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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

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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

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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'.

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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

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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

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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)

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	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

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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

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	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

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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

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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

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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