

HSBC Holdings plc

*Annual Report
and Accounts*

Annual Report and Accounts 2000

Financial Highlights

	2000	1999
	US\$m	US\$m
For the year		
Profit before tax.....	9,775	7,982
Profit attributable.....	6,628	5,408
Dividends.....	4,010	2,872
Cash basis*		
Profit before tax.....	10,300	8,018
Profit attributable.....	7,153	5,444
At year-end		
Shareholders' funds.....	45,570	33,408
Capital resources.....	50,964	44,270
Customer accounts and deposits by banks.....	487,122	398,075
Total assets.....	673,814	569,139
Risk-weighted assets.....	383,687	336,126
Per share	US\$	US\$
Cash earnings*.....	0.81	0.66
Basic earnings.....	0.76	0.65
Diluted earnings.....	0.75	0.65
Dividends.....	0.435	0.34
Net asset value.....	4.92	3.95
Share information		
US\$0.50: ordinary shares in issue.....	9,268m	8,458m
Market price per share at year end.....	£9.85	£8.63
Market capitalisation.....	US\$136bn	US\$118bn
Ratios	%	%
Return on average shareholders' funds.....	16.5	17.5
Post-tax return on average tangible assets.....	1.24	1.20
Post-tax return on average risk-weighted assets.....	2.11	2.00
Ratios – cash basis*		
Return on net tangible equity**.....	24.0	17.6
Post-tax return on average tangible assets.....	1.33	1.20
Post-tax return on average risk-weighted assets.....	2.26	2.02
Capital ratios		
– tier 1 capital.....	9.0	8.5
– total capital.....	13.3	13.2
Cost:income ratio (excluding goodwill amortisation)	55.3	53.9

* Cash based measurements exclude the impact of goodwill amortisation. Cash earnings are not a measurement of financial performance under US generally accepted accounting principles and should not be construed as a substitute for net profit as a measure of performance or cash flow from operations as a measure of liquidity. It is used in this annual report because it is a common and useful measure of performance of a financial institution.

** Cash basis attributable profit divided by average shareholders' funds after deducting average purchased goodwill.

Annual Report and Accounts 2000 (continued)**Five-Year Comparison**

At year-end (US\$m)	1996	1997	1998	1999	2000
Share capital.....	3,426	3,406	3,443	4,230	4,634
Shareholders' funds.....	25,833	27,080	27,402	33,408	45,570
Capital resources.....	39,950	41,562	41,092	44,270	50,964
Customer accounts.....	257,104	294,189	308,910	359,972	427,069
Undated subordinated loan capital.....	3,007	3,245	3,247	3,235	3,546
Dated subordinated loan capital.....	7,156	7,281	7,597	12,188	12,676
Loans and advances to customers*	194,514	240,421	235,295	253,567	289,837
Total assets.....	402,377	471,686	483,128	569,139	673,814

* net of suspended interest and provisions for bad and doubtful debts.

For the year (US\$m)

Net interest income.....	9,092	10,944	11,547	11,990	13,723
Other operating income.....	5,881	7,665	8,508	9,012	10,850
Operating profit before provisions.....	7,054	8,553	9,051	9,653	10,486
Provisions for bad and doubtful debts.....	(604)	(1,014)	(2,637)	(2,073)	(932)
Pre-tax profits.....	7,052	8,130	6,571	7,982	9,775
Profit attributable to shareholders.....	4,852	5,487	4,318	5,408	6,628
Dividends.....	(1,738)	(2,206)	(2,495)	(2,872)	(4,010)

Per ordinary share† (US\$)

Basic earnings.....	0.61	0.69	0.54	0.65	0.76
Cash earnings*.....	0.61	0.69	0.54	0.66	0.81
Diluted earnings.....	0.61	0.68	0.53	0.65	0.75
Dividends.....	0.220	0.277	0.308	0.340	0.435
Net asset value.....	3.24	3.37	3.38	3.95	4.92

Share information†

US\$0.50 ordinary shares in issue.....	7,983m	8,028m	8,067m	8,458m	9,268m
--	--------	--------	--------	--------	--------

Financial ratios (%)

Dividend payout ratio.....	35.8	40.2	57.8	53.1	60.5
Post-tax return on average total assets.....	1.45	1.37	0.98	1.20	1.33
Return on average shareholders' funds.....	21.3	20.7	15.5	17.5	16.5
Average shareholders' funds to average total assets.....	6.14	5.98	5.71	6.24	6.49

Capital ratios (%)

Tier 1 capital.....	9.9	9.3	9.7	8.5	9.0
Total capital.....	15.3	14.2	13.6	13.2	13.3

* Cash based measurements are after excluding the impact of goodwill amortisation.

† Per share amounts reported here and throughout the document reflect the share capital reorganisation on 2 July 1999.

US GAAP Selected Financial Data

	1997	1998	1999	2000
Income statement data for the year ended 31 December (US\$m)				
Net income available for ordinary shareholders	5,306	3,934	4,889	6,236
Dividends	2,007	2,328	2,617	3,137
Balance sheet data at 31 December (US\$m)				
Total assets [#]	476,183	488,856	574,588	680,076
Shareholders' equity	28,240	30,351	35,930	48,072
Per ordinary share (US\$)				
Basic earnings	0.66	0.49	0.59	0.71
Diluted earnings	0.66	0.48	0.58	0.70
Cash earnings*	0.70	0.53	0.63	0.80
Dividends	0.25	0.29	0.31	0.34
Net asset value	3.52	3.75	4.25	5.19

* Cash based measurements are after excluding the impact of goodwill amortisation

[#] Comparative figures for 1999 and 1998 have been restated to reflect changes in US GAAP. The impact of the changes was to reduce total assets at 31 December 1999 by US\$8,118 million (1998 US\$4,243 million).

Contents

1	Financial Highlights	105	Board of Directors and Senior Management
2	Five-Year Comparison	109	Report of the Directors
3	US GAAP Selected Financial Data	125	Statements of Directors' Responsibilities in Relation to Financial Statements
3	Contents		
4	Cautionary Statement Regarding Forward-Looking Statements	126	Report of the Auditors
		127	Financial Statements
5	Presentation of Information	132	Notes on the Financial Statements
6	Description of Business	232	Taxation of Shares and Dividends
28	Description of Property	235	Shareholder Information
29	Legal Proceedings	244	Organisational structure
31	Financial Review	245	SEC 20-F Cross Reference Sheet and Glossary
99	Other Information	248	Index

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report contains certain forward-looking statements with respect to the financial condition, results of operations and business of HSBC.

Statements that are not historical facts, including statements about HSBC's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential', 'reasonably possible' and variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and you should not assume that they have been revised or updated in the light of new information or future events.

Written and/or oral forward-looking statements may also be made in the periodic reports to the Securities and Exchange Commission on Forms 6-K, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials and in oral statements made by HSBC's Directors, officers or employees to third parties, including financial analysts.

Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These factors include, among others:

- changes in general economic conditions in the markets where HSBC operates, such as:
 - changes in foreign exchange rates, in both market exchange rates (e.g. between the US dollar and the pound sterling) and government-established exchange rates (e.g. between the Hong Kong dollar and the US dollar);
 - volatility in interest rates, including in Asia and Latin America; and
 - volatility in equity markets, including in the smaller and less liquid trading markets in Asia and Latin America.
- changes in governmental policy and regulation, including:
 - the monetary, interest rate and other policies of central banks and bank regulatory authorities, including the UK Financial Services Authority, the Bank of England, the Hong Kong Monetary Authority, the Board of Governors of the US Federal Reserve System, the European Central Bank, the French Banking Commission and the central banks of other leading economies;
 - increased competition resulting from legislation permitting new types of affiliations between banks and financial services companies, including securities firms, particularly in the United States;
 - expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership;
 - general changes in government policy that may significantly influence investor decisions in particular markets in which HSBC operates; and
 - other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for HSBC's products and services.
- the effects of competition in the markets where HSBC operates. HSBC expects competition to intensify as a result of, among other things, technological advances and the introduction of the euro; and
- the success of HSBC in adequately identifying and managing the risks it faces (through hedging and other techniques), which depends on, among other things, its ability to anticipate events that cannot be captured by the statistical models it uses.

Trends and factors that are expected to affect HSBC's results of operations are described in the 'Financial Review'.

Presentation of information

This document comprises the 2000 Annual Report and Accounts and the 2000 Annual Report on Form 20-F to the US Securities and Exchange Commission ('SEC') for HSBC Holdings plc and its subsidiary and associated undertakings. It contains the Directors' Report and Financial Statements, together with the Auditors' Report thereon, as required by the UK Companies Act 1985. The 2000 Annual Review of HSBC Holdings plc is published as a separate document.

HSBC's Financial Statements and Notes thereon, as set out on pages 127 to 231, are prepared in accordance with UK generally accepted accounting principles ('UK GAAP'), which differ in certain respects from US generally accepted accounting principles ('US GAAP'). For a discussion of significant differences between UK GAAP and US GAAP and a reconciliation to US GAAP of certain amounts see Note 49 of the Notes on the Financial Statements. UK GAAP, as applied to banks, encompasses the Statements of Recommended Accounting Practice ('SORPs') issued by the British Bankers' Association and the Irish Bankers' Federation. In order to comply with US reporting requirements, three years' profit and loss information is presented. Unless otherwise stated the numbers presented in this document have been prepared in accordance with UK GAAP.

Certain defined terms

Unless the context otherwise requires, 'HSBC Holdings' means HSBC Holdings plc and 'HSBC' means HSBC Holdings together with its subsidiary undertakings.

Within this Annual Report, the Hong Kong Special Administrative Region of the People's Republic of China has been referred to as 'Hong Kong' or 'Hong Kong SAR'.

Information about the enforceability of judgements made in the United States

HSBC Holdings is a public limited company incorporated in England and Wales. Most of HSBC Holdings' Directors and executive officers live outside the United States. Most of the assets of HSBC Holdings' Directors and executive officers and a substantial portion of HSBC Holdings' assets are located outside the United States. As a result, it may not be possible to serve process on such persons or HSBC Holdings in the United States or to enforce judgements obtained in US courts against them or HSBC Holdings based on civil liability provisions of the securities laws of the United States. There is doubt as to whether English courts would enforce:

- certain civil liabilities under US securities laws in original actions; or
- judgements of US courts based upon these civil liability provisions.

In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in the United Kingdom.

Exchange controls and other limitations affecting security holders

There are currently no UK laws, decrees or regulations which would prevent the transfer of capital or remittance of dividends and other payments to holders of HSBC Holdings' securities who are not residents of the United Kingdom. There are also no restrictions under the laws of the United Kingdom or the terms of the Memorandum and Articles of Association of HSBC Holdings concerning the right of non-resident or foreign owners to hold HSBC Holdings' securities or, when entitled to vote, to do so.