

HSBC Holdings plc 1Q18 Results

Presentation to Investors and Analysts

Date: 4 May 2018



1Q18 Key messages

1st quarter 2018

Reported PBT

(1Q17: \$5.0bn)

\$4.8bn

Adjusted PBT

(1Q17: \$6.2bn)

\$6.0bn

Reported RoE¹

(1Q17: 8.0%)

7.5%

Reported RoTE¹

(1Q17: 9.1%)

8.4%

A/D ratio

(2017: 70.6%)

71.1%

CET1 ratio²

(2017: 14.5%)

14.5%

1Q18 key messages

- 1** Reported PBT of \$4.8bn, 4% lower than 1Q17; \$6.0bn adjusted PBT, 3% lower than 1Q17
- 2** Adjusted revenue of \$13.9bn was 3% higher than 1Q17, driven by higher deposit balances and margins; good business momentum with global business revenue up 6% Y-o-Y
- 3** Adjusted operating costs of \$8.2bn were 8% higher than 1Q17 primarily reflecting targeted investment spending across our businesses; we intend to deliver positive jaws for FY2018
- 4** \$17bn or 2% Q-o-Q lending growth
- 5**
 - ◆ Strong capital base with a common equity tier 1 ratio of 14.5%
 - ◆ We plan to initiate a share buy-back of up to \$2bn, which is expected to commence shortly. Given the growth opportunities we currently see, we expect this to be the only share buy-back that we announce in 2018
 - ◆ Calling two 'old-style' Tier 1 securities totalling \$6bn with coupons \geq 8% pre tax

1Q18 Key financial metrics

Key financial metrics	1Q17	1Q18
Return on average ordinary shareholders' equity ¹	8.0%	7.5%
Return on average tangible equity ¹	9.1%	8.4%
Jaws (adjusted) ³	(0.6)%	(5.7)%
Dividends per ordinary share in respect of the period	\$0.10	\$0.10
Earnings per share ⁴	\$0.16	\$0.15
Common equity tier 1 ratio ²	14.3%	14.5%
Leverage ratio ⁵	5.5%	5.6%
Advances to deposits ratio	68.8%	71.1%
Net asset value per ordinary share (NAV)	\$8.10	\$8.40
Tangible net asset value per ordinary share (TNAV)	\$7.08	\$7.29

Reported results, \$m					
	1Q18	Δ 1Q17	Δ %	Δ 4Q17	Δ %
Revenue	13,710	717	6%	1,409	11%
LICs / ECL	(170)	66	28%	488	74%
Costs	(9,383)	(1,055)	(13)%	512	5%
Associates	598	66	12%	42	8%
PBT	4,755	(206)	(4)%	2,451	>100%

Adjusted results, \$m					
	1Q18	Δ 1Q17	Δ %	Δ 4Q17	Δ %
Revenue	13,850	339	3%	1,168	9%
LICs / ECL	(170)	70	29%	512	75%
Costs	(8,245)	(624)	(8)%	696	8%
Associates	598	38	7%	24	4%
PBT	6,033	(177)	(3)%	2,400	66%

Reconciliation of Reported to Adjusted PBT

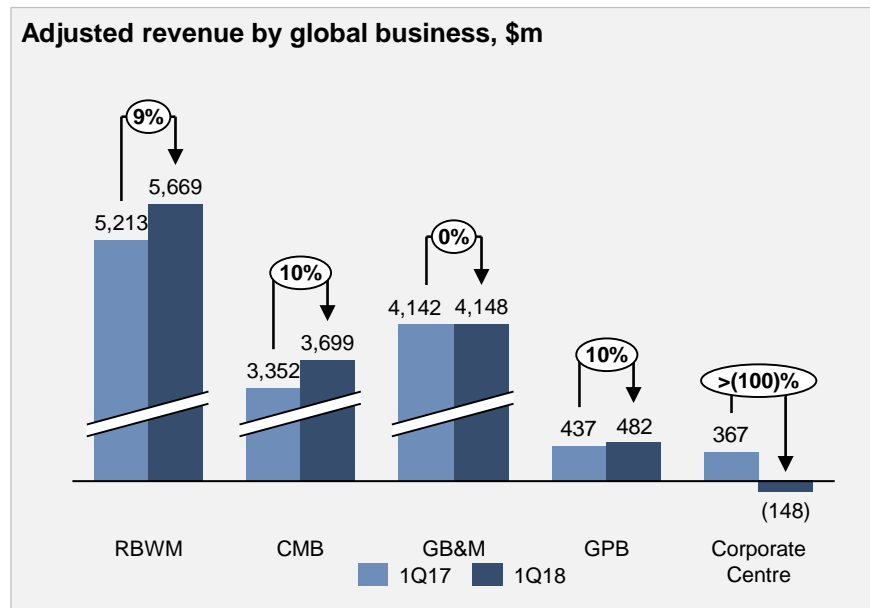
Discrete quarter

	1Q17	4Q17	1Q18
Reported profit before tax	4,961	2,304	4,755
Includes:			
Currency translation	(171)	(11)	-
Significant items:			
Revenue-related			
Customer redress programmes	-	(105)	-
Disposals, acquisitions and investments in new businesses	156	(79)	(112)
Other	(14)	39	(28)
Cost-related			
Settlements and provisions in connection with legal and regulatory matters	-	(228)	(897)
Costs of structural reform	(83)	(131)	(126)
Costs to achieve (CTA)	(833)	(655)	-
Customer redress programmes	(210)	(272)	(93)
Gain on partial settlement of pension obligation	-	188	-
Other	(94)	(75)	(22)
Adjusted profit before tax	6,210	3,633	6,033

The remainder of the presentation, unless otherwise stated, is presented on an adjusted basis

1Q18 Profit before tax

	1Q18	Δ 1Q17		
		adverse	favourable	
Revenue	\$13,850m		339	3%
LICs / ECL	\$(170)m		70	29%
Operating expenses	\$(8,245)m	(624)		(8)%
Share of profits in associates and joint ventures	\$598m		38	7%
Profit before tax	\$6,033m	(177)		(3)%

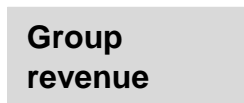
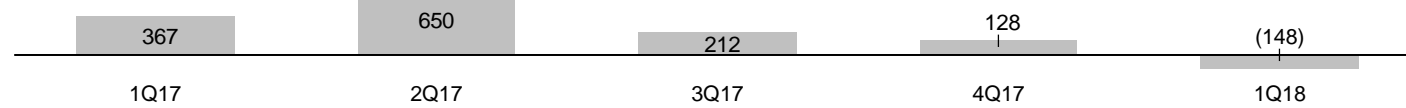
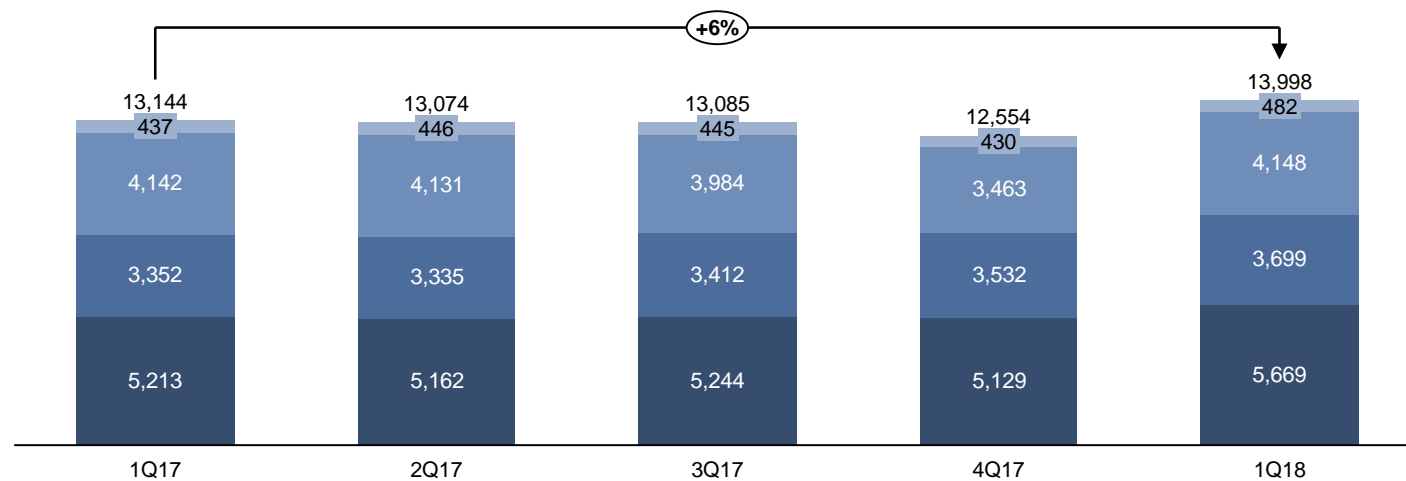
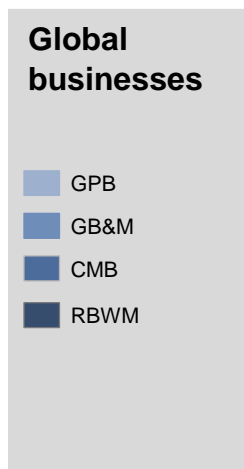


Adjusted PBT by global business, \$m	1Q17	1Q18	Δ 1Q17	Δ %
RBWM	1,815	1,906	91	5%
CMB	1,888	2,111	223	12%
GB&M	1,806	1,713	(93)	(5)%
GPB	74	113	39	53%
Corporate Centre	627	190	(437)	(70)%
Group	6,210	6,033	(177)	(3)%

Adjusted PBT by geography, \$m	1Q17	1Q18	Δ 1Q17	Δ %
Europe	786	222	(564)	(72)%
Asia	4,384	4,756	372	8%
Middle East and North Africa	395	437	42	11%
North America	521	438	(83)	(16)%
Latin America	124	180	56	45%
Group	6,210	6,033	(177)	(3)%

Revenue performance

Revenue performance, \$m⁶



1Q18 revenue growth driven by deposit revenues and wealth management

1Q18 highlights

Adjusted PBT
(1Q17: \$1.8bn)

\$1.9bn 5% ↑

Adjusted revenue
(1Q17: \$5.2bn)

\$5.7bn 9% ↑

Adjusted LICs/ECL
(1Q17: \$0.3bn)

\$0.3bn

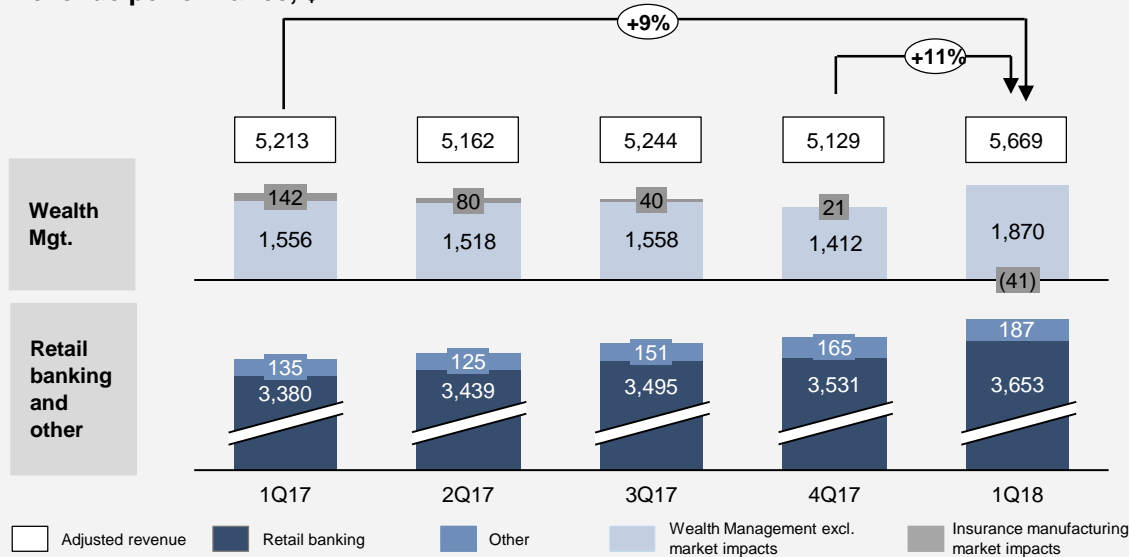
Adjusted costs
(1Q17: \$3.1bn)

\$3.5bn 12% ↑

RoTE⁸

23.1%

Revenue performance, \$m⁶



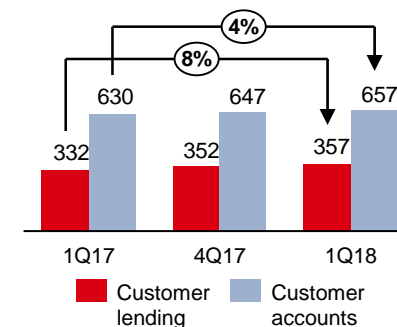
1Q18 vs. 1Q17: Adjusted revenue up 9%

- ◆ Higher balances and margins driving deposit revenues (up \$347m)
- ◆ Investment distribution (up \$223m), mainly in Hong Kong due to higher sales
- ◆ Insurance manufacturing (down \$111m), reflecting an unfavourable variance in market impacts, notably in Asia and France, partly offset by higher sales
- ◆ Lower lending revenue (down \$74m) driven by margin compression from continued mortgage competition partly offset by higher balances (\$25bn, 8%)

1Q18 vs. 4Q17: Adjusted revenue up 11%

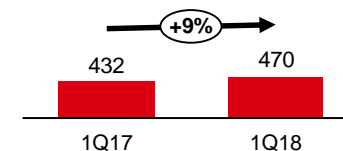
- ◆ Higher Investment distribution revenue (up \$251m), mainly in Hong Kong and the UK
- ◆ Insurance manufacturing (up \$150m), reflecting higher sales in Asia in 1Q18 versus lower sales in 4Q17, due to seasonality
- ◆ Higher deposit revenues (up \$117m) from higher margins and balances, notably in Hong Kong

Balance Sheet, \$bn⁷

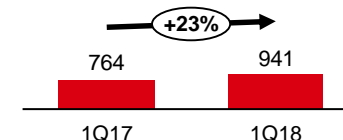


- ◆ Customer deposits up 4% vs. 1Q17, notably in Hong Kong and in the UK
- ◆ Lending up 8% compared to 1Q17, mainly in Hong Kong and the UK

Assets under management, \$bn



Annualised new business premiums, \$m



Continued positive performance, driven by Global Liquidity and Cash Management

1Q18 highlights

Adjusted PBT
(1Q17: \$1.9bn)

\$2.1bn 12% ↑

Adjusted revenue
(1Q17: \$3.4bn)

\$3.7bn 10% ↑

Adjusted LICs/ECL
(1Q17: \$(0.0)bn)

\$(0.1)bn

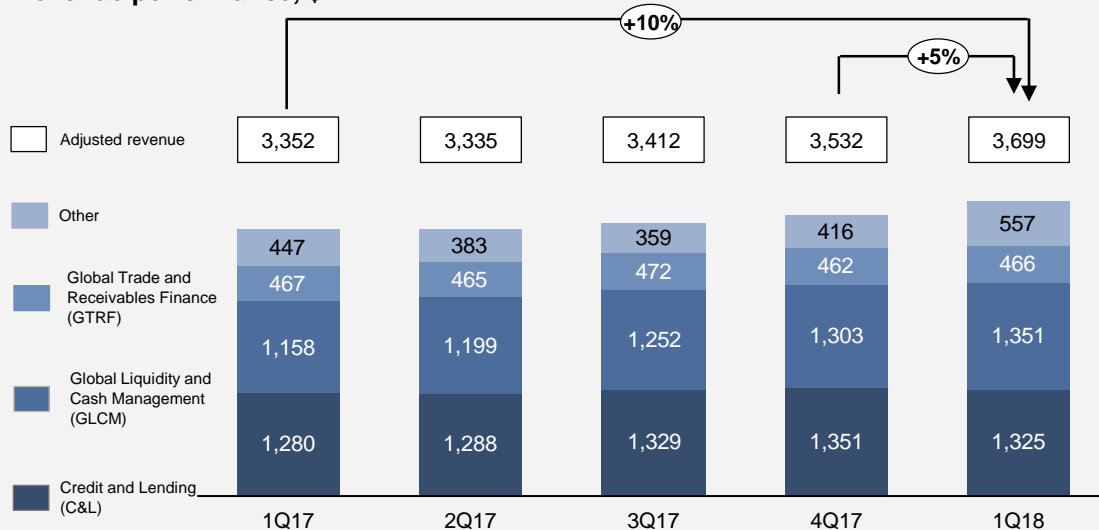
Adjusted costs
(1Q17: \$1.5bn)

\$1.7bn 12% ↑

RoTE⁸

15.5%

Revenue performance, \$m⁶



1Q18 vs. 1Q17: Adjusted revenue up 10%

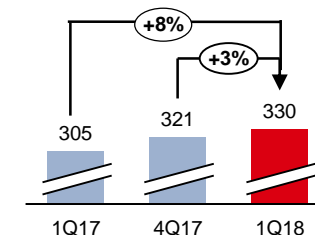
- ◆ GLCM up 17%, notably in Asia, from wider spreads and growth in balances
- ◆ C&L up 4%, primarily due to balance sheet growth in Hong Kong and the UK
- ◆ GTRF stable, as asset growth in the UK and Asia was offset by lower balances in MENA reflecting repositioning
- ◆ Other up \$110m, notably in Asia, from higher insurance revenue and increased Markets revenue

1Q18 vs. 4Q17: Adjusted revenue up 5%

- ◆ GLCM up 4%, primarily due to wider spreads in Asia
- ◆ C&L down 2%, in part reflecting interest recoveries in 4Q17 in Asia and North America. Excluding this, revenue was stable
- ◆ GTRF up 1%, notably in Asia and MENA driven by higher fees
- ◆ Other up \$141m, primarily in Asia, driven by higher insurance revenue, as well as increased Markets revenue

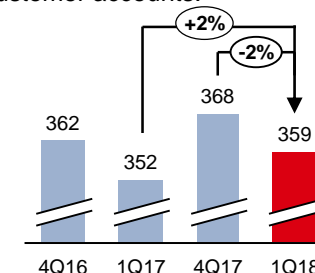
Balance Sheet, \$bn⁷

Customer lending:



- ◆ Year-on-year increase reflecting growth across all regions, notably Asia and the UK
- ◆ Balances have grown in both GTRF and C&L

Customer accounts:



- ◆ Year-on-year growth driven by Europe and the US
- ◆ Seasonal decline in 1Q18 in line with prior year

Positive momentum in the majority of our business lines whilst investing in key areas for growth

1Q18 highlights

Adjusted PBT (1Q17: \$1.8bn)

\$1.7bn 5% ↓

Adjusted revenue (1Q17: \$4.1bn)

\$4.1bn 0% ▬

Adjusted LICs/ECL (1Q17: \$(0)bn)

\$0bn

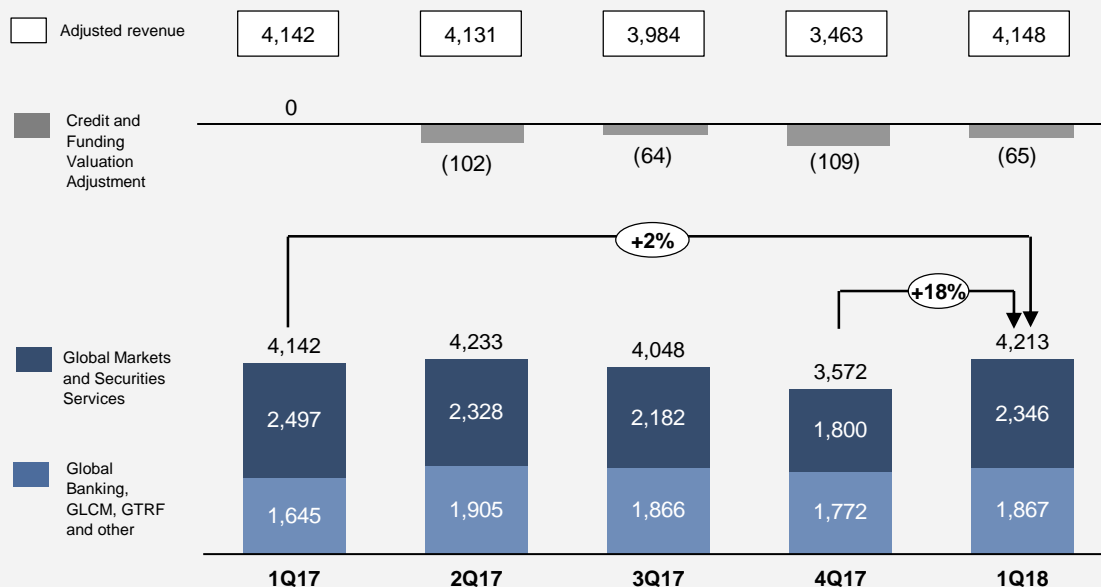
Adjusted costs (1Q17: \$2.4bn)

\$2.4bn 2% ↑

RoTE⁸

11.9%

Revenue performance, \$m⁶



1Q18 vs. 1Q17

- ◆ Global Banking driven by growth in Asian lending balances and restructuring gains partly offset by lower volumes in DCM and margin compression
- ◆ Foreign Exchange and Equities continue to perform well from increased market volatility in 1Q18
- ◆ Fixed income products, Rates and Credit, adversely impacted by lower client activity particularly in Europe versus a strong 1Q17
- ◆ Double digit growth in Global Liquidity and Cash Management (GLCM) and Securities Services with continued momentum from 2017

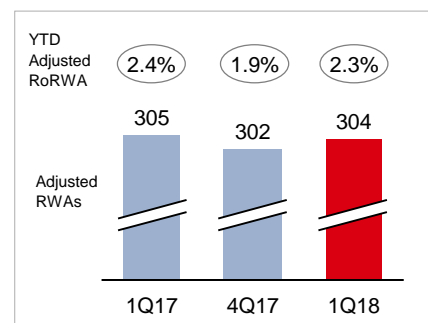
1Q18 vs. 4Q17

- ◆ All business lines are up on the prior quarter
- ◆ Client activity higher in 1Q18 versus the last quarter of 2017
- ◆ Beginning of 1Q18 characterised by increased global equity indices' values and increased volatility
- ◆ Lending balances up in Global Banking but margin pressure continues in the face of competition

Management view of adjusted revenue

\$m	1Q18	Δ 1Q17
Global Markets	1,864	(10)%
- FX	741	13%
- Rates	445	(36)%
- Credit	252	(28)%
FICC	1,438	(16)%
Equities	426	18%
Securities Services	482	12%
Global Banking	1,010	6%
GLCM	635	17%
GTRF	180	(5)%
Principal Investments	69	>100%
Other	(27)	(60)%
Credit and Funding Valuation adjustment	(65)	n/a
Total	4,148	0%

Returns and RWAs



Revenue up 18% in areas targeted for growth; \$5bn of positive inflows in 1Q18

1Q18 highlights

Adjusted PBT
(1Q17: \$0.1bn)

\$0.1bn 53% ↑

Adjusted revenue
(1Q17: \$0.4bn)

\$0.5bn 10% ↑

Adjusted LICs/ECL
(1Q17: \$0.0bn)

\$0.0bn

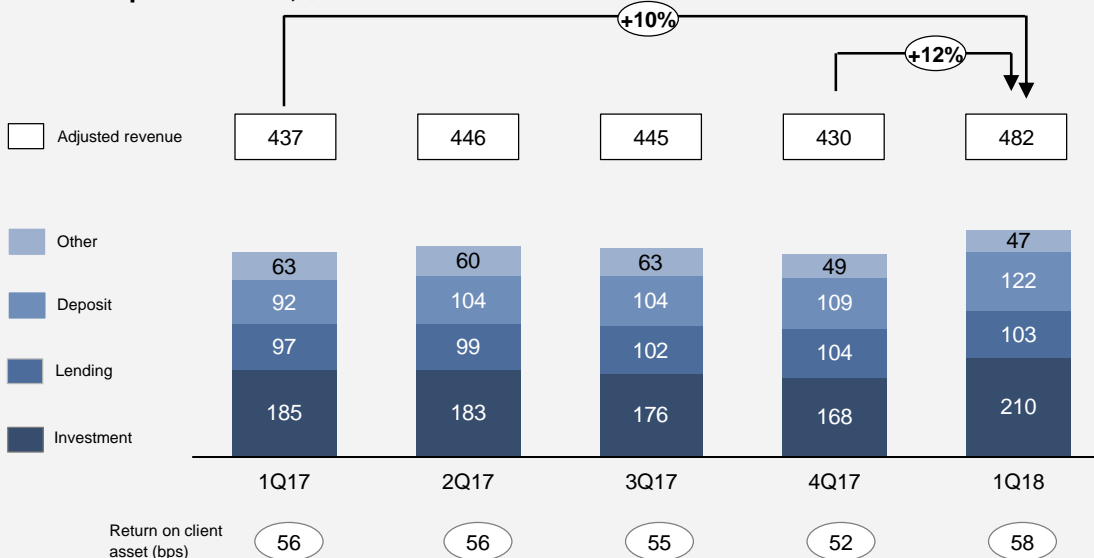
Adjusted costs
(1Q17: \$0.4bn)

\$0.4bn 3% ↑

RoTE⁸

12.3%

Revenue performance, \$m⁶



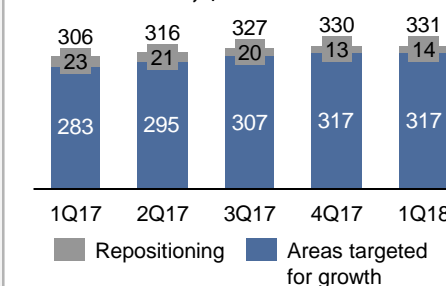
1Q18 vs. 1Q17: Adjusted revenue up 10%

- ◆ Revenue in areas targeted for growth up 18%, mainly in Hong Kong reflecting higher client investment activity (mandates and brokerage) and wider deposit spreads
- ◆ This is partly offset by lower revenue reflecting the \$9bn reduction in client assets from repositioning

1Q18 vs. 4Q17: Adjusted revenue up 12%

- ◆ 4Q17 was impacted by lower client activity in December. A strong 1Q18 reflected increased positive market sentiment in Asia coupled with the successful launch of new investment propositions and associated changes in pricing

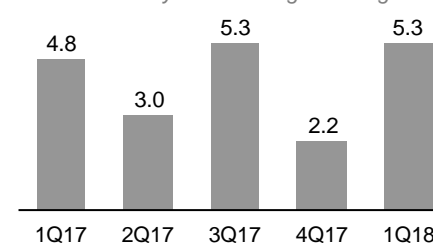
Client assets, \$bn



- ◆ Positive momentum with growth in discretionary & advisory mandates (+\$2.4bn in 1Q18)

Net new money, \$bn

Net new money in areas targeted for growth



- ◆ Positive inflows of \$5.3bn in 1Q18

Lower revenue in 1Q18 from Balance Sheet Management and valuation differences

1Q18 highlights

Adjusted PBT
(1Q17: \$0.6bn)

\$0.2bn 70% ↓

Adjusted revenue
(1Q17: \$0.4bn)

\$(0.1)bn >100% ↓

Adjusted LICs/ECL
(1Q17: \$(0.0)bn)

\$(0.1)bn

Adjusted costs
(1Q17: \$0.3bn)

\$0.3bn 4% ↑

Revenue performance, \$m⁶

	1Q17	2Q17	3Q17	4Q17	1Q18
Central Treasury	364	449	329	269	(75)
Of which:					
Balance Sheet Management	854	696	590	660	592
Interest expense	(343)	(297)	(335)	(278)	(377)
Valuation differences on long-term debt and associated swaps	(65)	125	91	(56)	(241)
Other central treasury	(82)	(75)	(17)	(57)	(49)
US run-off portfolio (CML)	28	47	(28)	(7)	12
Legacy Credit	0	62	(18)	(77)	7
Other	(25)	92	(71)	(57)	(92)
Total	367	650	212	128	(148)

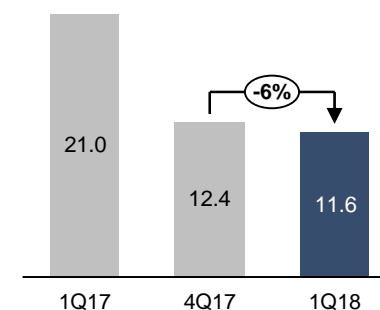
1Q18 vs. 1Q17: Adjusted revenue down \$515m

- ◆ BSM (down \$262m) due to repositioning activities carried out in 2017, lower reinvestment yields and lower portfolio gains
- ◆ Valuation difference (down \$176m) due to a loss arising from swap mark-to-market movements following a bond reclassification under IFRS 9 'Financial Instruments'
- ◆ Other (down \$67m) reflecting the phasing of intercompany income and expenses in 2017

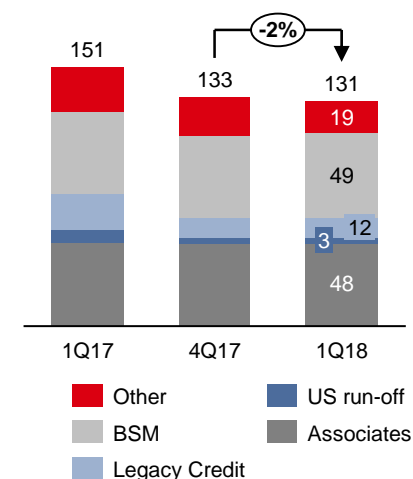
1Q18 vs. 4Q17: Adjusted revenue down \$276m

- ◆ Valuation difference (down \$185m) due to a loss arising from swap mark-to-market movements following a bond reclassification under IFRS 9 'Financial Instruments'
- ◆ Interest expenses (up \$99m); 4Q17 included phasing adjustments relating to the cost of debt issued by Holdings
- ◆ BSM (down \$68m) due to lower reinvestment yields in Europe and Asia
- ◆ Legacy Credit (up \$84m) driven by a recovery on an asset backed securities portfolio

Legacy Credit adjusted RWAs:

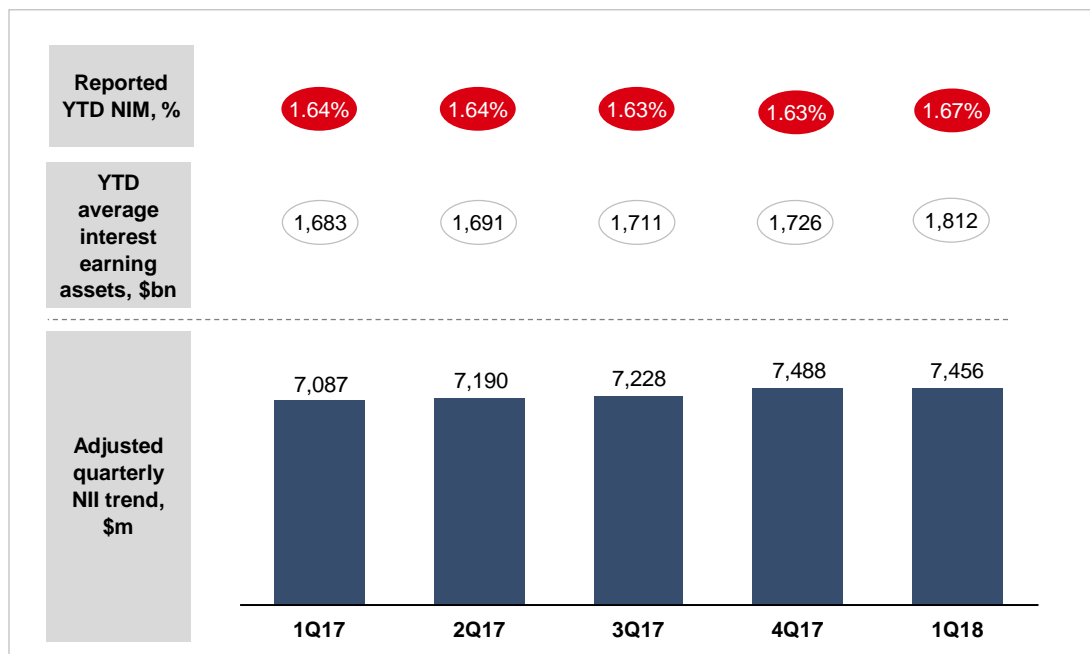


Adjusted RWAs:



Net Interest margin rose by 4bps to 1.67%

Net interest income and margin



NII sensitivity as at 31 Dec 2017, \$m: Sensitivity of NII to a 25bps / 100bps instantaneous change in yield curves (12 months), for further commentary and information, refer to pages 108 and 109 of the Annual Report and Accounts 2017

	USD	HKD	GBP	EUR	Other	Total
+25bps	227	179	147	50	203	806
-25bps	(287)	(305)	(181)	8	(160)	(925)
+100bps	845	711	600	412	731	3,299
-100bps	(1,444)	(1,425)	(631)	31	(732)	(4,201)

\$bn	2017		1Q18	
	Average balance	Yield	Average balance	Yield
Loans and advances to customers	902	3.19%	961	3.30%
Short-term funds and financial investments	626	1.51%	618	1.78%
Other assets	198	1.39%	233	1.49%
Total interest earning assets	1,726	2.37%	1,812	2.55%
Customer accounts	1,095	0.49%	1,136	0.58%
Debt	171	2.65%	173	3.06%
Other liabilities	189	1.52%	252	1.62%
Total interest bearing liabilities	1,455	0.88%	1,562	1.02%

*The above represents an analysis on interest yields, excluding the benefit of interest income on net free funds

1Q18 vs. 2017

Net interest margin of 1.67% was 4bps higher

- ◆ Higher lending yields driven by interest rate rises, circa 65% of the lending book is at variable rate
- ◆ Asset margins remain under competitive pressure
- ◆ Higher yields on surplus liquidity in all regions, and
- ◆ Redeployment of surplus liquidity into higher yielding loans

Partly offset by:

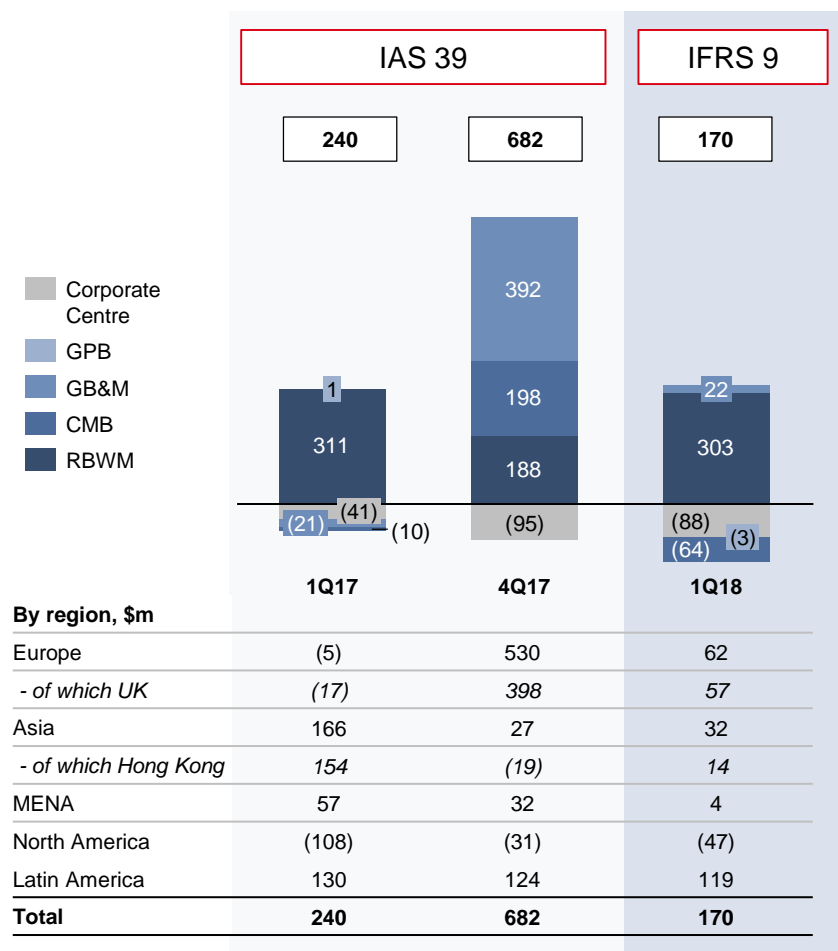
- ◆ Higher cost of debt, and
- ◆ Higher cost of customer accounts driven by interest rate rises

Outlook

- ◆ MREL costs are expected to be c.\$0.2bn higher in 2018 vs 2017
- ◆ Mid single digit % loan growth expected

Credit outlook remains stable

Loan impairment charges and expected credit losses, \$m



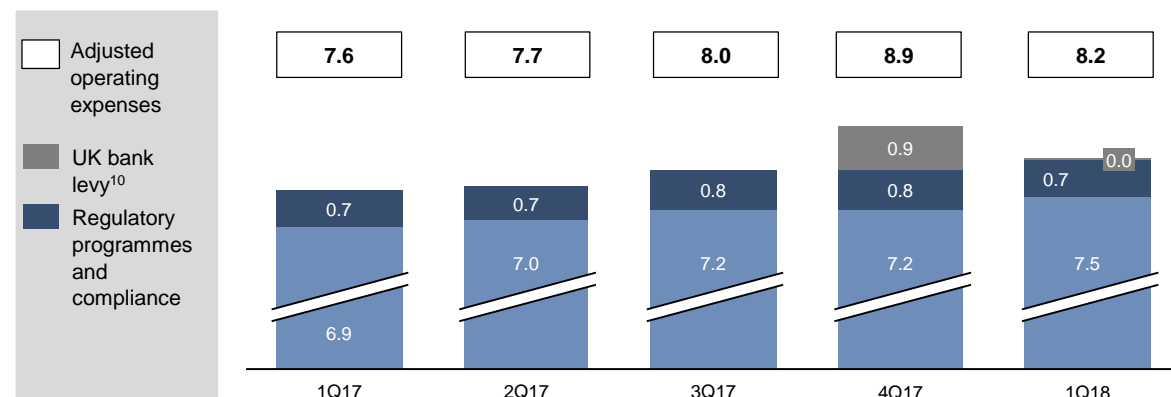
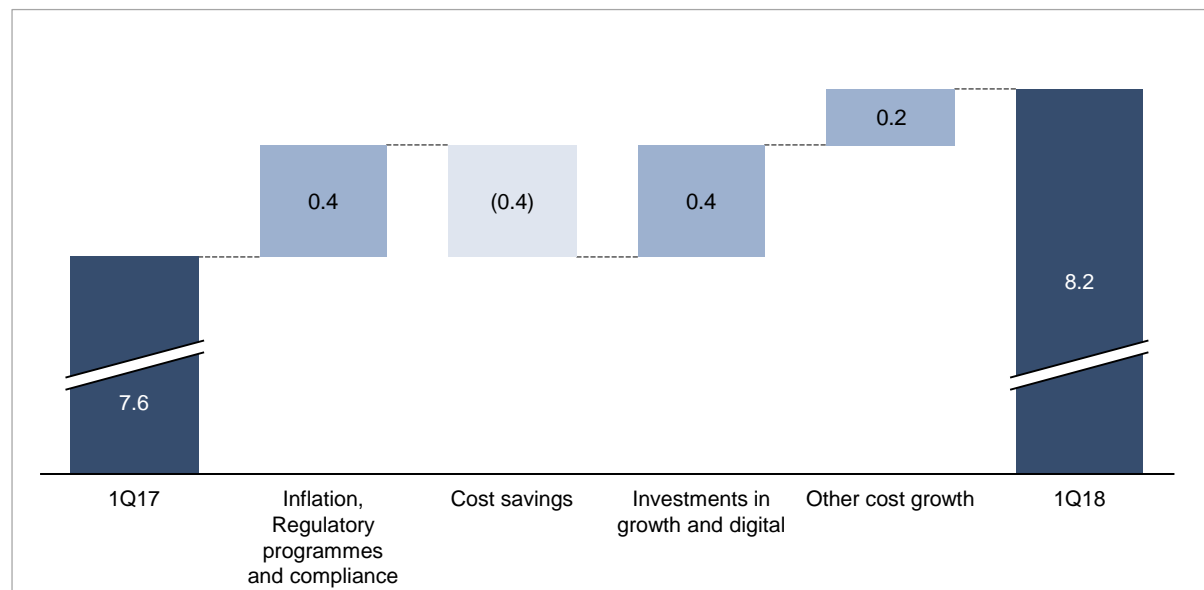
Analysis by stage as at 31 Mar 2018

\$bn	Stage 1	Stage 2	Stage 3	Total ⁹	Stage 3 as a % of Total
31 Mar 2018					
Loans and advances to customers	906.3	68.1	15.4	990.5	1.6%
Allowance for ECL	1.3	2.2	5.7	9.4	
1 Jan 2018					
Loans and advances to customers	871.6	72.7	13.9	959.1	1.4%
Allowance for ECL	1.3	2.2	5.6	9.3	

- ◆ Expected credit losses of \$170m in 1Q18 related mainly to unsecured lending in RBWM
- ◆ In 1Q17, loan impairment charges of \$240m related to unsecured lending in RBWM Mexico, as well as a small number of individually assessed charges in CMB Hong Kong
- ◆ The credit environment remains stable

Investing to grow the business

1Q18 vs. 1Q17, \$bn excluding UK bank levy



- ◆ We intend to deliver **positive jaws** for FY2018, leveraging capacity where returns are highest
- ◆ **Focus on Digital and Technology** programmes across all global businesses to enhance customer experience:
 - HSBC China now supports personal and small business banking on WeChat
 - UK Mobile Banking customers apply for loans faster and easier using iPhone app
- ◆ Continue **returns-based investment** to grow businesses:
 - RBWM: continued momentum with new card issuances in the Pearl River Delta and in the US
 - RBWM: expanded intermediary channel to 30+ brokers in the UK covering 75% of the market
 - GB&M: strategic hiring in Global Markets and China Securities Joint Venture
 - CMB: enhanced propositions in HSBCnet, Trade Transaction Tracker and Ask Amy/WeChat and strategic investments in Hong Kong and China
- ◆ \$0.2bn other cost growth includes \$0.1bn **specific investments** in Technology and Operations to continue operating model development and deliver efficiencies
- ◆ FY2018 operating expenses excluding the bank levy broadly in line with 1Q18 annualised, subject to achieving FY positive jaws
- ◆ Costs to achieve zero in 1Q18 versus \$0.9bn in 1Q17

Strong capital base: Common Equity Tier 1 ratio of 14.5%

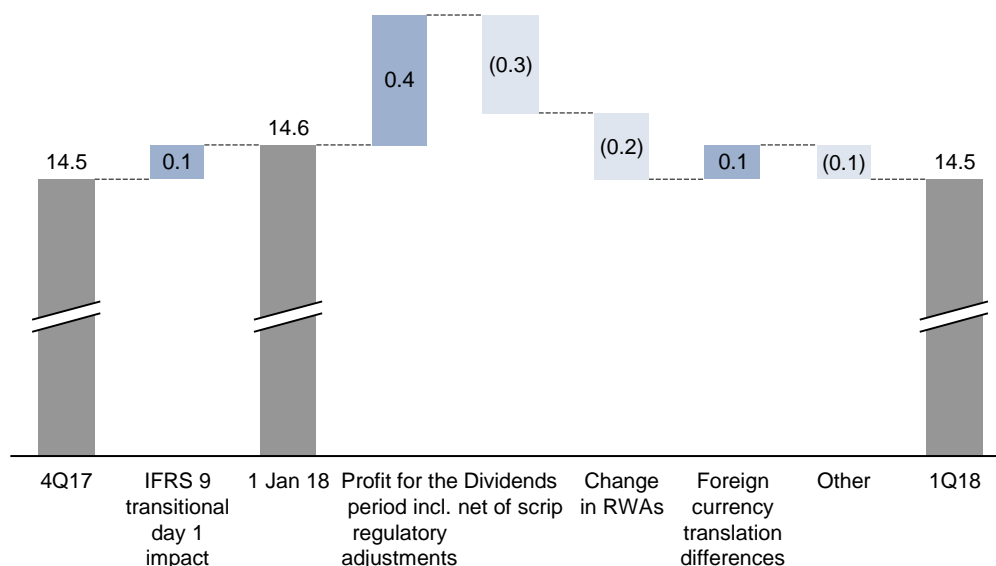
Regulatory capital and RWAs, \$bn

	4Q17	1Q18
Common equity tier 1 capital	126.1	129.6
Total regulatory capital	182.4	185.2
Risk-weighted assets	871.3	894.4

1Q18 CET1 movement, \$bn

At 31 Dec 2017 (IAS 39)	126.1
IFRS 9 transitional day 1 impact	1.2
At 1 Jan 2018	127.3
Capital generation	0.7
Profit for the period including regulatory adjustments	3.1
Dividends ¹¹ net of scrip	(2.4)
Foreign currency translation differences	1.9
Other movements	(0.3)
At 31 Mar 2018	129.6

CET1 ratio movement, %

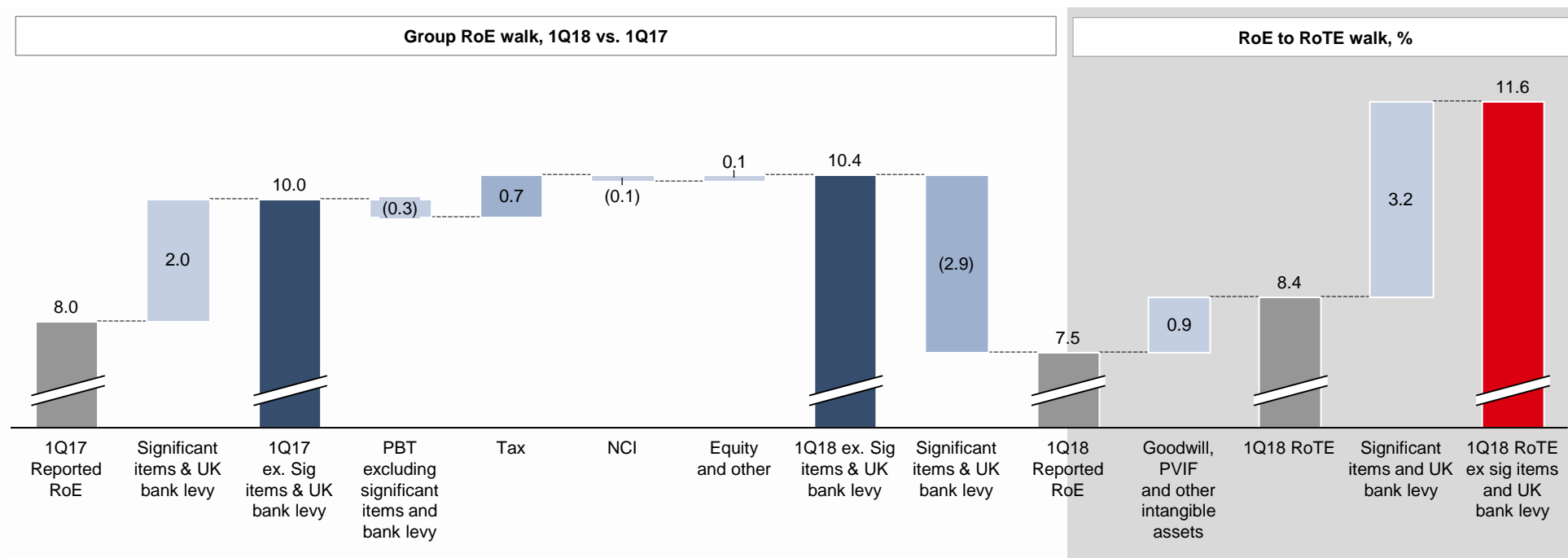


Quarterly CET1 ratio and leverage ratio progression

	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
CET1 ratio	13.6%	14.3%	14.7%	14.6%	14.5%	14.5%
Leverage ratio ⁵	5.4%	5.5%	5.7%	5.7%	5.6%	5.6%

In 2Q 2018, HSBC will change the way in which some of its capital securities are recognised in regulatory capital. The securities were previously recognised as grandfathered Tier 2 capital and will now be treated as fully eligible Tier 2 instruments. This change is expected to increase the Group's total capital ratio by an estimated 40bps to 21.1% based on figures as at 31 March 2018.

Return metrics



Group return metrics¹

	1Q17	1Q18
Reported RoE	8.0%	7.5%
Reported RoRWA	2.3%	2.2%
Adjusted RoRWA ¹²	2.8%	2.8%
RoTE	9.1%	8.4%
RoTE excluding significant items and UK bank levy	11.3%	11.6%

Global business return metrics¹

	1Q17		1Q18	
	Adjusted RoRWA	RoTE (ex sig items and UK bank levy)	Adjusted RoRWA	RoTE (ex sig items and UK bank levy)
RBWM	6.3%	25.0%	6.2%	23.1%
CMB	2.6%	15.7%	2.8%	15.5%
GB&M	2.4%	12.8%	2.3%	11.9%
GPB ¹³	1.9%	7.4%	2.8%	12.3%
Corporate Centre	1.7%	(4.4)%	0.6%	(2.5)%

In summary

- 1 Robust balance sheet, supporting retail and corporate customers across our network**
- 2 Strong funding and liquidity, strong capital and conservative approach to credit**
- 3 A further \$2bn share buy-back announced**
- 4 Good momentum across all businesses with aggregate revenue up 6% Y-o-Y; loan growth up 2% Q-o-Q**
- 5 We intend to deliver positive jaws in FY2018; ongoing focussed investment spend to support growth**
- 6 Strategy update at or before the 2Q18 results**

1Q18 LCR

(4Q17: 142%)

158%

1Q18 A/D ratio

(4Q17: 70.6%)

71.1%

Asia loan growth

(compared with 1.1.18)

\$14.2bn or 3%

Capital returns¹⁴

(since 2015)

\$37.8bn

Leverage ratio

UK leverage ratio CRD IV ratio

6.0% **5.6%**

Group leverage as defined by UK regulators (PRA)

1Q18 Stage 3 customer loans %

(as a % of total)

1.6%

Asia revenue growth (Y-o-Y)

+9%

GLCM revenue growth (Y-o-Y)

+17%

Appendix

Global business management view of adjusted revenue

RBWM, \$m	1Q17	2Q17	3Q17	4Q17	1Q18
Retail Banking	3,380	3,439	3,495	3,531	3,653
Current accounts, savings and deposits	1,510	1,589	1,628	1,740	1,857
Personal lending	1,870	1,850	1,867	1,791	1,796
Mortgages	630	589	619	603	579
Credit cards	753	774	750	689	725
Other personal lending	487	487	498	499	492
Wealth Management	1,698	1,598	1,598	1,433	1,829
Investment distribution	821	815	904	793	1,044
Life insurance manufacturing	614	508	424	353	503
Asset management	263	275	270	287	282
Other	135	125	151	165	187
Total	5,213	5,162	5,244	5,129	5,669
Adjusted revenue as previously disclosed ¹⁵	5,009	5,034	5,183	5,061	5,669

CMB, \$m	1Q17	2Q17	3Q17	4Q17	1Q18
Global Trade and Receivables Finance	467	465	472	462	466
Credit and Lending	1,280	1,288	1,329	1,351	1,325
Global Liquidity and Cash Management	1,158	1,199	1,252	1,303	1,351
Markets products, Insurance and Investments and other	447	383	359	416	557
Total	3,352	3,335	3,412	3,532	3,699
Adjusted revenue as previously disclosed ¹⁵	3,191	3,216	3,347	3,469	3,699

GPB, \$m	1Q17	2Q17	3Q17	4Q17	1Q18
Investment	185	183	176	168	210
Lending	97	99	102	104	103
Deposit	92	104	104	109	122
Other	63	60	63	49	47
Total	437	446	445	430	482
Adjusted revenue as previously disclosed ¹⁵	415	431	437	420	482

GB&M, \$m	1Q17	2Q17	3Q17	4Q17	1Q18
Global Markets	2,066	1,874	1,728	1,323	1,864
Equities	361	342	341	270	426
FICC	1,705	1,532	1,387	1,053	1,438
Foreign Exchange	658	752	620	625	741
Rates	696	529	570	282	445
Credit	351	251	197	146	252
Securities Services	431	454	454	477	482
Global Banking	949	1,107	967	933	1,010
GLCM	543	540	577	599	635
GTRF	189	184	177	171	180
Principal Investments	32	52	183	64	69
Other revenue	(68)	22	(38)	5	(27)
Credit and Funding Valuation Adjustment	-	(102)	(64)	(109)	(65)
Total	4,142	4,131	3,984	3,463	4,148
Adjusted revenue as previously disclosed ¹⁵	3,886	3,937	3,878	3,390	4,148

Corporate Centre, \$m	1Q17	2Q17	3Q17	4Q17	1Q18
Central Treasury	364	449	329	269	(75)
Balance Sheet Management	854	696	590	660	592
Interest expense	(343)	(297)	(335)	(278)	(377)
Valuation differences on long-term debt and associated swaps	(65)	125	91	(56)	(241)
Other	(82)	(75)	(17)	(57)	(49)
US run-off portfolio	28	47	(28)	(7)	12
Legacy Credit	-	62	(18)	(77)	7
Other	(25)	92	(71)	(57)	(92)
Total	367	650	212	128	(148)
Adjusted revenue as previously disclosed ¹⁵	342	592	186	100	(148)

Currency translation and significant items

\$m	1Q17	4Q17	1Q18
Revenue			
Currency translation	(660)	(236)	-
Customer redress programmes	-	(105)	-
Disposals, acquisitions and investment in new businesses	156	(79)	(112)
Fair value movement on financial instruments	(6)	45	(28)
Currency translation of significant items	(8)	(6)	-
ECL / Loan impairment charges			
Currency translation	4	24	-
Operating expenses			
Currency translation	513	219	-
Costs of structural reform	(83)	(131)	(126)
Costs to achieve	(833)	(655)	-
Customer redress programmes	(210)	(272)	(93)
Disposals, acquisitions and investment in new businesses	-	(39)	(2)
Gain on partial settlement of pension obligation	-	188	-
Restructuring and other related costs	-	-	(20)
Settlements and provisions in connection with legal and regulatory matters	-	(228)	(897)
Currency translation of significant items	(94)	(36)	-
Share of profit in associates and joint ventures			
Currency translation	(28)	(18)	-
Currency translation and significant items	(1,249)	(1,329)	(1,278)

RoTE by global business

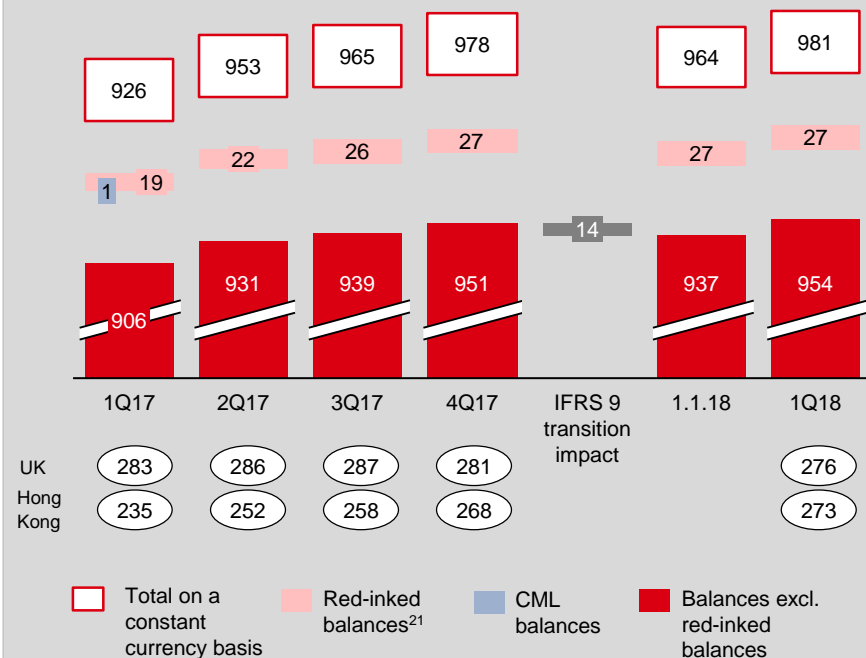
1Q18 \$m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	1,796	2,110	1,769	70	(990)	4,755
Reported profit before tax - Annualised	7,284	8,558	7,176	283	(4,016)	19,285
Significant items	445	5	(227)	174	4,784	5,181
Bank levy	-	-	-	-	166	166
BSM allocation and other adjustments ¹⁶	589	578	492	101	(1,760)	-
Profit before tax ex sig items and bank levy	8,318	9,141	7,441	558	(826)	24,632
Tax allocated to GBs ¹⁷	(1,461)	(1,942)	(1,318)	(92)	266	(4,547)
Profit after tax ex sig items and bank levy	6,857	7,199	6,123	466	(560)	20,085
PVIF, Coupon on capital securities classed as equity, non-controlling interest	(1,146)	(960)	(603)	(25)	(273)	(3,007)
RoTE profit attributable to ordinary shareholders (PAOS)	5,711	6,239	5,520	441	(833)	17,078
Total Shareholders' Equity at 31st March 2018						195,924
Reported Average Tangible Shareholders' Equity at 31st March 2018						144,851
Other adjustments ¹⁶						2,974
Average Tangible Shareholders' Equity at 31st March 2018¹⁸	24,737	40,258	46,488	3,574	32,768¹⁹	147,825
RoTE excluding significant items and UK bank levy	23.1%	15.5%	11.9%	12.3%	(2.5)%	11.6%
1Q17 \$m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	1,519	1,796	1,564	74	8	4,961
Reported profit before tax - Annualised	6,163	7,285	6,344	300	27	20,119
Significant items	1,060	(4)	586	(15)	2,327	3,954
Bank levy	-	-	-	-	-	-
BSM allocation and other adjustments ¹⁶	900	934	833	149	(2,816)	-
Profit before tax ex sig items and bank levy	8,123	8,215	7,763	434	(462)	24,073
Tax allocated to GBs ¹⁷	(1,490)	(1,844)	(1,507)	(96)	(707)	(5,644)
Profit after tax ex sig items and bank levy	6,633	6,371	6,256	338	(1,169)	18,429
PVIF, Coupon on capital securities classed as equity, non-controlling interest	(843)	(808)	(631)	(29)	(298)	(2,609)
RoTE profit attributable to ordinary shareholders (PAOS)	5,790	5,563	5,625	309	(1,467)	15,820
Total Shareholders' Equity at 31st March 2017						178,784
Reported Average Tangible Shareholders' Equity at 31st March 2017						139,050
Other adjustments ¹⁶						1,443
Average Tangible Shareholders' Equity at 31st March 2017¹⁸	23,201	35,322	44,097	4,200	33,673¹⁹	140,493
RoTE excluding significant items and UK bank levy	25.0%	15.7%	12.8%	7.4%	(4.4)%	11.3%

Balance sheet – Customer lending

1Q18 Loans and advances to customers²⁰

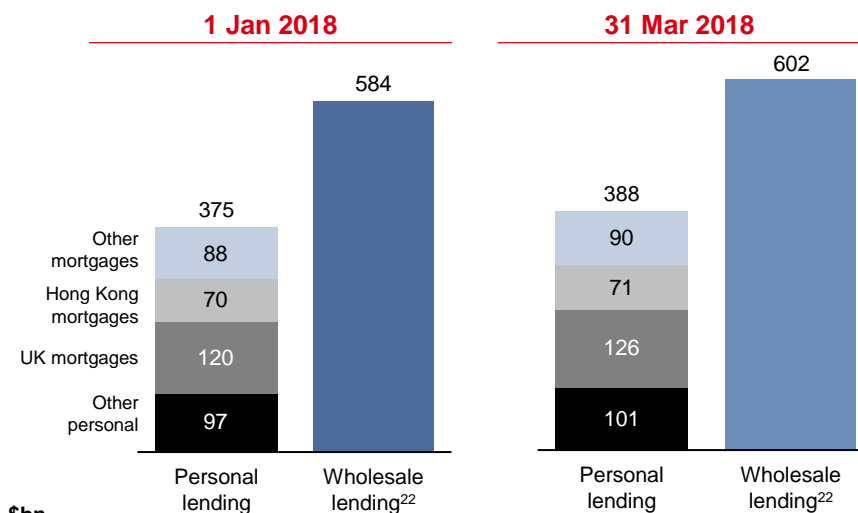
The impact of transitioning to IFRS 9 'Financial instruments' on 1 Jan 2018 was a reduction in customer advances of \$14bn. Balances increased from 1 Jan 2018 by \$17bn reflecting:

- ◆ continued lending growth in Asia (\$14bn) primarily in Hong Kong
- ◆ growth in mortgage lending, notably in the UK (\$2bn)



Gross balances analysis vs 1 Jan 2018, \$bn

(Reported basis, not currency adjusted; further analysis on UK mortgages on slide 26)



By region, \$bn

Region	Personal lending	Wholesale lending ²²
Europe	169	210
- of which UK	140	154
Asia	150	273
- of which Hong Kong	98	167
MENA	7	23
North America	43	64
Latin America	7	14
Total	375	584

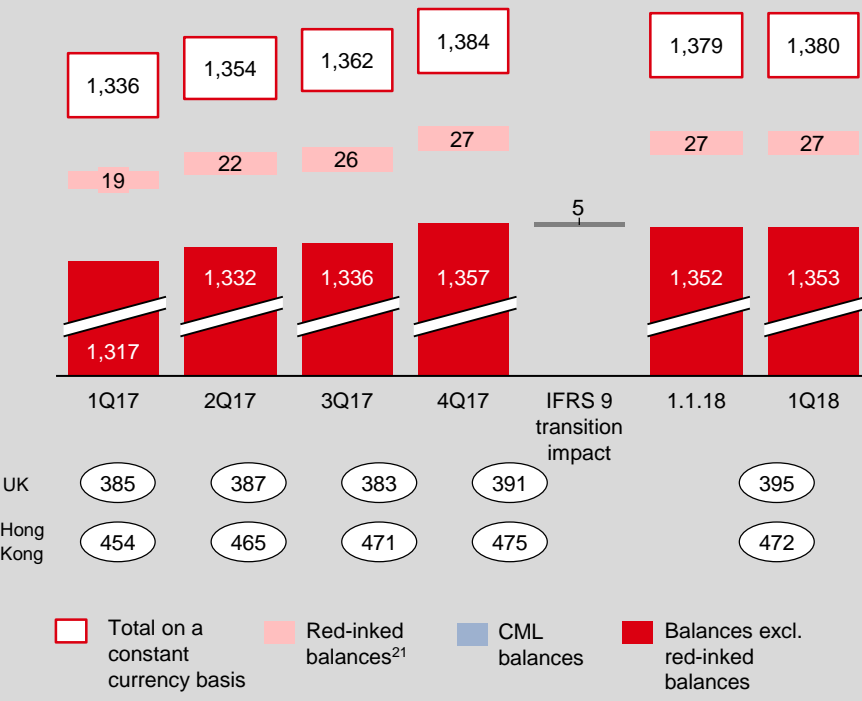
Region	Personal lending	Wholesale lending ²²
Europe	180	214
- of which UK	147	158
Asia	153	285
- of which Hong Kong	99	175
MENA	7	25
North America	42	63
Latin America	7	15
Total	388	602

Balance sheet – Customer accounts

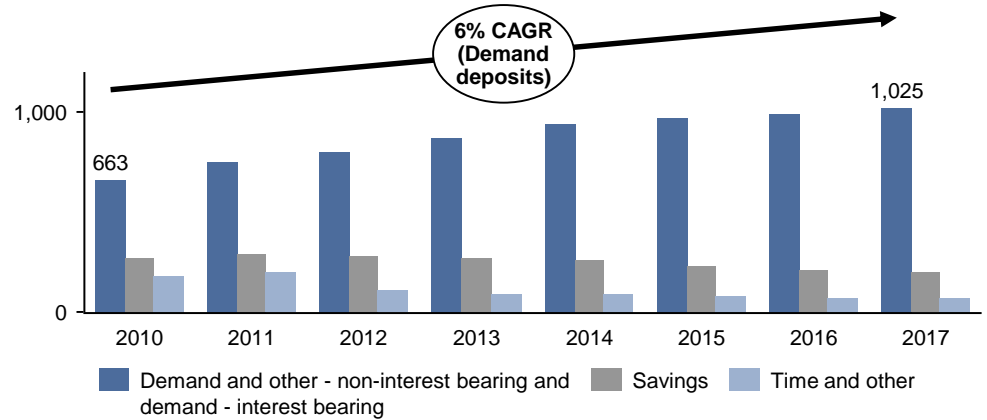
1Q18 Customer accounts²⁰, \$bn

Balances were stable on a constant currency basis:

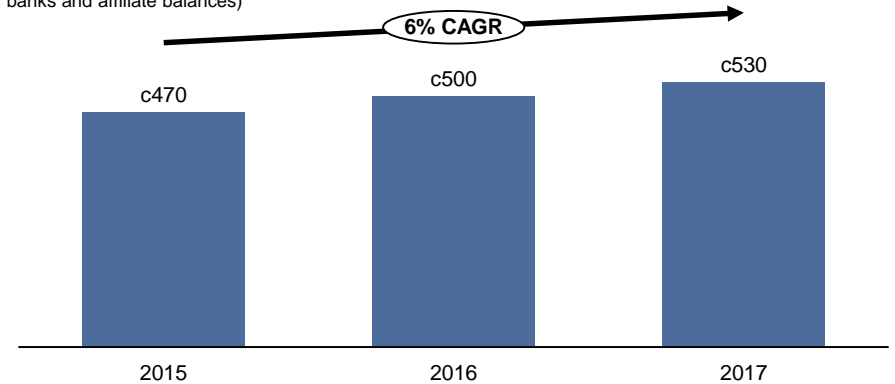
- ◆ Growth in balances in Europe in GB&M in the UK, partly offset by CMB and GPB
- ◆ In Asia, customer accounts fell, primarily in GB&M and CMB in Hong Kong and China, as seasonal outflows were higher than new deposit growth



Customer accounts²³, US\$bn



Average GLCM deposits, US\$bn (Includes banks and affiliate balances)



Net interest income sensitivity

Net interest income sensitivity

For further commentary and information, refer to pages 108 and 109 of the Annual Report and Accounts 2017

NII sensitivity 25 basis point shift in yield curves at the beginning of each quarter. Equivalent to 62.5 basis points parallel shift in year 1

\$m		USD	HKD	GBP	EUR	Other	Total
Change in 2018 net interest income	+25bps	563	511	407	249	448	2,178
	-25bps	(821)	(789)	(494)	17	(405)	(2,492)

NII sensitivity following a 25bps and 100bps instantaneous change in yield curves (5 years)

\$m	Year 1	Year 2	Year 3	Year 4	Year 5	Total
+25bps	806	1,153	1,326	1,439	1,507	6,231
-25bps	(925)	(872)	(1,154)	(1,271)	(1,381)	(5,603)
+100bps	3,299	4,463	5,105	5,472	5,759	24,098
-100bps	(4,201)	(4,538)	(5,102)	(5,498)	(5,813)	(25,152)

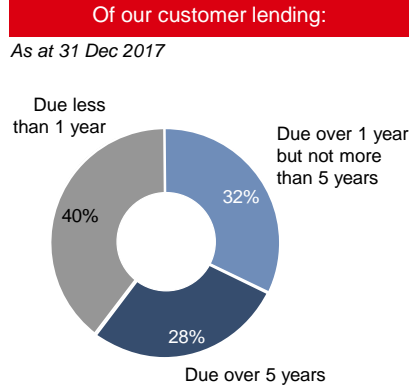
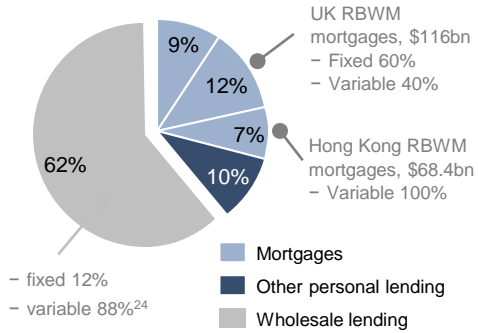
Key assumptions:

- Static Balance Sheet
- No changes to product re-pricing assumptions after Year 1
- Sensitivity presented above is incremental to current yield curves

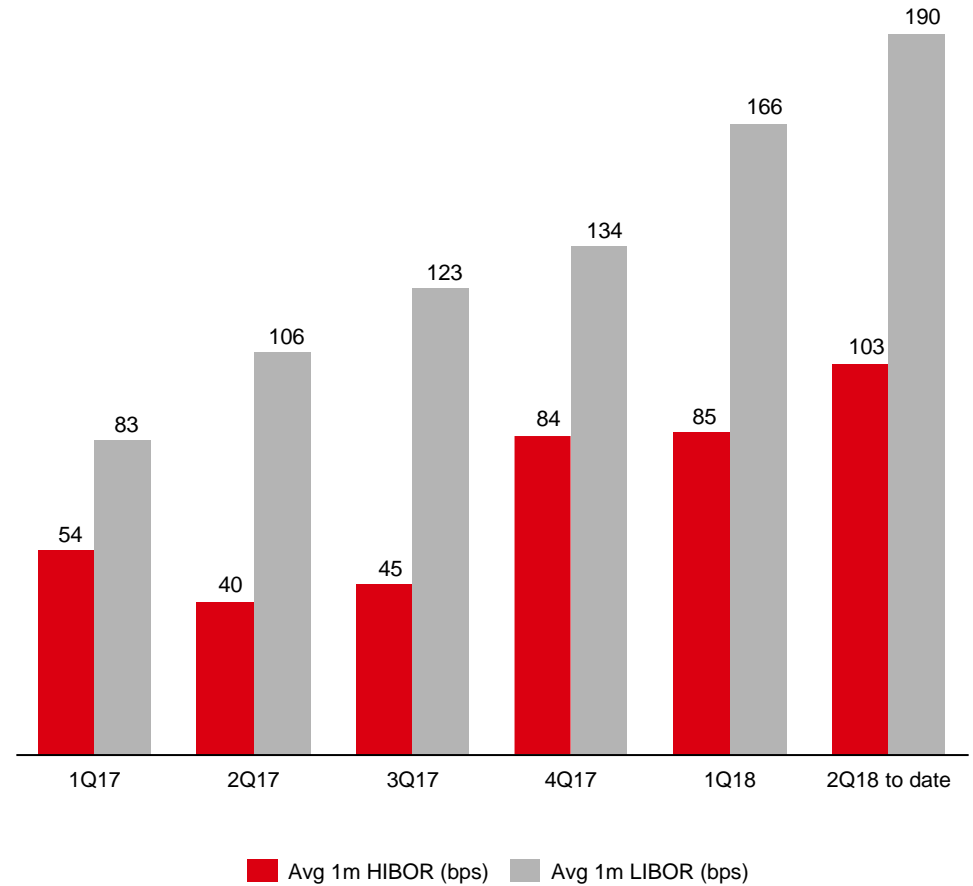
Net interest margin supporting information

Gross customer lending analysis - \$970bn

As at 31 Dec 2017

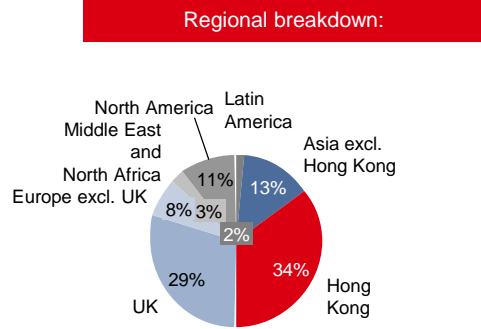
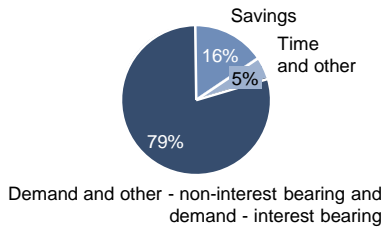


HIBOR / LIBOR 1 month rate²⁶

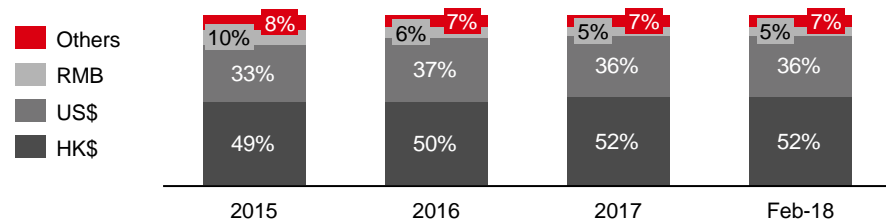


Customer accounts - \$1,364bn:

As at 31 Dec 2017



Hong Kong system deposits by currency²⁵:



Equity drivers

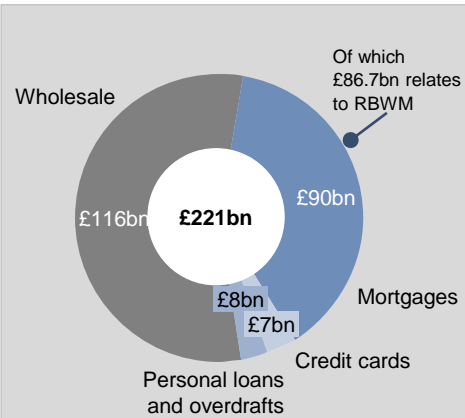
1Q18 vs. 4Q17 Equity drivers

	Shareholders' Equity, \$bn	Tangible Equity, \$bn	TNAV per share, \$	No. of shares (excl. treasury shares), million
As at 31 December 2017	190.3	144.9	7.26	19,960
Profit to shareholders	3.4	3.4	0.17	-
Dividends net of scrip ^{*,27}	(4.1)	(4.1)	(0.20)	-
FX	3.0	2.4	0.12	-
Changes in fair value arising from changes in own credit risk	0.6	0.6	0.03	-
AT1 issuance	4.2	-	-	-
IFRS 9 re-measurement – day 1 impact	(1.6)	(1.6)	(0.08)	-
Other	0.1	0.1	(0.01)	53
As at 31 March 2018	195.9	145.8	7.29	20,013

*Scrip take up relating to the fourth interim dividend for 2017 was 39m shares (issued in April 2018), \$393m, or c.9% of the total fourth interim dividend

UK credit quality

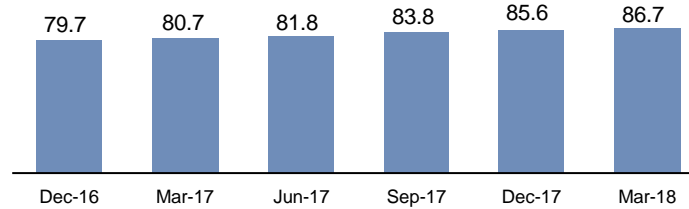
Total UK²⁸ gross customer advances - £221bn



Total UK gross customer advances of £221bn (\$305bn) which represents 29% of the Group's gross customer advances:

- ◆ Continued mortgage growth whilst maintaining extremely conservative loan-to-value (LTV) ratios
- ◆ Low levels of buy-to-let mortgages and mortgages on a standard variable rate (SVR)
- ◆ Low levels of delinquencies across mortgages and unsecured lending portfolios

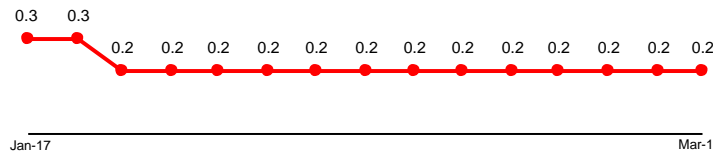
RBWM residential mortgages²⁹, £bn



By Loan to Value (LTV)

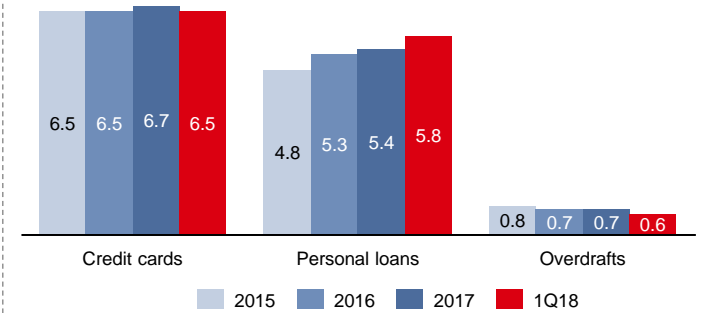
Less than 50%	£46.5bn
50% - < 60%	£14.4bn
60% - < 70%	£11.6bn
70% - < 80%	£9.2bn
80% - < 90%	£4.4bn
90% +	£0.6bn

90+ day delinquency trend, %

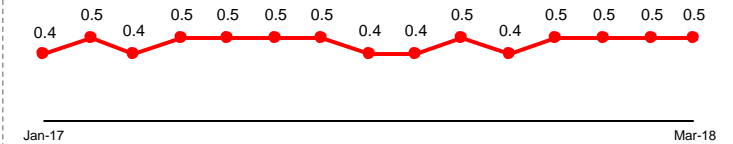


- ◆ c.28% of mortgage book is in Greater London
- ◆ LTV ratios – 1Q18:
 - c54% of the book < 50% LTV
 - new originations average LTV of 57%;
 - average LTV of the total portfolio of 40%
- ◆ Buy-to-let mortgages of £2.8bn
- ◆ Mortgages on a standard variable rate of £3.7bn
- ◆ Interest-only mortgages of £20.9bn

RBWM unsecured lending³⁰, £bn



Credit cards: 90+ day delinquency trend, %



- ◆ Only c16% of outstanding credit card balances are on a 0% balance transfer offer
- ◆ HSBC does not provide a specific motor finance offering to consumers although standard personal loans may be used for this purpose

Glossary

AUM	Assets under management	IFRS	International Financial Reporting Standard
AMG	Asset Management Group	Jaws	The difference between the rate of growth of revenue and the rate of growth of costs. Positive jaws is where the revenue growth rate exceeds the cost growth rate. We calculate this on an adjusted basis
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point	Legacy credit	A portfolio of assets comprising Solitaire Funding Limited, securities investment conduits, asset-backed securities trading portfolios, credit correlation portfolios and derivative transactions entered into directly with monoline insurers
BSM	Balance Sheet Management	LCR	Liquidity coverage ratio
CET1	Common Equity Tier 1	LICs	Loan Impairment charges and other credit risk provisions
Corporate Centre	In December 2016, certain functions were combined to create a Corporate Centre. These include Balance Sheet Management, legacy businesses and interests in associates and joint ventures. The Corporate Centre also includes the results of our financing operations, central support costs with associated recoveries and the UK bank levy	MENA	Middle East and North Africa
CMB	Commercial Banking, a global business	MREL	Minimum requirement for own funds and eligible liabilities
CML	Consumer and Mortgage Lending (US)	NAV	Net Asset Value
CRD IV	Capital Requirements Directive IV	NIM	Net interest margin
CTA	Costs-to-Achieve: Transformation costs to deliver the cost reduction and productivity outcomes outlined in the Investor Update in June 2015	PBT	Profit before tax
DCM	Debt Capital Markets	POCI	Purchased or originated credit-impaired
ECL	Expected credit losses and other credit impairment charges	PVIF	Present value of in-force insurance contracts
FICC	Fixed Income, Currencies and Commodities	RBWM	Retail Banking and Wealth Management, a global business
GB&M	Global Banking and Markets, a global business	RMB	Renminbi
GLCM	Global Liquidity and Cash Management	RoE	Return on average ordinary shareholders' equity
GPB	Global Private Banking, a global business	RoRWA	Return on average risk-weighted assets
GTRF	Global Trade and Receivables Finance	RoTE	Return on average tangible equity
IAS	International Accounting Standards	RWA	Risk-weighted asset
		TNAV	Tangible net asset value

Footnotes

1. Annualised
2. Unless otherwise stated, risk-weighted assets and capital are calculated using (i) the CRD IV transitional arrangement as implemented in the UK by the Prudential Regulation Authority; and (ii) EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation. Figures at 31 December 2017 are reported under IAS 39
3. 1Q17 jaws as reported in our 1Q17 Results
4. Uses average shares of 19,968m
5. Leverage ratio is calculated using the CRD IV end-point basis for tier 1 capital
6. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 1Q18 exchange rates
7. Where a quarterly trend is presented on the Balance sheet, all comparatives are re-translated at 31 Mar 2018 exchange rates
8. RoTE excluding significant items and UK bank levy
9. This table excludes POCI balances and related allowances. Full details can be found on page 20 of the 1Q18 Earnings Release
10. UK bank levy: 2Q17 included a charge of \$17m, 4Q17 included a charge of \$899m, 1Q18 includes a charge of \$41m
11. This includes dividends on ordinary shares, dividends on preference shares and coupons on capital securities, classified as equity
12. Adjusted RoRWA is calculated using annualised profit before tax and reported average risk-weighted assets at constant currency, adjusted for the effects of significant items
13. Due to the nature of its business, GPB measures the performance of its business through other measures including Net New Money and Return on Client Assets
14. Total dividend declared in cash and scrip and buy back since 2015
15. 4Q17 as reported at 4Q17 Results; 3Q17 as reported at 3Q17 Results; 2Q17 as reported at 2Q17 Results; 1Q17 as reported at 1Q17 Results
16. BSM profits and equity are allocated from the Corporate Centre to the Global Businesses; 'Other adjustments' in Equity include movements on accumulated own credit spreads
17. Allocated tax for RoTE includes the reported tax charge, as well as the tax impact of significant items. The Group reported tax charge was \$1.0bn for 1Q18 and \$1.2bn for 1Q17
18. Tangible Equity is allocated to global businesses at a legal entity level, using RWAs, or a more suitable local approach, where appropriate.
19. Includes associates, mainly BoCom and Saudi British Bank, as well as the equity relating to the US run-off and legacy credit portfolios
20. Balances presented by quarter are on a constant currency basis. Reported equivalents for 'Loans and advances to customers' are as follows: 1Q17: \$876bn, 2Q17: \$920bn, 3Q17: \$945bn, 4Q17: \$963bn. Reported equivalents for 'Customer Accounts' are as follows: 1Q17: \$1,273bn, 2Q17: \$1,312bn, 3Q17: \$1,337bn, 4Q17: \$1,364bn
21. Red-inked balances relate to corporate customers in the UK, who settle their overdraft and deposit balances on a net basis. CMB red-inked balances 1Q17: \$5bn, 2Q17: \$5bn, 3Q17: \$7bn, 4Q17: \$6bn and 1Q18: \$7bn; GB&M red-inked balances: 1Q17: \$13bn, 2Q17: \$16bn, 3Q17: \$19bn, 4Q17: \$20bn and 1Q18: \$20bn
22. Wholesale excludes *Loans and advances to Banks*
23. Source: Form 20-F; Average balances on a reported basis
24. Assumes the 2017 split of fixed and variable for commercial lending including lending to banks with greater than 1 year maturity as published in 'Form 20-F'
25. Source: HKMA
26. Source: Bloomberg
27. Includes dividends to preference shareholders and other equity holders and scrip issuances relating to the fourth interim dividend
28. Where the country of booking is the UK
29. Includes First Direct balances
30. Includes First Direct, M&S and John Lewis Financial Services

Important notice and forward-looking statements

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This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is 'adjusted performance' which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items 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. Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in the 2017 20-F, the Reconciliations of Non-GAAP Financial Measures document and the 1Q 2018 Earnings Release which are available at www.hsbc.com.

Information in this presentation was prepared as at 3 May 2018.

Issued by HSBC Holdings plc
Group Investor Relations
8 Canada Square
London E14 5HQ
United Kingdom
www.hsbc.com

Cover image: Guangzhou is located at the heart of China's Pearl River Delta, one of the country's fastest growing economic regions.

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