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HSBC HOLDINGS PLC
Form 6-K
March 01, 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-)

GRUPO FINANCIERO HSBC, S.A. DE C.V.
MEXICO & PANAMA
2005 FINANCIAL RESULTS - HIGHLIGHTS

- Net income of MXN4,981 million for the year ended 31 December 2005, an increase of 47.8 per cent over the previous year.
- Return on average common equity of 22.0 per cent for 2005, compared with 15.7 per cent in 2004.
- Cost: income ratio of 64.9 per cent in 2005, improving from the previous year's 65.9 per cent (adjusted for a non-recurrent VAT recovery received in 2004).
- Total assets of MXN275.1 billion at 31 December 2005, compared with MXN227.8 billion at 31 December 2004.

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

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Securities Commission. The bank is required to file periodic financial information for the year ending 31 December 2005 and this information is publicly available. Given that 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 a real basis, indexed to constant MXN as at 31 December 2005.

Grupo Financiero HSBC, S.A. de C.V. 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 Grupo Financiero HSBC, S.A. de C.V., as well as HSBC's fully consolidated figures.

Commentary by Sandy Flockhart, CEO & Group General Manager

"Marking the three year anniversary of the Bital acquisition, I am very pleased with the progress being made. The combination of the knowledge, network and brand of the HSBC Group with the experience and capabilities of our Mexican colleagues has been a powerful driver for executing change and generating results in Mexico.

"HSBC continues to work towards being the number one financial services institution in Mexico. Numerous initiatives are underway to improve customer service and to strengthen the bank's product offerings to support the future financial requirements of our customers."

Overview

Grupo Financiero HSBC reported strong 2005 results, with net income of MXN4,981 million, an increase of 47.8 per cent over the previous year. This was due to robust revenue growth in HSBC Mexico, S.A. across all product categories. Net interest income, fees and trading all reached record levels during the year. This was coupled with strong performances in the insurance, Afore and Panama bank subsidiaries.

Growth of 28.3 per cent in net interest income, from MXN11,845 million to MXN15,193 million, was driven by higher deposit balances and widening spreads, strong loan growth, and higher average interest rates than in 2004. The net interest margin improved from prior year largely due to an increase in the bank's margin from 6.3 per cent in 2004 to 6.8 per cent in 2005.

Fees and commissions increased by 10.8 per cent over the previous year due to growth in credit cards, electronic banking, ATMs, membership programmes, commercial lending, Afore pension fund management, trade services and remittances. Trading results were excellent, up 49.3 per cent over 2004, benefiting from successful strategic positioning, higher customer volumes and the launch of new products on the back of enhanced treasury systems.

Administrative expenses grew 19.6 per cent (excluding the non-recurrent recovery of VAT received in 2004) as HSBC continued to invest heavily in its Mexican operations. 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.

Loan impairment charges increased 9.4 per cent for the year, in line with robust lending growth and reflecting the high credit quality of new lending and

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improved economic conditions. In the bank, the ratio of non-performing loans to total loans decreased to 2.7 per cent, compared with 3.0 per cent in the previous year, and the reserve coverage on non-performing loans was 168 per cent. The bank's capital adequacy ratio remains solid at 14.3 per cent at 31 December 2005.

By customer segment

The personal financial services division reported a solid performance due to higher deposit balances and widening spreads, strong loan growth and higher fee income. Fixed rate mortgage volumes increased 151 per cent over the previous year, driven mainly by the bank's low rate offer.

HSBC remains Mexico's market leader amongst banks in auto loans issued. A unique new internet-based product, 'Venta Directa', was launched during the year, enabling the direct sales of used cars between customers, using HSBC's financing and the website as the intermediary. HSBC is also the first Mexican bank to offer pre-approved personal loans through its ATMs, which helped grow balances by 109 per cent compared with 2004. Targeted customer campaigns drove record growth in credit cards, with balances 84 per cent higher and cards in circulation increasing by 80 per cent to 1.1 million cards.

HSBC's market share in customer deposits continued to increase, reaching record highs in 2005. This was accomplished while maintaining a cost of funds significantly below that of the market. The bank saw good growth of Tu Cuenta, an integrated package of financial services for a flat monthly fee. Since its launch in February, it has generated 611,000 accounts, averaging some 2,300 new customers per day. Mutual fund balances were up 58 per cent from the previous year, benefiting from an expanded product offering and increased cross sales to our extensive customer base. The HSBC D-2 fund is now the largest mutual fund for individual investors in Mexico, with assets of over MXN20 billion at year end.

The Afore pension funds business continued to perform strongly, with 394,000 new customers which led to a 50 per cent growth in fees. In the insurance company, growth in premiums was attributed to strong sales in packaged products in personal financial services (including mortgages, credit cards and Tu Cuenta) which have imbedded insurance components.

Fee income from international remittances rose 55 per cent due to the continued success of La Efectiva, HSBC's electronic remittance card. Monthly transactions now exceed one million, representing a market share among banks of approximately 20 per cent and a five-fold increase since acquisition. We continue to leverage HSBC's extensive branch network in the US to create growth opportunities.

In commercial banking, deposit balances grew by 38 per cent as a result of the expansion into the SME market. Loan balances rose by 21 per cent, principally in the services and commerce sectors due to the increase in new clients. Trade services increased its market share, generating revenue growth of 39 per cent over the previous year. The recently launched Estimulo combined loan and overdraft product for smaller companies has been very successful, with over 3,500 packages sold with an average cross-sale of 4.6 products.

The corporate, investment banking and markets division continued to strengthen its market position with lending growth of MXN11,890 million, or 90 per cent, over 2004, benefiting in part from HSBC's extensive international network for multinational companies. HSBC was officially appointed market maker in debt trading desk by the Central Bank and is now ranked third in the Mexican FX market. The installment of new treasury systems in early 2005 allowed HSBC to operate derivatives in Mexico, which has contributed strong earnings for the year.

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HSBC's newly-formed Group Investment Banking Financing (GIBF) won mandates to arrange and underwrite the securitisation of mortgages and bridge loans. GIBF also underwrote and placed the company's first local bond issue for Petroleos Mexicanos and successfully sole lead arranged a 10-year MXN2 billion bond for the Inter-American Development Bank.

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, 5,000 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 directly controlled subsidiary of, and 99.8 per cent owned by, HSBC Holdings plc. Headquartered in London, UK, the HSBC Group serves over 110 million customers worldwide through 9,700 offices in 77 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$1,467 billion at 30 June 2005, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

Consolidated Balance Sheet

Figures in MXN millions	Group		Bank	
	31Dec05	31Dec04	31Dec05	31Dec04
Assets				
Cash and deposits in banks	55,291	47,089	51,033	44,628
Financial instruments	56,960	47,546	55,523	45,530
Trading securities	6,945	3,065	6,589	2,729
Available for sale securities	46,022	40,334	44,941	38,654
Held to maturity securities	3,993	4,147	3,993	4,147
Securities and derivative operations	568	112	573	103
Repurchase agreements	186	69	191	60
Operations that represent loans with collateral	-	-	-	-
Settlement accounts to be recorded for purchase	-	-	-	-
Derivative transactions	382	43	382	43
Performing loans				
Commercial loans	45,751	31,330	40,733	28,166
Loans to financial intermediaries	6,896	4,270	6,797	4,131
Consumer loans	25,660	16,480	23,954	15,142
Mortgage	20,099	16,640	15,318	12,355
Loans to government entities	36,163	6,478	36,164	6,478
Loans to Fobaproa or				

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IPAB	1,096	43,019	1,096	43,019
Total				
performing loans	135,665	118,217	124,062	109,291
Non-performing loans				
Commercial loans	1,667	1,993	1,624	1,943
Loans to financial intermediaries	-	-	-	-
Consumer loans	818	549	807	540
Mortgage	1,021	919	955	851
Loans to government entities	-	-	-	-
Immediate collection, remittances and other	28	42	27	42
Total non-performing loans	3,534	3,503	3,413	3,376
Total loan portfolio	139,199	121,720	127,475	112,667
Allowance for loan losses	(5,897)	(6,758)	(5,729)	(6,588)
Net loan portfolio	133,302	114,962	121,746	106,079
Other accounts receivable	15,218	4,499	14,677	4,054
Foreclosed assets	394	562	354	510
Property, furniture and equipment, net	5,475	4,350	5,240	4,116
Long term investments in equity securities	2,245	2,306	196	401
Deferred taxes	747	2,274	618	2,199
Goodwill	3,239	3,148	-	-
Other assets, deferred charges and intangibles	1,683	927	1,464	786
Total assets	275,122	227,776	251,424	208,406

Liabilities	Group		Bank	
	31Dec05	31Dec04	31Dec05	31Dec04
Deposits	212,316	185,182	196,566	174,495
Demand deposits	125,513	115,401	118,811	110,109
Time deposits	86,803	69,726	77,755	64,284
Bank bonds outstanding	-	56	-	-
Bank deposits and other liabilities	6,963	9,244	6,896	9,244
On demand	21	-	-	244
Short term	4,816	6,619	4,737	6,375
Long term	2,126	2,625	2,159	2,625
Settlement accounts to be				

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recorded for sale	-	-	-	-
Securities and derivative transactions	4,502	41	4,507	32
Repurchase agreements	113	41	118	32
Loans with collateral	4,389	-	4,389	-
Operations with derivative instruments	-	-	-	-
Derivative transactions	-	-	-	-
Settlement accounts to be recorded for purchase	-	-	-	-
Other accounts payable	22,959	9,807	21,909	9,106
Income tax and employee profit sharing payable	1,298	742	1,201	683
Sundry creditors and others accounts payable	21,661	9,065	20,708	8,423
Subordinated debentures outstanding	2,579	2,675	2,206	2,271
Deferred tax	-	-	-	-
Deferred credits	20	86	15	14
Total liabilities	249,339	207,036	232,099	195,060
Stockholders' equity				
Paid in capital	19,853	19,853	12,517	10,317
Capital stock	7,593	7,593	3,773	3,498
Additional paid in capital	12,260	12,260	8,744	6,819
Mandatorily convertible subordinated debentures	-	-	-	-
Capital gains	5,928	884	6,808	3,027
Capital reserves	634	465	4,583	1,955
Retained earnings	7,640	4,437	-	-
Surplus from the mark to market of available for sale securities	-	-	269	16
Result from translation of foreign operations	(70)	(1)	11	11
Cumulative effect of restatement	(3,690)	(3,690)	(3,360)	(3,238)

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Gains on non monetary asset valuation				
Valuation of fixed assets	-	-	1,245	1,245
Valuation of permanent investments	(3,630)	(3,698)	(139)	(152)
Adjustments to retirement fund obligations	-	-	-	-
Net income	4,981	3,370	4,199	3,190
Minority interest in capital	2	3	-	2
Total stockholder's equity	25,783	20,740	19,325	13,346
Total liabilities and capital	275,122	227,776	251,424	208,406

	Group	
	31 Dec 2005	31 Dec 2004
Memorandum accounts		
Transactions on behalf of third parties	86,016	78,248
Customer current accounts	1	(4)
Customer banks	-	1
Settlement of customer securities and documents	1	(5)
Customer securities	66,738	50,009
Customer securities in custody	65,592	49,433
Pledged customers securities and documents	1,146	575
Transactions on behalf of customer	2,411	2,619
Customer repurchase transactions	2,411	2,619
Customer option repurchase transaction	-	-
Other transactions on behalf of customers	16,866	25,624
Investment on behalf of customers, net	16,866	25,624
Other memorandums accounts	481,483	440,454
Investment of the SAR funds	3,292	2,958
Integrated loan		

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Investments of retirement savings system funds	3,292	2,958
Integrated loan portfolio	131,294	115,148
Other control accounts	346,896	322,347
	833,885	688,013
Securities receivable under repos	42,005	37,140
Less: Repurchase agreements	(42,018)	(37,110)
	(13)	30
Reverse repurchase agreements	13,511	6,197
Less: Securities deliverable under repos	(13,511)	(6,197)
	-	-

Consolidated Income Statement

Figures in MXN millions	Group		Bank	
	31Dec05	31Dec04	31Dec05	31Dec04
Interest income	26,350	19,393	25,327	19,044
Interest expenses (-)	10,837	7,197	10,467	7,111
Monetary position (margin), net	(320)	(351)	(241)	(273)
Net interest income	15,193	11,845	14,619	11,660
Provisions for bad & doubtful debt	(1,499)	(1,370)	(1,489)	(1,363)
Risk adjustment net interest income	13,694	10,475	13,130	10,297
Fees and commissions	8,435	7,616	7,564	7,181
Fees paid	(917)	(637)	(879)	(774)
Trading income	1,363	913	1,356	907
Total operating income	22,575	18,367	21,171	17,611
Administrative and personnel expenses	15,830	12,987	14,698	12,232
Net operating income	6,745	5,380	6,473	5,379
Other income	1,495	1,363	1,504	1,327
Other expenses	1,021	(1,076)	(993)	(1,062)

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Net income before taxes	7,219	5,666	6,984	5,644
Income tax and employee profit sharing tax	(1,491)	(1,247)	(1,383)	(1,196)
Deferred income tax	(1,346)	(1,270)	(1,341)	(1,265)
Net income before subsidiaries	4,382	3,149	4,260	3,183
Undistributed income from subsidiaries	675	228	16	14
Income from ongoing operations	5,057	3,377	4,276	3,197
Discontinued operations, extraordinary items and changes in accounting standards, net	(78)	(7)	(77)	(7)
Minority interests	-	-	-	-
Net income	4,981	3,370	4,199	3,190

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	Minority interest
Balances as of 31Dec04	19,853	466	4,437	(1)	(7,389)	3,371	
Movements inherent to the shareholders decision							
Subscription of shares	-	-	3,371	-	-	(3,371)	
Capitalisation of retained earnings	-	168	(168)	-	-	-	
Total	-	168	3,202	-	-	(3,371)	
Movements for the recognition							

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of the comprehensive income							
Net result	-	-	-	-	-	-	4,981
Result from translation of foreign operations	-	-	-	(6)	-	-	-
Cumulative effect of restatement	-	-	-	-	-	2	-
- Gains on non-monetary asset valuation	-	-	-	-	-	67	-
Total	-	-	-	(6)	-	69	4,981
Balances as of 31Dec05	19,853	634	7,640	(7)	(7,320)		4,981

BANK

Figures in millions
of pesos

	Capital contri- buted	Statutory reserves	Retained earnings	Unreal- ised gain (loss) from valuation of avail- ble-for- sale secur- ities	Result from foreign trans- actions	Deficit in restate- ment of stock holders' equity	Net income (loss)
Balances as at 31Dec04	10,025	1,899	-	16	11	(2,085)	3,099
Movements inherent to the shareholders decision							
Subscription of shares	2,200	-	-	-	-	-	-
Transfer of result of prior years Constitution of reserves	-	-	3,099	-	-	-	(3,099)
Payment of dividends	-	3,099	(3,099)	-	-	-	-
Total	-	(549)	-	-	-	-	-
Total	2,200	2,550	-	-	-	-	(3,099)

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Movements for the recognition of the comprehensive income								
- Result from translation of foreign operations	-	-	-	-	-	-	-	4,199
- Cumulative effect of restatement	-	-	-	252	-	-	-	-
- Adjustments to retirement fund obligations	292	134	-	1	-	-	(183)	-
- Others	-	-	-	-	-	-	13	-
Total	292	134	-	253	-	-	(170)	4,199
Balances as at 31Dec05	12,517	4,583	-	269	11	-	(2,255)	4,199

Consolidated Statement of Changes in Financial Position

GROUP

Figures in MXN millions

	31Dec05	1Dec04
Operating activities		
Net income	4,981	3,370
Items included in operations not requiring (providing) funds:		
Losses from mark to market valuations	(1,352)	(69)
Allowances for loan losses	1,499	1,377
Depreciation and amortisation	849	807
Deferred taxes	1,346	1,279
Undistributed income from subsidiaries, net	(675)	(3,559)
Increase of the minority interest	-	7
	6,648	3,213
Changes in items related to operations:		
Increase in deposits:	27,134	25,959
(Decrease) increase of loan portfolio	(19,838)	297
Decrease of securities and derivative transactions, net	(8,062)	(22,438)
Increase (decrease) of financial instruments	4,004	(217)
Other accounts receivable	2,432	(1,506)
Funds provided by operating activities	12,318	5,308
Financing activities:		

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Subordinated debentures outstanding	(96)	283
Decrease in bank and other loans	(2,281)	-
Funds used or provided in financing activities	(2,377)	283
Investing activities:		
(Decrease) increase of property, furniture and equipment, net	(1,273)	1,351
(Decrease) increase in deferred charges or credits, net	(472)	760
Other investment activities	6	-
Funds used in investing activities	(1,739)	2,112
Increase in cash and equivalents	8,202	7,703
Cash and equivalents at beginning of period	47,089	39,386
Cash and equivalents at end of period	55,291	47,089

BANK

Figures in MXN millions

	31Dec05	31Dec04
Operating activities		
Net income	4,199	3,190
Items included in operations not requiring (providing) funds:		
Depreciation and amortisation	821	634
Allowance for loan losses	1,489	1,363
Provisions for foreclosed assets	-	13
Losses from mark to market valuations	(270)	(67)
Deferred taxes	1,341	1,265
Undistributed income from subsidiaries, net	(16)	(8)
Value loss estimation for foreclosed assets	52	-
Increase of the minority interest	-	-
	7,618	6,390
Changes in operating accounts:		
Increase in retail deposit and money desk	22,173	5,167
(Decrease) Increase of loan portfolio	(17,156)	9,015
Decrease of financial instruments	(5,466)	(21,015)
Increase (decrease) of other receivable and payable accounts, net	1,499	(303)
Funds provided by operations	8,668	9,254
Financing activities:		
Subordinated debentures outstanding	(64)	(120)
Decrease of interbank and other loans	(2,348)	-
Dividends paid	(561)	(2,431)
Increase in capital	2,200	-
Result from foreign currency transactions	-	-
Convertible subordinated debentures	-	-
Fiscal results of agencies	-	-

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Funds used or provided by financing activities	(773)	(2,551)
Investing activities:		
Decrease of property, furniture and equipment and long term investments	(1,834)	(1,479)
Increase in deferred credits	240	20
Increase in loans to employee	104	-
Funds used in investing activities	(1,490)	(1,459)
Increase in cash and equivalents	6,404	5,244
Cash and equivalents at beginning of period	44,629	39,385
Cash and equivalents at end of period	51,033	44,629

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: 28 February 2006