HSBC HOLDINGS PLC

RECONCILIATIONS OF NON–GAAP FINANCIAL MEASURES

30 June 2013

Use of non–GAAP financial measures

Our reported results are prepared in accordance with IFRSs as detailed in the Financial Statements starting on page 208. When we measure performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which distort year-on-year comparisons. These are considered non-GAAP financial measures. 'Constant currency' and 'underlying performance' are non-GAAP financial measures that we use throughout our Interim Management Report and are described below. Other non–GAAP financial measures are described and reconciled to the closest reported financial measure when used.

Constant currency

Constant currency adjusts the period–on–period effects of foreign currency translation differences on performance by comparing reported results for the half-year to 30 June 2013 with reported results for the half-years to 30 June 2012 and 31 December 2012 retranslated at average exchange rates for the half-year to 30 June 2013. Except where stated otherwise, commentaries are on a constant currency basis, as reconciled in the table overleaf.

The foreign currency translation differences reflect the movements of the US dollar against most major currencies during the six months and the year to 30 June 2013.

We exclude the translation differences because we consider the like-for-like basis of constant currency financial measures more appropriately reflects changes due to operating performance.

Constant currency

Constant currency comparatives for the half-year to 30 June 2012 and 31 December 2012 referred to in the commentaries below 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 2012 and 31 December 2012 at the average rates of exchange for the half-year to 30 June 2013; and
- the balance sheets at 30 June 2012 and 31 December 2012 at the prevailing rates of exchange ruling at 30 June 2013.

No adjustment has been made to the exchange rates used to translate assets and liabilities denominated in foreign currency 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.

Reconciliation of reported and constant currency profit before tax

	Half–year to 30 June 2013 ('1H13') compared with half–year to 30 June 2012 ('1H12')					
HSBC	**1H12 as reported US$m**	**Currency translation adjustment[1] US$m**	**1H12 at 1H13 exchange rates US$m**	**1H13 as reported US$m**	**Reported change[2] %**	**Constant currency change[2] %**
Net interest income	19,376	(278)	19,098	17,819	(8)	(7)
Net fee income	8,307	(85)	8,222	8,404	1	2
Own credit spread[3]	(2,170)	8	(2,162)	(19)	99	99
Gains on disposal of US branch network and cards business	3,809	–	3,809	–	(100)	(100)
Other income[4]	7,575	(171)	7,404	8,168	8	10
Net operating income[5]	36,897	(526)	36,371	34,372	(7)	(5)
Loan impairment charges and other credit risk provisions	(4,799)	101	(4,698)	(3,116)	35	34
Net operating income	32,098	(425)	31,673	31,256	(3)	(1)
Operating expenses	(21,204)	313	(20,891)	(18,399)	13	12
Operating profit	10,894	(112)	10,782	12,857	18	19
Share of profit in associates and joint ventures	1,843	14	1,857	1,214	(34)	(35)
Profit before tax	12,737	(98)	12,639	14,071	10	11
By global business						
Retail Banking and Wealth Management	6,410	2	6,412	3,267	(49)	(49)
Commercial Banking	4,429	(41)	4,388	4,133	(7)	(6)
Global Banking and Markets	5,047	(63)	4,984	5,723	13	15
Global Private Banking	527	(14)	513	108	(80)	(79)
Other	(3,676)	18	(3,658)	840		
Profit before tax	12,737	(98)	12,639	14,071	10	11
By geographical region						
Europe	(667)	19	(648)	2,768		
Hong Kong	3,761	–	3,761	4,205	12	12
Rest of Asia–Pacific	4,372	(23)	4,349	5,057	16	16
Middle East and North Africa	772	(15)	757	909	18	20
North America	3,354	(7)	3,347	666	(80)	(80)
Latin America	1,145	(72)	1,073	466	(59)	(57)
Profit before tax	12,737	(98)	12,639	14,071	10	11

	Half–year to 30 June 2013 ('1H13') compared with half–year to 31 December 2012 ('2H12')					
	2H12 as reported US$m	Currency translation adjustment[1] US$m	2H12 at 1H13 exchange rates US$m	1H13 as reported US$m	Reported change[2] %	Constant currency change[2] %
HSBC						
Net interest income	18,296	(102)	18,194	17,819	(3)	(2)
Net fee income	8,123	(48)	8,075	8,404	3	4
Own credit spread[3]	(3,045)	20	(3,025)	(19)	99	99
Gains on disposal of US branch network, US cards business and Ping An	3,215	–	3,215	–	(100)	(100)
Other income[4]	4,844	(251)	4,593	8,168	69	78
Net operating income[5]	31,433	(381)	31,052	34,372	9	11
Loan impairment charges and other credit risk provisions	(3,512)	9	(3,503)	(3,116)	11	11
Net operating income	27,921	(372)	27,549	31,256	12	13
Operating expenses	(21,723)	147	(21,576)	(18,399)	15	15
Operating profit	6,198	(225)	5,973	12,857	107	115
Share of profit in associates and joint ventures	1,714	13	1,727	1,214	(29)	(30)
Profit before tax	7,912	(212)	7,700	14,071	78	83
By global business						
Retail Banking and Wealth Management	3,165	(15)	3,150	3,267	3	4
Commercial Banking	4,106	(3)	4,103	4,133	1	1
Global Banking and Markets	3,473	31	3,504	5,723	65	63
Global Private Banking	482	(1)	481	108	(78)	(78)
Other	(3,314)	(224)	(3,538)	840		
Profit before tax	7,912	(212)	7,700	14,071	78	83
By geographical region						
Europe	(2,747)	(105)	(2,852)	2,768		
Hong Kong	3,821	(7)	3,814	4,205	10	10
Rest of Asia–Pacific	6,076	(75)	6,001	5,057	(17)	(16)
Middle East and North Africa	578	(13)	565	909	57	61
North America	(1,055)	(10)	(1,065)	666		
Latin America	1,239	(2)	1,237	466	(62)	(62)
Profit before tax	7,912	(212)	7,700	14,071	78	83

For footnotes, see page 43.

Additional information may be found in the Form 6–K filed with the SEC and available on www.sec.gov.

Underlying performance

Underlying performance:

- adjusts for the period–on–period effects of foreign currency translation;
- eliminates the fair value movements on our long–term debt attributable to credit spread ('own credit spread') where the net result of such movements will be zero upon maturity of the debt (see footnote 3 on page 43); and
- adjusts for acquisitions, disposals and changes of ownership levels of subsidiaries, associates, joint ventures and businesses.

For acquisitions, disposals and changes of ownership levels of subsidiaries, associates, joint ventures and businesses, we eliminate the gain or loss on disposal or dilution and any associated gain or loss on reclassification or impairment recognised in the period incurred, and remove the operating profit or loss of the acquired, disposed of or diluted subsidiaries, associates, joint ventures and businesses from all the periods presented so we can view results on a like–for–like basis. For example, if a disposal was made in the current year, any gain or loss on disposal, any associated gain or loss on reclassification or impairment recognised and the results of the disposed–of business would be removed from the results of the current year and the previous year as if the disposed–of business did not exist in those years. Disposal of investments other than those included in the above definition do not lead to underlying adjustments.

We use underlying performance to explain period–on–period changes when the effect of fair value movements on own debt, acquisitions, disposals or dilution is significant because we consider that this basis more appropriately reflects operating performance.

The following acquisitions, disposals and changes to ownership levels affected the underlying performance:

Disposal gains/(losses) affecting underlying performance

	Date	Disposal gain/(loss) US$m
HSBC Bank Canada's disposal of HSBC Securities (Canada) Inc's full service retail brokerage business[6]	Jan 2012	**83**
The Hongkong and Shanghai Banking Corporation Limited's disposal of RBWM operations in Thailand[6]	Mar 2012	**108**
HSBC Finance Corporation, HSBC USA Inc. and HSBC Technology and Services (USA) Inc.'s disposal of US Card and Retail Services business[6]	May 2012	**3,148**
HSBC Bank USA, N.A.'s disposal of 138 non–strategic branches[6]	May 2012	**661**
HSBC Argentina Holdings S.A.'s disposal of its non–life insurance manufacturing subsidiary[6]	May 2012	**102**
The Hongkong and Shanghai Banking Corporation Limited's disposal of its private banking business in Japan[6]	Jun 2012	**67**
The Hongkong and Shanghai Banking Corporation Limited's disposal of its shareholding in a property company in the Philippines	Jun 2012	**130**
Hang Seng Bank Limited's disposal of its non–life insurance manufacturing subsidiary[6]	Jul 2012	**46**
HSBC Bank USA, N.A.'s disposal of 57 non–strategic branches[6]	Aug 2012	**203**
HSBC Asia Holdings B.V.'s investment loss on a subsidiary[6]	Aug 2012	**(85)**
HSBC Bank plc's disposal of HSBC Securities SA	Aug 2012	**(11)**
HSBC Europe (Netherlands) B.V.'s disposal of HSBC Credit Zrt	Aug 2012	**(2)**
HSBC Europe (Netherlands) B.V.'s disposal of HSBC Insurance (Ireland) Limited	Oct 2012	**(12)**
HSBC Europe (Netherlands) B.V.'s disposal of HSBC Reinsurance Limited	Oct 2012	**7**
HSBC Private Bank (UK) Limited's disposal of Property Vision Holdings Limited	Oct 2012	**(1)**
HSBC Investment Bank Holdings Limited's disposal of its stake in Havas Havalimanlari Yer Hizmetleri Yatirim Holding Anonim Sirketi	Oct 2012	**18**
HSBC Insurance (Asia) Limited's disposal of its non–life insurance portfolios[6]	Nov 2012	**117**
HSBC Bank plc's disposal of HSBC Shipping Services Limited	Nov 2012	**(2)**
HSBC Bank (Panama) S.A.'s disposal of its operations in Costa Rica, El Salvador and Honduras[6]	Dec 2012	**(62)**
HSBC Insurance Holdings Limited and The Hongkong and Shanghai Banking Corporation Limited's disposal of their shares in Ping An Insurance (Group) Company of China, Ltd.[6]	Dec 2012	**3,012**
The Hongkong and Shanghai Banking Corporation Limited's disposal of its shareholding in Global Payments Asia–Pacific Limited[6]	Dec 2012	**212**
Reclassification gain in respect of our holding in Industrial Bank Co., Limited following the issue of additional share capital to third parties[6]	Jan 2013	**1,089**
HSBC Insurance (Asia–Pacific) Holdings Limited's disposal of its shareholding in Bao Viet Holdings[6]	Mar 2013	**104**
Household Insurance Group Holding company's disposal of its insurance manufacturing business[6]	Mar 2013	**(99)**
HSBC Seguros, S.A. de C.V., Grupo Financiero HSBC disposal of its property and Casualty Insurance business in Mexico[6]	Apr 2013	**20**
HSBC Bank plc's disposal of its shareholding HSBC (Hellas) Mutual Funds Management SA ('HSBC AEDAK')	Apr 2013	**(7)**
HSBC Insurance (Asia–Pacific) Holdings Limited disposal of its shareholding in Hana HSBC Life Insurance Company Limited[6]	May 2013	**28**
HSBC Bank plc's disposal of HSBC Assurances IARD	May 2013	**(4)**
The Hongkong and Shanghai Banking Corporation Limited's disposal of HSBC Life (International) Limited ('HSBC Life')	June 2013	**(36)**

Acquisition gains/(losses) affecting underlying performance[7]

	Date	Fair value gain on acquisition US$m
Gain on the merger of Oman International Bank S.A.O.G. and the Omani operations of HSBC Bank Middle East Limited	Jun 2012	**3**
Gain on the acquisition of the onshore retail and commercial banking business of Lloyds Banking Group in the UAE by HSBC Bank Middle East Limited	Oct 2012	**18**

For footnotes, see page 43.

The following table reconciles our reported revenue, loan impairment charges, operating expenses and profit before tax for the first half of 2013 and the two halves of 2012 to an underlying basis. Throughout this *Interim Report*, we reconcile other reported results to underlying results when doing so results in a more useful discussion of operating performance. Equivalent tables are provided for each of our global businesses and geographical segments in the Form 6–K filed with the Securities and Exchange Commission ('SEC'), which is available on www.hsbc.com.

Reconciliation of reported and underlying[8] items

	Half–year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**34,372**	36,897	(7)	**34,372**	31,433	9
Currency translation adjustment[1]		(534)			(401)	
Own credit spread[3]	**19**	2,170		**19**	3,045	
Acquisitions, disposals and dilutions	**(1,097)**	(6,439)		**(1,097)**	(3,688)	
Underlying revenue	**33,294**	32,094	4	**33,294**	30,389	10
Loan impairment charges and other credit risk provisions ('LICs')						
Reported LICs	**(3,116)**	(4,799)	35	**(3,116)**	(3,512)	11
Currency translation adjustment[1]		101			9	
Acquisitions, disposals and dilutions	**1**	331		**1**	8	
Underlying LICs	**(3,115)**	(4,367)	29	**(3,115)**	(3,495)	11
Operating expenses						
Reported operating expenses	**(18,399)**	(21,204)	13	**(18,399)**	(21,723)	15
Currency translation adjustment[1]		313			147	
Acquisitions, disposals and dilutions	**87**	964		**87**	180	
Underlying operating expenses	**(18,312)**	(19,927)	8	**(18,312)**	(21,396)	14
Underlying cost efficiency ratio	**55.0%**	62.1%		**55.0%**	70.4%	
Profit before tax						
Reported profit before tax	**14,071**	12,737	10	**14,071**	7,912	78
Currency translation adjustment[1]		(106)			(232)	
Own credit spread[3]	**19**	2,170		**19**	3,045	
Acquisitions, disposals and dilutions	**(1,012)**	(5,905)		**(1,012)**	(4,179)	
Underlying profit before tax	**13,078**	8,896	47	**13,078**	6,546	100
By global business						
Retail Banking and Wealth Management	**3,340**	1,338	150	**3,340**	2,662	25
Commercial Banking	**4,131**	3,970	4	**4,131**	3,654	13
Global Banking and Markets	**5,729**	4,760	20	**5,729**	3,235	77
Global Private Banking	**108**	457	(76)	**108**	482	(78)
Other	**(230)**	(1,629)	86	**(230)**	(3,487)	93
Underlying profit before tax	**13,078**	8,896	47	**13,078**	6,546	100
By geographical region						
Europe	**2,776**	949	193	**2,776**	(364)	
Hong Kong	**4,205**	3,733	13	**4,205**	3,422	23
Rest of Asia–Pacific	**3,940**	3,326	18	**3,940**	2,363	67
Middle East and North Africa	**910**	734	24	**910**	618	47
North America	**808**	(772)		**808**	(717)	
Latin America	**439**	926	(53)	**439**	1,224	(64)
Underlying profit before tax	**13,078**	8,896	47	**13,078**	6,546	100

For footnotes, see page 43.

Reconciliation of reported and underlying average risk–weighted assets

Group

	Half–year to					
	30 June 2013 US$bn	30 June 2012 US$bn	Change %	**30 June 2013 US$bn**	31 December 2012 US$bn	Change %
Average reported RWAs	**1,109**	1,194	(7)	**1,109**	1,146	(3)
Currency translation adjustment	**–**	(5)		**–**	(6)	
Acquisitions, disposals and dilutions	**(14)**	(96)		**(14)**	(57)	
Average underlying RWAs	**1,095**	1,093	–	**1,095**	1,083	1

US CML and other

	Half–year to					
	30 June 2013 US$bn	30 June 2012 US$bn	Change %	**30 June 2013 US$bn**	31 December 2012 US$bn	Change %
Average reported RWAs	**99**	127	(22)	**99**	116	(15)
Average underlying RWAs	**99**	127	(22)	**99**	116	(15)

Global businesses

Retail Banking and Wealth Management

Reconciliation of reported and constant currency profit/(loss) before tax

	Half–year to 30 June 2013 ('1H13') compared with half–year to 30 June 2012 ('1H12')					
	1H12 as reported US$m	**Currency translation adjustment[1] US$m**	**1H12 at 1H13 exchange rates US$m**	**1H13 as reported US$m**	**Reported change[2] %**	**Constant currency change[2] %**
Net interest income	**10,774**	**(157)**	**10,617**	**9,310**	**(14)**	**(12)**
Net fee income	**3,760**	**(43)**	**3,717**	**3,586**	**(5)**	**(4)**
Gains on disposal of US branch network and cards business	**3,597**	**–**	**3,597**	**–**	**(100)**	**(100)**
Other income[4]	**1,184**	**(46)**	**1,138**	**393**	**(67)**	**(65)**
Net operating income[5]	**19,315**	**(246)**	**19,069**	**13,289**	**(31)**	**(30)**
Loan impairment charges and other credit risk provisions	**(3,273)**	**58**	**(3,215)**	**(1,768)**	**46**	**45**
Net operating income	**16,042**	**(188)**	**15,854**	**11,521**	**(28)**	**(27)**
Operating expenses	**(10,218)**	**185**	**(10,033)**	**(8,451)**	**17**	**16**
Operating profit	**5,824**	**(3)**	**5,821**	**3,070**	**(47)**	**(47)**
Share of profit in associates and joint ventures	**586**	**5**	**591**	**197**	**(66)**	**(67)**
Profit before tax	**6,410**	**2**	**6,412**	**3,267**	**(49)**	**(49)**

	Half-year to 30 June 2013 ('1H13') compared with half-year to 31 December 2012 ('2H12')					
	2H12 as reported US$m	Currency translation adjustment[1] US$m	2H12 at 1H13 exchange rates US$m	1H13 as reported US$m	Reported change[2] %	Constant currency change[2] %
Net interest income	9,524	(51)	9,473	9,310	(2)	(2)
Net fee income	3,445	(31)	3,414	3,586	4	5
Gains on disposal of US branch network and cards business	138	–	138	–	(100)	(100)
Other income[4]	1,439	(4)	1,435	393	(73)	(73)
Net operating income[5]	14,546	(86)	14,460	13,289	(9)	(8)
Loan impairment charges and other credit risk provisions	(2,242)	(1)	(2,243)	(1,768)	21	21
Net operating income	12,304	(87)	12,217	11,521	(6)	(6)
Operating expenses	(9,551)	67	(9,484)	(8,451)	12	11
Operating profit	2,753	(20)	2,733	3,070	12	12
Share of profit in associates and joint ventures	412	5	417	197	(52)	(53)
Profit before tax	3,165	(15)	3,150	3,267	3	4

For footnotes, see page 43.

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**13,289**	19,315	(31)	**13,289**	14,546	(9)
Currency translation adjustment[1]		(246)			(86)	
Acquisitions, disposals and dilutions	**(12)**	(5,850)		**(12)**	(391)	
Underlying revenue	**13,277**	13,219	–	**13,277**	14,069	(6)
Net fee income						
Reported net fee income	**3,586**	3,760	(5)	**3,586**	3,445	4
Currency translation adjustment[1]		(43)			(31)	
Acquisitions, disposals and dilutions	**4**	(379)		**4**	34	
Underlying net fee income	**3,590**	3,338	8	**3,590**	3,448	4
Loan impairment charges and other credit provisions (‘LICs’)						
Reported LICs	**(1,768)**	(3,273)	46	**(1,768)**	(2,242)	21
Currency translation adjustment[1]		58			(1)	
Acquisitions, disposals and dilutions	**1**	330		**1**	10	
Underlying LICs	**(1,767)**	(2,885)	39	**(1,767)**	(2,233)	21
Operating expenses						
Reported operating expenses	**(8,451)**	(10,218)	17	**(8,451)**	(9,551)	12
Currency translation adjustment[1]		185			67	
Acquisitions, disposals and dilutions	**87**	871		**87**	141	
Underlying operating expenses	**(8,364)**	(9,162)	9	**(8,364)**	(9,343)	10
Underlying cost efficiency ratio	**63.0%**	69.3%		**63.0%**	66.4%	
Profit before tax						
Reported profit before tax	**3,267**	6,410	(49)	**3,267**	3,165	3
Currency translation adjustment[1]		2			(15)	
Acquisitions, disposals and dilutions	**73**	(5,074)		**73**	(488)	
Underlying profit before tax	**3,340**	1,338	150	**3,340**	2,662	25
	US$bn	US$bn		**US$bn**	US$bn	
Average risk-weighted assets (‘RWA’s)						
Average reported RWAs	**261**	332	(21)	**261**	291	(10)
Currency translation adjustment[1]		(2)			(2)	
Acquisitions, disposals and dilutions	**(1)**	(44)		**(1)**	(7)	
Average underlying RWAs	**260**	286	(9)	**260**	282	(8)

For footnotes, see page 43.

Retail Banking and Wealth Management – US CML and Other[11] RWAs

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**793**	1,000	(21)	**793**	1,396	(43)
Acquisitions, disposals and dilutions	**105**	–		**105**	–	
Underlying revenue	**898**	1,000	(10)	**898**	1,396	(36)
Loss before tax						
Reported loss before tax	**(234)**	(961)	76	**(234)**	(313)	25
Acquisitions, disposals and dilutions	**120**	–		**120**	–	
Underlying loss before tax	**(114)**	(961)	88	**(114)**	(313)	64
	US$bn	US$bn	%	**US$bn**	US$bn	%
Average risk-weighted assets ('RWA's)						
Average reported RWAs	**99**	127	(22)	**99**	116	(15)
Currency translation adjustment[1]						
Average underlying RWAs	**99**	127	(22)	**99**	116	(15)

Total US CML and other[11]

Reconciliation of reported and underlying[8] items

	US$m	US$m	%	**US$m**	US$m	%
Reported loss before tax	**(300)**	(1,465)	(80)	**(300)**	(585)	(49)
Own credit spread[3]	**30**	450		**30**	250	
Acquisitions, disposals and dilutions	**120**	–		**120**	–	
Underlying loss before tax	**(150)**	(1,015)	(85)	**(150)**	(335)	(55)

Retail Banking and Wealth Management – US Card and Retail Services

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**–**	4,831	(100)	**–**	(14)	(100)
Acquisitions, disposals and dilutions	**–**	(4,831)		**–**	14	
Underlying revenue	**–**	–		**–**	–	
Loss before tax						
Reported loss before tax	**–**	(3,916)	(100)	**–**	(150)	(100)
Acquisitions, disposals and dilutions	**–**	3,916		**–**	–	
Underlying loss before tax	**–**	–		**–**	(150)	
	US$bn	US$bn	%	**US$bn**	US$bn	%
Average risk-weighted assets ('RWA's)						
Average reported RWAs	**5**	37	(86)	**5**	9	(44)
Currency translation adjustment[1]		(34)				
Average underlying RWAs	**5**	3	67	**5**	9	(44)

Retail Banking and Wealth Management – HSBC Finance

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**783**	5,936	(87)	**783**	1,280	(39)
Acquisitions, disposals and dilutions	**105**	(3,148)		**105**	(2,314)	
Underlying revenue	**888**	2,788	(68)	**888**	(1,034)	
Profit before tax						
Reported (loss)/profit before tax	**(234)**	2,991		**(234)**	(548)	57
Acquisitions, disposals and dilutions	**120**	(3,148)		**120**	(768)	
Underlying loss before tax	**(114)**	(157)	27	**(114)**	(1,316)	91

For footnotes, see page 43.

Commercial Banking

Reconciliation of reported and constant currency profit/(loss) before tax

	Half-year to 30 June 2013 ('1H13') compared with half-year to 30 June 2012 ('1H12')					
	1H12 as reported US$m	**Currency translation adjustment[1] US$m**	**1H12 at 1H13 exchange rates US$m**	**1H13 as reported US$m**	**Reported change[2] %**	**Constant currency change[2] %**
Net interest income	**5,144**	**(93)**	**5,051**	**5,050**	**(2)**	**–**
Net fee income	**2,224**	**(31)**	**2,193**	**2,337**	**5**	**7**
Gains on disposal of US branch network and cards business	**212**	**–**	**212**	**–**	**(100)**	**(100)**
Other income[4]	**673**	**(22)**	**651**	**476**	**(29)**	**(27)**
Net operating income[5]	**8,253**	**(146)**	**8,107**	**7,863**	**(5)**	**(3)**
Loan impairment charges and other credit risk provisions	**(924)**	**33**	**(891)**	**(1,160)**	**(26)**	**(30)**
Net operating income	**7,329**	**(113)**	**7,216**	**6,703**	**(9)**	**(7)**
Operating expenses	**(3,736)**	**65**	**(3,671)**	**(3,337)**	**11**	**9**
Operating profit	**3,593**	**(48)**	**3,545**	**3,366**	**(6)**	**(5)**
Share of profit in associates and joint ventures	**836**	**7**	**843**	**767**	**(8)**	**(9)**
Profit before tax	**4,429**	**(41)**	**4,388**	**4,133**	**(7)**	**(6)**

	Half-year to 30 June 2013 ('1H13') compared with half-year to 31 December 2012 ('2H12')					
	2H12 as reported US$m	Currency translation adjustment[1] US$m	2H12 at 1H13 exchange rates US$m	1H13 as reported US$m	Reported change[2] %	Constant currency change[2] %
Net interest income	5,217	(31)	5,186	5,050	(3)	(3)
Net fee income	2,246	(17)	2,229	2,337	4	5
Gains on disposal of US branch network and cards business	65	–	65	–	(100)	(100)
Other income[4]	770	–	770	476	(38)	(38)
Net operating income[5]	8,298	(48)	8,250	7,863	(5)	(5)
Loan impairment charges and other credit risk provisions	(1,175)	13	(1,162)	(1,160)	1	–
Net operating income	7,123	(35)	7,088	6,703	(6)	(5)
Operating expenses	(3,862)	26	(3,836)	(3,337)	14	13
Operating profit	3,261	(9)	3,252	3,366	3	4
Share of profit in associates and joint ventures	845	6	851	767	(9)	(10)
Profit before tax	4,106	(3)	4,103	4,133	1	1

For footnotes, see page 43.

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**7,863**	8,253	(5)	**7,863**	8,298	(5)
Currency translation adjustment[1]		(146)			(48)	
Acquisitions, disposals and dilutions	**(2)**	(319)		**(2)**	(288)	
Underlying revenue	**7,861**	7,788	1	**7,861**	7,962	(1)
Net interest income						
Reported net interest income	**5,050**	5,144	(2)	**5,050**	5,217	(3)
Currency translation adjustment[1]		(93)			(31)	
Acquisitions, disposals and dilutions	**–**	(56)		**–**	(27)	
Underlying net interest` income	**5,050**	4,995	1	**5,050**	5,159	(2)
Loan impairment charges and other credit provisions (‘LICs’)						
Reported LICs	**(1,160)**	(924)	(26)	**(1,160)**	(1,175)	1
Currency translation adjustment[1]		33			13	
Acquisitions, disposals and dilutions	**–**	1		**–**	(2)	
Underlying LICs	**(1,160)**	(890)	(30)	**(1,160)**	(1,164)	–
Operating expenses						
Reported operating expenses	**(3,337)**	(3,736)	11	**(3,337)**	(3,862)	14
Currency translation adjustment[1]		65			26	
Acquisitions, disposals and dilutions	**–**	71		**–**	30	
Underlying operating expenses	**(3,337)**	(3,600)	7	**(3,337)**	(3,806)	12
Underlying cost efficiency ratio	**42.5%**	46.2%		**42.5%**	47.8%	
Profit before tax						
Reported profit before tax	**4,133**	4,429	(7)	**4,133**	4,106	1
Currency translation adjustment[1]		(41)			(3)	
Acquisitions, disposals and dilutions	**(2)**	(418)		**(2)**	(449)	
Underlying profit before tax	**4,131**	3,970	4	**4,131**	3,654	13
	US$bn	US$bn		**US$bn**	US$bn	
Average risk-weighted assets (‘RWA’s)						
Average reported RWAs	**386**	393	(2)	**386**	401	(4)
Currency translation adjustment[1]		(2)			(1)	
Acquisitions, disposals and dilutions	**(9)**	(41)		**(9)**	(38)	
Average underlying RWAs	**377**	350	8	**377**	362	4

For footnotes, see page 43.

Global Banking and Markets

Reconciliation of reported and constant currency profit/(loss) before tax

	Half-year to 30 June 2013 ('1H13') compared with half-year to 30 June 2012 ('1H12')					
	1H12 as reported US$m	**Currency translation adjustment[1] US$m**	**1H12 at 1H13 exchange rates US$m**	**1H13 as reported US$m**	**Reported change[2] %**	**Constant currency change[2] %**
Net interest income	**3,625**	**(57)**	**3,568**	**3,334**	**(8)**	**(7)**
Net fee income	**1,598**	**(10)**	**1,588**	**1,818**	**14**	**14**
Other income[4]	**5,112**	**(65)**	**5,047**	**5,510**	**8**	**9**
Net operating income[5]	**10,335**	**(132)**	**10,203**	**10,662**	**3**	**4**
Loan impairment charges and other credit risk provisions	**(598)**	**10**	**(588)**	**(174)**	**71**	**70**
Net operating income	**9,737**	**(122)**	**9,615**	**10,488**	**8**	**9**
Operating expenses	**(5,073)**	**57**	**(5,016)**	**(5,007)**	**1**	**–**
Operating profit	**4,664**	**(65)**	**4,599**	**5,481**	**18**	**19**
Share of profit in associates and joint ventures	**383**	**2**	**385**	**242**	**(37)**	**(37)**
Profit before tax	**5,047**	**(63)**	**4,984**	**5,723**	**13**	**15**

	Half-year to 30 June 2013 ('1H13') compared with half-year to 31 December 2012 ('2H12')					
	2H12 as reported US$m	Currency translation adjustment[1] US$m	2H12 at 1H13 exchange rates US$m	1H13 as reported US$m	Reported change[2] %	Constant currency change[2] %
Net interest income	3,335	(9)	3,326	3,334	–	–
Net fee income	1,731	(2)	1,729	1,818	5	5
Other income[4]	2,872	(13)	2,859	5,510	92	93
Net operating income[5]	7,938	(24)	7,914	10,662	34	35
Loan impairment charges and other credit risk provisions	(72)	(4)	(76)	(174)	(142)	(129)
Net operating income	7,866	(28)	7,838	10,488	33	34
Operating expenses	(4,834)	57	(4,777)	(5,007)	(4)	(5)
Operating profit	3,032	29	3,061	5,481	81	79
Share of profit in associates and joint ventures	441	2	443	242	(45)	(45)
Profit before tax	3,473	31	3,504	5,723	65	63

For footnotes, see page 43.

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**10,662**	10,335	3	**10,662**	7,938	34
Currency translation adjustment[1]		(132)			(24)	
Acquisitions, disposals and dilutions	**6**	(71)		**6**	(36)	
Underlying revenue	**10,668**	10,132	5	**10,668**	7,878	35
Loan impairment charges and other credit provisions (‘LICs’)						
Reported LICs	**(174)**	(598)	71	**(174)**	(72)	(142)
Currency translation adjustment[1]		10			(4)	
Underlying LICs	**(174)**	(588)	70	**(174)**	(76)	(129)
Operating expenses						
Reported operating expenses	**(5,007)**	(5,073)	1	**(5,007)**	(4,834)	(4)
Currency translation adjustment[1]		57			57	
Acquisitions, disposals and dilutions	**–**	12		**–**	9	
Underlying operating expenses	**(5,007)**	(5,004)	–	**(5,007)**	(4,768)	(5)
Underlying cost efficiency ratio	**46.9%**	49.4%		**46.9%**	60.5%	
Profit before tax						
Reported profit before tax	**5,723**	5,047	13	**5,723**	3,473	65
Currency translation adjustment[1]		(63)			31	
Acquisitions, disposals and dilutions	**6**	(224)		**6**	(269)	
Underlying profit before tax	**5,729**	4,760	20	**5,729**	3,235	77
	US$bn	US$bn		**US$bn**	US$bn	
Average risk-weighted assets (‘RWA’s)						
Average reported RWAs	**415**	419	(1)	**415**	406	2
Currency translation adjustment[1]		(2)			(2)	
Acquisitions, disposals and dilutions	**(3)**	(9)		**(3)**	(11)	
Average underlying RWAs	**412**	408	1	**412**	393	5

Global Banking and Markets legacy credit

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Profit/(loss) before tax						
Reported profit/(loss) before tax	**153**	(378)		**153**	98	56
Currency translation adjustment[1]	**–**	7		**–**	(2)	
Underlying profit/(loss) before tax	**153**	(371)		**153**	96	59
	US$bn	US$bn	%	**US$bn**	US$bn	%
Average risk-weighted assets (‘RWA’s)						
Average reported RWAs	**36**	48	(25)	**36**	43	(16)
Currency translation adjustment[1]	**–**	–		**–**	–	
Average underlying RWAs	**36**	48	(25)	**36**	43	(16)

For footnotes, see page 43.

Balance sheet data significant to Global Banking and Markets

	Europe US$m	Hong Kong US$m	Rest of Asia-Pacific US$m	MENA US$m	North America US$m	Latin America US$m	Total US$m
At 30 June 2013							
Trading assets[1]	**269,959**	**29,233**	**17,975**	**443**	**102,260**	**7,210**	**427,080**
Derivative assets[2]	**236,502**	**32,423**	**24,154**	**1,334**	**67,714**	**6,031**	**368,158**
Trading liabilities	**202,431**	**10,817**	**4,317**	**1,241**	**108,139**	**3,507**	**330,452**
Derivative liabilities[2]	**286,255**	**30,944**	**23,469**	**1,379**	**65,277**	**5,496**	**412,820**
At 30 June 2012							
Trading assets[1]	230,229	33,836	23,695	843	85,124	10,830	384,557
Derivative assets[2]	283,393	25,956	23,581	1,333	86,132	5,465	425,860
Trading liabilities	185,907	9,089	5,465	1,080	88,561	5,961	296,063
Derivative liabilities[2]	286,698	25,718	23,714	1,349	85,638	5,042	428,159
At 31 December 2012							
Trading assets[1]	242,175	31,614	22,804	530	95,347	9,506	401,976
Derivative assets[2]	287,427	28,351	22,700	1,417	80,096	5,117	425,108
Trading liabilities	176,838	9,345	4,470	1,081	94,943	5,950	292,627
Derivative liabilities[2]	292,711	27,720	22,900	1,430	79,437	4,899	429,097

1 *Trading assets, financial instruments designated at fair value and financial investments held in Europe, and by GB&M in North America, include financial assets which may be repledged or resold by counterparties.*
2 *Derivative assets and derivative liabilities of GB&M include derivative transactions between different regions of GB&M.*

Global Private Banking

Reconciliation of reported and constant currency profit/(loss) before tax

	Half-year to 30 June 2013 ('1H13') compared with half-year to 30 June 2012 ('1H12')					
	1H12 as reported US$m	**Currency translation adjustment[1] US$m**	**1H12 at 1H13 exchange rates US$m**	**1H13 as reported US$m**	**Reported change[2] %**	**Constant currency change[2] %**
Net interest income	**672**	**(4)**	**668**	**575**	**(14)**	**(14)**
Net fee income	**625**	**(2)**	**623**	**602**	**(4)**	**(3)**
Other income/(expense)[4]	**344**	**(11)**	**333**	**(26)**		
Net operating income[5]	**1,641**	**(17)**	**1,624**	**1,151**	**(30)**	**(29)**
Loan impairment charges and other credit risk provisions	**(4)**	**–**	**(4)**	**(14)**	**(250)**	**(250)**
Net operating income	**1,637**	**(17)**	**1,620**	**1,137**	**(31)**	**(30)**
Operating expenses	**(1,113)**	**3**	**(1,110)**	**(1,035)**	**7**	**7**
Operating profit	**524**	**(14)**	**510**	**102**	**(81)**	**(80)**
Share of profit in associates and joint ventures	**3**	**–**	**3**	**6**	**100**	**100**
Profit before tax	**527**	**(14)**	**513**	**108**	**(80)**	**(79)**

	Half-year to 30 June 2013 ('1H13') compared with half-year to 31 December 2012 ('2H12')					
	2H12 as reported US$m	Currency translation adjustment[1] US$m	2H12 at 1H13 exchange rates US$m	1H13 as reported US$m	Reported change[2] %	Constant currency change[2] %
Net interest income	622	(3)	619	575	(8)	(7)
Net fee income	607	1	608	602	(1)	(1)
Other income/(expense)[4]	302	(1)	301	(26)		
Net operating income[5]	1,531	(3)	1,528	1,151	(25)	(25)
Loan impairment charges and other credit risk provisions	(23)	1	(22)	(14)	39	36
Net operating income	1,508	(2)	1,506	1,137	(25)	(25)
Operating expenses	(1,030)	1	(1,029)	(1,035)	–	(1)
Operating profit	478	(1)	477	102	(79)	(79)
Share of profit in associates and joint ventures	4	–	4	6	50	50
Profit before tax	482	(1)	481	108	(78)	(78)

For footnotes, see page 43.

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**1,151**	1,641	(30)	**1,151**	1,531	(25)
Currency translation adjustment[1]		(17)			(3)	
Acquisitions, disposals and dilutions	**–**	(66)		**–**	1	
Underlying revenue	**1,151**	1,558	(26)	**1,151**	1,529	(25)
Loan impairment charges and other credit provisions (‘LICs’)						
Reported LICs	**(14)**	(4)	(250)	**(14)**	(23)	39
Currency translation adjustment[1]		–			1	
Underlying LICs	**(14)**	(4)	(250)	**(14)**	(22)	36
Operating expenses						
Reported operating expenses	**(1,035)**	(1,113)	7	**(1,035)**	(1,030)	–
Currency translation adjustment[1]		3			1	
Acquisitions, disposals and dilutions	**–**	10		**–**	–	
Underlying operating expenses	**(1,035)**	(1,100)	6	**(1,035)**	(1,029)	(1)
Underlying cost efficiency ratio	**89.9%**	70.6%		**89.9%**	67.3%	
Profit before tax						
Reported profit before tax	**108**	527	(80)	**108**	482	(78)
Currency translation adjustment[1]		(14)			(1)	
Acquisitions, disposals and dilutions	**–**	(56)		**–**	1	
Underlying profit before tax	**108**	457	(76)	**108**	482	(78)
	US$bn	US$bn		**US$bn**	US$bn	
Average risk-weighted assets (‘RWA’s)						
Average reported RWAs	**22**	22	–	**22**	22	–
Currency translation adjustment[1]	**–**	–		**–**	(1)	
Average underlying RWAs	**22**	22	–	**22**	21	2

For footnotes, see page 43.

Other

Reconciliation of reported and constant currency profit/(loss) before tax

	Half-year to 30 June 2013 ('1H13') compared with half-year to 30 June 2012 ('1H12')					
	1H12 as reported US$m	**Currency translation adjustment[1] US$m**	**1H12 at 1H13 exchange rates US$m**	**1H13 as reported US$m**	**Reported change[2] %**	**Constant currency change[2] %**
Net interest expense	**(464)**	**6**	**(458)**	**(376)**	**19**	**18**
Net fee income	**100**	**1**	**101**	**61**	**(39)**	**(40)**
Own credit spread[3]	**(2,170)**	**8**	**(2,162)**	**(19)**	**99**	**99**
Other income[4]	**2,872**	**(21)**	**2,851**	**4,484**	**56**	**57**
Net operating income[5]	**338**	**(6)**	**332**	**4,150**	**1,128**	**1,150**
Loan impairment charges and other credit risk provisions	**–**	**–**	**–**	**–**	**–**	**–**
Net operating income	**338**	**(6)**	**332**	**4,150**	**1,128**	**1,150**
Operating expenses	**(4,049)**	**24**	**(4,025)**	**(3,312)**	**18**	**18**
Operating profit/(loss)	**(3,711)**	**18**	**(3,693)**	**838**		
Share of profit in associates and joint ventures	**35**	**–**	**35**	**2**	**(94)**	**(94)**
Profit/(loss) before tax	**(3,676)**	**18**	**(3,658)**	**840**		

	Half-year to 30 June 2013 ('1H13') compared with half-year to 31 December 2012 ('2H12')					
	2H12 as reported US$m	Currency translation adjustment[1] US$m	2H12 at 1H13 exchange rates US$m	1H13 as reported US$m	Reported change[2] %	Constant currency change[2] %
Net interest expense	(266)	(8)	(274)	(376)	(41)	(37)
Net fee income	94	1	95	61	(35)	(36)
Own credit spread[3]	(3,045)	20	(3,025)	(19)	99	99
Gains on disposal of Ping An	3,012	–	3,012	–	(100)	(100)
Other income[4]	2,199	(247)	1,952	4,484	104	130
Net operating income[5]	1,994	(234)	1,760	4,150	108	136
Loan impairment charges and other credit risk provisions	–	–	–	–	–	–
Net operating income	1,994	(234)	1,760	4,150	108	136
Operating expenses	(5,320)	10	(5,310)	(3,312)	38	38
Operating profit/(loss)	(3,326)	(224)	(3,550)	838		
Share of profit in associates and joint ventures	12	–	12	2	(83)	(83)
Profit/(loss) before tax	(3,314)	(224)	(3,538)	840		

For footnotes, see page 43.

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**4,150**	338	1,128	**4,150**	1,994	108
Currency translation adjustment[1]		(14)			(254)	
Own credit spread[3]	**19**	2,170		**19**	3,045	
Acquisitions, disposals and dilutions	**(1,089)**	(133)		**(1,089)**	(2,974)	
Underlying revenue	**3,080**	2,361	30	**3,080**	1,811	70
Operating expenses						
Reported operating expenses	**(3,312)**	(4,049)	18	**(3,312)**	(5,320)	38
Currency translation adjustment[1]		24			10	
Underlying operating expenses	**(3,312)**	(4,025)	18	**(3,312)**	(5,310)	38
Underlying cost efficiency ratio	**107.5%**	170.5%		**107.5%**	293.2%	
Profit/(loss) before tax						
Reported profit/(loss) before tax	**840**	(3,676)		**840**	(3,314)	
Currency translation adjustment[1]		10			(244)	
Own credit spread[3]	**19**	2,170		**19**	3,045	
Acquisitions, disposals and dilutions	**(1,089)**	(133)		**(1,089)**	(2,974)	
Underlying loss before tax	**(230)**	(1,629)	86	**(230)**	(3,487)	93

For footnotes, see page 43.

Geographical regions

Europe

Reconciliation of reported and constant currency profit/(loss) before tax

	Half-year to 30 June 2013 ('1H13') compared with half-year to 30 June 2012 ('1H12')					
	1H12 as reported US$m	**Currency translation adjustment[1] US$m**	**1H12 at 1H13 exchange rates US$m**	**1H13 as reported US$m**	**Reported change[2] %**	**Constant currency change[2] %**
Net interest income	**5,073**	**(61)**	**5,012**	**5,250**	**3**	**5**
Net fee income	**3,023**	**(24)**	**2,999**	**2,969**	**(2)**	**(1)**
Own credit spread[3]	**(1,605)**	**8**	**(1,597)**	**3**		
Other income[4]	**3,176**	**(25)**	**3,151**	**3,252**	**2**	**3**
Net operating income[5]	**9,667**	**(102)**	**9,565**	**11,474**	**19**	**20**
Loan impairment charges and other credit risk provisions	**(1,037)**	**18**	**(1,019)**	**(846)**	**18**	**17**
Net operating income	**8,630**	**(84)**	**8,546**	**10,628**	**23**	**24**
Operating expenses	**(9,289)**	**104**	**(9,185)**	**(7,862)**	**15**	**14**
Operating profit/(loss)	**(659)**	**20**	**(639)**	**2,766**		
Share of profit/(loss) in associates and joint ventures	**(8)**	**(1)**	**(9)**	**2**		
Profit/(loss) before tax	**(667)**	**19**	**(648)**	**2,768**		

	Half-year to 30 June 2013 ('1H13') compared with half-year to 31 December 2012 ('2H12')					
	2H12 as reported US$m	Currency translation adjustment[1] US$m	2H12 at 1H13 exchange rates US$m	1H13 as reported US$m	Reported change[2] %	Constant currency change[2] %
Net interest income	5,321	(75)	5,246	5,250	(1)	–
Net fee income	3,146	(25)	3,121	2,969	(6)	(5)
Own credit spread[3]	(2,505)	19	(2,485)	3		
Other income[4]	1,977	(158)	1,819	3,252	64	79
Net operating income[5]	7,941	(239)	7,701	11,474	45	49
Loan impairment charges and other credit risk provisions	(884)	11	(873)	(846)	4	3
Net operating income	7,057	(228)	6,828	10,628	51	56
Operating expenses	(9,806)	123	(9,682)	(7,862)	20	19
Operating profit/(loss)	(2,749)	(105)	(2,854)	2,766		
Share of profit in associates and joint ventures	2	–	2	2	–	–
Profit/(loss) before tax	(2,747)	(105)	(2,852)	2,768		

For footnotes, see page 43.

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**11,474**	9,667	19	**11,474**	7,940	45
Currency translation adjustment[1]		(110)			(258)	
Own credit spread[3]	**(3)**	1,605		**(3)**	2,504	
Acquisitions, disposals and dilutions	**11**	–		**11**	3	
Underlying revenue	**11,482**	11,162	3	**11,482**	10,189	13
Loan impairment charges and other credit provisions (‘LICs’)						
Reported LICs	**(846)**	(1,037)	18	**(846)**	(884)	4
Currency translation adjustment[1]		18			11	
Underlying LICs	**(846)**	(1,019)	17	**(846)**	(873)	3
Operating expenses						
Reported operating expenses	**(7,862)**	(9,289)	15	**(7,862)**	(9,805)	20
Currency translation adjustment[1]		104			123	
Underlying operating expenses	**(7,862)**	(9,185)	14	**(7,862)**	(9,682)	19
Underlying cost efficiency ratio	**68.5%**	82.3%		**68.5%**	95.0%	
Profit/(loss) before tax						
Reported profit/(loss) before tax	**2,768**	(667)		**2,768**	(2,747)	
Currency translation adjustment[1]		11			(124)	
Own credit spread[3]	**(3)**	1,605		**(3)**	2,504	
Acquisitions, disposals and dilutions	**11**	–		**11**	3	
Underlying profit/(loss) before tax	**2,776**	949	193	**2,776**	(364)	
	US$bn	US$bn		**US$bn**	US$bn	
Average risk-weighted assets (‘RWA’s)						
Average reported RWAs	**307**	338	(9)	**307**	321	(4)
Currency translation adjustment[1]	**–**	(1)		**–**	(4)	
Average underlying RWAs	**307**	337	(9)	**307**	317	(3)

For footnotes, see page 43.

Hong Kong

Reconciliation of reported and constant currency profit/(loss) before tax

	Half-year to 30 June 2013 (‘1H13’) compared with half-year to 30 June 2012 (‘1H12’)					
	1H12 as reported US$m	**Currency translation adjustment[1] US$m**	**1H12 at 1H13 exchange rates US$m**	**1H13 as reported US$m**	**Reported change[2] %**	**Constant currency change[2] %**
Net interest income	**2,599**	**1**	**2,600**	**2,866**	**10**	**10**
Net fee income	**1,618**	**–**	**1,618**	**2,006**	**24**	**24**
Other income[4]	**1,916**	**–**	**1,916**	**1,771**	**(8)**	**(8)**
Net operating income[5]	**6,133**	**1**	**6,134**	**6,643**	**8**	**8**
Loan impairment charges and other credit risk provisions	**(32)**	**(1)**	**(33)**	**(46)**	**(44)**	**(39)**
Net operating income	**6,101**	**–**	**6,101**	**6,597**	**8**	**8**
Operating expenses	**(2,396)**	**–**	**(2,396)**	**(2,418)**	**(1)**	**(1)**
Operating profit	**3,705**	**–**	**3,705**	**4,179**	**13**	**13**
Share of profit in associates and joint ventures	**56**	**–**	**56**	**26**	**(54)**	**(54)**
Profit before tax	**3,761**	**–**	**3,761**	**4,205**	**12**	**12**

	Half-year to 30 June 2013 (‘1H13’) compared with half-year to 31 December 2012 (‘2H12’)					
	2H12 as reported US$m	Currency translation adjustment[1] US$m	2H12 at 1H13 exchange rates US$m	1H13 as reported US$m	Reported change[2] %	Constant currency change[2] %
Net interest income	2,717	(2)	2,715	2,866	5	6
Net fee income	1,717	(1)	1,716	2,006	17	17
Other income[4]	1,855	(8)	1,847	1,771	(5)	(4)
Net operating income[5]	6,289	(11)	6,278	6,643	6	6
Loan impairment charges and other credit risk provisions	(42)	–	(42)	(46)	(10)	(10)
Net operating income	6,247	(11)	6,236	6,597	6	6
Operating expenses	(2,452)	4	(2,448)	(2,418)	1	1
Operating profit	3,795	(7)	3,788	4,179	10	10
Share of profit in associates and joint ventures	26	–	26	26	–	–
Profit before tax	3,821	(7)	3,814	4,205	10	10

For footnotes, see page 43.

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**6,643**	6,133	8	**6,643**	6,289	6
Currency translation adjustment[1]		1			(11)	
Acquisitions, disposals and dilutions	**–**	(48)		**–**	(397)	
Underlying revenue	**6,643**	6,086	9	**6,643**	5,881	13
Loan impairment charges and other credit provisions (‘LICs’)						
Reported LICs	**(46)**	(32)	(44)	**(46)**	(42)	(10)
Currency translation adjustment[1]		(1)			–	
Underlying LICs	**(46)**	(33)	(39)	**(46)**	(42)	(10)
Operating expenses						
Reported operating expenses	**(2,418)**	(2,396)	(1)	**(2,418)**	(2,452)	1
Currency translation adjustment[1]					4	
Acquisitions, disposals and dilutions	**–**	28		**–**	6	
Underlying operating expenses	**(2,418)**	(2,368)	(2)	**(2,418)**	(2,442)	1
Underlying cost efficiency ratio	**36.4%**	38.9%		**36.4%**	41.5%	
Profit before tax						
Reported profit before tax	**4,205**	3,761	12	**4,205**	3,821	10
Currency translation adjustment[1]		–			(7)	
Acquisitions, disposals and dilutions	**–**	(28)		**–**	(392)	
Underlying profit before tax	**4,205**	3,733	13	**4,205**	3,422	23
	US$bn	US$bn		**US$bn**	US$bn	
Average risk-weighted assets (‘RWA’s)						
Average reported RWAs	**120**	106	13	**120**	110	9
Currency translation adjustment[1]	**–**	–		**–**	–	
Average underlying RWAs	**120**	106	13	**120**	110	9

For footnotes, see page 43.

Rest of Asia-Pacific

Reconciliation of reported and constant currency profit/(loss) before tax

	Half-year to 30 June 2013 ('1H13') compared with half-year to 30 June 2012 ('1H12')					
	1H12 as reported US$m	**Currency translation adjustment[1] US$m**	**1H12 at 1H13 exchange rates US$m**	**1H13 as reported US$m**	**Reported change[2] %**	**Constant currency change[2] %**
Net interest income	**2,718**	**(15)**	**2,703**	**2,653**	**(2)**	**(2)**
Net fee income	**1,078**	**(22)**	**1,056**	**1,084**	**1**	**3**
Own credit spread[3]	**(2)**	**–**	**(2)**	**1**		
Other income[4]	**2,153**	**(51)**	**2,102**	**3,265**	**52**	**55**
Net operating income[5]	**5,947**	**(88)**	**5,859**	**7,003**	**18**	**20**
Loan impairment charges and other credit risk provisions	**(298)**	**3**	**(295)**	**(152)**	**49**	**48**
Net operating income	**5,649**	**(85)**	**5,564**	**6,851**	**21**	**23**
Operating expenses	**(2,865)**	**48**	**(2,817)**	**(2,749)**	**4**	**2**
Operating profit	**2,784**	**(37)**	**2,747**	**4,102**	**47**	**49**
Share of profit/(loss) in associates and joint ventures	**1,588**	**14**	**1,602**	**955**	**(40)**	**(40)**
Profit before tax	**4,372**	**(23)**	**4,349**	**5,057**	**16**	**16**

	Half-year to 30 June 2013 ('1H13') compared with half-year to 31 December 2012 ('2H12')					
	2H12 as reported US$m	Currency translation adjustment[1] US$m	2H12 at 1H13 exchange rates US$m	1H13 as reported US$m	Reported change[2] %	Constant currency change[2] %
Net interest income	2,673	(7)	2,666	2,653	(1)	–
Net fee income	1,005	(14)	991	1,084	8	9
Own credit spread[3]	(1)		(1)	1		
Gains on disposal of Ping An	3,012		3,012	–	(100)	(100)
Other income[4]	948	(93)	855	3,265	244	282
Net operating income[5]	7,637	(114)	7,523	7,003	(8)	(7)
Loan impairment charges and other credit risk provisions	(138)	1	(137)	(152)	(10)	(11)
Net operating income	7,499	(113)	7,386	6,851	(9)	(7)
Operating expenses	(2,941)	25	(2,916)	(2,749)	7	6
Operating profit	4,558	(88)	4,470	4,102	(10)	(8)
Share of profit in associates and joint ventures	1,518	13	1,531	955	(37)	(38)
Profit before tax	6,076	(75)	6,001	5,057	(17)	(16)

For footnotes, see page 43.

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**7,003**	5,947	18	**7,003**	7,637	(8)
Currency translation adjustment[1]		(88)			(114)	
Own credit spread[3]	**(1)**	2		**(1)**	1	
Acquisitions, disposals and dilutions	**(1,185)**	(330)		**(1,185)**	(3,012)	
Underlying revenue	**5,817**	5,531	5	**5,817**	4,512	29
Loan impairment charges and other credit provisions (‘LICs’)						
Reported LICs	**(152)**	(298)	49	**(152)**	(138)	(10)
Currency translation adjustment[1]		3			1	
Acquisitions, disposals and dilutions	**–**	(2)		**–**	–	
Underlying LICs	**(152)**	(297)	49	**(152)**	(137)	(11)
Operating expenses						
Reported operating expenses	**(2,749)**	(2,865)	4	**(2,749)**	(2,941)	7
Currency translation adjustment[1]		48			25	
Acquisitions, disposals and dilutions	**72**	60		**72**	51	
Underlying operating expenses	**(2,677)**	(2,757)	3	**(2,677)**	(2,865)	7
Underlying cost efficiency ratio	**46.0%**	49.8%		**46.0%**	63.5%	
Profit before tax						
Reported profit before tax	**5,057**	4,372	16	**5,057**	6,076	(17)
Currency translation adjustment[1]		(23)			(75)	
Own credit spread[3]	**(1)**	2		**(1)**	1	
Acquisitions, disposals and dilutions	**(1,116)**	(1,025)		**(1,116)**	(3,639)	
Underlying profit before tax	**3,940**	3,326	18	**3,940**	2,363	67
	US$bn	US$bn		**US$bn**	US$bn	
Average risk-weighted assets (‘RWA’s)						
Average reported RWAs	**287**	292	(2)	**287**	307	(7)
Acquisitions, disposals and dilutions	**(13)**	(54)		**(13)**	(54)	
Average underlying RWAs	**274**	238	15	**274**	253	8

For footnotes, see page 43.

Middle East and North Africa

Reconciliation of reported and constant currency profit/(loss) before tax

	Half-year to 30 June 2013 ('1H13') compared with half-year to 30 June 2012 ('1H12')					
	1H12 as reported US$m	**Currency translation adjustment[1] US$m**	**1H12 at 1H13 exchange rates US$m**	**1H13 as reported US$m**	**Reported change[2] %**	**Constant currency change[2] %**
Net interest income	**705**	**(20)**	**685**	**746**	**6**	**9**
Net fee income	**302**	**(4)**	**298**	**311**	**3**	**4**
Own credit spread[3]	**(4)**	**–**	**(4)**	**(1)**	**75**	**75**
Other income[4]	**234**	**(3)**	**231**	**197**	**(16)**	**(15)**
Net operating income[5]	**1,237**	**(27)**	**1,210**	**1,253**	**1**	**4**
Loan impairment (charges)/recoveries and other credit risk provisions	**(135)**	**1**	**(134)**	**47**		
Net operating income	**1,102**	**(26)**	**1,076**	**1,300**	**18**	**21**
Operating expenses	**(537)**	**10**	**(527)**	**(616)**	**(15)**	**(17)**
Operating profit	**565**	**(16)**	**549**	**684**	**21**	**25**
Share of profit in associates and joint ventures	**207**	**1**	**208**	**225**	**9**	**8**
Profit before tax	**772**	**(15)**	**757**	**909**	**18**	**20**

	Half-year to 30 June 2013 ('1H13') compared with half-year to 31 December 2012 ('2H12')					
	2H12 as reported US$m	Currency translation adjustment[1] US$m	2H12 at 1H13 exchange rates US$m	1H13 as reported US$m	Reported change[2] %	Constant currency change[2] %
Net interest income	765	(18)	747	746	(2)	–
Net fee income	293	(6)	287	311	6	8
Own credit spread[3]	(8)	–	(8)	(1)	88	88
Other income[4]	143	(4)	139	197	38	42
Net operating income[5]	1,193	(28)	1,165	1,253	5	8
Loan impairment (charges)/recoveries and other credit risk provisions	(151)	3	(148)	47		
Net operating income	1,042	(25)	1,017	1,300	25	28
Operating expenses	(629)	12	(617)	(616)	2	–
Operating profit	413	(13)	400	684	66	71
Share of profit in associates and joint ventures	165	–	165	225	36	36
Profit before tax	578	(13)	565	909	57	61

For footnotes, see page 43.

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**1,253**	1,237	1	**1,253**	1,193	5
Currency translation adjustment[1]		(27)			(28)	
Own credit spread	**1**	4		**1**	8	
Acquisitions, disposals and dilutions	**–**	(38)		**–**	41	
Underlying revenue	**1,254**	1,176	7	**1,254**	1,214	3
Loan impairment charges and other credit provisions (‘LICs’)						
Reported LICs	**47**	(135)		**47**	(151)	
Currency translation adjustment[1]		1			3	
Underlying LICs	**47**	(134)		**47**	(148)	
Operating expenses						
Reported operating expenses	**(616)**	(537)	(15)	**(616)**	(629)	2
Currency translation adjustment[1]		10			12	
Acquisitions, disposals and dilutions	**–**	11		**–**	4	
Underlying operating expenses	**(616)**	(516)	(19)	**(616)**	(613)	–
Underlying cost efficiency ratio	**49.1%**	43.9%		**49.1%**	50.5%	
Profit before tax						
Reported profit before tax	**909**	772	18	**909**	578	57
Currency translation adjustment[1]		(15)			(13)	
Own credit spread	**1**	4		**1**	8	
Acquisitions, disposals and dilutions	**–**	(27)		**–**	45	
Underlying profit before tax	**910**	734	24	**910**	618	47
	US$bn	US$bn		**US$bn**	US$bn	
Average risk-weighted assets (‘RWA’s)						
Average reported RWAs	**64**	61	6	**64**	63	2
Currency translation adjustment[1]	**–**	(2)		**–**	(2)	
Acquisitions, disposals and dilutions	**–**	(1)		**–**	–	
Average underlying RWAs	**64**	58	10	**64**	61	4

For footnotes, see page 43.

North America

Reconciliation of reported and constant currency profit/(loss) before tax

	Half-year to 30 June 2013 ('1H13') compared with half-year to 30 June 2012 ('1H12')					
	1H12 as reported US$m	**Currency translation adjustment[1] US$m**	**1H12 at 1H13 exchange rates US$m**	**1H13 as reported US$m**	**Reported change[2] %**	**Constant currency change[2] %**
Net interest income	**4,739**	**(8)**	**4,731**	**3,030**	**(36)**	**(36)**
Net fee income	**1,443**	**(3)**	**1,440**	**1,138**	**(21)**	**(21)**
Own credit spread[3]	**(559)**	**–**	**(559)**	**(22)**	**96**	**96**
Gains on disposal of US branch network and cards business	**3,809**	**–**	**3,809**	**–**	**(100)**	**(100)**
Other income[4]	**546**	**(3)**	**543**	**486**	**(11)**	**(10)**
Net operating income[5]	**9,978**	**(14)**	**9,964**	**4,632**	**(54)**	**(54)**
Loan impairment charges and other credit risk provisions	**(2,161)**	**2**	**(2,159)**	**(696)**	**68**	**68**
Net operating income	**7,817**	**(12)**	**7,805**	**3,936**	**(50)**	**(50)**
Operating expenses	**(4,462)**	**5**	**(4,457)**	**(3,276)**	**27**	**26**
Operating profit	**3,355**	**(7)**	**3,348**	**660**	**(80)**	**(80)**
Share of profit/(loss) in associates and joint ventures	**(1)**	**–**	**(1)**	**6**		
Profit before tax	**3,354**	**(7)**	**3,347**	**666**	**(80)**	**(80)**

	Half-year to 30 June 2013 ('1H13') compared with half-year to 31 December 2012 ('2H12')					
	2H12 as reported US$m	Currency translation adjustment[1] US$m	2H12 at 1H13 exchange rates US$m	1H13 as reported US$m	Reported change[2] %	Constant currency change[2] %
Net interest income	3,378	(16)	3,362	3,030	(10)	(10)
Net fee income	1,070	(7)	1,063	1,138	6	7
Own credit spread[3]	(531)	1	(530)	(22)	96	96
Gains on disposal of US branch network and cards business	203	–	203	–	(100)	(100)
Other income[4]	595	(1)	594	486	(18)	(18)
Net operating income[5]	4,715	(23)	4,692	4,632	(2)	(1)
Loan impairment charges and other credit risk provisions	(1,296)	2	(1,294)	(696)	46	46
Net operating income	3,419	(21)	3,398	3,936	15	16
Operating expenses	(4,478)	11	(4,467)	(3,276)	27	27
Operating profit/(loss)	(1,059)	(10)	(1,069)	660		
Share of profit in associates and joint ventures	4	–	4	6	50	50
Profit/(loss) before tax	(1,055)	(10)	(1,065)	666		

For footnotes, see page 43.

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**4,632**	9,978	(54)	**4,632**	4,715	(2)
Currency translation adjustment[1]		(14)			(24)	
Own credit spread[3]	**22**	559		**22**	532	
Acquisitions, disposals and dilutions	**105**	(5,759)		**105**	(223)	
Underlying revenue	**4,759**	4,764	(1)	**4,759**	5,000	(5)
Loan impairment charges and other credit provisions ('LICs')						
Reported LICs	**(696)**	(2,161)	68	**(696)**	(1,296)	46
Currency translation adjustment[1]		2			2	
Acquisitions, disposals and dilutions	**1**	325		**1**	–	
Underlying LICs	**(695)**	(1,834)	62	**(695)**	(1,294)	46
Operating expenses						
Reported operating expenses	**(3,276)**	(4,462)	27	**(3,276)**	(4,478)	27
Currency translation adjustment[1]		5			11	
Acquisitions, disposals and dilutions	**14**	756		**14**	40	
Underlying operating expenses	**(3,262)**	(3,701)	12	**(3,262)**	(4,427)	26
Underlying cost efficiency ratio	**68.5%**	77.7%		**68.5%**	88.5%	
Profit before tax						
Reported profit before tax	**666**	3,354	(80)	**666**	(1,055)	
Currency translation adjustment[1]		(7)			(11)	
Own credit spread[3]	**22**	559		**22**	532	
Acquisitions, disposals and dilutions	**120**	(4,678)		**120**	(183)	
Underlying profit/(loss) before tax	**808**	(772)		**808**	(717)	
	US$bn	US$bn		**US$bn**	US$bn	
Average risk-weighted assets ('RWA's)						
Average reported RWAs	**248**	314	(21)	**248**	268	(7)
Currency translation adjustment[1]					(1)	
Acquisitions, disposals and dilutions	**–**	(35)		**–**	–	
Average underlying RWAs	**248**	279	(11)	**248**	267	(7)

For footnotes, see page 43.

Latin America

Reconciliation of reported and constant currency profit/(loss) before tax

	Half-year to 30 June 2013 ('1H13') compared with half-year to 30 June 2012 ('1H12')					
	1H12 as reported US$m	**Currency translation adjustment[1] US$m**	**1H12 at 1H13 exchange rates US$m**	**1H13 as reported US$m**	**Reported change[2] %**	**Constant currency change[2] %**
Net interest income	**3,542**	**(175)**	**3,367**	**3,274**	**(8)**	**(3)**
Net fee income	**843**	**(32)**	**811**	**896**	**6**	**10**
Other income[4]	**1,180**	**(97)**	**1,083**	**788**	**(33)**	**(27)**
Net operating income[5]	**5,565**	**(304)**	**5,261**	**4,958**	**(11)**	**(6)**
Loan impairment charges and other credit risk provisions	**(1,136)**	**78**	**(1,058)**	**(1,423)**	**(25)**	**(34)**
Net operating income	**4,429**	**(226)**	**4,203**	**3,535**	**(20)**	**(16)**
Operating expenses	**(3,285)**	**154**	**(3,131)**	**(3,069)**	**7**	**2**
Operating profit	**1,144**	**(72)**	**1,072**	**466**	**(59)**	**(57)**
Share of profit in associates and joint ventures	**1**	**–**	**1**	**–**	**(100)**	**(100)**
Profit before tax	**1,145**	**(72)**	**1,073**	**466**	**(59)**	**(57)**

	Half-year to 30 June 2013 ('1H13') compared with half-year to 31 December 2012 ('2H12')					
	2H12 as reported US$m	Currency translation adjustment[1] US$m	2H12 at 1H13 exchange rates US$m	1H13 as reported US$m	Reported change[2] %	Constant currency change[2] %
Net interest income	3,442	16	3,458	3,274	(5)	(5)
Net fee income	892	5	897	896	–	–
Other income[4]	1,052	5	1,057	788	(25)	(25)
Net operating income[5]	5,386	26	5,412	4,958	(8)	(8)
Loan impairment charges and other credit risk provisions	(1,001)	(8)	(1,009)	(1,423)	(42)	(41)
Net operating income	4,385	18	4,403	3,535	(19)	(20)
Operating expenses	(3,145)	(20)	(3,165)	(3,069)	2	3
Operating profit	1,240	(2)	1,238	466	(62)	(62)
Share of loss in associates and joint ventures	(1)	–	(1)	–	(100)	(100)
Profit before tax	1,239	(2)	1,237	466	(62)	(62)

For footnotes, see page 43.

Reconciliation of reported and underlying[8] items

	Half-year to					
	30 June 2013 US$m	30 June 2012 US$m	Change[2] %	**30 June 2013 US$m**	31 December 2012 US$m	Change[2] %
Revenue[9]						
Reported revenue	**4,958**	5,565	(11)	**4,958**	5,386	(8)
Currency translation adjustment[1]		(304)			26	
Acquisitions, disposals and dilutions	**(28)**	(264)		**(28)**	(100)	
Underlying revenue	**4,930**	4,997	(1)	**4,930**	5,312	(7)
Loan impairment charges and other credit provisions ('LICs')						
Reported LICs	**(1,423)**	(1,136)	(25)	**(1,423)**	(1,001)	(42)
Currency translation adjustment[1]		78			(8)	
Acquisitions, disposals and dilutions	**–**	8		**–**	8	
Underlying LICs	**(1,423)**	(1,050)	(36)	**(1,423)**	(1,001)	(42)
Operating expenses						
Reported operating expenses	**(3,069)**	(3,285)	7	**(3,069)**	(3,145)	2
Currency translation adjustment[1]		154			(20)	
Acquisitions, disposals and dilutions	**1**	109		**1**	79	
Underlying operating expenses	**(3,068)**	(3,022)	(2)	**(3,068)**	(3,086)	1
Underlying cost efficiency ratio	**62.2%**	60.5%		**62.2%**	58.1%	
Profit before tax						
Reported profit before tax	**466**	1,145	(59)	**466**	1,239	(62)
Currency translation adjustment[1]		(72)			(2)	
Acquisitions, disposals and dilutions	**(27)**	(147)		**(27)**	(13)	
Underlying profit before tax	**439**	926	(53)	**439**	1,224	(64)
	US$bn	US$bn		**US$bn**	US$bn	
Average risk-weighted assets ('RWA's)						
Average reported RWAs	**98**	103	(5)	**98**	99	(1)
Currency translation adjustment[1]	**–**	(4)		**–**	(1)	
Acquisitions, disposals and dilutions	**–**	(4)		**(5)**	(2)	
Average underlying RWAs	**98**	95	3	**98**	96	2

For footnotes, see page 43.

Reconciliation of reported and underlying profit before tax ('PBT') – country highlights

At 30 June 2013	Reported PBT US$m	Own credit spread[3] US$m	Acquisitions, disposals, and dilutions US$m	Underlying PBT US$m	Change[2] %
Hong Kong and Rest of Asia-Pacific					
Hong Kong	4,205	–	–	4,205	13
India	414	–	–	414	(15)
China HSBC[10]	346	–	–	346	(24)
Singapore	361	–	–	361	6
Malaysia	274	–	–	274	(5)
Indonesia	141	–	–	141	(15)
Australia	233	(1)	–	232	155
Taiwan	100	–	36	136	(7)
Vietnam	151	–	(104)	47	(37)
Europe					
France	489	(3)	–	486	23
Germany	106	–	–	106	(43)
Turkey	84	–	–	84	(14)
Switzerland	(40)	–	–	(40)	
UK	2,220	–	11	2,231	
Middle East and North Africa					
UAE	337	1	–	338	12
Saudi Arabia	225	–	–	225	6
Egypt	117	–	–	117	(4)
North America					
Canada	449	3	–	452	(15)
USA	191	19	120	330	
Latin America					
Brazil	153	–	–	153	(67)
Mexico	117	–	(27)	90	(76)
Argentina	180	–	–	180	31

Reconciliation of reported and underlying profit before tax ('PBT') – country highlights (continued)

At 30 June 2012	Reported PBT US$m	Curency translation Adjustment[2] US$m	Own credit spread[3] US$m	Acquisitions, disposals, and dilutions US$m	Underlying PBT US$m
Hong Kong and Rest of Asia-Pacific					
Hong Kong	3,761	–	–	(28)	3,733
India	515	(28)	–	–	487
China HSBC[10]	454	4	–	–	458
Singapore	335	5	–	–	340
Malaysia	288	1	–	–	289
Indonesia	175	(10)	–	–	165
Australia	91	(2)	2	–	91
Taiwan	146	–	–	–	146
Vietnam	78	–	–	(3)	75
Europe					
France	293	3	99	–	395
Germany	184	3	–	–	187
Turkey	98	–	–	–	98
Switzerland	66	2	–	–	68
UK	(1,617)	4	1,506	–	(107)
Middle East and North Africa					
UAE	299	–	4	–	303
Saudi Arabia	212	–	–	–	212
Egypt	137	(15)	–	–	122
North America					
Canada	602	(5)	18	(83)	532
USA	2,734	–	541	(4,595)	(1,320)
Latin America					
Brazil	505	(41)	–	–	464
Mexico	366	20	–	(11)	375
Argentina	312	(53)	–	(122)	137

Basel III and CRD IV

In June 2013, the European Commission published the final Regulation and Directive, known collectively as CRD IV, to give effect to the Basel III framework in the EU. This will come into effect on 1 January 2014.

In October 2012, the PRA wrote to large UK firms describing the disclosures it required them to make for capital resources on a first year transitional basis and for the leverage ratio on an end point basis under CRD IV. At 31 December 2012, our disclosures were based on the July 2011 draft version of the CRD IV text. In July 2013, the PRA provided updated instructions to prepare the 30 June 2013 disclosures based on the final CRD IV rules. Our disclosures may be found on our website, www.hsbc.com, as a *Supplementary Regulatory Disclosure* under Investor Relations.

Following publication of the final CRD IV rules and the PRA's setting of a forward–looking CET1 capital target, in order to manage our transition to Basel III under CRD IV, we set out information for investors on the possible effects of these rules on our capital position in the table overleaf: 'Estimated effect of CRD IV end point rules'. This table quantifies the known capital and RWA impacts at this time; however, these are subject to change. The PRA are due to consult on the UK implementation of CRD IV in the second half of 2013, and this will consider more than 50 national discretions, the quantification and interaction of capital buffers and other regulatory adjustments.

In addition, more than 100 Regulatory Technical Standards ('RTS') and Implementing Technical Standards ('ITS') have been issued by the EBA in draft form for consultation or are pending publication. This provides further uncertainty as to the precise capital and RWA requirements under CRD IV. The effects of these draft standards are not captured in our numbers. Consequently, there could be additional, potentially significant impacts on our capital position and RWAs.

The table overleaf presents a reconciliation of our reported core tier 1 capital and RWAs to the estimated CET1 end point capital and estimated RWAs at 30 June 2013, based on our interpretation of the final CRD IV regulation, as supplemented by PRA guidance. The position at 30 June 2013 is presented in comparison with that at 31 December 2012, where the estimated effect was based on the July 2011 draft CRD IV text.

The presentation of the 31 December 2012 position has changed from the presentation in the 2012 Annual Report and Accounts. Future planned management actions to mitigate the effect of capital deductions for non–significant (or 'immaterial') holdings of financial sector entities, as outlined in our 31 December 2012 disclosures, have been taken into account at 30 June 2013.

These management actions would eliminate the deduction for non-significant holdings in financial sector entities of US$3.9bn (2012: US$6bn), which is therefore no longer in the table. The effect of this would also increase the 10% and 15% thresholds for the items included in the 'deductions under threshold approach' and the deductions for 31 December 2012 are accordingly re-presented on that basis.

The extent of permissible netting of holdings in financial sector entities remains subject to clarification by regulators and may reduce the extent of management actions necessary. If additional netting were to be recognised in full, the residual management action could be reduced from US$3.9bn to around US$0.4bn.

Although CRD IV final rules have now been published, there remains substantial regulatory uncertainty around the application of the rules for deductions of holdings in the capital of financial sector entities (including those for immaterial holdings). The EBA recently launched a consultation on the draft RTS for Own Funds – Part III', which introduces fundamentally new concepts in this area and has the potential to significantly increase the level of the capital deduction. This RTS is still in draft. We have responded to the consultation and are engaging in dialogue with regulators regarding its proposals. Dependent upon the final standard, we will further consider what, if any, management actions will be possible to mitigate its effect, which may not be possible to achieve in full.

For the detailed basis of preparation, see page 197 of the Appendix to Capital in the *Interim Report 2013*.

Estimated effect of CRD IV end point rules

	Final CRR at 30 June 2013		July 2011 text at 31 December 2012	
	RWAs US$m	**Capital US$m**	RWAs US$m	Capital US$m
Reported core tier 1 capital under the current regime		**140,890**		138,789
Regulatory adjustments applied to core tier 1 in respect of amounts subject to CRD IV treatment				
Deconsolidation of insurance undertakings in reserves		**(6,042)**		–
Investments in own shares through the holding of composite products of which HSBC is a component (exchange traded funds, derivatives, and index stock)		**(844)**		(1,322)
Surplus non-controlling interest disallowed in CET1		**(1,269)**		(2,299)
Removal of filters under current regime:				
– unrealised gains/(losses) on available-for-sale debt securities		**(2,354)**		(1,223)
– unrealised gains on available-for-sale equities		**1,283**		2,088
– reserves arising from revaluation of property		**1,284**		1,202
– defined benefit pension fund liabilities		**(1,268)**		(1,596)
Unrealised (gains) on available-for-sale exposures to central governments		**(1,509)**		–
Excess of expected losses over impairment allowances deducted 100% from CET1		**(3,276)**		(3,084)
Removal of 50% of tax credit adjustment for expected losses		**(134)**		(111)
Securitisations positions risk-weighted under CRD IV		**1,722**		1,776
Deferred tax liabilities on intangibles		**274**		267
Deferred tax assets that rely on future profitability (excluding those arising from temporary differences)		**(389)**		(456)
Additional valuation adjustment (referred to as PVA)		**(2,260)**		(1,720)
Debit valuation adjustment		**(683)**		(372)
Deductions under threshold approach				
Amount exceeding the 10% threshold:				
– significant investments in CET1 capital of banks, financial institutions and insurance		**–**		(6,097)
Amount in aggregate exceeding the 15% threshold:				
– significant investments in CET1 capital of banks, financial institutions and insurance		**–**		(2,029)
– deferred tax assets		**–**		(1,310)
Estimated CET1 capital under CRD IV		**125,425**		122,503
Reported total RWAs	**1,104,764**		1,123,943	
Changes to capital requirements introduced by CRD IV				
Credit valuation adjustment	**38,339**		60,360	
Counterparty credit risk (other than credit valuation adjustment)	**25,769**		25,682	
Amounts in aggregate below 15% threshold and therefore subject to 250% risk weight	**36,775**		45,940	
Securitisation positions and free deliveries risk-weighted under CRD IV	**43,438**		44,513	
Investments in commercial entities now risk-weighted	**405**		393	
Deferred tax assets moved to threshold deduction under CRD IV	**(8,187)**		(8,976)	
Estimated total RWAs under CRD IV	**1,241,303**		1,291,855	
Estimated CET1 ratio		**10.1%**		9.5%
Estimated regulatory impact of management actions				
Management actions completed in 2013:				
Dilution of our shareholding in Industrial Bank and the subsequent change in accounting treatment	**–**	**–**	(38,880)	(2,150)
Completion of the second tranche of the disposal of Ping An	**–**	**–**	3,522	9,393
Estimated total after management actions completed in 2013	**1,241,303**	**125,425**	1,256,497	129,746
Estimated CET1 ratio after management actions completed in 2013		**10.1%**		10.3%

In addition to the presentation of holdings in non-significant financial sector entities, there are changes to the following key items as a result of evolving interpretation of the CRD IV final rules.

- To effect the deduction of significant investments in insurance companies from CET1, we have removed from the Group consolidated reserves the contribution of our insurance business and calculated the amount of the insurance holding deduction, subject to threshold conditions, at cost. The regulatory treatment of insurance holdings is subject to ongoing regulatory consideration.
- The amount of surplus non-controlling interests disallowed from CET1 capital of US$1.3bn has

been estimated using our interpretation of CRD IV final rules.

- For available-for-sale debt instruments issued by central governments, we have derecognised unrealised gains of US$1.5bn from capital in the calculation of the end point capital position.
- On the capital requirements, the notable change compared with our 31 December 2012 estimates relates to the CVA risk charge, which has reduced to US$38.3bn mainly as a result of the introduction of exemptions under the final CRD IV rules.

For a detailed description of the items above, see page 197 of the Appendix to Capital in the *Interim Report 2013*.

Future developments

Systemically important banks

In parallel with the Basel III proposals, the Basel Committee issued a consultative document in July 2011, 'Global systemically important banks: assessment methodology and the additional loss absorbency requirement'. In November 2011, it published its rules and the Financial Stability Board ('FSB') issued the initial list of global systemically important banks ('G-SIB's). This list, which included HSBC and 28 other major banks from around the world, will be re-assessed periodically through annual re-scoring of the individual banks and a triennial review of the methodology.

The requirements, initially for those banks identified in November 2014 as G-SIBs, will be phased in from 1 January 2016, becoming fully effective on 1 January 2019. National regulators have discretion to introduce higher thresholds than the minima. In November 2012, the FSB published a revised list of G-SIBs and their current assessment of the appropriate capital charge. HSBC was assigned an add-on of 2.5%.

UK regulatory update

In March 2013, the interim FPC announced a number of policy recommendations related to regulatory capital and risk-weighted assets, including that the PRA should ensure major UK banks hold capital resources equivalent to at least 7% CET1 post-FPC adjustments to reflect the FPC's estimate of expected future losses, an assessment of future costs of conduct redress and a more prudent calculation of risk-weights.

Relative to the above, the PRA, in June 2013, published that five of eight major UK banks and building societies had an aggregate shortfall in capital of approximately £27bn. However, HSBC met and exceeded this targeted requirement.

The PRA has now established a forward-looking Basel III end point CET1 target post-FPC adjustments for the Group. This is expressed as a minimum target CET1 ratio calculated on a Basel III end point basis, taking into account adjustments identified by the FPC.

Regulatory capital buffers

CRD IV, in addition to giving effect to the Basel Committee's surcharge for G-SIBs in the form of a Global Systemically Important Institution Buffer ('G-SIIB'), requires banks to maintain a number of additional capital buffers to be met by CET1 capital. These new capital requirements include a Capital Conservation Buffer designed to ensure banks build up capital outside periods of stress that can be drawn down when losses are incurred, currently set at 2.5%, and an institution specific Countercyclical Capital Buffer ('CCB'), to protect against future losses where unsustainable levels of leverage, debt or credit growth pose a systemic threat. Should a CCB be required, it is expected to be set in the range of 0-2.5%. Additionally, CRD IV set out a Systemic Risk Buffer ('SRB') for the banking system as a whole to mitigate structural macro-prudential risk. If applicable, the SRB will be set at a minimum of 1%. The Capital Conservation Buffer and the CCB are to be phased in from 1 January 2016, becoming fully effective from 1 January 2019.

The capital buffer rules are subject to national transposition in the UK. The designated UK authority will have discretion to set the precise buffer rates above the CRD IV minima and to accelerate the timetable for their implementation. In the UK, the regulatory framework gives the FPC directive powers over the CCB. However, it is not known if the FPC will be the authority responsible for setting the SRB and the G-SIIB. Until the requirements are transposed into national law and guidance is issued, there remains uncertainty on the interplay between these buffers, the exact buffer rate requirement and the ultimate impact on the Group.

Potential effect of regulatory proposals on HSBC's capital requirements

Given the above, it is uncertain what HSBC's final capital requirement will be. However, the Pillar 1 capital requirements that are quantified with some certainty to date are as follows:

CET1 requirements from 1 January 2019	
Minimum CET1	4.5%
Capital conservation buffer	2.5%
G-SIIB buffer	2.5%

In December 2011, against the backdrop of eurozone instability, the EBA recommended that banks aim to reach a 9% EBA defined core tier 1 ratio by the end of June 2012. In July 2013, the EBA replaced the 2011 recapitalisation recommendation with a new measure on capital preservation. This requires banks to maintain a core tier 1 capital floor corresponding to a nominal level of 9% of RWAs at the end of June 2012. This equates for HSBC to US$104bn, compared with actual core tier 1 capital held of US$141bn at 30 June 2013. To monitor this on an on-going basis, banks will be required to submit additional reporting and capital plans in November 2013 to demonstrate that appropriate levels of capital are being preserved. The EBA have indicated they will review this recommendation by 31 December 2014.

We also hold additional capital in respect of Pillar 2, the process of internal capital adequacy assessment and supervisory review which leads to a final determination by the PRA of individual capital guidance and any capital planning buffer that may be required.

RWA integrity

In February 2013, the EBA published interim results of its investigation into RWAs in the banking book, aimed at identifying any material difference in RWA outcomes between banks and understanding the sources of such differences.

The report concluded that half of the differences between banks stem mainly from the approach for computing RWAs in use (standardised versus internal ratings based ('IRB') approaches), partly from the composition of each bank's loan portfolio. The remaining half stem from the IRB risk parameters applied, reflecting each bank's specific portfolio and risk management practices.

In July 2013, the Basel Committee published its findings on the 'Analysis of risk-weighted assets for credit risk in the banking book', reporting that while the majority of RWA variability arises from the underlying credit quality of a portfolio, differences also arise from banks' choices under the IRB approach. One of its recommendations to counteract this variance is the introduction of new or increased capital floors.

In parallel with the above and as part the review of the Basel capital framework, also in July 2013, the Basel Committee published a discussion paper on its findings, 'The regulatory framework: balancing risk sensitivity, simplicity and comparability'. The report recommended that banks disclose the results of applying their models to standardised hypothetical portfolios and that they disclose both modelled and standardised RWA calculations. Moreover, the Basel Committee again proposed additional floors as a potential tool to constrain the effect of variation in RWAs derived from internal model outputs, to provide additional comfort that banks' risks are adequately capitalised and to make capital ratios more comparable.

We are reviewing the merits of these proposals and have implemented additional measures to restore confidence in our RWA metrics. To this end, we fully support the recommendations of the FSB's Enhanced Disclosure Task Force that aims to assist greater understanding of the output of internal models through enhanced risk disclosures, which we have implemented.

Leverage ratio

The leverage ratio was introduced into the Basel III framework as a non-risk-based backstop limit, to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector, introducing additional safeguards against model risk and measurement errors. The ratio is a volume-based measure calculated as Basel III tier 1 capital divided by total on- and off-balance sheet exposures.

Basel III provided for a transitional period for the introduction of this ratio, comprising a supervisory monitoring period to start in 2011 and a parallel run period from January 2013 to January 2017. The parallel run will be used to assess whether the proposed ratio of 3% is appropriate, with a view to migrating to a Pillar 1 requirement from 1 January 2018.

In June 2013, the Basel Committee published its consultation paper on a revised Basel III leverage ratio framework, which sets out detailed public disclosure requirements with effect from 1 January 2015.

Under CRD IV, the final calibration and legislative proposal are expected to be determined on the basis of the EBA's assessment of the impact and effectiveness of the leverage ratio during a monitoring period from 1 January 2014 until 30 June 2016. The disclosure requirements will be developed and submitted to the European Commission by 30 June 2014.

Monitoring of leverage has been part of HSBC's regulatory reporting since December 2010. From 2012 year end, ahead of the Basel III disclosure timeline, UK banks were required by the PRA to disclose an estimated leverage ratio at year-end and mid-year, using a hybrid of Basel III and CRD IV rules. This may be found on our website, www.hsbc.com, as a *Supplementary Regulatory Disclosure* under Investor Relations.

Structural banking reform

In September 2011, the Independent Commission on Banking ('ICB') recommended heightened capital requirements for UK banking groups. The recommendations were scrutinised by the Parliamentary Commission on Banking Standards ('PCBS') which, in a report published in December 2012, gave effect to many of the ICB's recommendations. The UK government largely accepted the PCBS' recommendations with the exception of the higher leverage ratio; the government will continue with the Basel III minimum of 3% of total assets to avoid penalising lower risk assets in the ring-fenced bank.

On 19 June 2013, the PCBS published its final report setting out further recommendations on banking standards, including requesting the UK government reconsider setting the leverage ratio higher than the current 3% and giving the FPC responsibility for determining the ratio. On 8 July 2013, the UK government published its initial response to the final report accepting the PCBS's principal recommendations. Its position on a Basel III basis leverage ratio of 3% remained unchanged.

The government intends to enact the legislation by the end of this parliament in 2015 and to have reforms in place by 2019.

In May 2013, the European Commission issued their consultation on structural reform of the European banking sector. The consultation concentrates on the key attributes of the structural reform including recommendations on ring-fencing, focusing on isolating trading activities, rather than retail business as in the ICB recommendations.

We are monitoring all these proposals and their interaction as they develop.

Basis of preparation of the estimated effect of the CRD IV end point applied to the 30 June 2013 position

The table on page 188 of the *Interim Report 2013* presents a reconciliation of our reported core tier 1 and RWA position at 30 June 2013 to the pro-forma estimated CET1 and estimated RWAs based on the Group's interpretation of the final CRD IV legislation supplemented by guidance provided by the PRA, as applicable. At 31 December 2012, we estimated the impact based on the July 2011 draft CRD IV text.

CRD IV was finalised in June 2013 and comes into effect on 1 January 2014. The final text of the legislation still contains material areas of uncertainty, as well as significant provisions for national discretion lending uncertainty to the PRA's ultimate interpretation and transposition of the rules in the UK. In addition, formal Regulatory Technical Standards ('RTS') and Implementing Technical Standards ('ITS') due for issue by the EBA are still to be drafted and finalised, leaving the CRD IV rules subject to significant interpretation.

Notwithstanding the uncertainty around a number of areas in the rules, our disclosures are based on our interpretation of the final CRD IV text. In relation to material areas of national discretion and following PRA guidance, we have applied the treatment that would lead to the lower capital ratio, as further detailed below.

As the transposition of the CRD IV rules in the UK is pending, we have not upgraded our models and systems used to calculate capital numbers in a CRD IV environment and as a consequence, the latter are subject to change.

Given the above, the final CRD IV impact on the Group's CET1 and RWAs may differ from our current estimates.

The detailed basis of preparation is described below for items that are different from our current treatment under Basel II. We have also outlined where the basis of preparation has changed from our 31 December 2012 disclosures.

We have changed the basis of presentation for individual non-significant holdings in financial sector entities that are, in aggregate, above 10% of the Group's CET1 capital, to take into account future management actions to mitigate the impact of such capital deductions. The EBA's publication on 23 May 2013 of their consultation on 'Regulatory Technical Standards for Own Funds – Part III' has a potentially significant impact on the amount of deductions categorised as indirect and synthetic holdings of financial sector entities (including own capital instruments) and the extent of the mitigation we will be able to undertake is uncertain at this stage.

Regulatory adjustments applied to core tier 1 in respect of amounts subject to CRD IV treatment

Deconsolidation of insurance undertakings in reserves: under current rules, the group consolidated reserves include the post-acquisition embedded value of our unconsolidated insurance businesses, which is then reflected in the value of the current deduction from Tier 1 and Tier 2 capital. The CRD IV rules do not contemplate such treatment and we have excluded the post acquisition embedded value from both reserves and the deduction, leaving the investment to be deducted from CET1 valued at cost.

Investments in own shares through the holding of composite products of which HSBC is a component (exchange traded funds, derivatives, and index stock): the value of our holdings of own CET1 instruments, where it is not already deducted under IFRSs, is deducted from CET1. Under CRD IV, this deduction comprises not only direct but also indirect and synthetic, actual and contingent, banking and trading book gross long positions. Trading book positions are calculated net of short positions only where there is no counterparty credit risk on these short positions (this restriction does not apply to short index positions being offset against other index positions).

We have not recognised the benefit of non-index short positions, even where they are executed with central counterparties or are fully collateralised.

Under current rules, there is no regulatory adjustment made to the amounts already deducted under IFRS rules.

The EBA's publication of their consultation on 'Regulatory Technical Standards for Own Funds - Part III' on 23 May 2013 has a potentially significant impact on the amount of deductions categorised as 'holdings of own common equity instruments'. Given the stage of the consultation process and its ambiguous scope, it has not been possible to estimate the effect of the draft proposals on our capital position. However, we have responded to the consultation and are engaging in dialogue with regulators regarding these proposals.

Surplus non-controlling interest disallowed in CET1: non-controlling interests arising from the issue of common shares by our banking subsidiaries receive limited recognition. The excess over the minimum capital requirements of the relevant subsidiary including any additional requirements imposed under Pillar 2, calculated on the basis of its local reporting as well as its contribution to the parent consolidated requirements, is not allowable in the Group's CET1 to the extent it is attributable to minority shareholders.

The final rules require a calculation of the surplus to be undertaken at the sub-consolidated level for each relevant subsidiary. In addition, the calculation of the minimum requirements of the subsidiary changed to include any additional capital requirements imposed by the local regulations, to the extent those are to be met by CET1 capital.

In our estimates we have assumed that minority interests originated in subsidiaries outside the EU are treated on the same basis as those within the EU.

Under current rules, there is no regulatory restriction applied to these items.

On 23 May 2013, the EBA published their consultation on 'Regulatory Technical Standards for Own Funds - Part III' which could materially change the amount of this deduction. Given the stage of the consultation process we have not been able to reliably estimate the effect of those draft proposals on our capital position.

Unrealised gains/(losses) on available-for-sale debt securities: under CRD IV, there is no adjustment to remove from CET1 capital unrealised gains and losses on available-for-sale debt securities. The final CRD IV text includes a national discretion for competent authorities to retain a prudential filter for those unrealised gains or losses on exposures to central governments. In the UK, the PRA has not yet consulted on national discretions but requested banks to include the impact of the most conservative approach where material. As of 30 June 2013, this would translate into a negative capital impact corresponding to the derecognition of unrealised gains of US$1.3bn.

Under current PRA rules, both unrealised gains and losses are removed from capital (net of tax).

Unrealised gains on available-for-sale equities and reserves arising from revaluation of property: there is no adjustment for unrealised gains and losses on reserves arising from the revaluation of property and on available-for-sale equities. Under current PRA rules, unrealised net gains on these items are included in tier 2 capital (net of deferred tax) and net losses are deducted from tier 1 capital.

Defined benefit pension fund liabilities: in line with current rules, the amount of retirement benefit assets as reported on the balance sheet is to be deducted from CET1. At 31 December 2012, the amount of retirement benefit liabilities as reported on the balance sheet was fully recognised in CET1.

Excess of expected losses over impairment allowances deducted 100% from CET1: the amount of excess of expected losses over impairment allowances is deducted 100% from CET1. Under current PRA rules, this amount is deducted 50% from core tier 1 and 50% from total capital.

Removal of 50% of tax credit adjustment for expected losses: the amount of expected losses in excess of impairment allowances that is deducted from CET1 capital is not reduced for any related tax effects. Under current PRA rules, any related tax credit offset is recognised 50% in core tier 1 and 50% in tier 1 capital.

Securitisation positions risk-weighted under CRD IV: securitisation positions that were deducted from core tier 1 under current rules have been included in RWAs at 1,250%.

Deferred tax liabilities on intangibles: the amount of intangible assets deducted from CET1 has been reduced by the related deferred tax liability. Under current rules, the goodwill and intangibles are deducted at their accounting value.

Deferred tax assets that rely on future profitability (excluding those arising from temporary differences): the deferred tax assets that rely on future profitability and do not arise from temporary differences are deducted 100% from CET1. The deferred tax assets that rely on future profitability and arise from temporary differences are subject to the separate threshold deduction approach detailed separately. Under current rules, these items receive a risk weighting of 100%.

Additional valuation adjustment (referred to as prudent valuation adjustment or 'PVA'): under current PRA rules, banks are required to comply with requirements for prudent and reliable valuation of any balance sheet position measured at market or fair value. Under CRD IV, all assets and derivatives measured at fair value are subject to specified standards for prudent valuation, covering uncertainty around the input factors into the fair value valuation models - namely, uncertainty around the mark-to-market of positions, model risk, valuation of less liquid positions and credit valuation adjustments.

Where the accounting fair value calculated under IFRSs is higher than the valuation amount resulting from the application of the prudential adjustments, this would result in an additional valuation adjustment or PVA deduction from CET1 capital.

Following PRA direction, we have included an estimate of the impact of PVA, although there is guidance outstanding following on-going consultation on related EBA draft regulatory technical standards. A new consultation paper was issued by EBA on 10 July 2013 and a Quantitative Impact Study was launched on 22 July 2013 to assess effect of the proposals. Further clarity on the requirements following finalisation of the EBA process and discussions with our regulator could potentially change this figure.

Debit valuation adjustment ('DVA'): the amount of all fair value gains and losses on OTC derivative liabilities that results from changes to our own credit spread are derecognised from CET1.

Individually non-significant holdings in CET1 capital of financial sector entities in aggregate above 10% of HSBC CET1: under CRD IV, the investments in CET1 instruments of financial sector entities, where we have a holding of not more than 10% of the CET1 instruments issued by those entities, are deducted from CET1 to the extent the aggregate amount of such holdings exceeds 10% of our CET1 (calculated before any threshold deductions).

The estimated deduction shown at 31 December 2012 of US$6bn followed a strict interpretation of the draft July 2011 CRD IV rules and guidance provided by the PRA. This imposed a restriction on the netting of long and short positions held in the trading book, whereby the maturity of the short positions has to match the maturity of the long position, or have a residual maturity of no less than a year. At 30 June 2013, however we have been able to more precisely match our long and short positions under 1 year maturity and recognise the offset of short positions under one year which mature on exactly the same day as the long position. Consistent with our disclosure at 31 December 2012, we have taken the contractual maturity of derivative positions (without reflecting any early termination rights) and used the delta equivalent value for options.

The presentation has therefore changed from the *Annual Report and Accounts 2012*. The estimated impact of CRD IV takes into account future management actions to mitigate the impact of capital deductions in respect of non-significant (or 'immaterial') holdings in CET1 capital of financial sector entities in aggregate above 10% of our CET1 (including the resulting separate effects on the items capture as 'deductions under threshold approach'). At 31 December 2012, the mitigation was presented as a separate line item.

Future management actions to mitigate the impact of capital deductions have also been taken into account as at June 2013.

Final CRD IV rules include new provisions in relation to the offsetting of short index holdings of capital instruments which under our interpretation would allow for increased offsetting of positions. The extent of permissible netting of holdings in financial sector entities remains however subject to clarification by regulators. If additional netting is recognised in full, the residual management action could be reduced from US$3.9bn to around US$0.4bn.

The uncertainty in the rules has been increased by the publication of the EBA consultation paper 'Regulatory Technical Standards for Own Funds - Part III' on 23 May 2013. The extent of the application of those proposals is unclear and has the potential to very significantly change the amount of this deduction. Given the stage of the consultation process and its ambiguous scope, it has not been possible to estimate the effect of the draft proposals on our capital position. However, we have responded to the consultation and are engaging with regulators regarding its proposals.

Deductions under threshold approach: under CRD IV, where we have a holding of more than 10% of the CET1 instruments issued by banks, financial institutions and insurance entities which is not part of our regulatory consolidation, that holding is subject to a threshold deduction approach. Under current rules, these exposures are deducted 50% from tier 1 capital and 50% from total capital, except for certain insurance holdings that met the requirements under the transitional provision of the current rules and until 31 December 2012 that were allowed to be deducted 100% from total capital.

Deferred tax assets that rely on the future profitability of the bank to be realised and which arise from temporary differences are also subject to this threshold deduction approach. Under current rules, these assets would be subject to 100% risk weighting.

Under CRD IV, the amount of such deferred tax assets and significant investments which individually and in aggregate exceed 10% and 15%, respectively, of our CET1 are fully deducted from CET1 capital. Amounts falling below the 10% and 15% thresholds are risk weighted at 250%.

Changes to capital requirements introduced by CRD IV

Credit valuation adjustment ('CVA') risk: introduced as a new requirement under CRD IV rules, this is a capital charge to cover the risk of mark-to-market losses on expected counterparty risk, and is referred to as a regulatory CVA risk capital charge.

Where we have both specific risk VAR approval and internal model method approval for a product, the CVA VAR approach has been used to calculate the CVA capital charge. Where we do not hold both approvals, the standardised approach has been applied. We have estimated our regulatory CVA risk capital charge calculated on a full range of OTC derivative counterparties on the basis of the final CRD IV text, which exempts from the calculation of the CVA risk capital charge certain corporates, intragroup transactions, retirement benefits pension funds and specific sovereign bodies. At 31 December 2012, we estimated our regulatory CVA risk capital charge based on the draft July 2011 CRD IV text, without any exemptions.

We have now identified the counterparties falling under this exemption on a best-endeavours basis. We have included certain corporate counterparties that we believe will be above the clearing threshold although the process for confirming the status of these companies is yet to be concluded. We have also exempted applicable sovereigns.

Counterparty credit risk (other than credit valuation adjustment): the additional requirements introduced by CRD IV and included in the CCR charge include the increase in the asset value correlation multiplier for financial counterparties, additional requirements for collateralised counterparties, margin period of risk and new requirements for exposures to central clearing counterparties ('CCPs').

In estimating the capital requirements for exposures to CCPs, we have assumed that our CCPs in major jurisdictions are 'qualifying' under the requirements of CRD IV, although this will ultimately depend on confirmation from the competent regulatory authority. Where we do not have full data disclosed for a given CCP, we have assumed full deduction of default fund exposures.

Amounts in aggregate below 15% threshold and therefore subject to 250% risk weight: as explained above, items that fall under the threshold approach treatment under CRD IV, and which are below the 10% and 15% thresholds, are risk-weighted at 250%.

Securitisation positions and free deliveries risk-weighted under CRD IV: securitisation positions which were deducted 50% from core tier 1 and 50% from total capital, and free deliveries that were deducted from total capital under current rules, are now included in RWAs at 1,250%.

Investment in commercial entities now risk-weighted: under CRD IV, investments in commercial entities that are non-qualifying holdings are risk weighted. These were deducted under the current rules.

Deferred tax assets moved to threshold approach or deduction under CRD IV: deferred tax assets, which were risk-weighted at 100% under the standardised approach under current rules, are treated as a capital deduction from CET1 to the extent they rely on the future profitability of the bank to be realised. Those that do not rely on future profitability continue to be risk weighted.

Footnotes

1 *'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.*
2 *Positive numbers are favourable: negative numbers are unfavourable.*
3 *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.*
4 *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.*
5 *Net operating income before loan impairment charges and other credit risk provisions, also referred to as revenue.*
6 *The operating results of these disposals were removed from underlying results in addition to disposal gains and losses.*
7 *The operating results of these acquisitions were not removed from underlying results as they were not significant.*
8 *Underlying performance eliminates the effects of acquisitions, disposals and changes of ownership levels of subsidiaries, associates and businesses so we can view results on a like-for-like basis. We achieve this by eliminating gains and losses on disposal or dilution in the period incurred and by adjusting material results of operations in the previous period so that equivalent time periods are reflected. For example, if a disposal was made in the current year after four months of operations, the results of the previous year would be adjusted to also reflect four months of operations.*
9 *Net operating income before loan impairment charges and other credit risk provisions, also referred to as 'revenue'.*
10 *'China HSBC' is referred to as 'other Mainland China' on page 75 in the* Interim Report 2013.
11 *From 2013, 'US CML and other' includes trading contribution and loss on disposal from Household Insurance Group Holding company's disposal of its insurance manufacturing business.*