5 March 2007

HSBC HOLDINGS PLC
2006 FINAL RESULTS – HIGHLIGHTS

- Total operating income up 14 per cent to US$70,070 million (US$61,704 million in 2005).

For the year:

- Net operating income up 10 per cent to US$54,793 million (US$49,836 million in 2005).
- Group pre-tax profit up 5 per cent to US$22,086 million (US$20,966 million in 2005).
- Profit attributable to shareholders of the parent company up 5 per cent to US$15,789 million (US$15,081 million in 2005).
- Return on average invested capital of 14.9 per cent (15.9 per cent in 2005).
- Earnings per share up 3 per cent to US$1.40 (US$1.36 in 2005).

Dividend and capital position:

- Fourth interim dividend for 2006 of US$0.36 per ordinary share, an increase of 16.1 per cent; total dividends declared in respect of 2006 of US$0.81 per share, an increase of 11.0 per cent over 2005.
- Tier 1 capital ratio of 9.4 per cent and total capital ratio of 13.5 per cent.

HSBC HOLDINGS REPORTS PRE-TAX PROFIT OF US$22,086 MILLION

HSBC made a profit before tax of US$22,086 million, an increase of US$1,120 million, or 5 per cent, over 2005.

Net interest income of US$34,486 million was US$3,152 million, or 10 per cent, higher than 2005.

Net operating income before loan impairment charges and other credit risk provisions of US$65,366 million was US$7,729 million, or 13 per cent, higher than 2005.

Operating expenses of US$33,553 million rose US$4,039 million, or 14 per cent, compared with 2005. On an underlying basis and expressed in terms of constant currency, operating expenses increased by 11 per cent.

HSBC's cost efficiency ratio was 51.3 per cent compared with 51.2 per cent in 2005.

Loan impairment charges and other credit risk provisions were US$10,573 million in 2006, US$2,772 million higher than 2005.

The tier 1 capital and total capital ratios for the Group remained strong at 9.4 per cent and 13.5 per cent, respectively, at 31 December 2006.

The Group's total assets at 31 December 2006 were US$1,861 billion, an increase of US$359 billion, or 24 per cent, since 31 December 2005.

Financial statements for the year ended 31 December 2006 are prepared in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the EU. Comparative figures for 2005 are also prepared under IFRSs.

Geographical distribution of results

Figures in US$m	***Year ended 31 December 2006***		*Year ended 31 December 2005*	
Profit before tax				
		%		%
Europe	**6,974**	**31.5**	6,356	30.3
Hong Kong	**5,182**	**23.5**	4,517	21.5
Rest of Asia-Pacific	**3,527**	**16.0**	2,574	12.3
North America⸸	**4,668**	**21.1**	5,915	28.2
Latin America⸸	**1,735**	**7.9**	1,604	7.7
	22,086	**100.0**	20,966	100.0
Tax expense	**(5,215)**		(5,093)	
Profit for the year	**16,871**		15,873	
Profit attributable to shareholders of the parent company	**15,789**		15,081	
Profit attributable to minority interests	**1,082**		792	

⸸ *In 2006, Mexico and Panama were reclassified from the North America segment to Latin America. Comparative information has been restated accordingly. See note 1 on page 17.*

Distribution of results by customer group

Figures in US$m	***Year ended 31 December 2006***		*Year ended 31 December 2005*	
Profit before tax				
		%		%
Personal Financial Services	**9,457**	**42.8**	9,904	47.2
Commercial Banking	**5,997**	**27.2**	4,961	23.7
Corporate, Investment Banking and Markets	**5,806**	**26.3**	5,163	24.6
Private Banking	**1,214**	**5.5**	912	4.4
Other	**(388)**	**(1.8)**	26	0.1
	22,086	**100.0**	20,966	100.0

Comment by Stephen Green, Group Chairman

It is a testament to HSBC's strength and diversity that we grew pre-tax profits in 2006 to US$22 billion, despite a major setback in part of our mortgage business in the United States. For the third year running, return on average shareholders' equity exceeded 15 per cent, revenue growth was in double digits and we maintained an essentially flat cost-efficiency ratio. In 2006, pre-tax profits from Asia, the Middle East, Latin America and other emerging markets approached 50 per cent of the Group's total.

There were a number of outstanding achievements, for example, exceeding US$1 billion pre-tax profits for the first time in both Mexico and the Middle East, and in each of our Private Banking and Commercial Banking businesses in Asia outside Hong Kong. We added around an extra US$1 billion of pre-tax profits in Asia outside Hong Kong and another US$1 billion in our Commercial Banking businesses worldwide. In Hong Kong, net fee income from personal customers grew over 30 per cent to approach US$1 billion for the first time.

However, our pre-tax profits fell by US$725 million in our personal businesses in the United States. This was caused by one portfolio of purchased sub-prime mortgages in our US Consumer Finance subsidiary, Mortgage Services, which evidenced much higher delinquency than had been built into the pricing of these products. We are restructuring this business to avoid any repetition of the risk concentration that built up over the past two years. As part of this exercise we have effected broad changes in management and strengthened risk controls and processes.

Despite the issues in our US mortgage business, Group profit attributable to shareholders grew by 5 per cent to US$15,789 million. We met our objective of funding organic expansion through productivity improvements. To achieve this in a year of continuing investment in developing our distribution platforms and product capabilities is a tribute to the focus which HSBC's 312,000 staff around the world have placed on serving our customers.

Earnings continued to be well diversified both geographically and by customer group. Regionally, Asia, including Hong Kong, had record results as did our newly designated Latin American Region, which combines Mexico and Central America with our South American businesses. Within our customer groups, Commercial Banking again delivered a record performance, as did Private Banking and Corporate, Investment Banking and Markets, which made strong progress in the areas in which we have been investing in recent years. Personal Financial Services profits declined as growth in Asia and Latin America was masked by the problems in the US Mortgage Services business.

The Board has declared a fourth interim dividend of US$0.36 per share, taking the total dividend in respect of 2006 to US$0.81 per share, an increase of 11 per cent over the comparable payout last year. In sterling terms, dividend growth is 5 per cent. The fourth interim dividend is payable on 10 May 2007 to shareholders on the register on 23 March 2007 with a scrip dividend alternative available for shareholders who prefer this option.

Global economic trends and their impact on HSBC

Globalisation is determining how we think about positioning HSBC to take advantage of the changing pattern of economic flows. Historical patterns based on national boundaries are becoming less relevant. In aggregate, our operations within countries designated as emerging markets grew by 19 per cent in 2006, the third year running of high double-digit growth. However, this understates the importance of emerging markets to HSBC, as their influence is also significant to the results of our operations in developed economies. This reflects the growth in export flows to meet the infrastructure development needs of emerging markets and the reorganisation of global supply chains to optimise international resourcing. HSBC is strongly positioned to benefit from these trends. HSBC seeks to differentiate itself by taking developed market opportunities to emerging market customers and bringing emerging market products to developed investment markets. For example:

In Commercial Banking, we launched a new customer referral system, which led to international referrals with an aggregate facility value of US$3 billion, involving over 50 sites and 4,000 relationship managers.

Within Group Investment Businesses, the Group's India, China and BRIC (Brazil, Russia, India, China) funds were major contributors to a record performance in the year as we leveraged our reputation for emerging market expertise to become a major distributor as well as manager of such funds. Performance fees reached record levels.

In the UK, the Passport bank account provides individuals newly arrived in the UK with discounted remittance services back home together with guidance on establishing themselves in the UK.

Corporate, Investment Banking and Markets' strategy to be a leading wholesale bank by focusing on financing and emerging markets was recognised by industry awards including European Loan House of the Year, China Loan House of the Year and Asian Domestic Currency Bond House of the Year by International Financing Review. Our Global Markets business was named Best at Treasury and Risk Management in Asia by Euromoney for the ninth consecutive year.

Leveraging our global services

HSBC continued to deepen its relevance to its customer base by offering coordinated services on a worldwide scale. As the globalisation of business increasingly becomes the norm, international capabilities become more and more critical to an ever wider range of customers. We responded to this trend by developing our business in a number of ways.

Benefiting from growing international trade, the Group's payments and cash management business had a record year, particularly in Asia, as increasing numbers of commercial customers expanded internationally.

As emerging market stock exchanges outperformed, the Group's custody businesses benefited from the higher volumes and value flowing into emerging market equities. HSBC retained its position as the leading sub-custodian in Asia and the Middle East, being ranked first in 19 of the 28 markets it serves. Growth in both assets under custody and assets under administration exceeded 25 per cent, as interest in emerging market equities increased and the alternative fund management sector expanded.

The customer base of International Premier, the Group's personal banking service targeted at affluent customers with financial needs in more than one country, grew by 35 per cent to reach 1.8 million. We see great opportunities to develop this service further.

Cross-border distribution was a noteworthy feature of many HSBC-led debt capital market and equity capital market transactions. Highlights included: America Movil's 8 billion Mexican peso bond; Khazanah Nasional of Malaysia's US$750 million Islamic exchangeable 'Sukuk'; Emaar Economic City's US$680 million IPO in Saudi Arabia; and Shui On Land's US$876 million IPO in Hong Kong.

Transferring best practice

HSBC seeks to transfer best practice and product innovation internationally. Through such linkages, HSBC is able to achieve both cost efficiency and speed to market, giving us competitive advantages over purely domestic or regional peers. In 2006, we launched a number of successful initiatives.

Using Group technology and marketing expertise, we expanded the Group's card base in Asia by some 1.9 million to 11.9 million. In addition, Bank of Communications' cards business in mainland China, with which we cooperate reached over 2 million cards in issue at the end of the year from its launch in May 2005.

Also in mainland China, we cooperated with Bank of Communications in launching point of sale finance in partnership with Wal-Mart and SuNing, one of China's largest consumer electronics chain. In Argentina, our relationship with C&A added 100,000 cards, while in Australia we entered the retail storecard market and now offer point of sale finance in over 1,000 locations through over 100 merchants.

We took the successful direct retail deposit service introduced in the US at the end of 2005 and used the experience to launch in Taiwan in September 2006. In the first 15 weeks, over 24,000 customers had signed up for the service and US$182 million had been raised in deposits. In the US, by the end of 2006, the direct deposit product had raised some US$7 billion of funding for our businesses there.

Building on our experience of Takaful (Islamic insurance) in Singapore and United Arab Emirates, we were among the first to be awarded licences to conduct Takaful business in both Malaysia and Saudi Arabia during 2006.

Creating advantage from scale, technology and process engineering

We continue to make progress in streamlining our operations by focusing on straight through processing and simplifying our products.

During 2006, among other things, we introduced 2,300 advanced self-service terminals, added 13 countries to HSBCnet, which is our strategic internet platform for corporate and institutional clients and made over 900,000 online insurance sales.

HSBC in Mexico was the first bank to offer pre-approved online mortgages in 2006, allowing customers to apply and obtain details about amounts, duration and monthly payments within minutes.

In Hong Kong in the past four years, processing has been moved from the branches in favour of sales-related activities, with the result that less than 5 per cent of transactions are now being handled physically in the branches.

In the UK retail network, product simplification has reduced the range of products by two-thirds over the last two years which, together with branch relocation and refurbishment and adopting retail store hours, is having a positive impact on sales volumes.

Credit environment

The global credit environment, particularly in the corporate and commercial segments, remained generally favourable throughout 2006. In part, this continued to reflect a general abundance of liquidity and the prevalence of historically low nominal interest rates. A significant proportion of the trade surpluses of the major Asian exporting countries and the oil producers continued to be recycled into government debt in developed markets.

Consequently, risk premia remained at record low levels. This encouraged increasing interest in structured products and the acceptance of greater leverage as fixed income investors sought higher yielding assets. The risks arising from this activity were widely distributed using a range of market techniques.

The major credit issue affecting the Group in 2006 arose in the US in the sub-prime mortgage market. A slowdown in the rate of growth in US house prices accelerated delinquency trends in the US sub-prime mortgage market. Deterioration was marked in the more recent loans, as the absence of equity appreciation reduced customers' options for refinancing. Reduced refinancing options also highlighted the fact that, as adjustable rate mortgages reset over the next few years at higher interest rates than their original rates, the effect of the greater contractual payment obligations will lead to further delinquency.

We took these factors into account in determining the appropriate level of impairment allowances at 31 December 2006 against the Mortgage Services loan book. We factored into our allowances the most recent trends in delinquency and loss severity and estimated the effect of the higher payments due on adjustable rate mortgages as they reset, in particular where we hold a second lien mortgage behind an adjusting first mortgage. Going forward, the level of future impairment allowances will be sensitive to economic conditions and, in particular, to the state of the housing market, the level of interest rates and the availability of financing options for sub-prime borrowers.

Elsewhere in consumer finance in the US, the delinquency rate rose during the year, in large part due to the unusually low levels of delinquency at the end of 2005. This resulted from the effect of changes in bankruptcy law in the fourth quarter of 2005, portfolio ageing and the mix of the Metris portfolio acquired at the end of that year.

In UK Personal Financial Services, loan impairment charges as a percentage of lending remained broadly in line with last year, as actions taken on underwriting and collections mitigated the increasing trend of indebted customers to seek recourse in debt management services. Similarly, in Taiwan, measures taken to deal with the effect of mandatory regulatory relief from credit card debt, which increased impairment charges in the first half of 2006, reduced the charge in the second half of the year.

In the context of HSBC's financial strength and operating profitability, the areas of current weakness are well covered and they will not restrict our ability to develop our business opportunities as planned, or maintain our progressive dividend policy. They have, however, brought additional focus on the uncertain longevity of today's generally benign conditions and on the credit risks inherent in economies where asset prices are accelerating ahead of real wage rises and cash flows are being leveraged using financial products designed to support higher levels of debt. We will ensure that our credit appetite reflects these risks.

Group Strategy

As noted above, in 2006, pre-tax profits from Asia, the Middle East, Latin America and other emerging markets approached 50 per cent of the Group's total. We intend the contribution from these markets to trend upwards over the next five years. These economies are growing faster than developed markets and, therefore, we will concentrate investment primarily in these markets in the form of both organic development and acquisition.

During 2006, we brought together our businesses in Latin America into a single management framework to provide clarity and consistency of direction for this important region. Hong Kong and mainland China are already managed on a combined basis, reflecting the fact that this is increasingly a seamless business.

In mature markets, we will focus particularly on serving customers with international financial needs and connectivity, including the diaspora from emerging markets. In an increasingly competitive world, we will enforce tight cost control and will re-engineer or dispose of businesses that dilute our return on capital or do not fit with our core strategy. Insurance and retirement services will be a growing part of our business.

To deliver our strategy, we have articulated seven 'global pillars' – the actions we will take to build a financial services company based on the concept of recommendation, both as a place to work and a place to do business. Michael Geoghegan, Group CEO and the senior management team are leading this.

We will remain a broad-based universal bank, with four strategic businesses:

- **Personal Financial Services**, within which consumer finance will remain a core competence;
- **Corporate, Investment Banking and Markets**, which will be a leading wholesale bank by focusing on financial and emerging markets;
- **Commercial Banking**, for which our international service capabilities and connectivity provide a unique competitive platform; and
- **Private Banking**, with its broad international network and connectivity with the rest of the Group's businesses.

These businesses will be increasingly interconnected. In particular, as derivatives markets expand in product breadth and liquidity and as more risk is securitised globally, our Global Markets business will take a central role in the efficient management of HSBC's capital, risk and related profitability.

Investments in franchise development

In November 2006, we completed the acquisition of Grupo Banistmo S.A., the leading Central American banking group, adding operations in Panama, Colombia, Costa Rica, El Salvador, Honduras and Nicaragua to our existing operations in Mexico, Brazil, Argentina, Uruguay, Chile and Paraguay. HSBC is now one of the leading foreign banks in Latin America. Apart from Banistmo, 2006 was a year of only modest acquisition activity. Very few of the opportunities we examined met our hurdle rates.

Subsequent to the end of the year, we announced our intention to acquire, when regulations permit, a further 10 per cent stake in Techcombank, the third largest joint-stock bank in Vietnam, taking our ownership interest to 20 per cent as rules are relaxed to make higher levels of foreign ownership possible.

Organic investment

In 2006 in China, where we are the largest international bank, we opened 13 new offices, taking HSBC's total to 45. We made significant progress in developing our personal and commercial distribution platforms throughout Asia, the Middle East and Latin America. We added 25 consumer finance offices in India and 28 in Indonesia. We established a further 38 branches in Turkey and three in Malaysia. In Mexico our continuing development of our business added 2,000 new jobs, bringing the total of new jobs created since we acquired Bital to 8,000. We have also continued to invest in and improve our physical infrastructure in Mexico, with 372 ATMs added in 2006, bringing the total number to over 5,400.

The beginning of 2007 has been marked by our application to incorporate our operations in mainland China after 141 years of unbroken presence in the country. Today, HSBC offers renminbi deposit services in nine cities: Beijing, Dalian, Guangzhou, Qingdao, Shanghai, Shenzhen, Tianjin, Wuhan and Xiamen. The provision of diversified and international banking services to mainland Chinese citizens constitutes one of the most significant growth opportunities for HSBC in the near and long-term and we will support this opportunity with capital and technology resources as required.

Increasingly important to our ongoing success is our brand. Starting in 2007 we will progressively invest more to support and enhance the customer experience that drives the brand's strength.

Outlook

Although growth expectations in the US are moderating, the economic outlook elsewhere remains encouraging as globalisation expands market access and emerging markets grow stronger, forcing competitive restructuring. The financial markets are playing a major part in this realignment by financing the infrastructure needed to deliver the necessary energy and material resources from producer to consumer nations, and by facilitating trade flows. Additionally, financial markets are providing more sophisticated tools to help personal customers plan their long-term financial affairs, corporates to hedge their business risks and investors to manage their portfolio risks. The demand for financial services, therefore, remains strong, particularly for internationally linked services. This plays to HSBC's huge competitive strengths.

The most significant risks to continuing growth currently relate to political and macro events which are outside our control. Recognising that the effect of such risks materialising could be immediate and potentially severe, we remain strongly capitalised and liquid.

Our focus as we enter 2007 is resolutely on continuing to play to our strengths of linking emerging and developed markets and building comparative advantage by utilising our scale and our local and international reach. We continue to see opportunities to deploy capital profitably to the long-term advantage of shareholders and are committed to so doing.

2005 *US$m*	*Year ended 31 December*	*2006* *US$m*	*£m*	*HK$m*
	For the year			
20,966	Profit before tax	**22,086**	11,993	171,586
15,081	Profit attributable to shareholders of the parent company	**15,789**	8,573	122,665
7,750	Dividends	**8,769**	4,762	68,126
	At year-end			
92,432	Total shareholders' equity	**108,352**	55,151	842,545
105,449	Capital resources	**127,074**	64,681	988,127
809,146	Customer accounts and deposits by banks	**996,528**	507,233	7,749,002
1,501,970	Total assets	**1,860,758**	947,126	14,469,254
827,164	Risk-weighted assets	**938,678**	477,787	7,299,160

US$	**Per share**	***US$***	***£***	***HK$***
1.36	Basic earnings	**1.40**	0.76	10.88
1.35	Diluted earnings	**1.39**	0.75	10.80
0.69	Dividends[⌖]	**0.76**	0.41	5.90
8.03	Net asset value	**9.24**	4.70	71.85

	Share information			
11,334m	US$0.50 ordinary shares in issue	**11,572m**		
US$182bn	Market capitalisation	**US$212bn**		
£9.33	Closing market price per share	**£9.31**		
		Over 1 year	**Over 3 years**	**Over 5 years**
	Total shareholder return to 31 December 2006[⌖⌖]	**104.6**	**122.0**	**148.4**
	Benchmarks: FTSE 100	114.4	153.8	141.1
	MSCI World	105.8	139.9	122.4

⌖ *The fourth interim dividend for 2006 of US$0.36 per ordinary share is translated at the closing rate on 31 December 2006 (see note 11 on page 30). Where required, this dividend will be converted into sterling or Hong Kong dollars at the exchange rates on 30 April 2007 (see note 2 on page 17). Under IFRSs accounting rules, the dividend per share of US$0.76 shown in the accounts is the total of the dividends declared during 2006. This represents the fourth interim dividend for 2005 and the first, second and third interim dividends for 2006. As the fourth interim dividend for 2006 was declared in 2007 it will be reflected in the accounts for 2007.*

⌖⌖ *Total shareholder return ('TSR') is as defined in the Annual Report and Accounts 2006.*

2005	***Year ended 31 December***	***2006***
	Performance ratios (%)	
15.9	Return on average invested capital⌖	**14.9**
16.8	Return on average total shareholders' equity	**15.7**
1.06	Post-tax return on average total assets	**1.00**
2.01	Post-tax return on average risk-weighted assets	**1.93**
	Efficiency and revenue mix ratios	
51.2	Cost efficiency ratio	**51.3**
	As a percentage of total operating income:	
50.8	- Net interest income	**49.2**
23.4	- Net fee income	**24.5**
9.5	- Net trading income	**11.7**

⌖ *Return on invested capital is based on the profit attributable to ordinary shareholders. Average invested capital is measured as average total shareholders' equity after adding back goodwill previously written-off directly to reserves, deducting average equity preference shares issued by HSBC Holdings and deducting/(adding) average reserves for unrealised gains/(losses) on effective cash flow hedges and available-for-sale securities. This measure reflects capital initially invested and subsequent profit.*

31 December 2005		*Year ended 31 December 2006*		
US$m		***US$m***	***£m***	***HK$m***
60,094	Interest income	**75,879**	41,202	589,504
(28,760)	Interest expense	**(41,393)**	(22,476)	(321,582)
31,334	**Net interest income**	**34,486**	18,726	267,922
17,486	Fee income	**21,080**	11,447	163,771
(3,030)	Fee expense	**(3,898)**	(2,117)	(30,284)
14,456	**Net fee income**	**17,182**	9,330	133,487
3,656	Trading income excluding net interest income	**5,619**	3,052	43,654
2,208	Net interest income on trading activities	**2,603**	1,413	20,223
5,864	**Net trading income**	**8,222**	4,465	63,877
1,034	Net income from financial instruments designated at fair value	**657**	357	5,104
692	Gains less losses from financial investments	**969**	526	7,528
155	Dividend income	**340**	185	2,641
5,436	Net earned insurance premiums	**5,668**	3,078	44,035
2,733	Other operating income	**2,546**	1,381	19,780
61,704	**Total operating income**	**70,070**	38,048	544,374
(4,067)	Net insurance claims incurred and movement in policyholders' liabilities	**(4,704)**	(2,554)	(36,546)
57,637	**Net operating income before loan impairment charges and other credit risk provisions**	**65,366**	35,494	507,828
(7,801)	Loan impairment charges and other credit risk provisions	**(10,573)**	(5,741)	(82,141)
49,836	**Net operating income**	**54,793**	29,753	425,687
(16,145)	Employee compensation and benefits	**(18,500)**	(10,045)	(143,726)
(11,183)	General and administrative expenses	**(12,823)**	(6,963)	(99,622)
(1,632)	Depreciation and amortisation of property, plant and equipment	**(1,514)**	(822)	(11,762)
(554)	Amortisation and impairment of intangible assets	**(716)**	(389)	(5,563)
(29,514)	**Total operating expenses**	**(33,553)**	(18,219)	(260,673)
20,322	**Operating profit**	**21,240**	11,534	165,014
644	Share of profit in associates and joint ventures	**846**	459	6,572
20,966	**Profit before tax**	**22,086**	11,993	171,586
(5,093)	Tax expense	**(5,215)**	(2,832)	(40,515)
15,873	**Profit for the year**	**16,871**	9,161	131,071
15,081	**Profit attributable to shareholders of the parent company**	**15,789**	8,573	122,665
792	Profit attributable to minority interests	**1,082**	588	8,406

At 31 December 2005 US$m		***At 31 December 2006 US$m***	***£m***	***HK$m***
	ASSETS			
13,712	Cash and balances at central banks	**12,732**	6,481	99,004
11,300	Items in the course of collection from other banks	**14,144**	7,199	109,984
12,554	Hong Kong Government certificates of indebtedness	**13,165**	6,701	102,371
232,909	Trading assets	**328,147**	167,027	2,551,671
15,046	Financial assets designated at fair value	**20,573**	10,472	159,976
73,928	Derivatives	**103,702**	52,784	806,387
125,965	Loans and advances to banks	**185,205**	94,269	1,440,154
740,002	Loans and advances to customers	**868,133**	441,880	6,750,602
182,342	Financial investments	**204,806**	104,246	1,592,571
7,249	Interests in associates and joint ventures	**8,396**	4,274	65,287
33,200	Goodwill and intangible assets	**37,335**	19,004	290,317
15,206	Property, plant and equipment	**16,424**	8,360	127,713
26,596	Other assets	**33,444**	17,022	260,061
11,961	Prepayments and accrued income	**14,552**	7,407	113,156
1,501,970	Total assets	**1,860,758**	947,126	14,469,254

At 31 December 2005 US$m		*At 31 December 2006 US$m*	*£m*	*HK$m*
	LIABILITIES AND EQUITY			
	Liabilities			
12,554	Hong Kong currency notes in circulation	**13,165**	6,701	102,371
69,727	Deposits by banks	**99,694**	50,744	775,221
739,419	Customer accounts	**896,834**	456,489	6,973,781
7,022	Items in the course of transmission to other banks	**12,625**	6,426	98,172
174,365	Trading liabilities	**226,608**	115,343	1,762,104
61,829	Financial liabilities designated at fair value	**70,211**	35,737	545,961
74,036	Derivatives	**101,478**	51,652	789,093
188,072	Debt securities in issue	**230,325**	117,235	1,791,007
4,869	Retirement benefit liabilities	**5,555**	2,827	43,196
26,515	Other liabilities	**29,824**	15,183	231,910
14,144	Liabilities under insurance contracts issued	**17,670**	8,994	137,402
12,689	Accruals and deferred income	**16,310**	8,302	126,827
1,966	Provisions	**2,859**	1,455	22,232
16,537	Subordinated liabilities	**22,672**	11,540	176,297
1,403,744	Total liabilities	**1,745,830**	888,628	13,575,574
	Equity			
5,667	Called up share capital	**5,786**	2,945	44,992
6,896	Share premium account	**7,789**	3,965	60,567
23,646	Other reserves	**29,380**	14,954	228,459
56,223	Retained earnings	**65,397**	33,287	508,527
92,432	Total shareholders' equity	**108,352**	55,151	842,545
5,794	Minority interests	**6,576**	3,347	51,135
98,226	Total equity	**114,928**	58,498	893,680
1,501,970	Total equity and liabilities	**1,860,758**	947,126	14,469,254

2005 US$m	Year ended 31 December	2006 US$m
	Available-for-sale investments:	
(400)	- Fair value changes taken to equity	**1,582**
(240)	- Fair value changes transferred to income statement on disposal or impairment	**(644)**
	Cash flow hedges:	
(92)	- Fair value changes taken to equity	**1,554**
(106)	- Fair value changes transferred to income statement	**(2,198)**
161	Share of changes in equity of associates and joint ventures	**20**
(4,257)	Exchange differences	**4,675**
(812)	Actuarial losses on post-employment benefits	**(78)**
(5,746)		**4,911**
437	Net deferred tax on items taken directly to equity	**(44)**
15,873	Profit for the year	**16,871**
10,564	Total recognised income and expense for the year	**21,738**
	Effect of change in accounting policy:	
(8,824)	IFRSs transition adjustment at 1 January 2005	**-**
1,740		**21,738**
	Total recognised income and expense for the year attributable to:	
9,912	- Shareholders of the parent company	**20,527**
652	- Minority interests	**1,211**
10,564		**21,738**

	Year ended 31 December	
	2006	2005
	US$m	US$m
Cash flows from operating activities		
Profit before tax	**22,086**	20,966
Adjustments for:		
Non-cash items included in net profit	**14,956**	11,404
Change in operating assets	**(173,269)**	(91,753)
Change in operating liabilities	**237,378**	72,212
Elimination of exchange differences	**(12,114)**	2,580
Net gain from investing activities	**(2,014)**	(692)
Share of profits in associates and joint ventures	**(846)**	(644)
Dividends received from associates	**97**	114
Contribution paid to defined benefit pension obligations	**(547)**	(2,547)
Tax paid	**(4,946)**	(4,619)
Net cash from operating activities	**80,781**	7,021
Cash flows from investing activities		
Purchase of financial investments	**(286,316)**	(378,103)
Proceeds from the sale of financial investments	**273,774**	368,696
Purchase of property, plant and equipment	**(2,400)**	(2,887)
Proceeds from the sale of property, plant and equipment	**2,504**	620
Purchase of intangible assets	**(852)**	(849)
Net cash outflow from acquisition of and increase in stake of subsidiaries	**(1,185)**	(1,662)
Net cash inflow from disposal of subsidiaries	**62**	705
Net cash outflow from acquisition of and increase in stake of associates	**(585)**	(2,569)
Proceeds from disposal of associates	**874**	422
Net cash used in investing activities	**(14,124)**	(15,627)
Cash flows from financing activities		
Issue of ordinary share capital	**1,010**	690
Issue of preference shares	**374**	1,298
Net purchases and sales of own shares for market-making purposes	**46**	(55)
Purchases of own shares to meet share awards and share option awards	**(575)**	(766)
Own shares released on vesting of share awards and exercise of options	**173**	277
Subordinated loan capital issued	**5,948**	2,093
Subordinated loan capital repaid	**(903)**	(1,121)
Dividends paid to the shareholders of the parent company	**(5,927)**	(5,935)
Dividends paid to minority interests - equity	**(710)**	(508)
- non-equity	**-**	-
Net cash (used in)/from financing activities	**(564)**	(4,027)
Net (decrease)/increase in cash and cash equivalents	**66,093**	(12,633)
Cash and cash equivalents at 1 January	**141,307**	160,956
Exchange differences in respect of cash and cash equivalents	**8,086**	(7,016)
Cash and cash equivalents at 31 December	**215,486**	141,307

1. Accounting policies

The consolidated financial statements of HSBC and the separate financial statements of HSBC Holdings have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the EU. EU-endorsed IFRSs may differ from IFRSs as published by the International Accounting Standards Board ('IASB') if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2006, there were no unendorsed standards effective for the year ended 31 December 2006 affecting these consolidated and separate financial statements, and there was no difference in application to HSBC between IFRSs endorsed by the EU and IFRSs issued by the IASB.

IFRSs comprise accounting standards issued by the IASB and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

IFRSs significant accounting policies applicable to the consolidated and the separate financial statements of HSBC Holdings can be found in Notes 1 and 2 of the Annual Report and Accounts.

During 2006, HSBC changed how certain of its geographical segments are managed and their performance assessed. As a result, a new segment, Latin America and the Caribbean ('Latin America'), was formed from the Group's businesses previously reported under South America, and those in Mexico and Panama which had been previously reported as part of the North America geographical segment. All prior period comparative data have been restated to conform to the current year presentation.

On 1 January 2006, HSBC adopted 'Amendments to IAS 39 and IFRS 4 – Financial Guarantee Contracts', 'Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation', and 'Amendment to IAS 39 – Cash Flow Hedge Accounting of Forecast Intragroup Transactions'. The application of these amendments had no significant effect on the consolidated or separate financial statements.

On 1 January 2006, HSBC adopted 'IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies', 'IFRIC 8 Scope of IFRS 2' and 'IFRIC 9 Reassessment of Embedded Derivatives' ahead of their effective dates. The application of these interpretations had no significant effect on the consolidated or separate financial statements.

2. Dividends

On 5 March 2007, the Directors declared a fourth interim dividend for 2006 of US$0.36 per ordinary share, a distribution of US$4,171 million. The dividend will be payable on 10 May 2007 to holders of ordinary shares on the Register at the close of business on 23 March 2007. 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 11am on 30 April 2007, and with a scrip dividend alternative. Particulars of these arrangements will be mailed to shareholders on or about 3 April 2007, and elections will be required to be made by 26 April 2007. As this dividend was declared after the balance sheet date, it has not been included in 'Other liabilities' at 31 December 2006.

The dividend on ordinary shares held through Euroclear France, the settlement and central depositary system for Euronext Paris, will be payable on 10 May 2007 to the holders of record on 23 March 2007. The dividend will be payable in cash, in euros at the forward exchange rate quoted by HSBC France on 30 April 2007 or as a scrip dividend. Particulars of these arrangements will be announced through Euronext Paris on 22 March 2007 and 28 March 2007.

The dividend on American Depositary Shares ('ADSs'), each of which represents five ordinary shares, will be payable on 10 May 2007 to holders of record on 23 March 2007. The dividend of US$1.80 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 30 March 2007, and elections must be received by the depositary by 20 April 2007. Alternatively, the cash dividend may be invested in additional ADSs for participants in the dividend reinvestment plan operated by the depositary.

The Company's shares will be quoted ex-dividend in London, Hong Kong and Bermuda on 21 March 2007 and in Paris on 26 March 2007. The ADSs will be quoted ex-dividend in New York on 21 March 2007.

Dividends declared on HSBC Holdings shares during 2006 were as follows:

	2006			2005			2004		
	Per share US$	**Total US$m**	**Settled in scrip US$m**	Per share US$	Total US$m	Settled in scrip US$m	Per share US$	Total US$m	Settled in scrip US$m
Dividends declared on ordinary shares									
Fourth interim dividend in respect of previous year	**0.310**	**3,513**	**1,542**	0.270	3,007	431	–	–	–
First interim dividend in respect of current year	**0.150**	**1,712**	**248**	0.140	1,563	677	0.130	1,425	747
Second interim dividend in respect of current year	**0.150**	**1,724**	**515**	0.140	1,574	311	0.130	1,436	746
Third interim dividend in respect of current year	**0.150**	**1,730**	**223**	0.140	1,585	392	0.130	1,444	255
Third interim dividend in respect of previous year	**–**	**–**	**–**	–	–	–	0.240	2,627	346
	0.760	**8,679**	**2,528**	0.690	7,729	1,811	0.630	6,932	2,094

	Per share US$	**Total US$m**	Per share US$	Total US$m	Per share US$	Total US$m
Quarterly dividends on preference share capital						
March dividend	**15.50**	**22**	–	–	–	–
June dividend	**15.50**	**23**	–	–	–	–
September dividend	**15.50**	**22**	–	–	–	–
December dividend	**15.50**	**23**	14.29	21	–	–
	62.00	**90**	14.29	21	–	–

On 12 February 2007, the Directors declared a dividend of US$15.50 per 6.20 per cent non-cumulative US dollar preference share (Series A dollar preference share), equivalent to a dividend of US$0.3875 per Series A American Depositary Share, each of which represents one-fortieth of a Series A dollar preference share. The dividend is payable on 15 March 2007 to the holder of record on 1 March 2007.

3. Earnings and dividends per ordinary share

Figures in US$	***Year ended 31 December*** ***2006***	*2005*
Basic earnings per ordinary share	**1.40**	1.36
Diluted earnings per ordinary share	**1.39**	1.35
Dividends per ordinary share	**0.76**	0.69
Dividend pay out ratio ⌖	**54%**	51%

⌖ *Dividends per ordinary share expressed as a percentage of earnings per share.*

Basic earnings per ordinary share was calculated by dividing the earnings of US$15,699 million by the weighted average number of ordinary shares outstanding, excluding own shares held, of 11,210 million shares (2005: earnings of US$15,060 million and 11,038 million shares).

Figures in US$m	***Year ended 31 December*** ***2006***	*2005*
Profit attributable to shareholders of the parent company	**15,789**	15,081
Dividend payable on preference shares classified as equity	**(90)**	(21)
Profit attributable to the ordinary shareholders of the parent company	**15,699**	15,060

Diluted earnings per share was calculated by dividing the basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares (including share options outstanding not yet exercised), 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 ordinary conversion of all the dilutive potential ordinary shares in 2006 of 11,320 million shares (2005: 11,171 million shares).

4. Taxation

Figures in US$m	***Year ended 31 December*** ***2006***	*2005*
UK corporation tax charge	**650**	692
Overseas taxation	**4,552**	3,993
Current taxation	**5,202**	4,685
Deferred taxation	**13**	408
Total charge for taxation	**5,215**	5,093
Effective tax rate	**23.6%**	24.3%

HSBC Holdings and its subsidiaries in the United Kingdom provided for UK corporation tax at 30 per cent (2005: 30 per cent). Overseas tax included Hong Kong profits tax of US$751 million (2005: US$639 million) provided at the rate of 17.5 per cent (2005: 17.5 per cent) on the profits assessable in Hong Kong. Other overseas subsidiaries and overseas branches provided for taxation at the appropriate rates in the countries in which they operate.

Analysis of overall tax expense

Figures in US$m	***Year ended 31 December*** ***2006***	*2005*
Taxation at UK corporate tax rate of 30 per cent (2005: 30 per cent)	**6,626**	6,290
Impact of overseas profits in principal locations taxed at different rates	**(568)**	(342)
Tax-free gains	**(199)**	(220)
Adjustments in respect of prior period liabilities	**(106)**	(187)
Low income housing credits	**(108)**	(110)
Other items	**(177)**	(145)
Effect of profits from associates and joint ventures	**(253)**	(193)
Overall tax charge	**5,215**	5,093

5. Capital resources

	At 31 December	
	2006	*2005*
Capital ratios (%)		
Total capital ratio	**13.5**	12.8
Tier 1 capital ratio	**9.4**	9.0
Composition of capital		
Figures in US$m		
Tier 1:		
Shareholders' funds	**108,352**	92,432
Minority interests and preference shares	**7,413**	6,741
Innovative tier 1 securities	**9,932**	9,383
Less: Goodwill capitalised and intangible assets	**(36,489)**	(32,821)
Other regulatory adjustments	**(1,366)**	(1,332)
Total qualifying tier 1 capital	**87,842**	74,403
Tier 2:		
Reserves arising from revaluation of property and unrealised gains in AFS equities	**2,982**	1,593
Collective impairment allowances	**11,077**	8,749
Perpetual subordinated debt	**3,396**	3,640
Term subordinated debt	**30,677**	24,519
Minority and other interests in tier 2 capital	**425**	425
Total qualifying tier 2 capital	**48,557**	38,926
Unconsolidated investments	**(7,512)**	(6,437)
Investments in other banks	**(1,419)**	(1,147)
Other deductions	**(394)**	(296)
Total capital	**127,074**	105,449
Total risk-weighted assets	**938,678**	827,164

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

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6. Notes on cash flow statement

Figures in US$m	***Year ended 31 December*** ***2006***	*2005*
(a) Non-cash items included in net profit		
Depreciation and amortisation and impairment	**2,528**	2,213
Revaluations on investment property	**(164)**	(201)
Loan impairment losses gross of recoveries	**11,331**	8,295
Provisions for liabilities and charges	**498**	327
Impairment of financial investments	**21**	-
Charge for defined benefit pension schemes	**664**	676
Accretion of discounts and amortisation of premiums	**(776)**	(446)
Share-based payment expense	**854**	540
	14,956	11,404
(b) Change in operating assets		
Change in prepayments and accrued income	**(2,478)**	7,121
Change in net trading securities and net derivatives	**(13,620)**	4,940
Change in loans and advances to banks	**(11,505)**	307
Change in loans and advances to customers	**(132,987)**	(80,150)
Change in financial assets designated at fair value	**(4,883)**	(15,048)
Change in other assets	**(7,796)**	(8,923)
	(173,269)	(91,753)
(c) Change in operating liabilities		
Change in accruals and deferred income	**3,549**	(3,810)
Change in deposits by banks	**28,378**	(14,328)
Change in customer accounts	**149,849**	46,394
Change in debt securities in issue	**42,253**	(19,047)
Change in financial liabilities designated at fair value	**8,382**	61,837
Change in other liabilities	**4,967**	1,166
	237,378	72,212
(d) Cash and cash equivalents comprise		
Cash and balances at central banks	**12,732**	13,712
Items in the course of collection from other banks	**14,144**	11,300
Loans and advances to banks of one month or less	**162,998**	100,527
Treasury bills, other bills and certificates of deposit less than three months	**38,237**	22,790
Less: items in the course of transmission to other banks	**(12,625)**	(7,022)
Total cash and cash equivalents	**215,486**	141,307

7. Loan impairment charges

Figures in US$m	***2006 Half-year ended*** ***30 June***	***31 December***	***2006***	*2005 Half-year ended* *30 June*	*31 December*	*2005*
By category:						
Loan impairment charge						
Individually assessed impairment allowances:						
- Net new allowances	**253**	**333**	**586**	245	472	717
- Recoveries	**(75)**	**(53)**	**(128)**	(83)	(116)	(199)
	178	**280**	**458**	162	356	518
Collectively assessed impairment allowances:						
- Net new allowances	**3,986**	**6,754**	**10,740**	3,264	4,373	7,637
- Recoveries	**(268)**	**(383)**	**(651)**	(139)	(156)	(295)
	3,718	**6,371**	**10,089**	3,125	4,217	7,342
Total charge for impairment losses	**3,896**	**6,651**	**10,547**	3,287	4,573	7,860
Customers	**3,896**	**6,654**	**10,550**	3,291	4,576	7,867
Banks	**-**	**(3)**	**(3)**	(4)	(3)	(7)

8. Analysis of net fee income

	2006 Half-year ended			*2005 Half-year ended*		
Figures in US$m	***30 June***	***31 December***	***2006***	*30 June*	*31 December*	*2005*
Account services	**1,688**	**1,945**	**3,633**	1,522	1,610	3,132
Credit facilities	**462**	**460**	**922**	504	376	880
Remittances	**223**	**249**	**472**	193	203	396
Cards	**2,642**	**3,066**	**5,708**	2,085	2,614	4,699
Imports/Exports	**383**	**397**	**780**	357	365	722
Underwriting	**150**	**136**	**286**	147	127	274
Insurance	**533**	**484**	**1,017**	558	524	1,082
Mortgage servicing	**47**	**50**	**97**	37	39	76
Trust income	**113**	**135**	**248**	108	91	199
Broking income	**728**	**626**	**1,354**	529	575	1,104
Global custody	**423**	**374**	**797**	310	346	656
Maintenance income on operating leases	**59**	**63**	**122**	99	81	180
Funds under management	**1,571**	**1,147**	**2,718**	874	957	1,831
Unit trusts	**265**	**255**	**520**	223	165	388
Corporate finance	**95**	**160**	**255**	124	87	211
Other	**1,059**	**1,092**	**2,151**	888	768	1,656
Total fee income	**10,441**	**10,639**	**21,080**	8,558	8,928	17,486
Less: fees expense	**(2,061)**	**(1,837)**	**(3,898)**	(1,514)	(1,516)	(3,030)
Net fee income	**8,380**	**8,802**	**17,182**	7,044	7,412	14,456

9. Geographical distribution of results

HSBC European Operations

Figures in US$m	***2006 Half-year ended*** ***30 June***	***31 December***	***2006***	*2005 Half-year ended* *30 June*	*31 December*	*2005*
Interest income	**11,765**	**13,484**	**25,249**	10,458	10,565	21,023
Interest expense	**(7,671)**	**(9,289)**	**(16,960)**	(6,402)	(6,400)	(12,802)
Net interest income	**4,094**	**4,195**	**8,289**	4,056	4,165	8,221
Fee income	**4,874**	**4,709**	**9,583**	4,141	3,940	8,081
Fee expense	**(1,361)**	**(1,114)**	**(2,475)**	(982)	(800)	(1,782)
Net fee income	**3,513**	**3,595**	**7,108**	3,159	3,140	6,299
Net trading income	**2,187**	**2,342**	**4,529**	1,385	1,651	3,036
Net income from financial instruments designated at fair value	**129**	**15**	**144**	224	138	362
Gains less losses from financial investments	**266**	**358**	**624**	209	230	439
Dividend income	**121**	**62**	**183**	42	21	63
Net earned insurance premiums	**668**	**630**	**1,298**	870	729	1,599
Other operating income	**633**	**795**	**1,428**	731	872	1,603
Total operating income	**11,611**	**11,992**	**23,603**	10,676	10,946	21,622
Net insurance claims incurred and movement in policyholders' liabilities	**(287)**	**(244)**	**(531)**	(502)	(316)	(818)
Net operating income before loan impairment charges and other credit risk provisions	**11,324**	**11,748**	**23,072**	10,174	10,630	20,804
Loan impairment charges and other credit risk provisions	**(935)**	**(1,220)**	**(2,155)**	(933)	(996)	(1,929)
Net operating income	**10,389**	**10,528**	**20,917**	9,241	9,634	18,875
Total operating expenses	**(6,723)**	**(7,148)**	**(13,871)**	(6,364)	(6,275)	(12,639)
Operating profit	**3,666**	**3,380**	**7,046**	2,877	3,359	6,236
Share of profit in associates and joint ventures	**(66)**	**(6)**	**(72)**	9	111	120
Profit before tax	**3,600**	**3,374**	**6,974**	2,886	3,470	6,356

HSBC Hong Kong Operations

Figures in US$m	***2006 Half-year ended*** ***30 June***	***31 December***	***2006***	*2005 Half-year ended* *30 June*	*31 December*	*2005*
Interest income	**5,207**	**5,890**	**11,097**	3,168	4,251	7,419
Interest expense	**(3,049)**	**(3,363)**	**(6,412)**	(1,149)	(2,206)	(3,355)
Net interest income	**2,158**	**2,527**	**4,685**	2,019	2,045	4,064
Fee income	**1,197**	**1,251**	**2,448**	976	991	1,967
Fee expense	**(197)**	**(195)**	**(392)**	(134)	(159)	(293)
Net fee income	**1,000**	**1,056**	**2,056**	842	832	1,674
Net trading income	**306**	**311**	**617**	380	166	546
Net income from financial instruments designated at fair value	**6**	**254**	**260**	(21)	15	(6)
Gains less losses from financial investments	**122**	**40**	**162**	65	43	108
Dividend income	**59**	**2**	**61**	29	12	41
Net earned insurance premiums	**1,317**	**1,311**	**2,628**	866	1,468	2,334
Other operating income	**443**	**391**	**834**	423	382	805
Total operating income	**5,411**	**5,892**	**11,303**	4,603	4,963	9,566
Net insurance claims incurred and movement in policyholders' liabilities	**(1,193)**	**(1,506)**	**(2,699)**	(751)	(1,308)	(2,059)
Net operating income before loan impairment charges and other credit risk provisions	**4,218**	**4,386**	**8,604**	3,852	3,655	7,507
Loan impairment charges and other credit risk provisions	**(70)**	**(102)**	**(172)**	(56)	(90)	(146)
Net operating income	**4,148**	**4,284**	**8,432**	3,796	3,565	7,361
Total operating expenses	**(1,504)**	**(1,765)**	**(3,269)**	(1,381)	(1,486)	(2,867)
Operating profit	**2,644**	**2,519**	**5,163**	2,415	2,079	4,494
Share of profit in associates and joint ventures	**10**	**9**	**19**	4	19	23
Profit before tax	**2,654**	**2,528**	**5,182**	2,419	2,098	4,517

HSBC Rest of Asia-Pacific Operations

Figures in US$m	***2006 Half-year ended 30 June***	***31 December***	***2006***	*2005 Half-year ended 30 June*	*31 December*	*2005*
Interest income	**3,548**	**4,145**	**7,693**	2,669	3,004	5,673
Interest expense	**(2,069)**	**(2,577)**	**(4,646)**	(1,512)	(1,749)	(3,261)
Net interest income	**1,479**	**1,568**	**3,047**	1,157	1,255	2,412
Fee income	**949**	**963**	**1,912**	763	856	1,619
Fee expense	**(164)**	**(126)**	**(290)**	(131)	(148)	(279)
Net fee income	**785**	**837**	**1,622**	632	708	1,340
Net trading income	**551**	**630**	**1,181**	387	473	860
Net income from financial instruments designated at fair value	**(5)**	**84**	**79**	14	44	58
Gains less losses from financial investments	**27**	**14**	**41**	2	16	18
Dividend income	**-**	**5**	**5**	4	1	5
Net earned insurance premiums	**89**	**85**	**174**	29	126	155
Other operating income	**288**	**477**	**765**	131	204	335
Total operating income	**3,214**	**3,700**	**6,914**	2,356	2,827	5,183
Net insurance claims incurred and movement in policyholders' liabilities	**(63)**	**(129)**	**(192)**	(37)	(129)	(166)
Net operating income before loan impairment charges and other credit risk provisions	**3,151**	**3,571**	**6,722**	2,319	2,698	5,017
Loan impairment charges and other credit risk provisions	**(271)**	**(241)**	**(512)**	(23)	(111)	(134)
Net operating income	**2,880**	**3,330**	**6,210**	2,296	2,587	4,883
Total operating expenses	**(1,609)**	**(1,939)**	**(3,548)**	(1,264)	(1,498)	(2,762)
Operating profit	**1,271**	**1,391**	**2,662**	1,032	1,089	2,121
Share of profit in associates and joint ventures	**386**	**479**	**865**	248	205	453
Profit before tax	**1,657**	**1,870**	**3,527**	1,280	1,294	2,574

HSBC North American Operations

Figures in US$m	***2006 Half-year ended*** **30 June**	**31 December**	**2006**	*2005 Half-year ended* 30 June	31 December	2005
Interest income	**13,514**	**14,445**	**27,959**	10,886	11,303	22,189
Interest expense	**(6,518)**	**(7,173)**	**(13,691)**	(4,315)	(4,579)	(8,894)
Net interest income	**6,996**	**7,272**	**14,268**	6,571	6,724	13,295
Fee income	**2,702**	**2,909**	**5,611**	2,149	2,456	4,605
Fee expense	**(390)**	**(455)**	**(845)**	(300)	(353)	(653)
Net fee income	**2,312**	**2,454**	**4,766**	1,849	2,103	3,952
Net trading income	**959**	**399**	**1,358**	450	435	885
Net income from financial instruments designated at fair value	**24**	**(87)**	**(63)**	284	150	434
Gains less losses from financial investments	**40**	**18**	**58**	39	8	47
Dividend income	**39**	**46**	**85**	18	23	41
Net earned insurance premiums	**238**	**254**	**492**	228	249	477
Other operating income	**364**	**558**	**922**	220	422	642
Total operating income	**10,972**	**10,914**	**21,886**	9,659	10,114	19,773
Net insurance claims incurred and movement in policyholders' liabilities	**(117)**	**(142)**	**(259)**	(120)	(112)	(232)
Net operating income before loan impairment charges and other credit risk provisions	**10,855**	**10,772**	**21,627**	9,539	10,002	19,541
Loan impairment charges and other credit risk provisions	**(2,172)**	**(4,624)**	**(6,796)**	(2,030)	(2,886)	(4,916)
Net operating income	**8,683**	**6,148**	**14,831**	7,509	7,116	14,625
Total operating expenses	**(4,973)**	**(5,220)**	**(10,193)**	(4,288)	(4,470)	(8,758)
Operating profit	**3,710**	**928**	**4,638**	3,221	2,646	5,867
Share of profit in associates and joint ventures	**31**	**(1)**	**30**	46	2	48
Profit before tax	**3,741**	**927**	**4,668**	3,267	2,648	5,915

HSBC Latin America Operations

Figures in US$m	***2006 Half-year ended***			*2005 Half-year ended*		
	30 June	***31 December***	***2006***	*30 June*	*31 December*	*2005*
Interest income	**3,497**	**3,792**	**7,289**	3,498	2,635	6,133
Interest expense	**(1,493)**	**(1,599)**	**(3,092)**	(1,984)	(807)	(2,791)
Net interest income	**2,004**	**2,193**	**4,197**	1,514	1,828	3,342
Fee income	**933**	**1,042**	**1,975**	684	797	1,481
Fee expense	**(163)**	**(182)**	**(345)**	(122)	(168)	(290)
Net fee income	**770**	**860**	**1,630**	562	629	1,191
Net trading income	**258**	**279**	**537**	289	248	537
Net income from financial instruments designated at fair value	**106**	**131**	**237**	46	140	186
Gains less losses from financial investments	**38**	**46**	**84**	39	41	80
Dividend income	**3**	**3**	**6**	2	3	5
Net earned insurance premiums	**522**	**554**	**1,076**	403	468	871
Other operating income	**41**	**50**	**91**	58	228	286
Total operating income	**3,742**	**4,116**	**7,858**	2,913	3,585	6,498
Net insurance claims incurred and movement in policyholders' liabilities	**(489)**	**(534)**	**(1,023)**	(350)	(442)	(792)
Net operating income before loan impairment charges and other credit risk provisions	**3,253**	**3,582**	**6,835**	2,563	3,143	5,706
Loan impairment charges and other credit risk provisions	**(442)**	**(496)**	**(938)**	(235)	(441)	(676)
Net operating income	**2,811**	**3,086**	**5,897**	2,328	2,702	5,030
Total operating expenses	**(1,946)**	**(2,220)**	**(4,166)**	(1,540)	(1,886)	(3,426)
Operating profit	**865**	**866**	**1,731**	788	816	1,604
Share of profit in associates and joint ventures	**-**	**4**	**4**	-	-	-
Profit before tax	**865**	**870**	**1,735**	788	816	1,604

10. Registers of shareholders

The Overseas Branch Register of shareholders in Hong Kong will be closed for one day on Friday 23 March 2007. 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 4.00pm on Thursday 22 March 2007 in order to receive the fourth interim dividend for 2006, which will be payable on Thursday 10 May 2007. 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 4.00pm on Friday 23 March 2007 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 4.00pm on Friday 23 March 2007 in order to receive the dividend.

Transfers of American Depositary Shares should be lodged with the depositary by 12 noon on Friday 23 March 2007 in order to receive the dividend.

11. Foreign currency amounts

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

Year end		***31 December 2006***	*31 December 2005*
Closing :	HK$/US$	**7.776**	7.754
	£/US$	**0.509**	0.581
Average :	HK$/US$	**7.769**	7.778
	£/US$	**0.543**	0.550

12. Litigation

HSBC is party to legal actions in a number of jurisdictions including the UK, Hong Kong and the US, arising out of its normal business operations. HSBC considers that none of the actions is regarded as material, and none is expected to result in a significant adverse effect on the financial position of HSBC, either individually or in the aggregate. Management believes that adequate provisions have been made in respect of such litigation. HSBC has not disclosed any contingent liability associated with these legal actions because it is not practicable to do so.

13. Dealings in HSBC Holdings plc shares

Except for dealings as intermediaries by HSBC Bank plc, HSBC Financial Products (France) and The Hongkong and Shanghai Banking Corporation Limited, which are members of a European Economic Area exchange, neither the Company nor any subsidiaries has bought, sold or redeemed any securities of the Company during the year ended 31 December 2006.

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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 2006 will be delivered to the Registrar of Companies in England and Wales in accordance with Section 242 of the Act. The auditor has reported on those accounts. Its report was unqualified and did not contain a statement under Section 237(2) or (3) of the Act.

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15. Forward-looking statements

This news release contains certain forward-looking statements with respect to the financial condition, results of operations and business of HSBC. These forward-looking statements represent HSBC'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'.

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16. Corporate governance

HSBC is committed to high standards of corporate governance. HSBC Holdings plc has complied throughout 2006 with the applicable code provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council ('the Combined Code'), save for code provision A.2.2 as the Group Chairman did not on appointment meet the Combined Code's independence criteria. On 26 May 2006 S K Green, who had previously served as Group Chief Executive, became Group Chairman. In accordance with the provisions of the Combined Code in the circumstance where a Chief Executive becomes Chairman, the Board consulted major shareholders in advance of the appointment. Sir Brian Moffat, the senior independent non-executive Director and the Chairman of the Nomination Committee, wrote to all shareholders to explain the Board's decision and the reasons for the appointment.

HSBC Holdings plc has complied throughout 2006 with all applicable code provisions of the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

16. Corporate governance *(continued)*

The Board of HSBC Holdings plc has adopted a code of conduct for transactions in HSBC Group securities by Directors that complies with The Model Code in the Listing Rules of the Financial Services Authority and with The Model Code for Securities Transactions by Directors of Listed Issuers ('Hong Kong Model Code') set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited save that The Stock Exchange of Hong Kong has granted certain waivers from strict compliance with the Hong Kong Model Code, primarily to take into account accepted practices in the UK, particularly in respect of employee share plans. Following a specific enquiry, each Director has confirmed he or she has complied with the code of conduct for transactions in HSBC Group securities throughout 2006.

The Directors of HSBC Holdings plc are:
Baroness Dunn*, Sir Brian Moffat†, S K Green, Lord Butler†, R K F Ch'ien†, J D Coombe†, R A Fairhead†, D J Flint, W K L Fung†, M F Geoghegan, S Hintze†, J W J Hughes-Hallett†, Sir Mark Moody-Stuart†, G Morgan†, S W Newton†, S M Robertson†, H Sohmen*, and Sir Brian Williamson†.

* Non-executive Director
† Independent non-executive Director

The Group Audit Committee has reviewed the annual results for 2006.

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17. Annual Review and Annual Report and Accounts

The *Annual Review 2006* and/or *Annual Report and Accounts 2006* will be mailed to shareholders on or about Tuesday 3 April 2007. Copies may be obtained from Group Communications, 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; Employee Communications, HSBC – North America, 2700 Sanders Road, Prospect Heights, Illinois, 60070, USA; HSBC France, Direction de la Communication, 103 avenue des Champs Elysées, 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 HSBC France, Direction de la Communication, 103 avenue des Champs Elysées, 75419 Paris Cedex 08, France.

The *Annual Report and Accounts* will be filed with the United States Securities and Exchange Commission.

The *Annual Report and Accounts* 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 Communications at the address given above. Custodians and nominees will need to request copies of the Annual Review 2006 and/or Annual Report and Accounts 2006 no later than 12 March 2007.

18. Annual General Meeting

The Annual General Meeting of the Company will be held at the Barbican Hall, Barbican Centre, London EC2 on Friday 25 May 2007 at 11 am.

Notice of the meeting will be mailed to shareholders on or about Tuesday 3 April 2007.

19. Interim results for 2007

The interim results for the six months to 30 June 2007 will be announced on Monday 30 July 2007.

20. Proposed dividends for 2007

The Board has adopted a policy of paying quarterly interim dividends on the ordinary shares. 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 2007 will be US$0.17 per ordinary share. The proposed timetables for the dividends on the ordinary shares in respect of 2007 are:

	Interim dividends on the ordinary shares for 2007			
	First	*Second*	*Third*	*Fourth*
Announcement	30 April 2007	30 July 2007	5 November 2007	3 March 2008
ADSs quoted ex-dividend in New York .	16 May 2007	15 August 2007	20 November 2007	19 March 2008
Shares quoted ex-dividend in London, Hong Kong and Bermuda	16 May 2007	15 August 2007	21 November 2007	19 March 2008
Record date and closure of Hong Kong Overseas Branch Register of shareholders for one day	18 May 2007	17 August 2007	23 November 2007	25 March 2008
Shares quoted ex-dividend in Paris	21 May 2007	20 August 2007	26 November 2007	26 March 2008
Payment date	5 July 2007	4 October 2007	16 January 2008	7 May 2008

21. News release

Copies of this news release may be obtained from Group Communications, HSBC Holdings plc, 8 Canada Square, London E14 5HQ, United Kingdom; The Hongkong and Shanghai Banking Corporation Limited, 1 Queen's Road Central, Hong Kong; HSBC Bank USA, 452 Fifth Avenue, New York, NY 10018, USA; HSBC France, Direction de la Communication, 103 avenue des Champs Elysées, 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:

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