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HSBC HOLDINGS PLC
Form 6-K
February 27, 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 February, 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.
FOURTH QUARTER 2007 FINANCIAL RESULTS - HIGHLIGHTS

- .. Net income up MXN46 million (approximately 1 per cent), to MXN5,615 million for the year ended 31 December 2007 (MXN5,569 million for the year ended 31 December 2006). For the quarter ended 31 December 2007, net income rose 45.2 per cent compared to the same period in 2006, reaching MXN1,687 million.
- .. Total revenues (excluding monetary position and before loan impairment charges) up 17.5 per cent to MXN35,052 million for the year ended 31 December 2007 (MXN29,832 million for the year ended 31 December 2006).
- .. Net loans and advances to customers up MXN28.7 billion, or 17.9 per cent, to MXN189.5 billion at 31 December 2007 (MXN160.8 billion at 31 December 2006).
- .. Total customer deposits up MXN39.7 billion, or 17.8 per cent, to MXN262.7 billion at 31 December 2007 (MXN223.0 billion at 31 December 2006).
- .. Cost efficiency ratio (excluding monetary position) improved to 58.7 per cent for the year ended 31 December 2007 (60.6 per cent for the year ended

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31 December 2006).

.. Return on equity of 15.6 per cent for the year ended 31 December 2007
(18.6 per cent for the year ended 31 December 2006).

HSBC Mexico S.A. (the bank) is Grupo Financiero HSBC, S.A. de C.V.'s (HSBC) primary subsidiary company, and is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file periodic financial information on a quarterly basis (in this case for the quarter ended 31 December 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 of 31 December 2007.

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, with the income statement as presented in Appendix A. The financial statements on pages 7-16 include HSBC Panama up to the date of disposal.

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 ended 2007 strongly, with net income for the fourth quarter reaching a record high MXN1,687 million, up 45.2 per cent compared with the same quarter of the prior year. Net income for the year ended 31 December 2007 reached MXN5,615 million, up by MXN46 million compared with the prior year. Strong revenue growth of 17.5 per cent, to MXN35.1 billion, despite lower earnings from trading and balance sheet management, enabled us to continue to invest in building the consumer credit portfolio and to absorb the related higher loan impairment charges.

"In 2007, Grupo Financiero HSBC, continued to expand its business presence across the personal, commercial and corporate business segments in a highly competitive environment. Credit cards lending balances were up 85.1 per cent year on year to MXN27.3 billion. Personal and payroll loans rose by 60.1 per cent to MXN8.2 billion and the commercial loan portfolio grew by 21.3 per cent to MXN73.2 billion. Customer deposits increased by 17.8 per cent compared with the same period of 2006.

"The HSBC Premier service was re-launched globally during 2007, providing seamless cross-border banking for our customers in Mexico and around the world. In addition, 293,900 new Tu Cuenta packaged products were sold during the year. Increased cross-selling activities in the branch network resulted in higher premium income for the insurance subsidiary further diversifying our sources of income.

"In our commercial business, we launched electronic account opening facilities and a new international factoring service, helping to drive an increase of 16 per cent in our base of commercial customers. This further increased our market share of international trade financing, and increased earnings from this customer segment.

"Consistent with the HSBC Group's organic growth strategy, we continued expanding our business platform during the year, with 304 new ATMs and further investment in marketing and information technology. Costs increased as we worked

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to improve client service by streamlining processes, modernising branches and investing in the people who will lead our future growth. The 13.7 per cent increase in costs for the year ended 31 December 2007 was exceeded by revenue growth, enabling us to record a cost efficiency improvement.

"Our aim is to become the leading financial services company in Mexico. Local talent, product knowledge and expertise combined with our extensive international network, the HSBC brand and the sharing of global best practices, represents a significant platform on which to continue building our business in Mexico.

"In the area of corporate responsibility, I am pleased to record that in February 2007 HSBC Mexico was awarded, for the second consecutive year, the 'Socially Responsible Company' certification by the Mexican Philanthropy Centre (CEMEFI) and Aliarse. In November 2007, HSBC was also awarded Latin America's first-ever Leadership in Energy and Environmental Design (LEED) Gold certificate for our headquarters building in Mexico, recognizing it as the most environmentally friendly building of its type in Latin America."

Overview

For the year ended 31 December 2007, Grupo Financiero HSBC's net income of MXN5,615 million was MXN46 million higher than the same period in 2006. Net income of MXN1,687 in the fourth quarter of 2007 was the highest recorded for a quarterly period for Grupo Financiero HSBC, and was 45.2 per cent higher than the same period of the prior year.

Net interest income (excluding monetary position) was up MXN4,406 million to MXN22,838 million for the year ended 31 December 2007, a 23.9 per cent increase compared with the same period in 2006. The growth was driven by strong performance in higher-yielding consumer lending as well as in the commercial product portfolio and in deposits, partially offset by lower balance sheet management income.

Income from fees and commissions was MXN10,999 million for the year ended 31 December 2007, an increase of 18.6 per cent compared with the same period in 2006. Increased income from credit cards, membership programmes, card acquiring, trusts, investment funds, trade services and ATM fees contributed to this strong performance.

Trading income of MXN1,215 million for the year ended 31 December 2007 was 42.9 per cent lower than the same period of the previous year, due to the more favourable market conditions that existed in 2006, coupled with a relatively flat yield curve in 2007. Trading income during the fourth quarter of 2007 continued to be driven by solid results in retail foreign exchange, offset by reduced revenue opportunities in derivatives and debt trading.

Administrative expenses of MXN20,563 million for the year ended 31 December 2007 were 13.7 per cent higher than in the same period in 2006. Personnel expenses rose in line with our strategy of investing in business growth. Other operating expenses increased largely from higher credit card servicing costs, IT platform investment and marketing costs principally associated with the HSBC Premier global relaunch and continued promotion of the highly successful Tu Cuenta product. The cost efficiency ratio (excluding monetary position) has shown constant progress, improving 1.9 percentage points to 58.7 per cent with revenue growth exceeding expense growth.

Loan impairment charges reached MXN9,486 million for the year ended 31 December 2007, driven by higher impairment charges on credit cards as HSBC continued to invest in growing its market presence, and also by higher delinquencies in self-employed and small business lending. The impairment charges are consistent with market trends, as well as, the strong organic growth strategy followed by the

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Group.

Additional loan impairment charges were also required in 2007, in accordance with regulatory requirements for credit card lending to create an additional reserve of MXN 400 million. Furthermore, in compliance with applicable regulations, in 2006 HSBC Mexico assigned MXN647 million of general reserves to specific reserves, which reduced the overall loan impairment charge in that year. The year-on-year growth in loan impairment charges partially reflects this lower comparative base in 2006.

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 132.0 per cent at 31 December 2007.

The bank's capital adequacy ratio for the period was 14.2 per cent, well above regulatory requirements.

Business highlights

Personal Financial Services (PFS) increased new-to-bank customers and leveraged its customer relationship management capabilities to drive strong consumer loan growth. During the year, our credit card base grew to some 619,000 cards, and card balances, an area in which HSBC has traditionally been underweight in Mexico, increased by 85.1 per cent versus 2006. This drove market share up nearly 3.5 per cent versus the prior year[^], reflecting HSBC's strategy to grow the portfolio organically also led to strong loan growth in Personal and payroll loans.

Demand for mortgages remained strong and HSBC's speed of service and competitive rates, supported by marketing campaigns, fuelled growth. During the year, two mortgage portfolios totalling MXN5,901 million were securitised.

As delinquency rates have increased in consumer lending, collections activities have been reinforced and loan underwriting criteria tightened.

The HSBC Group's Premier service, which was relaunched in Mexico during the year, performed well and increased cross-sales. Fee income registered a significant increase primarily due to a rapidly growing credit card customer base and the continued sales of our bundle packages (293,900 new Tu Cuenta packages were opened in 2007). Increased cross-selling activities in the branch network resulted in higher income for the insurance company, which grew its direct premiums by 17 per cent during 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 16.4 per cent higher than in 2006, primarily driven by commercial real estate and larger local and global CMB customers, complemented by strong volume growth in trade, factoring and deposits. Effective targeted marketing campaigns resulted in customer acquisition and increased cross-sales to existing customers. Organic growth in the small business segment led to higher delinquency; however, products with high credit losses have been restructured.

Driven by the HSBC Group's geographical presence and enhanced product capabilities, our trade services market share grew by 4.1 percentage points year-on-year, to 15.7 per cent^{^^} and international factoring was successfully launched during the fourth quarter of 2007. HSBC's International Banking Centre in Mexico continues to drive referrals throughout the Latin America region and globally, supporting Mexican businesses who are, or are seeking to, operate internationally. We also launched an electronic account opening service for small businesses in 2007.

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Global Banking and Markets continues to join up its business across the Latin American region, and create new links to other HSBC operations, by connecting and referring regional customers to other countries in the HSBC Group. Through our global network, we are enabling major Mexican companies to access the international capital markets, as part of Global Banking & Market's emerging market-led, financing focused strategy.

Increased income received from successful mandates in debt capital markets, and an increase in activity in payments and cash management and project finance reflected HSBC's strategic investments in new transactional infrastructure and growth in its local and global distribution capabilities, as well as a growing penetration in Mexico's corporate market.

In Global Markets, trading results were driven by a strong performance in retail foreign exchange. However, these were offset by lower results in balance sheet management and reduced revenue opportunities in the positioning of derivatives and debt trading, due to a relatively flat yield curve.

About HSBC

Grupo Financiero HSBC, S.A. de C.V. is Mexico's fourth largest banking and financial services institution with 1,360 branches, 5,741 ATMs, approximately 8.6 million customers and more than 23,000 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\$2,150 billion at 30 June 2007, HSBC is one of the world's largest banking and financial services organisations. With listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by nearly 200,000 shareholders in some 100 countries and territories. HSBC is marketed worldwide as 'the world's local bank'.

Footnote

^ Source: HSBC analysis, based on Mexican Banks Association (ABM) figures as of November 2007 for the six largest banks.

^^ Source: HSBC Analysis, based on Mexican Banking and Securities Commission Statistical Bulletin, figures as of September 2007.

Consolidated Balance Sheet

| Figures in MXN millions | GROUP | | BANK | |
|--------------------------------------|---------|---------|---------|---------|
| | 31Dec07 | 31Dec06 | 31Dec07 | 31Dec06 |
| Assets | | | | |
| Cash and deposits in banks | 48,865 | 57,175 | 48,864 | 57,174 |
| Investment in securities | 76,029 | 59,267 | 75,660 | 58,192 |
| Trading securities | 42,318 | 13,106 | 42,235 | 12,032 |
| Available-for-sale securities | 29,687 | 42,010 | 29,401 | 42,009 |
| Held to maturity securities | 4,024 | 4,151 | 4,024 | 4,151 |
| Securities and derivative operations | 8,933 | 244 | 8,932 | 239 |
| Repurchase agreements | 40 | 71 | 39 | 66 |
| Derivative transactions | 8,893 | 173 | 8,893 | 173 |

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| | | | | |
|--|----------|---------|----------|---------|
| Performing loans | | | | |
| Commercial loans | 73,188 | 60,321 | 73,188 | 60,321 |
| Loans to financial intermediaries | 15,048 | 6,200 | 15,048 | 6,200 |
| Consumer loans | 48,034 | 36,826 | 48,034 | 36,826 |
| Mortgage loans | 18,337 | 21,347 | 18,337 | 21,347 |
| Loans to government entities | 37,443 | 38,632 | 37,443 | 38,632 |
| Loans to Fobaproa or IPAB | - | - | - | - |
| Total performing loans | 192,050 | 163,326 | 192,050 | 163,326 |
| Impaired loans | | | | |
| Commercial loans | 2,534 | 1,598 | 2,534 | 1,598 |
| Consumer loans | 4,028 | 1,730 | 4,028 | 1,730 |
| Mortgage loans | 1,463 | 1,145 | 1,463 | 1,145 |
| Immediate collection, remittances and other | - | 11 | - | 11 |
| Total impaired loans | 8,025 | 4,484 | 8,025 | 4,484 |
| Gross loans and advances to customers | 200,075 | 167,810 | 200,075 | 167,810 |
| Allowance for loan losses | (10,593) | (7,034) | (10,593) | (7,034) |
| Net loans and advances to customers | 189,482 | 160,776 | 189,482 | 160,776 |
| Other accounts receivable | 12,093 | 11,339 | 12,005 | 11,213 |
| Foreclosed assets | 82 | 56 | 82 | 56 |
| Property, furniture and equipment, net | 6,511 | 6,326 | 6,498 | 6,311 |
| Long-term investments in equity securities | 3,648 | 2,743 | 154 | 192 |
| Deferred taxes | 916 | - | 883 | - |
| Goodwill | 2,748 | 2,749 | - | - |
| Other assets, deferred charges and intangibles | 1,872 | 624 | 1,846 | 608 |
| Total assets | 351,179 | 301,299 | 344,406 | 294,761 |
| Liabilities | | | | |
| Deposits | 266,958 | 227,378 | 267,025 | 229,027 |
| Demand deposits | 142,525 | 138,819 | 142,592 | 140,468 |
| Time deposits | 120,189 | 84,156 | 120,189 | 84,156 |
| Bonds | 4,244 | 4,403 | 4,244 | 4,403 |
| Bank deposits and other liabilities | 7,608 | 13,455 | 7,608 | 13,455 |
| On demand | - | 104 | - | 104 |
| Short-term | 4,998 | 11,025 | 4,998 | 11,024 |
| Long-term | 2,610 | 2,326 | 2,610 | 2,327 |
| Securities and derivative transactions | 9,147 | 6,560 | 9,146 | 6,555 |
| Repurchase agreements | 73 | 56 | 72 | 51 |
| Securities deliverable under loan transactions | - | 6,504 | - | 6,504 |
| Derivative transactions | 9,074 | - | 9,074 | - |
| Other accounts payable | 26,317 | 17,453 | 26,164 | 17,292 |
| Income tax and employee profit sharing payable | 1,800 | 1,092 | 1,741 | 1,061 |
| Sundry creditors and other accounts payable | 24,517 | 16,361 | 24,423 | 16,231 |
| Subordinated debentures outstanding | 2,207 | 2,290 | 2,207 | 2,290 |
| Deferred taxes | - | 577 | - | 630 |
| Deferred credits | 396 | 20 | 396 | 20 |

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| | | | | |
|---|---------|---------|---------|---------|
| Total liabilities | 312,633 | 267,733 | 312,546 | 269,269 |
| 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 | 17,060 | 12,097 | 15,959 | 11,958 |
| Capital reserves | 1,162 | 875 | 14,077 | 9,496 |
| Retained earnings | 18,827 | 13,377 | - | - |
| Result from the mark-to-market of available-for-sale securities | - | - | (217) | 314 |
| Result from translation of foreign operations | - | - | - | - |
| Cumulative effect of restatement | (3,989) | (3,989) | (3,602) | (3,622) |
| Gains on non-monetary asset valuation | (4,555) | (3,903) | 1,181 | 1,189 |
| Adjustment in the employee pension | - | - | (136) | - |
| Net income | 5,615 | 5,737 | 4,656 | 4,581 |
| Minority interest in capital | 20 | 3 | 18 | 1 |
| Total equity | 38,546 | 33,566 | 31,860 | 25,492 |
| Total liabilities and equity | 351,179 | 301,299 | 344,406 | 294,761 |

Figures in MXN millions

GROUP
31Dec07 31Dec06

Memorandum accounts

| | | |
|---|-----------|---------|
| Transactions on behalf of third parties | 94,672 | 112,965 |
| Customer current accounts | 8 | 27 |
| Customer bank | 1 | - |
| Settlement of customer securities and documents | 7 | 27 |
| Customer securities | 65,843 | 87,560 |
| Customer securities in custody | 65,834 | 87,554 |
| Pledged customers securities and documents | 9 | 6 |
| Transactions on behalf of customers | 2,094 | 2,579 |
| Customer repurchase transactions | 2,094 | 2,579 |
| Other transactions on behalf of customers | 26,727 | 22,799 |
| Investment on behalf of customers, net | 26,727 | 22,799 |
| Other memorandum accounts | 590,074 | 357,296 |
| Investment of the SAR funds | 3,540 | 3,674 |
| Integrated loan portfolio | 210,912 | 174,437 |
| Other memorandum accounts | 375,622 | 179,185 |
| Transactions for the group's own accounts | 1,618,882 | 906,913 |
| Accounts for the group's own registry | 1,618,915 | 906,899 |
| Guarantees granted | 44 | 52 |
| Irrevocable lines of credit granted | 10,794 | 6,575 |
| Goods in trust or mandate | 142,794 | 96,668 |
| Goods in custody or under administration | 54,161 | 116,255 |
| Amounts committed in transactions with Fobaproa | 138 | 162 |
| Amounts contracted in derivative operations | 1,410,856 | 682,967 |

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| | | |
|---|-----------|-----------------|
| Securities in custody | - | 4,090 |
| Other contingent obligations | 128 | 129 |
| Repurchase/resale agreements | | |
| Securities receivable under repos | 46,971 | 51,749 |
| (less) Repurchase agreements | 47,016 | 51,738 |
| | (45) | 11 |
| Reverse repurchase agreements | 7,095 | 3,131 |
| (less) Securities deliverable under repos | 7,083 | 3,127 |
| | 12 | 4 |
| Figures in MXN millions | | |
| | 31Dec07 | BANK 31Dec06 |
| Memorandum accounts | | |
| Guarantees granted | 44 | 52 |
| Other contingent obligations | 128 | 129 |
| Irrevocable lines of credit granted | 10,793 | 6,575 |
| Goods in trust or mandate | 142,794 | 96,668 |
| Goods in custody or under administration | 50,216 | 116,255 |
| Third party investment banking operations, net | 26,727 | 22,799 |
| Amounts committed in transactions with Fobaproa | 138 | 162 |
| Amounts contracted in derivative operations | 1,410,856 | 682,967 |
| Investments of retirement savings system funds | 3,540 | 3,674 |
| Integrated loan portfolio | 210,912 | 174,437 |
| Other control accounts | 375,621 | 179,184 |
| | 2,231,769 | 1,282,902 |
| Securities receivable under repos | 44,890 | 49,174 |
| (less) Repurchase agreements | (44,922) | (49,158) |
| | (32) | 16 |
| Reverse repurchase agreements | 5,001 | 552 |
| (less) Securities deliverable under repos | (5,002) | (552) |
| | (1) | - |
| Securities deliverable under loan transactions | - | - |
| (less) Goods deliverable in guarantee for loan transactions | - | - |
| | - | - |

Consolidated Income Statement

| Figures in MXN millions | GROUP | | BANK | |
|---------------------------------|----------|----------|----------|---------|
| | 31Dec07 | 31Dec06 | 31Dec07 | 31Dec06 |
| Interest income | 34,014 | 28,931 | 33,817 | 28,046 |
| Interest expense | (11,176) | (10,049) | (11,110) | (9,701) |
| Monetary position (margin), net | (1,181) | (1,060) | (1,063) | (972) |
| Net interest income | 21,657 | 17,822 | 21,644 | 17,373 |
| Loan impairment charges | (9,486) | (4,294) | (9,486) | (4,262) |

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|--|----------|----------|----------|----------|
| Risk-adjusted net interest income | 12,171 | 13,528 | 12,158 | 13,111 |
| Fees and commissions receivable | 12,187 | 10,558 | 11,435 | 9,605 |
| Fees payable | (1,188) | (1,133) | (1,229) | (1,106) |
| Trading income | 1,215 | 2,126 | 1,210 | 2,121 |
| Total operating income | 24,385 | 25,079 | 23,574 | 23,731 |
| Administrative and personnel expenses | (20,563) | (18,421) | (19,944) | (17,472) |
| Net operating income | 3,822 | 6,658 | 3,630 | 6,259 |
| Other income | 4,142 | 2,211 | 4,172 | 2,146 |
| Other expenses | (1,395) | (1,109) | (1,322) | (1,084) |
| Net income before taxes | 6,569 | 7,760 | 6,480 | 7,321 |
| Income tax and employee profit sharing tax | (2,730) | (1,579) | (2,676) | (1,489) |
| Deferred income tax | 812 | (1,282) | 826 | (1,249) |
| Net income before subsidiaries | 4,651 | 4,899 | 4,630 | 4,583 |
| Undistributed income from subsidiaries | 963 | 839 | 25 | (2) |
| Income from ongoing operations | 5,614 | 5,738 | 4,655 | 4,581 |
| Minority interest | 1 | (1) | 1 | - |
| Net income | 5,615 | 5,737 | 4,656 | 4,581 |

Statement of Changes in Shareholders' Equity

GROUP

Figures in MXN millions

| | Capital contributed | Capital reserves | Retained earnings | Deficit in restatement of stockholders' equity | Net income | Minority interest | e |
|---|---------------------|------------------|-------------------|--|------------|-------------------|---|
| Balances at 31Dec06 | 21,466 | 875 | 13,377 | (7,892) | 5,737 | 3 | 3 |
| Movements inherent to the shareholders' decision | | | | | | | |
| Capitalisation of retained earnings | - | - | 5,450 | - | (5,737) | - | |
| Constitution of reserves | - | 287 | - | - | - | - | |
| Other movements | - | - | - | - | - | - | |
| Total | - | 287 | 5,450 | - | (5,737) | - | |
| Movements for the recognition of the comprehensive income | | | | | | | |
| Net income | - | - | - | - | 5,615 | - | |
| Gains on non-monetary asset valuation | - | - | - | (652) | - | - | |
| Minority interest | - | - | - | - | - | 17 | |

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| | | | | | | |
|---------------------|--------|-------|--------|---------|-------|----|
| Total | - | - | - | (652) | 5,615 | 17 |
| Balances at 31Dec07 | 21,466 | 1,162 | 18,827 | (8,544) | 5,615 | 20 |

BANK

Figures in MXN millions

| | Capital contributed | Capital reserves | Retained earnings | Results from valuation of available for-sale securities | Deficit in of restatement of stock- holders' equity | Adjustment in the employees pension | inc |
|---|------------------------|---------------------|----------------------|---|---|--|-----|
| Balances at 31Dec06 | 13,533 | 9,496 | - | 314 | (2,433) | - | 4, |
| Movements inherent to the shareholders' decision | | | | | | | |
| Subscription shares | 2,350 | - | - | - | - | - | - |
| Constitution of reserves | - | 4,581 | (4,581) | - | - | - | - |
| Transfer of result of Prior years | - | - | 4,581 | - | - | - | (4, |
| Other movements | - | - | - | - | - | - | - |
| Total | 2,350 | 4,581 | - | - | - | - | (4, |
| Movements for the recognition of the comprehensive income | | | | | | | |
| Net income | - | - | - | - | - | - | 4, |
| Result from valuation of available-for-sale securities | - | - | - | (531) | - | - | - |
| Cumulative effect of restatement | - | - | - | - | 20 | - | - |
| Adjustment in the employees pension | - | - | - | - | - | (136) | - |
| Others | - | - | - | - | (8) | - | - |
| Total | - | - | - | (531) | 12 | (136) | 4, |
| Balances at 31Dec07 | 15,883 | 14,077 | - | (217) | (2,421) | (136) | 4, |

Consolidated Statement of Changes in Financial Position

GROUP

Figures in MXN millions

| | 31Dec07 | 31Dec06 |
|--|---------|---------|
| Operating activities: | | |
| Net income | 5,615 | 5,737 |
| Items included in operations not requiring (providing) funds: | | |
| Result from mark-to-market valuations | 7 | (640) |
| Allowances for loan losses | 9,486 | 4,294 |
| Depreciation and amortisation | 1,053 | 904 |
| Deferred taxes | (812) | 1,282 |
| Minority interest | (1) | - |
| Undistributed income from subsidiaries, net | (953) | (839) |
| Adjustment in post-retirement benefits | (428) | - |
| Value loss estimation for foreclosed assets | 21 | 251 |
| Total operating items not requiring funds | 13,988 | 10,989 |

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| | | |
|--|----------|----------|
| Changes in items related to operations: | | |
| (Decrease) / Increase in deposits | 39,579 | (2,183) |
| (Increase) / Decrease in loan portfolio | (38,192) | (20,941) |
| (Increase) / Decrease in securities and derivative transactions, net | (6,000) | 2,699 |
| (Increase) / Decrease in financial instruments | (16,871) | 2,323 |
| (Decrease) / Increase in bank deposits and other liabilities | (5,847) | 5,926 |
| Funds provided by operating activities | (13,343) | (1,187) |

| | | |
|---|-------|---------|
| Financing activities: | | |
| Subordinated debentures outstanding | (83) | (498) |
| (Decrease) / Increase in other payable accounts | 8,788 | (7,371) |
| Funds used or provided in financing activities | 8,705 | (7,869) |

| | | |
|---|---------|---------|
| Investing activities: | | |
| (Increase) in property, furniture and equipment, net | (1,825) | (763) |
| (Increase) / Decrease in deferred charges or credits, net | (305) | 100 |
| (Increase) / Decrease in foreclosed assets | (48) | 120 |
| (Increase) in other receivable accounts | (1,494) | 6,992 |
| Funds used in investing activities | (3,672) | 6,449 |
| (Decrease) in cash and equivalents | (8,310) | (2,607) |
| Cash and equivalents at beginning of period | 57,175 | 59,782 |
| Cash and equivalents at end of period | 48,865 | 57,175 |

BANK

| | | |
|---|---------|---------|
| Figures in MXN millions | 31Dec07 | 31Dec06 |
| Operating activities: | | |
| Net income | 4,656 | 4,581 |
| Items included in operations not requiring (providing) funds: | | |
| Result from mark-to-market valuations | 7 | (650) |
| Allowances for loan losses | 9,486 | 4,262 |
| Depreciation and amortisation | 1,050 | 880 |
| Deferred taxes | (827) | 1,249 |
| Undistributed income from subsidiaries, net | (14) | 2 |
| Value loss estimation for foreclosed assets | 21 | 251 |
| Minority interest | (1) | (1) |
| Adjustment in post-retirement benefits | (428) | - |
| Total operating items not requiring funds | 13,950 | 10,574 |

| | | |
|--|----------|----------|
| Changes in operating accounts: | | |
| Increase in deposits | 37,997 | 16,495 |
| (Increase) in loan portfolio | (38,192) | (33,404) |
| (Increase) / Decrease in securities and derivative transactions, net | (6,000) | 2,699 |
| (Increase) / Decrease in financial instruments | (18,108) | 1,878 |
| (Decrease) / Increase in bank deposits and other liabilities | (5,847) | 5,999 |
| Funds provided by operations | (16,200) | 4,241 |

| | | |
|---|-------|---------|
| Financing activities: | | |
| Subordinated debentures outstanding | (83) | (96) |
| (Decrease) / Increase in other payable accounts | 8,795 | (6,395) |
| Contributions or reimbursements of capital | | |

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| | | |
|---|---------|---------|
| contributed | 2,350 | - |
| Funds used or provided by financing activities | 11,062 | (6,491) |
| Investing activities: | | |
| (Increase) in property, furniture and equipment, net | (1,155) | (1,514) |
| (Increase) / Decrease in deferred charges or credits, net | (310) | 52 |
| (Increase) / Decrease in foreclosed assets | (48) | 77 |
| (Increase) / Decrease in other receivable accounts | (1,659) | 5,631 |
| Funds used in investing activities | (3,172) | 4,246 |
| (Decrease) / Increase in cash and equivalents | (8,310) | 1,996 |
| Cash and equivalents at beginning of period | 57,174 | 55,178 |
| Cash and equivalents at end of period | 48,864 | 57,174 |

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

HSBC Holdings plc, the parent of Grupo Financiero HSBC S.A. de C.V. reports its results under International Financial Reporting Standards (IFRS). There follows a reconciliation of the results of Grupo Financiero HSBC S.A. de C.V. from Mexican GAAP to IFRS for the year ended 31 December 2007 and an explanation of the key reconciling items.

| | |
|--|---------|
| Figures in MXN millions | 31Dec07 |
| Grupo Financiero HSBC - Net Income Under Mexican GAAP | 5,615 |
| Inflation | 988 |
| Differences arising on the valuation of pensions and post retirement healthcare benefits^ | 118 |
| Differences arising on acquisition costs relating to long-term investment contracts^ | (30) |
| Differences arising from the deferral of fees received and paid on the origination of loans | 276 |
| Differences arising from the recognition and provisioning for loan impairments^ | 656 |
| Differences arising from purchase accounting adjustments^ | (28) |
| Differences arising from the recognition of the present value in-force of long-term insurance contracts^ | 722 |
| Other differences in accounting principles^ | 347 |
| HSBC Mexico net income under IFRS | 8,664 |
| US dollar equivalent (millions) | 793 |
| Add back tax expense | 1,866 |
| HSBC Mexico profit before tax under IFRS | 10,530 |
| US dollar equivalent (millions) | 963 |
| Exchange rate used for conversion | 10.93 |

^ Net of tax at 28 per cent.

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

Inflation

Mexican GAAP

Mexican GAAP Bulletin - 10 requires recognition of inflation on financial

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statements to reflect the current purchasing power of the currency in which such financial information is stated.

IFRS

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

Retirement benefits

Mexican GAAP

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

IFRS

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

Acquisition costs of long-term investment contracts

Mexican GAAP

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

IFRS

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

Fees paid and received on origination of loans

Mexican GAAP

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

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in the local Mexican GAAP books.

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

Mexican GAAP

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

IFRS

A value is placed on insurance contracts that are classified as long-term insurance business and are in-force at the balance sheet date. The present value of in-force long-term insurance business is determined by discounting future earnings expected to emerge from business currently in force using appropriate assumptions in assessing factors such as recent experience and general economic conditions.

Appendix A:

Grupo Financiero HSBC, S.A. de C.V. (HBMX)

Consolidated income statement on a like-for-like basis

Figures in MXN millions

| | Total Group 31Dec07 | Mexico [^] 31Dec06 | Panama 31Dec06 | Total Group 31Dec06 |
|---|---------------------------|--------------------------------|-------------------|---------------------------|
| Interest income | 34,014 | 28,178 | 753 | 28,931 |
| Interest expense | (11,176) | (9,746) | (303) | (10,049) |
| Monetary position (margin), net | (1,181) | (1,055) | (5) | (1,060) |
| Net interest income | 21,657 | 17,377 | 445 | 17,822 |
| Loan impairment charges | (9,486) | (4,262) | (32) | (4,294) |
| Risk adjusted net interest income | 12,171 | 13,115 | 413 | 13,528 |
| Fees and commissions receivable | 12,187 | 10,374 | 184 | 10,558 |
| Fees payable | (1,188) | (1,100) | (33) | (1,133) |
| Trading income | 1,215 | 2,126 | - | 2,126 |
| Total operating income | 24,385 | 24,515 | 564 | 25,079 |
| Administrative and personnel expenses | (20,563) | (18,081) | (340) | (18,421) |
| Net operating income | 3,822 | 6,434 | 224 | 6,658 |
| Other income | 4,142 | 2,211 | - | 2,211 |
| Other expenses | (1,395) | (1,109) | - | (1,109) |
| Net income before taxes | 6,569 | 7,536 | 224 | 7,760 |
| Income tax and employee profit sharing | (2,730) | (1,514) | (65) | (1,579) |
| Deferred taxes | 812 | (1,291) | 9 | (1,282) |

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| | | | | |
|--|-------|-------|-----|-------|
| Net income before subsidiaries | 4,651 | 4,731 | 168 | 4,899 |
| Undistributed income from subsidiaries | 963 | 839 | - | 839 |
| Income from ongoing operations | 5,614 | 5,570 | 168 | 5,738 |
| Minority interest | 1 | (1) | - | (1) |
| Net income | 5,615 | 5,569 | 168 | 5,737 |

^ 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 twelve months ended 31 December 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
Title: Assistant Group Secretary
Date: 27 February 2008