

HSBC HOLDINGS PLC

RECONCILIATION OF REPORTED AND UNDERLYING PROFIT/(LOSS) BEFORE TAX

30 June 2011

Reconciliation of reported and underlying profit/(loss) before tax

Underlying performance

Reconciliation of reported and underlying profit before tax

In addition to results reported on an IFRSs basis, we measure our performance internally on a like-for-like basis by eliminating the effects of foreign currency translation differences, acquisitions and disposals of subsidiaries and businesses, and fair value movements on own debt attributable to credit spread where the net result of such movements will be zero upon maturity of the debt; all of which distort period-on-period comparisons. We refer to this as our underlying performance.

Reported results include the effects of the above items. They are excluded when monitoring progress against operating plans and past results because management believes that the underlying basis more accurately reflects operating performance.

Constant currency

Constant currency comparatives for the half-years to 30 June 2010 and 31 December 2010, used in the 2011 commentaries, are computed by retranslating into US dollars for non-US dollar branches, subsidiaries, joint ventures and associates:

- the income statements for the half-years to 30 June 2010 and 31 December 2010 at the average rates of exchange for the half-year to 30 June 2011; and
- the balance sheets at 30 June 2010 and 31 December 2010 at the rates of exchange ruling at 30 June 2011.

No adjustment has been made to the exchange rates used to translate foreign currency-denominated assets and liabilities into the functional currencies of any HSBC branches, subsidiaries, joint ventures or associates.

When reference is made to 'constant currency' in tables or commentaries, comparative data reported in the functional currencies of HSBC's operations have been translated at the appropriate exchange rates applied in the current period on the basis described above.

Underlying performance

The tables below compare our underlying performance for the half-year to 30 June 2011 with the half-years to 30 June 2010 and 31 December 2010. Equivalent tables are provided for each of HSBC's customer groups, global businesses and geographical segments on www.hsbc.com and in the Form 6-K filed with the SEC.

The foreign currency translation differences reflect the relative weakening of the US dollar against most major currencies.

The following acquisitions and disposals were adjusted for in arriving at the underlying comparison:

- the gain of US\$62m on reclassification of Bao Viet Holdings ('Bao Viet') from an available-for-sale asset to an associate in January 2010;
- the gain of US\$66m on sale of our stake in Wells Fargo HSBC Trade Bank in March 2010;
- the gain of US\$107m on disposal of HSBC Insurance Brokers Limited in April 2010;
- the dilution gains which arose on our holding in Ping An Insurance (Group) Company of China, Limited ('Ping An') following the issue of share capital to third parties in both May 2010 and June 2011 of US\$188m and US\$181m, respectively;
- the loss on the sale of our investment in British Arab Commercial Bank plc in 2010;
- the gain of US\$74m on the deconsolidation of private equity funds following the management buy-out of Headland Capital Partners Ltd (formerly known as HSBC Private Equity (Asia) Ltd) in November 2010;
- the operating results of Eversholt Rail Group for the half year to 30 June 2010 and the gain on the sale of US\$255m in December 2010.

Reconciliation of reported and underlying profit/(loss) before tax (continued)

Underlying performance

Reconciliation of reported and underlying profit before tax

Half-year to 30 June 2011 ('1H11') compared with half-year to 30 June 2010 ('1H10')									
	1H10 as reported US\$m	1H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	1H10 at 1H11 exchange rates ¹¹ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
HSBC									
Net interest income	19,757	17	698	20,472	20,235	–	20,235	2	(1)
Net fee income	8,518	(50)	288	8,756	8,807	–	8,807	3	1
Changes in fair value ¹³ ..	1,074	(1,074)	–	–	(143)	143	–		
Other income ¹⁴	6,202	(404)	254	6,052	6,795	(180)	6,615	10	9
Net operating income¹⁵ ..	35,551	(1,511)	1,240	35,280	35,694	(37)	35,657	–	1
Loan impairment charges and other credit risk provisions	(7,523)	–	(176)	(7,699)	(5,266)	–	(5,266)	30	32
Net operating income ..	28,028	(1,511)	1,064	27,581	30,428	(37)	30,391	9	10
Operating expenses	(18,111)	148	(737)	(18,700)	(20,510)	–	(20,510)	(13)	(10)
Operating profit	9,917	(1,363)	327	8,881	9,918	(37)	9,881	–	11
Share of profit in associates and joint ventures	1,187	–	41	1,228	1,556	–	1,556	31	27
Profit before tax	11,104	(1,363)	368	10,109	11,474	(37)	11,437	3	13
By geographical region									
Europe	3,521	(594)	140	3,067	2,147	71	2,218	(39)	(28)
Hong Kong	2,877	(56)	(3)	2,818	3,081	–	3,081	7	9
Rest of Asia-Pacific	2,985	(188)	151	2,948	3,742	(178)	3,564	25	21
Middle East and North Africa	346	47	(5)	388	747	4	751	116	94
North America	492	(572)	29	(51)	606	66	672	23	
Latin America	883	–	56	939	1,151	–	1,151	30	23
Profit before tax	11,104	(1,363)	368	10,109	11,474	(37)	11,437	3	13
By customer group and global business									
Retail Banking and Wealth Management ¹⁶ ..	1,352	(3)	85	1,434	3,126	–	3,126	131	118
Commercial Banking	3,204	(116)	99	3,187	4,189	–	4,189	31	31
Global Banking and Markets ¹⁶	5,452	80	183	5,715	4,811	–	4,811	(12)	(16)
Global Private Banking ..	556	–	5	561	552	–	552	(1)	(2)
Other	540	(1,324)	(4)	(788)	(1,204)	(37)	(1,241)		(57)
Profit before tax	11,104	(1,363)	368	10,109	11,474	(37)	11,437	3	13

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Underlying performance***Reconciliation of reported and underlying profit before tax (continued)*

Half-year to 30 June 2011 ('1H11') compared with half-year to 31 December 2010 ('2H10')									
	2H10 as reported US\$m	2H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	2H10 at 1H11 exchange rates ¹⁷ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
HSBC									
Net interest income	19,684	1	424	20,109	20,235	—	20,235	3	1
Net fee income	8,837	—	195	9,032	8,807	—	8,807	—	(2)
Changes in fair value ¹³ ...	(1,137)	1,137	—	—	(143)	143	—	87	—
Other income ¹⁴	5,312	(334)	123	5,101	6,795	(180)	6,615	28	30
Net operating income ¹⁵ ...	32,696	804	742	34,242	35,694	(37)	35,657	9	4
Loan impairment charges and other credit risk provisions	(6,516)	—	(116)	(6,632)	(5,266)	—	(5,266)	19	21
Net operating income	26,180	804	626	27,610	30,428	(37)	30,391	16	10
Operating expenses	(19,577)	—	(471)	(20,048)	(20,510)	—	(20,510)	(5)	(2)
Operating profit	6,603	804	155	7,562	9,918	(37)	9,881	50	31
Share of profit in associates and joint ventures	1,330	(1)	27	1,356	1,556	—	1,556	17	15
Profit before tax	7,933	803	182	8,918	11,474	(37)	11,437	45	28
By geographical region									
Europe	781	518	52	1,351	2,147	71	2,218	175	64
Hong Kong	2,815	(74)	(5)	2,736	3,081	—	3,081	9	13
Rest of Asia-Pacific	2,917	1	83	3,001	3,742	(178)	3,564	28	19
Middle East and North Africa	546	(5)	(4)	537	747	4	751	37	40
North America	(38)	363	19	344	606	66	672		95
Latin America	912	—	37	949	1,151	—	1,151	26	21
Profit before tax	7,933	803	182	8,918	11,474	(37)	11,437	45	28
By customer group and global business									
Retail Banking and Wealth Management ¹⁶	2,487	—	51	2,538	3,126	—	3,126	26	23
Commercial Banking	2,886	(3)	54	2,937	4,189	—	4,189	45	43
Global Banking and Markets ¹⁶	3,763	(331)	65	3,497	4,811	—	4,811	28	38
Global Private Banking	498	—	3	501	552	—	552	11	10
Other	(1,701)	1,137	9	(555)	(1,204)	(37)	(1,241)	29	(124)
Profit before tax	7,933	803	182	8,918	11,474	(37)	11,437	45	28

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Underlying performance****Customer groups and global businesses****Retail Banking and Wealth Management***30 June 2011 compared with 30 June 2010*

Half-year to 30 June 2011 ('1H11') compared with half-year to 30 June 2010 ('1H10') ¹⁶									
	1H10 as reported US\$m	1H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	1H10 at 1H11 exchange rates ¹¹ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	12,194	—	382	12,576	12,086	—	12,086	(1)	(4)
Net fee income	4,060	(2)	138	4,196	4,212	—	4,212	4	—
Other income ¹⁴	299	(3)	37	333	1,274	—	1,274	326	283
Net operating income¹⁵	16,553	(5)	557	17,105	17,572	—	17,572	6	3
Loan impairment charges and other credit risk provisions	(6,318)	—	(105)	(6,423)	(4,270)	—	(4,270)	32	34
Net operating income	10,235	(5)	452	10,682	13,302	—	13,302	30	25
Operating expenses	(9,349)	2	(386)	(9,733)	(10,746)	—	(10,746)	(15)	(10)
Operating profit	886	(3)	66	949	2,556	—	2,556	188	169
Share of profit in associates and joint ventures	466	—	19	485	570	—	570	22	18
Profit before tax	1,352	(3)	85	1,434	3,126	—	3,126	131	118

30 June 2011 compared with 31 December 2010

Half-year to 30 June 2011 ('1H11') compared with half-year to 31 December 2010 ('2H10') ¹⁶									
	2H10 as reported US\$m	2H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	2H10 at 1H11 exchange rates ¹⁷ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	11,972	—	235	12,207	12,086	—	12,086	1	(1)
Net fee income	4,337	—	88	4,425	4,212	—	4,212	(3)	(5)
Other income ¹⁴	749	—	18	767	1,274	—	1,274	70	66
Net operating income¹⁵	17,058	—	341	17,399	17,572	—	17,572	3	1
Loan impairment charges and other credit risk provisions	(4,941)	—	(55)	(4,996)	(4,270)	—	(4,270)	14	15
Net operating income	12,117	—	286	12,403	13,302	—	13,302	10	7
Operating expenses	(10,190)	—	(249)	(10,439)	(10,746)	—	(10,746)	(5)	(3)
Operating profit	1,927	—	37	1,964	2,556	—	2,556	33	31
Share of profit in associates and joint ventures	560	—	14	574	570	—	570	2	(1)
Profit/(loss) before tax	2,487	—	51	2,538	3,126	—	3,126	26	23

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Underlying performance****Commercial Banking***30 June 2011 compared with 30 June 2010*

	Half-year to 30 June 2011 ('1H11') compared with half-year to 30 June 2010 ('1H10')								
	1H10 as reported US\$m	1H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	1H10 at 1H11 exchange rates ¹¹ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	4,024	(1)	172	4,195	4,814	–	4,814	20	15
Net fee income	1,935	(37)	82	1,980	2,131	–	2,131	10	8
Other income ¹⁴	781	(116)	22	687	735	–	735	(6)	7
Net operating income¹⁵	6,740	(154)	276	6,862	7,680	–	7,680	14	12
Loan impairment charges and other credit risk provisions	(705)	–	(43)	(748)	(642)	–	(642)	9	14
Net operating income	6,035	(154)	233	6,114	7,038	–	7,038	17	15
Operating expenses	(3,266)	38	(146)	(3,374)	(3,465)	–	(3,465)	(6)	(3)
Operating profit	2,769	(116)	87	2,740	3,573	–	3,573	29	30
Share of profit in associates and joint ventures	435	–	12	447	616	–	616	42	38
Profit before tax	3,204	(116)	99	3,187	4,189	–	4,189	31	31

30 June 2011 compared with 31 December 2010

	Half-year to 30 June 2011 ('1H11') compared with half-year to 31 December 2010 ('2H10')								
	2H10 as reported US\$m	2H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	2H10 at 1H11 exchange rates ¹⁷ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	4,463	1	121	4,585	4,814	–	4,814	8	5
Net fee income	2,029	–	55	2,084	2,131	–	2,131	5	2
Other income ¹⁴	602	(3)	9	608	735	–	735	22	21
Net operating income¹⁵	7,094	(2)	185	7,277	7,680	–	7,680	8	6
Loan impairment charges and other credit risk provisions	(1,100)	–	(35)	(1,135)	(642)	–	(642)	42	43
Net operating income	5,994	(2)	150	6,142	7,038	–	7,038	17	15
Operating expenses	(3,565)	(1)	(104)	(3,670)	(3,465)	–	(3,465)	3	6
Operating profit	2,429	(3)	46	2,472	3,573	–	3,573	47	45
Share of profit in associates and joint ventures	457	–	8	465	616	–	616	35	32
Profit before tax	2,886	(3)	54	2,937	4,189	–	4,189	45	43

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Underlying performance****Global Banking and Markets***30 June 2011 compared with 30 June 2010*

Half-year to 30 June 2011 ('1H11') compared with half-year to 30 June 2010 ('1H10') ¹⁶									
	1H10 as reported US\$m	1H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	1H10 at 1H11 exchange rates ¹¹ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	3,724	18	159	3,901	3,603	–	3,603	(3)	(8)
Net fee income	1,879	(11)	59	1,927	1,730	–	1,730	(8)	(10)
Other income ¹⁴	4,717	(35)	189	4,871	4,356	–	4,356	(8)	(11)
Net operating income¹⁵	10,320	(28)	407	10,699	9,689	–	9,689	(6)	(9)
Loan impairment charges and other credit risk provisions	(499)	–	(27)	(526)	(334)	–	(334)	33	37
Net operating income	9,821	(28)	380	10,173	9,355	–	9,355	(5)	(8)
Operating expenses	(4,607)	108	(204)	(4,703)	(4,860)	–	(4,860)	(5)	(3)
Operating profit	5,214	80	176	5,470	4,495	–	4,495	(14)	(18)
Share of profit in associates and joint ventures	238	–	7	245	316	–	316	33	29
Profit before tax	5,452	80	183	5,715	4,811	–	4,811	(12)	(16)

30 June 2011 compared with 31 December 2010

Half-year to 30 June 2011 ('1H11') compared with half-year to 31 December 2010 ('2H10') ¹⁶									
	2H10 as reported US\$m	2H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	2H10 at 1H11 exchange rates ¹⁷ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	3,619	–	83	3,702	3,603	–	3,603	–	(3)
Net fee income	1,785	1	44	1,830	1,730	–	1,730	(3)	(5)
Other income ¹⁴	3,188	(332)	84	2,940	4,356	–	4,356	37	48
Net operating income¹⁵	8,592	(331)	211	8,472	9,689	–	9,689	13	14
Loan impairment charges and other credit risk provisions	(491)	–	(23)	(514)	(334)	–	(334)	32	35
Net operating income	8,101	(331)	188	7,958	9,355	–	9,355	15	18
Operating expenses	(4,621)	–	(126)	(4,747)	(4,860)	–	(4,860)	(5)	(2)
Operating profit	3,480	(331)	62	3,211	4,495	–	4,495	29	40
Share of profit in associates and joint ventures	283	–	3	286	316	–	316	12	10
Profit before tax	3,763	(331)	65	3,497	4,811	–	4,811	28	38

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Underlying performance****Global Private Banking***30 June 2011 compared with 30 June 2010*

Half-year to 30 June 2011 ('1H11') compared with half-year to 30 June 2010 ('1H10')									
	1H10 as reported US\$m	1H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	1H10 at 1H11 exchange rates ¹¹ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	646	–	9	655	729	–	729	13	11
Net fee income	643	–	12	655	731	–	731	14	12
Other income ¹⁴	254	–	3	257	229	–	229	(10)	(11)
Net operating income¹⁵	1,543	–	24	1,567	1,689	–	1,689	9	8
Loan impairment charges and other credit risk provisions	–	–	(1)	(1)	(22)	–	(22)		(2,100)
Net operating income	1,543	–	23	1,566	1,667	–	1,667	8	6
Operating expenses	(967)	–	(18)	(985)	(1,117)	–	(1,117)	(16)	(13)
Operating profit	576	–	5	581	550	–	550	(5)	(5)
Share of profit in associates and joint ventures	(20)	–	–	(20)	2	–	2		
Profit before tax	556	–	5	561	552	–	552	(1)	(2)

30 June 2011 compared with 31 December 2010

Half-year to 30 June 2011 ('1H11') compared with half-year to 31 December 2010 ('2H10')									
	2H10 as reported US\$m	2H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	2H10 at 1H11 exchange rates ¹⁷ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	699	–	6	705	729	–	729	4	3
Net fee income	656	–	6	662	731	–	731	11	10
Other income ¹⁴	195	–	–	195	229	–	229	17	17
Net operating income¹⁵	1,550	–	12	1,562	1,689	–	1,689	9	8
Loan impairment (charges)/recoveries and other credit risk provisions	12	–	–	12	(22)	–	(22)		
Net operating income	1,562	–	12	1,574	1,667	–	1,667	7	6
Operating expenses	(1,068)	–	(9)	(1,077)	(1,117)	–	(1,117)	(5)	(4)
Operating profit	494	–	3	497	550	–	550	11	11
Share of profit in associates and joint ventures	4	–	–	4	2	–	2	(50)	(50)
Profit before tax	498	–	3	501	552	–	552	11	10

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Underlying performance****Other***30 June 2011 compared with 30 June 2010*

	Half-year to 30 June 2011 ('1H11') compared with half-year to 30 June 2010 ('1H10')								
	1H10 as reported US\$m	1H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	1H10 at 1H11 exchange rates ¹¹ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest expense	(537)	–	(4)	(541)	(481)	–	(481)	10	11
Net fee income	1	–	(3)	(2)	3	–	3	200	(250)
Changes in fair value ¹³	1,074	(1,074)	–	–	(143)	143	–		
Other income ¹⁴	2,694	(250)	31	2,475	2,649	(180)	2,467	(2)	(0)
Net operating income¹⁵ ...	3,232	(1,324)	24	1,932	2,028	(37)	1,989	(37)	3
Loan impairment (charges)/recoveries and other credit risk provisions	(1)	–	–	(1)	2	–	1		
Net operating income	3,231	(1,324)	24	1,931	2,030	(37)	1,990	(37)	3
Operating expenses	(2,759)	–	(31)	(2,790)	(3,286)	–	(3,285)	(19)	(18)
Operating profit/(loss) ...	472	(1,324)	(7)	(859)	(1,256)	(37)	(1,295)		(51)
Share of profit in associates and joint ventures	68	–	3	71	52	–	52	(24)	(27)
Profit/(loss) before tax ...	540	(1,324)	(4)	(788)	(1,204)	(37)	(1,243)		(58)

30 June 2011 compared with 31 December 2010

	Half-year to 30 June 2011 ('1H11') compared with half-year to 31 December 2010 ('2H10')								
	2H10 as reported US\$m	2H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	2H10 at 1H11 exchange rates ¹⁷ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest expense	(461)	–	(39)	(500)	(481)	–	(481)	(4)	4
Net fee income	30	(1)	2	31	3	–	3	(90)	(90)
Changes in fair value ¹³	(1,137)	1,137	–	–	(143)	143	–	87	–
Other income ¹⁴	2,996	1	70	3,067	2,649	(180)	2,469	(12)	(20)
Net operating income¹⁵ ...	1,428	1,137	33	2,598	2,028	(37)	1,991	42	(23)
Loan impairment (charges)/recoveries and other credit risk provisions	4	–	(3)	1	2	–	2	(50)	100
Net operating income	1,432	1,137	30	2,599	2,030	(37)	1,993	42	(23)
Operating expenses	(3,159)	1	(23)	(3,181)	(3,286)	–	(3,286)	4	(3)
Operating loss	(1,727)	1,138	7	(582)	(1,256)	(37)	(1,293)	(27)	(122)
Share of profit in associates and joint ventures	26	(1)	2	27	52	–	52	100	93
Loss before tax	(1,701)	1,137	9	(555)	(1,204)	(37)	(1,271)	(29)	129

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Underlying performance****Geographical regions****Europe***30 June 2011 compared with 30 June 2010*

Half-year to 30 June 2011 ('1H11') compared with half-year to 30 June 2010 ('1H10') ¹⁶									
	1H10 as reported US\$m	1H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	1H10 at 1H11 exchange rates ¹¹ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	5,802	17	312	6,131	5,566	–	5,566	(4)	(9)
Net fee income	3,177	(50)	139	3,266	3,131	–	3,131	(1)	(4)
Changes in fair value ¹³	574	(574)	–	–	(71)	71	–	–	–
Other income ¹⁴	3,168	(135)	156	3,189	2,714	–	2,714	(14)	(15)
Net operating income¹⁵	12,721	(742)	607	12,586	11,340	71	11,411	(11)	(9)
Loan impairment charges and other credit risk provisions	(1,501)	–	(93)	(1,594)	(1,173)	–	(1,173)	22	26
Net operating income	11,220	(742)	514	10,992	10,167	71	10,238	(9)	(7)
Operating expenses	(7,704)	148	(368)	(7,924)	(8,014)	–	(8,014)	(4)	(1)
Operating profit	3,516	(594)	146	3,068	2,153	71	2,224	(39)	(28)
Share of profit in associates and joint ventures	5	–	(6)	(1)	(6)	–	(6)	–	(500)
Profit before tax	3,521	(594)	140	3,067	2,147	71	2,218	(39)	(28)

30 June 2011 compared with 31 December 2010

Half-year to 30 June 2011 ('1H11') compared with half-year to 31 December 2010 ('2H10') ¹⁶									
	2H10 as reported US\$m	2H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	2H10 at 1H11 exchange rates ¹⁷ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	5,448	1	176	5,625	5,566	–	5,566	2	(1)
Net fee income	3,194	–	98	3,292	3,131	–	3,131	(2)	(5)
Changes in fair value ¹³	(773)	773	–	–	(71)	71	–	91	–
Other income ¹⁴	2,160	(255)	56	1,961	2,714	–	2,714	26	38
Net operating income¹⁵	10,029	519	330	10,878	11,340	71	11,411	13	5
Loan impairment charges and other credit risk provisions	(1,519)	–	(53)	(1,572)	(1,173)	–	(1,173)	23	25
Net operating income	8,510	519	277	9,306	10,167	71	10,238	19	10
Operating expenses	(7,741)	–	(220)	(7,961)	(8,014)	–	(8,014)	(4)	(1)
Operating profit	769	519	57	1,345	2,153	71	2,224	180	65
Share of profit in associates and joint ventures	12	(1)	(5)	6	(6)	–	(6)	–	–
Profit before tax	781	518	52	1,351	2,147	71	2,218	175	64

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Underlying performance****Hong Kong***30 June 2011 compared with 30 June 2010*

Half-year to 30 June 2011 ('1H11') compared with half-year to 30 June 2010 ('1H10') ¹⁶									
	1H10 as reported US\$m	1H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	1H10 at 1H11 exchange rates ¹¹ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	1,994	—	1	1,995	2,249	—	2,249	13	13
Net fee income	1,395	—	—	1,395	1,612	—	1,612	16	16
Changes in fair value ¹³	(6)	6	—	—	—	—	—	100	—
Other income ¹⁴	1,513	(62)	(3)	1,448	1,553	—	1,553	3	7
Net operating income¹⁵ ..	4,896	(56)	(2)	4,838	5,414	—	5,414	11	12
Loan impairment charges and other credit risk provisions	(63)	—	—	(63)	(25)	—	(25)	60	60
Net operating income	4,833	(56)	(2)	4,775	5,389	—	5,389	11	13
Operating expenses	(1,968)	—	(1)	(1,969)	(2,339)	—	(2,339)	(19)	(19)
Operating profit	2,865	(56)	(3)	2,806	3,050	—	3,050	6	9
Share of profit in associates and joint ventures	12	—	—	12	31	—	31	158	158
Profit before tax	2,877	(56)	(3)	2,818	3,081	—	3,081	7	9

30 June 2011 compared with 31 December 2010

Half-year to 30 June 2011 ('1H11') compared with half-year to 31 December 2010 ('2H10') ¹⁶									
	2H10 as reported US\$m	2H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	2H10 at 1H11 exchange rates ¹⁷ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	2,252	—	(2)	2,250	2,249	—	2,249	—	—
Net fee income	1,567	—	(2)	1,565	1,612	—	1,612	3	3
Other income ¹⁴	1,487	(74)	(4)	1,409	1,553	—	1,553	4	10
Net operating income¹⁵	5,306	(74)	(8)	5,224	5,414	—	5,414	2	4
Loan impairment charges and other credit risk provisions	(51)	—	(1)	(52)	(25)	—	(25)	51	52
Net operating income	5,255	(74)	(9)	5,172	5,389	—	5,389	3	4
Operating expenses	(2,463)	—	3	(2,460)	(2,339)	—	(2,339)	5	5
Operating profit	2,792	(74)	(6)	2,712	3,050	—	3,050	9	12
Share of profit in associates and joint ventures	23	—	1	24	31	—	31	35	29
Profit before tax	2,815	(74)	(5)	2,736	3,081	—	3,081	9	13

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Underlying performance****Rest of Asia-Pacific***30 June 2011 compared with 30 June 2010*

	Half-year to 30 June 2011 ('1H11') compared with half-year to 30 June 2010 ('1H10') ¹⁶								
	1H10 as reported US\$m	1H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	1H10 at 1H11 exchange rates ¹¹ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	1,822	—	116	1,938	2,381	—	2,381	31	23
Net fee income	934	—	68	1,002	1,117	—	1,117	20	11
Changes in fair value ¹³	—	—	—	—	(2)	2	—	—	—
Other income ¹⁴	1,742	(188)	81	1,635	1,852	(180)	1,672	6	2
Net operating income¹⁵ ..	4,498	(188)	265	4,575	5,348	(178)	5,170	19	13
Loan impairment charges and other credit risk provisions	(147)	—	(10)	(157)	(100)	—	(100)	32	36
Net operating income	4,351	(188)	255	4,418	5,248	(178)	5,070	21	15
Operating expenses	(2,417)	—	(151)	(2,568)	(2,836)	—	(2,836)	(17)	(10)
Operating profit	1,934	(188)	104	1,850	2,412	(178)	2,234	25	21
Share of profit in associates and joint ventures	1,051	—	47	1,098	1,330	—	1,330	27	21
Profit before tax	2,985	(188)	151	2,948	3,742	(178)	3,564	25	21

30 June 2011 compared with 31 December 2010

	Half-year to 30 June 2011 ('1H11') compared with half-year to 31 December 2010 ('2H10') ¹⁶								
	2H10 as reported US\$m	2H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	2H10 at 1H11 exchange rates ¹⁷ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	2,006	—	68	2,074	2,381	—	2,381	19	15
Net fee income	998	—	39	1,037	1,117	—	1,117	12	8
Changes in fair value ¹³	(1)	1	—	—	(2)	2	—	(100)	—
Other income ¹⁴	1,731	—	51	1,782	1,852	(180)	1,672	7	6
Net operating income¹⁵	4,734	1	158	4,893	5,348	(178)	5,170	13	6
Loan impairment charges and other credit risk provisions	(292)	—	(12)	(304)	(100)	—	(100)	66	67
Net operating income	4,442	1	146	4,589	5,248	(178)	5,070	18	10
Operating expenses	(2,726)	—	(94)	(2,820)	(2,836)	—	(2,836)	(4)	(1)
Operating profit	1,716	1	52	1,769	2,412	(178)	2,234	41	26
Share of profit in associates and joint ventures	1,201	—	31	1,232	1,330	—	1,330	11	8
Profit before tax	2,917	1	83	3,001	3,742	(178)	3,564	28	19

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Underlying performance****Middle East and North Africa***30 June 2011 compared with 30 June 2010*

Half-year to 30 June 2011 ('1H11') compared with half-year to 30 June 2010 ('1H10') ¹⁶									
	1H10 as reported US\$m	1H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	1H10 at 1H11 exchange rates ¹¹ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	667	–	(7)	660	673	–	673	1	2
Net fee income	356	–	(2)	354	327	–	327	(8)	(8)
Other income ¹⁴	165	47	(2)	210	236	4	240	45	14
Net operating income¹⁵ ..	1,188	47	(11)	1,224	1,236	4	1,240	4	1
Loan impairment charges and other credit risk provisions	(438)	–	2	(436)	(99)	–	(99)	77	77
Net operating income	750	47	(9)	788	1,137	4	1,141	52	45
Operating expenses	(519)	–	4	(515)	(574)	–	(574)	(11)	(11)
Operating profit	231	47	(5)	273	563	4	567	144	108
Share of profit in associates and joint ventures	115	–	–	115	184	–	184	60	60
Profit before tax	346	47	(5)	388	747	4	751	116	94

30 June 2011 compared with 31 December 2010

Half-year to 30 June 2011 ('1H11') compared with half-year to 31 December 2010 ('2H10') ¹⁶									
	2H10 as reported US\$m	2H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	2H10 at 1H11 exchange rates ¹⁷ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	700	–	(4)	696	673	–	673	(4)	(3)
Net fee income	321	–	(2)	319	327	–	327	2	3
Other income ¹⁴	201	(5)	–	196	236	4	240	17	22
Net operating income¹⁵	1,222	(5)	(6)	1,211	1,236	4	1,240	1	2
Loan impairment charges and other credit risk provisions	(189)	–	–	(189)	(99)	–	(99)	48	48
Net operating income	1,033	(5)	(6)	1,022	1,137	4	1,141	10	12
Operating expenses	(559)	–	3	(556)	(574)	–	(574)	(3)	(3)
Operating profit	474	(5)	(3)	466	563	4	567	19	22
Share of profit in associates and joint ventures	72	–	(1)	71	184	–	184	156	159
Profit before tax	546	(5)	(4)	537	747	4	751	37	40

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Underlying performance****North America***30 June 2011 compared with 30 June 2010*

Half-year to 30 June 2011 ('1H11') compared with half-year to 30 June 2010 ('1H10') ¹⁶									
	1H10 as reported US\$m	1H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	1H10 at 1H11 exchange rates ¹¹ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	6,353	—	45	6,398	5,849	—	5,849	(8)	(9)
Net fee income	1,801	—	19	1,820	1,718	—	1,718	(5)	(6)
Changes in fair value ¹³	506	(506)	—	—	(66)	66	—	—	—
Other income ¹⁴	340	(66)	4	278	739	—	739	117	166
Net operating income¹⁵ ..	9,000	(572)	68	8,496	8,240	66	8,306	(8)	(2)
Loan impairment charges and other credit risk provisions	(4,554)	—	(8)	(4,562)	(3,049)	—	(3,049)	33	33
Net operating income	4,446	(572)	60	3,934	5,191	66	5,257	17	34
Operating expenses	(3,957)	—	(32)	(3,989)	(4,602)	—	(4,602)	(16)	(15)
Operating profit	489	(572)	28	(55)	589	66	655	20	
Share of profit in associates and joint ventures	3	—	1	4	17	—	17	467	325
Profit before tax	492	(572)	29	(51)	606	66	672	23	

30 June 2011 compared with 31 December 2010

Half-year to 30 June 2011 ('1H11') compared with half-year to 31 December 2010 ('2H10') ¹⁶									
	2H10 as reported US\$m	2H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	2H10 at 1H11 exchange rates ¹⁷ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	6,086	—	40	6,126	5,849	—	5,849	(4)	(5)
Net fee income	1,863	—	18	1,881	1,718	—	1,718	(8)	(9)
Changes in fair value ¹³	(363)	363	—	—	(66)	66	—	82	—
Other income ¹⁴	461	—	2	462	739	—	739	61	60
Net operating income¹⁵	8,047	363	59	8,469	8,240	66	8,306	2	(2)
Loan impairment charges and other credit risk provisions	(3,741)	—	(11)	(3,752)	(3,049)	—	(3,049)	18	19
Net operating income	4,306	363	48	4,717	5,191	66	5,257	21	11
Operating expenses	(4,365)	—	(30)	(4,395)	(4,602)	—	(4,602)	(5)	(5)
Operating profit/(loss)	(59)	363	18	322	589	66	655		103
Share of profit in associates and joint ventures	21	—	1	22	17	—	17	(19)	(23)
Profit/(loss) before tax	(38)	363	19	344	606	66	672		95

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Underlying performance****Latin America***30 June 2011 compared with 30 June 2010*

Half-year to 30 June 2011 ('1H11') compared with half-year to 30 June 2010 ('1H10') ¹⁶									
	1H10 as reported US\$m	1H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	1H10 at 1H11 exchange rates ¹¹ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	3,119	—	231	3,350	3,517	—	3,517	13	5
Net fee income	855	—	64	919	902	—	902	6	(2)
Other income ¹⁴	741	—	49	790	1,264	—	1,264	71	60
Net operating income¹⁵	4,715	—	344	5,059	5,683	—	5,683	21	12
Loan impairment charges and other credit risk provisions	(820)	—	(67)	(887)	(820)	—	(820)	—	8
Net operating income	3,895	—	277	4,172	4,863	—	4,863	25	17
Operating expenses	(3,013)	—	(220)	(3,233)	(3,712)	—	(3,712)	(23)	(15)
Operating profit	882	—	57	939	1,151	—	1,151	31	23
Share of profit in associates and joint ventures	1	—	(1)	—	—	—	—	(100)	—
Profit before tax	883	—	56	939	1,151	—	1,151	30	23

30 June 2011 compared with 31 December 2010

Half-year to 30 June 2011 ('1H11') compared with half-year to 31 December 2010 ('2H10') ¹⁶									
	2H10 as reported US\$m	2H10 adjust- ments ⁹ US\$m	Currency translation ¹⁰ US\$m	2H10 at 1H11 exchange rates ¹⁷ US\$m	1H11 as reported US\$m	1H11 adjust- ments ⁹ US\$m	1H11 under- lying US\$m	Re- ported change ¹² %	Under- lying change ¹² %
Net interest income	3,192	—	146	3,338	3,517	—	3,517	10	5
Net fee income	894	—	44	938	902	—	902	1	(4)
Other income ¹⁴	930	—	44	974	1,264	—	1,264	36	30
Net operating income¹⁵	5,016	—	234	5,250	5,683	—	5,683	13	8
Loan impairment charges and other credit risk provisions	(724)	—	(39)	(763)	(820)	—	(820)	(13)	(7)
Net operating income	4,292	—	195	4,487	4,863	—	4,863	13	8
Operating expenses	(3,381)	—	(158)	(3,539)	(3,712)	—	(3,712)	(10)	(5)
Operating profit	911	—	37	948	1,151	—	1,151	26	21
Share of profit in associates and joint ventures	1	—	—	1	—	—	—	(100)	(100)
Profit before tax	912	—	37	949	1,151	—	1,151	26	21

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Footnotes****Footnotes**

- 9 *These columns comprise the net increments or decrements in profits in the current half-year (compared with the previous half-years) which are attributable to acquisitions or disposals of subsidiaries, gains arising on the dilution of interests in associates and/or movements in fair value of own debt designated at fair value attributable to credit spread. The inclusion of acquisitions and disposals is determined in the light of events in each period.*
- 10 *'Currency translation' is the effect of translating the results of subsidiaries and associates for the previous half-years at the average rates of exchange applicable in the current half-year.*
- 11 *Excluding adjustments in the first half of 2010.*
- 12 *Positive numbers are favourable; negative numbers are unfavourable.*
- 13 *Changes in fair value due to movements in own credit spread on long-term debt issued. This does not include the fair value changes due to own credit spread on structured notes issued and other hybrid instruments included within trading liabilities.*
- 14 *Other income in this context comprises net trading income, net income/(expense) from other financial instruments designated at fair value, gains less losses from financial investments, dividend income, net earned insurance premiums and other operating income less net insurance claims incurred and movement in liabilities to policyholders.*
- 15 *Net operating income before loan impairment charges and other credit risk provisions.*
- 16 *With effect from 1 March 2011, our Global Asset Management business was moved from GB&M to RBWM. Comparative data have been adjusted accordingly.*
- 17 *Excluding adjustments and disposals in the second half of 2010.*