



HSBC

**In 76 countries and territories
With 9,500 offices**

The world's local bank

HSBC Holdings plc

2006 Interim 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.

Michael Geoghegan

Key achievements

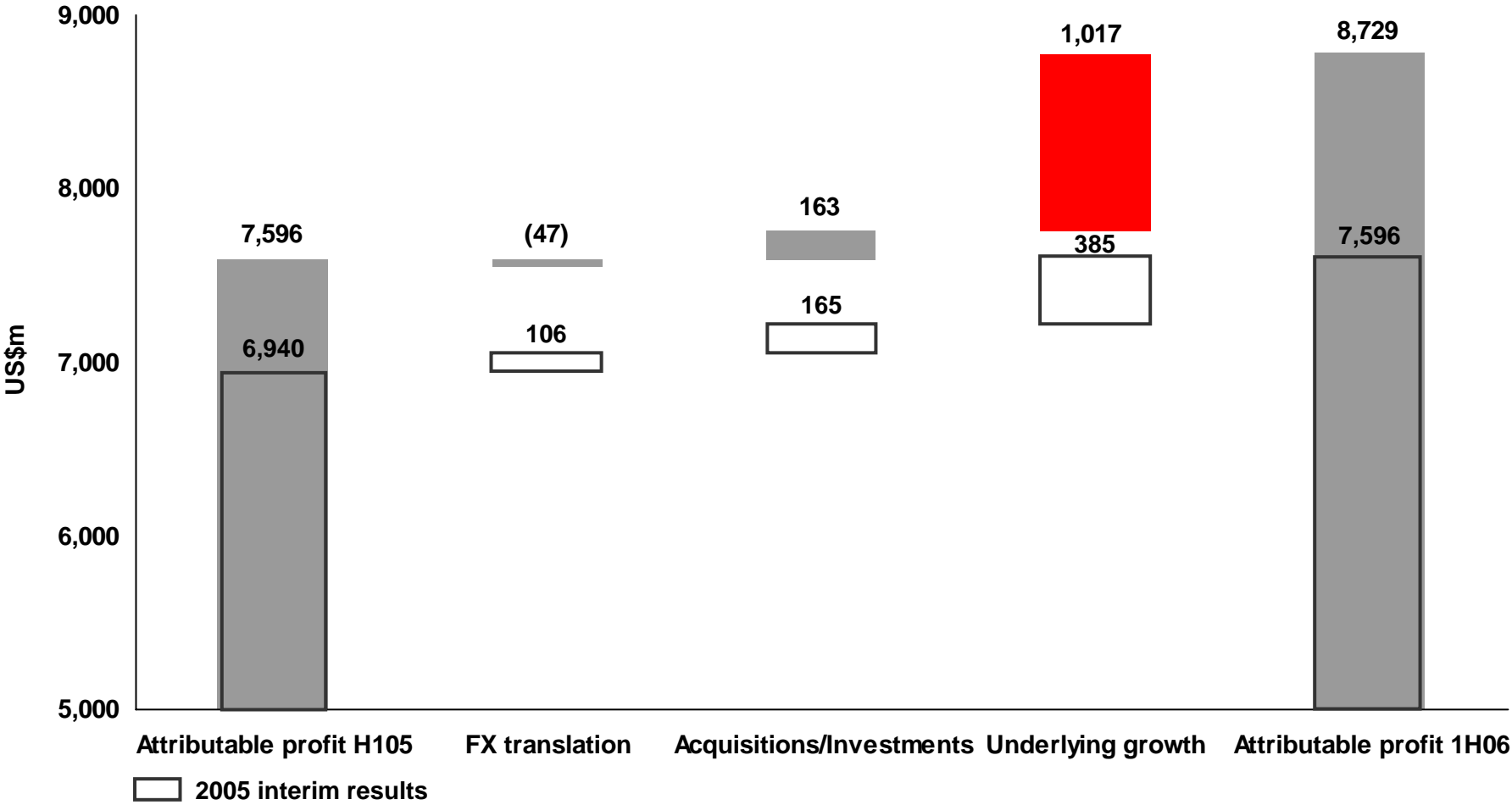
Managing for growth

- **Strong organic revenue growth**
- **Contained increase in costs to below revenue growth**
- **Improved return on invested capital with strengthened tier one ratio**
- **Deposits grew faster than customer lending**
- **Positioned for future expansion**

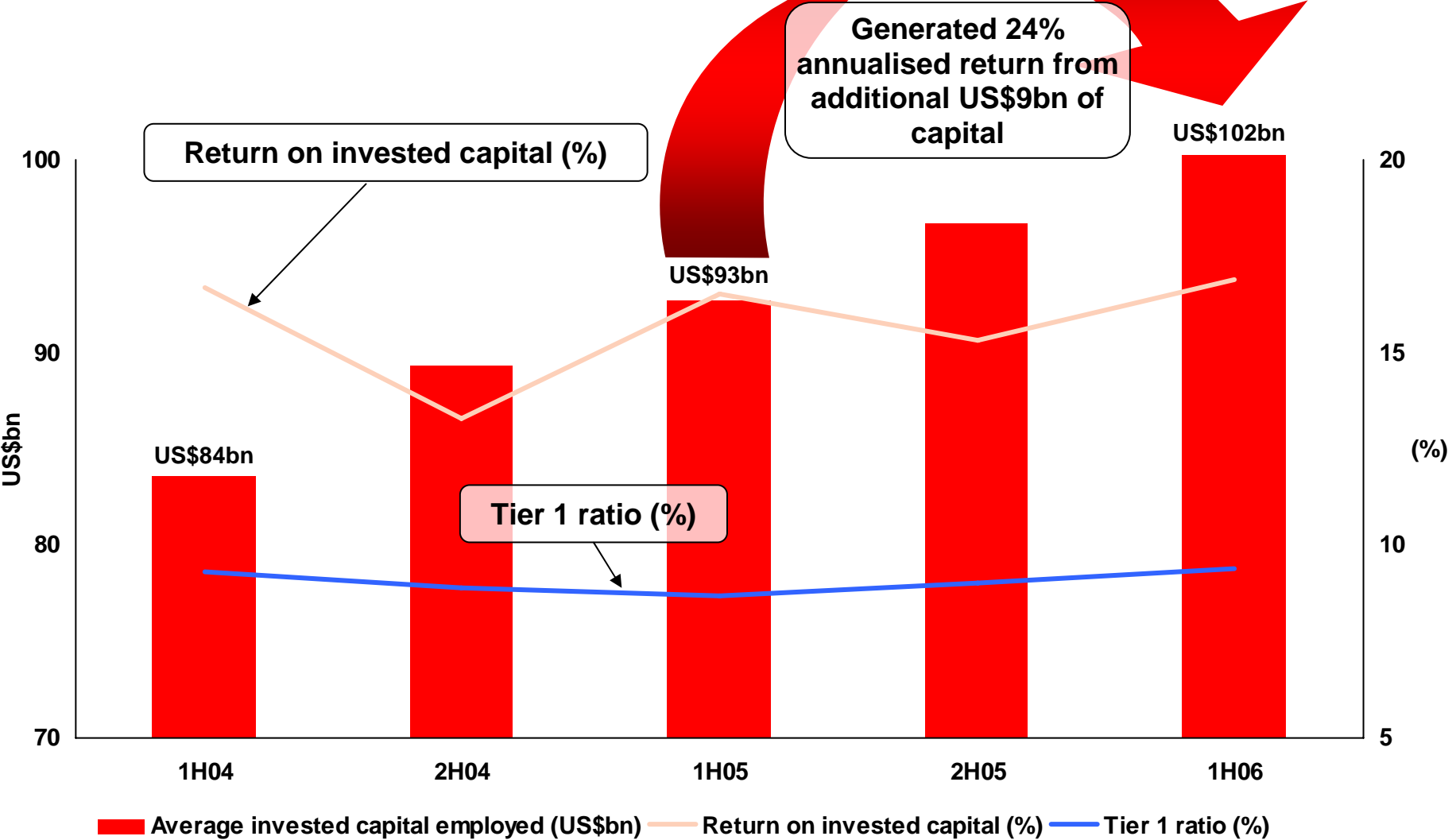
2006 interim results

(US\$ millions)	1H05	1H06	% Change
Net operating income before loan impairment charges	28,029	32,185	+15
Net operating income	24,752	28,295	+14
Total operating expenses	(14,420)	(16,139)	+12
Profit before tax	10,640	12,517	+18
Profit attributable to shareholders	7,596	8,729	+15
Earnings per share (US\$)	0.69	0.78	+13
Dividend per share (US\$), first and second interim dividends	0.28	0.30	+7
Tier 1 ratio (%)	8.7	9.4	

Movement in profit attributable to shareholders



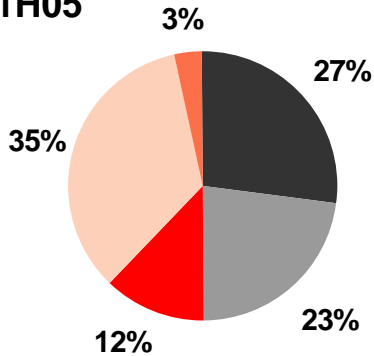
Improving capital efficiency



Strength of operating franchise by geography

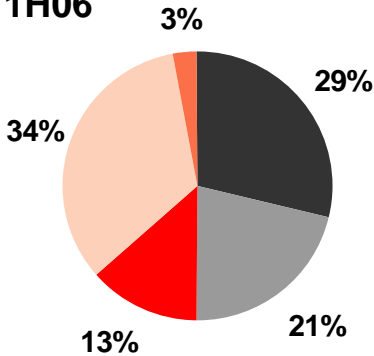
Profit before tax

1H05



US\$10.6bn

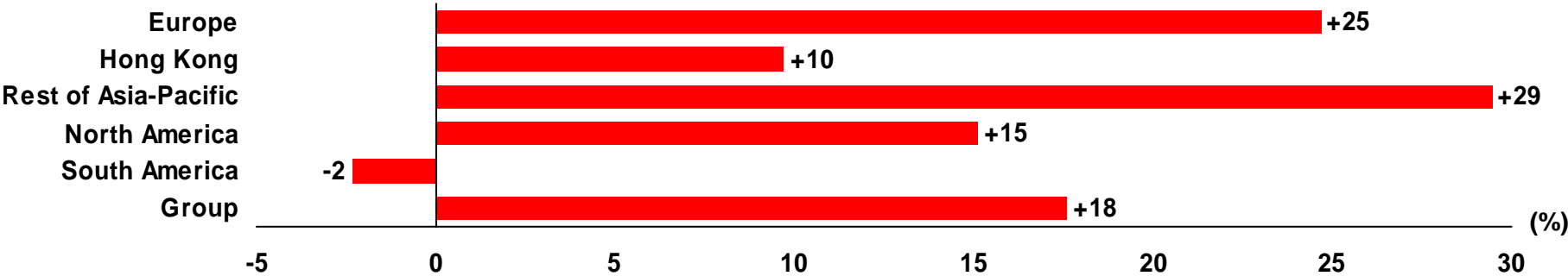
1H06



US\$12.5bn

- Europe
- Hong Kong
- Rest of Asia Pacific
- North America
- South America

Growth in profit, 1H06 vs 1H05



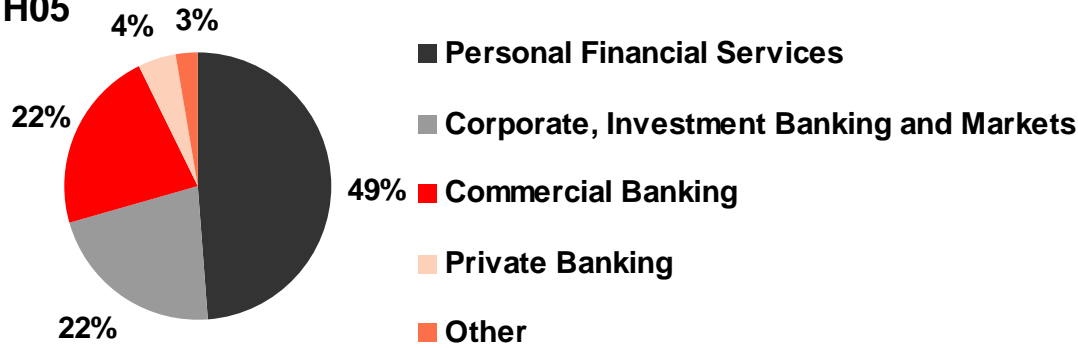
Strong growth in emerging markets

Profit before tax (US\$ millions)	1H05	1H06	% change
Mexico	428	515	+20
Middle East	204	378	+85
Mainland China	161	280	+74
Brazil	185	251	+36
India	108	215	+99
Saudi Arabia	128	181	+41
Malaysia	103	128	+24
Turkey	133	120	-10
Argentina	165	83	-50
South Korea	55	48	-13
Philippines	19	43	+126
Indonesia	55	27	-51
Thailand	31	24	-23
Taiwan	48	(43)	n/a
Total	1,823	2,250	+23

Strength of operating franchise by customer group

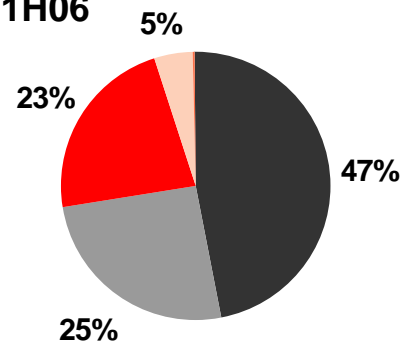
Pre-tax profits

1H05



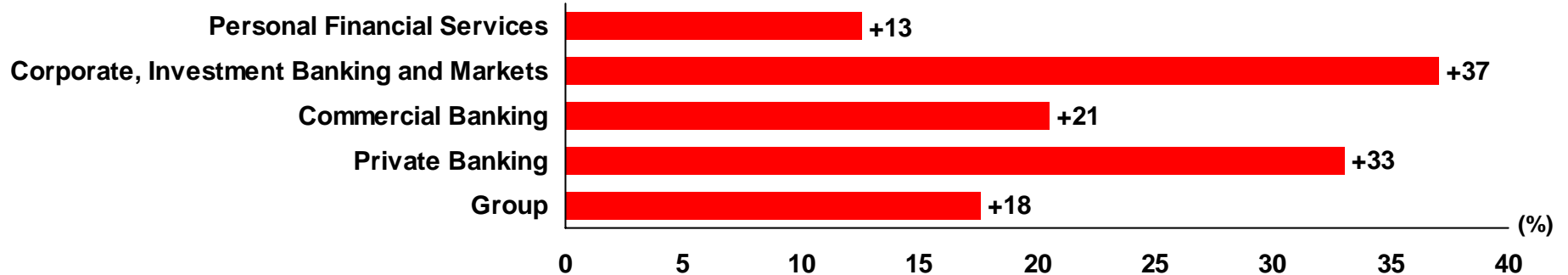
US\$10.6bn

1H06



US\$12.5bn

Growth in profit, 1H06 vs 1H05



Personal Financial Services

(US\$ millions)	1H05	2H05	1H06	1H06 v 1H05	
				% change	Underlying % change ¹
Net operating income before loan impairment charges	16,325	17,399	18,517	+13	+10
Loan impairment and other (charges)	(3,163)	(4,374)	(3,709)	+17	+12
Net operating income	13,162	13,025	14,808	+13	+10
Total operating expenses	(8,029)	(8,398)	(9,073)	+13	+10
Profit before tax	5,219	4,685	5,908	+13	+10
Cost efficiency ratio ²	49.2%	48.3%	49.0%		

- Strong growth in deposit gathering in the US, UK and Rest of Asia-Pacific
- US and UK lending grew strongly, particularly in mortgages with Rest of Asia-Pacific strong across the board
- We invested to improve our distribution network in the UK, US, Mexico and Mainland China
- Credit quality remained generally good

(1) Constant currency excluding acquisitions

(2) Total operating expenses / Net operating income before loan impairment charges

Commercial Banking

(US\$ millions)	1H05	2H05	1H06	1H06 v 1H05	
				% change	Underlying % change ¹
Net operating income before loan impairment charges	4,669	5,115	5,363	+15	+15
Loan impairment and other (charges)	(204)	(343)	(260)	+28	+27
Net operating income	4,465	4,772	5,103	+14	+15
Total operating expenses	(2,180)	(2,273)	(2,385)	+9	+10
Profit before tax	2,374	2,587	2,862	+21	+21
Cost efficiency ratio ²	46.7%	44.4%	44.5%		

- Strong growth in customer deposits exceeded growth in customer loans contributing to improved capital utilisation
- Continued improvement in cost efficiency
- Progress towards establishing HSBC as the 'International Business Bank'
- Reinforces HSBC's strategy to 'Be the Best Bank for Small Business'
- Grew commercial internet banking usage – over 1 million customers

(1) Constant currency excluding acquisitions

(2) Total operating expenses / Net operating income before loan impairment charges

Corporate, Investment Banking and Markets

(US\$ millions)	1H05	2H05	1H06	1H06 v 1H05	
				% change	Underlying % change ¹
Net operating income before loan impairment recoveries	5,415	6,042	6,751	+25	+26
Loan impairment recoveries	77	195	109	+42	+44
Net operating income	5,492	6,237	6,860	+25	+27
Total operating expenses	(3,311)	(3,527)	(3,740)	+13	+15
Profit before tax	2,301	2,862	3,144	+37	+37
Cost efficiency ratio ²	61.1%	58.4%	55.4%		

- Transitioned to execution phase of CIBM plan
- Strong growth in areas in which we have invested
- Cost growth slowed with significant improvement in cost efficiency ratio
- Management structure has been streamlined

(1) Constant currency excluding acquisitions

(2) Total operating expenses / Net operating income before loan impairment charges

Private Banking

(US\$ millions)	1H05	2H05	1H06	1H06 v 1H05	
				% change	Underlying % change ¹
Net operating income before loan impairment charges	1,162	1,204	1,460	+26	+27
Loan impairment and other (charges) / recoveries	12	-	(29)	n/a	n/a
Net operating income	1,174	1,204	1,431	+22	+24
Total operating expenses	(723)	(743)	(831)	+15	+16
Profit before tax	451	461	600	+33	+35
Cost efficiency ratio ²	62.2%	61.7%	56.9%		

- Continued the success of transforming the business
- Strong growth in client assets and lending
- Strong improvement in operational efficiency
- Increased cross-referrals from within the Group

(1) Constant currency excluding acquisitions

(2) Total operating expenses / Net operating income before loan impairment charges

Rapid growth of direct businesses

- **Direct business is growing in all customer groups and all markets**
- **20,000 large corporate clients in 123 countries use hsbc.net**
- **Strong SME take up of commercial internet banking**
 - Over 1m registered users
 - 40% of registered users are in Mexico, Brazil and Turkey
- **14m active personal internet banking customers, up 30%**
 - 3.3m product sales on-line, up 60%
 - hsbc.direct in the US attracted US\$5bn in deposits

Douglas Flint

Underlying growth, 1H06 v 1H05

(US\$ millions)	Restated 1H05¹	1H06	Acquisitions/ investments²	Rest of HSBC	% change
Net operating income before loan impairment charges	27,929	32,185	499	31,686	+13.4
Loan impairment & other charges	(3,294)	(3,890)	(167)	(3,723)	+13.0
Net operating income	24,635	28,295	332	27,963	+13.5
Total operating expenses	(14,365)	(16,139)	(203)	(15,936)	+10.9
Associates	309	361	79	282	-8.7
Profit before tax	10,579	12,517	208	12,309	+16.4

(1) At constant currency

(2) Includes Metris and investment in Ping An

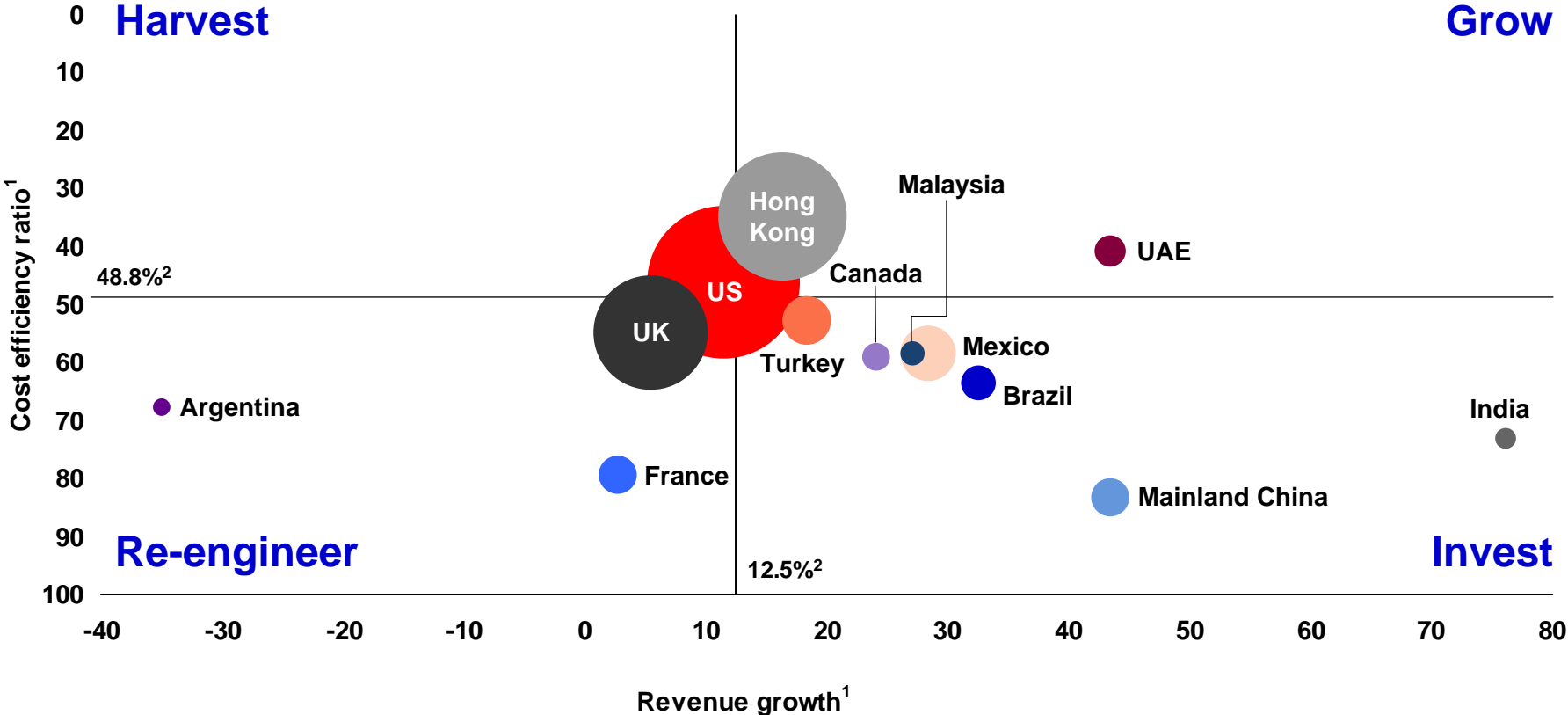
Underlying growth, 1H06 v 2H05

(US\$ millions)	Restated 2H05¹	1H06	Acquisitions/ investments²	Rest of HSBC	% change
Net operating income before loan impairment charges	29,875	32,185	499	31,686	+6.1
Loan impairment & other charges	(4,548)	(3,890)	(167)	(3,723)	-18.1
Net operating income	25,327	28,295	332	27,963	+10.4
Total operating expenses	(15,246)	(16,139)	(203)	(15,936)	+4.5
Associates	340	361	61	300	-11.8
Profit before tax	10,421	12,517	190	12,327	+18.3

(1) At constant currency

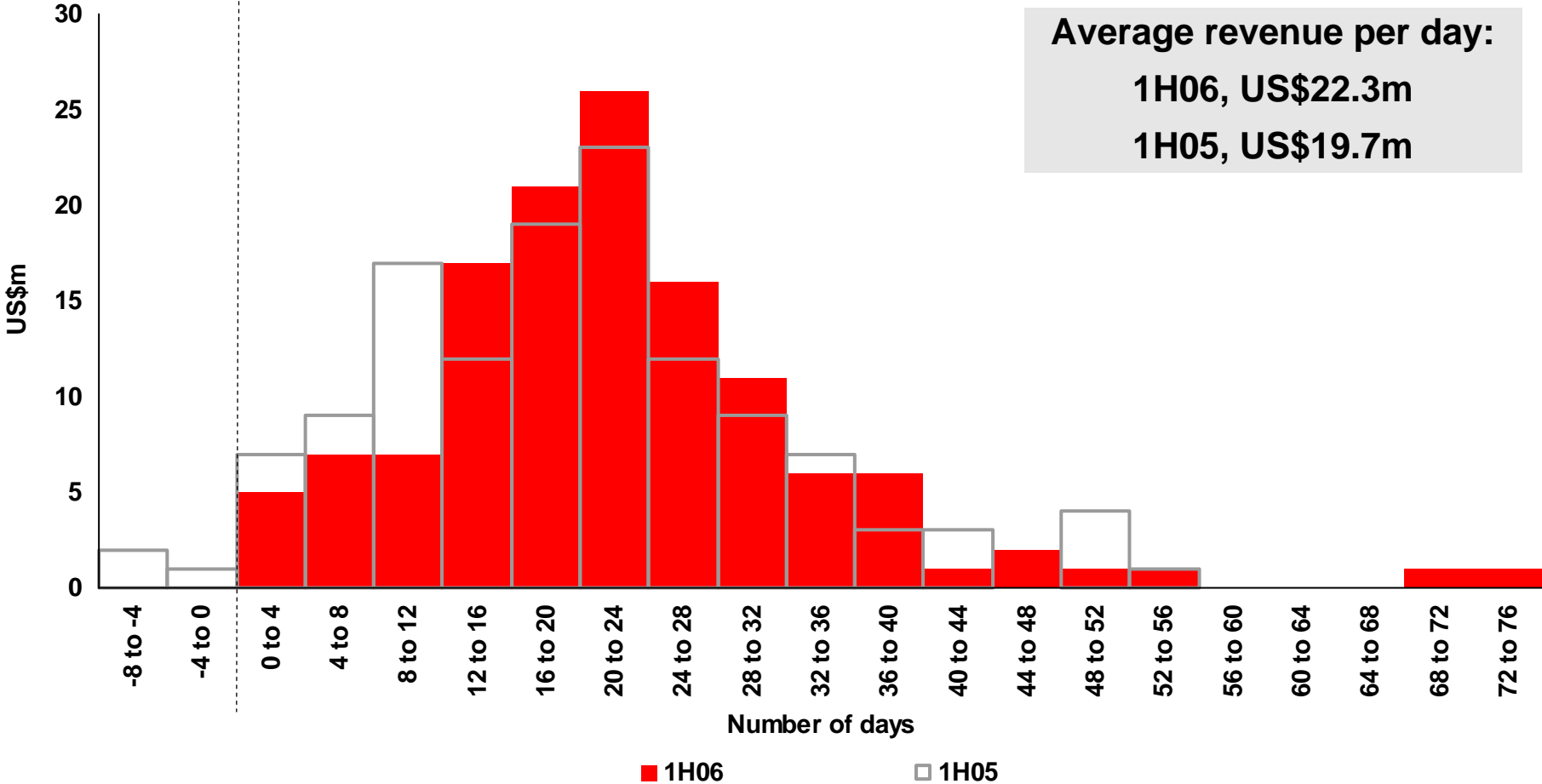
(2) Includes Metris and investment in Ping An

Investment spend focused on higher growth markets



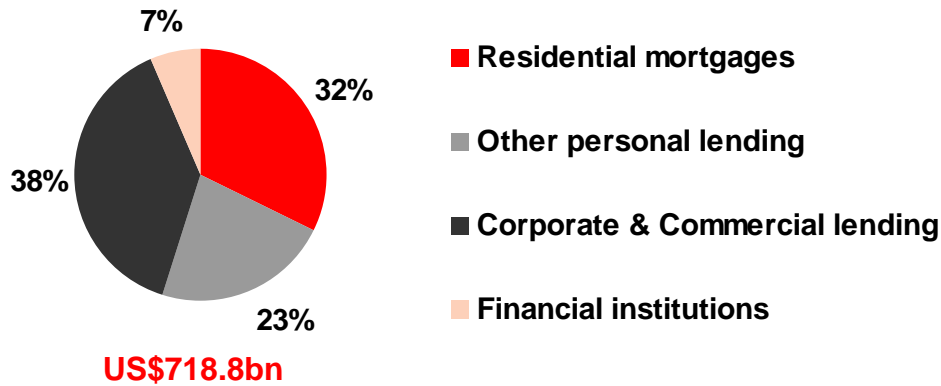
Note: Size of circle represents profit contribution
 (1) Excluding Corporate, Investment Banking and Markets
 (2) Group average figure, excluding Corporate, Investment Banking and Markets

Daily distribution of Global Markets and other trading revenues

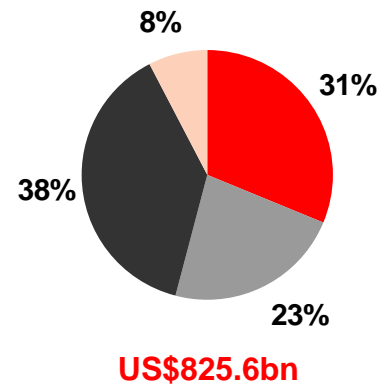


Loan portfolio

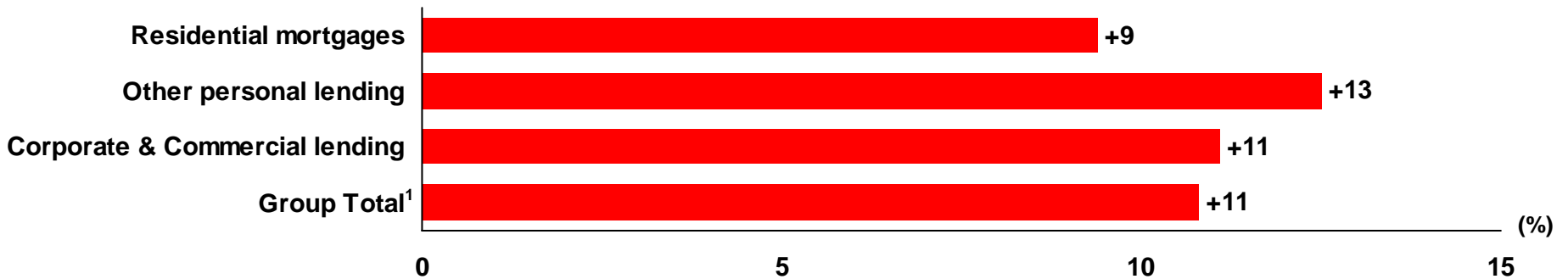
1H05



1H06

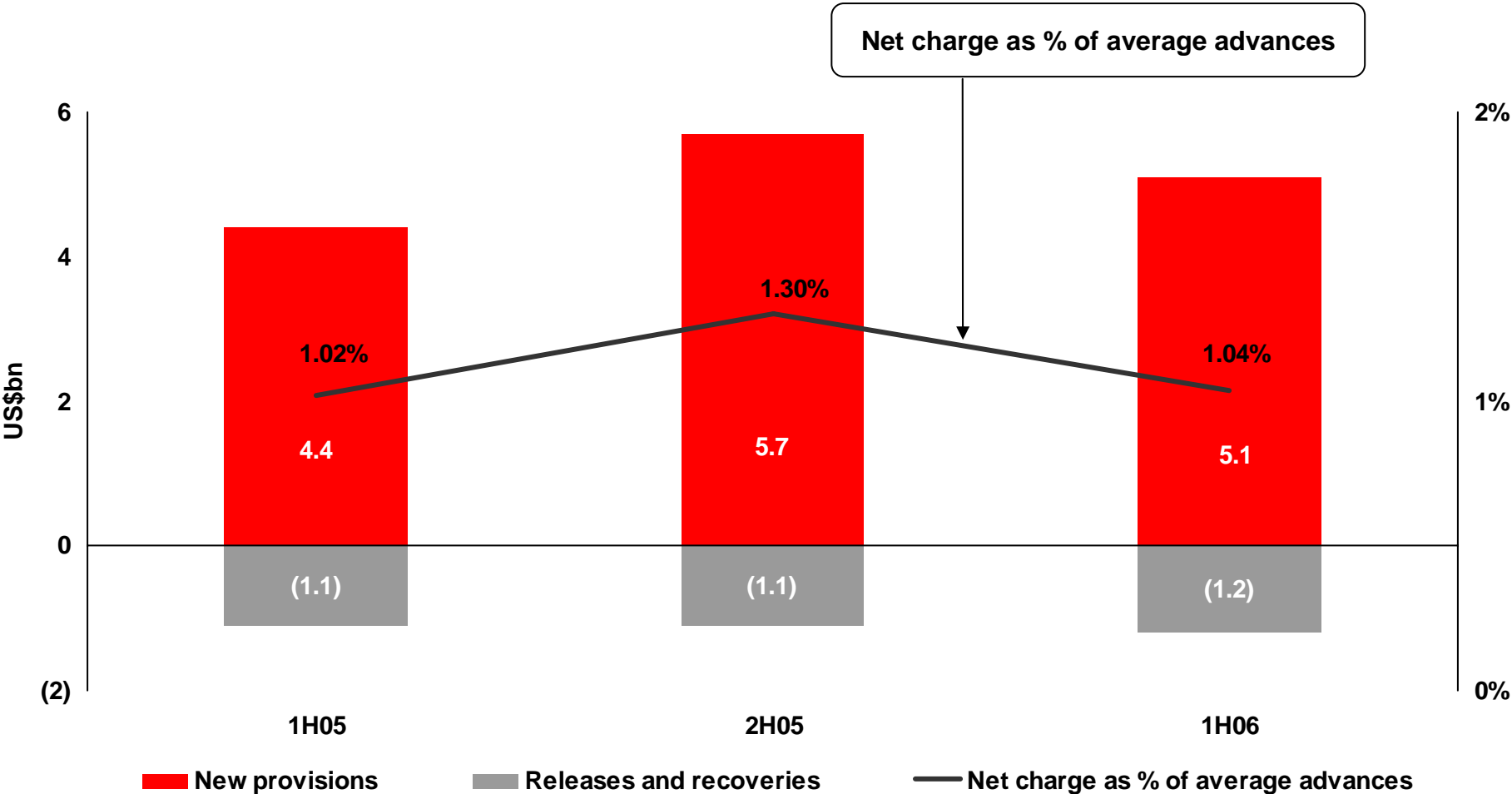


1H06 vs 1H05 underlying growth¹ (%)



(1) Underlying growth: at constant currency, excluding acquisitions and financial institutions

Loan impairment charges



Loan impairment charge and other credit risk provisions – Personal Financial Services and Commercial Banking by region

	US\$ millions		As a % of average advances (annualised)	
	1H05	1H06	1H05	1H06
Personal Financial Services				
Europe	810	847	1.37	1.37
Hong Kong	(47)	55	(0.28)	0.32
Rest of Asia-Pacific	76	289	0.63	2.07
North America	2,097	2,197	2.15	2.04
South America	227	321	11.14	12.15
Total	3,163	3,709	1.69	1.82
Commercial Banking				
Europe	160	145	0.48	0.43
Hong Kong	110	38	1.15	0.37
Rest of Asia-Pacific	(49)	(19)	(0.58)	(0.20)
North America	(40)	42	(0.29)	0.25
South America	23	54	1.97	2.98
Total	204	260	0.31	0.36

Bobby Mehta

North America (USA & Canada)

Personal Financial Services

	1H05	1H06	underlying % change ¹
Net operating income before loan impairment charges	7,580	8,742	+15
Loan impairment and other (charges)	(2,101)	(2,118)	+1
Net operating income	5,479	6,624	+21
Total operating expenses	(3,073)	(3,618)	+17
Profit before tax	2,407	3,008	+25
Cost efficiency ratio	40.5%	41.4%	

- Good customer loan growth across all businesses and a stable US economy drove the improved performance
- Higher credit card fees and improved portfolio yield, driven by re-pricing efforts, contributed to net operating income growth
- Operating expenses increased to support consumer finance growth, deposit growth, and branch expansion in the US Bank
- Good progress has been made in our cross sell and deposit initiatives. On-line deposits now over US\$5bn

(1) Constant currency excluding acquisitions

North America (USA & Canada)

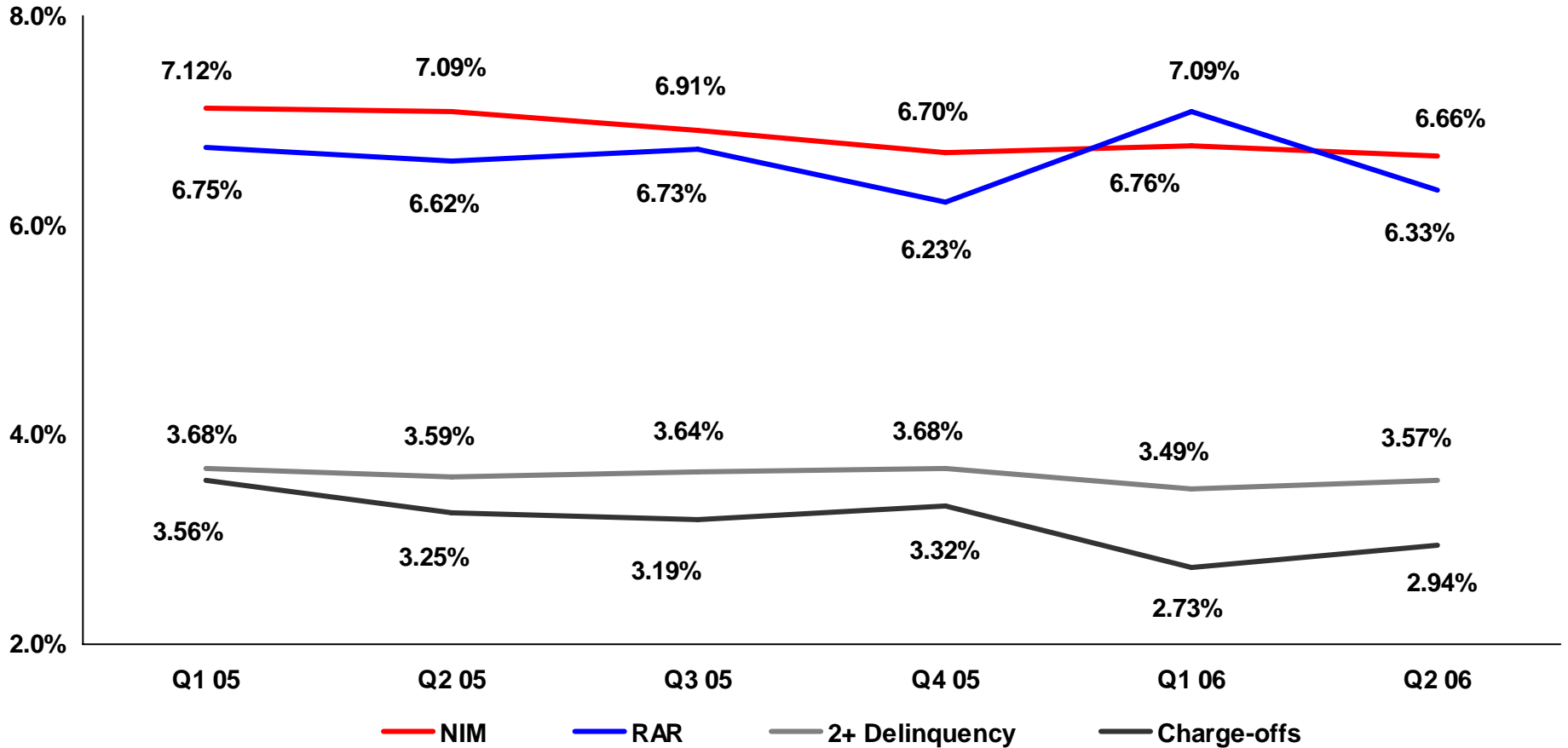
Commercial Banking

	1H05	1H06	underlying % change ¹
Net operating income before loan impairment charges	659	802	+17
Loan impairment and other (charges) / recoveries	35	(35)	n/a
Net operating income	694	767	+6
Total operating expenses	(311)	(370)	+16
Profit before tax	383	426	+7
Cost efficiency ratio	47.2%	46.1%	

- New branches and products drove growth in loan and net operating income
- Strong Commercial deposit growth and momentum in transaction banking
- Operating expenses increased to support growth and expansion of distribution channels
- Continued favourable credit environment

(1) Constant currency excluding acquisitions

Key trends – Consumer Finance¹



(1) On an HSBC Finance Corporation management basis, derived from US GAAP

US residential first mortgages & 2nd lien lending market

(US\$ billions)	1H05	2H05	1H06
US residential first mortgages & 2nd lien lending	112	118	126

Recent trends

- Housing market showing signs of slowing. Increased loan impairment charges in 1H06 due to deteriorating performance in the 2005 vintages within our wholesale/correspondent business
- Overall, the first lien mortgage book shows stable credit

Geographical and composition¹ considerations at 30 June, 2006

(%) of portfolio by State	Bank	Consumer Finance	Overall portfolio
California	19	14	16
New York	23	5	10
Florida	5	8	7

Composition	Bank	Consumer Finance
<i>Total book (US\$bn)</i>	38	89
Adjustable rate	77%	27%
Interest only	24%	7%
Second lien	10%	18%

(1) Percentages are based on stated portfolio. Certain loans may be included in more than one classification. Interest rate only balances are included in adjustable rate balances.

Dyfrig John

Europe – Personal Financial Services

(US\$ millions)	1H05	1H06	underlying % change ¹
Net operating income before loan impairment charges	4,286	4,425	+7
Loan impairment and other charges	(810)	(847)	+8
Net operating income	3,476	3,578	+7
Total operating expenses	(2,590)	(2,666)	+7
Profit before tax	889	912	+8
Cost efficiency ratio	60.4%	60.2%	

- Personal Financial Services growing across Europe
 - Strong growth in UK deposits, particularly online savings and packaged current accounts, and UK mortgage loans
 - Re-branding in France supported customer acquisition, with balance sheet and fee income growth
 - Strong growth in credit cards, personal lending and insurance products in Turkey

(1) Constant currency excluding acquisitions

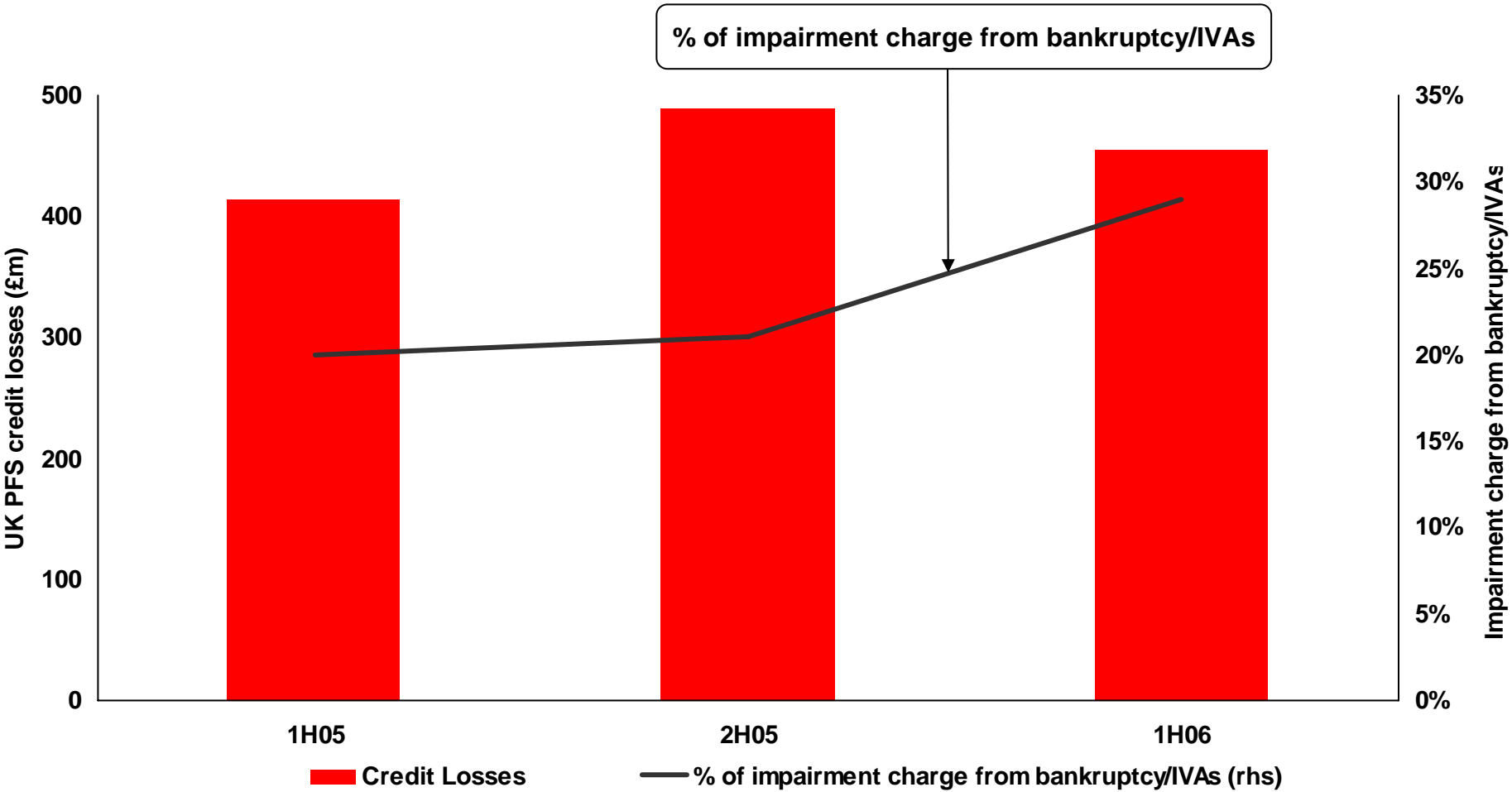
Europe – Commercial Banking

(US\$ millions)	1H05	1H06	underlying % change ¹
Net operating income before loan impairment charges	2,325	2,347	+5
Loan impairment and other charges	(160)	(145)	-8
Net operating income	2,165	2,202	+6
Total operating expenses	(1,191)	(1,126)	-1
Profit before tax	977	1,076	+15
Cost efficiency ratio	51.2%	48.0%	

- Growth in profit before tax from Commercial Banking was good with credit quality stable
 - Strong deposit growth and successful attraction of switchers in the UK
 - Successful development of SME business in Turkey
 - Strengthened relationship management in France

(1) Constant currency excluding acquisitions

UK unsecured consumer credit



IVA = individual voluntary arrangement

HSBC – changing the face of UK banking

- £400m investment in UK retail and commercial distribution network



- Five unique 'Megastores' planned – over 175,000sq ft of retail space
- 500 new ATMs, 250 new Express terminals, 400 new paying-in machines
- HSBC the most recommended big bank by personal and commercial customers

Peter Wong

Hong Kong – Personal Financial Services

(US\$ millions)	1H05	1H06	underlying % change ¹
Net operating income before loan impairment charges	1,907	2,139	+12
Loan impairment recoveries/(charges)	47	(55)	n/a
Net operating income	1,954	2,084	+6
Total operating expenses	(625)	(666)	+6
Pre-tax profit	1,331	1,420	+6
Cost efficiency ratio	32.8%	31.1%	

- Solid set of results – leading position in deposits, mortgages, credit cards and wealth management services
- New simplified mortgage offer – HSBC bank market share of new lending rose significantly
- Successful card acquisition campaign – raises card base to 4.4 million
- Buoyant equity markets in 1Q06 – greater equity linked fee revenues
- Broad product and service base – well positioned to cope with changing markets and customer needs

(1) Constant currency excluding acquisitions

Hong Kong – Commercial Banking

(US\$ millions)	1H05	1H06	underlying % change¹
Net operating income before loan impairment charges	708	857	+20
Loan impairment (charges)	(110)	(38)	-66
Net operating income	598	819	+36
Total operating expenses	(204)	(232)	+13
Pre-tax profit	394	587	+48
Cost efficiency ratio	28.8%	27.1%	

- Growth in deposits, loans and wealth management products
- Higher insurance revenue – new dedicated CMB direct sales force
- Strengthened SME proposition – new dedicated SME centres, more relationship managers, new SME lending programme

(1) Constant currency excluding acquisitions

Rest of Asia-Pacific – Personal Financial Services

(US\$ millions)	1H05	1H06	underlying % change ¹
Net operating income before loan impairment charges	806	1,030	+28
Loan impairment and other (charges)	(76)	(289)	+281
Net operating income	730	741	+2
Total operating expenses	(559)	(707)	+27
Pre-tax profit	252	205	-50
Cost efficiency ratio	69.4%	68.6%	

- Solid progress – continued investment in customer acquisition and new product and business developments
- Provisioning – Taiwan and Indonesia affected by deteriorating consumer credit and regulatory intervention
- Consumer finance – rolled out in India and Australia

(1) Constant currency excluding acquisitions

Rest of Asia-Pacific – Commercial Banking

(US\$ millions)	1H05	1H06	underlying % change ¹
Net operating income before loan impairment charges	473	617	+30
Loan impairment and other recoveries	49	19	-62
Net operating income	522	636	+22
Total operating expenses	(202)	(252)	+25
Pre-tax profit	406	498	+22
Cost efficiency ratio	42.7%	40.8%	

- Client base expansion – marketing of deposits, trade finance and cash management services amid buoyant economies
- Cost growth – recruitment and business development throughout the region

(1) Constant currency excluding acquisitions

Mainland China results

(US\$ millions)	1H05	1H06	underlying % change ¹
Net operating income before loan impairment charges	93	133	+51
Loan impairment recoveries/(charges)	4	(2)	n/a
Net operating income	97	131	+31
Total operating expenses	(49)	(79)	+55
China branch profits	48	52	+6
Associates and other	113	228	+28
Profit before tax	161	280	+22

- Strong growth – expanded branch network and investments
- Significant progress at BoCom – joint credit card reaching over 1 million
- New Commercial Banking initiatives – business referral agreement with Ping An; revolving-credit product with BoCom
- Corporate, Investment Banking and Markets – Transaction Banking and FX businesses benefited from buoyant economy and corporate activity

(1) Constant currency excluding acquisitions and investments

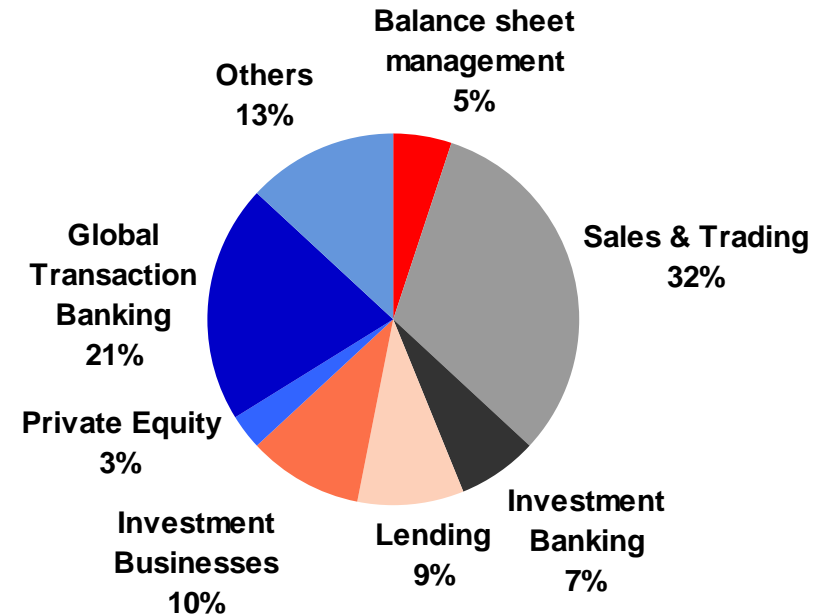
Stuart Gulliver

Corporate Investment Banking and Markets

(US\$ millions)	1H06	underlying % change ¹
Net operating income before loan impairment recoveries	6,751	+26
Loan impairment recoveries	109	+44
Net operating income	6,860	+27
Total operating expenses	(3,740)	+15
Pre-tax profit	3,144	+37

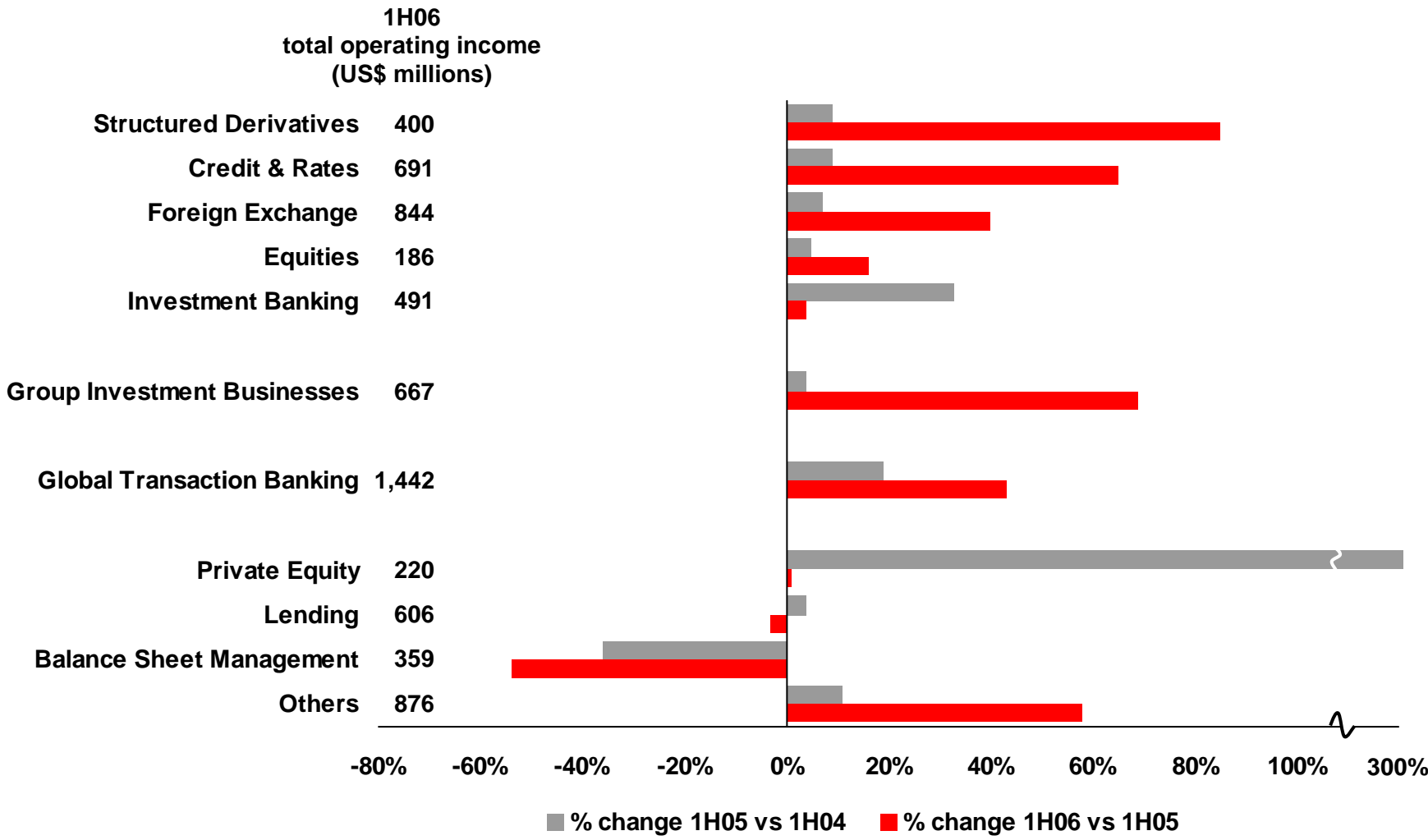
(1) Constant currency excluding acquisitions

Revenue mix

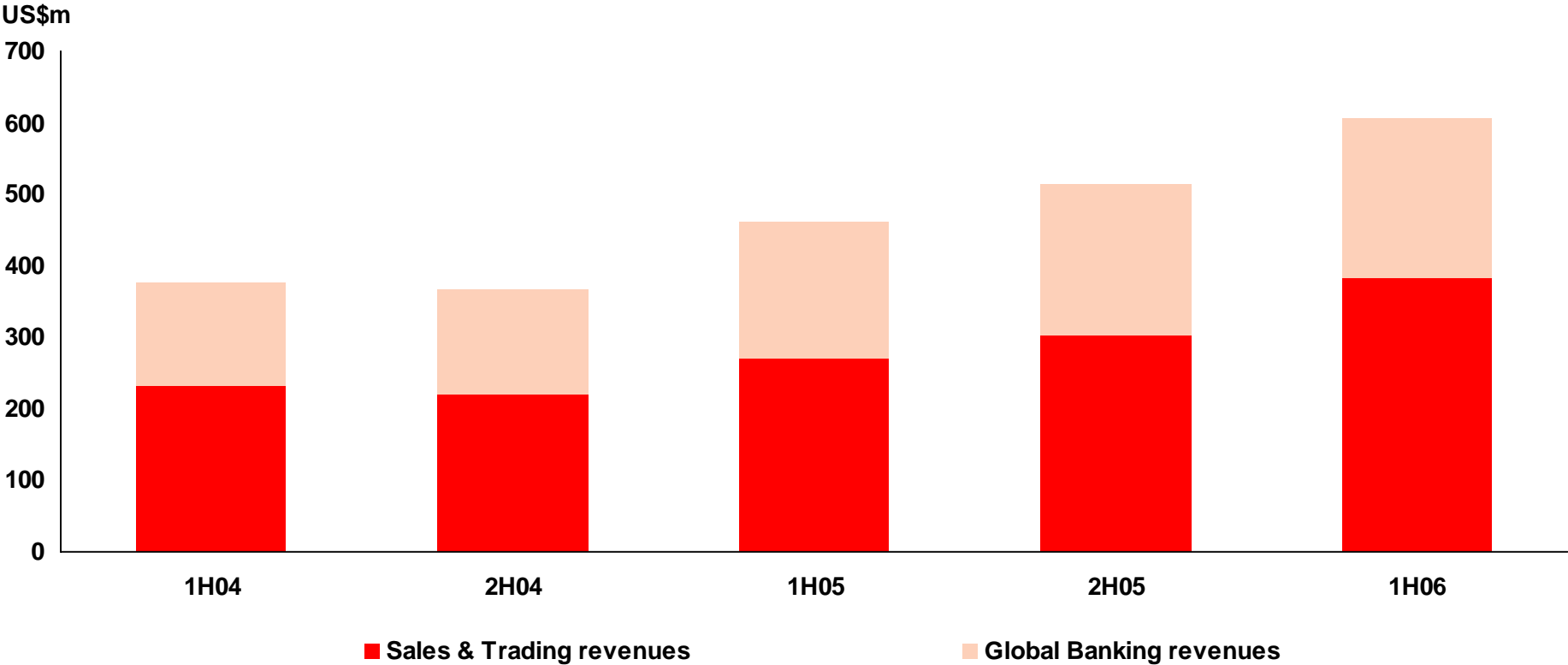


Total operating income: US\$6,782m

CIBM revenue trends



Revenue trends in emerging markets



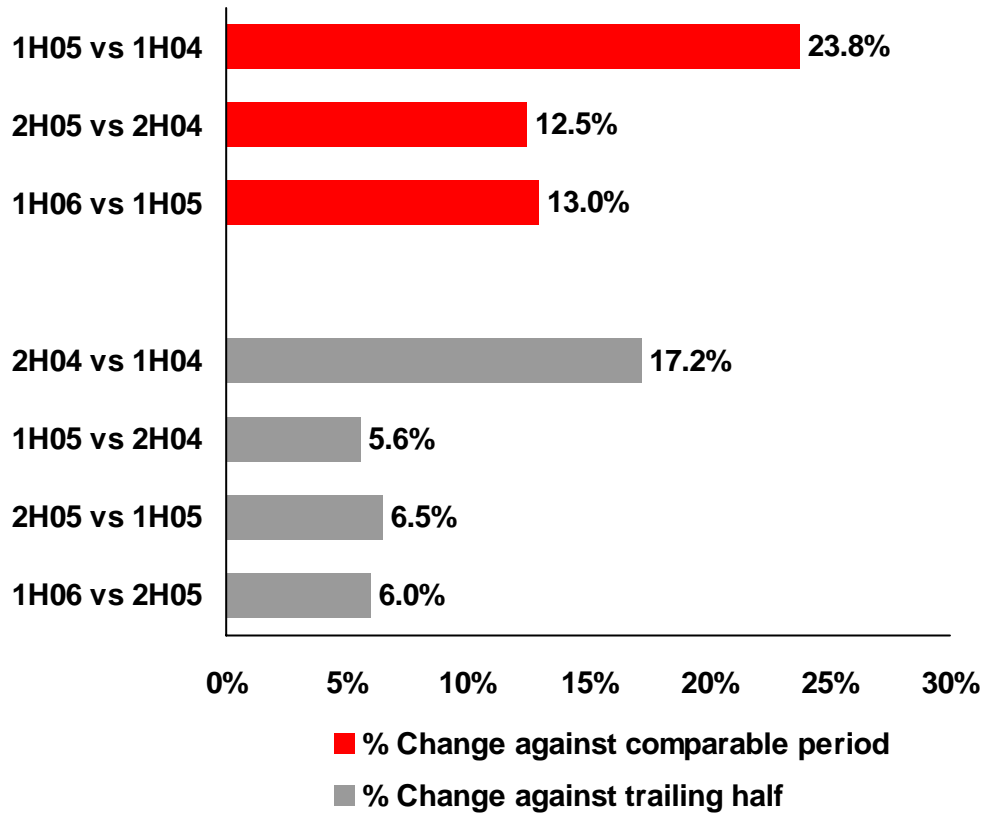
CIBM – key league tables

Rank	2001	2002	2003	2004	2005	1H 2006
All International bonds	14	11	8	7	5	4
Eurobond corporates	13	6	4	4	4	5
Sterling	2	2	3	3	3	2
Asia-Pacific ex-Japan	4	1	1	1	2	1
Asian local currencies	3	1	1	1	1	1

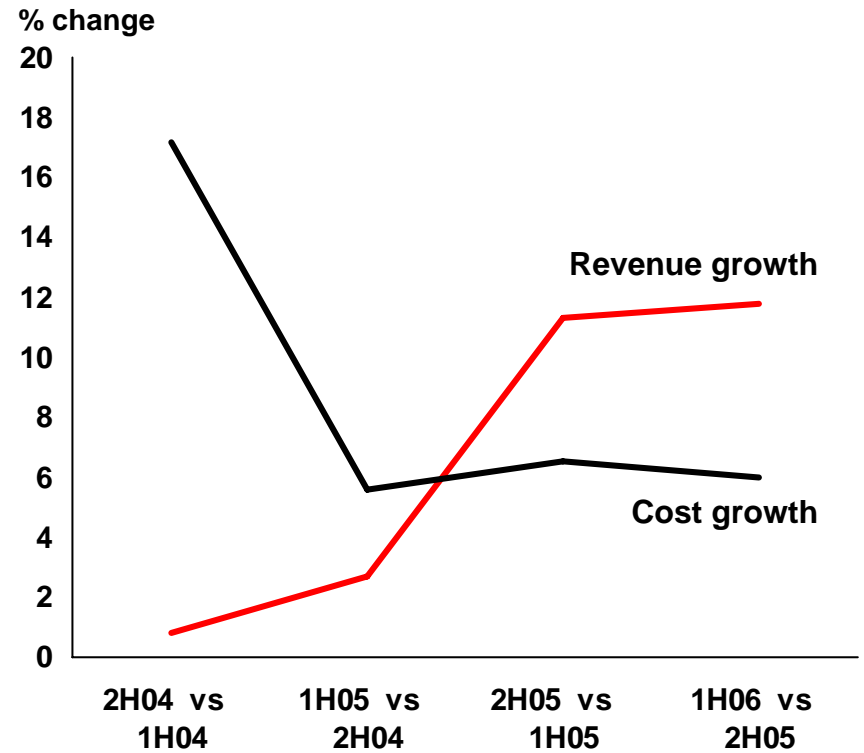
Source: Bloomberg as at 4th July 2006

CIBM cost trends

Total cost growth has slowed



Jaws are positive



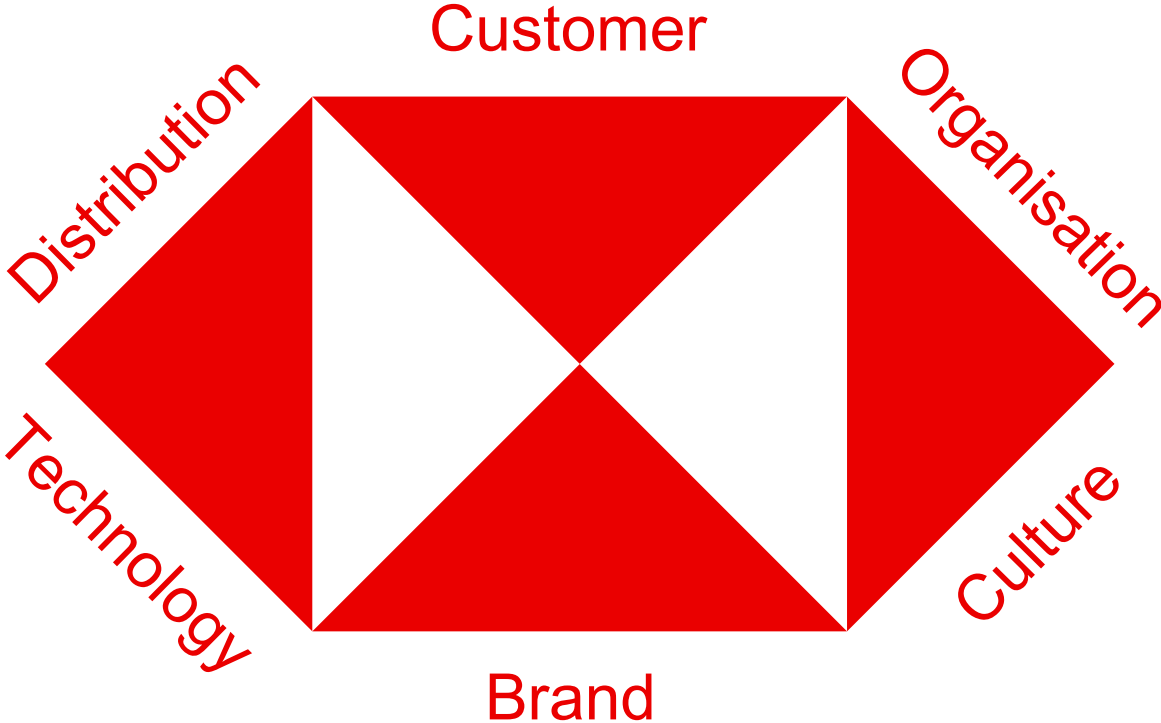
Michael Geoghegan

HSBC outlook

Outlook

- **World economy remains fundamentally strong**
- **Growth prospects restrained by higher interest rates, increased energy prices, and slowing housing markets**
- **Our diversification combined with capital strength positions us well to take advantage of opportunities as they arise**

Our main focus going forward





• To be added with Grupo Banistmo S.A.

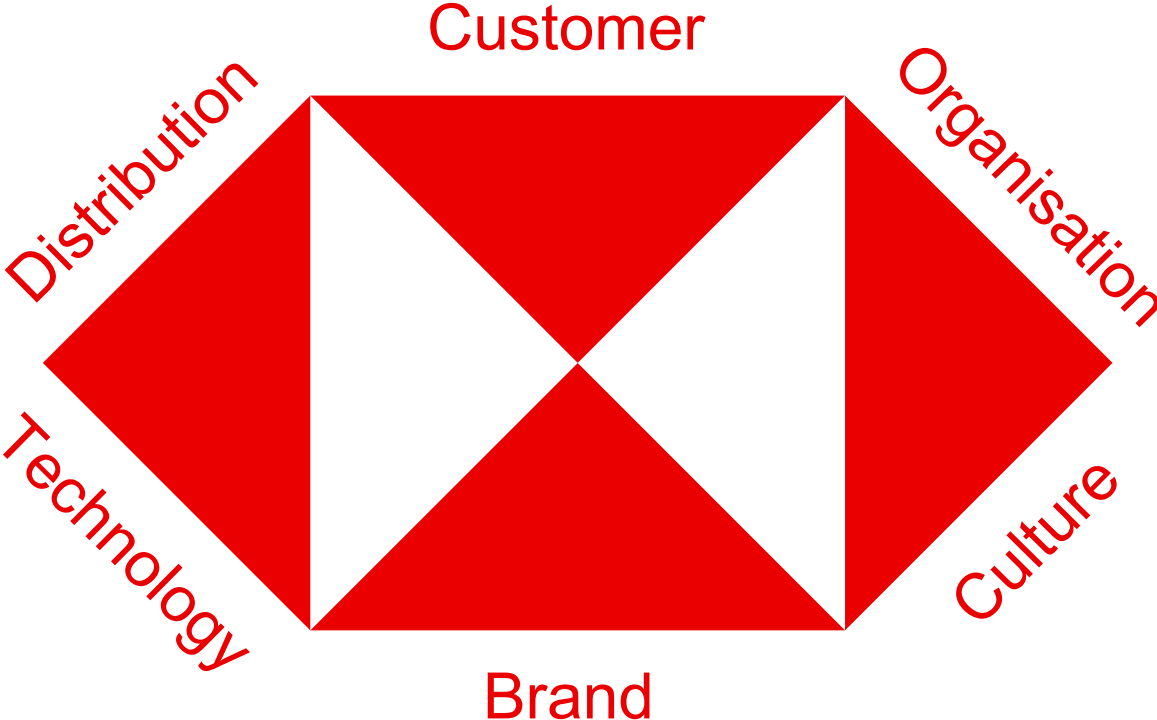
HSBC



**In 76 countries and territories
With 9,500 offices**

The world's local bank

Our main focus going forward



Key achievements

Managing for growth

- **Strong organic revenue growth**
- **Contained increase in costs to below revenue growth**
- **Improved return on invested capital with strengthened tier one ratio**
- **Deposits grew faster than customer lending**
- **Positioned for future expansion**



HSBC



**In 76 countries and territories
With 9,500 offices**

The world's local bank