

HSBC HOLDINGS PLC
Form 6-K
February 29, 2012

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 February
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-.....).

29 February 2012

GRUPO FINANCIERO HSBC, S.A. DE C.V.
2011 FINANCIAL RESULTS - HIGHLIGHTS

Net income before taxes for the year ended 31 December 2011 was MXN3,214m, an increase of MXN856m or 36.3% compared with MXN2,358m for 2010. The 2011 results were affected by restructuring of our regional and country support functions. Excluding the effect of these charges, net income before taxes was MXN4,723m, up by MXN2,297m or 94.7% compared with 2010.

Net income for the year ended 31 December 2011 was MXN2,510m, an increase of MXN391m or 18.5% compared with MXN2,119m for 2010. Excluding the effect of the restructuring charges, net income was MXN3,566m, up MXN1,400m or 64.6% compared with 2010.

Total operating income, net of loan impairment charges, for the year ended 31 December 2011 was MXN28,813m, an increase of MXN3,361m or 13.2% compared with MXN25,452m for 2010.

Loan impairment charges for the year ended 31 December 2011 were MXN6,737m, a decrease of MXN2,547m or 27.4% compared with MXN9,284m for 2010.

Net loans and advances to customers were MXN176.7bn at 31 December 2011, an increase of MXN14.6bn or 9.0% compared with MXN162.1bn at 31 December 2010. Total impaired loans as a percentage of gross loans and advances improved to 2.7% compared with 3.1% at 31 December 2010. The coverage ratio (allowance for loan losses divided by impaired loans) was 214.5% compared with 174.0% at 31 December 2010.

At 31 December 2011, deposits were MXN297.4bn, an increase of MXN44.2bn or 17.5% compared with MXN253.2bn at 31 December 2010.

Return on equity was 5.2% for the year ended 31 December 2011 compared with 4.4% for 2010.

At 31 December 2011, the bank's capital adequacy ratio was 15.3% and the tier 1 capital ratio was 11.7% compared with 14.5% and 11.2% respectively at 31 December 2010.

From the first quarter of 2011, regulatory requirements issued by the Comisión Nacional Bancaria y de Valores (CNBV) require financial figures for both the insurance and bond companies, HSBC Seguros and Fianzas Mexico respectively, to be presented on a consolidated basis. As a result, 2010 annual results have been re-stated to be comparable with the same period of 2011.

The sale of HSBC Afore, S.A. de C.V. to Principal Financial Group, S.A. de C.V. was successfully completed in August 2011.

HSBC Mexico S.A. (the bank) is Grupo Financiero HSBC, S.A. de C.V.'s (Grupo Financiero HSBC) primary subsidiary company and is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file financial information on a quarterly basis (in this case for the quarter ended 31 December 2011) and this information is publicly available. Given that this information is available in the public domain, Grupo Financiero HSBC, S.A. de C.V. has elected to file this release.

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

Overview

Mexico's economy grew in 2011, although export growth moderated at the end of the year on the back of lower external demand. By contrast, domestic demand continued to strengthen, reflecting the greater availability of credit, growth in wages and a steady reduction in unemployment. The annual rate of CPI inflation rose at the end of 2011, to 3.8% due to a rebound in some agricultural prices and exchange rate depreciation. The Central Bank of Mexico maintained its policy rate at 4.5% throughout the year.

For the year ended 31 December 2011, Grupo Financiero HSBC's net income was MXN2,510m, an increase of MXN391m or 18.5% compared with 2010. Improved net income was mainly driven by higher trading income, increased other operating income and lower impairment charges, partially offset by lower net fee income and an increase in administrative expenses.

Net interest income was MXN21,495m, a decrease of MXN9m compared with 2010. This reduction was mainly a consequence of higher funding costs and a contraction in interest rate spreads, which were offset by higher insurance earned premiums and increased loan portfolio balances.

Loan impairment charges were MXN6,737m, a decline of MXN2,547m or 27.4% compared with 2010. This reflects the strategic reduction of the higher risk sections of the credit card portfolio, as well as improvements to both the collection and credit quality of the portfolio following targeted sales campaigns and enhanced pre-screening of new customers.

Net fee income was MXN5,995m, a decrease of MXN476m or 7.4% compared with 2010. This reduction was mainly as a consequence of lower credit card portfolio volumes and decreased fee income from account services and ATM transactions. Regulatory changes effective since the beginning of 2011 impacted fee income by limiting the fees that can be charged for ATM transactions and customer deposit services.

Trading income was MXN3,272m, an increase of MXN449m or 15.9% compared with the same period of 2010. Higher trading income was due to the completion of a small number of individually large derivative transactions with clients of Global Banking & Markets and the sale of an equity investment in the first quarter of 2011, partially offset by lower foreign exchange and debt trading results.

Other operating income was MXN4,788m, an increase of MXN850m or 21.6% compared with 2010. This increase is driven by recoveries of taxes paid in previous years, the gain on the sale and leaseback of certain branches in the network, the sale of HSBC Afore and lower operational losses recognised during the year.

Administrative and personnel expenses were MXN25,562m, an increase of MXN2,449m or 10.6% compared with 2010. This increase is mainly driven by the consolidation of our branch network and restructuring of our regional and country support functions. Excluding the effect of the restructuring charges, the increase in expenses would have been MXN1,008m or 4.4% compared with 2010.

The performance of all subsidiaries contributed positively to Grupo Financiero HSBC's results, particularly HSBC Seguros, which reported a net profit of MXN1,496m for the year ended 31 December 2011, up 21.4% compared with 2010. The higher results reported by HSBC Seguros were driven by increased product sales, mainly in life products, contributing to a 9.3% increase in total earned premiums, coupled with lower operating expenses. Additionally, the claims ratio decreased to 24.6% from 31.8% in 2010.

Net loans and advances to customers increased MXN14.6bn or 9.0% to MXN176.7bn at 31 December 2011 compared with 31 December 2010, mainly driven by growth in both the commercial and consumer portfolios. Commercial portfolio growth is mainly due to higher lending to corporate clients and MME's, while consumer portfolio growth was mainly driven by increased payroll and personal loans.

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At 31 December 2011, total impaired loans decreased by 4.9% to MXN5.1bn compared with 31 December 2010, mainly as a result of a reduction in impaired consumer and mortgage loans, reflecting tightened underwriting standards, improved collection procedures and an overall improvement in the credit environment. This was partially offset by an increase in impaired commercial loans. Total impaired loans as a percentage of total loans and advances to customers improved to 2.7% compared with 3.1% reported at 31 December 2010.

Total loan loss allowances at 31 December 2011 were MXN10.9bn, an increase of MXN1.6m or 17.3% compared with 31 December 2010. The total coverage ratio (allowance for loan losses divided by impaired loans) was 214.5% at 31 December 2011 compared with 174.0% at 31 December 2010.

Total deposits were MXN297.4bn at 31 December 2011, an increase of MXN44.2bn or 17.5% compared with 31 December 2010. This is the result of increased sales efforts and targeted promotions particularly for 'Inversion diaria', 'Inversion Express' and 'Premier' deposit products, as well as increases in payroll and commercial deposits.

At 31 December 2011, the bank's capital adequacy ratio was 15.3% compared with 14.5% at 31 December 2010. The tier 1 capital ratio was 11.7% compared with 11.2% at 31 December 2010.

In December 2011, Grupo Financiero HSBC paid a dividend of MXN2,500m representing MXN0.97 per share.

Business highlights

Retail Banking and Wealth Management (RBWM)

RBWM reported deposit and loan growth in 2011, and continues to benefit from a general improvement in credit quality of the portfolios. Customer lending increased driven mainly by payroll and personal loans, as a result of a strong emphasis placed on targeted sales. Deposits grew strongly in 2011 achieving double digit growth.

In our wealth management business, our Premier customer base has been reviewed and aligned with the HSBC Global Premier qualifying requirements, allowing our personal relationship managers to provide improved services.

Commercial Banking

During 2011, Commercial Banking achieved an increase in both customer deposits and loans compared with 2010.

During the year we recruited additional relationship managers to support business growth, particularly from the increasing number of businesses with international banking requirements as well as from business banking and mid market customers.

Aligned with our strategy to strengthen our international presence, we have reinforced our Trade and Supply Chain team through the creation of a dedicated Client Service team.

Global Banking and Markets

Total Global Markets revenues were particularly strong in trading. Balance sheet management continues to be the significant contributor.

In the Debt Capital Markets business, Grupo Financiero HSBC consolidated its position as a leading underwriter in Mexico, maintaining its second place in the local debt capital market league tables. During 2011, we placed and participated in significant bond issuances including United Mexican States (UMS), CEMEX, Ideal, Santander, INFONAVIT, Bancomext, Asea, Gas Natural, Interacciones, Scotiabank, Cadena Mexicana de Exhibición, ICA,

PEMEX, VolksWagen Bank, ARCA and Inbursa.

In 2011, we were granted with a license to operate and set-up an equity derivatives platform, supporting growth and development in Global Markets.

The Project and Export Finance Business reported strong performance, executing transactions worth MXN8,305m (approximately US\$570m). Also during the year, two mergers and acquisitions deals were executed (Petrotemex and Arca-Contal).

Sale of HSBC Afore to Principal Financial Group

On 11 April 2011, Grupo Financiero HSBC signed an agreement to sell HSBC Afore, S.A. de C.V., its pension funds management business, to Principal Financial Group, S.A. de C.V. ('Principal') for a cash consideration of MXN2,360m (approximately US\$198m). This sale transaction was successfully completed in August 2011.

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

For the year ended 31 December 2011, on an IFRS basis, Grupo Financiero HSBC reported pre-tax profits of MXN7,978m, an increase of MXN2,684m or 50.7% compared with MXN5,294m in 2010. The 2011 results were affected by restructuring of our regional and country support functions. Excluding the effect of these charges, net income before taxes would have been MXN9,487m, up by MXN4,125m or 76.9% compared with 2010.

The lower profit reported under Mexican GAAP is largely due to lower loan impairment charges under IFRS as result of the different provisioning methodologies and the amount recognised as profit on the sale of the pension funds management business (Afore). The goodwill allocated under IFRS on the disposal of Afore is based on the goodwill held in the Grupo Financiero HSBC legal entity, but allocated on the HSBC Group cash generating unit basis. 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, is one of the leading financial groups in Mexico with 1,067 branches, 6,195 ATMs, approximately eight and a half million total customer accounts and approximately 19,000 employees. For more information, visit www.hsbc.com.mx.

Grupo Financiero HSBC is a 99.99% directly owned subsidiary of HSBC Latin America Holdings (UK) Limited, which is a wholly owned subsidiary of HSBC Holdings plc, and a member of the HSBC Group. With around 7,200 offices in over 80 countries and territories in Europe, the Asia-Pacific region, North and Latin America, the Middle East and Africa and with assets of US\$2,556bn at 31 December 2011, HSBC is one of the world's largest banking and financial services organisations.

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Consolidated Balance Sheet

| Figures in MXN millions | GROUP | | BANK | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 31 Dec 2011 | 31 Dec 2010 | 31 Dec 2011 | 31 Dec 2010 |
| Assets | | | | |
| Cash and deposits in banks | 51,224 | 48,804 | 51,224 | 48,801 |
| Margin accounts | 27 | 42 | 27 | 42 |
| Investment in securities | 177,700 | 155,257 | 161,747 | 139,540 |
| Trading securities | 51,089 | 44,160 | 43,313 | 36,548 |
| Available-for-sale securities | 111,164 | 95,683 | 111,164 | 95,315 |
| Held to maturity securities | 15,447 | 15,414 | 7,270 | 7,677 |
| Repurchase agreements | 5,749 | 1,856 | 5,749 | 1,856 |
| Derivative transactions | 42,906 | 28,205 | 42,906 | 28,205 |
| Performing loans | | | | |
| Commercial loans | 101,012 | 85,847 | 101,012 | 85,847 |
| Loans to financial intermediaries | 8,268 | 7,921 | 8,268 | 7,921 |
| Consumer loans | 29,302 | 26,665 | 29,302 | 26,665 |
| Mortgage loans | 18,058 | 17,557 | 18,058 | 17,557 |
| Loans to government entities | 25,916 | 28,087 | 25,916 | 28,087 |
| Total performing loans | 182,556 | 166,077 | 182,556 | 166,077 |
| Impaired loans | | | | |
| Commercial loans | 2,027 | 1,669 | 2,027 | 1,669 |
| Consumer loans | 1,234 | 1,574 | 1,234 | 1,574 |
| Mortgage loans | 1,821 | 2,101 | 1,821 | 2,101 |
| Total impaired loans | 5,082 | 5,344 | 5,082 | 5,344 |
| Gross loans and advances to customers | 187,638 | 171,421 | 187,638 | 171,421 |
| Allowance for loan losses | (10,900) | (9,296) | (10,900) | (9,296) |
| Net loans and advances to customers | 176,738 | 162,125 | 176,738 | 162,125 |
| Premium receivables | 267 | 270 | - | - |

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|--|---------|---------|---------|---------|
| Accounts receivables from reinsurers and rebonding companies | 314 | 555 | - | - |
| Other accounts receivable | 29,287 | 25,232 | 29,335 | 25,393 |
| Foreclosed assets | 207 | 162 | 203 | 162 |
| Property, furniture and equipment, net | 8,080 | 9,073 | 8,080 | 9,069 |
| Long-term investments in equity securities | 221 | 203 | 138 | 123 |
| Disposal groups held for sale | - | 2,422 | - | - |
| Deferred taxes | 6,504 | 5,292 | 6,409 | 5,318 |
| Goodwill | 1,218 | 1,218 | - | - |
| Other assets, deferred charges and intangibles | 4,079 | 5,332 | 3,506 | 4,753 |
| Total assets | 504,521 | 446,048 | 486,062 | 425,387 |

| Figures in MXN millions | GROUP | | BANK | |
|---|-------------|-------------|-------------|-------------|
| | 31 Dec 2011 | 31 Dec 2010 | 31 Dec 2011 | 31 Dec 2010 |
| Liabilities | | | | |
| Deposits | 297,428 | 253,247 | 298,119 | 253,613 |
| Demand deposits | 172,105 | 149,989 | 172,797 | 150,355 |
| Time deposits | 121,080 | 99,015 | 121,079 | 99,015 |
| Money market instruments | 4,243 | 4,243 | 4,243 | 4,243 |
| Bank deposits and other liabilities | 32,536 | 21,931 | 32,536 | 21,931 |
| On demand | 5,866 | 3,776 | 5,866 | 3,776 |
| Short-term | 24,923 | 16,630 | 24,923 | 16,630 |
| Long-term | 1,747 | 1,525 | 1,747 | 1,525 |
| Repurchase agreements | 9,327 | 29,911 | 15,373 | 34,868 |
| Stock lending | 4 | - | 4 | - |
| Settlement accounts | - | 2,359 | - | 2,359 |
| Collateral sold | 17,704 | 11,784 | 11,658 | 6,827 |
| Derivative transactions | 43,296 | 30,545 | 43,296 | 30,545 |
| Technical reserves | 11,083 | 10,553 | - | - |
| Reinsurers | 49 | 197 | - | - |
| Other payable accounts | 35,873 | 25,235 | 34,572 | 26,303 |
| Income tax | 1,780 | 1,229 | 795 | 654 |
| Contributions for future capital increases | - | - | - | 2,013 |
| Sundry creditors and other accounts Payable | 34,093 | 24,006 | 33,777 | 23,636 |
| Subordinated debentures outstanding | 10,488 | 10,007 | 10,488 | 10,007 |
| Deferred taxes | 554 | 766 | 520 | 730 |

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|--|---------|---------|---------|---------|
| Total liabilities | 458,342 | 396,535 | 446,566 | 387,183 |
| Equity | | | | |
| Paid in capital | 32,673 | 32,673 | 27,618 | 25,605 |
| Capital stock | 5,111 | 5,111 | 5,261 | 5,087 |
| Additional paid in capital | 27,562 | 27,562 | 22,357 | 20,518 |
| Other reserves | 13,495 | 16,830 | 11,875 | 12,596 |
| Capital reserves | 1,832 | 1,726 | 11,057 | 12,437 |
| Retained earnings | 8,849 | 13,058 | (202) | - |
| Result from the valuation of available-for-sale securities | 547 | 140 | 547 | (48) |
| Result from cash flow hedging transactions | (243) | (213) | (243) | (213) |
| Net income | 2,510 | 2,119 | 716 | 420 |
| Minority interest in capital | 11 | 10 | 3 | 3 |
| Total equity | 46,179 | 49,513 | 39,496 | 38,204 |
| Total liabilities and equity | 504,521 | 446,048 | 486,062 | 425,387 |

| | GROUP | | BANK | |
|--|-----------|-----------|-----------|-----------|
| | 31 Dec | 31 Dec | 31 Dec | 31 Dec |
| Figures in MXN millions | 2011 | 2010 | 2011 | 2010 |
| Memorandum Accounts | 2,783,257 | 2,586,456 | 2,671,966 | 2,470,038 |
| Third party accounts | 95,944 | 80,097 | 47,018 | 43,351 |
| Clients current accounts | 13 | (2) | - | - |
| Custody operations | 35,328 | 25,396 | - | - |
| Transactions on behalf of clients | 13,585 | 11,352 | - | - |
| Third party investment banking operations, net | 47,018 | 43,351 | 47,018 | 43,351 |
| Proprietary position | 2,687,313 | 2,506,359 | 2,624,948 | 2,426,687 |
| Guarantees granted | 14 | 21 | 14 | 21 |
| Contingent assets and liabilities | - | 116 | - | 116 |
| Irrevocable lines of credit granted | 22,425 | 16,201 | 22,425 | 16,201 |
| Goods in trust or mandate | 328,375 | 293,814 | 328,375 | 293,814 |
| Goods in custody or under administration | 256,883 | 251,394 | 251,772 | 246,284 |
| Collateral received by the institution | 54,796 | 13,370 | 54,796 | 13,370 |
| Collateral received and sold or delivered as guarantee | 53,869 | 15,143 | 47,829 | 10,182 |
| Values in deposit | 53 | 53 | - | - |
| Suspended interest on impaired loans | 236 | 254 | 236 | 254 |
| | 35,383 | 48,011 | - | - |

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|--------------------------------------|-----------|-----------|-----------|-----------|
| Recovery guarantees for issued bonds | | | | |
| Paid claims | 61 | 13 | - | - |
| Cancelled claims | 24 | 17 | - | - |
| Claims recoveries | 1 | - | - | - |
| Responsibilities from bonds in force | 3,552 | 3,591 | - | - |
| Other control accounts | 1,931,641 | 1,864,361 | 1,919,501 | 1,846,445 |

Consolidated Income Statement

| Figures in MXN millions | GROUP | | BANK | |
|--|-------------|-------------|-------------|-------------|
| | 31 Dec 2011 | 31 Dec 2010 | 31 Dec 2011 | 31 Dec 2010 |
| Interest income | 30,535 | 28,663 | 29,741 | 28,018 |
| Interest expense | (10,172) | (8,096) | (10,190) | (8,092) |
| Earned premiums | 2,990 | 2,740 | - | - |
| Increase in technical reserves | (507) | (380) | - | - |
| Claims | (1,351) | (1,423) | - | - |
| Net interest income | 21,495 | 21,504 | 19,551 | 19,926 |
| Loan impairment charges | (6,737) | (9,284) | (6,737) | (9,284) |
| Risk-adjusted net interest income | 14,758 | 12,220 | 12,814 | 10,642 |
| Fees and commissions receivable | 8,040 | 8,727 | 7,650 | 8,360 |
| Fees payable | (2,045) | (2,256) | (1,449) | (1,429) |
| Trading income | 3,272 | 2,823 | 2,620 | 2,220 |
| Other operating income | 4,788 | 3,938 | 5,115 | 4,405 |
| Total operating income | 28,813 | 25,452 | 26,750 | 24,198 |
| Administrative and personnel expenses | (25,562) | (23,113) | (25,892) | (23,685) |
| Net operating income | 3,251 | 2,339 | 858 | 513 |
| Undistributed income from subsidiaries | (37) | 19 | (41) | 13 |
| Net income before taxes | 3,214 | 2,358 | 817 | 526 |
| Income tax | (2,390) | (1,661) | (1,413) | (1,092) |
| Deferred income tax | 1,326 | 996 | 1,311 | 981 |

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|---|-------|-------|-----|-----|
| Net income before discontinued operations | 2,150 | 1,693 | 715 | 415 |
| Discontinued operations | 359 | 420 | - | - |
| Minority interest | 1 | 6 | 1 | 5 |
| Net income | 2,510 | 2,119 | 716 | 420 |

Consolidated Statement of Changes in Shareholders' Equity

GROUP

| Figures in MXN millions | Capital contributed | Capital reserves | Retained earnings | Result from valuation of available-for-sale securities | Result from cash flow hedging transactions | Net income | M |
|---|---------------------|------------------|-------------------|--|--|------------|---|
| Balances at 1 January 2011 | 32,673 | 1,726 | 13,058 | 140 | (213) | 2,119 | i |
| Movements inherent to the shareholders' decision | | | | | | | |
| Transfer of result of prior years | - | 106 | 2,013 | - | - | (2,119) | |
| Cash dividends | - | - | (6,020) | - | - | - | |
| Other | - | - | (202) | - | - | - | |
| Total | - | 106 | (4,209) | - | - | (2,119) | |
| Movements for the recognition of the comprehensive income | | | | | | | |
| Net income | - | - | - | - | - | 2,510 | |
| Result from valuation of available-for-sale securities | - | - | - | 407 | - | - | |
| Result from cash flow hedging transactions | - | - | - | - | (30) | - | |
| Others | - | - | - | - | - | - | |
| Total | - | - | - | 407 | (30) | 2,510 | |
| Balances at 31 December 2011 | 32,673 | 1,832 | 8,849 | 547 | (243) | 2,510 | |

BANK

| | | | | | | |
|-------------------------|--|--|-------------|-------------|------------|---|
| Figures in MXN millions | | | Result from | Result from | Net income | M |
|-------------------------|--|--|-------------|-------------|------------|---|

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| | Capital contributed | Capital reserves | Retained earnings | valuation of available-for-sale securities | cash flow hedging transactions | |
|---|------------------------|---------------------|-------------------|--|--------------------------------------|-------|
| Balances at 1 January 2011 | 25,605 | 12,437 | - | (48) | (213) | 420 |
| Movements inherent to the shareholders' decision | | | | | | |
| Shares issue | 2,013 | - | - | - | - | - |
| Transfer of result of prior years | - | - | 420 | - | - | (420) |
| Constitution of reserves | - | 420 | (420) | - | - | - |
| Cash dividends | - | (1,800) | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total | 2,013 | (1,380) | - | - | - | (420) |
| Movements for the recognition of the comprehensive income | | | | | | |
| Net income | - | - | - | - | - | 716 |
| Result from valuation of available-for-sale securities | - | - | - | 595 | - | - |
| Result from cash flow hedging transactions | - | - | - | - | (30) | - |
| Others | - | - | (202) | - | - | - |
| Total | - | - | (202) | 595 | (30) | 716 |
| Balances at 31 December 2011 | 27,618 | 11,057 | (202) | 547 | (243) | 716 |

Consolidated Statement of Cash Flows

GROUP

| | 31 Dec 2011 |
|--|----------------|
| Figures in MXN millions | |
| Net income | 2,510 |
| Adjustments for items not involving cash flow: | 6,621 |
| Amortisations intangible assets | 1,760 |
| Depreciation and amortisation | 1,411 |
| Provisions | 2,201 |
| Income tax and deferred taxes | 1,064 |
| Technical reserves | 507 |

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| | |
|---|----------|
| Discontinued operations | (359) |
| Undistributed income from subsidiaries | 37 |
| Changes in items related to operating activities: | |
| Margin accounts | 15 |
| Investment securities | (24,180) |
| Repurchase agreements | (3,893) |
| Stock borrowing | 4 |
| Derivative (assets) | (14,744) |
| Loan portfolio | (14,903) |
| Foreclosed assets | (44) |
| Operating assets | (2,344) |
| Deposits | 44,182 |
| Bank deposits and other liabilities | 10,606 |
| Settlement accounts | - |
| Creditors repo transactions | (20,585) |
| Collateral sold or delivered as guarantee | 5,920 |
| Derivative (liabilities) | 12,751 |
| Subordinated debentures outstanding | 480 |
| Accounts receivables from reinsurers and coinsurers | 241 |
| Accounts receivables from premiums | 2 |
| Reinsurers and bonding | (148) |
| Other operating liabilities | 7,953 |
| Income tax paid | (2,096) |
| Funds provided by operating activities | (783) |
| Investing activities: | |
| Acquisition of property, furniture and equipment | (417) |
| Intangible asset acquisitions | 563 |
| Others | (54) |
| Funds used in investing activities | 92 |
| Financing activities: | |
| Cash dividends | (6,020) |
| Funds used in financing activities | (6,020) |
| Financing activities: | |
| Increase / Decrease in cash and equivalents | 2,420 |
| Cash and equivalents at beginning of period | 48,804 |
| Cash and equivalents at end of period | 51,224 |

BANK

| Figures in MXN millions | 31 Dec 2011 |
|---|----------------|
| Net income | 716 |
| Adjustments for items not involving cash flow: | 5,342 |
| Depreciation and amortisation | 1,407 |
| Amortisations intangible assets | 1,760 |
| Provisions | 2,032 |
| Income tax and deferred taxes | 103 |
| Undistributed income from subsidiaries | 40 |
| Changes in items related to operating activities: | |
| Margin accounts | 15 |
| Investment securities | (23,651) |
| Repurchase agreements | (3,893) |
| Derivative (assets) | (14,744) |
| Loan portfolio | (14,903) |
| Foreclosed assets | (41) |
| Operating assets | (2,500) |
| Deposits | 44,508 |
| Bank deposits and other liabilities | 10,606 |
| Creditors repo transactions | (19,496) |
| Stock borrowing | 4 |
| Collateral sold or delivered as guarantee | 4,830 |
| Derivative (liabilities) | 12,751 |
| Subordinated debentures outstanding | 480 |
| Other operating liabilities | 8,058 |
| Income tax paid | (1,433) |
| Funds provided by operating activities | 591 |
| Investing activities: | |
| Acquisition of property, furniture and equipment | (417) |
| Intangible asset acquisitions | (1,954) |
| Others | (55) |
| Funds used in investing activities | (2,426) |
| Financing activities: | |
| Cash dividends | (1,800) |
| Contributions for future capital increases | |

| | |
|------------------------------------|---------|
| Funds used in financing activities | - |
| | (1,800) |

Financing activities:

| | |
|---|--------|
| Increase / Decrease in cash and equivalents | 2,423 |
| Cash and equivalents at beginning of period | 48,801 |
| Cash and equivalents at end of period | 51,224 |

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 2011 and an explanation of the key reconciling items.

| Figures in MXN millions | 31 Dec 2011 |
|--|----------------|
| Grupo Financiero HSBC - Net Income Under Mexican GAAP | 2,510 |
| Differences arising from: | |
| Valuation of defined benefit pensions and post retirement healthcare benefits ^W | 333 |
| Deferral of fees received and paid on the origination of loans | 40 |
| Loan impairment charges ^W | 1,053 |
| Purchase accounting adjustments ^W | (149) |
| Recognition of the present value in-force of long-term insurance contracts ^W | 130 |
| Sale of 100% of the outstanding shares of a Social Security Company (Afore) | 976 |
| Other ^W | 1,064 |
| Net income under IFRS | 5,957 |
| US dollar equivalent (millions) | 486 |
| Add back tax expense | 2,021 |
| Profit before tax under IFRS | 7,978 |
| US dollar equivalent (millions) | 652 |
| Exchange rate used for conversion | 12.24 |

^W Net of tax at 30%.

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.

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 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 (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.

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

Title: Assistant Group Secretary

Date: 29 February 2012