HSBC Holdings plc Interim Management Statement 3Q 2014

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- Reported PBT up 2% in 3Q14 at US$4,609m compared with US$4,530m in 3Q13.
- Underlying PBT was down US$595m or 12% in 3Q14 at US$4,409m compared with US$5,004m in 3Q13, principally reflecting net movements in significant items (US$1,468m net reduction in PBT).
- Higher 3Q14 revenue in CMB and GB
M - CMB continued to grow, notably in our home markets of Hong Kong and the UK. Strong performance in GB
M was driven by Markets as Foreign Exchange and Equities both benefitted from higher client activity.
- Higher 3Q14 operating expenses - 3Q14 underlying operating expenses were US$11,091m, 15% higher than US$9,608m in 3Q13. Excluding significant items operating expenses increased by 6%, in part reflecting inflation and increases in risk, compliance and related costs.
- Further loan growth - on a constant currency basis we grew loans and advances to customers in 3Q14, notably in CMB in our home markets of the UK and Hong Kong.
- Reported PBT down 9% for 9M14 at US$16,949m compared with US$18,601m for 9M13.
- Underlying PBT down 6% for 9M14 at US$16,969m compared with US$18,014m for 9M13, primarily due to the effect of net movements in significant items (US$2, 275m net reduction in PBT).
- Earnings per ordinary share and dividends per ordinary share (in respect of the period) for 9M14 were US$0.67 and US$0.30, respectively, compared with US$0.71 and US$0.30 for 9M13. The third interim dividend was US$0.10 per ordinary share.
- Return on average ordinary shareholders equity 9M14 annualised return was 0.9ppts lower at 9.5%, compared with 10.4% for the equivalent period in 2013.
- Strong capital position - at 3Q14, the CRD IV transitional basis CET1 capital ratio remained at 11.2%, consistent with 30 June 2014. The end point CET1 capital ratio was 11.4%, up from 11.3% at 30 June 2014. This largely reflected internal capital generation that was adversely affected by foreign exchange movements.
Group Chief Executive, Stuart Gulliver, commented:
"The third quarter was a period of continued progress. Excluding significant items, we increased underlying profit before tax in all of our global businesses and maintained a strong balance sheet and a robust capital position.
"Revenue continued to grow in Commercial Banking, dominated by growth in our home markets of Hong Kong and the United Kingdom. Global Banking and Markets contributed a strong revenue performance with its differentiated business model. Global Private Banking has attracted net new money of US$10 billion in areas targeted for growth since the start of the year. The remodelling of Retail Banking and Wealth Management and Global Private Banking remains ongoing.
"Loan impairment charges are lower reflecting the current economic environment and the beneficial changes to our portfolio since 2011.
"We continued to build essential infrastructure to deliver against our risk and compliance commitments and fulfil our regulatory obligations in the third quarter. Cost inflation in a number of our markets and a number of significant items also contributed additional costs. As a consequence, operating expenses are now higher than before. We are committed to achieving additional sustainable savings by further streamlining our processes and procedures.
"Despite the rising regulatory expectations, I am confident that our business model remains sustainable and that we can deliver further value for our shareholders while meeting our obligations and protecting the future of HSBC.

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HSBC is one of the world's largest banking and financial services organisations. With around 6,600 offices in both established and emerging 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 fulfil their hopes and realise their ambitions.We serve around 55 million customers through our four Global Businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers around 80 countries and territories in Europe, the Asia-Pacific region, the Middle East, Africa, North America and Latin America.Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 216,000 shareholders in 130 countries and territories.