

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

HSBC HOLDINGS PLC  
Form 6-K  
February 17, 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 February, 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- .....

17 February 2006

HSBC USA INC.  
2005 FULL YEAR RESULTS - HIGHLIGHTS \* \*\*

- Net income for the year ended 31 December 2005 was US\$976 million (US\$1,258 million in 2004). The 2005 results include the full year impact of the purchase of consumer finance assets, including private label credit cards from HSBC Finance Corporation in December 2004. \*\*\*
- Total revenues increased by 23 per cent to US\$4,974 million in 2005 (US\$4,060 million in 2004).
- Total deposits increased by 15 per cent to US\$91.8 billion at 31 December 2005 (US\$80.0 billion at 31 December 2004).

## Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

- Total assets increased by 9 per cent to US\$153.9 billion at 31 December 2005 (US\$141.1 billion at 31 December 2004).
  - Tier 1 capital ratio of 8.25 per cent at 31 December 2005 compared to 8.34 per cent at 31 December 2004.
- 

\* HSBC USA Inc.'s primary subsidiary is HSBC Bank USA, National Association (the Bank), which is subject to supervision and examination by various U.S. regulators. The Bank was required to file periodic financial information (Call Report) for the year ending 31 December 2005 and this information is publicly available through U.S. government information resources. Given that this information is available in the public domain, HSBC USA Inc has elected to file this release.

\*\* Results are prepared in accordance with U.S. GAAP (generally accepted accounting principles). HSBC USA Inc. is an indirect wholly-owned subsidiary of HSBC Holdings plc (HSBC). HSBC's 2005 results are scheduled for release on 6 March 2006. Those results will be released under International Financial Reporting Standards (IFRS) and will describe HSBC's North American results, including HSBC USA Inc. and HSBC Finance Corporation, as well as HSBC's fully consolidated figures. Certain revenues and expenses related to inter-HSBC transactions are eliminated upon consolidation. See \*\*\* below.

\*\*\* The purchase of consumer finance assets, principally credit card receivables from prime customers, included an initial purchase premium of US\$639 million. US\$451 million of this initial purchase premium was amortized as a reduction to revenues in 2005. In addition, 2004 results included gains from the sale of credit card relationships to HSBC Finance Corporation of approximately US\$99 million. As part of the HSBC consolidation process, the amortization of US\$451 million and the US\$99 million gain are eliminated.

HSBC USA Inc. reported net income of US\$976 million for the year ended 31 December 2005, compared to US\$1,258 million for the year ended 31 December 2004. The reduction in pre-tax income from 2004 to 2005 of US\$434 million includes two meaningful inter-HSBC accounting events, both of which are eliminated upon consolidation. US\$451 million of pre-tax premium amortization costs were recorded in 2005 on the private label credit card portfolio purchased from HSBC Finance Corporation at year-end 2004. Also, 2004 results included gains from the sale of credit card relationships to HSBC Finance Corporation of approximately US\$99 million. These transactions comprise the most significant factors in the year-to-year reduction in pre-tax income. The addition of the private label credit card portfolio significantly increased year-over-year revenues,

## Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

provisions for credit losses, and operating expenses.

Commenting on the results, Martin Glynn, President and Chief Executive Officer of HSBC USA Inc. said: "Results in 2005 were generally strong and surpassed expectations, due in part to a sound economy which led to very strong credit quality, particularly within our commercial lending portfolios. Strong revenue, loan, and deposit growth were also recorded within our core banking businesses, including Personal Financial Services, Commercial Banking and Private Banking. We were especially proud of the growth achieved with our small business customers as we were named the No. 1 Small Business Administration lender in New York State.

"Within North America, numerous initiatives are underway amongst the various HSBC affiliates. One of these involved the transfer of consumer finance assets, principally credit cards, from HSBC Finance Corporation to HSBC USA Inc. in late 2004 in order to realize funding benefits. The non-cash accounting amortization of the associated purchase premiums reduced reported results in HSBC USA Inc. in 2005. Looking forward, this amortization reduces significantly in 2006 and I anticipate this portfolio will contribute positively in the years ahead.

"We invested in our Corporate Investment Banking and Markets (CIBM) capabilities over the past two years as part of HSBC's strategic initiative to build this business. While this increased our expense base in 2005, it was gratifying to see a commensurate increase in trading revenues, which were up 37 per cent year over year. However, the flat yield curve did significantly constrain our growth in net interest income, particularly in the second half of the year.

"Our focus for 2006 will be to maintain strong revenue growth and increasingly leverage marketing initiatives to heighten awareness of the HSBC brand in the U.S. The national rollout of our Online Savings Account product offered at [www.hsbcdirect.com](http://www.hsbcdirect.com) is an example of such an effort to drive growth of the brand and add deposits. HSBC USA Inc. is well positioned to support the future financial requirements of our customers and generate increasingly positive financial results."

### Revenues

For the year ended 31 December 2005, total revenues (pre-provision) increased by US\$914 million, or 23 per cent, from US\$4,060 million to US\$4,974 million. The acquisition of the consumer finance assets, primarily the credit card portfolio, contributed largely to the increases (notwithstanding the premium amortization discussed above) in net interest income and in fee income (including both credit card and securitization fees).

Trading revenues increased 37 per cent compared with 2004, primarily in the CIBM businesses, driven partly by investment in HSBC's strategic expansion initiative and partly by favorable capital market conditions. These increases partially offset the effect of the flat yield curve, which significantly constrained HSBC USA Inc.'s ability to generate growth in net interest income, particularly in the second half of the year.

Growing levels of deposits in core banking businesses also contributed to

## Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

increased revenues by providing lower cost funding to support asset growth. Residential mortgage banking revenue, including servicing fees net of impairment, origination gains, and related hedge costs, improved significantly over 2004.

### Operating Expenses

For the year ended 31 December 2005, operating expenses increased by US\$657 million, or 31 per cent, from US\$2,101 million to US\$2,758 million, which included a significant increase in support services received from HSBC affiliates, particularly in the fourth quarter. These include support from HSBC Finance Corporation (loan origination and servicing), HSBC Technology Services (information and technology services), and HSBC Markets USA (broker-dealer and support for CIBM). In addition, increased expenses were incurred for marketing and brand expansion initiatives, as well as expansion of retail lending and deposit activities through new products and new offices outside of New York State.

### Credit Quality and Provisions for Credit Losses

For the year ended 31 December 2005, the provision for credit losses increased by US\$691 million to US\$674 million, primarily related to growth in the consumer lending portfolios. The increase is mainly related to the credit card portfolio acquisition, but also reflects increases due to the impact of Hurricane Katrina and the changes in consumer bankruptcy laws. The commercial lending provision was lower than in 2004, reflecting the continued improvement in credit quality during 2005. Net charge-offs of US\$616 million for the year ended 31 December 2005 were primarily related to consumer loans.

### Capital Ratios

HSBC USA Inc.'s tier 1 capital to risk-weighted assets ratio was 8.25 per cent on 31 December 2005 compared to 8.34 per cent at 31 December 2004. Total capital to risk-weighted assets of 12.53 per cent on 31 December 2005 was unchanged compared to 31 December 2004.

Certain statements in this document are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements due to a variety of factors. More information about these factors is contained in the company's filings with the Securities and Exchange Commission.

Media inquiries (U.K.):	Karen Ng	020 7991 0655
	Richard Lindsay	020 7992 1555
Media inquiries (USA):	Kathleen Rizzo-Young	(716) 841-5003
	Stephen Cohen	(212) 525-6901

## Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Investor inquiries:

Patrick McGuinness

020 7992 1938

### About HSBC Bank USA, N.A.:

HSBC Bank USA, N.A. has nearly 400 branches in New York State, a network of branches in Florida and California and a number of branches in other states. Throughout the U.S., the bank serves more than 3 million individual and business customers with a full range of financial products and services. It is the principal subsidiary of HSBC USA Inc, one of the nation's largest bank holding companies by assets and an indirectly held, wholly owned subsidiary of HSBC North America Holdings Inc. For more information about HSBC Bank USA and its products and services visit <http://us.hsbc.com>.

### HSBC USA Inc. - Summary

	Quarter ended			Year en
	31	31	31	De
	December	December	December	De
Figures in US\$ millions	2005	2004	2005	
<b>Revenue and Earnings</b>				
Total Revenues (Pre-Provision)	1,256	1,025	4,974	
Pre-tax income	312	436	1,542	
Net income	196	269	976	
<b>Performance ratios (%)</b>				
Return on average common equity	6.7	12.6	8.8	
Net yield on average earning assets	2.1	2.4	2.3	
Cost:income ratio	59.4	59.7	55.4	
Other operating income to total income	40.9	31.7	38.4	
<b>Credit information</b>				
Non-accruing loans at end of period			241	
Commercial net charge-offs	21	10	4	
Consumer net charge-offs	183	24	612	
Allowance available for credit losses				
- Balance at end of period			846	
- As a per centage of non-accruing loans			351.0 %	
- As a per centage of loans outstanding			0.9 %	
<b>Average balances</b>				
Assets	152,509	127,741	147,176	1
Loans	89,741	69,985	87,898	
Deposits	88,663	77,194	85,523	
Common equity	10,697	8,289	10,603	
<b>Capital ratios (%) at end of period</b>				

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Leverage ratio	6.51
Tier 1 capital to risk-weighted assets	8.25
Total capital to risk-weighted assets	12.53
Assets under administration at end of period	
Funds under management	27,883
Custody accounts	26,093
Total assets under administration	53,976

Figures in US\$ millions	Quarter ended		Year
	31 December 2005	31 December 2004	31 December 2005
Interest income			
Loans	1,253	851	4,630
Securities	231	218	882
Trading assets	82	51	275
Short-term investments	109	53	310
Other interest income	9	5	32
Total interest income	1,684	1,178	6,129
Interest expense			
Deposits	572	282	1,771
Short-term borrowings	71	32	276
Long-term debt	299	164	1,019
Total interest expense	942	478	3,066
Net interest income	742	700	3,063
Provision (credit) for credit losses	198	(24 )	674
Net interest income, after provision for credit losses	544	724	2,389
Other revenues			
Trust income	22	25	87
Service charges	52	55	210
Other fees and commissions	217	84	698
Securitization revenue	15	-	114
Other income	56	50	237
Residential mortgage banking revenue (expense)	24	(14 )	64
Trading revenues	127	99	395
Security gains, net	1	26	106
Total other revenues	514	325	1,911
Operating expenses			
Salaries and employee benefits	274	234	1,052
Occupancy expense, net	48	52	182
Support services from HSBC affiliates	269	129	919
Other expenses	155	198	605
Total operating expenses	746	613	2,758

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Pre-tax income	312	436	1,542
Income tax expense	116	167	566
Net income	196	269	976

Figures in US\$ millions	31	Quarter ended	30
	March	June	September
	2005	2005	2005
Interest income			
Loans	1,049	1,136	1,192
Securities	210	215	225
Trading assets	59	60	73
Short-term investments	49	70	83
Other interest income	6	9	9
Total interest income	1,373	1,490	1,582
Interest expense			
Deposits	327	396	476
Short-term borrowings	52	67	87
Long-term debt	219	242	258
Total interest expense	598	705	821
Net interest income	775	785	761
Provision for credit losses	107	170	199
Net interest income, after provision for credit losses	668	615	562
Other revenues			
Trust income	23	22	21
Service charges	52	53	52
Other fees and commissions	145	144	192
Securitization revenue	44	25	30
Other income	72	83	25
Residential mortgage banking revenue (expense)	23	(13 )	31
Trading revenues	96	35	137
Security gains, net	23	64	17
Total other revenues	478	413	505
Operating expenses			
Salaries and employee benefits	266	254	257
Occupancy expense, net	42	43	49
Support services from HSBC affiliates	218	218	213
Other expenses	128	169	154
Total operating expenses	654	684	673
Pre-tax income	492	344	394
Income tax expense	176	131	142
Net income	316	213	252

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Figures in US\$ millions	At 31 December 2005	At 31 December 2004
<b>Assets</b>		
Cash and due from banks	4,441	2,682
Interest bearing deposits with banks	3,001	2,776
Federal funds sold and securities purchased under resale agreements	4,568	3,126
Trading assets	21,220	19,815
Securities available for sale	17,764	14,655
Securities held to maturity	3,171	3,881
Loans	90,342	84,947
Less - allowance for credit losses	846	788
Loans, net	89,496	84,159
Properties and equipment, net	538	594
Intangible assets, net	463	352
Goodwill	2,694	2,697
Other assets	6,503	6,313
Total assets	153,859	141,050
<b>Liabilities</b>		
Deposits in domestic offices		
- Non-interest bearing	9,695	7,639
- Interest bearing	57,911	50,069
Deposits in foreign offices		
- Non-interest bearing	320	248
- Interest bearing	23,889	22,025
Total deposits	91,815	79,981
Trading account liabilities	10,710	12,120
Short-term borrowings	7,049	9,874
Interest, taxes and other liabilities	4,732	4,370
Long-term debt	27,959	23,839
Total liabilities	142,265	130,184
<b>Shareholders' equity</b>		
Preferred stock	1,316	500
Total common shareholders' equity		
- Common stock * (\$5 par; 150,000,000 shares authorized; 706 shares issued)	-	-
- Capital surplus	8,118	8,418
- Retained earnings	2,172	1,917
- Accumulated other comprehensive (loss) income	(12 )	31
Total common shareholders' equity	10,278	10,366
Total shareholders' equity	11,594	10,866
Total liabilities and shareholders' equity	153,859	141,050

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

\* Less than \$500,000.

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: 17 February, 2006