

HSBC HOLDINGS PLC

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

31 December 2011

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

Underlying performance

Reconciliation of reported and underlying profit/(loss) 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 year-on-year 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 2010 referred to in the commentaries are computed by retranslating into US dollars for non-US dollar branches, subsidiaries, joint ventures and associates:

- the income statements for 2010 at the average rates of exchange for 2011; and
- the balance sheet at 31 December 2010 at the prevailing rates of exchange on 31 December 2011.

Constant currency comparatives for 2009 are computed on the same basis, by applying average rates of exchange for 2010 to the 2009 income statement and rates of exchange on 31 December 2010 to the balance sheet at 31 December 2009.

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 following tables compare our underlying performance in 2011 and 2010 with reported profits in those years. Equivalent tables are provided for each of HSBC's global businesses and geographical segments in the Form 20-F filed with the SEC, which is available on www.hsbc.com.

The foreign currency translation differences reflect the relative weakening of the US dollar against most major currencies during 2011.

The following acquisitions and disposals affected both comparisons:

- 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 May 2010 and June 2011 of US\$188m and US\$181m, respectively;
- the loss of US\$42m on the sale of our investment in British Arab Commercial Bank plc in October 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 gain on the sale of Eversholt Rail Group in December 2010 (US\$255m);
- the gain of US\$83m on the sale of HSBC Afore S.A. de C.V. ('HSBC Afore') in August 2011;
- a loss of US\$48m being our share of the loss recorded by Ping An on remeasurement of its previously held equity interest in Shenzhen Development Bank ('SDB') when Ping An took control and fully consolidated SDB in July 2011; and
- the dilution gain of US\$27m in December 2011 as a result of the merger between HSBC Saudi Arabia Limited and SABB Securities Limited.

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

	2011 compared with 2010								
	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	Currency translation ² US\$m	2010 at 2011 exchange rates ³ US\$m	2011 as reported US\$m	2011 adjust- ments ¹ US\$m	2011 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
HSBC									
Net interest income	39,441	48	781	40,270	40,662	–	40,662	3	1
Net fee income	17,355	(55)	349	17,649	17,160	–	17,160	(1)	(3)
Changes in fair value ⁵	(63)	63	–	–	3,933	(3,933)	–	–	–
Other income	11,514	(847)	284	10,951	10,525	(291)	10,234	(9)	(7)
Net operating income⁶ ...	68,247	(791)	1,414	68,870	72,280	(4,224)	68,056	6	(1)
Loan impairment charges and other credit risk provisions	(14,039)	–	(206)	(14,245)	(12,127)	–	(12,127)	14	15
Net operating income	54,208	(791)	1,208	54,625	60,153	(4,224)	55,929	11	2
Operating expenses	(37,688)	220	(842)	(38,310)	(41,545)	–	(41,545)	(10)	(8)
Operating profit	16,520	(571)	366	16,315	18,608	(4,224)	14,384	13	(12)
Income from associates ...	2,517	–	93	2,610	3,264	48	3,312	30	27
Profit before tax	19,037	(571)	459	18,925	21,872	(4,176)	17,696	15	(6)
By geographical region									
Europe	4,302	(88)	167	4,381	4,671	(2,947)	1,724	9	(61)
Hong Kong	5,692	(130)	(10)	5,552	5,823	–	5,823	2	5
Rest of Asia-Pacific	5,902	(187)	227	5,942	7,471	(135)	7,336	27	23
Middle East and North Africa	892	42	(10)	924	1,492	(41)	1,451	67	57
North America	454	(208)	39	285	100	(970)	(870)	(78)	
Latin America	1,795	–	46	1,841	2,315	(83)	2,232	29	21
Profit before tax	19,037	(571)	459	18,925	21,872	(4,176)	17,696	15	(6)
By global business									
Retail Banking and Wealth Management	3,839	(3)	126	3,962	4,270	(83)	4,187	11	6
Commercial Banking	6,090	(119)	126	6,097	7,947	–	7,947	31	30
Global Banking and Markets	9,215	(262)	198	9,151	7,049	–	7,049	(24)	(23)
Global Private Banking ...	1,054	–	6	1,060	944	–	944	(10)	(11)
Other	(1,161)	(187)	3	(1,345)	1,662	(4,093)	(2,431)		(81)
Profit before tax	19,037	(571)	459	18,925	21,872	(4,176)	17,696	15	(6)

For footnotes, see page 15.

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

	2010 compared with 2009								
	2009 as reported US\$m	2009 adjust- ments ¹ US\$m	Currency translation ² US\$m	2009 at 2010 exchange rates ³ US\$m	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	2010 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
HSBC									
Net interest income	40,730	(1)	642	41,371	39,441	(31)	39,410	(3)	(5)
Net fee income	17,664	(210)	182	17,636	17,355	(3)	17,352	(2)	(2)
Changes in fair value ⁵	(6,533)	6,533	–	–	(63)	63	–	99	–
Other income	14,320	(283)	228	14,265	11,514	(719)	10,795	(20)	(24)
Net operating income ⁶	66,181	6,039	1,052	73,272	68,247	(690)	67,557	3	(8)
Loan impairment charges and other credit risk provisions	(26,488)	–	(330)	(26,818)	(14,039)	–	(14,039)	47	48
Net operating income	39,693	6,039	722	46,454	54,208	(690)	53,518	37	15
Operating expenses	(34,395)	200	(568)	(34,763)	(37,688)	19	(37,669)	(10)	(8)
Operating profit	5,298	6,239	154	11,691	16,520	(671)	15,849	212	36
Income from associates ...	1,781	(1)	11	1,791	2,517	–	2,517	41	41
Profit before tax	7,079	6,238	165	13,482	19,037	(671)	18,366	169	36
By geographical region									
Europe	4,009	2,546	(152)	6,403	4,302	(164)	4,138	7	(35)
Hong Kong	5,029	1	(10)	5,020	5,692	(130)	5,562	13	11
Rest of Asia-Pacific	4,200	3	205	4,408	5,902	(211)	5,691	41	29
Middle East and North Africa	455	–	(2)	453	892	42	934	96	106
North America	(7,738)	3,688	46	(4,004)	454	(208)	246		
Latin America	1,124	–	78	1,202	1,795	–	1,795	60	49
Profit before tax	7,079	6,238	165	13,482	19,037	(671)	18,366	169	36
By global business									
Retail Banking and Wealth Management ...	(1,846)	(2)	(67)	(1,915)	3,839	(10)	3,829		
Commercial Banking	4,275	(306)	64	4,033	6,090	(133)	5,957	42	48
Global Banking and Markets	10,262	13	170	10,445	9,215	(342)	8,873	(10)	(15)
Global Private Banking ...	1,108	–	1	1,109	1,054	1	1,055	(5)	(5)
Other	(6,720)	6,533	(3)	(190)	(1,161)	(187)	(1,348)	83	(609)
Profit before tax	7,079	6,238	165	13,482	19,037	(671)	18,366	169	36

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Global businesses****Global businesses****Retail Banking and Wealth Management***2011 compared with 2010*

	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	Currency translation ² US\$m	2010 at 2011 exchange rates ³ US\$m	2011 as reported US\$m	2011 adjust- ments ¹ US\$m	2011 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	24,166	–	424	24,590	24,101	–	24,101	(0)	(2)
Net fee income	8,397	(2)	154	8,549	8,226	–	8,226	(2)	(4)
Other income	1,048	(3)	36	1,081	1,206	(83)	1,123	15	4
Net operating income⁶ ...	33,611	(5)	614	34,220	33,533	(83)	33,450	(0)	(2)
Loan impairment charges and other credit risk provisions	(11,259)	–	(113)	(11,372)	(9,319)	–	(9,319)	17	18
Net operating income	22,352	(5)	501	22,848	24,214	(83)	24,131	8	6
Operating expenses	(19,539)	2	(421)	(19,958)	(21,202)	–	(21,202)	(9)	(6)
Operating profit/(loss) ...	2,813	(3)	80	2,890	3,012	(83)	2,929	7	1
Income from associates ...	1,026	–	46	1,072	1,258	–	1,258	23	17
Profit/(loss) before tax ...	3,839	(3)	126	3,962	4,270	(83)	4,187	11	6

2010 compared with 2009

	2009 as reported US\$m	2009 adjust- ments ¹ US\$m	Currency translation ² US\$m	2009 at 2010 exchange rates ³ US\$m	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	2010 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	25,099	–	418	25,517	24,166	(8)	24,158	(4)	(5)
Net fee income	9,138	(8)	123	9,253	8,397	(1)	8,396	(8)	(9)
Other income	2,060	–	98	2,158	1,048	(5)	1,043	(49)	(52)
Net operating income⁶	36,297	(8)	639	36,928	33,611	(14)	33,597	(7)	(9)
Loan impairment charges and other credit risk provisions	(19,902)	–	(271)	(20,173)	(11,259)	–	(11,259)	43	44
Net operating income	16,395	(8)	368	16,755	22,352	(14)	22,338	36	33
Operating expenses	(18,976)	6	(442)	(19,412)	(19,539)	4	(19,535)	(3)	(1)
Operating profit/(loss)	(2,581)	(2)	(74)	(2,657)	2,813	(10)	2,803		
Income from associates ...	735	–	7	742	1,026	–	1,026	40	38
Profit/(loss) before tax	(1,846)	(2)	(67)	(1,915)	3,839	(10)	3,829		

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Global businesses****Commercial Banking***2011 compared with 2010*

	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	Currency translation ² US\$m	2010 at 2011 exchange rates ³ US\$m	2011 as reported US\$m	2011 adjust- ments ¹ US\$m	2011 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	8,487	(1)	194	8,680	9,931	–	9,931	17	14
Net fee income	3,964	(37)	99	4,026	4,291	–	4,291	8	7
Other income	1,383	(119)	19	1,283	1,389	–	1,390	1	8
Net operating income⁶	13,834	(157)	312	13,989	15,611	–	15,612	13	12
Loan impairment charges and other credit risk provisions	(1,805)	–	(49)	(1,854)	(1,738)	–	(1,738)	4	6
Net operating income	12,029	(157)	263	12,135	13,873	–	13,874	15	14
Operating expenses	(6,831)	38	(165)	(6,958)	(7,221)	–	(7,221)	(6)	(4)
Operating profit	5,198	(119)	98	5,177	6,652	–	6,653	28	29
Income from associates ...	892	–	28	920	1,295	–	1,295	45	41
Profit before tax	6,090	(119)	126	6,097	7,947	–	7,948	31	30

2010 compared with 2009

	2009 as reported US\$m	2009 adjust- ments ¹ US\$m	Currency translation ² US\$m	2009 at 2010 exchange rates ³ US\$m	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	2010 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	7,883	(1)	193	8,075	8,487	(20)	8,467	8	5
Net fee income	3,702	(164)	51	3,589	3,964	(2)	3,962	7	10
Other income	1,268	(283)	12	997	1,383	(124)	1,259	9	26
Net operating income⁶	12,853	(448)	256	12,661	13,834	(146)	13,688	8	8
Loan impairment charges and other credit risk provisions	(3,282)	–	(73)	(3,355)	(1,805)	–	(1,805)	45	46
Net operating income	9,571	(448)	183	9,306	12,029	(146)	11,883	26	28
Operating expenses	(5,963)	143	(122)	(5,942)	(6,831)	13	(6,818)	(15)	(15)
Operating profit	3,608	(305)	61	3,364	5,198	(133)	5,065	44	51
Income from associates ...	667	(1)	3	669	892	–	892	34	33
Profit before tax	4,275	(306)	64	4,033	6,090	(133)	5,957	42	48

For footnotes, see page 15.

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

	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	Currency translation ² US\$m	2010 at 2011 exchange rates ³ US\$m	2011 as reported US\$m	2011 adjust- ments ¹ US\$m	2011 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	7,343	49	176	7,568	7,263	–	7,263	(1)	(4)
Net fee income	3,664	(16)	82	3,730	3,227	–	3,227	(12)	(13)
Net trading income	5,830	243	179	6,252	5,204	–	5,204	(11)	(17)
Other income	2,075	(718)	54	1,411	1,363	–	1,363	(34)	(3)
Net operating income⁶	18,912	(442)	491	18,961	17,057	–	17,057	(10)	(10)
Loan impairment charges and other credit risk provisions	(990)	–	(41)	(1,031)	(984)	–	(984)	1	5
Net operating income	17,922	(442)	450	17,930	16,073	–	16,073	(10)	(10)
Operating expenses	(9,228)	180	(266)	(9,314)	(9,722)	–	(9,722)	(5)	(4)
Operating profit	8,694	(262)	184	8,616	6,351	–	6,351	(27)	(26)
Income from associates ...	521	–	14	535	698	–	698	34	30
Profit before tax	9,215	(262)	198	9,151	7,049	–	7,049	(24)	(23)

2010 compared with 2009

	2009 as reported US\$m	2009 adjust- ments ¹ US\$m	Currency translation ² US\$m	2009 at 2010 exchange rates ³ US\$m	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	2010 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	8,618	–	61	8,679	7,343	(3)	7,340	(15)	(15)
Net fee income	3,463	(38)	12	3,437	3,664	–	3,664	6	7
Net trading income	6,867	–	106	6,973	5,830	–	5,830	(15)	(16)
Other income	1,990	–	–	1,990	2,075	(341)	1,734	4	(13)
Net operating income⁶	20,938	(38)	179	21,079	18,912	(344)	18,568	(10)	(12)
Loan impairment charges and other credit risk provisions	(3,168)	–	13	(3,155)	(990)	–	(990)	69	69
Net operating income	17,770	(38)	192	17,924	17,922	(344)	17,578	1	(2)
Operating expenses	(7,853)	51	(23)	(7,825)	(9,228)	2	(9,226)	(18)	(18)
Operating profit	9,917	13	169	10,099	8,694	(342)	8,352	(12)	(17)
Income from associates ...	345	–	1	346	521	–	521	51	51
Profit before tax	10,262	13	170	10,445	9,215	(342)	8,873	(10)	(15)

For footnotes, see page 15.

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

	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	Currency translation ² US\$m	2010 at 2011 exchange rates ³ US\$m	2011 as reported US\$m	2011 adjust- ments ¹ US\$m	2011 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	1,345	–	13	1,358	1,439	–	1,439	7	6
Net fee income	1,299	–	15	1,314	1,382	–	1,382	6	5
Other income	449	–	2	451	471	–	471	5	4
Net operating income⁶	3,093	–	30	3,123	3,292	–	3,292	6	5
Loan impairment charges and other credit risk provisions	12	–	(1)	11	(86)	–	(86)		
Net operating income	3,105	–	29	3,134	3,206	–	3,206	3	2
Operating expenses	(2,035)	–	(23)	(2,058)	(2,266)	–	(2,266)	(11)	(10)
Operating profit	1,070	–	6	1,076	940	–	940	(12)	(13)
Income from associates ...	(16)	–	–	(16)	4	–	4		
Profit before tax	1,054	–	6	1,060	944	–	944	(10)	(11)

2010 compared with 2009

	2009 as reported US\$m	2009 adjust- ments ¹ US\$m	Currency translation ² US\$m	2009 at 2010 exchange rates ³ US\$m	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	2010 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	1,474	–	(2)	1,472	1,345	–	1,345	(9)	(9)
Net fee income	1,236	–	(1)	1,235	1,299	–	1,299	5	5
Other income	402	–	–	402	449	1	450	12	12
Net operating income⁶	3,112	–	(3)	3,109	3,093	1	3,094	(1)	–
Loan impairment charges and other credit risk provisions	(128)	–	1	(127)	12	–	12		
Net operating income	2,984	–	(2)	2,982	3,105	1	3,106	4	4
Operating expenses	(1,884)	–	3	(1,881)	(2,035)	–	(2,035)	(8)	(8)
Operating profit	1,100	–	1	1,101	1,070	1	1,071	(3)	(3)
Income from associates ...	8	–	–	8	(16)	–	(16)		
Profit before tax	1,108	–	1	1,109	1,054	1	1,055	(5)	(5)

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Global businesses****Other***2011 compared with 2010*

	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	Currency translation ² US\$m	2010 at 2011 exchange rates ³ US\$m	2011 as reported US\$m	2011 adjust- ments ¹ US\$m	2011 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest expense	(998)	–	(41)	(1,039)	(911)	–	(911)	9	12
Net fee income	31	–	(1)	30	34	–	34	10	13
Changes in fair value ⁵	(63)	63	–	–	3,933	(3,933)	–	–	–
Other income	5,690	(250)	65	5,505	6,089	(208)	5,881	7	7
Net operating income⁶ ...	4,660	(187)	23	4,496	9,145	(4,141)	5,004	96	11
Loan impairment recoveries and other credit risk provisions ...	3	–	(2)	1	–	–	–	(100)	(100)
Net operating income ...	4,663	(187)	21	4,497	9,145	(4,141)	5,004	96	11
Operating expenses	(5,918)	–	(24)	(5,942)	(7,492)	–	(7,492)	(27)	(26)
Operating profit/(loss) ...	(1,255)	(187)	(3)	(1,445)	1,653	(4,141)	(2,488)	232	(72)
Income from associates ...	94	–	6	100	9	48	57	(90)	(43)
Profit/(loss) before tax ...	(1,161)	(187)	3	(1,345)	1,662	(4,093)	(2,431)		(81)

2010 compared with 2009

	2009 as reported US\$m	2009 adjust- ments ¹ US\$m	Currency translation ² US\$m	2009 at 2010 exchange rates ³ US\$m	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	2010 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest expense	(1,035)	–	21	(1,014)	(998)	–	(998)	4	2
Net fee income	125	–	(3)	122	31	–	31	(75)	(75)
Changes in fair value ⁵	(6,533)	6,533	–	–	(63)	63	–	99	–
Other income	5,420	–	29	5,449	5,690	(250)	5,440	5	–
Net operating income/ (expense) ⁶	(2,023)	6,533	47	4,557	4,660	(187)	4,473		(2)
Loan impairment (charges)/recoveries and other credit risk provisions	(8)	–	–	(8)	3	–	3		
Net operating income/ (expense)	(2,031)	6,533	47	4,549	4,663	(187)	4,476		(2)
Operating expenses	(4,715)	–	(50)	(4,765)	(5,918)	–	(5,918)	(26)	(24)
Operating loss	(6,746)	6,533	(3)	(216)	(1,255)	(187)	(1,442)	81	(568)
Income from associates ...	26	–	–	26	94	–	94	262	262
Loss before tax	(6,720)	6,533	(3)	(190)	(1,161)	(187)	(1,348)	83	(609)

For footnotes, see page 15.

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

	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	Currency translation ² US\$m	2010 at 2011 exchange rates ³ US\$m	2011 as reported US\$m	2011 adjust- ments ¹ US\$m	2011 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	11,250	48	365	11,663	11,001	–	11,001	(2)	(6)
Net fee income	6,371	(55)	176	6,492	6,236	–	6,236	(2)	(4)
Changes in fair value ⁵	(198)	198	–	–	2,947	(2,947)	–	1,588	–
Other income	5,327	(499)	188	5,016	4,062	–	4,062	(24)	(19)
Net operating income⁶	22,750	(308)	729	23,171	24,246	(2,947)	21,299	7	(8)
Loan impairment charges and other credit risk provisions	(3,020)	–	(112)	(3,132)	(2,512)	–	(2,512)	17	20
Net operating income	19,730	(308)	617	20,039	21,734	(2,947)	18,787	10	(6)
Operating expenses	(15,445)	220	(436)	(15,661)	(17,069)	–	(17,069)	(11)	(9)
Operating profit	4,285	(88)	181	4,378	4,665	(2,947)	1,718	9	(61)
Income from associates ...	17	–	(14)	3	6	–	6	(65)	100
Profit before tax	4,302	(88)	167	4,381	4,671	(2,947)	1,724	9	(61)

2010 compared with 2009

	2009 as reported US\$m	2009 adjust- ments ¹ US\$m	Currency translation ² US\$m	2009 at 2010 exchange rates ³ US\$m	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	2010 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	12,268	(1)	(189)	12,078	11,250	–	11,250	(8)	(7)
Net fee income	6,267	(210)	(125)	5,932	6,371	–	6,371	2	7
Changes in fair value ⁵	(2,841)	2,841	–	–	(198)	198	–	93	–
Other income	7,850	(283)	(104)	7,463	5,327	(362)	4,965	(32)	(33)
Net operating income⁶	23,544	2,347	(418)	25,473	22,750	(164)	22,586	(3)	(11)
Loan impairment charges and other credit risk provisions	(5,568)	–	48	(5,520)	(3,020)	–	(3,020)	46	45
Net operating income	17,976	2,347	(370)	19,953	19,730	(164)	19,566	10	(2)
Operating expenses	(13,988)	200	220	(13,568)	(15,445)	–	(15,445)	(10)	(14)
Operating profit	3,988	2,547	(150)	6,385	4,285	(164)	4,121	7	(35)
Income from associates ...	21	(1)	(2)	18	17	–	17	(19)	(6)
Profit before tax	4,009	2,546	(152)	6,403	4,302	(164)	4,138	7	(35)

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Geographical regions****Hong Kong***2011 compared with 2010*

	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	Currency translation ² US\$m	2010 at 2011 exchange rates ³ US\$m	2011 as reported US\$m	2011 adjust- ments ¹ US\$m	2011 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	4,246	–	(1)	4,245	4,691	–	4,691	10	11
Net fee income	2,962	–	(3)	2,959	3,097	–	3,097	5	5
Changes in fair value ⁵	(6)	6	–	–	–	–	–	–	–
Other income	3,000	(136)	(7)	2,857	2,894	–	2,894	(4)	1
Net operating income⁶	10,202	(130)	(11)	10,061	10,682	–	10,682	5	6
Loan impairment charges and other credit risk provisions	(114)	–	–	(114)	(156)	–	(156)	(37)	(37)
Net operating income	10,088	(130)	(11)	9,947	10,526	–	10,526	4	6
Operating expenses	(4,431)	–	2	(4,429)	(4,758)	–	(4,758)	(7)	(7)
Operating profit	5,657	(130)	(9)	5,518	5,768	–	5,768	2	5
Income from associates ...	35	–	(1)	34	55	–	55	57	62
Profit before tax	5,692	(130)	(10)	5,552	5,823	–	5,823	2	5

2010 compared with 2009

	2009 as reported US\$m	2009 adjust- ments ¹ US\$m	Currency translation ² US\$m	2009 at 2010 exchange rates ³ US\$m	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	2010 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	4,195	–	(7)	4,188	4,246	–	4,246	1	1
Net fee income	2,669	–	(4)	2,665	2,962	–	2,962	11	11
Changes in fair value ⁵	(1)	1	–	–	(6)	6	–	(500)	–
Other income	2,604	–	(6)	2,598	3,000	(136)	2,864	15	10
Net operating income⁶	9,467	1	(17)	9,451	10,202	(130)	10,072	8	7
Loan impairment charges and other credit risk provisions	(500)	–	1	(499)	(114)	–	(114)	77	77
Net operating income	8,967	1	(16)	8,952	10,088	(130)	9,958	13	11
Operating expenses	(3,946)	–	6	(3,940)	(4,431)	–	(4,431)	(12)	(12)
Operating profit	5,021	1	(10)	5,012	5,657	(130)	5,527	13	10
Income from associates ...	8	–	–	8	35	–	35	338	338
Profit before tax	5,029	1	(10)	5,020	5,692	(130)	5,562	13	11

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Geographical regions****Rest of Asia-Pacific***2011 compared with 2010*

	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	Currency translation ² US\$m	2010 at 2011 exchange rates ³ US\$m	2011 as reported US\$m	2011 adjust- ments ¹ US\$m	2011 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	3,828	–	165	3,993	5,102	–	5,102	33	28
Net fee income	1,932	–	99	2,031	2,111	–	2,111	9	4
Changes in fair value ⁵	(1)	1	–	–	2	(2)	–	–	–
Other income	3,473	(188)	92	3,377	3,498	(181)	3,317	1	(2)
Net operating income⁶	9,232	(187)	356	9,401	10,713	(183)	10,530	16	12
Loan impairment charges and other credit risk provisions	(439)	–	(24)	(463)	(267)	–	(267)	39	42
Net operating income	8,793	(187)	332	8,938	10,446	(183)	10,263	19	15
Operating expenses	(5,143)	–	(213)	(5,356)	(5,806)	–	(5,806)	(13)	(8)
Operating profit	3,650	(187)	119	3,582	4,640	(183)	4,457	27	24
Income from associates ...	2,252	–	108	2,360	2,831	48	2,879	26	22
Profit before tax	5,902	(187)	227	5,942	7,471	(135)	7,336	27	23

2010 compared with 2009

	2009 as reported US\$m	2009 adjust- ments ¹ US\$m	Currency translation ² US\$m	2009 at 2010 exchange rates ³ US\$m	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	2010 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	3,539	–	240	3,779	3,828	(31)	3,797	8	–
Net fee income	1,557	–	109	1,666	1,932	(3)	1,929	24	16
Changes in fair value ⁵	(3)	3	–	–	(1)	1	–	67	–
Other income	2,910	–	208	3,118	3,473	(197)	3,276	19	5
Net operating income⁶	8,003	3	557	8,563	9,232	(230)	9,002	15	5
Loan impairment charges and other credit risk provisions	(896)	–	(74)	(970)	(439)	–	(439)	51	55
Net operating income	7,107	3	483	7,593	8,793	(230)	8,563	24	13
Operating expenses	(4,450)	–	(291)	(4,741)	(5,143)	19	(5,124)	(16)	(8)
Operating profit	2,657	3	192	2,852	3,650	(211)	3,439	37	21
Income from associates ...	1,543	–	13	1,556	2,252	–	2,252	46	45
Profit before tax	4,200	3	205	4,408	5,902	(211)	5,691	41	29

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Geographical regions****Middle East and North Africa***2011 compared with 2010*

	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	Currency translation ² US\$m	2010 at 2011 exchange rates ³ US\$m	2011 as reported US\$m	2011 adjust- ments ¹ US\$m	2011 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	1,367	–	(12)	1,355	1,432	–	1,432	5	6
Net fee income	677	–	(4)	673	627	–	627	(7)	(7)
Changes in fair value ⁵	–	–	–	–	14	(14)	–	–	–
Other income	366	42	(3)	405	534	(27)	507	46	25
Net operating income⁶	2,410	42	(19)	2,433	2,607	(41)	2,566	8	5
Loan impairment charges and other credit risk provisions	(627)	–	2	(625)	(293)	–	(293)	53	53
Net operating income	1,783	42	(17)	1,808	2,314	(41)	2,273	30	26
Operating expenses	(1,078)	–	8	(1,070)	(1,159)	–	(1,159)	(8)	(8)
Operating profit	705	42	(9)	738	1,155	(41)	1,114	64	51
Income from associates ...	187	–	(1)	186	337	–	337	80	81
Profit before tax	892	42	(10)	924	1,492	(41)	1,451	67	57

2010 compared with 2009

	2009 as reported US\$m	2009 adjust- ments ¹ US\$m	Currency translation ² US\$m	2009 at 2010 exchange rates ³ US\$m	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	2010 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	1,485	–	(4)	1,481	1,367	–	1,367	(8)	(8)
Net fee income	625	–	(1)	624	677	–	677	8	8
Other income	484	–	(1)	483	366	42	408	(24)	(16)
Net operating income⁶	2,594	–	(6)	2,588	2,410	42	2,452	(7)	(5)
Loan impairment charges and other credit risk provisions	(1,334)	–	1	(1,333)	(627)	–	(627)	53	53
Net operating income	1,260	–	(5)	1,255	1,783	42	1,825	42	45
Operating expenses	(1,001)	–	3	(998)	(1,078)	–	(1,078)	(8)	(8)
Operating profit	259	–	(2)	257	705	42	747	172	191
Income from associates ...	196	–	–	196	187	–	187	(5)	(5)
Profit before tax	455	–	(2)	453	892	42	934	96	106

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Geographical regions****North America***2011 compared with 2010*

	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	Currency translation ² US\$m	2010 at 2011 exchange rates ³ US\$m	2011 as reported US\$m	2011 adjust- ments ¹ US\$m	2011 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	12,439	–	64	12,503	11,480	–	11,480	(8)	(8)
Net fee income	3,664	–	27	3,691	3,308	–	3,308	(10)	(10)
Changes in fair value ⁵	142	(142)	–	–	970	(970)	–	583	–
Other income	802	(66)	4	740	242	–	242	(70)	(67)
Net operating income⁶	17,047	(208)	95	16,934	16,000	(970)	15,030	(6)	(11)
Loan impairment charges and other credit risk provisions	(8,295)	–	(11)	(8,306)	(7,016)	–	(7,016)	15	16
Net operating income	8,752	(208)	84	8,628	8,984	(970)	8,014	3	(7)
Operating expenses	(8,322)	–	(46)	(8,368)	(8,919)	–	(8,919)	(7)	(7)
Operating profit/(loss)	430	(208)	38	260	65	(970)	(905)	(85)	
Income from associates ...	24	–	1	25	35	–	35	46	40
Profit/(loss) before tax	454	(208)	39	285	100	(970)	(870)	(78)	

2010 compared with 2009

	2009 as reported US\$m	2009 adjust- ments ¹ US\$m	Currency translation ² US\$m	2009 at 2010 exchange rates ³ US\$m	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	2010 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	13,670	–	134	13,804	12,439	–	12,439	(9)	(10)
Net fee income	4,817	–	56	4,873	3,664	–	3,664	(24)	(25)
Changes in fair value ⁵	(3,688)	3,688	–	–	142	(142)	–	–	–
Other income	1,506	–	12	1,518	802	(66)	736	(47)	(52)
Net operating income⁶	16,305	3,688	202	20,195	17,047	(208)	16,839	5	(17)
Loan impairment charges and other credit risk provisions	(15,664)	–	(53)	(15,717)	(8,295)	–	(8,295)	47	47
Net operating income	641	3,688	149	4,478	8,752	(208)	8,544	1,265	91
Operating expenses	(8,391)	–	(103)	(8,494)	(8,322)	–	(8,322)	1	2
Operating profit/(loss)	(7,750)	3,688	46	(4,016)	430	(208)	222		
Income from associates ...	12	–	–	12	24	–	24	100	100
Profit/(loss) before tax	(7,738)	3,688	46	(4,004)	454	(208)	246		

For footnotes, see page 15.

Reconciliation of reported and underlying profit/(loss) before tax (continued)**Geographical regions****Latin America***2011 compared with 2010*

	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	Currency translation ² US\$m	2010 at 2011 exchange rates ³ US\$m	2011 as reported US\$m	2011 adjust- ments ¹ US\$m	2011 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	6,311	–	200	6,511	6,956	–	6,956	10	7
Net fee income	1,749	–	54	1,803	1,781	–	1,781	2	(1)
Other income	1,671	–	40	1,711	2,716	(83)	2,633	63	54
Net operating income⁶	9,731	–	294	10,025	11,453	(83)	11,370	18	13
Loan impairment charges and other credit risk provisions	(1,544)	–	(61)	(1,605)	(1,883)	–	(1,883)	(22)	(17)
Net operating income	8,187	–	233	8,420	9,570	(83)	9,487	17	13
Operating expenses	(6,394)	–	(187)	(6,581)	(7,255)	–	(7,255)	(13)	(10)
Operating profit	1,793	–	46	1,839	2,315	(83)	2,232	29	21
Income from associates ...	2	–	–	2	–	–	–	(100)	(100)
Profit before tax	1,795	–	46	1,841	2,315	(83)	2,232	29	21

2010 compared with 2009

	2009 as reported US\$m	2009 adjust- ments ¹ US\$m	Currency translation ² US\$m	2009 at 2010 exchange rates ³ US\$m	2010 as reported US\$m	2010 adjust- ments ¹ US\$m	2010 under- lying US\$m	Re- ported change ⁴ %	Under- lying change ⁴ %
Net interest income	5,573	–	468	6,041	6,311	–	6,311	13	4
Net fee income	1,729	–	147	1,876	1,749	–	1,749	1	(7)
Other income	1,722	–	169	1,891	1,671	–	1,671	(3)	(12)
Net operating income⁶	9,024	–	784	9,808	9,731	–	9,731	8	(1)
Loan impairment charges and other credit risk provisions	(2,526)	–	(253)	(2,779)	(1,544)	–	(1,544)	39	44
Net operating income	6,498	–	531	7,029	8,187	–	8,187	26	16
Operating expenses	(5,375)	–	(453)	(5,828)	(6,394)	–	(6,394)	(19)	(10)
Operating profit	1,123	–	78	1,201	1,793	–	1,793	60	49
Income from associates ...	1	–	–	1	2	–	2	100	100
Profit before tax	1,124	–	78	1,202	1,795	–	1,795	60	49

For footnotes, see page 15.

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

- 1 *These columns comprise the net increments or decrements in profits in the current year compared with the previous year which are attributable to acquisitions or disposals of subsidiaries and/or movements in fair value of own debt attributable to credit spread. The inclusion of acquisitions and disposals is determined in the light of events each year.*
- 2 *'Currency translation' is the effect of translating the results of subsidiaries and associates for the previous year at the average rates of exchange applicable in the current year.*
- 3 *Excluding adjustments in 2010.*
- 4 *Positive numbers are favourable; negative numbers are unfavourable.*
- 5 *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.*
- 6 *Net operating income before loan impairment charges and other credit risk provisions.*
- 7 *Excluding adjustments in 2009.*