HSBC Holdings plc
1Q 2014 Results Presentation

HSBC

Forward-looking statements

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations, capital position and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in the 1Q 2014 Interim Management Statement. Past performance cannot be relied on as a guide to future performance.

1Q 2014 results
Financial highlights[1]

Summary financial highlights, USDbn	1Q13	4Q13	1Q14	Better/(worse) 1Q14 vs 1Q13	Better/(worse) 1Q14 vs 4Q13
Reported PBT	8.4	4.0	6.8	(1.6)	2.8
Underlying[2] PBT	7.6	3.5	6.6	(1.0)	3.1

Key ratios, %	1Q13	4Q13	1Q14	KPI
Return on average ordinary shareholders' equity[3]	14.9	5.9	11.7	12-15%
Cost efficiency ratio	50.8	69.6	55.7	mid-50s
Jaws (underlying)[4]	–	–	(6.4)	Positive
Advances-to-deposits ratio[5]	72.9	72.9	73.9	< 90
Common equity tier 1 ratio (transitional basis)	–	10.8	10.7	>10%
Common equity tier 1 ratio (end point basis)	10.1	10.9	10.8	>10%

Notes:
1. All figures are reported unless otherwise stated
2. Adjusted for foreign currency translation differences, acquisitions, disposals and changes in ownership level of subsidiaries, associates, joint ventures and businesses, and fair value ("FV") movements in credit spread on own long-term debt issued by Group and designated at fair value
3. On an annualised basis
4. Calculated as percentage growth in net operating income before loan impairment charges and other credit risk provisions less percentage growth in total operating expenses, 1Q14 versus 1Q13
5. Excludes reverse repos and repos

Financial overview
Reconciliation of Reported to Underlying results

USDm	1Q13	4Q13	1Q14	Variance 1Q14 vs 1Q13	Variance 1Q14 vs 4Q13
Reported profit before tax	**8,434**	**3,964**	**6,785**	**(1,649)**	**2,821**
Includes:					
FVOD[1]	(243)	(652)	148	391	800
Gain on de-recognition of Industrial Bank as an associate	1,089	–	–	(1,089)	–
Gain on sale of associate shareholding in Bao Viet Holdings	104	–	–	(104)	–
Loss on sale of Household Insurance Group's insurance manufacturing business	(99)	–	–	99	–
Gain on disposal of Colombia operations	–	–	18	18	18
Gain on disposal of Panama operations	–	1,107	–	–	(1,107)
Other losses on acquisitions / disposals	–	(77)	–	–	77
Operating results of disposals, acquisitions and dilutions	(73)	51	(2)	71	(53)
Currency translation	67	35	–	(67)	(35)
Underlying profit before tax	**7,589**	**3,500**	**6,621**	**(968)**	**3,121**
Significant items included in underlying profit before tax (reported basis)					
Revenue	935	(276)	(141)	(1,076)	135
Operating expenses	(458)	(1,424)	(123)	335	1,301

Note:
1. Fair value movements on our long-term debt designated at fair value resulting from changes in credit spread

Financial overview

Significant items included in underlying profit before tax

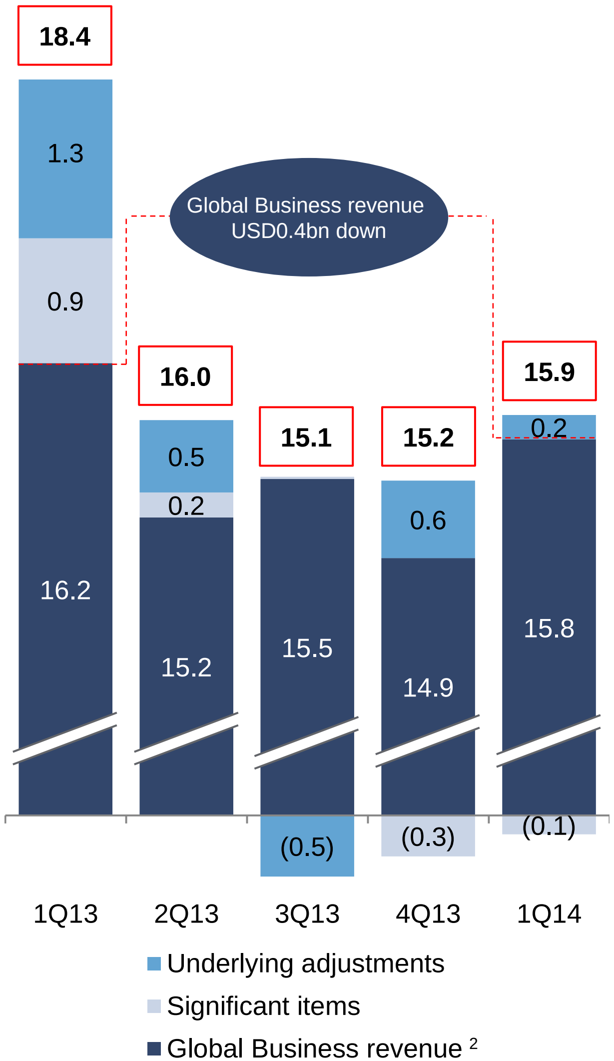
USDm	1Q13	4Q13	1Q14	Variance 1Q14 vs 1Q13	Variance 1Q14 vs 4Q13
Underlying profit before tax	**7,589**	**3,500**	**6,621**	**(968)**	**3,121**
Includes the following significant items (reported basis):					
Revenue					
Restructuring and repositioning:					
Net gain on completion of Ping An disposal	553	–	–	(553)	–
FX gains relating to the sterling debt issued by HSBC Holdings	442	–	–	(442)	–
Write-off of allocated goodwill relating to GPB Monaco business[1]	(279)	–	–	279	–
Loss on early termination of cash flow hedges in the US run-off portfolio	(199)	–	–	199	–
Loss on sale of an HFC Bank UK secured loan portfolio	(138)	(8)	–	138	8
Loss on sale of several tranches of real estate secured accounts in the US	–	(123)	(30)	(30)	93
Volatility:					
Debit valuation adjustment on derivative contracts	472	(195)	31	(441)	226
Fair value movements on non-qualifying hedges	84	50	(142)	(226)	(192)
	935	**(276)**	**(141)**	**(1,076)**	**135**
Operating expenses					
Restructuring and repositioning:					
Restructuring and other related costs	(75)	(87)	(40)	35	47
Customer redress and litigation-related charges:					
UK customer redress programmes	(164)	(395)	(83)	81	312
Regulatory investigation provisions in GPB	(119)	(35)	–	119	35
US customer remediation provision relating to CRS	(100)	–	–	100	–
Bank levy:	–	(907)	–	–	907
	(458)	**(1,424)**	**(123)**	**335**	**1,301**

Note:
1. In the first quarter of 2013 the private banking operations of HSBC Private Bank Holdings (Suisse) SA in Monaco were classified as held for sale. At this time, a loss on reclassification to held for sale was recognised following a write down in the value of goodwill allocated to the operation. Following a strategic review we decided to retain the operation, and the assets and liabilities of the business were reclassified to the relevant balance sheet categories, however the loss on reclassification was not reversed

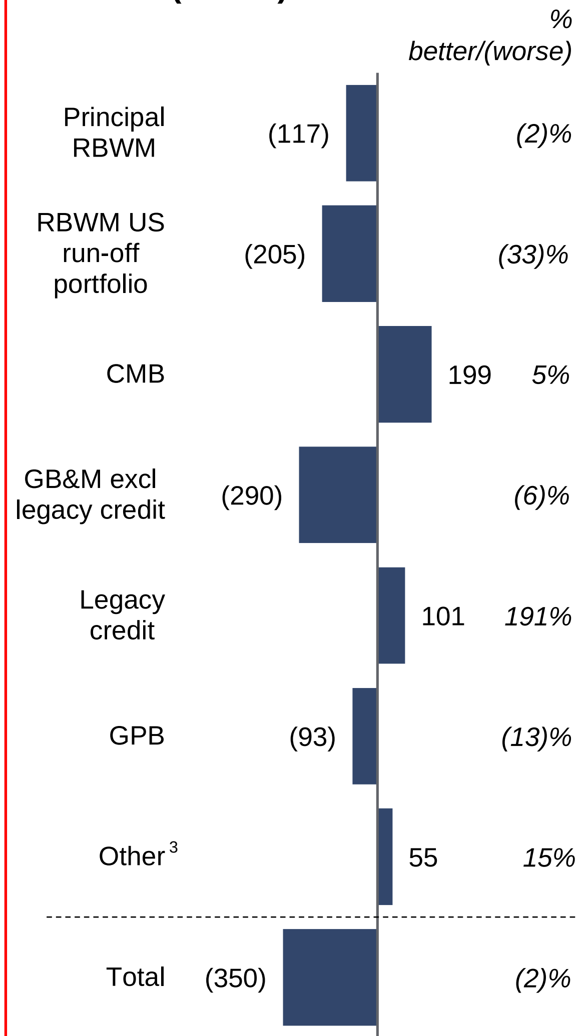
Revenue Analysis

Global Business revenues: resilient GB&M, growth in CMB

Reported revenue[1] (USDbn)



1Q14 vs 1Q13 Global Business revenue[2] (USDm)



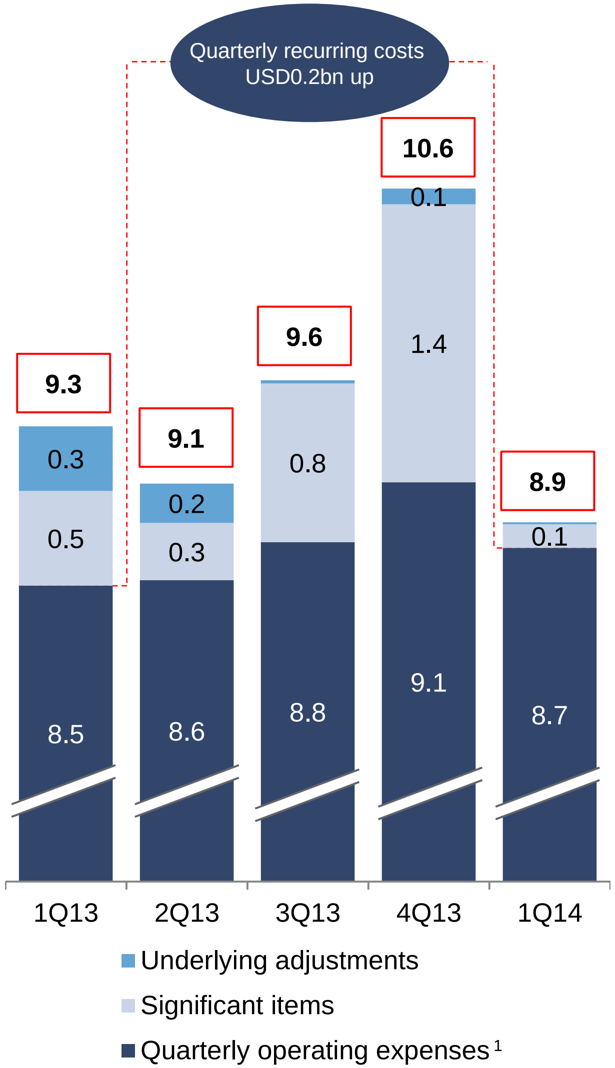
Global Business performance

- Principal RBWM
  - Run-off of our Canadian consumer finance business
  - Lower fees in the US from mortgages, and in Europe from overdrafts and investments
  - Increased revenue from savings and deposits, mainly in Europe and Asia
- CMB
  - Growth in average balance sheet in Asia
  - Increased collaboration with GB&M
- GB&M (excluding legacy credit)
  - BSM income down USD226m from lower disposal gains on AFS securities
  - Increase in market share in equity and debt capital markets, advisory and lending
  - Capital Financing revenue down from spread and fee compression
  - Markets revenue down due to subdued market activity levels
  - Equities up +36% from increased client flows
- GPB
  - Continued repositioning of the business
  - Increase in net new money in areas we have targeted for growth

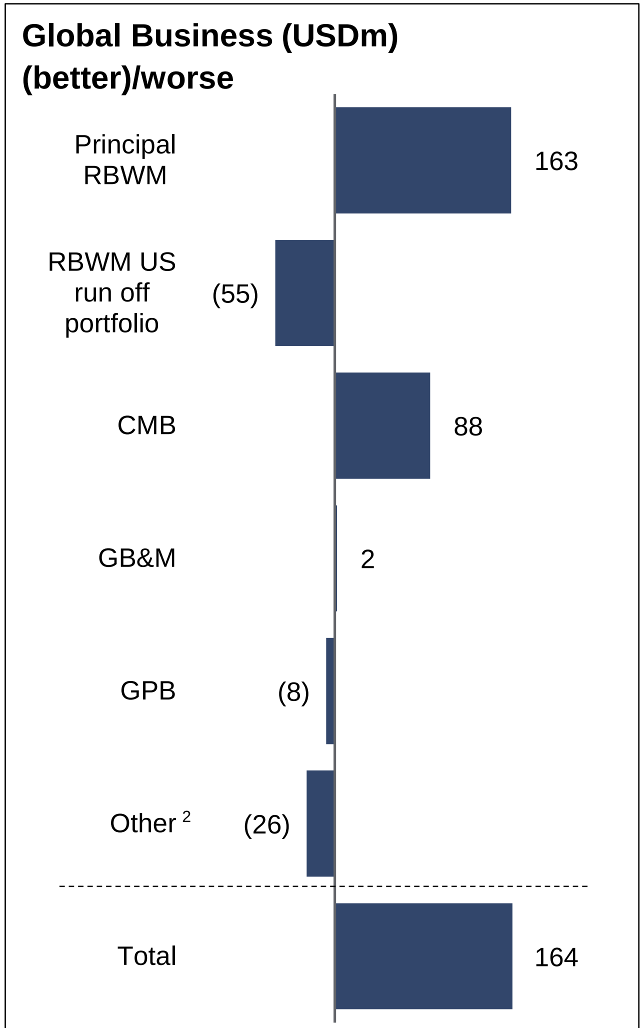
Notes:
1. Net operating income before loan impairment charges and other credit risk provisions
2. Global Business revenue excludes underlying adjustments and significant items
3. Includes intersegment revenue variance of USD(89)m

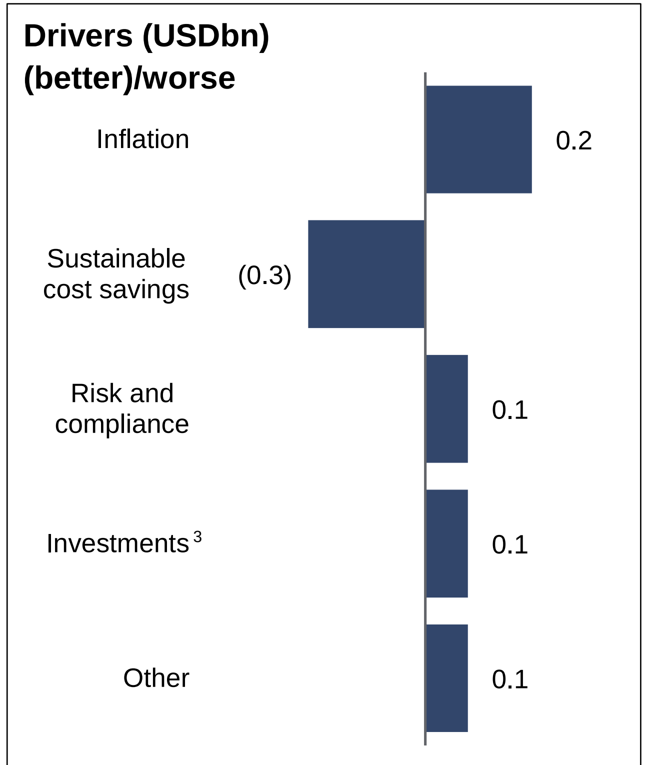
Operating expenses analysis
Effective management of costs

Reported operating expenses (USDbn)



1Q14 vs 1Q13 operating expenses[1]





Employees

000s	4Q13	1Q14
Staff numbers (full-time equivalent)	254.1	255.2

Notes:
1. Quarterly operating expenses exclude underlying adjustments and significant items
2. Includes intersegment cost variance of USD(89)m
3. Includes investment in Global Standards

Loan impairment charges[1]

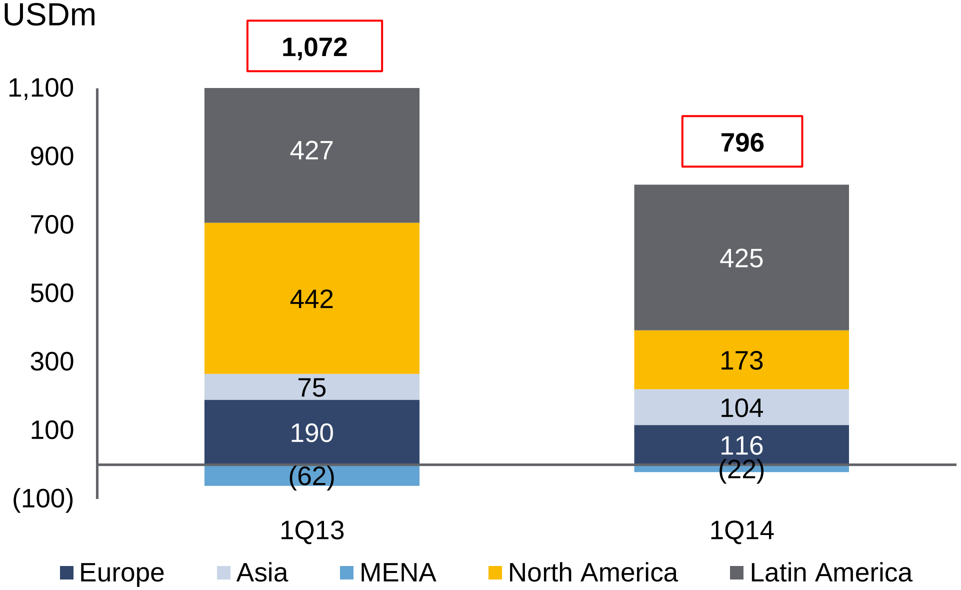
Lower loan impairment charges primarily from reductions in the US run-off portfolio

Movements in loan impairment charges – 1Q14 vs 1Q13

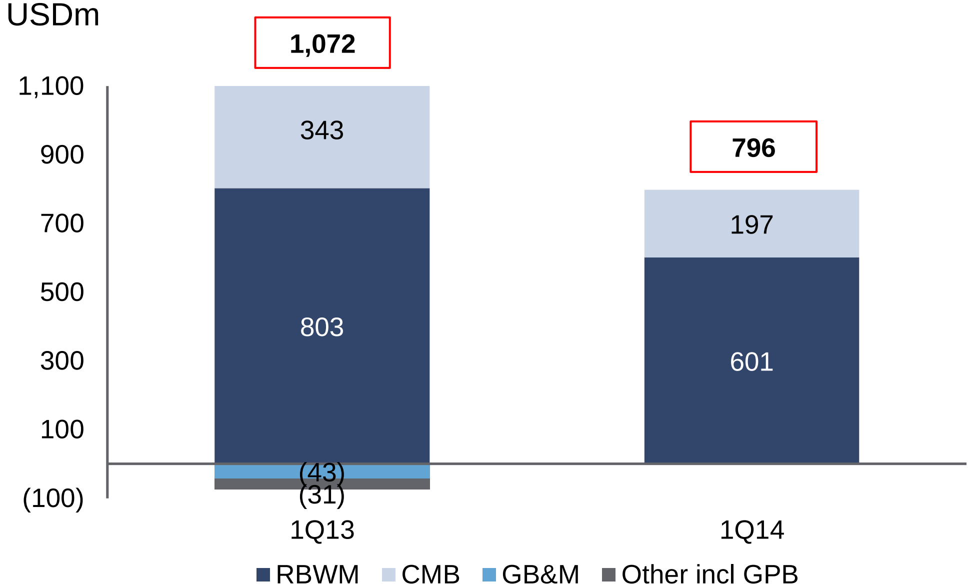
USDm	1Q13	1Q14	Variance better/(worse)
Europe	190	116	74 ↑
Asia[2]	75	104	(29) ↓
MENA	(62)	(22)	(40) ↓
North America	442	173	269 ↑
Latin America	427	425	2 ↑
Total	**1,072**	**796**	**276** ↑

USDm	1Q13	1Q14	Variance better/(worse)
RBWM	803	601	202 ↑
CMB	343	197	146 ↑
GB&M	(43)	3	(46) ↓
GPB	7	(4)	11 ↑
Other	(38)	(1)	(37) ↓
Total	**1,072**	**796**	**276** ↑

Group – geographical regions



Group – global businesses



Notes:
1. All figures are on an underlying basis unless otherwise stated
2. Hong Kong and Rest of Asia-Pacific are no longer regarded as separate reportable operating segments, having considered the geographical financial information presented to the GMB. From 1 January 2014, they have been replaced by a new operating segment 'Asia', which better aligns with internal management information used for evaluation when making business decisions and resource allocations. Comparative data have been re-presented to reflect this change

Capital adequacy
Strong capital generation

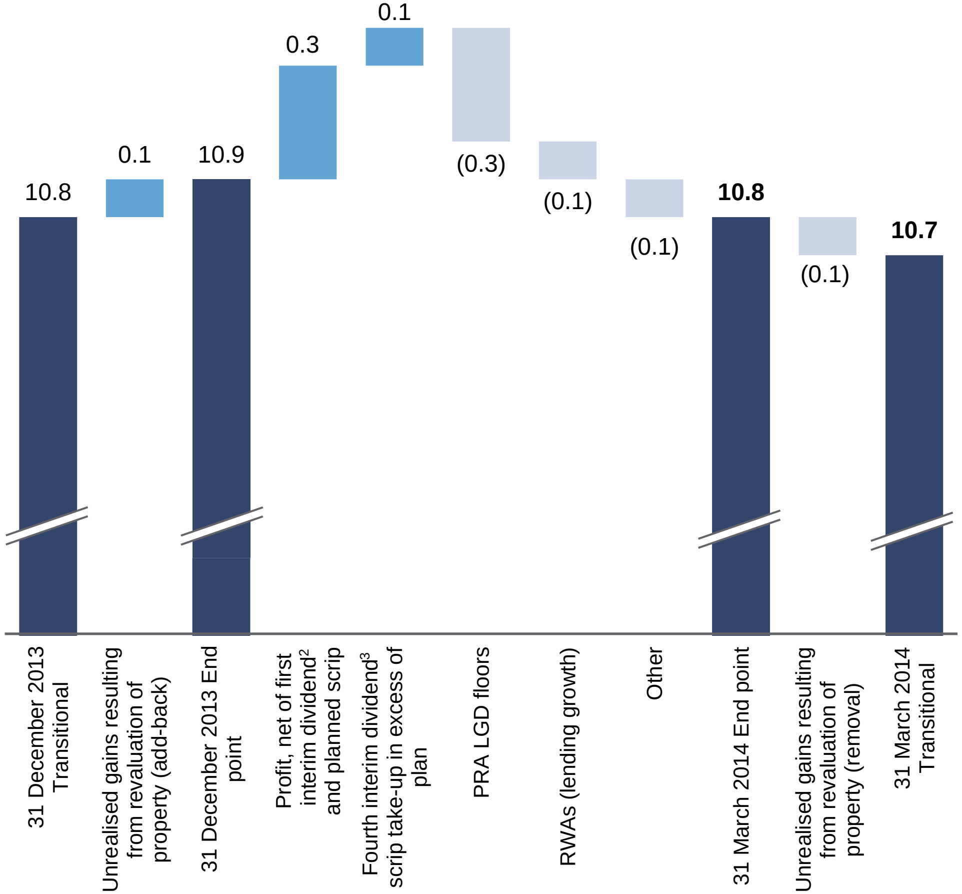
Movement in common equity tier 1 capital (USDbn)

	CRD IV[1]	
	Yr1 Trans	**End point**
At 31 December 2013	**131.2**	**132.5**
Profit for the quarter	5.1	5.1
First interim dividend[2], net of planned scrip	(1.7)	(1.7)
Fourth interim dividend[3] scrip take-up in excess of plan	1.1	1.1
Other	(1.0)	(1.0)
At 31 March 2014	**134.7**	**136.0**

Movement in risk-weighted assets (CRD IV[1] end point) (USDbn)

	Total
At 31 December 2013	**1,215**
Implementation of PRA LGD floors	34
Lending growth	8
Other	1
At 31 March 2014	**1,258**

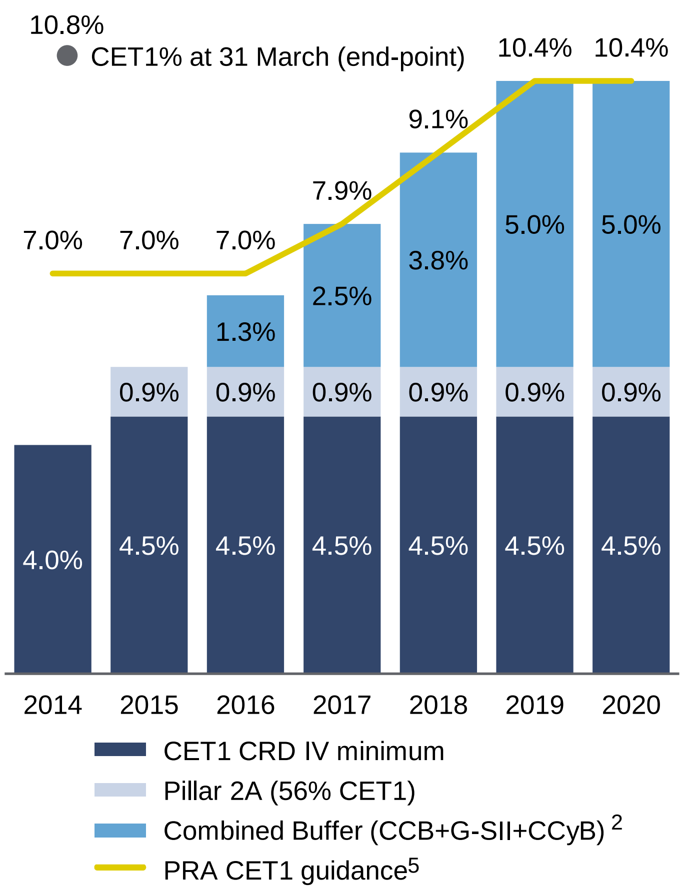
Common equity tier 1 ratio movement (%)



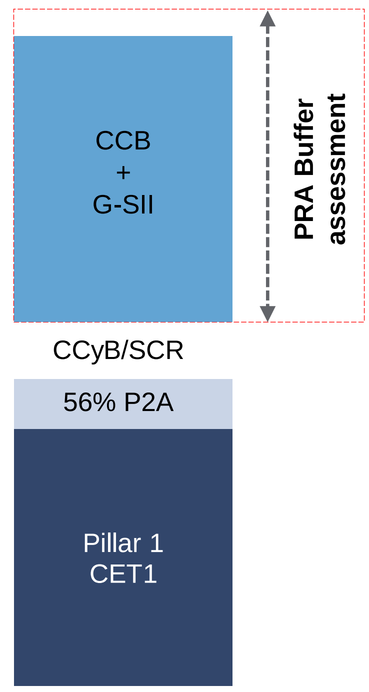
Notes:
1. On 1 January 2014, CRD IV came into force and capital and RWAs at 31 March 2014 are calculated and presented on this basis. At 31 December 2013, capital and RWAs were also estimated based on the Group's interpretation of final CRD IV legislation and final rules issued by the PRA, details of which can be found in the basis of preparation on page 324 of the *Annual Report and Accounts 2013*
2. In respect of 2014. This includes dividends declared on ordinary shares, quarterly dividends on preference shares and coupons on capital securities, classified as equity.
3. In respect of 2013

Capital requirements

Required common equity tier 1 ratio[1]



Fully loaded CET1 requirements



- The fully loaded capital buffer position should become clearer after PRA's consultation in late 2014 on the Pillar 2A and "PRA buffer"[3] framework
- Pillar 2A guidance is currently 1.5% of RWA supported by total capital and this is to be met with at least 56% CET1 from 1 January 2015, being 87[4] bps
- For HSBC as a G-SII, the PRA buffer will only become incremental capital to the extent it exceeds the sum of G-SII and CCB (on a fully loaded basis, this would be 5% of RWA). The PRA buffer is expected to be based on PRA stress testing
- There is no Countercyclical Capital Buffer ("CCyB") or any Sectoral Capital Requirements ("SCR") yet in place; their size and timing will be dependent on macroeconomic conditions and perceived threats to financial stability

Notes:

1. Known or anticipated CET1 requirements, which have been defined and quantified by the regulator, including Pillar 2A and CRD IV buffers, as per UK implementation of CRDIV;
2. Under CRD IV, the combined buffer is comprised of a Capital Conservation Buffer (CCB) of 2.5%, a Countercyclical Capital Buffer (CCyB) dependent on the buffer rates set by regulators and any of the G-SII/Systemic Risk buffer (SRB); generally the higher of a G-SII and Systemic Risk buffer applies; the HSBC G-SII buffer rate is still to be confirmed by the PRA – we currently assume a 2.5% G-SII buffer at the upper range and as such we do not currently expect any Systemic Risk add-on
3. PRA buffer assessment will replace Pillar 2B
4. Pillar 2A guidance is a point in time assessment of the amount of capital the PRA consider the bank should hold to meet the overall financial adequacy rule and is subject to change pending annual assessment and supervisory review process; it is held constant in the chart for simplification
5. As per PRA's Supervisory Statement SS3/13 of November 2013, from 1 January 2014, major UK banks are expected to meet 7% CET1 ratio, after taking into account any adjustments set by the PRA


The view from HSBC Building, 8 Century Avenue, Pudong, Shanghai


The view from HSBC Main Building, 1 Queen's Road Central, Hong Kong SAR


The view from HSBC Group Head Office, 8 Canada Square, London

Cover images: internationalisation of the renminbi
The images show the views from HSBC's head offices in Shanghai, Hong Kong and London – the three cities that are key to the development of China's currency, the renminbi (RMB). The growth of the RMB is set to be a defining theme of the 21st century. HSBC has RMB capabilities in over 50 countries and territories worldwide, where our customers can count on an expert service.

Photography: Matthew Mawson

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