

HSBC HOLDINGS PLC  
Form 6-K  
July 30, 2010

**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-.....).

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30 July 2010

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

**FIRST HALF 2010 FINANCIAL RESULTS - HIGHLIGHTS**

- Net income for the first half of 2010 was MXN1,047 million, an increase of MXN398 million or 61.3 per cent compared with MXN649 million for the same period in 2009.
  
- Net income before tax for the first half of 2010 was MXN634 million, an increase of MXN426 million or 204.8 per cent compared with MXN208 million for the same period in 2009.
  
- Total operating income for the first half of 2010 was MXN10,419 million, an increase of MXN972 million or 10.3 per cent compared with MXN9,447 million in the same period in 2009.
  
- Loan impairment charges for the first half of 2010 were MXN5,291 million, a decrease of MXN3,527 or 40.0 per cent compared with MXN8,818 million for the same period in 2009.
  
- Net loans and advances to customers were MXN144.0 billion at 30 June 2010, a decrease of MXN3.1 billion or 2.1 per cent compared with MXN147.1 billion at 30 June 2009.  
Total impaired loans as a percentage of gross loans and advances to customers improved to 4.2 per cent from 6.4 per cent compared with 30 June 2009 and the coverage ratio was 158.1 per cent compared with 126.5 per cent at 30 June 2009.
  
- Deposits were MXN231.4 billion at 30 June 2010, an increase of MXN11.1 billion or 5.0 per cent compared with MXN220.3 billion at 30 June 2009.
  
- Return on equity was 4.4 per cent for the first half of 2010, compared with 3.6 per cent for the same period in 2009.
  
- At 30 June 2010, the bank's capital adequacy ratio was 16.6 per cent and the tier 1 capital ratio was 12.9 per cent, compared with 13.4 per cent and 9.7 per cent respectively at 30 June 2009.

*HSBC Mexico S.A. (the bank) is Grupo Financiero HSBC, S.A. de C.V.'s (Grupo Financiero 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 2010) 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).*







## Overview

Mexico's GDP growth forecast for 2010 has been revised upwards to 4.4 per cent from 3.6 per cent, following better than expected first quarter GDP growth and improvements in other economic indicators such as the Manufacturing and Non-Manufacturing Purchasing Managers Indexes. These data confirm the improving outlook for the Mexican economy. The Mexican peso appreciated to 12.8 to the US dollar from 13.1 at the end of 2009.

Headline and core inflation pressures are expected to be benign for the remainder of 2010. Monetary tightening is now expected to begin in early 2011 instead of late 2010. Interest rates are expected to rise in the first half of 2011 and are forecast to increase by 100 basis points to 5.5 per cent by the end of the year.

During the first half of 2010, Grupo Financiero HSBC maintained its strategy to become the best bank for its clients, shareholders and employees. The bank consolidated measures introduced in previous years to improve the asset quality of its credit portfolios and lay the foundations for future business growth. Cautious risk management, strong collections and capital strength continue to be key pillars supporting this period's performance. With improving customer service continuing to be a principle objective, as of the end of June, branch opening hours have been standardized, providing convenient service schedules for all our customers. Early indications from customer satisfaction surveys show that this standardization has been well received.

In the first half of 2010, Grupo Financiero HSBC's net income was MXN1,047 million, an increase of MXN398 million or 61.3 per cent compared with the same period in 2009. Key factors contributing to the improvement are the reduction in loan impairment charges and higher net income from subsidiaries. These two factors more than offset the effect of lower revenues when compared with the same period in 2009.

Net interest income was MXN10,407 million, a decrease of MXN280 million or 2.6 per cent compared with the same period in 2009. This reduction was mainly due to lower margins on customer deposits as a result of lower interest rates, and lower consumer portfolio volumes, particularly credit cards. This has been partially offset by net interest income generated through available for sale securities positions.

Loan impairment charges were MXN5,291 million, a decrease of MXN3,527 million or 40.0 per cent when compared with the same period in 2009. Lower portfolio volumes, particularly in consumer lending, improved credit quality of originations and enhanced collections practices have played a significant role in bringing about this improvement. The decrease in loan impairment charges was achieved despite MXN448 million of additional reserve requirements resulting from local regulatory changes in the methodology for calculating provisions for consumer loans introduced in the third quarter of 2009.

Risk adjusted net interest income was MXN5,116 million, up by MXN3,247 million or 173.7 per cent when compared with MXN1,869 million for the same period in 2009.

Net fee income was MXN4,013 million, a decrease of MXN1,048 million or 20.7 per cent compared with the same period in 2009. This decrease was driven by lower credit card fees as a result of lower portfolio volumes, lower transactional volumes from payments and cash management and a reduction in account management fees.

Trading income was MXN815 million, a decrease of MXN1,339 million or 62.2 per cent compared with the same period in 2009. This decrease is due to an extraordinary first half in 2009 in foreign exchange and debt trading as a result of the extreme market volatility experienced during the financial crisis. In the first half of 2010, market conditions have led to lower foreign exchange and less debt trading operations, this has been partially offset by an increase in securities sales.

Administrative and personnel expenses were MXN11,219 million, an increase of MXN607 million or 5.7 per cent compared with the same period in 2009. This increase is mainly due to higher personnel costs, as a result of an increase in headcount and expenditure related to infrastructure and technology and regional operations.

The performance of non-banking subsidiaries, particularly HSBC Seguros, contributed positively to the bank's results, reporting a net profit of MXN 608.8 million at 30 June 2010, an increase of 12.5 per cent compared with the same period in 2009. The higher results were driven by growth in net premium income, mainly as a result of the sale of individual life products (*T-5*), which reported a 12 per cent increase when compared to June 2009 and increased sales of a life endowment product launched in the second half of 2009. Additionally, claims have decreased 6 per cent when compared to June 2009, particularly in individual life products, where claims reported an 18 per cent decrease when compared to the same period in 2009. Tight expense control has also contributed to the results.

Net loans and advances to customers decreased MXN3.1 billion or 2.1 per cent to MXN144.0 billion at 30 June 2010 compared with 30 June 2009. This decrease is consistent with Grupo Financiero HSBC's strategy of prudent credit origination criteria, and reflects subdued demand for credit in the financial system as a whole. Growth in lending to financial institutions and government entities partially offset reductions in other credit portfolios.

Total impaired loans decreased by 37.8 per cent to MXN6.4 billion at 30 June 2010 when compared with 30 June 2009, mainly due to a 60.8 per cent reduction in non-performing consumer loans. Total impaired loans as a percentage of gross loans and advances to customers improved to 4.2 per cent from 6.4 per cent at 30 June 2009.

Total loan loss allowances at 30 June 2010 were MXN10.1 billion, a decrease of MXN2.9 billion or 22.2 per cent when compared with 30 June 2009. The total coverage ratio (allowance for loan losses divided by impaired loans) was 158.1 per cent at 30 June 2010, when compared with 126.5 per cent at 30 June 2009.



Total deposits were MXN231.4 billion at 30 June 2010, an increase of MXN11.1 billion or 5.0 per cent when compared with 30 June 2009. This increase is due to the Bank's focus on strengthening the deposit base through promoting competitive deposit product offerings. Demand deposits increased MXN9.1 billion or 7.7 percent to MXN126.4 billion and time deposits increased MXN2.1 billion or 2.1 percent to MXN100.7 billion.

At 30 June 2010, the bank's capital adequacy ratio was 16.6 per cent when compared with 13.4 per cent at 30 June 2009. The tier 1 capital ratio was 12.9 per cent when compared with 9.7 per cent at 30 June 2009. This increase is a result of the MXN8,954 million capital injection received in the fourth quarter of 2009.

In July 2010, Banco de Mexico announced new regulations limiting the fees that can be charged for various banking services. This is likely to have a significant impact on future fee income.

## Business Highlights

### Personal Financial Services (PFS)

During the first half of 2010, PFS implemented a series of strategies aimed at growing deposits in the affluent segment and prudent reactivation of credit growth, while continuing with the rollout of the branch renovation programme.

Mutual funds sales volumes have increased following a targeted marketing campaign to promote the awareness and benefits of investing in HSBC's mutual funds, complemented by a focus by Premier Relationship Managers on sales.

Payroll accounts increased as a result of the implementation of a number of sales-focused activities across a number of commercial sectors, assisted by product enhancement - *Escudo Total* - and delivery through a dedicated implementation service team. These actions, coupled with a World Cup promotion campaign drove an increase in checking and savings accounts ("*Flexible*", "*Ahorro*" and "*La Efectiva*") during the first half of 2010. In addition, significant improvements to the account opening process were implemented at the beginning of the year.

Market consumer lending activity remained subdued in the first half of 2010. The Bank prudently increased credit card sales and implemented a number of activities and promotions to targeted credit card customers including interest-free periods, balance transfer offers, preferential interest rates and cash advance offers. The Premier MasterCard World Elite card was launched at the beginning of the year to provide Premier customers with a best in class credit card proposition.

Special focus has also been given to increasing payroll loan sales, including a six- month interest free period promotion. The increased sales are being supported by strengthened credit origination processes and prudent credit risk policies to ensure high credit quality standards are maintained.

### **Commercial Banking**

During the first half of 2010, Commercial Banking has focused on supporting customers with their business plans, resulting in 29 per cent growth in the credit portfolio and 19 per cent growth in deposits, compared with 30 June 2009.

Business Banking continues to be one of the business's top priorities and a specialized sales force has been established for this segment. Enhancements have been made to our credit product offerings, particularly for long-standing customers, that are aimed at increasing our credit portfolio while at the same time strengthening credit quality.

Commercial Banking continued its strategy of targeting states and municipalities through providing specialized training to our executives and strengthening our regional presence in this segment.

### **Global Banking and Markets**

Global Markets achieved strong results for the first half of 2010, driven by Balance Sheet Management. This was mainly due to the successful risk management strategy of repositioning within the yield curve in anticipation of the delay to the timing of interest rate increases.

Trading results were lower compared to the same period in 2009 due to less favorable market conditions. During the first half of 2010, HSBC was ranked fourth in the Banco de Mexico Primary Dealers league table.

Debt Capital Markets has been actively involved in transactions that have re-opened the local debt markets. In the midst of a period of low investor sentiment, the bank proved that the market was still open for blue-chip issuers such as PEMEX, Liverpool, INFONAVIT and GMAC Mexicana. This helped the bank achieve second position in the Mexican debt issuance league tables.

HSBC's local and worldwide Global Banking business expertise, market intelligence, and seamless execution, resulted in deals such as Pemex (deal of the year of Trade Finance Magazine and Global Trade Review). Global Banking also executed advisory deals for top tier local corporate customers, highlighting the strength of the newly developed HSBC Latin America Advisory platform.

#### About HSBC

Grupo Financiero HSBC, S.A. de C.V. is one of the leading financial groups in Mexico with 1,186 branches, 6,479 ATMs, approximately eight million customer accounts and more than 19,500 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 8,000 offices in 88 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa and assets of US\$2,364 billion at 31 December 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>	GROUP		BANK	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
<b>Assets</b>				
Cash and deposits in banks	<b>46,590</b>	65,346	<b>46,590</b>	65,346
Margin accounts	<b>3</b>	3,997	<b>3</b>	3,997
Investment in securities	<b>161,953</b>	126,999	<b>160,384</b>	126,442
Trading securities	<b>57,463</b>	73,990	<b>56,639</b>	73,903
Available-for-sale securities	<b>96,223</b>	43,989	<b>95,478</b>	43,519
Held to maturity securities	<b>8,267</b>	9,020	<b>8,267</b>	9,020
Repurchase agreements	-	798	-	798
Derivative transactions	<b>27,829</b>	31,368	<b>27,829</b>	31,368
Performing loans				
Commercial loans	<b>64,781</b>	70,184	<b>64,781</b>	70,184
Loans to financial intermediaries	<b>11,979</b>	7,832	<b>11,979</b>	7,832
Consumer loans	<b>27,306</b>	36,564	<b>27,306</b>	36,564
Mortgage loans	<b>19,477</b>	19,287	<b>19,477</b>	19,287
Loans to government entities	<b>24,207</b>	16,003	<b>24,207</b>	16,003
Total performing loans	<b>147,750</b>	149,870	<b>147,750</b>	149,870
Impaired loans				
Commercial loans	<b>1,857</b>	2,425	<b>1,857</b>	2,425
Loans to government entities	-	-	-	-
Consumer loans	<b>2,325</b>	5,930	<b>2,325</b>	5,930
Mortgage loans	<b>2,226</b>	1,947	<b>2,226</b>	1,947
Total impaired loans	<b>6,408</b>	10,302	<b>6,408</b>	10,302
Gross loans and advances to customers	<b>154,158</b>	160,172	<b>154,158</b>	160,172
Allowance for loan losses	<b>(10,134)</b>	(13,033)	<b>(10,134)</b>	