

Annual Report and Accounts 2012

Contents / Highlights

This document comprises the Annual Report and Accounts 2012 for HSBC Holdings plc and its subsidiaries. It contains the Report of the Directors and Financial Statements, together with the Independent Auditor's Report thereon, as required by the UK Companies Act 2006. The Annual Review 2012 of HSBC Holdings plc is published as a separate document. The Report of the Directors on pages 2 to 346 and the Directors' Remuneration Report on pages 347 to 367 have each been drawn up in accordance with the requirements of English law, and liability in respect thereof is also governed by English law. In particular, the liability of the Directors for these reports is solely to HSBC Holdings plc.

Additional information, including commentary on 2011 compared with 2010, may be found in the Form 20-F filed with the US Securities and Exchange Commission and available on www.hsbc.com and www.sec.gov.

Certain defined terms

Unless the context requires otherwise, 'HSBC Holdings' means HSBC Holdings plc and 'HSBC', the 'Group', 'we', 'us' and 'our' refers to HSBC Holdings together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'. When used in the terms 'shareholders' equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC Holdings ordinary shares and those preference shares classified as equity. The abbreviations 'US\$m' and 'US\$bn' represent millions and billions (thousands of millions) of US dollars, respectively.

Financial statements

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

We use the US dollar as our presentation currency because the US dollar and currencies linked to it form the major currency bloc in which we transact and fund our business. Unless otherwise stated, the information presented in this document has been prepared in accordance with IFRSs.

When reference to 'underlying' is made in tables or commentaries, comparative information has been expressed at constant currency (see page 25), eliminating the impact of fair value movements in respect of credit spread changes on HSBC's own debt and adjusting for the effects of acquisitions and disposals as reconciled on page 28. Underlying RoRWA is defined and reconciled on page 52.

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Who we are and what we do

HSBC is one of the world's largest banking and financial services organisations, with around 6,600 offices in both established and faster-growing markets. We aim to be where the economic growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 58 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 81 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 220,000 shareholders in 129 countries and territories.

Highlights

- Profit before tax down 6% to US\$20.6bn and revenue down 5% to US\$68.3bn on a reported basis.
- Underlying profit before tax up 18% to US\$16.4bn.
- Continued to execute our strategy to grow, simplify and restructure the Group.
- Underlying revenue up 7% reflecting revenue growth, notably in Global Banking and Markets and Commercial Banking.
- Achieved sustainable savings of US\$2.0bn, taking our total annualised savings to US\$3.6bn, exceeding our cumulative target of US\$2.5bn to US\$3.5bn since 2011.
- Announced 26 disposals and closures of non-strategic businesses and non-core investments in 2012.
- Return on equity was 8.4%, down from 10.9% in 2011.
- Dividends declared in respect of 2012 US\$8.3bn or US\$0.45 per ordinary share, up 10% on 2011.
- Core tier 1 capital ratio increased during the year from 10.1% to 12.3%.

Cover image

Financing trade has always been at the heart of HSBC's business, especially in our home market of Hong Kong. Today, Hong Kong International Airport is the world's busiest air cargo hub, with its freight volume accounting for over one-third of the total value of Hong Kong's external trade.