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HSBC HOLDINGS PLC
Form 6-K
April 28, 2008

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 April, 2008

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-

GRUPO FINANCIERO HSBC, S.A. DE C.V.
FIRST QUARTER 2008 FINANCIAL RESULTS^ - HIGHLIGHTS

- Net income for the first quarter of 2008 was MXN2,207 million, up MXN796 million, or 56.4 per cent, compared with MXN1,411 million for the same period in 2007.
- Total operating income (excluding loan impairment charges)* for the first quarter of 2008 was MXN9,638, up MXN1,567 million, or 19.4 per cent compared with MXN8,071 million for the same period in 2007.
- Net loans and advances to customers were MXN191.4 billion at 31 March 2008, up MXN28.4 billion, or 17.5 per cent, compared with MXN162.9 billion at 31 March 2007.
- Total customer demand and time deposits were MXN259.0 billion at 31 March 2008, up MXN44.7 billion, or 20.9 per cent, compared with MXN214.3 billion at 31 March 2007.
- Cost efficiency ratio* improved to 54.0 per cent for the first quarter of 2008, compared with 59.8 per cent for the same period in 2007.

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- Return on equity was 23.4 per cent for the first quarter of 2008 compared with 16.5 per cent for the same period in 2007.

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 31 March 2008) 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). Beginning January 1, 2008, in accordance with Financial Information Standard B-10, "Effects of Inflation", the effects of inflation in financial statements shall no longer be recognized. This is due to the change from an inflationary to a non-inflationary economic environment. The comparative figures of the financial statements of periods prior to 2008 are expressed in monetary units with purchasing power at December 31, 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 continued to build our business in Mexico in the first quarter of 2008, increasing our customer base, growing our business volumes, and investing for future growth. Net income of MXN2,207 million was up 56.4 per cent on the same period in 2007.

"Our aim is to become the leading financial services company in Mexico, and we are working hard to strengthen our customer service platform, improve our operating efficiency and manage our portfolio more effectively. Sustainable growth of our business will benefit our customers, employees, shareholders and the local community, and contribute to the development of the Mexican economy.

"By March 31, 2008, our customer base had increased by more than 1.1 million customer accounts year-on-year, through growth in the number of Premier customers and the continued success of the Tu Cuenta packaged product. Customer deposits grew by more than 20 per cent year on year. We are also increasing cross sales in key customer segments, and growing our insurance premium income by leveraging our bancassurance model to provide insurance solutions to more existing and potential customers.

"We continued to invest in growing our consumer and commercial credit businesses. Compared to the same period in 2007, credit card balances increased 61 per cent year-on-year to MXN28.3 billion while personal loan and payroll loan balances increased by 48.1 per cent, to MXN8.2 billion. In our commercial business, the commercial portfolio grew by 13.0 per cent to MXN71.3 billion.

"Through continuing to attract new customers, and strengthening our relationships with existing customers, revenues continued to grow strongly, up 19.4 per cent compared to the same period in 2007. This allowed us to absorb the related increase in loan impairment charges, which are a consequence of the investment we are making in building our loan portfolios.

"We continue to invest in building our business organically and improving our business platform. In the past 12 months, we have installed 373 additional ATMs and we are making significant investments to improve the technological infrastructure. We are also investing in streamlining our processes and modernising our branches, which will allow us to increase capacity and improve customer service. Revenue growth exceeded cost growth, which improved the cost

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efficiency ratio to 54.0 per cent compared to 59.8 per cent in the first quarter of 2007.

"Our net income was positively impacted by the receipt of the proceeds of the sale of stock in Visa Inc, resulting from that company's IPO, and this has supported further investment in our business.

"In the area of corporate responsibility, I am pleased to report that in March 2008 HSBC Mexico was awarded, for the third consecutive year, the "Socially Responsible Company" certification by the Mexican Philanthropy Centre (CEMEFI) and Aliarse. The Certification was granted to HSBC Mexico after a lengthy due diligence process, where HSBC Mexico had to document its commitment to the highest standards of social responsibility in the areas of quality of life within the company, business ethics, community involvement and conservation of the environment."

Overview

Grupo Financiero HSBC's net income for the first quarter of 2008 was MXN2,207 million, MXN796 million higher than the net income recorded during the same period in 2007.

The Bank's results continue to show solid performance across a range of product lines. Net interest income, fees and trading income reflected continued growth during the first quarter of 2008. The significant contribution of our subsidiaries, particularly HSBC Seguros, added to the results of the Bank.

Net interest income[^] increased by MXN1,010 million to MXN6,251 million in the first quarter of 2008, which represents a 19.3 per cent increase on the same period in 2007. This increase was driven by expansion of both the consumer and commercial loan portfolios, and growth in time deposits.

Net fee income was MXN2,932 million in the first quarter of 2008, an increase of 17.5 per cent compared with the same period in 2007. Increased fee income from credit cards, trade services, membership programmes, investment funds, card acquiring and ATMs contributed to this performance.

Trading income was MXN455 million for the first quarter of 2008, which represented a 36.2 per cent increase over the same period in 2007, with particularly strong results achieved in retail foreign exchange business and balance sheet management.

Administrative expenses were MXN5,202 million in the first quarter of 2008, an increase of 7.8 per cent compared with the same period of 2007, which reflects a combination of continued investment with benefits from productivity improvements and effective expense control. Personnel expenses rose in line with our business growth investment strategy. Other operating expenses increased as a result of promotion costs of the Tu Cuenta packaged product and investments to strengthen the technological infrastructure. The cost efficiency ratio* has reduced by 5.8 percentage points to 54.0 per cent, with revenue growth exceeding expense growth.

Other income increased MXN1,083 million to MXN1,438 million in the first quarter of 2008 compared with the same period in 2007. This growth is primarily due to extraordinary income received from the sale of VISA Inc. stock, as a result of the company's global Initial Public Offering.

Loan impairment charges increased by MXN1,355 million to MXN2,798 million in the first quarter of 2008 compared with the same period in 2007. The relatively high requirement for impairment charges is due to a large extent to increased reserves for credit cards, which is the result of the significant investment by HSBC in increasing its market share, as well as higher delinquencies in personal

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and auto loans. The annual increase in loan impairment charges is consistent with the market trend and reflects the Group's organic growth strategy.

Regular reviews are undertaken to improve the quality of new business, and ensure close control of customer acquisition channels, based on underwriting experience, and to improve collection strategies. HSBC's allowance for loan losses as a percentage of impaired loans was 134.0 per cent at 31 March 2008, compared to 141.6 per cent for the same period in 2007.

A dividend of MXN4,350 million was declared during the first quarter of 2008 (MXN3,500 million paid by the Bank and MXN850 million paid by HSBC Seguros). The Bank's capital ratio at March 31, 2008 of 13.0 per cent is above the applicable regulatory requirements.

Business highlights

Personal Financial Services (PFS) increased its new-to-bank customers and leveraged its customer relationship management capabilities to drive consumer loan growth. During the first quarter of 2008, credit card portfolio balances have increased 61.0 per cent and our cards base has grown by almost 237,000 new credit card accounts compared with the same period last year. This translated into an increase in market share of almost 280 basis points compared with last year(1) reflecting the Group's organic portfolio growth strategy. Personal and payroll loans were other areas in which strong increases were observed in the first quarter of 2008.

Collection activities have been strengthened in line with the increase in the delinquency level of consumer loans. Card acquisition continues to be carefully controlled.

Net interest income recorded a positive increase as a result of larger volumes of consumer loans, particularly credit cards. Increased cross-sales in the branch network meant greater income for HSBC Seguros, which increased its premiums by 17.9 per cent in the first quarter of 2008 compared with the same period in 2007.

Commercial Banking (CMB) in Mexico continues to leverage its two-pronged strategy to become the leading international business bank and the best bank for small businesses. Lending balances were 14.5 per cent higher than in the first quarter of 2007, due mainly to strong growth in international trade volumes, local and global CMB customers, complemented by the good performance recorded in factoring, the real estate project segment and deposits. Organic growth in the small business segment led to higher delinquency; however, products with significant credit losses have been restructured or discontinued.

Driven by HSBC Group's broad geographic presence and enhanced product capabilities, our trade services market share increased by 5.3 percentage points year-on-year, to reach 18.4 per cent(2). The strong performance recorded during the first quarter of 2008 was achieved through the bank being one of the first providers of factoring services in the market and with the launch of new applications for an electronic account opening service.

Global Banking and Markets continues its strategy to join up its business across the American region and the Global network by connecting regional customers to other countries in the HSBC Group. Through the Group's global network, we are enabling major Mexican companies to access the international capital markets and we can offer complex financial solutions, as part of the Group's emerging market-led, financing focused global banking and markets strategy.

Increased income from trade services and an increase activity in project finance resulted from HSBC's strategic investments in new transactional infrastructure and growth in its local and global distribution capabilities, as well as a

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growing penetration in Mexico's corporate market.

Despite an extremely volatile market environment worldwide throughout 2008, Mexican financial markets have remained well anchored. Nevertheless Global Markets has performed well, mainly driven by tactical portfolio investments as well as strong cross selling to our Institutional and Corporate client base.

About HSBC

Grupo Financiero HSBC, S.A. de C.V. is Mexico's fourth largest banking and financial services institution with 1,359 branches, 5,855 ATMs, approximately 9.0 million customer accounts and more than 22,000 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 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\$2,354 billion at 31 December 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 about 200,000 shareholders in over 100 countries and territories. HSBC is marketed worldwide as 'the world's local bank'.

Consolidated Balance Sheet

| Figures in MXN millions | GROUP | | BANK | |
|--|---------|---------|---------|---------|
| | 31Mar08 | 31Mar07 | 31Mar08 | 31Mar07 |
| Assets | | | | |
| Cash and deposits in banks | 53,961 | 55,919 | 53,961 | 55,918 |
| Investment in securities | 64,293 | 54,705 | 62,971 | 53,594 |
| Trading securities | 30,874 | 18,317 | 29,939 | 17,206 |
| Available-for-sale securities | 29,469 | 32,366 | 29,082 | 32,366 |
| Held to maturity securities | 3,950 | 4,022 | 3,950 | 4,022 |
| Securities and derivative operations | 16,045 | 194 | 16,043 | 189 |
| Repurchase agreements | 47 | 89 | 45 | 84 |
| Derivative transactions | 15,998 | 105 | 15,998 | 105 |
| Performing loans | | | | |
| Commercial loans | 71,358 | 63,165 | 71,358 | 63,165 |
| Loans to financial intermediaries | 13,595 | 6,264 | 13,595 | 6,264 |
| Consumer loans | 48,449 | 39,149 | 48,449 | 39,149 |
| Mortgage loans | 18,978 | 18,914 | 18,978 | 18,914 |
| Loans to government entities | 41,672 | 37,631 | 41,672 | 37,631 |
| Loans to Fobaproa or | | | | |

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| | | | | |
|--|----------|---------|----------|---------|
| IPAB | - | - | - | - |
| Total performing loans | 194,052 | 165,123 | 194,052 | 165,123 |
| Impaired loans | | | | |
| Commercial loans | 2,381 | 1,887 | 2,381 | 1,887 |
| Consumer loans | 4,294 | 2,109 | 4,294 | 2,109 |
| Mortgage loans | 1,196 | 1,265 | 1,196 | 1,265 |
| Immediate collection, remittances and other | - | - | - | - |
| Total impaired loans | 7,871 | 5,261 | 7,871 | 5,261 |
| Gross loans and advances to customers | 201,923 | 170,384 | 201,923 | 170,384 |
| Allowance for loan losses | (10,549) | (7,449) | (10,549) | (7,449) |
| Net loans and advances to customers | 191,374 | 162,935 | 191,374 | 162,935 |
| Other accounts receivable | 21,172 | 30,187 | 21,109 | 27,461 |
| Foreclosed assets | 89 | 67 | 89 | 67 |
| Property, furniture and equipment, net | 6,402 | 6,268 | 6,390 | 6,254 |
| Long-term investments in equity securities | 3,037 | 2,919 | 146 | 160 |
| Deferred taxes | 1,142 | - | 1,087 | - |
| Goodwill | 2,749 | 2,749 | - | - |
| Other assets, deferred charges and intangibles | 1,948 | 1,026 | 1,914 | 991 |
| Total assets | 362,212 | 316,969 | 355,084 | 307,569 |
| Liabilities | | | | |
| Deposits | 263,256 | 218,644 | 263,393 | 220,342 |
| Demand deposits | 124,561 | 124,322 | 124,698 | 126,020 |
| Time deposits | 134,423 | 89,943 | 134,423 | 89,943 |
| Bonds | 4,272 | 4,379 | 4,272 | 4,379 |
| Bank deposits and other liabilities | 7,245 | 10,860 | 7,245 | 10,860 |
| On demand | - | 2,067 | - | 2,067 |
| Short-term | 4,591 | 6,633 | 4,591 | 6,633 |
| Long-term | 2,654 | 2,160 | 2,654 | 2,160 |
| Securities and derivative transactions | 16,004 | 4,529 | 16,004 | 4,523 |
| Repurchase agreements | 73 | 21 | 73 | 15 |
| Securities deliverable under loan transactions | - | 4,508 | - | 4,508 |
| Derivative transactions | 15,931 | - | 15,931 | - |
| Other accounts payable | 36,239 | 45,362 | 35,142 | 42,571 |
| Income tax and employee profit sharing payable | 1,610 | 1,505 | 1,546 | 1,452 |
| Sundry creditors and | | | | |

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| | | | | |
|---|---------|---------|---------|---------|
| other accounts payable | 34,629 | 43,857 | 33,596 | 41,119 |
| Subordinated debentures outstanding | 2,211 | 2,266 | 2,211 | 2,266 |
| Deferred taxes | - | 394 | - | 440 |
| Deferred credits | 438 | 123 | 438 | 123 |
| Total liabilities | 325,393 | 282,178 | 324,433 | 281,125 |
| Equity | | | | |
| Paid in capital | 21,466 | 21,466 | 15,883 | 13,533 |
| Capital stock | 8,210 | 8,210 | 4,272 | 4,079 |
| Additional paid in capital | 13,256 | 13,256 | 11,611 | 9,454 |
| Other reserves | 15,351 | 13,304 | 14,767 | 12,892 |
| Capital reserves | 1,162 | 875 | 10,577 | 9,496 |
| Retained earnings | 11,863 | 19,114 | 2,196 | 4,581 |
| Result from the mark-to-market of available-for-sale securities | - | - | 256 | 88 |
| Result from translation of foreign operations | - | - | - | - |
| Cumulative effect of restatement | - | (3,989) | - | (3,594) |
| Gains on non-monetary asset valuation | 119 | (4,107) | - | 1,182 |
| Adjustment in the employee pension | - | - | (136) | - |
| Net income | 2,207 | 1,411 | 1,874 | 1,139 |
| Minority interest in capital | 2 | 21 | 1 | 19 |
| Total equity | 36,819 | 34,791 | 30,651 | 26,444 |
| Total liabilities and equity | 362,212 | 316,969 | 355,084 | 307,569 |

Figures in MXN millions

GROUP

31Mar08

31Mar07

Memorandum accounts

| | | |
|---|---------|--------|
| Transactions on behalf of third parties | 107,098 | 93,619 |
| Customer current accounts | 61 | (11) |
| Customer bank | 2 | - |
| Settlement of customer securities and documents | 59 | (11) |
| Customer securities | 78,053 | 67,229 |
| Customer securities in custody | 78,044 | 67,223 |
| Pledged customers securities and documents | 9 | 6 |
| Transactions on behalf of customers | 2,456 | 2,382 |
| Customer repurchase transactions | 2,456 | 2,382 |
| Other transactions on behalf of customers | 26,528 | 24,019 |
| Investment on behalf of customers, net | 26,528 | 24,019 |

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| | | |
|---|-----------|-----------|
| Other memorandum accounts | 599,291 | 365,426 |
| Investment of the SAR funds | 3,540 | 3,631 |
| Integrated loan portfolio | 212,720 | 178,253 |
| Other memorandum accounts | 383,031 | 183,542 |
| | | |
| Transactions for the group's own accounts | 1,867,574 | 1,081,708 |
| | | |
| Accounts for the group's own registry | 1,867,602 | 1,081,639 |
| Guarantees granted | 35 | 47 |
| Irrevocable lines of credit granted | 10,761 | 7,819 |
| Goods in trust or mandate | 170,020 | 114,691 |
| Goods in custody or under administration | 57,914 | 57,607 |
| Amounts committed in transactions with | | |
| Fobaproa | 141 | 156 |
| Amounts contracted in derivative operations | 1,628,602 | 897,145 |
| Securities in custody | - | 4,044 |
| Other contingent obligations | 129 | 130 |
| | | |
| Repurchase/resale agreements | | |
| Securities receivable under repos | 46,160 | 46,940 |
| (less) Repurchase agreements | 46,199 | 46,874 |
| | (39) | 66 |
| | | |
| Reverse repurchase agreements | 3,629 | 5,461 |
| (less) Securities deliverable under repos | 3,618 | 5,458 |
| | 11 | 3 |

Figures in MXN millions

BANK

| | 31Mar08 | 31Mar07 |
|--|-----------|-----------|
| Guarantees granted | 35 | 47 |
| Other contingent obligations | 129 | 130 |
| Irrevocable lines of credit granted | 10,761 | 7,819 |
| Goods in trust or mandate | 170,020 | 114,691 |
| Goods in custody or under administration | 53,969 | 57,608 |
| Third party investment banking operations, net | 26,528 | 24,019 |
| Amounts committed in transactions with | | |
| Fobaproa | 141 | 156 |
| Amounts contracted in derivative operations | 1,628,602 | 897,145 |
| Investments of retirement savings system funds | 3,540 | 3,631 |
| Integrated loan portfolio | 212,720 | 178,253 |
| Other control accounts | 383,027 | 179,035 |
| | 2,489,472 | 1,462,534 |
| | | |
| Securities receivable under repos | 43,715 | 44,558 |
| (less) Repurchase agreements | (43,743) | (44,491) |
| | (28) | 67 |
| | | |
| Reverse repurchase agreements | 1,173 | 3,078 |
| (less) Securities deliverable under repos | (1,173) | (3,076) |
| | - | 2 |
| | | |
| Securities deliverable under loan transactions | - | 4,508 |
| (less) Goods deliverable in guarantee for loan transactions | - | - |
| | - | 4,508 |

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Consolidated Income Statement

Figures in MXN millions

| | GROUP | | BANK | |
|---|---------|---------|---------|----------|
| | 31Mar08 | 31Mar07 | 31Mar08 | 31 Mar07 |
| Interest income | 9,392 | 7,740 | 9,389 | 7,629 |
| Interest expense | (3,141) | (2,499) | (3,143) | (2,453) |
| Monetary position (margin), net | - | (357) | - | (321) |
| Net interest income | 6,251 | 4,884 | 6,246 | 4,855 |
| Loan impairment charges | (2,798) | (1,443) | (2,798) | (1,443) |
| Risk-adjusted net interest income | 3,453 | 3,441 | 3,448 | 3,412 |
| Fees and commissions receivable | 3,218 | 2,778 | 3,011 | 2,564 |
| Fees payable | (286) | (282) | (280) | (279) |
| Trading income | 455 | 334 | 455 | 332 |
| Total operating income | 6,840 | 6,271 | 6,634 | 6,029 |
| Administrative and personnel expenses | (5,202) | (4,826) | (5,083) | (4,675) |
| Net operating income | 1,638 | 1,445 | 1,551 | 1,354 |
| Other income | 1,673 | 560 | 1,694 | 572 |
| Other expenses | (235) | (205) | (255) | (205) |
| Net income before taxes | 3,076 | 1,800 | 2,990 | 1,721 |
| Income tax and employee profit sharing tax | (1,694) | (597) | (1,650) | (575) |
| Deferred income tax | 531 | (17) | 521 | (10) |
| Net income before subsidiaries | 1,913 | 1,186 | 1,861 | 1,136 |
| Undistributed income from subsidiaries | 294 | 225 | 13 | 2 |
| Income from ongoing operations | 2,207 | 1,411 | 1,874 | 1,138 |
| Minority interest | - | - | - | 1 |
| Net income | 2,207 | 1,411 | 1,874 | 1,139 |

Statement of Changes in Shareholders' Equity

GROUP

| Capital contribute | Capital Retained reserves earnings | Deficit in restatement of stock-holders' equity | Net income | Total Equity | Minority interest |
|-----------------------|---------------------------------------|--|---------------|-----------------|----------------------|
|-----------------------|---------------------------------------|--|---------------|-----------------|----------------------|

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Figures in MXN
millions

| | | | | | | | |
|---|--------|-------|---------|---------|---------|---|---------|
| Balances at 31Dec07 | 21,466 | 1,162 | 18,827 | (8,544) | 5,615 | 2 | 38,528 |
| Movements inherent to the shareholders' decision | | | | | | | |
| Capitalisation of retained earnings | - | - | 5,615 | - | (5,615) | - | - |
| Cash dividend | - | - | (4,350) | - | - | - | (4,350) |
| Constitution of reserves | - | - | - | - | - | - | - |
| Other movements | - | - | - | - | - | - | - |
| Total | - | - | 1,265 | - | (5,615) | - | (4,350) |
| Movements for the recognition of the comprehensive income | | | | | | | |
| Net income | - | - | - | - | 2,207 | - | 2,207 |
| Gains on non-monetary asset valuation | - | - | (8,229) | 8,663 | - | - | 434 |
| Minority interest | - | - | - | - | - | - | - |
| Total | - | - | (8,229) | 8,663 | 2,207 | - | 2,641 |
| Balances at 31Mar08 | 21,466 | 1,162 | 11,863 | 119 | 2,207 | 2 | 36,819 |

| | Capital contribute | Capital reserves | Retained earnings | Result from valuation of available-for-sale securities | Deficit in restatement of stock-holders' equity | Adjustment in the employees pension | Net income |
|---|--------------------|------------------|-------------------|--|---|-------------------------------------|------------|
| Balances at 31Dec07 | 15,883 | 14,077 | - | (217) | (2,421) | (136) | 4,656 |
| Movements inherent to the shareholders' decision | | | | | | | |
| Subscription shares | - | - | - | - | - | - | - |
| Constitution of reserves | - | - | - | - | - | - | - |
| Transfer of result of Prior years | - | - | 4,656 | - | - | - | (4,656) |
| Cash dividend | - | (3,500) | - | - | - | - | - |
| Other movements | - | - | - | - | - | - | - |
| Total | - | (3,500) | 4,656 | - | - | - | (4,656) |
| Movements for the recognition of the comprehensive income | | | | | | | |

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| | | | | | | | | |
|--|--------|--------|---------|-----|-------|-------|---|-------|
| Net income | - | - | - | - | - | - | - | 1,874 |
| Result from valuation of available-for-sale securities | - | - | - | 434 | - | - | - | - |
| Cumulative effect of restatement | - | - | (2,460) | 39 | 2,421 | - | - | - |
| Adjustment in the employees pension | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - |
| Total | - | - | (2,460) | 473 | 2,421 | - | - | 1,874 |
| Balances at 31March08 | 15,883 | 10,577 | 2,196 | 256 | - | (136) | - | 1,874 |

Consolidated Statement of Changes in Financial Position

GROUP

| Figures in MXN millions | 31Mar08 | 31Mar07 |
|--|---------|---------|
| Operating activities: | | |
| Net income | 2,207 | 1,411 |
| Items included in operations not requiring (providing) funds: | | |
| Result from mark-to-market valuations | (546) | 84 |
| Allowances for loan losses | 2,798 | 1,443 |
| Depreciation and amortisation | 259 | 260 |
| Deferred taxes | (531) | 17 |
| Minority interest | - | 1 |
| Undistributed income from subsidiaries, net | (294) | (225) |
| Total operating items not requiring funds | 3,893 | 2,991 |
| Changes in items related to operations: | | |
| (Decrease) / Increase in deposits | (3,701) | (8,735) |
| (Increase) / Decrease in loan portfolio | (4,690) | (3,601) |
| (Increase) / Decrease in securities and derivative transactions, net | (253) | (1,982) |
| (Increase) / Decrease in financial instruments | 12,282 | 4,479 |
| (Decrease) / Increase in bank deposits and other liabilities | (363) | (2,595) |
| Funds provided by operating activities | 7,168 | (9,443) |
| Financing activities: | | |
| Subordinated debentures outstanding | 3 | (24) |
| Cash dividend | (4,350) | - |
| (Decrease) / Increase in other payable accounts | 9,920 | 27,910 |
| Funds used or provided in financing activities | 5,573 | 27,886 |
| Investing activities: | | |
| (Increase) / Decrease in property, furniture and equipment, net | 1,170 | (339) |
| (Increase) / Decrease in deferred charges or credits, net | 348 | (97) |

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| | | |
|--|---------|----------|
| (Increase) / Decrease in foreclosed assets | (8) | (13) |
| (Increase) / Decrease in other receivable accounts | (9,155) | (19,250) |
| Funds used in investing activities | (7,645) | (19,699) |
| (Decrease) / Increase in cash and equivalents | 5,096 | (1,256) |
| Cash and equivalents at beginning of period | 48,865 | 57,175 |
| Cash and equivalents at end of period | 53,961 | 55,919 |
| BANK | | |
| Operating activities: | | |
| Net income | 1,874 | 1,139 |
| Items included in operations not requiring (providing) funds: | | |
| Result from mark-to-market valuations | (546) | 84 |
| Allowances for loan losses | 2,798 | 1,443 |
| Depreciation and amortisation | 259 | 259 |
| Deferred taxes | (521) | 11 |
| Undistributed income from subsidiaries, net | (13) | 22 |
| Value loss estimation for foreclosed assets | 2 | 2 |
| Minority interest | - | (1) |
| Total operating items not requiring funds | 3,853 | 2,959 |
| Changes in items related to operations: | | |
| Increase in deposits | (3,632) | (8,686) |
| (Increase) / Decrease in loan portfolio | (4,690) | (3,601) |
| (Increase) / Decrease in securities and derivative transactions, net | 120 | (1,957) |
| (Increase) / Decrease in financial instruments | 13,296 | 4,262 |
| (Decrease) / Increase in bank deposits and other liabilities | (363) | (2,595) |
| Funds provided by operating activities | 8,584 | (9,618) |
| Financing activities: | | |
| Subordinated debentures outstanding | 3 | (24) |
| Cash Dividend | (3,500) | - |
| (Decrease) / Increase in other payable accounts | 8,978 | 25,211 |
| Contributions or reimbursements of capital contributed | - | - |
| Funds used or provided by financing activities | 5,481 | 25,187 |
| Investing activities: | | |
| (Increase) in property, furniture and equipment, net | (146) | (172) |
| (Increase) / Decrease in deferred charges or credits, net | 359 | (11) |
| (Increase) / Decrease in foreclosed assets | (9) | (13) |
| (Increase) / Decrease in other receivable accounts | (9,172) | (16,629) |
| Funds used in investing activities | (8,968) | (16,825) |
| (Decrease) / Increase in cash and equivalents | 5,097 | (1,256) |
| Cash and equivalents at beginning of period | 48,864 | 57,174 |
| Cash and equivalents at end of period | 53,961 | 55,918 |

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

Grupo Financiero HSBC

HSBC Holdings plc, the parent of Grupo Financiero HSBC S.A. de C.V. reports its results under International Financial Reporting Standards (IFRS). There follows a reconciliation of the results of Grupo Financiero HSBC S.A. de C.V. from Mexican GAAP to IFRS for the first quarter ended 31 March 2008 and an explanation of the key reconciling items.

31Mar08

Figures in MXN millions

| | |
|---|-------|
| Grupo Financiero HSBC - Net Income Under Mexican GAAP | 2,207 |
| Differences arising on the valuation of pensions and post retirement healthcare benefits ^ | 19 |
| Differences arising on acquisition costs relating to long-term investment contracts ^ | (11) |
| Differences arising from the deferral of fees received and paid on the origination of loans | 20 |
| Differences arising from the recognition and provisioning for loan impairments ^ | (197) |
| Differences arising from purchase accounting adjustments ^ | (6) |
| Other differences in accounting principles ^ | (214) |
| | |
| HSBC Mexico net income under IFRS | 1,818 |
| US dollar equivalent (millions) | 168 |
| Add back tax expense | 481 |
| | |
| HSBC Mexico profit before tax under IFRS | 2,299 |
| | |
| US dollar equivalent (millions) | 213 |
| Exchange rate used for conversion | 10.81 |

^ Net of tax at 28 per cent.

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

Retirement benefits

Mexican GAAP

Obligations are recognised in the Income Statement of each year based on actuarial computations of the present value of those obligations using the projected unit credit method and real interest rates.

Unrecognised past service costs are amortised on an estimated service life of the employees.

IFRS

Obligations are recognised in the Income Statement of each year based on actuarial computations of the present value of those obligations using the projected unit credit method.

Actuarial gains and losses are recognised in stockholders equity as they arise.

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Unrecognised past service cost are recognised in the Income Statement as they arise.

Acquisition costs of long-term investment contracts

Mexican GAAP

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

IFRS

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

Fees paid and received on origination of loans

Mexican GAAP

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

^ For comparative purposes, the monetary position result has been excluded from 2007 figures.

^For comparative purposes the monetary position result has been excluded from 2007 figures.

(1) Source: HSBC analysis, based on Mexican Banks Association (ABM) figures as of February 2008 for the six largest banks.

(2) Source: HSBC Analysis, based on Mexican Banking and Securities Commission Statistical Bulletin, figures at December 2007.

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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: 28 April, 2008