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## **HSBC Holdings plc**

### **Overseas Regulatory Announcement**

The attached announcement has been released to the other stock exchanges on which HSBC Holdings plc is listed.

The Board of Directors of HSBC Holdings plc as at the date of this announcement comprises: Mark Tucker\*, Noel Quinn, Kathleen Casey†, Laura Cha†, Henri de Castries†, Irene Lee†, José Meade†, Heidi Miller†, Marc Moses, David Nish†, Ewen Stevenson, Jonathan Symonds†, Jackson Tai† and Pauline van der Meer Mohr†.

\* Non-executive Group Chairman

† Independent non-executive Director

Hong Kong Stock Code: 5

#### **HSBC Holdings plc**

*Registered Office and Group Head Office:*

8 Canada Square, London E14 5HQ, United Kingdom

Web: [www.hsbc.com](http://www.hsbc.com)

*Incorporated in England with limited liability. Registered in England: number 617987*



28 October 2019

**HSBC HOLDINGS PLC  
Q3 2019 EARNINGS RELEASE  
AUDIO WEBCAST AND CONFERENCE CALL**

There will be an audio webcast presentation and conference call today for investors and analysts. The speakers will be Noel Quinn, Group Chief Executive, and Ewen Stevenson, Group Chief Financial Officer.

A copy of the presentation to investors and analysts is attached and is also available to view and download at <https://www.hsbc.com/investors/results-and-announcements/all-reporting/group>. Full details of how to access the conference call appear below and details of how to access the webcast can also be found at <http://www.hsbc.com/investors/results-and-announcements>

**Time:** 7.30am (London); 3.30pm (Hong Kong); and 3.30am (New York).

**Conference call access numbers:**

*Restrictions may exist when accessing freephone/toll-free-numbers using a mobile telephone.*

**Passcode:** 7958307

	<b>Toll-free</b>	<b>Toll</b>
<b>UK</b>	0808 238 1616	0844 822 8904
<b>US</b>	+1 866 551 9263	+1 917 382 4013
<b>Hong Kong</b>	800 967 131	5808 0001
<b>International</b>		+44 207 192 8727

Replay access details from 28 October 2019 09:00 GMT - 28 November 2019 09:00 GMT

**Passcode:** 7958307

	<b>Toll-free</b>	<b>Toll</b>
<b>UK</b>	0808 238 0667	0871 700 0471
<b>US</b>	+1 917 677 7532	
<b>Hong Kong</b>	5808 5596	
<b>International</b>	+44 333 300 9785	

**Note to editors:**

**HSBC Holdings plc**

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. HSBC serves customers worldwide from offices in 65 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,728bn at 30 September 2019, HSBC is one of the world's largest banking and financial services organisations.

*ends/all*



# HSBC Holdings plc 3Q19 Results

## Presentation to Investors and Analysts



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## Highlights

- 1** 3Q19 reported PBT down 18% to \$4.8bn versus 3Q18; adjusted PBT down 12% to \$5.3bn  
Reported PBT in Asia up 4% to \$4.7bn in 3Q19, with a resilient performance in Hong Kong
- 2** Growth in adjusted loans and advances to customers and customer accounts, up 7% and 5% respectively, compared with 3Q18
- 3** CMB and RBWM performed well compared with 3Q18. Continued momentum in GPB with net new money of \$19bn in 9M19  
HSBC UK was adversely impacted by additional customer redress charges in 3Q19
- 4** GB&M performance continued to reflect low levels of client activity in Global Markets, although our transaction banking franchises delivered resilient performance  
In 3Q19 adjusted revenue in Asia increased 9% versus 3Q18, and represented >50% of total GB&M adjusted revenue
- 5** Continued strong capital levels, with a **CET1 ratio of 14.3%**, including the completion of a \$1bn share buy-back

# Business update

<b>Inherent strengths</b>	<b>Drivers of growth and returns:</b> <ul style="list-style-type: none"><li>◆ Leading global transaction bank, supported by strong international wholesale bank</li><li>◆ Powerful and profitable retail banking and wealth management businesses in our biggest markets</li><li>◆ Heritage in Asia and faster-growing markets</li></ul>	<ul style="list-style-type: none"><li>◆ Protect and grow core business</li><li>◆ Update plans and accelerate execution</li></ul>
<b>Market conditions have changed</b>	<ul style="list-style-type: none"><li>◆ <b>Conditions reflected in 3Q19 performance</b>, with lower interest rates, lower capital market activity levels, wealth and insurance headwinds</li><li>◆ The revenue environment is more challenging than in the first half of 2019, and <b>the outlook for revenue growth is softer than we anticipated</b> at 1H19</li></ul>	No longer expect to reach RoTE target of >11% by 2020
<b>Business update</b>	<b>Parts of the portfolio not delivering acceptable returns:</b> <ul style="list-style-type: none"><li>◆ Too much capital in Continental Europe and UK NRFB, notably GB&amp;M</li><li>◆ Insufficient returns from US activities – notably GB&amp;M and Retail Banking</li></ul> <b>Organisation design to be remodelled:</b> <ul style="list-style-type: none"><li>◆ Simplify the bank</li><li>◆ Better role definitions</li><li>◆ Reduce costs associated with running the Group</li></ul>	<ul style="list-style-type: none"><li>◆ Improve returns, rebalance capital allocation away from low-return businesses</li><li>◆ Redeploy capital to faster growth and higher return markets</li><li>◆ Adjust cost base in line with these actions</li></ul>

We will provide an update on these plans and announce new financial targets at (or before) FY19 results

## Key financial metrics

Key financial metrics	9M19	9M18	Δ 9M18
Return on average tangible equity (annualised) <sup>1</sup>	9.5%	10.1%	(0.6)ppts
Return on average ordinary shareholders' equity (annualised)	9.2%	9.0%	0.2ppts
Jaws (adjusted) <sup>2</sup>	2.2%	(1.6)%	nm
Dividends per ordinary share in respect of the period	\$0.30	\$0.30	-
Earnings per share (basic) <sup>3</sup>	\$0.57	\$0.56	\$0.01
Common equity tier 1 ratio <sup>4</sup>	14.3%	14.3%	-
Leverage ratio <sup>5</sup>	5.4%	5.4%	-
Advances to deposits ratio	74.1%	73.0%	1.1ppts
Net asset value per ordinary share (NAV)	\$8.21	\$8.13	\$0.08
Tangible net asset value per ordinary share (TNAV)	\$7.02	\$7.01	\$0.01

Reported results, \$m						
	3Q19	Δ 3Q18	Δ %	9M19	Δ 9M18	Δ %
Revenue	13,355	(443)	(3)%	42,727	1,642	4 %
ECL	(883)	(376)	(74)%	(2,023)	(1,109)	(>100)%
Costs	(8,147)	(181)	(2)%	(25,296)	219	1%
Associates	512	(85)	(14)%	1,836	(142)	(7)%
<b>PBT</b>	<b>4,837</b>	<b>(1,085)</b>	<b>(18)%</b>	<b>17,244</b>	<b>610</b>	<b>4%</b>
PAOS*	2,971	(928)	(24)%	11,478	(407)	(4)%

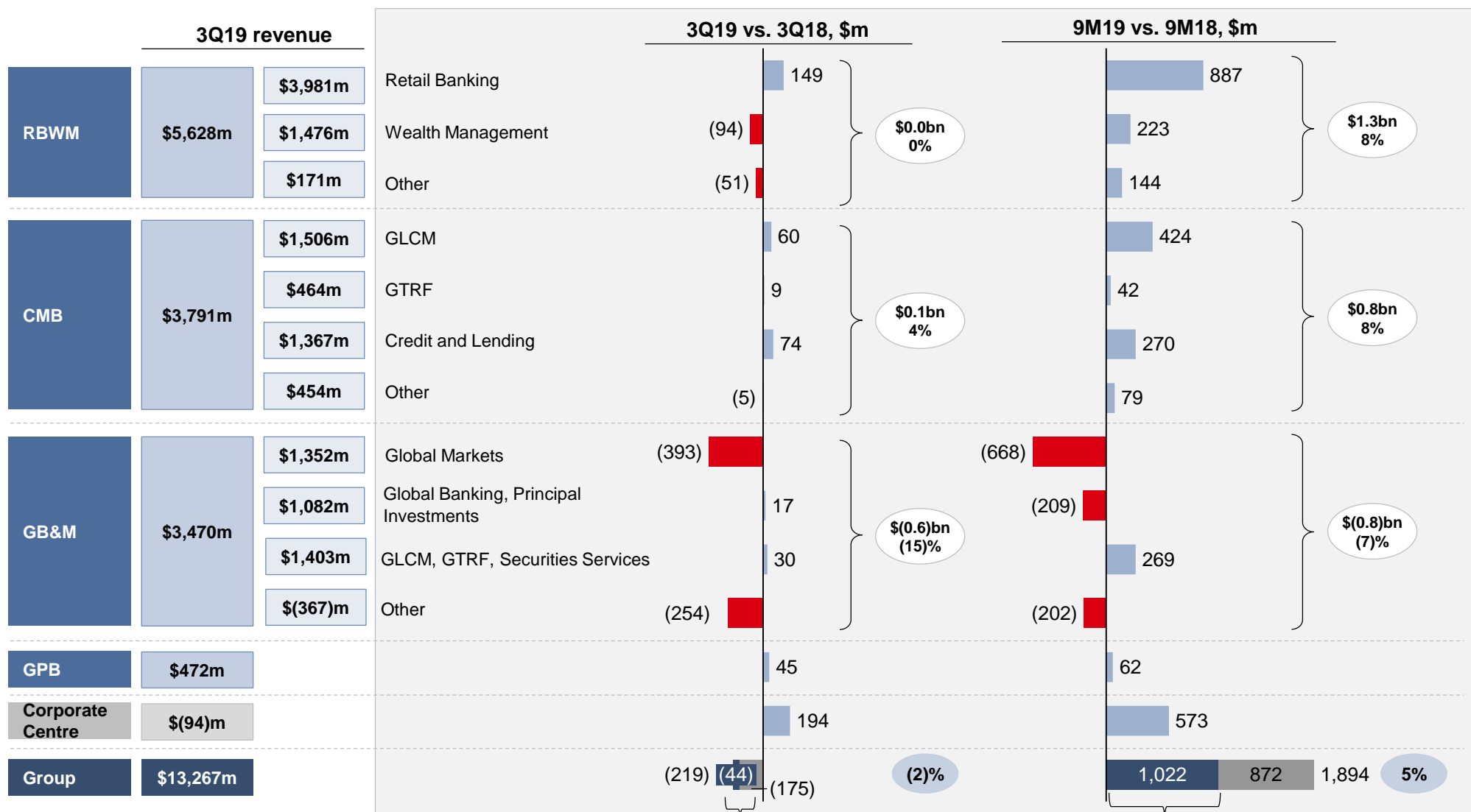
Adjusted results, \$m						
	3Q19	Δ 3Q18	Δ %	9M19	Δ 9M18	Δ %
Revenue	13,267	(219)	(2)%	41,762	1,894	5%
ECL	(883)	(394)	(81)%	(2,023)	(1,177)	(>100)%
Costs	(7,548)	(61)	(1)%	(23,711)	(608)	(3)%
Associates	512	(70)	(12)%	1,836	(59)	(3)%
<b>PBT</b>	<b>5,348</b>	<b>(744)</b>	<b>(12)%</b>	<b>17,864</b>	<b>50</b>	<b>0%</b>

\* Profit attributable to ordinary shareholders of the parent company

A reconciliation of reported results to adjusted results can be found on slide 11, the remainder of the presentation unless otherwise stated, is presented on an adjusted basis

# Adjusted revenue performance

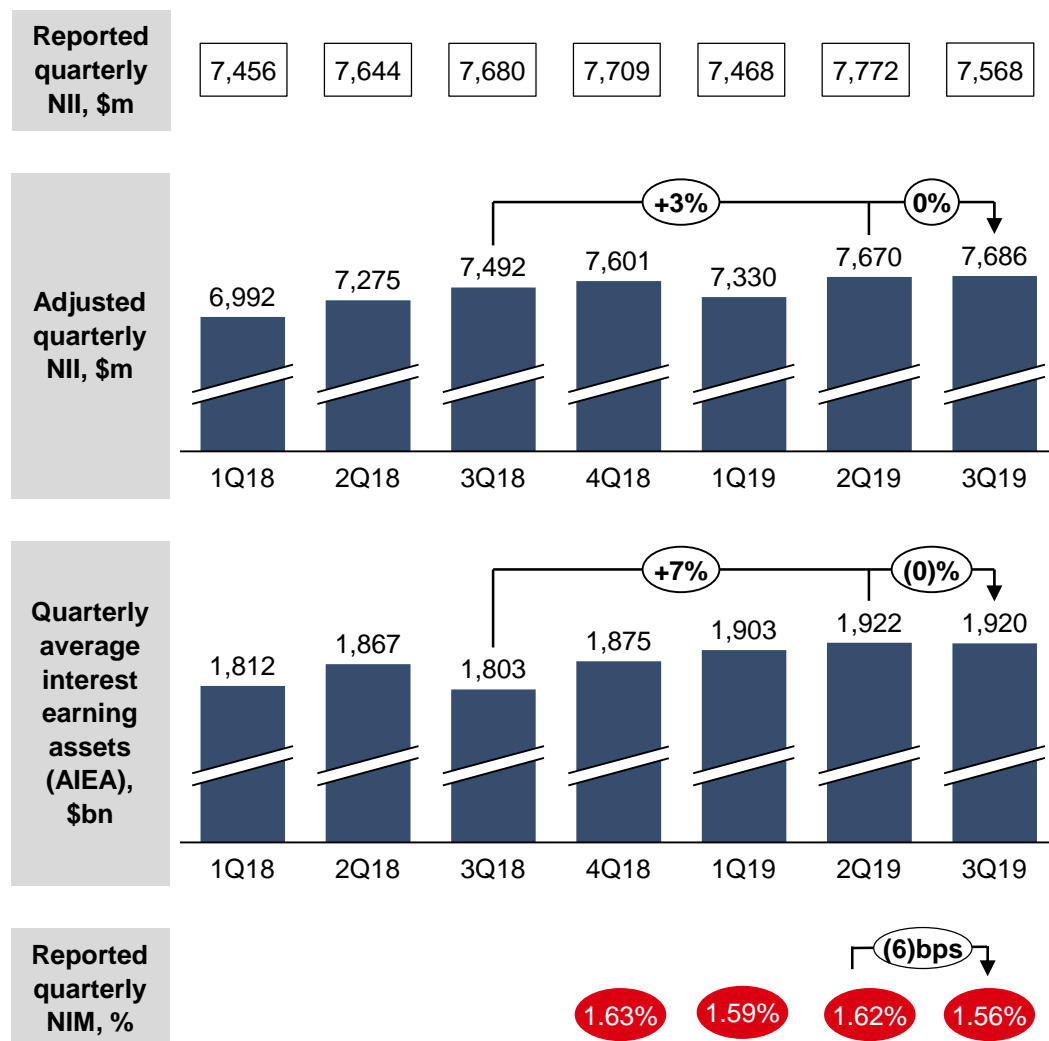
## Adjusted revenue analysis



Excluding certain items included in adjusted revenue  
For further information please see appendix, page 12

# Net interest income and NIM

## Net interest income



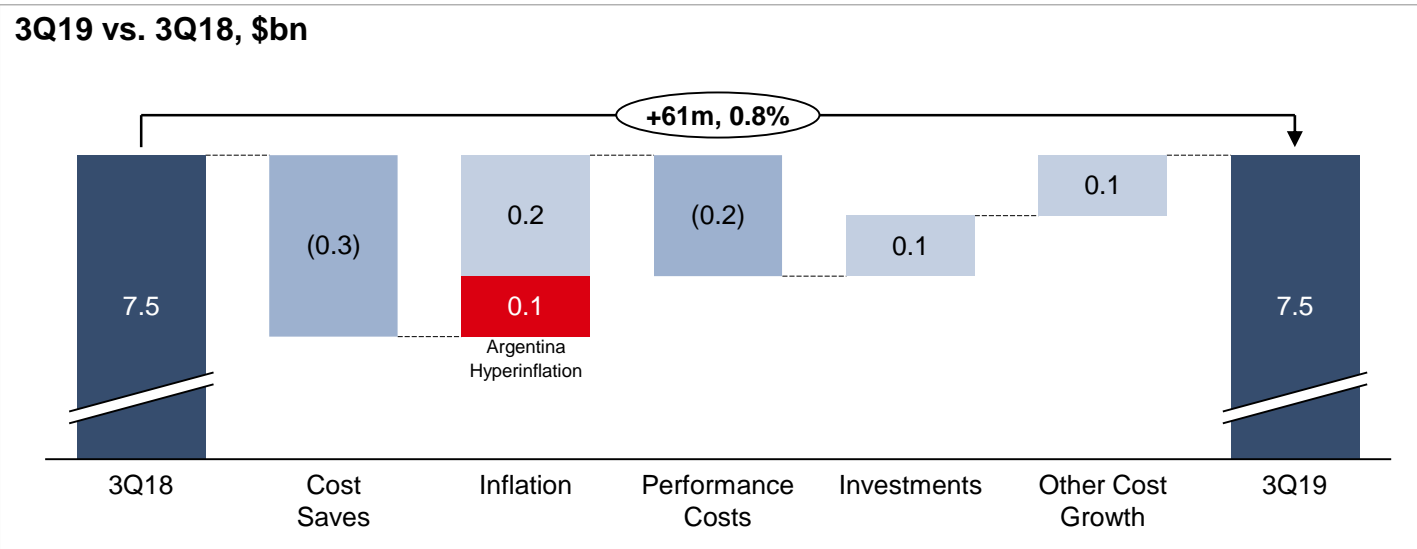
- ◆ Adjusted NII of \$7.7bn stable versus 2Q19; up \$0.2bn (3%) versus 3Q18
- ◆ Reported NII of \$7.6bn down \$0.2bn (3%) versus 2Q19, primarily due to provisions in relation to customer remediation programmes in the UK of c.\$135m, of which \$118m were included in significant items
- ◆ 3Q19 NIM of 1.56% down 6bps versus 2Q19:
  - 3bps for provisions in relation to customer redress programmes in the UK RFB (18bps impact on HSBC UK NIM)
  - 2bps in relation to hyperinflation accounting in Argentina

## Discrete NIM by key legal entity, %

	FY18	1Q19	2Q19	3Q19	% of 3Q19 Group NII	% of 3Q19 Group AIEA
The Hongkong and Shanghai Banking Corporation (HBAP)	2.06%	1.99%	2.05%	2.05%	56%	43%
HSBC Bank plc (NRFB) <sup>6</sup>	0.37%	0.34%	0.45%	0.47%	7%	23%
HSBC UK Bank plc (RFB) <sup>6</sup>	2.16%	2.21%	2.13%	1.93%	19%	15%
HSBC North America Holdings, Inc	1.08%	1.05%	1.01%	0.87%	6%	11%



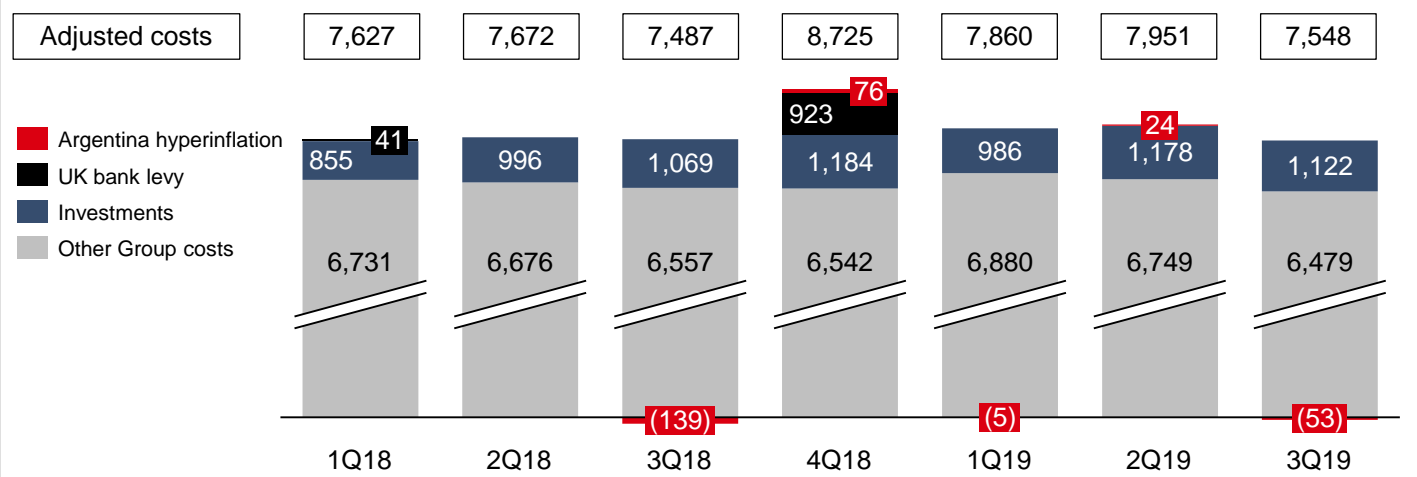
## Adjusted costs



### Adjusted costs

- Adjusted costs of \$7.5bn in 3Q19 broadly stable versus 3Q18 and down \$0.4bn (5%) versus 2Q19
- Compared to the prior quarter, 3Q19 benefitted from a \$0.2bn release of YTD variable pay, savings from the current cost programmes of \$0.1bn, and \$0.1bn from Argentina hyperinflation
- YTD growth constrained to 2.6%, versus 5.6% in FY18
- We expect 4Q costs to include the UK bank levy charge of c.\$950m, as well as higher investment spend of c.\$0.2bn versus 3Q19

### Adjusted operating expenses trend, \$m



### Reported costs

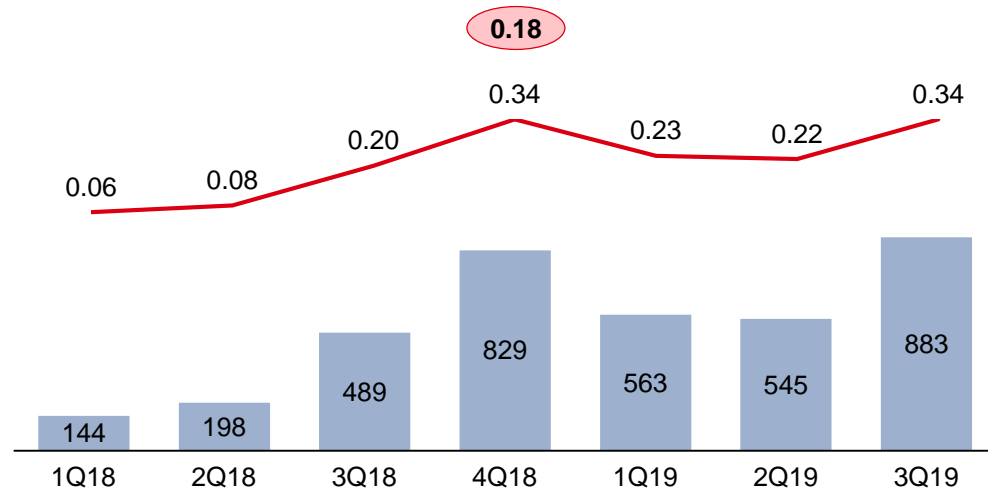
- 3Q19 reported costs of \$8.1bn include customer redress of \$488m, of which \$388m relates to the mis-selling of PPI
- Restructuring costs\* of \$140m in 3Q and \$427m YTD, arising from cost-efficiency measures across our global businesses and functions
- FY19 severance costs expected to be c.\$650m - \$700m, with annualised savings of c.\$650m - \$700m

\* For further information please see appendix, page 11

## Credit performance

- ◆ Adjusted ECL of \$883m, compared with \$545m in 2Q19 primarily reflecting higher charges in RBWM and CMB:
  - RBWM adjusted ECL of \$449m, up from \$231m in 2Q19, primarily driven by: unsecured lending in the US, Mexico and the UK, and charges related to updated economic outlook in Hong Kong
  - CMB adjusted ECL of \$413m, up from \$244m in 2Q19, driven by: an increase in Stage 2 loans in Hong Kong (due to the updated economic outlook and a model update). Specific charges related to customers in the UK and a single name in Hong Kong
- ◆ The change in economic outlook led to a total charge of \$90m in Hong Kong; there was no material change in the quarter to allowances relating to economic uncertainty in the UK
- ◆ ECL as a percentage of average gross loans and advances to customers was 0.34% in 3Q19, compared with 0.22% in 2Q19
- ◆ Stage 3 loan book stable at 1.3% of total gross loans and advances to customers

Adjusted ECL charge trend



— Quarterly ECL as a % of average gross loans and advances (annualised)      ○ FY18 ECL as a % of average gross loans and advances

■ ECL, \$m

Analysis by stage

Reported basis, \$bn	Stage 1	Stage 2	Stage 3	Total <sup>7</sup>	Stage 3 as a % of Total
<b>3Q19</b>					
Gross loans and advances to customers	941.1	71.7	13.3	1,026.4	1.3%
Allowance for ECL	1.3	2.2	4.9	8.6	
<b>2Q19</b>					
Gross loans and advances to customers	955.5	61.3	13.0	1,030.2	1.3%
Allowance for ECL	1.3	2.1	5.0	8.5	
<b>4Q18</b>					
Gross loans and advances to customers	915.2	61.8	13.0	990.3	1.3%
Allowance for ECL	1.3	2.1	5.0	8.6	

## Capital adequacy: CET1 ratio of 14.3%

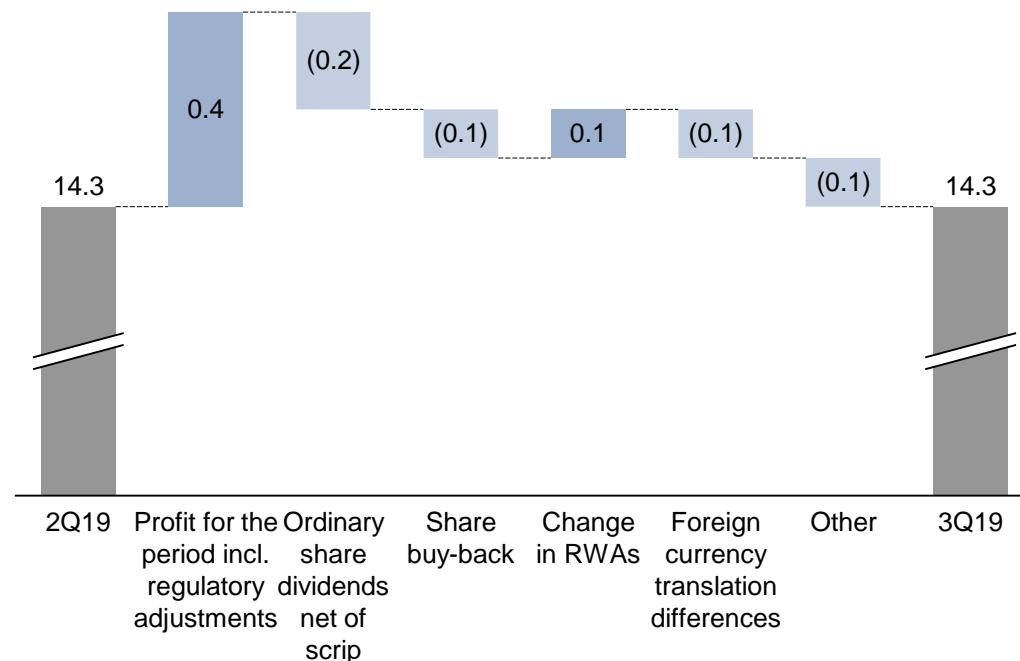
### Capital progression

	4Q18	1Q19	2Q19	3Q19
Common equity tier 1 capital, \$bn	121.0	125.8	126.9	123.8
Risk-weighted assets, \$bn	865.3	879.5	886.0	865.2
CET1 ratio, %	14.0	14.3	14.3	14.3
Leverage ratio, %	5.5	5.4	5.4	5.4

### 3Q19 CET1 movement, \$bn

<b>At 30 June 2019</b>	<b>126.9</b>
Capital generation	1.6
Profit attributable to ordinary shareholders of the parent company	3.0
Regulatory adjustments	(0.2)
Ordinary share dividends net of scrip	(1.2)
Foreign currency translation differences	(2.6)
Share buy-back	(1.0)
Other movements	(1.1)
<b>At 30 September 2019</b>	<b>123.8</b>

### CET1 ratio movement, %



- ◆ CET1 ratio stable at 14.3%, with profits and reduction in RWAs offset by dividends and the share buy-back, as well as adverse currency and other movements
- ◆ RWAs decreased by \$21bn during 3Q19, including a decrease of \$13bn due to FX, \$14bn due to methodology and policy changes, partly offset by asset growth and asset quality changes
- ◆ Currently expect FY19 RWAs to be broadly stable versus 3Q19
- ◆ As of the 14<sup>th</sup> October, the Hong Kong countercyclical buffer (CCyB) was reduced from 2.5% to 2.0%. This reduced the Group consolidated CCyB from 0.7% to 0.6%, reducing the minimum CET1 requirement from 11.4% to 11.3%

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## Summary

1

3Q19 results demonstrate the **resilience of our international transaction banking network and the strength of our Asian franchise**

2

The revenue environment is more challenging than in the first half of 2019, and **the outlook for revenue growth is softer** than we anticipated at 1H19

**We no longer expect to reach our RoTE target of >11% by 2020**

3

We will act to **rebalance our capital away from low-return businesses** and adjust the cost base in line with the actions we take; we are reviewing our plans and expect to update the market at (or before) our FY19 results in February 2020

4

These actions, or any continuing deterioration in the revenue environment, could result in **significant charges in 4Q19 and subsequent periods**, including the possible impairment of goodwill and additional restructuring charges

5

Addressing low-return businesses and reducing RWAs will allow **redeployment of capital and resource into our faster growth and higher return markets**

We intend to **sustain the dividend and maintain a CET1 ratio of >14%**

# Appendix

## Significant items

\$m	3Q19	2Q19	3Q18	9M19	9M18
<b>Reported PBT</b>	<b>4,837</b>	6,194	5,922	<b>17,244</b>	16,634
<b>Revenue</b>					
Currency translation	-	(208)	(355)	-	(1,514)
Customer redress programmes	<b>118</b>	-	-	<b>118</b>	(46)
Disposals, acquisitions and investment in new businesses	<b>4</b>	(827)	-	<b>(823)</b>	142
Fair value movements on financial instruments	<b>(210)</b>	(28)	43	<b>(260)</b>	195
Currency translation on significant items	-	-	-	-	6
	<b>(88)</b>	<b>(1,063)</b>	<b>(312)</b>	<b>(965)</b>	<b>(1,217)</b>
<b>ECL</b>					
Currency translation	-	10	18	-	68
<b>Operating expenses</b>					
Currency translation	-	176	261	-	1,030
Cost of structural reform	<b>35</b>	38	89	<b>126</b>	300
Customer redress programmes	<b>488</b>	554	62	<b>1,098</b>	162
Disposals, acquisitions and investment in new businesses	-	-	51	-	54
Restructuring and other related costs	<b>140</b>	237	27	<b>427</b>	51
Settlements and provisions in connection with legal and regulatory matters	<b>(64)</b>	(2)	(1)	<b>(66)</b>	840
Currency translation on significant items	-	(27)	(10)	-	(25)
	<b>599</b>	<b>976</b>	<b>479</b>	<b>1,585</b>	<b>2,412</b>
<b>Share of profit in associates and joint ventures</b>					
Currency translation	-	(16)	(15)	-	(83)
<b>Total currency translation and significant items</b>	<b>511</b>	<b>(93)</b>	<b>170</b>	<b>620</b>	<b>1,180</b>
<b>Adjusted PBT</b>	<b>5,348</b>	<b>6,101</b>	<b>6,092</b>	<b>17,864</b>	<b>17,814</b>

- ◆ Customer redress programmes include PPI provisions of \$1,003m in 9M19 (3Q19 \$388m). The increase in PPI provisions is mainly driven by the volume of information requests and inbound complaints received in the period to 29 August 2019 which significantly exceeded than forecast at 30 June 2019. This was partially offset by the lower quality of the information requests
- ◆ 9M19 restructuring and other related costs of \$427m includes \$407m of severance costs (3Q19 \$120m) arising from cost efficiency measures

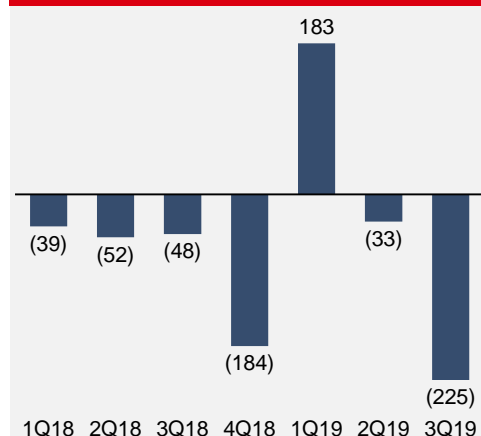
## Certain revenue items and Argentina hyperinflation

Certain items included in adjusted revenue highlighted in management commentary <sup>8</sup> , \$m	3Q19	2Q19	3Q18	9M19	9M18
Insurance manufacturing market impacts in RBWM	(225)	(33)	(48)	(72)	(140)
Credit and funding valuation adjustments in GB&M	(160)	(32)	36	(147)	(4)
Legacy Credit in Corporate Centre	(40)	(13)	25	(124)	(78)
Valuation differences on long-term debt and associated swaps in Corporate Centre	76	93	(15)	219	(380)
Argentina hyperinflation <sup>9</sup>	(132)	15	(304)	(173)	(304)
RBWM disposal gains in Latin America	-	-	-	133	-
CMB disposal gains in Latin America	-	-	-	24	-
GB&M provision release in Equities	-	-	-	106	-
<b>Total</b>	<b>(481)</b>	<b>30</b>	<b>(306)</b>	<b>(34)</b>	<b>(906)</b>

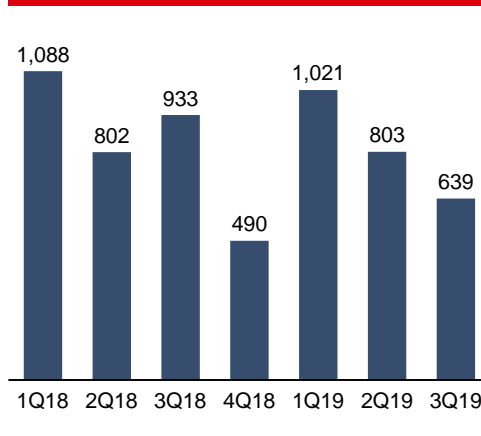
Argentina hyperinflation <sup>9</sup> impact included in adjusted results (Latin America Corporate Centre), \$m	3Q19	2Q19	3Q18	9M19	9M18
Net interest income	(61)	24	(106)	(45)	(106)
Other income	(71)	(9)	(198)	(128)	(198)
Total revenue	(132)	15	(304)	(173)	(304)
ECL	12	(3)	20	10	20
Costs	53	(24)	139	34	139
PBT	(67)	(12)	(145)	(129)	(145)

# Volatile items analysis

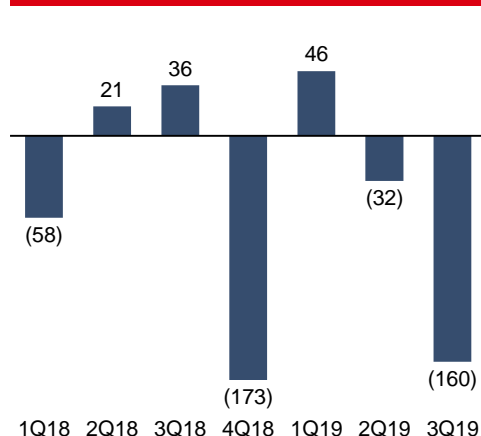
**RBWM: Insurance manufacturing market impacts revenue, \$m**



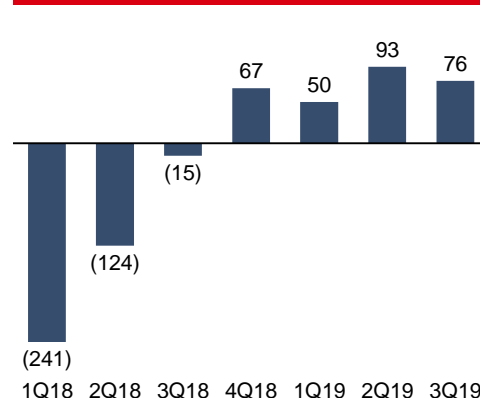
**GB&M: Markets excl. Foreign Exchange revenue, \$m**



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



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



FY18 sensitivity of HSBC's insurance manufacturing subsidiaries to market risk factors	Effect on profit after tax, \$m	Effect on total equity, \$m
+100 basis point parallel shift in yield curves	9	(61)
-100 basis point parallel shift in yield curves	(28)	46
<b>10% increase in equity prices</b>	<b>213</b>	213
<b>10% decrease in equity prices</b>	<b>(202)</b>	(202)
10% increase in USD exchange rate compared with all currencies	36	36
10% decrease in USD exchange rate compared with all currencies	(36)	(36)

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

**Stock market indices performance<sup>10</sup>**



Source: Bloomberg



# Global business management view of adjusted revenue

Group, \$m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	Δ% 3Q18
<b>Total Group revenue</b>	<b>12,935</b>	<b>12,994</b>	<b>13,486</b>	<b>12,359</b>	<b>14,087</b>	<b>13,881</b>	<b>13,267</b>	<b>(2)</b>
Adjusted revenue as previously disclosed <sup>11</sup>	13,850	13,685	13,841	12,564	14,406	14,089		

RBWM, \$m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	Δ% 3Q18
<b>Retail Banking</b>	<b>3,424</b>	<b>3,585</b>	<b>3,832</b>	<b>3,862</b>	<b>3,768</b>	<b>3,943</b>	<b>3,981</b>	<b>4</b>
Current accounts, savings and deposits	1,758	1,956	2,285	2,291	2,161	2,423	<b>2,422</b>	<b>6</b>
<b>Personal lending</b>	<b>1,666</b>	<b>1,629</b>	<b>1,547</b>	<b>1,571</b>	<b>1,607</b>	<b>1,520</b>	<b>1,559</b>	<b>1</b>
Mortgages	536	485	408	403	418	396	379	(7)
Credit cards	680	692	691	709	752	677	711	3
Other personal lending	450	452	448	459	437	447	469	5
<b>Wealth Management</b>	<b>1,753</b>	<b>1,519</b>	<b>1,570</b>	<b>1,114</b>	<b>1,888</b>	<b>1,695</b>	<b>1,476</b>	<b>(6)</b>
Investment distribution	1,011	839	792	664	846	849	839	6
Life insurance manufacturing	477	418	522	205	787	586	395	(24)
Asset management	265	262	256	245	255	260	242	(5)
Other	176	58	222	62	186	231	171	(23)
<b>Total</b>	<b>5,353</b>	<b>5,162</b>	<b>5,624</b>	<b>5,038</b>	<b>5,842</b>	<b>5,869</b>	<b>5,628</b>	<b>0</b>
Adjusted revenue as previously disclosed <sup>11</sup>	5,669	5,396	5,760	5,110	5,971	5,949		

CMB, \$m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	Δ% 3Q18
GTRF	438	454	455	444	459	465	464	2
Credit and Lending	1,234	1,268	1,293	1,307	1,327	1,363	1,367	6
GLCM	1,268	1,374	1,446	1,505	1,479	1,519	1,506	4
Markets products, Insurance and Investments and other	526	462	459	382	574	492	454	(1)
<b>Total</b>	<b>3,466</b>	<b>3,558</b>	<b>3,653</b>	<b>3,638</b>	<b>3,839</b>	<b>3,839</b>	<b>3,791</b>	<b>4</b>
Adjusted revenue as previously disclosed <sup>11</sup>	3,699	3,740	3,750	3,696	3,921	3,894		

GPB, \$m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	Δ% 3Q18
Investment	203	175	164	161	183	197	207	26
Lending	98	95	94	92	96	107	109	16
Deposit	119	121	124	125	120	118	112	(10)
Other	43	47	45	43	49	49	44	(2)
<b>Total</b>	<b>463</b>	<b>438</b>	<b>427</b>	<b>421</b>	<b>448</b>	<b>471</b>	<b>472</b>	<b>11</b>
Adjusted revenue as previously disclosed <sup>11</sup>	482	447	432	424	450	473		

GB&M, \$m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	Δ% 3Q18
<b>Global Markets</b>	<b>1,791</b>	<b>1,578</b>	<b>1,745</b>	<b>1,084</b>	<b>1,703</b>	<b>1,405</b>	<b>1,352</b>	<b>(23)</b>
<b>FICC</b>	<b>1,391</b>	<b>1,308</b>	<b>1,465</b>	<b>871</b>	<b>1,336</b>	<b>1,173</b>	<b>1,145</b>	<b>(22)</b>
Foreign Exchange	703	776	812	594	682	602	713	(12)
Rates	446	361	404	204	479	392	300	(26)
Credit	242	171	249	73	175	179	132	(47)
Equities	400	270	280	213	367	232	207	(26)
<b>Securities Services</b>	<b>454</b>	<b>479</b>	<b>491</b>	<b>480</b>	<b>469</b>	<b>518</b>	<b>509</b>	<b>4</b>
<b>Global Banking</b>	<b>1,006</b>	<b>1,068</b>	<b>957</b>	<b>932</b>	<b>920</b>	<b>990</b>	<b>989</b>	<b>3</b>
<b>GLCM</b>	<b>600</b>	<b>619</b>	<b>671</b>	<b>675</b>	<b>677</b>	<b>693</b>	<b>692</b>	<b>3</b>
<b>GTRF</b>	<b>185</b>	<b>189</b>	<b>211</b>	<b>196</b>	<b>206</b>	<b>198</b>	<b>202</b>	<b>(4)</b>
<b>Principal Investments</b>	<b>70</b>	<b>98</b>	<b>108</b>	<b>(59)</b>	<b>80</b>	<b>38</b>	<b>93</b>	<b>(14)</b>
Other revenue	(173)	(147)	(149)	(112)	(121)	(218)	(207)	(39)
Credit and funding valuation adjustments	(58)	21	36	(173)	46	(32)	(160)	nm
<b>Total</b>	<b>3,875</b>	<b>3,905</b>	<b>4,070</b>	<b>3,023</b>	<b>3,980</b>	<b>3,592</b>	<b>3,470</b>	<b>(15)</b>
Adjusted revenue as previously disclosed <sup>11</sup>	4,148	4,117	4,184	3,063	4,068	3,638		

Corporate Centre, \$m	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	Δ% 3Q18
<b>Central Treasury</b>	<b>(41)</b>	<b>187</b>	<b>91</b>	<b>268</b>	<b>284</b>	<b>263</b>	<b>313</b>	<b>&gt;200</b>
Balance Sheet Management	566	672	528	627	610	586	626	19
Holdings interest expense	(313)	(305)	(358)	(360)	(338)	(348)	(321)	10
Valuation differences on long-term debt and associated swaps	(241)	(124)	(15)	67	50	93	76	nm
Other	(53)	(56)	(64)	(66)	(38)	(68)	(68)	(6)
<b>Legacy Credit</b>	<b>1</b>	<b>(101)</b>	<b>25</b>	<b>(15)</b>	<b>(69)</b>	<b>(13)</b>	<b>(40)</b>	<b>(260)</b>
Other	(182)	(155)	(404)	(14)	(237)	(140)	(367)	9
<b>Total</b>	<b>(222)</b>	<b>(69)</b>	<b>(288)</b>	<b>239</b>	<b>(22)</b>	<b>110</b>	<b>(94)</b>	<b>67</b>
Adjusted revenue as previously disclosed <sup>11</sup>	(148)	(15)	(285)	271	(4)	135		

# Retail Banking and Wealth Management

## 9M19 highlights

**Adjusted PBT**  
(9M18: \$5.7bn)

**\$6.1bn** 8% ↑

**Adjusted revenue**  
(9M18: \$16.3bn)

**\$17.5bn** 8% ↑

**Adjusted ECL**  
(9M18: \$0.8bn)

**\$1.0bn** 24% ↑

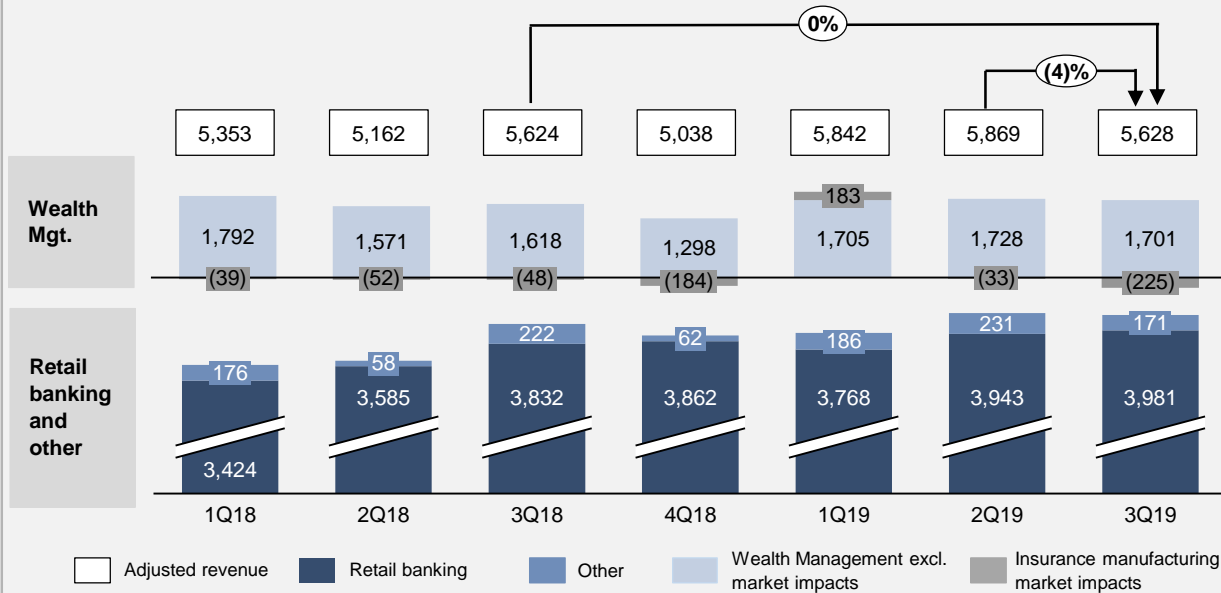
**Adjusted costs**  
(9M18: \$9.9bn)

**\$10.5bn** 6% ↑

**RoTE<sup>12</sup>**  
(9M18: 22.8%)

**19.3%**

## Revenue performance<sup>8</sup>, \$m



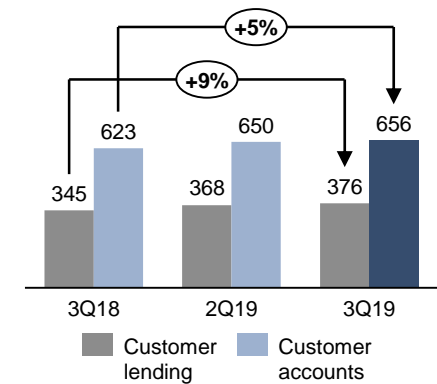
### 3Q19 vs. 3Q18: adjusted revenue stable

- ◆ Lower insurance manufacturing revenue (down \$127m) driven by \$(177)m of adverse market impacts (3Q19: \$(225)m 3Q18: \$(48)m) particularly in France, Hong Kong and Argentina, partly offset by positive actuarial assumption changes
- ◆ Higher retail banking revenue (up \$149m) driven by balance growth with customer accounts growth of \$33bn, and customer lending growth of \$31bn
- ◆ Higher investment distribution revenue (up \$47m) driven by higher mutual fund sales in Hong Kong and higher FX revenue in Latin America

### 3Q19 vs. 2Q19: adjusted revenue down 4%

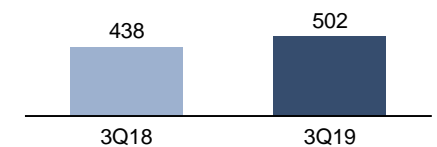
- ◆ Lower insurance manufacturing revenue (down \$191m) driven by \$(192)m of adverse market impacts (3Q19: \$(225)m, 2Q19: \$(33)m) particularly in France, Hong Kong, and Argentina
- ◆ Higher retail banking revenue (up \$38m) as growth in balances of customer lending (up \$8bn) and customer accounts (up \$5bn) was partly offset by lower interest rates
- ◆ Wealth distribution revenue broadly stable (down \$10m) despite challenging market conditions as marginally lower revenue in Hong Kong was partly offset by higher revenue in the UK and Argentina

## Balance sheet<sup>13</sup>, \$bn

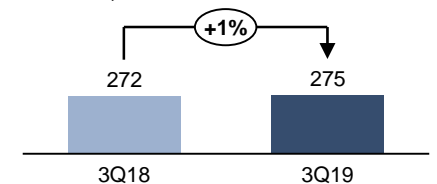


- ◆ Customer accounts up \$33bn or 5% vs. 3Q18, notably in Hong Kong (\$10bn) and the UK (\$7bn)
- ◆ Lending up \$31bn or 9% vs. 3Q18, mainly from mortgages in Hong Kong (\$11bn) and the UK (\$9bn)

## Assets under management, \$bn



## Insurance value of new business written, \$m



# Commercial Banking

## 9M19 highlights

### Adjusted PBT

(9M18: \$5.8bn)

**\$5.7bn** 3% ↓

### Adjusted revenue

(9M18: \$10.8bn)

**\$11.6bn** 8% ↑

### Adjusted ECL

(9M18: \$0.3bn)

**\$0.9bn** >100% ↑

### Adjusted costs

(9M18: \$4.7bn)

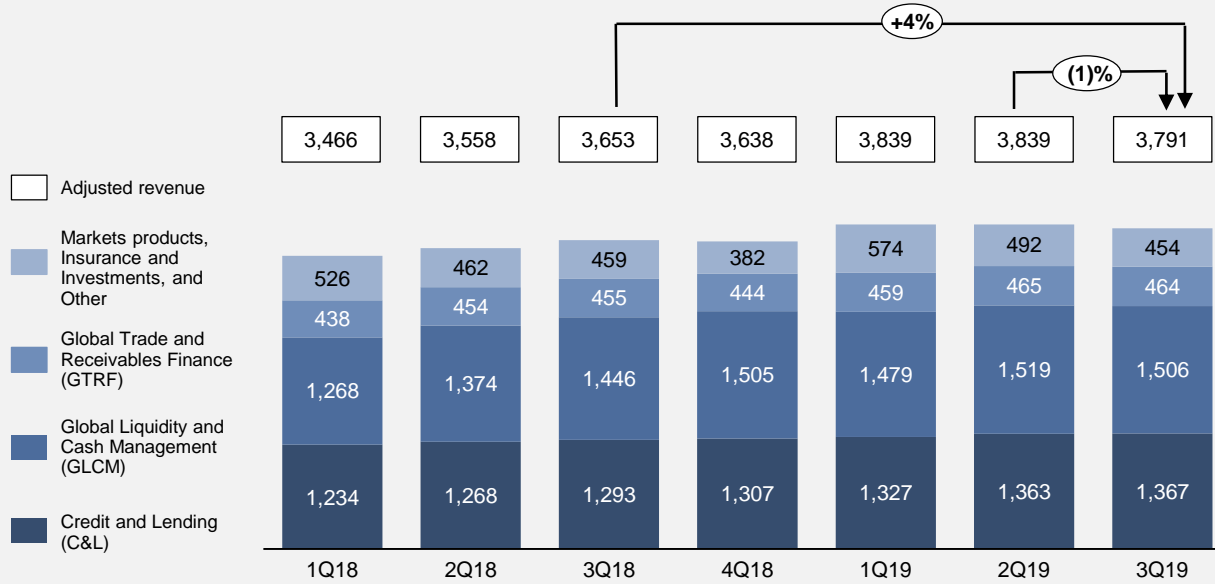
**\$5.0bn** 7% ↑

### RoTE<sup>12</sup>

(9M18: 14.5%)

**13.0%**

## Revenue performance<sup>8</sup>, \$m



### 3Q19 vs. 3Q18: Adjusted revenue up 4%

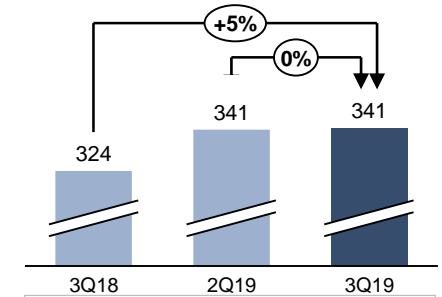
- ◆ GLCM up 4%, notably in Hong Kong and Argentina from improved margins and the UK from growth in average balances
- ◆ C&L up 6%, notably in Asia and North America due to balance growth in Hong Kong and Canada
- ◆ GTRF up 2% as growth in Europe, MENA, North and Latin America driven by higher fees was partly offset by Asia due to lower balances in Hong Kong

### 3Q19 vs. 2Q19: Adjusted revenue down 1%

- ◆ GLCM down by 1%, notably in Hong Kong due to lower average overnight HIBOR rates
- ◆ C&L broadly in line with prior quarter as increases in North America from higher fees were partly offset by a redress provision and margin compression in the UK
- ◆ GTRF broadly in line with prior quarter as reduction in Hong Kong from margin compression was offset by growth in all other regions
- ◆ Other down 8% due to lower insurance revenues primarily in Asia and a redress provision in the UK

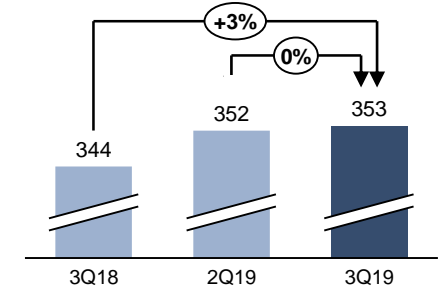
## Balance sheet<sup>13</sup>, \$bn

### Customer lending:



- ◆ YoY increase reflecting growth across all regions, notably in Europe, Asia and North America
- ◆ QoQ broadly stable

### Customer accounts:



- ◆ Year-on-year growth driven by the UK and North America, partly offset by a reduction in Hong Kong
- ◆ QoQ broadly stable

# Global Banking and Markets

## 9M19 highlights

**Adjusted PBT**  
(9M18: \$5.2bn)

**\$4.1bn** (22)% ↓

**Adjusted revenue**  
(9M18: \$12.0bn)

**\$11.2bn** (7)% ↓

**Adjusted ECL**  
(9M18: \$(0.1)bn)

**\$0.1bn** >(100)% ↑  
charge / (net release)

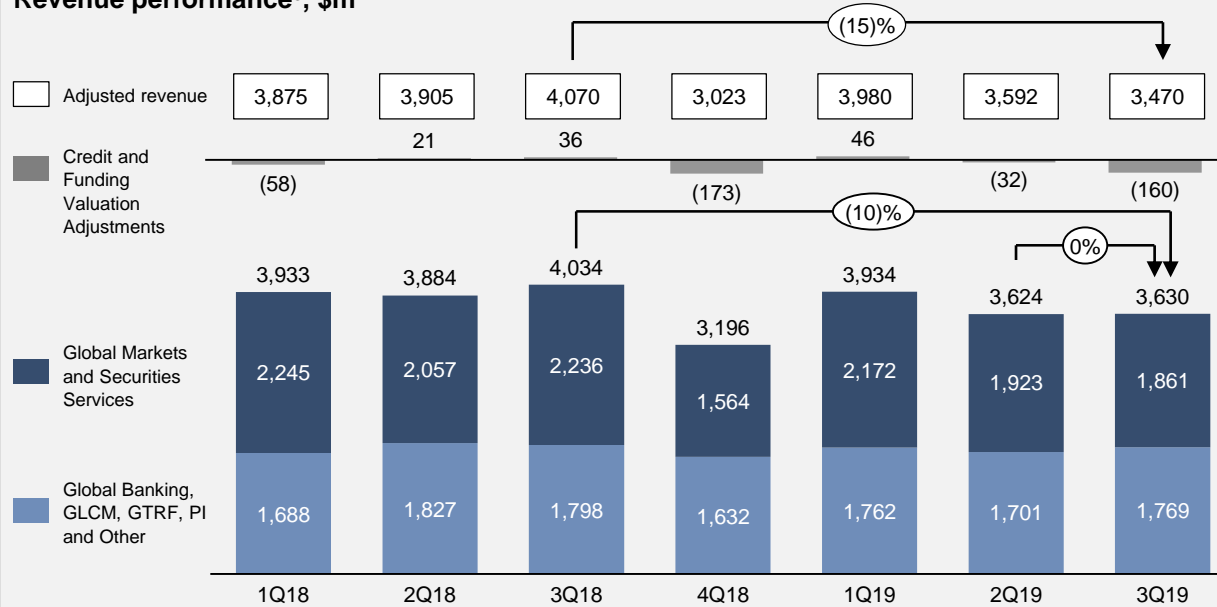
**Adjusted costs**  
(9M18: \$6.9bn)

**\$7.0bn** 2% ↑

**RoTE<sup>12</sup>**  
(9M18: 12.5%)

**9.6%**

## Revenue performance<sup>8</sup>, \$m



### 3Q19 vs. 3Q18: revenue exc. XVAs down (10)%

- ◆ 3Q19 comparatives against a strong 3Q18, particularly in Global Markets which experienced reduced client activity and lower volatility
- ◆ Global Banking revenue up due to increased Lending balances and the widening of credit spreads on portfolio hedges partly offset by prior year gains on corporate restructuring and lower event-driven revenue
- ◆ Investment in GLCM, Securities Services and GTRF has delivered continued momentum with single digit growth in average balances

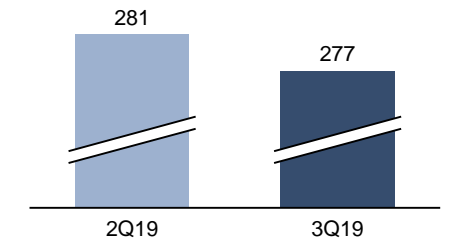
### 3Q19 vs. 2Q19: revenue exc. XVAs stable

- ◆ Continuation of wider macro uncertainty and regional tensions impacting trade flows, economic growth and investor appetite
- ◆ Global Markets impacted by reduced client activity as well as spread compression
- ◆ Global Banking revenue broadly stable due to increased event-driven revenue and the widening of credit spreads on portfolio hedges partly offset by a reduction in financing activity
- ◆ Client balances continue to grow in all our Transaction Banking products although revenues were broadly stable

## Management view of adjusted revenue

\$m	3Q19	Δ3Q18
<b>Global Markets</b>	<b>1,352</b>	<b>(23)%</b>
<b>FICC</b>	<b>1,145</b>	<b>(22)%</b>
- FX	713	(12)%
- Rates	300	(26)%
- Credit	132	(47)%
<b>Equities</b>	<b>207</b>	<b>(26)%</b>
<b>Securities Services</b>	<b>509</b>	<b>4%</b>
<b>Global Banking</b>	<b>989</b>	<b>3%</b>
<b>GLCM</b>	<b>692</b>	<b>3%</b>
<b>GTRF</b>	<b>202</b>	<b>(4)%</b>
<b>Principal Investments</b>	<b>93</b>	<b>(14)%</b>
<b>Other</b>	<b>(207)</b>	<b>(39)%</b>
Credit and Funding Valuation Adjustments	(160)	>(100)%
<b>Total</b>	<b>3,470</b>	<b>(15)%</b>

## Adjusted RWAs, \$bn



- ◆ RWAs down \$4bn, reflecting continuing focus on capital management

# Global Private Banking

## 9M19 highlights

**Adjusted PBT**  
(9M18: \$280m)

**\$319m** 14%↑

**Adjusted revenue**  
(9M18: \$1,334m)

**\$1,396m** 5%↑

**Adjusted ECL**  
(9M18: \$(16)m)

**\$25m** <100%↑

charge / (net release)

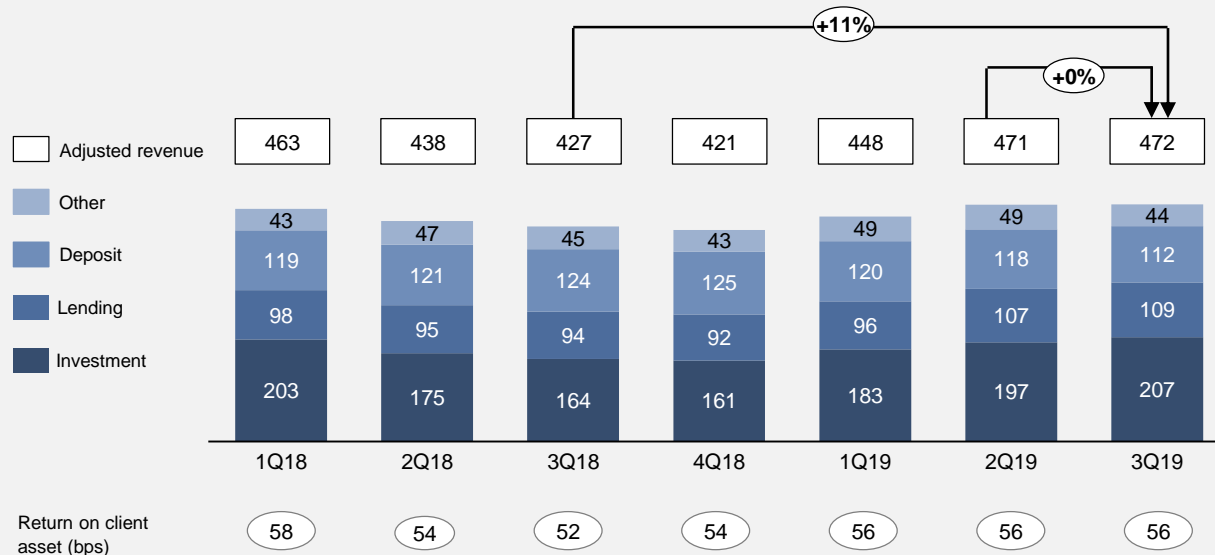
**Adjusted costs**  
(9M18: \$1,070m)

**\$1,052m** 2%↓

**RoTE<sup>12</sup>**  
(9M18: 10.9%)

**12.1%**

## Revenue performance<sup>8</sup>, \$m



### 3Q19 vs. 3Q18: adjusted revenue up 11%

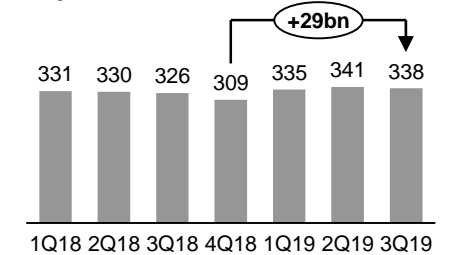
Higher revenues mainly driven by \$43m higher investment revenue and \$15m higher lending NII, partly offset by \$15m lower deposit NII from lower spreads.

- ◆ Asia, revenue up \$43m driven by Hong Kong, mainly from \$28m higher brokerage & trading, \$5m higher annuity fees and \$6m higher lending NII from strong credit demand for investment (+\$6.4bn)
- ◆ Europe, revenue up \$11m notably driven by \$11m higher lending NII and \$8m higher brokerage & trading. This is partly offset by \$8m lower deposit NII from lower spreads
- ◆ US, revenue decreased by \$9m mostly from lower deposit NII from lower spreads and lower balances

### 3Q19 vs. 2Q19: adjusted revenue stable

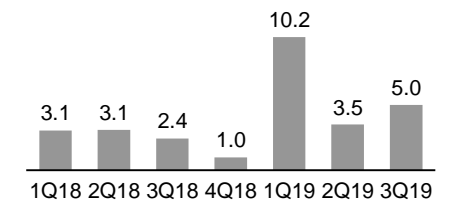
- ◆ Investment revenue increased by \$9m in Asia notably from the launch of the HSBC Fixed Maturity Bond in 3Q19. This is coupled with \$3m higher lending NII mainly in Europe from higher spreads (+5bps)
- ◆ These are offset by \$6m lower deposit NII across all regions from interest rate cuts and \$6m negative movement on PVIF in France

## Reported client assets



- ◆ Increase of Client Assets of \$29bn in 9M19 mainly due to \$19bn positive NNM and \$10bn favourable market movements

## Net new money (NNM)



- ◆ Positive inflows of \$19bn in 9M19, mainly driven by \$14bn inflows in Asia and \$3bn in Europe.
- ◆ More than 50% of 9M19 NNM came from collaboration with our other global businesses

# Corporate Centre

## 9M19 highlights

### Adjusted PBT

(9M18: \$0.9bn)

**\$1.7bn** 95% ↑

### Adjusted revenue

(9M18: \$(0.5)bn)

**\$36m** 107% ↑

### Adjusted ECL

(9M18: \$(0.1)bn)

**\$(19)m** 83% ↑

Charge / (net release)

### Adjusted costs

(9M18: \$0.6bn)

**\$0.2bn** 74% ↓

### RoTE<sup>12</sup>

(9M18: 4.8%)

**(3.6)%**

## Revenue performance<sup>8</sup>, \$m

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
<b>Central Treasury</b>	<b>(41)</b>	<b>187</b>	<b>91</b>	<b>268</b>	<b>284</b>	<b>263</b>	<b>313</b>
Of which:							
Balance Sheet Management	566	672	528	627	610	586	626
Holdings Interest expense	(313)	(305)	(358)	(360)	(338)	(348)	(321)
Valuation differences on long-term debt and associated swaps	(241)	(124)	(15)	67	50	93	76
Other central treasury	(53)	(56)	(64)	(66)	(38)	(68)	(68)
<b>Legacy Credit</b>	<b>1</b>	<b>(101)</b>	<b>25</b>	<b>(15)</b>	<b>(69)</b>	<b>(13)</b>	<b>(40)</b>
<b>Other</b>	<b>(182)</b>	<b>(155)</b>	<b>(404)</b>	<b>(14)</b>	<b>(237)</b>	<b>(140)</b>	<b>(367)</b>
of which Argentina hyperinflation	-	-	(304)	73	(56)	15	(132)
<b>Total</b>	<b>(222)</b>	<b>(69)</b>	<b>(288)</b>	<b>239</b>	<b>(22)</b>	<b>110</b>	<b>(94)</b>

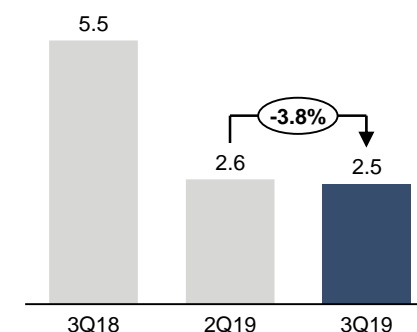
### 3Q19 vs. 3Q18: adjusted revenue up \$194m

- ◆ Less adverse impact of Argentina hyperinflation of \$(132)m versus \$(304)m
- ◆ Other revenue, excluding the impact of Argentina hyperinflation, (down \$135m) due to the impact from change a in accounting treatment of the lease expense following IFRS 16 implementation, FX revaluation in Holdings and China and revaluation of properties
- ◆ BSM (up \$98m) mainly driven by gains on disposal of assets and revaluations
- ◆ Valuation differences (up \$91m) due to favourable differences on long term debt and associated swaps
- ◆ Legacy credit (down \$65m) reflecting fair value movements and non-recurrence of gain on disposal of assets in 3Q18

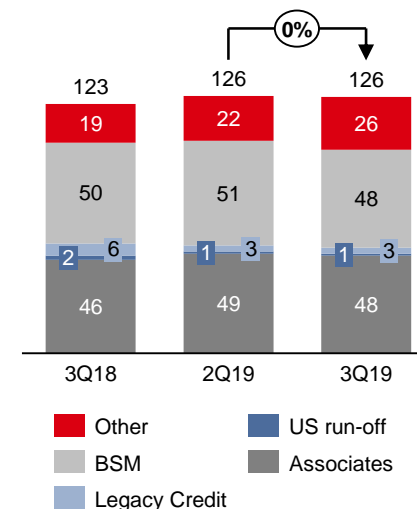
### 3Q19 vs. 2Q19: adjusted revenue down \$207m

- ◆ Unfavourable impact of Argentina hyperinflation (down \$147m)
- ◆ Other revenue, excluding the impact of Argentina hyperinflation, (down \$80m) revaluation of properties and non-recurrence of items in 2Q19
- ◆ BSM (up \$40m) mainly driven by gains on disposal of assets and revaluations
- ◆ Legacy credit (down \$27m) reflecting fair value movements

## Legacy credit adjusted RWAs, \$bn



## Adjusted RWAs, \$bn



## RoTE by global business excluding significant items and UK bank levy

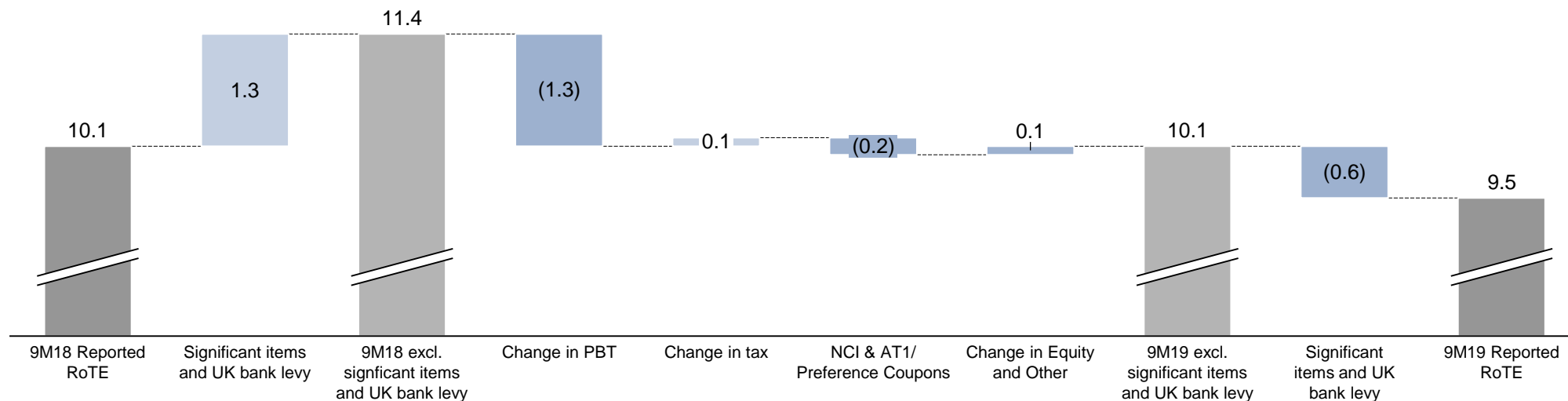
9M19 \$m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
<b>Reported profit before tax</b>	<b>4,891</b>	<b>5,602</b>	<b>3,866</b>	<b>365</b>	<b>2,520</b>	<b>17,244</b>
Tax expense	(801)	(1,190)	(766)	(64)	(691)	(3,512)
<b>Reported profit after tax</b>	<b>4,090</b>	<b>4,412</b>	<b>3,100</b>	<b>301</b>	<b>1,829</b>	<b>13,732</b>
less attributable to: preference shareholders, other equity holders, non-controlling interests	(656)	(652)	(465)	(14)	(467)	(2,254)
<b>Profit attributable to ordinary shareholders of the parent company</b>	<b>3,434</b>	<b>3,760</b>	<b>2,635</b>	<b>287</b>	<b>1,362</b>	<b>11,478</b>
Increase in PVIF (net of tax)*	(1,238)	(51)	-	1	(2)	(1,290)
Significant items (net of tax) and UK bank levy	911	40	148	(37)	(614)	448
BSM allocation and other adjustments	406	432	677	49	(1,404)	160
<b>Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy</b>	<b>3,513</b>	<b>4,181</b>	<b>3,460</b>	<b>300</b>	<b>(658)</b>	<b>10,796</b>
Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments <sup>14</sup>	24,310	43,134	48,206	3,305	24,337	143,292
<b>RoTE excluding significant items and UK bank levy (annualised)</b>	<b>19.3%</b>	<b>13.0%</b>	<b>9.6%</b>	<b>12.1%</b>	<b>(3.6)%</b>	<b>10.1%</b>

9M18 \$m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
<b>Reported profit before tax</b>	<b>5,544</b>	<b>6,034</b>	<b>5,535</b>	<b>182</b>	<b>(661)</b>	<b>16,634</b>
Tax expense	(983)	(1,272)	(1,212)	(28)	(207)	(3,702)
<b>Reported profit after tax</b>	<b>4,561</b>	<b>4,762</b>	<b>4,323</b>	<b>154</b>	<b>(868)</b>	<b>12,932</b>
less attributable to: preference shareholders, other equity holders, non-controlling interests	(630)	(642)	(429)	(19)	(141)	(1,861)
<b>Profit attributable to ordinary shareholders of the parent company</b>	<b>3,931</b>	<b>4,120</b>	<b>3,894</b>	<b>135</b>	<b>(1,009)</b>	<b>11,071</b>
Increase in PVIF (net of tax)*	(300)	(16)	-	(1)	-	(317)
Significant items (net of tax) and UK bank levy	134	(25)	(110)	81	1,522	1,602
BSM allocation and other adjustments	399	418	641	61	(1,519)	-
<b>Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy</b>	<b>4,164</b>	<b>4,497</b>	<b>4,425</b>	<b>276</b>	<b>(1,006)</b>	<b>12,356</b>
Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments <sup>14</sup>	24,462	41,324	47,340	3,392	28,230	144,748
<b>RoTE excluding significant items and UK bank levy (annualised)</b>	<b>22.8%</b>	<b>14.5%</b>	<b>12.5%</b>	<b>10.9%</b>	<b>(4.8)%</b>	<b>11.4%</b>

\*Excludes the increase in PVIF (net of tax) attributable to non-controlling interests. The increase in PVIF, as reported in 'other operating income', was \$1,770m in 9M19 and \$422m in 9M18

## Return metrics

### Group RoTE (annualised) walk, 9M19 vs. 9M18, %



### Group return metrics

	9M18	9M19
RoE	9.0%	9.2%
Reported revenue / RWAs <sup>15</sup>	6.3%	6.5%
Reported RoTE	10.1%	9.5%

9M19 RoTE includes an adverse impact of 0.8pppts (3Q19 1.5pppts) reflecting lower discount rates on Insurance liabilities, but excludes a broadly offsetting favourable movement in PVIF<sup>1,17</sup>

### Global business and Corporate Centre RoTE<sup>12</sup>

	9M18	9M19
RBWM	22.8%	19.3%
CMB	14.5%	13.0%
GB&M	12.5%	9.6%
GPB	10.9%	12.1%
Corporate Centre	(4.8)%	(3.6)%



## Equity drivers

### 3Q19 vs. 2Q19 Equity drivers

	Shareholders' Equity, \$bn	Tangible Equity <sup>16</sup> , \$bn	TNAV per share, \$	Basic number of ordinary shares, million
<b>As at 30 June 2019</b>	<b>192.7</b>	<b>145.4</b>	<b>7.19</b>	<b>20,221</b>
Profit attributable to:	3.5	2.5	0.12	-
<i>Ordinary shareholders</i>	3.0	2.5	0.12	-
<i>Other equity holders</i>	0.5	-	-	-
Dividends gross of scrip	(4.5)	(4.0)	(0.20)	-
<i>On ordinary shares</i>	(4.0)	(4.0)	(0.20)	-
<i>On other equity instruments</i>	(0.5)	-	-	-
Scrip	1.2	1.2	0.00	155
FX	(3.8)	(3.3)	(0.16)	-
Cancellation of shares	(1.0)	(1.0)	(0.00)	(136)
Actuarial gains/(losses) on defined benefit plans	0.8	0.8	0.04	-
Fair value movements through 'Other Comprehensive Income'	0.6	0.6	0.03	-
Other <sup>16</sup>	0.0	(0.4)	0.00	(49)
<b>As at 30 September 2019</b>	<b>189.5</b>	<b>141.8</b>	<b>7.02</b>	<b>20,191</b>

\$7.00 on a fully diluted basis

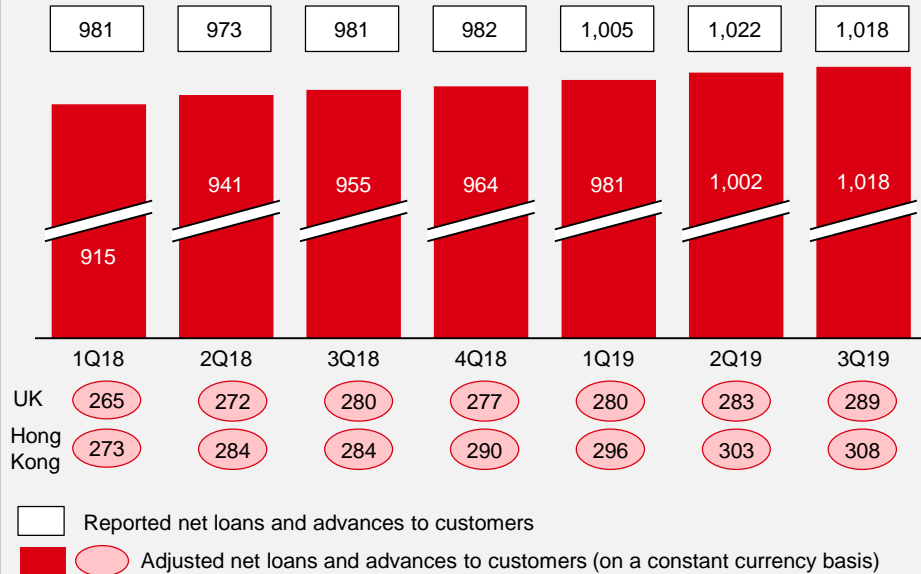
20,267 million on a fully diluted basis

# Balance sheet – customer lending

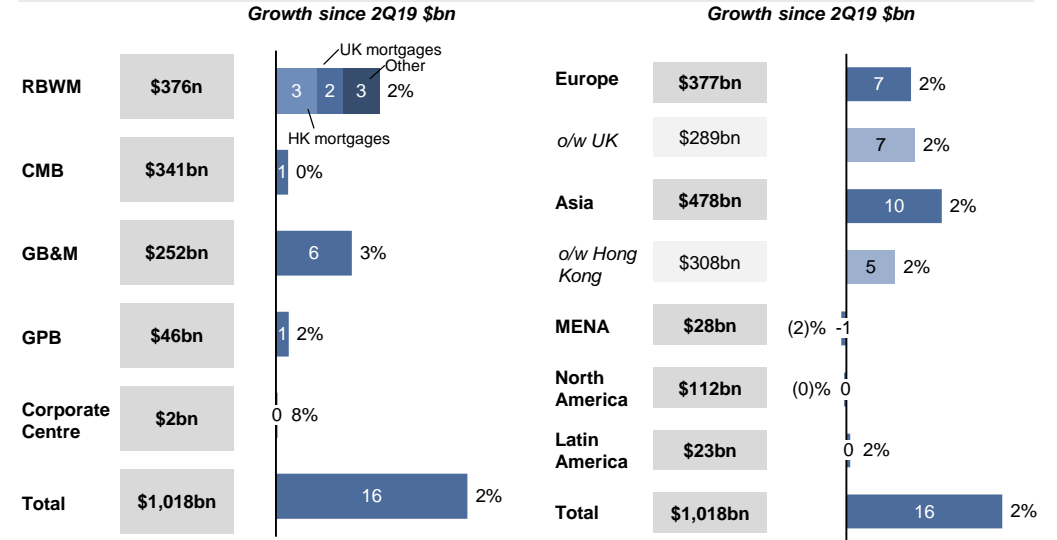
## 3Q19 Net loans and advances to customers

### Adjusted customer lending increased by \$16bn (2%) vs. 2Q19:

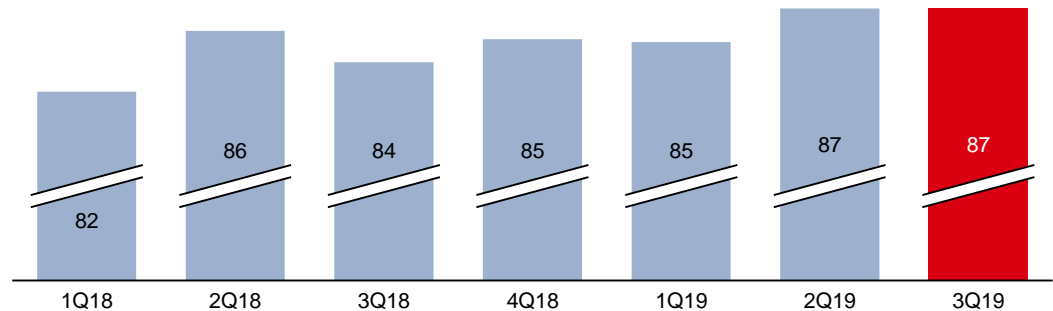
- Customer lending growth was primarily in Asia (up \$10bn), reflecting an increase in GB&M (up \$7bn), due to higher term lending from our continued strategic focus on growth throughout Asia. Customer lending increased in RBWM by \$4bn, primarily in Hong Kong (up \$3bn), where we maintained a leading position in mortgages. This was partly offset by a decrease in CMB (down \$2bn)
- In Europe, customer lending increased by \$7bn, with HSBC UK up \$3bn, primarily reflecting growth in mortgage balances (up \$2bn), due to our focus on broker-originated mortgages. We also increased lending to our corporate clients within HSBC UK mainly through term lending. The remaining increase in Europe primarily reflected growth in the UK in GB&M



### 3Q19 adjusted lending growth by global business and region \$bn



### GTRF funded assets, \$bn

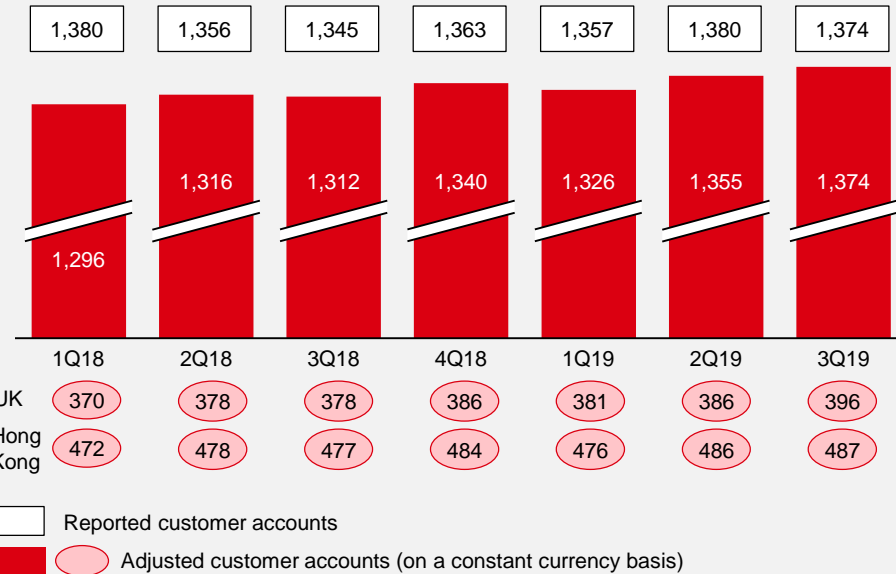


# Balance sheet – customer accounts

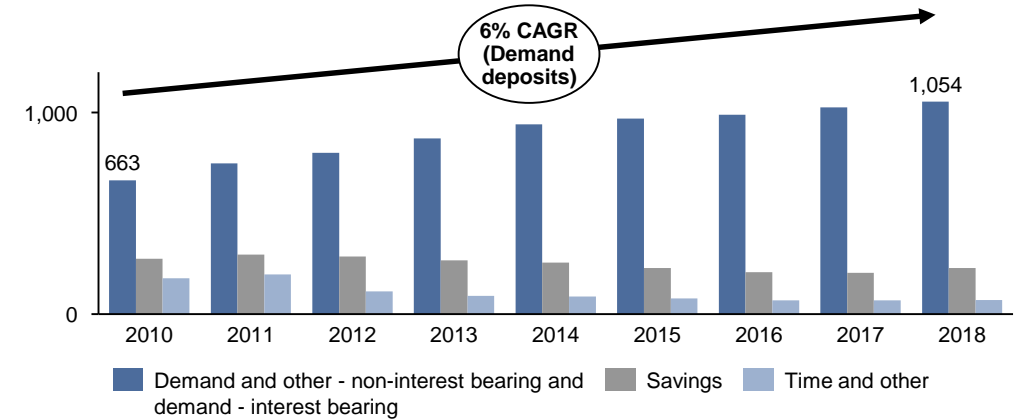
## 3Q19 Customer accounts

### Adjusted customer accounts increased by \$19bn (1%) vs. 2Q19:

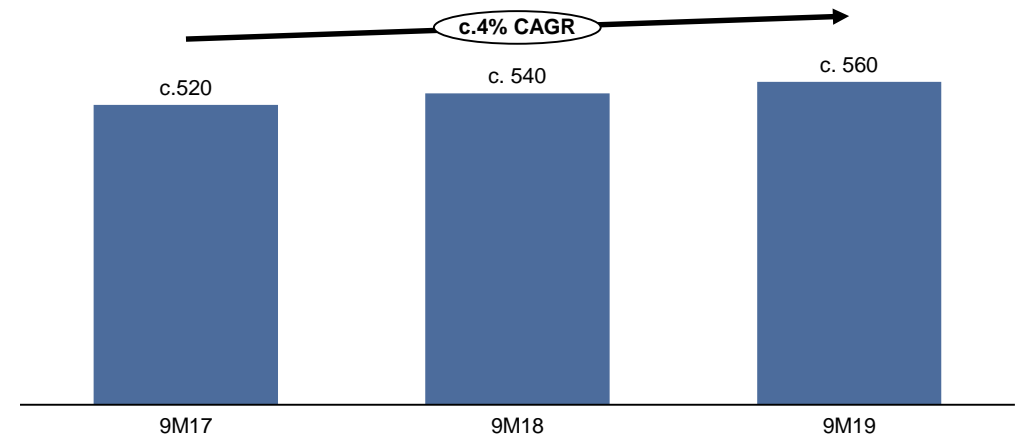
- Customer accounts increased in Europe by \$9bn, driven by an increase in CMB and RBWM balances, notably in HSBC UK (up \$6bn) within current accounts and savings. In addition, current accounts increased in GB&M mainly in the UK
- Customer accounts also increased in North America (up \$8bn), primarily in GB&M (up \$4bn), reflecting an increase in interest-bearing demand deposits, and in CMB (up \$2bn), from an increase mainly in time deposits. In addition, customer accounts grew in RBWM (up \$2bn), reflecting an increase in savings deposits arising from promotional rates.



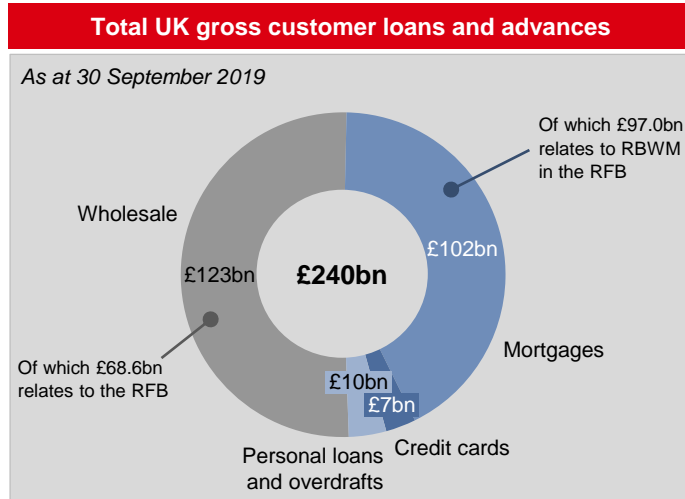
### Reported average customer accounts, \$bn



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

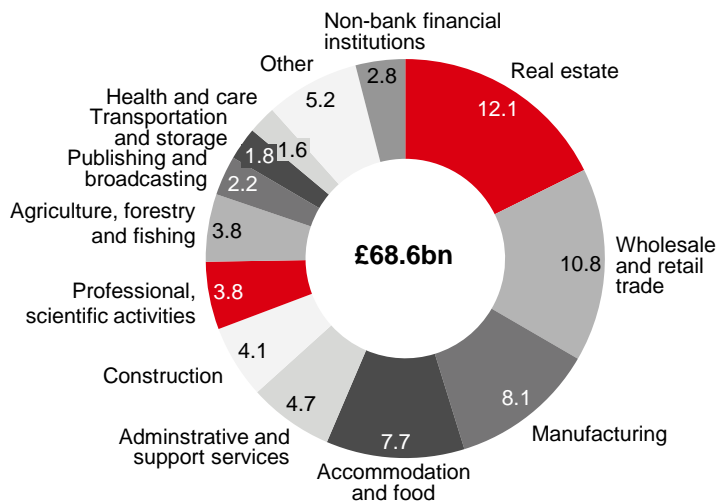


# UK customer loans and advances

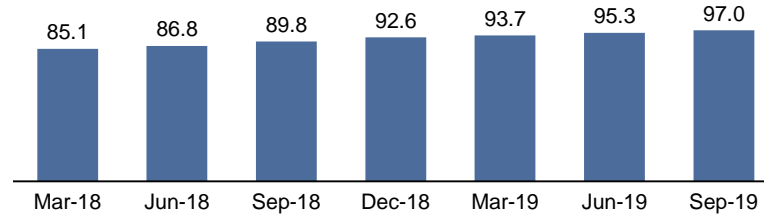


### RFB wholesale gross loans and advances to customers, £bn

As at 30 September 2019



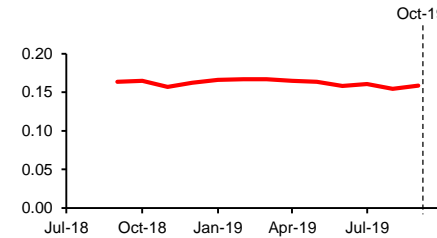
### RFB RBWM residential mortgages, £bn



#### By LTV

Less than 50%	£45.1bn
50% - < 60%	£15.4bn
60% - < 70%	£14.1bn
70% - < 80%	£12.5bn
80% - < 90%	£7.9bn
90% +	£1.7bn

#### 90+ day delinquency trend, %

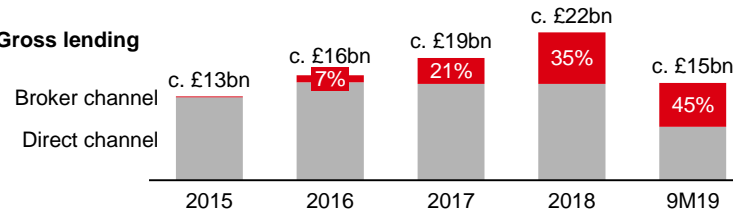


- ◆ c.27% of mortgage book is in Greater London
- ◆ Buy-to-let mortgages of £2.9bn
- ◆ Mortgages on a standard variable rate of £2.9bn
- ◆ Interest-only mortgages of £18.9bn<sup>18</sup>
- ◆ LTV ratios:
  - c.47% of the book < 50% LTV%
  - new originations average LTV of 66%
  - average LTV of the total portfolio of 52%

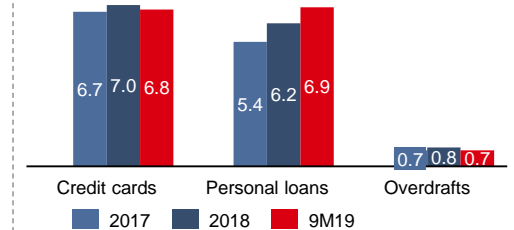
#### Expansion into the broker channel



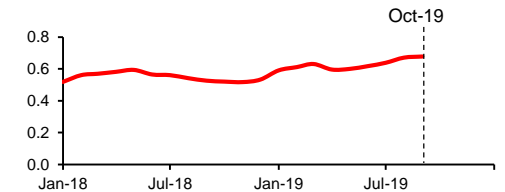
#### Gross lending



### RFB RBWM unsecured lending, £bn



#### Credit cards: 90-179 day delinquency trend, %



- 90-179 day delinquencies remain within expectations. The rise seen over the last 6 months largely reflects a return to more normal credit conditions

## US geographical region

Reported by global business, \$m 9M19	RBWM	CMB	GB&M	GPB	Corporate Centre	US total
<b>Income statement</b>						
Net interest income	639	595	227	102	28	1,591
Net fee income	172	170	547	50	(12)	927
Other income	48	10	671	5	282	1,016
<b>Revenue</b>	<b>859</b>	<b>775</b>	<b>1,445</b>	<b>157</b>	<b>298</b>	<b>3,534</b>
ECL	(85)	(33)	17	(1)	0	(102)
Operating expenses	(963)	(442)	(1,122)	(162)	(265)	(2,954)
<b>Profit before tax</b>	<b>(189)</b>	<b>300</b>	<b>340</b>	<b>(6)</b>	<b>33</b>	<b>478</b>
Revenue significant items	(4)	-	(4)	-	(2)	(10)
Cost significant items	(8)	(2)	(8)	(1)	(20)	(39)
<b>Balance sheet</b>						
Loans and advances to customers (net)	17,343	26,130	16,602	5,910	-	65,985
Total external assets	18,596	27,773	165,654	7,066	77,701	296,790
Customer accounts	34,871	25,334	21,830	7,704	3	89,742
Risk-weighted assets						97,700
Cost efficiency ratio	112.1%	57.0%	77.6%	103.2%	89.9%	83.6%

## HSBC Bank plc (NRFB)

Reported by global business, \$m 9M19	RBWM	CMB	GB&M	GPB	Corporate Centre	HSBC Bank plc
<b>Income statement</b>						
Net interest income	628	711	697	77	(726)	1,387
Net fee income	278	345	568	95	(12)	1,274
Other income	58	71	2,194	-	654	2,977
<b>Revenue</b>	<b>964</b>	<b>1,127</b>	<b>3,459</b>	<b>172</b>	<b>(84)</b>	<b>5,638</b>
ECL	(1)	(90)	(56)	-	15	(132)
Operating expenses	(935)	(618)	(3,443)	(140)	(249)	(5,385)
Share of profit in associates and JVs	-	-	-	-	16	16
<b>Profit before tax</b>	<b>28</b>	<b>419</b>	<b>(40)</b>	<b>32</b>	<b>(302)</b>	<b>137</b>
Revenue significant items	-	-	(12)	-	2	(10)
Cost significant items	(3)	(5)	(117)	(3)	(92)	(220)
<b>Balance sheet</b>						
Loans and advances to customers (net)	28,273	36,499	73,698	5,067	595	144,132
Total external assets	61,594	38,493	574,395	5,526	134,409	814,417
Customer accounts	39,417	43,313	126,593	9,835	4,533	223,691
Risk-weighted assets						182,400
Cost efficiency ratio	97.0%	54.8%	99.5%	81.4%	nm	95.5%

## Footnotes

1. Due to falling interest rates in the year to date, the regulator-prescribed 'Valuation Interest Rate' parameters used to discount the insurance liabilities in Hong Kong and Singapore were reduced. This led to an increase in the liabilities under insurance contracts of USD 1.3bn, and a corresponding increase in the Present Value of In-Force business ('PVIF') of USD 1.2bn. Because the increase in PVIF is excluded from both the numerator and denominator of the Group's RoTE calculation, the reduction in the discount rates lowered 9M19 RoTE by 0.8 ppts
2. 9M18 Jaws (adjusted) is as reported at 9M18
3. 20,149 million weighted average basic ordinary shares outstanding during the period
4. Unless otherwise stated, risk-weighted assets and capital amounts at 30 September 2019 are calculated using (i) the transitional arrangement within the revisions to the Capital Requirements Regulation ('CRR II') as implemented in the UK by the Prudential Regulation Authority; and (ii) EU's regulatory transitional arrangements for IFRS 9 in article 473a of CRR II
5. Leverage ratio at 30 September 2019 is calculated using the CRR II end-point basis for additional tier 1 capital
6. FY18 NIM relates to 2H18 only. HSBC UK Bank plc (RFB) started operations on 1st July 2018
7. Total includes POCI balances and related allowances
8. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 3Q19 exchange rates
9. From 1st July 2018, Argentina was deemed a hyperinflationary economy for accounting purposes
10. Equity market investments in the Insurance manufacturing business are mainly benchmarked to MSCI World index (c.50%), MSCI Asia excl. Japan (c.50%); rebased to 100
11. 2Q19 as reported at 2Q19 Results; 1Q19 as reported at 1Q19 Results; 4Q18 as reported at 4Q18 Results; 3Q18 as reported at 3Q18 Results; 2Q18 as reported at 2Q18 Results; 1Q18 as reported at 1Q18 Results
12. RoTE is annualised and excludes significant items and the UK bank levy. RBWM RoTE includes an adverse impact reflecting lower discount rates on Insurance liabilities, but excludes a broadly offsetting favourable movement in PVIF
13. Where a quarterly trend is presented on the Balance Sheet and Funds Under Management, all comparatives are re-translated at 30 September 2019 exchange rates
14. Tangible Equity is allocated to global businesses at a legal entity level, using RWAs, or a more suitable local approach, where appropriate
15. Revenue/RWAs is calculated using annualised reported revenues and reported average risk-weighted assets
16. Differences between shareholders' equity and tangible equity drivers reflect adjustments primarily for PVIF movements and amortisation expense within 'Profit Attributable to Ordinary shareholders', FX on goodwill and intangibles within 'FX', and intangible asset additions within 'Other'.
17. Due to falling interest rates in the third quarter, the regulator-prescribed 'Valuation Interest Rate' parameters used to discount the insurance liabilities in Hong Kong and Singapore were reduced. This led to an increase in the liabilities under insurance contracts of USD 0.7bn, and a corresponding increase in the Present Value of In-Force business ('PVIF') of USD 0.7bn. Because the increase in PVIF is excluded from both the numerator and denominator of the Group's RoTE calculation, the reduction in the discount rates lowered 3Q19 RoTE by 1.5 ppts
18. Includes offset mortgages in first direct, endowment mortgages and other products

# Glossary

AIEA	Average interest earning assets	Jaws	The difference between the rate of growth of revenue and the rate of growth of costs. Positive jaws is where the revenue growth rate exceeds the cost growth rate. Calculated on an adjusted basis
ASEAN	Association of Southeast Asian Nations	Legacy credit	A portfolio of assets including securities investment conduits, asset-backed securities, trading portfolios, credit correlation portfolios and derivative transactions entered into directly with monoline insurers
AUM	Assets under management	LTV	Loan to value
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point	MENA	Middle East and North Africa
BREEAM	Building Research Establishment Environmental Assessment Method	NAV	Net Asset Value
BRI	Belt & Road Initiative	NBFI	Non-Bank Financial Institutions
BSM	Balance Sheet Management	NCI	Non-controlling interests
CET1	Common Equity Tier 1	NII	Net interest income
Corporate Centre	In December 2016, certain functions were combined to create a Corporate Centre. These include Balance Sheet Management, legacy businesses and interests in associates and joint ventures. The Corporate Centre also includes the results of our financing operations, central support costs with associated recoveries and the UK bank levy	NIM	Net interest margin
CMB	Commercial Banking, a global business	NRFB	Non ring-fenced bank
CRD IV	Capital Requirements Directive IV	PAOS	Profit attributable to ordinary shareholders
CRR	Customer risk rating	PBT	Profit before tax
ECL	Expected credit losses. In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied.	POCI	Purchased or originated credit-impaired
ESG	Environmental, social and governance	Ppt	Percentage points
FICC	Fixed Income, Currencies and Commodities	PRD	Pearl River Delta
GB&M	Global Banking and Markets, a global business	PVIF	Present value of in-force insurance contracts
GLCM	Global Liquidity and Cash Management	RBWM	Retail Banking and Wealth Management, a global business
GPB	Global Private Banking, a global business	HBUK (RFB)	Ring-fenced bank, established July 2018 as part of ring fenced bank legislation
GTRF	Global Trade and Receivables Finance	RoE	Return on average ordinary shareholders' equity
IAS	International Accounting Standards	RoTE	Return on average tangible equity
IBOR	Interbank Offered Rate	RWA	Risk-weighted asset
IFRS	International Financial Reporting Standard	TNAV	Tangible net asset value



# Disclaimer

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## Forward-looking statements

This Presentation may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position, strategy and business of the Group which can be identified by the use of forward-looking terminology such as “may”, “will”, “should”, “expect”, “anticipate”, “project”, “estimate”, “seek”, “intend”, “target” or “believe” or the negatives thereof or other variations thereon or comparable terminology (together, “forward-looking statements”), including the strategic priorities and any financial, investment and capital targets described herein. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgements which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. Certain of the assumptions and judgements upon which forward-looking statements regarding strategic priorities and targets are based are discussed under “Targeted Outcomes: Basis of Preparation”, available separately from this Presentation at [www.hsbc.com](http://www.hsbc.com). The assumptions and judgments may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions or regulatory changes). Any such forward-looking statements are based on the beliefs, expectations and opinions of the Group at the date the statements are made, and the Group does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management’s beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein.

Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts for the fiscal year ended 31 December 2018 filed with the Securities and Exchange Commission (the “SEC”) on Form 20-F on 20 February 2019 (the “2018 Form 20-F”) and in our Interim Report for the six months ended 30 June 2019 furnished to the SEC on Form 6-K on 5 August 2019 (the “2019 Interim Report”).

## Non-GAAP financial information

This Presentation contains non-GAAP financial information. The primary non-GAAP financial measures we use are presented on an ‘adjusted performance’ basis which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business.

Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in our 2018 Form 20-F, our 1Q 2019 Earnings Release furnished to the SEC on Form 6-K on 3 May 2019, the 2019 Interim Report and our 3Q 2019 Earnings Release available at [www.hsbc.com](http://www.hsbc.com) and which we expect to furnish to the SEC on Form 6-K on 28 October 2019, and the corresponding Reconciliations of Non-GAAP Financial Measures document, each of which are available at [www.hsbc.com](http://www.hsbc.com).

Information in this Presentation was prepared as at 28 October 2019.