

HSBC HOLDINGS PLC  
Form 6-K  
November 04, 2013

0FORM 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 November  
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 - Interim Management Statement

HSBC Holdings plc ('HSBC') will be conducting a trading update conference call with analysts and investors today to coincide with the release of its Interim Management Statement. The trading update call will take place at 11.00am

GMT, and details of how to participate in the call and the live audio webcast can be found below and at Investor Relations on [www.hsbc.com](http://www.hsbc.com).

**Conference call details**

Date: Monday, 4 November 2013

Time: 6.00am EST  
 11.00am GMT  
 7.00pm HKT

Audio webcast: Please follow this link for the webcast: <http://www.hsbc.com/1/2/investor-relations/financial-info>

Speakers: Stuart Gulliver, Group Chief Executive  
 Iain Mackay, Group Finance Director

Conference details for investors and analysts: Passcode: HSBC

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Replay conference call details (available until 4 December 2013): Passcode: 45344522#

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Note to editors

HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 6,600 offices in 80 countries and territories in Europe, Hong Kong, Rest of Asia-Pacific, North and Latin America, and the Middle East and North Africa. With assets of US\$2,723bn at 30 September 2013, HSBC is one of the world's largest banking and financial services organisations.

Highlights

- Reported profit before tax ('PBT') up 30% in the third quarter of 2013 ('3Q13') at US\$4,530m compared with US\$3,481m in the same period in 2012 ('3Q12').
- Underlying PBT was US\$5,056m, up 10% in 3Q13, compared with US\$4,603m in 3Q12.
- Reported PBT for nine months to 30 September 2013 up 15% at US\$18,601m, US\$2,383m higher than in the same period in 2012.
- Underlying PBT for the nine months to 30 September 2013 up 34% at US\$18,145m, US\$4,640m higher than the prior year period.
- Earnings per share and dividends per share for the nine months to 30 September 2013 were US\$0.71 and US\$0.30, respectively, compared with US\$0.58 and US\$0.27 for the equivalent period in 2012.
- Annualised return on equity 1.5 ppt higher - nine months to 30 September 2013 annualised return on average ordinary shareholders' equity ('RoE') was 10.4% compared with 8.9% in the equivalent period in 2012.
- Our home markets of UK and Hong Kong contributed more than half of the Group's underlying PBT in the quarter and year to date. We expect both to see GDP growth in 2014 over 2013.

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- Stable revenue - 3Q13 underlying revenue of US\$15,588m was broadly unchanged compared with US\$15,661m in 3Q12. Notwithstanding this, we achieved broad-based revenue growth in Hong Kong.
- Lower 3Q13 underlying operating expenses - 3Q13 underlying operating expenses were US\$9,572m, down 4% from US\$9,952m in 3Q12. Excluding notable items, operating expenses increased reflecting higher investment expenditure, wage inflation and litigation and regulatory-related costs.
- Maintained momentum in sustainable savings - during 3Q13 we achieved US\$0.4bn of additional sustainable cost savings across all regions, taking the annualised total to US\$4.5bn since the start of 2011. This exceeds our target for the end of 2013.
- Further progress on capital generation but regulatory uncertainty remains - our core tier 1 ratio was 13.3% and our common equity tier 1 ratio was 10.6% in 3Q13.

Nine months ended 30 September

|  | 2013   | 2012   | Change |
|--|--------|--------|--------|
|  | US\$m  | US\$m  | %      |
| Income statement and performance measures <sup>1</sup>             |        |        |        |
| Reported profit before tax   | 18,601 | 16,218 | 15     |
| Underlying profit before tax                                       | 18,145 | 13,505 | 34     |
| Profit attributable to ordinary shareholders of the parent company | 13,055 | 10,507 | 24     |
| Cost efficiency ratio  | 56.6%  | 61.2%  |        |
| Pre-tax return on average risk-weighted assets                     | 2.2%   | 1.8%   |        |

|                                 | At<br>30<br>September<br>2013 | At<br>June<br>2013 | At<br>30<br>December<br>2012 | Change from<br>30 June to<br>30<br>September 2013 |
|---------------------------------|-------------------------------|--------------------|------------------------------|---|
|                                 | US\$m                         | US\$m              | US\$m                        | US\$m   |
| Capital and balance sheet       |                               |                    |                              |   |
| Core tier 1 ratio               | 13.3%                         | 12.7%              | 12.3%                        |   |
| Loans and advances to customers | 1,017,151                     | 969,382            | 997,623                      | 47,769  |
| Customer accounts               | 1,382,819                     | 1,316,182          | 1,340,014                    | 66,637  |
| Risk-weighted assets            | 1,098,876                     | 1,104,764          | 1,123,943                    | (5,888)   |

## CRD IV

Common equity tier 1 ratio<sup>2</sup>

|       |       |       |      |
|-------|-------|-------|------|
| ..... | 10.6% | 10.1% | 9.5% |
|-------|-------|-------|------|

1 All on a reported basis, unless otherwise stated. Underlying basis eliminates effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates, joint ventures and businesses, and changes in fair value ('FV') due to movements in credit spread on own long-term debt issued by the Group and designated at fair value. A reconciliation of reported results to underlying results is shown on page 6.

2 The CET1 ratio presented for 31 December 2012 has changed from the presentation in the Annual Report and Accounts 2012 and is shown post future management action to mitigate capital deductions for non-significant holdings of financial sector entities, as detailed on page 16.

|  | Nine months ended<br>30 September |               | Quarter ended<br>30 September |               |
|--|-----------------------------------|---------------|-------------------------------|---------------|
|  | 2013<br>US\$m                     | 2012<br>US\$m | 2013<br>US\$m                 | 2012<br>US\$m |
| Reported Revenue <sup>1</sup>                            | 49,450                            | 51,463        | 15,078                        | 14,566        |
| Loan impairment charges and other credit risk provisions | (4,709)                           | (6,519)       | (1,593)                       | (1,720)       |
| Operating expenses                                       | (27,983)                          | (31,483)      | (9,584)                       | (10,279)      |
| Profit before tax  | 18,601                            | 16,218        | 4,530                         | 3,481         |
| Underlying Revenue <sup>1</sup>                          | 48,879                            | 47,740        | 15,588                        | 15,661        |
| Loan impairment charges and other credit risk provisions | (4,709)                           | (6,024)       | (1,594)                       | (1,658)       |
| Operating expenses                                       | (27,868)                          | (29,858)      | (9,572)                       | (9,952)       |
| Profit before tax  | 18,145                            | 13,505        | 5,056                         | 4,603         |

Notable items (on a reported basis)

Included in underlying profit before tax are:

Revenue

Net gain on completion of Ping An Insurance (Group)

Company of China, Ltd ('Ping An') disposal<sup>2</sup>

|       |     |   |   |   |
|-------|-----|---|---|---|
| ..... | 553 | - | - | - |
|-------|-----|---|---|---|

Operating costs

|   |     |       |     |     |
|---|-----|-------|-----|-----|
| UK customer redress programmes  |     |       |     |     |
| .....   | 840 | 1,698 | 428 | 353 |
| Of which  |     |       |     |     |
| Payment protection insurance ('PPI') .....  | 514 | 1,360 | 147 | 356 |
| Interest rate derivatives ('IRD') .....   | 132 | 238   | 132 | -   |
| Wealth management .....   | 149 | -     | 149 | -   |
| Fines and penalties for inadequate compliance with<br>anti-money laundering and sanction laws |     |       |     |     |
| .....   | -   | 1,500 | -   | 800 |
| Restructuring and other related costs .....   | 396 | 660   | 158 | 97  |

1 Net operating income before loan impairment charges, also referred to as 'revenue'.

2 The gain of US\$553m represents the net impact of the disposal of available-for-sale investments in Ping An offset by adverse changes in fair value of the contingent forward sale contract to the point of delivery of the shares.

### Group Chief Executive, Stuart Gulliver, commented:

#### Business performance

Revenue was stable in the third quarter, influenced by the mixed global macroeconomic picture set against a backdrop of our continuing implementation of Global Standards and ongoing regulatory uncertainty.

Our home markets of the UK and Hong Kong contributed more than half of the Group's underlying profit before tax. Hong Kong performed well in the quarter, reflecting broad-based revenue growth. Hong Kong continues to benefit from its close economic relationship with mainland China. We remain well positioned to capitalise on improving economic conditions in these markets.

In addition, we continued to remodel our business in North America to improve profitability and growth. The ongoing recovery of the US housing market and increased investor appetite may provide further opportunities to accelerate the run-down of our US Consumer Mortgage and Lending portfolio.

Global Banking and Markets performed resiliently, notwithstanding a challenging environment over recent months. This reflects our distinctive business model with its broad international focus, emphasis on customer connectivity, product capability and balance sheet strength.

We continued to focus on managing our cost base, generating an additional US\$0.4bn of sustainable savings over the quarter and bringing the total annualised sustainable savings achieved since the start of 2011 to US\$4.5bn. This is well in excess of the target we set out to achieve by the end of 2013. We re-invested part of these savings in risk and compliance, increasing headcount by 1,600 since December 2012.

We grew underlying revenue 9% faster than costs for the first nine months.

We also made further progress towards simplifying and restructuring HSBC. In particular, we recently completed the sale of our Panama business in October.

Our capital position has strengthened during the quarter with an improvement in the core tier 1 ratio to 13.3%. Our estimated CRD IV end point basis common equity tier 1 ratio also improved to 10.6%. There continues to be significant regulatory uncertainty on the horizon.

## Outlook

We see reasons for optimism with some evidence of a broadening recovery. Indications are that economic growth in mainland China is stabilising with positive implications for Hong Kong and the rest of Asia-Pacific. The US should continue to grow, albeit at a low rate by historical standards. The UK should see positive growth and outperform the eurozone. We expect GDP growth in Latin America to remain slow, although the Mexican economy should strengthen in 2014. Our forecasts for global growth remain constant at 2.0% in 2013 and 2.6% in 2014.

We remain focused on delivering organic growth, streamlining the businesses and implementing Global Standards, and so supporting a progressive dividend.

## Underlying performance

Underlying performance:

- adjusts for the period-on-period effects of foreign currency translation;
- eliminates the fair value movements on our long-term debt attributable to credit spread ('own credit spread') where the net result of such movements will be zero upon maturity of the debt (see footnote 2 on page 7); and
- adjusts for acquisitions, disposals and changes of ownership levels of subsidiaries, associates, joint ventures and businesses.

For acquisitions, disposals and changes of ownership levels of subsidiaries, associates, joint ventures and businesses, we eliminate the gain or loss on disposal or dilution and any associated gain or loss on reclassification or impairment recognised in the period incurred, and remove the operating profit or loss of the acquired, disposed of or diluted subsidiaries, associates, joint ventures and businesses from all the periods presented so we can view results on a like-for-like basis. Disposal of investments other than those included in the above definition do not lead to underlying adjustments.

## Reconciliation of reported and underlying revenue

|  | Nine months ended<br>30 September |        |        | Quarter ended<br>30 September |        |        |
|--|-----------------------------------|--------|--------|-------------------------------|--------|--------|
|  | 2013                              | 2012   | Change | 2013                          | 2012   | Change |
|  | US\$m                             | US\$m  | %      | US\$m                         | US\$m  | %      |
| Reported revenue                       |                                   |        |        |                               |        |        |
| .....                                  | 49,450                            | 51,463 | (4)    | 15,078                        | 14,566 | 4      |
| Currency translation<br>adjustment1 .. |                                   | (890)  |        |                               | (354)  |        |

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|  |         |         |   |        |        |   |
|--|---------|---------|---|--------|--------|---|
| Own credit spread <sup>2</sup><br>.....  | 594     | 3,903   |   | 575    | 1,733  |   |
| Acquisitions, disposals<br>and dilutions | (1,165) | (6,736) |   | (65)   | (284)  |   |
| Underlying revenue<br>.....              | 48,879  | 47,740  | 2 | 15,588 | 15,661 | - |

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

|  | Nine months ended<br>30 September |         |        | Quarter ended<br>30 September |         |        |
|--|-----------------------------------|---------|--------|-------------------------------|---------|--------|
|  | 2013                              | 2012    | Change | 2013                          | 2012    | Change |
|  | US\$m                             | US\$m   | %      | US\$m                         | US\$m   | %      |
| Reported LICs<br>.....                             | (4,709)                           | (6,519) | 28     | (1,593)                       | (1,720) | 7      |
| Currency translation<br>adjustment <sup>1</sup> .. |                                   | 161     |        |                               | 59      |        |
| Acquisitions, disposals<br>and dilutions           | -                                 | 334     |        | (1)                           | 3       |        |
| Underlying LICs<br>.....                           | (4,709)                           | (6,024) | 22     | (1,594)                       | (1,658) | 4      |

Reconciliation of reported and underlying operating expenses

|  | Nine months ended<br>30 September |          |        | Quarter ended<br>30 September |          |        |
|--|-----------------------------------|----------|--------|-------------------------------|----------|--------|
|  | 2013                              | 2012     | Change | 2013                          | 2012     | Change |
|  | US\$m                             | US\$m    | %      | US\$m                         | US\$m    | %      |
| Reported operating<br>expenses .....               | (27,983)                          | (31,483) | 11     | (9,584)                       | (10,279) | 7      |
| Currency translation<br>adjustment <sup>1</sup> .. |                                   | 512      |        |                               | 199      |        |
| Acquisitions, disposals<br>and dilutions           | 115                               | 1,113    |        | 12                            | 128      |        |
| Underlying operating<br>expenses .....             | (27,868)                          | (29,858) | 7      | (9,572)                       | (9,952)  | 4      |
| Underlying cost<br>efficiency ratio ...            | 57.0%                             | 62.5%    |        | 61.4%                         | 63.5%    |        |

Reconciliation of reported and underlying profit before tax



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|   | Nine months ended<br>30 September |         |        | Quarter ended<br>30 September |       |        |
|---|-----------------------------------|---------|--------|-------------------------------|-------|--------|
|   | 2013                              | 2012    | Change | 2013                          | 2012  | Change |
|   | US\$m                             | US\$m   | %      | US\$m                         | US\$m | %      |
| Reported profit before tax .....                | 18,601                            | 16,218  | 15     | 4,530                         | 3,481 | 30     |
| Currency translation adjustment <sup>1</sup> .. |                                   | (187)   |        |                               | (79)  |        |
| Own credit spread <sup>2</sup> .....            | 594                               | 3,903   |        | 575                           | 1,733 |        |
| Acquisitions, disposals and dilutions           | (1,050)                           | (6,429) |        | (49)                          | (532) |        |
| Underlying profit before tax .....              | 18,145                            | 13,505  | 34     | 5,056                         | 4,603 | 10     |

1 'Currency translation adjustment' is the effect of translating the results of subsidiaries and associates for the previous period at the average rates of exchange applicable in the current period.

2 Changes in fair value due to movements in own credit spread on long-term debt issued. This does not include the fair value changes due to own credit risk in respect of trading liabilities or derivative liabilities.

## Financial performance commentary

### Nine months ended 30 September 2013 compared with nine months ended 30 September 2012

- Reported profit before tax of US\$18.6bn for the first nine months of 2013 was US\$2.4bn or 15% higher than in the same period in 2012. This was primarily due to lower adverse fair value movements of US\$3.3bn on our own debt designated at fair value resulting from changes in credit spreads, and decreases in both loan impairment charges and other credit risk provisions ('LIC's) of US\$1.8bn and operating expenses of US\$3.5bn. These factors were partially offset by lower gains (net of losses) from disposals and reclassifications of US\$1.2bn compared with US\$4.4bn in the same period in 2012. This mainly reflected the gain on disposal of the Card and Retail Services ('CRS')

business in North America in May 2012, which more than offset the accounting gain arising in the first quarter of 2013 from the reclassification of Industrial Bank Co., Ltd ('Industrial Bank') as a financial investment following its issue of additional share capital to third parties.

- On an underlying basis, profit before tax rose by 34% to US\$18.1bn, primarily due to higher revenue and lower LICs and operating expenses.

- Reported revenue was US\$49.4bn in the nine months or 3.9% lower than in the same period in 2012, primarily reflecting lower gains (net of losses) from disposals and reclassifications. On an underlying basis, revenue of US\$48.9bn, was US\$1.1bn or 2.4% higher reflecting:

- favourable fair value movements on non-qualifying hedges of US\$461m compared with adverse movements of US\$365m in the same period in 2012;

- a net gain recognised on completion of the disposal of our investment in Ping An of US\$553m;
- a favourable debit valuation adjustment ('DVA') of US\$300m in Global Banking and Markets ('GB&M') on derivative contracts;
- foreign exchange gains on sterling debt issued by HSBC Holdings of US\$442m;
- a loss of US\$279m following the write-off of goodwill relating to our Global Private Banking ('GPB') business in Monaco; and
- a loss of US\$138m on the sale of an HFC Bank UK secured loan portfolio.

Excluding these items, the main drivers of revenue movements in our global businesses were as follows:

- in GB&M, revenue increased marginally with growth in the majority of our customer-facing businesses. Revenue increased in Financing and Equity Capital Markets reflecting a rise in lending spreads. It also rose due to increased customer activity in Credit in both primary and secondary markets, and in Equities and Payments and Cash Management. By contrast, revenue from Rates decreased compared with strong results in 2012 which benefited from tightening spreads following the European Central Bank liquidity intervention. This reduction was partly offset by minimal fair value movements on structured liabilities in 2013 (reported within Rates and Equities) compared with significant adverse movements in 2012. As expected, revenues from Balance Sheet Management also decreased;
  - in Commercial Banking ('CMB') revenue was marginally higher, driven by our home markets of Hong Kong and the UK. An increase in net interest income reflected average balance sheet growth which was partially offset by spread compression. Revenue also benefited from an increase in lending fees and from collaboration with GB&M;
  - in Retail Banking and Wealth Management ('RBWM') revenue decreased, primarily in our Consumer Mortgage and Lending ('CML') portfolio, reflecting lower average lending balances, losses on the sale of the non-real estate portfolio and the early termination of cash flow hedges. In RBWM excluding the CRS business and the US run-off portfolio ('the Rest of RBWM') revenue increased, driven by a rise in fee income from higher investment product sales in Hong Kong, notably unit trusts and retail brokerage, and from current account and card fees in Brazil. In addition, net interest income rose from improved mortgage spreads and higher average mortgage balances, primarily in Hong Kong and the UK; and
  - in GPB, net interest income decreased as higher yielding positions matured and opportunities for reinvestment were limited by prevailing rates, lending and deposit spreads narrowed and average deposit balances fell. Revenue was also adversely affected by negative net new money as we continued to reposition the GPB client base.
- Reported LICs of US\$4.7bn were 28% lower than the same period in 2012. On an underlying basis, LICs fell in the majority of our regions, notably by US\$1.6bn in North America and by US\$0.2bn in the Middle East and North Africa.
- In North America the decrease was, in part, due to improvements in housing market conditions. In addition, the decrease reflected lower lending balances, reduced new impaired loans and lower delinquency levels in the

CML portfolio.

- The Middle East and North Africa benefited from releases of charges raised in previous periods. This reflected an improvement in the financial position of certain customers.

- By contrast, LICs were higher in Latin America by US\$0.5bn, principally in Mexico, due to higher collective impairments in RBWM and specific impairments in CMB relating to homebuilders. In Brazil LICs increased, reflecting impairment model changes and assumption revisions for restructured loan account portfolios in RBWM and Business Banking in CMB. This was partly offset by improvements in the quality of the portfolio in Brazil as credit strategies were modified in previous periods to mitigate rising delinquency rates.

- Reported operating expenses for the nine months of US\$28.0bn were 11% lower than in the same period in 2012. On an underlying basis, operating expenses fell by US\$2.0bn, primarily due to the non-recurrence of a provision for US anti-money laundering, Bank Secrecy Act ('BSA') and Office of Foreign Asset Control ('OFAC') investigations of US\$1.5bn, a reduction in charges relating to UK customer redress of US\$0.9bn and a decrease in restructuring

and related costs of US\$0.3bn. UK customer redress charges for the period included additional estimated redress for possible mis-selling in previous years of US\$514m in respect of payment protection insurance ('PPI'), US\$132m in respect of interest rate protection products and US\$149m in respect of wealth management products. Excluding these items, operating expenses were US\$0.6bn higher, mainly due to increased Madoff-related litigation costs in GB&M Europe, a provision in respect of regulatory investigations in GPB, a customer remediation provision connected to our former CRS business, and investment in strategic initiatives, risk and compliance. Wage inflation also

contributed to the increase in operating expenses. These factors were partially offset by additional sustainable cost savings, an accounting gain arising from a change in the basis of delivering ill-health benefits to certain employees in the UK and lower performance-related costs.

We achieved an additional US\$1.2bn of sustainable cost savings across all of our regions, taking our total annualised cost savings to US\$4.5bn as we continued with our organisational effectiveness programmes.

- The reported cost efficiency ratio improved from 61.2% for the first nine months of 2012 to 56.6% in 2013 while, on an underlying basis, it improved from 62.5% to 57.0%.

Full-time equivalent staff numbers ('FTE's) at the end of the quarter were 259,300, broadly unchanged compared with 30 June 2013.

- The effective tax rate for the nine months of 20.3% was lower than the UK corporation tax rate of 23.25%. The lower tax rate was driven by the geographical distribution of the Group's profit and non-taxable gains from the reclassification of Industrial Bank as a financial investment and the disposal of our investment in Ping An. These factors were offset in part by a reduction in deferred tax assets recognised in Mexico following clarification of the tax law by the Mexican fiscal authority and a write-down of the UK deferred tax asset arising from the reduction in the future UK tax rate to 20% from 1 April 2015.

- On 7 October 2013, the Board announced a third interim dividend for 2013 of US\$0.10 per ordinary share.

### 3Q13 compared with 3Q12

- Reported profit before tax of US\$4.5bn for 3Q13 was US\$1.0bn or 30% higher than in 3Q12, primarily due to higher revenue from lower adverse fair value movements of US\$1.2bn on our own debt designated at fair value resulting

from changes in credit spreads, and lower operating expenses.

- Reported revenue was US\$15.1bn in the quarter, 3.5% higher than in the same period in 2012. On an underlying basis, revenue was US\$15.6bn in the quarter, broadly in line with 3Q12 notwithstanding an adverse DVA movement in GB&M of US\$0.2bn. Excluding this, revenue in GB&M was marginally higher. It was also marginally higher in CMB, in line with trends seen throughout the first nine months of 2013. By contrast, revenue in RBWM decreased, primarily reflecting lower average balances in the CML portfolio and a fall in insurance revenues. These factors were partly offset by higher net interest income in Hong Kong, mainly due to improved mortgage spreads and higher average mortgage balances. In GPB, the trends driving performance in the first nine months of 2013 contributed to a fall in revenue in the quarter.

- LICs of US\$1.6bn were US\$0.1bn lower than in 3Q12, on both a reported and underlying basis. The movement in underlying LICs was driven by a decrease in North America of US\$0.4bn (to US\$0.3bn) reflecting improvements in housing market conditions, lower lending balances, lower levels of new impaired loans and reduced delinquency levels in our CML portfolio. This was largely offset by higher LICs in Latin America of US\$0.2bn (to US\$0.6bn) and in Europe of US\$0.1bn (to US\$0.5bn). In Latin America, the higher LICs reflected an increase in specific impairments in CMB, notably in Mexico due to further deterioration of recoverability on exposures to homebuilders and in

Brazil across a number of corporate exposures. In Europe, the rise in LICs reflected specific customer impairments in GB&M partially offset by provision releases.

- Reported operating expenses of US\$9.6bn were 7% lower than in the same period in 2012. On an underlying basis, operating expenses fell by US\$0.4bn, primarily reflecting the non-recurrence of the provision of US\$0.8bn booked in 3Q12 in respect of US anti-money laundering, BSA and OFAC investigations which was partially offset by higher UK customer redress charges of US\$0.1bn and restructuring and related costs of US\$0.1bn. Excluding

these items, operating expenses rose by US\$0.3bn, reflecting increased strategy and investment costs, wage inflation and litigation and regulatory-related costs including a provision in respect of regulatory investigations in GPB.

These factors were partly offset by additional sustainable costs savings of US\$0.4bn.

- The reported cost efficiency ratio improved from 70.6% in 3Q12 to 63.6% in 3Q13 while, on an underlying basis, it improved from 63.5% to 61.4%.

- The effective tax rate for the three months was 23.1%, similar to the UK corporation tax rate of 23.25%. The tax for the quarter included a write-down of the UK deferred tax asset arising from a reduction in the future UK tax rate to

20% from 1 April 2015.

### Balance sheet commentary compared with 30 June 2013

- Reported loans and advances to customers increased by US\$47.8bn during 3Q13. This resulted from foreign exchange differences of US\$23.5bn coupled with a rise of US\$7.8bn in reverse repo balances and an increase in customer

lending of US\$16.5bn. The latter included the reclassification of assets previously included in 'Assets held for sale' following the strategic review of our Monaco business in GPB. Excluding this, loans and advances were marginally higher, driven by increases in Hong Kong from term lending to CMB and Global Banking customers, particularly commercial real estate related, together with an increase in corporate overdraft balances in the UK, notably in GB&M, which did not meet the netting criteria.

- Reported customer accounts increased by US\$66.6bn in the quarter, largely resulting from foreign exchange differences of US\$28.9bn, an increase in repo balances of US\$14.5bn and a rise in customer deposits of US\$23.2bn. The

latter included the reclassification of customer deposits previously included in 'Liabilities of disposal groups held for sale' arising from the strategic review noted above. Excluding these factors, customer deposits were marginally higher, driven by RBWM in Hong Kong, where customers adopted a more conservative approach to managing assets and, to a lesser extent, by CMB. In addition, there was an increase in the UK of customer deposit balances which did not meet the netting criteria.

- Other significant balance sheet movements in the quarter included an increase in cash and balances at central banks, mainly in Europe and, to a lesser degree, in Hong Kong and Rest of Asia-Pacific as surplus liquidity was redeployed. In addition, there was a decline in derivative assets and liabilities, reflecting continued shifts in major yield curves.

### Net interest margin

- Net interest margin decreased in the nine months to 30 September 2013 compared with the same period in 2012 as a result of significantly lower gross yields on customer lending, including balances within 'Assets held for sale'.

This was driven by the effect of disposals, notably of the higher-yielding CRS and non-real estate portfolios in the US, and downward trends in interest rates in a small number of countries, particularly Brazil. Yields on our own surplus liquidity also fell, notably in Latin America and Europe, as proceeds from maturing investments and disposals were reinvested at lower prevailing rates. These factors were partly offset by a reduction in the cost of funds on customer accounts in the majority of our regions, especially in Latin America, in line with the declining interest rate trends noted above. In addition, the cost of funds on debt issued by the Group decreased, as debt issued at higher coupons in the US matured and was repaid.

### Capital and risk-weighted assets

- The core tier 1 capital ratio strengthened to 13.3% from 12.7% at 30 June 2013. Internal capital generation of US\$2.6bn and favourable foreign exchange movements of US\$2.4bn contributed to a total increase of US\$4.8bn in core tier 1 capital.

- Risk-weighted assets ('RWA's) decreased by US\$5.9bn in the quarter, mainly due to a US\$7.7bn reduction in market risk and reductions in other risk types, partially offset by the effect of foreign exchange movements. The lower market risk RWAs reflected a lesser incremental risk charge from falls in sovereign exposures.

- The estimated CRD IV end point basis common equity tier 1 capital ratio increased to 10.6%, from 10.1% at 30 June 2013, reflecting internal capital generation, favourable foreign exchange movements and a reduction in RWAs.

### Trading conditions since 30 September 2013 and outlook

Our results in October included an estimated gain of US\$1.1bn on the disposal of our operations in Panama. Excluding this, our performance was in line with the trends we experienced during the first nine months of the year.

The Financial Conduct Authority is conducting investigations alongside several other agencies in various countries into a number of firms, including HSBC, relating to trading on the foreign exchange market. We are cooperating with the investigations which are at an early stage.

### Notes

- Income statement comparisons, unless stated otherwise, are between the quarter ended 30 September 2013 and the quarter ended 30 September 2012, or between the nine months ended 30 September 2013 and the corresponding nine months in 2012. Balance sheet comparisons, unless otherwise stated, are between balances at 30 September 2013 and the corresponding balances at 30 June 2013.
- The financial information on which this Interim Management Statement is based and the data set out in the appendix to this statement are unaudited and have been prepared in accordance with HSBC's significant accounting policies as described in the Annual Report and Accounts 2012, with the exception of the adoption of the following new or revised standards: IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 13 'Fair Value Measurement' and IAS 19 'Employee Benefits'. These new standards took effect from 1 January 2013 and their adoption had an insignificant effect on the consolidated financial statements of HSBC. A further description of the adoption of these standards and revisions to standards is provided in the Interim Report 2013. A glossary of terms is also provided in the Annual Report and Accounts 2012.
- The Board has adopted a policy of paying quarterly interim dividends on the ordinary shares. Under this policy, it is intended to have a pattern of three equal interim dividends with a variable fourth interim dividend. Dividends are declared in US dollars and, at the election of the shareholder, paid in cash in one of, or in a combination of, US dollars, sterling and Hong Kong dollars or, subject to the Board's determination that a scrip dividend is to be offered in respect of that dividend, may be satisfied in whole or in part by the issue of new shares in lieu of a cash dividend.
- The proposed timetable for the fourth interim dividend is as follows:

|   |             |
|---|-------------|
| Annual Report and Accounts 2013 announcement date                 | 24 February |
| .....   | 2014        |
| Shares quoted ex-dividend in London, Hong Kong, Paris and Bermuda | 12 March    |
| .....   | 2014        |
| ADSs quoted ex-dividend in New York                               | 12 March    |
| .....   | 2014        |
| Dividend record date in Hong Kong                                 | 13 March    |
| .....   | 2014        |
| Dividend record date in London, New York, Paris and Bermuda       | 14 March    |
| .....   | 2014        |
| Dividend payment date   | 30 April    |
| .....   | 2014        |

**Cautionary statement regarding forward-looking statements**

The Interim Management Statement contains certain forward-looking statements with respect to HSBC's financial condition, results of operations, capital position and business.

Statements that are not historical facts, including statements about HSBC's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify

forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. HSBC makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.

Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC's Directors, officers or employees to third parties, including financial analysts.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These include, but are not limited to:

- changes in general economic conditions in the markets in which we operate, such as continuing or deepening recessions and fluctuations in employment beyond those factored into consensus forecasts; changes in foreign exchange rates and interest rates; volatility in equity markets; lack of liquidity in wholesale funding markets; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; and consumer perception as to the continuing availability of credit and price competition in the market segments we serve;
- changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities; initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; imposition of levies or taxes designed to change business mix and risk appetite; the conduct of business of financial institutions in serving their retail customers, corporate clients and counterparties; the standards of market conduct; the costs, effects and outcomes of product regulatory reviews, actions or litigation, including any additional compliance requirements; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; changes in bankruptcy legislation in the principal markets in which we operate and the consequences thereof; general changes in government policy that may significantly influence investor decisions; extraordinary government actions as a result of current market turmoil; other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for our products and services; and the effects of competition in the markets where we operate including increased competition from non-bank financial services companies, including securities firms; and
- factors specific to HSBC, including our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques). Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models we use; and our success in addressing operational, legal and regulatory, and litigation challenges, notably compliance with the Deferred Prosecution Agreements with US authorities.

## Summary consolidated income statement

|  | Nine months ended |                   | Quarter ended  |                   |                   |
|--|-------------------|-------------------|----------------|-------------------|-------------------|
|  | 30 Sep<br>2013    | 30<br>Sep<br>2012 | 30 Sep<br>2013 | 30<br>Jun<br>2013 | 30<br>Sep<br>2012 |
|  | US\$m             | US\$m             | US\$m          | US\$m             | US\$m             |
| Net interest income  | 26,533            | 28,490            | 8,714          | 8,851             | 9,114             |
| Net fee income   | 12,441            | 12,364            | 4,037          | 4,159             | 4,057             |
| Net trading income   | 7,645             | 6,311             | 1,283          | 2,519             | 1,792             |
| Changes in fair value of long-term debt issued<br>and related derivatives  | (953)             | (3,195)           | 466            | 38                | (1,385)           |
| Net income/(expense) from other financial<br>instruments designated at fair value                                      | 1,203             | 1,446             | 981            | (331)             | 819               |
| Net income/(expense) from financial instruments<br>designated<br>at fair value   | 250               | (1,749)           | 1,447          | (293)             | (566)             |
| Gains less losses from financial investments   | 1,876             | 1,189             | 20             | 246               | 166               |
| Dividend income  | 278               | 134               | 171            | 73                | 31                |
| Net earned insurance premiums  | 9,275             | 10,021            | 3,049          | 3,054             | 3,325             |
| Gains on disposal of US branch network, US<br>cards business<br>and Ping An Insurance (Group) Company of<br>China, Ltd | -                 | 4,012             | -              | -                 | 203               |
| Other operating income/(expense)   | 1,419             | 1,343             | 473            | (55)              | 321               |
| Total operating income   | 59,717            | 62,115            | 19,194         | 18,554            | 18,443            |
| Net insurance claims incurred and movement in<br>liabilities to policyholders  | (10,267)          | (10,652)          | (4,116)        | (2,598)           | (3,877)           |
| Net operating income before loan impairment<br>charges and other credit risk provisions                                | 49,450            | 51,463            | 15,078         | 15,956            | 14,566            |



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|  |          |          |         |         |          |
|--|----------|----------|---------|---------|----------|
| .....  |          |          |         |         |          |
| Loan impairment charges and other credit risk provisions     | (4,709)  | (6,519)  | (1,593) | (1,945) | (1,720)  |
| Net operating income   | 44,741   | 44,944   | 13,485  | 14,011  | 12,846   |
| .....  |          |          |         |         |          |
| Total operating expenses                                     | (27,983) | (31,483) | (9,584) | (9,052) | (10,279) |
| .....  |          |          |         |         |          |
| Operating profit   | 16,758   | 13,461   | 3,901   | 4,959   | 2,567    |
| .....  |          |          |         |         |          |
| Share of profit in associates and joint ventures             | 1,843    | 2,757    | 629     | 678     | 914      |
| .....  |          |          |         |         |          |
| Profit before tax  | 18,601   | 16,218   | 4,530   | 5,637   | 3,481    |
| .....  |          |          |         |         |          |
| Tax expense  | (3,770)  | (4,287)  | (1,045) | (1,401) | (658)    |
| .....  |          |          |         |         |          |
| Profit after tax   | 14,831   | 11,931   | 3,485   | 4,236   | 2,823    |
| .....  |          |          |         |         |          |
| Profit attributable to shareholders of the parent company    | 13,484   | 10,936   | 3,200   | 3,931   | 2,498    |
| Profit attributable to non-controlling interests             | 1,347    | 995      | 285     | 305     | 325      |
| .....  |          |          |         |         |          |
|  | US\$     | US\$     | US\$    | US\$    | US\$     |
| Basic earnings per ordinary share                            | 0.71     | 0.58     | 0.16    | 0.20    | 0.13     |
| .....  |          |          |         |         |          |
| Diluted earnings per ordinary share                          | 0.70     | 0.58     | 0.16    | 0.20    | 0.13     |
| .....  |          |          |         |         |          |
| Dividend per ordinary share (in respect of the period) ...   | 0.30     | 0.27     | 0.10    | 0.10    | 0.09     |
|  | %        | %        | %       | %       | %        |
| Return on average ordinary shareholders' equity (annualised) | 10.4     | 8.9      | 7.2     | 9.1     | 5.8      |
| .....  |          |          |         |         |          |
| Pre-tax return on average risk-weighted assets (annualised)  | 2.2      | 1.8      | 1.6     | 2.1     | 1.2      |
| Cost efficiency ratio  | 56.6     | 61.2     | 63.6    | 56.7    | 70.6     |
| .....  |          |          |         |         |          |

## Summary consolidated balance sheet

|   | At<br>30 Sep<br>2013<br>US\$m | At<br>30 Jun<br>2013<br>US\$m | At<br>31 Dec<br>2012<br>US\$m |
|---|-------------------------------|-------------------------------|-------------------------------|
| <b>ASSETS</b>   |                               |                               |                               |
| Cash and balances at central banks<br>.....             | 170,206                       | 148,285                       | 141,532                       |
| Trading assets<br>.....                                 | 448,749                       | 432,601                       | 408,811                       |
| Financial assets designated at fair value<br>.....      | 38,090                        | 35,318                        | 33,582                        |
| Derivatives<br>.....                                    | 290,858                       | 299,213                       | 357,450                       |
| Loans and advances to banks<br>.....                    | 182,391                       | 185,122                       | 152,546                       |
| Loans and advances to customers<br>.....                | 1,017,151                     | 969,382                       | 997,623                       |
| Financial investments<br>.....                          | 403,411                       | 404,214                       | 421,101                       |
| Assets held for sale<br>.....                           | 13,873                        | 20,377                        | 19,269                        |
| Other assets<br>.....                                   | 158,633                       | 150,804                       | 160,624                       |
| <b>Total assets</b><br>.....                            | <b>2,723,362</b>              | <b>2,645,316</b>              | <b>2,692,538</b>              |
| <b>LIABILITIES AND EQUITY</b>                           |                               |                               |                               |
| <b>Liabilities</b>                                      |                               |                               |                               |
| Deposits by banks<br>.....                              | 100,568                       | 110,023                       | 107,429                       |
| Customer accounts<br>.....                              | 1,382,819                     | 1,316,182                     | 1,340,014                     |
| Trading liabilities<br>.....                            | 358,350                       | 342,432                       | 304,563                       |
| Financial liabilities designated at fair value<br>..... | 85,695                        | 84,254                        | 87,720                        |
| Derivatives<br>.....                                    | 287,198                       | 293,669                       | 358,886                       |
| Debt securities in issue<br>.....                       | 114,308                       | 109,389                       | 119,461                       |
| Liabilities under insurance contracts<br>.....          | 72,766                        | 69,771                        | 68,195                        |
|   | 11,949                        | 19,519                        | 5,018                         |

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Liabilities of disposal groups held for sale

Other liabilities

|       |         |         |         |
|-------|---------|---------|---------|
| ..... | 122,015 | 117,716 | 118,123 |
|-------|---------|---------|---------|

Total liabilities

|       |           |           |           |
|-------|-----------|-----------|-----------|
| ..... | 2,535,668 | 2,462,955 | 2,509,409 |
|-------|-----------|-----------|-----------|

Equity

Total shareholders' equity

|       |         |         |         |
|-------|---------|---------|---------|
| ..... | 179,051 | 174,070 | 175,242 |
|-------|---------|---------|---------|

Non-controlling interests

|       |       |       |       |
|-------|-------|-------|-------|
| ..... | 8,643 | 8,291 | 7,887 |
|-------|-------|-------|-------|

Total equity

|       |         |         |         |
|-------|---------|---------|---------|
| ..... | 187,694 | 182,361 | 183,129 |
|-------|---------|---------|---------|

Total equity and liabilities

|       |           |           |           |
|-------|-----------|-----------|-----------|
| ..... | 2,723,362 | 2,645,316 | 2,692,538 |
|-------|-----------|-----------|-----------|

Ratio of customer advances to customer accounts

|       |       |       |       |
|-------|-------|-------|-------|
| ..... | 73.6% | 73.7% | 74.4% |
|-------|-------|-------|-------|

Capital

Capital structure

|  | At<br>30 Sep 2013<br>US\$m | At<br>30 Jun 2013<br>US\$m | At<br>31 Dec 2012<br>US\$m |
|--|----------------------------|----------------------------|----------------------------|
| Composition of regulatory capital              |                            |                            |                            |
| Tier 1 capital                                 |                            |                            |                            |
| Shareholders' equity                           | 170,819                    | 165,816                    | 167,360                    |
| Non-controlling interests                      | 5,025                      | 4,754                      | 4,348                      |
| Regulatory adjustments to the accounting basis | 57                         | 178                        | (2,437)                    |
| Deductions                                     | (30,167)                   | (29,858)                   | (30,482)                   |
| Core tier 1 capital                            | 145,734                    | 140,890                    | 138,789                    |
| Other tier 1 capital before deductions         | 16,028<br>(6,970)          | 15,790<br>(6,538)          | 17,301<br>(5,042)          |

## Deductions

|                            |           |           |           |
|----------------------------|-----------|-----------|-----------|
| .....                      |           |           |           |
| Tier 1 capital             | 154,792   | 150,142   | 151,048   |
| .....                      |           |           |           |
| Total regulatory capital   | 190,884   | 183,450   | 180,806   |
| .....                      |           |           |           |
| Total risk-weighted assets | 1,098,876 | 1,104,764 | 1,123,943 |
| .....                      |           |           |           |
|                            | %         | %         | %         |
| Capital ratios             |           |           |           |
| Core tier 1 ratio          | 13.3      | 12.7      | 12.3      |
| .....                      |           |           |           |
| Tier 1 ratio               | 14.1      | 13.6      | 13.4      |
| .....                      |           |           |           |
| Total capital ratio        | 17.4      | 16.6      | 16.1      |
| .....                      |           |           |           |

## Risk-weighted assets

## RWAs by risk type

|                          | At<br>30 Sep<br>2013 | At<br>30 Jun<br>2013 | At<br>31 Dec<br>2012 |
|--------------------------|----------------------|----------------------|----------------------|
|                          | US\$m                | US\$m                | US\$m                |
| Credit risk              | 873,516              | 867,014              | 898,416              |
| .....                    |                      |                      |                      |
| Counterparty credit risk | 44,757               | 48,581               | 48,319               |
| .....                    |                      |                      |                      |
| Market risk              | 63,197               | 70,906               | 54,944               |
| .....                    |                      |                      |                      |
| Operational risk         | 117,406              | 118,263              | 122,264              |
| .....                    |                      |                      |                      |
|                          | 1,098,876            | 1,104,764            | 1,123,943            |

## RWAs by global businesses

| At<br>30 Sep<br>2013 | At<br>30 Jun<br>2013 | At<br>31 Dec<br>2012 |
|----------------------|----------------------|----------------------|
| US\$bn               | US\$bn               | US\$bn               |

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|                                      |         |         |         |
|--------------------------------------|---------|---------|---------|
| Total                                | 1,098.9 | 1,104.8 | 1,123.9 |
| Retail Banking and Wealth Management | 239.7   | 243.4   | 276.6   |
| Commercial Banking                   | 395.1   | 385.9   | 397.0   |
| Global Banking and Markets           | 416.9   | 429.2   | 403.1   |
| Global Private Banking               | 22.0    | 21.8    | 21.7    |
| Other                                | 25.2    | 24.5    | 25.5    |

RWAs by geographical regions<sup>1</sup>

|                              | At<br>30 Sep<br>2013<br>US\$bn | At<br>30 Jun<br>2013<br>US\$bn | At<br>31 Dec<br>2012<br>US\$bn |
|------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Total                        | 1,098.9                        | 1,104.8                        | 1,123.9                        |
| Europe                       | 303.4                          | 305.4                          | 314.7                          |
| Hong Kong                    | 136.9                          | 128.1                          | 111.9                          |
| Rest of Asia-Pacific         | 285.0                          | 285.0                          | 302.2                          |
| Middle East and North Africa | 64.7                           | 64.2                           | 62.2                           |
| North America                | 227.1                          | 236.4                          | 253.0                          |
| Latin America                | 97.9                           | 96.7                           | 97.9                           |

<sup>1</sup> RWAs are non-additive across geographical regions due to market risk diversification effects within the Group.

RWA movement by key driver

Credit risk - internal ratings-based ('IRB') only

|        | Hong<br>Kong | Rest<br>of<br>Asia-<br>Pacific | MENA | North<br>America | Latin<br>America | Total |
|--------|--------------|--------------------------------|------|------------------|------------------|-------|
| Europe |              |                                |      |                  |                  |       |

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|   | US\$bn | US\$bn | US\$bn | US\$bn | US\$bn | US\$bn | US\$bn |
|---|--------|--------|--------|--------|--------|--------|--------|
| RWAs at 1 January 2013 .....              | 150.7  | 70.2   | 92.1   | 12.6   | 187.1  | 11.2   | 523.9  |
| Foreign exchange movement .               | 0.4    | -      | (3.7)  | (0.4)  | (1.0)  | (0.7)  | (5.4)  |
| Acquisitions and disposals .....          | (1.5)  | -      | -      | -      | (8.6)  | -      | (10.1) |
| Book size .....                           | 4.7    | 7.9    | 7.5    | 0.8    | (7.8)  | (0.9)  | 12.2   |
| Book quality .....                        | (1.3)  | 5.3    | 0.4    | 1.2    | (11.3) | 0.2    | (5.5)  |
| Model updates .....                       | (1.8)  | -      | -      | 0.1    | (0.2)  | -      | (1.9)  |
| Portfolios moving onto IRB approach ..... | -      | -      | -      | -      | -      | -      | -      |
| New/updated models .....                  | (1.8)  | -      | -      | 0.1    | (0.2)  | -      | (1.9)  |
| Methodology and policy .....              | 1.7    | 0.1    | 0.3    | -      | 9.2    | 0.1    | 11.4   |
| Internal updates .....                    | (0.8)  | (3.8)  | (2.2)  | -      | (1.0)  | 0.1    | (7.7)  |
| External updates - regulatory             | 2.5    | 3.9    | 2.5    | -      | 10.2   | -      | 19.1   |
| Total RWA movement .....                  | 2.2    | 13.3   | 4.5    | 1.7    | (19.7) | (1.3)  | 0.7    |
| RWAs at 30 September 2013 .               | 152.9  | 83.5   | 96.6   | 14.3   | 167.4  | 9.9    | 524.6  |

**RWA movement by key driver**  
**Counterparty credit risk - IRB only**

|                              | US\$bn |
|------------------------------|--------|
| RWAs at 1 January 2013 ..... | 45.7   |
| Book size .....              | (0.3)  |

|                               |       |
|-------------------------------|-------|
| Book quality                  |       |
| .....                         | (1.5) |
| Model updates                 |       |
| .....                         | -     |
| Methodology and policy        |       |
| .....                         | (2.7) |
| Internal updates              |       |
| .....                         | (2.7) |
| External updates - regulatory |       |
| .....                         | -     |
| <br>                          |       |
| Total RWA movement            |       |
| .....                         | (4.5) |
| <br>                          |       |
| RWAs at 30 September 2013     |       |
| .....                         | 41.2  |

**RWA movement by key driver**  
**Market risk - internal model based**

|                         |        |
|-------------------------|--------|
|                         | US\$bn |
| <br>                    |        |
| RWAs at 1 January 2013  |        |
| .....                   | 44.5   |
|                         | ----   |
| Foreign exchange        |        |
| movement and other      | -      |
| Movement in risk levels |        |
| .....                   | (13.3) |
| Model updates           |        |
| .....                   | 17.6   |
| Methodology and policy  |        |
| .....                   | 2.0    |
| Internal updates        |        |
| .....                   | 2.0    |
| External updates -      |        |
| regulatory .....        | -      |
| <br>                    |        |
| Total RWA movement      |        |
| .....                   | 6.3    |
| <br>                    |        |
| RWAs at 30 September    |        |
| 2013 .....              | 50.8   |

RWA movement by key driver  
Credit risk - IRB only

|   |        | Rest<br>of   |                  |        |                  |                  |        |
|---|--------|--------------|------------------|--------|------------------|------------------|--------|
|   | Europe | Hong<br>Kong | Asia-<br>Pacific | MENA   | North<br>America | Latin<br>America | Total  |
|   | US\$bn | US\$bn       | US\$bn           | US\$bn | US\$bn           | US\$bn           | US\$bn |
| RWAs at 1 July 2013<br>.....                    | 148.4  | 78.6         | 95.0             | 13.9   | 174.5            | 10.5             | 520.9  |
| Foreign exchange<br>movement ....               | 6.4    |              | - (0.6)          | 0.1    | 0.6              | (0.1)            | 6.4    |
| Acquisitions and<br>disposals .....             | -      |              | - -              | -      | (0.4)            | -                | (0.4)  |
| Book size<br>.....                              | 2.7    | 2.4          | 2.7              | 0.7    | (2.4)            | (0.4)            | 5.7    |
| Book quality<br>.....                           | (3.7)  |              | 2.6 (0.5)        | (0.4)  | (4.1)            | (0.1)            | (6.2)  |
| Model updates<br>.....                          | -      |              | - -              | -      | -                | -                | -      |
| Portfolios moving onto<br>IRB approach<br>..... | -      |              | - -              | -      | -                | -                | -      |
| New/updated models<br>.....                     | -      |              | - -              | -      | -                | -                | -      |
| Methodology and policy<br>.....                 | (0.9)  | (0.1)        |                  | -      | -                | (0.8)            | (1.8)  |
| Internal updates<br>.....                       | (0.9)  | (0.1)        | -                |        | -                | (0.8)            | (1.8)  |
| External updates -<br>regulatory                | -      |              | - -              | -      | -                | -                | -      |
| Total RWA movement<br>.....                     | 4.5    | 4.9          | 1.6              | 0.4    | (7.1)            | (0.6)            | 3.7    |
| RWAs at 30 September<br>2013 ...                | 152.9  | 83.5         | 96.6             | 14.3   | 167.4            | 9.9              | 524.6  |

RWA movement by key driver  
Counterparty credit risk - IRB only



|                               | US\$bn |
|-------------------------------|--------|
| RWAs at 1 July 2013           |        |
| .....                         | 45.1   |
| Book size                     |        |
| .....                         | (1.3)  |
| Book quality                  |        |
| .....                         | (0.5)  |
| Model updates                 |        |
| .....                         | -      |
| Methodology and policy        |        |
| .....                         | (2.1)  |
| Internal updates              |        |
| .....                         | (2.1)  |
| External updates - regulatory |        |
| .....                         | -      |
| Total RWA movement            |        |
| .....                         | (3.9)  |
| RWAs at 30 September 2013     |        |
| .....                         | 41.2   |

**RWA movement by key driver**  
**Market risk - internal model based**

|                                     | US\$bn |
|-------------------------------------|--------|
| RWAs at 1 July 2013                 |        |
| .....                               | 59.5   |
| Foreign exchange movement and other |        |
| .....                               | -      |
| Movement in risk levels             |        |
| .....                               | (8.7)  |
| Model updates                       |        |
| .....                               | -      |
| Methodology and policy              |        |
| .....                               | -      |
| Internal updates                    |        |
| .....                               | -      |
| External updates - regulatory       |        |
| .....                               | -      |

|                      |       |
|----------------------|-------|
| Total RWA movement   | (8.7) |
| .....                |       |
| RWAs at 30 September |       |
| 2013 .....           | 50.8  |

### Estimated effect of CRD IV end point rules applied to the 30 September 2013 position

|   | Final text           |               | Final text      |               | July 2011 text      |               |
|---|----------------------|---------------|-----------------|---------------|---------------------|---------------|
|   | At 30 September 2013 |               | At 30 June 2013 |               | At 31 December 2012 |               |
|   | RWAs<br>US\$m        | CET1<br>US\$m | RWAs<br>US\$m   | CET1<br>US\$m | RWAs<br>US\$m       | CET1<br>US\$m |
| Reported total under the current regime   |                      |               |                 |               |                     |               |
| .....   | 1,098,876            | 145,734       | 1,104,764       | 140,890       | 1,123,943           | 138,789       |
| Regulatory adjustments applied in respect of amounts subject to CRD IV treatment: |                      |               |                 |               |                     |               |
| - deconsolidation of insurance undertakings in reserves.....                      |                      | (6,373)       |                 | (6,042)       |                     | -             |
| - additional valuation adjustment (referred to as PVA) .....                      |                      | (2,296)       |                 | (2,260)       |                     | (1,720)       |
| - deductions under threshold approach .....                                       |                      | -             |                 | -             |                     | (9,436)       |
| - other regulatory adjustments .....  | 131,245              | (6,161)       | 136,539         | (7,163)       | 167,912             | (5,130)       |
| Estimated total under CRD IV  |                      |               |                 |               |                     |               |
| .....   | 1,230,121            | 130,904       | 1,241,303       | 125,425       | 1,291,855           | 122,503       |
| Estimated CET1 ratio  |                      |               |                 |               |                     |               |
| .....   |                      | 10.6%         |                 | 10.1%         |                     | 9.5%          |
| Management actions completed in 2013  |                      |               |                 |               |                     |               |
| .....   | -                    | -             | -               | -             | (35,358)            | 7,243         |
| Estimated total after management actions completed in 2013                        |                      |               |                 |               |                     |               |
| .....   | 1,230,121            | 130,904       | 1,241,303       | 125,425       | 1,256,497           | 129,746       |
| Estimated CET1 ratio after management actions completed in 2013                   |                      |               |                 |               |                     |               |
| .....   |                      | 10.6%         |                 | 10.1%         |                     | 10.3%         |

The table above is consistent with the presentation in our Interim Report 2013. Future planned management actions have been taken into consideration to mitigate the effect of capital deductions for non-significant holdings of financial

sector entities. Depending on finalisation of regulatory guidance, the estimated amount of the required mitigation as at 30 September 2013 could reduce from US\$4.3bn to US\$0.6bn.

There remain substantial areas of uncertainty pending finalisation of a number of the European Banking Authority's Regulatory Technical Standards ('EBA's RTS') and Prudential Regulation Authority ('PRA') final rules which are expected to be published later in the year. The 'end point' CRD IV estimates above may change as a result. In particular, there remains fundamental uncertainty on the draft EBA's RTS for Own Funds - Part III, the impact of which it may not be possible to mitigate in full.

A detailed basis of preparation may be found on page 197 of the Interim Report 2013.

### Estimated leverage ratio

The table below presents our estimated leverage ratio, based on the approach prescribed by the PRA. This has been calculated consistently with the basis of preparation outlined in the Supplementary Regulatory Disclosure to our Interim Report 2013, which can be found on our website [www.hsbc.com](http://www.hsbc.com).

|  | At<br>30<br>September<br>2013<br>US\$bn |
|--|---|
| Total assets per financial balance sheet   | 2,723                                   |
| .....  |   |
| Off balance sheet commitments and guarantees   | 420                                     |
| .....  |   |
| Other regulatory adjustments   | (9)                                     |
| .....  |   |
| Exposures after regulatory adjustments   | 3,134                                   |
| .....  |   |
| Tier 1 capital under CRD IV (end point)  | 131                                     |
| .....  |   |
| Tier 1 capital under CRD IV (including instruments which will be ineligible for inclusion after Basel III transitional period has fully elapsed) | 147                                     |
| .....  |   |
| Estimated leverage ratio (including instruments which will be ineligible for inclusion after Basel III transitional period has fully elapsed)    | 4.7%                                    |
| .....  |   |
| Estimated leverage ratio (end point)   | 4.2%                                    |
| .....  |   |

## Profit before tax by global business and geographical region

|                                      | Nine months ended          |                            |                            | Quarter ended              |                            |
|--------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                      | 30<br>Sep<br>2013<br>US\$m | 30<br>Sep<br>2012<br>US\$m | 30<br>Sep<br>2013<br>US\$m | 30<br>Jun<br>2013<br>US\$m | 30<br>Sep<br>2012<br>US\$m |
| By global business                   |                            |                            |                            |                            |                            |
| Retail Banking and Wealth Management | 4,852                      | 7,921                      | 1,585                      | 1,700                      | 1,511                      |
| Commercial Banking                   | 6,016                      | 6,677                      | 1,882                      | 1,946                      | 2,248                      |
| Global Banking and Markets           | 7,575                      | 7,294                      | 1,852                      | 2,135                      | 2,247                      |
| Global Private Banking               | 92                         | 779                        | (16)                       | 233                        | 252                        |
| Other                                | 66                         | (6,453)                    | (773)                      | (377)                      | (2,777)                    |
|                                      | 18,601                     | 16,218                     | 4,530                      | 5,637                      | 3,481                      |
| By geographical region               |                            |                            |                            |                            |                            |
| Europe                               | 2,723                      | (884)                      | (45)                       | 973                        | (217)                      |
| Hong Kong                            | 6,277                      | 5,551                      | 2,072                      | 2,047                      | 1,790                      |
| Rest of Asia-Pacific                 | 6,585                      | 6,277                      | 1,528                      | 1,701                      | 1,905                      |
| Middle East and North Africa         | 1,288                      | 1,048                      | 379                        | 385                        | 276                        |
| North America                        | 1,042                      | 2,428                      | 376                        | 526                        | (926)                      |
| Latin America                        | 686                        | 1,798                      | 220                        | 5                          | 653                        |
|                                      | 18,601                     | 16,218                     | 4,530                      | 5,637                      | 3,481                      |

Summary information - global businesses  
Retail Banking and Wealth Management

|  | Nine months ended |                |                   | Quarter ended     |                   |
|--|-------------------|----------------|-------------------|-------------------|-------------------|
|  | 30 Sep<br>2013    | 30 Sep<br>2012 | 30<br>Sep<br>2013 | 30<br>Jun<br>2013 | 30<br>Sep<br>2012 |
|  |                   |                |                   |                   |                   |

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|   | US\$m    | US\$m    | US\$m   | US\$m   | US\$m   |
|---|----------|----------|---------|---------|---------|
| Net operating income before loan impairment charges and other credit risk provisions .....          | 19,930   | 26,439   | 6,641   | 6,576   | 7,124   |
| Loan impairment charges and other credit risk provisions ..   | (2,541)  | (4,426)  | (773)   | (878)   | (1,153) |
| Net operating income .....  | 17,389   | 22,013   | 5,868   | 5,698   | 5,971   |
| Total operating expenses .....  | (12,827) | (14,922) | (4,376) | (4,112) | (4,704) |
| Operating profit .....  | 4,562    | 7,091    | 1,492   | 1,586   | 1,267   |
| Share of profit in associates and joint ventures .....  | 290      | 830      | 93      | 114     | 244     |
| Profit before tax .....   | 4,852    | 7,921    | 1,585   | 1,700   | 1,511   |
| Profit before tax relates to:   |          |          |         |         |         |
| RBWM excluding US Card and Retail Services business and US run-off portfolio ('Rest of RBWM') ..... | 4,984    | 5,265    | 1,483   | 1,614   | 1,810   |
| US Card and Retail Services .....   | -        | 3,766    | -       | -       | (150)   |
| US run-off portfolio .....  | (132)    | (1,110)  | 102     | 86      | (149)   |
| Reconciliation of reported and underlying profit before tax   |          |          |         |         |         |
| Reported profit before tax .....  | 4,852    | 7,921    | 1,585   | 1,700   | 1,511   |
| Currency translation adjustment .....   |          | (9)      |         | 16      | (9)     |
| Acquisitions, disposals and dilutions .....   | 73       | (5,340)  | -       | (11)    | (266)   |
| Underlying profit before tax .....  | 4,925    | 2,572    | 1,585   | 1,705   | 1,236   |
|   | %        | %        | %       | %       | %       |
| Cost efficiency ratio .....   | 64.4     | 56.4     | 65.9    | 62.5    | 66.0    |
| Pre-tax return on average risk-weighted assets (annualised)   | 2.5      | 3.3      | 2.6     | 2.7     | 2.0     |

## Commercial Banking

|  | Nine months ended          |                         | Quarter ended              |                            |                            |
|--|----------------------------|-------------------------|----------------------------|----------------------------|----------------------------|
|  | 30<br>Sep<br>2013<br>US\$m | 30 Sep<br>2012<br>US\$m | 30<br>Sep<br>2013<br>US\$m | 30<br>Jun<br>2013<br>US\$m | 30<br>Sep<br>2012<br>US\$m |
| Net operating income before loan impairment charges and other credit risk provisions ..... | 11,848                     | 12,400                  | 3,985                      | 3,930                      | 4,147                      |
| Loan impairment charges and other credit risk provisions ..                                | (1,841)                    | (1,478)                 | (681)                      | (802)                      | (554)                      |
| Net operating income .....   | 10,007                     | 10,922                  | 3,304                      | 3,128                      | 3,593                      |
| Total operating expenses .....   | (5,170)                    | (5,521)                 | (1,834)                    | (1,611)                    | (1,785)                    |
| Operating profit .....   | 4,837                      | 5,401                   | 1,470                      | 1,517                      | 1,808                      |
| Share of profit in associates and joint ventures .....                                     | 1,179                      | 1,276                   | 412                        | 429                        | 440                        |
| Profit before tax .....  | 6,016                      | 6,677                   | 1,882                      | 1,946                      | 2,248                      |
| Reconciliation of reported and underlying profit before tax                                |                            |                         |                            |                            |                            |
| Reported profit before tax .....   | 6,016                      | 6,677                   | 1,882                      | 1,946                      | 2,248                      |
| Currency translation adjustment .....  |                            | (70)                    |                            | 3                          | (30)                       |
| Acquisitions, disposals and dilutions .....  | 6                          | (615)                   | 8                          | (2)                        | (197)                      |
| Underlying profit before tax .....   | 6,022                      | 5,992                   | 1,890                      | 1,947                      | 2,021                      |
|  | %                          | %                       | %                          | %                          | %                          |
| Cost efficiency ratio .....  | 43.6                       | 44.5                    | 46.0                       | 41.0                       | 43.0                       |

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|  |     |     |     |     |     |
|--|-----|-----|-----|-----|-----|
| Pre-tax return on average risk-weighted assets<br>(annualised) | 2.1 | 2.2 | 1.9 | 2.1 | 2.2 |
|--|-----|-----|-----|-----|-----|

Management view of revenue

|  | Nine months ended          |                            |                            | Quarter ended              |                            |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|  | 30<br>Sep<br>2013<br>US\$m | 30<br>Sep<br>2012<br>US\$m | 30<br>Sep<br>2013<br>US\$m | 30<br>Jun<br>2013<br>US\$m | 30<br>Sep<br>2012<br>US\$m |
| Global Trade and Receivables Finance1                                | 2,216                      | 2,241                      | 757                        | 746                        | 762                        |
| Credit and lending   | 4,562                      | 4,645                      | 1,554                      | 1,520                      | 1,585                      |
| Payments and Cash Management1, current accounts and savings deposits | 3,924                      | 3,999                      | 1,345                      | 1,304                      | 1,347                      |
| Insurance and investments  | 483                        | 617                        | 157                        | 143                        | 242                        |
| Other  | 663                        | 898                        | 172                        | 217                        | 211                        |
| Net operating income2  | 11,848                     | 12,400                     | 3,985                      | 3,930                      | 4,147                      |

1 'Global Trade and Receivables Finance' and 'Payments and Cash Management' include revenue attributable to foreign exchange products.

2 Net operating income before loan impairment charges and other credit risk provisions, also referred to as revenue.

Global Banking and Markets

|  | Nine months ended       |                         |                         | Quarter ended           |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|  | 30 Sep<br>2013<br>US\$m | 30 Sep<br>2012<br>US\$m | 30 Sep<br>2013<br>US\$m | 30 Jun<br>2013<br>US\$m | 30 Sep<br>2012<br>US\$m |
| Net operating income before loan impairment charges and other credit risk provisions | 14,881                  | 14,654                  | 4,220                   | 4,846                   | 4,319                   |
| Loan impairment recoveries/(charges) and other credit risk provisions                | (292)                   | (588)                   | (118)                   | (219)                   | 10                      |
| Net operating income   | 14,589                  | 14,066                  | 4,102                   | 4,627                   | 4,329                   |

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|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Total operating expenses                                    | (7,374) | (7,377) | (2,368) | (2,619) | (2,304) |
| Operating profit  | 7,215   | 6,689   | 1,734   | 2,008   | 2,025   |
| Share of profit in associates and joint ventures            | 360     | 605     | 118     | 127     | 222     |
| Profit before tax   | 7,575   | 7,294   | 1,852   | 2,135   | 2,247   |
| Reconciliation of reported and underlying profit before tax |         |         |         |         |         |
| Reported profit before tax                                  | 7,575   | 7,294   | 1,852   | 2,135   | 2,247   |
| Currency translation adjustment                             |         | (96)    |         | (41)    | (41)    |
| Acquisitions, disposals and dilutions                       | (40)    | (324)   | (57)    | 15      | (108)   |
| Underlying profit before tax                                | 7,535   | 6,874   | 1,795   | 2,109   | 2,098   |
|   | %       | %       | %       | %       | %       |
| Cost efficiency ratio                                       | 49.6    | 50.3    | 56.1    | 54.0    | 53.3    |
| Pre-tax return on average risk-weighted assets (annualised) | 2.4     | 2.3     | 1.7     | 2.0     | 2.2     |

Management view of revenue<sup>1</sup>

|                                      | Nine months ended |             | Quarter ended |             |       |
|--------------------------------------|-------------------|-------------|---------------|-------------|-------|
|                                      | 30 Sep 2013       | 30 Sep 2012 | 30 Sep 2013   | 30 Sep 2012 |       |
|                                      | US\$m             | US\$m       | US\$m         | US\$m       | US\$m |
| Global Markets                       | 7,449             | 7,507       | 2,120         | 2,481       | 2,192 |
| Credit                               | 889               | 655         | 219           | 261         | 285   |
| Rates                                | 1,782             | 2,168       | 546           | 422         | 363   |
| Foreign Exchange                     | 2,493             | 2,469       | 660           | 962         | 736   |
| Equities                             | 749               | 536         | 218           | 265         | 140   |
| Securities Services                  | 1,255             | 1,170       | 408           | 442         | 371   |
| Asset and Structured Finance         | 281               | 509         | 69            | 129         | 297   |
| Global Banking                       | 4,300             | 3,936       | 1,454         | 1,411       | 1,354 |
| Financing and Equity Capital Markets | 2,433             | 2,112       | 824           | 778         | 756   |
| Payments and Cash Management         | 1,298             | 1,248       | 436           | 439         | 406   |



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|   |        |        |       |       |       |
|---|--------|--------|-------|-------|-------|
| Other transaction services .....        | 569    | 576    | 194   | 194   | 192   |
| Balance Sheet Management .....          | 2,391  | 3,041  | 711   | 704   | 835   |
| Principal Investments .....             | 262    | 200    | 108   | 140   | 53    |
| Debit valuation adjustment .....        | 300    | -      | (151) | (21)  | -     |
| Other .....                             | 179    | (30)   | (22)  | 131   | (115) |
| Net operating income <sup>2</sup> ..... | 14,881 | 14,654 | 4,220 | 4,846 | 4,319 |
| By geographical region                  |        |        |       |       |       |
| Europe .....                            | 5,722  | 5,476  | 1,432 | 1,765 | 1,463 |
| Hong Kong .....                         | 2,457  | 2,105  | 749   | 810   | 674   |
| Rest of Asia-Pacific .....              | 2,891  | 3,093  | 891   | 955   | 928   |
| Middle East and North Africa .....      | 625    | 616    | 216   | 197   | 209   |
| North America .....                     | 2,126  | 2,048  | 606   | 746   | 641   |
| Latin America .....                     | 1,160  | 1,392  | 369   | 390   | 433   |
| Intra-HSBC items .....                  | (100)  | (76)   | (43)  | (17)  | (29)  |
| Net operating income <sup>2</sup> ..... | 14,881 | 14,654 | 4,220 | 4,846 | 4,319 |

1 In 2013 funding costs that had previously been reported within 'Other' were allocated to their respective business lines. For comparative purposes, 2012 data have been restated to reflect this change.

2 Net operating income before loan impairment charges and other credit risk provisions, also referred to as revenue.

Global Private Banking

|  | Nine months ended    |                      |                      | Quarter ended        |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 30 Sep 2013<br>US\$m | 30 Sep 2012<br>US\$m | 30 Sep 2013<br>US\$m | 30 Jun 2013<br>US\$m | 30 Sep 2012<br>US\$m |
| Net operating income before loan impairment charges and other credit risk provisions ..... | 1,809                | 2,386                | 658                  | 707                  | 745                  |
| Loan impairment charges and other credit risk provisions                                   | (35)                 | (28)                 | (21)                 | (7)                  | (24)                 |
| Net operating income .....   | 1,774                | 2,358                | 637                  | 700                  | 721                  |

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|   |         |         |       |       |       |
|---|---------|---------|-------|-------|-------|
| Total operating expenses<br>.....                                     | (1,692) | (1,584) | (657) | (469) | (471) |
| Operating profit/(loss)<br>.....                                      | 82      | 774     | (20)  | 231   | 250   |
| Share of profit in associates and joint ventures<br>.....             | 10      | 5       | 4     | 2     | 2     |
| Profit/(loss) before tax<br>.....                                     | 92      | 779     | (16)  | 233   | 252   |
| Reconciliation of reported and underlying<br>profit/(loss) before tax |         |         |       |       |       |
| Reported profit/(loss) before tax<br>.....                            | 92      | 779     | (16)  | 233   | 252   |
| Currency translation adjustment<br>.....                              |         | (15)    |       | 1     | (1)   |
| Acquisition, disposals and dilution<br>.....                          | -       | (56)    | -     | -     | -     |
| Underlying profit/(loss) before tax<br>.....                          | 92      | 708     | (16)  | 234   | 251   |
|   | %       | %       | %     | %     | %     |
| Cost efficiency ratio<br>.....  | 93.5    | 66.4    | 99.8  | 66.3  | 63.2  |
| Pre-tax return on average risk-weighted assets<br>(annualised)        | 0.6     | 4.7     | (0.3) | 4.3   | 4.6   |

Other1

|   | Nine months ended       |                            | Quarter ended           |                            |                            |
|---|-------------------------|----------------------------|-------------------------|----------------------------|----------------------------|
|   | 30 Sep<br>2013<br>US\$m | 30<br>Sep<br>2012<br>US\$m | 30 Sep<br>2013<br>US\$m | 30<br>Jun<br>2013<br>US\$m | 30<br>Sep<br>2012<br>US\$m |
| Net operating income before loan impairment charges<br>and other credit risk provisions ..... | 5,159                   | (23)                       | 1,009                   | 1,329                      | (361)                      |
| - of which effect of changes in own credit spread on<br>the                                   | (594)                   | (3,903)                    | (575)                   | 224                        | (1,733)                    |

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|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| fair value of long-term debt issued .....                                   |         |         |         |         |         |
| Loan impairment recoveries/(charges) and other credit risk provisions ..... | -       | 1       | -       | (39)    | 1       |
| Net operating income/(expense) .....  | 5,159   | (22)    | 1,009   | 1,290   | (360)   |
| Total operating expenses .....  | (5,097) | (6,472) | (1,784) | (1,673) | (2,423) |
| Operating profit/(loss) .....   | 62      | (6,494) | (775)   | (383)   | (2,783) |
| Share of profit in associates and joint ventures .....                      | 4       | 41      | 2       | 6       | 6       |
| Profit/(loss) before tax .....  | 66      | (6,453) | (773)   | (377)   | (2,777) |
| Reconciliation of reported and underlying profit/(loss) before tax          |         |         |         |         |         |
| Reported profit/(loss) before tax .....                                     | 66      | (6,453) | (773)   | (377)   | (2,777) |
| Currency translation adjustment .....                                       |         | 3       |         | (11)    | 2       |
| Own credit spread .....   | 594     | 3,903   | 575     | (224)   | 1,733   |
| Acquisitions, disposals and dilutions .....                                 | (1,089) | (94)    | -       | -       | 39      |
| Underlying profit/(loss) before tax .....                                   | (429)   | (2,641) | (198)   | (612)   | (1,003) |

1 The main items reported under 'Other' are the results of HSBC's holding company and financing operations, which include net interest earned on free capital held centrally, operating costs incurred by the head office operations in providing stewardship and central management services to HSBC, along with the costs incurred by the Group Service Centres and Shared Service Organisations and associated recoveries. The results also include fines and penalties as part of the settlement of investigations into past inadequate compliance with anti-money laundering and sanctions laws, the UK bank levy together with unallocated investment activities, centrally held investment companies, gains arising from the dilutions of interests in associates and joint ventures and certain property transactions. In addition, 'Other' also includes part of the movement in the fair value of long-term debt designated at fair value (the remainder of the Group's movement on own debt is included in GB&M).

Summary information - geographical regions

Europe

| Nine months ended |     | Quarter ended |     |     |
|-------------------|-----|---------------|-----|-----|
| 30 Sep            | 30  | 30 Sep        | 30  | 30  |
| 2013              | Sep | 2013          | Jun | Sep |

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|  | US\$m    | 2012<br>US\$m | US\$m   | 2013<br>US\$m | 2012<br>US\$m |
|--|----------|---------------|---------|---------------|---------------|
| Net operating income before loan impairment charges and other credit risk provisions ..... | 16,339   | 13,775        | 4,865   | 5,506         | 4,108         |
| Loan impairment charges and other credit risk provisions ..                                | (1,364)  | (1,409)       | (518)   | (656)         | (372)         |
| Net operating income .....   | 14,975   | 12,366        | 4,347   | 4,850         | 3,736         |
| Total operating expenses .....   | (12,252) | (13,246)      | (4,390) | (3,878)       | (3,957)       |
| Operating profit/(loss) .....  | 2,723    | (880)         | (43)    | 972           | (221)         |
| Share of profit/(loss) in associates and joint ventures .....                              | –        | (4)           | (2)     | 1             | 4             |
| Profit/(loss) before tax .....   | 2,723    | (884)         | (45)    | 973           | (217)         |
| Reconciliation of reported and underlying profit/(loss) before tax                         |          |               |         |               |               |
| Reported profit/(loss) before tax .....  | 2,723    | (884)         | (45)    | 973           | (217)         |
| Currency translation adjustment .....  |          | 19            |         | 6             | 6             |
| Own credit spread .....  | 479      | 3,032         | 482     | (157)         | 1,426         |
| Acquisitions, disposals and dilutions .....  | (18)     | 18            | (40)    | 20            | 10            |
| Underlying profit before tax .....   | 3,184    | 2,185         | 397     | 842           | 1,225         |
|  | %        | %             | %       | %             | %             |
| Cost efficiency ratio .....  | 75.0     | 96.2          | 90.2    | 70.4          | 96.3          |
| Pre-tax return on average risk-weighted assets (annualised)                                | 1.2      | (0.4)         | (0.1)   | 1.3           | (0.3)         |
|  | US\$m    | US\$m         | US\$m   | US\$m         | US\$m         |
| Reconciliation of reported and underlying UK profit/(loss) before tax                      | 2,426    | (2,324)       | 206     | 560           | (708)         |

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|                                       |       |       |      |       |       |
|---------------------------------------|-------|-------|------|-------|-------|
| Reported profit/(loss) before tax     |       |       |      |       |       |
| .....                                 |       |       |      |       |       |
| Currency translation adjustment       |       | (10)  |      | 11    | (12)  |
| .....                                 |       |       |      |       |       |
| Own credit spread                     | 465   | 2,886 | 464  | (147) | 1,380 |
| .....                                 |       |       |      |       |       |
| Acquisitions, disposals and dilutions | (18)  | 8     | (40) | 20    | 2     |
| .....                                 |       |       |      |       |       |
| Underlying profit before tax          | 2,873 | 560   | 630  | 444   | 662   |
| .....                                 |       |       |      |       |       |

Profit/(loss) before tax by global business

|                                      | Nine months ended |         | Quarter ended |        |         |
|--------------------------------------|-------------------|---------|---------------|--------|---------|
|                                      | 30 Sep            | 30 Sep  | 30 Sep        | 30 Jun | 30 Sep  |
|                                      | 2013              | 2012    | 2013          | 2013   | 2012    |
|                                      | US\$m             | US\$m   | US\$m         | US\$m  | US\$m   |
| Retail Banking and Wealth Management | 1,311             | 216     | 355           | 556    | 308     |
| .....                                |                   |         |               |        |         |
| Commercial Banking                   | 1,448             | 1,191   | 362           | 541    | 417     |
| .....                                |                   |         |               |        |         |
| Global Banking and Markets           | 1,764             | 1,456   | 196           | 232    | 413     |
| .....                                |                   |         |               |        |         |
| Global Private Banking               | (220)             | 380     | (106)         | 128    | 144     |
| .....                                |                   |         |               |        |         |
| Other                                | (1,580)           | (4,127) | (852)         | (484)  | (1,499) |
| .....                                |                   |         |               |        |         |
| Profit/(loss) before tax             | 2,723             | (884)   | (45)          | 973    | (217)   |

Hong Kong

|  | Nine months ended |        | Quarter ended |        |        |
|--|-------------------|--------|---------------|--------|--------|
|  | 30 Sep            | 30 Sep | 30 Sep        | 30 Jun | 30 Sep |
|  | 2013              | 2012   | 2013          | 2013   | 2012   |
|  | US\$m             | US\$m  | US\$m         | US\$m  | US\$m  |
| Net operating income before loan impairment charges and other credit risk provisions | 10,016            | 9,158  | 3,373         | 3,292  | 3,025  |
| .....  |                   |        |               |        |        |
| Loan impairment charges and other credit risk provisions ..                          | (106)             | (56)   | (60)          | (29)   | (24)   |
| .....  |                   |        |               |        |        |
|  | 9,910             | 9,102  | 3,313         | 3,263  | 3,001  |

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|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Net operating income  |         |         |         |         |         |
| .....   |         |         |         |         |         |
| Total operating expenses                                    |         |         |         |         |         |
| .....   | (3,663) | (3,612) | (1,245) | (1,237) | (1,216) |
| Operating profit  |         |         |         |         |         |
| .....   | 6,247   | 5,490   | 2,068   | 2,026   | 1,785   |
| Share of profit in associates and joint ventures            |         |         |         |         |         |
| .....   | 30      | 61      | 4       | 21      | 5       |
| Profit before tax   |         |         |         |         |         |
| .....   | 6,277   | 5,551   | 2,072   | 2,047   | 1,790   |
| Reconciliation of reported and underlying profit before tax |         |         |         |         |         |
| Reported profit before tax                                  |         |         |         |         |         |
| .....   | 6,277   | 5,551   | 2,072   | 2,047   | 1,790   |
| Currency translation adjustment                             |         |         |         |         |         |
| .....   |         | 1       |         | 3       | -       |
| Acquisitions, disposals and dilutions                       |         |         |         |         |         |
| .....   | -       | (79)    | -       | -       | (51)    |
| Underlying profit before tax                                |         |         |         |         |         |
| .....   | 6,277   | 5,473   | 2,072   | 2,050   | 1,739   |
|   | %       | %       | %       | %       | %       |
| Cost efficiency ratio                                       |         |         |         |         |         |
| .....   | 36.6    | 39.4    | 36.9    | 37.6    | 40.2    |
| Pre-tax return on average risk-weighted assets (annualised) |         |         |         |         |         |
|   | 6.8     | 6.9     | 6.2     | 6.7     | 6.6     |

Profit/(loss) before tax by global business

|                                      | Nine months ended |        | Quarter ended |       |       |
|--------------------------------------|-------------------|--------|---------------|-------|-------|
|                                      | 30                |        | 30            |       | 30    |
|                                      | Sep               |        | Jun           |       | Sep   |
|                                      | 30 Sep            | 30 Sep | 30 Sep        | 2013  | 2012  |
|                                      | 2013              | 2012   | 2013          | 2013  | 2012  |
|                                      | US\$m             | US\$m  | US\$m         | US\$m | US\$m |
| Retail Banking and Wealth Management | 2,831             | 2,643  | 964           | 888   | 890   |
| Commercial Banking                   | 1,617             | 1,522  | 534           | 557   | 521   |
| Global Banking and Markets           | 1,498             | 1,135  | 420           | 495   | 349   |
| Global Private Banking               | 196               | 180    | 59            | 67    | 58    |
| Other                                | 135               | 71     | 95            | 40    | (28)  |

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|                         |       |       |       |       |       |
|-------------------------|-------|-------|-------|-------|-------|
| Profit before tax ..... | 6,277 | 5,551 | 2,072 | 2,047 | 1,790 |
|-------------------------|-------|-------|-------|-------|-------|

Rest of Asia-Pacific

|  | Nine months ended |         | Quarter ended |         |         |
|--|-------------------|---------|---------------|---------|---------|
|  | 30                |         | 30            |         | 30      |
|  | Sep               |         | Jun           |         | Sep     |
|  | 30 Sep            | 30 Sep  | 30 Sep        | 2013    | 2012    |
|  | 2013              | 2012    | 2013          | 2013    | 2012    |
|  | US\$m             | US\$m   | US\$m         | US\$m   | US\$m   |
| Net operating income before loan impairment charges and other credit risk provisions ..... | 9,545             | 8,569   | 2,542         | 2,606   | 2,622   |
| Loan impairment charges and other credit risk provisions ..                                | (235)             | (336)   | (83)          | (89)    | (38)    |
| Net operating income .....   | 9,310             | 8,233   | 2,459         | 2,517   | 2,584   |
| Total operating expenses .....   | (4,201)           | (4,372) | (1,452)       | (1,357) | (1,507) |
| Operating profit .....   | 5,109             | 3,861   | 1,007         | 1,160   | 1,077   |
| Share of profit in associates and joint ventures .....                                     | 1,476             | 2,416   | 521           | 541     | 828     |
| Profit before tax .....  | 6,585             | 6,277   | 1,528         | 1,701   | 1,905   |
| Reconciliation of reported and underlying profit before tax                                |                   |         |               |         |         |
| Reported profit before tax .....   | 6,585             | 6,277   | 1,528         | 1,701   | 1,905   |
| Currency translation adjustment .....  |                   | (44)    |               | (42)    | (24)    |
| Own credit spread .....  | 1                 | 2       | 1             | (3)     | 1       |
| Acquisitions, disposals and dilutions .....  | (1,108)           | (1,367) | 8             | 8       | (342)   |
| Underlying profit before tax .....   | 5,478             | 4,868   | 1,537         | 1,664   | 1,540   |
|  | %                 | %       | %             | %       | %       |

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|   |      |      |      |      |      |
|---|------|------|------|------|------|
| Cost efficiency ratio .....                                 | 44.0 | 51.0 | 57.1 | 52.1 | 57.5 |
| Pre-tax return on average risk-weighted assets (annualised) | 3.1  | 2.8  | 2.1  | 2.4  | 2.5  |

Profit before tax by global business

|  | Nine months ended |             | Quarter ended |             |             |
|--|-------------------|-------------|---------------|-------------|-------------|
|  | 30 Sep 2013       | 30 Sep 2012 | 30 Sep 2013   | 30 Jun 2013 | 30 Sep 2012 |
|  | US\$m             | US\$m       | US\$m         | US\$m       | US\$m       |
| Retail Banking and Wealth Management ..... | 546               | 1,283       | 115           | 171         | 362         |
| Commercial Banking .....                   | 1,862             | 1,950       | 635           | 639         | 700         |
| Global Banking and Markets .....           | 2,176             | 2,544       | 649           | 735         | 810         |
| Global Private Banking .....               | 56                | 139         | 15            | 18          | 25          |
| Other .....                                | 1,945             | 361         | 114           | 138         | 8           |
| Profit before tax .....                    | 6,585             | 6,277       | 1,528         | 1,701       | 1,905       |

Middle East and North Africa

|  | Nine months ended |             | Quarter ended |             |             |
|--|-------------------|-------------|---------------|-------------|-------------|
|  | 30 Sep 2013       | 30 Sep 2012 | 30 Sep 2013   | 30 Jun 2013 | 30 Sep 2012 |
|  | US\$m             | US\$m       | US\$m         | US\$m       | US\$m       |
| Net operating income before loan impairment charges and other credit risk provisions ..... | 1,896             | 1,813       | 643           | 621         | 576         |
| Loan impairment charges and other credit risk provisions ..                                | (6)               | (217)       | (53)          | (15)        | (82)        |
| Net operating income .....   | 1,890             | 1,596       | 590           | 606         | 494         |
| Total operating expenses .....   | (924)             | (830)       | (308)         | (335)       | (293)       |
| Operating profit .....   | 966               | 766         | 282           | 271         | 201         |
|  | 322               | 282         | 97            | 114         | 75          |



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Share of profit in associates and joint ventures

.....

|   |       |       |      |      |      |
|---|-------|-------|------|------|------|
| Profit before tax   | 1,288 | 1,048 | 379  | 385  | 276  |
| Reconciliation of reported and underlying profit before tax |       |       |      |      |      |
| Reported profit before tax                                  | 1,288 | 1,048 | 379  | 385  | 276  |
| Currency translation adjustment                             |       | (25)  |      | 1    | (7)  |
| Own credit spread   | 3     | 5     | 2    | (2)  | 1    |
| Acquisitions, disposals and dilutions                       | -     | 43    | -    | -    | 70   |
| Underlying profit before tax                                | 1,291 | 1,071 | 381  | 384  | 340  |
|   | %     | %     | %    | %    | %    |
| Cost efficiency ratio                                       | 48.7  | 45.8  | 47.9 | 53.9 | 50.9 |
| Pre-tax return on average risk-weighted assets (annualised) | 2.7   | 2.3   | 2.3  | 2.4  | 1.8  |

Profit/(loss) before tax by global business

|                                      | Nine months ended |             | Quarter ended |             |             |
|--------------------------------------|-------------------|-------------|---------------|-------------|-------------|
|                                      | 30 Sep 2013       | 30 Sep 2012 | 30 Sep 2013   | 30 Jun 2013 | 30 Sep 2012 |
|                                      | US\$m             | US\$m       | US\$m         | US\$m       | US\$m       |
| Retail Banking and Wealth Management | 239               | 187         | 59            | 90          | 47          |
| Commercial Banking                   | 481               | 438         | 130           | 159         | 97          |
| Global Banking and Markets           | 630               | 454         | 219           | 155         | 168         |
| Global Private Banking               | 11                | 7           | 4             | 2           | 3           |
| Other                                | (73)              | (38)        | (33)          | (21)        | (39)        |
| Profit before tax                    | 1,288             | 1,048       | 379           | 385         | 276         |

## North America

|  | Nine months ended       |                         | Quarter ended           |                         |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|  | 30 Sep<br>2013<br>US\$m | 30 Sep<br>2012<br>US\$m | 30 Sep<br>2013<br>US\$m | 30 Jun<br>2013<br>US\$m | 30 Sep<br>2012<br>US\$m |
| Net operating income before loan impairment charges and other credit risk provisions ..... | 6,824                   | 12,353                  | 2,192                   | 2,336                   | 2,375                   |
| Loan impairment charges and other credit risk provisions ..                                | (959)                   | (2,856)                 | (263)                   | (249)                   | (695)                   |
| Net operating income .....   | 5,865                   | 9,497                   | 1,929                   | 2,087                   | 1,680                   |
| Total operating expenses .....   | (4,838)                 | (7,070)                 | (1,562)                 | (1,562)                 | (2,608)                 |
| Operating profit/(loss) .....  | 1,027                   | 2,427                   | 367                     | 525                     | (928)                   |
| Share of profit in associates and joint ventures .....                                     | 15                      | 1                       | 9                       | 1                       | 2                       |
| Profit/(loss) before tax .....   | 1,042                   | 2,428                   | 376                     | 526                     | (926)                   |
| Reconciliation of reported and underlying profit/(loss) before tax                         |                         |                         |                         |                         |                         |
| Reported profit/(loss) before tax .....  | 1,042                   | 2,428                   | 376                     | 526                     | (926)                   |
| Currency translation adjustment .....  |                         | (17)                    |                         | (3)                     | (7)                     |
| Own credit spread .....  | 111                     | 864                     | 89                      | (62)                    | 305                     |
| Acquisitions, disposals and dilutions .....  | 103                     | (4,869)                 | (17)                    | -                       | (191)                   |
| Underlying profit/(loss) before tax .....  | 1,256                   | (1,594)                 | 448                     | 461                     | (819)                   |
|  | %                       | %                       | %                       | %                       | %                       |
| Cost efficiency ratio .....  | 70.9                    | 57.2                    | 71.3                    | 66.9                    | 109.8                   |
| Pre-tax return on average risk-weighted assets (annualised)                                | 0.6                     | 1.1                     | 0.6                     | 0.9                     | (1.3)                   |

## Profit/(loss) before tax by global business

|   | Nine months ended       |                            | Quarter ended           |                            |                            |
|---|-------------------------|----------------------------|-------------------------|----------------------------|----------------------------|
|   | 30 Sep<br>2013<br>US\$m | 30<br>Sep<br>2012<br>US\$m | 30 Sep<br>2013<br>US\$m | 30<br>Jun<br>2013<br>US\$m | 30<br>Sep<br>2012<br>US\$m |
| Retail Banking and Wealth Management .....                      | (112)                   | 3,213                      | 58                      | 110                        | (261)                      |
| RBWM excluding CRS and run-off portfolio ('Rest of RBWM') ..... | 20                      | 557                        | (44)                    | 24                         | 38                         |
| Card and Retail Services .....                                  | -                       | 3,766                      | -                       | -                          | (150)                      |
| Run-off portfolio .....   | (132)                   | (1,110)                    | 102                     | 86                         | (149)                      |
| Commercial Banking .....  | 542                     | 983                        | 225                     | 131                        | 301                        |
| Global Banking and Markets .....                                | 844                     | 758                        | 150                     | 313                        | 209                        |
| Global Private Banking .....                                    | 46                      | 58                         | 14                      | 16                         | 17                         |
| Other .....   | (278)                   | (2,584)                    | (71)                    | (44)                       | (1,192)                    |
| Profit/(loss) before tax .....                                  | 1,042                   | 2,428                      | 376                     | 526                        | (926)                      |

## Latin America

|  | Nine months ended       |                            | Quarter ended           |                            |                            |
|--|-------------------------|----------------------------|-------------------------|----------------------------|----------------------------|
|  | 30 Sep<br>2013<br>US\$m | 30<br>Sep<br>2012<br>US\$m | 30 Sep<br>2013<br>US\$m | 30<br>Jun<br>2013<br>US\$m | 30<br>Sep<br>2012<br>US\$m |
| Net operating income before loan impairment charges and other credit risk provisions ..... | 7,254                   | 8,260                      | 2,296                   | 2,453                      | 2,695                      |
| Loan impairment charges and other credit risk provisions ..                                | (2,039)                 | (1,645)                    | (616)                   | (907)                      | (509)                      |
| Net operating income .....   | 5,215                   | 6,615                      | 1,680                   | 1,546                      | 2,186                      |
| Total operating expenses .....   | (4,529)                 | (4,818)                    | (1,460)                 | (1,541)                    | (1,533)                    |
|  | 686                     | 1,797                      | 220                     | 5                          | 653                        |

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|   |      |       |      |      |      |
|---|------|-------|------|------|------|
| Operating profit  |      |       |      |      |      |
| Share of profit in associates and joint ventures            | -    | 1     | -    | -    | -    |
| Profit before tax   | 686  | 1,798 | 220  | 5    | 653  |
| Reconciliation of reported and underlying profit before tax |      |       |      |      |      |
| Reported profit before tax                                  | 686  | 1,798 | 220  | 5    | 653  |
| Currency translation adjustment                             |      | (121) |      | 3    | (47) |
| Acquisitions, disposals and dilutions                       | (27) | (175) | -    | (26) | (28) |
| Underlying profit/(loss) before tax                         | 659  | 1,502 | 220  | (18) | 578  |
|   | %    | %     | %    | %    | %    |
| Cost efficiency ratio                                       | 62.4 | 58.3  | 63.6 | 62.8 | 56.9 |
| Pre-tax return on average risk-weighted assets (annualised) | 0.9  | 2.4   | 0.9  | -    | 2.6  |

Profit/(loss) before tax by global business

|                                      | Nine months ended |             | Quarter ended |             |             |
|--------------------------------------|-------------------|-------------|---------------|-------------|-------------|
|                                      | 30 Sep 2013       | 30 Sep 2012 | 30 Sep 2013   | 30 Jun 2013 | 30 Sep 2012 |
|                                      | US\$m             | US\$m       | US\$m         | US\$m       | US\$m       |
| Retail Banking and Wealth Management | 37                | 379         | 34            | (115)       | 165         |
| Commercial Banking                   | 66                | 593         | (4)           | (81)        | 212         |
| Global Banking and Markets           | 663               | 947         | 218           | 205         | 298         |
| Global Private Banking               | 3                 | 15          | (2)           | 2           | 5           |
| Other                                | (83)              | (136)       | (26)          | (6)         | (27)        |
| Profit before tax                    | 686               | 1,798       | 220           | 5           | 653         |

## Appendix - selected information

## Loans and advances to customers by industry sector and by geographical region

|   | Europe  | Hong Kong | Asia-Pacific | Rest of Asia | Middle East and North Africa | North America | Latin America | Gross loans and advances to customers | Gross loans by industry sector as a % of total gross loans |
|---|---------|-----------|--------------|--------------|------------------------------|---------------|---------------|---------------------------------------|--|
|   | US\$m   | US\$m     | US\$m        | US\$m        | US\$m                        | US\$m         | US\$m         | US\$m                                 | %  |
| At 30 September 2013                        |         |           |              |              |                              |               |               |                                       |  |
| Personal                                    |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 186,632 | 72,628    | 49,729       | 6,535        | 76,869                       | 15,385        | 407,778       | 39.5                                  |  |
| Residential mortgages                       |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 136,965 | 53,602    | 37,901       | 2,426        | 64,409                       | 3,827         | 299,130       | 29.0                                  |  |
| Other personal                              |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 49,667  | 19,026    | 11,828       | 4,109        | 12,460                       | 11,558        | 108,648       | 10.5                                  |  |
| Corporate and commercial                    |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 227,111 | 113,589   | 88,488       | 21,008       | 50,256                       | 30,540        | 530,992       | 51.4                                  |  |
| Manufacturing                               |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 50,210  | 11,456    | 19,229       | 3,170        | 10,336                       | 12,590        | 106,991       | 10.3                                  |  |
| International trade and services ..         |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 73,767  | 42,249    | 35,567       | 9,396        | 13,776                       | 7,635         | 182,390       | 17.6                                  |  |
| Commercial real estate                      |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 31,921  | 25,443    | 9,529        | 677          | 6,244                        | 2,311         | 76,125        | 7.4                                   |  |
| Other property-related                      |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 8,061   | 18,207    | 7,132        | 1,503        | 8,038                        | 290           | 43,231        | 4.2                                   |  |
| Government                                  |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 2,388   | 2,857     | 316          | 1,614        | 463                          | 1,362         | 9,000         | 0.9                                   |  |
| Other commercial                            |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 60,764  | 13,377    | 16,715       | 4,648        | 11,399                       | 6,352         | 113,255       | 11.0                                  |  |
| Financial                                   |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 60,243  | 7,340     | 4,068        | 1,858        | 16,440                       | 1,325         | 91,274        | 8.8                                   |  |
| Non-bank financial institutions ..          |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 58,782  | 6,863     | 3,938        | 1,857        | 16,440                       | 1,222         | 89,102        | 8.6                                   |  |
| Settlement accounts                         |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 1,461   | 477       | 130          | 1            | -                            | 103           | 2,172         | 0.2                                   |  |
| Asset-backed securities reclassified ..     |         |           |              |              |                              |               |               |                                       |  |
| .....                                       | 2,946   | -         | -            | -            | 145                          | -             | 3,091         | 0.3                                   |  |
| Total gross loans and advances to customers | 476,932 | 193,557   | 142,285      | 29,401       | 143,710                      | 47,250        | 1,033,135     | 100.0                                 |  |

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|  |         |         |         |        |         |        |         |       |  |
|--|---------|---------|---------|--------|---------|--------|---------|-------|--|
| .....  |         |         |         |        |         |        |         |       |  |
| At 30 June 2013  |         |         |         |        |         |        |         |       |  |
| Personal   |         |         |         |        |         |        |         |       |  |
| .....  | 173,270 | 72,288  | 48,534  | 6,377  | 78,959  | 15,081 | 394,509 | 40.0  |  |
| Residential mortgages                                    |         |         |         |        |         |        |         |       |  |
| .....  | 127,434 | 53,475  | 36,605  | 2,296  | 66,277  | 3,561  | 289,648 | 29.4  |  |
| Other personal   |         |         |         |        |         |        |         |       |  |
| .....  | 45,836  | 18,813  | 11,929  | 4,081  | 12,682  | 11,520 | 104,861 | 10.6  |  |
| Corporate and commercial .....                           | 211,128 | 111,610 | 86,873  | 21,416 | 48,327  | 30,451 | 509,805 | 51.8  |  |
| Manufacturing  |         |         |         |        |         |        |         |       |  |
| .....  | 46,202  | 10,944  | 19,300  | 3,409  | 9,609   | 12,128 | 101,592 | 10.3  |  |
| International trade and services ..                      | 66,317  | 42,707  | 35,091  | 9,458  | 13,082  | 7,771  | 174,426 | 17.7  |  |
| Commercial real estate                                   |         |         |         |        |         |        |         |       |  |
| .....  | 30,764  | 24,158  | 9,258   | 898    | 6,064   | 2,328  | 73,470  | 7.5   |  |
| Other property-related                                   |         |         |         |        |         |        |         |       |  |
| .....  | 7,403   | 17,182  | 6,533   | 1,526  | 7,725   | 285    | 40,654  | 4.1   |  |
| Government   |         |         |         |        |         |        |         |       |  |
| .....  | 1,834   | 2,813   | 407     | 1,664  | 348     | 1,431  | 8,497   | 0.9   |  |
| Other commercial   |         |         |         |        |         |        |         |       |  |
| .....  | 58,608  | 13,806  | 16,284  | 4,461  | 11,499  | 6,508  | 111,166 | 11.3  |  |
| Financial  |         |         |         |        |         |        |         |       |  |
| .....  | 51,060  | 6,168   | 4,630   | 1,822  | 12,103  | 1,380  | 77,163  | 7.8   |  |
| Non-bank financial institutions ..                       | 49,526  | 5,563   | 4,475   | 1,821  | 12,103  | 1,289  | 74,777  | 7.6   |  |
| Settlement accounts                                      |         |         |         |        |         |        |         |       |  |
| .....  | 1,534   | 605     | 155     | 1      | -       | 91     | 2,386   | 0.2   |  |
| Asset-backed securities reclassified ..                  | 3,319   | -       | -       | -      | 147     | -      | 3,466   | 0.4   |  |
| Total gross loans and advances to customers <sup>1</sup> |         |         |         |        |         |        |         |       |  |
| .....  | 438,777 | 190,066 | 140,037 | 29,615 | 139,536 | 46,912 | 984,943 | 100.0 |  |
| At 31 December 2012                                      |         |         |         |        |         |        |         |       |  |
| Personal   |         |         |         |        |         |        |         |       |  |
| .....  | 186,274 | 70,341  | 49,305  | 6,232  | 84,354  | 18,587 | 415,093 | 41.0  |  |
| Residential mortgages                                    |         |         |         |        |         |        |         |       |  |
| .....  | 135,172 | 52,296  | 36,906  | 2,144  | 70,133  | 5,211  | 301,862 | 29.8  |  |
| Other personal   |         |         |         |        |         |        |         |       |  |
| .....  | 51,102  | 18,045  | 12,399  | 4,088  | 14,221  | 13,376 | 113,231 | 11.2  |  |
| Corporate and commercial .....                           | 223,061 | 99,199  | 85,305  | 22,452 | 47,886  | 35,590 | 513,493 | 50.6  |  |
| Manufacturing  |         |         |         |        |         |        |         |       |  |
| .....  | 56,690  | 10,354  | 19,213  | 3,373  | 9,731   | 12,788 | 112,149 | 11.1  |  |

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|  |                |                |                |               |                |               |                  |              |
|--|----------------|----------------|----------------|---------------|----------------|---------------|------------------|--------------|
| International trade and services ..                        | 70,954         | 33,832         | 32,317         | 9,115         | 13,419         | 9,752         | 169,389          | 16.6         |
| Commercial real estate .....                               | 33,279         | 23,384         | 9,286          | 865           | 6,572          | 3,374         | 76,760           | 7.6          |
| Other property-related .....                               | 7,402          | 16,399         | 6,641          | 2,103         | 7,607          | 380           | 40,532           | 4.0          |
| Government .....   | 2,393          | 2,838          | 1,136          | 1,662         | 774            | 1,982         | 10,785           | 1.1          |
| Other commercial .....                                     | 52,343         | 12,392         | 16,712         | 5,334         | 9,783          | 7,314         | 103,878          | 10.2         |
| <b>Financial</b> .....                                     | <b>55,732</b>  | <b>4,546</b>   | <b>4,255</b>   | <b>1,196</b>  | <b>13,935</b>  | <b>1,594</b>  | <b>81,258</b>    | <b>8.0</b>   |
| Non-bank financial institutions ..                         | 55,262         | 4,070          | 3,843          | 1,194         | 13,935         | 1,513         | 79,817           | 7.9          |
| Settlement accounts .....                                  | 470            | 476            | 412            | 2             | -              | 81            | 1,441            | 0.1          |
| Asset-backed securities reclassified ..                    | 3,694          | -              | -              | -             | 197            | -             | 3,891            | 0.4          |
| <b>Total gross loans and advances to customers</b> 1 ..... | <b>468,761</b> | <b>174,086</b> | <b>138,865</b> | <b>29,880</b> | <b>146,372</b> | <b>55,771</b> | <b>1,013,735</b> | <b>100.0</b> |

1 Additionally, gross loans and advances to customers of US\$9,627m (30 June 2013: US\$13,985m; 31 December 2012: US\$6,842m) are reported within assets held for sale.

### Exposures to countries in the eurozone

During 3Q13, in spite of ongoing improvements through austerity and structural reforms, the peripheral eurozone countries of Greece, Ireland, Italy, Portugal, Spain and Cyprus continued to exhibit a high ratio of sovereign debt to gross domestic product and excessive fiscal deficits. At 30 September 2013, there were no significant changes in our exposures to peripheral eurozone countries from those set out in our Interim Report 2013.

### Notable revenue items and notable cost items by geographical region and global business

#### Notable revenue items by geographical region

|                                     | Rest of |           |              |       |               |               |       | Total |
|-------------------------------------|---------|-----------|--------------|-------|---------------|---------------|-------|-------|
|                                     | Europe  | Hong Kong | Asia-Pacific | MENA  | North America | Latin America |       |       |
|                                     | US\$m   | US\$m     | US\$m        | US\$m | US\$m         | US\$m         | US\$m |       |
| Nine months ended 30 September 2013 |         |           |              |       |               |               |       |       |

|   |   |   |       |   |   |   |       |
|---|---|---|-------|---|---|---|-------|
| Net gain on completion of Ping An disposal <sup>1</sup> | - | - | 553   | - | - | - | 553   |
| Quarter ended 31 December 2012                          |   |   |       |   |   |   |       |
| Ping An contingent forward sale contract <sup>2</sup>   | - | - | (553) | - | - | - | (553) |

### Notable revenue items by global business

|   | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Other | Total |
|---|--------------------------------------|--------------------|----------------------------|------------------------|-------|-------|
|   | US\$m                                | US\$m              | US\$m                      | US\$m                  | US\$m | US\$m |
| Nine months ended 30 September 2013                     |                                      |                    |                            |                        |       |       |
| Net gain on completion of Ping An disposal <sup>1</sup> | -                                    | -                  | -                          | -                      | 553   | 553   |
| Quarter ended 31 December 2012                          |                                      |                    |                            |                        |       |       |
| Ping An contingent forward sale contract <sup>2</sup>   | -                                    | -                  | -                          | -                      | (553) | (553) |

1 The gain of US\$553m represents the net impact of the disposal of available-for-sale investments in Ping An offset by adverse changes in fair value of the contingent forward sale contract to the point of delivery of the shares.

2 For a full description of the Ping An contingent forward sale contract, see page 472 of the Annual Report and Accounts 2012.

### Notable cost items by geographical region

|   | Europe | Hong Kong | Rest of Asia-Pacific | MENA  | North America | Latin America | Total |
|---|--------|-----------|----------------------|-------|---------------|---------------|-------|
|   | US\$m  | US\$m     | US\$m                | US\$m | US\$m         | US\$m         | US\$m |
| Nine months ended 30 September 2013         |        |           |                      |       |               |               |       |
| Restructuring and other related costs ..... | 176    | 4         | 64                   | (5)   | 89            | 68            | 396   |
| UK customer redress programmes .....        | 840    | -         | -                    | -     | -             | -             | 840   |



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|  |       |    |     |     |       |     |       |
|--|-------|----|-----|-----|-------|-----|-------|
| Nine months ended 30 September 2012  |       |    |     |     |       |     |       |
| Restructuring and other related costs .....  | 234   | 30 | 107 | 14  | 175   | 100 | 660   |
| UK customer redress programmes .....   | 1,698 | -  | -   | -   | -     | -   | 1,698 |
| Fines and penalties for inadequate compliance with anti-money laundering and sanction laws ..... | -     | -  | -   | -   | 1,500 | -   | 1,500 |
| Quarter ended 30 September 2013  |       |    |     |     |       |     |       |
| Restructuring and other related costs .....  | 73    | 2  | 54  | (8) | 11    | 26  | 158   |
| UK customer redress programmes .....   | 428   | -  | -   | -   | -     | -   | 428   |
| Quarter ended 30 September 2012  |       |    |     |     |       |     |       |
| Restructuring and other related costs .....  | 33    | 7  | (6) | 11  | 24    | 28  | 97    |
| UK customer redress programmes .....   | 353   | -  | -   | -   | -     | -   | 353   |
| Fines and penalties for inadequate compliance with anti-money laundering and sanction laws ..... | -     | -  | -   | -   | 800   | -   | 800   |

Notable cost items by global business

|   | Global                               |                    |         |                            |       |       | Total |
|---|--------------------------------------|--------------------|---------|----------------------------|-------|-------|-------|
|   | Retail Banking and Wealth Management | Banking            |         |                            |       | Other |       |
|   |                                      | Commercial Banking | Markets | and Global Private Banking |       |       |       |
| US\$m                                       | US\$m                                | US\$m              | US\$m   | US\$m                      | US\$m | US\$m |       |
| Nine months ended 30 September 2013         |                                      |                    |         |                            |       |       |       |
| Restructuring and other related costs ..... | 158                                  | 50                 | 15      | 7                          | 166   | 396   |       |

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|  |       |     |     |    |       |       |
|--|-------|-----|-----|----|-------|-------|
| UK customer redress programmes .....   | 706   | 68  | 66  | -  | -     | 840   |
| Nine months ended 30 September 2012  |       |     |     |    |       |       |
| Restructuring and other related costs .....  | 199   | 53  | 34  | 52 | 322   | 660   |
| UK customer redress programmes .....   | 1,465 | 114 | 119 | -  | -     | 1,698 |
| Fines and penalties for inadequate compliance with anti-money laundering and sanction laws ..... | -     | -   | -   | -  | 1,500 | 1,500 |
| Quarter ended 30 September 2013  |       |     |     |    |       |       |
| Restructuring and other related costs .....  | 73    | 28  | 6   | 1  | 50    | 158   |
| UK customer redress programmes .....   | 294   | 68  | 66  | -  | -     | 428   |
| Quarter ended 30 September 2012  |       |     |     |    |       |       |
| Restructuring and other related costs .....  | 16    | 11  | 2   | 15 | 53    | 97    |
| UK customer redress programmes .....   | 358   | (5) | -   | -  | -     | 353   |
| Fines and penalties for inadequate compliance with anti-money laundering and sanction laws ..... | -     | -   | -   | -  | 800   | 800   |

US run-off portfolios

|   | Quarter ended |            |            |            |            |
|---|---------------|------------|------------|------------|------------|
|   | 30 Sep        | 30 Jun     | 31 Mar     | 31 Dec     | 30 Sep     |
|   | 2013 US\$m    | 2013 US\$m | 2013 US\$m | 2012 US\$m | 2012 US\$m |
| Net operating income before loan impairment charges and other credit risk provisions <sup>2</sup> ..... | 494           | 394        | 399        | 809        | 587        |
| - of which:   |               |            |            |            |            |
| non-qualifying hedges .....   | (4)           | 180        | 83         | 38         | (48)       |

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|   |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|
| Loan impairment charges and other credit risk provisions .. | (150) | (79)  | (317) | (494) | (498) |
| Net operating income .....                                  | 344   | 315   | 82    | 315   | 89    |
| Total operating expenses .....                              | (242) | (229) | (402) | (481) | (238) |
| Operating profit/(loss) .....                               | 102   | 86    | (320) | (166) | (149) |
| Share of profit in associates and joint ventures .....      | -     | -     | -     | 2     | -     |
| Profit/(loss) before tax <sup>2</sup> .....                 | 102   | 86    | (320) | (164) | (149) |

1 The quarter ended 31 March 2013 includes the loss on sale and results of the US Insurance business.

2 'Net operating income before loan impairment charges and other credit risk provisions' and 'Profit/(loss) before tax' exclude movements in fair value of own debt, and include the effect of non-qualifying hedges.

|   | Quarter ended              |                            |                            |                            |                            |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|   | 30<br>Sep<br>2013<br>US\$m | 30<br>Jun<br>2013<br>US\$m | 31<br>Mar<br>2013<br>US\$m | 31<br>Dec<br>2012<br>US\$m | 30<br>Sep<br>2012<br>US\$m |
| Loan portfolio information                            |                            |                            |                            |                            |                            |
| Loans and advances to customers (gross) .....         | 33,496                     | 35,602                     | 37,164                     | 38,741                     | 39,980                     |
| Loans and advances to customers - held for sale ..... | 1,043                      | 461                        | 3,974                      | 3,958                      | 4,290                      |
| Impairment allowances .....                           | 3,569                      | 3,789                      | 4,137                      | 4,481                      | 4,652                      |
| Impairment allowances - assets held for sale .....    | 127                        | 55                         | 642                        | 669                        | 706                        |
| 2+ delinquency .....                                  | 7,327                      | 7,388                      | 7,670                      | 8,284                      | 8,419                      |
| Write-offs (net) .....                                | 61                         | 216                        | 544                        | 563                        | 646                        |
|   | %                          | %                          | %                          | %                          | %                          |
| Ratios <sup>1</sup> :                                 |                            |                            |                            |                            |                            |
| Impairment allowances .....                           | 10.7                       | 10.7                       | 11.6                       | 12.1                       | 12.1                       |
| Loan impairment charges .....                         | 1.7                        | 2.0                        | 3.0                        | 4.6                        | 4.4                        |
| 2+ delinquency .....                                  | 21.2                       | 20.5                       | 18.6                       | 19.4                       | 19.0                       |
| Write-offs .....                                      | 0.7                        | 2.3                        | 5.2                        | 5.2                        | 5.7                        |

1 The 'write-offs' and 'loan impairment charges' ratios are a percentage of average total loans and advances (quarter annualised), while the 'impairment allowances' and '2+ delinquency' ratios are a percentage of period end loans and advances to customers (gross). All ratios include assets held for sale.

SIGNATURE

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HSBC Holdings plc

By:

Name: Ben J S Mathews

Title: Group Company Secretary

Date: 04 November 2013