



July 31, 2005
Mexico City

**GRUPO FINANCIERO HSBC, S.A. DE C.V.
FINANCIAL REPORT AS OF JUNE 30, 2005**

In compliance with the rules and principles applicable to the results information of financial groups issued by the Mexican National Banking Commission—*Comisión Nacional Bancaria y de Valores (CNBV)*—on April 27, 2005, related to the disclosure of financial information presented in the current report, please find enclosed the consolidated financial statements of Grupo Financiero HSBC as of June 30, 2005.

The figures included in this report are in millions of Mexican Pesos, expressed in constant prices as of June 30, 2005, unless otherwise explicitly indicated.

Contents

CEO's Commentary	2
HSBC's Corporate Social Responsibility Programme in Mexico	4
Consolidated Balance Sheet	6
Consolidated Balance Sheet	9
Consolidated Income Statement	12
Consolidated Income Statement	13
Consolidated Statement of Changes in Shareholder's Equity	14
Consolidated Statement of Changes in Shareholder's Equity	15
Consolidated Statement of Changes in Financial Position	16
Consolidated Statement of Changes in Financial Position	17
Key Indicators (Bank)	18
Variance Analysis of Balance Sheet and Income Statement	18
Financial Instruments.....	20
Participation by Subsidiary	21
Trading Income.....	22
Loan Portfolio	22
Deferred Taxes.....	24
Funding, Loans and Investment in Securities	25
Capital	25
Other Expenses, Other Income and Extraordinary Items	26
Consolidated Income Statement by Customer Segments	27
Market Risk Management	28
Accounting differences in IAS vs Mexico GAAP	30

CEO's Commentary

Second Quarter 2005 Financial Results Summary

Commentary by Sandy Flockhart, CEO Grupo Financiero HSBC, S.A. de C.V. :

“Second quarter results were very positive for Grupo Financiero HSBC, with YTD net income amounting to 2,200 million pesos, representing an increase of 38% over prior year. Results in the Bank continued to exceed expectations, due to strong growth in revenues across all product categories. This was coupled with good performances in the subsidiary companies such as Insurance, Afore, and our Bank in Panama. HSBC Afore continued to grow and gain market share, registering 170,000 new clients in the first half of the year.”

“Personal Financial Services reported solid performance due in part to strong deposit growth, record levels of international remittances, and accelerated growth in consumer lending. Mortgage volumes increase month by month as we leverage our 11.90% rate offer, while HSBC regained the market leading share in auto loans (27% in May 2005). This success derives in part from redesigning the product offering, as well as from a decrease in processing time. Finally, HSBC is the only Mexican bank to offer pre-approved personal loans through its ATMs, which helped grow balances by 155% versus prior year. HSBC also registered robust growth in credit cards, with cards in circulation increasing by 59% to over 790,000 units.”

“Core deposits reached 14.6% market share in June 2005, while HSBC maintained its cost of funds below that of the market. We are very satisfied with the growth of ‘*Tu Cuenta*’, an integrated package of financial services for a flat monthly fee. Since its launch in February of this year, it has generated 350,000 accounts (90% of which are new clients).”

“International remittances continued to expand, passing one million monthly transactions for the first time in May, reaching 18.2% in market share. This contributed to the annual growth in commissions of 71 per cent.”

“In our commercial banking division (CMB), loans grew by 3,700 million pesos and deposits by 5,000 million pesos, representing an increase of 19% and 21% respectively. Our recently launched ‘*Estímulo*’ product for smaller companies continues to grow faster than expected with more than 2,100 units sold.”

“Our corporate, institutional banking and markets (CIBM) division reported record loan growth of 15,000 million pesos, or 249% over prior year, benefiting in part from HSBC’s expansive international network among multinational companies. Furthermore, our newly-formed Debt Capital Markets team closed their first major deal, involving the joint placement of a Petroleros Mexicanos (PEMEX) debt offering for MXN 3.1 B. Finally, I am pleased that HSBC was named as a “Market Marker” for debt securities by the Bank of Mexico, reflecting our increasing activity and visibility among the principal players in the Mexican market.

“HSBC’s capital adequacy ratio remains strong at 14.4% as of 30JUN05. In comparison to last year, non-performing loans decreased approximately 32% and the reserve coverage on non performing loans was 177%. HSBC continues to work towards being *the number one financial services institution in México in the eyes of our customers*. Numerous initiatives are underway to improve customer service and to strengthen the bank’s product offerings in order to support the future financial requirements of our customers.”

HSBC Group

HSBC Mexico is one of the four largest banking and financial service institutions in Mexico with close to 1,400 branches, 4,600 ATMs, and more than 20,000 employees.

HSBC is a directly controlled subsidiary and 99.8 percent owned by HSBC Holdings plc. With headquarters in London, UK, the HSBC Group attends to more than 110 million clients worldwide including 9,700 offices in 77 countries and territories in Europe, the Asia-Pacific region, North and South America, the Middle East and Africa. With resources of 1,467,000 USD millions as of 30 June 2005, HSBC is one of the largest banking and financial services organizations in the world. HSBC is known worldwide as ‘The world’s local bank’.

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HSBC's Corporate Social Responsibility Programme in Mexico

For HSBC, Corporate Social Responsibility (CSR) means supporting the communities in which we operate, managing our business in a responsible manner and maintaining the highest ethical standards in our relations with customers, employees, investors and suppliers. CSR also means being aware of the impact of our business decisions while complying with the laws of the countries in which we operate.

Our aim in Mexico is to be the “leading financial services company in Mexico in the eyes of our customers”. By ‘leading’, we mean ‘preferred’, ‘admired’, and ‘dynamic’, recognizing the strength of our brand, our corporate character, and our earnings growth. Our strategy, “Managing for Growth” is an aggressive road map for marshalling our resources in the best interests of customers, shareholders, staff, and other stakeholders.

HSBC's core values are integral to achieve this goal. These values comprise a preference for long-term, ethical client relationships, personal integrity, and striving to continuously improve customer service.

HSBC Mexico has also begun to implement the guidelines established by the Group that require environmental standards to be taken into account in project financing, as well as in corporate and business loans which could have an effect on the environment.

HSBC Mexico's corporate social responsibility community programmes focus on education, health, and the environment. We consider that these are the areas where we can have a higher impact. In education, we primarily focus on the educational support of children and adolescents with economic needs.

Through the British Mexican Friendship Society (Amistad), HSBC Mexico donated USD 1.5 million over a five-year period to support secondary, technical and preparatory schools throughout Mexico. This will include the annual adoption of four schools in order to improve buildings, equipment, programmes and fostering exchange visits for gifted children with schools in the United Kingdom. HSBC Mexico also donated USD 1 million to be used over the next five years for the construction and operation of the AMISTAD ABC CLINIC that will operate in the new facility which the ABC Hospital built in Santa Fé. The clinic will provide health care services to more than 7,000 members of the surrounding communities who do not have access to public or private health care systems.

Additional donations went to several charities that support cancer treatment for children, that house, educate and help homeless and underprivileged children, that support social projects for women, and that train public schools teachers to teach English as second language.

In terms of HSBC Mexico's participation in environmental programmes, in 2005, more than 30 members of our staff participated in the ongoing programme agreed by HSBC Group with Earthwatch, of which more than 80 colleagues have participated in since 2003. This project identifies more than 25,000 flora and fauna species in a five year period around the world. Additionally, Mexico will benefit from the USD 17 million commitment made by HSBC Group to the World Wildlife Fund to study the problems and solutions of the pollution in three major rivers around the world, one of them being the Río Bravo on the Mexico-U.S. border.

In the cultural environment, HSBC Mexico and the HSBC Group are sponsoring the expositions of Frida Kahlo in the Tate Modern Museum of London, as well as that of Henry Moore in Mexico, which at present is on display in the Doleres Olmedo Patiño Museum in Mexico City. HSBC Mexico is also the co-sponsor of four Mexican theatre works that will be presented in the Riverside Studios of London, and in the Fringe Fest, inside the Theatre Festival of Edinburgh in the summer of 2005, one of the most important international theatre festivals in the world.

Through our ATM donations programme, branded as **Niños con Futuro**, each time our clients use an ATM, they have the option to donate specific amounts of money, which is channelled to different charity organisations in six regions of the country. The programme is aimed at supporting institutions that focus on improving underprivileged children's quality of life in three areas: education, healthcare and nutrition. HSBC absorbs the operating costs of the programme. Since the ATM programme began it has helped more than 79,100 children in the areas of education and healthcare. From November, 2002 to June 28, 2005, the programme has collected MXN 47,494,199.68.

The programme received a best community practice award in 2004 from the Mexican Centre for Philanthropy (CEMEFI) and Alliarise.

In support of the Tsunami victims in Asia, HSBC Mexico's employees donated MXN 2,574,144 to Save the Children, an international children's charity organisation that is working directly in the South Eastern Asia with children affected by this terrible tragedy. Additionally, through our donation programme in ATMs, "Niños con Futuro", our customers donated MXN 1,669,395, to Save the Children, to help improve the lives of children in the affected region.

As "the world's local bank" HSBC recognises fully the importance of our wider obligations to society and calls for the increasing involvement of our colleagues in corporate social responsibility, especially in our support of education, health, and the environment.

Grupo Financiero HSBC, S.A. de C.V. (Group)
Consolidated Balance Sheet
Figures in MXN Millions

	<i>June 30</i>	<i>Sept. 30</i>	<i>Dec. 31</i>	<i>March 31</i>	<i>June 30</i>
	<u>2004</u>	<u>2004</u>	<u>2004</u>	<u>2005</u>	<u>2005</u>
Assets					
Cash and deposits in banks	38,454	39,718	46,141	51,613	44,439
Financial instruments	25,601	31,887	46,588	37,190	46,055
Trading securities	6,380	2,055	3,003	359	339
Available for sale securities	12,861	25,054	39,522	32,897	41,730
Securities held to maturity	6,360	4,778	4,064	3,934	3,986
Securities and derivative operations	227	159	110	373	134
Repurchase agreements	135	107	68	107	99
Operations that represent loans with collateral	-	-	-	-	
Settlement accounts to be recorded for purchase	-	-	-	-	
Derivative transactions	92	52	42	266	35
Performing loans					
Commercial loans	20,517	23,795	30,699	34,631	40,254
Loans to financial intermediaries	1,677	3,420	4,184	3,431	4,151
Consumer loans	14,398	15,708	16,148	16,716	17,629
Mortgage	11,539	15,895	16,305	16,854	17,417
Loans to government entities	6,018	5,843	6,348	7,188	35,800
Loans to Fobaproa or IPAB	58,590	58,027	42,154	42,231	18,217
Total performing loans	<u>112,738</u>	<u>122,687</u>	<u>115,837</u>	<u>121,052</u>	133,468
Non-performing loans					
Commercial loans	3,831	2,584	1,953	1,992	1,923
Loans to financial intermediaries	1	1	-	1	-
Consumer loans	462	501	537	545	622
Mortgage	860	981	900	833	952
Loans to government entities	-	-	-	-	-
Immediate collection, remittances and other	80	78	41	73	46
Total non-performing loans	<u>5,234</u>	<u>4,145</u>	<u>3,432</u>	<u>3,444</u>	3,543
Total loan portfolio	<u>117,973</u>	<u>126,832</u>	<u>119,269</u>	<u>124,496</u>	137,011
(-) Allowance for loan losses	<u>(8,275)</u>	<u>(7,255)</u>	<u>(6,622)</u>	<u>(6,418)</u>	(6,280)
Net loan portfolio	109,697	119,578	112,647	118,078	130,731
Other accounts receivable	11,791	12,414	4,409	11,193	20,674
Foreclosed assets	750	639	551	514	458
Property, furniture and equipment, net	3,532	3,843	4,262	4,492	4,719
Long term investments in equity securities	1,809	1,944	2,260	2,382	2,350
Deferred taxes	2,659	2,607	2,228	2,036	1,652
Goodwill	2,590	3,159	3,085	3,069	3,049
Other assets, deferred charges and intangibles	744	844	909	884	901
Total Assets	<u>197,855</u>	<u>216,792</u>	<u>223,189</u>	<u>231,823</u>	255,162

<i>Figures in MXN Millions</i>	<i>June 30</i>	<i>Sept. 30</i>	<i>Dec.31</i>	<i>March 31</i>	<i>June 30</i>
	<u>2004</u>	<u>2004</u>	<u>2004</u>	<u>2005</u>	<u>2005</u>
Liabilities					
Deposits	154,110	169,329	181,453	178,428	188,347
Demand deposits	95,651	101,260	113,077	104,313	106,448
Time deposits	58,460	67,903	68,322	74,115	81,899
Bank bonds outstanding	-	165	54	-	
Bank deposits and other liabilities	10,244	10,632	9,058	10,208	16,536
On demand	-	267	-	-	-
Short term	7,179	7,638	6,486	7,812	14,227
Long term	3,064	2,727	2,572	2,396	2,309
Settlement accounts to be recorded for sale	-	-	-	257	1,703
Securities and derivative transactions	176	147	40	94	3,854
Repurchase agreements	61	36	40	94	48
Operations with derivative instruments	-	-	-	-	3,806
Derivative transactions	113	111	-	-	-
Settlement accounts to be recorded for purchase	2	-	-	-	-
Other accounts payable	12,457	14,471	9,610	19,051	19,668
Income tax and employee profit sharing payable	185	422	727	446	199
Sundry creditors and others accounts payable	12,272	14,049	8,883	18,605	19,469
Subordinated debentures outstanding	2,309	2,682	2,621	2,608	2,592
Deferred tax	-	-	-	-	-
Deferred credits	<u>44</u>	<u>73</u>	<u>85</u>	<u>63</u>	<u>52</u>
Total Liabilities	<u>179,339</u>	<u>197,334</u>	<u>202,867</u>	<u>210,710</u>	<u>232,752</u>
Stockholder's Equity					
Paid in capital	19,453	19,453	19,453	19,453	19,453
Capital stock	7,440	7,440	7,440	7,440	7,440
Additional paid in capital	12,013	12,013	12,013	12,013	12,013
Mandatorily convertible subordinated debentures	-	-	-	-	-
Capital Gains	(940)	2	866	1,657	2,954
Capital reserves	457	457	456	456	621
Retained earnings	4,345	4,345	4,348	7,650	7,486
Surplus from mark to market of available for sale securities	-	-	-	-	-
Result from translation of foreign operations	-	-	(1)	-	(4)
Cumulative effect of restatement	(3,625)	(3,622)	(3,616)	(3,616)	(3,616)
Gains on non monetary asset valuation					
Valuation of fixed assets	-	-	-	-	-
Valuation of permanent investments	(3,710)	(3,698)	(3,623)	(3,989)	(3,733)
Adjustments to retirement fund obligations	-	-	-	-	-
Net Income	1,593	2,520	3,302	1,156	2,200
Minority interest in capital	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total Stockholder's Equity	<u>18,516</u>	<u>19,458</u>	<u>20,323</u>	<u>21,113</u>	<u>22,410</u>
Total Liabilities and Capital	<u>197,855</u>	<u>216,792</u>	<u>223,189</u>	<u>231,823</u>	<u>255,162</u>

Figures in MXN Millions

	<u>June 30</u> <u>2004</u>	<u>Sept. 30</u> <u>2004</u>	<u>Dec.31</u> <u>2004</u>	<u>March 31</u> <u>2005</u>	<u>June 30</u> <u>2005</u>
Memorandum Accounts					
Transaction on behalf of third parties	68,278	73,198	76,672	86,011	89,317
Customer current accounts	(3)	(12)	(4)	(7)	3
Customer banks	-	-	1	1	-
Settlement of customer securities and documents	(3)	(12)	(5)	(8)	3
Customer securities	52,527	55,177	49,001	51,492	58,751
Customer securities in custody	52,010	54,596	48,438	50,696	57,953
Pledged customers securities and documents	517	581	564	797	798
Transactions on behalf of customer	-	-	2,566	2,472	2,615
Customers repurchase transactions	-	-	2,566	2,472	2,615
Customers option repurchase transaction	-	-	-	-	-
Other transactions on behalf of customers	15,755	18,033	25,108	32,054	27,948
Investment on behalf of customers, net	15,755	18,033	25,108	32,054	27,948
Other memorandums accounts	443,246	432,928	431,584	447,480	480,500
Investment of the SAR funds	2,811	2,875	2,898	3,059	3,110
Integrated loan portfolio	119,334	118,668	112,829	117,386	129,283
Other memorandum accounts	321,100	311,385	315,857	327,034	348,107
Transactions for the group's own accounts	248,576	241,450	221,495	324,065	336,891
Memorandum Accounts	248,503	241,379	221,468	324,052	336,840
Guarantees granted	174	194	220	187	57
Irrevocable lines of credit granted	683	1,084	2,211	3,091	2,763
Goods in trust or mandate	61,424	61,363	62,325	63,170	64,504
Goods in custody or under administration	102,874	79,487	49,548	51,087	60,338
Amounts committed in transactions with Fobaproa	7,791	1,249	963	871	1,048
Amounts contracted in derivative operations	56,034	73,232	92,741	190,540	192,621
Securities in custody	4,137	4,093	4,000	3,984	3,988
Other contingent obligations	15,386	20,678	9,459	11,121	11,521
Repurchase/resale agreements					
Securities receivable under repos	52,072	44,866	38,975	38,906	44,694
(less) Repurchase agreements	<u>(51,966)</u>	<u>(44,787)</u>	<u>(38,948)</u>	<u>(38,938)</u>	<u>(44,642)</u>
	<u>107</u>	<u>79</u>	<u>27</u>	<u>(32)</u>	<u>52</u>
Reverse repurchase agreements	30,161	17,867	8,658	10,010	13,943
(less) Securities deliverable under repos	<u>(30,194)</u>	<u>(17,875)</u>	<u>(8,658)</u>	<u>(9,965)</u>	<u>13,944)</u>
	<u>(33)</u>	<u>(8)</u>	<u>-</u>	<u>45</u>	<u>(1)</u>

"The present consolidated balance sheet, with those of other financial entities comprising the Group that are subject to consolidation, was prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Holding Company and the financial entities comprising the Group that are subject to consolidation, up to the dates mentioned above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

The historical capital stock of the Group amounts to MXN 3,886 millions of Mexican Pesos.

This consolidated balance sheet was approved by the Board of Directors under the responsibility of the following officers.

www.hsbc.com.mx, English, Investor Relations – Financial Information.

www.cnby.gob.mx, Section: Información Estadística.

HSBC México, S.A. (Bank)
Consolidated Balance Sheet

<i>Figures in MXN Millions</i>	<i>June 30</i>	<i>Sept. 30</i>	<i>Dec. 31</i>	<i>March 31</i>	<i>June 30</i>
	<u>2004</u>	<u>2004</u>	<u>2004</u>	<u>2005</u>	<u>2005</u>
Assets					
Cash and deposits in banks	38,454	38,726	43,729	49,037	41,640
Financial instruments	23,609	29,363	44,613	36,017	44,602
Trading securities	4,388	1,014	2,674	-	-
Available for sale securities	12,860	23,571	37,876	32,083	40,615
Held to maturity securities	6,361	4,778	4,063	3,934	3,987
Securities and derivative operations.....	218	143	101	373	129
Repurchase agreements	126	91	58	107	93
Operations that represent loans with collateral	-	-	-	-	-
Settlement Accounts to be recorded for purchase	-	-	-	-	-
Derivative transactions	92	52	43	266	36
Performing loans					
Commercial loans	20,517	20,142	27,598	30,059	35,545
Loans to financial intermediaries	1,677	3,285	4,048	3,332	4,059
Consumer loans	14,397	14,340	14,837	15,452	16,438
Mortgage	11,539	11,684	12,106	12,513	12,980
Loans to government entities	6,018	5,843	6,348	7,189	35,800
Loans to Fobaproa or IPAB	58,590	58,028	42,154	42,232	18,217
Total performing loans	<u>112,738</u>	<u>113,322</u>	<u>107,091</u>	<u>110,777</u>	<u>123,039</u>
Non-performing loans					
Commercial loans	3,831	2,546	1,903	1,952	1,879
Loans to financial intermediaries	1	1	-	-	-
Consumer loans	461	492	529	538	611
Mortgage	860	950	833	768	887
Loans to government entities	-	-	-	-	-
Immediate collection, remittances and other	81	78	43	74	46
Total non-performing loans	<u>5,234</u>	<u>4,067</u>	<u>3,308</u>	<u>3,332</u>	<u>3,423</u>
Total loan portfolio	<u>117,972</u>	<u>117,389</u>	<u>110,399</u>	<u>114,109</u>	<u>126,462</u>
(-) Allowance for loan losses	<u>(8,275)</u>	<u>(7,088)</u>	<u>(6,456)</u>	<u>(6,248)</u>	<u>(6,128)</u>
Net loan portfolio	109,697	110,301	103,943	107,861	120,334
Other accounts receivable	10,444	10,275	3,972	10,347	19,387
Foreclosed assets.....	750	575	500	461	412
Property, furniture and equipment, net.....	3,522	3,604	4,033	4,266	4,506
Long term investments in equity securities.....	374	391	393	387	167
Deferred taxes	2,608	2,539	2,155	1,929	1,530
Other assets, deferred charges and intangibles.....	726	699	770	727	749
Total Assets	<u>190,402</u>	<u>196,616</u>	<u>204,209</u>	<u>211,405</u>	<u>233,456</u>

<i>Figures in MXN Millions</i>	<i>June 30</i>	<i>Sept. 30</i>	<i>Dec. 31</i>	<i>March 31</i>	<i>June 30</i>
	<u>2004</u>	<u>2004</u>	<u>2004</u>	<u>2005</u>	<u>2005</u>
Liabilities					
Deposits	154,716	158,835	170,882	167,062	176,175
Demand deposits	96,256	95,601	107,891	98,940	100,750
Time deposits	58,460	63,234	62,991	68,122	75,425
Bank bonds outstanding	-	-	-	-	-
Bank deposits and other liabilities	10,244	10,541	9,058	10,208	16,536
On demand	-	267	239	-	-
Short term	7,683	7,548	6,246	7,811	14,227
Long term	2,561	2,726	2,573	2,397	2,309
Settlement accounts to be recorded for sale	-	-	-	258	1,703
Securities and derivative transactions	167	132	32	94	3,848
Repurchase agreements	52	20	32	94	42
Settlement accounts to be recorded for purchase	2	-	-	-	-
Operations with derivative instruments	-	-	-	-	3,806
Derivative transactions	113	112	-	-	-
Other accounts payable	11,004	12,087	8,923	17,845	18,633
Income tax and employee profit sharing payable	179	394	669	415	151
Sundry creditors and others accounts payable	10,825	11,693	8,254	17,430	18,482
Subordinated debentures outstanding.....	2,309	2,270	2,223	2,215	2,216
Deferred tax	-	-	-	-	-
Deferred credits.....	-	-	14	10	8
Total Liabilities	<u>178,440</u>	<u>183,865</u>	<u>191,132</u>	<u>197,692</u>	<u>219,119</u>
Stockholder's Equity					
Paid in capital.....	10,109	10,109	10,109	10,109	10,109
Capital stock	3,427	3,427	3,427	3,427	3,427
Additional paid in capital	6,682	6,682	6,682	6,682	6,682
Mandatorily convertible subordinated debentures	-	-	-	-	-
Capital Gains.....	1,851	2,641	2,966	3,602	4,226
Capital reserves	2,495	2,495	1,915	1,915	4,491
Retained earnings	-	-	-	3,126	-
Surplus from mark to market of available for sale securities	(138)	(133)	16	(298)	7
Result from translation of foreign operations	11	11	11	11	11
Cumulative effect of restatement	(3,215)	(3,162)	(3,173)	(3,234)	(3,251)
Gains on non monetary asset valuation					
Valuation of fixed assets	1,220	1,220	1,220	1,220	1,220
Valuation of permanent investments	(114)	(142)	(149)	(145)	(139)
Adjustments to retirement fund obligations	-	-	-	-	-
Net Income	1,592	2,352	3,126	1,007	1,887
Minority interest in capital	2	1	2	2	2
Total Stockholder's Equity	<u>11,962</u>	<u>12,751</u>	<u>13,077</u>	<u>13,713</u>	<u>14,337</u>
Total Liabilities and Capital	<u>190,402</u>	<u>196,616</u>	<u>204,209</u>	<u>211,405</u>	<u>233,456</u>

Figures in MXN Millions

	<i>June 30</i>	<i>Sept. 30</i>	<i>Dec. 31</i>	<i>March 31</i>	<i>June 30</i>
	<u>2004</u>	<u>2004</u>	<u>2004</u>	<u>2005</u>	<u>2005</u>
Memorandum Accounts					
Guarantees granted	174	194	219	186	57
Other contingent obligations	15,386	20,678	9,460	11,122	11,521
Irrevocable lines of credit granted	684	1,084	2,211	3,091	2,763
Goods in trust or mandate	61,423	61,363	62,325	63,170	64,504
Goods in custody or under administration	102,874	79,486	49,548	51,087	60,338
Third party investment banking operations, net	15,755	18,033	25,108	32,054	27,948
Amounts committed in transactions with Fobaproa	7,791	1,250	963	871	1,048
Amounts contracted in derivative operations	56,034	73,232	92,742	190,540	192,621
Investments of retirement savings system funds	2,811	2,875	2,898	3,060	3,110
Integrated loan portfolio	119,335	118,667	112,829	117,387	129,283
Other control accounts	321,099	311,384	315,856	327,033	348,105
	<u>703,366</u>	<u>688,246</u>	<u>674,159</u>	<u>799,601</u>	<u>841,299</u>
Securities receivable under repos	49,938	42,456	36,392	36,430	42,076
(less) Repurchase agreements	(49,839)	(42,389)	(36,363)	(36,462)	(42,023)
	<u>99</u>	<u>67</u>	<u>29</u>	<u>(32)</u>	<u>53</u>
Reverse repurchase agreements	28,034	15,469	6,072	7,534	11,323
(less) Securities deliverable under repos	(28,059)	(15,466)	(6,074)	(7,489)	(11,326)
	<u>(25)</u>	<u>3</u>	<u>(2)</u>	<u>45</u>	<u>(2)</u>

The present statement was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission as specified in Articles 99, 101 y 102 of the Law for Credit Institutions, of general observance and mandatory, applied in a consistent manner, this statement reflects all operations performed by the institution up to the date mentioned above, these operations were performed following healthy banking practice and following applicable legal and administrative requirements. The present statement has been approved by the Board of Directors under the responsibility of the signing officers.

Historical paid in capital of the Institution amounts to MNX 2,003 millions.

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Grupo Financiero HSBC, S.A. de C.V. (Group)
Consolidated Income Statement

<i>Figures in MXN Millions</i>	<i>For the quarter ending...</i>					<i>YTD...</i>	
	<i>30 Jun 2004</i>	<i>30 Sep 2004</i>	<i>31 Dec 2004</i>	<i>31 Mar 2005</i>	<i>30 Jun 2005</i>	<i>30 Jun 2004</i>	<i>30 Jun 2005</i>
Interest Income	4,657	4,456	5,453	5,773	6,417	9,093	12,190
Interest expense (-)	1,809	1,406	2,013	2,156	2,856	3,634	5,012
Monetary position (margin), net	1	(100)	(183)	(50)	(22)	(61)	(72)
Net interest income	<u>2,849</u>	<u>2,950</u>	<u>3,257</u>	<u>3,567</u>	<u>3,539</u>	<u>5,399</u>	<u>7,106</u>
Loan-loss provisions (-)	(296)	(382)	(270)	(242)	(361)	(690)	(603)
Risk adjustment net interest income...	<u>2,552</u>	<u>2,567</u>	<u>2,987</u>	<u>3,326</u>	<u>3,177</u>	<u>4,710</u>	<u>6,503</u>
Fees and commissions.....	1,757	1,911	2,058	1,920	1,944	3,494	3,864
Fees Paid	(139))	(139)	(211)	(207)	(231)	(275)	(438)
Trading Income	91	269	243	213	283	382	496
Total operating income	<u>4,261</u>	<u>4,609</u>	<u>5,077</u>	<u>5,252</u>	<u>5,173</u>	<u>8,311</u>	<u>10,425</u>
Administrative and personnel expenses (-)	2,815	3,198	3,683	3,606	3,789	5,844	7,395
Net operating income	<u>1,446</u>	<u>1,411</u>	<u>1,395</u>	<u>1,646</u>	<u>1,384</u>	<u>2,467</u>	<u>3,030</u>
Other income	477	224	525	217	275	586	492
Other expenses	(214))	(261)	(449)	(169)	(120)	(345)	(288)
Net income before taxes.....	<u>1,709</u>	<u>1,373</u>	<u>1,471</u>	<u>1,694</u>	<u>1,539</u>	<u>2,708</u>	<u>3,234</u>
Income tax and employee profit sharing	(185)	(468)	(559)	(276)	(393)	(194)	(669)
Deferred income tax	(641)	(27)	(225)	(379)	(194)	(993)	(573)
Net income before subsidiaries	<u>883</u>	<u>878</u>	<u>686</u>	<u>1,039</u>	<u>952</u>	<u>1,521</u>	<u>1,992</u>
Undistributed income from subsidiaries	38	56	96	116	168	72	284
Income from ongoing operations	<u>921</u>	<u>934</u>	<u>782</u>	<u>1,156</u>	<u>1,120</u>	<u>1,593</u>	<u>2,276</u>
Discontinued operations, extraordinary items and changes in accounting standards, net	-	(7)	-	-	(76)	-	(76)
Minority interest	-	-	-	-	-	-	-
Net income (loss)	<u>921</u>	<u>927</u>	<u>782</u>	<u>1,156</u>	<u>1,044</u>	<u>1,593</u>	<u>2,200</u>

"The consolidated income statement, with those of the other financial entities comprising the Group that are subject to consolidation, were prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Holding Company and the other financial entities comprising the from that are subject to consolidation, up to the dates mentioned above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

This consolidated income statement was approved by the Board of Directors under the responsibility of the following officers., Sección: Ligas de Interés, HSBC www.hsbc.com.mx English, Investor Relations – Financial Information. www.cnbv.gob.mx, Section: Información Estadística.

HSBC México, S.A. (Bank)

Consolidated Income Statement

Figures in MXN millions	For the quarter ending...					YTD...	
	30 June 2004	30 Sept. 2004	31 Dec. 2004	31 Mar. 2005	31 June 2005	30 June 2004	30 June 2005
Interest income	4,640	4,334	5,247	5,565	6,197	9,079	11,762
Interest expense (-)	1,811	1,377	1,949	2,090	2,748	3,642	4,838
Monetary position (margin), net	2	(73)	(149)	(38)	(16)	(45)	(53)
Net interest income	<u>2,831</u>	<u>2,884</u>	<u>3,149</u>	<u>3,437</u>	<u>3,433</u>	<u>5,392</u>	<u>6,871</u>
Loan-loss provisions (-)	296	377	268	236	365	690	601
Loan loss provisions bank	256	307	176	100	295	649	395
Loss sharing Fobaproa	40	70	92	136	70	41	206
Risk adjustment net interest income...	<u>2,535</u>	<u>2,507</u>	<u>2,881</u>	<u>3,201</u>	<u>3,068</u>	<u>4,702</u>	<u>6,270</u>
Fees and commissions.....	1,702	1,762	1,929	1,687	1,764	3,345	3,451
Account management	418	397	379	358	370	806	727
Services	1,284	1,365	1,550	1,329	1,394	2,539	2,724
Fees Paid	(173)	(167)	(248)	(196)	(222)	(344)	(418)
Trading Income	90	268	240	213	280	380	495
Foreign exchange	73	195	189	(53)	436	173	384
Securities trading, net	4	73	74	48	(22)	92	26
Repo's	7	14	7	22	65	6	87
Valuation off-shore agencies	6	(14)	(30)	196	(199)	109	(2)
Total operating income	<u>4,154</u>	<u>4,370</u>	<u>4,802</u>	<u>4,905</u>	<u>4,890</u>	<u>8,083</u>	<u>9,798</u>
Administrative and personnel expenses (-).....	2,670	3,084	3,343	3,330	3,521	5,558	6,851
Personnel expense	1,215	1,330	1,467	1,422	1,589	2,446	3,012
Administrative expense	1,299	1,602	1,710	1,727	1,742	2,808	3,468
Depreciation and amortization	156	152	166	181	190	304	370
Net operating income	<u>1,484</u>	<u>1,286</u>	<u>1,459</u>	<u>1,575</u>	<u>1,369</u>	<u>2,525</u>	<u>2,948</u>
Other income	471	215	508	219	265	578	481
Other expenses	(211)	(257)	(443)	(165)	(114)	(340)	(279)
Net income before taxes.....	<u>1,744</u>	<u>1,244</u>	<u>1,524</u>	<u>1,629</u>	<u>1,520</u>	<u>2,763</u>	<u>3,149</u>
Income tax and employee profit sharing	(185)	(453)	(531)	(241)	(373)	(189)	(614)
Deferred income tax	(642)	(28)	(224)	(381)	(193)	(987)	(575)
Net income before subsidiaries	<u>917</u>	<u>763</u>	<u>769</u>	<u>1,007</u>	<u>954</u>	<u>1,587</u>	<u>1,960</u>
Undistributed income from subsidiaries	3	5	3	-	2	5	3
Income from ongoing operations	<u>920</u>	<u>768</u>	<u>772</u>	<u>1,007</u>	<u>956</u>	<u>1,592</u>	<u>1,963</u>
Discontinued operations, extraordinary items and changes in accounting standards, net	-	(7)	-	-	(76)	-	(76)
Minority interest	-	-	-	-	-	-	-
Net income (loss)	<u>920</u>	<u>761</u>	<u>772</u>	<u>1,007</u>	<u>880</u>	<u>1,592</u>	<u>1,887</u>

The present income statement was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission as specified in Articles 99, 101 y 102 of the Law for Credit Institutions of general observance and mandatory, applied in a consistent manner. This statement reflects all income and expenses derived from the operations performed by the Institution up to the date mentioned above. These operations were performed following healthy banking practice and following applicable legal and administrative requirements. The present statement has been approved by the Board of Directors under the responsibility of signing officers.

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www.cnbv.gob.mx, Section: Información Estadística.

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

Consolidated Statement of Changes in Shareholder's Equity

From December 31 to June 30, 2005

Figures in Millions of Pesos

	Paid in Capital										Minority Interest	Total Stockholders Equity	
	Capital stock	Additional paid in capital	Capital Reserves	Retained earnings	Surplus from mark to market of available securities	Result from translation of foreign operations	Update of restatement	Valuation of fixed assets	Valuation of permanent investments	Adjustments to retirement fund obligations			Net income
Balances as of December 31, 2004	7,440	12,013	458	4,347	-	(1)	(3,617)	-	(3,623)	-	3,303	3	20,324
Movements Inherent to the Shareholders Decision													
Transfer of result of prior years	-	-	-	3,303	-	-	-	-	-	-	(3,303)	-	-
Constitution of reserves	-	-	164	(164)	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	164	3,139	-	-	-	-	-	-	(3,303)	-	-
Movements for the Recognition of the Comprehensive Income													
-Net result	-	-	-	-	-	-	-	-	-	-	2,200	-	2,200
-Surplus from mark to market of available for sale securities	-	-	-	-	-	-	-	-	-	-	-	-	-
-Result from translation of foreign operations	-	-	-	-	-	(4)	-	-	-	-	-	-	(4)
-Cumulative effect of restatement	-	-	-	-	-	-	-	-	-	-	-	-	-
-Gains on non-monetary asset valuation	-	-	-	-	-	-	-	-	(110)	-	-	-	(110)
-Adjustments to retirement fund obligations	-	-	-	-	-	-	-	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	(4)	-	-	(110)	-	2,200	-	2,087
Balances as of June 30, 2005	7,440	12,013	622	7,486	-	(5)	(3,616)	-	(3,733)	-	2,200	3	22,410

The present statement of changes in stockholder's equity, with those of other financial entities comprising the Group that are subject to consolidation, was prepared in accordance with the accounting criteria for financial group holding companies issued by the national Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Holding Company and the financial entities comprising the group that are subject to consolidation, up to the dates mentioned above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

The present statement of changes in stockholder's equity was approved by the Board of Directors under the responsibility of the following officers:

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HSBC México, S.A. (Bank)

Consolidated Statement of Changes in Shareholder's Equity

From December 31 to June 30, 2005

Figures in Millions of Pesos

	Paid in Capital				Capital Gains											Minority Interest	Total Stockholders Equity		
	Capital stock	Paid-in capital	Update of paid in capital	Additional paid in capital	Update of additional paid in capital	Capital reserves	Update of capital reserves	Retained earnings	Update of retained earnings	Surplus from mark to market of available for sale securities	Result from translation of foreign operations	Update of restatement	Update of restatement	Valuation of fixed assets	Valuation of permanent investments			Adjustments to retirements fund obligations	Net income
Balances as of December 31, 2004	2,003	-	1,395	5,127	1,499	1,036	863	-	-	16	11	(3,147)	-	1,210	(148)	--	3,100	2	12,968
Movements Inherent to the Shareholders Decision																			
Transfer of result of prior years	-	-	-	-	-	-	-	3,100	-	-	-	-	-	-	-	-	(3,100)	-	-
Constitution of reserves	-	-	-	-	-	3,100	-	(3,100)	-	-	-	-	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	(517)	(33)	-	-	-	-	-	-	-	-	-	-	-	(550)
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	2,583	(33)	-	-	-	-	-	-	-	-	-	(3,100)	-	(550)
Movements for the Recognition of the Comprehensive Income																			
Integral Income																			
-Net result	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,887	-	1,887
-Surplus from mark to market of available for sale securities	-	-	-	-	-	-	-	-	(4)	-	-	-	-	-	-	-	-	-	(4)
-Result from translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Cumulative effect of restatement	-	-	28	-	56	-	41	-	(5)	-	-	(104)	10	(1)	-	-	-	-	26
-Gains on non-monetary asset valuation	-	-	-	-	-	-	-	-	-	-	-	-	-	10	-	-	-	-	4
-Adjustments to retirement fund obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	28	-	56	-	41	-	(9)	-	-	(104)	10	9	-	-	1,887	-	1,919
Balances as of June 30, 2005	2,003	-	1,424	5,127	1,555	3,619	872	-	-	7	11	(3,147)	(104)	1,220	(139)	-	1,887	2	14,337

The present statement of changes in stockholder's equity was prepared in accordance to the accounting principles for banking institutions which are issued by the Mexican National Banking Commission as specified in Articles 99, 101 y 102 of the Law for Credit Institutions of General Observance and Mandatory, applied in a consistent manner. This statement reflects all movements in capital accounts derived from the operations performed by the Institution up to the date mentioned above.

These operations were performed following healthy banking practice and following applicable legal and administrative requirements.

The present statement has been approved by the Board of Directors under the responsibility of the signing officers.

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Grupo Financiero HSBC, S.A. de C.V. (Group)
Consolidated Statement of Changes in Financial Position
From January 1 to June 30, 2005
Figures in MXN millions
Operating activities

Net income	2,200
(Deduct)-Charges (credits) to income not requiring (providing) funds:	
Gains / (losses) from mark to market valuations	(380)
Allowance for loan losses	603
Depreciation and amortization	384
Deferred taxes	573
Undistributed income from subsidiaries	(284)
Increase (reduction) of the minority interest	-
	<u>3,096</u>
Changes in Operating Accounts:	
Increase (decrease) in operating liabilities:	
Increase (decrease) in retail deposit and money desk	6,894
Accounts payable	10,058
Increase (decrease) in operating assets:	
Increase (decrease) of loan portfolio	(18,686)
Increase (decrease) of financial instruments	913
Increase (decrease) of securities and derivative transactions, net	5,491
Increase (decrease) payable accounts	(16,266)
Funds provided by operating activities	<u>(8,498)</u>

Financing Activities:

Subordinated debentures outstanding	(29)
Increase (Decrease) in bank and other loans	7,479
Funds used in financing activities	<u>7,450</u>

Investing Activities

Increase (decrease) of property, furniture and equipment, net	(841)
Acquisition investment in shares, net	113
Result from translation of foreign operations	3
Increase (decrease) in deferred credits	(21)
Increase (decrease) Foreclosed assets	92
Funds used in investing activities	<u>(654)</u>

Increase (decrease) in funds available **(1,702)**
Funds available at beginning of period **46,141**
Funds available at end of period **44,439**

"The present consolidated Statement of changes in financial position, with those of other financial entities comprising the Group that are subject to consolidation, was prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Holding Company and the financial entities comprising the group that are subject to consolidation, up to the dates mentioned above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

The historical capital stock of the Group amounts to MXN 3,886 millions.

This consolidated Statement of changes in financial position, was approved by the Board of Directors under the responsibility of the following officers.

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HSBC México, S.A. (Bank)

Consolidated Statement of Changes in Financial Position

From January 1 to June 30, 2005

Figures in MXN millions

Operating activities	
Net income	1,887
(Deduct)-Charges (credits) to income not requiring (providing) funds:	
Depreciation and amortization	370
Allowance for loan losses	601
Provisions for loan losses	43
Gains / (losses) from mark to market valuations	2
Deferred taxes	575
Undistributed income from subsidiaries	(3)
Increase (reduction) of the minority interest	-
	<u>3,475</u>
Changes in Operating Accounts:	
Increase (decrease) in retail deposit and money desk	5,294
Increase (decrease) of interbank and other loans	7,479
Increase (decrease) of loan portfolio	(16,903)
Increase (decrease) of financial instruments	5,491
Increase (decrease) of other receivable and payable accounts	(5,698)
Funds provided by operations	<u>(862)</u>
Financing Activities:	
Subordinated debentures outstanding	(10)
Increase (decrease) in capital	(550)
Amortization of mandatory convertible subordinated debentures	-
Result from foreign currency transactions	-
Convertible subordinated debentures	-
Fiscal results of agencies	-
Funds provided by financing activities	<u>(560)</u>
Investing Activities:	
Increase (decrease) of property, furniture and equipment and long term investments	(682)
Increase (decrease) in deferred credits	15
Increase (decrease) in loans to employee	-
Funds used in investing activities	<u>(668)</u>
Increase (decrease) in funds available	(2,090)
Funds available at beginning of period	<u>43,729</u>
Funds available at end of period	<u>41,640</u>

The present statement of changes in financial position was prepared in accordance to the accounting principles for banking institutions, which are issued by the Mexican National Banking Commission, as specified in Articles 99, 101 y 102 of the Law for Credit Institutions of general observance and mandatory, applied in a consistent manner. This statement reflects all movements in funds derived from the operations performed by the Institution up to the date mentioned above.

These operations were performed following healthy banking practice and following applicable legal and administrative requirements.

The present statement has been approved by the Board of Directors under the responsibility of signing the officers.

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Key Indicators (Bank)

	<i>For the quarter ending ...</i>				
	<i>30 June 2004</i>	<i>30 Sept. 2004</i>	<i>31 Dec. 2004</i>	<i>31 March 2005</i>	<i>30 June 2005</i>
Non performing loans / total loans ratio ...	4.44%	3.46%	3.00%	2.92%	2.71%
Coverage ratio	158.10%	174.28%	195.13%	187.52%	179.02%
Operative efficiency.....	5.49%	6.37%	6.67%	6.41%	6.33%
Net interest margin (NIM)	5.79%	5.52%	5.89%	6.53%	5.86%
Return on average equity (ROAE)	29.40%	24.60%	23.94%	30.07%	25.10%
Return on assets (ROA)	1.89%	1.57%	1.54%	1.94%	1.58%
Capitalization ratio					
Credit risk.....	20.80%	22.46%	20.24%	19.56%	19.76%
Credit and market risk.....	14.98%	15.72%	13.69%	14.96%	14.42%
Liquidity.....	53.59%	61.22%	73.69%	75.99%	71.54%

Variance Analysis of Balance Sheet and Income Statement

In 2Q05, Grupo Financiero HSBC continued to record solid results. During the period the Bank’s assets grew 10.4% in comparison to the previous quarter and 22.6% compared to the previous year. At June 30, 2005 the Bank reported total assets of MXN 233,456 millions and the Group reported total assets of MXN 255,712 millions, 29.2% higher than prior year. Besides the Bank’s contribution, the Group’s income increased primarily because of the strong results in the Insurance Company and the contribution of the Panama Banking subsidiary (acquired in August 2004). During 2Q05, the Insurance Company’s net income was the highest in the company’s history.

The Bank’s asset growth was supported by an expansion in deposits, in addition to a change in the deposit mix, since in 2Q05 time deposits grew faster than demand deposits. During the quarter, the Group captured MXN 7,784 millions in time deposits (with the balance closing 10.5% higher than the previous quarter) and MXN 2,135 millions in demand deposits (2% higher than the previous quarter). Interbank loans contributed MXN 6,328 millions in additional funding.

As in the previous quarters, deposits and interbank loans funded a strong expansion in the loan portfolio. The Bank’s total portfolio closed the quarter at MXN 137,011 millions, representing growth of 16.1% in the last twelve months. The Bank has grown volumes in all of its loan products, both commercial and consumer. The additional MXN 19,737 millions of commercial loans placed in the last twelve months represents an increase of 96.2% versus prior year, reflecting HSBC Mexico’s strategy to increase market share in this segment. Despite an increase in loans, the stronger economic environment, coupled with improved lending practices and internal controls have resulted in a low amount of non-performing loans. Non-performing loans increased 3.2% versus year-end 2004 and decreased 32.3% versus Jun04. Loan loss reserves at the end of Jun05 increased to MXN 6,280 millions, representing 177% of the level of non-performing loans.

Besides the expansion of the loan portfolio, the Bank also has solidified its investment portfolio. In the last twelve months the securities investment portfolio has grown MXN 20,454 millions, or 79.9%. This portfolio allows the Bank to better manage its Balance Sheet, extending asset duration and decreasing interest rate sensitivity.

Grupo Financiero HSBC continues investing in order to generate profitable growth. In 2Q05 results this is reflected in an increase in fixed assets and in expenses. The net investment in real estate and staff at the close of 2Q05 grew 33.6 percent compared to 2Q04. The focal point of investment in fixed assets is the new corporate headquarters in front of the Angel of Independence, which will be ready for 1H06. Additionally, headcount increased by 5% in the quarter. The addition of 1,016 new employees contributed to higher personnel expenses, which totalled MXN 1,589 millions in the quarter. In June 2004, the Bank benefited from a one-time VAT/IVA

recovery, which reduced operating expenses by MXN 249 millions and should be considered when comparing operating expenses in 2Q05 to the previous year.

The Group's capital remained solid, with income growth during the quarter, helping to further fortify both the capital of the Bank and the Group. Furthermore, prudent management of credit and market risks has permitted the Bank to maintain a strong capital adequacy ratio.

The Bank and the Group both generated strong earnings for the quarter. The Bank reported MXN 880 millions in net income on total revenues of MXN 4,890 millions. On a consolidated level, the Group generated MXN 1,044 millions in net income on total revenues of MXN 5,173 millions. For the Bank, total revenues increased 17.7% compared to 2Q04, while on a Group level they grew 21.4 percent.

In 2Q05 the Bank generated record net interest income and improved trading results increasing by MXN 3,433 millions and MXN 280 millions, respectively. Net interest income was supported by the growing deposit base, an increase in the loan portfolio, and a higher interest rate environment, while trading benefited from strong revenues from Fx volumes and positive results in debt trading.

YTD fee income increased 5.6% from prior year as reported and 9.1% on a like-by-like basis (after adjusting for an accounting reclassification of intercompany fees paid by HBMX subsidiaries to the bank for reimbursement of various services, they are now reported under Other Income instead of in fee income). Investment fund fees grew 5.9% versus prior year due to growth in assets under management (volumes increased by 6.0B on average). International remittances continued to expand, surpassing one million monthly transactions for the first time in May (market share increased to 19.2%). Membership Programs, namely *Tu Cuenta* and *Estímulo*, recorded strong growth (as of June 30, 2005, over 350,000 *Tu Cuenta* packages and 2,100 *Estímulo* units have been sold) and the amount of credit cards in circulation grew by 59% over prior year, reaching 790 thousands units and driving commissions and balance growth of 54% and 45%, respectively.

The results of the Group benefited from the Bank and from strong earnings in the Insurance Company and Panama Banking subsidiary. HSBC's capital adequacy ratio remains strong at 14.4% as of 30JUN05. Versus prior year, non-performing loans declined 32%, and the ratio of loan loss reserves to non-performing loans reached 177%. The bank's capital position and overall balance sheet strength will enable us to effectively compete in the market in supporting our customers' financial expansion plans in the years ahead.

Financial Instruments

	<i>30 June 2004</i>	<i>30 Sept. 2004</i>	<i>31 Dec . 2004</i>	<i>31 March 2005</i>	<i>30 June 2005</i>
Government securities	(1,284)	(144)	(924)	264	230
Fiduciary certificates	-	-	-	-	-
Bank securities	6,639	1,178	2,037	28	28
Shares	18	18	20	17	17
Sovereign government debt bonds	-	-	-	-	-
Others	1,008	1,004	22	50	64
Trading securities.....	<u>6,380</u>	<u>2,055</u>	<u>3,003</u>	<u>359</u>	<u>339</u>
Government securities	10,001	20,108	32,652	25,384	31,320
Fiduciary certificates	507	1,856	2,018	1,989	1,977
Bank securities	-	-	314	304	1,914
Obligations and other securities	2,337	3,073	4,519	5,203	6,502
Shares	16	17	19	18	18
Available for sale securities.....	<u>12,861</u>	<u>25,054</u>	<u>39,522</u>	<u>32,897</u>	<u>41,730</u>
Sovereign debt securities	1,005	857	832	711	693
Commercial and industrial subordinated debentures	2	2	2	2	2
Special Cetes (net)	5,002	3,662	3,066	3,125	3,212
Myras	351	257	164	96	79
Other debt securities	-	-	-	-	-
Securities held to maturity.....	<u>6,360</u>	<u>4,778</u>	<u>4,064</u>	<u>3,934</u>	<u>3,986</u>
Total Financial Instruments.....	<u>25,601</u>	<u>31,887</u>	<u>46,588</u>	<u>37,190</u>	<u>46,055</u>

In 2Q05, there was a MXN 8,865 millions increase in Investments in Securities versus prior quarter, mainly due to a MXN 5,936 millions increase in Government Securities (mainly bonds, Cetes, Panama treasury certificates, and other), a MXN1,274 millions decrease in value date transactions (brems and repos), a MXN1,405m increase in promissory notes (Pagarés), and a MXN 1,299 millions increase in Global UMS.

Repurchase Agreements

	<i>30 June 2004</i>	<i>30 Sept. 2004</i>	<i>31 Dec. 2004</i>	<i>31 March 2005</i>	<i>30 June 2005</i>
Government securities (debit)	48,649	40,610	36,045	38,291	40,060
Bank securities (debit)	3,262	4,132	2,841	606	3,041
Bank securities (own)	-	-	-	-	1,472
Valuation Increase (decrease)	130	103	72	(5)	87
Interest in securities receivable under repurchase agreements	<u>31</u>	<u>21</u>	<u>17</u>	<u>13</u>	<u>34</u>
Total in repo agreements (debit)	<u>52,072</u>	<u>44,866</u>	<u>38,975</u>	<u>38,906</u>	<u>44,694</u>
Repo's Government securities (credit)	48,642	40,597	36,047	38,292	40,061
Repo's Bank securities (credit)	3,262	4,132	2,841	606	3,041
Repo's Bank securities (own)	-	-	-	-	1,472
Valuation increase (decrease)	(1)	(1)	1	(1)	2
Accrued interest payable	<u>63</u>	<u>58</u>	<u>59</u>	<u>40</u>	<u>66</u>
Credit balance in repo agreements	<u>51,966</u>	<u>44,787</u>	<u>38,948</u>	<u>38,938</u>	<u>44,642</u>
Repurchase agreements in government securities	26,282	16,312	8,635	9,993	13,940
Repurchase agreements in banking securities	3,860	1,546	-	-	-
Valuation increase (decrease)	1	1	1	-	2

Accrued interest receivable	18	9	22	17	1
Debit balance repo securities agreements	<u>30,161</u>	<u>17,867</u>	<u>8,658</u>	<u>10,010</u>	<u>13,943</u>
Government securities	26,289	16,322	8,633	9,993	13,938
Bank securities	3,860	1,546	-	-	-
Valuation increase (decrease)	27	(1)	4	(43)	4
Interest in securities deliverable under repurchase agreements	<u>18</u>	<u>8</u>	<u>21</u>	<u>15</u>	<u>2</u>
Credit balance repo securities agreements	<u><u>30,194</u></u>	<u><u>17,875</u></u>	<u><u>8,658</u></u>	<u><u>9,965</u></u>	<u><u>13,944</u></u>

Derivative Financial Instruments

At 30 June, 2005

	<u>Futures</u>		<u>Forwards Contracts</u>		<u>Options</u>		<u>Swaps</u>		<u>Total</u>
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>	
	<u>position</u>	<u>position</u>	<u>position</u>	<u>position</u>	<u>position</u>	<u>position</u>	<u>position</u>	<u>position</u>	
For trading									
Pesos	-	-	34,734	32,019	-	-	-	-	2,715
US Dollars	-	-	29,995	32,726	-	-	7,132	7,121	(2,720)
Interest Rate	<u>15,943</u>	<u>15,942</u>	-	-	-	-	<u>115,300</u>	<u>115,261</u>	40
Total	15,943	15,942	64,728	64,745	-	-	122,432	122,381	35
For hedging									
Pesos	-	-	-	-	4,500	4,500	842	-	
US Dollars	-	-	-	-	-	-	-	890	
Interest Rate	-	-	-	-	-	-	<u>175</u>	<u>177</u>	
Total	-	-	-	-	4,500	4,500	1,017	1,067	

Participation by Subsidiary

Group Subsidiaries at June 2005

Subsidiaries	<u>Number of Shares owned by subsidiaries</u>	<u>Participation Percentage</u>	<u>Number of Shares owned by HSBC Group</u>
HSBC México, S.A. Institución de Banca Múltiple	1,001,715,231	99.99%	1,001,617,189
HSBC Seguros, S.A. de C.V.	392,200	99.99%	392,199
HSBC Afore, S.A. de C.V.	225,500	99.99%	225,499
HSBC Fianzas, S.A.	759,985,454	97.22%	738,877,715
HSBC Casa de Bolsa, S.A. de C.V.	72,727,272	99.99%	72,727,271
HSBC Operadora de Fondos, S.A. de C.V.	1,000	99.90%	999
HSBC Bank Panama S.A.	<u>1,000,000</u>	<u>100.00%</u>	<u>1,000,000</u>
Total	1,836,046,657		1,814,840,872

Trading Income

	<i>For the quarter ending...</i>					<i>YTD...</i>	
	<i>30 June</i>	<i>30 Sept.</i>	<i>31 Dec.</i>	<i>31 Mar.</i>	<i>30 June</i>	<i>30 June</i>	
	<i>2004</i>	<i>2004</i>	<i>2004</i>	<i>2004</i>	<i>2005</i>	<i>2005</i>	
Valuation	7	(13)	(32)	196	(196)	108	(3)
Derivatives	30	(20)	3	222	(236)	85	(14)
Repo's	(25)	6	(34)	(27)	59	22	28
Shares	-	-	-	-	-	-	-
Debt Securities	2	1	(1)	1	(19)	1	(17)
Buying and Selling Instruments	84	282	275	17	479	274	499
Foreign Currency	73	194	190	(53)	437	175	385
Derivatives	(8)	-	1	(4)	(6)	(2)	(9)
Repo's	(6)	12	92	28	48	32	76
Shares	(2)	7	-	-	-	1	-
Debt Securities	27	69	(8)	46	-	68	47
Total	91	269	243	213	283	382	496

Loan Portfolio

By type of currency

At June 30, 2005

	<i>Commercial Loans</i>	<i>Financial Intermediaries</i>	<i>Consumer Loans</i>	<i>Mortgage Loans</i>	<i>Government Loans</i>	<i>IPAB</i>
Performing Loan Portfolio						
Pesos	26,954	3,833	16,438	8,927	35,379	18,217
US Dollars	8,591	226	-	4	421	-
Udis Banxico	-	-	-	4,049	-	-
Total	35,545	4,059	16,438	12,980	35,800	18,217
Panamá	4,709	92	1,191	4,437	-	-
Total.....	40,254	4,151	17,629	17,417	35,800	18,217
	<i>Commercial Loans</i>	<i>Financial Intermediaries</i>	<i>Consumer Loans</i>	<i>Mortgage Loans</i>	<i>Government Loans</i>	<i>IPAB</i>
Non Performing Loans Portfolio						
Pesos	1,464	-	611	431	-	-
US Dollar	505	-	-	-	-	-
Udis Banxico	-	-	-	456	-	-
Total	1,969	-	611	887	-	-
Panamá	-	-	11	65	-	-
Total.....	1,969	-	622	952	-	-

Loan Portfolio Grading

At June 30, 2005

	Loan Portfolio	Allowance for Loan Losses per category			Total Reserves
		Commercial Loans	Consumer Loans	Mortgage Loans	
Exempted from rating					
.....	47,556				
Graded	81,727				
“A” Risk	46,509		152	87	239
A-1 Risk		52			52
A-2 Risk		124			124
“B” Risk	30,771		219	175	394
B-1 Risk		533			533
B-2 Risk		557			557
B-3 Risk		379			379
“C” Risk	1,516		239	74	313
“C-1” Risk		189			189
“C-2” Risk		61			61
“D” Risk	1,642	279	499	385	1,163
“E” Risk	1,289	1,083	93	111	1,287
Total.....	129,283	3,257	1,202	832	5,291
Less:					
Constituted Reserves					6,128
Surplus.....					837

1. The last day month figures, correspondent to the balance sheet at 30 June 2005, are the ones used to grade and establish the reserves,

2. The lending portfolio is graded according to the rules for grade lending portfolios issued by the *Secretaría de Hacienda y Crédito Público (SHCP – Mexican Government’s Secretary of Public Lending)* and to the methodology established by the *CNBV (Mexican Banking and Securities National Committee)*, and if it is the case, according to the internal methodology authorized by the CNBV. For the second stage of the commercial lending portfolio, the institution will use the CNBV methodology, published in August 20, 2004. For the Consumer Lending portfolio and the Mortgage portfolio, the Institution will use the methodology of the circular published on August 20, 2004.

Non performing loans

	<i>For the quarter ending...</i>			
	<u>30 Sept. 2004</u>	<u>31 Dec. 2004</u>	<u>31 March 2005</u>	<u>30 June 2005</u>
Initial balance of non performing loan portfolio	5,010	3,946	3,280	3,324
Increases	2,866	3,701	3,337	3,876
Transfer of current loans to past due status	2,866	3,701	3,337	3,876
Purchase of portfolio	-	-	-	-
Suspended interest	-	-	-	-
Decreases	(3,944)	(4,377)	(3,300)	(3,757)
Restructurings	(51)	(72)	(5)	(5)
Liquidated credits	(2,730)	(3,383)	(2,413)	(3,282)
Charged in cash	(1,180)	(2,496)	(2,094)	(2,902)
Foreclosed assets	(22)	(6)	(14)	(2)
Debt capitalized in the bank's favour	-	-	-	(1)
Writeoffs	(1,528)	(881)	(306)	(377)
Sale of portfolio	-	(207)	-	-
Transfer to performing loan status	(1,163)	(715)	(882)	(470)
Fx revaluations	14	10	7	(20)
Interest capitalization	-	-	-	-
Final Balance of Non Performing Loan Portfolio	3,946	3,280	3,324	3,423

Deferred Taxes

	<u>30 June 2004</u>	<u>30 Sept. 2004</u>	<u>31 Dec. 2004</u>	<u>31 March 2005</u>	<u>30 June 2005</u>
Loan loss reserves	2,857	2,534	2,187	1,836	1,561
Valuation of securities	265	49	(39)	155	(22)
Fiscal loss	380	80	75	95	76
Loss sharing	-	2,155	2,101	2,129	2,145
Other	37	23	145	78	164
Differences in rates of fixed assets	(358)	(178)	(366)	(359)	(350)
Fiscal result UDIS-Banxico	(522)	(2,056)	(1,875)	(1,898)	(1,922)
Total Deferred Taxes	<u>2,659</u>	<u>2,607</u>	<u>2,228</u>	<u>2,036</u>	<u>1,652</u>

Funding, Loans and Investment in Securities

Funding and bank loans – Interest rates “Average”

	<i>For the quarter ending . . .</i>				
	<i>30 June 2004</i>	<i>30 Sept. 2004</i>	<i>31 Dec. 2004</i>	<i>31 Dec. 2004</i>	<i>30 June 2005</i>
Loans in MXN pesos					
Funding	1.95%	2.22%	2.43%	2.71%	3.27%
Bank and other loans	5.85%	6.21%	7.23%	8.09%	9.16%
Loans in foreign currency					
Funding	0.46%	0.51%	0.56%	0.69%	0.62%
Bank and other loans	2.13%	2.51%	2.86%	3.19%	3.65%
UDIS					
Funding	0.81 %	0.81%	0.81%	0.64%	0.27%

Long Term Debt

HSBC has long term debt subordinated obligations. These instruments pay monthly interest at a rate equivalent to the average 28-day TIIE (interbank rate) of the previous month.

<i>Instrument</i>	<i>Issue Date</i>	<i>Amount</i>	<i>Currency</i>	<i>Amount in circulation</i>	<i>Date of maturity</i>
		<i>Millions of MXN</i>		<i>Millions of MXN</i>	
INTENAL 03	24-NOV-2003	2,200	MXN	2,200	25-NOV-2013
		2,200		2,200	

Capital

Capital Movement

Grupo Financiero HSBC (Group)

In the ordinary shareholders meeting held on April 21, 2005, it was approved to apply the financial year result, which added up to MXN 3,273.315 millions, based on the following:

- MXN 163.766 millions (5%) to increase mandatory reserves, and the remaining MXN 3,111.549 millions, at the disposal of the Administrative Council under the concept of previous financial years result.

Grupo Financiero HSBC Subsidiaries

HSBC México, S.A. (Bank)

In the ordinary shareholders meeting held on April 21, 2005, it was approved to apply the financial year result, which added up to MXN 3,099.921 millions, based on the following:

- MXN 309.993 millions (10%) to increase mandatory reserves, and the remaining MXN 2,789.928 millions, at the disposal of the Administrative Council under the concept of other reserves.

HSBC Brokerage House

In the ordinary shareholders meeting held on April 21, 2005, it was approved to apply the financial year result, which added up to MXN 10.602 millions, based on the following:

- MXN 0.530 millions (5%) to increase mandatory reserves, and the remaining MXN 10.072 millions, at the disposal of the Administrative Council under the concept of previous financial years result.

Dividend Payment

HSBC agreed to pay a 0.549058 dividend per share for each one of the 1,001,715,231 shares in circulation, equivalent to MXN 550 millions, beginning on July 25, 2005, this will be charge against the fiscal net income account.

Capitalization Ratio

Figures in MXN Millions	31				
	30 June 2004	30 Sept. 2004	31 Dec. 2004	March 2005	30 June 2005
% of assets subject to credit risk					
Tier 1	16.19%	17.96%	16.11%	16.11%	15.99%
Tier 2	4.61%	4.50%	4.13%	3.45%	3.77%
Total regulatory capital	20.80%	22.46%	20.24%	19.56%	19.76%
% of assets subject to credit and market risk					
Tier 1	11.66%	12.57%	10.90%	12.32%	11.67%
Tier 2	3.32%	3.15%	2.80%	2.64%	2.75%
Total regulatory capital	14.98%	15.72%	13.69%	14.96%	14.42%
Tier 1	10,731	12,080	11,931	12,755	13,381
Tier 2	3,055	3,025	3,060	2,732	3,158
Total regulatory capital	13,785	15,105	14,991	15,487	16,539
RWA credit risk	66,285	67,264	74,064	79,164	83,687
RWA market risk	25,723	28,804	35,407	24,367	31,004
RWA credit and market risk	92,008	96,068	109,471	103,531	114,691

In accordance with the general rules referred to in the Article 134 bis of the Lending Institution Law, HSBC México, S.A. is classified as category I for presenting a 14.42% capitalization rate in the second quarter of 2005.

Other Expenses, Other Income and Extraordinary Items

Figures in MXN Millions	For the quarter ending...					YTD...	
	31			31		30 June 2004	30 June 2005
	March 2004	30 Sept 2004	31 Dec. 2004	March 2004	30 June 2005		
Other income							
Loans to employees	10	10	10	12	14	19	26
Recoveries	354	33	365	26	38	382	64
Other income	114	181	150	179	220	185	400
Result from monetary position (other income)	-	-	-	-	3	-	3
	477	224	525	217	275	586	492
Other expenses							
Other losses	(205)	(225)	(421)	(166)	(122)	(251)	(287)
Result from monetary position (other income)	(9)	(36)	(28)	(3)	2	(94)	(1)
	(214)	(261)	(449)	(169)	(120)	(345)	(288)
Total other income (expenses)	263	(37)	76	48	155	241	204
Discontinued operations, extraordinary items and changes in accounting standards	-	(7)	-	-	(76)	-	(76)

In 2Q05, the concept of *Discontinued operations, extraordinary items and changes in accounting standards*, includes a loss of MXN 76 millions, which reflects the MXN 77 millions impact of the GEL Audit (Object, Existence, & Legitimacy) on the Fobaproa trust, minus a MXN 1 million loss resulting from the revision of

financial statements of the IPAB Trust for the period MAR01 to MAR04. This is in agreement with Article 5, of the IPAB law, and the Contract of the New Program (Exchange of Fobaproa notes for IPAB notes), signed with the IPAB on 13JUL04.

Related Party Transactions

In the normal course of its operations, the HSBC Group carries out transactions with related parties and members of the Group. According to the policies of the Group, all loan operations with related parties are authorized by the Board and they are negotiated with market rates, guarantees and overall standard banking practices. The balance of the transactions carried out as of June 30, 2005 is shown below:

	Bank	Afore	Brokerage House	Investment Funds Operator	Group	Total
Balance						
Cash and Balances at central/other banks and items in the course of collection	-	-	4	-	1,095	1,099
Deposits (liabilities)	(1,099)	-	-	-	-	(1,099)
Repo's	5,238	-	5,238	-	-	10,476
Reverse repo's	(5,238)	-	(5,238)	-	-	(10,476)
Sundry debtors (assets)	-	-	5	-	550	555
Sundry creditors (liabilities)	(555)	-	-	-	-	(555)
Total	(1,654)	-	9	-	1,645	-
Results						
Payable commissions	(2)	(1)	(8)	-	-	(11)
Receivable commissions	8	-	2	1	-	11
Administrative services	-	-	(12)	-	-	(12)
Other income	12	-	-	-	-	12
Total	18	(1)	(18)	1	-	-

Consolidated Income Statement by Customer Segments

The consolidated income statement by customer segment includes Personal Financial Services (PFS), Commercial Banking (CMB), Corporate, Investment Banking and Markets (CIBM), and other corporate activities (OAC). A brief description of the customer segmentation in GF HSBC is as follows:

Personal Financial Services (PFS) – retail banking operations focusing on the individual by offering a the complete spectrum of financial needs from checking/deposits accounts to credit cards, personal and auto loans, as well as, mortgages, insurance, and Afore, among others.

Commercial Banking (CMB) – CMB covers all small and medium sized companies by offering lending in Mexican Pesos and other currencies, lines of credit for working capital, export financing, in addition to trade services, fiduciary and other financial services, among others.

Corporate, Investment Banking and Markets (CIBM) – This segment includes product lines directed towards large, multinational corporations and consists of treasury and custody services, corporate finance advising, risk administration, trade services, and money market and capital investments.

Other Corporate Activities – This segment includes other business structural operations not covered in the above categories.

The consolidated incomes statement information condensed by segments as of June 30, 2005, is shown below:

	June 2005				Total
	PFS	CMB	CIBM	OAC	
Net Interest Income	4,233	1,151	908	813	7,106
Provision for Loan Loss	(48)	1	-	(555)	(603)
Net Interest Income adjusted	4,185	1,152	908	258	6,503
Fees and Commissions, net	2,112	732	163	419	3,426
Trading Income	90	27	293	86	496
Total Revenue	6,387	1,911	1,364	763	10,425
Administrative Expenses	5,340	1,237	524	294	7,395
Operating Income	1,047	674	840	469	3,030
Other Income (Expenses), net	3	5	1	195	204
Taxes	(408)	(243)	(323)	(268)	(1,242)
Ordinary Net Income	642	436	518	396	1,992
Continued Operating Results	267	-	-	17	284
Discontinued Operating Results	-	-	-	(76)	(76)
Net Income HBMI	909	436	518	337	2,200
Minority Shareholders	-	-	-	-	-
Participated Net Income	909	436	518	337	2,200

Market Risk Management

Market risk management is defined as the potential loss triggered by changes in risk factors (interest rates, exchange rates, price changes, among others) relating to the valuation or future expected results of assets, liabilities, and other contingencies. At HSBC, the objective of market risk management is to identify, measure, watch, limit, control, inform, and report the institution's risks exposure.

HSBC uses Value at Risk (VaR) and Present Value of a Basis Point (PVBP) to measure market risk. Both measures are monitored on a daily basis to measure risk exposure compared to the limits, as determined by Group policies. The VaR is obtained via a MonteCarlo simulation, which estimates the potential losses according to movements in market risk factors. Using a confidence interval of 99%, and a one-day time interval, the VaR figure represents (with a 99% probability) the maximum loss that the Bank could possibly experience per day. The PVBP is a measure of risk exposure due to the movement in interest rates (in pesos, dollars, and any other currency) on the Bank's position. This measure shows the potential loss to the Bank's assets and liabilities caused by a one basis point movement in interest rates. It is important to mention that in order to calculate the VaR and PVBP, all the Bank's positions are marked to market.

Value at risk (VaR)

<i>USD Millions</i>	<u>31 March.</u> <u>2004</u>	<u>30 June</u> <u>2005</u>	<u>Limits*</u>	<u>2Q05</u> <u>Average</u>
Bank	(5.19)	(8.55)	30.000	(6.64)
Accrual	(4.79)	(7.61)	35.000	(5.92)
Trading	(0.57)	(1.14)	6.000	(1.22)
Fx desk	(0.06)	(0.02)	1.800	(0.08)
Money market desk	(0.57)	(1.15)	5.000	(1.21)

PVBP for peso-interest rates

<i>USD Millions</i>	<u>31 March.</u> <u>2004</u>	<u>30 June</u> <u>2005</u>	<u>Limits*</u>	<u>2Q05</u> <u>Average</u>
Bank	(0.09)	(0.39)	0.500	(0.27)
Accrual	(0.05)	(0.33)	0.550	(0.20)
Trading	(0.04)	(0.06)	0.200	(0.07)
Money market desk	(0.04)	(0.06)	0.200	(0.07)

* Absolute value

Note: The majority of HSBC's interest rate risk exposure is explained by the PVBP for rates in Mexican Pesos.

The average VaR for the Bank in 2Q05 increased 28% versus prior quarter, mainly due to an increased in the credit position of the Bank's balance sheet, coupled with growing trading activity. The VaR levels were below the limits establish by the Administration, throughout the quarter.

The total PVBP average for the rates in pesos increased USD180,000 in 2Q05 vs. 1Q05, due to the growth in the credit position. Even when this reflected a higher risk exposure to interest rates for the net bank's position, the PVBP limit level was not surpassed.

PVBP measures only the risk exposure to interest rates movements (increase in each basis point), while VaR measures the potential loss due to adverse movements in various risk factors (interest rates, exchange rates, etc.); therefore, changes in the measurements will not always be in the same direction.

In order to calibrate the models and evaluate their accuracy, "backtesting" and sensitivity analysis are regularly performed to fine-tune the accuracy of HSBC's VaR and PVBP measurements. The results of these tests confirm the accuracy of the models.

Accounting differences in IAS vs Mexico GAAP

Summary of the main differences between the Profit attributable to shareholders' reported by HSBC Mexico and the figures shown in HSBC Holding plc., under their results related to Mexico for the first two quarters of 2005.

Since January 1, 2005, HSBC adopted to convert their financial information according to International Accounting Standards (IAS), thus HSBC Mexico, carried out for the first quarter of 2005, to measure their results under these norms. In addition, Insurance and the Bonding take part of our Consolidation process under IAS.

Differences between IAS vs. Mexican GAAP

Expressed in Millions of pesos	YTD JUN05	2Q05	1Q05
Profit from HBMX – Mexican GAAP	\$2,200	\$1,044	\$1,156
- Inflationary effects	163	65	98
- Temporary differences in the classification and valuation of hedging derivatives *	72	89	(17)
- Differences in the accounting and valuation of Pensions and Post Retirement Healthcare benefits *	34	24	9
- Temporary differences in the recognition of deferred commissions paid, relative to the Afore Business *	42	29	13
- Temporary differences in the recognition of fees and commissions income *	(41)	(4)	(38)
- Temporary differences in the recognition and provisioning for credit losses *	473	338	135
- Extraordinary charge under Mexican GAAP related to the Fobaproa GEL audit	76	76	-
- Purchase Accounting valuation adjustment related to Fobaproa notes earning below market rates *	310	155	155
- Other differences in accounting principals *	71	1	70
Profit from HBMX – under IAS	\$3,401	\$1,819	\$1,582

* Impact shown net of taxes at 30%

Summary of the relevant concepts

a) Differences in Profit and Loss

The Result shown by HSBC Mexico, in the second quarter of 2005 was MXN 2,200 millions, nevertheless the number shown in HSBC Holding plc., on the results related to Mexico in the same period for MXN 3,401 millions of pesos, owing to the following:

1. The Financial Enterprise in Mexico prepares and discloses its financial statements according the accounting polices established by the Banking Commission ("Mexican GAAP"). The Mexican GAAP differs in certain aspects when compared to IAS. The main differences between the norms are as follows:

- a. The temporal differences are only booked when certain expenses or income are recognized. Nevertheless, the result booked by the entity is the same throughout the life of the financial instrument or the credit at issue.
 - b. These differences originate from different accounting policies and are permanent. They include inflationary effects, like in the case of the Mexican GAAP the monetary position, as well as, the amortization of intangible, goodwill and other movements related to the application of IAS.
2. Some of the concepts which are included in the figures reported by HSBC Holding plc., are not entities or legal vehicles in the results for HSBC Mexico.

b) Main Differences in Accounting policies

The main differences in the accounting policies are as follows:

1. The impact of inflationary effects under Mexican GAAP has to be adjusted to the historical numbers and shown in real terms; on the other hand, in Mexico the financial statements disclose an account called "Monetary Positions Gain (losses)", derived from the differences between the monetary assets and liabilities. The above does not exist under IAS.
2. Differences between disclosure and valuation of hedge derivatives. Under Mexican GAAP the valuation of an instrument has to be recorded where the underlying is in place, under IAS the record must be against equity (cash flow hedge) and its classification will depend on the nature of the instrument, being either a cash flow or interest rates.
3. Differences in the loan portfolios valuation and classification. The calculation methodology under IAS is different than under Mexican GAAP.
4. Differences in labor obligation classification and valuation. The assumptions used in the actuarial calculation under IAS are different from the Mexican GAAP.
5. Amortization of the fair value determined under the purchase accounting method, derived from the acquisition of "Grupo Financiero Bital S.A. de C.V."