HSBC HOLDINGS PLC
Form 6-K
May 03, 2019

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of

the Securities Exchange Act of 1934

For the month of May 2019

Commission File Number: 001-14930

HSBC Holdings plc

42nd Floor, 8 Canada Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F X Form 40-F ......

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ______

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ______

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934).

Yes....... No X

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-..............).

This Report on Form 6-K with respect to our quarterly results for the three-month period ended March 31, 2019 is hereby incorporated by reference in the following HSBC Holdings plc registration statements: Registration Statements on Form F-3 (Nos. 333-92024, 333-135007, 333-158065, 333-180288, 333-202420, 333-223191) and Registration Statement on Form F-4 (No. 333-126531).

Neither our website referred to herein, nor any of the information contained on our website, is incorporated by reference in the Form 6-K

3 MAY 2019

HSBC HOLDINGS PLC

1Q19 EARNINGS RELEASE – HIGHLIGHTS

John Flint, Group Chief Executive, said:

“These are an encouraging set of results, particularly in the context of heightened economic uncertainty globally. We remain focused on executing the strategy we outlined last June, while also being alert to risks in the global economy.”

Financial performance (vs. 1Q18)

- Reported profit after tax up 31% to $4.9bn.
- Reported revenue up 5%. Adjusted revenue up 9%, supported by positive market impacts and disposal gains.
- Reported operating expenses down 12%. Adjusted operating expenses up 3.2% in 1Q19, which has slowed from 5.6% at FY18 (compared with FY17). Returned to positive adjusted jaws of 6.0%, supported by favourable markets-related movements and disposal gains in Latin America.
- Earnings per share of 21 cents, up 40%. Return on tangible equity (annualised) up 220bps to 10.6%.
- Common equity tier 1 (‘CET1’) ratio up 30bps from 31 December 2018 to 14.3%, including a 7bps adverse impact of IFRS 16. We are committed to the discipline of scrip neutralisation and will announce our decision on 2019 share buybacks at the half-year.

Strategic progress

- Continued growth momentum in RBWM and CMB. Adjusted revenue up 10% in RBWM and 11% in CMB, compared with 1Q18. Strong adjusted revenue performances in Retail Banking (up 11%) and Global Liquidity and Cash Management (up 17%).
- Strong growth in Asia, despite a softer rate and growth environment. Reported revenue up 7% compared with 1Q18; reported lending growth of $11bn or 2% compared with 4Q18.
- Investments of $1.0bn in 1Q19, up 15% compared with 1Q18, on near- and medium-term initiatives to grow the business and enhance our digital capabilities.
- Revenue growth from our international network, with transaction banking revenue up 9% compared with 1Q18.
- US turnaround progressing, but this remains our most challenging strategic priority. In 1Q19, we increased retail customer numbers and continued to capitalise on our international network, despite the softening rate environment.

Financial highlights and key ratios

| | Quarter ended 31 Mar | | |
|---|---|---|---|
| | 2019 | 2018 | Change |
| | $m | $m | % |
| Reported profit before tax | 6,213 | 4,755 | 30.7 |
| Adjusted profit before tax | 6,350 | 5,800 | 9.5 |
| Reported profit after tax | 4,910 | 3,738 | 31.4 |
| | $ | $ | % |
| Basic earnings per share | 0.21 | 0.15 | 40.0 |
| Diluted earnings per share | 0.21 | 0.15 | 40.0 |
| Net asset value per ordinary share | 8.20 | 8.40 | (2.4) |
| Tangible net asset value per ordinary share | 7.05 | 7.29 | (3.3) |
| Tangible net asset value per fully diluted ordinary share | 7.02 | 7.25 | (3.2) |
| | Millions | Millions | |
| Basic number of ordinary shares outstanding | 20,082 | 20,013 | |
| Basic number of ordinary shares outstanding and dilutive potential ordinary shares | 20,177 | 20,118 | |
| | % | % | |
| Net interest margin | 1.59 | 1.67 | |
| Return on average ordinary shareholders’ equity (annualised) | 10.2 | 7.5 | |
| Return on average tangible equity (annualised) | 10.6 | 8.4 | |
| Adjusted jaws | 6.0 | | |

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.

Capital and balance sheet

| | | At | |
|---|---|---|---|
| | | 31 Mar 2019 | 31 Dec 2018 |
| | Footnotes | % | % |
| Common equity tier 1 ratio | 1 | 14.3 | 14.0 |
| Leverage ratio | 1 | 5.4 | 5.5 |
| | | $m | $m |
| Loans and advances to customers | | 1,005,279 | 981,696 |
| Customer accounts | | 1,356,511 | 1,362,643 |
| Loans and advances to customers as a percentage of customer accounts | | 74.1% | 72.0% |
| Risk-weighted assets | 1 | 879,485 | 865,318 |

1 The Group has adopted the EU's regulatory transitional arrangements for IFRS 9 'Financial Instruments'. These apply to reported and adjusted RWAs, regulatory capital and related ratios throughout this 1Q19 Earnings Release, unless otherwise stated.

Earnings Release – 1Q19

Contents

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/investors.

Note to editors

HSBC Holdings plc

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in
66 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of $2,659bn at 31 March 2019, HSBC is one of the world's largest banking and financial services organisations.

Review by John Flint, Group Chief Executive

We have made a good start to 2019. Reported profit after tax was up significantly on 1Q18, thanks largely to strong revenue growth in our Retail Banking and Wealth Management and Commercial Banking businesses, and favourable movements in significant items. Return on tangible equity – our headline measure – was up considerably on the same period last year, and we delivered positive adjusted jaws over the quarter.

Our three main global businesses performed well. Retail Banking and Wealth Management generated a significant increase in adjusted revenue on the back of higher lending and deposit balances, notably in the UK and Hong Kong, and from positive market impacts in insurance manufacturing. Commercial Banking delivered a double-digit increase in adjusted revenue, owing mainly to our continued strength in transaction banking, with growth across all regions. Global Banking and Markets adjusted revenue was up relative to a strong first quarter last year, with favourable movements on credit and funding valuation adjustments and growth in transaction banking more than offsetting the impact of economic uncertainty on our Global Banking, equities and fixed income businesses.

These are an encouraging set of results, and we remain focused on executing the strategy we outlined last June. At the same time, we remain alert to risks in the global economy. We are proactively managing costs and investment in line with this more uncertain outlook, and will continue to do so.

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. 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.

Foreign currency translation differences

Foreign currency translation differences for 1Q19 are computed by retranslating into US dollars for non-US dollar branches, subsidiaries, joint ventures and associates:

- the income statements for 4Q18 and 1Q18 at the average rates of exchange for 1Q19; and
- the closing prior period balance sheets at the prevailing rates of exchange on 31 March 2019.

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. The constant currency data of HSBC's Argentinian subsidiaries has not been adjusted further for the impacts of hyperinflation. 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 34 to 42 detail the effects of significant items on each of our global business segments and geographical regions during 1Q19, 4Q18 and 1Q18.

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 the CODM on the basis of adjusted performance, which 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 4. Supplementary reconciliations of adjusted to reported results by global business are presented on pages 34 to 36 for information purposes.

Management view of adjusted revenue

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

Earnings Release – 1Q19

Reconciliation of reported and adjusted results

| | | Quarter ended | | |
|---|---|---|---|---|
| | | 31 Mar 2019 | 31 Dec 2018 | 31 Mar 2018 |
| | Footnotes | $m | $m | $m |
| Revenue | | | | |
| Reported | | 14,428 | 12,695 | 13,710 |
| Currency translation | | | 75 | (656) |
| Significant items | | (22) | (129) | 142 |
| – customer redress programmes | | — | (7) | — |
| – disposals, acquisitions and investment in new businesses | | — | (29) | 112 |
| – fair value movement on financial instruments | 1 | (22) | (95) | 28 |
| – currency translation of significant items | | | 2 | 2 |
| Adjusted | | 14,406 | 12,641 | 13,196 |
| Change in expected credit losses and other credit impairment charges | | | | |
| Reported | | (585) | (853) | (170) |
| Currency translation | | | (10) | 18 |
| Adjusted | | (585) | (863) | (152) |
| Operating expenses | | | | |
| Reported | | (8,222) | (9,144) | (9,383) |
| Currency translation | | | (55) | 446 |
| Significant items | | 159 | 265 | 1,123 |
| – cost of structural reform | 2 | 53 | 61 | 126 |
| – customer redress programmes | | 56 | (16) | 93 |
| – disposals, acquisitions and investment in new businesses | | — | (2) | 2 |
| – past service costs of guaranteed minimum pension benefits equalisation | | — | 228 | — |
| – restructuring and other related costs | | 50 | 15 | 20 |
| – settlements and provisions in connection with legal and regulatory matters | | — | (24) | 897 |
| – currency translation of significant items | | | 3 | (15) |
| Adjusted | | (8,063) | (8,934) | (7,814) |
| Share of profit in associates and joint ventures | | | | |
| Reported | | 592 | 558 | 598 |
| Currency translation | | | 13 | (28) |
| Adjusted | | 592 | 571 | 570 |
| Profit before tax | | | | |
| Reported | | 6,213 | 3,256 | 4,755 |
| Currency translation | | | 23 | (220) |
| Significant items | | 137 | 136 | 1,265 |
| – revenue | | (22) | (129) | 142 |
| – operating expenses | | 159 | 265 | 1,123 |
| Adjusted | | 6,350 | 3,415 | 5,800 |
| Loans and advances to customers (net) | | | | |
| Reported | | 1,005,279 | 981,696 | 981,165 |
| Currency translation | | | 5,923 | (43,391) |
| Adjusted | | 1,005,279 | 987,619 | 937,774 |
| Customer accounts | | | | |
| Reported | | 1,356,511 | 1,362,643 | 1,379,679 |

| | | | |
|---|---|---|---|
| Currency translation | | 7,573 | (55,166 ) |
| Adjusted | 1,356,511 | 1,370,216 | 1,324,513 |

1 Includes fair value movements on non-qualifying hedges and debit value adjustments (‘DVA’) on derivative contracts.

2 Comprises costs associated with preparations for 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.

Financial performance commentary

Distribution of results by global business

| | Quarter ended | | |
|---|---|---|---|
| | 31 Mar 2019 | 31 Dec 2018 | 31 Mar 2018 |
| | $m | $m | $m |
| Adjusted profit/(loss) before tax | | | |
| Retail Banking and Wealth Management | 2,231 | 1,354 | 1,876 |
| Commercial Banking | 2,016 | 1,676 | 2,030 |
| Global Banking and Markets | 1,639 | 704 | 1,640 |
| Global Private Banking | 98 | 60 | 111 |
| Corporate Centre | 366 | (379) | 143 |
| Total | 6,350 | 3,415 | 5,800 |

Distribution of results by geographical region

| | Quarter ended | | |
|---|---|---|---|
| | 31 Mar 2019 | 31 Dec 2018 | 31 Mar 2018 |
| | $m | $m | $m |
| Reported profit/(loss) before tax | | | |
| Europe | (14) | (1,559) | (18) |
| Asia | 5,006 | 3,951 | 4,768 |
| Middle East and North Africa | 465 | 399 | 437 |
| North America | 379 | 290 | (596) |
| Latin America | 377 | 175 | 164 |
| Total | 6,213 | 3,256 | 4,755 |
| Adjusted profit/(loss) before tax | | | |
| Europe | 69 | (1,402) | 134 |
| Asia | 5,040 | 3,974 | 4,662 |
| Middle East and North Africa | 466 | 401 | 431 |
| North America | 388 | 294 | 426 |
| Latin America | 387 | 148 | 147 |
| Total | 6,350 | 3,415 | 5,800 |

Tables showing adjusted profit before tax by global business and region are presented to support the commentary on adjusted performance on the following pages.

The tables on pages 34 to 42 reconcile reported to adjusted results for each of our global business segments and geographical regions.

Group

1Q19 compared with 1Q18 – reported results

Movement in reported profit before tax compared with 1Q18

| | Quarter ended | | Variance | |
|---|---|---|---|---|
| | 31 Mar 2019 | 31 Mar 2018 | 1Q19 vs. 1Q18 | |
| | $m | $m | $m | % |
| Revenue | 14,428 | 13,710 | 718 | 5 |
| ECL | (585) | (170) | (415) | >(100) |
| Operating expenses | (8,222) | (9,383) | 1,161 | 12 |
| Share of profit from associates and JVs | 592 | 598 | (6) | (1) |
| Profit before tax | 6,213 | 4,755 | 1,458 | 31 |

Reported profit before tax

Reported profit before tax of $6.2bn in 1Q19 was $1.5bn or 31% higher than in 1Q18. This increase reflected higher revenue in RBWM due to balance sheet growth and wider margins in Retail Banking, and in CMB due to growth in Global Liquidity and Cash Management ('GLCM') and Credit and Lending ('C&L'). Revenue growth included the favourable effects of market impacts in insurance manufacturing, credit and funding valuation adjustments in GB&M and the non-recurrence of a 1Q18 adverse swap mark-to-market loss on a bond reclassification in Corporate Centre. Growth also included 1Q19 disposal gains in RBWM and CMB of $157m.

Operating expenses were $1.2bn lower, reflecting net favourable movements in significant items, notably as 1Q18 included a charge of $0.9bn for settlements and provisions in connection with legal and regulatory matters. This was partly offset by an increase in expenditure on investments to grow the business, including enhancements of digital capabilities. In addition, expected credit losses and other credit impairment charges ('ECL') increased, notably in CMB in the UK and Asia.

Excluding net favourable movements in significant items of $1.1bn and adverse foreign currency translation differences of $0.2bn, profit before tax increased by $0.6bn or 9%.

Reported revenue

Reported revenue of $14.4bn was $0.7bn or 5% higher than in 1Q18.

The increase in reported revenue included adverse foreign currency translation differences of $0.7bn, partly offset by a net favourable movement in significant items of $0.2bn.

Excluding foreign currency translation differences and significant items, revenue increased by $1.2bn or 9%.

Reported ECL

Reported ECL of $0.6bn were $0.4bn higher than in 1Q18, notably in CMB, reflecting charges in 1Q19, compared with net releases in 1Q18. In addition, there were lower net ECL releases in Corporate Centre in 1Q19.

The effect of foreign currency translation differences between the periods was minimal.

Reported operating expenses

Reported operating expenses of $8.2bn were $1.2bn or 12% lower than in 1Q18. This primarily reflected a favourable effect of foreign currency translation differences of $0.4bn and net favourable movements in significant items of $1.0bn, which included the non-recurrence of settlements and provisions in connection with legal and regulatory matters of $0.9bn in 1Q18. These favourable movements were partly offset by an increase in operating expenses from near- and medium-term investments to grow the business, together with higher performance-related pay.

Excluding significant items and foreign currency translation differences, operating expenses increased by $0.2bn or 3%.

Reported share of profit from associates and JVs

Reported income from associates of $0.6bn was broadly unchanged.

Group

1Q19 compared with 1Q18 – adjusted results

Movement in adjusted profit before tax compared with 1Q18

| | Quarter ended | | | |
|---|---|---|---|---|
| | 31 Mar 2019 | 31 Mar 2018 | Variance 1Q19 vs. 1Q18 | |
| | $m | $m | $m | % |
| Revenue | 14,406 | 13,196 | 1,210 | 9 |
| ECL | (585) | (152) | (433) | >(100) |
| Operating expenses | (8,063) | (7,814) | (249) | (3) |
| Share of profit from associates and JVs | 592 | 570 | 22 | 4 |
| Profit before tax | 6,350 | 5,800 | 550 | 9 |

Adjusted profit before tax

On an adjusted basis, profit before tax of $6.4bn was $0.6bn or 9% higher than in 1Q18.

From 1 July 2018, Argentina was deemed a hyperinflationary economy for accounting purposes. The impact of applying IAS 29 'Financial Reporting in Hyperinflationary Economies' from 1 July 2018 and presenting in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates' resulted in a $50m decrease in profit before tax in 1Q19. The effects of hyperinflation accounting in Argentina have not been deemed a significant item and are therefore included within adjusted results.

Adjusted revenue

Adjusted revenue of $14.4bn was $1.2bn or 9% higher than in 1Q18, reflecting continued growth momentum in RBWM and CMB, notably in Asia. Revenue increased in GB&M, while in GPB revenue fell. We also recorded a net favourable movement in revenue in Corporate Centre.

- In RBWM, revenue increased by $0.5bn or 10%, mainly in Retail Banking, reflecting growth in lending and deposit balances, primarily in the UK and Hong Kong, and wider margins resulting from interest rate rises. In Wealth Management, revenue growth was mainly due to favourable market impacts in 1Q19 of $181m in insurance manufacturing (1Q18: $40m adverse), partly offset by lower investment distribution revenue compared with a strong 1Q18.
- In CMB, revenue increased by $0.4bn or 11%, primarily in GLCM as we benefited from wider deposit margins, notably in Hong Kong and the UK, as well as growth in average balances in the UK. In addition, revenue increased in

C&L due to balance sheet growth, partly offset by the effects of margin compression. Revenue growth in Global Trade and Receivables Finance (‘GTRF’) was due to improved margins and higher fees.

- In GB&M, revenue increased by $0.1bn or 3% and included a net favourable movement on credit and funding valuation adjustments. Revenue increases in GLCM and Securities Services were driven by the impact of higher interest rates and average balance growth. Revenue also increased in GTRF, primarily in MENA and Asia, as we grew average lending balances. In Global Banking, revenue fell as 1Q18 included gains on corporate lending restructuring, while in Global Markets, revenue was down due to reduced client activity, driven by market uncertainty, partly offset by a provision release of $106m in Equities.
- In GPB, revenue decreased by $17m or 4%, primarily in the US, reflecting the impact of our repositioning actions and lower investment revenue in Switzerland. This was partly offset by an increase in Asia from growth in deposit revenue and annuity fees, partly offset by lower brokerage and trading revenue.
- In Corporate Centre, we recorded a net favourable movement in revenue of $0.2bn. This primarily reflected higher revenue in Central Treasury, mainly as 1Q18 included a $177m loss arising from swap mark-to-market movements following a bond reclassification under IFRS 9 ‘Financial Instruments’. This was partly offset by the adverse effects of hyperinflation accounting in Argentina of $56m.

Adjusted ECL

Adjusted ECL of $0.6bn were $0.4bn higher, driven by a small number of individual corporate exposures, mainly in the UK. There was no material change in the quarter to allowances relating to economic uncertainty in the UK.

The ECL variance was driven by:

- CMB (up $0.3bn), mainly in HSBC UK, our UK ring-fenced bank, from charges related to a small number of customers, and an allowance to reflect current economic uncertainty in the UK. ECL were also higher in Asia, reflecting higher specific charges in various sectors in 1Q19 compared with net releases in 1Q18; and
- Corporate Centre (up $0.1bn) from lower net releases related to our legacy credit portfolio.

Adjusted ECL in RBWM, GB&M and GPB were broadly in line with charges in 1Q18.

In 1Q19, adjusted ECL as a percentage of average gross loans and advances to customers was 0.24%, compared with 0.07% at 1Q18.

Adjusted operating expenses

Adjusted operating expenses of $8.1bn were $0.2bn or 3% higher than in 1Q18. This included an increase in investments (up $0.1bn), notably from near- and medium-term investments to grow the business, mainly in RBWM and CMB, and continued investment in digital across all global businesses. In addition, performance-related pay increased by $0.1bn.

Adjusted share of profit from associates and JVs

Adjusted income from associates of $0.6bn was $22m or 4% higher than in 1Q18, mainly reflecting an increase in share of income from Bank of Communications Co., Limited ('BoCom').

Tax expense

The effective tax rate for 1Q19 of 21.0% was lower than 21.4% in 1Q18, as 1Q18 contained a non-deductible regulatory settlement. The impact of this was partly offset by the effect of changes in profit mix and adjustments in respect of prior periods.

First interim dividend for 2019

On 3 May 2019, the Board announced a first interim dividend for 2019 of $0.10 per ordinary share. Further details are set out at the end of this release.

Retail Banking and Wealth Management

1Q19 compared with 1Q18 – adjusted results

Management view of adjusted revenue

| | | Quarter ended | | | | |
|---|---|---|---|---|---|---|
| | | 31 Mar 2019 | 31 Dec 2018 | 31 Mar 2018 | Variance 1Q19 vs. 1Q18 | |
| | Footnotes | $m | $m | $m | $m | % |
| Retail Banking | | 3,870 | 3,944 | 3,494 | 376 | 11 |
| – current accounts, savings and deposits | | 2,197 | 2,328 | 1,786 | 411 | 23 |
| – personal lending | | 1,673 | 1,616 | 1,708 | (35) | (2) |
| mortgages | | 433 | 418 | 551 | (118) | (21) |
| credit cards | | 789 | 723 | 694 | 95 | 14 |
| other personal lending | 1 | 451 | 475 | 463 | (12) | (3) |
| Wealth Management | | 1,907 | 1,129 | 1,768 | 139 | 8 |
| – investment distribution | 2 | 855 | 673 | 1,019 | (164) | (16) |
| – life insurance manufacturing | | 793 | 207 | 479 | 314 | 66 |
| – asset management | | 259 | 249 | 270 | (11) | (4) |
| Other | 3 | 194 | 62 | 181 | 13 | 7 |
| Net operating income | 4 | 5,971 | 5,135 | 5,443 | 528 | 10 |
| RoTE excluding significant items and UK bank levy (annualised) (%) | | 22.1 | – | 23.1 | | |

For footnotes, see page 14.

Adjusted profit before tax of $2.2bn was $0.4bn or 19% higher than in 1Q18. This increase reflected a strong revenue performance in Retail Banking due to balance sheet growth and the impact of interest rates on margins. The increase also included favourable market impacts in life insurance manufacturing, as well as disposal gains in Argentina and Mexico. This was partly offset by higher operating expenses.

Adjusted revenue of $6.0bn was $0.5bn or 10% higher.

In Retail Banking, revenue of $3.9bn was up $0.4bn or 11%. The increase reflected deposit balance growth of $20bn or 3%, particularly in the UK and Hong Kong, and lending balance growth of $30bn or 9% compared with 1Q18, notably in mortgages in the UK and Hong Kong, together with improved deposit margins from higher interest rates.

In Wealth Management, revenue of $1.9bn was up $0.1bn or 8%, reflecting:

- higher life insurance manufacturing revenue (up $0.3bn or 66%), mostly from net favourable market impacts of $0.2bn (favourable movement of $181m in 1Q19, compared with an adverse movement of $40m in 1Q18), and the growth in value of new business written (up 23% to $366m).

This was partly offset by:

- lower investment distribution revenue (down $0.2bn or 16%), as exceptional market conditions in Asia in 1Q18 did not recur in 1Q19.

Revenue in 1Q19 also included disposal gains in Argentina and Mexico of $133m.

Adjusted ECL were $0.3bn, up 4% from 1Q18, driven by growth in unsecured lending, although credit quality remained stable across the loan portfolio at 33 basis points of average gross loans and advances to customers.

Adjusted operating expenses of $3.5bn were $0.2bn or 5% higher. These were mainly driven by increased staff costs and inflation, particularly in Asia, and the impact of strategic investment in growth initiatives. During 1Q19, we added additional staff to support business growth initiatives, and continued to enhance our technology and digital capabilities. We also continued to invest in regulatory and compliance programmes.

Earnings Release – 1Q19

Commercial Banking

1Q19 compared with 1Q18 – adjusted results

Management view of adjusted revenue

| | | Quarter ended | | | | |
|---|---|---|---|---|---|---|
| | | 31 Mar 2019 | 31 Dec 2018 | 31 Mar 2018 | Variance 1Q19 vs. 1Q18 | |
| | Footnotes | $m | $m | $m | $m | % |
| Global Trade and Receivables Finance | | 473 | 457 | 448 | 25 | 6 |
| Credit and Lending | | 1,360 | 1,339 | 1,262 | 98 | 8 |
| Global Liquidity and Cash Management | | 1,508 | 1,534 | 1,292 | 216 | 17 |
| Markets products, Insurance and Investments, and Other | 5 | 580 | 385 | 533 | 47 | 9 |
| Net operating income | 4 | 3,921 | 3,715 | 3,535 | 386 | 11 |
| RoTE excluding significant items and UK bank levy (annualised) (%) | | 13.9 | – | 15.5 | | |

For footnotes, see page 14.

Adjusted profit before tax of $2.0bn was $14m or 1% lower than in 1Q18. Broad-based revenue growth reflected favourable performance in GLCM, C&L and GTRF. This increase was more than offset by an ECL charge in 1Q19 compared with a net release in 1Q18, notably in the UK, and higher operating expenses from increased investment.

Adjusted revenue of $3.9bn was $0.4bn or 11% higher, with growth in all major products and in all regions.

- In GLCM, revenue was $0.2bn or 17% higher, with growth in all regions. The increase was mainly in Hong Kong from wider margins, and in the UK reflecting wider margins and average balance sheet growth. In C&L, revenue growth of $0.1bn or 8% reflected balance sheet growth in most countries, partly offset by the effects of margin compression. In addition, revenue increased in GTRF by $25m or 6%, reflecting higher margins in Asia, higher balances in the UK and fee growth in MENA. Revenue was also higher in Other products, notably from a disposal gain of $24m in Latin America.
- CMB revenue growth continued to be broadly based, with increases in our largest markets – Hong Kong (8%) and the UK (6%), and also in the rest of Asia and Europe, MENA, Latin America and North America.

Adjusted ECL were $0.2bn compared with net releases of $0.1bn in 1Q18. The increase was driven by higher ECL in HSBC UK relating to a small number of clients and an increase in allowances reflecting current economic uncertainty in the UK. ECL were also higher in Asia from higher specific charges in Hong Kong and mainland China across various sectors.

Adjusted operating expenses of $1.7bn were $0.1bn or 5% higher, reflecting increased investment-related spend and higher staff costs. This includes a continued increase in investment in our digital capabilities (up $0.1bn), enabling us to provide simpler and faster customer experience.

Global Banking and Markets

1Q19 compared with 1Q18 – adjusted results

Management view of adjusted revenue

| | | Quarter ended | | | | |
|---|---|---|---|---|---|---|
| | | 31 Mar 2019 | 31 Dec 2018 | 31 Mar 2018 | Variance 1Q19 vs. 1Q18 | |
| | Footnotes | $m | $m | $m | $m | % |
| Global Markets | | 1,741 | 1,108 | 1,833 | (92) | (5) |
| – FICC | | 1,364 | 891 | 1,422 | (58) | (4) |
| Foreign Exchange | | 698 | 607 | 718 | (20) | (3) |
| Rates | | 490 | 210 | 455 | 35 | 8 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Credit | | 176 | 74 | 249 | (73) | (29) |
| – Equities | | 377 | 217 | 411 | (34) | (8) |
| Securities Services | | 478 | 488 | 463 | 15 | 3 |
| Global Banking | | 935 | 943 | 1,026 | (91) | (9) |
| Global Liquidity and Cash Management | | 687 | 684 | 610 | 77 | 13 |
| Global Trade and Receivables Finance | | 211 | 199 | 189 | 22 | 12 |
| Principal Investments | | 84 | (61) | 70 | 14 | 20 |
| Credit and funding valuation adjustments | 6 | 47 | (179) | (61) | 108 | >100 |
| Other | 7 | (115) | (99) | (176) | 61 | 35 |
| Net operating income | 4 | 4,068 | 3,083 | 3,954 | 114 | 3 |
| RoTE excluding significant items and UK bank levy (annualised) (%) | | 11.3 | – | 11.9 | | |

For footnotes, see page 14.

Adjusted profit before tax of $1.6bn was broadly unchanged from 1Q18 as increased revenue was offset by continued investment in the business. The strength of our diversified product offering delivered a stable performance, despite economic uncertainty that resulted in lower primary issuance and market activity.

Adjusted revenue of $4.1bn was $0.1bn or 3% higher, and included a net favourable movement of $0.1bn on credit and funding valuation adjustments. 1Q19 also included a provision release in Equities, which was broadly equal to 1Q18 restructuring gains in Global Banking.

- We grew revenue across our transaction banking products. GLCM rose by $0.1bn or 13% and Securities Services by $15m or 3%, driven by the impact of higher interest rates and increased average balances. GTRF revenue (up $22m or 12%) was higher, primarily in MENA and Asia, as we grew average lending balances while reducing risk-weighted assets.

- Global Banking revenue fell $0.1bn or 9%, reflecting 1Q18 gains on corporate lending restructuring, the impact of tightening credit spreads on portfolio hedges and lower event-driven activity.
- Global Markets revenue decreased by $0.1bn or 5%, due to reduced client activity, particularly in Credit and Equities, partly offset by a provision release of $106m in Equities.

Adjusted ECL were $40m, up $23m. The charge in 1Q19 largely related to a single corporate exposure in the UK.

Adjusted operating expenses of $2.4bn were $0.1bn or 4% higher, driven by investment in people to support growth across our businesses, and in our Chinese securities joint venture HSBC Qianhai, as well as higher performance-related pay.

Global Private Banking

1Q19 compared with 1Q18 – adjusted results

Management view of adjusted revenue

| | | Quarter ended | | | | |
|---|---|---|---|---|---|---|
| | | 31 Mar | 31 Dec | 31 Mar | Variance | |
| | | 2019 | 2018 | 2018 | 1Q19 vs. 1Q18 | |
| | Footnotes | $m | $m | $m | $m | % |
| Investment revenue | | 184 | 162 | 204 | (20) | (10) |
| Lending | | 97 | 93 | 100 | (3) | (3) |
| Deposit | | 121 | 126 | 120 | 1 | 1 |
| Other | | 48 | 44 | 43 | 5 | 12 |
| Net operating income | 4 | 450 | 425 | 467 | (17) | (4) |
| RoTE excluding significant items and UK bank levy (annualised) (%) | | 10.9 | – | 12.3 | | |

For footnotes, see page 14.

Adjusted profit before tax of $98m fell $13m or 12% compared with 1Q18, largely due to the impact of our repositioning actions in the US, partly offset by lower operating expenses, despite continued investment in growth.

Adjusted revenue of $450m decreased by $17m or 4%, mainly in the US following repositioning actions, and lower revenue in Switzerland. This was partly offset by revenue growth in Asia.

Investment revenue was $20m or 10% lower, mainly in Switzerland and Asia from lower client activity, partly offset by higher annuity fees in Asia. Deposit revenue was broadly unchanged from 1Q18 as growth in Asia from wider margins and balance growth was offset by lower revenue in the US following the client exits mentioned above, together with margin compression.

In 1Q19, we attracted $10bn of net new money inflows, mainly in Asia and Europe.

Adjusted ECL were $2m, mainly in the UK. This compared with a net release of $3m in 1Q18, mainly in the US.

Adjusted operating expenses of $350m were $9m or 3% lower. This was mainly due to the partial release of a provision associated with the wind-down of our operations in Monaco. This reduction was partly offset by an increase in Asia, driven by investments to support business growth.

Corporate Centre[8]

1Q19 compared with 1Q18 – adjusted results

Management view of adjusted revenue

| | | Quarter ended | | | | |
|---|---|---|---|---|---|---|
| | | 31 Mar | 31 Dec | 31 Mar | Variance | |
| | | 2019 | 2018 | 2018 | 1Q19 vs. 1Q18 | |
| | Footnotes | $m | $m | $m | $m | % |
| Central Treasury | 9 | 326 | 304 | (21) | 347 | >100 |
| Legacy portfolios | | (71) | (12) | 4 | (75) | >(100) |
| Other | 10 | (259) | (9) | (186) | (73) | (39) |
| Net operating income | 4 | (4) | 283 | (203) | 199 | 98 |
| RoTE excluding significant items and UK bank levy (annualised) (%) | | (6.7) | – | (2.5) | | |

For footnotes, see page 14.

Adjusted profit before tax of $0.4bn was $0.2bn higher than in 1Q18.

Adjusted negative revenue of $4m compared with adjusted negative revenue of $0.2bn in 1Q18. This reflected higher revenue in
Central Treasury, partly offset by a revenue reduction in legacy portfolios and Other.

In Central Treasury, revenue of $326m compared with negative revenue of $21m in 1Q18 and included:

- the non-recurrence of a $177m loss arising from adverse swap mark-to-market movements following a bond reclassification under IFRS 9 ‘Financial Instruments’ in 1Q18;
- favourable fair value movements of $50m in 1Q19, compared with adverse movements of $64m in 1Q18, relating to the economic hedging of interest rate and exchange rate risk on our long-term debt with long-term derivatives; and
- higher revenue in Balance Sheet Management (‘BSM’) (up $53m), primarily driven by the non-recurrence of portfolio restructuring losses in 1Q18 related to the establishment of HSBC UK.

Lower revenue from legacy portfolios (down $0.1bn) reflected losses on portfolio disposals and funding fair value adjustments.

Other income decreased by $0.1bn, mainly due to the adverse effects of hyperinflation accounting in Argentina, and also due to a change in the allocation of liquidity costs in anticipation of a change in the regulatory environment relating to the net stable funding ratio.

Earnings Release – 1Q19

A net release of adjusted ECL of $6m primarily related to our legacy portfolios. This compared with a net release of $84m in 1Q18.
Adjusted operating expenses of $0.2bn decreased by $0.1bn or 30%, mainly as 1Q18 included a $41m charge in relation to the 2017 UK bank levy. In addition, costs relating to our legacy portfolios reduced compared with 1Q18.
Adjusted income from associates of $0.6bn increased by $12m or 2%, driven by higher income from BoCom.
Group
1Q19 compared with 4Q18 – reported results
Movement in reported profit before tax compared with 4Q18

| | Quarter ended | | | |
|---|---|---|---|---|
| | 31 Mar | 31 Dec | Variance | |
| | 2019 | 2018 | 1Q19 vs. 4Q18 | |
| | $m | $m | $m | % |
| Revenue | 14,428 | 12,695 | 1,733 | 14 |
| ECL | (585) | (853) | 268 | 31 |
| Operating expenses | (8,222) | (9,144) | 922 | 10 |
| Share of profit from associates and JVs | 592 | 558 | 34 | 6 |
| Profit before tax | 6,213 | 3,256 | 2,957 | 91 |

Reported profit before tax
Reported profit before tax of $6.2bn in 1Q19 was $3.0bn or 91% higher than in 4Q18, reflecting higher revenue and lower operating expenses, primarily as 4Q18 included the UK bank levy charge. ECL were also lower, as 4Q18 included allowances relating to the economic uncertainty in the UK.
The effect of foreign currency translation differences and net movements in significant items between the periods was minimal.
Reported revenue
Reported revenue of $14.4bn was $1.7bn or 14% higher, which primarily reflected revenue increases in Global Markets in GB&M, and Wealth Management in RBWM.
The increase in reported revenue included favourable foreign currency translation differences of $0.1bn, broadly offset by a net adverse movement in significant items of $0.1bn.
Excluding significant items and currency translation differences, revenue increased by $1.8bn or 14%.
Reported ECL
Reported ECL of $0.6bn were $0.3bn lower than in 4Q18, primarily driven by reductions in CMB, and to a lesser extent in RBWM.
The effect of foreign currency translation differences between the periods was minimal.
Reported operating expenses
Reported operating expenses of $8.2bn were $0.9bn or 10% lower than in 4Q18, primarily due to the UK bank levy charge of $0.9bn recorded in 4Q18. Net favourable movements in significant items of $0.1bn were broadly offset by an adverse effect of foreign currency translation differences of $0.1bn.
Significant items included:

- the non-recurrence of a provision in relation to past service costs of guaranteed minimum pension benefits equalisation of $0.2bn in 4Q18.

This was partly offset by:

- customer redress programme costs of $56m, compared with a net release of $16m in 4Q18.

Excluding significant items and foreign currency translation differences, operating expenses decreased by $0.9bn or 10%.
Reported share of profit from associates and JVs
Reported income from associates of $0.6bn was $34m or 6% higher than in 4Q18, primarily reflecting an increase in income from the Saudi British Bank ('SABB').

Excluding favourable foreign currency translation differences of $13m, income from associates increased by $21m.

Group

1Q19 compared with 4Q18 – adjusted results

Movement in adjusted profit before tax compared with 4Q18

| | Quarter ended | | | |
|---|---|---|---|---|
| | 31 Mar 2019 | 31 Dec 2018 | Variance 1Q19 vs. 4Q18 | |
| | $m | $m | $m | % |
| Revenue | 14,406 | 12,641 | 1,765 | 14 |
| ECL | (585) | (863) | 278 | 32 |
| Operating expenses | (8,063) | (8,934) | 871 | 10 |
| Share of profit from associates and JVs | 592 | 571 | 21 | 4 |
| Profit before tax | 6,350 | 3,415 | 2,935 | 86 |

Adjusted profit before tax

On an adjusted basis, profit before tax of $6.4bn was $2.9bn or 86% higher than in 4Q18, reflecting revenue increases mainly in GB&M and RBWM. Operating expenses reduced, primarily as 4Q18 included the UK bank levy charge, and ECL were also lower.

The effect of hyperinflation accounting in Argentina reduced adjusted profit before tax by $35m.

Adjusted revenue

Adjusted revenue of $14.4bn increased by $1.8bn or 14% compared with 4Q18.

- In GB&M, revenue was $1.0bn or 32% higher, mainly in Global Markets due to a seasonal increase in client activity at the start of the calendar year compared with subdued markets activity in 4Q18. The increase also included a net favourable movement on credit and funding valuation adjustments.
- In RBWM, revenue increased by $0.8bn or 16%, driven by growth in Wealth Management, notably in insurance manufacturing revenue following a net favourable movement in market impacts. Investment distribution revenue also rose, largely due to a seasonal increase in market activity. In Retail Banking, growth in deposit and loan balances was more than offset by margin compression.
- In CMB, revenue increased by $0.2bn or 6%, driven by higher insurance income and Global Markets product revenue in Asia. In addition, higher revenue reflected favourable revaluation movements on an equity investment in the UK and a disposal gain in Latin America. Revenue growth in GTRF and C&L was broadly offset by lower revenue in GLCM.

These increases were partly offset:

- In Corporate Centre, revenue fell by $0.3bn. This included the adverse effects of hyperinflation accounting in Argentina of $129m and the adverse effect of a change in accounting treatment following the implementation of IFRS 16 'Leases' on 1 January 2019. Revenue from our legacy portfolios also decreased, mainly driven by losses on portfolio disposals.

Adjusted ECL

Adjusted ECL of $0.6bn were $0.3bn lower, as 4Q18 included higher allowances relating to economic uncertainty in the UK, as well as charges relating to a small number of CMB customers in Asia.

Adjusted operating expenses

Adjusted operating expenses of $8.1bn were $0.9bn or 10% lower, primarily due to the UK bank levy charge of $0.9bn recorded in 4Q18. Excluding this charge, adjusted operating expenses increased by $0.1bn or 1%, mainly reflecting higher performance-related pay (up $0.2bn) and growth in transaction volumes. These increases were partly offset by a reduction in investments of $0.2bn.

The number of employees expressed in full-time equivalent staff ('FTEs') at 31 March 2019 was 238,359, an increase of 3,141 from 31 December 2018. This was primarily driven by investments in business growth programmes across RBWM and CMB. The number of contractors as at 31 March 2019 was 10,278, a decrease of 576 from 31 December 2018.

The effect of hyperinflation accounting in Argentina reduced adjusted operating expenses by $81m.

Adjusted share of profit from associates and JVs

Adjusted share of income from associates of $0.6bn was $21m or 4% higher than in 4Q18, reflecting an increase in share of income from SABB.

Balance sheet – 31 March 2019 compared with 31 December 2018

At 31 March 2019, our total assets of $2.7tn were $100.9bn higher on a reported basis. On a constant currency basis, our total assets were $86.6bn higher, reflecting targeted lending growth, notably in Asia.

Loans and advances to customers as a percentage of customer accounts were 74%, up from 72%.

Loans and advances to customers

Reported loans and advances to customers grew by $23.6bn or 2%. This included favourable effects of foreign currency translation differences of $5.9bn. On a constant currency basis, customer lending increased by $17.7bn or 2%.

Customer lending growth was primarily in Asia (up $10.1bn). This increase was notably in GPB (up $3.2bn), mainly in Hong Kong (up $2.5bn) driven by a small number of marketable securities-backed lending transactions. Customer lending also increased in CMB (up $2.9bn) and GB&M (up $1.3bn), reflecting higher term lending from our continued strategic focus on growth throughout Asia.

In RBWM, customer lending increased by $2.7bn, primarily in Hong Kong (up $1.7bn), maintaining a leading position in mortgages and personal lending, and in Australia (up $0.8bn), as we continued to increase mortgage lending.

In Europe, customer lending increased by $6.7bn, notably in HSBC UK (up $3.5bn) from growth in mortgage balances (up $1.6bn), due to our focus on broker-originated mortgages. We increased lending to our corporate clients within HSBC UK mainly through term lending, primarily to large corporates and commercial real estate clients. The remaining increase in Europe primarily reflected growth in France in GB&M.

Earnings Release – 1Q19

Customer accounts

Customer accounts fell by $6.1bn on a reported basis, including favourable foreign currency translation differences of $7.6bn. On a constant currency basis, customer accounts fell by $13.7bn or 1%.

In Asia, customer accounts fell by $8.8bn, primarily in CMB (down $9.3bn) and GB&M (down $4.3bn). These reductions were notably in Hong Kong and mainland China, primarily in term deposits and savings accounts from ongoing remediation, seasonal outflows and as customers redeployed their surplus funds. This was partly offset by growth in RBWM (up $4.7bn), notably in Hong Kong and Australia, mainly in savings accounts, from higher customer inflows due to competitive rates.

Customer accounts also fell in North America (down $4.2bn), primarily in GB&M (down $3.6bn) and in CMB (down $1.9bn), reflecting a decrease in non-interest bearing demand deposits and savings accounts, notably due to seasonal reductions. These reductions were partly offset by customer accounts growth in RBWM (up $2.0bn), reflecting higher savings inflows arising from promotional rates and growth initiatives.

Risk-weighted assets

Risk-weighted assets ('RWAs') totalled $879.5bn at 31 March 2019, a $14.2bn increase during 1Q19 that included an increase of $3.2bn due to foreign currency translation differences. The $11.0bn increase (excluding foreign currency translation differences) was primarily due to:

- lending and transactional growth across CMB, GB&M and RBWM, which increased RWAs by $10.6bn;
- the implementation of IFRS 16 'Leases', which resulted in the recognition of right of use assets totalling $4.5bn and a corresponding rise in RWAs; and
- a $1.7bn increase in RWAs as a result of an increase in the value of significant holdings in Corporate Centre.

These movements were partly offset by decreases due to management initiatives of $4.5bn, market risk reductions of $0.7bn,
model updates of $0.3bn and improved asset quality of $0.2bn.

Net interest margin

| | Quarter ended | | Year ended |
|---|---|---|---|
| | 31 Mar 2019 | 31 Mar 2018 | 31 Dec 2018 |
| | $m | $m | $m |
| Net interest income | 7,468 | 7,456 | 30,489 |
| Average interest-earning assets | 1,902,912 | 1,812,194 | 1,839,346 |
| | % | % | % |
| Gross interest yield | 2.89 | 2.55 | 2.70 |
| Less: cost of funds | (1.53) | (1.02) | (1.21) |
| Net interest spread | 1.36 | 1.53 | 1.49 |
| Net interest margin | 1.59 | 1.67 | 1.66 |

The Group's net interest margin ('NIM') in 1Q19 was 1.59%, which was 7 basis points ('bps') lower compared with the year ended 2018. This was driven by a 32bps increase in the cost of funds, notably from the increased cost of customer accounts in Asia, partly offset by a 19bps increase in gross yields, driven mainly by higher yields on surplus liquidity in most regions and rising lending yields. Hyperinflation accounting in Argentina had a 1bp adverse impact in 2018, with a corresponding favourable impact in 1Q19.

The cost of funds rose by 32bps from the increased cost of customer accounts. This was driven by Asia and reflected the repricing of deposits in Hong Kong as well as a change in funding mix, with a 4bps adverse impact on Group NIM. The cost of Group debt also rose, primarily relating to the higher cost of issuances of senior debt by HSBC Holdings plc, with a 3bps adverse impact on Group NIM.

Gross yields benefited from loan book growth, in particular term lending and mortgages in Asia. Gross yields on surplus liquidity also increased in most regions, mainly on Treasury bills and debt securities. These benefits were partly offset by the adverse effect of the implementation of IFRS 16 in 1Q19 of 1bp.

Compared with 1Q18, NIM dropped by 8bps, reflecting higher cost of funds, notably from the increased cost of customer accounts in Asia. This was partly offset by higher gross yields, driven mainly by rising lending yields and increased yields on surplus liquidity.

Return on Equity and Return on Tangible Equity

We provide Return on Tangible Equity ('RoTE') in addition to Return on Equity ('RoE') as a way of assessing our performance which is closely aligned to our capital position.

RoTE is computed by adjusting reported 'profit attributable to the ordinary shareholders of the parent company' for the post-tax movements in the present value of in-force long-term insurance business ('PVIF') and adjusting the reported equity for goodwill, intangibles and PVIF, net of deferred tax. The adjustment to reported results and reported equity excludes amounts attributable to other equity instrument holders and non-controlling interests.

For our global businesses, we provide RoTE excluding significant items and the UK bank levy which is more closely aligned to the basis on which the global business performance is assessed by the Chief Operating Decision Maker (further information on the basis of preparation for our global businesses is provided on page 47 of the Annual Report and Accounts 2018).

RoTE excluding significant items and UK bank levy is computed by adjusting 'profit attributable to the ordinary shareholders, excluding PVIF' for significant items (net of tax) and the bank levy, and adjusting the 'average tangible equity' for the change in fair value on our long-term debt attributable to credit spread through other comprehensive income ('fair value of own debt'), and debit valuation adjustments ('DVA').

The following table details the adjustments made to the reported results and equity:

Return on Equity and Return on Tangible Equity

| | Quarter ended | | |
|---|---|---|---|
| | 31 Mar 2019 | 31 Dec 2018 | 31 Mar 2018 |
| | $m | $m | $m |
| Profit | | | |
| Profit attributable to the ordinary shareholders of the parent company | 4,134 | 1,537 | 3,086 |
| Increase in PVIF (net of tax) | (446 ) | (189 ) | (79 ) |
| Profit attributable to the ordinary shareholders, excluding PVIF | 3,688 | 1,348 | 3,007 |
| Significant items (net of tax) and bank levy | 105 | | 1,215 |
| Profit attributable to the ordinary shareholders, excluding PVIF, significant items and UK bank levy | 3,793 | | 4,222 |
| Equity | | | |
| Average ordinary shareholders' equity | 163,769 | 161,060 | 166,834 |
| Effect of goodwill, PVIF and other intangibles (net of deferred tax) | (22,683 ) | (22,299 ) | (21,983 ) |
| Average tangible equity | 141,086 | 138,761 | 144,851 |
| Fair value of own debt, DVA and other adjustments | 423 | | 2,974 |
| Average tangible equity excluding fair value of own debt, DVA and other adjustments | 141,509 | | 147,825 |
| | % | % | % |
| Ratio | | | |
| Return on equity | 10.2 | 3.8 | 7.5 |
| Return on tangible equity (annualised) | 10.6 | 3.9 | 8.4 |
| Return on tangible equity excluding significant items and UK bank levy (annualised) | 10.9 | | 11.6 |

Return on tangible equity by global business

| | Quarter ended 31 Mar 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Corporate Centre | Total |
| | $m | $m | $m | $m | $m | $m |
| Profit before tax | 2,174 | 2,012 | 1,535 | 96 | 396 | 6,213 |
| Tax expense | (410 ) | (430 ) | (307 ) | (18 ) | (138 ) | (1,303 ) |
| Profit after tax | 1,764 | 1,582 | 1,228 | 78 | 258 | 4,910 |
| Less attributable to: preference shareholders, other equity holders, non-controlling interests | (230 ) | (241 ) | (164 ) | (5 ) | (136 ) | (776 ) |
| Profit attributable to ordinary shareholders of the parent company | 1,534 | 1,341 | 1,064 | 73 | 122 | 4,134 |
| Increase in PVIF (net of tax) | (424 ) | (22 ) | — | — | — | (446 ) |
| Significant items (net of tax) and UK bank levy | 41 | 3 | 79 | 2 | (20 ) | 105 |
| Balance Sheet Management allocation and other adjustments | 147 | 147 | 184 | 14 | (492 ) | — |
| Profit attributable to ordinary shareholders, excluding PVIF, significant items and UK bank levy | 1,298 | 1,469 | 1,327 | 89 | (390 ) | 3,793 |
| Average tangible shareholders' equity excluding fair value of own debt, DVA and other | 23,800 | 42,916 | 47,743 | 3,330 | 23,720 | 141,509 |

| | | | | | | |
|---|---|---|---|---|---|---|
| adjustments | | | | | | |
| RoTE excluding significant items and UK bank levy (annualised) (%) | 22.1% | 13.9% | 11.3% | 10.9% | -6.7% | 10.9% |
| | Quarter ended 31 Mar 2018 | | | | | |
| Profit before tax | 1,796 | 2,110 | 1,769 | 70 | (990) | 4,755 |
| Tax expense | (310) | (458) | (377) | (9) | 137 | (1,017) |
| Profit after tax | 1,486 | 1,652 | 1,392 | 61 | (853) | 3,738 |
| Less attributable to: preference shareholders, other equity holders, non-controlling interests | (216) | (223) | (149) | (6) | (58) | (652) |
| Profit attributable to ordinary shareholders of the parent company | 1,270 | 1,429 | 1,243 | 55 | (911) | 3,086 |
| Increase in PVIF (net of tax) | (66) | (14) | — | — | 1 | (79) |
| Significant items (net of tax) and UK bank levy | 81 | 3 | (31) | 33 | 1,129 | 1,215 |
| Balance Sheet Management allocation and other adjustments | 126 | 122 | 149 | 20 | (417) | — |
| Profit attributable to ordinary shareholders, excluding PVIF, significant items and bank levy | 1,411 | 1,540 | 1,361 | 108 | (198) | 4,222 |
| Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments | 24,737 | 40,258 | 46,488 | 3,574 | 32,768 | 147,825 |
| RoTE excluding significant items and UK bank levy (annualised) (%) | 23.1% | 15.5% | 11.9% | 12.3% | (2.5)% | 11.6% |

Notes

- Income statement comparisons, unless stated otherwise, are between the quarter ended 31 March 2019 and the quarter ended 31 March 2018. Balance sheet comparisons, unless otherwise stated, are between balances at 31 March 2019 and the corresponding balances at 31 December 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 224 to 237 of our Annual Report and Accounts 2018.
- 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.

Footnotes to financial performance commentary

1 'Other personal lending' includes personal non-residential closed-end loans and personal overdrafts.

2 '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.

3 'Other' mainly includes the distribution and manufacturing (where applicable) of retail and credit protection insurance.

4 'Net operating income' means net operating income before changes in expected credit losses and other credit impairment charges (also referred to as 'Revenue').

5 'Markets products, Insurance and Investments and Other' includes revenue from Foreign Exchange, insurance manufacturing and distribution, interest rate management and Global Banking products.

6 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 other comprehensive income. The residual movements remain in credit and funding valuation adjustments, and comparatives have not been restated.

7 'Other' in GB&M includes 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'.

8 Corporate Centre comprises Central Treasury, including Balance Sheet Management ('BSM'), our legacy businesses, interests in our associates and joint ventures, central stewardship costs and the UK bank levy.

9 Central Treasury includes revenue relating to BSM of $623m (4Q18: $637m; 1Q18: $570m), interest expense of $317m (4Q18: $340m; 1Q18: $299m) and favourable valuation differences on issued long-term debt and associated swaps of $50m (4Q18: favourable movements of $67m; 1Q18: adverse movements of $241m). Revenue relating to BSM includes other internal allocations to reflect the economic benefit generated by certain activities, which 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 in other Central Treasury.

10 Other miscellaneous items in Corporate Centre include internal allocations relating to legacy credit.

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, targets and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'targets', '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, including the accounting impact resulting from financial reporting in respect of hyperinflationary economies; 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; consumer perception as to the continuing availability of credit and price competition in the market segments we serve; and deviations from the market and economic assumptions that form the basis for our ECL measurements;
- 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 69 to 73 of the Annual Report and Accounts 2018.

For further information contact:

Investor Relations Media Relations

| | |
|---|---|
| UK – Richard O'Connor | UK – Gillian James |
| Tel: +44 (0) 20 7991 6590 | Tel: +44 (0) 20 7992 0516 |
| Hong Kong – Hugh Pye | Hong Kong – Patrick Humphris |
| Tel: +852 2822 4908 | Tel: +852 2822 2052 |

Earnings Release – 1Q19

Summary consolidated income statement

| | Quarter ended | | |
|---|---|---|---|
| | 31 Mar | 31 Dec | 31 Mar |
| | 2019 | 2018 | 2018 |
| | $m | $m | $m |
| Net interest income | 7,468 | 7,709 | 7,456 |
| Net fee income | 3,026 | 2,827 | 3,507 |
| Net income from financial instruments held for trading or managed on a fair value basis | 2,881 | 2,046 | 2,384 |
| Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | 1,710 | (1,444) | (155) |
| Changes in fair value of long-term debt and related derivatives | 11 | 32 | 10 |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | 270 | 154 | 117 |
| Gains less losses from financial investments | 99 | 57 | 101 |
| Dividend income | 8 | 19 | 9 |
| Net insurance premium income | 3,296 | 2,171 | 3,078 |
| Other operating income | 850 | 372 | 41 |
| Total operating income | 19,619 | 13,943 | 16,548 |
| Net insurance claims and benefits paid and movement in liabilities to policyholders | (5,191) | (1,248) | (2,838) |
| Net operating income before change in expected credit losses and other credit impairment charges | 14,428 | 12,695 | 13,710 |
| Change in expected credit losses and other credit impairment charges | (585) | (853) | (170) |
| Net operating income | 13,843 | 11,842 | 13,540 |
| Total operating expenses | (8,222) | (9,144) | (9,383) |
| Operating profit | 5,621 | 2,698 | 4,157 |
| Share of profit in associates and joint ventures | 592 | 558 | 598 |
| Profit before tax | 6,213 | 3,256 | 4,755 |
| Tax expense | (1,303) | (1,163) | (1,017) |
| Profit after tax | 4,910 | 2,093 | 3,738 |
| Attributable to: | | | |
| – ordinary shareholders of the parent company | 4,134 | 1,537 | 3,086 |
| – preference shareholders of the parent company | 22 | 23 | 22 |
| – other equity holders | 410 | 234 | 288 |
| – non-controlling interests | 344 | 299 | 342 |
| Profit after tax | 4,910 | 2,093 | 3,738 |
| | $ | $ | $ |
| Basic earnings per share | 0.21 | 0.07 | 0.15 |
| Diluted earnings per share | 0.21 | 0.07 | 0.15 |
| Dividend per ordinary share (in respect of the period) | 0.10 | 0.21 | 0.10 |
| | % | % | % |
| Return on average ordinary shareholders' equity (annualised) | 10.2 | 3.8 | 7.5 |
| Return on average tangible equity (annualised) | 10.6 | 3.9 | 8.4 |
| Cost efficiency ratio | 57.0 | 72.0 | 68.4 |

Summary consolidated balance sheet

| | At | |
|---|---|---|
| | 31 Mar 2019 | 31 Dec 2018 |
| | $m | $m |
| Assets | | |
| Cash and balances at central banks | 172,731 | 162,843 |
| Trading assets | 264,414 | 238,130 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss | 39,324 | 41,111 |
| Derivatives | 213,093 | 207,825 |
| Loans and advances to banks | 71,581 | 72,167 |
| Loans and advances to customers | 1,005,279 | 981,696 |
| Reverse repurchase agreements – non-trading | 227,029 | 242,804 |
| Financial investments | 409,780 | 407,433 |
| Other assets | 255,765 | 204,115 |
| Total assets | 2,658,996 | 2,558,124 |
| Liabilities and Equity | | |
| Liabilities | | |
| Deposits by banks | 65,844 | 56,331 |
| Customer accounts | 1,356,511 | 1,362,643 |
| Repurchase agreements – non-trading | 166,224 | 165,884 |
| Trading liabilities | 92,290 | 84,431 |
| Financial liabilities designated at fair value | 159,726 | 148,505 |
| Derivatives | 210,978 | 205,835 |
| Debt securities in issue | 99,038 | 85,342 |
| Liabilities under insurance contracts | 90,860 | 87,330 |
| Other liabilities | 221,197 | 167,574 |
| Total liabilities | 2,462,668 | 2,363,875 |
| Equity | | |
| Total shareholders’ equity | 188,362 | 186,253 |
| Non-controlling interests | 7,966 | 7,996 |
| Total equity | 196,328 | 194,249 |
| Total liabilities and equity | 2,658,996 | 2,558,124 |

Earnings Release – 1Q19

Credit risk

A summary of our current policies and practices for the management of credit risk is set out in 'Credit risk management' on page 79 of the Annual Report and Accounts 2018.

Summary of credit risk

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

| | | At 31 Mar 2019 | | At 31 Dec 2018 | |
|---|---|---|---|---|---|
| | | Gross carrying/nominal amount | Allowance for ECL[1] | Gross carrying/nominal amount | Allowance for ECL[1] |
| | Footnotes | $m | $m | $m | $m |
| Loans and advances to customers at amortised cost | | 1,013,829 | (8,550) | 990,321 | (8,625) |
| – personal | | 404,797 | (3,025) | 394,337 | (2,947) |
| – corporate and commercial | | 542,898 | (5,372) | 534,577 | (5,552) |
| – non-bank financial institutions | | 66,134 | (153) | 61,407 | (126) |
| Loans and advances to banks at amortised cost | | 71,594 | (13) | 72,180 | (13) |
| Other financial assets measured at amortised cost | | 619,969 | (85) | 582,917 | (55) |
| – cash and balances at central banks | | 172,734 | (3) | 162,845 | (2) |
| – items in the course of collection from other banks | | 5,808 | — | 5,787 | — |
| – Hong Kong Government certificates of indebtedness | | 36,672 | — | 35,859 | — |
| – reverse repurchase agreements – non-trading | | 227,029 | — | 242,804 | — |
| – financial investments | | 63,628 | (21) | 62,684 | (18) |
| – prepayments, accrued income and other assets | 2 | 114,098 | (61) | 72,938 | (35) |
| Total gross carrying amount on-balance sheet | | 1,705,392 | (8,648) | 1,645,418 | (8,693) |
| Loans and other credit-related commitments | | 617,164 | (341) | 592,008 | (325) |
| – personal | | 213,322 | (12) | 207,351 | (13) |
| – corporate and commercial | | 268,763 | (321) | 271,022 | (305) |
| – financial | | 135,079 | (8) | 113,635 | (7) |
| Financial guarantees | | 22,577 | (56) | 23,518 | (93) |
| – personal | | 920 | (1) | 927 | (1) |
| – corporate and commercial | | 16,391 | (50) | 17,355 | (85) |
| – financial | | 5,266 | (5) | 5,236 | (7) |
| Total nominal amount off-balance sheet | 3 | 639,741 | (397) | 615,526 | (418) |
| | | 2,345,133 | (9,045) | 2,260,944 | (9,111) |
| | | Fair value | Memorandum allowance for | Fair value | Memorandum allowance for |

| | | ECL[4] | | ECL[4] |
|---|---|---|---|---|
| | $m | $m | $m | $m |
| Debt instruments measured at fair value through other comprehensive income (‘FVOCI’) | 344,244 | (80) | 343,110 | (84) |

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 that 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 17 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.

Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector at
31 March 2019

| | Gross carrying/nominal amount[1] | | | | | Allowance for ECL | | | | | ECL coverage % | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI[2] | Total | Stage 1 | Stage 2 | Stage 3 | POCI[2] | Total | Stage 1 | Stage 2 | Stage 3 | POCI[2] | Total |
| | $m | $m | $m | $m | $m | $m | $m | $m | $m | $m | % | % | % | % | % |
| Loans and advances to customers at amortised cost | 934,547 | 65,931 | 13,016 | 335 | 1,013,829 | (1,253) | (2,231) | (4,861) | (205) | (8,550) | 0.1 | 3.4 | 37.3 | 61.2 | 0.8 |
| – personal | 384,886 | 15,252 | 4,659 | — | 404,797 | (540) | (1,320) | (1,165) | — | (3,025) | 0.1 | 8.7 | 25.0 | — | 0.7 |
| – corporate and commercial | 485,914 | 48,496 | 8,154 | 334 | 542,898 | (660) | (867) | (3,641) | (204) | (5,372) | 0.1 | 1.8 | 44.7 | 61.1 | 1.0 |
| – non-bank financial institutions | 63,747 | 2,183 | 203 | 1 | 66,134 | (53) | (44) | (55) | (1) | (153) | 0.1 | 2.0 | 27.1 | 100.0 | 0.2 |
| Loans and advances to banks at amortised cost | 71,015 | 579 | — | — | 71,594 | (11) | (2) | — | — | (13) | — | 0.3 | — | — | — |
| Other financial assets measured at amortised cost | 617,857 | 2,014 | 97 | 1 | 619,969 | (39) | (8) | (38) | — | (85) | — | 0.4 | 39.2 | — | — |
| Loan and other credit-related commitments | 593,485 | 22,843 | 832 | 4 | 617,164 | (144) | (126) | (71) | — | (341) | — | 0.6 | 8.5 | — | 0.1 |
| – personal | 210,765 | 2,096 | 461 | — | 213,322 | (11) | (1) | — | — | (12) | — | — | — | — | — |
| – corporate and commercial | 248,743 | 19,663 | 353 | 4 | 268,763 | (126) | (124) | (71) | — | (321) | 0.1 | 0.6 | 20.1 | — | 0.1 |
| – financial | 133,977 | 1,084 | 18 | — | 135,079 | (7) | (1) | — | — | (8) | — | 0.1 | — | — | — |
| Financial guarantees | 19,919 | 2,448 | 207 | 3 | 22,577 | (19) | (26) | (11) | — | (56) | 0.1 | 1.1 | 5.3 | — | 0.2 |
| – personal | 917 | 2 | 1 | — | 920 | (1) | — | — | — | (1) | 0.1 | — | — | — | 0.1 |
| – corporate and commercial | 14,136 | 2,050 | 202 | 3 | 16,391 | (17) | (23) | (10) | — | (50) | 0.1 | 1.1 | 5.0 | — | 0.3 |
| – financial | 4,866 | 396 | 4 | — | 5,266 | (1) | (3) | (1) | — | (5) | — | 0.8 | 25.0 | — | 0.1 |
| At 31 Mar 2019 | 2,236,823 | 93,815 | 14,152 | 343 | 2,345,133 | (1,466) | (2,393) | (4,981) | (205) | (9,045) | 0.1 | 2.6 | 35.2 | 59.8 | 0.4 |

Stage 2 days past due analysis at 31 March 2019

| Gross carrying/nominal amount[1] | | Allowance for ECL | | ECL coverage % | |
|---|---|---|---|---|---|
| | Of which: | | Of which: | | Of which: |

| | Stage 2 | Of which: 1 to 29 DPD[3] | 30 and > DPD[3] | Stage 2 | Of which: 1 to 29 DPD[3] | 30 and > DPD[3] | Stage 2 | Of which: 1 to 29 DPD[3] | 30 and > DPD[3] |
|---|---|---|---|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m | $m | % | % | % |
| Loans and advances to customers at amortised cost | 65,931 | 2,475 | 1,582 | (2,231) | (213) | (230) | 3.4 | 8.6 | 14.5 |
| – personal | 15,252 | 1,836 | 1,336 | (1,320) | (191) | (208) | 8.7 | 10.4 | 15.6 |
| – corporate and commercial | 48,496 | 634 | 246 | (867) | (22) | (22) | 1.8 | 3.5 | 8.9 |
| – non-bank financial institutions | 2,183 | 5 | — | (44) | — | — | 2.0 | — | — |
| Loans and advances to banks at amortised cost | 579 | — | — | (2) | — | — | 0.3 | — | — |
| Other financial assets measured at amortised cost | 2,014 | 16 | 38 | (8) | — | — | 0.4 | — | — |

For footnotes, see page 20.

Earnings Release – 1Q19

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

| | Gross carrying/nominal amount[1] | | | | | Allowance for ECL | | | | | ECL coverage % | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI[2] | Total | Stage 1 | Stage 2 | Stage 3 | POCI[2] | Total | Stage 1 | Stage 2 | Stage 3 | POCI[2] | Total |
| | $m | $m | $m | $m | $m | $m | $m | $m | $m | $m | % | % | % | % | % |
| Loans and advances to customers at amortised cost | 915,188 | 61,786 | 13,023 | 324 | 990,321 | (1,276) | (2,108) | (5,047) | (194) | (8,625) | 0.1 | 3.4 | 38.8 | 59.9 | 0.9 |
| – personal | 374,681 | 15,075 | 4,581 | — | 394,337 | (534) | (1,265) | (1,148) | — | (2,947) | 0.1 | 8.4 | 25.1 | — | 0.7 |
| – corporate and commercial | 481,262 | 44,779 | 8,212 | 324 | 534,577 | (698) | (812) | (3,848) | (194) | (5,552) | 0.1 | 1.8 | 46.9 | 59.9 | 1.0 |
| – non-bank financial institutions | 59,245 | 1,932 | 230 | — | 61,407 | (44) | (31) | (51) | — | (126) | 0.1 | 1.6 | 22.2 | — | 0.2 |
| Loans and advances to banks at amortised cost | 71,873 | 307 | — | — | 72,180 | (11) | (2) | — | — | (13) | — | 0.7 | — | — | — |
| Other financial assets measured at amortised cost | 581,118 | 1,673 | 126 | — | 582,917 | (27) | (6) | (22) | — | (55) | — | 0.4 | 17.5 | — | — |
| Loan and other credit-related commitments | 569,250 | 21,839 | 912 | 7 | 592,008 | (143) | (139) | (43) | — | (325) | — | 0.6 | 4.7 | — | 0.1 |
| – personal | 205,183 | 1,760 | 408 | — | 207,351 | (12) | (1) | — | — | (13) | — | 0.1 | — | — | — |
| – corporate and commercial | 251,478 | 19,034 | 503 | 7 | 271,022 | (126) | (136) | (43) | — | (305) | 0.1 | 0.7 | 8.5 | — | 0.1 |
| – financial | 112,589 | 1,045 | 1 | — | 113,635 | (5) | (2) | — | — | (7) | — | 0.2 | — | — | — |
| Financial guarantees | 20,884 | 2,334 | 297 | 3 | 23,518 | (19) | (29) | (45) | — | (93) | 0.1 | 1.2 | 15.2 | — | 0.4 |
| – personal | 920 | 3 | 4 | — | 927 | (1) | — | — | — | (1) | 0.1 | — | — | — | 0.1 |
| – corporate and commercial | 15,011 | 2,053 | 288 | 3 | 17,355 | (16) | (25) | (44) | — | (85) | 0.1 | 1.2 | 15.3 | — | 0.5 |
| – financial | 4,953 | 278 | 5 | — | 5,236 | (2) | (4) | (1) | — | (7) | — | 1.4 | 20.0 | — | 0.1 |
| At 31 Dec 2018 | 2,158,313 | 87,939 | 14,358 | 334 | 2,260,944 | (1,476) | (2,284) | (5,157) | (194) | (9,111) | 0.1 | 2.6 | 35.9 | 58.1 | 0.4 |

Stage 2 days past due analysis at 31 December 2018

| | Allowance for ECL | ECL coverage % |
|---|---|---|

| | Gross carrying/nominal amount[1] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Stage 2 | Of which: 1 to 29 DPD[3] | Of which: 30 and > DPD[3] | Stage 2 | Of which: 1 to 29 DPD[3] | Of which: 30 and > DPD[3] | Stage 2 | Of which: 1 to 29 DPD[3] | Of which: 30 and > DPD[3] |
| | $m | $m | $m | $m | $m | $m | % | % | % |
| Loans and advances to customers at amortised cost | 61,786 | 2,554 | 1,914 | (2,108) | (204) | (254) | 3.4 | 8.0 | 13.3 |
| – personal | 15,075 | 1,807 | 1,383 | (1,265) | (165) | (220) | 8.4 | 9.1 | 15.9 |
| – corporate and commercial | 44,779 | 737 | 485 | (812) | (39) | (34) | 1.8 | 5.3 | 7.0 |
| – non-bank financial institutions | 1,932 | 10 | 46 | (31) | — | — | 1.6 | — | — |
| Loans and advances to banks at amortised cost | 307 | — | — | (2) | — | — | 0.7 | — | — |
| Other financial assets measured at amortised cost | 1,673 | 10 | 26 | (6) | — | — | 0.4 | — | — |

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.
2 Purchased or originated credit-impaired ('POCI').
3 Days past due ('DPD'). Up-to-date accounts in Stage 2 are not shown in amounts presented above.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers including loan commitments and financial guarantees

The following disclosure provides a reconciliation by stage of the Group's gross carrying/nominal amount and allowances for loans and advances to banks and customers, including loan commitments and financial guarantees. The transfers of financial instruments represents the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL. The net remeasurement of ECL arising from stage transfers represents the increase or decrease due to these transfers, for example, moving from a 12-month (stage 1) to a lifetime (stage 2) ECL measurement basis. Net remeasurement excludes the underlying customer risk rating ('CRR')/probability of default ('PD') movements of the financial instruments transferring stage. This is captured, along with other credit quality movements in the 'changes in risk parameters – credit quality' line item. The 'Net new and further lending/repayments' represent the gross carrying/nominal amount and associated allowance ECL impact from volume movements within the Group's lending portfolio.

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances to banks and customers inc loan commitments and financial guarantees

| | Non-credit impaired | | | | Credit impaired | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | Stage 2 | | Stage 3 | | POCI | | Total | |
| | Gross carrying/ nominal amount | Allowance for ECL | Gross carrying/ nominal amount | Allowance for ECL | Gross carrying/ nominal amount | Allowance for ECL | Gross carrying/ nominal amount | Allowance for ECL | Gross carrying/ nominal amount | All for |
| | $m | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| At 1 Jan 2019 | 1,511,839 | (1,449) | 86,241 | (2,278) | 14,232 | (5,135) | 334 | (194) | 1,612,646 | (9,0 |
| Transfers of financial instruments: | (14,411) | (90) | 13,330 | 227 | 1,081 | (137) | — | — | — | — |
| – transfers from stage 1 to stage 2 | (24,962) | 93 | 24,962 | (93) | — | — | — | — | — | — |
| – transfers from stage 2 to stage 1 | 10,686 | (186) | (10,686) | 186 | — | — | — | — | — | — |
| – transfers to stage 3 | (225) | 10 | (1,065) | 156 | 1,290 | (166) | — | — | — | — |
| – transfers from stage 3 | 90 | (7) | 119 | (22) | (209) | 29 | — | — | — | — |
| Net remeasurement of ECL arising from transfer of stage | — | 128 | — | (197) | — | (5) | — | — | — | (74 |
| Net new and further lending/repayments | 23,497 | (46) | (8,947) | 155 | (555) | 266 | 9 | (9) | 14,004 | 366 |
| Changes in risk parameters – credit quality | — | 37 | — | (268) | — | (694) | — | (3) | — | (92 |
| Changes to model used for ECL calculation | — | — | — | — | — | — | — | — | — | — |
| Assets written off | — | — | — | — | (700) | 693 | — | — | (700) | 693 |
| Foreign exchange | 7,911 | (11) | 530 | (20) | 68 | (6) | (2) | 2 | 8,507 | (35 |
| Others | 1,505 | 3 | 647 | (4) | (71) | 76 | 1 | (1) | 2,082 | 74 |
| At 31 Mar 2019 | 1,530,341 | (1,428) | 91,801 | (2,385) | 14,055 | (4,942) | 342 | (205) | 1,636,539 | (8,9 |
| ECL release/(charge) for | | 119 | | (310) | | (433) | | (12) | | (63 |

| | |
|---|---|
| the period | |
| Recoveries | 89 |
| Others | (39 |
| Total ECL charge for the period | (58 |

| | At 31 Mar 2019 | | 3 months ended 31 Mar 2019 |
|---|---|---|---|
| | Gross carrying/nominal amount | Allowance for ECL | ECL charge |
| | $m | $m | $m |
| As above | 1,636,539 | (8,960) | (586) |
| Other financial assets measured at amortised cost | 619,969 | (85) | (1) |
| Non-trading reverse purchase agreement commitments | 88,625 | — | — |
| Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/ Summary consolidated income statement | 2,345,133 | (9,045) | (587) |
| Debt instruments measured at FVOCI | 344,244 | (80) | 2 |
| Total allowance for ECL/total income statement ECL charge for the period | n/a | (9,125) | (585) |

As shown in the above table, the allowance for ECL for loans and advances to customers and banks and relevant loan commitments and financial guarantees decreased $96m during the period from $9,056m at 31 December 2018 to $8,960m at 31 March 2019.

This decrease was primarily driven by:

- $366m relating to underlying net book volume movements, which included the ECL allowance associated with new originations, assets derecognised, and net further lending; and
- $693m of assets written off.

These decreases were partly offset by increases of:

- $928m relating to underlying credit quality changes, including the credit quality impact of financial instruments transferring between stages;
- $74m relating to the net remeasurement impact of stage transfers; and
- foreign exchange and other movements of $39m.

The ECL charge for the period of $636m presented in the previous table comprises $928m relating to underlying credit quality changes, including the credit quality impact of financial instruments transferring between stage, $74m relating to the net remeasurement impact of stage transfers, partly offset by $366m relating to underlying net book volume movements.

Earnings Release – 1Q19

Personal lending

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

| | Gross carrying amount | | | | Allowance for ECL | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | $m | $m | $m | $m | $m | $m | $m | $m |
| By portfolio | | | | | | | | |
| First lien residential mortgages | 291,520 | 6,472 | 2,990 | 300,982 | (40) | (67) | (430) | (537) |
| – of which: interest only (including offset) | 32,053 | 1,423 | 341 | 33,817 | (4) | (13) | (92) | (109) |
| affordability (including US adjustable rate mortgages) | 15,662 | 1,168 | 534 | 17,364 | (3) | (4) | (5) | (12) |
| Other personal lending | 93,366 | 8,780 | 1,669 | 103,815 | (500) | (1,253) | (735) | (2,488) |
| – other | 70,968 | 4,472 | 1,139 | 76,579 | (222) | (463) | (466) | (1,151) |
| – credit cards | 20,018 | 4,146 | 452 | 24,616 | (272) | (775) | (249) | (1,296) |
| – second lien residential mortgages | 926 | 132 | 73 | 1,131 | (1) | (11) | (16) | (28) |
| – motor vehicle finance | 1,454 | 30 | 5 | 1,489 | (5) | (4) | (4) | (13) |
| At 31 Mar 2019 | 384,886 | 15,252 | 4,659 | 404,797 | (540) | (1,320) | (1,165) | (3,025) |
| By geography | | | | | | | | |
| Europe | 173,530 | 5,981 | 2,069 | 181,580 | (105) | (479) | (457) | (1,041) |
| – of which: UK | 143,376 | 4,614 | 1,375 | 149,365 | (95) | (449) | (237) | (781) |
| Asia | 161,540 | 5,472 | 711 | 167,723 | (202) | (366) | (184) | (752) |
| – of which: Hong Kong | 108,830 | 2,694 | 169 | 111,693 | (70) | (231) | (37) | (338) |
| MENA | 5,454 | 321 | 401 | 6,176 | (59) | (69) | (263) | (391) |
| North America | 38,076 | 2,567 | 1,239 | 41,882 | (29) | (95) | (139) | (263) |
| Latin America | 6,286 | 911 | 239 | 7,436 | (145) | (311) | (122) | (578) |
| At 31 Mar 2019 | 384,886 | 15,252 | 4,659 | 404,797 | (540) | (1,320) | (1,165) | (3,025) |
| By portfolio | | | | | | | | |
| First lien residential mortgages | 284,103 | 6,286 | 2,944 | 293,333 | (41) | (62) | (432) | (535) |
| – of which: interest only (including offset) | 31,874 | 1,324 | 338 | 33,536 | (3) | (13) | (92) | (108) |
| affordability (including US adjustable rate mortgages) | 16,110 | 1,065 | 507 | 17,682 | (3) | (4) | (5) | (12) |
| Other personal lending | 90,578 | 8,789 | 1,637 | 101,004 | (493) | (1,203) | (716) | (2,412) |
| – other | 67,196 | 4,400 | 1,121 | 72,717 | (214) | (435) | (465) | (1,114) |
| – credit cards | 20,932 | 4,259 | 453 | 25,644 | (272) | (756) | (233) | (1,261) |
| – second lien residential mortgages | 1,022 | 100 | 57 | 1,179 | (2) | (9) | (13) | (24) |
| – motor vehicle finance | 1,428 | 30 | 6 | 1,464 | (5) | (3) | (5) | (13) |
| At 31 Dec 2018 | 374,681 | 15,075 | 4,581 | 394,337 | (534) | (1,265) | (1,148) | (2,947) |
| By geography | | | | | | | | |
| Europe | 169,782 | 5,731 | 2,051 | 177,564 | (105) | (453) | (450) | (1,008) |
| – of which: UK | 139,237 | 4,308 | 1,315 | 144,860 | (93) | (421) | (219) | (733) |
| Asia | 155,661 | 5,413 | 693 | 161,767 | (207) | (353) | (180) | (740) |
| – of which: Hong Kong | 104,909 | 2,715 | 169 | 107,793 | (71) | (220) | (39) | (330) |
| MENA | 5,565 | 350 | 411 | 6,326 | (61) | (70) | (263) | (394) |
| North America | 38,283 | 2,552 | 1,186 | 42,021 | (29) | (90) | (142) | (261) |
| Latin America | 5,390 | 1,029 | 240 | 6,659 | (132) | (299) | (113) | (544) |
| At 31 Dec 2018 | 374,681 | 15,075 | 4,581 | 394,337 | (534) | (1,265) | (1,148) | (2,947) |

Wholesale lending

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

| | Gross carrying amount | | | | | Allowance for ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | $m | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| Corporate and commercial | 485,914 | 48,496 | 8,154 | 334 | 542,898 | (660) | (867) | (3,641) | (204) | (5,372) |
| – agriculture, forestry and fishing | 5,718 | 1,049 | 228 | 2 | 6,997 | (14) | (40) | (119) | (1) | (174) |
| – mining and quarrying | 11,392 | 2,178 | 307 | 2 | 13,879 | (32) | (42) | (107) | (2) | (183) |
| – manufacture | 94,570 | 11,680 | 1,445 | 128 | 107,823 | (121) | (175) | (686) | (85) | (1,067) |
| – electricity, gas, steam and air-conditioning supply | 12,856 | 1,973 | 89 | 62 | 14,980 | (12) | (66) | (20) | (52) | (150) |
| – water supply, sewerage, waste management and remediation | 3,390 | 196 | 24 | — | 3,610 | (6) | (2) | (17) | — | (25) |
| – construction | 11,851 | 2,608 | 924 | 60 | 15,443 | (19) | (39) | (424) | (55) | (537) |
| – wholesale and retail trade, repair of motor vehicles and motorcycles | 84,191 | 12,004 | 1,686 | 35 | 97,916 | (99) | (133) | (918) | (7) | (1,157) |
| – transportation and storage | 23,846 | 1,792 | 356 | 37 | 26,031 | (35) | (51) | (104) | — | (190) |
| – accommodation and food | 19,552 | 1,850 | 314 | 2 | 21,718 | (46) | (37) | (145) | (1) | (229) |
| – publishing, audiovisual and broadcasting | 22,323 | 1,374 | 211 | — | 23,908 | (48) | (21) | (72) | — | (141) |
| – real estate | 116,975 | 7,423 | 1,300 | 1 | 125,699 | (107) | (103) | (535) | — | (745) |
| – professional, scientific and technical activities | 21,312 | 1,104 | 350 | — | 22,766 | (29) | (34) | (117) | — | (180) |
| – administrative and support services | 22,154 | 1,761 | 430 | 4 | 24,349 | (36) | (54) | (160) | (1) | (251) |
| – public administration and defence, compulsory social security | 1,338 | 36 | — | — | 1,374 | (1) | (3) | — | — | (4) |
| – education | 1,663 | 61 | 33 | — | 1,757 | (11) | (4) | (6) | — | (21) |
| – health and care | 4,229 | 430 | 140 | — | 4,799 | (12) | (17) | (35) | — | (64) |
| – arts, entertainment and recreation | 4,973 | 303 | 49 | 1 | 5,326 | (10) | (10) | (24) | — | (44) |
| – other services | 12,399 | 337 | 254 | — | 12,990 | (16) | (22) | (146) | — | (184) |
| – activities of households | 713 | 66 | — | — | 779 | — | — | — | — | — |
| – extra-territorial organisations and bodies activities | 1,291 | 1 | 6 | — | 1,298 | (1) | — | (1) | — | (2) |
| – government | 8,348 | 256 | 8 | — | 8,612 | (5) | (1) | (5) | — | (11) |
| – asset-backed securities | 830 | 14 | — | — | 844 | — | (13) | — | — | (13) |
| Non-bank financial institutions | 63,747 | 2,183 | 203 | 1 | 66,134 | (53) | (44) | (55) | (1) | (153) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Loans and advances to banks | 71,015 | 579 | — | — | 71,594 | (11) | (2) | — | — | (13) |
| At 31 Mar 2019 | 620,676 | 51,258 | 8,357 | 335 | 680,626 | (724) | (913) | (3,696) | (205) | (5,538) |
| By geography | | | | | | | | | | |
| Europe | 198,535 | 18,349 | 4,357 | 178 | 221,419 | (393) | (571) | (1,500) | (118) | (2,582) |
| – of which: UK | 139,481 | 14,540 | 3,129 | 35 | 157,185 | (331) | (515) | (988) | (20) | (1,854) |
| Asia | 316,818 | 20,548 | 1,665 | 89 | 339,120 | (190) | (144) | (979) | (36) | (1,349) |
| – of which: Hong Kong | 192,826 | 9,605 | 777 | 66 | 203,274 | (103) | (66) | (429) | (34) | (632) |
| MENA | 24,545 | 3,274 | 1,703 | 53 | 29,575 | (47) | (92) | (939) | (46) | (1,124) |
| North America | 62,339 | 8,023 | 296 | — | 70,658 | (33) | (83) | (99) | — | (215) |
| Latin America | 18,439 | 1,064 | 336 | 15 | 19,854 | (61) | (23) | (179) | (5) | (268) |
| At 31 Mar 2019 | 620,676 | 51,258 | 8,357 | 335 | 680,626 | (724) | (913) | (3,696) | (205) | (5,538) |

Earnings Release – 1Q19

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

| | Gross carrying amount | | | | | Allowance for ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | $m | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| Corporate and commercial | 481,262 | 44,779 | 8,212 | 324 | 534,577 | (698) | (812) | (3,848) | (194) | (5,552) |
| – agriculture, forestry and fishing | 5,361 | 1,102 | 236 | 2 | 6,701 | (15) | (34) | (117) | (1) | (167) |
| – mining and quarrying | 12,094 | 1,717 | 359 | 2 | 14,172 | (29) | (51) | (94) | (2) | (176) |
| – manufacture | 92,606 | 11,404 | 1,569 | 125 | 105,704 | (132) | (156) | (791) | (83) | (1,162) |
| – electricity, gas, steam and air-conditioning supply | 14,522 | 1,422 | 40 | 60 | 16,044 | (18) | (60) | (15) | (54) | (147) |
| – water supply, sewerage, waste management and remediation | 3,335 | 164 | 24 | — | 3,523 | (5) | (2) | (17) | — | (24) |
| – construction | 12,919 | 1,116 | 1,168 | 51 | 15,254 | (27) | (41) | (524) | (44) | (636) |
| – wholesale and retail trade, repair of motor vehicles and motorcycles | 83,751 | 12,225 | 1,652 | 37 | 97,665 | (115) | (128) | (968) | (7) | (1,218) |
| – transportation and storage | 23,327 | 1,825 | 351 | 38 | 25,541 | (37) | (46) | (82) | (1) | (166) |
| – accommodation and food | 19,385 | 1,889 | 270 | 3 | 21,547 | (43) | (41) | (83) | (1) | (168) |
| – publishing, audiovisual and broadcasting | 19,758 | 1,224 | 189 | 1 | 21,172 | (42) | (16) | (84) | — | (142) |
| – real estate | 116,132 | 5,985 | 1,115 | 1 | 123,233 | (97) | (80) | (594) | — | (771) |
| – professional, scientific and technical activities | 21,282 | 941 | 350 | — | 22,573 | (29) | (29) | (113) | — | (171) |
| – administrative and support services | 22,820 | 1,843 | 437 | 3 | 25,103 | (41) | (48) | (166) | (1) | (256) |
| – public administration and defence, compulsory social security | 1,425 | 30 | 8 | — | 1,463 | (1) | (3) | (5) | — | (9) |
| – education | 1,713 | 102 | 14 | — | 1,829 | (11) | (7) | (6) | — | (24) |
| – health and care | 3,710 | 457 | 141 | — | 4,308 | (10) | (16) | (33) | — | (59) |
| – arts, entertainment and recreation | 4,326 | 676 | 39 | — | 5,041 | (9) | (9) | (15) | — | (33) |
| – other services | 13,259 | 411 | 242 | 1 | 13,913 | (31) | (31) | (140) | — | (202) |
| – activities of households | 770 | 59 | 1 | — | 830 | — | — | — | — | — |
| – extra-territorial organisations and bodies activities | 49 | 3 | 7 | — | 59 | — | — | (1) | — | (1) |
| – government | 7,905 | 168 | — | — | 8,073 | (6) | (1) | — | — | (7) |
| – asset-backed securities | 813 | 16 | — | — | 829 | — | (13) | — | — | (13) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Non-bank financial institutions | 59,245 | 1,932 | 230 | — | 61,407 | (44) | (31) | (51) | — | (126) |
| Loans and advances to banks | 71,873 | 307 | — | — | 72,180 | (11) | (2) | — | — | (13) |
| At 31 Dec 2018 | 612,380 | 47,018 | 8,442 | 324 | 668,164 | (753) | (845) | (3,899) | (194) | (5,691) |
| By geography | | | | | | | | | | |
| Europe | 190,387 | 19,073 | 4,233 | 150 | 213,843 | (366) | (529) | (1,598) | (102) | (2,595) |
| – of which: UK | 133,004 | 15,370 | 2,928 | 8 | 151,310 | (313) | (471) | (998) | — | (1,782) |
| Asia | 314,591 | 17,729 | 1,736 | 92 | 334,148 | (179) | (121) | (1,040) | (36) | (1,376) |
| – of which: Hong Kong | 194,186 | 8,425 | 729 | 69 | 203,409 | (99) | (54) | (413) | (35) | (601) |
| MENA | 25,684 | 2,974 | 1,769 | 53 | 30,480 | (73) | (77) | (974) | (46) | (1,170) |
| North America | 62,631 | 6,928 | 314 | — | 69,873 | (37) | (107) | (101) | — | (245) |
| Latin America | 19,087 | 314 | 390 | 29 | 19,820 | (98) | (11) | (186) | (10) | (305) |
| At 31 Dec 2018 | 612,380 | 47,018 | 8,442 | 324 | 668,164 | (753) | (845) | (3,899) | (194) | (5,691) |

Capital
Key metrics (KM1/IFRS9-FL)

| Ref* | | Footnotes | At 31 Mar 2019 | 31 Dec 2018 | 30 Sep 2018 | 30 Jun 2018 | 31 Mar 2018 |
|---|---|---|---|---|---|---|---|
| | Available capital ($bn) | 1 | | | | | |
| 1 | Common equity tier 1 (‘CET1’) capital | | 125.8 | 121.0 | 123.1 | 122.8 | 129.6 |
| 2 | CET1 capital as if IFRS 9 transitional arrangements had not been applied | | 124.9 | 120.0 | 122.1 | 121.8 | 128.6 |
| 3 | Tier 1 capital | | 151.8 | 147.1 | 149.3 | 147.1 | 157.1 |
| 4 | Tier 1 capital as if IFRS 9 transitional arrangements had not been applied | | 150.9 | 146.1 | 148.3 | 146.1 | 156.1 |
| 5 | Total capital | | 177.8 | 173.2 | 178.1 | 176.6 | 185.2 |
| 6 | Total capital as if IFRS 9 transitional arrangements had not been applied | | 176.9 | 172.2 | 177.1 | 175.6 | 184.2 |
| | Risk-weighted assets (‘RWAs’) ($bn) | | | | | | |
| 7 | Total RWAs | | 879.5 | 865.3 | 862.7 | 865.5 | 894.4 |
| 8 | Total RWAs as if IFRS 9 transitional arrangements had not been applied | | 878.9 | 864.7 | 862.1 | 864.9 | 893.8 |
| | Capital ratios (%) | 1 | | | | | |
| 9 | CET1 | | 14.3 | 14.0 | 14.3 | 14.2 | 14.5 |
| 10 | CET1 as if IFRS 9 transitional arrangements had not been applied | | 14.2 | 13.9 | 14.2 | 14.1 | 14.4 |
| 11 | Tier 1 | | 17.3 | 17.0 | 17.3 | 17.0 | 17.6 |
| 12 | Tier 1 as if IFRS 9 transitional arrangements had not been applied | | 17.2 | 16.9 | 17.2 | 16.9 | 17.5 |
| 13 | Total capital | | 20.2 | 20.0 | 20.7 | 20.4 | 20.7 |
| 14 | Total capital as if IFRS 9 transitional arrangements had not been applied | | 20.1 | 19.9 | 20.6 | 20.3 | 20.6 |
| | Additional CET1 buffer requirements as a percentage of RWA (%) | | | | | | |
| | Capital conservation buffer requirement | | 2.50 | 1.88 | 1.88 | 1.88 | 1.88 |
| | Countercyclical buffer requirement | | 0.67 | 0.56 | 0.45 | 0.46 | 0.34 |
| | Bank G-SIB and/or D-SIB additional requirements | | 2.00 | 1.50 | 1.50 | 1.50 | 1.50 |
| | Total of bank CET1 specific buffer requirements | | 5.17 | 3.94 | 3.83 | 3.84 | 3.72 |
| | Total capital requirement (%) | | | | | | |
| | Total capital requirement | 2 | 11.0 | 10.9 | 11.5 | 11.5 | 11.5 |
| | CET1 available after meeting the bank’s minimum capital requirements | 3 | 8.1 | 7.9 | 7.8 | 7.7 | 8.0 |
| | Leverage ratio | 4 | | | | | |
| 15 | Total leverage ratio exposure measure ($bn) | | 2,735.2 | 2,614.9 | 2,676.4 | 2,664.1 | 2,707.9 |
| 16 | Leverage ratio (%) | | 5.4 | 5.5 | 5.4 | 5.4 | 5.6 |
| 17 | Leverage ratio as if IFRS 9 transitional arrangements had not been applied (%) | | 5.4 | 5.5 | 5.4 | 5.3 | 5.5 |
| | Liquidity coverage ratio (‘LCR’) | 5 | | | | | |
| | Total high-quality liquid assets ($bn) | | 535.4 | 567.2 | 533.2 | 540.2 | 533.1 |
| | Total net cash outflow ($bn) | | 374.8 | 368.7 | 334.1 | 341.7 | 338.5 |
| | LCR ratio (%) | 6 | 142.9 | 153.8 | 159.6 | 158.1 | 157.5 |

* The references in this table identify the lines prescribed in the relevant European Banking Authority (‘EBA’) template where applicable and where there is a value.

For footnotes, see page 29.

Own funds disclosure

| Ref* | | At 31 Mar 2019 | 31 Dec 2018 |
|---|---|---|---|
| | | $m | $m |
| 6 | Common equity tier 1 capital before regulatory adjustments | 159,001 | 155,483 |
| 28 | Total regulatory adjustments to common equity tier 1 | (33,199 ) | (34,461 ) |
| 29 | Common equity tier 1 capital | 125,802 | 121,022 |
| 36 | Additional tier 1 capital before regulatory adjustments | 26,106 | 26,180 |
| 43 | Total regulatory adjustments to additional tier 1 capital | (60 ) | (60 ) |
| 44 | Additional tier 1 capital | 26,046 | 26,120 |
| 45 | Tier 1 capital | 151,848 | 147,142 |
| 51 | Tier 2 capital before regulatory adjustments | 27,112 | 26,729 |
| 57 | Total regulatory adjustments to tier 2 capital | (1,160 ) | (633 ) |
| 58 | Tier 2 capital | 25,952 | 26,096 |
| 59 | Total capital | 177,800 | 173,238 |
| 60 | Total risk-weighted assets | 879,485 | 865,318 |
| | Capital ratios | % | % |
| 61 | Common equity tier 1 ratio | 14.3 | 14.0 |
| 62 | Tier 1 ratio | 17.3 | 17.0 |
| 63 | Total capital ratio | 20.2 | 20.0 |

*The references in this table identify the lines prescribed in the relevant EBA template.

## Capital

At 31 March 2019, our common equity tier 1 ('CET1') capital ratio increased to 14.3% from 14.0% at 31 December 2018. This was primarily due to CET1 capital growth during the quarter and was partly offset by the $14.2bn rise in RWAs.

CET1 capital increased by $4.8bn during the quarter, mainly as a result of:

- capital generation of $2.0bn through profits, net of cash and scrip dividends;
- favourable foreign currency translation differences of $0.9bn;
- a $0.8bn increase in FVOCI reserve; and
- higher than expected scrip take-up in the final dividend, which added $0.3bn.

## Leverage

### Leverage ratio

| | | At | |
|---|---|---|---|
| | | 31 Mar 2019 | 31 Dec 2018 |
| Ref* | | $bn | $bn |
| 20 | Tier 1 capital | 148.3 | 143.5 |
| 21 | Total leverage ratio exposure | 2,735.2 | 2,614.9 |
| | | % | % |
| 22 | Leverage ratio | 5.4 | 5.5 |
| EU-23 | Choice of transitional arrangements for the definition of the capital measure | Fully phased-in | Fully phased-in |
| | UK leverage ratio exposure – quarterly average | 2,521.9 | 2,464.4 |
| | | % | % |
| | UK leverage ratio – quarterly average | 5.9 | 5.8 |
| | UK leverage ratio – quarter end | 5.9 | 6.0 |

* The references identify the lines prescribed in the EBA template.

Our leverage ratio calculated in accordance with the Capital Requirements Directive and Regulation ('CRD IV') was 5.4% at 31 March 2019, down from 5.5% at 31 December 2018. The increase in exposure was primarily due to growth in customer lending, trading and other assets.

The Group's UK leverage ratio at 31 March 2019 was 5.9%. This measure excludes qualifying central bank balances from the calculation of exposure.

At 31 March 2019, our UK minimum leverage ratio requirement of 3.25% was supplemented by an additional leverage ratio buffer of 0.7% and a countercyclical leverage ratio buffer of 0.2%. These additional buffers translated into capital values of $17.7bn and $5.9bn respectively. We exceeded these leverage requirements.

Risk-weighted assets

Overview of RWAs (OV1)

| Ref* | | Footnotes | 31 Mar 2019 RWAs $bn | 31 Dec 2018 RWAs $bn | 31 Mar 2019 Capital requirement[7] $bn |
|---|---|---|---|---|---|
| 1 | Credit risk (excluding counterparty credit risk) | | 649.8 | 638.1 | 52.0 |
| 2 | – standardised approach | | 130.1 | 128.6 | 10.4 |
| 3 | – foundation internal ratings based ('IRB') approach | | 30.8 | 30.5 | 2.5 |
| 4 | – advanced IRB approach | | 488.9 | 479.0 | 39.1 |
| 6 | Counterparty credit risk | | 50.0 | 47.2 | 4.0 |
| 7 | – mark-to-market | | 27.0 | 24.7 | 2.2 |
| 10 | – internal model method ('IMM') | | 16.3 | 16.2 | 1.3 |
| 11 | – risk exposure amount for contributions to the default fund of a central counterparty | | 0.4 | 0.4 | — |
| 12 | – credit valuation adjustment | | 6.3 | 5.9 | 0.5 |
| 13 | Settlement risk | | 0.1 | 0.1 | — |
| 14 | Securitisation exposures in the non-trading book | | 8.5 | 8.4 | 0.7 |
| 15 | – IRB method | | 3.7 | 4.6 | 0.3 |
| 17 | – IRB internal assessment approach | | 1.4 | 1.7 | 0.1 |
| 18 | – standardised approach | | 2.2 | 2.1 | 0.2 |
| 14a | – exposures subject to the new securitisation framework | 8 | 1.2 | N/A | 0.1 |
| 19 | Market risk | | 35.1 | 35.8 | 2.8 |
| 20 | – standardised approach | | 5.4 | 5.7 | 0.4 |
| 21 | – internal models approach ('IMA') | | 29.7 | 30.1 | 2.4 |
| 23 | Operational risk | | 91.1 | 91.1 | 7.3 |
| 25 | – standardised approach | | 91.1 | 91.1 | 7.3 |
| 27 | Amounts below the thresholds for deduction (subject to 250% risk weight) | | 44.9 | 44.6 | 3.6 |
| 29 | Total | | 879.5 | 865.3 | 70.4 |

* The references in this table identify the lines prescribed in the relevant EBA template where applicable and where there is a value.

For footnotes, see page 29.

RWAs by global business

| | RBWM $bn | CMB $bn | GB&M $bn | GPB $bn | Corporate Centre $bn | Total $bn |
|---|---|---|---|---|---|---|
| Credit risk | 99.2 | 301.1 | 173.2 | 13.8 | 115.9 | 703.2 |
| Counterparty credit risk | — | — | 48.3 | 0.2 | 1.6 | 50.1 |
| Market risk | — | — | 32.5 | — | 2.6 | 35.1 |
| Operational risk | 27.3 | 24.3 | 31.5 | 2.8 | 5.2 | 91.1 |
| At 31 Mar 2019 | 126.5 | 325.4 | 285.5 | 16.8 | 125.3 | 879.5 |

RWAs by geographical region

| | Footnotes | Europe $bn | Asia $bn | MENA $bn | North America $bn | Latin America $bn | Total $bn |
|---|---|---|---|---|---|---|---|
| Credit risk | | 225.7 | 296.1 | 46.7 | 104.0 | 30.7 | 703.2 |
| Counterparty credit risk | | 29.5 | 9.6 | 1.1 | 8.6 | 1.3 | 50.1 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Market risk | 9 | 23.8 | 21.6 | 1.7 | 9.5 | 1.7 | 35.1 |
| Operational risk | | 27.3 | 39.5 | 6.8 | 11.7 | 5.8 | 91.1 |
| At 31 Mar 2019 | | 306.3 | 366.8 | 56.3 | 133.8 | 39.5 | 879.5 |

For footnotes, see page 29.

RWA movement by global business by key driver

| | Credit risk, counterparty credit risk and operational risk | | | | | | |
|---|---|---|---|---|---|---|---|
| | RBWM | CMB | GB&M | GPB | Corporate Centre | Market risk | Total RWAs |
| | $bn | $bn | $bn | $bn | $bn | $bn | $bn |
| RWAs at 1 Jan 2019 | 126.9 | 321.2 | 248.6 | 16.8 | 116.0 | 35.8 | 865.3 |
| Asset size | 1.4 | 4.2 | 5.0 | 0.1 | 1.5 | (0.7) | 11.5 |
| Asset quality | (0.3) | 0.5 | (1.3) | — | 0.9 | — | (0.2) |
| Model updates | (0.1) | — | (0.1) | — | (0.1) | — | (0.3) |
| Methodology and policy | (1.8) | (2.5) | 0.2 | (0.1) | 4.2 | — | — |
| Foreign exchange movements | 0.4 | 2.0 | 0.6 | — | 0.2 | — | 3.2 |
| Total RWA movement | (0.4) | 4.2 | 4.4 | — | 6.7 | (0.7) | 14.2 |
| RWAs at 31 Mar 2019 | 126.5 | 325.4 | 253.0 | 16.8 | 122.7 | 35.1 | 879.5 |

Earnings Release – 1Q19

RWA movement by geographical region by key driver

| | Credit risk, counterparty credit risk and operational risk | | | | | | |
|---|---|---|---|---|---|---|---|
| | Europe | Asia | MENA | North America | Latin America | Market risk | Total RWAs |
| | $bn | $bn | $bn | $bn | $bn | $bn | $bn |
| RWAs at 1 Jan 2019 | 274.1 | 340.6 | 54.8 | 123.1 | 36.9 | 35.8 | 865.3 |
| Asset size | 5.0 | 5.4 | 0.3 | 0.3 | 1.2 | (0.7) | 11.5 |
| Asset quality | 0.7 | — | (0.3) | (0.3) | (0.3) | — | (0.2) |
| Model updates | (0.1) | — | — | (0.2) | — | — | (0.3) |
| Methodology and policy | 0.8 | (1.8) | (0.1) | 0.9 | 0.2 | — | — |
| Foreign exchange movements | 2.0 | 1.0 | (0.1) | 0.5 | (0.2) | — | 3.2 |
| Total RWA movement | 8.4 | 4.6 | (0.2) | 1.2 | 0.9 | (0.7) | 14.2 |
| RWAs at 31 Mar 2019 | 282.5 | 345.2 | 54.6 | 124.3 | 37.8 | 35.1 | 879.5 |

RWAs

Risk-weighted assets ('RWAs') increased by $14.2bn during 1Q19, including an increase of $3.2bn due to foreign currency translation differences. The $11.0bn increase (excluding foreign currency translation differences) was primarily due to $11.5bn asset size growth during the quarter, which was offset by reductions of $0.3bn from model updates and a $0.2bn decrease due to improved asset quality.

Asset size

The $11.5bn growth during 1Q19 was mainly due to:

- lending growth of $4.2bn in CMB and $1.5bn in GB&M, mainly in Asia and Europe, and $1.4bn in RBWM, mainly in Asian mortgage lending;
- growth of $3.5bn in GB&M counterparty credit risks in Europe, largely in the form of securities financing transactions, new derivative trades, and mark-to-market movements; and
- a $1.7bn increase in RWAs as a result of an increase in the value of significant holdings in Corporate Centre.

This was partly offset by:

- a $0.7bn fall in market risk mainly due to a reduction in equity risk and exposures in Europe and Asia.

Model updates

The $0.3bn reduction in RWAs mainly resulted from the application of IRB models to receivables finance in North America.

Methodology and policy

Movements largely comprised a $4.5bn increase in tangible fixed assets within Corporate Centre as a result of implementing IFRS 16 'Leases' with effect from 1 January 2019, reflecting the recognition of right of use assets for assets formerly under operating leases, offset by a $4.5bn reduction in RWAs due to management initiatives, most notably in CMB and GB&M.

RWA flow statements of credit risk exposures under IRB approach[10] (CR8)

| Ref* | | RWAs | Capital requirement[7] |
|---|---|---|---|
| | | $bn | $bn |
| 1 | RWAs at 1 Jan 2019 | 509.5 | 40.7 |
| 2 | Asset size | 5.7 | 0.6 |
| 3 | Asset quality | (0.1) | — |
| 4 | Model updates | (0.1) | — |
| 5 | Methodology and policy | 1.6 | 0.1 |
| 7 | Foreign exchange movements | 3.1 | 0.2 |
| 9 | RWAs at 31 Mar 2019 | 519.7 | 41.6 |

* The references in this table identify the lines prescribed in the relevant EBA template where applicable and where there is a value.

For footnotes, see page 29.

RWAs under the IRB approach increased by $10.2bn in the quarter, including an increase of $3.1bn due to foreign currency translation differences. The $7.1bn increase (excluding foreign currency translation differences) was primarily due to asset size growth of $5.7bn and methodology and policy driven increases of $1.6bn during the quarter.

Asset size

The $5.7bn growth in RWAs during 1Q19 was mainly driven by lending growth in CMB, GB&M and RBWM, mostly in Asia and Europe.

Methodology and policy

The $1.6bn increase primarily comprised:

- the $3.9bn impact of recognising right of use assets under operating leases upon implementation of IFRS 16 'Leases'; and
- a $0.8bn increase due to internal policy updates.

This was partly offset by:

- a $3.1bn reduction in RWAs due to management initiatives, most notably in CMB.

RWA flow statements of counterparty credit risk exposures under the IMM (CCR7)

| | | RWAs | Capital requirement[7] |
|---|---|---|---|
| Ref* | | $bn | $bn |
| 1 | RWAs at 1 Jan 2019 | 21.1 | 1.8 |
| 2 | Asset size | 0.5 | — |
| 5 | Methodology and policy | (0.6) | (0.1) |
| 9 | RWAs at 31 Mar 2019 | 21.0 | 1.7 |

* The references in this table identify the lines prescribed in the relevant EBA template where applicable and where there is a value.

For footnotes, see page 29.

RWAs under the IMM decreased by $0.1bn. Methodology and policy changes, which included increased recognition of hedging, reduced RWAs by $0.6bn, offsetting asset size growth of $0.5bn due to increased exposures.

RWA flow statements of market risk exposures under the IMA (MR2-B)

| | | VaR | Stressed VaR | IRC | Other | Total RWAs | Capital requirement[7] |
|---|---|---|---|---|---|---|---|
| Ref* | | $bn | $bn | $bn | $bn | $bn | $bn |
| 1 | RWAs at 1 Jan 2019 | 7.1 | 12.1 | 6.4 | 4.5 | 30.1 | 2.4 |
| 2 | Movement in risk levels | (0.4) | (1.4) | 2.5 | (1.1) | (0.4) | — |
| 8 | RWAs at 31 Mar 2019 | 6.7 | 10.7 | 8.9 | 3.4 | 29.7 | 2.4 |

* The references in this table identify the lines prescribed in the relevant EBA template where applicable and where there is a value.

For footnotes, see page 29.

RWAs under the IMA decreased by $0.4bn due to:

- VaR/Stressed VaR reductions of $1.8bn as a result of lower equity correlation and reduced exposure in principal Asian and European indices; and
- reductions in positions under Other, which reduced RWAs by $1.1bn.

These movements were partly offset by a $2.5bn increase in IRC RWAs as a result of increased sovereign exposure.

Footnotes to capital, leverage and risk-weighted assets

1 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.

2 Total capital requirement is defined as the sum of Pillar 1 and Pillar 2A capital requirements set by the PRA.

3 The minimum requirements represent the total capital requirement to be met by CET1.

4 Leverage ratio is calculated using the CRD IV end-point basis for additional tier 1 capital.

5 The EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation do not apply to liquidity coverage measures.

6 LCR is calculated as at the end of each period rather than using average values.

7 'Capital requirement' represents the minimum capital charge set at 8% of RWAs by article 92 of the Capital Requirements Regulation.

8 On 1 January 2019, a new securitisation framework came into force in the EU for new transactions entered into on or after that date. Existing positions are subject to 'grandfathering' provisions and will transfer to the new framework on 1 January 2020. Our exposures subject to the approaches under the new framework at 31 March 2019 include $293m under the external ratings-based approach, $651m under the internal assessment approach, and $293m under the standardised approach.

9 RWAs are non-additive across geographical regions due to market risk diversification effects within the Group.

10 Securitisation positions are not included in this table.

Earnings Release – 1Q19

Summary information – global businesses
HSBC adjusted profit before tax

| | Quarter ended 31 Mar 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Corporate Centre | Total |
| | $m | $m | $m | $m | $m | $m |
| Net operating income/(expense) before change in expected credit losses and other credit impairment charges | 5,971 | 3,921 | 4,068 | 450 | (4) | 14,406 |
| of which: net interest income/(expense) | 3,965 | 2,800 | 1,422 | 216 | (935) | 7,468 |
| Change in expected credit losses and other credit impairment (charges)/recoveries | (302) | (247) | (40) | (2) | 6 | (585) |
| Net operating income | 5,669 | 3,674 | 4,028 | 448 | 2 | 13,821 |
| Total operating expenses | (3,451) | (1,658) | (2,389) | (350) | (215) | (8,063) |
| Operating profit/(loss) | 2,218 | 2,016 | 1,639 | 98 | (213) | 5,758 |
| Share of profit in associates and joint ventures | 13 | — | — | — | 579 | 592 |
| Adjusted profit before tax | 2,231 | 2,016 | 1,639 | 98 | 366 | 6,350 |
| | % | % | % | % | % | % |
| Share of HSBC's adjusted profit before tax | 35.2 | 31.7 | 25.8 | 1.5 | 5.8 | 100.0 |
| Adjusted cost efficiency ratio | 57.8 | 42.3 | 58.7 | 77.8 | (5,375.0) | 56.0 |

| | Quarter ended 31 Dec 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Corporate Centre | Total |
| | $m | $m | $m | $m | $m | $m |
| Net operating income before change in expected credit losses and other credit impairment charges | 5,135 | 3,715 | 3,083 | 425 | 283 | 12,641 |
| of which: net interest income/(expense) | 4,077 | 2,788 | 1,445 | 220 | (788) | 7,742 |
| Change in expected credit losses and other credit impairment (charges)/recoveries | (344) | (448) | (65) | (9) | 3 | (863) |
| Net operating income | 4,791 | 3,267 | 3,018 | 416 | 286 | 11,778 |
| Total operating expenses | (3,450) | (1,591) | (2,314) | (356) | (1,223) | (8,934) |
| Operating profit/(loss) | 1,341 | 1,676 | 704 | 60 | (937) | 2,844 |
| Share of profit in associates and joint ventures | 13 | — | — | — | 558 | 571 |
| Adjusted profit before tax | 1,354 | 1,676 | 704 | 60 | (379) | 3,415 |
| | % | % | % | % | % | % |
| Share of HSBC's adjusted profit before tax | 39.6 | 49.1 | 20.6 | 1.8 | (11.1) | 100.0 |
| Adjusted cost efficiency ratio | 67.2 | 42.8 | 75.1 | 83.8 | 432.2 | 70.7 |

| | 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 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net operating income/(expense) before change in expected credit losses and other credit impairment charges | 5,443 | 3,535 | 3,954 | 467 | (203) | 13,196 |
| of which: net interest income/(expense) | 3,640 | 2,407 | 1,125 | 217 | (273) | 7,116 |
| Change in expected credit losses and other credit impairment (charges)/recoveries | (289) | 67 | (17) | 3 | 84 | (152) |
| Net operating income/(expense) | 5,154 | 3,602 | 3,937 | 470 | (119) | 13,044 |
| Total operating expenses | (3,281) | (1,572) | (2,297) | (359) | (305) | (7,814) |
| Operating profit/(loss) | 1,873 | 2,030 | 1,640 | 111 | (424) | 5,230 |
| Share of profit in associates and joint ventures | 3 | — | — | — | 567 | 570 |
| Adjusted profit before tax | 1,876 | 2,030 | 1,640 | 111 | 143 | 5,800 |
| | % | % | % | % | % | % |
| Share of HSBC's adjusted profit before tax | 32.3 | 35.0 | 28.3 | 1.9 | 2.5 | 100.0 |
| Adjusted cost efficiency ratio | 60.3 | 44.5 | 58.1 | 76.9 | (150.2) | 59.2 |

Global Private Banking – reported client assets[1]

| | Quarter ended | | |
|---|---|---|---|
| | 31 Mar 2019 | 31 Dec 2018 | 31 Mar 2018 |
| | $bn | $bn | $bn |
| Opening balance | 309 | 326 | 330 |
| Net new money | 10 | 1 | 3 |
| Value change | 14 | (11) | (2) |
| Disposals | — | — | — |
| Exchange and other | 2 | (7) | — |
| Closing balance | 335 | 309 | 331 |

For footnotes, see page 33.

Global Private Banking – reported client assets by geography[1]

| | | Quarter ended | | |
|---|---|---|---|---|
| | | 31 Mar 2019 | 31 Dec 2018 | 31 Mar 2018 |
| | Footnotes | $bn | $bn | $bn |
| Europe | | 158 | 149 | 162 |
| Asia | | 139 | 124 | 131 |
| North America | | 38 | 36 | 38 |
| Latin America | | — | — | — |
| Middle East | 2 | — | — | — |
| Closing balance | | 335 | 309 | 331 |

For footnotes, see page 33.

Earnings Release – 1Q19

Summary information – geographical regions
HSBC reported profit/(loss) before tax

| | Europe | Asia | MENA | North America | Latin America | Intra-HSBC items | Total |
|---|---|---|---|---|---|---|---|
| | Quarter ended 31 Mar 2019 | | | | | | |
| | $m | $m | $m | $m | $m | $m | $m |
| Net interest income | 1,524 | 3,996 | 437 | 853 | 508 | 150 | 7,468 |
| Net fee income | 911 | 1,409 | 159 | 424 | 123 | — | 3,026 |
| Net income from financial instruments held for trading or managed on a fair value basis | 1,207 | 1,209 | 104 | 218 | 215 | (72) | 2,881 |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | 747 | 948 | — | — | 15 | — | 1,710 |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | 291 | 8 | (1) | 2 | 47 | (77) | 270 |
| Other income/(expense)[3] | (75) | 249 | 3 | 179 | 63 | (1,346) | (927) |
| Net operating income before change in expected credit losses and other credit impairment charges | 4,605 | 7,819 | 702 | 1,676 | 971 | (1,345) | 14,428 |
| Change in expected credit losses and other credit impairment charges | (303) | (158) | (6) | (3) | (115) | — | (585) |
| Net operating income | 4,302 | 7,661 | 696 | 1,673 | 856 | (1,345) | 13,843 |
| Total operating expenses | (4,318) | (3,131) | (345) | (1,294) | (479) | 1,345 | (8,222) |
| Operating profit | (16) | 4,530 | 351 | 379 | 377 | — | 5,621 |
| Share of profit in associates and joint ventures | 2 | 476 | 114 | — | — | — | 592 |
| Profit before tax | (14) | 5,006 | 465 | 379 | 377 | — | 6,213 |
| | % | % | % | % | % | | % |
| Share of HSBC's profit before tax | (0.2) | 80.5 | 7.5 | 6.1 | 6.1 | | 100.0 |
| Cost efficiency ratio | 93.8 | 40.0 | 49.1 | 77.2 | 49.3 | | 57.0 |
| | Quarter ended 31 Dec 2018 | | | | | | |
| Net interest income | 1,629 | 4,132 | 431 | 889 | 570 | 58 | 7,709 |
| Net fee income | 910 | 1,199 | 144 | 457 | 128 | (11) | 2,827 |
| Net income from financial instruments held for trading or managed on a fair value basis | 894 | 1,064 | 88 | 77 | 213 | (290) | 2,046 |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | (753) | (703) | — | — | 12 | — | (1,444) |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | (95) | — | (3) | 6 | 10 | 236 | 154 |
| Other income[3] | 1,411 | 1,191 | 8 | 144 | 10 | (1,361) | 1,403 |
| Net operating income before loan impairment charges and other credit risk provisions | 3,996 | 6,883 | 668 | 1,573 | 943 | (1,368) | 12,695 |
| Change in expected credit losses and other credit impairment charges | (422) | (197) | (6) | (41) | (187) | — | (853) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Net operating income | 3,574 | 6,686 | 662 | 1,532 | 756 | (1,368) | 11,842 |
| Total operating expenses | (5,136) | (3,203) | (348) | (1,242) | (583) | 1,368 | (9,144) |
| Operating profit | (1,562) | 3,483 | 314 | 290 | 173 | — | 2,698 |
| Share of profit in associates and joint ventures | 3 | 468 | 85 | — | 2 | — | 558 |
| Profit before tax | (1,559) | 3,951 | 399 | 290 | 175 | — | 3,256 |
| | % | % | % | % | % | | % |
| Share of HSBC's profit before tax | (47.9) | 121.3 | 12.3 | 8.9 | 5.4 | | 100.0 |
| Cost efficiency ratio | 128.5 | 46.5 | 52.1 | 79.0 | 61.8 | | 72.0 |

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

| | 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 | 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 | (227) | 70 | — | — | 2 | — | (155) |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | 155 | (34) | 5 | 10 | 8 | (27) | 117 |
| Other income/(expense)[3] | 561 | 806 | 11 | 89 | (3) | (1,063) | 401 |
| Net operating income before loan impairment charges and other credit risk provisions | 4,470 | 7,307 | 676 | 1,625 | 797 | (1,165) | 13,710 |
| Change in expected credit losses and other credit impairment (charges)/recoveries | (62) | (32) | (4) | 47 | (119) | — | (170) |
| Net operating income | 4,408 | 7,275 | 672 | 1,672 | 678 | (1,165) | 13,540 |
| Total operating expenses | (4,437) | (2,986) | (343) | (2,268) | (514) | 1,165 | (9,383) |
| Operating profit/(loss) | (29) | 4,289 | 329 | (596) | 164 | — | 4,157 |
| Share of profit in associates and joint ventures | 11 | 479 | 108 | — | — | — | 598 |
| Profit/(loss) before tax | (18) | 4,768 | 437 | (596) | 164 | — | 4,755 |
| | % | % | % | % | % | | % |
| 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 |

Footnotes to summary information – global businesses and geographical regions

1 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.

2 'Middle East' is an offshore business, therefore client assets are booked across to various regions, primarily in Europe.

3 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.

Earnings Release – 1Q19

Appendix – selected information

Analysis of significant items by global business, geographical regions and countries/territories are presented below.

Reconciliation of reported and adjusted results – global businesses

| | | Quarter ended 31 Mar 2019 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Corporate Centre | Total |
| | Footnotes | $m | $m | $m | $m | $m | $m |
| Revenue | 1 | | | | | | |
| Reported | | 5,971 | 3,921 | 4,015 | 450 | 71 | 14,428 |
| Significant items | | — | — | 53 | — | (75) | (22) |
| – fair value movement on financial instruments | 2 | — | — | 53 | — | (75) | (22) |
| Adjusted | | 5,971 | 3,921 | 4,068 | 450 | (4) | 14,406 |
| Change in expected credit losses and other credit impairment (charges)/recoveries | | | | | | | |
| Reported | | (302) | (247) | (40) | (2) | 6 | (585) |
| Adjusted | | (302) | (247) | (40) | (2) | 6 | (585) |
| Operating expenses | | | | | | | |
| Reported | | (3,508) | (1,662) | (2,440) | (352) | (260) | (8,222) |
| Significant items | | 57 | 4 | 51 | 2 | 45 | 159 |
| – costs of structural reform | 3 | — | 2 | 13 | — | 38 | 53 |
| – customer redress programmes | | 56 | — | — | — | — | 56 |
| – restructuring and other related costs | | 1 | 2 | 38 | 2 | 7 | 50 |
| Adjusted | | (3,451) | (1,658) | (2,389) | (350) | (215) | (8,063) |
| Share of profit in associates and joint ventures | | | | | | | |
| Reported | | 13 | — | — | — | 579 | 592 |
| Adjusted | | 13 | — | — | — | 579 | 592 |
| Profit before tax | | | | | | | |
| Reported | | 2,174 | 2,012 | 1,535 | 96 | 396 | 6,213 |
| Significant items | | 57 | 4 | 104 | 2 | (30) | 137 |
| – revenue | | — | — | 53 | — | (75) | (22) |
| – operating expenses | | 57 | 4 | 51 | 2 | 45 | 159 |
| Adjusted | | 2,231 | 2,016 | 1,639 | 98 | 366 | 6,350 |
| Loans and advances to customers (net) | | | | | | | |
| Reported | | 369,178 | 339,729 | 252,180 | 42,497 | 1,695 | 1,005,279 |
| Adjusted | | 369,178 | 339,729 | 252,180 | 42,497 | 1,695 | 1,005,279 |
| Customer accounts | | | | | | | |
| Reported | | 653,969 | 349,352 | 281,462 | 64,489 | 7,239 | 1,356,511 |
| Adjusted | | 653,969 | 349,352 | 281,462 | 64,489 | 7,239 | 1,356,511 |

For footnotes, see page 42.

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

| | | Quarter ended 31 Dec 2018 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Corporate Centre | Total |
| | Footnotes | $m | $m | $m | $m | $m | $m |
| Revenue | 1 | | | | | | |
| Reported | | 5,110 | 3,703 | 3,112 | 429 | 341 | 12,695 |
| Currency translation | | 25 | 19 | 21 | 1 | 9 | 75 |
| Significant items | | — | (7) | (50) | (5) | (67) | (129) |
| – customer redress programmes | | — | (7) | — | — | — | (7) |
| – disposals, acquisitions and investment in new businesses | | — | — | — | (5) | (24) | (29) |
| – fair value movement on financial instruments | 2 | — | — | (49) | — | (46) | (95) |
| – currency translation on significant items | | — | — | (1) | — | 3 | 2 |
| Adjusted | | 5,135 | 3,715 | 3,083 | 425 | 283 | 12,641 |
| Change in expected credit losses and other credit impairment (charges)/recoveries | | | | | | | |
| Reported | | (339) | (444) | (64) | (8) | 2 | (853) |
| Currency translation | | (5) | (4) | (1) | (1) | 1 | (10) |
| Adjusted | | (344) | (448) | (65) | (9) | 3 | (863) |
| Operating expenses | | | | | | | |
| Reported | | (3,445) | (1,574) | (2,271) | (355) | (1,499) | (9,144) |
| Currency translation | | (20) | (8) | (15) | (1) | (11) | (55) |
| Significant items | | 15 | (9) | (28) | — | 287 | 265 |
| – costs of structural reform | 3 | (1) | 3 | 14 | — | 45 | 61 |
| – customer redress programmes | | 17 | (11) | (22) | — | — | (16) |
| – disposals, acquisitions and investment in new businesses | | — | — | — | (2) | — | (2) |
| – past service costs of guaranteed minimum pension benefits equalisation | | — | — | — | — | 228 | 228 |
| – restructuring and other related costs | | — | — | — | — | 15 | 15 |
| – settlements and provisions in connection with legal and regulatory matters | | — | — | (21) | — | (3) | (24) |
| – currency translation on significant items | | (1) | (1) | 1 | 2 | 2 | 3 |
| Adjusted | | (3,450) | (1,591) | (2,314) | (356) | (1,223) | (8,934) |
| Share of profit in associates and joint ventures | | | | | | | |
| Reported | | 12 | — | — | — | 546 | 558 |
| Currency translation | | 1 | — | — | — | 12 | 13 |
| Adjusted | | 13 | — | — | — | 558 | 571 |
| Profit before tax | | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Reported | 1,338 | 1,685 | 777 | 66 | (610) | 3,256 |
| Currency translation | 1 | 7 | 5 | (1) | 11 | 23 |
| Significant items | 15 | (16) | (78) | (5) | 220 | 136 |
| – revenue | — | (7) | (50) | (5) | (67) | (129) |
| – operating expenses | 15 | (9) | (28) | — | 287 | 265 |
| Adjusted | 1,354 | 1,676 | 704 | 60 | (379) | 3,415 |
| Loans and advances to customers (net) | | | | | | |
| Reported | 361,872 | 333,162 | 244,978 | 39,217 | 2,467 | 981,696 |
| Currency translation | 2,978 | 1,950 | 1,010 | (51) | 36 | 5,923 |
| Adjusted | 364,850 | 335,112 | 245,988 | 39,166 | 2,503 | 987,619 |
| Customer accounts | | | | | | |
| Reported | 640,924 | 357,596 | 290,914 | 64,658 | 8,551 | 1,362,643 |
| Currency translation | 3,285 | 2,159 | 2,253 | (126) | 2 | 7,573 |
| Adjusted | 644,209 | 359,755 | 293,167 | 64,532 | 8,553 | 1,370,216 |

For footnotes, see page 42.

Earnings Release – 1Q19

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

| | | Quarter ended 31 Mar 2018 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Corporate Centre | Total |
| | Footnotes | $m | $m | $m | $m | $m | $m |
| Revenue | 1 | | | | | | |
| Reported | | 5,669 | 3,699 | 4,178 | 482 | (318) | 13,710 |
| Currency translation | | (226) | (164) | (195) | (15) | (56) | (656) |
| Significant items | | — | — | (29) | — | 171 | 142 |
| – disposals, acquisitions and investment in new businesses | | — | — | — | — | 112 | 112 |
| – fair value movement on financial instruments | 2 | — | — | (30) | — | 58 | 28 |
| – currency translation on significant items | | — | — | 1 | — | 1 | 2 |
| Adjusted | | 5,443 | 3,535 | 3,954 | 467 | (203) | 13,196 |
| Change in expected credit losses and other credit impairment (charges)/recoveries | | | | | | | |
| Reported | | (303) | 64 | (22) | 3 | 88 | (170) |
| Currency translation | | 14 | 3 | 5 | — | (4) | 18 |
| Adjusted | | (289) | 67 | (17) | 3 | 84 | (152) |
| Operating expenses | | | | | | | |
| Reported | | (3,573) | (1,653) | (2,387) | (415) | (1,355) | (9,383) |
| Currency translation | | 189 | 80 | 113 | 15 | 49 | 446 |
| Significant items | | 103 | 1 | (23) | 41 | | |