

HSBC HOLDINGS PLC  
Form 6-K  
October 30, 2009

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 October

HSBC Holdings plc

42<sup>nd</sup> 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-.....).

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

**THIRD QUARTER 2009 FINANCIAL RESULTS - HIGHLIGHTS**

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- Total operating income before loan impairment charges for the nine months to 30 September 2009 was MXN26,569 million, down by MXN2,101 million or 7.3 per cent compared with MXN28,670 million for the same period in 2008.
- Profit before tax for the nine months to 30 September 2009 was MXN878 million, down by MXN3,493 million or 79.9 per cent compared with MXN4,371 million for the same period in 2008.
- Net income for the nine months to 30 September 2009 was MXN1,563 million, down by MXN2,050 million or 56.7 per cent compared with MXN3,613 million for the same period in 2008.
- Gross loans and advances to customers were MXN158.5 billion at 30 September 2009, down by MXN30.5 billion or 16.1 per cent compared with MXN189.0 billion at 30 September 2008.
- Deposits were MXN222.1 billion at 30 September 2009, down by MXN24.0 billion or 9.8 per cent compared with MXN246.2 billion at 30 September 2008.
- Return on equity was 5.6 per cent for the nine months to 30 September 2009, compared with 12.8 per cent for the same period in 2008.
- The cost efficiency ratio was 59.6 per cent for the nine months to 30 September 2009, compared with 58.5 per cent for the same period in 2008.
- At 30 September 2009, the Bank's regulatory capital adequacy ratio was 13.51 per cent and the tier 1 capital ratio was 9.70 per cent.

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*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 financial information on a quarterly basis (in this case for the quarter ended 30 September 2009) 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).*

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

### **Summary**

The Mexican economy experienced a substantial deterioration in 2009 with GDP contracting by 10.3 per cent in the second quarter of the year compared to the same quarter in 2008. The year-on-year drop was the largest for a single quarter on records going back to 1981, but was smaller than estimates of several economists. The economy is widely expected to have improved in the second half of the year, following some early signs of improvement in trade, auto production, and consumer confidence.

The Mexican Central Bank left the overnight interest rate unchanged at 4.5 per cent in September for the second successive month on signs the economy is emerging from recession. This compares to a rate of 4.75 per cent at the end of June 2009. Exchange rate volatility continued throughout the third quarter of 2009. At the end of September 2009, the Mexican Peso closed against the US dollar at 13.55 compared to 13.18\* at the end of June 2009.

Grupo Financiero HSBC's net income for the nine months ended 30 September 2009 was MXN1,563 million, a decrease of MXN2,050 million or 56.7 per cent compared to 30 September 2008. Profit before tax for the nine months ended 30 September 2009 was MXN878 million, a decrease of MXN3,493 million or 79.9 per cent compared to 30 September 2008. This was largely due to a fall in net interest income, lower fee income and increased loan impairment charges, partially offset by an increase in trading income.

Net interest income for the nine months to 30 September 2009 decreased by MXN3,157 million or 16.6 per cent to MXN15,905 million compared to the same period in 2008. Interest income reduced primarily as a result of a contraction in the consumer portfolio and lower spreads on deposits.

Loan impairment charges for the nine months ended 30 September 2009 were MXN11,416 million, an increase of MXN1,154 million or 11.2 per cent compared to the same period in 2008. Loan impairment charges decreased 36.1 per cent compared to the second quarter of 2009, this comes largely as a result of the implementation of credit provisioning methodology approved in August 2009.

In August 2009 the local regulator approved changes in the credit provisioning methodology for the consumer portfolio, particularly credit cards. Two alternatives were made available for financial institutions to recognize

changes to loan loss allowances resulting from the implementation of the new methodology. The first was to recognize the change directly against retained earnings by 30 September 2009, and the second, to recognize the change through the income statement within a 24 month period. HSBC adopted the latter approach. Credit provisions created since implementation of the new methodology were MXN547 million. Previous credit provisioning methodology would have resulted in reserve requirements of MXN1,477 million.

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\* Source: Banxico (Bank of Mexico) FIX exchange rate

Net fee income was MXN7,473 million for the nine months to 30 September 2009, a decrease of MXN1,183 million or 13.7 per cent compared to the same period in 2008. This was primarily due to fewer transactions as a result of lower business activity, lower account services fees and lower credit card fees as a consequence of a smaller consumer portfolio. On 21 August 2009, the Mexican Central Bank approved and implemented new regulatory requirements eliminating the amount of fees that can be charged to customers for certain account services.

Trading income was MXN 2,571 million at 30 September 2009, an increase of MXN1,619 million compared to the same period of 2008. This increase is due to strong performances in foreign exchange and debt trading, which benefited from higher market volatility and favourable trading positions.

Focused cost control resulted in a decrease in administrative expenses of MXN950 million or 5.7 per cent to MXN15,820 million for the nine months ended 30 September 2009 compared to the same period of 2008. This decrease was achieved despite the reclassification of employee profit-sharing taxes to operating expenses as required by local accounting rules. The main drivers of the underlying decrease were a reduction in personnel expenses and the elimination of a credit card cash back promotional facility. Excluding the effects of the reclassification of employee profit-sharing taxes, the decrease in administrative expenses would be MXN1,972 million or 11.1 per cent compared to the same period in 2008, and the improvement in the cost efficiency ratio would be 2.5 percentage points.

Net other income decreased MXN1,188 million or 43.5 per cent to MXN1,545 compared to the same period in 2008. This is mainly due to non-recurring income of MXN1,041 million from the sale of VISA Inc shares recorded during 2008.

The performance of our non-bank subsidiaries, particularly HSBC Seguros, contributed MXN912.8 million of total net income, an increase of MXN125.2 million compared to the same period in 2008.

Gross loans and advances to customers decreased 16.1 per cent to MXN158.5 billion at 30 September 2009 compared to the same period in 2008. Consumer loans decreased significantly as a result of fewer loan originations due to lower market demand and tighter credit risk policies. Government loan portfolios decreased mainly as a result of loan prepayments.

Total impaired loans decreased 7.1 per cent to MXN9,109 million at 30 September 2009 compared to the same period in 2008. Non performing credit card balances decreased 24.5 per cent compared to the same period in 2008. This reduction has been achieved as a result of continued management focus on improving asset quality and the strengthening our collections efforts.

Management efforts to improve asset quality have been focused on measures to reinforce collection operations through the implementation of new platforms and a strengthened organizational structure as well as maintaining a more conservative approach to loan origination.

Total loan loss allowances as at 30 September 2009 were MXN11,051 million of which credit cards comprised MXN3,256 million. This compares to total loan loss allowances of MXN11,970 million at 30 September 2008 and credit cards loan loss allowances of MXN4,863 million.

The total coverage ratio (allowance for loan losses/impaired loans) was 121.3 per cent at 30 September 2009, compared to 122.1 per cent at 30 September 2008. Credit cards coverage ratio was 88.0 per cent at 30 September 2009, compared to 106.3 per cent at 30 September 2008.

Total deposits decreased 9.8 per cent to MXN222.1 billion at 30 September 2009. Demand deposits were MXN113.8 billion, 6.6 per cent lower compared to 30 September 2008, mainly as a result of the economic downturn, strong competition to attract customer deposits and reduced branch operations following a restructuring of the network. Total time deposits decreased MXN15.9 billion or 13.3 per cent compared to 30 September 2008. Customer time deposits (excluding money market funds) at 30 September 2009 increased 9.0 per cent to MXN102.0 billion. This increase is a result of new product offerings and the promotion of existing products.

## **Business Highlights**

### **Personal Financial Services**

The Personal Financial Services (PFS) segment has implemented various strategies aimed at offering differentiated services and driving the growth of the customer base using customer relationship management capabilities.

The use of alternative distribution channels by customers is continually being promoted as the most convenient option for customers to perform their banking transactions. This includes an extensive network of ATMs, electronic and telephone banking.

The consumer loan portfolio has continued to decrease as a consequence of lower demand for credit in the market and more conservative underwriting criteria.

During the third quarter of 2009, PFS continued supporting its customers through different refinancing opportunities for consumer loan products, particularly credit cards and mortgage products in order to improve collections and offer payments solutions to customers to assist them during the difficult economic conditions.

The elimination of foreign currency cash transactions in branches and the reduction of branch operations in the first half of 2009 have led to a reduction in deposit volumes. Nevertheless, an increase in customer time deposits has been observed during the third quarter of 2009 as a result of new product offerings and re-enforcing existing products, such as a new product "*Inversión Express*", launched in July, which has been well received and has generated approximately 27,000 new accounts since its launch. At the same time, PFS continued to promote the "*Cuenta Flexible HSBC*" and "*Cuenta Ahorro HSBC*" products by providing incentives for customers to open accounts.

### **Commercial Banking**

During the third quarter of 2009, a targeted strategy to capture time deposits was implemented resulting in a 53 per cent increase compared to the second quarter of 2009, further strengthening customer relationships.

Continued focus on strengthening and growing the business in the State and Municipal segment has produced excellent results, increasing the credit portfolio and time deposits when compared to the previous quarter.

Commercial Banking supported its SME customers during the influenza AH1N1 outbreak through federal government programs. In addition, our initiative to restructure commercial loans by increasing the payment term by up to 36 months has been well accepted, decreasing the risk of default on the portfolio.

### **Global Banking and Markets**

Global Markets continues to report strong results for the nine months ended 30 September 2009. This is mainly as a consequence of a favorable positioning of the trading portfolio and an increase in foreign exchange trading and sales.

Balance sheet management continued the positive trend in results despite losses from the sale of securities (mainly USD denominated) as part of a cautious risk management strategy.

HSBC played a leading role as joint bookrunner in the successful global and local equity offering from CEMEX of USD1.8 billion, which is one of the most significant transactions in the Mexican market so far this year.

The Global Banking franchise continued to be positioned as one of the main players in debt refinancing and liability management. GBM played a leading role as one of the six global coordinators that headed the refinancing for USD15 billion in bank debt of CEMEX, one of the largest and most complex transactions in Latin America. Other important debt refinancing projects in which a leading role was played include a USD1.2 billion for an auto-part company, USD465 million for a building materials company, and a USD100 million deal for a white-goods company.

Debt refinancing and a focus on asset quality are essential parts of the strategy to manage the asset portfolio. Specific deals, such as the Asset Backed Loan transaction to an automaker company and debt and equity restructuring for a major infrastructure project, have enhanced the risk profile of our portfolio and increase the profitability of our

business.

In addition, pricing strategies implemented at the beginning of this year to reflect changing market conditions and client demand, combined with the increase in our average balance for deposits, have resulted in a solid financial performance.

## About HSBC

Grupo Financiero HSBC, S.A. de C.V. is one of the leading financial groups in Mexico with 1,190 branches, 6,084 ATMs, approximately 8.0 million customer accounts and more than 18,900 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, and a member of the HSBC Group. With around 8,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa and assets of US\$2,422 billion at June 30th 2009, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

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

## Consolidated Balance Sheet

| <i>Figures in MXN millions</i> | <b>GROUP</b>           |                | <b>BANK</b>            |                |
|--------------------------------|------------------------|----------------|------------------------|----------------|
|                                | <b>30 Sep<br/>2009</b> | 30 Sep<br>2008 | <b>30 Sep<br/>2009</b> | 30 Sep<br>2008 |

**Assets**

|   |                 |          |                 |          |
|---|-----------------|----------|-----------------|----------|
| Cash and deposits in banks                      | <b>60,387</b>   | 50,457   | <b>60,387</b>   | 50,457   |
| Margin accounts                                 | <b>3,685</b>    | -        | <b>3,685</b>    | -        |
| Investment in securities                        | <b>116,290</b>  | 62,802   | <b>115,616</b>  | 62,150   |
| Trading securities                              | <b>60,071</b>   | 33,678   | <b>59,870</b>   | 33,368   |
| Available-for-sale securities                   | <b>47,450</b>   | 25,022   | <b>46,977</b>   | 24,680   |
| Held to maturity securities                     | <b>8,769</b>    | 4,102    | <b>8,769</b>    | 4,102    |
| Repurchase agreements                           | <b>3,500</b>    | 49       | <b>3,500</b>    | 47       |
| Derivative transactions                         | <b>31,865</b>   | 23,412   | <b>31,865</b>   | 23,412   |
| Performing loans                                |                 |          |                 |          |
| Commercial loans                                | <b>72,034</b>   | 74,528   | <b>72,034</b>   | 74,528   |
| Loans to financial intermediaries               | <b>7,008</b>    | 17,213   | <b>7,008</b>    | 17,213   |
| Consumer loans                                  | <b>32,734</b>   | 46,637   | <b>32,734</b>   | 46,637   |
| Mortgage loans                                  | <b>19,834</b>   | 18,380   | <b>19,834</b>   | 18,380   |
| Loans to government entities                    | <b>17,807</b>   | 22,472   | <b>17,807</b>   | 22,472   |
| Total performing loans                          | <b>149,417</b>  | 179,230  | <b>149,417</b>  | 179,230  |
| Impaired loans                                  |                 |          |                 |          |
| Commercial loans                                | <b>2,102</b>    | 2,073    | <b>2,102</b>    | 2,073    |
| Loans to government entities                    | <b>51</b>       | -        | <b>51</b>       | -        |
| Consumer loans                                  | <b>4,756</b>    | 6,163    | <b>4,756</b>    | 6,163    |
| Mortgage loans                                  | <b>2,200</b>    | 1,565    | <b>2,200</b>    | 1,565    |
| Total impaired loans                            | <b>9,109</b>    | 9,801    | <b>9,109</b>    | 9,801    |
| Gross loans and advances to customers           | <b>158,526</b>  | 189,031  | <b>158,526</b>  | 189,031  |
| Allowance for loan losses                       | <b>(11,051)</b> | (11,970) | <b>(11,051)</b> | (11,970) |
| Net loans and advances to customers             | <b>147,475</b>  | 177,061  | <b>147,475</b>  | 177,061  |
| Benefits to be received from trading operations | <b>168</b>      | -        | <b>168</b>      | -        |
| Other receivable accounts                       | <b>16,845</b>   | 16,774   | <b>16,615</b>   | 16,567   |
| Foreclosed assets                               | <b>164</b>      | 91       | <b>164</b>      | 91       |
| Property, furniture and equipment, net          | <b>6,721</b>    | 6,478    | <b>6,714</b>    | 6,466    |
| Long-term investments in equity securities      | <b>4,000</b>    | 3,538    | <b>127</b>      | 128      |
| Deferred taxes                                  | <b>4,168</b>    | 2,433    | <b>4,228</b>    | 2,410    |
| Goodwill  | <b>2,749</b>    | 2,749    | -               | -        |
| Other assets, deferred charges and intangibles  | <b>2,602</b>    | 2,153    | <b>2,522</b>    | 2,111    |
| <b>Total assets</b>                             | <b>400,619</b>  | 347,997  | <b>393,066</b>  | 340,900  |

**GROUP****BANK***Figures in MXN millions*



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|   | <b>30 Sep<br/>2009</b> | 30 Sep<br>2008 | <b>30 Sep<br/>2009</b> | 30 Sep<br>2008 |
|---|------------------------|----------------|------------------------|----------------|
| <b>Liabilities</b>  |                        |                |                        |                |
| Deposits  | <b>222,147</b>         | 246,156        | <b>222,269</b>         | 246,338        |
| Demand deposits   | <b>113,750</b>         | 121,825        | <b>113,872</b>         | 122,007        |
| Time deposits   | <b>104,136</b>         | 120,068        | <b>104,136</b>         | 120,068        |
| Issued credit securities  | <b>4,261</b>           | 4,263          | <b>4,261</b>           | 4,263          |
| Bank deposits and other liabilities                             | <b>23,029</b>          | 7,782          | <b>23,029</b>          | 7,782          |
| On demand   | -                      | -              | -                      | -              |
| Short-term  | <b>21,629</b>          | 5,414          | <b>21,629</b>          | 5,414          |
| Long-term   | <b>1,400</b>           | 2,368          | <b>1,400</b>           | 2,368          |
| Repurchase agreements   | <b>32,612</b>          | 65             | <b>32,612</b>          | 63             |
| Settlement accounts   | <b>161</b>             | -              | <b>161</b>             | -              |
| Collateral sold   | <b>6,697</b>           | -              | <b>6,697</b>           | -              |
| Derivative transactions   | <b>31,621</b>          | 23,893         | <b>31,621</b>          | 23,893         |
| Other payable accounts  | <b>36,346</b>          | 30,483         | <b>35,972</b>          | 30,131         |
| Income tax and employee profit sharing payable                  | <b>1,742</b>           | 1,932          | <b>1,587</b>           | 1,875          |
| Sundry creditors and other accounts payable                     | <b>34,604</b>          | 28,551         | <b>34,385</b>          | 28,256         |
| Subordinated debentures outstanding                             | <b>9,655</b>           | 2,205          | <b>9,655</b>           | 2,205          |
| Deferred credits  | <b>538</b>             | 479            | <b>538</b>             | 479            |
| <b>Total liabilities</b>  | <b>362,806</b>         | 311,063        | <b>362,554</b>         | 310,891        |
| <b>Equity</b>   |                        |                |                        |                |
| Paid in capital   | <b>23,725</b>          | 21,466         | <b>16,623</b>          | 15,883         |
| Capital stock   | <b>8,452</b>           | 8,210          | <b>4,334</b>           | 4,272          |
| Additional paid in capital                                      | <b>15,273</b>          | 13,256         | <b>12,289</b>          | 11,611         |
| Other reserves  | <b>14,083</b>          | 15,464         | <b>13,886</b>          | 14,124         |
| Capital reserves  | <b>1,648</b>           | 1,442          | <b>14,313</b>          | 12,797         |
| Retained earnings   | <b>11,582</b>          | 11,582         | -                      | -              |
| Result from the Mark-to-Market of available-for-sale securities | <b>(490)</b>           | (1,037)        | <b>(593)</b>           | (1,077)        |
| Result from cash flow hedging transactions                      | <b>(220)</b>           |                | <b>(220)</b>           |                |
| Adjustment in the employee pension                              | -                      | (136)          | -                      | (136)          |
| Net income  | <b>1,563</b>           | 3,613          | <b>386</b>             | 2,540          |

|                                     |                |         |                |         |
|-------------------------------------|----------------|---------|----------------|---------|
| Minority interest                   | <b>5</b>       | 4       | <b>3</b>       | 2       |
| Total equity                        | <b>37,813</b>  | 36,934  | <b>30,512</b>  | 30,009  |
| <b>Total liabilities and equity</b> | <b>400,619</b> | 347,997 | <b>393,066</b> | 340,900 |

**GROUP**

| <i>Figures in MXN millions</i>                         | <b>30 Sep<br/>2009</b> | 30 Sep<br>2008 |
|--|------------------------|----------------|
| <b>Memorandum accounts</b>                             |                        |                |
| Guarantees granted                                     | <b>31</b>              | 33             |
| Contingent assets and liabilities                      | <b>124</b>             | -              |
| Irrevocable lines of credit granted                    | <b>11,850</b>          | -              |
| Goods in trust or mandate                              | <b>249,973</b>         | 192,544        |
| Goods in custody or under administration               | <b>204,931</b>         | 109,363        |
| Collateral received by the institution                 | <b>14,844</b>          | -              |
| Collateral received and sold or delivered as guarantee | <b>11,342</b>          | -              |
| Third party investment banking operations, net         | <b>56,489</b>          | 25,871         |
| Amounts committed in transactions with Fobaproa        | <b>159</b>             | 148            |
| Amounts contracted in derivative operations            | <b>1,036,767</b>       | 1,914,946      |
| Integrated loan portfolio                              | <b>170,408</b>         | 198,785        |
| Other control accounts                                 | <b>402,978</b>         | 459,694        |
|  | <b>2,159,896</b>       | 2,901,384      |

**BANK**

| <i>Figures in MXN millions</i>           | <b>30 Sep<br/>2009</b> | 30 Sep<br>2008 |
|--|------------------------|----------------|
| <b>Memorandum accounts</b>               |                        |                |
| Guarantees granted                       | <b>31</b>              | 33             |
| Contingent assets and liabilities        | <b>124</b>             | -              |
| Irrevocable lines of credit granted      | <b>11,850</b>          | 9,721          |
| Goods in trust or mandate                | <b>249,973</b>         | 192,544        |
| Goods in custody or under administration | <b>200,803</b>         | 105,415        |

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|  |                  |           |
|--|------------------|-----------|
| Collateral received by the institution                 | <b>10,198</b>    | -         |
| Collateral received and sold or delivered as guarantee | <b>6,697</b>     | -         |
| Third party investment banking operations, net         | <b>56,489</b>    | 25,871    |
| Amounts committed in transactions with Fobaproa        | <b>159</b>       | 148       |
| Amounts contracted in derivative operations            | <b>1,036,767</b> | 1,914,946 |
| Integrated loan portfolio                              | <b>170,408</b>   | 198,785   |
| Other control accounts                                 | <b>364,776</b>   | 418,732   |
|  | <b>2,108,275</b> | 2,866,195 |

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

**Consolidated Income Statement**

| <i>Figures in MXN millions</i>        | <b>GROUP</b>       |             | <b>BANK</b>        |             |
|---------------------------------------|--------------------|-------------|--------------------|-------------|
|                                       | <b>30 Sep 2009</b> | 30 Sep 2008 | <b>30 Sep 2009</b> | 30 Sep 2008 |
| Interest income                       | <b>24,219</b>      | 28,469      | <b>24,118</b>      | 28,411      |
| Interest expense                      | <b>(8,314)</b>     | (9,407)     | <b>(8,163)</b>     | (9,379)     |
| Net interest income                   | <b>15,905</b>      | 19,062      | <b>15,955</b>      | 19,032      |
| Loan impairment charges               | <b>(11,416)</b>    | (10,262)    | <b>(11,416)</b>    | (10,262)    |
| Risk-adjusted net interest income     | <b>4,489</b>       | 8,800       | <b>4,539</b>       | 8,770       |
| Fees and commissions receivable       | <b>8,206</b>       | 9,518       | <b>7,524</b>       | 8,894       |
| Fees payable                          | <b>(733)</b>       | (862)       | <b>(725)</b>       | (848)       |
| Trading income                        | <b>2,571</b>       | 952         | <b>2,565</b>       | 945         |
| Other operating income                | <b>620</b>         | -           | <b>620</b>         | -           |
| Total operating income                | <b>15,153</b>      | 18,408      | <b>14,523</b>      | 17,761      |
| Administrative and personnel expenses | <b>(15,820)</b>    | (16,770)    | <b>(15,449)</b>    | (16,195)    |
| Net operating income                  | <b>(677)</b>       | 1,638       | <b>(926)</b>       | 1,566       |
| Other income                          | <b>2,571</b>       | 3,377       | <b>2,440</b>       | 3,330       |
| Other expenses                        | <b>(1,026)</b>     | (644)       | <b>(1,023)</b>     | (846)       |
| Net other income                      | <b>1,545</b>       | 2,733       | <b>1,417</b>       | 2,484       |

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|  |                |         |                |         |
|--|----------------|---------|----------------|---------|
| Net income before taxes                    | <b>878</b>     | 4,371   | <b>491</b>     | 4,050   |
| Income tax and employee profit sharing tax | <b>(2,514)</b> | (3,263) | <b>(2,372)</b> | (3,206) |
| Deferred income tax                        | <b>2,221</b>   | 1,666   | <b>2,241</b>   | 1,656   |
| Net income before subsidiaries             | <b>585</b>     | 2,774   | <b>360</b>     | 2,500   |
| Undistributed income from subsidiaries     | <b>979</b>     | 840     | <b>27</b>      | 41      |
| Income from ongoing operations             | <b>1,564</b>   | 3,614   | <b>387</b>     | 2,541   |
| Minority interest                          | <b>(1)</b>     | (1)     | <b>(1)</b>     | (1)     |
| Net income                                 | <b>1,563</b>   | 3,613   | <b>386</b>     | 2,540   |

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

**Consolidated Statement of Changes in Shareholders' Equity**

**GROUP**

|   | Capital contributed | Capital reserves | Retained earnings | Result from valuation of available-for-sale securities | Result from cash flow hedging transactions | Net income   | Minority interest | <b>Total equity</b> |
|---|---------------------|------------------|-------------------|--|--|--------------|-------------------|---------------------|
| <i>Figures in MXN million</i>                           |                     |                  |                   |  |  |              |                   |                     |
| <b>Balances at 1 January 2009</b>                       | <b>21,466</b>       | <b>1,442</b>     | <b>11,582</b>     | <b>(2,335)</b>   | -  | <b>4,110</b> | <b>52</b>         | <b>36,270</b>       |
| <b>Movements inherent to the shareholders' decision</b> |                     |                  |                   |  |  |              |                   |                     |
| Shares issue  | 2,259               | -                | -                 | -  | -  | -            | -                 | 2,259               |
| Capitalisation of retained earnings                     | -                   | 206              | 3,904             | -  | -  | (4,110)      | -                 | -                   |

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|               |              |            |          |          |          |                |          |                |
|---------------|--------------|------------|----------|----------|----------|----------------|----------|----------------|
| Cash dividend | -            | -          | (3,904)  | -        | -        | -              | -        | (3,904)        |
| <b>Total</b>  | <b>2,259</b> | <b>206</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>(4,110)</b> | <b>-</b> | <b>(1,645)</b> |

**Movements for the recognition of the comprehensive income**

|                                      |               |              |               |              |              |              |          |               |
|--------------------------------------|---------------|--------------|---------------|--------------|--------------|--------------|----------|---------------|
| Net income                           | -             | -            | -             | -            | -            | 1,563        | -        | 1,563         |
| Other movements                      | -             | -            | -             | 1,845        | (220)        | -            | -        | 625           |
| <b>Total</b>                         | <b>-</b>      | <b>-</b>     | <b>-</b>      | <b>1,845</b> | <b>(220)</b> | <b>1,563</b> | <b>-</b> | <b>3,188</b>  |
| <b>Balances at 30 September 2009</b> | <b>23,725</b> | <b>1,648</b> | <b>11,582</b> | <b>(490)</b> | <b>(220)</b> | <b>1,563</b> | <b>5</b> | <b>37,813</b> |

**BANK**

| <i>Figures in MXN millions</i>    | Capital contributed | Capital reserves | Retained earnings | Result from valuation of available-for-sale securities | Result from cash flow hedging transactions | Net income   | Minority interest | <b>Total equity</b> |
|-----------------------------------|---------------------|------------------|-------------------|--|--|--------------|-------------------|---------------------|
| <b>Balances at 1 January 2009</b> | <b>15,883</b>       | <b>12,797</b>    | <b>-</b>          | <b>(2,368)</b>   | <b>-</b>                                   | <b>2,519</b> | <b>2</b>          | <b>28,833</b>       |

**Movements inherent to**

**the shareholders' decision**

|                                   |            |              |          |          |          |                |          |                |
|-----------------------------------|------------|--------------|----------|----------|----------|----------------|----------|----------------|
| Constitution of reserves          | -          | 1,516        | (1,516)  | -        | -        | -              | -        | -              |
| Shares issue                      | 740        | -            | -        | -        | -        | -              | -        | <b>740</b>     |
| Transfer of result of prior years | -          | -            | 2,519    | -        | -        | (2,519)        | -        | -              |
| Cash dividend                     | -          | -            | (1,003)  | -        | -        | -              | -        | <b>(1,003)</b> |
| <b>Total</b>                      | <b>740</b> | <b>1,516</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>(2,519)</b> | <b>-</b> | <b>(263)</b>   |

**Movements for the**

**recognition of the**

|  |               |               |          |              |              |            |          |               |
|--|---------------|---------------|----------|--------------|--------------|------------|----------|---------------|
| <b>comprehensive income</b>                            |               |               |          |              |              |            |          |               |
| Net income   | -             | -             | -        | -            | -            | 386        | -        | <b>386</b>    |
| Result from valuation of available-for-sale securities | -             | -             | -        | 1,775        | -            | -          | -        | <b>1,775</b>  |
| Result from cash flow hedging transactions             |               |               |          |              | (220)        |            |          | <b>(220)</b>  |
| Minority interest                                      | -             | -             | -        | -            | -            | -          | 1        | <b>1</b>      |
| <b>Total</b>   | <b>-</b>      | <b>-</b>      | <b>-</b> | <b>1,775</b> | <b>(220)</b> | <b>386</b> | <b>1</b> | <b>1,942</b>  |
| <b>Balances at 30 September 2009</b>                   | <b>16,623</b> | <b>14,313</b> | <b>-</b> | <b>(593)</b> | <b>(220)</b> | <b>386</b> | <b>3</b> | <b>30,512</b> |

**Grupo Financiero HSBC, S.A. de C.V.****Consolidated Statement of Cash Flows****GROUP***Figures in MXN millions***30 Sep 2009**

|  |              |
|--|--------------|
| <b>Net income</b>  | <b>1,563</b> |
| <b>Adjustments for items not involving cash flow:</b>                          | <b>8,484</b> |
| Gain or loss on appraisal of activities associated with investment & financing | (3,152)      |
| Allowances for loan losses   | 11,422       |
| Depreciation and amortisation  | 920          |
| Income Tax and deferred taxes  | 293          |
| Undistributed income from subsidiaries   | (979)        |
| Other  | (20)         |
| <b>Changes in items related to operating activities:</b>                       |              |
| Margin accounts  | (3,685)      |
| Investment securities  | (53,407)     |
| Repurchase agreements  | (3,362)      |
| Derivative (assets)  | 49,185       |
| Loan portfolio   | 1,185        |
| Benefits to be received from trading operations                                | (168)        |
| Foreclosed assets  | (73)         |

|  |                 |
|--|-----------------|
| Operating assets                                 | 31,863          |
| Deposits   | (43,318)        |
| Bank deposits and other liabilities              | 12,378          |
| Creditors repo transactions                      | 32,528          |
| Collateral sold or delivered as guarantee        | 6,697           |
| Derivative (liabilities)                         | (51,527)        |
| Subordinated debentures outstanding              | 3,707           |
| Other operating liabilities                      | (3,513)         |
| <b>Funds provided by operating activities</b>    | <b>(21,510)</b> |
| <b>Investing activities:</b>                     |                 |
| Disposal of property, furniture and equipment    | 10              |
| Acquisition of property, furniture and equipment | (1,017)         |
| Disposal of subsidiaries                         | 30              |
| Cash dividend                                    | 475             |
| Intangible assets acquisitions                   | (163)           |
| <b>Funds used in investing activities</b>        | <b>(665)</b>    |
| <b>Financing activities:</b>                     |                 |
| Shares issue                                     | 2,258           |
| Cash dividend                                    | (3,904)         |
| <b>Funds provided by financing activities</b>    | <b>(1,646)</b>  |
| Increase/decrease in cash and equivalents        | <b>(13,774)</b> |
| Cash and equivalents at beginning of period      | <b>74,161</b>   |
| <b>Cash and equivalents at end of period</b>     | <b>60,387</b>   |

**BANK***Figures in MXN millions***30 Sep 2009**

|  |              |
|--|--------------|
| <b>Net income</b>  | <b>386</b>   |
| <b>Adjustments for items not involving cash flow:</b>                          | <b>9,290</b> |
| Gain or loss on appraisal of activities associated with investment & financing | (3,152)      |
| Allowances for loan losses   | 11,422       |
| Depreciation and amortisation  | 915          |
| Income Tax and deferred taxes  | 131          |
| Undistributed income from subsidiaries   | (27)         |
| Other  | 1            |
| <b>Changes in items related to operating activities:</b>                       |              |
| Margin accounts  | (3,685)      |
| Investment securities  | (53,544)     |
| Repurchase agreements  | (3,369)      |
| Derivative (assets)  | 49,185       |
| Loan portfolio   | 1,185        |

|   |                 |
|---|-----------------|
| Benefits to be received from trading operations           | (168)           |
| Foreclosed assets   | (73)            |
| Operating assets  | 32,089          |
| Deposits  | (43,428)        |
| Bank deposits and other liabilities                       | 12,378          |
| Creditors repo transactions                               | 32,534          |
| Collateral sold or delivered as guarantee                 | 6,697           |
| Derivative (liabilities)                                  | (51,527)        |
| Subordinated debentures outstanding                       | 3,707           |
| Other operating liabilities                               | (3,480)         |
| <b>Funds provided by operating activities</b>             | <b>(21,499)</b> |
| <b>Investing activities:</b>                              |                 |
| Disposal of property, furniture and equipment             | 10              |
| Acquisition of property, furniture and equipment          | (1,017)         |
| Disposal of subsidiaries                                  | 23              |
| Acquisition of long term investments in equity securities | 15              |
| Cash dividend   | 1               |
| Intangible assets acquisitions                            | (163)           |
| <b>Funds used in investing activities</b>                 | <b>(1,131)</b>  |
| <b>Financing activities:</b>                              |                 |
| Shares issue  | 740             |
| Cash dividend   | (1,002)         |
| <b>Funds used or provided by financing activities</b>     | <b>(262)</b>    |
| Increase/decrease in cash and equivalents                 | <b>(13,216)</b> |
| <b>Cash and equivalents at beginning of period</b>        | <b>73,603</b>   |
| <b>Cash and equivalents at end of period</b>              | <b>60,387</b>   |

**Grupo Financiero HSBC, S.A. de C.V.      Differences between Mexican GAAP and International  
Financial Reporting Standards (IFRS)**

***Grupo Financiero HSBC***

HSBC Holdings plc, the parent of Grupo Financiero HSBC S.A. de C.V. reports its results under International Financial Reporting Standards (IFRS). There follows a reconciliation of the results of Grupo Financiero HSBC S.A. de C.V. from Mexican GAAP to IFRS for the nine months to 30 September 2009 and an explanation of the key reconciling items.

**30 Sep  
2009**

*Figures in MXN millions*



**Grupo Financiero HSBC - Net Income Under Mexican GAAP 1,563**

Differences arising from:

|   |              |
|---|--------------|
| Valuation of pensions and post retirement healthcare benefits <sup>^</sup>              | 146          |
| Acquisition costs relating to long-term investment contracts <sup>^</sup>               | (36)         |
| Deferral of fees received and paid on the origination of loans                          | (39)         |
| Recognition and provisioning for loan impairments <sup>^</sup>                          | 3            |
| Purchase accounting adjustments <sup>^</sup>  | (18)         |
| Recognition of the present value in-force of long-term insurance contracts <sup>^</sup> | 7            |
| Tax criteria  | 303          |
| Other <sup>^</sup>  | 349          |
| <b>HSBC México net income under IFRS</b>  | <b>2,278</b> |
| <b>US dollar equivalent (millions)</b>  | <b>164</b>   |
| Add back tax expense  | 1,055        |
| <b>HSBC México profit before tax under IFRS</b>   | <b>3,333</b> |
| <b>US dollar equivalent (millions)</b>  | <b>240</b>   |
| <i>Exchange rate used for conversion</i>  | <b>13.9</b>  |

<sup>^</sup> Net of tax at 28 per cent.**Summary of key differences between Grupo Financiero's results as reported under Mexican GAAP and IFRS****Valuation of pensions and post retirement healthcare benefits****Mexican GAAP**

Obligations are recognized in the Income Statement of each year based on actuarial computations of the present value of those obligations using the projected unit credit method and real interest rates. Unrecognized past service costs are amortized on an estimated service life of the employees.

**IFRS**

Obligations are recognized in the Income Statement of each year based on actuarial computations of the present value of those obligations using the projected unit credit method. Actuarial gains and losses are recognized in stockholders equity as they arise. Unrecognized past service cost are recognized in the Income Statement as they arise.

**Acquisition costs of long-term investment contracts****Mexican GAAP**

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

**IFRS**

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

**Fees paid and received on origination of loans**

**Mexican GAAP**

All fees received on loan origination are deferred and amortized over the life of the loan using straight line method. However, this policy was introduced 1 January 2007, all fees having previously been recognized 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 authorized methodologies for determining the amount of provision for each type of loan.

**IFRS**

Loan loss provisions for collectively assessed loans are determined based on a roll-rate methodology reflecting history of losses for each category of loan, past due payments and collateral values. For individually assessed loans, loan loss provisions are calculated based on the discounted cash flow value of the collateral.

**Purchase accounting adjustments**

These arise from valuations made by HSBC on acquiring Grupo Financiero Bital in November 2002 on various assets and liabilities that differed from the valuation in the local Mexican GAAP books.

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

**Mexican GAAP**

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

**IFRS**

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

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HSBC Holdings plc

By:

Name: P A Stafford

Title: Assistant Group

Secretary

Date: 30 October 2009