

HSBC Holdings plc

2001 Results



Forward-looking statements

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

2001 results - overview

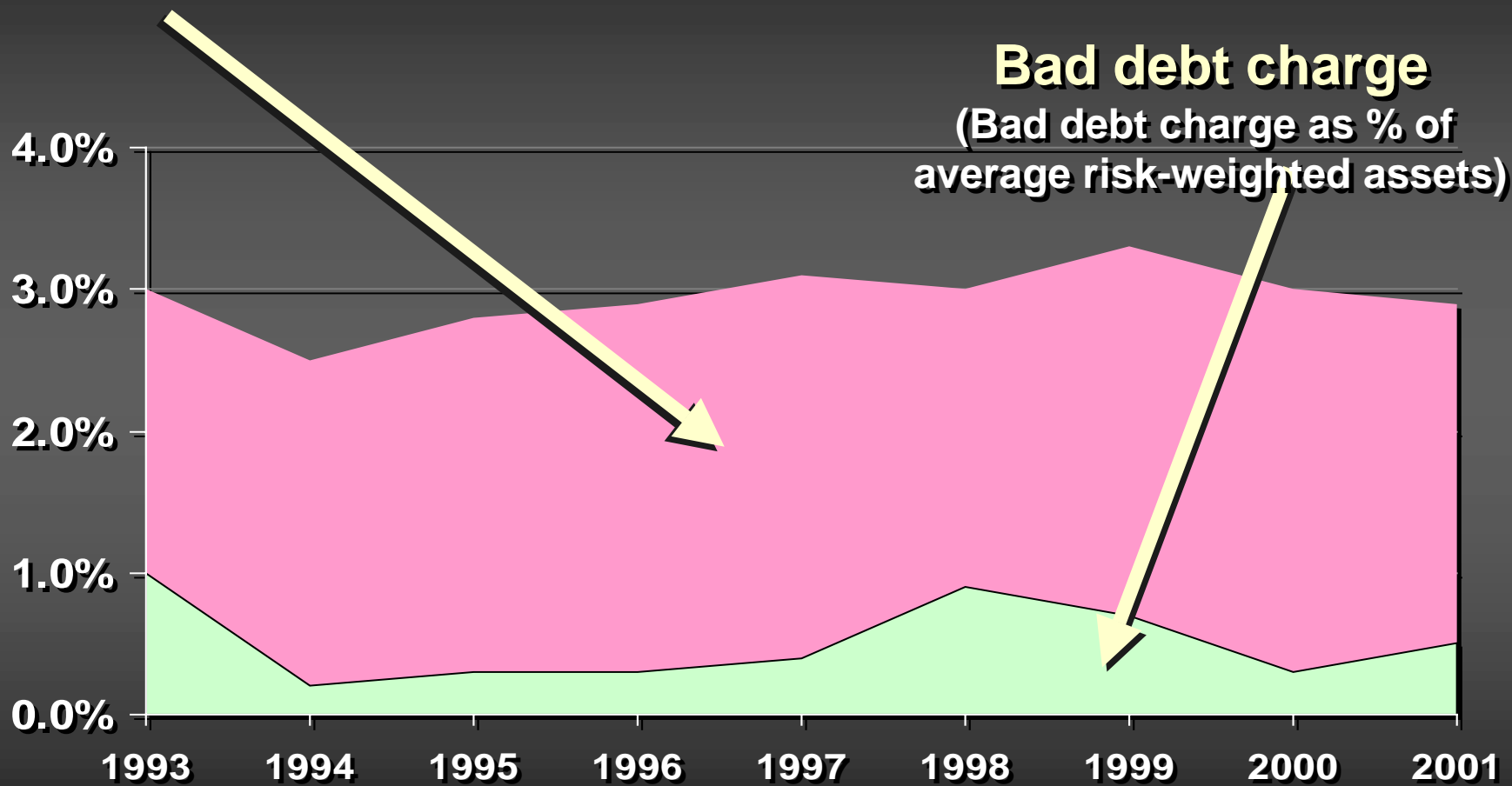
	Cash basis	Reported
US\$m		
Operating profit before provisions	11,283 ↑ 3%	10,484 flat
Pre-tax profit	8,807 ↓ 14%	8,000 ↓ 18%
Attributable profit	6,213 ↓ 13%	5,406 ↓ 18%
Earnings per share (US\$)	0.67	0.59
Dividend per share (US\$)		
First interim	0.19	
Second interim	0.29	
Year	0.48 ↑ 10%	

2001 results highlights

- **On a cash basis:
Revenues up US\$1.3bn : Costs up US\$1.0bn**
**At constant currency, excluding CCF:
Revenues up \$1.1bn : Costs up \$0.85bn**
- **Charges re Argentina: US\$1,120m**
- **Provision re Princeton Notes matter: US\$575m**
- **Disposal gains: US\$754m (2000 US\$302m)**
- **Tax rate 19.7% (2000 22.9%)**

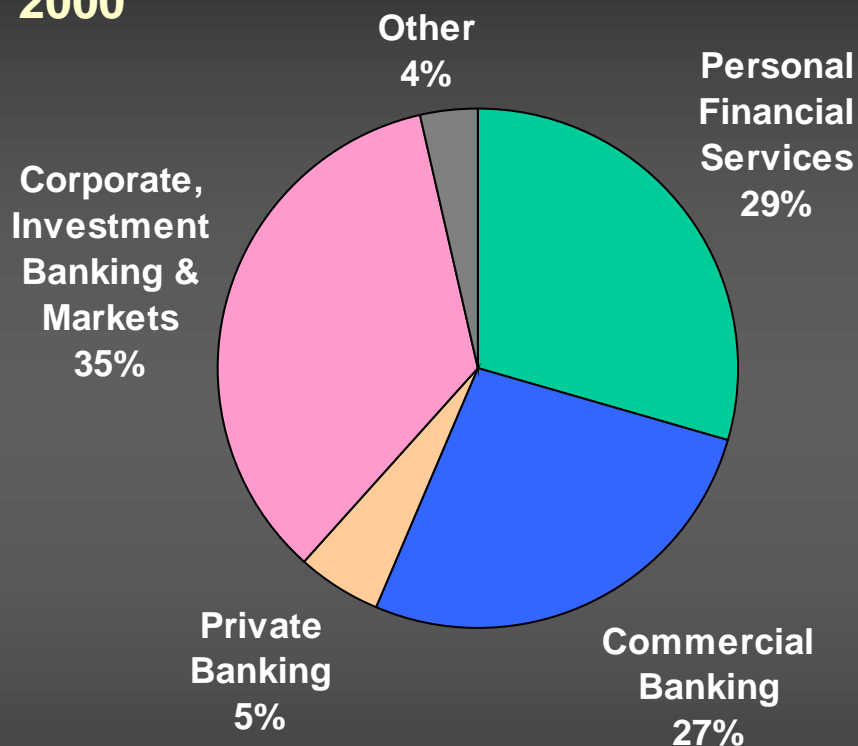
Operating margin

(Operating profit before provisions, excluding goodwill amortisation as % of average risk-weighted assets)

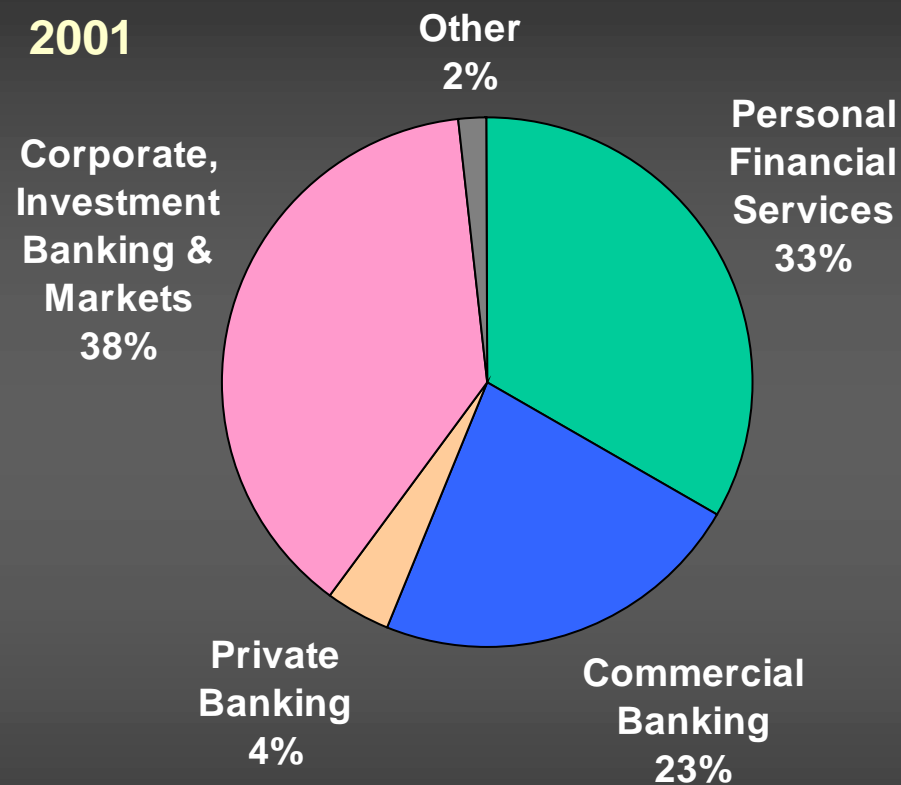


Line of business analysis - Pre-tax profit *

2000



2001



* Excludes Princeton (\$575m) and Argentina (\$1,120m) from Other in 2001

Net interest margins

	2001	Change on 2000	H2 01	Change on H1 01
HSBC Bank	2.80	13bp	2.88	16bp
Hang Seng Bank	2.56	(12)bp	2.55	(3)bp
The Hongkong and Shanghai Banking Corporation - Hong Kong	2.48	1bp	2.47	(2)bp
HSBC USA	2.76	22bp	2.82	11bp
GROUP	2.54	(12)bp	2.56	4bp

Notes on margin trends

Increase in shorter maturities

1999 2000 2001

Customer accounts (average balances)			
Demand	41.2%	38.8%	42.0%
Savings	41.8%	41.2%	38.9%
Time	14.3%	17.0%	14.9%
Other	2.7%	3.0%	4.2%
CUSTOMER ACCOUNTS	100.0%	100.0%	100.0%

Customer loans (period end balances)			
Total personal	43.7%	43.1%	45.0%
Total corporate & commercial	56.3%	56.9%	55.0%
CUSTOMER LOANS (excl. financial)	100.0%	100.0%	100.0%

Higher proportion of personal lending

Lending growth - at constant currency

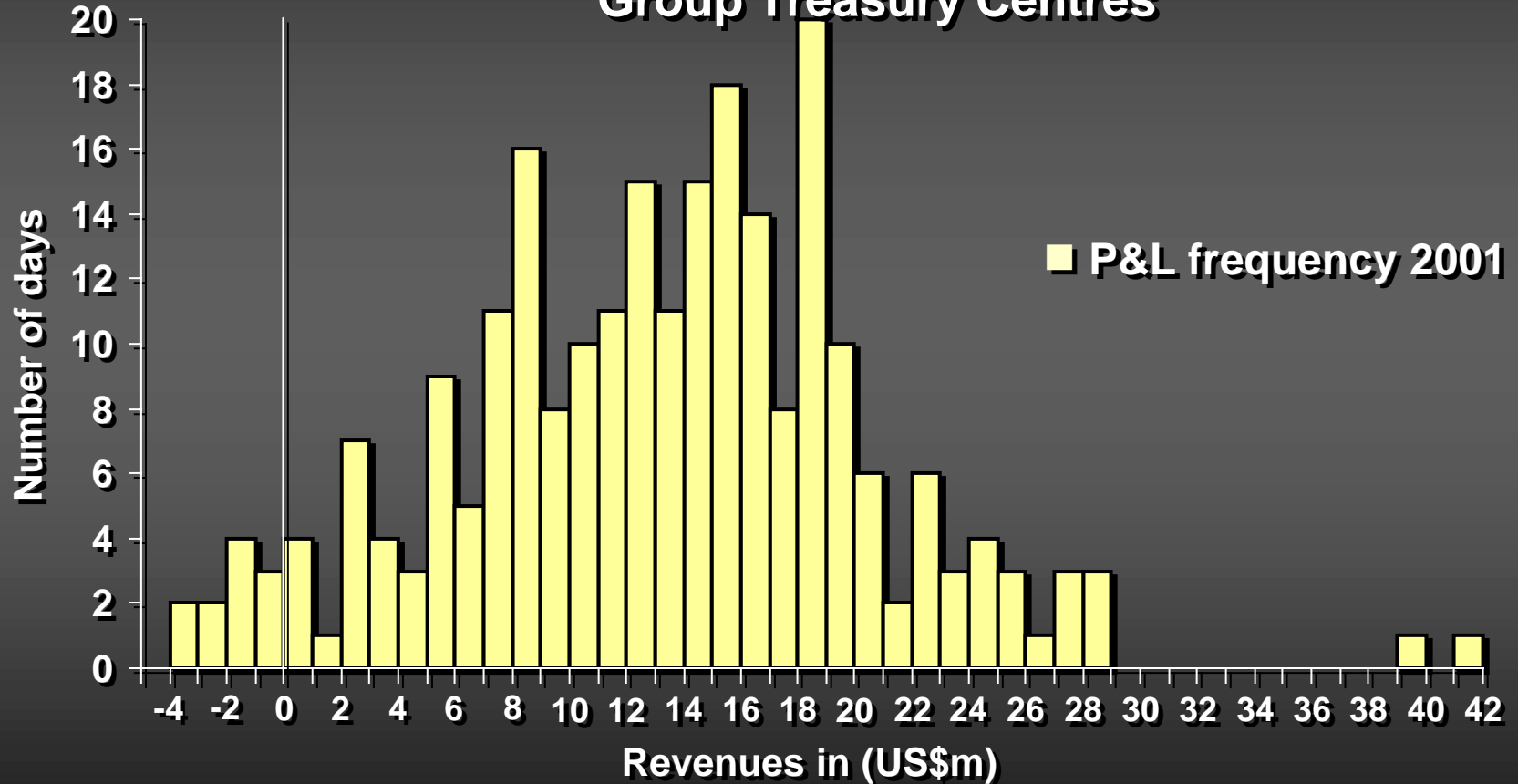
US\$m	2000	2001	Growth
Personal lending	114,013	125,463	10.0%
Corporate & Commercial	148,766	153,671	3.3%



Growth mainly in residential mortgages; organic and from acquisitions

Market risk-related revenues in 2001 averaged US\$13.9m a day (2000 US\$10.0m a day)

Daily distribution of Market Risk Revenues Group Treasury Centres



Costs 2001 compared with 2000 (cash basis)

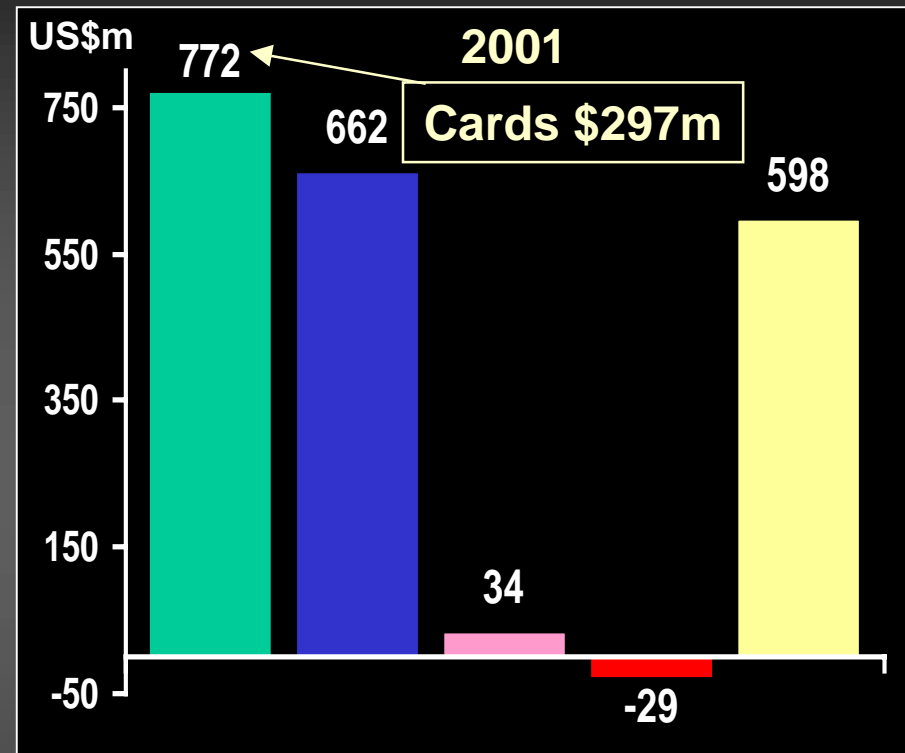
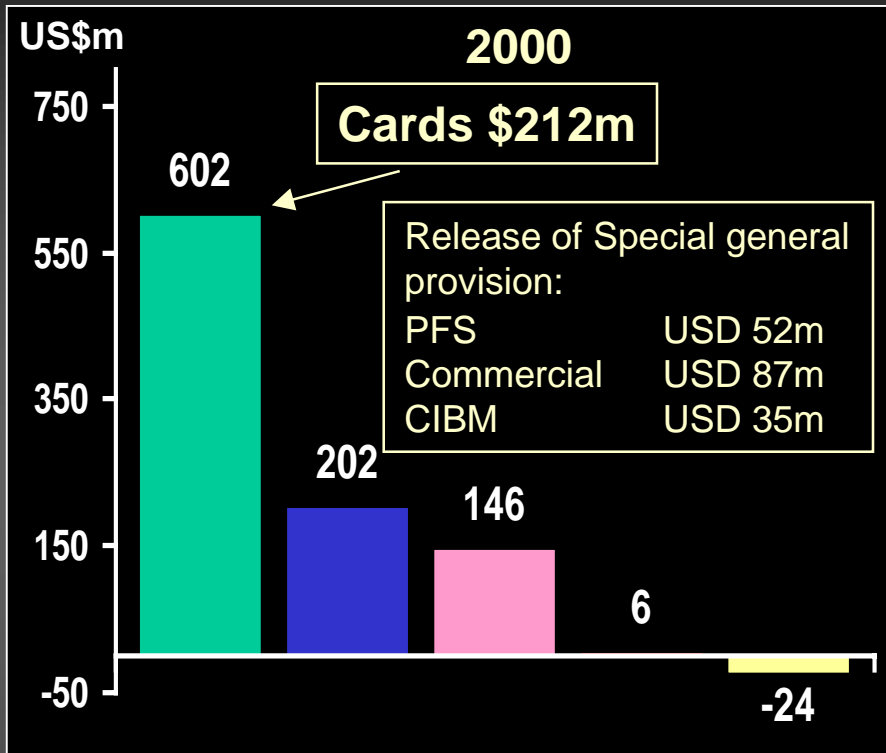
US\$m	2001	
Total cost growth, as reported	1,028	7.6%
FX translation	590	
CCF full year impact	(760)	
hsbc.com	(164)	
Other acquisitions	(54)	
Underlying growth in costs	640	5.0%

Bad & doubtful debts charge

As % of Gross customer loans (excl financial)

	1999	2000	2001
New specific	1.24%	0.85%	0.95%
Releases & recoveries	-0.36%	-0.40%	-0.43%
General	-0.02%	-0.10%	-0.01%
Argentina General			0.22%
Total charge	0.86%	0.35%	0.73%
Total charge (US\$m)	2,077	930	2,037

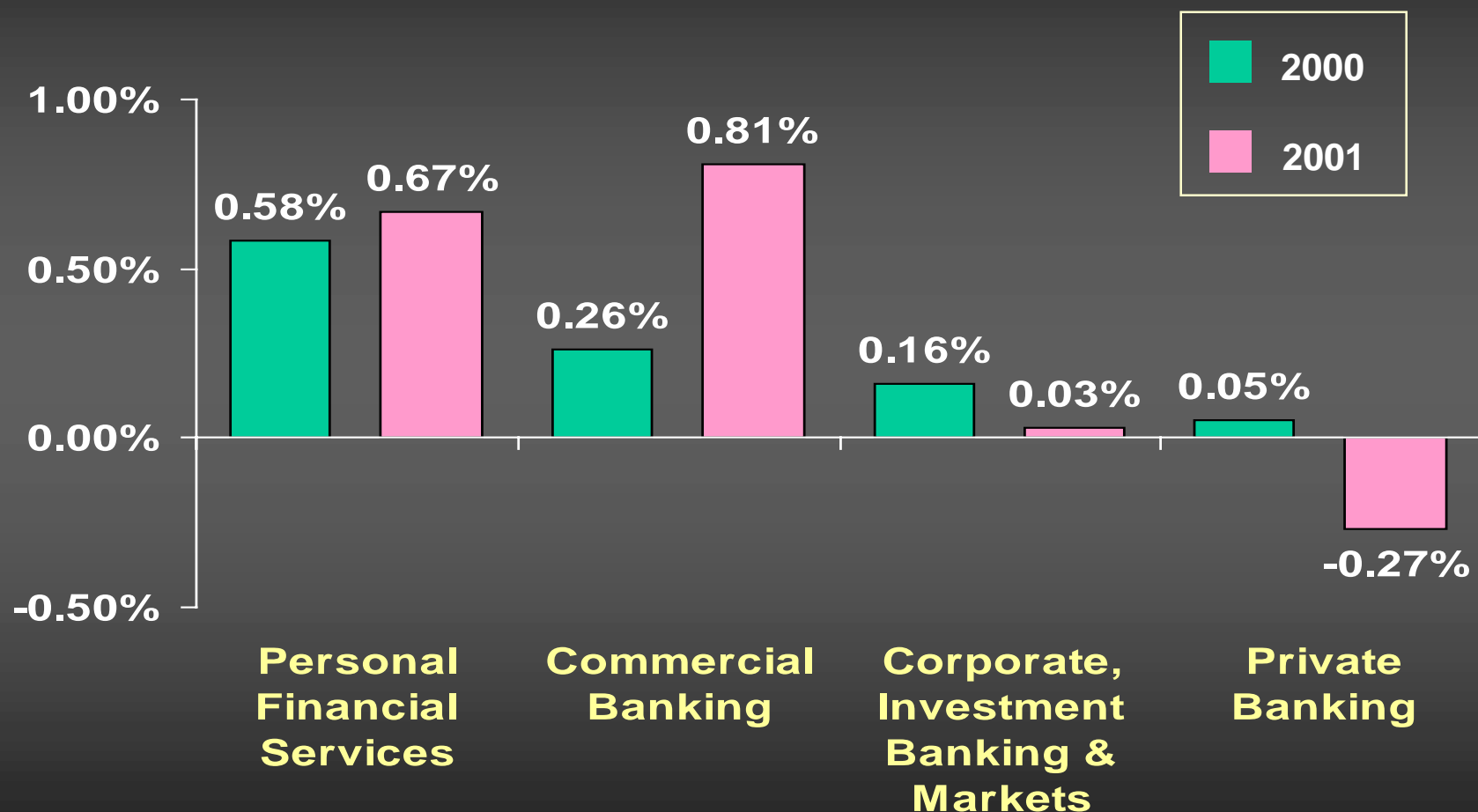
Bad & doubtful debt charge



- Personal Financial Services
- Commercial Banking
- Corporate, IB& M
- Private Banking
- Other (2001 includes Argentina \$600m)

Bad & doubtful debts charge 2001

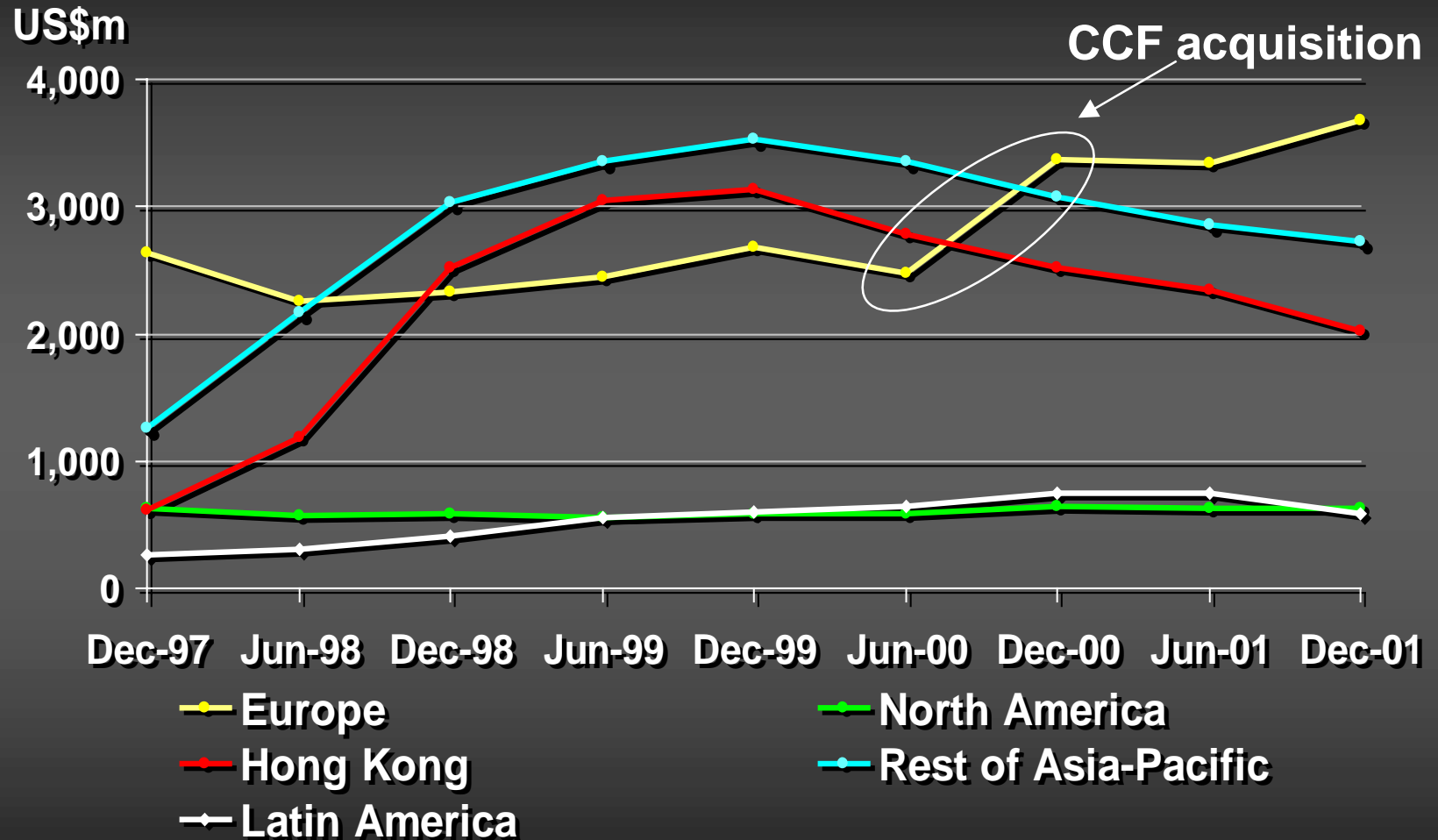
as % of Line of Business net customer loans



Provisions for bad & doubtful debts

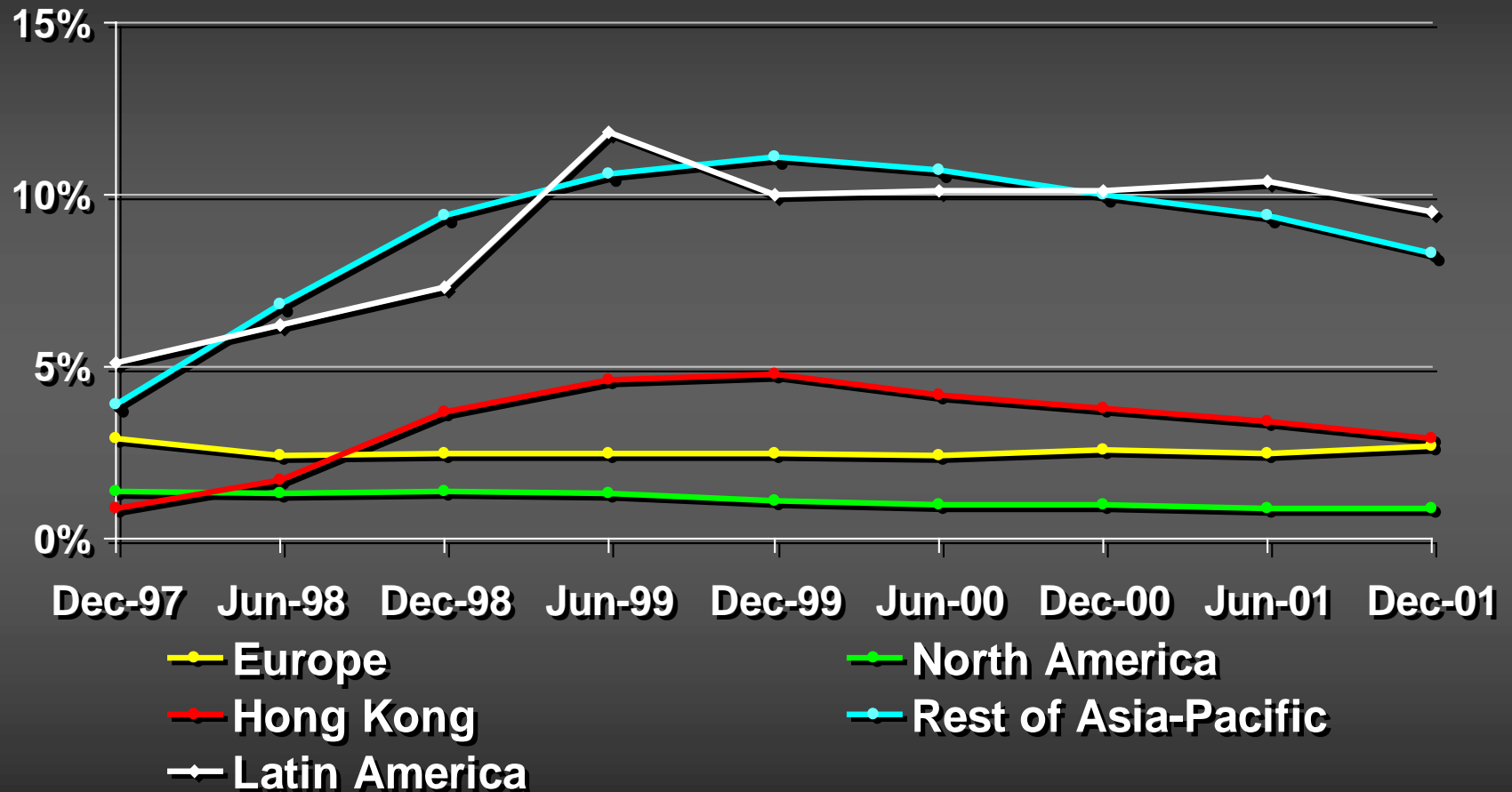
US\$m	Europe	Hong Kong	Rest of A-P	North America	Latin America	TOTAL
Opening	3,025	1,802	2,091	723	556	8,197
Charged off	(442)	(630)	(427)	(318)	(361)	(2,178)
Added (net)	506	228	310	330	948	2,322
FX	(22)	8	(22)	(27)	(95)	(158)
Closing	3,067	1,408	1,952	708	1,048	8,183

Non-performing loan evolution



Non-performing loan evolution

NPL's as % of Gross customer loans



Argentina - Loan book (translated at 1.65:1)

31 December 2001

	ARPM	US\$m
Residential mortgages	434	263
Other personal	231	140
Property-related	97	59
Commercial, Trade & other	1,336	810
Total	2,098	1,272
Government swapped debt	1,277	774

25%

Pre-devaluation	
Non-performing	536
Provisions	336
Coverage	63%

To bring provisions cover to 63% of total customer loans required additional provisions of ARP1,000m (US\$600m)

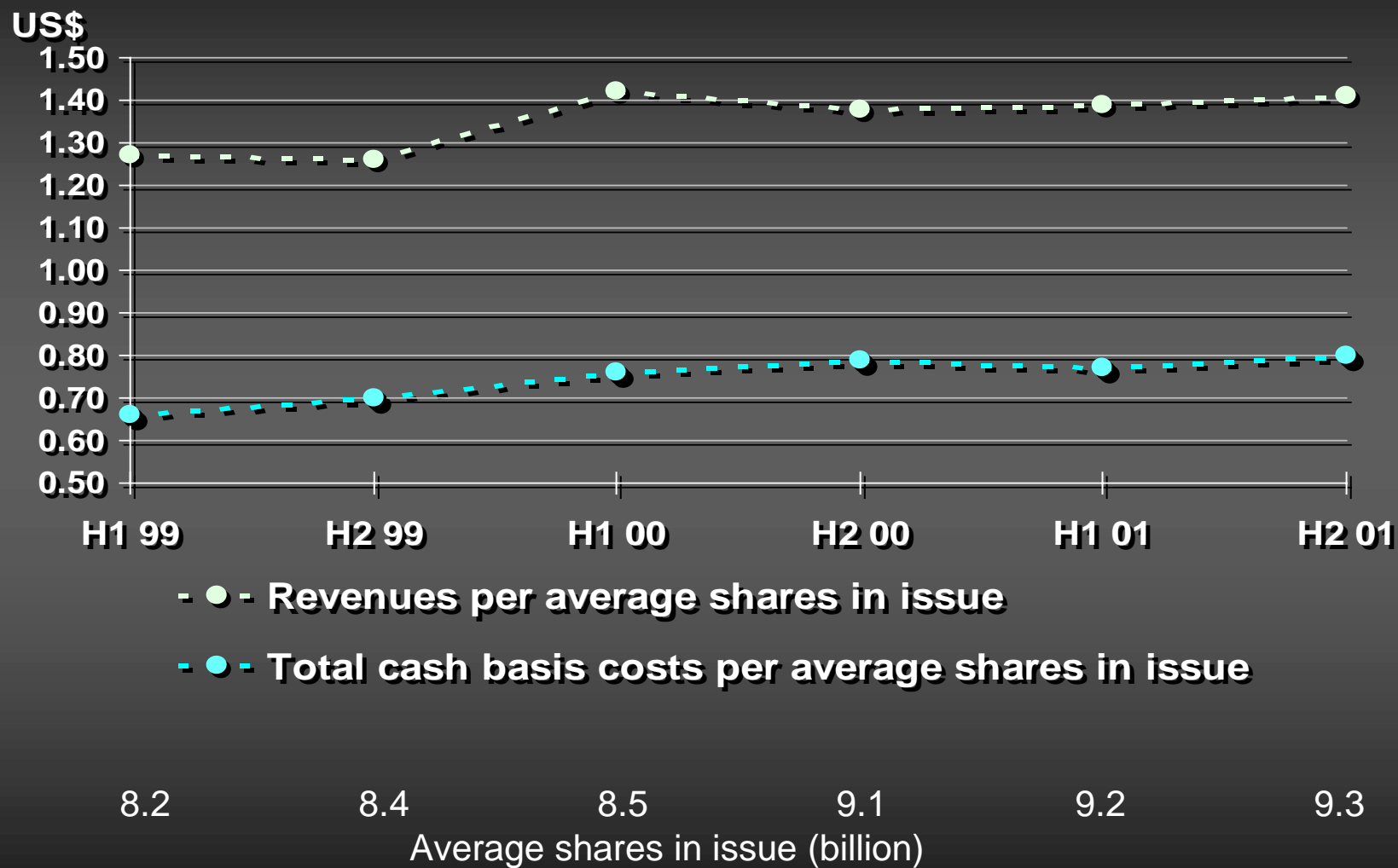
Argentina - impact of mandatory conversion

31/12/01	Pre crisis measures			Impact of mandatory conversion				
	ARP	USD	Total	ARP	1:1.65	1:1	1:1.4	Total
Assets	1.5	3.9	5.4	1.5	0.1	1.7	3.0	6.3
Liabilities	1.3	3.8	5.1	1.3	1.7	0.0	3.9	6.9
Net assets	0.2	0.1	0.3	0.2	(1.6)	1.7	(0.9)	(0.6)

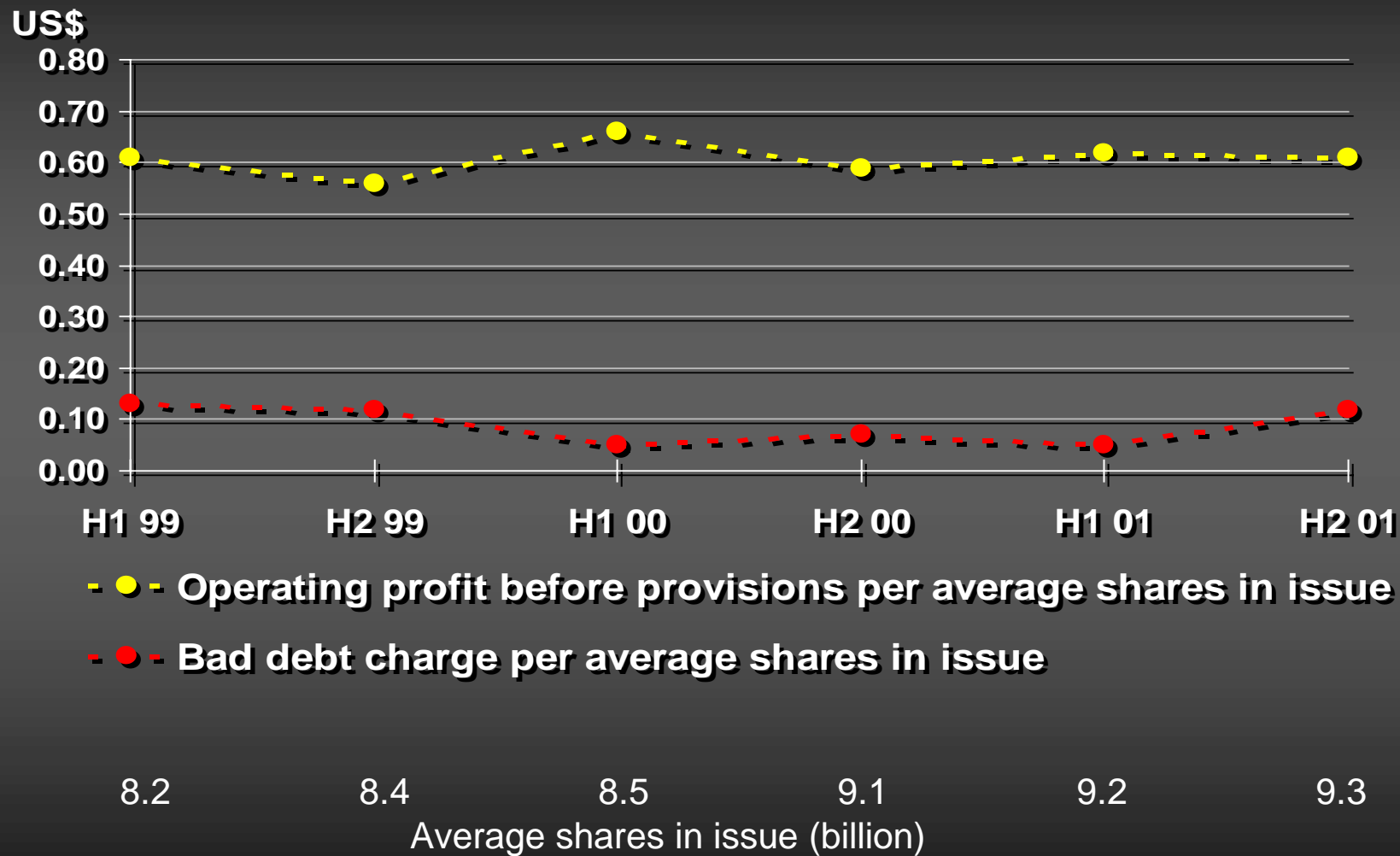
**FX loss on translation
(Pesification)**

ARP0.9bn (US\$0.5bn)

Per share analysis (cash basis)



Per share analysis (cash basis)



Source and application of Tier 1 capital

Opening Tier 1 ratio 9%

US\$m	2001
Tier 1 capital Dec 2000	34,620
Scrip dividends	866
Shares issued	112
Attributable profits (cash basis)	6,213
Dividends	(4,467)
Redemption of preference shares	(825)
Other inc. FX	(1,446)
Tier 1 capital Dec 2001	35,073

Closing Tier 1 ratio 9%

Some underlying business achievements

- Increased share of UK new mortgage lending to 4.4% from 3.0%
- Market leader in provision of new mortgages in Malaysia with sales >US\$800m
- Credit cards in issue worldwide grew by 17% to over 13 million
- “Premier” customer base grew by 73% to 464,000 (23 countries)
- Electronic banking customers doubled: now exceed 3 million
- Business internet banking launched in UK
 - Hong Kong, USA & Canada to follow this year
- 25% increase in Hexagon cash management customers
- Record results from Corporate, Investment Banking & Markets
 - CCF integration increased market shares
 - raised profile and profitability in US markets
 - alignment of corporate and investment banking progressed
- Now one of the world’s largest private banks

Selected acquisitions

- **Banque Hervet**
- **NRMA Building Society**
- **8% of Bank of Shanghai**
- **Demirbank**
- **China Securities Investment Trust, Taiwan**

Priorities for 2002

- **Continue to implement the strategic plan**
 - retain traditional cost discipline
 - enhance position in Commercial segment
 - build on strengths in Personal Financial Services
 - develop the HSBC brand

- **Outlook for 2002**
 - we are cautious
 - mixed economic signals
 - modest recovery possible

- **HSBC is in excellent shape**

HSBC

