

HSBC HOLDINGS PLC
Form 6-K
August 05, 2013

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of

the Securities Exchange Act of 1934

For the month of August
HSBC Holdings plc

42nd Floor, 8 Canada Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934).

Yes..... No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-.....).

HSBC HOLDINGS PLC

2013 INTERIM RESULTS - HIGHLIGHTS

- Reported profit before tax ('PBT') was US\$14.1bn in the first half of 2013 ('1H13'), an increase of 10% compared with the same period in 2012 ('1H12').

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

- Underlying PBT was US\$13.1bn, up 47% compared with 1H12, due to higher revenues, lower loan impairment charges, including a notable improvement in our US run-off portfolio, and lower operating expenses.
- Return on average ordinary shareholders' equity was 12.0% compared with 10.5% in 1H12.
- Underlying revenue included net favourable movements on non-qualifying hedges of US\$0.8bn, a net gain of US\$0.6bn on completion of the sale of our remaining investment in Ping An and a US\$0.5bn favourable debit valuation adjustment on derivative contracts.
- We continued to make progress on delivering our strategy and grew revenues in key areas, led by our Financing and Equity Capital Markets and Credit businesses, residential mortgages in the UK and Hong Kong, and from collaboration between our global businesses.
- Underlying costs were down 8% on 1H12, due mainly to the non-recurrence of provisions for fines and penalties recorded in 1H12 and lower charges from UK customer redress programmes and restructuring costs.
- We continued to pursue our strategic aim of improving costs to invest in the business. During 1H13 we achieved US\$0.8bn of sustainable cost savings across all regions, taking the annualised total to US\$4.1bn since the start of 2011, exceeding our target for the end of 2013.
- We continued to reshape the business and reallocate capital in line with our strategy, announcing 11 disposals or closures of non-strategic businesses since the start of the year, taking the total to 54 since 2011.

Stuart Gulliver, Group Chief Executive, said: 'Both reported and underlying profit before tax increased in the first half. These results demonstrate that we have continued to make progress on delivering our strategy.'

| | 30 Jun 2013 | Reported Half-year to 30 Jun 2012 | Change | 30 Jun 2013 | Underlying1 Half-year to 30 Jun 2012 | Change |
|---|----------------------------|---|--------|----------------------------|--|--------|
| | US\$m | US\$m | % | US\$m | US\$m | % |
| Income statement | | | | | | |
| Revenue2 | 34,372 | 36,897 | (7) | 33,294 | 32,094 | 4 |
| Loan impairment charges and other credit risk provisions | (3,116) | (4,799) | 35 | (3,115) | (4,367) | 29 |
| Operating expenses | (18,399) | (21,204) | 13 | (18,312) | (19,927) | 8 |
| Profit before tax | 14,071 | 12,737 | 10 | 13,078 | 8,896 | 47 |
| | At 30 Jun 2013 US\$m | At 31 Dec 2012 US\$m | | At 30 Jun 2012 US\$m | | |
| Capital and balance sheet | | | | | | |
| Core tier 1 ratio | 12.7% | 12.3% | | 11.3% | | |
| Common equity tier 1 ratio3 | 10.1% | 9.5% | | n/a | | |
| Loans and advances to customers | 969,382 | 997,623 | | 974,985 | | |

| | | | |
|----------------------|-----------|-----------|-----------|
| Customer accounts | 1,316,182 | 1,340,014 | 1,278,489 |
| | | | |
| Risk-weighted assets | 1,104,764 | 1,123,943 | 1,159,896 |
| | | | |

| | Half-year to | |
|--|--------------|--------|
| | 30 Jun | 30 Jun |
| | 2013 | 2012 |
| Performance measures | | |
| Return on average shareholders' equity | 12.0% | 10.5% |
| | | |
| Cost efficiency ratio | 53.5% | 57.5% |
| | | |
| Pre-tax return on average risk-weighted assets . | 2.6% | 2.1% |

1 The difference between reported and underlying results is reconciled on page 34.

2 Revenue is defined as net operating income before loan impairment charges and other credit risk provisions.

3 Estimated CRD IV end-point CET1 ratio after planned mitigation of immaterial holdings based on our interpretation of the July 2011 draft CRD IV regulation, supplemented by UK regulator guidance for 31 December 2012

and Final CRR rules for 30 June 2013. Refer to 'Estimated effect of CRD IV end-point rules' table on page 188 and basis of preparation on page 197 in the Interim Report 2013.

HSBC HOLDINGS REPORTS PRE-TAX PROFIT OF US\$14.1bn

HSBC made a reported profit before tax of US\$14.1bn, an increase of US\$1.3bn, or 10%, compared with the first half of 2012.

Profit attributable to ordinary shareholders was US\$10.0bn, an increase of US\$1.8m or 23% compared with the first half of 2012.

Net interest income of US\$17.8bn was US\$1.6bn, or 8%, lower than the first half of 2012.

Net operating income before loan impairment charges and other credit risk provisions of US\$34.4bn was US\$2.5bn, or 7%, lower than the first half of 2012.

Total operating expenses of US\$18.4bn decreased by US\$2.8bn, or 13%, compared with the first half of 2012. On an underlying basis, operating expenses decreased by 8%.

HSBC's cost efficiency ratio was 53.5%, 4 percentage points lower than the first half of 2012.

Loan impairment charges and other credit risk provisions were US\$3.1bn in the first half of 2013, US\$1.7bn lower than the first half of 2012.

The Directors have declared a second interim dividend for 2013 of US\$0.10 per ordinary share, a distribution of approximately US\$1,864m.

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

The core tier 1 ratio and common equity tier 1 ratio for the Group remained strong at 12.7% and 10.1%, respectively, at 30 June 2013.

The Group's total assets at 30 June 2013 were US\$2,645bn, a decrease of US\$47bn, or 2%, since 31 December 2012.

Geographical distribution of results

Profit/(loss) before tax

| | 30 June 2013 | | Half-year to 30 June 2012 | | 31 December 2012 | |
|---|--------------|-------|------------------------------|-------|------------------|--------|
| | US\$m | % | US\$m | % | US\$m | % |
| Europe | 2,768 | 19.7 | (667) | (5.2) | (2,747) | (34.7) |
| Hong Kong | 4,205 | 29.9 | 3,761 | 29.5 | 3,821 | 48.3 |
| Rest of Asia-Pacific | 5,057 | 35.9 | 4,372 | 34.3 | 6,076 | 76.8 |
| Middle East and North Africa | 909 | 6.5 | 772 | 6.1 | 578 | 7.3 |
| North America | 666 | 4.7 | 3,354 | 26.3 | (1,055) | (13.3) |
| Latin America | 466 | 3.3 | 1,145 | 9.0 | 1,239 | 15.6 |
| | 14,071 | 100.0 | 12,737 | 100.0 | 7,912 | 100.0 |
| Tax expense | (2,725) | | (3,629) | | (1,686) | |
| Profit for the period | 11,346 | | 9,108 | | 6,226 | |
| Profit attributable to shareholders of the parent company | 10,284 | | 8,438 | | 5,589 | |
| Profit attributable to non-controlling interests | 1,062 | | 670 | | 637 | |

Distribution of results by global business

Profit/(loss) before tax

| | 30 June 2013 | | Half-year to 30 June 2012 | | 31 December 2012 | |
|---|--------------|------|------------------------------|------|------------------|------|
| | US\$m | % | US\$m | % | US\$m | % |
| Retail Banking and Wealth Management | 3,267 | 23.2 | 6,410 | 50.3 | 3,165 | 40.0 |
| Commercial Banking | 4,133 | 29.4 | 4,429 | 34.8 | 4,106 | 51.9 |
| Global Banking and Markets | 5,723 | 40.7 | 5,047 | 39.6 | 3,473 | 43.9 |
| Global Private Banking | 108 | 0.8 | 527 | 4.1 | 482 | 6.1 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | | | | |
|-------|--------|-------|---------|--------|---------|--------|
| Other | 840 | 5.9 | (3,676) | (28.8) | (3,314) | (41.9) |
| | 14,071 | 100.0 | 12,737 | 100.0 | 7,912 | 100.0 |

Statement by Douglas Flint, Group Chairman

HSBC delivered a solid financial performance in the first half of 2013.

Pre-tax profit on a reported basis was US\$14.1bn, US\$1.3bn or 10% higher than in the first half of 2012. On an underlying basis, the profit before tax was 47% ahead of the comparable period. Earnings per ordinary share rose by 20% to US\$0.54.

These results confirm the value which is being delivered from the continuing reshaping of the Group and from enforcing appropriate cost discipline.

Driven by capital retention from operating performance, the Group's capital position strengthened further and the core tier 1 ratio improved to 12.7% compared with 12.3% at the beginning of the year and 11.3% a year ago.

A second interim dividend of US\$0.10 per ordinary share was declared by the Board on 5 August taking the total dividends declared in respect of the first half of 2013 to US\$0.20 per ordinary share as foreshadowed in last year's Annual Report and Accounts; this is US\$0.02 per ordinary share or some 11% higher than in the comparable period in 2012.

The Group Chief Executive's Business Review covers this performance in some detail. From the Board's perspective I want to highlight three points.

Strategy implementation is progressing well

The strategic direction approved by the Board has been to reduce complexity, improve business co-operation, maximise the value of the Group's long heritage in faster-growing markets, concentrate resources on businesses where scale and connectivity are competitive strengths, and apply and enforce Global Standards to control the risks faced by the Group.

The application of this strategic direction has been most immediately seen in the number of disposals and closures, now 54 since the beginning of 2011, which have sharpened the focus of the Group and eliminated areas of comparative weakness. As important, but less obvious are the steps being taken to build revenues from opportunities hitherto not fully exploited. Two illustrations make this point.

Firstly, as many peer institutions have withdrawn from overseas markets in recent years, HSBC's scale and connectivity has become a more distinctive competitive strength. This has been built upon most notably in transaction banking, where our Payments and Cash Management, Securities Services and Global Trade and Receivables Finance businesses have grown strongly.

Secondly, our leading positions in Hong Kong in debt and foreign exchange products were not matched historically in equity and mergers and acquisitions products. By committing greater resource and relationship management to these areas, we have driven our market share and positioning to top tier status.

Diversification and scale remain core strengths

At a time of intense international focus on the resolvability of systemically important financial institutions such as HSBC, the Board continues to believe strongly in the benefits that accrue both to customers and to the Group from a diversified universal banking model and from scale.

In the first half of 2013, there was a good balance between our global businesses with the largest, Global Banking and Markets, representing just over 40% of pre-tax profit. Geographically, profits were well spread with the largest proportion generated in markets recognised to have sustainably higher growth prospects. All regions were profitable in the period.

The advantage of having both intermediation businesses within retail and commercial banking and debt capital markets activities within Global Banking and Markets was again clearly illustrated in the period. While demand for bank credit remained muted, continuing low interest rates drove primary issuance through our debt capital markets operations, notably in Europe and Hong Kong. As emerging market customers increased their participation in debt capital markets, our well-established presence and relationships successfully channelled business opportunities.

Implementing and enforcing Global Standards remains a key priority

HSBC's Global Standards programme is a centrepiece of our strategy to ensure HSBC is well-positioned to succeed. Our stated objective of being the world's leading international bank means that we also must be a leader in implementing the most effective standards globally. We are devoting significant resources and attention to this effort as we know we must back our strong commitment with capability. Over the past six months, we have increased resources in our Regulatory and Financial Crime Compliance units by over 1,600 headcount and are delivering mandatory training to all of our employees globally on critical compliance subjects on an ongoing basis.

With regard to the Deferred Prosecution Agreement ('DPA') entered into with the US Department of Justice on 11 December 2012 and the associated legal and regulatory undertakings, the outstanding procedural arrangements have now been finalised.

On 1 July 2013, the US District Court Judge to whom the case was assigned formally approved the DPA, subject to a continued monitoring of its execution and implementation.

On 22 July, Michael Cherkasky began his work as the Monitor charged with evaluating and reporting upon, over a five-year period, the effectiveness of the Group's internal controls, policies and procedures as they relate to ongoing compliance with applicable anti-money laundering and sanctions laws. Mr Cherkasky's career has been characterised by his service to law enforcement in the US, both as a public servant and in private life through support and oversight roles.

Regulatory update

Strategy implementation continues to be executed within an evolving regulatory landscape. I drew attention in my report at the end of last year to the extensive programme of work still to be completed within the regulatory reform agenda. This remains the case. We continue to commit significant resources to work with public policy, regulatory and industry bodies to deliver the outcomes we jointly seek in terms of greater stability of the financial system and the restoration of society's trust and confidence in our industry.

Much of the reform programme has to date addressed the structural and financial underpinnings of our industry.

With progress in these areas solidly on track, it is good to see greater focus now being directed to the more complex areas, such as cross-border resolution issues, bail-in hierarchies and conduct and behaviour regulation.

In the latter area, the UK Parliamentary Commission on Banking Standards delivered its report on 12 June 2013. Their report is the most comprehensive study so far anywhere in the world to address the conduct and behavioural issues that, in truth, lie at the heart of the restoration of confidence and trust.

The report is hard-hitting and uncomfortable to read. Contained within the report are many constructive proposals to help fix the issues which have afflicted the industry, most importantly through re-establishing core values of personal responsibility and accountability. Some of the recommendations will be challenging to implement and there are some that we believe could have unintended consequences.

This notwithstanding, the report's analysis and recommendations have, as the UK Government recognised in its response, provided a formidable evidence base from which to implement the further changes needed to return banking to its core role within society of financing economic growth. We believe this is the right objective to emphasise and it has our full support.

Turning to progress on resolution planning, important proposals were published during the period by the EU authorities concerning a framework for bank resolution. Within this framework were proposals around a hierarchy for debt bail-in, designed to prevent any future call upon taxpayer support for a failed financial institution. The use of bail-in of unsecured debt in resolution carries broad industry backing in principle. However, we support industry calls for a careful study of the impact that any alteration of the hierarchy of claims will have on market behaviour, before any such hierarchy is finalised. At a time when it is critical to ensure that the fullest extent of financial industry capacity is ready to support economic growth initiatives, any changes that could affect bank funding markets need to be understood fully at both industry and individual bank levels.

Finally, a word on the requirements within the EU's latest Capital Requirements Directive ('CRD IV') that will put a cap on the ratio of variable pay to fixed pay for defined employees across the whole of the HSBC Group from the start of next year. These legislative changes, which are not supported by either the UK Government or the Prudential Regulation Authority, could have a highly damaging impact on our competitive position in many of our key markets, including those outside Europe. The Board is committed to protecting the competitive position of these operations which are critical to the continued success of your Group. We will therefore be consulting on how best to achieve this aim while seeking to preserve the essence of the remuneration framework supported by shareholders two years ago.

Audit arrangements

As was noted in last year's Annual Report and Accounts, KPMG Audit plc has been the auditor to HSBC Holdings since it became the ultimate holding company of the Group in 1991. Annual re-appointment of KPMG has been approved by shareholders during this period following successive Board recommendations. Your Board announced earlier this year that it intended to put the external audit contract out to tender, responding both to shareholder feedback and emerging regulatory proposals on auditor rotation. That tender process has now been conducted and concluded. As a consequence of this process, the Group Audit Committee has recommended to the Board that PricewaterhouseCoopers LLP be appointed auditor of the HSBC Group with effect from the year ending 31 December 2015. The Board intends to put this recommendation with its endorsement to shareholders at the 2015 Annual General Meeting.

Board changes

Since we reported the full-year results for 2012 there are three changes to report with regard to the Board.

On 31 May 2013, Sir Jonathan Evans (55) was appointed as an independent non-executive Director of HSBC Holdings plc with effect from 6 August. He will also be a member of the Financial System Vulnerabilities Committee.

Sir Jonathan's career in the Security Service (MI5) spanned 33 years, the last six of which as Director General. During his career, Sir Jonathan's experience included counter-espionage, protection of classified information and the security of critical national infrastructure. His main focus was, however, counter-terrorism, both international and domestic including, increasingly, initiatives against cyber threats.

Sir Jonathan's experience and expertise gained from a career at the highest level of public service will be of considerable value to the Board as it addresses its governance of systemic threats.

On 20 May, John Thornton, who had served the Group as an independent non-executive Director of HSBC Holdings plc since December 2008 and as Chairman of the Group Remuneration Committee since May 2010, announced that he would not seek re-election as a Director at the 2013 Annual General Meeting in view of recently expanded responsibilities within his other business interests.

John made an invaluable contribution to the Group during his tenure, not least in his work with shareholders in his position as Chairman of the Group Remuneration Committee. On behalf of the Board and shareholders I would like to take this opportunity once again to thank him for his wise counsel and wish him all the best in his future endeavours.

Finally, Jim Comey, who joined the Board on 4 March this year was nominated by President Obama on 21 June to serve as the next Director of the FBI. Jim was confirmed by the US Senate on 29 July. He will take up his new post on 4 September and accordingly he will step down from the Board with effect from that date. Albeit serving for a very short period on the Board, Jim brought a fresh focus to Board discussions by virtue of his extensive experience accumulated in prior public and private roles at the highest level. We wish him well in his new role.

Looking ahead

Under the leadership of Stuart Gulliver, HSBC has assembled a first rate executive team which, within the strategic mandate and risk appetite approved by the Board, is working tirelessly to place HSBC at the forefront of the industry in terms both of banking standards and shareholder return. They could not succeed in these endeavours without the support, commitment and loyalty of HSBC's staff across the 80 countries and territories in which we operate and, once again, I pay tribute to them for their dedication at a time of great change in our industry.

Review by Stuart Gulliver, Group Chief Executive

HSBC's performance during the first six months of 2013 reflected the trends we saw in the first quarter. Economic growth remained muted and regulatory changes continued to impact available returns but, by focusing on the markets and business areas where we have comparative strength and competitive advantage, we have successfully progressed the repositioning of the business to accommodate these factors.

Reported profit before tax in the first half was US\$14.1bn, an increase of 10% compared with the same period in 2012. Underlying profit before tax increased by 47%. Return on average ordinary shareholders' equity of 12.0% was up from 10.5% in the first half of 2012.

We made further progress on delivering our strategy in three key areas.

First, we grew revenues in key areas during the first half of the year, led by our Financing and Equity Capital Markets and Credit businesses, residential mortgages in the UK and Hong Kong, and from collaboration between our global businesses.

Second, we continued to pursue our aim of improving costs to invest in the business, achieving US\$0.8bn of additional sustainable cost savings during the period. This takes the annualised total sustainable cost savings to

US\$4.1bn since the start of 2011, exceeding our original target for the end of 2013. In addition, we achieved a positive gap between underlying revenue and cost growth of 12% in the first half.

Third, we continued to reshape HSBC. In April 2013, we sold a US\$3.7bn non-real estate loan portfolio, recording a loss on disposal of US\$0.3bn which was considerably lower than initially expected. This accelerated the run-off of the Consumer and Mortgage Lending portfolio in the US where we continue to refocus our business. We have announced a further 11 disposals or closures of non-strategic businesses since the beginning of the year, bringing the total number of transactions announced since the beginning of 2011 to 54. The rate of such transactions will now slow as the first phase of strategic delivery draws to a close.

The steps we have taken to reshape HSBC have released around US\$80bn in risk-weighted assets to date, with a further potential release of around US\$15bn to come. Alongside internal capital generation, this will add further support to investment in organic growth opportunities which are a strategic fit. These include priority areas such as transaction banking and trade finance, where we are already recognised as a market leader globally and, as mentioned by the Group Chairman in his statement, opportunities such as the development of equities in Hong Kong and our debt capital markets platforms in faster-growing markets, where our well-established presence and strong relationships give us a highly competitive position on which to build.

External recognition of the progress being made is now also evident. HSBC achieved the best showing of any bank at the Euromoney Awards for Excellence 2013. Of particular satisfaction were first time awards for Best Global Emerging Market Investment Bank and Best Equity House and Best M&A House both in Hong Kong as well as repeat awards for Best Global Emerging Market Debt House and Best Global Risk Adviser. Our investment in, and continued commitment to, transactional banking also saw HSBC recognised as Best Global Transaction Banking House.

In addition, as the internationalisation of China's currency continues apace, HSBC has again been recognised as the market leader for renminbi business. In the recent Asiamoney's Offshore Renminbi Poll HSBC was ranked first in all product categories.

In May 2013, we set out our plans for the next phase of delivering our strategy, covering the period from 2014 to 2016. Our strategic direction is unchanged and our priorities are clear - to grow the business and dividends, implement the highest Global Standards of conduct and compliance, and streamline our processes and procedures.

We remain committed to our values, and to ensuring that they are reflected in everything we do. Our values are to be dependable, open to different ideas and cultures, and connected to customers, communities, regulators and each other; they form a key part of the annual performance review for everyone who works at HSBC. By implementing Global Standards we are reinforcing the expectation that our employees will do the right thing, act with courageous integrity and maintain the most effective financial crime controls everywhere that we operate.

Group performance headlines

- Reported profit before tax was US\$14.1bn in the first half of 2013, up US\$1.3bn, or 10%, on the same period in 2012. This reflected minimal fair value movements on our own debt compared with adverse movements of US\$2.2bn in the first half of 2012, and lower operating expenses. This was partly offset by lower net gains from disposals, primarily as 2012 included a gain from the disposal of the US Cards and Retail Services business of US\$3.1bn.
- Underlying profit before tax was US\$13.1bn, up US\$4.2bn compared with the first half of 2012, due to higher revenues, lower loan impairment charges and lower costs. It is on an underlying basis that we measure our performance.

- Underlying revenue was up US\$1.2bn, or 4%, compared with the first half of 2012, and within this we achieved revenue growth in key areas of our global businesses. Commercial Banking achieved average balance sheet growth, primarily from term and trade-related lending, partially offset by spread compression. In addition, a rise in lending fees and collaboration revenues from closer co-operation with other parts of the Group led to an increase in net fee income. In Global Banking and Markets, revenues were up mainly in Financing and Equity Capital Markets and Credit, while in Retail Banking and Wealth Management we achieved growth in mortgage balances and wider spreads in our home markets of the UK and Hong Kong.
- Underlying revenue included net favourable fair value movements on non-qualifying hedges of US\$0.8bn, a net gain of US\$0.6bn on completion of the disposal of our investment in Ping An and a US\$0.5bn favourable debit valuation adjustment on derivative contracts.
- Underlying loan impairment charges were down US\$1.3bn, or 29%, compared with the first half of 2012. We saw declines in the majority of our regions, notably in North America, where the decrease primarily reflected improvements in housing market conditions, the continued run-off of the US Consumer and Mortgage Lending portfolio and lower delinquency levels. These factors were partly offset by an increase in individually assessed and collective impairment charges in Latin America.
- Underlying operating expenses were down US\$1.6bn, or 8%, compared with the same period last year. This mainly reflected the non-recurrence of provisions for fines and penalties recorded in the first half of last year, lower charges relating to UK customer redress programmes and lower restructuring costs. Excluding these items, operating expenses increased, mainly reflecting higher litigation-related costs. We continued to pursue our strategic focus on cost improvement to release funds to invest in the growing parts of our business and in our Global Standards governance and programmes. As stated above, during the first half of 2013 we also achieved additional sustainable cost savings.
- After adjusting for portfolios which we are in the process of disposing of as part of reshaping our business, we grew loans and advances to customers. This principally reflected a rise in term and trade-related lending to Commercial Banking and Global Banking and Markets customers in Hong Kong and Rest of Asia-Pacific, together with continued growth in residential mortgages in the UK, Hong Kong and Rest of Asia-Pacific. These movements were partially offset by the continued run-off of the Consumer and Mortgage Lending portfolio in the US.
- The core tier 1 ratio was 12.7%, with a common equity tier 1 ratio (Basel III end point) of 10.1% at 30 June 2013, we are well positioned with respect to the implementation of Basel III capital standards and remain one of the best capitalised banks in the world which provides capacity for both organic growth and dividend return to shareholders.

Outlook

Despite slower growth in the short term, the long-term economic trends remain intact. The global economy will continue to rebalance towards the faster-growing markets and trade and capital flows will continue to expand.

Growth remains subdued in the Western economies. As such, any tapering of monetary stimuli will be approached with considerable caution. Sustained recovery is likely to depend on structural reform.

In mainland China, the new emphasis on the quality rather than the quantity of growth is shifting the policy balance away from stimulus and towards reform. We believe this is likely to limit the pace of China's growth to 7.4% for 2013 and 2014, which is already being reflected in more modest growth figures in other markets, particularly in Asia.

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

However, we believe that China's reform agenda, which covers financial, fiscal, deregulation and urbanisation reforms, will provide the basis for more sustainable growth in the medium to long term.

With our network covering 80 countries and territories, and strong market shares across the faster-growing markets, HSBC remains well-positioned to benefit from the long-term trends in the global economy.

Financial Overview

| Half-year to 30 June 2013 | | | 30 June 2013 | Half-year to 30 June 2012 | 31 December 2012 |
|---------------------------------|------------|---|-----------------|---------------------------------|------------------------|
| £m | HK\$m | | US\$m | US\$m | US\$m |
| 9,119 | 109,175 | For the period | | | |
| | | Profit before tax | 14,071 | 12,737 | 7,912 |
| 6,479 | 77,574 | Profit attributable to ordinary shareholders | | | |
| 3,556 | 42,574 | of the parent company | 9,998 | 8,152 | 5,302 |
| | | Dividends | 5,487 | 4,454 | 3,588 |
| | | At the period end | | | |
| 114,364 | 1,350,435 | Total shareholders' equity | 174,070 | 165,845 | 175,242 |
| 120,527 | 1,423,205 | Total regulatory capital | 183,450 | 175,724 | 180,806 |
| 960,669 | 11,343,786 | Customer accounts and deposits by banks | 1,426,205 | 1,402,042 | 1,447,443 |
| 1,737,973 | 20,522,362 | Total assets | 2,645,316 | 2,652,334 | 2,692,538 |
| 725,830 | 8,570,759 | Risk-weighted assets | 1,104,764 | 1,159,896 | 1,123,943 |
| £ | HK\$ | | US\$ | US\$ | US\$ |
| | | Per ordinary share | | | |
| 0.35 | 4.19 | Basic earnings | 0.54 | 0.45 | 0.29 |
| 0.35 | 4.19 | Diluted earnings | 0.54 | 0.45 | 0.29 |
| 0.18 | 2.17 | Dividends ¹ | 0.28 | 0.23 | 0.18 |
| 5.89 | 69.51 | Net assets per share | 8.96 | 8.73 | 9.09 |
| | | Share information | | | |
| | | US\$0.50 ordinary shares in issue | 18,627m | 18,164m | 18,476m |
| | | Market capitalisation | US\$196bn | US\$160bn | US\$194bn |
| | | Closing market price per ordinary share | £6.82 | £5.61 | £6.47 |
| | | | Over 1 year | Over 3 years | Over 5 Years |
| | | Total shareholder return to | | | |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | |
|---------------------------|-------|-------|-------|
| 30 June 2013 ² | 127.7 | 127.9 | 128.3 |
| Benchmarks: FTSE 1003 | 115.8 | 140.8 | 133.4 |
| MSCI World ⁴ | 123.4 | 147.6 | 154.3 |
| MSCI Banks ⁵ | 128.0 | 127.3 | 118.3 |

1 The dividend per ordinary share of US\$0.28 shown in the accounts is the total of the dividends declared during the first half of 2013. This represents the fourth interim dividend for 2012 and the first interim dividend for 2013.

2 Total shareholder return ('TSR') is defined as the growth in share value and declared dividend income during the relevant period.

3 The Financial Times Stock Exchange 100 Index.

4 The Morgan Stanley Capital International World Index.

5 The Morgan Stanley Capital International World Banks Index.

| | 30 June 2013 % | Half-year to 30 June 2012 % | 31 December 2012 % |
|---|----------------------|--------------------------------------|-----------------------------|
| Performance ratios (annualised) | | | |
| Return ratios | | | |
| Return on average invested capital ¹ | 11.6 | 9.9 | 6.2 |
| Return on average ordinary shareholders' equity | 12.0 | 10.5 | 6.5 |
| Post-tax return on average total assets | 0.8 | 0.7 | 0.5 |
| Pre-tax return on average risk-weighted assets | 2.6 | 2.1 | 1.4 |
| Efficiency and revenue mix ratios | | | |
| Cost efficiency ratio | 53.5 | 57.5 | 69.1 |
| As a percentage of total operating income: | | | |
| - net interest income | 44.0 | 44.4 | 47.1 |
| - net fee income | 20.7 | 19.0 | 20.9 |
| - net trading income | 15.7 | 10.3 | 6.6 |
| Capital ratios | | | |
| - Core tier 1 ratio | 12.7 | 11.3 | 12.3 |
| - Common equity tier 1 ratio ² | 10.1 | n/a | 9.5 |
| - Tier 1 ratio | 13.6 | 12.7 | 13.4 |
| - Total capital ratio | 16.6 | 15.1 | 16.1 |

1 Average invested capital is measured as average total shareholders' equity after:

- adding back the average balance of goodwill amortised before the transition to IFRSs or subsequently written off directly to reserves;
- deducting the average balance of HSBC's revaluation surplus relating to property held for own use. This reserve was generated when determining the deemed cost of such properties on transition to IFRSs and will run down as the properties are sold;
- deducting average preference shares and other equity instruments issued by HSBC Holdings; and
- deducting average reserves for unrealised gains/(losses) on effective cash flow hedges and available-for-sale securities.

2 Estimated CRD IV end-point CET1 ratio after planned mitigation of immaterial holdings based on our interpretation of the July 2011 draft CRD IV regulation, supplemented by UK regulator guidance for 31 December 2012

and Final CRR rules for 30 June 2013. Refer to 'Estimated effect of CRD IV end-point rules' table on page 188 and basis of preparation on page 197 in the Interim Report 2013.

Consolidated Income Statement

| Half-year to 30 June | | | 30 June | Half-year to 30 June | 31 December |
|-------------------------|----------|---|---------|-------------------------|----------------|
| 2013 | | | 2013 | 2012 | 2012 |
| £m | HK\$m | | US\$m | US\$m | US\$m |
| 16,680 | 199,717 | Interest income | 25,740 | 29,549 | 27,153 |
| (5,133) | (61,459) | Interest expense | (7,921) | (10,173) | (8,857) |
| 11,547 | 138,258 | Net interest income | 17,819 | 19,376 | 18,296 |
| 6,576 | 78,738 | Fee income | 10,148 | 10,281 | 9,868 |
| (1,130) | (13,532) | Fee expense | (1,744) | (1,974) | (1,745) |
| 5,446 | 65,206 | Net fee income | 8,404 | 8,307 | 8,123 |
| | | Trading income excluding net interest income | 5,230 | 3,134 | 1,274 |
| 3,389 | 40,580 | Net interest income on trading activities | 1,132 | 1,385 | 1,298 |
| 734 | 8,783 | Net trading income | 6,362 | 4,519 | 2,572 |
| 4,123 | 49,363 | Changes in fair value of long-term debt issued and related derivatives | (1,419) | (1,810) | (2,517) |
| (920) | (11,010) | Net income from other financial instruments designated at fair value | 222 | 627 | 1,474 |
| 144 | 1,722 | Net expense from financial instruments designated at fair value | (1,197) | (1,183) | (1,043) |
| (776) | (9,288) | | | | |
| 1,203 | 14,401 | | 1,856 | 1,023 | 166 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | | | |
|----------|-----------|--|----------|----------|----------|
| | | Gains less losses from financial investments | | | |
| 69 | 830 | Dividend income | 107 | 103 | 118 |
| | | Net earned insurance premiums | 6,226 | 6,696 | 6,348 |
| 4,034 | 48,308 | | | | |
| 613 | 7,340 | Other operating income | 946 | 4,831 | 4,293 |
| | | Total operating income | 40,523 | 43,672 | 38,873 |
| 26,259 | 314,418 | | | | |
| | | Net insurance claims incurred and movement in liabilities to policyholders | (6,151) | (6,775) | (7,440) |
| (3,986) | (47,726) | | | | |
| | | Net operating income before loan impairment charges and other credit risk provisions | 34,372 | 36,897 | 31,433 |
| 22,273 | 266,692 | | | | |
| | | Loan impairment charges and other credit risk provisions | (3,116) | (4,799) | (3,512) |
| (2,019) | (24,177) | | | | |
| 20,254 | 242,515 | Net operating income | 31,256 | 32,098 | 27,921 |
| | | Employee compensation and benefits | (9,496) | (10,905) | (9,586) |
| (6,153) | (73,680) | | | | |
| | | General and administrative expenses | (7,727) | (9,125) | (10,858) |
| (5,007) | (59,954) | | | | |
| | | Depreciation and impairment of property, plant and equipment | (699) | (706) | (778) |
| (453) | (5,424) | | | | |
| | | Amortisation and impairment of intangible assets | (477) | (468) | (501) |
| (309) | (3,701) | | | | |
| (11,922) | (142,759) | Total operating expenses | (18,399) | (21,204) | (21,723) |
| | | Operating profit | 12,857 | 10,894 | 6,198 |
| 8,332 | 99,756 | | | | |
| | | Share of profit in associates and joint ventures | 1,214 | 1,843 | 1,714 |
| 787 | 9,419 | | | | |
| 9,119 | 109,175 | Profit before tax | 14,071 | 12,737 | 7,912 |
| | | Tax expense | (2,725) | (3,629) | (1,686) |
| (1,766) | (21,143) | | | | |
| 7,353 | 88,032 | Profit for the period | 11,346 | 9,108 | 6,226 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | | | |
|-------|--------|---|--------|-------|-------|
| 6,665 | 79,792 | Profit attributable to shareholders of the parent company | 10,284 | 8,438 | 5,589 |
| 688 | 8,240 | Profit attributable to non-controlling interests | 1,062 | 670 | 637 |

Consolidated Statement of Comprehensive Income

| | 30 June 2013 US\$m | Half-year to 30 June 2012 US\$m | 31 December 2012 US\$m |
|--|--------------------------|--|------------------------------|
| Profit for the period | 11,346 | 9,108 | 6,226 |
| Other comprehensive income/(expense) Items that will be reclassified subsequently to profit or loss when specific conditions are met: Available-for-sale investments: | | | |
| - fair value gains/(losses) | (1,609) | 2,362 | 4,034 |
| - fair value gains transferred to income statement on disposal | (1,025) | (1,017) | (855) |
| - amounts transferred to the income statement in respect of impairment losses | 206 | 450 | 552 |
| - income taxes | 610 | (202) | (254) |
| | (1,818) | 1,593 | 3,477 |
| Cash flow hedges: | | | |
| - fair value gains/(losses) | 35 | (307) | 859 |
| - fair value gains/(losses) transferred to income statement | (258) | 245 | (668) |
| - income taxes | 25 | 56 | (76) |
| | (198) | (6) | 115 |
| Share of other comprehensive income of associates and joint ventures | 1 | 338 | 195 |
| Exchange differences | (4,525) | (392) | 1,409 |

Items that will not be reclassified subsequently
to profit or loss:

Remeasurement of defined benefit
liability/asset

| | | | |
|--|---------|--------|--------|
| - before income taxes | (1,223) | (619) | 228 |
| - income taxes | 264 | 150 | 46 |
| | (959) | (469) | 274 |
| Other comprehensive income/(expense) for the period, net of tax | (7,499) | 1,064 | 5,470 |
| Total comprehensive income for the period | 3,847 | 10,172 | 11,696 |
| Total comprehensive income for the period attributable to: | | | |
| - shareholders of the parent company | 3,072 | 9,515 | 10,940 |
| - non-controlling interests | 775 | 657 | 756 |
| | 3,847 | 10,172 | 11,696 |

Consolidated Balance Sheet

| At 30 June 2013 | | | At 30 June 2013 US\$m | At 30 June 2012 US\$m | At 31 December 2012 US\$m |
|-----------------|-----------|--|--------------------------------|--------------------------------|---------------------------------------|
| £m | HK\$m | | | | |
| ASSETS | | | | | |
| 97,423 | 1,150,395 | Cash and balances at central banks | 148,285 | 147,911 | 141,532 |
| 5,529 | 65,291 | Items in the course of collection from other banks | 8,416 | 11,075 | 7,303 |
| 15,949 | 188,325 | Hong Kong Government certificates of indebtedness | 24,275 | 21,283 | 22,743 |
| 284,219 | 3,356,119 | Trading assets | 432,601 | 391,371 | 408,811 |
| 23,204 | 273,997 | Financial assets designated at fair value | 35,318 | 32,310 | 33,582 |
| 196,583 | 2,321,295 | Derivatives | 299,213 | 355,934 | 357,450 |
| 121,625 | 1,436,177 | Loans and advances to banks | 185,122 | 182,191 | 152,546 |
| 636,884 | 7,520,466 | | 969,382 | 974,985 | 997,623 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | | | |
|-----------|------------|--|-----------|-----------|-----------|
| | | Loans and advances to customers | | | |
| 265,568 | 3,135,892 | Financial investments | 404,214 | 393,736 | 421,101 |
| 13,388 | 158,085 | Assets held for sale | 20,377 | 12,383 | 19,269 |
| 29,654 | 350,157 | Other assets | 45,135 | 47,115 | 54,716 |
| 793 | 9,364 | Current tax assets | 1,207 | 1,312 | 515 |
| | | Prepayments and accrued income | | | |
| 6,426 | 75,881 | | 9,781 | 9,736 | 9,502 |
| | | Interests in associates and joint ventures | | | |
| 10,299 | 121,614 | | 15,676 | 23,790 | 17,834 |
| | | Goodwill and intangible assets | | | |
| 18,749 | 221,390 | | 28,537 | 28,916 | 29,853 |
| | | Property, plant and equipment | | | |
| 6,946 | 82,018 | | 10,572 | 10,642 | 10,588 |
| 4,734 | 55,896 | Deferred tax assets | 7,205 | 7,644 | 7,570 |
| 1,737,973 | 20,522,362 | Total assets | 2,645,316 | 2,652,334 | 2,692,538 |

| | | | At 30 June 2013 US\$m | At 30 June 2012 US\$m | At 31 December 2012 US\$m |
|-----------------|-------|--|--------------------------------|--------------------------------|---------------------------------------|
| At 30 June 2013 | | | | | |
| £m | HK\$m | | | | |

LIABILITIES AND EQUITY

| | | | | | |
|---------|------------|--|-----------|-----------|-----------|
| | | Liabilities | | | |
| 15,949 | 188,326 | Hong Kong currency notes in circulation | 24,275 | 21,283 | 22,742 |
| 72,285 | 853,558 | Deposits by banks | 110,023 | 123,553 | 107,429 |
| 864,732 | 10,210,940 | Customer accounts | 1,316,182 | 1,278,489 | 1,340,014 |
| | | Items in the course of transmission to other banks | | | |
| 6,152 | 72,646 | | 9,364 | 11,321 | 7,138 |
| 224,978 | 2,656,588 | Trading liabilities | 342,432 | 308,564 | 304,563 |
| 55,355 | 653,643 | Financial liabilities designated at fair value | 84,254 | 87,593 | 87,720 |
| 192,940 | 2,278,284 | Derivatives | 293,669 | 355,952 | 358,886 |
| 71,869 | 848,640 | Debt securities in issue | 109,389 | 125,543 | 119,461 |
| 12,824 | 151,428 | Liabilities of disposal groups held for sale | 19,519 | 12,599 | 5,018 |
| 22,017 | 259,978 | Other liabilities | 33,511 | 35,119 | 33,862 |
| 1,042 | 12,304 | Current tax liabilities | 1,586 | 3,462 | 1,452 |
| 45,839 | 541,283 | Liabilities under insurance contracts | 69,771 | 62,861 | 68,195 |
| 7,419 | 87,603 | Accruals and deferred income | 11,292 | 11,727 | 13,184 |
| 3,145 | 37,138 | Provisions | 4,787 | 5,259 | 5,252 |
| 568 | 6,703 | Deferred tax liabilities | 864 | 1,585 | 1,109 |
| 2,113 | 24,950 | Retirement benefit liabilities | 3,216 | 3,962 | 3,905 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | | | |
|-----------|------------|------------------------------|-----------|-----------|-----------|
| 18,935 | 223,593 | Subordinated liabilities | 28,821 | 29,696 | 29,479 |
| 1,618,162 | 19,107,605 | Total liabilities | 2,462,955 | 2,478,568 | 2,509,409 |
| Equity | | | | | |
| 6,119 | 72,250 | Called up share capital | 9,313 | 9,081 | 9,238 |
| 7,274 | 85,889 | Share premium account | 11,071 | 9,841 | 10,084 |
| 3,844 | 45,392 | Other equity instruments | 5,851 | 5,851 | 5,851 |
| 15,441 | 182,336 | Other reserves | 23,503 | 24,806 | 29,722 |
| 81,686 | 964,568 | Retained earnings | 124,332 | 116,266 | 120,347 |
| 144,364 | 1,350,435 | Total shareholders' equity | 174,070 | 165,845 | 175,242 |
| 5,447 | 64,322 | Non-controlling interests | 8,291 | 7,921 | 7,887 |
| 119,811 | 1,414,757 | Total equity | 182,361 | 173,766 | 183,129 |
| 1,737,973 | 20,522,362 | Total equity and liabilities | 2,645,316 | 2,652,334 | 2,692,538 |

Consolidated Statement of Cash Flows

| | 30 June 2013 US\$m | Half-year to 30 June 2012 US\$m | 31 December 2012 US\$m |
|--|--------------------------|--|------------------------------|
| Cash flows from operating activities | | | |
| Profit before tax | 14,071 | 12,737 | 7,912 |
| Adjustments for: | | | |
| - net gain from investing activities | (1,435) | (1,481) | (613) |
| - share of profit in associates and joint ventures | (1,214) | (1,843) | (1,714) |
| - gain on disposal of US branch network, US cards business and Ping An Insurance (Group) Company of China, Ltd ('Ping An') | - | (3,809) | (3,215) |
| - other non-cash items included in profit before tax | 5,091 | 10,420 | 9,358 |
| - change in operating assets | 20,921 | (47,658) | (68,863) |
| - change in operating liabilities | (21,070) | 40,766 | 48,304 |
| - elimination of exchange differences | 4,877 | 3,504 | (7,130) |
| - dividends received from associates | 665 | 278 | 211 |
| - contributions paid to defined benefit plans | (494) | (437) | (296) |
| - tax paid | (2,125) | (2,304) | (3,283) |
| Net cash generated from operating activities | 19,287 | 10,173 | (19,329) |
| Cash flows from investing activities | | | |
| Purchase of financial investments | (171,175) | (177,427) | (165,547) |
| Proceeds from the sale and maturity of financial investments | 181,706 | 188,242 | 141,684 |
| Purchase of property, plant and equipment | (1,155) | (683) | (635) |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | |
|---|---------|---------|----------|
| Proceeds from the sale of property, plant and equipment | 164 | 76 | 165 |
| Proceeds from the sale of loan portfolios | 3,193 | - | - |
| Net purchase of intangible assets | (416) | (507) | (501) |
| Net cash inflow from disposal of US branch network and cards business | - | 23,484 | (2,579) |
| Net cash inflow/(outflow) from disposal of other subsidiaries and businesses | 287 | (1,537) | 674 |
| Net cash outflow from acquisition of or increase in stake of associates | (25) | (13) | (1,791) |
| Proceeds from disposal of Ping An | 7,413 | - | 1,954 |
| Proceeds from disposal of other associates and joint ventures | 367 | 288 | 306 |
| Net cash generated from/(used in) investing activities | 20,359 | 31,923 | (26,270) |
| Cash flows from financing activities | | | |
| Issue of ordinary share capital | 169 | 263 | 331 |
| Net sales/(purchases) of own shares for market-making and investment purposes | (33) | 25 | (50) |
| Subordinated loan capital issued | - | - | 37 |
| Subordinated loan capital repaid | (45) | (1,453) | (301) |
| Net cash outflow from the changes in stake in subsidiaries | 1 | - | (14) |
| Dividends paid to ordinary shareholders of the parent company | (2,799) | (3,161) | (2,764) |
| Dividends paid to non-controlling interests | (331) | (325) | (247) |
| Dividends paid to holders of other equity instruments | (286) | (286) | (287) |
| Net cash used in financing activities | (3,324) | (4,937) | (3,295) |
| Net increase/(decrease) in cash and cash equivalents | 36,322 | 37,159 | (48,894) |
| Cash and cash equivalents at beginning of period | 315,308 | 325,449 | 359,007 |
| Exchange differences in respect of cash and cash equivalents | (8,259) | (3,601) | 5,195 |
| Cash and cash equivalents at end of the period | 343,371 | 359,007 | 315,308 |

Consolidated Statement of Changes in Equity

| | 30 June 2013 | Half-year to 30 June 2012 | 31 December 2012 |
|--|-----------------|---------------------------------|---------------------|
|--|-----------------|---------------------------------|---------------------|

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | US\$m | US\$m | US\$m |
|---|---------|---------|---------|
| Called up share capital | | | |
| At beginning of period | 9,238 | 8,934 | 9,081 |
| Shares issued under employee remuneration and share plans | 50 | 84 | 35 |
| Shares issued in lieu of dividends and amounts arising thereon | 25 | 63 | 122 |
| At end of period | 9,313 | 9,081 | 9,238 |
| Share premium | | | |
| At beginning of period | 10,084 | 8,457 | 9,841 |
| Shares issued under employee remuneration and share plans | 1,012 | 1,447 | 365 |
| Shares issued in lieu of dividends and amounts arising thereon | (25) | (63) | (122) |
| At end of period | 11,071 | 9,841 | 10,084 |
| Other equity instruments | | | |
| At beginning of period | 5,851 | 5,851 | 5,851 |
| At end of period | 5,851 | 5,851 | 5,851 |
| Retained earnings | | | |
| At beginning of period | 120,347 | 111,868 | 116,266 |
| Shares issued under employee remuneration and share plans | (893) | (1,268) | (69) |
| Shares issued in lieu of dividends and amounts arising thereon | 707 | 1,007 | 1,422 |
| Dividends to shareholders | (5,487) | (4,454) | (3,588) |
| Tax credits on distributions | 54 | 59 | (27) |
| Own shares adjustment | (36) | 32 | (30) |
| Cost of share-based payment arrangements | 355 | 541 | 447 |
| Income taxes on share-based payments | 9 | (5) | 47 |
| Other movements | (15) | 119 | (145) |
| Change in ownership interest in subsidiaries that did not result in loss of control | - | 43 | - |
| Total comprehensive income for the period | 9,291 | 8,324 | 6,024 |
| At end of period | 124,332 | 116,266 | 120,347 |
| Other reserves | | | |
| Available-for-sale fair value reserve | | | |
| At beginning of period | 1,649 | (3,361) | (1,799) |
| Total comprehensive income for the period | (1,635) | 1,562 | 3,448 |
| At end of period | 14 | (1,799) | 1,649 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | |
|---|---------|-------|-------|
| Cash flow hedging reserve | | | |
| At beginning of period | 13 | (95) | (102) |
| Total comprehensive income for the period | (197) | (7) | 115 |
| At end of period | (184) | (102) | 13 |
| Foreign exchange reserve | | | |
| At beginning of period | 752 | (237) | (601) |
| Total comprehensive income for the period | (4,387) | (364) | 1,353 |
| At end of period | (3,635) | (601) | 752 |

| | | Half-year to | |
|---|---------|--------------|----------|
| | 30 June | 30 June | 31 |
| | 2013 | 2012 | December |
| | US\$m | US\$m | US\$m |
| Merger reserve | | | |
| At beginning of period | 27,308 | 27,308 | 27,308 |
| At end of period | 27,308 | 27,308 | 27,308 |
| Total shareholders' equity | | | |
| At beginning of period | 175,242 | 158,725 | 165,845 |
| Shares issued under employee remuneration and share plans | 169 | 263 | 331 |
| Shares issued in lieu of dividends and amounts arising thereon | 707 | 1,007 | 1,422 |
| Dividends to shareholders | (5,487) | (4,454) | (3,588) |
| Tax credits on distributions | 54 | 59 | (27) |
| Own shares adjustment | (36) | 32 | (30) |
| Cost of share-based payment arrangements | 355 | 541 | 447 |
| Income taxes on share-based payments | 9 | (5) | 47 |
| Other movements | (15) | 119 | (145) |
| Changes in ownership interests in subsidiaries that did not result in loss of control | - | 43 | - |
| Total comprehensive income for the period | 3,072 | 9,515 | 10,940 |
| At end of period | 174,070 | 165,845 | 175,242 |
| Non-controlling interests | | | |
| At beginning of period | 7,887 | 7,368 | 7,921 |
| Dividends to shareholders | (400) | (398) | (309) |
| Other movements | 22 | (11) | (9) |
| Acquisition and disposals of subsidiaries | 6 | 376 | (484) |
| | 1 | (71) | 12 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | |
|---|---------|---------|---------|
| Changes in ownership interests in subsidiaries that did not result in loss of control | | | |
| Total comprehensive income for the period | 775 | 657 | 756 |
| At end of period | 8,291 | 7,921 | 7,887 |
| Total equity | | | |
| At beginning of period | 183,129 | 166,093 | 173,766 |
| Shares issued under employee remuneration and share plans | 169 | 263 | 331 |
| Shares issued in lieu of dividends and amounts arising thereon | 707 | 1,007 | 1,422 |
| Dividends to shareholders | (5,887) | (4,852) | (3,897) |
| Tax credits on distributions | 54 | 59 | (27) |
| Own shares adjustment | (36) | 32 | (30) |
| Cost of share-based payment arrangements | 355 | 541 | 447 |
| Income taxes on share-based payments | 9 | (5) | 47 |
| Other movements | 7 | 108 | (154) |
| Acquisition and disposal of subsidiaries | 6 | 376 | (484) |
| Changes in ownership interests in subsidiaries that did not result in loss of control | | | |
| Total comprehensive income for the period | 3,847 | 10,172 | 11,696 |
| At end of period | 182,361 | 173,766 | 183,129 |

Additional Information

1. Basis of preparation

The interim consolidated financial statements of HSBC have been prepared in accordance with the Disclosure Rules and Transparency Rules of the Financial Conduct Authority and IAS 34 'Interim Financial Reporting' ('IAS 34') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU').

The consolidated financial statements of HSBC at 31 December 2012 were prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the IASB and as endorsed by the EU. EU endorsed IFRSs may differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2012, there were no unendorsed standards effective for the year ended 31 December 2012 affecting the consolidated financial statements at that date, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to HSBC. Accordingly, HSBC's financial statements for the year ended 31 December 2012 were prepared in accordance with IFRSs as issued by the IASB.

At 30 June 2013, there were no unendorsed standards effective for the period ended 30 June 2013 affecting these interim consolidated financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to HSBC.

Standards adopted during the period ended 30 June 2013

On 1 January 2013, HSBC adopted the following significant new standards and revisions to standards for which the financial effect is insignificant to these interim consolidated financial statements:

- IFRS 10 'Consolidated Financial Statements,' IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' and amendments to IFRS 10, IFRS 11 and IFRS 12 'Transition Guidance'. IFRSs 10 and 11 are required to be applied retrospectively.

Under IFRS 10, there is one approach for determining consolidation for all entities, based on the concepts of power, variability of returns and their linkage. This replaces the approach which applied to previous financial statements

which emphasised legal control or exposure to risks and rewards, depending on the nature of the entity. HSBC controls and consequently consolidates an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

IFRS 11 places more focus on the investors' rights and obligations than on the structure of the arrangement when determining the type of joint arrangement in which HSBC is involved, unlike the previous approach, and introduces the concept of a joint operation.

IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including for unconsolidated structured entities.

- IFRS 13 'Fair Value Measurement' establishes a single framework for measuring fair value and introduces new requirements for disclosure of fair value measurements. IFRS 13 is required to be applied prospectively from the beginning of the first annual period in which it is applied. The disclosure requirements of IFRS 13 do not require comparative information to be provided for periods prior to initial application. New disclosures and enhancements to existing disclosures are provided in Note 8 on the Financial Statements in the Interim Report 2013.
- Amendments to IFRS 7 'Disclosures - Offsetting Financial Assets and Financial Liabilities' which requires disclosure of the effect or potential effects of netting arrangements on an entity's financial position. The amendment requires disclosure of recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement. The amendments have been applied retrospectively. New disclosures are provided in Note 18 on the Financial Statements in the Interim Report 2013.
- Amendments to IAS 19 'Employee Benefits' ('IAS 19 revised'). IAS 19 revised is required to be applied retrospectively. IAS 19 revised replaces the interest cost on the plan liability and expected return on plan assets with a finance cost comprising the net interest on the net defined benefit liability or asset. This finance cost is determined by applying to the net defined benefit liability or asset the same discount rate used to measure the defined benefit obligation. The difference between the actual return on plan assets and the return included in the finance cost component reflected in the income statement is presented in other comprehensive income. The effect of this change is to increase or decrease the pension expense by the difference between the current expected return on plan assets and the return calculated by applying the relevant discount rate.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee ('IFRIC') and its predecessor body.

During the period ended 30 June 2013, HSBC also adopted an interpretation and amendments to standards which had an insignificant effect on these interim consolidated financial statements.

2. Dividends

Second interim dividend for 2013 on ordinary shares

The Directors have declared after the end of the period a second interim dividend in respect of the financial year ending 31 December 2013 of US\$0.10 per ordinary share, a distribution of approximately US\$1,864m, which will be payable on 9 October 2013 to holders of record on 22 August 2013 on the Hong Kong Overseas Branch Register and 23 August 2013 on the Principal Register in the United Kingdom or the Bermuda Overseas Branch Register.

The dividend will be payable in cash, in US dollars, sterling or Hong Kong dollars, or a combination of these currencies, at the forward exchange rates quoted by HSBC Bank plc in London at or about 11.00am on 30 September 2013, or as a scrip dividend. Particulars of these arrangements will be sent to shareholders on or about 5 September 2013 and elections must be received by 26 September 2013. As this dividend was declared after the balance sheet date, no liability is recorded in the financial statements at 30 June 2013.

The dividend will be payable on ordinary shares held through Euroclear France, the settlement and central depository system for Euronext Paris, on 9 October 2013 to the holders of record on 23 August 2013. The dividend will be payable by Euroclear France in cash, in euros, at the forward exchange rate quoted by HSBC France on 30 September 2013, or as a scrip dividend. Particulars of these arrangements will be announced through Euronext Paris on 14 August 2013 and 29 August 2013.

The dividend will be payable on American Depositary Shares ('ADSs'), each of which represents five ordinary shares, on 9 October 2013 to holders of record on 23 August 2013. The dividend of US\$0.50 per ADS will be payable by the depository in cash, in US dollars or as a scrip dividend of new ADSs. Elections must be received by the depository on or before 20 September 2013. Alternatively, the cash dividend may be invested in additional ADSs for participants in the dividend reinvestment plan operated by the depository.

Ordinary shares will be quoted ex-dividend in London, Hong Kong, Paris and Bermuda on 21 August 2013. The ADSs will be quoted ex-dividend in New York on 21 August 2013.

Any person who has acquired ordinary shares registered on the Hong Kong Overseas Branch Register but who has not lodged the share transfer with the Hong Kong Overseas Branch Registrar should do so before 4.00pm on 22 August 2013 in order to receive the dividend.

Any person who has acquired ordinary shares registered on the Principal Register in the United Kingdom or on the Bermuda Overseas Branch Register but who has not lodged the share transfer with the Principal Registrar or the Bermuda Overseas Branch Registrar respectively, should do so before 4.00pm on 23 August 2013 in order to receive the dividend.

Removals of ordinary shares may not be made to or from the Hong Kong Overseas Branch Register on 23 August 2013. Accordingly any person who wishes to remove ordinary shares to the Hong Kong Overseas Branch Register must lodge the removal request with the Principal Registrar in the United Kingdom or the Bermuda Branch Registrar by 4.00pm on 21 August 2013. Any person who wishes to remove ordinary shares from the Hong Kong Overseas Branch Register must lodge the removal request with the Hong Kong Branch Registrar by 4.00pm on 22 August 2013.

Transfers of ADSs should be lodged with the depository by 12 noon on 23 August 2013 in order to receive the dividend.

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Dividend on 6.20% non-cumulative US Dollar Preference Shares, Series A ('Series A Dollar Preference Shares')

In 2005, 1,450,000 Series A Dollar Preference Shares were issued for a consideration of US\$1,000 each, and Series A American Depositary Shares, each of which represents one-fortieth of a Series A Dollar Preference Share, were listed on the New York Stock Exchange.

A non-cumulative fixed-rate dividend of 6.20% per annum is payable on the Series A Dollar Preference Shares on 15 March, 15 June, 15 September and 15 December for the quarter then ended at the sole and absolute discretion of the Board of HSBC Holdings plc. Accordingly, the Board of HSBC Holdings plc has declared a dividend for the quarter ending 15 September 2013. Since 15 September is not a normal business day, the dividend of US\$0.3875 per Series A American Depositary Share will be payable on 16 September 2013 to holders of record on Friday, 30 August 2013.

Any person who has acquired Series A American Depositary Shares but who has not lodged the transfer documentation with the depository should do so before 12 noon on Friday, 30 August 2013 in order to receive the dividend.

Dividends paid to shareholders of HSBC Holdings plc during the period were as follows:

| | 30 June 2013 | | | Half-year to 30 June 2012 | | | 31 December 2012 | | |
|--|----------------------|----------------|---------------------------------|------------------------------|----------------|---------------------------------|----------------------|----------------|---------------------------------|
| | Per share US\$ | Total US\$m | Settled in scrip US\$m | Per share US\$ | Total US\$m | Settled in scrip US\$m | Per share US\$ | Total US\$m | Settled in scrip US\$m |
| Dividends declared on ordinary shares | | | | | | | | | |
| In respect of previous year: | | | | | | | | | |
| - fourth interim dividend | 0.18 | 3,339 | 540 | 0.14 | 2,535 | 259 | - | - | - |
| In respect of current year: | | | | | | | | | |
| - first interim dividend | 0.10 | 1,861 | 167 | 0.09 | 1,633 | 748 | - | - | - |
| - second interim dividend | - | - | - | - | - | - | 0.09 | 1,646 | 783 |
| - third interim dividend | - | - | - | - | - | - | 0.09 | 1,655 | 639 |
| | 0.28 | 5,200 | 707 | 0.23 | 4,168 | 1,007 | 0.18 | 3,301 | 1,422 |
| Quarterly dividends on preference shares classified as equity | | | | | | | | | |
| March dividend | 15.50 | 22 | | 15.50 | 22 | | - | - | |
| June dividend | 15.50 | 23 | | 15.50 | 23 | | - | - | |
| September dividend | - | - | | - | - | | 15.50 | 22 | |
| December dividend | - | - | | - | - | | 15.50 | 23 | |
| | 31.00 | 45 | | 31.00 | 45 | | 31.00 | 45 | |

Quarterly coupons on
capital
securities classified
as equity

| | | | | | | |
|------------------|-------|-----|-------|-----|-------|-----|
| January coupon | 0.508 | 45 | 0.508 | 44 | - | - |
| March coupon | 0.500 | 76 | 0.500 | 76 | - | - |
| April coupon | 0.508 | 45 | 0.508 | 45 | - | - |
| June coupon | 0.500 | 76 | 0.500 | 76 | - | - |
| July coupon | - | - | - | - | 0.508 | 45 |
| September coupon | - | - | - | - | 0.500 | 76 |
| October coupon | - | - | - | - | 0.508 | 45 |
| December coupon | - | - | - | - | 0.500 | 76 |
| | 2.016 | 242 | 2.016 | 241 | 2.016 | 242 |

On 11 July 2013, HSBC paid a further coupon on the capital securities of US\$0.508 per security, a distribution of US\$45m. No liability is recorded in the financial statements in respect of this coupon payment.

3. Earnings and dividends per ordinary share

| | Half-year to | | |
|---|--------------|---------|----------|
| | 30 June | 30 June | 31 |
| | 2013 | 2012 | December |
| | US\$ | US\$ | US\$ |
| Basic earnings per ordinary share | 0.54 | 0.45 | 0.29 |
| Diluted earnings per ordinary share | 0.54 | 0.45 | 0.29 |
| Dividends per ordinary share | 0.28 | 0.23 | 0.18 |
| Net asset value per share at period end | 8.96 | 8.73 | 9.09 |
| Dividend pay out ratio ¹ | 51.9% | 51.1% | 62.1% |

¹ Dividends per ordinary share expressed as a percentage of basic earnings per ordinary share.

Basic earnings per ordinary share were calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding, excluding own shares held. Diluted earnings per ordinary share were calculated by dividing the basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares outstanding, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on conversion of dilutive potential ordinary shares.

| | Half-year to | | |
|--|--------------|---------|----------|
| | 30 June | 30 June | 31 |
| | 2013 | 2012 | December |
| | US\$m | US\$m | US\$m |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | |
|--|--------|-------|-------|
| Profit attributable to shareholders of the parent company | 10,284 | 8,438 | 5,589 |
| Dividend payable on preference shares classified as equity | (45) | (45) | (45) |
| Coupon payable on capital securities classified as equity | (241) | (241) | (242) |
| Profit attributable to ordinary shareholders of the parent company | 9,998 | 8,152 | 5,302 |

4. Tax expense

| | 30 June 2013 US\$m | Half-year to 30 June 2012 US\$m | 31 December 2012 US\$m |
|---------------------------|--------------------------|--|------------------------------|
| UK corporation tax charge | (107) | 100 | 150 |
| Overseas tax | 1,868 | 3,549 | 2,011 |
| Current tax | 1,761 | 3,649 | 2,161 |
| Deferred tax | 964 | (20) | (475) |
| Tax expense | 2,725 | 3,629 | 1,686 |
| Effective tax rate | 19.4% | 28.5% | 21.3% |

The effective UK corporation tax rate applying to HSBC was 23.25% (2012: 24.5%). Overseas tax included Hong Kong profits tax of US\$607m (first half of 2012: US\$476m; second half of 2012: US\$573m). Subsidiaries in Hong Kong provided for Hong Kong profits tax at the rate of 16.5% (2012: 16.5%) on the profits for the period assessable in Hong Kong. Other overseas subsidiaries and overseas branches provided for taxation at the appropriate rates in the countries in which they operate.

The effective tax rate for the first half of 2013 benefited from the non-taxable gain on the reclassification of Industrial Bank as a financial investment and the Ping An disposal. The effective tax rate in 2012 was higher because of the US tax charge arising on the disposal of the US branch network and cards business and an adjustment to prior period liabilities.

Analysis of overall tax expense:

| | Half-year to 30 June 2013 US\$m | Half-year to 30 June 2012 US\$m | 31 December 2012 US\$m |
|--|--|--|---------------------------------|
| | 3,272 | 3,122 | 1,935 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Taxation at UK corporation tax rate of 23.25% (2012: 24.5%)

| | | | |
|---|-------|-------|-------|
| Effect of differently taxed overseas profits | (181) | 265 | (322) |
| Adjustments in respect of prior period liabilities | 7 | 479 | (442) |
| Deferred tax temporary differences not recognised/ (previously not recognised) | (9) | 2 | 372 |
| Effect of profit in associates and joint ventures | (281) | (459) | (413) |
| Tax effect of disposal of Ping An | (111) | - | (204) |
| Tax effect of reclassification of Industrial Bank | (317) | - | - |
| Non taxable income and gains | (377) | (280) | (262) |
| Permanent disallowables | 308 | 405 | 687 |
| Other items | 414 | 95 | 335 |
| Overall tax expense | 2,725 | 3,629 | 1,686 |

5. Analysis of net fee income

| | | Half-year to | |
|------------------------|---------|--------------|----------|
| | 30 June | 30 June | 31 |
| | 2013 | 2012 | December |
| | US\$m | US\$m | US\$m |
| Account services | 1,701 | 1,755 | 1,808 |
| Funds under management | 1,347 | 1,242 | 1,319 |
| Cards | 1,304 | 1,716 | 1,314 |
| Credit facilities | 930 | 867 | 894 |
| Broking income | 734 | 707 | 643 |
| Imports/exports | 580 | 606 | 590 |
| Underwriting | 518 | 377 | 362 |
| Unit trusts | 481 | 344 | 395 |
| Remittances | 415 | 399 | 420 |
| Global custody | 364 | 375 | 362 |
| Insurance | 280 | 425 | 271 |
| Corporate finance | 171 | 230 | 140 |
| Trust income | 143 | 141 | 142 |
| Investment contracts | 66 | 71 | 70 |
| Mortgage servicing | 42 | 47 | 39 |
| Other | 1,072 | 979 | 1,099 |
| Total fee income | 10,148 | 10,281 | 9,868 |
| Less: fee expense | (1,744) | (1,974) | (1,745) |
| Net fee income | 8,404 | 8,307 | 8,123 |

6. Loan impairment charge

Half-year to

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | 30 June 2013 US\$m | 30 June 2012 US\$m | 31 December 2012 US\$m |
|--|--------------------------|--------------------------|---------------------------------|
| Individually assessed impairment allowances: | | | |
| - Net new allowances | 1,221 | 1,187 | 1,151 |
| - Recoveries | (100) | (84) | (115) |
| | 1,121 | 1,103 | 1,036 |
| Collectively assessed impairment allowances: | | | |
| - Net new allowances | 2,607 | 3,906 | 3,062 |
| - Recoveries | (539) | (484) | (463) |
| | 2,068 | 3,422 | 2,599 |
| Total charge for impairment losses | 3,189 | 4,525 | 3,635 |
| Banks | - | 1 | (1) |
| Customers | 3,189 | 4,524 | 3,636 |

7. Capital resources

| | At 30 June 2013 US\$m | At 30 June 2012 US\$m | At 31 December 2012 US\$m |
|---|--------------------------------|--------------------------------|---------------------------------------|
| Composition of regulatory capital | | | |
| Tier 1 capital | | | |
| Shareholders' equity | 165,816 | 160,606 | 167,360 |
| Shareholders' equity per balance sheet | 174,070 | 165,845 | 175,242 |
| Preference share premium | (1,405) | (1,405) | (1,405) |
| Other equity instruments | (5,851) | (5,851) | (5,851) |
| Deconsolidation of special purpose entities | (998) | 2,017 | (626) |
| Non-controlling interests | 4,754 | 4,451 | 4,348 |
| Non-controlling interests per balance sheet | 8,291 | 7,921 | 7,887 |
| Preference share non-controlling interests | (2,395) | (2,412) | (2,428) |
| Non-controlling interest transferred to tier 2 capital | (490) | (496) | (501) |
| Non-controlling interest in deconsolidated subsidiaries | (652) | (562) | (610) |
| Regulatory adjustments to the accounting basis | 178 | (3,308) | (2,437) |
| Unrealised losses on available-for-sale debt securities | 2,354 | 1,208 | 1,223 |
| Own credit spread | 137 | (2,115) | 112 |
| Defined benefit pension fund adjustment | 70 | (116) | (469) |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | |
|---|----------|----------|----------|
| Reserves arising from revaluation of property and unrealised gains on available-for-sale equities | (2,567) | (2,387) | (3,290) |
| Cash flow hedging reserve | 184 | 102 | (13) |
| Deductions | (29,858) | (31,080) | (30,482) |
| Goodwill capitalised and intangible assets | (24,994) | (26,650) | (25,733) |
| 50% of securitisation positions | (1,722) | (1,364) | (1,776) |
| 50% of tax credit adjustment for expected losses | 134 | 145 | 111 |
| 50% of excess of expected losses over impairment allowances | (3,276) | (3,211) | (3,084) |
| Core tier 1 capital | 140,890 | 130,669 | 138,789 |
| Other tier 1 capital before deductions | 15,790 | 17,110 | 17,301 |
| Preference share premium | 1,405 | 1,405 | 1,405 |
| Preference share non-controlling interests | 2,395 | 2,412 | 2,428 |
| Hybrid capital securities | 11,990 | 13,293 | 13,468 |
| Deductions | (6,538) | (845) | (5,042) |
| Unconsolidated investments | (6,672) | (990) | (5,153) |
| 50% of tax credit adjustment for expected losses | 134 | 145 | 111 |
| Tier 1 capital | 150,142 | 146,934 | 151,048 |
| Tier 2 capital | | | |
| Total qualifying tier 2 capital before deductions | 45,009 | 47,205 | 48,231 |
| Reserves arising from revaluation of property and unrealised gains on available-for-sale equities | 2,567 | 2,387 | 3,290 |
| Collective impairment allowances | 2,799 | 2,551 | 2,717 |
| Perpetual subordinated debt | 2,777 | 2,778 | 2,778 |
| Term subordinated debt | 36,566 | 39,189 | 39,146 |
| Non-controlling interest in tier 2 capital | 300 | 300 | 300 |
| Total deductions other than from tier 1 capital | (11,701) | (18,415) | (18,473) |
| Unconsolidated investments | (6,672) | (13,834) | (13,604) |
| 50% of securitisation positions | (1,722) | (1,364) | (1,776) |
| 50% of excess of expected losses over impairment allowances | (3,276) | (3,211) | (3,084) |
| Other deductions | (31) | (6) | (9) |
| Total regulatory capital | 183,450 | 175,724 | 180,806 |
| | At | At | At |
| | 30 June | 30 June | |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | 2013 | 2012 | 31 December 2012 |
|--------------------------|-----------|-----------|------------------------|
| | US\$m | US\$m | US\$m |
| Risk-weighted assets | | | |
| Credit risk | 867,014 | 931,724 | 898,416 |
| Counterparty credit risk | 48,581 | 49,535 | 48,319 |
| Market risk | 70,906 | 54,281 | 54,944 |
| Operational risk | 118,263 | 124,356 | 122,264 |
| Total | 1,104,764 | 1,159,896 | 1,123,943 |
| | % | % | % |
| Capital ratios | | | |
| Core tier 1 ratio | 12.7 | 11.3 | 12.3 |
| Tier 1 ratio | 13.6 | 12.7 | 13.4 |
| Total capital ratio | 16.6 | 15.1 | 16.1 |

8. Notes on the statement of cash flows

| | 30 June 2013 US\$m | Half-year to 30 June 2012 US\$m | 31 December 2012 US\$m |
|---|-----------------------------|---|---------------------------------|
| Other non-cash items included in profit before tax | | | |
| Depreciation, amortisation and impairment | 1,214 | 1,221 | 1,310 |
| Gains arising from dilution of interests in associates | (1,089) | - | - |
| Revaluations on investment property | (110) | (43) | (29) |
| Share-based payment expense | 355 | 541 | 447 |
| Loan impairment losses gross of recoveries and other credit risk provisions | 3,837 | 5,124 | 4,234 |
| Provisions | 1,053 | 2,703 | 3,029 |
| Impairment/(release) of financial investments | (36) | 353 | 166 |
| Charge/(credit) for defined benefit plans | (126) | 233 | 243 |
| Accretion of discounts and amortisation of premiums | (7) | 288 | (42) |
| | 5,091 | 10,420 | 9,358 |
| Changes in operating assets | | | |
| - prepayments and accrued income | (341) | 323 | 234 |
| - net trading securities and net derivatives | 13,398 | 14,436 | (51,265) |
| - loans and advances to banks | (16,848) | (21,188) | 22,271 |
| - loans and advances to customers | 10,256 | (42,516) | (30,103) |
| - financial assets designated at fair value | (1,585) | (147) | (2,551) |
| - other assets | 16,041 | 1,434 | (7,449) |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | |
|--|----------|----------|----------|
| | 20,921 | (47,658) | (68,863) |
| Changes in operating liabilities | | | |
| - accruals and deferred income | (1,803) | (1,379) | 1,457 |
| - deposits by banks | 3,398 | 10,731 | (16,124) |
| - customer accounts | (8,469) | 27,312 | 62,759 |
| - debt securities in issue | (10,072) | (5,470) | (6,082) |
| - financial liabilities designated at fair value | (3,466) | 2,423 | 126 |
| - other liabilities | (658) | 7,149 | 6,168 |
| | (21,070) | 40,766 | 48,304 |

| | | | |
|------------------------|---------|--------------|----------|
| | | Half-year to | |
| | 30 June | 30 June | 31 |
| | 2013 | 2012 | December |
| | US\$m | US\$m | 2012 |
| Interest and dividends | | | US\$m |
| Interest paid | (8,789) | (10,967) | (7,445) |
| Interest received | 25,767 | 32,441 | 28,671 |
| Dividends received | 587 | 446 | 320 |

| | | | |
|--|---------|----------|----------|
| | At | At | At |
| | 30 June | 30 June | 31 |
| | 2013 | 2012 | December |
| | US\$m | US\$m | 2012 |
| Cash and cash equivalents | | | US\$m |
| Cash and balances at central banks | 148,285 | 147,911 | 141,532 |
| Items in the course of collection from other banks | 8,416 | 11,075 | 7,303 |
| Loans and advances to banks of one month or less | 171,020 | 184,337 | 148,232 |
| Treasury bills, other bills and certificates of deposit less than three months | 25,014 | 27,005 | 25,379 |
| Less: items in the course of transmission to other banks | (9,364) | (11,321) | (7,138) |
| | 343,371 | 359,007 | 315,308 |

9. Segmental analysis

| | | | | | | | |
|--------|-----------|----------------------|-----------------------|---------------|---------------|------------------|-------|
| Europe | Hong Kong | Rest of Asia-Pacific | Middle East and North | North America | Latin America | Intra-HSBC items | Total |
|--------|-----------|----------------------|-----------------------|---------------|---------------|------------------|-------|

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | US\$m | US\$m | US\$m | Africa US\$m | US\$m | US\$m | US\$m | US\$m |
|--------------------------|-----------|---------|---------|-----------------|---------|---------|-----------|-----------|
| Net operating income | | | | | | | | |
| Half-year to: | | | | | | | | |
| 30 June 2013 | 10,628 | 6,597 | 6,851 | 1,300 | 3,936 | 3,535 | (1,591) | 31,256 |
| 30 June 2012 | 8,630 | 6,101 | 5,649 | 1,102 | 7,817 | 4,429 | (1,630) | 32,098 |
| 31 December 2012 | 7,057 | 6,247 | 7,499 | 1,042 | 3,419 | 4,385 | (1,728) | 27,921 |
| Profit/(loss) before tax | | | | | | | | |
| Half-year to: | | | | | | | | |
| 30 June 2013 | 2,768 | 4,205 | 5,057 | 909 | 666 | 466 | - | 14,071 |
| 30 June 2012 | (667) | 3,761 | 4,372 | 772 | 3,354 | 1,145 | - | 12,737 |
| 31 December 2012 | (2,747) | 3,821 | 6,076 | 578 | (1,055) | 1,239 | - | 7,912 |
| Total assets | | | | | | | | |
| At 30 June 2013 | 1,365,534 | 528,712 | 325,271 | 63,292 | 473,218 | 123,032 | (233,743) | 2,645,316 |
| At 30 June 2012 | 1,375,553 | 486,608 | 334,978 | 62,881 | 500,590 | 138,968 | (247,244) | 2,652,334 |
| At 31 December 2012 | 1,389,240 | 518,334 | 342,269 | 62,605 | 490,247 | 131,277 | (241,434) | 2,692,538 |

10. Reconciliation of reported and constant currency profit before tax

| HSBC | Half-year to 30 June 2013 ('1H13') compared with half-year to 30 June 2012 ('1H12') | | | | | |
|---|--|--|---|------------------------------|-------------------------|-------------------------------------|
| | 1H12 as reported US\$m | Currency translation adjustment US\$m | 1H12 at 1H13 exchange rates US\$m | 1H13 as reported US\$m | Reported change % | Constant currency change % |
| Net interest income | 19,376 | (278) | 19,098 | 17,819 | (8) | (7) |
| Net fee income | 8,307 | (85) | 8,222 | 8,404 | 1 | 2 |
| Trading Income | 4,519 | (89) | 4,430 | 6,362 | 41 | 44 |
| Own credit spread | (2,170) | 8 | (2,162) | (19) | 99 | 99 |
| Gains on disposal of US branch network and cards business | 3,809 | - | 3,809 | - | (100) | (100) |
| Other income | 3,056 | (82) | 2,974 | 1,806 | (41) | (39) |
| Net operating income | 36,897 | (526) | 36,371 | 34,372 | (7) | (5) |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | | | | |
|--|----------|-------|----------|----------|------|------|
| Loan impairment charges and other credit risk provisions | (4,799) | 101 | (4,698) | (3,116) | 35 | 34 |
| Net operating income | 32,098 | (425) | 31,673 | 31,256 | (3) | (1) |
| Operating expenses | (21,204) | 313 | (20,891) | (18,399) | 13 | 12 |
| Operating profit | 10,894 | (112) | 10,782 | 12,857 | 18 | 19 |
| Share of profit in associates and joint ventures | 1,843 | 14 | 1,857 | 1,214 | (34) | (35) |
| Profit before tax | 12,737 | (98) | 12,639 | 14,071 | 10 | 11 |
| By global business | | | | | | |
| Retail Banking and Wealth Management | 6,410 | 2 | 6,412 | 3,267 | (49) | (49) |
| Commercial Banking | 4,429 | (41) | 4,388 | 4,133 | (7) | (6) |
| Global Banking and Markets | 5,047 | (63) | 4,984 | 5,723 | 13 | 15 |
| Global Private Banking | 527 | (14) | 513 | 108 | (80) | (79) |
| Other | (3,676) | 18 | (3,658) | 840 | | |
| Profit before tax | 12,737 | (98) | 12,639 | 14,071 | 10 | 11 |
| By geographical region | | | | | | |
| Europe | (667) | 19 | (648) | 2,768 | | |
| Hong Kong | 3,761 | – | 3,761 | 4,205 | 12 | 12 |
| Rest of Asia-Pacific | 4,372 | (23) | 4,349 | 5,057 | 16 | 16 |
| Middle East and North Africa | 772 | (15) | 757 | 909 | 18 | 20 |
| North America | 3,354 | (7) | 3,347 | 666 | (80) | (80) |
| Latin America | 1,145 | (72) | 1,073 | 466 | (59) | (57) |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | 12,737 | (98) | 12,639 | 14,071 | 10 | 11 |
|---|--|--|---|------------------------------|-------------------------|-------------------------------------|
| | Half-year to 30 June 2012 ('1H12') compared with half-year to 30 June 2011 ('1H11') | | | | | |
| | 1H11 as reported US\$m | Currency translation adjustment US\$m | 1H11 at 1H12 exchange rates US\$m | 1H12 as reported US\$m | Reported change % | Constant currency change % |
| Profit before tax | | | | | | |
| HSBC | | | | | | |
| Net interest income | 20,235 | (669) | 19,566 | 19,376 | (4) | (1) |
| Net fee income | 8,807 | (265) | 8,542 | 8,307 | (6) | (3) |
| Own credit spread | (143) | – | (143) | (2,170) | (1,417) | (1,417) |
| Gains on disposal of US branch network and cards business | – | – | – | 3,809 | 100 | 100 |
| Other income | 6,795 | (268) | 6,527 | 7,575 | 11 | 16 |
| Net operating income | 35,694 | (1,202) | 34,492 | 36,897 | 3 | 7 |
| Loan impairment charges and other credit risk provisions | (5,266) | 138 | (5,128) | (4,799) | 9 | 6 |
| Net operating income | 30,428 | (1,064) | 29,364 | 32,098 | 5 | 9 |
| Operating expenses | (20,510) | 746 | (19,764) | (21,204) | (3) | (7) |
| Operating profit | 9,918 | (318) | 9,600 | 10,894 | 10 | 13 |
| Share of profit in associates and joint ventures | 1,556 | 40 | 1,596 | 1,843 | 18 | 15 |
| Profit before tax | 11,474 | (278) | 11,196 | 12,737 | 11 | 14 |
| By global business | | | | | | |
| Retail Banking and Wealth Management | 3,126 | (55) | 3,071 | 6,410 | 105 | 109 |
| Commercial Banking | 4,189 | (105) | 4,084 | 4,429 | 6 | 8 |
| Global Banking and Markets | 4,811 | (131) | 4,680 | 5,047 | 5 | 8 |
| Global Private Banking | 552 | (5) | 547 | 527 | (5) | (4) |
| Other | (1,204) | 18 | (1,186) | (3,676) | (205) | (210) |
| Profit before tax | 11,474 | (278) | 11,196 | 12,737 | 11 | 14 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

By geographical region

| | | | | | | |
|------------------------------|--------|-------|--------|--------|-----|-----|
| Europe | 2,147 | (111) | 2,036 | (667) | | |
| Hong Kong | 3,081 | 9 | 3,090 | 3,761 | 22 | 22 |
| Rest of Asia-Pacific | 3,742 | (38) | 3,704 | 4,372 | 17 | 18 |
| Middle East and North Africa | 747 | (3) | 744 | 772 | 3 | 4 |
| North America | 606 | (16) | 590 | 3,354 | 453 | 468 |
| Latin America | 1,151 | (119) | 1,032 | 1,145 | (1) | 11 |
| Profit before tax | 11,474 | (278) | 11,196 | 12,737 | 11 | 14 |

Reconciliation of reported and underlying revenue

| | 30 Jun 2013 US\$m | 30 Jun 2012 US\$m | Half-year to Change % | 30 Jun 2013 US\$m | 31 Dec 2012 US\$m | Change % |
|---------------------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|-------------------------|-------------|
| Reported revenue | 34,372 | 36,897 | (7) | 34,372 | 31,433 | 9 |
| Constant currency | | (534) | | | (401) | |
| Own credit spread | 19 | 2,170 | | 19 | 3,045 | |
| Acquisitions, disposals and dilutions | (1,097) | (6,439) | | (1,097) | (3,688) | |
| Underlying revenue | 33,294 | 32,094 | 4 | 33,294 | 30,389 | 10 |

Reconciliation of reported and underlying loan impairment charges and other credit risk provisions ('LICs')

| | 30 Jun 2013 US\$m | 30 Jun 2012 US\$m | Half-year to Change % | 30 Jun 2013 US\$m | 31 Dec 2012 US\$m | Change % |
|---------------------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|-------------------------|-------------|
| Reported LICs | (3,116) | (4,799) | 35 | (3,116) | (3,512) | 11 |
| Constant currency | | 101 | | | 9 | |
| Acquisitions, disposals and dilutions | 1 | 331 | | 1 | 8 | |
| Underlying LICs | (3,115) | (4,367) | 29 | (3,115) | (3,495) | 11 |

Reconciliation of reported and underlying operating expenses

| | 30 Jun 2013 | 30 Jun 2012 | Half-year to Change | 30 Jun 2013 | 31 Dec 2012 | Change |
|--|----------------|----------------|------------------------|----------------|----------------|--------|
|--|----------------|----------------|------------------------|----------------|----------------|--------|

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | US\$m | US\$m | % | US\$m | US\$m | % |
|---------------------------------------|----------|----------|----|----------|----------|----|
| Reported operating expenses | (18,399) | (21,204) | 13 | (18,399) | (21,723) | 15 |
| Constant currency | | 313 | | | 147 | |
| Acquisitions, disposals and dilutions | 87 | 964 | | 87 | 180 | |
| Underlying operating expenses | (18,312) | (19,927) | 8 | (18,312) | (21,396) | 14 |
| Underlying cost efficiency ratio | 55.0% | 62.1% | | 55.0% | 70.4% | |

Reconciliation of reported and underlying profit before tax

| | 30 Jun 2013 US\$m | 30 Jun 2012 US\$m | Half-year to Change % | 30 Jun 2013 US\$m | 31 Dec 2012 US\$m | Change % |
|---------------------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|-------------------------|-------------|
| Reported profit before tax | 14,071 | 12,737 | 10 | 14,071 | 7,912 | 78 |
| Constant currency | | (106) | | | (232) | |
| Own credit spread | 19 | 2,170 | | 19 | 3,045 | |
| Acquisitions, disposals and dilutions | (1,012) | (5,905) | | (1,012) | (4,179) | |
| Underlying profit before tax | 13,078 | 8,896 | 47 | 13,078 | 6,546 | 100 |
| By global business | | | | | | |
| Retail Banking and Wealth Management | 3,340 | 1,338 | 150 | 3,340 | 2,662 | 25 |
| Commercial Banking | 4,131 | 3,970 | 4 | 4,131 | 3,654 | 13 |
| Global Banking and Markets | 5,729 | 4,760 | 20 | 5,729 | 3,235 | 77 |
| Global Private Banking | 108 | 457 | (76) | 108 | 482 | (78) |
| Other | (230) | (1,629) | 86 | (230) | (3,487) | 93 |
| Underlying profit before tax | 13,078 | 8,896 | 47 | 13,078 | 6,546 | 100 |
| By geographical region | | | | | | |
| Europe | 2,776 | 949 | 193 | 2,776 | (364) | |
| Hong Kong | 4,205 | 3,733 | 13 | 4,205 | 3,422 | 23 |
| Rest of Asia-Pacific | 3,940 | 3,326 | 18 | 3,940 | 2,363 | 67 |
| Middle East and North Africa | 910 | 734 | 24 | 910 | 618 | 47 |
| North America | 808 | (772) | | 808 | (717) | |
| Latin America | 439 | 926 | (53) | 439 | 1,224 | (64) |

| | | | | | | |
|------------------------------|--------|-------|----|--------|-------|-----|
| Underlying profit before tax | 13,078 | 8,896 | 47 | 13,078 | 6,546 | 100 |
|------------------------------|--------|-------|----|--------|-------|-----|

11. Distribution of results by global business

Retail Banking and Wealth Management

| | | Half-year to | |
|--|----------------|-----------------|----------------|
| | 30 June | 30 June | 31 |
| | 2013 | 2012 | December |
| | US\$m | US\$m | US\$m |
| Net interest income | 9,310 | 10,774 | 9,524 |
| Net fee income | 3,586 | 3,760 | 3,445 |
| Net trading income/(expense) | 275 | 34 | 270 |
| Net income/(expense) from financial instruments designated at fair value | 122 | 519 | 1,374 |
| Gains less losses from financial investments | 48 | 20 | 76 |
| Dividend income | 11 | 13 | 11 |
| Net earned insurance premiums | 5,469 | 5,792 | 5,399 |
| Other operating income | (92) | 4,335 | 872 |
| Total operating income | 18,729 | 25,247 | 20,971 |
| Net insurance claims incurred and movement in liabilities to policyholders | (5,440) | (5,932) | (6,425) |
| Net operating income before loan impairment charges and other credit risk provisions | 13,289 | 19,315 | 14,546 |
| Loan impairment charges and other credit risk provisions | (1,768) | (3,273) | (2,242) |
| Net operating income | 11,521 | 16,042 | 12,304 |
| Direct employee expenses | (2,651) | (2,944) | (2,588) |
| Other operating expenses, including reallocations | (5,800) | (7,274) | (6,963) |
| Total operating expenses | (8,451) | (10,218) | (9,551) |
| Operating profit | 3,070 | 5,824 | 2,753 |
| Share of profit in associates and joint ventures | 197 | 586 | 412 |
| Profit before tax | 3,267 | 6,410 | 3,165 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Commercial Banking

| | 30 June | Half-year to 30 June | 31 December |
|--|----------------|-------------------------|----------------|
| | 2013 | 2012 | 2012 |
| | US\$m | US\$m | US\$m |
| Net interest income | 5,050 | 5,144 | 5,217 |
| Net fee income | 2,337 | 2,224 | 2,246 |
| Net trading income | 346 | 321 | 312 |
| Net income from financial instruments designated at fair value | 104 | 72 | 178 |
| Gains less losses from financial investments | (6) | 2 | 20 |
| Dividend income | 8 | 10 | 8 |
| Net earned insurance premiums | 748 | 882 | 904 |
| Other operating income | (19) | 420 | 393 |
| Total operating income | 8,568 | 9,075 | 9,278 |
| Net insurance claims incurred and movement in liabilities to policyholders | (705) | (822) | (980) |
| Net operating income before loan impairment charges and other credit risk provisions | 7,863 | 8,253 | 8,298 |
| Loan impairment charges and other credit risk provisions | (1,160) | (924) | (1,175) |
| Net operating income | 6,703 | 7,329 | 7,123 |
| Direct employee expenses | (1,163) | (1,106) | (1,141) |
| Other operating expenses, including reallocations | (2,174) | (2,630) | (2,721) |
| Total operating expenses | (3,337) | (3,736) | (3,862) |
| Operating profit | 3,366 | 3,593 | 3,261 |
| Share of profit in associates and joint ventures | 767 | 836 | 845 |
| Profit before tax | 4,133 | 4,429 | 4,106 |

Global Banking and Markets

| | 30 June | Half-year to 30 June | 31 December |
|---------------------|---------|-------------------------|----------------|
| | 2013 | 2012 | 2012 |
| | US\$m | US\$m | US\$m |
| Net interest income | 3,334 | 3,625 | 3,335 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | |
|--|---------|---------|---------|
| Net fee income | 1,818 | 1,598 | 1,731 |
| Net trading income | 5,606 | 3,735 | 1,955 |
| Net income/(expense) from financial instruments designated at fair value | (961) | 501 | 593 |
| Gains less losses from financial investments | 597 | 700 | 30 |
| Dividend income | 65 | 55 | 93 |
| Net earned insurance premiums | 3 | 17 | 8 |
| Other operating income | 201 | 117 | 196 |
| Total operating income | 10,663 | 10,348 | 7,941 |
| Net insurance claims incurred and movement in liabilities to policyholders | (1) | (13) | (3) |
| Net operating income before loan impairment charges and other credit risk provisions | 10,662 | 10,335 | 7,938 |
| Loan impairment charges and other credit risk recoveries | (174) | (598) | (72) |
| Net operating income | 10,488 | 9,737 | 7,866 |
| Direct employee expenses | (1,882) | (2,181) | (1,583) |
| Other operating expenses, including reallocations | (3,125) | (2,892) | (3,251) |
| Total operating expenses | (5,007) | (5,073) | (4,834) |
| Operating profit | 5,481 | 4,664 | (3,032) |
| Share of profit in associates and joint ventures | 242 | 383 | 441 |
| Profit before tax | 5,723 | 5,047 | 3,473 |

Global Private Banking

| | Half-year to | | |
|--|--------------|---------|----------|
| | 30 June | 30 June | 31 |
| | 2013 | 2012 | December |
| | US\$m | US\$m | US\$m |
| Net interest income | 575 | 672 | 622 |
| Net fee income | 602 | 625 | 607 |
| Net trading income | 230 | 259 | 231 |
| Gains less losses from financial investments | 4 | (4) | 1 |
| Dividend income | 6 | 4 | 2 |
| Other operating income | (266) | 85 | 68 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

| | | | |
|--|---------|---------|---------|
| Net operating income before loan impairment charges and other credit risk provisions | 1,151 | 1,641 | 1,531 |
| Loan impairment charges and other credit risk provisions | (14) | (4) | (23) |
| Net operating income | 1,137 | 1,637 | 1,508 |
| Direct employee expenses | (381) | (617) | (298) |
| Other operating expenses, including reallocations | (654) | (496) | (732) |
| Total operating expenses | (1,035) | (1,113) | (1,030) |
| Operating profit | 102 | 524 | 478 |
| Share of profit in associates and joint ventures | 6 | 3 | 4 |
| Profit before tax | 108 | 527 | 482 |

Other

| | 30 June 2013 US\$m | Half-year to 30 June 2012 US\$m | 31 December 2012 US\$m |
|--|--------------------------|--|---------------------------------|
| Net interest expense | (376) | (464) | (266) |
| Net fee income | 61 | 100 | 94 |
| Net trading income/(expense) | (169) | (205) | (332) |
| Net income/(expense) from financial instruments designated at fair value | (462) | (2,275) | (3,188) |
| Gains less losses from financial investments | 1,213 | 305 | 39 |
| Dividend income | 17 | 21 | 4 |
| Net earned insurance premiums | – | (4) | 4 |
| Other operating income | 3,866 | 2,860 | 5,639 |
| Total operating income | 4,150 | 338 | 1,994 |
| Net insurance claims incurred and movement in liabilities to policy holders | – | – | – |
| Net operating income before loan impairment charges and other credit risk provisions | 4,150 | 338 | 1,994 |
| | – | – | – |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Loan impairment (charges)/recoveries and other credit risk provisions

| | | | |
|---|---------|---------|---------|
| Net operating income/(expense) | 4,150 | 338 | 1,994 |
| Direct employee expenses | (3,419) | (4,057) | (3,976) |
| Other operating expenses, including reallocations | 107 | 8 | (1,344) |
| Total operating expenses | (3,312) | (4,049) | (5,320) |
| Operating profit/(loss) | 838 | (3,711) | (3,326) |
| Share of profit/(loss) in associates and joint ventures | 2 | 35 | 12 |
| Profit/(loss) before tax | 840 | (3,676) | (3,314) |

12. Distribution of results by geography

Europe

| | | Half-year to | |
|--|---------|--------------|----------|
| | 30 June | 30 June | 31 |
| | 2013 | 2012 | December |
| | US\$m | US\$m | US\$m |
| Interest income | 8,163 | 8,729 | 8,536 |
| Interest expense | (2,913) | (3,656) | (3,215) |
| Net interest income | 5,250 | 5,073 | 5,321 |
| Fee income | 4,148 | 4,093 | 4,092 |
| Fee expense | (1,179) | (1,070) | (946) |
| Net fee income | 2,969 | 3,023 | 3,146 |
| Net trading income | 4,339 | 1,851 | 856 |
| Changes in fair value of long-term debt issued and related derivatives | (1,347) | (1,165) | (1,926) |
| Net income/(expense) from other financial instruments designated at fair value | 398 | 229 | 647 |
| Net income/(expense) from financial instruments designated at fair value | (949) | (936) | (1,279) |
| Gains less losses from financial investments | 373 | 449 | (85) |
| Dividend income | 40 | 43 | 68 |
| Net earned insurance premiums | 1,746 | 1,860 | 1,770 |
| Other operating income | (50) | 468 | 610 |

| | | | |
|------------------------|--------|--------|--------|
| Total operating income | 13,718 | 11,831 | 10,407 |
|------------------------|--------|--------|--------|