HSBC Bank plc

Additional Information 2015

HSBC

Additional Information 2015

Presentation of information

This document, which should be read in conjunction with the HSBC Bank plc Annual Report and Accounts 2015, contains certain additional information, including commentary on the group's results for 2014 compared to 2013 and certain statistical and other information not required to be included in the group's Annual Report and Accounts by either the UK Companies Act 2006 or by International Financial Reporting Standards.

With effect from 1 January 2013, the group's operating segments were revised to reflect internal changes made to the management structure. The revised segments are consistent with those reported to the bank's Executive Committee, the identified Chief Operating Decision Maker under IFRS 8.

'Prior period information', business commentary is provided on a reported and adjusted basis as published in the HSBC Bank plc Annual Report and Accounts 2014.

Contents

Prior period information

Financial highlights for the group 2014 and 2013

	2014	2013
For the year (£m)		
Profit on ordinary activities before tax (reported basis)	**1,953**	3,294
Total operating income	**14,202**	15,868
Net operating income before loan impairment charges and other credit risk provisions	**11,886**	12,840
Profit attributable to shareholders of the parent company	**1,354**	2,495
At year-end (£m)		
Total equity attributable to shareholders of the parent company	**36,078**	32,370
Risk weighted assets[1]	**243,652**	185,879
Loans and advances to customers (net of impairment allowances)	**257,252**	273,722
Customer accounts	**346,507**	346,358
Capital ratios[1] (%)		
Common Equity Tier 1 / Core Tier 1 ratio	**8.7**	12.1
Tier 1 ratio	**10.3**	13.0
Total capital ratio	**13.8**	18.0
Performance ratios (%)		
Risk adjusted revenue growth[2]	**(3.6)**	5.6
Return on average shareholders' equity of the parent company[3]	**4.2**	7.9
Post-tax return on average total assets	**0.2**	0.3
Pre-tax return on average risk-weighted assets	**0.8**	1.7
Dividend payout ratio[4]	**69.7**	48.7
Credit coverage ratios (%)		
Loan impairment charges as a percentage of total operating income	**3.2**	6.1
Loan impairment charges as a percentage of average gross customer advances	**0.2**	0.4
Efficiency and revenue mix ratios (%)		
Cost efficiency ratio (reported basis)[5]	**79.8**	66.8
As a percentage of total operating income:		
- net interest income	**46.7**	43.9
- net fee income	**23.0**	21.0
- net trading income	**11.3**	15.0
Financial ratios (%)		
Ratio of customer advances to customer accounts	**74.2**	79.0
Average total shareholders' equity to average total assets	**4.2**	3.8

1 *Current period RWAs and ratios are based on CRD IV rules. Comparative period RWAs and ratios are based on CRD III capital rules.*
2 *Risk-adjusted revenue growth is measured as the percentage change in reported net operating income after loan impairment and other credit risk charges compared to the previous year.*
3 *The return on average total shareholders' equity is defined as profit attributable to shareholders of the parent company divided by the average total shareholders' equity.*
4 *Dividends declared in respect of or for that year per ordinary share expressed as a percentage of basic earnings per share.*
5 *The cost efficiency ratio is defined as total operating expenses divided by net operating income before loan impairment charges and other credit risk provisions.*

Prior period information (continued)

Key Performance Indicators

The Board of Directors monitors the group's progress against its strategic objectives on a regular basis. Progress is assessed by comparison with the group strategy, operating plan targets and historical performance. Further information on the key performance indicators is given on page 7 of the *Annual Report and Accounts 2015*.

Financial KPIs

	2014	2013
	%	%
Risk adjusted revenue growth	**(3.6)**	5.6
Cost efficiency ratio	**79.8**	66.8
Pre-tax return on average risk-weighted assets ratio	**0.8**	1.7
CET 1 / Core tier 1 capital ratio	**8.7**	12.1

Financial summary

Summary consolidated income statement for the year ended

	2014	2013
	£m	£m
Net interest income	**6,629**	6,961
Net fee income	**3,266**	3,336
Trading income	**1,609**	2,373
Net income from financial instruments designated at fair value	**371**	900
Gains less losses from financial investments	**321**	100
Net insurance premium income	**1,823**	2,022
Other operating income	**183**	176
Total operating income[1]	**14,202**	15,868
Net insurance claims, benefits paid and movement in liabilities to policyholders	**(2,316)**	(3,028)
Net operating income before loan impairment and other credit risk provisions	**11,886**	12,840
Loan impairment charges and other credit risk provisions	**(449)**	(971)
Net operating income	**11,437**	11,869
Total operating expenses[1]	**(9,487)**	(8,575)
Operating profit	**1,950**	3,294
Share of profit in associates and joint ventures	**3**	–
Profit before tax	**1,953**	3,294
Tax expense	**(564)**	(754)
Profit for the year	**1,389**	2,540
Profit attributable to shareholders of the parent company	**1,354**	2,495
Profit attributable to non-controlling interests	**35**	45

1 *Total operating income and expenses include significant items as detailed on pages 7 and 8.*

Prior period information (continued)

Review of business performance

2014 compared with 2013

HSBC Bank plc and its subsidiary undertakings reported profit before tax of £1,953 million, £1,341 million or 41 per cent lower than 2013.

The decrease in profit before tax was primarily due to a number of significant items including provisions arising from the on-going review of compliance with the Consumer Credit Act ('CCA') in the UK and settlements and provisions in connection with foreign exchange investigations. In addition, there was a reduction in Markets revenues in GB&M and lower insurance revenues in RBWM.

Progress continues to be made in streamlining our processes and procedures. This is designed to reduce complexity and lower costs in a sustainable way. Total restructuring costs of £72 million were incurred as a result of streamlining these businesses and other initiatives which delivered sustainable cost savings of approximately £312 million.

In RBWM we expanded our mortgage distribution channels to include a specific intermediary, in order to reach the growing proportion of the mortgage market in the UK that wish to source its finance through intermediaries. In France, we continued to experience strong growth in home loans. In Turkey, the regulator imposed interest rates caps on overdrafts and credit cards which affected revenue.

In CMB, overall UK lending, both new lending and re-financing, continued to grow compared to 2013. In addition, Business Banking launched a campaign to offer further support and lending to SME customers. Lending in Global Trade and Receivables Finance also grew. In France, the Payments and Cash Management business implemented the Single Euro Payments Area platform ('SEPA') for euro-denominated credit transfer and direct debit payments across European locations. In addition, following the success of the SME fund in 2013, CMB allocated a further fund to support customers seeking international growth.

In GB&M, as part of the re-shaping of the business in 2013, we brought together all our financing businesses in Capital Financing in the UK. We increased our sector expertise and enhanced our geographic spread by appointing two new co-heads of UK Banking. In 2014, the advisory and equity capital markets businesses within Capital Financing experienced volume growth that outstripped the market. In France, GB&M acted as sole advisor on one of the largest M&A transactions in Europe.

GPB continued to reposition its business model and focus its client base by reviewing portfolios and ensuring that all clients comply with Global Standards including financial crime compliance and tax transparency standards.The business continued to focus on clients with wider Group connectivity within the home and priority markets, as well as reducing the number of clients in non-priority markets.

Items which are significant in a comparison of 2014 results to 2013 have been summarised on pages 18 to 19.

Net interest income decreased by £332 million or 5 per cent. The decrease was primarily due to provisions of £379 million arising from the on-going review of compliance with the CCA in 2014. Excluding this, net interest income increased by £47 million mainly due to increased spreads in term lending and growth in deposit volumes in Payments and Cash Management in the UK.

Net fee income decreased by £70 million or 2 per cent. In RBWM the reduction in fee income in the UK was due to a higher level of fees payable under partnership agreements as well as lower overdrafts and investment fees. This was partially offset by an increase in GB&M due to lower fees paid to HSBC entities in other regions relating to reduced Foreign Exchange trading activities undertaken on behalf of their clients.

Trading income decreased by £764 million or 32 per cent. The reduction includes a number of significant items including negative fair value adjustments on non-qualifying hedges in our French home loan portfolio in RBWM of £155 million and an adverse movement in the derivatives debit valuation adjustment ('DVA') of £143 million in GB&M. Excluding this, net trading revenue decreased in GB&M primarily driven by Markets. This included the introduction of the funding fair value adjustment ('FFVA') on certain derivative contracts which resulted in a charge of £152 million affecting Rates and Credit.

Revenues also fell in Foreign Exchange reflecting lower volatility and reduced client flows. In addition, revenue decreased in Equities as 2013 benefited from higher revaluation gains, which more than offset the increase in revenue from increased client flows and higher derivatives income.

This decrease was partially offset by favourable foreign exchange movements on trading assets held as economic hedges against issued foreign currency debt designated at fair value, compared to 2013. These offset adverse foreign exchange movements on the foreign currency debt reported in "Net income from financial instruments designated at fair value".

Net income from financial instruments designated at fair value decreased by £529 million compared to 2013. Of this, £296 million was due to adverse foreign exchange movements on economically hedged foreign currency debt in GB&M. In addition, income arising from financial assets held to meet liabilities under insurance and investment contracts decreased reflecting lower net investment returns in 2014 compared to 2013. These returns reflected weaker equity market movements in the UK and France.

This was partially offset by favourable credit spread-related movements in the fair value of the group's own long-term debt of £17 million compared to adverse fair value movements of £167 million in 2013.

Gains less losses from financial investments increased by £221 million, primarily due to higher net disposal gains in the legacy portfolio partly offset by lower available-for-sale gains in GB&M Balance Sheet Management, notably in the UK.

Net insurance premium income decreased by £199 million or 10 per cent. This was mainly as a result of lower volumes following the run-off of business from independent financial advisor distribution channels in the UK in 2013.

Other operating income was broadly in line with 2013. A gain arising from external hedging of an intra-group financing transaction was mostly offset by a decrease in

Prior period information (continued)

the Present Value of In-Force ('PVIF') long term insurance business in France RBWM.

Net insurance claims, benefits paid and movement in liabilities to policyholders decreased by £712 million or 24 per cent. This reflected a net trading loss on economic hedges and a decrease in business volumes. In addition, there was a decrease in investment returns on assets held to support policyholder contracts where the policyholder bears investment risk from weaker equity market movements in 2014 compared to 2013 in the UK and France.

Loan impairment charges and other credit risk provisions decreased by £522 million or 54 per cent. This was due to lower individually assessed provisions in UK CMB reflecting improved portfolio quality and the economic environment. GB&M in the UK recorded reduced loan impairment charges due to lower individually assessed provisions and higher net releases of credit risk provisions on available-for-sale asset backed securities. This was partly offset by an increase due to a revision in certain estimates in our corporate collective loan impairment calculation. In RBWM, loan impairment charges decreased as a result of lower delinquency levels in the improved economic environment and as customers continued to reduce outstanding credit card and loan balances.

Total operating expenses increased by £912 million or 11 per cent. This was primarily due to a number of significant items including settlements and provisions in connection with foreign exchange investigations in GB&M and the non-recurrence of a 2013 accounting gain of £280 million arising from a change in basis of delivering ill-health benefits in the UK. In addition expenses were higher due to the timing of the recognition of the Financial Services Compensation Scheme ('FSCS') levy in the UK and from growth in regulatory programmes and compliance related costs across all of our businesses.

The increase in expenses was partially offset by lower litigation costs. Customer redress provisions broadly remained in line with 2013. Litigation related expenses decreased by £365 million, reflecting an insurance recovery recognised in 2014 relating to Madoff litigation costs that had been recognised in 2013, and which did not recur in 2014. Compared to 2013, redress provisions did not include a £96 million charge relating to investment advice redress, but included an additional charge of £583 million (2013: £483 million) for estimated redress for possible mis-selling in previous years of payment protection insurance ('PPI') policies and £175 million (2013: £166 million) in respect of interest rate protection products.

During 2014 the group maintained its strict cost control discipline and benefited from the delivery of organisational effectiveness programmes. The number of employees, expressed in fulltime equivalent numbers at the end of 2014 was 1 per cent higher compared to 2013. This was primarily as a result of the initiatives related to Regulatory Programmes and Compliance in part offset by sustainable savings programmes and business disposals.

Tax expense totalled £564 million in 2014, compared to £754 million in 2013. The effective tax rate for 2014 was 28.9 per cent, compared to 22.9 per cent in 2013.

The effective tax rate for 2014 of 28.9 per cent was higher than the UK corporation tax rate of 21.5 per cent due to the non-deductible settlements and provisions in connection with foreign exchange investigations offset in part by the recognition of losses previously not recognised for tax purposes overseas.

Prior period information (continued)

Review of business position

Summary consolidated balance sheet

	2014 £m	2013 £m
Total assets	**797,289**	811,695
Cash and balances at central banks	**42,853**	67,584
Trading assets	**130,127**	134,097
Financial assets designated at fair value	**6,899**	16,661
Derivative assets	**187,736**	137,239
Loans and advances to banks	**25,262**	23,013
Loans and advances to customers	**257,252**	273,722
Reverse repurchase agreements – non-trading	**41,945**	61,525
Financial investments	**76,194**	75,030
Other	**29,021**	22,824
Total liabilities	**760,591**	778,776
Deposits by banks	**27,590**	28,769
Customer accounts	**346,507**	346,358
Repurchase agreements – non-trading	**23,353**	65,573
Trading liabilities	**82,600**	91,842
Financial liabilities designated at fair value	**22,552**	34,036
Derivative liabilities	**188,278**	137,352
Debt securities in issue	**27,921**	32,895
Liabilities under insurance contracts issued	**17,522**	19,228
Other	**24,268**	22,723
Total equity	**36,698**	32,919
Total shareholders' equity	**36,078**	32,370
Non-controlling interests	**620**	549

Movements in 2014

Total reported assets were £797 billion, 2 per cent lower than at 31 December 2013.

The group maintained a strong and liquid balance sheet with the ratio of customer advances to customer accounts slightly decreasing to 74.2 per cent (2013: 79.0 per cent). This was due to customer advances decreasing by 6 per cent whilst the amount of customer deposits remained stable.

The group's Common Equity Tier 1 ratio was 8.7 per cent (2013: Core Tier 1 ratio: 12.1 per cent). Risk-weighted assets of £243,652 million were 31 per cent higher than at 31 December 2013, principally reflecting the transition to CRD IV.

Assets

Cash and balances at central banks decreased by 37 per cent reflecting a reduction in excess liquidity.

Trading assets decreased by 3 per cent predominantly due to maturing reverse repos held for trading. New reverse repo transactions are now classified as 'non-trading' if they are mainly for funding purposes. This was partially offset by an increased holding of equity securities in the UK where there has been a rise in equity positions in respect of forward trading, driven by increased client activity, predominantly in the Equity Finance business.

Financial assets designated at fair value decreased by 59 per cent, primarily reflecting the decision to sell the pension insurance business in the UK as part of a strategic decision to cease manufacturing pensions in the UK insurance business. These assets have been classified as *'Held for sale'* and reported as part of *'Other assets'*. In addition, the termination and derecognition of back-to-back structured trades led to a decline in the amount of financial assets designated at fair value. A corresponding decline is reported in '*financial liabilities designated at fair value'*.

Derivative assets increased by 37 per cent, principally as a result of shifts in yield curves which led to an increase in the fair value of interest rate contracts. In addition, the fair value of foreign exchange contracts increased as a result of favourable exchange rate movements in the currency markets.

Loans and advances to banks increased by 10 per cent principally driven by higher placements with financial institutions.

Loans and advances to customers decreased by 6 per cent, as we aligned our approach in our Payments and Cash Management business to be more globally consistent, resulting in a reduction in corporate overdraft balances as clients reduced their overdraft and deposit balances which were previously subject to net interest arrangements. This was partially offset by an increase in term lending to corporate and commercial customers, notably in the second half of the year.

Reverse repurchase agreements – non trading decreased by 32 per cent due to an underlying reduction in reverse repo trades and an increased level of netting.

Financial investments were stable, with no major movement period-on-period.

Other assets increased by 27 per cent due to the reclassification of the UK pension insurance business as *'Held for sale'*, the transfer of the precious metal

Prior period information (continued)

business to the bank and an increase in the surplus of the defined benefit scheme.

Liabilities

Deposits by banks decreased by 4 per cent, reflecting a decrease in money market balances across a number of banks.

Customer accounts remained stable year-on-year. Growth in the Payments and Cash Management business and a rise in RBWM balances reflecting customers' continued preference for holding balances in current and savings accounts was offset by the reduction in deposit balances which were previously subject to net interest arrangements.

Repurchase agreements – non trading decreased by 64 per cent. This reflected maturing repo positions that were not replaced due to lower funding requirements and a higher number of repo trades eligible for netting.

Trading liabilities decreased by 10 per cent due to a reduction in net short bond and stock lending positions and maturing repo held for trading positions.

Financial liabilities designated at fair value decreased by 34 per cent predominately due to the reclassification of the UK pension insurance business as *'Held for sale'* reported as part of '*Other liabilities*'. In addition, as aforementioned, the termination and derecognition of back-to-back structured trades led to a decline in the amount of financial liabilities designated at fair value.

The derivative businesses are managed within market risk limits and the increase in the value of *'Derivative liabilities'* broadly matched that of *'Derivative assets'*.

Debt securities in issue decreased by 15 per cent due to net redemptions of debt securities in issue.

Liabilities under insurance contracts decreased by 9 per cent as a result of the agreed sale of the UK pension insurance business.

Other liabilities increased by 7 per cent predominantly due to the reclassification of the UK pension insurance business as *'Held for sale'* partially offset by net redemptions of subordinated liabilities.

Equity

Total shareholders' equity increased by 11 per cent principally due to the issuance of new tier 1 capital instruments during the year, as well as increases in retained earnings.

Prior period information (continued)

Performance and Business Review

Profit on ordinary activities before tax

	2014 £m	2013 £m
Retail Banking and Wealth Management	**213**	1,177
Commercial Banking	**1,592**	1,333
Global Banking and Markets	**(19)**	1,023
Global Private Banking	**115**	140
Other/Intersegment	**52**	(379)
	1,953	3,294

HSBC Bank plc and its subsidiaries reported a profit before tax of £1,953 million, £1,341 million or 41 per cent lower than 2013.

CMB reported significantly higher profits in 2014 while reported profits reduced across RBWM, GB&M and GPB.

Use of non-GAAP financial measures

Our reported results are prepared in accordance with IFRSs as detailed in the Financial Statements on page 105. In measuring our business performance, the primary financial measure that we use is 'adjusted performance', which has been derived from our reported results in order to eliminate factors which distort year-on-year comparisons. This is considered to be a non-GAAP financial measure.

Adjusted performance

Adjusted performance is computed by adjusting reported results for the year-on-year effects of significant items which distort year-on-year comparisons.

In 2014, we modified our business performance reporting to better align it with the way we view our performance internally and with feedback received from investors. We use the term 'significant items' to collectively describe the group of individual adjustments which are excluded from reported results when arriving at adjusted performance. Significant items, which are detailed below, are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business.

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

The following business commentary is on an adjusted basis, all tables are on a reported basis and the graphs provide a reconciliation between reported and adjusted basis, unless stated otherwise.

Significant revenue items by business segment

	RBWM £m	CMB £m	GB&M £m	GPB £m	Other £m	Total £m
2014						
Change in credit spread on long-term debt	**–**	**–**	**–**	**–**	**17**	**17**
Debit valuation adjustment on derivative contracts	**–**	**–**	**(143)**	**–**	**–**	**(143)**
Fair value movement on non-qualifying hedges	**(155)**	**1**	**3**	**–**	**–**	**(151)**
Provisions arising from the on-going review of compliance with the Consumer Credit Act in the UK	**(337)**	**(16)**	**–**	**(26)**	**–**	**(379)**
Year ended 31 December	**(492)**	**(15)**	**(140)**	**(26)**	**17**	**(656)**
2013						
Change in credit spread on long-term debt	–	–	–	–	(167)	(167)
Debit valuation adjustment on derivative contracts	–	–	45	–	–	45
Fair value movement on non-qualifying hedges	33	–	(41)	–	–	(8)
Year ended 31 December	33	–	4	–	(167)	(130)

Prior period information (continued)

Significant cost items by business segment

	RBWM £m	CMB £m	GB&M £m	GPB £m	Other £m	Total £m
2014						
UK customer redress programmes	**602**	**85**	**90**	**–**	**–**	**777**
Restructuring and other related costs	**15**	**8**	**14**	**–**	**35**	**72**
Madoff related litigation costs	**–**	**–**	**(172)**	**–**	**–**	**(172)**
Settlements and provisions in conncection with foreign exchange investigations	**–**	**–**	**746**	**–**	**–**	**746**
Year ended 31 December	**617**	**93**	**678**	**–**	**35**	**1,423**
2013						
UK customer redress programmes	610	91	84	2	–	787
Restructuring and other related costs	41	18	6	1	30	96
Madoff related litigation costs	–	–	193	–	–	193
Operational losses (dissolved company)	–	(10)	–	–	–	(10)
Gain on change in delivering ill-health benefits	(123)	(104)	(53)	–	–	(280)
Year ended 31 December	528	(5)	230	3	30	786

Net impact on profit before tax by business segment

	RBWM £m	CMB £m	GB&M £m	GPB £m	Other £m	Total £m
2014						
Reported profit before tax	**213**	**1,592**	**(19)**	**115**	**52**	**1,953**
Less significant revenue items	**(492)**	**(15)**	**(140)**	**(26)**	**17**	**(656)**
Add significant cost items	**617**	**93**	**678**	**–**	**35**	**1,423**
Adjusted profit before tax year ended 31 December	**1,322**	**1,700**	**799**	**141**	**70**	**4,032**
Net impact on reported profit and loss	**1,109**	**108**	**818**	**26**	**18**	**2,079**
2013						
Reported profit before tax	1,177	1,333	1,023	140	(379)	3,294
Less significant revenue items	33	–	4	–	(167)	(130)
Add significant cost items	528	(5)	230	3	30	786
Adjusted profit before tax year ended 31 December	1,672	1,328	1,249	143	(182)	4,210
Net impact on reported profit and loss	495	(5)	226	3	197	916

Prior period information (continued)

Retail Banking and Wealth Management

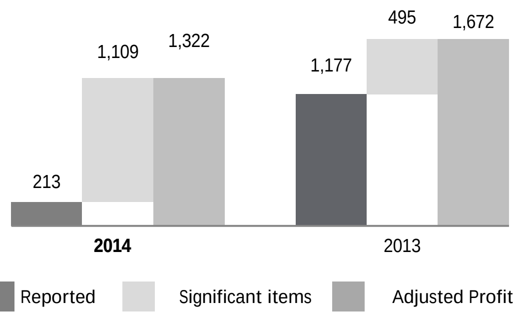
	2014 £m	2013 £m
Net interest income	**3,158**	3,569
Net fee income	**1,356**	1,502
Trading income	**(149)**	147
Other income	**(157)**	(147)
Net operating income before impairments and provisions	**4,208**	5,071
Loan impairment charges and other credit risk provisions	**(162)**	(223)
Net operating income	**4,046**	4,848
Total operating expense	**(3,834)**	(3,673)
Operating profit	**212**	1,175
Share of profit in associates and joint ventures	**1**	2
Profit before tax	**213**	1,177

Profit before tax – by country

	2014 £m	2013 £m
United Kingdom	**381**	995
France	**(113)**	182
Germany	**17**	19
Turkey	**(94)**	(47)
Malta	**16**	22
Other	**6**	6
Profit before tax	**213**	1,177

Review of performance

Profit before tax (£m)



RBWM reported a profit before tax of £213 million, £964 million or 82 per cent lower than 2013.

On an adjusted basis, RBWM profit before tax was £1,322 million compared to £1,672 million in 2013, primarily due to a reduction in UK revenues.

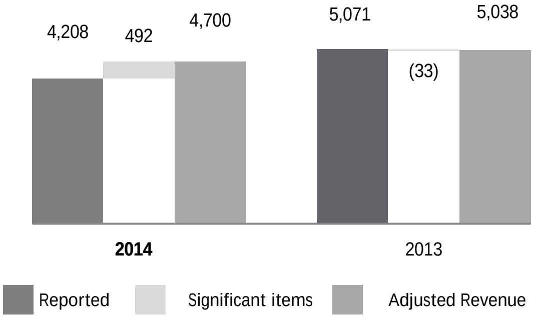
Business highlights

In the UK RBWM approved £11.4 billion of new mortgage lending to over 118,000 customers, including £3.5 billion to over 27,500 first time buyers. Drawn down mortgage balances, however, remained broadly unchanged. The loan-to-value ('LTV') ratio on new lending was 60 per cent compared with an average of 43.7 per cent for the total mortgage portfolio. In 2014, the business expanded its mortgage distribution channels to include a specific intermediary, in order to reach the growing percentage of the mortgage finance market in the UK who wish to source their finance through intermediaries

In France, RBWM continued to experience strong growth in home loans. In Turkey, interest rate caps imposed on credit cards and overdrafts by the regulator resulted in a reduction in revenue.

Review of adjusted performance

Revenue (£m)



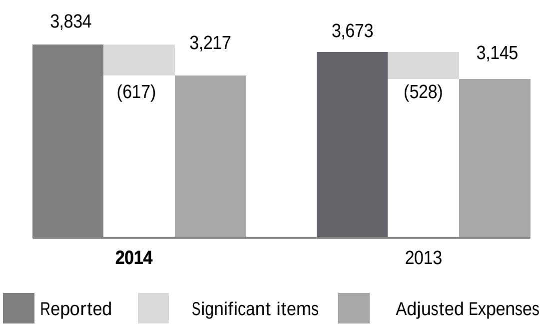
Revenue decreased by £338 million mainly in the UK and to a lesser extent in France and Turkey.

UK revenue reduced marginally due to spread compression, primarily on mortgages. In addition, fee income fell as a result of higher fees payable under partnership agreements and lower fee income from investment products and overdrafts. These factors were partly offset by improved spreads on savings products and higher current account balances.

In France, revenues were lower primarily in the insurance business due to adverse movements in the Present Value of In-Force ('PVIF') business, reflecting a fall in yields which increased the costs of guarantees on the savings business, compared to favourable movements in 2013. In addition, revenues in Turkey were adversely affected by a reduction in net interest income primarily due to interest rate caps on cards and overdrafts imposed by the local regulator, partly offset by an increase in card fees.

Loan impairment charges decreased in the UK due to lower delinquency levels in the improved economic environment and as customers continued to reduce outstanding credit card and loan balances. This was partly offset by an increase in Turkey due to regulatory changes adversely impacting the card portfolio.

Operating expenses (£m)



Operating expenses were £72 million or 2 per cent higher than 2013. In the UK this reflected the timing of the recognition of the Financial Services Compensation Scheme ('FSCS') levy and an increase in compliance and regulatory programme expenses in line with the implementation of Global Standards. This was partly offset by sustainable cost savings.

Prior period information (continued)

Commercial Banking

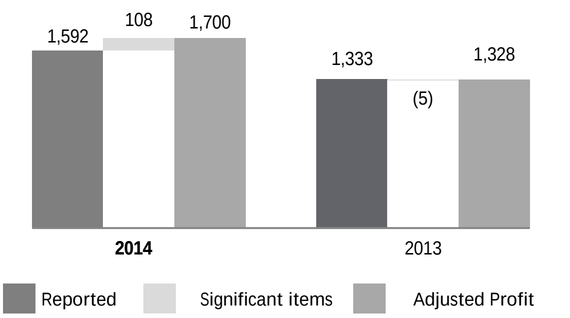
	2014 £m	2013 £m
Net interest income	**2,195**	2,144
Net fee income	**1,153**	1,143
Trading income	**21**	23
Other income	**65**	60
Net operating income before impairments and provisions	**3,434**	3,370
Loan impairment charges and other credit risk provisions	**(308)**	(601)
Net operating income	**3,126**	2,769
Total operating expenses	**(1,535)**	(1,437)
Operating profit	**1,591**	1,332
Share of profit in associates and joint ventures	**1**	1
Profit before tax	**1,592**	1,333

Profit before tax – by country

	2014 £m	2013 £m
United Kingdom	**1,377**	1,075
France	**146**	163
Germany	**43**	45
Turkey	**2**	24
Malta	**10**	33
Other	**14**	(7)
Profit before tax	**1,592**	1,333

Review of performance

Profit before tax (£m)



CMB reported a profit before tax of £1,592 million, £259 million or 19 per cent higher than 2013.

On an adjusted basis, CMB profit before tax was £1,700 million compared to £1,328 million in 2013, an increase of £372 million or 28 per cent. The increase in profit was primarily due to a reduction in loan impairment charges from lower levels of individually assessed provisions in the UK and Spain.

Business highlights

In the UK overall CMB lending increased by 7 per cent compared with 2013, with new lending and re-financing before attrition and amortisation increasing by 38 per cent and approvals of over 85 per cent for small business loan applications. Business Banking launched a campaign to offer support and lending to SME customers, making £5.8 billion of future lending available to help finance growth across the UK. Lending in Global Trade and Receivables Finance grew by 3 per cent, building on our position in Trade Finance and reducing attrition from our existing clients in Receivables Finance.

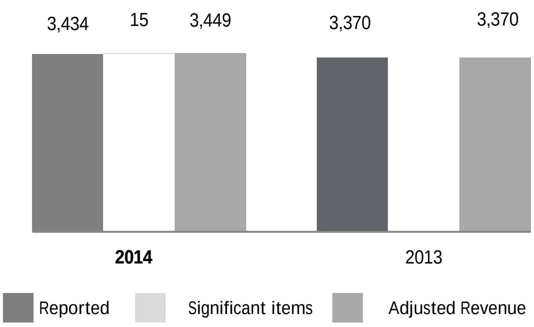
In France, our Payments and Cash Management business implemented the Single Euro Payments Area platform (‘SEPA’) for euro-denominated credit transfer and direct debit payments across European locations. This allows clients to make and receive payments in euros from their HSBC accounts in the 34 countries that have implemented SEPA, under a consistent set of standards, rules and conditions. In addition, CMB allocated a further £1.2 billion to the SME fund and approved over £1.6 billion of lending in 2014.

In Germany, as part of our growth initiative, we opened three branches in Dortmund, Cologne and Mannheim, increased the number of relationship managers by 26 per cent and held a number of roadshows in countries including France, mainland China and the UK to reinforce Germany as a key international hub.

In Turkey we launched a £0.6 billion International Fund in order to provide sustainable support and global connectivity for international businesses, of which £0.3 billion was drawn down.

Review of adjusted performance

Revenue (£m)



Revenue increased primarily in the UK and Germany partially offset by lower revenues in Turkey.

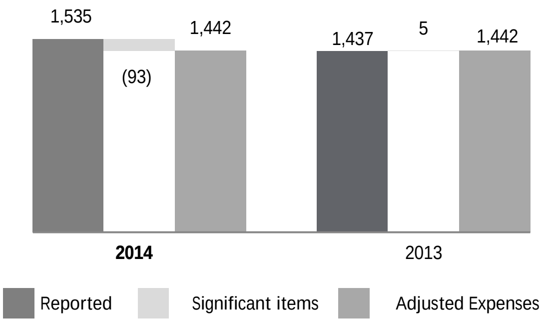
In the UK revenue increased from wider spreads in term lending and growth in deposit volumes in Payments and Cash Management. In addition, there was an increase in net fee income, partly reflecting higher volumes of new business in the Large Corporate and Mid-Market segments.

In Germany revenue grew by 11 per cent from increased volumes in Credit and Lending, reflecting the growth initiatives implemented earlier in the year. In Turkey revenues were lower due to the impact of the regulatory interest rate cap on overdrafts.

Loan impairment charges decreased primarily in the UK and to a lesser extent in Spain due to lower individually assessed provisions, reflecting the enhanced quality of the portfolio and improved economic conditions. This was partially offset by higher individually assessed provisions in France.

Prior period information (continued)

Operating expenses (£m)



Operating expenses of £1,442 million were in line with 2013. An increase in expenses was driven by the timing of the recognition of the FSCS levy in the UK and increased investment in front-line staff in Germany and wage inflation. This was offset by the benefits delivered through re-engineering of business processes.

Global Banking and Markets

	2014	2013
	£m	£m
Net interest income[1]	**1,180**	1,101
Net fee income	**643**	588
Trading income[1]	**1,637**	2,192
Other income	**219**	400
Net operating income before impairments and provisions	**3,679**	4,281
Loan impairment charges and other credit risk provisions	**16**	(133)
Net operating income	**3,695**	4,148
Total operating expenses	**(3,715)**	(3,122)
Operating profit	**(20)**	1,026
Share of profit in associates and joint ventures	**1**	(3)
Profit before tax	**(19)**	1,023

1 *The bank's Balance Sheet Management business, reported within GB&M, provides funding to the trading businesses. To report GB&M Trading income on a fully funded basis, Net interest income and Trading income are grossed up to reflect internal funding transactions prior to their elimination in the Inter Segment column.*

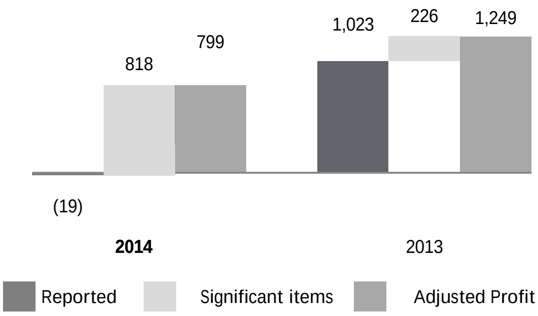
Profit before tax – by country

	2014	2013
	£m	£m
United Kingdom	**(708)**	667
France	**212**	227
Germany	**99**	115
Turkey	**56**	70
Malta	**17**	22
Other[1]	**305**	(78)
Profit before tax	**(19)**	1,023

1 *Refer to Madoff related litigation costs in the significant items table on pages 7 and 8 for details of year-on-year movement.*

Review of performance

Profit before tax (£m)



GB&M reported a loss of £19 million, £1,042 million lower than 2013.

On an adjusted basis, GB&M profit before tax was £799 million compared to £1,249 million in 2013, a decrease of £450 million or 36 per cent primarily due to a reduction in Markets revenues and higher operating expenses.

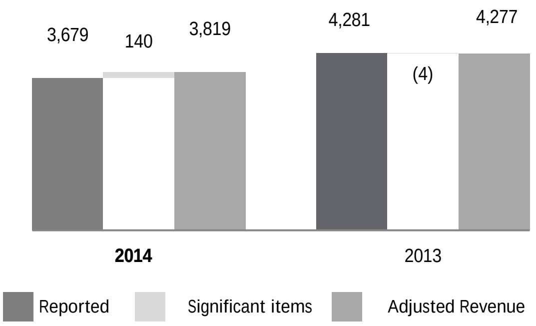
Business highlights

In the UK, as part of the re-shaping of the GB&M business in 2013, we brought together all of the financing businesses in Capital Financing, including lending, debt capital markets and equity capital markets. We increased our sector expertise and enhanced our geographical spread by appointing two new co-heads of UK Banking. In 2014, the advisory and equity capital markets businesses within Capital Financing experienced volume growth that outstripped the market.

In France, we acted as sole advisor on one of the largest M&A transactions in Europe.

Review of adjusted performance

Revenue (£m)



Revenue decreased compared with 2013 primarily driven by Markets. In the UK, this reduction included the introduction of the funding fair value adjustment ('FFVA') on certain derivative contracts which resulted in a charge of £152 million, affecting Rates and Credit.

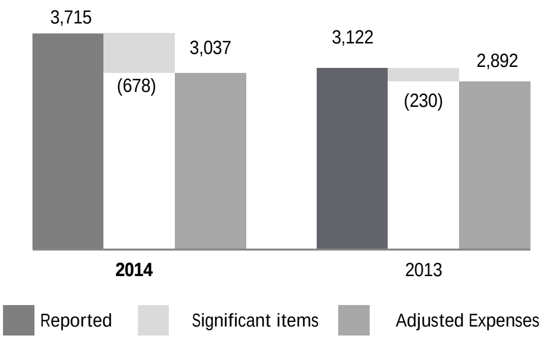
Prior period information (continued)

Revenue also fell in Foreign Exchange reflecting lower volatility and reduced client flows. In addition, revenue decreased in Equities as 2013 benefited from higher revaluation gains, which more than offset the increase in revenue from increased client flows and higher derivatives income.

In France, revenue decreased in Rates due to lower volatility and levels of market activity.

Loan impairment charges decreased primarily in the UK due to lower individually assessed provisions and higher net releases of credit risk provisions on available-for-sale Asset-Backed Securities. This was partly offset by an increase in collective impairment charges and higher individually assessed provisions in France.

Operating expenses (£m)



Operating expenses were £145 million or 5 per cent higher than 2013 primarily in the UK reflecting growth in regulatory programmes and compliance related costs along with increased staff costs. This was partly offset by lower litigation costs in France.

Global Private Banking

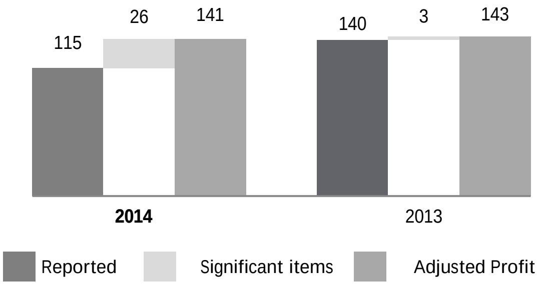
	2014 £m	2013 £m
Net interest income	**203**	224
Net fee income	**112**	100
Trading income	**11**	10
Other income	**(2)**	(4)
Net operating income before impairments and provisions	**324**	330
Loan impairment charges and other credit risk provisions	**4**	(14)
Net operating income	**328**	316
Total operating expenses	**(213)**	(176)
Operating profit	**115**	140
Share of profit in associates and joint ventures	**–**	–
Profit before tax	**115**	140

Profit before tax – by country

	2014 £m	2013 £m
United Kingdom	**100**	99
France	**–**	13
Germany	**16**	28
Turkey	**–**	–
Malta	**–**	–
Other	**(1)**	–
Profit before tax	**115**	140

Review of performance

Profit before tax (£m)



GPB reported a profit before tax of £115 million, £25 million or 18 per cent lower than 2013.

GPB adjusted profit before tax was £141 million compared to £143 million in 2013, a decrease of £2 million.

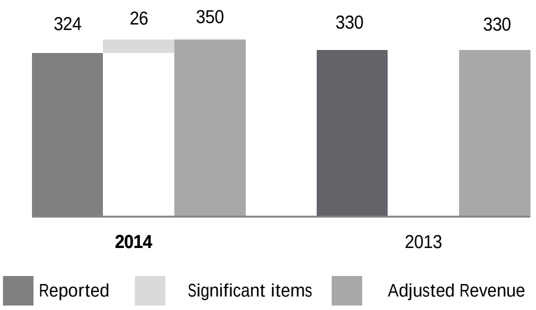
Business highlights

GPB continued to reposition its business model and target its client base by reviewing portfolios and ensuring that all clients comply with Global Standards including financial crime compliance and tax transparency standards.

The business continued to focus on clients with wider Group connectivity within the home and priority markets, as well as reduce the number of clients in non-priority markets.

Review of adjusted performance

Revenue (£m)



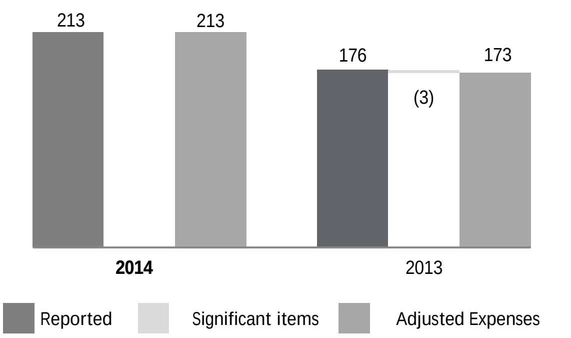
Revenue in the UK increased primarily due to the acquisition of Channel Islands entities from HSBC Private Banking Holdings (Suisse) SA in December 2013.

In Germany, revenues declined reflecting the disposal of an off-shore portfolio by HSBC Trinkaus & Burkhardt AG in 2014.

Loan impairment charges decreased due to collective impairment provision releases and lower individually assessed provisions compared to charges in the UK in 2013.

Prior period information (continued)

Operating expenses (£m)

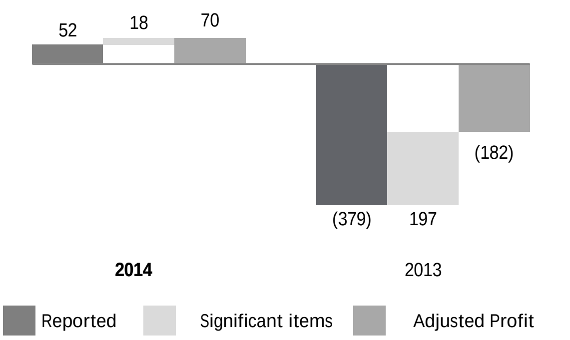


Operating expenses increased by £40 million or 23 per cent compared to 2013. The increase in the UK was principally due to the acquisition of Channel Islands entities from HSBC Private Banking Holdings (Suisse) SA in December 2013. In addition, operating expenses increased in France due to the non-recurrence of a recovery of a litigation provision in 2013. This was partly offset by lower expenses resulting from the disposal of an off-shore portfolio by HSBC Trinkaus & Burkhardt AG, Germany in 2014.

Other

	2014 £m	2013 £m
Net interest income	**(42)**	(73)
Net fee income	**2**	3
Trading income	**24**	(22)
Change in credit spread on long-term debt	**17**	(167)
Other income	**323**	102
Net operating income before impairments and provisions	**324**	(157)
Loan impairment charges and other credit risk provisions	**1**	–
Net operating income/(expense)	**325**	(157)
Total operating expenses	**(273)**	(222)
Operating (loss)/profit	**52**	(379)
Share of profit in associates and joint ventures	**–**	–
Profit/(loss) before tax	**52**	(379)

Profit before tax (£m)

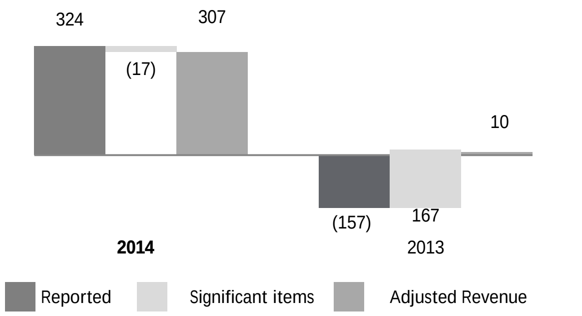


Other profit before tax was £52 million compared to a loss of £379 million in 2013, an increase of £431 million.

Other adjusted profit before tax was £70 million compared to a loss of £182 million in 2013, an increase of £252 million.

Review of adjusted performance

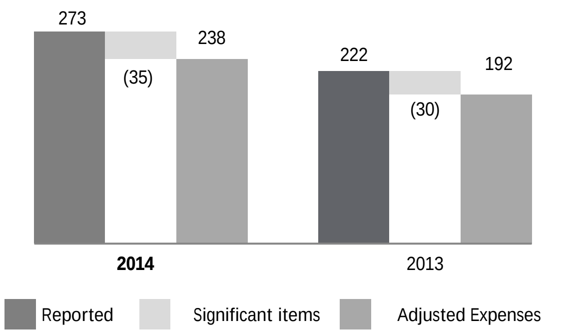
Revenue (£m)



Revenue increased primarily due to gain arising from external hedging of an intra-group financing transaction of £114 million and favourable fair value movements of £25 million from interest and exchange rate ineffectiveness in the hedging of long-term debt issued principally by the group in 2014 compared to adverse movements of £46 million in 2013.

In addition, other operating income and other operating expenses increased as a result of higher intra-group recharges in line with the increase in costs from centralised activities.

Operating expenses (£m)



Operating expenses increased by £46 million compared to 2013 which was mainly due to intra-group recharges.

Other information

Average balance sheet and net interest income

Average balances are based on daily averages of the group's banking activities with monthly or less frequent averages used elsewhere. Net interest margin numbers are calculated by dividing net interest income as reported in the income statement by the average interest-earning assets from which interest income is reported within the *'Net interest income'* line of the income statement. Interest income and interest expense arising from trading assets and liabilities and the funding thereof is included within *'Net trading income'* in the income statement.

Assets

	2015			2014			2013		
Summary	**Average balance £m**	**Interest income £m**	**Yield %**	Average balance £m	Interest income £m	Yield %	Average balance £m	Interest income £m	Yield %
Interest-earning assets measured at amortised cost (itemised below)	**399,773**	**9,218**	**2.31%**	426,150	9,249	2.17%	405,671	10,000	2.47%
Trading assets and financial assets designated at fair value	**78,270**	**1,307**	**1.67%**	92,827	1,725	1.86%	133,406	2,122	1.59%
Impairment provisions	**(2,690)**	**–**	**–**	(3,042)	–	–	(3,499)	–	–
Non-interest-earning assets	**293,330**	**–**	**–**	264,712	–	–	283,677	–	–
Total assets and interest income	**768,683**	**10,525**	**1.37%**	780,647	10,974	1.41%	819,255	12,122	1.48%
Short-term funds and loans and advances to banks									
HSBC Bank	**51,324**	**498**	**0.97%**	58,080	550	0.95%	56,311	536	0.95%
HSBC France	**3,537**	**26**	**0.74%**	4,526	40	0.88%	6,557	60	0.92%
Other	**5,347**	**69**	**1.29%**	5,242	65	1.24%	2,957	45	1.52%
	60,208	**593**	**0.98%**	67,848	655	0.97%	65,825	641	0.97%
Loans and advances to customers									
HSBC Bank	**159,337**	**5,128**	**3.22%**	155,288	4,876	3.14%	155,915	5,271	3.38%
HSBC France	**27,836**	**819**	**2.94%**	28,060	843	3.00%	28,679	1,060	3.70%
Other	**38,851**	**1,484**	**3.82%**	38,834	1,531	3.94%	37,998	1,652	4.35%
	226,024	**7,431**	**3.29%**	222,182	7,250	3.26%	222,592	7,983	3.59%
Reverse repurchase agreements									
HSBC Bank	**35,457**	**187**	**0.53%**	40,910	146	0.36%	17,290	58	0.34%
HSBC France	**9,054**	**8**	**0.09%**	19,397	37	0.19%	27,784	30	0.11%
Other	**834**	**50**	**6.00%**	1,390	127	9.14%	705	14	1.99%
	45,345	**245**	**0.54%**	61,697	310	0.50%	45,779	102	0.22%
Financial investments									
HSBC Bank	**34,661**	**308**	**0.89%**	38,122	414	1.09%	33,443	415	1.24%
HSBC France	**9,181**	**15**	**0.16%**	8,006	69	0.86%	7,623	32	0.42%
HSBC Assurance Vie	**10,209**	**345**	**3.38%**	10,567	389	3.68%	10,737	402	3.74%
Other	**13,845**	**220**	**1.59%**	16,816	147	0.88%	19,261	405	2.10%
	67,896	**888**	**1.31%**	73,511	1,019	1.39%	71,064	1,254	1.76%
Other interest-earning assets									
HSBC Bank	**29**	**5**	**17.24%**	26	5	19.23%	23	2	8.70%
HSBC France	**165**	**54**	**32.73%**	146	8	5.48%	240	13	5.42%
Other	**106**	**2**	**1.89%**	740	2	0.27%	148	5	–
	300	**61**	**20.33%**	912	15	1.64%	411	20	4.87%
Total interest-earning assets									
HSBC Bank	**280,808**	**6,126**	**2.18%**	292,426	5,991	2.05%	262,982	6,282	2.39%
HSBC France	**49,773**	**922**	**1.85%**	60,135	997	1.66%	70,883	1,195	1.69%
Other	**69,192**	**2,170**	**3.14%**	73,589	2,261	3.07%	71,806	2,523	–
	399,773	**9,218**	**2.31%**	426,150	9,249	2.17%	405,671	10,000	2.47%

Other information (continued)

Total equity and liabilities

	2015			2014			2013		
Summary	**Average balance £m**	**Interest expense £m**	**Cost %**	Average balance £m	Interest expense £m	Cost %	Average balance £m	Interest expense £m	Cost %
Interest bearing liabilities measured at amortised cost (itemised below)	**375,903**	**2,400**	**0.64%**	411,406	2,810	0.68%	382,582	3,039	0.79%
Trading liabilities and financial liabilities designated at fair value (excluding own debt)	**72,269**	**784**	**1.08%**	81,652	1,177	1.44%	128,368	1,366	1.06%
Non–interest bearing current accounts	**37,506**	**–**	**–**	32,832	–	–	31,243	–	–
Total equity and other non–interest bearing liabilities	**283,005**	**–**	**–**	254,757	–	–	277,062	–	–
Total equity and liabilities	**768,683**	**3,184**	**0.41%**	780,647	3,987	0.51%	819,255	4,405	0.54%
Deposits by banks									
HSBC Bank	**12,461**	**61**	**0.49%**	15,410	118	0.77%	17,246	167	0.97%
HSBC France	**4,976**	**27**	**0.54%**	4,026	32	0.79%	5,710	45	0.79%
Other	**1,932**	**23**	**1.19%**	2,189	27	1.23%	485	37	7.63%
	19,369	**111**	**0.57%**	21,625	177	0.82%	23,441	249	1.06%
Financial liabilities designated at fair value – own debt issued									
HSBC Bank	**13,282**	**197**	**1.48%**	16,503	243	1.47%	18,229	271	1.49%
HSBC France	**5,716**	**20**	**0.35%**	5,281	40	0.76%	5,549	43	0.77%
Other	**293**	**10**	**3.41%**	349	13	3.72%	290	13	4.48%
	19,291	**227**	**1.18%**	22,133	296	1.34%	24,068	327	1.36%
Customer accounts									
HSBC Bank	**221,644**	**1,032**	**0.47%**	211,906	878	0.41%	188,525	1,058	0.56%
HSBC France	**10,728**	**76**	**0.71%**	13,465	114	0.85%	14,838	152	1.02%
Other	**35,652**	**396**	**1.11%**	39,110	685	1.75%	40,879	523	1.28%
	268,024	**1,504**	**0.56%**	264,481	1,677	0.63%	244,242	1,733	0.71%
Repurchase agreements									
HSBC Bank	**23,445**	**88**	**0.38%**	45,359	116	0.26%	18,223	55	0.30%
HSBC France	**7,722**	**6**	**0.08%**	18,951	35	0.18%	22,718	22	0.10%
Other	**201**	**46**	**22.89%**	50	13	26.00%	338	15	4.44%
	31,368	**140**	**0.45%**	64,360	164	0.26%	41,279	92	0.22%
Debt securities in issue									
HSBC Bank	**21,690**	**149**	**0.69%**	22,448	234	1.04%	30,889	265	0.86%
HSBC France	**8,352**	**27**	**0.32%**	6,958	31	0.45%	8,085	35	0.43%
Regency Assets Limited	**5,471**	**16**	**0.29%**	5,770	21	0.37%	6,678	27	0.40%
Other (includes intercompany)	**1,163**	**100**	**8.61%**	1,902	148	7.75%	2,234	237	-
	36,676	**292**	**0.80%**	37,078	434	1.17%	47,886	564	1.18%
Other interest–bearing liabilities									
HSBC Bank	**28**	**18**	**64.29%**	44	5	11.36%	76	5	6.58%
HSBC France	**341**	**63**	**18.48%**	348	13	3.74%	502	26	5.18%
Other	**806**	**45**	**5.71%**	1,337	44	3.29%	1,088	43	–
	1,175	**126**	**10.81%**	1,729	62	3.59%	1,666	74	4.44%
Total interest–bearing liabilities									
HSBC Bank	**292,550**	**1,545**	**0.53%**	311,670	1,594	0.51%	273,188	1,821	0.67%
HSBC France	**37,835**	**219**	**0.58%**	49,029	265	0.54%	57,402	323	0.56%
Other	**45,518**	**636**	**1.40%**	50,707	951	1.88%	51,992	895	–
	375,903	**2,400**	**0.64%**	411,406	2,810	0.68%	382,582	3,039	0.79%

Distribution of average total assets

	2015	2014	2013
	%	%	%
HSBC Bank	**77.5**	73.4	72.4
HSBC France	**16.5**	18.9	20.8
Other	**6.0**	7.7	6.8
	100.0	100.0	100.0

Other information (continued)

Analysis of changes in net interest income

The following table allocates changes in net interest income between volume and rate for 2015 compared to 2014, and for 2014 compared to 2013.

		Increase/(decrease) in 2015 compared with 2014			Increase/(decrease) in 2014 compared with 2013		
	2015	**Volume**	**Rate**	2014	Volume	Rate	2013
	£m	**£m**	**£m**	£m	£m	£m	£m
Interest income							
Short-term funds and loans and advances to banks							
HSBC Bank	**498**	**(64)**	**12**	550	34	(20)	536
HSBC France	**26**	**(9)**	**(5)**	40	(19)	(1)	60
Other	**69**	**1**	**3**	65	22	(2)	45
	593	**(72)**	**10**	655	29	(15)	641
Loans and advances to customers							
HSBC Bank	**5,128**	**127**	**125**	4,876	(15)	(380)	5,271
HSBC France	**819**	**(7)**	**(17)**	843	(23)	(194)	1,060
Other	**1,484**	**1**	**(48)**	1,531	86	(207)	1,652
	7,431	**121**	**60**	7,250	33	(766)	7,983
Reverse repurchase agreements							
HSBC Bank	**187**	**–**	**41**	146	–	88	58
HSBC France	**8**	**–**	**(29)**	37	–	7	30
Other	**50**	**(51)**	**(26)**	127	–	113	14
	245	**(51)**	**(14)**	310	14	194	102
Financial investments							
HSBC Bank	**308**	**(38)**	**(68)**	414	58	(59)	415
HSBC France	**15**	**10**	**(64)**	69	2	35	32
HSBC Assurance Vie	**345**	**(13)**	**(31)**	389	(6)	(6)	402
Other	**220**	**(26)**	**99**	147	(51)	(207)	405
	888	**(67)**	**(64)**	1,019	43	(278)	1,254
Interest expense							
Deposits by banks							
HSBC Bank	**61**	**(23)**	**(34)**	118	37	(86)	167
HSBC France	**27**	**8**	**(13)**	32	(13)	–	45
Other	**23**	**(3)**	**(1)**	27	(278)	268	37
	111	**(18)**	**(48)**	177	(16)	(56)	249
Customer accounts							
HSBC Bank	**1,032**	**40**	**114**	878	107	(287)	1,058
HSBC France	**76**	**(23)**	**(15)**	114	(14)	(24)	152
Other	**396**	**(61)**	**(228)**	685	46	116	523
	1,504	**(44)**	**(129)**	1,677	151	(207)	1,733
Financial liabilities designated at fair value–own debt issued							
HSBC Bank	**197**	**(47)**	**1**	243	(26)	(2)	271
HSBC France	**20**	**3**	**(23)**	40	(2)	(1)	43
Other	**10**	**(2)**	**(1)**	13	3	(3)	13
	227	**(46)**	**(23)**	296	(26)	(5)	327
Repurchase agreements							
HSBC Bank	**88**	**–**	**(28)**	116	–	61	55
HSBC France	**6**	**–**	**(29)**	35	–	13	22
Other	**46**	**39**	**(6)**	13	–	(2)	15
	140	**39**	**(63)**	164	(13)	85	92
Debt securities in issue							
HSBC Bank	**149**	**(8)**	**(77)**	234	(72)	41	265
HSBC France	**27**	**6**	**(10)**	31	(5)	1	35
Regency Assets Limited	**16**	**(1)**	**(4)**	21	(4)	(2)	27
Other	**100**	**(57)**	**9**	148	–	(89)	237
	292	**(60)**	**(82)**	434	(127)	(3)	564

Net interest margin

	2015	2014	2013
	%	%	%
Net interest margin	**1.71**	1.51	1.72
HSBC Bank	**1.63**	1.50	1.70
HSBC France	**1.41**	1.22	1.23
Other	**2.22**	1.78	2.27

Other information (continued)

In-country foreign currency and cross-border amounts outstanding

The following table summarises the aggregate of the in-country foreign currency and cross-border outstandings by type of borrower to countries which individually represent in excess of 0.75% of total assets. The classification is based on the country of residence of the borrower but also recognises the transfer of country risk in respect of third-party guarantees, eligible collateral held and residence of the head office when the borrower is a branch. In accordance with the Bank of England Country Exposure Report ('Form CE') guidelines, outstandings comprise loans and advances (excluding settlement accounts), amounts receivable under finance leases, acceptances, commercial bills, certificates of deposit ('CD's) and debt and equity securities (net of short positions), and exclude accrued interest and intra-group exposures.

	Banks £m	Government and official institutions £m	Other £m	Total £m
At 31 December 2015				
US	**7,639**	**7,527**	**18,358**	**33,524**
UK	**5,862**	**556**	**17,863**	**24,281**
France	**1,313**	**2,140**	**5,830**	**9,283**
Germany	**7,442**	**7,161**	**4,831**	**19,434**
Turkey	**2,363**	**951**	**4,747**	**8,061**
Cayman Islands	–	–	**5,609**	**5,609**
Netherlands	**1,674**	**1,565**	**6,210**	**9,449**
Japan	**897**	**2,148**	**7,319**	**10,364**
Ireland	**419**	**288**	**8,754**	**9,461**
At 31 December 2014				
US	8,821	7,810	23,981	40,612
UK	7,268	956	22,015	30,239
France	2,250	1,169	4,876	8,295
Germany	7,518	11,077	3,559	22,154
Turkey	2,296	1,658	4,350	8,304
Cayman Islands	22	–	7,539	7,561
Netherlands	1,708	1,845	7,657	11,210
Japan	469	2,125	8,269	10,863
Ireland	800	121	5,057	5,978
At 31 December 2013				
US	7,117	10,989	16,960	35,066
UK	6,949	600	28,031	35,580
France	2,964	3,179	3,925	10,068
Germany	7,198	8,942	4,000	20,140
Turkey	1,889	1,797	3,911	7,597
Cayman Islands	10	–	12,308	12,318
Netherlands	975	1,680	5,678	8,333
Japan	1,234	1,313	3,772	6,319
Ireland	406	50	4,379	4,835

Contractual obligations

The table below provides details of selected known contractual obligations of the group.

	At 31 December 2015 Payments due by period			
	Total £m	**Less than 1 year £m**	**1 to 5 years £m**	**More than 5 years £m**
Long-term debt obligations	**53,228**	**22,277**	**17,880**	**13,071**
Term deposits and certificates of deposit	**61,227**	**57,484**	**3,583**	**160**
Capital (finance) lease obligations	**–**	**–**	**–**	**–**
Operating lease obligations	**1,503**	**264**	**582**	**657**
Purchase obligations	**17**	**17**	**–**	**–**
Short positions in debt securities and equity shares	**20,069**	**10,847**	**3,840**	**5,382**
Current tax liability	**249**	**249**	**–**	**–**
Pension/health care obligation	**544**	**70**	**164**	**310**
	136,837	**91,208**	**26,049**	**19,580**

Other information (continued)

Loan maturity and interest rate sensitivity analysis

At 31 December 2015 the analysis of loan maturity and interest rate sensitivity by loan type on a contractual repayment basis was as follows:

	At 31 December 2015 £m
Maturity of 1 year or less	
Loans and advances to banks	19,044
Commercial loans to customers	
Manufacturing and international trade and services	40,347
Real estate and other property related	7,269
Non-bank financial institutions	12,548
Governments	1,045
Other commercial	19,549
	80,758
Maturity after 1 year but within 5 years	
Loans and advances to banks	3,974
Commercial loans to customers	
Manufacturing and international trade and services	21,227
Real estate and other property related	12,505
Non-bank financial institutions	9,327
Governments	719
Other commercial	11,541
	55,319
Interest rate sensitivity of loans and advances to banks and commercial loans to customers	
Fixed interest rate	12,676
Variable interest rate	46,617
	59,293
Maturity after 5 years	
Loans and advances to banks	204
Commercial loans to customers	
Manufacturing and international trade and services	6,413
Real estate and other property related	2,734
Non-bank financial institutions	2,554
Governments	627
Other commercial	4,936
	17,264
Interest rate sensitivity of loans and advances to banks and commercial loans to customers	
Fixed interest rate	3,897
Variable interest rate	13,571
	17,468

Other information (continued)

Deposits

The following table summarises the average amount of bank deposits, customer deposits and certificates of deposit ('CDs') and other money market instruments (which are included within *Debt securities in issue* in the balance sheet), together with the average interest rates paid thereon for each of the past three years. The Other category includes securities sold under agreements to repurchase.

	2015		2014		2013	
	Average balance £m	**Average rate %**	Average balance £m	Average rate %	Average balance £m	Average rate %
Deposits by banks	**29,317**		31,616		46,729	
Demand and other–non-interest bearing	**9,948**	**–**	9,650	**–**	10,604	–
Demand–interest bearing	**3,572**	**0.3**	3,531	0.4	3,259	0.5
Time	**6,446**	**0.9**	8,644	1.0	10,725	1.2
Other	**9,351**	**0.8**	9,791	0.9	22,141	1.6
Customer accounts	**308,467**		301,478		308,711	
Demand and other–non-interest bearing	**40,444**	**–**	35,952	**–**	35,874	–
Demand–interest bearing	**205,872**	**0.4**	189,915	0.4	170,962	0.4
Savings	**31,045**	**1.3**	33,873	1.5	37,502	1.5
Time	**21,151**	**0.9**	24,383	1.1	27,466	1.2
Other	**9,955**	**1.9**	17,355	0.9	36,907	1.1
CDs and other money market instruments	**14,935**	**0.5**	12,949	0.4	18,155	0.5

Certificates of deposit and other time deposits

At 31 December 2015, the maturity analysis of CDs and other wholesale time deposits, by remaining maturity, was as follows:

	At 31 December 2015				
	3 months or less £m	**After 3 months but within 6 months £m**	**After 6 months but within 12 months £m**	**After 12 months £m**	**Total £m**
Certificates of deposit	**1,407**	**1,832**	**1,650**	**–**	**4,889**
Time deposits					
-banks	**17,255**	**232**	**261**	**2,445**	**20,193**
-customers	**28,083**	**4,778**	**1,986**	**1,298**	**36,145**

Short-term borrowings

Short-term borrowings are included within customer accounts, deposits by banks and debt securities in issue and are not shown separately on the balance sheet. Short-term borrowings are defined by the US Securities and Exchange Commission as Federal funds purchased and securities sold under agreements to repurchase, commercial paper and other short-term borrowings.

The only significant short-term borrowings are securities sold under agreements to repurchase and certain debt securities in issue.

For securities sold under agreements to repurchase, the group runs matched repo and reverse repo trading books. The group generally observes lower year-end demand in the reverse repo lending business which results in lower repo balances at the balance sheet date. Additional information on these is provided in the table below.

Other information (continued)

Repos and short-term bonds

	2015 £m	2014 £m	2013 £m
Securities sold under agreements to repurchase			
Outstanding at 31 December	**17,332**	25,692	75,019
Average amount outstanding during the year	**32,596**	75,492	86,502
Maximum quarter-end balance outstanding during the year	**28,773**	84,740	90,361
Weighted average interest rate during the year	**0.3%**	0.2%	0.2%
Weighted average interest rate at the year-end	**0.7%**	0.6%	0.6%
Short-term bonds			
Outstanding at 31 December	**16,576**	12,917	17,775
Average amount outstanding during the year	**15,460**	15,247	19,184
Maximum quarter-end balance outstanding during the year	**16,576**	15,608	22,342
Weighted average interest rate during the year	**0.8%**	0.1%	0.1%
Weighted average interest rate at the year-end	**0.7%**	0.7%	0.3%

Financial investments

Carrying amounts of financial investments

	2015 £m	2014 £m	2013 £m
Financial investments:			
– which may be repledged or resold by counterparties	**3,314**	14,831	11,435
– not subject to repledge or resale by counterparties	**68,038**	61,363	63,595
	71,352	76,194	75,030
Fair value of financial investments			
Treasury and other eligible bills - available-for-sale	**3,155**	2,849	2,196
Debt securities - available-for-sale	**67,088**	72,336	71,828
Equity securities - available-for-sale[1]	**1,109**	1,009	1,006
Total financial investments at 31 December	**71,352**	76,194	75,030

1. *The fair value of the group's interest in Visa Europe has been assessed against the expected consideration to be received from the proposed sale to Visa Inc to be completed in 2016.*

For the group, £9,213 million (2014: £6,172 million, 2013: £2,936 million) of the debt securities issued by banks and other financial institutions are guaranteed by various governments.

Financial investments at fair value

	2015 £m	2014 £m	2013 £m
At 31 December			
US Treasury	**4,355**	4,304	5,551
UK Government	**13,219**	16,627	13,729
Other government	**24,273**	25,254	23,615
Asset-backed securities	**8,834**	12,025	14,069
Corporate debt and other securities	**19,562**	16,976	17,060
Equities	**1,109**	1,008	1,006
	71,352	76,194	75,030

Other information (continued)

Contractual maturities and weighted average yields of investment debt securities at 31 December 2015

	Within one year		After one year but within five years		After five years but within ten years		After ten years	
	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %
Available for sale								
US Treasury	**45**	**–**	**971**	**1.1**	**2,678**	**1.8**	**–**	**–**
UK Government	**1,047**	**2.4**	**5,229**	**1.3**	**5,747**	**1.4**	**820**	**0.1**
Other government	**3,872**	**4.2**	**13,727**	**1.6**	**2,858**	**1.3**	**688**	**0.1**
Asset-backed securities	**12**	**1.4**	**423**	**1.4**	**1,693**	**1.3**	**7,279**	**1.2**
Corporate debt and other securities	**2,315**	**1.2**	**12,315**	**1.1**	**3,122**	**1.3**	**1,534**	**0.5**
Total amortised cost	**7,291**		**32,665**		**16,098**		**10,321**	
Total fair value	**7,033**		**33,397**		**16,712**		**9,946**	

The maturity distributions of asset-backed securities are presented in the above table on the basis of contractual maturity dates. The weighted average yield for each range of maturities is calculated by dividing the annualised interest income for the year by the carrying amount of available-for-sale debt securities at that year end. The yields do not include the effect of related derivatives.

Further analysis of credit risk

Gross loans and advances by industry sector

	2015 Amount £m	**%**	2014 Amount £m	%	2013 Amount £m	%	2012 Amount £m	%	2011 Amount £m	%
Personal										
Residential mortgages	**83,483**	**29.36**	83,009	29.09	83,882	27.95	82,544	28.71	77,871	26.71
Other personal[1]	**24,285**	**8.54**	24,381	8.55	25,257	8.42	23,222	8.08	33,571	11.52
	107,768	**37.90**	107,390	37.64	109,139	36.37	105,766	36.79	111,442	38.23
Commercial										
Commercial, industrial and international trade	**67,987**	**23.91**	74,003	25.94	79,576	26.52	78,176	27.19	71,098	24.39
Commercial real estate	**17,568**	**6.18**	17,899	6.27	18,755	6.25	20,504	7.13	21,034	7.22
Other property-related	**4,940**	**1.74**	4,572	1.60	4,421	1.47	4,580	1.59	4,908	1.68
Government	**2,391**	**0.84**	1,452	0.51	2,020	0.67	1,481	0.52	1,977	0.68
Other commercial[2]	**36,026**	**12.67**	38,006	13.32	40,610	13.53	34,569	12.02	36,583	12.55
	128,912	**45.34**	135,932	47.64	145,382	48.44	139,310	48.44	135,600	46.52
Financial										
Non-bank financial institutions	**24,093**	**8.47**	16,085	5.64	21,602	7.20	23,649	8.22	19,667	6.75
Settlement accounts	**336**	**0.12**	645	0.22	935	0.31	316	0.11	440	0.15
	24,429	**8.59**	16,730	5.86	22,537	7.51	23,965	8.33	20,107	6.90
Total gross loans and advances to customers	**261,109**	**91.83**	260,052	91.14	277,058	92.32	269,041	93.56	267,149	91.64
Gross loans and advances to banks	**23,222**	**8.17**	25,282	8.86	23,035	7.68	18,512	6.44	24,357	8.35
Total gross loans and advances	**284,331**	**100.00**	285,334	100.00	300,093	100.00	287,553	100.00	291,506	100.00
Impaired loans and advances to customers	**6,372**		6,398		7,869		6,778		7,467	
as a percentage of total gross loans and advances to customers		**2.44%**		2.46%		2.84%		2.52%		2.80%
Loan impairment charge	**494**		647		1,102		2,639		2,624	
new allowance net of allowance releases	**747**		828		1,508		2,424		2,327	
recoveries	**(253)**		(181)		(406)		215		297	

1 'Other personal loans and advances' include second lien mortgages and other property-related lending.

2 'Other commercial loans and advances' include advances in respect of agriculture, transport, energy and utilities.

Other information (continued)

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

(Unaudited)

	2015	2014	2013	2012	2011
	%	%	%	%	%
Net allowances net of allowances releases	**0.33**	0.36	0.67	0.53	0.53
Recoveries	**(0.11)**	(0.08)	(0.18)	(0.08)	(0.10)
Total charge for impairment losses	**0.22**	0.28	0.49	0.45	0.43
Amount written off net of recoveries	**0.26**	0.49	0.43	0.46	0.46

Loan impairment charges by industry sector over 5 years

(Unaudited)

	2015	2014	2013	2012	2011
	£m	£m	£m	£m	£m
Loan impairment charge					
Personal	**171**	148	215	250	415
– residential mortgages	**(6)**	(45)	(9)	(34)	60
– other personal[1]	**177**	193	224	284	355
Corporate and commercial	**315**	472	921	974	798
– manufacturing and international trade and services	**137**	306	518	420	261
– commercial real estate and other property-related	**21**	50	276	279	310
– other commercial	**157**	116	127	275	227
Financial	**8**	27	(34)	(11)	9
Year ended 31 December	**494**	647	1,102	1,213	1,222
Loan loss rates					
Personal	**0.16%**	0.14%	0.20%	0.24%	0.37%
Corporate and commercial	**0.24%**	0.35%	0.63%	0.70%	0.59%
Financial	**0.03%**	0.16%	(0.15%)	(0.05%)	0.04%

Movement in impairment allowances over 5 years

(Unaudited)

	2015	2014	2013	2012	2011
	£m	£m	£m	£m	£m
Impairment allowances at 1 January	**2,820**	3,357	3,270	3,381	3,580
Amounts written off	**(859)**	(1,285)	(1,386)	(1,475)	(1,627)
Personal	**(407)**	(435)	(559)	(499)	(996)
– residential mortgages	**(8)**	(13)	(53)	(17)	(15)
– other personal[1]	**(399)**	(422)	(506)	(482)	(981)
Corporate and commercial	**(444)**	(728)	(801)	(902)	(612)
– manufacturing and international trade and services	**(154)**	(443)	(430)	(416)	(345)
– commercial real estate and other property-related	**(158)**	(208)	(184)	(238)	(165)
– other commercial	**(132)**	(77)	(187)	(248)	(102)
Financial[1]	**(8)**	(122)	(26)	(74)	(19)
Recoveries of amounts written off in previous years	**253**	181	406	214	297
Personal	**219**	162	374	180	268
– residential mortgages	**4**	1	16	21	13
– other personal[1]	**215**	161	358	159	255
Corporate and commercial	**32**	17	32	32	27
– manufacturing and international trade and services	**10**	12	11	11	11
– commercial real estate and other property-related	**16**	6	4	6	5
– other commercial	**6**	(1)	17	15	11
Financial[1]	**2**	2	–	2	2
Charge to the income statement	**494**	647	1,102	1,213	1,222
Exchange and other movements	**(105)**	(80)	(35)	(63)	(91)
Impairment allowances at 31 December	**2,603**	2,820	3,357	3,270	3,381
Impairment allowances - banks:					
– individually assessed	**–**	20	21	24	32
Impairment allowances - customers					
– individually assessed	**1,788**	1,874	2,402	2,327	2,429
– collectively assessed	**815**	926	934	919	920
Impairment allowances at 31 December	**2,603**	2,820	3,357	3,270	3,381

1 *Includes movements in impairment allowances against banks.*

Other information (continued)

Risk elements in the loan portfolio

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Impaired loans	**6,372**	6,415	7,893	6,818	7,514
Unimpaired loans contractually past 90 days or more as to principal or interest	**4**	3	14	23	27
Troubled debt restructuring (not included in the classification above)	**1,009**	1,059	863	789	458

The interest that would have been recognised under the original terms of impaired and restructured loans amounted to approximately £181 million in 2015 (2014: £132 million). Interest income from such loans of approximately £60 million was recorded in 2015 (2014: £70 million).

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