

HSBC Holdings plc

2007 Interim Results

Presentation to investors and analysts

Algeria • Argentina • Armenia • Australia • **The world's local bank** • Bahamas • Bahrain • Bangladesh • Belgium • Bermuda • Brazil • British Virgin Islands • Brunei Darussalam • Canada • Cayman Islands • Channel Islands • China • Christmas Island • Cook Islands • Costa Rica • Cyprus • Czech Republic • Denmark • El Salvador • France • Germany • Greece • Honduras • Hong Kong SAR • Hungary • India • Indonesia • Iran • Iraq • Ireland • Isle of Man • Israel • Japan • Korea, South • Kuwait • Lebanon • Libya • Luxembourg • Macau SAR • Malaysia • Marshall Islands • Malta • Mauritius • Mexico • **The world's local bank** • **The world's local bank** • New Zealand • Nicaragua • Oman • Pakistan • Palestinian Territories • Palestinian Autonomous Area • Panama • Peru • Philippines • Poland • Qatar • Singapore • Slovakia • South Africa • Spain • Sri Lanka • Sweden • Switzerland • Taiwan • Thailand • Turkey • **The world's local bank** • United Arab Emirates • United Kingdom • United States of America • Uruguay • Venezuela • Vietnam • Algeria • Argentina • Armenia • Australia • Bahamas • Bahrain • Bangladesh • Belgium • Bermuda • Brazil • British Virgin Islands • Brunei Darussalam • Canada • Cayman Islands • Channel Islands • China • Christmas Island • Cook Islands • Costa Rica • Cyprus • Czech Republic • Denmark • El Salvador • France • Germany • Greece • Honduras • Hong Kong SAR • Hungary • India • Indonesia • Iran • Iraq • Ireland • Isle of Man • Israel • Japan • Korea, South • Kuwait • Lebanon • Libya • Luxembourg • Macau SAR • Malaysia • Marshall Islands • Malta • Mauritius • Mexico • **The world's local bank** • **The world's local bank** • New Zealand • Nicaragua • Oman • Pakistan • Palestinian Territories • Palestinian Autonomous Area • Panama • Peru • Philippines • Poland • Qatar • Singapore • Slovakia • South Africa • Spain • Sri Lanka • Sweden • Switzerland • Taiwan • Thailand • Turkey • **The world's local bank** • United Arab Emirates • United Kingdom • United States of America • Uruguay • Venezuela • Vietnam

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.

2007 interim results

Key financial results

Revenue

Up 16% ex-dilution gains, or 20% to US\$38.5bn as reported

Costs

US\$18.6bn up 15%

Loan impairment charges

US\$6.3bn up 63%;
down 5% from 2H06

Profit before tax

Up 5% ex-dilution gains, or 13% to US\$14.2bn as reported

Attributable profit

Up 13% ex-dilution gains, or 25% to US\$10.9bn as reported

EPS

Up 10% ex-dilution gains, or 22% to US\$0.95 as reported

2007 interim results

Regional highlights

Pre-eminent in Asia

PBT up 30% ex-dilution gains, or 55% to US\$6.7bn as reported

Strengthening regional business in Latin America

PBT US\$1.0bn up 16%

Progress in North America

PBT down 35% to US\$2.4bn from 1H06 and up 163% from 2H06

Challenges absorbed in Europe

PBT up 13% to US\$4.1bn

2007 interim results

Customer group highlights

Challenges in Personal Financial Services

PBT down 20% to US\$4.7bn

Core strength in Commercial Banking

PBT US\$3.4bn up 20%

Record profits at Corporate, Investment Banking and Markets

**PBT up 32% to US\$4.2bn
and positive jaws of over 6
percentage points**

Leveraging the Group in Private Banking

PBT up 30% to US\$0.8bn

Douglas Flint

Financial performance – first half, 2007

2007 interim results

US\$bn	1H06	2H06	1H07	% Change	
				vs 1H06	vs 2H06
Net operating income before loan impairment charges	32.2	33.2	38.5	+ 19.6	+ 16.0
Loan impairment charges	(3.9)	(6.7)	(6.3)	+ 63.1	-5.0
Net operating income	28.3	26.5	32.2	+ 13.6	+ 21.3
Total operating expenses	(16.1)	(17.4)	(18.6)	+ 15.3	+ 6.9
Profit before tax	12.5	9.6	14.2	+ 13.1	+ 48.0
Profit attributable to shareholders	8.7	7.1	10.9	+ 24.8	+ 54.3
Earnings per share (US\$)	0.78	0.62	0.95	+ 21.8	+ 53.2
Dividends per share (US\$), in respect of half year	0.30	0.51	0.34	+ 13.3	
Tier 1 ratio (%)	9.4	9.4	9.3		

2007 interim results

Noteworthy items

Gains arising from dilution of interest in Chinese associates, US\$1,076m

Tax rate, at 18.7%, driven by geographical mix and tax free disposals

Gain on sale of 8 Canada Square expected to be recognised in 2H07, US\$1.3bn

2007 interim results

Adjusted for dilution gains

US\$bn	1H06	2H06	1H07 ¹	% Change	
				vs 1H06	vs 2H06
Net operating income before loan impairment charges	32.2	33.2	37.4	+ 16.3	+ 12.8
Loan impairment charges	(3.9)	(6.7)	(6.3)	+ 63.1	-5.0
Net operating income	28.3	26.5	31.1	+ 9.8	+ 17.3
Total operating expenses	(16.1)	(17.4)	(18.6)	+ 15.3	+ 6.9
Profit before tax	12.5	9.6	13.1	+ 4.5	+ 36.7
Profit attributable to shareholders	8.7	7.1	9.9	+ 13.3	+ 40.1
Earnings per share (US\$)	0.78	0.62	0.86	+ 10.3	+ 38.7
Dividends per share (US\$), in respect of half year	0.30	0.51	0.34	+ 13.3	

(1) Excludes gains arising from dilution of interest in Chinese associates

Underlying growth

Excluding dilution gains, 1H07 vs 1H06 and 2H06

US\$bn	Restated 1H06	Restated 2H06	1H07	Acquisitions/Dilution Disposals	Dilution Gain	Rest of HSBC	% Change ex Dilution Gains v 1H06	% Change ex Dilution Gains v 2H06
Net operating income before loan impairment charges	33.3	33.8	38.5	0.4	1.1	37.0	+ 11.3	+ 9.7
Loan impairment charges	(4.0)	(6.7)	(6.3)	(0.1)		(6.2)	+ 57.4	-6.9
Net operating Income	29.3	27.1	32.2	0.3	1.1	30.8	+ 5.0	+ 13.8
Total operating expenses	(16.8)	(17.8)	(18.6)	(0.2)		(18.4)	+ 9.7	+ 3.6
Profit before tax	12.9	9.7	14.2	0.1	1.1	13.0	+ 1.0	+ 33.4

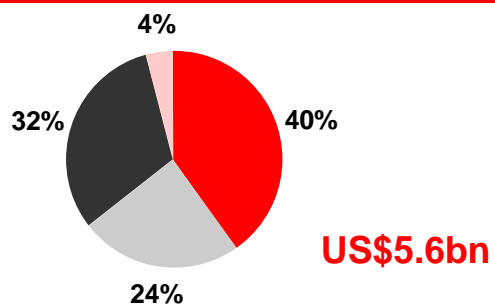
(1) At constant currency

(2) Gains arising from dilution of interest in Chinese associates

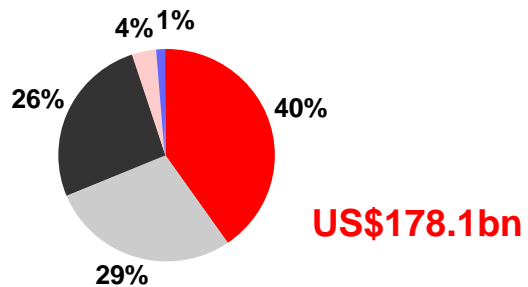
Asia

Business mix

Profit before tax, 1H07¹



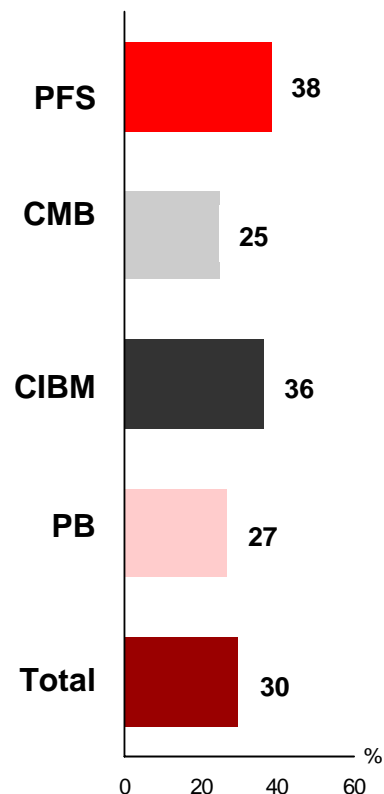
Customer lending, 30 June 2007



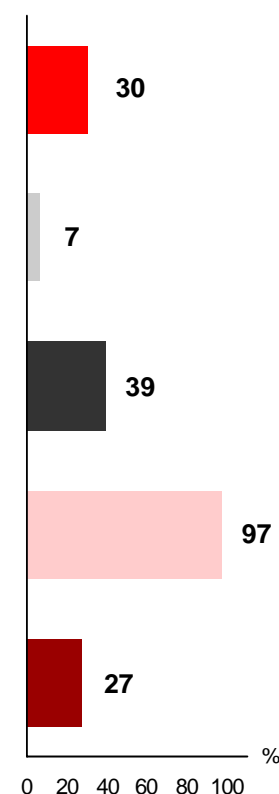
(1) Excludes gains arising from dilution of interest in Chinese associates

Growth in profit before tax (%)¹

1H07 v 1H06



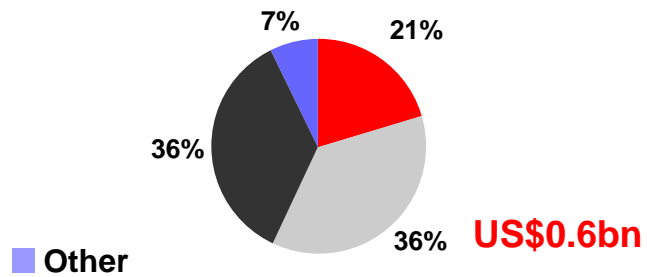
1H07 v 2H06



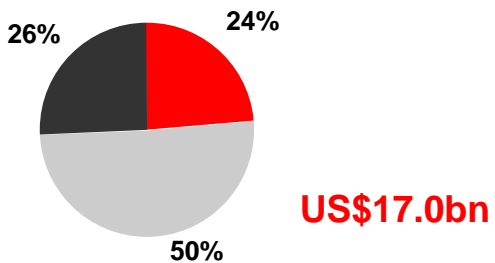
Middle East

Business mix

Profit before tax, 1H07

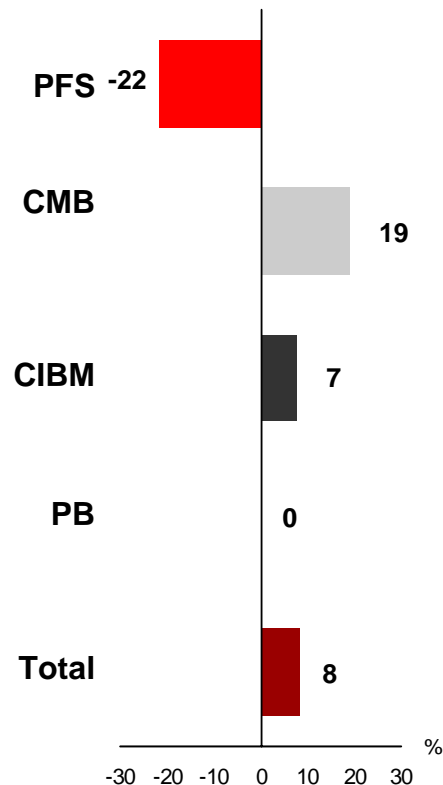


Customer lending, 30 June 2007

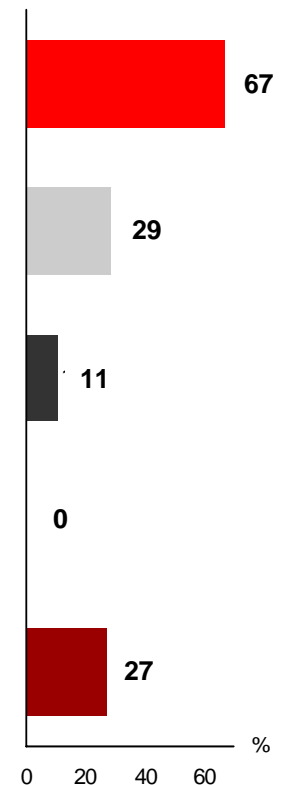


Growth in profit before tax (%)

1H07 v 1H06



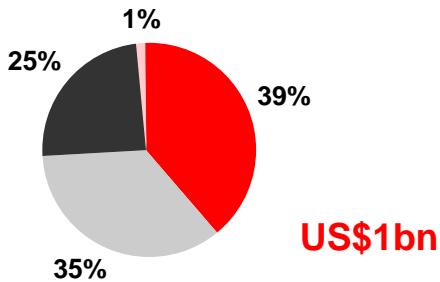
1H07 v 2H06



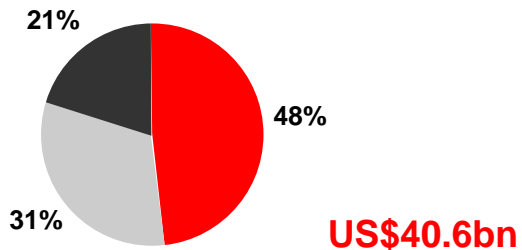
Latin America

Business mix

Profit before tax, 1H07

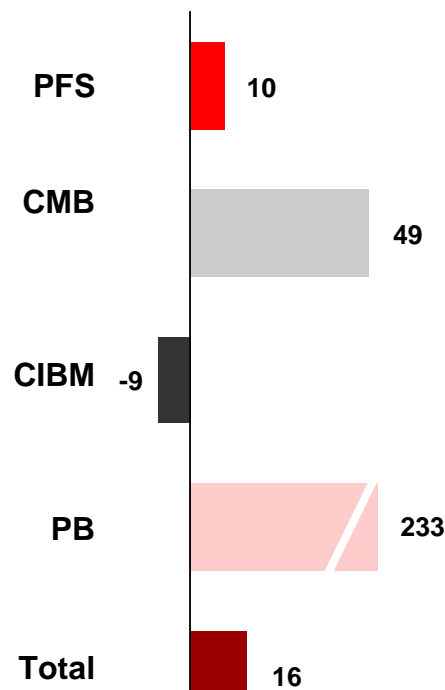


Customer lending, 30 June 2007

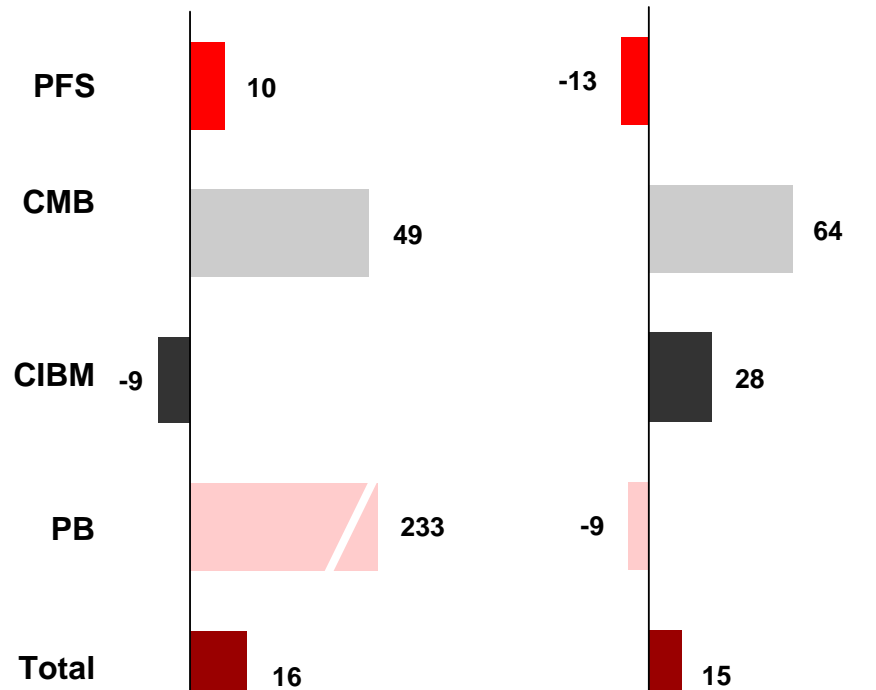


Growth in profit before tax (%)

1H07 v 1H06



1H07 v 2H06



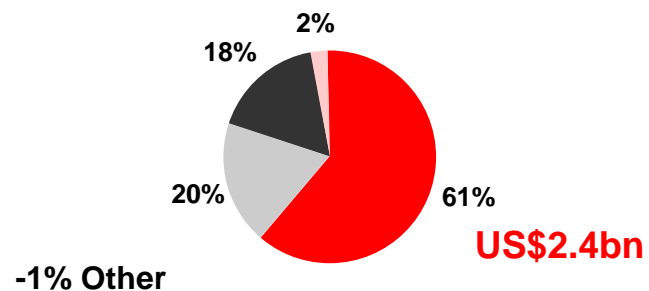
-10 0 10 20 30 40 50 %

-20 0 20 40 60 80 %

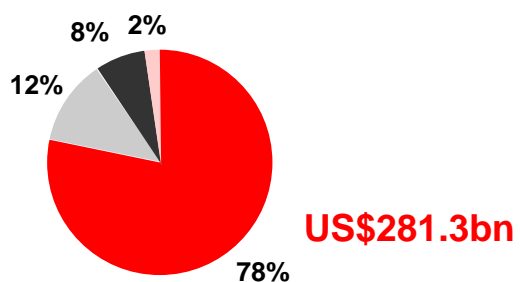
North America

Business mix

Profit before tax, 1H07

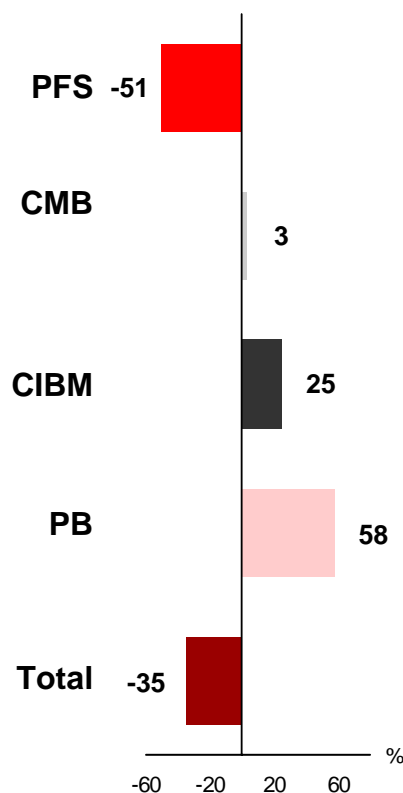


Customer lending, 30 June 2007

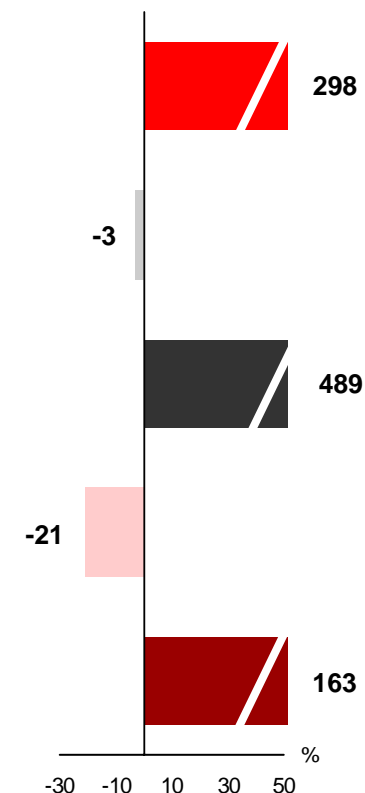


Growth in profit before tax (%)

1H07 v 1H06



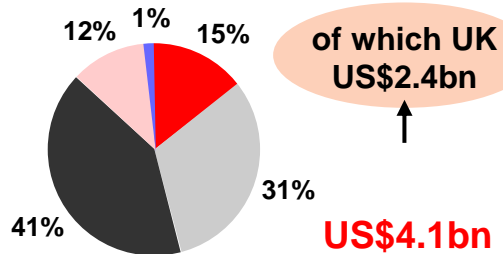
1H07 v 2H06



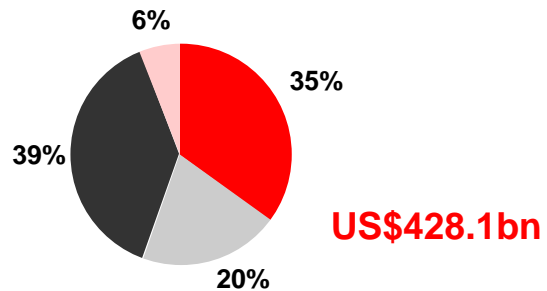
Europe

Business mix

Profit before tax, 1H07



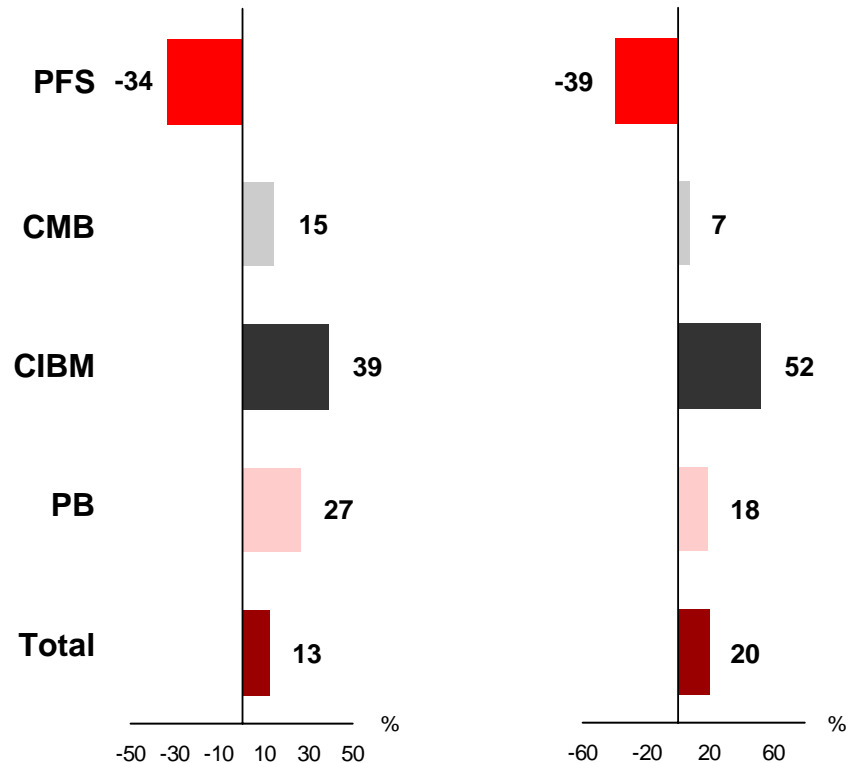
Customer lending, 30 June 2007



Growth in profit before tax (%)

1H07 v 1H06

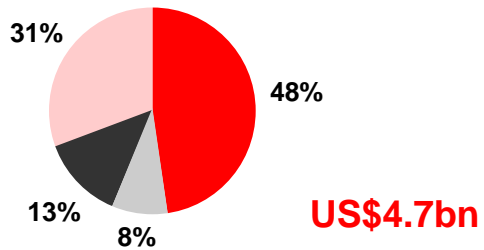
1H07 v 2H06



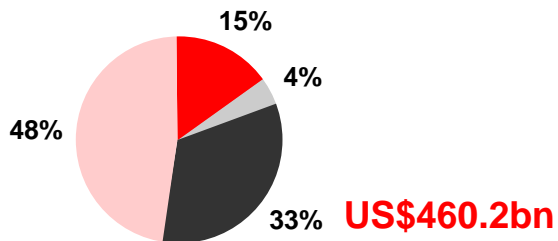
Personal Financial Services

Regional mix

Profit before tax, 1H07



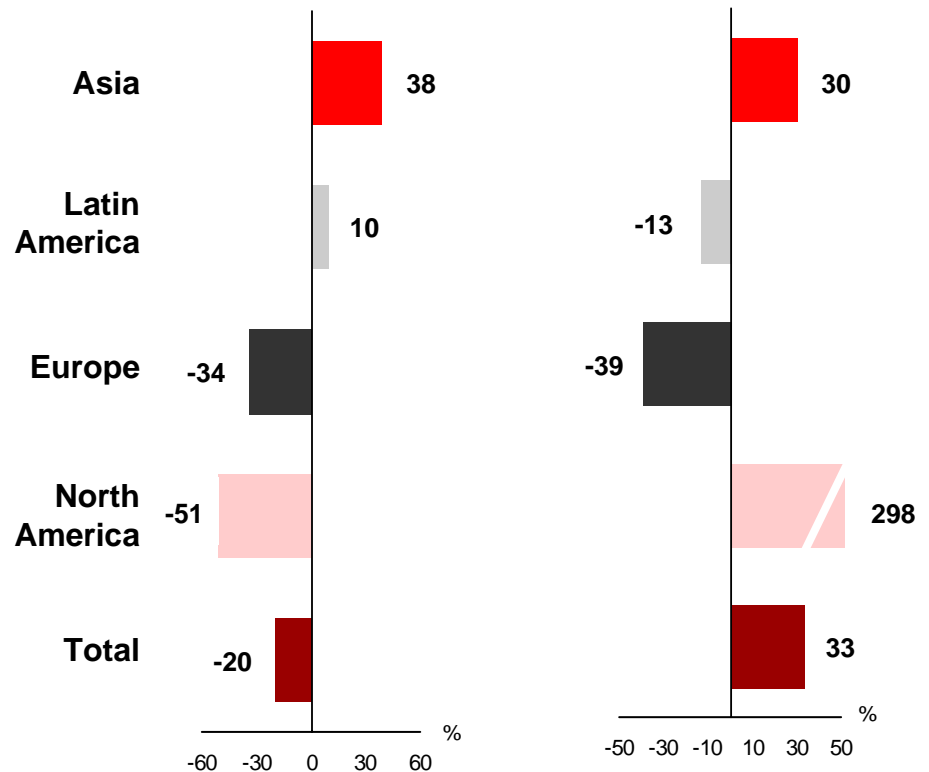
Customer lending, 30 June 2007



Growth in profit before tax (%)

1H07 v 1H06

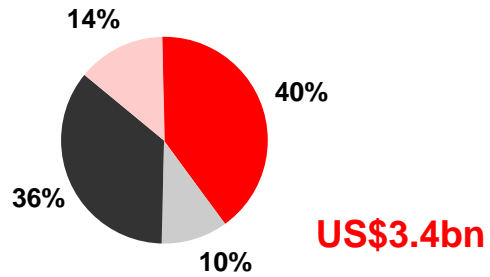
1H07 v 2H06



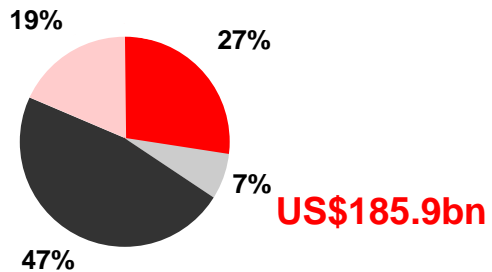
Commercial Banking

Regional mix

Profit before tax, 1H07

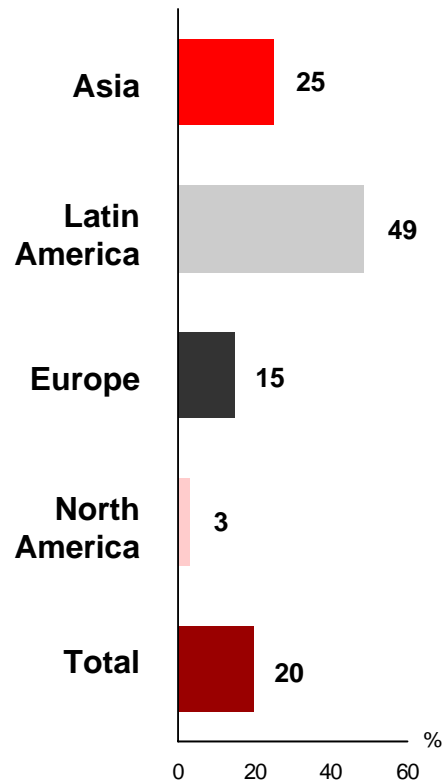


Customer lending, 30 June 2007

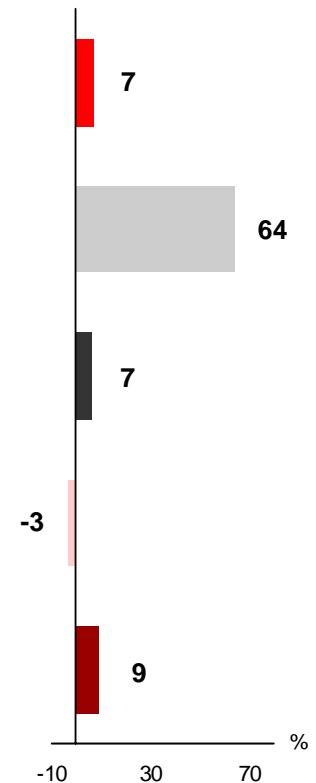


Growth in profit before tax (%)

1H07 v 1H06



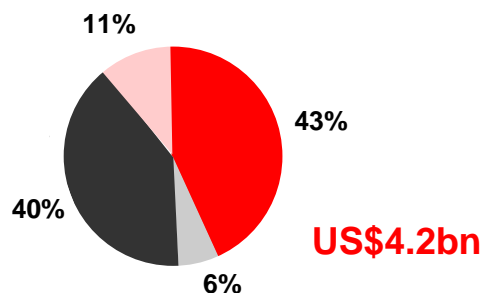
1H07 v 2H06



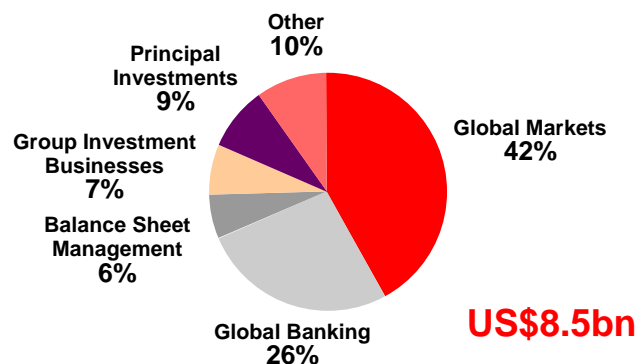
Corporate, Investment Banking and Markets

Regional mix

Profit before tax, 1H07



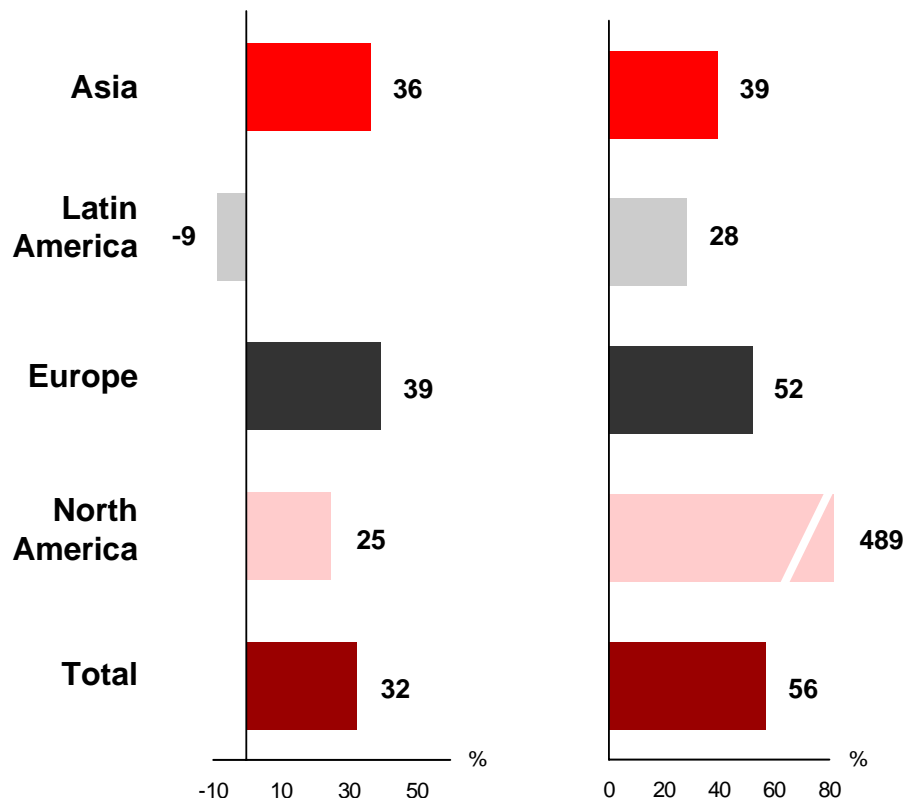
Management view of total operating income



Growth in profit before tax (%)

1H07 v 1H06

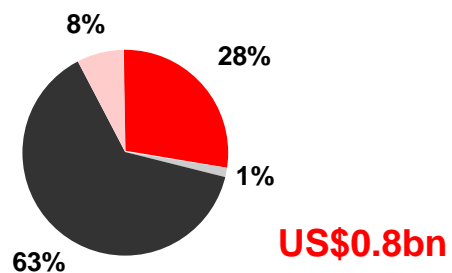
1H07 v 2H06



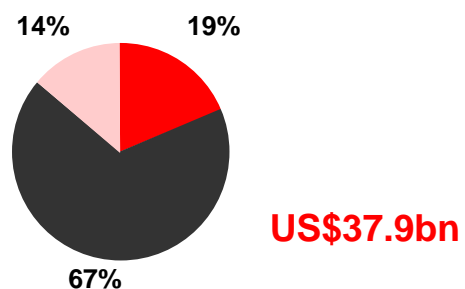
Private Banking

Regional mix

Profit before tax, 1H07



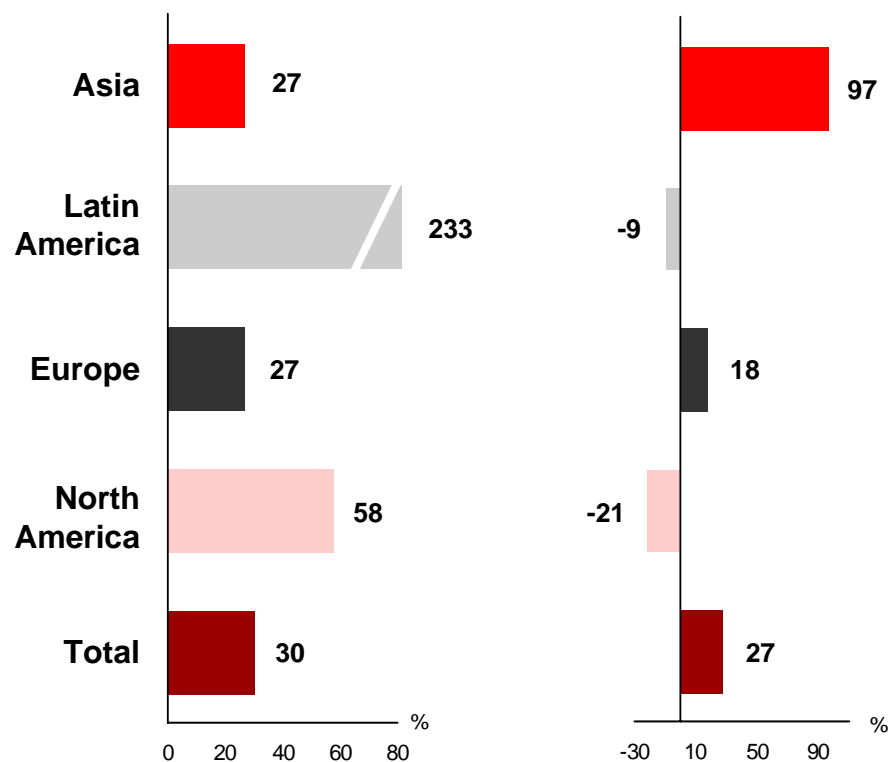
Customer lending, 30 June 2007



Growth in profit before tax (%)

1H07 v 1H06

1H07 v 2H06



Credit quality has remained broadly stable

Loan impairment charges/(net recoveries)	US\$ millions			As a % of average advances (annualised)		
	1H06	2H06	1H07	1H06	2H06	1H07
Personal Financial Services						
Europe	847	991	1,127	1.37	1.41	1.53
Hong Kong	55	64	74	0.32	0.36	0.40
Rest of Asia-Pacific	289	256	252	2.07	1.75	1.68
North America	2,117	4,566	3,774	2.01	4.13	3.46
of which US mortgage services	338	1,833	760	1.39	7.16	3.25
Latin America	401	363	701	8.14	5.62	8.01
Total	3,709	6,240	5,928	1.82	2.84	2.63

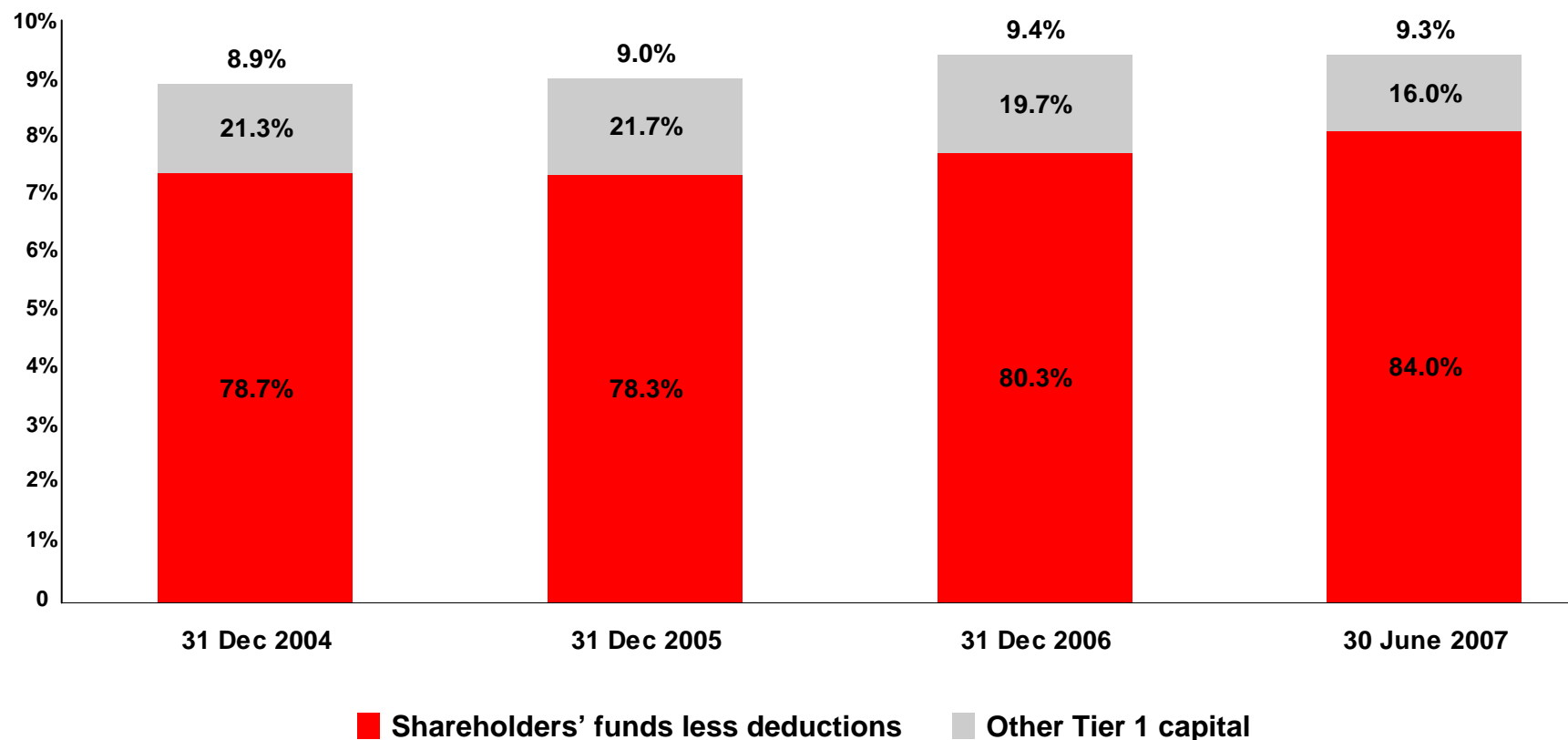
Credit quality has remained broadly stable

Loan impairment charges/(net recoveries)	US\$ millions			As a % of average advances (annualised)		
	1H06	2H06	1H07	1H06	2H06	1H07
Commercial Banking						
Europe	145	241	256	0.43	0.64	0.61
Hong Kong	38	31	1	0.37	0.27	0.01
Rest of Asia-Pacific	(19)	(10)	54	(0.20)	(0.10)	0.46
North America	31	43	46	0.20	0.25	0.27
Latin America	65	132	74	1.92	2.98	1.25
Total	260	437	431	0.36	0.54	0.49

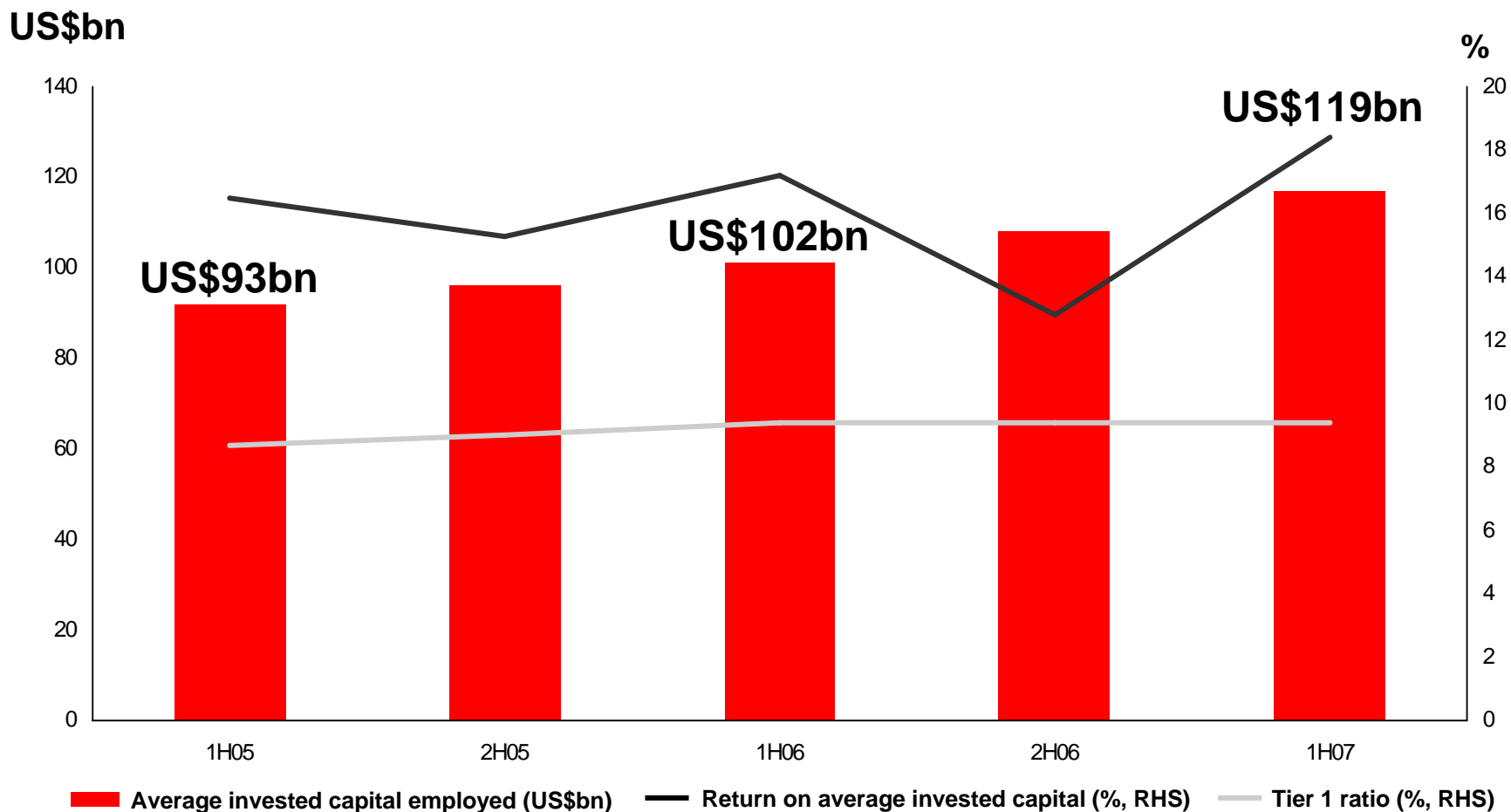
Loan impairment charges/(net recoveries)	US\$ millions			As a % of average advances (annualised)		
	1H06	2H06	1H07	1H06	2H06	1H07
Corporate, Investment Banking and Markets	(109)	(10)	(24)	(0.12)	(0.01)	-0.02
Private Banking	29	4	9	0.20	0.02	0.05

Capital strength – HSBC's hallmark

Consistently strong Tier 1 capital ratios (%)



Improving capital efficiency

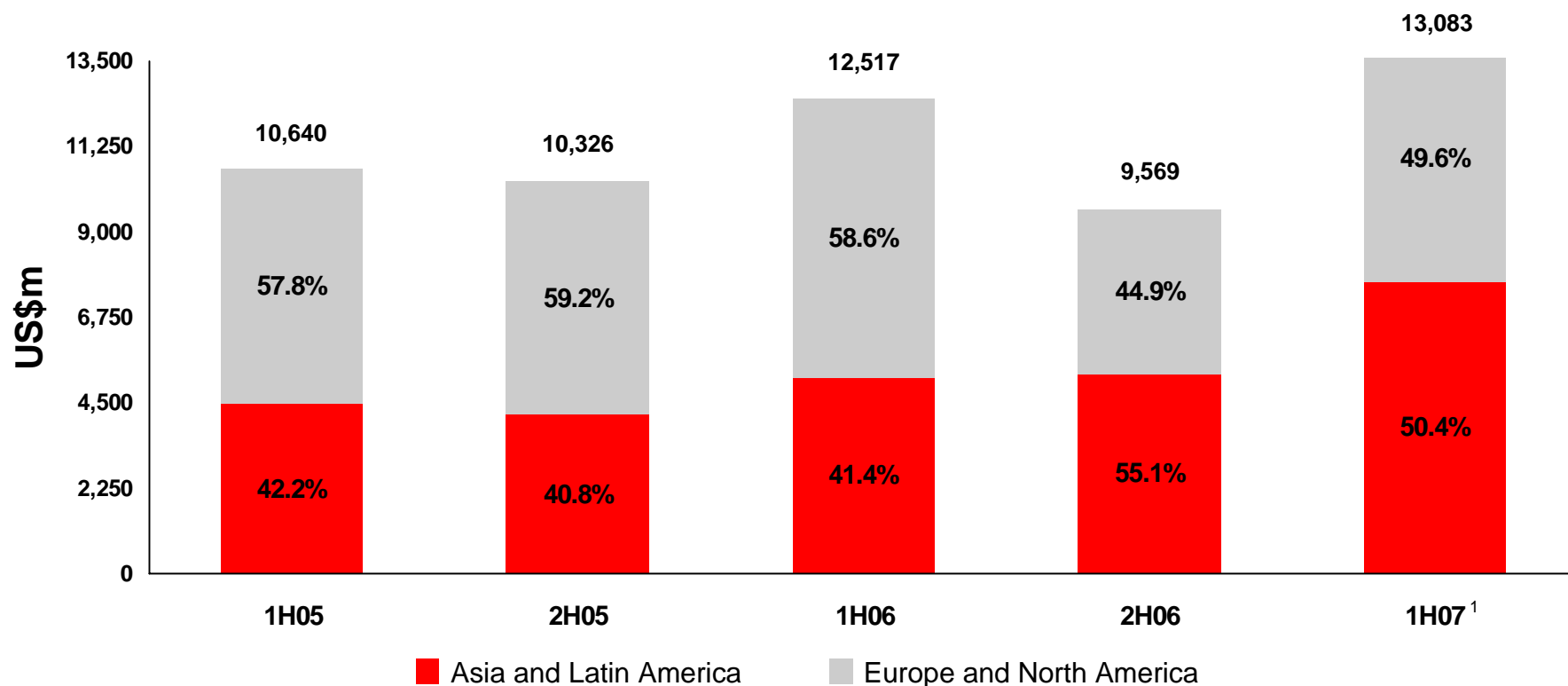


Michael Geoghegan

Business achievements – first half, 2007

Rebalancing towards developing markets

Composition of group profit before tax



(1) Excludes gains arising from dilution of interest in Chinese associates

Developing countries – world's largest and most profitable international emerging markets bank

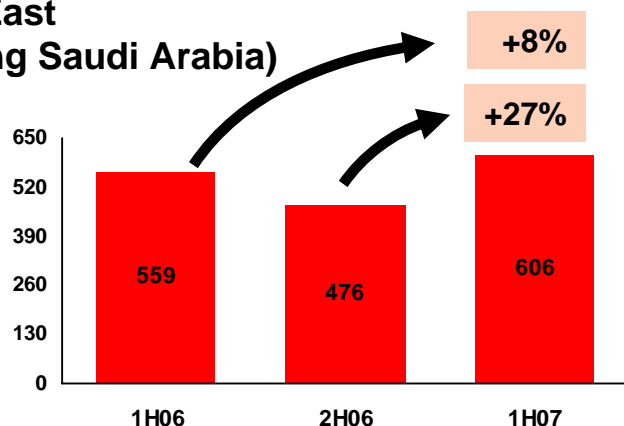
- Pre-eminent international bank in Asia
- Strength in Greater China
- Leveraging the customer group connections
- Significant growth in India, Singapore, Malaysia, UAE, Egypt, Brazil and Turkey
- Building regional business in Latin America

Profit before tax

Middle East

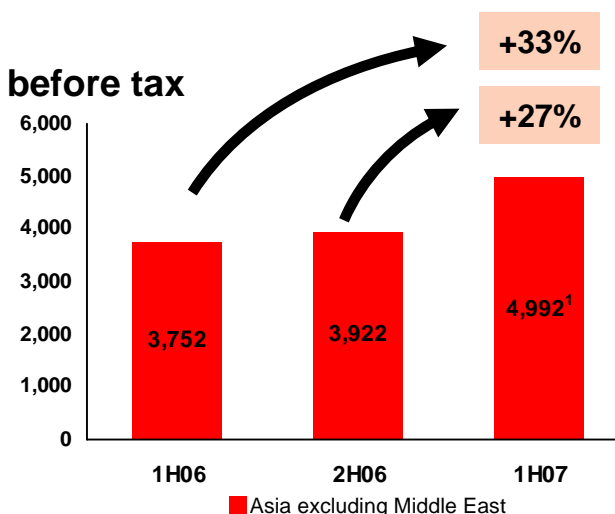
(including Saudi Arabia)

US\$m



Profit before tax

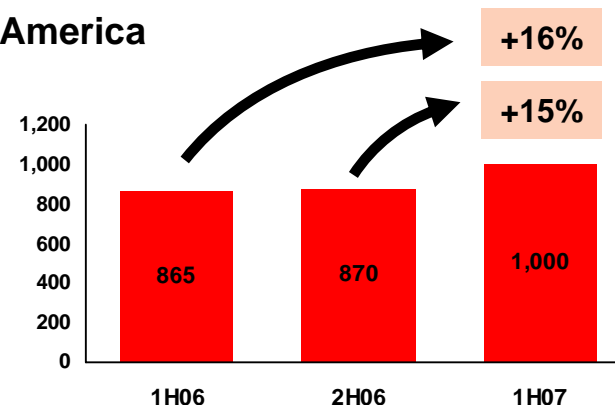
Asia
US\$m



(1) Excluding gains arising from dilution of interest in Chinese associates

Latin America

US\$m

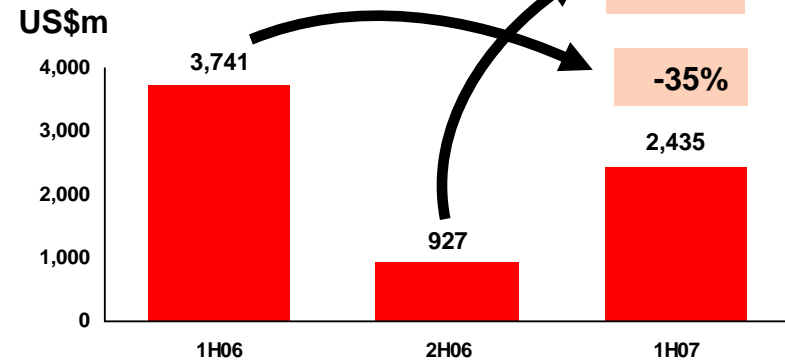


Developed countries – a diversified Group

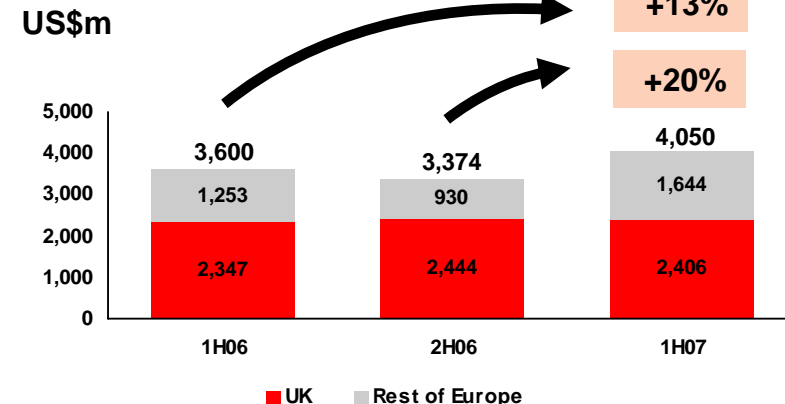
- Challenging environment in UK PFS
- Strong performance in CMB, CIBM and PB in Europe
- Success in the US direct proposition
- Expanded CMB network in the US
- Strong growth in Canada
- Good progress in managing the US mortgage services portfolio
- Satisfactory performance from US consumer finance, ex mortgage services

Profit before tax

North America



Europe



US Consumer Finance – making good progress

US Mortgage Services

- Reduced portfolio
- Stopped underwriting sub-prime mortgages from correspondents
- Centralised collection activities
- Developed sophisticated calling programme – over 19,000 customers contacted in last 6 months

Other results

- Consumer finance, excluding mortgage services – profit before tax of US\$1.6bn

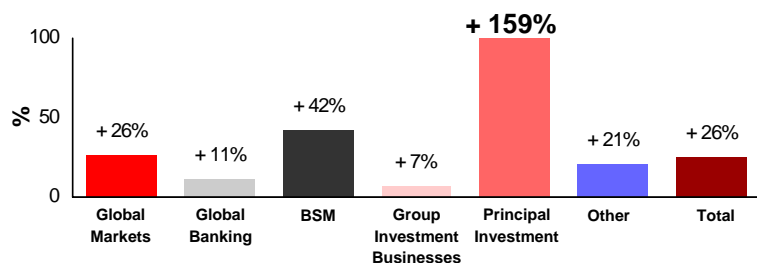
US Mortgage Services – loan portfolio

US\$bn	Total Portfolio	ARMs	2 nd Liens	Stated
At 31 December 2006	49.5	27.1	10.1	11.8
	-16% ↓	-30% ↓	-18% ↓	-20% ↓
At 30 June 2007	41.4	19.0	8.2	9.4

Corporate, Investment Banking and Markets – success in emerging markets-led and financing-focused strategy

- Benefit from geographic network and strengthened product capabilities
- Asia and LatAm contributed 49% of CIBM profit
- Global Markets success broadly based
- Global Banking strength in financing and payments and cash management
- Group Investments Businesses continued expansion in emerging markets

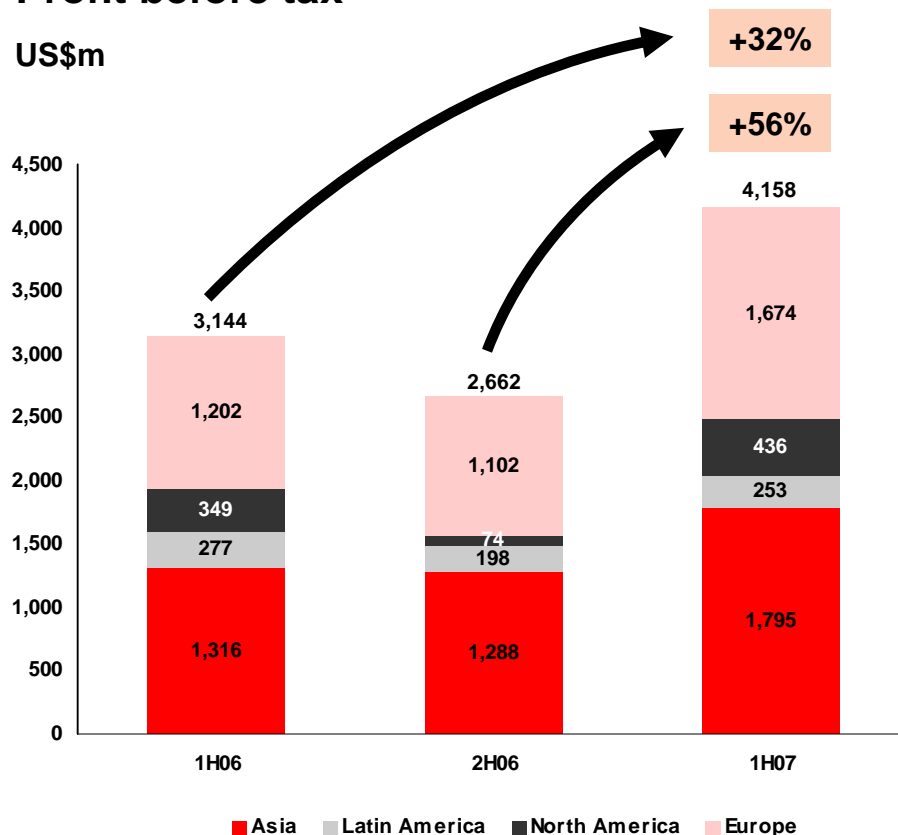
Growth in revenue¹, 1H07 v 1H06



(1) Management view of total operating income













Profit before tax

US\$m



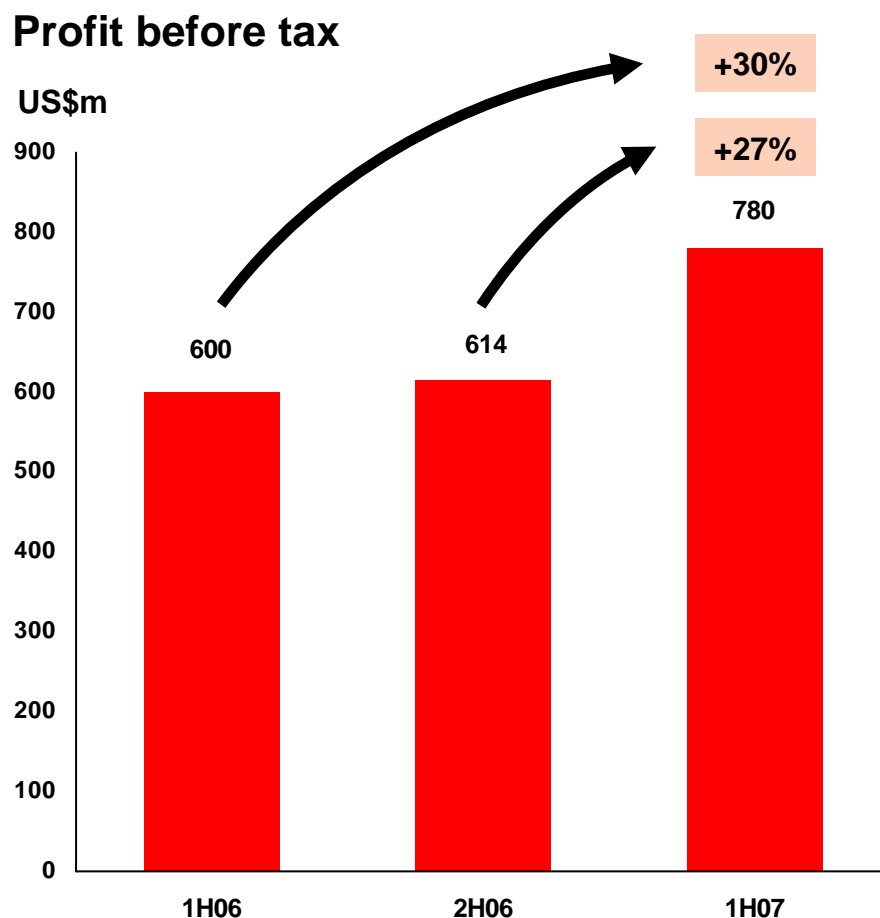
CIBM – key transactions

CIBM – major awards

<p>May 2007</p>  <p>Transaction value US\$1.2bn</p> <p>Bookrunner and Mandated Lead Arranger</p>	<p>April 2007</p>  <p>GBP1.8bn</p> <p>Bookrunner and Mandated Lead Arranger</p>	<p>April 2007</p>  <p>GBP3.4bn</p> <p>Bookrunner and Mandated Lead Arranger</p>	 <p>Best Risk Management House</p>	 <p>Regional Awards</p> <ul style="list-style-type: none"> • Best Risk Management in Asia • Best Foreign Exchange in Asia • Best Project Finance in Asia • Best Risk Management in Middle East • Best Cash Management in the Middle East • Best Cash Management in North America <p>Country Awards</p> <ul style="list-style-type: none"> • Best Risk Management in Asia • Best Bank in Hong Kong • Best Debt House in Hong Kong • Best M&A House in Saudi Arabia • Best Bank in Honduras 	 <p>Euromoney Islamic Finance Awards</p> <ul style="list-style-type: none"> • Best International Islamic Bank • Best Sukuk House • Best Project Finance House • Best Project Finance Deal – Rabigh Refinery and Petrochemical Project • Best Sukuk Deal – Khazanah Nasional Berhad
<p>Pending</p>  <p>Transaction value US\$11.6bn</p> <p>Bookrunner and Mandated Lead Arranger</p>	<p>May 2007</p>  <p>SGD650 million</p> <p>IB – M&A-Public Offer Adviser/ Sole Provider</p>	<p>June 2007</p>  <p>US\$758 million</p> <p>Singapore Telecommunications Limited</p> <p>Acquisition of a 30% stake in Warid Telecom (Pvt) Limited</p> <p>Adviser</p>	 <p>Best Cash Management House</p>	 <p>Foreign Exchange Poll 2007</p> <p>Ranked #1</p> <ul style="list-style-type: none"> • Who's best where? – Asia and Middle East • Best for currencies – Hong Kong dollar • Best for currencies – Chinese Yuan • Best for currencies – Middle Eastern currencies • Best for currencies – Asian currencies • Best for currencies – \$/£ 	 <ul style="list-style-type: none"> • Cross-border deal of the year 2007 – Arcelor-Mittal • Financing package of the year 2007 – BAA-Ferrovial

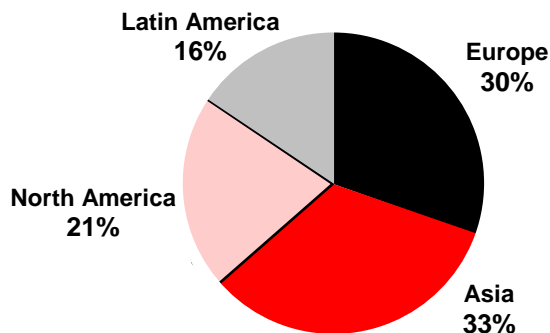
Private Banking – benefiting from Group connections

- Client assets under management increased by 11 % to US\$370 billion
- Cross-referral business – over US\$1.5bn of client assets referred into Private Banking
- Extended footprint in Canada and Panama

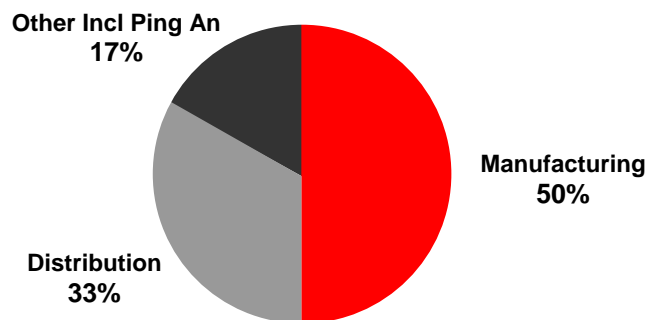


Insurance – developing our income stream

PBT by region, 1H07



PBT by source of business, 1H07



- Insurance contributed US\$1.6bn* or 11% to group profit
- Three transactions initiated: acquired remaining 50% of life & general insurer Erisa in France; J/V with Aviva in UK and plan to create J/V with Canara Bank and OBC in India
- Saudi Takaful IPO 7x over subscribed
- Established HSBC Insurance brand – with high quality ‘brand’ experience

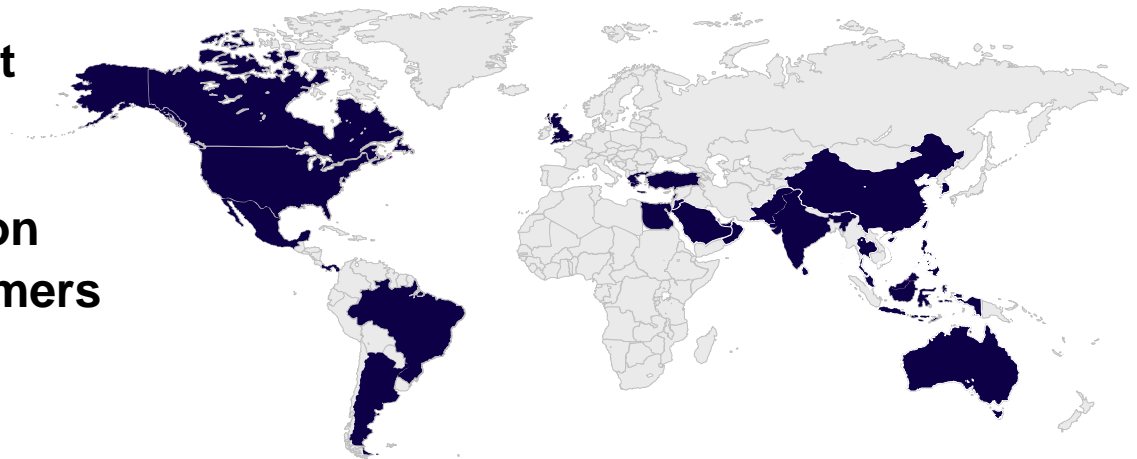
Note: The results of Insurance are reported within customer groups, primarily PFS

* Excludes the effect of the \$485m Ping An dilution gain

Joining up the company

(a) HSBC Premier

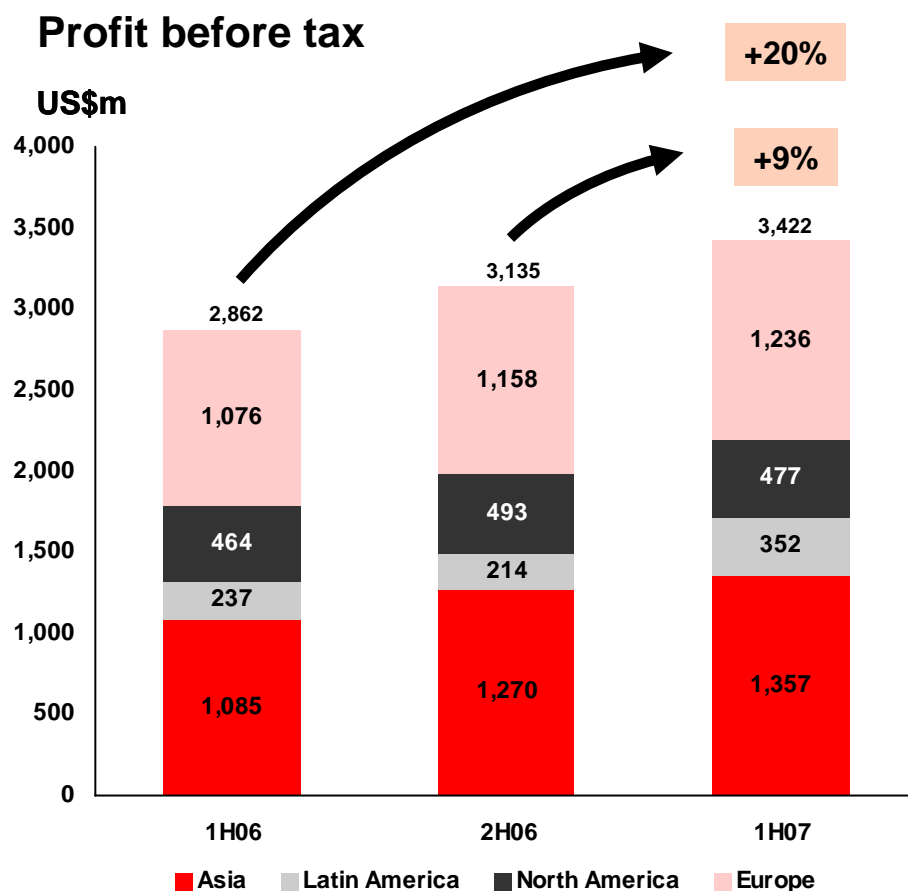
- Launched simultaneously in 35 markets in May 2007
- Comprehensive and consistent proposition to mass affluent customers across many markets
- Over 250 International HSBC Premier centres worldwide
- Since launch in May 2007
 - 75,000 new customers at 30 June 07
- Targeted to attract 4 million new HSBC Premier customers



Joining up the company

(b) Commercial Banking – strengthening international links

- Strategy: to be the best bank for small business and the leading international business bank
- Expanded customer base to 2.7m with emphasis on growth in emerging markets
- Global links cross-referral system generated 37% more referrals
- Direct channel usage increased helped by enhanced business internet banking platform



Joining up the company

(c) The benefits of common IT platforms

Rationalising internet platform – shared in over **60 markets**

Whirl – reducing cost per credit card account by **16%**

Implementing HSBCnet throughout **Latin America**

HSBC Direct launched in Korea and Canada – Asian deposits now exceed **US\$1bn**

Stephen Green

Outlook – HSBC well positioned

- Robust global economic growth and reduced dependence on US economy
 - US economy still expected to grow despite weak housing market
 - Emerging markets continue to benefit from strong trade and investment flows
 - Asset prices very stretched in several markets and risk premia rising
 - Concern about inflation with interest rates unlikely to fall
 - Risks of asset price dislocation where credit structures are stretched
-

Group is positioned to:

- Invest for diversified growth
- Maintain strong capital ratios
- Continue prudent stance on risks

2007 interim results

Key financial results

Revenue

Up 16% ex-dilution gains, or 20% to US\$38.5bn as reported

Costs

US\$18.6bn up 15%

Loan impairment charges

US\$6.3bn up 63%;
down 5% from 2H06

Profit before tax

Up 5% ex-dilution gains, or 13% to US\$14.2bn as reported

Attributable profit

Up 13% ex-dilution gains, or 25% to US\$10.9bn as reported

EPS

Up 10% ex-dilution gains, or 22% to US\$0.95 as reported