HSBC HOLDINGS PLC
Form 6-K
May 11, 2011

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

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 X 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 X

(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 10-Q

(Mark One)

T	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

OR

£	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 1-8198

HSBC FINANCE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	86-1052062
(State of Incorporation)	(I.R.S. Employer Identification No.)
26525 North Riverwoods Boulevard, Mettawa, Illinois	60045
(Address of principal executive offices)	(Zip Code)

(224) 544-2000
Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes T No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes £ No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer £ Accelerated filer £ Non-accelerated filer T Smaller reporting company £
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes £ No T

As of April 30, 2011, there were 66 shares of the registrant's common stock outstanding, all of which are owned by HSBC Investments (North America) Inc.

HSBC FINANCE CORPORATION

FORM 10-Q

TABLE OF CONTENTS

Index
Signature

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENT OF INCOME (LOSS) (UNAUDITED)

Three Months Ended March 31,	2011	2010
	(in millions)	
Finance and other interest income	$1,596	$1,945
Interest expense on debt held by:		
HSBC affiliates	38	39
Non-affiliates	636	779
Interest expense	674	818
Net interest income	922	1,127
Provision for credit losses	782	1,864
Net interest income (loss) after provision for credit losses	140	(737)
Other revenues:		
Insurance revenue	60	68
Investment income	25	27
Derivative related income (expense)	34	(102)
Gain (loss) on debt designated at fair value and related derivatives	(29)	133
Fee income	46	77
Enhancement services revenue	104	103
Gain on receivable sales to HSBC affiliates	113	116
Servicing and other fees from HSBC affiliates	159	174
Other income	13	5
Total other revenues	525	601
Operating expenses:		
Salaries and employee benefits	129	165
Occupancy and equipment expenses, net	24	28
Other marketing expenses	85	55
Real estate owned expenses	106	39
Other servicing and administrative expenses	167	218
Support services from HSBC affiliates	291	276
Amortization of intangibles	34	39
Policyholders' benefits	41	42
Total operating expenses	877	862
Loss from continuing operations before income tax	(212)	(998)
Income tax benefit	193	352
Loss from continuing operations	(19)	(646)
Discontinued Operations (Note 2):		
Income (loss) from discontinued operations before income tax	(4)	66
Income tax benefit (expense)	2	(23)
Income (loss) from discontinued operations	(2)	43
Net loss	$(21)	$(603)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	March 31, 2011	December 31, 2010
	(in millions, except share data)	
Assets		
Cash	$169	$175
Interest bearing deposits with banks	1,013	1,016
Securities purchased under agreements to resell	5,170	4,311
Securities available-for-sale	3,399	3,371
Receivables, net (including $6.1 billion and $6.3 billion at March 31, 2011 and December 31, 2010, respectively, collateralizing long-term debt)	58,689	61,333
Receivables held for sale	5	4
Intangible assets, net	571	605
Properties and equipment, net	194	202
Real estate owned	847	962
Derivative financial assets	4	75
Deferred income taxes, net	2,349	2,491
Other assets	2,190	1,791
Assets of discontinued operations	12	196
Total assets	$74,612	$76,532
Liabilities		
Debt:		
Due to affiliates (including $448 million and $436 million at March 31, 2011 and December 31, 2010, respectively, carried at fair value)	$8,279	$8,255
Commercial paper	3,750	3,156
Long-term debt (including $19.0 billion and $20.8 billion at March 31, 2011 and December 31, 2010 carried at fair value and $3.9 billion and $4.1 billion at March 31, 2011 and December 31, 2010, respectively, collateralized by receivables)	52,035	54,616
Total debt	64,064	66,027
Insurance policy and claim reserves	999	982
Derivative related liabilities	15	2
Liability for postretirement benefits	263	265
Other liabilities	1,537	1,519
Liabilities of discontinued operations	10	17
Total liabilities	66,888	68,812
Shareholders' equity		
Redeemable preferred stock:		
	575	575

Series B (1,501,100 shares authorized, $0.01 par value, 575,000 shares issued)		
Series C (1,000 shares authorized, $0.01 par value, 1,000 shares issued)	1,000	1,000
Common shareholder's equity:		
Common stock, $0.01 par value, 100 shares authorized, 65 shares issued at March 31, 2011 and December 31, 2010	-	-
Additional paid-in capital	23,321	23,321
Accumulated deficit	(16,740)	(16,685)
Accumulated other comprehensive loss	(432)	(491)
Total common shareholder's equity	6,149	6,145
Total shareholders' equity	7,724	7,720
Total liabilities and shareholders' equity	$74,612	$76,532

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

Three Months Ended March 31,	2011	2010
	(in millions)	
Preferred stock		
Balance at beginning and end of period	$ 1,575	$ 575
Common shareholder's equity		
Additional paid-in capital		
Balance at beginning of period	23,321	23,119
Employee benefit plans, including transfers and other	-	1
Balance at end of period	23,321	23,120
Accumulated deficit		
Balance at beginning of period	(16,685)	(14,732)
Net loss	(21)	(603)
Dividends:		
Preferred stock	(34)	(9)
Balance at end of period	(16,740)	(15,344)
Accumulated other comprehensive loss		
Balance at beginning of period	(491)	(583)
Net change in unrealized gains (losses), net of tax, on:		
Derivatives designated as cash flow hedges	65	(7)
Securities available-for-sale, not other-than-temporarily impaired	(11)	11
Other-than-temporarily impaired debt securities available-for-sale(1)	-	1
Postretirement benefit plan adjustment, net of tax	-	1
Foreign currency translation adjustments	5	(4)
Other comprehensive income, net of tax	59	2
Balance at end of period	(432)	(581)
Total common shareholder's equity at end of period	$ 6,149	$ 7,195
Comprehensive income (loss)		
Net loss	$ (21)	$ (603)
Other comprehensive income	59	2

Comprehensive income (loss)	$ 38	$ (601)

(1) During both the three months ended March 31, 2011 and 2010, other-than-temporary impairment ("OTTI") losses on available-for-sale securities totaling less than $1 million were recognized in other revenues. There were no losses in either period in the non-credit component of such impaired securities reflected in accumulated other comprehensive income.

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Three Months Ended March 31,	2011	2010
	(in millions)	
Cash flows from operating activities		
Net loss	$ (21)	$ (603)
Income (loss) from discontinued operations	(2)	43
Loss from continuing operations	(19)	(646)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for credit losses	782	1,864
Gain on receivable sales to HSBC affiliates	(113)	(116)
Loss on sale of real estate owned, including lower of cost or market adjustments	62	10
Insurance policy and claim reserves	(1)	(12)
Depreciation and amortization	42	44
Mark-to-market on debt designated at fair value and related derivatives	194	78
Originations of loans held for sale	(7,906)	(7,834)
Sales and collections on loans held for sale	8,018	7,950
Foreign exchange and derivative movements on long-term debt and net change in non-FVO related derivative assets and liabilities	319	(844)
Net change in other assets	(248)	1,446
Net change in other liabilities	17	(90)
Other, net	108	167
Cash provided by (used in) operating activities-continuing operations	1,255	2,017
Cash provided by (used in) operating activities-discontinued operations	175	240
Net cash provided by (used in) operating activities	1,430	2,257
Cash flows from investing activities		
Securities:		
Purchased	(213)	(304)
Matured	87	136
Sold	110	74
Net change in short-term securities available-for-sale	(25)	111
Net change in securities purchased under agreements to resell	(859)	(2,336)
Net change in interest bearing deposits with banks	3	7

Receivables:		
Net (originations) collections	1,355	1,643
Purchases and related premiums	(11)	(11)
Proceeds from sales of real estate owned	500	293
Properties and equipment:		
Purchases	(1)	(5)
Cash provided by (used in) investing activities-continuing operations	946	(392)
Cash provided by (used in) investing activities-discontinued operations	-	1,069
Net cash provided by (used in) investing activities	946	677
Cash flows from financing activities		
Debt:		
Net change in commercial paper	594	(591)
Net change in due to affiliates	12	(20)
Long-term debt issued	162	119
Long-term debt retired	(3,106)	(2,359)
Insurance:		
Policyholders' benefits paid	(24)	(19)
Cash received from policyholders	14	15
Shareholder's dividends	(34)	(9)
Net cash provided by (used in) financing activities-continuing operations	(2,382)	(2,864)
Net cash provided by (used in) financing activities-discontinued operations	-	(192)
Net cash provided by (used in) financing activities	(2,382)	(3,056)
Net change in cash	(6)	(122)
Cash at beginning of period(1)	175	311
Cash at end of period	$ 169	$ 189
Supplemental Noncash Investing and Capital Activities:		
Fair value of properties added to real estate owned	$ 448	$ 372

(1) Cash at beginning of period includes $22 million for discontinued operations as of January 1, 2010.

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

HSBC Finance Corporation is an indirect wholly owned subsidiary of HSBC North America Holdings Inc. ("HSBC North America"), which is an indirect wholly owned subsidiary of HSBC Holdings plc ("HSBC"). The accompanying unaudited interim consolidated financial statements of HSBC Finance Corporation and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all normal and recurring adjustments considered necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods have been made. HSBC Finance Corporation and its subsidiaries may also be referred to in this Form 10-Q as "we," "us" or "our." These unaudited interim consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2010 (the "2010 Form 10-K"). Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

The consolidated financial statements have been prepared on the basis that we will continue as a going concern. Such assertion contemplates the significant losses recognized in recent years and the challenges we anticipate with respect to a near-term return to profitability under prevailing and forecasted economic conditions. HSBC continues to be fully committed and has the capacity to continue to provide the necessary capital and liquidity to fund our operations.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Unless otherwise noted, information included in these notes to the consolidated financial statements relates to continuing operations for all periods presented. See Note 2, "Discontinued Operations," for further details. Interim results should not be considered indicative of results in future periods.

2. Discontinued Operations

Taxpayer Financial Services During the third quarter of 2010, the Internal Revenue Service ("IRS") announced it would stop providing information regarding certain unpaid obligations of a taxpayer (the "Debt Indicator"), which has historically served as a significant part of our underwriting process in our Taxpayer Financial Services ("TFS") business. We determined that, without use of the Debt Indicator, we could no longer offer the product that has historically accounted for the substantial majority of our TFS loan production and that we might not be able to offer the remaining products available under the program in a safe and sound manner. As a result, in December 2010, it was determined that we would not offer any tax refund anticipation loans or related products for the 2011 tax season and we exited the TFS business. As a result of this decision, our TFS business is reported in discontinued operations. During the fourth quarter of 2010 we recorded closure costs of $25 million which primarily reflect severance costs and the write off of certain pre-paid assets which are included as a component of loss from discontinued operations. At March 31, 2011 and December 31, 2010, the liability associated with these closure costs totaled $4 million and $5 million, respectively.

The following summarizes the operating results of our TFS business for the periods presented:

Three Months Ended March 31,	2011	2010
	(in millions)	
Net interest income and other revenues(1)	$1	$84
Income (loss) from discontinued operations before income tax	(2)	56

(1) Interest expense, which is included as a component of net interest income, was allocated to discontinued operations in accordance with our existing internal transfer pricing policy. This policy uses match funding based on the expected lives of the assets and liabilities of the business at the time of origination, subject to periodic review, as demonstrated by the expected cash flows and re-pricing characteristics of the underlying assets.

The following summarizes the assets and liabilities of our TFS business at March 31, 2011 and December 31, 2010 which are reported as Assets of discontinued operations and Liabilities of discontinued operations in our consolidated balance sheet.

	March 31, 2011	December 31, 2010
	(in millions)	
Deferred income tax, net	$1	$3
Other assets	4	55
Assets of discontinued operations	$5	$58
Other liabilities	$4	$10
Liabilities of discontinued operations	$4	$10

Auto Finance In March 2010, we sold our auto finance receivable servicing operations as well as auto finance receivables with a carrying value of $927 million, of which $379 million was purchased at estimated fair value from HSBC Bank USA immediately prior to the sale, to Santander Consumer USA Inc. ("SC USA") for $930 million in cash. Under the terms of the agreement, our auto finance servicing facilities in San Diego, California and Lewisville, Texas were assigned to SC USA at the time of close and the majority of the employees from those locations were offered the opportunity to transfer to SC USA. SC USA then serviced the remainder of our auto finance receivable portfolio. As the receivables sold were previously classified as held for sale and written down to fair value, we recorded a gain of $5 million ($3 million after-tax) during the first quarter of 2010 which primarily related to the sale of the auto servicing platform and reversal of certain accruals related to leases assumed by SC USA.

In August 2010, we sold the remainder of our auto finance receivable portfolio with an outstanding principal balance of $2.6 billion at the time of sale and other related assets to SC USA. The aggregate sales price for the auto finance receivables and other related assets was $2.5 billion which included the transfer of $431 million of indebtedness secured by auto finance receivables, resulting in net cash proceeds of $2.1 billion. We recorded a net loss as a result of this transaction of $43 million ($28 million after-tax) during the third quarter of 2010. This net loss is included as a component of loss from discontinued operations. Severance costs recorded as a result of this transaction were less than $1 million and are included as a component of loss from discontinued operations. As a result of this transaction, our Auto Finance business is reported as discontinued operations.

The following summarizes the operating results of our Auto Finance business for the periods presented:

Three Months Ended March 31,	2011	2010
	(in millions)	
Net interest income and other revenues(1)	$-	$104
Income (loss) from discontinued operations before income tax	(2)	10

(1) Interest expense, which is included as a component of net interest income, was allocated to discontinued operations in accordance with our existing internal transfer pricing policy. This policy uses match funding based on the expected lives of the assets and liabilities of the business at the time of origination, subject to periodic review, as demonstrated by the expected cash flows and re-pricing characteristics of the underlying assets.

The following summarizes the assets and liabilities of our Auto Finance business at March 31, 2011 and December 31, 2010 which are reported as Assets of discontinued operations and Liabilities of discontinued operations in our consolidated balance sheet. Other assets of discontinued operations at December 31, 2010 reflect current income taxes receivable on our Auto Finance business for the 2010 tax year.

	March 31, 2011	December 31, 2010
	(in millions)	
Deferred income tax, net	$2	$4
Other assets	5	134
Assets of discontinued operations	$7	$138
Other liabilities	$6	$7
Liabilities of discontinued operations	$6	$7

3. Strategic Initiatives

As discussed in prior filings, in prior years we performed several comprehensive evaluations of the strategies and opportunities of our operations. As a result of these various evaluations, we discontinued all new customer account originations except in our credit card business. There were no new significant strategic initiatives during the three months ended March 31, 2011 or the year ended December 31, 2010 related to our continuing operations. While there were a number of strategic actions undertaken in mid-2007, 2008 and 2009 for our continuing operations as a result of our evaluations, at December 31, 2010, there was no remaining restructuring liability for these strategic actions. See Note 3, "Strategic Initiatives," in our 2010 Form 10-K for further discussion of those actions. Summarized below are the strategic actions undertaken in 2009 for our continuing operations as well as information regarding the remaining restructuring liability related to these actions.

2009 Strategic Initiatives During 2009, we undertook a number of actions including the following:

> Throughout 2009, we decided to exit certain lease arrangements and consolidate a variety of locations across the United States. The process of closing and consolidating these facilities, which began during the second quarter of 2009, was completed during the fourth quarter of 2010. As a result, we have exited certain facilities and/or significantly reduced our occupancy space in the following locations: Bridgewater, New Jersey; Minnetonka, Minnesota; Wood Dale, Illinois; Elmhurst, Illinois; Sioux Falls, South Dakota and Tampa, Florida. Additionally, we have consolidated our operations in Virginia Beach, Virginia into our Chesapeake, Virginia facility and consolidated certain servicing functions previously performed in Brandon, Florida to facilities in Buffalo, New York and Elmhurst, Illinois.

> In late February 2009, we decided to discontinue new customer account originations for all products by our Consumer Lending business and close all branch offices.

The following summarizes the changes in the restructure liability during the three months ended March 31, 2011 and 2010, respectively, relating to actions implemented during 2009:

	One-Time Termination and Other Employee Benefits(1)	Lease Termination and Associated Costs(2)	Other(3)	Total
		(in millions)		
Three Months Ended March 31, 2011:				
Restructuring liability at beginning of period	$4	$6	$-	$10
Restructuring costs recorded during the period	-	-	-	-
Restructuring costs paid during the period	-	(2)	-	(2)
Adjustments to the restructure liability during the period	-	-	-	-
Restructure liability at end of period	$4	$4	$-	$8
Three Months Ended March 31, 2010:				
Restructuring liability at beginning of period	$10	$12	$2	$24
Restructuring costs recorded during the period	1	-	-	1
Restructuring costs paid during the period	(3)	(5)	-	(8)
Adjustments to the restructure liability during the period	-	1	-	1
Restructure liability at end of period	$8	$8	$2	$18

(1) One-time termination and other employee benefits are included as a component of salaries and employee benefits in the consolidated statement of income (loss).

(2) Lease termination and associated costs are included as a component of occupancy and equipment expenses in the consolidated statement of income (loss).

(3) The other expenses are included as a component of Other servicing and administrative expenses in the consolidated statement of income (loss).

4. Securities

Securities consisted of the following available-for-sale investments:

Non-Credit
Loss

March 31, 2011	Amortized Cost	Component of OTTI Securities	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
			(in millions)		
U.S. Treasury	$376	$-	$6	$-	$382
U.S. government sponsored enterprises(1)	232	-	4	(1)	235
U.S. government agency issued or guaranteed	9	-	-	-	9
Obligations of U.S. states and political subdivisions	32	-	1	-	33
Asset-backed securities(2)	60	(7)	2	-	55
U.S. corporate debt securities(3)	1,696	-	83	(7)	1,772
Foreign debt securities(4)	481	-	17	(2)	496
Equity securities	9	-	-	-	9
Money market funds	377	-	-	-	377
Subtotal	3,272	(7)	113	(10)	3,368
Accrued investment income	31	-	-	-	31
Total securities available-for-sale	$3,303	$(7)	$113	$(10)	$3,399

December 31, 2010	Amortized Cost	Non-Credit Loss Component of OTTI Securities	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
			(in millions)		
U.S. Treasury	$341	$-	$8	$-	$349
U.S. government sponsored enterprises(1)	282	-	4	(1)	285
U.S. government agency issued or guaranteed	10	-	1	-	11
Obligations of U.S. states and political subdivisions	29	-	1	-	30
Asset-backed securities(2)	65	(7)	2	-	60
U.S. corporate debt securities(3)	1,714	-	94	(6)	1,802
Foreign debt securities(4)	424	-	19	(1)	442
Equity securities	9	-	-	-	9
Money market funds	353	-	-	-	353
Subtotal	3,227	(7)	129	(8)	3,341
Accrued investment income	30	-	-	-	30
Total securities available-for-sale	$3,257	$(7)	$129	$(8)	$3,371

(1) Includes $27 million and $33 million of mortgage-backed securities issued by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation as of March 31, 2011 and December 31, 2010, respectively.

(2) Includes $27 and $31 million of residential mortgage-backed securities at March 31, 2011 and December 31, 2010, respectively.

(3) At March 31, 2011 and December 31, 2010, the majority of our U.S. corporate debt securities represent investments in the financial services, consumer products, healthcare and industrials sectors.

(4) There were no foreign debt securities issued by the governments of Portugal, Ireland, Italy, Greece or Spain at March 31, 2011 or December 31, 2010.

A summary of gross unrealized losses and related fair values as of March 31, 2011 and December 31, 2010, classified as to the length of time the losses have existed follows:

March 31, 2011	Less Than One Year			Greater Than One Year		
	Number of Securities	Gross Unrealized Losses	Aggregate Fair Value of Investments	Number of Securities	Gross Unrealized Losses	Aggregate Fair Value of Investments
	(dollars are in millions)					
U.S. Treasury	1	$-	$20	-	$-	$-
U.S. government sponsored enterprises	9	(1)	89	-	-	-
U.S. government agency issued or guaranteed	-	-	-	-	-	-
Obligations of U.S. states and political subdivisions	7	-	9	-	-	-
Asset-backed securities	-	-	-	6	(7)	15
U.S. corporate debt securities	142	(6)	296	5	(1)	18
Foreign debt securities	51	(2)	116	-	-	-
Equity Securities	1	-	4	-	-	-
	211	$(9)	$534	11	$(8)	$33

December 31, 2010	Less Than One Year			Greater Than One Year		
	Number of Securities	Gross Unrealized Losses	Aggregate Fair Value of Investments	Number of Securities	Gross Unrealized Losses	Aggregate Fair Value of Investments
	(dollars are in millions)					
U.S. Treasury	1	$-	$25	-	$-	$-
U.S. government sponsored enterprises	13	(1)	139	-	-	-
U.S. government agency issued or guaranteed	-	-	-	-	-	-
Obligations of U.S. states and political subdivisions	4	-	5	-	-	-
Asset-backed securities	-	-	-	8	(7)	18
U.S. corporate debt securities	100	(5)	209	6	(1)	23
Foreign debt securities	24	(1)	56	-	-	-
Equity Securities	1	-	4	-	-	-
	143	$(7)	$438	14	$(8)	$41

Gross unrealized losses increased slightly during the first quarter of 2011 primarily due to the impact of higher interest rates. We have reviewed our securities for which there is an unrealized loss in accordance with our accounting policies for other-than-temporary impairment ("OTTI"). As a result of our reviews, OTTI of less than $1 million was recognized in earnings on certain debt securities during the three months ended March 31, 2011 and 2010. In addition, we recognized a recovery in accumulated other comprehensive income relating to the non-credit component of other-than-temporary impairment previously recognized in accumulated other comprehensive income totaling less than $1 million and $1 million during the three months ended March 31, 2011 and 2010, respectively.

We do not consider any other securities to be other-than-temporarily impaired because we expect to recover the entire amortized cost basis of the securities and we neither intend to nor expect to be required to sell the securities prior to recovery, even if that equates to holding securities until their individual maturities. However, additional other-than-temporary impairments may occur in future periods if the credit quality of the securities deteriorates.

On-Going Assessment for Other-Than-Temporary Impairment On a quarterly basis, we perform an assessment to determine whether there have been any events or economic circumstances to indicate that a security with an unrealized loss has suffered other-than-temporary impairment. A debt security is considered impaired if the fair value is less than its amortized cost basis at the reporting date. If impaired, we then assess whether the unrealized loss is other-than-temporary.

An unrealized loss is generally deemed to be other-than-temporary and a credit loss is deemed to exist if the present value of the expected future cash flows is less than the amortized cost basis of the debt security. As a result, the credit loss component of an other-than-temporary impairment write-down for debt securities is recorded in earnings while the remaining portion of the impairment loss is recognized net of tax in other comprehensive income (loss) provided we do not intend to sell the underlying debt security and it is more-likely-than-not that we would not have to sell the debt security prior to recovery.

For all our debt securities, as of the reporting date we do not have the intention to sell these securities and believe we will not be required to sell these securities for contractual, regulatory or liquidity reasons.

We consider the following factors in determining whether a credit loss exists and the period over which the debt security is expected to recover:

- The length of time and the extent to which the fair value has been less than the amortized cost basis;
- The level of credit enhancement provided by the structure which includes, but is not limited to, credit subordination positions, overcollateralization, protective triggers and financial guarantees provided by monoline wraps;
- Changes in the near term prospects of the issuer or underlying collateral of a security, such as changes in default rates, loss severities given default and significant changes in prepayment assumptions;
- The level of excess cash flows generated from the underlying collateral supporting the principal and interest payments of the debt securities; and
- Any adverse change to the credit conditions of the issuer or the security such as credit downgrades by the rating agencies.

At March 31, 2011, approximately 93 percent of our corporate debt securities are rated A- or better and approximately 62 percent of our asset-backed securities, which totaled $55 million are rated "AAA." At December 31, 2010, approximately 92 percent of our corporate debt securities were rated A- or better and approximately 66 percent of our asset-backed securities, which totaled $60 million were rated "AAA." Although OTTI of less than $1 million was recorded in earnings during the three months ended March 31, 2011 and 2010, without a sustained economic recovery, additional other-than-temporary impairments may occur in future periods.

Proceeds from the sale, call or redemption of available-for-sale investments totaled $110 million and $74 million during the three months ended March 31, 2011 and 2010, respectively. We realized gross gains of $3 million during both the three months ended March 31, 2011 and 2010. We realized gross losses of less than $1 million during both the three months ended March 31, 2011 and 2010.

Contractual maturities of and yields on investments in debt securities for those with set maturities were as follows:

March 31, 2011	Due Within 1 Year	After 1 but Within 5 Years	After 5 but Within 10 Years	After 10 Years	Total
		(dollars are in millions)			
U.S. Treasury:					
Amortized cost	$151	$224	$1	$-	$376
Fair value	151	230	1	-	382
Yield(1)	.86%	2.21%	4.96%	-	1.67%
U.S. government sponsored enterprises:					
Amortized cost	$64	$113	$30	$25	$232
Fair value	64	113	32	26	235
Yield(1)	.27%	1.31%	4.69%	4.75%	1.83%
U.S. government agency issued or guaranteed:					
Amortized cost	$-				