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HSBC HOLDINGS PLC
Form 6-K
October 26, 2007

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934

For the month of October, 2007

HSBC Holdings plc

42nd Floor, 8 Canada
Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934).

Yes No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

HSBC MEXICO
THIRD QUARTER 2007 FINANCIAL RESULTS - HIGHLIGHTS

On 8 August 2006, HSBC Panama was sold by Grupo Financiero HSEC, S.A. de C.V. to HSBC Asia Holdings BV. All comparative commentary within this report is therefore on a like-for-like basis excluding HSBC Panama, with the income statement as presented in Appendix A. The financial statements in this release include HSBC Panama up to the date of disposal.

- Net income down 10.8 per cent to MXN3,862 million for the nine months ended 30 September 2007 (MXN4,331 million for the nine months ended 30 September 2006).
- Total revenues (excluding monetary position and before loan impairment charges) up 15.9 per cent to MXN24,976 million for the nine months ended 30 September 2007 (MXN21,553 million for the nine months ended 30 September 2006).

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- Net loans and advances to customers up MXN33.0 billion, or 21.9 per cent, to MXN183.6 billion at 30 September 2007 (MXN150.5 billion at 30 September 2006).
- Total assets up MXN38.6 billion, or 13.1 per cent, to MXN334.2 billion at 30 September 2007 (MXN295.6 billion at 30 September 2006).
- Cost efficiency ratio (excluding monetary position) improved to 60.1 per cent for the nine months ended 30 September 2007 (61.5 per cent for the nine months ended 30 September 2006).
- Return on equity of 14.8 per cent for the nine months ended 30 September 2007 (20.1 per cent for the nine months ended 30 September 2006).

HSBC Mexico S.A. (the bank) is Grupo Financiero HSBC, S.A. de C.V.'s (HSBC) primary subsidiary company, and is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file periodic financial information on a quarterly basis (in this case for the quarter ended 30 September 2007) 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), with figures denominated in Mexican pesos (MXN). Comparative figures are presented on an actual basis, indexed to constant MXN as at 30 September 2007.

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

Commentary by Paul Thurston, CEO of Grupo Financiero HSBC:

"Grupo Financiero HSBC, Mexico's fourth largest bank in terms of total assets, continues to demonstrate strong business growth, with revenues for the nine months to 30 September 2007 up by 15.9 per cent on the same period of the previous year, despite lower earnings from trading and balance sheet management.

"Year-on-year, credit card outstandings increased by 101.9 per cent to MXN24.3 billion and personal and payroll loans by 89.7 per cent to MXN8.2 billion. The commercial loan portfolio rose 28.9 per cent to MXN68.9 billion. Our packaged products have continued to be very successful, and in the nine months ended 30 September 2007 we sold 230,000 Tu Cuenta packages. Customer deposits increased by 14.5 per cent compared with the same period of 2006.

"In September 2007 we were pleased to join up with other members of the HSBC Group in the re-launch of our HSBC Premier service, the world's first truly global personal banking service. HSBC Premier provides seamless cross-border banking for our customers in Mexico and around the world.

"In line with the HSBC Group's organic growth strategy, we continue to expand our presence and market share in Mexico's growing financial services market and now have some 24,000 employees. We have invested in enhancing our information technology, and modernising our processes to handle greater business volumes and to provide improved services to our clients. The 13.4 per cent growth in costs for the period ended 30 September 2007 was, however, exceeded by revenue growth, enabling us to record a cost efficiency improvement.

"Net income of MXN3,862 million in the nine months ended 30 September 2007, fell by MXN469 million compared with the same period of 2006 as the improvement in net operating income was offset by lower trading results due to weaker markets. Net income was also impacted by higher loan impairment charges, themselves a consequence of the continued investment in organically building our credit

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portfolio."

Overview

For the nine months ended 30 September 2007, Grupo Financiero HSBC's net income of MXN3,862 million was MXN469 million, or 10.8 per cent, lower than the same period in 2006.

Despite a relatively flat yield curve, net interest income (excluding monetary position) was up MXN2,976 million to MXN16,240 million for the nine months ended 30 September 2007, a 22.4 per cent increase compared with the same period in 2006. The growth has been driven by significant increases in higher-yielding consumer lending, partially offset by lower balance sheet management income due primarily to a reduction in the available-for-sale portfolio.

Income from fees and commissions was MXN7,799 million for the nine months ended 30 September 2007, an increase of 16.6 per cent compared with the same period in 2006. Increased income received from credit cards, membership programmes, ATM, card acquiring, payments and cash management services, investment funds, trusts and trade services fees contributed to the strong performance.

Trading income of MXN937 million for the nine months ended 30 September 2007 was 41.5 per cent lower than the same period of the previous year due to more favourable market conditions in 2006. Income during the third quarter of 2007 continued to be driven by solid results in retail foreign exchange, while derivatives and debt trading had reduced revenue opportunities due to the relatively flat yield curve.

Administrative expenses of MXN15,022 million for the nine months ended 30 September 2007 were 13.4 per cent higher than in the same period in 2006. Personnel expenses increased as a result of the 700 new employees hired since September 2006 to support business expansion. Marketing expenses increased principally due to the Global Premier re-launch and continued promotion of the Tu Cuenta 5 per cent cash back campaign. With revenue growth above the rate of cost growth, the cost efficiency ratio (excluding monetary position) improved from 61.5 per cent in the nine months ended 30 September 2006 to 60.1 per cent for the same period in 2007.

During the nine months ended 30 September 2007, loan impairment charges increased by MXN3,959 million to MXN6,442 million compared with the same period in 2006, consistent with HSBC's strategy to grow its loan portfolio organically. Delinquency rates rose during the period, as the loan book grew, reflecting the acquisition costs of organic growth. Loan underwriting criteria and collections strategies are regularly reviewed to maintain the quality of the portfolio. In accordance with Mexican regulation in 2006, HSBC Mexico assigned MXN585 million of general reserves to fulfil loan portfolio requirements in the first nine months of 2006. Loan impairment charges also included MXN174 million relating to changes to recognise the risk associated with the loan portfolio when the quarter ends on a non-working day, as it did in September 2007. HSBC's allowance for loan losses as a percentage of impaired loans was 144.8 per cent at 30 September 2007.

The bank's capital adequacy ratio for the period was 12.40 per cent.

Business highlights

The bank's Personal Financial Services (PFS) had strong business growth in credit cards, personal and payroll loans during the nine months ended 30 September 2007 by leveraging its customer relationship management capabilities and driving sales through direct channels. As delinquency rates have increased amongst consumer lending, collections activities have been reinforced and loan underwriting criteria tightened. During the quarter some 31,000 new Tu Cuenta

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packaged products were opened and over 200,000 new credit cards issued. During September the HSBC Group re-launched its Premier service globally, upgrading its wealth management proposition and benefiting existing Premier customers in Mexico.

In Mexico, Commercial Banking (CMB) is capitalising on HSBC's strategy to be the leading international business bank. By leveraging the Group's geographical presence and product capabilities, market share in trade services has grown by over five percentage points versus prior year to 16.3 per cent, the factoring portfolio has nearly tripled to MXN7.6 billion for the same period and CMB has joined up the Mexican and Latin American businesses across the region through the International Banking Centre in Mexico. HSBC also aims to be the best bank for small businesses and, in the first nine months of 2007, small business loans increased by 38.0 per cent compared to the same period in 2006, to MXN6.3 billion. Strong asset growth in commercial banking was driven additionally by higher real estate balances in Mexico's fast growing real estate market, related to the continued expansion of this business after a re-segmentation strategy earlier in the year to serve customer needs better.

Corporate, Investment Banking and Markets (CIBM) is joining up its business across the Latin American region, and creating new links to other HSBC operations, by connecting and referring regional customers to other countries in the HSBC Group. It also offers services such as Global Markets products to CMB clients. There was strong performance in retail foreign exchange. Despite this, however, fixed income, interest rate and balance sheet trading revenues were weaker than prior year's very strong results due to a relatively flat yield curve and uncertainty in the local Mexican market compared with the prior year. Several new infrastructure related transactions have been completed and mandated reflecting HSBC's strong project finance capabilities and a large pipeline of debt capital markets transactions has been built, indicating HSBC's local and global distribution capabilities, as well as a growing penetration of Mexico's corporate market.

About HSBC

Grupo Financiero HSBC, S.A. de C.V. is Mexico's fourth largest banking and financial services institution with 1,359 branches, 5,618 ATMs, approximately 8.2 million customers and more than 23,900 employees. For more information, consult our website at www.hsbc.com.mx.

Grupo Financiero HSBC, S.A. de C.V. is a 99.99 per cent directly owned subsidiary of HSBC Holdings plc. Headquartered in London, UK, the HSBC Group serves over 125 million customers worldwide through 10,000 offices in 83 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,150 billion at 30 June 2007, HSBC is one of the world's largest banking and financial services organisations. With listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by nearly 200,000 shareholders in some 100 countries and territories. HSBC is marketed worldwide as 'the world's local bank'.

Consolidated Balance Sheet

Figures in MXN millions

| | GROUP | | BANK | |
|----------------------------|---------|---------|---------|---------|
| | 30Sep07 | 30Sep06 | 30Sep07 | 30Sep06 |
| Assets | | | | |
| Cash and deposits in banks | 49,638 | 56,532 | 49,637 | 56,531 |

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| | | | | |
|--|---------|---------|---------|---------|
| Investment in securities | 52,289 | 51,763 | 51,194 | 51,173 |
| Trading securities | 22,686 | 12,361 | 21,591 | 11,771 |
| Available-for-sale securities | 25,669 | 35,322 | 25,669 | 35,322 |
| Held to maturity securities | 3,934 | 4,080 | 3,934 | 4,080 |
| Securities and derivative operations | 6,928 | 810 | 6,926 | 805 |
| Repurchase agreements | 46 | 143 | 44 | 138 |
| Derivative transactions | 6,882 | 667 | 6,882 | 667 |
| Performing loans | | | | |
| Commercial loans | 68,943 | 53,479 | 68,943 | 53,479 |
| Loans to financial intermediaries | 11,835 | 5,435 | 11,835 | 5,435 |
| Consumer loans | 46,487 | 34,816 | 46,487 | 34,816 |
| Mortgage loans | 20,935 | 19,996 | 20,935 | 19,996 |
| Loans to government entities | 38,324 | 38,965 | 38,324 | 38,965 |
| Loans to Fobaproa or IPAB | - | - | - | - |
| Total performing loans | 186,524 | 152,691 | 186,524 | 152,691 |
| Impaired loans | | | | |
| Commercial loans | 2,190 | 1,408 | 2,190 | 1,408 |
| Consumer loans | 3,115 | 1,517 | 3,115 | 1,517 |
| Mortgage loans | 1,301 | 1,116 | 1,301 | 1,116 |
| Immediate collection, remittances and other | - | 16 | - | 16 |
| Total impaired loans | 6,606 | 4,057 | 6,606 | 4,057 |
| Gross loans and advances to customers | 193,130 | 156,748 | 193,130 | 156,748 |
| Allowance for loan losses | (9,567) | (6,222) | (9,567) | (6,222) |
| Net loans and advances to customers | 183,563 | 150,526 | 183,563 | 150,526 |
| Other accounts receivable | 27,116 | 23,520 | 26,979 | 23,380 |
| Foreclosed assets | 70 | 57 | 70 | 57 |
| Property, furniture and equipment, net | 6,175 | 5,873 | 6,162 | 5,865 |
| Long-term investments in equity securities | 3,379 | 2,967 | 146 | 180 |
| Deferred taxes | 1,376 | 183 | 1,337 | 145 |
| Goodwill | 2,703 | 2,703 | - | - |
| Other assets, deferred charges and intangibles | 978 | 651 | 943 | 624 |
| Total assets | 334,215 | 295,585 | 326,957 | 289,286 |
| Liabilities | | | | |
| Deposits | 238,788 | 209,293 | 240,465 | 210,965 |
| Demand deposits | 123,421 | 120,879 | 125,098 | 122,552 |
| Time deposits | 111,106 | 83,985 | 111,106 | 83,984 |
| Bonds | 4,261 | 4,429 | 4,261 | 4,429 |
| Bank deposits and other liabilities | 8,239 | 10,435 | 8,239 | 10,434 |
| On demand | - | - | - | - |
| Short-term | 5,150 | 8,269 | 5,150 | 8,269 |
| Long-term | 3,089 | 2,166 | 3,089 | 2,165 |
| Securities and derivative transactions | 16,005 | 7,362 | 16,003 | 7,358 |
| Repurchase agreements | 49 | 30 | 47 | 26 |
| Securities deliverable under loan transactions | 8,885 | 7,332 | 8,885 | 7,332 |
| Derivative transactions | 7,071 | - | 7,071 | - |
| Other accounts payable | 32,137 | 34,583 | 31,968 | 34,374 |

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| | | | | |
|---|---------|---------|---------|---------|
| Income tax and employee profit sharing payable | 1,938 | 1,361 | 1,891 | 1,328 |
| Sundry creditors and other accounts payable | 30,199 | 33,222 | 30,077 | 33,046 |
| Subordinated debentures outstanding | 2,203 | 2,290 | 2,203 | 2,290 |
| Deferred taxes | - | - | - | - |
| Deferred credits | 294 | 9 | 294 | 9 |
| Total liabilities | 297,666 | 263,972 | 299,172 | 265,430 |
| Equity | | | | |
| Paid in capital | 21,106 | 21,106 | 13,307 | 13,307 |
| Capital stock | 8,072 | 8,072 | 4,011 | 4,011 |
| Additional paid in capital | 13,034 | 13,034 | 9,296 | 9,296 |
| Other reserves | 15,423 | 10,505 | 14,460 | 10,548 |
| Capital reserves | 1,142 | 861 | 13,841 | 9,337 |
| Retained earnings | 18,511 | 13,152 | - | - |
| Result from the mark-to-market of available-for-sale securities | - | - | (40) | 71 |
| Result from translation of foreign operations | - | - | - | - |
| Cumulative effect of restatement | (3,922) | (3,922) | (3,545) | (3,576) |
| Gains on non-monetary asset valuation | (4,170) | (4,084) | 1,166 | 1,172 |
| Net income | 3,862 | 4,498 | 3,038 | 3,544 |
| Minority interest in capital | 20 | 2 | 18 | 1 |
| Total equity | 36,549 | 31,613 | 27,785 | 23,856 |
| Total liabilities and equity | 334,215 | 295,585 | 326,957 | 289,286 |

Figures in MXN millions

GROUP

30Sep07 30Sep06

Memorandum accounts

| | | |
|---|---------|---------|
| Transactions on behalf of third parties | 103,938 | 107,490 |
| Customer current accounts | (4) | 25 |
| Customer bank | 1 | 5 |
| Settlement of customer securities and documents | (5) | 20 |
| Customer securities | 76,774 | 85,679 |
| Customer securities in custody | 76,765 | 85,673 |
| Pledged customers securities and documents | 9 | 6 |
| Transactions on behalf of customer | 2,162 | 2,394 |
| Customer repurchase transactions | 2,162 | 2,394 |
| Other transactions on behalf of customers | 25,006 | 19,392 |
| Investment on behalf of customers, net | 25,006 | 19,392 |
| Other memorandum accounts | 409,981 | 335,107 |
| Investment of the SAR funds | 3,540 | 3,680 |
| Integrated loan portfolio | 201,812 | 162,647 |
| Other memorandum accounts | 204,629 | 168,780 |

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| | | |
|---|---------------------------|---------------------------|
| Transactions for the group's own accounts | 1,680,308 | 715,594 |
| Accounts for the group's own registry | 1,680,311 | 715,481 |
| Guarantees granted | 44 | 53 |
| Irrevocable lines of credit granted | 8,638 | 5,846 |
| Goods in trust or mandate | 132,434 | 81,317 |
| Goods in custody or under administration | 55,187 | 85,950 |
| Amounts committed in transactions with Fobaproa | 137 | 162 |
| Amounts contracted in derivative operations | 1,479,801 | 537,941 |
| Securities in custody | 3,943 | 4,093 |
| Other contingent obligations | 127 | 119 |
| Repurchase/resale agreements | | |
| Securities receivable under repos (less) Repurchase agreements | 48,107 (48,113) (6) | 43,678 (43,563) 115 |
| Reverse repurchase agreements (less) Securities deliverable under repos | 5,074 (5,071) 3 | 2,394 (2,396) (2) |

| Figures in MXN millions | 30Sep07 | BANK 30Sep06 |
|--|---------------------------|---------------------------|
| Memorandum accounts | | |
| Guarantees granted | 44 | 53 |
| Other contingent obligations | 127 | 119 |
| Irrevocable lines of credit grant | 8,638 | 5,846 |
| Goods in trust or mandate | 132,434 | 81,317 |
| Goods in custody or under administration | 55,187 | 85,950 |
| Third party investment banking operations, net | 25,005 | 19,392 |
| Amounts committed in transactions with Fobaproa | 137 | 162 |
| Amounts contracted in derivative operations | 1,479,801 | 537,941 |
| Investments of retirement savings system funds | 3,540 | 3,680 |
| Integrated loan portfolio | 201,812 | 162,647 |
| Other control accounts | 195,743 | 168,779 |
| | 2,102,468 | 1,065,886 |
| Securities receivable under repos (less) Repurchase agreements | 45,948 (45,951) (3) | 41,282 (41,170) 112 |
| Reverse repurchase agreements (less) Securities deliverable under repos | 2,912 (2,912) - | - - - |
| Securities deliverable under loan transactions (less) Goods deliverable in guarantee for loan transactions | 8,885 - | - - |

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8,885

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Consolidated Income Statement

| Figures in MXN millions | GROUP | | BANK | |
|--|----------|----------|----------|----------|
| | 30Sep07 | 30Sep06 | 30Sep07 | 30Sep06 |
| Interest income | 24,115 | 21,198 | 23,971 | 20,380 |
| Interest expense | (7,875) | (7,483) | (7,844) | (7,196) |
| Monetary position (margin), net | (630) | (492) | (567) | (457) |
| Net interest income | 15,610 | 13,223 | 15,560 | 12,727 |
| Loan impairment charges | (6,442) | (2,515) | (6,442) | (2,483) |
| Risk-adjusted net interest income | 9,168 | 10,708 | 9,118 | 10,244 |
| Fees and commissions receivable | 8,687 | 7,658 | 8,096 | 6,872 |
| Fees payable | (888) | (820) | (875) | (791) |
| Trading income | 937 | 1,602 | 932 | 1,597 |
| Total operating income | 17,904 | 19,148 | 17,271 | 17,922 |
| Administrative and personnel expenses | (15,022) | (13,592) | (14,615) | (12,739) |
| Net operating income | 2,882 | 5,556 | 2,656 | 5,183 |
| Other income | 2,435 | 1,601 | 2,504 | 1,492 |
| Other expenses | (1,015) | (866) | (1,014) | (862) |
| Net income before taxes | 4,302 | 6,291 | 4,146 | 5,813 |
| Income tax and employee profit sharing tax | (2,505) | (1,658) | (2,462) | (1,562) |
| Deferred income tax | 1,321 | (732) | 1,333 | (705) |
| Net income before subsidiaries | 3,118 | 3,901 | 3,017 | 3,546 |
| Undistributed income from subsidiaries | 743 | 597 | 20 | (2) |
| Income from ongoing operations | 3,861 | 4,498 | 3,037 | 3,544 |
| Minority interest | 1 | - | 1 | - |
| Net income | 3,862 | 4,498 | 3,038 | 3,544 |

Statement of Changes in Shareholders' Equity

GROUP

Figures in MXN millions

Deficit in restatement

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| | Capital contributed | Capital reserves | Retained earnings | of stock- holders' equity | Net income | Minority interest | T eq |
|--|------------------------|---------------------|----------------------|---------------------------------|---------------|----------------------|---------|
| Balances at 31 December 2006 | 21,106 | 860 | 13,152 | (7,759) | 5,641 | 3 | 33 |
| Movements inherent to the shareholders' decision | | | | | | | |
| Capitalisation of retained earning | - | - | 5,359 | - | (5,641) | - | |
| Constitution of reserves | - | 282 | - | - | - | - | |
| Other movements | - | - | - | - | - | - | |
| Total | - | 282 | 5,359 | - | (5,641) | - | |
| Movements for the recognition of the comprehensive income | | | | | | | |
| Net income | - | - | - | - | 3,862 | - | 3 |
| Gains on non-monetary asset valuation | - | - | - | (333) | - | - | |
| Minority interest | - | - | - | - | - | 17 | |
| Total | - | - | - | (333) | 3,862 | 17 | 3 |
| Balances at 30 September 2007 | 21,106 | 1,142 | 18,511 | (8,092) | 3,862 | 20 | 36 |

BANK

Figures in MXN millions

| | Capital contributed | Capital reserves | Retained earnings | Result from valuation of available-of for-sale securities | Deficit in restatement stock- holders' equity | Net income |
|--|------------------------|---------------------|----------------------|---|---|---------------|
| Balances at 31 December 2006 | 13,307 | 9,337 | - | 309 | (2,393) | 4,504 |
| Movements inherent to the shareholders' decision | | | | | | |
| Transfer of result of prior years | - | 4,504 | - | - | - | (4,504) |
| Other movements | - | - | - | - | - | - |
| Total | - | 4,504 | - | - | - | (4,504) |
| Movements for the recognition of the comprehensive income | | | | | | |
| Net income | - | - | - | - | - | 3,038 |
| Result from valuation of available-for-sale securities | - | - | - | (349) | - | - |
| Cumulative effect of restatement | - | - | - | - | 17 | - |
| Others | - | - | - | - | (3) | - |
| Total | - | - | - | (349) | 14 | 3,038 |

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| | | | | | | |
|-------------------|--------|--------|---|------|---------|-------|
| Balances at | | | | | | |
| 30 September 2007 | 13,307 | 13,841 | - | (40) | (2,379) | 3,038 |

Consolidated Statement of Changes in Financial Position

GROUP

| Figures in MXN millions | 30Sep07 | 30Sep06 |
|--|----------|----------|
| Operating activities: | | |
| Net income | 3,862 | 4,498 |
| Items included in operations not requiring (providing) funds: | | |
| Result from mark-to-market valuations | (72) | (1,602) |
| Allowances for loan losses | 6,442 | 2,515 |
| Depreciation and amortisation | 767 | 665 |
| Deferred taxes | (1,321) | 732 |
| Undistributed income from subsidiaries, net | (743) | (597) |
| Value loss estimation for foreclosed assets | 17 | - |
| Total operating items not requiring funds | 8,952 | 6,211 |
| Changes in items related to operations: | | |
| (Decrease) / Increase in deposits | 15,220 | (16,422) |
| (Increase) / Decrease in loan portfolio | (31,923) | (11,327) |
| (Increase) / Decrease in securities and derivative transactions, net | 2,867 | 2,371 |
| (Increase) / Decrease in financial instruments | 6,057 | 10,393 |
| (Decrease) / Increase in bank deposits and other liabilities | (4,990) | 3,032 |
| Funds provided by operating activities | (3,817) | (5,742) |
| Financing activities: | | |
| Subordinated debentures outstanding | (48) | (452) |
| (Decrease) / Increase in other payable accounts | 14,976 | 10,176 |
| Funds used or provided in financing activities | 14,928 | 9,724 |
| Investing activities: | | |
| (Increase) / Decrease in property, furniture and equipment, net | (977) | (997) |
| (Increase) / Decrease in deferred charges or credits, net | (348) | (133) |
| (Increase) / Decrease in foreclosed assets | (34) | 362 |
| (Increase) / Decrease in other receivable accounts | (16,331) | (5,463) |
| Funds used in investing activities | (17,690) | (6,231) |
| (Decrease) / Increase in cash and equivalents | (6,579) | (2,249) |
| Cash and equivalents at beginning of period | 56,217 | 58,781 |
| Cash and equivalents at end of period | 49,638 | 56,532 |

BANK

| Figures in MXN millions | 30Sep07 | 30Sep06 |
|-------------------------|---------|---------|
|-------------------------|---------|---------|

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| | | |
|--|----------|----------|
| Operating activities: | | |
| Net income | 3,038 | 3,544 |
| Items included in operations not requiring (providing) funds: | | |
| Result from mark-to-market valuations | (72) | (351) |
| Allowances for loan losses | 6,442 | 2,483 |
| Depreciation and amortisation | 764 | 642 |
| Deferred taxes | (1,333) | 704 |
| Undistributed income from subsidiaries, net | (9) | 2 |
| Value loss estimation for foreclosed assets | 18 | 238 |
| Minority interest | (1) | - |
| Total operating items not requiring funds | 8,847 | 7,262 |
| Changes in operating accounts: | | |
| (Decrease) / Increase in deposits | 15,275 | 1,994 |
| (Increase) / Decrease in loan portfolio | (31,922) | (23,580) |
| (Increase) / Decrease in securities and derivative transactions, net | 2,990 | - |
| (Increase) / Decrease in financial instruments | 5,623 | 10,350 |
| (Decrease) / Increase in bank deposits and other liabilities | (4,990) | 3,104 |
| Funds provided by operations | (4,177) | (870) |
| Financing activities: | | |
| Subordinated debentures outstanding | (48) | (56) |
| (Decrease) / Increase in other payable accounts | 14,980 | 4,231 |
| Funds used or provided by financing activities | 14,932 | 4,175 |
| Investing activities: | | |
| (Increase) / Decrease in property, furniture and equipment, net | (654) | (916) |
| (Increase) / Decrease in deferred charges or credits, net | (349) | (192) |
| (Increase) / Decrease in foreclosed assets | (34) | 82 |
| (Increase) / Decrease in other receivable accounts | (16,297) | - |
| Funds used in investing activities | (17,334) | (1,026) |
| (Decrease) / Increase in cash and equivalents | (6,579) | 2,279 |
| Cash and equivalents at beginning of period | 56,216 | 54,252 |
| Cash and equivalents at end of period | 49,637 | 56,531 |

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

HSBC Holdings plc, the parent of Grupo Financiero HSBC S.A. de C.V. reports its results under International Financial Reporting Standards (IFRS). There follows a reconciliation of the results of Grupo Financiero HSBC S.A. de C.V. from Mexican GAAP to IFRS for the nine months ended 30 September 2007 and an explanation of the key reconciling items.

| | |
|--|---------|
| Figures in MXN millions | 30Sep07 |
| Grupo Financiero HSBC - Net Income Under Mexican GAAP | 3,862 |
| Inflation | 555 |
| Differences arising on the valuation of pensions and post retirement healthcare benefits ^ | 46 |

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| | |
|---|-------|
| Differences arising on acquisition costs relating to long-term investment contracts ^ | (20) |
| Differences arising from the deferral of fees received and paid on the origination of loans | 213 |
| Differences arising from the recognition and provisioning for loan impairments ^ | 463 |
| Differences arising from purchase accounting adjustments ^ | (23) |
| Differences arising from the recognition of the present value in-force of long-term insurance contracts ^ | 632 |
| Other differences in accounting principles ^ | 50 |
| HSBC Mexico net income under IFRS | 5,778 |
| US dollar equivalent (millions) | 528 |
| Add back tax expense | 1,148 |
| HSBC Mexico profit before tax under IFRS | 6,926 |
| US dollar equivalent (millions) | 633 |
| Exchange rate used for conversion | 10.95 |

^ Net of tax at 28 per cent.

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

Inflation

Mexican GAAP

Mexican GAAP Bulletin - 10 requires recognition of inflation on financial statements to reflect the current purchasing power of the currency in which such financial information is stated.

IFRS

IAS 29 'Financial Reporting in Hyperinflationary Economies' requires recognition of inflation on financial statements only if the entity's functional currency is the currency of a hyperinflationary economy. As Mexico's economy does not meet the characteristics established in this standard to be considered as hyperinflationary, no inflationary effects are included for IFRS reporting.

Retirement benefits

Mexican GAAP

Post-retirement benefit liabilities are not recognised on the balance sheet. The income statement charge is based on contributions made to the schemes.

IFRS

Obligations for defined benefit pension and post-retirement healthcare benefits are recorded on the balance sheet and the income statement based on actuarial calculations.

Acquisition costs of long-term investment contracts

Mexican GAAP

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

IFRS

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

Fees paid and received on origination of loans

Mexican GAAP

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All fees and expenses received or paid on loan origination are deferred and amortised over the life of the loan. However, this policy was introduced 1 January 2007, all fees and expenses having previously been recognised up front.

IFRS

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

Loan impairment charges

Mexican GAAP

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

IFRS

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

Purchase accounting adjustments

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

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

Mexican GAAP

The present value of future earnings is not recognised. Premiums are accounted for on a received basis and reserves are calculated in accordance with guidance as set out by the Insurance Regulator (Comision 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.

Appendix A:

Grupo Financiero HSBC, S.A. de C.V. (HBMX)
Consolidated income statement on a like-for-like basis

Figures in MXN millions

| | Total Group 30Sep07 | Mexico [^] 30Sep06 | Panama 30Sep06 | Total Group 30Sep06 |
|------------------------------------|---------------------------|--------------------------------|-------------------|---------------------------|
| Interest income | 24,115 | 20,444 | 754 | 21,198 |
| Interest expense | (7,875) | (7,180) | (303) | (7,483) |
| Monetary position (margin), net | (630) | (486) | (6) | (492) |
| Net interest income | 15,610 | 12,778 | 445 | 13,223 |

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| | | | | |
|--|----------|----------|-------|----------|
| Loan impairment charges | (6,442) | (2,483) | (32) | (2,515) |
| Risk adjusted net interest income | 9,168 | 10,295 | 413 | 10,708 |
| Fees and commissions receivable | 8,687 | 7,474 | 184 | 7,658 |
| Fees payable | (888) | (787) | (33) | (820) |
| Trading income | 937 | 1,602 | - | 1,602 |
| Total operating income | 17,904 | 18,584 | 564 | 19,148 |
| Administrative and personnel expenses | (15,022) | (13,251) | (341) | (13,592) |
| Net operating income | 2,882 | 5,333 | 223 | 5,556 |
| Other income | 2,435 | 1,601 | - | 1,601 |
| Other expenses | (1,015) | (866) | - | (866) |
| Net income before taxes | 4,302 | 6,068 | 223 | 6,291 |
| Income tax and employee profit sharing | (2,505) | (1,593) | (65) | (1,658) |
| Deferred taxes | 1,321 | (741) | 9 | (732) |
| Net income before subsidiaries | 3,118 | 3,734 | 167 | 3,901 |
| Undistributed income from subsidiaries | 743 | 597 | - | 597 |
| Income from ongoing operations | 3,861 | 4,331 | 167 | 4,498 |
| Minority interest | 1 | - | - | - |
| Net income | 3,862 | 4,331 | 167 | 4,498 |

^ On 8 August 2006, HSBC Panama was sold by Grupo Financiero HSBC, S.A. de C.V. to HSBC Asia Holdings BV. Therefore, results for the nine months ended 30 September 2006 have been restated to exclude results for HSBC Panama up until the date of disposal in order to compare on a like-for-like basis.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HSBC Holdings plc

By:
Name: P A Stafford

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Title: Assistant Group Secretary
Date: 26 October 2007