



HSBC Holdings plc Annual Results 2013
Presentation to Investors and Analysts





Forward-looking statements

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations, capital position and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report and Accounts. Past performance cannot be relied on as a guide to future performance.

This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial measures to the most directly comparable measures under GAAP are provided in the 'reconciliations of non-GAAP financial measures' supplement available at www.hsbc.com.

Annual results 2013

Highlights

Financial highlights

- Improved profit and dividends reflecting strategic measures taken since 2011
 - Reported profit before tax ('PBT') in 2013 increased by 9% to USD22.6bn
 - Underlying PBT¹ increased by 41% to USD21.6bn
 - Reported RoE at 9.2%
 - Dividends per share² increased 9% to USD0.49
- Capital and liquidity strength
 - Core tier 1 ratio ('CT1') increased to 13.6%, with CT1 capital at USD149.1bn
 - Common equity tier 1 ratio³ ('CET1') increased to 10.9%, with CET1 capital at USD132.5bn
 - Advances-to-deposits ratio now at 72.9%

Strategy highlights

- | | |
|---|---|
| • First phase, significant strategic achievements | • Next phase, strategic priorities |
| – Simplified the group | – Growing the business and dividends |
| – Grown the business | – Implementing Global Standards |
| – Exceeded cost save targets at USD4.9bn | – Streamlining processes and procedures |

Notes:

1. Underlying basis eliminates effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates, joint ventures and businesses, and fair value ("FV") movements in credit spread on own long-term debt issued by Group and designated at fair value
2. Represents dividends in respect of the year
3. Estimated CRD IV end-point CET1 ratio is based on the Group's interpretation of the final CRD IV legislation, final rules issued by the PRA. Refer to Reconciliation of current rules to CRD IV end point rules table on page 311 and basis of preparation on page 324 in the Annual Report and Accounts 2013

Annual results 2013

Financial highlights¹

Summary financial highlights

	2012	2013	% better/(worse) 2013 vs 2012
Reported PBT (USDbn)	20.6	22.6	9
Underlying PBT (USDbn)	15.3	21.6	41
EPS (USD)	0.74	0.84	14
Dividends ² (USD)	0.45	0.49	9

Key ratios %

	2012	2013	KPI
Return on average ordinary shareholders' equity	8.4	9.2	12 – 15
Cost efficiency ratio	62.8	59.6	48 – 52 ³
Advances-to-deposits ratio	74.4	72.9	< 90
Core tier 1 ratio	12.3	13.6	9.5 – 10.5
Common equity tier 1 ratio	9.5	10.9	9.5 – 10.5 ⁴

Notes:

1. All figures are as reported unless otherwise stated
2. Dividends per share declared in respect of the year
3. CER target for 2014-16 is mid 50s
4. Target for 2014-16 is >10%

Annual results 2013

Regional and business profit contributions

Geographical regions

Underlying PBT (USDbn)	2012	2013	% better/(worse) 2013 vs 2012
Hong Kong	7.2	8.1	13
Rest of Asia-Pacific	5.6	6.7	20
MENA	1.3	1.7	26
Latin America	1.9	0.7	(62)
Europe	0.8	2.8	272
North America	(1.5)	1.6	n/a
Total	15.3	21.6	41

Global businesses

Underlying PBT (USDbn)	2012	2013	% better/(worse) 2013 vs 2012
Commercial Banking	7.5	7.9	5
Global Banking and Markets	7.9	9.0	15
Retail Banking and Wealth Management	4.0	6.4	60
Global Private Banking	0.9	0.2	(79)
Other	(5.0)	(1.9)	62
Total	15.3	21.6	41

Financial overview

Summary of reported results

Summary of reported results

(USDbn)	2012	2013	% better/(worse) 2013 vs 2012
Revenue ¹ excluding FVOD ²	73.5	65.9	(10)
LICs ³	(8.3)	(5.8)	30
Net operating income, excluding FVOD	65.2	60.0	(8)
Operating expenses	(42.9)	(38.6)	10
Associates and joint ventures	3.6	2.3	(35)
Profit before tax, excluding FVOD	25.9	23.8	(8)
Changes in FVOD	(5.2)	(1.2)	76
Profit before tax	20.6	22.6	9
Tax	(5.3)	(4.8)	10
Profit after tax	15.3	17.8	16
Profit attributable to ordinary shareholders of the parent company	13.5	15.6	16

Notes:

1. Revenue is net operating income before loan impairment charges and other credit risk provisions
2. Fair value movements on own debt attributable to movements in credit spreads
3. Loan impairment charges and other credit risk provisions

Financial overview

Summary of Q4 discrete reported results

Summary of reported results

(USDbn)	Q4 2012	Q4 2013	% better/(worse) 2013 vs 2012
Revenue ¹ excluding FVOD ²	18.2	15.8	(13)
LICs ³	(1.8)	(1.1)	36
Net operating income, excluding FVOD	16.4	14.7	(10)
Operating expenses	(11.4)	(10.6)	8
Associates and joint ventures	0.8	0.5	(40)
Profit before tax, excluding FVOD	5.8	4.6	(20)
Changes in FVOD	(1.3)	(0.7)	50
Profit before tax	4.4	4.0	(11)

Notes:

1. Revenue is net operating income before loan impairment charges and other credit risk provisions
2. Fair value movements on own debt attributable to movements in credit spreads
3. Loan impairment charges and other credit risk provisions

Financial overview

Underlying performance¹

(USDbn)	2012	2013	% better/(worse) 2013 vs 2012
Revenue ²	61.6	63.3	3
LICs ³	(7.7)	(5.8)	25
Operating expenses	(40.8)	(38.2)	6
Profit before tax	15.3	21.6	41

Notable items⁴

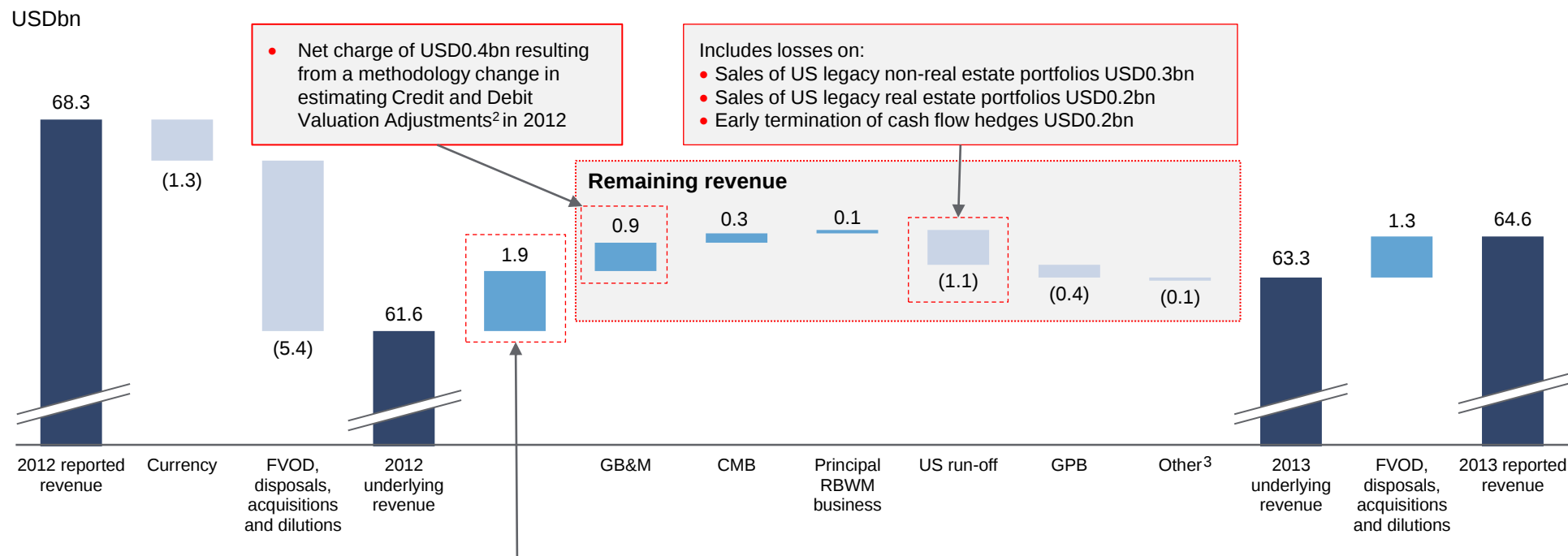
(USDbn)	2012	2013
Revenue		
Ping An contingent forward sale contract	(0.6)	–
Net gain on completion of Ping An disposal	–	0.6
Operating expenses		
Restructuring and other related costs	0.9	0.5
UK customer redress programmes	2.3	1.2
Fines and penalties for inadequate compliance with anti-money laundering and sanction laws	1.9	–

Notes:

1. See page 50 of the 2013 Annual Report and Accounts for a reconciliation of reported and underlying results
2. Net operating income before LICs
3. Loan impairment charges and other credit risk provisions
4. Notable items included within underlying results, as reported

Revenue

Movements in revenue¹ – 2013 vs 2012



Includes the following selected items:

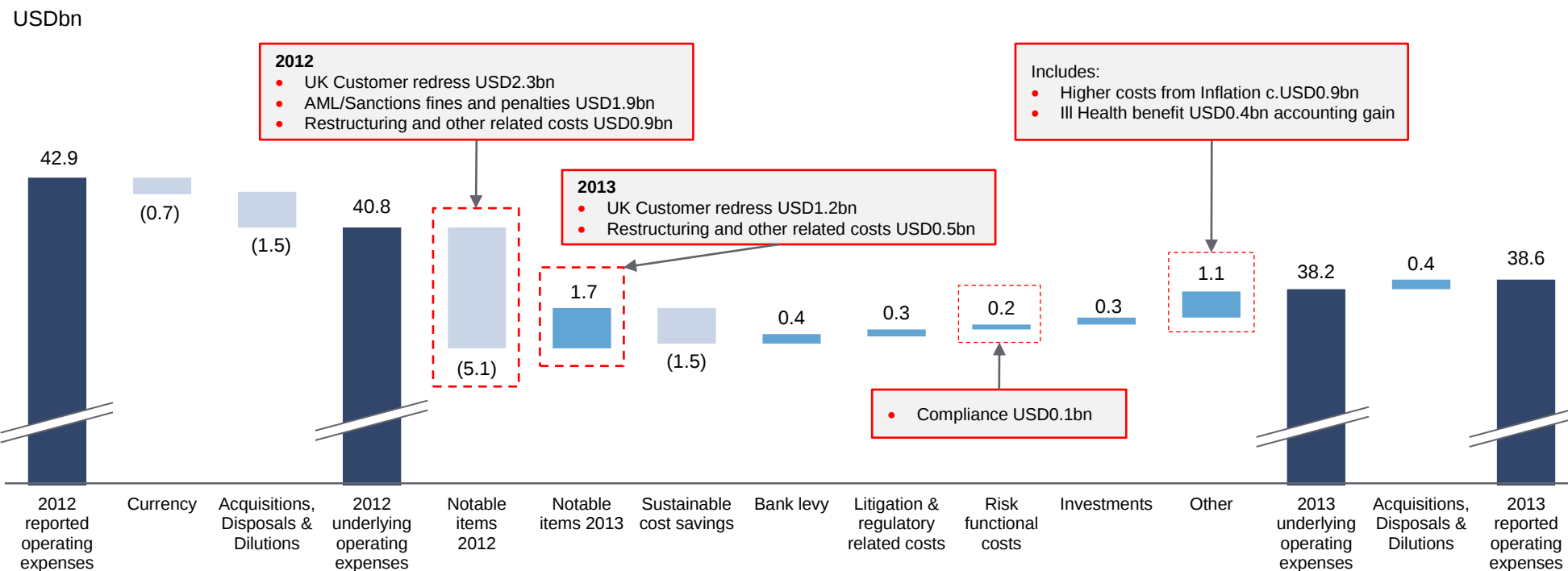
- Net favourable movement on non-qualifying hedges (USD807m) (2013, USD511m, 2012, USD-296m)
- Net gain in 2013 on completion of the disposal of our investment in Ping An (USD553m)
- Adverse 2012 fair value movement on contract relating to Ping An sale (USD553m)
- FX gains on sterling debt issued by HSBC Holdings (USD442m)
- Write off of goodwill relating to Monaco business in GBP (USD-279m)
- Loss on sale of an HFC Bank UK secured loan portfolio (USD-146m)

Notes:

- Net operating income before loan impairment charges and other credit risk provisions
- In 2012, revenue included a reported net charge of USD385m as a result of a change in estimation methodology in respect of CVAs of USD903m and a DVA of USD518m to reflect evolving market practices
- Other includes constant currency inter-segment of USD5.8bn in 2012 and USD5.7bn in 2013

Operating expenses

Movements in operating expenses – 2013 vs 2012



Cost efficiency ratios and jaws

	CER		Jaws ¹
	2012	2013	2013 vs 2012
Reported (%)	62.8	59.6	4.8
Underlying (%)	66.2	60.4	9.0

Note:

1. Calculated as percentage growth in net operating income before loan impairment charges and other credit risk provisions less percentage growth in total operating expenses

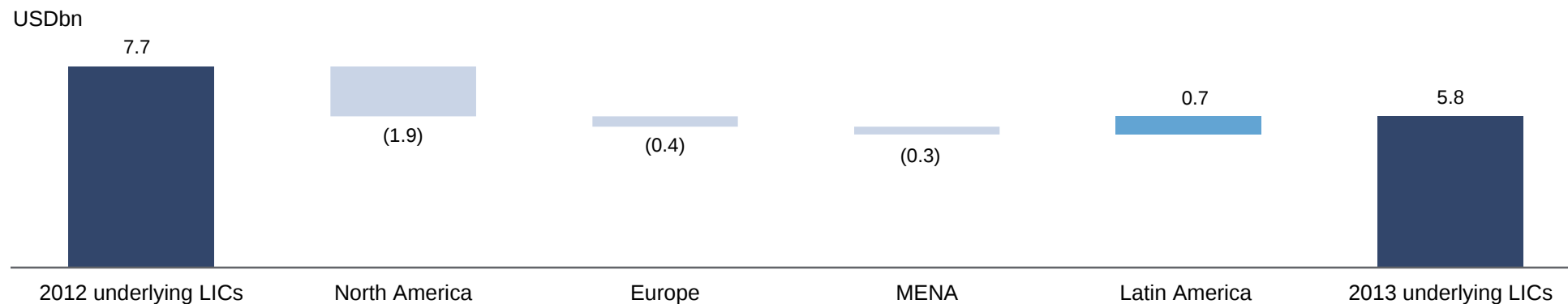
Employees

		Change	
		Staff numbers	%
000s			
	2012	2013	
Staff numbers (full-time equivalent)	260.6	254.1	(6.5) (3)

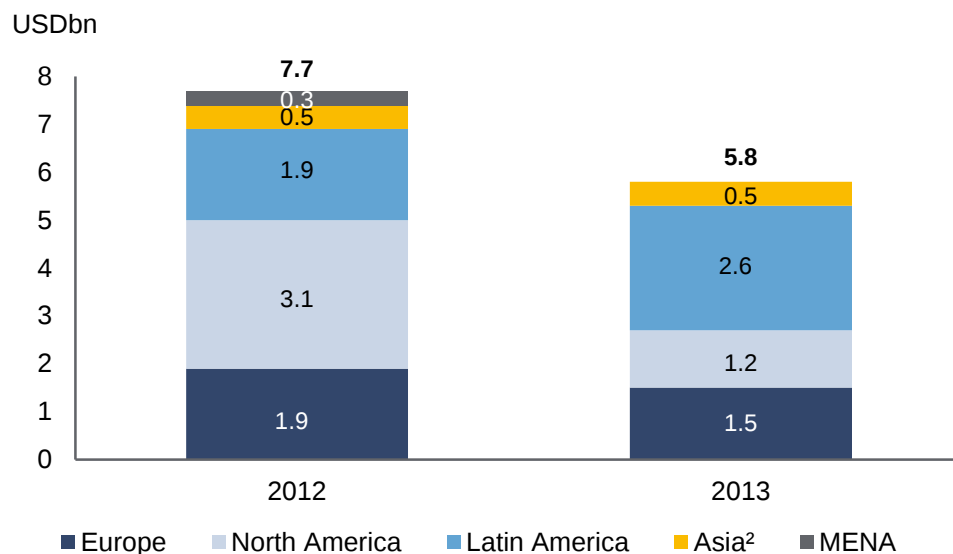
Credit quality

Loan impairment charges¹

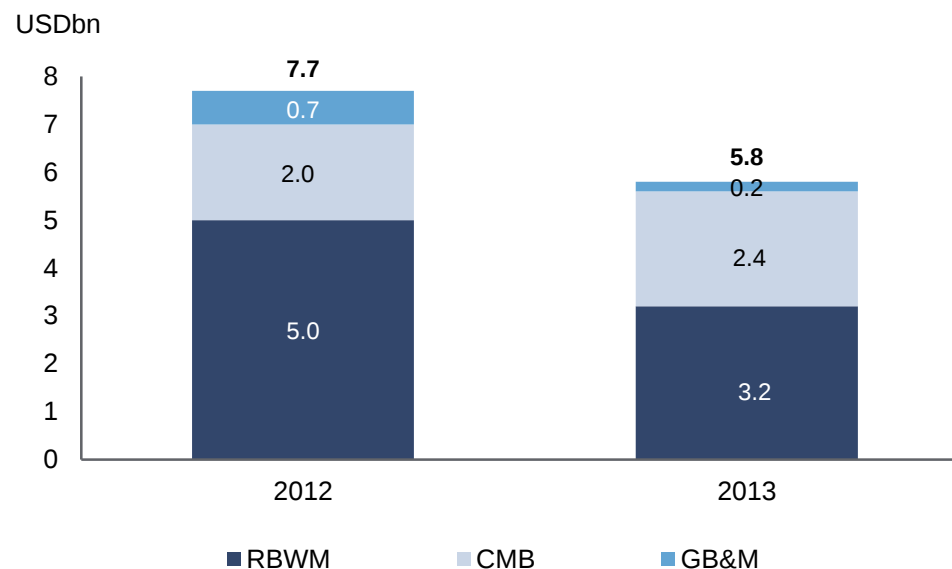
Movements in loan impairment charges – 2013 vs 2012



Group – geographic regions



Group – global businesses



Notes:

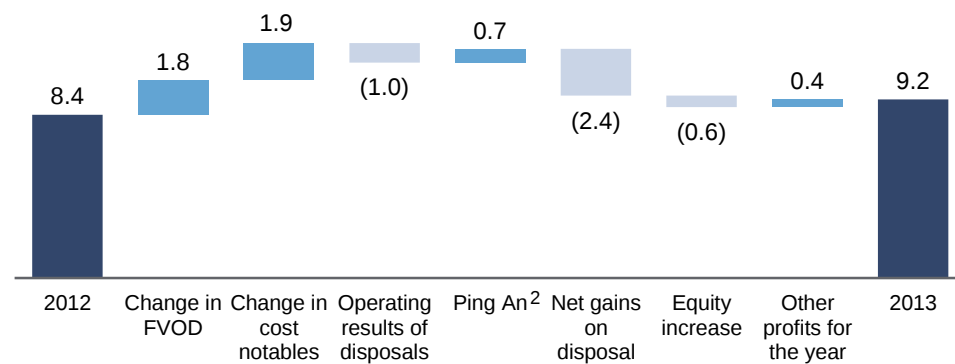
1. Loan impairment charges and other credit risk provisions, on an underlying basis unless otherwise stated
2. Data for 'Asia' comprises the sum of Hong Kong and the Rest of Asia Pacific geographical regions without the elimination of inter-segments

Profitability

Drivers of returns

Group RoE¹

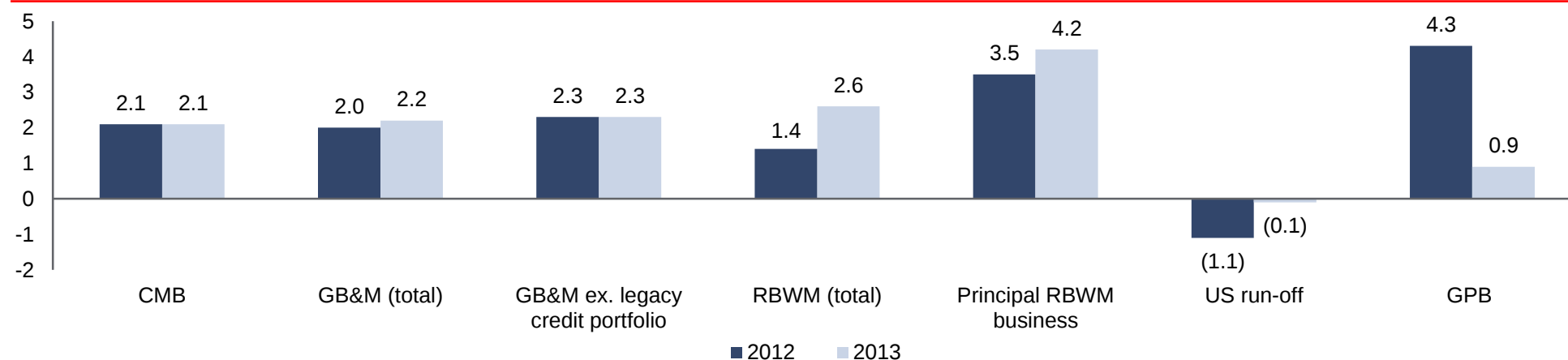
(%)



Group RoRWA (%)

	2012	2013
Reported	1.8	2.0
Underlying	1.4	2.0
Underlying, ex run-off portfolios	1.9	2.2
– of which notable items	(0.6)	(0.2)

RoRWA by global business³ (%)



Notes:

1. Reported basis
2. Net gain recognised on completion of the sale of our remaining investment in Ping An, offsetting the adverse fair value movement on the contingent forward sale contract in 2012
3. Underlying basis

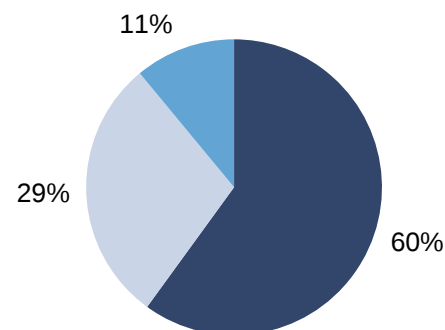
Where the profit goes

Pre-tax variable pay¹

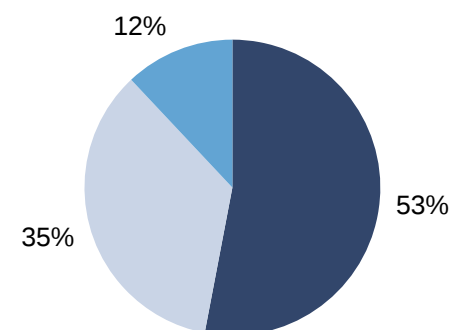
	Group		GB&M	
(USDbn)	2012	2013	2012	2013
Total variable pay pool ²	3.7	3.9	1.3	1.3
Variable compensation as a % of pre-tax profit (pre-variable pay)	17	15	13	13
Proportion of incentive that is deferred (%) ⁷	17	18	28	30

Pro-forma post-tax profits allocation¹

2012



2013



■ Retained earnings/capital ■ Dividends net of scrip ■ Variable pay³

Growing ordinary dividends⁴

USD	2012	2013	2014 ⁵
Per share			
1Q	0.09	0.10	0.10
2Q	0.09	0.10	0.10
3Q	0.09	0.10	0.10
4Q	0.18	0.19	
	0.45	0.49	
Total USDbn	8.3	9.2	
– of which scrip	2.7	2.7⁶	

Notes:

- See Report of the Group Remuneration Committee (page 394) of the 2013 Annual Report and Accounts for further information
- Total variable pay includes cash and the element delivered by the award of HSBC shares
- Net of tax assumed and portion to be delivered by the award of HSBC shares
- In respect of the year

- The board has a policy of quarterly interim dividends with an intended pattern of three equal interim dividends and a variable fourth. It is envisaged that the first interim dividend in respect of 2014 will be USD0.10 per share
- Includes 4th interim dividend with scrip estimated at 20%
- The percentage of variable pay deferred for the Code Staff population is 64%

Capital adequacy

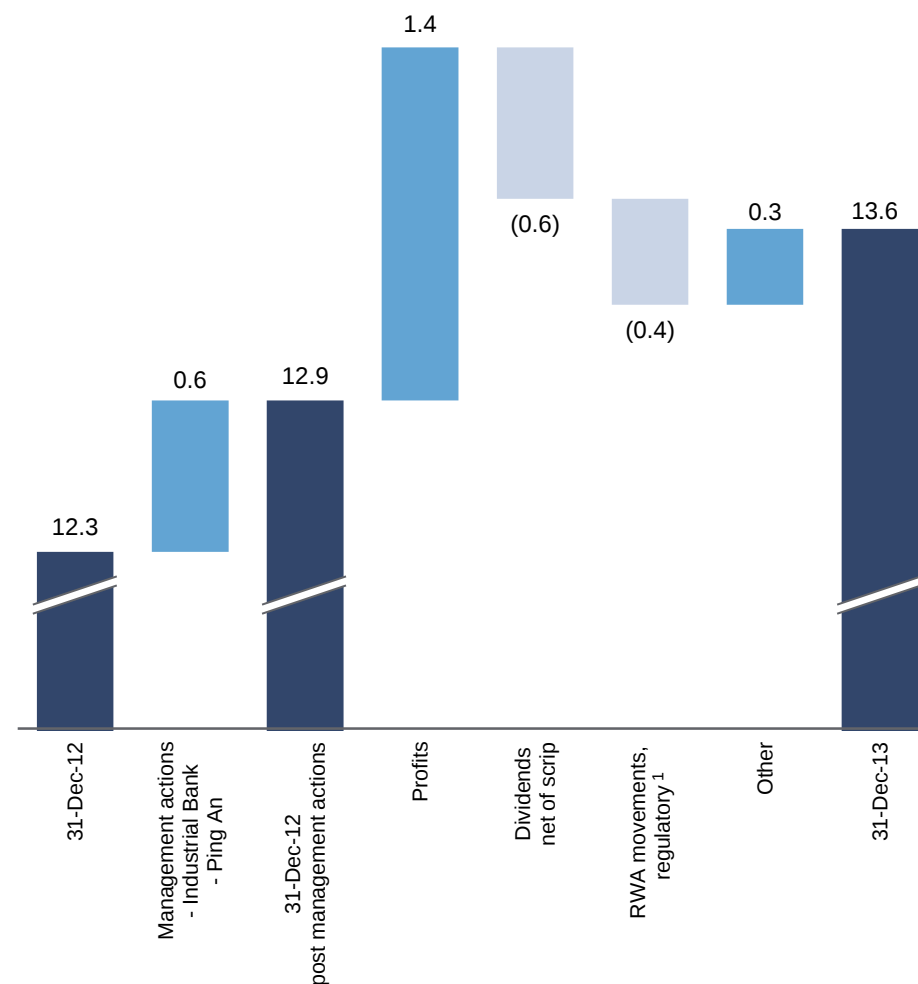
Strong capital generation

Movement in Core tier 1 capital (USDbn)

At 31 December 2012	138.8
Profit	17.1
Dividends, net of scrip	(7.0)
Other	0.2
At 31 December 2013	149.1

Movement in risk-weighted assets (USDbn)	Total
At 31 December 2012	1,124
Reclassification of Industrial Bank	(39)
US CML reductions (Ex-loan sales)	(20)
Disposals and loan sales	(17)
Regulatory movements ¹	33
Business growth in HK and ROAP (Ex-Associates) ²	15
Other	(3)
At 31 December 2013	1,093

Basel '2.5' Core tier 1 ratio movement (%)

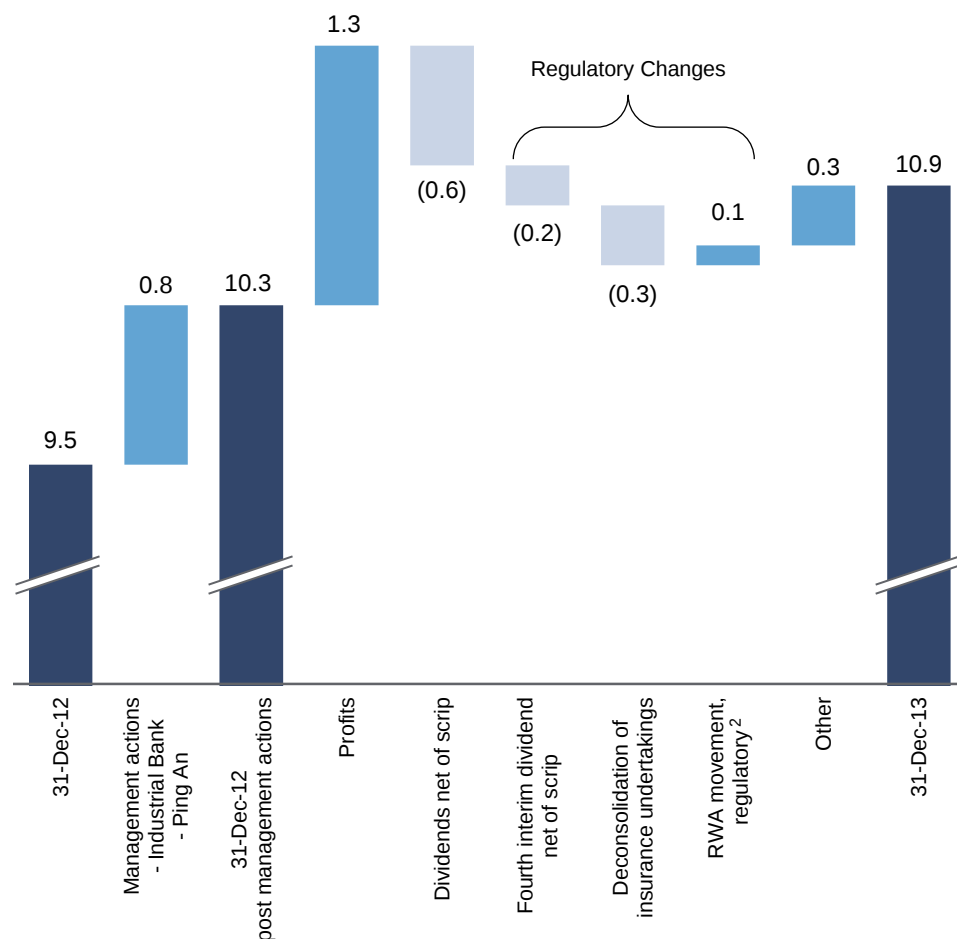


Notes:

- Regulatory RWA movements include the impact of the PRA-determined 45% sovereign LGD floor; recalibration of the incremental risk charge (IRC) post-management actions; revisions to market risk consolidation; and movements of CRE and IPRE portfolios in parts of North America and parts of Europe from IRB advanced to standardised and standardised to IRB supervisory slotting respectively (see page 300 in the Annual Report and Accounts 2013).
- Business growth in HK and ROAP (Ex-Associates) includes corporate book growth RWA movements in Hong Kong and Rest of Asia-Pacific (excluding Associates) for CMB and GB&M under the IRB approach. Refer to page 301 in the Annual Report and Accounts 2013

Capital adequacy

CRD IV Common equity tier 1 ratio¹ movement (%)



Future developments

- The PRA has given notice it will be implementing floors across a range of portfolios (estimated adverse impact on our CET1 ratio in the range of 25-35bps in 1Q14)
- Transitional requirements estimated to have an approximately 10 bps adverse impact on CET1 ratio for 1 Jan 2014 compared to end point
- Continued uncertainty as numerous EBA technical standards are outstanding and PRA consultation on Pillar 2 and CRD IV capital buffers is delayed until later in 2014.
- Leverage ratio at 4.4% on an end-point PRA-prescribed basis. CRD IV rules to be finalised
- UK and EU structural banking reform will impact Group structure and capital requirements

Notes:

1. Estimated CRD IV end-point CET1 ratio: 2012 is based on the Group's interpretation of the July 2011 draft CRD IV regulation, supplemented by FSA guidance, and is shown post anticipated management action to mitigate capital deductions for non-significant holdings of financial sector entities; 2013 is based on the Group's interpretation of the final CRD IV legislation and final rules issued by the PRA. Refer to Reconciliation of current rules to CRD IV end point rules table on page 311 and basis of preparation on page 324 in the Annual Report and Accounts 2013
2. Regulatory RWA movements include the impact of the following Basel 2.5 movements: PRA-determined 45% sovereign LGD floor; recalibration of the incremental risk charge (IRC) post-management actions; revisions to market risk consolidation; and movements of CRE and IPRE portfolios in parts of North America and parts of Europe from IRB advanced to standardised and standardised to IRB supervisory slotting respectively (refer to page 300 in the Annual Report and Accounts 2013). In addition, the movements include the introduction of exemptions for the CVA risk charge under the final CRD IV rules and other movements in RWAs for residual items following finalisation of the CRD IV rules

First phase strategic achievements, 2011-13

	Objectives	Achievements
Capital deployment	- Six filters driving disposals and closures of non-strategic and/or underperforming positions (Legacy) or businesses - Turnaround of strategically relevant businesses	63 disposals/exits announced since 2011, reduced c.USD95bn RWAs¹ and c.20k FTE - Progress on running down and de-risking Legacy portfolios since the start of 2011 - US run off portfolio down from USD58bn to USD30bn³ - GB&M legacy credit portfolio² down from USD47bn to USD28bn
Organisation and cost efficiency	- Simplify and delayer the organisation - Target USD2.5-3.5bn in sustainable cost savings in three years, achieving our 48-52% CER target by 2013	- Transformed the way we manage the business - Four global businesses 11 global functions - USD4.9bn in annualised sustainable savings from 2011 to 2013 - Net reduction of 41k FTE, including disposals/exits
Growth	- Revenue growth in Latin America, Hong Kong, RoAP and MENA - Capture wealth opportunity (to generate USD4bn in additional revenues) - Leverage intra-group connectivity between CMB and GB&M (to generate USD1bn of additional revenues)	- Latin America, Hong Kong, RoAP and MENA regions' revenues up 21%, total CMB up 18%^{3,4} - Achieved double digit gross loan growth in 13 out of 22 home and priority markets^{3,4} - Wealth management revenues increased by USD0.9bn^{3,4}. Revised target to USD3bn for 2014-16 - c.USD1.3bn^{3,4} incremental collaboration revenue (increased target to USD2bn in 2012)

Capital generation⁵, USD31bn, and dividends⁶, USD25bn

Notes:

1. Expected reduction in RWAs after completion of all 63 transactions

2. Based on reported ABS carrying values FY10 to FY13

3. From FY10 to FY13

4. Reported basis

5. Capital generation calculated from profits attributable to shareholders of the parent company after regulatory adjustment for own credit spread and net of dividends, for the period 31 December 2010 to 31 December 2013

6. Dividends in respect of 2011, 2012 and 2013

Next phase strategic priorities, 2014-16

	Objectives	2016 milestones
Grow both business and dividends	Continue to recycle RWAs from lower into higher performing businesses within the Group's risk appetite, in particular, trade, PCM, forex, renminbi internationalisation and in the Pearl River Delta and ASEAN	- Continue to grow RWAs in line with our organic investment criteria - Progressively grow dividends and introduce share buy-backs¹ as appropriate - Reduce impact of Legacy and non-strategic activities on PBT and RWAs
Implement Global Standards	- Continue to invest in best-in-class Compliance and Risk capabilities - De-risk operations and/or improve risk management in higher risk locations and businesses - HSBC values – act with courageous integrity	Significant progress in implementation of Global Standards
Streamline processes and procedures	- Re-design key processes and procedures achieving improvements in service, quality, cost and risk - Cost savings to provide headroom to invest in growth and Global Standards	Achieve USD2-3bn additional sustainable savings from 2014 to 2016

Note:

1. Subject to meeting United Kingdom regulatory capital requirements and shareholder approval



The view from HSBC Building, 8 Century Avenue, Pudong, Shanghai



The view from HSBC Main Building, 1 Queen's Road Central, Hong Kong SAR



The view from HSBC Group Head Office, 8 Canada Square, London

Cover images: internationalisation of the renminbi

The images show the views from HSBC's head offices in Shanghai, Hong Kong and London – the three cities that are key to the development of China's currency, the renminbi (RMB). The growth of the RMB is set to be a defining theme of the 21st century. HSBC has RMB capabilities in over 50 countries and territories worldwide, where our customers can count on an expert service.

Photography: Matthew Mawson

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Group Investor Relations
8 Canada Square
London E14 5HQ
United Kingdom
Telephone: 44 020 7991 8041
www.hsbc.com

HSBC HOLDINGS PLC

APPENDIX TO THE PRESENTATION TO INVESTORS AND ANALYSTS

31 December 2013

Consolidated summary income statement¹

	Quarter ended			
	31 Dec 2013 US\$m	30 Sep 2013 US\$m	30 Jun 2013 US\$m	31 Mar 2013 US\$m
Revenue² (excluding FVOD³)	15,847	15,653	15,732	18,659
Loan impairment charges and other credit risk provisions	(1,140)	(1,593)	(1,945)	(1,171)
Net operating income (excluding FVOD)	14,707	14,060	13,787	17,488
Total operating expenses	(10,573)	(9,584)	(9,052)	(9,347)
Share of profit in associates and joint ventures	482	629	678	536
Changes in FVOD ³	(652)	(575)	224	(243)
Profit before tax	3,964	4,530	5,637	8,434
	%	%	%	%
Return on average ordinary shareholders' equity (annualised)	5.9	7.2	9.1	14.9
Cost efficiency ratio	69.6	63.6	56.7	50.8
Cost efficiency ratio (excluding FVOD ³)	66.7	61.2	57.5	50.1

	Quarter ended			
	31 Dec 2012 US\$m	30 Sep 2012 US\$m	30 Jun 2012 US\$m	31 Mar 2012 US\$m
Revenue² (excluding FVOD³)	18,179	16,299	20,222	18,845
Loan impairment charges and other credit risk provisions	(1,792)	(1,720)	(2,433)	(2,366)
Net operating income (excluding FVOD)	16,387	14,579	17,789	16,479
Total operating expenses	(11,444)	(10,279)	(10,851)	(10,353)
Share of profit in associates and joint ventures	800	914	1,003	840
Changes in FVOD ³	(1,312)	(1,733)	474	(2,644)
Profit before tax	4,431	3,481	8,415	4,322
	%	%	%	%
Return on average ordinary shareholders' equity (annualised)	7.1	5.8	14.6	6.4
Cost efficiency ratio	67.8	70.6	52.4	63.9
Cost efficiency ratio (excluding FVOD ³)	63.0	63.1	53.7	54.9

1 Figures on a reported basis, unless otherwise stated.

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

3 Changes in fair value due to movements in own credit spread on long-term debt issued.

Profit/(loss) before tax by geographical region¹

	Quarter ended			
	31 Dec	30 Sep	30 Jun	31 Mar
	2013	2013	2013	2013
	US\$m	US\$m	US\$m	US\$m
Europe	(898)	(45)	973	1,795
Asia	2,991	3,600	3,748	5,514
Hong Kong	1,812	2,072	2,047	2,158
Rest of Asia-Pacific	1,179	1,528	1,701	3,356
Middle East and North Africa	406	379	385	524
North America	179	376	526	140
Latin America	1,286	220	5	461
	3,964	4,530	5,637	8,434

	Quarter ended			
	31 Dec	30 Sep	30 Jun	31 Mar
	2012	2012	2012	2012
	US\$m	US\$m	US\$m	US\$m
Europe	(2,530)	(217)	330	(997)
Asia	6,202	3,695	4,212	3,921
Hong Kong	2,031	1,790	1,864	1,897
Rest of Asia-Pacific	4,171	1,905	2,348	2,024
Middle East and North Africa	302	276	440	332
North America	(129)	(926)	2,892	462
Latin America	586	653	541	604
	4,431	3,481	8,415	4,322

¹ Figures on a reported basis, unless otherwise stated.

*Profit/(loss) before tax by global business*¹

	Quarter ended			
	31 Dec	30 Sep	30 Jun	31 Mar
	2013	2013	2013	2013
	US\$m	US\$m	US\$m	US\$m
Retail Banking and Wealth Management	1,797	1,585	1,700	1,567
Commercial Banking	2,426	1,882	1,946	2,187
Global Banking and Markets	1,866	1,852	2,135	3,588
Global Private Banking	101	(16)	233	(125)
Other	(2,226)	(773)	(377)	1,217
Includes:				
FVOD ²	(652)	(575)	224	(243)
Fines and penalties for inadequate compliance with anti-money laundering and sanction laws	—	—	—	—
UK bank levy ³	(907)	—	(9)	—
	3,964	4,530	5,637	8,434

	Quarter ended			
	31 Dec	30 Sep	30 Jun	31 Mar
	2012	2012	2012	2012
	US\$m	US\$m	US\$m	US\$m
Retail Banking and Wealth Management	1,654	1,511	4,228	2,182
Commercial Banking	1,858	2,248	2,225	2,204
Global Banking and Markets	1,226	2,247	1,968	3,079
Global Private Banking	230	252	241	286
Other	(537)	(2,777)	(247)	(3,429)
Includes:				
FVOD ²	(1,312)	(1,733)	474	(2,644)
Fines and penalties for inadequate compliance with anti-money laundering and sanction laws	(421)	(800)	(700)	—
UK bank levy ³	(564)	58	—	34
	4,431	3,481	8,415	4,322

¹ Figures on a reported basis, unless otherwise stated.

² Changes in fair value due to movements in own credit spread on long-term debt issued.

³ The UK bank levy charge relating to the year ended 31 December 2013 is US\$904m (2012: US\$571m).

*Europe profit/(loss) before tax by global business*¹

	Quarter ended			
	31 Dec	30 Sep	30 Jun	31 Mar
	2013	2013	2013	2013
	US\$m	US\$m	US\$m	US\$m
Retail Banking and Wealth Management	442	355	556	400
Commercial Banking	640	362	541	545
Global Banking and Markets	37	196	232	1,336
Global Private Banking	55	(106)	128	(242)
Other	(2,072)	(852)	(484)	(244)
Includes:				
FVOD ²	(536)	(482)	157	(154)
HSBC Holdings:				
– Operating expenses	(452)	(412)	(282)	(321)
– Fines and penalties for inadequate compliance with anti-money laundering and sanction laws	–	–	–	–
– UK bank levy ³	(907)	–	(9)	–
	(898)	(45)	973	1,795

	Quarter ended			
	31 Dec	30 Sep	30 Jun	31 Mar
	2012	2012	2012	2012
	US\$m	US\$m	US\$m	US\$m
Retail Banking and Wealth Management	293	308	(146)	54
Commercial Banking	17	417	292	482
Global Banking and Markets	(470)	413	92	951
Global Private Banking	119	144	71	165
Other	(2,489)	(1,499)	21	(2,649)
Includes:				
FVOD ²	(1,079)	(1,426)	345	(1,950)
HSBC Holdings:				
– Operating expenses	(367)	(305)	(260)	(284)
– Fines and penalties for inadequate compliance with anti-money laundering and sanction laws	(375)	–	–	–
– UK bank levy ³	(564)	58	–	34
	(2,530)	(217)	330	(997)

¹ Figures on a reported basis, unless otherwise stated.

² Changes in fair value due to movements in own credit spread on long-term debt issued.

³ The UK bank levy charge relating to the year ended 31 December 2013 is US\$904m (2012: US\$571m).

Global Banking and Markets

Management view of total operating income^{1,2}

	Quarter ended			
	31 Dec	30 Sep	30 Jun	31 Mar
	2013	2013	2013	2013
	US\$m	US\$m	US\$m	US\$m
Markets	1,290	1,575	1,839	2,231
Credit	154	154	183	305
Rates	40	507	377	729
Foreign Exchange	693	660	962	871
Equities	403	254	317	326
Capital Financing	977	975	988	1,054
Payments and Cash Management	472	436	439	423
Securities Services.....	407	408	442	405
Global Trade and Receivables Finance	181	189	191	180
Balance Sheet Management	719	711	704	976
Principal Investments	165	142	172	33
Debit valuation adjustment	(195)	(151)	(21)	472
Other	278	(65)	92	42
Total Operating Income ³	4,294	4,220	4,846	5,816

	Quarter ended			
	31 Dec	30 Sep	30 Jun	31 Mar
	2012	2012	2012	2012
	US\$m	US\$m	US\$m	US\$m
Markets	549	1,453	1,562	2,541
Credit	60	212	5	208
Rates	(419)	332	554	1,140
Foreign Exchange	746	736	776	957
Equities	162	173	227	236
Capital Financing	825	1,141	921	871
Payments and Cash Management	432	406	423	419
Securities Services.....	454	371	413	385
Global Trade and Receivables Finance	175	188	186	191
Balance Sheet Management	697	835	945	1,261
Principal Investments	(78)	76	100	90
Debit valuation adjustment	518	—	—	—
Other	47	(151)	(14)	41
Total Operating Income ³	3,619	4,319	4,536	5,799

1 The management view of income reflects the new management structure of GB&M which has been in place since 12 August 2013. Comparatives have been restated for this change.

2 Figures on a reported basis, unless otherwise stated.

3 Net operating income before loan impairment charges and other credit risk provisions.

Commercial Banking

*Management view of revenue*¹

	Quarter ended			
	31 Dec	30 Sep	30 Jun	31 Mar
	2013	2013	2013	2013
	US\$m	US\$m	US\$m	US\$m
Global Trade and Receivables Finance ³	713	757	746	713
Credit and lending	1,541	1,554	1,520	1,488
Payments and Cash Management ³ , current accounts and savings deposits	1,363	1,345	1,304	1,275
Other	900	329	360	457
Revenue ²	4,517	3,985	3,930	3,933

	Quarter ended			
	31 Dec	30 Sep	30 Jun	31 Mar
	2012	2012	2012	2012
	US\$m	US\$m	US\$m	US\$m
Global Trade and Receivables Finance ³	725	762	753	726
Credit and lending	1,603	1,585	1,532	1,528
Payments and Cash Management ³ , current accounts and savings deposits	1,372	1,347	1,338	1,314
Other	451	453	587	475
Revenue ²	4,151	4,147	4,210	4,043

1. *Figures on a reported basis, unless otherwise stated.*

2. *Net operating income before loan impairment charges and other credit risk provisions.*

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

Notable items (reported basis)

	Quarter ended			
	31 Dec	30 Sep	30 Jun	31 Mar
	2013	2013	2013	2013
	US\$m	US\$m	US\$m	US\$m
Revenue				
Net gain on completion of Ping An disposal	–	–	–	553
Other	–	–	–	553
Ping An contingent forward sale contract	–	–	–	–
Other	–	–	–	–
Operating expenses				
Restructuring and other related costs	87	158	163	75
Retail Banking and Wealth Management	7	73	70	15
Commercial Banking	(18)	28	21	1
Global Banking and Markets	–	6	1	8
Global Private Banking	67	1	5	1
Other	31	50	66	50
UK customer redress programmes	395	428	248	164
Retail Banking and Wealth Management	247	294	248	164
Commercial Banking	80	68	–	–
Global Banking and Markets	68	66	–	–
Global Private Banking	–	–	–	–
Fines and penalties for inadequate compliance with anti-money laundering and sanction laws	–	–	–	–
Other	–	–	–	–
	Quarter ended			
	31 Dec	30 Sep	30 Jun	31 Mar
	2012	2012	2012	2012
	US\$m	US\$m	US\$m	US\$m
Revenue				
Net gain on completion of Ping An disposal	–	–	–	–
Other	–	–	–	–
Ping An contingent forward sale contract	(553)	–	–	–
Other	(553)	–	–	–
Operating expenses				
Restructuring and other related costs	216	97	303	260
Retail Banking and Wealth Management	67	16	77	106
Commercial Banking	9	11	34	8
Global Banking and Markets	29	2	18	14
Global Private Banking	6	15	16	21
Other	105	53	158	111
UK customer redress programmes	640	353	877	468
Retail Banking and Wealth Management	286	358	639	468
Commercial Banking	144	(5)	119	–
Global Banking and Markets	212	–	119	–
Global Private Banking	(2)	–	–	–
Fines and penalties for inadequate compliance with anti-money laundering and sanction laws	421	800	700	–
Other	421	800	700	–

Summary income statements for run-off portfolios

	Year ended 31 December 2013	
	US CML and other US\$m	Legacy credit In GB&M US\$m
Net operating income	1,580	149
Loan impairment (charges)/recoveries and other credit risk provisions	(705)	206
Net operating income	875	355
Total operating expenses	(1,167)	(170)
Operating profit/(loss)	(292)	185
Share of profit in associates and joint ventures	(1)	–
Profit/(loss) before tax	(293)	185
By geographical region		
Europe	–	197
Hong Kong	–	(4)
Rest of Asia-Pacific	–	–
Middle East and North Africa	–	–
North America	(293)	(8)
Latin America	–	–
Profit/(loss) before tax	(293)	185
By global business		
Retail Banking and Wealth Management	(200)	–
Commercial Banking	14	–
Global Banking and Markets	–	185
Global Private Banking	–	–
Other	(107)	–
Profit/(loss) before tax	(293)	185

US run-off portfolios

	Quarter ended			
	31 Dec 2013 US\$m	30 Sep 2013 US\$m	30 Jun 2013 US\$m	31 Mar 2013 ¹ US\$m
Net operating income before loan impairment charges and other credit risk provisions²	385	494	394	399
– of which:				
non-qualifying hedges	55	(4)	180	83
Loan impairment charges and other credit risk provisions	(159)	(150)	(79)	(317)
Net operating income/(expense)	226	344	315	82
Total operating expenses	(293)	(242)	(229)	(402)
Operating profit/(loss)	(67)	102	86	(320)
Share of loss in associates and joint ventures	(1)	–	–	–
Profit/(loss) before tax²	(68)	102	86	(320)

	Quarter ended			
	31 Dec 2012 US\$m	30 Sep 2012 US\$m	30 Jun 2012 US\$m	31 Mar 2012 US\$m
Net operating income before loan impairment charges and other credit risk provisions²	809	587	151	849
– of which:				
non-qualifying hedges	38	(48)	(425)	208
Loan impairment charges and other credit risk provisions	(494)	(498)	(724)	(853)
Net operating income/(expense)	315	89	(573)	(4)
Total operating expenses	(481)	(238)	(177)	(207)
Operating profit/(loss)	(166)	(149)	(750)	(211)
Share of profit in associates and joint ventures	2	–	–	–
Profit/(loss) before tax²	(164)	(149)	(750)	(211)

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.

US run-off portfolios (continued)

Loan portfolio information

Loans and advances to customers (gross)	
Loans and advances to customers – held for sale	
Impairment allowances	
Impairment allowances – assets held for sale	
2+ delinquency	
Write-offs (net)	

Quarter ended			
31 Dec 2013 US\$m	30 Sep 2013 US\$m	30 Jun 2013 US\$m	31 Mar 2013 US\$m
30,319	33,496	35,602	37,164
62	1,043	461	3,974
3,028	3,569	3,822	4,137
–	127	55	642
4,871	7,327	7,388	7,670
259	61	216	544
%	%	%	%
10.0	10.7	10.7	11.6
2.0	1.7	2.0	3.0
16.0	21.2	20.5	18.6
3.2	0.7	2.3	5.2

Ratios¹:

Impairment allowances	
Loan impairment charges	
2+ delinquency	
Write-offs	

Quarter ended			
31 Dec 2012 US\$m	30 Sep 2012 US\$m	30 Jun 2012 US\$m	31 Mar 2012 US\$m
38,741	39,980	45,812	47,508
3,958	4,290	–	–
4,481	4,652	5,631	5,737
669	706	–	–
8,284	8,419	8,346	8,423
563	646	717	974
%	%	%	%
12.1	12.1	12.3	12.1
4.6	4.4	6.2	7.0
19.4	19.0	18.2	17.7
5.2	5.7	6.2	8.0

Loan portfolio information

Loans and advances to customers (gross)	
Loans and advances to customers – held for sale	
Impairment allowances	
Impairment allowances – assets held for sale	
2+ delinquency	
Write-offs (net)	

Ratios¹:

Impairment allowances	
Loan impairment charges	
2+ delinquency	
Write-offs	

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.

Retail Banking and Wealth Management

	Year ended 31 December		
	2013 US\$m	2012 US\$m	Change %
Underlying profit before tax¹			
Principal RBWM	6,465	5,408	20
US CRS	–	(150)	
US run-off portfolio	(80)	(1,274)	94
Total RBWM	6,385	3,984	60
Underlying profit before tax by region			
Asia	4,389	4,311	2
Hong Kong	3,742	3,485	7
Rest of Asia-Pacific	647	826	(22)
Latin America	67	462	(85)
Middle East and North Africa	258	270	(4)
Europe	1,758	527	234
North America	(87)	(1,586)	95
Principal RBWM	(7)	(162)	96
US CRS	–	(150)	
US run-off portfolio	(80)	(1,274)	94
	6,385	3,984	60
Underlying revenue			
Asia	8,511	8,223	4
Hong Kong	5,811	5,342	9
Rest of Asia-Pacific	2,700	2,881	(6)
Latin America	5,079	5,266	(4)
Middle East and North Africa	830	808	3
Europe	8,016	8,024	–
North America	3,810	4,503	(15)
Principal RBWM	2,033	2,107	(4)
US CRS	–	–	
US run-off portfolio	1,777	2,396	(26)
	26,246	26,824	(2)
	US\$bn	US\$bn	
Reported risk-weighted assets at end of the year			
Principal RBWM	153.8	162.6	(5)
US CRS	1.1	6.9	(84)
US run-off portfolio	78.6	107.1	(27)
Total RBWM	233.5	276.6	(16)
	%	%	
Underlying cost efficiency ratio	64.9	67.8	
Underlying pre-tax return on average risk-weighted assets			
Principal RBWM	4.2	3.5	
US CRS	–	(2.8)	
US run-off portfolio	(0.1)	(1.1)	
Total RBWM	2.6	1.4	

¹ Underlying basis eliminates the effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates and businesses, and changes in fair value due to movements in credit spread on own long-term debt issued by the Group and designated at fair value.

Commercial Banking

	Year ended 31 December		
	2013 US\$m	2012 US\$m	Change %
Underlying profit before tax¹			
Asia	4,456	4,256	5
Hong Kong	2,110	1,992	6
Rest of Asia-Pacific	2,346	2,264	4
Latin America	(75)	599	
Middle East and North Africa	645	567	14
Europe	2,088	1,190	75
North America	786	905	(13)
	7,900	7,517	5
Underlying revenue			
Asia	5,065	4,835	5
Hong Kong	2,890	2,690	7
Rest of Asia-Pacific	2,175	2,145	1
Latin America	2,511	2,601	(3)
Middle East and North Africa	870	859	1
Europe	5,253	5,006	5
North America	2,073	2,159	(4)
	15,772	15,460	2
	US\$bn	US\$bn	
Reported risk-weighted assets at end of the year	391.7	397.0	(1)
	%	%	
Underlying cost efficiency ratio	44.3	46.9	
Underlying pre-tax return on average risk-weighted assets	2.1	2.1	

¹ Underlying basis eliminates the effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates and businesses, and changes in fair value due to movements in credit spread on own long-term debt issued by the Group and designated at fair value.

Global Banking and Markets

	Year ended 31 December		
	2013 US\$m	2012 US\$m	Change %
Underlying profit before tax¹			
Asia	4,672	4,373	7
Hong Kong	1,971	1,504	31
Rest of Asia-Pacific	2,701	2,869	(6)
Latin America	806	1,000	(19)
Middle East and North Africa	869	531	64
Europe	1,778	1,012	76
North America	912	941	(3)
	9,037	7,857	15
Underlying revenue			
Asia	6,990	6,618	6
Hong Kong	3,254	2,748	18
Rest of Asia-Pacific	3,736	3,870	(3)
Latin America	1,428	1,540	(7)
Middle East and North Africa	827	733	13
Europe	6,978	6,405	9
North America	2,650	2,647	—
Intra-GB&M items	(157)	(142)	
	18,716	17,801	5
	US\$bn	US\$bn	
Reported risk-weighted assets at end of the year			
GB&M excluding legacy credit	396.0	364.5	9
Legacy credit	26.3	38.6	(32)
Total GB&M	422.3	403.1	5
	%	%	
Underlying cost efficiency ratio	52.9	54.5	
Underlying pre-tax return on average risk-weighted assets			
GB&M excluding legacy credit	2.3	2.3	
Legacy credit	0.6	(0.6)	
Total GB&M	2.2	2.0	

¹ Underlying basis eliminates the effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates and businesses, and changes in fair value due to movements in credit spread on own long-term debt issued by the Group and designated at fair value.

Global Private Banking

	Year ended 31 December		
	2013 US\$m	2012 US\$m	Change %
Underlying profit before tax¹			
Asia	284	334	(15)
Hong Kong	208	246	(15)
Rest of Asia-Pacific	76	88	(14)
Latin America	–	17	(100)
Middle East and North Africa	16	10	60
Europe	(165)	504	
North America	57	71	(20)
	192	936	(79)
Underlying revenue			
Asia	655	708	(7)
Hong Kong	456	486	(6)
Rest of Asia-Pacific	199	222	(10)
Latin America	56	57	(2)
Middle East and North Africa	–	2	(100)
Europe	1,379	1,981	(30)
North America	344	333	3
	2,434	3,081	(21)
	US\$bn	US\$bn	
Reported risk-weighted assets at end of the year	21.7	21.7	
	%	%	
Underlying cost efficiency ratio	91.4	69.0	
Underlying pre-tax return on average risk-weighted assets	0.9	4.3	

¹ Underlying basis eliminates the effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates and businesses, and changes in fair value due to movements in credit spread on own long-term debt issued by the Group and designated at fair value.