

**4 May 2018**
**HSBC HOLDINGS PLC**
**1Q18 EARNINGS RELEASE – HIGHLIGHTS**
**Financial performance**

- **Reported revenue** of \$13.7bn was 6% higher, driven by higher deposit margins and balance growth in RBWM, and GLCM growth within CMB, notably in Asia. These increases were partly offset by lower revenue in Corporate Centre. **Adjusted revenue** of \$13.9bn was 3% higher, excluding the effects of currency translation and movements in significant items.
- **Reported operating expenses** of \$9.4bn were 13% higher, primarily reflecting investments to grow the business and enhance our digital capabilities, and the effects of currency translation. **Adjusted operating expenses** of \$8.2bn were 8% higher, excluding the effects of currency translation and movements in significant items.
- **Reported profit before tax** of \$4.8bn was 4% lower, as higher revenue was more than offset by higher operating expenses. **Adjusted profit before tax** of \$6.0bn was 3% lower, excluding the effects of currency translation and movements in significant items.
- **Lending growth** of \$17bn in 1Q18, increasing net loans and advances to customers by 2% in the quarter.
- Strong capital base with a **common equity tier 1 ('CET1') ratio** of 14.5% and a **CRD IV leverage ratio** of 5.6%.
- We intend to initiate a **share buy-back** of up to \$2bn, which we expect to commence shortly. In light of the growth opportunities that we currently see, we expect this to be the only share buy-back that we announce in 2018.
- We intend to call two Tier 1 securities, with a nominal amount outstanding of \$6bn.

**John Flint, Group Chief Executive, said:**

"Our global businesses performed well in the first quarter, maintaining momentum from the end of 2017. We continue to benefit from interest rate rises and economic growth, particularly in Asia. Our primary focus is to grow the businesses safely, and we have increased investment to deliver that aim. We intend to deliver positive jaws for 2018."

**Financial highlights and key ratios**

|  | Quarter ended 31 Mar |             |             |
|--|----------------------|-------------|-------------|
|  | 2018<br>\$m          | 2017<br>\$m | Change<br>% |
| Reported PBT   | 4,755                | 4,961       | (4)         |
| Adjusted PBT   | 6,033                | 6,210       | (3)         |
|  | %                    | %           | %           |
| Return on average ordinary shareholders' equity (annualised) | 7.5                  | 8.0         | (6.3)       |
| Return on average tangible equity (annualised)               | 8.4                  | 9.1         | (7.7)       |
| Adjusted jaws  | (5.7)                |             |             |

We use adjusted performance to understand the underlying trends in the business. The main differences between reported and adjusted figures are foreign currency translation and significant items, which include litigation and regulatory items, offset by the non-recurrence of costs-to-achieve in 1Q18.

**Capital and balance sheet**

|   | At                  |                     |
|---|---------------------|---------------------|
|   | 31 Mar<br>2018<br>% | 31 Dec<br>2017<br>% |
| Common equity tier 1 ratio <sup>1</sup> | 14.5                | 14.5                |
| Leverage ratio <sup>1</sup>             | 5.6                 | 5.6                 |
|   | \$m                 | \$m                 |
| Loans and advances to customers         | 981,165             | 962,964             |
| Customer accounts                       | 1,379,679           | 1,364,462           |
| Risk-weighted assets <sup>1</sup>       | 894,400             | 871,337             |

<sup>1</sup> Calculated using the 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.

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### HSBC Holdings plc – Earnings Release

HSBC Holdings plc will be conducting a trading update conference call with analysts and investors today to coincide with the publication of its Earnings Release. The call will take place at 07.30am BST. Details of how to participate in the call and the live audio webcast can be found at [www.hsbc.com/investor-relations](http://www.hsbc.com/investor-relations).

#### Note to editors

##### HSBC Holdings plc

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from approximately 3,900 offices in 67 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of \$2,652bn at 31 March 2018, HSBC is one of the world's largest banking and financial services organisations.

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## **Review by John Flint, Group Chief Executive**

Our global businesses performed well in the first quarter. Retail Banking and Wealth Management and Commercial Banking both benefited from wider deposit spreads and increased balances to deliver significant increases in adjusted revenue on last year's first quarter. Both businesses also grew lending, with Commercial Banking making notable progress in Hong Kong and the UK, and Retail Banking and Wealth Management making further headway in the UK mortgage market. Global Banking and Markets adjusted revenue was stable relative to a strong first quarter last year, as growth in transaction banking and Equities revenue balanced the impact of lower client activity on our fixed income businesses. Global Private Banking grew adjusted revenue and continued to attract net new money in its target markets.

A stronger revenue environment enabled us to invest in growing the business. In 1Q18, we increased investment in Retail Banking and Wealth Management to further grow our market share in the UK and mainland China. We also made strategic hires in our securities joint venture in mainland China, and invested to enhance our digital capabilities in all our global businesses. This targeted spending contributed to a rise in adjusted costs in the first three months of the year. We intend to deliver positive adjusted jaws for 2018.

Having received the appropriate regulatory clearances, we now plan to execute a share buy-back of up to \$2bn. We expect this to commence shortly.

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### Adoption of IFRS 9 'Financial Instruments'

HSBC adopted the requirements of IFRS 9 'Financial Instruments' on 1 January 2018, with the exception of the provisions relating to the presentation of gains and losses on financial liabilities designated at fair value, which were adopted on 1 January 2017.

The classification and measurement and impairment requirements of IFRS 9 were applied retrospectively by adjusting the opening balance sheet at the date of initial application. As permitted by IFRS 9, HSBC has not restated comparative periods. Adoption is expected to reduce net assets at 1 January 2018 by \$1.6bn, with the classification and measurement changes increasing net assets by \$1.1bn, impairment reducing net assets by \$2.2bn, impacts on our associates reducing net assets by \$0.9bn, and deferred tax increasing net assets by \$0.4bn. The effect of IFRS 9 on the carrying value of investments in associates has been updated from the effect disclosed in our *Annual Report and Accounts 2017* and in our *Report on Transition to IFRS 9 'Financial Instruments' 1 January 2018* as a result of those entities publicly reporting their expected transition impacts. The effect of adoption of IFRS 9 remains subject to change until the Group finalises its financial statements for the year ending 31 December 2018.

Under IFRS 9, the recognition and measurement of expected credit losses differs from under IAS 39. The change in expected credit losses relating to financial assets under IFRS 9 is recorded in the income statement under 'change in expected credit losses and other credit impairment charges' ('ECL'). As prior periods have not been restated, changes in impairment of financial assets in the comparative periods remain in accordance with IAS 39 and are recorded in the income statement under 'loan impairment charges and other credit risk provisions' ('LICs') and are therefore not necessarily comparable to ECL recorded for the current period.

Further information is provided in our *Report on Transition to IFRS 9 'Financial Instruments' 1 January 2018*.

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### Adjusted performance

Adjusted performance is computed by adjusting reported results for the effects of foreign currency translation differences and significant items, which both distort period-on-period comparisons.

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

#### Foreign currency translation differences

Foreign currency translation differences reflect the movements of the US dollar against most major currencies during 1Q18. We exclude them to derive constant currency data, allowing us to assess balance sheet and income statement performance on a like-for-like basis and better understand the underlying trends in the business.

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#### Foreign currency translation differences

Foreign currency translation differences for 1Q18 are computed by retranslating into US dollars for non-US dollar branches, subsidiaries, joint ventures and associates:

- the income statements for 4Q17 and 1Q17 at the average rates of exchange for 1Q18; and
- the closing prior period balance sheets at the prevailing rates of exchange on 31 March 2018.

No adjustment has been made to the exchange rates used to translate foreign currency denominated assets and liabilities into the functional currencies of any HSBC branches, subsidiaries, joint ventures or associates. When reference is made to foreign currency translation differences in tables or commentaries, comparative data reported in the functional currencies of HSBC's operations have been translated at the appropriate exchange rates applied in the current period on the basis described above.

#### Significant items

'Significant items' refers collectively to the items that management and investors would ordinarily identify and consider separately to understand better the underlying trends in the business.

The tables on pages 27 to 30 detail the effects of significant items on each of our global business segments and geographical regions in 1Q18, 4Q17 and 1Q17.

#### Adjusted performance – foreign currency translation of significant items

The foreign currency translation differences related to significant items are presented as a separate component of significant items. This is considered a more meaningful presentation as it allows better comparison of period-on-period movements in performance.

#### Global business performance

The Group Chief Executive, supported by the rest of the Group Management Board ('GMB'), is considered to be the Chief Operating Decision Maker ('CODM') for the purposes of identifying the Group's reportable segments.

The Group Chief Executive and the rest of the GMB review operating activity on a number of bases, including by global business and geographical region. Global businesses are our reportable segments under IFRS 8 'Operating segments'. Global business results are assessed by CODM on the basis of adjusted performance, that removes the effects of significant items and currency translation from reported results. We therefore present these results on an adjusted basis as required by IFRSs.

A reconciliation of the Group's adjusted results to the Group's reported results is presented on page 5. Supplementary reconciliations of adjusted to reported results by global business are presented on pages 31 to 33 for information purposes.

#### Management view of adjusted revenue

Our global business segment commentary includes tables which provide breakdowns of revenue by major product. These reflect the basis on which revenue performance of the businesses is assessed and managed.

## Reconciliation of reported and adjusted results

|   | Quarter ended         |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
|   | 31 Mar<br>2018<br>\$m | 31 Dec<br>2017<br>\$m | 31 Mar<br>2017<br>\$m |
| <b>Revenue</b>  |                       |                       |                       |
| Reported  | 13,710                | 12,301                | 12,993                |
| Currency translation  |                       | 236                   | 660                   |
| Significant items   | 140                   | 145                   | (142)                 |
| – customer redress programmes   | –                     | 105                   | –                     |
| – disposals, acquisitions and investment in new businesses                    | 112                   | 79                    | (156)                 |
| – fair value movement on financial instruments                                | 28                    | (45)                  | 6                     |
| – currency translation of significant items                                   |                       | 6                     | 8                     |
| <b>Adjusted</b>   | <b>13,850</b>         | <b>12,682</b>         | <b>13,511</b>         |
| <b>ECL/LICs</b>   |                       |                       |                       |
| Reported  | (170)                 | (658)                 | (236)                 |
| Currency translation  |                       | (24)                  | (4)                   |
| <b>Adjusted</b>   | <b>(170)</b>          | <b>(682)</b>          | <b>(240)</b>          |
| <b>Operating expenses</b>   |                       |                       |                       |
| Reported  | (9,383)               | (9,895)               | (8,328)               |
| Currency translation  |                       | (219)                 | (513)                 |
| Significant items   | 1,138                 | 1,173                 | 1,220                 |
| – costs to achieve  | –                     | 655                   | 833                   |
| – cost of structural reform <sup>†</sup>                                      | 126                   | 131                   | 83                    |
| – customer redress programmes   | 93                    | 272                   | 210                   |
| – disposals, acquisitions and investment in new businesses                    | 2                     | 39                    | –                     |
| – gain on partial settlement of pension obligation                            | –                     | (188)                 | –                     |
| – restructuring and other related costs                                       | 20                    | –                     | –                     |
| – settlements and provisions in connection with legal and regulatory matters* | 897                   | 228                   | –                     |
| – currency translation of significant items                                   |                       | 36                    | 94                    |
| <b>Adjusted</b>   | <b>(8,245)</b>        | <b>(8,941)</b>        | <b>(7,621)</b>        |
| <b>Share of profit in associates and joint ventures</b>                       |                       |                       |                       |
| Reported  | 598                   | 556                   | 532                   |
| Currency translation  |                       | 18                    | 28                    |
| <b>Adjusted</b>   | <b>598</b>            | <b>574</b>            | <b>560</b>            |
| <b>Profit before tax</b>  |                       |                       |                       |
| Reported  | 4,755                 | 2,304                 | 4,961                 |
| Currency translation  |                       | 11                    | 171                   |
| Significant items   | 1,278                 | 1,318                 | 1,078                 |
| – revenue   | 140                   | 145                   | (142)                 |
| – operating expenses  | 1,138                 | 1,173                 | 1,220                 |
| <b>Adjusted</b>   | <b>6,033</b>          | <b>3,633</b>          | <b>6,210</b>          |

<sup>†</sup> Comprises costs associated with the UK's exit from the European Union, costs to establish the UK ring-fenced bank (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

\*As previously disclosed, we are engaged in active discussions with the US Department of Justice ('DoJ') with a view toward potential resolution of civil claims based on the DoJ's investigation of HSBC's legacy RMBS securitisation activities. As discussions developed during Q1 2018, we recognised a provision with respect to this matter. There can be no assurances, however, as to how or when this matter will be resolved, or whether this matter will be resolved prior to the commencement of formal legal proceedings by the DoJ or whether the ultimate loss will exceed the provision. Also in relation to securitisation matters, HSBC Mortgage Corporation (USA) Inc. and Decision One Mortgage Company LLC engaged in court-ordered mediation discussions with Residential Funding Company LLC ('RFC') and a provision has been recognised in this regard.

## Financial performance commentary

### Distribution of results by global business

|  | Quarter ended         |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
|  | 31 Mar<br>2018<br>\$m | 31 Dec<br>2017<br>\$m | 31 Mar<br>2017<br>\$m |
| <b>Adjusted profit/(loss) before tax</b> |                       |                       |                       |
| Retail Banking and Wealth Management     | 1,906                 | 1,430                 | 1,815                 |
| Commercial Banking                       | 2,111                 | 1,721                 | 1,888                 |
| Global Banking and Markets               | 1,713                 | 834                   | 1,806                 |
| Global Private Banking                   | 113                   | 93                    | 74                    |
| Corporate Centre                         | 190                   | (445)                 | 627                   |
| <b>Total</b>                             | <b>6,033</b>          | <b>3,633</b>          | <b>6,210</b>          |

### Distribution of results by geographical region

|  | Quarter ended         |                       |                       |
|--|-----------------------|-----------------------|-----------------------|
|  | 31 Mar<br>2018<br>\$m | 31 Dec<br>2017<br>\$m | 31 Mar<br>2017<br>\$m |
| <b>Reported profit/(loss) before tax</b> |                       |                       |                       |
| Europe                                   | (18)                  | (2,386)               | (206)                 |
| Asia                                     | 4,768                 | 3,670                 | 4,094                 |
| Middle East and North Africa             | 437                   | 333                   | 387                   |
| North America                            | (596)                 | 521                   | 572                   |
| Latin America                            | 164                   | 166                   | 114                   |
| <b>Total</b>                             | <b>4,755</b>          | <b>2,304</b>          | <b>4,961</b>          |
| <b>Adjusted profit/(loss) before tax</b> |                       |                       |                       |
| Europe                                   | 222                   | (1,314)               | 786                   |
| Asia                                     | 4,756                 | 4,009                 | 4,384                 |
| Middle East and North Africa             | 437                   | 347                   | 395                   |
| North America                            | 438                   | 422                   | 521                   |
| Latin America                            | 180                   | 169                   | 124                   |
| <b>Total</b>                             | <b>6,033</b>          | <b>3,633</b>          | <b>6,210</b>          |

Adjusted PBT by global business and region is presented to support the commentary on adjusted performance on the following pages.

The tables on pages 27 to 30 reconcile reported to adjusted results for each of our global business segments and geographical regions.

## Group

### 1Q18 compared with 1Q17 – reported results

#### Movement in reported profit before tax compared with 1Q17

|   | Quarter ended         |                       |                           |            |
|---|-----------------------|-----------------------|---------------------------|------------|
|   | 31 Mar<br>2018<br>\$m | 31 Mar<br>2017<br>\$m | Variance<br>1Q18 vs. 1Q17 |            |
|   |                       |                       | \$m                       | %          |
| Revenue                                 | 13,710                | 12,993                | 717                       | 6          |
| ECL/LICs                                | (170)                 | (236)                 | 66                        | 28         |
| Operating expenses                      | (9,383)               | (8,328)               | (1,055)                   | (13)       |
| Share of profit from associates and JVs | 598                   | 532                   | 66                        | 12         |
| <b>Profit before tax</b>                | <b>4,755</b>          | <b>4,961</b>          | <b>(206)</b>              | <b>(4)</b> |

#### Reported profit before tax

Reported profit before tax of \$4.8bn in 1Q18 was \$0.2bn or 4% lower than in 1Q17. This included a net adverse movement in significant items of \$0.2bn, partly offset by the favourable effects of foreign currency translation of \$0.2bn.

Excluding the effects of significant items and foreign currency translation, profit before tax decreased by \$0.2bn or 3%, as revenue growth was more than offset by a rise in operating expenses.

#### Reported revenue

Reported revenue of \$13.7bn in 1Q18 was \$0.7bn or 6% higher than 1Q17. This reflected a favourable effect of foreign currency translation of \$0.7bn, partly offset by a net adverse movement in significant items of \$0.3bn, which included a loss on disposals, acquisitions and investment in new businesses of \$0.1bn in 1Q18 related to the early redemption of subordinated debt in the US. This compared with a gain of \$0.2bn in 1Q17, largely related to the disposal of our membership interest in Visa Inc.

Excluding significant items and currency translation, revenue increased by \$0.3bn or 3%.

## Reported ECL/LICs

The reported change in expected credit losses and other credit impairment charges ('ECL') was \$0.2bn in 1Q18. This mainly related to charges of \$0.3bn in RBWM, partly offset by net releases of ECL in Corporate Centre and CMB.

In 1Q17, reported LICs of \$0.2bn mainly related to RBWM (\$0.3bn), partly offset by net releases, notably in GB&M and Corporate Centre. The effect of currency translation differences between the periods was minimal.

## Reported operating expenses

Reported operating expenses of \$9.4bn were \$1.1bn or 13% higher than in 1Q17 and included an adverse impact of foreign currency translation of \$0.5bn, partly offset by a favourable movement in significant items of \$0.1bn.

The favourable movement in significant items was driven by:

- the non-recurrence of costs to achieve, which were \$0.8bn in 1Q17; and
- customer redress programme costs of \$0.1bn in 1Q18, compared with \$0.2bn in 1Q17.

These were partly offset by:

- settlements and provisions in connection with legal and regulatory matters of \$0.9bn.

Excluding significant items and currency translation, operating expenses increased by \$0.6bn or 8%.

## Reported income from associates

Reported income from associates of \$0.6bn increased by \$66m or 12%.

## Group

### 1Q18 compared with 1Q17 – adjusted results

#### Movement in adjusted profit before tax compared with 1Q17

|   | Quarter ended |              |               |            |
|---|---------------|--------------|---------------|------------|
|   | 31 Mar        | 31 Mar       | Variance      |            |
|   | 2018          | 2017         | 1Q18 vs. 1Q17 |            |
|   | \$m           | \$m          | \$m           | %          |
| Revenue                                 | 13,850        | 13,511       | 339           | 3          |
| ECL/LICs                                | (170)         | (240)        | 70            | 29         |
| Operating expenses                      | (8,245)       | (7,621)      | (624)         | (8)        |
| Share of profit from associates and JVs | 598           | 560          | 38            | 7          |
| <b>Profit before tax</b>                | <b>6,033</b>  | <b>6,210</b> | <b>(177)</b>  | <b>(3)</b> |

#### Adjusted profit before tax

Adjusted profit before tax of \$6.0bn was \$0.2bn or 3% lower compared with 1Q17, as revenue growth was more than offset by a rise in operating expenses.

#### Adjusted revenue

Adjusted revenue of \$13.9bn was \$0.3bn or 3% higher than 1Q17, notably driven by RBWM and CMB, partly offset by lower revenue in Corporate Centre. Revenue in GB&M was broadly unchanged.

- In RBWM, revenue increased by \$0.5bn or 9%, driven by growth in Retail Banking, reflecting wider spreads and balance growth in current accounts, savings and deposits, and in Wealth Management from investment distribution due to growth in sales of retail securities and mutual funds in Asia.
- In CMB, revenue increased by \$0.3bn or 10%, notably in GLCM, as we benefited from wider deposit spreads in Hong Kong and mainland China. In addition, revenue also increased in Credit and Lending ('C&L'), notably in the UK and Hong Kong as we grew balances.
- In GB&M, revenue was broadly unchanged from 1Q17. Strong growth in GLCM and Securities Services reflected interest rate rises and deposit balance growth, primarily in Asia and the US. Revenue also increased in Global Banking from growth in lending balances, and from recoveries on restructured facilities in 1Q18. By contrast, revenue fell in Rates and Credit, partly offset in Equities and Foreign Exchange.
- In GPB, revenue increased by \$45m or 10%, mainly in Hong Kong, as higher investment revenue reflected increased client activity, and deposit revenue increased as we benefited from wider spreads.
- In Corporate Centre, we recorded a net loss of \$0.1bn in 1Q18, compared with revenue of \$0.4bn in 1Q17. This was primarily in Central Treasury, reflecting lower revenue in Balance Sheet Management (down \$0.3bn) and a loss arising from swap mark-to-market movements following a bond reclassification under IFRS 9 'Financial Instruments' of \$0.2bn.

#### Adjusted ECL/LICs

Adjusted ECL of \$0.2bn in 1Q18 mainly related to charges in RBWM (\$0.3bn), notably in Mexico and the UK against our unsecured lending balances, and to a lesser extent in Hong Kong, also against unsecured lending. These charges were partly offset by net releases in Corporate Centre related to our Legacy Credit portfolio, as well as in CMB.

In 1Q17, adjusted LICs of \$0.2bn related to charges in RBWM mainly in Mexico reflecting growth in unsecured lending together with an associated rise in delinquency.

## Earnings Release – 1Q18

### Adjusted operating expenses

Adjusted operating expenses of \$8.2bn were \$0.6bn or 8% higher than 1Q17. This reflected investments to grow the business mainly in RBWM and GB&M, and continued investment in digital across all global businesses.

Our total investment in regulatory programmes and compliance was \$0.7bn, up \$39m or 6%. This reflected the continued focus on our Global Standards programme to ensure that changes we have made are effective and sustainable.

The number of employees expressed in full-time equivalent staff ('FTEs') at 31 March 2018 was 228,899, an increase of 212 from 31 December 2017. This was primarily driven by investments in business growth programmes.

We expect adjusted operating expenses excluding the UK bank levy for the full year to be broadly in line with 1Q18, subject to achieving full year positive jaws.

### Adjusted share of income from associates

Adjusted income from associates of \$0.6bn increased by \$38m or 7%.

### Tax expense

The effective tax rate for 1Q18 of 21.4% was lower than the 24.2% in 1Q17, principally due to a change in profit mix and a favourable adjustment in respect of prior years in comparison to 1Q17.

### First interim dividend for 2018

The Board announces a first interim dividend for 2018 of \$0.10 per ordinary share, further details of which are set out at the end of this release.

## Retail Banking and Wealth Management

### 1Q18 compared with 1Q17 – adjusted results

#### Management view of adjusted revenue

|   | Quarter ended |        |        | Variance      |             |
|---|---------------|--------|--------|---------------|-------------|
|   | 31 Mar        | 31 Dec | 31 Mar | 1Q18 vs. 1Q17 |             |
|   | 2018          | 2017   | 2017   | \$m           | %           |
|   | \$m           | \$m    | \$m    |               |             |
| <b>Net operating income<sup>1</sup></b>                             |               |        |        |               |             |
| <b>Retail Banking</b>   | <b>3,653</b>  | 3,531  | 3,380  | <b>273</b>    | <b>8</b>    |
| – current accounts, savings and deposits                            | <b>1,857</b>  | 1,740  | 1,510  | <b>347</b>    | <b>23</b>   |
| – personal lending  | <b>1,796</b>  | 1,791  | 1,870  | <b>(74)</b>   | <b>(4)</b>  |
| mortgages   | <b>579</b>    | 603    | 630    | <b>(51)</b>   | <b>(8)</b>  |
| credit cards  | <b>725</b>    | 689    | 753    | <b>(28)</b>   | <b>(4)</b>  |
| other personal lending <sup>2</sup>                                 | <b>492</b>    | 499    | 487    | <b>5</b>      | <b>1</b>    |
| <b>Wealth Management</b>  | <b>1,829</b>  | 1,433  | 1,698  | <b>131</b>    | <b>8</b>    |
| – investment distribution <sup>3</sup>                              | <b>1,044</b>  | 793    | 821    | <b>223</b>    | <b>27</b>   |
| – life insurance manufacturing                                      | <b>503</b>    | 353    | 614    | <b>(111)</b>  | <b>(18)</b> |
| – asset management  | <b>282</b>    | 287    | 263    | <b>19</b>     | <b>7</b>    |
| Other <sup>4</sup>  | <b>187</b>    | 165    | 135    | <b>52</b>     | <b>39</b>   |
| <b>Total</b>  | <b>5,669</b>  | 5,129  | 5,213  | <b>456</b>    | <b>9</b>    |
| Adjusted RoRWA (%) <sup>5</sup>                                     | <b>6.2</b>    | 4.6    | 6.3    |               |             |
| RoTE excluding significant items and UK bank levy (%) <sup>11</sup> | <b>23.1</b>   | –      | 25.0   |               |             |

For footnotes see page 13.

Adjusted profit before tax of \$1.9bn was \$0.1bn or 5% higher than 1Q17. This primarily reflected increased revenue from deposits and investment distribution, partly offset by higher operating expenses.

Adjusted revenue of \$5.7bn was \$0.5bn or 9% higher than 1Q17, as we grew revenue in both Retail Banking and Wealth Management.

- In Retail Banking (up \$0.3bn), the increase was driven by wider spreads and balance growth in current accounts, savings and deposits, notably in Hong Kong, and to a lesser extent in the US and Mexico. This was partly offset by lower personal lending revenue, mainly in the US, mainland China and Hong Kong, reflecting continuing mortgage spread compression from competitive pressures, although we grew our total lending balances by \$25bn, or 8% compared with 1Q17.
- In Wealth Management (up \$0.1bn), the increase was primarily in investment distribution, reflecting higher sales of retail securities and mutual funds in Asia, following increased investor confidence. This increase was partly offset by lower life insurance manufacturing revenue, largely from a net adverse movement in market updates of \$0.2bn, notably in Asia and France.

Adjusted ECL were \$0.3bn in 1Q18, mainly related to charges in Mexico, the UK and Hong Kong, primarily against unsecured lending balances.

In 1Q17, adjusted LICs of \$0.3bn were notably related to charges in Mexico, as well as in the UK, Hong Kong and the UAE, against unsecured lending balances.

Adjusted operating expenses of \$3.5bn increased by \$0.4bn or 12% driven by investments to grow the business, particularly in cards in the Pearl River Delta and in the US, as well as continued investment in digital capabilities in our core markets. We have invested in the UK to expand our intermediary channel to exceed 30 brokers. Additionally, inflation contributed to higher operating expenses.



## Commercial Banking

### 1Q18 compared with 1Q17 – adjusted results

#### Management view of adjusted revenue

|   | Quarter ended |              |              | Variance      |           |
|---|---------------|--------------|--------------|---------------|-----------|
|   | 31 Mar        | 31 Dec       | 31 Mar       | 1Q18 vs. 1Q17 |           |
|   | 2018          | 2017         | 2017         | \$m           | %         |
|   | \$m           | \$m          | \$m          |               |           |
| <b>Net operating income<sup>1</sup></b>                             |               |              |              |               |           |
| Global Trade and Receivables Finance                                | 466           | 462          | 467          | (1)           | —         |
| Credit and Lending  | 1,325         | 1,351        | 1,280        | 45            | 4         |
| Global Liquidity and Cash Management                                | 1,351         | 1,303        | 1,158        | 193           | 17        |
| Markets products, Insurance and Investments, and Other <sup>6</sup> | 557           | 416          | 447          | 110           | 25        |
| <b>Total</b>  | <b>3,699</b>  | <b>3,532</b> | <b>3,352</b> | <b>347</b>    | <b>10</b> |
| Adjusted RoRWA (%) <sup>5</sup>                                     | 2.8           | 2.2          | 2.6          |               |           |
| RoTE excluding significant items and UK bank levy (%) <sup>11</sup> | 15.5          | —            | 15.7         |               |           |

For footnotes see page 13.

Adjusted profit before tax of \$2.1bn was \$0.2bn or 12% higher, as strong revenue growth was partly offset by higher operating expenses.

Adjusted revenue was \$0.3bn or 10% higher, driven by an increase in GLCM and C&L. Revenue also increased from Markets products and Insurance and Investments, notably in Asia. In GTRF, revenue remained broadly unchanged.

- In GLCM, revenue increased by \$0.2bn or 17%, reflecting wider spreads in Hong Kong and mainland China as we benefited from interest rate rises. We also grew average balances compared with 1Q17.
- In C&L, revenue increased by \$45m or 4%, as we grew balances, notably in the UK and Hong Kong. This was partly offset by the effects of spread compression.
- In GTRF, revenue was unchanged as balance sheet growth in the UK and Asia was offset by lower balances in MENA reflecting the effect of repositioning.

A net release in adjusted ECL of \$0.1bn reflected continuing stable credit conditions. In 1Q17, there was a net release of adjusted LICs of \$10m.

Adjusted operating expenses of \$1.7bn were \$0.2bn or 12% higher, reflecting continued investment in Global Standards and digital capabilities, as well as higher performance-related pay.

## Global Banking and Markets

### 1Q18 compared with 1Q17 – adjusted results

#### Management view of adjusted revenue

|   | Quarter ended |              |              | Variance      |          |
|---|---------------|--------------|--------------|---------------|----------|
|   | 31 Mar        | 31 Dec       | 31 Mar       | 1Q18 vs. 1Q17 |          |
|   | 2018          | 2017         | 2017         | \$m           | %        |
|   | \$m           | \$m          | \$m          |               |          |
| <b>Net operating income<sup>1</sup></b>                             |               |              |              |               |          |
| Global Markets  | 1,864         | 1,323        | 2,066        | (202)         | (10)     |
| – Foreign exchange  | 741           | 625          | 658          | 83            | 13       |
| – Rates   | 445           | 282          | 696          | (251)         | (36)     |
| – Credit  | 252           | 146          | 351          | (99)          | (28)     |
| – FICC  | 1,438         | 1,053        | 1,705        | (267)         | (16)     |
| – Equities  | 426           | 270          | 361          | 65            | 18       |
| Global Banking  | 1,010         | 933          | 949          | 61            | 6        |
| Global Liquidity and Cash Management                                | 635           | 599          | 543          | 92            | 17       |
| Securities Services   | 482           | 477          | 431          | 51            | 12       |
| Global Trade and Receivables Finance                                | 180           | 171          | 189          | (9)           | (5)      |
| Principal Investments   | 69            | 64           | 32           | 37            | 116      |
| Credit and funding valuation adjustments <sup>7</sup>               | (65)          | (109)        | —            | (65)          | n/a      |
| Other <sup>8</sup>  | (27)          | 5            | (68)         | 41            | 60       |
| <b>Total</b>  | <b>4,148</b>  | <b>3,463</b> | <b>4,142</b> | <b>6</b>      | <b>—</b> |
| Adjusted RoRWA (%) <sup>5</sup>                                     | 2.3           | 1.1          | 2.4          |               |          |
| RoTE excluding significant items and UK bank levy (%) <sup>11</sup> | 11.9          | —            | 12.8         |               |          |

For footnotes see page 13.

Adjusted profit before tax of \$1.7bn was \$0.1bn or 5% lower, reflecting an increase in operating expenses, and a small charge in ECL in contrast to a net release of LICs in 1Q17.

Adjusted revenue of \$4.1bn was broadly unchanged and included a net adverse movement of \$65m on credit and funding valuation adjustments. Excluding these movements, revenue increased by \$71m or 2%. The increase in adjusted revenue primarily reflected:

- an increase in our transaction banking products, with double digit growth in GLCM (up \$0.1bn, or 17%), and in Securities Services (up \$0.1bn, or 12%), driven by the impact of higher interest rates and growth of operating balances as we continued to win new client mandates in GLCM, notably in Asia and the US;

## Earnings Release – 1Q18

- an increase in Global Banking (up \$0.1bn, or 6%), as we continued to grow lending balances, and from recoveries on restructured facilities, partly offset by muted investment banking activity compared with 1Q17.

This was partly offset by:

- a decrease in Global Markets (down \$0.2bn), primarily in fixed income revenue (Rates and Credit) reflecting reduced client flows, although this was partly offset by higher revenue in Equities and Foreign Exchange.

Adjusted ECL were \$22m in 1Q18. In 1Q17, there was a net release of adjusted LICs of \$21m.

Adjusted operating expenses increased by \$0.1bn or 2%, reflecting increased litigation expenses, and a rise in investment costs to grow the business.

### Global Private Banking

#### 1Q18 compared with 1Q17 – adjusted results

##### Management view of adjusted revenue

|   | Quarter ended |            |            | Variance      |           |
|---|---------------|------------|------------|---------------|-----------|
|   | 31 Mar        | 31 Dec     | 31 Mar     | 1Q18 vs. 1Q17 |           |
|   | 2018          | 2017       | 2017       | \$m           | %         |
|   | \$m           | \$m        | \$m        |               |           |
| <b>Net operating income<sup>1</sup></b>                             |               |            |            |               |           |
| Investment revenue  | 210           | 168        | 185        | 25            | 14        |
| Lending   | 103           | 104        | 97         | 6             | 6         |
| Deposit   | 122           | 109        | 92         | 30            | 33        |
| Other   | 47            | 49         | 63         | (16)          | (25)      |
| <b>Total</b>  | <b>482</b>    | <b>430</b> | <b>437</b> | <b>45</b>     | <b>10</b> |
| Adjusted RoRWA (%) <sup>5</sup>                                     | 2.8           | 2.2        | 1.9        |               |           |
| RoTE excluding significant items and UK bank levy (%) <sup>11</sup> | 12.3          | –          | 7.4        |               |           |

For footnotes see page 13.

Adjusted profit before tax of \$113m was \$39m or 53% higher, due to revenue growth, partly offset by a marginal increase in operating expenses.

Adjusted revenue of \$0.5bn increased by \$45m or 10%, mainly in Hong Kong from higher investment revenue due to increased client activity and higher deposit revenue as spreads widened following interest rate rises.

In 1Q18, we attracted net new money of \$5.3bn in key markets targeted for growth.

Adjusted operating expenses of \$0.4bn increased by 3% primarily reflecting higher performance-related pay.

### Corporate Centre

#### 1Q18 compared with 1Q17 – adjusted results

##### Management view of adjusted revenue

|   | Quarter ended |            |            | Variance      |              |
|---|---------------|------------|------------|---------------|--------------|
|   | 31 Mar        | 31 Dec     | 31 Mar     | 1Q18 vs. 1Q17 |              |
|   | 2018          | 2017       | 2017       | \$m           | %            |
|   | \$m           | \$m        | \$m        |               |              |
| <b>Net operating income<sup>1</sup></b> |               |            |            |               |              |
| Central Treasury <sup>9</sup>           | (75)          | 269        | 364        | (439)         | (121)        |
| Legacy portfolios                       | 19            | (84)       | 28         | (9)           | (32)         |
| – US run-off portfolio                  | 12            | (7)        | 28         | (16)          | (57)         |
| – legacy credit                         | 7             | (77)       | –          | 7             | n/a          |
| Other <sup>10</sup>                     | (92)          | (57)       | (25)       | (67)          | >(200)       |
| <b>Total</b>                            | <b>(148)</b>  | <b>128</b> | <b>367</b> | <b>(515)</b>  | <b>(140)</b> |

For footnotes see page 13.

Adjusted profit before tax of \$0.2bn was \$0.4bn or 70% lower, driven by a decrease in revenue, while operating expenses were broadly unchanged.

We recorded a net loss of adjusted revenue of \$0.1bn in 1Q18, compared with revenue of \$0.4bn in 1Q17. This reduction mainly reflected decreases in Central Treasury primarily due to:

- lower revenue in Balance Sheet Management (down \$0.3bn) reflecting repositioning carried out in 2017 in anticipation of higher policy rates, lower reinvestment yields and lower gains from AFS disposals; and
- a loss arising from adverse swap mark-to-market movements following a bond reclassification under IFRS 9 'Financial Instruments' (\$0.2bn).

A net release of adjusted ECL of \$0.1bn in 1Q18 primarily related to our Legacy Credit portfolio.

In 1Q17, we recorded a net release of LICs of \$41m which included releases related to Legacy Credit, as well as our US run-off portfolio.

Adjusted operating expenses of \$0.3bn were broadly unchanged from 1Q17.

Adjusted income from associates increased by \$44m or 8%.

## Group

### 1Q18 compared with 4Q17 – reported results

#### Movement in reported profit before tax compared with 4Q17

|   | Quarter ended |              |               |            |
|---|---------------|--------------|---------------|------------|
|   | 31 Mar        | 31 Dec       | Variance      |            |
|   | 2018          | 2017         | 1Q18 vs. 4Q17 |            |
|   | \$m           | \$m          | \$m           | %          |
| Revenue                                 | 13,710        | 12,301       | 1,409         | 11         |
| ECL/LICs                                | (170)         | (658)        | 488           | 74         |
| Operating expenses                      | (9,383)       | (9,895)      | 512           | 5          |
| Share of profit from associates and JVs | 598           | 556          | 42            | 8          |
| <b>Profit before tax</b>                | <b>4,755</b>  | <b>2,304</b> | <b>2,451</b>  | <b>106</b> |

#### Reported profit before tax

Reported profit before tax of \$4.8bn in 1Q18 was \$2.5bn higher than in 4Q17. This included a net favourable movement in significant items of \$40m.

Excluding significant items, profit before tax increased by \$2.4bn to \$6.0bn, reflecting higher revenue and lower operating expenses.

#### Reported revenue

Reported revenue of \$13.7bn in 1Q18 was \$1.4bn or 11% higher than in 4Q17, and reflected a favourable effect of foreign currency translation of \$0.2bn. Significant items of \$0.1bn were broadly in line with 4Q17.

Excluding significant items and currency translation differences, revenue increased by \$1.2bn or 9% reflecting revenue growth in all global businesses, partly offset by lower revenue in Corporate Centre.

#### Reported ECL/LICs

ECL were \$0.2bn in 1Q18. This mainly related to charges of \$0.3bn in RBWM, partly offset by a net release of ECL in Corporate Centre and CMB.

LICs in 4Q17 were \$0.7bn and were mainly incurred in GB&M \$0.4bn. In addition we incurred charges of \$0.2bn in RBWM and \$0.2bn in CMB. These charges were partly offset by a net release of \$0.1bn in Corporate Centre.

#### Reported operating expenses

Reported operating expenses of \$9.4bn were \$0.5bn or 5% lower. This reduction included a \$35m favourable movement in significant items which included:

- the non-recurrence of costs to achieve, which were \$0.7bn in 4Q17;
- customer redress programme costs of \$0.1bn in 1Q18, compared with \$0.3bn in 4Q17.

These were partly offset by:

- settlements and provisions in connection with legal matters of \$0.9bn in 1Q18. This compared with settlements and provisions in connection with legal matters of \$0.2bn in 4Q17.

Excluding significant items and an adverse effect of foreign currency translation of \$0.2bn, operating expenses decreased by \$0.7bn or 8%.

#### Reported income from associates

Reported income from associates of \$0.6bn was \$42m or 8% higher than in 4Q17.

## Group

### 1Q18 compared with 4Q17 – adjusted results

#### Movement in adjusted profit before tax compared with 4Q17

|   | Quarter ended |              |               |           |
|---|---------------|--------------|---------------|-----------|
|   | 31 Mar        | 31 Dec       | Variance      |           |
|   | 2018          | 2017         | 1Q18 vs. 4Q17 |           |
|   | \$m           | \$m          | \$m           | %         |
| Revenue                                 | 13,850        | 12,682       | 1,168         | 9         |
| ECL/LICs                                | (170)         | (682)        | 512           | 75        |
| Operating expenses                      | (8,245)       | (8,941)      | 696           | 8         |
| Share of profit from associates and JVs | 598           | 574          | 24            | 4         |
| <b>Profit before tax</b>                | <b>6,033</b>  | <b>3,633</b> | <b>2,400</b>  | <b>66</b> |

#### Adjusted profit before tax

On an adjusted basis, profit before tax of \$6.0bn was \$2.4bn or 66% higher, reflecting higher revenue and lower operating expenses.

#### Adjusted revenue

Adjusted revenue of \$13.9bn increased by \$1.2bn or 9% compared with 4Q17, mainly reflecting higher revenue in all our global businesses, partly offset by lower revenue in Corporate Centre.

- In GB&M revenue increased by \$0.7bn, with growth in all businesses, notably in Global Markets reflecting a seasonal increase in client activity in 1Q18, as well as continued momentum in GLCM and Securities Services.

## Earnings Release – 1Q18

- In RBWM, revenue increased by \$0.5bn, driven by Wealth Management, notably in investment distribution and insurance manufacturing in Asia from higher sales in 1Q18 compared with 4Q17, due to seasonality.
- In CMB, revenue increased by \$0.2bn, notably in GLCM as spreads widened, primarily in Asia. Revenue also increased from Insurance and Investments and Markets products, notably in Asia.

These increases were partly offset:

- In Corporate Centre, revenue decreased by \$0.3bn, notably as a result of a loss arising from adverse swap mark-to-market movements following a bond reclassification under IFRS 9 'Financial Instruments' (\$0.2bn).

### Adjusted ECL/LICs

Adjusted ECL of \$0.2bn, mainly related to charges in RBWM (\$0.3bn), notably in Mexico against our unsecured lending balances, as well as in the UK and Hong Kong, also against unsecured lending. These charges were partly offset by a net release in Corporate Centre.

In 4Q17, adjusted LICs were \$0.7bn and included individually assessed LICs relating to two large corporate exposures in GB&M in Europe. In addition, 4Q17 included LICs of \$0.2bn in CMB, primarily related to individually assessed exposures in the UK, and in RBWM LICs of \$0.2bn related mainly to our unsecured lending portfolio in Mexico.

### Adjusted operating expenses

Adjusted operating expenses of \$8.2bn were \$0.7bn or 8% lower, primarily due to a UK bank levy charge of \$0.9bn recorded in 4Q17. Excluding this charge, adjusted operating expenses increased by \$0.2bn or 2%, mainly reflecting investments to grow the business and enhance our digital capabilities, and also an increase in performance-related pay.

### Adjusted share of income from associates

Adjusted income from associates of \$0.6bn was \$24m or 4% higher than in 4Q17.

## Balance sheet commentary compared with 1 January 2018

The impact of transitioning to IFRS 9 'Financial Instruments' on 1 January 2018 was a reduction in our total assets of \$3.3bn from 31 December 2017, as well as the reclassification of certain items within the balance sheet. The commentary that follows compares our balance sheet as at 31 March 2018 with that as at 1 January 2018.

At 31 March 2018 our total assets were \$2.7tn, an increase of \$134bn or 5% on a reported basis and \$95bn or 4% on a constant currency basis. The reported growth reflected an increase in short-term settlement accounts relating to Global Markets activity of \$33bn, as activity increased after the seasonal reduction in December 2017, as well as an increase in loans and advances to customers (up \$31bn), and trading assets (up \$23bn).

### Loans and advances to customers

Reported loans and advances to customers grew by \$31.4bn or 3%, and included a favourable effect of currency translation of \$14.6bn.

Excluding currency translation, and a small reduction in corporate overdraft balances relating to customers that settled their overdraft and deposit balances on a net basis, loans and advances to customers grew by \$17.0bn, reflecting continued lending growth in Asia (up \$14.2bn), primarily in Hong Kong as we increased term lending in CMB and GB&M.

We also grew lending in the Middle East and North Africa by \$2.1bn, notably in term lending in GB&M.

Lending in Europe fell by \$0.4bn, as growth in term lending in CMB in the UK was more than offset by a reduction in GB&M in the UK reflecting a reclassification of short-term lending by Global Markets into other assets during 1Q18. In RBWM we continued to grow our mortgage lending, notably in the UK (up \$1.8bn).

### Customer accounts

Reported customer accounts grew by \$19.5bn, but were broadly unchanged on a constant currency basis, despite robust growth in RBWM, notably in Hong Kong and the UK.

We grew balances in Europe by \$8.0bn, reflecting growth in GB&M in the UK, partly offset in CMB, as well as in GBP as we actively redeployed clients' deposits to assets under management to maximise their returns.

In Asia customer accounts fell by \$3.5bn, primarily in GB&M and CMB in Hong Kong and mainland China, as seasonal customer outflows were higher than new deposit growth. The remaining reduction in customer accounts was driven by North America, notably in GB&M and CMB.

## Net interest margin

|                                 | Quarter ended |           | Year ended |
|---------------------------------|---------------|-----------|------------|
|                                 | 31 Mar        | 31 Mar    | 31 Dec     |
|                                 | 2018          | 2017      | 2017       |
|                                 | \$m           | \$m       | \$m        |
| Net interest income             | 7,456         | 6,787     | 28,176     |
| Average interest earning assets | 1,812,194     | 1,683,136 | 1,726,120  |
|                                 | %             | %         | %          |
| Gross yield                     | 2.55          | 2.33      | 2.37       |
| Less: cost of funds             | (1.02)        | (0.83)    | (0.88)     |
| Net interest spread             | 1.53          | 1.50      | 1.49       |
| Net interest margin             | 1.67          | 1.64      | 1.63       |

The 1Q18 net interest margin of 1.67% was 4bps higher than that for 2017. This was driven by an increase of 18bps in gross yields, partly offset by an increase of 14bps in the cost of funds.

Gross yields benefited from a rate rise in Hong Kong, notably from increased lending yields on term lending in Asia. Gross yields on surplus liquidity increased in all regions, mainly on AFS securities. These benefits were partly offset by the completion of the run-off of our higher-yielding US CML portfolio in 2017 and continuing competitive pressures on lending yields in Europe, notably in mortgages and overdrafts, despite balance growth.

The cost of funds rose by 14bps from the increased cost of customer accounts, mainly deposit accounts in Asia reflecting the rate rise in Hong Kong. The cost of Group debt also rose, primarily relating to the higher cost of issuances of senior debt by HSBC Holdings.

Compared with the fourth quarter of 2017, net interest margin increased, reflecting an increase in our gross yields, driven by increased lending yields and increased yields on surplus liquidity in most regions. This was partly offset by an increase in our cost of funds, notably from increased cost of customer accounts in Asia.

## Notes

- Income statement comparisons, unless stated otherwise, are between the quarter ended 31 March 2018 and the quarter ended 31 March 2017. Balance sheet comparisons, unless otherwise stated, are between balances at 31 March 2018 and the corresponding balances at 1 January 2018.
- The financial information on which this Earnings Release is based, and the data set out in the appendix to this statement, are unaudited and have been prepared in accordance with HSBC's significant accounting policies as described on pages 188 to 194 of our *Annual Report and Accounts 2017* and the new policies for financial instruments as described on pages 16 to 20 of our *Report on Transition to IFRS 9 'Financial Instruments' 1 January 2018*. Comparative periods have not been restated. IFRS 9 does not require restatement and the impact of other new policies are not material.
- The Board has adopted a policy of paying quarterly interim dividends on ordinary shares. Under this policy, it is intended to have a pattern of three equal interim dividends with a variable fourth interim dividend. Dividends are declared in US dollars and, at the election of the shareholder, paid in cash in one of, or in a combination of, US dollars, sterling and Hong Kong dollars or, subject to the Board's determination that a scrip dividend is to be offered in respect of that dividend, may be satisfied in whole or in part by the issue of new shares in lieu of a cash dividend. Details of the first interim dividend for 2018 and the series A dollar preference share dividend are set out at the end of this release.

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## Footnotes to financial performance commentary

- Net operating income before changes in expected credit losses and other credit impairment charges, also referred to as revenue.*
- 'Other personal lending' includes personal non-residential closed-end loans and personal overdrafts.*
- 'Investment distribution' includes Investments, which comprises mutual funds (HSBC manufactured and third party), structured products and securities trading, and Wealth Insurance distribution, consisting of HSBC manufactured and third-party life, pension and investment insurance products.*
- 'Other' mainly includes the distribution and manufacturing (where applicable) of retail and credit protection insurance.*
- Adjusted return on average risk-weighted assets ('Adjusted RoRWA') is used to measure the performance of RBWM, CMB, GB&M and GPB. 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.*
- 'Markets products, Insurance and Investments and Other' includes revenue from Foreign Exchange, insurance manufacturing and distribution, interest rate management and Global Banking products.*
- From 1 January 2018, the qualifying components according to IFRS 7 'Financial Instruments: Disclosures' of fair value movements relating to changes in credit spreads on structured liabilities, were recorded through OCI. The residual movements remain in credit and funding valuation adjustments, and comparatives have not been restated.*
- 'Other' in GB&M includes net interest earned on free capital held in the global business not assigned to products, allocated funding costs and gains resulting from business disposals. Within the management view of total operating income, notional tax credits are allocated to the businesses to reflect the economic benefit generated by certain activities that is not reflected within operating income, such as notional credits on income earned from tax-exempt investments where the economic benefit of the activity is reflected in tax expense. In order to reflect the total operating income on an IFRS basis, the offset to these tax credits is included within 'Other'.*
- Central Treasury includes revenue relating to Balance Sheet Management ('BSM') of \$592m (4Q17: \$660m; 1Q17: \$854m), interest expense of \$377m (4Q17: \$278m; 1Q17: \$343m) and adverse valuation differences on issued long-term debt and associated swaps of \$241m (4Q17: adverse movements of \$56m; 1Q17: adverse movements of \$65m). Revenue relating to BSM includes other internal allocations, including notional tax credits to reflect the economic benefit generated by certain activities which is not reflected within operating income, for example notional credits on income earned from tax-exempt investments where the economic benefit of the activity is reflected in tax expense. In order to reflect the total operating income on an IFRS basis, the offset to these tax credits is included in other Central Treasury.*
- Other miscellaneous items in Corporate Centre include internal allocations relating to legacy credit.*
- Return on average tangible equity ('RoTE') is calculated as Profit Attributable to Ordinary Shareholders (based on annualised Reported PBT, as adjusted for tax, insurance balances, certain capital securities and associates) divided by allocated Average Tangible Shareholders' Equity. In 1Q18, Group RoTE on this basis was 8.4%. RoTE excluding significant items and the UK bank levy adjusts RoTE for the effects of significant items, the UK bank levy, tax and other items. This is the RoTE measure used at the global business level. In 1Q18, Group RoTE excluding significant items and the UK bank levy was 11.6%. The reconciling items between Group RoTE and Group RoTE excluding significant items and the UK bank levy in 1Q18 were significant items (+3.5% points), the UK bank levy (+0.1% points), tax (-0.2% points) and other items (-0.2% points).*

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### Cautionary statement regarding forward-looking statements

This Earnings Release contains certain forward-looking statements with respect to HSBC's financial condition, results of operations, capital position and business.

Statements that are not historical facts, including statements about HSBC's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. HSBC makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.

Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC's Directors, officers or employees to third parties, including financial analysts.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.

These include, but are not limited to:

- changes in general economic conditions in the markets in which we operate, such as continuing or deepening recessions and fluctuations in employment beyond those factored into consensus forecasts; changes in foreign exchange rates and interest rates; volatility in equity markets; lack of liquidity in wholesale funding markets; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; and consumer perception as to the continuing availability of credit and price competition in the market segments we serve;
- changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities; initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; imposition of levies or taxes designed to change business mix and risk appetite; the conduct of business of financial institutions in serving their retail customers, corporate clients and counterparties; the standards of market conduct; the costs, effects and outcomes of product regulatory reviews, actions or litigation, including any additional compliance requirements; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; changes in bankruptcy legislation in the principal markets in which we operate and the consequences thereof; general changes in government policy that may significantly influence investor decisions; extraordinary government actions as a result of current market turmoil; other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for our products and services; and the effects of competition in the markets where we operate including increased competition from non-bank financial services companies, including securities firms; and
- factors specific to HSBC, including our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques). Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models we use; our success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties we identify in the 'top and emerging risks' on pages 63 to 66 of the *Annual Report and Accounts 2017*.

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## Summary consolidated income statement

|   | Quarter ended         |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
|   | 31 Mar<br>2018<br>\$m | 31 Dec<br>2017<br>\$m | 31 Mar<br>2017<br>\$m |
| Net interest income   | 7,456                 | 7,272                 | 6,787                 |
| Net fee income  | 3,507                 | 3,065                 | 3,224                 |
| Net income from financial instruments held for trading or managed on a fair value basis <sup>2,3</sup>  | 2,384                 | 1,997                 | 2,187                 |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss <sup>2</sup> | (155)                 | 627                   | 964                   |
| Changes in fair value of long-term debt and related derivatives <sup>3</sup>  | 10                    | (13)                  | 24                    |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss <sup>2</sup>                               | 117                   | N/A                   | N/A                   |
| Gains less losses from financial investments  | 101                   | 71                    | 338                   |
| Dividend income   | 9                     | 17                    | 13                    |
| Net insurance premium income  | 3,078                 | 2,317                 | 2,793                 |
| Other operating income/(expense)  | 41                    | (79)                  | 202                   |
| <b>Total operating income</b>   | <b>16,548</b>         | <b>15,274</b>         | <b>16,532</b>         |
| Net insurance claims and benefits paid and movement in liabilities to policyholders   | (2,838)               | (2,973)               | (3,539)               |
| <b>Net operating income before change in expected credit losses and other credit impairment charges</b>   | <b>13,710</b>         | <b>12,301</b>         | <b>12,993</b>         |
| Change in expected credit losses and other credit impairment charges  | (170)                 | N/A                   | N/A                   |
| Loan impairment charges and other credit risk provisions  | N/A                   | (658)                 | (236)                 |
| <b>Net operating income</b>   | <b>13,540</b>         | <b>11,643</b>         | <b>12,757</b>         |
| Total operating expenses  | (9,383)               | (9,895)               | (8,328)               |
| <b>Operating profit/(loss)</b>  | <b>4,157</b>          | <b>1,748</b>          | <b>4,429</b>          |
| Share of profit in associates and joint ventures  | 598                   | 556                   | 532                   |
| <b>Profit/(loss) before tax</b>   | <b>4,755</b>          | <b>2,304</b>          | <b>4,961</b>          |
| Tax expense   | (1,017)               | (1,978)               | (1,201)               |
| <b>Profit/(loss) after tax</b>  | <b>3,738</b>          | <b>326</b>            | <b>3,760</b>          |
| Attributable to:  |                       |                       |                       |
| – ordinary shareholders of the parent company   | 3,086                 | (274)                 | 3,130                 |
| – preference shareholders of the parent company   | 22                    | 23                    | 22                    |
| – other equity holders  | 288                   | 303                   | 313                   |
| – non-controlling interests   | 342                   | 274                   | 295                   |
| <b>Profit/(loss) after tax</b>  | <b>3,738</b>          | <b>326</b>            | <b>3,760</b>          |
|   | \$                    | \$                    | \$                    |
| Basic earnings per share  | 0.15                  | (0.01)                | 0.16                  |
| Diluted earnings per share  | 0.15                  | (0.01)                | 0.16                  |
| Dividend per ordinary share (in respect of the period)  | 0.10                  | 0.21                  | 0.10                  |
|   | %                     | %                     | %                     |
| Return on average ordinary shareholders' equity (annualised)  | 7.5                   | (0.7)                 | 8.0                   |
| Return on average tangible equity (annualised)  | 8.4                   | (0.5)                 | 9.1                   |
| Return on average risk-weighted assets <sup>1</sup>   | 2.2                   | 1.0                   | 2.3                   |
| Cost efficiency ratio   | 68.4                  | 80.4                  | 64.1                  |

<sup>1</sup> Return on average risk-weighted assets is calculated using annualised profit before tax and reported average risk-weighted assets.

<sup>2</sup> The classification and measurement requirements under IFRS 9, which was adopted from 1 January 2018, are based on an entity's assessment of both the business model for managing the assets and the contractual cash flow characteristics of the assets. The standard contains a classification for items measured mandatorily at fair value through profit or loss as a residual category. Given its residual nature, the presentation of the income statement has been updated to separately present items in this category which are of a dissimilar nature or function, in line with IAS 1 'Presentation of Financial Statements' requirements. Comparative data have been re-presented. There is no net impact on Total operating income.

<sup>3</sup> Prior to 2018 foreign exchange exposure on some financial instruments designated at fair value was presented in the same line in the income statement as the underlying fair value movement on these instruments. In 2018 we have grouped the presentation of the entire effect of foreign exchange exposure in profit or loss and presented it within 'Net income from financial instruments held for trading or managed on a fair value basis'. Comparative data have been re-presented. There is no net impact on Total operating income and the impact on 'Changes in fair value of long-term debt and related derivatives' is \$563m in 4Q17 and \$84m in 1Q17.



Summary consolidated balance sheet

|   | At                    |                                   |                       |
|---|-----------------------|-----------------------------------|-----------------------|
|   | 31 Mar<br>2018<br>\$m | 1 Jan<br>2018 <sup>1</sup><br>\$m | 31 Dec<br>2017<br>\$m |
| <b>Assets</b>   |                       |                                   |                       |
| Cash and balances at central banks  | 184,445               | 180,621                           | 180,624               |
| Trading assets  | 277,116               | 254,410                           | 287,995               |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss | 40,964                | 39,746                            | N/A                   |
| Financial assets designated at fair value   | N/A                   | N/A                               | 29,464                |
| Derivatives   | 221,038               | 219,818                           | 219,818               |
| Loans and advances to banks   | 78,727                | 82,559                            | 90,393                |
| Loans and advances to customers   | 981,165               | 949,737                           | 962,964               |
| Reverse repurchase agreements – non-trading   | 213,107               | 201,553                           | 201,553               |
| Financial investments   | 392,878               | 383,499                           | 389,076               |
| Other assets  | 262,683               | 206,487                           | 159,884               |
| <b>Total assets</b>   | <b>2,652,123</b>      | <b>2,518,430</b>                  | <b>2,521,771</b>      |
| <b>Liabilities and Equity</b>   |                       |                                   |                       |
| <b>Liabilities</b>  |                       |                                   |                       |
| Deposits by banks   | 63,999                | 64,492                            | 69,922                |
| Customer accounts   | 1,379,679             | 1,360,227                         | 1,364,462             |
| Repurchase agreements – non-trading   | 168,614               | 130,002                           | 130,002               |
| Trading liabilities   | 83,364                | 80,864                            | 184,361               |
| Financial liabilities designated at fair value  | 150,008               | 144,006                           | 94,429                |
| Derivatives   | 216,902               | 216,821                           | 216,821               |
| Debt securities in issue  | 71,482                | 66,536                            | 64,546                |
| Liabilities under insurance contracts   | 87,611                | 85,598                            | 85,667                |
| Other liabilities   | 226,902               | 173,660                           | 113,690               |
| <b>Total liabilities</b>  | <b>2,448,561</b>      | <b>2,322,206</b>                  | <b>2,323,900</b>      |
| <b>Equity</b>   |                       |                                   |                       |
| <b>Total shareholders' equity</b>   | <b>195,924</b>        | <b>188,644</b>                    | <b>190,250</b>        |
| Non-controlling interests   | 7,638                 | 7,580                             | 7,621                 |
| <b>Total equity</b>   | <b>203,562</b>        | <b>196,224</b>                    | <b>197,871</b>        |
| <b>Total liabilities and equity</b>   | <b>2,652,123</b>      | <b>2,518,430</b>                  | <b>2,521,771</b>      |
|   | %                     | %                                 | %                     |
| <b>Ratio of customer advances to customer accounts</b>  | <b>71.1</b>           | <b>69.8</b>                       | <b>70.6</b>           |

<sup>1</sup> Balances at 1 January 2018 have been prepared in accordance with accounting policies referred to on page 13. 31 December 2017 balances have not been represented.



## Credit risk

Refer to pages 16 to 20 of our *Report on Transition to IFRS 9 'Financial Instruments' 1 January 2018* for the new policies for financial instruments.

### Summary of credit risk

#### Summary of financial instruments to which the impairment requirements in IFRS 9 are applied

|   | At 31 Mar 2018                           |   | At 1 Jan 2018                            |   |
|---|--|---|--|---|
|   | Gross carrying/<br>nominal amount<br>\$m | Allowance for<br>ECL <sup>1</sup><br>\$m        | Gross carrying/<br>nominal amount<br>\$m | Allowance for<br>ECL <sup>1</sup><br>\$m        |
| Loans and advances to customers at amortised cost                                 | 990,523                                  | (9,358)   | 959,080                                  | (9,343)   |
| – personal  | 388,278                                  | (3,068)   | 375,069                                  | (3,047)   |
| – corporate and commercial  | 542,061                                  | (6,023)   | 520,137                                  | (6,053)   |
| – non-bank financial institutions   | 60,184                                   | (267)   | 63,874                                   | (243)   |
| Loans and advances to banks at amortised cost                                     | 78,750                                   | (23)  | 82,582                                   | (23)  |
| Other financial assets measured at amortised cost                                 | 615,008                                  | (75)  | 557,864                                  | (114)   |
| – cash and balances at central banks  | 184,448                                  | (3)   | 180,624                                  | (3)   |
| – items in the course of collection from other banks                              | 5,527                                    | –   | 6,628                                    | –   |
| – Hong Kong Government certificates of indebtedness                               | 36,334                                   | –   | 34,186                                   | –   |
| – reverse repurchase agreements – non-trading                                     | 213,107                                  | –   | 201,553                                  | –   |
| – financial investments   | 60,568                                   | (18)  | 59,539                                   | (16)  |
| – prepayments, accrued income and other assets <sup>2</sup>                       | 115,024                                  | (54)  | 75,334                                   | (95)  |
| <b>Total gross carrying amount on balance sheet</b>                               | <b>1,684,281</b>                         | <b>(9,456)</b>                                  | <b>1,599,526</b>                         | <b>(9,480)</b>                                  |
| Loans and other credit related commitments  | 517,769                                  | (375)   | 501,361                                  | (376)   |
| – personal  | 205,638                                  | (44)  | 196,093                                  | (14)  |
| – corporate and commercial  | 263,335                                  | (324)   | 262,391                                  | (355)   |
| – financial   | 48,796                                   | (7)   | 42,877                                   | (7)   |
| Financial guarantee and similar contracts   | 89,096                                   | (184)   | 89,382                                   | (161)   |
| – personal  | 1,408                                    | (3)   | 791                                      | (4)   |
| – corporate and commercial  | 76,352                                   | (176)   | 78,102                                   | (153)   |
| – financial   | 11,336                                   | (5)   | 10,489                                   | (4)   |
| <b>Total nominal amount off-balance sheet<sup>3</sup></b>                         | <b>606,865</b>                           | <b>(559)</b>                                    | <b>590,743</b>                           | <b>(537)</b>                                    |
|   | <b>2,291,146</b>                         | <b>(10,015)</b>                                 | <b>2,190,269</b>                         | <b>(10,017)</b>                                 |
|   |  | <b>Memorandum allowance for ECL<sup>4</sup></b> |  | <b>Memorandum allowance for ECL<sup>4</sup></b> |
|   | <b>Fair value</b>                        |   | <b>Fair value</b>                        |   |
|   | <b>\$m</b>                               | <b>\$m</b>                                      | <b>\$m</b>                               | <b>\$m</b>                                      |
| <b>Debt instruments measured at fair value through other comprehensive income</b> | <b>330,420</b>                           | <b>(122)</b>                                    | <b>322,163</b>                           | <b>(184)</b>                                    |

1 The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.

2 Includes only those financial instruments which are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets' as presented within the summary consolidated balance sheet on page 16 includes both financial and non-financial assets.

3 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

4 Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change in expected credit losses and other credit impairment charges' in the income statement.

## Earnings Release – 1Q18

### Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 31 March 2018

|   | Gross carrying/nominal amount <sup>1</sup> |                |                             |                              |               |                   |                  | Allowance for ECL |                |           |                             |                              |                   |                 | ECL coverage % |            |           |                             |                              |                   |            |   |
|---|--|----------------|-----------------------------|------------------------------|---------------|-------------------|------------------|-------------------|----------------|-----------|-----------------------------|------------------------------|-------------------|-----------------|----------------|------------|-----------|-----------------------------|------------------------------|-------------------|------------|---|
|   | Stage 1                                    | Stage 2        | Of which:                   | Of which:                    | Stage 3       | POCI <sup>3</sup> | Total            | Stage 1           | Stage 2        | Of which: | Of which:                   | Stage 3                      | POCI <sup>3</sup> | Total           | Stage 1        | Stage 2    | Of which: | Of which:                   | Stage 3                      | POCI <sup>3</sup> | Total      |   |
|   |  |                | 1 to 29<br>DPD <sup>2</sup> | 30 and<br>> DPD <sup>2</sup> |               |                   |                  |                   |                |           | 1 to 29<br>DPD <sup>2</sup> | 30 and<br>> DPD <sup>2</sup> |                   |                 |                |            |           | 1 to 29<br>DPD <sup>2</sup> | 30 and<br>> DPD <sup>2</sup> |                   |            |   |
|   | \$m  | \$m            | \$m                         | \$m                          | \$m           | \$m               | \$m              | \$m               | \$m            | \$m       | \$m                         | \$m                          | \$m               | \$m             | %              | %          | %         | %                           | %                            | %                 | %          | % |
| Loans and advances to customers at amortised cost | 906,278                                    | 68,078         | 3,069                       | 2,136                        | 15,367        | 800               | 990,523          | (1,273)           | (2,230)        | (246)     | (251)                       | (5,665)                      | (190)             | (9,358)         | 0.1            | 3.3        | 8.0       | 11.8                        | 36.9                         | 23.8              | 0.9        |   |
| – personal  | 365,886                                    | 17,580         | 2,183                       | 1,317                        | 4,812         | –                 | 388,278          | (559)             | (1,184)        | (191)     | (224)                       | (1,325)                      | –                 | (3,068)         | 0.2            | 6.7        | 8.7       | 17.0                        | 27.5                         | –                 | 0.8        |   |
| – corporate and commercial                        | 483,882                                    | 47,415         | 870                         | 806                          | 9,964         | 800               | 542,061          | (675)             | (1,020)        | (55)      | (27)                        | (4,138)                      | (190)             | (6,023)         | 0.1            | 2.2        | 6.3       | 3.3                         | 41.5                         | 23.8              | 1.1        |   |
| – non-bank financial institutions                 | 56,510                                     | 3,083          | 16                          | 13                           | 591           | –                 | 60,184           | (39)              | (26)           | –         | –                           | (202)                        | –                 | (267)           | 0.1            | 0.8        | –         | –                           | 34.2                         | –                 | 0.4        |   |
| Loans and advances to banks at amortised cost     | 78,137                                     | 594            | 2                           | 30                           | 19            | –                 | 78,750           | (18)              | (3)            | (1)       | –                           | (2)                          | –                 | (23)            | –              | 0.5        | 50.0      | –                           | 10.5                         | –                 | –          |   |
| Other financial assets measured at amortised cost | 613,843                                    | 1,084          | 22                          | 45                           | 79            | 2                 | 615,008          | (40)              | (3)            | –         | –                           | (32)                         | –                 | (75)            | –              | 0.3        | –         | –                           | 40.5                         | –                 | –          |   |
| Loan and other credit-related commitments         | 487,707                                    | 29,359         |                             |                              | 696           | 7                 | 517,769          | (109)             | (172)          |           |                             | (94)                         | –                 | (375)           | –              | 0.6        |           |                             | 13.5                         | –                 | 0.1        |   |
| – personal  | 202,538                                    | 2,912          |                             |                              | 188           | –                 | 205,638          | (11)              | (1)            |           |                             | (32)                         | –                 | (44)            | –              | –          |           |                             | 17.0                         | –                 | –          |   |
| – corporate and commercial                        | 237,562                                    | 25,304         |                             |                              | 462           | 7                 | 263,335          | (91)              | (171)          |           |                             | (62)                         | –                 | (324)           | –              | 0.7        |           |                             | 13.4                         | –                 | 0.1        |   |
| – financial                                       | 47,607                                     | 1,143          |                             |                              | 46            | –                 | 48,796           | (7)               | –              |           |                             | –                            | –                 | (7)             | –              | –          |           |                             | –                            | –                 | –          |   |
| Financial guarantee and similar contracts         | 79,251                                     | 9,014          |                             |                              | 814           | 17                | 89,096           | (43)              | (57)           |           |                             | (84)                         | –                 | (184)           | 0.1            | 0.6        |           |                             | 10.3                         | –                 | 0.2        |   |
| – personal  | 1,404                                      | 1              |                             |                              | 3             | –                 | 1,408            | (1)               | –              |           |                             | (2)                          | –                 | (3)             | 0.1            | –          |           |                             | 66.7                         | –                 | 0.2        |   |
| – corporate and commercial                        | 66,892                                     | 8,632          |                             |                              | 811           | 17                | 76,352           | (38)              | (56)           |           |                             | (82)                         | –                 | (176)           | 0.1            | 0.6        |           |                             | 10.1                         | –                 | 0.2        |   |
| – financial                                       | 10,955                                     | 381            |                             |                              | –             | –                 | 11,336           | (4)               | (1)            |           |                             | –                            | –                 | (5)             | –              | 0.3        |           |                             | –                            | –                 | –          |   |
| <b>At 31 Mar 2018</b>                             | <b>2,165,216</b>                           | <b>108,129</b> |                             |                              | <b>16,975</b> | <b>826</b>        | <b>2,291,146</b> | <b>(1,483)</b>    | <b>(2,465)</b> |           |                             | <b>(5,877)</b>               | <b>(190)</b>      | <b>(10,015)</b> | <b>0.1</b>     | <b>2.3</b> |           |                             | <b>34.6</b>                  | <b>23.0</b>       | <b>0.4</b> |   |

For footnotes, see page 19.

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at 1 January 2018

|   | Gross carrying/nominal amount <sup>1</sup> |         |                             |                              |         |                   |           | Allowance for ECL |         |           |                             |                              |                   |          | ECL coverage % |         |           |                             |                              |                   |       |
|---|--|---------|-----------------------------|------------------------------|---------|-------------------|-----------|-------------------|---------|-----------|-----------------------------|------------------------------|-------------------|----------|----------------|---------|-----------|-----------------------------|------------------------------|-------------------|-------|
|   | Stage 1                                    | Stage 2 | Of which:                   | Of which:                    | Stage 3 | POCI <sup>3</sup> | Total     | Stage 1           | Stage 2 | Of which: | Of which:                   | Stage 3                      | POCI <sup>3</sup> | Total    | Stage 1        | Stage 2 | Of which: | Of which:                   | Stage 3                      | POCI <sup>3</sup> | Total |
|   | \$m  | \$m     | 1 to 29<br>DPD <sup>2</sup> | 30 and<br>> DPD <sup>2</sup> | \$m     | \$m               | \$m       | \$m               | \$m     | \$m       | 1 to 29<br>DPD <sup>2</sup> | 30 and<br>> DPD <sup>2</sup> | \$m               | \$m      | \$m            | %       | %         | 1 to 29<br>DPD <sup>2</sup> | 30 and<br>> DPD <sup>2</sup> | %                 | %     |
| Loans and advances to customers at amortised cost | 871,566                                    | 72,658  | 2,393                       | 2,447                        | 13,882  | 974               | 959,080   | (1,309)           | (2,201) | (261)     | (261)                       | (5,591)                      | (242)             | (9,343)  | 0.2            | 3.0     | 10.9      | 10.7                        | 40.3                         | 24.8              | 1.0   |
| – personal  | 354,305                                    | 16,354  | 1,683                       | 1,428                        | 4,410   | –                 | 375,069   | (581)             | (1,156) | (218)     | (230)                       | (1,310)                      | –                 | (3,047)  | 0.2            | 7.1     | 13.0      | 16.1                        | 29.7                         | –                 | 0.8   |
| – corporate and commercial                        | 456,837                                    | 53,262  | 684                         | 977                          | 9,064   | 974               | 520,137   | (701)             | (1,037) | (42)      | (31)                        | (4,073)                      | (242)             | (6,053)  | 0.2            | 1.9     | 6.1       | 3.2                         | 44.9                         | 24.8              | 1.2   |
| – non-bank financial institutions                 | 60,424                                     | 3,042   | 26                          | 42                           | 408     | –                 | 63,874    | (27)              | (8)     | (1)       | –                           | (208)                        | –                 | (243)    | –              | 0.3     | 3.8       | –                           | 51.0                         | –                 | 0.4   |
| Loans and advances to banks at amortised cost     | 81,027                                     | 1,540   | 7                           | 66                           | 15      | –                 | 82,582    | (17)              | (4)     | (2)       | –                           | (2)                          | –                 | (23)     | –              | 0.3     | 28.6      | –                           | 13.3                         | –                 | –     |
| Other financial assets measured at amortised cost | 556,185                                    | 1,517   | 133                         | 46                           | 155     | 7                 | 557,864   | (28)              | (4)     | –         | (1)                         | (82)                         | –                 | (114)    | –              | 0.3     | –         | 2.2                         | 52.9                         | –                 | –     |
| Loan and other credit-related commitments         | 475,986                                    | 24,330  |                             |                              | 999     | 46                | 501,361   | (126)             | (183)   |           |                             | (67)                         | –                 | (376)    | –              | 0.8     |           |                             | 6.7                          | –                 | 0.1   |
| – personal  | 194,320                                    | 1,314   |                             |                              | 459     | –                 | 196,093   | (13)              | (1)     |           |                             | –                            | –                 | (14)     | –              | 0.1     |           |                             | –                            | –                 | –     |
| – corporate and commercial                        | 240,854                                    | 20,951  |                             |                              | 540     | 46                | 262,391   | (108)             | (180)   |           |                             | (67)                         | –                 | (355)    | –              | 0.9     |           |                             | 12.4                         | –                 | 0.1   |
| – financial                                       | 40,812                                     | 2,065   |                             |                              | –       | –                 | 42,877    | (5)               | (2)     |           |                             | –                            | –                 | (7)      | –              | 0.1     |           |                             | –                            | –                 | –     |
| Financial guarantee and similar contracts         | 77,921                                     | 11,014  |                             |                              | 413     | 34                | 89,382    | (36)              | (47)    |           |                             | (78)                         | –                 | (161)    | –              | 0.4     |           |                             | 18.9                         | –                 | 0.2   |
| – personal  | 768  | 18      |                             |                              | 5       | –                 | 791       | –                 | (2)     |           |                             | (2)                          | –                 | (4)      | –              | 11.1    |           |                             | 40.0                         | –                 | 0.5   |
| – corporate and commercial                        | 67,596                                     | 10,064  |                             |                              | 408     | 34                | 78,102    | (35)              | (44)    |           |                             | (74)                         | –                 | (153)    | 0.1            | 0.4     |           |                             | 18.1                         | –                 | 0.2   |
| – financial                                       | 9,557                                      | 932     |                             |                              | –       | –                 | 10,489    | (1)               | (1)     |           |                             | (2)                          | –                 | (4)      | –              | 0.1     |           |                             | –                            | –                 | –     |
| At 1 Jan 2018                                     | 2,062,685                                  | 111,059 |                             |                              | 15,464  | 1,061             | 2,190,269 | (1,516)           | (2,439) |           |                             | (5,820)                      | (242)             | (10,017) | 0.1            | 2.2     |           |                             | 37.6                         | 22.8              | 0.5   |

<sup>1</sup> Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

<sup>2</sup> Days past due ('DPD'). Up to date accounts in Stage 2 are not shown in amounts presented above.

<sup>3</sup> Purchased or originated credit-impaired ('POCI').

## Earnings Release – 1Q18

### Personal lending

Total personal lending for loans and advances to customers by stage distribution

|   | Gross carrying amount |                |                |                | Allowance for ECL |                |                |                |
|---|-----------------------|----------------|----------------|----------------|-------------------|----------------|----------------|----------------|
|   | Stage 1<br>\$m        | Stage 2<br>\$m | Stage 3<br>\$m | Total<br>\$m   | Stage 1<br>\$m    | Stage 2<br>\$m | Stage 3<br>\$m | Total<br>\$m   |
| <i>By portfolio</i>                     |                       |                |                |                |                   |                |                |                |
| <b>First lien residential mortgages</b> | <b>275,794</b>        | <b>8,376</b>   | <b>3,160</b>   | <b>287,330</b> | <b>(41)</b>       | <b>(73)</b>    | <b>(491)</b>   | <b>(605)</b>   |
| – of which:                             |                       |                |                |                |                   |                |                |                |
| <i>interest only (including offset)</i> | <i>31,482</i>         | <i>1,231</i>   | <i>237</i>     | <i>32,950</i>  | <i>(3)</i>        | <i>(17)</i>    | <i>(67)</i>    | <i>(87)</i>    |
| <i>affordability including ARMs</i>     | <i>13,380</i>         | <i>2,409</i>   | <i>569</i>     | <i>16,358</i>  | <i>(2)</i>        | <i>(4)</i>     | <i>(5)</i>     | <i>(11)</i>    |
| <b>Other personal lending</b>           | <b>90,092</b>         | <b>9,204</b>   | <b>1,652</b>   | <b>100,948</b> | <b>(518)</b>      | <b>(1,111)</b> | <b>(834)</b>   | <b>(2,463)</b> |
| – other                                 | 66,961                | 5,163          | 1,087          | 73,211         | (233)             | (349)          | (484)          | (1,066)        |
| – credit cards                          | 20,681                | 3,855          | 492            | 25,028         | (279)             | (744)          | (333)          | (1,356)        |
| – second lien residential mortgages     | 1,080                 | 142            | 69             | 1,291          | (2)               | (14)           | (14)           | (30)           |
| – motor vehicle finance                 | 1,370                 | 44             | 4              | 1,418          | (4)               | (4)            | (3)            | (11)           |
| <b>At 31 Mar 2018</b>                   | <b>365,886</b>        | <b>17,580</b>  | <b>4,812</b>   | <b>388,278</b> | <b>(559)</b>      | <b>(1,184)</b> | <b>(1,325)</b> | <b>(3,068)</b> |
| <i>By geography</i>                     |                       |                |                |                |                   |                |                |                |
| Europe                                  | 171,904               | 5,594          | 2,108          | 179,606        | (177)             | (282)          | (518)          | (977)          |
| – of which: UK                          | 141,821               | 4,165          | 1,429          | 147,415        | (168)             | (259)          | (316)          | (743)          |
| Asia                                    | 146,034               | 5,822          | 694            | 152,550        | (176)             | (381)          | (197)          | (754)          |
| – of which: HK                          | 95,662                | 2,861          | 171            | 98,694         | (70)              | (249)          | (39)           | (358)          |
| MENA                                    | 5,710                 | 552            | 476            | 6,738          | (62)              | (123)          | (294)          | (479)          |
| North America                           | 36,575                | 4,512          | 1,215          | 42,302         | (23)              | (97)           | (142)          | (262)          |
| Latin America                           | 5,663                 | 1,100          | 319            | 7,082          | (121)             | (301)          | (174)          | (596)          |
| <b>At 31 Mar 2018</b>                   | <b>365,886</b>        | <b>17,580</b>  | <b>4,812</b>   | <b>388,278</b> | <b>(559)</b>      | <b>(1,184)</b> | <b>(1,325)</b> | <b>(3,068)</b> |

## Wholesale lending

Total wholesale lending for loans and advances to banks and customers at amortised cost

|  | Gross carrying amount |                |                |             |                | Allowance for ECL |                |                |              |                |
|--|-----------------------|----------------|----------------|-------------|----------------|-------------------|----------------|----------------|--------------|----------------|
|  | Stage 1<br>\$m        | Stage 2<br>\$m | Stage 3<br>\$m | POCI<br>\$m | Total<br>\$m   | Stage 1<br>\$m    | Stage 2<br>\$m | Stage 3<br>\$m | POCI<br>\$m  | Total<br>\$m   |
| Corporate and commercial   | 483,882               | 47,415         | 9,964          | 800         | 542,061        | (675)             | (1,020)        | (4,138)        | (190)        | (6,023)        |
| – agriculture, forestry and fishing                                    | 7,964                 | 1,317          | 317            | 3           | 9,601          | (28)              | (37)           | (127)          | (2)          | (194)          |
| – mining and quarrying   | 9,282                 | 3,094          | 704            | 1           | 13,081         | (17)              | (193)          | (221)          | (1)          | (432)          |
| – manufacture  | 90,635                | 10,555         | 1,849          | 501         | 103,540        | (139)             | (162)          | (922)          | (66)         | (1,289)        |
| – electricity, gas, steam and air-conditioning supply                  | 14,998                | 1,330          | 84             | 55          | 16,467         | (15)              | (37)           | (23)           | (40)         | (115)          |
| – water supply, sewerage, waste management and remediation             | 3,043                 | 112            | 20             | –           | 3,175          | (5)               | (3)            | (8)            | –            | (16)           |
| – construction   | 14,901                | 1,449          | 876            | 43          | 17,269         | (38)              | (35)           | (456)          | (42)         | (571)          |
| – wholesale and retail trade, repair of motor vehicles and motorcycles | 85,380                | 11,130         | 3,062          | 117         | 99,689         | (81)              | (126)          | (1,002)        | (14)         | (1,223)        |
| – transportation and storage   | 23,254                | 1,439          | 150            | 59          | 24,902         | (23)              | (62)           | (84)           | (17)         | (186)          |
| – accommodation and food   | 18,021                | 1,995          | 242            | –           | 20,258         | (42)              | (53)           | (68)           | –            | (163)          |
| – publishing, audiovisual and broadcasting                             | 18,729                | 1,324          | 142            | –           | 20,195         | (30)              | (24)           | (85)           | –            | (139)          |
| – real estate  | 113,512               | 7,029          | 1,208          | 1           | 121,750        | (90)              | (94)           | (636)          | –            | (820)          |
| – professional, scientific and technical activities                    | 20,484                | 1,769          | 289            | –           | 22,542         | (28)              | (25)           | (65)           | –            | (118)          |
| – administrative and support services                                  | 22,024                | 1,498          | 345            | 20          | 23,887         | (33)              | (38)           | (181)          | (8)          | (260)          |
| – public administration and defence, compulsory social security        | 1,411                 | 222            | –              | –           | 1,633          | (1)               | (2)            | –              | –            | (3)            |
| – education  | 1,963                 | 101            | 18             | –           | 2,082          | (11)              | (5)            | (9)            | –            | (25)           |
| – health and care  | 5,753                 | 539            | 132            | –           | 6,424          | (12)              | (16)           | (53)           | –            | (81)           |
| – arts, entertainment and recreation                                   | 4,559                 | 397            | 51             | –           | 5,007          | (21)              | (30)           | (8)            | –            | (59)           |
| – other services   | 15,890                | 1,119          | 462            | –           | 17,471         | (59)              | (52)           | (190)          | –            | (301)          |
| – activities of households   | 123                   | 721            | –              | –           | 844            | –                 | –              | –              | –            | –              |
| – extra-territorial organisations and bodies activities                | 1,460                 | 11             | 4              | –           | 1,475          | –                 | –              | –              | –            | –              |
| – government   | 9,332                 | 176            | 9              | –           | 9,517          | (2)               | (1)            | –              | –            | (3)            |
| – asset-backed securities  | 1,164                 | 88             | –              | –           | 1,252          | –                 | (25)           | –              | –            | (25)           |
| Non-bank financial institutions  | 56,510                | 3,083          | 591            | –           | 60,184         | (39)              | (26)           | (202)          | –            | (267)          |
| Loans and advances to banks  | 78,137                | 594            | 19             | –           | 78,750         | (18)              | (3)            | (2)            | –            | (23)           |
| <b>At 31 Mar 2018</b>  | <b>618,529</b>        | <b>51,092</b>  | <b>10,574</b>  | <b>800</b>  | <b>680,995</b> | <b>(732)</b>      | <b>(1,049)</b> | <b>(4,342)</b> | <b>(190)</b> | <b>(6,313)</b> |
| <b>By geography</b>  |                       |                |                |             |                |                   |                |                |              |                |
| Europe   | 208,110               | 15,051         | 5,911          | 626         | 229,698        | (379)             | (578)          | (2,030)        | (98)         | (3,085)        |
| – of which: UK   | 147,238               | 11,724         | 4,190          | 424         | 163,576        | (276)             | (515)          | (1,332)        | (22)         | (2,145)        |
| Asia   | 314,431               | 19,490         | 1,713          | 116         | 335,750        | (178)             | (115)          | (963)          | (41)         | (1,297)        |
| – of which: HK   | 182,941               | 12,225         | 825            | 72          | 196,063        | (81)              | (65)           | (419)          | (26)         | (591)          |
| MENA   | 24,598                | 5,117          | 1,803          | 47          | 31,565         | (51)              | (96)           | (983)          | (47)         | (1,177)        |
| North America  | 54,405                | 10,531         | 851            | –           | 65,787         | (36)              | (227)          | (221)          | –            | (484)          |
| Latin America  | 16,985                | 903            | 296            | 11          | 18,195         | (88)              | (33)           | (145)          | (4)          | (270)          |
| <b>At 31 Mar 2018</b>  | <b>618,529</b>        | <b>51,092</b>  | <b>10,574</b>  | <b>800</b>  | <b>680,995</b> | <b>(732)</b>      | <b>(1,049)</b> | <b>(4,342)</b> | <b>(190)</b> | <b>(6,313)</b> |

## Earnings Release – 1Q18

### Capital

#### Key metrics

| Ref* | Footnotes | At  |                            |                             |
|------|-----------|---|----------------------------|-----------------------------|
|      |           | 31 Mar <sup>1</sup><br>2018   | 1 Jan <sup>1</sup><br>2018 | 31 Dec <sup>2</sup><br>2017 |
|      |           |   |                            |                             |
|      |           | <b>Available capital (\$bn)</b>                                       |                            |                             |
| 1    |           | 129.6   | 127.3                      | 126.1                       |
| 2    |           | 128.6   | 126.3                      | N/A                         |
| 3    |           | 157.1   | 152.1                      | 151.0                       |
| 4    |           | 156.1   | 151.1                      | N/A                         |
| 5    |           | 185.2   | 183.1                      | 182.4                       |
| 6    |           | 184.2   | 182.1                      | N/A                         |
|      |           | <b>Risk-weighted assets ('RWAs') (\$bn)</b>                           |                            |                             |
| 7    |           | 894.4   | 872.1                      | 871.3                       |
| 8    |           | 893.8   | 871.6                      | N/A                         |
|      |           | <b>Capital ratios (%)</b>   |                            |                             |
| 9    | 3         | 14.5  | 14.6                       | 14.5                        |
| 10   |           | 14.4  | 14.5                       | N/A                         |
| 11   |           | 17.6  | 17.4                       | 17.3                        |
| 12   |           | 17.5  | 17.3                       | N/A                         |
| 13   |           | 20.7  | 21.0                       | 20.9                        |
| 14   |           | 20.6  | 20.9                       | N/A                         |
|      |           | <b>Additional CET1 buffer requirements as a percentage of RWA (%)</b> |                            |                             |
|      |           | 1.88  | N/A                        | 1.25                        |
|      |           | 0.34  | N/A                        | 0.22                        |
|      |           | 1.50  | N/A                        | 1.25                        |
|      |           | 3.72  | N/A                        | 2.72                        |
|      | 4         | 8.0   | N/A                        | 8.0                         |
|      |           | <b>Total Capital Requirement (%)</b>                                  |                            |                             |
|      |           | 11.5  | N/A                        | N/A                         |
|      |           | <b>Leverage ratio</b>   |                            |                             |
| 15   |           | 2,707.9   | 2,556.4                    | 2,557.1                     |
| 16   | 5         | 5.6   | 5.6                        | 5.6                         |
| 17   | 5         | 5.5   | 5.6                        | N/A                         |
|      |           | <b>Liquidity Coverage Ratio ('LCR')</b>                               |                            |                             |
|      | 6         | 533.1   | N/A                        | 512.6                       |
|      |           | 338.5   | N/A                        | 359.9                       |
|      | 7         | 157.5   | N/A                        | 142.2                       |

\* The references identify the lines prescribed in the EBA template.  
For footnotes, see page 26.

#### Own funds disclosure

| Ref* |  | At                                 |                                   |                                    |
|------|--|------------------------------------|-----------------------------------|------------------------------------|
|      |  | 31 Mar <sup>1</sup><br>2018<br>\$m | 1 Jan <sup>1</sup><br>2018<br>\$m | 31 Dec <sup>2</sup><br>2017<br>\$m |
| 6    | Common equity tier 1 capital before regulatory adjustments | 163,401                            | 158,923                           | 158,557                            |
| 28   | Total regulatory adjustments to common equity tier 1       | (33,755)                           | (31,613)                          | (32,413)                           |
| 29   | <b>Common equity tier 1 capital</b>                        | <b>129,646</b>                     | <b>127,310</b>                    | <b>126,144</b>                     |
| 36   | Additional tier 1 capital before regulatory adjustments    | 27,489                             | 24,922                            | 24,922                             |
| 43   | Total regulatory adjustments to additional tier 1 capital  | (60)                               | (112)                             | (112)                              |
| 44   | <b>Additional tier 1 capital</b>                           | <b>27,429</b>                      | <b>24,810</b>                     | <b>24,810</b>                      |
| 45   | <b>Tier 1 capital</b>                                      | <b>157,075</b>                     | <b>152,120</b>                    | <b>150,954</b>                     |
| 51   | Tier 2 capital before regulatory adjustments               | 28,661                             | 31,517                            | 31,932                             |
| 57   | Total regulatory adjustments to tier 2 capital             | (545)                              | (503)                             | (503)                              |
| 58   | <b>Tier 2 capital</b>                                      | <b>28,116</b>                      | <b>31,014</b>                     | <b>31,429</b>                      |
| 59   | <b>Total capital</b>                                       | <b>185,191</b>                     | <b>183,134</b>                    | <b>182,383</b>                     |
| 60   | <b>Total risk-weighted assets</b>                          | <b>894,400</b>                     | <b>872,089</b>                    | <b>871,337</b>                     |
|      | <b>Capital ratios</b>                                      | <b>%</b>                           | <b>%</b>                          | <b>%</b>                           |
| 61   | Common equity tier 1 ratio                                 | 14.5                               | 14.6                              | 14.5                               |
| 62   | Tier 1 ratio   | 17.6                               | 17.4                              | 17.3                               |
| 63   | Total capital ratio  | 20.7                               | 21.0                              | 20.9                               |

\* The references identify the lines prescribed in the EBA template.  
For footnotes, see page 26.

## Capital

Our CET1 capital ratio remained unchanged at 14.5%.

CET1 capital increased in the quarter by \$3.5bn, mainly as a result of:

- a \$1.2bn IFRS 9 day one transitional impact, mainly due to classification and measurement changes;
- \$0.7bn of capital generation through profits, net of cash and scrip dividends; and
- \$1.9bn of favourable foreign currency translation differences.

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.

## Leverage

### Leverage ratio

| Ref*  |   | At                                  |                                    |                                     |
|-------|---|-------------------------------------|------------------------------------|-------------------------------------|
|       |   | 31 Mar <sup>1</sup><br>2018<br>\$bn | 1 Jan <sup>1</sup><br>2018<br>\$bn | 31 Dec <sup>2</sup><br>2017<br>\$bn |
| 20    | Tier 1 capital  | 150.3                               | 143.8                              | 142.7                               |
| 21    | Total leverage ratio exposure   | 2,707.9                             | 2,556.4                            | 2,557.1                             |
|       |   | %                                   | %                                  | %                                   |
| 22    | <b>Leverage ratio</b>   | <b>5.6</b>                          | 5.6                                | 5.6                                 |
| EU-23 | Choice on transitional arrangements for the definition of the capital measure | Fully phased-in                     | Fully phased-in                    | Fully phased-in                     |
|       | UK leverage ratio exposure – quarterly average                                | 2,444.9                             | 2,351.2                            | 2,351.4                             |
|       |   | %                                   | %                                  | %                                   |
|       | UK leverage ratio – quarterly average   | 6.1                                 | 6.2                                | 6.1                                 |
|       | UK leverage ratio – quarter end   | 6.0                                 | 6.1                                | 6.1                                 |

\* The references identify the lines prescribed in the EBA template.  
For footnotes, see page 26.

Our leverage ratio calculated in accordance with CRD IV was 5.6% at 31 March 2018, unchanged from 5.6% at 31 December 2017. Growth in tier 1 capital was offset by a rise in the leverage exposure measure.

The Group's UK leverage ratio at 31 March 2018 on a modified basis, excluding qualifying central bank balances, was 6.0%.

At 31 March 2018, our UK minimum leverage ratio requirement of 3.25% was supplemented by an additional leverage ratio buffer of 0.5% and a countercyclical leverage ratio buffer of 0.1%. These additional buffers translate into capital values of \$13.1bn and \$2.9bn respectively. We comfortably exceeded these leverage requirements.

**Risk-weighted assets**

Overview of RWAs

| Ref* |  | 31 Mar <sup>1</sup><br>2018<br>RWA<br>\$bn | 1 Jan <sup>1</sup><br>2018<br>RWA<br>\$bn | 31 Dec <sup>2</sup><br>2017<br>RWA<br>\$bn | 31 Mar<br>2018<br>Capital<br>requirement <sup>8</sup><br>\$bn |
|------|--|--|---|--|---|
| 1    | <b>Credit risk (excluding counterparty credit risk)</b>                                | <b>638.1</b>                               | 624.0                                     | 623.9                                      | <b>51.1</b>   |
| 2    | – standardised approach  | <b>129.4</b>                               | 127.0                                     | 126.9                                      | <b>10.4</b>   |
| 3    | – foundation Internal Ratings Based ('IRB') approach                                   | <b>30.4</b>                                | 28.4                                      | 28.4                                       | <b>2.4</b>  |
| 4    | – advanced IRB approach  | <b>478.3</b>                               | 468.6                                     | 468.6                                      | <b>38.3</b>   |
| 6    | <b>Counterparty credit risk</b>  | <b>57.9</b>                                | 54.1                                      | 54.1                                       | <b>4.5</b>  |
| 7    | – mark-to-market   | <b>37.7</b>                                | 34.2                                      | 34.2                                       | <b>3.0</b>  |
| 10   | – internal model method  | <b>10.4</b>                                | 9.7                                       | 9.7  | <b>0.8</b>  |
| 11   | – risk exposure amount for contributions to the default fund of a central counterparty | <b>0.6</b>                                 | 0.7                                       | 0.7  | –   |
| 12   | – credit valuation adjustment  | <b>9.2</b>                                 | 9.5                                       | 9.5  | <b>0.7</b>  |
| 13   | <b>Settlement risk</b>   | <b>0.1</b>                                 | 0.4                                       | 0.4  | –   |
| 14   | <b>Securitisation exposures in the non-trading book</b>                                | <b>14.8</b>                                | 15.2                                      | 15.3                                       | <b>1.1</b>  |
| 15   | – IRB ratings based method   | <b>11.3</b>                                | 11.9                                      | 12.0                                       | <b>0.9</b>  |
| 16   | – IRB supervisory formula method   | –  | 0.2                                       | 0.2  | –   |
| 17   | – IRB internal assessment approach   | <b>1.7</b>                                 | 1.5                                       | 1.5  | <b>0.1</b>  |
| 18   | – standardised approach  | <b>1.8</b>                                 | 1.6                                       | 1.6  | <b>0.1</b>  |
| 19   | <b>Market risk</b>   | <b>43.2</b>                                | 38.9                                      | 38.9                                       | <b>3.5</b>  |
| 20   | – standardised approach  | <b>4.8</b>                                 | 4.4                                       | 4.4  | <b>0.4</b>  |
| 21   | – internal models approach   | <b>38.4</b>                                | 34.5                                      | 34.5                                       | <b>3.1</b>  |
| 23   | <b>Operational risk</b>  | <b>92.7</b>                                | 92.7                                      | 92.7                                       | <b>7.4</b>  |
| 25   | – standardised approach  | <b>92.7</b>                                | 92.7                                      | 92.7                                       | <b>7.4</b>  |
| 27   | <b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>        | <b>47.6</b>                                | 46.8                                      | 46.0                                       | <b>3.8</b>  |
| 29   | <b>Total</b>   | <b>894.4</b>                               | 872.1                                     | 871.3                                      | <b>71.4</b>   |

\* The references identify the lines prescribed in the EBA template.  
For footnotes, see page 26.

RWAs by global business

|                          | RBWM<br>\$bn | CMB<br>\$bn  | GB&M<br>\$bn | GPB<br>\$bn | Corporate<br>Centre<br>\$bn | Total<br>\$bn |
|--------------------------|--------------|--------------|--------------|-------------|-----------------------------|---------------|
| Credit risk              | <b>98.5</b>  | <b>290.3</b> | <b>177.3</b> | <b>13.9</b> | <b>120.5</b>                | <b>700.5</b>  |
| Counterparty credit risk | –            | –            | <b>56.1</b>  | <b>0.2</b>  | <b>1.7</b>                  | <b>58.0</b>   |
| Market risk              | –            | –            | <b>40.1</b>  | –           | <b>3.1</b>                  | <b>43.2</b>   |
| Operational risk         | <b>27.3</b>  | <b>23.7</b>  | <b>30.8</b>  | <b>2.8</b>  | <b>8.1</b>                  | <b>92.7</b>   |
| <b>At 31 Mar 2018</b>    | <b>125.8</b> | <b>314.0</b> | <b>304.3</b> | <b>16.9</b> | <b>133.4</b>                | <b>894.4</b>  |

RWAs by geographical region

|                          | Footnote | Europe<br>\$bn | Asia<br>\$bn | MENA<br>\$bn | North<br>America<br>\$bn | Latin<br>America<br>\$bn | Total<br>\$bn |
|--------------------------|----------|----------------|--------------|--------------|--------------------------|--------------------------|---------------|
| Credit risk              |          | <b>231.6</b>   | <b>292.7</b> | <b>47.9</b>  | <b>100.0</b>             | <b>28.3</b>              | <b>700.5</b>  |
| Counterparty credit risk |          | <b>29.2</b>    | <b>14.2</b>  | <b>1.0</b>   | <b>12.1</b>              | <b>1.5</b>               | <b>58.0</b>   |
| Market risk              | 9        | <b>29.1</b>    | <b>23.7</b>  | <b>3.8</b>   | <b>9.1</b>               | <b>1.3</b>               | <b>43.2</b>   |
| Operational risk         |          | <b>28.9</b>    | <b>37.1</b>  | <b>7.1</b>   | <b>12.1</b>              | <b>7.5</b>               | <b>92.7</b>   |
| <b>At 31 Mar 2018</b>    |          | <b>318.8</b>   | <b>367.7</b> | <b>59.8</b>  | <b>133.3</b>             | <b>38.6</b>              | <b>894.4</b>  |

For footnote, see page 26.



## RWA movement by global businesses by key driver

|                            | Credit risk, counterparty credit risk and operational risk |              |              |             |                  |             |              | Total RWAs<br>\$bn |
|----------------------------|--|--------------|--------------|-------------|------------------|-------------|--------------|--------------------|
|                            | RBWM   | CMB          | GB&M         | GPB         | Corporate Centre | Market risk |              |                    |
|                            | \$bn   | \$bn         | \$bn         | \$bn        | \$bn             | \$bn        | \$bn         |                    |
| <b>RWAs at 31 Dec 2017</b> | <b>121.5</b>   | <b>301.0</b> | <b>263.4</b> | <b>16.0</b> | <b>130.5</b>     | <b>38.9</b> | <b>871.3</b> |                    |
| Asset size                 | 2.0  | 5.1          | 2.6          | 0.4         | (3.8)            | 4.5         | 10.8         |                    |
| Asset quality              | 0.4  | 1.3          | (0.6)        | 0.3         | 1.6              | –           | 3.0          |                    |
| Model updates              | 0.1  | 0.6          | –            | –           | –                | –           | 0.7          |                    |
| – new/updated models       | 0.1  | 0.6          | –            | –           | –                | –           | 0.7          |                    |
| Methodology and policy     | 0.5  | 1.9          | (3.9)        | –           | 0.3              | (0.2)       | (1.4)        |                    |
| – internal updates         | 0.7  | 1.7          | (3.9)        | –           | (0.5)            | (0.2)       | (2.2)        |                    |
| – external updates         | (0.2)  | 0.2          | –            | –           | 0.8              | –           | 0.8          |                    |
| Foreign exchange movements | 1.3  | 4.1          | 2.7          | 0.2         | 1.7              | –           | 10.0         |                    |
| <b>Total RWA movement</b>  | <b>4.3</b>   | <b>13.0</b>  | <b>0.8</b>   | <b>0.9</b>  | <b>(0.2)</b>     | <b>4.3</b>  | <b>23.1</b>  |                    |
| <b>RWAs at 31 Mar 2018</b> | <b>125.8</b>   | <b>314.0</b> | <b>264.2</b> | <b>16.9</b> | <b>130.3</b>     | <b>43.2</b> | <b>894.4</b> |                    |

## RWA movement by geographical region by key driver

|                            | Credit risk, counterparty credit risk and operational risk |              |             |               |               |             |              | Total RWAs<br>\$bn |
|----------------------------|--|--------------|-------------|---------------|---------------|-------------|--------------|--------------------|
|                            | Europe   | Asia         | MENA        | North America | Latin America | Market risk |              |                    |
|                            | \$bn   | \$bn         | \$bn        | \$bn          | \$bn          | \$bn        | \$bn         |                    |
| <b>RWAs at 31 Dec 2017</b> | <b>282.6</b>   | <b>334.3</b> | <b>55.9</b> | <b>124.2</b>  | <b>35.4</b>   | <b>38.9</b> | <b>871.3</b> |                    |
| Asset size                 | (2.8)  | 6.6          | 0.1         | 1.9           | 0.5           | 4.5         | 10.8         |                    |
| Asset quality              | 2.4  | 1.6          | (0.1)       | (1.1)         | 0.2           | –           | 3.0          |                    |
| Model updates              | 0.7  | –            | –           | –             | –             | –           | 0.7          |                    |
| – new/updated models       | 0.7  | –            | –           | –             | –             | –           | 0.7          |                    |
| Methodology and policy     | (0.8)  | (0.6)        | 0.3         | –             | (0.1)         | (0.2)       | (1.4)        |                    |
| – internal updates         | (0.8)  | (1.0)        | (0.1)       | (0.1)         | –             | (0.2)       | (2.2)        |                    |
| – external updates         | –  | 0.4          | 0.4         | 0.1           | (0.1)         | –           | 0.8          |                    |
| Foreign exchange movements | 7.6  | 2.1          | (0.2)       | (0.8)         | 1.3           | –           | 10.0         |                    |
| <b>Total RWA movement</b>  | <b>7.1</b>   | <b>9.7</b>   | <b>0.1</b>  | <b>–</b>      | <b>1.9</b>    | <b>4.3</b>  | <b>23.1</b>  |                    |
| <b>RWAs at 31 Mar 2018</b> | <b>289.7</b>   | <b>344.0</b> | <b>56.0</b> | <b>124.2</b>  | <b>37.3</b>   | <b>43.2</b> | <b>894.4</b> |                    |

## RWAs

RWAs increased by \$23.1bn, including an increase of \$10.0bn due to foreign currency translation differences.

The resulting increase of \$13.1bn (excluding foreign currency translation differences) was primarily due to asset size growth of \$10.8bn and asset quality changes of \$3.0bn.

The following comments describe RWA movements for the three month period to 31 March 2018, excluding foreign currency translation differences.

### Asset size

Asset size movements were principally driven by exposure growth and movements in market parameters which increased counterparty credit risk and market risk RWAs by \$8.2bn.

Lending growth of \$2.6bn was driven by CMB (\$5.2bn) and RBWM (\$2.0bn) and mainly concentrated in Asia, North America and Europe. This was partly offset by reductions in Corporate Centre (\$3.7bn) and GB&M (\$1.3bn).

### Asset quality changes

Asset quality movements increased RWAs by \$4.1bn, mainly reflecting changes in portfolio mix in Europe (\$2.4bn) and Asia (\$1.6bn). These changes were partly offset by changes in the North American portfolio which reduced RWAs by \$1.1bn.

### Methodology and policy

The \$2.2bn decrease reported in internal updates derives from management initiatives, mainly taking the form of process improvements and refined calculations (\$1.4bn) and trade actions (\$0.4bn). The partly offsetting \$0.8bn increase in external updates arises from the Group's adoption of IFRS 9 'Financial Instruments' and the EU's related regulatory transitional arrangements.

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### RWA flow statements of credit risk exposures under IRB approach<sup>10</sup>

|                              | RWA<br>\$bn  | Capital<br>requirement <sup>8</sup><br>\$bn |
|------------------------------|--------------|---|
| <b>1 RWAs at 31 Dec 2017</b> | <b>497.0</b> | <b>39.8</b>                                 |
| 2 Asset size                 | 2.8          | 0.2   |
| 3 Asset quality              | 2.0          | 0.2   |
| 4 Model updates              | 0.7          | 0.1   |
| 5 Methodology and policy     | (0.7)        | (0.1)                                       |
| 7 Foreign exchange movements | 6.9          | 0.5   |
| <b>9 RWAs at 31 Mar 2018</b> | <b>508.7</b> | <b>40.7</b>                                 |

For footnotes, see page 26.

RWAs under the IRB approach increased by \$11.7bn including an increase of \$6.9bn due to foreign currency translation differences. The remaining increase of \$4.8bn was principally due to organic book growth of \$2.8bn in Asia and a movement in asset quality of \$2.0bn reflecting the changes in portfolio mix in Europe and Asia.

### RWA flow statements of counterparty credit risk exposures under the IMM

|                              | RWA<br>\$bn | Capital<br>requirement <sup>8</sup><br>\$bn |
|------------------------------|-------------|---|
| <b>1 RWAs at 31 Dec 2017</b> | <b>12.5</b> | <b>1.0</b>                                  |
| 2 Asset size                 | 0.3         | —   |
| 5 Methodology and policy     | (0.1)       | —   |
| <b>9 RWAs at 31 Mar 2018</b> | <b>12.7</b> | <b>1.0</b>                                  |

For footnote, see page 26.

RWAs under the IMM increased by \$0.2bn, mainly as a result of increases in asset size driven by mark-to-market movements.

### RWA flow statements of market risk exposures under the IMA

|                              | VaR<br>\$bn | Stressed<br>VaR<br>\$bn | IRC<br>\$bn | Other<br>\$bn | Total RWA<br>\$bn | Capital<br>requirement <sup>8</sup><br>\$bn |
|------------------------------|-------------|-------------------------|-------------|---------------|-------------------|---|
| <b>1 RWAs at 31 Dec 2017</b> | <b>8.3</b>  | <b>14.3</b>             | <b>10.0</b> | <b>1.9</b>    | <b>34.5</b>       | <b>2.8</b>                                  |
| 2 Movement in risk levels    | 1.2         | —                       | 1.4         | 1.5           | 4.1               | 0.3   |
| 4 Methodology and policy     | —           | —                       | (0.2)       | —             | (0.2)             | —   |
| <b>8 RWAs at 31 Mar 2018</b> | <b>9.5</b>  | <b>14.3</b>             | <b>11.2</b> | <b>3.4</b>    | <b>38.4</b>       | <b>3.1</b>                                  |

For footnote, see page 26.

RWAs under the IMA increased by \$3.9bn mainly due to increased risk levels in Europe and Asia as a result of:

- higher volatility and exposure that added \$1.2bn to VaR;
- high grade sovereign exposure that added \$1.4bn to the incremental risk charge; and
- increased exposure and currency depreciation that added \$1.5bn to other market risk measures.

## Footnotes to capital, leverage and risk-weighted assets

- <sup>1</sup> Unless otherwise stated, all figures are calculated using the EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation.
- <sup>2</sup> All figures presented as reported under IAS 39 at 31 December 2017.
- <sup>3</sup> Capital figures and ratios are reported on the CRD IV transitional basis for additional tier 1 and tier 2 capital in accordance with articles 484-92 of the Capital Requirements Regulation.
- <sup>4</sup> The minimum requirements include the total capital requirement to be met by CET1, comprised of the Pillar 1 and Pillar 2A requirements set by the Prudential Regulation Authority.
- <sup>5</sup> Leverage ratio is calculated using the CRD IV end-point basis for additional tier 1 capital.
- <sup>6</sup> The EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation do not apply to liquidity coverage measures.
- <sup>7</sup> LCR is calculated as at the end of each period rather than using average values.
- <sup>8</sup> 'Capital requirement' represents the minimum total capital charge set at 8% of RWAs by article 92 of the Capital Requirements Regulation.
- <sup>9</sup> RWAs are non-additive across geographical regions due to market risk diversification effects within the Group.
- <sup>10</sup> Securitisation positions are not included in this table.

## Summary information – global businesses

### HSBC adjusted profit before tax

|   | Quarter ended 31 Mar 2018                  |                       |                                  |                              |                     |               |
|---|--|-----------------------|----------------------------------|------------------------------|---------------------|---------------|
|   | Retail Banking<br>and Wealth<br>Management | Commercial<br>Banking | Global<br>Banking and<br>Markets | Global<br>Private<br>Banking | Corporate<br>Centre | Total         |
|   | \$m  | \$m                   | \$m                              | \$m                          | \$m                 | \$m           |
| Net interest income   | 3,799                                      | 2,517                 | 1,181                            | 223                          | (264)               | 7,456         |
| Net fee income  | 1,497                                      | 952                   | 863                              | 207                          | (12)                | 3,507         |
| Net income from financial instruments held for trading or managed on a fair value basis <sup>2,3</sup>  | 116  | 148                   | 2,077                            | 48                           | 23                  | 2,412         |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss <sup>2</sup> | (143)                                      | (12)                  | –                                | –                            | –                   | (155)         |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss <sup>2</sup>                               | (59)                                       | 4                     | 112                              | –                            | 60                  | 117           |
| Other income <sup>1,3</sup>   | 459  | 90                    | (85)                             | 4                            | 45                  | 513           |
| <b>Net operating income before change in expected credit losses and other credit impairment charges</b>   | <b>5,669</b>                               | <b>3,699</b>          | <b>4,148</b>                     | <b>482</b>                   | <b>(148)</b>        | <b>13,850</b> |
| Change in expected credit losses and other credit impairment charges/(recoveries)   | (303)                                      | 64                    | (22)                             | 3                            | 88                  | (170)         |
| <b>Net operating income</b>   | <b>5,366</b>                               | <b>3,763</b>          | <b>4,126</b>                     | <b>485</b>                   | <b>(60)</b>         | <b>13,680</b> |
| Total operating expenses  | (3,463)                                    | (1,652)               | (2,413)                          | (372)                        | (345)               | (8,245)       |
| <b>Operating profit</b>   | <b>1,903</b>                               | <b>2,111</b>          | <b>1,713</b>                     | <b>113</b>                   | <b>(405)</b>        | <b>5,435</b>  |
| Share of profit in associates and joint ventures  | 3  | –                     | –                                | –                            | 595                 | 598           |
| <b>Adjusted profit before tax</b>   | <b>1,906</b>                               | <b>2,111</b>          | <b>1,713</b>                     | <b>113</b>                   | <b>190</b>          | <b>6,033</b>  |
|   | %  | %                     | %                                | %                            | %                   | %             |
| Share of HSBC's adjusted profit before tax  | 31.6                                       | 35.0                  | 28.4                             | 1.9                          | 3.1                 | 100.0         |
| Adjusted cost efficiency ratio  | 61.1                                       | 44.7                  | 58.2                             | 77.2                         | (233.1)             | 59.5          |

  

|   | Quarter ended 31 Dec 2017 |         |         |       |         |         |
|---|---------------------------|---------|---------|-------|---------|---------|
| Net interest income   | 3,684                     | 2,462   | 1,482   | 216   | (356)   | 7,488   |
| Net fee income  | 1,295                     | 898     | 771     | 179   | (27)    | 3,116   |
| Net income from financial instruments held for trading or managed on a fair value basis <sup>2,3</sup>  | 122                       | 159     | 1,087   | 32    | 638     | 2,038   |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss <sup>2</sup> | 630                       | (6)     | –       | 10    | –       | 634     |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss <sup>2</sup>                               | N/A                       | N/A     | N/A     | N/A   | N/A     | N/A     |
| Other income/(expense) <sup>1,3</sup>   | (602)                     | 19      | 123     | (7)   | (127)   | (594)   |
| Net operating income/(expense) before loan impairment charges and other credit risk provisions  | 5,129                     | 3,532   | 3,463   | 430   | 128     | 12,682  |
| Loan impairment (charges)/recoveries and other credit risk provisions   | (188)                     | (198)   | (392)   | 1     | 95      | (682)   |
| Net operating income/(expense)  | 4,941                     | 3,334   | 3,071   | 431   | 223     | 12,000  |
| Total operating expenses  | (3,527)                   | (1,613) | (2,237) | (338) | (1,226) | (8,941) |
| Operating profit/(loss)   | 1,414                     | 1,721   | 834     | 93    | (1,003) | 3,059   |
| Share of profit in associates and joint ventures  | 16                        | –       | –       | –     | 558     | 574     |
| Adjusted profit/(loss) before tax   | 1,430                     | 1,721   | 834     | 93    | (445)   | 3,633   |
|   | %                         | %       | %       | %     | %       | %       |
| Share of HSBC's adjusted profit before tax  | 39.4                      | 47.4    | 23.0    | 2.6   | (12.4)  | 100.0   |
| Adjusted cost efficiency ratio  | 68.8                      | 45.7    | 64.6    | 78.6  | 957.8   | 70.5    |

For footnotes, see page 30.

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### HSBC adjusted profit before tax (continued)

|   | Quarter ended 31 Mar 2017            |                    |                            |                        |                  | Total   |
|---|--------------------------------------|--------------------|----------------------------|------------------------|------------------|---------|
|   | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Corporate Centre |         |
|   | \$m                                  | \$m                | \$m                        | \$m                    | \$m              |         |
| Net interest income   | 3,484                                | 2,220              | 1,100                      | 197                    | 86               | 7,087   |
| Net fee income/(expense)  | 1,272                                | 959                | 959                        | 184                    | 4                | 3,378   |
| Net income from financial instruments held for trading or managed on a fair value basis <sup>2,3</sup>  | 139                                  | 128                | 1,932                      | 53                     | 73               | 2,325   |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss <sup>2</sup> | 1,007                                | (13)               | –                          | 12                     | –                | 1,006   |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss <sup>2</sup>                               | N/A                                  | N/A                | N/A                        | N/A                    | N/A              | N/A     |
| Other income/(expense) <sup>1,3</sup>   | (689)                                | 58                 | 151                        | (9)                    | 204              | (285)   |
| Net operating income before loan impairment charges and other credit risk provisions  | 5,213                                | 3,352              | 4,142                      | 437                    | 367              | 13,511  |
| Loan impairment charges and other credit risk provisions  | (311)                                | 10                 | 21                         | (1)                    | 41               | (240)   |
| Net operating income  | 4,902                                | 3,362              | 4,163                      | 436                    | 408              | 13,271  |
| Total operating expenses  | (3,096)                              | (1,474)            | (2,357)                    | (362)                  | (332)            | (7,621) |
| Operating profit  | 1,806                                | 1,888              | 1,806                      | 74                     | 76               | 5,650   |
| Share of profit in associates and joint ventures  | 9                                    | –                  | –                          | –                      | 551              | 560     |
| Adjusted profit before tax  | 1,815                                | 1,888              | 1,806                      | 74                     | 627              | 6,210   |
|   | %                                    | %                  | %                          | %                      | %                | %       |
| Share of HSBC's adjusted profit before tax  | 29.2                                 | 30.4               | 29.1                       | 1.2                    | 10.1             | 100.0   |
| Adjusted cost efficiency ratio  | 59.4                                 | 44.0               | 56.9                       | 82.8                   | 90.5             | 56.4    |

For footnotes, see page 30.

### Global Private Banking – reported client assets<sup>4</sup>

|                                       | Quarter ended |             |             |
|---------------------------------------|---------------|-------------|-------------|
|                                       | 31 Mar 2018   | 31 Dec 2017 | 31 Mar 2017 |
|                                       | \$bn          | \$bn        | \$bn        |
| <b>Opening balance</b>                | <b>330</b>    | <b>327</b>  | <b>298</b>  |
| Net new money                         | <b>3</b>      | (4)         | 1           |
| – of which: areas targeted for growth | <b>5</b>      | 2           | 5           |
| Value change                          | <b>(2)</b>    | 4           | 7           |
| Disposals                             | –             | (1)         | (7)         |
| Exchange and other                    | –             | 4           | 7           |
| <b>Closing balance</b>                | <b>331</b>    | <b>330</b>  | <b>306</b>  |

For footnotes, see page 30.

### Global Private Banking – reported client assets by geography<sup>4</sup>

|                          | Quarter ended |             |             |
|--------------------------|---------------|-------------|-------------|
|                          | 31 Mar 2018   | 31 Dec 2017 | 31 Mar 2017 |
|                          | \$bn          | \$bn        | \$bn        |
| Europe                   | <b>162</b>    | 161         | 153         |
| Asia                     | <b>131</b>    | 130         | 111         |
| North America            | <b>38</b>     | 39          | 42          |
| Latin America            | –             | –           | –           |
| Middle East <sup>5</sup> | –             | –           | –           |
| <b>Closing balance</b>   | <b>331</b>    | <b>330</b>  | <b>306</b>  |

For footnotes, see page 30.

## Summary information – geographical regions

### HSBC reported profit/(loss) before tax

|   | Quarter ended 31 Mar 2018 |              |            |               |               |                  |               |
|---|---------------------------|--------------|------------|---------------|---------------|------------------|---------------|
|   | Europe                    | Asia         | MENA       | North America | Latin America | Intra-HSBC items | Total         |
|   | \$m                       | \$m          | \$m        | \$m           | \$m           | \$m              | \$m           |
| Net interest income   | 1,739                     | 3,831        | 461        | 870           | 528           | 27               | 7,456         |
| Net fee income  | 1,087                     | 1,678        | 157        | 444           | 141           | –                | 3,507         |
| Net income from financial instruments held for trading or managed on a fair value basis <sup>2,3</sup>  | 1,155                     | 956          | 42         | 212           | 121           | (102)            | 2,384         |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss <sup>2</sup> | (227)                     | 70           | –          | –             | 2             | –                | (155)         |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss <sup>2</sup>                               | 155                       | (34)         | 5          | 10            | 8             | (27)             | 117           |
| Other income <sup>1,3</sup>   | 561                       | 806          | 11         | 89            | (3)           | (1,063)          | 401           |
| <b>Net operating income before change in expected credit losses and other credit impairment charges</b>   | <b>4,470</b>              | <b>7,307</b> | <b>676</b> | <b>1,625</b>  | <b>797</b>    | <b>(1,165)</b>   | <b>13,710</b> |
| Change in expected credit losses and other credit impairment charges/(recoveries)   | (62)                      | (32)         | (4)        | 47            | (119)         | –                | (170)         |
| <b>Net operating income</b>   | <b>4,408</b>              | <b>7,275</b> | <b>672</b> | <b>1,672</b>  | <b>678</b>    | <b>(1,165)</b>   | <b>13,540</b> |
| Total operating expenses  | (4,437)                   | (2,986)      | (343)      | (2,268)       | (514)         | 1,165            | (9,383)       |
| <b>Operating profit/(loss)</b>  | <b>(29)</b>               | <b>4,289</b> | <b>329</b> | <b>(596)</b>  | <b>164</b>    | <b>–</b>         | <b>4,157</b>  |
| Share of profit in associates and joint ventures  | 11                        | 479          | 108        | –             | –             | –                | 598           |
| <b>Profit/(loss) before tax</b>   | <b>(18)</b>               | <b>4,768</b> | <b>437</b> | <b>(596)</b>  | <b>164</b>    | <b>–</b>         | <b>4,755</b>  |
|   | %                         | %            | %          | %             | %             |                  | %             |
| Share of HSBC's profit before tax   | (0.4)                     | 100.3        | 9.2        | (12.5)        | 3.4           |                  | 100.0         |
| Cost efficiency ratio   | 99.3                      | 40.9         | 50.7       | 139.6         | 64.5          |                  | 68.4          |

|   | Quarter ended 31 Dec 2017 |              |            |            |            |          |              |
|---|---------------------------|--------------|------------|------------|------------|----------|--------------|
|   |                           |              |            |            |            |          |              |
| Net interest income   | 1,684                     | 3,822        | 440        | 848        | 551        | (73)     | 7,272        |
| Net fee income  | 957                       | 1,364        | 149        | 462        | 133        | –        | 3,065        |
| Net income from financial instruments held for trading or managed on a fair value basis <sup>2,3</sup>  | 897                       | 709          | 26         | 153        | 139        | 73       | 1,997        |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss <sup>2</sup> | 183                       | 428          | –          | –          | 16         | –        | 627          |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss <sup>2</sup>                               | N/A                       | N/A          | N/A        | N/A        | N/A        | N/A      | N/A          |
| Other income/(expense) <sup>1,3</sup>   | 262                       | 46           | 23         | 335        | 4          | (1,330)  | (660)        |
| Net operating income before loan impairment charges and other credit risk provisions  | 3,983                     | 6,369        | 638        | 1,798      | 843        | (1,330)  | 12,301       |
| Loan impairment charges and other credit risk provisions  | (506)                     | (26)         | (32)       | 31         | (125)      | –        | (658)        |
| Net operating income  | 3,477                     | 6,343        | 606        | 1,829      | 718        | (1,330)  | 11,643       |
| Total operating expenses  | (5,874)                   | (3,127)      | (357)      | (1,308)    | (559)      | 1,330    | (9,895)      |
| <b>Operating profit/(loss)</b>  | <b>(2,397)</b>            | <b>3,216</b> | <b>249</b> | <b>521</b> | <b>159</b> | <b>–</b> | <b>1,748</b> |
| Share of profit in associates and joint ventures  | 11                        | 454          | 84         | –          | 7          | –        | 556          |
| <b>Profit/(loss) before tax</b>   | <b>(2,386)</b>            | <b>3,670</b> | <b>333</b> | <b>521</b> | <b>166</b> | <b>–</b> | <b>2,304</b> |
|   | %                         | %            | %          | %          | %          |          | %            |
| Share of HSBC's profit before tax   | (103.6)                   | 159.3        | 14.5       | 22.6       | 7.2        |          | 100.0        |
| Cost efficiency ratio   | 147.5                     | 49.1         | 56.0       | 72.7       | 66.3       |          | 80.4         |

For footnotes, see page 30.

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### HSBC reported profit/(loss) before tax (continued)

|   | Quarter ended 31 Mar 2017 |         |       |               |               |                  | Total   |
|---|---------------------------|---------|-------|---------------|---------------|------------------|---------|
|   | Europe                    | Asia    | MENA  | North America | Latin America | Intra-HSBC items |         |
|   | \$m                       | \$m     | \$m   | \$m           | \$m           | \$m              | \$m     |
| Net interest income   | 1,704                     | 3,332   | 407   | 894           | 488           | (38)             | 6,787   |
| Net fee income  | 1,043                     | 1,406   | 158   | 494           | 123           | —                | 3,224   |
| Net income from financial instruments held for trading or managed on a fair value basis <sup>2,3</sup>  | 962                       | 906     | 83    | 114           | 84            | 38               | 2,187   |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss <sup>2</sup> | 298                       | 651     | —     | —             | 15            | —                | 964     |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss <sup>2</sup>                               | N/A                       | N/A     | N/A   | N/A           | N/A           | N/A              | N/A     |
| Other income <sup>1,3</sup>   | 206                       | 245     | 5     | 274           | 25            | (924)            | (169)   |
| Net operating income before loan impairment charges and other credit risk provisions  | 4,213                     | 6,540   | 653   | 1,776         | 735           | (924)            | 12,993  |
| Loan impairment charges and other credit risk provisions  | 5                         | (167)   | (57)  | 106           | (123)         | —                | (236)   |
| Net operating income  | 4,218                     | 6,373   | 596   | 1,882         | 612           | (924)            | 12,757  |
| Total operating expenses  | (4,428)                   | (2,694) | (322) | (1,310)       | (498)         | 924              | (8,328) |
| Operating profit  | (210)                     | 3,679   | 274   | 572           | 114           | —                | 4,429   |
| Share of profit/(loss) in associates and joint ventures   | 4                         | 415     | 113   | —             | —             | —                | 532     |
| Profit before tax   | (206)                     | 4,094   | 387   | 572           | 114           | —                | 4,961   |
|   | %                         | %       | %     | %             | %             |                  | %       |
| Share of HSBC's profit before tax   | (4.2)                     | 82.6    | 7.8   | 11.5          | 2.3           |                  | 100.0   |
| Cost efficiency ratio   | 105.1                     | 41.2    | 49.3  | 73.8          | 67.8          |                  | 64.1    |

### Footnotes to summary information – global businesses and geographical regions

- Other income in this context comprises where applicable changes in fair value of long-term debt and related derivatives, gains less losses from financial investments, dividend income, net insurance premium income and other operating income less net insurance claims and benefits paid and movement in liabilities to policyholders.*
- The classification and measurement requirements under IFRS 9, which was adopted from 1 January 2018, are based on an entity's assessment of both the business model for managing the assets and the contractual cash flow characteristics of the assets. The standard contains a classification for items measured mandatorily at fair value through profit or loss as a residual category. Given its residual nature, the presentation of the income statement has been updated to separately present items in this category which are of a dissimilar nature or function, in line with IAS 1 'Presentation of Financial Statements' requirements. Comparative data have been re-presented. There is no net impact on Total operating income.*
- Prior to 2018 foreign exchange exposure on some financial instruments designated at fair value was presented in the same line in the income statement as the underlying fair value movement on these instruments. In 2018 we have grouped the presentation of the entire effect of foreign exchange exposure in profit or loss and presented it within 'Net income from financial instruments held for trading or managed on a fair value basis'. Comparative data have been re-presented. There is no net impact on Total operating income and the impact on 'Changes in fair value of long-term debt and related derivatives' is \$563m in 4Q17 and \$84m in 1Q17.*
- Client assets are translated at the rates of exchange applicable for their respective period-ends, with the effects of currency translation reported separately. The main components of client assets are funds under management, which are not reported on the Group's balance sheet, and customer deposits, which are reported on the Group's balance sheet.*
- 'Middle East' is an offshore business, therefore client assets are booked across to various regions, primarily in Europe.*

## Appendix – selected information

Supplementary analysis of significant items by global business is presented below.

### Reconciliation of reported and adjusted results – global businesses

|  | Quarter ended 31 Mar 2018            |                    |                            |                        |                  |                |
|--|--------------------------------------|--------------------|----------------------------|------------------------|------------------|----------------|
|  | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Corporate Centre | Total          |
|  | \$m                                  | \$m                | \$m                        | \$m                    | \$m              | \$m            |
| <b>Revenue</b>   |                                      |                    |                            |                        |                  |                |
| Reported   | 5,669                                | 3,699              | 4,178                      | 482                    | (318)            | 13,710         |
| Significant items  | –                                    | –                  | (30)                       | –                      | 170              | 140            |
| – disposals, acquisitions and investment in new businesses                               | –                                    | –                  | –                          | –                      | 112              | 112            |
| – fair value movement on financial instruments   | –                                    | –                  | (30)                       | –                      | 58               | 28             |
| <b>Adjusted</b>  | <b>5,669</b>                         | <b>3,699</b>       | <b>4,148</b>               | <b>482</b>             | <b>(148)</b>     | <b>13,850</b>  |
| <b>Change in expected credit losses and other credit impairment charges/(recoveries)</b> |                                      |                    |                            |                        |                  |                |
| Reported   | (303)                                | 64                 | (22)                       | 3                      | 88               | (170)          |
| <b>Adjusted</b>  | <b>(303)</b>                         | <b>64</b>          | <b>(22)</b>                | <b>3</b>               | <b>88</b>        | <b>(170)</b>   |
| <b>Operating expenses</b>  |                                      |                    |                            |                        |                  |                |
| Reported   | (3,573)                              | (1,653)            | (2,387)                    | (415)                  | (1,355)          | (9,383)        |
| Significant items  | 110                                  | 1                  | (26)                       | 43                     | 1,010            | 1,138          |
| – costs of structural reform   | 1                                    | 1                  | 7                          | –                      | 117              | 126            |
| – customer redress programmes  | 93                                   | –                  | –                          | –                      | –                | 93             |
| – disposals, acquisitions and investment in new businesses                               | –                                    | –                  | –                          | 2                      | –                | 2              |
| – restructuring and other related costs  | –                                    | –                  | –                          | –                      | 20               | 20             |
| – settlements and provisions in connection with legal and regulatory matters             | 16                                   | –                  | (33)                       | 41                     | 873              | 897            |
| <b>Adjusted</b>  | <b>(3,463)</b>                       | <b>(1,652)</b>     | <b>(2,413)</b>             | <b>(372)</b>           | <b>(345)</b>     | <b>(8,245)</b> |
| <b>Share of profit in associates and joint ventures</b>                                  |                                      |                    |                            |                        |                  |                |
| Reported   | 3                                    | –                  | –                          | –                      | 595              | 598            |
| <b>Adjusted</b>  | <b>3</b>                             | <b>–</b>           | <b>–</b>                   | <b>–</b>               | <b>595</b>       | <b>598</b>     |
| <b>Profit/(loss) before tax</b>  |                                      |                    |                            |                        |                  |                |
| Reported   | 1,796                                | 2,110              | 1,769                      | 70                     | (990)            | 4,755          |
| Significant items  | 110                                  | 1                  | (56)                       | 43                     | 1,180            | 1,278          |
| – revenue  | –                                    | –                  | (30)                       | –                      | 170              | 140            |
| – operating expenses   | 110                                  | 1                  | (26)                       | 43                     | 1,010            | 1,138          |
| <b>Adjusted</b>  | <b>1,906</b>                         | <b>2,111</b>       | <b>1,713</b>               | <b>113</b>             | <b>190</b>       | <b>6,033</b>   |

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### Reconciliation of reported and adjusted results – global businesses (continued)

|  | Quarter ended 31 Dec 2017                  |                       |                               |                           |                     |  | Total<br>\$m |
|--|--|-----------------------|-------------------------------|---------------------------|---------------------|--|--------------|
|  | Retail Banking<br>and Wealth<br>Management | Commercial<br>Banking | Global Banking<br>and Markets | Global Private<br>Banking | Corporate<br>Centre |  |              |
|  | \$m  | \$m                   | \$m                           | \$m                       | \$m                 |  |              |
| <b>Revenue</b>   |  |                       |                               |                           |                     |  |              |
| Reported   | 5,057                                      | 3,366                 | 3,256                         | 420                       | 202                 |  | 12,301       |
| Currency translation   | 68   | 58                    | 72                            | 10                        | 28                  |  | 236          |
| Significant items  | 4  | 108                   | 135                           | –                         | (102)               |  | 145          |
| – customer redress programmes  | –  | 103                   | 2                             | –                         | –                   |  | 105          |
| – disposals, acquisitions and investment in new businesses                   | 4  | –                     | 99                            | –                         | (24)                |  | 79           |
| – fair value movement on financial instruments                               | –  | –                     | 33                            | –                         | (78)                |  | (45)         |
| – currency translation on significant items                                  | –  | 5                     | 1                             | –                         | –                   |  | 6            |
| Adjusted   | 5,129                                      | 3,532                 | 3,463                         | 430                       | 128                 |  | 12,682       |
| <b>LICs</b>  |  |                       |                               |                           |                     |  |              |
| Reported   | (186)                                      | (190)                 | (373)                         | 1                         | 90                  |  | (658)        |
| Currency translation   | (2)  | (8)                   | (19)                          | –                         | 5                   |  | (24)         |
| Adjusted   | (188)                                      | (198)                 | (392)                         | 1                         | 95                  |  | (682)        |
| <b>Operating expenses</b>  |  |                       |                               |                           |                     |  |              |
| Reported   | (3,751)                                    | (1,619)               | (2,325)                       | (512)                     | (1,688)             |  | (9,895)      |
| Currency translation   | (68)                                       | (29)                  | (63)                          | (15)                      | (44)                |  | (219)        |
| Significant items  | 292  | 35                    | 151                           | 189                       | 506                 |  | 1,173        |
| – costs to achieve   | 46   | 24                    | 97                            | (2)                       | 490                 |  | 655          |
| – costs of structural reform   | 6  | 3                     | 4                             | –                         | 118                 |  | 131          |
| – customer redress programmes  | 254  | 16                    | 2                             | –                         | –                   |  | 272          |
| – disposals, acquisitions and investment in new businesses                   | –  | –                     | –                             | 30                        | 9                   |  | 39           |
| – gain on partial settlement of pension obligation                           | (26)                                       | (9)                   | (9)                           | (3)                       | (141)               |  | (188)        |
| – settlements and provisions in connection with legal and regulatory matters | –  | –                     | 50                            | 164                       | 14                  |  | 228          |
| – currency translation on significant items                                  | 12   | 1                     | 7                             | –                         | 16                  |  | 36           |
| Adjusted   | (3,527)                                    | (1,613)               | (2,237)                       | (338)                     | (1,226)             |  | (8,941)      |
| <b>Share of profit in associates and joint ventures</b>                      |  |                       |                               |                           |                     |  |              |
| Reported   | 16   | –                     | –                             | –                         | 540                 |  | 556          |
| Currency translation   | –  | –                     | –                             | –                         | 18                  |  | 18           |
| Adjusted   | 16   | –                     | –                             | –                         | 558                 |  | 574          |
| <b>Profit/(loss) before tax</b>  |  |                       |                               |                           |                     |  |              |
| Reported   | 1,136                                      | 1,557                 | 558                           | (91)                      | (856)               |  | 2,304        |
| Currency translation   | (2)  | 21                    | (10)                          | (5)                       | 7                   |  | 11           |
| Significant items  | 296  | 143                   | 286                           | 189                       | 404                 |  | 1,318        |
| – revenue  | 4  | 108                   | 135                           | –                         | (102)               |  | 145          |
| – operating expenses   | 292  | 35                    | 151                           | 189                       | 506                 |  | 1,173        |
| Adjusted   | 1,430                                      | 1,721                 | 834                           | 93                        | (445)               |  | 3,633        |



Reconciliation of reported and adjusted results – global businesses (continued)

|  | Quarter ended 31 Mar 2017                  |                       |                               |                           |                     |         |
|--|--|-----------------------|-------------------------------|---------------------------|---------------------|---------|
|  | Retail Banking<br>and Wealth<br>Management | Commercial<br>Banking | Global Banking<br>and Markets | Global Private<br>Banking | Corporate<br>Centre | Total   |
|  | \$m  | \$m                   | \$m                           | \$m                       | \$m                 | \$m     |
| <b>Revenue</b>   |  |                       |                               |                           |                     |         |
| Reported   | 5,082                                      | 3,191                 | 3,789                         | 419                       | 512                 | 12,993  |
| Currency translation                                       | 204  | 161                   | 248                           | 22                        | 25                  | 660     |
| Significant items  | (73)                                       | –                     | 105                           | (4)                       | (170)               | (142)   |
| – disposals, acquisitions and investment in new businesses | (73)                                       | –                     | –                             | (4)                       | (79)                | (156)   |
| – fair value movement on financial instruments             | –  | –                     | 97                            | –                         | (91)                | 6       |
| – currency translation on significant items                | –  | –                     | 8                             | –                         | –                   | 8       |
| Adjusted   | 5,213                                      | 3,352                 | 4,142                         | 437                       | 367                 | 13,511  |
| <b>LICs</b>  |  |                       |                               |                           |                     |         |
| Reported   | (296)                                      | 3                     | 20                            | (1)                       | 38                  | (236)   |
| Currency translation                                       | (15)                                       | 7                     | 1                             | –                         | 3                   | (4)     |
| Adjusted   | (311)                                      | 10                    | 21                            | (1)                       | 41                  | (240)   |
| <b>Operating expenses</b>                                  |  |                       |                               |                           |                     |         |
| Reported   | (3,276)                                    | (1,398)               | (2,245)                       | (344)                     | (1,065)             | (8,328) |
| Currency translation                                       | (187)                                      | (75)                  | (165)                         | (18)                      | (68)                | (513)   |
| Significant items  | 367  | (1)                   | 53                            | –                         | 801                 | 1,220   |
| – costs to achieve   | 125  | (1)                   | 48                            | –                         | 661                 | 833     |
| – costs of structural reform                               | –  | –                     | –                             | –                         | 83                  | 83      |
| – customer redress programmes                              | 210  | –                     | –                             | –                         | –                   | 210     |
| – currency translation on significant items                | 32   | –                     | 5                             | –                         | 57                  | 94      |
| Adjusted   | (3,096)                                    | (1,474)               | (2,357)                       | (362)                     | (332)               | (7,621) |
| <b>Share of profit in associates and joint ventures</b>    |  |                       |                               |                           |                     |         |
| Reported   | 9  | –                     | –                             | –                         | 523                 | 532     |
| Currency translation                                       | –  | –                     | –                             | –                         | 28                  | 28      |
| Adjusted   | 9  | –                     | –                             | –                         | 551                 | 560     |
| <b>Profit/(loss) before tax</b>                            |  |                       |                               |                           |                     |         |
| Reported   | 1,519                                      | 1,796                 | 1,564                         | 74                        | 8                   | 4,961   |
| Currency translation                                       | 2  | 93                    | 84                            | 4                         | (12)                | 171     |
| Significant items  | 294  | (1)                   | 158                           | (4)                       | 631                 | 1,078   |
| – revenue  | (73)                                       | –                     | 105                           | (4)                       | (170)               | (142)   |
| – operating expenses                                       | 367  | (1)                   | 53                            | –                         | 801                 | 1,220   |
| Adjusted   | 1,815                                      | 1,888                 | 1,806                         | 74                        | 627                 | 6,210   |

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### Reconciliation of reported and adjusted risk-weighted assets

|                             | At 31 Mar 2018                       |                    |                            |                        |                  |              |
|-----------------------------|--------------------------------------|--------------------|----------------------------|------------------------|------------------|--------------|
|                             | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Corporate Centre | Total        |
|                             | \$bn                                 | \$bn               | \$bn                       | \$bn                   | \$bn             | \$bn         |
| <b>Risk-weighted assets</b> |                                      |                    |                            |                        |                  |              |
| Reported                    | 125.8                                | 314.0              | 304.3                      | 16.9                   | 133.4            | 894.4        |
| Disposals                   | –                                    | –                  | –                          | –                      | (2.7)            | (2.7)        |
| – Brazil operations         | –                                    | –                  | –                          | –                      | (2.6)            | (2.6)        |
| – Lebanon operations        | –                                    | –                  | –                          | –                      | (0.1)            | (0.1)        |
| <b>Adjusted</b>             | <b>125.8</b>                         | <b>314.0</b>       | <b>304.3</b>               | <b>16.9</b>            | <b>130.7</b>     | <b>891.7</b> |

| At 31 Dec 2017       |              |              |              |             |              |              |
|----------------------|--------------|--------------|--------------|-------------|--------------|--------------|
| Risk-weighted assets |              |              |              |             |              |              |
| Reported             | 121.5        | 301.0        | 299.3        | 16.0        | 133.5        | 871.3        |
| Currency translation | 1.3          | 4.1          | 2.7          | 0.2         | 1.7          | 10.0         |
| Disposals            | –            | –            | –            | –           | (2.7)        | (2.7)        |
| – Brazil operations  | –            | –            | –            | –           | (2.6)        | (2.6)        |
| – Lebanon operations | –            | –            | –            | –           | (0.1)        | (0.1)        |
| <b>Adjusted</b>      | <b>122.8</b> | <b>305.1</b> | <b>302.0</b> | <b>16.2</b> | <b>132.5</b> | <b>878.6</b> |

| At 31 Mar 2017       |              |              |              |             |              |              |
|----------------------|--------------|--------------|--------------|-------------|--------------|--------------|
| Risk-weighted assets |              |              |              |             |              |              |
| Reported             | 113.5        | 280.6        | 296.0        | 15.4        | 152.4        | 857.9        |
| Currency translation | 3.2          | 14.1         | 8.8          | 0.5         | 4.2          | 30.8         |
| Disposals            | (0.2)        | (0.4)        | –            | –           | (5.7)        | (6.3)        |
| – Brazil operations  | –            | –            | –            | –           | (5.2)        | (5.2)        |
| – Lebanon operations | (0.2)        | (0.4)        | –            | –           | (0.5)        | (1.1)        |
| <b>Adjusted</b>      | <b>116.5</b> | <b>294.3</b> | <b>304.8</b> | <b>15.9</b> | <b>150.9</b> | <b>882.4</b> |

### Reconciliation of reported and adjusted results – geographical regions

|  | Quarter ended 31 Mar 2018 |                |              |                |               |                |                |                |
|--|---------------------------|----------------|--------------|----------------|---------------|----------------|----------------|----------------|
|  | Europe                    | Asia           | MENA         | North America  | Latin America | Total          | UK             | Hong Kong      |
|  | \$m                       | \$m            | \$m          | \$m            | \$m           | \$m            | \$m            | \$m            |
| <b>Revenue</b>   |                           |                |              |                |               |                |                |                |
| Reported <sup>1</sup>  | 4,470                     | 7,307          | 676          | 1,625          | 797           | 13,710         | 3,481          | 4,667          |
| Significant items  | 46                        | (12)           | –            | 90             | 16            | 140            | 48             | 1              |
| – disposals, acquisitions and investment in new businesses                   | –                         | –              | –            | 95             | 17            | 112            | –              | –              |
| – fair value movement on financial instruments                               | 46                        | (12)           | –            | (5)            | (1)           | 28             | 48             | 1              |
| <b>Adjusted<sup>1</sup></b>  | <b>4,516</b>              | <b>7,295</b>   | <b>676</b>   | <b>1,715</b>   | <b>813</b>    | <b>13,850</b>  | <b>3,529</b>   | <b>4,668</b>   |
| <b>ECL</b>   |                           |                |              |                |               |                |                |                |
| Reported   | (62)                      | (32)           | (4)          | 47             | (119)         | (170)          | (57)           | (14)           |
| <b>Adjusted</b>  | <b>(62)</b>               | <b>(32)</b>    | <b>(4)</b>   | <b>47</b>      | <b>(119)</b>  | <b>(170)</b>   | <b>(57)</b>    | <b>(14)</b>    |
| <b>Operating expenses</b>  |                           |                |              |                |               |                |                |                |
| Reported <sup>1</sup>  | (4,437)                   | (2,986)        | (343)        | (2,268)        | (514)         | (9,383)        | (3,446)        | (1,510)        |
| Significant items  | 194                       | –              | –            | 944            | –             | 1,138          | 136            | –              |
| – costs of structural reform   | 125                       | 1              | –            | –              | –             | 126            | 112            | 1              |
| – customer redress programmes  | 93                        | –              | –            | –              | –             | 93             | 93             | –              |
| – disposals, acquisitions and investment in new businesses                   | 2                         | –              | –            | –              | –             | 2              | –              | –              |
| – restructuring and other related costs                                      | 20                        | –              | –            | –              | –             | 20             | 20             | –              |
| – settlements and provisions in connection with legal and regulatory matters | (46)                      | (1)            | –            | 944            | –             | 897            | (89)           | (1)            |
| <b>Adjusted<sup>1</sup></b>  | <b>(4,243)</b>            | <b>(2,986)</b> | <b>(343)</b> | <b>(1,324)</b> | <b>(514)</b>  | <b>(8,245)</b> | <b>(3,310)</b> | <b>(1,510)</b> |
| <b>Share of profit in associates and joint ventures</b>                      |                           |                |              |                |               |                |                |                |
| Reported   | 11                        | 479            | 108          | –              | –             | 598            | 11             | 6              |
| <b>Adjusted</b>  | <b>11</b>                 | <b>479</b>     | <b>108</b>   | <b>–</b>       | <b>–</b>      | <b>598</b>     | <b>11</b>      | <b>6</b>       |
| <b>Profit/(loss) before tax</b>  |                           |                |              |                |               |                |                |                |
| Reported   | (18)                      | 4,768          | 437          | (596)          | 164           | 4,755          | (11)           | 3,149          |
| Significant items  | 240                       | (12)           | –            | 1,034          | 16            | 1,278          | 184            | 1              |
| – revenue  | 46                        | (12)           | –            | 90             | 16            | 140            | 48             | 1              |
| – operating expenses   | 194                       | –              | –            | 944            | –             | 1,138          | 136            | –              |
| <b>Adjusted</b>  | <b>222</b>                | <b>4,756</b>   | <b>437</b>   | <b>438</b>     | <b>180</b>    | <b>6,033</b>   | <b>173</b>     | <b>3,150</b>   |

<sup>1</sup> Amounts are non-additive across geographical regions due to intra-Group transactions.

Reconciliation of reported and adjusted results – geographical regions (continued)

|  | Quarter ended 31 Dec 2017 |         |       |               |               |         |         |           |
|--|---------------------------|---------|-------|---------------|---------------|---------|---------|-----------|
|  | Europe                    | Asia    | MENA  | North America | Latin America | Total   | UK      | Hong Kong |
|  | \$m                       | \$m     | \$m   | \$m           | \$m           | \$m     | \$m     | \$m       |
| <b>Revenue</b>   |                           |         |       |               |               |         |         |           |
| Reported <sup>1</sup>  | 3,983                     | 6,369   | 638   | 1,798         | 843           | 12,301  | 2,895   | 3,998     |
| Currency translation <sup>1</sup>  | 216                       | 48      | 1     | 2             | (21)          | 236     | 164     | (9)       |
| Significant items  | 40                        | 121     | —     | 3             | (19)          | 145     | 34      | 12        |
| – customer redress programmes  | 105                       | —       | —     | —             | —             | 105     | 105     | —         |
| – disposals, acquisitions and investment in new businesses                   | —                         | 99      | —     | (1)           | (19)          | 79      | —       | —         |
| – fair value movement on financial instruments                               | (71)                      | 22      | —     | 4             | —             | (45)    | (77)    | 12        |
| – currency translation on significant items                                  | 6                         | —       | —     | —             | —             | 6       | 6       | —         |
| Adjusted <sup>1</sup>  | 4,239                     | 6,538   | 639   | 1,803         | 803           | 12,682  | 3,093   | 4,001     |
| <b>LICs</b>  |                           |         |       |               |               |         |         |           |
| Reported   | (506)                     | (26)    | (32)  | 31            | (125)         | (658)   | (380)   | 19        |
| Currency translation   | (24)                      | (1)     | —     | —             | 1             | (24)    | (18)    | —         |
| Adjusted   | (530)                     | (27)    | (32)  | 31            | (124)         | (682)   | (398)   | 19        |
| <b>Operating expenses</b>  |                           |         |       |               |               |         |         |           |
| Reported <sup>1</sup>  | (5,874)                   | (3,127) | (357) | (1,308)       | (559)         | (9,895) | (4,886) | (1,598)   |
| Currency translation <sup>1</sup>  | (211)                     | (33)    | —     | (1)           | 16            | (219)   | (167)   | 4         |
| Significant items  | 1,051                     | 186     | 13    | (103)         | 26            | 1,173   | 840     | 91        |
| – costs to achieve   | 369                       | 167     | 13    | 78            | 28            | 655     | 345     | 74        |
| – costs of structural reform   | 131                       | —       | —     | —             | —             | 131     | 124     | —         |
| – customer redress programmes  | 272                       | —       | —     | —             | —             | 272     | 272     | —         |
| – disposals, acquisitions and investment in new businesses                   | 32                        | —       | —     | 7             | —             | 39      | —       | —         |
| – gain on partial settlement of pension obligation                           | —                         | —       | —     | (188)         | —             | (188)   | —       | —         |
| – settlements and provisions in connection with legal and regulatory matters | 211                       | 17      | —     | —             | —             | 228     | 64      | 17        |
| – currency translation on significant items                                  | 36                        | 2       | —     | —             | (2)           | 36      | 35      | —         |
| Adjusted <sup>1</sup>  | (5,034)                   | (2,974) | (344) | (1,412)       | (517)         | (8,941) | (4,213) | (1,503)   |
| <b>Share of profit in associates and joint ventures</b>                      |                           |         |       |               |               |         |         |           |
| Reported   | 11                        | 454     | 84    | —             | 7             | 556     | 11      | 9         |
| Currency translation   | —                         | 18      | —     | —             | —             | 18      | —       | —         |
| Adjusted   | 11                        | 472     | 84    | —             | 7             | 574     | 11      | 9         |
| <b>Profit/(loss) before tax</b>  |                           |         |       |               |               |         |         |           |
| Reported   | (2,386)                   | 3,670   | 333   | 521           | 166           | 2,304   | (2,360) | 2,428     |
| Currency translation   | (19)                      | 32      | 1     | 1             | (4)           | 11      | (21)    | (5)       |
| Significant items  | 1,091                     | 307     | 13    | (100)         | 7             | 1,318   | 874     | 103       |
| – revenue  | 40                        | 121     | —     | 3             | (19)          | 145     | 34      | 12        |
| – operating expenses   | 1,051                     | 186     | 13    | (103)         | 26            | 1,173   | 840     | 91        |
| Adjusted   | (1,314)                   | 4,009   | 347   | 422           | 169           | 3,633   | (1,507) | 2,526     |

<sup>1</sup> Amounts are non-additive across geographical regions due to intra-Group transactions.

## Earnings Release – 1Q18

### Reconciliation of reported and adjusted results – geographical regions (continued)

|  | Quarter ended 31 Mar 2017 |             |             |                         |                         |              |           |                     |
|--|---------------------------|-------------|-------------|-------------------------|-------------------------|--------------|-----------|---------------------|
|  | Europe<br>\$m             | Asia<br>\$m | MENA<br>\$m | North<br>America<br>\$m | Latin<br>America<br>\$m | Total<br>\$m | UK<br>\$m | Hong<br>Kong<br>\$m |
| <b>Revenue</b>   |                           |             |             |                         |                         |              |           |                     |
| Reported <sup>1</sup>                                      | 4,213                     | 6,540       | 653         | 1,776                   | 735                     | 12,993       | 3,018     | 4,107               |
| Currency translation <sup>1</sup>                          | 579                       | 100         | (2)         | 17                      | (6)                     | 660          | 406       | (34)                |
| Significant items  | (48)                      | 47          | —           | (142)                   | 1                       | (142)        | (55)      | 22                  |
| – disposals, acquisitions and investment in new businesses | (4)                       | —           | —           | (152)                   | —                       | (156)        | —         | —                   |
| – fair value movement on financial instruments             | (51)                      | 46          | —           | 10                      | 1                       | 6            | (60)      | 22                  |
| – currency translation on significant items                | 7                         | 1           | —           | —                       | —                       | 8            | 5         | —                   |
| Adjusted <sup>1</sup>                                      | 4,744                     | 6,687       | 651         | 1,651                   | 730                     | 13,511       | 3,369     | 4,095               |
| <b>LICs</b>  |                           |             |             |                         |                         |              |           |                     |
| Reported   | 5                         | (167)       | (57)        | 106                     | (123)                   | (236)        | 16        | (155)               |
| Currency translation                                       | —                         | 1           | —           | 2                       | (7)                     | (4)          | 1         | 1                   |
| Adjusted   | 5                         | (166)       | (57)        | 108                     | (130)                   | (240)        | 17        | (154)               |
| <b>Operating expenses</b>                                  |                           |             |             |                         |                         |              |           |                     |
| Reported <sup>1</sup>                                      | (4,428)                   | (2,694)     | (322)       | (1,310)                 | (498)                   | (8,328)      | (3,546)   | (1,393)             |
| Currency translation <sup>1</sup>                          | (477)                     | (63)        | 2           | (11)                    | 8                       | (513)        | (350)     | 12                  |
| Significant items  | 944                       | 171         | 8           | 83                      | 14                      | 1,220        | 907       | 74                  |
| – costs to achieve   | 563                       | 167         | 8           | 82                      | 13                      | 833          | 531       | 75                  |
| – costs of structural reform                               | 83                        | —           | —           | —                       | —                       | 83           | 83        | —                   |
| – customer redress programmes                              | 210                       | —           | —           | —                       | —                       | 210          | 210       | —                   |
| – currency translation on significant items                | 88                        | 4           | —           | 1                       | 1                       | 94           | 83        | (1)                 |
| Adjusted <sup>1</sup>                                      | (3,961)                   | (2,586)     | (312)       | (1,238)                 | (476)                   | (7,621)      | (2,989)   | (1,307)             |
| <b>Share of profit in associates and joint ventures</b>    |                           |             |             |                         |                         |              |           |                     |
| Reported   | 4                         | 415         | 113         | —                       | —                       | 532          | 5         | 7                   |
| Currency translation                                       | (6)                       | 34          | —           | —                       | —                       | 28           | (6)       | —                   |
| Adjusted   | (2)                       | 449         | 113         | —                       | —                       | 560          | (1)       | 7                   |
| <b>Profit/(loss) before tax</b>                            |                           |             |             |                         |                         |              |           |                     |
| Reported   | (206)                     | 4,094       | 387         | 572                     | 114                     | 4,961        | (507)     | 2,566               |
| Currency translation                                       | 96                        | 72          | —           | 8                       | (5)                     | 171          | 51        | (21)                |
| Significant items  | 896                       | 218         | 8           | (59)                    | 15                      | 1,078        | 852       | 96                  |
| – revenue  | (48)                      | 47          | —           | (142)                   | 1                       | (142)        | (55)      | 22                  |
| – operating expenses                                       | 944                       | 171         | 8           | 83                      | 14                      | 1,220        | 907       | 74                  |
| Adjusted   | 786                       | 4,384       | 395         | 521                     | 124                     | 6,210        | 396       | 2,641               |

<sup>1</sup> Amounts are non-additive across geographical regions due to intra-Group transactions.

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## First interim dividend for 2018

The Directors of HSBC Holdings plc have declared a first interim dividend of \$0.10 per ordinary share in respect of the financial year ending 31 December 2018 in accordance with their intention, as set out in the *Annual Report and Accounts 2017*, to pay quarterly dividends on the ordinary shares in a pattern of three equal dividends with a variable fourth interim dividend. The ordinary shares in London, Hong Kong, Paris and Bermuda and the American Depositary Shares ('ADSs') in New York will be quoted ex-dividend on 17 May 2018. The dividend will be payable on 5 July 2018 to holders of record on 18 May 2018.

The dividend will be payable in US dollars, sterling or Hong Kong dollars, or a combination of these currencies, at the forward exchange rates quoted by HSBC Bank plc in London at or about 11.00am on 25 June 2018. A scrip dividend will also be offered. Particulars of these arrangements will be sent to shareholders on or about 31 May 2018 and elections must be received by 21 June 2018.

The dividend will be payable on ordinary shares held through Euroclear France, the settlement and central depository system for Euronext Paris, on 5 July 2018 to the holders of record on 18 May 2018. The dividend will be payable in US dollars or as a scrip dividend. Particulars of these arrangements will be announced through Euronext Paris on 7 May, 25 May and 6 July 2018.

The dividend will be payable on ADSs, each of which represents five ordinary shares, on 5 July 2018 to holders of record on 18 May 2018. The dividend of \$0.50 per ADS will be payable by the depository in US dollars or as a scrip dividend of new ADSs. Particulars of these arrangements will be sent to holders on or about 31 May 2018 and elections will be required to be made by 15 June 2018. Alternatively, the cash dividend may be invested in additional ADSs for participants in the dividend reinvestment plan operated by the depository.

Any person who has acquired ordinary shares registered on the Principal register in the United Kingdom, the Hong Kong Overseas Branch register or the Bermuda Overseas Branch register but who has not lodged the share transfer with the Principal Registrar, Hong Kong or Bermuda Overseas Branch Registrar should do so before 4.00pm local time on 18 May 2018 in order to receive the dividend.

Ordinary shares may not be removed from or transferred to the Principal register in the United Kingdom, the Hong Kong Overseas Branch register or the Bermuda Overseas Branch register on 18 May 2018. Any person wishing to remove or transfer ordinary shares to or from each register must do so before 4.00pm local time on 17 May 2018.

Transfer of ADSs must be lodged with the depository by 11.00am local time on 18 May 2018 to receive the dividend.

### **Dividend on 6.20% non-cumulative US dollar preference shares, series A ('Series A Dollar Preference Shares')**

In 2005, 1,450,000 Series A Dollar Preference Shares were issued for a consideration of \$1,000 each, and Series A American Depositary Shares, each of which represents one-fortieth of a Series A Dollar Preference Share, were listed on the New York Stock Exchange.

A non-cumulative fixed-rate dividend of 6.20% per annum is payable on the Series A Dollar Preference Shares on 15 March, 15 June, 15 September and 15 December 2018 for the quarter then ended at the sole and absolute discretion of the Board of HSBC Holdings plc. Accordingly, the Board of HSBC Holdings plc has declared a dividend of \$0.3875 per Series A American Depositary Share for the quarter ending 15 June 2018.

The dividend will be payable on 15 June 2018 to holders of record on 31 May 2018.

Any person who has acquired Series A American Depositary Shares but who has not lodged the transfer documentation with the depository should do so before 12.00pm local time on 31 May 2018 in order to receive the dividend.

For and on behalf of  
HSBC Holdings plc

Ben J S Mathews  
Group Company Secretary

The Board of Directors of HSBC Holdings plc as at the date of this announcement are: Mark Tucker\*, John Flint, Kathleen Casey<sup>†</sup>, Laura Cha<sup>†</sup>, Henri de Castries<sup>†</sup>, Lord Evans of Weardale<sup>†</sup>, Irene Lee<sup>†</sup>, Iain Mackay, Heidi Miller<sup>†</sup>, Marc Moses, David Nish<sup>†</sup>, Jonathan Symonds<sup>†</sup>, Jackson Tai<sup>†</sup> and Pauline van der Meer Mohr<sup>†</sup>.

\* Non-executive Group Chairman.

<sup>†</sup> Independent non-executive Director.

## Terms and abbreviations

|                  |   |
|------------------|---|
| 1Q18             | First quarter of 2018   |
| 1Q17             | First quarter of 2017   |
| 4Q17             | Fourth quarter of 2017  |
| Adjusted RoRWA   | Adjusted return on average risk-weighted assets   |
| AFS              | Available for sale  |
| Bps              | Basis points. One basis point is equal to one-hundredth of a percentage point   |
| C&L              | Credit and Lending  |
| CET1             | Common equity tier 1  |
| CMB              | Commercial Banking, a global business   |
| CML              | Consumer and Mortgage Lending (US)  |
| 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 |
| Costs to achieve | Transformation costs to deliver the cost reduction and productivity outcomes outlined in the Investor Update in June 2015   |
| CRD IV           | Capital Requirements Directive IV   |
| D-SIB            | Domestic systemically important bank  |
| EBA              | European Banking Authority  |
| ECL              | Expected credit losses and other credit impairment charges  |
| FTEs             | Full-time equivalent staff  |
| FVOCI            | Fair value through other comprehensive income   |
| GB&M             | Global Banking and Markets, a global business   |
| GLCM             | Global Liquidity and Cash Management  |
| GPB              | Global Private Banking, a global business   |
| Group            | HSBC Holdings together with its subsidiary undertakings   |
| G-SIB            | Global systemically important bank  |
| GTRF             | Global Trade and Receivables Finance  |
| IAS              | International Accounting Standards  |
| IFRSs            | International Financial Reporting Standards   |
| IMA              | Internal Models Approach  |
| IMM              | Internal Model Method   |
| IRB              | Internal ratings based  |
| 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   |
| JV               | Joint venture   |
| LCR              | Liquidity coverage ratio  |
| 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  |
| LICs             | Loan impairment charges and other credit risk provisions  |
| MENA             | Middle East and North Africa  |
| PBT              | Profit before tax   |
| POCI             | Purchased or originated credit-impaired   |
| RBWM             | Retail Banking and Wealth Management, a global business   |
| Revenue          | Net operating income before ECL/LICs  |
| RMBS             | Residential mortgage-backed securities  |
| RWAs             | Risk-weighted assets  |
| \$m/\$bn         | United States dollar millions/billions  |
| VaR              | Value at risk   |