HSBC HOLDINGS PLC

- 2005 INTERIM RESULTS PRESENTATION

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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 interim results of HSBC Holdings. I would also like to welcome those investors who are joining us via the internet.

My name is Stephen Green, Group Chief Executive of HSBC. Next to me is Douglas Flint, Group Finance Director. In the front row are Alan Jebson, Group Chief Operating Officer, Michael Geoghegan, Chief Executive HSBC Bank plc, John Studzinski and Stuart Gulliver, Co-Heads of CIBM, and a number of our other senior HSBC colleagues. We are also joined by one of our non-executive directors, Sharon Hintze.

[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 interim results are the first set of 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, was not applied until this half year for the first time. Accordingly the comparative figures on an individual line basis may not be strictly comparable.

In July, 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.

On hsbc.com you will also find our news release, slide presentation and interim report, which includes the information which will be filed on form 6-K.

[Slide 3]

Let me run through the headline figures, which are presented on an IFRS basis with the prior year comparisons restated on an IFRS-LITE basis (that is without application of the new standards on financial instruments and insurance contracts).

Net operating income before loan impairment allowances was up 11 per cent to 28.1 billion US dollars.

Pre-tax profit was up 5 per cent to 10.6 billion US dollars.

Profit attributable to shareholders was up 9.5 per cent to 7.6 billion US dollars.

Earnings per share increased 8 per cent to 69 US cents.

The Directors have approved a second interim dividend of 14 US cents per share. The first and second interim dividends in respect of 2005 amount to 28 US cents per share, and are 8 per cent higher than the dividend declared at the same stage last year.

Our capital ratios remained strong with the Tier 1 ratio at 8.7 per cent.

[Slide 4]

This slide illustrates the movement in profit attributable to shareholders over the first half of 2005 and highlights the contribution of organic growth.

Attributable profit increased by 656 million US dollars. After allowing for the currency translation effect, the growth was 550 million US dollars, of which 165 million US dollars was attributable to acquisitions. Underlying growth was 385 million US dollars.

[Slide 5]

The key achievements for the period can be summarised as follows:

We delivered strong growth in our emerging markets Personal Financial Services and Commercial Banking businesses.

We continued to make productivity improvements in our European Personal Financial Services and Commercial Banking businesses.

We achieved a stronger performance in our Consumer Finance business in the US.

We saw early signs of success from the build out of new business streams within our Corporate, Investment Banking and Markets business.

We grew our profits in mainland China five-fold from our strengthened franchise.

The HSBC brand continues to grow in strength. In its annual survey of the world's most valuable brands, Interbrand calculated that HSBC's brand value grew by 20 per cent, making us the 29th most valuable brand in the world.

[Slide 6]

Looking at our customer groups, we have achieved strong growth in our Private Banking and Personal Financial Services businesses, which together account for 56 per cent of Group profits, up from 48 per cent last year.

Commercial Banking performed well, with profits up 9 per cent in spite of the absence of credit impairment recoveries and releases recognised last year.

The continued investment in our Corporate, Investment Banking and Markets businesses, combined with difficult interest rate market conditions, contributed to an 18 per cent decline in profits.

Now we will look in more detail at each line of business, where we show the performance on an underlying basis with comparative data expressed at constant currency and adjusted for the impact of acquisitions and for the change in the presentation of non-equity minority interests.

[Slide 7]

In Personal Financial Services, which includes our Consumer Finance business, pre-tax profit increased by 21 per cent to 5.5 billion US dollars.

In the US, our Consumer Finance business benefited from both good volume growth and lower credit costs. On top of an improved economy, the benefits of an improved mix, higher quality originations and a focus on collections all contributed to the declining charge-offs. Rising short-term interest rates increased the cost of funds.

In Hong Kong, deposit spreads progressively widened as interest rates rose, contributing to a 30 per cent increase in net interest income.

In the UK, productivity improvements and gains in market share strengthened the results. Improved customer segmentation and better channel management improved customer acquisition and retention. Our share of the UK current account market rose to 15 per cent; and an external survey now indicates that HSBC has the joint highest 'share of wallet' of the UK's major banks. The weakening in unsecured consumer credit quality in the UK which we noted in 2004 continued during the first half of 2005, and we have taken further action to address this trend.

In Mexico, we grew deposits, lending products and remittances strongly, and the launch of the first packaged financial services product, *tu cuenta [too qwenta],* attracted 300,000 new customers.

In Brazil, our leading position in the Consumer Finance market is growing, thanks to the continuing benefits of integrating the Losango business within our banking operations, and the application of Group skills in Consumer Finance.

[Slide 8]

Our Commercial Banking operations increased pre-tax profit by 9 per cent to 2.4 billion US dollars. On an underlying basis, the increase was 3 per cent.

Underlying profit growth was much stronger than these figures indicate. The loan impairment charge increased by 295 million US dollars, reflecting the very significant levels of releases and recoveries last year.

Pre-provision operating profit in Commercial Banking increased by 17 per cent. This growth was driven by a combination of new products, more customers, and better customer segmentation, particularly in the UK.

Progress continued in strengthening cross-border sales activity, with the launch of a further referral programme between the US and the UK.

Our business internet banking customer base grew by 23 per cent and both transaction volumes and revenues increased significantly.

Although there was a more mixed pattern of credit impairment charges across the regions, credit quality and delinquency patterns remained broadly favourable.

[Slide 9]

Pre-tax profit in our Corporate, Investment Banking and Markets businesses declined by 18 per cent.

Pre-provision operating income was modestly ahead of last year, despite a difficult interest rate environment and a competitive lending market. And in particular, revenue increased in the key product areas and client sectors in which we have been investing.

Although cost growth in CIBM is materially up against the first half of last year, this reflects the heavy recruitment during 2004 and costs are 5 per cent up against the second half of 2004. Cost growth in the first half of 2005 was in line with our plans and we have now completed most of the new investment in building the business.

Although we are only half way into a five-year strategic plan for our CIBM businesses, we are encouraged by clear evidence of sustainable progress.

This progress is evidenced by improved league table positions and rankings in client surveys within the product areas we have been building. We are particularly pleased with our involvement in many key China-related advisory and financing mandates.

There was strong growth in Global Transaction Banking, particularly in Global Custody and Funds Administration.

[Slide 10]

Pre-tax profit for Private Banking grew to 451 million US dollars, an increase of 25 per cent.

Funds under management increased by 14 per cent to 183 billion US dollars, benefiting from 9.2 billion US dollars of net new money in the first half of 2005.

There was strong growth in our strategic investment solutions business and in our ‘fund of hedge funds’ business.

The lending book grew strongly, which was reflected in the 23 per cent growth in net interest income.

We continued to strengthen the links between the Private Bank and the rest of the Group.

Since the first half of 2001, we have more than doubled profits in our Private Banking business.

[Slide 11]

This slide shows the balanced geographic profile of HSBC.

In the first half of 2005, the Rest of Asia-Pacific and South America were the principal beneficiaries of growth in emerging markets.

[Slide 12]

This slide demonstrates the growing contribution that our emerging markets operations are making to the Group's profits, reflecting returns on historic investments.

In particular, Mexico generated an impressive 23 per cent growth, and its contribution of 428 million US dollars in the first half of 2005 now makes it the fourth largest contributor to the Group's profits.

Turkey more than doubled its profits to 133 million US dollars.

Brazil benefited from growth in its Consumer Finance business, which was reflected in a 58 per cent increase in profits.

In the Middle East region, UAE participated in the region's strong economic growth and increased profits by 60 per cent.

The fall in profit in Malaysia reflected significant releases of provisions in the prior period, and in Taiwan, increased investment spend.

Profit growth in China benefited from the acquisition of our stakes in Bank of Communications and Industrial Bank, which are equity accounted.

[Slide 13]

Turning to the performance and operating efficiency for our businesses in mature markets, you can see here that in our Personal Financial Services and Commercial Banking businesses, the efficiency ratio has improved in most major markets.

In the US, although the cost efficiency ratio appears to have deteriorated this essentially reflects the different profit and loss structure of the consumer finance business. Costs as a percentage of average receivables, which we regard as a better measure of efficiency, improved. The lower net interest margin on assets which drove the weaker cost efficiency ratio was compensated by lower credit charges with the risk adjusted margin moving favourably.

In US Commercial Banking, the move principally reflects lower disposal gains.

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

[Slide 14]

Thank you Stephen. This slide shows the underlying growth for the Group. Reading from the left, we have adjusted for acquisitions, principally an extra two months of Bank of Bermuda, M&S Money and Bank of Communications, together with the IFRS adjustment.

After restating the first half of last year on a constant currency basis, net operating income before loan impairment charges increased by 8.6 per cent. Total operating expenses increased by 10.7 per cent. This reflected investment and strong growth in our emerging markets businesses as well as our continued investment in developing our Corporate, Investment Banking and Markets businesses.

[Slide 15]

I'd now like to look in more detail at the evolution of our Corporate, Investment Banking and Markets businesses.

Let us start by reminding ourselves of the breadth of our business mix which seeks to service the diverse needs of our corporate and institutional client base.

[Slide 16]

This slide analyses the shift in revenue mix in the current period.

Against a background of flattening yield curves in major currencies, which reduced revenues in our money market and balance sheet business, we nevertheless achieved growth in our revenues in the other Global Markets and Corporate and Investment Banking product lines in which we have invested in the last three half years.

We have a good track record in building sustainable revenue flows in this area. For example, in our markets business over the last two and a half years since we formed Global Markets, quarterly profit before tax is up on average by around a third against the comparable figure in the preceding 2 and a half years. As an illustration of market recognition of our progress globally, we now rank 1^{st} for foreign exchange in London in the Euromoney client survey. We now rank 4^{th} in market share of interest rate derivatives, up from 17^{th} in 2002. In debt capital markets we continue to progress, rising in the league table for all international bonds to 5^{th} in the first half of 2005, from 8^{th} in 2003. Within investment banking we are increasingly engaged on cross-border advisory work, leveraging our geographic strengths.

[Slide 17]

You can see from this familiar slide of the daily distribution of market risk revenues that revenues remain concentrated in a similar range to previous half years.

[Slide 18]

This slide shows the composition of our loan portfolio. Total personal lending continues to account for over half of all customer lending.

The underlying growth in personal customer balances continued to be strong, with residential mortgage growth up 19 per cent over the last year, with robust growth in mortgage lending in the UK, Rest of Asia and North America. Other personal lending grew by 15 per cent. The growth in commercial lending was also robust at 16 per cent against last year.

[Slide 19]

Turning to loan impairment provisions, the level of new provisions taken improved 14 basis points to 128 basis points. The total charge for impairment losses and other credit risk provisions increased moderately from 94 basis points to 96 basis points, reflecting a lower level of recoveries and releases and the absence of the general provision released last year.

[Slide 20]

Turning to the credit quality experience within each customer group, the level of charge for Personal Financial Services reduced by 29 basis points, which was heavily influenced by the positive movement experienced in the North American Consumer Finance business, as we shall see later.

Commercial banking no longer benefited from the exceptional levels of releases and recoveries, principally in Hong Kong, seen in 2004.

CIBM continued to benefit, albeit more modestly, from releases and recoveries.

[Slide 21]

Now let's look at the regional split of the loan impairment charges for our Personal Financial Services and Commercial Banking businesses.

In Personal Financial Services in Europe there was a notable increase, reflecting growth in the book together with a weakening in unsecured personal lending.

The personal credit quality experience continues to be benign in Hong Kong, which recorded a modest credit.

In the Rest of Asia-Pacific, the charge increased broadly in line with asset growth, while in North America the significant improvement in the Consumer Finance business reduced the charge from 3 per cent to 2.2 per cent.

In Commercial Banking, the increase in the charge essentially reflected lower releases and recoveries, particularly in Hong Kong, as well as growth in the book.

[Slide 22]

Looking at the credit quality trends in our US personal portfolio, in addition to charge-offs, we show the trend in the two month delinquency pattern as this generally is indicative of future charge-offs.

The improving delinquency trends reflect a number of factors: a general improvement in the US economy with increasing employment; a general shift in the portfolio towards real-estate secured lending and within that, an increased emphasis on near-prime business; a move towards near-prime business in the auto-lending book; and, also, the benefit of improved collections activity.

[Slide 23]

Turning to credit quality trends in the UK Personal Financial Services business, increased provisioning was concentrated in the unsecured loan book.

This reflected a combination of growth in lending together with the impact of rising interest rates, a weaker housing market, and rising personal bankruptcies and fraud.

Mortgage arrears remain extremely low and below industry averages.

We have taken a number of measures to address these credit issues in the unsecured book, including: the introduction of positive credit reference agency data sharing, the rebuilding of our credit scorecards using this data, and further centralisation of underwriting activity.

Let me now hand you back to Stephen.

Thank you Douglas.

[Slide 24]

Now let me update you on the development of our business in mainland China, where we have continued to strengthen our franchise in China in several ways.

We have invested a further 430 million US dollars to maintain our 19.9 per cent stake in Bank of Communications.

Through the Technical Services Agreement that we have with Bank of Communications, we aim to work with them to help strengthen their operating efficiency.

Last month we announced the launch of a joint credit card with Bank of Communications and we now have a number of staff working with BoCom on this.

Subject to shareholder and regulatory approvals, we will increase our investment in Ping An by a further 1 billion US dollars, which will take our stake from 9.9 to 19.9 per cent.

We also continued to add to our own network in mainland China.

Finally, we should not forget the role of Hong Kong, and its development as the financial services centre for the Pearl River Delta, one of China's most economically dynamic regions.

[Slide 25]

Let me finish by saying a few words about the outlook.

When we reported our results for 2004 earlier this year, we highlighted certain trends which will shape our business and these remain central to our assessment of future opportunities and challenges. As economies become more open, world prosperity, including that of the international financial system, will depend increasingly on continuing growth in trade.

Long-term, this trend will encourage growth, but in the short-term it may create challenges as economies adjust to a different competitive environment. There is always a risk of political pressure leading to protectionism.

The impact of monetary and fiscal policy in the US in correcting the recent slow-down of its economy has been remarkable and is reflected in strengthening consumer confidence and resilient spending. China’s economic growth in the first half of 2005 has again been exceptionally strong.

Global imbalances remain with the US current account deficit being financed by savings surpluses from emerging markets, and emerging markets exports dependent on US consumption.

For the foreseeable future, we believe that a US-led Nafta and China will be the main drivers of economic growth. At the same time, a number of emerging markets are providing exciting opportunities for HSBC to develop its business. Principal among these are Mexico, Brazil, Turkey, the Middle East, India and South Korea.

[Slide 26]

We have a wide range of opportunities to expand by making in-market investments/acquisitions in 77 countries and territories.

In our more mature markets, productivity improvements will continue to be important in generating growth in our businesses.

We have enjoyed mainly benign credit quality conditions recently, but we expect these to reflect any changes in economic conditions.

HSBC will continue to maintain the strong financial position that has served it well throughout its history, to allow us to grow our business and pursue a progressive dividend policy.

[End Slide]

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