>14,500</u>	<u>9,803</u>	<u>3,003</u>	3,151

Derivative Financial Instruments

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at December 31, 2010

	<i>Futures</i>		<i>Forwards Contracts</i>		<i>Options</i>		<i>Swaps</i>		<i>Total (net)</i>
	<i>Asset position</i>	<i>Liability position</i>	<i>Asset position</i>	<i>Liability position</i>	<i>Asset position</i>	<i>Liability position</i>	<i>Asset position</i>	<i>Liability position</i>	
For trading									
Pesos	-	-	57,747	53,057	8,399	8,396	79,296	79,748	4,241
US Dollars	-	-	70,945	74,730	3,090	3,089	126,451	127,822	(5,155)
Interest Rate	440	440	263	341	-	-	152,484	152,141	265
Total	440	440	128,955	128,128	11,489	11,485	358,231	359,711	(649)
For hedging									
Pesos	-	-	-	-	-	-	22,021	-	22,021
US Dollars	-	-	-	-	-	-	-	23,008	(23,008)
Interest Rate	-	-	-	-	-	-	924	1,628	(704)
Total	-	-	-	-	-	-	22,945	24,636	(1,691)

Collateral Sold or delivered as guarantee

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at December 31, 2010

	<i>31 Dec 2009</i>	<i>31 Mar 2010</i>	<i>30 Jun 2010</i>	<i>30 Sep 2010</i>	<i>31 Dec 2010</i>
Stock borrowing					
Cetes	788	240	92	-	520
Valuation increase (decrease)	-	-	-	-	28
Bonds	5,504	11,287	7,364	4,406	6,187
Valuation increase (decrease)	(3)	12	11	8	84
Shares	17	-	-	-	8
Valuation increase (decrease)	(1)	-	-	-	-
Total	6,305	11,539	7,467	4,414	6,827

Participation by Subsidiary

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

Group Subsidiaries at December 31, 2010

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

Trading income

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at December 31, 2010

	For the quarter ending...				Year to date		
	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Dec 2010	
Valuation	(829)	958	(881)	1,527	(66)	2,323	1,538
Derivatives	(590)	908	(1,036)	952	250	(791)	1,074
Repos	-	-	-	-	-	(2)	-
Debt Securities	(255)	109	389	219	(243)	(698)	474
Foreign Exchange	16	(59)	(234)	356	(73)	3,814	(10)
Buying and Selling Instruments	1,116	(500)	1,234	(433)	381	529	682
Foreign Currency	1,229	(697)	826	(238)	89	(194)	(20)
Derivatives	(245)	69	73	(602)	314	(124)	(146)
Repos	-	-	-	-	-	-	-
Shares	(12)	(1)	(17)	(5)	(10)	10	(33)
Debt Securities	144	129	352	412	(12)	837	881
Total	287	458	353	1,094	315	2,852	2,220

Loan Portfolio

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

By type of currency

Figures in MXN millions at 31 December 2010

	Commercial or Business Activity	Financial Intermediaries	Government Entities	Consumer Loans	Mortgage Loans	Total
Performing Loan Portfolio						
Pesos	54,862	12,573	26,829	26,665	15,817	136,746
US Dollars	26,222	111	1,254	-	-	27,587
Udis Banxico	-	-	4	-	1,740	1,744
Total	81,084	12,684	28,087	26,665	17,557	166,077
Non Performing Loans Portfolio						
Pesos	1,614	-	5	1,574	1,714	4,907
US Dollars	50	-	-	-	-	50
Udis Banxico	-	-	-	-	387	387
Total	1,664	-	5	1,574	2,101	5,344

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

Special Accounting Criteria

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

Figures in nominal MXN at 31 December 2010

Derived from the natural disasters caused by hurricane "Alex", "Karl" and tropical storm "Frank", the banking regulator (CNBV) issued through offices 100/042/210 dated 14 July 2010 and 100/047/2010 dated 24 September 2010 special accounting temporal criteria for the implementation of the program directed to help people affected by afore mentioned disasters; therefore the bank applied such criteria to the loans hired by its clients in the affected areas, the program was directed to mortgage loans, consumer loans, credit card and auto loans. For such mentioned portfolios, deferral of principal plus interest was delayed for two months, not applicable if the term of the deferral exceeds 30 September 2010 for those creditors affected by hurricane "Alex", for creditors affected by hurricane "Karl" and tropical storm "Frank", the end of the deferral period should not exceed 20 November 2010.

Performing loans which were granted deferral of payments are not considered as restructured loans, according to paragraph 24 of the B-6 accounting criteria. Such credits will remain as performing for a two month time frame from the date those were included in the deferral of payment program, but can not exceed 30 September 2010 or 20 November 2010 depending if those were affected by hurricane "Alex" or by hurricane "Karl" and tropical storm "Frank".

Amounts that would have been registered in the Balance Sheet as well as in the Income Statement as of 31 December 2010 if such special accounting criteria would have not been applied are the following and are referred to the non-registered interests of such participating loans in these programs.

Performing Loan Portfolio

Calculated Interests as of 31 December 2010.

Consumer Loans	\$	77,450
Mortgage Loans		<u>84,514</u>
		\$ 161,964

Due to the nature of the program implemented by HSBC Mexico which only consisted of deferral of payments for two months, it was not necessary to perform any accounting register as a consequence of this CNBV authorized program.

Ratings HSBC México, S.A.

HSBC Mexico, S.A. (Bank)

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

(*) 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 December 31, 2010

	Total loan portfolio	Allowance for Loan Losses by type of loan			Total reserves
		Commercial loans	Consumer loans	Mortgages loans	
Exempted from rating	9,218				
Graded	178,425				
Risk A	88,590	436	56	54	546
Risk A-1	61,500	185	56	54	295
Risk A-2	27,090	251	0	0	251
Risk B	81,722	2,830	1,236	80	4,146
Risk B-1	48,882	1,012	518	80	1,610
Risk B-2	27,684	1,148	718	0	1,866
Risk B-3	5,156	670	0	0	670
Risk C	3,829	515	516	176	1,207
Risk C-1	3,394	338	516	176	1,030
Risk C-2	435	177	0	0	177
Risk D	3,383	235	1,224	956	2,415
Risk E	901	658	158	166	982
Total	187,643	4,674	3,190	1,432	9,296
Less:					
Constituted Reserves					<u>9,296</u>
Surplus					<u>0</u>

- The rating and constitution of reserves correspond to last day of the balance sheet at December 31, 2010.
- 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.
- The institution chose to establish reserves for consumer loan portfolio for credit card operations, calculated in accordance with Section II of Article 91 of the general provisions applicable to credit institutions in accordance with Section II of second transitory article of the resolution amending the general provisions applicable to credit institutions, as published in the Official Gazette on August 12, 2009.

In December 2010 the amount to establish such reserves as a result of the score was MXN 2,962 million. The amount up to that date for this concept was MXN 2,468 million, equivalent to 83.33% of the amount specified by the application of the formula set out in that Article transient. The amount from interest due reserve was MXN 128 million.

The implementation of the new methodology for qualification of the consumer loan portfolio for credit card operations, led a charge to income to December this year, the allowance for loan losses net MXN 5,366 million, which was credited to respective provision presented in the balance sheet.

Non – Performing Loans

HSBC Mexico, S.A. (Bank)

Figures in MXN millions

	At the quarter ending				
	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010
Initial Balance of Impaired Loans	9,109	7,939	6,599	6,408	5,811
Increases	4,670	4,218	4,190	2,999	3,728
Transfer of current loans to past due status	4,670	4,218	4,190	2,999	3,728
Decreases	5,840	5,558	4,382	3,596	4,195
Restructurings	41	16	15	36	236
Liquidated credits	4,646	4,489	3,297	2,665	2,884
Charged in cash	942	1,394	926	603	901
Foreclosed assets	23	22	40	11	6
Writeoffs	-	-	-	-	-
Sale of portfolio	3,681	3,073	2,330	2,051	1,977
Transfer to performing loan status	1,156	1,062	1,069	898	1,082
Fx revaluations	3	9	(1)	3	7
Final Balance of Impaired Loan	7,939	6,599	6,408	5,811	5,344

Deferred Taxes

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

Figures in MXN millions at December 31, 2010

	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010
Loan loss reserves	4,055	4,623	4,757	4,834	4,780
Valuation of securities	(40)	(240)	(381)	(719)	(270)
Fiscal loss	17	15	6	5	13
Other reserves	863	858	742	540	1,038
PTU Payable	88	113	50	70	106
Foreclosed assets	17	20	18	75	89
Stocks VISA & Mastercard	-	-	-	-	-
Other	227	257	253	227	229
Differences in rates of fixed assets	(199)	(205)	(176)	(204)	56
Fiscal result UDIS-Banxico	(760)	(774)	(788)	(803)	(816)
Total Deferred Taxes	4,268	4,667	4,481	4,023	5,225

Funding, Loans and Investments in Securities

HSBC Mexico, S.A. (Bank)

Funding and bank loans – Average Interest rates

	<i>At the quarter ending</i>				
	<i>31 Dec 2009</i>	<i>31 Mar 2010</i>	<i>30 Jun 2010</i>	<i>30 Sep 2010</i>	<i>31 Dec 2010</i>
MXN pesos					
Funding	2.19%	2.21%	2.27%	2.32%	2.28%
Bank and other loans	5.21%	5.14%	5.17%	5.31%	5.56%
Foreign currency					
Funding	0.10%	0.07%	0.07%	0.08%	0.08%
Bank and other loans	0.70%	0.61%	0.64%	0.65%	0.89%
UDIS					
Funding	0.20%	0.18%	0.18%	0.21%	0.24%

Long Term Debt

HSBC Mexico, S.A. (Bank)

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

Figures in historic MXN millions

<i>Instrument</i>	<i>Issue Date</i>	<i>Amount</i>	<i>Currency</i>	<i>Interest payable</i>	<i>Amount in circulation</i>	<i>Rate</i>
		<i>MXN millions</i>			<i>MXN millions</i>	
INTENAL 03	24-NOV-2003	2,200	MXN	6	2,206	25-NOV-2013
HSBC 08	30-SEP-2008	1,818	MXN	2	1,820	20-SEP-2018
HSBC 08-2	18-DEC-2008	2,272	MXN	6	2,278	10-DEC-2018
HSBC 09D(USD300) ¹	26-JUN-2009	3,701	USD	2	3,703	28-JUN-2019
		9,991		16	10,074	

¹ Expressed in local currency at issuance date FX rate.

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

Figures in historic MXN millions

Instrument	Issue Date	Amount	Currency	Interest	Amount in circulation	Maturity Date
		MXN millions		payable		
Certified Marketable Securities	10-MAY-2006	4,220	MXN	23	4,243	27-ABR-2016
		4,220		23	4,243	

Capital

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

Grupo Financiero HSBC

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

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

The capital stock is included in the amount of MXN5,111 million, represented by 2,555,350,789 shares.

The Ordinary Shareholders Meeting, held on December 1st, 2010, approved to increase and decrease the capital stock by the cancel, emission and change of the shares of capital stock.

By December 1st 2010, it was approved to issue 2,555,350,789 shares of the series "F" y "B". 2,555,350,699 of them were subscribed and paid by HSBC Latin America Holdings (UK) Limited at the price of MXN\$ 19.5418. The total amount paid by HSBC Latin America Holdings (UK) Limited at the end of December 2010 was MXN 49,936 million.

Grupo Financiero reduced its capital stock by 2,555,350,544 shares of the series "F" y "B". 2,555,081,064 representative shares of the capital stock of Grupo Financiero HSBC were reimbursed to HSBC Holding plc at December 30th, 2010 at a price of MXN\$ 19.5438 per share. The reimbursed amount to HSBC Holding plc at the end of December 2010 was MXN49,941 million.

From December 30th 2010 HSBC Latin America Holdings (UK) Limited is the majority shareholder with the 99.99% of the capital stock of Grupo Financiero HSBC.

Subsidiaries Grupo Financiero HSBC

HSBC Mexico, S.A.

HSBC Mexico, S.A., net income in 2009, figure that was audited by Despacho KPMG Cárdenas Dosal, S.C., was MXN136 million.

- ▶ The Ordinary Shareholders Meeting, held on March 24st, 2010, approved the cancellation 25,491,086 of the shares of capital stock.
- ▶ [Ten per cent, MXN13 million, to increase legal reserves, and the remaining MXN123 million, at the Board's determination to be applied under the concept of other reserves.
- ▶ On October, 2010 one notice was published in accordance to the agreement of the Board meeting, a dividend of \$1.22497 shall be paid per share for each one of the 1,643,363,189 shares. Such dividend was paid on one disbursement on December 29 of 2010.

The capital stock increased to MXN3,287 million representing 1,643'363,189 shares.

HSBC Servicios.

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

HSBC Casa de Bolsa

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

Capital Ratio

HSBC Mexico, S.A. (Bank)

Figures in MXN millions at December 31, 2010

	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010
% of assets subject to credit risk					
Tier 1	22.37%	23.10%	23.54%	21.33%	18.75%
Tier 2	6.48%	6.51%	6.83%	6.16%	5.53%
Total regulatory capital	<u>28.85%</u>	<u>29.62%</u>	<u>30.37%</u>	<u>27.49%</u>	<u>24.28%</u>
% of assets subject to credit, market risk and operational risk					
Tier 1	13.81%	13.53%	12.89%	12.31%	11.24%
Tier 2	4.00%	3.81%	3.74%	3.55%	3.31%
Total regulatory capital	<u>17.81%</u>	<u>17.35%</u>	<u>16.63%</u>	<u>15.86%</u>	<u>14.55%</u>
Tier 1	35,927	36,334	36,203	36,420	34,243
Tier 2	10,401	10,242	10,506	10,516	10,096
Total regulatory capital	<u>46,328</u>	<u>46,576</u>	<u>46,709</u>	<u>46,937</u>	<u>44,339</u>
RWA credit risk	160,597	157,257	153,775	170,735	182,631
RWA market risk	78,397	86,803	99,177	93,666	87,098
RWA operational risk	21,066	24,461	28,001	31,474	35,043
RWA credit and market risk	<u>260,061</u>	<u>268,522</u>	<u>280,952</u>	<u>295,875</u>	<u>304,772</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 December 31, 2010

	For the quarter ending					Year to date	
	31 Dec 2009	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Dec 2009	31 Dec 2010
Other income							
Loans to employees	37	37	37	34	36	157	144
Recoveries	210	193	261	141	257	856	852
Other income	493	664	852	877	948	2,298	3,341
	<u>740</u>	<u>894</u>	<u>1,150</u>	<u>1,052</u>	<u>1,241</u>	<u>3,311</u>	<u>4,337</u>
Other expenses	(602)	(252)	(358)	(283)	(172)	(1,628)	(1,065)
Other losses	(602)	(252)	(358)	(283)	(172)	(1,628)	(1,065)
	<u>138</u>	<u>642</u>	<u>792</u>	<u>769</u>	<u>1,069</u>	<u>1,683</u>	<u>3,272</u>
Total other income (expenses)							

► 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 December 31, 2010 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	-	-	252	-	8	17	277
Demand deposits	(277)	-	-	-	-	-	(277)
Repurchase agreements (assets)	-	-	4,957	-	-	-	4,957
Repurchase agreements (liabilities)	(4,957)	-	-	-	-	-	(4,957)
Sundry debtors (assets)	127	-	5	4	-	2,013	2,149
Sundry creditors (liabilities)	(2,013)	(27)	(27)	(77)	(5)	-	(2,149)
Total	(7,120)	(27)	5,187	(73)	3	2,030	-
P&L							
Payable commissions	(8)	(8)	-	(429)	-	-	(445)
Receivable commissions	389	-	56	39	-	-	484
Interest income	-	-	7	-	-	-	7
Interest expense	(7)	-	-	-	-	-	(7)
Repos	(211)	-	-	-	-	-	(211)
Reverse repos	-	-	211	-	-	-	211
Administrative services	(106)	(98)	(176)	(56)	-	(1)	(437)
Other income	291	1	-	8	98	-	398
Total	348	(105)	98	(438)	98	(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 *December 31, 2010*, is shown below:

Figures in MXN millions at December 31, 2010

(MXN millions)	Year to date at 31 December 2010				Total
	PFS	CMB	CIBM	OAC	
Net Interest Income	13,438	4,894	1,634	0	19,966
Provision for Loan Loss	8,321	471	492	0	9,284
Net Interest Income adjusted	5,117	4,423	1,142	0	10,682
Fees and Commissions, net	4,966	2,062	816	0	7,843
Trading Income	166	150	1,912	0	2,228
Other operation income	793	107	0	0	900
Total Revenue	11,042	6,742	3,869	0	21,653
Administrative Expenses	14,333	6,511	2,976	0	23,819
Operating Income	(3,291)	232	894	0	(2,166)
Other Income (Expenses), net	1,869	612	790	0	3,272
Profit Before Taxes	(1,422)	844	1,684	0	1,106
Taxes	(341)	202	403	0	265
Net Income before subsidiaries	(1,082)	642	1,281	0	841
Undistributed income from subsidiaries	1,162	108	2	0	1,273
Continued Operating Results	81	750	1,283	0	2,114
Net Income	81	750	1,283	0	2,114
Minority Shareholders	3	1	1	0	5
Participated Net Income	84	751	1,284	0	2,119

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

Grupo Financiero HSBC

HSBC Holdings plc, the ultimate parent of Grupo Financiero HSBC, reports its results under International Financial Reporting Standards (IFRS). Set out below is a reconciliation of the results of Grupo Financiero HSBC from Mexican GAAP to IFRS for the year ended 31 December 2010 and an explanation of the key reconciling items.

<i>Figures in MXN millions</i>	31 Dec 2010
Grupo Financiero HSBC – Net Income Under Mexican GAAP	2,119
Differences arising from:	
Valuation of pensions and post retirement healthcare benefits †	179
Acquisition costs relating to long-term investment contracts †	(29)
Deferral of fees received and paid on the origination of loans	17
Recognition and provisioning for loan impairments †	1,447
Purchase accounting adjustments †	(21)
Recognition of the present value in-force of long-term insurance contracts †	2
Other †	613
HSBC México net income under IFRS	4,327
US dollar equivalent (millions)	342
Add back tax expense	967
HSBC México profit before tax under IFRS	5,294
US dollar equivalent (millions)	419
<i>Exchange rate used for conversion</i>	<i>12.64</i>

† Net of tax at 30 per cent.

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

Valuation of defined benefit pensions and post retirement healthcare benefits

Mexican GAAP

Defined benefit pension costs and the present value of defined benefit obligations are calculated at the reporting date by the schemes' actuaries using the Projected Unit Credit Method and real interest rates.

IFRS

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

Acquisition costs of long-term investment contracts

Mexican GAAP

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

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

IFRS

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

Fees paid and received on the origination of loans

Mexican GAAP

From 1 January 2007, loan origination fees are required to be deferred and amortised over the life of the loan on a straight line basis. Prior to 2007, loan origination fees were recognised up-front.

IFRS

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

Loan impairment charges

Mexican GAAP

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

IFRS

Impairment losses on collectively assessed loans are calculated as follows:

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

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

Purchase accounting adjustments

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

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

Mexican GAAP

The present value of future earnings are not recognised. Premiums are accounted for on a received basis and reserves are calculated in accordance with guidance as set out by the Insurance Regulator (Comisión Nacional de Seguros y Fianzas).

IFRS

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

Risk Management

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

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

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

Assets and Liabilities (Committee) ALCO

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

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

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

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

Risk Management Committee (RMC)

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

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

The main objectives of this committee are to:

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

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

Market Risk Management

Qualitative Information

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

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

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

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

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

- ▶ **Foreign exchange or currency risk.** - This risk arises in the open positions on different currencies to the local currency, which generates an exposure to potential losses due to the variation of the corresponding exchange rates.
- ▶ **Interest rate risk.** - Arises from asset and liability operations (real nominal or notional), with different expiration dates or re-capitalization dates.
- ▶ **Risk related to shares.** - This risk arises from maintaining open positions (purchase or sale) with shares or share-based instruments, causing an exposure to changes in share prices and the instruments based on these prices.
- ▶ **Volatility risk.** - Arises in the financial instruments that contain options, in such a way that the price (among others factors) depends on the perceived volatility in the underlying price of the option (interest rates, actions, exchange rate, etc.).
- ▶ **Basic or margin risk.** - This risk arises when an instrument is utilized for hedging and each one of them is valued with different rate curves (for example, a government bond hedged with a by-product of inter-bank rates) so that its market value may differ from each other, generating an imperfect hedge.
- ▶ **Credit Spread risk.** - This is the risk that mark-to-market value of a corporate bond, inter-bank bond or sovereign debt in foreign currency, decreases due to changes in the credit quality perception of the issuer

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

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

Value at Risk (VaR)

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

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

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

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

Spread over yield risk

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

Basis Risk

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

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

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

Credit Spread Risk (CSO1)

Credit spread risk or 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.

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

Validation and Calibration Methods for Market Risk models:

Aiming to timely detect any decrease in the forecasting quality of the model, automatic data loading systems are used, in such a way that no manual feeding is required. Besides, in order to prove the reliability of the VaR calculation model, a back testing is carried out, which consists of evaluating that the maximum forecasted losses do not exceed, in average, the

established confidence level, contrasting the P&L should had been generated if the portfolio had remained constant during the VaR's forecast horizon.

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

Applicable portfolios:

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

The Market Risk management calculates the VaR and the PVBP for the total Bank portfolio and for the specific "Accrual" and "All Trading" portfolios.

The VaR is calculated for each one of the mentioned portfolios and is also itemized by risk factors (Interest Rates, Exchange Rates, Interest Rates volatilities, FX volatilities and Equities).

The PVBP risk is presented by interest rate and portfolio subdivision (Accrual, Trading Desk and BST).

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

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

Quantitative Information

Below, the market VaR and the Bank's PVBP will be presented and their subdivisions in the "All Trading" and "Accrual" portfolios for the fourth quarter of 2010 (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 Markets (VaR) (Considering all Risk Factors)						
	Bank		All Trading **		Accrual	
	Average 4Q10	Limits*	Average 4Q10	Limits*	Average 4Q10	Limits*
Total	23.18	45.00	5.49	27.50	20.65	45.00
Interest Rates	22.65	50.00	5.36	N/A	20.65	42.00
Foreign Exchange	0.77	12.00	0.77	12.00	N/A	N/A
Volatility Interest Rates	0.02	8.00	0.02	N/A	0.00	2.00
Volatility Foreign Exchange	0.05	2.00	0.05	2.00	N/A	N/A
Equities	0.08	2.50	0.08	N/A	N/A	N/A

*Absolute Value

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

N/A = Non Aplicable

Value at Risk of Global Markets (VaR) (Last quarter comparison)					
	Sep 30, 2010	Dec 31, 2010	Limits*	Average 3Q10	Average 4Q10
Bank	21.66	25.34	45.00	30.33	23.18
Accrual	18.51	24.09	45.00	23.23	20.65
Total Trading	5.08	5.80	27.50	9.74	5.49

*Absolute Value

N/A = Non Aplicable

The Bank's VaR at the end of the 4Q10 varied 16.98% versus the previous quarter. During the quarter the VaR remained under the limits.

The Bank's average VaR for the end of the 4Q10 varied -23.57% 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 September 30th, 2010 and December 31th, 2010 (in millions of dollars).

Market VaR vs. Net Capital Comparison		
Net Capital in million Dollars		
	30-Sep-10	31-Dec-10
Total VaR*	30.33	23.18
Net Capital **	3,725.21	3,589.23
VaR / Net Capital	0.81%	0.65%

* The Bank's quarterly VaR average in absolute value

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

The average market VaR represents 0.65% of the net capital in 4Q10.

Present Value Basis Point (PVBP) for Mexican Pesos Interest Rates					
	Sep 30, 2010	Dec 31, 2010	Limits*	Average 3Q10	Average 4Q10
Bank	(0.921)	(1.111)	1.500	(1.082)	(1.099)
Aaccrual	(0.692)	(0.993)	1.250	(0.707)	(0.875)
Trading Desk	(0.080)	(0.046)	0.320	(0.203)	(0.126)
Balance Sheet Trading	(0.150)	(0.073)	0.210	(0.171)	(0.098)

*Absolute Value
N/A = Non Applicable

The bank's MXN Rate PVBP for 4Q10 varied 20.63% versus prior quarter. The bank's average PVBP for the 4Q10 varied 1.57% versus prior quarter.

Present Value Basis Point (PVBP) for USD Interest Rates					
	Sep 30, 2010	Dec 31, 2010	Limits*	Average 3Q10	Average 4Q10
Bank	(0.010)	(0.043)	0.300	0.019	(0.016)
Aaccrual	(0.046)	(0.055)	0.300	(0.030)	(0.036)
Trading Desk	0.011	0.011	0.050	0.015	0.007
Balance Sheet Trading	0.026	0.001	0.070	0.033	0.014

*Absolute Value
N/A = Non Applicable

The bank's USD Rate PVBP for 4Q10 varied 330.00% versus prior quarter. The bank's average PVBP for the 4Q10 varied -184.21% versus prior quarter.

Present Value Basis Point (PVBP) for UDI Interest Rates					
	Sep 30, 2010	Dec 31, 2010	Limits*	Average 3Q10	Average 4Q10
Bank	(0.193)	(0.114)	0.200	(0.203)	(0.175)
Aaccrual	(0.165)	(0.081)	0.100	(0.160)	(0.139)
Trading Desk	(0.014)	(0.020)	0.080	(0.022)	(0.020)
Balance Sheet Trading	(0.013)	(0.013)	0.050	(0.021)	(0.015)

*Absolute Value
N/A = Non Applicable

The bank's UDI Rate PVBP for 4Q10 varied -40.93% versus prior quarter. The bank's average PVBP for the 4Q10 varied -13.79% versus prior quarter.

Liquidity Risk

Qualitative Information

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

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

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

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

Quantitative Information

The institution presented at end of the quarter a surplus in expected cash flow under the major stress test scenario of 3,676m USD in the 7 days term, 2,073m USD in 1 month term, 2,745m USD in 3 months term and 2,191m USD in 6 month term; obtaining as a result positive cumulative net in all cases. This reflects an adequate liquidity position of the Institution for the next twelve months.

Along the quarter, average level was 3,961m USD in the 7 days term 2,285m USD in 1 month term, 2,480m USD in 3 months term and 2,166m USD in 6 month term. Compared versus previous quarter, liquidity position was benefited resulting from the FX positions, Money Market and Long Term Investments.

Credit Risk

Qualitative Information

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

Credit risk is defined as the risk that a client or counterpart can not or does not want to comply with a commitment celebrated with a member or members of the Group, i.e. the potential loss due to the lack of payment from a client or counterpart. For the correct measurement of credit risk, HSBC has credit risk measurement methodologies, as well as advanced information systems.

In general, the methodologies separate the client risk (probability that a client will default to his/her payment commitments: Probability of Default) from the transaction risk (risk related with the structure of the credit, including principally the value and type of guarantees).

In addition, HBMX has developed policies and procedures that include the different stages of the credit process: evaluation, origination, control, monitoring and recovery.

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

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

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

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

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

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

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

In order to convert the model to an empirical one, HBMX constructed a historical database, which will also be used for the estimation of Exposure at Default (EaD). LGD is being calculated empirically for the consumer and mortgage portfolio.

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

Also, as part of the credit risk management and measurement infrastructure, HBMX has a system to manage, control and monitor the commercial credit approval process known as Approval Workflow (SIPAC). With this system the status of a credit application can be consulted in any stage of the credit process. For corporate banking the Credit Approval and Risk Management (CARM) system is used.

In addition, and with the objective of enhancing the management of guarantees of the commercial portfolio, a system was implemented in 2006, “Garantías II”. Finally, it is important to comment that HBMX also has a system that controls the limits and utilization of credit facilities since their origination, “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, were a PD and LGD is assigned to every credit. The model is calibrated to estimate expected losses in a year, and was elaborated using previous experience with the portfolio.

Quantitative information

The Expected Loss (EL) of the consumer and mortgage portfolio as at December 31st, 2010 is MXN 5,853.5 millions of pesos, which represents the 12.2% of Total Balance, this means a decrease of 12.4% compared to previous quarter. The Expected Loss of the commercial portfolio as at December 31st, 2010 is MXN 4,094.6 millions of pesos, showing an increase of 1.8% compared to the figure reported in the previous quarter. The EL estimation of this portfolio does not consider undrawn facilities yet.

Operational Risk

Qualitative Information (including Legal and Technological Risk)

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

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

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

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

Technological Risk

The area of IT maintains an adequate risk control technology through the use of the Group's related to Methodologies and Standards FIMs (Functional Instructions Manual), RBPM (Risk Based Project Management), etc. Additional to the current and local HTS processes, identified as BIM's (general procedures and work instructions).

The adequate control of the technological risk is through three means:

1) In order to guarantee an efficient and consistent project management, the software development life cycle is controlled through international processes and practices with an internal methodology named RBPM (Risk Based Project Management) and the Clarity tool (global HSBC tool).

2) Additionally, through the DRP (Disaster Recovery Plan) process focused in the recovery of the systems in case of disasters, and the management of Service Levels and critic processes, the continuity is ensured, covering the client's service expectations and global HSBC standards.

3) Through an agile, secure and reliable Governance structure, and oriented to maintain an adequate technological risk control and response capacities for all the banking services that offer in their different distribution channels, the risk is managed in the senior management committees: HTS Steering Committee, Risk Management Committee (RMC) and Operational Risk & Internal Control Committee (ORICC).

Legal Risk

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

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

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

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

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

Quantitative Information (including Legal and Technological Risk)

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

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

Furthermore, since Jan'06, the loss reporting threshold for individualized losses is of USD 10,000, where minor events are aggregated in a single record. Both event types are recorded in the ad-hoc corporate system platform specifically designed for the management of operational risk and record of operational losses.

Treasury Policies

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

1. To fulfil the needs of our client base, mainly being Corporate and Institutional, and in some lesser degree Commercial clients.
2. Provide hedges for HSBC Mexico from interest rate, foreign exchange and liquidity risks. The latter as a part of its normal commercial activity.
3. Positioning and Market Maker activities.

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

Dividends Policy

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

Paid Dividends

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

- During 2007, no dividend was paid.
- On 2 April 2008, the Board of Directors authorized a dividend payment for MXN2.8328 per share for the 1,235,526,706 outstanding shares.
- Based on the authorization granted by the Board of Directors on 30 March 2009, on 31 March 2009 a dividend payment was made for MXN0.81133657 per share for the 1,235,526,706 outstanding.
- Based on the authorization granted by the Board of Directors on 29 October 2010 a dividend payment was made for MXN1.22497679421977 per share for the 1,643,363,189 outstanding shares.

Internal Control

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

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

- A clear due diligence has been established, supported by a detailed definition of authority limits enhancing effective operational controls. Responsibility is delegated through writings with instructions clearly defined, including transactional ranges. Appropriate information is considered to determine the level of authority as well as the approach of such responsibility granted in individual basis; this is accomplished through the implementation of monitoring and reporting procedures, adequate segregation of functions and a management structure designed to control responsibility limits.
- The administrative board in each of its meetings receives briefs about financial information, the development of business, management of key personnel and drafts copies of each committee reunion held. The administrative board also receives presentations of key business areas and of any other relevant affairs that have been requested.
- The systems and procedures that exist in HSBC to identify, manage and inform about relevant risks include: credit, changes in market prices of financial instruments, liquidity, operation errors, law or normativity infringements, non authorized activities and fraud. The exposure to such risks is supervised by the Assets and Liabilities Committee (ALCO) and by the Executive Committee. The Risk Management Committee (RMC), chaired by an external member of the Administrative Board, is celebrated in a monthly basis. In the RMC, assets and liabilities affairs are discussed. Each subsidiary holds individual RMCs that are discussed in HSBC's RMC.
- New procedures have been established in order to identify new risks arising from changes in market place practices as well as from client behavior, which can increase risk exposure to losses or to reputation damage.
- Strategic plans are prepared for each client segment, product group and main support areas. In such manner, operational plans are prepared. These plans are approved annually and revised periodically, establishing key initiatives for our businesses and their possible financial effects.
- Responsibility on the financial performance, capital expenditure, budget exercise, credit risk and market risk are delegated with certain limits to the administration. Additionally, risk management policies are established by the Administrative Board for the following risk areas: credit risk, market risk, liquidity risk, operation risk, information technology risk, insurance risk, accounting risk, fiscal risk, legal risk, human resources risk, reputational risk, acquisition risk, and business risk.
- Internal audit supervises the effectivity of the internal control structure. Internal audit tasks are focused in supervising the areas that represent the higher risks for HSBC, to determine such areas, risk assessments take place. The head of this functions reports to the Audit Committee.
- The administration is responsible to assure that recommendations given by the internal audit area are implemented in the stipulated time; confirmation of implementations is handed to internal audit. The administration must also confirm in annual basis to internal audit that measures have been taken to implement recommendations given by an external author or the regulator.
- The Audit Committee revises periodically the effectiveness of Internal Control and also informs the Administrative Board about the latter. Among the main processes used by the committee in its revisions are: periodical reports of the heads of key risks, annual revision of the performance of internal control against key HSBC indicators, quarterly confirmations that no significant losses have taken place, contingency or uncertainty caused by deficiencies of the internal controls, internal audit reports, external audit reports and regulatory reports.

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

Corporate Sustainability (CSR)

The global and local economic crisis brings significant challenges to economic and social development in Mexico.

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

Sustainability is achieved through a strategy based on three pillars: Economic: aligning with the principles of Ecuador considering the environmental impact on the group's investments. Environment: Caring for the impact of our carbon footprint on the environment and promoting a sustainable culture within our organization. Social: Supporting education, culture and community projects which promotes employee participation in volunteering programs. This is possible to the community investment which in 2010 represented 0.8% out of our PBT.

In this last quarter we have achieved the launch of the education flagship program Solo levanta la mano along Lazos Foundation and business areas like PFS and a volunteer program from the beginning.

The environmental projects have managed to implement an attention model for combating climate change by supporting projects in four main areas: water, energy, waste and biodiversity.

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

Our community investment funds on 3 sources: PBT, Client Contribution and Sustainable Products getting a total of \$75,834,044.33 which comes out as follows: \$40,000,000.00 from PBT which was investid as Group policies ask: 50% Education, 25% Environment and 25% for Community. 14,295,697.44 in ATM'S with client contribution during 4 campaigns: Child protection, Kids witc Cancer, Becalos and Extreme Poverty. Plus, \$21,538,346.89 via Green Insurance which is investid in environment programs.

Education

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

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

Our Programs:

Program "Only Raise Your Hand" HSBC- Lazos

On September 8th HSBC signed the Program "Sólo levanta la mano" ("Only raise your hand") with "Fundación Lazos" in order to improve education for disadvantage children throughout Mexico. The Program was launched by our CEO, Luis Peña and Fernando Landeros, Lazos Founder and Executive President, in presence of HSBC Corporate Directors, Lazos collaborators, entrepreneurs and experts in the subject of education.

Each Divisional Direction chose one school which led us to have 8 schools sponsored in the first stage and they are located in Tijuana, Guadalajara, León, Mérida, Puebla, D.F., Mexico City and Monterrey. The program was led and

presented to each Divisional by Carlos Ramirez Executive Director for C&D and his team, assigning scholarships, infrastructure and volunteer goals.

Also, during the last quarter of 2010 the Program was officially launched within 7 Divisional Directions: North Metropolitan, South Metropolitan, Center, Peninsular, Occident, Northwest and South. Collaborators, clients, radio and newspapers assisted to the events and they found out about the program, which is already operating and being supervised in each of the 8 schools, but the official launching for North Divisional is scheduled for February 2011.

Lazos is one of the most important NGO's in Mexico with the expertise in education that has a Program throughout all the Country

Migrants

HSBC signed in 2009 an investment of 40 million pesos during 4 years with the National DIF, Mexican Presidency and Save the Children for the program of prevention and care for children and young unaccompanied migrants and for those who have been repatriated.

The program seeks to develop skills in children so they stay in home and develop abilities within their community, promoting a healthy development for migrant children and ensuring full compliance of their rights and addressing their needs. At all time looking for the migrant child to reincorporate into his family and so start a formal education.

As first action, Tijuana, Mexicalli, San Luis Ríos Colorado, Tapachula and Acquixtla, Puebla centers for migrant children were visited, among others.

Donation from Group Sustainable Department (GSD) – Lazos

Lazos was chosen by HSBC Corporate Group to receive a donation of \$ 200,000 dlls, in order to be used within an innovative project to support a school located in the Sierra Tarahumara.

Zippy's Friends

On 25th November, at "German de Campo", one of the eight schools sponsored by HSBC, we had the official launching of the Program "Zippy's Friends" with the presence of Ignacio Zubiria, Divisional Director and Miguel Laporta, Director of Corporate Sustainability. Also 15 colleagues assisted as volunteers, who had the opportunity to witness a Zippy's class implemented in 1st and 2nd grade, through this they saw the benefits that the Program can provide to children, their parents and teachers.

Financial Education, Program "More than Money"

In alliance with Impulsa, we have been working constantly within the Financial Education Program "More than Money", which seeks to generate awareness about the financial basic principles. Within the program abilities and strategies for the responsible management of financial resources are developed and carried out through financial education workshops for 5th and 6th elementary school children.

The program has a broad involvement from SEP (Secretariat of Public Education for Mexico), parents and volunteers from HSBC.

Environment

Green Insurance

Gren Insurance was redefined in 2010 to combat climate change in four specific topics: water, waste, energy and woods along four action levels: education, conservation, protection and productive programs. Criteria and guidelines were defined to make easier decisions when choosing time gets. Below the criteria:

1. Create significant environment impacts and awareness.
2. Create social, private and public interest to generate a multiplayer effect in funding.

3. Resources must be allocated to Project development and minimum allocation to operation and administration.
4. The Project must allow the possibility of volunteering to employees or clients.
5. Achieve excellent services in the practices they do.
6. Must allow efficiency in resources involved to achieve sustainability in med and long term.
7. Resources verification of final destiny.

In the last quarter, nine projects were presented from divisions where 6 will be supported with a sum up of 5.6 million pesos which are:

1. Agroforestry system in Northern Campeche. Operations in the municipality of Tenabo, Calkini and Hecelchakan, this project rehabilitates degraded land. 2 million pesos have been invested.

2. Water Fabric in Nevado de Toluca
Establishes terms to increase recharge of water and promotes environment regeneration. 2 million pesos have been invested.

3. Chipinque Ecologic Park
Restoration and rehab of the Park Vich was affected by Hurricane Alex. 1 million pesos have been invested.

4.- National Park Cumbres de Majalca
Restoration of 20 hectares in this park located in Chihuahua which has been affected by human activity. 250,000 pesos invested.

5.- Water Project in San Miguel de Allende
Recharge of water in land to protect and restore hydro reefs in San Miguel de Allende, Guanajuato. 3,540, 000.00 pesos has been invested

HSBC Climate Partnership

The HCP program was honored as "Best Practice of Corporate Social Responsibility 2010" in category Care and Preservation of Environment, this program generates added value to the strategy and the sustainable management of the bank, as well as communities where we operate, taking as evaluation criteria: interest groups of the company involved in the implementation of the practice, replicability, innovation, and benefits to the business community and the environment, creativity, evaluation mechanisms control and continuous improvement.

During the last quarter of the year, there will be climate champions traveling to the Climate Center, with this; 36 certifications were achieved in 2010.

Museo Interactivo de Economía (MIDE)

HSBC will sponsor of the sustainability hall of the Interactive Museum of Economics, which will be inaugurated in January. The interactive content of all the room will relate to the sustainability programs and practices that the bank has developed over time.

As part of the MIDE program will follow the necessary steps to implement the Diploma in Economics and Sustainability and Economy cycle in shirtsleeves dedicated to Sustainable Development, the project of Young Entrepreneurs for Sustainable Development and other educational programs normally offered by the museum as part of their regular work with schools and the general audience.

COP 16

In the last week of November and early December, HSBC Mexico participated in the UN's COP 16 along our international ally Earthwatch. In this event, world leaders discussed climate change and we assemble a booth to show attendees our environmental program HCP, Climate Partnership and our commitment. In addition, we were the only bank with a presence in this important forum with ATM and branch where we reinforce the slogan "The World's Local Bank".

Community

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

Our Programmes:

ATM's Campaign

During the 2010 October – December ATM's Campaign, 8 institutions were supported through HSBC ATM's. Thanks to the effort of HSBC and our donors we managed to raise \$3,515,761.59 pesos.

Galilea 2000 A.C.; Fundación Albatros Centro de Desarrollo Integral I.A.P.; Comunidad y Familia, A.C.; Proyecto de Vida, I.A.P.; Fomento Cultural y Educativo A.C.; Comedor Santa María, A.C.; Parque Ecológico Chipinque, A.B.P. y Fundación Comunitaria Puebla I.B.P. are the 8 ONG's that will be significantly benefited.

Launching of the Shelter for Indigenous Children / alliance with Miguel Bosé and CIE Foundation

With the presence of the singer Miguel Bosé, the shelter was inaugurated, which is located in Rayon, Chiapas and seeks to support indigenous children, so they can enter and complete their education.

This is the first self-sustaining shelter of the National Commission for Development of Indigenous Peoples in the State and had the participation of HSBC, CIE Foundation, among others, who provided resources for more than \$8 million pesos for the renovation and adaptation of this shelter.

Natural Disasters

In favor of Veracruz

During 2010, Hurricane Karl pounded the south-eastern port city of Veracruz with heavy rain. At least 30,000 people were displaced by flooding and landslides in Veracruz alone, according to a report from Mexico's Civil Protection Agency. For this reason HSBC decided to join the cause and give support through an ATM's campaign, donations received at HSBC's branches and also by our campaign "One to One".

Thanks to all these actions mentioned, \$1,037,383.17 pesos were raised and HSBC donated \$1,000,000.00 pesos, generating a total of \$2,037,383.17 in favor of our brothers in Veracruz who suffered from this major flooding, largely caused because of the climate change that it's happening all around the world.

Volunteering

We have involved 1736 colleagues in volunteering activities right up until the end of 2010, which is equivalent to more than 100% of the goal for Mexico.

Activities:

Story Teller (Cuenta Cuentos)

65 volunteers visited 350 children of Dr. Juan Navarro and Federico Gómez Hospitals in Mexico City to spend time with them, and gave presents such as candies, toys and books.

The events were presented by the artist: Yahir at Federico Gomez Hospital were furthermore, a typical Mexican celebration "posada" took place and, Playa Limbo at Dr. Juan Navarro hospital, who participated reading the stories: "the lion who saw himself in the water" and "silly chicken".

Financial education

Volunteering took place for the financial education program "More than Money" for children to 5th and 6th of elementary school and workshop for parents in Puebla, San Luis Potosí, Aguascalientes, Reynosa, Saltillo, Veracruz y Querétaro.

In Mexico city, 28 volunteers took part in an economy workshop directed to elementary school teachers of the 15 public schools whose children received financial education.

Offering “day of the dead”

Simultaneously, with the goal to conserve an important tradition in our country like “day of the dead”, volunteers of Mexico city in Naranjos, Poza Rica, Guadalajara, Reynosa and Puebla carried out an assembly offering in HSBC buildings and branches with the participation of students who received financial education.

Collecting Toys

Colectón campaign began in December collecting toys nationwide in 39 cities with the aim of benefiting 5,000 children from 46 institutions.

Volunteers conducted activities among staff of their states such as ticket sales for cash donations, collection and packaging of new toys. With the support of a volunteer we dressed up as Santa Claus, it was possible to collect \$ 30,000 pesos donated by the staff of HSBC Tower in only 3 days.

Notably, a week and a half has been set targets for each city, the Metro North divisional 1265 brought together toy parts sufficient to meet the target and a further delivery of 70 children from foster homes located in the area of Naucalpan and Tlalnepantla.

Communication

Corporate Sustainability Communications has focused its message on building relationships with the external audience and our employees nationwide. We have gained the reputation among the media as the Bank has been notorious sustainable.

Press conferences

In the period January-December 2010, the area of Corporate Sustainability in HSBC has hosted 10 press conferences with good media coverage. These events alone generated an advertising equivalency of more than \$ 3.5 million pesos in the press, radio, television and the Internet equivalence.

Campaigns that have participated are:

- Bicibus with Save the Children (2 conferences, starting and closing)
- Earth Hour, in collaboration with WWF
- Earth Hour, in collaboration with WWF and the Federal District Government
- Foundation Rebecca de Alba (2 conferences, starting and closing)
- Book Lecture of "Developing a sustainable awareness"
- Closure of the "This time for Haiti, Stand Together" with Save the Children
- Just raise your hand, with Lazos Foundation and the two metropolitan divisions, Guadalajara, Irapuato, Tijuana, Mérida and Puebla
- "This time of Veracruz, Stand Together" in collaboration with Save the Children

Governmental and Institutional Relations

We strengthened our relations with the Federal Government to receive the TV Presidency in our main tower and allow them to record a program with reference to sustainable buildings.

Participate in the campaign with Blue Heart United Nations blue illuminating the lobby in support of combat trafficking. In this way we report that HSBC recognizes the international initiatives of the UN.

The U.S. Embassy in Mexico requested a view of the HSBC tower which was granted. The purpose was to take some ideas of sustainability that happen in our office and apply in the American building.

We hosted dinner at the World Summit of Mayors who gathered in Mexico City and attended by over 100 representatives of the most emblematic of the world.

Also, we hosted a group of all America and Europe who came to Mexico City to Green Roofs Congress and set the trend in favor of our bank showing our green roof.

Acknowledgments

The HSBC Climate Partnership program was recognized as Best Environmental Practice of the Mexican Center for Philanthropy for the first time. As a result of this distinction was given a talk to companies recognized and rewarded for best practice in other disciplines in Puebla.

The business magazine "Mundo Ejecutivo " issued its annual ranking of companies with which HSBC Corporate Responsibility in Mexico is ranked at number 33, the indicators evaluated environmental activities, social and community.

Promotion of interaction with employees and areas

The National Coordination of states and municipalities approached the Corporate Sustainability Management to see the projects that have been conducted in Education, Community and Environment in each of the boundaries. The result was a digital presentation that could map the states with the greatest business opportunity.

As part of World Environment Day to create a greater expectation was created Environment Week which led engagement with partners HSBC Tower, Annexes, Technopark, Toluca, Guadalajara and Monterrey, where booths were set up to generate traffic attraction activities that prepared the Environmental Division.

The Directorate of Corporate Sustainability Mexico enabled two accounts for Veracruz and Monterrey to the general public, but additionally created an account to directly benefit more than employees of HSBC in the city of Monterrey and the state of Veracruz.

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

Conclusions

The economic crisis that crashed the world in 2009 leaves us social challenges in our community, for this reason, we must make more efficient our communitarian investment. We managed to potentialise our social and environmental investment with the fundraising among our clients that represents 47.25% of the active participation.

With commitment and actions, HSBC Mexico is looking forward to keep a balance in environment, society and business, establishing long term relations with our clients, assuring the success HSBC. In this way we provide support in a multidimensional way that will impact our people and the future generations in Mexico.

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