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HSBC HOLDINGS PLC  
Form 6-K  
October 26, 2007

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, 2007

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- .....

HSBC MEXICO  
THIRD QUARTER 2007 FINANCIAL RESULTS - HIGHLIGHTS

On 8 August 2006, HSBC Panama was sold by Grupo Financiero HSEC, S.A. de C.V. to HSBC Asia Holdings BV. All comparative commentary within this report is therefore on a like-for-like basis excluding HSBC Panama, with the income statement as presented in Appendix A. The financial statements in this release include HSBC Panama up to the date of disposal.

- Net income down 10.8 per cent to MXN3,862 million for the nine months ended 30 September 2007 (MXN4,331 million for the nine months ended 30 September 2006).
- Total revenues (excluding monetary position and before loan impairment charges) up 15.9 per cent to MXN24,976 million for the nine months ended 30 September 2007 (MXN21,553 million for the nine months ended 30 September 2006).

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- Net loans and advances to customers up MXN33.0 billion, or 21.9 per cent, to MXN183.6 billion at 30 September 2007 (MXN150.5 billion at 30 September 2006).
- Total assets up MXN38.6 billion, or 13.1 per cent, to MXN334.2 billion at 30 September 2007 (MXN295.6 billion at 30 September 2006).
- Cost efficiency ratio (excluding monetary position) improved to 60.1 per cent for the nine months ended 30 September 2007 (61.5 per cent for the nine months ended 30 September 2006).
- Return on equity of 14.8 per cent for the nine months ended 30 September 2007 (20.1 per cent for the nine months ended 30 September 2006).

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 2007) 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 figures denominated in Mexican pesos (MXN). Comparative figures are presented on an actual basis, indexed to constant MXN as at 30 September 2007.

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

Commentary by Paul Thurston, CEO of Grupo Financiero HSBC:

"Grupo Financiero HSBC, Mexico's fourth largest bank in terms of total assets, continues to demonstrate strong business growth, with revenues for the nine months to 30 September 2007 up by 15.9 per cent on the same period of the previous year, despite lower earnings from trading and balance sheet management.

"Year-on-year, credit card outstandings increased by 101.9 per cent to MXN24.3 billion and personal and payroll loans by 89.7 per cent to MXN8.2 billion. The commercial loan portfolio rose 28.9 per cent to MXN68.9 billion. Our packaged products have continued to be very successful, and in the nine months ended 30 September 2007 we sold 230,000 Tu Cuenta packages. Customer deposits increased by 14.5 per cent compared with the same period of 2006.

"In September 2007 we were pleased to join up with other members of the HSBC Group in the re-launch of our HSBC Premier service, the world's first truly global personal banking service. HSBC Premier provides seamless cross-border banking for our customers in Mexico and around the world.

"In line with the HSBC Group's organic growth strategy, we continue to expand our presence and market share in Mexico's growing financial services market and now have some 24,000 employees. We have invested in enhancing our information technology, and modernising our processes to handle greater business volumes and to provide improved services to our clients. The 13.4 per cent growth in costs for the period ended 30 September 2007 was, however, exceeded by revenue growth, enabling us to record a cost efficiency improvement.

"Net income of MXN3,862 million in the nine months ended 30 September 2007, fell by MXN469 million compared with the same period of 2006 as the improvement in net operating income was offset by lower trading results due to weaker markets. Net income was also impacted by higher loan impairment charges, themselves a consequence of the continued investment in organically building our credit

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portfolio."

### Overview

For the nine months ended 30 September 2007, Grupo Financiero HSBC's net income of MXN3,862 million was MXN469 million, or 10.8 per cent, lower than the same period in 2006.

Despite a relatively flat yield curve, net interest income (excluding monetary position) was up MXN2,976 million to MXN16,240 million for the nine months ended 30 September 2007, a 22.4 per cent increase compared with the same period in 2006. The growth has been driven by significant increases in higher-yielding consumer lending, partially offset by lower balance sheet management income due primarily to a reduction in the available-for-sale portfolio.

Income from fees and commissions was MXN7,799 million for the nine months ended 30 September 2007, an increase of 16.6 per cent compared with the same period in 2006. Increased income received from credit cards, membership programmes, ATM, card acquiring, payments and cash management services, investment funds, trusts and trade services fees contributed to the strong performance.

Trading income of MXN937 million for the nine months ended 30 September 2007 was 41.5 per cent lower than the same period of the previous year due to more favourable market conditions in 2006. Income during the third quarter of 2007 continued to be driven by solid results in retail foreign exchange, while derivatives and debt trading had reduced revenue opportunities due to the relatively flat yield curve.

Administrative expenses of MXN15,022 million for the nine months ended 30 September 2007 were 13.4 per cent higher than in the same period in 2006. Personnel expenses increased as a result of the 700 new employees hired since September 2006 to support business expansion. Marketing expenses increased principally due to the Global Premier re-launch and continued promotion of the Tu Cuenta 5 per cent cash back campaign. With revenue growth above the rate of cost growth, the cost efficiency ratio (excluding monetary position) improved from 61.5 per cent in the nine months ended 30 September 2006 to 60.1 per cent for the same period in 2007.

During the nine months ended 30 September 2007, loan impairment charges increased by MXN3,959 million to MXN6,442 million compared with the same period in 2006, consistent with HSBC's strategy to grow its loan portfolio organically. Delinquency rates rose during the period, as the loan book grew, reflecting the acquisition costs of organic growth. Loan underwriting criteria and collections strategies are regularly reviewed to maintain the quality of the portfolio. In accordance with Mexican regulation in 2006, HSBC Mexico assigned MXN585 million of general reserves to fulfil loan portfolio requirements in the first nine months of 2006. Loan impairment charges also included MXN174 million relating to changes to recognise the risk associated with the loan portfolio when the quarter ends on a non-working day, as it did in September 2007. HSBC's allowance for loan losses as a percentage of impaired loans was 144.8 per cent at 30 September 2007.

The bank's capital adequacy ratio for the period was 12.40 per cent.

### Business highlights

The bank's Personal Financial Services (PFS) had strong business growth in credit cards, personal and payroll loans during the nine months ended 30 September 2007 by leveraging its customer relationship management capabilities and driving sales through direct channels. As delinquency rates have increased amongst consumer lending, collections activities have been reinforced and loan underwriting criteria tightened. During the quarter some 31,000 new Tu Cuenta

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packaged products were opened and over 200,000 new credit cards issued. During September the HSBC Group re-launched its Premier service globally, upgrading its wealth management proposition and benefiting existing Premier customers in Mexico.

In Mexico, Commercial Banking (CMB) is capitalising on HSBC's strategy to be the leading international business bank. By leveraging the Group's geographical presence and product capabilities, market share in trade services has grown by over five percentage points versus prior year to 16.3 per cent, the factoring portfolio has nearly tripled to MXN7.6 billion for the same period and CMB has joined up the Mexican and Latin American businesses across the region through the International Banking Centre in Mexico. HSBC also aims to be the best bank for small businesses and, in the first nine months of 2007, small business loans increased by 38.0 per cent compared to the same period in 2006, to MXN6.3 billion. Strong asset growth in commercial banking was driven additionally by higher real estate balances in Mexico's fast growing real estate market, related to the continued expansion of this business after a re-segmentation strategy earlier in the year to serve customer needs better.

Corporate, Investment Banking and Markets (CIBM) is joining up its business across the Latin American region, and creating new links to other HSBC operations, by connecting and referring regional customers to other countries in the HSBC Group. It also offers services such as Global Markets products to CMB clients. There was strong performance in retail foreign exchange. Despite this, however, fixed income, interest rate and balance sheet trading revenues were weaker than prior year's very strong results due to a relatively flat yield curve and uncertainty in the local Mexican market compared with the prior year. Several new infrastructure related transactions have been completed and mandated reflecting HSBC's strong project finance capabilities and a large pipeline of debt capital markets transactions has been built, indicating HSBC's local and global distribution capabilities, as well as a growing penetration of Mexico's corporate market.

### About HSBC

Grupo Financiero HSBC, S.A. de C.V. is Mexico's fourth largest banking and financial services institution with 1,359 branches, 5,618 ATMs, approximately 8.2 million customers and more than 23,900 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. Headquartered in London, UK, the HSBC Group serves over 125 million customers worldwide through 10,000 offices in 83 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,150 billion at 30 June 2007, HSBC is one of the world's largest banking and financial services organisations. With listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by nearly 200,000 shareholders in some 100 countries and territories. HSBC is marketed worldwide as 'the world's local bank'.

### Consolidated Balance Sheet

Figures in MXN millions

	GROUP		BANK	
	30Sep07	30Sep06	30Sep07	30Sep06
Assets				
Cash and deposits in banks	49,638	56,532	49,637	56,531

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Investment in securities	52,289	51,763	51,194	51,173
Trading securities	22,686	12,361	21,591	11,771
Available-for-sale securities	25,669	35,322	25,669	35,322
Held to maturity securities	3,934	4,080	3,934	4,080
Securities and derivative operations	6,928	810	6,926	805
Repurchase agreements	46	143	44	138
Derivative transactions	6,882	667	6,882	667
Performing loans				
Commercial loans	68,943	53,479	68,943	53,479
Loans to financial intermediaries	11,835	5,435	11,835	5,435
Consumer loans	46,487	34,816	46,487	34,816
Mortgage loans	20,935	19,996	20,935	19,996
Loans to government entities	38,324	38,965	38,324	38,965
Loans to Fobaproa or IPAB	-	-	-	-
Total performing loans	186,524	152,691	186,524	152,691
Impaired loans				
Commercial loans	2,190	1,408	2,190	1,408
Consumer loans	3,115	1,517	3,115	1,517
Mortgage loans	1,301	1,116	1,301	1,116
Immediate collection, remittances and other	-	16	-	16
Total impaired loans	6,606	4,057	6,606	4,057
Gross loans and advances to customers	193,130	156,748	193,130	156,748
Allowance for loan losses	(9,567)	(6,222)	(9,567)	(6,222)
Net loans and advances to customers	183,563	150,526	183,563	150,526
Other accounts receivable	27,116	23,520	26,979	23,380
Foreclosed assets	70	57	70	57
Property, furniture and equipment, net	6,175	5,873	6,162	5,865
Long-term investments in equity securities	3,379	2,967	146	180
Deferred taxes	1,376	183	1,337	145
Goodwill	2,703	2,703	-	-
Other assets, deferred charges and intangibles	978	651	943	624
Total assets	334,215	295,585	326,957	289,286
Liabilities				
Deposits	238,788	209,293	240,465	210,965
Demand deposits	123,421	120,879	125,098	122,552
Time deposits	111,106	83,985	111,106	83,984
Bonds	4,261	4,429	4,261	4,429
Bank deposits and other liabilities	8,239	10,435	8,239	10,434
On demand	-	-	-	-
Short-term	5,150	8,269	5,150	8,269
Long-term	3,089	2,166	3,089	2,165
Securities and derivative transactions	16,005	7,362	16,003	7,358
Repurchase agreements	49	30	47	26
Securities deliverable under loan transactions	8,885	7,332	8,885	7,332
Derivative transactions	7,071	-	7,071	-
Other accounts payable	32,137	34,583	31,968	34,374

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Income tax and employee profit sharing payable	1,938	1,361	1,891	1,328
Sundry creditors and other accounts payable	30,199	33,222	30,077	33,046
Subordinated debentures outstanding	2,203	2,290	2,203	2,290
Deferred taxes	-	-	-	-
Deferred credits	294	9	294	9
Total liabilities	297,666	263,972	299,172	265,430
Equity				
Paid in capital	21,106	21,106	13,307	13,307
Capital stock	8,072	8,072	4,011	4,011
Additional paid in capital	13,034	13,034	9,296	9,296
Other reserves	15,423	10,505	14,460	10,548
Capital reserves	1,142	861	13,841	9,337
Retained earnings	18,511	13,152	-	-
Result from the mark-to-market of available-for-sale securities	-	-	(40)	71
Result from translation of foreign operations	-	-	-	-
Cumulative effect of restatement	(3,922)	(3,922)	(3,545)	(3,576)
Gains on non-monetary asset valuation	(4,170)	(4,084)	1,166	1,172
Net income	3,862	4,498	3,038	3,544
Minority interest in capital	20	2	18	1
Total equity	36,549	31,613	27,785	23,856
Total liabilities and equity	334,215	295,585	326,957	289,286

Figures in MXN millions

GROUP

30Sep07      30Sep06

Memorandum accounts

Transactions on behalf of third parties	103,938	107,490
Customer current accounts	(4)	25
Customer bank	1	5
Settlement of customer securities and documents	(5)	20
Customer securities	76,774	85,679
Customer securities in custody	76,765	85,673
Pledged customers securities and documents	9	6
Transactions on behalf of customer	2,162	2,394
Customer repurchase transactions	2,162	2,394
Other transactions on behalf of customers	25,006	19,392
Investment on behalf of customers, net	25,006	19,392
Other memorandum accounts	409,981	335,107
Investment of the SAR funds	3,540	3,680
Integrated loan portfolio	201,812	162,647
Other memorandum accounts	204,629	168,780

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Transactions for the group's own accounts	1,680,308	715,594
Accounts for the group's own registry	1,680,311	715,481
Guarantees granted	44	53
Irrevocable lines of credit granted	8,638	5,846
Goods in trust or mandate	132,434	81,317
Goods in custody or under administration	55,187	85,950
Amounts committed in transactions with Fobaproa	137	162
Amounts contracted in derivative operations	1,479,801	537,941
Securities in custody	3,943	4,093
Other contingent obligations	127	119
Repurchase/resale agreements		
Securities receivable under repos (less) Repurchase agreements	48,107 (48,113) (6)	43,678 (43,563) 115
Reverse repurchase agreements (less) Securities deliverable under repos	5,074 (5,071) 3	2,394 (2,396) (2)

Figures in MXN millions

	30Sep07	BANK 30Sep06
Memorandum accounts		
Guarantees granted	44	53
Other contingent obligations	127	119
Irrevocable lines of credit grant	8,638	5,846
Goods in trust or mandate	132,434	81,317
Goods in custody or under administration	55,187	85,950
Third party investment banking operations, net	25,005	19,392
Amounts committed in transactions with Fobaproa	137	162
Amounts contracted in derivative operations	1,479,801	537,941
Investments of retirement savings system funds	3,540	3,680
Integrated loan portfolio	201,812	162,647
Other control accounts	195,743	168,779
	2,102,468	1,065,886
Securities receivable under repos (less) Repurchase agreements	45,948 (45,951) (3)	41,282 (41,170) 112
Reverse repurchase agreements (less) Securities deliverable under repos	2,912 (2,912) -	- - -
Securities deliverable under loan transactions (less) Goods deliverable in guarantee for loan transactions	8,885 -	- -

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8,885

-

Consolidated Income Statement

Figures in MXN millions	GROUP		BANK	
	30Sep07	30Sep06	30Sep07	30Sep06
Interest income	24,115	21,198	23,971	20,380
Interest expense	(7,875)	(7,483)	(7,844)	(7,196)
Monetary position (margin), net	(630)	(492)	(567)	(457)
Net interest income	15,610	13,223	15,560	12,727
Loan impairment charges	(6,442)	(2,515)	(6,442)	(2,483)
Risk-adjusted net interest income	9,168	10,708	9,118	10,244
Fees and commissions receivable	8,687	7,658	8,096	6,872
Fees payable	(888)	(820)	(875)	(791)
Trading income	937	1,602	932	1,597
Total operating income	17,904	19,148	17,271	17,922
Administrative and personnel expenses	(15,022)	(13,592)	(14,615)	(12,739)
Net operating income	2,882	5,556	2,656	5,183
Other income	2,435	1,601	2,504	1,492
Other expenses	(1,015)	(866)	(1,014)	(862)
Net income before taxes	4,302	6,291	4,146	5,813
Income tax and employee profit sharing tax	(2,505)	(1,658)	(2,462)	(1,562)
Deferred income tax	1,321	(732)	1,333	(705)
Net income before subsidiaries	3,118	3,901	3,017	3,546
Undistributed income from subsidiaries	743	597	20	(2)
Income from ongoing operations	3,861	4,498	3,037	3,544
Minority interest	1	-	1	-
Net income	3,862	4,498	3,038	3,544

Statement of Changes in Shareholders' Equity

GROUP

Figures in MXN millions

Deficit in restatement

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	Capital contributed	Capital reserves	Retained earnings	of stock- holders' equity	Net income	Minority interest	T eq
Balances at 31 December 2006	21,106	860	13,152	(7,759)	5,641	3	33
Movements inherent to the shareholders' decision							
Capitalisation of retained earning	-	-	5,359	-	(5,641)	-	
Constitution of reserves	-	282	-	-	-	-	
Other movements	-	-	-	-	-	-	
Total	-	282	5,359	-	(5,641)	-	
Movements for the recognition of the comprehensive income							
Net income	-	-	-	-	3,862	-	3
Gains on non-monetary asset valuation	-	-	-	(333)	-	-	
Minority interest	-	-	-	-	-	17	
Total	-	-	-	(333)	3,862	17	3
Balances at 30 September 2007	21,106	1,142	18,511	(8,092)	3,862	20	36

BANK

Figures in MXN millions

	Capital contributed	Capital reserves	Retained earnings	Result from valuation of available-of for-sale securities	Deficit in restatement stock- holders' equity	Net income
Balances at 31 December 2006	13,307	9,337	-	309	(2,393)	4,504
Movements inherent to the shareholders' decision						
Transfer of result of prior years	-	4,504	-	-	-	(4,504)
Other movements	-	-	-	-	-	-
Total	-	4,504	-	-	-	(4,504)
Movements for the recognition of the comprehensive income						
Net income	-	-	-	-	-	3,038
Result from valuation of available-for-sale securities	-	-	-	(349)	-	-
Cumulative effect of restatement	-	-	-	-	17	-
Others	-	-	-	-	(3)	-
Total	-	-	-	(349)	14	3,038

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Balances at						
30 September 2007	13,307	13,841	-	(40)	(2,379)	3,038

Consolidated Statement of Changes in Financial Position

GROUP

Figures in MXN millions	30Sep07	30Sep06
Operating activities:		
Net income	3,862	4,498
Items included in operations not requiring (providing) funds:		
Result from mark-to-market valuations	(72)	(1,602)
Allowances for loan losses	6,442	2,515
Depreciation and amortisation	767	665
Deferred taxes	(1,321)	732
Undistributed income from subsidiaries, net	(743)	(597)
Value loss estimation for foreclosed assets	17	-
Total operating items not requiring funds	8,952	6,211
Changes in items related to operations:		
(Decrease) / Increase in deposits	15,220	(16,422)
(Increase) / Decrease in loan portfolio	(31,923)	(11,327)
(Increase) / Decrease in securities and derivative transactions, net	2,867	2,371
(Increase) / Decrease in financial instruments	6,057	10,393
(Decrease) / Increase in bank deposits and other liabilities	(4,990)	3,032
Funds provided by operating activities	(3,817)	(5,742)
Financing activities:		
Subordinated debentures outstanding	(48)	(452)
(Decrease) / Increase in other payable accounts	14,976	10,176
Funds used or provided in financing activities	14,928	9,724
Investing activities:		
(Increase) / Decrease in property, furniture and equipment, net	(977)	(997)
(Increase) / Decrease in deferred charges or credits, net	(348)	(133)
(Increase) / Decrease in foreclosed assets	(34)	362
(Increase) / Decrease in other receivable accounts	(16,331)	(5,463)
Funds used in investing activities	(17,690)	(6,231)
(Decrease) / Increase in cash and equivalents	(6,579)	(2,249)
Cash and equivalents at beginning of period	56,217	58,781
Cash and equivalents at end of period	49,638	56,532

BANK

Figures in MXN millions	30Sep07	30Sep06
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Operating activities:		
Net income	3,038	3,544
Items included in operations not requiring (providing) funds:		
Result from mark-to-market valuations	(72)	(351)
Allowances for loan losses	6,442	2,483
Depreciation and amortisation	764	642
Deferred taxes	(1,333)	704
Undistributed income from subsidiaries, net	(9)	2
Value loss estimation for foreclosed assets	18	238
Minority interest	(1)	-
Total operating items not requiring funds	8,847	7,262
Changes in operating accounts:		
(Decrease) / Increase in deposits	15,275	1,994
(Increase) / Decrease in loan portfolio	(31,922)	(23,580)
(Increase) / Decrease in securities and derivative transactions, net	2,990	-
(Increase) / Decrease in financial instruments	5,623	10,350
(Decrease) / Increase in bank deposits and other liabilities	(4,990)	3,104
Funds provided by operations	(4,177)	(870)
Financing activities:		
Subordinated debentures outstanding	(48)	(56)
(Decrease) / Increase in other payable accounts	14,980	4,231
Funds used or provided by financing activities	14,932	4,175
Investing activities:		
(Increase) / Decrease in property, furniture and equipment, net	(654)	(916)
(Increase) / Decrease in deferred charges or credits, net	(349)	(192)
(Increase) / Decrease in foreclosed assets	(34)	82
(Increase) / Decrease in other receivable accounts	(16,297)	-
Funds used in investing activities	(17,334)	(1,026)
(Decrease) / Increase in cash and equivalents	(6,579)	2,279
Cash and equivalents at beginning of period	56,216	54,252
Cash and equivalents at end of period	49,637	56,531

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

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 ended 30 September 2007 and an explanation of the key reconciling items.

Figures in MXN millions	30Sep07
Grupo Financiero HSBC - Net Income Under Mexican GAAP	3,862
Inflation	555
Differences arising on the valuation of pensions and post retirement healthcare benefits ^	46

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Differences arising on acquisition costs relating to long-term investment contracts ^	(20)
Differences arising from the deferral of fees received and paid on the origination of loans	213
Differences arising from the recognition and provisioning for loan impairments ^	463
Differences arising from purchase accounting adjustments ^	(23)
Differences arising from the recognition of the present value in-force of long-term insurance contracts ^	632
Other differences in accounting principles ^	50
HSBC Mexico net income under IFRS	5,778
US dollar equivalent (millions)	528
Add back tax expense	1,148
HSBC Mexico profit before tax under IFRS	6,926
US dollar equivalent (millions)	633
Exchange rate used for conversion	10.95

^ Net of tax at 28 per cent.

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

### Inflation

#### Mexican GAAP

Mexican GAAP Bulletin - 10 requires recognition of inflation on financial statements to reflect the current purchasing power of the currency in which such financial information is stated.

#### IFRS

IAS 29 'Financial Reporting in Hyperinflationary Economies' requires recognition of inflation on financial statements only if the entity's functional currency is the currency of a hyperinflationary economy. As Mexico's economy does not meet the characteristics established in this standard to be considered as hyperinflationary, no inflationary effects are included for IFRS reporting.

### Retirement benefits

#### Mexican GAAP

Post-retirement benefit liabilities are not recognised on the balance sheet. The income statement charge is based on contributions made to the schemes.

#### IFRS

Obligations for defined benefit pension and post-retirement healthcare benefits are recorded on the balance sheet and the income statement based on actuarial calculations.

### 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

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

### IFRS

Fees and expenses received 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 (Comision 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.

### Appendix A:

Grupo Financiero HSBC, S.A. de C.V. (HBMX)  
Consolidated income statement on a like-for-like basis

### Figures in MXN millions

	Total Group 30Sep07	Mexico <sup>^</sup> 30Sep06	Panama 30Sep06	Total Group 30Sep06
Interest income	24,115	20,444	754	21,198
Interest expense	(7,875)	(7,180)	(303)	(7,483)
Monetary position (margin), net	(630)	(486)	(6)	(492)
Net interest income	15,610	12,778	445	13,223

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Loan impairment charges	(6,442)	(2,483)	(32)	(2,515)
Risk adjusted net interest income	9,168	10,295	413	10,708
Fees and commissions receivable	8,687	7,474	184	7,658
Fees payable	(888)	(787)	(33)	(820)
Trading income	937	1,602	-	1,602
Total operating income	17,904	18,584	564	19,148
Administrative and personnel expenses	(15,022)	(13,251)	(341)	(13,592)
Net operating income	2,882	5,333	223	5,556
Other income	2,435	1,601	-	1,601
Other expenses	(1,015)	(866)	-	(866)
Net income before taxes	4,302	6,068	223	6,291
Income tax and employee profit sharing	(2,505)	(1,593)	(65)	(1,658)
Deferred taxes	1,321	(741)	9	(732)
Net income before subsidiaries	3,118	3,734	167	3,901
Undistributed income from subsidiaries	743	597	-	597
Income from ongoing operations	3,861	4,331	167	4,498
Minority interest	1	-	-	-
Net income	3,862	4,331	167	4,498

^ On 8 August 2006, HSBC Panama was sold by Grupo Financiero HSBC, S.A. de C.V. to HSBC Asia Holdings BV. Therefore, results for the nine months ended 30 September 2006 have been restated to exclude results for HSBC Panama up until the date of disposal in order to compare on a like-for-like basis.

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

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Title: Assistant Group Secretary  
Date: 26 October 2007