2001

HSBC Holdings plc

Annual Review

HSBC

HSBC

Headquartered in London, HSBC Holdings plc is one of the largest banking and financial services organisations in the world. HSBC's international network comprises some 7,000 offices in 81 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

With listings on the London, Hong Kong, New York and Paris stock exchanges, shares in HSBC Holdings plc are held by around 190,000 shareholders in some 100 countries and territories. The shares are traded on the New York Stock Exchange in the form of American Depositary Receipts.

Through an international network linked by advanced technology, including a rapidly growing e-commerce capability, HSBC provides a comprehensive range of financial services: personal financial services; commercial banking; corporate, investment banking and markets; private banking; and other activities.

Illustrative Theme

A Day in the Life of HSBC

HSBC's network of offices spans most of the world's time zones from New Zealand — not far away from the international date-line in the Pacific — and Australia and westwards across the globe to Canada. At any time of the day or night, somewhere in the world, HSBC is serving its 31 million customers.

The photographs in this *Annual Review* illustrate key developments in HSBC over the past 12 months across a wide range of our businesses in the course of implementing our strategic plan, 'Managing for Value'. Tracing a typical day, for our customers and for our employees, the pictures illustrate that work at HSBC goes on 24 hours a day, 365 days a year.

Contents

Annual Review 2001

Financial Highlights

2000	Year ended 31 December	**2001**	*2001*	*2001*
US$m	For the year	**US$m**	*£m*	*HK$m*
	Cash basis[1]			
10,300	Profit before tax	**8,807**	*6,121*	*68,695*
7,153	Profit attributable	**6,213**	*4,318*	*48,461*
	After goodwill amortisation — reported earnings			
9,775	Profit before tax	**8,000**	*5,560*	*62,400*
6,628	Profit attributable	**5,406**	*3,757*	*42,167*
4,010	Dividends	**4,467**	*3,105*	*34,843*
	At year-end			
45,570	Shareholders' funds	**45,979**	*31,726*	*358,544*
50,964	Capital resources	**50,854**	*35,089*	*396,559*
487,122	Customer accounts and deposits by banks	**503,631**	*347,506*	*3,927,315*
673,814	Total assets	**695,877**	*480,155*	*5,426,449*
383,687	Risk-weighted assets	**391,478**	*270,120*	*3,052,745*
US$	**Per share**	**US$**	*£*	*HK$*
0.81	Cash earnings[1]	**0.67**	*0.47*	*5.25*
0.76	Basic earnings	**0.59**	*0.41*	*4.57*
0.75	Diluted earnings	**0.58**	*0.40*	*4.52*
	Dividends			
0.15	— first interim	**0.19**	*0.13*	*1.48*
0.285	— second interim	**0.29**	*0.20*	*2.26*
4.92	Net asset value	**4.91**	*3.39*	*38.33*
	Share information			
9,268m	US$0.50 ordinary shares in issue	**9,355m**		
US$136b	Market capitalisation	**US$109b**		
£9.85	Closing market price per share	**£8.06**		
	Total shareholder return against peer index[3]	**HSBC**		**Benchmark**
	— over 1 year	**85**		**92**
	— since 1 January 1999	**173**		**125**
%	**Ratios**	**%**		
16.5	Return on average shareholders' funds	**11.4**		
1.24	Post-tax return on average tangible assets	**0.92**		
2.11	Post-tax return on average risk-weighted assets	**1.65**		
	Ratios — cash basis[1]			
24.0	Return on net tangible equity[4]	**19.5**		
1.33	Post-tax return on average tangible assets	**1.06**		
2.26	Post-tax return on average risk-weighted assets	**1.86**		
	Capital ratios			
9.0	— tier 1 capital	**9.0**		
13.3	— total capital	**13.0**		
55.3	**Cost:income ratio** (excluding goodwill amortisation)	**56.4**		

1 *Cash-based measurements are after excluding the impact of goodwill amortisation.*
2 *The second interim dividend of US$0.29 per share is translated at the closing rate on 31 December 2001. Where required, this dividend will be converted into sterling or Hong Kong dollars at the exchange rates on 29 April 2002.*
3 *Total shareholder return (TSR) is the increase in the HSBC share price with dividends assumed to be reinvested. The peer index is the TSR of our defined peer group of financial institutions.*
4 *Cash basis attributable profit divided by average shareholders' funds after deducting average purchased goodwill.*

Overview of Results

Geographical Distribution of Results

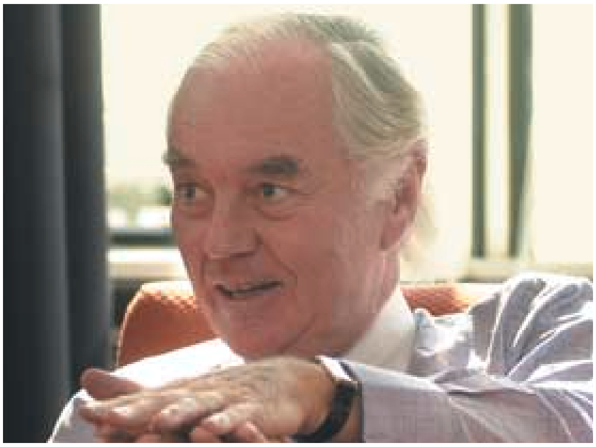
Figures in US$m	Year ended 31 December 2001		Year ended 31 December 2000	
Profit/(loss) before tax — cash basis				
		%		%
Europe	**4,182**	**47.5**	4,021	39.0
Hong Kong	**3,883**	**44.1**	3,692	35.9
Rest of Asia-Pacific	**1,096**	**12.4**	1,270	12.3
North America	**623**	**7.1**	993	9.6
Latin America*	**(977)**	**(11.1)**	324	3.2
Group profit before tax — cash basis	**8,807**	**100.0**	10,300	100.0
Goodwill amortisation	**(807)**		(525)	
Group profit before tax	**8,000**		9,775	
Tax on profit on ordinary activities	**(1,574)**		(2,238)	
Profit on ordinary activities after tax	**6,426**		7,537	
Minority interests	**(1,020)**		(909)	
Profit attributable	**5,406**		6,628	
Profit attributable — cash basis	**6,213**		7,153	

** Includes US$520 million of losses on Argentina currency redenomination and an additional general bad debt provision of US$600 million in respect of Argentina.*

Distribution of Results by Line of Business

Figures in US$m	Year ended 31 December 2001		Year ended 31 December 2000	
Profit/(loss) before tax — cash basis				
		%		%
Personal Financial Services	**3,504**	**39.8**	3,037	29.5
Commercial Banking	**2,385**	**27.1**	2,780	27.0
Corporate, Investment Banking and Markets	**4,030**	**45.8**	3,563	34.6
Private Banking	**412**	**4.7**	547	5.3
Other	**(1,524)**	**(17.4)**	373	3.6
Group profit before tax — cash basis	**8,807**	**100.0**	10,300	100.0
Goodwill amortisation	**(807)**		(525)	
Group profit before tax	**8,000**		9,775	

Group Chairman's Statement



2001 was a challenging year for the financial services industry. That HSBC performed well overall is a measure of the resilience of our business. It is also a testament to the dedication and professionalism of my colleagues throughout the world. I particularly wish to pay tribute to our staff in New York who, in the aftermath of the terrible events of 11 September, kept our operations running, served our customers and cared for members of the general public in an exemplary manner. Similarly, I thank my colleagues in Argentina who are coping magnificently in very difficult circumstances.

In many of our major markets, the business environment deteriorated during the year. The US economy slowed markedly with a corresponding impact on much of the rest of the world especially those countries, including many in Asia, which export to it.

The UK remained fundamentally strong despite the effects of the foot-and-mouth epidemic and the downturn in the manufacturing sector. In France, slower growth was associated with lower consumer and business confidence. Hong Kong's economy was more subdued than at any time in recent years, except during the Asian crisis itself. By contrast, mainland China remained buoyant and its remarkable economic progress and potential were recognised by the landmark event of its accession to the World Trade Organisation. In Latin America, the Brazilian economy remained stable and was relatively unaffected by the tragic economic collapse in Argentina. Given these conditions, our performance showed the benefits of both geographical and business diversification.

Below the operating profit line before provisions, we suffered from a number of exceptional charges, including the settlement of the Princeton Note Matter, and benefited from some exceptional gains, including profit on the sales of HSBC's 20 per cent stake in British Interactive Broadcasting and our investment in Modern Terminals Limited. These broadly offset one another. We have also taken exceptional charges against our current exposure in Argentina. These amount to US$1.1 billion. Consequently, profit attributable to shareholders at US$5.4 billion was US$1.2 billion lower than the result achieved in 2000. Recognising the exceptional nature of the charges in respect of Argentina and Princeton, the Board has declared a second interim dividend of US$0.29, taking the dividends for the year to US$0.48, an increase of 10 per cent.

Argentina was a major problem this year. Encouraged by our analysis of the region's economic prospects, HSBC made two strategic investments in Latin America in 1997. In Brazil, we established Banco HSBC Bamerindus. In Argentina, Midland Bank had held a 29.9 per cent interest in Banco Roberts since 1988 and, with the Mercosur trade area growing in importance, we took the opportunity to acquire the remaining 70.1 per cent we did not already own through purchasing the Roberts Group.

The resilience and flexibility within the Brazilian economy has allowed HSBC to prosper in the country. In Argentina, however, despite making considerable progress in building a broadly based business, our experience to date has been extremely disappointing. A number of factors, including protracted recession and a large internal fiscal deficit, have contributed to the country's current predicament. In line with HSBC's traditional conservatism, we have charged an additional US$600 million of general provisions to cover losses in the Argentine portfolio. Over and above this, we have been forced to take a loss of US$520 million arising from the mandatory asymmetrical conversion of former US dollar-denominated assets and liabilities into pesos. Our business in Argentina accounts for only 0.5 per cent of our total assets and, in the context of HSBC as a whole, the risks are entirely manageable. Nevertheless, the situation in Argentina remains both fluid and disturbing. It is deeply saddening to see the lives of so many of our customers and staff so badly affected. We must hope that, although necessarily slow and painful, the appropriate monetary and fiscal measures will be taken to reconstruct the financial system and to resolve the crisis. HSBC invests for the long term and, in the course of its history, has experienced periods of extreme volatility in a number of emerging markets which, over time, have proved profitable.

We were pleased to put the Princeton Note Matter substantially behind us by reaching agreement, subsequently confirmed by the US courts, with 51 out of 53 plaintiffs. Settlement was made in January 2002

Group Chairman's Statement (continued)

Sydney, Australia

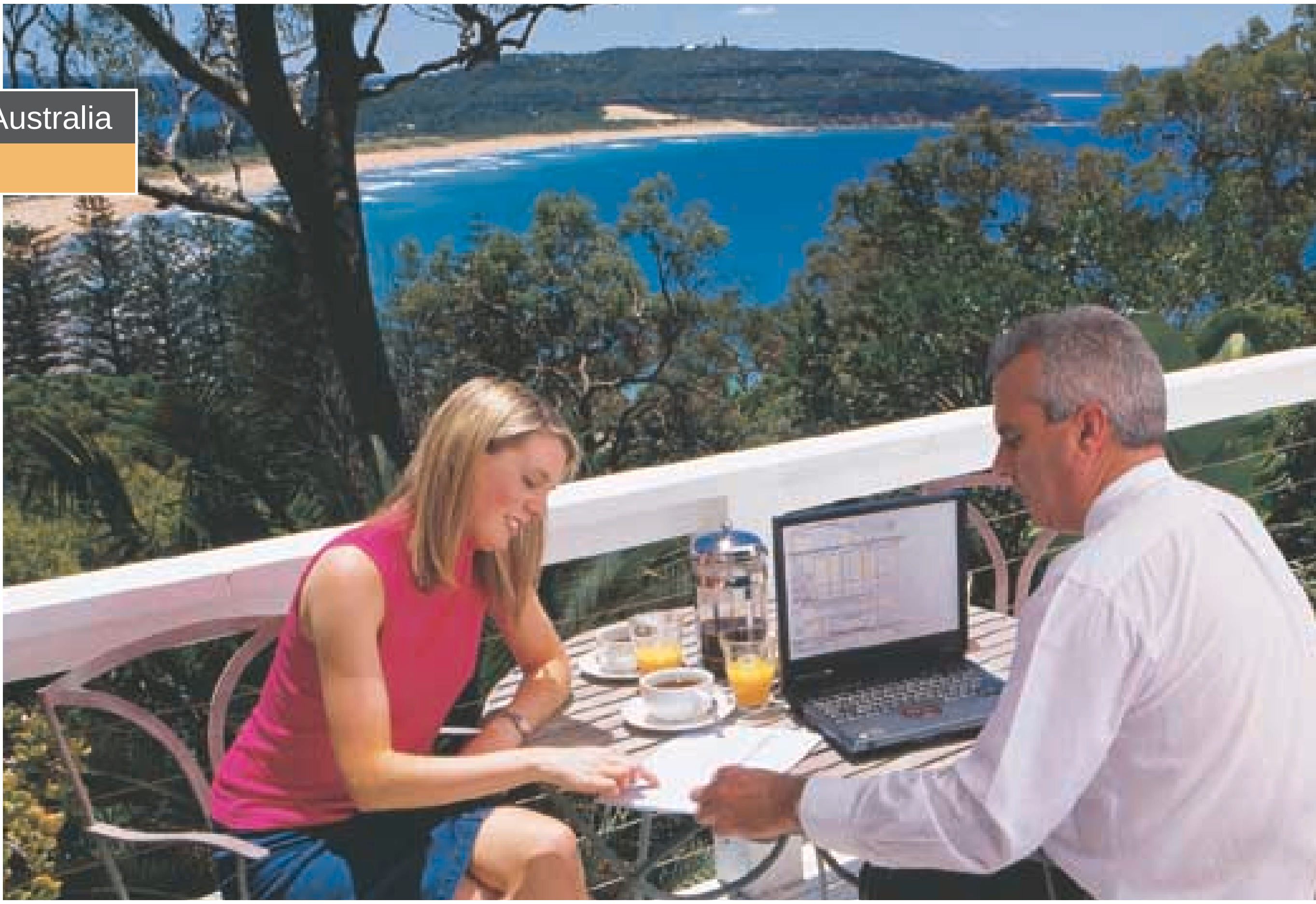
8.30 a.m.

HONG KONG

PARIS

LONDON

NEW YORK



The business day begins early. Over breakfast, a 'mobile lender' from one of the newest members of the Group, the NRMA Building Society Limited — recently renamed HSBC Building Society (Australia) Limited — demonstrates on his laptop how a young, professional couple could finance the purchase of their dream second home at Palm Beach in northern Sydney, while an estate agent discusses the value of a property in a desirable location. The acquisition of the building society, completed in November, has enhanced HSBC's personal financial services business and it also includes some 70,000 credit card accounts and personal and car loan customers.

and the after-tax cost to HSBC fell within the US$450 million price reduction agreed with the late Mr Edmond Safra during the acquisition of Republic New York Corporation.

Following the major developments of 1999 and 2000, 2001 was a quieter year as we concentrated on integration and consolidation. Nevertheless, we made 38 acquisitions and investments and completed 17 disposals. We were particularly pleased to expand our interests in China through the purchase of an 8 per cent stake in Bank of Shanghai announced in December. Significant acquisitions included Banque Hervet in France, Demirbank in Turkey, NRMA Building Society in Australia and China Securities Investment Trust Corporation in Taiwan.

There are a number of other factors which are important for an understanding of HSBC's performance in 2001. For the first time, we have expanded our disclosure to give line of business analysis, and to illustrate the progress made in achieving our strategic objectives. You can read about that progress in Keith Whitson's review.

HSBC won numerous awards during the course of 2001, including many for best products and services. In the UK, *Management Today*'s survey of 'most admired companies' placed HSBC as the top company in the financial sector. We were also voted best company in Asia in a corporate governance survey by *Finance International Asia.* These awards reflect the hard work and professionalism of my colleagues around the world.

We also continue to make good progress in increasing the number of employees who have a direct interest in the ownership of the Group through our

employee share plans. During 2001, almost 58,000 employees in 53 countries and territories applied for savings-related options. Performance-related share options were awarded to over 34,000 employees worldwide at all levels of the organisation. In December, over 3,000 employees in the UK began investing in shares within the newly launched UK Share Ownership Plan and over 10,000 CCF employees participate in the Plan d'Epargne in France through which they have subscribed to HSBC shares. In line with our strategy of 'Managing for Value', we will continue to encourage such participation by employees.

In 1998, we set the objective of achieving a level of employee ownership of HSBC equivalent to 5 per cent of our share capital within five years. We estimate that, at year-end 2001, our employees had an interest in over 3 per cent of our fully diluted share capital.

Sir Peter Walters and Denys Connolly retired from the Board in 2001. I would like to thank them for their long and distinguished service with HSBC. I should also thank Charles Miller Smith who, following the announcement of his retirement from ICI, resigned from our board with effect from 31 December 2001.

Sharon Hintze and Sir Mark Moody-Stuart were appointed Directors on 1 March 2001.

HSBC continued to play its full part in the communities where we operate. Education and the environment remain our principal areas of support.

In 2001, we set up the HSBC Education Trust in the UK, where our work now touches 10,000 primary and secondary schools. And we continue to support hundreds of educational projects and thousands of children around the world. You can read about some of our work in the new edition of *HSBC in the Community,* which we will publish in May to coincide with our Annual General Meeting.

In February this year, we announced the creation of a new five-year environmental partnership called Investing in Nature where we will work with Earthwatch, WWF and Botanic Gardens Conservation International. We will help WWF to resuscitate some of the world's major rivers, including the Yangtze and the Amazon. With BGCI, we will help create a living gene bank by conserving 20,000 species of plants in botanic gardens around the world, many of which would otherwise become extinct. And we will send 2,000 of my colleagues to conduct field research on Earthwatch

HONG KONG

PARIS

LONDON

NEW YORK

Keelung, Taiwan

9.00 a.m.

A project manager with HSBC Asset Management (Taiwan) Limited makes an early call on two clients at Keelung Port, north of Taipei. Formerly known as China Securities Investment Trust Corporation, the business — Taiwan's largest asset management company, with some 88,000 high net worth retail and institutional clients — was acquired by HSBC in October. With an export-import trading business supported by factories in both Taiwan and China, the clients are visiting the port to oversee a shipment while seeking advice on investing in HSBC's equity and bond funds.

Group Chairman's Statement (continued)

projects around the world. When they return from that research, they will each set up an environmental project in their own community as well.

As well as providing support for environmental initiatives, we look — as we have for many years — at the impacts we might have on it as a company. Environmental factors are rigorously assessed as part of our lending decisions and credit guidelines are reviewed and strengthened in response to changing social attitudes and regulations.

We have also engaged KPMG to install an environmental management system in the UK to benchmark and report on the impact of our own operations on the environment. We intend to export the system to other HSBC operations around the world. We will report on our performance and publish targets in *HSBC in the Community.*

Our progressive business practices led to our inclusion in the inaugural FTSE4Good indices of socially responsible companies. FTSE4Good measures company performance in the areas of environmental sustainability, stakeholder relations and support for human rights.

HSBC has also been awarded a place in the Dow Jones Sustainability Group Index, which tracks the performance of sustainability-driven companies worldwide. Our sustainability performance was rated by one research report as 'one of the most outstanding in the industry'.

In China's booming financial centre and one of its largest cities, HSBC has extended 24-hour self-service banking for its credit and debit card holders by linking up with Shanghai's ATM network. Now customers, such as this one in Huahai Road in the main shopping area, have the convenience of making cash withdrawals in renminbi at 2,000 ATMs operated by mainland Chinese banks — no less than 80 per cent of the local network.

And in February this year, we were pleased to join the UK's Business in the Environment's Sixth Index of Corporate Environmental Engagement.

In the course of this year, we will bring together some 8,000 London-based staff in our new headquarters building at Canary Wharf. This will lead to greater operating efficiency and enhanced synergies between different businesses. Our employees will enjoy excellent working conditions and amenities.

The task before us in 2002 is to build upon the progress we have made during the last 12 months in implementing our strategic plan. While economic conditions mean that our traditional cost discipline will remain of paramount importance, we shall continue to develop all our lines of business and to invest in the new delivery systems, including e-channels, which are part of the fabric of our industry. In particular, we shall work to enhance our position in the commercial banking market and to build on our growing strengths in Personal Financial Services. We are becoming increasingly customer-driven and we shall continue to develop the HSBC brand as a uniformly desirable customer experience around the world.

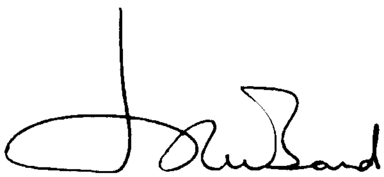
We are cautious about the outlook for the year ahead. Much will depend on the pace of recovery in the US. Recent economic indicators provide mixed signals. The robust consumer demand which has supported a number of Western economies may prove hard to maintain as pressure on corporate profits leads to

Hong Kong SAR

10.00 a.m.

At mid-morning, the Group's treasury and capital markets dealing room in HSBC Main Building in the Hong Kong SAR — the largest in Asia outside Japan — has already had two busy hours of trading, acting as the hub for the Group's 18 other dealing operations throughout Asia-Pacific. The business has some 200 dealing positions, providing clients with a tailored service in foreign exchange, debt securities, derivatives, money markets, precious metals and banknotes. The trading hours of the Hong Kong dealing room, which operates round the clock, overlap with those of London, HSBC's treasury and capital markets hub for Europe. At 3.00 p.m. Hong Kong time, 7.00 a.m. UK time, the London dealing room opens, providing seamless coverage for international clients.

further industry restructuring and higher levels of unemployment. Many of the world's largest industries and service sectors are still suffering from overcapacity, which will take time to absorb and may defer further investment. Offsetting these factors are the strong and co-ordinated monetary policy initiatives of the world's leading nations, which may have staved off protracted recession. It is possible that we shall see the signs of a modest economic recovery during the year. HSBC has entered 2002 financially and structurally stronger than a year ago. We are well able to weather the remainder of the downturn and we are in a strong position to benefit from any improvement in economic conditions that may occur in 2002.



Sir John Bond, *Group Chairman*

A short distance away, in a modern complex in the business and commercial district, HSBC's Business Banking Centre offers a new delivery channel for an important customer segment — small and medium-sized enterprises, which form the backbone of Hong Kong's economy. These centres, of which there are now 20 throughout the SAR, are often the first point of contact for such services as wealth management, trade finance, asset finance, insurance and provident funds. Business Banking Officers are on hand to help with such non-transactional requirements as account opening, product sales and business referrals.

The Implementation of HSBC's Strategy: a Review by the Group Chief Executive

2001 was the third full year of our 'Managing for Value' strategy and, despite difficult economic conditions in many countries, we made good progress towards our objectives. We focused on becoming ever more customer-driven, on product innovation, and on harnessing the combined strengths of HSBC more efficiently and cost-effectively.

Our drive was underpinned by even greater investment in technology, with some US$2.5 billion spent during the year, an increase of 19 per cent. This was allocated mainly to improving customer relationship management systems, upgrading and expanding our e-businesses channels and increasing investment in HSBC's shared service centres.

HSBC's world-wide operations are primarily managed on a geographical basis and fall into five broad business lines: personal financial services; commercial banking; corporate, investment banking and markets; private banking; and other activities.

Personal Financial Services

Enhancing the range and quality of services we provide to our 29 million personal customers world-wide is a cornerstone of Managing for Value. Last year, I cited the launch of HSBC *Premier,* our international service for our most valuable personal customers, as an example of our customer-driven approach. From an initial 17 countries and territories at launch in March 2000, HSBC *Premier* has now been extended to 23. Australia, Egypt, Indonesia and Sri Lanka joined in 2001 and France, Malta, Taiwan and Turkey are scheduled to launch the service during 2002.

We now have 464,000 *Premier* customers. We also have over 140 dedicated HSBC *Premier* centres and the opening of our first mainland China centre in Shanghai in 2002 will be followed by others later in the year. Furthermore, customers now get round-the-clock support and information from local call centres and global travel assistance services, as well as from a new web site, www.premier.hsbc.com.

We have invested significant amounts in proprietary customer relationship management systems to ensure our growing customer base is managed efficiently. As a result, we are handling a greater share of our customers' financial requirements and, in the process, generating higher levels of customer satisfaction. For example, in 2001, our 'Individual Solutions' programme in the UK generated more than five million customer contacts, over one million of which led to an expansion of an existing relationship.

Insurance for personal customers, including HSBC's own life, pensions, investment-linked and protection products along with those of third-party providers, is now sold through all our principal lines of business. These also offer HSBC broking and actuarial services. Personal insurance products were available in 33 countries by year-end 2001, and our product development expertise and insurance market experience in the UK and South-East Asia aided our entry into the Indian insurance market when regulatory conditions permitted it for the first time. In the Hong Kong SAR, sales of insurance products doubled and, including Hang Seng Bank, the HSBC Group now has the largest market share of new regular premium business in the territory.

We reached another milestone when we signed an agreement with American Express to supply their travellers' cheques through our branches worldwide. HSBC customers now have access to the world's largest network of travellers' cheque encashment locations and a refund service that is second to none. They will also be able to encash their American Express travellers' cheques purchased from HSBC free of charge at all HSBC branches around the world.

At a time of weak demand for individual equity products, our ability to innovate was key to providing customers with investment choice. This was particularly evident in the field of capital-protected funds. HSBC Bank International Limited in the Channel Islands achieved sales of US$1 billion with its Capital Secured Growth Fund, while HSBC in Hong Kong, including Hang Seng Bank, exceeded US$1.4 billion in capital-protected product sales. Last year also saw HSBC Bank Malta p.l.c. launch the first ever Maltese lire-denominated capital protected fund.

Building our customer base through card products, particularly where our branch network is small, remains a core objective. Despite stiff competition from a wide array of providers, we continued to grow our cards business worldwide by issuing some two million new cards in 2001, bringing the total in issue to more than 13 million. Our presence in emerging markets provides good opportunities: we saw major growth in India (50 per cent), Malaysia (48 per cent) and Hong Kong (10 per cent). HSBC Bank Middle East, the region's leading issuer, registered 38 per cent more cards. Meanwhile, we continue to roll out our proprietary global cards processing system with HSBC in Hong Kong, our second largest cards business, successfully converting in 2001.

Home loans are another key area for us. HSBC Bank Malaysia Berhad doubled its business in 2001 by adding around US$800 million in new facilities; in Canada, our forecasts for new home finance were exceeded by 85 per cent; and HSBC Bank USA, one of the country's larger mortgage providers, saw record volumes as its portfolio reached US$39 billion. Our new mortgage strategy in the UK helped HSBC Bank plc secure its largest ever share of net new mortgage lending in 2001 — 4.4 per cent compared with 3 per cent in 2000 — and gross new mortgage loans increased by 56 per cent by value. The bank launched its HomeStart mortgage for first-time buyers and First Direct introduced 'smartmortgage' on which interest is paid on a net basis by combining all of a customer's balances. In the Hong Kong SAR, new mortgage business volumes increased by 46 per cent, most of which were related to refinancing.

The internet goes to the very heart of customer convenience and is an increasingly important channel for our customers. In May, the joint venture Merrill Lynch HSBC extended its online investment-led broking and banking service from Canada and Australia to the UK. Although roll-out plans for other countries had to be postponed following the downturn in equity markets, Merrill Lynch HSBC expanded its existing service with the introduction of managed funds in Australia and tax-efficient products in the UK. With more financial services now available through the internet, electronic organisers, mobile phones, television and private network connections, our electronic banking customer numbers doubled in 2001 to more than three million. HSBC's e-banking services are now available in 17 countries and

Kuala Lumpur, Malaysia

10.30 a.m.

HONG KONG

PARIS

LONDON

NEW YORK

At another important Asian location — HSBC's main branch in Leboh Ampang in the Malaysian capital — the spacious, recently established Personal Financial Services Centre is gearing up for a busy day. The centre's selling point is 'single-platform banking': a one-stop shop with personal attention provided for a complete range of wealth management products, including the tailoring of a financial plan to suit individual needs. The centre is the pilot for other Personal Financial Centres that began their roll-out to the entire branch network in January this year.

The Implementation of HSBC's Strategy: a Review by the Group Chief Executive (continued)

territories, and our web sites receive an average of 210,000 customer visits a day — 75 million a year and rising.

We also signed a major strategic agreement with Yahoo! Inc., a global internet communications, commerce and media company, which gives us marketing access to this leading internet portal's 219 million users worldwide. Yahoo! PayDirect from HSBC, a secure system for small value person-to-person e-mail payments was launched in the United States in November. An operations centre has been established in Buffalo to service Yahoo! PayDirect, which is poised for rapid growth as we plan to extend the service to other countries in 2002.

Internet sales of HSBC insurance began last year and an online range of personal and commercial insurance products is now available in the UK, Hong Kong, the United States and Brazil.

In addition to direct banking and e-initiatives, we continue to pioneer innovations in branch design, layouts and procedures. One example is ChequeScan, launched in Malaysia in 2001, which scans all cheque deposits, providing a complete photo-trail and reducing paperwork for customers. Through this and other initiatives, HSBC Bank Malaysia has converted 80 per cent of branch transactions to self-service, thereby improving customer service at the counter. Our associate, The Saudi British Bank, introduced a tracking system to handle customer enquiries more quickly and, ultimately, to improve operational efficiency.

We take such initiatives because we are increasingly customer-driven and because our customers, rightly, expect the very highest standards of service from us. As a result, we direct significant training resources to ensure all our employees are equipped to meet our customers' needs. For example, in Hong Kong, more than 15,000 employees completed HSBC's Chung Chi Sing Sing ('Together We Win') training programme in 2001 and Hang Seng Bank's customer service was recognised by seven external awards. In Canada, an independent survey rated HSBC's service quality the highest among domestic financial institutions. In the UK, independent research shows that HSBC Bank plc has the highest levels of customer satisfaction among its main competitors.

Located in the western Indian state of Maharashtra and some 120 miles from Mumbai, Pune may be another prosperous, fast-growing Asian city but it has the distinction of hosting the only HSBC branch anywhere that is open 365 days a year, even on bank holidays. This major service differentiator has attracted some 6,000 personal banking customers since the '365-day 8.00 a.m. to 8 p.m.' branch was inaugurated in June. The HSBC Premier Centre is particularly conducive to dedicated relationship management with, for example, customers welcome to stroll in for a chat with their manager over morning coffee. Our first international banking service, HSBC *Premier* now boasts over 140 centres in the Group's network of offices worldwide.

Pune, India

11.00 a.m.

HONG KONG

PARIS

LONDON

NEW YORK

Dubai, UAE

12.15 p.m.

HONG KONG

PARIS

LONDON

NEW YORK

Expatriates living in the United Arab Emirates are able to take advantage of a range of offshore wealth management services offered by the first full representative office of HSBC Bank International Limited located outside of Jersey in the Channel Islands. The office opened in October in Dubai's main residential district of Jumeira where financial advisers and relationship managers are on hand to explain how multi-currency banking products, investment planning, UK mortgages, insurance, and estate and tax planning can help expatriates to make the most of their assets. The bank plans to open offices elsewhere in the world later this year to cater for the offshore needs of expatriates and international banking customers.

Commercial Banking

Providing banking services for small to middle market business customers is one of our traditional strengths. Indeed, we believe we have the largest international franchise in this sector of any financial services company. The 1.8 million HSBC customers include incorporated businesses, trading entities, partnerships, sole traders, clubs and associations. Their requirements are becoming increasingly international and we are ideally placed to meet them.

Our main contact with these customers is through a network of relationship managers. Relationships are managed at local branch level or through our expanding, worldwide network of commercial banking centres, including our first centre in Florida, established in 2001. Here, too, we are investing in proprietary customer relationship management systems designed to identify and meet customer needs.

HONG KONG

PARIS

LONDON

NEW YORK

Istanbul, Turkey

1.00 p.m.

Working through their lunch hour in order to meet deadlines for HSBC's rebranding programme, two workers remove the signage from Demirbank TAS's Topcular branch on the outskirts of Istanbul. A fine example of traditional Ottoman architecture, Topcular is one of 188 Demirbank branches acquired by HSBC in October and which now sport HSBC signage as part of the merger of the bank with HSBC Bank A.S. Demirbank was Turkey's fifth largest private bank, offering a full range of financial services via a modern, multi-channel delivery system to a network spanning 38 Turkish cities.

The Implementation of HSBC's Strategy: a Review by the Group Chief Executive (continued)

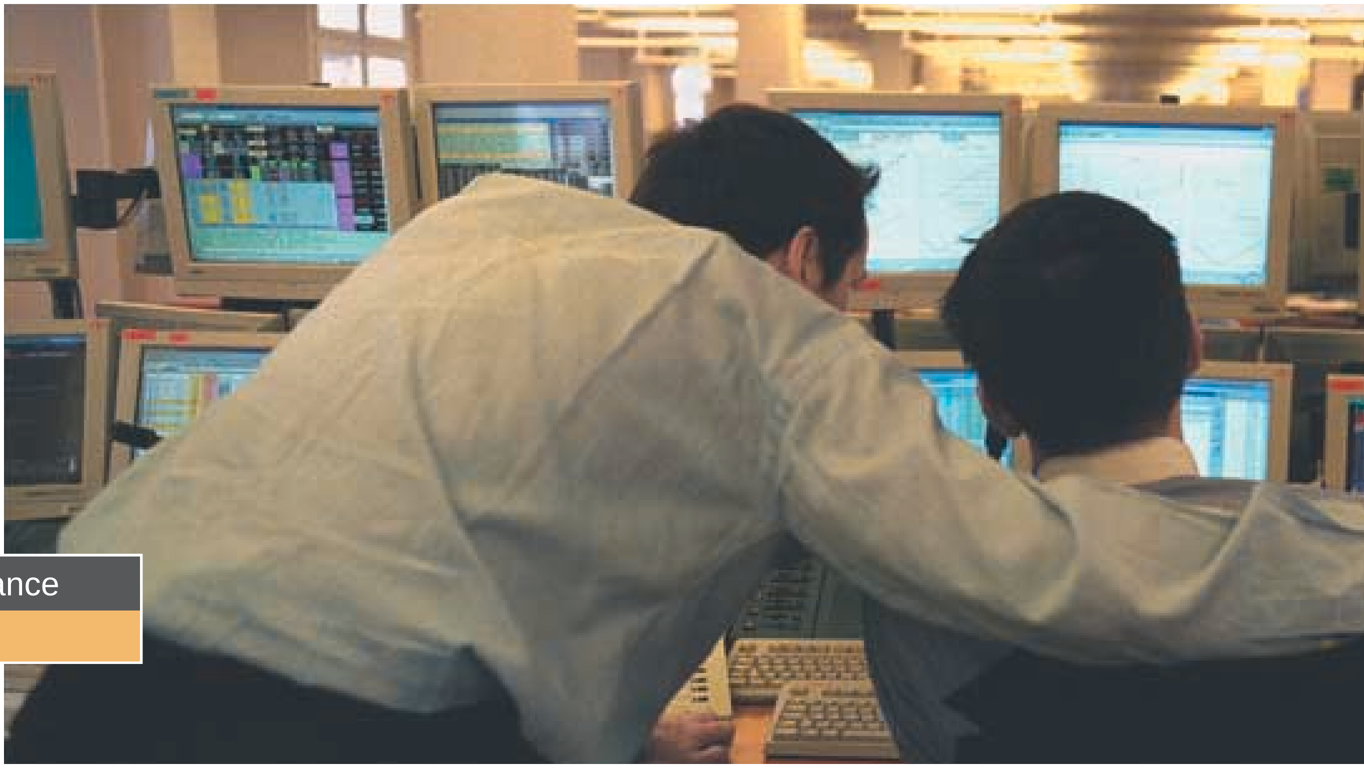
HONG KONG

LONDON

NEW YORK

Paris, France

2.00 p.m.



We have extended our involvement with our commercial customers so that we not only service the needs of their businesses but now provide them and their employees with their personal financial requirements as well. Consequently, it has become commonplace for our personal and commercial relationship managers to make joint visits. Similarly, HSBC Asset Management joins forces with our commercial relationship managers to pursue opportunities in liquidity management products where our range now embraces eight currencies.

Our underwriting and intermediary insurance businesses recorded a US$600 million increase in premiums, reflecting underlying sales growth and a full-year contribution from CCF's insurance activities. Our reinsurance purchasing power and increased central control through HSBC Insurance Brokers Limited helped to lower our costs.

Last year saw greater emphasis on private pension planning to supplement state or employer pension schemes. Gaining market share is increasingly achieved through small business customers. We strengthened our leading market share in Hong Kong's Mandatory Provident Fund scheme, which recorded more than 730,000 members and, in the UK, we launched our Stakeholder Pension Fund scheme, a low-cost, tax-efficient fund for individuals or companies on behalf of employees.

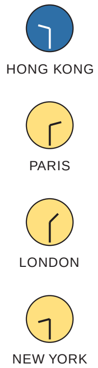
Trade services remain a key requirement of our commercial customers and, in 2001, we successfully launched an internet export documentary credit advisory service in the Hong Kong SAR and in the UK. This is being introduced progressively into our other markets and additional internet services are planned in 2002. Our trade finance turnover grew in Hong Kong, despite a drop in the territory's overall levels, and we achieved a notable increase in the number of trade services relationships from the small and medium enterprise segment.

The acquisition of Banque Hervet considerably strengthened the small business customer base already served by CCF in France. We have begun to integrate the French customer base into our worldwide trade services network.

We extended the provision of leasing finance — including instalment and invoice finance — and factoring facilities to our commercial customers in Brazil and Saudi Arabia, adding to our business in the UK, the United States, Hong Kong and France.

Following a busy year for our payments and cash management teams preparing for the introduction of euro notes and coins, our pan-European cash management service is well placed to meet the new demands of our commercial customers. In France, CCF created a dedicated payments and cash

(Left) Half-way round the world from the dealing room in Hong Kong, after a slowdown at lunch-time, activity picks up in the newly opened HSBC CCF dealing room in Paris when New York, the Group's hub for the Americas, opens. The traders have already made an early start, reviewing at 7.00 a.m. press and market reports on North America from the previous night, and on Asia-Pacific as markets there closed for the day. From 8.15 to 8.30, the analysts link up with their counterparts in HSBC's London dealing room for the latter's daily briefing. Traders then start to call their clients before the European markets open at 9.00, the start of a busy day of trading. The Paris dealing room provides a service fully integrated with HSBC's foreign exchange, money market, fixed income, bond and derivative activities in both developed and emerging markets.



Bourges, France

2.30 p.m.

Meanwhile, south of Paris, it is another routine afternoon at the historic building that houses the registered office and main branch of the regional bank, Banque Hervet, which occupies an attractive location in the central provincial town of Bourges. CCF's acquisition in February 2001 of Banque Hervet — with its 86 branches — has increased CCF's branch network by 12 per cent and consolidated its position in France's central region where it was not represented previously.

management sales force and successfully launched Hexagon, HSBC's desktop banking system, for its customers. Hexagon attracted 14,000 new customers worldwide in 2001 — an increase of over 25 per cent.

A pilot programme last year led to the January 2002 launch of business internet banking in the UK to meet the payments and cash management needs of established smaller businesses — typically customers with turnover of less than £1 million. Initial reaction has been very positive and we plan to roll it out to Hong Kong, the United States and Canada later this year.

We established regional teams in the Middle East to provide better customer service in payments and cash management and trade services, and in the UK we combined our specialist sales forces in the areas of invoice finance, payments and cash management, trade services, equipment and vehicle finance in order to offer an integrated service. Our Latin American commercial customers benefited, too, as a result of much closer co-operation between our commercial banking teams in Brazil and Argentina, reflecting the major trade flows between the two countries.

We also reinforced our reputation for innovation. CCF launched Elys PC, an internet banking service offering account statements, payment transfers, and the purchase and sale of mutual funds and other services to corporate customers and self-employed individuals. The Saudi British Bank introduced a range of Islamic banking products, including Murabaha Liquidity Finance, Amanah current account and charge card, and Amanah home ownership scheme. In India, HSBC launched new products for the small to medium market while, in Malaysia, the launch of a cheque outsourcing system

HONG KONG

PARIS

NEW YORK

London, UK

3.30 p.m.

(Above) A busy throng of mid-afternoon shoppers in London’s Piccadilly Circus form a suitable setting for the promotion of First Direct ‘capital’ — independent financial advice with a fee-free investment and protection service for its one million customers. The UK’s most recommended bank, First Direct pioneered telephone banking in 1989 but, today, half of its customers access its services electronically, via the internet and mobile phone. Launched in January 2001, ‘capital’ offers access to any life assurance, pension and investment product available openly on the market, with independent advice provided by a financial planning manager on the telephone, or selected online by the customer himself.

(Below) Tea-time provides a quiet moment for the proprietors of a small, family-run hotel on the picturesque south Devon coast to log onto HSBC’s business internet banking service. Launched in January 2002, the service provides small and medium-sized businesses with a simple and secure way to manage their accounts online. Almost 5,000 customers requested an application pack for the free service in the first month of its launch.

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was accompanied by the introduction of e-mail statements for commercial customers.

Corporate, Investment Banking and Markets

Our international reach means HSBC is one of the few financial institutions that can provide its major customers with a full range of transaction and investment banking and markets services worldwide. This was undoubtedly a competitive advantage in 2001 when, despite the challenging economic conditions, we improved both the performance and profitability of our business by focusing on our core business relationships.

Sidmouth, UK

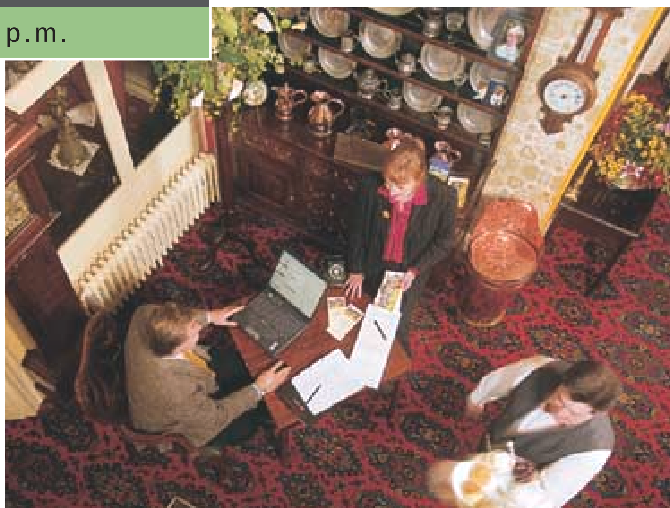
4.00 p.m.

HONG KONG

PARIS

LONDON

NEW YORK



The Implementation of HSBC's Strategy: a Review by the Group Chief Executive (continued)

Our Corporate, Investment Banking and Markets businesses are built on long-term relationships with major international corporations and institutional clients whom we serve in both their home and overseas markets. We provide financial services to more than 25,000 subsidiaries and offices of about 1,200 major customers in more than 50 countries and territories.

At the heart of our operation are the Client Service Teams, a group of relationship and product managers from around the world who understand our customers' business needs. HSBC is supporting these teams by investing heavily in increased automation and software for risk management, central systems to support relationship management, and intranet sites to share industry, product and geographic knowledge.

In Europe, we successfully integrated CCF's corporate and institutional banking into our structure so that Group customers in France and CCF customers internationally now enjoy the same high level of service. Indeed, the combination of CCF, HSBC Trinkaus & Burkhardt KGaA in Germany, and the UK and continental European branches of HSBC Bank plc singles out the Group from its competitors. Our local networks combined with our international capabilities mean we are uniquely placed to provide a pan-European service for customers conducting business in an increasingly borderless Europe.

Key to our continued success is the further development of our industry sector approach to relationship management, which harnesses the knowledge and expertise within the Group for the benefit of our customers. Refocusing our businesses around our customers has enabled us to provide them with a broad banking service which resulted in significant revenue growth in 2001 and high rankings in customer satisfaction surveys.

Despite testing conditions in all markets in 2001, we achieved good results, balancing weaker revenues from our global investment banking division with record earnings from our treasury and capital markets operations.

A combination of this strong performance and high-quality products and services led to a crop of awards in 2001. Our securities processing business won notable custody mandates in the UK, Japan, Malaysia, Korea and Taiwan, and achieved a record number of new issuer support mandates. Our Edinburgh-based investment administration operation enjoyed similar success.

Stopping by at a popular *botequin* for a cup of coffee in the city of Curitiba, a customer checks his current account balance on his palm pilot. Very much a part of Brazilian culture, the *botequin* is a café, bar and restaurant rolled into one and is the local place for socialising. The palm pilot's portability and access via the internet offer the customer a convenient way to bank: checking investments, making payments and transfers between accounts, and authorising direct debits.

We landed several prestigious awards for our sub-custody services in Asia. In the annual *Global Custodian* survey, we were the top-rated custodian bank in 12 countries, including five major markets in the Asia-Pacific region.

We were named *Trade Finance* magazine's 'Best trade documentation bank' for the sixth successive year, and *Finance Asia*'s 'Best trade finance bank' for the fifth year running. Documentary credit business conducted under our Trade Solutions product suite increased by 34 per cent in 2001 to US$5.8 billion.

The 2001 *Euromoney* international cash management poll of corporate treasurers placed HSBC among the top three global service providers and we won the *Treasury Management International* 2001 'Best bank in Asia' awards for both cash management and risk management. The introduction of our internet-based Online Account Management service in 2001 resulted in significant institutional wins.

Asia Risk magazine named HSBC 'Derivatives house of the year' and 'Interest rate derivatives house of the year' in Asia. We were awarded 'Domestic bond house of the year' for Asia overall by *International Financing Review* for the first time, and 'Best treasury in Asia' by *Euromoney* for the fourth year in a row. Our global investment banking division collected a number of awards for specific transactions while our

The Implementation of HSBC's Strategy: a Review by the Group Chief Executive (continued)

merchant banking business won the 'Best global leasing' award for an innovative Islamic aircraft financing. We were named 'European loan trading house of the year' and, for the eighth consecutive time, 'Best debt house of the year' in Hong Kong. In Germany, HSBC Trinkaus & Burkhardt was named 'Number 1 research team' for both DAX 30 stocks and NEMAX stocks. In the capital markets league tables, we were the top lead managers for sterling corporate eurobond issuance and HSBC also rose six places to sixth in the rankings for euro-denominated corporate bonds as the combined force of HSBC and CCF attracted new business to the Group.

Our treasury and capital markets businesses progressed various e-initiatives such as FX-All, a web-based range of services, including foreign exchange transactions and market research, and BondsinAsia, which offers online completion of Asia-wide fixed income transactions. We added more straight-through processing and greater interactivity between our customers' electronic systems, enhancing customer service and leading to improved efficiency.

Our global investment banking division, like many of our competitors, experienced a difficult year, given the downturn in equity markets and corporate finance business. In line with the development of our sector approach to relationship management, we have restructured this business to ensure it is clearly focused on, and integral to the support of, our corporate and institutional customers.

Funds under management across the Group's asset management operations totalled US$138 billion at year-end 2001, compared with US$137 billion at year-end 2000. Adverse market conditions were countered by the inflow of client funds and the integration of new businesses. We attracted US$8.8 billion in net new client money, particularly in defensive products such as money-market and capital-guaranteed funds. The HSBC Global Demographics Capital Guaranteed Fund became the largest-ever public closed-end fund launched in the Hong Kong SAR, raising US$650 million.

HSBC Asset Management expanded its reach in 2001 through its acquisition of China Securities Investment Trust Corporation, Taiwan's leading fund management company. Ambitious plans have been laid for the growth of our asset management business to support the development of wealth management across the Group, a key element of our Managing for Value strategy.

Within merchant banking, which also includes project and export finance, aviation and structured finance, syndicated finance and HSBC Equator Bank plc, our Islamic finance business, Amanah Finance, successfully created innovative products for our Muslim clients worldwide. These products included equity funds, treasury services and the industry's first Islamic asset securitisation. More than US$1.75 billion was invested in Islamic money market mechanisms structured by HSBC in 2001.

HSBC Insurance Brokers teamed up with Investment Banking and Markets' project and export finance division to access the private political risks market to mitigate cross-border risk. Our political risk insurance initiatives have helped pave the way for HSBC's financing of several environmental schemes in South America, including drinking water and rehabilitation projects, and major road improvements. Two hospital projects are also being negotiated.

HSBC Private Equity continued to enjoy good profitability. The business expanded into the Middle East in 2001 and at year-end managed over US$3 billion of private equity funds across the world.

Private Banking

Following the Group's recent acquisitions, we continued to integrate the private banking operations of Republic and CCF in 2001, creating a Swiss holding company, HSBC Private Banking Holdings (Suisse) SA, through which most of our worldwide private banking operations are now owned. This coherent ownership structure benefits high net worth individuals and their families by enabling us to bring together our full range of world class private banking services, including deposit and funds transfer, tax and trustee structures, asset and trust management, mutual funds, currency and securities transactions, lending, letters of credit and guarantees. These services are supplied by 4,900 employees in 50 locations.

Group Private Banking continued to work closely with HSBC Asset Management, Investment Banking and Markets and Group Insurance to launch new structured investment products and tax-efficient life insurance products with an international trust component.

HSBC Republic, the Group's principal international private banking business, continued to differentiate its approach with the appointment of relationship managers who operate on a cross-border basis to serve the specialised requirements of clients in such sectors as diamonds and jewellery and sports and media.

Private banking treasuries were augmented in Asia and Europe, enabling us to offer a greater variety of treasury and structured products. In response to customer investment preferences, we developed an innovative approach in alternative fund management, which included the successful £125 million launch of the HSBC Global Absolute Limited fund of hedge funds.

HONG KONG

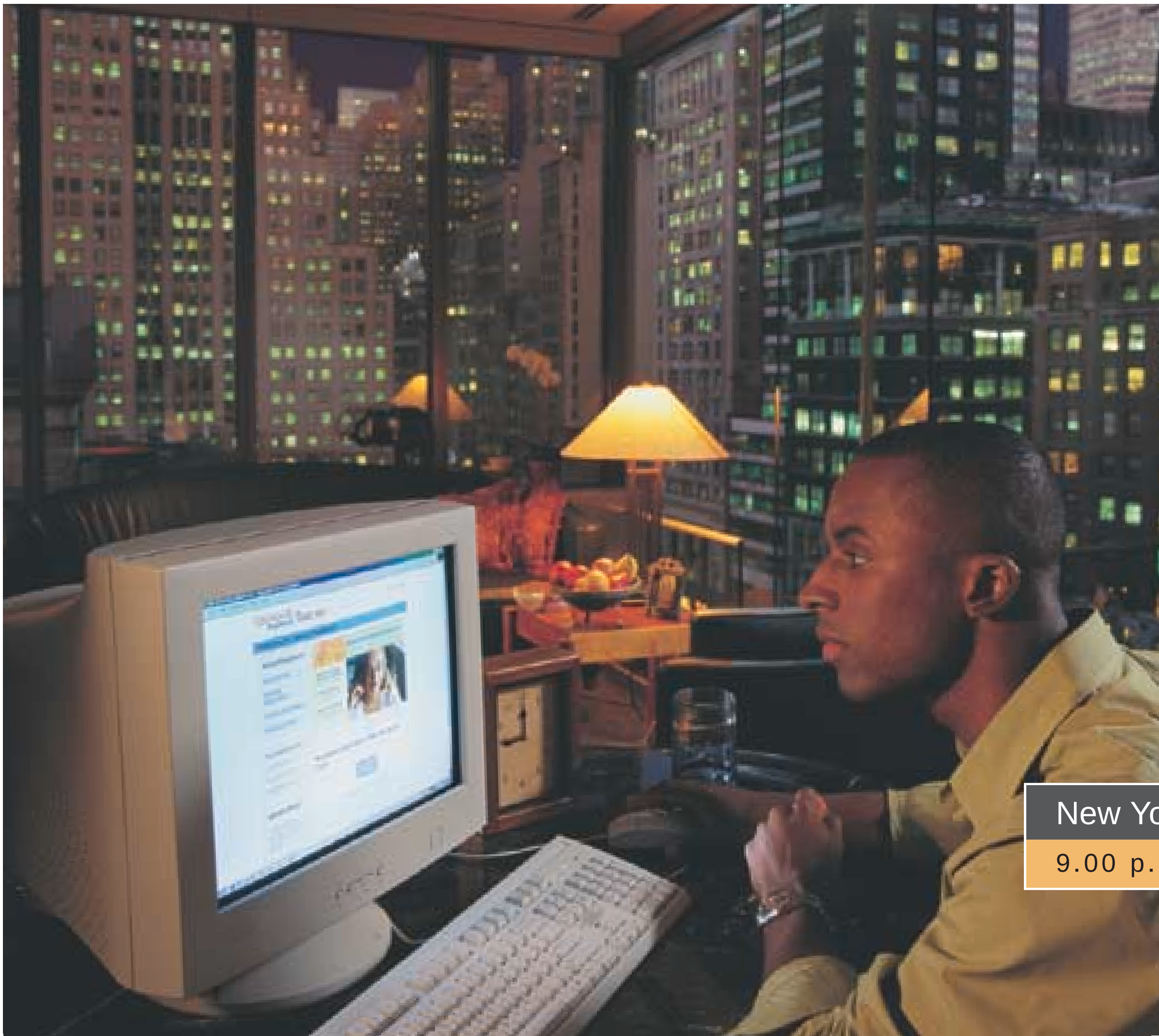
PARIS

LONDON

New York, USA

4.50 p.m.

(Above) As night sets in early on a winter's day, Times Square — New York's cosmopolitan crossroads of the world — buzzes with light and colour. As part of our strategic plan to build the HSBC brand, we launched in January 2002 the world's first interactive advertising sign 262 feet above the square. Billed as 'Starring you', the innovative concept allows visitors to have their face projected onto a giant animated display for all in Times Square to see, providing entertainment — as well as a closer association with our brand.
(Below) After dinner is a good time to do some shopping on the worldwide web. Relaxing in his Manhattan apartment, this HSBC customer has logged onto the Yahoo! PayDirect from HSBC web site to pay for an item that he wishes to purchase at an online auction. HSBC's strategic alliance with Yahoo — one of the world's biggest internet portals with some 219 million users — saw the launch of the PayDirect service in the United States in November, with roll-out to Europe and Asia-Pacific planned for this year. Already the second biggest person-to person e-mail payments system in the United States, PayDirect offers a quick and safe means of sending and receiving money locally.



HONG KONG

PARIS

LONDON

New York, USA

9.00 p.m.

The Implementation of HSBC's Strategy: a Review by the Group Chief Executive (continued)

We strengthened our global tax and trustee business and made major investments in infrastructure, reinforcing key elements of the business, such as operations, human resources and information technology. This helped us to integrate CCF's smaller private banking activities in Luxembourg, Monaco and Italy with those of HSBC Republic. CCF's other, more substantial, private banking subsidiaries — Banque Dewaay, Banque Eurofin and Banque du Louvre — had a successful year, attracting new assets under management with significant new products.

HSBC Guyerzeller, our Swiss private bank which focuses on discretionary management and trustee services, announced its intention to merge with Handelsfinanz-CCF Bank and Crédit Commercial de France (Suisse) SA. This will further strengthen HSBC Guyerzeller's presence in Switzerland and lead to greater operational efficiency.

Service Centres

Last year, I explained the importance of global processing to our strategic aim of pursuing economies of scale in order to improve service, increase productivity and achieve a competitive, economic advantage. Since their introduction in 1996, these processing centres have taken on progressively, on a cross-border basis, more of the back office functions previously conducted by our principal Group members across the world, including the UK, the Hong Kong SAR and, since last year, the United States and Canada. They now undertake a wide range of routine activities for a growing number of business areas, including cards, mortgage processing and investment products, in addition to retail banking.

We doubled our processing capacity in 2001 with some 2,300 people now employed in our three Group Service Centres — one in Guangzhou, China and two in Hyderabad, India. The second Hyderabad centre, which opened in July, already employs 600 people and will ultimately provide work for 1,700. Further centres will open in Shanghai and Bangalore in 2002, again doubling our capacity and creating a further 2,700 jobs in China and India.

The Brand

The establishment in 1999 of HSBC as a uniform, international brand name ensured that our corporate symbol has become an increasingly familiar sight across the world. This year, we will launch a programme to differentiate our brand from those of our competitors by describing the unique

Markham, Canada

12.05 a.m.

HONG KONG

PARIS

LONDON

NEW YORK

Employees leave the last shift at midnight at HSBC's eastern call centre in Markham, Ontario, just north of Toronto. The call centre offers a cross-border service by telephone in Cantonese and Mandarin to HSBC Bank USA's customers, answering their enquiries and performing transactions. The call centre also provides a similar service to HSBC Bank Canada's customers in English and French, as well as in Cantonese and Mandarin. In addition, when the centre closes for the day, HSBC Bank Canada's customer calls are redirected to the HSBC call centre in Burnaby, British Columbia, which serves customers 24 hours a day, seven days a week.

characteristics which distinguish HSBC. The new proposition, summarised by the words 'The world's local bank', will be formally unveiled in a global campaign in March 2002.

Research indicates that this reinforces our core values. The campaign will describe how the Group's global capability is driven by local knowledge, emphasising HSBC's belief that the world is a rich and diverse place, with due respect to be accorded to its people and cultures. We will point out that we are an integral part of local culture across the world, having built our business with local expertise from which our customers, our employees and our shareholders can benefit.

Our 'Starring You' project started in New York's Times Square in January 2002, enabling visitors to see themselves in an HSBC commercial vignette on a 64-foot-high screen. This initiative joins other innovative marketing projects, such as the branding of jetties at London's major airports, in helping to build recognition of HSBC across the world.

Economic Profit

Economic profit is a key influence on our investment decisions. It is a way of expressing our profitability after accounting for the cost of capital and it helps us determine where to allocate our resources. We proceed with business opportunities only if economic forecasts meet our criteria.

Given recent changes in interest rates and economic conditions, we believe that HSBC's true cost of capital is around 10.5 per cent. We will, however, continue to calculate economic profit at our benchmark rate of 12.5 per cent in order for us to compare and to be consistent with previous years. On this basis, our economic profit decreased by US$1,924 million, or 113 per cent, to an economic loss of US$218 million in 2001, of which US$323 million reflected the settlement of the Princeton Note Matter and US$1,120 million the exceptional provisioning on Argentine risk. Our economic profit on our core businesses declined on a like for like basis by only 28 per cent in 2001.

Maintaining our tier 1 capital position in excess of our long-term benchmark of 8 per cent in a low interest rate environment reduced economic profit for 2001 by US$375 million, but we consider our capital position to be a strategic advantage at this stage of the economic cycle.

Strategic Outlook

We look to the future with a good deal of optimism. Despite continuing challenging conditions in many of our markets, HSBC is better placed than most of its competitors to cope with these difficult times.

Our task now is to build upon the progress we have made during the last 12 months in implementing our strategic plan. Whilst our traditional cost discipline will remain of vital importance, we shall continue to develop all our lines of business and to invest in new delivery systems. We see an ever-increasing number of our customers willing to use e-channels to conduct their transactions with us, so we will continue to enhance our e-capabilities, our call centres and our customer relationship management systems.

We shall also work to enhance our position in the commercial banking market and to build on our growing strengths in personal financial services. Our reorganisation around customer segments will be reinforced and we shall continue to develop the HSBC brand as a uniformly desirable customer experience around the world.

Through our ongoing investment in technology and training, we will continue to equip our committed and dedicated workforce and talented management team with the tools and skills they need to continue our record of success. I have no doubt that we shall make further progress in 2002.

Keith Whitson, *Group Chief Executive*

Board of Directors and Senior Management

Directors

Sir John Bond, *Group Chairman*
Age 60. An executive Director since 1990; Group Chief Executive from 1993 to 1998. Joined HSBC in 1961; an executive Director of The Hongkong and Shanghai Banking Corporation Limited from 1988 to 1992. Chairman of HSBC Bank plc, HSBC USA Inc., HSBC Bank USA and HSBC Bank Middle East and a Director of The Hongkong and Shanghai Banking Corporation Limited. Chairman of the Institute of International Finance and a Director of Ford Motor Company. A member of the Court of the Bank of England.

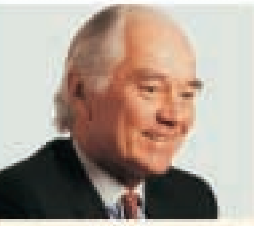
***The Baroness Dunn,** DBE, *Deputy Chairman and senior non-executive Director*
Age 62. Executive Director of John Swire & Sons Limited and a Director of Swire Pacific Limited and Marconi p.l.c. A non-executive Director since 1990 and a non-executive Deputy Chairman since 1992. A non-executive Director of The Hongkong and Shanghai Banking Corporation Limited from 1981 to 1996. Former Senior Member of the Hong Kong Executive Council and Legislative Council.

†**Sir Brian Moffat,** OBE, *Deputy Chairman and senior independent non-executive Director*
Age 63. Chairman of Corus Group plc. A non-executive Director since 1998. A member of the Court of the Bank of England and a non-executive Director of Enterprise Oil plc.

K R Whitson
Age 58. Group Chief Executive. An executive Director since 1994. A Director of HSBC Bank plc since 1992, Chief Executive from 1994 to 1998 and Deputy Chairman since 1998. Joined HSBC in 1961. Chairman of Merrill Lynch HSBC Limited, HSBC Bank A.S. and Deputy Chairman of the Supervisory Board of HSBC Trinkaus & Burkhardt KGaA. A Director of The Hongkong and Shanghai Banking Corporation Limited, HSBC USA Inc. and HSBC Bank Canada. A non-executive Director of the Financial Services Authority.

†**The Lord Butler,** GCB, CVO
Age 64. Master, University College, Oxford and a non-executive Director of Imperial Chemical Industries plc. A non-executive Director since 1998. Chairman of HSBC in the Community Advisory Panel. Secretary of the Cabinet and Head of the Home Civil Service in the United Kingdom from 1988 to 1998.

†**R K F Ch'ien,** CBE
Age 50. Executive Chairman of chinadotcom corporation and its subsidiary, hongkong.com corporation. A non-executive Director since 1998. Chairman of HSBC Private Equity (Asia) Limited and a Director of MTR Corporation Limited, Inchcape plc and Inmarsat Ventures Plc. A member of the Executive Council of the Hong Kong SAR. Chairman of the Hong Kong/Japan Business Co-operation Committee and the Advisory Committee on Corruption of the Independent Commission Against Corruption. A non-executive Director of The Hongkong and Shanghai Banking Corporation Limited since 1997.


Sir John Bond


Sir Brian Moffat


The Baroness Dunn


K R Whitson


The Lord Butler


R K F Ch'ien

C F W de Croisset
Age 58. An executive Director since 2000. Chairman and Chief Executive Officer of Crédit Commercial de France S.A. Joined Crédit Commercial de France S.A. in 1980 having previously held senior appointments in the French civil service. A Director of HSBC Bank plc.

W R P Dalton
Age 58. An executive Director since 1998. Director and Chief Executive of HSBC Bank plc since 1998. Joined HSBC in 1980. President and Chief Executive Officer, HSBC Bank Canada from 1992 to 1997. Deputy Chairman of Merrill Lynch HSBC Limited and a Director of Crédit Commercial de France S.A., HSBC Investment Bank Holdings plc, HSBC Private Banking Holdings (Suisse) S.A. and HSBC Bank Malta p.l.c. Vice-President of the Chartered Institute of Bankers. A non-executive Director of MasterCard International Inc. and a non-executive Director and Chairman of Young Enterprise Limited.

D G Eldon
Age 56. An executive Director since 1999. Joined HSBC in 1968. Appointed an executive Director and Chief Executive Officer of The Hongkong and Shanghai Banking Corporation Limited in 1996; Chairman since 1999. Non-executive Chairman of Hang Seng Bank Limited and a non-executive Director of Swire Pacific Limited and MTR Corporation Limited.

D J Flint
Age 46. Group Finance Director. An executive Director since 1995. A Director of HSBC Investment Bank Holdings plc, HSBC Bank Malaysia Berhad, HSBC USA Inc. and HSBC Bank USA. A member of The Accounting Standards Board and the Standards Advisory Council of the International Accounting Standards Committee Foundation. A former partner in KPMG.

†**W K L Fung,** OBE
Age 53. Group Managing Director and Chief Executive Officer of Li & Fung Limited. A non-executive Director since 1998. Past Chairman of the Hong Kong General Chamber of Commerce. A member of the Economic Advisory Committee to the Financial Secretary of the Hong Kong SAR and Chairman of the Hong Kong Committee for Pacific Economic Co-operation. A non-executive Director of The Hongkong and Shanghai Banking Corporation Limited since 1995.

S K Green
Age 53. Executive Director Investment Banking and Markets. An executive Director since 1998. Joined HSBC in 1982. Group Treasurer from 1992 to 1998. Chairman of HSBC Investment Bank Holdings plc and a Director of HSBC Bank plc, Crédit Commercial de France S.A., HSBC Guyerzeller Bank AG, HSBC USA Inc., HSBC Bank USA, HSBC Private Banking Holdings (Suisse) S.A. and HSBC Trinkaus & Burkhardt KGaA.


D G Eldon


S K Green


C F W de Croisset


D J Flint


W K L Fung


W R P Dalton

Board of Directors and Senior Management (continued)

†S Hintze
Age 57. Independent consultant. Former Chief Operating Officer of Barilla S.P.A. and former Senior Vice President of Nestlé S.A. A non-executive Director since 1 March 2001. With Mars Incorporated from 1972 to 1993, latterly as Executive Vice President of M&M/Mars in New Jersey.

A W Jebson
Age 52. Group IT Director. An executive Director since 2000. Joined HSBC in 1978. A Director of Merrill Lynch HSBC Limited. Non-executive Deputy Chairman of CLS Services Limited.

†Sir John Kemp-Welch
Age 65. Former Joint Senior Partner of Cazenove & Co and former Chairman of the London Stock Exchange. A non-executive Director since 2000.

†The Lord Marshall
Age 68. Chairman of British Airways Plc and Invensys plc. A non-executive Director since 1993. A non-executive Director of HSBC Bank plc from 1989 to 1994.

†Sir Mark Moody-Stuart, KCMG
Age 61. Director and former Chairman of The 'Shell' Transport and Trading Company, plc. Former Chairman of the Committee of Managing Directors of the Royal Dutch/Shell Group of Companies. A Director of Accenture, a Governor of Nuffield Hospitals and President of the Liverpool School of Tropical Medicine. Member of the UN Secretary General's Advisory Council for the Global Compact. A non-executive Director since 1 March 2001.

†M Murofushi
Age 70. Chairman of ITOCHU Corporation. A non-executive Director since 1992. Honorary Chairman of the Japan Foreign Trade Council. Special Advisor to the Chairman of the Japan Chamber of Commerce and Industry. Vice Chairman of the Tokyo Chamber of Commerce and Industry. Chairman of the Japan-Brazil Economic Committee of Keidanren (Japan Federation of Economic Organizations). A member of the Foreign Investment Advisory Council of the Russian Federation.

†C E Reichardt
Age 70. Currently Vice Chairman and Chairman of the Finance Committee of Ford Motor Company. Retired Chairman and Chief Executive of Wells Fargo & Company. A non-executive Director since 1996. In addition to Ford Motor Company, a Director of HCA--The Healthcare Company; ConAgra, Inc., McKesson HBOC, Inc.; Newhall Management Corporation and PG&E Corporation.


S Hintze


Sir John Kemp-Welch


A W Jebson


The Lord Marshall


Sir Mark Moody-Stuart


M Murofushi

***H Sohmen,** OBE
Age 62. Chairman of World-Wide Shipping Agency Limited, World-Wide Shipping Group Limited, World Maritime Limited, World Shipping and Investment Company Limited and World Finance International Limited. A non-executive Director since 1990. A non-executive Director of The Hongkong and Shanghai Banking Corporation Limited since 1984 and Deputy Chairman since 1996.

†Sir Adrian Swire
Age 70. Executive Director and Honorary President of John Swire & Sons Limited and a Director of Swire Pacific Limited and Cathay Pacific Airways Limited. A non-executive Director since 1995. Former Chairman of the International Chamber of Shipping and former President of the General Council of British Shipping.

* *Non-executive Director*
† *Independent non-executive Director*

Adviser to the Board

D J Shaw
Age 55. An Adviser to the Board since 1998. Solicitor. A partner of Norton Rose from 1973 to 1998. A Director of HSBC Investment Bank Holdings plc and HSBC Private Banking Holdings (Suisse) S.A.

Secretary

R G Barber
Age 51. Group Company Secretary since 1990. Joined HSBC in 1980; Corporation Secretary of The Hongkong and Shanghai Banking Corporation Limited from 1986 to 1992. Company Secretary of HSBC Bank plc from 1994 to 1996.


C E Reichardt


Sir Adrian Swire


H Sohmen


D J Shaw


R G Barber

Board of Directors and Senior Management (continued)

Senior Management

R J Arena
Age 53. Group General Manager, Global e-business. Joined HSBC in 1999. Appointed a Group General Manager in 2000.

D W Baker
Age 59. Chief Operating Officer and Director, HSBC Bank plc. Joined HSBC in 1962. Appointed a Group General Manager in 1999.

C C R Bannister
Age 43. Chief Executive Officer, Group Private Banking. Joined HSBC in 1994. Appointed a Group General Manager in August 2001.

D Beath
Age 63. Group General Manager, Internal Audit. Joined HSBC in 1960. Appointed a Group General Manager in 1993.

R E T Bennett
Age 50. Group General Manager, Legal and Compliance. Joined HSBC in 1979. Appointed a Group General Manager in 1998.

Z J Cama
Age 54. Chief Executive Officer, The Hongkong and Shanghai Banking Corporation Limited, India. Joined HSBC in 1968. Appointed a Group General Manager in August 2001.

V H C Cheng, OBE
Age 53. Executive Director, The Hongkong and Shanghai Banking Corporation Limited and Chief Executive Officer, Hang Seng Bank Limited. Joined HSBC in 1978. Appointed a Group General Manager in 1995.

A Dixon, OBE
Age 57. Deputy Chairman, HSBC Bank Middle East. Joined HSBC in 1965. Appointed a Group General Manager in 1995.

C-H Filippi
Age 49. Group General Manager and Global Head of Corporate and Institutional Banking. Joined HSBC in 1987. Appointed a Group General Manager in November 2001.

M F Geoghegan
Age 48. President and Chief Executive Officer, HSBC Bank Brasil S.A.-Banco Múltiplo. Joined HSBC in 1973. Appointed a Group General Manager in 1997.

E W Gill
Age 55. Chief Executive Officer, The Hongkong and Shanghai Banking Corporation Limited, Singapore. Joined HSBC in 1968. Appointed a Group General Manager in 2000.

M J G Glynn
Age 50. President and Chief Executive Officer, HSBC Bank Canada. Joined HSBC in 1982. Appointed a Group General Manager in August 2001.

S T Gulliver
Age 42. Group General Manager, Treasury and Capital Markets, Investment Banking, Asia-Pacific. Joined HSBC in 1980. Appointed a Group General Manager in 2000.

A P Hope
Age 55. Group General Manager, Insurance. Joined HSBC in 1971. Appointed a Group General Manager in 1996.

D D J John
Age 51. Deputy Chairman and Chief Executive Officer, HSBC Bank Malaysia Berhad. Joined HSBC in 1972. Appointed a Group General Manager in 2000.

M B McPhee
Age 60. Group General Manager, Credit and Risk. Joined HSBC in 1984. Appointed a Group General Manager in 1997.

A Mehta
Age 55. Chief Executive Officer, The Hongkong and Shanghai Banking Corporation Limited. Joined HSBC in 1968. Appointed a Group General Manager in 1991.

Y A Nasr
Age 47. President and Chief Executive Officer, HSBC USA Inc. and HSBC Bank USA. Joined HSBC in 1976. Appointed a Group General Manager in 1998.

T W O'Brien, OBE
Age 54. Group General Manager, Strategic Development. Joined HSBC in 1969. Appointed a Group General Manager in 1992.

R C F Or
Age 52. General Manager, The Hongkong and Shanghai Banking Corporation Limited. Joined HSBC in 1972. Appointed a Group General Manager in 2000.

K Patel
Age 53. Chairman, Global Investment Banking Division, HSBC Investment Bank plc. Joined HSBC in 1984. Appointed a Group General Manager in 2000.

R C Picot
Age 44. Joined HSBC in 1993. Group Chief Accountant since 1995.

J C S Rankin
Age 60. Group General Manager, Human Resources. Joined HSBC in 1960. Appointed a Group General Manager in 1990.

Dr S Rometsch
Age 63. Chairman of the Managing Partners, HSBC Trinkaus & Burkhardt KGaA. Joined HSBC in 1983. Appointed a Group General Manager in August 2001.

M R P Smith, OBE
Age 45. Chairman and Chief Executive Officer, HSBC Argentina Holdings S.A. Joined HSBC in 1978. Appointed a Group General Manager in 2000.

I A Stewart
Age 43. Head of Investment Banking and Markets, Americas. Joined HSBC in 1980. Appointed a Group General Manager in 2000.

P E Stringham
Age 52. Group General Manager, Marketing. Joined HSBC in January 2001 as Head of Group Marketing. Appointed a Group General Manager in August 2001.

Summary Directors' Report

Summary Financial Statement

Principal Activities and Business Review

Through its subsidiary and associated undertakings, the Group provides a comprehensive range of banking and related financial services through an international network of some 7,000 offices in 81 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

A review of the development of the business of Group undertakings during the year and an indication of likely future developments are given on pages 3 to 19.

Dividend

A first interim dividend of US$0.19 per ordinary share was paid on 9 October 2001. The Directors have declared a second interim dividend of US$0.29 per ordinary share in lieu of a final dividend, making a total distribution for the year of US$4,467 million. The second interim dividend will be payable on 7 May 2002 in cash in United States dollars, sterling or Hong Kong dollars, or a combination of these currencies, at exchange rates to be determined on 29 April 2002, with a scrip dividend alternative. A financial calendar, including the key dates for payment of the second interim dividend for 2001, is on page 46.

Directors

The Directors who served during the year were Sir John Bond, Baroness Dunn, Sir Brian Moffat, Sir Peter Walters, K R Whitson, Lord Butler, R K F Ch'ien, D E Connolly, C F W de Croisset, W R P Dalton, D G Eldon, D J Flint, W K L Fung, S K Green, S Hintze, A W Jebson, Sir John Kemp-Welch, Lord Marshall, C Miller Smith, Sir Mark Moody-Stuart, M Murofushi, C E Reichardt, H Sohmen and Sir Adrian Swire.

S Hintze and Sir Mark Moody-Stuart were appointed Directors on 1 March 2001. Sir Peter Walters and D E Connolly retired on 25 May 2001; C Miller Smith retired on 31 December 2001.

Sir John Bond, D G Eldon, D J Flint, Lord Marshall, M Murofushi, C E Reichardt and Sir Adrian Swire will retire by rotation at the forthcoming Annual General Meeting. With the exception of M Murofushi, C E Reichardt and Sir Adrian Swire, who will retire, they offer themselves for re-election.

Remuneration

Given the importance and sensitivity of remuneration issues generally, your Directors consider it appropriate to reproduce the remuneration report in full in this *Annual Review*.

Policy

In common with most businesses, HSBC's performance depends on the quality and commitment of its people. Accordingly, the Board's stated strategy is to attract, retain and motivate the very best people.

In a business that is based on trust and relationships, HSBC's broad policy is to look for people who want to make a long-term career with the organisation because trust and relationships are built over time.

Remuneration is an important component in people's decisions on which company to join, but it is not the only one; it is HSBC's experience that people are attracted to an organisation with good values, fairness, the potential for success and the scope to develop a broad, interesting career.

Within the authority delegated by the Board of Directors, the Remuneration Committee is responsible for determining the remuneration policy of HSBC including the terms of bonus plans, share option plans and other long-term incentive plans, and for agreeing the individual remuneration packages of executive Directors and other senior Group employees. No Directors are involved in deciding their own remuneration.

The Remuneration Committee applies the following key principles:

- to pay against a market of comparative organisations
- to offer fair and realistic salaries with an important element of variable pay based on relative performance
- to have as many top-performers as possible at all levels within HSBC participating in some form of long-term share plan

- for new employees only, since 1996, to follow a policy of moving progressively from defined benefit to defined contribution Group pension schemes.

Basic salary and benefits

Salaries are reviewed annually in the context of individual and business performance, market practice, internal relativities and competitive market pressures. Allowances and benefits are largely determined by local market practice.

Annual performance-related payments

The level of performance-related variable pay depends upon the performance of HSBC Holdings, constituent businesses and the individual concerned. Key measures of success include achievement of financial goals, concerning both revenue generation and expense control; customer relationships; full utilisation of professional skills; and adherence to HSBC's ethical standards. HSBC has a long history of paying close attention to its customers in order to provide value for shareholders. This has been achieved by ensuring that the interests of HSBC and its staff are aligned with those of its shareholders and that HSBC's approach to risk management serves the interests of all. Closer alignment with the interests of shareholders is being achieved by extending employee participation in the existing share plans.

Bonus ranges are reviewed in the context of prevailing market practice and overall remuneration.

Long-term share plans

In order to align the interests of staff with those of shareholders, share options are awarded to employees under the HSBC Holdings Group Share Option Plan and the HSBC Holdings savings-related share option plans. When share options are granted, which are to be satisfied by the issue of new shares, the impact on existing equity is shown in diluted earnings per share on the face of the consolidated profit and loss account, with further details being disclosed in Note 11 of the 'Notes on the Financial Statements' in the *Annual Report and Accounts*. The dilutive effect of exercising all outstanding share options would be only 0.5 per cent of basic earnings per share.

For the majority of employees, the vesting of share awards under the HSBC Holdings Group Share Option Plan is subject to the attainment of total shareholder return ('TSR') targets. Separate arrangements are currently in place for employees of CCF. The Remuneration Committee seeks to respond to the variety of environments and circumstances which are faced by different businesses in different markets at different times.

The HSBC Holdings Restricted Share Plan 2000 is intended to align the interests of executives with those of shareholders by linking executive awards to the creation of superior shareholder value. This is achieved by focusing on predetermined targets. The shares awarded are normally held under restrictions for five years and are transferred to the individuals only after attainment of a performance condition which demonstrates the sustained and above average financial performance of HSBC.

Executive Directors and Group General Managers have been eligible to receive conditional awards of Performance Shares under the HSBC Holdings Restricted Share Plan and the HSBC Holdings Restricted Share Plan 2000 since 1997. The award of Performance Shares under these plans was extended to other senior executives from 1999.

In appropriate circumstances, employees may receive awards under the HSBC Holdings Restricted Share Plan 2000 and the HSBC Holdings Group Share Option Plan. Participants in these Plans are also eligible to participate in the HSBC Holdings savings-related share option plans on the same terms as other eligible employees.

As part of HSBC's strategy, the use of the existing share plans has been extended so that more employees participate in the success they help to create. In the UK, the HSBC Holdings UK Share Ownership Plan, which enables employees to purchase HSBC Holdings shares from pre-tax salary, was established during the year. In addition, employees in France may participate in a Plan d' Epargne Entreprise through which they may subscribe for HSBC Holdings shares.

Directors and Senior Management

HSBC Holdings' Board is currently composed of 13 non-executive Directors and eight executive Directors. With businesses in 81 countries and territories, HSBC aims to attract Directors with a variety of different experience, both in its key markets and internationally. The Board currently includes nationals of seven different countries. The eight executive Directors and 26 Group General Managers have in total more than 750 years of service with HSBC.

Directors' fees

Directors' fees are regularly reviewed and compared with other large international companies. The current basic fee of £35,000 per annum is at the median of HSBC Holdings' peer group. In addition, non-executive Directors receive the following fees for serving on certain Committees:

Chairman, Audit Committee	£10,000 p.a.
Member, Audit Committee	£7,500 p.a.

During 2001, five Audit Committee meetings were held. A Director's commitment to each meeting can be as much as 15 hours.

Chairman, Remuneration Committee	£10,000 p.a.
Member, Remuneration Committee	£5,000 p.a.

During 2001, seven meetings of the Remuneration Committee were held.

Chairman of the HSBC in the Community Advisory Panel	£5,000 p.a.

Executive Directors' remuneration

HSBC's operations are large, diverse and international; for example, less than 40 per cent of net income is derived from the United Kingdom.

The executive Directors are experienced executives with detailed knowledge of the financial services business in various countries. In many cases there has been a need to attract them from abroad to work in the United Kingdom.

It became clear to the Board over two years ago that executive Directors' total remuneration had fallen steadily behind the competition. This became apparent from 'league tables' in the press, surveys from remuneration consultants, comparisons with top executives in acquired companies such as Republic Bank of New York and CCF and, perhaps above all, from the fact that some of the next generation of top management, due to the need to retain market competitiveness in certain overseas locations, were already being paid more than the current executive Directors.

The Remuneration Committee has appointed Towers Perrin, who have wide experience of international companies, to conduct an annual top executive remuneration survey. Other consultants are used from time to time to validate their broad findings.

The survey conducted in 2000 confirmed the need to make major changes in order to bring total remuneration to the chosen competitive position for this group of executives, i.e. the 75th percentile of market comparators. Recent information shows that even with the action taken, total remuneration for this group remains below the 75th percentile in 2001.

There are four key components of executive Directors' remuneration:

i *Salary*

In 2001, all executive Directors' salaries, which had been consistently below market for some time, were raised substantially. Average increases for UK-based executive Directors in 2002 will be 2.45 per cent of basic salary.

ii *Annual cash bonus*

Cash bonuses for executive Directors and members of Senior Management are based on two key factors: individual performance taking account of, as appropriate, results against plan of the business unit or performance of the support function for which the individual has responsibility; and Group performance measured by operating profit before tax against plan. The Remuneration Committee has discretion to eliminate extraordinary items when assessing bonuses, if the main cause did not arise during the current bonus year.

Commencing in 2002, combining these two key performance factors will result in cash bonuses ranging from 35 per cent to 250 per cent of basic salary (against Group performance ranging from within 10 per cent of plan to 50 per cent above plan).

iii *Long Term Incentive Plan (LTIP)*

Executive Directors and members of Senior Management have been eligible to receive conditional awards of Performance Shares under the HSBC Holdings Restricted Share Plan and the HSBC Holdings Restricted Share Plan 2000 since 1997.

Full details of the 2002 conditional awards to executive Directors, together with vesting arrangements, are set out on page 29.

It is the Remuneration Committee's current intention that the annual value of awards to executive Directors and members of Senior Management will not as a general rule exceed 100 per cent of earnings (defined as base salary and bonus in respect of the previous performance year).

In appropriate circumstances, executive Directors and members of Senior Management may receive awards under the HSBC Holdings Restricted Share Plan 2000 and the HSBC Holdings Group Share Option Plan. Participants in these plans are also eligible to participate in the HSBC Holdings savings-related share option plans on the same terms as other eligible employees.

In line with prevailing practice in France and arrangements made at the time of the acquisition of CCF, C F W de Croisset will receive an award of options to acquire shares under the HSBC Holdings Group Share Option Plan, instead of an award under the HSBC Holdings Restricted Share Plan 2000; particulars are set out on page 29.

iv *Pension arrangements*

The pension entitlements earned by the executive Directors during the year are set out on pages 31 and 32.

Directors' emoluments

The emoluments of the Directors of HSBC Holdings for 2001 were as follows:

	Fees £000	*Salary and other remuneration £000*	*Benefits in kind £000*	*Discretionary bonuses[1] £000*	*Total 2001 £000*	*Total 2000 £000*
Executive Directors						
Sir John Bond	35	984	1	800	1,820	1,600
C F W de Croisset	35	342	—	232	609	228
W R P Dalton	35	554	23	—[2]	612	546
D G Eldon[3]	22	389	643	150[4]	1,204	1,152
D J Flint	35	555	8	250	848	813
S K Green	35	454	8	300	797	767
A W Jebson	35	429	1	250	715	645
K R Whitson	35	767	13	700	1,515	1,342
Non-executive Directors						
Lord Butler	40	—	—	—	40	40
R K F Ch'ien[5]	164	—	—	—	164	158
D E Connolly[6]	18	—	—	—	18	43
Baroness Dunn	35	—	—	—	35	35
W K L Fung	62	—	—	—	62	62
S Hintze[7]	29	—	—	—	29	—
Sir John Kemp-Welch	44	—	—	—	44	12
Lord Marshall	43	—	—	—	43	40
C Miller Smith[8]	43	—	—	—	43	35
Sir Brian Moffat	45	—	—	—	45	45
Sir Mark Moody-Stuart[7]	31	—	—	—	31	—
M Murofushi	35	—	—	—	35	35
C E Reichardt	43	—	—	—	43	43
H Sohmen	28	—	—	—	28	27
– waived	(35)	—	—	—	(35)	(35)
Sir Adrian Swire	35	—	—	—	35	35
Sir Peter Walters[6]	19	—	—	—	19	45
Total (£)	981	4,474	697	2,682	8,834	7,748
Total (US$)	1,412	6,441	1,004	3,861	12,718	11,741

1 *These discretionary bonuses are in respect of 2001 and will be paid in 2002.*
2 *In return for the prior waiver of bonus, the employer contribution into the pension scheme has been increased by the amount (£300,000) which would otherwise have been paid.*
3 *The emoluments of D G Eldon include housing and other expatriate benefits in kind that are normal within the location in which he is employed.*
4 *Of the amount shown, 50 per cent has been awarded in cash and 50 per cent will be awarded in Restricted Shares with a three-year restricted period.*
5 *Includes fees as non-executive Chairman of HSBC Private Equity (Asia) Limited.*
6 *Retired on 25 May 2001.*
7 *Appointed on 1 March 2001.*
8 *Retired on 31 December 2001.*

H Sohmen has elected to waive any fees payable to him by HSBC Holdings.

Executive Directors are normally permitted to retain only one Directors' fee from HSBC. Executive Directors who are also Directors of The Hongkong and Shanghai Banking Corporation Limited may elect to receive a fee from either HSBC Holdings or The Hongkong and Shanghai Banking Corporation Limited.

The aggregate remuneration of Directors and Senior Management for the year ended 31 December 2001 was US$55,686,000.

A fee of £25,000 (2000: £25,000) was paid to Sir Wilfrid Newton, a former Director, in respect of his role as Chairman of the HSBC Bank plc committee overseeing the construction of the new HSBC headquarters.

Restricted Share Plan

The Remuneration Committee has proposed to the Trustee of the HSBC Holdings Restricted Share Plan 2000 that conditional awards of Performance Shares under the Plan should be made in 2002. The Trustee to the Plan will be provided with funds to acquire ordinary shares of US$0.50 each between 4 March and 15 March 2002. The 2002 awards proposed for executive Directors and members of Senior Management in respect of 2001 would have an aggregate value at the date of award of £9.585 million including awards to the following values to executive Directors:

	£000
Sir John Bond	950
W R P Dalton	600
D G Eldon	400
D J Flint	600
S K Green	750
A W Jebson	700
K R Whitson	750
Total	4,750

No share options will be granted under the HSBC Holdings Group Share Option Plan in respect of 2001 to the executive Directors listed above; they have not received share option awards since the HSBC Holdings Restricted Share Plan was introduced.

No award under the HSBC Holdings Restricted Share Plan 2000 will be made to C F W de Croisset in respect of 2001. Mr de Croisset will instead receive an award of options to acquire 206,000 ordinary shares of US$0.50 each under the HSBC Holdings Group Share Option Plan.

Purpose

The HSBC Holdings Restricted Share Plan 2000 is intended to reward the delivery of sustained financial growth of HSBC Holdings. So as to align the interests of the Directors and senior employees more closely with those of shareholders, the HSBC Holdings Restricted Share Plan 2000 links the vesting of 2002 awards to the attainment of predetermined TSR targets.

TSR is defined as the growth in share value and declared dividend income during the relevant period. In calculating TSR, dividend income is assumed to be reinvested in the underlying shares.

The vesting of awards made in 1997 and 1998 was linked to growth in earnings per share, details of which are set out in the 1996 and 1997 *Annual Report and Accounts*. Based on performance over the four-year period to December 2000, 50 per cent of Performance Shares awarded in 1997 vested in 2001 and 50 per cent were forfeited. The Performance Shares awarded in 1998 have not passed their performance condition and will be re-tested in 2003. From 1999, the vesting of awards was linked to the attainment of predetermined TSR targets. Particulars of the terms applicable in 2002 are set out below.

Particulars of executive Directors' interests in shares held in the Restricted Share Plan are set out on page 35.

Vesting schedule

Having regard to HSBC Holdings' size and status within the financial sector, a benchmark has been established which takes account of:

1. a peer group of nine banks (ABN AMRO Holding N.V., Citigroup Inc., Deutsche Bank A.G., J.P. Morgan Chase & Co., Lloyds TSB Group plc, Oversea-Chinese Banking Corporation Limited, Mitsubishi Tokyo Financial Group Inc., Standard Chartered PLC, The Bank of East Asia, Limited) weighted by market capitalisation;
2. the five largest banks from each of the United States, the United Kingdom, continental Europe and the Far East, other than any within 1 above, weighted by market capitalisation; and

3. the banking sector of the Morgan Stanley Capital International World Index, excluding any within 1 and 2 above, weighted by market capitalisation.

By combining the above three elements and weighting the average so that 50 per cent is applied to 1, 25 per cent is applied to 2 and 25 per cent is applied to 3, an appropriate market comparator benchmark is determined.

The extent to which awards will vest will be determined by reference to HSBC Holdings' TSR measured against the benchmark TSR. The calculation of the share price component within HSBC Holdings' TSR will be the average market price over the 20 trading days commencing on the day when the annual results are announced, which in 2002 is 4 March. The starting point will be, therefore, the average over the period 4 March to 2 April inclusive. TSR for the benchmark constituents will be based on their published share prices for 2 April 2002.

If HSBC Holdings' TSR over the performance period exceeds the benchmark TSR, awards with a value at the date of grant of up to 100 per cent of an employee's earnings or less will vest. For higher value awards, the greater of 50 per cent of the award or the number of shares, the value of which at the date of grant equates to 100 per cent of the employee's earnings, will vest at this level of performance. If HSBC Holdings' TSR over the performance period places it within the upper quartile in the ranked list, these higher value awards will vest in full after five years. For performance between the median and the upper quartile, vesting will be on a straight line basis. The level of awards will continue to be determined by the Remuneration Committee.

The initial performance period will be three years. If the upper quartile performance target is achieved at the third anniversary of the date of grant, but not if it is achieved later, an additional award equal to 20 per cent of the initial performance share award will be made and will vest at the same time as the original award to which it relates. However, regardless of whether the upper quartile target is achieved on the third, fourth or fifth anniversary, full vesting and transfer of the shares will not generally occur until the fifth anniversary.

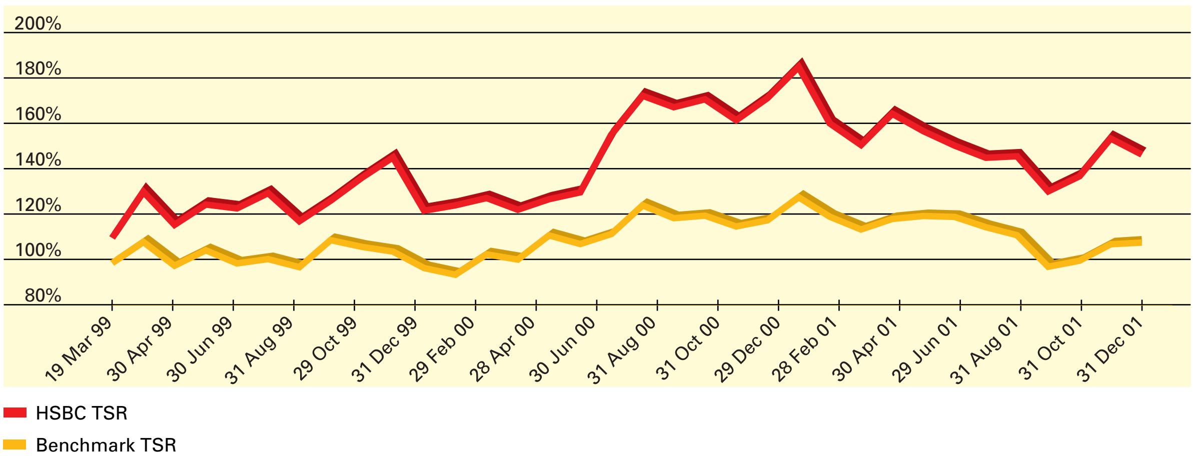
As a secondary condition, options and awards will only vest if the Remuneration Committee is satisfied that HSBC Holdings' financial performance has shown a sustained improvement in the period since the date of grant.

Awards will vest immediately in cases of death or if the business is no longer part of HSBC Holdings. The Remuneration Committee retains discretion to recommend early release of the shares to the Trustee in the event of redundancy, retirement on grounds of injury or ill health or retirement at age 50 or over. Awards will normally be forfeited if the participant is dismissed or resigns from HSBC.

Where events occur which cause the Remuneration Committee to consider that the performance condition has become unfair or impractical, the right is reserved to the Remuneration Committee to make such adjustments as in its absolute discretion it deems appropriate to make.

It will be determined in March 2002 whether the initial performance target for the Performance Shares awarded in 1999 has been met. The following chart shows HSBC's performance against the benchmark TSR to 31 December 2001.

Total shareholder return



Service contracts and terms of appointment

No executive Director has a service contract with HSBC Holdings or any of its subsidiaries with a notice period in excess of one year or with provisions for predetermined compensation on termination which exceeds one year's salary and benefits in kind save as referred to below.

Sir John Bond, who is to stand for re-election at the forthcoming Annual General Meeting, is employed on a rolling contract dated 1 January 1993 which requires 12 months' notice to be given by either party. There are no provisions for compensation upon early termination of the contract.

C F W de Croisset has a contract of employment dated 7 January 1980 that was in force before he joined the board of CCF. The contract has no set term but provides for three months' notice to be given by either party. Under the terms of the contract Mr de Croisset would be entitled to receive one month's salary for each year of service with CCF on termination of his employment with CCF. However, in accordance with French legal requirements and practice, this contract is suspended while he serves as an executive Director of CCF.

W R P Dalton is employed on a rolling contract dated 5 January 1998 which requires 12 months' notice to be given by either party. There are no provisions for compensation upon early termination of the contract.

D G Eldon, who is to stand for re-election at the forthcoming Annual General Meeting, is employed on a rolling contract dated 1 January 1968 which requires three months' notice to be given by either party. There are no provisions for compensation upon early termination of the contract.

D J Flint, who is to stand for re-election at the forthcoming Annual General Meeting, is employed on a rolling contract dated 29 September 1995 which requires 12 months' notice to be given by the Company and nine months' notice to be given by Mr Flint. There are no provisions for compensation upon early termination of the contract.

S K Green is employed on a rolling contract dated 9 March 1998 which requires 12 months' notice to be given by either party. There are no provisions for compensation upon early termination of the contract.

A W Jebson is employed on a rolling contract dated 14 January 2000 which requires 12 months' notice to be given by either party. There are no provisions for compensation upon early termination of the contract.

K R Whitson is employed on a rolling contract dated 1 August 1992 which requires 12 months' notice to be given by either party. There are no provisions for compensation upon early termination of the contract.

Members of Senior Management are employed on service contracts which generally provide for a term of service expiring at the end of a period of up to two years, or the individual's 60th birthday, whichever is earlier.

Non-executive Directors are appointed for fixed terms not exceeding three years, subject to their re-election by shareholders at the intervening Annual General Meetings. Non-executive Directors' terms of appointment will expire in 2003 — Baroness Dunn and H Sohmen; and 2004 — Lord Butler, R K F Ch'ien, W K L Fung, S Hintze, Sir John Kemp-Welch, Lord Marshall, Sir Brian Moffat and Sir Mark Moody-Stuart. M Murofushi, C E Reichardt and Sir Adrian Swire will retire at the forthcoming Annual General Meeting.

Other directorships

Executive Directors, if so authorised by the Board, may accept appointments as non-executive Directors of suitable companies which are not part of HSBC. Executive Directors normally would be permitted to take on no more than two such appointments. Any remuneration receivable in respect of these appointments is paid to the HSBC company by which the executive Director is employed, unless otherwise approved by the Remuneration Committee.

Pensions

With three exceptions (see notes on C F W de Croisset, D J Flint and W R P Dalton), the executive Directors are members of defined benefit pension schemes, having joined HSBC at a time when these were the norm. There are separate schemes for UK-based and overseas-based employees: the UK scheme has a normal retirement age of 60; retirement ages for overseas schemes vary in accordance with local legislation and practice.

The pension arrangements for Sir John Bond, S K Green, A W Jebson and K R Whitson to contractual retirement age of 60 are provided under the HSBC Bank (UK) Pension Scheme. The pensions accrue at a rate of one-thirtieth of pensionable salary per year of pensionable service in the United Kingdom. In addition, supplementary provision is made for S K Green, via an employer contribution to a personal pension plan, with £1,123 having been made during 2001 (2000: £3,395).

C F W de Croisset is eligible for pension benefits which are supplementary to those accrued under the French State and Compulsory arrangements. The amount of this additional pension, payable from age 60, currently accrues at the rate of €6,098 per annum for each year of service (maximum 18 years) as an executive Director of CCF. The whole cost of this benefit is met by CCF.

The pension arrangements for W R P Dalton to contractual retirement age of 60 are provided on a defined benefit basis (details of which are set out in the table below) under the HSBC Canada Pension Plan A, at an accrual rate of one-thirtieth of pensionable salary per year of pensionable service until his transfer to the UK. Since taking up his appointment in the UK, he has joined the HSBC Holdings Overseas (No.1) Pension Plan on a defined contribution basis, with an employer contribution during 2001 (including a bonus waiver of £300,000) of £429,000 (2000: £453,511).

The pension arrangements for D J Flint to contractual retirement age of 60 are provided through an executive allowance paid to fund personal pension arrangements set at 30 per cent of basic salary. This is supplemented through the HSBC Holdings plc Funded Unapproved Retirement Benefits Scheme on a defined contribution basis with an employer contribution during 2001 of £78,150 (2000: £69,825). The intention of these arrangements is to provide benefits broadly comparable to an accrual rate of one-thirtieth of pensionable salary per year of pensionable service.

The pension arrangements for D G Eldon are provided under the HSBC International Staff Retirement Benefits Scheme. Pension accrues at a rate of one twenty-seventh of pensionable salary per year of pensionable service.

	Accrued annual pension at 31 December 2001 £000	*Increase in accrued pension during 2001, excluding any increase for inflation £000*	*Personal contributions towards pension £000*	*Transfer value relating to increase in accrued pension £000*[1]
Sir John Bond	270	74	—	1,395[2]
C F W de Croisset	48	2	—	29
W R P Dalton	251[3]	—	—	—
D G Eldon[4]	230	15	13	292
S K Green	140	27	—	353
A W Jebson	106	28	—	352
K R Whitson	221	63	—	1,093

1 *The transfer value represents a liability of HSBC's pension funds and not a sum paid or due to the individual; it cannot therefore meaningfully be added to annual remuneration.*
2 *On attaining age 60, Sir John Bond has been able, under the terms of the scheme, to retire at any time with an immediate pension equal to his accrued pension. This immediate pension entitlement amounted to £257,000 per annum.*
3 *Entitlement unchanged at C$560,000 — difference over 2001 reflects movement in exchange rates only.*
4 *On attaining age 53, Mr Eldon has been able, under the terms of the scheme, to retire at any time with an immediate pension equal to his accrued pension. This immediate pension entitlement amounted to £211,000 per annum.*

Only basic salary is pensionable. No other Director participated in any Group pension schemes and none of the Directors participating in Group 'approved' pension schemes is subject to the earnings cap introduced by the 1989 Finance Act. Pension payments totalling £329,000 (2000: £319,000) were made to four former Directors of HSBC Holdings (B H Asher, R Delbridge, Sir Brian Pearse and Sir William Purves); of this £164,000 (2000: £159,000) was paid by HSBC Bank plc to two of them as former Directors of the bank. The aggregate amount set aside or accrued to provide pension, retirement or similar benefits for Directors and Senior Management for the year ended 31 December 2001 was US$3,449,000.

Directors' Interests

According to the registers of Directors' interests maintained by HSBC Holdings pursuant to section 325 of the Companies Act 1985 and section 29 of the Securities (Disclosure of Interests) Ordinance, the Directors of HSBC

Holdings at the year-end had the following interests, all beneficial unless otherwise stated, in the shares and loan capital of HSBC:

	At 1 January 2001	*At 31 December 2001*				
		Personal	*Family*	*Corporate*	*Other*	*Total*
HSBC Holdings ordinary shares of US$0.50						
Sir John Bond[1]	265,767	270,676	3,165	—	—	273,841
R K F Ch'ien	23,116	23,671	—	—	—	23,671
C F W de Croisset[1]	32,847	34,170	—	—	—	34,170
W R P Dalton[1]	12,534	21,484	—	—	—	21,484
Baroness Dunn	127,316	107,477	—	—	24,000[2]	131,477
D G Eldon[1]	3,819	12,592	827	—	—	13,419
D J Flint[1]	19,643	29,321	852	—	—	30,173
W K L Fung	328,000	328,000	—	—	—	328,000
S K Green[1]	13,414	114,068	13,736	—	—	127,804
A W Jebson[1]	—	20,859	—	—	—	20,859
Sir John Kemp-Welch	256,800	25,000	—	—	306,800[2]	331,800
Lord Marshall	6,980	7,261	—	—	—	7,261
C Miller Smith[4]	452	452	—	—	—	452
Sir Brian Moffat	5,289	5,289	—	—	—	5,289
Sir Mark Moody-Stuart	5,840[3]	5,000	840	—	—	5,840
C E Reichardt	30,000	30,000	—	—	—	30,000
H Sohmen	2,715,144	—	372,656	2,442,488[5]	—	2,815,144
Sir Adrian Swire	44,000	—	20,000	—	24,000[2]	44,000
K R Whitson[1]	15,413	101,484	20,000	—	—	121,484
HSBC Holdings 11.69 per cent subordinated bonds 2002 of £1						
Sir John Bond	500,000	500,000	—	—	—	500,000
A W Jebson	100,000	100,000	—	—	—	100,000
Lord Marshall	975	975	—	—	—	975

1 *Details of additional interests in ordinary shares of US$0.50 each under the share option plans and Restricted Share Plan are set out below.*
2 *Non-beneficial.*
3 *Interests at 1 March 2001 — date of appointment.*
4 *Retired on 31 December 2001.*
5 *Interests held by private investment companies.*

Sir John Bond has a personal interest in £290,000 of HSBC Capital Funding (Sterling 1) L.P. 8.208 per cent Non-cumulative Step-up Perpetual Preferred Securities, which he held throughout the year.

D G Eldon has a personal interest in 300 Hang Seng Bank Limited ordinary shares of HK$5.00 each, which he held throughout the year.

S K Green has a personal interest in €75,000 of HSBC Holdings plc 5½ per cent Subordinated Notes 2009 and in £100,000 of HSBC Bank plc 9 per cent Subordinated Notes 2005, which he held throughout the year.

H Sohmen has a corporate interest in £1,200,000 of HSBC Bank plc 9 per cent Subordinated Notes 2005, in US$3,000,000 of HSBC Bank plc Senior Subordinated Floating Rate Notes 2009, in US$3,000,000 of HSBC Capital Funding (Dollar 1) L.P. 9.547 per cent Non-cumulative Step-up Perpetual Preferred Securities, Series 1 and in US$2,900,000 of HSBC Finance Nederland BV 7.40 per cent securities 2003, which he held throughout the year.

As Directors of Crédit Commercial de France S.A., C F W de Croisset, W R P Dalton and S K Green, each have a personal interest in 10 shares of €5 each in that company but have waived their rights to receive dividends. Mr Green and Mr Dalton acquired their interest in these shares during the year. On cessation of this directorship, the Directors have undertaken to transfer these shares to HSBC.

Share options

At 31 December 2001, the undernamed Directors held options to acquire the number of HSBC Holdings ordinary shares of US$0.50 each set against their respective names. The options were awarded for nil consideration at exercise prices equivalent to the market value at the date of award, except that options awarded under the HSBC Holdings savings-related share option plans in 2001 are exercisable at a 20 per cent discount to the market value at the date of award and those awarded before 2001 at a 15 per cent discount. There are no remaining performance criteria conditional upon which the outstanding options are exercisable. The market value of the ordinary shares at

Summary Directors' Report (continued) Summary Financial Statement

31 December 2001 was £8.06. The highest and lowest market values during the period were £10.92 and £6.08. Market value is the mid-market price derived from the London Stock Exchange Daily Official List on the relevant date.

	Options held at 1 January 2001	*Options awarded during year*	*Options exercised during year*	*Options held at 31 December 2001*	*Exercise price in £*	*Date of award*	*Exercisable from*[1]	*Exercisable until*
Sir John Bond	75,000	—	—	75,000[2]	3.3334	1 Apr 1996	1 Apr 1999	1 Apr 2006
	2,798	—	—	2,798[3]	6.0299	10 Apr 2000	1 Aug 2005	31 Jan 2006
C F W de Croisset	—	206,000[4]	—	206,000	8.7120	23 Apr 2001	23 Apr 2004	23 Apr 2011
W R P Dalton	22,704	—	—	22,704	2.4062	12 Oct 1993	12 Oct 1996	12 Oct 2003
	30,273	—	—	30,273	2.8376	8 Mar 1994	8 Mar 1997	8 Mar 2004
	36,000	—	—	36,000	2.1727	7 Mar 1995	7 Mar 1998	7 Mar 2005
	36,000	—	—	36,000[2]	3.3334	1 Apr 1996	1 Apr 1999	1 Apr 2006
	2,798	—	—	2,798[3]	6.0299	10 Apr 2000	1 Aug 2005	31 Jan 2006
D G Eldon	36,000	—	—	36,000	2.1727	7 Mar 1995	7 Mar 1998	7 Mar 2005
	40,500	—	—	40,500[2]	3.3334	1 Apr 1996	1 Apr 1999	1 Apr 2006
D J Flint	27,000	—	—	27,000[2]	3.3334	1 Apr 1996	1 Apr 1999	1 Apr 2006
	3,813	—	—	3,813[3]	4.5206	9 Apr 1997	1 Aug 2002	31 Jan 2003
S K Green	24,216	—	24,216[5]	—	2.4062	12 Oct 1993	12 Oct 1996	12 Oct 2003
	36,324	—	36,324[5]	—	2.8376	8 Mar 1994	8 Mar 1997	8 Mar 2004
	45,000	—	45,000[5]	—	2.1727	7 Mar 1995	7 Mar 1998	7 Mar 2005
	45,000	—	—	45,000[2]	3.3334	1 Apr 1996	1 Apr 1999	1 Apr 2006
	5,637[3]	—	5,637[6]	—	3.0590	3 Apr 1996	1 Aug 2001	31 Jan 2002
	—	2,498[3]	—	2,498	6.7536	11 Apr 2001	1 Aug 2006	31 Jan 2007
A W Jebson	15,000	—	15,000[7]	—	2.1727	7 Mar 1995	7 Mar 1998	7 Mar 2005
	22,500	—	—	22,500[2]	3.3334	1 Apr 1996	1 Apr 1999	1 Apr 2006
	—	1,434[3]	—	1,434	6.7536	11 Apr 2001	1 Aug 2004	31 Jan 2005
K R Whitson	37,839	—	37,839[8]	—	2.8376	8 Mar 1994	8 Mar 1997	8 Mar 2004
	60,000	—	60,000[8]	—	2.1727	7 Mar 1995	7 Mar 1998	7 Mar 2005
	60,000	—	—	60,000[2]	3.3334	1 Apr 1996	1 Apr 1999	1 Apr 2006
	2,798	—	—	2,798[3]	6.0299	10 Apr 2000	1 Aug 2005	31 Jan 2006

1 *May be advanced to an earlier date in certain circumstances, e.g. retirement.*
2 *The exercise of these options was conditional upon the growth in earnings per share over a three-year period being equal to or greater than a composite rate of inflation (comprising 50 per cent of the Hong Kong Composite Consumer Price Index, 35 per cent of the UK Retail Price Index and 15 per cent of the USA All Urban Consumer Price Index) plus 2 per cent per annum. This condition has been satisfied.*
3 *Options awarded under the HSBC Holdings Savings-Related Share Option Plan.*
4 *Options awarded under the HSBC Holdings Group Share Option Plan.*
5 *At the date of exercise, 1 March 2001, the market value per share was £9.04.*
6 *At the date of exercise, 23 August 2001, the market value per share was £8.13.*
7 *At the date of exercise, 16 August 2001, the market value per share was £8.30.*
8 *At the date of exercise, 14 March 2001, the market value per share was £8.22.*

Upon acquisition of CCF in 2000, HSBC Holdings ordinary shares of US$0.50 each were purchased by the HSBC Holdings General Employee Benefit Trust. These shares may be exchanged for CCF shares upon the exercise of CCF employee share options in the same ratio as the Exchange Offer for CCF (13 HSBC Holdings ordinary shares of US$0.50 for each CCF share). As a potential beneficiary of the Trust, C F W de Croisset has a technical interest in all of the shares held by the Trust. At 31 December 2001, the Trust held 38,788,413 HSBC Holdings ordinary shares of US$0.50 each.

At 31 December 2001, C F W de Croisset held the following options to acquire CCF shares of €5 each. On exercise of these options each CCF share will be exchanged for 13 HSBC Holdings ordinary shares of US$0.50 each. The options were granted by CCF for nil consideration at a 5 per cent discount to the market value at the date of award. There are no performance criteria conditional upon which the outstanding options are exercisable.

CCF shares of €5 each

Options held at 1 January 2001	*Exercise price per share (€)*	*Options held at 31 December 2001*	*Equivalent HSBC Holdings ordinary shares of US$0.50 each at 31 December 2001*	*Date of award*	*Exercisable from*	*Exercisable until*
10,000	32.78	10,000	130,000	23 Jun 1994	23 Jun 1996	23 Jun 2004
30,000	34.00	30,000	390,000	22 Jun 1995	22 Jun 1997	22 Jun 2005
30,000	35.52	30,000	390,000	9 May 1996	9 May 1998	9 May 2006
30,000	37.05	30,000	390,000	7 May 1997	7 Jun 2000	7 May 2007
30,000	73.50	30,000	390,000	29 Apr 1998	7 Jun 2000	29 Apr 2008
28,000	81.71	28,000	364,000	7 Apr 1999	7 Jun 2000	7 Apr 2009
28,000	142.50	28,000[1]	364,000	12 Apr 2000	1 Jan 2002	12 Apr 2010

1 *The exercise of this option was conditional upon continued employment with CCF until 1 January 2002 which has now been satisfied.*

No options over CCF shares of €5 each were awarded to or exercised by C F W de Croisset during the year.

At 31 December 2001, executive Directors and Senior Management held, in aggregate, options to subscribe for 1,866,530 ordinary shares of US$0.50 each in HSBC Holdings under the HSBC Holdings Executive Share Option Scheme, HSBC Holdings Group Share Option Plan and HSBC Holdings savings-related share options plans. These options are exercisable between 2002 and 2011 at prices ranging from £2.1727 to £8.712.

Restricted Share Plan

HSBC Holdings ordinary shares of US$0.50

	Awards held at 1 January 2001	*Awards made during year*	*Monetary value of awards made during year (£000)*	*Awards vested during year*[1]	*Monetary value of awards vested during year*[1] *(£000)*	*Awards held at 31 December 2001*[2]	*Date of award*	*Year in which awards may vest*
Sir John Bond	25,921	—	—	12,961	107	—	14 Mar 1997	—
	27,397	—	—	—	—	28,501	2 Mar 1998	2002 or 2003
	53,210	—	—	—	—	55,353	4 Mar 1999	2004
	78,624	—	—	—	—	81,791	10 Mar 2000	2005
	—	73,683	700	—	—	76,651	12 Mar 2001	2006
W R P Dalton	16,211	—	—	8,106	67	—	14 Mar 1997	—
	18,267	—	—	—	—	19,003	2 Mar 1998	2002 or 2003
	31,039	—	—	—	—	32,290	4 Mar 1999	2004
	35,739	—	—	—	—	37,178	10 Mar 2000	2005
	—	42,105	400	—	—	43,801	12 Mar 2001	2006
D G Eldon	19,453	—	—	9,727	80	—	14 Mar 1997	—
	21,917	—	—	—	—	22,799	2 Mar 1998	2002 or 2003
	31,039	—	—	—	—	32,290	4 Mar 1999	2004
	6,805	—	—	—	—	7,079[3]	3 Apr 2000	2003
	35,739	—	—	—	—	37,178	10 Mar 2000	2005
	—	42,105	400	—	—	43,801	12 Mar 2001	2006
	—	6,353	59	—	—	6,454[4]	30 Apr 2001	2004
D J Flint	16,211	—	—	8,106	67	—	14 Mar 1997	—
	18,267	—	—	—	—	19,003	2 Mar 1998	2002 or 2003
	31,039	—	—	—	—	32,290	4 Mar 1999	2004
	32,164	—	—	—	—	33,460	10 Mar 2000	2005
	—	52,631	500	—	—	54,751	12 Mar 2001	2006
S K Green	19,453	—	—	9,727	80	—	14 Mar 1997	—
	21,917	—	—	—	—	22,799	2 Mar 1998	2002 or 2003
	31,039	—	—	—	—	32,290	4 Mar 1999	2004
	35,739	—	—	—	—	37,178	10 Mar 2000	2005
	—	73,683	700	—	—	76,651	12 Mar 2001	2006
A W Jebson	10,808	—	—	5,404	44	—	14 Mar 1997	—
	9,134	—	—	—	—	9,502	2 Mar 1998	2002 or 2003
	26,605	—	—	—	—	27,677	4 Mar 1999	2004
	28,590	—	—	—	—	29,742	10 Mar 2000	2005
	—	63,157	600	—	—	65,701	12 Mar 2001	2006
K R Whitson	19,453	—	—	9,727	80	—	14 Mar 1997	—
	21,917	—	—	—	—	22,799	2 Mar 1998	2002 or 2003
	44,342	—	—	—	—	46,128	4 Mar 1999	2004
	50,034	—	—	—	—	52,049	10 Mar 2000	2005
	—	57,894	550	—	—	60,226	12 Mar 2001	2006

Unless otherwise indicated, vesting of these shares is subject to the performance tests described in the 'Report of the Directors' in the 1998, 1999 and 2000 *Annual Report and Accounts* being satisfied.

1 *Based on performance over the four-year period to 31 December 2000, 50 per cent of share awards vested and 50 per cent were forfeited. At the date of vesting, 14 March 2001, the market value per share was £8.22. The market value per share (adjusted for the share capital reorganisation implemented on 2 July 1999) on 14 March 1997, the date of award, was £5.28.*
2 *Includes additional shares arising from scrip dividends.*
3 *50 per cent of D G Eldon's 1999 discretionary bonus was awarded in Restricted Shares with a three-year restricted period.*
4 *50 per cent of D G Eldon's 2000 discretionary bonus was awarded in Restricted Shares with a three-year restricted period.*

Save as stated above, none of the Directors had an interest in any shares or debentures of any Group company at the beginning or at the end of the year and none of the Directors, or members of their immediate families, was awarded or exercised any right to subscribe for any shares or debentures during the year. No options held by Directors lapsed during the year.

Subsequent to the end of the year, the beneficial interests of each of Sir John Bond, W R P Dalton, D J Flint, S K Green and K R Whitson increased following the acquisition by Computershare Trustee Limited of 31 HSBC Holdings ordinary shares of US$0.50 each through contributions to the HSBC UK Share Ownership Plan. There have been no other changes in Directors' interests from 31 December 2001 to the date of this Report. Any subsequent changes up to the last practicable date before the publication of the 'Notice of Annual General Meeting' will be set out in the notes to that Notice.

At 31 December 2001, Directors and Senior Management held, in aggregate, beneficial interests in 10,209,572 HSBC Holdings ordinary shares of US$0.50 each (0.11 per cent of the issued ordinary shares).

Auditors' Report

The auditors' report on the full accounts for the year ended 31 December 2001 was unqualified and did not include a statement under sections 237(2) (inadequate accounting records or returns or accounts not agreeing with records and returns) or 237(3) (failure to obtain necessary information and explanations) of the Companies Act 1985.

On behalf of the Board
R G Barber, *Secretary*

4 March 2002

Net Interest Income

Net interest income in 2001 was US$1,002 million, or 7 per cent, higher than 2000 at US$14,725 million with a large part of this increase due to the inclusion for a full year of CCF. At constant exchange rates and excluding CCF, net interest income was 7 per cent higher than 2000 reflecting growth across all geographical regions.

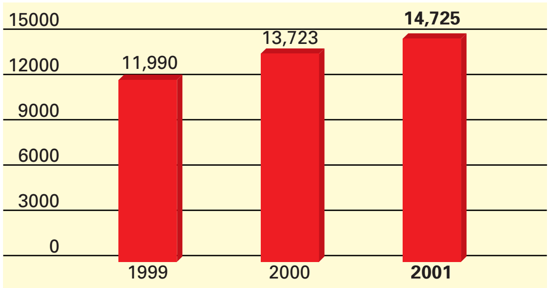
In Europe, net interest income at US$5,563 million was US$575 million higher than in 2000 primarily due to the inclusion for a full year of CCF and improved spreads on treasury investment opportunities. Net interest income in Hong Kong at US$4,165 million was US$168 million higher than in 2000 reflecting growth in average customer deposits. Widening interest spreads, particularly on residential mortgages and treasury investment opportunities resulted in net interest income in North America increasing by US$250 million to US$2,402 million.

Average interest-earning assets at US$579.7 billion (of which US$55.4 billion relates to CCF) increased by US$63.5 billion, or 12 per cent. Excluding the effect of acquisitions, there was organic growth in Hong Kong driven principally by the placement of customer deposits, together with personal lending growth in the United Kingdom, the United States, Canada, Singapore, Taiwan, India and the Philippines.

At 2.54 per cent, HSBC's net interest margin was 12 basis points lower than for 2000 mainly reflecting the impact of CCF's lower margin business. In addition, for HSBC as a whole an increasingly liquid balance sheet, and a reduced benefit from net free funds as interest rates fell, also impacted the net interest margin. The fall in interest rates, however, improved the net interest margin in two of our largest domestic operations in the United Kingdom and the United States as margins in our treasury activities widened as funding costs reduced. In Hong Kong, the third of our large domestic operations, the net interest margin in The Hongkong and Shanghai Banking Corporation was largely unchanged as a reduction in suspended interest, net of releases and recoveries, and improved margins on treasury activities offset the impacts of a more liquid balance sheet, reduced benefit of net free funds and reduced interest spreads on Hong Kong dollar deposits. In Hang Seng Bank, the fall in net interest margin resulted primarily from a lower benefit from net free funds as interest rates fell.

HSBC is moving increasingly to differentiated product pricing. This competitive approach reflects the value to HSBC of our most loyal customers and has resulted in narrower spreads on a number of products, particularly mortgages and savings products. The benefit of this strategy is seen in the mix and volume of HSBC's core current account and savings products, particularly in the United Kingdom, Hong Kong and the United States.

Net interest income (US$m)



Other Operating Income

Other operating income in 2001 was US$313 million, or 3 per cent, higher than in 2000 at US$11,163 million and included other operating income of US$1,822 million. At constant exchange rates and excluding CCF, other operating income was 2 per cent higher than 2000 reflecting good growth in wealth management income which offset the falls in broking and other securities-related fee and commission income from the less favourable conditions in the equity markets.

Net fees and commissions at US$7,470 million represented 29 per cent of total operating income against 30 per cent in 2000 and were US$159 million, or 2 per cent, higher than 2000. At constant exchange rates and excluding CCF, net fees and commissions were 1 per cent higher than in 2000.

As part of HSBC's competitive positioning and consistent with the pricing changes on loan and deposit products referred to above, our customers also benefited from a number of fee reductions during 2001, particularly in HSBC Bank plc's UK Banking.

In the United Kingdom, eliminating mortgage loan to valuation fees reduced revenues by US$7 million, the elimination of ATM withdrawal fees benefited customers by US$49 million and overdraft fees fell by US$41 million as unauthorised overdrafts fell, as we have made it easier for customers to obtain authorised borrowings. Offsetting these reductions, UK Banking achieved good growth in wealth management with income rising by 9 per cent, reflecting increased income from life, pension and investment business, general insurance income and private clients.

In Hong Kong and the rest of Asia-Pacific, there was encouraging growth in wealth management income, particularly in fee income from the sale of unit trusts, reflecting the successful sale of capital-guaranteed products. Credit card fees grew by US$39 million, or 11 per cent, following the growth in the number of credit cards issued.

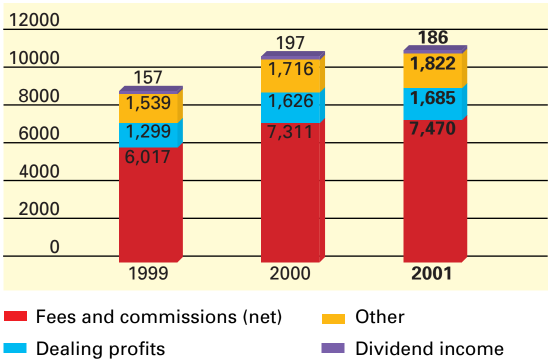
In the United States, the harmonisation of product lines between HSBC and the former Republic Bank of New York and the increase in volume of annuities sold contributed to the 15 per cent increase in fee income. In addition insurance revenues also increased by 44 per cent compared to 2000.

In Latin America, fee income benefited from the initiatives taken to increase wealth management revenue. Fee income in Brazil, at constant exchange rates, was US$79 million, or 28 per cent, higher with good growth in revenue from asset management activities and success in cross-sales to existing customers through the retails branch.

Revenues from investment banking, broking income, corporate finance activities and other securities-related activities were substantially lower than those earned in the buoyant equity markets during the first half of 2000.

Dealing profits held up well , despite less favourable conditions in the equity markets, as performance in debt securities and interest rate trading improved. Foreign exchange was bolstered by CCF.

Other operating income (US$m)



Operating Expenses

Staff numbers (full-time equivalent)

	As at 31 December		
	2001	2000	1999
Europe	**73,326**	69,629	53,861
Hong Kong	**24,654**	24,204	23,932
Rest of Asia-Pacific	**26,259**	22,919	21,375
North America	**18,518**	18,965	19,498
Latin America	**28,292**	25,907	27,181
Total staff numbers	**171,049**	161,624	145,847

Operating expenses were US$1,317 million higher than in 2000. This increase was mainly driven by the recent acquisitions together with a related US$289 million increase in goodwill amortisation.

In Europe, costs, excluding goodwill amortisation, increased by US$770 million compared with 2000 and included US$128 million of restructuring costs. At constant exchange rates, costs in 2001, excluding goodwill amortisation, were US$1,023 million, or 16 per cent, higher than in 2000, of which the inclusion of CCF's cost base accounted for US$769 million. Business expansion and increased information technology-related expenditure to support business development projects lay at the heart of the cost increase.

In Hong Kong, costs in 2001, excluding goodwill amortisation increased by US$154 million, or 8 per cent, compared with 2000. Staff costs increased by 10 per cent mainly to support business expansion in personal financial services, particularly in credit card and Mandatory Provident Fund products. Operating expenses, other than staff costs, rose by 5 per cent to support wealth management expansion and for the development of e-banking initiatives.

In the rest of Asia-Pacific, operating expenses, excluding goodwill amortisation, increased by US$105 million, or 8 per cent, compared with 2000. At constant exchange rates, the increase was 16 per cent. Recent acquisitions accounted for some US$31 million of the cost increase. The remaining growth in costs reflected higher staff numbers to support business expansion, particularly in personal financial services and wealth management initiatives together with a doubling of complement in our shared service centres in India and mainland China.

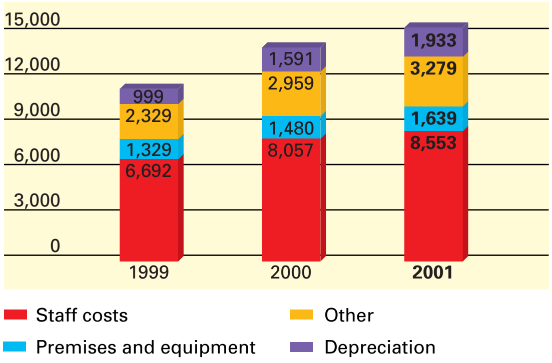
Operating costs, excluding goodwill amortisation, in North America were US$125 million, or 5 per cent, higher than in 2000. Of this increase, US$164 million related to development costs associated with hsbc.com. The underlying change in operating costs was a decrease of 1 per cent. This principally reflected a 2 per cent fall in the domestic cost base of HSBC Bank USA with a reduced level of restructuring charges offset by business expansion costs.

In Latin America, operating expenses at constant exchange rates were US$152 million, or 11 per cent, higher than in 2000. This mainly reflected the acquisition of CCF Brazil and restructuring costs. As economic conditions become less certain in the region, further cost controls were put in place to restrain cost growth.

The Group's global processing initiatives continues to develop with some 2000 staff employed at HSBC's global processing centres in China and India at 31 December 2001.

HSBC's cost: income ratio, excluding goodwill amortisation, was 56.4 per cent, reflecting the cost structure of new acquisitions and investment in the expanding wealth management businesses and IT.

Operating expenses (US$m)



Provisions for Bad and Doubtful Debts

The bad and doubtful debt charge at US$2,037 million in 2001 was US$1,105 million higher than in 2000. The increase was dominated by a US$600 million additional general provision against Argentine exposure together with higher new specific provisions requirements in Indonesia, Brazil, Argentina and France.

In the United Kingdom, there was a less favourable economic environment particularly in the manufacturing sector although there were lower new specific provisions reported against personal lending. In France, there were new specific provisions required for a small number of corporate borrowers and on retail and commercial portfolios. Elsewhere in Europe, the increase in new specific provisions arose on corporate borrowers.

In Hong Kong, the charge for new specific provisions was largely unchanged with an increase in provisions against personal customers mainly offset by lower charges against corporate borrowers. Mortgage delinquency rates remained low. Non-performing advances as a percentage of total customer advances improved to 2.9 per cent, compared with 3.8 per cent at the end of 2000.

The significant change in the net customer bad and doubtful debt charge for Asia-Pacific is accounted for by the release of part of the special general provision in 2000. New specific provisions were slightly higher than in 2000 reflecting further provisioning on existing non-performing loans due to the current political and economic uncertainties in Indonesia and on an energy sector corporate exposure in India. This was partly offset by lower new specific provisions required in Malaysia, mainland China and the Middle East. Releases and recoveries were higher than 2000, mainly as a result of the liquidation of security held against a loan to Olympia and York.

Credit quality deteriorated modestly in North America during 2001. There were lower new specific provisions required in the United States notwithstanding provisions against an exposure to an energy sector corporate and HSBC Bank USA's principal airline exposure. New specific provisions were higher in Canada following the deterioration of a small number of commercial facilities.

Although in terms of non-performing loans, overall credit quality in North America remained stable in 2001, it is still too early to determine the medium to longer-term effect that the events of 11 September, the impact on market liquidity of the Enron collapse and the general economic slowdown may have on the overall credit portfolio.

The bad debt charge in Latin America reflected the recent severe economic deterioration in Argentina where unprecedented political and economic uncertainty caused us to raise general provisions by US$600 million. In addition, new specific provisions in Argentina were US$64 million higher than in 2000. In Brazil, provisioning requirements rose by US$75 million (at constant exchange rates US$80 million) following growth in the lending portfolio.

	Year ended 31 December					
	2001		2000		1999	
	US$m	%	US$m	%	US$m	%
By geographical segment:						
Europe	**441**	**21.6**	348	37.3	438	21.1
Hong Kong	**197**	**9.7**	248	26.6	585	28.2
Rest of Asia-Pacific						
— normal	**172**	**8.4**	159	17.1	809	39.1
— release of special general provision	**—**	**—**	(174)	(18.7)	—	—
North America	**287**	**14.1**	147	15.8	108	5.2
Latin America						
— normal	**340**	**16.7**	204	21.9	133	6.4
— additional general provision against Argentine exposures	**600**	**29.5**	—	—	—	—
	2,037	**100.0**	932	100.0	2,073	100.0

Gains on Disposal of Investments

During 2001, HSBC made 15 business acquisitions and completed 10 business disposals.

Gains on disposals of investments of US$754 million included a profit of US$200 million on the sale of HSBC's stake in British Interactive Broadcasting ('BiB') to BSkyB.

HSBC's European results were bolstered by gains on the disposal of the stake in Quilter and by profits in Germany on the sale of the majority stake in our fledgling internet broker Pulsiv and ERGO.

In Hong Kong we made gains on the sale of HSBC's investment in Modern Terminals Limited and the disposal of our 50 per cent stake in Central Registration Hong Kong Limited to the other 50 per cent shareholder, Computershare.

In the United States, we realised significant gains, substantially in the first half of the year, on the sale of a number of mortgage-backed and other debt securities as long-term portfolios were adjusted to respond to changed economic circumstances, particularly the potential loss of value from mortgage refinancing. Similar, but smaller gains were achieved in other locations.

Taxation

	Year ended 31 December		
Figures in US$m	**2001**	2000	1999
UK corporation tax charge	**416**	856	596
Overseas taxation	**1,570**	1,468	1,313
Deferred taxation	**(425)**	(78)	129
Joint ventures	**(13)**	(7)	—
Associated undertakings	**26**	(1)	—
Total charge for taxation	**1,574**	2,238	2,038
Effective taxation (per cent)	**19.7**	22.9	25.5
Standard UK corporation tax rate (per cent)	**30.0**	30.0	30.25

Analysis of overall tax charge

	Year ended 31 December		
Figures in US$m	**2001**	2000	1999
Taxation at UK corporate tax rate of 30.0% (2000: 30.0%, 1999: 30.25%)	**2,400**	2,932	2,415
Impact of differently taxed overseas profits in principal locations	**(616)**	(498)	(418)
Unrecognised/(previously unrecognised) tax benefits	**(499)**	(137)	35
Tax free gains	**(102)**	(15)	—
Argentine losses	**336**	—	—
Goodwill amortisation	**263**	172	11
Other items	**(208)**	(216)	(5)
Overall tax charge	**1,574**	2,238	2,038

HSBC Holdings and its subsidiary undertakings in the United Kingdom provided for UK corporation taxation at 30 per cent, the rate for the calendar year 2001 (2000: 30 per cent). Overseas tax included Hong Kong profits tax of US$450 million (2000: US$478 million), provided at a rate of 16 per cent (2000: 16 per cent) on the profits assessable in Hong Kong. Other overseas taxation was provided for in the countries of operation at the appropriate rates of taxation.

HSBC's effective tax rate of 19.7 per cent in 2001 was lower than that for 2000 (22.9 per cent) mainly as a result of profit mix, untaxed disposal gains and resolution of a number of tax uncertainties allowing recognition of previously unrecognised benefits.

As a result of changes in the UK basis of taxation of overseas income, there was a release of the remaining balance of a deferred tax provision previously held in respect of additional UK tax on profit remittances from overseas. Settlement of a number of outstanding tax computations allowed release of related tax contingencies including one relating to a material capital allowance claim. In addition, certain capital gains have been covered by previously unrecognised capital losses, allied to the fact that tax-free gains in Hong Kong were greater in 2001 than in 2000. North American operations represented a lower percentage of HSBC's profits in 2001 than in 2000. No tax relief has been assumed in 2001 for the additional general bad debt provision in respect of Argentina.

At 31 December 2001, there were potential future tax benefits of US$220 million (2000: US$350 million) in respect of trading losses, allowable expenditure charged to the profit and loss account but not yet allowable for tax and capital losses which have not yet been recognised because realisation of the benefits is not considered certain.

Assets

HSBC's total assets at 31 December 2001 were US$696 billion, an increase of US$22 billion, or 3 per cent, since 31 December 2000; at constant exchange rates, the increase was US$39 billion, or 6 per cent. The growth attributable to acquisitions was US$7 billion.

HSBC's balance sheet remained highly liquid, reflecting further strong growth in customer deposits and limited credit demand in some countries. Approximately 45 per cent of the balance sheet was deployed in customer loans and advances which was one per cent higher than at 31 December 2001.

At constant exchange rates, gross loans and advances to customers (excluding loans to the financial sector) at 31 December 2001 were US$16 billion, or 6 per cent, higher than at 31 December 2000. Personal lending grew by 10 per cent and constituted 39 per cent of gross customer lending at 31 December 2001, compared with 39 per cent at 31 December 2000. This reflected the acquisitions of Banque Hervet and NRMA Building Society as well as strong organic growth in the UK, United States, Malaysia, Taiwan, Korea and India. Loans and advances to the commercial and corporate customer base (excluding Governments) grew by 2 per cent reflecting muted loan demand from this sector.

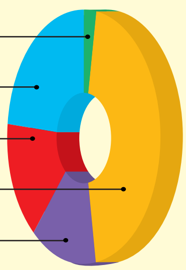
Funds under management

Funds under management of US$284 billion were US$11 billion, or 4 per cent, lower than at 31 December 2000.

During the year, both our asset management and private banking businesses attracted net funds inflows. However, the sale of specialised CCF fund managing businesses, the fall in global equity markets and the impact of the continued strengthening of the US dollar on our sterling and euro denominated funds, have resulted in a fall in the value of funds under management.

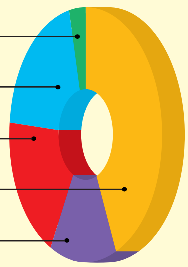
Assets 2001 (excluding Hong Kong Government certificates of indebtedness)

	%	US$b
Treasury and other eligible bills	2.6	18.0
Debt securities	23.4	160.6
Loans and advances to banks	15.2	104.6
Loans and advances to customers	44.9	308.6
Other	13.9	95.4
Total	100.0	687.2



Assets 2000 (excluding Hong Kong Government certificates of indebtedness)

	%	US$b
Treasury and other eligible bills	3.5	23.1
Debt securities	20.0	132.8
Loans and advances to banks	18.9	126.0
Loans and advances to customers	43.5	289.8
Other	14.1	93.9
Total	100.0	665.6



Summary Consolidated Profit and Loss Account

2000 US$m	Year ended 31 December	**2001 US$m**	*2001 £m*	*2001 HK$m*
37,746	Interest receivable	**35,261**	*24,506*	*275,036*
(24,023)	Interest payable	**(20,536)**	*(14,272)*	*(160,181)*
13,723	**Net interest income**	**14,725**	*10,234*	*114,855*
10,850	Other operating income	**11,163**	*7,758*	*87,071*
24,573	**Operating income**	**25,888**	*17,992*	*201,926*
(13,577)	Operating expenses	**(14,605)**	*(10,151)*	*(113,919)*
(510)	Goodwill amortisation	**(799)**	*(555)*	*(6,232)*
10,486	**Operating profit before provisions**	**10,484**	*7,286*	*81,775*
(932)	Provisions for bad and doubtful debts	**(2,037)**	*(1,416)*	*(15,889)*
(71)	Provisions for contingent liabilities and commitments	**(649)**	*(451)*	*(5,062)*
—	Loss from foreign currency redenomination in Argentina	**(520)**	*(361)*	*(4,056)*
(36)	Amounts written off fixed asset investments	**(125)**	*(87)*	*(975)*
9,447	**Operating profit**	**7,153**	*4,971*	*55,793*
(51)	Share of losses from joint ventures	**(91)**	*(63)*	*(709)*
75	Income from associated undertakings	**164**	*114*	*1,279*
	Gains on disposal of:			
302	— investments	**754**	*524*	*5,881*
2	— tangible fixed assets	**20**	*14*	*156*
9,775	**Profit on ordinary activities before tax**	**8,000**	*5,560*	*62,400*
(2,238)	Tax on profit on ordinary activities	**(1,574)**	*(1,094)*	*(12,277)*
7,537	**Profit on ordinary activities after tax**	**6,426**	*4,466*	*50,123*
	Minority interests:			
(558)	— equity	**(579)**	*(402)*	*(4,516)*
(351)	— non-equity	**(441)**	*(307)*	*(3,440)*
6,628	**Profit attributable to shareholders**	**5,406**	*3,757*	*42,167*
(4,010)	Dividends	**(4,467)**	*(3,105)*	*(34,843)*
2,618	**Retained profit for the period**	**939**	*652*	*7,324*
US$		**US$**	*£*	*HK$*
0.81	Cash earnings per ordinary share*	**0.67**	*0.47*	*5.25*
0.76	Basic earnings per ordinary share	**0.59**	*0.41*	*4.57*
0.75	Diluted earnings per ordinary share	**0.58**	*0.40*	*4.52*

* *Cash earnings per share comprise basic earnings per share after excluding the impact of goodwill amortisation.*

Consolidated Balance Sheet

Summary Financial Statement

2000 US$m		**2001 US$m**	*2001 £m*	*2001 HK$m*
	ASSETS			
5,006	Cash and balances at central banks	**6,185**	*4,268*	*48,231*
6,668	Items in the course of collection from other banks	**5,775**	*3,985*	*45,033*
23,131	Treasury bills and other eligible bills	**17,971**	*12,400*	*140,138*
8,193	Hong Kong SAR Government certificates of indebtedness	**8,637**	*5,959*	*67,351*
126,032	Loans and advances to banks	**104,641**	*72,202*	*815,990*
289,837	Loans and advances to customers	**308,649**	*212,968*	*2,406,845*
132,818	Debt securities	**160,579**	*110,800*	*1,252,195*
8,104	Equity shares	**8,057**	*5,559*	*62,828*
283	Interests in joint ventures	**292**	*201*	*2,277*
1,085	Interests in associated undertakings	**1,056**	*729*	*8,235*
126	Other participating interests	**120**	*83*	*936*
15,089	Intangible fixed assets	**14,581**	*10,061*	*113,703*
14,021	Tangible fixed assets	**13,521**	*9,329*	*105,437*
35,562	Other assets	**38,247**	*26,390*	*298,250*
7,859	Prepayments and accrued income	**7,566**	*5,221*	*59,000*
673,814	Total assets	**695,877**	*480,155*	*5,426,449*
	LIABILITIES			
8,193	Hong Kong SAR currency notes in circulation	**8,637**	*5,959*	*67,351*
60,053	Deposits by banks	**53,640**	*37,012*	*418,285*
427,069	Customer accounts	**449,991**	*310,494*	*3,509,030*
4,475	Items in the course of transmission to other banks	**3,798**	*2,621*	*29,617*
27,956	Debt securities in issue	**27,098**	*18,698*	*211,310*
63,114	Other liabilities	**72,623**	*50,110*	*566,314*
9,270	Accruals and deferred income	**7,149**	*4,933*	*55,748*
	Provisions for liabilities and charges			
1,251	— deferred taxation	**1,109**	*765*	*8,648*
3,332	— other provisions	**3,883**	*2,679*	*30,280*
	Subordinated liabilities			
3,546	— undated loan capital	**3,479**	*2,400*	*27,129*
12,676	— dated loan capital	**12,001**	*8,280*	*93,584*
	Minority interests			
2,138	— equity	**2,199**	*1,517*	*17,148*
5,171	— non-equity	**4,291**	*2,961*	*33,461*
4,634	Called up share capital	**4,678**	*3,228*	*36,479*
40,936	Reserves	**41,301**	*28,498*	*322,065*
45,570	Shareholders' funds	**45,979**	*31,726*	*358,544*
673,814	Total liabilities	**695,877**	*480,155*	*5,426,449*
	MEMORANDUM ITEMS			
	Contingent liabilities			
5,160	— acceptances and endorsements	**4,219**	*2,911*	*32,900*
33,968	— guarantees and assets pledged as collateral security	**39,817**	*27,474*	*310,493*
14	— other contingent liabilities	**9**	*6*	*70*
39,142		**44,045**	*30,391*	*343,463*
182,716	Commitments	**198,459**	136,937	*1,547,583*

Sir John Bond, *Group Chairman*

Notes on the Summary Financial Statement

1 Basis of preparation

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain investments and land and buildings and in accordance with applicable accounting standards. The accounting policies adopted are consistent with those described in the *Annual Report and Accounts 2000.*

In 2001, the Group has adopted the provisions of the UK Financial Reporting Standard ('FRS') 18 'Accounting Policies', and the transitional arrangements of FRS 17 'Retirement benefits', which require additional disclosures only.

2 Directors' emoluments

The aggregate emoluments of the Directors of HSBC Holdings plc, computed in accordance with Part I of Schedule 6 of the UK Companies Act 1985, were US$12,718,000 (2000:US$11,741,000; 1999: US$7,207,000). Aggregate gains on the exercise of the share options were US$1,990,000 (2000:US$4,187,000; 1999 US$460,000). Restricted Share Plan awards of US$756,000 (2000: US$491,000) vested.

There were annual commitments under retirement benefit agreements with former Directors of US$472,000 (2000: US$483,000; 1999: US$435,000). The provision as at 31 December 2001 in respect of unfunded pension obligations to former Directors amounted to US$6,281,000 (2000: US$6,535,000; 1999: US$5,627,000).

During the year, aggregate contributions to pension schemes in respect of Directors were US$1,462,000 (2000: US$798,000; 1999 US$402,000).

3 Foreign currency amounts

The Hong Kong dollar and sterling figures shown in the consolidated profit and loss account and the balance sheet are for information only. They are translated from US dollars at the average rate of exchange for the year ended 31 December 2001 and the closing rate at that date respectively. These were as follows:

	Average rate	*Closing rate*
US$1.00 = HK$	7.800	7.798
US$1.00 = £	0.695	0.690

4 Other information

This Summary Financial Statement is only a summary of information in the HSBC Holdings plc *Annual Report and Accounts 2001.* It is not the Group's statutory accounts and it does not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the full *Annual Report and Accounts.*

Members may obtain, free of charge, a copy of the *Annual Report and Accounts 2001* from Group Corporate Affairs, HSBC Holdings plc, 10 Lower Thames Street, London EC3R 6AE, United Kingdom; Group Public Affairs, The Hongkong and Shanghai Banking Corporation Limited, 1 Queen's Road Central, Hong Kong; Group Public Affairs, HSBC Bank USA, 452 Fifth Avenue, New York, NY 10018, USA; or from Crédit Commercial de France, Direction de la Communication, 103 avenue des Champs Elysées, 75419 Paris Cedex 08, France. A Chinese translation of the *Annual Report and Accounts* may be obtained from Central Registration Hong Kong Limited, Rooms 1901-1905, Hopewell Centre, 183 Queen's Road East, Hong Kong. Members may elect in writing to receive the full *Annual Report and Accounts* for all future financial years by applying to the appropriate Registrars, the addresses of which are shown on the inside back cover.

The *Annual Report and Accounts 2001* may be viewed on our web site: www.hsbc.com.

5 Approval of the Summary Financial Statement

This Summary Financial Statement was approved by the Board of Directors on 4 March 2002.

Statement of the Auditors to the Members of HSBC Holdings plc Pursuant to Section 251 of the Companies Act 1985

We have examined the Summary Financial Statements set out on pages 42 to 44.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the *Annual Review* in accordance with applicable law. Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the *Annual Review* with the full annual accounts and Directors' Report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the *Annual Review* and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 'The auditor's statement on the Summary Financial Statement' issued by the Auditing Board. Our unqualified report on the Group's full annual accounts describes the basis of our audit opinion on those accounts.

Opinion

In our opinion the Summary Financial Statement is consistent with the full annual accounts and Directors' Report of HSBC Holdings plc for the year ended 31 December 2001 and complies with the applicable requirements of section 251 of the Companies Act 1985 and the regulations made thereunder.

KPMG Audit Plc | 4 March 2002

Chartered Accountants

Registered Auditor

London

Shareholder Information

Financial Calendar 2002

Publication of *Annual Review* and *Annual Report and Accounts* (online)	4 March
Shares quoted ex-dividend in London and Hong Kong and American Depositary Shares (ADSs) quoted ex-dividend in New York	20 March
Record date for the second interim dividend for 2001	22 March
Shares quoted ex-dividend in Paris	25 March
Mailing of *Annual Review* and/or *Annual Report and Accounts,* Notice of Annual General Meeting and dividend documentation	3 April
Final date for receipt by registrars of forms of election and revocations of standing instructions for scrip dividends	24 April
Exchange rate determined for payment of dividends in sterling and Hong Kong dollars	29 April
Payment date: dividend warrants, new share certificates and notional tax vouchers mailed and shares credited to stock accounts in CREST	7 May
Annual General Meeting	31 May
Announcement of 2002 interim results	5 August
Proposed dates for first interim dividend for 2002:	
Shares quoted ex-dividend in London and Hong Kong and ADSs quoted ex-dividend in New York	21 August
Record date	23 August
Shares quoted ex-dividend in Paris	26 August
Payment date	9 October

Annual General Meeting

The 2002 Annual General Meeting will be held at the Barbican Hall, Barbican Centre, London EC2 on Friday, 31 May 2002 at 11.00 a.m.

Dividends

The Directors have declared a second interim dividend of US$0.29 per ordinary share which, together with the first interim dividend of US$0.19 already paid, will make a total distribution for the year of US$0.48 per share, an increase of 10 per cent on 2000. Information on the HSBC scrip dividend scheme and currencies in which the cash dividend may be paid will be sent to shareholders on or about 3 April 2002.

Postal Share-Dealing Service

For shareholders on the UK Register, a low-cost postal share-dealing service for buying and selling the Company's shares is available from HSBC Bank plc Stockbrokers. Details are available from:

HSBC Bank plc Stockbrokers
Mariner House, Pepys Street
London EC3N 4DA
Telephone: 020 7260 0906
Facsimile: 020 7260 7556

Shareholder Enquiries

Any matters relating to your shareholding, e.g. transfer of shares, change of name or address, lost share certificates and dividend cheques, should be sent in writing to:

UK	*Principal Register* Computershare Investor Services PLC PO Box 435, Owen House 8 Bankhead Crossway North Edinburgh EH11 4BR	*Hong Kong*	*Hong Kong Overseas Branch Register* Central Registration Hong Kong Limited Rooms 1901-1905, Hopewell Centre 183 Queen's Road East

USA	*ADR Depositary* The Bank of New York Floor 6 620 Avenue of the Americas New York, NY 10011	*France*	*Paying Agent* CCF 103 avenue des Champs Elysées 75008 Paris

Investor Relations

Enquiries may be directed to:

Senior Manager Investor Relations
HSBC Holdings plc
10 Lower Thames Street
London EC3R 6AE
UK

Telephone: 44 020 7260 7252
Facsimile: 44 020 7260 9041
E-mail: shareholder@hsbc.com

Annual Review 2001

Further copies of this *Annual Review*, and additional information about HSBC, may be obtained by writing to any of the following departments.

For those in Europe, the Middle East and Africa:
Group Corporate Affairs
HSBC Holdings plc
10 Lower Thames Street
London EC3R 6AE, UK

For those in Asia-Pacific:
Group Public Affairs
The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

For those in the Americas:
Group Public Affairs
HSBC Bank USA
452 Fifth Avenue
New York, NY 10018, USA

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A Chinese translation of this *Annual Review* is available on request from:

Central Registration Hong Kong Limited
Rooms 1901-1905, Hopewell Centre
183 Queen's Road East
Hong Kong

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香港中央證券登記有限公司

French translation

A French translation of this *Annual Review* is available on request from:
La traduction française du bilan d'activité est disponible sur demande:

Direction de la Communication
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Web Site

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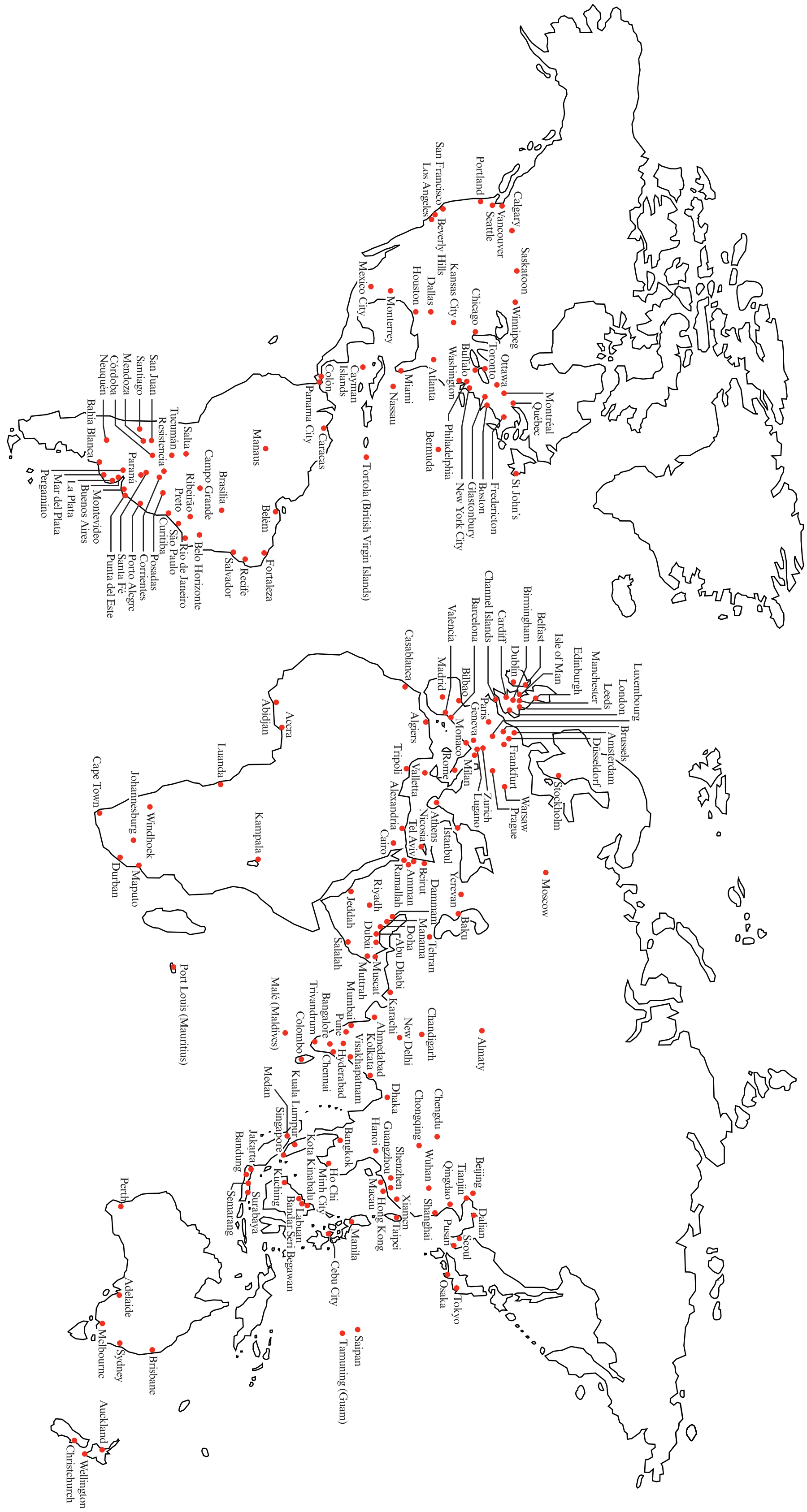

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