HSBC HOLDINGS PLC
Form 6-K
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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 X 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 X

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

HSBC HOLDINGS PLC
2012 RESULTS HIGHLIGHTS

· Reported profit before tax US$20.6bn, down 6% on 2011, including US$5.2bn of adverse fair value movements on own debt;

· Underlying1 profit before tax US$16.4bn, up 18% on 2011;

· Core tier 1 capital ratio 12.3%, up from 10.1% in December 2011;

· Estimated Basel III end point common equity tier 1 ratio ('CET1') 10.3% post-2013 management actions (9.0% at end 2012), providing strong capacity for organic growth;

· Dividends declared in respect of 2012 US$0.45 per ordinary share, up 10% on 2011, with a fourth interim dividend for 2012 of US$0.18 per ordinary share. Total dividends US$8.3bn;

· First three interim dividends for 2013 planned to be US$0.10 per ordinary share, up 11%;

· Continued to execute our strategy to grow, simplify and restructure the Group;

· Record year in Commercial Banking with reported profit before tax of US$8.5bn, up 7%;

· Underlying revenues for the Group US$63.5bn, up 7%; Global Banking and Markets US$18.2bn, up 10%; Commercial Banking US$15.9bn, up 8%; Retail Banking and Wealth Management US$27.7bn, up 6%; More than half of the Group's underlying revenue from faster-growing regions;

· Announced disposal/closure of 26 businesses and non-core investments in 2012, 4 in 2013, 47 since beginning of 2011;

· Underlying cost growth of 11% to US$41.9bn included notable items of US$5.7bn (up from US$2.2bn in 2011) and investment in growth and strengthened compliance;

· Notable items included US$1.9bn of fines and penalties paid as part of the settlement with US authorities and the FSA, and additional provisions of US$1.4bn in respect of UK customer redress in 2012;

· Generated further sustainable cost savings of US$2.0bn, giving an annualised total of US$3.6bn. This surpasses our cumulative target of US$2.5bn to US$3.5bn of sustainable savings since 2011;

· Return on average ordinary shareholders' equity 8.4%, down from 10.9% in 2011, driven by adverse fair value movements on own debt, a higher tax charge and a much stronger equity base;

· Earnings per share US$0.74, down 20% on 2011; and

· Pro-forma post-tax profits allocation 60% was retained, 29% declared in dividends (net of scrip) in respect of the year and 11% in respect of variable pay. Variable pay down from 15% in 2011.

Stuart Gulliver, Group Chief Executive said:

"HSBC made significant progress in 2012. First and foremost, we grew our business. We increased revenues, performed well in most faster-growing markets and enjoyed a record year in Commercial Banking. We've made the business easier to manage and control by disposing of non-core businesses and surpassed our sustainable savings target. We also agreed a settlement with the US and UK authorities in respect of our past anti-money laundering and sanctions failings. Based on our current understanding of the capital rules we are extremely well-placed with regard to Basel III compliance, re-establishing our position as one of the best capitalised banks in the world. This provides a firm base on which to keep growing the business organically and allows us to increase dividends to US$8.3bn."

Key performance indicators:

Metric	2012[2]	2011[2]	Target/benchmark
Return on average ordinary shareholders' equity (%)	8.4	10.9	12 - 15
Cost efficiency ratio (%)	62.8	57.5	48 - 52
Earnings per share (US$)	0.74	0.92	-
Core tier 1 ratio (%)	12.3	10.1	9.5 - 10.5
Basel III CET1 ratio post-management actions	10.3	-	9.5 - 10.5

1 We use underlying performance when monitoring progress against operating plans and past results because we believe that this basis more appropriately reflects operating performance. Underlying measures exclude the impact of fair value movements on own debt attributable to credit spread, foreign currency translation differences and disposals and acquisitions, as well as the operating results for the acquired or disposed business from all periods presented. They do not exclude notable items.

2 All figures are given on a reported basis, unless otherwise stated.

Geographical distribution of results[1]

	Year ended 31 December			
	2012		2011	
	US$m	%	US$m	%
Europe	(3,414)	(16.5)	4,671	21.3
Hong Kong	7,582	36.7	5,823	26.6
Rest of Asia-Pacific	10,448	50.6	7,471	34.2
Middle East and North Africa	1,350	6.5	1,492	6.8
North America	2,299	11.1	100	0.5
Latin America	2,384	11.6	2,315	10.6
Profit before tax	20,649	100.0	21,872	100.0
Tax expense	(5,315)		(3,928)	
Profit for the year	15,334		17,944	
Profit attributable to shareholders of the parent company	14,027		16,797	
Profit attributable to non-controlling interests	1,307		1,147	

Distribution of results by global business1

	Year ended 31 December			
	2012		2011	
	US$m	%	US$m	%
Retail Banking and Wealth Management	9,575	46.4	4,270	19.6
Commercial Banking	8,535	41.3	7,947	36.3
Global Banking and Markets	8,520	41.3	7,049	32.2
Global Private Banking	1,009	4.9	944	4.3
Other	(6,990)	(33.9)	1,662	7.6
Profit before tax	20,649	100.0	21,872	100.0

1 All figures on this page are on a reported basis unless otherwise stated.

Statement by Douglas Flint, Group Chairman

2012 was a year of considerable progress in delivering on the strategic priorities which the Board has tasked management to address. Our decision to focus on reshaping the Group through targeted disposals and closures and internal reorganisation is paying dividends. It is bringing greater clarity and focus and is delivering sustainable cost savings while allowing incremental investment to be available and directed towards the areas of greatest opportunity.

This progress is all the more notable given that during 2012, the banking sector, including HSBC, faced continuing and in many ways unprecedented challenges. Banking has been given a huge wake-up call and we are determined to play our part in restoring its reputation and thereby regaining society's trust. Thus our restructuring agenda is not only justified economically but is helping the Group shape its response to the media, the regulatory and political challenges, and societal expectations which, simply put, all revolve around restoring the trust of all stakeholders. From depositors to investors, regulators to employees, public policy makers to consumer lobbyists we need to ensure the business model of banking is fair, transparent, sustainable and meeting its core objective of serving society.

Never has it been more important to put the customer first and provide the means and support to help them fulfil their financial aspirations and ambitions. That is our prime purpose and one of which we should never lose sight.

Over the last two years the Board was exercised greatly by the major US regulatory and law enforcement investigations we faced. I covered the background to these investigations, settlement of which we reached in December, in our Interim Report.

Management is now delivering the required enhancements to our control framework and on top of this we have significantly augmented the Board's oversight and governance capabilities. This is dealt with in more detail below.

Encouragingly, there is now growing external recognition of the progress being made in delivering against our stated strategic priorities. This, together with our overweight exposure to the world's more attractive economies, contributed to a total shareholder return of 39% over the year - 7% from dividends paid and 32% from share price appreciation. Over the course of the year the market capitalisation of HSBC grew by US$58bn from US$136bn to US$194bn, returning shareholders once again to the position where their company is worth more than its contributed capital. We remained among the highest dividend payers in the FTSE 100, a performance which we know is of great importance to our shareholders.

The cover to this year's Annual Report again illustrates our strategy of connecting customers and markets. The scene depicted is the cargo terminal at Hong Kong International Airport, which has been ranked as the busiest airport for international air cargo since 1996. Today the airport's trade throughput represents over one third of Hong Kong's external trade. HSBC's connection with trade financing and trade services through Hong Kong goes back to our earliest days and remains one of our core strengths. Projections of trade growth in Asia and Hong Kong's role therein reinforce our investment focus in this area.

Performance in 2012

There was much to be positive about in HSBC's performance in 2012. The majority of our core businesses in Asia, particularly in Hong Kong, continued to perform well, achieving good underlying revenue growth in the year. Increased market confidence around eurozone recovery contributed to a significant turnaround in Global Banking and Markets results in Europe. Targeted disposals and the continuing run-off from our exit portfolios in the United States, together with evidence of recovery in many housing areas were reflected in significantly lower US loan impairment charges.

Progress in managing costs to reflect a lower economic growth environment in developed markets was encouraging. Offsetting these positive factors, credit demand remained muted throughout Europe, low interest rates continued to constrain the value of our liquid balance sheet and customer redress costs continued to weigh heavily in the UK.

The Group Chief Executive's Business Review covers financial performance and progress on strategy delivery in more detail.

Reported results include the benefit of profits arising from the significant disposals made in the year as well as bearing the burden of the fines and penalties levied as part of the settlement with US regulatory and law enforcement agencies and increased customer redress provisions in the UK. When the Board assesses management performance as part of reward measurement, these disposal gains are eliminated but the legal settlement and customer redress costs are not.

Looking through the reported results to underlying financial performance, the Board viewed positively the 2012 outcome.

Although earnings per share of US$0.74 were 20% lower than 2011, this largely reflected a US$9.1bn negative swing in the fair value of our own debt as credit spreads tightened, together with a higher tax rate.

With the Group's capital position strengthened from retained profits and from capital released from the divestments made in the year, the Board has approved a 29% increase in the final dividend in respect of the year to US$0.18 per share, US$0.04 higher than the final dividend in respect of 2011. Total dividends in respect of 2012 of US$8.3bn, amounted to US$0.45 per share, US$0.9bn higher than in 2011. The Board also intends to increase the quarterly dividends in respect of the first three quarters of 2013 by US$0.01 per share to US$0.10 per share.

Shareholders' equity at the end of 2012 stood at US$175bn, US$17bn or some 10 % higher than at the beginning of the year. The core tier 1 capital ratio strengthened from 10.1% to 12.3% and the Group remains on track to deliver compliance with the more onerous Basel III requirements in the accelerated timetable being sought by UK regulators.

During 2012, the UK government increased the rate of levy applied on the global balance sheets of UK domiciled banks. The cost to HSBC of the revised levy for the current year was US$571m of which US$295m related to non-UK banking activity. The 2012 levy, which is not tax deductible, is the equivalent of US$0.03 per ordinary share and, as indicated last year, would otherwise have been available for distribution to shareholders or used to strengthen the capital base further.

Progress on regulatory reform

2012 was a further year of progress in delivering key elements of the regulatory reform agenda mandated by the G20 in response to the financial crisis. After a long consultation period, the proposed Liquidity Coverage Ratio within the Basel III framework was recalibrated to better match industry experience, and so strengthen bank liquidity without unnecessarily constraining credit formation.

The list of banks to be designated as globally significant was announced and, as expected, HSBC was one of four placed in the highest category. Good progress was made on clarifying the possible approaches to resolving the failure of a bank with operations in multiple jurisdictions. One approach was directly applicable to the subsidiarised model favoured by HSBC.

On structural reform of banking entities, the Liikanen Group in Europe produced its report for consideration while draft alternatives have been proposed in France and Germany. In the UK, the Government substantially accepted the recommendations of the Independent Commission on Banking in a policy paper and a draft Financial Services (Banking Reform) Bill is expected to be approved in the first half of 2013. Thereafter, the government has signalled its intention to pass secondary legislation by the end of this parliament in 2015, with final implementation of the new regime by 2019.

The key structural change being legislated remains the separation of certain banking activities for personal and small business customers into a ring-fenced bank with its own financial and governance arrangements. The recently appointed Parliamentary Commission on Banking Standards in the UK has reviewed the proposed legislation and inter alia recommended strengthening the ring fence by empowering regulators to force full separation in the event of attempts to frustrate the objectives of the ring fence.

Ongoing work remains extensive. Major areas of policy development covering augmenting loss absorbency through bailing-in certain categories of creditor, addressing the systemic impact of central clearing counterparties, establishing a banking union within the eurozone and revisiting the risk weighting of assets to enhance transparency and consistency, are among the most important.

On top of this, the UK Parliamentary Commission on Banking Standards is currently examining all aspects of conduct, behaviour and culture with a view to making recommendations designed to restore trust and confidence in banks.

We are committed to working constructively with public policy makers and our regulators to give effect to these proposals. We note, however, two areas of concern.

First, it is perplexing that, after the great international effort invested in the G20 programme of sound and consistent global financial regulation, and the extent of reform currently underway, an increasing number of countries now appear to be acting unilaterally, thereby putting globally consistent regulation at risk of fragmentation and 'balkanising' the capital and liquidity resources of firms.

Second, we believe the sheer scale and timescale of the reform programme is hampering investors' line of sight to the long-term returns available.

Resolving these two issues, which will require inter-governmental direction and co-operation, would contribute to enhancing the ability of the industry to support the economic growth agenda now being prioritised in most parts of the world.

Enforcing global standards

The Board is determined to adopt and enforce the highest behavioural and compliance standards in HSBC. For well documented reasons, the last two years have been extremely damaging to HSBC's reputation and to our perception of ourselves. We faced serious failings both in the application of our standards and in our ability to identify, and so prevent, misuse and abuse of the financial system through our networks. Our strategy is entirely configured to eliminate the possibility of this happening again.

We have apologised unreservedly to all our stakeholders and have paid huge penalties both in monetary cost and reputational damage. More important than apologies, however, are the steps being taken to prevent recurrence. Management under Stuart Gulliver, the Group Chief Executive, is leading the work to simplify business and so reinforce risk management and control.

Our success in meeting our objectives will be subject to independent validation not simply through ongoing regulatory review but additionally through the appointment of an independent Monitor who will report to both UK and US authorities. We welcome the additional rigour this will bring to the process of upgrading and enforcing our global standards.

To reinforce the Board's ability to exercise rigorous governance over these endeavours, we announced the creation of a new Board committee, the Financial System Vulnerabilities Committee on 30 January 2013. This committee will provide governance, oversight and policy guidance over the framework of controls and procedures designed to identify areas where HSBC may become exposed and, through that exposure, expose the financial system more broadly to financial crime or system abuse.

Five subject matter experts drawn from the highest levels of public service will support the committee. Their expertise includes the combating of organised crime, terrorist financing, narcotics trafficking, tax evasion and money laundering as well as expertise in intelligence gathering and international payments systems. They will provide invaluable guidance and advice, and most importantly challenge, as we strengthen our capabilities and enforce the highest standards. Further details of the background and experience of these individuals are contained in the Directors' Report.

Recognising the need to augment the Board's own experience and expertise we have also added specialist expertise at Board level.

Board changes

At the end of 2012 we said farewell to Narayana Murthy, who stepped down from the Board after serving with distinction for five years. Narayana, as co-founder and long-term CEO of Infosys, brought to the Board exceptional expertise in technology, operational efficiency and outsourcing matters as well as an in-depth knowledge of India and of international business through his experience on many multinational and educational boards. On behalf of the Board and shareholders I want to record our appreciation and gratitude for his contribution to HSBC.

We welcome two new directors to the Board.

Renato Fassbind

joined the Board on 1 January and will serve on the Audit and Remuneration Committees. Renato brings to the Board considerable international business and financial expertise from a distinguished career in industrial, service and financial companies. He is currently Vice Chairman of the Supervisory Board and a member of the audit and the compensation committees of Swiss Reinsurance Company, a member of the Supervisory Board and audit committee of Kühne + Nagel International AG and a member of the Supervisory Board of the Swiss Federal Audit Oversight Authority.

Renato stepped down as Chief Financial Officer and a member of the executive board of Credit Suisse Group in September 2010, having served in that role since 2004.

Jim Comey

joins the Board today and will serve on the newly created Financial System Vulnerabilities Committee. Jim brings to the Board outstanding governance experience from both the private and public sectors. In his private sector roles he acted as General Counsel to leading international businesses and in public life served at the apex of law enforcement in the United States. Most recently, within the private sector, Jim Comey served as General Counsel of Bridgewater Associates, LP and prior to that as Senior Vice President and General Counsel of the Lockheed Martin Corporation. In public life, from 2003 to 2005, he served as US Deputy Attorney General, where he was responsible for supervising the operations of the Department of Justice, and chaired the President's Corporate Fraud Task Force. From 2002 to 2003, he served as US Attorney for the Southern District of New York.

Fuller details of their background and experience are set out in the Directors' Report.

Social contribution

Much is currently being written and debated about the role banks should play in society. In large part, this reflects the fact that the economic success that underpins a harmonious society depends upon sustainable financing, confidence and trust in the financial system. That trust is founded upon the broader role that banks play in their local communities.

Within HSBC, many of my colleagues make tremendous personal contributions to their communities and I want to take this opportunity to pay tribute to them. HSBC's outreach in terms of community investment is primarily in the areas of education and the environment and, in 2012, in financial terms it amounted to some US$120m.

In 2012, we extended our commitment to support disadvantaged and vulnerable young people who are neither in education, employment nor training. We support local and international charities working in this area, and also run our own staff-driven 'Future First' programme, which helps street children, children in care and orphans to access education. Initiatives under this programme are developed and supported by HSBC colleagues around the world and, in 2012, 2,717 members of staff volunteered to support the programme.

Importantly in all our community work we increasingly look to involve our staff to reinforce our links with the communities we serve. In 2012, for example, 114,982 HSBC colleagues spent 724,650 hours in volunteer activity.

We also launched the HSBC Water Programme last year. This is a five-year, US$100m commitment to support Water Aid, WWF and Earthwatch to deliver freshwater and sanitation to poor rural communities in Asia and Africa, educate local communities on sustainable water management in five major river basins around the world, and involve more than 7,500 HSBC staff with local conservation partners to address urban water management issues and learn to carry out scientific water research tasks.

Looking ahead

It is often said that people come together in adversity, learning lessons from the past and each other to create the bonds that ensure a better future. I believe that this has happened within HSBC. The last year has been a difficult one for all at HSBC as we addressed the restructuring of the firm against a lower-growth economic backdrop and with legacy issues and regulatory challenges imposing a further set of imperatives. Our 270,000 staff have had to face up to bewildering descriptions of HSBC that contrasted with the way they conduct their relationships with the firm's customers and clients.

What has been inspirational is how everyone has pulled together, focused on the future and committed to do all and everything necessary to restore a reputation that we all believe can be positively distinctive. On behalf of the Board, I want to thank all our employees for that commitment and their loyal support.

I also want to thank our clients and customers, our shareholders, our regulators and those in government who believe, as we do, that we will meet the commitments we have made to allow us better to serve the communities who entrust their financial needs to HSBC.

Review by Stuart Gulliver, Group Chief Executive

HSBC made significant progress in 2012 despite a challenging operating environment characterised by low economic growth and a changing regulatory landscape. We continued to pursue the strategy outlined in May 2011, announcing the sale or closure of 26 businesses or non-core investments, surpassing our sustainable savings target and recording underlying revenue growth in the majority of our faster-growing regions. We also reached agreement with the US authorities and the FSA in relation to past inadequate compliance with anti-money laundering and sanction laws. Although reported pre-tax profit fell by 6% to US$20.6bn in 2012, underlying profit, which includes the impact of fines and penalties and UK customer redress provisions totalling US$4.3bn, grew by 18%. This was primarily due to revenue growth, notably in Global Banking and Markets and Commercial Banking, and lower loan impairment charges in North America. We regard this as a good performance.

Our strategy is founded on a clear sense of purpose - to be where the growth is, connecting customers to opportunities and enabling businesses to thrive, economies to prosper and individuals to realise their ambitions. This has given us clear parameters around the way that we behave and conduct business and where and how we compete.

Since 2011, we have created a consistent global structure with strong governance, consisting of four global businesses and 11 global functions. In 2012, we continued to execute our strategic priorities to grow, restructure and simplify HSBC.

We grew our business in 2012, achieving underlying revenue growth in most of our priority markets. The growth in these markets was a factor in generating a record reported profit before tax in Commercial Banking as we maintained our position as the world's largest global trade finance bank, as reported in the Oliver Wyman Global Transaction Banking Survey 2012. The collaboration between Commercial Banking and Global Banking and Markets delivered incremental gross revenues of over US$0.1bn in 2012. Wealth Management achieved more than US$0.5bn of additional revenues, although further progress is required to achieve our strategic goals.

The restructuring of the US business progressed in 2012 as we continued to run off the Consumer and Mortgage Lending portfolio, resulting in a US$14bn reduction in the value of average risk-weighted assets and a reduced loss before tax of US$3.1bn, reflecting improved loan impairment charges. Following our agreement with the US authorities and the FSA in December 2012, we are adopting global standards as part of our effort to raise our practices to an industry-leading level. This is part of our wholehearted commitment to protect the integrity of the organisation and the financial system, and to do our part to fight financial crime.

We further simplified the Group structure in 2012, bringing the total number of announced disposals and closures of non-strategic businesses or non-core investments to 47 since the beginning of 2011, including four in 2013.

During 2012, we completed the disposal of the Card and Retail Services business and the upstate New York branches in the United States, and the sale or closure of our retail businesses in Thailand, Honduras, El Salvador and Costa Rica, as well as the full service retail brokerage businesses in Canada. Additionally we announced the sale of our operations in Colombia, Peru, Uruguay and Paraguay.

Following completion of all the announced transactions we will have completed the refocus of our Retail Banking and Wealth Management ('RBWM') presence to our 22 home and priority markets, which represented 98% of the RBWM, excluding US CRS and the US run-off portfolio, profit before tax in 2012, plus a limited number of important network and smaller markets.

Notably, on top of the above, we reached agreement in December 2012 to sell our stake in Ping An for an aggregate cash consideration, the equivalent of US$9.4bn. This transaction completed in two tranches, in December 2012 and February 2013, generating a profit of US$3.0bn. In 2012 our share of Ping An's earnings was US$0.8bn.

We also made progress in eliminating unnecessary organisational layers and streamlining various processes, achieving an additional US$2.0bn in sustainable cost savings. This takes our total annualised savings to US$3.6bn, surpassing our cumulative target of US$2.5bn to US$3.5bn of sustainable savings since 2011. Taken together, these changes have made HSBC much easier to manage and control.

Although we made some good progress in 2012, the cost efficiency ratio at 62.8% and ROE at 8.4% were outside our target ranges. These were both affected by UK customer redress provisions, as well as payments we were required to make as part of the settlement of the investigations noted above.

Implementing our strategy can add significant value to HSBC. We are on the right track and remain fully committed to achieving our ambition of being the world's leading international bank.

We are investing to build this distinctive international competitive position.

In Retail Banking and Wealth Management, we accelerated the transformation of the Wealth Management business in HSBC with infrastructure investment to improve customer experience and so drive growth. Technology solutions improved the customer offering in foreign exchange services and we introduced enhanced risk profiling and strategic financial planning tools.

In Commercial Banking we maintained our investment in the faster-growing regions in support of the strong network that helps connect customers with both developed and developing markets as they expand internationally. A great deal of attention is being devoted to the increasing internationalisation of the renminbi. During 2012, we were the first bank to settle cross-border renminbi trade across six continents with capabilities in over 50 countries, offering a competitive advantage to our customers as the renminbi positions to be a major global trade and investment currency. We have expanded our global network of dedicated China desks to cover our top markets, representing about half of the world's GDP. These are staffed by Mandarin-speaking experts who support mainland Chinese businesses to identify new opportunities to expand overseas.

In Global Banking and Markets, we invested in selective recruitment to support key strategic markets. We continued the successful build-out of our equities and e-FX platforms to broaden our product offerings. In Hong Kong we led the market in Hong Kong dollar bond issuance and were the leading bookrunner for high yield bonds in Asia, excluding Japan. We now also rank in the top five of equities brokers in Hong Kong. We reinforced our leading position in the renminbi market in 2012, supporting a number of significant client transactions and, as an entity, issuing the first international renminbi bond outside Chinese sovereign territory. Reflecting our capabilities in Latin America, the Middle East and Asia-Pacific, HSBC was recognised as the 'Best Global Emerging Markets Debt House' at the 2012

Euromoney

Awards for Excellence and was also recognised as 'RMB House of the Year' at the 2012 Asia Risk Awards.

I would like to thank all of our employees for their dedication and endurance throughout a difficult year for the bank. They have shown a real sense of passion, pride and duty in the face of critical and often deeply embarrassing media headlines and I too am very grateful for their efforts.

Group performance headlines

· Reported profit before tax was US$20.6bn, US$1.2bn lower than in 2011, including US$5.2bn of adverse movements in the fair value of our own debt attributable to credit spreads compared with favourable movements of US$3.9bn in 2011. This variance of US$9.1bn was partially offset by an increase of US$7.5bn in respect of gains from the disposal of businesses, notably from the sale of the US Card and Retail Services business and the agreement to sell our stake in Ping An.

· Underlying profit before tax was US$16.4bn, up US$2.5bn, mainly due to higher revenues and lower loan impairment charges and other credit risk provisions. These factors were partially offset by an increase in operating expenses, primarily reflecting the settlement of the investigations into past inadequate compliance with anti-money laundering and sanction laws and increased provisions for UK customer redress programmes.

· Underlying revenues rose by 7%, led by Global Banking and Markets where the majority of our businesses grew, notably Credit and Rates in Europe, as spreads tightened and investor sentiment improved following stimuli by central banks globally. Commercial Banking also recorded revenue growth as customer loans and advances increased in all regions, with over half of this growth coming from our faster-growing regions of Hong Kong, Rest of Asia-Pacific and Latin America, driven by higher trade-related lending. Customer deposits also rose as we continued to attract deposits through Payments and Cash Management products. In addition, Retail Banking and Wealth Management experienced revenue growth across all faster-growing regions, in particular Hong Kong and Latin America. These factors were partially offset by lower revenue in Global Private Banking, as we focused on repositioning our business model and target client base.

· We achieved growth in reported loans and advances to customers of more than US$57bn during the year, notably in residential mortgages and term and trade-related lending. Customer deposits increased by over US$86bn, allowing us to maintain a strong ratio of customer advances to customer accounts of 74.4%.

· Underlying costs were US$4.3bn higher than in 2011 including payments of US$1.9bn made as part of the settlement of the investigations into past inadequate compliance with anti-money laundering and sanctions laws, additional provisions in respect of UK customer redress programmes of US$1.4bn, and a credit in 2011 of US$0.6bn relating to defined benefit pension obligations in the UK which did not recur. Operating expenses also increased due to inflationary pressures, for example, on wages and salaries, in certain of our Latin American and Asian markets. Other increases arose from investment in strategic initiatives including certain business expansion projects, enhanced processes and technology capabilities, and increased investment in regulatory and compliance infrastructure primarily in the US.

· The reported cost efficiency ratio deteriorated from 57.5% to 62.8% and from 63.4% to 66.0% on an underlying basis, as a result of higher notable cost items, as described above.

· Return on equity was 8.4%, down from 10.9% in 2011, primarily reflecting the adverse movement in fair value of own debt attributable to movements in credit spreads, a higher tax charge and higher average shareholders' equity. Similarly, the Group's pre-tax return on average risk-weighted assets ('RoRWA') for 2012 was 1.8% or 1.5% on an underlying basis. Adjusting for the negative returns on US consumer finance business and legacy credit in Global Banking and Markets, the remainder of the Group achieved a RoRWA of 1.9% in 2012 and 2.1% in 2011.

· The core tier 1 ratio increased during the year from 10.1% at the end of 2011 to 12.3%. This increase was driven by capital generation and a reduction in risk-weighted assets following business disposals.

· The Basel III capital rules began their staged 6-10 year implementation in some parts of the world in January 2013. Nevertheless, the FSA has set our 2013 capital target calculation on a Basel III end point basis. This effectively accelerates our implementation of Basel III by several years relative to European regulations and other global banks. Consistent with this, we now operate to an internal capital target set on a Basel III end point basis of 9.5%-10.5%.

· Profit attributable to ordinary shareholders was US$13.5bn, of which US$8.3bn was declared in dividends in respect of the year. This compared with US$2.9bn of variable pay awarded (net of tax) to our employees for 2012.

· Dividends per ordinary share declared in respect of 2012 were US$0.45, an increase of 10% compared with 2011, with a fourth interim dividend for 2012 of US$0.18 per ordinary share.

Global standards

As a global organisation which trades on its international connectivity, we recognise that we have a responsibility to play a part in protecting the integrity of the financial system. In order to do this effectively, in April 2012 we committed to implementing industry-leading controls to increase our ability to combat financial crime.

The highest compliance standards are being adopted and enforced across HSBC and our Compliance function has already been strengthened considerably. More than 3,500 people are now employed globally to work on compliance and compliance spending has approximately doubled since 2010 to more than US$500m. We have created and recruited externally for two new Compliance leadership roles - Global Head of Regulatory Compliance and Head of Group Financial Crime Compliance - and appointed a number of senior staff with extensive experience of handling relevant international legal and financial issues. A review of 'Know Your Customer' files is under way across the entire Group and an enhanced global sanctions policy has been devised to ensure that we do not do business with key illicit actors anywhere, in any currency. In addition, we have moved to protect HSBC from the risks inherent in bearer shares by curtailing the ability of clients using bearer share companies to open accounts or transact with HSBC.

We have also introduced a new filter, against which all existing and prospective clients and businesses are screened. This sixth filter focuses on financial crime risk. It means that where we cannot practically or economically apply the global standards to which we are committed we will stop writing business altogether or significantly restrict our activities. This policy is consistent with our commitments to adopt global standards, to simplify our business and operations, and to de-risk our business activities.

Implementing these standards will be a critical component of our work in 2013.

Outlook

Whilst the operating environment for financial institutions remains difficult, our core business will continue to reap the benefit of recovering economic growth in mainland China and its positive impact on other faster-growing regions. We expect the developing economies, led by mainland China, to continue to grow briskly at 5.4%, while developed economies should see more gradual growth of 1.0%. We forecast growth of 8.6% in mainland China in 2013.

The US economy should continue its gradual recovery, with continuing quantitative easing measures supporting a recovery in the housing market, although the recovery is still not strong enough to support a sustained reduction in unemployment. We expect higher growth in Latin America in 2013, due in part to a modest recovery in Brazil. The biggest risk to the world economy remains an uncharted shock from Europe and an exacerbation of the sovereign debt crisis. We remain cautious on the outlook for Europe due to weak demand, slow growth, and political and regulatory uncertainty.

Finally, I am pleased to report that the business had a good start to the year. Our results in 2013 will include a dilution gain of US$1.2bn on our investment in Industrial Bank, following its issue of additional share capital to third parties on 7 January. There was also a US$0.6bn net gain on the completion of the sale of our shares in Ping An, which offsets the adverse fair value movement on the forward contract included within our 2012 results. On 19 February 2013 we announced the sale of our operations in Panama for US$2.1bn.

Financial Overview

Year ended 31 December 2012			Year ended 31 December	
			2012	2011
£m	HK$m		US$m	US$m
		For the year		
13,030	160,174	Profit before tax	20,649	21,872
8,851	108,807	Profit attributable to shareholders of the parent company	14,027	16,797

4,713	57,937	Dividends declared on ordinary shares	7,469	6,928
		At the year-end		
108,475	1,358,126	Total shareholders' equity	175,242	158,725
111,919	1,401,247	Capital resources	180,806	170,334
829,469	10,385,109	Customer accounts	1,340,014	1,253,925
1,666,681	20,867,170	Total assets	2,692,538	2,555,579
695,721	8,710,558	Risk-weighted assets	1,123,943	1,209,514
£	HK$		US$	US$
		Per ordinary share		
0.47	5.74	Basic earnings	0.74	0.92
0.25	3.18	Dividends1	0.41	0.39
5.63	70.45	Net asset value	9.09	8.48

Share information		
US$0.50 ordinary shares in issue	18,476m	17,868m
Market capitalisation	US$194bn	US$136bn
Closing market price per share	£6.47	£4.91

	Over 1 year	Over 3 years	Over 5 years
Total shareholder return to			
31 December 20122	139	104	113
Benchmarks: FTSE 100	110	121	111
MSCI World	117	124	97
MSCI Banks	128	106	68

1 The dividend per share of US$0.41 shown in the accounts is the total of the dividends declared during 2012. This represents the fourth interim dividend for 2011 and the first, second and third interim dividends for 2012. As the fourth interim dividend for 2012 was declared in 2013 it will be reflected in the accounts for 2013.

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

	Year ended 31 December 2012	2011
	%	%
Performance ratios		
Return on average invested capital1	8.0	10.2
Return on average ordinary shareholders' equity2	8.4	10.9
Post-tax return on average total assets	0.6	0.6

Pre-tax return on average risk-weighted assets	1.8	1.9
Efficiency and revenue mix ratios		
Cost efficiency ratio	62.8	57.5
As a percentage of total operating income:		
- net interest income	45.6	48.7
- net fee income	19.9	20.6
- net trading income	8.6	7.8
Capital ratios		
- Core tier 1 ratio	12.3	10.1
- Tier 1 ratio	13.4	11.5
- Total capital ratio	16.1	14.1

1 Return on average invested capital is based on the profit attributable to ordinary shareholders. Average invested capital is measured as average total shareholders' equity after adding back goodwill previously amortised or written-off directly to reserves, deducting average equity preference shares issued by HSBC Holdings and deducting/(adding) average reserves for unrealised gains/(losses) on effective cash flow hedges and available-for-sale securities and property revaluation reserves. This measure reflects capital initially invested and subsequent profit.

2 The return on average total shareholders' equity is defined as profit attributable to shareholders of the parent company divided by average ordinary shareholders' equity.

Consolidated Income Statement

Year ended 31 December 2012 £m	Year ended 31 December 2012 HK$m		Year ended 31 December 2012 US$m	Year ended 31 December 2011 US$m
35,779	439,838	Interest income	56,702	63,005
(12,008)	(147,616)	Interest expense	(19,030)	(22,343)
23,771	292,222	Net interest income	37,672	40,662
12,714	156,296	Fee income	20,149	21,497
(2,347)	(28,848)	Fee expense	(3,719)	(4,337)
10,367	127,448	Net fee income	16,430	17,160
2,781	34,193	Trading income excluding net interest income	4,408	3,283

1,693	20,812	Net interest income on trading activities	2,683	3,223
4,474	55,005	Net trading income	7,091	6,506
(2,730)	(33,565)	Changes in fair value of long-term debt issued and related derivatives	(4,327)	4,161
1,325	16,298	Net income/(expense) from other financial instruments designated at fair value	2,101	(722)
(1,405)	(17,267)	Net income/(expense) from financial instruments designated at fair value	(2,226)	3,439
750	9,223	Gains less losses from financial investments	1,189	907
139	1,714	Dividend income	221	149
8,231	101,182	Net earned insurance premiums	13,044	12,872
4,432	54,485	Gains on disposal of US branch network, US cards business and Ping An Insurance (Group) Company of China, Limited	7,024	-
1,327	96,290	Other operating income	2,100	1,766
52,086	640,302	Total operating income	82,545	83,461
(8,970)	(110,266)	Net insurance claims incurred and movement in liabilities to policyholders	(14,215)	(11,181)
43,116	530,036	Net operating income before loan impairment charges and other credit risk provisions	68,330	72,280
(5,244)	(64,469)	Loan impairment charges and other credit risk provisions	(8,311)	(12,127)
37,872	465,567	Net operating income	60,019	60,153
(12,930)	(158,949)	Employee compensation and benefits	(20,491)	(21,166)
(12,609)	(155,008)	General and administrative expenses	(19,983)	(17,459)
(936)	(11,511)	Depreciation and impairment of property, plant and equipment	(1,484)	(1,570)
(612)	(7,517)	Amortisation and impairment of intangible assets	(969)	(1,350)
(27,087)	(332,985)	Total operating expenses	(42,927)	(41,545)
10,785	132,582	Operating profit	17,092	18,608

2,245	27,592	Share of profit in associates and joint ventures	3,557	3,264
13,030	160,174	Profit before tax	20,649	21,872
(3,354)	(41,228)	Tax expense	(5,315)	(3,928)
9,676	118,946	Profit for the year	15,334	17,944
8,851	108,807	Profit attributable to shareholders of the parent company	14,027	16,797
825	10,139	Profit attributable to non-controlling interests	1,307	1,147

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2012	2011
	US$m	US$m
Profit for the year	15,334	17,944
Other comprehensive income/(expense)		
Available-for-sale investments	5,070	674
- fair value gains	6,396	1,279
- fair value gains transferred to income statement on disposal	(1,872)	(820)
- amounts transferred to the income statement in respect of impairment losses	1,002	583
- income taxes	(456)	(368)
Cash flow hedges	109	187
- fair value gains/(losses)	552	(581)
- fair value (gains)/losses transferred to income statement	(423)	788
- income taxes	(20)	(20)
Actuarial gains/(losses) on defined benefit plans	(195)	1,009
- before income taxes	(391)	1,267
- income taxes	196	(258)
Share of other comprehensive income/(expense) of associates and joint ventures	533	(710)
- share for the year	311	(710)
- reclassified to income statement on disposal	222	-
Exchange differences	1,017	(2,865)
- foreign exchange gains reclassified to income statement on disposal of a foreign operation	(1,128)	-

- other exchange differences	2,145	(2,865)
Income tax attributable to exchange differences	-	165
Other comprehensive income for the year, net of tax	6,534	(1,540)
Total comprehensive income for the year	21,868	16,404
Total comprehensive income for the year attributable to:		
- shareholders of the parent company	20,455	15,366
- non-controlling interests	1,413	1,038
	21,868	16,404

Consolidated Balance Sheet

Year ended 31 December			Year ended 31 December	
2012			2012	2011
£m	HK$m		US$m	US$m
		ASSETS		
87,608	1,096,873	Cash and balances at central banks	141,532	129,902
4,521	56,598	Items in the course of collection from other banks	7,303	8,208
14,078	176,258	Hong Kong Government certificates of indebtedness	22,743	20,922
253,054	3,168,285	Trading assets	408,811	330,451
20,787	260,261	Financial assets designated at fair value	33,582	30,856
221,261	2,770,237	Derivatives	357,450	346,379
94,426	1,182,231	Loans and advances to banks	152,546	180,987
617,529	7,731,578	Loans and advances to customers	997,623	940,429
260,661	3,263,533	Financial investments	421,101	400,044
11,928	149,335	Assets held for sale	19,269	39,558
33,869	424,049	Other assets	54,716	48,699
319	3,991	Current tax assets	515	1,061
5,882	73,641	Prepayments and accrued income	9,502	10,059
11,039	138,214	Interests in associates and joint ventures	17,834	20,399
18,479	231,361	Goodwill and intangible assets	29,853	29,034
6,554	82,057	Property, plant and equipment	10,588	10,865
4,686	58,668	Deferred tax assets	7,570	7,726
1,666,681	20,867,170	Total assets	2,692,538	2,555,579
		LIABILITIES AND EQUITY		

		Liabilities		
14,077	176,251	Hong Kong currency notes in circulation	22,742	20,922
66,499	832,575	Deposits by banks	107,429	112,822
829,469	10,385,109	Customer accounts	1,340,014	1,253,925
4,418	55,320	Items in the course of transmission to other banks	7,138	8,745
188,524	2,360,363	Trading liabilities	304,563	265,192
54,299	679,830	Financial liabilities designated at fair value	87,720	85,724
222,150	2,781,366	Derivatives	358,886	345,380
73,946	925,823	Debt securities in issue	119,461	131,013
3,106	38,889	Liabilities of disposal groups held for sale	5,018	22,200
20,961	262,430	Other liabilities	33,862	27,967
899	11,253	Current tax liabilities	1,452	2,117
42,213	528,511	Liabilities under insurance contracts	68,195	61,259
8,161	102,176	Accruals and deferred income	13,184	13,106
3,251	40,703	Provisions	5,252	3,324
686	8,595	Deferred tax liabilities	1,109	1,518
2,417	30,264	Retirement benefit liabilities	3,905	3,666
18,248	228,462	Subordinated liabilities	29,479	30,606
1,553,324	19,447,920	Total liabilities	2,509,409	2,389,486
		Equity		
5,718	71,595	Called up share capital	9,238	8,934
6,242	78,151	Share premium account	10,084	8,457
3,622	45,345	Other equity instruments	5,851	5,851
18,398	230,346	Other reserves	29,722	23,615
74,495	932,689	Retained earnings	120,347	111,868
108,475	1,358,126	Total shareholders' equity	175,242	158,725
4,882	61,124	Non-controlling interests	7,887	7,368
113,357	1,419,250	Total equity	183,129	166,093
1,666,681	20,867,170	Total equity and liabilities	2,692,538	2,555,579

Consolidated Statement of Cash Flows

	Year ended 31 December	
	2012	2011
	US$m	US$m
Cash flows from operating activities		
Profit before tax	20,649	21,872

Adjustments for:		
- net gain from investing activities	(2,094)	(1,196)
- share of profits in associates and joint ventures	(3,557)	(3,264)
- gain on sale of US branch network, US cards business and Ping An	(7,024)	-
- other non-cash items included in profit before tax	19,778	19,878
- change in operating assets	(116,521)	(7,412)
- change in operating liabilities	89,070	44,012
- elimination of exchange differences	(3,626)	10,840
- dividends received from associates	489	304
- contributions paid to defined benefit plans	(733)	(1,177)
- tax paid	(5,587)	(4,095)
Net cash generated from/(used in) operating activities	(9,156)	79,762
Cash flows from investing activities		
Purchase of financial investments	(342,974)	(319,008)
Proceeds from the sale and maturity of financial investments	329,926	311,702
Purchase of property, plant and equipment	(1,318)	(1,505)
Proceeds from the sale of property, plant and equipment	241	300
Proceeds from the sale of loan portfolios	-	-
Net purchase of intangible assets	(1,008)	(1,571)
Net cash inflow from disposal of US branch network and US cards business	20,905	-
Net cash inflow/(outflow) from disposal of other subsidiaries and businesses	(863)	216
Net cash outflow from acquisition of or increase in stake of associates	(1,804)	(90)
Net cash outflow from the deconsolidation of funds	-	-
Proceeds from disposal of Ping An Insurance (Group) Company of China Limited	1,954	-
Proceeds from disposal of other associates and joint ventures	594	25
Net cash generated from/(used in) investing activities	5,653	(9,931)
Cash flows from financing activities		
Issue of ordinary share capital	594	96
Issue of other equity instruments	-	-
Net purchases of own shares for market-making and investment purposes	(25)	(225)
Net purchases of own shares to meet share awards and share option awards	-	(136)
Subordinated loan capital issued	37	7
Subordinated loan capital repaid	(1,754)	(3,777)
Net cash inflow/(outflow) from change in stake in subsidiaries	(14)	104
Dividends paid to shareholders of the parent company	(5,925)	(5,014)
Dividends paid to non-controlling interests	(572)	(568)
Dividends paid to holders of other equity instruments	(573)	(573)
Net cash used in financing activities	(8,232)	(10,086)

Net increase/(decrease) in cash and cash equivalents	(11,735)	59,745
Cash and cash equivalents at 1 January	325,449	274,076
Exchange differences in respect of cash and cash equivalents	1,594	(8,372)
Cash and cash equivalents at 31 December	315,308	325,449

Consolidated Statement of Changes in Equity

	Year ended 31 December	
	2012	2011
	US$m	US$m
Called up share capital		
At 1 January	8,934	8,843
Shares issued under employee remuneration and share plans	119	6
Shares issued in lieu of dividends and amounts arising thereon	185	85
At 31 December	9,238	8,934
Share premium		
At 1 January	8,457	8,454
Shares issued under employee remuneration and share plans	1,812	90
Shares issued in lieu of dividends and amounts arising thereon	(185)	(87)
At 31 December	10,084	8,457
Other equity instruments		
At 1 January and 31 December	5,851	5,851
Retained earnings 1		
At 1 January	111,868	99,105
Profit for the year	14,027	16,797
Other comprehensive income		
Actuarial gains/(losses) on defined benefit plans	(212)	1,078
Share of other comprehensive income of associates and joint ventures	533	(710)
Other comprehensive income (net of tax)	321	368
Total comprehensive income for the year	14,348	17,165
Shares issued under employee remuneration and share plans	(1,337)	-
Shares issued in lieu of dividends and amounts arising thereon	2,429	2,232
Dividends to shareholders	(8,042)	(7,501)
Tax credit on distributions	32	128
Own shares adjustment	2	(361)
Cost of share-based payment arrangements	988	1,154

Income taxes on share-based payments	42	21
Other movements	(26)	(75)
Changes in ownership interests in subsidiaries that did not result in loss of control	43	-
At 31 December	120,347	111,868
Other reserves		
Available-for-sale fair value reserve		
At 1 January	(3,361)	(4,077)
Other comprehensive income		
Available-for-sale investments	5,010	716
Other comprehensive income (net of tax)	5,010	716
Total comprehensive income for the year	5,010	716
At 31 December	1,649	(3,361)

	Year ended 31 December	
	2012	2011
	US$m	US$m
Cash flow hedging reserve		
At 1 January	(95)	(285)
Other comprehensive income		
Cash flow hedges	108	190
Other comprehensive income (net of tax)	108	190
Total comprehensive income for the year	108	190
At 31 December	13	(95)
Foreign exchange reserve		
At 1 January	(237)	2,468
Other comprehensive income		
Exchange differences	989	(2,705)
Other comprehensive income (net of tax)	989	(2,705)
Total comprehensive income for the year	989	(2,705)
At 31 December	752	(237)
Merger reserve		

At 1 January and 31 December	27,308	27,308
Total shareholders' equity		
At 1 January	158,725	147,667
Profit for the year	14,027	16,797
Other comprehensive income		
Available-for-sale investments	5,010	716
Cash flow hedges	108	190
Actuarial gains/(losses) on defined benefit plans	(212)	1,078
Share of other comprehensive income of associates and joint ventures	533	(710)
Exchange differences	989	(2,705)
Other comprehensive income (net of tax)	6,428	(1,431)
Total comprehensive income for the year	20,455	15,366
Shares issued under employee remuneration and share plans	594	96
Shares issued in lieu of dividends and amounts arising thereon	2,429	2,230
Dividends to shareholders	(8,042)	(7,501)
Tax credit on distributions	32	128
Own shares adjustment	2	(361)
Cost of share-based payment arrangements	988	1,154
Income taxes on share-based payments	42	21
Other movements	(26)	(75)
Changes in ownership interests in subsidiaries that did not result in loss of control	43	-
At 31 December	175,242	158,725

	Year ended 31 December	
	2012	2011
	US$m	US$m
Non-controlling interests		
At 1 January	7,368	7,248
Profit for the year	1,307	1,147
Other comprehensive income		
Available-for-sale investments	60	(42)
Cash flow hedges	1	(3)
Actuarial losses on defined benefit plans	17	(69)
Exchange differences	28	5
Other comprehensive income (net of tax)	106	(109)
Total comprehensive income for the year	1,413	1,038
Dividends to shareholders	(707)	(815)
Other movements	(20)	28
Acquisition and disposal of subsidiaries	(108)	(252)
Changes in ownership interests in subsidiaries that did not result in loss of control	(59)	121

At 31 December	7,887	7,368
Total equity		
At 1 January	166,093	154,915
Profit for the year	15,334	17,944
Other comprehensive income		
Available-for-sale investments	5,070	674
Cash flow hedges	109	187
Actuarial gains/(losses) on defined benefit plans	(195)	1,009
Share of other comprehensive income of associates and joint ventures	533	(710)
Exchange differences	1,017	(2,700)
Other comprehensive income (net of tax)	6,534	(1,540)
Total comprehensive income for the year	21,868	16,404
Shares issued under employee remuneration and share plans	594	96
Shares issued in lieu of dividends and amounts arising thereon	2,429	2,230
Dividends to shareholders	(8,749)	(8,316)
Tax credit on distributions	32	128
Own shares adjustment	2	(361)
Cost of share-based payment arrangements	988	1,154
Income taxes on share-based payments	42	21
Other movements	(46)	(47)
Acquisition and disposal of subsidiaries	(108)	(252)
Changes in ownership interests in subsidiaries that did not result in loss of control	(16)	121
At 31 December	183,129	166,093

Additional Information

1. Basis of preparation and accounting policies

The basis of preparation and summary of significant accounting policies applicable to the consolidated financial statements of HSBC and the separate financial statements of HSBC Holdings can be found in Notes 1 and 2 of the Annual Report and Accounts 2012.

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 EU. EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2012, there were no unendorsed standards effective for the year ended 31 December 2012 affecting the consolidated 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.

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

During 2012, HSBC adopted a number of interpretations and amendments to standards which had an insignificant effect on the consolidated financial statements of HSBC and the separate financial statements of HSBC Holdings.

2. Dividends

The Directors have declared a fourth interim dividend for 2012 of US$0.18 per ordinary share, a distribution of approximately US$3,327m. The fourth interim dividend will be payable on 8 May 2013, to holders of record on 21 March 2013 on the Hong Kong Overseas Branch Register and 22 March 2013 on the Principal Register in the United Kingdom or the Bermuda Overseas Branch Register.

The dividend will be payable in cash, in US dollars, sterling or Hong Kong dollars, or a combination of these currencies, at the forward exchange rates quoted by HSBC Bank plc in London at or about 11am on 29 April 2013, and with a scrip dividend alternative. Particulars of these arrangements will be sent to shareholders on or about 3 April 2013 and elections must be received by 25 April 2013. As this dividend was declared after the balance sheet date, no liability has been recorded on the Financial Statements at 31 December 2012.

The dividend will be payable on ordinary shares held through Euroclear France, the settlement and central depository system for Euronext Paris, on 8 May 2013. However, as 8 and 9 May 2013 are public holidays in France, the dividend will be paid by Euroclear France to the holders of record as at 22 March 2013 no earlier than 10 May 2013. The dividend will be payable by Euroclear France in cash, in euros at the forward exchange rate quoted by HSBC France on 29 April 2013, or as a scrip dividend. Particulars of these arrangements will be announced through Euronext Paris on 11 March 2013 and 27 March 2013.

The dividend will be payable on American Depositary Shares ('ADSs'), each of which represents five ordinary shares, on 8 May 2013 to holders of record on 22 March 2013. The dividend of US$0.90 per ADS will be payable by the depositary in cash in US dollars or as a scrip dividend of new ADSs. Elections must be received by the depositary on or before 19 April 2013. Alternatively, the cash dividend may be invested in additional ADSs for participants in the dividend reinvestment plan operated by the depositary.

Ordinary shares will be quoted ex-dividend in London, Hong Kong, Paris and Bermuda on 20 March 2013. The ADSs will be quoted ex-dividend in New York on 20 March 2013.

Any person who has acquired ordinary shares registered on the Hong Kong Overseas Branch Register but who has not lodged the share transfer with the Hong Kong Overseas Branch Registrar should do so before 4.00pm on 21 March 2013 in order to receive the dividend.

Any person who has acquired ordinary shares registered on the Principal Register in the United Kingdom or on the Bermuda Overseas Branch Register but who has not lodged the share transfer with the Principal Registrar or the Bermuda Overseas Branch Registrar respectively, should do so before 4.00pm on 22 March 2013 in order to receive the dividend.

Removals of ordinary shares may not be made to or from the Hong Kong Overseas Branch Register on 22 March 2013. Accordingly any person who wishes to remove ordinary shares to the Hong Kong Overseas Branch Register must lodge the removal request with the Principal Registrar in the United Kingdom or the Bermuda Branch Registrar by 4.00pm on 20 March 2013; any person who wishes to remove ordinary shares from the Hong Kong Overseas Branch Register must lodge the removal request with the Hong Kong Branch Registrar by 4.00pm on 21 March 2013.

Transfers of American Depositary Shares should be lodged with the depositary by 12 noon on 22 March 2013 in order to receive the dividend.

Dividends declared on HSBC Holdings shares during 2012 were as follows:

	2012			2011		
	Per share US$	Total US$m	Settled in scrip US$m	Per share US$	Total US$m	Settled in scrip US$m
Dividends declared on ordinary shares						
In respect of previous year:						
- fourth interim dividend	0.14	2,535	259	0.12	2,119	1,130
In respect of current year:						
- first interim dividend	0.09	1,633	748	0.09	1,601	204
- second interim dividend	0.09	1,646	783	0.09	1,603	178
- third interim dividend	0.09	1,655	639	0.09	1,605	720
	0.41	7,469	2,429	0.39	6,928	2,232
Quarterly dividends on preference shares classified as equity						
March dividend	15.50	22		15.50	22	
June dividend	15.50	23		15.50	23	
September dividend	15.50	22		15.50	22	
December dividend	15.50	23		15.50	23	
	62.00	90		62.00	90	

	2012		2011	
	Per share US$	Total US$m	Per share US$	Total US$m
Quarterly coupons on capital securities classified as equity1				
January coupon	0.508	44	0.508	44
March coupon	0.500	76	0.500	76
April coupon	0.508	45	0.508	45
June coupon	0.500	76	0.500	76
July coupon	0.508	45	0.508	45
September coupon	0.500	76	0.500	76
October coupon	0.508	45	0.508	45

December coupon	0.500	76	0.500	76
	4.032	483	4.032	483

1. HSBC Holdings issued perpetual Subordinated Capital Securities of US$3,800m in June 2010 and US$2,200m in April 2008, which are classified as equity under IFRSs.

On 7 February 2013, the Directors declared quarterly dividends of US$15.50 per non-cumulative Series A Dollar Preference Share (equivalent to a dividend of US$0.3875 per Series A American Depository Share, each of which represents one-fortieth of a Series A dollar preference share) and £0.01 per Series A Sterling Preference Share for payment on 15 March 2013 to the holders of record on 1 March 2013.

On 15 January 2013, HSBC paid a coupon on the Capital Securities of US$0.508 per security, a distribution of US$44m. No liability is recorded in the balance sheet at 31 December 2012 in respect of this coupon payment.

3. Earnings and dividends per ordinary share

	Year ended 31 December	
	2012	2011
	US$	US$
Basic earnings per ordinary share	0.74	0.92
Diluted earnings per ordinary share	0.74	0.91
Dividends per ordinary share	0.41	0.39
Net asset value at year-end	9.09	8.48
Dividend pay out ratio1	55.4%	42.4%

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

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

Profit attributable to the ordinary shareholders of the parent company

	Year ended 31 December 2012 US$m	2011 US$m
Profit attributable to shareholders of the parent company	14,027	16,797
Dividend payable on preference shares classified as equity	(90)	(90)
Coupon payable on capital securities classified as equity	(483)	(483)
Profit attributable to the ordinary shareholders of the parent company	13,454	16,224

Basic and diluted earnings per share

	2012 Profit US$m	Number of shares (millions)	Per share US$	2011 Profit US$m	Number of shares (millions)	Per share US$
Basic	13,454	18,125	0.74	16,224	17,700	0.92
Effect of dilutive potential ordinary shares	-	146	-	-	222	-
Diluted	13,454	18,271	0.74	16,224	17,922	0.91

4. Tax expense

	Year ended 31 December 2012 US$m	2011 US$m
UK corporation tax	250	820
Overseas tax	5,560	4,255
Current tax	5,810	5,075
Deferred tax	(495)	(1,147)
Tax expense	5,315	3,928
Effective tax rate	25.7%	18.0%

HSBC Holdings and its subsidiaries in the United Kingdom provided for UK corporation tax at 24.5% (2011: 26.5%). Overseas tax included Hong Kong profits tax of US$1,049m (2011: US$997m) provided at the rate of 16.5% (2011: 16.5%) on the profits for the year assessable in Hong Kong. Other overseas subsidiaries and overseas branches provided for taxation at the appropriate rates in the countries in which they operate.

Analysis of tax expense

	Year ended 31 December	
	2012	2011
	US$m	US$m
Taxation at UK corporation tax rate of 24.5% (2011: 26.5%)	5,057	5,796
Effect of taxing overseas profits in principal locations at different rates	(57)	(492)
Adjustments in respect of prior period liabilities	37	495
Effect of profit in associates and joint ventures	(872)	(865)
Deferred tax temporary differences not recognised/(previously not recognised)	374	(923)
Non-taxable income and gains	(542)	(613)
Permanent disallowables	1,092	467
Tax impact of disposal of Ping An	(204)	-
Other items	430	63
Overall tax expense	5,315	3,928

5. Analysis of net fee income

	Half-year to			Half-year to		
	30 June	31 December		30 June	31 December	
	2012	2012	2012	2011	2011	2011
	US$m	US$m	US$m	US$m	US$m	US$m
Account services	1,755	1,808	3,563	1,846	1,824	3,670
Cards	1,716	1,314	3,030	1,977	1,978	3,955
Funds under management	1,242	1,319	2,561	1,414	1,339	2,753
Credit facilities	867	894	1,761	849	900	1,749
Broking income	707	643	1,350	933	778	1,711
Imports/exports	606	590	1,196	552	551	1,103
Remittances	399	420	819	371	399	770
Unit trusts	344	395	739	374	283	657
Underwriting	377	362	739	332	246	578
Global custody	375	362	737	391	360	751
Insurance	425	271	696	545	507	1,052
Corporate finance	230	140	370	235	206	441
Trust income	141	142	283	148	146	294
Investment contracts	71	70	141	65	71	136
Mortgage servicing	47	39	86	56	53	109
Taxpayer financial services	-	-	-	1	1	2
Other	979	1,099	2,078	855	911	1,766

Total fee income	10,281	9,868	20,149	10,944	10,553	21,497
Less: fee expense	(1,974)	(1,745)	(3,719)	(2,137)	(2,200)	(4,337)
Total net fee income	8,307	8,123	16,430	8,807	8,353	17,160

6. Loan impairment charges

	Half-year to			Half-year to		
	30 June	31 December		30 June	31 December	
	2012	2012	2012	2011	2011	2011
	US$m	US$m	US$m	US$m	US$m	US$m
Individually assessed impairment allowances:						
- Net new allowances	1,187	1,151	2,338	743	1,363	2,106
- Recoveries	(84)	(115)	(199)	(105)	(86)	(191)
	1,103	1,036	2,139	638	1,277	1,915
Collectively assessed impairment allowances:						
- Net new allowances	3,906	3,062	6,968	4,960	5,865	10,825
- Recoveries	(484)	(463)	(947)	(625)	(610)	(1,235)
	3,422	2,599	6,021	4,335	5,255	9,590
Total loan impairment charges	4,525	3,635	8,160	4,973	6,532	11,505
Banks	1	(1)	-	1	(17)	(16)
Customers	4,524	3,636	8,160	4,972	6,549	11,521

7. Notes on the statement of cash flows

	Year ended 31 December	
	2012	2011
	US$m	US$m
Other non-cash items included in profit before tax		
Depreciation, amortisation and impairment	2,531	3,135
Gains arising from dilution of interests in associates	-	(208)
Revaluations on investment property	(72)	(118)
Share-based payment expense	988	1,162

Loan impairment losses gross of recoveries and other credit risk provisions	9,358	13,553
Provisions	5,732	2,199
Impairment of financial investments	519	808
Charge/(credit) for defined benefit plans	476	(140)
Accretion of discounts and amortisation of premiums	246	(513)
	19,778	19,878
Change in operating assets		
Change in prepayments and accrued income	557	1,907
Change in net trading securities and net derivatives	(36,829)	27,058
Change in loans and advances to banks	1,083	2,618
Change in loans and advances to customers	(72,619)	(30,853)
Change in financial assets designated at fair value	(2,698)	(583)
Change in other assets	(6,015)	(7,559)
	(116,521)	(7,412)
Change in operating liabilities		
Change in accruals and deferred income	78	(800)
Change in deposits by banks	(5,393)	2,238
Change in customer accounts	90,071	48,401
Change in debt securities in issue	(11,552)	(14,388)
Change in financial liabilities designated at fair value	2,549	5,468
Change in other liabilities	13,317	3,093
	89,070	44,012
Cash and cash equivalents		
Cash and balances at central banks	141,532	129,902
Items in the course of collection from other banks	7,303	8,208
Loans and advances to banks of one month or less	148,232	169,858
Treasury bills, other bills and certificates of deposit less than three months	25,379	26,226
Less: items in the course of transmission to other banks	(7,138)	(8,745)
	315,308	325,449
Interest and dividends		
Interest paid	(18,412)	(23,125)
Interest received	61,112	66,734
Dividends received	766	602

8. Segmental analysis

HSBC's operating segments are organised into six geographical regions, Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa ('MENA'), North America and Latin America.

Geographical information is classified by the location of the principal operations of the subsidiary or, for The Hongkong and Shanghai Banking Corporation, HSBC Bank, HSBC Bank Middle East and HSBC Bank USA, by the location of the branch responsible for reporting the results or advancing the funds.

HSBC's chief operating decision-maker is the Group Management Board ('GMB') which operates as a general management committee under the direct authority of the Board. Information provided to GMB to make decisions about allocating resources to, and assessing the performance of, operating segments is measured in accordance with IFRSs. The financial information shown below includes the effects of intra-HSBC transactions between operating segments which are conducted on an arm's length basis and eliminated in a separate column. Shared costs are included in operating segments on the basis of the actual recharges made.

Products and services

HSBC provides a comprehensive range of banking and related financial services to its customers in its six geographical regions. The products and services offered to customers are organised by global businesses.

- Retail Banking and Wealth Management ('RBWM') offers a broad range of products and services to meet the personal banking, consumer finance and wealth management needs of individual customers. Typically, customer offerings include personal banking products (current and savings accounts, mortgages and personal loans, credit cards, debit cards and local and international payment services) and wealth management services (insurance and investment products, global asset management services and financial planning services).

- Commercial Banking ('CMB') product offerings include the provision of receivables financing services, payments and cash management, international trade finance, treasury and capital markets, commercial cards, insurance, cash and derivatives in foreign exchange and rates, and online and direct banking offerings.

- Global Banking and Markets ('GB&M') provides tailored financial solutions to major government, corporate and institutional clients and private investors worldwide. The client-focused business lines deliver a full range of banking capabilities including financing, advisory and transaction services, a markets business that provides services in credit, rates, foreign exchange, money markets and securities services, and principal investment activities.

- Global Private Banking ('GPB') provides a range of services to high net worth individuals and families with complex and international needs.

Financial information

In the following segmental analysis, the benefit of shareholders' funds affects the analysis only to the extent that these funds are actually allocated to businesses in the segment by way of intra-HSBC capital and funding structures.

Europe

	Half-year to			Half-year to		
	30 June	31 December		30 June	31 December	
	2012	2012	2012	2011	2011	2011
	US$m	US$m	US$m	US$m	US$m	US$m
Interest income	8,729	8,536	17,265	9,075	9,400	18,475
Interest expense	(3,656)	(3,215)	(6,871)	(3,509)	(3,965)	(7,474)
Net interest income	5,073	5,321	10,394	5,566	5,435	11,001
					-	
Fee income	4,093	4,092	8,185	4,255	4,059	8,314
Fee expense	(1,070)	(946)	(2,016)	(1,124)	(954)	(2,078)
Net fee income	3,023	3,146	6,169	3,131	3,105	6,236
Net trading income	1,851	856	2,707	2,007	154	2,161
Changes in fair value of long-term debt issued and related derivatives	(1,165)	(1,926)	(3,091)	(371)	3,551	3,180
Net income/(expense) from other financial instruments designated at fair value	229	647	876	131	(843)	(712)
Net income/(expense) from financial instruments designated at fair value	(936)	(1,279)	(2,215)	(240)	2,708	2,468
Gains less losses from financial investments	449	(85)	364	312	203	515
Dividend income	43	68	111	25	24	49
Net earned insurance premiums	1,860	1,770	3,630	2,386	1,750	4,136
Other operating income	468	610	1,078	652	527	1,179
Total operating income	11,831	10,407	22,238	13,839	13,906	27,745
Net insurance claims incurred and movement in liabilities to policyholders	(2,164)	(2,466)	(4,630)	(2,499)	(1,000)	(3,499)
Net operating income before loan impairment charges and other credit risk provisions	9,667	7,941	17,608	11,340	12,906	24,246

Loan impairment charges and other credit risk provisions	(1,037)	(884)	(1,921)	(1,173)	(1,339)	(2,512)
Net operating income	8,630	7,057	15,687	10,167	11,567	21,734
Total operating expenses	(9,289)	(9,806)	(19,095)	(8,014)	(9,055)	(17,069)
Operating profit	(659)	(2,749)	(3,408)	2,153	2,512	4,665
					-	
Share of profit/(loss) in associates and joint ventures	(8)	2	(6)	(6)	12	6
Profit before tax	(667)	(2,747)	(3,414)	2,147	2,524	4,671
Tax expense	(263)	90	(173)	(893)	(696)	(1,589)
Profit for the year	(930)	(2,657)	(3,587)	1,254	1,828	3,082

Hong Kong

	Half-year to			Half-year to		
	30 June	31 December		30 June	31 December	
	2012	2012	2012	2011	2011	2011
	US$m	US$m	US$m	US$m	US$m	US$m
Interest income	3,112	3,244	6,356	2,716	2,976	5,692
Interest expense	(513)	(527)	(1,040)	(467)	(534)	(1,001)
Net interest income	2,599	2,717	5,316	2,249	2,442	4,691
Fee income	1,888	1,982	3,870	1,885	1,756	3,641
Fee expense	(270)	(265)	(535)	(273)	(271)	(544)
Net fee income	1,618	1,717	3,335	1,612	1,485	3,097
Net trading income	762	701	1,463	669	520	1,189
Changes in fair value of long-term debt issued and related derivatives	–	–	–	-	-	-
Net income/(expense) from other financial instruments designated at fair value	44	403	447	26	(563)	(537)
Net income/(expense) from financial instruments designated at fair value	44	403	447	26	(563)	(537)

Gains less losses from financial investments	279	43	322	18	6	24
Dividend income	18	6	24	31	8	39
Net earned insurance premiums	3,079	2,878	5,957	2,588	2,500	5,088
Other operating income	825	1,099	1,924	911	773	1,684
Total operating income	9,224	9,564	18,788	8,104	7,171	15,275
Net insurance claims incurred and movement in liabilities to policyholders	(3,091)	(3,275)	(6,366)	(2,690)	(1,903)	(4,593)
Net operating income before loan impairment charges and other credit risk provisions	6,133	6,289	12,422	5,414	5,268	10,682
Loan impairment charges and other credit risk provisions	(32)	(42)	(74)	(25)	(131)	(156)
Net operating income	6,101	6,247	12,348	5,389	5,137	10,526
Total operating expenses	(2,396)	(2,452)	(4,848)	(2,339)	(2,419)	(4,758)
Operating profit	3,705	3,795	7,500	3,050	2,718	5,768
Share of profit in associates and joint ventures	56	26	82	31	24	55
Profit before tax	3,761	3,821	7,582	3,081	2,742	5,823
Tax expense	(517)	(578)	(1,095)	(539)	(504)	(1,043)
Profit for the year	3,244	3,243	6,487	2,542	2,238	4,780

Rest of Asia-Pacific

	Half-year to			Half-year to		
	30 June	31 December		30 June	31 December	
	2012	2012	2012	2011	2011	2011
	US$m	US$m	US$m	US$m	US$m	US$m
Interest income	4,666	4,475	9,141	4,088	4,643	8,731
Interest expense	(1,948)	(1,802)	(3,750)	(1,707)	(1,922)	(3,629)
Net interest income	2,718	2,673	5,391	2,381	2,721	5,102
Fee income	1,353	1,278	2,631	1,372	1,290	2,662

Fee expense	(275)	(273)	(548)	(255)	(296)	(551)
Net fee income	1,078	1,005	2,083	1,117	994	2,111
Net trading income	932	121	1,053	862	796	1,658
Changes in fair value of long-term debt issued and related derivatives	(2)	(2)	(4)	(1)	5	4
Net income/(expense) from other financial instruments designated at fair value	66	44	110	4	(24)	(20)
Net income/(expense) from financial instruments designated at fair value	64	42	106	3	(19)	(16)
Gains less losses from financial investments	25	(9)	16	(22)	(1)	(23)
Dividend income	4	1	5	1	1	2
Net earned insurance premiums	392	420	812	340	419	759
Other operating income	1,076	3,760	4,836	932	779	1,711
Total operating income	6,289	8,013	14,302	5,614	5,690	11,304
Net insurance claims incurred and movement in liabilities to policyholders	(342)	(376)	(718)	(266)	(325)	(591)
Net operating income before loan impairment charges and other credit risk provisions	5,947	7,637	13,584	5,348	5,365	10,713
Loan impairment charges and other credit risk provisions	(298)	(138)	(436)	(100)	(167)	(267)
Net operating income	5,649	7,499	13,148	5,248	5,198	10,446
Total operating expenses	(2,865)	(2,941)	(5,806)	(2,836)	(2,970)	(5,806)
Operating profit	2,784	4,558	7,342	2,412	2,228	4,640

Share of profit in associates and joint ventures	1,588	1,518	3,106	1,330	1,501	2,831
Profit before tax	4,372	6,076	10,448	3,742	3,729	7,471
Tax expense	(797)	(819)	(1,616)	(658)	(657)	(1,315)
Profit for the year	3,575	5,257	8,832	3,084	3,072	6,156

Middle East and North Africa

	Half-year to			Half-year to		
	30 June	31 December		30 June	31 December	
	2012	2012	2012	2011	2011	2011
	US$m	US$m	US$m	US$m	US$m	US$m
Interest income	990	1,063	2,053	995	1,044	2,039
Interest expense	(285)	(298)	(583)	(322)	(285)	(607)
Net interest income	705	765	1,470	673	759	1,432
Fee income	343	333	676	367	340	707
Fee expense	(41)	(40)	(81)	(40)	(40)	(80)
Net fee income	302	293	595	327	300	627
Net trading income	216	174	390	237	245	482
Changes in fair value of long-term debt issued and related derivatives	(5)	(8)	(13)	(7)	17	10
Net income/(expense) from other financial instruments designated at fair value	1	–	1	1	(1)	-
Net income/(expense) from financial instruments designated at fair value	(4)	(8)	(12)	(6)	16	10
Gains less losses from financial investments	5	4	9	(6)	(2)	(8)
Dividend income	3	2	5	2	3	5
	10	(37)	(27)	9	50	59

Other operating income/(expense)						
Total operating income	1,237	1,193	2,430	1,236	1,371	2,607
Net operating income before loan impairment charges and other credit risk provisions	1,237	1,193	2,430	1,236	1,371	2,607
Loan impairment charges and other credit risk provisions	(135)	(151)	(286)	(99)	(194)	(293)
Net operating income	1,102	1,042	2,144	1,137	1,177	2,314
Total operating expenses	(537)	(629)	(1,166)	(574)	(585)	(1,159)
Operating profit	565	413	978	563	592	1,155
Share of profit in associates and joint ventures	207	165	372	184	153	337
Profit before tax	772	578	1,350	747	745	1,492
Tax expense	(141)	(113)	(254)	(126)	(140)	(266)
Profit for the year	631	465	1,096	621	605	1,226

North America

	Half-year to			Half-year to		
	30 June	31 December		30 June	31 December	
	2012	2012	2012	2011	2011	2011
	US$m	US$m	US$m	US$m	US$m	US$m
Interest income	6,390	4,821	11,211	7,790	7,379	15,169
Interest expense	(1,651)	(1,443)	(3,094)	(1,941)	(1,748)	(3,689)
Net interest income	4,739	3,378	8,117	5,849	5,631	11,480
Fee income	1,861	1,305	3,166	2,228	2,194	4,422
Fee expense	(418)	(235)	(653)	(510)	(604)	(1,114)
Net fee income	1,443	1,070	2,513	1,718	1,590	3,308
	161	346	507	448	(810)	(362)

Net trading income/(expense)						
Changes in fair value of long-term debt issued and related derivatives	(638)	(581)	(1,219)	(115)	1,083	967
Net income/(expense) from other financial instruments designated at fair value	(1)	1	–	(3)	–	(3)
Net income/(expense) from financial instruments designated at fair value	(639)	(580)	(1,219)	(119)	1,083	964
Gains less losses from financial investments	176	75	251	110	152	262
Dividend income	26	36	61	21	19	40
Net earned insurance premiums	109	84	193	118	118	236
Gains on disposal of US branch network and cards business	3,809	203	4,012	–	–	–
Other operating income/(expense)	226	180	406	168	58	226
Total operating income	10,050	4,792	14,841	8,313	7,841	16,154
Net insurance claims incurred and movement in liabilities to policyholders	(72)	(76)	(148)	(73)	(81)	(154)
Net operating income before loan impairment charges and other credit risk provisions	9,978	4,715	14,693	8,240	7,760	16,000
Loan impairment charges and other credit risk provisions	(2,161)	(1,296)	(3,457)	(3,049)	(3,967)	(7,016)
Net operating income	7,817	3,419	11,236	5,191	3,793	8,984
Total operating expenses	(4,462)	(4,478)	(8,940)	(4,602)	(4,317)	(8,919)
Operating profit/(loss)	3,355	(1,059)	2,296	589	(524)	65

Share of profit/(loss) in associates and joint ventures	(1)	4	3	17	18	35
Profit/(loss) before tax	3,354	(1,055)	2,299	606	(506)	100
Tax income/(expense)	(1,460)	147	(1,313)	804	154	958
Profit/(loss) for the year	1,894	(908)	986	1,410	(352)	1,058

Latin America

	Half-year to			Half-year to		
	30 June	31 December		30 June	31 December	
	2012	2012	2012	2011	2011	2011
	US$m	US$m	US$m	US$m	US$m	US$m
Interest income	6,351	5,650	12,001	6,977	7,197	14,174
Interest expense	(2,809)	(2,208)	(5,017)	(3,460)	(3,758)	(7,218)
Net interest income	3,542	3,442	6,984	3,517	3,439	6,956
Fee income	1,229	1,225	2,454	1,295	1,306	2,601
Fee expense	(386)	(333)	(719)	(393)	(427)	(820)
Net fee income	843	892	1,735	902	879	1,781
Net trading income	597	374	971	589	789	1,378
Net income from other financial instruments designated at fair value	288	379	667	236	314	550
Net income from financial instruments designated at fair value	288	379	667	236	314	550
Gains less losses from financial investments	89	138	227	73	64	137
Dividend income	9	6	15	7	7	14
Net earned insurance premiums	1,256	1,196	2,452	1,268	1,385	2,653
Other operating income	47	206	253	180	148	328
Total operating income	6,671	6,633	13,304	6,772	7,025	13,797
Net insurance claims incurred and movement in liabilities to						

policyholders	(1,106)	(1,247)	(2,353)	(1,089)	(1,255)	(2,344)
Net operating income before loan impairment charges and other credit risk provisions	5,565	5,386	10,951	5,683	5,770	11,453
Loan impairment charges and other credit risk provisions	(1,136)	(1,001)	(2,137)	(820)	(1,063)	(1,883)
Net operating income	4,429	4,385	8,814	4,863	4,707	