

HSBC HOLDINGS PLC
Form 6-K
October 31, 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 October 31, 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-.....).

31 October 2008

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

THIRD QUARTER 2008 FINANCIAL RESULTS - HIGHLIGHTS

- Net income for the nine months to 30 September 2008 was MXN3,613 million, down MXN315 million or 8.0 per cent compared with MXN3,928 million for the same period in 2007.
- Total operating income (excluding loan impairment charges) for the nine months to 30 September 2008 was MXN28,670 million, up MXN3,268 million or 12.9 per cent compared with MXN25,402 million for the same period in 2007*.
- Net operating income for the nine months to 30 September 2008 was MXN1,638 million, down MXN1,294 million compared to the same period of 2007.
- Net loans and advances to customers were MXN177.1 billion at 30 September 2008, down MXN9.6 billion, or 5.2 per cent, compared with MXN186.7 billion recorded at 30 September 2007.
- Total customer demand and time deposits were MXN241.9 billion at 30 September 2008, up MXN3.4 billion or 1.4 per cent, compared with MXN238.5 billion at 30 September 2007.
- The cost efficiency ratio was 58.5 per cent for the nine months to 30 September 2008, compared to 60.1 per cent for the same period of 2007*.
- Return on equity was 12.8 per cent for the nine months to 30 September 2008, compared with 14.8 per cent for the same period in 2007.
- At 30 September 2008 the Bank's capital adequacy ratio was 12.6 per cent. The Tier 1 capital ratio at the end of the reporting period is 11.2 percent.
- At 30 September 2008 the Bank continues to report strong liquidity ratios, maintaining a solid position in its customer deposit business and a loan to deposit ratio below 100 per cent.

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 30 September 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).

Overview

Grupo Financiero HSBC, S.A. de C.V.'s performance in the nine months to 30 September 2008 has been affected by the ongoing volatility in the global economy. As we reported at the end of the first half, economic deceleration, inflationary pressures, market volatility and the global credit squeeze continue to affect our business.

Grupo Financiero HSBC's net income for the nine months ended 30 September 2008 was MXN3,613 million, MXN315 million less than for the same period in 2007. Our insurance subsidiary HSBC Seguros, accounted for 21.8 per cent of total net income.

In line with the local market trend, credit quality, particularly in the credit card portfolio, continued to deteriorate in the third quarter of 2008, which has led to an increase in provisions.

Net loans and advances to customers decreased by MXN 9.6 billion from MXN186.7 billion in September 2007 to MXN177.1 billion in September 2008, largely as a result of government loan prepayments and a reduction in the mortgage portfolio through securitization .

Net interest income in the nine months to 30 September 2008 increased by MXN2,545 million, reaching MXN19,062 million, a 15.4 per cent growth compared with the same period of 2007*. Enhanced product pricing contributed to this improved performance, especially in the credit card and commercial portfolios.

Net fee income was MXN8,656 million for the nine months ended 30 September 2008, an increase of 9.1 per cent compared to the same period of 2007. This was driven mainly by increased trade services business, membership programs, credit cards, investment funds, trust services, points-of-sale and ATMs.

Trading income was MXN952 million for the nine months ended 30 September 2008, largely unchanged from the same period in 2007. Trading income levels were maintained primarily by strong performance in foreign exchange transactions.

Administrative expenses increased MXN1,493 million or 9.8 per cent for the nine months ended 30 September 2008 compared to the same period of 2007. This increase is largely attributed to one off redundancy expenses, increased marketing expenses for packaged products, investment in technology infrastructure and higher costs associated with loan recoveries. These initiatives have been complemented by a change in the branch opening hours to improve service and our customer's banking experience by, for example, reducing waiting times. Despite these measures our cost efficiency ratio* improved 1.6 percentage points to reach 58.5 per cent. Excluding the effect of non-recurrent personnel expenses, the growth in administrative expenses reduces to 7.5 per cent compared to the same period of 2007 and the cost efficiency ratio would be 57.3* per cent.

Other net income and expenses for the nine months to 30 September increased by MXN1,290 million reaching MXN2,733 million compared with the same period in 2007. This is primarily due to non-recurring income arising from the sale of shares in VISA Inc. and the sale of Mexican Stock Exchange shares in the second quarter as a result of public offerings by those entities.

Consistent with market trends, loan impairment charges increased by MXN3,710 million or 56.6 per cent in the nine months ended 30 September 2008, compared to the same period of 2007. This increase is due to higher delinquencies experienced in an environment of economic deceleration, especially in respect to consumer lending, particularly credit

cards.

HSBC's allowance for loan losses as a percentage of impaired loans was 122.1 per cent at 30 September 2008, compared to 144.8 per cent for the same period of 2007.

Adjustments to credit underwriting models have also been implemented in order to improve portfolio credit quality, achieve greater control and streamline collection processes in order to ensure improved risk management. In addition, regular reviews of the credit quality of new business continue and we ensure close control of customer acquisition channels.

The government loan portfolio continued to decrease and is MXN16,505 million lower than 30 September 2007. This is due to customers paying early.

At 30 September 2008 the Bank's capital ratio was strong at 12.6 per cent. The Tier 1 capital ratio at the end of the reporting period was 11.2 percent.

In line with the policies and strategies, Grupo Financiero HSBC S.A. de C.V. management remains focused on maintaining sufficient liquidity levels in the current uncertain and volatile market environment. Our loan to deposit ratio is below 100 per cent and we continue to adopt a conservative approach to asset and liability management.

Business highlights

Personal Financial Services (PFS) focused on implementing strategies to improve service quality both through our branch network and alternative distribution channels. Changes in branch opening hours were introduced and new ATMs were installed and existing ATMs were upgraded. New pricing strategies for products and services have been introduced which are leading to improved contribution to our results. Two new savings and investment product offerings were launched in September: "*Cuenta Flexible HSBC*" and "*Cuenta Ahorro HSBC*", which are tailored according to customer needs and offer a comprehensive package of services.

In addition the mortgage product "*Hipoteca Cero*" promotion was launched in the third quarter of 2008 which focuses on strengthening our long-term relationship with customers by providing a competitive solution.

Commercial Banking (CMB) total operating income increased 2.5 per cent compared to same period in 2007. This growth was largely due to an increase in the loan portfolio, as we continue to support our customers within the limitations of a conservative approach to the credit quality of new business.

We further developed our Small Medium Enterprises (SME) segment by establishing new distribution channels and focusing on the sale of packaged products, which is reflected in higher sales during the quarter.

Our market share in factoring services has increased from 22 to 26¹ per cent compared to the prior year as a result of the implementation, promotion and development of new products.

Strategies have been implemented to offer greater convenience in our services by migrating our customer's transactions to direct channels such as telephone and Internet service centers.

Global Banking and Markets

During the third quarter of 2008, some Mexican companies had to contend with margin calls and pronounced volatility in international markets. In spite of the difficult conditions the performance of Global Markets remained resilient and generated positive results in derivatives and foreign exchange activities.

During the period total income from Global Banking recorded a 14.5 per cent increase compared with the same period of 2007, driven primarily by fee income, continued success in Project Finance infrastructure transactions and in Debt Capital Markets activity. HSBC has attained a leading position in both of these strategically important areas. In addition, compared to the prior year, revenues were higher in Trade Services, Trust, and Factoring; and by growth in new business lines, such as Custodial Services.

Operating profit before provisions experienced growth surpassing 46 per cent over the same period of 2007 driven by the above factors, as well as by non-recurring income resulting from the partial sale of our equity stake in the Mexican Stock Exchange.

Subsequent events

As a result of the recent turbulence in financial markets, particularly the volatility of the peso against the dollar, the financial outlook of our credit portfolio will be assessed under this new economic scenario. However the impact of this assessment is not considered material with regards to the Bank's financial position.

On 2 October 2008, the Bank issued MXN1,818 million subordinated debentures, which qualifies for Tier 2 capital. If this issue were included, our capital ratio would increase to 13.4 per cent.

About HSBC

Grupo Financiero HSBC, S.A. de C.V. is Mexico's fourth largest banking and financial services institution with 1,251 branches, 5,878 ATMs, approximately 9.2 million customer accounts and more than 20,200 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 9,500 offices in 85 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,547 billion at 30 June 2008, HSBC is one of the world's largest banking and financial services organizations. 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

Figures in MXN millions

| | GROUP | | BANK | |
|--|-----------------|----------------|-----------------|-----------------|
| | 30 Sep. 2008 | 30Sep. 2007 | 30 Sep. 2008 | 30 Sep. 2007 |
| Assets | | | | |
| Cash and deposits in banks | 50,457 | 50,483 | 50,457 | 50,483 |
| Investment in securities | 62,802 | 53,180 | 62,150 | 52,066 |
| Trading securities | 33,678 | 23,072 | 33,368 | 21,959 |
| Available-for-sale securities | 25,022 | 26,107 | 24,680 | 26,106 |
| Held to maturity securities | 4,102 | 4,001 | 4,102 | 4,001 |
| Securities and derivative operations | 23,461 | 7,047 | 23,459 | 7,044 |
| Repurchase agreements | 49 | 47 | 47 | 45 |
| Derivative transactions | 23,412 | 7,000 | 23,412 | 6,999 |
| Performing loans | | | | |
| Commercial loans | 74,528 | 70,118 | 74,528 | 70,118 |
| Loans to financial intermediaries | 17,213 | 12,037 | 17,213 | 12,037 |
| Consumer loans | 46,637 | 47,279 | 46,637 | 47,279 |
| Mortgage loans | 18,380 | 21,292 | 18,380 | 21,292 |
| Loans to government entities | 22,472 | 38,977 | 22,472 | 38,977 |
| Total performing loans | 179,230 | 189,703 | 179,230 | 189,703 |
| Impaired loans | | | | |
| Commercial loans | 2,073 | 2,227 | 2,073 | 2,227 |
| Consumer loans | 6,163 | 3,168 | 6,163 | 3,168 |
| Mortgage loans | 1,565 | 1,323 | 1,565 | 1,323 |
| Total impaired loans | 9,801 | 6,718 | 9,801 | 6,718 |
| Gross loans and advances to customers | 189,031 | 196,421 | 189,031 | 196,421 |
| Allowance for loan losses | (11,970) | (9,730) | (11,970) | (9,730) |
| Net loans and advances to customers | 177,061 | 186,691 | 177,061 | 186,691 |
| Other receivable accounts | 16,774 | 27,578 | 16,567 | 27,437 |
| Foreclosed assets | 91 | 71 | 91 | 71 |
| Property, furniture and equipment, net | 6,478 | 6,280 | 6,466 | 6,267 |
| Long-term investments in equity securities | 3,538 | 3,437 | 128 | 149 |
| Deferred taxes | 2,433 | 1,400 | 2,410 | 1,360 |
| Goodwill | 2,749 | 2,749 | - | - |
| Other assets, deferred charges and intangibles | 2,153 | 994 | 2,111 | 960 |
| Total assets | 347,997 | 339,910 | 340,900 | 332,528 |

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

Consolidated Balance Sheet
(continued)

Figures in MXN millions

| | GROUP | | BANK | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 30 Sep. 2008 | 30 Sep. 2007 | 30 Sep. 2008 | 30 Sep. 2007 |
| Liabilities | | | | |
| Deposits | 246,156 | 242,856 | 246,338 | 244,562 |
| Demand deposits | 121,825 | 125,524 | 122,007 | 127,230 |
| Time deposits | 120,068 | 112,999 | 120,068 | 112,999 |
| Bonds | 4,263 | 4,333 | 4,263 | 4,333 |
| Bank deposits and other liabilities | 7,782 | 8,380 | 7,782 | 8,380 |
| On demand | - | - | - | - |
| Short-term | 5,414 | 5,238 | 5,414 | 5,238 |
| Long-term | 2,368 | 3,142 | 2,368 | 3,142 |
| Securities and derivative transactions | 23,958 | 16,279 | 23,956 | 16,276 |
| Repurchase agreements | 65 | 50 | 63 | 47 |
| Securities deliverable under loan Transactions | - | 9,037 | - | 9,037 |
| Derivative transactions | 23,893 | 7,192 | 23,893 | 7,192 |
| Other payable accounts | 30,483 | 32,683 | 30,131 | 32,511 |
| Income tax and employee profit sharing payable | 1,932 | 1,971 | | |
| Sundry creditors and other accounts | | | 28,256 | 30,588 |
| Payable | 28,551 | 30,712 | | |
| Subordinated debentures outstanding | 2,205 | 2,241 | 2,205 | 2,241 |
| Deferred credits | 479 | 299 | 479 | 299 |
| Total liabilities | 311,063 | 302,738 | 310,891 | 304,269 |
| 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 |

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| | | | | |
|-------------------------------------|----------------|---------|----------------|---------|
| Other reserves | 15,464 | 15,686 | 14,124 | 14,708 |
| Capital reserves | 1,442 | 1,162 | 12,797 | 14,077 |
| Retained earnings | 11,582 | 18,827 | - | - |
| Result from the Mark-to-Market of | | | (1,077) | (40) |
| available-for-sale securities | (1,037) | - | | |
| Cumulative effect of restatement | - | (3,989) | - | (3,605) |
| Gains on non-monetary asset | |) | - | 1,186 |
| Valuation | - | (4,242 | | |
| Adjustment in the employee pension | (136) | - | (136) | - |
| Net income | 3,613 | 3,928 | 2,540 | 3,090 |
| Minority interest in capital | 4 | 20 | 2 | 18 |
| Total equity | 36,934 | 37,172 | 30,009 | 28,259 |
| Total liabilities and equity | 347,997 | 339,910 | 340,900 | 332,528 |

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

Consolidated Balance Sheet
(continued)

Figures in MXN millions

| | GROUP | |
|---|-------------------------|-------------------------|
| | 30 Sep. 2008 | 30 Sep. 2007 |
| Memorandum accounts | | |
| Transactions on behalf of third parties | 56,966 | 105,708 |
| Customer current accounts | (28) | (5) |
| Customer bank | - | 1 |
| Settlement of customer securities and documents | (28) | (6) |
| Customer securities | 26,813 | 78,083 |
| Customer securities in custody | 26,804 | 78,074 |
| Pledged customers securities and documents | 9 | 9 |
| Transactions on behalf of customers | 4,310 | 2,198 |
| Customer repurchase transactions | 4,310 | 2,198 |
| Other transactions on behalf of customers | 25,871 | 25,432 |
| Investment on behalf of customers, net | 25,871 | 25,432 |
| Other memorandum accounts | 617,548 | 416,967 |
| Investment of the SAR funds | - | 3,600 |
| Integrated loan portfolio | 198,785 | 205,251 |
| Other memorandum accounts | 418,763 | 208,116 |
| Transactions for the group's own accounts | 2,226,870 | 1,708,942 |
| Accounts for the group's own registry | 2,226,886 | 1,708,944 |
| Guarantees granted | 33 | 45 |
| Irrevocable lines of credit granted | 9,721 | 8,785 |
| Goods in trust or mandate | 192,544 | 134,690 |
| Goods in custody or under administration | 109,363 | 56,127 |
| Amounts committed in transactions with Fobaproa | 148 | 140 |
| Amounts contracted in derivative operations | 1,914,946 | 1,505,017 |
| Securities in custody | - | 4,010 |
| Other contingent obligations | 131 | 130 |
| Repurchase/resale agreements | | |
| Securities receivable under repos | 42,613 | 48,927 |
| (less) Repurchase agreements | 42,652 | 48,932 |
| | (39) | (5) |
| Reverse repurchase agreements | 14,552 | 5,160 |
| (less) Securities deliverable under repos | 14,529 | 5,157 |
| | 23 | 3 |

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

Consolidated Balance Sheet
(continued)

Figures in MXN millions

BANK

| | 30 Sep. 2008 | 30 Sep. 2007 |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

Memorandum accounts

| | | |
|---|------------------|------------------|
| Guarantees granted | 33 | 45 |
| Other contingent obligations | 131 | 129 |
| Irrevocable lines of credit granted | 9,721 | 8,785 |
| Goods in trust or mandate | 192,544 | 134,691 |
| Goods in custody or under administration | 105,415 | 56,127 |
| Third party investment banking operations, net | 25,871 | 25,431 |
| Amounts committed in transactions with Fobaproa | 148 | 139 |
| Amounts contracted in derivative operations | 1,914,946 | 1,505,017 |
| Investments of retirement savings system funds | - | 3,600 |
| Integrated loan portfolio | 198,785 | 205,251 |
| Other control accounts | 418,617 | 199,079 |
| | 2,866,211 | 2,138,294 |
| Securities receivable under repos | 38,321 | 46,731 |
| (less) Repurchase agreements | (38,342) | (46,734) |
| | (21) | (3) |
| Reverse repurchase agreements | 10,242 | 2,961 |
| (less) Securities deliverable under repos | (10,237) | (2,961) |
| | 5 | - |
| Securities deliverable under loan transactions | - | 9,037 |
| | - | 9,037 |

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

Consolidated Income Statement

| Figures in MXN millions | GROUP | | BANK | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 30 Sep. 2008 | 30 Sep. 2007 | 30 Sep. 2008 | 30 Sep. 2007 |
| Interest income | 28,469 | 24,526 | 28,411 | 24,379 |
| Interest expense | (9,407) | (8,009) | (9,379) | (7,977) |
| Monetary position (margin), net | - | (641) | - | (576) |
| Net interest income | 19,062 | 15,876 | 19,032 | 15,826 |
| Loan impairment charges | (10,262) | (6,552) | (10,262) | (6,552) |
| Risk-adjusted net interest income | 8,800 | 9,324 | 8,770 | 9,274 |
| Fees and commissions receivable | 9,518 | 8,835 | 8,894 | 8,234 |
| Fees payable | (862) | (903) | (848) | (890) |
| Trading income | 952 | 953 | 945 | 948 |
| Total operating income | 18,408 | 18,209 | 17,761 | 17,566 |
| Administrative and personnel expenses | (16,770) | (15,277) | (16,195) | (14,864) |
| Net operating income | 1,638 | 2,932 | 1,566 | 2,702 |
| Other income | 3,377 | 2,476 | 3,330 | 2,547 |
| Other expenses | (644) | (1,033) | (846) | (1,032) |
| Net income before taxes | 4,371 | 4,375 | 4,050 | 4,217 |
| Income tax and employee profit sharing tax | (3,263) | (2,547) | (3,206) | (2,504) |
| Deferred income tax | 1,666 | 1,343 | 1,656 | 1,356 |
| Net income before subsidiaries | 2,774 | 3,171 | 2,500 | 3,069 |
| Undistributed income from subsidiaries | 840 | 756 | 41 | 20 |
| Income from ongoing operations | 3,614 | 3,927 | 2,541 | 3,089 |
| Minority interest | (1) | 1 | (1) | 1 |
| Net income | 3,613 | 3,928 | 2,540 | 3,090 |

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

Statement of Changes in Shareholders' Equity

GROUP

| <i>Figures in MXN millions</i> | <i>Capital contributed</i> | <i>Capital Reserves</i> | <i>Retained earnings</i> | <i>Result from valuation of available-for-sale securities</i> | <i>Deficit in restatement of stock- holders' equity</i> | <i>Adjustment in the employees pension</i> | <i>Net income</i> | <i>Minority interest</i> | <i>Total equity</i> |
|--|--------------------------------|-------------------------|------------------------------|---|---|--|-----------------------|------------------------------|-------------------------|
| Balances at 31 December 2007 | 21,466 | 1,162 | 18, 827 | - | (8,544) | - | 5,615 | 2 2 | 38,528 |
| Movements inherent to the shareholders' decision | | | | | | | | | |
| Capitalisation of retained earnings | - | 280 | 5,335 | - | - | - | (5,615) | - | - |
| Cash dividend | - | - | (4,350) | - | - | - | - | - | (4,350) |
| Other movements | - | - | (8,230) | - | 8,230 | - | - | - | - |
| Total | - | 280 | (7,245) | - | 8,230 | - | (5,615) | - | (4,350) |
| Movements for the recognition of the comprehensive income | | | | | | | | | |
| Net income | - | - | - | - | - | - | 3,613 | - | 3,613 |
| Other movements | - | - | - | (1,037) | 314 | (136) | - | - | (859) |
| Minority interest | - | - | - | - | - | - | - | 2 | 2 |
| Total | - | - | - | (1,037) | 314 | (136) | 3,613 | 2 | 2,756 |
| Balances at 30 September 2008 | 21,466 | 1,442 | 11,582 | (1,037)- | | (136) | 3,613 | 4 | 36,934 |

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

Statement of Change in Shareholders' Equity
(continued)

BANK

| <i>Figures in MXN millions Balances at 31 December 2007</i> | <i>Capital contributed</i> | <i>Capital reserves</i> | <i>Retained earnings</i> | <i>Result from valuation of available-for-sale securities</i> | <i>Deficit in restatement of stock- holders' equity</i> | <i>Adjustment in the employees pension</i> | <i>Net income</i> | <i>Minority interest</i> | <i>Total equity</i> |
|--|--------------------------------|-----------------------------|------------------------------|---|---|--|-----------------------|------------------------------|-------------------------|
| | 15,883 | 14,077 | - | (217) | (2,421) | (136) | 4,656 | | 1 31,843 |
| Movements inherent to the shareholders' decision | | | | | | | | | |
| Constitution of reserves | - | 4,656 | (4,656) | - | - | - | - | - | - |
| Transfer of result of Prior years | - | - | 4,656 | - | - | - | (4,656) | - | - |
| Cash dividend | - | (3,500) | - | - | - | - | - | - | (3,500) |
| Total | - | 1,156 | - | - | - | - | (4,656) | - | (3,500) |
| Movements for the recognition of the comprehensive income | | | | | | | | | |
| Net income | - | - | - | - | - | - | 2,540 | - | 2,540 |
| Result from valuation of available- for-sale securities | - | 24 | - | (898) | - | - | - | - | (874) |
| Cumulative effect of restatement | - | (2,460) | - | 38 | 2,421 | - | - | - | (1) |
| Minority interest | - | - | - | - | - | - | - | 1 | 1 |
| Total | - | (2,436) | - | (860) | 2,421 | - | 2,540 | 1 | 1,666 |
| Balances at 30 September 2008 | 15,883 | 12,797 | - | (1,077) | - | (136) | 2,540 | 2 | 30,009 |

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

Consolidated Statement of Changes in Financial
Position**GROUP***Figures in MXN millions*

| | <i>30 Sep. 2008</i> | <i>30 Sep. 2007</i> |
|--|---------------------|---------------------|
| Operating activities: | | |
| Net income | 3,613 | 3,928 |
| Items included in operations not requiring (providing) funds: | | |
| Result from mark-to-market valuations | 275 | (73) |
| Allowances for loan losses | 10,262 | 6,552 |
| Depreciation and amortisation | 807 | 780 |
| Deferred taxes | (1,666) | (1,343) |
| Minority interest | 1 | (1) |
| Undistributed income from subsidiaries, net | (828) | (756) |
| Others | (9) | 19 |
| Total operating items not requiring funds | 12,455 | 9,106 |
| Changes in items related to operations: | | |
| (Decrease) / increase in deposits | (20,801) | 15,479 |
| Decrease/ Increase in loan portfolio | 2,160 | (32,467) |
| Increase / (decrease) in securities and derivative transactions, net | 282 | 2,915 |
| Increase in financial instruments | 12,952 | 6,160 |
| Increase / (decrease) in bank deposits and other liabilities | 174 | (5,075) |
| Funds provided by operating activities | 7,222 | (3,882) |
| Financing activities: | | |
| Subordinated debentures outstanding | (3) | (49) |
| Cash dividend | (4,350) | - |
| Increase in other payable accounts | 4,165 | 15,230 |
| Funds provided in financing activities | (188) | 15,181 |
| Investing activities: | | |
| Decrease / (increase) in property, furniture and equipment, net | (712) | (994) |
| Decrease / (increase) in deferred charges or credits, net | 233 | (354) |
| Increase in foreclosed assets | - | (34) |
| Increase in other receivable accounts | (4,963) | (16,609) |
| Funds used in investing activities | (5,442) | (17,991) |
| Increase / (decrease) in cash and equivalents | 1,592 | (6,692) |
| Cash and equivalents at beginning of period | 48,865 | 57,175 |
| Cash and equivalents at end of period | 50,457 | 50,483 |

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

Consolidated Statement of Changes in Financial
Position
(continued)**BANK***Figures in MXN millions*

| | <i>30 Sep. 2008</i> | <i>30 Sep. 2007</i> |
|--|---------------------|---------------------|
| Operating activities: | | |
| Net income | 2,540 | 3,090 |
| Items included in operations not requiring (providing) funds: | | |
| Result from mark-to-market valuations | 275 | (73) |
| Allowances for loan losses | 10,262 | 6,552 |
| Depreciation and amortisation | 804 | 777 |
| Deferred taxes | (1,656) | (1,356) |
| Undistributed income from subsidiaries, net | (29) | (9) |
| Value loss estimation for foreclosed assets | (9) | 19 |
| Minority interest | 1 | (1) |
| Total operating items not requiring funds | 12,188 | 8,999 |
| Changes in items related to operations: | | |
| (Decrease) / increase in deposits | (20,687) | 15,535 |
| Decrease/(Increase) in loan portfolio | 2,160 | (32,466) |
| (Increase) / decrease in securities and derivative transactions, net | (87) | 3,041 |
| Increase in financial instruments | 12,746 | 5,719 |
| Increase / (decrease) in bank deposits and other liabilities | 174 | (5,075) |
| Funds provided by operating activities | 6,494 | (4,247) |
| Financing activities: | | |
| Subordinated debentures outstanding | (3) | (49) |
| Cash Dividend | (3,500) | - |
| Increase in other payable accounts | 3,967 | 15,235 |
| Contributions or reimbursements of capital contributed | (14) | - |
| Funds provided by financing activities | 450 | 15,186 |
| Investing activities: | | |
| Increase in property, furniture and equipment, net | (735) | (665) |
| Decrease / (increase) in deferred charges or credits, net | 212 | (355) |
| Increase in foreclosed assets | - | (35) |
| Increase in other receivable accounts | (4,828) | (16,575) |
| Funds used in investing activities | (5,351) | (17,630) |
| Increase / (decrease) in cash and equivalents | 1,593 | (6,691) |
| Cash and equivalents at beginning of period | 48,864 | 57,174 |
| Cash and equivalents at end of period | 50,457 | 50,483 |

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

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

Grupo Financiero HSBC

HSBC Holdings plc, the parent of Grupo Financiero HSBC S.A. de C.V. reports its results under International Financial Reporting Standards (IFRS). There follows a reconciliation of the results of Grupo Financiero HSBC S.A. de C.V. from Mexican GAAP to IFRS for the first quarter ended 30 *September* 2008 and an explanation of the key reconciling items.

| <i>Figures in MXN millions</i> | 30 Sept . <u>2008</u> |
|---|----------------------------------|
| Grupo Financiero HSBC – Net Income Under Mexican GAAP | 3,613 |
| Differences arising on the valuation of pensions and post retirement healthcare benefits ? | 67 |
| Differences arising on acquisition costs relating to long-term investment contracts ? | (28) |
| Differences arising from the deferral of fees received and paid on the origination of loans | 86 |
| Differences arising from the recognition and provisioning for loan impairments ? | 323 |
| Differences arising from purchase accounting adjustments ? | (18) |
| Differences arising from the recognition of the present value in-force of long-term insurance contracts ? | 24 |
| Other differences in accounting principles ? | 14 |
| HSBC México net income under IFRS | 4,081 |
| US dollar equivalent (millions) | 388 |
| Add back tax expense | 1,191 |
| HSBC México profit before tax under IFRS | 5,272 |
| US dollar equivalent (millions) | 502 |
| <i>Exchange rate used for conversion</i> | 10.5 |

? Net of tax at 28 per cent.

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

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

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

IFRS

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

Actuarial gains and losses are recognised in stockholders equity as they arise.
Unrecognised past service cost are recognised in the Income Statement as they arise.

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

Acquisition costs of long-term investment contracts

Mexican GAAP

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

IFRS

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

Fees paid and received on origination of loans

Mexican GAAP

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

IFRS

Fees and expenses received or paid on origination of a loan that are directly attributable to the origination of that loan are accounted for under the effective interest rate method over the expected life of the loan. This policy has been in effect since 1 January 2005.

Loan impairment charges

Mexican GAAP

Loan impairment charges are calculated following the rules issued by the Mexican Ministry of Finance and the National Banking and Securities Commission. Such rules establish authorised methodologies for determining the amount of provision for each type of loan.

IFRS

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

Purchase accounting adjustments

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

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 (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.

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

* To ensure a consistent base for comparison, the 2007 figures exclude the monetary position result.

¹ Source: HSBC analysis based on Mexican Association of Financial Factoring and Related activities Statistical Bulletin, figures at August 2008.

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: October 31, 2008