

# HSBC Holdings plc

## *International Financial Reporting Standards*

## *2004 Comparative Financial Information*



# Forward-looking statements

**This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report.**

# Reconciliation of UK GAAP to IFRS: Year Ended 2004

<u>US\$m</u>	<u>UK GAAP</u>	<u>Adj</u>	<u>Adj per Share</u>	<u>IFRS</u>	<u>% Change</u>
Profit before tax excluding goodwill amortisation	19,426	-483	-0.04	18,943	-2.5
Goodwill amortisation	-1,818	1,818	0.16	-	-
Profit before tax	17,608	1,335	0.12	18,943	7.6
Tax expense	-4,507	-178	-0.02	-4,685	-3.9
Profit attributable to minority interests	-1,261	-79	-0.01	-1,340	-6.3
Profit attributable to shareholders	11,840	1,078	0.09	12,918	9.1
Basic EPS (US\$)	1.09		0.09	1.18	8.3
EPS excluding goodwill amortisation (US\$)	1.25		-0.07	1.18	-5.6

# Reconciliation of UK GAAP to IFRS: Year Ended 2004

	<u>US\$m</u>	%
Reported Profit (pre-tax) under UK GAAP	17,608	100.0
Add back: goodwill amortisation	1,818	10.3
	<u>19,426</u>	<u>110.3</u>
Less: adjustments to goodwill	-102	-0.6
Amortisation of intangible assets now recognised	-67	-0.4
Share-based payments	-152	-0.8
Retirement benefits		
- normal	72	0.4
- curtailments	-242	-1.3
Leasing	-90	-0.5
Software capitalisation	25	0.1
Other	73	0.4
Profit before tax under IFRS	<u>18,943</u>	<u>107.6</u>

# Balance Sheet impact of transition to IFRS

	31 DEC 04	
	<u>US\$bn</u>	%
<b>Total Assets under UK GAAP</b>	<b>1,277</b>	<b>100.0</b>
<b>Consolidation of conduits and investment funds</b>	<b>5</b>	<b>0.4</b>
<b>Other adjustments</b>	<b>-2</b>	<b>-0.2</b>
<b>Total assets under IFRS</b>	<b><u>1,280</u></b>	<b><u>100.2</u></b>
<b>Total shareholders' equity under UK GAAP</b>	<b>86.6</b>	<b>100.0</b>
<b>Adjustments</b>	<b>-1.1</b>	<b>-1.3</b>
<b>Total shareholders' equity under IFRS</b>	<b><u>85.5</u></b>	<b><u>98.7</u></b>

# Total Shareholders' Equity impact of transition to IFRS

	31DEC04	
	<u>US\$m</u>	%
Total shareholders' equity under UK GAAP	86,623	100.0
Goodwill	1,869	2.2
	<u>88,492</u>	<u>102.2</u>
Share-based payments	198	0.2
Retirement benefits	(4,470)	-5.1
Dividends	2,996	3.5
Property	(1,607)	-1.9
Long leasehold land	(495)	-0.6
Leasing	(503)	-0.6
Software capitalisation	551	0.6
Other	360	0.4
	<u>85,522</u>	<u>98.7</u>

# Performance Ratios

Year ended 31 December 2004

	<u>IFRS</u>	<u>UK GAAP</u>
	%	%
Return on average invested capital	15.0	15.2
Return on average total shareholders' equity	16.3	14.4
Post-tax return on average total assets	1.22	1.12
Post-tax return on average risk-weighted assets	2.13	1.96
Cost : income ratio	47.3	51.1 *

\* excluding goodwill amortisation

# 2005 Implications

## ➤ IAS 32

- reclassification of non-equity minority interest to interest expense (2004: US\$675m)
- gross up of certain financial instruments

## ➤ IFRS4: different accounting treatments for insurance and investment contracts

## ➤ IAS39

- Classification of financial instruments
- Selective use of the fair value option
- Tighter hedge accounting criteria: some ineffectiveness
- Interest and related fees and costs recognised at constant rate over expected life
- Loan impairment

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