

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

HSBC HOLDINGS PLC
Form 6-K
May 15, 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-)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT: MAY 12, 2006

COMMISSION FILE NUMBER 1-8198

HSBC FINANCE CORPORATION

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OF INCORPORATION)

86-1052062
(IRS EMPLOYER IDENTIFICATION NUMBER)

2700 SANDERS ROAD, PROSPECT HEIGHTS, ILLINOIS
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

60070
(ZIP CODE)

(847) 564-5000
REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 7.01. REGULATION FD DISCLOSURE

Financial supplement pertaining to the financial results of HSBC Finance Corporation and HSBC USA Inc. for the three months ended March 31, 2006. The information included in the financial supplement with respect to HSBC Finance Corporation and HSBC USA Inc. on a combined basis is presented on an International Financial Reporting Standards ("IFRSs") basis as applied by HSBC Holdings plc. Additional detail regarding significant accounting policies is available in the HSBC Holdings plc 2005 Annual Report. The information included in the financial supplement with respect to HSBC Finance Corporation is presented on a management basis and an IFRS management basis. As presented in this Form 8-K, IFRS basis is a non-GAAP financial measure that represents U.S. GAAP as adjusted in accordance with IFRSs. Management basis is a non-GAAP financial measure derived from U.S. GAAP reported results that eliminates, among other things, mortgage and private label receivable transfers from HSBC Finance Corporation to its affiliate, HSBC Bank USA, N.A., and related intercompany activities and assumes that securitized receivables have not been sold and remain on the HSBC Finance Corporation balance sheet. IFRS management basis is a non-GAAP financial measure that represents management basis as adjusted in accordance with IFRSs.

This information shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise incorporated by reference into any filing pursuant to the Securities Act of 1933, as amended, or the Exchange Act except as otherwise expressly stated in such a filing.

ITEM 9.01. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

(a) Financial statements of businesses acquired.

Not applicable.

(b) Pro forma financial information.

Not applicable.

(c) Exhibits.

NO. EXHIBIT
--- -----

99 Financial supplement.

SIGNATURE

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HSBC FINANCE CORPORATION
(Registrant)

By: /s/ Patrick D. Schwartz

Patrick D. Schwartz
Vice President-Deputy General
Counsel-Corporate

Dated: May 12, 2006

EXHIBIT 99

HSBC FINANCE CORPORATION

AND

HSBC USA INC.

SUPPLEMENT TO THE FORMS 10-Q FOR THE
PERIOD ENDED MARCH 31, 2006

MAY, 2006

FORWARD LOOKING STATEMENTS

This document, and subsequent discussion, contains certain forward-looking information with respect to the financial condition, results of operations and

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

business of HSBC Holdings plc, HSBC Finance Corporation, HSBC USA Inc. and HSBC North America Holdings Inc. This information represents expectations or beliefs concerning future events and is subject to unknown risks and uncertainties. This information speaks only as of the date on which it is provided. Additional detailed information concerning important factors that could cause actual results to differ materially is available in the HSBC Holdings plc 2005 Annual Report, and the HSBC Finance Corporation and HSBC USA Inc. Annual Reports on Forms 10-K for the year ended December 31, 2005 and Quarterly Reports on Forms 10-Q for the quarter ended March 31, 2006.

2

BASIS OF REPORTING

- INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") From January 1, 2005, HSBC Holdings plc ("HSBC") has prepared its consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union. IFRSs comprise accounting standards issued by the International Accounting Standards Board and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee and its predecessor body. Please see HSBC's 2005 Annual Report for more detail regarding significant accounting policies.
- HSBC FINANCE CORPORATION -- MANAGED BASIS (a non-GAAP financial measure) assumes that securitized customer loans have not been sold and remain on the HSBC Finance Corporation balance sheet.
- HSBC FINANCE CORPORATION -- MANAGEMENT BASIS In addition to managed basis reporting, operations are monitored and trends are evaluated on a management basis (a non-GAAP financial measure). Management basis reporting, in addition to the managed basis adjustments, assumes that the Mortgages and Private Label customer loans transferred from HSBC Finance Corporation to HSBC's U.S. banking subsidiary, HSBC Bank USA, N.A. ("HSBC Bank USA"), have not been sold and remain on the HSBC Finance Corporation balance sheet. Additionally, operations are monitored and trends are evaluated on a management basis because the customer loan sales to HSBC Bank USA were conducted primarily to more appropriately fund prime customer loans within the HSBC Group and such customer loans continue to be managed and serviced by us without regard to ownership. Furthermore, operating results are reviewed and decisions are made about allocating resources such as employees on a management basis.

When reporting on a management basis, net interest income, fee income and loan impairment charges are adjusted to include the activity associated with these customer loans transferred to HSBC Bank USA. Gains on sales, loan premium amortization and the related servicing fees are eliminated. Management believes that management basis information enables readers, investors and other interested parties to better understand the overall performance and related trends of our consumer finance business.

Certain adjustments have been made to prior period amounts to conform to the current period presentation.

- HSBC FINANCE CORPORATION -- IFRS MANAGEMENT BASIS (a non-GAAP financial measure) represents management basis results adjusted in accordance with IFRSs. In this document, the term "customer loans" is synonymous to "receivables" in our U.S. GAAP financial statements.
- HSBC USA INC. -- IFRS represents HSBC USA Inc. U.S. GAAP results adjusted in accordance with IFRSs.

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

3

HSBC FINANCE CORPORATION AND HSBC USA INC.
 PROFIT FOR THE PERIOD -- IFRS (A NON-GAAP MEASURE)

	THREE MONTHS ENDED		
	MARCH 31, 2006	DECEMBER 31, 2005	MARCH 31, 2005
	(MILLIONS \$)		
Profit for the Period (after-tax):			
HSBC Finance Corporation.....	\$ 930	\$ 766	\$ 824
HSBC USA Inc.....	287	179	297
Sub-total.....	1,217	945	1,121
Intercompany Eliminations(1).....	68	110	107
Combined Profit for the Period.....	\$1,285	\$1,055	\$1,228

(1) Primarily relates to intercompany derivatives accounting and premium amortization on the transfer of assets between HSBC Finance Corporation and HSBC USA Inc.

4

HSBC FINANCE CORPORATION

5

HSBC FINANCE CORPORATION - FIRST QUARTER 2006 HIGHLIGHTS
 IFRS MANAGEMENT BASIS (A NON-GAAP MEASURE)

- Strong quarter with good underlying business trends
 - Solid results from all businesses
 - Favorable credit performance related to lower bankruptcies, customer loan growth and a continued strong U.S. economy

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

- Integration of Metris on schedule
- First quarter results include seasonal Taxpayer Financial Services revenues
- Profit for the Period increased 12% year-over-year
 - Profit Before Tax increased 13%. Excluding derivative and fair value impacts, Profit Before Tax increased 49%.
- Net Interest Income increased 12% year-over-year due to strong customer loan growth
 - Average Customer Loans grew 18% year-over-year with solid organic growth across all products
- Loan Impairment Charges decreased from both the prior quarter and prior year first quarter
 - Decreased bankruptcy filings following change in U.S. legislation in October 2005, which accelerated Loan Impairment Charges in the fourth quarter of 2005, a portion of which would have been experienced in 2006
 - Reduction of estimated exposure associated with Hurricane Katrina in the first quarter of 2006
 - Lower Loan Impairment Charges due to growing mix of near-prime loans in residential mortgage and motor vehicle finance
 - Continued favorable U.S. consumer credit environment, although housing market showing modest signs of slowing in some markets

6

HSBC FINANCE CORPORATION
IFRS MANAGEMENT BASIS (A NON-GAAP MEASURE)

	THREE MONTHS ENDED		
	MARCH 31, 2006	DECEMBER 31, 2005	MARCH 31 2005
	(MILLIONS \$)		
Net Interest Income.....	\$2,873	\$2,694	\$2,558
Net Fee Income.....	819	699	703
Trading Income(1).....	66	65	208
Net Income/(Expense) from Financial Instruments Designated at Fair Value(2).....	(5)	36	176
Other Operating Income.....	145	336	110
	-----	-----	-----
Total Operating Income.....	3,898	3,830	3,755

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Loan Impairment Charges and Other Credit Risk Provisions.....	904	1,447	1,048
Operating Expenses.....	1,436	1,400	1,333
	-----	-----	-----
Profit Before Tax.....	1,558	983	1,374
Tax Expense.....	546	164	472
	-----	-----	-----
Profit for the Period.....	\$1,012	\$ 819	\$ 902
	=====	=====	=====
Cost Efficiency Ratio.....	36.8%	36.6%	35.5%
Operating Expenses/Average Customer Loans.....	3.4%	3.5%	3.8%

- (1) Includes ineffectiveness on qualifying hedges and mark-to-market on non-qualifying hedges that are not managed in conjunction with the debt securities in issue designated at fair value of \$14, (\$39) and \$156 million for the quarters ended March 31, 2006, December 31, 2005 and March 31, 2005, respectively.
- (2) Includes gains and losses from changes in fair value of debt securities in issue designated at fair value and gains and losses from changes in fair value of derivatives that are managed in conjunction with them.

7

HSBC FINANCE CORPORATION
KEY RATIOS - MANAGEMENT BASIS (A NON-GAAP MEASURE) (1)

- Net Interest Margin (NIM) down from the prior year first quarter and flat sequentially
 - Overall yield increased in the quarter due to repricing efforts which were offset by a higher mix of residential mortgage customer loans and higher cost of funds
- RAR improved from the prior quarter and prior year first quarter driven by lower charge-offs

- (1) Derived from U.S. GAAP reported results and adjusted to management basis as further described on page 3.
- (2) Excludes mark-to-market on derivatives which do not qualify as effective hedges and ineffectiveness associated with qualifying hedges under SFAS No. 133.

8

HSBC FINANCE CORPORATION
CREDIT QUALITY - MANAGEMENT BASIS (A NON-GAAP MEASURE) (1)

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

- The first quarter 2006 charge-off ratio decreased from fourth quarter 2005 primarily due to the fourth quarter spike in bankruptcy charge-offs in the U.S. as a result of new bankruptcy legislation effective October 2005
- RAR improved from the prior quarter and prior year first quarter driven by lower charge-offs

-
- (1) Derived from U.S. GAAP reported results and adjusted to management basis as further described on page 3.
 - (2) Excludes mark-to-market on derivatives which do not qualify as effective hedges and ineffectiveness associated with qualifying hedges under SFAS No. 133.

9

HSBC FINANCE CORPORATION
IFRS MANAGEMENT BASIS (A NON-GAAP MEASURE)

CUSTOMER LOANS

	MARCH 06	DEC 05	MARCH 05	DEC 05	MARCH 05
					%

	(MILLIONS \$)				
Branch Residential Mortgage.....	\$ 43,062	\$ 41,341	\$ 38,166	4%	13%
Correspondent Residential Mortgage.....	49,330	44,297	35,094	11	41
	-----	-----	-----	--	---
Residential Mortgage.....	92,392	85,638	73,260	8	26
MasterCard/Visa(1) Credit Cards.....	24,740	25,819	21,739	(4)	14
Private Label Cards.....	18,402	19,656	18,019	(6)	2
Motor Vehicle Finance.....	12,113	11,911	10,313	2	17
Other Unsecured Personal Lending.....	20,844	20,745	19,771	--	5
Commercial and Other.....	31	33	93	(6)	(67)
	-----	-----	-----	--	---
Total Customer Loans.....	\$168,522	\$163,802	\$143,195	3%	18%
	=====	=====	=====	==	===

-
- (1) MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.

HSBC FINANCE CORPORATION
FIRST QUARTER 2006 -- BUSINESS UNIT HIGHLIGHTS

RETAIL BRANCH CHANNEL
(HFC/BENEFICIAL)

CORRESPONDENT/
WHOLESALE CHANNEL

- Continued good loan growth
 - Residential mortgage products up 4% over prior quarter and 13% year-over-year
 - () Includes both near-prime and non-prime segments
 - () Junior liens a good source of growth
 - Cross sell volume continues to expand
 - Motor vehicle loans and credit card sales in branches contribute to overall growth
 - Credit quality remains stable although housing market showing modest signs of slowing
- Strong residential mortgage growth
 - Portfolio up 11% over prior quarter and 41% year-over-year
 - Improved returns on new production
 - Run-off slowed from prior quarter to prior year first quarter levels
 - Monitoring credit quality closely given the housing market showing modest signs of slowing

HSBC FINANCE CORPORATION
FIRST QUARTER 2006 -- BUSINESS UNIT HIGHLIGHTS

CREDIT CARD

- Strong year-over-year profits, good organic loan and operating income growth
- Increased net interest margin year-over-year by growing non-prime book and repricing efforts
- Strong growth in fee and other operating income from the prior year first quarter due to growing portfolio and higher interchange fees
- Improved credit quality driven by lower bankruptcy charge-offs and filings
- Metris integration on schedule
- Estimates of the potential impact of the change in minimum payment guidelines

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

take into account a number of factors which are difficult to predict at this time and are being closely monitored

PRIVATE LABEL

- Signed new merchant, Boscov's Department Stores, in April
- Expanded private label programs with two of our merchants through enhanced underwriting, terms and customer service
- Risk adjusted revenue performing well compared to the prior quarter as positive credit trends mitigated margin compression
- Estimates of the potential impact of the change in minimum payment guidelines take into account a number of factors which are difficult to predict at this time and are being closely monitored

12

HSBC FINANCE CORPORATION FIRST QUARTER 2006 -- BUSINESS UNIT HIGHLIGHTS

AUTO

- Good organic loan growth in dealer channel
- Customer loan mix shift toward near-prime producing lower charge-offs and higher risk adjusted revenues
- Continue to refine collection strategies to improve cash collections

TAXPAYER FINANCIAL SERVICES

- Expanded relationships with existing partners
- Expanded product offerings to include prepaid debit cards

INTERNATIONAL

CANADA

- Good loan growth and profitability
 - Branch expansion contributed to strong growth in unsecured and residential mortgage products
 - Growth initiatives in motor vehicle and credit card contributed favorably to customer loan growth
- Credit quality stable

UK

- Focus remains on credit and loss mitigation in a continued challenging environment

HSBC USA INC.

HSBC USA INC. FIRST QUARTER - 2006 HIGHLIGHTS
IFRS - (A NON-GAAP MEASURE)

- Solid quarter including continuing progress on strategic initiatives
 - Domestic deposits grew 20% year-over-year and reflect impact of nationwide Online Savings roll out and branch expansion
 - Small business, middle market, and large corporate commercial loans grew a combined 14% year-over-year
 - Total Operating Income increased 8% from prior year first quarter and was spread across all customer groups
- Profit for the Period down 3% from the prior year first quarter but up from the prior quarter
 - Quarterly results reflect a \$40 million before tax charge from fair value option accounting
- Net Interest Income (NII) was lower than the prior year first quarter largely due to a flatter yield curve and the impact on balance sheet management income in Corporate, Investment Banking and Markets (CIBM)
 - Balance sheet management income was \$105 million lower than prior year first quarter but was offset by higher trading income which was \$137 million above prior year first quarter, principally recorded in Global Markets business
 - Growing core customer deposit base in Personal Financial Services, Commercial Banking and Private Banking contributed to overall NII
- Credit quality remains strong
 - Loan impairment increases relate principally to commercial releases/recoveries in the prior year first quarter
 - Consumer Finance loan impairment charges increased on higher loan volumes while bankruptcy filings decreased significantly
- Increased Operating Expenses reflect recent investment initiatives
 - Expansion of retail distribution network including addition of branches and the rollout of the Online Savings Account
 - Build-out of CIBM business platform is largely complete; quarterly comparisons reflect 2005 investments

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

15

HSBC USA INC.
IFRS - (A NON-GAAP MEASURE)

	THREE MONTHS ENDED		
	MARCH 31, 2006	DECEMBER 31, 2005	MARCH 31, 2005
	(MILLIONS \$)		
Net Interest Income.....	\$ 573	\$ 638	\$ 686
Net Fee Income.....	230	218	123
Trading Income.....	344	211	175
Net Income/(Expense) from Financial Instruments			
Designated at Fair Value(1).....	(40)	14	(8)
Other Operating Income.....	142	77	179
Total Operating Income.....	1,249	1,158	1,155
Loan Impairment Charges and Other Credit Risk Provisions....	169	212	121
Operating Expenses.....	664	602	578
Profit Before Tax.....	416	344	456
Tax Expense.....	129	165	159
Profit for the Period.....	\$ 287	\$ 179	\$ 297
Cost Efficiency Ratio.....	53.2%	52.0%	50.0%

(1) Includes gains and losses from changes in fair value of debt securities in issue designated at fair value and gains and losses from changes in fair value of derivatives that are managed in conjunction with them.

16

HSBC USA INC.
FIRST QUARTER 2006 -- BUSINESS UNIT HIGHLIGHTS

- | | |
|--|---|
| <p>PERSONAL FINANCIAL SERVICES (PFS)</p> <p>- Success in numerous initiatives to broaden</p> | <p>COMMERCIAL BANKING (CMB)</p> <p>- Good year-over-year deposit and loan</p> |
|--|---|

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

distribution channels

- Online Savings deposits totaled \$3.8 billion at March 31, 2006, up from \$1.0 billion at December 2005
- Branch network expansion continued with 4 new locations added during the first quarter 2006
- Finalized an agreement to brand ATMs in Walgreens stores in northern New Jersey
- Americas Premier Center (APC) opened in Miami showing strong early deposit momentum
- "Different Points of View" global branding initiative launched with new ad campaign at JFK Airport
- Operating Expenses increased from prior year first quarter, half of which reflects initiatives to expand distribution channels

growth

- Expanded markets and distribution through new lending office in Washington, DC and Embassy Banking referral arrangement with Wachovia
- Increased syndication capabilities led to higher fee income in Commercial Real Estate
- Good credit quality in Middle Market and Real Estate

17

HSBC USA INC.
FIRST QUARTER 2006 -- BUSINESS UNIT HIGHLIGHTS

PRIVATE BANKING (PB)

- Strong operating income growth from the prior year first quarter due in part to higher performance fees on foreign investments
- Good year-over-year deposit and loan growth on marketing initiatives targeting new and existing clients
- Expanded Wealth and Tax Advisory Services with new offices in Seattle, Chicago and Palo Alto

CORPORATE, INVESTMENT BANKING AND MARKETS (CIBM)

- Significantly higher trading revenues offset lower balance sheet management revenues in net interest income
- Growth in markets related revenues recorded in derivatives, precious metals and mortgage backed securities
- Transaction Banking revenues and deposits up over prior year
 - Reflects HSBC's market leader position in developing cross border payments and cash management services
- Operating expenses increased from the prior year first quarter, essentially flat from prior quarter and reflects costs associated with business expansion initiatives

18

13

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

APPENDIX

RECONCILIATIONS TO GAAP FINANCIAL MEASURES
HSBC FINANCE CORPORATION NET INCOME
IFRS BASIS

	THREE MONTHS ENDED MARCH 31, 2006	THREE MONTHS ENDED DECEMBER 31, 2005
(DOLLARS ARE IN MILLIONS)		
Net income -- U.S. GAAP Owned Basis.....	\$888	\$393
IFRS Adjustments, net of tax.....	42	373
NET INCOME -- IFRS.....	\$930	\$766
	====	====

1

RECONCILIATIONS TO GAAP FINANCIAL MEASURES
HSBC FINANCE CORPORATION INCOME STATEMENT
IFRS MANAGEMENT BASIS

	THREE MONTHS ENDED 03/31/06		THREE MONTHS ENDED 12/31/05	
	OWNED BASIS	IFRS MANAGEMENT BASIS ADJUSTMENTS	OWNED BASIS	IFRS MANAGEMENT BASIS ADJUSTMENTS
(DOLLARS ARE IN MILLIONS)				
Net interest income.....	\$2,464	\$ 409	\$2,873	\$ 396
Net fee income.....	392	427	819	230
Trading income.....	-	66	66	65
Net income/(expense) from financial instruments designated at fair value.....	-	(5)	(5)	36
Other operating income.....	1,015	(870)	145	(338)
TOTAL OPERATING INCOME.....	3,871	27	3,898	389
Loan impairment charges and other				

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

credit risk provisions.....	866	38	904	1,310	137
Operating expenses.....	1,606	(170)	1,436	1,542	(142)
	-----	-----	-----	-----	-----
Profit before tax.....	1,399	159	1,558	589	394
Tax expense.....	511	35	546	196	(32)
	-----	-----	-----	-----	-----
PROFIT FOR THE PERIOD.....	\$ 888	\$ 124	\$1,012	\$ 393	\$ 426
	=====	=====	=====	=====	=====
COST EFFICIENCY RATIO:					
Total operating expenses.....	\$1,606	\$ (170)	\$1,436	\$1,542	\$ (142)
Policyholders' benefits.....	(118)	118	-	(109)	109
	-----	-----	-----	-----	-----
Total operating expenses, excluding policyholders' benefits.....	\$1,488	\$ (52)	\$1,436	\$1,433	\$ (33)
	-----	-----	-----	-----	-----
Net interest income and other operating income.....	\$3,871	\$ 27	\$3,898	\$3,441	\$ 389
Policyholders' benefits.....	(118)	118	-	(109)	109
	-----	-----	-----	-----	-----
Net interest income and other operating income, excluding policyholders' benefits.....	\$3,753	\$ 145	\$3,898	\$3,332	\$ 498
	-----	-----	-----	-----	-----
COST EFFICIENCY RATIO.....	39.6%		36.8%	43.0%	
	=====		=====	=====	
PROFIT FOR THE PERIOD GROWTH:					
Profit for the period.....	\$ 888	\$ 124	\$1,012	\$ 393	\$ 426
IFRS management basis profit for the period growth: 03/31/06 compared to 03/31/05.....			12%		
			=====		

THREE MONTHS ENDED 03/31/05

	OWNED BASIS	IFRS MANAGEMENT BASIS ADJUSTMENTS	IFRS MANAGEMENT BASIS

(DOLLARS ARE IN MILLIONS)			
Net interest income.....	\$1,888	\$ 670	\$2,558
Net fee income.....	306	397	703
Trading income.....	-	208	208
Net income/(expense) from financial instruments designated at fair value.....	-	176	176
Other operating income.....	1,156	(1,046)	110
	-----	-----	-----
TOTAL OPERATING INCOME.....	3,350	405	3,755
	-----	-----	-----
Loan impairment charges and other credit risk provisions.....	841	207	1,048
Operating expenses.....	1,542	(209)	1,333
	-----	-----	-----
Profit before tax.....	967	407	1,374
Tax expense.....	341	131	472

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

PROFIT FOR THE PERIOD.....	\$ 626	\$ 276	\$ 902
	=====	=====	=====
COST EFFICIENCY RATIO:			
Total operating expenses.....	\$1,542	\$ (209)	\$1,333
Policyholders' benefits.....	(122)	122	-
	-----	-----	-----
Total operating expenses, excluding policyholders' benefits.....	\$1,420	\$ (87)	\$1,333
	-----	-----	-----
Net interest income and other operating income.....	\$3,350	\$ 405	\$3,755
Policyholders' benefits.....	(122)	122	-
	-----	-----	-----
Net interest income and other operating income, excluding policyholders' benefits.....	\$3,228	\$ 527	\$3,755
	-----	-----	-----
COST EFFICIENCY RATIO.....	44.0%		35.5%
	=====		=====
PROFIT FOR THE PERIOD GROWTH:			
Profit for the period.....	\$ 626	\$ 276	\$ 902
IFRS management basis profit for the period growth: 03/31/06 compared to 03/31/05.....			

2

RECONCILIATIONS TO GAAP FINANCIAL MEASURES
HSBC FINANCE CORPORATION
MANAGEMENT BASIS

	THREE MONTHS ENDED	
	MARCH 31, 2006	MARCH 31, 2005
	(DOLLARS ARE IN MILLIONS)	
NET INTEREST INCOME:		
Net interest income:		
Owned basis.....	\$ 2,464	\$ 1,888
Management basis adjustments.....	435	711
	-----	-----
Management basis.....	\$ 2,899	\$ 2,599
	-----	-----
Average interest-earning assets:		
Owned basis.....	\$147,266	\$112,985
Managed basis adjustments.....	3,505	12,884
Management basis adjustments.....	20,831	20,225
	-----	-----
Management basis.....	\$171,602	\$146,094
	-----	-----
Owned basis net interest margin.....	6.7%	6.7%

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Management basis net interest margin.....	6.8	7.1
	=====	=====
RETURN ON AVERAGE ASSETS:		
Profit for the period:		
Owned basis.....	\$ 888	\$ 626
Management basis adjustments.....	80	72
	-----	-----
Management basis.....	\$ 968	\$ 698
	-----	-----
Adjusted profit for the period:		
Owned basis.....	\$ 888	\$ 626
Management basis adjustments.....	80	72
Derivative adjustments.....	(34)	(157)
	-----	-----
Management basis adjusted for derivatives.....	\$ 934	\$ 541
	-----	-----
Average assets:		
Owned basis.....	\$162,688	\$131,954
Management basis adjustments.....	24,225	33,117
	-----	-----
Management basis.....	\$186,913	\$165,071
	-----	-----
Return on average owned assets.....	2.2%	1.9%
Return on average management assets.....	2.1	1.7
Return on average management assets, adjusted for derivatives.....	2.0	1.3
	=====	=====

3

RECONCILIATIONS TO GAAP FINANCIAL MEASURES
HSBC FINANCE CORPORATION
MANAGEMENT BASIS

	THREE MONTHS ENDED	
	MARCH 31, 2006	MARCH 31, 2005

	(DOLLARS ARE IN MILLIONS)	

MANAGED BASIS RISK ADJUSTED REVENUE:		
Net interest income.....	\$ 2,567	\$ 2,220
Other operating income, excluding securitization revenue and the mark-to-market on derivatives which do not qualify as effective hedges and ineffectiveness associated with qualifying hedges under SFAS No. 133.....	1,313	1,223
Less: Net charge-offs.....	(990)	(1,118)
	-----	-----
Risk adjusted revenue.....	\$ 2,890	\$ 2,325
	-----	-----
Management basis adjustments:		
Net interest income.....	\$ 332	\$ 379
Other operating income, excluding securitization revenue and the mark-to-market on derivatives which do not qualify as effective hedges and ineffectiveness associated with qualifying hedges under SFAS No. 133.....	(64)	(118)
Less: Net charge-offs.....	(158)	(154)
	-----	-----

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Risk adjusted revenue, management basis adjustments.....	\$ 110	\$ 107
	-----	-----
Management basis:		
Net interest income.....	\$ 2,899	\$ 2,599
Other operating income, excluding securitization revenue and the mark-to-market on derivatives which do not qualify as effective hedges and ineffectiveness associated with qualifying hedges under SFAS No. 133.....	1,249	1,105
Less: Net charge-offs.....	(1,148)	(1,272)
	-----	-----
Risk adjusted revenue, management basis.....	\$ 3,000	\$ 2,432
	-----	-----
Average interest-earning assets:		
Managed basis.....	\$150,771	\$125,869
Management basis adjustments.....	20,831	20,225
	-----	-----
Management basis.....	\$171,602	\$146,094
	-----	-----
Managed basis risk adjusted revenue.....	7.7%	7.4%
Management basis risk adjusted revenue.....	7.0	6.7
	=====	=====

4

RECONCILIATIONS TO GAAP FINANCIAL MEASURES
HSBC FINANCE CORPORATION
MANAGEMENT BASIS

	THREE MONTHS ENDED	
	MARCH 31, 2006	MARCH 31, 2005

	(DOLLARS ARE IN MILLIONS)	
CONSUMER NET CHARGE-OFF RATIO:		
Consumer net charge-offs:		
Owned basis.....	\$ 928	\$ 856
Management basis adjustments.....	220	410
	-----	-----
Management basis.....	\$ 1,148	\$ 1,266
	-----	-----
Average consumer receivables:		
Owned basis.....	\$143,893	\$108,928
Management basis adjustments.....	24,333	33,099
	-----	-----
Management basis.....	\$168,226	\$142,027
	-----	-----
Owned basis consumer net charge-off ratio.....	2.6%	3.1%
Management basis consumer net charge-off ratio.....	2.7	3.6
	=====	=====
TWO-MONTHS-AND-OVER CONTRACTUAL DELINQUENCY RATIO:		
Consumer 2+ delinquency:		
Owned basis.....	\$ 5,312	\$ 4,229
Management basis adjustments.....	619	1,044
	-----	-----
Management basis.....	\$ 5,931	\$ 5,273
	-----	-----
Consumer receivables:		

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Owned basis.....	\$146,580	\$111,911
Management basis adjustments.....	23,241	31,480
	-----	-----
Management basis.....	\$169,821	\$143,391
	-----	-----
Owned basis consumer 2+ delinquency ratio.....	3.6%	3.8%
Management basis consumer 2+ delinquency ratio.....	3.5	3.7
	=====	=====

5

RECONCILIATION TO GAAP FINANCIAL MEASURES
HSBC FINANCE CORPORATION
IFRS MANAGEMENT BASIS

	AS AT MARCH 31, 2006			AS AT DECEMBER 31, 2005		
	OWNED BASIS	IFRS MANAGEMENT BASIS ADJUSTMENTS	IFRS MANAGEMENT BASIS	OWNED BASIS	IFRS MANAGEMENT BASIS ADJUSTMENTS	IFRS MANAGEMENT BASIS
(DOLLARS ARE IN MILLIONS)						
CUSTOMER LOANS						
Branch residential						
mortgage.....	\$ 43,034	\$ 28	\$ 43,062	\$ 41,270	\$ 71	\$ 41,341
Correspondent						
residential						
mortgage.....	46,458	2,872	49,330	41,556	2,741	44,297
	-----	-----	-----	-----	-----	-----
Residential						
mortgage.....	89,492	2,900	92,392	82,826	2,812	85,638
MasterCard/Visa(1)						
credit cards.....	23,449	1,291	24,740	24,110	1,709	25,819
Private label cards....	2,428	15,974	18,402	2,520	17,136	19,656
Motor vehicle						
finance.....	11,186	927	12,113	10,704	1,207	11,911
Other unsecured						
personal lending....	20,006	838	20,844	19,545	1,200	20,745
Commercial and other...	206	(175)	31	208	(175)	33
	-----	-----	-----	-----	-----	-----
TOTAL CUSTOMER LOANS...	\$146,767	\$21,755	\$168,522	\$139,913	\$23,889	\$163,802
	=====	=====	=====	=====	=====	=====

AS AT MARCH 31, 2005

IFRS
MANAGEMENT IFRS

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

	OWNED BASIS	BASIS ADJUSTMENTS	MANAGEMENT BASIS
(DOLLARS ARE IN MILLIONS)			
CUSTOMER LOANS			
Branch residential mortgage.....	\$ 37,862	\$ 304	\$ 38,166
Correspondent residential mortgage.....	30,624	4,470	35,094
Residential mortgage.....	68,486	4,774	73,260
MasterCard/Visa(1) credit cards.....	15,554	6,185	21,739
Private label cards....	3,130	14,889	18,019
Motor vehicle finance.....	8,107	2,206	10,313
Other unsecured personal lending.....	16,608	3,163	19,771
Commercial and other...	276	(183)	93
TOTAL CUSTOMER LOANS...	\$112,161	\$31,034	\$143,195

(1) MasterCard is a registered trademark of MasterCard International, Incorporated and Visa is a registered trademark of VISA USA, Inc.

6

RECONCILIATIONS TO GAAP FINANCIAL MEASURES
HSBC USA INC. INCOME STATEMENT
IFRS

	THREE MONTHS ENDED 3/31/06			THREE MONTHS ENDED 12/31/05			OWN BAS
	OWNED BASIS	IFRS ADJUSTMENTS	IFRS	OWNED BASIS	IFRS ADJUSTMENTS	IFRS	
(DOLLARS ARE IN MILLIONS)							
Net interest income.....	\$ 562	\$ 11	\$ 573	\$ 631	\$ 7	\$ 638	\$ 6
Net fee income.....	228	2	230	201	17	218	1
Trading income.....	344	-	344	214	(3)	211	1
Net income/(expense) from financial instruments designated at fair value.....	-	(40)	(40)	-	14	14	
Other operating income.....	138	4	142	94	(17)	77	1

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

TOTAL OPERATING INCOME.....	1,272	(23)	1,249	1,140	18	1,158	1,1
	-----	----	-----	-----	----	-----	----
Loan impairment charges and other credit risk provisions.....	158	11	169	196	16	212	
Operating expenses.....	663	1	664	632	(30)	602	5
	-----	----	-----	-----	----	-----	----
Profit before tax.....	451	(35)	416	312	32	344	4
Tax expense.....	143	(14)	129	116	49	165	1
	-----	----	-----	-----	----	-----	----
PROFIT FOR THE PERIOD.....	\$ 308	\$ (21)	\$ 287	\$ 196	\$ (17)	\$ 179	\$ 3
	=====	=====	=====	=====	=====	=====	=====
COST EFFICIENCY RATIO:							
Total operating expenses.....	\$ 663	\$ 1	\$ 664	\$ 632	\$ (30)	\$ 602	\$ 5
Net interest income and other operating income.....	1,272	(23)	1,249	1,140	18	1,158	1,1
	-----	----	-----	-----	----	-----	----
COST EFFICIENCY RATIO.....	52.1%		53.2%	55.4%		52.0%	49
	=====		=====	=====		=====	=====
PROFIT FOR THE PERIOD GROWTH:							
Profit for the period.....	\$ 308	\$ (21)	\$ 287	\$ 196	\$ (17)	\$ 179	\$ 3
IFRS profit for the period growth:							
3/31/06 compared to 3/31/05.....			(3)%				
			=====				

7

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: May 15, 2006