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HSBC HOLDINGS PLC  
Form 6-K  
May 01, 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 May, 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- .....

GRUPO FINANCIERO HSBC, S.A. DE C.V.  
FIRST QUARTER 2007 FINANCIAL RESULTS - HIGHLIGHTS

On 8 August 2006, HSBC Panama was sold by Grupo Financiero HSBC, 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, as presented in Appendix A. The financial statements on pages 5 - 12 include HSBC Panama up until the date of disposal.

- Net income down 3.6 per cent to MXN1,376 million for the first quarter of 2007 (MXN1,428 million for the first quarter of 2006).
- Net loans and advances to customers up MXN25.7 billion, or 19.3 per cent, to MXN158.9 billion at 31 March 2007 (MXN133.2 billion at 31 March 2006).
- Total assets up MXN29.5 billion, or 10.6 per cent, to MXN309.0 billion at 31 March 2007 (MXN279.5 billion at 31 March 2006).

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- Cost efficiency ratio (excluding monetary position) of 59.8 per cent for the first quarter of 2007 (61.8 per cent for the first quarter of 2006).
- Return on equity of 16.5 per cent for the first quarter of 2007 (21.8 per cent for the first quarter of 2006).

HSBC Mexico S.A. (the bank) is Grupo Financiero HSBC, S.A. de C.V.'s (the group) primary subsidiary, 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 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 31 March 2007.

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

Commentary by Paul Thurston, CEO of Grupo Financiero HSBC Mexico:

"Grupo Financiero HSBC has achieved strong business growth during the first quarter of 2007 as a result of our continued investment in building our customer base and business volumes in Mexico. Year-on-year, our personal customer base is up by more than 800,000 clients, the number of credit cards in issue has increased by 69.4 per cent to 2.1 million cards, and our small business client base has risen by 21 per cent. Our packaged products have continued to be very successful, and in the first quarter we sold 170,000 Tu Cuenta and 1,718 Estimulo packages.

"Net income of MXN1,376 million in the first quarter of 2007, however, fell by MXN52 million compared with the first quarter of 2006 as overall strong revenue momentum was offset by reduced revenues in Global Markets, with trading income down MXN224 million year-on-year.

"The group achieved strong total revenue growth of 11.1 per cent - despite lower earnings from Global Markets - exceeding cost growth of 7.5 per cent for the period ended 31 March 2007 compared with the same period of 2006, and resulting in a cost efficiency improvement. Loan impairment charges grew as a consequence of our investment in expanding our consumer and small business commercial loan portfolios.

"In line with the HSBC Group's organic growth strategy, we continue to invest in building our business in Mexico, and are modernising and streamlining our processes to handle greater business volumes and provide improved services to our clients. By combining the Group's knowledge, network and brand with the experience and capabilities of our staff, we are driving product innovation and service enhancements to capture market share in key markets.

"Our commitment to Corporate Responsibility remains strong and I am pleased to announce that, in 2007, for the second consecutive year, the Mexican Philanthropy Centre (CEMEFI) and Aliarse recognised HSBC Mexico with a certification for Socially Responsible Company 2007."

### Overview

In the first quarter of 2007, Grupo Financiero HSBC's net income of MXN1,376 million was MXN52 million, or 3.6 per cent, lower than the same period in 2006.

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Net interest income (excluding monetary position) was up by MXN692 million to MXN5,110 million for the period ended 31 March 2007, a 15.7 per cent increase compared to the same period in 2006. Lower spreads on deposits, as a result of reduced market rates, and lower net interest income in Global Markets, were more than offset by significant growth in higher-yielding credit card lending and small- and medium-sized business (SME) products.

Net fees and commissions were up by MXN321 million to MXN2,433 million for the quarter ended 31 March 2007, a 15.2 per cent increase on the same period in 2006. This was mainly driven by an increased number of credit cards in circulation and the continued success of the bank's packaged products, Tu Cuenta (for personal customers) and Estimulo (for business customers), in addition to ATM, point of sale, mutual fund and trade services fees.

Trading income at MXN325 million was 40.8 per cent lower than in the same period of the previous year. Retail foreign exchange continues to drive positive results, but both interest rate and fixed income trading portfolios generated lower income than in the same period in 2006, affected by the volatility in the local markets resulting from both local and international market conditions.

Administrative expenses of MXN4,705 million were 7.5 per cent higher than in the same period in 2006. Personnel expenses increased as a result of the 2,199 new employees hired since March 2006. Marketing expenses, information technology improvements and investment in the expansion, relocation and renovation of the branch and ATM infrastructure have also contributed to expense growth. With cost growth below the rate of revenue growth, however, the cost efficiency ratio (excluding monetary position) improved from 61.8 per cent in the first quarter of 2006 to 59.8 per cent for the same period in 2007.

During the first quarter of 2007, loan impairment charges increased by MXN781 million to MXN1,407 million compared with the same period in 2006, reflecting strong growth in the consumer loan portfolio and higher impairment in the small business and self-employed loan portfolios. These were partially offset by higher recoveries (which are included in Other Income in 2007 in accordance with new Mexican GAAP reporting requirements). The allowance for loan losses as a percentage of impaired loans was 141.6 per cent as at 31 March 2007.

The bank's capital adequacy ratio remains sound at 14.7 per cent, well above Mexican Banking and Securities Commission (CNBV) requirements.

### Business highlights

During the first quarter of 2007, the bank's Personal Financial Services (PFS) business generated significant volume growth, with higher balances in credit cards, mortgages, personal and payroll loans. More than 370,000 new credit cards were issued during the quarter. At the end of March 2007, total customer loans were up 27.8 per cent year-on-year. Higher revenues were generated from credit cards, ATMs and from the Tu Cuenta packaged financial services product, which reached 1.2 million accounts at 31 March 2007. Insurance premiums continued to grow, with a 15.6 per cent increase year-on-year.

During the first quarter of 2007, the distribution network grew with six new branches opened and 76 new ATMs installed. In March, HSBC launched a savings account, Cuenta Chicos HSBC, for children between the ages of one and 15 years' old.

In Commercial Banking (CMB), customer loans were 32.9 per cent higher than in the first quarter of 2006 as HSBC continued to be a market leader in delivering banking services to the small and micro business sector in Mexico. There were higher revenues from card acquiring and trade services fees, as well as increased cross-sales activity through ATMs and of payments and cash management

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(PCM) services. HSBC Mexico's trade services business continues to increase market share and has now opened offices in three regional centres, in Monterrey, Guadalajara and Puebla.

The international business centre, which supports Mexican businesses in expanding internationally and foreign companies in investing in Mexico, has been expanded to cater for the growth in inward and outward business flows between HSBC Mexico and HSBC Group members in other countries.

In Corporate, Investment Banking and Markets (CIBM), revenues from the PCM business increased compared to the first quarter of 2006. However, in Global Markets, revenues were significantly lower than in the same period of 2006, as interest rate, fixed income and balance sheet trading were all negatively affected by the volatility in the local markets resulting from both local and international market conditions. This was partially offset by continued profitability in retail foreign exchange and the sale of securities from the available-for-sale portfolio.

In March 2007, HSBC Mexico successfully issued its first residential mortgage-backed security (RMBS) for MXN2,500 million, in two series and with a term of 15.9 years. This issuance was the largest of its kind in Latin America and obtained AAA(mex) and mxAAA grades assigned by Fitch Ratings and Standard & Poors, respectively.

### About HSBC

Grupo Financiero HSBC, S.A. de C.V. is Mexico's fourth largest banking and financial services institution with 1,350 branches, 5,482 ATMs, approximately 7.8 million customers and more than 23,000 employees. For more information, consult our website at [www.hsbc.com.mx](http://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 82 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$1,861 billion at 31 December 2006, 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    |         |
|-------------------------------|---------|---------|---------|---------|
|                               | 31Mar07 | 31Mar06 | 31Mar07 | 31Mar06 |
| <b>Assets</b>                 |         |         |         |         |
| Cash and deposits in banks    | 54,519  | 53,865  | 54,518  | 49,217  |
| Investment in securities      | 53,334  | 62,026  | 52,251  | 60,170  |
| Trading securities            | 17,858  | 10,100  | 16,775  | 9,739   |
| Available-for-sale securities | 31,555  | 47,821  | 31,555  | 46,326  |
| Held to maturity securities   | 3,921   | 4,105   | 3,921   | 4,105   |

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|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Securities and derivative operations           | 190     | 626     | 184     | 625     |
| Repurchase agreements                          | 87      | 86      | 82      | 86      |
| Derivative transactions                        | 103     | 540     | 102     | 539     |
| Performing loans                               |         |         |         |         |
| Commercial loans                               | 61,583  | 49,865  | 61,583  | 44,098  |
| Loans to financial intermediaries              | 6,107   | 5,806   | 6,107   | 5,699   |
| Consumer loans                                 | 38,168  | 31,130  | 38,168  | 29,305  |
| Mortgage loans                                 | 18,440  | 22,652  | 18,440  | 17,444  |
| Loans to government entities                   | 36,689  | 37,881  | 36,689  | 37,881  |
| Loans to Fobaproa or IPAB                      | -       | 1,164   | -       | 1,164   |
| Total performing loans                         | 160,987 | 148,498 | 160,987 | 135,591 |
| Impaired loans                                 |         |         |         |         |
| Commercial loans                               | 1,840   | 1,302   | 1,840   | 1,254   |
| Consumer loans                                 | 2,056   | 971     | 2,056   | 957     |
| Mortgage loans                                 | 1,233   | 991     | 1,233   | 911     |
| Immediate collection, remittances and other    | -       | 13      | -       | 13      |
| Total impaired loans                           | 5,129   | 3,277   | 5,129   | 3,135   |
| Gross loans and advances to customers          | 166,116 | 151,775 | 166,116 | 138,726 |
| Allowance for loan losses                      | (7,262) | (5,764) | (7,262) | (5,576) |
| Net loans and advances to customers            | 158,854 | 146,011 | 158,854 | 133,150 |
| Other accounts receivable                      | 29,430  | 22,565  | 26,773  | 21,873  |
| Foreclosed assets                              | 65      | 337     | 65      | 294     |
| Property, furniture and equipment, net         | 6,111   | 5,897   | 6,097   | 5,640   |
| Long-term investments in equity securities     | 2,845   | 2,532   | 156     | 208     |
| Deferred taxes                                 | -       | 886     | -       | 742     |
| Goodwill                                       | 2,680   | 3,426   | -       | -       |
| Other assets, deferred charges and intangibles | 1,000   | 1,744   | 966     | 1,544   |
| Total assets                                   | 309,028 | 299,915 | 299,864 | 273,463 |
| Liabilities                                    |         |         |         |         |
| Deposits                                       | 213,167 | 220,240 | 214,822 | 202,512 |
| Demand deposits                                | 121,208 | 124,622 | 122,863 | 117,361 |
| Time deposits                                  | 87,690  | 95,618  | 87,690  | 85,151  |
| Bonds  | 4,269   | -       | 4,269   | -       |
| Bank deposits and other liabilities            | 10,588  | 6,389   | 10,588  | 6,389   |
| On demand                                      | 2,015   | -       | 2,015   | -       |
| Short-term                                     | 6,467   | 4,281   | 6,467   | 4,281   |
| Long-term                                      | 2,106   | 2,108   | 2,106   | 2,108   |
| Securities and derivative transactions         | 4,415   | 8,408   | 4,410   | 8,407   |
| Repurchase agreements                          | 20      | 63      | 15      | 62      |
| Securities deliverable under loan transactions | 4,395   | 8,345   | 4,395   | 8,345   |
| Other accounts payable                         | 44,226  | 33,642  | 41,505  | 32,408  |
| Income tax and employee                        |         |         |         |         |

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|   |         |         |         |         |
|---|---------|---------|---------|---------|
| profit sharing payable  | 1,467   | 1,965   | 1,416   | 1,909   |
| Sundry creditors and other<br>accounts payable                          | 42,759  | 31,677  | 40,089  | 30,499  |
| Subordinated debentures<br>outstanding                                  | 2,209   | 2,699   | 2,209   | 2,301   |
| Deferred taxes  | 384     | -       | 429     | -       |
| Deferred credits  | 120     | 30      | 120     | 24      |
| Total liabilities   | 275,109 | 271,408 | 274,083 | 252,041 |
| Equity  |         |         |         |         |
| Paid in capital   | 20,928  | 20,928  | 13,194  | 13,194  |
| Capital stock   | 8,004   | 8,004   | 3,977   | 3,977   |
| Additional paid in capital  | 12,924  | 12,924  | 9,217   | 9,217   |
| Other reserves  | 12,970  | 7,576   | 12,568  | 8,227   |
| Capital reserves  | 853     | 668     | 9,258   | 4,831   |
| Retained earnings   | 18,635  | 13,304  | 4,466   | 4,427   |
| Result from the mark-to-<br>market of available-for-<br>sale securities | -       | -       | 86      | 90      |
| Result from translation of<br>foreign operations                        | -       | 10      | -       | 12      |
| Cumulative effect of<br>restatement                                     | (3,888) | (3,888) | (3,504) | (3,545) |
| Gains on non-monetary<br>asset valuation                                | (4,006) | (4,007) | 1,152   | 1,165   |
| Net income  | 1,376   | 1,489   | 1,110   | 1,247   |
| Minority interest<br>in capital   | 21      | 3       | 19      | 1       |
| Total equity  | 33,919  | 28,507  | 25,781  | 21,422  |
| Total liabilities and<br>equity   | 309,028 | 299,915 | 299,864 | 273,463 |

Consolidated Balance Sheet (continued)

| Figures in MXN millions                            | GROUP   |         |
|--|---------|---------|
|  | 31Mar07 | 31Mar06 |
| Memorandum Accounts                                |         |         |
| Transactions on behalf of<br>third parties         | 91,274  | 97,523  |
| Customer current accounts                          | (11)    | 1       |
| Customer bank                                      | -       | 1       |
| Settlement of customer securities<br>and documents | (11)    | -       |
| Customer securities                                | 65,545  | 75,545  |
| Customer securities in custody                     | 65,539  | 74,214  |
| Pledged customers securities<br>and documents      | 6       | 1,331   |

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|   |           |          |
|---|-----------|----------|
| Transactions on behalf of customers             | 2,323     | 2,597    |
| Customer repurchase transactions                | 2,323     | 2,597    |
| Other transactions on behalf of customers       | 23,417    | 19,380   |
| Investment on behalf of customers, net          | 23,417    | 19,380   |
| Other memorandum accounts                       | 356,274   | 508,854  |
| Investment of the SAR funds                     | 3,540     | 3,680    |
| Integrated loan portfolio                       | 173,788   | 144,371  |
| Other memorandum accounts                       | 178,946   | 360,803  |
| Transactions for the group's own accounts       | 1,054,615 | 568,419  |
| Accounts for the group's own registry           | 1,054,548 | 568,398  |
| Guarantees granted                              | 48        | 61       |
| Irrevocable lines of credit granted             | 7,623     | 5,584    |
| Goods in trust or mandate                       | 111,818   | 72,039   |
| Goods in custody or under administration        | 56,165    | 72,294   |
| Amounts committed in transactions with Fobaproa | 152       | 119      |
| Amounts contracted in derivative operations     | 874,673   | 400,399  |
| Securities in custody                           | 3,942     | 4,097    |
| Other contingent obligations                    | 127       | 13,805   |
| Repurchase/resale agreements                    |           |          |
| Securities receivable under repos               | 45,764    | 49,823   |
| (less) Repurchase agreements                    | (45,700)  | (49,801) |
|   | 64        | 22       |
| Reverse repurchase agreements                   | 5,324     | 16,050   |
| (less) Securities deliverable under repos       | (5,321)   | (16,051) |
|   | 3         | (1)      |

BANK

| Figures in MXN millions                         | 31Mar07 | 31Mar06 |
|---|---------|---------|
| Memorandum Accounts                             |         |         |
| Guarantees granted                              | 47      | 61      |
| Other contingent obligations                    | 127     | 13,805  |
| Irrevocable lines of credit granted             | 7,623   | 5,584   |
| Goods in trust or mandate                       | 111,818 | 72,039  |
| Goods in custody or under administration        | 56,165  | 72,294  |
| Third party investment banking operations, net  | 23,417  | 19,380  |
| Amounts committed in transactions with Fobaproa | 152     | 119     |
| Amounts contracted in derivative operations     | 874,673 | 400,399 |
| Investments of retirement savings system funds  | 3,540   | 3,680   |

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|   |           |           |
|---|-----------|-----------|
| Integrated loan portfolio                 | 173,788   | 144,371   |
| Other control accounts                    | 178,946   | 360,802   |
|   | 1,430,296 | 1,092,534 |
| Securities receivable under repos         | 43,442    | 47,239    |
| (less) Repurchase agreements              | (43,377)  | (47,204)  |
|   | 65        | 35        |
| Reverse repurchase agreements             | 3,001     | 13,454    |
| (less) Securities deliverable under repos | (2,999)   | (13,466)  |
|   | 2         | (12)      |

### Consolidated Income Statement

| Figures in MXN millions                    | GROUP   |         | BANK    |         |
|--|---------|---------|---------|---------|
|  | 31Mar07 | 31Mar06 | 31Mar07 | 31Mar06 |
| Interest income                            | 7,546   | 7,071   | 7,438   | 6,787   |
| Interest expense                           | (2,436) | (2,468) | (2,392) | (2,376) |
| Monetary position (margin), net            | (348)   | (197)   | (313)   | (187)   |
| Net interest income                        | 4,762   | 4,406   | 4,733   | 4,224   |
| Loan impairment charges                    | (1,407) | (642)   | (1,407) | (626)   |
| Risk adjusted net interest income          | 3,355   | 3,764   | 3,326   | 3,598   |
| Fees and commissions receivable            | 2,708   | 2,458   | 2,500   | 2,179   |
| Fees payable                               | (275)   | (284)   | (272)   | (273)   |
| Trading income                             | 325     | 549     | 324     | 547     |
| Total operating income                     | 6,113   | 6,487   | 5,878   | 6,051   |
| Administrative and personnel expenses      | (4,705) | (4,518) | (4,558) | (4,205) |
| Net operating income                       | 1,408   | 1,969   | 1,320   | 1,846   |
| Other income                               | 546     | 380     | 558     | 390     |
| Other expenses                             | (199)   | (210)   | (200)   | (209)   |
| Net income before taxes                    | 1,755   | 2,139   | 1,678   | 2,027   |
| Income tax and employee profit sharing tax | (582)   | (801)   | (561)   | (760)   |
| Deferred income tax                        | (17)    | (8)     | (10)    | (21)    |
| Net income before subsidiaries             | 1,156   | 1,330   | 1,107   | 1,246   |
| Undistributed income from subsidiaries     | 220     | 159     | 2       | 1       |
| Income from ongoing                        |         |         |         |         |



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|                   |       |       |       |       |
|-------------------|-------|-------|-------|-------|
| operations        | 1,376 | 1,489 | 1,109 | 1,247 |
| Minority interest | -     | -     | 1     | -     |
| Net income        | 1,376 | 1,489 | 1,110 | 1,247 |

Statement of Changes in Shareholder's Equity

GROUP

Figures in MXN millions

|  | Capital<br>contributed | Capital<br>reserves | Retained<br>earnings | Deficit in<br>restatement<br>of stock-<br>holders'<br>income | Net<br>income | Minority<br>interest | Total<br>equity |
|--|------------------------|---------------------|----------------------|--|---------------|----------------------|-----------------|
| Balances at 31Dec06  | 20,928                 | 853                 | 13,041               | (7,694)  | 5,594         | 2                    | 32,724          |
| Movements inherent<br>to the share-<br>holder's decision           |                        |                     |                      |  |               |                      |                 |
| Capitalisation of<br>retained earnings                             | -                      | -                   | 5,594                | -  | (5,594)       | -                    | -               |
| Other movements  | -                      | -                   | -                    | -  | -             | -                    | -               |
| Total  | -                      | -                   | 5,594                | -  | (5,594)       | -                    | -               |
| Movements for the<br>recognition of the<br>comprehensive<br>income |                        |                     |                      |  |               |                      |                 |
| Net income   | -                      | -                   | -                    | -  | 1,376         | -                    | 1,376           |
| Result from foreign<br>currency transactions                       | -                      | -                   | -                    | -  | -             | -                    | -               |
| Gains on non-monetary<br>asset valuation                           | -                      | -                   | -                    | (200)  | -             | 19                   | (181)           |
| Total  | -                      | -                   | -                    | (200)  | 1,376         | 19                   | 1,195           |
| Balances at 31Mar07  | 20,928                 | 853                 | 18,635               | (7,894)  | 1,376         | 21                   | 33,919          |

BANK

Figures in MXN millions

|  | Capital | Capital | Retained | Result from<br>valuation of<br>available-for-<br>sale | Deficit in<br>restatement<br>of stock-<br>holders' | Net | Min |
|--|---------|---------|----------|---|--|-----|-----|
|--|---------|---------|----------|---|--|-----|-----|

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|   | contributed | reserves | earnings | securities | equity  | income  | int |
|---|-------------|----------|----------|------------|---------|---------|-----|
| Balances at 31Dec06                                       | 13,194      | 9,258    | -        | 306        | (2,373) | 4,466   |     |
| Movements inherent to the shareholder's decision          |             |          |          |            |         |         |     |
| Transfer of result of prior years                         | -           | -        | 4,466    | -          | -       | (4,466) |     |
| Other movements   | -           | -        | -        | -          | -       | -       |     |
| Total   | -           | -        | 4,466    | -          | -       | (4,466) |     |
| Movements for the recognition of the comprehensive income |             |          |          |            |         |         |     |
| Net income  | -           | -        | -        | -          | -       | 1,110   |     |
| Result from valuation of available-for-sale securities    | -           | -        | -        | (220)      | -       | -       |     |
| Cumulative effect of restatement                          | -           | -        | -        | -          | 28      | -       |     |
| Others  | -           | -        | -        | -          | (7)     | -       |     |
| Total   | -           | -        | -        | (220)      | 21      | 1,110   |     |
| Balances at 31Mar07                                       | 13,194      | 9,258    | 4,466    | 86         | (2,352) | 1,110   |     |

Consolidated Statement of Changes in Financial Position

GROUP

Figures in MXN millions

|  | 31Mar07 | 31Mar06 |
|--|---------|---------|
| Operating activities:  |         |         |
| Net income   | 1,376   | 1,489   |
| Items included in operations not requiring (providing) funds:        |         |         |
| Result from mark-to-market valuations                                | 82      | (548)   |
| Allowances for loan losses   | 1,407   | 642     |
| Depreciation and amortisation  | 252     | 174     |
| Deferred taxes   | 17      | 8       |
| Undistributed income from subsidiaries, net                          | (220)   | (159)   |
| Value loss estimation for foreclosed assets                          | 2       | -       |
| Total operating items not requiring funds                            | 2,916   | 1,606   |
| Changes in items related to operations:                              |         |         |
| (Decrease) in deposits   | (8,516) | (3,571) |
| (Increase) in loan portfolio   | (3,511) | (6,135) |
| (Increase) / decrease in securities and derivative transactions, net | (1,932) | 3,635   |
| Decrease / (increase) in financial instruments                       | 4,366   | (1,433) |
| (Decrease) in bank deposits and other liabilities                    | (2,530) | (951)   |

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|  |          |         |
|--|----------|---------|
| Funds provided by operating activities               | (9,207)  | (6,849) |
| Financing activities:                                |          |         |
| Subordinated debentures outstanding                  | (23)     | (20)    |
| Increase in other payable accounts                   | 27,211   | 9,440   |
| Funds used or provided in financing activities       | 27,188   | 9,420   |
| Investing activities:                                |          |         |
| (Increase) in property, furniture and equipment, net | (331)    | (469)   |
| (Increase) in deferred charges or credits, net       | (94)     | (82)    |
| (Increase) / decrease in foreclosed assets           | (12)     | 78      |
| (Increase) in other receivable accounts              | (18,768) | (6,518) |
| Funds used in investing activities                   | (19,205) | (6,991) |
| (Decrease) in cash and equivalents                   | (1,224)  | (4,420) |
| Cash and equivalents at beginning of period          | 55,743   | 58,285  |
| Cash and equivalents at end of period                | 54,519   | 53,865  |

BANK

Figures in MXN millions

|   | 31Mar07  | 31Mar06 |
|---|----------|---------|
| Operating activities:   |          |         |
| Net income  | 1,110    | 1,247   |
| Items included in operations not requiring (providing) funds: |          |         |
| Result from mark-to-market valuations                         | 82       | 101     |
| Allowances for loan losses                                    | 1,407    | 626     |
| Depreciation and amortisation                                 | 253      | 213     |
| Deferred taxes  | 10       | 21      |
| Undistributed income from subsidiaries, net                   | 21       | (1)     |
| Value loss estimation for foreclosed assets                   | 2        | 54      |
| Minority interest   | (1)      | -       |
| Total operating items not requiring funds                     | 2,884    | 2,261   |
| Changes in operating accounts:                                |          |         |
| (Decrease) in deposits  | (8,468)  | (4,698) |
| (Increase) in loan portfolio                                  | (3,511)  | (5,439) |
| Decrease in financial instruments                             | 2,247    | 1,700   |
| (Decrease) in bank deposits and other liabilities             | (2,530)  | (880)   |
| Funds provided by operations                                  | (9,378)  | (7,056) |
| Financing activities:   |          |         |
| Subordinated debentures outstanding                           | (24)     | (25)    |
| Increase in other payable accounts                            | 24,579   | 9,321   |
| Funds used or provided by financing activities                | 24,555   | 9,296   |
| Investing activities:   |          |         |
| (Increase) in property, furniture and equipment, net          | (167)    | (333)   |
| (Increase) in deferred charges or credits, net                | (10)     | (111)   |
| (Increase) / Decrease in foreclosed assets                    | (13)     | 25      |
| (Increase) in other receivable accounts                       | (16,213) | (6,401) |
| Funds used in investing activities                            | (16,403) | (6,820) |
| (Decrease) in cash and equivalents                            | (1,226)  | (4,580) |
| Cash and equivalents at beginning of period                   | 55,744   | 53,797  |
| Cash and equivalents at end of period                         | 54,518   | 49,217  |

Appendix A:

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

Figures in MXN millions

|   | Total Group<br>Mar07 | Mexico <sup>^</sup><br>Mar06 | Panama<br>Mar06 | Total Group<br>Mar06 |
|---|----------------------|------------------------------|-----------------|----------------------|
| <b>Assets</b>                                     |                      |                              |                 |                      |
| Cash and deposits in banks                        | 54,519               | 49,219                       | 4,646           | 53,865               |
| Investments in securities                         | 53,334               | 60,531                       | 1,495           | 62,026               |
| Trading securities                                | 17,858               | 10,100                       | -               | 10,100               |
| Available-for-sale securities                     | 31,555               | 46,326                       | 1,495           | 47,821               |
| Held to maturity securities                       | 3,921                | 4,105                        | -               | 4,105                |
| Securities and derivative operations              | 190                  | 626                          | -               | 626                  |
| Repurchase agreements                             | 87                   | 86                           | -               | 86                   |
| Derivative transactions                           | 103                  | 540                          | -               | 540                  |
| <b>Performing loans</b>                           |                      |                              |                 |                      |
| Commercial loans                                  | 61,583               | 44,098                       | 5,767           | 49,865               |
| Loans to financial intermediaries                 | 6,107                | 5,699                        | 107             | 5,806                |
| Consumer loans                                    | 38,168               | 29,305                       | 1,825           | 31,130               |
| Mortgage loans                                    | 18,440               | 17,444                       | 5,208           | 22,652               |
| Loans to government entities                      | 36,689               | 37,881                       | -               | 37,881               |
| Loans to Fobaproa or IPAB                         | -                    | 1,164                        | -               | 1,164                |
| Total performing loans                            | 160,987              | 135,591                      | 12,907          | 148,498              |
| <b>Impaired loans</b>                             |                      |                              |                 |                      |
| Commercial loans                                  | 1,840                | 1,255                        | 47              | 1,302                |
| Consumer loans                                    | 2,056                | 957                          | 14              | 971                  |
| Mortgage loans                                    | 1,233                | 911                          | 80              | 991                  |
| Immediate collection, remittances<br>and other    | -                    | 13                           | -               | 13                   |
| Total impaired loans                              | 5,129                | 3,136                        | 141             | 3,277                |
| Gross loans and advances to<br>customers          | 166,116              | 138,727                      | 13,048          | 151,775              |
| Allowance for loan losses                         | (7,262)              | (5,576)                      | (188)           | (5,764)              |
| Net loans and advances to<br>customers            | 158,854              | 133,151                      | 12,860          | 146,011              |
| Other accounts receivable                         | 29,430               | 22,418                       | 147             | 22,565               |
| Foreclosed assets                                 | 65                   | 294                          | 43              | 337                  |
| Property, furniture and<br>equipment, net         | 6,111                | 5,649                        | 248             | 5,897                |
| Long-term investments in equity<br>securities     | 2,845                | 2,532                        | -               | 2,532                |
| Deferred taxes                                    | -                    | 845                          | 41              | 886                  |
| Goodwill  | 2,680                | 2,680                        | 746             | 3,426                |
| Other assets, deferred charges and<br>intangibles | 1,000                | 1,563                        | 181             | 1,744                |
| <b>Total assets</b>                               | <b>309,028</b>       | <b>279,508</b>               | <b>20,407</b>   | <b>299,915</b>       |

<sup>^</sup> On 8 August 2006, HSBC Panama was sold by Grupo Financiero HSBC, S.A. de C.V. to HSBC Asia Holdings BV. Therefore, the balance sheet as at 31 March 2006 has been restated to exclude HSBC Panama to compare on a like-for-like basis.

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

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Figures in MXN millions

|   | Total Group<br>Mar07 | Mexico <sup>^</sup><br>Mar06 | Panama<br>Mar06 | Total Group<br>Mar06 |
|---|----------------------|------------------------------|-----------------|----------------------|
| <b>Liabilities</b>  |                      |                              |                 |                      |
| Deposits  | 213,167              | 202,428                      | 17,812          | 220,240              |
| Demand deposits   | 121,208              | 117,277                      | 7,345           | 124,622              |
| Time deposits   | 87,690               | 85,151                       | 10,467          | 95,618               |
| Bonds   | 4,269                | -                            | -               | -                    |
| Bank deposits and other<br>liabilities                            | 10,588               | 6,389                        | -               | 6,389                |
| On demand   | 2,015                | -                            | -               | -                    |
| Short-term  | 6,467                | 4,281                        | -               | 4,281                |
| Long-term   | 2,106                | 2,108                        | -               | 2,108                |
| Securities and derivative<br>transactions                         | 4,415                | 8,408                        | -               | 8,408                |
| Repurchase agreements   | 20                   | 63                           | -               | 63                   |
| Securities deliverable under<br>loan transactions                 | 4,395                | 8,345                        | -               | 8,345                |
| Other accounts payable  | 44,226               | 33,142                       | 500             | 33,642               |
| Income tax and employee profit<br>sharing payable                 | 1,467                | 1,935                        | 30              | 1,965                |
| Sundry creditors and others<br>accounts payable                   | 42,759               | 31,207                       | 470             | 31,677               |
| Subordinated debentures<br>outstanding                            | 2,209                | 2,301                        | 398             | 2,699                |
| Deferred taxes  | 384                  | -                            | -               | -                    |
| Deferred credits  | 120                  | 25                           | 5               | 30                   |
| <b>Total liabilities</b>  | <b>275,109</b>       | <b>252,693</b>               | <b>18,715</b>   | <b>271,408</b>       |
| <b>Equity</b>   |                      |                              |                 |                      |
| Paid in capital   | 20,928               | 19,612                       | 1,316           | 20,928               |
| Capital stock   | 8,004                | 6,688                        | 1,316           | 8,004                |
| Additional paid in capital  | 12,924               | 12,924                       | -               | 12,924               |
| Other reserves  | 12,970               | 7,200                        | 376             | 7,576                |
| Capital reserves  | 853                  | 668                          | -               | 668                  |
| Retained earnings   | 18,635               | 13,006                       | 298             | 13,304               |
| Result from mark-to-market<br>of available-for-sale<br>securities | -                    | (7)                          | 7               | -                    |
| Result from translation of<br>foreign operations                  | -                    | -                            | 10              | 10                   |
| Cumulative effect of restatement                                  | (3,888)              | (3,888)                      | -               | (3,888)              |
| Gains on non monetary asset<br>valuation                          | (4,006)              | (4,007)                      | -               | (4,007)              |
| Net income  | 1,376                | 1,428                        | 61              | 1,489                |
| Minority interest in capital                                      | 21                   | 3                            | -               | 3                    |
| <b>Total equity</b>   | <b>33,919</b>        | <b>26,815</b>                | <b>1,692</b>    | <b>28,507</b>        |
| <b>Total liabilities and equity</b>                               | <b>309,028</b>       | <b>279,508</b>               | <b>20,407</b>   | <b>299,915</b>       |

<sup>^</sup> On 8 August 2006, HSBC Panama was sold by Grupo Financiero HSBC, S.A. de C.V. to HSBC Asia Holdings BV. Therefore, the balance sheet as at 31 March 2006 has

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been restated to exclude HSBC Panama to compare on a like-for-like basis.

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

Figures in MXN millions

|  | Total Group<br>Mar07 | Mexico <sup>^</sup><br>Mar06 | Panama<br>Mar06 | Total Group<br>Mar06 |
|--|----------------------|------------------------------|-----------------|----------------------|
| Interest income                        | 7,546                | 6,770                        | 301             | 7,071                |
| Interest expense                       | (2,436)              | (2,352)                      | (116)           | (2,468)              |
| Monetary position (margin), net        | (348)                | (195)                        | (2)             | (197)                |
| Net interest income                    | 4,762                | 4,223                        | 183             | 4,406                |
| Loan impairment charges                | (1,407)              | (626)                        | (16)            | (642)                |
| Risk adjusted net interest income      | 3,355                | 3,597                        | 167             | 3,764                |
| Fees and commissions receivable        | 2,708                | 2,383                        | 75              | 2,458                |
| Fees payable                           | (275)                | (271)                        | (13)            | (284)                |
| Trading income                         | 325                  | 549                          | -               | 549                  |
| Total operating income                 | 6,113                | 6,258                        | 229             | 6,487                |
| Administrative and personnel expenses  | (4,705)              | (4,377)                      | (141)           | (4,518)              |
| Net operating income                   | 1,408                | 1,881                        | 88              | 1,969                |
| Other income                           | 546                  | 380                          | -               | 380                  |
| Other expenses                         | (199)                | (210)                        | -               | (210)                |
| Net income before taxes                | 1,755                | 2,051                        | 88              | 2,139                |
| Income tax and employee profit sharing | (582)                | (773)                        | (28)            | (801)                |
| Deferred taxes                         | (17)                 | (9)                          | 1               | (8)                  |
| Net income before subsidiaries         | 1,156                | 1,269                        | 61              | 1,330                |
| Undistributed income from subsidiaries | 220                  | 159                          | -               | 159                  |
| Income from ongoing operations         | 1,376                | 1,428                        | 61              | 1,489                |
| Net income                             | 1,376                | 1,428                        | 61              | 1,489                |

<sup>^</sup> 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 quarter ended 31 March 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: 01 May 2007