

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

HSBC HOLDINGS PLC
Form 6-K
May 02, 2006

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 May 2006

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.
2006 FIRST QUARTER FINANCIAL RESULTS - HIGHLIGHTS

- Net income for the quarter ended 31 March 2006 was MXN 1,430 million, an increase of 19.9 per cent over the same period in 2005
- The cost:income ratio was 61.7 per cent for the three months ended 31 March 2006, improving from the 65.1 per cent achieved in the same period in 2005
- Total assets were MXN 287.9 billion at 31 March 2006, compared with MXN 239.4 billion at 31 March 2005

Grupo Financiero HSBC, S.A. de C.V.'s primary subsidiary is HSBC Mexico S.A. (the bank), which is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file periodic financial information for the year on a quarterly basis (in this case for the quarter ending 31 March 2006) and this information is publicly available. Given that

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

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 March 2006.

Grupo Financiero HSBC, S.A. de C.V. is a 99.74 per cent owned subsidiary of HSBC Holdings plc (HSBC).

Commentary by Sandy Flockhart, CEO & Group General Manager

"HSBC is off to a good start in Mexico in 2006, with strong growth across our key business and product areas.

"Alongside growing our business we are also continuing to deepen our roots in Mexico and, recently, we inaugurated our new corporate headquarters, Torre HSBC, which is located on Paseo de la Reforma, one of Mexico City's most important avenues. The building is the first environmentally friendly construction of its type in Latin America and HSBC expects to receive a Leadership in Energy and Environmental Design certification from the U.S. Green Building Council. I am also pleased to announce that we remain committed to Corporate and Social Responsibility (CSR), and in 2006 we were recognised as a 'Socially Responsible Company' by the Mexican Center for Philanthropy.

"In March, HSBC reached an agreement to acquire a 19.99 per cent stake in Financiera Independencia S.A. de C.V., a highly successful niche player in the Mexican consumer loans market.

"HSBC continues to work towards being the leading financial services institution in Mexico in the eyes of our customers. We are driving product innovation and service standards. Based on the combination of the knowledge, network and brand of the HSBC Group along with the experience and capabilities of our Mexican colleagues, we have established a strong foundation in Mexico and are poised for continued growth through the remainder of 2006."

Overview

Grupo Financiero HSBC reported strong results in the first quarter of 2006, with net income amounting to 1,430 million pesos, representing an increase of 19.9 per cent over the same period in 2005. Indeed, we saw broad based revenue growth across all product categories. Net interest income, fees and trading all reached record levels during the first quarter. This was coupled with strong performances in our Insurance, pension funds management (Afore), and Panama Bank subsidiaries.

Net interest income growth of 14.8 per cent versus the same period in 2005 was a result of a more profitable balance sheet composition despite a lower interest rate environment. This improved mix reflects robust growth in loans, especially among higher yielding consumer and small and medium-sized business products, coupled with continued growth in low-cost customer deposits.

Fees and commissions performed well, increasing by 19.0 per cent versus the same period in 2005 due to growth in credit cards, membership programmes, mortgages, commercial lending, mutual funds, ATMs and Payments and Cash Management. Trading results were very strong, up 139 per cent over the same period in 2005, benefiting from successful strategic positioning, higher customer volumes and the launching of new products on the back of enhanced treasury systems.

Administrative expenses grew 16.4 per cent versus the same period in 2005, as HSBC continues to invest in training staff and upgrading technology in order to

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

enhance our competitive position within the Mexican market. Personnel costs increased due to additional headcount and variable compensation to support revenue growth and to improve customer service. Operating costs were driven by significant investment in systems and higher marketing expenses. Three years of organic investment have created a robust platform for future growth, while enabling current revenue growth.

Loan impairment charges increased to MXN 617m for the first quarter of 2006, in line with robust consumer lending growth, particularly in credit cards and mortgages. The sale of a legacy portfolio of impaired loans helped to improve the ratio of impaired loans to total loans to 2.2 per cent versus 2.8 per cent at 31 March 2005 and the reserve coverage on non performing loans improved from 31 December 2005 to 176 per cent. The bank's capital adequacy ratio remains solid and in line with the competition.

By customer segment

The personal financial services division reported a strong performance driven by growth in low cost deposits, credit card and mortgage lending and higher transaction-based fee income. Fixed rate mortgage balances increased by 80 per cent versus 31 March 2005, due to improved processing and product innovation. HSBC is the first bank in Mexico to offer pre-approved mortgage loans via the internet. In credit cards, targeted Customer Relationship Management campaigns drove record growth, with balances increasing by 95 per cent and cards in circulation growing by 91 per cent to over 1.2 million cards, compared to 31 March 2005.

Tu Cuenta, our integrated package of financial services for a flat monthly fee, continued its strong performance, with 129,000 packages sold to new customers in 1Q06. This has contributed to strong fee income and low cost funding. Mutual fund balances were up 59 per cent from 31 March 2005, benefiting from an expanded product offering and increased cross sales to our extensive customer base. The HSBC D-2 fund is the largest mutual fund for individual investors in Mexico, and the new HSBC E-3 Capital Protection fund was launched in March.

In commercial banking, there was strong lending and deposit growth concentrated among small and medium-sized businesses and solid fee income from Payments and Cash Management and Estimulo, the combined loan and overdraft product for small businesses.

The corporate, investment banking and markets division continued to strengthen its market position benefiting in part from HSBC's extensive international network for multinational companies. Leveraging the new Group treasury systems installed in 2005, Global Markets revenues performed well, especially among derivatives and debt trading.

The HSBC Group

Grupo Financiero HSBC, S.A. de C.V. is Mexico's fourth largest banking and financial services institution with 1,400 branches, 5,200 ATMs and more than 22,000 employees. For more information, consult our website at www.hsbc.com.mx.

Grupo Financiero HSBC, S.A. de C.V. is a subsidiary of, and 99.74 per cent owned by, HSBC Holdings plc. Headquartered in London, UK, the HSBC Group serves over 125 million customers worldwide through 9,500 offices in 76 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$1,502 billion at 31 December 2005, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

Media enquiries to:
London Richard Lindsay/Richard Beck

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Tel: +44 (0) 20 7992 1555/0633

Mexico City Roy Caple
Tel: +52 (55) 5721 6060

Investor relations:
London Patrick McGuinness
Tel: +44 (0) 20 7992 1938

Mexico City Geoffrey Fichte
Tel: +52 (55) 5721 5567

Consolidated Balance Sheet

| Figures in MXN Millions | GROUP | | BANK | |
|--|---------|---------|---------|---------|
| | 31Mar06 | 31Mar05 | 31Mar06 | 31Mar05 |
| Assets | | | | |
| Cash and deposits in banks | 51,704 | 53,297 | 47,242 | 50,637 |
| Investment in Securities | 59,537 | 38,404 | 57,755 | 37,193 |
| Trading securities | 9,695 | 371 | 9,348 | - |
| Available for sale securities | 45,902 | 33,971 | 44,467 | 33,130 |
| Held to maturity securities | 3,940 | 4,062 | 3,940 | 4,063 |
| Securities and derivative operations | 600 | 385 | 600 | 385 |
| Repurchase agreements | 82 | 110 | 82 | 110 |
| Derivative transactions | 518 | 275 | 518 | 275 |
| Performing loans | | | | |
| Commercial loans | 47,865 | 35,761 | 42,328 | 31,040 |
| Loans to financial intermediaries | 5,573 | 3,543 | 5,470 | 3,441 |
| Consumer loans | 29,881 | 17,262 | 28,129 | 15,957 |
| Mortgage | 21,743 | 17,404 | 16,744 | 12,922 |
| Loans to government entities | 36,360 | 7,423 | 36,361 | 7,423 |
| Loans to Fobaproa or IPAB | 1,117 | 43,609 | 1,118 | 43,609 |
| Total performing loans | 142,539 | 125,002 | 130,150 | 114,392 |
| Non-performing loans | | | | |
| Commercial loans | 1,249 | 2,058 | 1,204 | 2,016 |
| Consumer loans | 932 | 563 | 918 | 555 |
| Mortgage | 952 | 860 | 875 | 793 |
| Immediate collection, remittances and other | 12 | 77 | 12 | 77 |
| Total non-performing loans | 3,145 | 3,557 | 3,009 | 3,441 |
| Total loan portfolio | 145,684 | 128,559 | 133,159 | 117,833 |
| (-) Allowance for loan losses | (5,532) | (6,627) | (5,352) | (6,452) |
| Net loan portfolio | 140,152 | 121,932 | 127,807 | 111,381 |
| Other accounts | | | | |
| receivable | 21,659 | 11,558 | 20,995 | 10,685 |
| Foreclosed assets | 323 | 531 | 282 | 476 |
| Property, furniture and equipment, net | 5,661 | 4,639 | 5,414 | 4,405 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Long term investments in equity securities | 2,431 | 2,460 | 200 | 399 |
| Deferred taxes | 850 | 2,102 | 712 | 1,992 |
| Goodwill | 3,288 | 3,169 | - | - |
| Other assets, deferred charges and intangibles | 1,673 | 913 | 1,482 | 751 |
| Total Assets | 287,879 | 239,390 | 262,489 | 218,304 |
| Liabilities | | | | |
| Deposits | 211,402 | 184,251 | 194,386 | 172,514 |
| Demand deposits | 119,621 | 107,717 | 112,652 | 102,169 |
| Time deposits | 91,781 | 76,534 | 81,734 | 70,345 |
| Bank deposits and other liabilities | 6,133 | 10,541 | 6,133 | 10,541 |
| Short term | 4,109 | 8,066 | 4,109 | 8,066 |
| Long term | 2,024 | 2,475 | 2,024 | 2,475 |
| Settlement accounts | - | 266 | - | - |
| Securities and derivative transactions | 8,070 | 97 | 8,070 | 363 |
| Repurchase agreements | 60 | 97 | 60 | 97 |
| Loans with collateral | 8,010 | - | 8,010 | 266 |
| Other accounts payable | 32,292 | 19,674 | 31,107 | 18,428 |
| Income tax and employee profit sharing payable | 1,886 | 461 | 1,832 | 429 |
| Sundry creditors and others accounts payable | 30,406 | 19,213 | 29,275 | 17,999 |
| Subordinated debentures outstanding | 2,590 | 2,693 | 2,208 | 2,288 |
| Deferred credits | 29 | 65 | 23 | 10 |
| Total Liabilities | 260,516 | 217,588 | 241,927 | 204,144 |
| Stockholder's Equity | | | | |
| Paid in Capital | 20,088 | 20,088 | 12,665 | 10,439 |
| Capital stock | 7,683 | 7,683 | 3,817 | 3,539 |
| Additional paid in capital | 12,405 | 12,405 | 8,848 | 6,900 |
| Other reserves | 7,273 | 1,711 | 7,897 | 3,721 |
| Capital reserves | 642 | 471 | 4,638 | 1,978 |
| Retained earnings | 12,770 | 7,900 | 4,249 | 3,228 |
| Surplus from the mark to market of available for sale securities | - | - | 86 | (308) |
| Result from translation of foreign operations | 10 | - | 12 | 12 |
| Cumulative effect of restatement | (3,732) | (3,734) | (3,402) | (3,339) |
| Gains on non monetary asset valuation | | | | |
| Valuation of fixed assets | - | - | 1,260 | 1,260 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | | |
|------------------------------------|---------|---------|---------|---------|
| Valuation of permanent investments | (3,847) | (4,119) | (143) | (150) |
| Net Income | 1,430 | 1,193 | 1,197 | 1,039 |
| Minority Interest in Capital | 2 | 3 | - | 1 |
| Total Stockholder's Equity | 27,363 | 21,802 | 20,562 | 14,160 |
| Total Liabilities and Capital | 287,879 | 239,390 | 262,489 | 218,304 |

GROUP
31Mar06 31Mar05

Memorandum Accounts

| | | |
|---|----------|----------|
| Transactions on behalf of third parties | 93,610 | 88,818 |
| Customer current accounts | 1 | (7) |
| Customer banks | - | 1 |
| Settlement of customer securities and documents | 1 | (8) |
| Customer securities | 72,514 | 53,173 |
| Customer securities in custody | 71,236 | 52,350 |
| Pledged customers securities and documents | 1,278 | 823 |
| Transactions on behalf of customer | 2,493 | 2,552 |
| Customer repurchase transactions | 2,493 | 2,552 |
| Other transactions on behalf of customers | 18,602 | 33,100 |
| Investment on behalf of customers, net | 18,602 | 33,100 |
| Other memorandums accounts | 492,437 | 462,083 |
| Investment of the SAR funds | 3,532 | 3,159 |
| Integrated loan portfolio | 138,578 | 121,217 |
| Other memorandum accounts | 350,327 | 337,707 |
| Transactions for the group's own accounts | 545,564 | 334,641 |
| Memorandum Accounts | 545,542 | 334,628 |
| Guarantees granted | 58 | 194 |
| Irrevocable lines of credit granted | 5,360 | 3,192 |
| Goods in trust or mandate | 69,148 | 65,232 |
| Goods in custody or under administration | 69,393 | 52,755 |
| Amounts committed in transactions with Fobaproa | 67 | 899 |
| Amounts contracted in derivative operations | 384,333 | 196,758 |
| Securities in custody | 3,932 | 4,114 |
| Other contingent obligations | 13,251 | 11,484 |
| Repurchase/resale agreements | | |
| Securities receivable under repos | 47,824 | 40,175 |
| (less) Repurchase agreements | (47,803) | (40,208) |
| | 21 | (33) |
| Reverse repurchase agreements | 15,407 | 10,336 |
| (less) Securities deliverable under repos | (15,406) | (10,290) |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

1 46

| | BANK | |
|---|--------------------------|----------------------------|
| | 31Mar06 | 31Mar05 |
| Memorandum Accounts | | |
| Guarantees granted | 58 | 194 |
| Other contingent obligations | 13,251 | 11,484 |
| Irrevocable lines of credit granted | 5,360 | 3,192 |
| Goods in trust or mandate | 69,148 | 65,231 |
| Goods in custody or under admin- -istration | 69,393 | 52,754 |
| Third party investment banking operations, net | 18,602 | 33,100 |
| Amounts committed in transactions with Fobaproa | 67 | 899 |
| Amounts contracted in derivative operations | 384,333 | 196,759 |
| Investments of retirement savings system funds | 3,532 | 3,159 |
| Integrated loan portfolio | 138,578 | 121,218 |
| Other control accounts | 350,326 | 337,706 |
| | 1,052,648 | 825,696 |
| Securities receivable under repos (less) Repurchase agreements | 45,343 (45,310) 33 | 37,619 (37,652) (33) |
| Reverse repurchase agreements (less) Securities deliverable under repos | 12,914 (12,914) - | 7,780 (7,780) - |

Consolidated Income Statement

| Figures in MXN Millions | GROUP | | BANK | |
|--|---------|---------|---------|---------|
| | 31Mar06 | 31Mar05 | 31Mar06 | 31Mar05 |
| Interest income | 6,788 | 5,962 | 6,515 | 5,747 |
| Interest expenses (-) | (2,369) | (2,226) | (2,280) | (2,158) |
| Monetary position (margin), net | (189) | (52) | (180) | (40) |
| Net interest income | 4,230 | 3,684 | 4,055 | 3,549 |
| Loan loss provisions (-) | (617) | (249) | (601) | (243) |
| Risk adjusted net interest income | 3,613 | 3,435 | 3,454 | 3,306 |
| Fees and commissions | 2,360 | 1,983 | 2,092 | 1,742 |
| Fees paid | (273) | (214) | (262) | (203) |
| Trading income | 526 | 220 | 526 | 222 |
| Total operating income | 6,226 | 5,424 | 5,810 | 5,067 |
| Administrative and personnel expenses (-) | (4,336) | (3,724) | (4,036) | (3,438) |
| Net operating income | 1,890 | 1,700 | 1,774 | 1,629 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | | |
|--|-------|-------|-------|-------|
| Other income | 365 | 225 | 373 | 223 |
| Other expenses (-) | (202) | (175) | (201) | (170) |
| Net income before taxes | 2,053 | 1,750 | 1,946 | 1,682 |
| Income tax and employee profit sharing tax | (769) | (285) | (730) | (249) |
| Deferred income tax | (7) | (391) | (20) | (394) |
| Net income before subsidiaries | 1,277 | 1,074 | 1,196 | 1,039 |
| Undistributed income from subsidiaries | 153 | 120 | 1 | - |
| Income from ongoing operations | 1,430 | 1,194 | 1,197 | 1,039 |
| Net income | 1,430 | 1,194 | 1,197 | 1,039 |

Statement of Changes in Shareholder's Equity

GROUP

Figures in Millions of Pesos

| | Capital Contributed | Statutory Reserves | Retained earnings | Result from foreign currency transactions | Surplus (deficit) in restatement of stock holders' equity | Net income |
|---|---------------------|--------------------|-------------------|---|---|------------|
| Balances as of December 31, 2005 | 20,088 | 642 | 7,730 | (7) | (7,407) | 5,040 |
| Movements Inherent to the Shareholders Decision | | | | | | |
| -Capitalization of retained earnings | - | - | 5,040 | - | - | (5,040) |
| Total | - | - | 5,040 | - | - | (5,040) |
| Movements for the Recognition of the Comprehensive Income | | | | | | |
| - Net income | - | - | - | - | - | 1,430 |
| - Result from foreign currency transactions | - | - | - | 17 | - | |
| - Cumulative effect of restatement | - | - | - | - | 1 | |
| -Gains on non-monetary asset valuation | - | - | - | - | (173) | |
| Total | - | - | - | 17 | (172) | 1,430 |
| Balances as of March 31, 2006 | 20,088 | 642 | 12,770 | 10 | (7,579) | 1,430 |

BANK

Figures in Millions of Pesos

Unrealized

Deficit in

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | Capital Contributed | Statutory Reserves | Retained earnings | loss from valuation of available-for- sale securities | Result from foreign currency transactions | restatement of stock- holders' equity |
|---|------------------------|-----------------------|----------------------|--|--|--|
| Balances as of December 31, 2005 | 12,516 | 4,584 | - | 269 | 11 | (2,256) |
| Movements Inherent to the Shareholders Decision | | | | | | |
| - Transfer of result of prior years | - | - | 4,199 | - | - | - |
| Total | - | - | 4,199 | - | - | - |
| Movements for the Recognition of the Comprehensive Income | | | | | | |
| -Net income | - | - | - | - | - | - |
| -Unrealized loss from valuation of available for sale securities | - | - | - | (186) | - | - |
| -Cumulative effect of restatement | 150 | 54 | 50 | 3 | - | (27) |
| -Others | - | - | - | - | - | (3) |
| Total | 150 | 54 | 50 | (183) | - | (30) |
| Balances as of March 31, 2006 | 12,666 | 4,638 | 4,249 | 86 | 11 | (2,286) |

Consolidated Statement of Changes in Financial Position

GROUP

Figures in MXN millions

| | 31Mar06 | 31Mar05 |
|---|---------|---------|
| Operating activities | | |
| Net income | 1,430 | 1,193 |
| Items included in operations not requiring (providing) funds: | | |
| Loss from mark to market valuations | (527) | (218) |
| Allowances for loan losses | 617 | 249 |
| Depreciation and amortization | 213 | 194 |
| Deferred taxes | (7) | 391 |
| Undistributed income from subsidiaries, net | (153) | (120) |
| Total operating items not requiring funds | 1,573 | 1,689 |
| Changes in items related to operations: | | |
| Decrease in deposits: | (3,428) | (3,124) |
| Increase in loan portfolio | (5,888) | (5,857) |
| (Increase) decrease in securities and derivative transactions, net | (1,376) | 9,923 |
| Decrease in financial instruments | 3,489 | 49 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | |
|---|---------|--------|
| Other accounts receivable | 2,801 | 2,746 |
| Funds provided by operating activities | (2,829) | 5,426 |
| Financing Activities: | | |
| Subordinated debentures outstanding | (19) | (14) |
| Increase (Decrease) in bank and other loans | (913) | 1,187 |
| Funds used or provided in financing activities | (932) | 1,173 |
| Investing Activities: | | |
| Increase in property, furniture and equipment, net | (489) | (798) |
| Increase (decrease) in deferred charges or credits, net | 25 | (189) |
| Other investment activities | (17) | 37 |
| Funds used in investing activities | (481) | (950) |
| (Decrease) increase in cash and equivalents: | (4,242) | 5,649 |
| Cash and equivalents at beginning of period: | 55,946 | 47,647 |
| Cash and equivalents at end of period | 51,704 | 53,296 |

BANK

Figures in MXN millions

| | 31Mar06 | 31Mar05 |
|---|---------|---------|
| Operating activities | | |
| Net income | 1,197 | 1,039 |
| Items included in operations not requiring (providing) funds: | | |
| Depreciation and amortization | 204 | 187 |
| Allowance for loan losses | 601 | 265 |
| Gains / (losses) from mark to market valuations | 97 | (203) |
| Deferred taxes | 20 | 394 |
| Undistributed income from subsidiaries, net | (1) | - |
| Value loss estimation for foreclosed assets | 52 | - |
| | 2,170 | 1,682 |
| Changes in Operating Accounts: | | |
| Decrease in retail deposit and money desk | (4,508) | (3,945) |
| Increase (decrease) in bank deposits and other liabilities | (845) | 1,187 |
| Increase in loan portfolio | (5,221) | (4,248) |
| Decrease in financial instruments | 1,632 | 8,805 |
| Decrease in other receivable and payable accounts, net | 2,803 | 2,447 |
| Funds provided by operations | (3,969) | 5,928 |
| Financing Activities: | | |
| Subordinated debentures outstanding | (24) | (10) |
| Funds used or provided by financing activities | (24) | (10) |
| Investing Activities: | | |
| Increase in property, furniture and equipment and long term investments | (319) | (479) |
| (Increase) decrease in deferred credits | (107) | 40 |
| (Increase) in loans to employee | 24 | - |
| Funds used in investing activities | (402) | (439) |
| Increase (decrease) in cash and equivalents | (4,395) | 5,479 |
| Cash and equivalents at beginning of period | 51,638 | 45,157 |
| Cash and equivalents at end of period | 47,243 | 50,636 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

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: 02 May 2006