

28 February 2005

HSBC HOLDINGS PLC
2004 FINAL RESULTS – HIGHLIGHTS

- Operating income up 23 per cent to US\$50,587 million (US\$41,072 million in 2003).

For the year (excluding goodwill amortisation):

- Operating profit before provisions up 24 per cent to US\$24,712 million (US\$19,990 million in 2003).
- Group pre-tax profit up 35 per cent to US\$19,426 million (US\$14,401 million in 2003).
- Attributable profit up 32 per cent to US\$13,658 million (US\$10,359 million in 2003).
- Return on average invested capital of 15.2 per cent (13.7 per cent in 2003).
- Earnings per share up 26 per cent to US\$1.25 (US\$0.99 in 2003).

For the year (as reported):

- Operating profit before provisions up 24 per cent to US\$22,898 million (US\$18,540 million in 2003).
- Group pre-tax profit up 37 per cent to US\$17,608 million (US\$12,816 million in 2003).
- Attributable profit up 35 per cent to US\$11,840 million (US\$8,774 million in 2003).
- Return on average shareholders' funds of 14.4 per cent (13.0 per cent in 2003).
- Basic earnings per share up 30 per cent to US\$1.09 (US\$0.84 in 2003).

Dividend and capital position:

- Fourth interim dividend (in lieu of final dividend) of US\$0.27 per share; total dividend for 2004 of US\$0.66 per share, an increase of 10 per cent over 2003.
- Tier 1 capital ratio of 8.9 per cent and total capital ratio of 12.0 per cent, unchanged from 2003.

HSBC HOLDINGS REPORTS PRE-TAX PROFIT OF US\$17,608 MILLION

HSBC made a profit on ordinary activities before tax of US\$17,608 million in 2004, an increase of US\$4,792 million, or 37 per cent, compared with 2003.

The Directors have declared a fourth interim dividend for 2004 of US\$0.27 per ordinary share (in lieu of a final dividend) which, together with the first, second and third interim dividends, each of US\$0.13 per ordinary share already paid, will make a total distribution for the year of US\$0.66 per share (US\$0.60 per share in 2003), an increase of 10 per cent. The fourth interim dividend will be payable on 4 May 2005.

Net interest income of US\$31,024 million in 2004 was US\$5,426 million, or 21 per cent, higher than 2003.

Other operating income of US\$19,563 million was US\$4,089 million, or 26 per cent, higher than 2003.

Operating expenses (excluding goodwill amortisation) of US\$25,875 million rose US\$4,793 million, or 23 per cent. HSBC's cost:income ratio, excluding goodwill amortisation, improved to 51.1 per cent compared with 51.3 per cent in 2003.

The charge for bad and doubtful debts was US\$6,357 million in 2004, US\$264 million higher than in 2003.

Gains on disposal of investments and tangible fixed assets of US\$802 million were US\$388 million higher than 2003.

The tier 1 capital and total capital ratios for the Group remained strong at 8.9 per cent and 12.0 per cent, respectively, at 31 December 2004.

The Group's total assets at 31 December 2004 were US\$1,277 billion, an increase of US\$243 billion, or 23 per cent, since 31 December 2003. At constant exchange rates, total assets grew by US\$205 billion or 19 per cent.

Geographical distribution of results

<i>Figures in US\$m</i>	<i>Year ended</i>		<i>Year ended</i>	
	<i>31 December 2004</i>		<i>31 December 2003</i>	
Profit before tax (excluding goodwill amortisation)		%		%
Europe	6,172	31.7	4,862	33.7
Hong Kong	4,753	24.5	3,730	25.9
Rest of Asia-Pacific	1,877	9.7	1,426	9.9
North America	6,180	31.8	4,257	29.6
South America	444	2.3	126	0.9
	<u>19,426</u>	<u>100.0</u>	<u>14,401</u>	<u>100.0</u>
Goodwill amortisation	<u>(1,818)</u>		<u>(1,585)</u>	
Group profit before tax	<u>17,608</u>		<u>12,816</u>	
Tax on profit on ordinary activities	<u>(4,507)</u>		<u>(3,120)</u>	
Profit on ordinary activities after tax	<u>13,101</u>		<u>9,696</u>	
Minority interests	<u>(1,261)</u>		<u>(922)</u>	
Profit attributable	<u>11,840</u>		<u>8,774</u>	
Profit attributable (excluding goodwill amortisation)	<u>13,658</u>		<u>10,359</u>	

Distribution of results by customer group

<i>Figures in US\$m</i>	<i>Year ended</i>		<i>Year ended</i>	
	<i>31 December 2004</i>		<i>31 December 2003</i>	
Profit before tax (excluding goodwill amortisation)		%		%
Personal Financial Services	5,377	27.7	4,008	27.8
Consumer Finance [†]	3,667	18.9	2,225	15.5
Total Personal Financial Services	<u>9,044</u>	<u>46.6</u>	<u>6,233</u>	<u>43.3</u>
Commercial Banking	4,169	21.5	3,158	21.9
Corporate, Investment Banking and Markets	5,196	26.7	4,443	30.9
Private Banking	693	3.6	563	3.9
Other	324	1.6	4	-
Group profit before tax (excluding goodwill amortisation)	<u>19,426</u>	<u>100.0</u>	<u>14,401</u>	<u>100.0</u>
Goodwill amortisation	<u>(1,818)</u>		<u>(1,585)</u>	
Group profit before tax	<u>17,608</u>		<u>12,816</u>	

[†] *Comprises HSBC Finance Corporation's consumer finance business and the US residential mortgages and credit card portfolios acquired by HSBC Bank USA, N.A. ('HSBC Bank USA') from HSBC Finance Corporation and its correspondents since December 2003.*

Comment by Sir John Bond, Group Chairman

2004 was another good year for HSBC. The solid performance of the first six months continued and we were able to build on the record results of 2003.

We grew profit attributable to shareholders by 35 per cent to US\$11.8 billion. Excluding the amortisation of goodwill, which is the basis we use internally to measure our performance, profit attributable was US\$13.7 billion. This represents US\$1.25 per share, an increase of 26 per cent over 2003. Our earnings growth was well diversified across all our main geographical regions and our customer groups, all of which achieved record results. Overall, our performance was driven by broadly based revenue growth of 23 per cent and by particularly favourable credit conditions.

In the light of this performance, and the Group's continuing capital strength, the Board has declared a fourth interim dividend of US\$0.27 per share bringing the total dividend for the year to US\$0.66 per share, an increase of 10 per cent over 2003. The dividend is payable on 4 May 2005 with a scrip dividend alternative available for shareholders who prefer this option.

Throughout 2004 the economic environment remained broadly favourable. A gradual economic recovery in the US contributed to improved employment levels. Interest rates and inflation remained low, encouraging consumer confidence and spending. The remarkable economic progress of the People's Republic of China continued and its demand for raw materials and capital goods benefited both regional and international trading partners. In Hong Kong, a period of six consecutive years of deflation ended. The Hong Kong economy rebounded on strong trade flows, buoyed further by the impact of significantly expanded tourism from mainland China and by rising property prices. The UK continued to enjoy high levels of employment and, while property prices softened, the market remained resilient. Indeed, buoyant domestic housing markets were a significant factor in most economies where they contributed to continued economic activity by bolstering consumer confidence and releasing equity to fund spending growth.

During the last two years we have also completed the integration of a major consumer finance business in the US and a large commercial bank in Mexico, two of the most important and successful acquisitions in our recent history. In addition we have strengthened the foundations for our future development in mainland China.

2004 was also a year of substantial investment in our established businesses. In addition to building out our investment banking capabilities we focused on developing our credit card and consumer finance platforms internationally, reflecting the opportunities we see to harness both HSBC's underwriting and collection skills and to achieve further economies of scale.

Investing for the future

We remain keenly aware of the need to balance short-term results with the investment necessary to secure the long-term future of our business. We are allocating resources continuously to strengthening our brand, developing our presence in areas where we have comparative advantage and entering new markets with significant potential. For example:-

- In 2004 we generated US\$1.1 billion in pre-tax profits (before goodwill amortisation) from Mexico, Turkey, Bermuda and Malta, in all of which our presence five years ago was small or non-existent.

- We grew pre-tax profits (before goodwill amortisation) from our overall personal financial services business in Brazil to US\$51 million, reflecting the successful integration of the Losango acquisition supported by skills transfer from HSBC Finance Corporation. Additionally, some 36 per cent of Losango's commercial customer base has now become corporate customers of the Group, an increase of over 5,000 relationships.
- In Personal Financial Services we grew fee and commission revenues by 26 per cent to reach US\$4.6 billion representing a compound rate of growth over the last four years of 12 per cent as we have worked to diversify our reliance on deposit and lending margins.
- Through acquisition and by using marketing, technology and collection capabilities, which have been greatly enhanced since the acquisition of HSBC Finance Corporation (formerly Household International) in 2003, we grew credit cards in issue outside the US by 48 per cent to reach 29 million cards now in force.
- With an expanded product range, supported by greater cooperation across the HSBC Group, we drove revenues from commercial banking customers to US\$8.4 billion, the highest level we have ever achieved.
- Our Global Markets business maintained strong business momentum despite difficult market conditions and generated record pre-tax profits in foreign exchange and derivatives reflecting the investment made in these areas in the previous year. In 2004 we have continued to invest in Global Markets, a business that has achieved double digit growth in pre-tax profits over the last five years as we have expanded our business from regional to global strength.
- We delivered strong results from providing transaction banking services to corporate and institutional clients as we reinforced our leadership positions in payments and cash management, trade services, and security services.
- With its reorganisation substantially complete, Private Banking delivered 23 per cent growth in pre-tax profits, before goodwill amortisation, to US\$693 million as instability in certain parts of the world underlined the relevance of the HSBC brand to this client base. This compares with a contribution of some US\$200 million five years ago.

During 2004 we made important investments for our future, both organically and through acquisition.

- We invested approximately US\$1.7 billion to take a 19.9 per cent stake in Bank of Communications Limited (BoCom), the fifth largest bank in mainland China with over 2,700 branches. We also signed a technical support agreement with BoCom to provide advice in the areas of governance and back office functions and agreed in principle to form a joint venture subsidiary to distribute credit cards when laws and regulations permit.
- Also in China, we invested a further US\$168 million to maintain our 10 per cent interest in Ping An Insurance, China's second largest insurance company as it came to the public markets through an IPO in both Hong Kong and Shanghai. We have expanded our relationship with Ping An to include a joint venture bank, Ping An Bank. Ping An Bank's long-term objective is to develop consumer banking businesses, including credit card and real estate mortgage lending activities when laws and regulations permit.
- Hang Seng Bank invested US\$208 million to acquire a 15.98 per cent stake in Fuzhou-based Industrial Bank Company Limited. The two parties entered into a cooperation agreement stipulating that Industrial Bank and Hang Seng Bank will form joint ventures in financial services activities, including credit cards and other unsecured personal loan businesses, as and when regulations permit.

- In the UK, we acquired access to two prestigious customer bases through the acquisition of M&S Money and our partnership agreement with the John Lewis Group for the management of their store card businesses. We were able to take these opportunities by combining the strength of our banking relationships with two long standing customers in the retail sector with HSBC Finance Corporation's partnership skills in store card business.
- In Brazil, we acquired further consumer finance operations, adding some 1.1 million customers to the 7 million acquired in 2003 when we bought Losango, the market leader.
- In Corporate, Investment Banking and Markets we made a major investment in people adding almost 2,000 new staff. At the same time, some 1,500 departed. The areas benefiting principally from the increased resource and capabilities were investment banking advisory, equities sales and trading, research, asset backed financing and structured solutions.
- In the Rest of Asia-Pacific, we invested heavily in sales and marketing to grow our personal financial services businesses. Marketing expenditure grew by 42 per cent from US\$88 million to US\$125 million. The number of telesales employees working in the region grew by 330 per cent to 1,680 staff. Our branch-based sales force doubled to 1,950. The number of external sales employees grew by 48 per cent to 6,800.
- In Hong Kong, the bank increased expenditure on marketing from US\$84 million in 2003 to US\$97 million in 2004, a rise of 15 per cent. The bank continued to invest in its branch network with refurbishments reaching US\$9 million last year, up 11 per cent on the previous year. The bank continued to recruit sales staff, increasing the number of Financial Planning Managers by 17 per cent to some 630 staff.
- In the US, we continued to win new retail services relationships, combining HSBC's traditional corporate capabilities with HSBC Finance Corporation's partnering skills. Important new accounts included American Suzuki Corporation, Helzberg Diamonds, Liz Claiborne, and Komatsu.
- In the Middle East, we continued to build HSBC Amanah organically to become the leading international provider of *Shariah* compliant financial services.
- In India, we invested US\$68 million to take a 14.62 per cent stake in UTI Bank, which has the second largest retail banking network amongst private sector banks.

We also took the opportunity to release resources and capital through the disposal of operations which did not meet our own investment criteria and which were of greater value to the acquirers. These included our direct auto insurance business in Canada, our securities operations in Poland and Thailand, and part of our personal trust business in the US.

Credit Quality

The generally buoyant economic conditions remained favourable for credit quality throughout 2004. As a result, our delinquency experience in both personal and corporate lending in aggregate was better than in 2003. In the case of corporate lending, provisioning requirements were unusually low. The level of new provisions declined and we were able to make significant recoveries on previously impaired debt which was restructured or repaid in the improved economic environment.

Corporate, Investment Banking and Markets

We are now some 21 months into the restructuring and expansion of our capabilities in investment banking advisory services, in equity sales and trading, research, in asset backed financing and structured solutions. The investment in senior management to support these initiatives is largely complete. The development of the infrastructure required to support them is also well advanced.

Our corporate and institutional customer base continues to welcome the broader range of services we can now offer. This became evident through 2004 as we increased our market share of global bond issuance and enhanced our equity, advisory and financing capabilities.

We also saw growing interest in our asset backed securities services and our increased capacity to offer structured solutions for interest rate and foreign exchange management.

In industry surveys we continued to move upwards, notably in league tables covering corporate bond issuance. We were also pleased to receive advisory mandates to work with some world class companies including Ford, LNM Holdings, Neptune Orient and Saudi Aramco.

There is still much to do but our strategy to develop this part of our business is on course and we remain confident of its potential. We have a first rate corporate and institutional client base and there is an opportunity to expand the range of services we offer them in a way which will also create additional value for our shareholders.

Our Brand

Recognition of the HSBC brand continues to grow. During the course of 2004, Household International adopted the HSBC name for much of its business. In France, CCF plans to follow suit with much of its operations later this year. According to Interbrand, a leading brand consultancy, the HSBC brand now ranks as the 33rd 'Best Global Brand' by value and first amongst British-based companies. We were delighted to receive a number of awards during the year including being named 'Global Bank of the Year' by *The Banker* magazine for the third year in a row and the world's 'Best Bank' of the year by *Euromoney* magazine. It is particularly gratifying to note that a number of the citations highlight HSBC's overall conduct and commitment to good governance. It is our objective to make the HSBC brand synonymous with the highest standards of behaviour, fair value for customers, and corporate responsibility everywhere we operate.

Outlook

As we look forward, the external imbalances which have been a feature of the global economy in recent years remain a potential vulnerability for the financial markets. However, some of the concerns which made for an uncertain economic outlook in 2004 have been allayed to a degree. Despite the six interest rate increases in the US since the beginning of last year, the outstanding level of consumer debt has proved manageable, largely because employment levels have remained high and long-term interest rates have fallen. The US economy has also improved its competitiveness through a weaker dollar without fuelling inflation or significantly disturbing the foreign capital inflows necessary to fund continuing current account deficits.

Although investment in China has slowed the country's rate of real economic growth has remained strong. The world economy has withstood a significant period of high oil prices and volatility in future price expectations. Indeed it has also shown an impressive resilience. The financial architecture, through which risks and potential shocks are managed and distributed to diversify their impacts, has proved robust.

As the western world recognises the economic consequences of increasing longevity, it has become clear that there is a growing need for higher savings rates and for greater individual responsibility in funding personal retirement provisions. If the current savings rates in some of the world's most developed economies remain too low, the risk increases of a sharp adjustment to consumption patterns when significant numbers of people suddenly recognise

the need to make provision for their retirement. Currently, the world's excess liquidity, caused in part by the recycling of Asian trade surpluses at low rates, is masking this possibility. Nevertheless, a sudden correction to the savings imbalance is, we believe, a major risk in the world economic outlook.

We continue to position HSBC to withstand sudden economic volatility and to respond to opportunities for profitable growth. We are investing increasingly in countries with comparative economic advantages including those where population growth is generating economic momentum, where social costs are manageable and where savings rates will sustain self-financed expansion. In particular, we see China's economy as the most significant driver of economic growth over the next decade. China's importance to the oil producing and natural resource economies will increase. Our investments in China during 2004 reflect our confidence in the country's future. We also recognise the growth prospects of markets such as Brazil, India, Mexico, South Korea, Turkey and the Middle East, and for the same reasons we continue to invest in them. The considerable financial strength of our businesses in the UK, the US and Hong Kong allows us to afford such investment while maintaining a progressive dividend policy.

Our principal focus for 2005 is to achieve further revenue growth together with improved productivity. The opportunities available to HSBC to grow profitably have never been broader, either by geography or by customer group. The task before us now is to ensure that we respond in full, and with the talents and dedication of my 253,000 colleagues around the world I am confident that we shall. I believe that we are uniquely well placed to meet the requirements both of our shareholders and those of the wider communities we serve.

2003 US\$m	<i>Year ended 31 December</i>	US\$m	2004 £m	HK\$m
For the year (excluding goodwill amortisation)				
14,401	Profit before tax	19,426	10,607	151,309
10,359	Profit attributable	13,658	7,457	106,382
For the year (as reported)				
12,816	Profit before tax	17,608	9,615	137,149
8,774	Profit attributable	11,840	6,465	92,222
6,532	Dividends	7,301	3,986	56,867
At year-end				
74,473	Shareholders' funds	86,623	44,784	673,321
74,042	Capital resources	90,780	46,933	705,633
643,556	Customer accounts and deposits by banks	777,290	401,859	6,041,876
1,034,216	Total assets	1,276,778	660,094	9,924,395
618,662	Risk-weighted assets	759,210	392,512	5,901,339
<i>US\$</i>	Per share	<i>US\$</i>	£	<i>HK\$</i>
0.99	Earnings before goodwill amortisation	1.25	0.68	9.74
0.84	Basic earnings	1.09	0.60	8.49
0.83	Diluted earnings	1.07	0.58	8.33
0.60	Dividends [†]	0.66	0.35	5.14
6.79	Net asset value	7.75	4.01	60.24
Share information				
10,960m	US\$0.50 ordinary shares in issue	11,172m		
US\$172bn	Market capitalisation	US\$190bn		
£8.78	Closing market price per share	£8.79		
	Total shareholder return against peer index ^{††}	HSBC	Benchmark	
	- over 1 year	105	110	

[†] The fourth interim dividend of US\$0.27 per share is translated at the closing rate on 31 December 2004 (see Note 11 on page 27). Where required, this dividend will be converted into sterling or Hong Kong dollars at the exchange rates on 25 April 2005 (see Note 2 on page 15).

^{††} Total shareholder return (TSR) is as defined in the Annual Report and Accounts 2004.

2003	<i>Year ended 31 December</i>	2004
Performance ratios (%)		
Excluding goodwill amortisation		
13.7	Return on average invested capital [†]	15.2
24.7	Return on average net tangible equity ^{††}	25.4
1.21	Post-tax return on average tangible assets	1.31
2.07	Post-tax return on average risk-weighted assets	2.23
On a reported basis		
13.0	Return on average shareholders' funds	14.4
1.01	Post-tax return on average assets	1.12
1.78	Post-tax return on average risk-weighted assets	1.96
Efficiency and revenue mix ratios		
51.3	Cost:income ratio (excluding goodwill amortisation)	51.1
As a percentage of total operating income:		
62.3	- net interest income	61.3
37.7	- other operating income	38.7
25.3	- net fees and commissions	25.9
5.3	- dealing profits	5.1
Capital ratios		
8.9	- tier 1 capital	8.9
12.0	- total capital	12.0

[†] *Return on invested capital is based on cash-based attributable profit adjusted for depreciation attributable to revaluation surpluses. Average invested capital is measured as shareholders' funds after adding back goodwill amortised and goodwill previously written-off directly to reserves and deducting property revaluation reserves. This measure broadly reflects invested capital.*

^{††} *Attributable profit excluding amortisation divided by average shareholders' funds after deduction of average purchased goodwill.*

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

<i>31 December 2003</i>		<i>Year ended 31 December 2004</i>		
<i>US\$m</i>		<i>US\$m</i>	<i>£m</i>	<i>HK\$m</i>
39,968	Interest receivable	50,203	27,411	391,031
<u>(14,370)</u>	Interest payable	<u>(19,179)</u>	<u>(10,471)</u>	<u>(149,385)</u>
25,598	Net interest income	31,024	16,940	241,646
<u>15,474</u>	Other operating income	<u>19,563</u>	<u>10,681</u>	<u>152,376</u>
41,072	Operating income	50,587	27,621	394,022
(21,082)	Operating expenses excluding goodwill	(25,875)	(14,128)	(201,540)
<u>(1,450)</u>	Goodwill amortisation	<u>(1,814)</u>	<u>(990)</u>	<u>(14,129)</u>
18,540	Operating profit before provisions	22,898	12,503	178,353
(6,093)	Provisions for bad and doubtful debts	(6,357)	(3,470)	(49,515)
(44)	Provisions for contingent liabilities and commitments	(27)	(15)	(210)
<u>(106)</u>	Amounts written off fixed asset investments	<u>-</u>	<u>-</u>	<u>-</u>
12,297	Operating profit	16,514	9,018	128,628
(116)	Share of operating profit/(loss) in joint ventures	5	3	39
221	Share of operating profit in associates	287	157	2,235
451	Gains/(losses) on disposal of:			
(37)	- investments	770	420	5,998
<u>(37)</u>	- tangible fixed assets	<u>32</u>	<u>17</u>	<u>249</u>
12,816	Profit on ordinary activities before tax	17,608	9,615	137,149
<u>(3,120)</u>	Tax on profit on ordinary activities	<u>(4,507)</u>	<u>(2,461)</u>	<u>(35,105)</u>
9,696	Profit on ordinary activities after tax	13,101	7,154	102,044
(487)	Minority interests:			
(435)	- equity	(586)	(320)	(4,564)
<u>(435)</u>	- non-equity	<u>(675)</u>	<u>(369)</u>	<u>(5,258)</u>
8,774	Profit attributable to shareholders	11,840	6,465	92,222
<u>(6,532)</u>	Dividends	<u>(7,301)</u>	<u>(3,986)</u>	<u>(56,867)</u>
<u>2,242</u>	Retained profit for the year	<u>4,539</u>	<u>2,479</u>	<u>35,355</u>

At 31 December 2003 US\$m		At 31 December 2004		
		US\$m	£m	HK\$m
	ASSETS			
7,661	Cash and balances at central banks	9,872	5,104	76,735
	Items in the course of collection			
6,628	from other banks	6,352	3,284	49,374
20,391	Treasury bills and other eligible bills	30,284	15,657	235,398
	Hong Kong Government certificates			
10,987	of indebtedness	11,878	6,141	92,334
117,173	Loans and advances to banks	142,712	73,782	1,109,300
528,977	Loans and advances to customers	669,831	346,303	5,206,596
205,722	Debt securities	240,999	124,596	1,873,285
12,879	Equity shares	19,319	9,988	150,167
10	Interests in joint ventures	12	6	93
1,263	Interests in associates	3,440	1,778	26,739
690	Other participating interests	881	455	6,848
28,640	Goodwill and intangible assets	29,382	15,190	228,386
15,748	Tangible fixed assets	18,829	9,735	146,358
63,128	Other assets	73,498	37,999	571,294
14,319	Prepayments and accrued income	19,489	10,076	151,488
<u>1,034,216</u>	Total assets	<u>1,276,778</u>	<u>660,094</u>	<u>9,924,395</u>
	LIABILITIES			
	Hong Kong currency notes in			
10,987	circulation	11,878	6,141	92,334
70,426	Deposits by banks	83,539	43,190	649,349
573,130	Customer accounts	693,751	358,669	5,392,527
	Items in the course of transmission to			
4,383	other banks	5,301	2,741	41,205
153,562	Debt securities in issue	208,593	107,843	1,621,393
94,669	Other liabilities	123,315	63,752	958,520
13,760	Accruals and deferred income	16,500	8,531	128,255
	Provisions for liabilities and charges			
1,670	- deferred taxation	2,066	1,068	16,059
5,078	- other provisions	5,532	2,860	43,000
	Subordinated liabilities			
3,617	- undated loan capital	3,686	1,906	28,651
17,580	- dated loan capital	22,800	11,788	177,224
	Minority interests			
2,162	- equity	2,476	1,280	19,246
8,719	- non-equity	10,718	5,541	83,311
5,481	Called up share capital	5,587	2,888	43,428
68,992	Reserves	81,036	41,896	629,893
74,473	Shareholders' funds	86,623	44,784	673,321
<u>1,034,216</u>	Total liabilities	<u>1,276,778</u>	<u>660,094</u>	<u>9,924,395</u>

<i>Figures in US\$m</i>	<i>Year ended 31 December</i>	
	<i>2004</i>	<i>2003</i>
Net cash inflow from operating activities	37,209	22,675
Dividends received from associated undertakings	127	108
Returns on investments and servicing of finance:		
Interest paid on finance leases and similar hire purchase contracts	(45)	(37)
Interest paid on subordinated loan capital	(915)	(882)
Dividends paid to minority interests – equity	(664)	(514)
– non-equity	(548)	(392)
Net cash (outflow) from returns on investments and servicing of finance	(2,172)	(1,825)
Taxation paid	(3,797)	(2,631)
Capital expenditure and financial investments:		
Purchase of investment securities	(330,917)	(218,196)
Proceeds from sale and maturities of investment securities	315,437	206,099
Purchase of tangible fixed assets	(2,830)	(1,981)
Proceeds from sale of tangible fixed assets	371	346
Purchase of intangible assets	(108)	(87)
Net cash (outflow) from capital expenditure and financial investments	(18,047)	(13,819)
Acquisitions and disposals:		
Net cash (outflow) from acquisition of and increase in stake in subsidiary undertakings	(2,431)	(2,137)
Net cash inflow from disposal of subsidiary undertakings	27	556
Purchase of interest in associated undertakings and other participating interests	(2,301)	(47)
Proceeds from disposal of associated undertakings and other participating interests	204	3
Net cash (outflow) from acquisitions and disposals	(4,501)	(1,625)
Equity dividends paid	(4,425)	(4,242)
Net cash inflow/(outflow) before financing	4,394	(1,359)
Financing:		
Issue of ordinary share capital	581	845
Net purchases of own shares acquired for market making purposes	98	(138)
Own shares acquired to meet share awards and share option awards	(345)	(301)
Cash received on exercise of share options	159	181
Increase of non-equity minority interests	1,480	4,104
Decrease of non-equity minority interests	-	(206)
Subordinated loan capital issued	6,021	2,358
Subordinated loan capital repaid	(1,740)	(1,464)
Net cash inflow from financing	6,254	5,379
Increase in cash	10,648	4,020

Statement of total consolidated recognised gains and losses for the year ended

	<i>31 December</i>	
	<i>2004</i>	<i>2003</i>
	<i>US\$m</i>	<i>US\$m</i>
Profit for the financial year attributable to shareholders	11,840	8,774
Unrealised surplus/(deficit) on revaluation of investment properties:		
- subsidiaries	52	(28)
- associates	12	(10)
Unrealised surplus/(deficit) on revaluation of land and buildings (excluding investment properties):		
- subsidiaries	1,093	(292)
Exchange and other movements	3,404	5,318
Total recognised gains and losses for the year	<u>16,402</u>	<u>13,762</u>

Reconciliation of movements in consolidated shareholders' funds for the year ended

	<i>31 December</i>	
	<i>2004</i>	<i>2003</i>
	<i>US\$m</i>	<i>US\$m</i>
Profit for the financial year attributable to shareholders	11,840	8,774
Dividends	(7,301)	(6,532)
	4,539	2,242
Other recognised gains and losses relating to the year	4,561	4,988
New share capital subscribed, net of costs	581	862
Purchases of own shares acquired to meet share awards and share option awards	(345)	(301)
Own shares released on vesting of share awards and exercise of options	159	162
Amortisation of shares in restricted share plan	36	19
Net purchases and sales of own shares for market making purposes	98	(138)
Total net change in shareholders' funds arising from own shares adjustments	(52)	(258)
Reserve in respect of obligations under CCF share options	(81)	(41)
Net reserve in respect of obligations under Bank of Bermuda share options	15	-
New share capital issued in connection with the acquisition of Household	-	13,405
Reserve in respect of obligations under Household share options	(19)	84
Reserve in respect of the equity component of Household 8.875 per cent Adjustable Conversion-Rate Equity Security Units	(1)	3
Amounts arising on shares issued in lieu of dividends	2,607	1,423
Net addition to shareholders' funds	<u>12,150</u>	<u>22,708</u>
Shareholders' funds at 1 January	74,473	51,765
Shareholders' funds at 31 December	<u>86,623</u>	<u>74,473</u>

1. Accounting policies

The accounting policies adopted are consistent with those described in the *Annual Report and Accounts 2003*.

2. Dividend

The Directors have declared a fourth interim dividend for 2004 of US\$0.27 per ordinary share. The dividend will be payable on 4 May 2005 to shareholders on the Register at the close of business on 18 March 2005. The dividend will be payable in cash, in US dollars, sterling or Hong Kong dollars, or a combination of these currencies, at the forward exchange rates quoted by HSBC Bank plc in London at or about 11.00am on 25 April 2005, and with a scrip dividend alternative. Particulars of these arrangements will be mailed to shareholders on or about 31 March 2005, and elections will be required to be made by 21 April 2005.

The dividend will be payable on shares held through Euroclear France, the settlement and central depository system for Euronext Paris, on 4 May 2005 to the holders of record on 18 March 2005. The dividend will be payable in cash, in euros at the exchange rate on 25 April 2005 or as a scrip dividend. Particulars of these arrangements will be announced through Euronext Paris on 16 March and 23 March 2005.

The dividend will be payable on American Depositary Shares (ADSs), each of which represents five ordinary shares, on 4 May 2005 to holders of record on 18 March 2005. The dividend of US\$1.35 per ADS will be payable in cash in US dollars or as a scrip dividend of new ADSs. Particulars of these arrangements will be mailed to holders on or about 25 March 2005, and elections will be required to be made by 14 April 2005. Alternatively, the cash dividend may be invested in additional ADSs for participants in the dividend reinvestment plan operated by the depository.

The Company's shares will be quoted ex-dividend in London, Hong Kong and Bermuda on 16 March 2005 and in Paris on 21 March 2005. The ADSs will be quoted ex-dividend in New York on 16 March 2005.

3. Earnings and dividends per share

<i>Figures in US\$</i>	<i>Year ended 31 December</i>	
	<i>2004</i>	<i>2003</i>
Earnings per share (excluding goodwill amortisation)	1.25	0.99
Basic earnings per share	1.09	0.84
Diluted earnings per share	1.07	0.83
Dividends per share	0.66	0.60
Dividend pay out ratio [†]	53%	61%

[†] *Dividends per share expressed as a percentage of earnings per share (excluding goodwill amortisation).*

3. Earnings and dividends per share (continued)

Basic earnings per ordinary share was calculated by dividing the earnings of US\$11,840 million by the weighted average number of ordinary shares outstanding, excluding own shares held by trustees to satisfy employee share options and awards, of 10,907 million shares (2003 earnings of US\$8,774 million and 10,421 million shares).

Diluted earnings per share was calculated by dividing the basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares outstanding, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (being share options outstanding not yet exercised) of 11,054 million shares (2003: 10,539 million shares).

The cash earnings per share was calculated by dividing the basic earnings, after adding back the amortisation of goodwill, by the weighted average number of ordinary shares outstanding, excluding own shares held.

4. Taxation	<i>Year ended</i> <i>31 December</i> <i>2004</i>	<i>Year ended</i> <i>31 December</i> <i>2003</i>
<i>Figures in US\$m</i>		
UK corporation tax charge	716	547
Overseas taxation	2,856	2,590
Joint ventures	3	1
Associates	42	19
Current taxation	3,617	3,157
Deferred taxation	890	(37)
Total charge for taxation	<u>4,507</u>	<u>3,120</u>
Effective tax rate	25.6 %	24.3 %

The Company and its subsidiary undertakings in the UK provided for UK corporation tax at 30.0 per cent, the rate for the calendar year 2004 (2003: 30.0 per cent). Overseas tax included Hong Kong profits tax of US\$539 million (2003: US\$483 million) provided at the rate of 17.5 per cent (2003: 17.5 per cent) on the profits assessable in Hong Kong. Other overseas taxation was provided for in the countries of operation at the appropriate rates of taxation.

At 31 December 2004, there were potential future tax benefits of US\$973 million (31 December 2003: US\$963 million) in respect of trading losses, allowable expenditure charged to the profit and loss account but not yet allowed for tax, and capital losses which have not been recognised because recoverability of the potential benefits is not considered certain.

4. Taxation (continued)**Analysis of overall tax charge**

<i>Figures in US\$m</i>	<i>Year ended 31 December 2004</i>	<i>Year ended 31 December 2003</i>
Taxation at UK corporate tax rate of 30.0%	5,282	3,845
Impact of differently taxed overseas profits in principal locations	(347)	(366)
Tax free gains	(64)	(17)
Goodwill amortisation	579	476
Acquisition accounting adjustments	(253)	(331)
Prior period adjustments	(229)	(230)
Other items	(461)	(257)
Timing differences impact on deferred tax	(890)	37
Current tax charge	<u>3,617</u>	<u>3,157</u>
Accelerated capital allowances	(2)	1
Timing differences on lease income	(212)	187
Provisions for general bad debts	(392)	(356)
Relief for losses	(116)	(52)
Other short-term timing differences	(168)	183
Deferred tax charge	<u>(890)</u>	<u>(37)</u>
Overall tax charge	<u><u>4,507</u></u>	<u><u>3,120</u></u>

5. Capital resources

	<i>At</i> <i>31 December</i> <i>2004</i>	<i>At</i> <i>31 December</i> <i>2003</i>
<i>Figures in US\$m</i>		
Capital ratios (%)		
Total capital ratio	12.0	12.0
Tier 1 capital ratio	8.9	8.9
Composition of capital		
<i>Figures in US\$m</i>		
Tier 1:		
Shareholders' funds	86,623	74,473
Minority interests	4,253	3,711
Innovative tier 1 securities	10,077	8,094
Less: property revaluation reserves	(2,660)	(1,615)
: goodwill capitalised and intangible assets	(31,190)	(29,920)
: own shares held	156	120
Total qualifying tier 1 capital	<u>67,259</u>	<u>54,863</u>
Tier 2:		
Property revaluation reserves	2,660	1,615
General provisions	2,624	2,868
Perpetual subordinated debt	3,670	3,608
Term subordinated debt	21,373	15,795
Minority and other interests in tier 2 capital	519	523
Total qualifying tier 2 capital	<u>30,846</u>	<u>24,409</u>
Unconsolidated investments	(6,361)	(4,101)
Investments in other banks	(799)	(911)
Other deductions	(165)	(218)
Total capital	<u>90,780</u>	<u>74,042</u>
Total risk-weighted assets	<u>759,210</u>	<u>618,662</u>

The above figures were computed in accordance with the EU Banking Consolidation Directive.

6. Reconciliation of operating profit to net cash flow from operating activities

<i>Figures in US\$m</i>	<i>Year ended 31 December 2004</i>	<i>Year ended 31 December 2003</i>
Operating profit	16,514	12,297
Change in prepayments and accrued income	(4,969)	(6,825)
Change in accruals and deferred income	2,492	6,015
Interest on finance leases and similar hire purchase contracts	42	38
Interest on subordinated loan capital	1,052	958
Depreciation and amortisation	3,506	2,847
Amortisation of discounts and premiums	(218)	338
Provisions for bad and doubtful debts	6,357	6,093
Loans written off net of recoveries	(7,984)	(6,846)
Provisions for liabilities and charges	1,244	759
Provisions utilised	(1,123)	(781)
Amounts written off fixed asset investments	(99)	66
Net cash inflow from trading activities	16,814	14,959
Change in items in the course of collection from other banks	299	(135)
Change in treasury bills and other eligible bills	(26)	650
Change in loans and advances to banks	(9,957)	(14,537)
Change in loans and advances to customers	(132,052)	(77,614)
Change in other securities	(24,107)	(10,518)
Change in other assets	(9,657)	(4,302)
Change in deposits by banks	11,684	14,628
Change in customer accounts	105,454	76,085
Change in items in the course of transmission to other banks	909	(251)
Change in debt securities in issue	54,172	13,976
Change in other liabilities	26,783	14,443
Elimination of exchange differences [†]	(3,107)	(4,709)
Net cash inflow from operating activities	37,209	22,675

[†] *Adjustment to bring changes between opening and closing balance sheet amounts to average rates. This is not done on a line-by-line basis as it cannot be determined without unreasonable expense.*

7. Bad and doubtful debts

<i>Figures in US\$m</i>	<i>2004 Half-year ended</i>			<i>2003 Half-year ended</i>		
	<i>30 June</i>	<i>31 December</i>	<i>2004</i>	<i>30 June</i>	<i>31 December</i>	<i>2003</i>
By category:						
Bad and doubtful debt charge						
- specific charge:						
new provisions	4,229	4,760	8,989	3,089	4,688	7,777
releases and recoveries	(1,144)	(1,052)	(2,196)	(640)	(923)	(1,563)
	3,085	3,708	6,793	2,449	3,765	6,214
- net general release	(282)	(154)	(436)	(75)	(46)	(121)
Total bad and doubtful debt charge	<u>2,803</u>	<u>3,554</u>	<u>6,357</u>	<u>2,374</u>	<u>3,719</u>	<u>6,093</u>
Customers	2,810	3,557	6,367	2,373	3,723	6,096
Banks	(7)	(3)	(10)	1	(4)	(3)
Total	<u>2,803</u>	<u>3,554</u>	<u>6,357</u>	<u>2,374</u>	<u>3,719</u>	<u>6,093</u>

8. Analysis of fees and commissions receivable and payable

<i>Figures in US\$m</i>	<i>2004 Half-year ended</i>			<i>2003 Half-year ended</i>		
	<i>30 June</i>	<i>31 December</i>	<i>2004</i>	<i>30 June</i>	<i>31 December</i>	<i>2003</i>
Account services	1,336	1,443	2,779	1,089	1,228	2,317
Credit facilities	579	600	1,179	465	501	966
Remittances	166	187	353	138	150	288
Cards	1,837	1,945	3,782	1,119	1,857	2,976
Imports/Exports	332	360	692	285	324	609
Underwriting	117	117	234	99	76	175
Insurance	586	591	1,177	455	506	961
Mortgage servicing rights	39	41	80	36	39	75
Trust income	99	105	204	72	73	145
Broking income	517	441	958	379	494	873
Global custody	279	285	564	151	187	338
Maintenance income on operating leases	95	95	190	84	87	171
Funds under management	788	710	1,498	523	573	1,096
Unit trusts	297	203	500	206	152	358
Corporate finance	100	93	193	81	108	189
Other	762	732	1,494	452	571	1,023
Total fees and commissions receivable	7,929	7,948	15,877	5,634	6,926	12,560
Less: fees payable	(1,352)	(1,432)	(2,784)	(984)	(1,182)	(2,166)
Net fees and commissions	6,577	6,516	13,093	4,650	5,744	10,394

9. Geographical distribution of results

HSBC European Operations

Figures in US\$m	2004 Half-year ended			2003 Half-year ended		
	30 June	31 December	2004	30 June	31 December	2003
Net interest income	4,313	4,749	9,062	3,508	4,032	7,540
Dividend income	294	251	545	106	44	150
Net fees and commissions	3,047	3,248	6,295	2,446	2,746	5,192
Dealing profits	511	442	953	531	429	960
Other income	798	794	1,592	570	683	1,253
Other operating income	4,650	4,735	9,385	3,653	3,902	7,555
Operating income	8,963	9,484	18,447	7,161	7,934	15,095
Staff costs	(3,222)	(3,361)	(6,583)	(2,632)	(2,944)	(5,576)
Premises and equipment	(591)	(644)	(1,235)	(506)	(552)	(1,058)
Other	(1,284)	(1,459)	(2,743)	(950)	(1,118)	(2,068)
Depreciation and amortisation (excluding goodwill)	(477)	(532)	(1,009)	(396)	(431)	(827)
Goodwill amortisation	(447)	(500)	(947)	(376)	(382)	(758)
Operating expenses	(6,021)	(6,496)	(12,517)	(4,860)	(5,427)	(10,287)
Operating profit before provisions	2,942	2,988	5,930	2,301	2,507	4,808
Customers:						
- new specific provisions	(895)	(1,154)	(2,049)	(551)	(934)	(1,485)
- releases and recoveries	459	404	863	207	286	493
- net general release	(436)	(750)	(1,186)	(344)	(648)	(992)
Total bad and doubtful debt charge	13	148	161	1	117	118
Provisions for contingent liabilities and commitments	(423)	(602)	(1,025)	(343)	(531)	(874)
Amounts written off fixed asset investments	(79)	67	(12)	(17)	(16)	(33)
Operating profit	(10)	(10)	(20)	(46)	(18)	(64)
Operating profit	2,430	2,443	4,873	1,895	1,942	3,837
Share of operating (loss)/ profit in joint ventures	4	1	5	(132)	5	(127)
Share of operating profits in associates	21	33	54	18	29	47
Investment and fixed asset disposal gains	165	128	293	88	124	212
Profit before tax	2,620	2,605	5,225	1,869	2,100	3,969

HSBC Hong Kong Operations

Figures in US\$m	2004 Half-year ended			2003 Half-year ended		
	30 June	31 December	2004	30 June	31 December	2003
Net interest income	1,780	1,859	3,639	1,991	1,910	3,901
Dividend income	17	2	19	15	16	31
Net fees and commissions	904	822	1,726	647	736	1,383
Dealing profits	360	270	630	186	135	321
Other income	373	408	781	274	322	596
Other operating income	1,654	1,502	3,156	1,122	1,209	2,331
Operating income	3,434	3,361	6,795	3,113	3,119	6,232
Staff costs	(714)	(701)	(1,415)	(611)	(665)	(1,276)
Premises and equipment	(121)	(135)	(256)	(109)	(131)	(240)
Other	(274)	(379)	(653)	(214)	(288)	(502)
Depreciation and amortisation (excluding goodwill)	(97)	(103)	(200)	(98)	(96)	(194)
Goodwill amortisation	(4)	(5)	(9)	(3)	-	(3)
Operating expenses	(1,210)	(1,323)	(2,533)	(1,035)	(1,180)	(2,215)
Operating profit before provisions	2,224	2,038	4,262	2,078	1,939	4,017
Customers:						
- new specific provisions	(7)	(238)	(245)	(389)	(266)	(655)
- releases and recoveries	25	219	244	107	117	224
- net general release/(charge)	18	(19)	(1)	(282)	(149)	(431)
Total bad and doubtful debt release/(charge)	205	19	224	(21)	52	31
Provisions for contingent liabilities and commitments	223	-	223	(303)	(97)	(400)
Provisions for contingent liabilities and commitments	(6)	3	(3)	(3)	(3)	(6)
Amounts written back/(off) fixed asset investments	27	(1)	26	5	26	31
Operating profit	2,468	2,040	4,508	1,777	1,865	3,642
Share of operating profit/(loss) in associates	(2)	10	8	6	12	18
Investments and fixed asset disposal gains	110	118	228	57	11	68
Profit before tax	2,576	2,168	4,744	1,840	1,888	3,728

HSBC Rest of Asia-Pacific Operations

Figures in US\$m	2004 Half-year ended			2003 Half-year ended		
	30 June	31 December	2004	30 June	31 December	2003
Net interest income	984	1,071	2,055	840	900	1,740
Dividend income	1	2	3	3	1	4
Net fees and commissions	506	551	1,057	363	442	805
Dealing profits	265	229	494	231	190	421
Other income	81	114	195	56	64	120
Other operating income	853	896	1,749	653	697	1,350
Operating income	1,837	1,967	3,804	1,493	1,597	3,090
Staff costs	(520)	(584)	(1,104)	(427)	(525)	(952)
Premises and equipment	(89)	(94)	(183)	(80)	(84)	(164)
Other	(302)	(387)	(689)	(235)	(292)	(527)
Depreciation and amortisation (excluding goodwill)	(51)	(53)	(104)	(47)	(51)	(98)
Goodwill amortisation	(34)	(34)	(68)	(19)	(16)	(35)
Operating expenses	(996)	(1,152)	(2,148)	(808)	(968)	(1,776)
Operating profit before provisions	841	815	1,656	685	629	1,314
Customers:						
- new specific provisions	(41)	(377)	(418)	(181)	(231)	(412)
- releases and recoveries	33	237	270	151	192	343
- net general release/(charge)	(8)	(140)	(148)	(30)	(39)	(69)
Total bad and doubtful debt (charge)/release	18	30	48	4	(20)	(16)
Provisions for contingent liabilities and commitments	10	(110)	(100)	(26)	(59)	(85)
Provisions for contingent liabilities and commitments	(14)	14	-	(4)	3	(1)
Amounts written off fixed asset investments	-	-	-	-	(2)	(2)
Operating profit	837	719	1,556	655	571	1,226
Share of operating profit in associates	96	136	232	65	84	149
Investments and fixed asset disposal gains	6	11	17	14	2	16
Profit before tax	939	866	1,805	734	657	1,391

HSBC North American Operations

Figures in US\$m	2004 Half-year ended			2003 Half-year ended		
	30 June	31 December	2004	30 June	31 December	2003
Net interest income	7,410	7,503	14,913	4,630	7,147	11,777
Dividend income	16	16	32	22	12	34
Net fees and commissions	1,905	1,630	3,535	1,044	1,632	2,676
Dealing profits	221	218	439	238	102	340
Other income	556	602	1,158	424	508	932
Other operating income	2,698	2,466	5,164	1,728	2,254	3,982
Operating income	10,108	9,969	20,077	6,358	9,401	15,759
Staff costs	(2,285)	(2,445)	(4,730)	(1,593)	(2,130)	(3,723)
Premises and equipment	(415)	(463)	(878)	(319)	(426)	(745)
Other	(1,373)	(1,588)	(2,961)	(936)	(1,305)	(2,241)
Depreciation and amortisation (excluding goodwill)	(154)	(164)	(318)	(106)	(132)	(238)
Goodwill amortisation	(372)	(389)	(761)	(231)	(412)	(643)
Operating expenses	(4,599)	(5,049)	(9,648)	(3,185)	(4,405)	(7,590)
Operating profit before provisions	5,509	4,920	10,429	3,173	4,996	8,169
Customers:						
- new specific provisions	(2,786)	(3,091)	(5,877)	(1,835)	(3,127)	(4,962)
- releases and recoveries	274	416	690	143	279	422
- net general (charge)/release	(2,512)	(2,675)	(5,187)	(1,692)	(2,848)	(4,540)
Total bad and doubtful debt charge	40	(39)	1	22	(158)	(136)
Provisions for contingent liabilities and commitments	(2,472)	(2,714)	(5,186)	(1,670)	(3,006)	(4,676)
Provisions for contingent liabilities and commitments	1	(43)	(42)	2	1	3
Amounts written off fixed asset investments	-	-	-	(4)	(5)	(9)
Operating profit	3,038	2,163	5,201	1,501	1,986	3,487
Share of operating profit in joint ventures	-	-	-	8	3	11
Share of operating profit/(loss) in associates	4	(12)	(8)	3	3	6
Investments and fixed assets disposal gains	57	169	226	90	19	109
Profit before tax	3,099	2,320	5,419	1,602	2,011	3,613

HSBC South American Operations

Figures in US\$m	2004 Half-year ended		2004	2003 Half-year ended		2003
	30 June	31 December		30 June	31 December	
Net interest income	619	736	1,355	252	388	640
Dividend income	1	1	2	1	2	3
Net fees and commissions	215	265	480	150	188	338
Dealing profits	26	24	50	72	64	136
Other income	104	103	207	107	94	201
Other operating income	346	393	739	330	348	678
Operating income	965	1,129	2,094	582	736	1,318
Staff costs	(303)	(357)	(660)	(230)	(354)	(584)
Premises and equipment	(80)	(94)	(174)	(55)	(69)	(124)
Other	(243)	(306)	(549)	(127)	(200)	(327)
Depreciation and amortisation (excluding goodwill)	(27)	(34)	(61)	(19)	(21)	(40)
Goodwill amortisation	(26)	(3)	(29)	(3)	(8)	(11)
Operating expenses	(679)	(794)	(1,473)	(434)	(652)	(1,086)
Operating profit before provisions	286	335	621	148	84	232
Customers:						
- new specific provisions	(177)	(223)	(400)	(133)	(130)	(263)
- releases and recoveries	30	99	129	32	49	81
- net general release/(charge)	(147)	(124)	(271)	(101)	(81)	(182)
Total bad and doubtful debt charge	6	(4)	2	69	55	124
Provisions for contingent liabilities	(141)	(128)	(269)	(32)	(26)	(58)
Provisions for contingent liabilities	(11)	41	30	(34)	27	(7)
Amounts written off fixed asset investments	(1)	(5)	(6)	(15)	(47)	(62)
Operating profit	133	243	376	67	38	105
Share of operating profit in associates	-	1	1	-	1	1
Investments and fixed assets disposal gains	1	37	38	-	9	9
Profit before tax	134	281	415	67	48	115

10. Registers of shareholders

The Overseas Branch Register of shareholders in Hong Kong will be closed for one day, on Friday 18 March 2005. Any person who has acquired shares registered on the Hong Kong Branch Register but who has not lodged the share transfer with the Hong Kong Branch Registrar should do so before 4.00 pm on Thursday 17 March 2005 in order to receive the fourth interim dividend for 2004. Transfers may not be made to or from the Hong Kong Overseas Branch Register while that Branch Register is closed.

Any person who has acquired shares registered on the Principal Register in the United Kingdom but who has not lodged the share transfer with the Principal Registrar should do so before 4.00 pm on Friday 18 March 2005 in order to receive the dividend.

Any person who has acquired shares registered on the Overseas Branch Register of shareholders in Bermuda but who has not lodged the share transfer with the Bermuda Branch Registrar should do so before 4.00 pm on Friday 18 March 2005 in order to receive the dividend.

Transfers of American Depositary Shares should be lodged with the depositary by 12 noon on Friday 18 March 2005 in order to receive the dividend.

11. Foreign currency amounts

The sterling and Hong Kong dollar equivalent figures in the consolidated profit and loss account and balance sheet are for information only. These are translated at the average rate for the period for the profit and loss account and the closing rate for the balance sheet as follows:

<i>Period end</i>	<i>31 December 2004</i>	<i>31 December 2003</i>
Closing : HK\$/US\$	7.773	7.763
£/US\$	0.517	0.560
Average : HK\$/US\$	7.789	7.787
£/US\$	0.546	0.612

12. Litigation

HSBC, through a number of its subsidiary undertakings, is named in and is defending legal actions in various jurisdictions arising from its normal business. None of these proceedings is regarded as material litigation.

13. Dealings in HSBC Holdings shares

Except for dealings as intermediaries by HSBC Bank plc, HSBC CCF Financial Products (France) SNC and The Hongkong and Shanghai Banking Corporation Limited, which are members of a European Economic Area exchange in market-making and other dealing activities, neither the Company nor any subsidiary undertaking has bought, sold or redeemed any securities of the Company during the year ended 31 December 2004.

14. Statutory accounts

The information in this news release does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (the Act). The statutory accounts for the year ended 31 December 2004 will be delivered to the Registrar of Companies in England and Wales in accordance with Section 242 of the Act and filed with the US Securities and Exchange Commission. The auditor has reported on those accounts; the report was unqualified and did not contain a statement under Section 237(2) or (3) of the Act.

15. Forward-looking statements

This news release contains 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. Certain statements, such as those that include the words 'potential', 'estimated', and similar expressions or variations on such expressions may be considered 'forward-looking statements'.

16. Corporate governance

HSBC is committed to high standards of corporate governance. Throughout 2004, HSBC Holdings has complied with the code provisions of the Combined Code on corporate governance appended to the Listing Rules of the Financial Services Authority and with the provisions of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited was substantially revised during 2004. The new provisions of Appendix 14 will apply for subsequent reporting periods.

The members of the Board of Directors of HSBC Holdings plc are:

Sir John Bond, Baroness Dunn*, Sir Brian Moffat†, S K Green, A W Jebson, W F Aldinger, Lord Butler†, R K F Ch'ien†, D G Eldon, R A Fairhead†, D J Flint, W K L Fung†, M F Geoghegan, S Hintze†, Sir John Kemp-Welch†, Sir Mark Moody-Stuart†, S W Newton†, H Sohmen*, C S Taylor† and Sir Brian Williamson†.

16. Corporate governance (continued)

J D Coombe† and J W J Hughes-Hallett† have been appointed Directors with effect from 1 March 2005.

* Non-executive Director

† Independent non-executive director

The Group Audit Committee has reviewed the annual results for 2004.

17. Annual Review and Annual Report and Accounts

The *Annual Review 2004* and/or *Annual Report and Accounts 2004* will be mailed to shareholders on or about 31 March 2005. Copies may be obtained from Group Corporate Affairs, HSBC Holdings plc, 8 Canada Square, London E14 5HQ, United Kingdom; Group Public Affairs, The Hongkong and Shanghai Banking Corporation Limited, 1 Queen's Road Central, Hong Kong; Group Public Affairs, HSBC Bank USA N.A., 452 Fifth Avenue, New York, NY 10018, USA; CCF, Direction de la Communication, 109 avenue des Champs-Élysées, 75419 Paris Cedex 08, France; or from the HSBC Group website – www.hsbc.com.

Chinese translations of the *Annual Review* and *Annual Report and Accounts* may be obtained on request from Computershare Hong Kong Investor Services Limited, Hopewell Centre, 46th Floor, 183 Queen's Road East, Wan Chai, Hong Kong.

A French translation of the *Annual Review* may be obtained on request from CCF, Direction de la Communication, 109 avenue des Champs-Élysées, 75419 Paris Cedex 08, France.

The *Annual Report and Accounts* and *Annual Review* will be available on the Stock Exchange of Hong Kong's website – www.hkex.com.hk.

Custodians or nominees that wish to distribute copies of the *Annual Review* and/or *Annual Report and Accounts* to their clients may request copies for collection by writing to Group Corporate Affairs at the address given above. Requests must be received no later than 7 March 2005.

18. Annual General Meeting

The Annual General Meeting of the Company will be held at the Barbican Hall, Barbican Centre, London EC2 on Friday 27 May 2005 at 11 a.m.

Notice of the meeting will be mailed to shareholders on or about 31 March 2005.

19. Interim results for 2005

The interim results for the six months to 30 June 2005 will be announced on Monday 1 August 2005.

20. Proposed dividends for 2005

The Board has adopted a policy of paying quarterly dividends. Under this policy it is intended to have a pattern of three equal interim dividends with a variable fourth interim dividend. It is envisaged that the first interim dividend in respect of 2005 will be US\$0.14 per share. The proposed timetables for the dividends in respect of 2005 are:

First interim dividend for 2005

Announcement	3 May 2005
Shares quoted ex-dividend in London, Hong Kong and Bermuda; American Depositary Shares quoted ex-dividend in New York	18 May 2005
Record date and closure of Hong Kong Overseas Branch Register of shareholders for one day	20 May 2005
Shares quoted ex-dividend in Paris	23 May 2005
Payment date	6 July 2005

Second interim dividend for 2005

Announcement	1 August 2005
Shares quoted ex-dividend in London, Hong Kong and Bermuda; American Depositary Shares quoted ex-dividend in New York	17 August 2005
Record date and closure of Hong Kong Overseas Branch Register of shareholders for one day	19 August 2005
Shares quoted ex-dividend in Paris	22 August 2005
Payment date	5 October 2005

Third interim dividend for 2005

Announcement	7 November 2005
American Depositary Shares quoted ex-dividend in New York	22 November 2005
Shares quoted ex-dividend in London, Hong Kong and Bermuda	23 November 2005
Record date and closure of Hong Kong Overseas Branch Register of shareholders for one day	25 November 2005
Shares quoted ex-dividend in Paris	28 November 2005
Payment date	19 January 2006

20. Proposed dividends for 2005 (continued)**Fourth interim dividend for 2005**

Announcement	6 March 2006
Shares quoted ex-dividend in London, Hong Kong and Bermuda; American Depositary Shares quoted ex-dividend in New York	22 March 2006
Record date and closure of Hong Kong Overseas Branch Register of shareholders for one day	24 March 2006
Shares quoted ex-dividend in Paris	27 March 2006
Payment date	11 May 2006

21. News release

Copies of this news release may be obtained from Group Corporate Affairs, HSBC Holdings plc, 8 Canada Square, London E14 5HQ, United Kingdom; Group Public Affairs, The Hongkong and Shanghai Banking Corporation Limited, 1 Queen's Road Central, Hong Kong; HSBC Bank USA N.A., 452 Fifth Avenue, New York, NY 10018, USA; CCF, Direction de la Communication, 109 avenue des Champs-Élysées, 75419 Paris Cedex 08, France. The news release will also be available on the HSBC Group website – www.hsbc.com.

22. For further information contact:**London**

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