

HSBC HOLDINGS PLC

- 2005 ANNUAL RESULTS PRESENTATION

6 MARCH 2006

SIR JOHN BOND

GROUP CHAIRMAN, HSBC HOLDINGS PLC

AND

DOUGLAS FLINT

GROUP FINANCE DIRECTOR

(There were no material variations between this script and the words actually spoken)

[Slide 1]

Good Morning Ladies and Gentlemen, and welcome to this briefing on the 2005 results of HSBC Holdings. I would also like to welcome those investors who are joining us via the internet.

My name is John Bond, Group Chairman of HSBC. Next to me is Douglas Flint, Group Finance Director. In the front row are Alan Jebson, Group Chief Operating Officer, Dyfrig John, Chief Executive HSBC Bank plc and a number of our other senior HSBC colleagues. We are also joined by [four] non-executive directors: [Sir Brian Moffat, John Coombe, Sharon Hintze and Sir John Kemp-Welch].

[Slide 2]

Before we start the presentation, I would draw your attention to the cautionary words on forward-looking statements showing on the screen. This is to comply with the regulatory environment.

And, can I please ask that you turn off your mobile phones or your Blackberrys during the briefing.

Our 2005 results are the first set of annual results that HSBC has prepared in accordance with International Financial Reporting Standards - IFRS.

Our 2004 comparative figures are also restated to IFRS, but do not incorporate certain new standards, notably IAS 39 on financial instruments which, under the transition arrangements, were not applied until this year for the first time. Accordingly the 2004 figures on an individual line basis may not be strictly comparable.

In July last year, we published a document summarising the principal effects of IFRS on the comparative financial information for 2004, and this document is available on our website, hsbc.com.

Also can I remind you that at hsbc.com you can find the news release, the slide presentation and our annual report and accounts which includes the information which will be filed on form 20-F.

[Slide 3 – 2005 Annual Results]

Let me run through the headline results.

Net operating income before loan impairment charges was up 12 per cent to 57.6 billion US dollars.

Pre-tax profit was up 11 per cent to 21 billion US dollars.

Profit attributable to shareholders was up 17 per cent to 15.1 billion US dollars.

Earnings per share increased 15 per cent to 136 US cents.

The Board has declared a fourth interim dividend of 31 US cents, bringing the total declared dividend in respect of 2005 to

73 US cents, an increase of 10.6 per cent against the dividend declared at the same stage last year.

Our capital ratios strengthened, with the Tier 1 ratio standing at 9 per cent at the year end, up from 8.9 per cent a year earlier.

[Slide 4 – Key Achievements]

Overall, 2005 was a year of sustained progress across the Group's businesses, reflecting our success in growing revenues and improving productivity in line with our managing for growth strategy.

In a year in which we continued to invest in our corporate, investment banking and markets businesses, and in our operations in emerging market economies, we achieved underlying revenue growth of 12 per cent, against cost growth of 9 per cent.

During the course of the year, we attracted new customers, taking our total customer base to over 125 million. Since 2000, we have more than quadrupled the Group's customer base.

The repositioning of our consumer finance business in the US to focus increasingly on prime and near-prime customers led to a much better credit experience during the year.

We made strong progress in our businesses in developing markets, particularly in China, India, the Middle East, Mexico, Brazil and Turkey.

The investment phase in the development of our corporate, investment banking and markets business neared completion, and the business is gaining momentum in the areas in which we have invested.

We have also achieved improved results following the restructuring of our private banking, asset management and global equities businesses.

Whilst our strategy concentrates on organic growth, we made two significant investments in 2005. We increased our investments in Bank of Communications and Ping An Insurance to take both stakes to 19.9 per cent, and we acquired Metris in the US.

We also redeployed some 650 million US dollars arising from the sale of some non-core businesses.

[Slide 5 – A record of growth and capital strength]

Our all round performance has brought impressive returns to our shareholders. This slide shows dividends per share and total shareholder return over the last 15 years.

We have grown our business while maintaining our capital generation. Over the last 15 years, we have maintained a strong Tier 1 capital ratio.

[Slide 6 – Customer group pre-tax profits]

This slide shows the composition of the Group's earnings by customer group. The pattern was similar to 2004, with personal customers accounting for just over half of the Group's pre-tax profits.

Now let me take you briefly through each line of business.

[Slide 7 - PFS]

In our personal financial services business, profit before tax increased by 17 per cent to 9.9 billion US dollars. In constant currency terms and excluding acquisitions, the increase was 15 per cent.

Our consumer finance business in the US generated strong volume growth and improved its expense management. Credit experience was good and, notwithstanding the impact of Hurricane Katrina and of higher bankruptcy filings ahead of changes to bankruptcy legislation, impairment charges fell. The compression of the net interest margin was consistent with the

market environment, which was affected by rising short-term interest rates. Underlying risk-adjusted return stabilised.

In the UK, we improved our productivity. Our success in growing our customer base, increasing cross-sales and controlling costs, led to a 23 per cent rise in pre-tax profits, on an underlying basis and excluding consumer finance. Actions taken in response to higher levels of indebtedness in the UK began to have a positive effect during the second half of the year.

In France, we have substantially increased the pace of acquisition in our target customer base since the second half of 2005, gaining 1 per cent new customers each month.

In Hong Kong, the strong growth in profits of 27 per cent reflected widening deposit spreads, sales of short-term investment products and controlled cost growth.

In the rest of Asia-Pacific, our earlier programme of investment in marketing and distribution channels and in expanding the card base helped to increase our customer numbers by 22 per cent, generating strong revenue growth.

In Mexico, our liability and asset growth was strong and credit cards in circulation grew by 80 per cent to over 1 million.

[Slide 8 – CMB]

Our commercial banking business increased pre-tax profits by 22 per cent to 5 billion US dollars. In constant currency terms and excluding acquisitions, the increase was 19 per cent.

Stronger revenues reflected an expanding customer base, up by 10 per cent to 2.5 million, an increase in customer deposits and lending, and an expansion in the range of products offered to customers. These more than offset the lower releases of loan impairment allowances which benefited our 2004 results.

During the course of the year, we segmented our customer base into four: corporate, middle market, small and microbusinesses, to build upon the successful UK and Hong Kong models. This allowed us to concentrate more sharply on the needs of each specific customer group and helped HSBC in the UK to attract the highest number of account switchers.

Productivity measures introduced in 2004 benefited our 2005 results in the UK. Pre-tax profits in commercial banking in the UK rose by 20 per cent.

Investment in small business relationship managers, improved small business loan processing and more effective marketing resulted in a significant increase in customer numbers and revenue in Hong Kong, the US, Brazil and the Middle East.

In North America, commercial banking grew strongly, reflecting our expansion out of New York State in the US, a buoyant economy in Canada thanks to high natural resource prices, and a

strong increase in customer numbers in Mexico as the economy expanded.

Closer regional cooperation in Asia helped us achieve strong growth in the rest of Asia-Pacific on the back of China trade flows and booming markets in the Middle East. We also recorded a full year contribution from our investments in China, in Bank of Communications and Industrial Bank, which are heavily focused on this sector.

[Slide 9 – CIBM]

In our corporate, investment banking and markets business, pre-tax profits were only marginally lower than in 2004, despite absorbing a 1 billion US dollar reduction in balance sheet management revenues, and a 1 billion US dollar increase in costs.

We are around half way through our strategic plan to develop our corporate, investment banking and markets business, and I

would like to say a few words about what we have achieved so far.

The investment phase is nearing completion. Year-on-year cost growth has slowed significantly.

The success of our strategy is being evidenced by the growth in earnings in key product and service areas.

Global markets recorded strong growth in credit and rates revenue, expanded structured derivatives activity, and achieved higher rankings in foreign exchange options. Global investment banking increased its market share in debt and equity capital markets. We were voted the best foreign exchange bank in London.

The advisory business has gained momentum, which continues into 2006 with the advisory roles we have secured in landmark deals, namely Mittal and Eon.

Global Transaction Banking achieved robust growth, with revenues growing in all major product areas, including payments and cash management, trade services and securities services.

[Slide 10 – Private Banking]

Pre-tax profits in our Private Banking business increased by 31 per cent on both a reported and an underlying basis to 912 million US dollars.

This success is built on four key areas of expertise. First, in lending against non-standard collateral; second, in alternative investment funds; third, in trust and family office structuring; and fourthly, in liquidity investment.

Client assets increased by 13 per cent to 282 billion US dollars.

Client lending grew strongly, up 13 per cent.

There was continued development of alternative investment products in hedge funds and funds of hedge funds, which reached 29.5 billion US dollars.

We increased our operational efficiency by greater use of Group Service Centres, and we improved our cost efficiency ratio by 4 percentage points to 62 per cent.

We were pleased to be named the world's third best private bank in the prestigious Euromoney survey.

[Slide 11 – Pre-tax profit by geography]

This slide shows the unique geographic balance of HSBC's earnings. The broad balance between Europe, Asia and North America remained, and we are encouraged by the growing level of profits being generated in the Rest of Asia-Pacific.

The reduction in profits in Hong Kong was influenced by some exceptional items, namely:

- the reclassification of preference share dividends from minority interests to interest expense;
- the absence of general provision releases recorded in 2004; and
- the decline in balance sheet management revenues as the yield curve flattened.

These items mask the strong growth in our personal financial services and commercial banking businesses, whose combined pre-tax profit grew by 21 per cent.

[Slide 12 – Dramatic change in composition of profits]

The Group has seen a dramatic change in its geographic composition over the last five years. The source of profits is much broader and better balanced. The contribution of businesses outside our three largest markets today is similar to the profits we made in those three markets alone five years ago.

[Slide 13 – Strong growth in emerging markets]

You can see that we continue to be strongly focused on emerging markets. The aggregate growth in profits in our largest emerging market operations was strong at 46 per cent, adding over 1 billion US dollars in pre-tax profit.

[Slide 14 – Cards business]

Our cards business is substantial and growing, particularly in emerging markets. The Group has wide geographic coverage, with cards businesses in 39 countries and territories. Total cards in force passed the 100 million milestone in 2005, to stand at 104 million at the year end, representing growth of 12 per cent.

[Slide 15 – Revenues / costs in principal markets]

Turning to our performance in our principal markets, this slide demonstrates the progress made in our personal financial services and commercial banking businesses in the UK, Hong

Kong and USA to grow revenues faster than costs. The revenue growth achieved has been robust.

[Slide 16 – Technology]

An important feature in our business today is the way customers are using technology, particularly the internet. This is having a transforming effect on our relationships with customers and on our cost structure.

Traffic to our websites grew by 48 per cent in 2005 to 1.5 billion visits.

The number of registered internet banking customers increased by 27 per cent last year, to 25 million. Our commercial clients are also embracing the internet. Some 950,000, around 40 per cent of our client base, are now registered for internet banking.

This enthusiasm for the internet has also been reflected in growth in worldwide online sales of 66 per cent in 2005.

Let me now hand you over to Douglas who will take you through some of the detail.

[Slide 17 – underlying growth]

Thank you John. This slide shows the underlying growth for 2005, adjusted for acquisitions and other investments, restating the prior year figures at constant currency, together with IFRS adjustments.

The impact of acquisitions has been less important in our 2005 results. Revenues grew by 11.7 per cent against operating expense growth of 9 per cent.

[Slide 18 – Good trends in CIBM revenues]

The next few slides review the key aspects of performance in our corporate, investment banking and markets business, which is gaining momentum.

This slide shows the increasing breadth and balance of our client-driven revenues. You can see that we have achieved significant success in growing revenues in key product areas in which we have invested.

Although the reported revenue growth in structured derivatives is flat, we have grown the volume of our business considerably. However, IFRS accounting requires a significant deferral of day one profits which on new transactions was 340 million US dollars and therefore the figures here understate the underlying growth in the business.

The flattening yield curve led to a sharp decline in revenues from balance sheet management, which fell by 48 per cent, or over 1 billion US dollars.

[Slide 19 – CIBM league table trends]

We can demonstrate strong progress in debt capital market underwriting. The tables you can see here are taken from

Bloomberg – without any adjustment by ourselves. I would draw your attention to the results for All International Bonds, where we have gone from being a second-tier player to fifth in the world. We will continue to show you these league tables at each set of Results.

[Slide 20 – CIBM revenue trends]

There are two points to note from this slide. First, the revenue growth, excluding balance sheet management, has been robust in our major markets. But perhaps more importantly, in the emerging markets we've leveraged our global capabilities to generate even stronger revenue growth than that achieved in established markets.

[Slide 21 – CIBM cost trends]

The investment phase in our corporate, investment banking and markets development plan neared completion in 2005. Total cost growth has slowed.

You can see that those markets that were restructured earliest – Europe and Asia – have shown the sharpest reduction in cost growth. By contrast, the Americas, which was restructured later, shows a cost growth higher than in 2004.

[Slide 22 – Global Markets & other trading revenues]

This familiar slide of the daily distribution of market risk revenues shows that revenues remain concentrated in a similar range to previous years.

[Slide 23 – Loan portfolio]

Turning now to credit quality. The personal customer still accounts for over half of total loans and advances to customers, at 56 per cent. Excluding loans to financial institutions, the underlying growth in the Group's customer loans was 12 per cent. Residential mortgages grew by 9 per cent and other personal lending grew by 17 per cent on an underlying basis.

The growth in the corporate and commercial sector was similar to growth in the total book, at around 12 per cent.

[Slide 24 – Loan impairment charge & other credit risk provisions]

The Group loan impairment charge, measured as a percentage of average advances, was 116 basis points, up from 99 basis points.

The key points to note are firstly that the level of new provisions taken in 2005 was, at 150 basis points, broadly similar to 2004.

Secondly, the level of recoveries and releases of general provisions in 2005 was lower than the unusually high levels recorded in 2004, when we also benefited from a one-off release of general provisions.

[Slide 25 – Loan impairment charge: customer groups]

This slide shows the loan impairment charge by customer group.

The increase in the charge in commercial banking principally reflected the swing from net recoveries in 2004 to a charge in

2005 in Hong Kong. At 40 basis points, the charge more closely approximates a normal level given the current conditions.

[Slide 26 – Loan impairment charge: PFS/CMB regionally]

Now let us look at the regional breakdown of the personal financial services and commercial banking loan impairment charge. There are two points to note on the personal financial services charge. There was a weakness in the UK, reflecting a change in the loan mix and some adverse experience, but it was outweighed by the improvement in North America, where the loan impairment charge fell notwithstanding the impact of Hurricane Katrina and changes in bankruptcy legislation.

Let me now hand you back to John.

Thank you Douglas.

[Slide 27 - Brand]

HSBC aspires to be the world's leading financial services company and we consider the development of our brand to play a fundamental part in helping us achieve that goal.

In an internet-enabled world, brands have acquired enormous significance, and the development of the HSBC brand is one of the most exciting developments in recent years. In a comparatively short space of time, recognition of our brand has grown strongly. We are now ranked the 29th most valuable brand in the world, 4 places higher than in 2004.

In 2005, we sought to leverage our brand for business growth. HSBC used the power of its brand to launch a US-wide savings product, 'Online Savings', through HSBC Direct USA, which has been extremely successful. During the year, the majority of our French operations adopted the HSBC name and the hexagon symbol.

We were pleased to receive a number of awards during 2005 that recognise our standing, including being named Global Bank

of the Year by *The Banker* magazine for an unprecedented fourth year in a row.

[Slide 28 - Outlook]

I'd now like to say a few words about the outlook for HSBC.

We believe that HSBC's unique international footprint gives us competitive advantage. Together with the scale and breadth of the Group's operations, this will enable us to continue to deliver profitable growth.

We see strong opportunities for further organic growth in all our emerging markets businesses, particularly in Asia, Turkey, Mexico, Brazil and the Middle East.

We also see opportunities to strengthen our established franchises in the UK, Hong Kong, the US and France. We believe there is growing momentum from the development of our new business streams within Corporate, Investment Banking and Markets businesses.

In summary, HSBC is well positioned for further growth.

[Slide 28]

Let me leave you with our core messages.

Now we would be very happy to answer any questions. Can I ask you to wait until the roving microphone reaches you so that we can hear your questions. It would be helpful if you would identify yourself.

If time permits, we will also take some questions by e-mail.

[End Slide]