HSBC HOLDINGS PLC
Form 6-K
March 26, 2014

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-.............).

Capital

1. Appendix to Capital.

Our objective in the management of Group capital is to maintain appropriate levels of capital to support our business strategy and meet our regulatory requirements.

Capital highlights

- Core tier 1 capital ratio 13.6%, up from 12.3% in 2012, as a result of capital generation and management actions.

- Our end point CET1 ratio 10.9%, up from 9.5% in 2012, as a result of similar drivers.

Capital overview

Capital ratios
(Unaudited)

	At 31 December	
	2013	2012
	%	%
Core tier 1 ratio	13.6	12.3
Tier 1 ratio	14.5	13.4
Total capital ratio	17.8	16.1
CRD IV		
Common equity tier 1 ratio (end point)1 ..	10.9	9.5
Common equity tier 1 ratio (Year 1 transition)	10.8	

For footnote, see page 318.

In November 2013, the Prudential Regulation Authority ('PRA') published its expectations in relation to capital ratios for major UK banks and building societies. These were that from 1 January 2014, capital resources should be held equivalent to at least 7% of risk-weighted assets using a CRD IV end point definition of common equity tier 1 ('CET1') but after taking into account any adjustments set by the PRA to reflect the Financial Policy Committee's ('FPC's) capital shortfall exercise recommendations. These include an assessment of expected future losses, future costs of conduct redress and adjusting for a more prudent calculation of risk weights.

In addition to the above, the PRA has established a forward-looking Basel III end point CET1 target ratio post-FPC adjustments for the Group to be met by 2019. This effectively replaced the Capital Resources Floor that was set by the FSA towards the end of 2012.

In December 2013, the PRA issued its final rules on CRD IV in Policy Statement ('PS 7/13'). This transposes the various areas of national discretion within the final CRD IV legislation into UK law that is applicable from 1 January 2014. In its final rules, the PRA did not adopt most of the transitional provisions available in CRD IV, thereby opting for an acceleration of the CRD IV end point definition of CET1. Notwithstanding this, the CRD IV transitional provisions for unrealised gains have been applied, so that unrealised gains on investment property are derecognised until 1 January 2015. As a result, our transitional ratio is slightly lower than end point.

Despite the final PRA rules, there remains continued uncertainty around the amount of capital that banks will be required to hold. This relates to the quantification and interaction of capital buffers and Pillar 2, where further PRA consultations are due in 2014. Furthermore, there are a significant number of draft and unpublished European Banking Authority ('EBA') technical and implementation standards due in 2014 which could potentially affect our capital position and RWAs.

Our approach to managing Group capital is designed to ensure that we exceed current regulatory requirements, and are well placed to meet those expected in the future.

In 2013 we managed our capital position to meet an internal target ratio of 9.5 - 10.5% on a CET1 end-point basis, changing to greater than 10% from 1 January 2014. We continue to keep this under review.

A summary of our policies and practices regarding capital management, measurement and allocation is provided in the Appendix to Capital on page 319.

Risk-weighted assets

RWAs by risk type
(Unaudited)

	At 31 December 2013 US$m	2012 US$m
Credit risk	864,300	898,416
Standardised approach ...	329,464	374,469
IRB foundation approach	13,612	10,265
IRB advanced approach .	521,224	513,682
Counterparty credit risk .	45,731	48,319

Standardised approach2 ..	3,583	2,645
IRB approach	42,148	45,674
Market risk	63,416	54,944
Operational risk	119,206	122,264
Total	1,092,653	1,123,943
Of which:		
Run-off portfolios	104,869	145,689
Legacy credit in GB&M	26,348	38,587
US CML and Other	78,521	107,102
Card and Retail Services3	1,143	6,858

For footnotes, see page 318.

Market risk RWAs
(Unaudited)

	At 31 December	
	2013	2012
	US$m	US$m
VaR	4,870	7,616
Stressed VaR	9,402	11,048
Incremental risk charge ..	23,088	11,062
Comprehensive risk measure	2,626	3,387
Other VaR and stressed VaR	12,231	11,355
Internal model based........	52,217	44,468
PRA standard rules	11,199	10,476