HSBC Holdings plc 1Q19 Results

Presentation to Investors and Analysts

HSBC

Key messages

1. 1Q19 reported PAT up 31% to $4.9bn
2. 1Q19 reported PBT up 31% to $6.2bn vs. 1Q18; 1Q19 adjusted PBT up 9% to $6.4bn vs. 1Q18
3. Annualised RoTE up 220bps in 1Q19 to 10.6% vs. 1Q18
4. CET1 ratio 14.3% vs. 14.0% FY18, including a 7bps adverse impact of IFRS 16
   We are committed to the discipline of scrip neutralisation and will announce our decision on 2019 share buybacks at the half-year
5. Returned to positive adjusted jaws of 6.0%, supported by favourable markets-related movements and disposal gains in Latin America

Key financial metrics

Key financial metrics	1Q18	1Q19	∆ 1Q18
Return on average ordinary shareholders' equity (annualised)	7.5%	10.2%	2.7ppt
Return on average tangible equity (annualised)	8.4%	10.6%	2.2ppt
Jaws (adjusted)	(5.7)%	6.0%	nm
Dividends per ordinary share in respect of the period	$0.10	$0.10	-
Earnings per share (basic)[1]	$0.15	$0.21	$0.06
Common equity tier 1 ratio[2]	14.5%	14.3%	(0.2)ppt
Leverage ratio[3]	5.6%	5.4%	(0.2)ppt
Advances to deposits ratio	71.1%	74.1%	3.0ppt
Net asset value per ordinary share (NAV)	$8.40	$8.20	$(0.20)
Tangible net asset value per ordinary share (TNAV)	$7.29	$7.05	$(0.24)

Reported results, $m

	1Q19	∆ 1Q18	∆ %	∆ 4Q18	∆ %
Revenue	14,428	718	5%	1,733	14%
ECL	(585)	(415)	>(100)%	268	31%
Costs	(8,222)	1,161	12%	922	10%
Associates	592	(6)	(1)%	34	6%
PBT	6,213	1,458	31%	2,957	91%
PAT	4,910	1,172	31%	2,817	>100%

Adjusted results, $m

	1Q19	∆ 1Q18	∆ %	∆ 4Q18	∆ %
Revenue	14,406	1,210	9%	1,765	14%
ECL	(585)	(433)	>(100)%	278	32%
Costs	(8,063)	(249)	(3)%	871	10%
Associates	592	22	4%	21	4%
PBT	6,350	550	9%	2,935	86%

A reconciliation of reported results to adjusted results can be found on slide 17, the remainder of the presentation unless otherwise stated, is presented on an adjusted basis

1Q19 adjusted revenue performance

Adjusted revenue analysis

Global business	1Q19 revenue		1Q19 vs. 1Q18, $m		1Q19 vs. 4Q18, $m	
RBWM	$5,971m	Wealth Management	139	$0.5bn or 10%	778	$0.8bn or 16%
		Retail Banking	376		(74)	
		Other	13		132	
CMB	$3,921m	GLCM	216	$0.4bn or 11%	(26)	$0.2bn or 6%
		GTRF	25		16	
		Credit and Lending	98		21	
		Other	47		195	
GB&M	$4,068m	Global Markets	(92)	$0.1bn or 3%	633	$1bn or 32%
		Global Banking, GLCM, GTRF, Securities Services, Principal Investments	37		142	
		Other GB&M	169		210	
GPB	$450m		(17)		25	
Corporate Centre	$(4)m		199		(287)	
Group	$14,406m		458 / 1,210	9%	1,115 / 1,765	14%

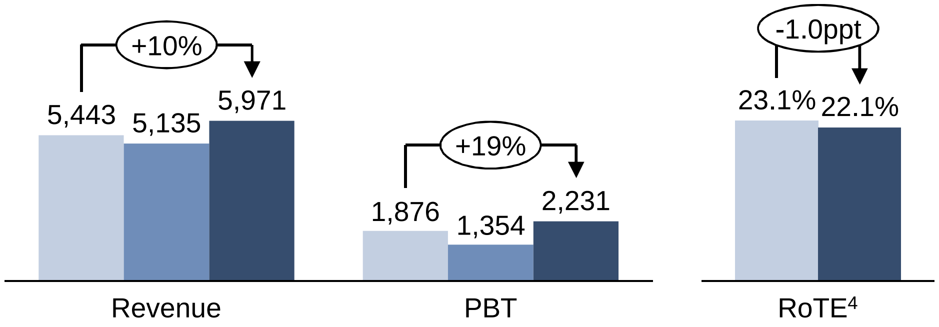
Excluding certain items included in adjusted revenue*

*For further information please see appendix, page 18

1Q19 adjusted performance by global business

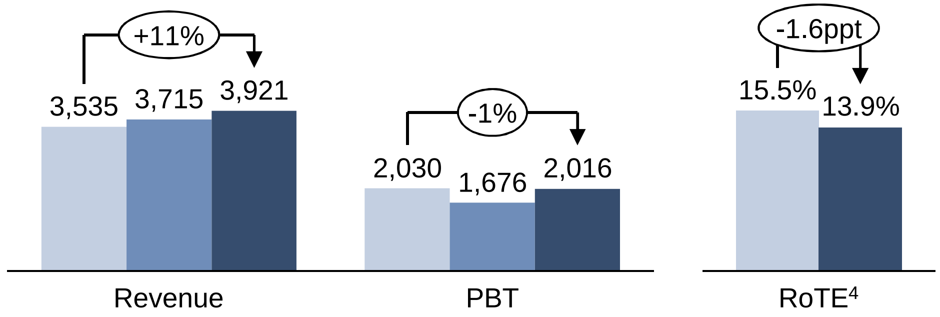
1Q18 4Q18 1Q19

Retail Banking and Wealth Management



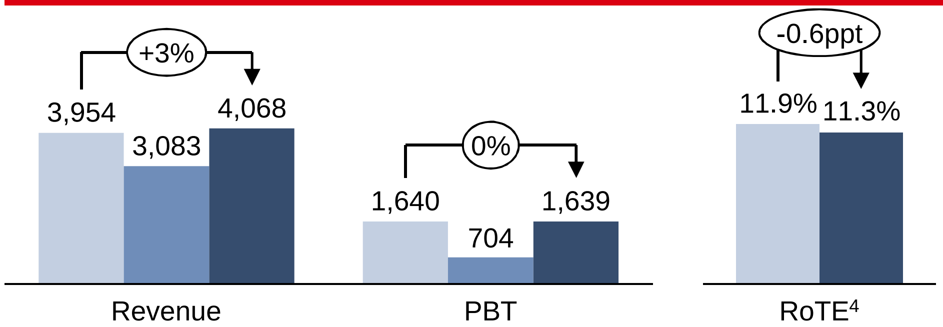
- Revenue up 10% vs. 1Q18, reflecting deposit and lending balance growth and favourable market impacts of $221m in insurance manufacturing
- Insurance value of new business up 23% to $366m vs. 1Q18
- Partly offset by lower investment distribution revenue, reflecting non-recurrence of favourable market conditions in 1Q18

Commercial Banking



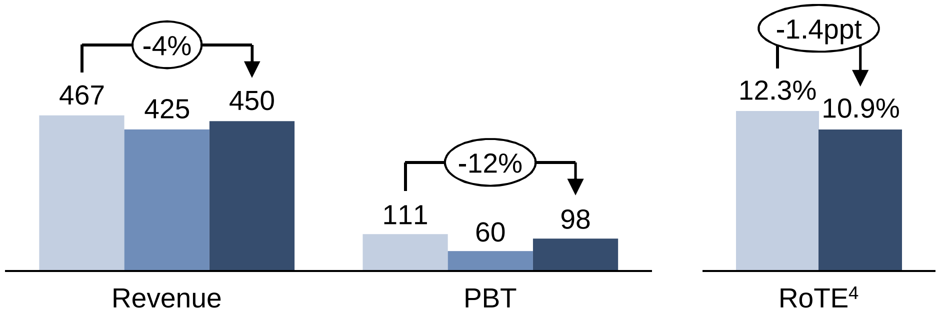
- Revenue up 11% vs. 1Q18, GLCM up 17% and Credit and Lending up 8%
- ECL of $0.2bn, notably in the UK vs. net release of $0.1bn in 1Q18
- Costs increased 5% vs. 1Q18 reflecting increased staff and investment expenses

Global Banking and Markets



- Good transaction banking performance; GLCM up 13%, GTRF up 12%, Securities Services up 3%
- Global Markets revenue down 5% vs. 1Q18 mainly in Credit and Equities, driven by market uncertainty; FICC down 4% reflecting difficult market conditions
- Global Banking revenue down 9% mainly as 1Q18 included corporate lending restructuring gains

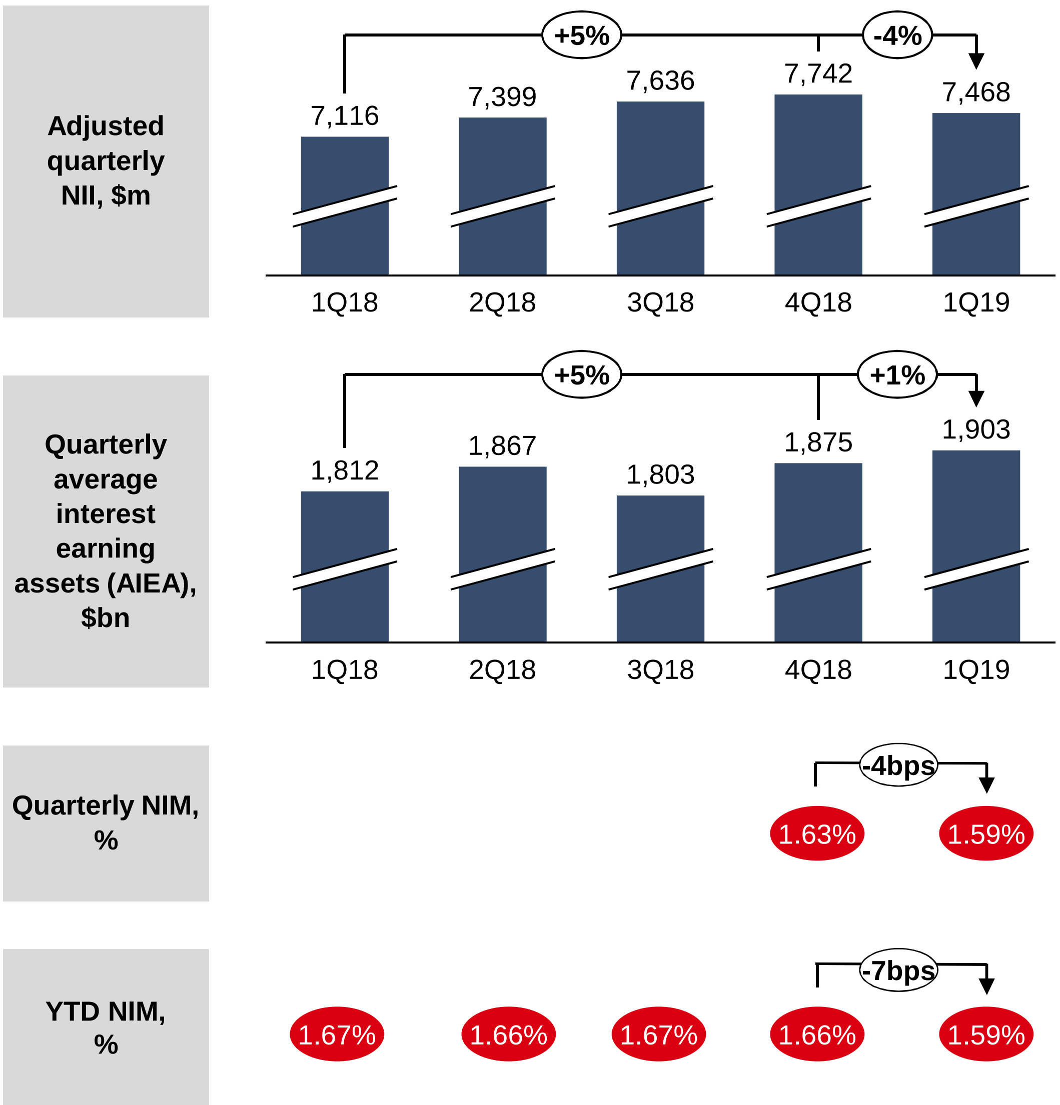
Global Private Banking



- Revenue down 4% reflecting repositioning
- Net new money of $10bn, mainly in Asia
- Costs down 3% driven by a partial release of provision in Monaco, partly offset by higher investment costs in Asia to support business growth

1Q19 net interest income $7.5bn, up 5% vs. 1Q18

Net interest income



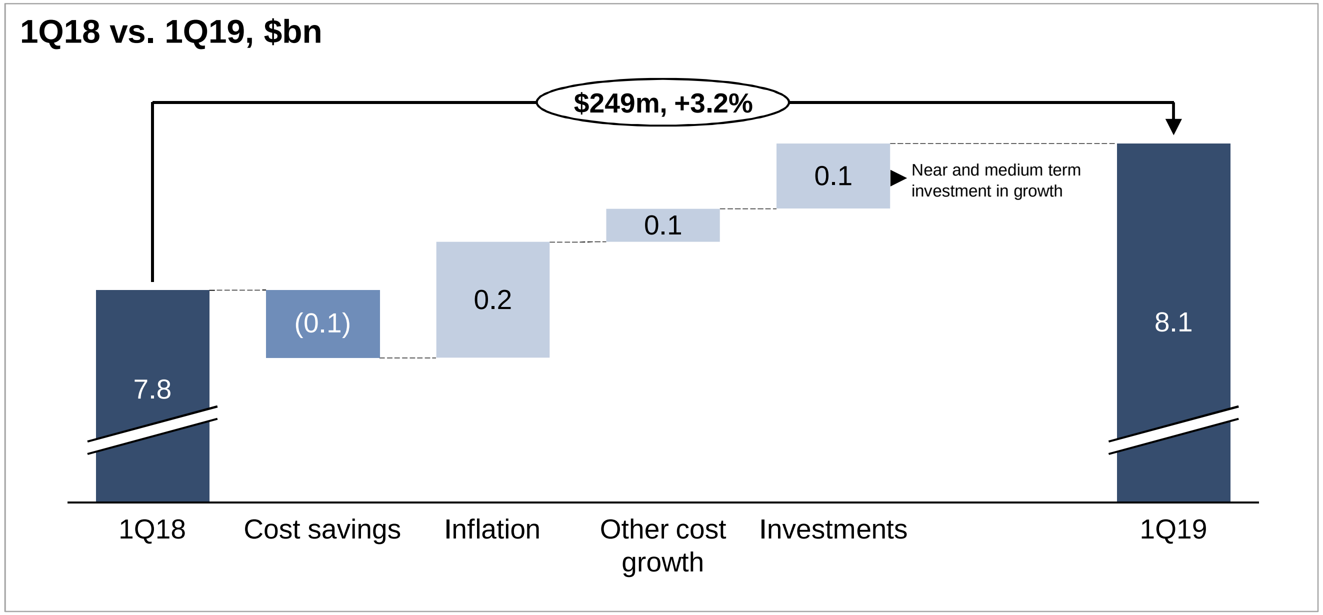
- **Adjusted NII up 5% 1Q19 vs. 1Q18; down 4% vs. 4Q18 due to lower number of days ($166m), hyperinflation in Argentina[5] ($63m) and IFRS 16 impact ($45m), with higher loan and deposit balances offset by lower HIBOR**
- 1Q19 NIM of 1.59% down c.4bps vs. 4Q18:
  - Lower HIBOR (1mth average HIBOR 1.31% 1Q19 vs. 1.60% 4Q18) combined with an increasing share of funding from higher–cost savings accounts in Hong Kong, had an adverse impact on Group NIM (-2bps)
  - IFRS 16 implementation adversely impacted the Group NIM (-1bp)
  - Argentina hyperinflation accounting[5] had an adverse impact in 1Q19 vs. a favourable impact in 4Q18 (-1bp)

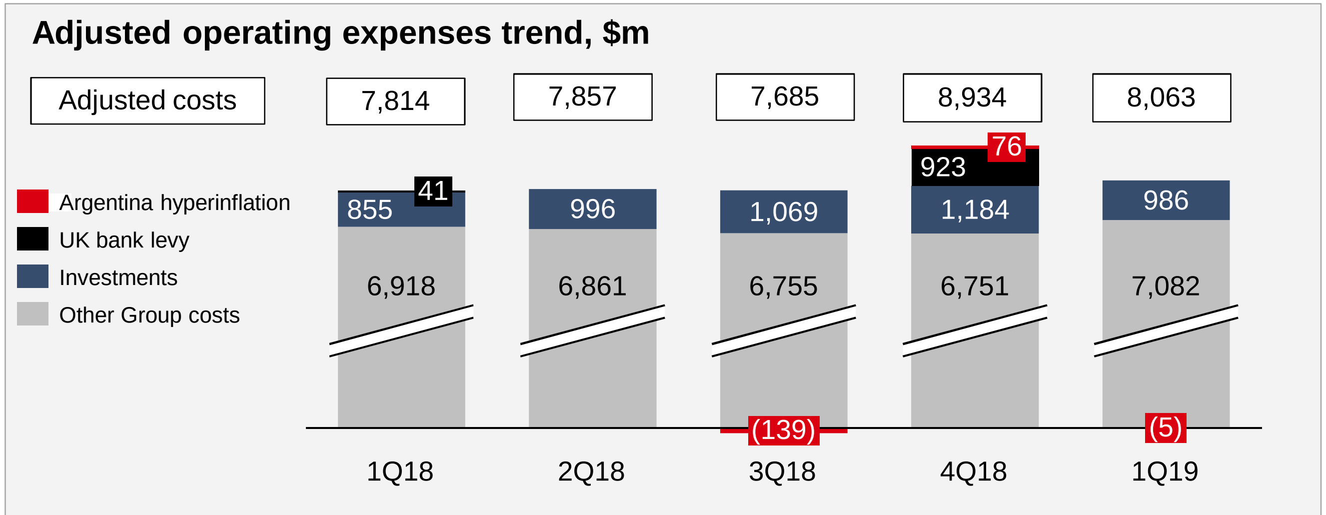
Discrete NIM by key legal entity, %

	FY18	1Q19	1Q19 NII contribution to Group	1Q19 AIEA contribution to Group
The Hongkong and Shanghai Banking Corporation (HBAP)	2.06%	1.99%	54%	43%
HSBC Bank plc (NRFB) + HSBC UK Bank plc (RFB)	1.16%	1.08%	26%	38%
HSBC Bank plc (NRFB)[6]	*0.37%**	*0.34%*	*5%*	*23%*
HSBC UK Bank plc (RFB)[6]	*n/a***	*2.21%*	*21%*	*15%*
HSBC North America Holdings, Inc	1.08%	1.05%	8%	11%

*For the period 2H18 **For more information on HSBC UK Bank plc NIM, see slide 25

1Q19 adjusted costs



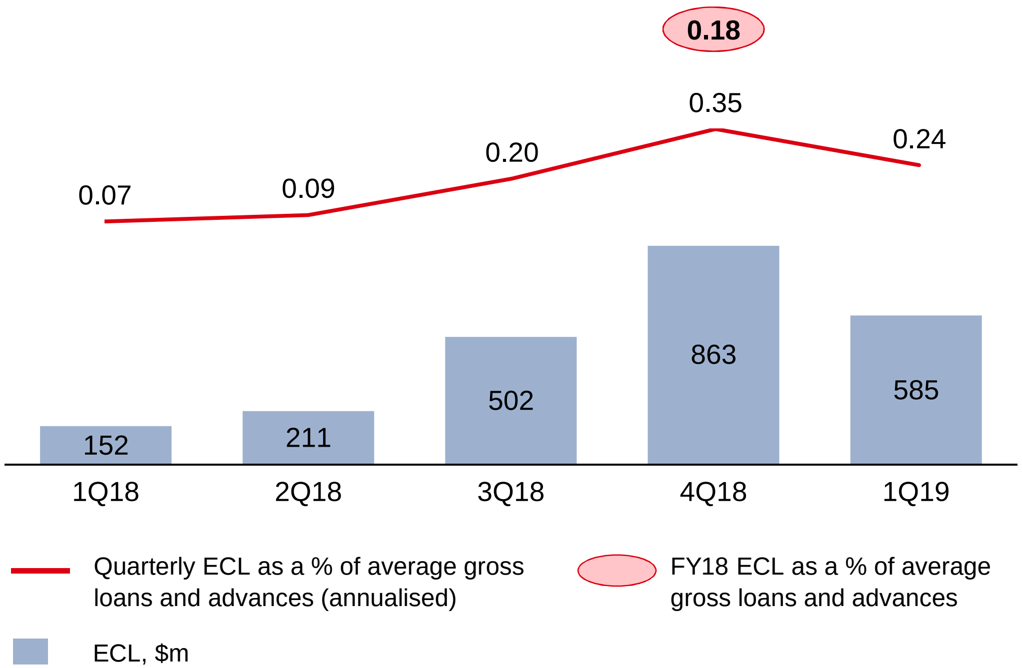


- Adjusted costs[7] up 3.2% to $8.1bn (including the UK bank levy of $41m in 1Q18) vs. $7.8bn in 1Q18
- Investment spend of $1.0bn was $0.1bn (15%) higher than 1Q18
- Growth mainly reflected increased near and medium term investments to enhance digital capabilities across all global businesses, and to grow the business, notably:
  - In GB&M – Digital Business Bank in the UK based on mobile in the cloud, Trade and Payment platforms automation of business banking customer interactions in UK and HK
  - In RBWM – mobile centred hub to the bank's products and services with secure and convenient biometric access; offering personalised interactions enabled by data insights
  - In CMB – HSBC Identify: re-engineer UK Business Banking customer journeys; a new user interface on HSBCnet for real time GTRF consolidated global transaction data; develop an integrated trade platform for faster customer transaction processing
- Excluding incremental investment spend, 1Q19 costs increased by $0.1bn (2%)
- Staff costs of $4.5bn, were $0.3bn (6%) higher than 1Q18, reflecting 4% FTE growth, as well as wage inflation

1Q19 credit performance

- 1Q19 of ECL charge $585m, up $433m vs. 1Q18; ECL charge as a % of gross loans and advances of 24bps
  - RBWM 1Q19 ECL $302m up $13m or 4%, primarily from growth in unsecured lending
  - CMB 1Q19 ECL $247m vs. a net release of $67m, reflecting specific charges in the UK, Hong Kong and mainland China
- ECL of $863m in 4Q18 included a $165m charge for the UK, relating to economic uncertainty

ECL charge trend



Analysis by stage

Reported basis, $bn	Stage 1	Stage 2	Stage 3	Total[8]	Stage 3 as a % of Total
1Q19					
Loans and advances to customers	934.5	65.9	13.0	**1,013.8**	1.3%
Allowance for ECL	1.3	2.2	4.9	**8.6**	
4Q18					
Loans and advances to customers	915.2	61.8	13.0	**990.3**	1.3%
Allowance for ECL	1.3	2.1	5.0	**8.6**	
1Q18					
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**	

Capital adequacy: CET1 ratio of 14.3%

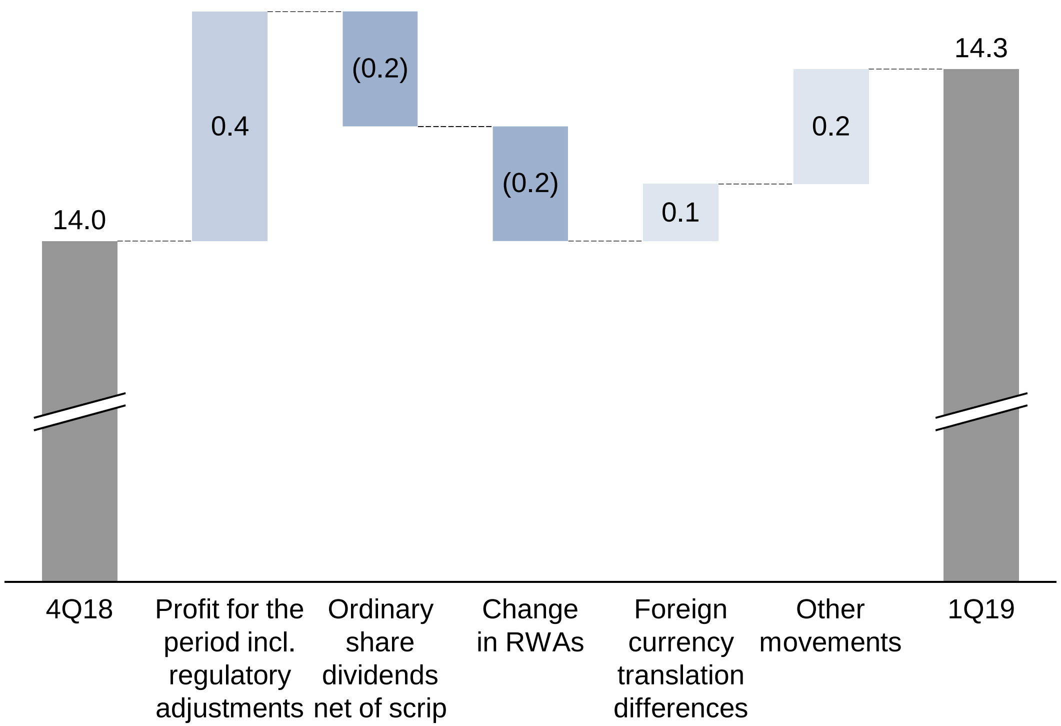
Capital progression

	1Q18	4Q18	1Q19
Common equity tier 1 capital, $bn	129.6	121.0	**125.8**
Risk-weighted assets, $bn	894.4	865.3	**879.5**
CET1 ratio, %	14.5	14.0	**14.3**

1Q19 CET1 movement, $bn

At 31 Dec 2018	**121.0**
Capital generation	2.0
Profit attributable to ordinary shareholders of the parent company	4.1
Regulatory adjustments	(0.5)
Ordinary share dividends net of scrip	(1.6)
Foreign currency translation differences	0.9
Other movements	1.9
At 31 Mar 2019	**125.8**

CET1 ratio movement, %



- CET1 ratio increased by 0.3ppt during the quarter to 14.3%, due to profits, as well as favourable currency and other movements, partly offset by an increase in RWAs
- Reported RWAs increased by $14.2bn (1.6%) in 1Q19, of which $4.5bn was the impact of IFRS 16

Outlook

1. **Growing revenues in areas of strength**
2. **Continue to redeploy capital into higher return businesses and invest in technology to improve customer service and competitiveness**
3. **Long term drivers of revenue growth remain strong**
4. **Our 2020 targets remain unchanged; management of costs and investment, to meet risks to revenue growth, given the current uncertain economic environment**

Financial targets

RoTE[9]	◆ >11% by 2020
Costs	◆ Positive adjusted jaws
Capital and dividend	◆ Sustain dividends through the long term earnings capacity of the businesses ◆ Share buy-backs subject to regulatory approval

Appendix

HSBC

Global business management view of adjusted revenue

Group, $m	1Q18	2Q18	3Q18	4Q18	1Q19	Δ% 1Q18
Total Group revenue	**13,196**	**13,268**	**13,787**	**12,641**	**14,406**	***9***
Total adjusted revenue as previously disclosed[10]	13,850	13,685	13,841	12,564	14,406	

RBWM, $m	1Q18	2Q18	3Q18	4Q18	1Q19	Δ% 1Q18
Retail Banking	**3,494**	**3,658**	**3,911**	**3,944**	**3,870**	***11***
Current accounts, savings and deposits	1,786	1,986	2,318	2,328	2,197	*23*
Personal lending	1,708	1,672	1,593	1,616	1,673	*(2)*
Mortgages	551	500	424	418	433	*(21)*
Credit cards	694	706	707	723	789	*14*
Other personal lending	463	466	462	475	451	*(3)*
Wealth Management	**1,768**	**1,535**	**1,588**	**1,129**	**1,907**	***8***
Investment distribution	1,019	848	802	673	855	*(16)*
Life insurance manufacturing	479	422	526	207	793	*66*
Asset management	270	265	260	249	259	*(4)*
Other	181	63	221	62	194	*(7)*
Total	**5,443**	**5,256**	**5,720**	**5,135**	**5,971**	***10***
Adjusted revenue as previously disclosed[10]	5,669	5,396	5,760	5,110	5,971	

CMB, $m	1Q18	2Q18	3Q18	4Q18	1Q19	Δ% 1Q18
GTRF	448	465	467	457	473	*6*
Credit and Lending	1,262	1,298	1,326	1,339	1,360	*8*
GLCM	1,292	1,401	1,473	1,534	1,508	*17*
Markets products, Insurance and Investments and other	533	466	464	385	580	*9*
Total	**3,535**	**3,630**	**3,730**	**3,715**	**3,921**	***11***
Adjusted revenue as previously disclosed[10]	3,699	3,740	3,750	3,696	3,921	

GPB, $m	1Q18	2Q18	3Q18	4Q18	1Q19	Δ% 1Q18
Investment	204	176	165	162	184	*(10)*
Lending	100	97	95	93	97	*(3)*
Deposit	120	122	126	126	121	*1*
Other	43	46	44	44	48	*12*
Total	**467**	**441**	**430**	**425**	**450**	***(4)***
Adjusted revenue as previously disclosed[10]	482	447	432	424	450	

GB&M, $m	1Q18	2Q18	3Q18	4Q18	1Q19	Δ% 1Q18
Global Markets	**1,833**	**1,616**	**1,795**	**1,108**	**1,741**	***(5)***
FICC	**1,422**	**1,339**	**1,508**	**891**	**1,364**	***(4)***
Foreign Exchange	718	795	837	607	698	*(3)*
Rates	455	370	414	210	490	*8*
Credit	249	174	257	74	176	*(29)*
Equities	411	277	287	217	377	*(8)*
Securities Services	**463**	**487**	**500**	**488**	**478**	***3***
Global Banking	**1,026**	**1,089**	**976**	**943**	**935**	***(9)***
GLCM	**610**	**627**	**682**	**684**	**687**	***13***
GTRF	**189**	**193**	**215**	**199**	**211**	***12***
Principal Investments	**70**	**100**	**110**	**(61)**	**84**	***20***
Other revenue	(176)	(145)	(147)	(99)	(115)	*35*
Credit and funding valuation adjustments	(61)	22	38	(179)	47	*>100*
Total	**3,954**	**3,989**	**4,169**	**3,083**	**4,068**	***3***
Adjusted revenue as previously disclosed[10]	4,148	4,117	4,184	3,063	4,068	

Corporate Centre, $m	1Q18	2Q18	3Q18	4Q18	1Q19	Δ% 1Q18
Central Treasury	**(21)**	**233**	**109**	**304**	**326**	***>100***
Balance Sheet Management	570	680	534	637	623	*9*
Holdings interest expense	(299)	(288)	(340)	(340)	(317)	*(6)*
Valuation differences on long-term debt and associated swaps	(241)	(124)	(15)	67	50	*>100*
Other	(51)	(35)	(70)	(60)	(30)	*41*
Legacy Credit	**4**	**(109)**	**27**	**(12)**	**(71)**	***>(100)***
Other	(186)	(172)	(398)	(9)	(259)	*(39)*
Total	**(203)**	**(48)**	**(262)**	**283**	**(4)**	***98***
Adjusted revenue as previously disclosed[10]	(148)	(15)	(285)	271	(4)	

Retail Banking and Wealth Management

1Q19 highlights

Adjusted PBT
(1Q18: $1.9bn)

$2.2bn 19%↑

Adjusted revenue
(1Q18: $5.4bn)

$6.0bn 10%↑

Adjusted ECL
(1Q18: $0.3bn)

$0.3bn 4%↑

charge / (net release)

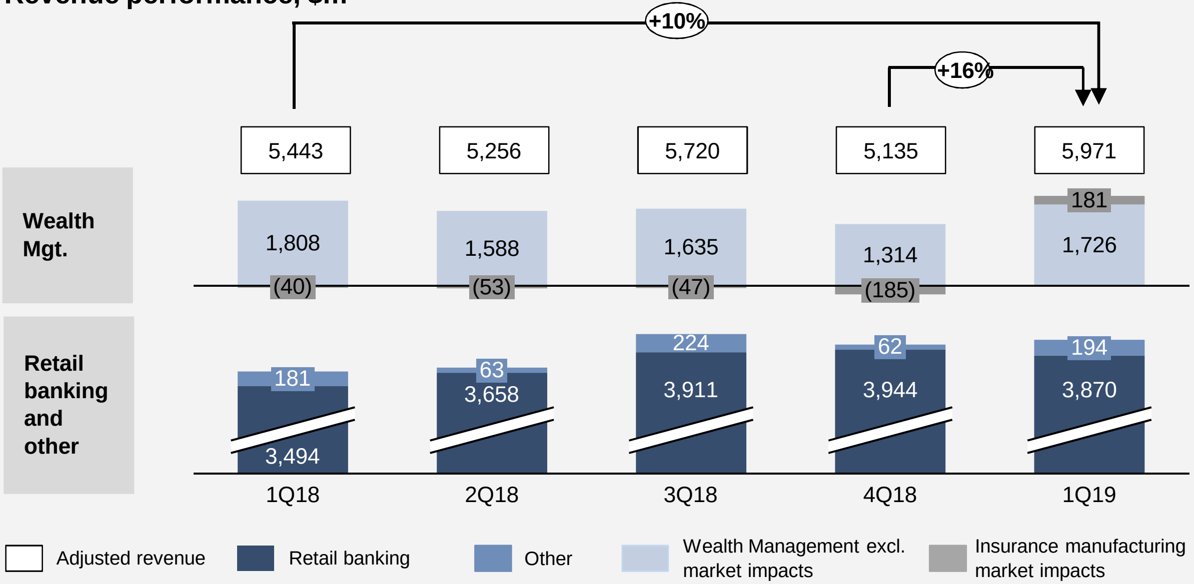
Adjusted costs
(1Q18: $3.3bn)

$3.5bn 5%↑

RoTE[4]
(1Q18: 23.1%)

22.1%

Revenue performance, $m[11]



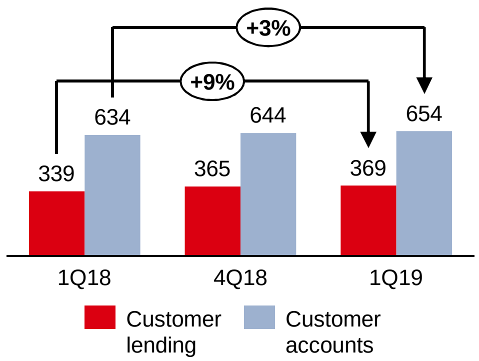
1Q19 vs. 1Q18: Adjusted revenue up 10%

- Growth in Retail banking revenue driven by balance growth with deposit growth of $20bn, or 3%, and lending growth of $30bn or 9%, particularly in mortgages, together with improved margins from higher interest rates
- Higher life insurance manufacturing revenue (up $0.3bn) due to favourable market impacts (1Q18: $(40)m, 1Q19: $181m), and higher value of new business (+23%) to $366m
- Lower investment distribution revenue (down $0.2bn or 16%), from the non-recurrence of 1Q18 exceptional market conditions in Asia
- 1Q19 included disposal gains of $133m in Argentina and Mexico

1Q19 vs. 4Q18: Adjusted revenue up 16%

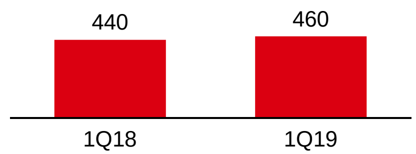
- Higher insurance manufacturing (up $0.6bn), driven by $0.4bn of positive market impacts (4Q18:$(185)m, 1Q19: $181m) and growth of value of new business (+$0.2bn or 84%)
- Higher investment distribution revenue (up $0.2bn), largely due to seasonality
- Retail banking revenue modestly down $74m as growth in deposit and loan balances was offset by margin compression due to lower HIBOR interest rates

Balance sheet, $bn[12]

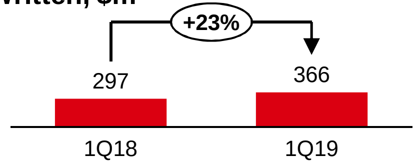


- Customer accounts up $20bn or 3% vs. 1Q18, notably in the UK and Hong Kong
- Lending up $30bn or 9% vs. 1Q18, mainly from mortgage growth in the UK and Hong Kong

Assets under management, $bn



Insurance value of new business written, $m



Commercial Banking

1Q19 highlights

Adjusted PBT
(1Q18: $2.0bn)

$2.0bn 1% ⬇

Adjusted revenue
(1Q18: $3.5bn)

$3.9bn 11% ⬆

Adjusted ECL
(1Q18: $(0.1)bn)

$0.2bn >100% ⬆

charge / (net release)

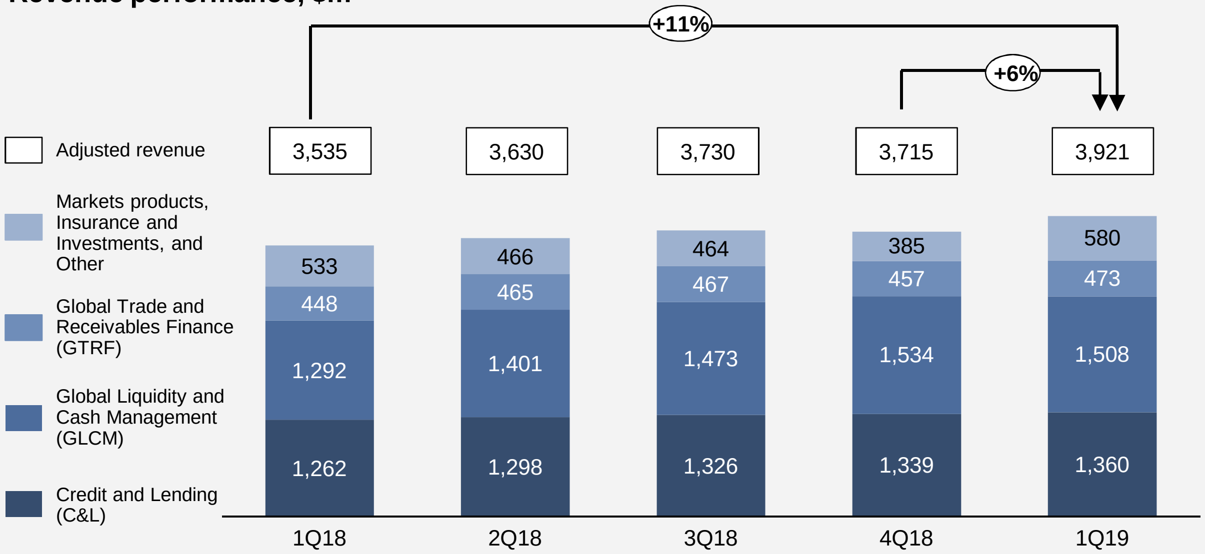
Adjusted costs
(1Q18: $1.6bn)

$1.7bn 5% ⬆

RoTE[4]
(1Q18: 15.5%)

13.9%

Revenue performance, $m[11]



1Q19 vs. 1Q18: Adjusted revenue up 11%

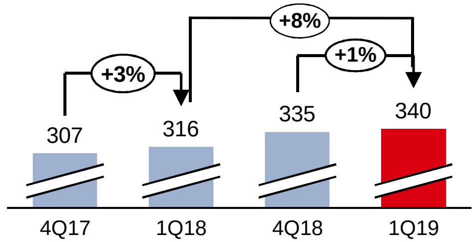
- GLCM up 17%, with growth across all regions, most notably in Hong Kong from wider margins, and in the UK from wider margins and growth in average balances
- C&L up 8%, reflecting average balance sheet growth across most countries, partly offset by margin compression
- GTRF up 6%, reflecting higher margins in Asia, higher balances in the UK and fee growth in MENA
- Other up 9%, most notably from a gain on sale of $24m in Latin America

1Q19 vs. 4Q18: Adjusted revenue up 6%

- GLCM down 2% due primarily to lower seasonal balances and fees
- C&L up 2%, from balance growth and higher fees in Asia, improved margins in Latin America, and higher revenue in MENA
- GTRF up 4%, from higher fees in Asia due to seasonality, as well as growth in MENA and Europe
- Other up 51%, driven by higher insurance and Global Markets revenue in Asia, as well as a gain on sale of $24m in Latin America

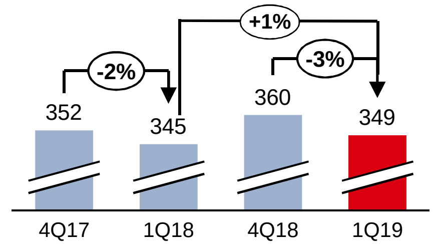
Balance sheet, $bn[12]

Customer lending:



- YoY increase reflecting growth across all regions, notably in Europe, Asia and North America
- Growth in 1Q19 driven by Asia and the UK

Customer accounts, $bn:



- YoY growth driven by Europe and Latin America, partly offset by declines in Asia and North America
- Reduction in 1Q19 driven by Asia, in part due to seasonality

Global Banking and Markets

1Q19 highlights

Adjusted PBT
(1Q18: $1.6bn)

$1.6bn 0% ↑

Adjusted revenue
(1Q18: $4.0bn)

$4.1bn 3% ↑

Adjusted ECL
(1Q18: $17m)

$40m >100% ↑

charge / (net release)

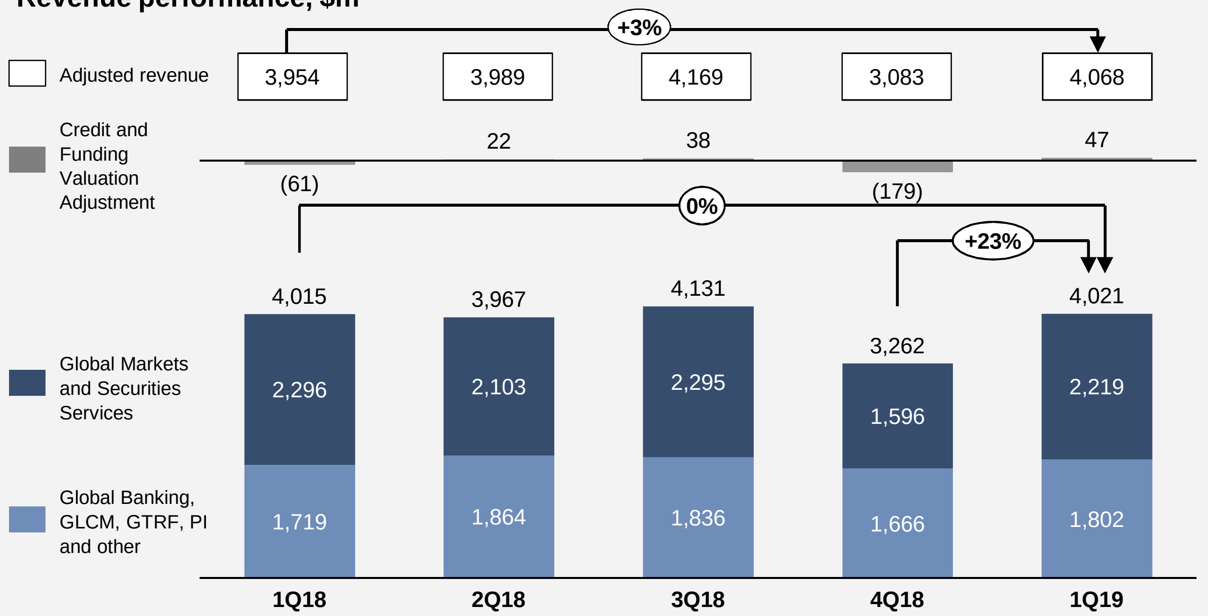
Adjusted costs
(1Q18: $2.3bn)

$2.4bn 4% ↑

RoTE[4]
(1Q18: 11.9%)

11.3%

Revenue performance, $m[11]



1Q19 vs. 1Q18: Adjusted revenue up 3%

- 1Q19 was characterised by broad economic uncertainty leading to lower primary issuance and market activity
- Continued momentum in GLCM, Securities Services and GTRF with growth in average balances and favourable interest rate movements
- Global Banking down reflecting prior year gains on corporate lending restructuring, impact of tightening credit spreads on portfolio hedges and lower event driven activity
- Global Markets down due to reduced client activity
- 1Q19 included a provision release in Equities of $106m, which was broadly equal to 1Q18 restructuring gains in Global Banking

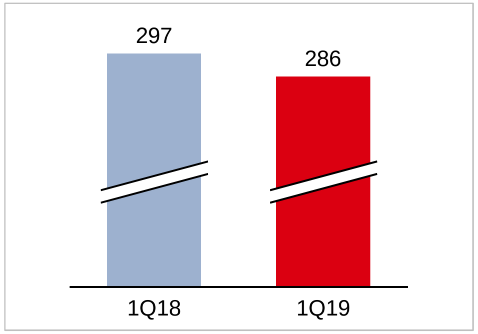
1Q19 vs. 4Q18: Adjusted revenue up 32%

- Revenue up over 30% in part from seasonal uplift at the start of calendar year and subdued markets activity in 4Q18
- Most businesses up versus prior quarter
- Global Markets up over 55% from increased activity compared to end of 2018
- Global Banking modestly lower than prior quarter reflecting the impact of tightening credit spreads on portfolio hedges and lower event driven activity, offset by higher primary activity in capital markets

Management view of adjusted revenue

$m	1Q19	∆ 1Q18
Global Markets	**1,741**	**(5)%**
- FX	*698*	*(3)%*
- Rates	*490*	*8%*
- Credit	*176*	*(29)%*
FICC	**1,364**	**(4)%**
Equities	**377**	**(8)%**
Securities Services	**478**	**3%**
Global Banking	**935**	**(9)%**
GLCM	**687**	**13%**
GTRF	**211**	**12%**
Principal Investments	**84**	**20%**
Other	**(115)**	**35%**
Credit and Funding Valuation adjustments	47	>100%
Total	**4,068**	**3%**

Adjusted RWAs[12], $bn



Global Private Banking

1Q19 highlights

Adjusted PBT
(1Q18: $111m)

$98m 12%⬇

Adjusted revenue
(1Q18: $467m)

$450m 4%⬇

Adjusted ECL
(1Q18: ($3m))

$2m >100%⬆

charge / (net release)

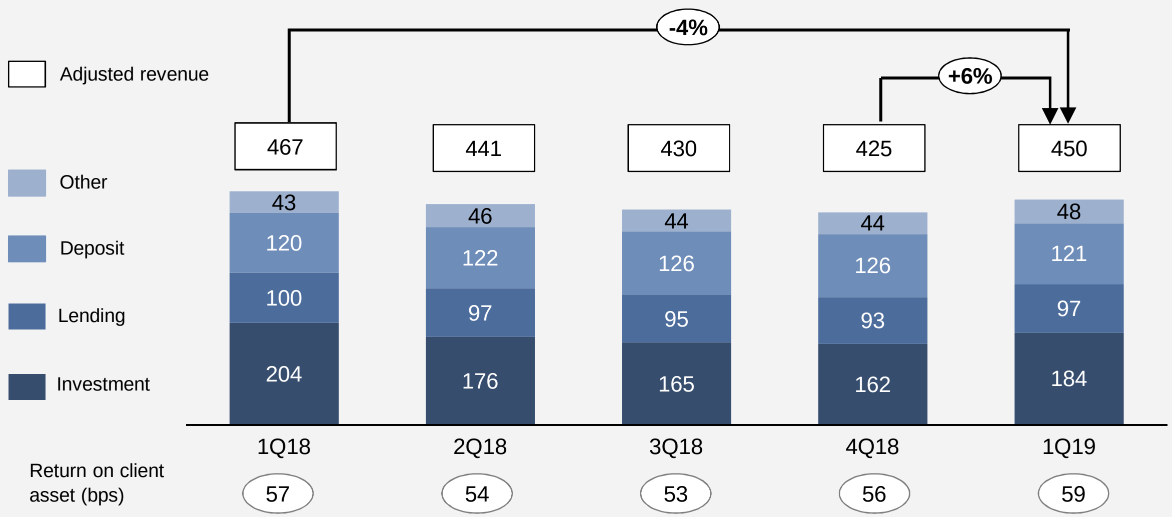
Adjusted costs
(1Q18: $359m)

$350m 3%⬇

RoTE[4]
(1Q18: 12.3%)

10.9%

Revenue performance, $m[11]



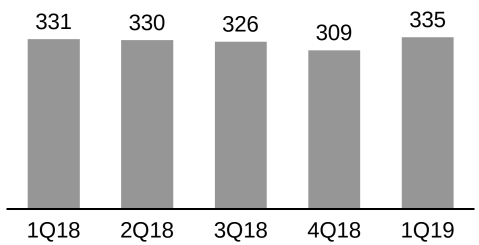
1Q19 vs. 1Q18: Adjusted revenue down 4%

- Strong Net New Money and good momentum on mandate flows but lower revenues mainly driven by lower deposit spread
- Asia, revenue up $4m to $214m, primarily in Hong Kong, reflecting higher deposit revenue and higher annuity fees, partly offset by lower brokerage and trading income
- US, revenue decreased by $27m due to exit/sale of part of the Latin America book and lower deposit spreads
- Europe, revenue down by $5m notably from lower investment revenue[13] in Switzerland

1Q19 vs. 4Q18: Adjusted revenue up 6%

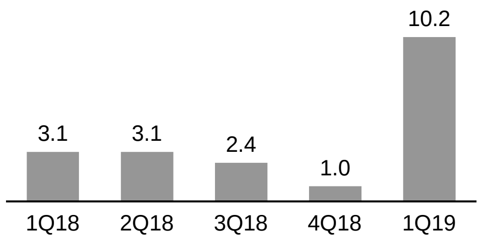
- Strong 1Q19 performance driven by higher brokerage & trading income in Asia that nearly doubled vs. 4Q18. December 18 was low due to seasonality of activity
- In Asia, client assets were $15bn higher driven by positive market movements and strong inflows of $6.4bn. Loan balances also rose by over $3bn. This strong performance reflects the key role that the Private Banking business plays in the overall Asian wealth strategy through focusing on UHNW, offshore Chinese wealth and in ASEAN markets; Singapore, Indonesia, Malaysia and Thailand

Reported client assets, $bn



- Growth in discretionary & advisory mandates (+$5.3bn in 1Q19 of which $3.5bn in Europe and $2bn in Asia, while FY18 was +$7.2bn)
- Increase of Client Assets due to positive NNM of over $10bn and favourable FX/Market movements

Net new money, $bn



- Positive inflows of over $10bn in 1Q19, highest quarter since we started to report NNM quarterly in 2011 ($9.6bn in FY18), mainly driven by $6.4bn inflows in Asia

Corporate Centre

1Q19 highlights

Adjusted PBT
(1Q18: $0.1 bn)
$0.4bn >100%

Adjusted revenue
(1Q18: $(0.2)bn)
$(4)m 98%

Adjusted ECL
(1Q18: $(0.1)bn)
$(6)m 93%
charge / (net release)

Adjusted costs
(1Q18: $0.3bn)
$0.2bn 30%

RoTE[4]
(1Q18: (2.5)%)
(6.7)%

Revenue performance, $m[11]

	1Q18	2Q18	3Q18	4Q18	1Q19
Central Treasury	**(21)**	**233**	**109**	**304**	**326**
Of which:					
Balance Sheet Management	570	680	534	637	**623**
Holdings Interest expense	(299)	(288)	(340)	(340)	**(317)**
Valuation differences on long-term debt and associated swaps	(241)	(124)	(15)	67	**50**
Other central treasury	(51)	(35)	(70)	(60)	**(30)**
Legacy Credit	**4**	**(109)**	**27**	**(12)**	**(71)**
Other	**(186)**	**(172)**	**(398)**	**(9)**	**(259)**
of which Argentina hyperinflation	-	-	(304)	73	**(56)**
Total	**(203)**	**(48)**	**(262)**	**283**	**(4)**

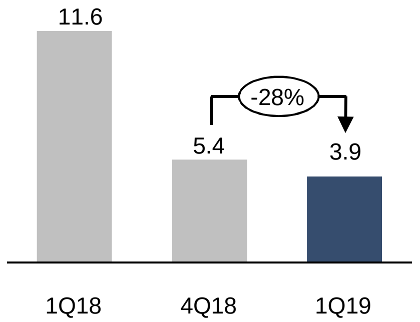
1Q19 vs. 1Q18: Adjusted revenue up $199m

- Valuation differences (up $291m)
  - non-recurrence of a $177m loss in 1Q18 following a bond reclassification under IFRS 9
  - favourable valuation difference (up $114m) on long term debt and associated swaps
- BSM (up $53m) non-recurrence of accrual book restructuring in 1Q18 in anticipation of the launch of the RFB
- Legacy Credit (down $75m) reflecting loss on portfolio disposals and funding fair value adjustments
- Adverse impact of hyperinflation in Argentina (down $56m)

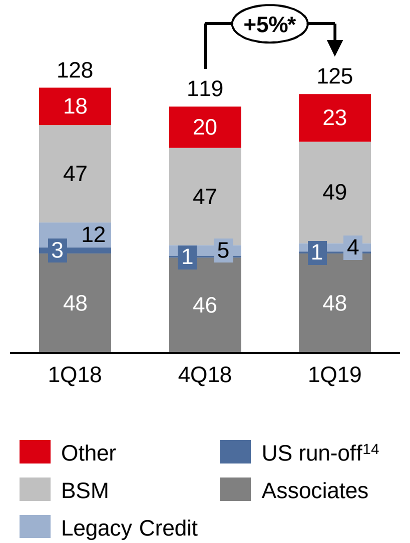
1Q19 vs. 4Q18: Adjusted revenue down $287m

- Other (down $250m)
  - adverse impact of Argentina hyperinflation (down $129m)
  - impact from a change in the accounting treatment of the lease expenses following IFRS16 implementation of $(45)m
  - and other movements on capital items
- Legacy Credit (down $59m) reflecting loss on portfolio disposals

Legacy credit adjusted RWAs[12], $bn



Adjusted RWAs[12], $bn



*Primarily IFRS 16 implementation

Significant items

$m	1Q18	4Q18	1Q19
Reported PBT	**4,755**	**3,256**	**6,213**
Revenue			
Currency translation	(656)	75	**-**
Customer redress programmes	-	(7)	**-**
Disposals, acquisitions and investment in new businesses	112	(29)	**-**
Fair value movements on financial instruments	28	(95)	**(22)**
Currency translation on significant items	2	2	**-**
ECL currency translation	18	(10)	**-**
Operating expenses			
Currency translation	446	(55)	**-**
Costs of structural reform	126	61	**53**
Customer redress programmes	93	(16)	**56**
Gain on partial settlement of pension obligation	-	228	**-**
Disposals, acquisitions and investment in new businesses	2	(2)	**-**
Restructuring and other related costs	20	15	**50**
Settlements and provisions in connection with legal and other regulatory matters	897	(24)	**-**
Currency translation on significant items	(15)	3	**-**
			-
Share of profit in associates and joint ventures currency translation	(28)	13	**-**
Total currency translation and significant items	**1,045**	**159**	**137**
Adjusted PBT	**5,800**	**3,415**	**6,350**

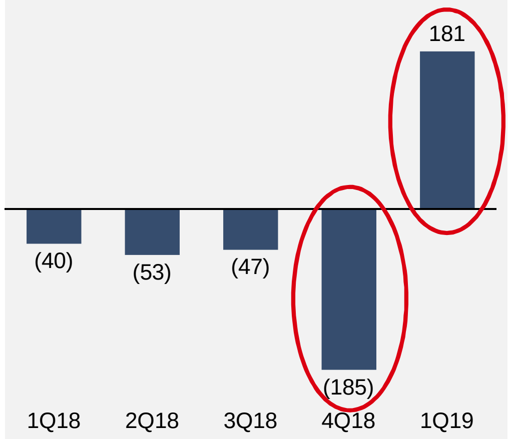
Certain revenue items and Argentina hyperinflation

Certain items included in adjusted revenue highlighted in management commentary, $m	1Q18	4Q18	1Q19
Insurance manufacturing market impact in RBWM	(40)	(185)	181
Credit and funding valuation adjustments in GB&M	(61)	(179)	47
Legacy Credit in Corporate Centre	4	(12)	(71)
Valuation differences on long-term debt and associated swaps in Corporate Centre	(241)	67	50
Argentina hyperinflation[5]	-	73	(56)
RBWM disposal gains in Latin America	-	-	133
CMB disposal gains in Latin America	-	-	24
GB&M provision release in Equities	-	-	106
Total	**(338)**	**(236)**	**414**

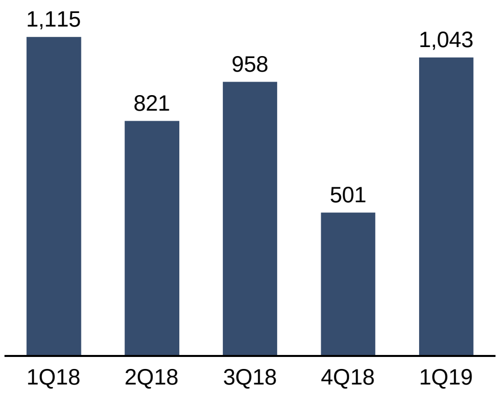
Argentina hyperinflation[5] impact included in adjusted results (Latin America Corporate Centre), $m	4Q18	1Q19
Net interest income	55	(8)
Other income	18	(48)
Total revenue	73	(56)
ECL	(12)	1
Costs	(76)	5
PBT	**(15)**	**(50)**

Volatile items analysis

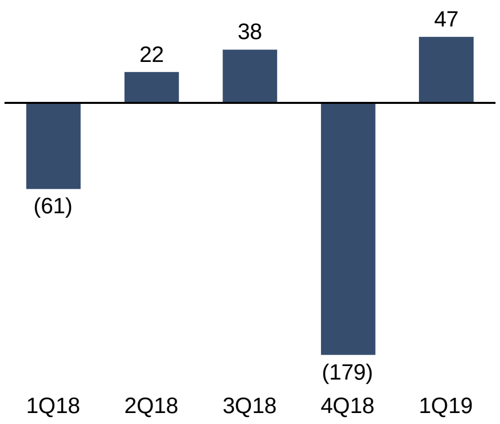
RBWM: Insurance manufacturing market impacts revenue, $m



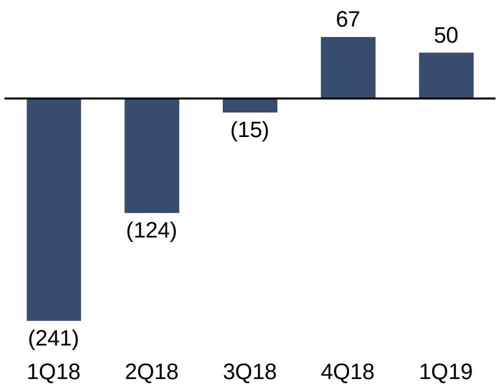
GB&M: Markets excl. Foreign Exchange revenue, $m



GB&M: Credit and funding valuation adjustments revenue, $m



Corporate Centre: Valuation differences on long-term debt and associated swaps revenue, $m



Sensitivity of HSBC's insurance manufacturing subsidiaries to market risk factors	Effect on profit after tax, $m	Effect on total equity, $m
+100 basis point parallel shift in yield curves	9	(61)
-100 basis point parallel shift in yield curves	(28)	46
10% increase in equity prices	213	213
10% decrease in equity prices	(202)	(202)
10% increase in USD exchange rate compared with all currencies	36	36
10% decrease in USD exchange rate compared with all currencies	(36)	(36)

Source: HSBC Holdings plc Annual Report and Accounts 2018, page 145

Stock market indices performance[15]

RoTE by global business excluding significant items and UK bank levy

1Q19 $m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	**2,174**	**2,012**	**1,535**	**96**	**396**	**6,213**
Tax expense	(410)	(430)	(307)	(18)	(138)	(1,303)
Reported profit after tax	**1,764**	**1,582**	**1,228**	**78**	**258**	**4,910**
less attributable to: preference shareholders, other equity holders, non-controlling interests	(230)	(241)	(164)	(5)	(136)	(776)
Profit attributable to ordinary shareholders of the parent company	**1,534**	**1,341**	**1,064**	**73**	**122**	**4.134**
Increase in PVIF (net of tax)	(424)	(22)	-	-	-	(446)
Significant items (net of tax) and UK bank levy	41	3	79	2	(20)	105
BSM allocation and other adjustments[16]	147	147	184	14	(492)	-
Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy	**1,298**	**1,469**	**1,327**	**89**	**(390)**	**3,793**
Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments[17]	23,800	42,916	47,743	3,330	23,720[18]	141,509
RoTE excluding significant items and UK bank levy (annualised)	**22.1%**	**13.9%**	**11.3%**	**10.9%**	**(6.7)%**	**10.9%**

1Q18 $m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	**1,796**	**2,110**	**1,769**	**70**	**(990)**	**4,755**
Tax expense	(310)	(458)	(377)	(9)	137	(1,017)
Reported profit after tax	**1,486**	**1,652**	**1,392**	**61**	**(853)**	**3,738**
less attributable to: preference shareholders, other equity holders, non-controlling interests	(216)	(223)	(149)	(6)	(58)	(652)
Profit attributable to ordinary shareholders of the parent company	**1,270**	**1,429**	**1,243**	**55**	**(911)**	**3,086**
Increase in PVIF (net of tax)	(66)	(14)	-	-	1	(79)
Significant items (net of tax) and UK bank levy	81	3	(31)	33	1,129	1,215
BSM allocation and other adjustments[16]	126	122	149	20	(417)	-
Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy	**1,411**	**1,540**	**1,361**	**108**	**(198)**	**4,222**
Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments[17]	24,737	40,258	46,488	3,574	32,768[18]	147,825
RoTE excluding significant items and UK bank levy (annualised)	**23.1%**	**15.5%**	**11.9%**	**12.3%**	**(2.5)%**	**11.6%**

Equity drivers

1Q19 vs. 4Q18 equity drivers

	Shareholders' equity, $bn	Tangible equity, $bn	TNAV per share, $	Basic number of ordinary shares, million
As at 31 December 2018	**186.3**	**140.1**	**7.01**	**19,981**
Profit attributable to:	4.5	3.9	0.19	-
Ordinary shareholders[19]	4.1	3.9	0.19	-
Other equity holders	0.4	-	-	-
Dividends gross of scrip	(4.6)	(4.2)	(0.21)	-
On ordinary shares	(4.2)	(4.2)	(0.21)	-
On other equity instruments	(0.4)	-	-	-
Scrip*	1.2	1.2	0.06	-
FX[19]	1.2	1.3	0.07	-
Fair value movements through 'Other Comprehensive Income'	(0.7)	(0.7)	(0.03)	-
Other[19,20]	0.5	-	(0.04)	101
As at 31 March 2019	**188.4**	**141.6**	**7.05**	**20,082**

Fully diluted TNAV per share: $7.02

20,177 million on a fully diluted basis

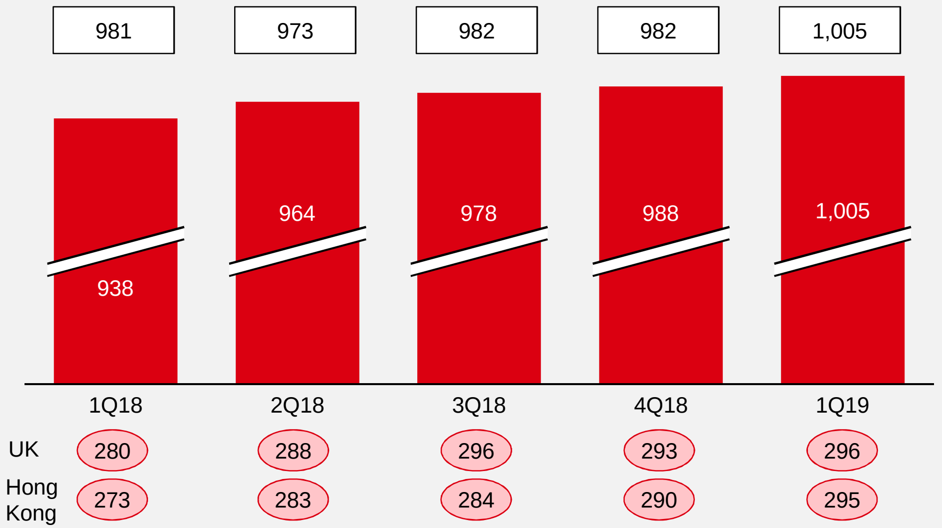
* Scrip excludes corresponding c.141m shares issued in 2Q19 in relation to the 4Q18 scrip which if included would reduce TNAV per share by c.$0.04

Balance sheet – customer lending

1Q19 Net loans and advances to customers

Adjusted customer lending increased by $17.7bn (+2%) vs. 4Q18, reflecting:

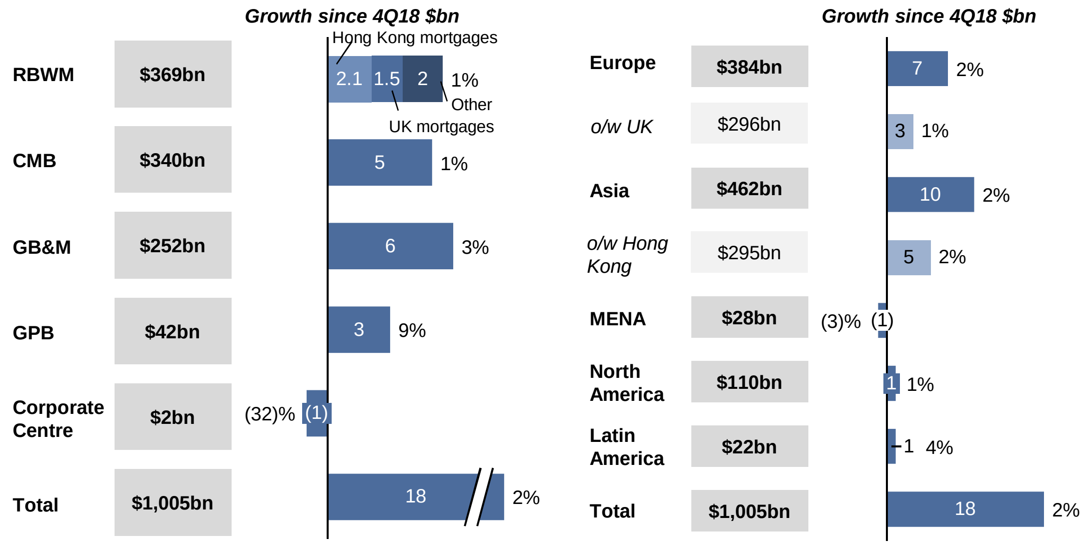
- Lending growth in Asia up $10.1bn, notably in GPB up $3.2bn, mainly Hong Kong, driven by a small number of marketable securities-backed lending transactions. Customer lending also increased in CMB up $2.9bn and GB&M up $1.3bn, reflecting higher term lending. In RBWM customer lending grew $2.7bn, primarily in Hong Kong, maintaining our leading position in mortgages and personal lending
- Lending growth in Europe up $6.7bn, notably in HSBC UK (up $3.5bn) from growth in mortgage balances (up $1.6bn; of which $1.5bn is RBWM). We increased lending to our corporate clients within HSBC UK mainly through term lending



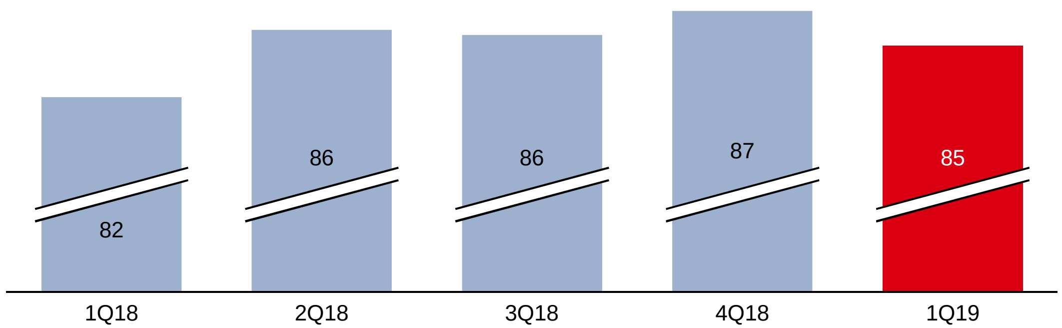
Reported net loans and advances to customers

Adjusted net loans and advances to customers (on a constant currency basis)

1Q19 adjusted lending growth by global business and region $bn



GTRF funded assets, $bn

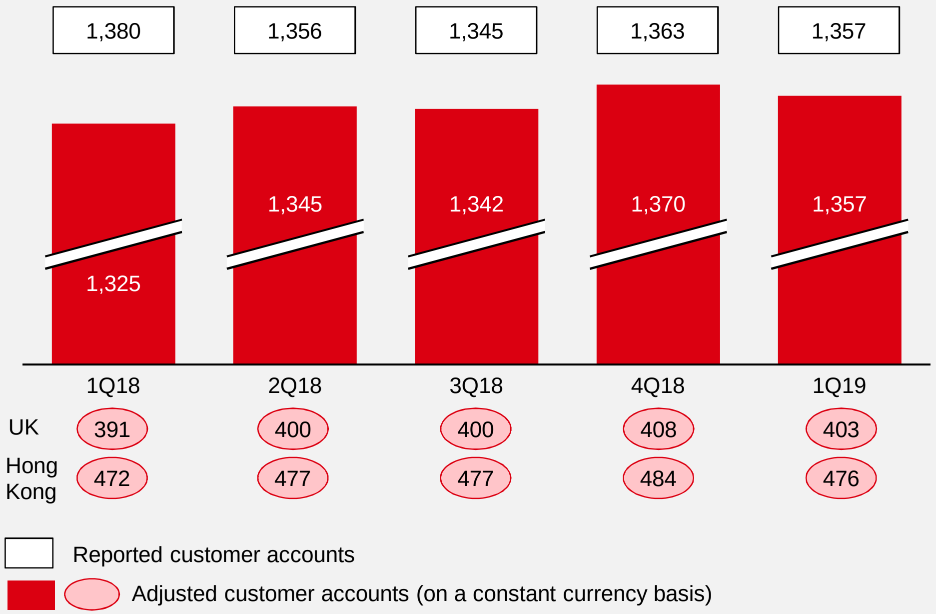


Balance sheet – customer accounts

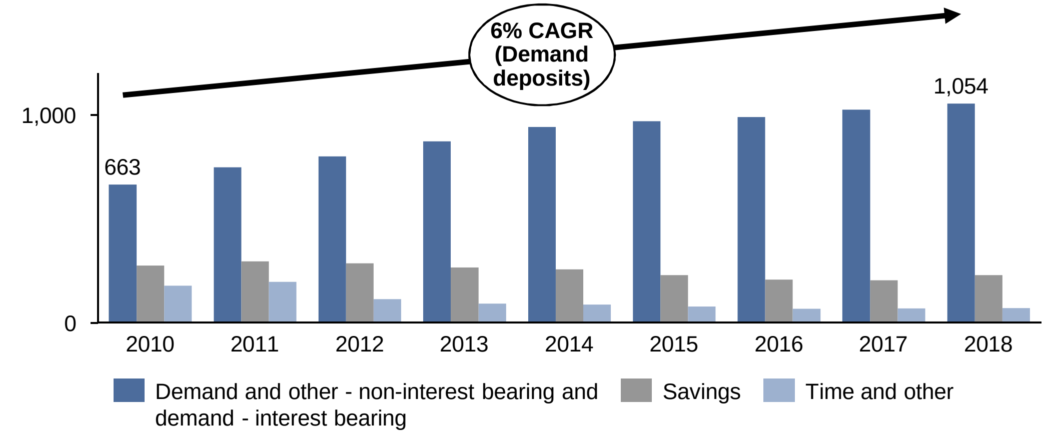
1Q19 Customer accounts

Adjusted customer accounts decreased by $13.7bn (1%) vs. 4Q18:

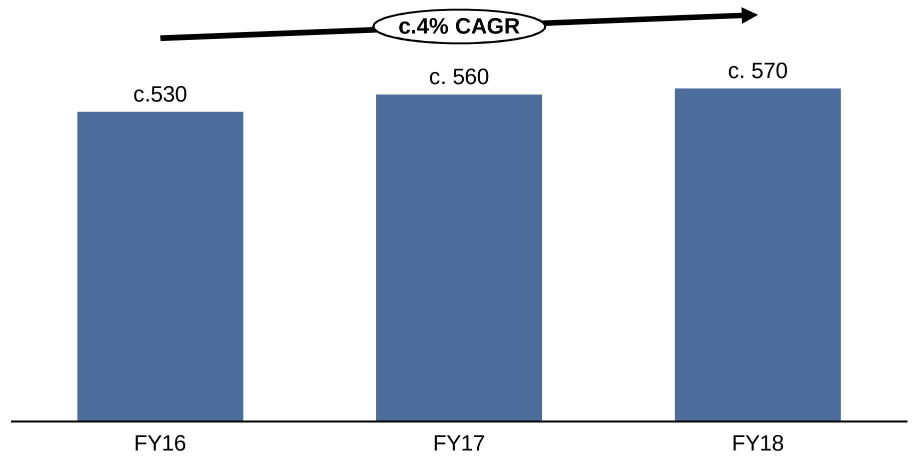
- Asia down $8.8bn, primarily in CMB ($9.3bn) and GB&M ($4.3bn). These primarily seasonal reductions were notably in Hong Kong and mainland China. This was partly offset by growth in RBWM (up $4.7bn), in Hong Kong and Australia, mainly in savings accounts, from higher customer inflows due to competitive rates
- North America down $4.2bn, primarily in GB&M (down $3.6bn) and CMB (down $1.9bn), reflecting a decrease in non-interest bearing demand deposits and savings accounts, notably due to seasonal reductions. This was partly offset by growth in RBWM (up $2.0bn), reflecting higher savings inflows arising from promotional rates and growth initiatives



Reported average customer accounts[21], $bn



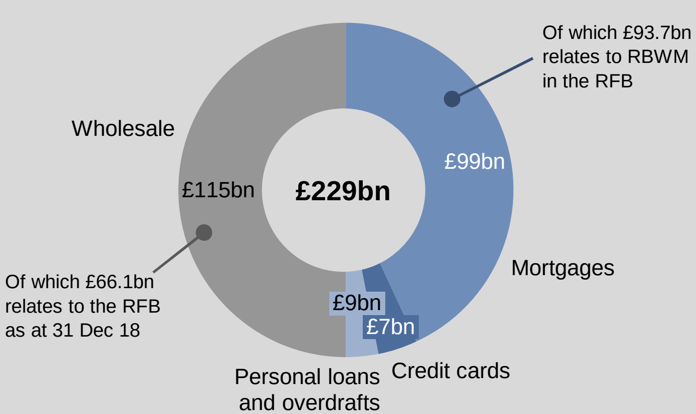
Average GLCM deposits (includes banks and affiliate balances), **$bn**



UK customer loans and advances

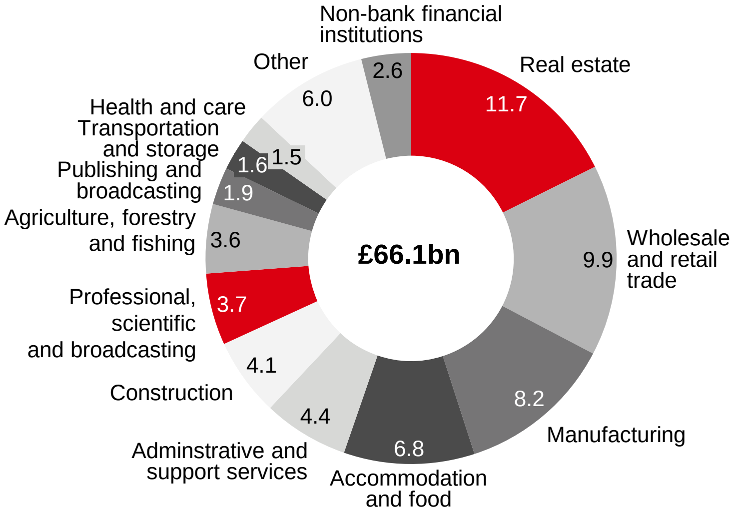
Total UK[22] gross customer loans and advances

As at 31 March 2019

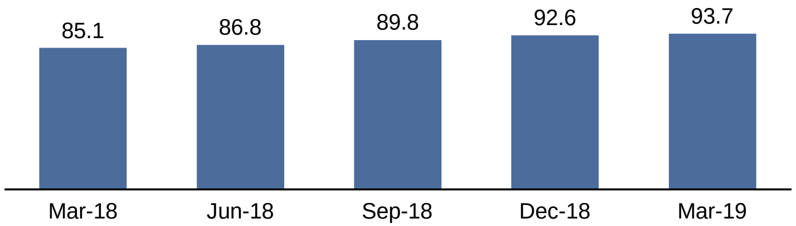


Wholesale gross loans and advances to customers (RFB only), £bn

As at 31 December 2018



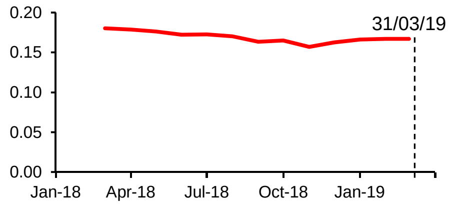
RBWM residential mortgages (RFB only)[23], £bn



By LTV

Less than 50%	£45.9bn
50% - < 60%	£15.1bn
60% - < 70%	£13.4bn
70% - < 80%	£11.4bn
80% - < 90%	£6.4bn
90% +	£1.5bn

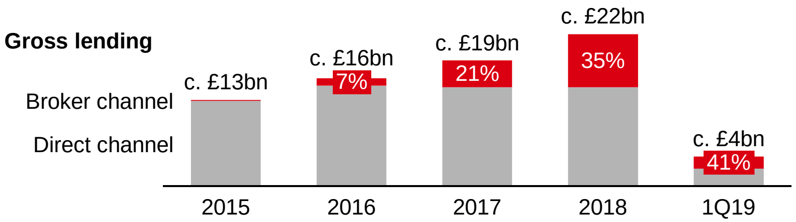
90+ day delinquency trend (RFB only), %



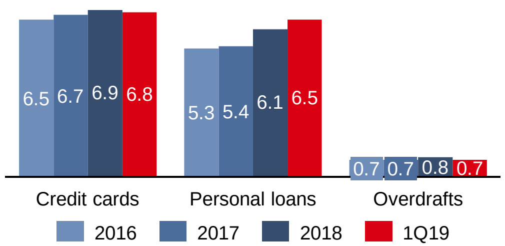
- c.28% of mortgage book is in Greater London
- Buy-to-let mortgages of £2.8bn
- Mortgages on a standard variable rate of £3.2bn
- Interest-only mortgages of £19.5bn[24]
- LTV ratios:
  - c.49% of the book < 50% LTV
  - new originations average LTV of 66%
  - average LTV of the total portfolio of 51%[25]

Expansion into the broker channel

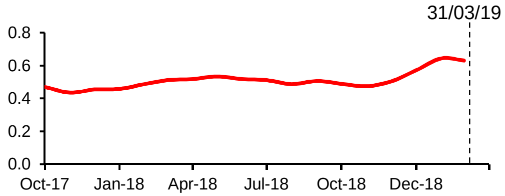
Broker coverage (by value of market share)	8%	43%	70%	84%	85%



RBWM unsecured lending[26], £bn



Credit cards: 90+ day delinquency trend (RFB only), %



- Increase in 90+ delinquency rates in Q119 predominantly due to a trending pause in charge off processing on 180+ delinquent balances

HSBC UK Bank plc disclosures

For more information on the pro-forma basis of preparation, please see page 10 of the HSBC UK Bank plc Annual Report and Accounts 2018

Reported P&L, £m	Pro-forma FY17	Pro-forma FY18	3Q18	4Q18	1Q19
NII	4,153	4,754	1,223	1,233	1,220
RBWM	2,440	2,655	692	699	687
CMB	1,527	1,939	482	501	493
GB&M	-	(3)	(1)	(2)	-
GPB	111	114	30	27	27
Corporate Centre	75	49	20	8	13
Other income	1,843	1,734	458	442	408
RBWM	656	704	200	175	147
CMB	853	789	197	202	182
GB&M	143	143	36	39	48
GPB	55	40	11	10	12
Corporate Centre	136	58	14	16	19
Total revenue*	5,996	6,488	1,682	1,675	1,628
RBWM	3,096	3,359	892	874	835
CMB	2,380	2,728	679	704	675
GB&M	143	140	35	37	48
GPB	166	154	41	37	39
Corporate Centre	211	107	34	24	32
ECL	(229)	(399)	(40)	(265)	(188)
RBWM	(103)	(266)	(46)	(118)	(67)
CMB	(115)	(138)	(3)	(142)	(120)
GPB	(11)	4	9	(5)	(1)
Corporate Centre	0	1	-	-	-
Costs	(4,635)	(3,882)	(932)	(1,056)	(946)
RBWM	(2,706)	(2,358)	(607)	(579)	(613)
CMB	(950)	(1,027)	(264)	(254)	(266)
GB&M	(134)	(125)	(32)	(37)	(35)
GPB	(129)	(111)	(27)	(27)	(32)
Corporate Centre	(716)	(261)	(2)	(159)	-
Profit before tax	1,132	2,207	710	354	494
RBWM	287	735	239	176	154
CMB	1,315	1,563	412	308	289
GB&M	9	15	3	-	13
GPB	26	47	24	5	6
Corporate Centre	(505)	(153)	32	(135)	32

Includes significant items, £m	Pro-forma FY17	Pro-forma FY18	3Q18	4Q18	1Q19
Revenue	(13)	39	-	(5)	-
RBWM	(2)	-	-	-	-
CMB	(77)	39	-	(5)	-
GPB	-	-	-	-	-
Corporate Centre	66	0	-	-	-
Costs	(1,243)	(372)	(54)	(186)	(44)
RBWM	(555)	(129)	(49)	(12)	(43)
CMB	(19)	6	4	8	-
GPB	1	-	-	-	-
Corporate Centre	(670)	(249)	(9)	(182)	(1)

Balance sheet, £bn	Pro-forma FY17	FY18	3Q18	4Q18	1Q19
Loans and advances to customers (net)	162	175	171	175	177
RBWM	97	107	103	107	108
CMB	59	63	63	63	65
GPB	5	4	4	4	4
Corporate Centre	1	1	1	1	0
Customer deposits	204	205	202	205	204
RBWM	-	129	127	129	129
CMB	-	71	69	71	69
GPB	-	5	5	5	6
Corporate Centre	-	0	1	0	0
RWAs	-	92	-	92	93
RBWM	-	21	-	21	21
CMB	-	66	-	66	67
GPB	-	2	-	2	2
Corporate Centre	-	3	-	3	3
RoTE ex significant items and UK bank levy**, %	-	11.7	-	n/a	9.2
Net interest margin, %	-	n/a	-	2.21	2.21

*In the UK, on a geographic basis (which includes HSBC UK Bank plc), adjusted revenue in 1Q19 increased by 5% compared with 1Q18, including increases in HSBC UK Bank plc, RBWM (up 4%) and CMB (up 2%). In the UK (geographic) Net loans and advances to customers in 1Q19 increased by 6% compared with 1Q18, with growth in RBWM (up 10%) and CMB (up 7%); customer accounts increased by 3% compared with 1Q18, with growth in RBWM (up 4%) and CMB (up 5%). Some numbers for historic periods not previously disclosed e.g. FY17 RWAs and Deposits by business

**1Q19 RoTE (ex significant items) of 9.2% includes an impact of 260bps due to a $5.5bn/£4.3bn pension fund surplus (net of deferred tax). FY18 RoTE of 11.7% is for 2H18 including the pension fund surplus

Footnotes

1. 20,036 million average basic ordinary shares outstanding during the period (20,131 million on a fully diluted basis)
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
3. Leverage ratio is calculated using the CRD IV end-point basis for tier 1 capital
4. RoTE is annualised and excludes significant items and the UK bank levy
5. From 1 July 2018, Argentina was deemed a hyperinflationary economy for accounting purposes
6. HSBC UK Bank plc (RFB) started operations on 1st July 2018. FY18 NIM relates to 2H18
7. 1Q19 Technology P&L spend of $1.2bn; Change the Bank $0.5bn versus Run the Bank spend of $0.7bn. This is broadly in line with FY18 Technology P&L spend of $4.3bn; Change the Bank $2bn versus Run the Bank $2.3bn
8. Total includes POCI balances and related allowances
9. A targeted reported RoTE of 11% is broadly equivalent to a reported return on equity of 10%; assumes a Group CET1 ratio greater than 14%
10. 4Q18 as reported at 4Q18 Results; 3Q18 as reported at 3Q18 Results; 2Q18 as reported at 2Q18 Results; 1Q18 as reported at 1Q18 Results
11. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 1Q19 exchange rates
12. Where a quarterly trend is presented on the Balance Sheet and Funds Under Management, all comparatives are re-translated at 31 March 2019 exchange rates
13. Investment revenue includes annuity fees and brokerage and trading
14. RWAs consist of current tax, deferred tax and operational risk
15. Equity market investments in the Insurance manufacturing business are mainly benchmarked to MSCI World index (c50%), MSCI Asia excl. Japan (c.50%)
16. BSM profits and equity are allocated from the Corporate Centre to the Global Businesses
17. Tangible Equity is allocated to global businesses at a legal entity level, using RWAs, or a more suitable local approach, where appropriate
18. Includes associates, mainly BoCom and Saudi British Bank, as well as the equity relating to the US run-off and legacy credit portfolios
19. Differences between shareholders' equity and tangible equity drivers reflect adjustments primarily for PVIF movements and amortisation expense within 'Profit Attributable to Ordinary shareholders', FX on goodwill and intangibles within 'FX', and intangible additions within 'Other'
20. 'Other' mainly reflects intangible additions, share awards and an adjustment to own shares held (net nil TNAV per share impact)
21. Source: Form 20-F
22. Where the country of booking is the UK. This includes HSBC UK Bank plc (RFB) and also the UK geographic portion of HSBC Bank plc (NRFB)
23. Includes first direct, M&S and John Lewis Financial Services
24. Includes offset mortgages in first direct, endowment mortgages and other products
25. In 2018, the UK has moved from a simple average approach to a balance weighted average method in calculating the LTV ratio. This aligns the methodology to Hong Kong
26. Includes first direct, M&S and John Lewis Financial Services. Excludes Channel Islands and Isle of Man. 1Q19 includes RFB only, prior quarters are total UK (including RFB and NRFB)

Glossary

AIEA	Average interest earning assets
ASEAN	Association of Southeast Asian Nations
AUM	Assets under management
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point
BSM	Balance Sheet Management
CET1	Common Equity Tier 1
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
CMB	Commercial Banking, a global business
CRD IV	Capital Requirements Directive IV
CRR	Customer risk rating
DCM	Debt Capital Markets
ECL	Expected credit losses. In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied.
ESG	Environmental, social and governance
FICC	Fixed Income, Currencies and Commodities
GB&M	Global Banking and Markets, a global business
GLCM	Global Liquidity and Cash Management
GPB	Global Private Banking, a global business
GTRF	Global Trade and Receivables Finance
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard

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. Calculated on an adjusted basis
Legacy credit	A portfolio of assets including securities investment conduits, asset-backed securities, trading portfolios, credit correlation portfolios and derivative transactions entered into directly with monoline insurers
LTV	Loan to value
MENA	Middle East and North Africa
MREL	Minimum requirement for own funds and eligible liabilities
MTM	Mark-to-Market
NAV	Net Asset Value
NCI	Non-controlling interests
NRFB	Non ring-fenced bank
NII	Net interest income
NIM	Net interest margin
PBT	Profit before tax
POCI	Purchased or originated credit-impaired
PVIF	Present value of in-force insurance contracts
RBWM	Retail Banking and Wealth Management, a global business
HBUK (RFB)	Ring-fenced bank, established July 2018 as part of ring fenced bank legislation
RoE	Return on average ordinary shareholders' equity
RoTE	Return on average tangible equity
RWA	Risk-weighted asset
TNAV	Tangible net asset value

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Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts for the fiscal year ended 31 December 2018 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 19 February 2019 (the "2018 Form 20-F).

Non-GAAP financial information

This Presentation contains non-GAAP financial information. The primary non-GAAP financial measures we use are presented on an 'adjusted performance' basis 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 our 2018 Form 20-F, our 1Q 2019 Earnings Release which we expect to furnish to the SEC on Form 6-K 03 May 2019,and the corresponding Reconciliations of Non-GAAP Financial Measures document, each of which are available at www.hsbc.com.

Information in this Presentation was prepared as at 02 May 2019.