



HSBC Holdings plc 1Q 2015 Results Presentation to Investors and Analysts



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. Reconciliation of the difference between the non-GAAP financial measurements with the most directly comparable measures under GAAP is provided in the 1Q15 Earnings Release available at www.hsbc.com.

Key messages

Highlights

Financial performance

- 1Q15 reported PBT of USD7,059m up 4% compared with 1Q14.
- Increase in adjusted revenue¹ of USD661m or 4% and an increase in adjusted² PBT of USD349m or 5%
- Adjusted² revenue and PBT growth in 3 out of 4 global businesses
- Adjusted² operating expenses increased by USD483m reflecting higher staff costs and increased marketing spend

Capital

- Strong capital base with a common equity tier 1 ratio (end point basis) of 11.2%

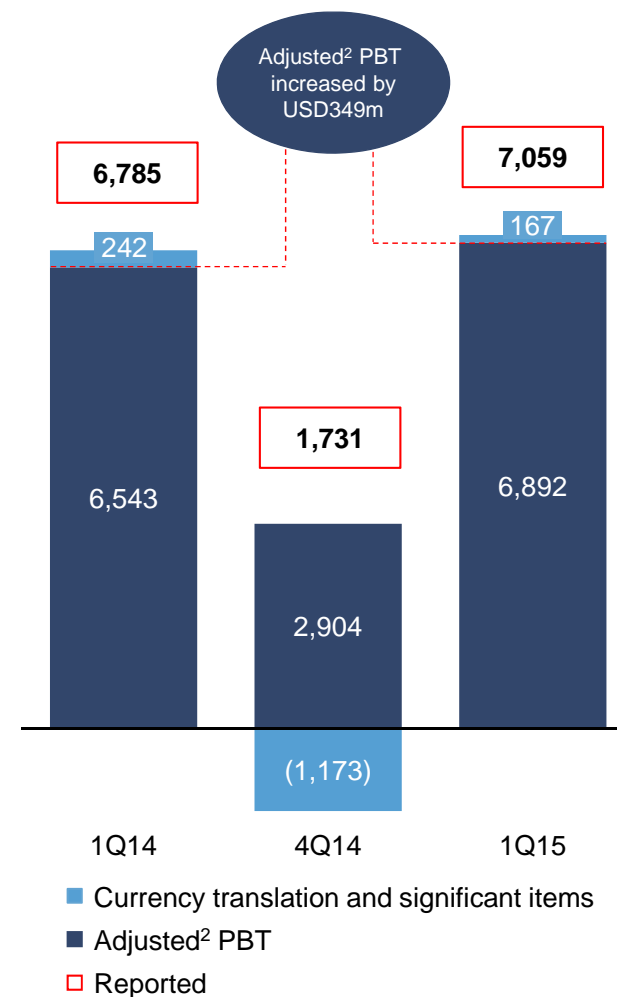
Strategy

- Remained focused on executing the broad framework of our strategic priorities:
 - Grow the business and dividends
 - Implement global standards
 - Streamline processes and procedures
- Investor update 9th June 2015

Notes:

- Net operating income before loan impairment charges and other credit risk provisions, excluding currency translation and significant items
- Excludes currency translation and significant items

Reported and Adjusted² PBT (USDm)



1Q 2015 results

Financial highlights¹

Summary financial highlights, USDbn	1Q14	4Q14	1Q15	Better/(worse)	
				1Q15 vs 4Q14	1Q15 vs 1Q14
Reported PBT	6.8	1.7	7.1	5.4	0.3
Adjusted ² PBT	6.5	2.9	6.9	4.0	0.4

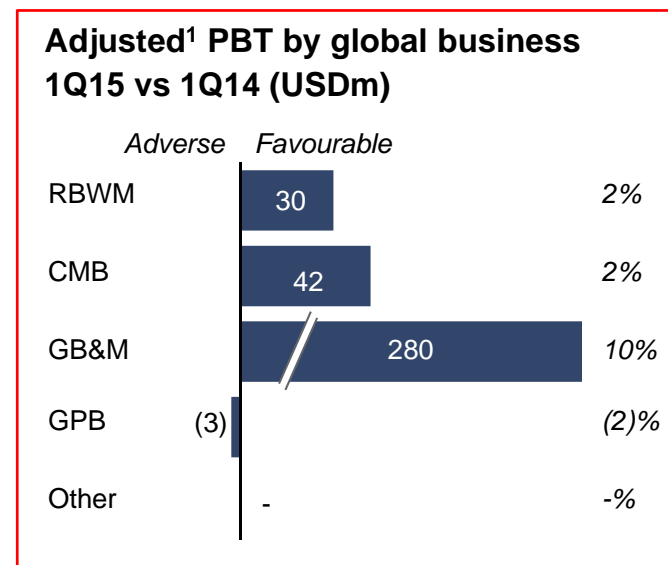
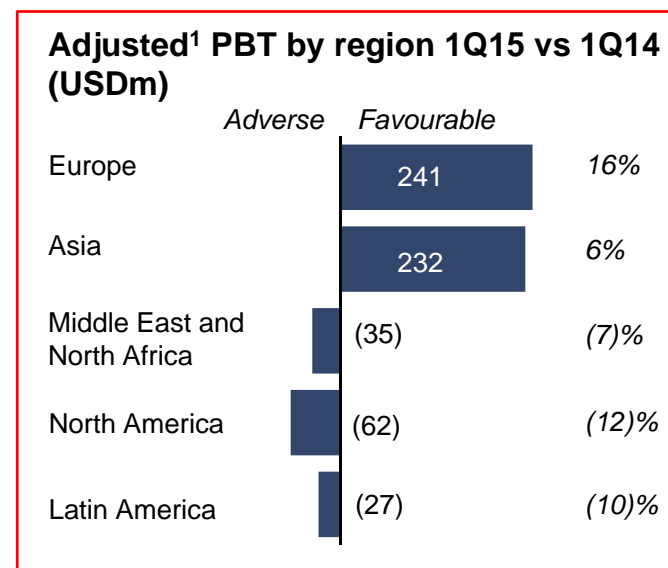
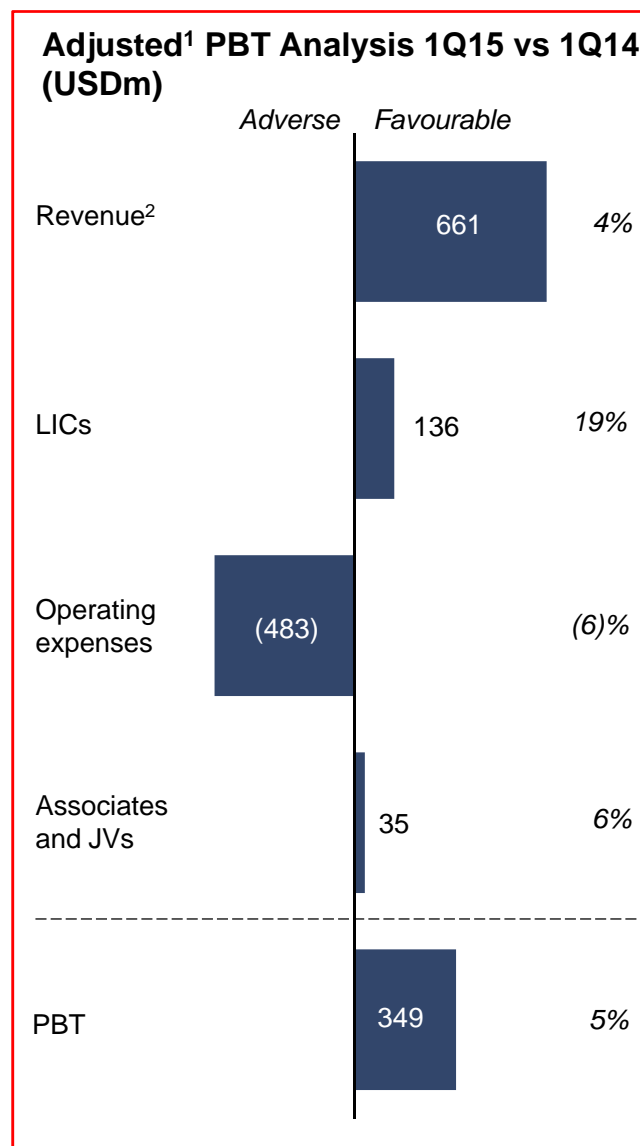
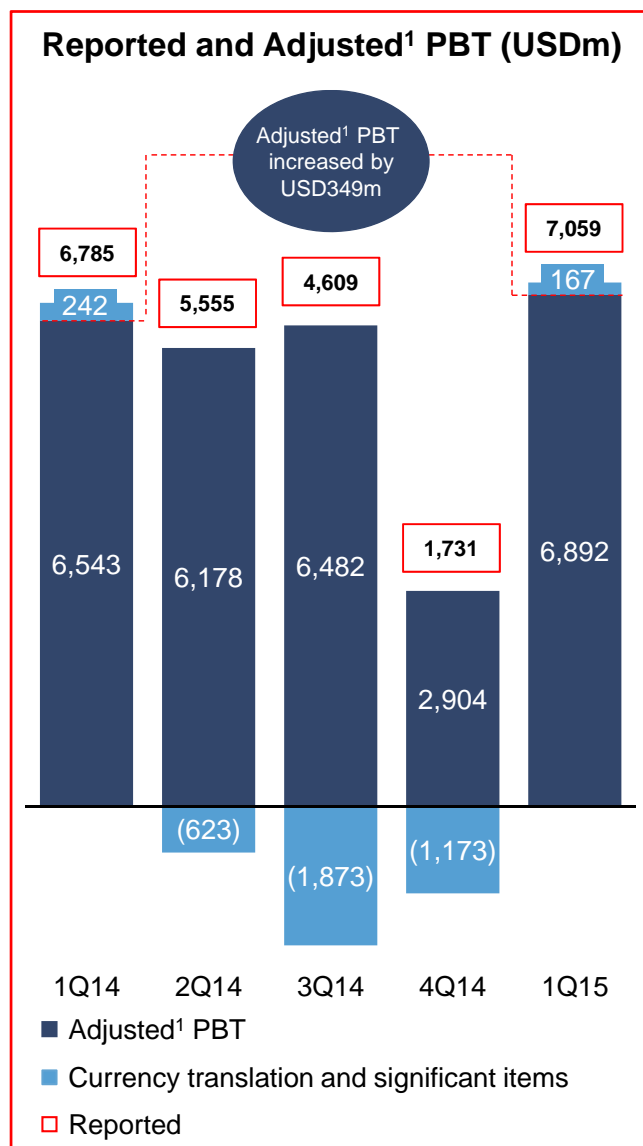
Key ratios, %	1Q14	4Q14	1Q15	Target (if applicable)
Return on average ordinary shareholders' equity ³	11.7%	0.8%	11.5%	>10%
Return on average tangible equity ^{3,4}	13.7%	1.0%	13.1%	n/a
Jaws (adjusted) ⁵	n/a	n/a	(1.5)%	Positive
Advances-to-deposits ratio	73.9%	72.2%	72.5%	n/a
Common equity tier 1 ratio (end point basis) ⁶	10.8%	11.1%	11.2%	n/a
Common equity tier 1 ratio (transitional basis) ⁶	10.7%	10.9%	11.2%	n/a

Notes:

1. All figures are reported unless otherwise stated
2. Excludes currency translation and significant items
3. On an annualised basis
4. Return on average tangible equity measures the return attributable to ordinary shareholders, excluding the impairment of goodwill and the movement in the present value of in-force long-term insurance business ('PVIF') net of tax, on the average tangible common equity, defined as average ordinary shareholders' equity excluding average goodwill, PVIF and other intangibles, net of deferred tax
5. Calculated as percentage growth in adjusted net operating income before loan impairment charges and other credit risk provisions less percentage growth in adjusted operating expenses, 1Q15 versus 1Q14
6. From 1 January 2015 the CRD IV transitional CET1 and end-point CET1 capital ratios became aligned for HSBC Holdings plc due to recognition of unrealised gains on investment property and available-for-sale securities

Profit before tax analysis

Increased adjusted¹ PBT in 3 out of 4 global businesses

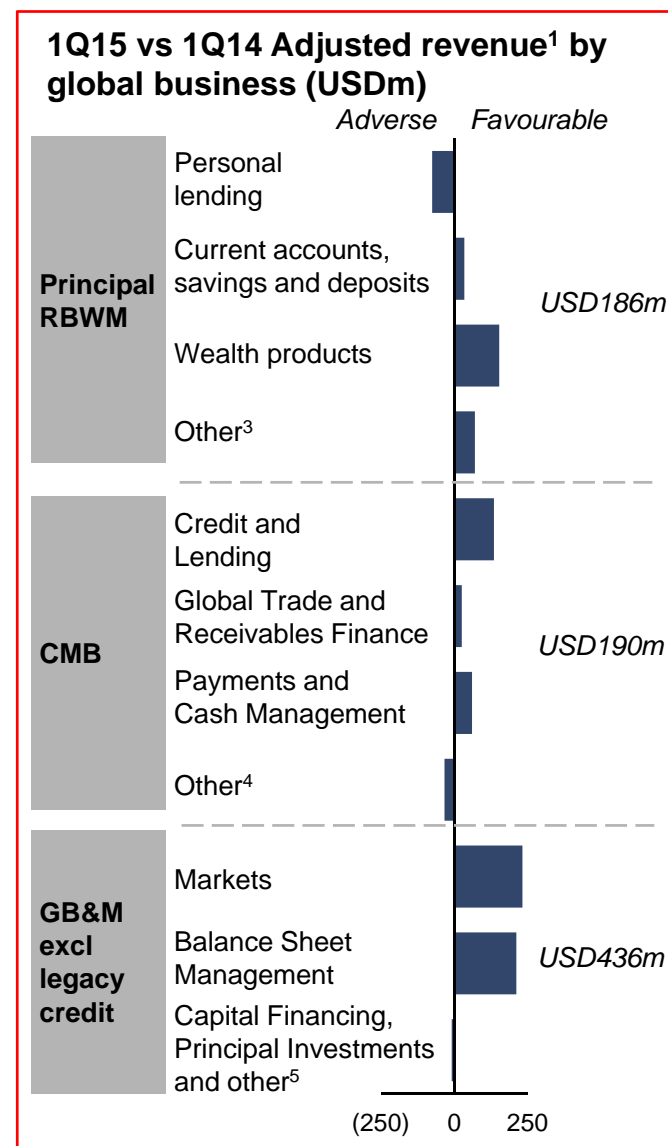
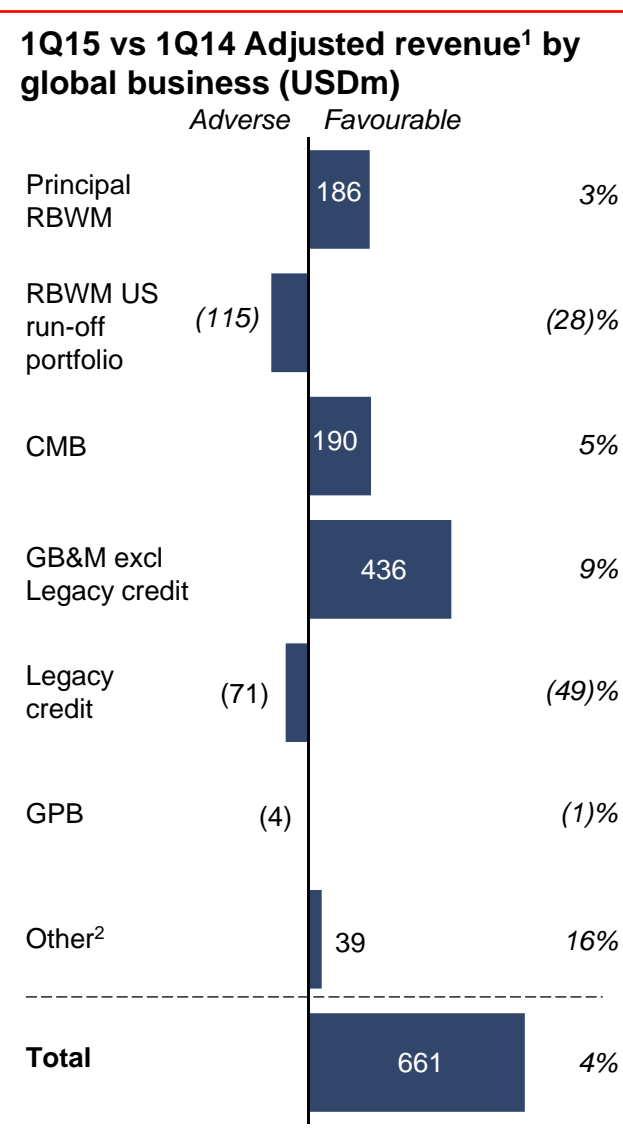
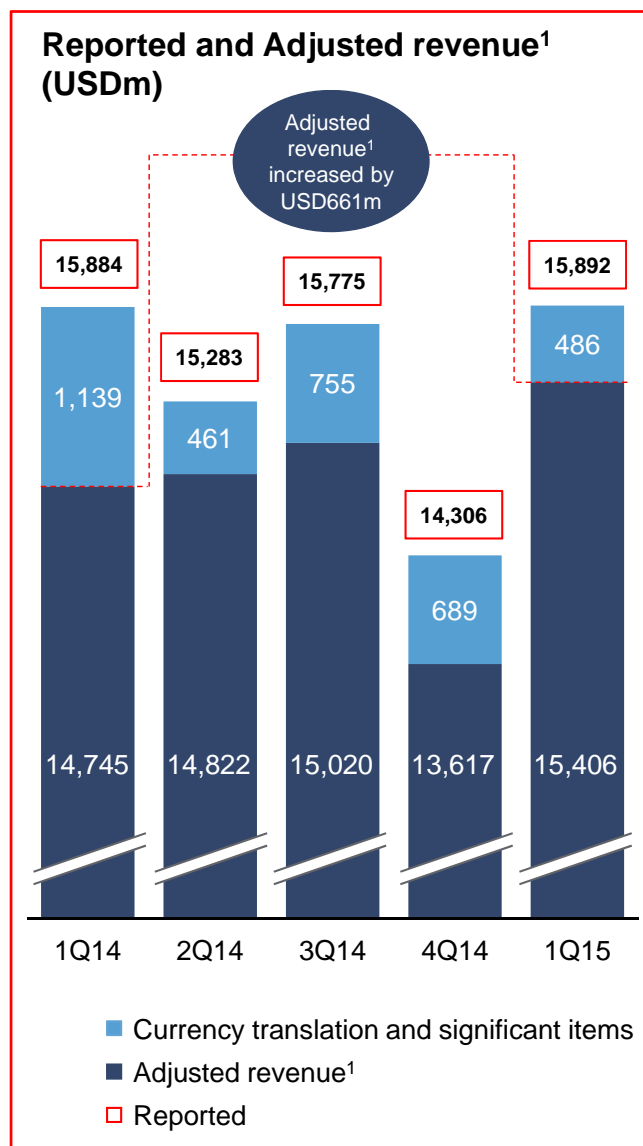


Notes:

1. Excludes currency translation and significant items
2. Net operating income before loan impairment charges and other credit risk provisions

Revenue analysis

Higher adjusted revenue¹ in GB&M, CMB and Principal RBWM



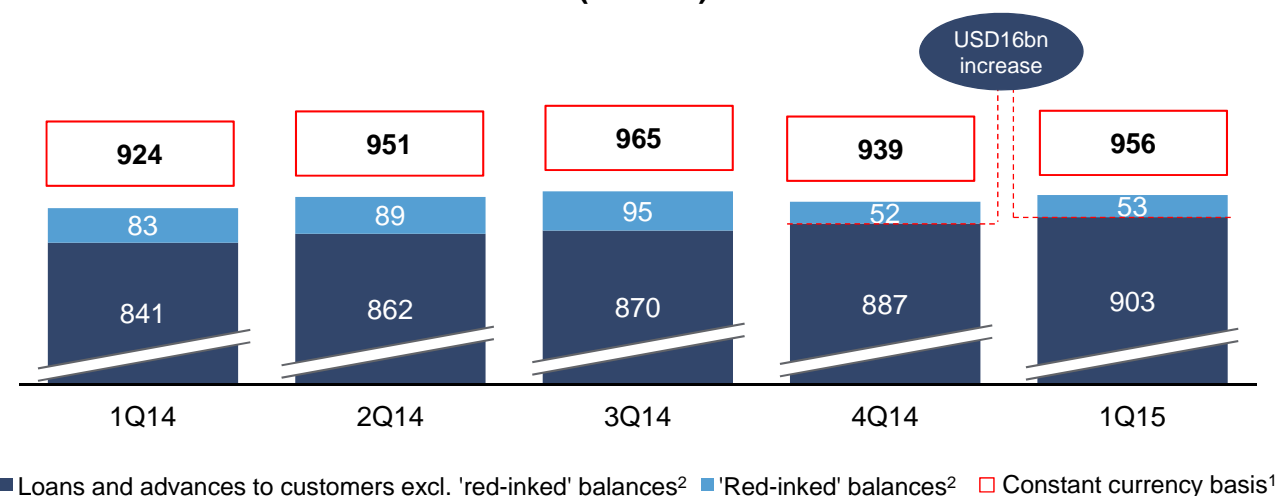
Notes:

1. Net operating income before loan impairment charges and other credit risk provisions excluding the effect of currency translation and significant items
2. Includes intersegment revenue variance of USD(138)m
3. Mainly includes the distribution and manufacturing (where applicable) of retail and credit protection insurance
4. Includes Markets products, Insurance and Investments and Other
5. Mainly includes Securities Services, Payments and Cash Management and Global Trade and Receivables Finance

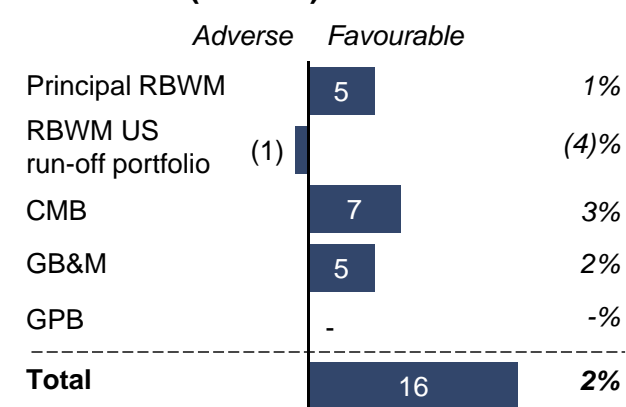
Balance sheet analysis

Continued growth in customer lending

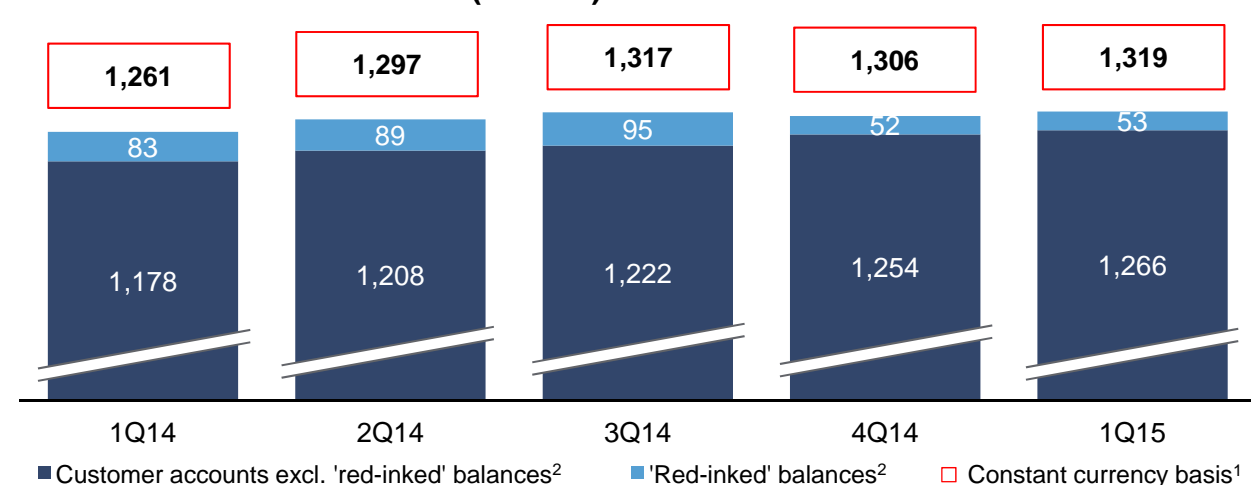
Loans and advances to customers¹ (USDbn)



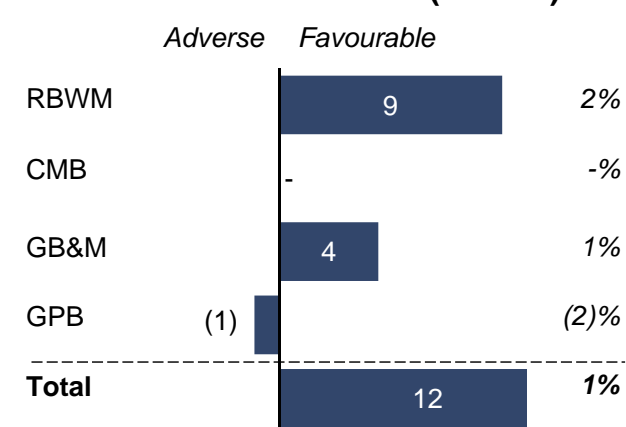
1Q15 vs 4Q14 Loans and advances to customers¹ excl. red-linked balances² (USDbn)



Customer account balances¹ (USDbn)



1Q15 vs 4Q14 Customer accounts¹ excl. red-linked balances² (USDbn)



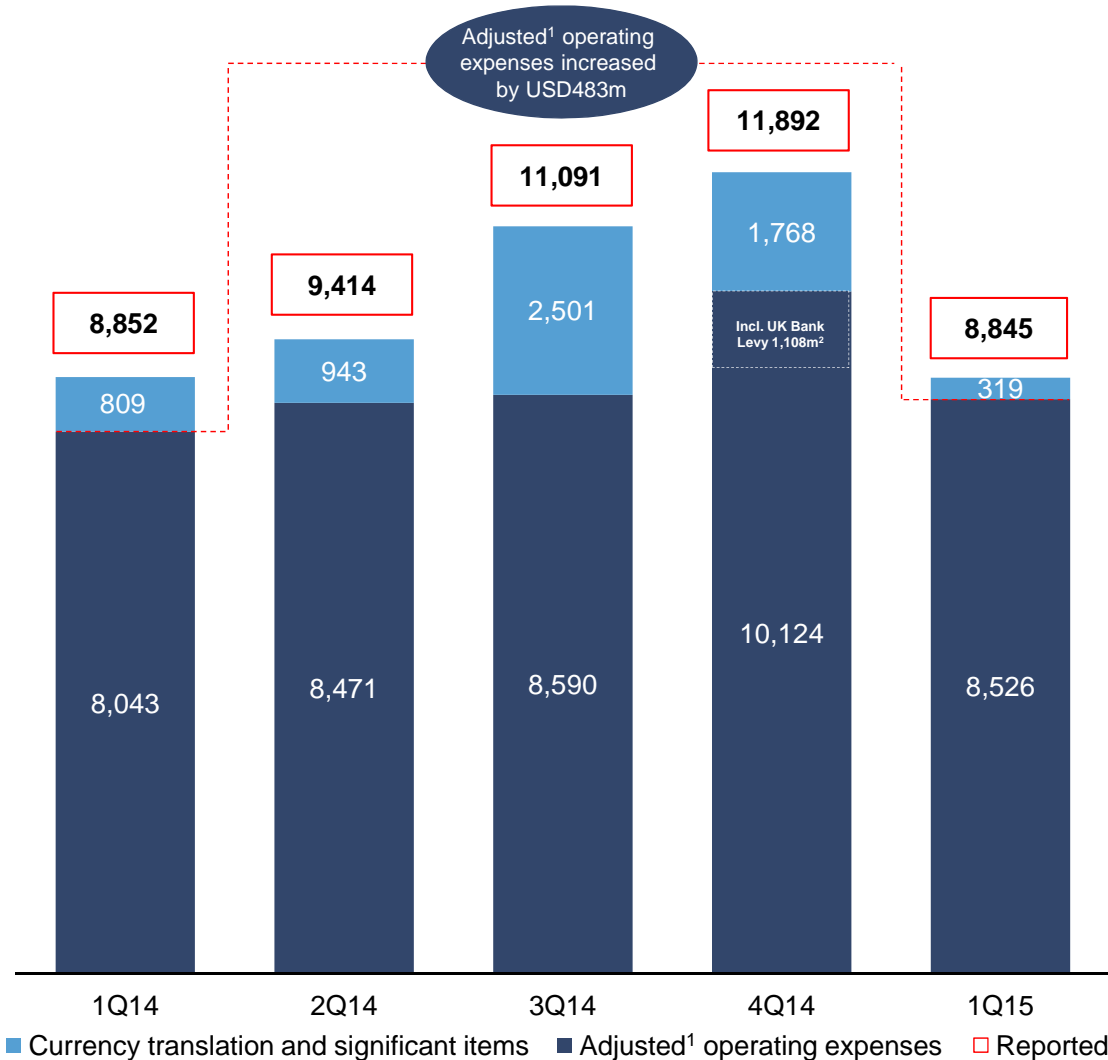
Notes:

- Comparatives have been retranslated at 31 March 2015 rates. The reported quarterly balances for Loans and advances to customers are as follows: 1Q14 USD1,010bn; 2Q14 USD1,047bn; 3Q14 USD1,029bn; 4Q14 USD975bn. The reported quarterly balances for Customer accounts are as follows: 1Q14 USD1,366bn; 2Q14 USD1,416bn; 3Q14 USD1,395bn; 4Q14 USD1,351bn
- 'Red-linked' balances refer to a number of corporate overdraft and corresponding deposit positions where clients benefit from net interest arrangements, but where net settlement is not intended to occur

Operating expenses analysis

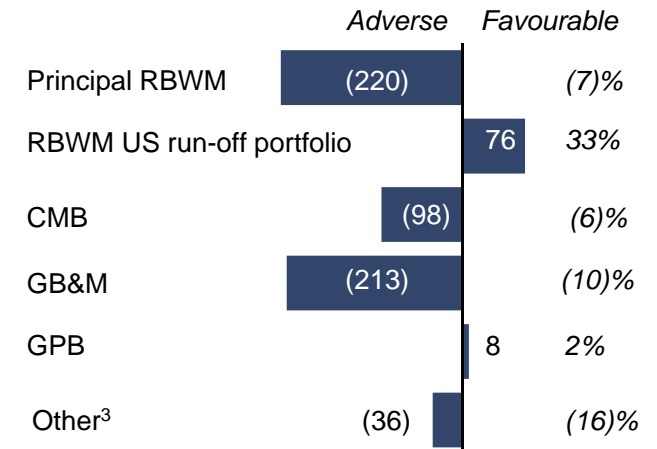
Higher staff costs and increased marketing spend

Reported and adjusted¹ operating expenses (USDm)

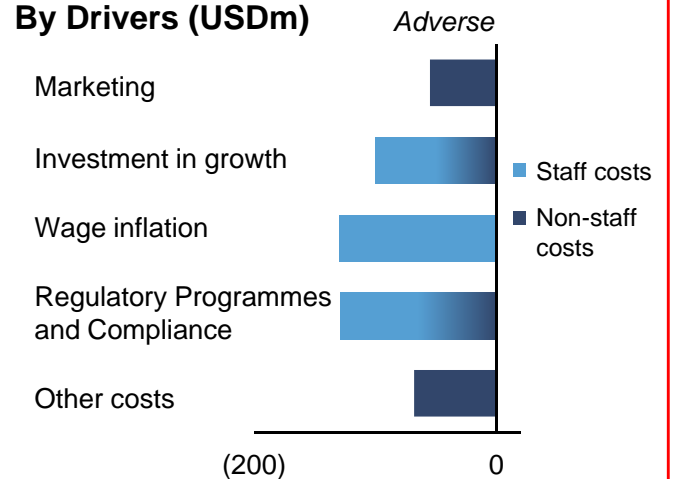


1Q15 vs 1Q14 Adjusted¹ operating expenses

By global business (USDm)



By Drivers (USDm)



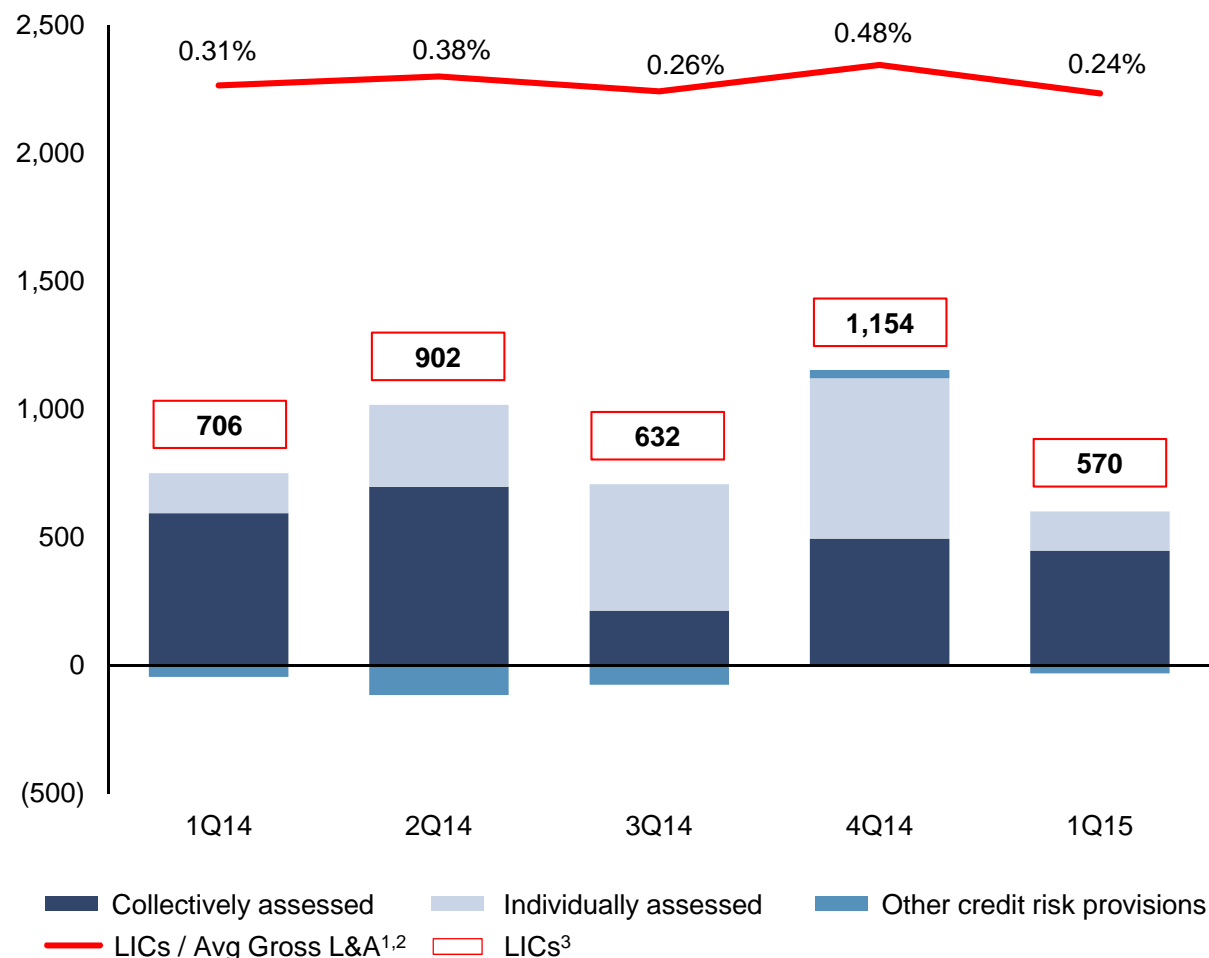
Notes:

1. Excludes currency translation and significant items
2. 2Q14 and 1Q15 include positive adjustments relating to the UK Bank Levy charge from the previous year, both totalling USD45m
3. Includes intersegment cost variance of USD138m.

Loan impairment charges¹

Lower LICs compared with 1Q14, primarily in North America and Europe

Loan impairment charges (USDm)



Loan impairment charges / average gross loans and advances to customers^{1,2} (%)

Geographical regions	1Q14	1Q15
Europe ⁴	0.10	0.01
Asia	0.12	0.11
Middle East and North Africa	(0.30)	0.12
North America	0.55	0.24
Latin America	3.89	3.74
Total	0.31	0.24

Global Businesses	1Q14	1Q15
RBWM	0.63	0.50
CMB	0.25	0.31
GB&M	0.00	(0.17)
GPB	(0.05)	0.02
Other	(0.12)	0.05
Total	0.31	0.24

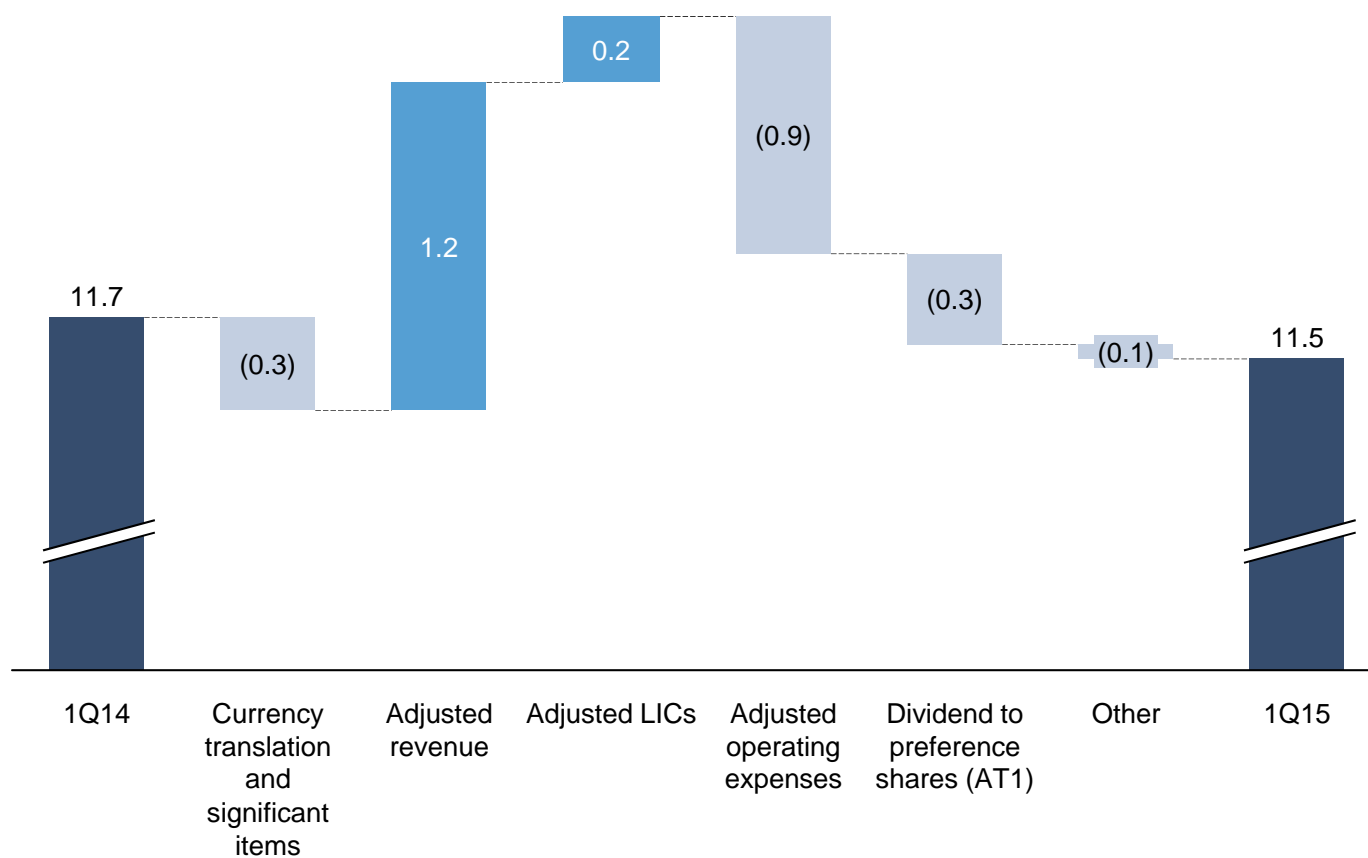
Notes:

1. Loan impairment charges and other credit risk provisions (LICs)
2. LICs are annualised and presented on an adjusted basis translated at 1Q15 rates. Average gross loans are presented on a constant currency basis
3. Quarterly LICs are presented on an adjusted basis translated at 1Q15 rates. Reported quarterly LICs are as follows: 1Q14 USD798m; 2Q14 USD1,043m; 3Q14 USD760m; 4Q14 USD1,250m;
4. Decrease was mainly in GB&M driven by lower individually assessed impairment allowances in Capital Financing

Profitability

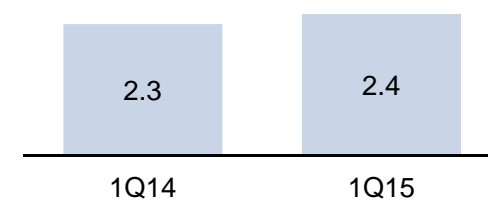
Drivers of returns

Group RoE¹

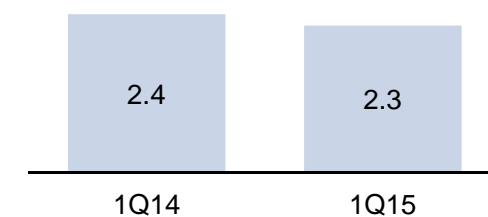


Group RoRWA², %

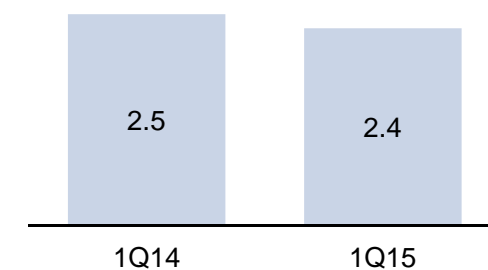
Reported



Adjusted³



Adjusted ex run-off⁴



Notes:

1. ROE has been calculated on an annualised reported basis
2. RoRWAs are calculated using average RWAs based on a CRD IV basis for 1Q15, 4Q14 and 1Q14 and on a Basel 2.5 basis for 4Q13
3. Adjusted RoRWAs are calculated using adjusted PBT and reported RWAs at constant currency, adjusted for disposals.
4. Includes GB&M Legacy credit, US CML and other run-off portfolio

Capital adequacy

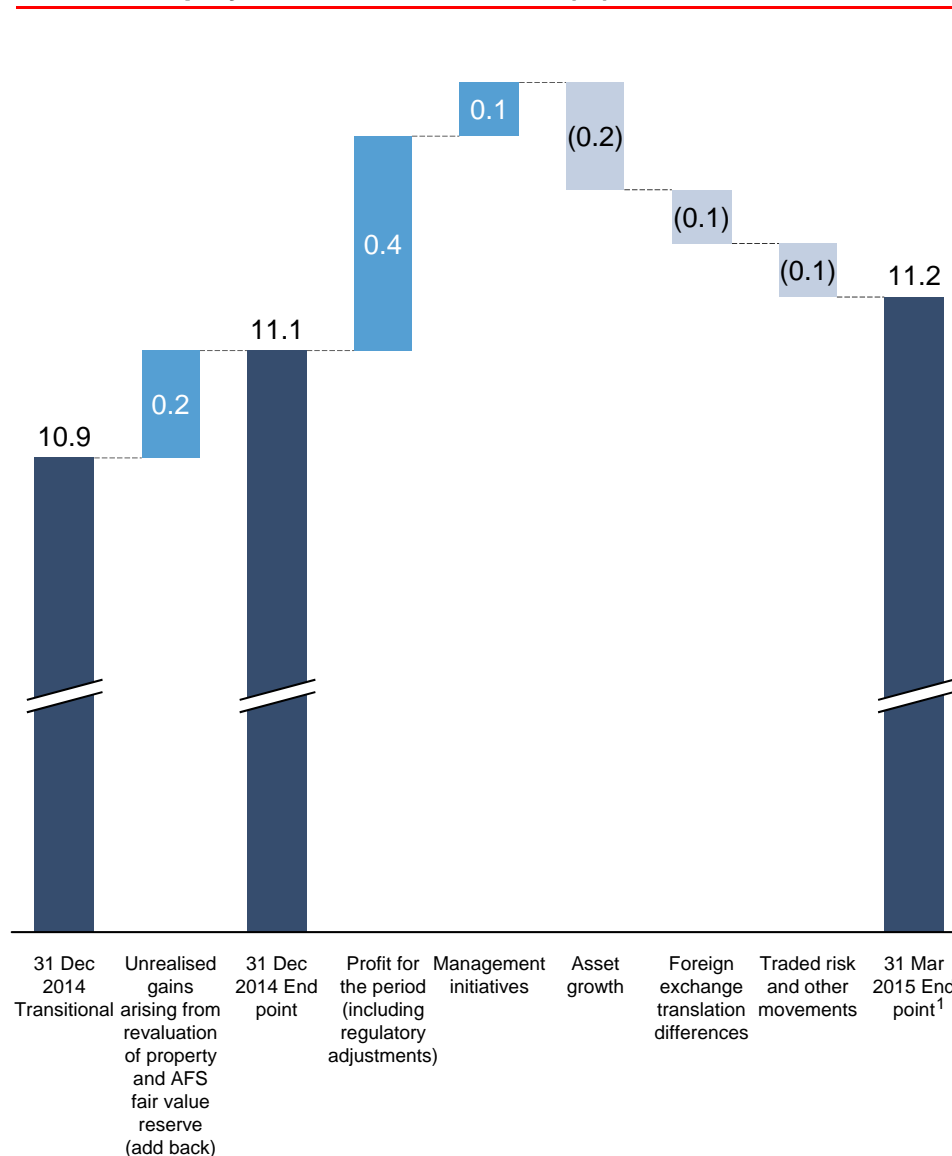
Movement in common equity tier 1 capital (USDbn)

	CRD IV End point ¹
At 31 December 2014	136.0
Capital generation	4.1
Profit for the period (including regulatory adjustments)	4.6
<i>of which USD0.4bn gain on the partial sale of shareholding in Industrial Bank²</i>	
First interim dividend ³ , net of planned scrip	(1.7)
Higher 2014 fourth interim dividend scrip take-up	1.2
Foreign exchange translation differences	(4.1)
Further impact on the partial sale of shareholding in Industrial Bank ²	(1.4)
Other movements	1.0
At 31 March 2015	135.6

Movement in risk-weighted assets (CRD IV end point) (USDbn)

	Total
At 31 December 2014	1,219.8
Asset growth	17.1
Traded risk	16.0
Foreign exchange translation differences	(26.6)
Management initiatives:	(9.7)
Legacy reduction and run-off	(6.0)
RWA initiatives	(3.7)
Partial sale of shareholding in Industrial Bank ²	(9.4)
Methodology change and model update	4.6
Other movements	0.8
At 31 March 2015	1,212.6

Common equity tier 1 ratio movement (%)



Notes:

- From 1 January 2015 the CRD IV transitional CET1 and end-point CET1 capital ratios became aligned for HSBC Holdings plc due to recognition of unrealised gains on investment property and available-for-sale securities
- The partial sale of our shareholding in Industrial Bank had no material impact on the Group's capital ratios
- This includes dividends on ordinary shares, quarterly dividends on preference shares and coupons on capital securities, classified as equity

Appendix

Appendix

Currency translations and significant items

USDm	1Q14	4Q14	1Q15
Currency translation	336	(22)	-
Significant items:			
Revenue			
(Loss) / gain on sale of several tranches of real estate secured accounts in the US	(30)	92	-
Gain on sale arising from HSBC Latin America Holdings UK Limited's disposal of HSBC Bank (Colombia) S.A.	18	-	-
Trading results – HSBC Bank (Colombia) S.A.	8	-	-
Loss on sale arising from HSBC Bank Middle East Limited's disposal of its operations in Pakistan	-	(27)	-
Trading results – HSBC Bank Middle East Limited's Pakistan operations	4	-	-
Trading results – HSBC Bank Middle East Limited's banking business in Jordan ¹	17	-	-
Gain on the partial sale of shareholding in Industrial Bank	-	-	363
Favourable / (adverse) debit valuation adjustment on derivative contracts	30	(54)	98
Adverse fair value movements on non-qualifying hedges	(142)	(200)	(285)
(Provisions) / releases arising from the ongoing review of compliance with the Consumer Credit Act in the UK	-	(52)	12
Own credit spread	148	432	298
	53	191	486
Loan impairment charges and other credit risk provisions²	(1)	-	-
Operating expenses			
Trading results – HSBC Bank (Colombia) S.A.	(9)	-	-
Trading results – HSBC Bank Middle East Limited's Pakistan operations	(4)	-	-
Trading results – HSBC Bank Middle East Limited's banking business in Jordan ¹	(10)	-	-
Restructuring and other related costs	(40)	(128)	(43)
Settlements and provisions in connection with foreign exchange investigations	-	(809)	-
UK customer redress programmes	(83)	(340)	(137)
Regulatory provisions in GBP	-	(65)	(139)
	(146)	(1,342)	(319)
Currency translation and significant items	242	(1,173)	167

Notes:

1. HSBC Bank Middle East Limited disposed of its banking business in Jordan during June 2014. There were no gains or losses relating to this disposal.
2. Relates to the trading results of HSBC Bank Middle East Limited's Pakistan operations and HSBC Bank (Colombia) S.A.

Appendix

Consolidated Income Statement¹

USDm	1Q14	4Q14	1Q15
Net interest income	8,721	8,547	8,274
Net fee income	4,046	3,718	3,684
Net trading income	2,280	1,190	2,583
Net income from financial instruments designated at fair value	508	557	1,596
Gains less losses from financial investments	184	420	647
Dividend income	24	22	17
Net earned insurance premiums	3,136	2,605	2,979
Other operating income	328	270	338
Total operating income	19,227	17,329	20,118
Net insurance claims and benefits paid and movements in liabilities to policyholders	(3,343)	(3,023)	(4,226)
Net operating income before loan impairment charges and other credit risk provisions	15,884	14,306	15,892
Loan impairment charges and other credit risk provisions	(798)	(1,250)	(570)
Net operating income	15,086	13,056	15,322
Total operating expenses	(8,852)	(11,892)	(8,845)
Operating profit	6,234	1,164	6,477
Share of profit in associates and joint ventures	551	567	582
Profit before tax	6,785	1,731	7,059
Cost efficiency ratio %	55.7	83.1	55.7

Note:

1. Reported basis

Appendix

Consolidated Balance Sheet¹

USDm	31 Dec 2014	31 Mar 2015
Assets		
Cash and balances at central banks	129,957	133,025
Trading assets	304,193	334,261
Financial assets designated at fair value	29,037	28,181
Derivatives	345,008	378,815
Loans and advances to banks	112,149	116,267
Loans and advances to customers	974,660	956,225
Reverse repurchase agreements – non trading	161,713	172,262
Financial investments	415,467	390,234
Other assets	161,955	160,454
Total Assets	2,634,139	2,669,724
Liabilities		
Deposits by banks	77,426	78,410
Customer accounts	1,350,642	1,318,522
Repurchase agreements – non trading	107,432	117,474
Trading liabilities	190,572	208,636
Financial liabilities designated at fair value	76,153	72,471
Derivatives	340,669	376,577
Debt securities in issue	95,947	105,380
Liabilities under insurance contracts	73,861	72,427
Other liabilities	121,459	123,333
Total liabilities	2,434,161	2,473,230
Equity		
Total shareholders' equity	190,447	187,137
Non-controlling interests	9,531	9,357
Total equity	199,978	196,494
Total equity and liabilities	2,634,139	2,669,724

Note:

1. Reported basis



Cover images: HSBC – then and now

It is 150 years since HSBC was founded in Hong Kong to finance trade between Asia and Europe. Much has changed since then, as our cover photos demonstrate. The left photo shows Hong Kong harbour, with the HSBC office (extreme left) a few years after it was established in 1865. The right image shows the harbour today, with the HSBC building fifth from left (partially hidden).

Hong Kong has been transformed both physically and economically, from trading outpost to international financial centre. HSBC has mirrored Hong Kong's rise to global prominence, growing from a small regional trading bank into one of the world's largest banking and financial services organisations today.

HSBC's Hong Kong office is still at 1 Queen's Road Central, as it was in 1865. The current HSBC building is the fourth to occupy the site, but the values on which the bank was founded remain the same. HSBC still aims to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and helping people to fulfil their hopes and realise their ambitions.

We are proud to have served our customers with distinction for 150 years.

Photographs: (left) HSBC Archives; (right) Matthew Mawson

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