

HSBC HOLDINGS PLC
Form 6-K
July 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 July, 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-.....).

28 July 2008

GRUPO FINANCIERO HSBC, S.A. DE C.V.

FIRST HALF 2008 FINANCIAL RESULTS - HIGHLIGHTS

- Net income for the first half of 2008 was MXN2,854 million, up 13.6 per cent compared with MXN2,512 million for the same period in 2007.
- Total operating income (excluding loan impairment charges) for the first half of 2008 was MXN18,684 million, up MXN2,328 million or 14.2 per cent compared with MXN16,356 million for the same period in 2007*.
- Net operating income for the first half of 2008 was MXN1,435 million, down MXN810 million compared to the same period of 2007.
- Net loans and advances to customers were MXN183.8 billion at 30 June 2008, up MXN9.1 billion, or 5.2 per cent, compared with MXN174.7 billion recorded at 30 June 2007.
- Total customer demand and time deposits were MXN261.6 billion at 30 June 2008, up MXN30.2 billion or 13.0 per cent, compared with MXN231.4 billion at 30 June 2007.
- The cost efficiency ratio was 58.1 per cent in the first half of 2008, compared to 60.5 per cent for the same period of 2007*.
- Return on equity was 15.1 per cent in the first half of 2008, compared with 14.5 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 June 30 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). With effect from January 1, 2008, in accordance with Financial Information Standard B-10, "Effects of Inflation", the effects of inflation in financial statements cannot 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).

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

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

Overview

The net income of Grupo Financiero HSBC, S.A. de C.V. was MXN2,854 million in the first half of 2008, up MXN342 million compared with the net income for the same period in 2007.

In an environment characterized by economic deceleration, inflationary pressures and greater market volatility, the bank's results reflect selective growth of assets and expense control, as well as a flexible pricing strategy for products. Credit quality, particularly of credit card and revolving credit portfolios, has deteriorated in the first half of 2008 and, consequently, income was affected by the significant increase in loan impairment charges. The performance of our subsidiaries, particularly HSBC Seguros, added to the results, with a contribution of 18.5 per cent of total net income.

Net interest income increased by MXN2,085 million in the six months to 30 June 2008 to MXN12,529 million, which represents growth of 20.0 per cent compared to the same period in 2007*. This increase was driven by growth in the consumer loan portfolio, particularly in credit cards and the commercial portfolio, which contributed MXN1,323 million and MXN633 million respectively.

Net fee income was MXN5,822 million in the first half of 2008, an increase of 13.9 per cent over the same period in 2007. Increased fee income from credit cards, trade services, membership programs, ATMs, payments and cash management, investment funds and card acquiring contributed significantly to the growth in the period.

Trading income was MXN333 million in the first half of 2008, MXN467 million or 58.4 per cent lower compared to the same period in 2007. The increase in longer-term interest rates observed in the last two months affected the mark to market of the bond positions, resulting in lower income.

In this period, particular emphasis has been placed on the expense control policy. Administrative expenses increased in the first half of 2008 by MXN960 million, compared to the same period in 2007, reflecting a combination of selective investment, with improvements in productivity and more efficient expense control. Part of the increase is attributable to higher promotion expenses for the *Tu Cuenta* packaged product, the on-going strengthening of the technological infrastructure and loan recovery service costs. Staff expenses rose in line with our business growth investment strategy. The cost efficiency ratio* improved by 2.4 percentage points to 58.1 per cent, with revenue growth of 14.2 per cent exceeding expense growth of 9.7 per cent.

Other income increased MXN1,296 million to MXN2,189 million in the first half of 2008. This growth is primarily due to extraordinary income of MXN1,045 million received during the first half of 2008 from the sale of VISA Inc. stock, as a result of the company's global Initial Public Offering ("IPO"), and MXN114 million following the sale of HSBC's shares in the Mexican Stock Exchange ("BMV") to the exchange prior to BMV's IPO.

Loan impairment charges increased by MXN2,463 million in the first half of 2008 compared with the same period in 2007. This increase is due to greater requirements for impairment charges as a result of portfolio growth and increased credit card reserves, in line with the expansion of the credit card portfolio, as well as higher delinquency in this portfolio and loans to individuals and small businesses. This increase in loan impairment charges is consistent with market trends and also reflects the cost of HSBC's strategy to grow organically in areas in which the bank had previously been under represented. HSBC's allowance for loan losses as a percentage of impaired loans was 124.2 per cent at 30 June 2008, compared to 146.2 per cent for the same period in 2007.

Regular reviews of the credit quality of new business are undertaken to ensure close control of customer acquisition channels, including external referring agencies. Adjustments have also been made to the credit underwriting models to improve the portfolio credit quality. At the same time, we continue to strengthen our collection capabilities.

Loans to government entities have decreased by MXN6,791 million compared to the same period in 2007 as a result of several repayments made by government entities.

The Bank's capital ratio at June 30 2008 was 13.5 per cent.

Business highlights

Personal Financial Services reported stable growth in consumer loans, mainly through leveraging its customer relationship management capabilities. In the first half of 2008, our credit card portfolio continued to increase as a result of the implementation of the bank's strategy to grow organically, delivering a rising market share, from 9.0 to 10.8 per cent compared to the same period last year¹. Personal and payroll loans were other areas that contributed to the growth in the consumer portfolio, showing an increase of 20.5 per cent in the first half of 2008 compared to the same period in 2007.

Deposit growth has been strong during the first half of 2008, increasing 9.8 per cent compared to the same period in 2007. Time deposits increased 13.8 per cent compared to the same period in 2007, and comprise 53.5 per cent of total deposits. Net interest income related to deposits has increased 7.5 per cent compared to the same period in 2007.

Higher consumer loan volumes, particularly credit cards, also contributed to an increase in net interest income.

Commercial Banking in Mexico saw an increase in lending balances of 15.7 per cent compared to the first half of 2007, due mainly to strong growth in factoring businesses, trade services, real estate projects and the State and Municipal sectors.

The favorable performance of the commercial portfolio is combined with greater growth in the deposit base, with an annual increase of 17.2 per cent compared with the same period in 2007.

Driven by the HSBC Group's broad geographic presence and enhanced product capabilities our trade services market share increased by 2.7 percentage points compared to the same period in 2007, to reach 17.7 per cent².

The strong performance of our factoring services business has been augmented by improving processes and products designed to meet our customers' needs, such as the Export Factoring product.

Global Banking and Markets is committed to carry on developing efficient financial solutions for Mexican clients by building on the Group's experienced global network. During the period, Global Banking and Markets launched Custodial Services, as part of the range of products offered to Mexican clients in order to increase its penetration in the corporate market in Mexico.

Global Banking focused its activities in Debt Capital Markets and Project Finance deals with its Global Clients, achieving increases of 36.4 per cent and 294.7 per cent respectively, compared to the same period in 2007. The most significant deals during the first half of 2008 were related to debt capital markets, syndicated finance, trade services, loans, derivatives and foreign exchange transactions. As result of its increased penetration in the market, HSBC Mexico achieved second place in the June 2008 Debt Capital Markets League Tables.

Foreign exchange gains increased 14.6 per cent in the first six months to 30 June 2008 compared to same period of 2007, benefiting from the volatility experienced in the markets and the strong foreign exchange flows generated by the branch network.

About HSBC

Grupo Financiero HSBC, S.A. de C.V. is Mexico's fourth largest banking and financial services institution with 1,332 branches, 5,875 ATMs, approximately 9.1 million customer accounts and more than 22,800 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 128 million customers worldwide through 10,000 properties 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'.

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

² Source: HSBC analysis, based on Mexican Banking and Securities Commission Statistical Bulletin, figures at March 2007.

For further information contact:

London

Richard Lindsay
Group Media Relations
Telephone: +44 (0)20 7991 1555

Danielle Neben
Investor Relations
Telephone: +44 (0)20 7992 1938

Mexico City

Roy Caple
Public Affairs
Telephone: +52 (55) 5721 6060

Yordana Aparicio
Investor Relations
Telephone: +52 (55) 5721 5192

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

**Co
nsolidated Balance Sheet**

Figures in MXN millions

	GROUP		BANK	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Assets				
Cash and deposits in banks	51,596	51,394	51,596	51,394
Investment in securities	82,415	63,264	81,730	62,158
Trading securities	50,311	29,745	50,209	28,639
Available-for-sale securities	28,080	29,388	27,497	29,388
Held to maturity securities	4,024	4,131	4,024	4,131
Securities and derivative operations	16,260	86	16,252	81
Repurchase agreements	42	86	34	81
Derivative transactions	16,218	-	16,218	-
Performing loans				
Commercial loans	72,561	68,263	72,561	68,263
Loans to financial intermediaries	14,596	7,238	14,596	7,238
Consumer loans	47,872	43,403	47,872	43,403
Mortgage loans	19,490	20,249	19,490	20,249
Loans to government entities	31,428	38,219	31,428	38,219
Total performing loans	185,947	177,372	185,947	177,372
Impaired loans				
Commercial loans	2,246	1,870	2,246	1,870
Consumer loans	5,432	2,583	5,432	2,583

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Mortgage loans	1,370	1,357	1,370	1,357
Total impaired loans	9,048	5,810	9,048	5,810
Gross loans and advances to customers	194,995	183,182	194,995	183,182
Allowance for loan losses	(11,238)	(8,492)	(11,238)	(8,492)
Net loans and advances to customers	183,757	174,690	183,757	174,690
Other accounts receivable	30,421	25,755	30,313	25,604
Foreclosed assets	80	67	80	67
Property, furniture and equipment, net	6,419	6,209	6,407	6,196
Long-term investments in equity securities	3,263	3,168	121	148
Deferred taxes	1,805	202	1,810	155
Goodwill	2,749	2,749	-	-
Other assets, deferred charges and intangibles	2,087	1,001	2,057	967
Total assets	380,852	328,585	374,123	321,460

Grupo Financiero HSBC, S.A. de C.V. **Co**
nsolidated Balance Sheet
(continued)

Figures in MXN millions

	GROUP		BANK	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Liabilities				
Deposits	265,849	235,786	266,019	237,456
Demand deposits	127,004	128,483	127,174	130,152
Time deposits	134,591	102,925	134,591	102,925
Bonds	4,254	4,378	4,254	4,379
Bank deposits and other liabilities	9,529	10,114	9,529	10,114
On demand	1,031	464	1,031	464
Short-term	5,996	6,320	5,996	6,320
Long-term	2,502	3,330	2,502	3,330
Securities and derivative transactions	15,705	13,626	15,697	13,621
Repurchase agreements	53	57	45	52
Securities deliverable under loan	-	13,538	-	13,538

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Derivative transactions	15,652	31	15,652	31
Other accounts payable	49,980	30,840	49,744	30,658
Income tax and employee profit sharing payable	1,595	1,320	1,540	1,274
Sundry creditors and other accounts payable	48,385	29,520	48,204	29,384
Subordinated debentures outstanding	2,201	2,279	2,201	2,279
Deferred credits	480	220	480	220
Total liabilities	343,744	292,865	343,670	294,348
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	15,638	14,233	14,568	13,559
Capital reserves	1,442	1,162	12,797	14,077
Retained earnings	11,679	18,827	-	-
Result from the Mark-to-Market of available-for-sale securities	(201)	-	(296)	(88)
Cumulative effect of restatement	-	(3,989)	-	(3,593)
Gains on non-monetary asset	-	(4,279)	-	1,185
Adjustment in the employee pension	(136)	-	(136)	-
Net income	2,854	2,512	2,203	1,978
Minority interest in capital	4	21	2	20
Total equity	37,108	35,720	30,453	27,112
Total liabilities and equity	380,852	328,585	374,123	321,460

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

Co

nsolidated Balance Sheet
(continued)

GROUP

Figures in MXN millions

30 June 2008 30 June 2007

Memorandum accounts

Transactions on behalf of third parties	58,094	101,007
Customer current accounts	11	(132))
Customer bank	1	3
Settlement of customer securities and documents	10	(135)
Customer securities	27,325	73,523
Customer securities in custody	27,316	73,517
Pledged customers securities and documents	9	6
Transactions on behalf of customers	2,593	2,400
Customer repurchase transactions	2,593	2,400
Other transactions on behalf of customers	28,165	25,216
Investment on behalf of customers, net	28,165	25,216
Other memorandum accounts	631,701	399,732
Investment of the SAR funds	-	3,645
Integrated loan portfolio	204,111	191,910
Other memorandum accounts	427,590	204,177
Transactions for the group's own accounts	1,809,234	1,459,479
Accounts for the group's own registry	1,809,245	1,459,450
Guarantees granted	34	49
Irrevocable lines of credit granted	9,081	8,679
Goods in trust or mandate	188,624	123,723
Goods in custody or under administration	305,140	57,030
Amounts committed in transactions with		
Fobaproa	143	152
Amounts contracted in derivative operations	1,306,093	1,265,622
Securities in custody		