

HSBC HOLDINGS PLC

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

30 June 2014

Use of non-GAAP financial measures

Our reported results are prepared in accordance with IFRSs as detailed in the Financial Statements starting on page 206. In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures. Non-GAAP financial measures that we use throughout our Financial Review 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 2014 with reported results for the half-years to 30 June 2013 and 31 December 2013 retranslated at average exchange rates for the half-year to 30 June 2014. Except where stated otherwise, commentaries are on a constant currency basis, as reconciled in the table overleaf.

The foreign currency translation differences reflect the period-on-period movements of the US dollar against most major currencies.

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-years to 30 June 2013 and 31 December 2013 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 2013 and 31 December 2013 at the average rates of exchange for the half-year to 30 June 2014; and
- the balance sheets at 30 June 2013 and 31 December 2013 at the prevailing rates of exchange at 30 June 2014.

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 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')					
	1H13		1H14		Reported change ² %	Constant currency change ² %
	1H13 as reported US\$m	Currency translation adjustment ¹ US\$m	at 1H14 exchange rates US\$m	1H14 as reported US\$m		
HSBC						
Net interest income	17,819	(235)	17,584	17,405	(2)	(1)
Net fee income	8,404	(44)	8,360	8,177	(3)	(2)
Net trading income	6,362	142	6,504	3,275	(49)	(50)
Own credit spread ³	(19)	4	(15)	(215)		
Other expense from financial instruments designated at fair value	(1,178)	(78)	(1,256)	1,875		
Net income from financial instruments designated at fair value	(1,197)	(74)	(1,271)	1,660		
Gains less losses from financial investments	1,856	16	1,872	946	(49)	(49)
Net earned insurance premiums	6,226	(17)	6,209	6,137	(1)	(1)
Other operating income (including dividend income)	1,053	(30)	1,023	626	(41)	(39)
Total operating income	40,523	(242)	40,281	38,226	(6)	(5)
Net insurance claims incurred and movement in liabilities to policyholders	(6,151)	(19)	(6,170)	(7,059)	(15)	(14)
Net operating income⁴	34,372	(261)	34,111	31,167	(9)	(9)
Loan impairment charges and other credit risk provisions	(3,116)	106	(3,010)	(1,841)	41	39
Net operating income	31,256	(155)	31,101	29,326	(6)	(6)
Operating expenses	(18,399)	125	(18,274)	(18,266)	1	-
Operating profit	12,857	(30)	12,827	11,060	(14)	(14)
Share of profit in associates and joint ventures	1,214	22	1,236	1,280	5	4
Profit before tax	14,071	(8)	14,063	12,340	(12)	(12)
By global business						
Retail Banking and Wealth Management	3,267	43	3,310	3,045	(7)	(8)
Commercial Banking	4,133	16	4,149	4,771	15	15
Global Banking and Markets	5,723	(46)	5,677	5,033	(12)	(11)
Global Private Banking	108	11	119	364	237	206
Other	840	(32)	808	(873)		
Profit before tax	14,071	(8)	14,063	12,340	(12)	(12)
By geographical region						
Europe	2,768	227	2,995	2,258	(18)	(25)
Asia ⁵	9,262	(98)	9,164	7,894	(15)	(14)
Middle East and North Africa	909	(3)	906	989	9	9
North America	666	(33)	633	825	24	30
Latin America	466	(101)	365	374	(20)	2
Profit before tax	14,071	(8)	14,063	12,340	(12)	(12)

Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')						
2H13						
	2H13 as reported US\$m	Currency translation adjustment ¹ US\$m	at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
HSBC						
Net interest income	17,720	66	17,786	17,405	(2)	(2)
Net fee income	8,030	39	8,069	8,177	2	1
Net trading income	2,328	(87)	2,241	3,275	41	46
Own credit spread ³	(1,227)	(13)	(1,240)	(215)	82	83
Other expense from financial instruments designated at fair value	3,192	109	3,301	1,875	(41)	(43)
Net income from financial instruments designated at fair value	1,965	96	2,061	1,660	(16)	(19)
Gains less losses from financial investments	156	–	156	946		
Net earned insurance premiums	5,714	12	5,726	6,137	7	7
Other operating income (including dividend income)	1,901	6	1,907	626	(67)	(67)
Total operating income	37,814	132	37,946	38,226	1	1
Net insurance claims incurred and movement in liabilities to policyholders	(7,541)	(23)	(7,564)	(7,059)	6	7
Net operating income ⁴	30,273	109	30,382	31,167	3	3
Loan impairment charges and other credit risk provisions	(2,733)	(3)	(2,736)	(1,841)	33	33
Net operating income	27,540	106	27,646	29,326	6	6
Operating expenses	(20,157)	(146)	(20,303)	(18,266)	9	10
Operating profit	7,383	(40)	7,343	11,060	50	51
Share of profit in associates and joint ventures	1,111	–	1,111	1,280	15	15
Profit before tax	8,494	(40)	8,454	12,340	45	46
By global business						
Retail Banking and Wealth						
Management	3,382	20	3,402	3,045	(10)	(10)
Commercial Banking	4,308	2	4,310	4,771	11	11
Global Banking and Markets	3,718	(45)	3,673	5,033	35	37
Global Private Banking	85	–	85	364		
Other	(2,999)	(17)	(3,016)	(873)	71	71
Profit before tax	8,494	(40)	8,454	12,340	45	46
By geographical region						
Europe	(943)	61	(882)	2,258		
Asia ⁵	6,591	(10)	6,581	7,894	20	20
Middle East and North Africa	785	(3)	782	989	26	26
North America	555	(24)	531	825	49	55
Latin America	1,506	(64)	1,442	374	(75)	(74)
Profit before tax	8,494	(40)	8,454	12,340	45	46

For footnotes, see page 63.

Additional information is available on the HSBC website www.hsbc.com under Investor Relations and may be found in the Form 6-K filed

with the Securities and Exchange Commission ('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; 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. 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 underlying⁸ performance

	Date	Disposal gain/(loss) US\$m
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's disposal of its property and Casualty Insurance business in Mexico ⁶	Apr 2013	20
HSBC Bank plc's disposal of its shareholding in HSBC (Hellas) Mutual Funds Management SA ⁷	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 ⁷	May 2013	(4)
The Hongkong and Shanghai Banking Corporation Limited's disposal of HSBC Life (International) Limited's Taiwan branch operations ⁷	June 2013	(36)
HSBC Markets (USA) Inc.'s disposal of its subsidiary, Rutland Plastic Technologies ⁷	Aug 2013	17
HSBC Insurance (Singapore) Pte Ltd's disposal of its Employee Benefits Insurance business in Singapore ⁷	Aug 2013	(8)
HSBC Investment Bank Holdings plc's disposal of its investment in associate FIP Colorado ⁷	Aug 2013	(5)
HSBC Investment Bank Holdings plc group's disposal of its investment in subsidiary, Viking Sea Tech ⁶ .	Aug 2013	54
	Oct 2013	
HSBC Latin America Holdings UK Limited's disposal of HSBC Bank (Panama) S.A. ⁷		1,107
HSBC Latin America Holdings UK Limited's disposal of HSBC Bank (Peru) S.A. ⁷	Nov 2013	(18)
HSBC Latin America Holdings UK Limited's disposal of HSBC Bank (Paraguay) S.A. ⁷	Nov 2013	(21)
Reclassification loss in respect of our holding in Yantai Bank Co., Limited following an increase in its registered share capital ⁶	Dec 2013	(38)
HSBC Latin America Holdings UK Limited's disposal of HSBC Bank (Colombia) S.A. ⁶	Feb 2014	18
Reclassification loss in respect of our holding in Vietnam Technological & Commercial Joint Stock Bank following the loss of significant influence ⁶	Jun 2014	(32)
HSBC Bank Middle East Limited's disposal of its banking business in Jordan ⁶	Jun 2014	-

For footnotes, see page 63.

The following table reconciles our reported revenue, loan impairment charges, operating expenses and profit before tax for the first half of 2014 and the two halves of 2013 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 SEC, which is available on www.hsbc.com.

Reconciliation of reported and underlying⁸ items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Net interest income						
Reported	17,405	17,819	(2)	17,405	17,720	(2)
Currency translation adjustment ¹		(235)			66	
Acquisitions, disposals and dilutions ...	(27)	(223)		(27)	(150)	
Underlying	17,378	17,361	–	17,378	17,636	(1)
Other operating income						
Reported	538	946	(43)	538	1,686	(68)
Currency translation adjustment ¹		(28)			6	
Acquisitions, disposals and dilutions ...	14	(1,107)		14	(1,132)	
Underlying	552	(189)		552	560	(1)
Revenue⁴						
Reported	31,167	34,372	(9)	31,167	30,273	3
Currency translation adjustment ¹		(265)			122	
Own credit spread ²	215	19		215	1,227	
Acquisitions, disposals and dilutions ...	(23)	(1,406)		(23)	(1,332)	
Underlying	31,359	32,720	(4)	31,359	30,290	4
Loan impairment charges and other credit risk provisions						
Reported	(1,841)	(3,116)	41	(1,841)	(2,733)	33
Currency translation adjustment ¹		106			(3)	
Acquisitions, disposals and dilutions ...	2	44		2	17	
Underlying	(1,839)	(2,966)	38	(1,839)	(2,719)	32
Total operating expenses						
Reported	(18,266)	(18,399)	1	(18,266)	(20,157)	9
Currency translation adjustment ¹		125			(146)	
Acquisitions, disposals and dilutions ...	26	315		26	146	
Underlying	(18,240)	(17,959)	(2)	(18,240)	(20,157)	10
Underlying cost efficiency ratio	58.2%	54.9%		58.2%	66.5%	
Share of profit in associates and joint ventures						
Reported	1,280	1,214	5	1,280	1,111	15
Currency translation adjustment ¹		22			–	
Acquisitions, disposals and dilutions ...	–	(14)		–	102	
Underlying	1,280	1,222	5	1,280	1,213	6
Profit before tax						
Reported	12,340	14,071	(12)	12,340	8,494	45
Currency translation adjustment ¹		(12)			(27)	
Own credit spread ³	215	19		215	1,227	
Acquisitions, disposals and dilutions ...	5	(1,061)		5	(1,067)	
Underlying	12,560	13,017	(4)	12,560	8,627	46

For footnotes, see page 63.

Underlying profit before tax

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
By global business						
Retail Banking and Wealth						
Management	3,039	3,382	(10)	3,039	3,104	(2)
Commercial Banking	4,758	4,098	16	4,758	3,831	24
Global Banking and Markets	5,024	5,662	(11)	5,024	3,307	52
Global Private Banking	364	119	206	364	84	
Other	(625)	(244)	(156)	(625)	(1,699)	63
Underlying profit before tax	12,560	13,017	(4)	12,560	8,627	46
By geographical region						
Europe	2,417	3,011	(20)	2,417	109	
Asia ⁵	7,931	8,035	(1)	7,931	6,727	18
Middle East and North Africa	984	891	10	984	768	28
North America	870	775	12	870	717	21
Latin America	358	305	17	358	306	17
Underlying profit before tax	12,560	13,017	(4)	12,560	8,627	46

For footnotes, see page 63.

Reconciliation of underlying and significant items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Revenue⁴						
Underlying	31,359	32,720	(4)	31,359	30,290	4
Net gain on completion of Ping An disposal	–	(553)		–	–	
Debit valuation adjustment on derivative contracts	155	(451)		155	346	
Fair value movement on non-qualifying hedges	322	(293)		322	(218)	
Gain on sale of shareholding in Bank of Shanghai	(428)	–		(428)	–	
Provision arising from a review of compliance with the Consumer Credit Act in the UK	367	–		367	–	
Foreign exchange gains relating to the sterling debt issued by HSBC Holdings	–	(442)		–	–	
Write-off of allocated goodwill relating to GPB Monaco business ..	–	279		–	–	
Loss on sale of several tranches of real estate secured accounts in the US	15	1		15	122	
Loss on sale of the non-real estate portfolio in CML	–	271		–	–	
Loss on early termination of cash flow hedges in the US run-off portfolio	–	199		–	–	
Loss on sale of an HFC Bank UK secured loan portfolio	–	138		–	8	
Revenue, excluding underlying adjustments and significant items ..	31,790	31,869	–	31,790	30,548	4
Operating expense						
Underlying	(18,240)	(17,959)	(2)	(18,240)	(20,157)	10
Restructuring and other related costs	82	238		82	245	
UK customer redress programmes	234	412		234	823	
UK bank levy	(45)	9		(45)	907	
Madoff-related litigation costs	–	298		–	–	
Regulatory investigation provisions in GPB	–	119		–	233	
US customer remediation provision relating to CRS	–	100		–	–	
Accounting gain arising from change in basis of delivering ill-health benefits in the UK	–	(430)		–	–	
Operating expense, excluding underlying adjustments and significant items	(17,969)	(17,213)	(4)	(17,969)	(17,949)	–

	2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m
Revenue⁴				
Reported	64,645	68,330	72,280	68,247
Currency translation adjustment		(1,329)	(3,169)	(1,515)
Own credit spread	1,246	5,215	(3,933)	63
Acquisitions, disposals and dilutions	(2,628)	(10,694)	(7,389)	(8,948)
Underlying	63,263	61,522	57,789	57,847
Underlying	63,263	61,522	57,789	57,847
Net gain on completion of Ping An disposal	(553)	-	-	-
Debit valuation adjustment on derivative contracts	(106)	(518)	-	-
Fair value movement on non-qualifying hedges	(511)	296	1,392	1,057
Foreign exchange gains relating to the sterling debt issued by HSBC Holdings	(442)	-	-	-
Write-off of allocated goodwill relating to GPB Monaco business	279	-	-	-
Loss on sale of several tranches of real estate secured accounts in the US	123	-	-	-
Loss on sale of the non-real estate portfolio in CML	271	-	-	-
Loss on early termination of cash flow hedges in the US run-off portfolio	199	-	-	-
Loss on sale of an HFC Bank UK secured loan portfolio	146	-	-	-
Ping An contingent forward sale contract	-	553	-	-
Gain on sale of non-core investments in India	-	(314)	-	-
Refinement of PVIF calculation	-	-	(246)	-
Loss on sale of vehicle finance portfolio in the US	-	-	-	207
Gain on sale and leaseback of the Pairs headquarters	-	-	-	(194)
Revenue, excluding underlying adjustments and significant items	62,669	61,539	58,935	58,917

For footnotes, see page 63.

*Reconciliation of reported and underlying average risk-weighted assets***Group**

	Half-year to					
	30 June 2014 US\$bn	30 June 2013 US\$bn	Change ² %	30 June 2014 US\$bn	31 December 2013 US\$bn	Change ² %
Average reported RWAs	1,200	1,109	8	1,200	1,099	9
Currency translation adjustment	–	2		–	4	
Acquisitions, disposals and dilutions ...	(3)	(27)		(3)	(10)	
Average underlying RWAs	1,197	1,084	10	1,197	1,093	10

US CML and other

	Half-year to					
	30 June 2014 US\$bn	30 June 2013 US\$bn	Change %	30 June 2014 US\$bn	31 December 2013 US\$bn	Change %
Average reported RWAs	74	99	(25)	74	83	(11)
Average underlying RWAs	74	99	(25)	74	83	(11)

For footnotes, see page 63.

Global businesses

Retail Banking and Wealth Management

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

	Half-year to 30 June 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')					
	1H13 as reported US\$m	Currency translation adjustment ¹ US\$m	1H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	9,310	(122)	9,188	8,427	(9)	(8)
Net fee income	3,586	(23)	3,563	3,291	(8)	(8)
Net trading income/(expense)	275	(8)	267	(13)		
Net income from financial instruments designated at fair value	122	(2)	120	1,073		
Gains less losses from financial investments	48	3	51	8	(83)	(84)
Net earned insurance premiums	5,469	(9)	5,460	5,480	-	-
Other operating income/(expense) (including dividend income)	(81)	(16)	(97)	393		
Total operating income	18,729	(177)	18,552	18,659	-	1
Net insurance claims ¹⁰	(5,440)	(15)	(5,455)	(6,336)	(16)	(16)
Net operating income⁴	13,289	(192)	13,097	12,323	(7)	(6)
LICs ⁹	(1,768)	104	(1,664)	(1,225)	31	26
Net operating income	11,521	(88)	11,433	11,098	(4)	(3)
Operating expenses	(8,451)	129	(8,322)	(8,269)	2	1
Operating profit	3,070	41	3,111	2,829	(8)	(9)
Income from associates ¹¹	197	2	199	216	10	9
Profit before tax	3,267	43	3,310	3,045	(7)	(8)

	Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')					
	2H13 as reported US\$m	Currency translation adjustment ¹ US\$m	2H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	9,029	43	9,072	8,427	(7)	(7)
Net fee income	3,435	18	3,453	3,291	(4)	(5)
Net trading income/(expense)	411	(11)	400	(13)		
Net income from financial instruments designated at fair value	1,516	10	1,526	1,073	(29)	(30)
Gains less losses from financial investments	7	-	7	8	14	14
Net earned insurance premiums	5,074	9	5,083	5,480	8	8
Other operating income (including dividend income)	646	(2)	644	393	(39)	(39)
Total operating income	20,118	67	20,185	18,659	(7)	(8)
Net insurance claims ¹⁰	(6,667)	(14)	(6,681)	(6,336)	5	5
Net operating income⁴	13,451	53	13,504	12,323	(8)	(9)
LICs ⁹	(1,459)	17	(1,442)	(1,225)	16	15
Net operating income	11,992	70	12,062	11,098	(7)	(8)
Operating expenses	(8,797)	(48)	(8,845)	(8,269)	6	7
Operating profit	3,195	22	3,217	2,829	(11)	(12)
Income from associates ¹¹	187	(2)	185	216	16	17
Profit before tax	3,382	20	3,402	3,045	(10)	(10)

For footnotes, see page 63.

Retail Banking and Wealth Management (continued)

Reconciliation of reported and underlying⁸ items

	Half-year to						
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %	
Net interest income							
Reported	8,427	9,310	(9)	8,427	9,029	(7)	
Currency translation adjustment ¹		(122)			43		
Acquisitions, disposals and dilutions ...	(13)	(125)		(13)	(77)		
Underlying	8,414	9,063	(7)	8,414	8,995	(6)	
Other operating income/(expense)							
Reported	378	(92)		378	636	(41)	
Currency translation adjustment ¹		(16)			(1)		
Acquisitions, disposals and dilutions ...	(7)	(1)		(7)	(314)		
Underlying	371	(109)		371	321	16	
Revenue⁴							
Reported	12,323	13,289	(7)	12,323	13,451	(8)	
Currency translation adjustment ¹		(192)			53		
Acquisitions, disposals and dilutions ...	(24)	(158)		(24)	(408)		
Underlying	12,299	12,939	(5)	12,299	13,096	(6)	
LICs⁹							
Reported	(1,225)	(1,768)	31	(1,225)	(1,459)	16	
Currency translation adjustment ¹		104			17		
Acquisitions, disposals and dilutions ...	3	45		3	20		
Underlying	(1,222)	(1,619)	25	(1,222)	(1,422)	14	
Operating expenses							
Reported.....	(8,269)	(8,451)	2	(8,269)	(8,797)	6	
Currency translation adjustment ¹		129			(48)		
Acquisitions, disposals and dilutions ...	15	190		15	72		
Underlying	(8,254)	(8,132)	(2)	(8,254)	(8,773)	6	
Underlying cost efficiency ratio	67.1%	62.8%		67.1%	67.0%		
Income from associates¹¹							
Reported.....	216	197	10	216	187	16	
Currency translation adjustment ¹		2			(2)		
Acquisitions, disposals and dilutions ...	–	(5)		–	18		
Underlying	216	194	11	216	203	6	
Profit before tax							
Reported	3,045	3,267	(7)	3,045	3,382	(10)	
Currency translation adjustment ¹		43			20		
Acquisitions, disposals and dilutions ...	(6)	72		(6)	(298)		
Underlying	3,039	3,382	(10)	3,039	3,104	(2)	
				2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m
Revenue							
Reported				26,740	33,861	33,533	33,611
Currency translation adjustment ¹					(590)	(1,528)	(786)
Acquisitions, disposals and dilutions				(525)	(6,558)	(6,587)	(7,196)
Underlying				26,215	26,713	25,418	25,629
Profit before tax							
Reported				6,649	9,575	4,270	3,839
Currency translation adjustment ¹					(26)	(113)	58
Acquisitions, disposals and dilutions				(228)	(5,648)	(3,325)	(3,010)
Underlying				6,421	3,901	832	887

For footnotes, see page 63.

Retail Banking and Wealth Management (continued)

Reconciliation of reported and underlying⁸ items

	Half-year to					
	30 June 2014 US\$bn	30 June 2013 US\$bn	Change ² %	30 June 2014 US\$bn	31 December 2013 US\$bn	Change ² %
Average risk-weighted assets (‘RWA’s)						
Average reported RWAs	228	261	(13)	228	239	(5)
Currency translation adjustment ¹²	–	–		–	1	
Acquisitions, disposals and dilutions ...	–	(5)		–	(2)	
Average underlying RWAs	228	256	(11)	228	238	(4)

For footnotes, see page 63.

Retail Banking and Wealth Management (continued)

Reconciliation of underlying⁸ and significant items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Profit before tax						
Underlying	3,039	3,382	(10)	3,039	3,104	(2)
Fair value movement on non-qualifying hedges	235	(216)		235	(46)	
Provision arising from a review of compliance with the Consumer Credit Act in the UK	353	–		353	–	
Loss on sale of several tranches of real estate secured accounts in the US	15	1		15	122	
Loss on sale of the non-real estate portfolio in CML	–	271		–	–	
Loss on early termination of cash flow hedges in the US run-off portfolio	–	199		–	–	
Loss on sale of an HFC Bank UK secured loan portfolio	–	138		–	8	
Restructuring and other related costs	22	85		22	82	
UK customer redress programmes	194	412		194	541	
US customer remediation provision relating to CRS	–	100		–	–	
Accounting gain arising from change in basis of delivering ill-health benefits in the UK	–	(189)		–	–	
Profit before tax, excluding underlying adjustments and significant items .	3,858	4,183	(8)	3,858	3,811	1

Retail Banking and Wealth Management (continued)

Reconciliation of underlying⁸ and significant items

	2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m
Revenue				
Underlying	26,215	26,713	25,418	25,629
Fair value movement on non-qualifying hedges	(345)	193	1,039	310
Loss on sale of several tranches of real estate secured accounts in the US	123	–	–	–
Loss on sale of the non-real estate portfolio in the US	271	–	–	–
Loss on early termination of cash flow hedges in the US run-off portfolio	199	–	–	–
Loss on sale of an HFC Bank UK secured loan portfolio	146	–	–	–
Refinement of PVIF calculation	–	–	(184)	–
Loss on sale of vehicle finance portfolio in the US	–	–	–	207
Revenue, excluding underlying adjustments and significant items	<u>26,609</u>	<u>26,906</u>	<u>26,273</u>	<u>26,146</u>
Profit before tax				
Underlying	6,421	3,901	832	887
Fair value movement on non-qualifying hedges	(345)	193	1,039	310
Loss on sale of several tranches of real estate secured accounts in the US	123	–	–	–
Loss on sale of the non-real estate portfolio in the US	271	–	–	–
Loss on early termination of cash flow hedges in the US run-off portfolio	199	–	–	–
Loss on sale of an HFC Bank UK secured loan portfolio	146	–	–	–
Refinement of PVIF calculation	–	–	(184)	–
Loss on sale of vehicle finance portfolio in the US	–	–	–	207
Restructuring and other related costs	167	267	404	–
UK customer redress programmes	953	1,751	875	78
US customer remediation provision relating to CRS	100	–	–	–
Accounting gain arising from change in basis of delivering ill-health benefits in UK	(189)	–	–	–
UK pension credit	–	–	(264)	–
Payroll tax	–	–	–	5
US accounting gain on change in staff benefits	–	–	–	(102)
US mortgage foreclosure and servicing costs	–	104	257	–
Profit before tax, excluding underlying adjustments and significant items	<u>7,846</u>	<u>6,216</u>	<u>2,959</u>	<u>1,385</u>

For footnote, see page 63.

Principal Retail Banking and Wealth Management business

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

Half-year to 30 June 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')						
	1H13 as reported US\$m	Currency translation adjustment ¹ US\$m	1H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	8,159	(122)	8,037	7,677	(6)	(4)
Net fee income	3,589	(23)	3,566	3,292	(8)	(8)
Other income ¹³	748	(47)	701	754	1	8
Net operating income ⁴	12,496	(192)	12,304	11,723	(6)	(5)
LICs ⁹	(1,372)	104	(1,268)	(1,045)	24	18
Net operating income	11,124	(88)	11,036	10,678	(4)	(3)
Total operating expenses	(7,820)	129	(7,691)	(7,908)	(1)	(3)
Operating profit	3,304	41	3,345	2,770	(16)	(17)
Income from associates ¹¹	197	2	199	216	10	9
Profit before tax	3,501	43	3,544	2,986	(15)	(16)

Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')						
	2H13 as reported US\$m	Currency translation adjustment ¹ US\$m	2H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	8,119	43	8,162	7,677	(5)	(6)
Net fee income	3,421	18	3,439	3,292	(4)	(4)
Other income ¹³	1,032	(8)	1,024	754	(27)	(26)
Net operating income ⁴	12,572	53	12,625	11,723	(7)	(7)
LICs ⁹	(1,150)	17	(1,133)	(1,045)	9	8
Net operating income	11,422	70	11,492	10,678	(7)	(7)
Total operating expenses	(8,262)	(48)	(8,310)	(7,908)	4	5
Operating profit	3,160	22	3,182	2,770	(12)	(13)
Income from associates ¹¹	188	(2)	186	216	15	16
Profit before tax	3,348	20	3,368	2,986	(11)	(11)

For footnotes, see page 63.

Principal Retail Banking and Wealth Management business (continued)

Reconciliation of reported and underlying⁸ items

	Half-year to						
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %	
Revenue⁴							
Reported	11,723	12,496	(6)	11,723	12,572	(7)	
Currency translation adjustment ¹		(192)			53		
Acquisitions, disposals and dilutions ...	(24)	(263)		(24)	(408)		
Underlying	11,699	12,041	(3)	11,699	12,217	(4)	
Operating expenses							
Reported	(7,908)	(7,820)	(1)	(7,908)	(8,262)	4	
Currency translation adjustment ¹		129			(48)		
Acquisitions, disposals and dilutions ...	15	176		15	72		
Underlying	(7,893)	(7,515)	(5)	(7,893)	(8,238)	4	
Profit before tax							
Reported	2,986	3,501	(15)	2,986	3,348	(11)	
Currency translation adjustment ¹		43			20		
Acquisitions, disposals and dilutions ...	(6)	(48)		(6)	(298)		
Underlying	2,980	3,496	(15)	2,980	3,070	(3)	
				2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m
Revenue⁴							
Reported				25,068	26,648	26,326	24,560
Currency translation adjustment ¹					(590)	(1,528)	(786)
Acquisitions, disposals and dilutions				(631)	(1,668)	(1,125)	(997)
Underlying				24,437	24,390	23,673	22,777
Profit before tax							
Reported				6,849	7,083	6,681	5,926
Currency translation adjustment ¹				–	(26)	(113)	58
Acquisitions, disposals and dilutions				(348)	(1,759)	(1,332)	(1,011)
Underlying				6,501	5,298	5,236	4,973

For footnotes, see page 63.

Principal Retail Banking and Wealth Management business (continued)

Reconciliation of underlying⁸ and significant items

	Half-year to		Change ² %	
	30 June 2014 US\$m	30 June 2013 US\$m		
Revenue⁴				
Underlying	11,699	12,041	(3)	
Fair value movement on non-qualifying hedges	47	47		
Provision arising from a review of compliance with the Consumer Credit Act in the UK	353	–		
Loss on sale of an HFC Bank UK secured loan portfolio	–	138		
Revenue, excluding underlying adjustments and significant items	12,099	12,226	(1)	
Operating expenses				
Underlying	(7,893)	(7,515)	(5)	
Restructuring and other related costs	18	74		
UK customer redress programmes	194	412		
Accounting gain arising from change in basis of delivering ill-health benefits in the UK	–	(189)		
Operating expense, excluding underlying adjustments and significant items	(7,681)	(7,218)	(6)	
	2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m
Revenue⁴				
Underlying	24,437	24,390	23,673	22,777
Fair value movement on non-qualifying hedges	(30)	(34)	(142)	(84)
Loss on sale of an HFC Bank UK secured loan portfolio	146	–	–	–
Implementation of refinement to PVIF methodology	–	–	(184)	–
Revenue, excluding underlying adjustments and significant items	24,553	24,356	23,347	22,693
Profit before tax				
Underlying	6,501	5,298	5,236	4,973
Fair value movement on non-qualifying hedges	(30)	(34)	(142)	(84)
Loss on sale of an HFC Bank UK secured loan portfolio	146	–	–	–
Refinement of PVIF calculation	–	–	(184)	–
Restructuring and other related costs	154	256	404	–
UK customer redress programmes	953	1,751	875	78
Accounting gain arising from change in basis of delivering ill-health benefits in the UK	(189)	–	–	–
UK pension credit	–	–	(264)	–
Payroll tax	–	–	–	5
US accounting gain on change in staff benefits	–	–	–	(102)
US mortgage foreclosure and servicing costs	–	19	60	–
Profit before tax, excluding underlying adjustments and significant items	7,535	7,290	5,985	4,870

For footnotes, see page 63.

Retail Banking and Wealth Management and Principal RBWM business

Analysis of reported RBWM and Principal RBWM business

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Net interest income						
Reported RBWM	8,427	9,310	(9)	8,427	9,029	(7)
US run-off portfolio	750	1,151	(35)	750	910	(18)
Principal RBWM business	7,677	8,159	(6)	7,677	8,119	(5)
Net fee income/(expense)						
Reported RBWM	3,291	3,586	(8)	3,291	3,435	(4)
US run-off portfolio	(1)	(3)	(67)	(1)	14	
Principal RBWM business	3,292	3,589	(8)	3,292	3,421	(4)
Other income/(expense)¹³						
Reported RBWM	605	393	54	605	987	(39)
US run-off portfolio	(149)	(355)	(58)	(149)	(45)	231
Principal RBWM business	754	748	1	754	1,032	(27)
Net operating income⁴						
Reported RBWM	12,323	13,289	(7)	12,323	13,451	(8)
US run-off portfolio	600	793	(24)	600	879	(32)
Principal RBWM business	11,723	12,496	(6)	11,723	12,572	(7)
LICs⁹						
Reported RBWM	(1,225)	(1,768)	31	(1,225)	(1,459)	16
US run-off portfolio	(180)	(396)	55	(180)	(309)	42
Principal RBWM business	(1,045)	(1,372)	24	(1,045)	(1,150)	9
Net operating income						
Reported RBWM	11,098	11,521	(4)	11,098	11,992	(7)
US run-off portfolio	420	397	6	420	570	(26)
Principal RBWM business	10,678	11,124	(4)	10,678	11,422	(7)
Total operating expenses						
Reported RBWM	(8,269)	(8,451)	2	(8,269)	(8,797)	6
US run-off portfolio	(361)	(631)	43	(361)	(535)	33
Principal RBWM business	(7,908)	(7,820)	(1)	(7,908)	(8,262)	4
Operating profit/(loss)						
Reported RBWM	2,829	3,070	(8)	2,829	3,195	(11)
US run-off portfolio	59	(234)		59	35	69
Principal RBWM business	2,770	3,304	(16)	2,770	3,160	(12)
Income from associates¹¹						
Reported RBWM	216	197	10	216	187	16
US run-off portfolio	–	–	–	–	(1)	(100)
Principal RBWM business	216	197	10	216	188	15
Profit/(loss) before tax						
Reported RBWM	3,045	3,267	(7)	3,045	3,382	(10)
US run-off portfolio	59	(234)		59	34	74
Principal RBWM business	2,986	3,501	(15)	2,986	3,348	(11)

For footnotes, see page 63.

Reconciliation of management view of Retail Banking and Wealth Management and Principal RBWM business revenue

	Half-year to		
	30 Jun 2014 US\$m	30 Jun 2013 US\$m	31 Dec 2013 US\$m
Retail Banking and Wealth Management business			
Current accounts, savings and deposits	2,914	2,785	2,928
Wealth products	3,196	3,187	3,145
Investment distribution ⁵⁶	1,721	1,852	1,733
Life insurance manufacturing	908	760	888
Asset Management	567	575	524
Personal lending	6,410	6,778	6,538
Mortgages	2,302	2,501	2,299
Credit cards	2,168	2,244	2,206
Other personal lending ⁵⁷	1,940	2,033	2,033
Other ⁵⁸	(197)	539	840
Net operating income ¹³	12,323	13,289	13,451
US run-off			
Current accounts, savings and deposits	–	–	–
Wealth products	–	–	–
Investment distribution ⁵⁶	–	–	–
Life insurance manufacturing	–	–	–
Asset Management	–	–	–
Personal lending	698	744	735
Mortgages	698	891	715
Credit cards	–	–	–
Other personal lending ⁵⁷	–	(147)	20
Other ⁵⁸	(98)	49	144
Net operating income ¹³	600	793	879
Principal Retail Banking and Wealth Management business			
Current accounts, savings and deposits	2,914	2,785	2,928
Wealth products	3,196	3,187	3,145
Investment distribution ⁵⁶	1,721	1,852	1,733
Life insurance manufacturing	908	760	888
Asset Management	567	575	524
Personal lending	5,712	6,034	5,803
Mortgages	1,604	1,610	1,584
Credit cards	2,168	2,244	2,206
Other personal lending ⁵⁷	1,940	2,180	2,013
Other ⁵⁸	(99)	490	696
Net operating income ¹³	11,723	12,496	12,572

For footnotes, see page 96.

Management view of total operating income/(expense) of Retail Banking and Wealth Management business

30 June 2014 compared with 30 June 2013

	Half-year to 30 June 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')					
	1H13 as reported US\$m	Currency translation adjustment ¹² US\$m	1H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Current accounts, savings and deposits	2,785	(16)	2,769	2,914	5	5
Wealth products	3,187	(15)	3,172	3,196	–	1
Investment distribution ¹⁸	1,852	(3)	1,849	1,721	(7)	(7)
Life insurance manufacturing	760	(19)	741	908	19	23
Asset management	575	7	582	567	(1)	(3)
Personal lending	6,034	(121)	5,913	5,712	(5)	(3)
Mortgages	1,610	35	1,645	1,604	–	(2)
Credit cards	2,244	(52)	2,192	2,168	(3)	(1)
Other personal lending ¹⁹	2,180	(104)	2,076	1,940	(11)	(7)
Other ²⁰	490	(40)	450	(99)		
Net operating income⁴	12,496	(192)	12,304	11,723	(6)	(5)

30 June 2014 compared with 31 December 2013

	Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')					
	2H13 as reported US\$m	Currency translation adjustment ¹² US\$m	2H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Current accounts, savings and deposits	2,928	15	2,943	2,914	–	(1)
Wealth products	3,145	10	3,155	3,196	2	1
Investment distribution ¹⁸	1,733	13	1,746	1,721	(1)	(1)
Life insurance manufacturing	888	(9)	879	908	2	3
Asset management	524	6	530	567	8	7
Personal lending	5,803	37	5,840	5,712	(2)	(2)
Mortgages	1,584	32	1,616	1,604	1	(1)
Credit cards	2,206	2	2,208	2,168	(2)	(2)
Other personal lending ¹⁹	2,013	3	2,016	1,940	(4)	(4)
Other ²⁰	696	(9)	687	(99)		
Net operating income⁴	12,572	53	12,625	11,723	(7)	(7)

For footnotes, see page 64.

US run-off

Reconciliation of reported and underlying⁸ items

	Half-year to						
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %	
Revenue⁴							
Reported	600	793	(24)	600	879	(32)	
Acquisitions, disposals and dilutions ...	–	105		–	–		
Underlying	600	898	(33)	600	879	(32)	
Operating expenses							
Reported	(361)	(631)	43	(361)	(535)	33	
Acquisitions, disposals and dilutions ...	–	14		–	–		
Underlying	(361)	(617)	41	(361)	(535)	33	
Profit before tax							
Reported	59	(234)		59	34	74	
Acquisitions, disposals and dilutions ...	–	120		–	–		
Underlying	59	(114)		59	34	74	
				2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m
Revenue⁴							
Reported				1,672	2,396	1,745	2,935
Currency translation adjustment ¹				–	–	–	–
Acquisitions, disposals and dilutions				106	(58)	–	(84)
Underlying				1,778	2,338	1,745	2,851
Profit before tax							
Reported				(200)	(1,274)	(4,472)	(4,066)
Currency translation adjustment ¹				–	–	–	–
Acquisitions, disposals and dilutions				120	27	68	(20)
Underlying				(80)	(1,247)	(4,404)	(4,086)

For footnotes, see page 63.

US run-off (continued)

Reconciliation of underlying⁸ and significant items

	30 June 2014 US\$m	Half-year to 30 June 2013 US\$m	Change ² %	
Revenue⁴				
Underlying	600	898	(33)	
Fair value movement on non-qualifying hedges	188	(263)		
Loss on sale of several tranches of real estate secured accounts in the US	15	1		
Loss on sale of the non-real estate portfolio in CML	–	271		
Loss on early termination of cash flow hedges in the US run-off portfolio	–	199		
Revenue, excluding underlying adjustments and significant items	803	1,106	(27)	
Operating expenses				
Underlying	(361)	(617)	41	
Restructuring and other related costs	3	11		
US customer remediation provision relating to CRS	–	100		
Operating expense, excluding underlying adjustments and significant items	(358)	(506)	29	
	2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m
Revenue⁴				
Underlying	1,778	2,338	1,745	2,851
Fair value movement on non-qualifying hedges	(315)	227	1,181	394
Loss on sale of several tranches of real estate secured accounts in the US	123	–	–	–
Loss on sale of the non-real estate portfolio in the US	271	–	–	–
Loss on early termination of cash flow hedges in the US run-off portfolio	199	–	–	–
Loss on sale of vehicle finance portfolio in the US	–	–	–	207
Revenue, excluding underlying adjustments and significant items	2,056	2,565	2,926	3,452
Profit before tax				
Underlying	(80)	(1,247)	(4,404)	(4,086)
Fair value movement on non-qualifying hedges	(315)	227	1,181	394
Loss on sale of several tranches of real estate secured accounts in the US	123	–	–	–
Loss on sale of the non-real estate portfolio in the US	271	–	–	–
Loss on early termination of cash flow hedges in the US run-off portfolio	199	–	–	–
US customer remediation provision relating to CRS	100	–	–	–
Loss on sale of vehicle finance portfolio in the US	–	–	–	207
Restructuring and other related costs	13	11	–	–
US mortgage foreclosure and servicing costs	–	85	197	–
Profit before tax, excluding underlying adjustments and significant items	311	(924)	(3,026)	(3,485)

Retail Banking and Wealth Management – HSBC Finance

Reconciliation of reported and underlying⁸ items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Revenue⁴						
Reported	600	793	(24)	600	879	(32)
Acquisitions, disposals and dilutions ...	-	105		-	-	
Underlying	600	898	(33)	600	879	(32)
Profit/(loss) before tax						
Reported	59	(234)	(125)	59	34	74
Acquisitions, disposals and dilutions ...	-	120		-	-	
Underlying	59	(114)	(152)	59	34	74
	US\$bn	US\$bn	%	US\$bn	US\$bn	%
Average RWAs						
Average reported RWAs	74	99	(25)	74	83	(11)
Currency translation adjustment ¹²	-			-	-	
Average underlying RWAs	74	99	(25)	74	83	(11)

For footnotes, see page 63.

Commercial Banking

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

Half-year to 30 June 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')						
	1H13 as reported US\$m	Currency translation adjustment ¹ US\$m	1H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	5,050	(75)	4,975	5,184	3	4
Net fee income	2,337	(6)	2,331	2,413	3	4
Net trading income	346	(13)	333	336	(3)	1
Net income from financial instruments designated at fair value	104	3	107	124	19	16
Gains less losses from financial investments	(6)	(1)	(7)	24		
Net earned insurance premiums	748	(7)	741	636	(15)	(14)
Other operating income/(expense) (including dividend income)	(11)	(1)	(12)	95		
Total operating income	8,568	(100)	8,468	8,812	3	4
Net insurance claims ¹⁰	(705)	–	(705)	(696)	1	1
Net operating income⁴	7,863	(100)	7,763	8,116	3	5
LICs ⁹	(1,160)	18	(1,142)	(562)	52	51
Net operating income	6,703	(82)	6,621	7,554	13	14
Operating expenses	(3,337)	88	(3,249)	(3,588)	(8)	(10)
Operating profit	3,366	6	3,372	3,966	18	18
Income from associates ¹¹	767	10	777	805	5	4
Profit before tax	4,133	16	4,149	4,771	15	15

Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')						
	2H13 as reported US\$m	Currency translation adjustment ¹ US\$m	2H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	5,150	10	5,160	5,184	1	–
Net fee income	2,380	19	2,399	2,413	1	1
Net trading income	303	(7)	296	336	11	14
Net income from financial instruments designated at fair value	228	7	235	124	(46)	(47)
Gains less losses from financial investments	7	1	8	24	243	200
Net earned insurance premiums	627	3	630	636	1	1
Other operating income (including dividend income)	647	(1)	646	95	(85)	(85)
Total operating income	9,342	32	9,374	8,812	(6)	(6)
Net insurance claims ¹⁰	(840)	(9)	(849)	(696)	17	18
Net operating income⁴	8,502	23	8,525	8,116	(5)	(5)
LICs ⁹	(1,224)	(14)	(1,238)	(562)	54	55
Net operating income	7,278	9	7,287	7,554	4	4
Operating expenses	(3,712)	(8)	(3,720)	(3,588)	3	4
Operating profit	3,566	1	3,567	3,966	11	11
Income from associates ¹¹	742	1	743	805	8	8
Profit before tax	4,308	2	4,310	4,771	11	11

For footnotes, see page 63.

Commercial Banking (continued)

Reconciliation of reported and underlying⁸ items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Net interest income						
Reported	5,184	5,050	3	5,184	5,150	1
Currency translation adjustment ¹	(9)	(75)		(9)	10	
Acquisitions, disposals and dilutions ...	(9)	(69)		(9)	(51)	
Underlying	5,175	4,906	5	5,175	5,109	1
Other operating income/(expense)						
Reported	81	(19)		81	640	(87)
Currency translation adjustment ¹	(7)	–		(7)	–	
Acquisitions, disposals and dilutions ...	(7)	(4)		(7)	(467)	
Underlying	74	(23)		74	173	(57)
Revenue⁴						
Reported	8,116	7,863	3	8,116	8,502	(5)
Currency translation adjustment ¹	(20)	(100)		(20)	23	
Acquisitions, disposals and dilutions ...	(20)	(98)		(20)	(535)	
Underlying	8,096	7,665	6	8,096	7,990	1
LICs⁹						
Reported	(562)	(1,160)	52	(562)	(1,224)	54
Currency translation adjustment ¹	–	18		–	(14)	
Acquisitions, disposals and dilutions ...	(1)	(1)		(1)	(3)	
Underlying	(563)	(1,143)	51	(563)	(1,241)	55
Operating expenses						
Reported	(3,588)	(3,337)	(8)	(3,588)	(3,712)	3
Currency translation adjustment ¹	–	88		–	(8)	
Acquisitions, disposals and dilutions ...	8	54		8	34	
Underlying	(3,580)	(3,195)	(12)	(3,580)	(3,686)	3
Underlying cost efficiency ratio	44.2%	41.7%		44.2%	46.1%	
Income from associates¹¹						
Reported	805	767	5	805	742	8
Currency translation adjustment ¹	–	10		–	1	
Acquisitions, disposals and dilutions ...	–	(5)		–	25	
Underlying	805	772	4	805	768	5
Profit before tax						
Reported	4,771	4,133	15	4,771	4,308	11
Currency translation adjustment ¹	–	16		–	2	
Acquisitions, disposals and dilutions ...	(13)	(51)		(13)	(479)	
Underlying	4,758	4,098	16	4,758	3,831	24
			2013	2012	2011	2010
			US\$m	US\$m	US\$m	US\$m
Revenue⁴						
Reported			16,365	16,551	15,611	13,834
Currency translation adjustment ¹			–	(329)	(856)	(401)
Acquisitions, disposals and dilutions			(588)	(781)	(400)	(540)
Underlying			15,777	15,441	14,355	12,893
Profit before tax						
Reported			8,441	8,535	7,947	6,090
Currency translation adjustment ¹			–	(96)	(275)	(94)
Acquisitions, disposals and dilutions			(519)	(845)	(361)	(414)
Underlying			7,922	7,594	7,311	5,582

For footnotes, see page 63.

Commercial Banking (continued)

Reconciliation of underlying⁸ and significant items

	Half-year to		
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %
Revenue⁴			
Underlying	8,096	7,665	6
Provision arising from a review of compliance with the Consumer Credit Act in the UK	14	–	
Revenue, excluding underlying adjustments and significant items	8,110	7,665	6
Operating expenses			
Underlying	(3,580)	(3,195)	(12)
Restructuring and other related costs	6	22	
UK customer redress programmes	20	–	
Accounting gain arising from change in basis of delivering ill-health benefits in the UK	–	(160)	
Operating expense, excluding underlying adjustments and significant items	(3,554)	(3,333)	7
Underlying cost efficiency ratio	44.2%	41.7%	

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Profit before tax						
Underlying	4,758	4,098	16	4,758	3,831	24
Provision arising from a review of compliance with the Consumer Credit Act in the UK	14	–		14	–	
Restructuring and other related costs	6	22		6	9	
UK customer redress programmes	20	–		20	148	
Accounting gain arising from change in basis of delivering ill-health benefits in the UK	–	(160)		–	–	
Profit before tax, excluding underlying adjustments and significant items	4,798	3,960	21	4,798	3,988	20

	2013				2012				2011				2010			
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Revenue⁴																
Underlying	15,777	15,441	14,355	12,893	15,777	15,441	14,355	12,893	15,777	15,441	14,355	12,893	15,777	15,441	14,355	12,893
Refinement of PVIF calculation	–	–	(62)	–	–	–	(62)	–	–	–	(62)	–	–	–	(62)	–
Revenue, excluding underlying adjustments and significant items	15,777	15,441	14,293	12,893	15,777	15,441	14,293	12,893	15,777	15,441	14,293	12,893	15,777	15,441	14,293	12,893
Profit before tax																
Underlying	7,922	7,594	7,311	5,582	7,922	7,594	7,311	5,582	7,922	7,594	7,311	5,582	7,922	7,594	7,311	5,582
Implementation of refinement to PVIF methodology	–	–	(62)	–	–	–	(62)	–	–	–	(62)	–	–	–	(62)	–
Restructuring and other related costs	31	62	122	–	31	62	122	–	31	62	122	–	31	62	122	–
UK customer redress programmes	148	258	23	–	148	258	23	–	148	258	23	–	148	258	23	–
Accounting gain arising from change in basis of delivering ill-health benefits in the UK	(160)	–	–	–	(160)	–	–	–	(160)	–	–	–	(160)	–	–	–
UK pension credit	–	–	(212)	–	–	–	(212)	–	–	–	(212)	–	–	–	(212)	–
US accounting gain on change in staff benefits	–	–	–	(16)	–	–	–	(16)	–	–	–	(16)	–	–	–	(16)
Payroll tax	–	–	–	3	–	–	–	3	–	–	–	3	–	–	–	3
Profit before tax excluding underlying adjustments and significant items	7,941	7,914	7,182	5,569	7,941	7,914	7,182	5,569	7,941	7,914	7,182	5,569	7,941	7,914	7,182	5,569

For footnotes, see page 63.

Global Banking and Markets

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

	Half-year to 30 June 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')					
	1H13 as reported US\$m	Currency translation adjustment ¹ US\$m	1H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	3,334	(63)	3,271	3,602	8	10
Net fee income	1,818	(18)	1,800	1,939	7	8
Net trading income	5,606	184	5,790	2,790	(50)	(52)
Net income/(expense) from financial instruments designated at fair value	(961)	(70)	(1,031)	743		
Gains less losses from financial investments	597	15	612	462	(23)	(25)
Net earned insurance premiums	3	(1)	2	2	(33)	-
Other operating income (including dividend income)	266	(6)	260	254	(5)	(2)
Total operating income	10,663	41	10,704	9,792	(8)	(9)
Net insurance claims ¹⁰	(1)	-	(1)	(1)	-	-
Net operating income⁴	10,662	41	10,703	9,791	(8)	(9)
LICs ⁹	(174)	(16)	(190)	(49)	72	74
Net operating income	10,488	25	10,513	9,742	(7)	(7)
Operating expenses	(5,007)	(74)	(5,081)	(4,958)	1	2
Operating profit	5,481	(49)	5,432	4,784	(13)	(12)
Income from associates ¹¹	242	3	245	249	3	2
Profit before tax	5,723	(46)	5,677	5,033	(12)	(11)

	Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')					
	2H13 as reported US\$m	Currency translation adjustment ¹ US\$m	2H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	3,432	4	3,436	3,602	5	5
Net fee income	1,664	1	1,665	1,939	17	16
Net trading income	1,174	(58)	1,116	2,790	138	150
Net income from financial instruments designated at fair value	1,560	90	1,650	743	(52)	(55)
Gains less losses from financial investments	150	(1)	149	462	208	210
Net earned insurance premiums	3	(1)	2	2	(33)	-
Other operating income (including dividend income)	533	5	538	254	(52)	(53)
Total operating income	8,516	40	8,556	9,792	15	14
Net insurance claims ¹⁰	(2)	1	(1)	(1)	50	-
Net operating income⁴	8,514	41	8,555	9,791	15	14
LICs ⁹	(33)	(5)	(38)	(49)	(48)	(29)
Net operating income	8,481	36	8,517	9,742	15	14
Operating expenses	(4,953)	(80)	(5,033)	(4,958)	(0)	1
Operating profit	3,528	(44)	3,484	4,784	36	37
Income from associates ¹¹	190	(1)	189	249	31	32
Profit before tax	3,718	(45)	3,673	5,033	35	37

For footnotes, see page 63.

Global Banking and Markets (continued)

Reconciliation of reported and underlying⁸ items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Net interest income						
Reported	3,602	3,334	8	3,602	3,432	5
Currency translation adjustment ¹		(63)			4	
Acquisitions, disposals and dilutions ...	(5)	(26)		(5)	(21)	
Underlying	3,597	3,245	11	3,597	3,415	5
Other operating income						
Reported	222	201	10	222	469	(53)
Currency translation adjustment ¹		(8)			4	
Acquisitions, disposals and dilutions ...	(5)	(11)		(5)	(397)	
Underlying	217	182	19	217	76	186
Revenue⁴						
Reported	9,791	10,662	(8)	9,791	8,514	15
Currency translation adjustment ¹		41			41	
Acquisitions, disposals and dilutions ...	(12)	(57)		(12)	(434)	
Underlying	9,779	10,646	(8)	9,779	8,121	20
LICs⁹						
Reported	(49)	(174)	72	(49)	(33)	(48)
Currency translation adjustment ¹		(16)			(5)	
Acquisitions, disposals and dilutions ...	–	–		–	–	
Underlying	(49)	(190)	74	(49)	(38)	(29)
Operating expenses						
Reported.....	(4,958)	(5,007)	1	(4,958)	(4,953)	(0)
Currency translation adjustment ¹		(74)			(80)	
Acquisitions, disposals and dilutions ...	3	45		3	31	
Underlying	(4,955)	(5,036)	2	(4,955)	(5,002)	1
Underlying cost efficiency ratio	50.7%	47.3%		50.7%	61.6%	
Income from associates¹¹						
Reported.....	249	242	3	249	190	31
Currency translation adjustment ¹		3			(1)	
Acquisitions, disposals and dilutions ...	–	(4)		–	38	
Underlying	249	241	3	249	227	10
Profit before tax						
Reported	5,033	5,723	(12)	5,033	3,718	35
Currency translation adjustment ¹		(46)			(45)	
Acquisitions, disposals and dilutions ...	(9)	(15)		(9)	(366)	
Underlying	5,024	5,662	(11)	5,024	3,307	52
	US\$bn	US\$bn		US\$bn	US\$bn	
Average RWAs						
Reported	504	415	21	504	423	19
Currency translation adjustment ¹²	–	1		–	1	
Acquisitions, disposals and dilutions ...	(1)	(7)		(1)	(3)	
Underlying	503	409	23	503	421	19

For footnotes, see page 63.

Global Banking and Markets (continued)

Reconciliation of reported and underlying⁸ items

	2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m
Revenue⁴				
Reported	19,176	18,273	17,057	18,912
Currency translation adjustment ¹		(253)	(685)	(257)
Acquisitions, disposals and dilutions	(461)	(221)	(184)	(890)
Underlying	<u>18,715</u>	<u>17,799</u>	<u>16,188</u>	<u>17,765</u>
Profit before tax				
Reported	9,441	8,520	7,049	9,215
Currency translation adjustment ¹		(147)	(345)	(190)
Acquisitions, disposals and dilutions	(429)	(529)	(352)	(777)
Underlying	<u>9,012</u>	<u>7,844</u>	<u>6,352</u>	<u>8,248</u>

For footnotes, see page 63.

Global Banking and Markets (continued)

Reconciliation of underlying⁸ and significant items

	Half-year to		
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %
Revenue⁴			
Underlying	9,779	10,646	(8)
Debit valuation adjustment on derivative contracts	155	(451)	
Fair value movement on non-qualifying hedges	(50)	18	
Revenue, excluding underlying adjustments and significant items	9,884	10,213	(3)
Operating expenses			
Underlying	(4,955)	(5,036)	2
Restructuring and other related costs	9	8	
UK customer redress programmes	20	–	
Madoff-related litigation costs	–	298	
Accounting gain arising from change in basis of delivering ill-health benefits in the UK	–	(81)	
Operating expense, excluding underlying adjustments and significant items	(4,926)	(4,811)	2

	Half-year to			Half-year to		
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Profit before tax						
Underlying	5,024	5,662	(11)	5,024	3,307	52
Debit valuation adjustment on derivative contracts	155	(451)		156	346	
Fair value movement on non-qualifying hedges	(50)	18		(50)	(1)	
Restructuring and other related costs	9	8		9	5	
UK customer redress programmes	20	–		20	134	
Madoff-related litigation costs	–	298		–	–	
Accounting gain arising from change in basis of delivering ill-health benefits in the UK	–	(81)		–	–	
Profit before tax, excluding underlying adjustments and significant items	5,158	5,454	(5)	5,159	3,791	36

	2013			
	US\$m	2012 US\$m	2011 US\$m	2010 US\$m
Revenue⁴				
Underlying	18,715	17,799	16,188	17,765
Debit valuation adjustment on derivative contracts	(106)	(518)	–	–
Fair value movement on non-qualifying hedges	14	39	(89)	308
Revenue, excluding underlying adjustments and significant items	18,623	17,320	16,099	18,073
Profit before tax				
Underlying	9,012	7,844	6,352	8,248
Debit valuation adjustment on derivative contracts	(106)	(518)	–	–
Fair value movement on non-qualifying hedges	14	39	(89)	308
Restructuring and other related costs	19	62	156	–
UK customer redress programmes	134	331	–	–
Madoff-related litigation costs	298	–	–	–
Accounting gain arising from change in basis of delivering ill-health benefits in the UK	(81)	–	–	–
UK pension credit	–	–	(111)	–
US accounting gain on change in staff benefits	–	–	–	(14)
Payroll tax	–	–	(13)	307
Profit before tax, excluding underlying adjustments and significant items	9,290	7,758	6,295	8,849

For footnotes, see page 63.

Management view of total operating income/(expense) of Global Banking and Markets

Reconciliation of reported and constant currency total operating income

Half-year to 30 June 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')						
	1H13 as reported US\$m	Currency translation adjustment ¹ US\$m	1H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Markets ¹⁴	4,070	64	4,134	3,845	(6)	(7)
Credit	488	8	496	593	22	20
Rates	1,106	30	1,136	1,127	2	(1)
Foreign Exchange	1,833	7	1,840	1,434	(22)	(22)
Equities	643	19	662	691	7	4
Capital Financing	2,042	9	2,051	2,075	2	1
Payments and Cash Management ..	862	(8)	854	904	5	6
Securities Services	847	3	850	846	-	-
Global Trade and Receivables						
Finance	371	(6)	365	389	5	7
Balance Sheet Management	1,680	(25)	1,655	1,502	(11)	(9)
Principal Investments	205	10	215	342	67	59
Debit valuation adjustment	451	11	462	(155)	(134)	(134)
Other ¹⁵	134	(17)	117	43	(68)	(68)
Total operating income	10,662	41	10,703	9,791		

Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')						
	2H13 as reported US\$m	Currency translation adjustment ¹ US\$m	2H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Markets ¹⁴	2,865	1	2,866	3,845	34	34
Credit	308	1	309	593	93	92
Rates	547	(1)	546	1,127	106	106
Foreign Exchange	1,353	(14)	1,339	1,434	6	7
Equities	657	15	672	691	5	3
Capital Financing	1,952	39	1,991	2,075	6	4
Payments and Cash Management ..	908	3	911	904	-	(1)
Securities Services	815	9	824	846	4	3
Global Trade and Receivables						
Finance	370	1	371	389	5	5
Balance Sheet Management	1,430	(2)	1,428	1,502	5	5
Principal Investments	307	11	318	342	11	8
Debit valuation adjustment	(346)	(10)	(356)	(155)	(55)	(56)
Other ¹⁵	213	(11)	202	43	(80)	(79)
Total operating income	8,514	41	8,555	9,791		

For footnotes, see page 63.

Global Banking and Markets legacy credit

Reconciliation of reported and underlying⁸ items

	2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m
Revenue/(expense)⁴				
Reported	149	(11)	165	840
Currency translation adjustment ¹	–	2	(2)	13
Acquisitions, disposals and dilutions	–	–	–	–
Underlying	<u>149</u>	<u>(9)</u>	<u>163</u>	<u>853</u>
Profit before tax				
Reported	185	(280)	(428)	231
Currency translation adjustment ¹	–	6	7	(12)
Acquisitions, disposals and dilutions	–	–	–	–
Underlying	<u>185</u>	<u>(274)</u>	<u>(421)</u>	<u>219</u>

For footnotes, see page 63.

Reconciliation of underlying⁸ and significant items

	Half-year to			
	30 June 2014 US\$m	30 June 2013 US\$m		Change ² %
Revenue⁴				
Underlying	176	33		433
No items	–	–		–
Revenue, excluding underlying adjustments and significant items	<u>176</u>	<u>33</u>		433
	2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m
Revenue⁴				
Underlying	149	(9)	163	853
No items	–	–	–	–
Revenue, excluding underlying adjustments and significant items	<u>149</u>	<u>(9)</u>	<u>163</u>	<u>853</u>
Profit before tax				
Underlying	185	(274)	(421)	219
No items	–	–	–	–
Profit before tax, excluding underlying adjustments and significant items	<u>185</u>	<u>(274)</u>	<u>(421)</u>	<u>219</u>

For footnotes, see page 63.

Global Banking and Markets – excluding legacy credit

Reconciliation of reported and underlying⁸ items

	Half-year to		Change ² %
	30 June 2014 US\$m	30 June 2013 US\$m	
Revenue⁴	9,615	10,550	(9)
Currency translation adjustment ¹	–	41	
Acquisitions, disposals and dilutions	(12)	(57)	
Underlying	9,603	10,534	(12)

	2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m
Revenue⁴				
Reported	19,027	18,284	16,892	18,072
Currency translation adjustment ¹		(255)	(683)	(270)
Acquisitions, disposals and dilutions	(461)	(221)	(184)	(890)
Underlying	18,566	17,808	16,025	16,912
Profit before tax				
Reported	9,256	8,800	7,477	8,984
Currency translation adjustment ¹		(154)	(352)	(178)
Acquisitions, disposals and dilutions	(429)	(529)	(352)	(777)
Underlying	8,827	8,117	6,773	8,029

For footnotes, see page 63.

Global Banking and Markets excluding legacy credit (continued)

Reconciliation of underlying⁸ and significant items

	Half-year to		Change ² %	
	30 June 2014 US\$m	30 June 2013 US\$m		
Revenue⁴				
Underlying	9,603	10,352		
Debit valuation adjustment on derivative contracts	155	(451)		
Fair value movement on non-qualifying hedges	(50)	18		
Revenue, excluding underlying adjustments and significant items	9,708	9,919		
	2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m
Revenue⁴				
Underlying	18,566	17,808	16,025	16,912
Debit valuation adjustment on derivative contracts	(106)	(518)	–	–
Fair value movement on non-qualifying hedges	14	39	(89)	308
Revenue, excluding underlying adjustments and significant items	18,474	17,329	15,936	17,220
Profit before tax				
Underlying	8,827	8,117	6,773	8,029
Debit valuation adjustment on derivative contracts	(106)	(518)	–	–
Fair value movement on non-qualifying hedges	14	39	(89)	308
Restructuring and other related costs	19	62	156	–
UK customer redress	134	331	–	–
Madoff-related litigation costs	298	–	–	–
Accounting gain arising from change in basis of delivering ill-health benefits in the UK	(81)	–	–	–
UK pension credit	–	–	(111)	–
US accounting gain on change in staff benefits	–	–	–	(14)
Payroll tax	–	–	(13)	307
Profit before tax, excluding underlying adjustments and significant items	9,105	8,031	6,716	8,630

For footnotes, see page 63.

Balance sheet data significant to Global Banking and Markets

	Europe US\$m	Asia US\$m	MENA US\$m	North America US\$m	Latin America US\$m	Total US\$m
At 30 June 2014						
Trading assets ¹⁶	240,210	50,654	554	42,515	8,051	341,984
Derivative assets ¹⁷	224,538	47,358	949	53,072	5,867	331,784
Trading liabilities	150,717	18,736	1,294	39,491	3,446	213,684
Derivative liabilities ¹⁷	265,134	45,948	899	52,197	5,390	369,568
At 30 June 2013						
Trading assets ¹⁶	269,959	47,208	443	102,260	7,210	427,080
Derivative assets ¹⁷	236,502	56,577	1,334	67,714	6,031	368,158
Trading liabilities	202,431	15,134	1,241	108,139	3,507	330,452
Derivative liabilities ¹⁷	286,255	54,413	1,379	65,277	5,496	412,820
At 31 December 2013						
Trading assets ¹⁶	212,941	39,940	432	38,709	6,660	298,682
Derivative assets ¹⁷	227,985	58,911	1,143	57,131	5,971	351,141
Trading liabilities	137,448	14,335	1,230	38,850	2,823	194,686
Derivative liabilities ¹⁷	273,086	55,866	1,158	55,105	5,499	390,714

For footnotes, see page 63.

Global Private Banking

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

	Half-year to 30 June 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')					
	1H13 as reported US\$m	Currency translation adjustment ¹ US\$m	1H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	575	11	586	536	(7)	(9)
Net fee income	602	2	604	533	(11)	(12)
Net trading income	230	5	235	159	(31)	(32)
Net income from financial instruments designated at fair value	–	–	–	1		
Gains less losses from financial investments	4	–	4	12	200	200
Net earned insurance premiums	6	1	7	19	217	171
Other operating expense (including dividend income)	(261)	–	(261)	(4)	98	98
Total operating income	1,156	19	1,175	1,256	9	7
Net insurance claims ¹⁰	(5)	–	(5)	(26)		
Net operating income⁴	1,151	19	1,170	1,230	7	5
LICs ⁹	(14)	(1)	(15)	(6)	57	60
Net operating income	1,137	18	1,155	1,224	8	6
Operating expenses	(1,035)	(7)	(1,042)	(868)	16	17
Operating profit	102	11	113	356	249	215
Income from associates ¹¹	6	–	6	8	33	33
Profit before tax	108	11	119	364	237	206

	Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')					
	2H13 as reported US\$m	Currency translation adjustment ¹ US\$m	2H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	571	8	579	536	(6)	(7)
Net fee income	548	2	550	533	(3)	(3)
Net trading income	164	(4)	160	159	(3)	(1)
Net income from financial instruments designated at fair value	4	–	4	1	(75)	(75)
Gains less losses from financial investments	(7)	(1)	(8)	12		
Net earned insurance premiums	10	1	11	19	90	73
Other operating income/(expense) (including dividend income)	30	–	30	(4)		
Total operating income	1,320	6	1,326	1,256	(5)	(5)
Net insurance claims ¹⁰	(32)	(1)	(33)	(26)	19	21
Net operating income⁴	1,288	5	1,293	1,230	(5)	(5)
LICs ⁹	(17)	(1)	(18)	(6)	65	67
Net operating income	1,271	4	1,275	1,224	(4)	(4)
Operating expenses	(1,194)	(5)	(1,199)	(868)	27	28
Operating profit	77	(1)	76	356		
Income from associates ¹¹	8	1	9	8	–	(11)
Profit before tax	85	–	85	364		

For footnotes, see page 63.

Global Private Banking

Reconciliation of reported and underlying⁸ items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Net interest income						
Reported	536	575	(7)	536	571	(6)
Currency translation adjustment ¹	–	11		–	8	
Acquisitions, disposals and dilutions ...	–	(3)		–	(1)	
Underlying	536	583	(8)	536	578	(7)
Other operating income/(expense)						
Reported	(7)	(267)	(97)	(7)	717	
Currency translation adjustment ¹	–	–		–	–	
Acquisitions, disposals and dilutions ...	–	–		–	(1)	
Underlying	(7)	(267)	(97)	(7)	27	
Revenue⁴						
Reported	1,230	1,151	7	1,230	1,288	(5)
Currency translation adjustment ¹	–	19		–	5	
Acquisitions, disposals and dilutions ...	–	(3)		–	(2)	
Underlying	1,230	1,167	5	1,230	1,291	(5)
LICs⁹						
Reported	(6)	(14)	57	(6)	(17)	65
Currency translation adjustment ¹	–	(1)		–	(1)	
Acquisitions, disposals and dilutions ...	–	–		–	–	
Underlying	(6)	(15)	60	(6)	(18)	67
Operating expenses						
Reported.....	(868)	(1,035)	16	(868)	(1,194)	27
Currency translation adjustment ¹	–	(7)		–	(5)	
Acquisitions, disposals and dilutions ...	–	3		–	1	
Underlying	(868)	(1,039)	16	(868)	(1,198)	28
Underlying cost efficiency ratio	70.6%	89.0%		70.6%	92.8%	
Income from associates¹¹						
Reported.....	8	6	33	8	8	–
Currency translation adjustment ¹	–	–		–	1	
Acquisitions, disposals and dilutions ...	–	–		–	–	
Underlying	8	6	33	8	9	(11)
Profit before tax						
Reported	364	108	237	364	85	
Currency translation adjustment ¹	–	11		–	–	
Acquisitions, disposals and dilutions ...	–	–		–	(1)	
Underlying	364	119	206	364	84	
					2013 US\$m	2010 US\$m
Revenue⁴						
Reported					2,439	3,093
Currency translation adjustment ¹					–	(6)
Acquisitions, disposals and dilutions					(6)	(29)
Underlying					2,433	3,058

For footnotes, see page 63.

Global Private Banking

Reconciliation of underlying⁸ and significant items

	Half-year to		Change ² %
	30 June 2014 US\$m	30 June 2013 US\$m	
Revenue⁴			
Underlying	1,230	1,167	5
Fair value movement on non-qualifying hedges	-	1	
Write-off of allocated goodwill relating to GPB Monaco business	-	279	
Revenue, excluding underlying adjustments and significant items	1,230	1,447	(15)
Operating expenses			
Underlying	(868)	(1,039)	16
Restructuring and other related costs	2	6	
Regulatory investigation provisions in GPB	-	119	
Operating expense, excluding underlying adjustments and significant items	(866)	(914)	5
Underlying cost efficiency ratio	70.6%	89.0%	

	Half-year to			Half-year to		
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Profit before tax						
Underlying	364	119	206	364	84	
Fair value movement on non-qualifying hedges	-	1		-	(2)	
Write-off of allocated goodwill relating to GPB Monaco business	-	279		-	-	
Restructuring and other related costs	2	6		2	67	
Regulatory investigation provisions in GPB	-	119		-	233	
Profit before tax, excluding underlying adjustments and significant items	366	524	(30)	366	382	(4)

	2013 US\$m	2010 US\$m
Revenue⁴		
Underlying	2,433	3,058
Fair value movement on non-qualifying hedges	-	(1)
Write-off of allocated goodwill relating to GPB Monaco business	279	-
Revenue, excluding underlying adjustments and significant items	2,712	3,057

For footnotes, see page 63.

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

	Half-year to 30 June 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')					
	1H13 as reported US\$m	Currency translation adjustment ¹ US\$m	1H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest expense	(376)	(5)	(381)	(221)	41	42
Net fee income	61	1	62	1	(98)	(98)
Net trading expense	(169)	(7)	(176)	(120)	29	32
Own credit spread	(19)	4	(15)	(215)		
Net expense from financial instruments designated at fair value	(443)	(9)	(452)	(66)	85	85
Gains less losses from financial investments	1,213	(1)	1,212	440	(64)	(64)
Net earned insurance premiums	–	(1)	(1)	–		100
Other operating income (including dividend income)	3,883	(45)	3,838	2,838	(27)	(26)
Total operating income	4,150	(63)	4,087	2,657	(36)	(35)
Net insurance claims ¹⁰	–	(4)	(4)	–		100
Net operating income ⁴	4,150	(67)	4,083	2,657	(36)	(35)
LICs ⁹	–	1	1	1		–
Net operating income	4,150	(66)	4,084	2,658	(36)	(35)
Operating expenses	(3,312)	27	(3,285)	(3,533)	(7)	(8)
Operating profit/(loss)	838	(39)	799	(875)		
Income from associates ¹¹	2	7	9	2	–	(78)
Profit/(loss) before tax	840	(32)	808	(873)		

	Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')					
	2H13 as reported US\$m	Currency translation adjustment ¹ US\$m	2H13 at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest expense	(361)	(3)	(364)	(221)	39	39
Net fee income	3	(1)	2	1	(67)	(50)
Net trading income/(expense)	175	(3)	172	(120)		
Own credit spread ³	(1,227)	(13)	(1,240)	(215)	82	83
Net expense from financial instruments designated at fair value	(115)	(2)	(113)	(66)	43	42
Gains less losses from financial investments	(1)	1	–	440		
Other operating income (including dividend income)	3,027	8	3,035	2,838	(6)	(6)
Total operating income	1,501	(9)	1,492	2,657	77	78
Net insurance claims ¹⁰	–	–	–	–		
Net operating income ⁴	1,501	(9)	1,492	2,657	77	78
LICs ⁹	–	–	–	1		
Net operating income	1,501	(9)	1,492	2,658	77	78
Operating expenses	(4,484)	(9)	(4,493)	(3,533)	21	21
Operating loss	(2,983)	(18)	(3,001)	(875)	71	71
Income from associates ¹¹	(16)	1	(15)	2		
Loss before tax	(2,999)	(17)	(3,016)	(873)	71	71

For footnotes, see page 63.

Other (continued)

Reconciliation of reported and underlying⁸ items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Other operating income						
Reported	2,814	3,866	(27)	2,814	2,895	(3)
Currency translation adjustment ¹		(42)			7	
Acquisitions, disposals and dilutions ...	33	(1,091)		33	47	
Underlying	2,847	2,733	4	2,847	2,949	(3)
Revenue⁴						
Reported	2,657	4,150	(36)	2,657	1,501	77
Currency translation adjustment ¹		(71)			4	
Own credit spread ³	215	19		215	1,227	
Acquisitions, disposals and dilutions ...	33	(1,090)		33	47	
Underlying	2,905	3,008	(3)	2,905	2,779	5
Operating expenses						
Reported	(3,533)	(3,312)	(7)	(3,533)	(4,484)	21
Currency translation adjustment ¹		27			(9)	
Acquisition, disposals on dilutions	–	23		–	8	
Underlying	(3,533)	(3,280)	(8)	(3,533)	(4,485)	21
					2013 US\$m	2010 US\$m
Revenue⁴						
Reported					5,651	4,660
Currency translation adjustment ¹						(147)
Own credit spread					1,246	63
Acquisitions, disposals and dilutions					(1,048)	(293)
Underlying					5,849	4,283

For footnotes, see page 63.

Other (continued)

Reconciliation of underlying⁸ and significant items

	Half-year to		Change ² %
	30 June 2014 US\$m	30 June 2013 US\$m	
Revenue⁴			
Underlying	2,905	3,008	(3)
Net gain on completion of Ping An disposal	–	(553)	
Fair value movement on non-qualifying hedges	138	(96)	
Gain on sale of shareholding in Bank of Shanghai	(428)	–	
Foreign exchange gains relating to the sterling debt issued by HSBC Holdings	–	(442)	
Revenue, excluding underlying adjustments and significant items	2,615	1,917	36
Operating expenses			
Underlying	(3,533)	(3,280)	(8)
Restructuring and other related costs	44	117	
UK bank levy	(45)	9	
Operating expense, excluding underlying adjustments and significant items	(3,534)	(3,154)	(12)
Underlying cost efficiency ratio	121.6%	109.2%	
		2013 US\$m	2010 US\$m
Revenue⁴			
Underlying		5,849	4,283
Net gain on completion of Ping An disposal		(553)	–
Fair value movement on non-qualifying hedges		(180)	440
Foreign exchange gains relating to the sterling debt issued by HSBC Holdings		(442)	–
Gain on sale and leaseback of Paris headquarters		–	(194)
Revenue, excluding underlying adjustments and significant items		4,674	4,037

For footnotes, see page 63.

Geographical regions

Europe

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

	Half-year to 30 June 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')					
	1H13				Reported change ² %	Constant currency change ² %
	1H13 as reported US\$m	Currency translation adjustment ¹ US\$m	at 1H14 exchange rates US\$m	1H14 as reported US\$m		
Net interest income	5,250	292	5,542	5,244	–	(5)
Net fee income	2,969	128	3,097	3,188	7	3
Net trading income	4,339	247	4,586	982	(77)	(79)
Own credit spread ³	3	4	7	(159)		
Other income/(expense) from financial instruments designated at fair value	(952)	(60)	(1,012)	1,175		
Net income/(expense) from financial instruments designated at fair value	(949)	(56)	(1,005)	1,016		
Gains less losses from financial investments	373	24	397	336	(10)	(15)
Net earned insurance premiums	1,746	91	1,837	1,574	(10)	(14)
Other operating income/(expense) (including dividend income)	(10)	(10)	(20)	550		
Total operating income	13,718	716	14,434	12,890	(6)	(11)
Net insurance claims incurred and movement in liabilities to policyholders	(2,244)	(114)	(2,358)	(2,017)	10	14
Net operating income ⁴	11,474	602	12,076	10,873	(5)	(10)
LICs ⁹	(846)	(43)	(889)	(266)	69	70
Net operating income	10,628	559	11,187	10,607	–	(5)
Operating expenses	(7,862)	(340)	(8,202)	(8,352)	(6)	(2)
Operating profit	2,766	219	2,985	2,255	(18)	(24)
Income from associates ¹¹	2	8	10	3	50	(70)
Profit before tax	2,768	227	2,995	2,258	(18)	(25)

Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')						
	2H13		2H13			
	2H13 as reported US\$m	Currency translation adjustment ¹ US\$m	at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	5,443	212	5,655	5,244	(4)	(7)
Net fee income	3,063	91	3,154	3,188	4	1
Net trading income	84	(39)	45	982		
Own credit spread ³	(1,018)	(13)	(1,031)	(159)	84	85
Other income from financial instruments designated at fair value	2,385	122	2,507	1,175	(51)	(53)
Net income from financial instruments designated at fair value	1,367	109	1,476	1,016	(26)	(31)
Gains less losses from financial investments	6	–	6	336		
Net earned insurance premiums	1,412	36	1,448	1,574	11	9
Other operating income (including dividend income)	614	5	619	550	(10)	(11)
Total operating income	11,989	414	12,403	12,890	8	4
Net insurance claims incurred and movement in liabilities to policyholders	(2,496)	(67)	(2,563)	(2,017)	19	21
Net operating income ⁴	9,493	347	9,840	10,873	15	10
LICs ⁹	(684)	(20)	(704)	(266)	61	62
Net operating income	8,809	327	9,136	10,607	20	16
Operating expenses	(9,751)	(266)	(10,017)	(8,352)	14	17
Operating profit/(loss)	(942)	61	(881)	2,255		
Income/(loss) from associates ¹¹	(1)	–	(1)	3		
Profit/(loss) before tax	(943)	61	(882)	2,258		

For footnotes, see page 63.

Europe

Reconciliation of reported and underlying⁸ items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Net interest income						
Reported	5,244	5,250	–	5,244	5,443	(4)
Currency translation adjustment ¹	–	292		–	212	
Acquisitions, disposals and dilutions ...	–	13		–	5	
Underlying	5,244	5,555	(6)	5,244	5,660	(7)
Other operating income						
Reported	522	(50)		522	579	(10)
Currency translation adjustment ¹	–	(12)		–	5	
Acquisitions, disposals and dilutions ...	–	(7)		–	(62)	
Underlying	522	(69)		522	522	–
Revenue⁴						
Reported	10,873	11,474	(5)	10,873	9,493	15
Currency translation adjustment ¹	–	598		–	360	
Own credit spread ³	159	(3)		159	1,018	
Acquisitions, disposals and dilutions ...	–	6		–	(57)	
Underlying	11,032	12,075	(9)	11,032	10,814	2
LICS⁹						
Reported	(266)	(846)	69	(266)	(684)	61
Currency translation adjustment ¹	–	(43)		–	(20)	
Acquisitions, disposals and dilutions ...	–	–		–	–	
Underlying	(266)	(889)	70	(266)	(704)	62
Operating expenses						
Reported	(8,352)	(7,862)	(6)	(8,352)	(9,751)	14
Currency translation adjustment ¹	–	(340)		–	(266)	
Acquisitions, disposals and dilutions ...	–	16		–	12	
Underlying	(8,352)	(8,186)	(2)	(8,352)	(10,005)	17
Underlying cost efficiency ratio	75.7%	67.8%		75.7%	92.5%	
Profit/(loss) before tax						
Reported	2,258	2,768	(18)	2,258	(943)	
Currency translation adjustment ¹	–	223		–	74	
Own credit spread ³	159	(3)		159	1,018	
Acquisitions, disposals and dilutions ...	–	23		–	(40)	
Underlying	2,417	3,011	(20)	2,417	109	

For footnotes, see page 63.

Europe

Reconciliation of underlying⁸ and significant items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Profit/(loss) before tax						
Underlying	2,417	3,011	(20)	2,417	109	2,117
Debit valuation adjustment on derivative contracts	78	(306)		78	242	
Fair value movement on non- qualifying hedges	143	(98)		143	(199)	
Provision arising from a review of compliance with the Consumer Credit Act in the UK	367	–		367	–	
Foreign exchange gains relating to the sterling debt issued by HSBC Holdings	–	(442)		–	–	
Write-off of allocated goodwill relating to GPB Monaco business .	–	279		–	–	
Loss on sale of an HFC Bank UK secured loan portfolio	–	138		–	8	
Restructuring and other related costs	54	103		54	114	
UK customer redress programmes	234	412		234	823	
UK bank levy	(45)	9		(45)	907	
Madoff-related litigation costs	–	298		–	–	
Regulatory investigation provisions in GPB	–	119		–	198	
Accounting gain arising from change in basis of delivering ill-health benefits in the UK	–	(430)		–	–	
Profit before tax, excluding underlying adjustments and significant items ..	3,248	3,093	5	3,248	2,202	48

For footnotes, see page 63.

Asia

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

	Half-year to 30 June 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')					
	1H13		1H14		Reported change ² %	Constant currency change ² %
	1H13 as reported US\$m	Currency translation adjustment ¹ US\$m	at 1H14 exchange rates US\$m	1H14 as reported US\$m		
Net interest income	5,519	(104)	5,415	6,090	10	12
Net fee income	3,090	(50)	3,040	2,966	(4)	(2)
Net trading income	918	(43)	875	1,329	45	52
Own credit spread ³	1	–	1	(5)		
Other income/(expense) from financial instruments designated at fair value	(261)	–	(261)	391		
Net income/(expense) from financial instruments designated at fair value	(260)	–	(260)	386		
Gains less losses from financial investments	1,227	(1)	1,226	440	(64)	(64)
Net earned insurance premiums	3,583	(4)	3,579	3,835	7	7
Other operating income (including dividend income)	2,470	(29)	2,441	1,209	(51)	(50)
Total operating income	16,547	(231)	16,316	16,255	(2)	–
Net insurance claims incurred and movement in liabilities to policyholders	(3,256)	4	(3,252)	(4,148)	(27)	(28)
Net operating income⁴	13,291	(227)	13,064	12,107	(9)	(7)
LICs ⁹	(198)	12	(186)	(216)	(9)	(16)
Net operating income	13,093	(215)	12,878	11,891	(9)	(8)
Operating expenses	(4,812)	102	(4,710)	(5,009)	(4)	(6)
Operating profit	8,281	(113)	8,168	6,882	(17)	(16)
Income from associates ¹¹	981	15	996	1,012	3	2
Profit before tax	9,262	(98)	9,164	7,894	(15)	(14)

Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')						
	2H13					
	2H13 as reported	Currency translation adjustment ¹	at 1H14 exchange rates	1H14 as reported	Reported change ²	Constant currency change ²
	US\$m	US\$m	US\$m	US\$m	%	%
Net interest income	5,913	(15)	5,898	6,090	3	3
Net fee income	2,846	(6)	2,840	2,966	4	4
Net trading income	1,108	1	1,109	1,329	20	20
Own credit spread ³	(3)	–	(3)	(5)	(67)	(67)
Other income from financial instruments designated at fair value	577	–	577	391	(32)	(32)
Net income from financial instruments designated at fair value	574	–	574	386	(33)	(33)
Gains less losses from financial investments	48	–	48	440	817	817
Net earned insurance premiums	3,335	(2)	3,333	3,835	15	15
Other operating income (including dividend income)	1,357	6	1,363	1,209	(11)	(11)
Total operating income	15,181	(16)	15,165	16,255	7	7
Net insurance claims incurred and movement in liabilities to policyholders	(4,040)	1	(4,039)	(4,148)	(3)	(3)
Net operating income ⁴	11,141	(15)	11,126	12,107	9	9
LICs ⁹	(300)	–	(300)	(216)	28	28
Net operating income	10,841	(15)	10,826	11,891	10	10
Operating expenses	(5,124)	3	(5,121)	(5,009)	2	2
Operating profit	5,717	(12)	5,705	6,882	20	21
Income from associates ¹¹	874	2	876	1,012	16	16
Profit before tax	6,591	(10)	6,581	7,894	20	20

For footnotes, see page 63.

Asia

Reconciliation of reported and underlying⁸ items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Net interest income						
Reported	6,090	5,519	10	6,090	5,913	3
Currency translation adjustment ¹	—	(104)		—	(15)	
Acquisitions, disposals and dilutions ...	—	—		—	—	
Underlying	6,090	5,415	12	6,090	5,898	3
Other operating income						
Reported	1,188	2,453	(52)	1,188	1,222	(3)
Currency translation adjustment ¹	—	(25)		—	5	
Acquisitions, disposals and dilutions ...	32	(1,185)		32	46	
Underlying	1,220	1,243	(2)	1,220	1,273	(4)
Revenue⁴						
Reported	12,107	13,291	(9)	12,107	11,141	9
Currency translation adjustment ¹	—	(227)		—	(15)	
Own credit spread ³	5	(1)		5	3	
Acquisitions, disposals and dilutions ...	32	(1,185)		32	46	
Underlying	12,144	11,878	2	12,144	11,175	9
LICS⁹						
Reported	(216)	(198)	(9)	(216)	(300)	28
Currency translation adjustment ¹	—	12		—	—	
Acquisitions, disposals and dilutions ...	—	—		—	—	
Underlying	(216)	(186)	(16)	(216)	(300)	28
Operating expenses						
Reported	(5,009)	(4,812)	(4)	(5,009)	(5,124)	2
Currency translation adjustment ¹	—	102		—	3	
Acquisitions, disposals and dilutions ...	—	72		—	—	
Underlying	(5,009)	(4,638)	(8)	(5,009)	(5,121)	2
Underlying cost efficiency ratio	41.2%	39.0%		41.2%	45.8%	
Share of profit in associates and joint ventures						
Reported	1,012	981	3	1,012	874	16
Currency translation adjustment ¹	—	15		—	2	
Acquisitions, disposals and dilutions ...	—	(15)		—	97	
Underlying	1,012	981	3	1,012	973	4
Profit before tax						
Reported	7,894	9,262	(15)	7,894	6,591	20
Currency translation adjustment ¹	—	(98)		—	(10)	
Own credit spread ³	5	(1)		5	3	
Acquisitions, disposals and dilutions ...	32	(1,128)		32	143	
Underlying	7,931	8,035	(1)	7,931	6,727	18

For footnotes, see page 63.

Asia

Reconciliation of underlying⁸ and significant items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Profit before tax						
Underlying	7,931	8,035	(1)	7,931	6,727	18
Net gain on completion of Ping An disposal	–	(553)		–	–	
Debit valuation adjustment on derivative contracts	53	(112)		53	72	
Fair value movement on non-qualifying hedges	4	7		4	25	
Gain on sale of shareholding in Bank of Shanghai	(428)	–		(428)	–	
Restructuring and other related costs	2	12		2	74	
Regulatory investigation provisions in GPB	–	–		–	35	
Profit before tax, excluding underlying adjustments and significant items .	7,562	7,389	2	7,562	6,933	9

For footnotes, see page 63.

Middle East and North Africa

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

	Half-year to 30 June 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')					
	1H13 as reported US\$m	Currency translation adjustment ¹ US\$m	at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	746	(6)	740	736	(1)	(1)
Net fee income	311	–	311	335	8	8
Net trading income	203	–	203	193	(5)	(5)
Own credit spread ³	(1)	–	(1)	(6)		
Other income from financial instruments designated at fair value	–	–	–	1		
Net expense from financial instruments designated at fair value	(1)	–	(1)	(5)		
Gains less losses from financial investments	(18)	–	(18)	3		
Net earned insurance premiums	–	–	–	–		
Other operating income/(expense) (including dividend income)	12	–	12	32	167	167
Total operating income	1,253	(6)	1,247	1,294	3	4
Net insurance claims incurred and movement in liabilities to policyholders	–	–	–	–		
Net operating income⁴	1,253	(6)	1,247	1,294	3	4
LICs ⁹	47	–	47	50	(6)	(6)
Net operating income	1,300	(6)	1,294	1,344	3	4
Operating expenses	(616)	3	(613)	(614)	–	–
Operating profit	684	(3)	681	730	7	7
Income from associates ¹¹	225	–	225	259	15	15
Profit before tax	909	(3)	906	989	9	9

Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')						
	2H13					
	2H13 as reported US\$m	Currency translation adjustment ¹ US\$m	at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	740	(1)	739	736	(1)	–
Net fee income	311	–	311	335	8	8
Net trading income	154	1	155	193	25	25
Own credit spread ³	(3)	–	(3)	(6)	(100)	(100)
Other income from financial instruments designated at fair value	2	–	2	1	(50)	(50)
Net expense from financial instruments designated at fair value	(1)	–	(1)	(5)		
Gains less losses from financial investments	–	–	–	3		
Net earned insurance premiums	–	–	–	–		
Other operating income/(expense) (including dividend income)	46	(2)	44	32	(30)	(27)
Total operating income	1,250	(2)	1,248	1,294	4	4
Net insurance claims incurred and movement in liabilities to policyholders	–	–	–	–		
Net operating income ⁴	1,250	(2)	1,248	1,294	4	4
LICs ⁹	(5)	–	(5)	50		
Net operating income	1,245	(2)	1,243	1,344	8	8
Operating expenses	(673)	–	(673)	(614)	9	9
Operating profit	572	(2)	570	730	28	28
Income from associates ¹¹	213	(1)	212	259	22	22
Profit before tax	785	(3)	782	989	26	26

For footnotes, see page 63.

Middle East and North Africa

Reconciliation of reported and underlying⁸ items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Net interest income						
Reported	736	746	(1)	736	740	(1)
Currency translation adjustment ¹		(6)			(1)	
Acquisitions, disposals and dilutions ...	(20)	(25)		(20)	(25)	
Underlying	716	715	–	716	714	–
Other operating income						
Reported	23	8	188	23	41	(44)
Currency translation adjustment ¹		–			(2)	
Acquisitions, disposals and dilutions ...	–	–		–	–	
Underlying	23	8	188	23	39	(41)
Revenue⁴						
Reported	1,294	1,253	3	1,294	1,250	4
Currency translation adjustment ¹		(6)			(2)	
Own credit spread ³	6	1		6	3	
Acquisitions, disposals and dilutions ...	(28)	(38)		(28)	(33)	
Underlying	1,272	1,210	5	1,272	1,218	4
LICS⁹						
Reported	50	47	(6)	50	(5)	
Currency translation adjustment ¹		–			–	
Acquisitions, disposals and dilutions ...	–	3		–	(3)	
Underlying	50	50	–	50	(8)	
Operating expenses						
Reported	(614)	(616)	–	(614)	(673)	9
Currency translation adjustment ¹		3			–	
Acquisitions, disposals and dilutions ...	17	19		17	19	
Underlying	(597)	(594)	(1)	(597)	(654)	9
Underlying cost efficiency ratio	46.9%	49.1%		46.9%	53.7%	
Profit before tax						
Reported	989	909	9	989	785	26
Currency translation adjustment ¹		(3)			(3)	
Own credit spread ³	6	1		6	3	
Acquisitions, disposals and dilutions ...	(11)	(16)		(11)	(17)	
Underlying	984	891	10	984	768	28

Middle East and North Africa

Reconciliation of underlying⁸ and significant items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Profit before tax						
Underlying	984	891	10	984	768	28
Debit valuation adjustment on derivative contracts	3	(3)		3	1	
Restructuring and other related costs ...	–	4		–	–	
Profit before tax excluding underlying adjustments and significant items .	987	892	11	987	769	28

For footnotes, see page 63.

North America

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

	Half-year to 30 June 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')					
	1H13 as reported US\$m	Currency translation adjustment ¹ US\$m	at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	3,030	(49)	2,981	2,635	(13)	(12)
Net fee income	1,138	(22)	1,116	991	(13)	(11)
Net trading income	505	(7)	498	228	(55)	(54)
Own credit spread ³	(22)	–	(22)	(45)	(105)	(105)
Other expense from financial instruments designated at fair value	(50)	–	(50)	(54)	(8)	(8)
Net expense from financial instruments designated at fair value	(72)	–	(72)	(99)	(38)	(38)
Gains on disposal of US branch network and US cards business						
Gains less losses from financial investments	223	(4)	219	118	(47)	(46)
Net earned insurance premiums	34	–	34	–	(100)	(100)
Other operating income/(expense) (including dividend income)	(187)	4	(183)	194		
Total operating income	4,671	(78)	4,593	4,067	(13)	(11)
Net insurance claims incurred and movement in liabilities to policyholders	(39)	–	(39)	–	100	100
Net operating income ⁴	4,632	(78)	4,554	4,067	(12)	(11)
LICs ⁹	(696)	10	(686)	(411)	41	40
Net operating income	3,936	(68)	3,868	3,656	(7)	(5)
Operating expenses	(3,276)	36	(3,240)	(2,837)	13	12
Operating profit	660	(32)	628	819	24	30
Income from associates ¹¹	6	(1)	5	6	–	20
Profit before tax	666	(33)	633	825	24	30

Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')						
	2H13					
	2H13 as reported US\$m	Currency translation adjustment ¹ US\$m	at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	2,712	(30)	2,682	2,635	(3)	(2)
Net fee income	1,005	(14)	991	991	(1)	–
Net trading income	443	(4)	439	228	(49)	(48)
Own credit spread ³	(203)	–	(203)	(45)	78	78
Other expense from financial instruments designated at fair value	(13)	–	(13)	(54)		
Net income/(expense) from financial instruments designated at fair value	(216)	–	(216)	(99)	54	54
Gains less losses from financial investments	71	–	71	118	66	66
Net earned insurance premiums	–	–	–	–		
Other operating income (including dividend income)	156	1	157	194	24	24
Total operating income	4,171	(47)	4,124	4,067	(2)	(1)
Net insurance claims incurred and movement in liabilities to policyholders	–	–	–	–		
Net operating income ⁴	4,171	(47)	4,124	4,067	(2)	(1)
LICs ⁹	(501)	1	(500)	(411)	18	18
Net operating income	3,670	(46)	3,624	3,656	–	1
Operating expenses	(3,140)	23	(3,117)	(2,837)	10	9
Operating profit	530	(23)	507	819	55	62
Income from associates ¹¹	25	(1)	24	6	(76)	(75)
Profit before tax	555	(24)	531	825	49	55

For footnotes, see page 63.

North America

Reconciliation of reported and underlying⁸ items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Net interest income						
Reported	2,635	3,030	(13)	2,635	2,712	(3)
Currency translation adjustment ¹	–	(49)		–	(30)	
Acquisitions, disposals and dilutions ...	–	(14)		–	–	
Underlying	2,635	2,967	(11)	2,635	2,682	(2)
Other operating income						
Reported	170	(228)		170	120	42
Currency translation adjustment ¹	–	4		–	1	
Acquisitions, disposals and dilutions ...	–	114		–	(17)	
Underlying	170	(110)		170	104	63
Revenue⁴						
Reported	4,067	4,632	(12)	4,067	4,171	(2)
Currency translation adjustment ¹	–	(78)		–	(47)	
Own credit spread ³	45	22		45	203	
Acquisitions, disposals and dilutions ...	–	105		–	(16)	
Underlying	4,112	4,681	(12)	4,112	4,311	(5)
LICS⁹						
Reported	(411)	(696)	41	(411)	(501)	18
Currency translation adjustment ¹	–	10		–	1	
Acquisitions, disposals and dilutions ...	–	1		–	(1)	
Underlying	(411)	(685)	40	(411)	(501)	18
Operating expenses						
Reported	(2,837)	(3,276)	13	(2,837)	(3,140)	10
Currency translation adjustment ¹	–	36		–	23	
Acquisitions, disposals and dilutions ...	–	14		–	–	
Underlying	(2,837)	(3,226)	12	(2,837)	(3,117)	9
Underlying cost efficiency ratio	69.0%	68.9%		69.0%	72.3%	
Profit before tax						
Reported	825	666	24	825	555	49
Currency translation adjustment ¹	–	(33)		–	(24)	
Own credit spread ³	45	22		45	203	
Acquisitions, disposals and dilutions ...	–	120		–	(17)	
Underlying	870	775	12	870	717	21

For footnotes, see page 63.

North America

Reconciliation of underlying⁸ and significant items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Profit before tax						
Underlying	870	775	12	870	717	21
Debit valuation adjustment on derivative contracts	14	(10)		14	24	
Fair value movement on non- qualifying hedges	174	(202)		174	(44)	
Loss on sale of several tranches of real estate secured accounts in the US	15	1		15	122	
Loss on sale of the non-real estate portfolio in CML	–	271		–	–	
Loss on early termination of cash flow hedges in the US run-off portfolio	–	199		–	–	
Restructuring and other related costs	13	78		13	23	
US customer remediation provision relating to CRS	–	100		–	–	
Profit before tax, excluding underlying adjustments and significant items .	1,086	1,212	(10)	1,086	842	29

Latin America

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

	Half-year to 30 June 2014 ('1H14') compared with half-year to 30 June 2013 ('1H13')					
	1H13 as reported US\$m	Currency translation adjustment ¹ US\$m	at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	3,274	(368)	2,906	2,700	(18)	(7)
Net fee income	896	(100)	796	697	(22)	(12)
Net trading income	397	(55)	342	543	37	59
Own credit spread ³	–	–	–	–		
Other income from financial instruments designated at fair value	85	(18)	67	362		440
Net income/(expense) from financial instruments designated at fair value	85	(18)	67	362		
Gains less losses from financial investments	51	(3)	48	49	(4)	2
Net earned insurance premiums	863	(104)	759	728	(16)	(4)
Other operating income (including dividend income)	4	(4)	–	80		
Total operating income	5,570	(652)	4,918	5,159	(7)	5
Net insurance claims incurred and movement in liabilities to policyholders	(612)	91	(521)	(894)	(46)	(72)
Net operating income⁴	4,958	(561)	4,397	4,265	(14)	(3)
LICs ⁹	(1,423)	127	(1,296)	(998)	30	23
Net operating income	3,535	(434)	3,101	3,267	(8)	5
Operating expenses	(3,069)	333	(2,736)	(2,893)	6	(6)
Operating profit	466	(101)	365	374	(20)	2
Income from associates ¹¹	–	–	–	–		
Profit before tax	466	(101)	365	374	(20)	2

Half-year to 30 June 2014 ('1H14') compared with half-year to 31 December 2013 ('2H13')						
	2H13					
	2H13 as reported US\$m	Currency translation adjustment ¹ US\$m	at 1H14 exchange rates US\$m	1H14 as reported US\$m	Reported change ² %	Constant currency change ² %
Net interest income	2,912	(100)	2,812	2,700	(7)	(4)
Net fee income	805	(32)	773	697	(13)	(10)
Net trading income	539	(46)	493	543	1	10
Own credit spread ³	–	–	–	–		
Other income from financial instruments designated at fair value	241	(13)	228	362	50	59
Net income/(expense) from financial instruments designated at fair value	241	(13)	228	362	50	59
Gains less losses from financial investments	31	–	31	49	58	58
Net earned insurance premiums	967	(22)	945	728	(25)	(23)
Other operating income (including dividend income)	1,120	(5)	1,115	80	(93)	(93)
Total operating income	6,615	(218)	6,397	5,159	(22)	(19)
Net insurance claims incurred and movement in liabilities to policyholders	(1,005)	43	(962)	(894)	11	7
Net operating income ⁴	5,610	(175)	5,435	4,265	(24)	(22)
LICs ⁹	(1,243)	16	(1,227)	(998)	20	19
Net operating income	4,367	(159)	4,208	3,267	(25)	(22)
Operating expenses	(2,861)	95	(2,766)	(2,893)	(1)	(5)
Operating profit	1,506	(64)	1,442	374	(75)	(74)
Income from associates ¹¹	–	–	–	–		
Profit before tax	1,506	(64)	1,442	374	(75)	(74)

For footnotes, see page 63.

Latin America

Reconciliation of reported and underlying⁸ items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Net interest income						
Reported net interest income	2,700	3,274	(18)	2,700	2,912	(7)
Currency translation adjustment ¹		(368)			(100)	
Acquisitions, disposals and dilutions ...	(7)	(197)		(7)	(130)	
Underlying net interest income	2,693	2,709	(1)	2,693	2,682	–
Other operating income						
Reported other operating income	74	(1)		74	1,116	(93)
Currency translation adjustment ¹		(4)			(4)	
Acquisitions, disposals and dilutions ...	(18)	(29)		(18)	(1,099)	
Underlying other operating income ...	56	(34)		56	13	
Revenue⁴						
Reported revenue	4,265	4,958	(14)	4,265	5,610	(24)
Currency translation adjustment ¹		(561)			(175)	
Acquisitions, disposals and dilutions ...	(27)	(294)		(27)	(1,272)	
Underlying revenue	4,238	4,103	3	4,238	4,163	2
LICS⁹						
Reported	(998)	(1,423)	30	(998)	(1,243)	20
Currency translation adjustment ¹		127			16	
Acquisitions, disposals and dilutions ...	2	40		2	21	
Underlying	(996)	(1,256)	21	(996)	(1,206)	17
Operating expenses						
Reported	(2,893)	(3,069)	6	(2,893)	(2,861)	(1)
Currency translation adjustment ¹		333			95	
Acquisitions, disposals and dilutions ...	9	194		9	115	
Underlying	(2,884)	(2,542)	(13)	(2,884)	(2,651)	(9)
Underlying cost efficiency ratio	68.1%	62.0%		68.1%	63.7%	
Profit before tax						
Reported	374	466	(20)	374	1,506	(75)
Currency translation adjustment ¹		(101)			(64)	
Acquisitions, disposals and dilutions ...	(16)	(60)		(16)	(1,136)	
Underlying	358	305	17	358	306	17

Reconciliation of underlying⁸ and significant items

	Half-year to					
	30 June 2014 US\$m	30 June 2013 US\$m	Change ² %	30 June 2014 US\$m	31 December 2013 US\$m	Change ² %
Profit before tax						
Underlying	358	305	17	358	306	17
Debit valuation adjustment on derivative contracts	6	(20)		6	7	
Restructuring and other related costs ...	14	41		14	34	
Profit before tax excluding underlying adjustments and significant items .	378	326	16	378	347	9

For footnotes, see page 63.

Leverage ratio

In January 2014, the Basel Committee published its finalised leverage ratio framework, along with the public disclosure requirements applicable from 1 January 2015. This is currently in the process of being transposed into European law.

Under CRD IV, the legislative proposals and final calibration of the leverage ratio are expected to be determined following a review of the revised Basel proposals and the basis of the EBA's assessment of the impact and effectiveness of the leverage ratio during a monitoring period, between 1 January 2014 and 30 June 2016.

In May 2014, the PRA issued a letter setting out the approach to be taken for calculating the leverage ratio for disclosure in *Interim Reports*. This

confirmed that the basis of calculation of the leverage ratio has changed from previous disclosures. While the numerator continues to be calculated using the final CRD IV end point tier 1 capital definition, the exposure measure is now calculated based on the January 2014 Basel III text (rather than the December 2010 Basel III text). The main differences between the two approaches are set out in our basis of preparation.



For a detailed basis of preparation of the leverage ratio, see the Appendix to Capital, page 193.

It should be noted the revised PRA-prescribed basis for disclosing the leverage ratio is not aligned with CRD IV. However, CRD IV is anticipated to align to Basel during 2014.

Estimated leverage ratio

	PRA-prescribed basis at 30 June 2014 US\$bn
Total assets per financial balance sheet	2,754
Deconsolidation of insurance/other entities	(107)
Consolidation of banking associates	186
Total assets per regulatory balance sheet	2,833
Adjustment to reverse netting of loans and deposits allowable under IFRS	98
Reversal of accounting values	(498)
Derivatives	(270)
Repurchase agreement and securities finance	(228)
Derivatives	199
Mark-to-market value	60
Deductions of receivables assets for cash variation margin.....	(55)
Add-on amounts for potential future exposure	166
Exposure amount resulting from the additional treatment for written credit derivatives	28
Repurchase agreement and securities finance	237
Gross securities financing transactions assets	314
Netted amounts of cash payables and cash receivables of gross securities financing transactions assets	(86)
Measurement of counterparty risk	9
Addition of off balance sheet commitments and guarantees:	445
Guarantees and contingent liabilities	80
Commitments	356
Other	9
Exclusion of items already deducted from the capital measure	(37)
Exposure measure after regulatory adjustments	3,277
Tier 1 capital under CRD IV (end point)	142
Estimated leverage ratio (end point)	4.3%

Leverage ratio: basis of preparation

The numerator, capital measure, is calculated using the 'end point' definition of tier 1 capital applicable from 1 January 2022, which is set out in the final CRD IV rules. This is supplemented with the EBA's Own Funds' RTS to the extent that these have been published in the Official Journal of the European Commission as at the reporting date, as well as making reference to the PRA Rulebook where appropriate. The denominator, exposure measure, is calculated according to the January 2014 Basel III leverage ratio framework, the instructions provided in March 2014 for the Basel III Quantitative Impact Study, its related Frequently Asked Questions and the PRA's guidance on the methodologies used there. This revised Basel III leverage ratio framework follows the same scope of regulatory consolidation as is used for the risk-based capital framework, which differs to the 2010 Basel text that required banks to include items using their accounting balance sheet. The exposure measure generally follows the accounting value, adjusted as follows:

- on-balance sheet, non-derivative exposures are included in the exposure measure net of specific provisions or accounting valuation adjustments (e.g. accounting credit valuation adjustments);
- netting of loans and deposits is not allowed;
- the scope of netting for derivatives is extended to all scenarios where we would recognise a netting agreement for regulatory purposes;
- compared with the Basel 2010 text, the Basel 2014 text appears to permit the offsetting of cash variation margin against derivative assets and liabilities in circumstances where we would recognise offset for regulatory purposes. This is subject to certain additional conditions including the requirement that the margin be exchanged daily and be in the same currency as the currency of settlement of the derivative contract. For these purposes we have considered this to include any currency that can be used to make payments under the derivative contract, the governing qualifying master netting agreement, or its associated credit support annex;
- the approach to netting securities financing transactions ('SFTs') is aligned to that permitted under IFRS, though for leverage purposes there is an additional add-on to the extent that an SFT is under collateralised. This represents a stricter requirement compared with the Basel 2010 text;
- the inclusion of potential future exposure add-ons for both OTC and exchange-traded derivatives;
- the notional amount of written credit derivatives is included in the exposure measure, subject to offsets for purchased protection. This represents a stricter requirement compared with the Basel 2010 text;
- off-balance sheet items are converted into credit exposure equivalents through the use of credit conversion factors (CCFs). The Basel 2010 text required that off-balance sheet items are included in full except for commitments that are unconditionally cancellable at any time by HSBC without prior notice, where only 10% of the exposures are included. This has changed under the Basel 2014 text which now includes a CCF of 20% and 50% for certain exposures; and
- the exclusion of items deducted from the end point tier 1 capital such as goodwill and intangible assets.

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 Net operating income before loan impairment charges and other credit risk provisions, also referred to as revenue.
- 5 From 1 January 2014, the geographical region 'Asia' replaced the geographical regions previously reported as 'Hong Kong' and 'Rest of Asia-Pacific' (see Note 23 on the Financial Statements for further details). Comparative data have been re-presented to reflect this change.
- 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 Loan impairment charges and other credit risk provisions.
- 10 Net insurance claims incurred and movement in liabilities to policyholders.
- 11 Share of profit in associates and joint ventures.
- 12 'Currency translation' is the effect of translating the assets and liabilities of subsidiaries and associates for the previous year-end at the rates of exchange applicable at the current period-end.
- 13 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.
- 14 In the first half of 2014, Markets included an unfavourable value movement of US\$28m on-structured liabilities (first half of 2013: favourable fair value movement of US\$4m; second half of 2013: adverse fair value movement of US\$70m).
- 15 Other' in GB&M includes net interest earned on free capital held in the global business not assigned to products, gains resulting from business disposals. Within the management view of total operating income, notional tax credits are allocated to the businesses to reflect the economic benefit generated by certain activities which is not reflected within operating income, for example notional credits on income earned from tax-exempt investments where the economic benefit of the activity is reflected in tax expense. In order to reflect the total operating income on an IFRS basis, the offset to these tax credits are included within 'Other'.
- 16 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.
- 17 Derivative assets and derivative liabilities of GB&M include derivative transactions between different regions of GB&M.
- 18 'Investment distribution' includes Investments, which comprises mutual funds (HSBC manufactured and third party), structured products and securities trading, and Wealth Insurance distribution, consisting of HSBC manufactured and third-party life, pension and investment insurance products.
- 19 'Other personal lending' includes personal non-residential closed-end loans and personal overdrafts.
- 20 'Other' includes the distribution and manufacturing (where applicable) of retail and credit protection insurance, any gains or losses on business disposals, movements in non-qualifying hedges, losses arising from a review of compliance with the Consumer Credit Act in the UK in 2014 and loss on disposal of HFC UK Bank secured lending portfolio in 2013.