

HSBC HOLDINGS PLC  
Form 6-K  
July 29, 2011

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

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-.....).

29 July 2011

GRUPO FINANCIERO HSBC, S.A. DE C.V.  
FIRST HALF 2011 FINANCIAL RESULTS - HIGHLIGHTS

Net income before taxes for the first half of 2011 was MXN1,968m, an increase of MXN683m or 53.2% compared with MXN1,285m in the first half of 2010. The 2011 results were affected by restructuring charges, the majority of which related to a reorganization of the bank's regional services. Excluding the effect of these charges, net income before taxes would have been MXN2,945m, up by MXN1,660m or 129.2% compared to the first half of 2010.

Net income for the first half of 2011 was MXN1,583m, an increase of MXN536m or 51.2% compared to the first six months of 2010. Excluding the effect of the restructuring charges, net income would have been MXN2,267m, up MXN1,220m or 116.5% compared with the first half of 2010.

Total operating income, net of loan impairment charges, for the first half of 2011 was MXN14,911m, an increase of MXN2,785m or 23.0% compared with MXN12,126m in the first six months of 2010.

Loan impairment charges for the first half of 2011 were MXN3,202m, a decrease of MXN2,089m or 39.5% compared with MXN5,291m in the first six months of 2010.

Net loans and advances to customers were MXN178.2bn at 30 June 2011, an increase of MXN34.2bn or 23.8% compared with MXN144.0bn at 30 June 2010. Total impaired loans as a percentage of gross loans and advances to customers improved to 2.5% compared with 4.2% at 30 June 2010. The coverage ratio (allowance for loan losses divided by impaired loans) was 215.8% compared with 158.1% at 30 June 2010.

At 30 June 2011, deposits were MXN273.3bn, an increase of MXN41.9bn or 18.1% compared with MXN231.4bn at 30 June 2010.

Return on equity was 6.5% for the first half of 2011, compared with 4.4% for the same period in 2010.

At 30 June 2011, the bank's capital adequacy ratio was 13.98% and the Tier 1 capital ratio was 10.77%, compared with 16.63% and 12.89%, respectively at 30 June 2010, and 14.5 per cent and 11.2 per cent respectively at 31 December 2010.

From the first quarter of 2011, regulatory requirements issued by the Comisión Nacional Bancaria y de Valores - CNBV - require financial figures for both the insurance and bond companies, HSBC Seguros and Fianzas Mexico respectively, to be presented on a consolidated basis. As a result, first half 2010 financial results have been re-stated to be comparable with first half of 2011.

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 first half ended 30 June 2011) 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

The economic environment in the first half of 2011 has been mixed. During the first half of 2011, the Mexican economy continued the recovery observed in the last quarter of 2010. In the second quarter of 2011, however, there has been a slowdown in economic momentum in the US, which is likely to have a negative impact on the Mexican industrial sector in the second half of the year.

Domestic demand continues to expand at a moderate pace, slowed by unemployment which is still relatively high. Despite this, the Mexican economy is still expected to grow by 4.1% in 2011. Inflationary pressures continue to be benign, aided by the strengthening of the Mexican peso.

During the first six months of 2011, Grupo Financiero HSBC's net income was MXN1,583m, a increase of MXN536m or 51.2% compared with the first six months of 2010. Higher trading income and lower impairment charges were offset by lower net interest income, net fee income and increased administrative expenses, the latter largely impacted by the restructuring charges.

Net interest income was MXN10,708m, a decrease of MXN561m or 5.0% compared with the first six months of 2010. This decline was mainly driven by higher funding costs, lower credit card balances, and a contraction in spreads in lending products, which were partially offset by higher spreads on available for sale securities.

Loan impairment charges were MXN3,202m, a decline of MXN2,089m or 39.5% compared with the first six months of 2010. This decrease is due to a general improvement in credit quality across the portfolios and lower credit card volumes.

Net fee income was MXN2,910m, a decrease of MXN422m or 12.7% compared with the first six months of 2010. This reduction was mainly a result of a decline in the volume of credit cards and fewer account services and ATM fees, where increased charges to non-HSBC customers led to a change in customer behaviour. Fee income has been also affected by regulatory restrictions limiting the fees that can be charged for ATM and customer deposit services.

Trading income was MXN1,898m, an increase of MXN814m or 75.1% compared with the first six months of 2010. The improvement in trading income is mainly the result of a strong performance in derivatives, partially offset by lower foreign exchange and debt trading results.

Administrative and personnel expenses were MXN12,960m, an increase of MXN2,116m or 19.5% compared with the first six months of 2010. This increase is mainly driven by IT related costs, higher personnel expenses and restructuring charges, partially explained by headcount reduction. Excluding the effect of the restructuring charges, the increase in expenses would have been MXN1,139m or 10.5% compared with the first six months of 2010.

Other operating income was MXN2,597m, an increase of MXN865m or 49.9% compared to the first six months of 2010. This increase is mainly driven by the gain on the sale and leaseback of certain branches in the network.

The performance of non-banking subsidiaries, particularly HSBC Seguros, contributed positively to the bank's results, reporting a net profit of MXN 1,517m for the six months to 30 June 2011, an increase of 25% when compared with the first six months of 2010. The higher results were driven by a 20% growth in net premium income since 30 June 2010, while expenses reduced by 16%. The claims ratio improved 11% when compared to the same period of 2010, mainly due to (T-5) individual life products. In addition, expenses in respect of claims decreased as the result of a refinement to the methodology for calculating claims reserves.

Net loans and advances to customers increased MXN34.2bn or 23.8% to MXN178.2bn at 30 June 2011 compared with 30 June 2010. This increase is mainly driven by growth in the commercial portfolio.

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At 30 June 2011, total impaired loans had decreased by 29.7% to MXN4.5bn compared with 30 June 2010, mainly due to a 43.1% reduction in impaired consumer loans, as collections and underwriting processes were tightened. Total impaired loans as a percentage of gross loans and advances to customers improved to 2.5% from 4.2% at 30 June 2010.

Total loan loss allowances at 30 June 2011 were MXN9.7bn, a decrease of MXN414m or 4.1% compared to 30 June 2010. The total coverage ratio (allowance for loan losses divided by impaired loans) was 215.8% at 30 June 2011 compared with 158.1% at 30 June 2010. This increase in the coverage ratio is primarily driven by a reduction in impaired consumer loans, particularly in credit cards.

Total deposits were MXN273.3bn at 30 June 2011, an increase of MXN41.9bn or 18.1% compared with 30 June 2010. This is the result of targeted promotions of the 'Advance', 'Inversion diaria' and 'Premier' deposit products.

At 30 June 2011, the bank's capital adequacy ratio was 13.98% compared with 16.63% at 30 June 2010. The Tier 1 capital ratio was 10.77% compared with 12.89% at 30 June 2010. The reduction in the capital adequacy ratio is mainly due to an increase in credit risk assets, the impact of the adoption of local regulatory operational risk requirements, dividends paid in the first quarter of 2011 and a decrease in retained earnings related to change in local provisioning methodology. Additionally, available for sale security valuations decreased during the first half of 2011, negatively impacting the capital ratio, however this was partially offset by a decrease in market risk RWAs.

In the first quarter of 2011, the bank paid a dividend of MXN1,800m representing MXN1.095 per share and Grupo Financiero HSBC paid a dividend of MXN3,520m representing MXN1.377 per share.

### Business Highlights

#### Retail Banking and Wealth Management (RBWM)

During the first half of 2011, RBWM continued to achieve solid sales in its consumer loan portfolios and repositioned the wealth management business. The New Branch Operating Model is the primary support platform, aimed at developing relationship managers into financial advisors.

New product offerings and promotions were launched in order to reinforce our focus on wealth management, such as: equity trading through personal internet banking and campaigns targeted at providing investment solutions to our affluent customers.

Special focus was placed on leveraging our Global Banking and Commercial Banking relationships to cross-sell our payroll service capabilities. This resulted in the highest payroll account increase in a quarter in the last 6 years, reporting at the second quarter of 2011 a 175% increase in accumulated new payrolls compared with the first quarter of 2011.

Credit card balances across the industry remained flat. However, as a result of the "+ Puntos & + Millas" campaign, we have increased credit card sales by 43% compared to the last quarter. This campaign has also resulted in increased balances in our credit card portfolio. In addition, we launched several strategies aimed at reducing the seasonal balance decrease with campaigns such as instalments on purchases, balance transfers, credit limit increases, extended preferential rates, cash advances and convenience cheques.

We also continued improving the efficiency of our branch network through consolidation where we closed 66 branches during the first half of the year. At the same time, average total branch floor space increased from 410m<sup>2</sup> in 2010 to 413m<sup>2</sup> at 30 June 2011.

## Commercial Banking

During the first half of 2011, the Commercial Banking loan portfolio and deposits grew by 30% and 21% respectively compared to 30 June 2010.

The "HSBC Empresas" credit card, which was launched three months ago to our business banking customers, is growing strongly. Various strategies are being implemented to encourage the use of this credit card.

Our business proposition for the Business Banking upper segment, which provides customers with a dedicated relationship manager, was launched in the second quarter of 2011. This will be rolled out to the large cities of the northern and central regions of the country during the second half of the year.

For our corporate clients, we are implementing business strategies aimed at increasing our participation in Trade and Supply Chain, Payments and Cash Management, and Global Markets.

## Global Banking and Markets

For the first half of 2011, Global Markets continued to report good revenues in balance sheet management and trading.

Cross-selling of Global Markets' products and services to all the bank's customer segments remains the key growth driver. A clear illustration of the success of these initiatives is the distribution of FX structured notes.

In the Debt Capital Markets business, we have placed and participated in bond issuances for a total transaction amount of MXN78,417m, including United Mexican States (UMS), CEMEX, Inbursa, Santander, INFONAVIT, Bancomext, Asea, Gas Natural and Interacciones. As a result of these issuances, Grupo Financiero HSBC is placed second in local debt capital market league tables.

During the first half of 2011, Global Banking's credit and lending business originated new lending to corporate clients in excess of MXN11,960m, compared to MXN8,000m in the first half of 2010.

Global Banking continues to grow average balances, particularly in Client Bank Deposits which have reported a 63% increase in average balances compared to 30 June 2010.

During the first half of 2011, our Advisory platform participated in two major transactions, the acquisition of business assets by Petrotex and the merger of Embotelladora Arca and Grupo Continental, creating the second largest Coca Cola bottler in Latin America.

## Sale of HSBC Afore to Principal Financial Group

On 11 April 2011, Grupo Financiero HSBC signed an agreement to sell HSBC Afore, S.A. de C.V., its pension funds management business, to Principal Financial Group, S.A. de C.V. ('Principal') for a cash consideration of MXN2,360m (approximately US\$198m).

Grupo Financiero HSBC and Principal are working together to ensure a smooth transition and have agreed to establish an exclusive distribution agreement, under which Principal will continue the sale and servicing of its pension fund products through Grupo Financiero HSBC's retail banking network in Mexico.

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The transaction, which is awaiting all regulatory approvals, is expected to be completed in the third quarter of 2011.

Grupo Financiero HSBC 2011 financial results as reported to HSBC Holdings plc, our ultimate parent company, under International Financial Reporting Standards (IFRS)

For the first half of 2011, Grupo Financiero HSBC reported pre-tax profits of MXN3,433m, an increase of MXN601m or 21.2% compared with MXN2,832m in the first half of 2010.

The higher results compared to that reported under Mexican GAAP is largely due to lower loan impairment charges as result of the different provisioning methodologies. A reconciliation and explanation between the Mexican GAAP and IFRS results is included with the financial statements of this document.

### About HSBC

Grupo Financiero HSBC, is one of the leading financial groups in Mexico with 1,078 branches, 6,249 ATMs, approximately eight and a half million total customer accounts and more than 19,000 employees. For more information, consult our website at [www.hsbc.com.mx](http://www.hsbc.com.mx).

Grupo Financiero HSBC is a 99.99% directly owned subsidiary of HSBC Latin America Holdings (UK) Limited, which is a wholly owned subsidiary of HSBC Holdings plc, and a member of the HSBC Group. With around 7,500 offices in 87 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa and with assets of US\$2,598bn at 31 March 2011, 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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### Consolidated Balance Sheet

Figures in MXN millions	GROUP		BANK	
	30 Jun 2011	30 Jun 2010	30 Jun 2011	30 Jun 2010
Assets				
Cash and deposits in banks	53,637	46,593	53,634	46,590

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Margin accounts	8	3	8	3
Investment in securities	172,448	175,312	157,931	160,384
Trading securities	37,665	63,383	30,808	56,639
Available-for-sale securities	119,913	95,795	119,913	95,478
Held to maturity securities	14,870	16,134	7,210	8,267
Repurchase agreements	7,774	-	7,773	-
Derivative transactions	28,633	27,829	28,633	27,829
Performing loans				
Commercial loans	86,489	64,781	86,489	64,781
Loans to financial intermediaries	17,042	11,979	17,042	11,979
Consumer loans	28,613	27,306	28,613	27,306
Mortgage loans	17,834	19,477	17,834	19,477
Loans to government entities	27,992	24,207	27,992	24,207
Total performing loans	177,970	147,750	177,970	147,750
Impaired loans				
Commercial loans	1,330	1,857	1,330	1,857
Consumer loans	1,324	2,325	1,324	2,325
Mortgage loans	1,850	2,226	1,850	2,226
Total impaired loans	4,504	6,408	4,504	6,408
Gross loans and advances to customers	182,474	154,158	182,474	154,158
Allowance for loan losses	(9,720)	(10,134)	(9,720)	(10,134)
Receivable	5,488	-	5,488	-
Net loans and advances to customers	178,242	144,024	178,242	144,024
Premium receivables	310	306	-	-
Accounts receivables from reinsurers and rebonding companies	343	409	-	-
Other accounts receivable	32,804	28,414	32,887	28,616
Foreclosed assets	165	165	161	165
Property, furniture and equipment, net	8,205	7,739	8,205	7,736
Long-term investments in equity securities	192	192	113	118
Long-term assets available for sale	2,361	2,330	1	-
Deferred taxes	5,454	4,552	5,328	4,558
Goodwill	1,218	1,218	-	-
Other assets, deferred charges and intangibles	4,260	4,213	3,917	3,900
Total assets	496,054	443,299	476,833	423,923

GROUP

BANK

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Figures in MXN millions	30 Jun 2011	30 Jun 2010	30 Jun 2011	30 Jun 2010
<b>Liabilities</b>				
Deposits	273,255	231,370	274,106	231,570
Demand deposits	158,190	126,400	159,041	126,600
Time deposits	110,829	100,735	110,829	100,735
Issued credit securities	4,236	4,235	4,236	4,235
 Bank deposits and other liabilities				