HSBC HOLDINGS PLC
Form 6-K
August 05, 2015


# 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).

Form 20-F x 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 x

(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.

**Table of Contents**

## 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

Table of Contents

## Overview



Certain defined terms

Unless the context requires otherwise, HSBC Holdings means HSBC Holdings plc and HSBC , the Group , we , us 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.

Table of Contents

**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*.

Table of Contents

**Overview** (continued)

**Highlights**

| Financial (in respect of 1H15) | **Profit before tax**<br><br>Reported profit before tax of $13,628m, up $1,288m or 10% compared with 1H14<br><br>Increase in adjusted profit before tax of $280m or 2% on 1H14, driven by a strong performance in Asia<br><br>**Revenue**<br><br>Increase in adjusted revenue of $1,316m or 4% on 1H14<br><br>Growth in adjusted revenue driven by client-facing GB&M, Principal RBWM and CMB<br><br>**Operating expenses**<br><br>Adjusted operating expenses increased by $1,206m or 7% from higher staff costs<br><br>**Capital**<br><br>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 |
|---|---|

| Strategy execution | **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 |

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

Table of Contents

## For the half-year to 30 June 2015

**Profit before taxation** (reported basis)

($bn)

**Adjusted profit** (before taxation)

($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 |

| | **Total shareholder return** Over 1 year | Over 3 years | Over 5 years |
|---|---|---|---|
| **To 30 June 2015** | 102 | 119 | 119 |
| Benchmark: | | | |
| Morgan Stanley Capital International Index Banks | 99 | 152 | 159 |

HSBC HOLDINGS PLC

3

Table of Contents

**Overview** (continued)

**Global Business Snapshot** (Comments on adjusted basis)

**Retail Banking and Wealth Management ( RBWM )**

| **Profit before taxation ($bn)**<br><br>(Reported: Adjusted) | **PBT in Principal RBWM up 2%**<br><br>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.<br><br>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.<br><br>Revenue growth was driven by increased Wealth Management income, notably in Asia. |
|---|---|

**Commercial Banking ( CMB )**

| **Profit before taxation ($bn)**<br><br>(Reported: Adjusted) | **Revenue synergies between CMB & GB&M up 9%**<br><br>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.<br><br>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.<br><br>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.

Table of Contents

**Regional Snapshot** (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.

Table of Contents

**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 , e 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.

Table of Contents

**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 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

Table of Contents

**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

Table of Contents

## 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 Forfaiting 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;

HSBC HOLDINGS PLC

9

**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

Table of Contents

**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.

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<br>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:<br>US: about $2bn<br>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<br>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.

**Table of Contents**

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.

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.*

Table of Contents

**Financial summary**

## Financial summary

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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.

Table of Contents

**Financial summary** (continued)

**Consolidated income statement**

*Summary consolidated income statement*

| | Half-year to | | |
|---|---|---|---|
| | **30 June 2015** | 30 June 2014 | 31 December 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.

Table of Contents

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 ( ABS s) 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:

Table of Contents

**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.

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

| | Half-year to | | |
|---|---|---|---|
| | **30 June 2015** | 30 June 2014 | 31 December 2014 |
| | **$m** | $m | $m |
| Interest income | **24,019** | 25,435 | 25,520 |
| Interest expense | **(7,575)** | (8,030) | (8,220) |
| **Net interest income**[6] | **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*

| | Half-year to | | |
|---|---|---|---|
| | **30 June 2015** | 30 June 2014 | 31 December 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.

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

| | Half-year to | | |
|---|---|---|---|
| | **30 June** | 30 June | 31 December |
| | **2015** | 2014 | 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.

Table of Contents

## Net trading income

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

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

| | Half-year to | | |
|---|---|---|---|
| | **30 June 2015** | 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 |

Table of Contents

**Financial summary** (continued)

*Assets and liabilities from which net income from financial instruments designated at fair value arose*

| | At | | |
|---|---|---|---|
| | **30 June 2015** | 30 June 2014 | 31 December 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

| | | Half-year to | |
|---|---|---|---|
| | **30 June** | 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.

Table of Contents

*Significant items and currency translation*

| | Half-year to | | |
|---|---|---|---|
| | **30 June** | 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 |