HSBC HOLDINGS PLC
Form 6-K
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

the Securities Exchange Act of 1934

For the month of August

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 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-..............).

HSBC HOLDINGS PLC
2010 INTERIM RESULTS - HIGHLIGHTS

Strong increase in profitability

·
Pre-tax profit more than doubled to US$11.1 billion on a reported basis - US$10 billion[1] excluding fair value on own debt, up 34 per cent.
·
Underlying pre-tax profit up by US$2.2 billion or 30 per cent to US$9.6 billion.
·
Profit attributable to shareholders more than doubled to US$6.8 billion on a reported basis.
·
Loan impairment charges and other credit risk provisions down US$6.4 billion to US$7.5 billion, the lowest since the start of the financial crisis.
·
Earnings per share up 81 per cent to US$0.38 (first half 2009: US$0.21).
·
Declared dividends of US$2.8 billion or 16 cents per ordinary share in respect of the period.

Universal banking model delivering profits through the cycle

·
Profitable in every customer group and in all regions outside North America[2].
·
Diversified Global Banking and Markets business delivered another very strong performance.
·
Commercial Banking exceptionally well placed to support rebounding international trade.
·
Strategic repositioning of Personal Financial Services driving improved profitability.
·
Strong Asia profits reflect investment in building presence across the region.

Financial strength core to our philosophy and key to future growth

·
Profits added US$6.0 billion to tier 1 capital. Tier 1 ratio 11.5 per cent, well above target range; core tier 1 ratio 9.9 per cent.
·
Funding strength underpinned by customer deposits of US$1.15 trillion and customer advances-to-deposits ratio below 80 per cent.
·
Lending up in all regions since 31 December 2009[2].

Building our customer base and investing for the long term

·
Customer acquisition focused on international financial needs:
Ø
Premier
customers up to 3.9 million; on target for six million by the end of 2011.

Ø
Commercial Banking customers up to 3.5 million, 85 per cent of new customers in emerging markets.
·
Leadership in emerging markets extended by additional investments in India, China, Vietnam and Kazakhstan.
·
Strengthened position as leading international bank in China: opened 100th mainland outlet; supported Bank of Communications rights issue; grew leadership in renminbi services.
·
World's most valuable banking brand for third year running[3];
Euromoney
's'Best Global Emerging Markets Bank'.

1
Reported profit before tax excluding changes in fair value of own debt due to credit spread.
2
Underlying basis.
3
Brand Finance Banking 500 2010 League Table.

HSBC HOLDINGS REPORTS PRE-TAX PROFIT OF US$11,104 MILLION

HSBC made a profit before tax of US$11,104 million, an increase of US$6,085 million, or 121 per cent, compared with the first half of 2009.

Net interest income of US$19,757 million was US$781 million, or 3.8 per cent, lower than the first half of 2009.

Net operating income before loan impairment charges and other credit risk provisions of US$35,551 million was US$810 million, or 2.3 per cent, higher than the first half of 2009.

Total operating expenses of US$18,111 million increased by US$1,453 million, or 8.7 per cent, compared with the first half of 2009. On an underlying basis, and expressed in terms of constant currency, operating expenses increased by 5 per cent.

HSBC's cost efficiency ratio was 50.9 per cent compared with 47.9 per cent in the first half of 2009.

Loan impairment charges and other credit risk provisions were US$7,523 million in the first half of 2010, US$6,408 million lower than the first half of 2009.

The Directors have declared a second interim dividend for 2010 of US$0.08 per ordinary share, a distribution of approximately US$1,401 million.

The core tier 1 ratio and tier 1 ratio for the Group remained strong at 9.9 per cent and 11.5 per cent, respectively, at 30 June 2010.

The Group's total assets at 30 June 2010 were US$2,418 billion, an increase of US$54 billion, or 2.3 per cent, since 31 December 2009.

Geographical distribution of results

Profit/(loss) before tax

	Half-year to					
	30 June 2010		30 June 2009		31 December 2009	
	US$m	**%**	US$m	%	US$m	%
Europe	**3,521**	**31.7**	2,976	59.3	1,033	50.2
Hong Kong	**2,877**	**25.9**	2,501	49.8	2,528	122.7
Rest of Asia-Pacific	**2,985**	**26.9**	2,022	40.3	2,178	105.7
Middle East	**346**	**3.1**	643	12.8	(188)	(9.1)
North America	**492**	**4.4**	(3,703)	(73.8)	(4,035)	(195.9)
Latin America	**883**	**8.0**	580	11.6	544	26.4
	11,104	**100.0**	5,019	100.0	2,060	100.0
Tax expense	**(3,856)**		(1,286)		901	
Profit/(loss) for the period	**7,248**		3,733		2,961	
Profit/(loss) attributable to shareholders of the parent company	**6,763**		3,347		2,487	
Profit attributable to non-controlling interests	**485**		386		474	

Loan impairment charges and other credit risk provisions were US$7,523 million in the first half of 2010, US$6,408

Distribution of results by customer group and global business

Profit/(loss) before tax

	Half-year to					
	30 June 2010		30 June 2009		31 December 2009	
	US$m	**%**	US$m	%	US$m	%
Personal Financial Services	**1,171**	**10.5**	(1,249)	(24.9)	(816)	(39.6)
Commercial Banking	**3,204**	**28.9**	2,432	48.5	1,843	89.5
Global Banking and Markets	**5,633**	**50.7**	6,298	125.5	4,183	203.0
Private Banking	**556**	**5.0**	632	12.6	476	23.1
Other	**540**	**4.9**	(3,094)	(61.7)	(3,626)	(176.0)
	11,104	**100.0**	5,019	100.0	2,060	100.0

Review by Michael Geoghegan, Group Chief Executive

Group financial performance strongly ahead

At HSBC, we have a clear and distinctive strategy. It is to rebalance the Group towards the needs of a fast-changing global economy, while keeping our strong capital and liquidity position. Our focus is therefore to build upon our unrivalled franchise in emerging markets, while delivering connectivity for our customers everywhere in an increasingly connected world. That HSBC delivered a strongly improved performance in the first half of 2010 is in large part thanks to this strategy and our success in repositioning and transforming the business to deliver on it.

Our Personal Financial Services and Commercial Banking businesses delivered significantly improved results, adding to another very strong performance in Global Banking and Markets. On a reported basis, pre-tax profits more than doubled to US$11.1 billion compared with the first half of 2009, including the impact of movements on the fair value on our own debt relating to credit spreads. Underlying pre-tax profits[1] increased by 30 per cent to US$9.6 billion year-on-year, driven by significantly reduced loan impairment charges.

With regulatory change ahead, capital and funding strength will become even more important in deciding which banks can grow and which are left behind. Maintaining our strong balance sheet therefore remains core to our banking philosophy. We further strengthened our tier 1 capital through underlying profit generation and capital issuance. We increased our tier 1 capital ratio to 11.5 per cent, we grew our core tier 1 ratio to 9.9 per cent and the outcome of the EU-wide stress test exercise by the Committee of European Banking Supervisors in July
[2]
confirmed the robustness of our capital position. Our ratio of customer advances to deposits remained steady at under 80 per cent, providing a broad indication of our funding strength and keeping our distinctive liquidity position.

As one of the industry's leading dividend payers, HSBC recognises the importance of dividend income to all our shareholders, not least our many retail investors. We declared dividends on ordinary shares of US$2.8 billion in respect of the first half of the year including a second interim dividend of eight US cents per ordinary share, payable on 6 October 2010. Return on average total shareholders' equity improved to 10.4 per cent on a reported basis and was 9.3 per cent excluding the impact of movements on the fair value of our own debt related to credit spreads. As we reduce our run-off portfolios, we believe shareholders' continuing support of HSBC will be rewarded with improving returns - albeit towards the lower end of the target range - in the medium term.

Once again, emerging economies led the global recovery in the first half. Government infrastructure investment continued apace, while flows of cross-border trade and investment sustained their rapid recovery. We continued to rebalance our assets steadily towards the world's emerging markets and to build new revenue streams across the Group, positioning the business for sustainable growth.

Despite increasing economic uncertainty towards the end of the period, we saw appetite for credit grow steadily, especially among our business customers. This is now feeding through into lending growth, a trend we expect to continue. In the first half of the year, we added assets in targeted segments to the balance sheet, more than offsetting the effect of the run-off in our exit portfolios. We grew loans and advances to customers in all regions and by four per cent overall, compared with the end of 2009. Geographically, the strongest growth was in Asia, where we grew lending by 15 per cent. In Commercial Banking we grew lending by nine per cent globally.

We gained share of international trade volumes, made progress in building our Insurance and Wealth Management businesses, and expanded our advisory services in Global Banking and Markets. As a result, fee income rose overall outside the US.

Overall, revenues were broadly in line with the second half of 2009. However, as we expected, they were lower than in the first half, given the exceptional market conditions in that period, especially in Global Banking and Markets. This also reflected our success in reducing and repositioning Personal Financial Services portfolios away from Consumer Finance and other unsecured lending products.

As we focus on building a high quality asset base for the future, it is encouraging that loan impairment charges now stand at their lowest levels since the start of the financial crisis. They almost halved overall, reducing by US$6.8 billion to US$7.5 billion year-on-year. This reflects the benefit of more stable economic conditions for many of our customers and follows our actions, begun before the crisis, to reduce exposure to unsecured lending outside our key relationships, to exit unprofitable business lines and to tighten underwriting standards for new business.

We continued to invest in expanding the business and transforming our operations. However, we did so with a focus on cost control. As a result, our cost efficiency ratio was only slightly above our target range at 53.1 per cent. Costs were broadly unchanged, excluding the impact of the one-off pension gain in the first half of 2009, and the UK and French payroll taxes on 2009 bonuses and pension curtailment accounting gain in the US which were accounted for in the current period. Overall, operating expenses were five per cent higher.

Profitable in every region outside North America

In Asia, performance was comfortably ahead, with pre-tax profits increasing by 20 per cent to US$5.6 billion. As levels of trade activity improved from the lows of a year ago and demand for credit, investment and insurance products increased, we continued to meet our customers' growing financial needs. The contribution of Asian profits generated outside Hong Kong grew to 50 per cent, underlining our growing presence across the region.

Pre-tax profits in Latin America increased by 36 per cent to US$0.9 billion, largely driven by improved credit experience in our retail businesses as we ran off higher risk consumer portfolios.

In the Middle East, pre-tax profits were down by 39 per cent at US$393 million but were well ahead of the second half of 2009. Loan impairment charges were modestly higher year-on-year but more than halved in comparison with the second half of 2009 as credit delinquency trends improved. We have seen customer activity beginning to pick up and believe the region has a sustainable and strong future.

In Europe, pre-tax profits were strongly ahead in Personal Financial Services and were also higher in Commercial Banking. Overall, they were 19 per cent lower at US$2.8 billion, as Global Banking and Markets revenues reduced from the exceptional first half performance of 2009.

Profits in the UK accounted for 52 per cent of the European total. In the UK, we grew international trade volumes and increased mortgage lending. The quality of the new mortgage book is illustrated by a low average loan to value ratio of 53 per cent.

Continental Europe represented 48 per cent of total European pre-tax profits. We strengthened our management team to focus more closely on opportunities for growth across the region and began to centralise our processing operations to deliver greater economies of scale. Despite weak and volatile market conditions, HSBC successfully managed its sovereign risk exposures in respect of Greece, Portugal, Spain and Ireland which were US$4 billion and the overall quality of our sovereign debt portfolio remains strong.

It is an encouraging sign of progress in the US that performance in North America was ahead by some US$2 billion, resulting in a significantly reduced pre-tax loss of US$80 million. Loan impairment charges fell markedly and we made good progress in developing our continuing businesses generally - including Premier, international trade finance, and our Global Banking and Markets business where we continued to support the needs of our Latin American corporate clients.

Our US Consumer Finance run-off portfolios continued to decrease in line with our expectations. We reduced total balances across these portfolios by a further US$10 billion to US$69 billion since the end of 2009.
In July, we also agreed in principle to sell the remainder of the vehicle finance loan portfolio and other related assets to an unaffiliated third party. The sale is expected to close in the third quarter of 2010.

Profitable in every customer group

Led by these improvements in the US, Personal Financial Services returned to profit for the first time in two years. Pre-tax profits were US$1.2 billion, following an improvement of US$2.5 billion year-on-year. We benefited from a stronger credit experience, in part driven by improved collections processes. We also saw stronger sales of wealth management, insurance and mortgage products and higher customer deposits.

In Commercial Banking, pre-tax profits were also well ahead, rising by 40 per cent to US$3.1 billion, reflecting an improvement in the economic environment, supported by active portfolio management during the crisis, robust revenues and progress in rebuilding the balance sheet through selective lending growth.

Although pre-tax profits were down 13 per cent at US$5.6 billion, Global Banking and Markets reported its second best performance of any half-year period, reinforcing the success of our emerging markets-led, financing-focused strategy. The business remained highly diversified with

the largest revenue stream contributing some 20 per cent of the total.

Distribution of results by customer group and global business

Balance Sheet Management revenues were lower, but they were robust and opportunities remained to redeploy our liquidity efficiently.

Private Banking pre-tax profits were 13 per cent lower at US$0.6 billion, largely due to the impact of low interest rates. However, net new money inflows totalled US$7.3 billion, the majority of which were from emerging markets.

Building on our distinctive strengths

At HSBC, we are very clear about what makes us a different kind of bank and we are building on those strengths that enable us to serve our customers best.

Connecting customers across regions

As we see other companies in all industries working to build global scale, we are thankful for the global reach that comes from 145 years of doing business as an international bank. We are constantly working to harness the connectivity this provides so we can better meet the needs of our international customers. Global Banking and Markets provides an excellent example of this in action. Our global network allows us to service customers with cross-border trading or financing needs anywhere in the world, by accessing the expertise in our major dealing rooms in centres like London, Paris, New York and Hong Kong. This has helped us to increase the revenue contribution from emerging markets, which grew from 35 per cent to 37 per cent year-on-year.

Reinforcing our position as the world's leading emerging markets bank

In July,
Euromoney
recognised the breadth and depth of HSBC's presence across the world's faster-growing regions by naming us 'Best Global Emerging Markets Bank'. Throughout the first half, we continued to rebalance our footprint towards these regions and we expect them to account for the majority of global growth for the foreseeable future.

There is no market of greater strategic importance to HSBC than Greater China. We continue to protect and build on our position as the leading international bank in mainland China, where we opened our 100th HSBC-branded outlet and opened a flagship new China Head Office in Shanghai. We are building on our strategic partnerships and subscribed for our full entitlement of H-shares in the Bank of Communications rights issue. We also incorporated locally in Taiwan which will complement our platforms in Hong Kong and mainland China and improve our access to the region.

We are committed to building our presence in India too and so, in July, we announced our third investment in two years through the acquisition of the Indian retail and commercial operations of the Royal Bank of Scotland. This will significantly increase our scale in Asia's third largest economy and give us access to 1.1 million customer relationships. Subject to regulatory approvals, we expect to complete the deal in the first half of 2011.

In June, we also announced an acquisition to increase our presence in Kazakhstan, a fast-growing economy with important trade links to mainland China.

Maintaining our funding strength

One of the key lessons to emerge from the financial crisis was the critical importance of stable liquidity. At HSBC, deposits have always been fundamental to everything we do and they remain the fuel for our future growth.

It is proof of our brand strength that - at a time of low interest rates and intense competition for savings - we increased customer deposit balances by three per cent to US$1,147 billion during the period. The effect on our profits of low deposit spreads remains significant, but I believe HSBC is a bank well positioned to benefit from a progressive rise in interest rates. Just as important as the financial returns, our liquidity position means we can respond to new growth opportunities as soon as they emerge - not least in Asia, where our funding base is particularly strong.

Building a customer base for tomorrow

There is no greater opportunity for HSBC in Personal Financial Services than serving the needs of the world's 180 million mass affluent individuals. These customers are typically highly mobile, with significant cross-border requirements that play to our strengths as a global bank.

Premier is our flagship product for this sector and we are on track to build our customer base to six million by the end of 2011. In June, the monthly increase in Premier customer numbers reached 100,000 and, at the end of the period, total numbers reached 3.9 million. Revenues from Premier customers can be over four times that generated by a standard account in the current interest rate environment. Furthermore, wealth management products account for an increasing proportion of Premier revenues, highlighting our ability to manufacture and deliver a full suite of products of real value to affluent customers over their lifetimes. Looking to the longer term, we have now also launched Advance in 22 countries, an international proposition for the next generation of potential Premier customers.

As trade volumes recover and the direction of global investment shifts, international business customers have continued to turn to HSBC and to benefit from our global scale and connectivity across the world's emerging and developed markets. In Commercial Banking, international customers typically generate more than double the revenues of domestically focused companies and we grew this customer base by 16 per cent. Building relationships with small and medium-size companies is also core to our future growth strategy, and we increased these customer numbers by three per cent to 3.3 million, with 84 per cent of new customers in emerging markets.

Within Global Banking and Markets, we are focusing on building broad-based relationships with those international customers where we are best equipped to meet their full range of financial needs and we have the greatest opportunity to grow revenues. Working together, Private Banking and Global Banking and Markets launched a family office partnership to provide better, more holistic relationship management, for our wealthiest clients. Private Banking also continued to focus on developing business in emerging markets and was recognised as 'Best Global Wealth Manager' by
Euromoney
in July.

Building sustainable revenue streams for the future

With a very clear understanding of our customers and their future needs, we are carefully developing our range of products and services in response. We are targeting those areas where we know HSBC has distinctive strengths, where the revenue opportunity is big enough to make a difference and where the risk-adjusted returns are most attractive.

Expanding our wealth management offering

People in most of our key markets are living longer and demanding longer-term financial products, presenting great opportunities to grow our wealth management business. We are increasing share in key markets including Hong Kong, the UK and Canada and developing new products to meet the needs of our Premier customers. In 2009, we launched World Selection, a dynamically managed multi-manager fund product, bringing a diverse range of international assets to our local retail customers. In the first half of 2010, we extended the product to 21 countries and increased funds under management by 59 per cent to US$4.1 billion. We also launched five new Exchange Traded Funds ('ETF's) and, in July, announced the launch of our first emerging market ETF for Brazil as we continue to make low-cost access to global markets available for our retail customers.

Building our emerging market insurance platforms

As growth in demand for insurance in emerging markets accelerates, we are investing for the future with encouraging success, particularly in Asia and Latin America. Our ambition is to be the leading international bancassurer in Asia within the next decade.

We have already built a leading life insurance business in Hong Kong through our integrated bancassurance strategy. In mainland China, HSBC Life has grown rapidly within its first year of operation. In India, our joint venture with Canara Bank and Oriental Bank of Commerce is a top 12 international insurer in the country after two years of operation. Our commitment to Asia was further underlined in January when we increased our investment in Vietnam - one of the fastest-growing ASEAN economies - by increasing our stake in Bao Viet Holdings from ten to 18 per cent.

In Latin America, sales of insurance products increased and we continued to tailor our proposition to different customer segments and successfully launched new products in Mexico and Brazil.

Extending our leadership in international trade

International trade is set to grow faster than GDP for the foreseeable future and our own research shows that the trade finance needs of most mid-sized companies are growing quickly. Thanks to our global connectivity and local knowledge, we are meeting these needs. HSBC's export-related trade volume continued to grow steadily and we progressively gained market share during the period.

To support the growing flows between emerging and developed economies, we are moving the right people and skills to the right places and, as the leading international emerging markets bank, we are particularly well placed to support the growing flows of 'South-South' trade. In Commercial Banking, we are seeing a rapid increase in trade flows between Latin America and mainland China and we are transferring bankers from Europe, the US and Latin America to mainland China and Hong Kong. In Global Banking, we transferred bankers from our Latin American operations into HSBC offices in mainland China, and set up a reciprocal China desk in Brazil.

Capturing the outflows from mainland China

I believe that the re-emergence of China's economy will drive the biggest change to global trade patterns in the generation ahead. We expect mainland China's total trade flows with the rest of the world to grow by some 13 per cent a year over the next five years to US$5 trillion.

Mainland Chinese companies expanding overseas accounted for about half of new customer growth in Commercial Banking in Hong Kong over the past twelve months. We also aim to be the pre-eminent international bank in renminbi trade, settlement and bond issuance, as regulations change and the offshore renminbi market gradually develops. In Hong Kong, HSBC had a significant share of the cross-border clearance market and we expect to grow this further in the second half of the year. In June, we executed the first cross-border renminbi transaction in the UK and we aspire to be the first international bank to execute transactions across six continents. In July, we also acted as sole bookrunner and lead manager for the first ever offshore renminbi certificate of deposit issue, which provides a new investment vehicle for market participants to manage portfolio risk.

Building out our equity platform

Over the past 15 years, HSBC has built a world-class debt capital market platform in the world's faster-growing markets, something
Euromoney
recognised when they named us 'Best Global Emerging Markets Debt House' in July. We are now leveraging these customer relationships and building out our equities platform in a co-ordinated and selective way across Advisory, Equity Capital Markets, Research and Distribution. We are expanding in Hong Kong, mainland China, India, the Middle East, Brazil and Mexico and developing our European business in the UK, France and Germany. This will enable us to deliver a comprehensive range of Equities products to key institutional clients and personal, commercial and private banking customers alike. During the period, we made key hires, continued to invest in our trading and infrastructure platform, and gained market share in Asia and Europe.

Growing our leadership in Islamic finance

Islamic finance is a fast-developing industry, currently growing at over 20 per cent a year. HSBC Amanah represents the largest and most comprehensive Islamic proposition of any international bank, with successful operations in the UK, the Middle East and Asia-Pacific. We continued to expand our product range across our customer groups and we were delighted to be recognised as
Euromoney
's 'Best International Islamic Bank' and 'Best Sukuk House' in 2010. In the first half of the year, we were the global lead underwriter for sukuk and we launched an Amanah Premier proposition in four markets in the Middle East and two markets in Asia-Pacific. In July, we opened our first Amanah-only branch in Qatar, the fourth country in which we have established dedicated branches to serve the full range of Islamic banking needs.

Transforming our business infrastructure

Of course, investment in building relationships and expanding our products and services will not be successful unless we continuously invest to improve customer service and deliver greater efficiency.

Above all, we are delivering a better and more consistent experience for our customers. This year, we will refresh, refurbish or expand over 1,000 branches including more than 200 in the UK, and we have begun a three-year programme to invest over US$500 million in our Latin American branch network. We have taken the first steps towards improving the account opening experience across our retail businesses which will, over time, free our staff to focus directly on customer needs.

We are also investing in adding front-line staff, to improve relationship management and drive future sales growth. In Personal Financial Services, we aim to recruit 1,000 additional relationship managers and other customer-facing staff this year to support the development of Premier. In Private Banking, we have begun a three-year programme to add up to 500 customer-facing staff covering key markets in Asia, Latin America and the Middle East. In Commercial Banking, we are recruiting up to 500 relationship managers and business specialists to drive business expansion in Brazil and Mexico.

At the same time, we are transforming our operations to create a more efficient, better connected bank. In Latin America, we are joining up our sites across the region so we can better compete with bigger local competitors. One example is the centralisation of our trade operations in Panama, which has allowed us to deliver a better, more consistent customer experience across a number of countries. We have adopted a new collections call model, allowing us to export our best practice in the US across the Group and, in the Middle East, this has led to a 40 per cent reduction in the number of outbound calls.

We also continued to improve our direct channels. As a result, one million small and medium-size business customers used our Business Internet Banking platform and we grew the number of users of our online platform for larger commercial customers, HSBCnet, by 17 per cent to 55,000.

Thanks to these important initiatives and the dedication and focus of all of our staff, we are making measurable progress in improving customer satisfaction. Among Business Banking customers, we have exceeded our brand health scores in a number of key markets.
Meanwhile, among our Personal Financial Services customers, our ambition is to achieve a top three ranking for customer recommendation in all 15 markets that we track.
We are already
in the top three for nine of these markets. A
ll of this is helping to reinforce the strength of our brand and we were delighted to be named the top banking brand by
Brand Finance
for the third year running in 2010.

Well positioned for the shifting economy and for regulatory change

Global demand will remain constrained as long as we face the likelihood of anaemic growth in various Western nations. But while these economies come to terms with austerity, we remain bullish on the outlook for emerging markets - both short and long-term. Some cooling off is possible, however I am confident that the authorities in leading economies like China can and will continue to deliver sustainable growth and support domestic demand.

Regulatory change is now beginning to move up a gear, and HSBC's capital strength positions us strongly for change. HSBC is preparing for a period which will be characterised by further intense public and political scrutiny of banks in the West and a complex compliance environment with a higher level of intervention by regulators. Meanwhile, finalising the shape of the global regulatory framework remains the most urgent challenge for the industry and its supervisors. Greater clarity is required, however reform is clearly moving in the right overall direction. Our collective responsibility now is to get the details and the timetable right so trade and capital can flow freely and banks are able to play their full part in financing these flows and supporting economic growth.

The West is realising that it does not have all the answers and the commitment of the G20 in driving forward the reform agenda is promising, with policymakers in emerging markets playing an increasing part. We believe it is essential that all G20 members participate according to the same rules, otherwise we will end up with an uneven playing field that looks very different depending on where a company is headquartered. In a global marketplace where businesses and people are mobile, one country cannot afford to pursue its own particular policy agenda without considering the possible unintended consequences for the wider economy.

Finally, we believe that HSBC's results over the past decade - and throughout the latest crisis - prove that a well-balanced, universal banking model of scale really works. We have weathered the storms in different regions and in different sectors precisely because our business is large, broad and diverse. As we continue to debate the shape of the regulatory framework, it remains our view that the financial system needs banks which are 'big enough to cope.' Soundly-managed universal banks not only contribute to financial stability - but are also best placed to support economic growth by meeting the full range of customer needs in our globalised, connected world.

1
Commentary on financial performance is given on an underlying basis unless otherwise stated.
2
All references to July are July 2010.

Half-year to 30 June 2010				Half-year to	
			30 June	30 June	31 December
			2010	2009	2009
£m	**HK$m**		**US$m**	US$m	US$m
		For the period			
7,284	**86,300**	Profit before tax	**11,104**	5,019	2,060
4,436	**52,562**	Profit attributable to shareholders of the parent company	**6,763**	3,347	2,487
2,139	**25,344**	Dividends	**3,261**	2,728	2,911
		At the period-end			
90,674	**1,058,588**	Total shareholders' equity	**135,943**	118,355	128,299
103,309	**1,206,097**	Total regulatory capital	**154,886**	155,186	155,729
850,183	**9,925,599**	Customer accounts and deposits by banks	**1,274,637**	1,292,494	1,283,906
1,613,108	**18,832,501**	Total assets	**2,418,454**	2,421,843	2,364,452
717,201	**8,373,081**	Risk-weighted assets at period end	**1,075,264**	1,159,274	1,133,168
£	**HK$**		**US$**	US$	US$
		Per ordinary share			
0.25	**2.95**	Basic earnings	**0.38**	0.21	0.13
0.25	**2.95**	Diluted earnings	**0.38**	0.21	0.13
0.12	**1.40**	Dividends[1]	**0.18**	0.18	0.16
4.90	**57.23**	Net asset value at period end	**7.35**	6.63	7.17
		Share information			
		US$0.50 ordinary shares in issue	**17,510m**	17,315m	17,408m
		Market capitalisation	**US$161bn**	US$141bn	US$199bn
		Closing market price per ordinary share	**£6.152**	£5.025	£7.09
			Over 1 year	**Over 3 years**	**Over 5 years**

Total shareholder return to 30 June 2010[2]	**126.9**	**90.3**	**102.6**
Benchmarks: FTSE 100	119.8	83.8	115.8
MSCI World	110.8	70.6	103.1
MSCI Banks	106.9	48.6	68.9

1 Under IFRSs accounting rules, the dividend per share of US$0.18 shown in the accounts is the total of the dividends declared during the first half of 2010. This represents the fourth interim dividend for 2009 and the first interim dividend for 2010.

2 Total shareholder return ('TSR') is as defined on page 19 of the Annual Report and Accounts 2009.

	Half-year to		
	30 June 2010	30 June 2009	31 December 2009
	%	%	%
Performance ratios			
Return on average invested capital[1]	**9.4**	5.0	3.3
Return on average total shareholders' equity	**10.4**	6.4	4.3
Post-tax return on average total assets	**0.62**	0.31	0.24
Post-tax return on average risk-weighted assets	**1.33**	0.66	0.51
Efficiency and revenue mix ratios			
Cost efficiency ratio	**50.9**	47.9	56.4
As a percentage of total operating income:			
- net interest income	**48.6**	51.0	52.6
- net fee income	**20.9**	20.9	24.1
- net trading income	**8.7**	15.5	9.4
Capital ratios			
- Core tier 1 ratio	**9.9**	8.8	9.4
- Tier 1 ratio	**11.5**	10.1	10.8
- Total capital ratio	**14.4**	13.4	13.7

1 Return on average invested capital is based on the profit attributable to ordinary shareholders. Average invested capital is measured as average total shareholders' equity after adding back goodwill previously written-off directly to reserves, deducting average equity preference shares issued by HSBC Holdings and deducting/(adding) average reserves for unrealised gains/(losses) on effective cash flow hedges and available-for-sale securities. This measure reflects capital initially invested and subsequent profit.

Half-year to Half-year to

30 June 2010 £m	30 June 2010 HK$m		30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
18,818	**222,948**	Interest income	**28,686**	32,479	29,617
(5,857)	**(69,397)**	Interest expense	**(8,929)**	(11,941)	(9,425)
12,961	**153,551**	**Net interest income**	**19,757**	20,538	20,192
6,826	**80,868**	Fee income	**10,405**	10,191	11,212
(1,238)	**(14,666)**	Fee expense	**(1,887)**	(1,763)	(1,976)
5,588	**66,202**	**Net fee income**	**8,518**	8,428	9,236
1,515	**17,946**	Trading income excluding net interest income	**2,309**	4,301	1,935
815	**9,660**	Net interest income on trading activities	**1,243**	1,954	1,673
2,330	**27,606**	**Net trading income**	**3,552**	6,255	3,608
738	**8,747**	Changes in fair value of long-term debt issued and related derivatives	**1,125**	(2,300)	(3,947)
(26)	**(310)**	Net income/(expense) from other financial instruments designated at fair value	**(40)**	777	1,939
712	**8,437**	**Net income/(expense) from financial instruments designated at fair value**	**1,085**	(1,523)	(2,008)
365	**4,329**	Gains less losses from financial investments	**557**	323	197
39	**459**	Dividend income	**59**	57	69
3,717	**44,036**	Net earned insurance premiums	**5,666**	5,012	5,459
970	**11,487**	Other operating income	**1,478**	1,158	1,630
26,682	**316,107**	**Total operating income**	**40,672**	40,248	38,383
(3,359)	**(39,800)**	Net insurance claims incurred and movement in liabilities to policyholders	**(5,121)**	(5,507)	(6,943)
23,323	**276,307**	**Net operating income before loan impairment charges and other credit risk provisions**	**35,551**	34,741	31,440
(4,935)	**(58,469)**	Loan impairment charges and other credit risk provisions	**(7,523)**	(13,931)	(12,557)
18,388	**217,838**	**Net operating income**	**28,028**	20,810	18,883
(6,433)	**(76,212)**	Employee compensation and benefits	**(9,806)**	(9,207)	(9,261)
(4,603)	**(54,517)**	General and administrative expenses	**(7,014)**	(6,258)	(7,134)
(547)	**(6,482)**	Depreciation and impairment of property, plant and equipment	**(834)**	(814)	(911)

(300)	**(3,552)**	Amortisation and impairment of intangible assets	**(457)**	(379)	(431)
(11,883)	**(140,763)**	**Total operating expenses**	**(18,111)**	(16,658)	(17,737)
6,505	**77,075**	**Operating profit**	**9,917**	4,152	1,146
779	**9,225**	Share of profit in associates and joint ventures	**1,187**	867	914
7,284	**86,300**	**Profit before tax**	**11,104**	5,019	2,060
(2,530)	**(29,969)**	Tax expense	**(3,856)**	(1,286)	901
4,754	**56,331**	**Profit for the period**	**7,248**	3,733	2,961
4,436	**52,562**	**Profit attributable to shareholders of the parent company**	**6,763**	3,347	2,487
318	**3,769**	Profit attributable to non-controlling interests	**485**	386	474

	Half-year to		
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Profit for the period	**7,248**	3,733	2,961
Other comprehensive income			
Available-for-sale investments:			
- fair value gains taken to equity	**4,698**	4,067	5,754
- fair value (gains)/losses transferred to income statement on disposal	**(574)**	(720)	72
- amounts transferred to the income statement in respect of impairment losses	**678**	872	1,519
- income taxes	**(596)**	(349)	(398)
	4,206	3,870	6,947
Cash flow hedges:			
- fair value gains/(losses) taken to equity	**(1,687)**	(111)	592
- fair value gains/(losses) transferred to income statement	**1,644**	856	(48)
- income taxes	**(2)**	(293)	(224)
	(45)	452	320
Actuarial gains/(losses) on defined benefit plans			
- before income taxes	**(82)**	(3,578)	(8)

- income taxes	**22**	969	9
	(60)	(2, 609)	1
Share of other comprehensive income of associates and joint ventures	**73**	105	44
Exchange differences	**(6,128)**	3,450	1,525
Other comprehensive income for the period, net of tax	**(1,954)**	5,268	8,837
Total comprehensive income for the period	**5,294**	9,001	11,798
Total comprehensive income for the period attributable to:			
- shareholders of the parent company	**4,901**	8,397	11,132
- non-controlling interests	**393**	604	666
	5,294	9,001	11,798

At 30 June 2010 £m	**HK$m**		**At 30 June 2010 US$m**	At 30 June 2009 US$m	At 31 December 2009 US$m
		ASSETS			
47,741	**557,362**	Cash and balances at central banks	**71,576**	56,368	60,655
7,467	**87,175**	Items in the course of collection from other banks	**11,195**	16,613	6,395
12,249	**143,000**	Hong Kong Government certificates of indebtedness	**18,364**	16,156	17,463
269,334	**3,144,391**	Trading assets	**403,800**	414,358	421,381
21,506	**251,076**	Financial assets designated at fair value	**32,243**	33,361	37,181
192,282	**2,244,829**	Derivatives	**288,279**	310,796	250,886
130,929	**1,528,557**	Loans and advances to banks	**196,296**	182,266	179,781
595,856	**6,956,415**	Loans and advances to customers	**893,337**	924,683	896,231
257,109	**3,001,663**	Financial investments	**385,471**	353,444	369,158
28,107	**328,144**	Other assets	**42,140**	34,250	44,534
714	**8,332**	Current tax assets	**1,070**	1,201	2,937
7,728	**90,220**	Prepayments and accrued income	**11,586**	14,486	12,423
10,473	**122,264**	Interests in associates and joint ventures	**15,701**	12,316	13,011
18,582	**216,938**	Goodwill and intangible assets	**27,859**	29,105	29,994
8,865	**103,497**	Property, plant and equipment	**13,291**	14,573	13,802
4,166	**48,638**	Deferred tax assets	**6,246**	7,867	8,620
1,613,108	**18,832,501**	Total assets	**2,418,454**	2,421,843	2,364,452

At		**At**	At	At

30 June 2010 £m	**HK$m**		**30 June 2010 US$m**	30 June 2009 US$m	31 December 2009 US$m
		LIABILITIES AND EQUITY			
		Liabilities			
12,249	**143,000**	Hong Kong currency notes in circulation	**18,364**	16,156	17,463
84,920	**991,410**	Deposits by banks	**127,316**	129,151	124,872
765,263	**8,934,189**	Customer accounts	**1,147,321**	1,163,343	1,159,034
7,988	**93,257**	Items in the course of transmission to other banks	**11,976**	16,007	5,734
183,316	**2,140,148**	Trading liabilities	**274,836**	264,562	268,130
53,651	**626,355**	Financial liabilities designated at fair value	**80,436**	77,314	80,092
191,438	**2,234,978**	Derivatives	**287,014**	298,876	247,646
102,451	**1,196,083**	Debt securities in issue	**153,600**	156,199	146,896
47,846	**558,577**	Other liabilities	**71,732**	70,125	68,640
1,706	**19,919**	Current tax liabilities	**2,558**	2,274	2,140
35,028	**408,942**	Liabilities under insurance contracts	**52,516**	48,184	53,707
8,120	**94,799**	Accruals and deferred income	**12,174**	13,184	13,190
1,219	**14,235**	Provisions	**1,828**	1,949	1,965
843	**9,843**	Deferred tax liabilities	**1,264**	1,849	1,837
2,634	**30,751**	Retirement benefit liabilities	**3,949**	7,238	6,967
18,840	**219,959**	Subordinated liabilities	**28,247**	30,134	30,478
1,517,512	**17,716,445**	Total liabilities	**2,275,131**	2,296,545	2,228,791
		Equity			
5,840	**68,175**	Called up share capital	**8,755**	8,658	8,705
5,618	**65,590**	Share premium account	**8,423**	8,390	8,413
3,903	**45,562**	Other equity instruments	**5,851**	2,133	2,133
13,333	**155,654**	Other reserves	**19,989**	19,186	22,236
61,980	**723,607**	Retained earnings	**92,925**	79,988	86,812
90,674	**1,058,588**	Total shareholders' equity	**135,943**	118,355	128,299
4,922	**57,468**	Non-controlling interests	**7,380**	6,943	7,362
95,596	**1,116,056**	Total equity	**143,323**	125,298	135,661
1,613,108	**18,832,501**	Total equity and liabilities	**2,418,454**	2,421,843	2,364,452

	Half-year to		
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Cash flows from operating activities			
Profit before tax	**11,104**	5,019	2,060
Adjustments for:			

- non-cash items included in profit before tax	**9,553**	16,255	15,129
- change in operating assets	**14,130**	(37,279)	16,476
- change in operating liabilities	**(1,389)**	22,246	(7,601)
- elimination of exchange differences	**17,993**	(7,878)	(11,146)
- net gain from investing activities	**(1,111)**	(911)	(999)
- share of profits in associates and joint ventures	**(1,187)**	(867)	(914)
- dividends received from associates	**198**	195	219
- contribution paid to defined benefit plans	**(2,899)**	(440)	(534)
- tax paid	**(247)**	118	(2,250)
Net cash generated from/(used in) operating activities	**46,145**	(3,542)	10,440
Cash flows from investing activities			
Purchase of financial investments	**(199,567)**	(163,988)	(140,641)
Proceeds from the sale and maturity of financial investments	**178,272**	112,927	128,414
Purchase of property, plant and equipment	**(739)**	(781)	(1,219)
Proceeds from the sale of property, plant and equipment	**3,338**	2,203	2,498
Proceeds from the sale of loan portfolios	**929**	3,961	891
Net purchase of intangible assets	**(521)**	(463)	(493)
Net cash outflow from acquisition of and increase in stake of subsidiaries	**(34)**	(574)	(103)
Net cash inflow from disposal of subsidiaries	**191**	-	45
Net cash outflow from acquisition of and increase in stake of associates	**(563)**	(20)	(42)
Proceeds from disposal of associates and joint ventures	**171**	308	-
Net cash used in investing activities	**(18,523)**	(46,427)	(10,650)
Cash flows from financing activities			
Issue of ordinary share capital			
- rights issue	**-**	18,179	147
- other	**-**	2	70
Issue of other equity instruments	**3,718**	-	-
Net (purchases)/sales of own shares for market-making and investment purposes	**61**	(51)	(125)
(Purchases)/sales of own shares to meet share awards and share option awards	**19**	(62)	11
On exercise of share options	**61**	-	12
Subordinated loan capital issued	**1,329**	2,763	196
Subordinated loan capital repaid	**(2,408)**	(154)	(4,483)
Dividends paid to shareholders of the parent company	**(2,126)**	(2,426)	(1,838)
Dividends paid to non-controlling interests	**(329)**	(433)	(269)
Dividends paid to holders of other equity instruments	**(134)**	(89)	(180)
Net cash generated from/(used in) financing activities	**191**	17,729	(6,459)
Net increase/(decrease) in cash and cash equivalents	**27,813**	(32,240)	(6,669)
Cash and cash equivalents at beginning of period	**250,766**	278,872	251,696

Exchange differences in respect of cash and cash equivalents	**(12,669)**	5,064	5,739
Cash and cash equivalents at end of period	**265,910**	251,696	250,766

	Half-year to		
	30 June 2010	30 June 2009	31 December 2009
	US$m	US$m	US$m
Called up share capital			
At beginning of period	**8,705**	6,053	8,658
Shares issued under employee share plans	**3**	-	4
Shares issued in lieu of dividends and amounts arising thereon	**47**	75	43
Shares issued in respect of rights issue	**-**	2,530	-
At end of period	**8,755**	8,658	8,705
Share premium			
At beginning of period	**8,413**	8,463	8,390
Shares issued under employee share plans	**58**	3	66
Shares issued in lieu of dividends and amounts arising thereon	**(48)**	(75)	(44)
Other movements	**-**	(1)	1
At end of period	**8,423**	8,390	8,413
Other equity instruments			
At beginning of period	**2,133**	2,133	2,133
Capital securities issued during the period	**3,718**	-	-
At end of period	**5,851**	2,133	2,133
Retained earnings			
At beginning of period	**86,812**	80,689	79,988
Shares issued in lieu of dividends and amounts arising thereon	**1,584**	814	856
Dividends to shareholders	**(3,261)**	(2,728)	(2,911)
Tax credits on dividends	**54**	-	50
Own shares adjustment	**80**	(113)	(114)
Exercise and lapse of share options and vesting of share awards	**736**	658	149
Income taxes on share-based payments	**(14)**	(9)	18
Other movements	**(30)**	(103)	313
Transfers	**173**	-	5,945
Total comprehensive income for the period	**6,791**	780	2,518
At end of period	**92,925**	79,988	86,812
Other reserves			
Available-for-sale fair value reserve			
At beginning of period	**(9,965)**	(20,550)	(16,795)
Other movements	**294**	-	(18)

Total comprehensive income for the period	**4,151**	3,755	6,848
At end of period	**(5,520)**	(16,795)	(9,965)
Cash flow hedging reserve			
At beginning of period	**(26)**	(806)	(340)
Other movements	**8**	-	(11)
Total comprehensive income for the period	**(39)**	466	325
At end of period	**(57)**	(340)	(26)
Foreign exchange reserve			
At beginning of period	**2,994**	(1,843)	1,553
Other movements	**(2)**	-	-
Total comprehensive income for the period	**(6,002)**	3,396	1,441
At end of period	**(3,010)**	1,553	2,994

		Half-year to	
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Share-based payment reserve			
At beginning of period	**1,925**	1,995	1,662
Exercise and lapse of share options and vesting of share awards	**(855)**	(699)	(70)
Cost of share-based payment arrangements	**371**	355	328
Other movements	**-**	11	5
Transfers	**(173)**	-	-
At end of period	**1,268**	1,662	1,925
Merger reserve			
At beginning of period	**27,308**	17,457	33,106
Shares issued in respect of rights issue	**-**	15,649	147
Transfers	**-**	-	(5,945)
At end of period	**27,308**	33,106	27,308
Total shareholders' equity			
At beginning of period	**128,299**	93,591	118,355
Shares issued under employee share plans	**61**	3	70
Shares issued in lieu of dividends and amounts arising thereon	**1,583**	814	855
Shares issued in respect of rights issue	**-**	18,179	147
Capital securities issued during the period	**3,718**	-	-
Dividends to shareholders	**(3,261)**	(2,728)	(2,911)
Tax credits on dividends	**54**	-	50
Own shares adjustment	**80**	(113)	(114)
Exercise and lapse of share options and vesting of share awards	**(119)**	(41)	79

Cost of share-based payment arrangements	**371**	355	328
Income taxes on share-based payments	**(14)**	(9)	18
Other movements	**270**	(93)	290
Total comprehensive income for the period	**4,901**	8,397	11,132
At end of period	**135,943**	118,355	128,299
Non-controlling interests			
At beginning of period	**7,362**	6,638	6,943
Dividends to shareholders	**(409)**	(513)	(319)
Other movements	**(1)**	12	65
Change in ownership interest in subsidiaries	**35**	202	7
Total comprehensive income for the period	**393**	604	666
At end of period	**7,380**	6,943	7,362
Total equity			
At beginning of period	**135,661**	100,229	125,298
Shares issued under employee share plans	**61**	3	70
Shares issued in lieu of dividends and amounts arising thereon	**1,583**	814	855
Shares issued in respect of rights issue	**-**	18,179	147
Capital securities issued during the period	**3,718**	-	-
Dividends to shareholders	**(3,670)**	(3,241)	(3,230)
Tax credits on dividends	**54**	-	50
Own shares adjustment	**80**	(113)	(114)
Exercise and lapse of share options and vesting of share awards	**(119)**	(41)	79
Cost of share-based payment arrangements	**371**	355	328
Income taxes on share-based payments	**(14)**	(9)	18
Other movements	**269**	(81)	355
Change in ownership interest in subsidiaries	**35**	202	7
Total comprehensive income for the period	**5,294**	9,001	11,798
At end of period	**143,323**	125,298	135,661

1. Basis of preparation

The basis of preparation applicable to the interim consolidated financial statements of HSBC can be found in Note 1 of the
Interim Report 2010
.

The interim consolidated financial statements of HSBC have been prepared in accordance with the Disclosure Rules and Transparency Rules of the Financial Services Authority and IAS 34 'Interim Financial Reporting' ('IAS 34') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the EU.

The consolidated financial statements of HSBC at 31 December 2009 were prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the IASB and as endorsed by the EU. EU endorsed IFRSs may differ from IFRSs as issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2009, there were no unendorsed standards effective for the year ended 31 December 2009 affecting the consolidated financial statements at that date, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to HSBC. Accordingly, HSBC's financial statements for the year ended 31 December 2009 were prepared in accordance with IFRSs as issued by the IASB.

At 30 June 2010, there were no unendorsed standards effective for the period ended 30 June 2010 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.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

During the period ended 30 June 2010, HSBC adopted the revised IFRS 3 'Business Combinations' and the amendments to IAS 27 'Consolidated and Separate Financial Statements'. Further details of this revised standard and amendments are provided in Note 1(a) of the
Interim Report 2010
. In addition to the above, HSBC adopted a number of standards and interpretations, and amendments thereto which had an insignificant effect on the consolidated financial statements.

2. Dividends

The Directors have declared a second interim dividend in respect of the financial year ending 31 December 2010 of US$0.08 per ordinary share, a distribution of approximately US$1,401 million. The second interim dividend will be payable on 6 October 2010 to holders of record on 19 August 2010 on the Hong Kong Overseas Branch Register and 20 August 2010 on the Principal Register in the United Kingdom or the Bermuda Overseas Branch Register.

The dividend will be payable in cash, in US dollars, sterling or Hong Kong dollars, or a combination of these currencies, at the forward exchange rates quoted by HSBC Bank plc in London at or about 11.00 am on 27 September 2010, and with a scrip dividend alternative. Particulars of these arrangements will be mailed to shareholders on or about 1 September 2010 and elections must be received by 22 September 2010. As this dividend was declared after the balance sheet date, it has not been included in 'Other liabilities' at 30 June 2010.

The dividend will be payable on ordinary shares held through Euroclear France, the settlement and central depositary system for Euronext Paris, on 6 October 2010 to the holders of record on 20 August 2010. The dividend will be payable in cash, in euros at the exchange rate quoted on 27 September 2010, and with a scrip dividend alternative. Particulars of these arrangements will be announced through Euronext Paris on 16 August 2010 and 25 August 2010.

The dividend will be payable on American Depositary Shares ('ADSs'), each of which represents five ordinary shares, on 6 October 2010 to holders of record on 20 August 2010. The dividend of US$0.40 per ADS will be payable in cash, in US dollars, and with a scrip dividend alternative of new ADSs. Particulars of these arrangements will be mailed to holders on or about 1 September 2010. Elections must be received by the depositary on or before 15 September 2010. Alternatively, the cash dividend may be invested in additional ADSs for participants in the dividend reinvestment plan operated by the depositary.

HSBC Holdings' ordinary shares will be quoted ex-dividend in London, Hong Kong, Paris and Bermuda on 18 August 2010. The ADSs will be quoted ex-dividend in New York on 18 August 2010. On 15 July 2010, HSBC paid a further coupon on the capital securities of US$0.508 per security, a distribution of US$45 million. No liability is recorded in the balance sheet at 30 June 2010 in respect of this coupon payment.

Dividends to shareholders of the parent company were as follows:

	Half-year to								
	30 June 2010			30 June 2009			31 December 2009		
	Per share US$	**Total US$m**	**Settled in scrip US$m**	Per share US$	Total US$m	Settled in scrip US$m	Per share US$	Total US$m	Settled in scrip US$m
Dividends declared on ordinary shares									
In respect of previous year:									
- fourth interim dividend	**0.10**	**1,733**	**838**	0.10	1,210	624	-	-	-
In respect of current year:									
- first interim dividend	**0.08**	**1,394**	**746**	0.08	1,384	190	-	-	-
- second interim dividend	**-**	**-**	**-**	-	-	-	0.08	1,385	696
- third interim dividend	**-**	**-**	**-**	-	-	-	0.08	1,391	160
	0.18	**3,127**	**1,584**	0.18	2,594	814	0.16	2,776	856
Quarterly dividends on preference shares classified as equity									
March dividend	**15.50**	**22**		15.50	22		-	-	
June dividend	**15.50**	**23**		15.50	23		-	-	
September dividend	**-**	**-**		-	-		15.50	22	
December dividend	**-**	**-**		-	-		15.50	23	
	31.00	**45**		31.00	45		31.00	45	
Quarterly coupons on capital securities classified as equity									
January coupon	**0.508**	**44**		0.508	44		-	-	
April coupon	**0.508**	**45**		0.508	45		-	-	
July coupon	**-**	**-**		-	-		0.508	45	
October coupon	**-**	**-**		-	-		0.508	45	
	1.016	**89**		1.016	89		1.016	90	

3. Earnings and dividends per ordinary share

Half-year to		
30 June	30 June	31 December

	2010	2009	2009
	US$	US$	US$
Basic earnings per ordinary share	**0.38**	0.21	0.13
Diluted earnings per ordinary share	**0.38**	0.21	0.13
Dividends per ordinary share	**0.18**	0.18	0.16
Net asset value at period end	**7.35**	6.63	7.17
Dividend pay out ratio[1]	**47.4%**	85.7%	123.1%

1
Dividends per ordinary share expressed as a percentage of basic earnings per ordinary share.

Basic earnings per ordinary share was calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding, excluding own shares held. Diluted earnings per ordinary share was calculated by dividing the basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares outstanding, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on conversion of dilutive potential ordinary shares.

	Half-year to		
	30 June	30 June	31 December
	2010	2009	2009
	US$m	US$m	US$m
Profit attributable to shareholders of the parent company	**6,763**	3,347	2,487
Dividend payable on preference shares classified as equity	**(45)**	(45)	(45)
Coupon payable on capital securities classified as equity	**(89)**	(89)	(90)
Profit attributable to ordinary shareholders of the parent company	**6,629**	3,213	2,352

4. Tax expense

	Half-year to		
	30 June	30 June	31 December
	2010	2009	2009
	US$m	US$m	US$m
UK corporation tax charge	**609**	60	146
Overseas tax	**2,439**	1,472	375
Current tax	**3,048**	1,532	521
Deferred tax	**808**	(246)	(1,422)
Tax expense	**3,856**	1,286	(901)
Effective tax rate	**34.7%**	25.6%	(43.7%)

The UK corporation tax rate applying to HSBC was 28 per cent (2009: 28 per cent). Overseas tax included Hong Kong profits tax of US$426 million (first half of 2009: US$416 million; second half of 2009:

US$367 million). Subsidiaries in Hong Kong provided for Hong Kong profits tax at the rate of 16.5 per cent (2009: 16.5 per cent) on the profits for the period assessable in Hong Kong. Other overseas subsidiaries and overseas branches provided for taxation at the appropriate rates in the countries in which they operate. The following table reconciles the overall tax expense which would apply if all profits had been taxed at the UK corporation tax rate:

4. Tax expense
(continued)

Analysis of overall tax expense:

	Half-year to		
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Taxation at UK corporation tax rate of 28 per cent (2009: 28 per cent)	**3,109**	1,405	577
Non-deductible loss on foreign exchange swaps on rights issue proceeds	**-**	-	96
Effect of taxing overseas profit in principal locations at different rates	**(326)**	(598)	(747)
Gains not subject to tax	**(180)**	(34)	(204)
Adjustments in respect of prior period liabilities	**(20)**	(5)	(34)
Low income housing tax credits	**(44)**	(49)	(49)
Effect of profit in associates and joint ventures	**(332)**	(243)	(256)
Deferred tax temporary differences not provided	**8**	813	(453)
Non-taxable income	**(164)**	(109)	(256)
Permanent disallowables	**99**	138	85
Additional provision for tax on overseas dividends	**-**	2	339
Tax impact of intragroup transfer of subsidiary	**1,590**	-	-
Bank payroll tax	**91**	-	-
Other items	**25**	(34)	1
Overall tax expense	**3,856**	1,286	(901)

5. Analysis of net fee income

	Half-year to		
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Cards	**1,900**	2,209	2,416
Account services	**1,821**	1,771	1,821
Funds under management	**1,181**	945	1,227
Broking income	**766**	749	868
Credit facilities	**827**	729	750
Insurance	**578**	688	733
Global custody	**439**	471	517
Imports/Exports	**466**	438	459

Underwriting	**264**	348	398
Remittances	**329**	281	332
Corporate finance	**248**	164	232
Unit trusts	**267**	137	226
Trust income	**141**	134	144
Taxpayer financial services	**91**	91	(4)
Mortgage servicing	**60**	62	62
Maintenance income on operating leases	**53**	55	56
Other	**974**	919	975
Total fee income	**10,405**	10,191	11,212
Less: fee expense	**(1,887)**	(1,763)	(1,976)
Net fee income	**8,518**	8,428	9,236

6. Loan impairment charge

		Half-year to	
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Individually assessed impairment allowances:			
- Net new allowances	**1,129**	2,284	2,308
- Recoveries	**(60)**	(34)	(100)
	1,069	2,250	2,208
Collectively assessed impairment allowances:			
- Net new allowances	**6,558**	11,426	9,814
- Recoveries	**(393)**	(343)	(413)
	6,165	11,083	9,401
Total charge for impairment losses	**7,234**	13,333	11,609
Customers	**7,222**	13,320	11,552
Banks	**12**	13	57

7. Capital resources

	At 30 June 2010 US$m	At 30 June 2009 US$m	At 31 December 2009 US$m
Composition of regulatory capital			
Tier 1 capital			

Shareholders' equity	**136,719**	131,024	135,252
Shareholders' equity per balance sheet	**135,943**	118,355	128,299
Preference share premium	**(1,405)**	(1,405)	(1,405)
Other equity instruments	**(5,851)**	(2,133)	(2,133)
Deconsolidation of special purpose entities	**8,032**	16,207	10,491
Non-controlling interests	**3,949**	3,634	3,932
Non-controlling interests per balance sheet	**7,380**	6,943	7,362
Preference share non-controlling interests	**(2,391)**	(2,342)	(2,395)
Non-controlling interest transferred to tier 2 capital	**(676)**	(644)	(678)
Non-controlling interest in deconsolidated subsidiaries	**(364)**	(323)	(357)
Regulatory adjustments to the accounting basis	**(3,079)**	(147)	164
Unrealised (gains)/losses on available-for-sale debt securities	**(797)**	2,020	906
Own credit spread	**(1,779)**	(4,360)	(1,050)
Defined benefit pension fund adjustment	**1,940**	4,103	2,508
Reserves arising from revaluation of property and unrealised gains on available-for-sale equities	**(2,500)**	(2,250)	(2,226)
Cash flow hedging reserve	**57**	340	26
Deductions	**(30,753)**	(32,806)	(33,088)
Goodwill capitalised and intangible assets	**(26,398)**	(28,130)	(28,680)
50% of securitisation positions	**(1,754)**	(1,690)	(1,579)
50% of tax credit adjustment for expected losses	**269**	389	546
50% of excess of expected losses over impairment allowances	**(2,870)**	(3,375)	(3,375)
Core tier 1 capital	**106,836**	101,705	106,260
Other tier 1 capital before deductions	**17,577**	15,691	15,798
Preference share premium	**1,405**	1,405	1,405
Preference share non-controlling interests	**2,391**	2,342	2,395
Innovative tier 1 securities	**13,781**	11,944	11,998
Deductions	**(345)**	(43)	99
Unconsolidated investments	**(614)**	(432)	(447)
50% of tax credit adjustment for expected losses	**269**	389	546
Tier 1 capital	**124,068**	117,353	122,157
Tier 2 capital			
Total qualifying tier 2 capital before deductions	**48,170**	53,466	50,075
Reserves arising from revaluation of property and unrealised gains on available-for-sale equities	**2,500**	2,250	2,226
Collective impairment allowances	**3,526**	3,917	4,120
Perpetual subordinated debt	**2,982**	2,972	2,987
Term subordinated debt	**38,862**	44,027	40,442
Non-controlling interest in tier 2 capital	**300**	300	300

Total deductions other than from tier 1 capital	**(17,352)**	(15,633)	(16,503)
Unconsolidated investments	**(12,727)**	(10,568)	(11,547)
50% of securitisation positions	**(1,754)**	(1,690)	(1,579)
50% of excess of expected losses over impairment allowances	**(2,870)**	(3,375)	(3,375)
Other deductions	**(1)**	-	(2)
Total regulatory capital	**154,886**	155,186	155,729

	At 30 June 2010 US$m	At 30 June 2009 US$m	At 31 December 2009 US$m
Risk-weighted assets			
Credit risk	**839,079**	908,231	903,518
Counterparty credit risk	**57,323**	53,824	51,892
Market risk	**52,964**	76,105	51,860
Operational risk	**125,898**	121,114	125,898
Total	**1,075,264**	1,159,274	1,133,168
	%	%	%
Capital ratios			
Core tier 1 ratio	**9.9**	8.8	9.4
Tier 1 ratio	**11.5**	10.1	10.8
Total capital ratio	**14.4**	13.4	13.7

8. Notes on the statement of cash flows

		Half-year to	
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Non-cash items included in profit before tax			
Depreciation, amortisation and impairment	**1,442**	1,153	1,385
Gains arising from dilution of interests in associates	**(188)**	-	-
Revaluations on investment property	**8**	43	(19)
Share-based payment expense	**371**	355	328
Loan impairment losses gross of recoveries and other credit risk provisions	**7,976**	14,308	13,070
Provisions	**158**	361	308
Impairment of financial investments	**40**	281	77
Charge/(credit) for defined benefit plans	**246**	(150)	342
Accretion of discounts and amortisation of premiums	**(500)**	(96)	(362)
	9,553	16,255	15,129

Change in operating assets			
Change in prepayments and accrued income	**839**	1,311	1,887
Change in net trading securities and net derivatives	**20,176**	1,922	13,466
Change in loans and advances to banks	**(8,515)**	(28,458)	(1,896)
Change in loans and advances to customers	**(3,812)**	(9,279)	15,428
Change in financial assets designated at fair value	**5,460**	(4,946)	(3,965)
Change in other assets	**(18)**	2,171	(8,444)
	14,130	(37,279)	16,476
Change in operating liabilities			
Change in accruals and deferred income	**(1,016)**	(2,264)	6
Change in deposits by banks	**2,444**	(937)	(4,279)
Change in customer accounts	**(11,714)**	46,291	(4,308)
Change in debt securities in issue	**6,583**	(23,494)	(9,303)
Change in financial liabilities designated at fair value	**342**	262	7,168
Change in other liabilities	**1,972**	2,388	3,115
	(1,389)	22,246	(7,601)

	Half-year to		
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Cash and cash equivalents			
Cash and balances at central banks	**71,576**	56,368	60,655
Items in the course of collection from other banks	**11,195**	16,613	6,395
Loans and advances to banks of one month or less	**171,022**	157,856	160,673
Treasury bills, other bills and certificates of deposit less than three months	**24,093**	36,866	28,777
Less: items in the course of transmission to other banks	**(11,976)**	(16,007)	(5,734)
	265,910	251,696	250,766
Interest and dividends			
Interest paid	**(9,932)**	(16,696)	(12,334)
Interest received	**31,397**	36,975	37,087
Dividends received	**380**	835	188

9. Segmental analysis

Net operating income

	Europe US$m	Hong Kong US$m	Rest of Asia-Pacific US$m	Middle East US$m	North America US$m	Latin America US$m	Intra-HSBC items US$m	Total US$m
Half-year to:								
30 June 2010	**11,220**	**4,833**	**4,351**	**750**	**4,446**	**3,895**	**(1,467)**	**28,028**
30 June 2009	9,541	4,441	3,478	978	652	3,067	(1,347)	20,810
31 December 2009	8,435	4,526	3,629	282	(11)	3,431	(1,409)	18,883

Profit/(loss) before tax

	Europe US$m	Hong Kong US$m	Rest of Asia-Pacific US$m	Middle East US$m	North America US$m	Latin America US$m	Intra-HSBC tems US$m	Total US$m
Half-year to:								
30 June 2010	**3,521**	**2,877**	**2,985**	**346**	**492**	**883**	**-**	**11,104**
30 June 2009	2,976	2,501	2,022	643	(3,703)	580	-	5,019
31 December 2009	1,033	2,528	2,178	(188)	(4,035)	544	-	2,060

Balance sheet information

	Europe US$m	Hong Kong US$m	Rest of Asia-Pacific US$m	Middle East US$m	North America US$m	Latin America US$m	Intra-HSBC items US$m	Total US$m
Total assets								
At 30 June 2010	**1,280,698**	**410,991**	**244,624**	**49,637**	**495,408**	**121,885**	**(184,789)**	**2,418,454**
At 30 June 2009	1,324,687	413,107	217,794	48,601	494,778	107,515	(184,639)	2,421,843
At 31 December 2009	1,268,600	399,243	222,139	48,107	475,014	115,967	(164,618)	2,364,452

10. Reconciliation of reported and underlying profit before tax

	Half-year to 30 June 2010 ('1H10') compared with half-year to 30 June 2009 ('1H09')						
HSBC	**1H09 as reported US$m**	**1H09 adjustments US$m**	**Currency translation US$m**	**1H09 at 1H10 exchange rates US$m**	**1H10 as reported US$m**	**1H10 adjustments US$m**	**1H10 underlying US$m**
Net interest income	**20,538**	**-**	**707**	**21,245**	**19,757**	**(31)**	**19,726**
Net fee income	**8,428**	**(71)**	**248**	**8,605**	**8,518**	**(3)**	**8,515**
Changes in fair value[1]	**(2,457)**	**2,457**	**-**	**-**	**1,074**	**(1,074)**	**-**
Other income	**8,232**	**(281)**	**264**	**8,215**	**6,202**	**(385)**	**5,817**

Net operating income [2]	**34,741**	**2,105**	**1,219**	**38,065**	**35,551**	**(1,493)**	**34,058**
Loan impairment charges and other credit risk provisions	**(13,931)**	**-**	**(363)**	**(14,294)**	**(7,523)**	**-**	**(7,523)**
Net operating income	**20,810**	**2,105**	**856**	**23,771**	**28,028**	**(1,493)**	**26,535**
Operating expenses	**(16,658)**	**70**	**(663)**	**(17,251)**	**(18,111)**	**19**	**(18,092)**
Operating profit	**4,152**	**2,175**	**193**	**6,520**	**9,917**	**(1,474)**	**8,443**
Income from associates	**867**	**(1)**	**(1)**	**865**	**1,187**	**-**	**1,187**
Profit before tax	**5,019**	**2,174**	**192**	**7,385**	**11,104**	**(1,474)**	**9,630**

	Half-year to 30 June 2010 ('1H10') compared with half-year to 31 December 2009 ('2H09')						
HSBC	2H09 as reported US$m	2H09 adjustments US$m	Currency translation US$m	2H09 at 1H10 exchange rates US$m	1H10 as reported US$m	1H10 adjustments US$m	1H10 underlying US$m
Net interest income	20,192	-	(316)	19,876	19,757	-	19,757
Net fee income	9,236	(105)	(177)	8,954	8,518	-	8,518
Changes in fair value[1]	(4,076)	4,076	-	-	1,074	(1,074)	-
Other income	6,088	(2)	(104)	5,982	6,202	(376)	5,826
Net operating income[2]	31,440	3,969	(597)	34,812	**35,551**	**(1,450)**	34,101
Loan impairment charges and other credit risk provisions	(12,557)	-	141	(12,416)	(7,523)	-	(7,523)
Net operating income	18,883	3,969	(456)	22,396	28,028	(1,450)	26,578
Operating expenses	(17,737)	99	323	(17,315)	(18,111)	-	(18,111)
Operating profit	1,146	4,068	(133)	5,081	9,917	(1,450)	8,467

Income from associates	914	-	1	915	1,187	-	1,187
Profit before tax	2,060	4,068	(132)	**5,996**	**11,104**	**(1,450)**	**9,654**

1
Changes in fair value of own debt designated at fair value attributable to credit spread.
2
Net operating income before loan impairment charges and other credit risk provisions.

11. Distribution of results by customer group and global business

Personal Financial Services

	Half-year to		
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Net interest income	**12,198**	12,650	12,457
Net fee income	**3,560**	4,045	4,193
Net trading income/(expense)	**(377)**	489	213
Net income/(expense) from financial instruments designated at fair value	**(127)**	744	1,595
Gains less losses from financial investments	**3**	195	29
Dividend income	**14**	17	16
Net earned insurance premiums	**4,953**	4,585	4,949
Other operating income	**387**	302	507
Total operating income	**20,611**	23,027	23,959
Net insurance claims incurred and movement in liabilities to policyholders	**(4,572)**	(5,144)	(6,427)
Net operating income before loan impairment charges and other credit risk provisions	**16,039**	17,883	17,532
Loan impairment charges and other credit risk provisions	**(6,317)**	(10,673)	(9,229)
Net operating income	**9,722**	7,210	8,303
Direct employee expenses	**(2,584)**	(2,876)	(3,193)
Other operating expenses, including reallocations	**(6,425)**	(5,898)	(6,325)

Total operating expenses	**(9,009)**	(8, 774)	(9,518)
Operating profit/(loss)	**713**	(1,564)	(1, 215)
Share of profit in associates and joint ventures	**458**	315	399
Profit/(loss) before tax	**1,171**	(1,249)	(816)

Commercial Banking

		Half-year to	
	30 June	30 June	31 December
	2010	2009	2009
	US$m	US$m	US$m
Net interest income	**4,024**	3,809	4,074
Net fee income	**1,935**	1,749	1,953
Net trading income	**233**	194	160
Net income/(expense) from financial instruments designated at fair value	**26**	(17)	117
Gains less losses from financial investments	**3**	25	(2)
Dividend income	**5**	3	5
Net earned insurance premiums	**696**	390	496
Other operating income	**355**	519	220
Total operating income	**7,277**	6,672	7,023
Net insurance claims incurred and movement in liabilities to policyholders	**(537)**	(328)	(514)
Net operating income before loan impairment charges			
and other credit risk provisions	**6,740**	6,344	6,509
Loan impairment charges and other credit risk provisions	**(705)**	(1,509)	(1,773)
Net operating income	**6,035**	4,835	4,736
Direct employee expenses	**(1,063)**	(876)	(1,196)
Other operating expenses, including reallocations	**(2,203)**	(1,864)	(2,027)

Total operating expenses	**(3,266)**	(2,740)	(3,223)
Operating profit	**2,769**	2,095	1,513
Share of profit in associates and joint ventures	**435**	337	330
Profit before tax	**3,204**	2,432	1,843

Global Banking and Markets

	Half-year to		
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Net interest income	**3,720**	4,667	3,943
Net fee income	**2,379**	1,968	2,395
Net trading income	**3,755**	4,478	2,397
Net income from financial instruments designated at fair value	**8**	329	144
Gains less losses from financial investments	**505**	158	107
Dividend income	**22**	23	45
Net earned insurance premiums	**22**	40	14
Other operating income	**438**	603	543
Total operating income	**10,849**	12,266	9,588
Net insurance claims incurred and movement in liabilities to policyholders	**(15)**	(35)	1
Net operating income before loan impairment charges and other credit risk provisions	**10,834**	12,231	9,589
Loan impairment charges and other credit risk recoveries	**(500)**	(1,732)	(1,436)
Net operating income	**10,334**	10,499	8,153
Direct employee expenses	**(2,520)**	(2,492)	(1,843)
Other operating expenses, including reallocations	**(2,427)**	(1,913)	(2,289)
Total operating expenses	**(4,947)**	(4,405)	(4,132)
Operating profit	**5,387**	6,094	4,021
Share of profit in associates and joint ventures	**246**	204	162
Profit before tax	**5,633**	6,298	4,183

11. Distribution of results by customer group and global business (continued)

Private Banking

	Half-year to		
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Net interest income	**646**	784	690
Net fee income	**643**	602	634
Net trading income	**219**	163	181
Gains less losses from financial investments	**11**	(2)	7
Dividend income	**3**	2	3
Other operating income	**21**	40	8
Net operating income before loan impairment charges and other credit risk provisions	**1,543**	1,589	1,523
Loan impairment charges and other credit risk provisions	**-**	(14)	(114)
Net operating income	**1,543**	1,575	1,409
Direct employee expenses	**(609)**	(604)	(594)
Other operating expenses, including reallocations	**(358)**	(345)	(341)
Total operating expenses	**(967)**	(949)	(935)
Operating profit	**576**	626	474
Share of profit in associates and joint ventures	**(20)**	6	2
Profit before tax	**556**	632	476

11. Distribution of results by customer group and global business (continued)

Other

	Half-year to		
	30 June 2010	30 June 2009	31 December 2009

	US$m	US$m	US$m
Net interest expense	**(537)**	(551)	(484)
Net fee income	**1**	64	61
Net trading income/(expense)	**(572)**	110	169
Net income/(expense) from financial instruments designated at fair value	**1,178**	(2,579)	(3,864)
Gains less losses from financial investments	**35**	(53)	56
Dividend income	**15**	12	-
Net earned insurance premiums	**(5)**	(3)	-
Other operating income	**3,114**	2,172	2,870
Total operating income/(expenses)	**3,229**	(828)	(1,192)
Net insurance claims incurred and movement in liabilities to policyholders	**3**	-	(3)
Net operating income/(expense) before loan impairment charges and other credit risk provisions	**3,232**	(828)	(1,195)
Loan impairment charges and other credit risk provisions	**(1)**	(3)	(5)
Net operating income/(expense)	**3,231**	(831)	(1,200)
Direct employee expenses	**(3,030)**	(2,358)	(2,432)
Other operating expenses, including reallocations	**271**	90	(15)
Total operating expenses	**(2,759)**	(2,268)	(2,447)
Operating profit/(loss)	**472**	(3,099)	(3,647)
Share of profit in associates and joint ventures	**68**	5	21
Profit/(loss) before tax	**540**	(3,094)	(3,626)

12. Geographical distribution of results

Europe

		Half-year to	
	30 June 2010	30 June 2009	31 December 2009
	US$m	US$m	US$m

Interest income	**8,811**	10,673	9,610
Interest expense	**(3,009)**	(4,695)	(3,320)
Net interest income	**5,802**	5,978	6,290
Fee income	**4,111**	3,998	4,578
Fee expense	**(934)**	(1,155)	(1,154)
Net fee income	**3,177**	2,843	3,424
Net trading income	**1,604**	3,429	2,030
Changes in fair value of long-term debt issued and related derivatives	**715**	(788)	(1,958)
Net income/(expense) from other financial instruments designated at fair value	**(142)**	212	1,109
Net income/(expense) from financial instruments designated at fair value	**573**	(576)	(849)
Gains less losses from financial investments	**237**	(60)	110
Dividend income	**14**	13	16
Net earned insurance premiums	**2,137**	2,134	2,089
Other operating income	**1,141**	976	1,286
Total operating income	**14,685**	14,737	14,396
Net insurance claims incurred and movement in liabilities to policyholders	**(1,964)**	(2,383)	(3,206)
Net operating income before loan impairment charges and other credit risk provisions	**12,721**	12,354	11,190
Loan impairment charges and other credit risk provisions	**(1,501)**	(2,813)	(2,755)
Net operating income	**11,220**	9,541	8,435
Operating expenses	**(7,704)**	(6,587)	(7,401)
Operating profit	**3,516**	2,954	1,034
Share of profit/(loss) in associates and joint ventures	**5**	22	(1)
Profit before tax	**3,521**	2,976	1,033

12. Geographical distribution of results
(continued)

Hong Kong

	Half-year to		
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Interest income	**2,414**	2,923	2,404
Interest expense	**(420)**	(691)	(441)
Net interest income	**1,994**	2,232	1,963
Fee income	**1,626**	1,409	1,690
Fee expense	**(231)**	(209)	(221)
Net fee income	**1,395**	1,200	1,469
Net trading income	**688**	704	521
Changes in fair value of long-term debt issued and related derivatives	**(2)**	(3)	-
Net income/(expense) from other financial instruments designated at fair value	**(28)**	348	440
Net income/(expense) from financial instruments designated at fair value	**(30)**	345	440
Gains less losses from financial investments	**111**	2	7
Dividend income	**13**	14	14
Net earned insurance premiums	**2,248**	1,838	1,836
Other operating income	**644**	505	769
Total operating income	**7,063**	6,840	7,019
Net insurance claims incurred and movement in liabilities to policyholders	**(2,167)**	(2,126)	(2,266)
Net operating income before loan impairment charges and other credit risk provisions	**4,896**	4,714	4,753
Loan impairment charges and other credit risk provisions	**(63)**	(273)	(227)

Net operating income	**4,833**	4,441	4,526
Operating expenses	**(1,968)**	(1,935)	(2,011)
Operating profit	**2,865**	2,506	2,515
Share of profit/(loss) in associates and joint ventures	**12**	(5)	13
Profit before tax	**2,877**	2,501	2,528

12. Geographical distribution of results (continued)

Rest of Asia-Pacific

		Half-year to	
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Interest income	**2,976**	3,025	2,852
Interest expense	**(1,154)**	(1,257)	(1,081)
Net interest income	**1,822**	1,768	1,771
Fee income	**1,138**	908	1,064
Fee expense	**(204)**	(189)	(226)
Net fee income	**934**	719	838
Net trading income	**780**	909	697
Changes in fair value of long-term debt issued and related derivatives	**-**	(2)	1
Net income/(expense) from other financial instruments designated at fair value	**(2)**	31	80
Net income/(expense) from financial instruments designated at fair value	**(2)**	29	81
Gains less losses from financial investments	**39**	(21)	2
Dividend income	**1**	1	1
Net earned insurance premiums	**198**	152	213
Other operating income	**877**	608	630

Total operating income	**4,649**	4,165	4,233
Net insurance claims incurred and movement in liabilities to policyholders	**(151)**	(156)	(239)
Net operating income before loan impairment charges and other credit risk provisions	**4,498**	4,009	3,994
Loan impairment charges and other credit risk provisions	**(147)**	(531)	(365)
Net operating income	**4,351**	3,478	3,629
Operating expenses	**(2,417)**	(2,151)	(2,299)
Operating profit	**1,934**	1,327	1,330
Share of profit in associates and joint ventures	**1,051**	695	848
Profit before tax	**2,985**	2,022	2,178

12. Geographical distribution of results (continued)

Middle East

	Half-year to		
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Interest income	**979**	1,217	1,043
Interest expense	**(312)**	(454)	(321)
Net interest income	**667**	763	722
Fee income	**382**	337	345
Fee expense	**(26)**	(29)	(28)
Net fee income	**356**	308	317
Net trading income	**194**	220	174

Gains less losses from financial investments	**(1)**	13	3
Dividend income	**5**	2	1
Other operating income	**(33)**	63	8
Total operating income	**1,188**	1,369	1,225
Net insurance claims incurred and movement in liabilities to policyholders	**-**	-	-
Net operating income before loan impairment charges and other credit risk provisions	**1,188**	1,369	1,225
Loan impairment charges and other credit risk provisions	**(438)**	(391)	(943)
Net operating income	**750**	978	282
Operating expenses	**(519)**	(482)	(519)
Operating profit/(loss)	**231**	496	(237)
Share of profit in associates and joint ventures	**115**	147	49
Profit/(loss) before tax	**346**	643	(188)

North America

	Half-year to		
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Interest income	**8,637**	10,485	9,041
Interest expense	**(2,284)**	(3,308)	(2,548)
Net interest income	**6,353**	7,177	6,493
Fee income	**2,329**	2,805	2,691
Fee expense	**(528)**	(270)	(

			409)
Net fee income	**1,801**	2,535	2,282
Net trading income/(expense)	**(67)**	394	(63)
Changes in fair value of long-term debt issued and related derivatives	**412**	(1,507)	(1, 990)
Net income/(expense) from other financial instruments designated at fair value	**2**	(2)	3
Net income/(expense) from financial instruments designated at fair value	**414**	(1,509)	(1,987)
Gains less losses from financial investments	**118**	257	39
Dividend income	**21**	23	30
Net earned insurance premiums	**126**	164	145
Other operating income	**306**	292	274
Total operating income	**9,072**	9,333	7,213
Net insurance claims incurred and movement in liabilities to policyholders	**(72)**	(143)	(98)
Net operating income before loan impairment charges and other credit risk provisions	**9,000**	9,190	7,115
Loan impairment charges and other credit risk provisions	**(4,554)**	(8,538)	(7, 126)
Net operating income	**4,446**	652	(11)
Operating expenses	**(3,957)**	(4,362)	(4, 029)
Operating profit/(loss)	**489**	(3,710)	(4, 040)
Share of profit in associates and joint ventures	**3**	7	5
Profit/(loss) before tax	**492**	(3,703)	(4, 035)

Latin America

	Half-year to		
	30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Interest income	**5,434**	4,890	5,201
Interest expense	**(2,315)**	(2,270)	(2,248)
Net interest income	**3,119**	2,620	2,953
Fee income	**1,140**	1,060	1,170
Fee expense	**(285)**	(237)	(264)
Net fee income	**855**	823	906
Net trading income	**353**	599	249
Changes in fair value of long-term debt issued and related derivatives	**-**	-	-
Net income from other financial instruments designated at fair value	**130**	188	307
Net income from financial instruments designated at fair value	**130**	188	307
Gains less losses from financial investments	**53**	132	36
Dividend income	**5**	4	7
Net earned insurance premiums	**957**	724	1,176
Other operating income	**10**	61	72
Total operating income	**5,482**	5,151	5,706
Net insurance claims incurred and movement in liabilities to policyholders	**(767)**	(699)	(1,134)
Net operating income before loan impairment charges and other credit risk provisions	**4,715**	4,452	4,572
Loan impairment charges and other credit risk provisions	**(820)**	(1,385)	(1,141)
Net operating income	**3,895**	3,067	3,431

Operating expenses	**(3,013)**	(2,488)	(2,887)
Operating profit	**882**	579	544
Share of profit in associates and joint ventures	**1**	1	-
Profit before tax	**883**	580	544

13. Foreign currency amounts

The sterling and Hong Kong dollar equivalent figures in the consolidated income statement and balance sheet are for information only. These are translated at the average rate for the period for the income statement and the closing rate for the balance sheet as follows:

		Half-year to		
		30 June 2010 US$m	30 June 2009 US$m	31 December 2009 US$m
Closing:	HK$/US$	**7.787**	7.750	7.754
	£/US$	**0.667**	0.605	0.616
Average:	HK$/US$	**7.772**	7.753	7.751
	£/US$	**0.656**	0.673	0.611

14. Litigation

Bernard L. Madoff Investment Securities LLC

As referred to in the
Annual Report and Accounts 2009
, on 29 June 2009 Bernard L. Madoff ('Madoff') was sentenced to 150 years in prison following his guilty plea to fraud and other charges. The relevant US authorities are continuing their investigations into the fraud, and have brought charges against others, including several employees of Bernard L. Madoff Investment Securities LLC ('Madoff Securities') as well as its external auditor. Some details of the fraud have come to light as a result of these and other investigations and proceedings; however, significant uncertainty remains as to the facts of the fraud and the total amount of assets that will ultimately be available for distribution by the Madoff Securities trustee.

Various non-US HSBC companies provide custodial, administration and similar services to a number of funds incorporated outside the US whose assets were invested with Madoff Securities. Based on information provided by Madoff Securities, as at 30 November 2008, the aggregate net asset value of these funds (which would include principal amounts invested and unrealised gains) was US$8.4 billion. Proceedings concerning Madoff and Madoff Securities have been issued by different plaintiffs (including funds, fund investors, and the Madoff Securities trustee) in various jurisdictions against numerous defendants and HSBC expects further proceedings may be brought. Various HSBC companies have been named as defendants in suits in the US, Ireland, Luxembourg, and other jurisdictions. All of the cases where HSBC companies are named as a defendant are at an early stage. HSBC considers that it has good defences to these claims and will continue to defend them vigorously. HSBC is unable reliably to estimate the liability, if any, that might arise as a result of such claims.

Various HSBC companies have also received requests for information from various regulatory and law enforcement authorities in connection with the fraud by Madoff. HSBC companies are co-operating with these requests for information.

Other litigation

These actions apart, HSBC is party to legal actions in a number of jurisdictions including the UK, Hong Kong and the US arising out of its normal business operations. HSBC considers that none of the actions is material, and none is expected to result in a significant adverse effect on the financial position of HSBC, either individually or in the aggregate. Management believes that adequate provisions have been made in respect of the litigation arising out of its normal business operations. HSBC has not disclosed any contingent liability associated with these legal actions because it is not practical to do so.

15. Events after the balance sheet date

On 2 July 2010, the Group entered into an agreement to acquire The Royal Bank of Scotland Group plc's retail and commercial banking businesses in India. The total consideration will comprise a premium of up to US$95 million over the net asset value of the businesses being acquired. The purchase price will be reduced in respect of 90 per cent of any credit losses incurred on the unsecured lending portfolio in the two years subsequent to completion. The initial consideration paid will be reduced by an estimate of these losses with an adjustment to reflect the actual losses at the end of the 2 year protection period. The acquisition is subject to regulatory approvals and is expected to be completed in the first half of 2011.

On 28 July 2010 HSBC agreed in principle the sale of the remaining US consumer finance run-off portfolio of vehicle finance loans. The carrying amount of the loans at 30 June 2010 was US$4.3 billion. The transaction is expected to be completed in the second half of 2010.

A second interim dividend for the financial year ending 31 December 2010 of US$0.08 per ordinary share (approximately US$1,401 million) was declared by the Directors after 30 June 2010. The second interim dividend will be payable on 6 October 2010 to holders of record on 19 August 2010 on the Hong Kong Overseas Branch Register and 20 August 2010 on the Principal Register in the United Kingdom or the Bermuda Overseas Branch Register.

16. Forward-looking statements

This media release contains certain forward-looking statements with respect to the financial condition, results of operations and business of HSBC. These forward-looking statements represent HSBC's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, such as those that include the words 'potential', 'estimated', and similar expressions or variations on such expressions may be considered 'forward-looking statements'.

17. Statutory accounts

The information in this media release does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The
Interim Report 2010
was approved by the Board of Directors on 2 August 2010. The statutory accounts for the year ended 31 December 2009 have been delivered to the Registrar of Companies in England and Wales in accordance with Section 447 of the Companies Act 2006. The auditor has reported on those accounts. Its report was unqualified: did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The information in this media release does not constitute the unaudited interim consolidated financial statements which are contained in the
Interim Report 2010
. The unaudited interim consolidated financial statements have been reviewed by the Company's auditor, KPMG Audit Plc, in accordance with the guidance contained in the
International Standard on Review Engagements (UK and Ireland) 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity
issued by the Auditing Practices Board. On the basis of its review, KPMG Audit Plc was not aware of any material modifications that should be made to the unaudited consolidated financial statements as presented for the six months ended 30 June 2010 in the
Interim Report
to the shareholders. The full report of its review is included in the
Interim Report 2010
.

18. Dealings in HSBC Holdings plc shares

Except for dealings as intermediaries by HSBC Bank plc, HSBC Financial Products (France) SNC and The Hongkong and Shanghai Banking Corporation Limited, which are members of a European Economic Area exchange, neither HSBC Holdings plc nor any subsidiary undertaking has bought, sold or redeemed any securities of HSBC Holdings plc during the six months ended 30 June 2010.

19. Registers of shareholders

Any person who has acquired shares registered on the Hong Kong Overseas Branch Register but who has not lodged the share transfer with the Hong Kong Overseas Branch Registrar should do so before 4.00 pm on Thursday 19 August 2010 in order to receive the second interim dividend for 2010.

Any person who has acquired shares registered on the Principal Register in the United Kingdom or on the Bermuda Overseas Branch Register of shareholders but who has not lodged the share transfer with the Principal Registrar or the Bermuda Overseas Branch Registrar respectively, should do so before 4.00 pm on Friday 20 August 2010 in order to receive the dividend.

Removals of ordinary shares may not be made to or from the Hong Kong Overseas Branch Register on Friday 20 August 2010. Accordingly any person who wishes to remove shares to the Hong Kong Overseas Branch Register must lodge the removal request with the Principal Registrar in the United Kingdom or the Bermuda Branch Registrar by 4.00 pm on Wednesday 18 August 2010; any person who wishes to remove shares from the Hong Kong Overseas Branch Register must lodge the removal request with the Hong Kong Branch Registrar by 4.00 pm on Thursday 19 August 2010.

Transfers of American Depositary Shares should be lodged with the depositary by 12 noon on Friday 20 August 2010 in order to receive the dividend.

20. Proposed interim dividends for 2010

The Board has adopted a policy of paying quarterly dividends on the ordinary shares. Under this policy it is intended to have a pattern of three equal interim dividends with a variable fourth interim dividend. The proposed timetables for dividends payable on the ordinary shares in respect of 2010 that have not yet been declared are:

	Third interim dividend for 2010	Fourth interim dividend for 2010
Announcement	1 November 2010	28 February 2011
Shares quoted ex-dividend in London, Hong Kong, Paris and Bermuda	17 November 2010	16 March 2011
American Depository Shares quoted ex-dividend in New York	17 November 2010	16 March 2011
Record date in Hong Kong	18 November 2010	17 March 2011
Record date in London, New York, Paris and Bermuda[1]	19 November 2010	18 March 2011
Payment date	12 January 2011	5 May 2011

1
Removals to and from the Overseas Branch Register of shareholders in Hong Kong will not be permitted on these dates.

21. Final results

The results for the year to 31 December 2010 will be announced on Monday 28 February 2011.

22. Corporate governance

HSBC is committed to high standards of corporate governance.

HSBC Holdings has complied throughout the six months to 30 June 2010 with the applicable code provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council and the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board of HSBC Holdings has adopted a code of conduct for transactions in HSBC Group securities by Directors. The code of conduct complies with The Model Code in the Listing Rules of the Financial Services Authority and with The Model Code for Securities Transactions by Directors of Listed Issuers ('Hong Kong Model Code') set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save that The Stock Exchange of Hong Kong Limited has granted certain waivers from strict compliance with the Hong Kong Model Code. The waivers granted by The Stock Exchange of Hong Kong Limited primarily take into account accepted practices in the UK, particularly in respect of employee share plans. Following specific enquiry, each Director has confirmed he or she has complied with the code of conduct for transactions in HSBC Group securities throughout the period.

There have been no material changes to the information disclosed in the
Annual Report and Accounts 2009
in respect of the number and remuneration of employees, remuneration policies bonus and share option plans and training schemes.
The Directors of HSBC Holdings plc as at the date of this announcement are:
S K Green, M F Geoghegan, S A Catz†, V H C Cheng, M K T Cheung†, J D Coombe†, R A Fairhead†, D J Flint, A A Flockhart, S T Gulliver, J W J Hughes-Hallett†, W S H Laidlaw†, J R Lomax†, G Morgan†, N R N Murthy†, Sir Simon Robertson†, J L Thornton†and Sir Brian Williamson†.

†
Independent non-executive Director

The Group Audit Committee has reviewed the results for the six months to 30 June 2010.

23. Interim Report

The
Interim Report
2010
will be mailed to shareholders on or about 13 August 2010. Copies of the Interim Report and this Media Release may be obtained from Group Communications, HSBC Holdings plc, 8 Canada Square, London E14 5HQ, United Kingdom; from Group Communications (Asia), The Hongkong and Shanghai Banking Corporation Limited, 1 Queen's Road Central, Hong Kong; from Internal Communications, HSBC-North America, 26525 N Riverwoods Boulevard, Mettawa, Illinois 60045, USA; or from the HSBC Group website www.hsbc.com.

A Chinese translation of the
Interim Report 2010
may be obtained on request from Computershare Hong Kong Investor Services Limited, Hopewell Centre, Rooms 1712-1716, 17th Floor, 183 Queen's Road East, Hong Kong.

The
Interim Report 2010
will be available on the Stock Exchange of Hong Kong's website www.hkex.com.hk.

24. For further information contact:

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An interview with Michael Geoghegan, Group Chief Executive, and Douglas Flint,
Chief Financial Officer, Executive Director Risk and Regulation, will be available at
http://www.hsbc.com/interimresults
and through Cantos at
http://sites.cantos.com/hsbc/10/2010-interim-results/public/
.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HSBC Holdings plc