HSBC HOLDINGS PLC
Form 6-K
February 27, 2012

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 February
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).

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Yes....... No X

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

27 February 2012

# HSBC HOLDINGS PLC
## 2011 RESULTS - HIGHLIGHTS

- Reported profit before tax US$21.9bn, up 15% on 2010, including US$3.9bn of favourable fair value movements on own debt*
- Gained traction in 1st year of 3 year strategy to reshape the Group, improve returns and position for growth
- As part of reshaping the Group, announced disposal/closure of 16 businesses in 2011, and 3 to date, in 2012
- Strong performance in faster-growing markets, revenue up 12% in Asia, Latin America and MENA, which now account for 49% of Group revenue
- Record year in Commercial Banking with profit before tax of US$7.9bn up 31%
- Global Banking and Markets profit before tax US$7.0bn, down 24%, but growth in 6 of 9 business lines
- Strong growth in cross-selling revenues between Commercial Banking and Global Banking and Markets
- Retail Banking and Wealth Management profit before tax US$4.3bn, up 11%
- Cost efficiency ratio weakened from 55.2% to 57.5%
- Achieved sustainable cost saves of US$0.9bn with strong pipeline of further savings
- Costs rose by 10%, reflecting higher staff costs, largely in faster-growing markets, and included a number of significant items including restructuring costs of US$1.1bn, partially offset by sustainable savings
- Return on average ordinary shareholders' equity 10.9%, up from 9.5% in 2010, including fair value on debt
- Profit attributable to ordinary shareholders of US$16.2bn, up 27% on 2010 of which US$7.3bn was declared in dividends in respect of the year. This compared with US$3.4bn of variable pay awarded (net of tax) to our employees

- Earnings per share US$0.92, up 26% on 2010
- Dividends declared in respect of 2011 US$0.41 per ordinary share, up 14% on 2010, with a fourth interim dividend for 2011 of US$0.14 per ordinary share
- Core tier 1 capital ratio 10.1%, down from 10.5% in 2010, largely reflecting the absorption of Basel 2.5 and credit growth. Our core capital strength is supported by our consistent retention of profit and investment in profit generating capacity, further building reserves
- Focused on 2013 targets: return on average shareholders' equity 12-15%, cost efficiency ratio 48-52%

Stuart Gulliver, Group Chief Executive said:
"2011 was a year of major progress for HSBC. We gained traction in our strategy designed to simplify the structure and improve the management and control of the Group, thereby improving returns and positioning HSBC for growth. We recorded a strong performance in faster-growing markets and had a record year in commercial banking. I am pleased with our progress but there is a lot more to do and we remain focused on delivering our targets."

Key performance indicators:

| Metric | 2010 | 2011 | Target/benchmark |
|---|---|---|---|
| Return on average ordinary shareholders' equity (%) | 9.5 | 10.9 | 12-15 |
| Cost efficiency ratio (%) | 55.2 | 57.5 | 48-52 |
| Earnings per share (US$) | 0.73 | 0.92 | - |
| Core tier 1 ratio (%) | 10.5 | 10.1 | 9.5-10.5 |

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

HSBC HOLDINGS REPORTS PRE-TAX PROFIT OF US$21,872 MILLION1

HSBC made a profit before tax of US$21,872m, an increase of US$2,835m, or 15%, compared with 2010.

Net interest income of US$40,662m was US$1,221m, or 3%, higher than 2010.

Net operating income before loan impairment charges and other credit risk provisions of US$72,280m was US$4,033m, or 6%, higher than 2010.

Total operating expenses of US$41,545m rose by US$3,857m, or 10%, compared with 2010. On an underlying basis operating expenses were up 8% compared with 2010.

HSBC's cost efficiency ratio was 57.5% compared with 55.2% in 2010.

Loan impairment charges and other credit risk provisions were US$12,127m in 2011, US$1,912m lower than 2010.

The core tier 1 ratio and tier 1 ratio for the Group remained strong at 10.1% and 11.5%, respectively, at 31 December 2011.

The Group's total assets at 31 December 2011 were US$2,556bn, an increase of US$101bn, or 4%, since 31 December 2010.

Geographical distribution of results[1]

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | US$m | % | US$m | % |
| Europe | 4,671 | 21.3 | 4,302 | 22.6 |
| Hong Kong | 5,823 | 26.6 | 5,692 | 29.9 |
| Rest of Asia-Pacific | 7,471 | 34.2 | 5,902 | 31.0 |
| Middle East and North Africa | 1,492 | 6.8 | 892 | 4.7 |
| North America | 100 | 0.5 | 454 | 2.4 |
| Latin America | 2,315 | 10.6 | 1,795 | 9.4 |
| Profit before tax | 21,872 | 100.0 | 19,037 | 100.0 |
| Tax expense | (3,928) | | (4,846) | |
| Profit for the year | 17,944 | | 14,191 | |
| Profit attributable to shareholders of the parent company | 16,797 | | 13,159 | |
| Profit attributable to non-controlling interests | 1,147 | | 1,032 | |

Distribution of results by global business[1]

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | US$m | % | US$m | % |
| Retail Banking and Wealth Management | 4,270 | 19.6 | 3,839 | 20.2 |
| Commercial Banking | 7,947 | 36.3 | 6,090 | 32.0 |
| Global Banking and Markets | 7,049 | 32.2 | 9,215 | 48.4 |
| Global Private Banking | 944 | 4.3 | 1,054 | 5.5 |
| Other | 1,662 | 7.6 | (1,161) | (6.1) |
| Profit before tax | 21,872 | 100.0 | 19,037 | 100.0 |

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

Statement by Douglas Flint, Group Chairman

Throughout its history HSBC has sought to facilitate economic growth, as it is through such growth that businesses flourish and individuals fulfil the aspirations they have for themselves and those close to them. The cover of this year's Annual Report and Accounts illustrates a core element of HSBC's strategic direction - that is connecting markets by providing the financing and risk management products that facilitate trade and investment flows. In so doing, we help our customers to achieve their growth ambitions and generate economic returns for savers and investors.

The picture also illustrates the shift in emphasis towards the faster-growing markets that underpins HSBC's investment priorities. The port is Santos in Brazil, which is the largest container port in South America; the ship is from China, delivering heavy machinery. The Brazil-China trade corridor has been one of the fastest growing over the last decade with a compound annual rate of growth of around 30%. China is now Brazil's largest trade partner representing 18% of its total trade flows, versus 4% in 2000.

HSBC entered Brazil in 1997 and since then has built its operations to generate pre-tax profits of US$1.2 billion in 2011, an increase of 19% over the prior year. We estimate that we finance over 6% of Brazil's total trade and some 9% of its trade with China. In 2011 we were recognised as 'Financial institution of the year' by the Brazil-China Chamber of Commerce for having contributed most to the growth and development of the Brazil-China trade corridor.

The purpose of the above introduction is to highlight the fact that, notwithstanding the major uncertainties and risks concentrating minds in the advanced economies of Europe and the US, there are still attractive growth opportunities to pursue where our international network and strong balance sheet provide distinctive advantages.

Performance in 2011

In 2011 in our heartland of Asia, throughout the Middle East and in Latin America we made good progress in developing customer business in line with the risk appetite endorsed by the Board. Largely driven by growth in lending in these faster-growing regions, our Commercial Banking business delivered a record performance. In Europe and the US we concentrated on supporting our core customer base, targeting trade services while constraining risk appetite within the financial sector. We also made significant further progress in working down our exit businesses in the US. The Group Chief Executive's Review expands upon the execution of our strategy during 2011.

The strong progress made on strategy execution was all the more marked when contrasted with the fragile confidence that pervaded the advanced economies of the world. Continuing uncertainties arising from the eurozone debt crisis contributed to credit demand remaining muted in Europe, while US recovery lagged expectations held earlier in the year. As investors crowded into the safest asset classes, market activity levels dropped markedly and prices of securities outside the favoured asset classes weakened. These factors markedly reduced trading revenues in the second half of the year.

Against the backdrop of the economic and financial market conditions described above, the Board considered the Group's performance in 2011 to be satisfactory in aggregate and strong in the faster growing markets. Earnings per share rose by 26% to US$0.92 and the Board approved a fourth interim dividend of US$0.14 per ordinary share taking total dividends in respect of 2011 to US$0.41 per share, an increase of US$0.05 per share or 14%. The Board confirmed its intention to continue to pay quarterly dividends during 2012 at the rate of US$0.09 per ordinary share in respect of each of the first three quarters, in line with 2011.

Notably, the capital strengthening required by regulatory reform is being successfully delivered while maintaining the strongest dividend paying record of any bank outside mainland China.

Total dividends declared during 2011 amounted to US$7.3 billion and in the last four years, that is since the financial crisis started, they have amounted to US$27.2 billion, making HSBC the second largest dividend payer in the FTSE100 during this period.

Addressing a matter of public interest, the cost to shareholders of performance-related rewards made within our Global Banking and Markets business in 2011 and during the past four years amounted to some US$1 billion and US$4.7 billion, respectively. Pre-tax profit from Global Banking and Markets was, in aggregate, US$30 billion in the same four years, and represented the largest contribution, at 52%, of Group pre-tax profits during that period.

At the end of 2011, total shareholders' equity stood at US$159 billion, up 24% from its pre-crisis level of US$128 billion at the end of 2007. Over the same period, our balance sheet grew by only 9%. The core tier 1 ratio at the end of 2011 stood at 10.1%, in line with our target range.

As foreshadowed in last year's Statement, the UK government proceeded with its plan to raise £2.5 billion through a levy on the global balance sheets of UK domiciled banks. The cost to HSBC was US$570 million of which US$340 million related to non-UK banking activity. The levy, which is not tax deductible, is the equivalent of US$0.03 per ordinary share and, as indicated last year, would otherwise be available for distribution to shareholders.

Progress on regulatory reform

A number of important milestones were passed during 2011 on the regulatory reform agenda. In the UK the Independent Commission on Banking ('ICB') delivered its report in September and the Government published its response in December. In the US, greater clarity on the Dodd-Frank legislation was delivered through a multitude of notices of proposed new regulation and four US financial regulatory agencies issued proposed uniform regulations that would implement the Volcker Rule, which aims to constrain major financial institutions from engaging in proprietary trading and most hedge fund and proprietary investment activities. The Basel Committee, in conjunction with the Financial Stability Board, set out its proposals to identify and increase capital requirements for Global Systemically Important Banks and most major jurisdictions published their proposals around recovery and resolution planning for major institutions. Europe continued to embed the Basel III proposals within a new draft Capital Requirements Directive ('CRD IV'), the European Banking Authority formally came into existence as the hub of financial regulatory bodies in Europe and, in the UK, HM Treasury published its proposals for a new approach to financial regulation and the replacement of the FSA with a new supervisory structure, directed by the Bank of England.

Many topics remain subject to further debate including cross-border resolution protocols, the governance and operation of central counterparties, the prospective role of clearing systems and exchanges, the calibration of the proposed new liquidity framework, the definition and operation of proposed proprietary trading restrictions, the possible harmonisation and peer review of the calculation of the risk weights that drive capital requirements, a re-assessment of the risk free treatment of sovereign debt and some 22 follow-on workstreams are ongoing in the wake of the UK Government's response to the ICB Report.

It is clear from the above that the industry will continue to bear a heavy burden of both time commitment and cost as it works with policy makers to finalise the regulatory reforms, including addressing the many inconsistencies within and extra-territorial dimensions of national rule-making. We are committed to all necessary constructive dialogue and support to speed the finalisation of these remaining issues. Our input will stress that it is critical that the reforms deliver a sustainable business model that can attract external economic capital. This is essential for the financial system to be able to contribute as fully as it should to the economic growth agenda which is being mandated by political leaders globally.

Board changes

We bid farewell at the upcoming AGM to two directors who have given huge service to HSBC over many years and who will not stand for re-election.

Sir Brian Williamson has served on the Board of HSBC Holdings since 2002 and brought great insight and wisdom to the Board from a distinguished career in financial services, most notably in the areas of money and bond markets, clearing, exchanges and electronic trading platforms where he was a pioneer in establishing The London International Financial Futures and Options Exchange.

Gwyn Morgan has served on the Board of HSBC Holdings since 2006 and before that on the Board of HSBC Canada for some nine years. His vast experience of leading large international companies in the engineering and energy sectors brought a balanced industrialist's perspective to Board discussions and debate.

We shall miss them both and thank them sincerely for their contributions over many years.

We are delighted to welcome two new faces to the Board. Joachim Faber and John Lipsky will join the Board on 1 March.

Joachim Faber stepped down from the Management Board of Allianz at the end of 2011 where he served latterly as CEO of Allianz Global Investors one of the top five investment managers globally. He brings a wealth of experience from the perspective of the investor as well as in depth knowledge of banking, insurance, finance and capital markets from previous roles in a long and distinguished career.

John Lipsky is one of the world's best known and respected economists who most recently served as First Deputy Managing Director at the IMF from which he retired in November 2011. Over the last five years John has been one of the key links between macroeconomic policymakers and the financial community and brings to the Board an exceptional depth of knowledge and understanding of the macroeconomic and geopolitical issues that will shape the future of the global economy.

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

Brand and reputation

At HSBC we continue to think long-term as we build business platforms and relationships that will create options for value creation in generations to come.

Tactically there are necessary difficult decisions to take in today's subdued economic environment but these are always weighed against what is right for the long-term health of the business. Similarly when things go wrong, as they will from time to time, we judge ourselves, inter alia, against how we respond and how quickly we learn from the experience. Nothing is more important than our reputation.

It was a moment of great pride within the organisation when we were judged to be the most valuable banking brand in the world in the recent Brand Finance® Banking 500 2012 report. This is the 4th time HSBC has headed the list in the last five years. This recognition is a testament to the work of all of my colleagues in building value for customers that translates to shareholder value.

At the same time, however, we reflect that in 2011 we continued to deal with legacy regulatory, legal and reputational issues which remind us that our good work can be destroyed by lapses of judgement or control. The settlement of claims around the historical selling of Payment Protection Insurance in the UK, the fine and compensation arising from the now closed NHFA business and ongoing regulatory and legal investigations in the US across a number of areas are all matters from which we need to learn to ensure they do not recur. The programme of values training which the Group Chief Executive is leading for all employees is but one measure to this end. We are truly sorry to all those who were adversely affected by our failings and to our shareholders for the reputational damage incurred.

Looking ahead

It is just over a year now since Stuart Gulliver and I took on our respective roles. During that time, the leadership team around Stuart has grown in stature and cohesion and is I believe among the best in our industry. That team is supported strongly by talented colleagues whose engagement and commitment to the strategic priorities laid out before them is evident and enthusiastic. On behalf of the Board I want to take this opportunity to thank them for their support and dedication. The uncertain economic and geopolitical backdrop will continue to raise challenges throughout 2012 and beyond. I am, however, confident that HSBC has the people, the financial strength and the right strategic focus and values to do well for those who place their trust in us, thereby meeting their expectations of us and contributing to the fulfilment of their aspirations and ambitions. That is what we exist to do.

Review by Stuart Gulliver, Group Chief Executive

2011 was a year of change for HSBC as we articulated a clear strategy to become the world's leading international bank. We made significant progress in executing this strategy to reshape the Group and improve returns. First, we conducted a Group-wide portfolio review to improve our capital deployment and have now announced the disposal or closure of 16 non-strategic businesses during the year, and a further 3 in 2012. Second, we took action to improve our cost efficiency, achieving sustainable cost saving of US$0.9bn. Third, and most importantly, we continued to position the business for growth, increasing revenues in each of the world's faster-growing regions, particularly in mainland China, India, Malaysia, Brazil and Argentina. Commercial Banking achieved record revenue and profits, helped by loan growth as well as growth in cross-selling from Global Banking and Markets. In Wealth Management we made modest progress towards our target of US$4bn of incremental revenue over the medium term.

Executing our strategy is the primary lever to improve the Group's performance. A substantial amount has been achieved during 2011 but this will be a long journey with significant headwinds, so we are increasing the intensity of execution in 2012.

Group performance headlines

- HSBC's financial performance was resilient.
- Reported profit before tax was US$21.9bn, up US$2.8bn on 2010, including US$3.9bn of favourable fair value movements on our own debt attributable to credit spreads, compared with a negative movement of US$63m in 2010.
- Underlying profit before tax was US$17.7bn, down US$1.2bn on 2010 due to higher costs which were partly offset by a significant improvement in loan impairment charges and other credit risk provisions.
- We recorded a strong performance in each of the faster-growing regions. Underlying revenues grew in Rest of Asia-Pacific by 12%, in Hong Kong by 6% and in Latin America by 13%. The strong performance in these regions also led to record revenues in Commercial Banking.
- We achieved strong revenue growth in key markets including mainland China, India, Malaysia, Brazil and Argentina, driving increases in profit before tax.

- On an underlying basis, total revenues were broadly in line with 2010, despite the turmoil in the eurozone and its adverse effect on Credit and Rates revenue, combined with lower income in Balance Sheet Management and the continued reduction of our consumer finance portfolios in the US.

- As the process of internationalising the renminbi continued, we strengthened our leadership position with a bond clearing licence in mainland China and as the market leader in the offshore 'Dim Sum' bond market. In addition, Commercial Banking and Global Banking and Markets successfully completed our first global US dollar-renminbi cross-currency swap and we extended our renminbi capability to over 50 markets, across all continents.

- Despite the eurozone sovereign debt concerns which dominated European market sentiment and depressed revenues in Global Banking and Markets, revenues grew strongly in over half of our business lines in Global Banking and Markets, including Equities and Foreign Exchange, and in Global Banking. This in part reflected the collaboration with Commercial Banking which has delivered more than US$500m in incremental revenues.

- In Wealth Management we made modest progress towards our medium-term target of US$4bn incremental revenue, with revenue growth of some US$300m. Notably, we generated strong sales of insurance products in Hong Kong, Latin America and Rest of Asia-Pacific, while revenue from distribution of investment products to our clients and Global Asset Management was broadly unchanged, reflecting difficult market conditions, particularly in the second half of the year.

- Costs rose by 10%, reflecting wage inflation in key markets and higher average full-time equivalent employee numbers for the year (although numbers have fallen since the first quarter), as well as an increase in significant items. These included restructuring costs (including the impairment of certain intangible assets) of US$1.1bn, UK customer redress programmes of US$898m and a bank levy introduced by the UK Government of US$570m, partly offset by a UK pension credit of US$587m. The rise in costs was partially offset by US$0.9bn in sustainable cost savings achieved so far in executing our strategy.

- As a result of these factors, the cost efficiency ratio worsened from 55.2% to 57.5% on a reported basis, and from 55.6% to 61.0% on an underlying basis.

- Our results continue to be adversely affected by the losses in the US consumer finance business, which, on an underlying basis, were US$2.4bn and US$2.2bn in 2011 and 2010, respectively. We have agreed the sale of the profitable US Card and Retail Services portfolio with the remainder of the loss-making US consumer finance business being run down.

- Return on average ordinary shareholders' equity was 10.9%, up from 9.5% in 2010, reflecting the favourable movement on the fair value of our own debt.

- The Group's pre-tax return on risk-weighted assets ('RoRWA') for 2011 was 1.9%, or 1.5% on an underlying basis. Adjusting for negative returns on US consumer finance business and legacy credit in Global Banking and Markets, the remainder of the Group achieved a RoRWA of 2.2% in 2011 and 2.3% in 2010.

- Dividends declared in respect of 2011 totalled US$7.3bn, or US$0.41 per ordinary share, an increase of 14%, with a fourth interim dividend for 2011 of US$0.14 per ordinary share.

- The core tier 1 ratio was 10.1% at 31 December 2011, down from 10.5% at 31 December 2010, reflecting an increase in risk-weighted assets ('RWA's) due to the introduction of Basel 2.5 in Global Banking and Markets and growth in lending balances including those classified as held for sale. The growth in RWAs was notably in Commercial Banking, which included an increase in the RWAs of our mainland China associates.

- Profit attributable to ordinary shareholders increased by 27% to US$16.2bn, of which US$7.3bn was declared in dividends in respect of the year. This compared with US$3.4bn of variable pay awarded (net of tax) to our employees for 2011.

Progress on strategy

There are two major trends which are key to HSBC's future: the continuing growth of international trade and capital flows; and wealth creation, particularly in faster-growing markets. In May, we defined a new strategy for the Group to capitalise on these trends and connect customers to opportunities by building on our distinctive presence in the network of markets which generate the major trade and capital flows, capturing wealth creation in target markets and focusing on retail banking only where we can achieve profitable scale.

In a difficult operating environment this strategy is key to improving our performance and we remain focused on delivering our targets of a return on average shareholders' equity of 12-15% and a cost efficiency ratio of 48-52% by the end of 2013. We are executing the strategy by deploying capital more effectively, implementing measures to improve our cost efficiency and positioning the business for growth. We have made significant progress in all of these three areas.

First, to ensure effective deployment of capital, we undertook a Group-wide review of our business, testing each part of the portfolio against our five filters framework. This looks at the strategic relevance of each country, and each business in each country, assessing their connectivity, economic development, profitability, cost efficiency and liquidity. As a result, we announced 16 disposals or closures in 2011 and a further 3 in 2012, including two large transactions in the US, the disposal of Retail Banking and Wealth Management operations in Russia, Chile and Thailand and the exit of operations in Poland and Georgia. When completed, these disposals and closures should represent a reduction of around US$50bn of risk-weighted assets and the transfer to the acquirers of approximately 12,000 full-time equivalent employees. We are continuing this process in 2012 and have identified a number of further transactions.

Second, to improve cost efficiency we achieved US$0.9bn of sustainable savings. Our programmes to implement consistent business models and restructure global businesses and global functions progressed well. We are creating a leaner Group, removing layers of management to give staff greater responsibility, improve decision making and reduce bureaucracy. We have identified a strong pipeline of further sustainable cost savings which we believe will deliver at the upper end of our target of US$2.5-3.5bn of sustainable savings by 2013.

Third, we continued to position the business for growth, as outlined in the performance headlines.

We are increasing the intensity of strategy execution in 2012 and will provide a further update at our forthcoming Investor Strategy Day.

Our purpose and values

HSBC is one of the world's largest banking and financial services organisations. We serve around 89 million customers and our network covers 85 countries and territories. With around 7,200 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to realise their ambitions.

We are putting a new emphasis on values at HSBC, so that our employees are empowered to do the right thing and to act with courageous integrity. We recognise that we have not always got this right in the past. The inappropriate advice given to customers of NHFA Limited was completely unacceptable. We are profoundly sorry about what happened and are committed to standing fully behind our customers. This case has reinforced our determination to address legacy issues in HSBC.

Over the past year we have made our values more explicit to ensure we meet the expectations of society, customers, regulators and investors. Those values are that we are dependable, open to different ideas and cultures and connected to customers, communities, regulators and each other. We are ensuring that everyone who works for HSBC lives by these values and have made them a key part of every individual's annual performance review. By setting the highest standards of behaviour our aim is that all of our employees and customers can be proud of our business.

Outlook

In 2012, notwithstanding the macroeconomic, regulatory and political uncertainties which we believe will persist, we expect continued strong growth in the dynamic markets of Asia, Latin America and the Middle East, although at a more moderate pace than in 2011, and that mainland China will achieve a soft landing. We believe that trade and capital flows between emerging areas of the world will also continue to grow, and could increase tenfold in the next 40 years.

As these results demonstrate, HSBC is well-positioned in the faster-growing markets and across international trade flows to benefit from these engines of global growth.

In 2011 we generated a return on average ordinary shareholders' equity of 10.9% compared with 9.5% in 2010. The strength of our position gives us confidence that by the end of 2012 we will have developed a clear trajectory towards meeting our target of 12-15% by the end of 2013.

Finally, I am pleased to report we had good results in January.

Financial Overview

| Year ended 31 December | | | | Year ended |
|---|---|---|---|---|
| | | | 31 December | |
| 2011 | | | 2011 | 2010 |
| £m | HK$m | | US$m | US$m |
| | | For the year | | |
| 13,648 | 170,274 | Profit before tax | 21,872 | 19,037 |
| 10,481 | 130,765 | Profit attributable to shareholders of the parent company | 16,797 | 13,159 |
| 4,323 | 53,934 | Dividends declared on ordinary shares | 6,928 | 5,937 |
| | | | | |
| | | At the year-end | | |
| 102,536 | 1,232,976 | Total shareholders' equity | 158,725 | 147,667 |
| 110,036 | 1,323,155 | Capital resources | 170,334 | 167,555 |
| 810,036 | 9,740,489 | Customer accounts | 1,253,925 | 1,227,725 |
| 1,650,904 | 19,851,738 | Total assets | 2,555,579 | 2,454,689 |
| 781,346 | 9,395,505 | Risk-weighted assets | 1,209,514 | 1,103,113 |
| | | | | |
| £ | HK$ | | US$ | US$ |
| | | Per ordinary share | | |
| 0.57 | 7.16 | Basic earnings | 0.92 | 0.73 |
| 0.24 | 3.04 | Dividends1 | 0.39 | 0.34 |

| | | | | | |
|---|---|---|---|---|---|
| 5.29 | 66.02 | Net asset value | | 8.48 | 7.94 |

| | | | |
|---|---|---|---|
| Share information | | | |
| US$0.50 ordinary shares in issue | | 17,868m | 17,686m |
| Market capitalisation | | US$136bn | US$180bn |
| Closing market price per share | | £4.91 | £6.51 |
| | Over 1 year | Over 3 years | Over 5 years |
| Total shareholder return to 31 December 20112 | 79.1 | 96.8 | 78.2 |
| Benchmarks: FTSE 100 | 97.8 | 140.3 | 107.9 |
| MSCI World | 95.7 | 129.4 | 114.9 |
| MSCI Banks | 82.7 | 107.5 | 60.5 |

1 The dividend per share of US$0.39 shown in the accounts is the total of the dividends declared during 2011. This represents the fourth interim dividend for 2010 and the first, second and third interim dividends for 2011. As the fourth interim dividend for 2011 was declared in 2012 it will be reflected in the accounts for 2012.

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 2011 % | 2010 % |
|---|---|---|
| Performance ratios | | |
| Return on average invested capital1 | 10.2 | 8.7 |
| Return on average ordinary shareholders' equity2 | 10.9 | 9.5 |
| Post-tax return on average total assets | 0.6 | 0.6 |
| Pre-tax return on average risk-weighted assets | 1.9 | 1.7 |
| Efficiency and revenue mix ratios | | |
| Cost efficiency ratio | 57.5 | 55.2 |
| As a percentage of total operating income: | | |
| - net interest income | 48.7 | 49.3 |
| - net fee income | 20.6 | 21.7 |
| - net trading income | 7.8 | 9.0 |
| Capital ratios | | |
| - Core tier 1 ratio | 10.1 | 10.5 |
| - Tier 1 ratio | 11.5 | 12.1 |

| | | |
|---|---|---|
| - Total capital ratio | 14.1 | 15.2 |

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 | | | Year ended 31 December | |
|---|---|---|---|---|
| 2011 | | | 2011 | 2010 |
| £m | HK$m | | US$m | US$m |
| 39,315 | 490,494 | Interest income | 63,005 | 58,345 |
| (13,942) | (173,940) | Interest expense | (22,343) | (18,904) |
| 25,373 | 316,554 | Net interest income | 40,662 | 39,441 |
| - | - | | | |
| 13,414 | 167,354 | Fee income | 21,497 | 21,117 |
| (2,706) | (33,763) | Fee expense | (4,337) | (3,762) |
| 10,708 | 133,591 | Net fee income | 17,160 | 17,355 |
| 2,049 | 25,559 | Trading income excluding net interest income | 3,283 | 4,680 |
| 2,011 | 25,090 | Net interest income on trading activities | 3,223 | 2,530 |
| 4,060 | 50,649 | Net trading income | 6,506 | 7,210 |
| 2,596 | 32,393 | Changes in fair value of long-term debt issued and related derivatives | 4,161 | (258) |
| (450) | (5,619) | Net income/(expense) from other financial instruments designated at fair value | (722) | 1,478 |
| 2,146 | 26,774 | Net income/(expense) from financial instruments designated at fair value | 3,439 | 1,220 |
| 566 | 7,061 | | 907 | 968 |

| | | | | |
|---|---|---|---|---|
| | | Gains less losses from financial investments | | |
| 93 | 1,160 | Dividend income | 149 | 112 |
| 8,032 | 100,209 | Net earned insurance premiums | 12,872 | 11,146 |
| 1,102 | 13,746 | Other operating income | 1,766 | 2,562 |
| 52,080 | 649,744 | Total operating income | 83,461 | 80,014 |
| (6,978) | (87,044) | Net insurance claims incurred and movement in liabilities to policyholders | (11,181) | (11,767) |
| 45,102 | 562,700 | Net operating income before loan impairment charges and other credit risk provisions | 72,280 | 68,247 |
| (7,567) | (94,409) | Loan impairment charges and other credit risk provisions | (12,127) | (14,039) |
| 37,535 | 468,291 | Net operating income | 60,153 | 54,208 |
| (13,208) | (164,778) | Employee compensation and benefits | (21,166) | (19,836) |
| (10,894) | (135,918) | General and administrative expenses | (17,459) | (15,156) |
| (980) | (12,222) | Depreciation and impairment of property, plant and equipment | (1,570) | (1,713) |
| (842) | (10,510) | Amortisation and impairment of intangible assets | (1,350) | (983) |
| (25,924) | (323,428) | Total operating expenses | (41,545) | (37,688) |
| 11,611 | 144,863 | Operating profit | 18,608 | 16,520 |
| - | - | | | |
| 2,037 | 25,411 | Share of profit in associates and joint ventures | 3,264 | 2,517 |
| 13,648 | 170,274 | Profit before tax | 21,872 | 19,037 |
| - | - | | | |
| (2,451) | (30,580) | Tax expense | (3,928) | (4,846) |
| 11,197 | 139,694 | Profit for the year | 17,944 | 14,191 |
| 10,481 | 130,765 | Profit attributable to shareholders of the parent company | 16,797 | 13,159 |
| 716 | 8,929 | Profit attributable to non-controlling interests | 1,147 | 1,032 |

Consolidated Statement of Comprehensive Income

| | Year ended 31 December | |
|---|---|---|
| | 2011 | 2010 |
| | US$m | US$m |
| Profit for the year | 17,944 | 14,191 |
| Other comprehensive income/(expense) | | |
| Available-for-sale investments | 674 | 5,835 |
| - fair value gains | 1,279 | 6,368 |
| - fair value gains transferred to income statement on disposal | (820) | (1,174) |
| - amounts transferred to the income statement in respect of impairment losses | 583 | 1,118 |
| - income taxes | (368) | (477) |
| Cash flow hedges | 187 | (271) |
| - fair value losses | (581) | (178) |
| - fair value (gains)/losses transferred to income statement | 788 | (164) |
| - income taxes | (20) | 71 |
| Actuarial gains/(losses) on defined benefit plans | 1,009 | (61) |
| - before income taxes | 1,267 | (60) |
| - income taxes | (258) | (1) |
| Share of other comprehensive income/(expense) of associates and joint ventures | (710) | 107 |
| Exchange differences | (2,865) | (567) |
| Income tax attributable to exchange differences | 165 | - |
| Other comprehensive income for the year, net of tax | (1,540) | 5,043 |
| Total comprehensive income for the year | 16,404 | 19,234 |
| Total comprehensive income for the year attributable to: | | |
| - shareholders of the parent company | 15,366 | 18,087 |
| - non-controlling interests | 1,038 | 1,147 |
| | 16,404 | 19,234 |

Consolidated Balance Sheet

| Year ended 31 December | | | Year ended 31 December | |
|---|---|---|---|---|
| 2011 | | | 2011 | 2010 |
| £m | HK$m | | US$m | US$m |

| | | | | |
|---|---|---|---|---|
| | | ASSETS | | |
| 83,917 | 1,009,079 | Cash and balances at central banks | 129,902 | 57,383 |
| 5,302 | 63,760 | Items in the course of collection from other banks | 8,208 | 6,072 |
| 13,516 | 162,522 | Hong Kong Government certificates of indebtedness | 20,922 | 19,057 |
| 213,471 | 2,566,943 | Trading assets | 330,451 | 385,052 |
| 19,933 | 239,689 | Financial assets designated at fair value | 30,856 | 37,011 |
| 223,761 | 2,690,672 | Derivatives | 346,379 | 260,757 |
| 116,918 | 1,405,907 | Loans and advances to banks | 180,987 | 208,271 |
| 607,517 | 7,305,252 | Loans and advances to customers | 940,429 | 958,366 |
| 258,428 | 3,107,542 | Financial investments | 400,044 | 400,755 |
| 25,554 | 307,287 | Assets held for sale | 39,558 | 1,991 |
| 31,460 | 378,294 | Other assets | 48,699 | 41,260 |
| 685 | 8,242 | Current tax assets | 1,061 | 1,096 |
| 6,498 | 78,138 | Prepayments and accrued income | 10,059 | 11,966 |
| 13,178 | 158,459 | Interests in associates and joint ventures | 20,399 | 17,198 |
| 18,756 | 225,536 | Goodwill and intangible assets | 29,034 | 29,922 |
| 7,019 | 84,399 | Property, plant and equipment | 10,865 | 11,521 |
| 4,991 | 60,016 | Deferred tax assets | 7,726 | 7,011 |
| 1,650,904 | 19,851,737 | Total assets | 2,555,579 | 2,454,689 |
| | | LIABILITIES AND EQUITY | | |
| | | Liabilities | | |
| 13,516 | 162,522 | Hong Kong currency notes in circulation | 20,922 | 19,057 |
| 72,883 | 876,401 | Deposits by banks | 112,822 | 110,584 |
| 810,036 | 9,740,489 | Customer accounts | 1,253,925 | 1,227,725 |
| 5,649 | 67,931 | Items in the course of transmission to other banks | 8,745 | 6,663 |
| 171,314 | 2,060,011 | Trading liabilities | 265,192 | 300,703 |
| 55,378 | 665,904 | Financial liabilities designated at fair value | 85,724 | 88,133 |
| 223,115 | 2,682,912 | Derivatives | 345,380 | 258,665 |
| 84,634 | 1,017,709 | Debt securities in issue | 131,013 | 145,401 |
| 14,341 | 172,450 | Liabilities of disposal groups held for sale | 22,200 | 86 |
| 18,068 | 217,249 | Other liabilities | 27,967 | 27,964 |
| 1,368 | 16,445 | Current tax liabilities | 2,117 | 1,804 |
| 39,573 | 475,860 | Liabilities under insurance contracts | 61,259 | 58,609 |
| 8,466 | 101,807 | Accruals and deferred income | 13,106 | 13,906 |
| 2,147 | 25,821 | Provisions | 3,324 | 2,138 |
| 981 | 11,792 | Deferred tax liabilities | 1,518 | 1,093 |
| 2,368 | 28,477 | Retirement benefit liabilities | 3,666 | 3,856 |
| 19,771 | 237,747 | Subordinated liabilities | 30,606 | 33,387 |
| 1,543,608 | 18,561,527 | Total liabilities | 2,389,486 | 2,299,774 |

| | | | | |
|---|---|---|---|---|
| | | Equity | | |
| 5,771 | 69,399 | Called up share capital | 8,934 | 8,843 |
| 5,463 | 65,694 | Share premium account | 8,457 | 8,454 |
| 3,780 | 45,451 | Other equity instruments | 5,851 | 5,851 |
| 15,255 | 183,441 | Other reserves | 23,615 | 25,414 |
| 72,267 | 868,991 | Retained earnings | 111,868 | 99,105 |
| 102,536 | 1,232,976 | Total shareholders' equity | 158,725 | 147,667 |
| 4,760 | 57,234 | Non-controlling interests | 7,368 | 7,248 |
| 107,296 | 1,290,210 | Total equity | 166,093 | 154,915 |
| 1,650,904 | 19,851,737 | Total equity and liabilities | 2,555,579 | 2,454,689 |

Consolidated Statement of Cash Flows

| | Year ended 31 December | |
|---|---|---|
| | 2011 | 2010 |
| | US$m | US$m |
| Cash flows from operating activities | | |
| Profit before tax | 21,872 | 19,037 |
| Adjustments for: | | |
| - net gain from investing activities | (1,196) | (1,698) |
| - share of profits in associates and joint ventures | (3,264) | (2,517) |
| - other non-cash items included in profit before tax | 19,878 | 18,887 |
| - change in operating assets | (7,412) | (13,267) |
| - change in operating liabilities | 44,012 | 42,272 |
| - elimination of exchange differences | 10,840 | (1,799) |
| - dividends received from associates | 304 | 441 |
| - contributions paid to defined benefit plans | (1,177) | (3,321) |
| - tax paid | (4,095) | (2,293) |
| Net cash generated from operating activities | 79,762 | 55,742 |
| Cash flows from investing activities | | |
| Purchase of financial investments | (319,008) | (341,202) |
| Proceeds from the sale and maturity of financial investments | 311,702 | 321,846 |
| Purchase of property, plant and equipment | (1,505) | (2,533) |
| Proceeds from the sale of property, plant and equipment | 300 | 4,373 |
| Proceeds from the sale of loan portfolios | - | 4,243 |
| Net purchase of intangible assets | (1,571) | (1,179) |
| Net cash outflow from acquisition of subsidiaries | - | (86) |
| Net cash inflow from disposal of subsidiaries | 216 | 466 |
| | (90) | (1,589) |

| | | |
|---|---|---|
| Net cash outflow from acquisition of or increase in stake of associates | | |
| Net cash outflow from the consolidation of funds | - | (19,566) |
| Proceeds from disposal of associates and joint ventures | 25 | 254 |
| Net cash used in investing activities | (9,931) | (34,973) |
| Cash flows from financing activities | | |
| Issue of ordinary share capital | 96 | 180 |
| Issue of other equity instruments | - | 3,718 |
| Net sales/(purchases) of own shares for market-making and investment purposes | (225) | 163 |
| Net sales/(purchases) of own shares to meet share awards and share option awards | (136) | 11 |
| On exercise of share options | - | 2 |
| Subordinated loan capital issued | 7 | 4,481 |
| Subordinated loan capital repaid | (3,777) | (2,475) |
| Net cash inflow/(outflow) from change in stake in subsidiaries | 104 | (229) |
| Dividends paid to shareholders of the parent company | (5,014) | (3,441) |
| Dividends paid to non-controlling interests | (568) | (595) |
| Dividends paid to holders of other equity instruments | (573) | (413) |
| Net cash generated from financing activities | (10,086) | 1,402 |
| Net increase in cash and cash equivalents | 59,745 | 22,171 |
| Cash and cash equivalents at 1 January | 274,076 | 250,766 |
| Exchange differences in respect of cash and cash equivalents | (8,372) | 1,139 |
| Cash and cash equivalents at 31 December | 325,449 | 274,076 |

Consolidated Statement of Changes in Equity

| | Year ended 31 December | |
|---|---|---|
| | 2011 | 2010 |
| | US$m | US$m |
| Called up share capital | | |
| At 1 January | 8,843 | 8,705 |
| Shares issued under employee share plans | 6 | 12 |
| Shares issued in lieu of dividends and amounts arising thereon | 85 | 126 |
| At 31 December | 8,934 | 8,843 |
| Share premium | | |
| At 1 January | 8,454 | 8,413 |
| Shares issued under employee share plans | 90 | 168 |
| Shares issued in lieu of dividends and amounts arising thereon | (87) | (127) |

| | | |
|---|---|---|
| At 31 December | 8,457 | 8,454 |
| | | |
| Other equity instruments | | |
| At 1 January | 5,851 | 2,133 |
| Capital securities issued | - | 3,718 |
| | | |
| At 31 December | 5,851 | 5,851 |
| | | |
| Retained earnings1 | | |
| At 1 January | 99,105 | 88,737 |
| Profit for the year | 16,797 | 13,159 |
| Other comprehensive income | | |
| Actuarial gains/(losses) on defined benefit plans | 1,078 | (58) |
| Share of other comprehensive income of associates and joint ventures | (710) | 107 |
| | | |
| Other comprehensive income (net of tax) | 368 | 49 |
| | | |
| Total comprehensive income for the year | 17,165 | 13,208 |
| Shares issued in lieu of dividends and amounts arising thereon | 2,232 | 2,524 |
| Dividends to shareholders | (7,501) | (6,350) |
| Tax credit on distributions | 128 | 122 |
| Own shares adjustment | (361) | 174 |
| Cost of share-based payment arrangements | 1,154 | 812 |
| Income taxes on share-based payments | 21 | (14) |
| Other movements | (75) | (58) |
| Changes in ownership interests in subsidiaries that did not result in loss of control | - | (50) |
| | | |
| At 31 December | 111,868 | 99,105 |
| | | |
| Other reserves | | |
| Available-for-sale fair value reserve | | |
| At 1 January | (4,077) | (9,965) |
| Other comprehensive income | | |
| Available-for-sale investments | 716 | 5,671 |
| | | |
| Other comprehensive income (net of tax) | 716 | 5,671 |
| | | |
| Total comprehensive income for the year | 716 | 5,671 |
| Other movements | - | 217 |
| | | |
| At 31 December | (3,361) | (4,077) |

1 The movement in reserves relating to equity-settled share-based payment arrangements is recognised in 'Retained earnings' in the 'Consolidated statement of change in equity', with effect from 1 January 2011. Previously, it was disclosed separately in a 'Share-based payment reserve' within 'Other reserves'. Comparative data have been restated accordingly. The adjustment reduced 'Other reserves' and increased 'Retained earnings' by US$2,274m at 31 December 2011 (2010: US$1,755m; 2009: US$1,925m). There was no effect on basic or diluted earnings per share following this change.

| | Year ended 31 December 2011 US$m | 2010 US$m |
|---|---|---|
| Cash flow hedging reserve | | |
| At 1 January | (285) | (26) |
| Other comprehensive income | | |
| Cash flow hedges | 190 | (266) |
| Other comprehensive income (net of tax) | 190 | (266) |
| Total comprehensive income for the year | 190 | (266) |
| Other movements | - | 7 |
| At 31 December | (95) | (285) |
| Foreign exchange reserve | | |
| At 1 January | 2,468 | 2,994 |
| Other comprehensive income | | |
| Exchange differences | (2,705) | (526) |
| Other comprehensive income (net of tax) | (2,705) | (526) |
| Total comprehensive income for the year | (2,705) | (526) |
| At 31 December | (237) | 2,468 |
| Merger reserve | | |
| At 1 January and 31 December | 27,308 | 27,308 |

| | Year ended 31 December 2011 US$m | 2010 US$m |
|---|---|---|
| Total shareholders' equity | | |
| At 1 January | 147,667 | 128,299 |
| Profit for the year | 16,797 | 13,159 |
| Other comprehensive income | | |
| Available-for-sale investments | 716 | 5,671 |
| Cash flow hedges | 190 | (266) |
| Actuarial gains/(losses) on defined benefit plans | 1,078 | (58) |
| | (710) | 107 |

| | | |
|---|---|---|
| Share of other comprehensive income of associates and joint ventures | | |
| Exchange differences | (2,705) | (526) |
| Other comprehensive income (net of tax) | (1,431) | 4,928 |
| Total comprehensive income for the year | 15,366 | 18,087 |
| Shares issued under employee share plans | 96 | 180 |
| Shares issued in lieu of dividends and amounts arising thereon | 2,230 | 2,523 |
| Capital securities issued | - | 3,718 |
| Dividends to shareholders | (7,501) | (6,350) |
| Tax credit on distributions | 128 | 122 |
| Own shares adjustment | (361) | 174 |
| Cost of share-based payment arrangements | 1,154 | 812 |
| Income taxes on share-based payments | 21 | (14) |
| Other movements | (75) | 166 |
| Changes in ownership interests in subsidiaries that did not result in loss of control | - | (50) |
| At 31 December | 158,725 | 147,667 |
| Non-controlling interests | | |
| At 1 January | 7,248 | 7,362 |
| Profit for the year | 1,147 | 1,032 |
| Other comprehensive income | | |
| Available-for-sale investments | (42) | 164 |
| Cash flow hedges | (3) | (5) |
| Actuarial losses on defined benefit plans | (69) | (3) |
| Exchange differences | 5 | (41) |
| Other comprehensive income (net of tax) | (109) | 115 |
| Total comprehensive income for the year | 1,038 | 1,147 |
| Dividends to shareholders | (815) | (725) |
| Other movements | 28 | 3 |
| Acquisition and disposal of subsidiaries | (252) | (436) |
| Changes in ownership interests in subsidiaries that did not result in loss of control | 121 | (103) |
| At 31 December | 7,368 | 7,248 |

| | Year ended 31 December | |
|---|---|---|
| | 2011 | 2010 |
| | US$m | US$m |
| Total equity | | |

| | | |
|---|---|---|
| At 1 January | 154,915 | 135,661 |
| Profit for the year | 17,944 | 14,191 |
| Other comprehensive income | | |
| Available-for-sale investments | 674 | 5,835 |
| Cash flow hedges | 187 | (271) |
| Actuarial gains/(losses) on defined benefit plans | 1,009 | (61) |
| Share of other comprehensive income of associates and joint ventures | (710) | 107 |
| Exchange differences | (2,700) | (567) |
| Other comprehensive income (net of tax) | (1,540) | 5,043 |
| Total comprehensive income for the year | 16,404 | 19,234 |
| Shares issued under employee share plans | 96 | 180 |
| Shares issued in lieu of dividends and amounts arising thereon | 2,230 | 2,523 |
| Capital securities issued | - | 3,718 |
| Dividends to shareholders | (8,316) | (7,075) |
| Tax credit on distributions | 128 | 122 |
| Own shares adjustment | (361) | 174 |
| Cost of share-based payment arrangements | 1,154 | 812 |
| Income taxes on share-based payments | 21 | (14) |
| Other movements | (47) | 169 |
| Acquisition and disposal of subsidiaries | (252) | (436) |
| Changes in ownership interests in subsidiaries that did not result in loss of control | 121 | (153) |
| At 31 December | 166,093 | 154,915 |

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 2011.

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 2011, there were no unendorsed standards effective for the year ended 31 December 2011 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 2011 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 2011, 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 2011 of US$0.14 per ordinary share, a distribution of approximately US$2,515m. The fourth interim dividend will be payable on 2 May 2012, to holders of record on 15 March 2012 on the Hong Kong Overseas Branch Register and 16 March 2012 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 11 am on 23 April 2012, and with a scrip dividend alternative. Particulars of these arrangements will be sent to shareholders on or about 27 March 2012 and elections must be received by 19 April 2012. As this dividend was declared after the balance sheet date, no liability has been recorded on the Financial Statements at 31 December 2011.

The dividend will be payable on ordinary shares held through Euroclear France, the settlement and central depositary system for Euronext Paris, on 2 May 2012 to the holders of record on 16 March 2012. The dividend will be payable by Euroclear France in cash, in euros at the forward exchange rate quoted by HSBC France on 23 April 2012, or as a scrip dividend. Particulars of these arrangements will be announced through Euronext Paris on 5 March 2012 and 22 March 2012.

The dividend will be payable on American Depositary Shares ('ADSs'), each of which represents five ordinary shares, on 2 May 2012 to holders of record on 16 March 2012. The dividend of US$0.70 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 12 April 2012. 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 14 March 2012. The ADSs will be quoted ex-dividend in New York on 14 March 2012.

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 4.00 pm on 15 March 2012 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 4.00 pm on 16 March 2012 in order to receive the dividend.

Removals of ordinary shares may not be made to or from the Hong Kong Overseas Branch Register on 16 March 2012. 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 4.00 pm on 14 March 2012; 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 4.00 pm on 15 March 2012.

Transfers of American Depositary Shares should be lodged with the depositary by 12 noon on 16 March 2012 in order to receive the dividend.

Dividends declared on HSBC Holdings shares during 2011 were as follows:

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | 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 | 0.12 | 2,119 | 1,130 | 0.10 | 1,733 | 838 |
| In respect of current year: | | | | | | |
| - first interim dividend | 0.09 | 1,601 | 204 | 0.08 | 1,394 | 746 |
| - second interim dividend | 0.09 | 1,603 | 178 | 0.08 | 1,402 | 735 |
| - third interim dividend | 0.09 | 1,605 | 720 | 0.08 | 1,408 | 205 |
| | 0.39 | 6,928 | 2,232 | 0.34 | 5,937 | 2,524 |
| 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 | |

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | 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 | - | - |
| April coupon | 0.508 | 45 | 0.508 | 45 |
| June coupon | 0.500 | 76 | - | - |
| July coupon | 0.508 | 45 | 0.508 | 45 |
| September coupon | 0.500 | 76 | 0.450 | 68 |
| October coupon | 0.508 | 45 | 0.508 | 45 |
| December coupon | 0.500 | 76 | 0.500 | 76 |
| | 4.032 | 483 | 2.982 | 323 |

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

On 13 February 2012, 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 2012 to the holders of record on 1 March 2012.

On 17 January 2012, HSBC paid a coupon on the Capital Securities of US$0.508 per security, a distribution of US$44 million. No liability is recorded in the balance sheet at 31 December 2011 in respect of this coupon payment.

3. Earnings and dividends per ordinary share

| | Year ended 31 December | |
|---|---|---|
| | 2011 | 2010 |
| | US$ | US$ |
| Basic earnings per ordinary share | 0.92 | 0.73 |
| Diluted earnings per ordinary share | 0.91 | 0.72 |
| Dividends per ordinary share | 0.39 | 0.34 |
| Net asset value at year-end | 8.48 | 7.94 |
| Dividend pay out ratio1 | 42.4% | 46.6% |

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 | |
|---|---|---|
| | 2011 | 2010 |
| | US$m | US$m |
| Profit attributable to shareholders of the parent company | 16,797 | 13,159 |
| Dividend payable on preference shares classified as equity | (90) | (90) |
| Coupon payable on capital securities classified as equity | (483) | (323) |
| | 16,224 | 12,746 |

Profit attributable to the ordinary shareholders of the parent company

Basic and diluted earnings per share

| | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Profit US$m | Number of shares (millions) | Per share US$ | Profit US$m | Number of shares (millions) | Per share US$ |
| Basic | 16,224 | 17,700 | 0.92 | 12,746 | 17,404 | 0.73 |
| Effect of dilutive potential ordinary shares | | 222 | | | 229 | |
| Diluted | 16,224 | 17,922 | 0.91 | 12,746 | 17,633 | 0.72 |

4. Tax expense

| | Year ended 31 December | |
|---|---|---|
| | 2011 US$m | 2010 US$m |
| UK corporation tax | 820 | 383 |
| Overseas tax | 4,255 | |