

HSBC HOLDINGS PLC
Form 6-K
August 05, 2015
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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 August 2015

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).

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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, 2015, except for the Group Chairman's Statement, the Group Chief Executive's Review, the table on page 12 of this Report on Form 6-K (under Strategy Update Strategic Actions) and Strategy Update Targets, is hereby incorporated by reference in the following HSBC Holdings plc registration statements: file numbers 333-10474, 333-92024, 333-102027, 333-103887, 333-104203, 333-109288, 333-113427, 333-127327, 333-126531, 333-135007, 333-143639, 333-145859, 333-155338, 333-158054, 333-158065, 333-162565, 333-17025, 333-176732, 333-180288, 333-183806, 333-197839 and 333-202420.

The Group Chairman's Statement, the Group Chief Executive's Review, the table on page 12 of this Report on Form 6-K (under Strategy Update Strategic Actions) and Strategy Update Targets furnished herewith in this Report on Form 6-K shall not be deemed filed for the purposes of Section 18 of the Securities Exchange Act of 1934, and are not incorporated by reference to this Report on Form 6-K nor any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing. In addition, this Report on Form 6-K contains references to the Registrant's website. The Registrant is not incorporating by reference any information posted on such website.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 6-K and that it has duly caused and authorized the undersigned to sign this interim report on its behalf.

HSBC Holdings plc

By: /s/ Iain J Mackay
Name: Iain J Mackay
Title: Group Finance Director

Dated: 5 August 2015

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Certain defined terms

Unless the context requires otherwise, "HSBC Holdings" means HSBC Holdings plc and "HSBC", the "Group", "we", "us" or "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 a

those preference shares and capital securities classified as equity. The abbreviations \$m and \$bn represent millions and billions (thousands of millions) of US dollars, respectively.

Interim financial statements and notes

HSBC's interim consolidated Financial Statements and Notes thereon, as set out on pages 101 to 139, have been prepared in accordance with the Disclosure Rules and Transparency Rules of the Financial Conduct Authority and International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU). EU-endorsed International Financial Reporting Standards (IFRSs) may differ from IFRSs issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU.

At 31 December 2014 there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB. The consolidated financial statements of HSBC at 31 December 2014 were therefore prepared in accordance with IFRSs as issued by the IASB and as endorsed by the EU. At 30 June 2015, there were no unendorsed standards effective for the period ended 30 June 2015 affecting these interim consolidated financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to HSBC.

HSBC uses the US dollar as its presentation currency because the US dollar and currencies linked to it form the major currency bloc in which HSBC transacts and funds its business. Unless otherwise stated, the information presented in this document has been measured in accordance with IFRSs.

Reference to adjusted in tables and commentaries indicates that reported results have been adjusted for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons as described on page 16. The adjusted return on risk-weighted assets is defined and reconciled on page 31.

We have enhanced the document to concentrate on events and transactions that are significant to an understanding of the changes in our financial position and performance since the *Annual Report and Accounts 2014* and to provide information we consider most relevant to decision-making by users of the document. As a result, our business performance commentary has been streamlined to remove duplication and selected Risk sections and Notes on the Financial Statements have been refined or removed to focus on information that is material in the context of interim reporting.

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Who we are

**HSBC is one of the largest
banking and financial
services organisations
in the world.**

Customers:

48m

Served by:

268,543

employees (259,788 FTE)

Through four global businesses:

Retail Banking and Wealth Management

Commercial Banking

Global Banking and Markets

Global Private Banking

Located in:

72

countries and territories

Across five geographical regions:

Europe

Asia

Middle East and North Africa

North America

Latin America

Offices:

Around 6,100

Global headquarters:

London

Market capitalisation:

\$175bn

Listed on stock exchanges in:

London

Hong Kong

New York

Paris

Bermuda

Shareholders:

213,000 in 131

countries and territories

Our purpose

Our purpose is to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

Our strategy

We aim to be the world's leading and most respected international bank. We will achieve this by focusing on the needs of our customers and the societies we serve, thereby delivering long-term sustainable value to all our stakeholders.

Our two-part strategy reflects our purpose and competitive advantages:

A network of businesses connecting the world: HSBC is well positioned to capture the growing international trade and capital flows. Our global reach and range of services place us in a strong position to serve clients as they grow from small enterprises into large multinationals.

Wealth management and retail with local scale: we aim to capture opportunities arising from social mobility and wealth creation in our priority growth markets, through our Premier proposition and Global Private Banking business. We will invest in full-scale retail businesses only in markets where we can achieve profitable scale.

How we measure performance

We track our progress in implementing our strategy with a range of financial and non-financial measures or key performance indicators. From 2015, we have revised our targets to better reflect the changing regulatory and operating environment.

Highlights of the first half of 2015 are shown on page 2.

For further information on our new targets see page 13.

Rewarding performance

The remuneration of all staff within the Group, including executive Directors, is based on the achievement of financial and non-financial objectives. These objectives, which are aligned with the Group's strategy, are detailed in individuals' annual scorecards. To be considered for a variable pay award, an individual must have fully complied with HSBC Values. Our Values are described on page 10 of the *Annual Report and Accounts 2014*.

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Table of Contents**Overview (continued)****Highlights**

Financial (in respect of 1H15)	Profit before tax
	Reported profit before tax of \$13,628m, up \$1,288m or 10% compared with 1H14
	Increase in adjusted profit before tax of \$280m or 2% on 1H14, driven by a strong performance in Asia
	Revenue
	Increase in adjusted revenue of \$1,316m or 4% on 1H14
	Growth in adjusted revenue driven by client-facing GB&M, Principal RBWM and CMB
	Operating expenses
	Adjusted operating expenses increased by \$1,206m or 7% from higher staff costs
	Capital
	Strong capital base with a common equity tier 1 ratio of 11.6% and two interim dividends declared amounting to \$0.20 per ordinary share in respect of the first half of 2015

Clearly defined actions to capture value from our global network in a changed world

Growth of 6% in global business revenue synergies, demonstrating the strength of our universal banking model

Revenue from transaction banking products grew 8% highlighting the value and potential of our international network

Progress on reducing Group RWAs with a \$50bn reduction relating mainly to GB&M

Entered into an agreement to sell entire business in Brazil*

Commenced initiatives to reduce costs

Strategy
execution

**We plan to maintain a corporate presence in Brazil to serve our international clients*

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Profit before taxation (reported basis) **Adjusted profit** (before taxation)

(\$bn)

(\$bn)

At 30 June 2015**Total equity**

(\$bn)

Annualised return on average**ordinary shareholders equity**(*%*)**Total assets**

(\$bn)

Common equity tier 1 ratio (end point)(*%*)**Risk-weighted assets**

(\$bn)

Pre-tax return on average RWAs(*%*)**Share information at 30 June 2015**

\$0.50 ordinary shares in issue	Market capitalisation	Closing market price		
		London	Hong Kong	American Depositary Share
19,516m	\$175bn	£5.70	HK\$70.15	\$44.81
30 Jun 2014: 19,071m	30 Jun 2014: \$193bn	30 Jun 2014: £5.93	30 Jun 2014: HK\$78.60	30 Jun 2014: \$50.80
31 Dec 2014: 19,218m	31 Dec 2014: \$182bn	31 Dec 2014: £6.09	31 Dec 2014: HK\$74.00	31 Dec 2014: \$47.23
To 30 June 2015		Over 1 year	Total shareholder return	Over 5 years
Benchmark:		102	Over 3 years	119
Morgan Stanley Capital International Index Banks		99	152	159

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Table of Contents**Overview (continued)****Global Business Snapshot**

(Comments on adjusted basis)

Retail Banking and Wealth Management (RBWM)**Profit before taxation (\$bn)**

(Reported: Adjusted)

PBT in Principal RBWM up 2%

Total RBWM PBT was broadly in line with 1H14 as PBT growth in Principal RBWM was largely offset by the continued reduction of the US run-off portfolio.

The PBT growth in Principal RBWM of \$70m or 2% was driven by increased revenues (\$472m) and lower LICs (\$48m), partly offset by a rise in operating expenses (\$445m), notably from higher staff costs.

Revenue growth was driven by increased Wealth Management income, notably in Asia.

Commercial Banking (CMB)**Profit before taxation (\$bn)**

(Reported: Adjusted)

Revenue synergies between CMB & GB&M up 9%

PBT was broadly in line with 1H14 as growth in revenues was broadly offset by a rise in LICs from a small number of specific impairments and higher operating expenses.

Revenue growth of \$320m or 4% was driven by Credit and Lending and Payments and Cash Management balances, notably in Hong Kong and the UK.

Revenue synergies arising from the cross-selling to CMB customers of GB&M products was up 9%.

Global Banking and Markets (GB&M)

Profit before taxation (\$bn)

(Reported: Adjusted)

Double digit revenue growth

PBT increased by \$589m or 12% on 1H14 from revenue growth, partly offset by higher costs.

Revenue grew by \$932m or 10%, driven by client-facing GB&M, notably Equities and Foreign Exchange, and by Balance Sheet Management.

RWAs reduced, in part from management actions, of which \$14bn related to mitigation in respect of legacy credit.

Global Private Banking (GPB)

Profit before taxation (\$bn)

(Reported: Adjusted)

Continued repositioning of the business

PBT of \$321m was \$12m or 4% lower than in 1H14, driven by higher operating expenses of \$9m due to the non-recurrence of a provision release in 1H14.

Revenue was broadly unchanged as lower revenue from the ongoing repositioning of the business was offset by a rise in client volumes and increased market volatility in Hong Kong, along with the effect of net new money in 2014.

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(Comments on adjusted basis)

Europe**Profit before taxation (\$bn)**

(Reported: Adjusted)

Continued investment in regulatory programmes and compliance

PBT was \$182m or 6% lower than in 1H14 as revenue growth in GB&M was more than offset by increased operating expenses from regulatory programmes and compliance costs.

Revenue increased by \$463m or 4%, driven by client-facing businesses and Balance Sheet Management in GB&M.

Asia**Profit before taxation (\$bn)**

(Reported: Adjusted)

Revenue growth across all global businesses

PBT of \$7,989m was \$553m or 7% higher than in 1H14 as revenue growth across all the global businesses was partly offset by increased staff costs.

Revenue increased by \$1,127m or 10%, notably in Hong Kong from Wealth Management products in RBWM and client-facing GB&M.

Middle East and North Africa**Profit before taxation (\$bn)**

(Reported: Adjusted)

Loan impairment charges compared with a net release in 1H14

PBT of \$899m was \$74m or 8% lower than in 1H14. This was primarily due to an adverse movement in LICs of \$82m, reflecting individually assessed impairment charges in 1H15 compared with a net release in 1H14, mainly on UAE-related exposures in CMB and GB&M.

North America

Profit before taxation (\$bn)

(Reported: Adjusted)

Continued run-off of the CML portfolio

PBT of \$931m was \$106m or 10% lower than in 1H14, driven by lower revenue and higher costs reflecting investment in CMB and GB&M growth initiatives, partly offset by lower LICs.

Revenue decreased by \$239m or 6%, reflecting the continued run-off and loan sales of the Consumer and Mortgage Lending (CML) portfolio.

LICs decreased by \$252m or 62%, primarily as a result of lower levels of delinquency and reduced lending balances in the CML portfolio.

Latin America

Profit before taxation (\$bn)

(Reported: Adjusted)

Revenue growth driven by CMB

PBT was \$89m or 26% higher than in 1H14 due to higher revenues and lower LICs, partly offset by higher costs from inflationary pressures.

Revenue increased by \$83m or 2%, primarily in CMB.

LICs reduced by \$73m or 9% mainly in RBWM, in Mexico due to lower delinquency rates, and in Brazil mainly due to the non-recurrence of charges related to model changes in 1H14.

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Overview (continued)

Cautionary statement regarding forward-looking statements

The *Interim Report 2015* 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, 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; and

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; and our success in addressing operational, legal and regulatory, and litigation challenges, notably compliance with the US DPA.

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Overview (continued)

Group Chairman's Statement

We have had an encouraging start to 2015 with the interim results once again demonstrating the resilience and balance inherent within HSBC's geographically diversified universal banking model. Particularly encouraging was the revenue growth from areas we have been investing in to offset the understandable decline in revenues from our run-off portfolios and divestments.

We are continuing to invest to capture the opportunities which are arising from changing trade and investment flows and from the clear momentum in greater customer adoption of mobile and digital banking. In the continuing low interest rate environment, it is essential we build these incremental revenues and use technology and process improvement to generate further cost savings to offset the growing expenditure needed to embed regulatory changes and provide greater assurance over financial crime risks. These factors provided much of the context to our Investor Update in June, when Stuart Gulliver and his senior management team laid out very clearly the priorities and objectives being set to build sustainable value for you, our shareholders.

Pre-tax profits in the first six months of 2015 on a reported basis of \$13.6bn were 10% higher than those delivered in the first half of 2014. On the adjusted basis, which is one of the key metrics used by the Board to assess current management performance, pre-tax profits were 2% better at \$13.0bn, with the difference explained by the reconciliations on pages 50 to 55. Earnings per share were \$0.48, providing more than twice cover for

the first two interim dividends per ordinary share in respect of 2015 amounting to \$0.20 in aggregate (2014: \$0.50 and \$0.20, respectively).

The Group's capital position remains strong, benefiting from a higher than normal scrip dividend take-up in the period and from actions taken to manage down risk-weighted assets. At 30 June 2015, our end point common equity tier 1 ratio stood at 11.6% compared with 11.1% at the beginning of the year and 11.3% a year ago.

In the following pages, Stuart Gulliver, in his Group Chief Executive's Review reflects on the key drivers of first half performance and summarises the actions presented in the Investor Update which underpin the Group's target to deliver a return on equity in excess of 10% by the end of 2017.

Board oversight of management is now tightly focused on the delivery of the actions set out in this plan and management performance scorecards have been adjusted to reflect this. Initial progress is encouraging with the highlight clearly being the agreement reached for the sale of our Brazilian operations. I want to underscore three points which are crucial to achieving what is a challenging set of objectives.

An ever more connected world needs international banking and within this, a diversified universal banking model promotes revenue synergies and resilience.

What drives HSBC's rating as one of the two most systemically important banks in the world is the extent to which we do business outside the country from which we are regulated on a consolidated basis; we see this as a strength in a globalised world. As many banks shrink to domestic or regional bases, our international network and product capabilities are demonstrating significant competitive advantages as we pick up cross-border business. This was the key message from our Investor Update and, as Stuart illustrates in his review, the depth and breadth of the network are creating value in terms of revenue growth. In the first half of this year, transaction banking, which captures trade and investment flows, grew revenues by 8%. Further collaboration between our global businesses drove revenue synergies by 6%.

Nothing illustrates the importance of trade corridors better than the focus of China on its One Belt, One Road initiative. This, together with the creation of the Asian Infrastructure Investment Bank, led by China but now with 57 founding member states, is planned to create opportunities for infrastructure investment coupled with green technology on a massive global scale. HSBC's presence along the trade corridor, as well as at both ends, places it in a strong position to partner with participating firms. As investment grows, this will also accelerate the use of the renminbi as a global currency, an area where HSBC is the leading international bank.

The current period also illustrates convincingly the benefits of our international universal banking model and the revenue synergies noted above. A few examples will illustrate the point.

While eurozone anxieties over Greece dampened trade flows and falls in commodity prices led to a lower value of commodity related trade finance, the resultant volatility in foreign exchange led to a greater volume of activity through our dealing rooms. Although

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equity flows into emerging markets retreated, equity volumes in Hong Kong and mainland China expanded markedly with the Shanghai-Hong Kong stock connect system surpassing all expectations in terms of flows in both directions. As a result, HSBC's Wealth Management revenues in Hong Kong from equities, mutual funds and asset management increased significantly.

Finally and importantly, the significant progress made in resolution planning, both by international and national regulatory bodies and by firms themselves, means that the contingent risk to home country taxpayers from international business activities has markedly reduced. This should allow international firms like HSBC to grow faster than the economies that host them without undue concerns being raised.

Technology is changing the shape of banking at a rapid pace

There is no doubt that banking is in a period of fundamental change as a consequence of technological developments that, firstly, allow storage and analysis of an almost unlimited amount of data and, secondly, allow customers to directly access third party providers when transacting or investing.

The opportunities are exciting; the risks are not insignificant.

The benefits to customers and society are potentially substantial. Better use of data will allow more accurate knowledge about the customer to be built, leading to improved customer segmentation and therefore less risk of mis-selling in the future. The same data, together with transaction monitoring, will enhance our ability to identify bad actors within the system, so reducing financial crime. A lower cost of delivery will flow through to lower intermediation costs for customers and allow banking services to reach communities currently under-served.

The nature, scale and pace of change do, however, pose a number of public policy questions still under review as well as highlighting new risks to financial stability that need to be addressed. The sheer scale of data to be collected and stored demands clarity over responsibility for data

security and transparency over who has access to that data and for what purpose. Customers need to understand the value of their data so that they can assess the bargain that is being offered by non-traditional providers in return for their financial footprint. Customers also need to know in a disaggregated service model to whom they should complain if a transaction goes awry. Finally, ever larger digital databases of financial credentials and transaction data will need best-in-class protection from cyber crime. This will require even greater co-operation between the industry and public sector law enforcement and intelligence services than exists today.

Restoring trust is essential

One of the most encouraging observations in the first half of 2015 was the growing emphasis in public policy and regulatory consultations and proposals on looking forwards not back. Much of the focus was on setting clarity over the behaviours expected of individuals within our industry and of those charged with supervising or providing governance over their activities.

We welcomed the Fair and Effective Markets Review conducted jointly by the Bank of England, HM Treasury and the Financial Conduct Authority to reinforce confidence in wholesale markets in light of the serious misconduct evidenced in recent years. The consequential creation of an FICC Markets Standards Board to sit alongside the Banking Standards Board which came into being in April is a further contribution to creating a framework capable of reassuring market participants of the integrity of financial markets.

The focus of both these bodies, together with the Senior Managers Regime which comes into force next year, is to stress personal accountability for conduct within markets and in relation to consumers of financial products. Recent instances of misconduct have highlighted the inadequacy of legal and regulatory frameworks to attach appropriate sanctions in a timely way to responsible individuals, leaving shareholders to bear the burden of penalties imposed on the employing institutions, in many

cases long after the events in question occurred and where the evidence is either insufficient or too dated to pursue the individuals concerned. This is not a sustainable or a desirable model.

We absolutely concur, therefore, with this emphasis on personal responsibility and accountability. It is essential that regulatory governance in this area is seen to be transparent, fair and proportionate. However, the potential benefits are significant and we believe that if the clarity intended from the greater focus being given through these initiatives to expected behaviours is achieved, then this, together with the discipline derived from the greater incidence of deferred remuneration, will greatly enhance the prospects for the restoration of trust.

That restoration of trust will of course only be earned over time by the actions of firms being increasingly recognised by market participants and consumers as appropriate to the circumstances, balancing the interests of the firm with those of the customer.

Again actions speak louder than words. By way of example, in the first half of 2015, measures taken to assist customers in the UK to manage their financial affairs better delivered improved outcomes for customers and reduced a source of recurring frustration. These actions formed part of a comprehensive review of value exchange within RBWM conducted over the past year. As a consequence overdraft fees in the UK fell by some \$88m, reflecting lower pricing and fewer instances of unauthorised overdrawn accounts, which was prompted by a new policy of text messaging when customers approached their agreed limits.

Three other areas are worthy of comment.

Progress on Global Standards and regulatory change

We are now firmly in the second phase of the Global Standards initiative, moving from design to implementation and assurance. Virtually all of the recommendations in the Monitor's initial report have now been actioned with those remaining not due until later this year. Further recommendations for improvement, as they arise from the

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Overview (continued)

Monitor's update reviews, regular regulatory examinations and the work of our own internal audit function, will continue to be incorporated as they arise. Similarly, in the area of regulatory change the focus is now firmly on embedding the changes now finalised.

The global functions and our operations and technology teams continued to add resources to meet the demands of the Global Standards programme and of continuing regulatory change. In the first half of 2015, the Group's headcount increased by some 2,200. Reflecting the prioritisation being given to the above programmes, more than this number were in fact recruited into Compliance, principally in Financial Crime Compliance and to address the regulatory change programmes. As systems are upgraded we should realise planned productivity improvements to release resources currently allocated to manual processes and parallel working.

The above comments illustrate how the cost dynamics of our business model are clearly changing, and we are challenging afresh the sustainability of some of our smaller operations in light of the cost burdens they are now facing. This analysis, as was highlighted in the Investor Update, will inform some further streamlining of our geographical footprint over the next few years.

UK ring-fencing

During the period, the business design of the ring-fenced bank was settled and Birmingham was chosen as its headquarters location. A new HQ building is being constructed which will be available in 2018. Both the ring-fenced bank and the remaining activities outside the ring fence will be served by a new service company which will host shared infrastructure and employees. 22,000 UK employees of our UK bank will migrate to this new employer by the end of this year.

Review of headquarters location

Following the announcement at the Annual General Meeting that we would embark upon a review of the optimal location for our global headquarters, detailed work has commenced in line with the criteria laid out in the June Investor Update. It remains the Board's

intention to conclude the review by the end of this year.

Board changes

Since the AGM we have announced two new members of the Board.

Irene Lee brings to the Board considerable banking experience and knowledge of Asia and joined the Board on 1 July, having served as a non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and of Hang Seng Bank Limited since 2013 and 2014, respectively.

Irene is currently Executive Chairman of Hysan Development Company Limited and a non-executive director of Cathay Pacific Airways Limited, China Light & Power Holdings Limited and Noble Group Limited. She has over 30 years of finance industry experience, having held senior positions in investment banking and fund management in the UK, USA and Australia with the Commonwealth Bank of Australia, SealCorp Holdings Limited and Citibank.

Pauline van der Meer Mohr brings to the Board considerable legal and human resources experience and will join the Board on 1 September. Pauline is currently president of the Executive Board of Erasmus University Rotterdam, a role which she has held since 2010. Pauline began her career in the legal profession and held several legal and management positions with the Royal Dutch Shell Group from 1989 to 2004, rising to become HR Director, Information Technology. In 2004, she was appointed group human resources director at TNT NV before moving to become senior executive vice president and head of group human resources at ABN AMRO Bank NV in 2006. Pauline also served as a member of the Dutch Banking Code Monitoring Commission, which was aimed at restoring trust in the Dutch banking sector.

Looking forward

The environment for banking remains challenging. As Stuart points out in his review, economic conditions remain uncertain in many parts of the world, in particular in the eurozone and in China. On top of this, geopolitical risks are heightened. Regulatory workloads have never been higher as we embed structural change, build systems to

respond to demands for greater transparency, and augment stress testing models and reinforce business continuity design as part of recovery and resolution planning. Technology is empowering disruptive business models and facilitating new entrants whilst also offering good opportunities to improve efficiency and build better customer propositions. Responsibilities to protect the financial system from bad actors and from cyber threats are expanding at the same time as concerns are raised over risks of consequential financial exclusion.

Yet there are also observable mega-trends supportive of financial system growth. Growing urbanisation across Asia, infrastructure development in both emerging and developed markets, investment in new technology to address environmental efficiency and the development of capital market solutions to add fresh financing capabilities and contribute to the financial needs of an ageing population all have positive implications for the role and profitability of the financial system. Additionally, central banks remain determined to maintain a policy environment that facilitates the resumption of sustainable economic growth.

As set out by Stuart in the June Investor Update, our positioning across the major trade and investment corridors of the world is a privileged position from which to plan our future. We have the financial strength and the right people at all levels of the firm to make the most of the opportunities open to us. We look forward to reporting on progress.

D J Flint

Group Chairman

3 August 2015

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Group Chief Executive's Review

Our performance in the first half of 2015 demonstrated the underlying strength of our business. Our diversified, universal model enabled the Group to deliver increased profitability in spite of slow global growth. In particular, a strong revenue performance across our Asia businesses helped drive increased profits and Global Banking and Markets had a good six months.

In June we announced a series of strategic actions to capture the value of our international network in a much changed world. These actions are designed to maximise revenue, significantly reduce our operating expenses and meet our obligations regarding the structure of the Group.

We are executing these plans and have significant momentum moving into the second half of the year.

First half of 2015

Reported profit before tax was \$13.6bn, 10% higher than for the equivalent period in 2014.

Adjusted pre-tax profit, which excludes the period-on-period effects of currency translation differences and significant items, was \$13.0bn, 2% higher than in the first half of 2014. This reflected growth in revenue and lower loan impairment charges, partially offset by increased costs.

Global Banking and Markets maintained its good start to the year, especially in our client-facing Markets businesses. Equities and Foreign Exchange were the main drivers of revenue growth.

Commercial Banking revenue continued to grow, particularly in Hong Kong and the UK.

Principal Retail Banking & Wealth Management generated increased revenue following a strong performance in our Wealth Management business in Asia.

There was a 6% increase in revenue arising from cross-selling between our global businesses, demonstrating the strength of our universal banking model.

Loan impairment charges continued to fall, driven particularly by reductions in North America and Latin America.

Operating expenses increased, although they were broadly flat relative to the second half of 2014, excluding the effect of the UK bank levy.

The common equity tier 1 ratio on a CRD IV end point basis was 11.6%.

Annualised return on equity was 10.6%, exceeding our target of 10%.

Maximising value from our international network

We continue to invest in the strategic product areas that benefit most from our international network. The positive impact of this investment was again apparent in the first half of the year.

Foreign Exchange revenue grew by 21% compared with the first half of 2014

and Payments and Cash Management revenue increased by 4%.

Global Trade & Receivables Finance continued to grow, and HSBC was named Best Trade Bank in the World, Best Trade Bank in Asia Pacific and Best Trade Bank in the Middle East in the *Trade and Forfeiting Review Excellence Awards 2015*.

We maintained our leadership position in international renminbi services, growing revenue by 9% compared with the first half of 2014. HSBC also received the *Asiamoney* Best Overall Offshore RMB Products and Services award for the fourth year in a row.

In *FinanceAsia's* International Banking Awards 2015, HSBC was the winner of the Best Foreign Bank awards for China, Indonesia, Malaysia, Vietnam, Korea, Sri Lanka and Bangladesh. HSBC was also named Best Bank in Hong Kong for the 12th consecutive year.

Investor Update

Our *Annual Report and Accounts 2014* outlined some of the considerable changes to our operating environment that have occurred since 2011. In response to these changes the Board set a new Group target of a return on equity of more than 10% by the end of 2017.

At our Investor Update in June, we set out the actions that will enable us to meet this goal.

We intend to:

reduce risk-weighted assets across the Group by at least 25%, re-deploy some of these risk-weighted assets towards higher performing businesses and return Global Banking and Markets to Group target profitability;

sell underperforming operations in Turkey and Brazil, and keep our network under review using our six-filter process;

exploit the strategic opportunity in the region covered by the North American Free Trade Agreement to rebuild profitability in Mexico and deliver satisfactory returns in the US;

set up a UK ring-fenced bank by 2018;

realise \$4.5-5.0bn in cost savings and return operating expenses to 2014 levels by the end of 2017;

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Overview (continued)

deliver revenue growth greater than GDP growth from our international network;

capture growth opportunities in Asia, including in China's Pearl River Delta and the Association of Southeast Asian Nations, and in our Asset Management and Insurance businesses;

generate \$2.0-2.5bn revenue from our global leadership position in business arising from the internationalisation of the Chinese currency, the renminbi; and

complete the implementation of Global Standards, our globally consistent and rigorous financial crime controls. Delivering these actions will create value for our customers and shareholders, and enable us to meet global standards while driving business success. It will also help us to continue to adapt to the structural changes that are asked of us by regulators and legislators.

Meeting our targets

We will update shareholders on progress in executing these actions every quarter, beginning with our third quarter results in November. Delivery is our number one priority.

Work is proceeding on all of our actions, in particular those aimed at reducing risk-weighted assets (RWAs), cutting costs and turning around or disposing of underperforming parts of the business.

Reducing RWAs will be a gradual process, but we have made a good start in the first half of the year. We reduced RWAs by \$50bn, largely through asset sales in the Global Banking and Markets legacy book, the sale of part of our shareholding in Industrial Bank, and more detailed mapping within RWA calculations and improved recognition of collateral. We have redeployed \$30bn RWAs into higher returning areas. I am confident that we will continue to make significant progress on this in the remainder of 2015.

Over the next two years we will continue to build our capital base and redeploy some of the RWAs that we take out of the business in line with the priorities we outlined in June.

Although we are aiming to pivot our business towards profitable growth opportunities in Asia, Asia is not the exclusive focus of reinvestment. In order to maintain broad-based growth and a diversified risk profile, we expect around half of incremental RWAs to be redeployed to Asia, with the rest spread across Europe, the Middle East and North Africa, North America and Mexico. If we cannot find strategic opportunities to deploy capital with a return on equity above 10% we will return the capital to shareholders, subject to regulatory approval.

We have commenced our work to reduce costs and expect to be able to demonstrate tangible progress in the coming quarters. Fulfilling these actions will also entail a number of one-off transformation costs, some of which will be incurred during the second half

of 2015. We expect the largest portion of these costs to fall in 2016.

On 31 July we agreed to sell our Brazil business to Banco Bradesco S.A. for \$5.2bn. As we said at our Investor Update, we plan to maintain a modest corporate banking presence in Brazil to serve our international clients in the country. This transaction delivers excellent value for shareholders and represents significant delivery against the actions we outlined in June.

Summary and outlook

We are hopeful for a modest improvement in the world economy in the second half of the year. More accommodating monetary conditions should help the mainland Chinese economy to stabilise after first half challenges. US economic growth is also likely to accelerate. Thanks to lower oil prices, real incomes are rising across much of the eurozone and in the UK. Key uncertainties include the pace of recovery in capital spending, the timing of any US monetary tightening and ongoing challenges in the eurozone.

Our performance in July was satisfactory. Our focus is on making significant progress in executing our strategic actions during the remainder of the year.

S T Gulliver

Group Chief Executive

3 August 2015

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Strategy update

Strategy update

Distinctive advantages

Throughout our 150-year history, HSBC has been where the growth is, connecting customers to opportunities.

Our strategy is to maintain an international network to connect faster-growing and developed markets. We seek to develop our Wealth business and invest in Retail Banking only in markets where we can achieve profitable scale.

HSBC has three distinctive advantages that bring value to our customers, shareholders and other stakeholders:

an unrivalled global presence;
a diversified universal banking model; and
strong capital generation.

Unrivalled global presence

Our network covers more than 85% of global trade and capital flows, and we provide clients and investors with access to the most attractive global growth opportunities.

We expect global trade to continue to grow faster than global gross domestic product (GDP). We are a leading provider of transaction banking products which support global economic flows, including Payments and Cash Management, Global Trade and Receivables Finance, Foreign Exchange and Securities Services. We estimate that approximately 40% of our client revenues are linked to our international network.

Our strong presence in key trade corridors includes the largest and fastest-growing. Trade between mainland China and the US, for example, is expected to grow at an average of about 10% a year to 2020.

We have banking operations in the fastest-growing locations, particularly in Asia. In the first half of 2015 (1H15) revenues from Asia and the Middle East and North Africa contributed about 45% of adjusted Group revenues. The breadth and scale of our coverage permits deeper client relationships and generates higher revenue per client served across multiple geographical regions.

Diversified universal banking model

We generate revenues through four global businesses – Retail Banking and Wealth Management (RBWM); Commercial Banking (CMB); Global Banking and Markets (GB&M) and Global Private Banking (GPB) – with the first three each contributing 25% to 40% of total revenues.

Diversification keeps the Group's earnings volatility at low levels and, through diverse business activities, we maintain a lower risk profile than our global and regional competitors (see footnote 1 on page 56). For example, the percentage of loan impairment charges to loans and advances to customers on an adjusted basis fell to 30bps in 1H15, down from 33bps in the first half of 2014 (1H14). Our large deposit base provides stable and inexpensive funding for our lending activities.

Our universal banking model provides benefits from shared resources and product capabilities. Synergies across global businesses generated \$6.1bn of revenue for the Group (18% of the total) in 1H15. We realised particular growth in revenues from GB&M products provided to CMB clients, which increased by 9% compared with 1H14.

Strong capital generation

From 2011 to 2014, HSBC generated an average of \$9.1bn of capital each year. Strong capital generation enables us to meet increasing regulatory requirements while continuing a long-term trend of progressive dividend payments to shareholders. We are among the top five dividend payers of major stock exchanges worldwide.

Our common equity tier 1 (CET1) ratio (end point) at 30 June 2015 was 11.6% compared with 11.3% at 30 June 2014. We declared first and second interim dividends totalling \$3.9bn in 1H15, compared with \$3.8bn in 1H14.

Strategic actions

The environment in which HSBC operates is dynamic, with macroeconomic, technology and regulatory changes reshaping the competitive landscape.

At our Investor Update in June 2015 (Investor Update), we announced a series of strategic actions to capture the value of our global network and adapt to structural changes in the operating environment. We also announced a review of the Group headquarters location to be completed by the end of 2015. These strategic actions are shown in the table below. For further information and full Investor Update materials see www.hsbc.com/investor-relations.

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Table of Contents**Strategy update** (continued)*Strategic actions to be completed by 2017 unless otherwise stated*

	Targeted outcomes
1. Reduce RWAs across the Group by 25% or more ² and reinvest the capital in higher-performing businesses. Reducing RWAs will help GB&M reach profitability targets	\$290bn reduction in Group RWAs GB&M return to Group target profitability; <1/3 of Group RWAs
2. Continue to optimise our global network and reduce complexity through the ongoing application of the six-filter process that guides our decisions on where we do business	Reduced footprint
3. Leverage our international network and strategic opportunity in the area covered by the North American Free Trade Agreement to rebuild profitability in Mexico and deliver satisfactory returns in the US	Profit before tax: US: about \$2bn Mexico: about \$0.6bn
4. Set up a UK ring-fenced bank	Completion by 2018
5. Deliver \$4.5-5.0bn in cost savings	2017 exit rate equal to 2014 operating expenses
6. Deliver revenue growth above GDP growth from our international network	Revenue growth of international network above GDP growth
7. Capture growth opportunities in Asia including in China's Pearl River Delta, in the Association of Southeast Asian Nations, and in our Asset Management and Insurance businesses	Market share gains About 10% growth per annum in assets under management in Asia

8. Grow business from our global leadership position in the internationalisation of the Chinese currency, the renminbi	\$2.0-2.5bn revenue
9. Implement Global Standards, our globally consistent and rigorous financial crime controls	Completion by end of 2017
10. Review the location of the Group's headquarters	Completion by end of 2015

For footnote, see page 56.

Global footprint and six filters review

At 30 June 2015, we were present in 72 markets, of which 18 are priority markets.

Priority markets represent about 85% of Group revenues but cover only 55-60% of world GDP, trade and capital flows. Our other markets cover an additional 25-30% of global economic flows. Our presence in these network markets allows us to serve clients as a provider of global trade and payments services across a truly international network.

We conduct a periodic review of our markets using six filters to guide our decisions about when and where to invest. At the Investor Update, we announced our intention to sell our operations in Turkey and Brazil, though we plan to maintain a presence in Brazil to serve large corporate clients' international needs.

Structural reform and resolution planning

We continue to work with our primary regulators to develop and agree a resolution strategy for HSBC. It is our view that a strategy by which the Group breaks up at a subsidiary bank level at the point of resolution (referred to as a Multiple Point of Entry strategy) is the optimal approach as it is aligned to our existing legal and business structure. We are engaging with our regulators to address inter-dependencies between different subsidiary banking entities in order to enhance resolution.

In the first half of 2015, we continued to progress our plans to establish a separately incorporated group of service companies (ServCo group) in order to remove operational dependencies where one subsidiary bank provides critical services to another. In the UK, we have commenced the transfer of critical services, including associated employees

and assets, from each of HSBC Bank plc and HSBC Holdings to the ServCo group. Similar transfers are planned to begin in Hong Kong soon.

The Group presented an updated ring-fencing project plan to regulators in May 2015. The plan provides for the transfer into a separate subsidiary of the HSBC Group, the qualifying components of HSBC Bank plc's UK RBWM, CMB and GPB businesses. The plan remains subject to further planning and approvals internally and is ultimately subject to the approval of the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and other applicable regulators. The Group announced in March 2015 that the headquarters of the new UK ring-fenced bank will be located in Birmingham.

Global Standards implementation

We are at the midpoint of our five-year programme to implement the highest or most effective standards to combat financial crime and transform the way that we manage financial crime risk.

On 31 March 2015, we put in place enhanced procedures everywhere we do business to help us detect, deter and protect against financial crime. These procedures cover how we meet the requirements of our global anti-money laundering (AML) and sanctions policies our Global Standards.

Through the adoption of these Global Standards, we aim to deliver a consistent, comprehensive approach to managing financial crime risk in all our markets. In many instances, the policies extend beyond what we are required to do under local laws and regulations, reflecting the fact that HSBC has no appetite for business with illicit actors.

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We continue to deliver infrastructure changes and systems enhancements that support the effective and sustainable operation of our financial crime controls.

In this respect, we have made significant progress since the beginning of 2015, including:

deploying enhanced customer due diligence by GPB in their 18 markets;

specific deployments of enhanced customer due diligence by other lines of business in the United Arab Emirates (UAE), the US, Lebanon, Hong Kong, Singapore, Russia and Germany;

completing targeted training for those identified as being in the highest risk roles;

moving Financial Intelligence Units from the Global Standards programme to business as usual management. This establishes a new strategic capability to identify and analyse significant financial crime cases, trends and strategic issues and share information across HSBC; and

commencing the roll-out of strategic technology that supports our customer selection decisions, including how we exit business relationships that exceed our risk appetite.

The Monitor

An independent compliance monitor (the Monitor) was appointed in 2012 under the agreements entered into with the US Department of Justice, the UK FCA and the US Federal Reserve Board to produce regular assessments of the effectiveness of our financial crime compliance procedures and controls. The work of the Monitor is described on page 27 of the *Annual Report and Accounts 2014*. We are working to implement the agreed recommendations flowing from the Monitor's 2013 and 2014 reviews. We recognise we are only half-way through our five-year Deferred Prosecution Agreement (US DPA) and look forward to maintaining a strong, collaborative relationship with the Monitor and his team.

Targets

The strategic actions announced in our Investor Update will help the Group achieve the targets set out in the Annual Report and Accounts 2014.

We aim to achieve a return on equity of more than 10% by 2017, with momentum for higher returns in the future. We aim to grow business revenues faster than operating expenses on an adjusted basis. We are also committed to delivering a progressive dividend consistent with the growth of the overall profitability of the Group and predicated on our ability to meet regulatory capital requirements in a timely manner.

Delivering these actions will create value for our customers and shareholders and contribute to the long-term sustainability of HSBC. In the process, we shall maintain a robust, resilient and environmentally sustainable business in which our customers can have confidence, our employees can take pride, and our communities can trust.

Risk

All our activities involve, to varying degrees, the measurement, evaluation, acceptance and management of risk or combinations of risks.

As a provider of banking and financial services, we actively manage risk as a core part of our day-to-day activities. Our risk management framework seeks to ensure we have a robust and consistent approach to risk management at all levels of the organisation and across all risk types. This is described on page 24 of the *Annual Report and Accounts 2014*.

The principal risks associated with our banking and insurance manufacturing operations are listed on page 114 of the *Annual Report and Accounts 2014*.

Identifying and monitoring current and forward-looking risks is integral to our approach to risk management. During the first half of 2015, senior management paid particular attention to the top and emerging risks that are described on page 57.

The chart below provides a high level guide to how our business activities are reflected in our risk measures and in the Group's balance sheet at 30 June 2015. The assets and liabilities indicate the contribution each business makes to the balance sheet, while RWAs illustrate the relative size of the risks incurred for each business.

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Table of Contents**Strategy update** (continued)*Exposure to risks arising from the business activities of global businesses*

For footnote, see page 56.

Risk appetite

We define risk appetite as the type and quantum of risks that we are willing to accept in achieving our medium- and long-term strategic goals. It is a key component of our management of risk, is set on a time horizon consistent with the strategic planning period and is reviewed on an ongoing basis, with a formal review every six months. Our approach to risk appetite is described on page 25 of the *Annual Report and Accounts 2014*.

Changes to key metrics of the Group Risk Appetite Statement for 2015 include:

the risk appetite threshold for returns has been updated to reflect the Group's revised financial targets as announced in the *Annual Report and Accounts 2014* and re-affirmed at the Investor Update;

positive adjusted jaws will be used as a single measure to assess cost efficiency; and

cost of risk has been replaced with two new measures to monitor loan impairment charges as a percentage of gross retail and wholesale advances. This better aligns with existing risk management practices and reflects the increased focus on credit risk due to slowing global growth and the low interest rate environment.

Key metrics that were measured, monitored and presented monthly to the Risk Management Meeting of the Group Management Board during 1H15 are tabulated below:

Key risk appetite metrics

Component	Measure	Risk Appetite	30 June 2015
Returns	Return on average ordinary shareholders' equity	≥10%	10.6%

Cost efficiency	Adjusted jaws ⁴	Positive	(2.9)%
Capital	Common equity tier 1 ratio CRD IV basis	≥10%	11.6%
Liquidity	HSBC consolidated balance sheet advances-to-deposits ratio	≤90%	71.4%
Loan impairment charges	Retail (Principal RBWM see page 34) loan impairment charges as % of advances	<0.65%	0.53%
	Wholesale loan impairment charges as % of advances	<0.45%	0.29%

For footnote, see page 56.

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Use of non-GAAP financial measures

Our reported results are prepared in accordance with IFRSs as detailed in the Financial Statements starting on page 101. In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures.

Non-GAAP financial measures that we use throughout the Interim Management Report are described below. Non-GAAP financial measures are described and reconciled to the closest reported financial measure when used.

Adjusted performance

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

We use the term *significant items* to collectively describe the group of individual adjustments which are excluded from reported results when arriving at adjusted performance. Significant items, which are detailed below, are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand 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 believe 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 for the half-year to 30 June 2015. We exclude the translation differences when deriving constant currency data because using this data allows us to assess balance sheet and income statement performance on a like-for-like basis to better understand the underlying trends in the business.

Foreign currency translation differences

Foreign currency translation differences for the half-years to 30 June 2014 and 31 December 2014 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 2014 and 31 December 2014 at the average rates of exchange for the half-year to 30 June 2015; and

the balance sheets at 30 June 2014 and 31 December 2014 at the prevailing rates of exchange on 30 June 2015.

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 have been translated at the appropriate exchange rates applied in the current period on the basis described above.

Significant items

The tables on pages 50 to 55 detail the effect of significant items on each of our geographical segments and global businesses during the first half of 2015 and the two halves of 2014.

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Table of Contents**Financial summary** (continued)**Consolidated income statement***Summary consolidated income statement*

	30 June	Half-year to	
		30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
Net interest income	16,444	17,405	17,300
Net fee income	7,725	8,177	7,780
Net trading income	4,573	3,275	3,485
Net income from financial instruments designated at fair value	2,666	1,660	813
Gains less losses from financial investments	1,874	946	389
Dividend income	68	88	223
Net insurance premium income	5,607	6,137	5,784
Other operating income	836	538	593
Total operating income	39,793	38,226	36,367
Net insurance claims and benefits paid and movement in liabilities to policyholders	(6,850)	(7,059)	(6,286)
Net operating income before loan impairment charges and other credit risk provisions	32,943	31,167	30,081
Loan impairment charges and other credit risk provisions	(1,439)	(1,841)	(2,010)
Net operating income	31,504	29,326	28,071
Total operating expenses	(19,187)	(18,266)	(22,983)
Operating profit	12,317	11,060	5,088
Share of profit in associates and joint ventures	1,311	1,280	1,252
Profit before tax	13,628	12,340	6,340
Tax expense	(2,907)	(2,022)	(1,953)
Profit for the period	10,721	10,318	4,387
Profit attributable to shareholders of the parent company	9,618	9,746	3,942
Profit attributable to non-controlling interests	1,103	572	445
Average foreign exchange translation rates to \$:			
\$1: £	0.657	0.599	0.615
\$1:	0.897	0.730	0.777

Reported performance

Reported profit before tax of \$13.6bn in the first half of 2015 (1H15) was \$1.3bn or 10% higher than in the first half of 2014 (1H14). This was primarily driven by a net favourable movement in significant items partly offset by the adverse effects of currency translation between the periods.

Reported net operating income before loan impairment charges and other credit risk provisions (revenue) of \$32.9bn was \$1.8bn or 6% higher than in 1H14. Revenue was affected by significant items including, in 1H15, a \$1.4bn gain on the partial sale of our shareholding in Industrial Bank Co. Ltd (Industrial Bank) and positive favourable fair value movements on our own debt designated at fair value of \$0.7bn compared with adverse movements of \$0.2bn and a gain of \$0.4bn recorded on the sale of our shareholding in Bank of Shanghai in 1H14. The overall favourable movement in significant items was largely offset by the adverse effects of currency translation between the periods. Excluding these items, the increase in revenue was primarily driven by growth in client-facing GB&M (see footnote 5 on page 56), Principal RBWM (see page 34) and CMB.

Reported loan impairment charges and other credit risk provisions (LICs) of \$1.4bn were \$0.4bn or 22% lower than in 1H14, notably in North America and Latin America, partly offset in Middle East and North Africa.

Reported operating expenses of \$19.2bn were \$0.9bn or 5% higher than in 1H14, with 1H15 significant items, which included \$1.1bn relating to settlements and provisions in connection with legal matters, more than offset by the positive effects of currency translation between the periods of \$1.5bn.

Income from associates of \$1.3bn increased marginally compared with 1H14.

On 3 August 2015, the Board announced the second interim dividend for 2015 of \$0.10 per ordinary share.

Adjusted performance

For further information on non-GAAP financial measures, see page 15.

From reported results to adjusted performance

To arrive at adjusted performance, we adjust for:

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

the effect of significant items.

Reconciliations of our reported and adjusted results are provided on pages 50 to 55.

On an adjusted basis, profit before tax of \$13.0bn in 1H15 rose by \$0.3bn compared with 1H14. Higher revenue, notably in client-facing GB&M, Principal RBWM and CMB, and lower LICs were partly offset by higher operating expenses.

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The following commentary is on an adjusted basis.

Revenue was 4% higher with growth in client-facing GB&M, Principal RBWM and CMB

Revenue rose by \$1.3bn to \$30.8bn reflecting global business performance as follows:

In GB&M, total revenue was \$0.9bn or 10% higher. This was driven by an increase of \$0.8bn or 10% in client-facing GB&M, mainly in Europe, and an increase of \$0.2bn in Balance Sheet Management (BSM), in part driven by increased gains on disposal of available-for-sale debt securities. The rise in client-facing GB&M was notably in Markets, where revenue rose in Equities by \$0.5bn and in Foreign Exchange by \$0.3bn following increased volatility in the period. Equities also benefited from higher client flows and favourable movements on own credit spreads compared with minimal movements in 1H14. By contrast, revenue fell in Principal Investments reflecting lower gains on disposal than in 1H14. Legacy credit also fell from reduced revaluation gains.

In RBWM, revenue was \$0.2bn or 2% higher driven by Principal RBWM (up \$0.5bn) partly offset by the run-off of our US Consumer and Mortgage Lending (CML) portfolio (\$0.2bn lower). In our Principal RBWM business, revenue increased by 4%, mainly driven by higher income across all Wealth Management products, notably in Hong Kong from equities and mutual funds products in Investment Distribution as a result of higher stock market turnover. The increase also reflected a net favourable valuation movement in our life insurance manufacturing business following increasing interest rates in the eurozone compared with falling rates in 1H14, and improved equity market performance in Asia. Current accounts, savings and deposit revenues were up by 2%, mainly due to customer account balances increasing by 4%, principally in the UK and Hong Kong. By contrast, personal lending revenues decreased by 2% despite higher balances, driven lower in the UK by a reduction in overdraft fees reflecting re-pricing and the introduction in November 2014 of a text message alert service for customers, and reduced spreads on mortgages.

In CMB, revenue rose by \$0.3bn or 4%, primarily due to higher net interest income in Credit and Lending and Payments and Cash Management, mainly in Hong Kong and the UK. In Hong Kong, this reflected average balance sheet growth and wider lending spreads, while in the UK it reflected continued balance sheet growth, notably from lending in our Large Corporate and Middle-Market Enterprises (MME) segments. In addition, revenue increased in the US, primarily from lending growth to Large Corporate customers, and in Argentina, in part reflecting wider deposit spreads.

In GPB, revenue was broadly unchanged as a decrease arising from the managed reduction in client assets from the ongoing repositioning of our business, notably in Europe, was offset by an increase in revenue in Hong Kong which reflected a rise in client transaction volumes and higher market volatility, coupled with the effect of positive net new money in 2014. We continued to grow the parts of the business that fit our target model, attracting net new money of \$7bn in 1H15, mainly in Hong Kong, the US and the UK, over 45% of which was driven by referrals from our three other global businesses.

LICs fell by 8%, primarily in North America and Latin America, partly offset in Middle East and North Africa, Europe and Asia

LICs reduced by \$0.1bn.

In North America, LICs continued to fall in the US CML portfolio in RBWM, driven by reduced levels of delinquency and new impaired loans in addition to lower lending balances from the continued run-off and loan sales. The reduction also reflected the non-recurrence of impairment charges recorded in CMB and GB&M in 1H14 following a revision to certain estimates used in our corporate loan impairment calculation. These factors were partly offset by lower favourable market value adjustments of underlying properties in the CML portfolio as improvements in housing market conditions were less pronounced in 1H15 than in 1H14.

In Latin America, LICs decreased, mainly due to lower collectively assessed impairment charges in RBWM in Brazil, in part due to the non-recurrence of charges from refinements made in 1H14 to the impairment model for non-restructured loan portfolios, and in Mexico reflecting lower delinquency rates on personal lending, payroll and card portfolios.

However, LICs increased:

in Middle East and North Africa, where the adverse movement reflected individually assessed impairment charges in 1H15 compared with a net release in 1H14, primarily on UAE-related exposures in CMB and GB&M;

in Europe, primarily in GB&M reflecting lower releases of available-for-sale asset-backed securities (ABSs) and higher impairment charges relating to Greek exposures, partly offset by lower individually assessed impairment charges notably in GB&M in the UK; and

in Asia, mainly reflecting a specific CMB impairment charge in Indonesia in 1H15.

Operating expenses were 7% higher in 1H15

On an adjusted basis, operating expenses increased by \$1.2bn or 7% reflecting increases in both run-the-bank and change-the-bank costs. For further information on the categorisation of operating expenses as run-the-bank and change-the-bank costs, see page 26.

The rise in run-the-bank costs of \$0.8bn was primarily driven by staff costs, reflecting wage inflation, principally in Latin America and Hong Kong, and a targeted increase in the number of staff to support growth initiatives in the global businesses. The increase in staff numbers included:

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Financial summary (continued)

in GB&M, investment in our Payments and Cash Management business in North America, Asia and Europe;

in CMB, investment in Payments and Cash Management in North America and organic growth initiatives in Asia and Europe; and

in RBWM, additional FTEs in Asia to support revenue growth.

This investment was in line with our strategic objectives to prioritise growth in Asia and achieve revenue growth above GDP from our international network. Run-the-bank costs also increased due to higher Regulatory Programmes and Compliance costs as a result of our ongoing focus on Global Standards, particularly in the area of financial crime and compliance.

The increase in change-the-bank costs of \$0.4bn was also driven by inflation and higher regulatory and compliance costs. This was a result of the continued focus on Global Standards, including the Group-wide roll out of the new AML and sanctions policy procedures and the ongoing parallel deployment of enhanced customer due diligence and financial crime compliance infrastructure. These actions are in line with our strategic target to complete the implementation of Global Standards by the end of 2017.

The number of employees, expressed in full-time equivalent numbers (FTE s), increased by 2,186 during 1H15 to 259,788. The average number of FTEs adjusted for business disposals increased by 2% compared with 1H14 due to additional FTE requirements for regulatory programmes and compliance and business growth in GB&M.

Income from associates

Income from associates of \$1.3bn increased marginally compared with 1H14.

Effective tax rate

The effective tax rate was 21.3% compared with 16.4% in 1H14.

The effective tax rate for 1H14 was significantly lower principally due to prior year adjustments.

Brazil and Turkey

We intend to dispose of our operations in Brazil and Turkey as part of the plans to re-size and simplify the business announced in our Investor Update. A presence in Brazil will be maintained to serve large corporate clients with respect to their international needs. We expect that the sales will have a significant effect on the future trading results of the Group, in particular the disposal of Brazil (see page 47 for further details).

The assets and liabilities relating to Brazil have been classified as held for sale on the Group balance sheet in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations .

There is no separate presentation in the income statement.

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Table of Contents**Group performance by income and expense item**

For further financial performance data for each geographical region and global business, see pages 33 to 41 and 42 to 49, respectively.

Net interest income

	30 June	Half-year to	
	2015	30 June	31 December
	\$m	2014	2014
	\$m	\$m	\$m
Interest income	24,019	25,435	25,520
Interest expense	(7,575)	(8,030)	(8,220)
Net interest income⁶	16,444	17,405	17,300
Average interest-earning assets	1,730,663	1,801,862	1,771,460
Gross interest yield ⁷	2.80%	2.85%	2.86%
Cost of funds	(1.03%)	(1.03%)	(1.07%)
Net interest spread ⁸	1.77%	1.82%	1.79%
Net interest margin ⁸	1.92%	1.95%	1.94%

For footnotes, see page 56.

Reported net interest income of \$16.4bn decreased by \$1.0bn or 6% compared with 1H14. This was driven by the currency translation and significant items summarised in

the table below. On an adjusted basis, net interest income was broadly unchanged compared with 1H14.

Significant items and currency translation

	30 June	Half-year to	
	2015	30 June	31 December
	\$m	2014	2014
	\$m	\$m	

			\$m
Significant items			
releases/(provisions) arising from the ongoing review of compliance with the Consumer Credit Act in the UK	12	(367)	(265)
acquisitions, disposals and dilutions		34	4
	12	(333)	(261)
Currency translation		1,356	1,069
Total	12	1,023	808

On a reported basis, net interest spread and margin were marginally lower in 1H15 due to reduced yields on customer lending in Europe, Latin America and North America. In addition, there were lower yields on short-term funds and financial investments.

Interest income

Reported interest income decreased by \$1.4bn compared with 1H14 due to lower interest income on loans and advances to customers. The decrease was driven by currency translation, notably in Latin America and Europe, although this was partly offset in Europe as 1H14 included the effect of UK Consumer Credit Act (CCA) provisions. Excluding these factors, interest income on loans and advances to customers was broadly unchanged as higher interest income in Asia and Latin America was broadly offset in Europe and North America.

In Asia, the rise in interest income was driven by growth in average term lending balances, the effect of which was partly offset by compressed yields on customer lending in mainland China due to central bank rate reductions. In Latin America, the increase was primarily in Brazil and Argentina driven by average balance sheet growth and, additionally, in Brazil, by the effect of successive increases in central bank interest rates since late 2014.

By contrast, in Europe, the reduction in interest income was driven by lower average balances and yields on mortgages in the UK in line with competitive pricing, and the effect of downward movements in market interest rates in the eurozone. Interest income also decreased in North America as new lending to customers in RBWM and CMB was at reduced yields in the current low interest rate environment, and the CML portfolio continued to decrease from run-off and sales.

Interest income on short-term funds and financial investments in BSM decreased, due to currency translation in Latin America, notably in Brazil, and in Europe. Excluding this, interest income rose, primarily in Latin America due to an increase in average balances and the effect of central bank rate rises in Brazil. These rate rises also drove increased interest income on reverse repurchase agreements. The rise in Latin America was partly offset by falls in Europe due to a managed reduction in average balances and, to a lesser extent, in Asia reflecting movement in central bank interest rates in mainland China and changes in the currency mix of the overall portfolio.

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Table of Contents**Financial summary** (continued)**Interest expense**

Reported interest expense decreased by \$0.5bn compared with 1H14, primarily on customer accounts, reflecting currency translation, primarily in Latin America and Europe. Excluding this, interest expense on customer accounts rose in Latin America notably in Brazil, driven by increases in the central bank interest rate and growth in average balances.

In North America, other interest expense increased as 1H14 benefited from the release of accrued interest associated with uncertain tax positions.

Interest expense on debt issued also increased, excluding the effects of currency translation. This was largely in Latin America, notably Brazil, in line with central bank interest rate rises, coupled with an increase in average balances. These factors were partly offset in Europe, as new debt was issued at lower prevailing rates and average outstanding balances fell as a result of net redemptions.

Net fee income

	30 June	Half-year to	31 December
	2015	30 June	2014
	\$m	\$m	\$m
Account services	1,383	1,734	1,673
Funds under management	1,310	1,283	1,375
Cards	1,120	1,210	1,250
Credit facilities	989	963	927
Broking income	817	664	707
Unit trusts	595	518	487
Imports/exports	485	558	557
Underwriting	450	536	336
Remittances	387	411	422
Global custody	371	359	367
Insurance agency commission	284	302	214
Other	1,181	1,493	1,199
Fee income	9,372	10,031	9,514

Less: fee expense	(1,647)	(1,854)	(1,734)
Net fee income	7,725	8,177	7,780

Reported net fee income fell by \$452m compared with 1H14, primarily reflecting the adverse effects of currency translation of \$598m between the periods, notably in Europe and Latin America.

On an adjusted basis, net fee income increased by \$156m or 2%. This reflected higher net fee income in Asia and North America, mainly in RBWM, partly offset by a reduction in Europe, primarily within GB&M and RBWM.

Fee income from both broking and unit trusts grew strongly, mainly in Hong Kong, driven by higher sales of equities and mutual funds in RBWM. This reflected higher stock market turnover, in part facilitated by the Shanghai-Hong Kong Stock Connect platform following a relaxation of certain restrictions in 1H15 by the regulator in mainland China, and higher investor appetite following improvements in Asian equity markets notwithstanding the weakness experienced in the latter part of June 2015.

Fee income from funds under management also increased in Asia, Europe and North America. In our Global Asset Management business, management fees increased in Hong Kong, France and the US driven by volume growth, in part due to higher net inflows of fixed income products, and stronger equity market performance, notably in Europe and Asia. Fee income from funds under management also increased in Germany reflecting business growth in GB&M.

In addition, fee income from credit facilities increased, mainly in North America, reflecting continued lending growth in CMB through our focus on internationally connected cities.

By contrast, account services fee income decreased, primarily in the UK in RBWM where lower overdraft fees reflected re-pricing and fewer overdrawn balances following the introduction in November 2014 of a text-alert service for customers. Account services fees also reduced in Switzerland due to the continued repositioning of our GPB business.

In addition, underwriting fee income decreased, mainly in Hong Kong in GB&M reflecting reduced activity in equity capital markets, although this was partly offset by higher volumes of debt issuances in the US.

Fee expenses were marginally lower by \$15m or 1%, compared with 1H14, primarily in the US reflecting favourable adjustments to mortgage servicing rights valuations following mortgage interest rate increases in 1H15 compared with decreases in 1H14.

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Table of Contents**Net trading income**

	30 June	Half-year to 30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
Trading activities	3,553	2,666	2,753
Net interest income on trading activities	1,053	913	994
Gain/(loss) on termination of hedges	(8)	(4)	5
Other trading income/(expense) hedge ineffectiveness:			
on cash flow hedges	4	15	19
on fair value hedges	26	22	(3)
Adverse fair value movement on non-qualifying hedges	(55)	(337)	(283)
Net trading income	4,573	3,275	3,485

Reported net trading income of \$4.6bn was \$1.3bn higher compared with 1H14, predominantly in Asia and Europe. The movement in net trading income in part reflected the

following significant items and currency translation summarised in the table below.

Significant items and currency translation

	30 June	Half-year to 30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
Included within trading activities:			
favourable/(adverse) debit valuation adjustment on derivative contracts	165	(155)	(177)
Other significant items:			
adverse fair value movements on non-qualifying hedges	(45)	(322)	(219)

acquisitions, disposals and dilutions		2	
	120	(475)	(396)
Currency translation		240	207
Total	120	(235)	(189)

On an adjusted basis, excluding the significant items and currency translation tabulated above, net trading income from trading activities increased by \$943m compared with 1H14, notably in client-facing GB&M driven by our Equities and Foreign Exchange businesses, primarily in the UK, following a rise in volatility in 1H15. Equities also benefited from increased client activity and favourable

movements on own credit spreads compared with minimal movements in 1H14.

Net interest income from trading activities grew, mainly in Asia from increased average balances of trading assets, and in North America from a change in portfolio mix towards higher-yielding debt securities.

Net income from financial instruments designated at fair value

	30 June 2015	Half-year to 30 June 2014	31 December 2014
	\$m	\$m	\$m
Net income/(expense) arising from:			
financial assets held to meet liabilities under insurance and investment contracts	1,615	1,396	904
liabilities to customers under investment contracts	(301)	(231)	(204)
HSBC's long-term debt issued and related derivatives	1,324	438	70
change in own credit spread on long-term debt	650	(215)	632
other changes in fair value	674	653	(562)
other instruments designated at fair value and related derivatives	28	57	43
Net income from financial instruments designated at fair value	2,666	1,660	813

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Table of Contents**Financial summary (continued)***Assets and liabilities from which net income from financial instruments designated at fair value arose*

	30 June	At 30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
Financial assets designated at fair value	25,168	31,823	29,037
Financial liabilities designated at fair value	69,485	82,968	76,153
Including:			
Financial assets held to meet liabilities under:			
insurance contracts and investment contracts with DPF	11,341	11,906	10,650
unit-linked insurance and other insurance and investment contracts	12,297	16,927	16,333
Long-term debt issues designated at fair value	62,962	75,740	69,681

The majority of the financial liabilities designated at fair value are fixed-rate long-term debt issues and are managed in conjunction with interest rate swaps as part of our interest rate management strategy. These liabilities are discussed further on page 50 of the *Annual Report and Accounts 2014*.

Reported net income from financial instruments designated at fair value was \$2.7bn in 1H15, compared with \$1.7bn in 1H14. The former included favourable movements in the fair value of our own long-term debt of \$650m due to changes in credit spread, compared with adverse movements of \$215m in the latter period.

On an adjusted basis, which excludes changes in own credit spread and the net adverse effect of currency translation of \$226m, net income from financial instruments designated at fair value increased by \$367m.

Net income arising from financial assets held to meet liabilities under insurance and investment contracts of \$1.6bn was \$387m higher than in 1H14. This primarily

reflected stronger equity market performance, notably in Hong Kong, mainland China and France.

Investment gains or losses arising from equity markets result in a corresponding movement in liabilities to customers, reflecting the extent to which unit-linked policyholders, in particular, participate in the investment performance of the associated asset portfolio. Where these relate to assets held to back investment contracts, the corresponding movement in liabilities to customers is also recorded under Net income/(expense) from financial instruments designated at fair value. This is in contrast to gains or losses related to assets held to back insurance contracts or investment contracts

with discretionary participation features (DPF), where the corresponding movement in liabilities to customers is recorded under Net insurance claims and benefits paid and movement in liabilities to policyholders .

Net income from Other changes in fair value increased mainly reflecting a net favourable movement of \$73m due to interest and exchange rate hedging ineffectiveness.

Gains less losses from financial investments

	30 June	Half-year to 30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
Net gains from disposal of:			
debt securities	310	185	480
equity securities	1,578	782	255
other financial investments	4	2	4
	1,892	969	739
Impairment of available-for-sale equity securities	(18)	(23)	(350)
Gains less losses from financial investments	1,874	946	389

In 1H15, gains less losses from financial investments increased by \$928m on a reported basis compared with 1H14, driven by the significant items and currency translation tabulated below, notably the gain on the partial sale of our shareholding in Industrial Bank (\$1.4bn).

On an adjusted basis, excluding all significant items and currency translation tabulated below, gains less losses from financial investments increased by \$46m, driven by an increase from the disposal of available-for-sale debt securities in Europe, Asia and North America. This was partly offset by lower gains on disposal in Principal Investments in the UK.

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Table of Contents*Significant items and currency translation*

	30 June	Half-year to 30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
Significant items			
gain on the partial sale of shareholding in Industrial Bank	1,372		
gain on sale of shareholding in Bank of Shanghai		428	
impairment on our investment in Industrial Bank			(271)
	1,372	428	(271)
Currency translation		62	26
Total	1,372	490	(245)
Net insurance premium income			

	30 June	Half-year to 30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
Gross insurance premium income	5,855	6,358	6,012
Reinsurance premiums	(248)	(221)	(228)
Net insurance premium income	5,607	6,137	5,784

Reported net insurance premium income decreased by \$530m compared with 1H14, mainly reflecting the adverse effect of currency translation of \$448m. On an adjusted basis, net insurance premium income fell marginally by \$82m or 1%, driven by a reduction in Asia partly offset by higher premium income in Europe and Latin America.

In Asia, premium income fell, primarily in Hong Kong from lower unit-linked contract premiums and lower sales of endowment products.

In Europe, premium income increased, driven by France, where there were higher sales of investment contracts with DPF reflecting customer demand, partly offset in the UK by lower pension premiums following a decision to exit the commercial pensions market in 2014.

Net insurance premium income also increased in Latin America, primarily in Brazil due to higher volumes of new business reflecting sales campaigns.

Other operating income

	30 June	Half-year to 30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
Rent received	84	82	80
Gains recognised on assets held for sale	34	10	210
Gains on investment properties	33	71	49
Gains on disposal of property, plant and equipment, intangible assets and non-financial investments	26	3	29
Change in present value of in-force long-term insurance business	438	200	61
Other	221	172	164
Other operating income	836	538	593

Change in present value of in-force long-term insurance business

	30 June	Half-year to 30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
Value of new business	438	479	391
Expected return	(279)	(286)	(259)
Assumption changes and experience variances	241	(3)	(113)
Other adjustments	38	10	42
Change in present value of in-force long-term insurance business	438	200	61

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Table of Contents**Financial summary** (continued)

Reported other operating income of \$836m increased by \$298m compared with 1H14. This was in part due to the significant items and currency translation summarised in the table below.

Significant items and currency translation

	30 June 2015	Half year to 30 June 2014	31 December 2014
	\$m	\$m	\$m
Significant items			
Included within gains recognised on assets held for sale:			
gain/(loss) on sale of several tranches of real estate secured accounts in the US	17	(15)	183
Included within the remaining line items:			
acquisitions, disposals and dilutions	17	(14)	(27)
Currency translation	17	(29)	156
Total	17	(74)	128

On an adjusted basis, excluding the significant items and currency translation tabulated above, other operating income increased by \$207m compared with 1H14. This was primarily due to higher favourable movements in the present value of in force long-term insurance business (PVIF) in RBWM, partly offset by lower disposal and revaluation gains on investment properties in 1H15.

The higher favourable movement in the PVIF balance was driven by positive investment assumption changes

in France due to rising interest rates in 1H15, compared with falling rates in 1H14. In addition, positive experience variances were reported in Hong Kong, though they were offset by an increase in liabilities to policyholders following a change in the regulatory discount rate. The overall increases were partially offset by a reduction in the value of new business driven mainly by a change in business mix in Hong Kong.

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

	30 June	Half-year to 30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
Insurance claims and benefits paid and movement in liabilities to policyholders:			
gross	7,099	7,212	6,511
reinsurers share	(249)	(153)	(225)
Net total	6,850	7,059	6,286

Reported net insurance claims and benefits paid and movement in liabilities to policyholders were \$209m lower than in 1H14, mainly reflecting the effect of currency translation of \$562m. On an adjusted basis, net insurance claims and benefits paid and movement in liabilities to policyholders were \$353m higher.

The increase was mainly driven by higher investment returns on the assets held to support liabilities under contracts where the policyholder bears investment risk. Notably, this included stronger equity market performance in France. The gains or losses recognised on the financial assets designated at fair value held to support these

insurance and investment contract liabilities are reported in Net income from financial instruments designated at fair value .

In addition, there was a one-off increase in liabilities to policyholders in Hong Kong following a change in the regulatory discount rate applied to the liabilities which is offset by the corresponding PVIF experience variance noted above.

These increases were partially offset by lower net insurance premium income as described above.

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Table of Contents**Loan impairment charges and other credit risk provisions**

	30 June	Half-year to 30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
Loan impairment charges			
new allowances net of allowance releases	1,797	2,581	2,429
recoveries of amounts previously written off	(350)	(556)	(399)
	1,447	2,025	2,030
individually assessed allowances	480	558	1,222
collectively assessed allowances	967	1,467	808
Releases of impairment allowances of available-for-sale debt securities	(38)	(214)	(105)
Other credit risk provisions	30	30	85
Loan impairment charges and other credit risk provisions	1,439	1,841	2,010
	%	%	%
Impairment charges on loans and advances to customers as a percentage of average gross loans and advances to customers (annualised)	0.31	0.44	0.43

Reported loan impairment charges and other credit risk provisions (LICs) of \$1.4bn were \$402m lower than in 1H14, in part reflecting the favourable effect of currency translation of \$267m, notably in Latin America and Europe.

On an adjusted basis, LICs decreased by \$133m or 8%, primarily within North America and Latin America, partly offset in Middle East and North Africa, Europe and Asia. The percentage of impairment charges to average gross loans and advances to customers fell to 30bps in 1H15 from 33bps in 1H14.

Collectively assessed impairment charges fell by \$303m, mainly in North America and Latin America, partly offset in Europe.

In North America, impairment charges continued to fall in the US CML portfolio in RBWM, reflecting reduced levels of delinquency and new impaired loans in addition to lower lending balances from the continued run-off and loan sales. The reduction also reflected the non-recurrence of impairment charges recorded in CMB and GB&M in 1H14 following a revision to certain estimates used in our corporate loan impairment calculation. These factors were partly offset by lower favourable market value adjustments of underlying properties in the CML portfolio as

improvements in housing market conditions were less pronounced in 1H15 than in 1H14; and

in Latin America, the decrease primarily reflected lower impairment charges in RBWM in Brazil, in part due to the non-recurrence of charges from refinements made in 1H14 to the impairment model for non-restructured loan portfolios, and in Mexico reflecting lower delinquency rates on personal lending, payroll and card portfolios.

These were partly offset:

in Europe, where the increase primarily reflected higher impairment charges relating to Greek exposures in GB&M, RBWM and CMB (see page 74 for further details).

Individually assessed impairment charges were broadly unchanged, as increases in Middle East and North Africa, Latin America and Asia were largely offset by a reduction in Europe.

In Middle East and North Africa, the increase reflected impairment charges in 1H15 compared with a net release in 1H14, primarily on UAE-related exposures in CMB and GB&M;

in Latin America, impairment charges rose, notably in CMB in Brazil; and

in Asia, the increase reflected a specific CMB impairment charge in Indonesia in 1H15.

These factors were broadly offset:

in Europe, where the reduction primarily reflected lower impairment charges notably in GB&M in the UK. Net releases of credit risk provisions decreased by \$161m, mainly in the UK driven by lower releases of available-for-sale ABSs in the GB&M legacy portfolio.

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Table of Contents**Financial summary** (continued)**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;

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.

Change-the-bank costs do not include one-off transformation costs incurred to deliver the cost reduction and productivity outcomes outlined in the Investor Update; and

the UK bank levy is reported as a separate category.

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 the global functions (back office).

	30 June	Half-year to	
	2015	30 June 2014	31 December 2014
	\$m	\$m	\$m
By expense category			
Employee compensation and benefits	10,041	9,978	10,388
Premises and equipment (excluding depreciation and impairment)	1,939	2,092	2,112
General and administrative expenses	6,190	5,035	9,326
Administrative expenses	18,170	17,105	21,826
Depreciation and impairment of property, plant and equipment	604	712	670
Amortisation and impairment of intangible assets	413	449	487

Operating expenses	19,187	18,266	22,983
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Staff numbers (full-time equivalent)

	30 June 2015	At 30 June 2014	31 December 2014
Geographical regions			
Europe	69,867	69,642	69,363
Asia	120,588	115,111	118,322
Middle East and North Africa	8,208	8,530	8,305
North America	20,338	20,649	20,412
Latin America	40,787	42,157	41,201
Staff numbers	259,788	256,089	257,603

Reported operating expenses of \$19.2bn were \$0.9bn or 5% higher than in 1H14, with the increase in significant items in 1H15 more than offset by the positive effects of currency translation.

Significant items and currency translation

	30 June 2015 \$m	Half-year to 30 June 2014 \$m	31 December 2014 \$m
Significant items			
charge in relation to the settlement agreement with Federal Housing Finance Authority			550
settlements and provisions in connection with legal matters	1,144		1,187
regulatory provisions in GBP	147		65
UK customer redress programmes	137	234	1,041
restructuring and other related costs	117	82	196
acquisitions, disposals and dilutions		35	5
	1,545	351	3,044
Currency translation		1,479	1,287
Total	1,545	1,830	4,331

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	30 June	Half-year to 30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
By expense group			
Run-the-bank front office	8,027	7,448	7,746
Run-the-bank back office	7,924	7,680	8,273
Change-the-bank	1,736	1,353	1,525
Bank levy	(45)	(45)	1,108
Significant items	1,545	351	3,044
Currency translation		1,479	1,287
Operating expenses	19,187	18,266	22,983

On an adjusted basis, excluding the significant items and currency translation tabulated above, operating expenses in 1H15 were \$1.2bn or 7% higher than in 1H14 reflecting increases in both run-the-bank and change-the-bank costs.

Front office run-the-bank costs totalled \$8.0bn in 1H15, an increase of \$0.6bn (8%) on 1H14. This was primarily driven by higher staff costs reflecting wage inflation, principally in Argentina, Brazil and Hong Kong, and a targeted increase in the number of staff to support growth as follows:

in line with our strategic target to achieve revenue growth above GDP from our international network, in CMB and GB&M we invested in Payments and Cash Management in North America, Asia and Europe; and

in RBWM we invested in additional FTEs, mainly in Asia to support revenue growth.

Back office run-the-bank costs totalled \$7.9bn in 1H15, an increase of \$0.2bn (3%) on 1H14 in part driven by both wage inflation and non-wage inflation such as rental costs in Asia.

Regulatory Programmes and Compliance costs increased as a result of our ongoing focus on Global Standards, as part of which we continue to improve our compliance capabilities, particularly in the area of financial crime

compliance. Additionally, we are delivering infrastructure changes and systems enhancements that support the effective and efficient operation of our financial crime controls. This supports ongoing delivery of HSBC's external commitments and enhances the quality of customer data and the operation of our financial crime control environment. We also continued our investment to strengthen the identification, analysis and mitigation of risk.

Change-the-bank costs totalled \$1.7bn in 1H15, an increase of \$0.4bn (28%) on 1H14. The increase was primarily driven by higher regulatory and compliance costs which included the bank-wide roll out of the new AML and

sanctions policy procedures and the ongoing parallel deployment of enhanced customer due diligence and financial crime compliance infrastructure. These actions were in line with our strategic target to complete the implementation of Global Standards by the end of 2017.

The number of employees, expressed in FTEs, increased by 2,185 during 1H15 to 259,788. The average number of FTEs adjusted for business disposals increased by 2% compared with 1H14, primarily due to additional FTE requirements for regulatory programmes and compliance.

Reported cost efficiency ratios

	30 June 2015	Half-year to 30 June 2014	31 December 2014
	%	%	%
HSBC	58.2	58.6	76.4
Geographical regions			
Europe	78.3	76.8	110.9
Asia	38.8	41.4	46.8
Middle East and North Africa	48.4	47.4	48.0
North America	79.7	69.8	87.9
Latin America	67.6	67.8	75.8
Global businesses			
Retail Banking and Wealth Management ⁹	67.1	67.6	75.8
Commercial Banking ⁹	44.1	42.5	46.1
Global Banking and Markets	56.4	50.6	88.5
Global Private Banking	85.0	70.6	79.3

For footnote, see page 56.

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Table of Contents**Financial summary (continued)****Share of profit in associates and joint ventures**

	30 June	Half-year to 30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
Associates			
Bank of Communications Co., Limited	1,021	978	996
The Saudi British Bank	240	239	216
Other	25	37	27
Share of profit in associates	1,286	1,254	1,239
Share of profit in joint ventures	25	26	13
Share of profit in associates and joint ventures	1,311	1,280	1,252

HSBC's share of profit in associates and joint ventures of \$1.3bn increased marginally compared with 1H14 driven by a higher contribution from Bank of Communications Co., Limited (BoCom).

Our share of profit from BoCom rose as a result of balance sheet growth, increased fee income and a reduction in loan impairment charges, partly offset by higher operating expenses.

At 30 June 2015, 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 14 in the Financial Statements for further details). The continued uncertainty regarding future movements in the value in use and the expectations around increases in the carrying amount are discussed further on page 55 of the *Annual Report and Accounts 2014*.

Tax expense

	30 June	Half-year to 30 June	31 December
	2015	2014	2014

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	\$m	\$m	\$m
Profit before tax	13,628	12,340	6,340
Tax expense	(2,907)	(2,022)	(1,953)
Profit after tax	10,721	10,318	4,387
Effective tax rate	21.3%	16.4%	30.8%

The effective tax rate for the first half of the year of 21.3% was slightly higher than the UK corporation tax rate of 20.25% principally due to non-deductible regulatory settlements and provisions.

The effective tax rate for 1H14 was significantly lower, principally due to prior year adjustments.

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Table of Contents**Consolidated balance sheet***Summary consolidated balance sheet*

	At 30 June 2015 \$m	At 30 June 2014 \$m	At 31 December 2014 \$m
ASSETS			
Cash and balances at central banks	144,324	132,137	129,957
Trading assets	283,138	347,106	304,193
Financial assets designated at fair value	25,168	31,823	29,037
Derivatives	296,942	269,839	345,008
Loans and advances to banks	109,405	127,387	112,149
Loans and advances to customers	953,985	1,047,241	974,660
Reverse repurchase agreements non-trading	149,384	198,301	161,713
Financial investments	404,682	423,710	415,467
Assets held for sale	60,929	10,248	7,647
Other assets	143,756	165,801	154,308
Total assets	2,571,713	2,753,593	2,634,139
LIABILITIES AND EQUITY			
Liabilities			
Deposits by banks	71,140	92,764	77,426
Customer accounts	1,335,800	1,415,705	1,350,642
Repurchase agreements non-trading	81,506	165,506	107,432
Trading liabilities	181,435	228,135	190,572
Financial liabilities designated at fair value	69,485	82,968	76,153
Derivatives	289,984	263,494	340,669
Debt securities in issue	102,656	96,397	95,947
Liabilities under insurance contracts	69,494	75,223	73,861
Liabilities of disposal groups held for sale	53,226	12,361	6,934
Other liabilities	115,605	122,318	114,525
Total liabilities	2,370,331	2,554,871	2,434,161
Equity			
Total shareholders' equity	192,427	190,281	190,447
Non-controlling interests	8,955	8,441	9,531
Total equity	201,382	198,722	199,978
Total liabilities and equity	2,571,713	2,753,593	2,634,139

Selected financial information

	At	At	At
	30 June	30 June	31 December
	2015	2014	2014
	\$m	\$m	\$m
Called up share capital	9,758	9,535	9,609
Total regulatory capital	195,110	192,834	190,730
Undated subordinated loan capital	2,771	2,777	2,773
Preferred securities and dated subordinated loan capital	44,852	49,644	47,208
Risk-weighted assets	1,193,154	1,248,572	1,219,765
Financial statistics			
Loans and advances to customers as a percentage of customer accounts	71.4	74.0	72.2
Average total shareholders' equity to average total assets	7.1	6.9	7.0
Net asset value per ordinary share at period-end (\$)	9.11	9.64	9.28
Number of \$0.50 ordinary shares in issue (millions)	19,516	19,071	19,218
Closing foreign exchange translation rates to \$:			
\$1: £	0.635	0.586	0.642
\$1:	0.893	0.732	0.823

A more detailed consolidated balance sheet is contained in the Financial Statements on page 101.

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Table of Contents**Financial summary** (continued)*Combined view of customer lending and customer deposits*

	30 Jun	At 30 Jun	31 Dec
	2015	2014	2014
	\$m	\$m	\$m
Loans and advances to customers	953,985	1,047,241	974,660
Loans and advances to customers reported in Assets held for sale	21,024	1,658	577
Brazil	20,827		
other	197	1,658	577
Combined customer lending	975,009	1,048,899	975,237
Customer accounts	1,335,800	1,415,705	1,350,642
Customer accounts reported in Liabilities of disposal groups held for sale	19,432	4,880	145
Brazil	19,432		
other		4,880	145
Combined customer deposits	1,355,232	1,420,585	1,350,787

Movement from 31 December 2014 to 30 June 2015

Total reported assets of \$2.6 trillion were 2% lower than at 31 December 2014. On a constant currency basis, total assets were broadly unchanged.

Our ratio of customer advances to customer accounts was 71%. Both customer loans and customer accounts were lower on a reported basis with these movements including:

adverse currency translation movements of \$12bn and \$14bn, respectively;

the transfer to Assets held for sale and Liabilities of disposal groups held for sale of balances relating to the planned disposal of our operations in Brazil of \$21bn and \$19bn, respectively; and

a \$10bn reduction in corporate overdraft and current account balances relating to a small number of clients in our Payments and Cash Management business in the UK who settled their overdraft and deposit balances on a net basis. During 2014 we made our approach to our Payments and Cash Management business more globally consistent, with customers increasing the frequency with which they settled their overdraft and deposit positions. Excluding these movements, customer lending grew by \$22bn and customer accounts grew by \$29bn, notably in Asia in each case.

Assets

Cash and balances at central banks increased by \$14bn, primarily in Asia, notably Hong Kong, and in Europe, partly offset by a fall in North America as we managed the balance of our liquid asset portfolios across our regions.

Trading assets decreased by \$21bn despite a rise in settlement accounts of \$12bn, driven by reduced holdings of debt securities across Europe, Asia and North America, as we looked to maximise the effectiveness of our asset deployment.

Derivative assets decreased by \$48bn or 14%, notably in Europe relating to interest rate contracts reflecting movements in yield curves.

Loans and advances to customers decreased by \$21bn driven by Latin America and Europe. This included the following items:

adverse currency translation movements of \$12bn;

reclassification of \$21bn to *Assets held for sale* relating to Brazil; and

a \$10bn reduction in corporate overdraft balances in Europe, with a corresponding fall in corporate customer accounts.

Excluding these factors, customer lending balances grew by \$22bn or 3%, largely from growth in Asia of \$12bn, North America \$5bn and Europe \$3bn.

In Asia, term lending to GB&M and CMB customers grew, primarily in Hong Kong, which included growth in lending to the property sector. Residential mortgage balances also increased, mainly in Hong Kong and mainland China. In North America the growth in balances was driven by increased term lending to corporate and commercial customers in CMB and GB&M, and in Europe, the growth in CMB was mainly driven by an increase in term lending, notably in the UK and Germany.

Liabilities

Repurchase agreements decreased by \$26bn or 24%, driven by falls in Europe, notably in the UK and France, and in North America. We continued to closely manage these balances, as we reassessed the overall returns on these activities in light of new regulatory requirements.

Customer accounts decreased by \$15bn and included the following items:

adverse currency translation movements of \$14bn;

reclassification of over \$19bn to Liabilities of disposal groups held for sale relating to Brazil; and

a \$10bn reduction in corporate current account balances, in line with the fall in corporate overdraft positions. Excluding these factors, customer accounts grew by \$29bn, notably in Asia in the second quarter, reflecting growth in our Payments and Cash Management and Securities Services businesses in CMB and GB&M, respectively, together with a rise in RBWM from increased savings balances by new and existing Premier customers.

Balances in Europe were broadly unchanged. Growth in our Payments and Cash Management business in CMB and a rise in RBWM balances reflecting customers' continued preference for holding balances in current and savings accounts were broadly offset by a fall in GB&M relating to a small number of clients.

The decrease in *derivative liabilities* was in line with that of Derivative assets as the underlying risk is broadly matched.

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Table of Contents**Equity**

Total shareholders' equity rose by \$2bn driven by profits generated in the period which were partly offset by dividends paid. In addition, shareholders' equity increased from the issue of new contingent convertible securities of \$2.5bn. These movements were partly offset by a reduction of \$3.2bn in our foreign exchange reserve reflecting the weakening of a number of global currencies, notably the euro, partly offset by the strengthening of sterling against the US dollar.

Customer accounts by country

	30 Jun	At	
	2015	30 Jun	31 Dec
	\$m	2014	2014
		\$m	\$m
Europe	536,251	614,776	545,959
UK	435,958	499,295	439,313
France	35,713	47,347	40,750
Germany	15,741	15,912	15,757
Switzerland	10,887	11,073	11,058
other	37,952	41,149	39,081
Asia	599,940	570,221	577,491
Hong Kong	412,652	381,058	389,094
Australia	18,214	20,803	19,312
India	11,372	12,155	11,678
Indonesia	6,087	5,979	5,788
Mainland China	47,348	41,198	46,588
Malaysia	15,942	17,570	16,292
Singapore	43,889	45,885	43,731
Taiwan	13,014	14,609	14,901
other	31,422	30,964	30,107
Middle East and North Africa (excluding Saudi Arabia)	38,186	40,082	39,720
Egypt	6,638	6,945	7,663
United Arab Emirates	19,864	19,840	19,771
other	11,684	13,297	12,286
North America	137,296	136,774	138,884
US	85,360	79,536	84,894
Canada	40,548	46,197	43,871
other	11,388	11,041	10,119
Latin America	24,127	53,852	48,588

Mexico	17,112	20,112	18,360
other	7,015	33,740	30,228
included in other: Brazil ¹⁰		27,068	23,204
At end of period	1,335,800	1,415,705	1,350,642

For footnote, see page 56.

Risk-weighted assets

Risk-weighted assets totalled \$1,193bn at 30 June 2015, a decrease of \$27bn or 2% from 31 December 2014, reflecting targeted RWA initiatives and the effects of currency translation, partly offset by business growth. In 1H15, RWA initiatives resulted in a reduction of \$50bn and included asset sales in the GB&M legacy book, the sale of part of our shareholding in Industrial Bank, and recognition of collateral and more detailed mapping in RWA calculations. Excluding associates, we achieved business growth in RWAs of \$22bn, primarily in corporate lending across CMB and GB&M across Asia, Europe and North America.

Reconciliation of RoRWA measures

Performance Management

We target a return on average ordinary shareholders' equity of greater than 10% by the end of 2017. For internal management purposes we monitor global businesses and geographical regions by pre-tax return on average risk-weighted assets (RoRWA), a metric which combines return on equity and regulatory capital efficiency objectives. In addition to measuring RoRWA, we measure our performance internally using the non-GAAP measure of adjusted RoRWA, which is adjusted profit before tax as a percentage of average risk-weighted assets (RWA s) which are adjusted for the effects of foreign currency translation differences and acquisitions and disposals. Excluded from adjusted RoRWA are certain items which distort period-on-period performance as explained on page 15.

We also present the non-GAAP measure of adjusted RoRWA excluding run-off portfolios, in which adjusted RoRWA is further amended to exclude the run-off portfolios and the Card and Retail Services (CRS) business which was sold in May 2012.

The CRS average RWAs as at 30 June 2014 in the table below represent the average of the associated operational risk RWAs that were not immediately released on disposal and were not adjusted for as part of the adjusted RoRWA calculation. These RWAs are now fully amortised.

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Table of Contents**Financial Summary** (continued)*Reconciliation of adjusted RoRWA (excluding run-off portfolios and Card and Retail Services)*

	Half-year to 30 June 2015		
	Pre-tax	Average	
	return	RWAs	RoRWA ¹¹
	\$m	\$bn	%
Reported	13,628	1,208	2.3
Adjusted ¹¹	13,002	1,203	2.2
Run-off portfolios	275	91	0.6
legacy credit in GB&M	71	38	0.4
US CML and other	204	53	0.8
Card and Retail Services			
Adjusted (excluding run-off portfolios and Card and Retail Services)	12,727	1,112	2.3

	Half-year to 30 June 2014			Half-year to 31 December 2014		
	Average			Average		
	Pre-tax return \$m	RWAs \$bn	RoRWA ¹¹ %	Pre-tax return \$m	RWAs \$bn	RoRWA ¹¹ %
Reported	12,340	1,200	2.1	6,340	1,232	1.0
Adjusted ¹¹	12,722	1,146	2.2	9,387	1,190	1.6
Run-off portfolios	528	122	0.9	318	110	0.6
legacy credit in GB&M	286	48	1.2	(138)	49	(0.6)
US CML and other	242	74	0.7	456	61	1.5
Card and Retail Services		1				
Adjusted (excluding run-off portfolios and Card and Retail Services)	12,194	1,023	2.4	9,069	1,080	1.7

For footnote, see page 56.

Reconciliation of reported and adjusted average risk-weighted assets

	30 Jun	30 Jun	Half-year to		31 Dec	
	2015	2014	Change	30 Jun	2014	Change
	\$bn	\$bn	%	\$bn	\$bn	%
Average reported RWAs	1,208	1,200	1	1,208	1,232	(2)
Currency translation adjustment ¹²		(46)	(100)		(32)	(100)
Acquisitions, disposals and dilutions	(5)	(8)	(38)	(5)	(10)	(50)
Average adjusted RWAs	1,203	1,146	5	1,203	1,190	1

For footnote, see page 56.

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Table of Contents**Interim Management Report** (continued)

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

	Half-year		Year ended 31 December				
	to 30 June	2014	2013	2012	2011	2010	
	2015						
Ratios of earnings to combined fixed charges: ¹							
excluding interest on deposits	4.99	3.39	3.84	3.03	2.82	2.71	
including interest on deposits	2.47	1.86	2.09	1.76	1.68	1.73	
Ratios of earnings to combined fixed charges and preference share dividends: ¹							
excluding interest on deposits	4.28	3.07	3.50	2.79	2.64	2.56	
including interest on deposits	2.33	1.79	2.01	1.71	1.64	1.69	

¹ 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.

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Table of Contents**Global businesses****Global businesses**

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Summary	

HSBC reviews operating activity on a number of bases, including by geographical region and by global business.

We present global businesses followed by geographical regions because certain strategic themes, business initiatives and trends affect more than one geographical region.

Basis of preparation

The results of global businesses are presented in accordance with the accounting policies used in the preparation of HSBC's consolidated financial statements. Our operations are closely integrated and, accordingly, the presentation of global business data includes internal allocations of certain items of income and expense. These allocations include the costs of some support services and global functions to the extent that they can be meaningfully attributed to operational business lines. While such allocations have been made on a systematic and consistent basis, they necessarily involve a degree of subjectivity. Those costs which are not allocated to global businesses are included in Other .

Where relevant, income and expense amounts presented include the results of inter-segment funding as well as inter-company and inter-business line transactions. All such transactions are undertaken on arm's length terms.

The expense of the UK bank levy is included in the Europe geographical region as we regard the levy as a cost of being headquartered in the UK. For the purposes of the segmentation by global businesses, the cost of the levy is included in Other .

Profit/(loss) before tax

	30 June 2015		Half-year to 30 June 2014		31 December 2014	
	\$m	%	\$m	%	\$m	%
Retail Banking and Wealth Management ⁹	3,362	24.7	3,002	24.4	2,579	40.7
Commercial Banking ⁹	4,523	33.2	4,814	39.0	4,000	63.1
Global Banking and Markets	4,754	34.9	5,033	40.8	856	13.5
Global Private Banking	180	1.3	364	2.9	262	4.1
Other ¹³	809	5.9	(873)	(7.1)	(1,357)	(21.4)
	13,628	100.0	12,340	100.0	6,340	100.0

*Total assets*¹⁴

	30 June 2015		At 30 June 2014		31 December 2014	
	\$m	%	\$m	%	\$m	%
Retail Banking and Wealth Management ⁹	497,199	19.3	526,089	19.1	500,864	19.0
Commercial Banking ⁹	378,641	14.7	375,014	13.6	370,958	14.1
Global Banking and Markets	1,790,461	69.6	2,043,767	74.2	1,839,644	69.8
Global Private Banking	85,740	3.3	99,379	3.6	88,342	3.4
Other	167,946	6.5	170,802	6.2	164,537	6.2
Intra-HSBC items	(348,274)	(13.4)	(461,458)	(16.7)	(330,206)	(12.5)
	2,571,713	100.0	2,753,593	100.0	2,634,139	100.0

Risk-weighted assets

	30 June 2015		At 30 June 2014		31 December 2014	
	\$bn	%	\$bn	%	\$bn	%
Retail Banking and Wealth Management ⁹	204.6	17.2	225.4	18.1	207.2	17.0
Commercial Banking ⁹	439.6	36.8	422.5	33.8	430.3	35.3
Global Banking and Markets	491.0	41.1	537.3	43.0	516.1	42.3
Global Private Banking	21.1	1.8	22.1	1.8	20.8	1.7
Other	36.9	3.1	41.3	3.3	45.4	3.7
	1,193.2	100.0	1,248.6	100.0	1,219.8	100.0

For footnotes, see page 56.

Global Banking and Markets client-facing and BSM

The GB&M client-facing and BSM businesses measure (see page 36) excludes the effects of the legacy credit portfolio and income from associates. We believe that highlighting the

client-facing and BSM businesses allows GB&M management to more clearly discuss the cause of material changes from period-to-period in the ongoing businesses and to assess the factors and trends in the businesses which are expected to have a material effect in future years.

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Table of Contents**Global businesses (continued)****Retail Banking and Wealth Management**

RBWM provides banking and wealth management services for our personal customers to help them secure their future prosperity and realise their ambitions.

	US		
	Total	run-off	Principal
	RBWM	portfolio	RBWM ¹⁶
	\$m	\$m	\$m
Half-year to 30 June 2015			
Net interest income	8,054	536	7,518
Net fee income/(expense)	3,334	(2)	3,336
Other income	1,054	46	1,008
Net operating income¹⁵	12,442	580	11,862
LICs	(934)	(47)	(887)
Net operating income	11,508	533	10,975
Total operating expenses	(8,354)	(688)	(7,666)
Operating profit/(loss)	3,154	(155)	3,309
Income from associates	208		208
Profit/(loss) before tax	3,362	(155)	3,517
RoRWA	3.3%	(0.6)%	4.6%
Half-year to 30 June 2014⁹			
Net interest income	8,617	750	7,867
Net fee income/(expense)	3,377	(1)	3,378
Other income/(expense)	622	(149)	771
Net operating income¹⁵	12,616	600	12,016
LICs	(1,299)	(180)	(1,119)
Net operating income	11,317	420	10,897
Total operating expenses	(8,530)	(361)	(8,169)
Operating profit	2,787	59	2,728
Income from associates	215		215
Profit before tax	3,002	59	2,943
RoRWA	2.6%	0.2%	3.8%

Half-year to 31 December 2014⁹

Net interest income	8,513	640	7,873
Net fee income/(expense)	3,459	(3)	3,462
Other income	561	100	461
Net operating income ¹⁵	12,533	737	11,796
LICs	(637)	150	(787)
Net operating income	11,896	887	11,009
Total operating expenses	(9,500)	(377)	(9,123)
Operating profit	2,396	510	1,886
Income from associates	183		183
Profit before tax	2,579	510	2,069
RoRWA	2.4%	1.7%	2.7%

*For footnotes, see page 56.**For details of significant items, see page 53.***Principal RBWM¹⁶ performance***Management view of adjusted revenue¹⁵*

	30 Jun 2015 \$m	Half-year to 30 Jun 2014 \$m	31 Dec 2014 \$m
Current accounts, savings and deposits	2,815	2,766	2,845
Wealth Management products	3,605	3,008	2,879
investment distribution	1,966	1,635	1,666
life insurance manufacturing	1,080	866	681
asset management	559	507	532
Personal lending	5,101	5,222	5,210
mortgages	1,432	1,491	1,494
credit cards	1,995	1,992	2,037
other personal lending	1,674	1,739	1,679
Other	321	374	395
Net operating income¹⁵	11,842	11,370	11,329

*For footnotes, see page 56.**Profit before tax (\$m)**Revenue (\$m)*

Operating expenses (\$m)

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Table of Contents**Commercial Banking**

CMB offers a full range of financial services and tailored solutions to almost three million customers ranging from small and medium-sized enterprises to publicly quoted companies in around 55 countries.

	30 Jun 2015 \$m	Half-year to 30 Jun 2014 ⁹ \$m	31 Dec 2014 ⁹ \$m
Net interest income	4,892	4,994	5,164
Net fee income	2,168	2,327	2,243
Other income	474	502	518
Net operating income¹⁵	7,534	7,823	7,925
LICs	(511)	(488)	(1,070)
Net operating income	7,023	7,335	6,855
Total operating expenses	(3,321)	(3,327)	(3,654)
Operating profit	3,702	4,008	3,201
Income from associates	821	806	799
Profit before tax	4,523	4,814	4,000
RoRWA	2.1%	2.4%	1.9%

Management view of adjusted revenue¹⁵

	30 Jun 2015 \$m	Half-year to 30 Jun 2014 ⁹ \$m	31 Dec 2014 ⁹ \$m
Global Trade and Receivables Finance	1,219	1,214	1,266
Credit and Lending	2,982	2,747	2,925
Payments and Cash Management, current accounts and savings deposits	2,262	2,184	2,287
Markets products, Insurance and Investments and Other	1,071	1,069	996
Net operating income¹⁵	7,534	7,214	7,474

For footnotes, see page 56.

For details of significant items, see page 53.

Profit before tax (\$m)

Revenue (\$m)

Operating expenses (\$m)

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Table of Contents**Global businesses (continued)****Global Banking and Markets**

GB&M provides tailored financial solutions to major government, corporate and institutional clients worldwide.

	GB&M		
	client		
	facing		
	Total		and BSM
	GB&M	Legacy	\$m
	\$m	\$m	\$m
Half-year to 30 June 2015			
Net interest income	3,629	114	3,515
Net fee income/(expense)	1,711	(6)	1,717
Net trading income/(expense) ⁶	3,743	(1)	3,744
Other income/(expense)	1,178	(10)	1,188
Net operating income¹⁵	10,261	97	10,164
LICs	11	15	(4)
Net operating income	10,272	112	10,160
Total operating expenses	(5,790)	(41)	(5,749)
Operating profit	4,482	71	4,411
Income from associates	272		
Profit before tax	4,754		
RoRWA	1.9%	0.4%	2.0%
Half-year to 30 June 2014			
Net interest income/(expense)	3,602	(19)	3,621
Net fee income	1,939	4	1,935
Net trading income ⁶	2,790	51	2,739
Other income	1,460	140	1,320
Net operating income ¹⁵	9,791	176	9,615
LICs	(49)	217	(266)
Net operating income	9,742	393	9,349
Total operating expenses	(4,958)	(86)	(4,872)
Operating profit	4,784	307	4,477

Income from associates	249		
Profit before tax	5,033		
RoRWA	2.0%	1.3%	2.1%
Half-year to 31 December 2014			
Net interest income/(expense)	3,420	(153)	3,573
Net fee income/(expense)	1,621	(11)	1,632
Net trading income/(expense) ⁶	3,071	(106)	3,177
Other income/(expense)	(125)	92	(217)
Net operating income/(expense) ¹⁵	7,987	(178)	8,165
LICs	(316)	132	(448)
Net operating income/(expense)	7,671	(46)	7,717
Total operating expenses	(7,070)	(622)	(6,448)
Operating profit/(loss)	601	(668)	1,269
Income from associates	255		
Profit/(loss) before tax	856		
RoRWA	0.3%	(2.7)%	0.6%

For footnotes, see page 56.

For details of significant items, see page 53.

Total GB&M performance

Management view of adjusted revenue¹⁵

	30 Jun	Half-year to 30 Jun	31 Dec
	2015	2014	2014
	\$m	\$m	\$m
Markets	4,372	3,557	2,261
Legacy credit	97	161	(177)
Credit	492	395	138
Rates	1,006	1,027	395
Foreign Exchange	1,670	1,343	1,411
Equities	1,107	631	494
Capital Financing	1,881	1,922	1,891
Payments and Cash Management	899	851	849
Securities Services	865	792	814
Global Trade and Receivables Finance	370	359	353
Balance Sheet Management	1,588	1,369	1,508
Principal Investments	128	318	182
Other ¹⁷	15	18	(83)
Net operating income¹⁵	10,118	9,186	7,775

For footnotes, see page 56.

Profit before tax (\$m)

Revenue (\$m)

Operating expenses (\$m)

HSBC HOLDINGS PLC

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Table of Contents**Global Private Banking**

GPB serves high net worth individuals and families with complex and international financial needs within the Group's priority markets.

	30 Jun 2015 \$m	Half-year to 30 Jun 2014 \$m	31 Dec 2014 \$m
Net interest income	454	536	458
Net fee income	527	533	523
Other income/(expense)	196	161	166
Net operating income¹⁵	1,177	1,230	1,147
LICs	(5)	(6)	14
Net operating income	1,172	1,224	1,161
Total operating expenses	(1,001)	(868)	(910)
Operating profit	171	356	251
Income from associates	9	8	11
Profit before tax	180	364	262
RoRWA	1.8%	3.3%	2.4%

Client assets¹⁸

	30 Jun 2015 \$bn	Half-year to 30 Jun 2014 \$bn	31 Dec 2014 \$bn
At beginning of period	365	382	384
Net new money	(1)	(3)	
of which: areas targeted for growth	7	5	9
Value change	9	6	2
Exchange and other	(3)	(1)	(21)
At end of period	370	384	365

For footnotes, see page 56.

For details of significant items, see page 53.

Profit before tax (\$m)

Revenue (\$m)

Operating expenses (\$m)

HSBC HOLDINGS PLC

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Table of Contents**Global businesses (continued)****Other¹³**

Other contains the results of HSBC's holding company and financing operations, central support and functional costs with associated recoveries, unallocated investment activities, centrally held investment companies, certain property transactions and movements in fair value of own debt.

	30 Jun 2015 \$m	Half-year to 30 Jun 2014 \$m	31 Dec 2014 \$m
Net interest expense	(397)	(221)	(280)
Net fee income/(expense)	(15)	1	(66)
Net trading income/(expense)	(123)	(120)	28
changes in fair value of long-term debt issued and related derivatives	1,324	438	70
changes in other financial instruments designated at fair value	(661)	(719)	710
Net income/(expense) from financial instruments designated at fair value	663	(281)	780
Other income	4,559	3,279	3,245
Net operating income	4,687	2,658	3,707
Total operating expenses	(3,879)	(3,533)	(5,068)
Operating profit/(loss)	808	(875)	(1,361)
Income from associates	1	2	4
Profit/(loss) before tax	809	(873)	(1,357)

For footnotes, see page 56.

For details of significant items, see page 53.

Profit/(loss) before tax (\$m)

Revenue (\$m)

Operating expenses (\$m)

HSBC HOLDINGS PLC

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Table of Contents**Analysis by global business***HSBC profit/(loss) before tax and balance sheet data*

	Half-year to 30 June 2015						Total
	Retail Banking and Wealth Management \$m	Commercial Banking \$m	Global Banking and Markets \$m	Global Private Banking \$m	Other ¹³ \$m	Inter- segment elimination ¹⁹ \$m	
<i>Profit before tax</i>							
Interest income/(expense)	8,054	4,892	3,629	454	(397)	(188)	16,445
Fee income/(expense)	3,334	2,168	1,711	527	(15)		7,725
Trading income/(expense)							
Trading net interest income	295	308	2,880	175	(138)		3,420
Trading net interest income/(expense) on trading activities	(5)	(7)	863	(1)	15	188	1,053
Trading income/(expense) ⁶	290	301	3,743	174	(123)	188	4,573
Income from financial instruments designated at fair value	1,237	128	638		663		2,666
Income less losses on financial instruments	51	27	402	24	1,370		1,874
Net income	11	10	17	4	26		68
Insurance premium income	4,950	624	3	30			5,607
Other operating income	609	100	120	2	3,163	(3,158)	846
Total operating income	18,536	8,250	10,263	1,215	4,687	(3,158)	39,793

Insurance claims	(6,094)	(716)	(2)	(38)			(6,850)
Operating income ¹⁵	12,442	7,534	10,261	1,177	4,687	(3,158)	32,929
Impairment charges/recoveries							
Other credit risk provisions	(934)	(511)	11	(5)			(1,439)
Operating income	11,508	7,023	10,272	1,172	4,687	(3,158)	31,490
Employee expenses ²⁰	(2,571)	(1,171)	(1,994)	(350)	(3,955)		(10,041)
Other operating income/(expense)	(5,783)	(2,150)	(3,796)	(651)	76	3,158	(9,156)
Operating expenses	(8,354)	(3,321)	(5,790)	(1,001)	(3,879)	3,158	(19,167)
Operating profit	3,154	3,702	4,482	171	808		12,323
Share of profit in associates and joint ventures	208	821	272	9	1		1,311
Profit before tax	3,362	4,523	4,754	180	809		13,634
	%	%	%	%	%		
Return on assets of HSBC before tax	24.7	33.2	34.9	1.3	5.9		10.0
Operating efficiency ratio	67.1	44.1	56.4	85.0	82.8		50.0
<i>Balance sheet data</i> ¹⁴							
	\$m	\$m	\$m	\$m	\$m		
Loans and advances to customers (net)	352,189	310,256	244,321	44,242	2,977		953,985
Loans and advances reported in held for sale	6,640	10,325	4,016	43			21,024
Other assets	497,199	378,641	1,790,461	85,740	167,946	(348,274)	2,571,713
Other assets - customer accounts	589,715	362,069	299,181	82,878	1,957		1,335,690
Other assets reported in held for sale	9,549	4,694	3,438	1,751			19,432

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Table of Contents**Global businesses (continued)***HSBC profit/(loss) before tax and balance sheet data (continued)*

	Half-year to 30 June 2014						Total
	Retail Banking and Wealth Management ⁹	Commercial Banking ⁹	Global Banking and Markets	Global Private Banking	Other ¹³	Inter- segment elimination ¹⁹	
	\$m	\$m	\$m	\$m	\$m	\$m	
<i>profit/(loss) before</i>							
Interest							
Income/(expense)	8,617	4,994	3,602	536	(221)	(123)	17,405
Fee income	3,377	2,327	1,939	533	1		8,177
Trading							
Income/(expense) including net							
Interest income	(12)	338	2,001	161	(126)		2,362
Net interest							
Income/(expense) on							
Trading activities	1	(4)	789	(2)	6	123	913
Trading							
Income/(expense) ⁶	(11)	334	2,790	159	(120)	123	3,275
Income/(expense)							
From financial							
Instruments							
Designated at fair							
Value	1,078	119	743	1	(281)		1,660
Less losses							
From financial							
Investments	7	25	462	12	440		946
Dividend income	15	14	32	3	24		88
Insurance							
Premium income	5,501	615	2	19			6,137
Other operating							
Income/(expense)	378	81	222	(7)	2,814	(2,950)	536
	18,962	8,509	9,792	1,256	2,657	(2,950)	38,226

al operating ome							
insurance claims	(6,346)	(686)	(1)	(26)			(7,05)
operating ome ¹⁵	12,616	7,823	9,791	1,230	2,657	(2,950)	31,16
n impairment arges)/recoveries							
other credit risk visions	(1,299)	(488)	(49)	(6)	1		(1,84
operating ome	11,317	7,335	9,742	1,224	2,658	(2,950)	29,32
employee enses ²⁰	(2,544)	(1,147)	(1,806)	(363)	(4,118)		(9,97
ther operating ome/(expense)	(5,986)	(2,180)	(3,152)	(505)	585	2,950	(8,28
al operating enses	(8,530)	(3,327)	(4,958)	(868)	(3,533)	2,950	(18,26
erating fit/(loss)	2,787	4,008	4,784	356	(875)		11,06
ure of profit in ociates and joint tures	215	806	249	8	2		1,28
fit/(loss) before	3,002	4,814	5,033	364	(873)		12,34
	%	%	%	%	%		
ure of HSBC s fit before tax	24.4	39.0	40.8	2.9	(7.1)		100
st efficiency ratio	67.6	42.5	50.6	70.6	133.0		58
<i>Balance sheet data</i> ¹⁴							
	\$m	\$m	\$m	\$m	\$m		\$
ans and advances customers (net)	381,353	315,001	303,133	45,131	2,623		1,047,24
ported in held for	380	157	82	972			1,59
al assets	526,089	375,014	2,043,767	99,379	170,802	(461,458)	2,753,59
stomer accounts	600,650	363,235	360,732	89,641	1,447		1,415,70
ported in held for	181	485	373	3,841			4,88

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	Half-year to 31 December 2014							Total
	Retail Banking and Wealth Management ⁹	Commercial Banking ⁹	Global Banking and Markets	Global Private Banking	Other ¹³	Inter- segment elimination ¹⁹		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Profit/(loss) before								
Interest								
Income/(expense)	8,513	5,164	3,420	458	(280)	25		17,300
Fee								
Income/(expense)	3,459	2,243	1,621	523	(66)			7,780
Trading income								
Including net								
Interest income	(14)	280	2,062	137	26			2,491
Net interest								
Income/(expense) on								
Trading activities	8	2	1,009	(2)	2	(25)		995
Net trading								
Income/(expense) ⁶	(6)	282	3,071	135	28	(25)		3,485
Net								
Income/(expense)								
From financial								
Instruments								
Designated at fair								
Value	606	160	(731)	(2)	780			813
Gains less losses								
From financial								
Investments	7	6	655	(3)	(276)			389
Dividend income	9	4	48	2	160			223
Net insurance								
Premium income	5,108	642	3	31				5,784
Other operating								
Income/(expense)	348	160	(98)	40	3,362	(3,219)		593
Total operating								
Income	18,044	8,661	7,989	1,184	3,708	(3,219)		36,366
Net insurance claims	(5,511)	(736)	(2)	(37)				(6,286)
	12,533	7,925	7,987	1,147	3,708	(3,219)		30,080

Operating income ¹⁵							
Provision for credit impairment charges)/recoveries							
Other credit risk provisions	(637)	(1,070)	(316)	14	(1)		(2,018)
Operating income	11,896	6,855	7,671	1,161	3,707	(3,219)	28,070
Employee expenses ²⁰	(2,582)	(1,204)	(1,849)	(369)	(4,384)		(10,388)
Other operating expenses	(6,918)	(2,450)	(5,221)	(541)	(684)	3,219	(12,595)
Capital operating expenses	(9,500)	(3,654)	(7,070)	(910)	(5,068)	3,219	(22,983)
Operating profit/(loss)	2,396	3,201	601	251	(1,361)		5,085
Share of profit in associates and joint ventures	183	799	255	11	4		1,252
Profit/(loss) before tax	2,579	4,000	856	262	(1,357)		6,344
	%	%	%	%	%		%
Share of HSBC's profit before tax	40.7	63.1	13.5	4.1	(21.4)		100.0
Cost efficiency ratio	75.8	46.1	88.5	79.3	136.7		76.0
<i>Balance sheet data</i> ¹⁴							
	\$m	\$m	\$m	\$m	\$m		\$m
Loans and advances to customers (net)	360,704	313,039	254,463	44,102	2,352		974,660
Loans reported in held for sale	198		288	91			577
Total assets	500,864	370,958	1,839,644	88,342	164,537	(330,206)	2,634,131
Customer accounts	583,757	361,318	319,121	85,465	981		1,350,642
Loans reported in held for sale				145			145

For footnotes, see page 56.

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Table of Contents**Geographical regions****Geographical regions**

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Summary

HSBC reviews operating activity on a number of bases, including by geographical region and by global business.

In the analysis of profit and loss by geographical region that follows, operating income and operating expenses include intra-HSBC items of \$1,564m (first half of 2014: \$1,439m; second half of 2014: \$1,533m).

Profit/(loss) before tax

	30 June 2015		Half-year to 30 June 2014		31 December 2014	
	\$m	%	\$m	%	\$m	%
Europe	2,205	16.2	2,258	18.3	(1,662)	(26.2)
Asia	9,400	69.0	7,894	64.0	6,731	106.2
Middle East and North Africa	901	6.6	989	8.0	837	13.2
North America	690	5.1	825	6.7	592	9.3
Latin America	432	3.1	374	3.0	(158)	(2.5)
Profit before tax	13,628	100.0	12,340	100.0	6,340	100.0

*Total assets*¹⁴

	At 30 June 2015		At 30 June 2014		At 31 December 2014	
	\$m	%	\$m	%	\$m	%
Europe	1,236,270	48.1	1,430,863	52.0	1,290,926	49.0
Asia	917,489	35.7	874,334	31.8	878,723	33.4
Middle East and North Africa	61,625	2.4	61,289	2.2	62,417	2.4
North America	411,601	16.0	437,706	15.9	436,859	16.6
Latin America	104,203	4.1	125,630	4.6	115,354	4.4
Intra-HSBC items	(159,475)	(6.3)	(176,229)	(6.5)	(150,140)	(5.8)
Total assets	2,571,713	100.0	2,753,593	100.0	2,634,139	100.0

*Risk-weighted
assets²¹*

	At 30 June 2015		At 30 June 2014		At 31 December 2014	
	\$bn	%	\$bn	%	\$bn	%
Total RWAs	1,193.2		1,248.6		1,219.8	
Europe	369.5	30.3	393.6	31.0	375.4	30.1
Asia	487.4	40.0	481.1	37.9	499.8	40.0
Middle East and North Africa	63.1	5.2	62.7	4.9	63.0	5.0
North America	215.7	17.7	236.9	18.6	221.4	17.8
Latin America	82.3	6.8	96.8	7.6	88.8	7.1

For footnotes, see page 56.

HSBC HOLDINGS PLC

Table of Contents**Europe**

Our principal banking operations in Europe are HSBC Bank plc in the UK, HSBC France, HSBC Private Bank (Suisse) SA and HSBC Trinkaus & Burkhardt AG. Through these operations we provide a wide range of banking, treasury and financial services to personal, commercial and corporate customers across Europe.

	30 Jun 2015 \$m	Half-year to 30 Jun 2014 \$m	31 Dec 2014 \$m
Net interest income	5,115	5,244	5,367
Net fee income	2,447	3,188	2,854
Net trading income	1,913	982	1,552
Other income	1,994	1,459	925
Net operating income¹⁵	11,469	10,873	10,698
LICs	(288)	(266)	(498)
Net operating income	11,181	10,607	10,200
Total operating expenses	(8,978)	(8,352)	(11,865)
Operating profit/(loss)	2,203	2,255	(1,665)
Income from associates	2	3	3
Profit/(loss) before tax	2,205	2,258	(1,662)
Loans and advances to customers (net)	400,452	479,670	409,733
Customer accounts	536,251	614,776	545,959
RoRWA	1.2%	1.2%	(0.9)%
Cost efficiency ratio	78.3%	76.8%	110.9%
Period-end staff numbers	69,867	69,642	69,363

For footnote, see page 56.

Country view of adjusted revenue

	30 Jun 2015 \$m	Half-year to 30 Jun 2014 \$m	31 Dec 2014 \$m
UK	7,707	7,655	7,363

France	1,619	1,289	1,198
Germany	417	405	384
Switzerland	360	341	379
Other	786	736	611
	10,889	10,426	9,935

Profit before tax (\$m)

Revenue (\$m)

Operating expenses (\$m)

For details of significant items, see page 50.

HSBC HOLDINGS PLC

Table of Contents**Geographical regions (continued)****Asia**

Our principal banking subsidiaries in Hong Kong are The Hongkong and Shanghai Banking Corporation Limited and Hang Seng Bank Limited. The former is the largest bank incorporated in Hong Kong and is our flagship bank in Asia.

We offer a wide range of banking and financial services in mainland China through our local subsidiaries, HSBC Bank (China) Company Limited and Hang Seng Bank (China) Limited. We also participate indirectly in mainland China through our associate, Bank of Communications.

Outside Hong Kong and mainland China in Asia, we conduct business in 18 countries and territories, with particularly strong coverage in Australia, India, Indonesia, Malaysia, Singapore and Taiwan.

	30 Jun 2015 \$m	Half-year to 30 Jun 2014 \$m	31 Dec 2014 \$m
Net interest income	6,060	6,090	6,183
Net fee income	3,291	2,966	2,944
Net trading income	1,779	1,329	1,293
Other income	2,935	1,722	1,150
Net operating income¹⁵	14,065	12,107	11,570
LICs	(246)	(216)	(431)
Net operating income	13,819	11,891	11,139
Total operating expenses	(5,457)	(5,009)	(5,418)
Operating profit	8,362	6,882	5,721
Income from associates	1,038	1,012	1,010
Profit before tax	9,400	7,894	6,731
Loans and advances to customers (net)	371,639	362,387	362,955
Customer accounts	599,940	570,221	577,491
RoRWA	3.8%	3.4%	2.7%
Cost efficiency ratio	38.8%	41.4%	46.8%
Period-end staff numbers	120,588	115,111	118,322

For footnote, see page 56.

Country view of adjusted revenue

	30 Jun 2015 \$m	Half-year to 30 Jun 2014 \$m	31 Dec 2014 \$m
Hong Kong	7,750	6,820	6,908
Australia	421	420	424
India	929	870	896
Indonesia	267	252	258
Mainland China	1,331	1,214	1,234
Malaysia	519	473	484
Singapore	653	620	640
Taiwan	218	262	217
Other	558	588	566
	12,646	11,519	11,627

*Profit before tax (\$m)**Revenue (\$m)**Operating expenses (\$m)*

For details of significant items, see page 50.

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Table of Contents**Middle East and North Africa**

The network of branches of HSBC Bank Middle East Limited, together with HSBC's subsidiaries and associates, gives us wide coverage in the region. Our associate in Saudi Arabia, The Saudi British Bank (40% owned), is the Kingdom's fifth largest bank by total assets.

	30 Jun 2015 \$m	Half-year to 30 Jun 2014 \$m	31 Dec 2014 \$m
Net interest income	758	736	783
Net fee income	325	335	315
Net trading income	167	193	121
Other income	39	30	35
Net operating income¹⁵	1,289	1,294	1,254
LICs	(31)	50	(44)
Net operating income	1,258	1,344	1,210
Total operating expenses	(624)	(614)	(602)
Operating profit	634	730	608
Income from associates	267	259	229
Profit before tax	901	989	837
Loans and advances to customers (net)	31,207	28,910	29,063
Customer accounts	38,186	40,082	39,720
RoRWA	2.9%	3.2%	2.7%
Cost efficiency ratio	48.4%	47.4%	48.0%
Period-end staff numbers	8,208	8,530	8,305

For footnote, see page 56.

Country view of adjusted revenue

	30 Jun 2015 \$m	Half-year to 30 Jun 2014 \$m	31 Dec 2014 \$m
UAE	716	732	660

Egypt	301	235	266
Other	269	277	334
	1,286	1,244	1,260

Profit before tax (\$m)

Revenue (\$m)

Operating expenses (\$m)

For details of significant items, see page 50.

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Table of Contents**Geographical regions (continued)****North America**

Our North American businesses are principally located in the US and Canada. Operations in the US are primarily conducted through HSBC Bank USA, N.A. and HSBC Finance Corporation, a national consumer finance company. HSBC Markets (USA) Inc. is the intermediate holding company of, *inter alia*, HSBC Securities (USA) Inc. Canadian operations are conducted through HSBC Bank Canada.

	30 Jun	Half-year to 30 Jun	31 Dec
	2015	2014	2014
	\$m	\$m	\$m
Net interest income	2,278	2,635	2,380
Net fee income	1,057	991	949
Net trading income	296	228	183
Other income	495	213	573
Net operating income¹⁵	4,126	4,067	4,085
LICs	(153)	(411)	89
Net operating income	3,973	3,656	4,174
Total operating expenses	(3,287)	(2,837)	(3,592)
Operating profit	686	819	582
Income from associates	4	6	10
Profit before tax	690	825	592
Loans and advances to customers (net)	132,340	129,620	129,787
Customer accounts	137,296	136,774	138,884
RoRWA	0.6%	0.7%	0.5%
Cost efficiency ratio	79.7%	69.8%	87.9%
Period-end staff numbers	20,338	20,649	20,412

For footnote, see page 56.

Country view of adjusted revenue

	30 Jun	Half-year to 30 Jun	31 Dec
	2015	2014	2014
	\$m	\$m	\$m

US	3,011	3,194	2,889
Canada	852	878	844
Other	106	136	132
	3,969	4,208	3,865

Profit before tax (\$m)

Revenue (\$m)

Operating expenses (\$m)

For details of significant items, see page 50.

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Table of Contents**Latin America**

	Total Latin America \$m	Brazil \$m	Other Latin America \$m
Half year to 30 June 2015			
Net interest income	2,249	1,214	1,035
Net fee income	605	307	298
Net trading income	402	242	160
Other income	302	279	23
Net operating income¹⁵	3,558	2,042	1,516
LICs	(721)	(498)	(223)
Net operating income	2,837	1,544	1,293
Total operating expenses	(2,405)	(1,353)	(1,052)
Operating profit	432	191	241
Income from associates			
Profit before tax	432	191	241
Loans and advances to customers (net)	18,347		18,347
reported in held for sale	20,827	20,827	
Customer accounts	24,127		24,127
reported in held for sale	19,432	19,432	
RoRWA	1.0%	0.8%	1.3%
Cost efficiency ratio	67.6%	66.3%	69.4%
Period-end staff numbers	40,787	19,641	21,146
Half-year to 30 June 2014			
Net interest income	2,700	1,572	1,128
Net fee income	697	365	332
Net trading income	543	246	297
Other income	325	290	35
Net operating income¹⁵	4,265	2,473	1,792
LICs	(998)	(684)	(314)
Net operating income	3,267	1,789	1,478
Total operating expenses	(2,893)	(1,734)	(1,159)
Operating profit	374	55	319
Income from associates			

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Profit before tax	374	55	319
Loans and advances to customers (net)	46,654	27,515	19,139
Customer accounts	53,852	27,068	26,784
Cost efficiency ratio	67.8%	70.1%	64.7%
RoRWA	0.8%	0.2%	1.6%
Period-end staff numbers	42,157	19,881	22,276
Half-year to 31 December 2014			
Net interest income	2,610	1,468	1,142
Net fee income	718	376	342
Net trading income	313	206	107
Other income	366	296	70
Net operating income ¹⁵	4,007	2,346	1,661
LICs	(1,126)	(815)	(311)
Net operating income	2,881	1,531	1,350
Total operating expenses	(3,039)	(1,833)	(1,206)
Operating profit/(loss)	(158)	(302)	144
Income from associates			
Profit/(loss) before tax	(158)	(302)	144
Loans and advances to customers (net)	43,122	23,749	19,373
Customer accounts	48,588	23,204	25,384
RoRWA	(0.3)%	(1.1)%	0.7%
Cost efficiency ratio	75.8%	78.1%	72.6%
Period-end staff numbers	41,201	19,564	21,637

For footnote, see page 56.

Our operations in Latin America principally comprise HSBC Bank Brasil S.A.-Banco Múltiplo and HSBC México, S.A. In addition to banking services, we operate insurance businesses in Brazil, Mexico and Argentina. During the period our operations in Brazil were classified as held for sale.

Country view of adjusted revenue

	30 Jun 2015 \$m	Half-year to 30 Jun 2014 \$m	31 Dec 2014 \$m
Mexico	1,018	1,027	979
Other	2,528	2,436	2,353
included in Other: Brazil	2,031	1,916	1,832
	3,546	3,463	3,332

Profit before tax (\$m)

Revenue (\$m)

Operating expenses (\$m)

For details of significant items, see page 50.

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Table of Contents**Geographical regions (continued)****Analysis by country***Profit/(loss) before tax by priority growth markets within global businesses*

	Retail Banking and Wealth Management	Commercial Banking	Global Banking and Markets	Global Private Banking	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Europe	863	1,287	905	(23)	(827)	2,205
UK	633	1,115	398	100	(821)	1,425
France	284	83	241	10	5	623
Germany	12	30	74	12	(14)	114
Switzerland		3	1	(162)		(158)
other	(66)	56	191	17	3	201
Asia	2,531	2,404	2,683	156	1,626	9,400
Hong Kong	2,172	1,239	1,238	120	1,464	6,233
Australia	24	61	128		(7)	206
India	(3)	46	195	7	90	335
Indonesia		(29)	38		17	26
Mainland						
China	184	817	544	(1)	38	1,582
Malaysia	67	60	105		8	240
Singapore	45	63	139	31	(17)	261
Taiwan	11	12	66		(5)	84
other	31	135	230	(1)	38	433
Middle East and North						
Africa	172	273	470	8	(22)	901
Egypt	26	50	128		(1)	203
Saudi						
Arabia	54	82	118	10		264
UAE	83	76	157	(1)	(21)	294
other	9	65	67	(1)		140
	(172)	423	356	37	46	690

North America						
Canada	33	206	142		(17)	364
USA	(219)	204	190	37	70	282
other	14	13	24		(7)	44
Latin America	(32)	136	340	2	(14)	432
Mexico	33	28	56		1	118
other	(65)	108	284	2	(15)	314
included in other:						
Brazil ¹⁰	(74)	32	208	2	23	191
Half-year to 30 June 2015	3,362	4,523	4,754	180	809	13,628
Europe	480	1,551	1,425	176	(1,374)	2,258
UK	565	1,324	887	112	(1,192)	1,696
France	(39)	123	237	(2)	(115)	204
Germany	14	38	86	17	(7)	148
Switzerland		2	1	14	(2)	15
other	(60)	64	214	35	(58)	195
Asia	2,339	2,372	2,415	133	635	7,894
Hong Kong	1,928	1,125	977	99	419	4,548
Australia	49	62	92		(5)	198
India	6	59	243	5	67	380
Indonesia	2	43	62		6	113
Mainland China	140	797	515	(2)	94	1,544
Malaysia	90	54	90		12	246
Singapore	71	75	127	30	(7)	296
Taiwan	18	19	101		2	140
other	35	138	208	1	47	429

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	Retail Banking and Wealth Management ⁹	Commercial Banking ⁹	Global Banking and Markets	Global Private Banking	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
Middle East and North Africa	182	356	477	9	(35)	989
Egypt	33	46	71		(1)	149
Saudi Arabia	55	94	99	9	1	258
UAE	82	133	203		(35)	383
other	12	83	104			199
North America	130	386	314	51	(56)	825
Canada	35	280	130		(6)	439
USA	80	110	162	50	(50)	352
other	15	(4)	22	1		34
Latin America	(129)	149	402	(5)	(43)	374
Mexico	(18)	12	73	(1)	(7)	59
other	(111)	137	329	(4)	(36)	315
included in other: Brazil ¹⁰	(161)	54	175	(6)	(7)	55
Half-year to 30 June 2014	3,002	4,814	5,033	364	(873)	12,340
Europe	(166)	997	(1,376)	139	(1,256)	(1,662)
UK	24	869	(1,688)	79	(1,036)	(1,752)
France	(142)	117	117	2	(84)	10
Germany	14	33	76	10	(3)	130
Switzerland		3	1	24	(1)	27
other	(62)	(25)	118	24	(132)	(77)
Asia	2,133	2,370	2,161	78	(11)	6,731
Hong Kong	1,799	1,139	830	47	(221)	3,594
Australia	29	64	140		1	234
India	(2)	62	199	6	55	320
Indonesia	8	10	48		19	85
Mainland	152	736	439	(1)	81	1,407

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China						
Malaysia	66	68	100		16	250
Singapore	58	93	116	27	(1)	293
Taiwan	1	16	65		(1)	81
other	22	182	224	(1)	40	467
Middle East and North Africa						
Africa	141	248	449	10	(11)	837
Egypt	31	48	106		1	186
Saudi Arabia	36	74	104	10	4	228
UAE	72	57	161		(11)	279
other	2	69	78		(5)	144
North America						
America	502	527	(426)	34	(45)	592
Canada	61	234	112		(17)	390
USA	433	290	(565)	32	(10)	180
other	8	3	27	2	(18)	22
Latin America						
America	(31)	(142)	48	1	(34)	(158)
Mexico	25	(35)	16	(1)	(13)	(8)
other	(56)	(107)	32	2	(21)	(150)
included in other:						
Brazil ¹⁰	(69)	(151)	(60)	4	(26)	(302)
Half-year to 31 December 2014	2,579	4,000	856	262	(1,357)	6,340

For footnotes, see page 56.

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Table of Contents**Interim Management Report** (continued)**Half-year to 30 June 2015****Europe**

Reported profit before tax of \$2.2bn was \$53m (2.3%) lower than in 1H14. The effect of currency translation between the periods and the net movement in significant items had a favourable effect of \$129m on the reported profit before tax. The movement in significant items included favourable fair value movements on our own debt designated at fair value of \$512m compared with adverse movements of \$159m in 1H14; a release of \$12m from the ongoing review of compliance with the Consumer Credit Act in the UK compared with a \$367m provision in 2014; UK customer redress costs of \$137m compared with \$234m in 1H14; and regulatory provisions in GBP of \$147m in 1H15.

On an adjusted basis, profit before tax of \$2.8bn in 1H15 was \$182m (6.2%) lower than in 1H14.

Adjusted revenue was US\$0.5bn higher, primarily in GB&M and notably in Markets in the UK where revenue rose in Equities and Foreign Exchange from growth in client flows and increased volatility, respectively. In addition, Balance Sheet Management revenue rose, in part driven by increased gains on disposal of available-for-sale debt securities. Revenue also increased in CMB, mainly in Credit and Lending and Payments and Cash Management, driven by continued balance sheet growth in the UK.

LICs were \$72m higher, reflecting lower releases of available-for-sale asset-backed securities (ABSs) and higher impairment charges relating to Greek exposures (\$92m in 1H15), partly offset by lower individually assessed charges in 1H14 in the UK.

Adjusted operating expenses increased by \$0.6bn primarily due to higher Regulatory Programmes and Compliance costs across GB&M, RBWM and CMB.

Asia

Reported profit before tax of \$9.4bn was \$1.5bn (19.1%) higher than in 1H14. The effect of currency translation between periods and the net movement in significant items together contributed \$953m of the increase in reported profit before tax. The movement in significant items included a gain on partial sale of our shareholding in Industrial Bank of \$1.4bn in 1H15; a gain on sale of our shareholding in Bank of Shanghai of \$428m in 1H14, and favourable movements on the debit valuation adjustment on derivative contracts of \$50m in 1H15 compared with adverse movements of \$53m in 1H14.

On an adjusted basis, profit before tax of \$8.0bn was \$0.6bn higher than in 1H14.

Adjusted revenue was \$1.1bn higher, primarily in RBWM and notably from the investment distribution of equities and mutual funds products as a result of higher stock market turnover. In addition, revenue growth in RBWM reflected increased current accounts, savings and deposit revenue from growth in customer account balances. In GB&M, revenue increased mainly in Markets from

favourable equity market conditions and increased Foreign Exchange and Rates income in Hong Kong, while in CMB revenue reflected increased interest income from growth in term lending and deposit balances coupled with improved lending spreads, notably in Hong Kong.

LICs increased by \$38m reflecting a specific CMB impairment charge in Indonesia in 1H15.

Adjusted operating expenses increased by \$571m, primarily due to higher staff costs from wage inflation and increased FTEs in the Risk and Compliance functions, and to support business growth.

Middle East and North Africa

Reported profit before tax of \$901m was \$88m lower than in 1H14. The effect of currency translation and the net movement in significant items contributed \$14m to the decrease in profit before tax.

On an adjusted basis, profit before tax of \$899m was \$74m lower than in 1H14.

Adjusted revenue was US\$42m higher, primarily in Egypt, in part due to increased investment in treasury bills in Balance Sheet Management and growth in customer advances in GB&M and RBWM.

LICs were \$82m higher, mainly due to increased individually assessed impairment charges in 1H15 compared with a net release in 1H14, primarily on UAE-related exposures in CMB and GB&M.

Operating expenses increased by \$42m primarily due to higher staff costs driven by an increase in FTE and wage inflation.

North America

Reported profit before tax of \$690m in 1H15 was \$135m (16.4%) lower than in 1H14. The effect of currency translation between the periods and the net movement in significant items together contributed \$30m to the decrease in reported profit before tax. The movement in significant items included settlements and provisions in connection with legal matters of \$364m in 1H15; favourable fair value movements on our own debt designated at fair value of \$139m compared with adverse movements of \$45m in 1H14; and a decrease in the adverse movements on the fair value of non-qualifying hedges of \$21m compared with \$174m in 1H14.

On an adjusted basis, profit before tax of \$931m in 1H15 was \$106m lower than in 1H14.

Adjusted revenue was \$239m lower, reflecting reduced average lending balances due to the continued run-off of and sales in the CML portfolio in RBWM. In addition, 1H14 included a release of accrued interest relating to an uncertain tax position. This was partly offset by an increase in revenue in GB&M, in part reflecting higher gains on available-for-sale debt securities and improved net interest income due to larger investment portfolio and financial investments made in higher yielding assets in Balance Sheet Management in the US.

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Interim Management Report (continued)

LICs were \$252m lower, mainly in the US CML portfolio in RBWM driven by reduced levels of delinquency and new impaired loans in addition to lower lending balances from the continued run-off and loan sales. The reduction also reflected the non-recurrence of impairment charges recorded in CMB and GB&M in 1H14 following a revision to certain estimates used in our corporate loan impairment calculation. These factors were partly offset by lower favourable market value adjustments of underlying properties as improvements in housing market conditions were less pronounced in 1H15 than in 1H14.

Adjusted operating expenses increased by \$118m, primarily due to higher staff costs reflecting growth initiatives across GB&M and CMB. These factors were partly offset by lower average staff numbers and costs resulting from the run-off and loan portfolio sales in the CML portfolio.

Latin America

Reported profit before tax of \$432m was \$58m (15.5%) higher than in 1H14. The effect of currency translation between the periods and the net movement in significant items had an adverse effect of \$31m on the reported profit before tax.

On an adjusted basis, profit before tax of \$426m was \$89m higher than in 1H14.

Adjusted revenue was US\$83m higher, primarily in CMB and notably in Brazil and Argentina where higher interest income was driven by deposit growth. In addition, revenue increased in RBWM reflecting higher sales of credit cards and increased investment income in the insurance business. GB&M revenue was broadly unchanged.

LICs were \$73m lower, mainly due to lower collectively assessed impairment charges in RBWM in Brazil, in part due to the non-recurrence of charges from refinements made in 1H14 to the impairment model for non-restructured loan portfolios, and in Mexico reflecting lower delinquency rates on personal lending, payroll and card portfolios.

Adjusted operating expenses increased by \$67m primarily due to wage inflation, partly offset by cost efficiency programmes including a reduction in staff numbers.

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Table of Contents**Other information****Other information****Funds under management**

	30 Jun 2015	Half-year to	
	\$bn	30 Jun 2014	31 Dec 2014
		\$bn	\$bn
Funds under management by business			
Global Asset Management	440	465	445
Global Private Banking	280	286	275
Affiliates	6	6	5
Other	237	207	229
	963	964	954
At beginning of period	954	921	964
Net new money	3	18	20
Value change	32	21	19
Exchange and other	(26)	4	(49)
At end of period	963	964	954

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

	Half-year to 30 June 2015							
	Europe	Asia	MENA	North America	Latin America	Total	UK	Hong Kong
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue¹⁵								
Reported	11,469	14,065	1,289	4,126	3,558	32,943	8,246	9,130
Significant items	(580)	(1,419)	(3)	(157)	(12)	(2,171)	(539)	(1,380)
debit valuation adjustment (DVA) on derivative contracts	(79)	(50)	(1)	(22)	(13)	(165)	(67)	(14)
fair value movements on non-qualifying	23			21	1	45	44	5

hedges ²²								
releases arising from the ongoing review of compliance with the Consumer Credit Act in the UK	(12)					(12)	(12)	
gain on the partial sale of shareholding in Industrial Bank		(1,372)				(1,372)		(1,372)
gain on sale of several tranches of real estate secured accounts in the US				(17)		(17)		
own credit spread ²³	(512)	3	(2)	(139)		(650)	(504)	1
Adjusted Loan impairment charges and other credit risk provisions (LIC s)	10,889	12,646	1,286	3,969	3,546	30,772	7,707	7,750
Reported	(288)	(246)	(31)	(153)	(721)	(1,439)	(72)	(58)
Adjusted	(288)	(246)	(31)	(153)	(721)	(1,439)	(72)	(58)
Operating expenses								
Reported	(8,978)	(5,457)	(624)	(3,287)	(2,405)	(19,187)	(6,753)	(2,855)
Significant items	1,132	8	1	398	6	1,545	967	6
restructuring and other related costs	68	8	1	34	6	117	50	6
regulatory provisions in GBP	147					147		
settlements and provisions in connection with legal matters	780			364		1,144	780	
UK customer redress programmes	137					137	137	

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Adjusted	(7,846)	(5,449)	(623)	(2,889)	(2,399)	(17,642)	(5,786)	(2,849)
Share of profit in associates and joint ventures								
Reported	2	1,038	267	4		1,311	4	16
Adjusted	2	1,038	267	4		1,311	4	16
Profit before tax								
Reported	2,205	9,400	901	690	432	13,628	1,425	6,233
Significant items	552	(1,411)	(2)	241	(6)	(626)	428	(1,374)
revenue	(580)	(1,419)	(3)	(157)	(12)	(2,171)	(539)	(1,380)
operating expenses	1,132	8	1	398	6	1,545	967	6
Adjusted	2,757	7,989	899	931	426	13,002	1,853	4,859

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	Half-year to 30 June 2014							
	Europe \$m	Asia \$m	MENA \$m	America North \$m	America Latin \$m	Total \$m	UK \$m	Hong Kong \$m
Revenue ¹⁵								
Reported	10,873	12,107	1,294	4,067	4,265	31,167	7,658	7,220
Currency translation ²⁴	(1,196)	(254)	(23)	(107)	(781)	(2,326)	(646)	4
Significant items	749	(334)	(27)	248	(21)	615	643	(404)
DVA on derivative contracts	79	53	3	14	6	155	57	15
fair value movements on non-qualifying hedges ²²	144	4		174		322	94	10
provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK	367					367	367	
own credit spread ²³	159	5	6	45		215	125	(1)
loss on sale of several tranches of real estate secured accounts in the US				15		15		
gain on sale of shareholding in Bank of Shanghai		(428)				(428)		(428)
gain on sale arising from HSBC Latin America Holdings UK Limited's disposal of HSBC Bank (Colombia) S.A. (HSBC					(18)	(18)		

Colombia) reclassification loss in respect of our holding in Vietnam Technological & Commercial Joint Stock Bank following the loss of significant influence		32				32		
trading results HSBC Colombia					(9)	(9)		
trading results HSBC Bank Middle East Limited s Pakistan operations			(8)			(8)		
trading results HSBC Bank Middle East Limited s banking business in Jordan			(28)			(28)		
Adjusted	10,426	11,519	1,244	4,208	3,463	29,456	7,655	6,820
LICs								
Reported	(266)	(216)	50	(411)	(998)	(1,841)	30	(100)
Currency translation	50	8	1	6	202	267	(2)	
Significant items trading results HSBC Colombia					2	2		
Adjusted	(216)	(208)	51	(405)	(794)	(1,572)	28	(100)
Operating expenses								
Reported	(8,352)	(5,009)	(614)	(2,837)	(2,893)	(18,266)	(5,995)	(2,597)
Currency translation ²⁴	787	129	7	53	538	1,479	415	
Significant items restructuring and other related costs	287	2	26	13	23	351	274	3
UK customer redress programmes	53	2		13	14	82	40	3
	234					234	234	

trading results HSBC Colombia					9	9		
trading results HSBC Bank Middle East Limited s Pakistan operations			9				9	
trading results HSBC Bank Middle East Limited s banking business in Jordan			17				17	
Adjusted Share of profit in associates and joint ventures	(7,278)	(4,878)	(581)	(2,771)	(2,332)	(16,436)	(5,306)	(2,594)
Reported Currency translation Adjusted	3 4 7	1,012 (9) 1,003	259	6 (1) 5		1,280 (6) 1,274	3 2 5	25
Profit before tax Reported Currency translation Significant items revenue LICs operating expenses Adjusted	2,258 (355) 1,036 749 287 2,939	7,894 (126) (332) (334) 2	989 (15) (1) (27) 26	825 (49) 261 248 13	374 (41) 4 (21) 23	12,340 (586) 968 615 351	1,696 (231) 917 643 274	4,548 4 (401) (404) 3

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Table of Contents**Other information** (continued)*Reconciliation of reported results to adjusted performance – geographical regions (continued)*

	Half-year to 31 December 2014						UK \$m	Hong Kong \$m
	Europe \$m	Asia \$m	MENA \$m	America North \$m	America Latin \$m	Total \$m		
Revenue ¹⁵								
Reported	10,698	11,570	1,254	4,085	4,007	30,081	8,069	6,624
Currency translation ²⁴	(722)	(229)	(18)	(88)	(677)	(1,698)	(416)	(1)
Significant items	(41)	286	24	(132)	2	139	(290)	285
DVA on derivative contracts	155	16	2	2	2	177	146	11
fair value movements on non-qualifying hedges ²²	91			128		219	(102)	1
provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK	265					265	265	
impairment of our investment in Industrial Bank		271				271		271
own credit spread ²³	(552)	(1)		(79)		(632)	(599)	2
gain on sale of several tranches of real estate secured accounts in the				(183)		(183)		

US								
loss on sale arising from HSBC Bank Middle East Limited's disposal of its operations in Pakistan			27			27		
trading results								
HSBC Bank Middle East Limited's Pakistan operations			(5)			(5)		
Adjusted	9,935	11,627	1,260	3,865	3,332	28,522	7,363	6,908
LICs								
Reported	(498)	(431)	(44)	89	(1,126)	(2,010)	(244)	(220)
Currency translation	69	10	(2)	4	204	285	28	
Significant items			(2)			(2)		
trading results								
HSBC Bank Middle East Limited's Pakistan operations			(2)			(2)		
Adjusted	(429)	(421)	(48)	93	(922)	(1,727)	(216)	(220)
Operating expenses								
Reported	(11,865)	(5,418)	(602)	(3,592)	(3,039)	(22,983)	(9,581)	(2,827)
Currency translation ²⁴	637	118	6	46	516	1,287	395	
Significant items	2,314	56	7	565	102	3,044	2,279	53
restructuring and other related costs	70	7	2	15	102	196	51	4
regulatory provisions in GPB	16	49				65		49
UK customer redress programmes	1,041					1,041	1,041	
charge in relation to the				550		550		

settlement agreement with the Federal Housing Finance Authority settlements and provisions in connection with legal matters	1,187					1,187	1,187	
trading results HSBC Bank Middle East Limited s Pakistan operations			5			5		
Adjusted	(8,914)	(5,244)	(589)	(2,981)	(2,421)	(18,652)	(6,907)	(2,774)
Share of profit in associates and joint ventures								
Reported	3	1,010	229	10		1,252	4	17
Currency translation	1	(8)		(1)		(8)		(1)
Adjusted	4	1,002	229	9		1,244	4	16
Profit before tax								
Reported	(1,662)	6,731	837	592	(158)	6,340	(1,752)	3,594
Currency translation	(15)	(109)	(14)	(39)	43	(134)	7	(2)
Significant items	2,273	342	29	433	104	3,181	1,989	338
revenue	(41)	286	24	(132)	2	139	(290)	285
LICs			(2)			(2)		
operating expenses	2,314	56	7	565	102	3,044	2,279	53
Adjusted	596	6,964	852	986	(11)	9,387	244	3,930
<i>For footnotes, see page 56.</i>								

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Table of Contents*Reconciliation of reported results to adjusted performance – global businesses*

	Half-year to 30 June 2015					
	RBWM \$m	CMB \$m	GB&M \$m	GPB \$m	Other \$m	Total \$m
Revenue¹⁵						
Reported	12,442	7,534	10,261	1,177	4,687	32,943
Significant items	(23)		(143)	(24)	(1,981)	(2,171)
DVA on derivative contracts			(165)			(165)
fair value movements on						
non-qualifying hedges ²²	(18)		22		41	45
provisions/(releases) arising from						
the ongoing review of compliance						
with the Consumer Credit Act in the						
UK	12			(24)		(12)
gain on the partial sale of						
shareholding in Industrial Bank					(1,372)	(1,372)
gain on sale of several tranches of						
real estate secured accounts						
in the US	(17)					(17)
own credit spread ²³					(650)	(650)
Adjusted	12,419	7,534	10,118	1,153	2,706	30,772
LICs						
Reported	(934)	(511)	11	(5)		(1,439)
Adjusted	(934)	(511)	11	(5)		(1,439)
Operating expenses						
Reported	(8,354)	(3,321)	(5,790)	(1,001)	(3,879)	(19,187)
Significant items	472	52	816	165	40	1,545
restructuring and other related costs	32	5	22	18	40	117
regulatory provisions in GPB				147		147
settlements and provisions in						
connection with legal matters	350		794			1,144
UK customer redress programmes	90	47				137
Adjusted	(7,882)	(3,269)	(4,974)	(836)	(3,839)	(17,642)
Share of profit in associates and joint ventures						
Reported	208	821	272	9	1	1,311

Adjusted	208	821	272	9	1	1,311
Profit before tax						
Reported	3,362	4,523	4,754	180	809	13,628
Significant items	449	52	673	141	(1,941)	(626)
revenue	(23)		(143)	(24)	(1,981)	(2,171)
operating expenses	472	52	816	165	40	1,545
Adjusted	3,811	4,575	5,427	321	(1,132)	13,002

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Table of Contents**Other information** (continued)*Reconciliation of reported results to adjusted performance – global businesses (continued)*

	Half-year to 30 June 2014					Total \$m
	RBWM \$m	CMB \$m	GB&M \$m	GPB \$m	Other \$m	
Revenue ¹⁵						
Reported	12,616	7,823	9,791	1,230	2,657	31,167
Currency translation ²⁴	(1,020)	(599)	(698)	(75)	(48)	(2,326)
Significant items	576	(10)	93		(44)	615
DVA on derivative contracts			155			155
fair value movements on non-qualifying hedges ²²	234		(50)		138	322
provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK	353	14				367
own credit spread ²³			2		213	215
loss on sale of several tranches of real estate secured accounts in the US	15					15
gain on sale of shareholding in Bank of Shanghai					(428)	(428)
(gain)/loss on sale arising from HSBC Latin America Holdings UK Limited's disposal of HSBC Bank (Colombia) S.A. (HSBC Colombia)	(7)	(7)	(5)		1	(18)
reclassification loss in respect of our holding in Vietnam Technological & Commercial Joint Stock Bank following the loss of significant influence					32	32
trading results – HSBC Colombia	(6)	(1)	(2)			(9)
trading results – HSBC Bank Middle East Limited's Pakistan operations	(2)	(4)	(2)			(8)
trading results – HSBC Bank Middle East Limited's banking business in Jordan	(11)	(12)	(5)			(28)
Adjusted	12,172	7,214	9,186	1,155	2,565	29,456
LICs						
Reported	(1,299)	(488)	(49)	(6)	1	(1,841)

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Currency translation	181	66	18	2		267
Significant items	3	(1)				2
trading results HSBC Colombia	2					2
trading results HSBC Bank Middle East Limited's banking business in Jordan	1	(1)				
Adjusted	(1,115)	(423)	(31)	(4)	1	(1,572)
Operating expenses						
Reported	(8,530)	(3,327)	(4,958)	(868)	(3,533)	(18,266)
Currency translation ²⁴	812	291	360	39	91	1,479
Significant items	235	38	33	2	43	351
restructuring and other related costs	22	6	9	2	43	82
UK customer redress programmes	194	20	20			234
trading results HSBC Colombia	6	1	2			9
trading results HSBC Bank Middle East Limited's Pakistan operations	4	4	1			9
trading results HSBC Bank Middle East Limited's banking business in Jordan	9	7	1			17
Adjusted	(7,483)	(2,998)	(4,565)	(827)	(3,399)	(16,436)
Share of profit in associates and joint ventures						
Reported	215	806	249	8	2	1,280
Currency translation	(1)	(8)	(1)	1	3	(6)
Adjusted	214	798	248	9	5	1,274
Profit before tax						
Reported	3,002	4,814	5,033	364	(873)	12,340
Currency translation	(28)	(250)	(321)	(33)	46	(586)
Significant items	814	27	126	2	(1)	968
revenue	576	(10)	93		(44)	615
LICs	3	(1)				2
operating expenses	235	38	33	2	43	351
Adjusted	3,788	4,591	4,838	333	(828)	12,722

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	Half-year to 31 December 2014					
	RBWM \$m	CMB \$m	GB&M \$m	GPB \$m	Other \$m	Total \$m
Revenue ¹⁵						
Reported	12,533	7,925	7,987	1,147	3,708	30,081
Currency translation ²⁴	(821)	(470)	(449)	9	(70)	(1,698)
Significant items	301	19	237	41	(459)	139
DVA on derivative contracts			177			177
fair value movements on						
non-qualifying hedges ²²	259	(1)	58	1	(98)	219
provisions arising from the ongoing						
review of compliance with						
the Consumer Credit Act in the UK	215	10		40		265
impairment of our investment in						
Industrial Bank					271	271
own credit spread ²⁸					(632)	(632)
gain on sale of several tranches of						
real estate secured accounts in the						
US	(183)					(183)
loss on sale arising from HSBC						
Bank Middle East Limited's disposal						
of its operations in Pakistan	11	13	3			27
trading results HSBC Bank Middle						
East Limited's Pakistan operations	(1)	(3)	(1)			(5)
Adjusted	12,013	7,474	7,775	1,197	3,179	28,522
LICs						
Reported	(637)	(1,070)	(316)	14	(1)	(2,010)
Currency translation	100	120	67	(2)		285
Significant items	(1)	(1)				(2)
trading results HSBC Bank Middle						
East Limited's Pakistan operations	(1)	(1)				(2)
Adjusted	(538)	(951)	(249)	12	(1)	(1,727)
Operating expenses						
Reported	(9,500)	(3,654)	(7,070)	(910)	(5,068)	(22,983)
Currency translation ²⁴	739	243	352	11	45	1,287
Significant items	883	151	1,864	69	77	3,044
restructuring and other related costs	66	31	18	4	77	196
regulatory provisions in GPB				65		65
UK customer redress programmes	798	118	125			1,041
charge in relation to the settlement						
agreement with the Federal Housing						
Finance Authority	17		533			550

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settlements and provisions in connection with legal matters			1,187			1,187
trading results HSBC Bank Middle East Limited's Pakistan operations	2	2	1			5
Adjusted	(7,878)	(3,260)	(4,854)	(830)	(4,946)	(18,652)
Share of profit in associates and joint ventures						
Reported	183	799	255	11	4	1,252
Currency translation	(1)	(4)	(3)			(8)
Adjusted	182	795	252	11	4	1,244
Profit before tax						
Reported	2,579	4,000	856	262	(1,357)	6,340
Currency translation	17	(111)	(33)	18	(25)	(134)
Significant items	1,183	169	2,101	110	(382)	3,181
revenue	301	19	237	41	(459)	139
LICs	(1)	(1)				(2)
operating expenses	883	151	1,864	69	77	3,044
Adjusted	3,779	4,058	2,924	390	(1,764)	9,387
<i>For footnotes, see page 56.</i>						

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Table of Contents**Other information** (continued)

Footnotes to pages 2 to 55

- 1 *The risk profile measures HSBC against a peer group average from a sample set of five global banks and five regional banks measured by: (a) the ratio of gross loans and advances to customers versus deposits; (b) the ratio of LICs to loans and advances to customers; and (c) the leverage ratio.*
- 2 *2014 pro forma basis ex associates; excluding business growth.*
- 3 *The sum of balances presented does not agree to consolidated amounts because inter-company eliminations are not presented here.*
- 4 *Adjusted jaws is the difference between the percentage rate of growth of revenue and the percentage rate of growth of operating expenses, both on an adjusted basis.*
- 5 *Client-facing GB&M refers to GB&M excluding associates, legacy credit and Balance Sheet Management. The GB&M client-facing and BSM businesses measure excludes the effects of the legacy credit portfolio and income from associates. We believe that looking at the client-facing and BSM businesses allows GB&M management to more clearly discuss the cause of material changes from period-to-period in the ongoing businesses and to assess the factors and trends in the business which are expected to have a material effect in future years.*
- 6 *Net interest income includes the cost of internally funding trading assets, while the related revenues are reported in net trading income. In our global business results, the total cost of funding trading assets is included within GB&M's net trading income as an interest expense. In the statutory presentation, internal interest income and expense are eliminated.*
- 7 *Gross interest yield is the average annualised interest rate earned on average interest-earning assets (AIEA).*
- 8 *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. Net interest margin is net interest income expressed as an annualised percentage of AIEA.*
- 9 *In the first half of 2015, a portfolio of customers was transferred from CMB to RBWM in Latin America in order to better align the combined banking needs of the customers with our established global businesses. Comparative data have been re-presented accordingly.*
- 10 *During the first half of 2015 our operations in Brazil were classified as held for sale. As a result, balance sheet accounts have been classified to assets held for sale and liabilities of disposal groups held for sale. There is no separate income statement classification.*
- 11 *Adjusted RoRWA is calculated using adjusted pre-tax return and reported average RWAs at constant currency and adjusted for the effects of business disposals. RoRWAs are calculated using annualised PBT and average RWAs on a CRD IV basis for all periods from 1 January 2014 and on a Basel 2.5 basis at 31 December 2013.*
- 12 *Currency translation adjustment is the effect of translating the assets and liabilities of subsidiaries and associates for the previous period-end at the rates of exchange applicable at the current period-end.*
- 13 *The main items reported under Other are the results of HSBC's holding company and financing operations, which includes net interest earned on free capital held centrally, operating costs incurred by the head office operations in providing stewardship and central management services to HSBC, along with the costs incurred by the Group Service Centres and Shared Service Organisations and associated recoveries. The results also include fines and penalties as part of the settlement of investigations into past inadequate compliance with anti-money laundering and sanctions laws, the UK bank levy together with unallocated investment activities, centrally held*

- investment companies, gains arising from the dilution of interests in associates and joint ventures and certain property transactions. In addition, Other also includes part of the movement in the fair value of long-term debt designated at fair value (the remainder of the Group's movement on own debt is included in GB&M).*
- 14 *Assets by geographical region and global businesses include intra-HSBC items. These items are eliminated, where appropriate, under the headings Intra-HSBC items or Inter-segment elimination, as appropriate.*
- 15 *Net operating income before loan impairment charges and other credit risk provisions, also referred to as revenue.*
- 16 *The Principal RBWM business measure excludes the effects of the US run-off portfolio. We believe that looking at the Principal RBWM business allows management to more clearly discuss the cause of material changes from period-to-period in the ongoing business and to assess the factors and trends in the business which are expected to have a material effect in future years.*
- 17 *Other in GB&M includes net interest earned on free capital held in the global business not assigned to products and gains resulting from business disposals. Within the management view of total operating income, notional tax credits are allocated to the businesses to reflect the economic benefit generated by certain activities which is not reflected within operating income, for example notional credits on income earned from tax-exempt investments where the economic benefit of the activity is reflected in tax expense. In order to reflect the total operating income on an IFRSs basis, the offset to these tax credits are included within Other.*
- 18 *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.*
- 19 *Inter-segment elimination comprises (i) the costs of shared services and Group Service Centres included within Other which are recovered from global businesses, and (ii) the intra-segment funding costs of trading activities undertaken within GB&M. The Balance Sheet Management business, reported within GB&M, provides funding to the trading businesses. To report GB&M's net trading income on a fully funded basis, Net interest income/(expense) and Net interest income/(expense) on trading activities are grossed up to reflect internal funding transactions prior to their elimination in the inter-segment column.*
- 20 *Employee expenses comprises costs directly incurred by each global business. The reallocation and recharging of employee and other expenses directly incurred in the Other category is shown in Other operating expenses.*
- 21 *RWAs are non-additive across geographical regions due to market risk diversification effects within the Group.*
- 22 *Excludes items where there are substantial offsets in the income statement for the same period.*
- 23 *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.*
- 24 *Currency translations are non-additive across geographical regions and global businesses due to inter-company transactions within the Group.*

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There have been no material changes to the policies and practices regarding risk management and governance described in the *Annual Report and Accounts 2014* with the exception of the implementation of the new AML and sanctions policy procedures outlined on page 83.

A description of our principal risks and uncertainties for the remaining six months of 2015 is discussed in top and emerging risks below.

A summary of our current policies and practices regarding risk is provided in the Appendix to Risk on page 204 of the Annual Report and Accounts 2014.

Risk profile

Managing our risk profile

A strong balance sheet remains core to our philosophy.

Our portfolios continue to be aligned to our risk appetite and strategy.

Our risk management framework is supported by strong forward-looking risk identification.

We manage and reduce financial crime compliance risk with defined global standards programme.

Maintaining capital strength and a strong liquidity position

Our common equity tier 1 capital ratio remained strong at 11.6%.

We sustained our strong liquidity position throughout the first half of 2015.

The ratio of customer advances to deposits remained significantly below 90%.

Strong governance

Robust risk governance and accountability is embedded across the Group.

The Board, advised by the Group Risk Committee, approves our risk appetite.

Our global risk operating model supports adherence to globally consistent standards and risk management policies across the Group.

Managing risk

Our established framework ensures appropriate oversight of and accountability for the effective management of risk.

We employ a risk management framework at all levels of the organisation and across all risk types, fostering a continuous monitoring of the risk environment and an integrated evaluation of risks and their interactions. It is

underpinned by a strong risk culture and reinforced by HSBC Values and our Global Standards and ensures that our risk profile remains conservative and aligned to our risk appetite. Our risk management framework is set out on page 24 of the *Annual Report and Accounts 2014*.

Risk factors

Our businesses are exposed to a broad range of risks that could potentially affect the results of our operations or financial condition. These risk factors are summarised on page 113 of the *Annual Report and Accounts 2014*. They inform the ongoing assessment of our top and emerging risks, which may result in our risk appetite being revised.

Top and emerging risks

Our top and emerging risk framework enables us to identify, continuously monitor and manage current and forward-looking risks to ensure our risk appetite remains appropriate.

The ongoing assessment of our top and emerging risks, which is informed by analysis of our risk factors and the results of our stress testing programme, may result in our risk appetite being revised. Our approach to identifying and monitoring top and emerging risks is described on page 22 of the *Annual Report and Accounts 2014*.

During 1H15, senior management paid particular attention to those risks which were identified as top or emerging, and made one change to them during the period to reflect our assessment of their effect on HSBC. Internet crime and fraud was removed as a top risk as mitigating actions taken have reduced losses through digital channels. HSBC remains a target for cyber-attacks, which is noted as a top risk under Information security risk.

Economic outlook heightened in 1H15. Expectations of divergent monetary policies increased market volatility and resulted in changes in capital flows. The impact of the turmoil in Greece is discussed further on page 74.

Our current top and emerging risks are summarised overleaf.

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Table of Contents**Risk (continued)****Top and emerging risks /**

Risk	Description	Mitigants
Macroeconomic and geopolitical risk		
Economic outlook	Weak economic growth in both developed and emerging market countries could adversely affect global trade and capital flows and our profits from operations in those countries.	We closely monitor economic developments in key markets and take appropriate action as circumstances evolve.
		We use stress testing, both internal and regulatory programmes, to assess the effect of changes in economic conditions on our operations.
Increased geopolitical risk	Our operations are exposed to risks arising from political instability and civil unrest in a number of countries. This may have a wider effect on regional stability and regional and global economies.	We continuously monitor the geopolitical and economic outlook, particularly in countries where we have material exposures and/or a physical presence.
Macro-prudential, regulatory and legal risks to our business model		
Regulatory developments affecting our business model and Group profitability	Governments and regulators continue to develop and implement policies which impose new or additional requirements, particularly in the areas of capital and liquidity management and our business, governance and corporate structure.	We actively assess and consider the impact of relevant developments and engage closely with governments and regulators in the countries in which we operate. We seek to ensure that requirements are considered properly and implemented in an effective manner.
Regulatory and other investigations, fines, sanctions, commitments and other requirements relating to conduct of business and financial crime	Financial service providers are at risk of regulatory and other sanctions or fines related to conduct of business and financial crime. These can take significant time both to crystallise and to resolve. Breach of the US DPA may allow the US authorities to prosecute HSBC with respect to matters	We actively seek to manage and defend HSBC's interests in those investigations. Significant programmes to enhance the management of conduct and financial crime risks are progressing in all global businesses and functions and we have significantly enhanced our financial crime

negatively affecting our results and brand covered thereunder. and regulatory compliance controls and resources.

Dispute risk HSBC is party to legal proceedings arising out of its normal business operations which could give rise to potential financial loss and significant reputational damage. We continue to take steps to address the requirements of the US DPA and other consent orders in consultation with the relevant regulatory agencies. We continue to focus on identifying emerging regulatory and judicial trends in order to limit exposure to litigation or regulatory enforcement action in the future.

Risks related to our business operations, governance and internal control systems

Heightened execution risk The execution of the Group's strategy requires the management of complex projects that are resource demanding and time sensitive. The size and scope of actions to meet regulatory demands and risks from business and portfolio disposals may affect our ability to execute our strategy. We have strengthened our prioritisation and governance processes for significant projects and have invested in our project implementation and IT capabilities.

People risk Regulatory reform and remediation are placing significant demands on the human capital of the Group. We continuously review our remuneration policy to ensure we remain competitive and attract and retain key talent. We have increased the level of specialist resources in key areas. We are embedding a learning-based culture to improve employee capability, collaboration and engagement.

Third-party risk management Risks arising from the use of third-party service providers may be less transparent and more challenging to manage or influence. We continue to strengthen our risk management processes and procedures in relation to the use and monitoring of third-party service providers.

Information security risk HSBC and other multinational organisations continue to be the targets of cyber-attacks. We continue to improve our governance and controls framework to protect HSBC information and technical infrastructure against ever-increasing and sophisticated cyber-threats.

Data management Regulatory requirements necessitate more frequent and granular data submissions, which must be produced on a consistent, accurate and timely basis. A number of key initiatives and projects are in progress to implement our data strategy to enable consistent data aggregation, reporting and management.

Model risk Adverse consequences could result from decisions based on incorrect model outputs or from models that are poorly developed, implemented or used. The regulatory environment and supervisory concerns The development, usage and validation of models used for a range of purposes including regulatory and economic capital calculations, stress testing, granting credit and pricing are subject to increased

over banks use of internal models to governance and independent review.
determine regulatory capital further
contribute to model risk.

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Areas of special interest

During 1H15, we considered a number of particular areas because of the effect they may have on the Group. While some of these areas may have already been identified in top and emerging risks, further details of the actions taken in 1H15 are provided below.

Financial crime compliance and regulatory compliance

We have experienced increasing levels of compliance risk in recent years as regulators and other agencies pursued investigations into historical activities, for example, investigations regarding inadequate compliance with AML and sanctions law (giving rise to the US DPA), mis-selling in the UK of payment protection insurance (PPI) policies, investigations in connection with the setting of Libor and other benchmark interest rates, and activities related to foreign exchange, precious metals and credit default swaps. Details of these investigations and legal proceedings can be found in Note 19 on the Financial Statements and the work of the Monitor, who has been appointed to assess our progress against our various obligations in the US DPA is discussed on page 13.

The level of inherent compliance risk remained high in 1H15 as the industry continued to experience greater regulatory scrutiny and heightened levels of regulatory oversight and supervision. Further information about the Group's compliance risk management may be found on page 83.

Swiss Private Bank

Various tax administration, regulatory and law enforcement authorities around the world are conducting investigations and reviews of HSBC Swiss Private Bank in connection with past practices at the bank and the financial affairs of some of its clients. Details of these investigations and reviews may be found in Note 19 on the Financial Statements. We are cooperating with the relevant authorities.

Regulatory stress tests

Stress testing is an important tool for regulators to assess the resilience of the banking sector and of individual banks to adverse economic or financial developments. The results inform the regulators' view of the capital adequacy of individual institutions and could have a significant effect on capital requirements, risk and capital management practices and planned capital actions, including the payment of dividends, going forward.

The Group is participating in the 2015 PRA concurrent stress test programme, which involves all major UK banks. The scenarios for the 2015 stress test incorporate a synchronised global downturn affecting Asia, Brazil and the eurozone in particular, a reduction in global risk appetite and market liquidity, and a slowdown in the UK

driven by a downturn in its trading partners. The results will be published by the Bank of England alongside the Financial Stability Report in the fourth quarter of 2015.

HSBC North America Holdings Inc. (HNAH) participated in the Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act Stress Testing (DFAST) 2015 programmes of the Federal Reserve Board (FRB); HSBC Bank USA N.A. (HSBC Bank USA) participated in the DFAST 2015 programme of the Office of the Comptroller of the Currency. Submissions were made on 5 January 2015 and summaries of the results of the stress test were disclosed on 5 March 2015. On 11 March 2015, HNAH received the FRB's non-objection to its 2015 CCAR submission and its capital plan, and on 16 July 2015, it disclosed a summary of the results of its DFAST 2015 company-run mid-cycle stress test.

Other entities in the Group, including the Hongkong and Shanghai Banking Corporation Limited, continue to participate in regional regulatory stress tests activities.

A summary of our approach to stress testing and scenario analysis programme is provided on page 117 of the Annual Report and Accounts 2014.

Oil and gas prices

Oil and commodity prices declined significantly during 2014 as a result of increasing global supply and demand imbalances and changes in market sentiment. During 1H15 oil prices increased compared with 2014. At the prices prevailing during 1H15 the pressure on large integrated producers and Middle Eastern economies was somewhat reduced. Higher cost non-integrated producers remained relatively weaker while we expect that infrastructure and services providers will continue to come under pressure due to reduced capital expenditure across the industry.

Our diversified lending portfolio was resilient during 1H15; impairments as a result of the lower oil and gas prices were insignificant. The sector remains under enhanced monitoring with risk appetite and new lending carefully monitored.

Greece

In light of recent developments in Greece we invoked our long-established major incident crisis management procedures and continue to monitor the situation carefully.

The rest of the eurozone, including Italy, Ireland, Portugal and Spain, has remained resilient. Various indicators such as credit default swap prices and interest rate spreads suggest that the risk of contagion to other peripheral eurozone countries has been successfully contained.

As a result of the unfolding crisis we have raised additional loan impairment charges and other credit risk provisions amounting to \$0.1bn. Exposures to Greece are described in further detail on page 74.

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Table of Contents**Risk** (continued)**Credit risk**

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

There have been no material changes to the policies and practices for the management of credit risk summarised in the credit risk section on page 127 and the Appendix to Risk on page 206 of the *Annual Report and Accounts 2014*.

Credit risk in the first half of 2015

An update on the effect of oil and gas prices is provided in *Areas of special interest* on page 59, and our exposures to Greece are set out on page 74.

Reported gross loans and advances declined by \$26bn. During 1H15, the assets of our Brazilian operations were reclassified as *Assets held for sale* (see Note 12 on the Financial Statements), which reduced reported gross loans and advances by \$31bn as detailed on page 62. Foreign exchange differences reduced reported gross loans and advances by a further \$11bn. Excluding these adjustments, lending grew in both wholesale and personal lending.

Loan impairment charges reduced by 25% compared with 1H14 with notable decreases in Latin America, North America and Europe.

Information on constant currency movements is provided on page 71. The commentary that follows is on a constant currency basis, while tables are presented on a reported basis.

Excluding the Brazilian reclassification, wholesale gross loans grew by \$13bn. Balances in Asia grew by \$12bn, mainly in other property and international trade and services, and in North America by \$5.6bn, mainly in manufacturing and commercial real estate, though this growth was partly offset by a \$4.0bn reduction in Europe.

Excluding the Brazilian reclassification and the ongoing run-off of the US CML portfolio, personal lending balances grew by \$4.5bn in 1H15. This was mainly due to increased mortgage and other lending in Asia, other personal lending in Mexico and growth in the Premier mortgage portfolio in the US.

Summary of credit risk

	30 Jun 2015	30 Jun 2014	31 Dec 2014
	\$bn	\$bn	\$bn

At end of period			
Maximum exposure to credit risk			
total assets subject to credit risk	2,373	2,546	2,434
off-balance sheet commitments subject to credit risk	699	688	699
	3,072	3,234	3,133
Gross loans and advances			
personal lending	385	416	393
wholesale lending	688	773	706
	1,073	1,189	1,099
Impaired loans			
personal lending	13	18	15
wholesale lending	12	16	14
	25	34	29
Impaired loans as a % of gross loans and advances			
personal lending	3.4%	4.2%	3.9%
wholesale lending	1.7%	2.1%	2.0%
total	2.3%	2.9%	2.7%
	\$bn	\$bn	\$bn
Impairment allowances			
personal lending	3.3	5.9	4.6
wholesale lending	6.4	8.1	7.8
	9.7	14.0	12.4
Loans and advances net of impairment allowances	1,063	1,175	1,087
For the period ended			
Loan impairment charges			
personal lending	0.9	1.2	0.6
wholesale lending	0.6	0.8	1.5
	1.5	2.0	2.1

For footnote, see page 86.

Loans and advances

The following table analyses loans and advances by industry sector and by the location of the principal operations of the lending subsidiary or, in the case of the operations of The Hongkong and Shanghai Banking Corporation, HSBC Bank plc, HSBC Bank Middle East and HSBC Bank USA, by the location of the lending branch. The distribution of loans across geographical regions and industries remained similar to last year.

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Table of Contents**Risk (continued)***Gross loans and advances by industry sector and by geographical region*

	Europe \$m	Asia \$m	MENA \$m	North America \$m	Latin America \$m	Total \$m	As a % of total gross loans
At 30 June 2015							
Personal first lien residential mortgages	177,311	132,375	6,648	62,990	5,976	385,300	35.9
other personal	46,402	37,199	4,006	8,995	3,945	100,547	9.4
Wholesale Corporate and commercial manufacturing international trade and services	200,188	225,249	22,833	63,524	12,413	524,207	48.9
commercial real estate other	43,465	35,599	2,570	17,392	3,072	102,098	9.5
property-related government other	65,459	76,683	10,109	13,720	3,508	169,479	15.8
commercial ²	26,925	34,249	721	7,444	1,418	70,757	6.6
Financial Banks	8,209	39,518	1,691	9,652	39	59,109	5.5
Total gross loans and advances	2,260	1,117	1,552	164	947	6,040	0.6
Percentage of total	53,870	38,083	6,190	15,152	3,429	116,724	10.9
	27,163	15,413	2,896	8,055	691	54,218	5.0
	23,460	66,286	9,014	7,372	3,311	109,443	10.2
	428,122	439,323	41,391	141,941	22,391	1,073,168	100.0
	39.9%	40.9%	3.9%	13.2%	2.1%	100.0%	
At 30 June 2014							
Personal	194,898	129,680	6,553	69,573	15,048	415,752	35.0
	144,225	95,489	2,543	58,677	4,501	305,435	25.7

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first lien residential mortgages							
other personal	50,673	34,191	4,010	10,896	10,547	110,317	9.3
Wholesale Corporate and commercial							
manufacturing	260,097	221,852	20,983	56,054	32,965	591,951	49.8
international	65,374	35,210	2,445	12,941	14,196	130,166	10.9
trade and services	79,981	80,574	10,072	13,087	8,534	192,248	16.2
commercial real estate	30,935	34,727	434	6,677	2,492	75,265	6.3
other property-related	7,444	32,730	1,593	8,644	348	50,759	4.3
government	2,404	1,082	1,696	568	1,007	6,757	0.6
other commercial ²	73,959	37,529	4,743	14,137	6,388	136,756	11.5
Financial Banks	29,603	12,091	2,838	7,579	1,397	53,508	4.5
	27,763	72,222	8,644	6,252	12,569	127,450	10.7
Total gross loans and advances	512,361	435,845	39,018	139,458	61,979	1,188,661	100.0
Percentage of total	43.1%	36.7%	3.3%	11.7%	5.2%	100.0%	
At 31 December 2014							
Personal	178,531	129,515	6,571	65,400	13,537	393,554	35.8
first lien residential mortgages	131,000	93,147	2,647	55,577	4,153	286,524	26.1
other personal	47,531	36,368	3,924	9,823	9,384	107,030	9.7
Wholesale Corporate and commercial							
manufacturing	212,523	220,799	20,588	57,993	30,722	542,625	49.4
international	39,456	37,767	2,413	15,299	12,051	106,986	9.7
trade and services	76,629	72,814	9,675	13,484	8,189	180,791	16.4
commercial real estate	28,187	35,678	579	6,558	2,291	73,293	6.7
other property-related	7,126	34,379	1,667	8,934	281	52,387	4.8
government	2,264	1,195	1,552	164	968	6,143	0.6
other commercial ²	58,861	38,966	4,702	13,554	6,942	123,025	11.2
Financial Banks	23,103	13,997	3,291	9,034	1,393	50,818	4.6
	21,978	62,960	10,495	7,405	9,360	112,198	10.2
Total gross loans and	436,135	427,271	40,945	139,832	55,012	1,099,195	100.0

advances						
Percentage of						
total	39.7%	38.9%	3.7%	12.7%	5.0%	100.0%

For footnote, see page 86.

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Table of Contents**Risk** (continued)**Assets held for sale**

During 1H15, gross loans and advances and related impairment allowances arising in our Brazilian operations were reclassified from Loans and advances to customers and Loans and advances to banks to Assets held for sale in the balance sheet. There was no separate income statement reclassification. As a result, charges for loan impairment losses shown in the credit risk disclosures include loan impairment charges relating to financial assets classified as Assets held for sale .

Loans and advances to banks and customers measured at amortised cost

	Total gross loans and advances \$m	Impairment allowances on loans and advances \$m
As reported	1,073,168	(9,778)
Reported in Assets held for sale	26,883	(1,666)
At 30 June 2015	1,100,051	(11,444)

At 31 December 2014, the gross loans and advances and related impairment allowances of our Brazilian operations were \$31bn and \$1.7bn, respectively. Gross loans and advances reduced by \$4.3bn mainly as a result of foreign exchange movements.

Gross loans and impairment allowances on loans and advances to customers and banks reported in Assets held for sale

	Brazil \$m	Other \$m	Total \$m
Gross loans			
Loans and advances to customers	22,460	230	22,690
personal	6,749	182	6,931
corporate and commercial	15,403	48	15,451
financial	308		308
Loans and advances to banks	4,193		4,193

At 30 June 2015	26,653	230	26,883
Impairment allowances			
Loans and advances to customers	(1,632)	(34)	(1,666)
personal	(713)	(16)	(729)
corporate and commercial	(918)	(18)	(936)
financial	(1)		(1)
Loans and advances to banks			
At 30 June 2015	(1,632)	(34)	(1,666)

The table below analyses the amount of LICs arising from assets held for sale. They primarily relate to the Brazilian operations.

Loan impairment charges and other credit risk provisions

	Total
	\$m
LICs arising from:	
assets held for sale	478
assets not held for sale	961
Half-year to 30 June 2015	1,439

Credit quality of financial instruments

We assess credit quality on all financial instruments which bear credit risk. The distribution of financial instruments by credit quality is tabulated below.

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

	Neither past due nor impaired						Total		Total \$m
	Strong \$m	Good \$m	Satis- factory \$m	Sub- standard \$m	Past due but not impaired \$m	Impaired \$m	amount \$m	allowances \$m	
At 30 June 2015	1,599,418	410,280	303,630	28,141	13,282	29,569	2,384,320	(11,445)	2,372,875
At 30 June 2014	1,677,301	456,507	335,139	40,041	14,163	37,112	2,560,263	(14,109)	2,546,154
At 31 December 2014	1,631,391	421,563	315,958	31,530	13,568	32,492	2,446,502	(12,402)	2,434,100
	%	%	%	%	%	%	%		

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At 30 June 2015	67.1	17.2	12.7	1.2	0.6	1.2	100.0
At 30 June 2014	65.5	17.8	13.1	1.6	0.6	1.4	100.0
At 31 December 2014	66.7	17.2	12.9	1.3	0.6	1.3	100.0

This table shows the credit quality distribution for all assets exposed to credit risk, including the balances relating to our Brazilian operations. Within past due but not impaired

amounts at 30 June 2015, 99% were less than 90 days past due in line with previous periods.

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Table of Contents**Risk** (continued)*Distribution of loans and advances held at amortised cost by credit quality*

	Neither past due nor impaired				Past due		Total		Total \$m
	Strong \$m	Good \$m	Satis- factory \$m	Sub- standard \$m	but not impaired \$m	Impaired \$m	amount \$m	allowances \$m	
30 June 2015									
Loans and advances to customers ³	478,003	234,178	196,723	17,463	12,248	25,110	963,725	(9,740)	953,985
Personal	316,984	31,572	14,715	975	7,817	13,237	385,300	(3,339)	381,961
Corporate									
Commercial	133,683	186,759	172,404	15,960	3,834	11,567	524,207	(6,127)	518,080
Financial	27,336	15,847	9,604	528	597	306	54,218	(274)	53,944
Loans and advances to banks	86,768	17,655	4,571	404	1	44	109,443	(38)	109,405
30 June 2014									
Loans and advances to customers ³	501,162	274,776	212,714	24,712	13,967	33,880	1,061,211	(13,970)	1,047,241
Personal	332,045	38,673	16,847	1,366	9,283	17,538	415,752	(5,906)	409,846
Corporate									
Commercial	140,941	222,982	185,541	22,450	4,327	15,710	591,951	(7,686)	584,265
Financial	28,176	13,121	10,326	896	357	632	53,508	(378)	53,130
Loans and advances to banks	96,849	21,948	6,986	1,599	12	56	127,450	(63)	127,387
December 2014									

ans and									
vances to									
customers ³	487,734	239,136	196,685	20,802	13,357	29,283	986,997	(12,337)	974,660
personal	320,678	32,601	15,109	1,130	8,876	15,160	393,554	(4,600)	388,954
corporate									
and									
commercial	141,375	192,799	171,748	18,986	3,922	13,795	542,625	(7,441)	535,184
financial	25,681	13,736	9,828	686	559	328	50,818	(296)	50,522
ans and									
vances to									
banks	83,766	19,525	7,945	914	1	47	112,198	(49)	112,149

For footnote, see page 86.

This table shows loans and advances held at amortised cost by credit quality distribution. Assets of our Brazilian operations are not included in the 30 June 2015 balances following their classification as Assets held for sale .

Impaired loans

Impaired gross loans and advances to customers and banks by industry sector

	Impaired loans and advances			Impaired loans and advances			Impaired loans and advances		
	at 30 June 2015			at 30 June 2014			at 31 December 2014		
	Individ- ually assessed \$m	Collect- ively assessed \$m	Total \$m	Individ- ually assessed \$m	Collect- ively assessed \$m	Total \$m	Individ- ually assessed \$m	Collect- ively assessed \$m	Total \$m
Banks	44		44	56		56	47		47
Customers	14,122	10,988	25,110	18,076	15,804	33,880	15,879	13,404	29,283
personal	2,334	10,903	13,237	2,171	15,367	17,538	2,096	13,064	15,160
corporate									
and									
commercial	11,482	85	11,567	15,274	436	15,710	13,456	339	13,795
financial	306		306	631	1	632	327	1	328
	14,166	10,988	25,154	18,132	15,804	33,936	15,926	13,404	29,330

On a reported basis, during 1H15 impaired gross loans and advances declined by \$4.2bn. The classification of the assets of our Brazilian operations as Assets held for sale reduced personal collectively assessed impaired loan balances by \$0.7bn. The continued run-off of the US CML portfolio reduced personal collectively assessed impaired loan balances by a further \$0.9bn. Personal individually assessed impaired loans increased, largely due to enhancements to

the identification of impaired UK residential mortgages and the calculation of allowances on individual loans rather than on a collective basis. Corporate and commercial impaired loans reduced by \$2.2bn mainly due to the Brazilian reclassification. Corporate and commercial impaired loans also decreased as a result of write-offs in Europe and Middle East and North Africa.

Renegotiated loans and forbearance

The most significant portfolio of renegotiated loans remained in North America, substantially all of which were personal loans held by HSBC Finance Corporation (HSBC Finance). On a reported basis, during 1H15, total renegotiated loans decreased by \$1.9bn to \$25.6bn. The Brazilian reclassification reduced reported renegotiated loans by \$1.0bn. The ongoing run-off of the US CML portfolio reduced renegotiated loans by a further \$0.9bn, and new renegotiated loans and delinquency in the US CML portfolio diminished as a result of improvements in the US housing market and economic conditions.

The following tables show the gross carrying amounts of the Group's holdings of renegotiated loans and advances to customers by industry sector, geography and credit quality classification.

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Table of Contents**Risk (continued)***Renegotiated loans and advances to customers by geographical region*

	Europe \$m	Asia \$m	MENA \$m	North America \$m	Latin America \$m	Total \$m
First lien residential mortgages	1,586	82	49	12,828	44	14,589
neither past due nor impaired	568	55	26	3,680	28	4,357
past due but not impaired	213	6	1	1,822	6	2,048
impaired	805	21	22	7,326	10	8,184
Other personal lending	318	280	23	1,166	41	1,828
neither past due nor impaired	183	160	14	446	13	816
past due but not impaired	39	18	4	198	1	260
impaired	96	102	5	522	27	752
Corporate and commercial ⁴	5,468	471	1,394	430	648	8,411
neither past due nor impaired	1,290	76	344	39	262	2,011
past due but not impaired	42	1	24		4	71
impaired	4,136	394	1,026	391	382	6,329
Financial ⁵	444	4	282			730
neither past due nor impaired	222		282			504
past due but not impaired						
impaired	222	4				226

Renegotiated loans at 30 June 2015						
neither past due nor impaired	7,816	837	1,748	14,424	733	25,558
past due but not impaired	2,263	291	666	4,165	303	7,688
impaired	294	25	29	2,020	11	2,379
	5,259	521	1,053	8,239	419	15,491
Impairment allowances on renegotiated loans	1,458	158	513	1,246	146	3,521
renegotiated loans as % of total gross loans	1.9%	0.2%	5.4%	10.7%	3.8%	2.7%
First lien residential mortgages	1,743	107	69	15,034	74	17,027
neither past due nor impaired	593	72	22	3,827	36	4,550
past due but not impaired	296	13	10	2,032	5	2,356
impaired	854	22	37	9,175	33	10,121
Other personal lending	423	311	54	1,376	457	2,621
neither past due nor impaired	287	201	31	468	15	1,002
past due but not impaired	28	24	17	234	2	305
impaired	108	86	6	674	440	1,314
Corporate and commercial ⁴	7,064	454	1,579	508	2,024	11,629
neither past due nor impaired	1,559	124	689	41	436	2,849
past due but not impaired	145	2	95	2	35	279
impaired	5,360	328	795	465	1,553	8,501
Financial ⁵	287	5	356	1	1	650

neither past due nor impaired	93		265			358
past due but not impaired	194	5	91	1	1	292
Renegotiated loans at 30 June 2014	9,517	877	2,058	16,919	2,556	31,927
neither past due nor impaired	2,532	396	1,007	4,336	488	8,759
past due but not impaired	470	39	121	2,268	42	2,940
impaired	6,515	442	930	10,315	2,026	20,228
Impairment allowances on renegotiated loans	1,355	73	436	2,025	893	4,782
renegotiated loans as % of total gross loans	2.0%	0.2%	6.8%	12.7%	5.2%	3.0%

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Table of Contents**Risk (continued)**

	Europe \$m	Asia \$m	MENA \$m	North America \$m	Latin America \$m	Total \$m
First lien residential mortgages	1,605	94	58	13,540	60	15,357
neither past due nor impaired	529	63	19	3,695	32	4,338
past due but not impaired	221	8	1	1,894	5	2,129
impaired	855	23	38	7,951	23	8,890
Other personal lending	324	292	27	1,267	326	2,236
neither past due nor impaired	184	173	16	453	14	840
past due but not impaired	40	22	5	214	1	282
impaired	100	97	6	600	311	1,114
Corporate and commercial ⁴	5,469	501	1,439	427	1,324	9,160
neither past due nor impaired	1,383	102	483	36	303	2,307
past due but not impaired	68		31	1	1	101
impaired	4,018	399	925	390	1,020	6,752
Financial ⁵	413	4	323	1	1	742
neither past due nor impaired	219		305			524
past due but not impaired						
impaired	194	4	18	1	1	218
Renegotiated loans at 31 December 2014	7,811	891	1,847	15,235	1,711	27,495

neither past due nor impaired	2,315	338	823	4,184	349	8,009
past due but not impaired	329	30	37	2,109	7	2,512
impaired	5,167	523	987	8,942	1,355	16,974
Impairment allowances on renegotiated loans	1,458	170	458	1,499	704	4,289
renegotiated loans as % of total gross loans	1.9%	0.2%	6.1%	11.5%	3.7%	2.8%

For footnotes, see page 86.

Loan impairment in the first half of 2015

On a reported basis, loan impairment charges of \$1.4bn were \$578m lower than in 1H14, in part reflecting the favourable effect of foreign currency movements of \$282m, mainly in Latin America and, to a lesser extent, in Europe.

The following commentary is on a constant currency basis. Loan impairment charges decreased by \$296m or 17%, primarily in North America, Europe and Latin America partly offset in Middle East and North Africa.

In North America, loan impairment charges decreased for both personal and corporate and commercial lending. The decrease in corporate and commercial lending impairment charges mainly reflected charges recorded in 1H14 following a revision to certain estimates used in our corporate loan impairment calculation. Personal lending loan impairment charges fell mainly due to lower collectively assessed charges on first lien mortgages, primarily in the US CML portfolio. This decline reflected reduced levels of delinquency and lower new impaired loans in addition

to lower lending balances from the continued run-off and loan sales. These factors were partly offset by lower favourable market value adjustments of underlying properties as improvements in housing market conditions were less pronounced in 1H15 than in 1H14.

In Europe, the reduction was driven by lower impairment charges on corporate and commercial lending. This primarily reflected the lower individually assessed loan impairment charge in the UK in 1H14, partly offset by \$92m of loan impairments charges relating to Greek exposures during 1H15. An additional \$19m of other credit risk provisions were taken in relation to off-balance sheet exposures to Greece.

In Latin America, loan impairment charges decreased by \$88m, primarily in personal lending in Brazil due to the non-recurrence of loan impairment charges from refinements made in 1H14 to the impairment model for non-restructured loan portfolios, and in Mexico, reflecting lower delinquency rates on personal lending, payroll and card portfolios.

These factors were partly offset in Middle East and North Africa, reflecting higher individually assessed loan impairment charges in 1H15 compared with a net release in 1H14, primarily on commercial exposures in the UAE.

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Table of Contents**Risk (continued)***Loan impairment charge to the income statement by industry sector*

	Europe \$m	Asia \$m	MENA \$m	North America \$m	Latin America \$m	Total \$m
Personal first lien residential mortgages	113	145	24	101	488	871
other personal	(32)	2	(7)	68	33	64
Corporate and commercial	145	143	31	33	455	807
manufacturing and international trade and services	214	97	21	50	216	598
commercial real estate and other property-related	103	109	(11)	9	175	385
other commercial ²	(10)	13	25	1	17	46
Financial ⁵	121	(25)	7	40	24	167
Total loan impairment charge for the half-year to 30 June 2015	(6)		(12)	(3)	(1)	(22)
Personal first lien residential mortgages	122	155	15	225	701	1,218
other personal	(37)	(2)	(5)	168	12	136
Corporate and commercial	159	157	20	57	689	1,082
manufacturing and international trade and services	329	63	(44)	141	290	779
	291	61	(8)	79	141	564

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commercial real estate and other property-related other commercial ²	(17)	(9)	(30)	23	59	26
Financial ⁵	28	(2)	(28)	29	1	28
Total loan impairment charge for the half-year to 30 June 2014	479	216	(57)	395	992	2,025
Personal first lien residential mortgages	123	166	10	(108)	394	585
other personal Corporate and commercial manufacturing and international trade and services	(38)	8	(19)	(142)	3	(188)
commercial real estate and other property-related other commercial ²	161	158	29	34	391	773
Financial ⁵	461	264	50	55	647	1,477
Total loan impairment charge for the half-year to 31 December 2014	229	136	44	37	241	687
commercial real estate and other property-related other commercial ²	95	38	2	4	117	256
Financial ⁵	137	90	4	14	289	534
Total loan impairment charge for the half-year to 31 December 2014	16	(2)	(4)	(42)		(32)
	600	428	56	(95)	1,041	2,030

For footnotes, see page 86.

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

Banks individually assessed	Customers Collectively assessed	Total
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