

HSBC HOLDINGS PLC
Form 6-K
March 25, 2014

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934

For the month of March
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-.....).

Financial summary

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Critical accounting policies
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The management commentary included in the Report of the Directors: 'Financial Review', together with the 'Employees' and 'Corporate sustainability' sections of 'Corporate Governance' and the 'Directors' Remuneration Report' is presented in compliance with the IFRSs Practice Statement 'Management Commentary' issued by the IASB.

Use of non-GAAP financial measures

Our reported results are prepared in accordance with IFRSs as detailed in the Financial Statements starting on page 416. In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which distort year-on-year comparisons. These are considered non-GAAP financial measures. Non-GAAP financial measures that we use throughout our Financial Review and are described below. Other non-GAAP financial measures are described and reconciled to the closest reported financial measure when used.

Constant currency

The constant currency measure adjusts for the year-on-year effects of foreign currency translation differences by comparing reported results for 2013 with reported results for 2012 retranslated at 2013 exchange rates. Except where stated otherwise, commentaries are on a constant currency basis, as reconciled in the table below.

The foreign currency translation differences reflect the movements of the US dollar against most major currencies during 2013.

We exclude the translation differences because we consider the like-for-like basis of constant currency financial measures more appropriately reflects changes due to operating performance.

Constant currency

Constant currency comparatives for 2012 referred to in the commentaries are computed by retranslating into US dollars for non-US dollar branches, subsidiaries, joint ventures and associates:

- the income statements for 2012 at the average rates of exchange for 2013; and
- the balance sheet at 31 December 2012 at the prevailing rates of exchange on 31 December 2013.

No adjustment has been made to the exchange rates used to translate foreign currency denominated assets and liabilities into the functional currencies of any HSBC branches, subsidiaries, joint ventures or associates. When reference is made to 'constant currency' in tables or commentaries, comparative data reported in the functional currencies of HSBC's operations have been translated at the appropriate exchange rates applied in the current year on the basis described above.

Underlying performance

To arrive at underlying performance:

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- we adjust for the year-on-year effects of foreign currency translation;
- we eliminate 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. This does not include fair value changes due to own credit risk in respect of trading liabilities or derivative liabilities; and
- we adjust 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 year incurred, and remove the operating profit or loss of the acquired, disposed of or diluted subsidiaries, associates, joint ventures and businesses from all the years presented so we can view results on a like-for-like basis. For example, if a disposal was made in the current year, any gain

Reconciliation of reported and constant currency profit before tax

HSBC	2013 compared with 2012					
	2012	Currency translation adjustment ¹	2012	2013	Reported	Constant currency change ²
	as reported		at 2013	exchange rates		
US\$m	US\$m	US\$m	US\$m	US\$m	%	%
Net interest income	37,672	(682)	36,990	35,539	(6)	(4)
Net fee income	16,430	(203)	16,227	16,434	-	1
Net trading income	7,091	(164)	6,927	8,690	23	25
Own credit spread ³	(5,215)	12	(5,203)	(1,246)	76	76
Other income/(expense) from financial instruments designated at fair value	2,989	(53)	2,936	2,014	(33)	(31)
Net income/(expense) from financial instruments designated at fair value	(2,226)	(41)	(2,267)	768		
Gains on disposal of US branch network, US cards business and Ping An	7,024	-	7,024	-	(100)	(100)
Gains less losses from financial investments	1,189	(17)	1,172	2,012	69	72
	13,044	(118)	12,926	11,940	(8)	(8)

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Net earned insurance premiums.....						
Other operating income (including dividend income).....	2,321	(200)	2,121	2,954	27	39
Total operating income	82,545	(1,425)	81,120	78,337	(5)	(3)
Net insurance claims incurred and movement in liabilities to policyholders.....	(14,215)	96	(14,119)	(13,692)	(4)	(3)
Net operating income ⁴	68,330	(1,329)	67,001	64,645	(5)	(4)
Loan impairment charges and other credit risk provisions	(8,311)	201	(8,110)	(5,849)	30	28
Net operating income	60,019	(1,128)	58,891	58,796	(2)	-
Operating expenses	(42,927)	683	(42,244)	(38,556)	10	9
Operating profit	17,092	(445)	16,647	20,240	18	22
Share of profit in associates and joint ventures	3,557	45	3,602	2,325	(35)	(35)
Profit before tax	20,649	(400)	20,249	22,565	9	11
By global business						
Retail Banking and Wealth Management	9,575	(26)	9,549	6,649	(31)	(30)
Commercial Banking	8,535	(96)	8,439	8,441	(1)	-
Global Banking and Markets	8,520	(147)	8,373	9,441	11	13
Global Private Banking	1,009	(16)	993	193	(81)	(81)
Other	(6,990)	(115)	(7,105)	(2,159)	69	70
Profit before tax	20,649	(400)	20,249	22,565	9	11
By geographical region						
Europe	(3,414)	65	(3,349)	1,825		
Hong Kong	7,582	(1)	7,581	8,089	7	7
Rest of Asia-Pacific	10,448	(227)	10,221	7,764	(26)	(24)

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Middle East and North Africa						
.....	1,350	(36)	1,314	1,694	25	29
North America						
.....	2,299	(28)	2,271	1,221	(47)	(46)
Latin America	2,384	(173)	2,211	1,972	(17)	(11)
.....						
Profit before tax						
.....	20,649	(400)	20,249	22,565	9	11

For footnotes, see page 132.

or loss on disposal, any associated gain or loss on reclassification or impairment recognised and the results of the disposed-of business would be removed from the results of the current year and the previous year as if the disposed-of business did not exist in those years. Disposal of investments other than those included in the above definition do not lead to underlying adjustments.

We use underlying performance to explain year-on-year changes when the effect of fair value movements on own debt, acquisitions, disposals or dilution is significant because we consider that this basis more appropriately reflects operating performance.

The following acquisitions, disposals and changes to ownership levels affected the underlying performance:

Disposal gains/(losses) affecting underlying performance

	Date	Disposal gain/(loss) US\$m
HSBC Bank Canada's disposal of HSBC Securities (Canada) Inc's full service retail brokerage business ⁵	Jan 2012	83
The Hongkong and Shanghai Banking Corporation Limited's disposal of RBWM operations in Thailand ⁵	Mar 2012	108
HSBC Finance Corporation, HSBC USA Inc. and HSBC Technology and Services (USA) Inc.'s disposal of US Card and Retail Services business ⁵	May 2012	3,148
.....		
HSBC Bank USA, N.A.'s disposal of 138 non-strategic branches ⁵	May 2012	661
.....		
HSBC Argentina Holdings S.A.'s disposal of its non-life insurance manufacturing subsidiary ⁵	May 2012	102
.....		
The Hongkong and Shanghai Banking Corporation Limited's disposal of its private banking business in Japan ⁵	Jun 2012	67
The Hongkong and Shanghai Banking Corporation Limited's disposal of its shareholding in a		130

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property company in the Philippines6	Jun 2012	
Hang Seng Bank Limited's disposal of its non-life insurance manufacturing subsidiary5	Jul 2012	46
HSBC Bank USA, N.A.'s disposal of 57 non-strategic branches5	Aug 2012	203
HSBC Asia Holdings B.V.'s investment loss on a subsidiary5	Aug 2012	(85)
HSBC Bank plc's disposal of HSBC Securities SA6	Aug 2012	(11)
HSBC Europe (Netherlands) B.V.'s disposal of HSBC Credit Zrt6	Aug 2012	(2)
HSBC Europe (Netherlands) B.V.'s disposal of HSBC Insurance (Ireland) Limited6	Oct 2012	(12)
HSBC Europe (Netherlands) B.V.'s disposal of HSBC Reinsurance Limited6	Oct 2012	7
HSBC Private Bank (UK) Limited's disposal of Property Vision Holdings Limited6	Oct 2012	(1)
HSBC Investment Bank Holdings Limited's disposal of its stake in Havas Havalimanlari Yer Hizmetleri Yatirim Holding Anonim Sirketi6	Oct 2012	18
HSBC Insurance (Asia) Limited's disposal of its non-life insurance portfolios5	Nov 2012	117
HSBC Bank plc's disposal of HSBC Shipping Services Limited6	Nov 2012	(2)
HSBC Bank (Panama) S.A.'s disposal of its operations in Costa Rica, El Salvador and Honduras5 ...	Dec 2012	(62)
HSBC Insurance Holdings Limited and The Hongkong and Shanghai Banking Corporation Limited's disposal of their shares in Ping An Insurance (Group) Company of China, Ltd ('Ping An')5	Dec 2012	3,012
The Hongkong and Shanghai Banking Corporation Limited's disposal of its shareholding in Global Payments Asia-Pacific Limited5	Dec 2012	212
Reclassification gain in respect of our holding in Industrial Bank Co., Limited following the issue of additional share capital to third parties5	Jan 2013	1,089
HSBC Insurance (Asia-Pacific) Holdings Limited's disposal of its shareholding in Bao Viet Holdings5	Mar 2013	104
Household Insurance Group holding company's disposal of its insurance manufacturing business5 ..	Mar 2013	(99)
HSBC Seguros, S.A. de C.V., Grupo Financiero HSBC's disposal of its property and Casualty Insurance business in Mexico5	Apr 2013	20
HSBC Bank plc's disposal of its shareholding in HSBC (Hellas) Mutual Funds Management SA6	Apr 2013	(7)
HSBC Insurance (Asia-Pacific) Holdings Limited disposal of its shareholding in Hana HSBC Life Insurance Company Limited5	May 2013	28
HSBC Bank plc's disposal of HSBC Assurances IARD6	May 2013	(4)
The Hongkong and Shanghai Banking Corporation Limited's disposal of HSBC Life (International) Limited's Taiwan branch operations6	June 2013	(36)

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..... HSBC Markets (USA) Inc.'s disposal of its subsidiary, Rutland Plastic Technologies6	Aug 2013	17
HSBC Insurance (Singapore) Pte Ltd's disposal of its Employee Benefits Insurance business in Singapore6	Aug 2013	(8)
HSBC Investment Bank Holdings plc's disposal of its investment in associate FIP Colorado6	Aug 2013	(5)
HSBC Investment Bank Holdings plc group's disposal of its investment in subsidiary, Viking Sea Tech5	Aug 2013	54
HSBC Latin America Holdings UK Limited's disposal of HSBC Bank (Panama) S.A.6	Oct 2013	1,107
HSBC Latin America Holdings UK Limited's disposal of HSBC Bank (Peru) S.A.6	Nov 2013	(18)
HSBC Latin America Holdings UK Limited's disposal of HSBC Bank (Paraguay) S.A.6	Nov 2013	(21)
Reclassification loss in respect of our holding in Yantai Bank Co., Limited following an increase in its registered share capital5	Dec 2013	(38)

For footnotes, see page 132.

Acquisition gains/(losses) affecting underlying performance6

	Date	Fair value gain on acquisition
		US\$m
Gain on the merger of Oman International Bank S.A.O.G. and the Omani operations of HSBC Bank Middle East Limited	Jun 2012	3
Gain on the acquisition of the onshore retail and commercial banking business of Lloyds Banking Group in the UAE by HSBC Bank Middle East Limited	Oct 2012	18

For footnote, see page 132.

The following table reconciles selected reported items for 2013 and 2012 to an underlying basis. Equivalent tables are provided for each of our global businesses and geographical segments in the Form 20-F filed with the Securities and Exchange Commission ('SEC'), which is available on www.hsbc.com.

Reconciliation of reported and underlying items

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	2013	2012	Change ²
	US\$m	US\$m	%
Net interest income			
Reported	35,539	37,672	(6)
.....			
Currency translation adjustment ¹		(682)	
.....			
Acquisitions, disposals and dilutions	(273)	(2,015)	
.....			
Underlying	35,266	34,975	1
.....			
Other operating income			
Reported	2,632	2,100	25
.....			
Currency translation adjustment ¹		(195)	
.....			
Acquisitions, disposals and dilutions	(2,234)	(811)	
.....			
Underlying	398	1,094	(64)
.....			
Revenue ⁴			
Reported	64,645	68,330	(5)
.....			
Currency translation adjustment ¹		(1,341)	
.....			
Own credit spread ³	1,246	5,215	
.....			
Acquisitions, disposals and dilutions	(2,596)	(10,607)	
.....			
Underlying	63,295	61,597	3
.....			
Loan impairment charges and other credit risk provisions			
Reported	(5,849)	(8,311)	30
.....			
Currency translation adjustment ¹		201	
.....			
Acquisitions, disposals and dilutions	32	376	
.....			
Underlying	(5,817)	(7,734)	25
.....			

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Total operating expenses			
Reported	(38,556)	(42,927)	10
.....			
Currency translation adjustment ¹		683	
.....			
Acquisitions, disposals and dilutions	353	1,490	
.....			
Underlying	(38,203)	(40,754)	6
.....			
Underlying cost efficiency ratio			
.....	60.4%	66.2%	
Share of profit in associates and joint ventures			
Reported	2,325	3,557	(35)
.....			
Currency translation adjustment ¹		45	
.....			
Acquisitions, disposals and dilutions	(14)	(1,425)	
.....			
Underlying	2,311	2,177	6
.....			
Profit before tax			
Reported	22,565	20,649	9
.....			
Currency translation adjustment ¹		(412)	
.....			
Own credit spread ³	1,246	5,215	
.....			
Acquisitions, disposals and dilutions	(2,225)	(10,166)	
.....			
Underlying	21,586	15,286	41
.....			

For footnotes, see page 132.

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: 25 March 2014