

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



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 are: Douglas Flint, Stuart Gulliver, Phillip Ameen[†], Kathleen Casey[†], Laura Cha[†], Henri de Castries[†], Lord Evans of Weardale[†], Joachim Faber[†], Sam Laidlaw[†], Irene Lee[†], John Lipsky[†], Rachel Lomax[†], Iain Mackay, Heidi Miller[†], Marc Moses, David Nish[†], Jonathan Symonds[†], Pauline van der Meer Mohr[†] and Paul Walsh[†].

[†] 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

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



3 May 2016

**HSBC HOLDINGS PLC
FIRST QUARTER 2016 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: Stuart Gulliver, Group Chief Executive; and Iain Mackay, Group Finance Director.

A copy of the presentation to investors and analysts is attached and is also available to view and download at <http://www.hsbc.com/investor-relations/events-and-presentations>. 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/investor-relations/events-and-presentations/1q-2016-earnings-release>

Time: 3.15am (New York); 8.15am (London); and 3.15pm (Hong Kong).

Conference call access numbers:

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

Passcode: HSBC

	Toll	Toll-free
UK	+44 20 3651 4876	0808 234 1369
US	+1 845 507 1610	+1 800 742 9301
Hong Kong	+852 3051 2792	
International	+61 283 733 610	

Replay access details (available until Friday, 3 June 2016, 2.00pm BST):

Passcode: 69716098

	Toll	Toll-free
UK	+44 20 3701 4269	0808 234 0072
US	+1 646 254 3697	+1 855 452 5696
Hong Kong	+852 3051 2780	800 963 117
International	+61 290 034 211	

Note to editors:

HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 6,000 offices in 71 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,596bn at 31 March 2016, HSBC is one of the world's largest banking and financial services organisations.

ends/all

Value of the network

Connecting customers to opportunities

- 1 Reduce Group RWAs by c. \$290bn and re-deploy towards higher performing businesses; return GB&M to Group target profitability
- 2 Optimise global network
- 3 Rebuild NAFTA profitability
- 4 Set up UK Ring-Fenced Bank
- 5 Realise \$4.5-5.0bn cost savings, deliver an exit rate in 2017 equal to 2014 operating expenses
- 6 Revenue growth above GDP from our international network
- 7 Capture growth opportunities in Asia: Pearl River Delta, ASEAN, Asset Management, Insurance
- 8 Extend leadership in RMB internationalisation
- 9 Complete Global Standards implementation

HSBC Holdings plc 1Q 2016 Results
Presentation to Investors and Analysts

HSBC 

Our highlights

1st Quarter 2016

Reported PBT
(1Q15: \$7.1bn)

\$6.1bn

Adjusted PBT
(1Q15: \$6.6bn)

\$5.4bn

Reported RoE¹
(1Q15: 11.5%)

9.0%

Adjusted Jaws

(2.8)%

CET1 ratio²
(2015: 11.9%)

11.9%

1Q16 Financial Performance (vs. 1Q15)

- Reported PBT of \$6.1bn; a resilient performance despite challenging market conditions
- Adjusted PBT down 18%:
 - Lower revenue of \$0.5bn (4%): Client-facing GB&M and BSM down 10% and Principal RBWM down 5% in challenging market conditions
 - Continued momentum in CMB with revenue up 2%
 - Higher LICs, up \$0.7bn from higher specific charges across a number of countries, but significantly lower (by \$0.5bn) than 4Q15
 - Costs broadly unchanged reflecting tight cost control and continued effect of cost saving plans

Capital and liquidity

- Strong capital position with a common equity tier one ratio² of 11.9% and a strong leverage ratio of 5.0%
- Issued TLAC securities of \$10.5bn – largest fund-raising by a bank since 2008

Strategy execution

- Clearly defined actions to capture value from our network and connecting our customers to opportunities
 - Remain on track to deliver our Group RWA reduction target with 50% of our target achieved
 - Disposal of Brazil³ on track: Technical body of the Brazilian Competition Agency has recommended to its Board that the sale be approved
 - Development of Asia business gathering momentum despite a challenging environment with key increases in market share in debt capital markets, China M&A and syndicated lending

1Q16 Key metrics

Discrete quarter

Key financial metrics	1Q15	4Q15	1Q16	Target
Return on average ordinary shareholders' equity ¹	11.5%	(3.4)%	9.0%	>10%
Return on average tangible equity ¹	13.1%	(4.0)%	10.3%	n/a
Jaws (adjusted)	-	-	(2.8)%	Positive
Dividends per ordinary share in respect of the period	\$0.10	\$0.21	\$0.10	Progressive
Earnings per share	\$0.26	\$(0.07)	\$0.20	n/a
Common equity tier 1 ratio ²	11.2%	11.9%	11.9%	n/a
Leverage ratio	4.9%	5.0%	5.0%	n/a
Advances to deposits ratio	72.5%	71.7%	70.0%	n/a
Net asset value per ordinary share (NAV)	\$8.95	\$8.73	\$8.86	n/a
Tangible net asset value per ordinary share (TNAV)	\$7.67	\$7.48	\$7.59	n/a

Reported Income Statement, \$m						Adjusted Income Statement, \$m					
	1Q15	4Q15	1Q16	vs. 1Q15	vs. 4Q15		1Q15	4Q15	1Q16	vs. 1Q15	vs. 4Q15
Revenue	15,892	11,772	14,976	(916)	3,204	Revenue	14,457	12,603	13,914	(543)	1,311
LICs	(570)	(1,644)	(1,161)	(591)	483	LICs	(469)	(1,611)	(1,161)	(692)	450
Costs	(8,845)	(11,542)	(8,264)	581	3,278	Costs	(7,950)	(9,681)	(7,874)	76	1,807
Associates	582	556	555	(27)	(1)	Associates	558	546	555	(3)	9
PBT	7,059	(858)	6,106	(953)	6,964	PBT	6,596	1,857	5,434	(1,162)	3,577

Financial overview

Reconciliation of Reported to Adjusted PBT

Discrete quarter

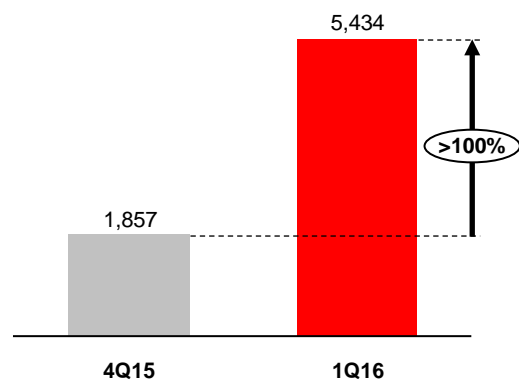
\$m	1Q15	4Q15	1Q16	vs. 1Q15	vs. 4Q15
Reported profit before tax	7,059	(858)	6,106	(953)	6,964
Includes					
Currency translation	296	47	-	(296)	(47)
Significant items:					
Fair value gains / (losses) on own debt (credit spreads only)	298	(773)	1,151	853	1,924
Gain on the partial sale of shareholding in Industrial Bank	363	-	-	(363)	-
Loss on sale of several tranches of real estate secured accounts in the US	-	(214)	-	-	214
Other revenue-related significant items ⁴	(175)	(190)	(89)	86	101
Revenue-related significant items	486	(1,177)	1,062	576	2,239
Settlements and provisions in connection with legal matters	-	(370)	-	-	370
UK customer redress programmes	(137)	(337)	-	137	337
Costs-to-achieve	-	(743)	(341)	(341)	402
Other operating expenses-related significant items ⁴	(182)	(135)	(49)	133	86
Operating expenses-related significant items	(319)	(1,585)	(390)	(71)	1,195
Adjusted profit before tax	6,596	1,857	5,434	(1,162)	3,577

The remainder of the presentation, unless otherwise stated, is presented on an adjusted basis

1Q16 vs. 4Q15 performance

Significantly lower LICs and a decrease in costs excluding the bank levy

1Q16 vs. 4Q15 adjusted PBT analysis, \$m

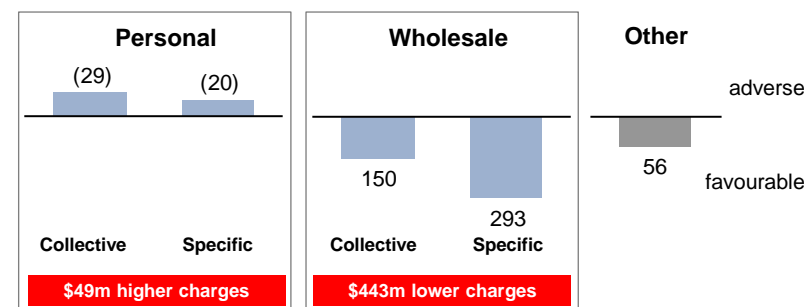


	4Q15	1Q16	vs. 4Q15
Revenue	12,603	13,914	1,311
LICs	(1,611)	(1,161)	450
Costs	(9,681)	(7,874)	1,807
Bank levy ⁵	(1,465)	106	1,571
Costs excl. bank levy	(8,216)	(7,980)	236
Associates	546	555	9
PBT	1,857	5,434	3,577

Revenue

	Principal RBWM	RBWM run-off portfolio	CMB	GB&M	GPB	Other ⁶	Group
1Q16	5,071	238	3,623	4,316	487	179	13,914
4Q15	5,325	297	3,547	3,559	477	(602)	12,603
vs. 4Q15	(254)	(59)	76	757	10	781	1,311

LICs



Operating expenses (excl. bank levy) improvement

	RBWM	CMB	GB&M	GPB	Other ⁶	Group
1Q16	3,454	1,498	2,249	377	402	7,980
4Q15	3,671	1,561	2,321	368	295	8,216
vs. 4Q15	217	63	72	(9)	(107)	236

1Q16 vs. 1Q15 profit before tax performance

\$5.4bn of adjusted profit generated in the period

1Q16 vs. 1Q15 adjusted PBT analysis, \$m

	1Q15			1Q16			vs. 1Q15	
	Group	Brazil	Group excl. Brazil	Group	Brazil	Group excl. Brazil	Group	Group excl. Brazil
Revenue	14,457	753	13,704	13,914	736	13,178	(543)	(526)
LICs	(469)	(176)	(293)	(1,161)	(335)	(826)	(692)	(533)
Operating expenses	(7,950)	(508)	(7,442)	(7,874)	(489)	(7,385)	76	57
Income from associates	558	(1)	559	555	(1)	556	(3)	(3)
Adjusted PBT	6,596	68	6,528	5,434	(89)	5,523	(1,162)	(1,005)

Adjusted PBT by global business, \$m	1Q15	1Q16	vs. 1Q15
RBWM	1,844	1,359	(485)
CMB	2,232	2,076	(156)
GB&M	2,787	2,000	(787)
GPB	181	112	(69)
Other	(448)	(113)	335
Group	6,596	5,434	(1,162)

Adjusted PBT by geography, \$m	1Q15	1Q16	vs. 1Q15
Europe	1,690	1,033	(657)
Asia	3,838	3,464	(374)
Middle East and North Africa	450	513	63
North America	454	361	(93)
Latin America	164	63	(101)
- Latin America ex Brazil	96	152	56

1Q16 vs. 1Q15 revenue performance

Lower revenue, notably from Wealth Management and Markets; continued momentum in CMB

1Q16 vs. 1Q15 adjusted revenue analysis, \$m

Adjusted revenue by global business

	1Q15	1Q16	vs. 1Q15	
Principal RBWM	5,341	5,071	(270)	(5)%
CMB	3,556	3,623	67	2%
Client-facing GB&M and BSM	4,813	4,355	(458)	(10)%
GPB	574	487	(87)	(15)%
Other ⁶	(200)	179	379	>100%
RBWM run off portfolio	302	238	(64)	(21)%
Legacy Credit	70	(39)	(109)	<(100)%
Group	14,457	13,914	(543)	(4)%
Group excl. Brazil	13,704	13,178	(526)	(4)%

Key drivers

Principal RBWM	<ul style="list-style-type: none"> – Down in Wealth Management; <ul style="list-style-type: none"> – life insurance manufacturing adversely impacted by market updates (c. \$250m); and – investment distribution affected by lower equity turnover; 1Q15 notably strong – Growth in deposit balances, notably in Hong Kong and the UK – Revenue growth from personal lending products
CMB	<ul style="list-style-type: none"> – Growth in average Payments & Cash Management balances – Continued loan growth in UK Credit & Lending
Client-facing GB&M and BSM	<ul style="list-style-type: none"> – Revenue down in Client-facing GB&M (down 7%); extreme levels of market volatility led to reduced client activity – BSM down \$172m from lower disposal gains

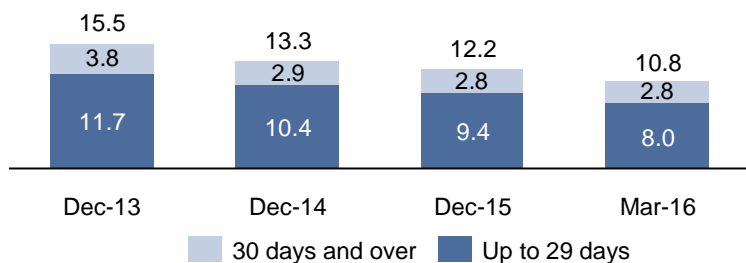
1Q16 LICs

Higher specific charges in 1Q16 across a number of countries

Quarterly LICs

\$m	1Q15	4Q15	1Q16	vs. 4Q15	vs. 1Q15
Personal	348	500	549	(49)	(201)
Collective	314	483	512	(29)	(198)
Specific	34	17	37	(20)	(3)
Wholesale	154	977	534	443	(380)
Collective	56	250	100	150	(44)
Specific	98	727	434	293	(336)
Impairment on AFS debt securities	(50)	28	37	(9)	(87)
Other credit-risk provisions	17	106	41	65	(24)
Group	469	1,611	1,161	450	(692)
LICs / average gross loans and advances to customers (excl. Brazil)	0.13	0.57	0.36	0.21	(0.23)

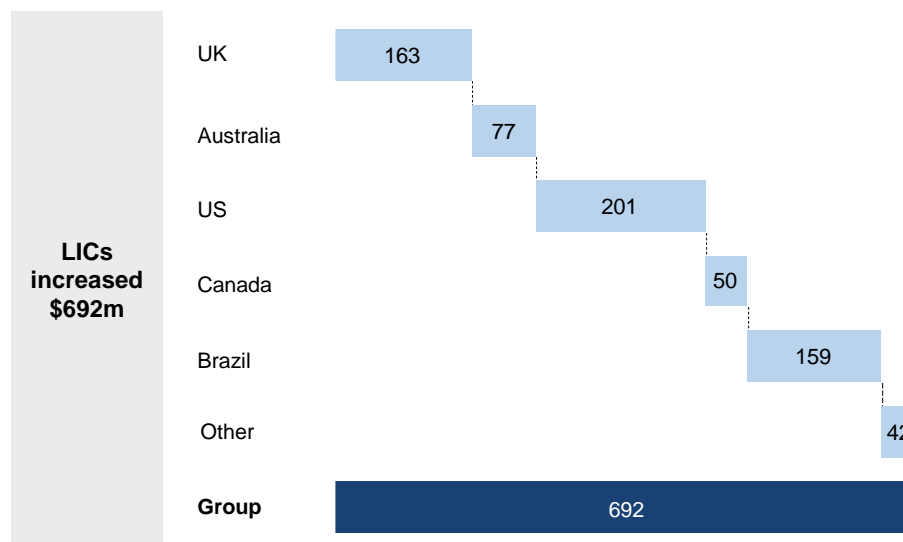
Reported past due but not impaired, \$bn: *Remain at low levels*



1Q16 vs. 1Q15: *increased by \$692m*

- Wholesale**
 - Increase driven by specific charges:
 - notably in the oil and gas and metals and mining sectors; as well as
 - specific impairment charges across a small number of countries
- Personal**
 - Higher collective impairment charges, notably in Brazil reflecting continued economic slowdown

1Q16 vs. 1Q15 by region: *key increase across a number of countries*

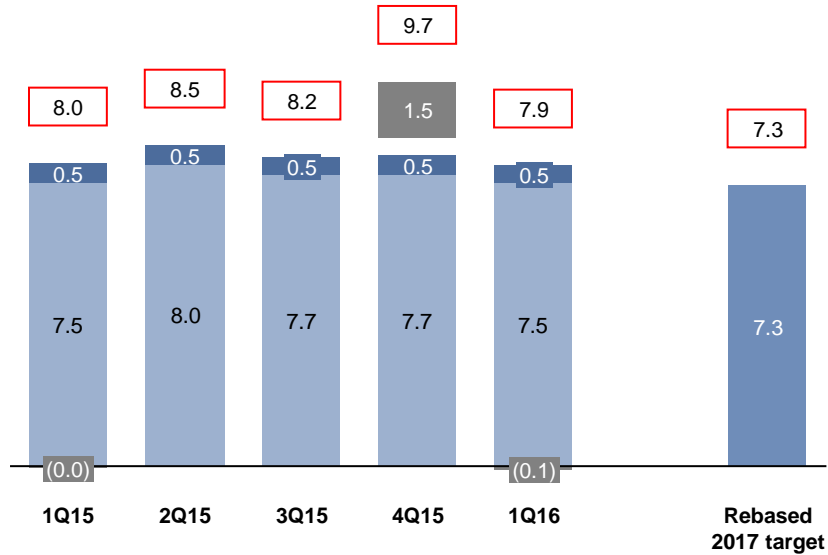


1Q16 operating expenses

Continued progress with our cost base: 1Q16 costs in line with 1Q15

Quarterly operating expenses trend (\$bn)

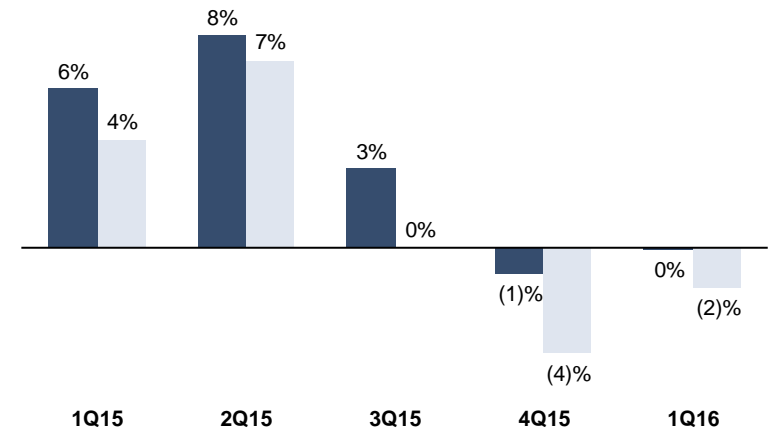
- UK bank levy⁵
- Brazil operating expenses



Regulatory programmes and compliance costs	\$0.6bn	\$0.7bn	\$0.8bn	\$0.7bn	\$0.7bn
FTEs, 000s	260.1	259.8	259.8	255.2	254.2
Of which: CTA FTE, 000s	-	-	0.5	2.2	3.6

Adjusted quarterly costs excl. bank levy vs. same quarter prior year, %

- Discrete quarter cost growth / (reduction)
- Discrete quarter cost growth / (reduction) excl. regulatory programmes and compliance



Capital adequacy

Strong capital base: common equity tier 1 ratio² – 11.9%

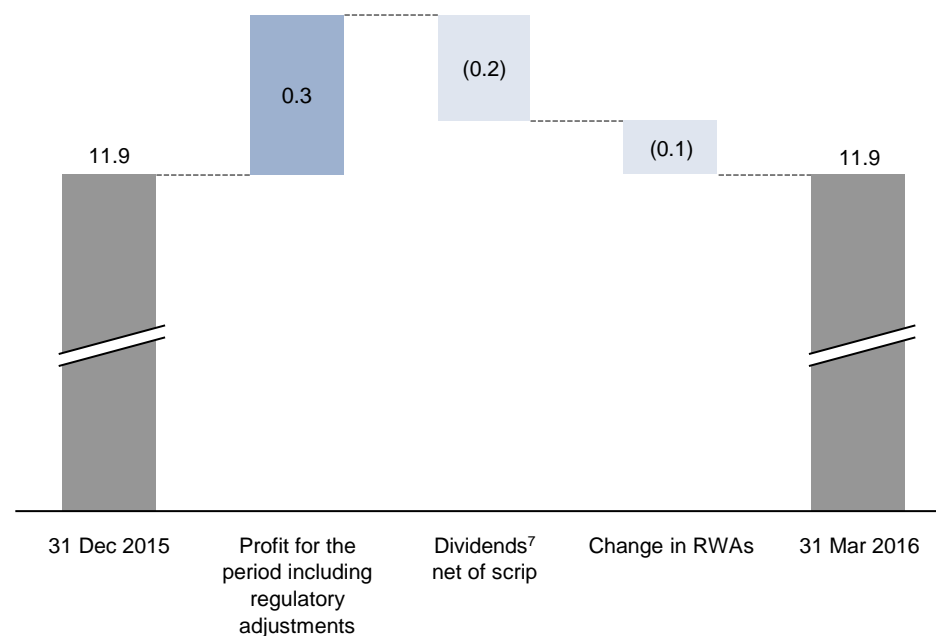
Regulatory capital, RWAs, and leverage, \$bn

	4Q15	1Q16
Common equity tier 1 capital	130.9	132.9
Total regulatory capital on a transitional basis	189.8	187.1
Risk-weighted assets	1,103.0	1,115.2
Leverage ratio	5.0%	5.0%

1Q16 CET1 movement, \$bn

At 31 December 2015	130.9
Capital generation from profit	0.8
Profit for the period (including regulatory adjustments)	2.9
Dividends ⁷ net of scrip	(2.1)
Foreign currency translation differences	1.0
Other movements	0.2
At 31 March 2016	132.9

1Q16 CET1 ratio movement %



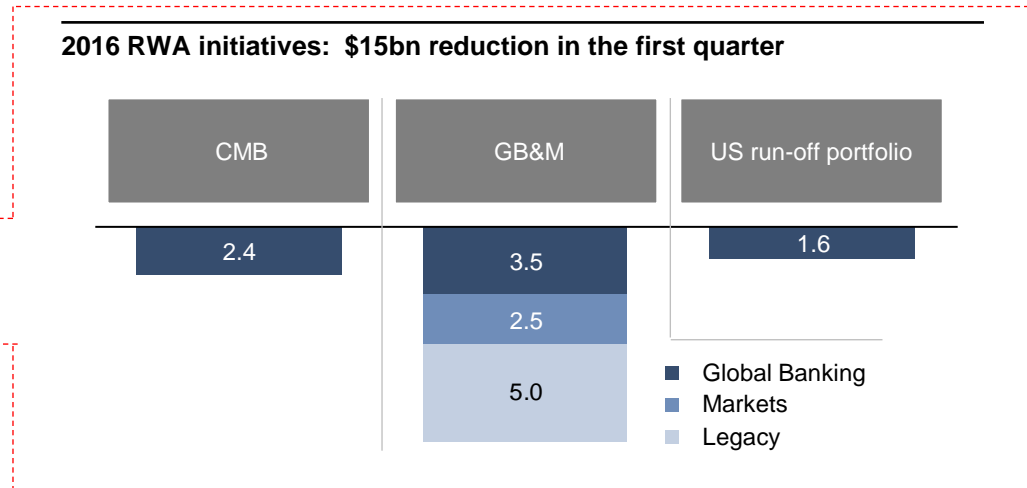
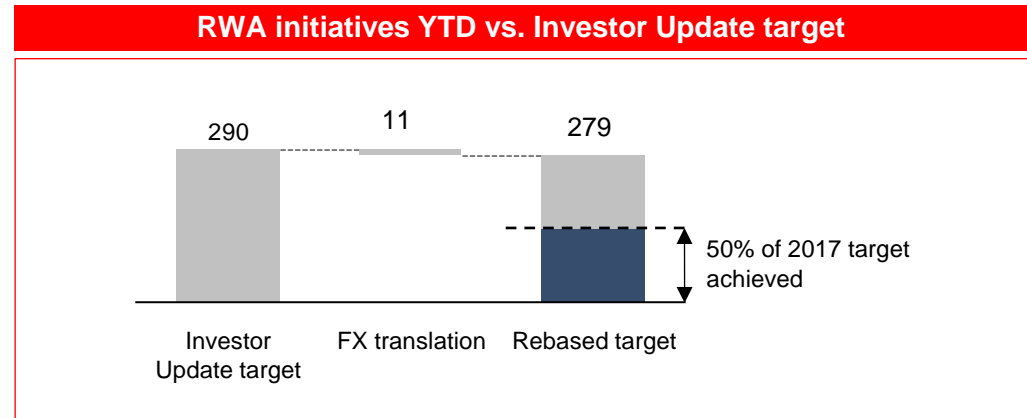
Quarterly CET1 ratio and leverage ratio progression

	1Q15	2Q15	3Q15	4Q15	1Q16
CET1 ratio	11.2%	11.6%	11.8%	11.9%	11.9%
Leverage ratio	4.9%	4.9%	5.0%	5.0%	5.0%

Reduce RWAs by \$290bn

50% of our targeted reduction achieved, mainly from exits and disposals and improved modelling

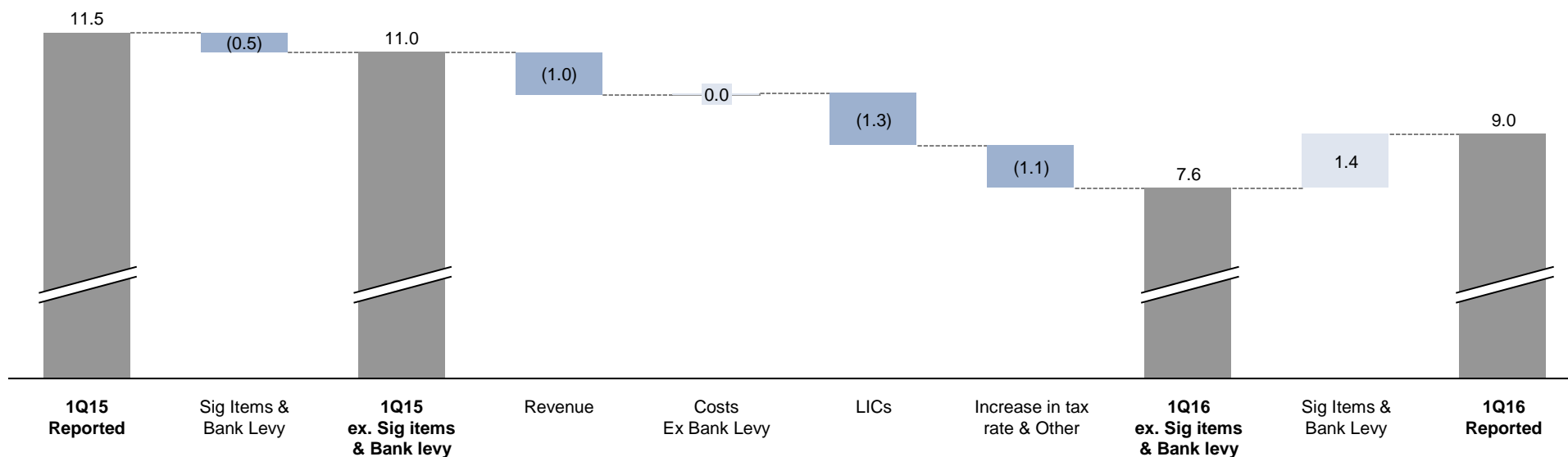
Key movements in Group RWA (\$bn)



Return metrics

Drivers of returns

1Q16 Group ROE¹, %



Group RoRWA

	1Q15	1Q16
Reported	2.4%	2.2%
Adjusted ⁸	2.3%	2.0%
Adjusted excl. associates and run-off portfolios ⁹	2.6%	2.3%

Adjusted RoRWA by global business (ex associates)

	1Q15	1Q16	2017 Target
Principal RBWM	5.2%	3.8%	6.3%
CMB	2.4%	2.2%	2.7%
Client-facing GB&M & BSM	2.4%	2.1%	2.7%
GPB ¹⁰	3.6%	2.3%	4.3%

Progress on our actions to capture value

Strategic actions	Targeted outcome by 2017	Progress during 1Q16
Actions to re-size and simplify		
Reduce Group RWAs by c.\$290bn	<ul style="list-style-type: none"> Group RWA reduction: \$290bn GB&M <1/3 of Group RWAs 	<ul style="list-style-type: none"> \$15bn further reduction in 1Q16, notably in GB&M 50% of Group reduction target achieved
Optimise global network	<ul style="list-style-type: none"> Reduced footprint 	<ul style="list-style-type: none"> Disposal of Brazil³ on track: Technical body of the Brazilian Competition Agency has now recommended to its Board that the sale of our Brazil business be approved Announced closure of business operations in Brunei
Rebuild NAFTA profitability	<ul style="list-style-type: none"> US Principal PBT c. \$2bn Mexico PBT c. \$0.6bn 	<ul style="list-style-type: none"> US Principal <ul style="list-style-type: none"> Revenue: \$1.2bn (up 4% on 1Q15; up 12% on 4Q15) PBT: \$0.2bn (up 29% on 1Q15; up >100% on 4Q15) Mexico <ul style="list-style-type: none"> Revenue: \$0.5bn (up 11% on 1Q15; up 8% on 4Q15) PBT: \$0.1bn (up >100% on 1Q15; up >100% on 4Q15)
Set up UK ring-fenced bank	<ul style="list-style-type: none"> Completed by 2018 	<ul style="list-style-type: none"> Implementation in progress
Deliver \$4.5-5.0bn cost savings	<ul style="list-style-type: none"> 2017 exit rate to equal 2014 operating expenses 	<ul style="list-style-type: none"> 1Q16 costs in line with 1Q15 reflecting tight cost control and the effect of cost saving plans FTE reduction of 1k in 1Q16; 6k since 1Q15
Actions to redeploy capital and invest		
Deliver growth above GDP from international network	<ul style="list-style-type: none"> Revenue growth of international network above GDP 	<ul style="list-style-type: none"> Transaction banking revenue: \$3.9bn (down 2% on 1Q15). Despite the challenging environment, our trade finance business has performed resiliently and gained market share across strategic trade corridors PCM revenue up 7% vs. 1Q15; average deposits up 4% on prior year
Pivot to Asia – prioritise and accelerate investments	<ul style="list-style-type: none"> Market share gains c. 10% growth p.a. in assets under management 	<ul style="list-style-type: none"> Insurance manufacturing new business premiums: \$0.6bn (up 18% on 1Q15) Asset Mgt. AUM distributed in Asia: \$133.1bn (up 10% on 1Q15) Credit cards CBRC approval obtained Lead financial arranger on ChemChina's \$43bn acquisition of Syngenta - the largest China outbound M&A deal
RMB internationalisation	<ul style="list-style-type: none"> \$2.0-2.5bn revenue 	<ul style="list-style-type: none"> Renminbi internationalisation revenue: \$0.4bn (down 22% on 1Q15) #1 bank on offshore RMB bond issuance volume 52% Securities Services RQFII¹¹ custodian market share
Global standards	<ul style="list-style-type: none"> Completed implementation 	<ul style="list-style-type: none"> Implementation in progress

Market share analysis

We have maintained and improved market share in key areas

		FY14	FY15	1Q16
Expanded leadership in transaction banking	– GTRF (global): Documentary Credit and Collections market share ¹²	3.7%	4.2%	4.2%
	– PCM (global): Payments market share ¹³	10.7%	10.7%	10.9%
	– FX (global): Rank by volume for corporates ¹⁴	#2	#1	-
Further strengthened leadership in Asian advisory	– DCM: Asia (ex-Japan) International DCM rank ¹⁵	#1	#1	#1
	– Syndicated Loans: Hong Kong and China Offshore Bookrunner share ¹⁵	9.9%	12.6%	19.5%
	– M&A: Asia Pacific (ex-Japan) Announced Deals share ¹⁵	2.1%	11.9%	20.8%
Built on our strong foundation in HK and China	– China M&A rank ^{15,16}	#34	#15	#4
	– HK trade asset balance market share ¹⁷	7.7%	10.8%	10.5%
Maintained our leadership in RMB	– Offshore RMB bonds issuance volume rank ¹⁸	#1	#1	#1
	– Securities Services RQFII ¹¹ custodian market share ¹⁹	42%	49%	52%

Key awards received in 1Q16



- Best Supply-Chain Finance Bank Global
- Best Trade Bank in Hong Kong



- Best Overall Offshore RMB Products / Services



- Financial Advisor of the Year (global)
- Best Financial Adviser in Asia-Pacific



- Best Bank in Hong Kong



- Best Fixed Income Fund House (Hong Kong)



- Bank Risk Manager of the Year



- Foreign Exchange Dealer of the Year

Outlook

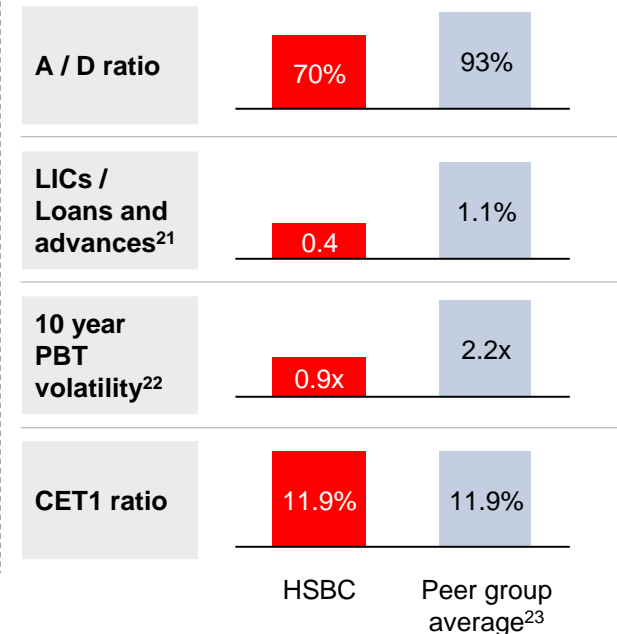
Group financial targets

ROE	> 10%
Jaws	Positive (adjusted basis)
Dividend	Progressive ²⁰

Delivering our strategy

- **Strong capital generation**, well funded, very liquid balance sheet; resilient business model
- Revenue opportunities in targeted areas; we continue to **invest for growth** and **capture market share**
- Consistent risk appetite; maintain **credit risk standards**; deliver **Global Standards**
- **Deliver \$4.5 – 5.0bn cost savings**
- **Deliver \$290bn RWA reduction**; strategic redeployment, Asia Pivot
- **Dividend growth** dependent on long-term profitability and further release of less efficiently deployed capital. Actions to address these points are core elements of our **Investor Update** in June 2015

Low-risk model with low earnings volatility



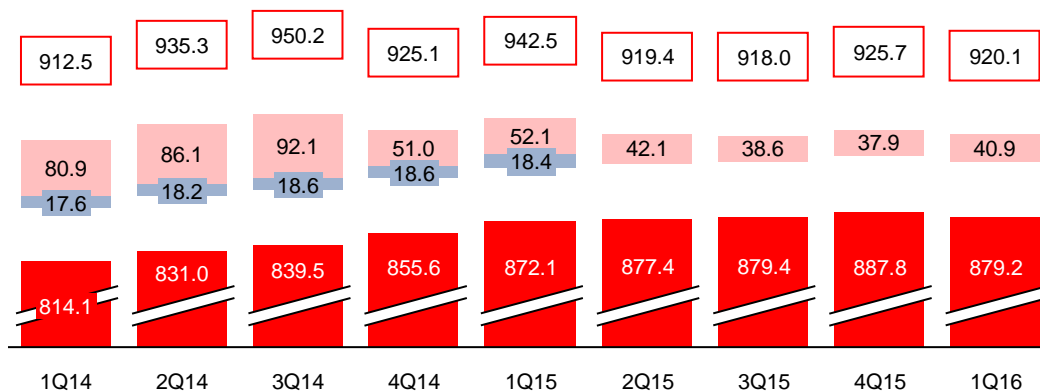
Diversified business, low earnings volatility and strong capital generation

Appendix



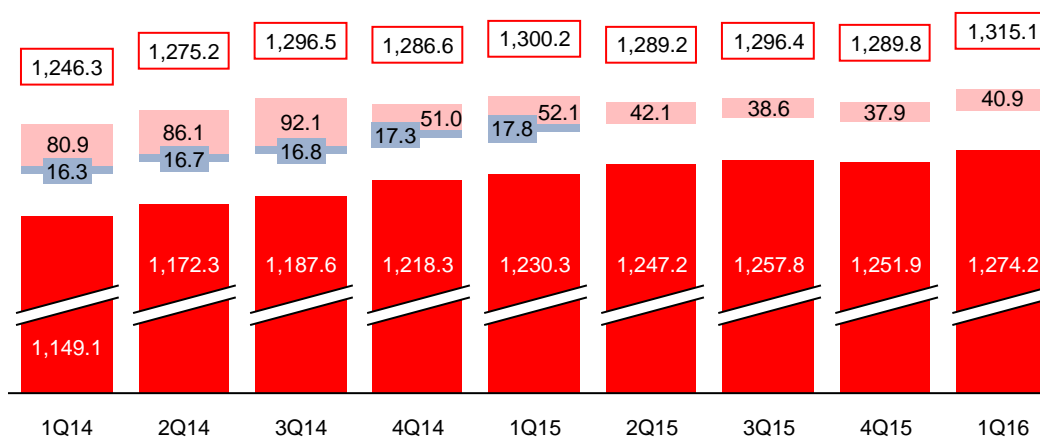
Appendix – Balance sheet

Loans and advances to customers (constant currency)



- Customer lending down \$8.6bn from Dec 15:
 - Reduction in US legacy portfolios, primarily CML (\$4.9bn) and transfer of commercial loans in GB&M (\$1.1bn)
 - Asia (down \$10.4bn), notably lower trade lending from weaker demand and falling commodity prices and repayments in GB&M; partly offset by
 - Growth in Europe (\$7.0bn), primarily CMB and GB&M in the UK.

Customer accounts (constant currency)



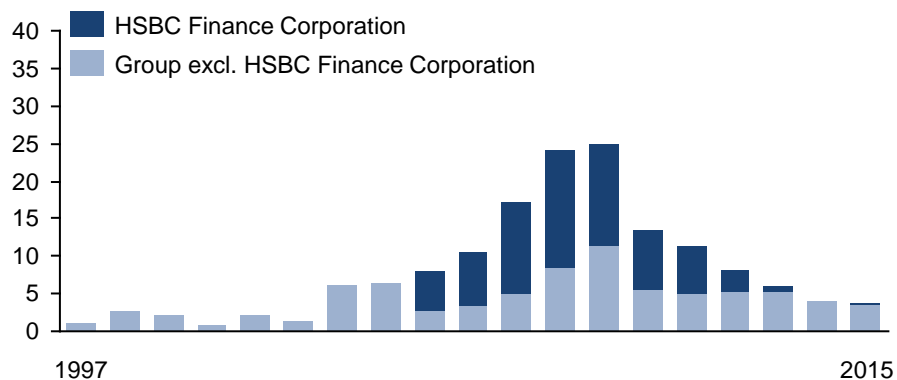
- Customer accounts up \$22.3bn, mainly in Europe and Asia
 - Growth in RBWM (up \$10.9bn); mainly the UK and Hong Kong
 - GB&M (up \$13.0bn) in our Payments and Cash Management business

■ Red-inked balances ■ Balances excl. red-inked balances
■ Brazil – balances reclassified to held for sale

Appendix - Group and Hong Kong LICs

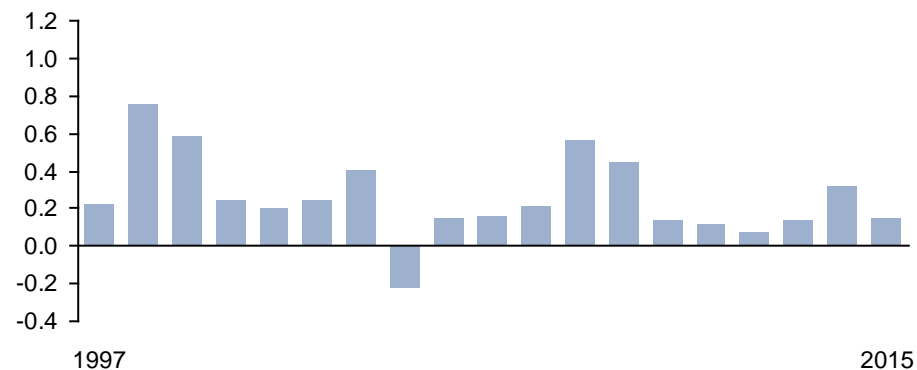
Group

Reported LICs, \$bn



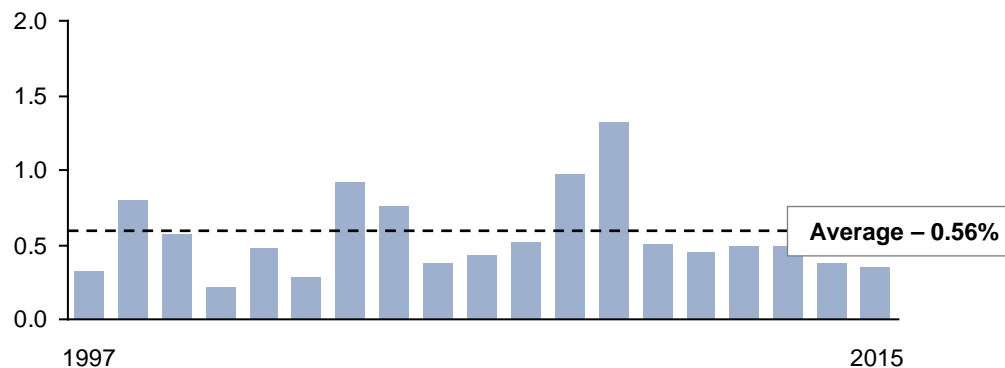
Hong Kong

Reported LICs, \$bn

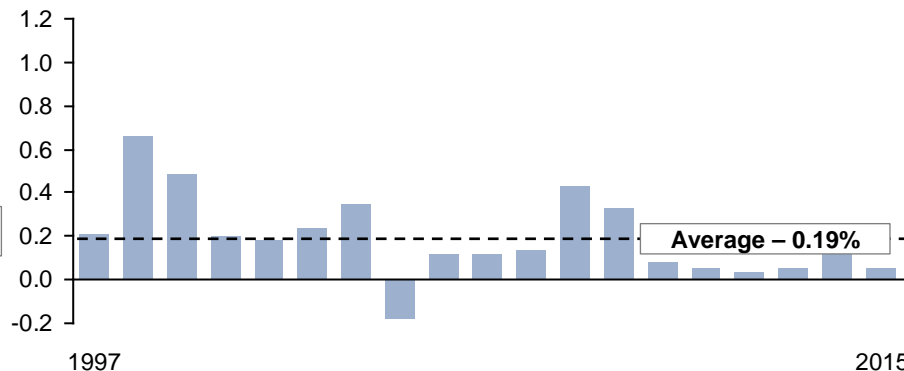


Reported LICs / gross loans and advances, %

Excl. HSBC Finance Corporation

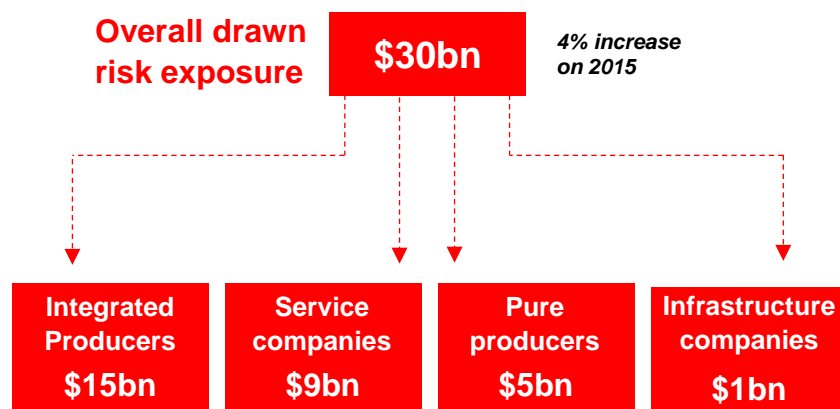


Reported LICs / gross loans and advances, %



Appendix – Oil and gas

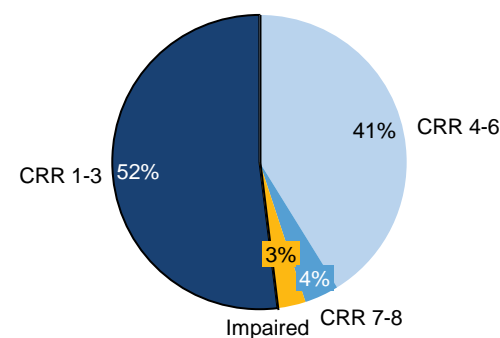
Oil and gas²⁴, \$bn



Exposure by region	\$bn
Europe	7
Asia	7
Middle East and North Africa	5
North America	9
Latin America	2
Group	30

- Overall exposure of \$30bn represents c. 2% of wholesale drawn risk exposures
- Large integrated producers remain resilient
- 4% of the portfolio is CRR 7-8, the majority of which is in service companies and pure producers
- 3% of the portfolio is impaired
- Loan impairment charges and other credit risk provisions of c. \$0.1bn in 1Q16
 - Individually assessed charges of \$0.1bn and
 - Immaterial collectively assessed charges in 1Q16
- Past due but not impaired is insignificant
- Impairment allowances against the oil and gas portfolio of c. \$0.6bn

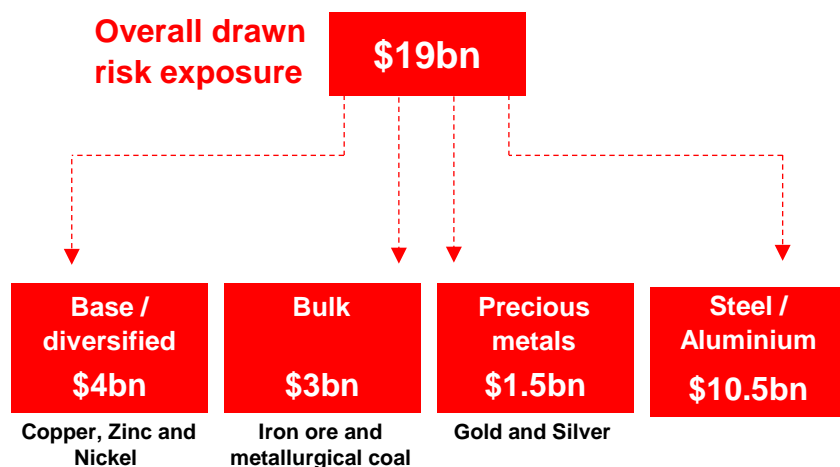
Credit quality (%)



- CRR 1-3 broadly equivalent to investment grade
- CRR 4-6 Broadly equivalent to BB+ to B-
- CRR 7-8 Broadly equivalent to an external rating ranging from CCC+ to C

Appendix – Metals and mining

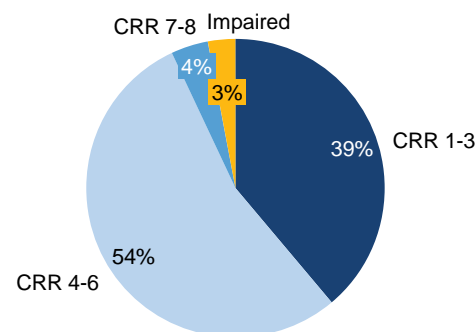
Metals and mining, \$bn



Exposure by region	\$bn
Europe	4
Asia	11
Middle East and North Africa	1
North America	3
Latin America	-
Group	19

- \$19bn represents c.1.5% of wholesale drawn risk exposure
- Precious metals, copper, nickel and zinc prices are generally forecast to improve slightly in 2016
- The outlook for steel, aluminium and bulk metals is more negative due to a combination of oversupply and reduction in demand
- Loan impairment charges of c. \$0.1bn in Q1 related to two counterparties

Credit quality (%)

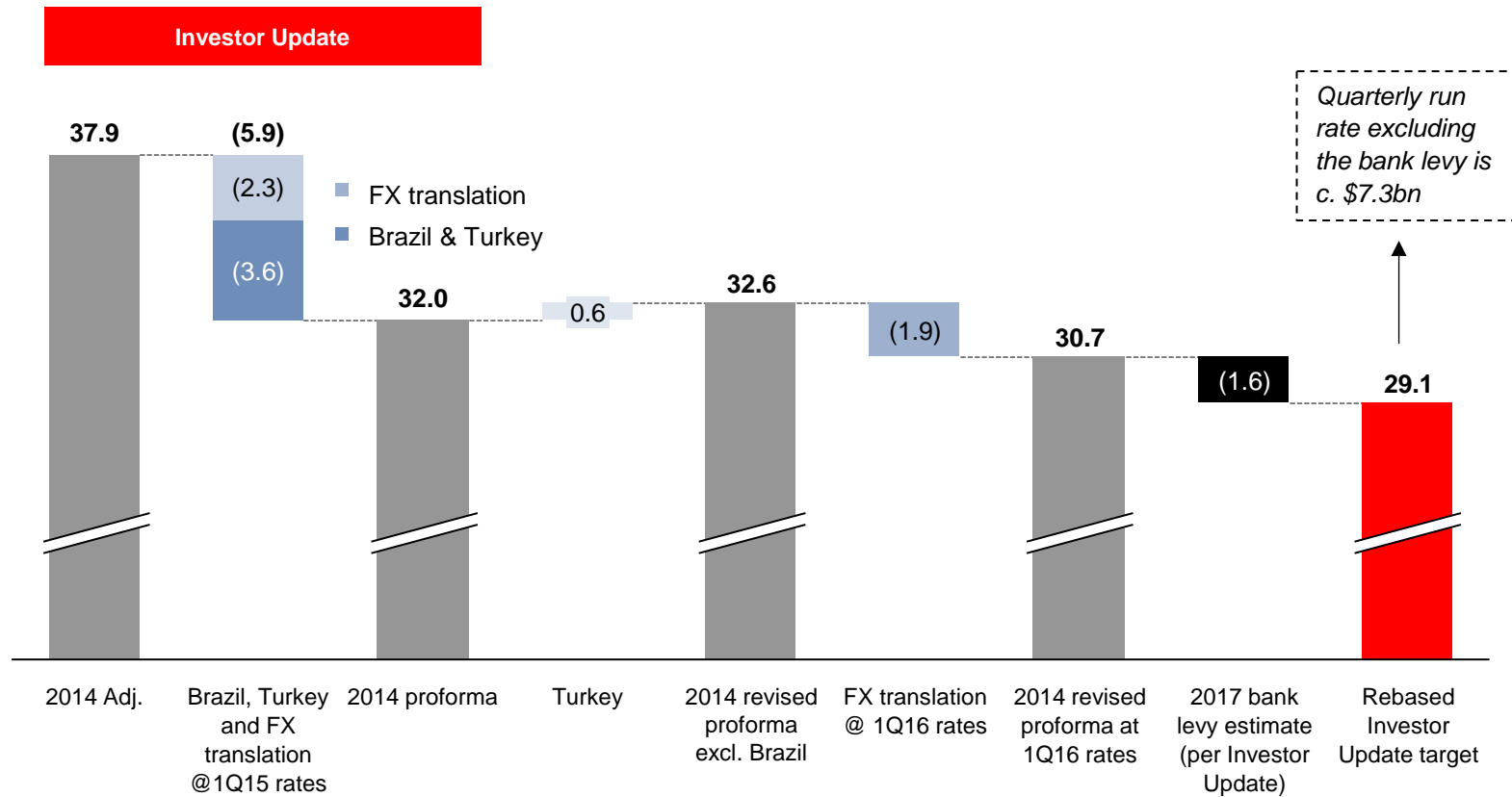


- CRR 1-3 broadly equivalent to investment grade
- CRR 4-6 Broadly equivalent to BB+ to B-
- CRR 7-8 Broadly equivalent to an external rating ranging from CCC+ to C

Appendix - Operating expenses

Rebased Investor update target

Rebased Investor Update target (\$bn)



Appendix

Currency translation and significant items

\$m	1Q15	4Q15	1Q16
Currency translation	296	47	-
Significant items:			
Revenue			
Loss on sale of several tranches of real estate secured accounts in the US	-	(214)	-
Gain on the partial sale of shareholding in Industrial Bank	363		
(Adverse) / Favourable debit valuation adjustment on derivative contracts	98	(186)	158
(Adverse) / Favourable fair value movements on non-qualifying hedges	(285)	26	(233)
Provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK	12	(12)	-
Favourable / (Adverse) movements on own credit spread	298	(773)	1,151
Gain on sale of shareholding in Bank of Shanghai			
Impairment of our investment in Industrial Bank			
Disposal costs of Brazilian operations	-	(18)	(14)
	486	(1,177)	1,062
Operating expenses			
Charge in relation to settlement agreement with Federal Housing Finance Authority			
Regulatory provisions in GPB	(139)	(18)	(1)
Settlements and provisions in connection with legal matters	-	(370)	-
UK customer redress programmes	(137)	(337)	-
Restructuring and other related costs	(43)	-	-
Costs-to-achieve	-	(743)	(341)
Costs to establish UK ring-fenced bank	-	(61)	(31)
Disposal costs of Brazilian operations	-	(56)	(17)
	(319)	(1,585)	(390)
Currency translation and significant items	(463)	(2,713)	672

Appendix

Reported Consolidated Income statement

\$m	1Q15	4Q15	1Q16
Net interest income	8,274	8,059	7,913
Net fee income	3,684	3,471	3,197
Net trading income	2,583	1,408	2,836
Net income / (expense) from financial instruments designated at fair value	1,596	(250)	695
Gains less losses from financial investments	647	20	192
Dividend income	17	27	28
Net insurance premium income	2,979	2,255	2,915
Other operating income / (expense)	338	(52)	172
Total operating income	20,118	14,938	17,948
Net insurance claims and benefits paid and movements in liabilities to policyholders	(4,226)	(3,166)	(2,972)
Net operating income before loan impairment charges and other credit risk provisions	15,892	11,772	14,976
Loan impairment charges and other credit risk provisions	(570)	(1,644)	(1,161)
Net operating income	15,322	10,128	13,815
Total operating expenses	(8,845)	(11,542)	(8,264)
Operating profit / (loss)	6,477	(1,414)	5,551
Share of profit in associates and joint ventures	582	556	555
Profit / (Loss) before tax	7,059	(858)	6,106
Cost efficiency ratio %	55.7%	98.0%	55.2%

Appendix

Reported Consolidated Income statement by global business

\$m

	RBWM		CMB		GB&M		GPB		Other		Total ²⁵	
	1Q15	1Q16	1Q15	1Q16	1Q15	1Q16	1Q15	1Q16	1Q15	1Q16	1Q15	1Q16
Net operating income before loan impairment charges and other credit risk provisions	5,911	5,160	3,786	3,623	5,242	4,466	613	487	1,831	2,658	15,892	14,976
Loan impairment charges and other credit risk provisions	(460)	(581)	(216)	(390)	108	(193)	(2)	-	-	3	(570)	(1,161)
Net operating income	5,451	4,579	3,570	3,233	5,350	4,273	611	487	1,831	2,661	15,322	13,815
Total operating expenses	(3,928)	(3,532)	(1,639)	(1,524)	(2,437)	(2,278)	(551)	(379)	(1,781)	(1,969)	(8,845)	(8,264)
Operating profit	1,523	1,047	1,931	1,709	2,913	1,995	60	108	50	692	6,477	5,551
Share of profit in associates and joint ventures	87	86	363	341	128	126	5	2	(1)	-	582	555
Profit before tax	1,610	1,133	2,294	2,050	3,041	2,121	65	110	49	692	7,059	6,106

Appendix

Reported Consolidated Balance Sheet

\$m	At 31 Dec 2014	At 31 Dec 2015	At 31 Mar 2016
Assets			
Cash and balances at central banks	129,957	98,934	126,265
Trading assets	304,193	224,837	268,941
Financial assets designated at fair value	29,037	23,852	23,957
Derivatives	345,008	288,476	342,681
Loans and advances to banks	112,149	90,401	97,991
Loans and advances to customers	974,660	924,454	920,139
Reverse repurchase agreements – non trading	161,713	146,255	170,966
Financial investments	415,467	428,955	444,297
Assets held for sale	7,647	43,900	54,260
Other assets	154,308	139,592	146,169
Total assets	2,634,139	2,409,656	2,595,666
Liabilities			
Deposits by banks	77,426	54,371	68,760
Customer accounts	1,350,642	1,289,586	1,315,058
Repurchase agreements – non trading	107,432	80,400	93,934
Trading liabilities	190,572	141,614	184,865
Financial liabilities designated at fair value	76,153	66,408	73,433
Derivatives	340,669	281,071	338,433
Debt securities in issue	95,947	88,949	99,093
Liabilities under insurance contracts	73,861	69,938	72,694
Liabilities of disposal groups held for sale	6,934	36,840	40,179
Other liabilities	114,525	102,961	108,850
Total liabilities	2,434,161	2,212,138	2,395,299
Equity			
Total shareholders' equity	190,447	188,460	191,568
Non-controlling interests	9,531	9,058	8,799
Total equity	199,978	197,518	200,367
Total equity and liabilities	2,634,139	2,409,656	2,595,666
Net assets value per ordinary share (NAV) - \$	9.28	8.73	8.86
Tangible assets value per ordinary share (TNAV) - \$	7.91	7.48	7.59

Appendix

Footnotes

1. On an annualised basis
2. From 1 January 2015 the transitional CET1 and end point CET1 capital ratios became aligned for HSBC Holdings plc due to the recognition of unrealised gains on investment property and available-for-sale securities
3. We plan to maintain a corporate presence in Brazil to serve our international clients
4. Other revenue and operating expenses-related significant items include:

\$m	1Q15	1Q16
Revenue		
Favourable debit valuation adjustment on derivative contracts	98	158
Adverse fair value movements on non-qualifying hedges	(285)	(233)
Releases arising from the ongoing review of compliance with the Consumer Credit Act in the UK	12	-
Disposal costs of Brazilian operations	-	(14)
	(175)	(89)
Operating expenses		
Charge in relation to settlement agreement with Federal Housing Finance Authority		
Regulatory provisions in GPB	(139)	(1)
Restructuring and other related costs	(43)	-
Costs to establish UK ring-fenced bank	-	(31)
Disposal costs of Brazilian operations	-	(17)
	(182)	(49)

For a complete list, refer to slide 22

5. 1Q15 and 1Q16 included credits relating to the prior year's bank levy charge of \$44m and \$106m respectively
6. Other also includes intersegment elimination

Appendix

Footnotes

7. This includes dividends on ordinary shares, quarterly dividends on preference shares and coupons on capital securities, classified as equity
 8. Adjusted RoRWAs are calculated using annualised adjusted PBT and reported RWAs at constant currency, adjusted for significant items
 9. Run-off portfolios mainly comprise GB&M Legacy Credit and RBWM US run-off portfolios
 10. Due to the nature of its business, GPB measures the performance of its business through other measures including Net New Money and Return on Assets
 11. RQFII refers to RMB Qualified Foreign Institutional Investor (QFII) programme that allows approved offshore investors to invest offshore RMB in the Chinese onshore stock and bond markets. RQFII quotas, which are set for each qualifying country, limit the amount investors in different countries can invest
 12. Source: SWIFT Documentary Credits and Collections
 13. Source SWIFT Live payment messages
 14. Source: Euromoney FX Survey 2015/2014
 15. Source: Dealogic
 16. Based on Chinese targets
 17. Source: Hong Kong Monetary Authority Statistics. 1Q16 data to Feb 2016.
 18. Source: Bloomberg
 19. Source: Government of China State Administration of Foreign Exchange. 1Q16 data to Feb 2016
 20. Progression of dividends should be consistent with the growth of the overall profitability of the Group, and is predicated on the ability to meet all capital requirements in a timely manner
 21. Calculated as the annualised reported LICs charge divided by the net loans and advances to customers using latest available reported financials; HSBC calculation excludes Brazil
 22. Peer group average calculated using latest available reported financials for sample set of 5 global banks (JP Morgan, BNP Paribas, Citigroup, Deutsche Bank, Standard Chartered) and 5 regional banks (DBS, Santander, Itau, ICBC and Barclays)
 23. Calculated as average of the PBT range divided by average PBT for the last 10 years for the peers defined
 24. Excludes Brazil
 25. Amounts are non-additive across global businesses due to intercompany transactions within the Group
-

Appendix

Important notice and forward-looking statements

Important notice

The information set out in this presentation and subsequent discussion does not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any recommendation in respect of such securities or instruments.

Forward-looking statements

This presentation and subsequent discussion 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 and business of the Group (together, “forward-looking statements”). Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant assumptions and subjective judgements which may or may not prove to be correct and 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. Forward-looking statements are statements about the future and are inherently uncertain and generally based on stated or implied assumptions. The assumptions 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 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. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our 1Q16 Earnings Release.

This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is ‘adjusted performance’ 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 the 1Q16 Earnings Release and the Reconciliations of Non-GAAP Financial Measures document which are both available at www.hsbc.com.

Issued by HSBC Holdings plc
Group Investor Relations
8 Canada Square
London E14 5HQ
United Kingdom
Telephone: 44 020 7991 3643
www.hsbc.com

Cover image: Tsing Ma Bridge carries road and rail traffic to Hong Kong International Airport and accommodates large container ships. At HSBC, we help customers across the world to trade and invest internationally.

Photography: Getty Images