

HSBC HOLDINGS PLC  
Form 6-K  
July 31, 2017

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of

the Securities Exchange Act of 1934

For the month of July 2017

Commission File Number: 001-14930

HSBC Holdings plc

42nd Floor, 8 Canada Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934).

Yes..... No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-.....).

This Report on Form 6-K with respect to our Interim Financial Statements and Notes thereon for the six-month period ended June 30, 2017 is hereby incorporated by reference in the following HSBC Holdings plc registration statements: file numbers 333-92024, 333-103887, 333-104203, 333-109288, 333-113427, 333-127327, 333-126531, 333-135007,

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

333-143639, 333-145859, 333-155338, 333-158065, 333-162565, 333-170525, 333-176732, 333-180288, 333-183806, 333-197839 and 333-202420.

---

#### Connecting customers to opportunities

HSBC aims to be where the growth is, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

None of the websites referred to in this Interim Report on Form 6-K for the half year ended June 30, 2017 (the 'Form 6-K'), including where a link is provided, nor any of the information contained on such websites is incorporated by reference in the Form 6-K.

As a reminder

Reporting currency

We use US dollars.

Adjusted measures

We supplement our IFRS figures with adjusted measures used by management internally. These measures are highlighted with the following symbol: ^

In this document we use the following abbreviations to refer to reporting periods.

1H17 First half of 2017

2H16 Second half of 2016

1H16 First half of 2016

For a full list of abbreviations see page 115.

Unless stated otherwise, risk-weighted assets and capital are calculated and presented on a transitional CRD IV basis as implemented by the Prudential Regulation Authority.

#### Overview

1a Forward-looking statements

1b Certain defined terms

02 Highlights

04 Group Chairman's Statement

07 Group Chief Executive's Review

10 Strategic actions

12 Financial overview

16 Global businesses

20 Risk overview

#### Interim Management Report

22 Financial summary

36 Global businesses

48 Geographical regions

56 Risk

77 Capital

#### Financial Statements

80 Financial Statements

86 Notes on the Financial Statements

#### Additional Information

108 Shareholder information

115 Abbreviations

Our photo competition winners

In 2016, we ran a Group-wide photo competition which attracted over 6,200 submissions from 1,100 employees. The joint overall winning photos are featured in this report. The image on the inside front cover shows a rice farmer at harvest time in north-east Vietnam, and the photo on the inside back cover was taken at sunrise at Situ (Lake) Patenggang, West Java, Indonesia.

HSBC Holdings plc 1

---

Cautionary statement regarding forward-looking statements

This Interim Report 2017 contains certain forward-looking statements with respect to HSBC's financial condition, results of operations and business.

Statements that are not historical facts, including statements about HSBC's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. HSBC makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.

Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC's Directors, officers or employees to third parties, including financial analysts.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These include, but are not limited to:

Changes in general economic conditions in the markets in which we operate, such as continuing or deepening recessions and fluctuations in employment beyond those factored into consensus forecasts; changes in foreign exchange rates and interest rates; volatility in equity markets; lack of liquidity in wholesale funding markets; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; and consumer perception as to the continuing availability of credit and price competition in the market segments we serve.

Changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities; initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; changes in bankruptcy legislation in the principal markets in which we operate and the consequences thereof; general changes in government policy that may significantly influence investor decisions; extraordinary government actions as a result of current market turmoil; other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for our products and services; the costs, effects and outcomes of product regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where we operate including increased competition from non-bank financial services companies, including securities firms.

Factors specific to HSBC, including our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques). Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; our success in addressing operational, legal and regulatory, and litigation challenges, notably compliance with the US DPA; and the other risks and uncertainties we identify in 'top and emerging risks' on pages 20 and 21.

1aHSBC Holdings plc

Certain defined terms

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Unless the context requires otherwise, 'HSBC Holdings' means HSBC Holdings plc and 'HSBC', the 'Group', 'we', 'us' and 'our' refer to HSBC Holdings together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'. When used in the terms 'shareholders' equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC Holdings ordinary shares and those preference shares and capital securities issued by HSBC Holdings classified as equity. The abbreviations '\$m', '\$bn' and '\$tn' represent millions, billions (thousands of millions) and trillions of US dollars, respectively.

HSBC Holdings plc 1b

---

## Highlights

Our international network, universal banking model and capital strength deliver long-term value for customers and shareholders

### Group

Our operating model consists of four global businesses and a Corporate Centre, supported by 11 global functions.

## Performance highlights for 1H17

### Strategy execution

Delivered growth from our international network with a 7% increase in revenue from transaction banking products; 17% rise in revenue synergies.

Achieved annualised run-rate savings of \$4.7bn since our 2015 Investor Update. Incremental savings in 1H17 were \$1.0bn.

Targeted initiatives removed a further \$29bn of RWAs in 1H17. RWA reduction programmes have extracted \$296bn of RWAs since the start of 2015.

Maintained momentum in Asian Insurance and Asset Management, with annualised new business premiums and assets under management up 14% and 17% respectively.

Successfully achieved a non-objection to our US capital plan, as part of the Comprehensive Capital Analysis and Review ('CCAR').

### Financial performance

Reported profit before tax of \$10.2bn was \$0.5bn higher than in 1H16. This included significant items of \$1.7bn, which adversely impacted reported performance, compared with \$1.5bn in 1H16.

Reported revenue of \$26.2bn was \$3.3bn lower than in 1H16, primarily reflecting the effects of significant items. However, reported loan impairment charges and other credit risk provisions ('LICs') decreased by \$1.7bn, and reported operating expenses decreased by \$2.2bn.

Adjusted profit before tax of \$12.0bn was \$1.3bn higher, reflecting increased adjusted revenue and lower adjusted LICs, partly offset by higher adjusted operating expenses. In 1H17, we achieved positive adjusted jaws of 0.5%.

Adjusted revenue increased by \$0.8bn or 3%, reflecting improved performance in RBWM, GB&M and CMB. This was partly offset by lower adjusted revenue in Corporate Centre and GPB.

Adjusted LICs decreased by \$0.9bn, notably reflecting lower individually assessed LICs in CMB and GB&M.

Adjusted operating expenses increased by \$0.4bn or 3%, reflecting a UK bank levy credit of \$0.1bn in 1H16, together with investments in business growth, primarily in RBWM where investments were partly funded by one-off disposal proceeds.

### Capital

Our capital position further strengthened, with a common equity tier 1 ('CET1') ratio at 30 June 2017 of 14.7%, up from 13.6% at 31 December 2016, primarily due to capital generation through profits net of dividends and scrip, and favourable foreign currency translation differences.

For the half-year to 30 June 2017

(1H16: \$9.7bn)

---

\$10.2bn

(1H16: \$10.7bn)

\$12.0bn

(1H16: \$29.5bn)

\$26.2bn

At 30 June 2017

(31 Dec 2016: \$857.2bn)

\$876.1bn

---

(31 Dec 2016: 13.6%)  
14.7%  
(31 Dec 2016: \$2,375bn)  
\$2,492bn

2HSBC Holdings plc

---

Our global businesses

| Retail Banking and Wealth Management ('RBWM')   | Commercial Banking ('CMB')   | Global Banking and Markets ('GB&M')   | Global Private Banking ('GPB')   |
|---|--|---|--|
| We help millions of people across the world to manage their finances, buy their homes, and save and invest for the future. Our Insurance and Asset Management businesses support all our global businesses in meeting their customers' needs. | We support approximately 1.7 million business customers in 54 countries and territories with banking products and services to help them operate and grow. Our customers range from small enterprises focused primarily on their domestic markets, through to large companies operating globally. | We provide financial services and products to companies, governments and institutions. Our comprehensive range of products and solutions, across capital financing, advisory and transaction banking services, can be combined and customised to meet clients' specific objectives. | We help high net worth individuals and their families to grow, manage and preserve their wealth. |
| Adjusted profit before tax <sup>^</sup><br>(1H16: \$2.5bn)<br>\$3.4bn   | (1H16: \$2.9bn)<br>\$3.4bn   | (1H16: \$2.6bn)<br>\$3.4bn  | (1H16: \$0.2bn)<br>\$0.1bn   |
| Risk-weighted assets<br><br>(31 Dec 2016: \$115.1bn)<br>\$116.6bn   | (31 Dec 2016: \$275.9bn)<br>\$289.2bn  | (31 Dec 2016: \$300.4bn)<br>\$306.1bn   | (31 Dec 2016: \$15.3bn)<br>\$16.4bn  |

<sup>^</sup>Our global businesses are presented on an adjusted basis, which is consistent with the way in which we assess the performance of our global businesses.

·  
Delivery against Group financial targets  
Return on equity Adjusted jaws<sup>^</sup> Dividends per ordinary share in respect of 1H17  
8.8%                    +0.5%                    \$0.20  
For further details, see page 15.

HSBC Holdings plc 3

## Group Chairman's Statement

The Group delivered strong results across its major businesses, providing further evidence of a successful repositioning. Its diversified business model, international network and capital strength provide a solid foundation for further growth.

As the Group approaches a periodic transition in leadership, it is extremely pleasing to report that, in the first half of 2017, it delivered a strong set of results across its major businesses. As well as being financially robust, these results added further evidence of the successful repositioning of the Group since 2011. This has created a solid foundation, with attractive optionality, for the future.

The benefits of diversification, combined with the Group's capital and funding strength, once again were apparent. Notwithstanding uncertainties arising from increasing geopolitical tensions and ambiguous predictions around the shape of transition to, and final form of, the UK's future relationship with its major trading partners in the EU, customer activity across all business segments was resilient. Markets-based revenues benefited from market share advances, commercial banking customer activity was robust, wealth management and insurance revenues were notably stronger in Hong Kong, and credit experience globally remained remarkably sound. As central bank interest rates edged higher, led by the US, we began to benefit from improved margins on our core deposit bases, providing a welcome enhancement to the Group's revenue mix, given the likely trajectory of interest rates over the medium term. These factors drove reported profit before tax for the Group in the first six months of 2017 to \$10.2bn, 5% higher than what was achieved in the first half of 2016. Earnings per share amounted to \$0.35 (1H16: \$0.32).

On the adjusted basis used to assess management performance, pre-tax profits were \$12.0bn, 12% higher than in the comparable period. It was particularly pleasing to note improvements within both revenue and cost performance that derive from management actions taken in recent years to reshape the Group around its core strengths. Stuart Gulliver will address these in more detail in his review.

The Group's capital position remains strong, with the common equity tier 1 ratio standing at 14.7% at 30 June (31 December: 13.6%). During the period we completed the further share buy-back of \$1bn that the Board approved in February and, also as previously announced, we maintained the first two dividends in respect of the year at \$0.20 in aggregate, in line with the prior year. In light of the strong capital position, the Board approved a further buy-back of up to \$2.0bn of ordinary shares, planned to commence shortly after publication of these interim results.

HSBC is now better positioned for the future

Management continued to make good progress against the strategic targets laid out in June 2015. The first half of the year included a number of important events that will contribute to the strengthening of HSBC's position in our two home markets and in core product areas.

## 4HSBC Holdings plc

One of the most significant opportunities for HSBC going forward is participation in China's domestic capital markets as these open up. Meaningful progress in this regard was made in the first half of this year, which saw the granting of further access to undertake domestic corporate bond underwriting and the establishment of Bond Connect, which enables offshore investors to trade onshore Chinese interbank bonds through Hong Kong. In equity markets, Chinese stocks traded higher in part on MSCI's decision in June to include them in its global benchmark equity index for the first time.

Given these developments, we were delighted to receive approvals at the end of June enabling The Hongkong and Shanghai Banking Corporation to establish the first joint venture securities company majority-owned by a foreign bank. This will enable HSBC to offer a broad spectrum of securities and investment banking services nationally, and is an important step in building out our global banking and markets capabilities to serve the Chinese capital markets. The second area to highlight is the value of our network and how we are investing to enhance that value. HSBC's position as the leading bank in trade finance reflects its unique global network and heritage. Technology is offering important opportunities to automate and digitise paper-heavy supply chain processes, and organise supply chain financing on a single platform. For example, HSBC, working with its strategic business commerce partner, Tradeshift,

is now offering an integrated solution to enable our clients to manage their global supply chains and working capital requirements from a simple online platform. This will improve transparency and reduce costs.

In terms of structural change, the creation of the UK ring-fenced bank to meet the central recommendation of the Independent Commission on Banking in 2011 has been one of the largest projects ever undertaken by the Group. At its peak, the project team numbered more than 2,000 and costs to date amount to approximately half a billion dollars. In early July, the Prudential Regulation Authority approved a restricted licence for the new bank, representing an important milestone in meeting our legal obligations. We are targeting 1 July 2018 as the deadline to operationalise the UK ring-fenced bank, ahead of the statutory implementation date of 1 January 2019. Transition towards this deadline will be a key execution priority.

---

Finally, the Board was delighted that the successful transformation of the Group over the last six and a half years was recognised through HSBC being awarded the accolade of the 'World's Best Bank' earlier this month by Euromoney magazine. This award reflects the extraordinary efforts of the management team and all of our colleagues in reshaping the Group to meet the expectations of all our stakeholders. As ever, we owe them our sincere gratitude.

As I head towards retirement from HSBC later this year, I have taken the opportunity to set out the three public policy issues that are top of mind in terms of allowing the financial system to serve the global economy better.

**Regulatory fragmentation must be avoided**

The new administration in the US is leading the rest of the world in applying a retrospective lens to the aggregate of regulatory changes implemented and proposed in the aftermath of the global financial crisis. This fresh look, focusing on simplification and supporting economic growth, is to be welcomed. Earlier concerns that it could lead to fragmentation of the international regulatory concordat have substantially dissipated following supportive comments from senior US officials regarding continuing active participation in the international regulatory bodies.

However, there remain concerns, particularly in Europe, that outstanding work streams may be addressed over different time frames globally. This, too, would lead to a fragmented framework with the risk of skewing financial market activity to where the capital support required is lightest. Such an outcome has to be avoided to prevent capital misallocation, and is particularly pertinent for traded markets activity. The best outcome remains early finalisation of what has already been agreed globally in principle, and a further agreement that remaining regulatory changes will be implemented in lockstep across the major jurisdictions.

**Europe must not allow its financial capacity and capabilities to be diminished**

Negotiations concerning the future shape of financial service provision as the UK prepares to leave the EU will undoubtedly be complex and time-consuming. The essential questions that have to be addressed are whether, at the conclusion of the negotiations, the economies of Europe will continue to have access to at least the same amount of financing capacity and related risk management services, and as readily available and similarly priced, as they have enjoyed with the UK as part of the EU.

On a highly positive note, we are encouraged that there has been no suggestion of weakening regulatory or supervisory standards anywhere in Europe in order to improve competitive positioning; this is equally essential to preserve the credibility and capacity of European financial markets.

## HSBC Holdings plc 5

**Increased cooperation on tackling financial crime is essential**

Tackling financial crime remains both a priority and a key challenge. We have made significant progress in detecting and preventing bad actors accessing the financial system but recognise this is a never-ending effort. Additionally, as digitalisation of commercial activity increases, the risks of confidence-threatening disruption and economic loss, not least from cyber attacks, are amplified. Technology, and in particular data analytics and machine learning applied to big data, will soon provide much greater capabilities to help us meet our objectives. What is also clear is that greater cooperation between the public and private sectors, together with a refresh of bank secrecy laws and regulation designed for a different age, would significantly increase the effectiveness of our joint efforts.

The good news is that there is increasing evidence of such discussions taking place. We should aspire to a unique digital identity for all participants in the financial system; a mandatory register of beneficial ownership of corporate and other non-personal structures in every country; and finally, enabling law and regulation to allow sanctioned sharing of customer information within institutions cross-border, between peer institutions, and between the industry and law enforcement services in pursuance of tackling financial crime. With enhanced public/private cooperation to combat financial crime, we could deploy the industry's considerable investment in this area much more effectively to the benefit of the societies we serve.

**Outlook**

In spite of geopolitical tensions and uncertainties, the major economic regions seem more synchronised in their growth trajectories than ever. Business investment is rising in the US and could expand further if promised tax reform can be delivered. Confidence is notably improving within the eurozone, with the prospect of structural reform in

France, following the recent election outcomes, seen positively for future growth prospects. China's economic data also is evidencing resilience after a slower period, and against this backdrop China's financial regulators have taken the opportunity to tackle risks evident in both the traditional and so-called shadow banking systems. With careful coordination and calibration, these moves are positive for the economy. The UK is, however, showing some signs of slower growth as the inflationary impacts of a weaker currency, Bank of England caution over consumer indebtedness and uncertainties over the EU exit negotiations constrain consumer and business confidence and spending. The risks to economic growth remain concentrated around geopolitical events and political mis-steps. Additionally, the formidable challenge within Europe of negotiating both the terms of the UK's exit from the EU and the basis of the future relationship will dominate political agendas for some time, crowding out time for other policy considerations. We enter this period with confidence, given our geographical and business line diversification, and strong balance sheet. On top of this, HSBC is served by an exceptional management team and 233,000 dedicated and talented colleagues.

---

For the past six and a half years, it has been my great privilege to lead HSBC's employees as Group Chairman. As I prepare to pass on the baton, I could not be more proud of what we have achieved together and I thank them on behalf of the Board, for the last time, for all their support.

'One of the most significant opportunities for HSBC going forward is participation in China's domestic capital markets as these open up'

'We enter this period with confidence, given our geographical and business line diversification, and strong balance sheet'

6HSBC Holdings plc

---

## Group Chief Executive's Review

We have a diversified, universal banking business model and an integrated global network that work for our clients and deliver industry-leading returns for our investors.

We have made an excellent start to 2017, reflecting the changes we have made since our Investor Update in 2015 and the strength of our competitive position. Our three main global businesses performed well, generating significant increases in both reported and adjusted profit before tax, and gaining market share in many of the products that are central to our strategy. Revenue grew faster than costs on an adjusted basis compared with last year's first half, and we passed a number of major milestones on the way to completing our strategic actions.

Our international network continues to distinguish us from our peers and we strengthened it further in the first half of the year. We received regulatory approval in June to establish HSBC Qianhai Securities Limited, which will be the first joint-venture securities company in mainland China to be majority-owned by a foreign bank. This is a landmark achievement that will increase access to China's markets for our domestic and international clients. The new business is expected to launch in December 2017, pending the granting of the necessary securities licences.

HSBC was named 'World's Best Bank' at the Euromoney Awards for Excellence 2017 in July. This is a fantastic endorsement of all that we have achieved in transforming HSBC since 2011, and recognises the effectiveness of our business model, the value of our network and the superior ability that these things give us to help clients achieve their international ambitions. I am grateful to all 233,000 colleagues around the world for their considerable efforts in making this possible.

### Business performance

Global Banking and Markets had a strong first half with large adjusted revenue increases in the majority of businesses compared with the same period last year. Our Equities and Fixed Income businesses performed well, growing revenue and capturing market share in spite of difficult conditions at the start of the second quarter. Debt Capital Markets also gained market share in Asia, MENA and Latin America.

Retail Banking and Wealth Management adjusted revenue grew significantly, with increases across multiple business lines. In Retail Banking, our robust balance sheet and trademark capital strength continued to attract deposits, particularly in Hong Kong, with associated revenue growth supported by interest rate rises. We also increased lending in our target markets, especially Hong Kong, the UK and Mexico. Wealth management benefited from improving customer investment appetite, strong product sales across all categories, and the impact of market movements on our life insurance manufacturing businesses.

Commercial Banking adjusted revenue increased on the back of strong growth in Global Liquidity and Cash Management. This more than compensated for marginal falls in revenue in Credit and Lending, and Global Trade and Receivables Finance. While Global Trade and Receivables Finance revenue

### HSBC Holdings plc 7

was down compared with last year's first half, it remained stable from the end of 2016 as we grew the balance sheet in Asia. We continued to capture trade finance market share in key hubs, including Hong Kong and Singapore.

Adjusted operating expenses rose slightly compared with the same period last year, as we invested more in business growth. Performance-related compensation also rose in line with increases in profit before tax. We remain on track to hit our revised cost-saving target by the end of 2017.

Adjusted loan impairment charges were lower than in the first half of 2016, mainly due to improved credit conditions in the oil and gas industry in North America.

### Delivering value for our shareholders

Our common equity tier 1 ratio was 14.7% at 30 June, up from 12.1% at the same point in 2016. In the past 12 months we have paid more in dividends than any other European or American bank and returned \$3.5bn to shareholders through share buy-backs. We have done this while strengthening one of the most resilient capital ratios in the industry. Where we have excess capital, we are open to returning it to shareholders. To that end, and having received the appropriate regulatory clearances, we will execute a further share buy-back of up to \$2bn in the second half of 2017. This will bring the total value of shares repurchased since August 2016 to \$5.5bn.

Strategic actions

The strategic actions that we announced at our Investor Day in June 2015 have been instrumental in making HSBC a better and more profitable bank. They continue to improve our ability to increase returns and gain maximum value from our international network, and we remain on track to complete the majority of actions by the end of the year. Targeted initiatives removed a further \$29bn of RWAs from the business in the first half of 2017. Our RWA reduction programmes have extracted a total of \$296bn of RWAs from the business since the start of 2015, comfortably exceeding our target. We will continue to identify and remove low-return RWAs to the end of 2017 and beyond.

---

We remain on track to achieve around \$6bn of annualised cost savings by the end of the year, in line with the revised expectations that we set at our annual results. We removed a further \$0.9bn of costs in the first six months, taking the total achieved since 2015 to \$4.7bn.

HSBC Mexico maintained its momentum from 2016. Higher lending balances, strong deposit growth and improved collaboration between businesses helped to generate significantly higher profits than in last year's first half. It also continued to capture market share in targeted areas, particularly consumer lending.

Our US business remains a valuable source of business for other parts of our global network, and is therefore integral to HSBC. It is off track, but continues to make important progress. The run-off of our legacy US consumer and mortgage lending portfolio has been faster than we originally projected, and is almost complete. The US business received a non-objection to its capital plan from the US Federal Reserve Board as part of the Comprehensive Capital Analysis and Review in June.

We have been granted a restricted banking licence from the Financial Conduct Authority and the Prudential Regulation Authority for our UK ring-fenced bank. This is a significant achievement and an important milestone in the creation of HSBC UK. We have made good progress in establishing the IT infrastructure for HSBC UK, and have moved around 170,000 customer sterling accounts to new HSBC UK sort codes. We expect to move all

remaining sterling accounts that require new HSBC UK sort codes by the end of September 2017. We are very well advanced in filling the roles that will move from London to Birmingham, and remain on track to have a fully functioning team in place for the opening of our new UK headquarters in the first quarter of 2018.

Our international network continues to drive revenue growth for the business. Revenue from transaction banking products, which rely on the strength of the network, grew relative to last year's first half, particularly in Global Liquidity and Cash Management, and Foreign Exchange. 49% of Group adjusted client revenue is now linked to our international network, up from 45% at the same point in 2016.

We continue to shift the Group's business mix towards Asia, building on our improved financial performance and strong customer acquisition in the region since June 2015. We won new mandates related to the China-led Belt and Road initiative in the first half of the year and helped connect more Chinese companies to international opportunities. We also continued to expand our product range in the Pearl River Delta, offering personal loans to existing customers and launching retail business banking in the region. We now have around a quarter of a million credit cards in circulation in mainland China following the launch of our exclusively HSBC-branded credit card in December 2016. HSBC was named 'Asia's Best Bank' at the Euromoney Awards for Excellence 2017.

We remain the world's leading international bank for renminbi business, and achieved a number one ranking among foreign banks for onshore bonds in the first half of the year. HSBC was appointed one of the first market makers for the new Bond Connect in mainland China's Interbank Bond Market, and we underwrote the first new bond issue under the scheme in July. We ranked number one for the sixth consecutive year in the Asiamoney Offshore RMB Poll 2017. Over the past five years, our Global Standards programme has transformed our ability to manage financial crime risk, making the Group and its customers safer and helping us to protect the integrity of the financial system. We have more work to do this year to complete the programme before integrating it fully into 'business as usual' risk management practices. Combating financial crime will continue to be a high priority, and we will always look for ways to strengthen our capabilities.

Douglas Flint

Douglas Flint steps down as Group Chairman in October and retires from HSBC after 22 years' distinguished service. I am grateful to Douglas for his support since the end of 2010 as we have implemented our long-term strategy for HSBC. During that time, he has not only helped HSBC to negotiate an ever-evolving regulatory environment, but also played a leading role in helping the banking industry recast the regulatory framework in response to the global financial crisis. Douglas has a fantastic reputation around the world for his knowledge, experience and technical expertise. I am sure that he will continue to contribute all of those things for the benefit of business and wider society. He leaves with the best wishes of everyone at HSBC.

Looking forward

Our business is in good shape. We have a diversified, universal banking business model and an integrated global network that work for our clients and deliver industry-leading returns for our investors. It is run efficiently, with strict risk-weighted asset and cost discipline, and responsibly, with a robust balance sheet and a formidable capital base. We remain focused on growing the business, improving our competitive position and rewarding our shareholders.

‘Our international network continues to distinguish us from our peers and we strengthened it further in the first half of the year’

‘Our Global Standards programme has transformed our ability to manage financial crime risk, making the Group and its customers safer and helping us to protect the integrity of the financial system’

HSBC Holdings plc 9

---

### Strategic actions

We are well on our way towards achieving the actions outlined in our June 2015 Investor Update.

#### Capturing value from our international network

In our June 2015 Investor Update, we outlined a series of strategic actions to make the most of our competitive advantages and respond to a changing environment. These actions are focused on improving efficiency in how we use our resources, and on investing for growth in line with our strategy. Each action has targets defined to the end of 2017. The table opposite summarises our progress in 2017 with additional details provided on this page.

#### Resizing and simplifying our business

We have exceeded our target to reduce RWAs, with a gross reduction of \$28.6bn achieved in 1H17 through management actions. We completed asset sales totalling approximately \$5.5bn from our US consumer and mortgage lending ('CML') run-off portfolio. We continue to manage RWAs in a disciplined way and aim for further RWA reductions from management actions through to the end of 2017.

We continue to develop our businesses across the North American Free Trade Agreement ('NAFTA') region. In Mexico, we grew adjusted revenue by 14% compared with 1H16, driven mainly by increased RBWM loan balances on improved product propositions. We grew adjusted profit before tax in the US and Canada, as well as cross-border revenue within the NAFTA region by 7%. Revenue from international subsidiaries of our US clients based outside the NAFTA region increased by 14% compared with 1H16.

We remain on course to complete the set-up of our UK ring-fenced bank ('RFB') ahead of the 1 January 2019 statutory deadline. In 1H17, we passed several significant milestones including the reconfiguration of several key IT systems required to operate the RFB and also the successful migration of approximately 170,000 customer sterling accounts to new HSBC UK sort codes. In addition, we received a restricted bank licence for the RFB and are now working through an agreed mobilisation plan with the PRA and FCA to receive an unrestricted licence in 2018.

Our programme to deliver total cost savings of around \$6bn is on track. Costs to achieve in 1H17 were \$1.7bn and we expect around \$1bn of investment in the second half of 2017. Our cost savings allow us to fund new digital and innovation initiatives, and meet other costs related to regulatory programmes and compliance. For example, we introduced a new customised payments screen for CMB and GB&M customers, which is now live in 21 markets and has resulted in a near 20% reduction in customer queries. We are also one of the largest financial services users of biometrics globally, and continue to introduce voice recognition and fingerprint technology across our network.

#### Redeploying capital to grow our business

We continue to leverage our international network to support our clients. International client revenue continues to represent approximately one half of our total revenue. In 1H17, transaction banking revenue rose by 7%, with strong growth in our Global Liquidity and Cash Management ('GLCM') and foreign exchange businesses. Revenue synergies across our businesses grew by 17% compared with 1H16.

Our pivot towards Asia continues. In 1H17, we grew our loan portfolio in the region by approximately \$31bn to \$401bn. Our asset management and insurance businesses in Asia realised significant revenue growth, driven by strong net flows, and market movements supported by strong sales momentum, respectively. Since our launch of credit cards in China at the end of last year, we have reached nearly 250,000 cards in circulation.

We continue to be recognised as the leading bank for international renminbi ('RMB') products and services, ranking first for the sixth year in a row in the Asiamoney Offshore RMB Poll 2017. In 1H17, we were appointed as one of the first market makers for the launch of Bond Connect, a bond trading link between mainland China and Hong Kong. This allows, for the first time, foreign fund managers to trade in China's bond markets without using an onshore account. HSBC acted as joint lead underwriter for the first Belt and Road initiative RMB-denominated bond issued in mainland China by a non-Chinese issuer ('Panda bond') under Bond Connect.

#### Selected awards and recognition in 1H17

Euromoney Awards for Excellence 2017

World's Best Bank

World's Best Investment Bank in the Emerging Markets  
Asia's Best Bank

Asiamoney Banking Awards 2017  
Best International Bank in China

Asiamoney Offshore RMB Poll 2017  
Best overall offshore RMB products / services

Extel Survey 2017  
#1 SRI & Sustainability  
#1 Integrated Climate Change

---

10HSBC Holdings plc

This page is intentionally left blank

HSBC Holdings plc 11

#### Financial overview

##### Reported results

This table shows our reported results for the last three half-years, ended 30 June 2017 ('1H17'), 31 December 2016 ('2H16') and 30 June 2016 ('1H16').

All commentary in this Financial overview compares the 1H17 results with 1H16, unless otherwise stated.

##### Reported profit before tax

Reported profit before tax of \$10.2bn was \$0.5bn or 5% higher than in 1H16, despite net adverse movements of significant items and unfavourable effects of foreign currency translation, which are described in more detail on page 22. Excluding significant items and currency translation, profit before tax increased by \$1.3bn or 12%.

##### Reported revenue

Reported revenue of \$26.2bn was \$3.3bn or 11% lower, largely reflecting a net unfavourable movement in significant items of \$3.1bn, which included:

in 1H16, favourable fair value movements on our own debt designated at fair value reflecting changes in our own credit spread of \$1.2bn, which are now reported in other comprehensive income, following our partial early adoption of IFRS 9 'Financial Instruments' on 1 January 2017;

revenue of \$1.5bn in 1H16 relating to the operations in Brazil that we sold in July 2016; and

in 1H16, a \$0.6bn gain on the disposal of our membership interest in Visa Europe. This compared with a \$0.3bn gain on the disposal of our shares in Visa Inc. in 1H17.

Excluding significant items, and adverse effects of foreign currency translation of \$1.0bn, revenue increased by \$0.8bn or 3%.

##### Reported LICs

Reported LICs of \$0.7bn were \$1.7bn or 72% lower, notably from reductions in CMB and GB&M, as well as the effect of our sale of operations in Brazil (\$0.7bn). We also recorded lower LICs in our US run-off portfolio in Corporate Centre, and favourable effects of foreign currency translation of \$0.1bn.

##### Reported operating expenses

Reported operating expenses of \$16.4bn were \$2.2bn or 12% lower. This reflected a reduction in significant items of \$2.0bn, which included:

in 1H16, a \$0.8bn write-off of goodwill in our GPB business in Europe;

a net release of \$0.3bn in 1H17 related to settlements and provisions in connection with legal matters compared with charges of \$0.7bn in 1H16; and

operating expenses of \$1.1bn in 1H16 incurred in the operations in Brazil that we sold.

These were partly offset by:

costs to achieve of \$1.7bn, compared with \$1.0bn in 1H16.



Excluding significant items and the favourable effects of foreign currency translation of \$0.6bn, operating expenses increased by \$0.4bn, partly due to a \$0.1bn credit in 1H16 related to the 2015 UK bank levy. The remaining increase reflected investment in growth programmes, primarily in RBWM where investments were in part funded by the proceeds from our sale of Visa shares.

Reported income from associates

Reported income from associates and joint ventures of \$1.2bn decreased by \$55m, primarily reflecting the adverse impact of foreign currency translation.

|  | Half-year to   |                |                |
|--|----------------|----------------|----------------|
|  | 30 Jun<br>2017 | 30 Jun<br>2016 | 31 Dec<br>2016 |
|  | \$m            | \$m            | \$m            |
| Reported results   |                |                |                |
| Net interest income  | 13,777         | 15,760         | 14,053         |
| Net fee income   | 6,491          | 6,586          | 6,191          |
| Net trading income   | 3,928          | 5,324          | 4,128          |
| Other income   | 1,970          | 1,800          | (5,876 )       |
| Net operating income before loan impairment charges and other credit risk provisions ('revenue') | 26,166         | 29,470         | 18,496         |
| Loan impairment charges and other credit risk provisions ('LICs')                                | (663           | )(2,366        | )(1,034 )      |
| Net operating income   | 25,503         | 27,104         | 17,462         |
| Total operating expenses   | (16,443        | )(18,628       | )(21,180 )     |
| Operating profit   | 9,060          | 8,476          | (3,718 )       |
| Share of profit in associates and joint ventures   | 1,183          | 1,238          | 1,116          |
| Profit before tax  | 10,243         | 9,714          | (2,602 )       |

## 12HSBC Holdings plc

### Adjusted performance

Our reported results are prepared in accordance with IFRSs as detailed in the Financial Statements on page 80. We also present adjusted performance measures to align internal and external reporting, identify and quantify items management believes to be significant, and provide insight into how management assesses period-on-period performance. Adjusted performance measures are highlighted with the following symbol: ^

To derive adjusted performance, we adjust for:

the period-on-period effects of foreign currency translation; and

the effect of significant items that distort period-on-period comparisons, which are excluded in order to understand better the underlying trends in the business.

For reconciliations of our reported results to an adjusted basis, including lists of significant items, see page 38.

### Adjusted results^

This table shows our adjusted results for 1H17 and 1H16. These are discussed in more detail on the following pages.

| Adjusted results^  | Half-year to       |                    | Movements compared with 1H16 |               |
|--|--------------------|--------------------|------------------------------|---------------|
|  | 30 Jun 2017<br>\$m | 30 Jun 2016<br>\$m | Adverse                      | Favourable(%) |
| Net operating income before loan impairment charges and other credit risk provisions ('revenue') | 26,053             | 25,235             | 818                          | 3             |
| Loan impairment charges and other credit risk provisions ('LICs')                                | (663               | )(1,556            | )                            | 893           |
| Total operating expenses   | (14,606            | )(14,222           | )(384                        | )(3 )         |
| Operating profit   | 10,784             | 9,457              | 1,327                        | 14            |
| Share of profit in associates and joint ventures   | 1,183              | 1,194              | (11                          | )(1 )         |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|                             |        |        |       |    |
|-----------------------------|--------|--------|-------|----|
| Profit before tax           | 11,967 | 10,651 | 1,316 | 12 |
| Adjusted profit before tax^ |        |        |       |    |

On an adjusted basis, profit before tax of \$12.0bn was \$1.3bn or 12% higher than in 1H16. This reflected higher revenue (up \$0.8bn) and lower LICs (down \$0.9bn), partly offset by an increase in operating expenses (up \$0.4bn).

---

Adjusted revenue<sup>^</sup>

Adjusted revenue of \$26.1bn was \$0.8bn or 3% higher. The increase reflected the following:

In RBWM, revenue increased by \$1.1bn or 12%, primarily in Wealth Management, driven by insurance manufacturing (up \$554m), as favourable market impacts compared with adverse impacts in 1H16, notably in Asia and France. Investment distribution income also grew, notably in Asia, reflecting improved investor confidence. In Retail Banking, revenue grew in current accounts, savings and deposits, reflecting wider spreads and increased balances in Hong Kong. This was partly offset by lower personal lending revenue as a result of narrower spreads in Hong Kong and the UK.

In GB&M, revenue increased by \$0.6bn or 8%. Revenue rose in Fixed Income, Currencies and Commodities ('FICC') (up \$176m), primarily in Rates and Credit, as we captured higher client flows and increased our market share, notably in Europe, and in Equities (up \$167m) as we grew market share in Prime Financing. In Global Banking, revenue increased (up \$168m), with continued momentum in investment banking products and growth in lending

## HSBC Holdings plc 13

balances, which more than offset spread compression; the increase also reflected recoveries on restructured facilities in 1H17 compared with write-downs in 1H16. Revenue also increased by \$129m in Global Liquidity and Cash Management ('GLCM'), reflecting balance growth from increased client mandates, and wider spreads, notably in Asia. These increases were partly offset by net adverse movements on credit and funding valuation adjustments of \$147m. In CMB, revenue increased by \$0.1bn or 1%, notably in GLCM from balance growth and wider spreads in Hong Kong. In the UK, we grew balances, though this was more than offset by narrower spreads. Revenue decreased in Credit and Lending from narrower spreads, notably in Hong Kong, although we increased average lending balances in both the UK (up 14%) and Hong Kong (up 13%). Revenue also decreased in Global Trade and Receivables Finance ('GTRF'), notably reflecting managed customer exits in the Middle East and North Africa ('MENA').

These increases were partly offset:

In Corporate Centre, revenue decreased by \$0.9bn or 50%, mainly in Central Treasury (\$0.6bn). This reflected lower favourable fair value movements (\$0.1bn in 1H17 compared with \$0.4bn in 1H16) relating to the economic hedging of our long-term debt, as well as higher interest expense on our debt (\$0.3bn). Revenue also fell in the US run-off portfolio (\$0.3bn) from continuing disposals. These reductions were partly offset by a rise in Legacy Credit as a result of net favourable movements on credit and funding valuation adjustments.

In GPB, revenue decreased by \$48m or 5%, reflecting the continued impact of our repositioning actions. These actions are now largely completed. Revenue increased in markets targeted for growth, notably in Hong Kong reflecting an increase in client activity and wider deposit spreads.

| Adjusted revenue <sup>^</sup> | Half-year to |             | Variance<br>\$m | %    |
|-------------------------------|--------------|-------------|-----------------|------|
|                               | 30 Jun 2017  | 30 Jun 2016 |                 |      |
|                               | \$m          | \$m         |                 |      |
| RBWM                          | 10,043       | 8,955       | 1,088           | 12   |
| CMB                           | 6,407        | 6,315       | 92              | 1    |
| GB&M                          | 7,823        | 7,213       | 610             | 8    |
| GPB                           | 846          | 894         | (48)            | (5)  |
| Corporate Centre              | 934          | 1,858       | (924)           | (50) |
| Total                         | 26,053       | 25,235      | 818             | 3    |

Adjusted LICs<sup>^</sup>

Adjusted LICs of \$0.7bn were \$0.9bn or 57% lower, reflecting reductions in:

CMB (\$0.4bn lower), notably in North America and the UK, reflecting lower individually assessed LICs, primarily against exposures in the oil and gas sector. In addition, there was a net release in 1H17 in the UK relating to the construction sector. This was partly offset by higher LICs in Hong Kong relating to a small number of customers;

GB&M (\$0.4bn lower), as individually assessed LICs reduced, notably because 1H16 included charges against exposures in the oil and gas, and mining sectors in the US; and

Corporate Centre (\$0.1bn lower), primarily from lower collective LICs in the US run-off portfolio in 1H17.

Adjusted operating expenses^

Adjusted operating expenses of \$14.6bn were \$0.4bn or 3% higher. This was partly due to a credit of \$0.1bn in 1H16 relating to the 2015 UK bank levy.

Excluding the impact of the UK bank levy, adjusted operating expenses were higher reflecting investments in business growth, primarily in RBWM where investments were in part funded by the proceeds from our sale of Visa shares. The impact of our cost-saving initiatives broadly offset inflation and continued investment in our regulatory programmes and compliance.

---

Our total investment in regulatory and compliance programmes in 1H17 was \$1.6bn, up \$168m or 12%. This reflected the continued implementation of our Global Standards programme to enhance financial crime risk controls and capabilities, and investment in stress testing and other regulatory programmes. These costs included spend incurred to deliver the programmes, as well as recurring costs to maintain the activities.

The number of employees expressed in full-time equivalent staff ('FTEs') at 30 June 2017 was 232,957, a decrease of 2,218 from 31 December 2016. This reflected reductions resulting from our transformation programmes, partly offset by investment in our Global Standards programme of 5,585 FTEs.

Adjusted income from associates^

Adjusted income from associates and joint ventures of \$1.2bn fell by \$11m compared with 1H16.

14HSBC Holdings plc

Balance sheet and capital

Balance sheet strength

Total reported assets were \$2.5tn, 5% higher than at 31 December 2016 on a reported basis, and 2% higher on a constant currency basis. We have increased the size of our balance sheet, reflecting targeted asset growth, supported by growth in customer accounts.

Distributable reserves

The distributable reserves of HSBC Holdings at 30 June 2017 were \$41bn, compared with \$42bn at 31 December 2016. The decrease was primarily driven by distributions to shareholders of \$4.0bn, which were higher than profits generated of \$3.7bn, as well as fair value losses due to movements in our own credit spread of \$486m.

Capital strength

We manage our capital aiming to ensure we exceed current regulatory requirements and are well placed to meet those expected in the future. We monitor our position using capital ratios. These measure capital relative to a regulatory assessment of risks taken. We quantify how these risks relate to our business using RWAs.

Our CET1 ratio at 30 June 2017 was 14.7%, up from 13.6% at 31 December 2016.

Delivery against Group financial targets

Return on equity

Our medium-term target is to achieve a return on equity ('RoE') of more than 10%. In 1H17, we achieved an RoE of 8.8% compared with 7.4% in 1H16.

---

#### Adjusted jaws^

Jaws measures the difference between the rates of change in revenue and costs. Positive jaws occurs when the figure for the percentage change in revenue is higher than, or less negative than, the corresponding rate for costs.

We calculate adjusted jaws using adjusted revenue and costs. Our target is to maintain positive adjusted jaws.

In 1H17, adjusted revenue increased by 3.2%, whereas our adjusted operating expenses increased by 2.7%. Adjusted jaws was therefore positive 0.5%.

#### Dividends

In the current uncertain environment, we plan to sustain the annual dividend in respect of the year at its current level for the foreseeable future. Growing our dividend in the future will depend on the overall profitability of the Group, delivering further release of less efficiently deployed capital and meeting regulatory capital requirements in a timely manner. Actions to address these points were core elements of the strategic actions set out in our Investor Update in June 2015.

HSBC Holdings plc 15

---

## Global businesses

We manage our products and services globally through our global businesses.

The 'Management view of adjusted revenue' tables provide a breakdown of revenue by major products, and reflect the basis on which revenue performance of each business is assessed and managed.

The comparative periods have been restated to reflect changes to reportable segments, as described on page 36.

Commentary is on an adjusted basis, which is consistent with how we assess the performance of our global businesses. ^

## Retail Banking and Wealth Management

RBWM serves close to 36 million customers worldwide through four main businesses: Retail Banking, Wealth Management, Asset Management and Insurance. Our HSBC Premier and Advance propositions are aimed at mass affluent and emerging affluent customers who value international connectivity and benefit from our global reach and scale. For customers with simpler banking needs, RBWM offers a full range of products and services reflecting local requirements.

### Key events

Continued to attract customer deposits (up 3% from December 2016), providing potential benefits from future rate rises.

Gains on our sale of Visa shares are being used to finance strategic investments in Insurance and Retail Business Banking business growth.

### Financial performance

Adjusted profit before tax of \$3.4bn was \$0.8bn or 32% higher than for 1H16, reflecting strong revenue growth, partly offset by higher costs and LICs, with positive adjusted jaws of 8.3%.

Adjusted revenue of \$10.0bn was \$1.1bn or 12% higher, as revenue grew in both Wealth Management and Retail Banking.

The revenue increase in Wealth Management resulted from:

growth in insurance manufacturing revenue from favourable market impacts of \$217m due to interest rates and equity markets, notably in Asia and France, compared with adverse market impacts in 1H16 of \$319m, and higher insurance sales in Asia; and

higher investment distribution revenue, primarily driven by higher sales of mutual funds in Hong Kong, reflecting increased investor confidence.

The revenue increase in Retail Banking resulted from:

current accounts, savings and deposits due to wider spreads and balances in Hong Kong and Mexico.

This was partly offset by:

lower personal lending revenue reflecting narrower spreads in mortgages, notably in Hong Kong and the UK, as well as lower revenue in the UK from current accounts, savings and deposits as spreads narrowed, though balances grew.

Adjusted LICs of \$556m were \$25m or 5% higher, reflecting our strategy to shift our portfolio to unsecured lending.

This included an increase of \$43m in Mexico, reflecting targeted growth in unsecured lending and associated higher delinquency rates. In addition, LICs in the UK increased by \$47m, primarily against our mortgages and cards exposures. LICs in the UK remain at low levels, representing 16bps of the overall portfolio. The increases in LICs were partly offset by lower LICs in Turkey and the US.

Adjusted operating expenses of \$6.1bn were \$0.2bn or 4% higher, as transformational and other cost savings were more than offset by investments, increased technology costs resulting partly from higher transaction volumes, performance-related pay and inflation.

| Management view of adjusted revenue <sup>^</sup> | Half-year to       |                    |                    | 1H17 vs<br>1H16 |      |
|--|--------------------|--------------------|--------------------|-----------------|------|
|  | 30 Jun 2017<br>\$m | 30 Jun 2016<br>\$m | 31 Dec 2016<br>\$m | \$m             | %    |
| Net operating income <sup>1</sup>                |                    |                    |                    |                 |      |
| Retail Banking                                   | 6,549              | 6,275              | 6,310              | 274             | 4    |
| Current accounts, savings and deposits           | 3,011              | 2,574              | 2,619              | 437             | 17   |
| Personal lending                                 | 3,538              | 3,701              | 3,691              | (163)           | (4)  |
| – mortgages                                      | 1,150              | 1,274              | 1,249              | (124)           | (10) |
| – credit cards                                   | 1,479              | 1,521              | 1,504              | (42)            | (3)  |
| – other personal lending <sup>2</sup>            | 909                | 906                | 938                | 3               | —    |
| Wealth Management                                | 3,221              | 2,443              | 2,821              | 778             | 32   |
| – investment distribution <sup>3</sup>           | 1,598              | 1,414              | 1,477              | 184             | 13   |
| – life insurance manufacturing                   | 1,113              | 559                | 837                | 554             | 99   |
| – asset management                               | 510                | 470                | 507                | 40              | 9    |
| Other <sup>4</sup>                               | 273                | 237                | 266                | 36              | 15   |
| Total  | 10,043             | 8,955              | 9,397              | 1,088           | 12   |
| RoRWA (%) <sup>5</sup>                           | 5.9                | 4.5                | 4.7                |                 |      |

For footnotes, see page 55.

Change in adjusted  
profit before tax  
++32%

#### 16HSBC Holdings plc

##### Commercial Banking

CMB serves approximately 1.7 million customers in 54 countries and territories. Our customers range from small enterprises focused primarily on their domestic markets through to corporates operating globally. We support customers with tailored financial products and services to allow them to operate efficiently and grow.

Services provided include working capital, term loans, payment services and international trade facilitation, as well as expertise in mergers and acquisitions, and access to financial markets.

##### Key events

Launched Move Money, a single payments screen customised for specific clients, in 21 markets.

Launched LinkScreen in the UK, making us the world's first bank to provide small and medium-sized clients with key elements of a traditional face-to-face meeting via an online platform.

## Financial performance

Adjusted profit before tax of \$3.4bn was \$0.5bn or 17% higher, reflecting lower LICs and higher revenue. We achieved positive adjusted jaws of 1.5%.

Adjusted revenue rose by \$0.1bn or 1%, as higher revenue in GLCM was partly offset in Credit and Lending, and GTRF.

In GLCM, revenue increased by \$192m or 9%, reflecting wider spreads in Hong Kong and mainland China. In the UK, growth in average deposit balances of 14% was more than offset by narrower spreads, following the UK base rate reduction in August 2016.

In Credit and Lending, revenue decreased by \$31m or 1%. This reduction was mainly in Asia reflecting narrower spreads, notably in Hong Kong and mainland China as a result of competitive environments, partly offset by growth in average balances in Hong Kong (13%). In the UK, revenue increased from growth in average balances (14%) which more than offset the effects of spread compression following the base rate reduction in August 2016.

In GTRF, revenue decreased by \$27m or 3%, primarily in MENA, reflecting managed customer exits in the UAE. GTRF revenue has stabilised since the end of 2016, supported by lending growth in Asia. Despite challenges in global trade, we continued to increase our share of key markets compared with 1H16, including trade finance in Hong Kong and Singapore, and receivables finance in the UK.

Adjusted LICs reduced by \$0.4bn, notably in North America and the UK, reflecting lower individually assessed LICs, primarily against exposures in the oil and gas sector. 1H17 also included net releases in the UK relating to the construction sector. These reductions were partly offset by higher individually assessed LICs in Hong Kong relating to a small number of customers. Collectively assessed LICs were higher in Hong Kong and MENA, in part offset in the UK where the reduction reflected reduced exposures and lower loss rates in the oil and gas sector.

Adjusted operating expenses were unchanged as wage inflation and investment in digital initiatives and Global Standards were offset by cost-saving initiatives.

As a result of management initiatives, RWAs were reduced by \$7bn, resulting in a cumulative decrease of \$53bn since our Investor Update in June 2015, exceeding our target of \$29bn.

| Management view of adjusted revenue <sup>^</sup>                   | Half-year to       |                    |                    | 1H17 vs<br>1H16 |     |
|--|--------------------|--------------------|--------------------|-----------------|-----|
|  | 30 Jun 2017<br>\$m | 30 Jun 2016<br>\$m | 31 Dec 2016<br>\$m | \$m             | %   |
| Net operating income <sup>1</sup>                                  |                    |                    |                    |                 |     |
| Global Trade and<br>Receivables Finance                            | 900                | 927                | 897                | (27)            | (3) |
| Credit and Lending   | 2,441              | 2,472              | 2,467              | (31)            | (1) |
| Global Liquidity and<br>Cash Management                            | 2,269              | 2,077              | 2,121              | 192             | 9   |
| Markets products, Insurance and Investments and Other <sup>6</sup> | 797                | 839                | 670                | (42)            | (5) |
| Total  | 6,407              | 6,315              | 6,155              | 92              | 1   |
| RoRWA (%) <sup>5</sup>   | 2.5                | 2.2                | 2.1                |                 |     |

For footnotes, see page 55.

Change in adjusted  
profit before tax  
+17%

HSBC Holdings plc 17

#### Global Banking and Markets

GB&M serves approximately 4,100 clients in more than 50 countries and territories. It supports major government, corporate and institutional clients worldwide. Our product specialists continue to deliver a comprehensive range of transaction banking, financing, advisory, capital markets and risk management services.

#### Key events

The first foreign bank with a majority-owned securities joint venture in China, which will allow us to provide GB&M and CMB clients with a broad spectrum of investment banking and markets services in China.

Growth of 4% in average balances in GLCM from December 2016 positioning us to benefit from potential interest rate rises.

#### Financial performance

Adjusted profit before tax of \$3.4bn was \$0.8bn or 33% higher, reflecting a strong revenue performance in 1H17, as well as a reduction in LICs of \$0.4bn, partly offset by higher operating expenses of \$0.2bn. We achieved positive adjusted jaws of 4.9%. Adjusted revenue increased by \$0.6bn or 8% including a net adverse movement of \$147m on credit and funding valuation adjustments. Excluding these movements, profit before tax rose by \$1.0bn or 40%, and revenue increased by \$0.8bn or 11%, with increases in all of our businesses. The rise in adjusted revenue was driven by:

FICC (up \$176m to \$3.1bn), primarily in Rates and Credit, as we captured higher client flows and grew our market share in Europe, despite challenging industry-wide conditions at the start of 2Q17.

Equities (up \$167m), as we continued to capture market share in Prime Financing products. By contrast, performance in 1H16 was affected by market volatility which led to reduced client activity.

A strong performance in Global Banking (up \$168m), with continued momentum in Investment Banking products and growth in lending balances, which more than offset the effects of tightening spreads on lending in Asia. The increase in revenue also included recoveries on restructured facilities in 1H17 compared with write-downs in 1H16.

An increase from all our transaction banking products, notably GLCM (up \$129m) and Securities Services ('HSS') (up \$92m). In GLCM, balances grew as we won client mandates and spreads widened, notably in Asia and the US, although UK balance growth was offset by narrower spreads.

Adjusted LICs of \$41m in 1H17 decreased by \$387m. This largely reflected a reduction in individually assessed charges, particularly as the prior year included LICs on exposures in the oil and gas, and mining sectors in the US.

Adjusted operating expenses increased by \$152m or 4%, which reflected higher performance and severance costs, including pension costs. In addition, we made strategic investments in GLCM, HSS and Foreign Exchange. Our continued cost management, efficiency improvements and FTE reductions were broadly offset by the effects of inflation.

We have now exceeded the RWA reduction target set in our Investor Update in June 2015, with the cumulative reduction in RWAs from management initiatives reaching \$107bn. This includes a further RWA reduction of \$11bn in 1H17. Our adjusted RoRWA improved to 2.3% from 1.6% in 1H16.

| Management view of adjusted revenue <sup>^</sup>         | Half-year to       |                    |                    | 1H17 vs<br>1H16 |         |
|--|--------------------|--------------------|--------------------|-----------------|---------|
|  | 30 Jun 2017<br>\$m | 30 Jun 2016<br>\$m | 31 Dec 2016<br>\$m | \$m             | %       |
| Net operating income <sup>1</sup>                        |                    |                    |                    |                 |         |
| Global Markets   | 3,722              | 3,379              | 3,196              | 343             | 10      |
| – Equities   | 659                | 492                | 482                | 167             | 34      |
| – FICC   | 3,063              | 2,887              | 2,714              | 176             | 6       |
| Foreign Exchange   | 1,351              | 1,354              | 1,381              | (3)             | —       |
| Rates  | 1,147              | 1,053              | 1,039              | 94              | 9       |
| Credit   | 565                | 480                | 294                | 85              | 18      |
| Global Banking   | 1,950              | 1,782              | 1,954              | 168             | 9       |
| Global Liquidity and<br>Cash Management                  | 1,042              | 913                | 953                | 129             | 14      |
| Securities Services                                      | 839                | 747                | 793                | 92              | 12      |
| Global Trade and<br>Receivables Finance                  | 358                | 340                | 341                | 18              | 5       |
| Principal Investments                                    | 77                 | (1)                | )223               | 78              | > 100   |
| Credit and funding<br>valuation adjustments <sup>7</sup> | (95)               | )52                | (104)              | ) (147)         | > (100) |
| Other <sup>8</sup>                                       | (70)               | )1                 | (34)               | ) (71)          | > (100) |
| Total  | 7,823              | 7,213              | 7,322              | 610             | 8       |
| RoRWA (%) <sup>5</sup>                                   | 2.3                | 1.6                | 1.9                |                 |         |

For footnotes, see page 55.

Change in adjusted profit before tax  
+33%

#### 18HSBC Holdings plc

##### Global Private Banking

GPB serves high net worth individuals and families, including those with international banking needs, through 12 booking centres covering our priority markets.

We provide a full range of private banking services, including Investment Management, which includes advisory and brokerage services, and Private Wealth Solutions, which comprises trusts and estate planning, to protect and preserve wealth for future generations.

##### Key events

Net new money of \$1bn was driven by positive inflows of \$8bn in key markets targeted for growth, mainly in Hong Kong. This was partly offset by outflows resulting from the repositioning of the business. These repositioning actions are largely complete.

Positive momentum with strong growth in client inflows.

## Financial performance

Adjusted profit before tax of \$143m was \$39m or 21% lower as revenue decreased, partly offset by a reduction in costs.

Adjusted revenue of \$846m was \$48m or 5% lower, reflecting the continued impact of client repositioning. Revenue from markets targeted for growth increased by 9%, mainly in Hong Kong reflecting higher investment revenue and wider deposit spreads.

Adjusted operating expenses of \$702m were \$20m or 3% lower, mainly as a result of the managed reduction in FTEs and the impact of our cost-saving initiatives.

| Management view of adjusted revenue <sup>^</sup> | Half-year to |             |             | 1H17 vs<br>1H16 |      |
|--|--------------|-------------|-------------|-----------------|------|
|  | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 | \$m             | %    |
|  | \$m          | \$m         | \$m         |                 |      |
| Net operating income <sup>1</sup>                |              |             |             |                 |      |
| Investment Revenue                               | 354          | 381         | 349         | (27)            | (7 ) |
| Lending  | 186          | 211         | 198         | (25)            | (12) |
| Deposit  | 191          | 176         | 164         | 15              | 9    |
| Other  | 115          | 126         | 127         | (11)            | (9 ) |
| Total  | 846          | 894         | 838         | (48)            | (5 ) |
| RoRWA (%) <sup>5</sup>                           | 1.8          | 2.1         | 1.2         |                 |      |

For footnotes, see page 55.

Change in adjusted  
profit before tax  
-21%

## Corporate Centre

Corporate Centre comprises Central Treasury, including Balance Sheet Management ('BSM'), our legacy businesses, interests in our associates and joint ventures, central stewardship costs that support our businesses, and the UK bank levy.

## Financial performance

Adjusted profit before tax of \$1.6bn was \$0.8bn or 33% lower, as revenue decreased, partly offset by a reduction in LICs.

Adjusted revenue fell by \$0.9bn or 50%, reflecting a decrease in Central Treasury (\$0.6bn) and continuing disposals in the US run-off portfolio (\$0.3bn). In Central Treasury, revenue decreased as a result of:

lower favourable fair value movements (\$0.1bn in 1H17 compared with \$0.4bn in 1H16) relating to the economic hedging of interest-rate and exchange-rate risk on our long-term debt with long-term derivatives; and higher interest expense on our debt (\$0.3bn), mainly reflecting the higher cost of debt issued to meet regulatory requirements.

These reductions were partly offset by an increase in legacy credit (\$0.2bn), primarily resulting from net favourable movements in credit and funding valuation adjustments.

Adjusted LICs were \$136m lower, primarily in the US run-off portfolio.

Adjusted operating expenses were \$29m or 5% higher, due to a credit booked in 1H16 relating to the UK bank levy in 2015 (\$0.1bn), compared with minimal charges in 1H17. Excluding this, operating expenses fell by \$116m, due to lower costs in the US run-off portfolio.

Adjusted income from associates rose by \$13m or 1%.

| Management view of adjusted revenue <sup>^</sup> | Half-year to |             |             | 1H17 vs<br>1H16 |       |
|--|--------------|-------------|-------------|-----------------|-------|
|  | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 | \$m             | %     |
|  | \$m          | \$m         | \$m         |                 |       |
| Net operating income <sup>1</sup>                |              |             |             |                 |       |
| Central Treasury <sup>9</sup>                    | 765          | 1,354       | 83          | (589)           | (44 ) |
| Legacy portfolios                                | 134          | 328         | 392         | (194)           | (59 ) |
| – US run-off portfolio                           | 75           | 420         | 272         | (345)           | (82 ) |
| – Legacy credit                                  | 59           | (92         | )120        | 151             | > 100 |
| Other <sup>10</sup>                              | 35           | 176         | (725        | ) (141)         | (80 ) |
| Total  | 934          | 1,858       | (250        | ) (924)         | (50 ) |

For footnotes, see page 55.

## HSBC Holdings plc 19

### Risk overview

We actively manage risk to protect and enable the business.

### Managing risk

HSBC has maintained a conservative and consistent approach to risk throughout its history, helping to ensure we protect customers' funds, lend responsibly and support economies. By carefully aligning our risk appetite to our strategy, we aim to deliver long-term shareholder returns.

All employees are responsible for the management of risk, with ultimate accountability residing with the Board. We have a strong risk culture, which is embedded through clear and consistent communication and appropriate training for all employees. A comprehensive risk management framework is applied throughout the Group, with effective governance and corresponding risk management tools. This framework is underpinned by our risk culture and reinforced by the HSBC Values and our Global Standards programme.

Our Global Risk function oversees the framework and is led by the Group Chief Risk Officer, an executive Director. It is independent from the global businesses, including their sales and trading functions, to provide challenge, appropriate oversight, and balance in risk/reward decisions.

HSBC's risk appetite defines its desired forward-looking risk profile, and informs the strategic and financial planning process. It is articulated in a risk appetite statement, which is approved by the Board. Key elements include:

risks that we accept as part of doing business, such as credit risk and market risk;

risks that we incur as part of doing business, such as operational risk, which are actively managed to remain below an acceptable tolerance; and

risks for which we have zero tolerance, such as knowingly engaging in activities where foreseeable reputational risk has not been considered.

Our risk management framework and risks associated with our banking and insurance manufacturing operations are described on pages 68 to 73 of the Annual Report and Accounts 2016.

### Top and emerging risks

Our top and emerging risks framework helps enable us to identify forward-looking risks so that we may take action to either prevent them materialising or limit their effect.

Top risks are those that may have a material impact on the financial results, reputation or business model of the Group in the year ahead. Emerging risks are those that have large unknown components and may form beyond a one-year

horizon. If any of these risks were to occur, they could have a material effect on HSBC.

During 1H17, we made two changes to our top and emerging risks to reflect our assessment of their potential effects on the Group. The thematic issue 'Regulatory focus on conduct of business and financial crime' was removed and 'Financial crime risk environment' was added to further emphasise the heightened focus on, and robust oversight, monitoring and active risk management of, financial crime risks.

---

In addition, one thematic issue was renamed to better reflect the challenges facing the Group. We use the new name in the table opposite, which summarises our top and emerging risks.

Our top and emerging risks are also summarised and discussed in more detail on pages 27 and 64 of the Annual Report and Accounts 2016.

Our approach to identifying and monitoring top and emerging risks is described on page 70 of the Annual Report and Accounts 2016.

20HSBC Holdings plc

| Risk  | Trend | Mitigants   |
|---|-------|---|
| Externally driven   |       |   |
| Geopolitical risk   | é     | We continually assess the impact of geopolitical events on our business including examining a range of potential impacts arising from the UK's exit from the European Union ('EU'). Where required, we take steps to mitigate these risks to help ensure we remain within our risk appetite. We have also strengthened physical security at our premises where the risk of terrorism is heightened. |
| Economic outlook and capital flows  | é     | We actively monitor our wholesale credit and trading portfolios, and undertake stress tests and other analysis, to identify sectors and clients that may come under stress due to economic conditions in the eurozone, mainland China and the UK as its negotiations to exit from the EU commence.  |
| Turning of the credit cycle   | è     | We have conducted detailed reviews of our oil and gas, and commercial real estate portfolios. We are actively assessing sectors likely to come under stress due to macroeconomic or geopolitical events, and reducing limits where appropriate.   |
| Cyber threat and unauthorised access to systems   | é     | We continue to enhance our cybersecurity capabilities, strengthening the threat detection capability within our security operations centres, delivering enhanced anti-malware capability across our infrastructure, and improving our access control.   |
| Regulatory, technological and sustainability developments<br>*with adverse impact on business model and profitability | è     | We proactively engage with regulators and policy makers to help ensure new regulatory requirements are effectively implemented. We continue to engage with non-governmental organisations to ensure we address environmental concerns adopting changes in policy as required.   |
| Financial crime risk environment  | è     | We remain on track to complete the introduction of major compliance IT systems by the end of 2017 to support our global anti-money laundering ('AML') and sanctions policy framework. We are conducting an assessment against the core capabilities of our financial crime risk framework to enable the capabilities to be fully integrated in our day-to-day operations.                           |
| US deferred prosecution agreement and related agreements and consent orders<br>Internally driven                      | è     | We are taking concerted action to remediate AML and sanctions compliance deficiencies and to implement our Global Standards.  |

|   |   |   |
|---|---|---|
| IT systems infrastructure and resilience                            | è | We continue to monitor and improve service resilience across our technology infrastructure, enhancing our problem diagnosis/resolution and change execution capabilities. This has significantly reduced service disruption to our customers since 1H16.                            |
| Impact of organisational change and regulatory demands on employees | è | We continue to focus on resourcing and employee development to meet regulatory changes, including the UK ring-fenced bank, and to maintain and enhance our leadership strength.   |
| Execution risk  | è | The Group Change Committee continues to oversee the progress of the highest priority programmes across the Group, underpinning the implementation of our strategic actions by managing interdependencies, providing direction and taking action to help ensure successful delivery. |
| Third-party risk management   | è | We are implementing our enhanced Group policy and framework to strengthen how we identify, assess, mitigate and manage risks across the range of third parties with which we do business.   |
| Enhanced model risk management expectations                         | è | We have established a model risk management sub-function in the second line of defence to further strengthen governance of this risk type. We continue to enhance our model risk management framework in order to address evolving requirements, both internal and external.        |
| Data management   | è | We continue to enhance our data governance, quality and architecture to help enable consistent data aggregation, reporting and management.  |

[é] Risk heightened during 2017

[è] Risk remained at the same level as 2016

\* Thematic risk renamed during 1H17

HSBC Holdings plc 21

## Financial summary

## Financial summary

|   | Page |
|---|------|
| Use of non-GAAP financial measures  | 22   |
| Adjusted performance  | 22   |
| Foreign currency translation differences  | 22   |
| Change to presentation from 1 January 2017  | 22   |
| Significant items   | 22   |
| Consolidated income statement   | 23   |
| Group performance by income and expense item  | 23   |
| Net interest income   | 23   |
| Net fee income  | 25   |
| Net trading income  | 25   |
| Net income/(expense) from financial instruments designated at fair value            | 26   |
| Gains less losses from financial investments  | 27   |
| Net insurance premium income  | 27   |
| Other operating income  | 28   |
| Net insurance claims and benefits paid and movement in liabilities to policyholders | 28   |
| Loan impairment charges and other credit risk provisions                            | 29   |
| Operating expenses  | 30   |
| Share of profit in associates and joint ventures                                    | 31   |
| Tax expense   | 32   |
| Consolidated balance sheet  | 33   |
| Movement from 31 December 2016 to 30 June 2017                                      | 34   |
| Ratios of earnings to combined fixed charges (and preference share dividends)       | 35   |
| Use of non-GAAP financial measures  |      |

Our reported results are prepared in accordance with IFRSs as detailed in the Financial Statements starting on page 80. To measure our performance we also use non-GAAP financial measures, including those derived from our reported results that eliminate factors that distort period-on-period comparisons. The 'adjusted performance' measure used throughout this report is described below, and where others are used they are described. All non-GAAP financial measures are reconciled to the closest reported financial measure.

The global business segmental results on pages 37 to 43 are presented on an adjusted basis in accordance with IFRS 8 'Operating Segments' as detailed in 'Basis of preparation' on page 36.

## Adjusted performance

Adjusted performance is computed by adjusting reported results for the effects of foreign currency translation differences and significant items, which both distort period-on-period comparisons.

Foreign currency translation differences are described below. 'Significant items' refers collectively to the items that management and investors would ordinarily identify and consider separately to understand better the underlying trends in the business.

We consider adjusted performance provides useful information for investors by aligning internal and external reporting, identifying and quantifying items management believes to be significant and providing insight into how management assesses period-on-period performance.

## Foreign currency translation differences

Foreign currency translation differences reflect the movements of the US dollar against most major currencies during 2017. We exclude them to derive constant currency data, allowing us to assess balance sheet and income statement performance on a like-for-like basis and better understand the underlying trends in the business.

## Foreign currency translation differences

Foreign currency translation differences for the half-year to 30 June 2017 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 2016 and 31 December 2016 at the average rates of exchange for the half-year to 30 June 2017; and
- the balance sheets at 30 June 2016 and 31 December 2016 at the prevailing rates of exchange on 30 June 2017. No adjustment has been made to the exchange rates used to translate foreign currency denominated assets and liabilities into the functional currencies of any HSBC branches, subsidiaries, joint ventures or associates. When reference is made to foreign currency translation differences in tables or commentaries, comparative data reported in the functional currencies of HSBC's operations has been translated at the appropriate exchange rates applied in the current period on the basis described above.

Change to presentation from 1 January 2017

Own credit spread

'Own credit spread' includes the fair value movements on our long-term debt attributable to credit spread where the net result of such movements will be zero upon maturity of the debt. This does not include fair value changes due to own credit risk in respect of trading liabilities or derivative liabilities. On 1 January 2017, HSBC adopted the requirements of IFRS 9 'Financial Instruments' relating to the presentation of gains and losses on financial liabilities designated at fair value. As a result, the effects of changes in those liabilities' credit risk is presented in other comprehensive income. Refer to 'Standards applied during the half-year to 30 June 2017' on page 86 for further detail.

Adjusted performance – foreign currency translation of significant items

The foreign currency translation differences related to significant items are presented as a separate component of significant items. This is considered a more meaningful presentation as it allows better comparison of period-on-period movements in performance.

Significant items

The tables on pages 40 to 43 and pages 50 to 52 detail the effect of significant items on each of our global business segments and geographical regions during 1H17 and the two halves of 2016.

22HSBC Holdings plc

---

Consolidated income statement  
Summary consolidated income statement

|  | Half-year to |          |          |
|--|--------------|----------|----------|
|  | 30 Jun       | 30 Jun   | 31 Dec   |
|  | 2017         | 2016     | 2016     |
|  | Footnote \$m | \$m      | \$m      |
| Net interest income  | 13,777       | 15,760   | 14,053   |
| Net fee income   | 6,491        | 6,586    | 6,191    |
| Net trading income   | 3,928        | 5,324    | 4,128    |
| Net income/(expense) from financial instruments designated at fair value             | 2,007        | 561      | (3,227 ) |
| Gains less losses from financial investments   | 691          | 965      | 420      |
| Dividend income  | 49           | 64       | 31       |
| Net insurance premium income   | 4,811        | 5,356    | 4,595    |
| Other operating income/(expense)   | 526          | 644      | (1,615 ) |
| Total operating income   | 32,280       | 35,260   | 24,576   |
| Net insurance claims and benefits paid and movement in liabilities to policyholders  | (6,114 )     | (5,790 ) | (6,080 ) |
| Net operating income before loan impairment charges and other credit risk provisions | 26,166       | 29,470   | 18,496   |
| Loan impairment charges and other credit risk provisions                             | (663 )       | (2,366 ) | (1,034 ) |
| Net operating income   | 25,503       | 27,104   | 17,462   |
| Total operating expenses   | (16,443)     | (18,628) | (21,180) |
| Operating profit/(loss)  | 9,060        | 8,476    | (3,718 ) |
| Share of profit in associates and joint ventures                                     | 1,183        | 1,238    | 1,116    |
| Profit/(loss) before tax   | 10,243       | 9,714    | (2,602 ) |
| Tax expense  | (2,195 )     | (2,291 ) | (1,375 ) |
| Profit/(loss) for the period   | 8,048        | 7,423    | (3,977 ) |
| Attributable to:   |              |          |          |
| – ordinary shareholders of the parent company  | 6,999        | 6,356    | (5,057 ) |
| – preference shareholders of the parent company                                      | 45           | 45       | 45       |
| – other equity holders   | 466          | 511      | 579      |
| – non-controlling interests  | 538          | 511      | 456      |
| Profit/(loss) for the period   | 8,048        | 7,423    | (3,977 ) |
|  | \$           | \$       | \$       |
| Basic earnings per share   | 0.35         | 0.32     | (0.25 )  |
| Diluted earnings per share   | 0.35         | 0.32     | (0.25 )  |
| Dividend per ordinary share (declared in the period)                                 | 0.31         | 0.31     | 0.20     |
|  | %            | %        | %        |
| Post-tax return on average total assets  | 0.7          | 0.6      | (0.3 )   |
| Return on average risk-weighted assets   | 11           | 2.4      | 1.8      |
| Return on average ordinary shareholders' equity (annualised)                         | 8.8          | 7.4      | (6.0 )   |
| Average foreign exchange translation rates to \$:                                    |              |          |          |
| \$1: £   | 0.795        | 0.698    | 0.783    |
| \$1: €   | 0.924        | 0.896    | 0.911    |

For footnotes, see page 55.

Group performance by income and expense item

For further financial performance data for each global business and geographical region, see pages 39 to 43, and 48 to 52, respectively.

Net interest income

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|                                 |           | Half-year to |           |           |
|---------------------------------|-----------|--------------|-----------|-----------|
|                                 |           | 30 Jun       | 30 Jun    | 31 Dec    |
|                                 |           | 2017         | 2016      | 2016      |
|                                 | Footnotes | \$m          | \$m       | \$m       |
| Interest income                 |           | 19,727       | 23,011    | 19,403    |
| Interest expense                |           | (5,950 )     | (7,251 )  | (5,350 )  |
| Net interest income             | 12        | 13,777       | 15,760    | 14,053    |
| Average interest-earning assets |           | 1,690,585    | 1,733,961 | 1,713,555 |
|                                 |           | %            | %         | %         |
| Gross interest yield            | 13        | 2.35         | 2.67      | 2.25      |
| Less: cost of funds             |           | (0.84 )      | (1.01 )   | (0.74 )   |
| Net interest spread             | 14        | 1.51         | 1.66      | 1.51      |
| Net interest margin             | 15        | 1.64         | 1.83      | 1.63      |

For footnotes, see page 55.

HSBC Holdings plc 23

---

## Financial summary

In July 2016, we completed the sale of operations in Brazil. In 1H16, we recorded net interest income of \$0.9bn in Brazil from average interest earning assets of \$25.8bn.

In 1H17, our net interest margin was 1.64%, compared with 1.73% in 1H16, excluding the effects of the sale of operations in Brazil and foreign currency translation.

## Significant items and currency translation

|  | Half-year to |             |             |
|--|--------------|-------------|-------------|
|  | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 |
|  | \$m          | \$m         | \$m         |
| Significant items  | —            | 1,106       | —           |
| – releases arising from the ongoing review of compliance with the UK Consumer Credit Act | —            | 2           | —           |
| – trading results from disposed-of operations in Brazil                                  | —            | 949         | —           |
| – currency translation on significant items  |              | 155         | —           |
| Currency translation   |              | 583         | 230         |
| Total  | —            | 1,689       | 230         |

Reported net interest income of \$13.8bn decreased by \$2.0bn or 13% compared with 1H16. This included the significant items and currency translation totalling \$1.7bn, including the effects of the sale of operations in Brazil of \$0.9bn.

Excluding the effects of foreign currency translation and the sale of operations in Brazil, net interest income decreased by \$0.3bn, mainly in North America and Europe, partly offset by a rise in Asia.

On a reported basis, net interest margin of 1.64% fell by 19 basis points ('bps'), including the effects of the sale of operations in Brazil and foreign currency translation, which contributed a decrease of 10bps. Net interest margin excluding the effects of sale of operations in Brazil and foreign currency translation decreased by 9bps, reflecting lower cost of customer accounts and an increase in yield on surplus liquidity, notably in Asia and North America. These factors were more than offset by lower yields on customer lending, partly reflecting the continuing run-off of our US CML portfolio, and an increase in the cost of Group debt.

Compared with 31 March 2017, net interest margin remained unchanged.

## Interest income

Reported interest income fell by \$3.3bn compared with 1H16, mainly as a result of the effect of the sale of operations in Brazil of \$2.7bn and foreign currency translation of \$1.0bn. Excluding these, interest income increased by \$0.4bn. This was driven by higher income from reverse repurchase agreements and surplus liquidity, partly offset by a fall in customer lending income.

Interest income on loans and advances to customers was \$0.3bn lower, excluding the effects of our sale of operations in Brazil and foreign currency translation totalling \$0.8bn. The decrease arose in:

• North America, primarily resulting from the continuing run-off of our US CML portfolio; and  
 • Europe, as the effects of decreased lending yields more than offset balance growth in mortgages, term lending and overdrafts. This resulted from lower central bank rates, negative interest rates in continental Europe and market competition. Mortgage yields were also affected by a change in portfolio mix towards lower-yielding fixed-rate products.

These decreases were partly offset by increases in:

• Asia, primarily driven by balance growth in term lending and mortgages, although yields fell reflecting competitive pressures; and  
 • Mexico, as balances and yields rose, following the effects of central bank rate rises.

Interest income on reverse repurchase agreements – non-trading was \$0.4bn higher, driven by higher yields in all regions and balance growth in North America and Asia. This increase was broadly offset by the cost of repurchase

agreements.

Interest income on short-term funds and financial investments, excluding the effects of sale of operations in Brazil and foreign currency translation, also rose, primarily in Asia and North America, following central bank rate rises. This was partly offset by a reduction in Europe, following the Bank of England rate cut in August 2016.

Interest expense

Reported interest expense fell by \$1.3bn compared with 1H16, including the effects of the sale of operations in Brazil and foreign currency translation totalling \$2.0bn. Excluding these, interest expense increased by \$0.7bn. This was mainly as a result of increased cost of repurchase agreements and Group debt, partly offset by lower costs of customer accounts.

Interest expense on repurchase agreements rose by \$0.4bn, notably in North America, reflecting higher balances and market rates.

Interest expense on debt issued rose by \$0.3bn, excluding the effects of the sale of operations in Brazil and foreign currency translation. This reflected a rise in the cost of funds, although average balances fell as an increase in debt issued by HSBC Holdings to meet regulatory requirements was more than offset by redemptions of senior debt across the Group. The increase in the cost of debt was driven by a combination of longer maturities and the structural subordination of our new issuances.

By contrast, interest expense on customer accounts fell by \$0.3bn, excluding the effects of the sale of operations in Brazil and foreign currency translation, although average balances grew in the majority of our regions. This arose in: Asia, reflecting a change in mix towards lower-cost accounts, and central bank rate reductions in a number of markets, including India and Australia;

Europe, as a result of the impact of rate reductions in the UK and negative interest rates in continental Europe; and Argentina, reflecting decreases in central bank rates.

These decreases were partly offset by an increase in North America following central bank rate rises.

24HSBC Holdings plc

---

## Net fee income

|  | Half-year to          |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
|  | 30 Jun<br>2017<br>\$m | 30 Jun<br>2016<br>\$m | 31 Dec<br>2016<br>\$m |
| Account services                           | 1,123                 | 1,310                 | 1,107                 |
| Funds under management                     | 1,061                 | 1,172                 | 904                   |
| Cards                                      | 930                   | 1,010                 | 960                   |
| Credit facilities                          | 873                   | 908                   | 887                   |
| Broking income                             | 564                   | 530                   | 530                   |
| Unit trusts                                | 516                   | 412                   | 451                   |
| Underwriting                               | 485                   | 372                   | 333                   |
| Imports/exports                            | 379                   | 436                   | 384                   |
| Remittances                                | 372                   | 371                   | 395                   |
| Global custody                             | 326                   | 330                   | 332                   |
| Insurance agency commission                | 209                   | 228                   | 191                   |
| Other                                      | 1,068                 | 1,123                 | 993                   |
| Fee income                                 | 7,906                 | 8,202                 | 7,467                 |
| Less: fee expense                          | (1,415)               | (1,616)               | (1,276)               |
| Net fee income                             | 6,491                 | 6,586                 | 6,191                 |
| Significant items and currency translation |                       |                       |                       |

|   | Half-year to          |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
|   | 30 Jun<br>2017<br>\$m | 30 Jun<br>2016<br>\$m | 31 Dec<br>2016<br>\$m |
| Significant items                                       | —                     | 271                   | —                     |
| – trading results from disposed-of operations in Brazil | —                     | 233                   | —                     |
| – currency translation on significant items             |                       | 38                    | —                     |
| Currency translation                                    |                       | 187                   | 66                    |
| Total   | —                     | 458                   | 66                    |

Net fee income fell by \$0.1bn compared with 1H16, as a result of our sale of operations in Brazil, which reduced net fee income by \$0.2bn, notably fee income from account services and fee income from cards. The effect of foreign currency translation also reduced net fee income, by \$0.2bn.

Excluding the effects of our sale of operations in Brazil and currency translation, net fee income rose by \$0.4bn, reflecting increases in RBWM and GB&M. These increases were driven by higher broking and unit trust income, notably in RBWM in Hong Kong due to higher sales reflecting improved retail investor sentiment. We also recorded higher underwriting income,

notably in GB&M in the UK, with continued momentum in investment banking products. In addition, fee expense decreased by \$0.2bn, primarily in Germany, reflecting the re-presentation of brokerage fees from 'fee income from funds under management' to 'fee expense' during the second half of 2016.

By contrast, fee income from funds under management fell by \$0.1bn, partly driven by the change in presentation in Germany (\$0.2bn) noted above.

## Net trading income

| Half-year to   |                |                |
|----------------|----------------|----------------|
| 30 Jun<br>2017 | 30 Jun<br>2016 | 31 Dec<br>2016 |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|  | \$m   | \$m    | \$m    |
|--|-------|--------|--------|
| Trading activities                           | 3,125 | 5,020  | 3,682  |
| Net interest income on trading activities    | 751   | 730    | 656    |
| Gain on termination of hedges                | 6     | —      | 1      |
| Other trading income – hedge ineffectiveness |       |        |        |
| – on cash flow hedges                        | 4     | 4      | (9 )   |
| – on fair value hedges                       | 32    | (41 )  | 64     |
| Fair value movement on non-qualifying hedges | 10    | (389 ) | (266 ) |
| Net trading income                           | 3,928 | 5,324  | 4,128  |

HSBC Holdings plc 25

---

## Financial summary

## Significant items and currency translation

|   | Half-year to   |                |                |
|---|----------------|----------------|----------------|
|   | 30 Jun<br>2017 | 30 Jun<br>2016 | 31 Dec<br>2016 |
|   | \$m            | \$m            | \$m            |
| Significant items                                       | (245 )         | (39 )          | (415 )         |
| – debit valuation adjustment on derivative contracts    | (275 )         | 151            | (125 )         |
| – fair value movement on non-qualifying hedges          | 30             | (397 )         | (290 )         |
| – trading results from disposed-of operations in Brazil | —              | 179            | —              |
| – currency translation on significant items             |                | 28             | —              |
| Currency translation                                    |                | 321            | 45             |
| Total   | (245 )         | 282            | (370 )         |

Net trading income of \$3.9bn was \$1.4bn lower than in 1H16, as increased income in Global Markets was more than offset by:

Adverse movements on assets held as economic hedges of foreign currency debt designated at fair value of \$0.2bn in 1H17, compared with favourable movements of \$1.2bn in 1H16. These movements were offset by favourable movements in foreign currency debt designated at fair value in 'Net income/(expense) from financial instruments designated at fair value'.

Net adverse effects of \$0.5bn of significant items and foreign currency translation, summarised in the table above. In Global Markets, adjusted net trading income increased by \$0.3bn compared with 1H16, notably in FICC, primarily in Rates and Credit, as we gained market share in Europe, and Equities, mainly driven by increased revenue from Prime Financing products.

## Net income/(expense) from financial instruments designated at fair value

|  | Footnote | Half-year to   |                |                |
|--|----------|----------------|----------------|----------------|
|  |          | 30 Jun<br>2017 | 30 Jun<br>2016 | 31 Dec<br>2016 |
|  | \$m      | \$m            | \$m            |                |
| Net income/(expense) arising from:   |          |                |                |                |
| Financial assets held to meet liabilities under insurance and investment contracts |          | 1,709          | 209            | 1,271          |
| Liabilities to customers under investment contracts                                |          | (210 )         | 30             | (248 )         |
| HSBC's long-term debt issued and related derivatives                               |          | 480            | 270            | (4,245 )       |
| – change in own credit spread on long-term debt (significant item)                 | 16       | —              | 1,226          | (3,018 )       |
| – other changes in fair value  |          | 480            | (956 )         | (1,227 )       |
| Other instruments designated at fair value and related derivatives                 |          | 28             | 52             | (5 )           |
| Net income/(expense) from financial instruments designated at fair value           |          | 2,007          | 561            | (3,227 )       |

For footnotes, see page 55.

The majority of our financial liabilities designated at fair value are fixed-rate, long-term debt issuances, and are managed in conjunction with interest rate swaps as part of our interest rate management strategy.

These liabilities are discussed further on page 42 of the Annual Report and Accounts 2016.

In accordance with IFRS 9 'Financial Instruments', fair value movements attributable to changes in our own credit spread on our own debt designated at fair value are now reported in other comprehensive income; by contrast, 1H16 included favourable movements of \$1.2bn in the fair value of our own long-term debt reflecting changes in credit spread.

## Significant items and currency translation

|   |          | Half-year to |        |          |
|---|----------|--------------|--------|----------|
|   |          | 30 Jun       | 30 Jun | 31 Dec   |
|   |          | 2017         | 2016   | 2016     |
|   | Footnote | \$m          | \$m    | \$m      |
| Significant items                                       |          | —            | 1,547  | (3,009 ) |
| – own credit spread                                     | 16       | —            | 1,226  | (3,018 ) |
| – trading results from disposed-of operations in Brazil |          | —            | 304    | —        |
| – currency translation on significant items             |          |              | 17     | 9        |
| Currency translation                                    |          |              | (177 ) | (14 )    |
| Total   |          | —            | 1,370  | (3,023 ) |

For footnotes, see page 55.

Net income from financial instruments designated at fair value was \$2.0bn in 1H17, \$1.4bn higher than in 1H16. The increase primarily reflected:

• Favourable movements of \$0.2bn, compared with adverse movements of \$1.2bn in 1H16 on foreign currency debt designated at fair value and issued as part of our overall funding strategy (reported as part of ‘other changes in fair

value’ in the table above, and offset in ‘Net trading income’ by assets held as economic hedges); and

• Higher net income of \$1.3bn from financial assets and liabilities from insurance and investment contracts, primarily driven by improved equity market performance in Asia and Europe in 1H17. This was partly offset by our sale of operations in Brazil in July 2016.

26HSBC Holdings plc

---

These increases were partly offset by:

- the effects of favourable fair value movements attributable to changes in our own credit spread on our own debt designated at fair value of \$1.2bn in 1H16, now reported in other comprehensive income; and
- lower favourable movements of \$0.3bn relating to the economic hedging of interest and exchange rate risk on our long-term debt in Corporate Centre.

Net income arising from financial assets held to meet liabilities under insurance and investment contracts results in a corresponding movement in liabilities to customers, reflecting the extent to which they participate in the investment performance of the associated asset portfolio. These offsetting movements are recorded in 'Net income/(expense) arising from liabilities to customers under investment contracts' and 'Net insurance claims and benefits paid and movement in liabilities to policyholders'.

Gains less losses from financial investments

|  | Half-year to |        |        |
|--|--------------|--------|--------|
|  | 30 Jun       | 30 Jun | 31 Dec |
|  | 2017         | 2016   | 2016   |
|  | \$m          | \$m    | \$m    |
| Net gains from disposal                            | 712          | 977    | 444    |
| – debt securities                                  | 287          | 280    | 77     |
| – equity securities                                | 419          | 693    | 365    |
| – other financial investments                      | 6            | 4      | 2      |
| Impairment of available-for-sale equity securities | (21)         | (12)   | (24)   |
| Gains less losses from financial investments       | 691          | 965    | 420    |

Significant items and currency translation

|  | Half-year to |        |        |
|--|--------------|--------|--------|
|  | 30 Jun       | 30 Jun | 31 Dec |
|  | 2017         | 2016   | 2016   |
|  | \$m          | \$m    | \$m    |
| Significant items  | 312          | 638    | 116    |
| – gain on disposal of our membership interest in Visa – Europe | —            | 584    | —      |
| – gain on disposal of our membership interest in Visa – US     | 312          | —      | 116    |
| – trading results from disposed-of operations in Brazil        | —            | 1      | —      |
| – currency translation on significant items                    |              | 53     | —      |
| Currency translation   |              | 72     | 5      |
| Total  | 312          | 710    | 121    |

In 1H17, gains less losses from financial investments of \$0.7bn decreased by \$0.3bn compared with 1H16. This was largely as a result of movements in significant items and the effects of foreign currency translation tabulated above. In 1H16, we

recorded gains of \$0.6bn on the sale of our membership interest in Visa Europe, compared with gains of \$0.3bn on the sale of our membership interest in Visa Inc. in the US in 1H17.

Net insurance premium income

|  | Half-year to |        |      |
|--|--------------|--------|------|
|  | 30 Jun       | 30 Jun | 31   |
|  | 2017         | 2016   | Dec  |
|  | \$m          | \$m    | \$m  |
|  |              |        | 2016 |

|                                |        |        |        |
|--------------------------------|--------|--------|--------|
| Gross insurance premium income | 5,551  | 5,728  | 4,860  |
| Reinsurance premiums           | (740 ) | (372 ) | (265 ) |
| Net insurance premium income   | 4,811  | 5,356  | 4,595  |

## Significant items and currency translation

|   | Half-year to |             |             |
|---|--------------|-------------|-------------|
|   | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 |
|   | \$m          | \$m         | \$m         |
| Significant items                                       | —            | 420         | —           |
| – trading results from disposed-of operations in Brazil | —            | 362         | —           |
| – currency translation on significant items             |              | 58          | —           |
| Currency translation                                    |              | 9           | 29          |
| Total   | —            | 429         | 29          |

Net insurance premium income was \$0.5bn lower compared with 1H16, and included the effect of our sale of operations in Brazil (\$0.4bn) and the effect of currency translation.

In addition, the reduction was due to:

• in Singapore, lower sales through third-party channels;

• in France, lower volumes of participating products linked to political uncertainty and the lower rate environment, partly offset by higher volumes of unit-linked and protection products; and

• in Hong Kong, the impact of a new reinsurance treaty, partly offset by increased gross premium income.

HSBC Holdings plc 27

---

## Financial summary

## Other operating income

|   | Half-year to |             |             |
|---|--------------|-------------|-------------|
|   | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 |
|   | \$m          | \$m         | \$m         |
| Rent received   | 87           | 82          | 75          |
| Gains/(losses) recognised on assets held for sale   | 131          | 57          | (2,006 )    |
| Gains/(losses) on investment properties   | 27           | (3 )        | 7           |
| Gains on disposal of property, plant and equipment, intangible assets and non-financial investments | 1            | 28          | 7           |
| Change in present value of in-force long-term insurance business                                    | 151          | 351         | 551         |
| Other   | 129          | 129         | (249 )      |
| Other operating income  | 526          | 644         | (1,615 )    |
| Significant items and currency translation  |              |             |             |

|  | Half-year to |             |             |
|--|--------------|-------------|-------------|
|  | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 |
|  | \$m          | \$m         | \$m         |
| Significant items  | 46           | 46          | (1,974 )    |
| – portfolio disposals  | (32 )        | 68          | (231 )      |
| – loss and trading results from disposed-of operations in Brazil | —            | (20 )       | (1,743 )    |
| – other acquisitions, disposals and dilutions                    | 78           | —           | —           |
| – currency translation on significant items                      |              | (2 )        | —           |
| Currency translation   |              | 2           | —           |
| Total  | 46           | 48          | (1,974 )    |

Other operating income fell by \$118m compared with 1H16. This included net losses recognised on portfolio disposals in 1H17 (\$32m) compared with net gains in 1H16 (\$68m), and the effect of our sale of operations in Brazil (\$20m).

In addition, we recorded a reduction of \$0.2bn in favourable movements in the present value of in-force ('PVIF') long-term insurance business, due to:

adverse movements in Singapore, offsetting the impact of regulation-driven changes on the valuation of liabilities (the corresponding movement is recorded in 'Net insurance claims and benefits paid and movement in liabilities to policyholders'); and

adverse movements in Hong Kong, reflecting the future sharing of investment returns with policyholders, partly offset by:

favourable movements in France, due to market-driven changes in investment assumptions; and

an increase in the value of new business, primarily in Asia.

These decreases were partly offset by gains on the sale of our holding in VocaLink in 1H17 (\$78m) reported in 'other acquisitions, disposals and dilutions' in the table above and higher revaluation gains on investment properties, notably in Hong Kong.

Net insurance claims and benefits paid and movement in liabilities to policyholders

|  | Half-year to |             |             |
|--|--------------|-------------|-------------|
|  | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 |
|  | \$m          | \$m         | \$m         |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|  |       |       |       |
|--|-------|-------|-------|
| Net insurance claims and benefits paid and movement in liabilities to policyholders: |       |       |       |
| – gross  | 6,795 | 6,192 | 6,316 |
| – less reinsurers’ share   | (681) | (402) | (236) |
| Net total  | 6,114 | 5,790 | 6,080 |
| Significant items and currency translation   |       |       |       |

|   | Half-year to |             |             |
|---|--------------|-------------|-------------|
|   | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 |
|   | \$m          | \$m         | \$m         |
| Significant items                                       | —            | 627         | —           |
| – trading results from disposed-of operations in Brazil | —            | 538         | —           |
| – currency translation on significant items             |              | 89          | —           |
| Currency translation                                    |              | (21)        | 43          |
| Total   | —            | 606         | 43          |

Net insurance claims and benefits paid and movement in liabilities to policyholders were \$0.3bn higher compared with 1H16, and included reductions due to our sale of operations in Brazil (\$0.5bn) and the effect of currency translation movements (\$0.1bn).

This increase was primarily due to improved returns on financial assets supporting contracts where the policyholder shares the investment risk, reflecting improved equity market performance in Hong Kong and France compared with 1H16.

28HSBC Holdings plc

---

These increases were partly offset by decreased net insurance premium income and the impact of regulation-driven changes in the valuation of liabilities in Singapore.

The gains or losses recognised on the financial assets designated at fair value that are held to support these insurance contract liabilities are reported in 'Net income/(expense) from financial instruments designated at fair value' on page 26.

#### Loan impairment charges and other credit risk provisions

|   | Half-year to   |                |                |
|---|----------------|----------------|----------------|
|   | 30 Jun<br>2017 | 30 Jun<br>2016 | 31 Dec<br>2016 |
|   | \$m            | \$m            | \$m            |
| New allowances net of allowance releases  | 1,065          | 2,623          | 1,354          |
| Recoveries of amounts previously written off  | (286)          | (340)          | (287)          |
| Loan impairment charges   | 779            | 2,283          | 1,067          |
| – individually assessed allowances  | 270            | 1,263          | 568            |
| – collectively assessed allowances  | 509            | 1,020          | 499            |
| Impairment allowances/(releases) of available-for-sale debt securities  | (69)           | 34             | (97)           |
| Other credit risk provisions/(releases)   | (47)           | 49             | 64             |
| Loan impairment charges and other credit risk provisions  | 663            | 2,366          | 1,034          |
| Impairment charges on loans and advances to customers as a percentage of average gross loans and advances to customers (annualised) | 0.18%          | 0.52%          | 0.25%          |
| Significant items and currency translation  |                |                |                |

|   | Half-year to   |                |                |
|---|----------------|----------------|----------------|
|   | 30 Jun<br>2017 | 30 Jun<br>2016 | 31 Dec<br>2016 |
|   | \$m            | \$m            | \$m            |
| Significant items                                       | —              | 867            | —              |
| – trading results from disposed-of operations in Brazil | —              | 748            | —              |
| – currency translation on significant items             |                | 119            | —              |
| Currency translation                                    |                | (57)           | 20             |
| Total   | —              | 810            | 20             |

Loan impairment charges and other credit risk provisions ('LICs') of \$0.7bn were \$1.7bn or 72% lower compared with 1H16. This was partly due to our sale of operations in Brazil (\$0.7bn) in July 2016 as well as favourable effects of foreign currency translation of \$0.1bn.

Individually assessed LICs of \$0.3bn were down \$1.0bn or 79% compared with 1H16. This reduction included a net effect of our sale of operations in Brazil of \$0.2bn and the favourable effect of foreign currency translation, which was minimal.

The remaining variance reflected:

In CMB (down \$0.4bn), lower individually assessed LICs, notably in North America and the UK, primarily against exposures in the oil and gas sector. It also reflected a net release in 1H17 in the UK relating to the construction sector. This was partly offset by higher individually assessed LICs in Hong Kong relating to a small number of customers. In GB&M (down \$0.3bn), lower individually assessed LICs, as 1H16 included charges against exposures in the oil and gas sector and a single significant charge against a mining-related corporate exposure in the US. It also reflected lower individually assessed LICs in Australia, as 1H16 included a charge against a mining-related exposure.

Collectively assessed LICs of \$0.5bn were also down, by \$0.5bn or 50% compared with 1H16. This reduction included the net effect of our sale of operations in Brazil (\$0.6bn) and the favourable effects of foreign currency

translation of \$50m.

The remaining variance reflected:

In Corporate Centre (down \$94m), lower net charges in the US run-off portfolio in 1H17 compared with 1H16.

This was partly offset:

In RBWM, collectively adjusted LICs increased (up \$89m). This included an increase in the UK (up \$71m) as we increased collective allowances against our mortgages and cards exposures. In addition, we increased collective allowances in Mexico (up \$54m), to reflect growth in unsecured lending balances and an increase in delinquencies.

In 1H17, we recorded net releases of impairment allowances against available-for-sale debt securities (\$69m), whereas 1H16 included charges. Both were primarily related to asset-backed securities ('ABSs') in our legacy credit portfolio in Corporate Centre.

HSBC Holdings plc 29

---

## Financial summary

## Operating expenses

In addition to detailing operating expense items by category, as set out in the table below, we also categorise adjusted expenses as follows:

- ‘Run-the-bank’ costs comprise business-as-usual running costs that keep operations functioning at the required quality and standard year on year, maintain IT infrastructure and support revenue growth. Run-the-bank costs are split between front office and back office, reflecting the way the Group is organised into four global businesses (‘front office’) supported by global functions (‘back office’).

- ‘Change-the-bank’ costs comprise expenses relating to the implementation of mandatory regulatory changes and other investment costs incurred relating to projects to change business-as-usual activity to enhance future operating capabilities.

- ‘Costs to achieve’ comprises those specific costs relating to the achievement of the strategic actions set out in the Investor Update in June 2015. They comprise costs incurred between 1 July 2015 and 31 December 2017 and do not include ongoing initiatives such as Global Standards. Any costs arising within this category have been incurred as part of a significant transformation programme. Costs to achieve are included within significant items and incorporate restructuring costs which were identified as a separate significant item prior to 1 July 2015.

- The UK bank levy is reported as a separate category.

## Operating expenses by category

|  | Half-year to |             |             |
|--|--------------|-------------|-------------|
|  | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 |
|  | \$m          | \$m         | \$m         |
| Employee compensation and benefits                             | 8,680        | 9,354       | 8,735       |
| Premises and equipment (excluding depreciation and impairment) | 1,711        | 1,901       | 1,857       |
| General and administrative expenses                            | 5,189        | 5,566       | 7,149       |
| Administrative expenses  | 15,580       | 16,821      | 17,741      |
| Depreciation and impairment of property, plant and equipment   | 567          | 605         | 624         |
| Amortisation and impairment of intangible assets               | 296          | 402         | 375         |
| Goodwill impairment  | —            | 800         | 2,440       |
| Operating expenses   | 16,443       | 18,628      | 21,180      |

## Operating expenses by group

|                             | Half-year to |             |             |
|-----------------------------|--------------|-------------|-------------|
|                             | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 |
|                             | \$m          | \$m         | \$m         |
| Run-the-bank – front office | 6,789        | 6,560       | 6,622       |
| Run-the-bank – back office  | 6,442        | 6,462       | 6,396       |
| Change-the-bank             | 1,358        | 1,328       | 1,441       |
| Bank levy                   | 17           | (128)       | 1,050       |
| Significant items           | 1,837        | 3,830       | 5,482       |
| Currency translation        |              | 576         | 189         |
| Operating expenses          | 16,443       | 18,628      | 21,180      |

## Staff numbers (full-time equivalents)

At  
30 Jun 30 Jun 31 Dec

|                                      | 2017    | 2016    | 2016    |
|--------------------------------------|---------|---------|---------|
| Global businesses                    |         |         |         |
| Retail Banking and Wealth Management | 127,469 | 140,176 | 124,810 |
| Commercial Banking                   | 44,659  | 46,605  | 44,712  |
| Global Banking and Markets           | 46,270  | 48,846  | 46,659  |
| Global Private Banking               | 8,069   | 8,229   | 8,054   |
| Corporate Centre                     | 6,490   | 7,480   | 10,940  |
| Staff numbers                        | 232,957 | 251,336 | 235,175 |

Reported operating expenses of \$16.4bn were \$2.2bn or 12% lower than in 1H16. This reflected a reduction in significant items of \$2.0bn, which included:

- a \$0.8bn write-off of goodwill in our GPB business in Europe in 1H16;
- a net release of \$0.3bn in 1H17 related to settlements and provisions in connection with legal matters. This compared with charges of \$0.7bn in 1H16; and

• the operating expenses incurred in our Brazil business of \$1.1bn in 1H16.

These were partly offset by:

- costs to achieve of \$1.7bn, compared with \$1.0bn in 1H16.

In addition, the reduction included favourable effects of foreign currency translation of \$0.6bn.

30HSBC Holdings plc

---

## Significant items and currency translation

|   | Half-year to |             |             |
|---|--------------|-------------|-------------|
|   | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 |
|   | \$m          | \$m         | \$m         |
| Significant items   | 1,837        | 3,830       | 5,482       |
| – costs associated with portfolio disposals                   | 10           | —           | 28          |
| – costs associated with the UK’s exit from the EU             | 4            | —           | —           |
| – costs to achieve  | 1,670        | 1,018       | 2,100       |
| – costs to establish UK ring-fenced bank                      | 176          | 94          | 129         |
| – impairment of GPB – Europe goodwill                         | —            | 800         | 2,440       |
| – regulatory provisions in GPB                                | —            | 4           | 340         |
| – settlements and provisions in connection with legal matters | (322)        | 723         | (42)        |
| – UK customer redress programmes                              | 299          | 33          | 526         |
| – trading results from disposed-of operations in Brazil       | —            | 1,059       | —           |
| –   |              | 99          | (39)        |
| currency translation on significant items                     |              | 576         | 189         |
| Currency translation  |              | 576         | 189         |
| Total   | 1,837        | 4,406       | 5,671       |

Excluding the significant items and currency translation tabulated above, operating expenses of \$14.6bn were \$0.4bn or 3% higher than in 1H16, in part due to a credit of \$0.1bn in 1H16 relating to the 2015 UK bank levy. The remaining increase primarily reflected investments in business growth, primarily in RBWM where investments were in part funded by the proceeds of our sale of Visa shares. The impact of our cost-saving initiatives broadly offset inflation and continued investment in regulatory programmes and compliance.

Our total investment in regulatory programmes and compliance was \$1.6bn, up \$168m or 12% from 1H16. This reflected the ongoing implementation of our Global Standards programme to enhance our financial crime risk controls and capabilities, and meet external commitments.

We have maintained our transformational efforts and continue to realise the benefit of our cost-saving programme.

Within global businesses, savings of \$0.3bn reflected the impact of our branch optimisation programmes and digital initiatives.

Within our Operations and Technology functions, savings of \$0.5bn reflected migrations to lower-cost locations, the simplification of our IT structure and the implementation of target operating models.

Within our other back office functions, savings of \$0.1bn were realised as a result of the re-engineering and simplification of processes and the implementation of global operating models.

Taking the 1H17 savings into account, our annualised run rate savings are now \$4.7bn since the start of our initiatives in 2015.

The number of employees expressed in FTEs at 30 June 2017 was 232,957, a decrease of 2,218 since 31 December 2016. This included a reduction of 9,492 FTEs realised across global businesses and global functions, and a reduction in costs to achieve of 3,676. This was partly offset by investment in our Global Standards programme of 5,585 FTEs, and by investment for growth.

## Share of profit in associates and joint ventures

|                                       | Half-year to |             |             |
|---------------------------------------|--------------|-------------|-------------|
|                                       | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 |
|                                       | \$m          | \$m         | \$m         |
| Share of profit in associates         | 1,173        | 1,226       | 1,100       |
| – Bank of Communications Co., Limited | 938          | 974         | 918         |

|  |       |       |       |
|--|-------|-------|-------|
| – The Saudi British Bank                         | 231   | 244   | 171   |
| – other  | 4     | 8     | 11    |
| Share of profit in joint ventures                | 10    | 12    | 16    |
| Share of profit in associates and joint ventures | 1,183 | 1,238 | 1,116 |

Our share of profit in associates and joint ventures was \$1.2bn in 1H17, a decrease of \$55m or 4%, which included adverse effects of foreign currency translation and significant items of \$44m, mainly relating to Bank of Communications Co., Limited ('BoCom').

Excluding the effects of foreign currency translation and significant items, our share of profit in associates and joint ventures decreased by \$11m or 1%, as a result of property revaluation losses in 1H17 compared with gains in 1H16 in Barrowgate Limited. We also recorded lower income from The Saudi British Bank ('SABB'), as higher loan impairment charges more than offset higher revenue. By contrast, we recorded higher income from BoCom.

Our share of profit in BoCom was \$0.9bn. At 30 June 2017, we performed an impairment review of our investment in BoCom and concluded that it was not impaired, based on our value in use calculation (see Note 9 on the Financial Statements for further details).

In future periods, the value in use may increase or decrease depending on the effect of changes to model inputs. It is expected that the carrying amount will increase in 2017 due to retained profits earned by BoCom. At the point where the carrying amount exceeds the value in use, HSBC would continue to recognise its share of BoCom's profit or loss, but the carrying amount would be reduced to equal the value in use, with a corresponding reduction in income, unless the market value has increased to a level above the carrying amount.

## Financial summary

## Tax expense

|                          | Half-year to |          |          |
|--------------------------|--------------|----------|----------|
|                          | 30 Jun       | 30 Jun   | 31 Dec   |
|                          | 2017         | 2016     | 2016     |
|                          | \$m          | \$m      | \$m      |
| Profit/(loss) before tax | 10,243       | 9,714    | (2,602 ) |
| Tax expense              | (2,195 )     | (2,291 ) | (1,375 ) |
| Profit/(loss) after tax  | 8,048        | 7,423    | (3,977 ) |
| Effective tax rate       | 21.4%        | 23.6%    | (52.8)%  |

The effective tax rate for 1H17 of 21.4% was lower than the 23.6% in 1H16, principally due to a non-deductible goodwill write-down in 1H16 that did not recur in 1H17.

32HSBC Holdings plc

---

## Consolidated balance sheet

## Summary consolidated balance sheet

|  | At        |           |
|--|-----------|-----------|
|  | 30 Jun    | 31 Dec    |
|  | 2017      | 2016      |
|  | \$m       | \$m       |
| Assets   |           |           |
| Cash and balances at central banks             | 163,353   | 128,009   |
| Trading assets                                 | 320,037   | 235,125   |
| Financial assets designated at fair value      | 27,937    | 24,756    |
| Derivatives                                    | 229,719   | 290,872   |
| Loans and advances to banks                    | 86,633    | 88,126    |
| Loans and advances to customers                | 919,838   | 861,504   |
| Reverse repurchase agreements – non-trading    | 196,834   | 160,974   |
| Financial investments                          | 385,378   | 436,797   |
| Assets held for sale                           | 2,301     | 4,389     |
| Other assets                                   | 160,413   | 144,434   |
| Total assets                                   | 2,492,443 | 2,374,986 |
| Liabilities and equity                         |           |           |
| Liabilities                                    |           |           |
| Deposits by banks                              | 64,230    | 59,939    |
| Customer accounts                              | 1,311,958 | 1,272,386 |
| Repurchase agreements – non-trading            | 145,306   | 88,958    |
| Trading liabilities                            | 202,401   | 153,691   |
| Financial liabilities designated at fair value | 93,163    | 86,832    |
| Derivatives                                    | 223,413   | 279,819   |
| Debt securities in issue                       | 63,289    | 65,915    |
| Liabilities of disposal groups held for sale   | 620       | 2,790     |
| Liabilities under insurance contracts          | 81,147    | 75,273    |
| Other liabilities                              | 111,130   | 106,805   |
| Total liabilities                              | 2,296,657 | 2,192,408 |
| Equity   |           |           |
| Total shareholders' equity                     | 188,396   | 175,386   |
| Non-controlling interests                      | 7,390     | 7,192     |
| Total equity                                   | 195,786   | 182,578   |
| Total liabilities and equity                   | 2,492,443 | 2,374,986 |

## Selected financial information

|  | At      |         |
|--|---------|---------|
|  | 30 Jun  | 31 Dec  |
|  | 2017    | 2016    |
|  | \$m     | \$m     |
| Called up share capital                                  | 10,188  | 10,096  |
| Capital resources  | 183,892 | 172,358 |
| Undated subordinated loan capital                        | 1,968   | 1,967   |
| Preferred securities and dated subordinated loan capital | 43,864  | 42,600  |
| Risk-weighted assets                                     | 876,118 | 857,181 |

Financial statistics

|  |        |        |
|--|--------|--------|
| Loans and advances to customers as a percentage of customer accounts | 70.1%  | 67.7%  |
| Average total shareholders' equity to average total assets           | 7.24   | 7.37   |
| Net asset value per ordinary share at period end (\$)                | 8.30   | 7.91   |
| Number of \$0.50 ordinary shares in issue (millions)                 | 20,376 | 20,192 |
| Closing foreign exchange translation rates to \$:                    |        |        |
| \$1: £   | 0.771  | 0.811  |
| \$1: €   | 0.876  | 0.949  |

A more detailed consolidated balance sheet is contained in the Financial Statements on page 82.

HSBC Holdings plc 33

---

## Financial summary

### Movement from 31 December 2016 to 30 June 2017

Total reported assets of \$2.5tn were 5% higher than at 31 December 2016 on a reported basis, and 2% higher on a constant currency basis.

We increased the strength of our balance sheet by targeting growth in lending, notably in Asia, while continuing to run-off legacy portfolios.

Our ratio of customer advances to customer accounts was 70%, up from 68% at 31 December 2016, reflecting targeted lending growth. Loans and advances increased on a reported basis by \$58bn, and customer accounts increased by \$40bn. These changes included:

favourable currency translation of \$26bn on loans and advances to customers, and \$32bn on customer accounts.

This was partly offset by:

a \$4bn reduction in corporate overdraft and current account balances relating to a small number of customers that settled their overdraft and deposit balances on a net basis; and

a \$5bn transfer to 'Assets held for sale' of US first lien mortgage balances in Corporate Centre, and ongoing run-off.

Excluding these movements, customer lending increased by \$41bn or 5%, with this growth mainly in Asia, reflecting continued momentum from our initiatives to grow corporate lending there.

### Assets

Cash and balances at central banks increased by \$35bn or 28%, reflecting higher euro-denominated balances in continental Europe, and the redeployment of surplus liquidity in the US to maximise returns.

Trading assets increased by \$85bn, reflecting increased equity securities, notably in the UK, and increased debt securities in most regions, reflecting higher client activity in our FICC and Equities businesses. In addition, settlement accounts rose in Europe, Asia and North America from higher trading activity compared with the seasonal reduction in December.

Reverse repurchase agreements – non-trading increased by \$36bn, notably in the US and the UK, mainly driven by our Markets business.

Derivative assets decreased by \$61bn, primarily reflecting revaluation movements, as a result of movements in yield curves and exchange rates. These movements were broadly offset by derivative liabilities.

Financial investments decreased by \$51bn. In Asia, this primarily reflected a managed reduction in our commercial surplus, while in Europe and the US, a reduction in available-for-sale investments reflected redeployment of these assets to cash to manage our liquidity and for risk management.

Loans and advances to customers increased by \$58bn on a reported basis compared with 31 December 2016, notably in Europe and Asia. This included:

favourable currency translation of \$26bn.

This was partly offset by:

a \$4bn reduction in corporate overdraft balances in the UK relating to a small number of customers that settled their overdraft and deposit balances on a net basis, with a corresponding reduction in customer accounts; and

a \$5bn transfer to 'Assets held for sale' of US first lien mortgage balance in Corporate Centre, reflecting our strategic focus on reducing our legacy portfolios, and ongoing run-off.

Excluding these factors, customer lending balances increased by \$41bn or 5%. This growth was primarily in Asia, which contributed \$31bn of this increase. Lending grew in GB&M (\$13bn) and CMB (up \$11bn), reflecting higher term lending in Hong Kong from continued management focus on loan growth in the region, as well as customer demand. Trade lending in Hong Kong contributed \$2bn of the increase in CMB, reflecting increased market share, although it was broadly unchanged in GB&M. We also increased balances in RBWM in Asia by \$5bn, primarily in mortgages in Hong Kong.

We increased balances in Europe by \$12bn, notably in overdrafts (up \$7bn), as a result of customers in CMB and GB&M who no longer settled their overdraft and deposit balances on a net basis. We also grew term lending in CMB

and GB&M, primarily in the UK. We grew RBWM mortgages in the UK by \$3bn, reflecting our focus on broker originated mortgages.

Customer lending growth was partly offset in the US, reflecting our continued active management of client returns.

#### Liabilities

Customer accounts increased by \$40bn on a reported basis, and included the following items:

favourable currency translation differences of \$32bn.

This was partly offset by:

a \$4bn reduction in corporate current account balances, in line with the decrease in corporate overdrafts.

Excluding these factors, customer accounts increased by \$12bn, notably in RBWM, driven by Hong Kong (\$12bn), reflecting surplus in the region, and North America (\$3bn). We grew balances in GB&M in France (\$4bn) and Germany (\$3bn), reflecting higher foreign currency corporate deposits, as we priced competitively to facilitate higher stable funding.

These increases were partly offset by managed reductions in Asia CMB (\$6bn), notably in Hong Kong and mainland China, and GB&M (\$4bn), primarily in mainland China, as customer outflows exceeded deposits during 1Q17 after the high value of deposits placed during 4Q16.

Repurchase agreements – non-trading increased by \$56bn primarily in the US and the UK, mainly driven by an increased use of repurchase agreements for funding in our Markets business.

Trading liabilities increased by \$49bn, mainly in the UK, as well as in France and the US, partly reflecting increased settlement accounts (up \$27bn) from higher seasonal trading activity than in December.

Derivative liabilities decreased by \$56bn, which is in line with the decrease in derivative assets because the underlying risk is broadly matched.

#### Equity

Total shareholders' equity increased by \$13.0bn or 7%. This was driven by the effects of profits generated in the period, a reduction in accumulated foreign exchange losses, and the issue of convertible capital securities. These increases more than offset the effects of dividends paid to shareholders and the \$1.0bn share buy-back, completed in April 2017.

## Customer accounts by country

|                              | At        |           |
|------------------------------|-----------|-----------|
|                              | 30 Jun    | 31 Dec    |
|                              | 2017      | 2016      |
|                              | \$m       | \$m       |
| Europe                       | 479,079   | 446,615   |
| – UK                         | 378,800   | 361,278   |
| – France                     | 43,124    | 35,996    |
| – Germany                    | 18,656    | 13,925    |
| – Switzerland                | 8,763     | 9,474     |
| – other                      | 29,736    | 25,942    |
| Asia                         | 635,809   | 631,723   |
| – Hong Kong                  | 467,278   | 461,626   |
| – mainland China             | 43,362    | 46,576    |
| – Singapore                  | 38,285    | 39,062    |
| – Australia                  | 18,746    | 18,030    |
| – India                      | 13,595    | 11,289    |
| – Malaysia                   | 13,460    | 12,904    |
| – Taiwan                     | 11,467    | 11,731    |
| – Indonesia                  | 4,361     | 5,092     |
| – other                      | 25,255    | 25,413    |
| Middle East and North Africa | 34,794    | 34,766    |
| – United Arab Emirates       | 16,822    | 16,532    |
| – Turkey                     | 3,816     | 4,122     |
| – Egypt                      | 3,911     | 3,790     |
| – other                      | 10,245    | 10,322    |
| North America                | 139,770   | 138,790   |
| – US                         | 88,643    | 88,751    |
| – Canada                     | 43,167    | 42,096    |
| – other                      | 7,960     | 7,943     |
| Latin America                | 22,506    | 20,492    |
| – Mexico                     | 16,617    | 14,423    |
| – other                      | 5,889     | 6,069     |
| At end of period             | 1,311,958 | 1,272,386 |

## Risk-weighted assets

Risk-weighted assets totalled \$876bn at 30 June 2017, a \$19bn increase in the first half of the year that includes \$17bn growth due to foreign currency translation differences. The \$2bn increase (excluding foreign currency translation differences) is mainly due to an increase in asset size of \$25bn and changes to methodology and policy of \$10bn, less reductions due to RWA initiatives of \$29bn and an improvement in asset quality of \$5bn.

Ratios of earnings to combined fixed charges (and preference share dividends)

|   | Footnotes | Half-year<br>to 30 Jun | Year ended 31 Dec |      |      |      |      |
|---|-----------|------------------------|-------------------|------|------|------|------|
|   |           | 2017                   | 2016              | 2015 | 2014 | 2013 | 2012 |
|   |           | %                      | %                 | %    | %    | %    | %    |
| Ratios of earnings to fixed charges:                                | 1         |                        |                   |      |      |      |      |
| – excluding interest on deposits                                    |           | 3.34                   | 1.79              | 3.68 | 3.39 | 3.84 | 3.03 |
| – including interest on deposits                                    |           | 2.33                   | 1.37              | 2.00 | 1.86 | 2.09 | 1.76 |
| Ratios of earnings to fixed charges and preference share dividends: | 1         |                        |                   |      |      |      |      |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|                                  |      |      |      |      |      |      |
|----------------------------------|------|------|------|------|------|------|
| – excluding interest on deposits | 2.80 | 1.31 | 3.05 | 3.07 | 3.50 | 2.79 |
| – including interest on deposits | 2.10 | 1.17 | 1.85 | 1.79 | 2.01 | 1.71 |

For the purpose of calculating the ratios, earnings consist of income from continuing operations before taxation and non-controlling interest plus fixed charges and after deduction of the unremitted pre-tax income of associated undertakings. Fixed charges consist of total interest expense, including or excluding interest on deposits, as appropriate, dividends on preference shares and other equity instruments, as applicable, and the proportion of rental expense deemed representative of the interest factor.

HSBC Holdings plc 35

---

## Global businesses and geographical regions

## Global businesses and geographical regions

|  | Page |
|--|------|
| Change in reportable segments  | 36   |
| Basis of preparation   | 36   |
| Analysis of adjusted results by global business                      | 37   |
| Reconciliation of reported and adjusted items                        | 38   |
| Reconciliation of reported and adjusted items – global businesses    | 40   |
| Reconciliation of reported and adjusted items – RWAs                 | 43   |
| Global business commentary   | 44   |
| Supplementary tables for RBWM and GPB                                | 46   |
| Analysis of reported results by geographical regions                 | 48   |
| Reconciliation of reported and adjusted items – geographical regions | 50   |
| Analysis by country  | 53   |

## Change in reportable segments

The Group Chief Executive, supported by the rest of the Group Management Board ('GMB'), is considered the Chief Operating Decision Maker ('CODM') for the purposes of identifying the Group's reportable segments.

The Group Chief Executive and the rest of the GMB review operating activity on a number of bases, including by global business and geographical region.

In 2016, we changed our reportable segments from geographical regions to global businesses. This reflected a shift in emphasis of our internal reporting towards the global business basis.

Comparative data has been re-presented accordingly.

In addition, 1H16 geographical comparative data for Europe and Middle East and North Africa ('MENA') has been re-presented to reflect the change in management oversight from our Europe region to our MENA region in respect of HSBC Bank A.S. (Turkey) from 1 July 2016.

## Basis of preparation

Analysis by global business is considered more prominent than the geographical region view in the way the CODM assesses performance and allocates resources. The global businesses are therefore considered our reportable segments under IFRS 8.

Global business results are assessed by the CODM on the basis of adjusted performance that removes the effects of significant items and currency translation from reported results. We therefore present these results on an adjusted basis as required by IFRSs. 1H16 and 2H16 adjusted performance information is presented on a constant currency basis as described on page 22.

As required by IFRS 8, reconciliations of the total adjusted global business results of the Group reported results are presented on page 38. Supplementary reconciliations from reported to adjusted results by global business are presented on pages 40 to 42 for information purposes.

Our operations are closely integrated and, accordingly, the presentation of data includes internal allocations of certain items of income and expense. These allocations include the costs of certain support services and global functions to the extent that they can be meaningfully attributed to operational business lines and geographical regions. While such allocations have been made on a systematic and consistent basis, they necessarily involve a degree of subjectivity.

Costs that are not allocated to global businesses are included in the Corporate Centre.

Where relevant, income and expense amounts presented include the results of inter-segment funding along with inter-company and inter-business line transactions. All such transactions are undertaken on arm's length terms. The intra-Group elimination items for the global businesses are presented in the Corporate Centre.

The expense of the UK bank levy is included in the Europe geographical region as HSBC regards the levy as a cost of being headquartered in the UK. For the purposes of the presentation by global business, the cost of the levy is included in the Corporate Centre.

The results of geographical regions are presented on a reported basis.

A description of the global businesses is provided in the Overview Section, pages 3, 16 and 17.

36HSBC Holdings plc

---

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Analysis of adjusted results by global business

HSBC adjusted profit before tax and balance sheet data

|  | Footnotes | Half-year to 30 Jun 2017                      |                       |                                     |                              |                     | Total     |         |
|--|-----------|---|-----------------------|-------------------------------------|------------------------------|---------------------|-----------|---------|
|  |           | Retail<br>Banking and<br>Wealth<br>Management | Commercial<br>Banking | Global<br>Banking<br>and<br>Markets | Global<br>Private<br>Banking | Corporate<br>Centre |           |         |
|  |           | \$m   | \$m                   | \$m                                 | \$m                          | \$m                 | \$m       |         |
| Net interest income  |           | 6,745   | 4,288                 | 2,252                               | 394                          | 98                  | 13,777    |         |
| Net fee income/(expense)   |           | 2,516   | 1,774                 | 1,875                               | 355                          | (29)                | 6,491     |         |
| Net trading income   | 12        | 297   | 270                   | 3,385                               | 95                           | 127                 | 4,174     |         |
| Other income   | 17        | 485   | 75                    | 311                                 | 2                            | 738                 | 1,611     |         |
| Net operating income before loan impairment charges and other credit risk provisions | 18        | 10,043  | 6,407                 | 7,823                               | 846                          | 934                 | 26,053    |         |
| – external   |           | 8,596   | 6,468                 | 8,371                               | 711                          | 1,907               | 26,053    |         |
| – inter-segment  |           | 1,447   | (61)                  | (548)                               | 135                          | (973)               | —         |         |
| Loan impairment (charges)/recoveries and other credit risk provisions                |           | (556)   | (118)                 | (41)                                | (1)                          | 53                  | (663)     |         |
| Net operating income   |           | 9,487   | 6,289                 | 7,782                               | 845                          | 987                 | 25,390    |         |
| Total operating expenses   |           | (6,121)                                       | (2,846)               | (4,379)                             | (702)                        | (558)               | (14,606)  |         |
| Operating profit   |           | 3,366   | 3,443                 | 3,403                               | 143                          | 429                 | 10,784    |         |
| Share of profit/(loss) in associates and joint ventures                              |           | (11)  | —                     | —                                   | —                            | 1,194               | 1,183     |         |
| Adjusted profit before tax   |           | 3,355   | 3,443                 | 3,403                               | 143                          | 1,623               | 11,967    |         |
|  |           | %   | %                     | %                                   | %                            | %                   | %         |         |
| Share of HSBC's adjusted profit before tax   |           | 28.0  | 28.8                  | 28.4                                | 1.2                          | 13.6                | 100.0     |         |
| Adjusted cost efficiency ratio   |           | 60.9  | 44.4                  | 56.0                                | 83.0                         | 59.7                | 56.1      |         |
| Adjusted balance sheet data  |           | \$m   | \$m                   | \$m                                 | \$m                          | \$m                 | \$m       |         |
| Loans and advances to customers (net)  |           | 324,464                                       | 305,018               | 243,989                             | 38,601                       | 7,766               | 919,838   |         |
| Interests in associates and joint ventures   |           | 381   | —                     | —                                   | —                            | 20,690              | 21,071    |         |
| Total external assets  |           | 440,978                                       | 332,806               | 1,025,209                           | 44,921                       | 648,529             | 2,492,443 |         |
| Customer accounts  |           | 619,858                                       | 341,596               | 267,274                             | 68,226                       | 15,004              | 1,311,958 |         |
| Adjusted risk-weighted assets  |           | 116,612                                       | 289,145               | 306,086                             | 16,407                       | 142,551             | 870,801   |         |
|  |           | Half-year to 30 Jun 2016                      |                       |                                     |                              |                     |           |         |
| Net interest income  |           |   | 6,328                 | 4,187                               | 2,351                        | 402                 | 803       | 14,071  |
| Net fee income/(expense)   |           |   | 2,288                 | 1,783                               | 1,702                        | 376                 | (21)      | 6,128   |
| Net trading income   |           |   | 12,183                | 239                                 | 3,102                        | 96                  | 1,440     | 5,060   |
| Other income/(expense)   |           |   | 17,156                | 106                                 | 58                           | 20                  | (364)     | (24)    |
| Net operating income before loan impairment charges and other credit risk provisions |           |   | 188,955               | 6,315                               | 7,213                        | 894                 | 1,858     | 25,235  |
| – external   |           |   | 7,726                 | 6,312                               | 8,543                        | 773                 | 1,881     | 25,235  |
| – inter-segment  |           |   | 1,229                 | 3                                   | (1,330)                      | 121                 | (23)      | —       |
| Loan impairment (charges)/recoveries and other credit risk provisions                |           |   | (531)                 | (524)                               | (428)                        | 10                  | (83)      | (1,556) |
| Net operating income   |           |   | 8,424                 | 5,791                               | 6,785                        | 904                 | 1,775     | 23,679  |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|  |         |         |           |        |         |           |
|--|---------|---------|-----------|--------|---------|-----------|
| Total operating expenses                         | (5,898  | )(2,846 | )(4,227   | )(722  | )(529   | )(14,222  |
| Operating profit                                 | 2,526   | 2,945   | 2,558     | 182    | 1,246   | 9,457     |
| Share of profit in associates and joint ventures | 13      | —       | —         | —      | 1,181   | 1,194     |
| Adjusted profit before tax                       | 2,539   | 2,945   | 2,558     | 182    | 2,427   | 10,651    |
|  | %       | %       | %         | %      | %       | %         |
| Share of HSBC's adjusted profit before tax       | 23.8    | 27.6    | 24.0      | 1.7    | 22.9    | 100.0     |
| Adjusted cost efficiency ratio                   | 65.9    | 45.1    | 58.6      | 80.8   | 28.5    | 56.4      |
| Adjusted balance sheet data                      | \$m     | \$m     | \$m       | \$m    | \$m     | \$m       |
| Loans and advances to customers (net)            | 310,027 | 281,277 | 225,145   | 39,852 | 19,371  | 875,672   |
| Interests in associates and joint ventures       | 394     | —       | —         | —      | 18,974  | 19,368    |
| Total external assets                            | 422,080 | 303,652 | 1,041,857 | 48,361 | 711,242 | 2,527,192 |
| Customer accounts                                | 579,348 | 330,794 | 264,187   | 77,984 | 20,513  | 1,272,826 |
| Adjusted risk-weighted assets                    | 113,314 | 278,496 | 319,759   | 16,948 | 291,691 | 1,020,208 |

HSBC Holdings plc 37

---

Global businesses and geographical regions

HSBC adjusted profit before tax and balance sheet data (continued)

|  | Footnotes | Half-year to 31 Dec 2016                      |                       |                                     |                              |                     | Total     |
|--|-----------|---|-----------------------|-------------------------------------|------------------------------|---------------------|-----------|
|  |           | Retail<br>Banking and<br>Wealth<br>Management | Commercial<br>Banking | Global<br>Banking<br>and<br>Markets | Global<br>Private<br>Banking | Corporate<br>Centre |           |
|  |           | \$m   | \$m                   | \$m                                 | \$m                          | \$m                 | \$m       |
| Net interest income  |           | 6,451   | 4,209                 | 2,404                               | 396                          | 364                 | 13,824    |
| Net fee income/(expense)   |           | 2,419   | 1,730                 | 1,651                               | 367                          | (42)                | 6,125     |
| Net trading income   | 12        | 242   | 202                   | 3,030                               | 85                           | 938                 | 4,497     |
| Other income/(expense)   | 17        | 285   | 14                    | 237                                 | (10)                         | (1,510)             | (984)     |
| Net operating income/(expense)<br>before loan impairment charges and<br>other credit risk provisions | 18        | 9,397   | 6,155                 | 7,322                               | 838                          | (250)               | 23,462    |
| – external   |           | 8,144   | 6,185                 | 8,685                               | 704                          | (256)               | 23,462    |
| – inter-segment  |           | 1,253   | (30)                  | (1,363)                             | 134                          | 6                   | —         |
| Loan impairment<br>(charges)/recoveries and other credit<br>risk provisions                          |           | (594)   | (432)                 | (35)                                | (10)                         | 57                  | (1,014)   |
| Net operating income/(expense)   |           | 8,803   | 5,723                 | 7,287                               | 828                          | (193)               | 22,448    |
| Total operating expenses   |           | (6,142)                                       | (2,831)               | (4,405)                             | (731)                        | (1,401)             | (15,510)  |
| Operating profit/(loss)  |           | 2,661   | 2,892                 | 2,882                               | 97                           | (1,594)             | 6,938     |
| Share of profit in associates and<br>joint ventures  |           | 8   | —                     | —                                   | —                            | 1,088               | 1,096     |
| Adjusted profit/(loss) before tax  |           | 2,669   | 2,892                 | 2,882                               | 97                           | (506)               | 8,034     |
|  |           | %   | %                     | %                                   | %                            | %                   | %         |
| Share of HSBC's adjusted profit<br>before tax  |           | 33.2  | 36.0                  | 35.9                                | 1.2                          | (6.3)               | 100.0     |
| Adjusted cost efficiency ratio   |           | 65.4  | 46.0                  | 60.2                                | 87.2                         | (560.4)             | 66.1      |
| Adjusted balance sheet data  |           | \$m   | \$m                   | \$m                                 | \$m                          | \$m                 | \$m       |
| Loans and advances to customers<br>(net)   |           | 316,712                                       | 289,767               | 232,847                             | 36,022                       | 12,366              | 887,714   |
| Interests in associates and joint<br>ventures  |           | 394   | —                     | —                                   | —                            | 19,860              | 20,254    |
| Total external assets  |           | 427,032                                       | 314,763               | 957,960                             | 42,065                       | 698,593             | 2,440,413 |
| Customer accounts  |           | 603,123                                       | 350,457               | 265,193                             | 70,741                       | 14,683              | 1,304,197 |
| Adjusted risk-weighted assets  |           | 113,926                                       | 282,195               | 304,795                             | 15,465                       | 151,614             | 867,995   |

For footnotes, see page 55.

Reconciliation of reported and adjusted items

Adjusted results reconciliation

|         | Footnote | Half-year to<br>30 Jun 2017 |                      | 30 Jun 2016 |          |                         | 31 Dec 2016          |          |          |                         |                |
|---------|----------|-----------------------------|----------------------|-------------|----------|-------------------------|----------------------|----------|----------|-------------------------|----------------|
|         |          | Adjusted                    | Significant<br>items | Reported    | Adjusted | Currency<br>translation | Significant<br>items | Reported | Adjusted | Currency<br>translation | Signi<br>items |
|         |          | \$m                         | \$m                  | \$m         | \$m      | \$m                     | \$m                  | \$m      | \$m      | \$m                     | \$m            |
| Revenue | 1        | 26,053                      | 113                  | 26,166      | 25,235   | 994                     | 3,241                | 29,470   | 23,462   | 315                     | (5,28          |
| LICs    |          | (663)                       | —                    | (663)       | (1,556)  | 57                      | (867)                | (2,366)  | (1,014)  | (20)                    | —              |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|  |          |         |          |          |       |         |          |          |       |        |
|--|----------|---------|----------|----------|-------|---------|----------|----------|-------|--------|
| Operating expenses                               | (14,606) | (1,837) | (16,443) | (14,222) | (576) | (3,830) | (18,628) | (15,510) | (189) | (5,48) |
| Share of profit in associates and joint ventures | 1,183    | —       | 1,183    | 1,194    | 45    | (1)     | 1,238    | 1,096    | 20    | —      |
| Profit/(loss) before tax                         | 11,967   | (1,724) | 10,243   | 10,651   | 520   | (1,457) | 9,714    | 8,034    | 126   | (10,7) |

For footnotes, see page 55.

Adjusted balance sheet reconciliation

|  | At                    |             |                      |
|--|-----------------------|-------------|----------------------|
|  | 30 Jun 2017           | 31 Dec 2016 |                      |
|  | Reported and Adjusted | Adjusted    | Currency translation |
|  | \$m                   | \$m         | \$m                  |
| Loans and advances to customers (net)      | 919,838               | 887,714     | (26,210)             |
| Interests in associates and joint ventures | 21,071                | 20,254      | (225)                |
| Total external assets                      | 2,492,443             | 2,440,413   | (65,427)             |
| Customer accounts                          | 1,311,958             | 1,304,197   | (31,811)             |
|  |                       |             | Reported             |
|  |                       |             | \$m                  |
|  |                       |             | 861,504              |
|  |                       |             | 20,029               |
|  |                       |             | 2,374,986            |
|  |                       |             | 1,272,386            |

38HSBC Holdings plc

---

## Adjusted profit reconciliation

|  |           | Half-year to |         |          |
|--|-----------|--------------|---------|----------|
|  |           | 30 Jun       | 30 Jun  | 31 Dec   |
|  |           | 2017         | 2016    | 2016     |
|  | Footnotes | \$m          | \$m     | \$m      |
| Adjusted profit before tax   |           | 11,967       | 10,651  | 8,034    |
| Significant items  |           | (1,724)      | (1,457) | (10,762) |
| – DVA on derivative contracts  |           | (275)        | 151     | (125)    |
| – fair value movements on non-qualifying hedges  | 19        | 30           | (397)   | (290)    |
| – gain on disposal of our membership interest in Visa – Europe                           |           | —            | 584     | —        |
| – gain on disposal of our membership interest in Visa – US                               |           | 312          | —       | 116      |
| – loss and trading results from disposed-of operations in Brazil                         |           | —            | (338)   | (1,743)  |
| – other acquisitions, disposals and dilutions  |           | 78           | —       | —        |
| – own credit spread  | 16        | —            | 1,226   | (3,018)  |
| – portfolio disposals  |           | (32)         | 68      | (231)    |
| – releases arising from the ongoing review of compliance with the UK Consumer Credit Act |           | —            | 2       | —        |
| – costs associated with portfolio disposals  |           | (10)         | —       | (28)     |
| – costs associated with the UK’s exit from the EU  |           | (4)          | —       | —        |
| – costs to achieve   |           | (1,670)      | (1,018) | (2,100)  |
| – costs to establish UK ring-fenced bank   |           | (176)        | (94)    | (129)    |
| – impairment of GPB – Europe goodwill  |           | —            | (800)   | (2,440)  |
| – regulatory provisions in GPB   |           | —            | (4)     | (340)    |
| – settlements and provisions in connection with legal matters                            |           | 322          | (723)   | 42       |
| – UK customer redress programmes   |           | (299)        | (33)    | (526)    |
| – currency translation on significant items  |           |              | (81)    | 50       |
| Currency translation   |           |              | 520     | 126      |
| Reported profit before tax   |           | 10,243       | 9,714   | (2,602)  |
| For footnotes, see page 55.  |           |              |         |          |

HSBC Holdings plc 39

## Global businesses and geographical regions

Reconciliation of reported and adjusted items – global businesses

Supplementary analysis of significant items by global business is presented below.

Reconciliation of reported results to adjusted items – global businesses

|   |           | Half-year to 30 Jun 2017                   |                       |                                  |                              |                     | Total     |
|---|-----------|--|-----------------------|----------------------------------|------------------------------|---------------------|-----------|
|   | Footnotes | Retail Banking<br>and Wealth<br>Management | Commercial<br>Banking | Global<br>Banking and<br>Markets | Global<br>Private<br>Banking | Corporate<br>Centre | \$m       |
|   |           | \$m  | \$m                   | \$m                              | \$m                          | \$m                 | \$m       |
| Revenue   | 1         |  |                       |                                  |                              |                     |           |
| Reported  |           | 10,282                                     | 6,407                 | 7,548                            | 858                          | 1,071               | 26,166    |
| Significant items   |           | (239)                                      | )—                    | 275                              | (12)                         | )(137               | )(113 )   |
| – DVA on derivative contracts                                 |           | —  | —                     | 275                              | —                            | —                   | 275       |
| – fair value movements on non-qualifying hedges               | 19        | —  | —                     | —                                | —                            | (30                 | )(30 )    |
| – gain on disposal of our membership interest in Visa – US    |           | (312)                                      | )—                    | —                                | —                            | —                   | (312 )    |
| – portfolio disposals   |           | 73   | —                     | —                                | (12)                         | )(29                | )32       |
| – other acquisitions, disposals and dilutions                 |           | —  | —                     | —                                | —                            | (78                 | )(78 )    |
| Adjusted  |           | 10,043                                     | 6,407                 | 7,823                            | 846                          | 934                 | 26,053    |
| LICs  |           |  |                       |                                  |                              |                     |           |
| Reported  |           | (556)                                      | )(118                 | )(41                             | )(1                          | )53                 | (663 )    |
| Adjusted  |           | (556)                                      | )(118                 | )(41                             | )(1                          | )53                 | (663 )    |
| Operating expenses  |           |  |                       |                                  |                              |                     |           |
| Reported  |           | (6,617)                                    | )(2,858               | )(4,155                          | )(704                        | )(2,109             | )(16,443) |
| Significant items   |           | 496  | 12                    | (224)                            | )2                           | 1,551               | 1,837     |
| – costs associated with portfolio disposals                   |           | —  | —                     | —                                | —                            | 10                  | 10        |
| – costs associated with the UK's exit from the EU             |           | —  | —                     | 1                                | —                            | 3                   | 4         |
| – costs to achieve  |           | 197  | 12                    | 97                               | 2                            | 1,362               | 1,670     |
| – costs to establish UK ring-fenced bank                      |           | —  | —                     | —                                | —                            | 176                 | 176       |
| – settlements and provisions in connection with legal matters |           | —  | —                     | (322)                            | )—                           | —                   | (322 )    |
| – UK customer redress programmes                              |           | 299  | —                     | —                                | —                            | —                   | 299       |
| Adjusted  |           | (6,121)                                    | )(2,846               | )(4,379                          | )(702                        | )(558               | )(14,606) |
| Share of profit in associates and joint ventures              |           |  |                       |                                  |                              |                     |           |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|                      |       |       |       |     |        |         |
|----------------------|-------|-------|-------|-----|--------|---------|
| Reported             | (11   | )—    | —     | —   | 1,194  | 1,183   |
| Adjusted             | (11   | )—    | —     | —   | 1,194  | 1,183   |
| Profit before tax    |       |       |       |     |        |         |
| Reported             | 3,098 | 3,431 | 3,352 | 153 | 209    | 10,243  |
| Significant items    | 257   | 12    | 51    | (10 | )1,414 | 1,724   |
| – revenue            | (239  | )—    | 275   | (12 | )(137  | )(113 ) |
| – operating expenses | 496   | 12    | (224  | )2  | 1,551  | 1,837   |
| Adjusted             | 3,355 | 3,443 | 3,403 | 143 | 1,623  | 11,967  |

40HSBC Holdings plc

---

## Reconciliation of reported results to adjusted items – global businesses (continued)

|  | Half-year to 30 Jun 2016                      |                       |                                     |                              |                     |         |          |
|--|---|-----------------------|-------------------------------------|------------------------------|---------------------|---------|----------|
|  | Retail<br>Banking and<br>Wealth<br>Management | Commercial<br>Banking | Global<br>Banking<br>and<br>Markets | Global<br>Private<br>Banking | Corporate<br>Centre | Total   |          |
|  | Footnotes                                     | \$m                   | \$m                                 | \$m                          | \$m                 | \$m     | \$m      |
| Revenue  | 1   |                       |                                     |                              |                     |         |          |
| Reported   |   | 10,756                | 7,163                               | 7,930                        | 932                 | 2,689   | 29,470   |
| Currency translation   |   | (329)                 | (304)                               | (271)                        | (22)                | (68)    | (994 )   |
| Significant items  |   | (1,472)               | (544)                               | (446)                        | (16)                | (763)   | (3,241 ) |
| – DVA on derivative contracts  |   | —                     | —                                   | (151)                        | —                   | —       | (151 )   |
| – fair value movement on non-qualifying hedges   | 19  | —                     | —                                   | —                            | —                   | 397     | 397      |
| – gain on disposal of our membership interest in Visa                                    |   | (354)                 | (230)                               | —                            | —                   | —       | (584 )   |
| – Europe   |   |                       |                                     |                              |                     |         |          |
| – own credit spread  | 16  | —                     | —                                   | —                            | —                   | (1,226) | (1,226 ) |
| – portfolio disposals  |   | —                     | —                                   | —                            | —                   | (68)    | (68 )    |
| – releases arising from the ongoing review of compliance with the UK Consumer Credit Act |   | —                     | —                                   | —                            | (2)                 | —       | (2 )     |
| – trading results from disposed-of operations in Brazil                                  |   | (988)                 | (288)                               | (268)                        | (12)                | 86      | (1,470 ) |
| – currency translation on significant items  |   | (130)                 | (26)                                | (27)                         | (2)                 | 48      | (137 )   |
| Adjusted LICs  |   | 8,955                 | 6,315                               | 7,213                        | 894                 | 1,858   | 25,235   |
| Reported   |   | (1,023)               | (830)                               | (439)                        | 11                  | (85)    | (2,366 ) |
| Currency translation   |   | (44)                  | (9)                                 | (5)                          | (1)                 | 2       | (57 )    |
| Significant Items  |   | 536                   | 315                                 | 16                           | —                   | —       | 867      |
| – trading results from disposed-of operations in Brazil                                  |   | 462                   | 272                                 | 14                           | —                   | —       | 748      |
| – currency translation on significant items  |   | 74                    | 43                                  | 2                            | —                   | —       | 119      |
| Adjusted   |   | (531)                 | (524)                               | (428)                        | 10                  | (83)    | (1,556 ) |
| Operating expenses   |   |                       |                                     |                              |                     |         |          |
| Reported   |   | (7,129)               | (3,179)                             | (4,759)                      | (1,552)             | (2,009) | (18,628) |
| Currency translation   |   | 200                   | 105                                 | 210                          | 16                  | 45      | 576      |
| Significant items  |   | 1,031                 | 228                                 | 322                          | 814                 | 1,435   | 3,830    |
| – costs to achieve   |   | 105                   | 37                                  | 91                           | 5                   | 780     | 1,018    |
| – costs to establish UK ring-fenced bank   |   | —                     | —                                   | —                            | —                   | 94      | 94       |
| – impairment of GPB – Europe goodwill  |   | —                     | —                                   | —                            | 800                 | —       | 800      |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|   |        |         |         |       |        |           |
|---|--------|---------|---------|-------|--------|-----------|
| – regulatory provisions in<br>GPB                                   | —      | —       | —       | —     | 4      | 4         |
| – settlements and provisions<br>in connection with legal<br>matters | —      | —       | 136     | —     | 587    | 723       |
| – UK customer redress<br>programmes                                 | —      | 15      | 18      | —     | —      | 33        |
| – trading results from<br>disposed-of operations<br>in Brazil       | 805    | 155     | 82      | 8     | 9      | 1,059     |
| –   |        |         |         |       |        |           |
| – currency translation on<br>significant items                      | 121    | 21      | (5      | )1    | (39    | )99       |
| Adjusted  | (5,898 | )(2,846 | )(4,227 | )(722 | )(529  | )(14,222) |
| Share of profit in associates<br>and joint ventures                 |        |         |         |       |        |           |
| Reported  | 14     | —       | —       | —     | 1,224  | 1,238     |
| Currency translation  | (1     | )—      | —       | —     | (44    | )(45 )    |
| Significant Items   | —      | —       | —       | —     | 1      | 1         |
| – trading results from<br>disposed-of operations<br>in Brazil       | —      | —       | —       | —     | 1      | 1         |
| –   |        |         |         |       |        |           |
| – currency translation on<br>significant items                      | —      | —       | —       | —     | —      | —         |
| Adjusted  | 13     | —       | —       | —     | 1,181  | 1,194     |
| Profit before tax   |        |         |         |       |        |           |
| Reported  | 2,618  | 3,154   | 2,732   | (609  | )1,819 | 9,714     |
| Currency translation  | (174   | )(208   | )(66    | )(7   | )(65   | )(520 )   |
| Significant items   | 95     | (1      | )(108   | )798  | 673    | 1,457     |
| – revenue   | (1,472 | )(544   | )(446   | )(16  | )(763  | )(3,241 ) |
| – LICs  | 536    | 315     | 16      | —     | —      | 867       |
| – operating expenses  | 1,031  | 228     | 322     | 814   | 1,435  | 3,830     |
| – share of profit in associates<br>and joint ventures               | —      | —       | —       | —     | 1      | 1         |
| Adjusted  | 2,539  | 2,945   | 2,558   | 182   | 2,427  | 10,651    |

HSBC Holdings plc 41

## Global businesses and geographical regions

## Reconciliation of reported results to adjusted items – global businesses (continued)

|   |    | Half-year to 31 Dec 2016                      |                       |                                     |                              |                     |           |
|---|----|---|-----------------------|-------------------------------------|------------------------------|---------------------|-----------|
|   |    | Retail<br>Banking and<br>Wealth<br>Management | Commercial<br>Banking | Global<br>Banking<br>and<br>Markets | Global<br>Private<br>Banking | Corporate<br>Centre | Total     |
| Footnotes   |    | \$m   | \$m                   | \$m                                 | \$m                          | \$m                 | \$m       |
| Revenue   | 1  |   |                       |                                     |                              |                     |           |
| Reported  |    | 9,582   | 6,242                 | 7,283                               | 813                          | (5,424)             | )18,496   |
| Currency translation  |    | (113)   | )(87                  | )(86                                | )(1                          | )(28                | )(315 )   |
| Significant items   |    | (72   | )—                    | 125                                 | 26                           | 5,202               | 5,281     |
| – DVA on derivative contracts                                 |    | —   | —                     | 125                                 | —                            | —                   | 125       |
| – fair value movements on non-qualifying hedges               | 19 | —   | —                     | —                                   | —                            | 290                 | 290       |
| – gain on disposal of our membership interest in Visa – US    |    | (72   | )—                    | —                                   | —                            | (44                 | )(116 )   |
| – own credit spread   | 16 | —   | —                     | —                                   | —                            | 3,018               | 3,018     |
| – portfolio disposals   |    | —   | —                     | —                                   | 26                           | 205                 | 231       |
| – loss on disposal of operations in Brazil                    |    | —   | —                     | —                                   | —                            | 1,743               | 1,743     |
| – currency translation on significant items                   |    | —   | —                     | —                                   | —                            | (10                 | )(10 )    |
| Adjusted  |    | 9,397   | 6,155                 | 7,322                               | 838                          | (250)               | )23,462   |
| LICs  |    |   |                       |                                     |                              |                     |           |
| Reported  |    | (610  | )(442                 | )(32                                | )(10                         | )60                 | (1,034 )  |
| Currency translation  |    | 16  | 10                    | (3                                  | )—                           | (3                  | )20       |
| Adjusted  |    | (594  | )(432                 | )(35                                | )(10                         | )57                 | (1,014 )  |
| Operating expenses  |    |   |                       |                                     |                              |                     |           |
| Reported  |    | (7,009  | )(2,908               | )(4,543                             | )(3,522                      | )(3,198             | )(21,180) |
| Currency translation  |    | 108   | 35                    | 32                                  | —                            | 14                  | 189       |
| Significant items   |    | 759   | 42                    | 106                                 | 2,791                        | 1,783               | 5,481     |
| – costs associated with portfolio disposals                   |    | —   | —                     | —                                   | 10                           | 18                  | 28        |
| – costs to achieve  |    | 288   | 25                    | 142                                 | 1                            | 1,644               | 2,100     |
| – costs to establish UK ring-fenced bank                      | 2  | —   | 1                     | —                                   | —                            | 126                 | 129       |
| – impairment of GPB – Europe goodwill                         |    | —   | —                     | —                                   | 2,440                        | —                   | 2,440     |
| – regulatory provisions in GPB                                |    | —   | —                     | —                                   | 341                          | (1                  | )340      |
| – settlements and provisions in connection with legal matters |    | —   | —                     | (42                                 | )—                           | —                   | (42 )     |
| – UK customer redress programmes                              |    | 497   | 19                    | 10                                  | —                            | —                   | 526       |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|  |        |       |        |        |        |        |       |        |        |      |          |   |
|--|--------|-------|--------|--------|--------|--------|-------|--------|--------|------|----------|---|
| – currency translation on significant items      | (28    | )     | (3     | )      | (4     | )      | (1    | )      | (4     | )    | (40      | ) |
| Adjusted   | (6,142 | )     | (2,831 | )      | (4,405 | )      | (731  | )      | (1,401 | )    | (15,510) | ) |
| Share of profit in associates and joint ventures |        |       |        |        |        |        |       |        |        |      |          |   |
| Reported   | 6      | —     | —      | —      | —      | —      | —     | —      | 1,110  | —    | 1,116    | — |
| Currency translation                             | 2      | —     | —      | —      | —      | —      | —     | —      | (22    | )    | (20      | ) |
| Adjusted   | 8      | —     | —      | —      | —      | —      | —     | —      | 1,088  | —    | 1,096    | — |
| Profit before tax                                |        |       |        |        |        |        |       |        |        |      |          |   |
| Reported   | 1,969  | 2,892 | 2,708  | (2,719 | )      | (7,452 | )     | (2,602 | )      |      |          |   |
| Currency translation                             | 13     | (42   | )      | (57    | )      | (1     | )     | (39    | )      | (126 | )        |   |
| Significant items                                | 687    | 42    | 231    | 2,817  | 6,985  | 10,762 |       |        |        |      |          |   |
| – revenue  | (72    | )     | —      | 125    | 26     | 5,202  | 5,281 |        |        |      |          |   |
| – operating expenses                             | 759    | 42    | 106    | 2,791  | 1,783  | 5,481  |       |        |        |      |          |   |
| Adjusted   | 2,669  | 2,892 | 2,882  | 97     | (506   | )      | 8,034 |        |        |      |          |   |
| For footnotes, see page 55.                      |        |       |        |        |        |        |       |        |        |      |          |   |

42HSBC Holdings plc

---

## Reconciliation of reported and adjusted risk-weighted assets

At 30 Jun 2017

|                      | Retail<br>Banking and<br>Wealth<br>Management | Commercial<br>Banking | Global<br>Banking and<br>Markets | Global Private<br>Banking | Corporate Centre | Total   |
|----------------------|---|-----------------------|----------------------------------|---------------------------|------------------|---------|
|                      | \$bn  | \$bn                  | \$bn                             | \$bn                      | \$bn             | \$bn    |
| Risk-weighted assets |   |                       |                                  |                           |                  |         |
| Reported             | 116.6   | 289.2                 | 306.1                            | 16.4                      | 147.8            | 876.1   |
| Disposals            | —   | (0.1)                 | )—                               | —                         | (5.2)            | )(5.3 ) |
| – Brazil operations  | —   | —                     | —                                | —                         | (5.2)            | )(5.2 ) |
| – Lebanon operations | —   | (0.1)                 | )—                               | —                         | —                | (0.1 )  |
| Adjusted             | 116.6   | 289.1                 | 306.1                            | 16.4                      | 142.6            | 870.8   |

At 30 Jun 2016

|                      |        |         |         |        |        |          |
|----------------------|--------|---------|---------|--------|--------|----------|
| Risk-weighted assets |        |         |         |        |        |          |
| Reported             | 129.4  | 298.8   | 334.4   | 17.3   | 302.3  | 1,082.2  |
| Currency translation | (1.7)  | )(4.2)  | )(1.6)  | )(0.1) | )(6.4) | )(14.0 ) |
| Disposals            | (14.4) | )(16.1) | )(13.0) | )(0.3) | )(4.2) | )(48.0 ) |
| – Brazil operations  | (14.2) | )(15.7) | )(13.0) | )(0.3) | )(3.6) | )(46.8 ) |
| – Lebanon operations | (0.2)  | )(0.4)  | )—      | —      | (0.6)  | )(1.2 )  |
| Adjusted             | 113.3  | 278.5   | 319.8   | 16.9   | 291.7  | 1,020.2  |

At 31 Dec 2016

|                      |       |        |        |      |       |         |
|----------------------|-------|--------|--------|------|-------|---------|
| Risk-weighted assets |       |        |        |      |       |         |
| Reported             | 115.1 | 275.9  | 300.4  | 15.3 | 150.5 | 857.2   |
| Currency translation | 2.2   | 7.6    | 5.2    | 0.2  | 1.8   | 17.0    |
| Disposals            | (3.4) | )(1.3) | )(0.8) | )—   | (0.7) | )(6.2 ) |
| – Brazil operations  | (3.2) | )(1.0) | )(0.8) | )—   | (0.2) | )(5.2 ) |
| – Lebanon operations | (0.2) | )(0.3) | )—     | —    | (0.5) | )(1.0 ) |
| Adjusted             | 113.9 | 282.2  | 304.8  | 15.5 | 151.6 | 868.0   |

HSBC Holdings plc 43

Global businesses and geographical regions

Global business commentary

Retail Banking and Wealth Management

Financial performance

Adjusted profit before tax

Adjusted profit before tax of \$3.4bn in 1H17 was \$0.8bn or 32% higher than in 1H16. This reflected strong adjusted revenue growth, partly offset by higher adjusted operating expenses and an increase in adjusted LICs. Adjusted jaws in 1H17 were positive 8.3%.

Adjusted revenue

Adjusted revenue of \$10.0bn in 1H17 was \$1.1bn or 12% higher than in 1H16, as adjusted revenue grew in both Wealth Management (up 32%) and Retail Banking (up 4%).

The adjusted revenue increase in Wealth Management resulted from:

growth in insurance manufacturing revenue of \$554m. This reflected favourable market impacts of \$217m due to interest rates and equity markets, notably in Asia and France. This compared with adverse market impacts in 1H16 of \$319m, and higher insurance sales in Asia; and

an increase in investment distribution revenue of \$184m, primarily driven by higher sales of mutual funds in Hong Kong, reflecting increased investor confidence.

The adjusted revenue increase in Retail Banking resulted from:

a \$437m increase in revenue from current accounts, savings and deposits. This reflected wider spreads and balance growth in Hong Kong and Mexico.

This was partly offset by:

lower personal lending revenue (down \$163m) reflecting narrower spreads in mortgages, notably in Hong Kong and the UK, as well as lower revenue in the UK from current accounts, savings and deposits as spreads narrowed, though balances grew.

Adjusted LICs

Adjusted LICs of \$556m in 1H17 were \$25m or 5% higher than in 1H16 reflecting our strategy to shift our portfolio to unsecured lending. This included an increase of \$43m in Mexico, reflecting targeted growth in unsecured lending and associated higher delinquency rates. In addition, adjusted LICs in the UK increased by \$47m compared with 1H16, primarily against our mortgages and cards exposures. LICs in the UK remain at low levels, representing 16bps of the overall portfolio. The increases in LICs were partly offset by lower adjusted LICs in Turkey and the US.

Adjusted operating expenses

Adjusted operating expenses of \$6.1bn in 1H17 were \$0.2bn or 4% higher than in 1H16, as transformational and other cost savings were more than offset by investments, increased technology costs, performance related pay and inflation.

Commercial Banking

Financial performance

Adjusted profit before tax

Adjusted profit before tax of \$3.4bn was \$0.5bn or 17% higher than in 1H16, reflecting lower adjusted LICs and higher adjusted revenue. We achieved positive adjusted jaws in 1H17 of 1.5%.

Adjusted revenue

Adjusted revenue in 1H17 of \$6.4bn was \$0.1bn or 1% higher than in 1H16, as higher adjusted revenue in GLCM was partly offset in Credit and Lending, and Global Trade and Receivables Finance ('GTRF').

In GLCM, adjusted revenue of \$2.3bn increased by \$192m or 9% compared with 1H16, reflecting wider spreads in Hong Kong and mainland China. In the UK, growth in average deposit balances of 14% was more than offset by narrower spreads, following the UK base rate reduction in August 2016.

In Credit and Lending, adjusted revenue of \$2.4bn decreased by \$31m or 1% compared with 1H16. This reduction was mainly in Asia reflecting narrower spreads, notably in Hong Kong and mainland China as a result of competitive environments, partly offset by growth in average balances in Hong Kong (13%). In the UK, revenue increased from

growth in average balances (14%) which more than offset the effects of spread compression following the base rate reduction in August 2016.

In GTRF, adjusted revenue of \$900m decreased by \$27m or 3% compared with 1H16, primarily in Middle East and North Africa ('MENA'), reflecting planned customer exits in the UAE. Although adjusted revenue fell, it has stabilised since 4Q16, as we grew lending in Asia. Despite challenges in global trade, we continued to increase our share of key markets, including trade finance in Hong Kong and Singapore, and receivables finance in the UK.

#### Adjusted LICs

Adjusted LICs in 1H17 reduced by \$406m to \$118m, notably in North America and the UK, reflecting lower individually assessed LICs, primarily against exposures in the oil and gas sector. 1H17 also included a net releases in the UK relating to the construction sector. These reductions were partly offset by higher individually assessed LICs in Hong Kong relating to a small number of customers. Collectively assessed LICs were higher in Hong Kong and MENA, in part offset in the UK where the reduction reflected reduced exposures and lower loss rates in the oil and gas sector.

#### Adjusted operating expenses

Adjusted operating expenses in 1H17 of \$2.8bn were unchanged compared with 1H16 as salary inflation and investment in digital initiatives and Global Standards were offset by cost-saving initiatives.

As a result of management initiatives, RWAs were reduced by \$7bn, resulting in a cumulative decrease of \$53bn since our Investor Update in June 2015, exceeding our target of \$29bn

#### Global Banking and Markets

##### Financial performance

##### Adjusted profit before tax

Adjusted profit before tax of \$3.4bn in 1H17 was \$0.8bn or 33% higher compared with 1H16. This reflected a strong adjusted revenue performance in 1H17, as well as a reduction in adjusted LICs of \$0.4bn, partly offset by higher adjusted operating expenses of \$0.2bn. In 1H17, we achieved positive adjusted jaws of 4.9%.

Adjusted revenue increased by \$0.6bn or 8% including a net adverse movement of \$147m on credit and funding valuation adjustments. Excluding these movements, adjusted profit before tax rose by \$1.0bn or 40%, and adjusted revenue increased by \$0.8bn or 11%, with increases in all of our businesses.

##### Adjusted revenue

The rise in adjusted revenue compared with 1H16 was driven by:

• FICC (up \$176m to \$3.1bn), primarily in Rates and Credit, as we captured higher client flows and grew our market share in Europe, despite challenging industry-wide conditions at the start of 2Q17.

Equities (up \$167m to \$659m), as we continued to capture market share in Prime Financing products. By contrast, performance in 1H16 was affected by market volatility which led to reduced client activity.

A strong performance in Global Banking (up \$168m to \$2.0bn), with continued momentum in Investment Banking and growth in lending balances, which more than offset the effects of tightening spreads on lending in Asia. The increase in adjusted revenue also included recoveries on restructured facilities in 1H17. This compared with write-downs in 1H16.

An increase in adjusted revenue from all our transaction banking products, notably GLCM (up \$129m to \$1.0bn) and Securities Services (up \$92m to \$839m). In GLCM, deposit balances grew as we won client mandates and spreads widened, notably in Asia and the US, although UK deposit balance growth was offset by narrower spreads.

#### Adjusted LICs

Adjusted LICs of \$41m in 1H17, decreased by \$387m compared with 1H16. This largely reflected a reduction in individually assessed charges, particularly as the prior year included LICs on exposures in the oil and gas, and mining sectors in the US.

#### Adjusted operating expenses

Adjusted operating expenses in 1H17 of \$4.4bn, increased by \$152m or 4% compared with 1H16. This increase reflected higher performance and severance costs, including pension costs. In addition, we made strategic investments in GLCM, HSS and Foreign Exchange. Our continued cost management, efficiency improvements and FTE reductions were broadly offset by the effects of inflation.

We have now exceeded the RWA reduction target set in our Investor Update in June 2015, with the cumulative reduction in RWAs from management initiatives reaching \$107bn. This includes a further RWA reduction of \$11bn in 1H17. Our RoRWA improved to 2.3% from 1.6% in 1H16.

#### Global Private Banking

##### Financial performance

##### Adjusted profit before tax

Adjusted profit before tax of \$143m in 1H17 was \$39m or 21% lower compared with 1H16, as adjusted revenue decreased, partly offset by a reduction in adjusted operating expenses.

##### Adjusted revenue

Adjusted revenue of \$846m in 1H17 was \$48m or 5% lower compared with 1H16. This reduction reflected the continued impact of our client repositioning actions. Adjusted revenue from markets targeted for growth increased by 9% compared with 1H16, mainly in Hong Kong reflecting higher investment revenue and wider deposit spreads.

##### Adjusted LICs

Adjusted LICs of \$1m in 1H17, compared with a net release of adjusted LICs of \$10m in 1H16.

##### Adjusted operating expenses

Adjusted operating expenses of \$702m in 1H17 were \$20m or 3% lower compared with 1H16. This primarily reflected the managed reduction in FTEs together with the impact of our cost-saving initiatives.

##### Net New Money

Net new money of \$1bn in 1H17 was driven by positive inflows of \$8bn in key markets targeted for growth, mainly in Hong Kong. This was partly offset by outflows resulting from the repositioning of the business. These repositioning actions are largely complete.

#### Corporate Centre

##### Financial performance

##### Adjusted profit before tax

Adjusted profit before tax of \$1.6bn in 1H17 was \$0.8bn or 33% lower compared with 1H16, as adjusted revenue decreased, partly offset by a reduction in adjusted LICs.

##### Adjusted revenue

Adjusted revenue of \$0.9bn in 1H17 was \$0.9bn or 50% lower compared with 1H16. The reduction reflecting a decrease in adjusted revenue in Central Treasury (\$0.6bn) and the US run-off portfolio (\$0.3bn), from continuing disposals. In Central Treasury, adjusted revenue decreased as a result of:

favourable fair value movements (\$0.1bn in 1H17 compared with favourable fair value movements of \$0.4bn in 1H16 relating to the economic hedging of interest-rate and exchange-rate risk on our long-term debt designated at fair value with long-term derivatives; and

higher interest expense on our debt (\$0.3bn) compared with 1H16, mainly reflecting the higher cost of debt to meet regulatory requirements.

These reductions were partly offset by an increase in legacy credit (\$0.2bn), primarily resulting from net favourable movements in credit and funding valuation adjustments.

#### Adjusted LICs

A net release of adjusted LICs of \$53m in 1H17, compared with a net charge of \$83m in 1H16. The favourable movement primarily reflected lower adjusted LICs in the US run-off portfolio.

#### Adjusted operating expenses

Adjusted operating expenses of \$558m in 1H17 were \$29m or 5% higher compared with 1H16. This was primarily due to a credit booked in 1H16 relating to the 2015 UK bank levy (\$0.1bn), compared with minimal charges in 1H17. Excluding the UK Bank Levy, adjusted operating expenses fell \$116m compared with 1H16, due to lower operating expenses in the US run-off portfolio.

#### Adjusted income from associates

Adjusted share of profit from associates and joint ventures of \$1.2bn in 1H17 was \$13m or 1% higher than in 1H16. The increase primarily reflected a higher share of profit from Bank of Communications.

## Global businesses and geographical regions

## Supplementary tables for RBWM and GPB

A breakdown of RBWM by business unit is presented below to reflect the basis of how the revenue performance of the business units is assessed and managed.

For GPB, a key measure of business performance is client assets, which is also presented below.

## RBWM – summary (Adjusted basis)

|  |          | Total<br>RBWM | Consists of                  |                                   | Asset<br>management |
|--|----------|---------------|------------------------------|-----------------------------------|---------------------|
|  | Footnote | \$m           | Banking<br>operations<br>\$m | Insurance<br>manufacturing<br>\$m | \$m                 |
| Half-year to 30 Jun 2017   |          |               |                              |                                   |                     |
| Net operating income before loan impairment charges and other credit risk provisions | 18       | 10,043        | 8,372                        | 1,161                             | 510                 |
| – net interest income  |          | 6,745         | 5,783                        | 963                               | (1 )                |
| – net fee income/(expense)   |          | 2,516         | 2,292                        | (262                              | )486                |
| – other income/(loss)  |          | 782           | 297                          | 460                               | 25                  |
| LICs   |          | (556          | )(556                        | )—                                | —                   |
| Net operating income   |          | 9,487         | 7,816                        | 1,161                             | 510                 |
| Total operating expenses   |          | (6,121        | )(5,581                      | )(203                             | )(337 )             |
| Operating profit/(loss)  |          | 3,366         | 2,235                        | 958                               | 173                 |
| Share of profit in associates and joint ventures                                     |          | (11           | )—                           | (11                               | )—                  |
| Profit/(loss) before tax   |          | 3,355         | 2,235                        | 947                               | 173                 |
| Half-year to 30 Jun 2016   |          |               |                              |                                   |                     |
| Net operating income before loan impairment charges and other credit risk provisions | 18       | 8,955         | 7,863                        | 622                               | 470                 |
| – net interest income  |          | 6,328         | 5,397                        | 929                               | 2                   |
| – net fee income/(expense)   |          | 2,288         | 2,126                        | (286                              | )448                |
| – other income   |          | 339           | 340                          | (21                               | )20                 |
| LICs   |          | (531          | )(531                        | )—                                | —                   |
| Net operating income   |          | 8,424         | 7,332                        | 622                               | 470                 |
| Total operating expenses   |          | (5,898        | )(5,400                      | )(180                             | )(318 )             |
| Operating profit/(loss)  |          | 2,526         | 1,932                        | 442                               | 152                 |
| Share of profit in associates and joint ventures                                     |          | 13            | (1                           | )14                               | —                   |
| Profit/(loss) before tax   |          | 2,539         | 1,931                        | 456                               | 152                 |
| Half-year to 31 Dec 2016   |          |               |                              |                                   |                     |
| Net operating income before loan impairment charges and other credit risk provisions | 18       | 9,397         | 7,992                        | 898                               | 507                 |
| – net interest income  |          | 6,451         | 5,483                        | 961                               | 7                   |
| – net fee income/(expense)   |          | 2,419         | 2,193                        | (250                              | )476                |
| – other income   |          | 527           | 316                          | 187                               | 24                  |
| LICs   |          | (594          | )(594                        | )—                                | —                   |
| Net operating income   |          | 8,803         | 7,398                        | 898                               | 507                 |
| Total operating expenses   |          | (6,142        | )(5,614                      | )(193                             | )(335 )             |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|  |       |       |     |     |
|--|-------|-------|-----|-----|
| Operating profit/(loss)                          | 2,661 | 1,784 | 705 | 172 |
| Share of profit in associates and joint ventures | 8     | 2     | 6   | —   |
| Profit/(loss) before tax                         | 2,669 | 1,786 | 711 | 172 |

For footnotes, see page 55.

Insurance manufacturing for RBWM excluded other global businesses which contributed net operating income of \$121m (1H16: \$128m; 2H16: \$40m) and profit before tax of \$94m(1H16: \$98m; 2H16: \$18m) to overall insurance manufacturing. In 2017 insurance manufacturing net operating income for RBWM included \$1,113m within Wealth Management (1H16: \$559m; 2H16: \$837m) and \$48m within other products (1H16: \$63m; 2H16: \$61m).

In total, insurance manufacturing generated \$1,524m of annualised new business premiums (1H16: \$1,376m; 2H16: \$1,245m) of which \$1,472m (1H16: \$1,329m; 2H16: \$1,223m) related to RBWM.

Distribution of insurance products by HSBC channels contributed \$547m of net fee income (1H16: \$534m; 2H16: \$496m) of which RBWM channels earned \$471m (1H16: \$464m; 2H16: \$442m). Of this total income, \$339m was in respect of HSBC manufactured products (1H16: \$315m; 2H16: \$295m) and a corresponding fee expense is therefore recognised within the insurance manufacturing.

46HSBC Holdings plc

---

## Global Private Banking

Reported client assets<sup>20</sup>

|                                       |           | At     |        |        |
|---------------------------------------|-----------|--------|--------|--------|
|                                       |           | 30 Jun | 30 Jun | 31 Dec |
|                                       |           | 2017   | 2016   | 2016   |
|                                       | Footnotes | \$bn   | \$bn   | \$bn   |
| Opening balance                       |           | 298    | 349    | 317    |
| Net new money                         |           | 1      | (7     | )(10   |
| – of which: areas targeted for growth |           | 8      | 5      | (3     |
| Value change                          |           | 12     | (6     | )5     |
| Disposals                             |           | (9     | )(22   | )(2    |
| Exchange and other                    |           | 14     | 3      | (12    |
| Closing balance                       | 21        | 316    | 317    | 298    |

For footnotes, see page 55.

## Reported client assets by geography

|                 | At     |        |        |
|-----------------|--------|--------|--------|
|                 | 30 Jun | 30 Jun | 31 Dec |
|                 | 2017   | 2016   | 2016   |
|                 | \$bn   | \$bn   | \$bn   |
| Europe          | 155    | 157    | 147    |
| Asia            | 119    | 107    | 108    |
| North America   | 42     | 43     | 40     |
| Latin America   | —      | 9      | 3      |
| Middle East     | —      | 1      | —      |
| Closing balance | 316    | 317    | 298    |

## Funds under management

|                         | At     |        |        |
|-------------------------|--------|--------|--------|
|                         | 30 Jun | 30 Jun | 31 Dec |
|                         | 2017   | 2016   | 2016   |
|                         | \$bn   | \$bn   | \$bn   |
| Global Asset Management | 440    | 426    | 410    |
| Global Private Banking  | 243    | 232    | 222    |
| Affiliates              | 4      | 3      | 2      |
| Other                   | 202    | 209    | 197    |
| Funds under management  | 889    | 870    | 831    |

|                        | Half-year to |        |        |
|------------------------|--------------|--------|--------|
|                        | 30 Jun       | 30 Jun | 31 Dec |
|                        | 2017         | 2016   | 2016   |
|                        | \$bn         | \$bn   | \$bn   |
| At beginning of period | 831          | 896    | 870    |
| Net new money          | (6           | )(8    | )—     |
| Value change           | 39           | 6      | 19     |
| Exchange and other     | 25           | (24    | )(16   |
| Disposals              | —            | —      | (42    |
| At end of period       | 889          | 870    | 831    |



## Global businesses and geographical regions

## Analysis of reported results by geographical regions

## HSBC reported profit/(loss) before tax and balance sheet data

|           |    | Half-year to 30 Jun 2017 |         |                    |               |               |                  |            |   |
|-----------|----|--------------------------|---------|--------------------|---------------|---------------|------------------|------------|---|
|           |    | Europe <sup>22</sup>     | Asia    | MENA <sup>22</sup> | North America | Latin America | Intra-HSBC items | Total      |   |
| Footnotes |    | \$m                      | \$m     | \$m                | \$m           | \$m           | \$m              | \$m        |   |
|           |    | 3,470                    | 6,765   | 858                | 1,770         | 1,010         | (96              | )13,777    |   |
|           |    | 2,175                    | 2,819   | 316                | 929           | 252           | —                | 6,491      |   |
|           | 12 | 1,690                    | 1,574   | 118                | 274           | 176           | 96               | 3,928      |   |
|           | 17 | 1,568                    | 1,628   | 70                 | 523           | 111           | (1,930           | )1,970     |   |
|           |    | 8,903                    | 12,786  | 1,362              | 3,496         | 1,549         | (1,930           | )26,166    |   |
|           |    | 19                       | (448    | )(122              | )137          | (249          | )—               | (663       | ) |
|           |    | 8,922                    | 12,338  | 1,240              | 3,633         | 1,300         | (1,930           | )25,503    |   |
|           |    | (8,361                   | )(5,640 | )(673              | )(2,683       | )(1,016       | )1,930           | (16,443    | ) |
|           |    | 561                      | 6,698   | 567                | 950           | 284           | —                | 9,060      |   |
|           |    | 11                       | 932     | 237                | 3             | —             | —                | 1,183      |   |
|           |    | 572                      | 7,630   | 804                | 953           | 284           | —                | 10,243     |   |
|           |    | %                        | %       | %                  | %             | %             |                  | %          |   |
|           |    | 5.6                      | 74.5    | 7.8                | 9.3           | 2.8           |                  | 100.0      |   |
|           |    | 93.9                     | 44.1    | 49.4               | 76.7          | 65.6          |                  | 62.8       |   |
|           |    | \$m                      | \$m     | \$m                | \$m           | \$m           | \$m              | \$m        |   |
|           |    | 364,943                  | 400,505 | 28,489             | 105,996       | 19,905        | —                | 919,838    |   |
|           |    | 384                      | —       | —                  | 1,483         | —             | —                | 1,867      |   |
|           |    | 1,148,654                | 975,165 | 57,781             | 436,175       | 46,834        | (172,166         | )2,492,443 |   |
|           |    | 479,079                  | 635,809 | 34,794             | 139,770       | 22,506        | —                | 1,311,958  |   |
|           |    | 593                      | —       | —                  | —             | —             | —                | 593        |   |
|           | 23 | 311,690                  | 347,019 | 59,329             | 137,274       | 38,641        | —                | 876,118    |   |
|           |    | Half-year to 30 Jun 2016 |         |                    |               |               |                  |            |   |
|           |    | 4,517                    | 6,141   | 922                | 2,236         | 1,976         | (32              | )15,760    |   |
|           |    | 2,175                    | 2,571   | 386                | 970           | 484           | —                | 6,586      |   |
|           | 12 | 2,840                    | 1,703   | 231                | 221           | 297           | 32               | 5,324      |   |
|           | 17 | 1,312                    | 1,337   | 73                 | 525           | 168           | (1,615           | )1,800     |   |
|           |    | 10,844                   | 11,752  | 1,612              | 3,952         | 2,925         | (1,615           | )29,470    |   |
|           |    | (343                     | )(344   | )(95               | )(617         | )(967         | )—               | (2,366     | ) |
|           |    | 10,501                   | 11,408  | 1,517              | 3,335         | 1,958         | (1,615           | )27,104    |   |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|   |           |         |         |         |         |          |            |           |
|---|-----------|---------|---------|---------|---------|----------|------------|-----------|
| Total operating expenses                                | (8,915    | )(5,245 | )(788   | )(3,283 | )(2,012 | )1,615   | (18,628    | )         |
| Operating profit/(loss)                                 | 1,586     | 6,163   | 729     | 52      | (54     | )—       | 8,476      |           |
| Share of profit/(loss) in associates and joint ventures | (1        | )992    | 250     | (2      | )(1     | )—       | 1,238      |           |
| Profit/(loss) before tax                                | 1,585     | 7,155   | 979     | 50      | (55     | )—       | 9,714      |           |
|   | %         | %       | %       | %       | %       |          | %          |           |
| Share of HSBC's profit before tax                       | 16.3      | 73.7    | 10.1    | 0.5     | (0.6    | )        | 100.0      |           |
| Cost efficiency ratio                                   | 82.2      | 44.6    | 48.9    | 83.1    | 68.8    |          | 63.2       |           |
| Balance sheet data                                      | \$m       | \$m     | \$m     | \$m     | \$m     | \$m      | \$m        |           |
| Loans and advances to customers (net)                   | 359,313   | 352,404 | 35,786  | 122,509 | 17,544  | —        | 887,556    |           |
| – reported in held for sale                             | 568       | —       | —       | 940     | 19,203  | —        | 20,711     |           |
| Total assets  | 1,244,523 | 946,998 | 68,618  | 438,658 | 93,067  | (183,715 | )2,608,149 |           |
| Customer accounts                                       | 477,485   | 610,200 | 40,601  | 142,152 | 20,520  | —        | 1,290,958  |           |
| – reported in held for sale                             | 1,149     | —       | —       | 25      | 19,357  | —        | 20,531     |           |
| Risk-weighted assets                                    | 23        | 321,394 | 462,309 | 69,512  | 175,138 | 78,562   | —          | 1,082,184 |

48HSBC Holdings plc

---

## HSBC reported profit/(loss) before tax and balance sheet data (continued)

Half-year to 31 Dec 2016

|   |           | Europe    | Asia     | MENA    | North America | Latin America | Intra-HSBC items | Total       |
|---|-----------|-----------|----------|---------|---------------|---------------|------------------|-------------|
|   | Footnotes | \$m       | \$m      | \$m     | \$m           | \$m           | \$m              | \$m         |
| Net interest income   |           | 3,830     | 6,349    | 908     | 1,984         | 1,030         | (48)             | )14,053     |
| Net fee income/(expense)  |           | 2,071     | 2,629    | 324     | 928           | 239           | —                | 6,191       |
| Net trading income  | 12        | 2,109     | 1,424    | 154     | 241           | 152           | 48               | 4,128       |
| Other income/(expense)  | 17        | (3,338    | )1,166   | (29     | ) (40         | ) (1,660      | ) (1,975         | ) (5,876 )  |
| Net operating income before loan impairment charges and other credit risk | 18        | 4,672     | 11,568   | 1,357   | 3,113         | (239          | ) (1,975         | ) 18,496    |
| Loan impairment charges and other credit risk provisions                  |           | (103      | ) (333   | ) (221  | ) (115        | ) (262        | ) —              | (1,034 )    |
| Net operating income  |           | 4,569     | 11,235   | 1,136   | 2,998         | (501          | ) (1,975         | ) 17,462    |
| Total operating expenses  |           | (12,930   | ) (5,540 | ) (796  | ) (2,864      | ) (1,025      | ) 1,975          | (21,180 )   |
| Operating profit/(loss)   |           | (8,361    | ) 5,695  | 340     | 134           | (1,526        | ) —              | (3,718 )    |
| Share of profit/(loss) in associates and joint ventures                   |           | 2         | 929      | 184     | 1             | —             | —                | 1,116       |
| Profit/(loss) before tax  |           | (8,359    | ) 6,624  | 524     | 135           | (1,526        | ) —              | (2,602 )    |
|   |           | %         | %        | %       | %             | %             |                  | %           |
| Share of HSBC's profit before tax   |           | 321.3     | (254.6   | ) (20.1 | ) (5.2        | ) 58.6        |                  | 100.0       |
| Cost efficiency ratio   |           | 276.8     | 47.9     | 58.7    | 92.0          | (428.9        | )                | 114.5       |
| Balance sheet data  |           | \$m       | \$m      | \$m     | \$m           | \$m           | \$m              | \$m         |
| Loans and advances to customers (net)                                     |           | 336,670   | 365,430  | 30,740  | 111,710       | 16,954        | —                | 861,504     |
| – reported in held for sale   |           | 1,057     | —        | 474     | 2,092         | —             | —                | 3,623       |
| Total assets  |           | 1,068,446 | 965,730  | 60,472  | 409,021       | 43,137        | (171,820         | ) 2,374,986 |
| Customer accounts   |           | 446,615   | 631,723  | 34,766  | 138,790       | 20,492        | —                | 1,272,386   |
| – reported in held for sale   |           | 2,012     | —        | 701     | —             | —             | —                | 2,713       |
| Risk-weighted assets  | 23        | 298,384   | 333,987  | 59,065  | 150,714       | 34,341        | —                | 857,181     |
| For footnotes, see page 55.   |           |           |          |         |               |               |                  |             |

HSBC Holdings plc 49

## Global businesses and geographical regions

## Reconciliation of reported and adjusted items – geographical regions

## Reconciliation of reported results to adjusted performance – geographical regions

Half-year to 30 Jun 2017

|   |           | Europe | Asia   | MENA  | North<br>America | Latin<br>America | Total   | UK     | Hong<br>Kong |   |
|---|-----------|--------|--------|-------|------------------|------------------|---------|--------|--------------|---|
|   | Footnotes | \$m    | \$m    | \$m   | \$m              | \$m              | \$m     | \$m    | \$m          |   |
| Revenue   | 1         |        |        |       |                  |                  |         |        |              |   |
| Reported  | 24        | 8,903  | 12,786 | 1,362 | 3,496            | 1,549            | 26,166  | 6,559  | 7,959        |   |
| Significant items   |           | (2     | )121   | 1     | (238             | )5               | (113    | )7     | )56          |   |
| – DVA on derivative contracts                                 |           | 136    | 105    | 1     | 28               | 5                | 275     | 114    | 36           |   |
| – fair value movements on non-qualifying hedges               | 19        | (48    | )16    | —     | 2                | —                | (30     | )43    | )20          |   |
| – gain on disposal of our membership interest in Visa – US    |           | —      | —      | —     | (312             | )—               | (312    | )—     | —            |   |
| – portfolio disposals   |           | (12    | )—     | —     | 44               | —                | 32      | —      | —            |   |
| – other acquisitions, disposals and dilutions                 |           | (78    | )—     | —     | —                | —                | (78     | )78    | )—           |   |
| Adjusted  | 24        | 8,901  | 12,907 | 1,363 | 3,258            | 1,554            | 26,053  | 6,552  | 8,015        |   |
| LICs  | 25        |        |        |       |                  |                  |         |        |              |   |
| Reported  |           | 19     | (448   | )122  | )137             | (249             | )663    | )32    | (388         | ) |
| Adjusted  |           | 19     | (448   | )122  | )137             | (249             | )663    | )32    | (388         | ) |
| Operating expenses  |           |        |        |       |                  |                  |         |        |              |   |
| Reported  | 24        | (8,361 | )5,640 | )673  | )2,683           | )1,016           | )16,443 | )6,659 | )2,950       |   |
| Significant items   |           | 1,231  | 355    | 15    | 211              | 25               | 1,837   | 1,143  | 168          |   |
| – costs associated with portfolio disposals                   |           | 2      | —      | —     | 8                | —                | 10      | —      | —            |   |
| – costs associated with the UK's exit from the EU             |           | 4      | —      | —     | —                | —                | 4       | 4      | —            |   |
| – costs to achieve  |           | 1,072  | 355    | 15    | 203              | 25               | 1,670   | 986    | 168          |   |
| – costs to establish UK ring-fenced bank                      |           | 176    | —      | —     | —                | —                | 176     | 176    | —            |   |
| – settlements and provisions in connection with legal matters |           | (322   | )—     | —     | —                | —                | (322    | )322   | )—           |   |
| – UK customer redress programmes                              |           | 299    | —      | —     | —                | —                | 299     | 299    | —            |   |
| Adjusted  | 24        | (7,130 | )5,285 | )658  | )2,472           | )991             | )14,606 | )5,516 | )2,782       |   |
| Share of profit in associates and joint ventures              |           |        |        |       |                  |                  |         |        |              |   |
| Reported  |           | 11     | 932    | 237   | 3                | —                | 1,183   | 11     | (12          | ) |
| Adjusted  |           | 11     | 932    | 237   | 3                | —                | 1,183   | 11     | (12          | ) |
| Profit before tax   |           |        |        |       |                  |                  |         |        |              |   |
| Reported  |           | 572    | 7,630  | 804   | 953              | 284              | 10,243  | (57    | )4,609       |   |
| Significant items   |           | 1,229  | 476    | 16    | (27              | )30              | 1,724   | 1,136  | 224          |   |
| – revenue   |           | (2     | )121   | 1     | (238             | )5               | (113    | )7     | )56          |   |
| – operating expenses  |           | 1,231  | 355    | 15    | 211              | 25               | 1,837   | 1,143  | 168          |   |
| Adjusted  |           | 1,801  | 8,106  | 820   | 926              | 314              | 11,967  | 1,079  | 4,833        |   |

50HSBC Holdings plc



Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Reconciliation of reported results to adjusted performance – geographical regions (continued)

Half-year to 30 Jun 2016

|  |           | Europe <sup>22</sup> | Asia    | MENA <sup>22</sup> | North America | Latin America | Total    | UK      | Hong Kong |
|--|-----------|----------------------|---------|--------------------|---------------|---------------|----------|---------|-----------|
|  | Footnotes | \$m                  | \$m     | \$m                | \$m           | \$m           | \$m      | \$m     | \$m       |
| Revenue  | 1         |                      |         |                    |               |               |          |         |           |
| Reported   | 24        | 10,844               | 11,752  | 1,612              | 3,952         | 2,925         | 29,470   | 8,450   | 7,061     |
| Currency translation   | 24        | (880)                | (32)    | (220)              | (2)           | 134           | (994)    | (854)   | (6)       |
| Significant items  |           | (1,413)              | (66)    | (14)               | (74)          | (1,674)       | (3,241)  | (1,296) | (22)      |
| – DVA on derivative contracts  |           | (110)                | (63)    | —                  | (13)          | 35            | (151)    | (100)   | (25)      |
| – fair value movements on non-qualifying hedges  | 19        | 277                  | 13      | —                  | 109           | (2)           | 397      | 239     | 16        |
| – gain on disposal of our membership interest in Visa – Europe                           |           | (573)                | —       | (11)               | —             | —             | (584)    | (441)   | —         |
| – own credit spread  | 16        | (1,103)              | (16)    | (5)                | (102)         | —             | (1,226)  | (1,087) | (13)      |
| – portfolio disposals  |           | —                    | —       | —                  | (68)          | —             | (68)     | —       | —         |
| – releases arising from the ongoing review of compliance with the UK Consumer Credit Act |           | (2)                  | —       | —                  | —             | —             | (2)      | (2)     | —         |
| – trading results of disposed-of operations in Brazil                                    |           | —                    | —       | —                  | —             | (1,470)       | (1,470)  | —       | —         |
| – currency translation on significant items  |           | 98                   | —       | 2                  | —             | (237)         | (137)    | 95      | —         |
| Adjusted LICs  | 24<br>25  | 8,551                | 11,654  | 1,378              | 3,876         | 1,385         | 25,235   | 6,300   | 7,033     |
| Reported   |           | (343)                | (344)   | (95)               | (617)         | (967)         | (2,366)  | (261)   | (143)     |
| Currency translation   |           | 36                   | —       | 12                 | (1)           | (104)         | (57)     | 33      | —         |
| Significant items  |           | —                    | —       | —                  | —             | 867           | 867      | —       | —         |
| – trading results of disposed-of operations in Brazil                                    |           | —                    | —       | —                  | —             | 748           | 748      | —       | —         |
| – currency translation on significant items  |           | —                    | —       | —                  | —             | 119           | 119      | —       | —         |
| Adjusted Operating expenses  |           | (307)                | (344)   | (83)               | (618)         | (204)         | (1,556)  | (228)   | (143)     |
| Reported   | 24        | (8,915)              | (5,245) | (788)              | (3,283)       | (2,012)       | (18,628) | (6,210) | (2,760)   |
| Currency translation   | 24        | 567                  | 33      | 83                 | 2             | (103)         | 576      | 539     | 2         |
| Significant items  |           | 1,752                | 114     | 22                 | 707           | 1,235         | 3,830    | 810     | 62        |
| – costs to achieve   |           | 750                  | 114     | 27                 | 121           | 6             | 1,018    | 674     | 62        |
| – costs to establish UK ring-fenced bank   |           | 94                   | —       | —                  | —             | —             | 94       | 94      | —         |
| – impairment of GPB – Europe goodwill  |           | 800                  | —       | —                  | —             | —             | 800      | —       | —         |
| – regulatory provisions in GPB   |           | 4                    | —       | —                  | —             | —             | 4        | —       | —         |
| – settlement and provisions in connection with legal matters                             |           | 136                  | —       | —                  | 587           | —             | 723      | 72      | —         |
| – UK customer redress programmes   |           | 33                   | —       | —                  | —             | —             | 33       | 33      | —         |
| – trading results of disposed-of operations in Brazil                                    |           | —                    | —       | —                  | —             | 1,059         | 1,059    | —       | —         |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|   |     |        |         |       |         |         |          |                 |       |
|---|-----|--------|---------|-------|---------|---------|----------|-----------------|-------|
| – currency translation on significant items           | (65 | )—     | (5      | )(1   | )170    | 99      | (63      | )—              |       |
| Adjusted  | 24  | (6,596 | )(5,098 | )(683 | )(2,574 | )(880   | )(14,222 | )(4,861)(2,696) |       |
| Share of profit in associates and joint ventures      |     |        |         |       |         |         |          |                 |       |
| Reported  |     | (1     | )992    | 250   | (2      | )(1     | )1,238   | (2              | )12   |
| Currency translation                                  |     | —      | (47     | )1    | 1       | —       | (45      | )2              | 1     |
| Significant items                                     |     | —      | —       | —     | —       | 1       | 1        | —               | —     |
| – trading results of disposed-of operations in Brazil |     | —      | —       | —     | —       | 1       | 1        | —               | —     |
| – currency translation on significant items           |     | —      | —       | —     | —       | —       | —        | —               | —     |
| Adjusted  |     | (1     | )945    | 251   | (1      | )—      | 1,194    | —               | 13    |
| Profit before tax                                     |     |        |         |       |         |         |          |                 |       |
| Reported  |     | 1,585  | 7,155   | 979   | 50      | (55     | )9,714   | 1,977           | 4,170 |
| Currency translation                                  |     | (277   | )(46    | )(124 | )—      | (73     | )(520    | )(280           | )(3   |
| Significant items                                     |     | 339    | 48      | 8     | 633     | 429     | 1,457    | (486            | )40   |
| – revenue   |     | (1,413 | )(66    | )(14  | )(74    | )(1,674 | )(3,241  | )(1,296)        | (22   |
| – LICs  |     | —      | —       | —     | —       | 867     | 867      | —               | —     |
| – operating expenses                                  |     | 1,752  | 114     | 22    | 707     | 1,235   | 3,830    | 810             | 62    |
| – share of profit in associates and joint ventures    |     | —      | —       | —     | —       | 1       | 1        | —               | —     |
| Adjusted  |     | 1,647  | 7,157   | 863   | 683     | 301     | 10,651   | 1,211           | 4,207 |

HSBC Holdings plc 51

## Global businesses and geographical regions

## Reconciliation of reported results to adjusted performance – geographical regions (continued)

Half-year to 31 Dec 2016

|   | Footnotes | Europe<br>\$m | Asia<br>\$m | MENA<br>\$m | North<br>America<br>\$m | Latin<br>America<br>\$m | Total<br>\$m | UK<br>\$m | Hong<br>Kong<br>\$m |
|---|-----------|---------------|-------------|-------------|-------------------------|-------------------------|--------------|-----------|---------------------|
| Revenue   | 1         |               |             |             |                         |                         |              |           |                     |
| Reported  | 24        | 4,672         | 11,568      | 1,357       | 3,113                   | (239)                   | 18,496       | 2,443     | 6,953               |
| Currency translation  | 24        | (120)         | (53)        | (143)       | (8)                     | (18)                    | (315)        | (93)      | (14)                |
| Significant items   |           | 3,243         | 58          | 5           | 229                     | 1,746                   | 5,281        | 3,182     | 21                  |
| – DVA on derivative contracts                                 |           | 54            | 48          | —           | 22                      | 1                       | 125          | 37        | 3                   |
| – fair value movements on non-qualifying hedges               | 19        | 286           | 4           | —           | (2)                     | 2                       | 290          | 293       | 10                  |
| – gain on disposal of our membership interest in Visa – US    |           | —             | —           | —           | (116)                   | —                       | (116)        | —         | —                   |
| – own credit spread   | 16        | 2,885         | 8           | 5           | 120                     | —                       | 3,018        | 2,856     | 8                   |
| – portfolio disposals   |           | 26            | —           | —           | 205                     | —                       | 231          | —         | —                   |
| – loss on disposal of operations in Brazil                    |           | —             | —           | —           | —                       | 1,743                   | 1,743        | —         | —                   |
| – currency translation on significant items                   |           | (8)           | (2)         | —           | —                       | —                       | (10)         | (4)       | —                   |
| Adjusted LICs   | 24<br>25  | 7,795         | 11,573      | 1,219       | 3,334                   | 1,489                   | 23,462       | 5,532     | 6,960               |
| Reported  |           | (103)         | (333)       | (221)       | (115)                   | (262)                   | (1,034)      | 16        | (178)               |
| Currency translation  |           | —             | 1           | 15          | 1                       | 3                       | 20           | (1)       | —                   |
| Adjusted  |           | (103)         | (332)       | (206)       | (114)                   | (259)                   | (1,014)      | 15        | (178)               |
| Operating expenses  |           |               |             |             |                         |                         |              |           |                     |
| Reported  | 24        | (12,930)      | (5,540)     | (796)       | (2,864)                 | (1,025)                 | (21,180)     | (8,352)   | (2,886)             |
| Currency translation  | 24        | 117           | 27          | 60          | 4                       | 8                       | 189          | 82        | 8                   |
| Significant items   |           | 4,787         | 317         | 63          | 282                     | 32                      | 5,481        | 1,772     | 121                 |
| – costs associated with portfolio disposals                   |           | 28            | —           | —           | —                       | —                       | 28           | —         | —                   |
| – costs to achieve  |           | 1,348         | 362         | 76          | 281                     | 33                      | 2,100        | 1,164     | 167                 |
| – costs to establish UK ring-fenced bank                      |           | 129           | —           | —           | —                       | —                       | 129          | 129       | —                   |
| – impairment of GPB – Europe goodwill                         |           | 2,440         | —           | —           | —                       | —                       | 2,440        | —         | —                   |
| – regulatory provisions in GPB                                |           | 386           | (46)        | —           | —                       | —                       | 340          | —         | (46)                |
| – settlements and provisions in connection with legal matters |           | (42)          | —           | —           | —                       | —                       | (42)         | (22)      | —                   |
| – UK customer redress programmes                              |           | 526           | —           | —           | —                       | —                       | 526          | 526       | —                   |
| – currency translation on significant items                   |           | (28)          | 1           | (13)        | 1                       | (1)                     | (40)         | (25)      | —                   |
| Adjusted  | 24        | (8,026)       | (5,196)     | (673)       | (2,578)                 | (985)                   | (15,510)     | (6,498)   | (2,757)             |
| Share of profit in associates and joint ventures              |           |               |             |             |                         |                         |              |           |                     |
| Reported  |           | 2             | 929         | 184         | 1                       | —                       | 1,116        | 3         | 10                  |
| Currency translation  |           | —             | (19)        | —           | (1)                     | —                       | (20)         | (2)       | (2)                 |
| Adjusted  |           | 2             | 910         | 184         | —                       | —                       | 1,096        | 1         | 8                   |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|                      |        |        |      |     |        |         |          |        |   |
|----------------------|--------|--------|------|-----|--------|---------|----------|--------|---|
| Profit before tax    |        |        |      |     |        |         |          |        |   |
| Reported             | (8,359 | )6,624 | 524  | 135 | (1,526 | )(2,602 | )(5,890) | 3,899  |   |
| Currency translation | (3     | )(44   | )(68 | )(4 | )(7    | )(126   | )(14     | )(8    | ) |
| Significant items    | 8,030  | 375    | 68   | 511 | 1,778  | 10,762  | 4,954    | 142    |   |
| – revenue            | 3,243  | 58     | 5    | 229 | 1,746  | 5,281   | 3,182    | 21     |   |
| – operating expenses | 4,787  | 317    | 63   | 282 | 32     | 5,481   | 1,772    | 121    |   |
| Adjusted             | (332   | )6,955 | 524  | 642 | 245    | 8,034   | (950     | )4,033 |   |

For footnotes, see page 55.

52HSBC Holdings plc

---

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Analysis by country

Profit/(loss) before tax by priority growth market within global businesses

|                                 | Footnote | Retail<br>Banking and<br>Wealth<br>Management | Commercial<br>Banking | Global<br>Banking<br>and Markets | Global<br>Private<br>Banking | Corporate<br>Centre | Total     |
|---------------------------------|----------|---|-----------------------|----------------------------------|------------------------------|---------------------|-----------|
|                                 |          | \$m   | \$m                   | \$m                              | \$m                          | \$m                 | \$m       |
| Europe                          |          | (68)  | )1,136                | 1,042                            | (22)                         | )(1,516             | )572      |
| – UK                            |          | (110)   | )943                  | 613                              | 8                            | (1,511)             | )(57 )    |
| of which: HSBC Holdings         | 26       | (326)   | )(151                 | )(256                            | )(36                         | )(1,063             | )(1,832 ) |
| – France                        |          | 27  | 96                    | 201                              | 4                            | (84                 | )244      |
| – Germany                       |          | 11  | 36                    | 95                               | 4                            | 19                  | 165       |
| – Switzerland                   |          | —   | —                     | —                                | (39)                         | )1                  | (38 )     |
| – other                         |          | 4   | 61                    | 133                              | 1                            | 59                  | 258       |
| Asia                            |          | 2,736   | 1,585                 | 1,625                            | 148                          | 1,536               | 7,630     |
| – Hong Kong                     |          | 2,539   | 1,092                 | 648                              | 129                          | 201                 | 4,609     |
| – Australia                     |          | 58  | 51                    | 34                               | —                            | 17                  | 160       |
| – India                         |          | 10  | 96                    | 187                              | —                            | 167                 | 460       |
| – Indonesia                     |          | (20)  | )49                   | 53                               | —                            | 10                  | 92        |
| – mainland China                |          | —   | 74                    | 253                              | (2                           | )996                | 1,321     |
| – Malaysia                      |          | 32  | 21                    | 82                               | —                            | 15                  | 150       |
| – Singapore                     |          | 61  | 64                    | 107                              | 21                           | 38                  | 291       |
| – Taiwan                        |          | 25  | 6                     | 66                               | —                            | 21                  | 118       |
| – other                         |          | 31  | 132                   | 195                              | —                            | 71                  | 429       |
| Middle East and North<br>Africa |          | 87  | 114                   | 291                              | —                            | 312                 | 804       |
| – Egypt                         |          | 14  | 27                    | 78                               | —                            | 24                  | 143       |
| – UAE                           |          | 71  | 38                    | 144                              | —                            | 38                  | 291       |
| – Saudi Arabia                  |          | —   | —                     | —                                | —                            | 237                 | 237       |
| – other                         |          | 2   | 49                    | 69                               | —                            | 13                  | 133       |
| North America                   |          | 274   | 481                   | 270                              | 27                           | (99                 | )953      |
| – US                            |          | 224   | 221                   | 200                              | 27                           | (135                | )537      |
| – Canada                        |          | 27  | 247                   | 57                               | —                            | 24                  | 355       |
| – other                         |          | 23  | 13                    | 13                               | —                            | 12                  | 61        |
| Latin America                   |          | 69  | 115                   | 124                              | —                            | (24                 | )284      |
| – Mexico                        |          | 57  | 61                    | 69                               | —                            | (13                 | )174      |
| – other                         |          | 12  | 54                    | 55                               | —                            | (11                 | )110      |
| Half-year to 30 Jun 2017        |          | 3,098   | 3,431                 | 3,352                            | 153                          | 209                 | 10,243    |
| Europe                          |          | 723   | 1,167                 | 286                              | (793                         | )202                | 1,585     |
| – UK                            |          | 663   | 990                   | 23                               | 66                           | 235                 | 1,977     |
| of which: HSBC Holdings         | 26       | (320)   | )(186                 | )(137                            | )(36                         | )352                | (327 )    |
| – France                        |          | 33  | 129                   | 105                              | 4                            | (59                 | )212      |
| – Germany                       |          | 10  | 36                    | 71                               | 5                            | 7                   | 129       |
| – Switzerland                   |          | —   | 3                     | —                                | (74                          | )(5                 | )(76 )    |
| – other                         |          | 17  | 9                     | 87                               | (794                         | )24                 | (657 )    |
| Asia                            |          | 1,982   | 1,540                 | 1,786                            | 123                          | 1,724               | 7,155     |
| – Hong Kong                     |          | 1,826   | 1,153                 | 759                              | 91                           | 341                 | 4,170     |
| – Australia                     |          | 50  | 19                    | 42                               | —                            | 21                  | 132       |
| – India                         |          | 11  | 69                    | 195                              | 6                            | 121                 | 402       |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|                  |     |     |     |    |        |       |
|------------------|-----|-----|-----|----|--------|-------|
| – Indonesia      | (4  | )44 | 65  | —  | 4      | 109   |
| – mainland China | (17 | )41 | 247 | (2 | )1,103 | 1,372 |
| – Malaysia       | 28  | 36  | 97  | —  | 30     | 191   |
| – Singapore      | 40  | 41  | 105 | 28 | 46     | 260   |
| – Taiwan         | 14  | 7   | 56  | —  | 7      | 84    |
| – other          | 34  | 130 | 220 | —  | 51     | 435   |

HSBC Holdings plc 53

---

## Global businesses and geographical regions

## Profit/(loss) before tax by priority growth market within global businesses (continued)

|                                 | Retail<br>Banking and<br>Wealth<br>Management | Commercial<br>Banking | Global<br>Banking<br>and Markets | Global Private<br>Banking | Corporate<br>Centre | Total  |
|---------------------------------|---|-----------------------|----------------------------------|---------------------------|---------------------|--------|
|                                 | Footnote \$m                                  | \$m                   | \$m                              | \$m                       | \$m                 | \$m    |
| Middle East and North<br>Africa | 48  | 201                   | 376                              | 1                         | 353                 | 979    |
| – Egypt                         | 33  | 56                    | 106                              | —                         | 40                  | 235    |
| – UAE                           | 58  | 88                    | 184                              | —                         | 30                  | 360    |
| – Saudi Arabia                  | 1   | —                     | —                                | —                         | 250                 | 251    |
| – other                         | (44)  | )57                   | 86                               | 1                         | 33                  | 133    |
| North America                   | 65  | 259                   | 50                               | 54                        | (378)               | )50    |
| – US                            | 9   | 162                   | (49)                             | )31                       | (443)               | )290   |
| – Canada                        | 27  | 84                    | 89                               | —                         | 45                  | 245    |
| – other                         | 29  | 13                    | 10                               | 23                        | 20                  | 95     |
| Latin America                   | (200)   | )13                   | )234                             | 6                         | (82)                | )55    |
| – Mexico                        | 46  | 51                    | 33                               | 1                         | (1)                 | )130   |
| – other                         | (246)   | )64                   | )201                             | 5                         | (81)                | )185   |
| of which: Brazil                | (281)   | )139                  | )155                             | 4                         | (96)                | )357   |
| Half-year to 30 Jun 2016        | 2,618   | 3,154                 | 2,732                            | (609)                     | )1,819              | 9,714  |
| Europe                          | (199)   | )962                  | 723                              | (2,902)                   | )6,943              | )8,359 |
| – UK                            | (325)   | )844                  | 362                              | 20                        | (6,791)             | )5,890 |
| of which: HSBC<br>Holdings      | 26  | (356)                 | )193                             | )288                      | )27                 | )4,100 |
| – France                        | 114   | 69                    | 184                              | 5                         | 6                   | 378    |
| – Germany                       | 13  | 32                    | 71                               | 2                         | 6                   | 124    |
| – Switzerland                   | —   | 6                     | —                                | (419)                     | )2                  | )415   |
| – other                         | (1)   | )11                   | 106                              | (2,510)                   | )162                | )2,556 |
| Asia                            | 2,133   | 1,380                 | 1,425                            | 145                       | 1,541               | 6,624  |
| – Hong Kong                     | 1,970   | 1,038                 | 539                              | 130                       | 222                 | 3,899  |
| – Australia                     | 58  | 55                    | 114                              | —                         | 10                  | 237    |
| – India                         | 4   | 54                    | 160                              | 4                         | 119                 | 341    |
| – Indonesia                     | (5)   | )22                   | 45                               | —                         | 7                   | 69     |
| – mainland China                | (55)  | )27                   | 209                              | (1)                       | )1,055              | 1,235  |
| – Malaysia                      | 37  | 29                    | 75                               | —                         | 23                  | 164    |
| – Singapore                     | 67  | 2                     | 65                               | 14                        | 31                  | 179    |
| – Taiwan                        | 10  | 3                     | 46                               | (1)                       | )6                  | 64     |
| – other                         | 47  | 150                   | 172                              | (1)                       | )68                 | 436    |
| Middle East and North<br>Africa | (28)  | )89                   | 276                              | (1)                       | )188                | 524    |
| – Egypt                         | 25  | 48                    | 107                              | —                         | 39                  | 219    |
| – UAE                           | 25  | 6                     | 114                              | —                         | (25)                | )120   |
| – Saudi Arabia                  | —   | —                     | —                                | —                         | 184                 | 184    |
| – other                         | (78)  | )35                   | 55                               | (1)                       | )10                 | )1     |
| North America                   | (1)   | )389                  | 209                              | 36                        | (498)               | )135   |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|                          |       |       |       |        |         |          |
|--------------------------|-------|-------|-------|--------|---------|----------|
| – US                     | (37   | )174  | 135   | 36     | (489    | )(181 )  |
| – Canada                 | 19    | 208   | 66    | —      | 2       | 295      |
| – other                  | 17    | 7     | 8     | —      | (11     | )21      |
| Latin America            | 64    | 72    | 75    | 3      | (1,740  | )(1,526) |
| – Mexico                 | 48    | 33    | 46    | 4      | (14     | )117     |
| – other                  | 16    | 39    | 29    | (1     | )(1,726 | )(1,643) |
| of which: Brazil         | —     | —     | 21    | —      | (1,740  | )(1,719) |
| Half-year to 31 Dec 2016 | 1,969 | 2,892 | 2,708 | (2,719 | )(7,452 | )(2,602) |

For footnotes, see page 55.

54HSBC Holdings plc

---

Footnotes to pages 16 to 54

- 1 Net operating income before loan impairment charges and other credit risk provisions, also referred to as revenue.
- 2 ‘Other personal lending’ includes personal non-residential closed-end loans and personal overdrafts.  
 ‘Investment distribution’ includes Investments, which comprises mutual funds (HSBC manufactured and third party),  
 3 structured products and securities trading, and wealth insurance distribution, consisting of HSBC manufactured and  
 third-party life, pension and investment insurance products.
- 4 ‘Other’ mainly includes the distribution and manufacturing (where applicable) of retail and credit protection  
 insurance.  
 Adjusted return on risk-weighted assets (‘RoRWA’) is used to measure the performance of RBWM, CMB, GB&M  
 5 and GPB. Adjusted RoRWA is calculated using adjusted profit before tax and reported average risk-weighted assets  
 at constant currency adjusted for the effects of significant items.
- 6 ‘Markets products, Insurance and Investments and Other’ includes revenue from Foreign Exchange, insurance  
 manufacturing and distribution, interest rate management and global banking products.  
 In 1H17, GB&M included an adverse fair value movement of \$331m on the widening of credit spreads on  
 7 structured liabilities (1H16: favourable fair value movement of \$197m; 2H16: adverse fair value movement of  
 \$317m).  
 ‘Other’ in GB&M includes net interest earned on free capital held in this global business not assigned to products,  
 allocated funding costs and gains resulting from business disposals. Within the management view of total operating  
 8 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’.
- Central Treasury includes revenue relating to BSM of \$1.5bn (1H16: \$1.5bn; 2H16:\$1.5bn), interest expense of  
 \$664m (1H16: \$400m; 2H16: \$566m) and favourable valuation differences on issued long-term debt and associated  
 swaps of \$97m (1H16: gains of \$361m; 2H16: losses of \$633m). Revenue relating to BSM includes other internal  
 9 allocations, including notional tax credits to reflect the economic benefit generated by certain activities which are  
 not reflected within operating income, such as 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 is included in other Central Treasury.
- 10 Other miscellaneous items in Corporate Centre includes internal allocations relating to Legacy Credit.
- 11 Return on average risk-weighted assets (‘RoRWA’) is calculated using annualised profit before tax and reported  
 average RWAs.  
 Net trading income includes the revenues of internally funding trading assets, while the related costs are reported in  
 12 net interest income. In our global business results, the total cost of funding trading assets is included within  
 Corporate Centre net trading income as an interest expense. In the statutory presentation, internal interest income  
 and expense are eliminated.
- 13 Gross interest yield is the average annualised interest rate earned on average interest-earning assets (‘AIEA’).
- 14 Net interest spread is the difference between the average annualised interest rate earned on AIEA, net of amortised  
 premiums and loan fees, and the average annualised interest rate payable on average interest-bearing funds.
- 15 Net interest margin is net interest income expressed as an annualised percentage of AIEA.  
 ‘Own credit spread’ includes the fair value movements on our long-term debt attributable to credit spread where the  
 net result of such movements will be zero upon maturity of the debt. This does not include fair value changes due  
 16 to own credit risk in respect of trading liabilities or derivative liabilities. On 1 January 2017, HSBC adopted the  
 requirements of IFRS 9 relating to the presentation of gains and losses on financial liabilities designated at fair  
 value. As a result, the effects of changes in those liabilities’ credit risk is presented in other comprehensive income.
- 17 Other income in this context comprises where applicable net income/expense from other financial instruments  
 designated at fair value, gains less losses from financial investments, dividend income, net insurance premium  
 income and other operating income less net insurance claims and benefits paid and movement in liabilities to

policyholders.

18 Net operating income before loan impairment charges and other credit risk provisions, also referred to as revenue.

19 Excludes items where there are substantial offsets in the income statement for the same period.

20 'Client assets' are translated at the rates of exchange applicable for their respective period-ends, with the effects of currency translation reported separately. The main components of client assets are funds under management, which are not reported on the Group's balance sheet, and customer deposits, which are reported on the Group's balance sheet.

21 'Client assets' includes \$295bn of client assets in areas targeted for growth (1H16: \$266bn; 2H16: \$262bn).

22 1H16 geographical comparative data for Europe and MENA has been re-presented to reflect the change in management oversight from our Europe region to our MENA region in respect of HSBC Bank A.S. (Turkey) from 1 July 2016.

23 RWAs are non-additive across geographical regions due to market risk diversification effects within the Group.

24 Amounts are non-additive across geographical regions and global businesses due to inter-company transactions within the Group.

25 Loan impairment charges and other credit risk provisions.

26 Excludes intra-Group dividend income.

## Risk

## Risk

|   | Page |
|---|------|
| Areas of special interest                       | 56   |
| Key developments in 1H17                        | 56   |
| Credit risk profile                             | 57   |
| Liquidity and funding risk profile              | 68   |
| Market risk profile                             | 71   |
| Operational risk profile                        | 75   |
| Insurance manufacturing operations risk profile | 75   |

A summary of our current policies and practices regarding the management of risk is set out in the ‘Risk management’ section on pages 68 to 84 of the Annual Report and Accounts 2016.

## Areas of special interest

During 1H17, we considered a number of particular areas because of the effect they may have on the Group. While these areas have been identified within our top and emerging risks in the ‘Risk overview’ section (see page 20), further details of areas we regard as being of special interest are provided below.

## Process of UK withdrawal from the European Union

Political developments in the UK and Europe continue to influence the UK’s negotiations to leave the EU, and may create market volatility. In the UK, a general election in June resulted in a minority government, increasing uncertainty.

The negotiations began as planned on 19 June 2017. They will initially focus on EU citizens’ rights and the cost of the UK leaving the EU, among other issues. Trade negotiations are not expected to begin until October 2017 at the earliest.

Our objective in all scenarios is to continue to meet customers’ needs and minimise disruption. This is likely to require adjustments to our cross-border banking model, with impacted business transferring from the UK to a subsidiary in continental Europe, most likely in France.

Given the tight time frame and the complexity of the negotiations, we have put in place a robust contingency plan. It is based on a scenario whereby the UK exits the EU in March 2019, without access to the single market or customs union, and without a transitional arrangement. When negotiating positions and timelines become clearer, we will update our contingency plan.

Risks are monitored continually, with vulnerable industry sectors reviewed by management to determine if adjustments to our risk policy or appetite are required.

## State of Qatar

Qatar is currently subject to a diplomatic and economic embargo by Saudi Arabia, Egypt, the UAE and Bahrain. Most Qatari land, air and sea links have been closed.

A protracted embargo will potentially affect the creditworthiness of some of our customers through increased operational burdens and costs, as well as reduced sales.

At 30 June 2017, drawn risk exposure to Qatar amounted to \$12.5bn. Our exposures comprise \$2.6bn to sovereign entities, \$1.8bn to banks, \$7.9bn to corporates and \$0.2bn to retail customers. The sovereign and bank exposures are all investment grade and the corporate exposures are 80% investment grade.

In response to the embargo, our systemic crisis management processes were instigated and we are monitoring the situation for further developments. Qatar has significant sovereign wealth fund assets, and oil and gas reserves, and accordingly should be able to withstand the embargo in the short term. At 30 June 2017, no additional allowances had been raised as a result of the embargo.

## Key developments in 1H17

There were no material changes to the policies and practices for the management of risk, as described in the Annual Report and Accounts 2016, in 1H17 except for the following:

-

We have updated our global anti-money laundering ('AML'), sanctions and anti-bribery and corruption policies to reflect regulatory developments and clarify key areas. Additionally, we are on track to complete the introduction of major compliance IT systems, which support our AML and sanctions policy framework, by the end of 2017. To help ensure these systems are operationally effective in each country, we are developing detailed plans to deliver quality and sustainability. Countries are being assessed against the 12 core capabilities of our financial crime risk framework to enable the capabilities to be fully integrated in our day-to-day operations.

• We implemented a number of initiatives to raise our standards in relation to the conduct of our business, as described on page 75 under 'Conduct of business'.

• We implemented a new operational risk management framework ('ORMF') and system of record. Further information can be found in 'Operational risk profile' on page 75.

#### Whistleblowing

We operate a global whistleblowing platform, HSBC Confidential, allowing staff to report matters of concern confidentially. We also maintain an external email address for concerns about accounting and internal financial controls or auditing matters (accountingdisclosures@hsbc.com). The Group has a strict policy prohibiting retaliation against those who raise their concerns. All allegations of retaliation reported are escalated to senior management. For further details on whistleblowing, see page 17 of our Environmental, Social and Governance (ESG) Update – April, 2017.

#### The Monitor

Under the agreements entered into with the Department of Justice ('DoJ') and the Financial Conduct Authority ('FCA') in 2012, including the five-year US Deferred Prosecution Agreement ('DPA'), an independent compliance monitor ('the Monitor') was appointed in July 2013 for an expected five-year period to produce annual assessments of the effectiveness of the Group's AML and sanctions compliance programme.

The 'US deferred prosecution agreement and related agreements and consent orders' are discussed in 'Top and emerging risks' on page 66 and the 'Monitor' is discussed on page 82 of the Annual Report and Accounts 2016.

56HSBC Holdings plc

---

### Credit risk profile

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Credit risk arises principally from direct lending, trade finance and leasing business, but also from certain other products, such as guarantees and derivatives.

There were no material changes to the policies and practices for the management of credit risk in 1H17.

A summary of our current policies and practices for the management of credit risk is set out in 'Credit risk management' on page 73 of the Annual Report and Accounts 2016.

### Credit risk in the first half of 2017

Gross loans and advances increased by \$56bn, including foreign exchange movements increasing balances by \$29bn. Loan impairment charges and other credit risk provisions ('LICs') for 1H17 were \$0.6bn.

In wholesale lending, balances increased by \$41bn, including foreign exchange movements of \$18bn. Excluding foreign exchange movements, lending balances increased in Asia and Europe but were partly offset by decreases in North America, and in Middle East and North Africa ('MENA'). Lending balances in Latin America were broadly unchanged.

In personal lending, balances increased by \$15bn, mainly due to foreign exchange movements of \$11bn. Excluding foreign exchange movements, lending balances increased by \$8.9bn in Asia and Europe, but these rises were partly offset by a fall in North America resulting from the continued repayments and loan sales in the US CML run-off portfolio. MENA and Latin America lending balances were broadly unchanged.

### Risk elements in the loan portfolio

Unless otherwise stated, the disclosure of credit risk elements in this section reflects US accounting practice and classifications. The purpose of the disclosure is to present within the US disclosure framework those elements of the loan portfolios with a greater risk of loss. The three main classifications of credit risk elements presented are:

- impaired loans;
- unimpaired loans contractually more than 90 days past due as to interest or principal; and
- troubled debt restructurings not included in the above.

### Impaired loans

In the following tables, we present information on our impaired loans and advances in accordance with the classification approach described on page 90 of the Annual Report and Accounts 2016.

A loan is impaired, and an impairment allowance is recognised, when there is objective evidence of a loss event that has an effect on the cash flows of the loan which can be reliably estimated. In accordance with IFRSs, we recognise interest income on assets after they have been written down as a result of an impairment loss.

The balance of impaired loans at 30 June 2017 was \$2.2bn lower than at 31 December 2016. This change was largely due to the continued run-off of the US CML portfolio.

### Unimpaired loans more than 90 days past due

Examples of unimpaired loans more than 90 days past due include individually assessed mortgages that are in arrears more than 90 days where there are no other indicators of impairment, but where the value of collateral is sufficient to repay both the principal debt and all potential interest for at least one year; and short-term trade facilities past due more than 90 days for technical reasons such as delays in documentation, but where there is no concern over the creditworthiness of the counterparty.

The amount of unimpaired loans contractually more than 90 days past due at 30 June 2017 was \$129m, \$111m higher than at 31 December 2016.

### Troubled debt restructurings

Under US GAAP, a troubled debt restructuring ('TDR') is a loan, the terms of which have been modified for economic or legal reasons related to the borrower's financial difficulties to grant a concession to the borrower that the lender would not otherwise consider. A modification which results in a delay in payment that is considered insignificant is not regarded as a concession for the purposes of this disclosure. The SEC requires separate disclosure of any loans which meet the definition of a TDR that are not included in the previous two loan categories. These are classified as TDRs in the table on page 58. Loans that have been identified as TDRs under the US guidance retain this designation until maturity or derecognition. This treatment differs from the Group's impaired loans disclosure convention under

IFRSs under which a loan may return to unimpaired status after demonstrating a significant reduction in the risk of non-payment of future cash flows. As a result, reported TDRs include those loans that have returned to unimpaired status under the Group's disclosure convention for renegotiated loans.

The balance of TDRs not included as impaired loans at 30 June 2017 was \$2.7bn, \$647m lower than at 31 December 2016.

#### Potential problem loans

Potential problem loans are loans where information on possible credit problems among borrowers causes management to seriously doubt their ability to comply with the loan repayment terms. The following concentrations of credit risk have a higher risk of containing potential problem loans.

'Personal lending' on page 65 includes disclosure about certain homogeneous groups of loans which are collectively assessed for impairment, which may represent exposures to potential problem loans, including interest-only mortgages and affordability mortgages, including adjustable rate mortgages. Collectively assessed loans and advances, although not classified as impaired until more than 90 days past due, are assessed collectively for losses that have been incurred but have not yet been individually identified. This policy is further described on page 230 of the Form 20-F for 2016 filed with the Securities and Exchange Commission and available on our website, [www.hsbc.com](http://www.hsbc.com) under Investor Relations.

'Renegotiated loans and forbearance' on page 60 includes disclosure about the credit quality of loans whose contractual payment terms have been changed at some point in the life of the loan because of significant concerns about the borrower's ability to make contractual payments when due. Renegotiated loans are classified as impaired when: there has been a change in contractual cash flows as a result of a concession which the lender would otherwise not consider; and it is probable that without the concession, the borrower would be unable to meet contractual payment obligations in full.

This presentation applies unless the concession is insignificant and there are no other indicators of impairment. The renegotiated loan will continue to be disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, and there are no other indicators of impairment. Renegotiated loans that are not classified as impaired may have a higher risk of becoming delinquent in the future, and may therefore be potential problem loans. Further information regarding the credit quality classification of renegotiated loans can be found on page 107 of the Form 20-F for 2016 filed with the Securities and Exchange Commission and available on our website, [www.hsbc.com](http://www.hsbc.com) under Investor Relations.

## Risk

Analysis of risk elements in the loan portfolio by geographical region

The analysis below sets out the amount of risk elements in loan portfolios included within loans and advances to customers and banks in the consolidated balance sheet, trading loans classified

as in default and assets obtained by taking possession of security. The table excludes the amount of risk elements in loan portfolios classified as 'Assets held for sale' in the consolidated balance sheet.

## Risk elements in the loan portfolio by geographical region

|   | At          |             |
|---|-------------|-------------|
|   | 30 Jun 2017 | 31 Dec 2016 |
|   | \$m         | \$m         |
| Impaired loans  | 16,067      | 18,228      |
| – Europe  | 7,670       | 8,062       |
| – Asia  | 2,592       | 2,499       |
| – Middle East and North Africa  | 2,105       | 2,230       |
| – North America   | 3,026       | 4,842       |
| – Latin America   | 674         | 595         |
| Unimpaired loans contractually more than 90 days past due as to principal or interest | 129         | 18          |
| – Europe  | 1           | —           |
| – Asia  | —           | —           |
| – Middle East and North Africa  | 126         | 15          |
| – North America   | 1           | 3           |
| – Latin America   | 1           | —           |
| Troubled debt restructurings (not included in the classifications above)              | 2,719       | 3,366       |
| – Europe  | 1,798       | 1,900       |
| – Asia  | 272         | 269         |
| – Middle East and North Africa  | 362         | 549         |
| – North America   | 178         | 518         |
| – Latin America   | 109         | 130         |
| Trading loans classified as in default  | 136         | —           |
| – Europe  | 136         | —           |
| – Asia  | —           | —           |
| – Middle East and North Africa  | —           | —           |
| – North America   | —           | —           |
| – Latin America   | —           | —           |
| Risk elements on loans  | 19,051      | 21,612      |
| – Europe  | 9,605       | 9,962       |
| – Asia  | 2,864       | 2,768       |
| – Middle East and North Africa  | 2,593       | 2,794       |
| – North America   | 3,205       | 5,363       |
| – Latin America   | 784         | 725         |
| Assets held for resale  | 145         | 142         |
| – Europe  | 26          | 16          |
| – Asia  | 50          | 46          |
| – Middle East and North Africa  | 1           | 1           |
| – North America   | 39          | 57          |
| – Latin America   | 29          | 22          |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|  |        |        |
|--|--------|--------|
| Total risk elements  | 19,196 | 21,754 |
| – Europe   | 9,631  | 9,978  |
| – Asia   | 2,914  | 2,814  |
| – Middle East and North Africa                                       | 2,594  | 2,795  |
| – North America  | 3,244  | 5,420  |
| – Latin America  | 813    | 747    |
|  | %      | %      |
| Loan impairment allowances as a percentage of risk elements on loans | 39.7   | 36.3   |

58HSBC Holdings plc

---

## Summary of credit risk

|  | 30 Jun 2017 | 31 Dec 2016 |
|--|-------------|-------------|
|  | \$bn        | \$bn        |
| At end of period                                       |             |             |
| Maximum exposure to credit risk                        | 2,993       | 2,898       |
| – total assets subject to credit risk                  | 2,278       | 2,205       |
| – off-balance sheet commitments subject to credit risk | 715         | 693         |
| Gross loans and advances                               | 1,014       | 958         |
| – personal lending                                     | 355         | 340         |
| – wholesale lending                                    | 659         | 618         |
| Impaired loans   | 16          | 18          |
| – personal lending                                     | 5           | 6           |
| – wholesale lending                                    | 11          | 12          |
| Impaired loans as a % of gross loans and advances      |             |             |
| Personal lending                                       | 1.4%        | 1.8%        |
| Wholesale lending                                      | 1.7%        | 1.9%        |
| Total  | 1.6%        | 1.9%        |
|  | \$bn        | \$bn        |
| Impairment allowances                                  | 7.5         | 7.9         |
| – personal lending                                     | 1.9         | 2.0         |
| – wholesale lending                                    | 5.6         | 5.9         |
| Loans and advances net of impairment allowances        | 1,007       | 950         |

|                              | Half-year to |             |             |
|------------------------------|--------------|-------------|-------------|
|                              | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 |
|                              | \$bn         | \$bn        | \$bn        |
| Loan impairment charges      | 0.7          | 2.3         | 1.0         |
| – personal lending           | 0.5          | 1.1         | 0.6         |
| – wholesale lending          | 0.2          | 1.2         | 0.4         |
| Other credit risk provisions | (0.1)        | 0.1         | —           |
|                              | 0.6          | 2.4         | 1.0         |

## Credit quality of financial instruments

We assess the credit quality of all financial instruments that are subject to credit risk. The distribution of financial instruments by credit quality is in the following table.

## Distribution of total financial instruments exposed to credit risk by credit quality

|                | Neither past due nor impaired |         |              |              | Past due but not impaired | Impaired | Total gross amount | Impairment allowances | Total     |
|----------------|-------------------------------|---------|--------------|--------------|---------------------------|----------|--------------------|-----------------------|-----------|
|                | Strong                        | Good    | Satisfactory | Sub-standard |                           |          |                    |                       |           |
|                | \$m                           | \$m     | \$m          | \$m          | \$m                       | \$m      | \$m                | \$m                   | \$m       |
| At 30 Jun 2017 | 1,577,277                     | 351,735 | 304,935      | 25,614       | 8,850                     | 18,031   | 2,286,442          | (8,466)               | 2,277,976 |
| At 31 Dec 2016 | 1,579,517                     | 313,707 | 263,995      | 26,094       | 9,028                     | 20,510   | 2,212,851          | (8,100)               | 2,204,751 |
|                | %                             | %       | %            | %            | %                         | %        | %                  |                       |           |
| At 30 Jun 2017 | 69.0                          | 15.4    | 13.3         | 1.1          | 0.4                       | 0.8      | 100.0              |                       |           |
| At 31 Dec 2016 | 71.4                          | 14.2    | 11.9         | 1.2          | 0.4                       | 0.9      | 100.0              |                       |           |

The table above shows the credit quality distribution for all assets exposed to credit risk. The increase in 'Satisfactory' assets is mainly related to increases in loans and advances, reverse repos and trading assets. Trading assets and reverse

repos are generally highly collateralised or subject to master netting agreements. Within the 'Past due but not impaired' amount at 30 June 2017, 98% was less than 90 days past due. This percentage was broadly similar to that at 31 December 2016.

HSBC Holdings plc 59

---

## Risk

## Distribution of loans and advances held at amortised cost by credit quality

|                                   | Neither past due nor impaired |         |               |              | Past due<br>but not<br>impaired | Impaired | Total<br>gross<br>amount | Impairment<br>allowances | Total    |
|-----------------------------------|-------------------------------|---------|---------------|--------------|---------------------------------|----------|--------------------------|--------------------------|----------|
|                                   | Strong                        | Good    | Satis-factory | Sub-standard |                                 |          |                          |                          |          |
|                                   | \$m                           | \$m     | \$m           | \$m          |                                 |          |                          |                          |          |
| At 30 Jun 2017                    |                               |         |               |              |                                 |          |                          |                          |          |
| Loans and advances to customers   | 465,662                       | 216,438 | 202,925       | 17,715       | 8,594                           | 16,067   | 927,401                  | (7,563)                  | )919,838 |
| – personal                        | 305,459                       | 25,058  | 14,081        | 772          | 4,397                           | 5,153    | 354,920                  | (1,936)                  | )352,984 |
| – corporate and commercial        | 121,133                       | 169,421 | 175,206       | 16,396       | 3,706                           | 10,608   | 496,470                  | (5,383)                  | )491,087 |
| – non-bank financial institutions | 39,070                        | 21,959  | 13,638        | 547          | 491                             | 306      | 76,011                   | (244)                    | )75,767  |
| Loans and advances to banks       | 72,367                        | 8,338   | 5,857         | 63           | 8                               | 2        | 86,635                   | (2)                      | )86,633  |
| At 31 Dec 2016                    |                               |         |               |              |                                 |          |                          |                          |          |
| Loans and advances to customers   | 437,531                       | 200,385 | 185,717       | 18,831       | 8,662                           | 18,228   | 869,354                  | (7,850)                  | )861,504 |
| – personal                        | 290,313                       | 24,544  | 12,505        | 884          | 5,062                           | 6,490    | 339,798                  | (1,972)                  | )337,826 |
| – corporate and commercial        | 111,848                       | 158,878 | 163,107       | 17,504       | 3,128                           | 11,362   | 465,827                  | (5,618)                  | )460,209 |
| – non-bank financial institutions | 35,370                        | 16,963  | 10,105        | 443          | 472                             | 376      | 63,729                   | (260)                    | )63,469  |
| Loans and advances to banks       | 73,516                        | 8,238   | 6,293         | 73           | 6                               | —        | 88,126                   | —                        | 88,126   |

## Impaired loans by industry sector and geographical region

|  | Europe                          | Asia  | MENA  | North America | Latin America | Total  |
|--|---------------------------------|-------|-------|---------------|---------------|--------|
|  | \$m                             | \$m   | \$m   | \$m           | \$m           | \$m    |
|  | Non-renegotiated impaired loans | 4,141 | 1,888 | 1,052         | 1,416         | 463    |
| – personal   | 1,375                           | 474   | 442   | 672           | 289           | 3,252  |
| – corporate and commercial                         | 2,764                           | 1,388 | 609   | 735           | 174           | 5,670  |
| – financial  | 2                               | 26    | 1     | 9             | —             | 38     |
| Renegotiated impaired loans                        | 3,529                           | 704   | 1,053 | 1,610         | 211           | 7,107  |
| – personal   | 600                             | 112   | 111   | 1,039         | 39            | 1,901  |
| – corporate and commercial                         | 2,728                           | 591   | 876   | 571           | 172           | 4,938  |
| – financial  | 201                             | 1     | 66    | —             | —             | 268    |
| At 30 Jun 2017                                     | 7,670                           | 2,592 | 2,105 | 3,026         | 674           | 16,067 |
| Impaired loans % of total gross loans and advances | 2.0%                            | 0.6%  | 5.6%  | 2.7%          | 2.8%          | 1.6%   |
| Non-renegotiated impaired loans                    | 4,354                           | 1,771 | 1,042 | 1,913         | 399           | 9,479  |
| – personal   | 1,239                           | 453   | 459   | 1,043         | 220           | 3,414  |
| – corporate and commercial                         | 3,029                           | 1,291 | 582   | 865           | 179           | 5,946  |
| – financial  | 86                              | 27    | 1     | 5             | —             | 119    |
| Renegotiated impaired loans                        | 3,708                           | 728   | 1,188 | 2,929         | 196           | 8,749  |
| – personal   | 648                             | 113   | 72    | 2,213         | 30            | 3,076  |
| – corporate and commercial                         | 2,868                           | 614   | 1,052 | 716           | 166           | 5,416  |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|  |       |       |       |         |      |        |
|--|-------|-------|-------|---------|------|--------|
| – financial  | 192   | 1     | 64    | —       | —    | 257    |
| At 31 Dec 2016                                     | 8,062 | 2,499 | 2,230 | 4,842   | 595  | 18,228 |
| Impaired loans % of total gross loans and advances | 2.3%  | 0.6%  | 5.5%  | 4.1%    | 2.9% | 1.9%   |
| Currency translation adjustment                    | 489   | 42    | 3     | 20      | 78   | 632    |
| 31 Dec 2016 at 30 Jun 2017 exchange rates          | 8,551 | 2,541 | 2,233 | 4,862   | 673  | 18,860 |
| Movement – constant currency basis                 | (881  | )51   | (128  | )(1,836 | )1   | (2,793 |
| 30 Jun 2017 as reported                            | 7,670 | 2,592 | 2,105 | 3,026   | 674  | 16,067 |

On a reported basis, during 1H17 impaired loans declined by \$2.2bn. This was mainly due to the continued repayments and loan sales in the US CML run-off portfolio.

Renegotiated loans and forbearance

The following tables show the gross carrying amounts of the Group's holdings of renegotiated loans and advances to

customers by industry sector, geographical region and credit quality classification. The ongoing repayments and loan sales in the CML run-off portfolio reduced renegotiated personal loans in the US from \$2.0bn to \$0.2bn during 1H17.

60HSBC Holdings plc

---

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

Renegotiated loans and advances to customers by industry sector

|   | First lien residential mortgages | Other personal lending | Corporate and commercial | Non-bank financial institutions | Total  |
|---|----------------------------------|------------------------|--------------------------|---------------------------------|--------|
|   | \$m                              | \$m                    | \$m                      | \$m                             | \$m    |
| Neither past due nor impaired               | 572                              | 279                    | 1,989                    | 259                             | 3,099  |
| Past due but not impaired                   | 156                              | 65                     | 164                      | —                               | 385    |
| Impaired                                    | 1,617                            | 284                    | 4,938                    | 268                             | 7,107  |
| At 30 Jun 2017                              | 2,345                            | 628                    | 7,091                    | 527                             | 10,591 |
| Impairment allowances on renegotiated loans | 169                              | 148                    | 1,566                    | 155                             | 2,038  |
| Neither past due nor impaired               | 976                              | 282                    | 1,848                    | 260                             | 3,366  |
| Past due but not impaired                   | 346                              | 78                     | 301                      | —                               | 725    |
| Impaired                                    | 2,751                            | 325                    | 5,416                    | 257                             | 8,749  |
| At 31 Dec 2016                              | 4,073                            | 685                    | 7,565                    | 517                             | 12,840 |
| Impairment allowances on renegotiated loans | 267                              | 150                    | 1,667                    | 130                             | 2,214  |

Renegotiated loans and advances to customers by geographical region

|                | Europe | Asia  | MENA  | North America | Latin America | Total  |
|----------------|--------|-------|-------|---------------|---------------|--------|
|                | \$m    | \$m   | \$m   | \$m           | \$m           | \$m    |
| At 30 Jun 2017 | 5,845  | 1,015 | 1,591 | 1,811         | 329           | 10,591 |
| At 31 Dec 2016 | 5,855  | 1,046 | 1,871 | 3,736         | 332           | 12,840 |

Loan impairment in the first half of 2017

Information in respect of LICs is provided on page 29.

Loan impairment charge to the income statement by industry sector

|   | Europe       | Asia  | MENA | North America | Latin America | Total |
|---|--------------|-------|------|---------------|---------------|-------|
|   | Footnote \$m | \$m   | \$m  | \$m           | \$m           | \$m   |
| Personal  | 103          | 143   | 53   | 8             | 240           | 547   |
| – first lien residential mortgages                            | 26           | 4     | —    | (11)          | (18)          | 1     |
| – other personal  | 77           | 139   | 53   | 19            | 258           | 546   |
| Corporate and commercial                                      | (69)         | (286) | 47   | (102)         | (21)          | 183   |
| – manufacturing and international trade and services          | 65           | 231   | 34   | (18)          | (8)           | 320   |
| – commercial real estate and other property-related           | (92)         | (33)  | 23   | 3             | 1             | (32)  |
| – other commercial  | (42)         | (22)  | (10) | (87)          | (12)          | (105) |
| Financial   | 10           | 18    | 20   | 1             | —             | 49    |
| Total loan impairment charge for the half-year to 30 Jun 2017 | 44           | 447   | 120  | (93)          | (261)         | 779   |
| Personal  | 59           | 152   | 103  | 135           | 611           | 1,060 |
| – first lien residential mortgages                            | (4)          | (5)   | 10   | 94            | 3             | 108   |
| – other personal  | 63           | 147   | 93   | 41            | 608           | 952   |
| Corporate and commercial                                      | 272          | 185   | (12) | (472)         | 290           | 1,207 |
| – manufacturing and international trade and services          | 4            | 134   | 22   | 41            | 172           | 373   |
| – commercial real estate and other property-related           | 17           | (33)  | (8)  | (2)           | 22            | —     |
| – other commercial  | 251          | 84    | (26) | (429)         | 96            | 834   |
| Financial   | 26           | (2)   | (1)  | (9)           | —             | 16    |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|   |   |      |     |      |     |     |       |
|---|---|------|-----|------|-----|-----|-------|
| Total loan impairment charge for the half-year to 30 Jun 2016 | 1 | 357  | 335 | 92   | 598 | 901 | 2,283 |
| Personal  |   | 103  | 112 | 123  | 84  | 221 | 643   |
| – first lien residential mortgages                            |   | 5    | (6) | )—   | 55  | 4   | 58    |
| – other personal  |   | 98   | 118 | 123  | 29  | 217 | 585   |
| Corporate and commercial                                      |   | 65   | 203 | 65   | 28  | 40  | 401   |
| – manufacturing and international trade and services          |   | 34   | 172 | 83   | 40  | 23  | 352   |
| – commercial real estate and other property-related           |   | (32) | )5  | (8)  | )1  | 3   | (31)  |
| – other commercial  |   | 63   | 26  | (10) | )13 | )14 | 80    |
| Financial   |   | 8    | 4   | 12   | (1) | )—  | 23    |
| Total loan impairment charge for the half-year to 31 Dec 2016 |   | 176  | 319 | 200  | 111 | 261 | 1,067 |

For footnote, see page 76.

HSBC Holdings plc 61

---

## Risk

Charge for impairment losses as a percentage of average gross loans and advances to customers by geographical region

|  | Europe | Asia    | MENA   | North America | Latin America | Total   |
|--|--------|---------|--------|---------------|---------------|---------|
|  | %      | %       | %      | %             | %             | %       |
| Half-year to 30 Jun 2017                 |        |         |        |               |               |         |
| New allowances net of allowance releases | 0.11   | 0.26    | 0.91   | (0.10)        | )3.30         | 0.25    |
| Recoveries                               | (0.08) | )(0.03) | (0.09) | )(0.07)       | )(0.46)       | )(0.07) |
| Total charge for impairment losses       | 0.03   | 0.23    | 0.82   | (0.17)        | )2.84         | 0.18    |
| Amount written off net of recoveries     | 0.27   | 0.12    | 0.82   | 0.20          | 2.32          | 0.26    |
| Half-year to 30 Jun 2016                 |        |         |        |               |               |         |
| New allowances net of allowance releases | 0.29   | 0.23    | 0.62   | 0.99          | 5.40          | 0.59    |
| Recoveries                               | (0.08) | )(0.04) | (0.12) | )(0.05)       | )(0.42)       | )(0.08) |
| Total charge for impairment losses       | 0.21   | 0.19    | 0.50   | 0.94          | 4.98          | 0.51    |
| Amount written off net of recoveries     | 0.28   | 0.12    | 1.27   | 0.48          | 1.40          | 0.33    |
| Half-year to 31 Dec 2016                 |        |         |        |               |               |         |
| New allowances net of allowance releases | 0.17   | 0.24    | 1.22   | 0.24          | 3.15          | 0.31    |
| Recoveries                               | (0.07) | )(0.05) | (0.12) | )(0.06)       | )(0.27)       | )(0.07) |
| Total charge for impairment losses       | 0.10   | 0.19    | 1.10   | 0.18          | 2.88          | 0.24    |
| Amount written off net of recoveries     | 0.24   | 0.16    | 0.37   | 0.47          | 3.18          | 0.31    |

Movement in impairment allowances on loans and advances to customers and banks

|   | Half-year to 30 Jun 2017    |                                 |                       | Total    |
|---|-----------------------------|---------------------------------|-----------------------|----------|
|   | Banks individually assessed | Customers Individually assessed | Collectively assessed |          |
|   | \$m                         | \$m                             | \$m                   | \$m      |
| At the beginning of the period                          | —                           | 4,932                           | 2,918                 | 7,850    |
| Amounts written off                                     | —                           | (648)                           | )(756)                | )(1,404) |
| Recoveries of loans and advances previously written off | —                           | 63                              | 223                   | 286      |
| Charge to income statement                              | —                           | 270                             | 509                   | 779      |
| Exchange and other movements                            | 2                           | 109                             | (59)                  | )52      |
| At the end of the period                                | 2                           | 4,726                           | 2,835                 | 7,563    |
| Impairment allowances as a % of loans and advances      | —                           | 0.5%                            | 0.3%                  | 0.8%     |
| Half-year to 30 Jun 2016                                |                             |                                 |                       |          |
| At the beginning of the period                          | 18                          | 5,402                           | 4,153                 | 9,573    |
| Amounts written off                                     | (16)                        | )(992)                          | )(840)                | )(1,848) |
| Recoveries of loans and advances previously written off | —                           | 44                              | 296                   | 340      |
| Charge to income statement                              | (2)                         | )1,265                          | 1,020                 | 2,283    |
| Exchange and other movements                            | —                           | (319)                           | )(1,076)              | )(1,395) |
| At the end of the period                                | —                           | 5,400                           | 3,553                 | 8,953    |
| Impairment allowances as a % of loans and advances      | —                           | 0.6%                            | 0.4%                  | 0.9%     |
| Half-year to 31 Dec 2016                                |                             |                                 |                       |          |
| At the beginning of the period                          | —                           | 5,400                           | 3,553                 | 8,953    |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|   |    |       |       |          |
|---|----|-------|-------|----------|
| Amounts written off                                     | (2 | )(839 | )(767 | )(1,608) |
| Recoveries of loans and advances previously written off | —  | 63    | 224   | 287      |
| Charge to income statement                              | 2  | 566   | 499   | 1,067    |
| Exchange and other movements                            | —  | (258  | )(591 | )(849 )  |
| At the end of the period                                | —  | 4,932 | 2,918 | 7,850    |
| Impairment allowances as a % of loans and advances      | —  | 0.6%  | 0.3%  | 0.8%     |

62HSBC Holdings plc

---

## Wholesale lending

## Total wholesale lending gross loans

|   | Europe  | Asia    | MENA    | North America | Latin America | Total   | As a % of total gross loans |
|---|---------|---------|---------|---------------|---------------|---------|-----------------------------|
|   | \$m     | \$m     | \$m     | \$m           | \$m           | \$m     | %                           |
| Corporate and commercial                  | 172,228 | 234,098 | 21,642  | 55,677        | 12,825        | 496,470 | 49.0                        |
| – manufacturing                           | 28,945  | 33,343  | 3,107   | 14,392        | 3,083         | 82,870  | 8.2                         |
| – international trade and services        | 61,038  | 79,206  | 9,013   | 10,929        | 3,369         | 163,555 | 16.2                        |
| – commercial real estate                  | 24,014  | 34,849  | 800     | 8,601         | 1,638         | 69,902  | 6.9                         |
| – other property-related                  | 7,928   | 41,805  | 1,659   | 7,883         | 470           | 59,745  | 5.9                         |
| – government                              | 3,404   | 4,997   | 1,220   | 373           | 480           | 10,474  | 1.0                         |
| – other commercial                        | 46,899  | 39,898  | 5,843   | 13,499        | 3,785         | 109,924 | 10.8                        |
| Financial                                 | 53,243  | 81,265  | 8,738   | 15,288        | 4,112         | 162,646 | 16.0                        |
| – non-bank financial institutions         | 37,802  | 25,706  | 1,185   | 10,529        | 789           | 76,011  | 7.5                         |
| – banks                                   | 15,441  | 55,559  | 7,553   | 4,759         | 3,323         | 86,635  | 8.5                         |
| Gross loans at 30 Jun 2017                | 225,471 | 315,363 | 30,380  | 70,965        | 16,937        | 659,116 | 65.0                        |
| Corporate and commercial                  | 161,653 | 212,848 | 22,078  | 58,276        | 10,972        | 465,827 | 48.6                        |
| – manufacturing                           | 27,005  | 32,564  | 2,941   | 15,348        | 2,785         | 80,643  | 8.4                         |
| – international trade and services        | 55,875  | 72,166  | 8,448   | 11,035        | 2,518         | 150,042 | 15.6                        |
| – commercial real estate                  | 21,460  | 32,798  | 724     | 7,849         | 1,340         | 64,171  | 6.7                         |
| – other property-related                  | 7,025   | 37,628  | 1,856   | 8,823         | 306           | 55,638  | 5.8                         |
| – government                              | 3,009   | 2,919   | 1,619   | 354           | 541           | 8,442   | 0.9                         |
| – other commercial                        | 47,279  | 34,773  | 6,490   | 14,867        | 3,482         | 106,891 | 11.2                        |
| Financial                                 | 43,666  | 79,254  | 10,370  | 14,823        | 3,742         | 151,855 | 15.9                        |
| – non-bank financial institutions         | 31,307  | 19,517  | 2,599   | 9,750         | 556           | 63,729  | 6.7                         |
| – banks                                   | 12,359  | 59,737  | 7,771   | 5,073         | 3,186         | 88,126  | 9.2                         |
| Gross loans at 31 Dec 2016                | 205,319 | 292,102 | 32,448  | 73,099        | 14,714        | 617,682 | 64.5                        |
| Currency translation adjustment           | 12,417  | 3,106   | 22      | 680           | 1,439         | 17,664  |                             |
| 31 Dec 2016 at 30 Jun 2017 exchange rates | 217,736 | 295,208 | 32,470  | 73,779        | 16,153        | 635,346 |                             |
| Movement – constant currency basis        | 7,735   | 20,155  | (2,090) | (2,814)       | )784          | 23,770  |                             |
| 30 Jun 2017 as reported                   | 225,471 | 315,363 | 30,380  | 70,965        | 16,937        | 659,116 |                             |

HSBC Holdings plc 63

## Risk

## Total wholesale lending impairment allowances

|   | Europe | Asia  | MENA  | North America | Latin America | Total   |
|---|--------|-------|-------|---------------|---------------|---------|
|   | \$m    | \$m   | \$m   | \$m           | \$m           | \$m     |
| Corporate and commercial                  | 1,803  | 1,546 | 1,108 | 709           | 217           | 5,383   |
| – manufacturing                           | 377    | 453   | 172   | 120           | 37            | 1,159   |
| – international trade and services        | 467    | 691   | 476   | 67            | 37            | 1,738   |
| – commercial real estate                  | 335    | 10    | 143   | 59            | —             | 547     |
| – other property-related                  | 106    | 68    | 193   | 42            | 101           | 510     |
| – government                              | 3      | —     | 5     | —             | —             | 8       |
| – other commercial                        | 515    | 324   | 119   | 421           | 42            | 1,421   |
| Financial                                 | 162    | 27    | 38    | 19            | —             | 246     |
| – non-bank financial institutions         | 160    | 27    | 38    | 19            | —             | 244     |
| – banks                                   | 2      | —     | —     | —             | —             | 2       |
| Impairment allowances at 30 Jun 2017      | 1,965  | 1,573 | 1,146 | 728           | 217           | 5,629   |
| Impairment allowances % of impaired loans | 34.5%  | 78.4% | 73.8% | 55.4%         | 62.7%         | 51.6%   |
| Corporate and commercial                  | 2,048  | 1,343 | 1,137 | 880           | 210           | 5,618   |
| – manufacturing                           | 411    | 342   | 174   | 139           | 38            | 1,104   |
| – international trade and services        | 473    | 647   | 476   | 81            | 35            | 1,712   |
| – commercial real estate                  | 402    | 11    | 144   | 67            | 36            | 660     |
| – other property-related                  | 167    | 34    | 202   | 37            | 55            | 495     |
| – government                              | 2      | —     | 1     | —             | 1             | 4       |
| – other commercial                        | 593    | 309   | 140   | 556           | 45            | 1,643   |
| Financial                                 | 216    | 9     | 15    | 20            | —             | 260     |
| – non-bank financial institutions         | 216    | 9     | 15    | 20            | —             | 260     |
| – banks                                   | —      | —     | —     | —             | —             | —       |
| Impairment allowances at 31 Dec 2016      | 2,264  | 1,352 | 1,152 | 900           | 210           | 5,878   |
| Impairment allowances % of impaired loans | 36.7%  | 69.9% | 67.8% | 56.7%         | 60.9%         | 50.0%   |
| Currency translation adjustment           | 151    | 22    | —     | 11            | 27            | 211     |
| 31 Dec 2016 at 30 Jun 2017 exchange rates | 2,415  | 1,374 | 1,152 | 911           | 237           | 6,089   |
| Movement – on constant currency basis     | (450)  | )199  | (6    | )(183         | )(20          | )(460 ) |
| 30 Jun 2017 as reported                   | 1,965  | 1,573 | 1,146 | 728           | 217           | 5,629   |

Total wholesale lending balances increased by \$41bn with foreign exchange differences accounting for \$18bn of the increase.

In Asia, lending balances increased by \$23bn, including \$3.1bn of foreign exchange differences. In this region, demand for lending increased across most industry sectors with notable growth in international trade services of \$7.0bn, and commercial real estate and property-related lending of \$6.2bn.

In Europe, lending increased by \$20bn, including \$12.4bn of foreign exchange differences, across the UK, France and Germany.

In North America, lending decreased by \$2.1bn, mainly in the US as paydowns and maturities exceeded new loan originations. This reflected our continued efforts to improve returns with more disciplined lending.

In MENA, overall lending fell by \$2.1bn, mainly within the UAE. These decreases were partly offset by an increase in lending in Turkey. In Latin America, lending increased by \$2.2bn, largely due to foreign exchange differences of \$1.4bn.

64HSBC Holdings plc

---

## Personal lending

## Total personal lending gross loans

|   | Footnotes | Europe<br>\$m | Asia<br>\$m | MENA<br>\$m | North<br>America<br>\$m | Latin<br>America<br>\$m | Total<br>\$m | As a %<br>of total<br>gross loans |
|---|-----------|---------------|-------------|-------------|-------------------------|-------------------------|--------------|-----------------------------------|
| First lien residential mortgages          |           | 116,741       | 104,115     | 2,473       | 35,317                  | 2,296                   | 260,942      | 25.7                              |
| – of which:                               |           |               |             |             |                         |                         |              |                                   |
| interest only (including offset)          |           | 34,195        | 936         | 89          | 101                     | —                       | 35,321       | 3.5                               |
| affordability including ARMs              | 2         | 363           | 3,489       | —           | 13,705                  | —                       | 17,557       | 1.7                               |
| Other personal lending                    |           | 40,725        | 38,451      | 4,860       | 5,376                   | 4,566                   | 93,978       | 9.3                               |
| – other                                   |           | 31,246        | 28,301      | 2,846       | 3,039                   | 2,355                   | 67,787       | 6.7                               |
| – credit cards                            |           | 9,381         | 10,051      | 1,702       | 947                     | 1,754                   | 23,835       | 2.4                               |
| – second lien residential mortgages       |           | 98            | 24          | 2           | 1,355                   | —                       | 1,479        | 0.1                               |
| – motor vehicle finance                   |           | —             | 75          | 310         | 35                      | 457                     | 877          | 0.1                               |
| At 30 Jun 2017                            |           | 157,466       | 142,566     | 7,333       | 40,693                  | 6,862                   | 354,920      | 35.0                              |
| First lien residential mortgages          |           | 108,008       | 98,072      | 2,535       | 39,239                  | 1,924                   | 249,778      | 26.1                              |
| – of which:                               |           |               |             |             |                         |                         |              |                                   |
| interest only (including offset)          |           | 33,045        | 876         | 92          | 113                     | —                       | 34,126       | 3.6                               |
| affordability including ARMs              | 2         | 297           | 3,427       | —           | 14,182                  | —                       | 17,906       | 1.9                               |
| Other personal lending                    |           | 38,491        | 36,628      | 5,209       | 5,717                   | 3,975                   | 90,020       | 9.4                               |
| – other                                   |           | 29,297        | 26,059      | 3,072       | 3,061                   | 2,018                   | 63,507       | 6.6                               |
| – credit cards                            |           | 9,096         | 10,438      | 1,816       | 993                     | 1,595                   | 23,938       | 2.5                               |
| – second lien residential mortgages       |           | 97            | 24          | 2           | 1,631                   | —                       | 1,754        | 0.2                               |
| – motor vehicle finance                   |           | 1             | 107         | 319         | 32                      | 362                     | 821          | 0.1                               |
| At 31 Dec 2016                            |           | 146,499       | 134,700     | 7,744       | 44,956                  | 5,899                   | 339,798      | 35.5                              |
| Currency translation adjustment           |           | 8,385         | 1,587       | (2)         | )701                    | 641                     | 11,312       |                                   |
| 31 Dec 2016 at 30 Jun 2017 exchange rates |           | 154,884       | 136,287     | 7,742       | 45,657                  | 6,540                   | 351,110      |                                   |
| Movement – constant currency basis        |           | 2,582         | 6,279       | (409)       | (4,964)                 | )322                    | 3,810        |                                   |
| 30 Jun 2017 as reported                   |           | 157,466       | 142,566     | 7,333       | 40,693                  | 6,862                   | 354,920      |                                   |

For footnotes, see page 76.

## Total personal lending impairment allowances

|   | Europe<br>\$m | Asia<br>\$m | MENA<br>\$m | North<br>America<br>\$m | Latin<br>America<br>\$m | Total<br>\$m |
|---|---------------|-------------|-------------|-------------------------|-------------------------|--------------|
| First lien residential mortgages          | 268           | 38          | 82          | 106                     | 17                      | 511          |
| Other personal lending                    | 318           | 251         | 450         | 67                      | 339                     | 1,425        |
| – other                                   | 223           | 121         | 220         | 20                      | 170                     | 754          |
| – credit cards                            | 95            | 130         | 225         | 29                      | 163                     | 642          |
| – second lien residential mortgages       | —             | —           | —           | 17                      | —                       | 17           |
| – motor vehicle finance                   | —             | —           | 5           | 1                       | 6                       | 12           |
| At 30 Jun 2017                            | 586           | 289         | 532         | 173                     | 356                     | 1,936        |
|   | %             | %           | %           | %                       | %                       | %            |
| Impairment allowances % of impaired loans | 29.7          | 49.3        | 96.2        | 10.1                    | 108.5                   | 37.6         |
| First lien residential mortgages          | 225           | 34          | 81          | 289                     | 14                      | 643          |
| Other personal lending                    | 300           | 249         | 448         | 83                      | 249                     | 1,329        |
| – other                                   | 224           | 122         | 226         | 23                      | 128                     | 723          |
| – credit cards                            | 76            | 127         | 217         | 34                      | 117                     | 571          |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|   |      |      |      |       |       |       |
|---|------|------|------|-------|-------|-------|
| – second lien residential mortgages       | —    | —    | —    | 26    | —     | 26    |
| – motor vehicle finance                   | —    | —    | 5    | —     | 4     | 9     |
| At 31 Dec 2016                            | 525  | 283  | 529  | 372   | 263   | 1,972 |
|   | %    | %    | %    | %     | %     | %     |
| Impairment allowances % of impaired loans | 27.8 | 50.0 | 99.6 | 11.4  | 105.2 | 30.4  |
| Currency translation adjustment           | 34   | 4    | —    | —     | 33    | 71    |
| 31 Dec 2016 at 30 Jun 2017 exchange rates | 559  | 287  | 529  | 372   | 296   | 2,043 |
| Movement – constant currency basis        | 27   | 2    | 3    | (199) | 60    | (107) |
| 30 Jun 2017 as reported                   | 586  | 289  | 532  | 173   | 356   | 1,936 |

HSBC Holdings plc 65

---

## Risk

Total personal lending gross loans increased by \$15bn, mainly due to foreign exchange movements of \$11bn as well as increases in Asia of \$6.3bn and Europe of \$2.6bn. This was partly offset by the ongoing repayments and loan sales of \$4.7bn in our US CML run-off portfolio, which has now reduced to \$0.3bn.

Impairment allowances have remained flat due to the reduction in our US CML run-off portfolio being offset by an increase in Mexico.

Loan impairment charges for personal lending were \$0.5bn for 1H17, \$0.5bn lower than for 1H16 due to our sale of operations in Brazil in the second half of 2016. For further analysis of LICs by global business, see page 29.

While the tables are presented on a reported basis, the commentary that follows is on a constant currency basis and excludes the effect of the ongoing run-off and loans sales in the US CML run-off portfolio.

Total personal lending grew by \$8.6bn compared with 31 December 2016. The majority of this increase is in mortgage balances due to business growth initiatives in Hong Kong, the UK, Canada, China and Australia.

The quality of both our Hong Kong and UK mortgage books remained high, with negligible defaults and impairment allowances. The average loan to value ('LTV') ratio on new mortgage lending in Hong Kong was 45%, compared with an estimated 27% for the total mortgage portfolio. The LTV ratio on new lending in the UK was 60%, compared with the average of 40% for the total mortgage portfolio.

Other personal lending also experienced underlying growth, of \$2bn, driven by unsecured loans in Hong Kong.

## Supplementary information

## Gross loans and advances to customers by country

|                              | First lien residential mortgages | Other personal | Property-related | Commercial international trade and other | Total   |
|------------------------------|----------------------------------|----------------|------------------|--|---------|
|                              | \$m                              | \$m            | \$m              | \$m                                      | \$m     |
| Europe                       | 116,741                          | 40,725         | 31,942           | 178,088                                  | 367,496 |
| – UK                         | 110,117                          | 18,434         | 24,699           | 132,898                                  | 286,148 |
| – France                     | 2,804                            | 15,219         | 5,787            | 24,601                                   | 48,411  |
| – Germany                    | 1                                | 231            | 356              | 10,237                                   | 10,825  |
| – Switzerland                | 620                              | 5,948          | 249              | 1,564                                    | 8,381   |
| – other                      | 3,199                            | 893            | 851              | 8,788                                    | 13,731  |
| Asia                         | 104,115                          | 38,451         | 76,654           | 183,150                                  | 402,370 |
| – Hong Kong                  | 66,756                           | 25,759         | 58,922           | 102,431                                  | 253,868 |
| – Australia                  | 11,575                           | 829            | 2,721            | 9,541                                    | 24,666  |
| – India                      | 1,245                            | 421            | 1,046            | 6,369                                    | 9,081   |
| – Indonesia                  | 64                               | 335            | 160              | 4,208                                    | 4,767   |
| – mainland China             | 8,050                            | 1,110          | 5,110            | 23,373                                   | 37,643  |
| – Malaysia                   | 2,838                            | 3,174          | 1,673            | 5,137                                    | 12,822  |
| – Singapore                  | 6,080                            | 4,911          | 3,621            | 12,713                                   | 27,325  |
| – Taiwan                     | 4,483                            | 753            | 56               | 4,528                                    | 9,820   |
| – other                      | 3,024                            | 1,159          | 3,345            | 14,850                                   | 22,378  |
| Middle East and North Africa | 2,473                            | 4,860          | 2,459            | 20,368                                   | 30,160  |
| – Egypt                      | —                                | 279            | 57               | 1,417                                    | 1,753   |
| – UAE                        | 1,941                            | 1,737          | 1,724            | 11,166                                   | 16,568  |
| – other                      | 532                              | 2,844          | 678              | 7,785                                    | 11,839  |
| North America                | 35,317                           | 5,376          | 16,484           | 49,722                                   | 106,899 |
| – US                         | 17,529                           | 2,404          | 10,951           | 35,818                                   | 66,702  |
| – Canada                     | 16,561                           | 2,764          | 5,161            | 13,351                                   | 37,837  |
| – other                      | 1,227                            | 208            | 372              | 553                                      | 2,360   |
| Latin America                | 2,296                            | 4,566          | 2,108            | 11,506                                   | 20,476  |

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|                |         |        |         |         |         |
|----------------|---------|--------|---------|---------|---------|
| – Mexico       | 2,164   | 3,337  | 1,972   | 8,429   | 15,902  |
| – other        | 132     | 1,229  | 136     | 3,077   | 4,574   |
| At 30 Jun 2017 | 260,942 | 93,978 | 129,647 | 442,834 | 927,401 |

66HSBC Holdings plc

---

## Gross loans and advances to customers by country (continued)

|                              | First lien<br>residential<br>mortgages | Other<br>personal | Property-<br>related | Commercial international trade and other | Total   |
|------------------------------|--|-------------------|----------------------|--|---------|
|                              | \$m                                    | \$m               | \$m                  | \$m                                      | \$m     |
| Europe                       | 108,008                                | 38,491            | 28,485               | 164,465                                  | 339,449 |
| – UK                         | 101,822                                | 17,820            | 21,707               | 124,341                                  | 265,690 |
| – France                     | 2,676                                  | 13,786            | 5,220                | 22,153                                   | 43,835  |
| – Germany                    | 1                                      | 192               | 413                  | 8,322                                    | 8,928   |
| – Switzerland                | 506                                    | 5,848             | 213                  | 1,660                                    | 8,227   |
| – other                      | 3,003                                  | 845               | 932                  | 7,989                                    | 12,769  |
| Asia                         | 98,072                                 | 36,628            | 70,426               | 161,940                                  | 367,066 |
| – Hong Kong                  | 63,566                                 | 24,558            | 54,219               | 88,921                                   | 231,264 |
| – Australia                  | 10,134                                 | 757               | 2,164                | 6,804                                    | 19,859  |
| – India                      | 1,280                                  | 388               | 1,040                | 5,979                                    | 8,687   |
| – Indonesia                  | 63                                     | 334               | 165                  | 4,384                                    | 4,946   |
| – mainland China             | 7,192                                  | 1,107             | 4,788                | 20,451                                   | 33,538  |
| – Malaysia                   | 2,719                                  | 3,065             | 1,693                | 4,179                                    | 11,656  |
| – Singapore                  | 6,194                                  | 4,502             | 2,920                | 11,832                                   | 25,448  |
| – Taiwan                     | 4,036                                  | 671               | 55                   | 5,074                                    | 9,836   |
| – other                      | 2,888                                  | 1,246             | 3,382                | 14,316                                   | 21,832  |
| Middle East and North Africa | 2,535                                  | 5,209             | 2,580                | 22,107                                   | 32,431  |
| – Egypt                      | —                                      | 272               | 73                   | 1,327                                    | 1,672   |
| – UAE                        | 1,981                                  | 1,867             | 1,883                | 13,037                                   | 18,768  |
| – other                      | 554                                    | 3,070             | 624                  | 7,743                                    | 11,991  |
| North America                | 39,239                                 | 5,717             | 16,672               | 51,355                                   | 112,983 |
| – US                         | 22,756                                 | 2,676             | 11,835               | 38,199                                   | 75,466  |
| – Canada                     | 15,220                                 | 2,831             | 4,586                | 12,515                                   | 35,152  |
| – other                      | 1,263                                  | 210               | 251                  | 641                                      | 2,365   |
| Latin America                | 1,924                                  | 3,975             | 1,646                | 9,880                                    | 17,425  |
| – Mexico                     | 1,803                                  | 2,849             | 1,528                | 7,118                                    | 13,298  |
| – other                      | 121                                    | 1,126             | 118                  | 2,762                                    | 4,127   |
| At 31 Dec 2016               | 249,778                                | 90,020            | 119,809              | 409,747                                  | 869,354 |

## Securitisation exposures and other structured products

The following table summarises the carrying amount of our asset-backed securities ('ABSs') exposure by categories of collateral. It includes assets held in the GB&M legacy credit portfolio with a carrying value of \$9bn (31 December 2016: \$11bn).

At 30 June 2017, the available-for-sale reserve in respect of ABSs was a deficit of \$519m (31 December 2016: deficit of \$749m). For 2017, the impairment write-back in respect of ABSs was \$53m (31 December 2016: \$121m).

## Risk

## Carrying amount of HSBC's consolidated holdings of ABSs

|  | Trading   | Available<br>for sale | Held to<br>maturity | Designated<br>at fair value<br>through<br>profit or loss | Loans and<br>receivables | Total  | Of which<br>held through<br>consolidated<br>structured<br>entities |
|--|-----------|-----------------------|---------------------|--|--------------------------|--------|--|
|  | Footnotes | \$m                   | \$m                 | \$m  | \$m                      | \$m    | \$m  |
| Mortgage-related assets                                | 1,632     | 15,900                | 13,420              | —  | 1,307                    | 32,259 | 2,273  |
| – sub-prime residential                                | 51        | 1,079                 | —                   | —  | 89                       | 1,219  | 551  |
| – US Alt-A residential                                 | —         | 1,392                 | 5                   | —  | 33                       | 1,430  | 1,335  |
| – US Government agency<br>and sponsored enterprises: 3 | 234       | 12,796                | 13,415              | —  | —                        | 26,445 | —  |
| MBSs   |           |                       |                     |  |                          |        |  |
| – other residential                                    | 1,042     | 348                   | —                   | —  | 1,152                    | 2,542  | 138  |
| – commercial property                                  | 305       | 285                   | —                   | —  | 33                       | 623    | 249  |
| Leveraged finance-related<br>assets                    | 125       | 697                   | —                   | —  | 57                       | 879    | 465  |
| Student loan-related assets                            | 133       | 2,431                 | —                   | —  | —                        | 2,564  | 2,359  |
| Other assets   | 1,034     | 749                   | —                   | 6  | 30                       | 1,819  | 437  |
| At 30 Jun 2017   | 2,924     | 19,777                | 13,420              | 6  | 1,394                    | 37,521 | 5,534  |
| Mortgage-related assets                                | 1,320     | 17,575                | 12,793              | —  | 338                      | 32,026 | 2,859  |
| – sub-prime residential                                | 63        | 1,544                 | —                   | —  | 104                      | 1,711  | 618  |
| – US Alt-A residential                                 | —         | 1,453                 | 5                   | —  | 39                       | 1,497  | 1,382  |
| – US Government agency<br>and sponsored enterprises: 3 | 247       | 13,070                | 12,788              | —  | —                        | 26,105 | —  |
| MBSs   |           |                       |                     |  |                          |        |  |
| – other residential                                    | 662       | 362                   | —                   | —  | 54                       | 1,078  | 152  |
| – commercial property                                  | 348       | 1,146                 | —                   | —  | 141                      | 1,635  | 707  |
| Leveraged finance-related<br>assets                    | 175       | 1,284                 | —                   | —  | 70                       | 1,529  | 735  |
| Student loan-related assets                            | 140       | 2,865                 | —                   | —  | 11                       | 3,016  | 2,616  |
| Other assets   | 1,278     | 730                   | —                   | 19   | 48                       | 2,075  | 404  |
| At 31 Dec 2016   | 2,913     | 22,454                | 12,793              | 19   | 467                      | 38,646 | 6,614  |

For footnotes, see page 76.

## Liquidity and funding risk profile

Liquidity risk is the risk that we do not have sufficient financial resources to meet our obligations as they fall due, or that we can only do so at an excessive cost. Liquidity risk arises from mismatches in the timing of cash flows.

Funding risk is the risk that funding considered to be sustainable, and therefore used to fund assets, is not sustainable over time. Funding risk arises when illiquid asset positions cannot be funded at the expected terms and when required. There were no material changes to the policies and practices for the management of liquidity and funding risk in 1H17.

A summary of our current policies and practices regarding the management of 'Liquidity and funding risk management' risk is set out on pages 75 to 77 of the Annual Report and Accounts 2016.

This section supersedes the information included in the Annual Report and Accounts 2016 from pages 106 to 107.

## Liquidity and funding in the first half of 2017

The liquidity position of the Group remained strong in 1H17. The amount of unencumbered liquid assets was \$550bn. The Group has beneficial ownership of, or legal title to, these assets, with complete operational control. We

recognised \$481bn of these liquid assets for the purposes of the Group consolidated liquidity coverage ratio ('LCR'), which was 139% at 30 June 2017.

The funding position of the Group remained robust in 1H17. Each major operating entity reported a net stable funding ratio ('NSFR') above 100%, highlighting a surplus of stable funding relative to the requirement for it in every entity.

#### Management of liquidity and funding risk

##### Liquidity coverage ratio

The LCR aims to ensure that a bank has sufficient unencumbered high-quality liquid assets ('HQLAs') to meet its liquidity needs in a 30-calendar-day liquidity stress scenario. HQLAs consist of cash or assets that can be converted into cash at little or no loss of value in markets.

We reported a Group consolidated LCR, based on European Commission ('EC') rules, at 30 June 2017 of 139% (30 June 2016: 137%) to the PRA.

We assume no transferability of liquidity from non-EU entities other than to the extent currently permitted. This results in \$69bn of HQLAs being excluded from the Group's LCR that are still available at an entity level.

The ratio of total consolidated HQLAs to the EC LCR denominator at 30 June 2017 was 160%, reflecting the additional \$69bn of HQLAs excluded from the Group LCR.

The liquidity position of the Group can also be represented by the stand-alone ratios of each of our principal operating entities. Balance sheet size is the initial criterion that the Board and the Risk Management Meeting of the Group Management Board use to categorise an operating entity as a principal entity.

The table below displays the individual LCR levels for our principal operating entities on an EC LCR Delegated Regulation basis. The ratios shown for operating entities in non-EU jurisdictions can vary from their local LCR measures due to differences in the way non-EU regulators have implemented the Basel III recommendations.

68HSBC Holdings plc

---

## Operating entities' LCRs

|  | Footnotes | At                  |                     |                        |
|--|-----------|---------------------|---------------------|------------------------|
|  |           | 30 Jun<br>2017<br>% | 30 Jun<br>2016<br>% | 31<br>Dec<br>2016<br>% |
| HSBC UK liquidity group  | 4         | 126                 | 126                 | 123                    |
| The Hongkong and Shanghai Banking Corporation – Hong Kong Branch | 5         | 158                 | 198                 | 185                    |
| The Hongkong and Shanghai Banking Corporation – Singapore Branch | 5         | 151                 | 206                 | 154                    |
| HSBC Bank USA  |           | 137                 | 113                 | 130                    |
| HSBC France  |           | 159                 | 134                 | 122                    |
| Hang Seng Bank   |           | 235                 | 246                 | 218                    |
| HSBC Bank Canada   |           | 131                 | 143                 | 142                    |
| HSBC Bank China  |           | 151                 | 180                 | 253                    |
| HSBC Middle East – UAE Branch                                    |           | 207                 | 251                 | 241                    |
| HSBC Mexico  |           | 158                 | 166                 | 177                    |
| HSBC Private Bank  |           | 173                 | 188                 | 178                    |

For footnotes, see page 76.

At 30 June 2017, all the Group's principal operating entities' LCRs were within the risk tolerance level established by the Board, and have evolved in line with the Board's expectations over the period. The decline in The Hongkong and Shanghai Banking Corporation, Hong Kong Branch's, LCR was caused mainly by deployment of its commercial surplus into customer assets.

## Net stable funding ratio

The NSFR requires institutions to maintain sufficient stable funding relative to required stable funding, and reflects a bank's long-term funding profile (funding with a term of more than a year). It is designed to complement the LCR. At 30 June 2017, the Group's principal operating entities were within the NSFR risk tolerance level established by the Board.

The table below displays the NSFR levels for the principal HSBC operating entities. HSBC does not disclose a Group consolidated NSFR.

## Operating entities' NSFRs

|  | Footnotes | At                  |                     |                        |
|--|-----------|---------------------|---------------------|------------------------|
|  |           | 30 Jun<br>2017<br>% | 30 Jun<br>2016<br>% | 31<br>Dec<br>2016<br>% |
| HSBC UK liquidity group  | 4         | 113                 | 118                 | 116                    |
| The Hongkong and Shanghai Banking Corporation – Hong Kong Branch | 5         | 155                 | 164                 | 157                    |
| The Hongkong and Shanghai Banking Corporation – Singapore Branch | 5         | 112                 | 120                 | 112                    |
| HSBC Bank USA  |           | 132                 | 115                 | 120                    |
| HSBC France  |           | 119                 | 117                 | 120                    |
| Hang Seng Bank   |           | 159                 | 161                 | 162                    |
| HSBC Bank Canada   |           | 136                 | 137                 | 139                    |
| HSBC Bank China  |           | 133                 | 146                 | 149                    |
| HSBC Middle East – UAE Branch                                    |           | 143                 | 141                 | 141                    |
| HSBC Mexico  |           | 119                 | 127                 | 128                    |
| HSBC Private Bank  |           | 181                 | 149                 | 155                    |

For footnotes, see page 76.

At 30 June 2017, all the Group's principal operating entities were within the risk tolerance level established by the Board.

Depositor concentration and term funding maturity concentration

The LCR and NSFR metrics assume a stressed outflow based on a portfolio of depositors within each deposit segment. The validity of these assumptions is challenged if the underlying depositors do not represent a large enough portfolio so that a depositor concentration exists.

Operating entities are exposed to term refinancing concentration risk if the current maturity profile results in future maturities being overly concentrated in any defined period.

At 30 June 2017, all principal operating entities were within the risk tolerance levels set for depositor concentration and term funding maturity concentration. These risk tolerances were established by the Board.

Liquid assets of HSBC's principal operating entities

The following table shows the unweighted liquidity value of assets categorised as liquid and used for the purposes of calculating the LCR metric. The table reflects the stock of unencumbered liquid assets at 30 June 2017, using the regulatory definition of liquid assets. The amount recognised by entity at the Group level is different from the amount recognised at a solo entity level, reflecting liquidity that cannot be freely transferred to the Group.

## Risk

## Liquid assets of HSBC's principal entities

|  | Footnotes | Recognised at<br>30 Jun 2017 at: |                      | Recognised at<br>30 Jun 2016 at: |                         | Recognised at<br>31 Dec 2016 at: |                         |
|--|-----------|----------------------------------|----------------------|----------------------------------|-------------------------|----------------------------------|-------------------------|
|  |           | Group<br>and<br>entity<br>level  | Entity level<br>only | Group<br>and<br>entity<br>level  | Entity<br>level<br>only | Group<br>and<br>entity<br>level  | Entity<br>level<br>only |
|  |           | \$m                              | \$m                  | \$m                              | \$m                     | \$m                              | \$m                     |
| HSBC UK liquidity group  | 4         |                                  |                      |                                  |                         |                                  |                         |
| Level 1  |           | 148,740                          | 148,740              | 164,116                          | 164,116                 | 143,884                          | 143,884                 |
| Level 2a   |           | 7,362                            | 7,362                | 4,145                            | 4,145                   | 2,085                            | 2,085                   |
| Level 2b   |           | 18,691                           | 18,691               | 932                              | 932                     | 7,663                            | 7,663                   |
|  |           | 174,793                          | 174,793              | 169,193                          | 169,193                 | 153,632                          | 153,632                 |
| The Hongkong and Shanghai Banking Corporation – Hong Kong Branch | 5         |                                  |                      |                                  |                         |                                  |                         |
| Level 1  |           | 60,140                           | 74,658               | 67,885                           | 123,349                 | 48,342                           | 98,963                  |
| Level 2a   |           | 23,949                           | 23,949               | 7,169                            | 7,169                   | 23,790                           | 23,790                  |
| Level 2b   |           | 4,736                            | 4,736                | 3,283                            | 3,283                   | 3,450                            | 3,450                   |
|  |           | 88,825                           | 103,343              | 78,337                           | 133,801                 | 75,582                           | 126,203                 |
| Hang Seng Bank   |           |                                  |                      |                                  |                         |                                  |                         |
| Level 1  |           | 18,955                           | 33,077               | 18,485                           | 35,702                  | 21,798                           | 37,525                  |
| Level 2a   |           | 1,864                            | 1,864                | 1,862                            | 1,862                   | 1,474                            | 1,474                   |
| Level 2b   |           | 200                              | 200                  | 207                              | 207                     | 199                              | 199                     |
|  |           | 21,019                           | 35,141               | 20,554                           | 37,771                  | 23,471                           | 39,198                  |
| HSBC Bank USA  |           |                                  |                      |                                  |                         |                                  |                         |
| Level 1  |           | 44,199                           | 67,401               | 57,320                           | 66,455                  | 53,409                           | 72,931                  |
| Level 2a   |           | 11,500                           | 11,500               | 13,100                           | 13,100                  | 14,995                           | 14,995                  |
| Level 2b   |           | 18                               | 18                   | 4                                | 4                       | 10                               | 10                      |
|  |           | 55,717                           | 78,919               | 70,424                           | 79,559                  | 68,414                           | 87,936                  |
| Total of HSBC's other principal entities                         | 6         |                                  |                      |                                  |                         |                                  |                         |
| Level 1  |           | 80,567                           | 87,869               | 73,363                           | 87,046                  | 74,239                           | 90,579                  |
| Level 2a   |           | 7,363                            | 7,363                | 6,741                            | 6,741                   | 6,240                            | 6,240                   |
| Level 2b   |           | 1,060                            | 1,060                | 214                              | 214                     | 226                              | 226                     |
|  |           | 88,990                           | 96,292               | 80,318                           | 94,001                  | 80,705                           | 97,045                  |

For footnotes, see page 76.

## Sources of funding

Our primary sources of funding are customer current accounts and savings deposits payable on demand or at short notice. We issue wholesale securities (secured and unsecured) to supplement customer deposits and change the currency mix, maturity profile or location of our liabilities.

The following consolidated 'Funding sources and uses' table provides a consolidated view of how our balance sheet is funded, which requires operating entities to manage liquidity and funding risk on a stand-alone basis.

The table analyses our consolidated balance sheet according to the assets that primarily arise from operating activities and the sources of funding primarily supporting these activities. Assets and liabilities that do not arise from operating activities are presented as a net balancing source or deployment of funds.

In 1H17, the level of customer accounts continued to exceed the level of loans and advances to customers. The positive funding gap was predominantly deployed in liquid assets. Loans and advances to banks continued to exceed deposits by banks, meaning the Group remained a net unsecured lender to the banking sector.

70HSBC Holdings plc

---

## Funding sources and uses

|  | At        |           |
|--|-----------|-----------|
|  | 30 Jun    | 31 Dec    |
|  | 2017      | 2016      |
|  | \$m       | \$m       |
| <b>Sources</b>   |           |           |
| Customer accounts  | 1,311,958 | 1,272,386 |
| Deposits by banks  | 64,230    | 59,939    |
| Repurchase agreements – non-trading                          | 145,306   | 88,958    |
| Debt securities in issue                                     | 63,289    | 65,915    |
| Liabilities of disposal groups held for sale                 | 620       | 2,790     |
| Subordinated liabilities                                     | 21,213    | 20,984    |
| Financial liabilities designated at fair value               | 93,163    | 86,832    |
| Liabilities under insurance contracts                        | 81,147    | 75,273    |
| Trading liabilities  | 202,401   | 153,691   |
| – repos  | 2,952     | 1,428     |
| – stock lending  | 6,925     | 3,643     |
| – settlement accounts  | 42,658    | 15,271    |
| – other trading liabilities                                  | 149,866   | 133,349   |
| Total equity   | 195,786   | 182,578   |
|  | 2,179,113 | 2,009,346 |
| <b>Uses</b>  |           |           |
| Loans and advances to customers                              | 919,838   | 861,504   |
| Loans and advances to banks                                  | 86,633    | 88,126    |
| Reverse repurchase agreements                                | 196,834   | 160,974   |
| – non-trading  |           |           |
| Assets held for sale   | 2,301     | 4,389     |
| Trading assets   | 320,037   | 235,125   |
| – reverse repos  | 9,212     | 4,780     |
| – stock borrowing  | 7,605     | 5,427     |
| – settlement accounts  | 45,499    | 17,850    |
| – other trading assets                                       | 257,721   | 207,068   |
| Financial investments  | 385,378   | 436,797   |
| Cash and balances with central banks                         | 163,353   | 128,009   |
| Net deployment in other balance sheet assets and liabilities | 104,739   | 94,422    |
|  | 2,179,113 | 2,009,346 |

## Market risk profile

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices, will reduce our income or the value of our portfolios.

There were no material changes to the policies and practices for the management of market risk in 1H17.

A summary of our current policies and practices for the management of market risk is set out in ‘Market risk management’ on page 77 of the Annual Report and Accounts 2016.

## Market risk in the first half of 2017

Global markets were influenced by major central banks signalling a faster unwind of monetary easing than was previously expected. Although bond yields have started to increase, yield curves remain low and flat by historical standards, despite expectations starting to shift towards reduced monetary stimulus and/or rate rises. Realised and implied volatilities also remain low by historic standards, despite various geopolitical tensions that create uncertainty for markets.

Global equity markets reached new highs in May, supported by robust earnings forecasts, albeit against the backdrop of uncertain implementation of US fiscal policy changes.

In China, debt levels remain high. Concerns of a potential further RMB depreciation have receded in light of robust economic activity, but geopolitical risks remain.

HSBC was not materially exposed to the elevated volatility and market moves observed in Brazil.

In the UK, the general election in June resulted in a minority government, which increases uncertainty as to the timing and outcome of the UK's exit from the EU.

Trading value at risk ('VaR') was higher before the effect of portfolio diversification. During 1H17, the trading VaR from the credit spread and foreign exchange asset classes increased reflecting larger exposures. This was partly offset by a reduction in the interest rate asset class, from modelling enhancements, which led to an improved measure.

Including the effects of portfolio diversification, trading VaR decreased.

Non-trading interest rate VaR decreased during 1H17 as exposures were managed down.

Trading portfolios

Value at risk of the trading portfolios

Trading VaR predominantly resides within Global Markets. The VaR for trading activity at 30 June 2017 was lower than at 31 December 2016. The increase in trading VaR from the foreign exchange, equity and credit spread trading VaR components was offset by a decline in the interest rate trading VaR component. The effects of portfolio diversification reduced the overall trading VaR.

The Group trading VaR for the half-year is shown in the table below.

Trading VaR, 99% 1 day

|                          | Foreign exchange<br>and commodity | Interest<br>rate | Equity | Credit<br>spread | Portfolio<br>diversification <sup>5</sup> | Total |
|--------------------------|-----------------------------------|------------------|--------|------------------|---|-------|
|                          | \$m                               | \$m              | \$m    | \$m              | \$m                                       | \$m   |
| Half-year to 30 Jun 2017 | 16.5                              | 36.4             | 15.2   | 21.7             | (42.8)                                    | )47.0 |
| Average                  | 10.5                              | 42.3             | 11.3   | 10.8             | (28.8)                                    | )46.1 |
| Maximum                  | 16.5                              | 67.1             | 16.5   | 23.8             | —   | 70.8  |
| Minimum                  | 5.4                               | 30.4             | 9.1    | 5.1              | —   | 36.6  |
| Half-year to 30 Jun 2016 | 10.9                              | 41.8             | 18.3   | 9.0              | (27.7)                                    | )52.3 |
| Average                  | 11.0                              | 40.2             | 23.2   | 17.5             | (30.9)                                    | )61.0 |
| Maximum                  | 16.9                              | 49.2             | 32.4   | 28.1             | —   | 91.5  |
| Minimum                  | 6.5                               | 31.8             | 15.2   | 9.0              | —   | 44.0  |
| Half-year to 31 Dec 2016 | 8.9                               | 49.7             | 11.8   | 5.9              | (23.5)                                    | )52.8 |
| Average                  | 11.1                              | 45.4             | 17.6   | 9.6              | (29.7)                                    | )54.0 |
| Maximum                  | 16.7                              | 64.2             | 22.0   | 14.1             | —   | 69.2  |
| Minimum                  | 5.4                               | 32.0             | 11.8   | 5.0              | —   | 42.1  |

For footnote, see page 76.

HSBC Holdings plc 71

## Risk

The risks not in VaR ('RNIV') framework captures risks from exposures in the HSBC trading book that are not captured well by the VaR model. The VaR-based RNIVs are included within the metrics for each asset class.

## Back-testing

There were no back-testing exceptions against hypothetical or clean profit and loss for the Group in 1H17.

## Non-trading portfolios

## Value at risk of the non-trading portfolios

Non-trading VaR of the Group includes contributions from all global businesses. There is no commodity risk in the non-trading portfolios. The VaR for non-trading activity at 30 June

2017 was lower than at 31 December 2016, reflecting a decrease in the non-trading interest rate VaR component. The non-trading credit spread component was largely flat during the period under review.

Non-trading VaR also includes the interest rate risk of non-trading financial instruments held in portfolios managed by Balance Sheet Management ('BSM'). The management of interest rate risk in the banking book is described further in 'Non-trading interest rate risk' below, including the role of BSM.

Non-trading VaR excludes the insurance operations which are discussed further on page 75.

The Group non-trading VaR for the half-year is shown in the table below.

## Non-trading VaR, 99% 1 day

|                          | Interest rate | Credit spread | Portfolio diversification <sup>5</sup> | Total  |
|--------------------------|---------------|---------------|--|--------|
|                          | \$m           | \$m           | \$m                                    | \$m    |
| Half-year to 30 Jun 2017 | 102.7         | 48.9          | (36.5                                  | )115.1 |
| Average                  | 136.6         | 46.3          | (37.2                                  | )145.7 |
| Maximum                  | 164.1         | 69.3          |  | 182.1  |
| Minimum                  | 98.8          | 31.3          |  | 102.1  |
| Half-year to 30 Jun 2016 | 123.6         | 43.7          | (29.6                                  | )137.7 |
| Average                  | 125.1         | 59.0          | (42.6                                  | )141.5 |
| Maximum                  | 140.1         | 82.8          | —                                      | 164.8  |
| Minimum                  | 100.2         | 43.7          | —                                      | 123.3  |
| Half-year to 31 Dec 2016 | 157.0         | 46.5          | (32.1                                  | )171.4 |
| Average                  | 137.9         | 46.7          | (21.9                                  | )162.7 |
| Maximum                  | 171.9         | 59.8          | —                                      | 182.1  |
| Minimum                  | 115.2         | 36.9          | —                                      | 131.6  |

For footnote, see page 76.

Non-trading VaR excludes equity risk on available-for-sale securities, structural foreign exchange risk and interest rate risk on fixed-rate securities issued by HSBC Holdings. This section and the sections below describe the scope of HSBC's management of market risks in non-trading books.

## Interest rate risk in the banking book

Our policies regarding the management of interest rate risk in the banking book and the funds transfer pricing process are described on pages 79 and 76, respectively, of the Annual Report and Accounts 2016.

The component of the interest rate risk in the banking book outside of BSM or Global Markets that can be economically neutralised by fixed-rate government bonds or interest rate derivatives is transfer-priced to and managed by BSM. The banking book interest rate risk transferred to BSM is reflected in the Group's non-traded VaR measure. The Group utilises sensitivity of net interest income to assess the overall level of interest rate risk in the banking book. This measure reflects both the structural banking book interest rate risk remaining after risk transfer to BSM and the banking book interest rate risk managed by BSM and Global Markets.

## Third-party assets in BSM

Third-party assets in BSM decreased by 5% during the first half of 2017. Financial investments decreased by \$54bn, predominantly in Asia-Pacific and Europe due to investments maturing, along with some disposals. Deposits with central banks increased by \$38bn, predominantly in North America and Europe in part due to reduced reverse repo activity.

## Third-party assets in BSM

|                                    | At             |                             |
|------------------------------------|----------------|-----------------------------|
|                                    | 30 Jun<br>2017 | 31 Dec<br>2016 <sup>6</sup> |
|                                    | \$m            | \$m                         |
| Cash and balances at central banks | 148,071        | 110,052                     |
| Trading assets                     | 847            | 414                         |
| Loans and advances:                |                |                             |
| – to banks                         | 35,390         | 38,188                      |
| – to customers                     | 2,839          | 2,564                       |
| Reverse repurchase agreements      | 24,858         | 35,143                      |
| Financial investments              | 306,261        | 360,315                     |
| Other                              | 5,329          | 4,839                       |
|                                    | 523,595        | 551,515                     |

For footnotes, see page 76.

## Sensitivity of net interest income

The following table sets out the effect on our future net interest income ('NII') of an incremental 25 basis point parallel rise or fall in all yield curves worldwide at the beginning of each quarter during the 12 months from 1 July 2017.

The sensitivities shown represent the change in the base case projected NII that would be expected under the two rate scenarios assuming that all other non-interest rate risk variables remain constant, and there are no management actions. In deriving our base case net interest income projections, the repricing rate of assets and liabilities used is derived from current yield curves. The interest rate sensitivities are indicative and based on simplified scenarios.

Assuming no management response, a sequence of such rises ('up-shock scenario') would increase planned net interest income for the 12 months to 30 June 2018 by \$2,443m (to

72HSBC Holdings plc

---

31 December 2017: \$1,709m), while a sequence of such falls ('down-shock scenario') would decrease planned net interest income by \$2,907m (to 31 December 2017: \$2,406m). These figures reflect reassessments in 1H17 of some of the assumptions used for NII sensitivity analysis.

The NII sensitivity of the Group can be split into three key components: the structural sensitivity arising from its four global businesses excluding BSM and Global Markets, the sensitivity of the funding of the trading book and the sensitivity of BSM.

The structural sensitivity is positive in a rising rate environment and negative in a falling rate environment. The sensitivity of the funding of the trading book is negative in a rising rate environment and positive in a falling rate environment. The sensitivity of BSM depends on its position. Typically, assuming no management response, the sensitivity of BSM is negative in a rising rate environment and positive in a falling rate environment.

The NII sensitivity figures below also incorporate the effect of any interest rate behaviouralisation applied and the effect of any assumed repricing across products under the specific interest rate scenario. They do not incorporate the effect of any management decision to change the composition of HSBC's balance sheet.

The NII sensitivity in BSM arises from a combination of the techniques that BSM uses to mitigate the transferred interest rate risk and the methods it uses to optimise net revenues in line with its defined risk mandate. The figures in the table below do not incorporate the effect of any management decisions within BSM, but in reality it is likely that there would be some short-term adjustment in BSM positioning to offset the NII effects of the specific interest rate scenario where necessary.

The NII sensitivity arising from the funding of the trading book comprises the expense of funding trading assets, while the revenue from these trading assets is reported in net trading income. This leads to an asymmetry in the NII sensitivity figures which is cancelled out in our global business results, where we include both NII and net trading income. It is likely, therefore, that the overall effect on profit before tax of the funding of the trading book will be much less pronounced than is suggested in the figures below.

#### Sensitivity of capital and reserves

Available-for-sale ('AFS') reserves are included as part of CET1 capital. We measure the potential downside risk to the CET1 ratio due to interest rate and credit spread risk in the AFS portfolio by the portfolio's stressed VaR, using a 99% confidence level and an assumed holding period of one quarter. At June 2017, the stressed VaR of the portfolio was \$3.5bn.

We monitor the sensitivity of reported cash flow hedging reserves to interest rate movements on a monthly basis by assessing the expected reduction in valuation of cash flow hedges due to parallel movements of plus or minus 100bps in all yield curves. These particular exposures form only a part of our overall interest rate exposures.

The table on page 74 describes the sensitivity of our cash flow hedge reported reserves to the stipulated movements in yield curves and the maximum and minimum month-end figures during the year. The sensitivities are indicative and based on simplified scenarios.

#### Sensitivity of projected net interest income

|  | US<br>dollar<br>bloc | Rest of<br>Americas<br>bloc | Hong Kong<br>dollar bloc | Rest<br>of<br>Asia<br>bloc | Sterling<br>bloc | Euro<br>bloc | Total   |
|--|----------------------|-----------------------------|--------------------------|----------------------------|------------------|--------------|---------|
|  | \$m                  | \$m                         | \$m                      | \$m                        | \$m              | \$m          | \$m     |
| Change in Jul 2017 to Jun 2018 projected net interest income arising from a shift in yield curves at the beginning of each quarter of: |                      |                             |                          |                            |                  |              |         |
| +25 basis points   | 789                  | 59                          | 531                      | 339                        | 425              | 300          | 2,443   |
| -25 basis points   | (1,163)              | (62)                        | (886)                    | (306)                      | (440)            | (50)         | (2,907) |
| Change in Jan 2017 to Dec 2017 projected net interest income arising from a shift in yield curves at the beginning of each quarter of: |                      |                             |                          |                            |                  |              |         |
| +25 basis points   | 605                  | 47                          | 504                      | 280                        | 61               | 212          | 1,709   |

-25 basis points (1,024 )(41 )(797 )(292 )(261 )9 (2,406)

HSBC Holdings plc 73

---

## Risk

## Sensitivity of cash flow hedging reported reserves to interest rate movements

|  | \$m   | Impact in the<br>preceding 6 months |         |
|--|-------|-------------------------------------|---------|
|  |       | Maximum                             | Minimum |
|  |       | \$m                                 | \$m     |
| At 30 Jun 2017                                     |       |                                     |         |
| +100 basis point parallel move in all yield curves | (839) | (1,051)                             | (839)   |
| As a percentage of total shareholders' equity      | (0.4) | (0.6)                               | (0.4)   |
| -100 basis point parallel move in all yield curves | 860   | 1,080                               | 860     |
| As a percentage of total shareholders' equity      | 0.5%  | 0.6%                                | 0.5%    |

## At 30 Jun 2016

|  |         |         |         |
|--|---------|---------|---------|
| +100 basis point parallel move in all yield curves | (1,173) | (1,235) | (1,173) |
| As a percentage of total shareholders' equity      | (0.6)   | (0.6)   | (0.6)   |
| -100 basis point parallel move in all yield curves | 1,145   | 1,224   | 1,145   |
| As a percentage of total shareholders' equity      | 0.6%    | 0.6%    | 0.6%    |

## At 31 Dec 2016

|  |         |         |         |
|--|---------|---------|---------|
| +100 basis point parallel move in all yield curves | (1,051) | (1,173) | (1,051) |
| As a percentage of total shareholders' equity      | (0.6)   | (0.7)   | (0.6)   |
| -100 basis point parallel move in all yield curves | 1,080   | 1,145   | 1,080   |
| As a percentage of total shareholders' equity      | 0.6%    | 0.7%    | 0.6%    |

## Additional market risk measures applicable only to the parent company

The principal tools used in the management of market risk are VaR for foreign exchange rate risk and the projected sensitivity of HSBC Holdings' NII to future changes in yield curves and interest rate gap repricing for interest rate risk.

## Foreign exchange risk

Total foreign exchange VaR arising within HSBC Holdings in the first half of 2017 was as follows:

## HSBC Holdings – foreign exchange

## VaR

|               | Half-year to |             |             |
|---------------|--------------|-------------|-------------|
|               | 30 Jun 2017  | 30 Jun 2016 | 31 Dec 2016 |
|               | \$m          | \$m         | \$m         |
| At period-end | 39.7         | 56.3        | 32.1        |
| Average       | 42.7         | 49.2        | 44.4        |
| Maximum       | 68.0         | 58.2        | 58.2        |
| Minimum       | 32.4         | 44.6        | 32.1        |

The foreign exchange risk largely arises from loans to subsidiaries of a capital nature that are not denominated in the functional currency of either the provider or the recipient and which are accounted for as financial assets. Changes in the carrying amount of these loans due to foreign exchange rate differences are taken directly to HSBC Holdings' income statement. These loans, and most of the associated foreign exchange exposures, are eliminated on consolidation.

## Interest rate repricing gap table

The interest rate risk on the fixed-rate securities issued by HSBC Holdings is not included within the Group VaR but is managed on a repricing gap basis. The interest rate repricing gap table below analyses the full-term structure of interest rate mismatches within HSBC Holdings' balance sheet.

## Repricing gap analysis of HSBC Holdings

Edgar Filing: HSBC HOLDINGS PLC - Form 6-K

|  | Total     | Up to<br>1 year | 1 to<br>5 years | 5 to<br>10 years | More<br>than<br>10<br>years | Non-interest<br>bearing |
|--|-----------|-----------------|-----------------|------------------|-----------------------------|-------------------------|
|  | \$m       | \$m             | \$m             | \$m              | \$m                         | \$m                     |
| Total assets   | 190,860   | 84,363          | 3,519           | 2,905            | —                           | 100,073                 |
| Total liabilities and equity                                 | (190,860) | (9,100)         | (19,913)        | (23,845)         | (20,627)                    | (117,375)               |
| Off-balance sheet items attracting interest rate sensitivity | —         | (55,738)        | 19,913          | 21,345           | 11,720                      | 2,760                   |
| Net interest rate risk gap at 30 Jun 2017                    | —         | 19,525          | 3,519           | 405              | (8,907)                     | (14,540)                |
| Cumulative interest rate risk gap                            | —         | 19,525          | 23,044          | 23,448           | 14,540                      | —                       |
| <br>   |           |                 |                 |                  |                             |                         |
| Total assets   | 166,646   | 61,048          | 842             | 684              | —                           | 104,072                 |
| Total liabilities and equity                                 | (166,646) | (3,804)         | (14,601)        | (18,664)         | (16,325)                    | (113,252)               |
| Off-balance sheet items attracting interest rate sensitivity | —         | (38,393)        | 13,989          | 16,123           | 8,281                       | —                       |
| Net interest rate risk gap at 30 Jun 2016                    | —         | 18,851          | 230             | (1,857)          | (8,044)                     | (9,180)                 |
| Cumulative interest rate risk gap                            | —         | 18,851          | 19,081          | 17,224           | 9,180                       | —                       |
| <br>   |           |                 |                 |                  |                             |                         |
| Total assets   | 181,090   | 74,963          | 1,115           | 413              | —                           | 104,599                 |
| Total liabilities and equity                                 | (181,090) | (5,413)         | (13,608)        | (26,296)         | (19,783)                    | (115,990)               |
| Off-balance sheet items attracting interest rate sensitivity | —         | (57,089)        | 13,608          | 26,296           | 13,441                      | 3,743                   |
| Net interest rate risk gap at 31 Dec 2016                    | —         | 12,461          | 1,115           | 413              | (6,342)                     | (7,647)                 |
| Cumulative interest rate risk gap                            | —         | 12,461          | 13,576          | 13,989           | 7,647                       | —                       |

74HSBC Holdings plc

---

### Operational risk profile

Operational risk is the risk to achieving our strategy or objectives as a result of inadequate or failed internal processes, people or systems, or external events.

During 1H17, we implemented a new operational risk management framework ('ORMF') and system of record. The new ORMF helps provide an end-to-end view of non-financial risks, allowing enhanced focus on the risks that matter most and associated controls. It also provides a platform for further improvements to our operational risk management capability.

Responsibility for minimising operational risk lies with HSBC's employees. They are required to manage the operational risks of the business and operational activities for which they are responsible.

A summary of our current policies and practices for the management of operational risk is set out in 'Operational risk management' on page 80 of the Annual Report and Accounts 2016.

### Operational risk exposures in the first half of 2017

In 1H17, we continued to strengthen the controls that manage our most material risks. Among other measures, we: further developed controls to help ensure that we know our customers, ask the right questions and escalate concerns to prevent financial crime;

implemented a number of initiatives to raise our standards in relation to the conduct of our business, as described below in 'Conduct of business';

increased monitoring and enhanced detective controls to manage fraud risks arising from new technologies and new ways of banking;

strengthened internal security controls to help prevent cyber attacks;

improved controls and security to protect customers when using digital channels; and

enhanced our third-party risk management to help enable the consistent risk assessment of any third-party service.

### Conduct of business

We attach the highest importance to delivering fair outcomes for our customers, and the orderly and transparent operation of financial markets. The embedding and deepening of our approach to conduct across the Group is a priority. This means continuing to focus on key areas of conduct including those relating to support for potentially vulnerable customers, digital channels, and oversight of the conduct standards of key third parties with whom we do business. Such measures are complemented by processes to ensure the consideration of conduct in decision making across the Group, and by initiatives relating to culture, values and behaviours.

### Specific actions to improve our conduct in 1H17 included:

introducing a framework designed to further ensure conduct considerations are a key part of the Group's strategic planning and decision-making processes;

further developing conduct monitoring and testing activity by the Regulatory Compliance sub-function, to help assess the Group-wide embedding of conduct behaviours and processes; and

ongoing investment in our global surveillance capabilities, increasing the breadth of delivery, and integrating new risk-based analytical technologies, to strengthen our ability to monitor ever more complex trading behaviours, and detect potential suspicious trading activity and misconduct.

### Insurance manufacturing operations

#### risk profile

The majority of the risk in our insurance business derives from manufacturing activities and can be categorised as financial risk and insurance risk. Financial risks include market risk, credit risk and liquidity risk. Insurance risk is the risk, other than financial risk, of loss transferred from the holder of the insurance contract to the issuer (HSBC).

A summary of our policies and practices regarding the risk management of insurance operations, our insurance model and the main contracts we manufacture are provided on page 82 of the Annual Report and Accounts 2016.

There have been no material changes to the policies and practices for the management of risks arising in our insurance operations described in the Annual Report and Accounts 2016.

### Insurance manufacturing operations risk profile in the first half of 2017

The risk profile of our insurance manufacturing businesses is measured using an economic capital approach. Assets and liabilities are measured on a market value basis, and a capital requirement is defined to ensure that there is a less

than one in 200 chance of insolvency over a one-year time horizon, given the risks the businesses are exposed to. The methodology for the economic capital calculation is largely aligned to the pan-European Solvency II insurance capital regulations. The economic capital coverage ratio (economic net asset value divided by the economic capital requirement) is a key risk appetite measure. The business has a current appetite to remain above 140% with a tolerance to 110%. In addition to economic capital, the regulatory solvency ratio is also a metric used to manage risk appetite on an entity basis.

The risk profile of our remaining life insurance manufacturing businesses did not change materially during 1H17. The increase in policyholder liabilities during the period to \$81.1bn (31 December 2016: \$75.3bn) is primarily a result of new premiums collected and favourable market performance.

The following table shows the composition of assets and liabilities by contract type.

HSBC Holdings plc 75

---

## Risk | Capital

Balance sheet of insurance manufacturing subsidiaries by type of contract<sup>7</sup>

|   |           | With<br>DPF | Unit-<br>linked | Other contracts <sup>8</sup> | Shareholder<br>assets and<br>liabilities | Total   |
|---|-----------|-------------|-----------------|------------------------------|--|---------|
|   | Footnotes | \$m         | \$m             | \$m                          | \$m                                      | \$m     |
| Financial assets  |           | 61,780      | 9,606           | 14,082                       | 5,571                                    | 91,039  |
| – trading assets  |           | —           | —               | 2                            | —  | 2       |
| – financial assets designated at fair value                     |           | 14,021      | 9,211           | 2,951                        | 863                                      | 27,046  |
| – derivatives   |           | 283         | 1               | 10                           | 50                                       | 344     |
| – financial investments – HTM                                   | 11        | 28,098      | —               | 5,953                        | 3,033                                    | 37,084  |
| – financial investments – AFS                                   | 11        | 15,144      | —               | 4,475                        | 1,529                                    | 21,148  |
| – other financial assets  | 12        | 4,234       | 394             | 691                          | 96                                       | 5,415   |
| Reinsurance assets  |           | 1,092       | 300             | 1,136                        | —  | 2,528   |
| PVIF  | 13        | —           | —               | —                            | 6,707                                    | 6,707   |
| Other assets and investment properties                          |           | 1,788       | 12              | 158                          | 405                                      | 2,363   |
| Total assets at 30 Jun 2017                                     |           | 64,660      | 9,918           | 15,376                       | 12,683                                   | 102,637 |
| Liabilities under investment contracts designated at fair value |           | —           | 2,361           | 3,866                        | —  | 6,227   |
| Liabilities under insurance contracts                           |           | 63,254      | 7,465           | 10,429                       | —  | 81,148  |
| Deferred tax  | 14        | 14          | 5               | 1                            | 1,258                                    | 1,278   |
| Other liabilities   |           | —           | —               | —                            | 2,308                                    | 2,308   |
| Total liabilities   |           | 63,268      | 9,831           | 14,296                       | 3,566                                    | 90,961  |
| Total equity  |           | —           | —               | —                            | 11,676                                   | 11,676  |
| Total equity and liabilities at 30 Jun 2017                     |           | 63,268      | 9,831           | 14,296                       | 15,242                                   | 102,637 |
| Financial assets  |           | 57,004      | 8,877           | 13,021                       | 5,141                                    | 84,043  |
| – trading assets  |           | —           | —               | 2                            | —  | 2       |
| – financial assets designated at fair value                     |           | 12,134      | 8,592           | 2,889                        | 684                                      | 24,299  |
| – derivatives   |           | 212         | 2               | 13                           | 46                                       | 273     |
| – financial investments – HTM                                   | 11        | 25,867      | —               | 5,329                        | 2,919                                    | 34,115  |
| – financial investments – AFS                                   | 11        | 14,359      | —               | 4,206                        | 1,355                                    | 19,920  |
| – other financial assets  | 12        | 4,432       | 283             | 582                          | 137                                      | 5,434   |
| Reinsurance assets  |           | 498         | 322             | 1,048                        | —  | 1,868   |
| PVIF  | 13        | —           | —               | —                            | 6,502                                    | 6,502   |
| Other assets and investment properties                          |           | 1,716       | 5               | 171                          | 525                                      | 2,417   |
| Total assets at 31 Dec 2016                                     |           | 59,218      | 9,204           | 14,240                       | 12,168                                   | 94,830  |
| Liabilities under investment contracts designated at fair value |           | —           | 2,197           | 3,805                        | —  | 6,002   |
| Liabilities under insurance contracts                           |           | 58,800      | 6,949           | 9,524                        | —  | 75,273  |
| Deferred tax  | 14        | 13          | 3               | 7                            | 1,166                                    | 1,189   |
| Other liabilities   |           | —           | —               | —                            | 1,805                                    | 1,805   |
| Total liabilities   |           | 58,813      | 9,149           | 13,336                       | 2,971                                    | 84,269  |
| Total equity  |           | —           | —               | —                            | 10,561                                   | 10,561  |
| Total equity and liabilities at 31 Dec 2016                     |           | 58,813      | 9,149           | 13,336                       | 13,532                                   | 94,830  |

For footnotes, see page 76.

Footnotes

to Risk

Credit risk profile

1 1H16 includes loan impairment charges from the operations in Brazil that we sold on 1 July 2016.

2 Adjustable rate mortgages

3 US mortgage-backed securities

Liquidity and funding risk profile

The HSBC UK Liquidity Group shown comprises four legal entities: HSBC Bank plc (including all overseas branches, and special purpose entities consolidated by HSBC Bank plc for Financial Statement purposes), Marks and Spencer Financial Services plc, HSBC Private Bank (UK) Ltd and HSBC Trust Company (UK) Limited, managed as a single operating entity, in line with the application of UK liquidity regulation as agreed with the PRA in the UK.

The Hongkong and Shanghai Banking Corporation – Hong Kong branch and The Hongkong and Shanghai Banking Corporation – Singapore branch represent the material activities of The Hongkong and Shanghai Banking Corporation. Each branch is monitored and controlled for liquidity and funding risk purposes as a stand-alone operating entity.

6 The total shown for other principal HSBC operating entities represents the combined position of all the other operating entities overseen directly by the Risk Management Meeting of the Group Management Board.

Market risk profile

When VaR is calculated at a portfolio level, natural offsets in risk can occur when compared with aggregating VaR at the asset class level. This difference is called portfolio diversification. The asset class VaR maxima and minima reported in the table occurred on different dates within the reporting period. For this reason, we do not report an implied portfolio diversification measure between the maximum (minimum) asset class VaR measures and the maximum (minimum) Total VaR measures in this table.

8 Comparative data has been restated to include Global Private Banking BSM assets, which are now included in the Corporate Centre.

Insurance manufacturing operations risk profile

9 Does not include associates (SABB Takaful Company and Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited).

10 'Other contracts' includes term assurance, credit life insurance, universal life insurance and certain investment contracts not included in the 'Unit-linked' or 'With DPF' columns.

11 Financial investments held to maturity ('HTM') and available for sale ('AFS').

12 Comprise mainly loans and advances to banks, cash and inter-company balances with other non-insurance legal entities.

13 Present value of in-force long-term insurance business.

14 'Deferred tax' includes the deferred tax liabilities arising on recognition of PVIF.

76 HSBC Holdings plc

---

|                      |      |
|----------------------|------|
| Capital              |      |
|                      | Page |
| Capital overview     | 77   |
| Capital              | 77   |
| Risk-weighted assets |      |