

HSBC HOLDINGS PLC  
Form 6-K  
July 31, 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 July

**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-.....).

31 July 2009

**GRUPO FINANCIERO HSBC, S.A. DE C.V.  
FIRST HALF 2009 FINANCIAL RESULTS - HIGHLIGHTS**

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- Total operating income before loan impairment charges for the first half of 2009 was MXN18,265 million, down by MXN419 million or 2.2 per cent compared with MXN18,684 million for the same period in 2008.
- Profit before tax for the first half of 2009 was MXN208 million, down by MXN3,416 million or 94.3 per cent compared with MXN3,624 million for the same period in 2008.
- Net income for the first half of 2009 was MXN649 million, down by MXN2,205 million or 77.3 per cent compared with MXN2,854 million for the same period in 2008.
- Gross loans and advances to customers were MXN160.2 billion at 30 June 2009, down by MXN34.8 billion or 17.8 per cent compared with MXN195.0 billion at 30 June 2008.
- Deposits were MXN220.3 billion at 30 June 2009, down by MXN45.6 billion or 17.1 per cent compared with MXN265.8 billion at 30 June 2008.
- Return on equity was 3.6 per cent for the first half of 2009, compared with 15.1 per cent for the same period in 2008.
- The cost efficiency ratio was 58.1 per cent for the first half of 2009, compared with 58.1 per cent for the same period in 2008.
- At 30 June 2009, the Bank's regulatory capital adequacy ratio was 13.4 per cent. The tier 1 capital ratio at 30 June 2009 was 9.7 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 financial information on a quarterly basis (in this case for the quarter ended 30 June 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).*

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

### Overview

#### Mexico

officially entered into recession in the first quarter of this year after two consecutive quarters of falling GDP.

#### Mexico

's economy is expected to contract by 9.9 per cent in the second quarter of 2009, after a strong fall to 8.2 per cent in the first quarter; a total contraction of 5.9 per cent is anticipated in 2009. The AH1N1 influenza outbreak in April contributed to the downturn, mostly affecting the tourism industry and small and medium enterprises.

The Mexican Central Bank reduced interbank interest rates from 8.25 to 4.75<sup>1</sup>

per cent during the first half of 2009. The exchange rate volatility observed in the first quarter of the year continued during the second quarter. However, during the first six months of 2009 the appreciation reached 4.6 per cent.

In the first half of 2009, Grupo Financiero HSBC's net income was MXN649 million, a decrease of MXN2,205 million, or 77.3 per cent, compared to 30 June 2008. Profit before tax for the first half of 2009 was MXN208 million, a decrease of MXN3,416 million or 94.3 per cent with regards to 30 June 2008. These results are largely due to higher loan impairment charges due to a greater deterioration in credit quality, decreased net interest income as a result of lower credit portfolio and deposit volumes coupled with falling interest rates. This was partially offset by a significant increase in trading income. In addition non recurring income generated from the sale of Visa Inc. US dollar denominated securities IPO shares was reported in the first half of 2008.

Net interest income decreased by MXN1,842 million, or 14.7 per cent, to MXN10,687 million compared to the same period in 2008. Repricing strategies deployed during this period have partially offset lower lending volumes and decreased deposits margins resulting from falling interest rates. In addition, net interest income fell due to the cost of funding larger trading positions. This was more than offset by increased trading income.

Loan impairment charges during the first half of 2009 were MXN8,818 million, an increase of MXN2,426 million or 38.0 per cent compared to the same period in 2008. This increase is mainly due to higher delinquency rates in the consumer loan portfolio, particularly credit cards, and additional credit provisions required in accordance with regulatory requirements for the commercial portfolio, specifically corporate loans, as a result of changes in credit ratings during the first quarter of 2009.

Net fee income was MXN5,061 million at the first half of 2009, a decrease of MXN761 million, or 13.1 per cent, compared to the same period in 2008. This was largely driven by decreased business activity and lower consumer lending volumes, particularly those related to credit card revenues, account management fees, as well as a reduction in transaction volumes from payments and cash management services and ATMs.

Trading income was MXN2,154 million at 30 June 2009, an increase of MXN1,821 million, compared to the same period in 2008. This increase is mainly due to a strong performance, particularly foreign exchange and debt trading, as a result of market volatility and larger trading positions.

Grupo Financiero HSBC, S.A. de C.V.'s management remained focused on expense control. As a result administrative expenses decreased MXN245 million, to MXN10,612 million during the first half of 2009 compared to the same period in 2008, largely achieved from the elimination of a credit card cash back promotional facility and personnel expenses. However, this decrease is offset by the reclassification of employee profit-sharing taxes as operating expenses as required by revised accounting rules in the first half of 2009. Excluding the impact of this change, administrative expenses are MXN972 million, or 8.4 per cent, lower compared to the same period in 2008 and the cost

efficiency ratio improvement would be 3.9 percentage points.

Net other income decreased by MXN816 million or 37.3 per cent to MXN1,373 million compared to the same period in 2008, when non recurring income of MXN1,041 million was generated from the sale of Visa Inc. US dollar denominated securities IPO shares.

The performance of our non-bank subsidiaries, particularly HSBC Seguros, contributed with MXN541 million of total net income an increase of MXN13 million compared to the same period in 2008. The performance of our insurance business was driven by cautious underwriting, stable claims behaviour and good expense control.

Gross loans and advances to customers decreased 17.8 per cent to MXN160.2 billion at 30 June 2009, compared to 30 June 2008. The reduction in the loan portfolio was mainly due to prepayments made in government loan portfolios, as well as reduced demand in the consumer and commercial portfolios, coupled with tighter origination criteria.

The coverage ratio (allowance for loan losses/impaired loans) was 126.5 per cent at 30 June 2009, compared to 124.2 per cent at 30 June 2008. Management is focusing its efforts on improving asset quality by maintaining tight control of origination policies and to strengthen collection operations.

Total deposits, including money market funds, decreased 17.1 per cent to MXN220.3 billion at 30 June 2009. This is largely due to a decrease of MXN24.6 billion in money market deposits, replaced with increased bank deposits and subordinated debentures. Demand deposits were MXN117.3 billion, 7.6 per cent lower compared to 30 June 2008. This reduction is mainly a consequence of the economic slowdown, strong competition to attract deposits from the public and reduced branch operations following a restructuring of the network.

During the second quarter of 2009 USD196.7 million or MXN2,593 million subordinated debentures were issued to strengthen our capital base.

#### The Bank

continues to remain strongly capitalised with a total capital ratio of 13.4 per cent at 30 June 2009, down 10 basis points compared to 13.5 per cent at 30 June 2008. As of 30 June 2009, the tier 1 capital ratio is 9.7 per cent.

<sup>1</sup> Source: Banxico (Banco de México) TIE rate

## **Grupo Financiero HSBC, S.A. de C.V. Business Highlights**

### **Personal Financial Services**

During the first half of 2009 Personal Financial Services implemented a number of strategies to promote the use of alternative distribution channels as the most convenient option for customers for a range of transactions. This includes using the Bank's extensive network of ATMs, electronic banking and telephone banking.

At June 30 2009 the consumer loan portfolio decreased mainly due to tighter underwriting criteria in order to improve credit quality, and lower demand in the market.

During the first half of 2009, the business continued promoting the '  
*Plan Solución HSBC*

', a programme to provide revised repayment terms to its customers in order to improve collections. In addition, a support programme was launched during the month of May to provide payment solutions to all customers who were

affected by the AH1N1 influenza outbreak.

Deposit volumes fell as a result of intense competition in a declining economic environment, the elimination of foreign currency cash transactions in branches and reduced branch operations. Marketing campaigns to reinforce our deposit product offerings for '

*Cuenta Flexible HSBC'*

and

*'Cuenta Ahorro HSBC'*

continue.

### **Commercial Banking**

Commercial Banking efforts have focussed in maintaining credit portfolio quality, targeting growth in low-risk segments such as states and municipalities, in line with current economic environment. For the first half of 2009 asset quality in our commercial and corporate portfolios remained stable.

During the first half of 2009 customer deposits have decreased compared to 30 June 2008, while falling interest rates have reduced deposit margins.

New products were launched enhancing payments and cash management and bundled products proposal. Continuing with our strategy to be 'the best bank for small business', the first centre for small and medium sized businesses in Mexico

was opened in

Merida

and has been favourably received by that business community. Similar centres are planned to be opened in major cities of the country.

### **Global Banking and Markets**

Global Markets reported strong performance during the first half of 2009 as a result of favourable positioning of the debt portfolio and an increase in foreign exchange trading.

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

Debt Capital Markets continued to support the gradual reopening of the Mexican market. HSBC has been involved as both joint lead manager and bookrunner in the vast majority of transactions in the local market, which include deals for MXN10,000 million from Petróleos Mexicanos, MXN3,500 million from Kimberly Clark de Mexico, MXN2,000 million from Infonavit (which was the first issuance of bonds backed by mortgages in Mexico in 2009) and MXN10,000 million from Bimbo for Weston Foods acquisition.

HSBC Mexico was awarded the Best Debt House in

Mexico

in the Euromoney excellence awards 2009.

Global Banking results continue to benefit from repricing strategies in line with market conditions and customer demand.

### **About HSBC**

Grupo Financiero HSBC, S.A. de C.V. is Mexico's fifth largest banking and financial services institution with 1,190 branches, 5,992 ATMs, approximately 7.8 million customer accounts and more than 19,000 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, and a member of the HSBC Group.

With around 9,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa

and assets of US\$2,527 billion at 31 December 2008,

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 June 2009</b>	30 June 2008	<b>30 June 2009</b>	30 June 2008
<b>Assets</b>				
Cash and deposits in banks	<b>65,346</b>	51,596	<b>65,346</b>	51,596
Margin accounts	<b>3,997</b>	-	<b>3,997</b>	-
Investment in securities	<b>126,999</b>	82,415	<b>126,442</b>	81,730
Trading securities	<b>73,990</b>	50,311	<b>73,903</b>	50,209
Available-for-sale securities	<b>43,989</b>	28,080	<b>43,519</b>	27,497
Held to maturity securities	<b>9,020</b>	4,024	<b>9,020</b>	4,024
Repurchase agreements	<b>798</b>	42	<b>798</b>	34
Derivative transactions	<b>31,368</b>	16,218	<b>31,368</b>	16,218

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Performing loans				
Commercial loans	<b>70,184</b>	72,561	<b>70,184</b>	72,561
Loans to financial intermediaries	<b>7,832</b>	14,596	<b>7,832</b>	14,596
Consumer loans	<b>36,564</b>	47,872	<b>36,564</b>	47,872
Mortgage loans	<b>19,287</b>			