

6 March 2006

HSBC HOLDINGS PLC 2005 FINAL RESULTS – HIGHLIGHTS

- Total operating income up 10 per cent to US\$61,704 million (US\$55,988 million in 2004).

For the year:

- Net operating income up 10 per cent to US\$49,836 million (US\$45,162 million in 2004).
- Group pre-tax profit up 11 per cent to US\$20,966 million (US\$18,943 million in 2004).
- Profit attributable to shareholders of the parent company up 17 per cent to US\$15,081 million (US\$12,918 million in 2004).
- Return on average invested capital of 15.9 per cent (15.0 per cent in 2004).
- Earnings per share up 15 per cent to US\$1.36 (US\$1.18 in 2004).

Dividend and capital position:

- Fourth interim dividend for 2005 of US\$0.31 per share, an increase of 15 per cent; total dividends declared in respect of 2005 of US\$0.73 per share, an increase of 11 per cent over 2004.
- Tier 1 capital ratio of 9.0 per cent and total capital ratio of 12.8 per cent.

HSBC HOLDINGS REPORTS PRE-TAX PROFIT OF US\$20,966 MILLION

HSBC made a profit before tax of US\$20,966 million, an increase of US\$2,023 million, or 11 per cent, over 2004.

Net interest income of US\$31,334 million was US\$235 million, or 1 per cent, higher than 2004.

Net operating income before loan impairment charges and other credit risk provisions of US\$57,637 million was US\$6,284 million, or 12 per cent, higher than 2004.

Operating expenses of US\$29,514 million rose US\$3,027 million, or 11 per cent, compared with 2004. On an underlying basis and expressed in terms of constant currency, operating expenses increased by 9 per cent.

HSBC's cost efficiency ratio was 51.2 per cent compared with 51.6 per cent in 2004.

Loan impairment charges and other credit risk provisions were US\$7,801 million in 2005, US\$1,610 million higher than 2004.

The tier 1 capital and total capital ratios for the Group remained strong at 9.0 per cent and 12.8 per cent, respectively, at 31 December 2005.

The Group's total assets at 31 December 2005 were US\$1,502 billion, an increase of US\$222 billion, or 17 per cent, since 31 December 2004.

Financial statements for the year ended 31 December 2005 are prepared in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the EU. Comparative figures for 2004 are also prepared under IFRSs but reflect transition exemptions on the move to reporting under IFRSs and therefore individual lines may not be strictly comparable. In particular, comparative figures do not reflect the impact of IAS 32 'Financial Instruments: Disclosure and Presentation', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 4 'Insurance Contracts' (see Note 1 'Accounting policies' on page 16).

Geographical distribution of results

<i>Figures in US\$m</i>	<i>Year ended</i>		<i>Year ended</i>	
	<i>31 December 2005</i>		<i>31 December 2004</i>	
Profit before tax				
		%		%
Europe	6,356	30.3	5,756	30.4
Hong Kong	4,517	21.5	4,830	25.5
Rest of Asia-Pacific	2,574	12.3	1,847	9.8
North America	6,872	32.8	6,070	32.0
South America	647	3.1	440	2.3
	<u>20,966</u>	<u>100.0</u>	<u>18,943</u>	<u>100.0</u>
Tax expense	<u>(5,093)</u>		<u>(4,685)</u>	
Profit for the year	<u>15,873</u>		<u>14,258</u>	
Profit attributable to shareholders of the parent company	15,081		12,918	
Profit attributable to minority interests	792		1,340	

Distribution of results by customer group

<i>Figures in US\$m</i>	<i>Year ended</i>		<i>Year ended</i>	
	<i>31 December 2005</i>		<i>31 December 2004</i>	
Profit before tax				
		%		%
Personal Financial Services	9,904	47.2	8,497	44.9
Commercial Banking	4,961	23.7	4,057	21.4
Corporate, Investment Banking and Markets	5,163	24.6	5,288	27.9
Private Banking	912	4.4	697	3.7
Other	26	0.1	404	2.1
Total	<u>20,966</u>	<u>100.0</u>	<u>18,943</u>	<u>100.0</u>

Comment by Sir John Bond, Group Chairman

Our results reflect our success in growing revenues and improving productivity, in line with our Managing for Growth strategic plan. They are a tribute to the talents and dedication of the 284,000 people who work for HSBC in meeting our customers' needs. Overall, 2005 was a year of sustained progress for HSBC and our all round performance during the last three years has brought impressive returns to our shareholders.

We grew profit attributable to shareholders by 17 per cent to US\$15.1 billion in 2005. This represents US\$1.36 per share, an increase of 15 per cent. Our earnings remained well diversified both geographically and by customer group. We have continued to invest in the future of our business, particularly the growth of our personal financial services in Asia, but at the same time we improved productivity as the level of expenditure on the development of our investment banking businesses passed its peak. We also achieved good growth and further efficiencies in our core UK personal and commercial banking businesses. Worldwide, we grew our commercial banking business strongly on the back of recent investment. For the year as a whole, revenue growth of 12 per cent exceeded cost growth by 1 percentage point. A strong second half performance reversed a 4 percentage point deficit at the interim stage.

The Board has declared a fourth interim dividend of US\$0.31 per share taking the total dividend in respect of 2005 to US\$0.73 per share, an increase of 10.6 per cent over the dividends for 2004. The dividend is payable on 11 May 2006 to shareholders on the register on 24 March 2006, with a scrip dividend alternative available for shareholders who prefer this option.

The business climate

Economic conditions in 2005 reflected the growing impact of globalisation and the imbalance between resource producers and consumers. International trade flows were dominated by China's growing share of world manufacturing and by further increases in commodity prices, notably energy prices. Trade in services continued to expand, partly reflecting India's growing role. Other emerging markets such as Mexico, Turkey and eastern Europe benefited from their proximity to the major consumer markets and from continued foreign investment. Resource rich countries such as Australia, Brazil and Canada enjoyed the strong global demand for commodities. Liquidity in the oil exporting countries from higher oil prices fuelled major infrastructure investment and, through the recycling of petro-dollars, boosted asset prices elsewhere in the world. The US current account deficit widened further as strong domestic demand and higher energy prices raised the value of US imports.

Worldwide consumer spending remained resilient, supporting economic expansion. Risk premia fell across most asset classes as investors sought higher yields which in turn led to increased enthusiasm for emerging markets. The world's best performing stock markets included Japan, where domestic growth recovered, and a range of emerging markets, for example Egypt, Saudi Arabia, Russia and Turkey.

Core businesses, new initiatives

HSBC's core businesses in the US, Hong Kong and the UK produced robust performances and we made good progress in a number of key areas of focus. In particular, we stabilised the risk adjusted margins in our consumer finance business in the US. We held costs flat and significantly increased revenues in our UK personal and commercial businesses. We improved deposit spreads in Hong Kong during the course of the year. We achieved robust growth in global transaction banking for corporate clients on the back of strong trade flows and we obtained our best ever ranking in foreign exchange surveys and debt capital markets league tables. We also grew our loan books without materially changing the risk profile of the portfolio.

Technology remains the key to productivity improvements and to increasing our coverage in many markets without the need for establishing a significant physical presence. At the same time, the investments we have made during the last decade in developing HSBC's geographical coverage and product capabilities and in building our brand, allowed us to benefit from the prevailing economic conditions in many of our major markets and to capture returns for our shareholders from an ever more diversified revenue base. In addition to the performance of our core businesses, we achieved incremental revenues from a number of new or developing areas. For example:

- Our operations in mainland China performed well in 2005. We expanded our branch network and we retain the largest presence in China of any international bank. In addition, the contribution to earnings from our strategic investments continued to grow. Those in Bank of Communications, Industrial Bank, Ping An Group and Bank of Shanghai accounted for over 70 per cent of our earnings in mainland China in 2005. With the addition of HSBC Jintrust Fund Management Co Ltd to our holdings, HSBC is well placed to benefit from China's continued economic development and from the liberalisation of its financial services sector which membership of the World Trade Organisation will bring.
- In India, we expanded our global resourcing activities including increasing our largest IT development centre to 2,500 people. We also used our expertise and knowledge of the country to build the world's largest equity investment fund focused on India. Through a combination of third party and internal distribution we have grown the GIF Indian Equity fund from US\$2.6 billion in 2004 to US\$4.7 billion at the end of 2005.
- We achieved record results in Mexico, Turkey and the Middle East, increasing their aggregate contribution to the Group's profit before tax by US\$490 million, or 42 per cent. The results reflected the benefits of co-operation with other parts of the HSBC Group in areas as varied as consumer finance, capital markets, payments and cash management, Amanah (Islamic) finance and insurance.
- Exceptional liquidity in the Middle East generated strong investment flows. Our businesses in Saudi Arabia and Dubai more than doubled commissions from retail brokerage. HSBC also advised on many outward investments by clients in the region, including Dubai International Capital's acquisitions of Tussauds Group for US\$1.5 billion in the UK. We also benefited from regional growth in infrastructure spending, notable assignments including the Shuaibah and Taweelah water and power projects in Saudi Arabia and Abu Dhabi respectively.

- The worldwide fall in risk premia generated strong demand for the higher yields available from emerging markets and structured products. In addition to the GIF Indian Equity fund described above, our GIF BRIC (Brazil, Russia, India and China) Freestyle fund, also managed by HSBC Halbis Partners, attracted considerable support, growing from US\$21 million, to US\$2.1 billion, during the course of 2005. HSBC brought a growing number of initial public offerings to investors, notably the Polish gas company PGNiG, Middle Eastern telecom provider Investcom and three of the five largest in Hong Kong this year, including Bank of Communications. In addition, HSBC used its experience in emerging markets to advise on a number of cross-border deals, most notably Bank of America's US\$3 billion investment in China Construction Bank.
- Exceptional liquidity in private equity markets afforded us opportunities to realise attractive gains on historical investments and to refinance companies with expensive capital structures.
- Responding to demand from the investment markets, we achieved significant growth across all businesses in the manufacture and distribution of bespoke products and solutions, mainly for corporate clients. In Global Markets we grew market share significantly and profitably in complex derivative products, reflecting recent investment in this area. Sinopia, the Group's specialist manager of quantitative, structured and guaranteed investment products delivered 80 per cent growth in revenues.
- Strong investment flows into emerging market equities and into alternative investment funds, brought significant growth in the Group's sub-custody and clearing business, where we are particularly strong in Asia. They also benefited our fund administration business, which was well positioned to meet clients' service requirements for traditional and alternative investments, following the integration of Bank of Bermuda. Revenue growth exceeded 40 per cent in our sub-custody business, and 25 per cent in the global custody and fund administration business.

Benign credit conditions

Throughout 2005, credit conditions remained broadly favourable, particularly in the US which, despite steadily rising interest rates, experienced continued economic growth, lower unemployment and rising wages. Due to the effect of hurricanes and accelerated bankruptcy filings ahead of a change in the law, credit charges in the US initially increased during the second half but are now returning to more normal levels.

In the UK, 2005 saw a significant rise in personal bankruptcies following an earlier relaxation in the law and a general expansion in credit availability. In response to the increased levels of personal credit charges, the steps we took on both underwriting and collection processes began to have a positive effect during the second half. Furthermore, HSBC has been at the forefront of efforts in the UK to broaden access to information sharing in order to strengthen responsible lending practices.

Worldwide, corporate credit performance was strong with net recoveries in the large corporate sector and a low level of charges in the commercial banking sector. These conditions may not prove sustainable.

Corporate, Investment Banking and Markets

We are a little more than half way through our five year strategic plan for developing our Corporate, Investment Banking and Markets business and we are progressing well and gaining momentum in the areas of investment. Cost growth peaked during the year and there is clear evidence of positive client response to our expanded product capabilities.

We have established leadership positions in foreign exchange, ('FX') in transaction banking, in project and export finance, and in funds administration. We have developed strongly and gained market share in debt capital markets globally, and in government bond trading in Europe. In higher added value products our significant investment in quantitative skills and support systems has been rewarded with strong growth in market share in FX options and structured derivatives.

Our investment in recruiting a number of senior advisory bankers significantly increased our coverage of major corporate relationships, building on the foundations already in place and expanding the range of opportunities available.

Organic investment

With considerable excess capital in the banking sector and relatively few investment opportunities available, prices for potential acquisitions were high in 2005. In line with our strategy, we concentrated on organic growth. During the year we almost doubled our stake in Ping An Insurance in China, in August, to 19.9 per cent, at a cost of US\$1.0 billion. In December we completed the acquisition of Metris, a US-based sub-prime credit card business with four million clients, and complementary to HSBC Finance, for US\$1.6 billion.

During the last 12 months, organic investment has created some exciting opportunities for the future. For example, in the US we launched a national direct online savings product. By December this was attracting deposits at the rate of US\$75 million per week and had garnered US\$1 billion in total. In Asia, we expanded our card base to reach 10.3 million cards with 2.1 million cards added during the year.

We established consumer finance operations in Argentina, Australia and India, while in Mexico we launched several new products including 'Tu Cuenta' an integrated current account, deposit and card product, which has attracted some 2,300 customers per day since its launch in February. In Turkey, our Personal Financial Services business reported a three-fold increase in pre-tax profits, reflecting strong organic growth and an increase in customers to 2.2 million.

Group Private Banking grew strongly in all regions; net new money inflows were US\$35.7 billion. We continued to invest in Asia, particularly in India, Japan and Taiwan and we expanded our support of clients from mainland China. In Europe we established regional offices in the UK, France and Russia, and we also expanded our geographical presence in the US.

We continued to release capital through the sale of interests which lay outside our core business or which lacked critical mass. These included the disposal of the support functions of our fleet management business in the UK and the contribution of our Asian merchant acquiring business into a joint venture. In aggregate, we realised disposal gains of US\$652 million in 2005. Last month we announced completion of the sale of our 21.16 per cent interest in Laiki Group for a consideration of US\$235 million and the sale of 7.19 per cent from our interest in UTI Bank for US\$142 million. A profit on sale of US\$174 million will be included in our results for the first half of 2006 from these disposals.

Outlook

In the near term, the outlook is encouraging. The world economy continues to grow steadily. The US economy is strong, the UK resilient, Japan and Germany are recovering and the emerging markets are buoyant.

Longer term prospects are more uncertain. Apart from the possibility, however remote, of a sudden shock to the world's financial system, we remain concerned about the unprecedented level of trade imbalances. Similarly, the implications of demographic change and of ageing populations for financial markets and businesses will be profound. It is inevitable that, at some stage, a process of adjustment will begin but the timing is open to question. So far, the financial markets are taking a benign view of these potential sources of instability.

Progressively, globalisation is forcing countries and businesses operating within them to re-evaluate their comparative advantages and to adjust to a world in which emerging markets compete not only in terms of cost but also in skills and technology. The globalisation of the services industry, spurred on by new technologies and the rapid fall in communication costs, will afford huge opportunities but also pose significant challenges to many areas of economic activity including financial services. Incipient protectionism, resulting from a reluctance to face up to the new competitive realities, remains a threat to the continuing growth of the world economy.

In certain mature markets, under-funded pension plans threaten to become a drain on companies' resources. Combined with the rising cost of long-term healthcare they pose a considerable challenge to policy makers. Continuing productivity growth is therefore increasingly important. Only if it is achieved will financial markets be able to offer returns with a meaningful premium to the risk-free rate embodied in government debt. Without such productivity gains and associated financial returns the affordability of pension and healthcare promises will become increasingly burdensome. The challenge to society of managing the equitable distribution of wealth created between competing generations may well become one of the most pressing of the next decade.

In this environment HSBC, with its unique international footprint, is determined to continue to deliver profitable growth and value to its several constituencies. Success ensures that we can offer good employment prospects to an ever more diverse workforce. It means that we can afford to continue to invest in expanding the platforms by which we deliver services to our customers. It enables us to contribute to the savings and retirement needs of those who invest in HSBC directly, or indirectly through pension plans and investment funds.

Building on our achievements, our priority for the rest of 2006 is to continue to implement our Managing for Growth strategy. We will achieve this by being distinctive, reinforcing our brand values of trust and integrity in all our dealings with customers. We will make ourselves even more relevant by broadening the product, channel and geographical coverage we offer. Furthermore, we will ensure that the scale and complexity needed to compete successfully will be seamless from the perspective of our customers and manageable from that of our colleagues.

Our businesses in Asia, Turkey, Mexico, Brazil and the Middle East see strong opportunities for growth on the back of investments already made. We also see opportunities to strengthen our position in our franchises in the UK, Hong Kong, North America and France. We believe there is growing momentum from the development of our new business streams within Corporate, Investment Banking and Markets businesses. Overall, HSBC is well positioned for further growth.

	2004 US\$m	Year ended 31 December	2005		
			US\$m	£m	HK\$m
For the year					
18,943		Profit before tax	20,966	11,531	163,073
12,918		Profit attributable to shareholders of the parent company	15,081	8,295	117,300
6,932		Dividends	7,750	4,263	60,280
At year-end					
85,522		Total shareholders' equity	92,432	53,704	716,718
90,780		Capital resources	105,449	61,266	817,652
777,127		Customer accounts and deposits by banks	809,146	470,112	6,274,118
1,279,974		Total assets	1,501,970	872,645	11,646,275
759,210		Risk-weighted assets	827,164	480,582	6,413,830
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	US\$	Per share	US\$	£	HK\$
1.18		Basic earnings	1.36	0.75	10.58
1.17		Diluted earnings	1.35	0.74	10.50
0.63		Dividends [†]	0.69	0.38	5.36
7.66		Net asset value	8.16	4.74	63.27
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Share information					
11,172m		US\$0.50 ordinary shares in issue	11,334m		
US\$190bn		Market capitalisation	US\$182bn		
£8.79		Closing market price per share	£9.33		
			Over 1 year	Over 3 years	Over 5 years
		Total shareholder return to 31 December 2005 ^{††}	111.3	158.8	121.2
		Benchmarks: FTSE 100	120.8	158.4	105.9
		MSCI World	123.1	159.1	99.1

[†] The fourth interim dividend for 2005 of US\$0.31 per share is translated at the closing rate on 31 December 2005 (see note 11 on page 28). Where required, this dividend will be converted into sterling or Hong Kong dollars at the exchange rates on 2 May 2006 (see Note 2 on page 16).

Under IFRSs accounting rules, the dividend per share of US\$0.69 shown in the accounts is the total of the dividends declared during 2005. This represents the fourth interim dividend for 2004 and the first, second and third interim dividends for 2005. As the fourth interim dividend for 2005 was declared in 2006 it will be reflected in the accounts for 2006.

^{††} Total shareholder return ('TSR') is as defined in the Annual Report and Accounts 2005 on page 220.

2004	<i>Year ended 31 December</i>	2005
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Performance ratios (%)

15.0	Return on average invested capital [†]	15.9
16.3	Return on average total shareholders' equity	16.8
1.14	Post-tax return on average total assets	1.06
2.13	Post-tax return on average risk-weighted assets	2.01

Efficiency and revenue mix ratios

51.6	Cost efficiency ratio	51.2
As a percentage of total operating income:		
55.5	- Net interest income	50.8
23.1	- Net fee income	23.4
5.0	- Net trading income	9.5

Capital ratios

8.9	- Tier 1 capital	9.0
12.0	- Total capital	12.8

[†] *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.*

<i>31 December 2004</i>		<i>Year ended 31 December 2005</i>		
<i>US\$m</i>		<i>US\$m</i>	<i>£m</i>	<i>HK\$m</i>
50,471	Interest income	60,094	33,052	467,411
(19,372)	Interest expense	(28,760)	(15,817)	(223,694)
31,099	Net interest income	31,334	17,235	243,717
15,902	Fee income	17,486	9,617	136,006
(2,954)	Fee expense	(3,030)	(1,666)	(23,567)
12,948	Net fee income	14,456	7,951	112,439
2,786	Trading income excluding net interest income	3,656	2,011	28,436
-	Net interest income on trading activities	2,208	1,214	17,174
2,786	Net trading income	5,864	3,225	45,610
	Net income from financial instruments			
-	designated at fair value	1,034	569	8,042
	Net investment income on assets backing			
1,012	policyholders' liabilities	-	-	-
540	Gains less losses from financial investments	692	381	5,382
622	Dividend income	155	85	1,206
5,368	Net earned insurance premiums	5,436	2,990	42,280
1,613	Other operating income	2,733	1,502	21,256
55,988	Total operating income	61,704	33,938	479,932
	Net insurance claims incurred and movement in			
(4,635)	policyholders' liabilities	(4,067)	(2,237)	(31,633)
	Net operating income before loan			
	impairment charges and other credit risk			
	provisions	57,637	31,701	448,299
	Loan impairment charges and other credit risk			
(6,191)	provisions	(7,801)	(4,290)	(60,677)
45,162	Net operating income	49,836	27,411	387,622
(14,523)	Employee compensation and benefits	(16,145)	(8,880)	(125,576)
(9,739)	General and administrative expenses	(11,183)	(6,150)	(86,977)
(1,731)	Depreciation of property, plant and equipment	(1,632)	(898)	(12,694)
(494)	Amortisation of intangible assets	(554)	(305)	(4,309)
(26,487)	Total operating expenses	(29,514)	(16,233)	(229,556)
18,675	Operating profit	20,322	11,178	158,066
268	Share of profit in associates and joint ventures	644	353	5,010
18,943	Profit before tax	20,966	11,531	163,076
(4,685)	Tax expense	(5,093)	(2,800)	(39,616)
14,258	Profit for the year	15,873	8,731	123,460
	Profit attributable to shareholders of the			
	parent company	15,081	8,295	117,300
1,340	Profit attributable to minority interests	792	436	6,160

<i>At 31 December 2004 US\$m</i>		<i>At 31 December 2005</i>		
		<i>US\$m</i>	<i>£m</i>	<i>HK\$m</i>
ASSETS				
9,944	Cash and balances at central banks	13,712	7,967	106,323
6,338	Items in the course of collection from other banks	11,300	6,565	87,620
11,878	Hong Kong Government certificates of indebtedness	12,554	7,294	97,344
122,160	Trading assets	190,257	110,539	1,475,251
	Trading assets which may be repledged or resold by			
-	counterparties	42,652	24,781	330,724
-	Financial assets designated at fair value	15,046	8,742	116,667
32,190	Derivatives	73,928	42,952	573,238
143,449	Loans and advances to banks	125,965	73,186	976,733
672,891	Loans and advances to customers	740,002	429,941	5,737,975
185,332	Financial investments	176,301	102,431	1,367,038
	Financial investments which may be repledged or			
-	resold by counterparties	6,041	3,510	46,842
3,441	Interests in associates and joint ventures	7,249	4,212	56,209
34,495	Goodwill and intangible assets	33,200	19,289	257,433
15,624	Property, plant and equipment	15,206	8,835	117,907
23,077	Other assets	26,596	15,452	206,225
19,155	Prepayments and accrued income	11,961	6,949	92,746
1,279,974	Total assets	1,501,970	872,645	11,646,275

<i>At 31 December 2004 US\$m</i>		<i>At 31 December 2005</i>		
		<i>US\$m</i>	<i>£m</i>	<i>HK\$m</i>
LIABILITIES AND EQUITY				
Liabilities				
11,878	Hong Kong currency notes in circulation	12,554	7,294	97,344
84,055	Deposits by banks	69,727	40,511	540,663
693,072	Customer accounts	739,419	429,601	5,733,455
5,301	Items in the course of transmission to other banks	7,022	4,080	54,449
46,460	Trading liabilities	174,365	101,306	1,352,024
-	Financial liabilities designated at fair value	61,829	35,923	479,422
34,988	Derivatives	74,036	43,015	574,075
211,721	Debt securities in issue	188,072	109,271	1,458,310
6,475	Retirement benefit liabilities	4,869	2,829	37,754
20,581	Other liabilities	26,515	15,405	205,597
-	Liabilities under insurance contracts issued	14,144	8,218	109,673
	Liabilities to policyholders under long-term assurance			
19,190	business	-	-	-
16,499	Accruals and deferred income	12,689	7,372	98,391
	Provisions			
1,435	- Deferred tax	530	308	4,110
2,636	- Other provisions	1,436	834	11,135
26,486	Subordinated liabilities	16,537	9,608	128,228
1,180,777	Total liabilities	1,403,744	815,575	10,884,630
Equity				
5,587	Called up share capital	5,667	3,293	43,942
4,881	Share premium account	6,896	4,007	53,472
25,622	Other reserves	23,646	13,738	183,351
49,432	Retained earnings	56,223	32,666	435,953
85,522	Total shareholders' equity	92,432	53,704	716,718
13,675	Minority interests	5,794	3,366	44,927
99,197	Total equity	98,226	57,070	761,645
1,279,974	Total equity and liabilities	1,501,970	872,645	11,646,275

<i>2004</i> <i>US\$m</i>	<i>Year ended 31 December</i>	<i>2005</i> <i>US\$m</i>
	Available-for-sale investments:	
-	- Fair value losses taken to equity	(400)
-	- Fair value gains transferred to income statement on disposal or impairment	(240)
	Cash flow hedges:	
-	- Fair value changes taken to equity	(92)
-	- Fair value changes transferred to income statement	(106)
-	Share of changes in equity of associates and joint ventures	161
3,720	Exchange differences arising on net investments in foreign operations	(4,257)
(731)	Actuarial losses on post-employment benefits	(812)
<u>2,989</u>		<u>(5,746)</u>
319	Net deferred tax on items taken directly to equity	437
<u>14,258</u>	Profit for the year	<u>15,873</u>
17,566	Total recognised income and expense for the year	10,564
	Effect of change in accounting policy	
	IFRSs transition adjustment at 1 January 2005	
-	- Available-for-sale fair value reserve	1,919
-	- Cash flow hedging reserve	410
-	- Foreign exchange reserve	686
-	- Retained earnings	(1,762)
-	- Minority interests	(10,077)
<u>17,566</u>		<u>1,740</u>
	Total recognised income and expense for the year attributable to:	
15,743	- Shareholders of the parent company	9,912
<u>1,823</u>	- Minority interests	<u>652</u>
<u>17,566</u>		<u>10,564</u>

	<i>Year ended 31 December</i>	
	<i>2005</i>	<i>2004</i>
	<i>US\$m</i>	<i>US\$m</i>
Cash flows from operating activities		
Profit before tax	20,966	18,943
<i>Adjustments for:</i>		
Non-cash items included in net profit	1,358	368
Change in operating assets	(82,710)	(124,299)
Change in operating liabilities	70,933	178,014
Elimination of exchange differences	2,315	(8,664)
Net gain from investing activities	(692)	(540)
Share of profits in associates and joint ventures	(644)	(268)
Dividends received from associates	114	127
Tax paid	(4,619)	(3,784)
Net cash from operating activities	<u>7,021</u>	<u>59,897</u>
Cash flows from investing activities		
Purchase of financial investments	(378,103)	(330,917)
Proceeds from the sale of financial investments	368,696	315,437
Purchase of property, plant and equipment	(2,887)	(2,830)
Proceeds from the sale of property, plant and equipment	620	371
Purchase of intangible assets	(849)	(108)
Net cash outflow from acquisition of and increase in stake of subsidiaries	(1,662)	(2,431)
Net cash inflow from disposal of subsidiaries	705	27
Net cash outflow from acquisition of and increase in stake of associates	(2,569)	(2,122)
Proceeds from disposal of associates	422	212
Net cash used in investing activities	<u>(15,627)</u>	<u>(22,361)</u>
Cash flows from financing activities		
Issue of ordinary share capital	690	581
Issuance of preference shares	1,298	-
Net purchases and sales of own share for market-making purposes	(55)	98
Purchases of own shares to meet share awards and share option awards	(766)	(345)
Own shares released on vesting of share awards and exercise of options	277	159
Decrease in non-equity minority interests	-	1,480
Subordinated loan capital issued	2,093	6,021
Subordinated loan capital repaid	(1,121)	(1,740)
Dividends paid to the shareholders of the parent company	(5,935)	(4,425)
Dividends paid to minority interests - equity	(508)	(664)
- non-equity	-	(548)
Net cash (used in)/from financing activities	<u>(4,027)</u>	<u>617</u>
Net (decrease)/increase in cash and cash equivalents	(12,633)	38,153
Cash and cash equivalents at 1 January	160,956	117,558
Exchange differences in respect of cash and cash equivalents	(7,016)	5,245
Cash and cash equivalents at 31 December	<u>141,307</u>	<u>160,956</u>

1. Accounting policies

For all periods up to and including the year ended 31 December 2004, HSBC prepared its consolidated financial statements in accordance with UK Generally Accepted Accounting Principles ('UK GAAP'). From 1 January 2005, HSBC has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ('IFRSs') as endorsed by the EU and effective for HSBC's reporting for the year ended 31 December 2005.

In preparing its consolidated financial statements, HSBC has elected to take advantage of certain transitional provisions within IFRS 1 'First-time Adoption of International Financial Reporting Standards' ('IFRS 1') which offer exemption from presenting comparative information or applying IFRSs retrospectively. The most significant of these provisions is the exemption from presenting comparative information in accordance with IAS 32 'Financial Instruments: Presentation', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 4 'Insurance Contracts' and disclosures under IFRS 7 'Financial Instruments: Disclosure'.

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

2. Dividend

On 6 March 2006, the Directors declared a fourth interim dividend for 2005 of US\$0.31 per ordinary share. The dividend will be payable on 11 May 2006, to shareholders on the Register at the close of business on 24 March 2006. The dividend will be payable in cash, in US dollars, sterling or Hong Kong dollars, or a combination of these currencies, at the exchange rates quoted by HSBC Bank plc in London at or about 11 am on 2 May 2006, and with a scrip dividend alternative. Particulars of these arrangements will be mailed to shareholders on or about 4 April 2006, and elections will be required to be made by 27 April 2006. As this dividend was declared after the balance sheet date, it has not been included in 'Other liabilities' at 31 December 2005.

The dividend on shares held through Euroclear France, the settlement and central depository system for Euronext Paris, will be payable on 11 May 2006 to the holders of record on 24 March 2006. The dividend will be payable in cash, in euros at the exchange rate on 2 May 2006, or as a scrip dividend. Particulars of these arrangements will be announced through Euronext Paris on 22 March 2006 and 29 March 2006.

The dividend on American Depositary Shares ('ADSs'), each of which represents five ordinary shares, will be payable on 11 May 2006 to holders of record on 24 March 2006. The dividend of US\$1.55 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 31 March 2006, and elections will be required to be made by 17 April 2006. Alternatively, the cash dividend may be invested in additional ADSs for participants in the dividend reinvestment plan operated by the depository.

The Company's shares will be quoted ex-dividend in London, Hong Kong and Bermuda on 22 March 2006 and in Paris on 27 March 2006. The ADSs will be quoted ex-dividend in New York on 22 March 2006.

3. Earnings and dividends per share

	<i>Year ended 31 December</i>	
	<u>2005</u>	<u>2004</u>
Basic earnings per share	1.36	1.18
Diluted earnings per share	1.35	1.17
Dividends per share	0.69	0.63
Dividend pay out ratio [†]	51 %	53 %

[†] *Dividends per share expressed as a percentage of earnings per share.*

Basic earnings per ordinary share was calculated by dividing the earnings of US\$15,060 million by the weighted average number of ordinary shares outstanding, excluding own shares held, of 11,038 million shares (2004: earnings of US\$12,918 million and 10,907 million shares).

Figures in US\$m

	<i>Year ended 31 December</i>	
	<u>2005</u>	<u>2004</u>
Profit attributable to shareholders of the parent company	15,081	12,918
Dividend payable on preference shares classified as equity	(21)	-
Profit attributable to the ordinary shareholders of the parent company	15,060	12,918

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 2005 of 11,171 million shares (2004: 11,054 million shares).

4. Taxation

<i>Figures in US\$m</i>	<i>Year ended 31 December</i>	
	<u>2005</u>	<u>2004</u>
UK corporation tax charge	692	716
Overseas taxation	3,993	2,856
Current taxation	4,685	3,572
Deferred taxation	408	1,113
Total charge for taxation	5,093	4,685
Effective tax rate	24.3 %	24.7 %

4. Taxation (continued)

HSBC Holdings and its subsidiaries in the United Kingdom provided for UK corporation tax at 30 per cent (2004: 30 per cent). Overseas tax included Hong Kong profits tax of US\$639 million (2004: US\$539 million) provided at the rate of 17.5 per cent (2004: 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

<i>Figures in US\$m</i>	<i>Year ended 31 December</i>	
	<i>2005</i>	<i>2004</i>
Taxation at UK corporate tax rate of 30% (2004: 30 per cent)	6,290	5,683
Impact of overseas profits in principal locations taxed at different rates	(342)	(347)
Tax-free gains	(220)	(64)
Adjustments in respect of prior period liabilities	(187)	(229)
Deductible innovative tier 1 capital expense presented below pre-tax profit	-	(192)
Low income housing credits	(110)	(95)
Other items	(145)	9
Impact of profits from associates and joint ventures	(193)	(80)
Overall tax charge	5,093	4,685

5. Capital resources

	<i>At 31 December</i>	
	<u>2005</u>	<u>2004</u>
Capital ratios (%)		
Total capital ratio	12.8	12.0
Tier 1 capital ratio	9.0	8.9
Composition of capital		
<i>Figures in US\$m</i>		
Tier 1:		
Shareholders' funds	92,432	86,623
Minority interests and preference shares	6,741	4,253
Innovative tier 1 securities	9,383	10,077
Less: Goodwill capitalised and intangible assets	(32,821)	(31,190)
Other regulatory adjustments [‡]	(1,332)	(2,504)
Total qualifying tier 1 capital	<u>74,403</u>	<u>67,259</u>
Tier 2:		
Reserves arising from revaluation of property and unrealised gains in AFS equities	1,593	2,660
Collective impairment allowances	8,749	-
General provisions	-	2,624
Perpetual subordinated debt	3,640	3,670
Term subordinated debt	24,519	21,373
Minority and other interests in tier 2 capital	425	519
Total qualifying tier 2 capital	<u>38,926</u>	<u>30,846</u>
Unconsolidated investments	(6,437)	(6,361)
Investments in other banks	(1,147)	(799)
Other deductions	(296)	(165)
Total capital	<u>105,449</u>	<u>90,780</u>
Total risk-weighted assets	<u>827,164</u>	<u>759,210</u>

The above figures were computed in accordance with the EU Banking Consolidation Directive and the FSA policy statement PS05/5 ('Implications of a Changing Accounting Framework'). The comparative figures as at 31 December 2004 have not been restated to reflect the implementation of IFRSs and FSA policy statement PS05/5.

[‡] Other regulatory adjustments mainly arise from the implementation of IFRSs in conjunction with the FSA's policy statement PS05/5.

6. Notes on cash flow statement

<i>Figures in US\$m</i>	<i>Year ended 31 December</i>	
	<i>2005</i>	<i>2004</i>
<i>(a) Non-cash items included in net profit</i>		
Depreciation and amortisation	2,213	2,225
Revaluations on investment property	(201)	-
Loan impairment losses	7,801	6,191
Loans written off net of recoveries	(8,549)	(7,931)
Provisions	327	1,181
Provisions utilised	(327)	(1,018)
Impairment of financial investments	-	(105)
Accretion of discounts and amortisation of premiums	(446)	(175)
Issue of share options	540	-
	1,358	368
<i>(b) Change in operating assets</i>		
Change in prepayments and accrued income	7,121	(5,329)
Change in net trading securities and net derivatives	4,940	2,695
Change in loans and advances to banks	307	10,825
Change in loans and advances to customers	(71,107)	(130,228)
Change in financial assets designated at fair value	(15,048)	-
Change in other assets	(8,923)	(2,262)
	(82,710)	(124,299)
<i>(c) Change in operating liabilities</i>		
Change in accruals and deferred income	(3,810)	2,578
Change in deposits by banks	(14,328)	12,187
Change in customer accounts	46,394	104,877
Change in debt securities in issue	(19,047)	52,256
Change in financial liabilities designated at fair value	61,837	-
Change in other liabilities	(113)	6,116
	70,933	178,014
<i>(d) Cash and cash equivalents comprise</i>		
Cash and balances at central banks	13,712	9,944
Items in the course of collection from other banks	11,300	6,338
Loans and advances to banks of one month or less	100,527	117,658
Treasury bills, other bills and certificates of deposit less than three months	22,790	32,317
Less: items in the course of transmission to other banks	(7,022)	(5,301)
	141,307	160,956

7. Loan impairment charges

<i>Figures in US\$m</i>	<i>2005 Half-year ended</i>			<i>2004 Half-year ended</i>		
	<i>30 June</i>	<i>31 December</i>	<i>2005</i>	<i>30 June</i>	<i>31 December</i>	<i>2004</i>
By category:						
Loan impairment charge						
Individually assessed impairment allowances:						
- New allowances	810	922	1,732	-	-	-
- Releases and recoveries	(648)	(541)	(1,189)	-	-	-
	162	381	543	-	-	-
Collectively assessed impairment allowances:						
- New allowances	3,594	4,814	8,408	-	-	-
- Releases and recoveries	(469)	(622)	(1,091)	-	-	-
	3,125	4,192	7,317	-	-	-
Specific provisions:						
- New allowances	-	-	-	4,134	4,739	8,873
- Releases and recoveries	-	-	-	(1,136)	(1,044)	(2,180)
	-	-	-	2,998	3,695	6,693
General provisions	-	-	-	(290)	(208)	(498)
Total charge for impairment losses	3,287	4,573	7,860	2,708	3,487	6,195
Customers	3,291	4,576	7,867	2,713	3,492	6,205
Banks	(4)	(3)	(7)	(5)	(5)	(10)

8. Analysis of net fee income

Figures in US\$m	2005 Half-year ended			2004 Half-year ended		
	30 June	31 December	2005	30 June	31 December	2004
Account services	1,522	1,610	3,132	1,336	1,443	2,779
Credit facilities	504	376	880	579	600	1,179
Remittances	193	203	396	166	187	353
Cards	1,955	2,744	4,699	1,826	2,161	3,987
Imports/Exports	357	365	722	332	360	692
Underwriting	147	127	274	117	117	234
Insurance	558	524	1,082	499	502	1,001
Mortgage servicing rights	37	39	76	39	41	80
Trust income	108	91	199	98	105	203
Broking income	529	575	1,104	517	426	943
Global custody	310	346	656	279	285	564
Maintenance income on operating leases	99	81	180	95	95	190
Funds under management	874	957	1,831	792	687	1,479
Unit trusts	223	165	388	296	202	498
Corporate finance	124	87	211	100	93	193
Other	888	768	1,656	775	752	1,527
Total fee income	8,428	9,058	17,486	7,846	8,056	15,902
Less: fees expense	(1,376)	(1,654)	(3,030)	(1,422)	(1,532)	(2,954)
Net fee income	7,052	7,404	14,456	6,424	6,524	12,948

9. Geographical distribution of results

HSBC European Operations

<i>Figures in US\$m</i>	<i>2005 Half-year ended</i>			<i>2004 Half-year ended</i>		
	<i>30 June</i>	<i>31 December</i>	<i>2005</i>	<i>30 June</i>	<i>31 December</i>	<i>2004</i>
Interest income	10,792	10,231	21,023	8,451	9,909	18,360
Interest expense	(6,059)	(6,743)	(12,802)	(4,144)	(5,118)	(9,262)
Net interest income	4,733	3,488	8,221	4,307	4,791	9,098
Fee income	4,087	3,994	8,081	3,711	3,835	7,546
Fee expense	(844)	(938)	(1,782)	(809)	(757)	(1,566)
Net fee income	3,243	3,056	6,299	2,902	3,078	5,980
Trading income	1,068	1,968	3,036	508	489	997
Net income from financial instruments designated at fair value	(136)	498	362	-	-	-
Net investment income on assets backing policyholder liabilities	-	-	-	130	441	571
Gains less losses from financial investments	209	230	439	153	1	154
Dividend income	42	21	63	304	254	558
Net earned insurance premiums	786	813	1,599	931	944	1,875
Other operating income	731	872	1,603	541	634	1,175
Total operating income	10,676	10,946	21,622	9,776	10,632	20,408
Net insurance claims incurred and movement in policyholder's liabilities	(502)	(316)	(818)	(642)	(986)	(1,628)
Net operating income before loan impairment charges and other credit risk provisions	10,174	10,630	20,804	9,134	9,646	18,780
Loan impairment charges and other credit risk provisions	(933)	(996)	(1,929)	(454)	(579)	(1,033)
Net operating income	9,241	9,634	18,875	8,680	9,067	17,747
Total operating expenses	(6,364)	(6,275)	(12,639)	(5,728)	(6,300)	(12,028)
Operating profit	2,877	3,359	6,236	2,952	2,767	5,719
Share of profit in associates and joint ventures	9	111	120	17	20	37
Profit before tax	2,886	3,470	6,356	2,969	2,787	5,756

HSBC Hong Kong Operations

<i>Figures in US\$m</i>	<i>2005 Half-year ended</i>			<i>2004 Half-year ended</i>		
	<i>30 June</i>	<i>31 December</i>	<i>2005</i>	<i>30 June</i>	<i>31 December</i>	<i>2004</i>
Interest income	3,168	4,251	7,419	2,424	2,709	5,133
Interest expense	(1,149)	(2,206)	(3,355)	(643)	(852)	(1,495)
Net interest income	2,019	2,045	4,064	1,781	1,857	3,638
Fee income	976	991	1,967	1,006	958	1,964
Fee expense	(134)	(159)	(293)	(118)	(143)	(261)
Net fee income	842	832	1,674	888	815	1,703
Trading income	380	166	546	380	279	659
Net income from financial instruments designated at fair value	(21)	15	(6)	-	-	-
Net investment income on assets backing policyholder liabilities	-	-	-	24	290	314
Gains less losses from financial investments	65	43	108	110	65	175
Dividend income	29	12	41	17	10	27
Net earned insurance premiums	866	1,468	2,334	1,063	1,184	2,247
Other operating income	423	382	805	259	277	536
Total operating income	4,603	4,963	9,566	4,522	4,777	9,299
Net insurance claims incurred and movement in policyholder's liabilities	(751)	(1,308)	(2,059)	(897)	(1,257)	(2,154)
Net operating income before loan impairment charges and other credit risk provisions	3,852	3,655	7,507	3,625	3,520	7,145
Loan impairment charges and other credit risk provisions	(56)	(90)	(146)	222	(2)	220
Net operating income	3,796	3,565	7,361	3,847	3,518	7,365
Total operating expenses	(1,381)	(1,486)	(2,867)	(1,241)	(1,317)	(2,558)
Operating profit	2,415	2,079	4,494	2,606	2,201	4,807
Share of profit in associates and joint ventures	4	19	23	3	20	23
Profit before tax	2,419	2,098	4,517	2,609	2,221	4,830

HSBC Rest of Asia-Pacific Operations

<i>Figures in US\$m</i>	<i>2005 Half-year ended</i>			<i>2004 Half-year ended</i>		
	<i>30 June</i>	<i>31 December</i>	<i>2005</i>	<i>30 June</i>	<i>31 December</i>	<i>2004</i>
Interest income	2,669	3,004	5,673	1,922	2,227	4,149
Interest expense	(1,512)	(1,749)	(3,261)	(938)	(1,151)	(2,089)
Net interest income	1,157	1,255	2,412	984	1,076	2,060
Fee income	763	856	1,619	615	672	1,287
Fee expense	(131)	(148)	(279)	(116)	(130)	(246)
Net fee income	632	708	1,340	499	542	1,041
Trading income	387	473	860	265	229	494
Net income from financial instruments designated at fair value	14	44	58	-	-	-
Net investment income on assets backing policyholder liabilities	-	-	-	6	26	32
Gains less losses from financial investments	2	16	18	4	13	17
Dividend income	4	1	5	1	2	3
Net earned insurance premiums	29	126	155	57	40	97
Other operating income	131	204	335	63	83	146
Total operating income	2,356	2,827	5,183	1,879	2,011	3,890
Net insurance claims incurred and movement in policyholder's liabilities	(37)	(129)	(166)	(46)	(36)	(82)
Net operating income before loan impairment charges and other credit risk provisions	2,319	2,698	5,017	1,833	1,975	3,808
Loan impairment charges and other credit risk provisions	(23)	(111)	(134)	9	(98)	(89)
Net operating income	2,296	2,587	4,883	1,842	1,877	3,719
Total operating expenses	(1,264)	(1,498)	(2,762)	(967)	(1,120)	(2,087)
Operating profit	1,032	1,089	2,121	875	757	1,632
Share of profit in associates and joint ventures	248	205	453	94	121	215
Profit before tax	1,280	1,294	2,574	969	878	1,847

HSBC North American Operations

<i>Figures in US\$m</i>	<i>2005 Half-year ended</i>			<i>2004 Half-year ended</i>		
	<i>30 June</i>	<i>31 December</i>	<i>2005</i>	<i>30 June</i>	<i>31 December</i>	<i>2004</i>
Interest income	11,893	12,481	24,374	10,084	11,197	21,281
Interest expense	(3,917)	(5,570)	(9,487)	(2,632)	(3,656)	(6,288)
Net interest income	7,976	6,911	14,887	7,452	7,541	14,993
Fee income	2,411	2,935	5,346	2,320	2,431	4,751
Fee expense	(341)	(399)	(740)	(414)	(572)	(986)
Net fee income	2,070	2,536	4,606	1,906	1,859	3,765
Trading income	275	738	1,013	221	361	582
Net income from financial instruments designated at fair value	(257)	691	434	-	-	-
Net investment income on assets backing policyholder liabilities	-	-	-	-	-	-
Gains less losses from financial Investments	40	48	88	63	97	160
Dividend income	18	24	42	16	16	32
Net earned insurance premiums	290	312	602	267	286	553
Other operating income	476	264	740	299	60	359
Total operating income	10,888	11,524	22,412	10,224	10,220	20,444
Net insurance claims incurred and movement in policyholder's liabilities	(173)	(160)	(333)	(157)	(155)	(312)
Net operating income before loan impairment charges and other credit risk provisions	10,715	11,364	22,079	10,067	10,065	20,132
Loan impairment charges and other credit risk provisions	(2,023)	(3,015)	(5,038)	(2,377)	(2,645)	(5,022)
Net operating income	8,692	8,349	17,041	7,690	7,420	15,110
Total operating expenses	(5,026)	(5,191)	(10,217)	(4,277)	(4,755)	(9,032)
Operating profit	3,666	3,158	6,824	3,413	2,665	6,078
Share of profit in associates and joint ventures	47	1	48	4	(12)	(8)
Profit before tax	3,713	3,159	6,872	3,417	2,653	6,070

HSBC South American Operations

<i>Figures in US\$m</i>	<i>2005 Half-year ended</i>			<i>2004 Half-year ended</i>		
	<i>30 June</i>	<i>31 December</i>	<i>2005</i>	<i>30 June</i>	<i>31 December</i>	<i>2004</i>
Interest income	2,469	1,458	3,927	1,069	1,307	2,376
Interest expense	(1,664)	(513)	(2,177)	(463)	(603)	(1,066)
Net interest income	805	945	1,750	606	704	1,310
Fee income	346	394	740	291	299	590
Fee expense	(81)	(122)	(203)	(62)	(69)	(131)
Net fee income	265	272	537	229	230	459
Trading income	218	191	409	26	28	54
Net income from financial instruments designated at fair value	46	140	186	-	-	-
Net investment income on assets backing policyholder liabilities	-	-	-	34	61	95
Gains less losses from financial investments	38	1	39	-	34	34
Dividend income	2	2	4	1	1	2
Net earned insurance premiums	341	405	746	266	330	596
Other operating income	38	150	188	4	24	28
Total operating income	1,753	2,106	3,859	1,166	1,412	2,578
Net insurance claims incurred and movement in policyholder's liabilities	(297)	(394)	(691)	(203)	(256)	(459)
Net operating income before loan impairment charges and other credit risk provisions	1,456	1,712	3,168	963	1,156	2,119
Loan impairment charges and other credit risk provisions	(242)	(312)	(554)	(140)	(127)	(267)
Net operating income	1,214	1,400	2,614	823	1,029	1,852
Total operating expenses	(872)	(1,095)	(1,967)	(667)	(746)	(1,413)
Operating profit	342	305	647	156	283	439
Share of profit in associates and joint ventures	-	-	-	-	1	1
Profit before tax	342	305	647	156	284	440

10. Registers of shareholders

The Overseas Branch Register of shareholders in Hong Kong will be closed for one day, on Friday 24 March 2006. 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 23 March 2006 in order to receive the fourth interim dividend for 2005, which will be payable on Thursday 11 May 2006. 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 24 March 2006 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 24 March 2006 in order to receive the dividend.

Transfers of American Depositary Shares should be lodged with the depositary by 12 noon on Friday 24 March 2006 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:

<i>Year end</i>		<i>31 December 2005</i>	<i>31 December 2004</i>
Closing :	HK\$/US\$	7.754	7.773
	£/US\$	0.581	0.517
Average :	HK\$/US\$	7.778	7.789
	£/US\$	0.550	0.546

12. Litigation

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

13. Dealings in HSBC Holdings 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 2005.

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 2005 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.

The comparative figures for the year ended 31 December 2004 are not the Group's statutory accounts for that year. The statutory accounts for the year ended 31 December 2004, which were prepared under UK GAAP, have been 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.

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'.

16. Corporate governance

HSBC is committed to high standards of corporate governance. HSBC Holdings plc has complied throughout 2005 with the applicable code provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council. The terms of reference of the Group Audit Committee and the Remuneration Committee were modified in February 2005 to incorporate certain provisions set out in 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 which came into effect on 1 January 2005. HSBC Holdings plc has complied throughout 2005 with all other 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 2005.

The Directors of HSBC Holdings plc are:

Sir John Bond, Baroness Dunn*, Sir Brian Moffat†, S K Green, A W Jebson, 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 John Kemp-Welch†, Sir Mark Moody-Stuart†, 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 2005.

17. Annual Review and Annual Report and Accounts

The *Annual Review 2005* and/or *Annual Report and Accounts 2005* will be mailed to shareholders on or about Tuesday 4 April 2006. Copies may be obtained from Group Corporate Affairs, HSBC Holdings plc, 8 Canada Square, London E14 5HQ, United Kingdom; Group Public Affairs, The Hongkong and Shanghai Banking Corporation Limited, 1 Queen's Road Central, Hong Kong; 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 Review* and *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 Corporate Affairs at the address given above. Requests must be received no later than 13 March 2006.

18. Annual General Meeting

The Annual General Meeting of the Company will be held at the Barbican Hall, Barbican Centre, London EC2 on Friday 26 May 2006 at 11 am.

Notice of the meeting will be mailed to shareholders on or about Tuesday 4 April 2006.

19. Interim results for 2006

The interim results for the six months to 30 June 2006 will be announced on Monday 31 July 2006.

20. Proposed interim dividends for 2006

The Board has adopted a policy of paying quarterly dividends. Under this policy it is intended to have a pattern of three equal interim dividends with a variable fourth interim dividend. It is envisaged that the first interim dividend in respect of 2006 will be US\$0.15 per ordinary share. The proposed timetables for the dividends in respect of 2006 are:

First interim dividend for 2006

Announcement	2 May 2006
Shares quoted ex-dividend in London, Hong Kong and Bermuda; American Depositary Shares quoted ex-dividend in New York	17 May 2006
Record date and closure of Hong Kong Overseas Branch Register of shareholders for one day	19 May 2006
Shares quoted ex-dividend in Paris	22 May 2006
Payment date	6 July 2006

Second interim dividend for 2006

Announcement	31 July 2006
Shares quoted ex-dividend in London, Hong Kong and Bermuda; American Depositary Shares quoted ex-dividend in New York	16 August 2006
Record date and closure of Hong Kong Overseas Branch Register of shareholders for one day	18 August 2006
Shares quoted ex-dividend in Paris	21 August 2006
Payment date	4 October 2006

20. Proposed interim dividends for 2006 *(continued)***Third interim dividend for 2006**

Announcement	6 November 2006
American Depositary Shares quoted ex-dividend in New York	21 November 2006
Shares quoted ex-dividend in London, Hong Kong and Bermuda	22 November 2006
Record date and closure of Hong Kong Overseas Branch Register of shareholders for one day	24 November 2006
Shares quoted ex-dividend in Paris	27 November 2006
Payment date	18 January 2007

Fourth interim dividend for 2006

Announcement	5 March 2007
Shares quoted ex-dividend in London, Hong Kong and Bermuda; American Depositary Shares quoted ex-dividend in New York	21 March 2007
Record date and closure of Hong Kong Overseas Branch Register of shareholders for one day	23 March 2007
Shares quoted ex-dividend in Paris	26 March 2007
Payment date	10 May 2007

21. News release

Copies of this news release may be obtained from Group Corporate Affairs, HSBC Holdings plc, 8 Canada Square, London E14 5HQ, United Kingdom; 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:**London**

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