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HSBC HOLDINGS PLC  
Form 6-K  
February 27, 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 February, 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- .....)

GRUPO FINANCIERO HSBC, S.A. DE C.V.  
FOURTH QUARTER 2006 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, as presented in Appendix A. The financial statements on pages 6-14 include HSBC Panama up until the date of disposal.

- Net income up 8.4 per cent to MXN5,365 million for the year ended 31 December 2006 (MXN4,949 million for the year ended 31 December 2005).
- Cost efficiency ratio (excluding monetary position) of 60.6 per cent for the year ended 31 December 2006 (65.1 per cent for the year ended 31 December 2005).

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- Return on equity of 18.6 per cent for the year ended 31 December 2006 (21.8 per cent for the year ended 31 December 2005).
- Net loans and advances to customers up MXN28.1 billion, or 22.1 per cent, to MXN154.9 billion at 31 December 2006 (MXN126.8 billion at 31 December 2005).
- Total assets up MXN22.6 billion, or 8.5 per cent, to MXN290.3 billion at 31 December 2006 (MXN267.6 billion at 31 December 2005).

HSBC Mexico S.A. (the bank) is Grupo Financiero HSBC, S.A. de C.V.'s (the group) primary subsidiary, 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 31 December 2006) 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 31 December 2006.

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

Comment by Sandy Flockhart, President and Group Managing Director of Latin America and the Caribbean

"Our investment for growth strategy in Mexico continues to deliver solid results. For the year ended 31 December 2006, the group delivered robust growth in revenues. Net income was driven by a strong performance in the bank and in the insurance subsidiaries, despite higher loan impairment charges in line with the provisioning requirements under Mexican regulatory rules to cover significant loan growth. Revenue grew across the personal, commercial and corporate business segments even in a decreasing interest rate environment and a highly competitive market. Our cost efficiency has shown continued improvement with revenue growth of 17.0 per cent exceeding expense growth of 8.8 per cent in the period ended 31 December 2006. This has been due to a more profitable balance sheet composition, driven by growth of 42.2 per cent and 37.0 per cent in consumer and commercial banking lending products respectively, compared to 2005. Impaired loans grew 21.5 per cent versus the previous year, in line with 21.8 per cent growth in gross loans and advances to customers for the same period. As a result, the ratio of impaired loans to total loans remained at 2.7 per cent as at 31 December 2006, the same percentage as the previous year.

"In 2006 Grupo Financiero HSBC consolidated efforts to grow a strong platform in Mexico. Our commitment to Mexico is reflected by our continued investment since the acquisition of Grupo Financiero Bital in November 2002. HSBC has invested over US\$2.3 billion in Mexico since 2002. As part of HSBC Mexico's plans to increase financial strength and to become the leading financial services company in Mexico in the eyes of our customers, all profits earned since January 2003 have been reinvested in the Mexican business, representing a total of MXN15,940 million in accordance with Mexican GAAP. We have invested in enhancing our information technology, improving staff training and broadening the human resources base to some 23,700 employees. This represents over 8,000 new jobs created since November 2002, and over 2,000 new jobs in 2006 alone. The training and career development of our employees, including offering overseas postings, has been integral to building local leadership talent and potential for continued growth in the future.

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"In April 2006, HSBC Mexico inaugurated its new headquarters, Torre HSBC, which has brought together staff across Mexico City into one location, providing a stronger organisational culture and a renewed working environment. In addition to our new corporate headquarters, we have continued to invest in and improve our infrastructure with 372 ATMs added in 2006, bringing the total number to 5,437.

"I am pleased to mention that, during 2006, Grupo Financiero HSBC received several awards not only for its managerial efforts, but also for its corporate and social responsibility. Expansion and Latin Finance magazines each named HSBC Mexico as Bank of the Year in 2006. In May, for the second consecutive year, HSBC Mexico received the SME Award from the Mexican Ministry of Economy in recognition of its outstanding support to small and medium business customers.

"In the area of social responsibility, the Mexican Philanthropy Centre (CEMEFI) recognised HSBC Mexico with the Socially Responsible Company 2006 certification. Likewise, HSBC ranked first among all Mexican banks and fourth in Latin America in the Sustainable and Ethical Banks in Latin America ranking published by Latin Finance magazine.

"In HSBC we continue to strive towards being the leading financial services company in Mexico. The combination of our extensive international network, the HSBC brand and the sharing of global practices, along with local product knowledge and expertise has been a powerful impulse to deliver solid results in Mexico."

### Overview

For the year ended 31 December 2006, Grupo Financiero HSBC's net income of MXN5,365 million was MXN416 million, or 8.4 per cent, higher than the same period in 2005. These results were largely due to strong performances in the bank and insurance subsidiaries, although they were partly offset by higher loan impairment charges in line with the provisioning requirements under Mexican regulatory rules to cover the significant loan growth.

Net interest income (excluding monetary position) was up by MXN2,235 million to MXN17,758 million for the year ended 31 December 2006, a 14.4 per cent increase compared to the same period in 2005. This was despite a significant reduction in interest rates of 210 basis points negatively impacting spreads on HSBC Mexico's large base of low-cost customer deposits. The increase in net interest income reflects a solid performance in loans, concentrated in higher-yielding credit card lending and small-and medium-sized business (SME) products, as well as robust growth in low-cost customer deposits. In particular, credit card balances more than doubled versus the previous year, leading to a 2.3 per cent increase in market share of balances outstanding to reach 7.2 per cent at December 2006.

Net fees and commissions grew strongly, increasing by MXN1,310 million, or 17.2 per cent, compared to the same period in 2005, reaching MXN8,933 million for the year ended 31 December 2006. These positive results were mainly driven by increased contributions from packaged products with a monthly membership fee (Tu Cuenta and Estimulo), credit card, mortgage, point of sale, mutual fund and trade services fees. Trading income was up 43.9 per cent to MXN2,049 million over the same period of the previous year, reflecting the bank's successful strategic positioning, increased volumes in the retail foreign exchange market and the addition of new and more sophisticated products to better serve our clients' needs.

Administrative expenses grew 8.8 per cent compared to the same period in 2005, reaching MXN17,418 million for the year ended 31 December 2006. This increase reflects continued investment in the training and development of our employees,

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the introduction of a new dedicated mobile sales force and the continued build-up of our ATM infrastructure.

Loan impairment charges increased by MXN2,555 million, or 164.7 per cent, reaching MXN4,106 million for the year ended 31 December 2006. The increase reflects the growth of the portfolios in recent years and the higher provisioning requirements under Mexican regulatory rules related to new consumer and commercial lending, particularly in credit cards and small and micro business loans. Credit card balances increased MXN7,390 million, or 108.4 per cent, for the year ended 31 December 2006 versus the same period the previous year, while small and micro business loan balances increased MXN2,494 million (83.4 per cent) and MXN3,272 million (385.4 per cent) respectively for the same period. Impaired loans grew 21.5 per cent versus the previous year, in line with 21.8 per cent growth in gross loans and advances to customers for the same period. As a result, the ratio of impaired loans to total loans remained at 2.7 per cent as at 31 December 2006, the same percentage as the previous year. Impairment allowances as a percentage of impaired loans was 156.9 per cent, compared to previous year's 167.9 per cent. The bank's capital adequacy ratio remains solid at 13.8 per cent, well above National Banking and Securities Commission (CNBV) requirements.

### Results by customer segment

During the fourth quarter of 2006, the bank's Personal Financial Services (PFS) business saw continued income growth due to higher balances in low-cost deposits, credit cards, mortgages, personal and payroll loans. At the end of December 2006, PFS total customer loans increased 39.7 per cent versus the previous year.

In addition, there was higher fee and commission income from credit cards, the Tu Cuenta packaged product with a monthly membership fee and ATMs. Strong performance continues to be driven by the integrated financial services product, Tu Cuenta, which has reached one million accounts sold as of 31 December 2006. This product which has driven growth in low-cost deposits, features a 5 per cent credit card cash-back promotion and integrates financial services for a fixed monthly fee. These services include credit and debit cards, checking account, access to investment funds, time and demand deposits and internet banking. In addition to the contribution of Tu Cuenta income, an increase in the number of ATMs, a larger customer base and important efforts made during the last year to relocate machines to more convenient areas have boosted the number of transactions.

The bank's Commercial Banking (CMB) customer loans were 34.6 per cent higher than in 2005, primarily driven by strong demand in the rapidly growing real estate and residential construction sectors and continued growth in the small and micro business sector. Full year 2006 fee income rose by 27 per cent largely resulting from increased cross sales activity with card acquiring, ATMs, internet banking and payments and cash management (PCM) services. Growth in customer numbers led to higher transactional volumes and this, combined with an expanded and improved product offering, increased marketing activity and re-pricing initiatives, led to a 41 per cent rise in income from payments and cash management services.

The Estimulo product offering, comprising of a packaged suite of seven different products including a loan facility, continued to perform well with fee income more than tripling versus the previous year. During the third quarter, a similar product, Estimulo Empresarial, was launched, targeting upper end SME customers. This product encompasses a suite of 11 different services and since its introduction more than 165 new clients have been acquired, generating MXN543 million in new loans. HSBC's share of the trade services market continued to grow as enhanced systems, new products and improvements made to existing ones, led to higher levels of cross-selling activity among the various trade services

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products. During the year, the international factoring and domestic invoicing payment services were successfully piloted and marketed to existing clients.

In Corporate, Investment Banking and Markets (CIBM), the Corporate bank continued to increase profitability while strengthening its market position. In Global Markets, profits were below 2005 levels as balance sheet management revenues were constrained by a flattening of the interest rate curve and relatively stable market conditions. However, the Global Markets business increased its participation in the derivatives market as it has incorporated new and more sophisticated product offerings. This, combined with solid client relationships and HSBC's global reach, helped Global Markets increase its presence in the money and capital markets. Higher payments and cash management fees were driven by a wider product offering, particularly through e-channels, intensive marketing campaigns and the leveraging of established credit-related products and services. Trading had a strong year with an increase of 43.9 per cent versus previous year, largely due to successful positioning, larger retail foreign exchange volumes, the addition of new products (currency swaps and interest rate options) and the resulting increased focus on the derivatives market.

### About HSBC

Grupo Financiero HSBC, S.A. de C.V. is Mexico's fourth largest banking and financial services institution with 1,348 branches, 5,437 ATMs, 6.5 million customers and more than 23,000 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 9,500 offices in 81 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$1,738 billion at 30 June 2006, 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

	GROUP		BANK	
Figures in MXN millions	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
<b>Assets</b>				
Cash and deposits in banks	55,081	57,593	55,080	53,157
Investment in securities	57,097	59,330	56,061	57,834
Trading securities	12,627	7,234	11,591	6,863
Available for sale securities	40,471	47,937	40,471	46,812
Held to maturity securities	3,999	4,159	3,999	4,159
Securities and derivative operations	235	592	230	596
Repurchase agreements	69	194	64	198
Derivative transactions	166	398	166	398
Performing loans				
Commercial loans	58,112	47,655	58,112	42,429
Loans to financial				

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intermediaries	5,973	7,183	5,973	7,080
Consumer loans	35,477	26,729	35,477	24,952
Mortgage loans	20,565	20,936	20,565	15,956
Loans to government entities	37,217	37,668	37,217	37,668
Loans to Fobaproa or IPAB	-	1,142	-	1,142
Total performing loans	157,344	141,313	157,344	129,227
Impaired loans				
Commercial loans	1,540	1,737	1,540	1,691
Consumer loans	1,667	851	1,667	840
Mortgage loans	1,103	1,064	1,103	994
Immediate collection, remittances and other	10	29	10	29
Total impaired loans	4,320	3,681	4,320	3,554
Gross loans and advances to customers	161,664	144,994	161,664	132,781
Allowance for loan losses	(6,776)	(6,143)	(6,776)	(5,968)
Net loans and advances to customers	154,888	138,851	154,888	126,813
Other accounts receivable	10,924	15,852	10,803	15,290
Foreclosed assets	53	410	53	369
Property, furniture and equipment, net	6,094	5,703	6,080	5,458
Long-term investments in equity securities	2,642	2,338	185	204
Deferred taxes	-	778	-	644
Goodwill	2,648	3,374	-	-
Other assets, deferred charges and intangibles	603	1,753	587	1,525
Total assets	290,265	286,574	283,967	261,890

Figures in MXN millions	GROUP		BANK	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
Liabilities				
Deposits	219,051	221,154	220,640	204,749
Demand deposits	133,735	130,738	135,324	123,757
Time deposits	81,074	90,416	81,074	80,992
Bonds	4,242	-	4,242	-
Bank deposits and other liabilities	12,962	7,253	12,962	7,183
On demand	100	-	100	-
Short-term	10,621	5,038	10,621	4,934
Long-term	2,241	2,215	2,241	2,249
Securities and derivative transactions	6,320	4,689	6,315	4,694
Repurchase agreements	54	118	49	123
Loans with collateral	6,266	4,571	6,266	4,571
Other accounts payable	16,815	23,914	16,660	22,819
Income tax and employee profit sharing payable	1,052	1,352	1,022	1,250
Sundry creditors and others accounts payable	15,763	22,562	15,638	21,569
Subordinated debentures outstanding	2,206	2,686	2,206	2,299

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Deferred taxes	556	-	607	-
Deferred credits	19	21	19	16
Total liabilities	257,929	259,717	259,409	241,760
Equity				
Paid in capital	20,680	20,680	13,038	13,038
Capital stock	7,909	7,909	3,930	3,930
Additional paid in capital	12,771	12,771	9,108	9,108
Other reserves	11,654	6,175	11,519	7,091
Capital reserves	843	661	9,148	4,774
Retained earnings	12,886	7,957	-	-
Result from the mark-to-market of available-for-sale securities	-	-	303	280
Result from translation of foreign operations	-	(7)	-	12
Cumulative effect of restatement	(3,843)	(3,843)	(3,490)	(3,502)
Gains on non-monetary asset valuation				
Valuation of fixed assets	-	-	1,297	1,297
Valuation of permanent investments	(3,759)	(3,781)	(152)	(144)
Net income	5,527	5,188	4,413	4,374
Minority interest in capital	2	2	1	1
Total equity	32,336	26,857	24,558	20,130
Total liabilities and equity	290,265	286,574	283,967	261,890

GROUP

Figures in MXN millions

31 Dec	31 Dec
2006	2005

Memorandum Accounts

Transactions on behalf of third parties	108,828	89,595
Customer current accounts	26	1
Settlement of customer securities and documents	26	1
Customer securities	84,353	69,515
Customer securities in custody	84,347	68,322
Pledged customers securities and documents	6	1,193
Transactions on behalf of customers	2,485	2,511
Customer repurchase transactions	2,485	2,511
Other transactions on behalf of customers	21,964	17,568

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Investment on behalf of customers, net	21,964	17,568
Other memorandums accounts	344,211	501,525
Investment of the SAR funds	3,540	3,429
Integrated loan portfolio	168,049	136,759
Other memorandum accounts	172,622	361,337
Transactions for the Group's own accounts	873,702	353,735
Accounts for the Group's own registry	873,687	353,658
Guarantees granted	50	59
Irrevocable lines of credit granted	6,334	3,918
Goods in trust or mandate	93,128	70,590
Goods in custody or under administration	111,997	59,307
Amounts committed in transactions with Fobaproa	156	128
Amounts contracted in derivative operations	657,957	214,487
Securities in custody	3,941	4,152
Other contingent obligations	124	1,017
Repurchase/resale agreements		
Securities receivable under repos	49,854	46,284
(less) Repurchase agreements	(49,843)	(46,300)
	11	(16)
Reverse repurchase agreements	3,016	16,607
(less) Securities deliverable under repos	(3,012)	(16,515)
	4	92

BANK

Figures in MXN millions	31 Dec	31 Dec
	2006	2005

Memorandum Accounts

Guarantees granted	50	59
Other contingent obligations	124	1,017
Irrevocable lines of credit granted	6,334	3,918
Goods in trust or mandate	93,128	70,590
Goods in custody or under administration	111,997	59,307
Third party investment banking operations, net	21,964	17,568
Amounts committed in transactions with Fobaproa	156	128
Amounts contracted in derivative operations	657,957	214,487
Investments of retirement savings system funds	3,540	3,429
Integrated loan portfolio	168,049	136,759
Other control accounts	172,622	361,336
	1,235,921	868,598



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Securities receivable under repos	47,373	43,753
(less) Repurchase agreements	(47,358)	(43,767)
	15	(14)
Reverse repurchase agreements	532	14,074
(less) Securities deliverable under repos	(532)	(13,985)
	-	89

Consolidated Income Statement

Figures in MXN  
millions

	GROUP		BANK	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
Interest income	27,872	27,447	27,019	26,381
Interest expense	(9,681)	(11,287)	(9,346)	(10,902)
Monetary position (margin), net	(1,022)	(334)	(937)	(251)
Net interest income	17,169	15,826	16,736	15,228
Loan impairment charges	(4,137)	(1,562)	(4,106)	(1,551)
Risk adjusted net interest income	13,032	14,264	12,630	13,677
Fees and commissions receivable	10,171	8,786	9,253	7,879
Fees payable	(1,092)	(955)	(1,065)	(915)
Trading income	2,049	1,420	2,043	1,412
Total operating income	24,160	23,515	22,861	22,053
Administrative and personnel expenses	(17,746)	(16,489)	(16,832)	(15,310)
Net operating income	6,414	7,026	6,029	6,743
Other income	2,129	1,557	2,067	1,567
Other expenses	(1,068)	(1,063)	(1,044)	(1,035)
Net income before taxes	7,475	7,520	7,052	7,275
Income tax and employee profit sharing tax	(1,521)	(1,553)	(1,434)	(1,441)
Deferred income tax	(1,235)	(1,403)	(1,203)	(1,397)
Net income before subsidiaries	4,719	4,564	4,415	4,437
Undistributed income from subsidiaries	808	704	(2)	17
Income from ongoing operations	5,527	5,268	4,413	4,454

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Discontinued and extraordinary operations, and changes in accounting policies, net	-	(80)	-	(80)
Net income	5,527	5,188	4,413	4,374

Statement of Changes in Shareholder's Equity

GROUP

Figures in MXN millions

	Capital contributed	Capital reserves	Retained earnings	Result from foreign currency transactions	Deficit in restatement of stock holders' equity	Net income	Minority interest	Total equity
Balances at 31 Dec 05	20,680	661	7,957	(7)	(7,624)	5,188	2	26,8
Movements inherent to the shareholder's decision								
Capitalisation of retained earnings	-	-	5,188	-	-	(5,188)	-	
Other movements	-	182	(259)	-	-	-	-	
Total	-	182	4,929	-	-	(5,188)	-	
Movements for the recognition of the comprehensive income								
Net income	-	-	-	-	-	5,527	-	5,5
Result from foreign currency transactions	-	-	-	7	-	-	-	
Gains on non-monetary asset valuation	-	-	-	-	22	-	-	
Total	-	-	-	7	22	5,527	-	5,5

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Balances									
at 31 Dec 06	20,680	843	12,886	-	(7,602)	5,527	2	32,3	

BANK

Figures in MXN millions

	Capital contributed	Capital reserves	Retained earnings	Result from valuation of available-for sale securities	Result from foreign currency transactions	Deficit in restatement of stock holders' equity		
Balances								
at 31 Dec 05	13,038	4,774	-	280	12	(2,349)	4,3	
Movements								
inherent to								
the								
shareholder's								
decision								
Transfer of								
result of								
prior years	-	-	4,374	-	-	-	(4,3	
Other movements	-	4,374	(4,374)	-	-	-	-	
Total	-	4,374	-	-	-	-	(4,3	
Movements for								
the								
recognition								
of the								
comprehensive								
income								
Net income	-	-	-	-	-	-	-	4,4
Result from								
valuation of								
available								
for sale								
securities	-	-	-	23	-	-	-	
Cumulative								
effect of								
restatement	-	-	-	-	-	12		
Others	-	-	-	-	(12)	(8)		
Total	-	-	-	23	(12)	5	4,4	
Balances								
at 31 Dec 06	13,038	9,148	-	303	-	(2,345)	4,4	

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Consolidated Statement of Changes in Financial Position

GROUP

Figures in MXN millions

	31 Dec 2006	31 Dec 2005
Operating activities:		
Net income	5,527	5,188
Items included in operations not requiring (providing) funds:		
Result from mark-to-market valuations	(617)	(285)
Allowances for loan losses	4,137	1,562
Depreciation and amortisation	870	885
Deferred taxes	1,235	1,402
Undistributed income from subsidiaries, net	(808)	(704)
Value loss estimation for foreclosed assets	242	55
Total operating items not requiring funds	10,586	8,103
Changes in items related to operations:		
Increase / (decrease) in retail deposit and money desk	(2,103)	28,264
(Increase) in loan portfolio	(20,174)	(20,664)
Decrease in securities and derivative transactions, net	2,600	4,171
Decrease / (increase) in financial instruments	2,238	(9,521)
(Decrease) / (increase) in other receivable and payable accounts, net	(296)	1,651
Funds provided by operating activities	(7,149)	12,004
Financing activities:		
Increase / (decrease) in bank deposits and other liabilities	5,709	(2,376)
Subordinated debentures outstanding	(480)	(100)
Funds used or provided in financing activities	5,229	(2,476)
Investing activities:		
Decrease/(increase) in property, furniture and equipment, net	(804)	(1,224)
Decrease/(increase) in deferred charges or credits, net	97	120
Decrease in foreclosed assets	115	120
Funds used in investing activities	(592)	(984)
(Decrease)/increase in cash and equivalents	(2,512)	8,544
Cash and equivalents at beginning of period	57,593	49,049
Cash and equivalents at end of period	55,081	57,593

BANK

Figures in MXN millions

	31 Dec 2006	31 Dec 2005
Operating activities:		
Net income	4,413	4,374
Items included in operations not requiring (providing) funds:		
Result from mark to market valuations	(627)	(281)
Allowance for loan losses	4,106	1,551
Depreciation and amortisation	848	855

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Deferred taxes	1,203	1,397
Undistributed income from subsidiaries, net	2	(17)
Value loss estimation for foreclosed assets	242	55
Total operating items not requiring funds	10,187	7,934
Changes in operating accounts:		
Increase in retail deposit and money desk	15,891	23,096
(Increase) in loan portfolio	(32,180)	(17,870)
Decrease in securities and derivative transactions, net	2,600	4,453
Decrease/(increase) in financial instruments	1,810	(10,147)
(Increase)/decrease in other receivable and payable accounts, net	(737)	1,562
Funds provided by operations	(2,429)	9,028
Financing activities:		
Increase/(decrease) in bank deposits and other liabilities	5,779	(2,446)
Subordinated debentures outstanding	(92)	(67)
Capital	-	1,707
Funds used or provided by financing activities	5,687	(806)
Investing activities:		
Decrease/(increase) in property, furniture and equipment, net	(1,459)	(1,910)
Decrease/(increase) in deferred charges or credits, net	50	251
Decrease in foreclosed assets	74	108
Funds used in investing activities	(1,335)	(1,551)
Increase in cash and equivalents	1,923	6,671
Cash and equivalents at beginning of period	53,157	46,486
Cash and equivalents at end of period	55,080	53,157

### 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 years ended 31 December 2005 and 2006 and an explanation of the key reconciling items.

Figures in MXN millions	YTD 2006	YTD 2005
Grupo Financiero HSBC - Net Income Under Mexican GAAP	5,527	5,188
Inflation	838	287
Differences arising on the classification and valuation of hedging derivatives ^	-	72
Differences arising on the valuation of pensions and post retirement healthcare benefits ^	190	82
Differences arising on acquisition costs relating to long-term investment contracts ^	(48)	121
Differences arising from the deferral of fees received and paid on the origination of loans	(39)	(65)
Differences arising from the recognition and provisioning for loan impairments ^	1,148	709
Differences arising from purchase accounting		

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adjustments ^	484	611
Exclusion of results from HSBC Panama ^ ^	(162)	(236)
Other differences in accounting principles ^	(238)	402
HSBC Mexico net income under IFRS	7,700	7,171
US dollar equivalent (millions)	706	659
Add back tax expense	3,266	2,880
HSBC Mexico profit before tax under IFRS	10,966	10,051
US dollar equivalent (millions)	1,006	923
Exchange rate used for conversion	10.90	10.89

^ Impact shown net of taxes at 29 per cent and 30 per cent for 2006 and 2005 respectively.

^ ^ Refers to 12 months of Panama for 2005 and 7 months for 2006, removed in order to arrive at IFRS results for Mexico only.

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.

### Hedge Accounting

Difference on valuation arose on transition to IFRS due to financial instruments that are designated as hedging instruments under Mexican GAAP that did not qualify under IFRS. This difference was taken to the income statement on termination of the hedges in 2005. No further differences exist.

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

### Retirement benefits

#### Mexican GAAP

Post-retirement benefit liabilities are not recognized 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.

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### IFRS

Incremental costs relating to the acquisition of long-term investment contracts are deferred and amortised over the expected life of the contract. However, a decrease in the expected life of a portfolio of contracts has led to accelerated amortization in 2006.

Fees paid and received on origination of loans

### Mexican GAAP

All fees and expenses received or paid on loan origination are recognized as they are incurred.

### 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.

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 authorized 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.

### Appendix A:

Grupo Financiero HSBC, S.A. de C.V. (HBMX)

Consolidated balance sheet on a like-for-like basis

Figures in MXN millions

	Total Group 2006	Mexico ^ 2005	Panama 2005	Total Group 2005
<b>Assets</b>				
Cash and deposits in banks	55,081	53,160	4,433	57,593
Investments in securities	57,097	58,205	1,125	59,330
Trading securities	12,627	7,234	-	7,234
Available-for-sale-securities	40,471	46,812	1,125	47,937
Held to maturity securities	3,999	4,159	-	4,159
Securities and derivative operations	235	592	-	592
Repurchase agreements	69	194	-	194
Derivative transactions	166	398	-	398
Performing loans				
Commercial loans	58,112	42,429	5,226	47,655

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Loans to financial intermediaries	5,973	7,080	103	7,183
Consumer loans	35,477	24,952	1,777	26,729
Mortgage loans	20,565	15,956	4,980	20,936
Loans to government entities	37,217	37,668	-	37,668
Loans to Fobaproa or IPAB	-	1,142	-	1,142
Total performing loans	157,344	129,227	12,086	141,313
Impaired loans				
Commercial loans	1,540	1,691	46	1,737
Consumer loans	1,667	840	11	851
Mortgages loans	1,103	995	69	1,064
Immediate collection, remittances and other	10	29	-	29
Total impaired loans	4,320	3,555	126	3,681
Gross loans and advances to customers	161,664	132,782	12,212	144,994
Allowance for loan losses	(6,776)	(5,968)	(175)	(6,143)
Net loans and advances to customers	154,888	126,814	12,037	138,851
Other accounts receivable	10,924	15,739	113	15,852
Foreclosed assets	53	369	41	410
Property, furniture and equipment, net	6,094	5,467	236	5,703
Long term investments in equity securities	2,642	2,338	-	2,338
Deferred taxes	-	738	40	778
Goodwill	2,648	2,649	725	3,374
Other assets, deferred charges and intangibles	603	1,546	207	1,753
Total assets	290,265	267,617	18,957	286,574

On 8 August 2006, HSBC Panama was sold by Grupo Financiero HSBC, S.A de C.V to HSBC Asia Holdings BV. Therefore, the balance sheet as at 31 December 2005 has been restated to exclude HSBC Panama to compare on a like-for-like basis.

Grupo Financiero HSBC, S.A. de C.V. (HBMX)

Figures in MXN millions

	Total Group 2006	Mexico^ 2005	Panama 2005	Total Group 2005
<b>Liabilities</b>				
Deposits	219,051	204,747	16,407	221,154
Demand deposits	133,735	123,756	6,982	130,738
Time deposits	81,074	80,991	9,425	90,416
Bonds	4,242	-	-	-
Bank deposits and other liabilities	12,962	7,183	70	7,253
On demand	100	-	-	-
Short-term	10,621	4,968	70	5,038
Long-term	2,241	2,215	-	2,215
Securities and derivative transactions	6,320	4,689	-	4,689
Repurchase agreements	54	118	-	118
Loans with collateral	6,266	4,571	-	4,571
Other accounts payable	16,815	23,404	510	23,914



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Income tax and employee profit sharing payable	1,052	1,266	86	1,352
Sundry creditors and others accounts payable	15,763	22,138	424	22,562
Subordinated debentures outstanding	2,206	2,299	387	2,686
Deferred tax	556	-	-	-
Deferred credits	19	17	4	21
<b>Total liabilities</b>	<b>257,929</b>	<b>242,339</b>	<b>17,378</b>	<b>259,717</b>
<b>Equity</b>				
Paid in capital	20,680	19,400	1,280	20,680
Capital stock	7,909	6,629	1,280	7,909
Additional paid in capital	12,771	12,771	-	12,771
Other reserves	11,654	5,876	299	6,175
Capital reserves	843	661	-	661
Retained earnings	12,886	7,891	66	7,957
Result from translation of foreign operations	-	-	(7)	(7)
Cumulative effect of restatement	(3,843)	(3,843)	-	(3,843)
Gains on non monetary asset valuation				
Valuation of permanent investments	(3,759)	(3,781)	-	(3,781)
Net income	5,527	4,948	240	5,188
Minority interest in capital	2	2	-	2
<b>Total equity</b>	<b>32,336</b>	<b>25,278</b>	<b>1,579</b>	<b>26,857</b>
<b>Total liabilities and equity</b>	<b>290,265</b>	<b>267,617</b>	<b>18,957</b>	<b>286,574</b>

^ On 8 August 2006, HSBC Panama was sold by Grupo Financiero HSBC, S.A de C.V to HSBC Asia Holdings BV. Therefore, the balance sheet as at 31 December 2005 has been restated to exclude HSBC Panama to compare on a like for like basis.

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

Figures in MXN millions

	For the year ended 31 December					
	Mexico^ 2006	Panama 2006	Total Group 2006	Mexico^ 2005	Panama 2005	Total Group 2005
Interest income	27,147	725	27,872	26,505	942	27,447
Interest expense (-)	(9,389)	(292)	(9,681)	(10,982)	(305)	(11,287)
Monetary position (margin), net	(1,017)	(5)	(1,022)	(325)	(9)	(334)
Net interest income	16,741	428	17,169	15,198	628	15,826
Loan impairment charges (-)	(4,106)	(31)	(4,137)	(1,551)	(11)	(1,562)
Risk adjusted net interest income	12,635	397	13,032	13,647	617	14,264
Fees and commissions receivable	9,994	177	10,171	8,530	256	8,786

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Fees payable	(1,061)	(31)	(1,092)	(907)	(48)	(955)
Trading income	2,049	-	2,049	1,424	(4)	1,420
Total operating income	23,617	543	24,160	22,694	821	23,515
Administrative and personnel expenses (-)	(17,418)	(328)	(17,746)	(16,002)	(487)	(16,489)
Net operating income	6,199	215	6,414	6,692	334	7,026
Other income	2,129	-	2,129	1,557	-	1,557
Other expenses (-)	(1,068)	-	(1,068)	(1,058)	(5)	(1,063)
Net income before taxes	7,260	215	7,475	7,191	329	7,520
Income tax and employee profit sharing	(1,459)	(62)	(1,521)	(1,463)	(90)	(1,553)
Deferred income tax	(1,244)	9	(1,235)	(1,403)	-	(1,403)
Net income before subsidiaries	4,557	162	4,719	4,325	239	4,564
Undistributed income from subsidiaries	808	-	808	704	-	704
Income from ongoing operations	5,365	162	5,527	5,029	239	5,268
Discontinued and extraordinary operations and changes in accounting policies, net	-	-	-	(80)	-	(80)
Net income	5,365	162	5,527	4,949	239	5,188

^ 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 year ended 31 December 2005 have been restated to exclude 12 months results for HSBC Panama. Results for the year ended 31 December 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  
Title: Assistant Group Secretary  
Date: 27 February, 2007

