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*, John Flint, Kathleen Casey†, Laura Cha†, Henri de Castries†, Lord Evans of Weardale†, Irene Lee†, 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
Incorporated in England with limited liability. Registered in England: number 617987

19 February 2019

HSBC HOLDINGS PLC
2018 ANNUAL RESULTS
AUDIO WEBCAST AND CONFERENCE CALL

There will be an audio webcast presentation and conference call today for investors and analysts. The speakers will be: John Flint, 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 www.hsbc.com/investors/results-and-announcements.

Time: 7.30am (London); 3.30pm (Hong Kong); and 2.30am (New York).

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

Passcode: HSBC

	Toll-free	Toll
UK	0808 234 1369	+44 203 651 4876
US	1 800 742 9301	+1 845 5071610
Hong Kong	800 906 648	+852 3051 2792
International		+61 283 733 610

Replay access details from 19 February 2019 19:45 HK time (11.45 GMT) – 19 March 2019 20:59 HK time (12.59 GMT):

Passcode: 9629149

	Toll-free	Toll
UK	0808 234 0072	+44 203 701 4269
US	1 855 452 5696	+1 646 254 3697
Hong Kong	800 963 117	+852 3051 2780
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 across 66 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US$2,558bn at 31 December 2018, HSBC is one of the world's largest banking and financial services organisations.

ends/all

HSBC Holdings plc FY18 Results
Presentation to Investors and Analysts

HSBC

Contents

Key messages

1. FY18 reported PBT up 16% to $19.9bn vs. FY17; adjusted PBT up 3% to $21.7bn; RoTE up from 6.8% to 8.6%

2. FY18 adjusted revenue up 4% to $53.9bn vs. FY17, driven by growth in all four global businesses

3. Weaker 4Q18, with adjusted revenue down 8% vs. 3Q18, principally driven by a challenging market environment

4. Negative adjusted jaws of 1.2% in FY18 driven by 4Q revenue weakness; operating expenses stable

5. Executing strategic priorities – returning to revenue growth, increasing customer numbers, improving customer satisfaction and employee engagement

Progress on our strategic priorities

	Strategic priorities	Targeted 2020 outcomes	FY18 performance highlights, YoY
1	Accelerate growth from Asia ◆ Build on strength in Hong Kong ◆ Invest in Pearl River Delta, ASEAN, and Wealth in Asia	High single digit revenue growth per annum	Asia adjusted revenue of $28.7bn (+11%); Wealth in Asia revenue +13% (excluding market impacts in Insurance Manufacturing)
	Lead in support of global investment drivers: China-led Belt & Road Initiative and the transition to a low carbon economy	$100bn cumulative sustainable financing[1]	$28.5bn cumulative (+$17.4bn in FY18); awarded Best Bank for Sustainable Finance in Asia by Euromoney
2	Complete set up of UK ring-fenced bank; grow mortgage market share and commercial customer base; improve customer service	Market share gains	HSBC UK Bank plc adjusted revenue of £6.4bn or $8.6bn (+7%)[2]; Market share gains in mortgages (from 6.1% to 6.6%)
3	Gain market share and deliver growth from our international network	Mid to high single digit revenue growth per annum; market share gains in transaction banking	Transaction banking revenue of $16.6bn (+14%); market share gains in GLCM, GTRF and FX[3]
4	Turn around our US business	US RoTE >6%	US adjusted PBT of $1.0bn (+31%) supported by favourable ECL; RoTE of 2.7% (up from 0.9%)[4]
5	Improve capital efficiency; redeploy capital into higher return businesses	Increase in asset productivity	Reported revenue/RWAs: 6.2% (+30bps) improvement primarily driven by 4.5% revenue growth
6	Create capacity for increasing investments in growth and technology through efficiency gains	Positive adjusted jaws on an annual basis, each financial year	Negative adjusted jaws of 1.2%; impacted by negative market environment in 4Q18
7	Enhance customer centricity and customer service through investments in technology	Improve customer satisfaction in eight scale markets[5]	Markets that sustained a top-three rank or improved by two ranks: RBWM had six markets[5a] and CMB had three markets[5b]
8	Simplify the organisation and invest in future skills	Improve employee engagement ESG: outperformer[6]	Made governance more efficient, simplified policies, and streamlined processes; employee engagement of 66% (+2ppt) ESG average performer rating

Key financial metrics

- Reported profit before tax of $19.9bn, up $2.7bn or 16% vs. FY17
- Adjusted profit before tax of $21.7bn, up $0.6bn or 3% vs. FY17
- Group Return on average tangible equity of 8.6% vs. 6.8% FY17

Key financial metrics	FY17	FY18	∆ FY17
Return on average ordinary shareholders' equity	5.9%	7.7%	1.8ppt
Return on average tangible equity	6.8%	8.6%	1.8ppt
Jaws (adjusted)[7]	1.0%	(1.2)%	(2.2)ppt
Dividends per ordinary share in respect of the period	$0.51	$0.51	-
Earnings per share[8]	$0.48	$0.63	$0.15
Common equity tier 1 ratio[9]	14.5%	14.0%	(0.5)ppt
Leverage ratio[10]	5.6%	5.5%	(0.1)ppt
Advances to deposits ratio	70.6%	72.0%	1.4ppt
Net asset value per ordinary share (NAV)	$8.35	$8.13	$(0.22)
Tangible net asset value per ordinary share (TNAV)	$7.26	$7.01	$(0.25)

Reported results, $m

	4Q18	∆ 4Q17	∆ %	FY18	∆ FY17	∆ %
Revenue	12,695	394	*3%*	53,780	2,335	*5%*
LICs / ECL	(853)	(195)	*(30)%*	(1,767)	2	*0%*
Costs	(9,144)	751	*8%*	(34,659)	225	*1%*
Associates	558	2	*0%*	2,536	161	*7%*
PBT	3,256	952	*41%*	19,890	2,723	*16%*

Adjusted results, $m

	4Q18	∆ 4Q17	∆ %	FY18	∆ FY17	∆ %
Revenue	12,564	582	*5%*	53,940	2,279	*4%*
LICs / ECL	(853)	(225)	*(36)%*	(1,767)	(54)	*(3)%*
Costs	(8,882)	(429)	*(5)%*	(32,990)	(1,759)	*(6)%*
Associates	558	25	*5%*	2,536	120	*5%*
PBT	3,387	(47)	*(1)%*	21,719	586	*3%*

A reconciliation of reported results to adjusted results can be found on slide 19, the remainder of the presentation unless otherwise stated, is presented on an adjusted basis

FY18 adjusted revenue performance

Adjusted revenue analysis by global business

Global business	FY18 revenue	FY18 vs. FY17, $m		
RBWM	$21,935m	Insurance manufacturing market impacts	(606)	$1.7bn or 8%
		Wealth Management excl. market impacts	495	
		Retail Banking	1,806	
		Other	20	
CMB	$14,885m	GLCM	1,027	$1.6bn or 12%
		GTRF	44	
		Credit and Lending	241	
		Other	326	
GB&M	$15,512m	Credit and funding valuation adjustments	79	$0.2bn or 1%
		Global Markets	(519)	
		Global Banking, GLCM, GTRF, Securities Services, Principal Investments	667	
GPB	$1,785m		62	
Corporate Centre	$(177)m	Valuation differences	(433)	$(1.4)bn
		Argentina hyperinflation*	(231)	
		Corporate Centre excl. valuation differences and Argentina hyperinflation	(699)	
Group	$53,940m		2,279	4%

*For further information on Argentina hyperinflation please see slide 29

4Q18 adjusted revenue performance

Adjusted revenue analysis by global business

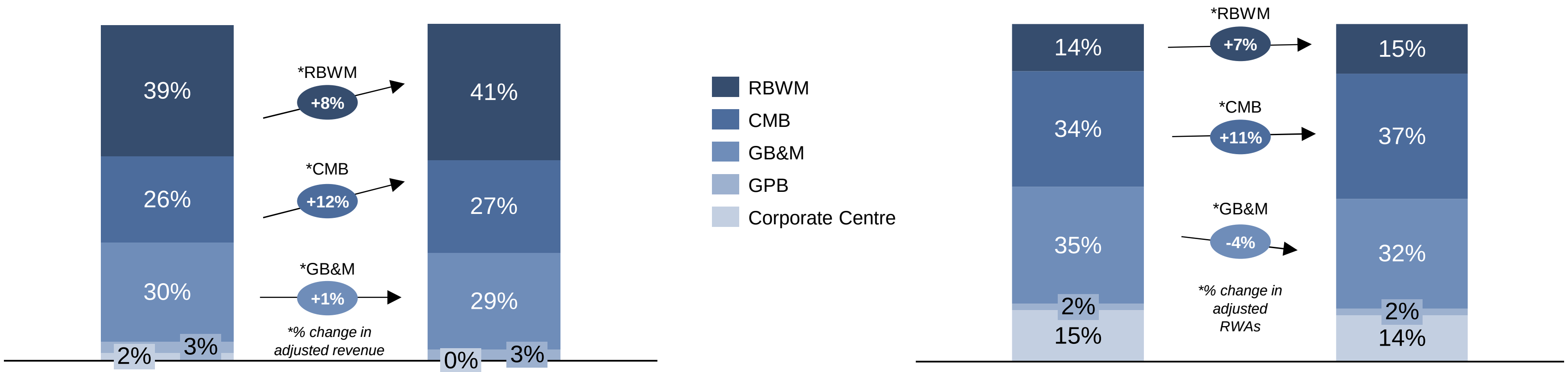
Global business	4Q18 revenue		4Q18 vs. 4Q17, $m	
RBWM	$5,110m	Insurance manufacturing market impacts	(205)	$0.2bn or 4%
		Wealth Management excl. market impacts	(51)	
		Retail Banking	561	
		Other	(85)	
CMB	$3,696m	GLCM	285	$0.3bn or 10%
		GTRF	13	
		Credit and Lending	52	
		Other	(9)	
GB&M	$3,063m	Credit and funding valuation adjustments	(78)	$(0.2)bn or (7)%
		Global Markets	(202)	
		Global Banking, GLCM, GTRF, Securities Services, Principal Investments	65	
GPB	$424m		10	
Corporate Centre	$271m	Valuation differences	124	$0.2bn or >100%
		Argentina hyperinflation*	73	
		Corporate Centre excl. valuation differences and Argentina hyperinflation	29	
Group	$12,564m		582	5%

*For further information on Argentina hyperinflation please see slide 29

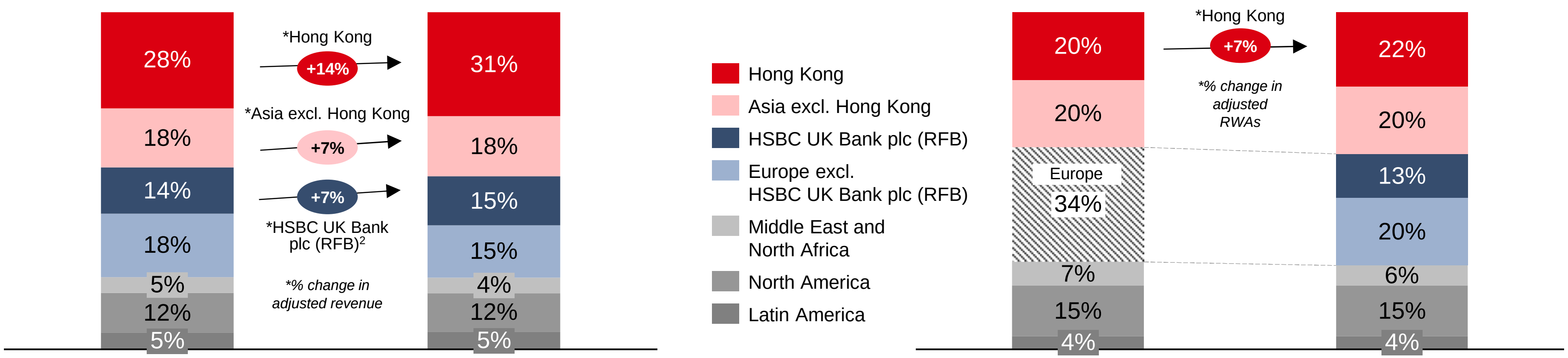
Repositioning towards target markets and customer segments

	Adjusted revenue			Adjusted RWAs		
	FY17		FY18	FY17		FY18
Group	$51.7bn	+4%	$53.9bn	$846bn	+2%	$865bn

By global business

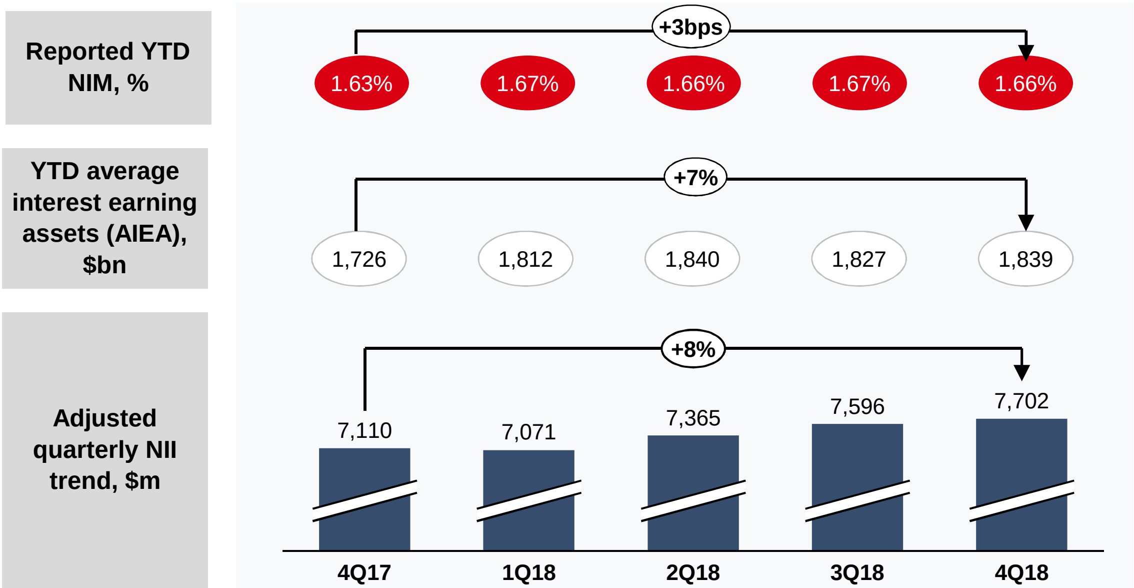


By region[11]



FY18 NIM of 1.66% up 3bps vs. FY17

Net interest margin analysis



Net interest margin by key legal entity*, %

	FY17	9M18	FY18	NII contribution to Group	AIEA contribution to Group
The Hongkong and Shanghai Banking Corporation (HBAP)	1.88%	2.05%	2.06%	53%	43%
HSBC Bank plc (NRFB) + HSBC UK Bank plc (RFB)	1.35%	1.19%	1.16%	27%	38%
HSBC Bank plc (NRFB)	*n/a*	*0.46%*	*0.37%*	*5%*	*24%*
*HSBC UK Bank plc (RFB)**	*n/a*	*2.15%*	*2.16%*	*21%*	*16%*
HSBC Bank USA	0.98%	1.07%	1.08%	8%	12%

FY18 NII of $30.5bn up $2.3bn or 8% vs. FY17

FY18 NIM of 1.66% up 3bps vs. FY17

- Interest rate rises across regions had a positive impact on Group NIM, notably in Asia (+6bps)
- Group NIM was adversely affected by Europe with a build up of liquidity and a move out of trading assets into short term liquid assets in HSBC Bank plc (NRFB), which increased average interest earning assets by c.$67bn in FY18 with an adverse impact on Group NIM (-2bps)
- Debt issuances at higher cost to meet regulatory requirements (-1bp)

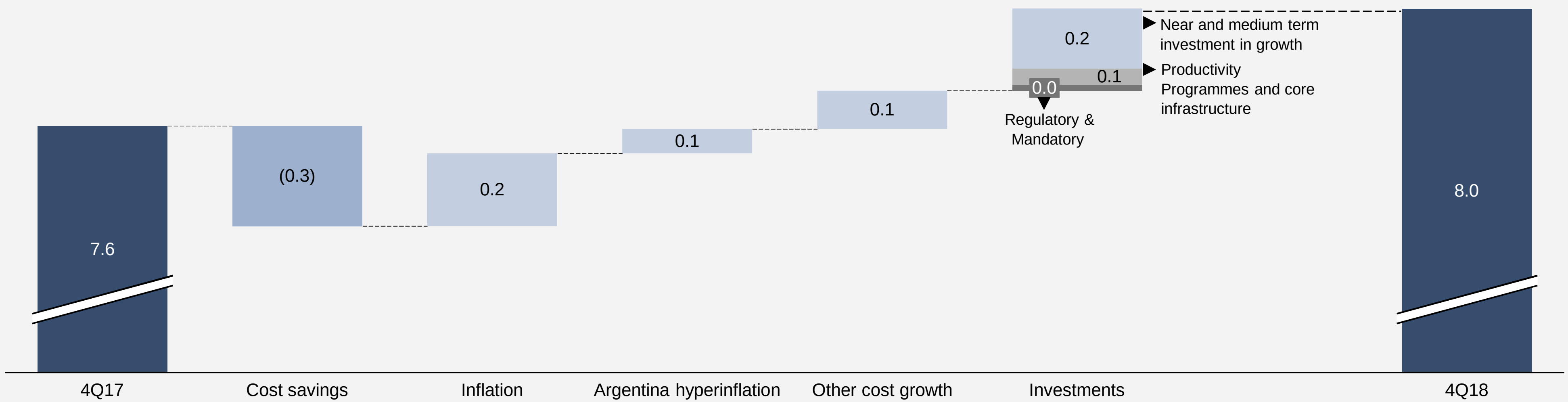
FY18 NIM of 1.66% down 1bp vs. 9M18

- Build up of liquidity and a move out of trading assets into short term liquid assets in HSBC Bank plc (NRFB), which increased average interest earning assets by c.$63bn in 4Q18 with an adverse impact of 1bp on Group NIM
- Re-pricing of deposits during 4Q18 in Hong Kong to maintain competitiveness and funding mix; HBAP margin broadly stable in 4Q18

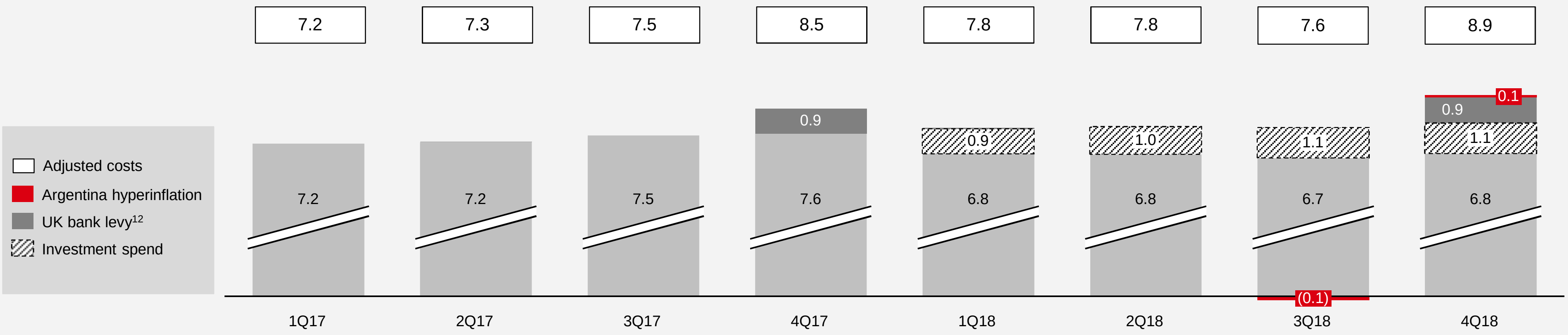
** Further analysis can be found in the HSBC Holdings plc Annual Report and Accounts 2018 and 20-F; the HSBC UK Bank plc (RFB) started operations on 1st July 2018*

Quarterly costs broadly in line with previous guidance

4Q18 vs. 4Q17, $bn excluding UK bank levy



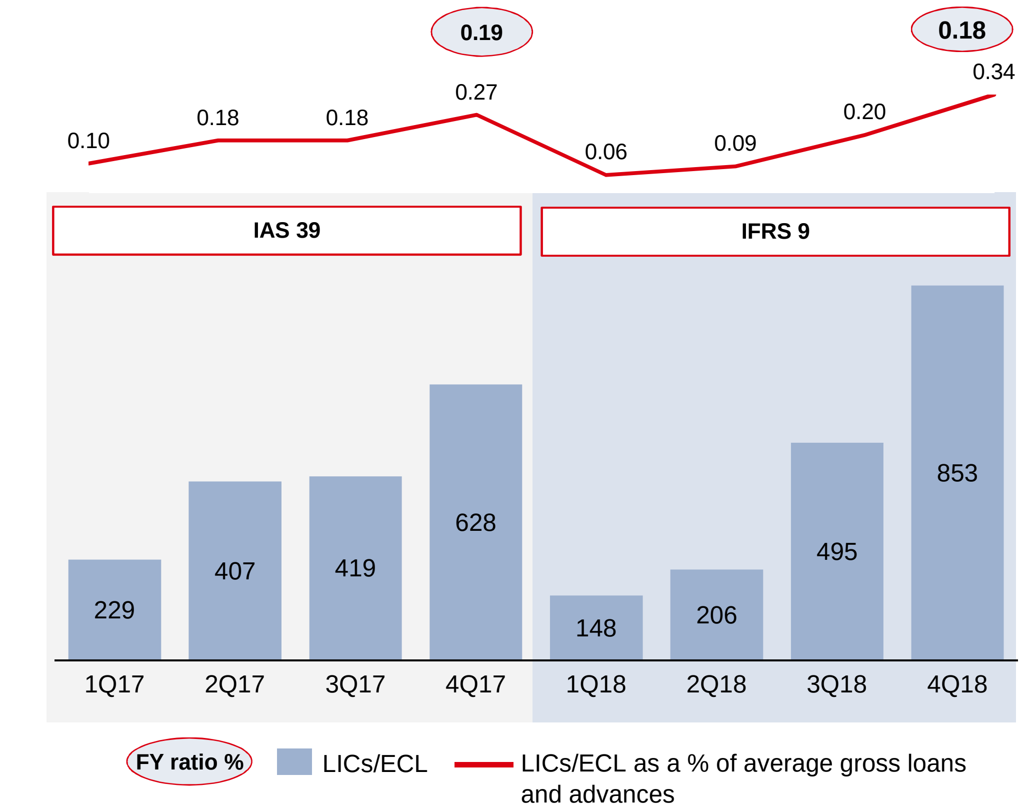
Adjusted operating expenses trend, $bn



Credit performance

- $1,767m ECL in FY18; $1,713m LICs in FY17
- ECL as a percentage of average gross loans and advances of 0.18% in FY18
- 4Q18 ECL of $853m was $358m higher than 3Q18; including a 4Q18 $165m charge in the UK relating to the current economic uncertainty
- Stage 3 loans remain low at $13bn or 1.3% of total loans with limited signs of deterioration
- We expect normalisation of credit costs going forward

LICs/ECL charges



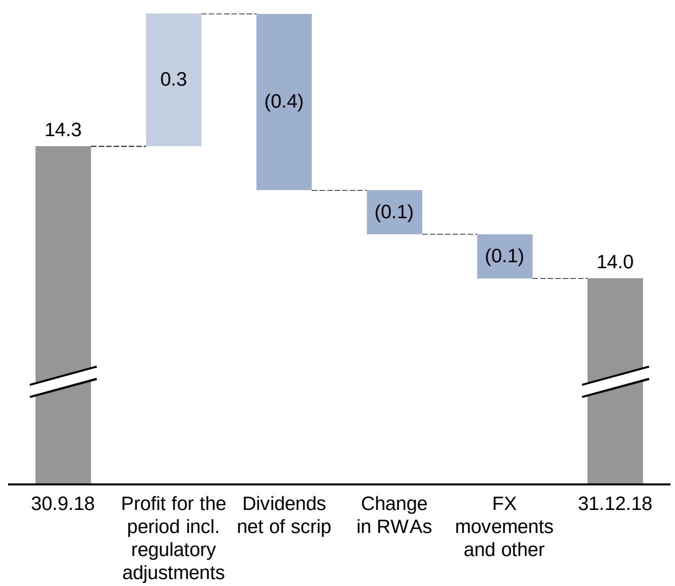
Analysis by stage

Reported basis $bn	Stage 1	Stage 2	Stage 3	Total[13]	Stage 3 as a % of Total
31.12.18					
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	
30.09.18					
Loans and advances to customers	904.8	71.1	13.7	989.9	1.4%
Allowance for ECL	1.3	1.9	5.0	8.5	
1.1.18					
Loans and advances to customers	871.6	72.7	13.9	959.1	1.4%
Allowance for ECL	1.3	2.2	5.6	9.3	

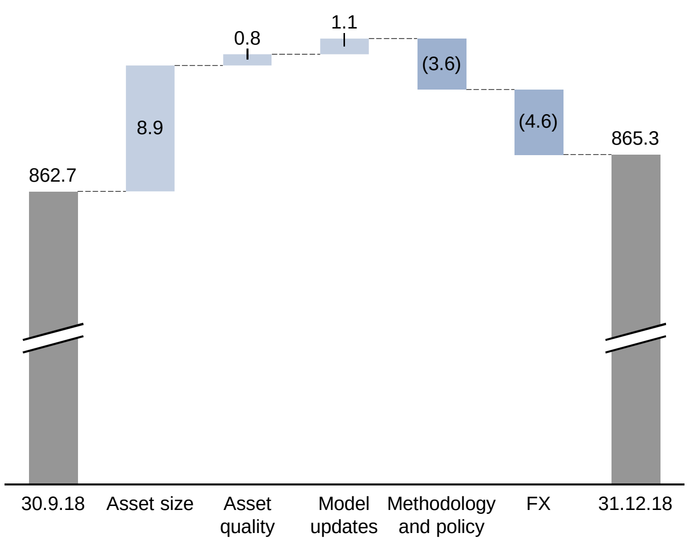
CET1 capital ratio of 14.0%

4Q18 movement	◆ CET1 ratio fell (0.3)ppt 4Q18; the decrease was due to: ◆ a net fall of (0.1)ppt from the fourth interim dividend (0.4)ppt, partly offset by profit generation 0.3ppt ◆ RWA growth (0.1)ppt ◆ adverse FX movements and other (0.1)ppt
FY18 movement	◆ During FY18, CET1 ratio fell (0.5)ppt; the decrease was due to: ◆ RWA growth (0.3)ppt ◆ adverse FX movements (0.2)ppt ◆ share buyback (0.2)ppt; *partly offset by* ◆ capital generation of 0.3ppt (profit generation 1.5ppt, partly offset by dividends (1.2)ppt) ◆ On an adjusted basis, RWAs increased by $18.8bn or 2% in FY18 due to lending growth ◆ Scrip take up of c.15% in 2018 vs. an average of 29% between 2014 and 2017

4Q18 vs. 3Q18 CET1 ratio movement, ppt



4Q18 vs. 3Q18 RWA movement, $bn



4Q18 vs. 3Q18 CET1 capital movement, $bn

At 30.9.18	**123.1**
Profit attributable to shareholders'[14]	1.8
Regulatory adjustments	0.4
Dividends[15] net of scrip	(3.3)
Foreign currency translation differences	(0.9)
Other movements	(0.1)
At 31.12.18	**121.0**

Outlook

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

Financial targets

RoTE[16]	◆ >11% by 2020
Costs	◆ Positive adjusted jaws
Capital and dividend	◆ Sustain dividends through the long term earnings capacity of the businesses ◆ Share buy-backs subject to regulatory approval

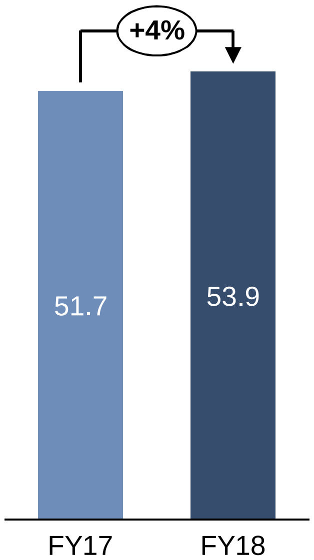
Appendix

Appendix Contents

Group returning to growth; strategic growth priorities in Asia, UK and through our international network delivering results

Adjusted revenue growth

$bn



	FY17	FY18	Growth
RBWM	20.2	21.9	8%
CMB	13.2	14.9	12%
GB&M	15.3	15.5	1%
GPB	1.7	1.8	4%
Corporate Centre	1.3	(0.2)	n/a

Highlights

Adjusted revenue (FY17 / FY18)

$bn unless otherwise stated

	Highlights	FY17	FY18	Change
Hong Kong	Sustained leadership in key products e.g. mortgages, deposits; regained #1 market position in life insurance[17]	16.0	18.2	+14%
Mainland China (incl. PRD)	Double-digit revenue growth in CMB and GB&M	2.5	2.9	+14%
ASEAN	Double-digit growth in ASEAN-linked corridor revenue; benefitting from Chinese outbound investment flows	3.2	3.3	+3%
HSBC UK[2]	Higher balances to support market share growth: mortgage loan balances +10%, corporate loan balances +8%	£bn 6.0	6.4	+7%
Wealth in Asia	Distribution revenue[18] up 7% Manufacturing revenue[18] up 23% excluding market impacts in insurance, and down 7% including market impacts	4.8	5.4	+13%*
Transaction banking	Double digit growth in GLCM, Securities Services and FX, with GLCM revenue up $1.4bn or 21% vs. FY17	14.5	16.6	+14%

*Excludes market impacts

Revenue growth and market share gains in UK ring-fenced bank[2]

Key accomplishments and awards

- Completed the set-up of our ring-fenced bank in the UK
- Opened new UK head office in Birmingham
- Launched our largest dedicated SME fund, with £12bn of funding, including £1bn to help UK companies grow business overseas

EUROMONEY MARKET LEADER TRADE FINANCE 2019
- Trade finance market leader in the UK

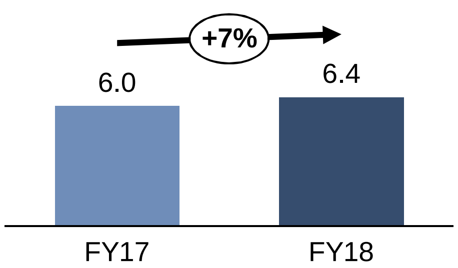
EUROMONEY CASH MANAGEMENT 2018
- #1 domestic cash manager as voted by Corporates – UK

KPMG nunwood
- first direct awarded #1 brand for customer experience

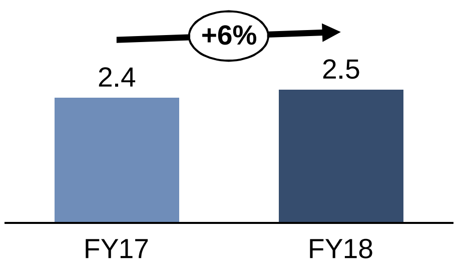
PWM The Banker GLOBAL PRIVATE BANKING AWARDS 2018
- Best Private Bank in the UK

Financial performance

Adjusted revenue, £bn



Adjusted PBT, £bn



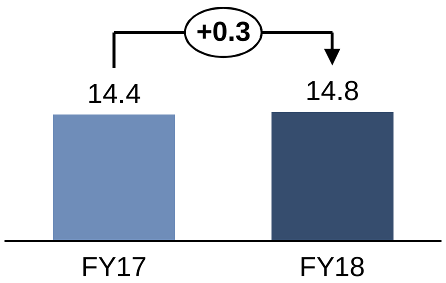
Revenue growth (YoY) in:

- RBWM: +8%
- CMB: +9%

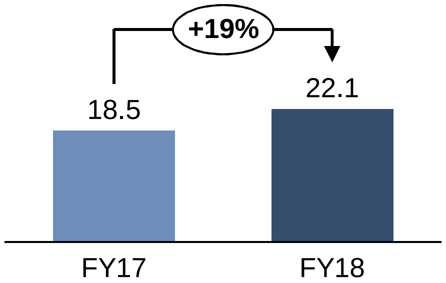
Cost growth of 3% maintained below revenue growth

Growth in customers & lending

Customers, millions



Gross residential mortgage lending, £bn



Customer growth driven by:

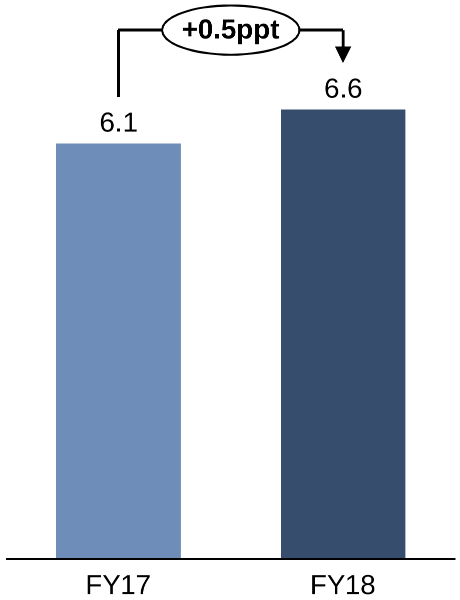
- RBWM: up 0.4m to 13.9m
- CMB: stable at 0.9m

Residential mortgage lending growth driven by:

- £3.9bn growth in broker channel

Market share

Mortgages[19], %



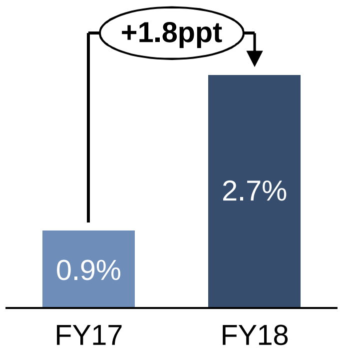
Increased UK balances:

- Mortgages: +10%
- Corporate loans: +8%
- Personal loans: +11%
- Deposits: +3%

US FY18 results supported by favourable ECL; progress from investments

Progress on US RoTE

RoTE[4], %



	FY17	FY18
Revenue, $bn	4.8	4.8
PBT, $bn	0.7	1.0
Tangible Equity, $bn	21	19

Improvement in RoTE[4] driven by:

- Favourable ECL releases in FY18 compared to lower LICs releases in FY17
- $1.4bn dividend to HSBC Holdings plc
- 1% revenue growth

Global businesses building momentum

FY17 FY18

CMB

- Grew revenue by 7%; growth in all client segments
- Double-digit growth in US client revenue booked outside of the US (“outbound”)[20] to $0.4bn in FY18

CMB loans, $bn

RBWM

- Expanded customer base, supported by growing open market card platform
- 36% YoY growth in card balances[21]

Retail customers, millions

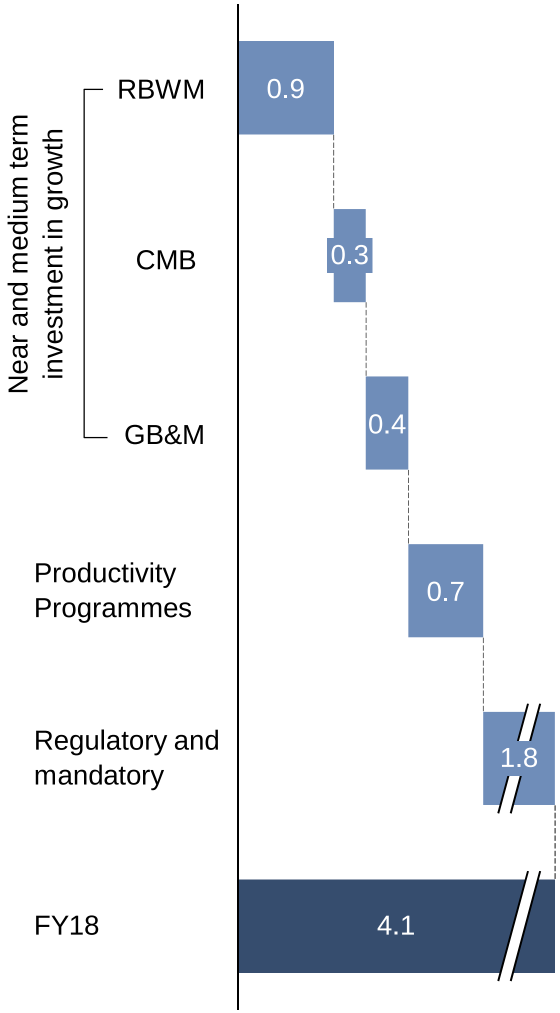
GB&M

- Gained share in investment grade DCM; double digit growth in our FX business (from $248m in FY17 to $288m in FY18)
- Negatively impacted by market conditions in fixed income trading and debt issuance

Transaction banking revenue, $bn

Invested $4.1bn in growth and technology in FY18; progress in customer numbers and customer satisfaction

Investments by category



Outcomes

Customer growth

- 1.2 million more RBWM customers:
  - Increase mainly in Asia due to customer acquisition in HK and mainland China; UK also increased by 400,000
  - Mexico and US activity drove the remaining increase

RBWM customer growth, millions

Customer satisfaction

- Improving satisfaction in our eight scale markets:
  - RBWM: Six markets sustained a top-three rank or improved by two ranks in customer satisfaction[5a]
  - CMB: Three markets sustained a top-three rank or improved by two ranks in customer satisfaction[5b]

Accelerate digital

- RBWM: c.45% of customers are now digitally active and more than 30% of sales are through digital channels[22]
- Corporate clients: Halved the on-boarding time to an average of 11 days[23] in CMB; 25% reduction in GB&M while increasing volumes by 34%
- Executed $37bn of transaction volumes though MyDeal, an innovative GB&M capital markets deal platform

Improve efficiency

- Simplified online journeys on HSBCnet for c.46k clients across 30 countries; awarded best Mobile Technology Solution (global) by Treasury Management International
- Launched a machine learning payment screening solution for sanctions; processed 35,000 cases daily[24] with over 99% accuracy

HSBC's commitment to sustainable finance and approach to ESG

HSBC's sustainable finance commitments

1. Provide $100 billion of sustainable financing and investment by 2025
2. Source 100% of our electricity from renewable sources by 2030 (90% by 2025)
3. Reduce our exposure to thermal coal and actively manage the transition for other high carbon sectors
4. Adopt recommendations of Task Force on Climate-related Financial Disclosures (TCFD)
5. Lead and shape the debate around sustainable finance and investment

HSBC's ESG approach

Environmental

- Support the global transition to the low-carbon economy, through our own sustainable operations and by supporting our customers with their transition
- We have robust climate-related risk management covering sensitive sectors, such as energy, palm oil and forestry

Social

- Foster a customer and employee centric approach to our business
- Focus on diversity and inclusion of our workforce, and strive to put the customer at the heart of everything we do

Governance

- Maintain high standards of governance across all geographies
- Committed to protecting our customers and communities through our Financial Crime Risk management and cyber security diligence

Progress on our sustainable finance commitments is on page 27 of the HSBC Holdings plc Annual Report and Accounts 2018

Currency translation and significant items included in the income statement

$m	4Q17	3Q18	4Q18	FY17	FY18
Reported PBT	**2,304**	**5,922**	**3,256**	**17,167**	**19,890**
Revenue					
Currency translation	450	147	-	(133)	-
Customer redress programmes	(105)	-	7	(108)	53
Disposals, acquisitions and investment in new businesses	(79)	-	29	274	(113)
Fair value movements on financial instruments	45	(43)	95	(245)	(100)
Currency translation on significant items	8	-	-	(4)	-
	319	**104**	**131**	**(216)**	**(160)**
ECL / LICs					
Currency translation	(30)	(12)	-	(56)	-
	(30)	**(12)**	**-**	**(56)**	**-**
Operating expenses					
Currency translation	(344)	(105)	-	143	-
Costs of structural reform	(131)	(89)	(61)	(420)	(361)
Costs to achieve	(655)	-	-	(3,002)	-
Customer redress programmes	(272)	(62)	16	(655)	(146)
Gain on partial settlement of pension obligation	188	-	-	188	-
Disposals, acquisitions and investment in new businesses	(39)	(51)	2	(53)	(52)
Restructuring and other related costs	-	(27)	(15)	-	(66)
Settlements and provisions in connection with legal and other regulatory matters	(228)	1	24	198	(816)
Past service costs of guaranteed minimum pension benefits equalisation	-	-	(228)	-	(228)
Currency translation on significant items	39	2	-	(52)	-
	(1,442)	**(331)**	**(262)**	**(3,653)**	**(1,669)**
Share of profit in associates and joint ventures					
Currency translation	23	8	-	(41)	-
	23	**8**	**-**	**(41)**	**-**
Currency translation and significant items	**(1,130)**	**(231)**	**(131)**	**(3,966)**	**(1,829)**
Adjusted PBT	**3,434**	**6,153**	**3,387**	**21,133**	**21,719**

Global business management view of adjusted revenue

$m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Total Group revenue	**12,800**	**12,953**	**12,580**	**11,982**	**13,116**	**13,188**	**13,694**	**12,564**
Total adjusted revenue as previously disclosed[25]	12,843	13,210	13,031	12,440	13,850	13,685	13,841	12,564

RBWM, $m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Retail Banking	**3,207**	**3,263**	**3,314**	**3,355**	**3,472**	**3,637**	**3,889**	**3,916**
Current accounts, savings and deposits	1,438	1,513	1,551	1,661	1,778	1,978	2,309	2,318
Personal lending	1,769	1,750	1,763	1,694	1,694	1,659	1,580	1,598
Mortgages	598	559	585	573	548	497	421	415
Credit cards	713	734	712	655	688	701	702	718
Other personal lending	458	457	466	466	458	461	457	465
Wealth Management	**1,647**	**1,548**	**1,547**	**1,385**	**1,766**	**1,533**	**1,586**	**1,129**
Investment distribution	798	792	879	769	1,017	846	800	672
Life insurance manufacturing	598	494	410	342	479	422	526	208
Asset management	251	262	258	274	270	265	260	249
Other	116	104	139	150	179	62	219	65
Total	**4,970**	**4,915**	**5,000**	**4,890**	**5,417**	**5,232**	**5,694**	**5,110**
Adjusted revenue as previously disclosed[25]	5,009	5,034	5,183	5,061	5,669	5,396	5,760	5,110

CMB, $m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
GTRF	447	444	451	441	445	462	464	454
Credit and Lending	1,216	1,223	1,263	1,283	1,258	1,299	1,322	1,335
GLCM	1,097	1,137	1,191	1,240	1,287	1,395	1,468	1,525
Markets products, Insurance and Investments and other	423	354	333	391	527	457	455	382
Total	**3,183**	**3,158**	**3,238**	**3,355**	**3,517**	**3,613**	**3,709**	**3,696**
Adjusted revenue as previously disclosed[25]	3,191	3,216	3,347	3,469	3,699	3,740	3,750	3,696

GPB, $m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Investment	179	178	171	163	204	176	165	162
Lending	93	95	98	100	99	96	95	93
Deposit	90	102	102	107	119	122	125	126
Other	58	59	61	44	42	47	45	43
Total	**420**	**434**	**432**	**414**	**464**	**441**	**430**	**424**
Adjusted revenue as previously disclosed[25]	415	431	437	420	482	447	432	424

GB&M, $m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Global Markets	**1,989**	**1,832**	**1,692**	**1,303**	**1,820**	**1,607**	**1,781**	**1,101**
FICC	**1,647**	**1,502**	**1,362**	**1,042**	**1,412**	**1,332**	**1,495**	**885**
Foreign Exchange	630	724	599	601	712	790	829	603
Rates	682	533	569	296	453	369	411	208
Credit	335	245	194	145	247	173	255	74
Equities	342	330	330	261	408	275	286	216
Securities Services	**410**	**433**	**434**	**455**	**460**	**484**	**497**	**484**
Global Banking	**939**	**1,107**	**965**	**940**	**1,021**	**1,084**	**972**	**939**
GLCM	**517**	**515**	**550**	**581**	**604**	**621**	**676**	**678**
GTRF	**189**	**189**	**183**	**178**	**187**	**191**	**213**	**198**
Principal Investments	**30**	**51**	**178**	**63**	**70**	**100**	**110**	**(60)**
Other revenue	(154)	(137)	(165)	(142)	(174)	(145)	(148)	(99)
Credit and funding valuation adjustments	(2)	(92)	(63)	(100)	(60)	21	38	(178)
Total	**3,918**	**3,898**	**3,774**	**3,278**	**3,928**	**3,963**	**4,139**	**3,063**
Adjusted revenue as previously disclosed[25]	3,886	3,937	3,878	3,390	4,148	4,117	4,184	3,063

Corporate Centre, $m	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Central Treasury	**420**	**505**	**477**	**282**	**(23)**	**231**	**107**	**303**
Balance Sheet Management	815	665	564	633	567	677	531	635
Holdings interest expense	(247)	(207)	(195)	(239)	(299)	(288)	(340)	(340)
Valuation differences on long-term debt and associated swaps	(68)	121	124	(57)	(241)	(124)	(15)	67
Other	(80)	(74)	(16)	(55)	(50)	(34)	(69)	(59)
Legacy Credit	**-**	**59**	**(18)**	**(71)**	**3**	**(107)**	**27**	**(12)**
Other	(111)	(16)	(323)	(166)	(190)	(185)	(412)	(20)
Total	**309**	**548**	**136**	**45**	**(210)**	**(61)**	**(278)**	**271**
Adjusted revenue as previously disclosed[25]	342	592	186	100	(148)	(15)	(285)	271

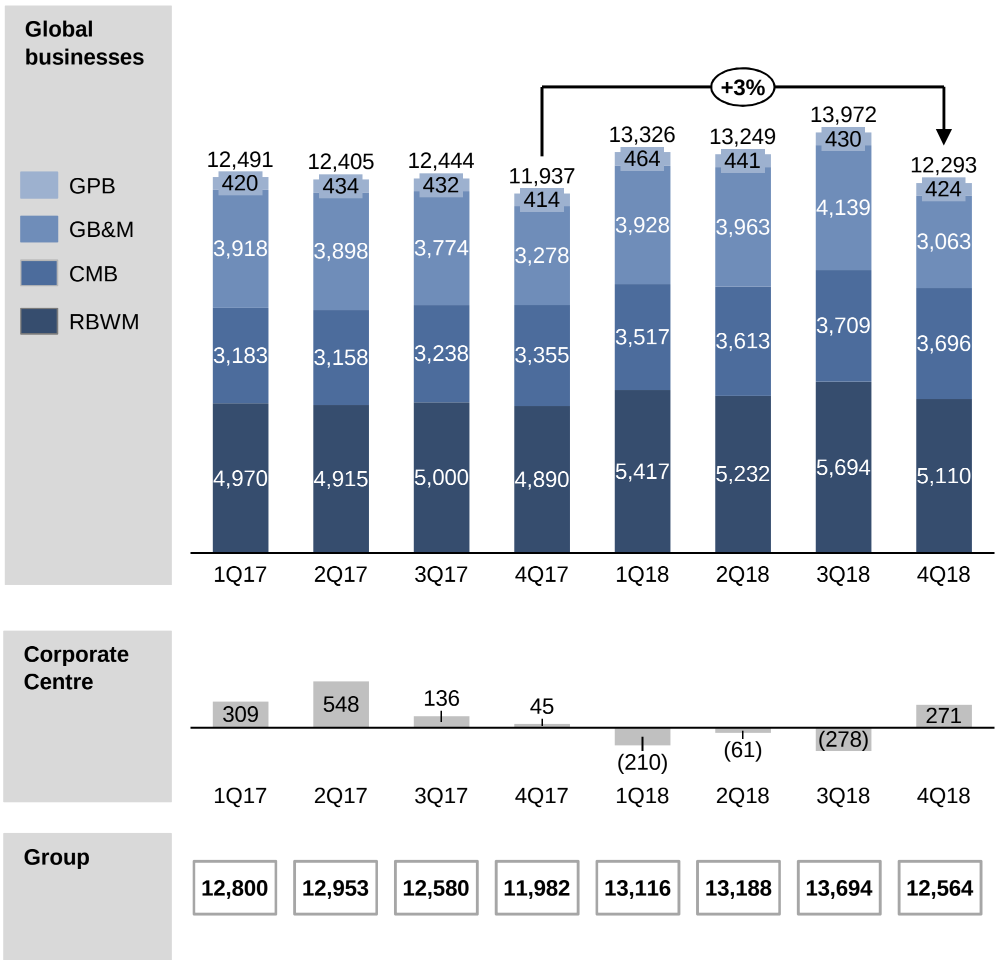
Adjusted PBT by business and geography; adjusted revenue by business

Adjusted PBT by global business and geography

Adjusted PBT by global business, $m	4Q17	4Q18	Δ 4Q17	Δ %	FY17	FY18	Δ FY17	Δ %
RBWM	1,401	1,354	(47)	*(3)%*	6,479	7,080	601	*9%*
CMB	1,649	1,670	21	*1%*	6,829	7,669	840	*12%*
GB&M	803	699	(104)	*(13)%*	5,848	6,078	230	*4%*
GPB	96	59	(37)	*(39)%*	296	344	48	*16%*
Corporate Centre	(515)	(395)	120	*23%*	1,681	548	(1,133)	*(67)%*
Group	**3,434**	**3,387**	**(47)**	***(1)%***	**21,133**	**21,719**	**586**	***3%***

Adjusted PBT by geography, $m	4Q17	4Q18	Δ 4Q17	Δ %	FY17	FY18	Δ FY17	Δ %
Europe	(1,357)	(1,412)	(55)	*4%*	1,281	(40)	(1,321)	*(103)%*
Asia	3,893	3,958	65	*2%*	16,071	17,768	1,697	*11%*
Middle East and North Africa	342	399	57	*17%*	1,518	1,556	38	*3%*
North America	414	294	(120)	*(29)%*	1,711	1,870	159	*9%*
Latin America	142	148	6	*4%*	552	565	13	*2%*
Group	**3,434**	**3,387**	**(47)**	***(1)%***	**21,133**	**21,719**	**586**	***3%***

Adjusted revenue performance, $m[26]



Retail Banking and Wealth Management

FY18 highlights

FY18 revenue up 8% and PBT up 9%

Adjusted PBT
(FY17: $6.5bn)

$7.1bn 9% ↑

Adjusted revenue
(FY17: $20.2bn)

$21.9bn 8% ↑

Adjusted LICs/ECL
(FY17: $1.0bn)

$1.2bn

charge / (net release)

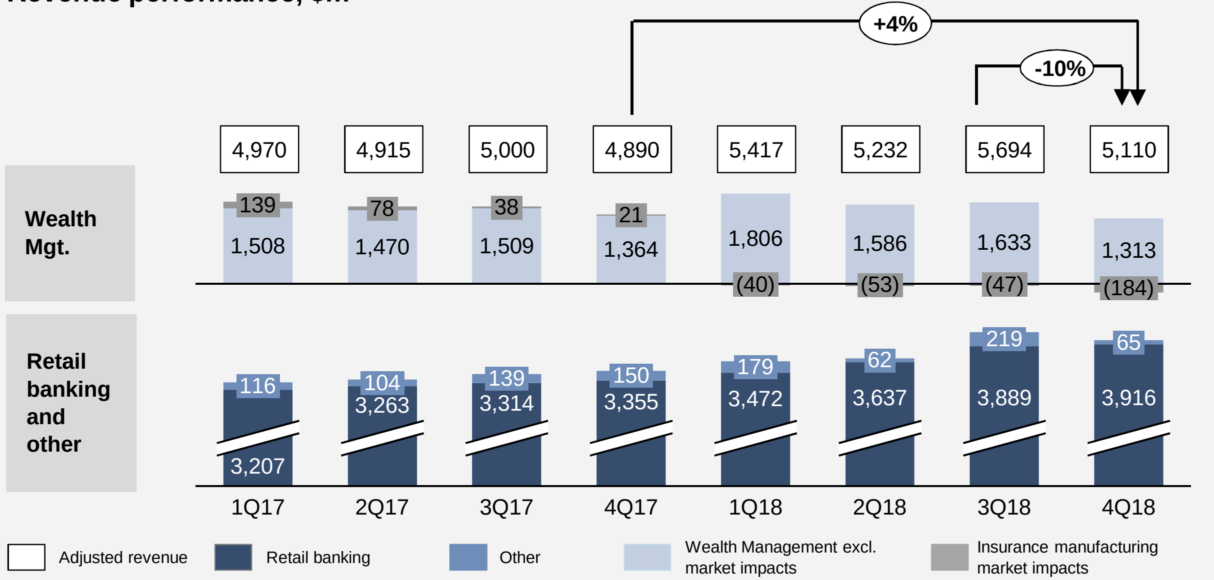
Adjusted costs
(FY17: $12.8bn)

$13.7bn 7% ↑

RoTE [28]
(FY17: 21.6%)

21.0%

Revenue performance, $m[26]



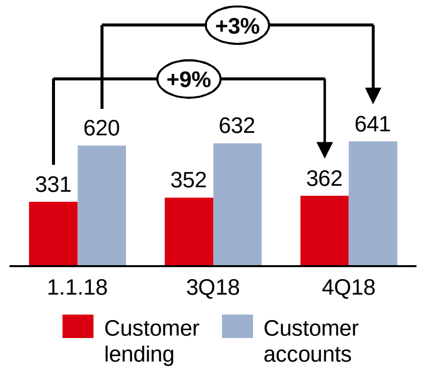
4Q18 vs. 4Q17: Adjusted revenue up 4%

- Growth in retail banking revenue driven by loan balance growth and increased deposit margins from rising interest rates, partly offset by mortgage margin compression
- Lower insurance manufacturing revenue (down $134m) due to adverse market impacts (4Q18: $(184)m, 4Q17: $21m), despite higher annualised new business premiums (23%) and favourable actuarial assumption changes (4Q18: $(1)m, 4Q17: $(62)m)
- Investment distribution (down $97m), due to lower trading activity on equities and mutual funds driven by lower stock market turnover in Hong Kong (down 20%)

4Q18 vs. 3Q18: Adjusted revenue down 10%

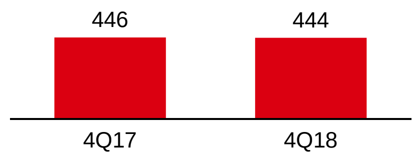
- Insurance manufacturing (down $318m), driven by lower sales and negative market impacts (4Q18:$(184)m, 3Q18: $(47)m)
- Lower investment distribution revenue (down $128m), driven by market seasonality and continued weak stock market performance
- Retail banking revenue up marginally as growth in balances was partly offset by margin compression

Balance sheet, $bn[27]

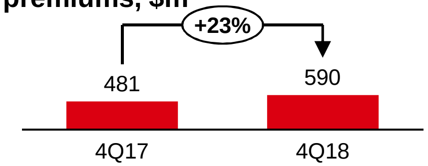


- Customer accounts up $21bn or 3% vs. 4Q17, notably in Hong Kong and the UK
- Lending up $31bn or 9% vs. 4Q17, mainly from mortgage growth in the UK and Hong Kong

Assets under management, $bn[27]



Annualised new business premiums, $m



Commercial Banking

FY18 highlights

FY18 revenue and PBT up 12%

Adjusted PBT
(FY17: $6.8bn)

$7.7bn 12%

Adjusted revenue
(FY17: $13.2bn)

$14.9bn 12%

Adjusted LICs/ECL
(FY17: $0.5bn)

$0.7bn

charge / (net release)

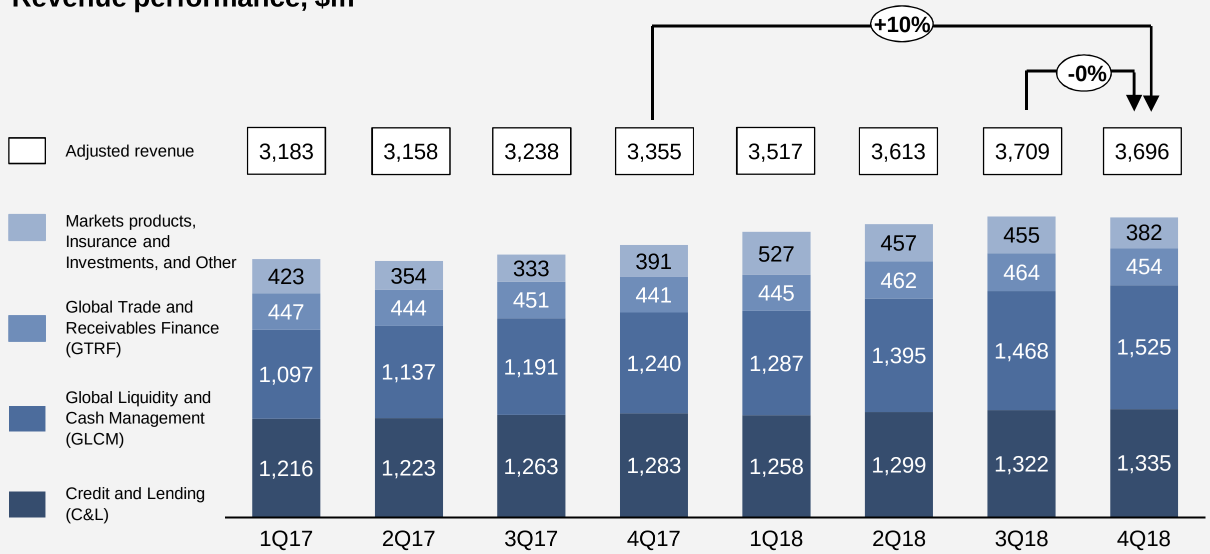
Adjusted costs
(FY17: $6.0bn)

$6.5bn 9%

RoTE[28]
(FY17: 14.0%)

14.0%

Revenue performance, $m[26]



4Q18 vs. 4Q17: Adjusted revenue up 10%

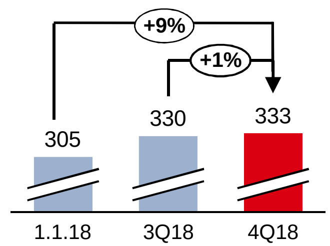
- GLCM up 23%, reflecting growth across all regions, most notably in Asia due to wider margins and growth in average balances of 1%
- C&L up 4%, reflecting average balance sheet growth in Asia and the UK, partly offset by margin compression
- GTRF up 3%, reflecting growth in all regions, notably from average balance sheet growth in Asia and the UK
- Other down 2%, in part due to adverse revaluation movements in the UK

4Q18 vs. 3Q18: Adjusted revenue broadly stable

- GLCM up 4%, as a result of growth across all regions, notably from wider margins in Hong Kong, the UK and Latin America
- C&L up 1%, driven by Asia, notably in Hong Kong and China
- GTRF down 2%, most notably in Asia in line with 4Q seasonal trends
- Other down 16% driven by adverse revaluation movements in the UK and from lower insurance income in Asia

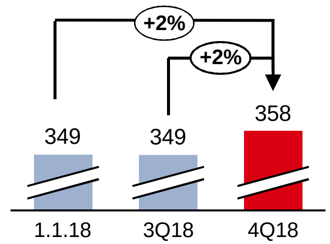
Balance sheet, $bn[27]

Customer lending:



- YoY increase reflecting growth across all regions, notably Asia and in the UK, primarily in C&L
- Growth in 4Q18 driven by Canada, Asia and UK

Customer accounts:



- YoY growth driven by UK, Asia and Latin America
- Growth in 4Q18 reflecting increases in the UK, North America and Asia

Global Banking and Markets

FY18 highlights

FY18 revenue up 1%, PBT up 4%

Adjusted PBT
(FY17: $5.8bn)

$6.1bn 4%↑

Adjusted revenue
(FY17: $15.3bn)

$15.5bn 1%↑

Adjusted LICs/ECL
(FY17: $0.4bn)

$(0.03)bn

charge / (net release)

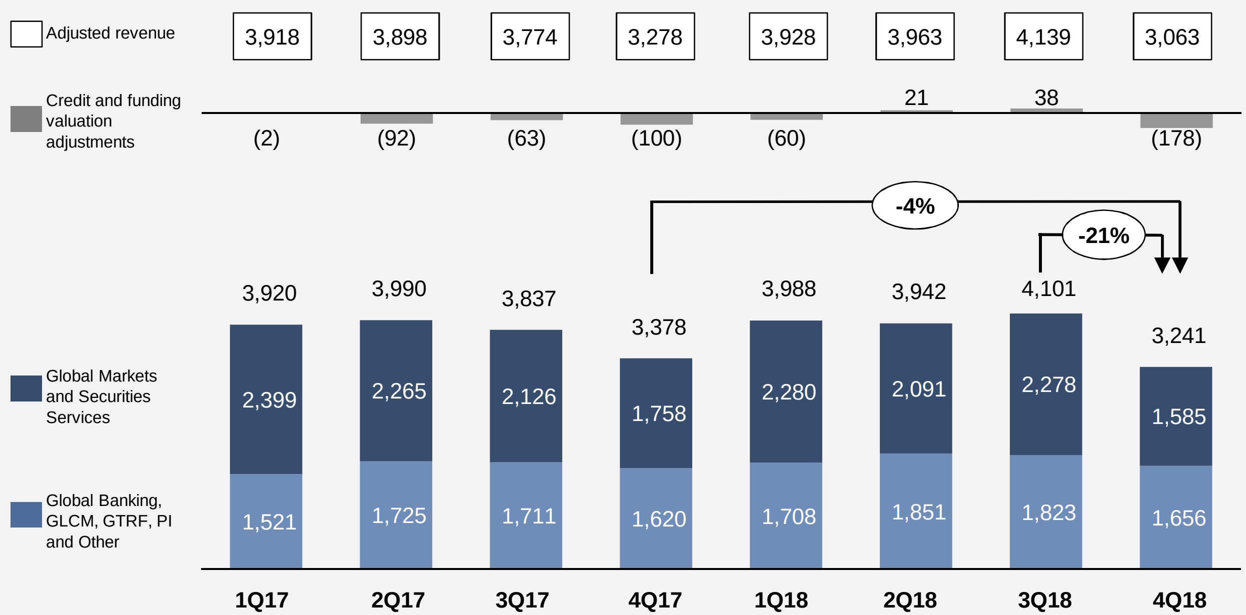
Adjusted costs
(FY17: $9.0bn)

$9.5bn 5%↑

RoTE[28]
(FY17: 10.6%)

10.5%

Revenue performance, $m[26]



4Q18 vs. 4Q17

- Continued momentum in GLCM and Securities Services with growth in balances and favourable interest rate movements
- Global Markets was adversely impacted by broad economic uncertainty in particular fixed income, with primary issuance lower and subdued client activity
- Global Banking performance stable as lower primary activity in capital markets and adverse movements in economic hedges were offset by higher advisory revenues and reduced losses on corporate lending restructuring

4Q18 vs. 3Q18

Revenue down in part from seasonal decline; and

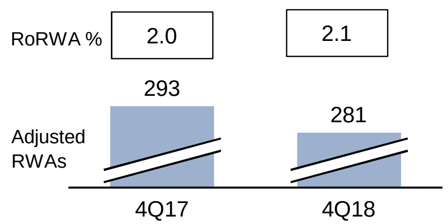
- Global Markets down 38% impacted by macro uncertainty leading to reduced client activity in particular Fixed income products in Europe. Foreign exchange franchise continues to perform well
- Global Banking performance down 3% from lower volumes in DCM and losses on corporate lending restructuring, partly offset by favourable movements in economic hedges
- Principal Investments lower >100% due to MTM losses in 4Q18 versus asset disposal gains in 3Q18

Management view of adjusted revenue

$m	4Q18	∆ 4Q17
Global Markets	**1,101**	**(16)%**
FICC	**885**	**(15)%**
- FX	*603*	*0%*
- Rates	*208*	*(30)%*
- Credit	*74*	*(49)%*
Equities	**216**	**(17)%**
Securities Services	**484**	**6%**
Global Banking	**939**	**(0)%**
GLCM	**678**	**17%**
GTRF	**198**	**11%**
Principal Investments	**(60)**	**(>100)%**
Other	**(99)**	**30%**
Credit and funding valuation adjustments	(178)	(78)%
Total	**3,063**	**(7)%**

Adjusted RWAs $bn

- Continued capital discipline reduced RWAs, some of which we reinvested in business growth, focused in Asia.



With effect from 4Q18, interest earned on capital deployed previously disclosed within 'Other' revenue has been allocated to product lines. Our FY18 and FY17 results have been represented on the new basis, with no effect to total adjusted revenue

Global Private Bank

FY18 highlights

FY18 revenue up 4%, PBT up 16%

Adjusted PBT
(FY17: $296m)

$344m 16%

Adjusted revenue
(FY17: $1,723m)

$1,785m 4%

Adjusted LICs/ECL
(FY17: $16m)

$(8)m

charge / (net release)

Adjusted costs
(FY17: $1,411m)

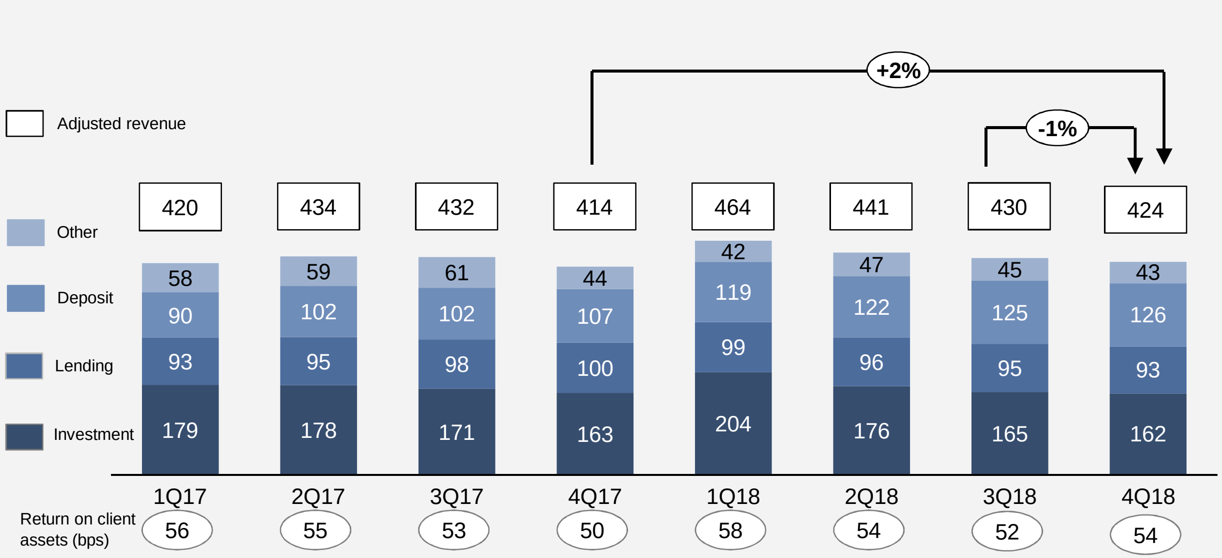
$1,449m

3%

RoTE[28]
(FY17: 7.1%)

9.9%

Revenue performance, $m[26]



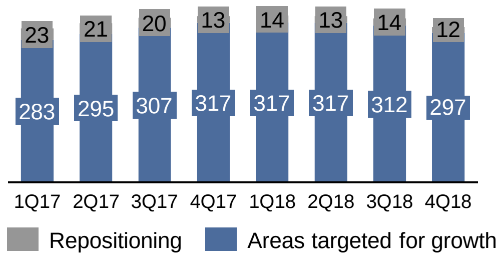
4Q18 vs. 4Q17: Adjusted revenue up 2%

- Revenue in areas targeted for growth up 7%, mainly in Hong Kong reflecting wider deposit margins and from recurring fees from mandate flows
- This was partly offset by lower revenue reflecting the reduction in client assets from repositioning

4Q18 vs. 3Q18: Adjusted revenue down 1%

- Lower brokerage and trading in Asia from lower client activity in December 2018
- We continue to invest in our Asian franchise and are maintaining the hiring and investment plans to support the Asian Wealth Growth Initiative highlighted at Group's June 2018 Strategy Update

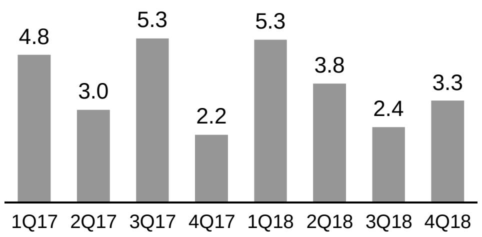
Client assets, $bn



- Growth in discretionary and advisory mandates (+$7.2bn in FY18)
- Reduction of client assets due to unfavourable FX/market movements partly offset by positive net new money.

Net new money, $bn

In areas targeted for growth



- Net positive inflows of $15bn in FY18

Corporate Centre

FY18 highlights

Adjusted PBT
(FY17: $1.7 bn)

$0.5bn 67%

Adjusted revenue
(FY17: $1.3bn)

$(0.2)bn >100%

Adjusted LICs/ECL
(FY17: $(0.2)bn)

$(0.1)bn

charge / (net release)

Adjusted costs
(FY17: $2.1bn)

$1.9bn 9%

RoTE[28]
(FY17: (5.2)%)

(5.7)%

Revenue performance, $m[26]

	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Central Treasury	**420**	**505**	**477**	**282**	**(23)**	**231**	**107**	**303**
Of which:								
Balance Sheet Management	815	665	564	633	567	677	531	635
Holdings interest expense	(247)	(207)	(195)	(239)	(299)	(288)	(340)	(340)
Valuation differences on long-term debt and associated swaps	(68)	121	124	(57)	(241)	(124)	(15)	67
Other central treasury	(80)	(74)	(16)	(55)	(50)	(34)	(69)	(59)
Legacy Credit	**-**	**59**	**(18)**	**(71)**	**3**	**(107)**	**27**	**(12)**
Other	**(111)**	**(16)**	**(323)**	**(166)**	**(190)**	**(185)**	**(412)**	**(20)**
of which Argentina hyperinflation	-	-	-	-	-	-	(304)	73
Total	**309**	**548**	**136**	**45**	**(210)**	**(61)**	**(278)**	**271**

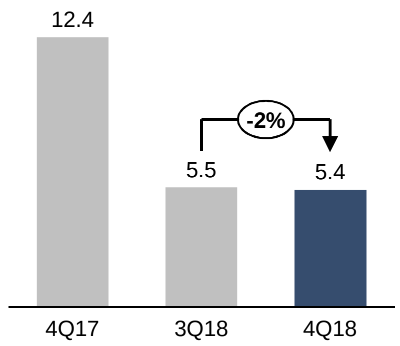
4Q18 vs. 4Q17: Adjusted revenue up $226m

- Valuation differences (up $124m) on long-term debt and associated swaps
- Interest expense (up $101m) due to higher volume of debt issued by Holdings and higher interest rates
- Favourable movement due to hyperinflation in Argentina (up $73m)
- Legacy Credit (up $59m) reflecting phasing of portfolio disposals in FY17 compared to FY18

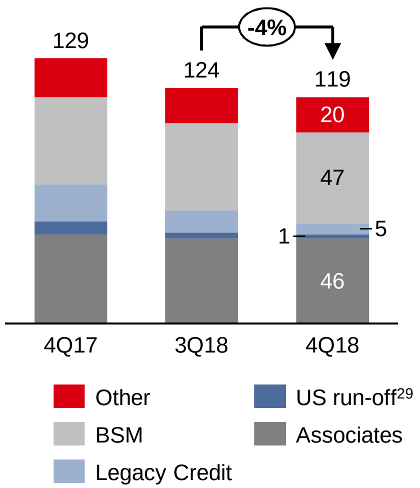
4Q18 vs. 3Q18: Adjusted revenue up $549m

- Favourable movement due to Argentina hyperinflation in 4Q (up $377m)
- BSM (up $104m) reflects higher reinvestment yields in Asia and Europe.
- Valuation differences (up $82m) on long-term debt and associated swaps

Legacy Credit adjusted RWAs, $bn:



Adjusted RWAs, $bn:

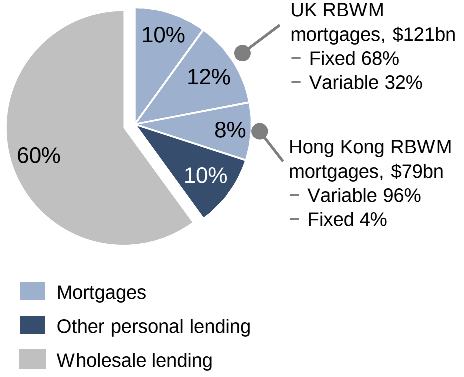


Net interest margin supporting information

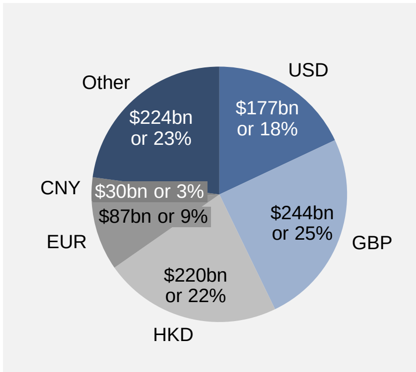
Gross customer lending - $990bn

As at 31 Dec 2018

Wholesale vs. Personal



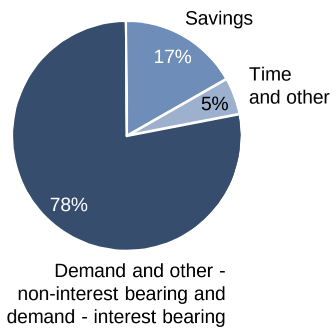
Net Customer lending by currency



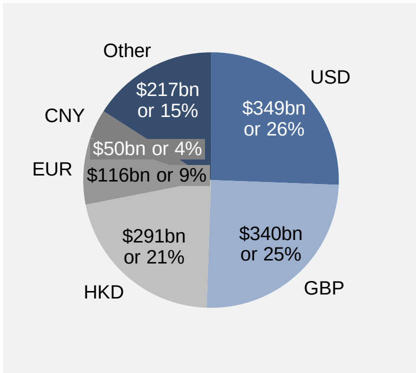
Customer accounts - $1,363bn

As at 31 Dec 2018

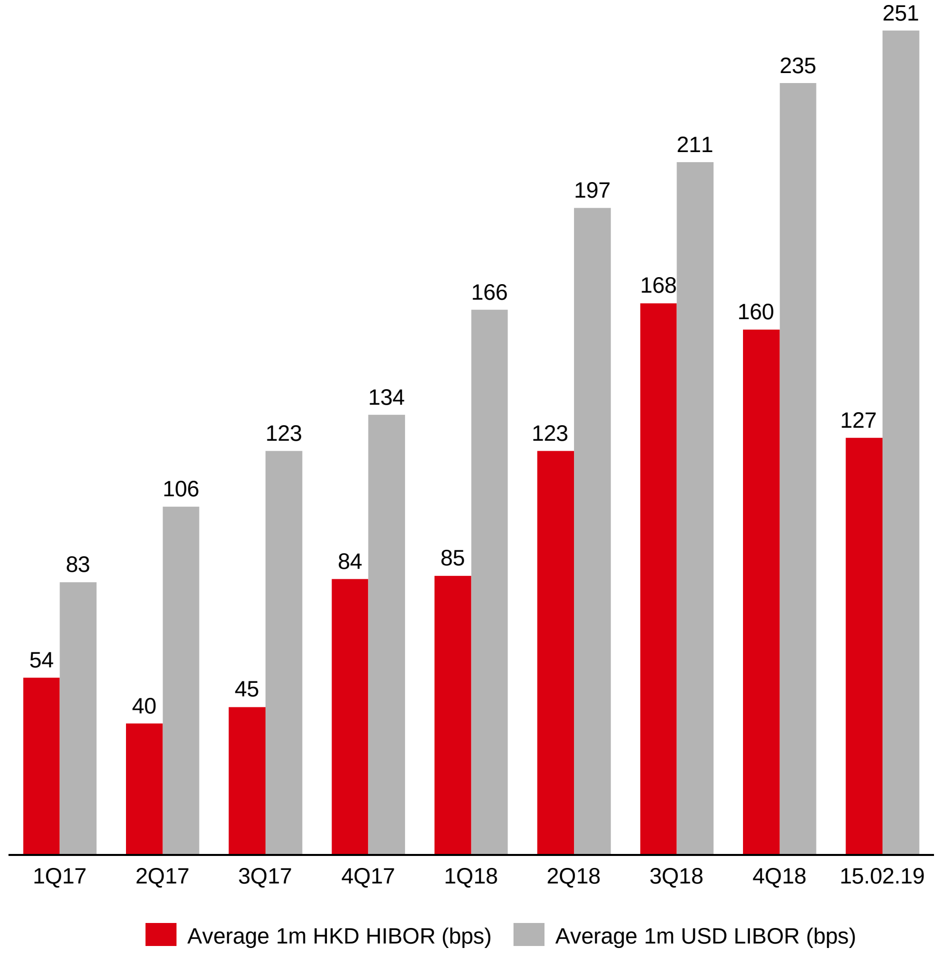
By type[30]



Customer accounts by currency



HIBOR / 1 month US$ LIBOR rate[31]



Net interest margin and net interest income sensitivity

Net interest margin analysis

$bn	FY17		9M18		FY18		Variance FY18 vs. FY17		Group NIM
	Average balance	Yield/Cost	Average balance	Yield/Cost	Average balance	Yield/Cost	Average balance	Yield	Impact
Loans and advances to customers	902	3.19%	970	3.39%	973	3.42%	71	23bps	15bps
Short-term funds and financial investments	626	1.51%	615	1.81%	620	1.88%	(6)	36bps	8bps
Other assets	198	1.39%	242	1.75%	247	1.90%	49	51bps	10bps
Total interest earning assets	**1,726**	**2.37%**	**1,827**	**2.64%**	**1,839**	**2.70%**	**113**	**32bps**	**33bps**
Customer accounts	1,095	(0.49)%	1,139	(0.66)%	1,139	(0.73)%	(44)	(23)bps	(15)bps
Debt	169	(2.59)%	184	(2.98)%	183	(3.09)%	(14)	(50)bps	(5)bps
Other liabilities	191	(1.58)%	251	(1.90)%	259	(1.99)%	(69)	(41)bps	(10)bps
Total interest bearing liabilities	**1,455**	**(0.88)%**	**1,575**	**(1.13)%**	**1,582**	**(1.21)%**	**(126)**	**(33)bps**	**(30)bps**

FY18 yield on loans and advances to customers and cost of customer accounts impacted by hyperinflation in Argentina

Net interest income sensitivity

For further commentary and information, refer to pages 139 and 140 of the HSBC Holdings plc Annual Report and Accounts 2018

Sensitivity of NII to a 25bps / 100bps instantaneous change in yield curves (12 months)

$m	USD	HKD	GBP	EUR	Other	Total
+25bps	70	232	198	115	213	828
-25bps	(160)	(301)	(244)	8	(187)	(884)
+100bps	147	773	777	408	673	2,778
-100bps	(523)	(1,046)	(1,122)	9	(772)	(3,454)

NII sensitivity following a 25bps and 100bps instantaneous change in yield curves (5 years)

$m	Year 1	Year 2	Year 3	Year 4	Year 5	Total
+25bps	828	1,155	1,416	1,529	1,428	6,356
-25bps	(884)	(1,127)	(1,206)	(1,296)	(1,597)	(6,110)
+100bps	2,778	3,863	4,542	4,968	5,096	21,247
-100bps	(3,454)	(4,632)	(5,276)	(5,691)	(6,187)	(25,240)

Key assumptions: Static balance sheet; no changes to product re-pricing assumptions after Year 1; sensitivity presented above is incremental to current yield curves

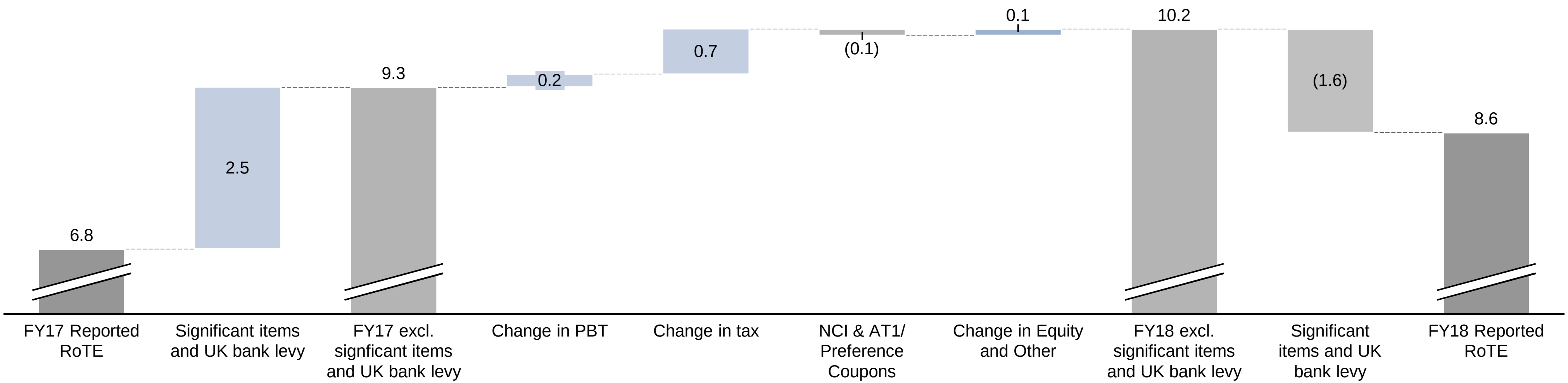
Argentina FY18 hyperinflation impact

Impact (Latin America Corporate Centre), $m	3Q18	4Q18	FY18
Net interest income	(109)	55	(54)
Other income	(195)	18	(177)
Revenue	**(304)**	**73**	**(231)**
ECL	20	(12)	8
Costs	139	(76)	63
Profit before tax	**(145)**	**(15)**	**(160)**

From 1 July 2018, Argentina was deemed a hyperinflationary economy for accounting purposes. The results of HSBC's operations with a functional currency of the Argentine peso have been prepared in accordance with IAS 29 'Financial Reporting in Hyperinflationary Economies' as if the economy had always been hyperinflationary. The results of those operations for the year ended 31 December 2018 are stated in terms of current purchasing power using the *Indice de Precios al Consumidor* at 31 December 2018, with the corresponding adjustment presented in other comprehensive income ('OCI'). In accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates', the results have been translated and presented in US dollars at the prevailing rate of exchange on 31 December 2018. The Group's comparative information presented in US dollars has not been restated.

Return metrics

Group RoTE walk, FY18 vs. FY17, %



Group return metrics

	FY17	FY18
RoE	5.9%	7.7%
Reported revenue / RWAs[32]	5.9%	6.2%
Reported RoTE	6.8%	8.6%

Global business and Corporate Centre RoTE*

	FY17	FY18
RBWM	21.6%	21.0%
CMB	14.0%	14.0%
GB&M	10.6%	10.5%
GPB	7.1%	9.9%
Corporate Centre	(5.2)%	(5.7)%

*Excludes significant items and UK bank levy

RoTE by global business excluding significant items and UK bank levy

FY18 $m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	**6,882**	**7,719**	**6,312**	**248**	**(1,271)**	**19,890**
Tax	(1,238)	(1,680)	(1,350)	(53)	(544)	(4,865)
Reported profit after tax	**5,644**	**6,039**	**4,962**	**195**	**(1,815)**	**15,025**
less attributable to: preference shareholders, other equity holders, non-controlling interests	(763)	(746)	(659)	(19)	(230)	2,417
Profit attributable to ordinary shareholders of the parent company	**4,881**	**5,293**	**4,303**	**176**	**(2,045)**	**12,608**
Increase in PVIF (net of tax)	(483)	(21)	-	-	(2)	(506)
Significant items (net of tax) and bank levy	146	(36)	(168)	75	2,573	2,590
BSM allocation and other adjustments[33]	555	581	851	82	(2,069)	-
Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy	**5,099**	**5,817**	**4,986**	**333**	**(1,543)**	**14,692**
Average tangible equity[34]	24,287	41,550	47,477	3,376	27,130[35]	143,820
RoTE excluding significant items and UK bank levy	**21.0%**	**14.0%**	**10.5%**	**9.9%**	**(5.7)%**	**10.2%**

FY17 $m	RBWM	CMB	GB&M	GPB	Corporate Centre	Group
Reported profit before tax	**5,823**	**6,623**	**5,435**	**121**	**(835)**	**17,167**
Tax	(1,089)	(1,565)	(1,376)	(26)	(1,232)	(5,288)
Reported profit after tax	**4,734**	**5,058**	**4,059**	**95**	**(2,067)**	**11,879**
less attributable to: preference shareholders, other equity holders, non-controlling interests	(723)	(678)	(522)	(22)	(251)	(2,196)
Profit attributable to ordinary shareholders of the parent company	**4,011**	**4,380**	**3,537**	**73**	**(2,318)**	**9,683**
Increase in PVIF (net of tax)	17	2	-	1	(4)	16
Significant items (net of tax) and bank levy	501	116	294	133	2,783	3,827
BSM allocation and other adjustments[33]	630	663	913	107	(2,313)	-
Profit attributable to ordinary shareholders excluding PVIF, significant items and UK bank levy	**5,159**	**5,161**	**4,744**	**314**	**(1,852)**	**13,526**
Average tangible equity[34]	23,838	36,935	44,664	4,400	35,649[35]	145,486
RoTE excluding significant items and UK bank levy	**21.6%**	**14.0%**	**10.6%**	**7.1%**	**(5.2)%**	**9.3%**

Shareholders' equity, tangible equity and TNAV per share

4Q18 vs. 3Q18 Equity drivers

	Shareholders' Equity, $bn	Tangible Equity, $bn	TNAV per share, $	No. of shares (excl. treasury shares), million
30.09.18	**185.3**	**139.4**	**7.01**	**19,877**
Profit to shareholders	1.8	1.8	0.09	-
Dividends net of scrip[36]	(1.5)	(1.5)	(0.11)	86
FX	(1.2)	(1.0)	(0.05)	-
Actuarial gains/(losses) on defined benefit plans	(0.4)	(0.4)	(0.02)	-
Fair value movements through 'Other Comprehensive Income'	2.1	2.1	0.10	-
Intangible additions, share options & Other	0.2	(0.3)	(0.01)	18
31.12.18	**186.3**	**140.1**	**7.01***	**19,981**

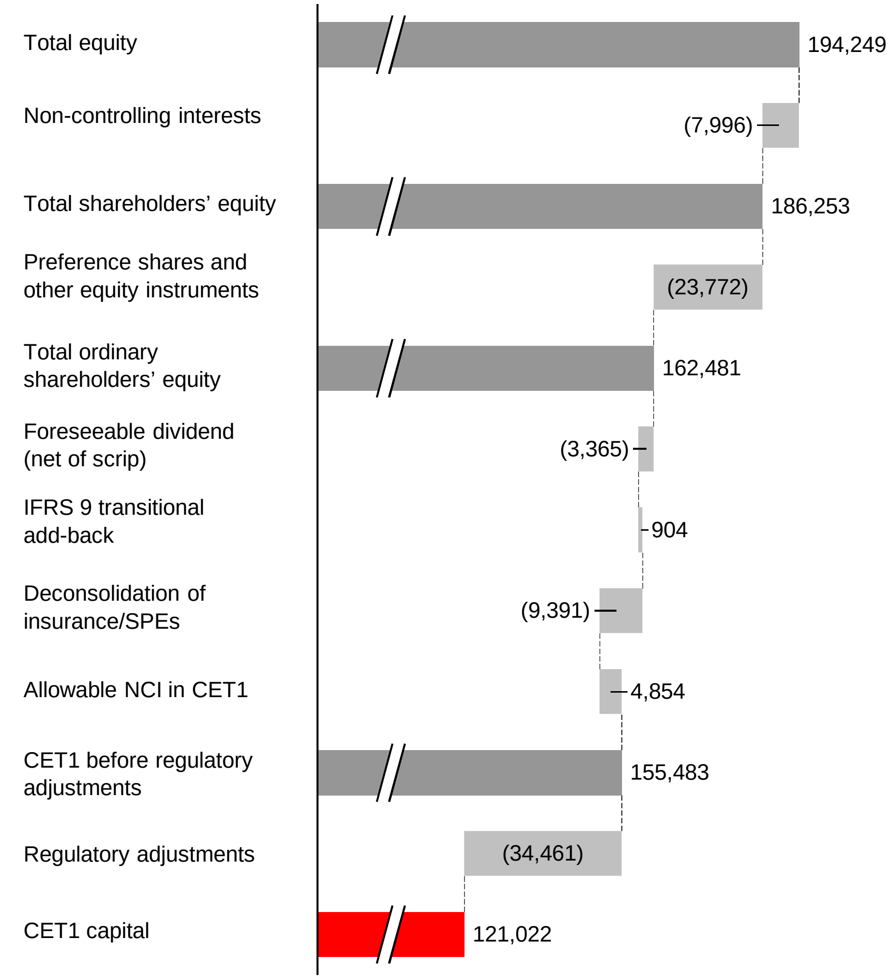
FY18 vs. FY17 Equity drivers

	Shareholders' Equity, $bn	Tangible Equity, $bn	TNAV per share, $	No. of shares (excl. treasury shares), million
31.12.17	**190.3**	**144.9**	**7.26**	**19,960**
Profit to shareholders	13.7	14.0	0.70	-
Dividends net of scrip[36]	(9.8)	(9.8)	(0.55)	167
FX	(7.1)	(6.5)	(0.32)	-
Actuarial gains/(losses) on defined benefit plans	(0.3)	(0.3)	(0.02)	-
Fair value movements through 'Other Comprehensive Income'	2.6	2.6	0.13	-
Intangible additions, share options & Other	0.5	(1.3)	(0.09)	64
Cancellation of shares following the share buy-back announced 9 May 2018	(2.0)	(2.0)	(0.02)	(210)
IFRS 9 – Day 1 impact	(1.6)	(1.5)	(0.08)	-
31.12.18	**186.3**	**140.1**	**7.01***	**19,981**

*Fully diluted TNAV per share: 6.98
(Dilutive potential ordinary shares: 20,059)

Total shareholders' equity to CET1 capital

Total equity to CET1 capital, as at 31.12.18, $m

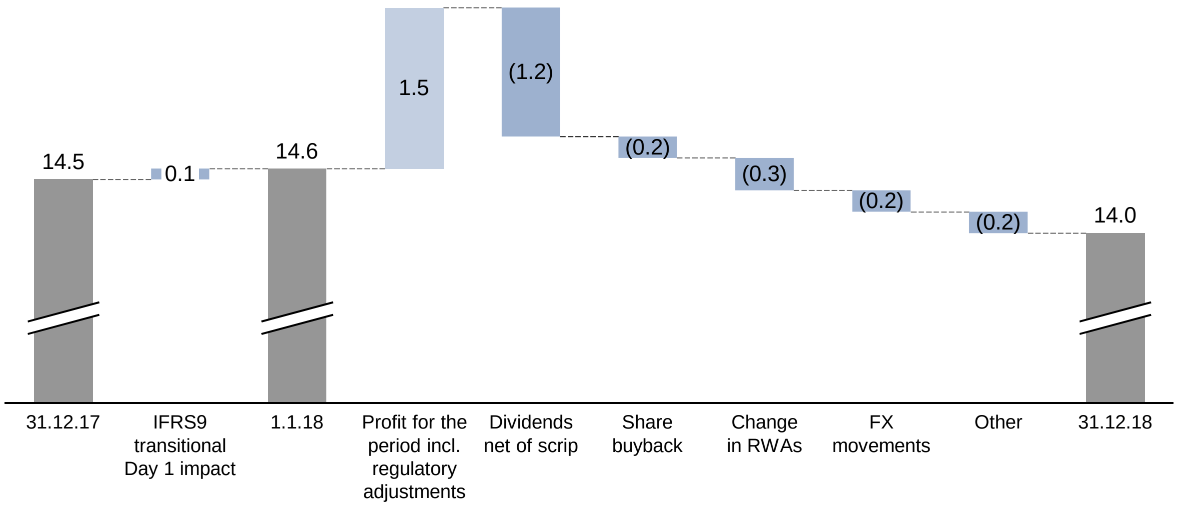


Total equity to CET1 capital walk, $m

	4Q17	4Q18
Total equity (per balance sheet)	**197,871**	**194,249**
- Non-controlling interests	(7,621)	(7,996)
Total shareholders' equity	**190,250**	**186,253**
- Preference share premium	(1,405)	(1,405)
- Perpetual capital securities	(5,851)	-
- Additional Tier 1	(16,399)	(22,367)
Total ordinary shareholders' equity	**166,595**	**162,481**
- Foreseeable dividend (net of scrip)	(3,354)	(3,365)
- IFRS 9 transitional add-back	-	904
- Deconsolidation of insurance/SPE	(9,588)	(9,391)
- Allowable NCI in CET1	4,905	4,854
CET1 before regulatory adjustments	**158,557**	**155,483**
- Additional value adjustments (prudential valuation adjustment)	(1,146)	(1,180)
- Intangible assets	(16,872)	(17,323)
- Deferred tax asset deduction	(1,181)	(1,042)
- Cash flow hedge adjustment	208	135
- Excess of expected loss	(2,820)	(1,750)
- Own credit spread and debit valuation adjustment	3,731	298
- Defined benefit pension fund assets	(6,740)	(6,070)
- Direct and indirect holdings of CET1 instruments	(40)	(40)
- Threshold deductions	(7,553)	(7,489)
Regulatory adjustments	**(32,413)**	**(34,461)**
CET1 capital	**126,144**	**121,022**

FY18 movements in CET1 and RWAs

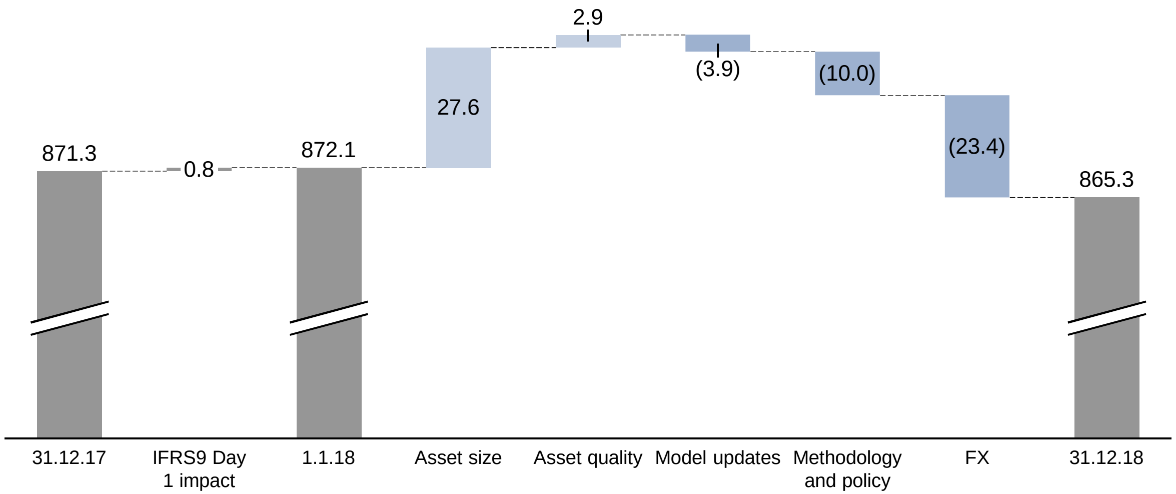
FY18 vs. FY17 CET1 ratio movement, %



FY18 vs. FY17 CET1 capital movement, $bn

At 31.12.17	**126.1**
IFRS9 transitional Day 1 impact	1.2
At 1.1.18	**127.3**
Capital generation	3.1
Profit attributable to shareholders'[14]	13.7
Regulatory adjustments	(0.5)
Dividends[15] net of scrip	(10.1)
Foreign currency translation differences	(5.5)
Share buyback	(2.0)
Other movements	(1.9)
At 31.12.18	**121.0**

FY18 vs. FY17 RWA movement, $bn



Balance sheet – customer lending

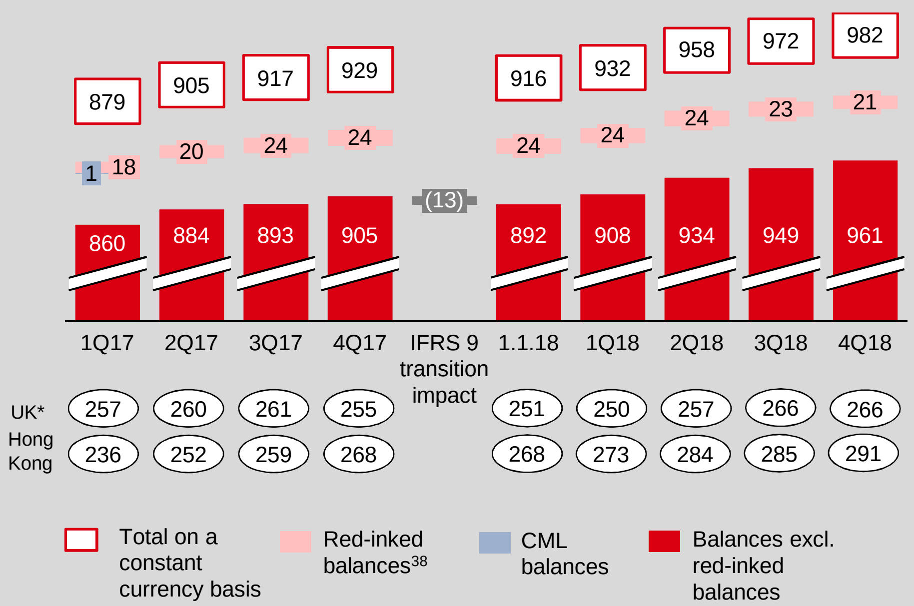
4Q18 Net loans and advances to customers[37]

Customer lending* increased by $12bn or 1.3% vs. 3Q18, reflecting:

- Lending growth in Hong Kong of $6bn (of which $3bn RBWM mortgage growth)
- Term lending growth in GB&M North America
- Lending growth in Europe ($2bn), primarily in the UK from RBWM mortgage growth ($4bn) partly offset by a managed reduction in GLCM overdraft balances in GB&M

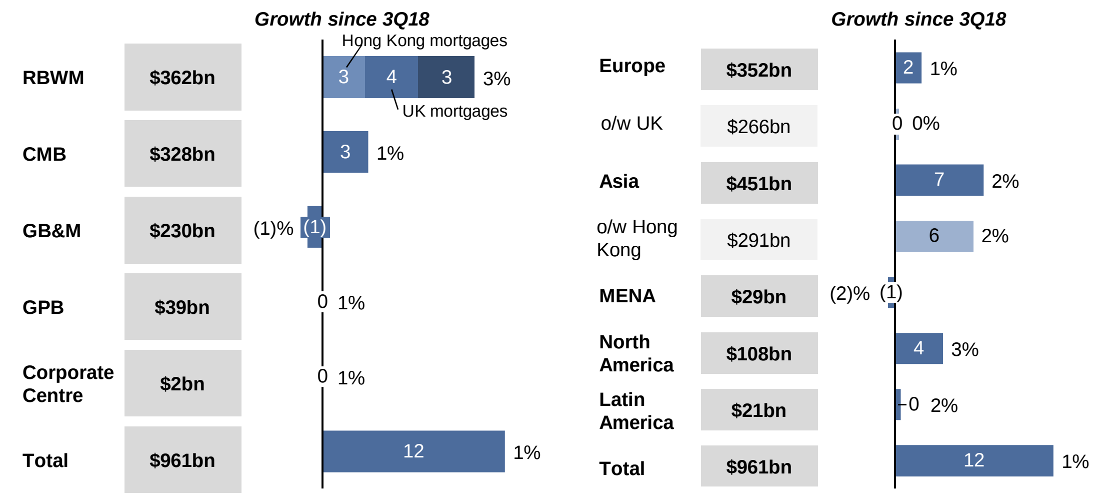
Customer lending* increased by $69bn or 8% vs. 1.1.18:

- Lending growth in Asia of ($38bn): mortgage lending in RBWM ($14bn), CMB ($13bn) and GB&M ($11bn) mainly from term lending; growth was mainly in Hong Kong
- Lending growth in Europe of $20bn primarily in the UK from mortgage growth in RBWM ($11bn)

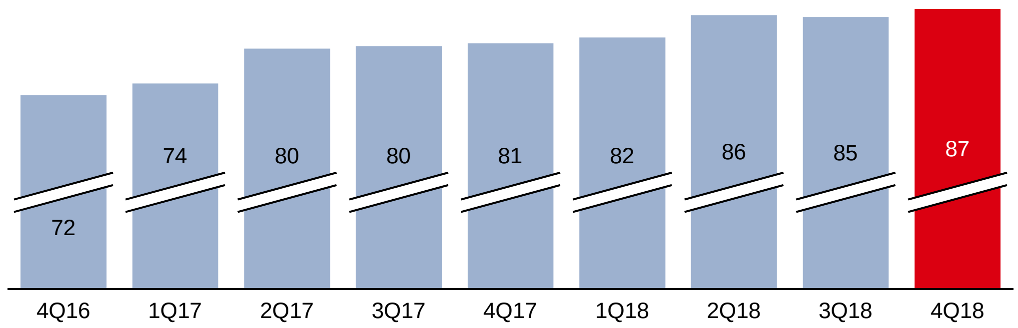


* excluding red-inked balances

4Q18 lending growth by global business and region (excluding red-inked balances)



GTRF funded assets, $bn



Balance sheet – customer accounts

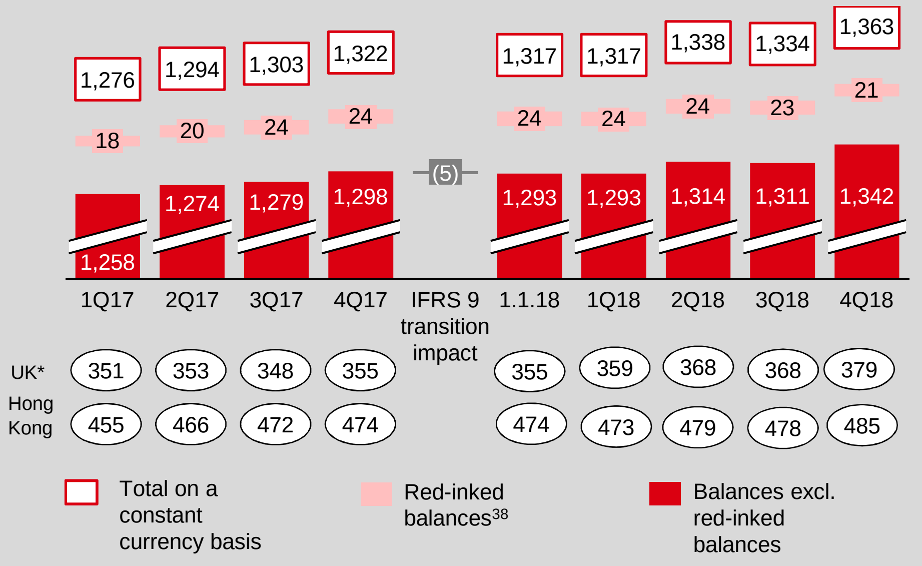
4Q18 Customer accounts[37], $bn

Customer accounts* increased by $31bn or 2.4% vs. 3Q18:

- Growth in Asia of $13bn notably RBWM ($6bn) and GB&M ($5bn) primarily in savings reflecting higher customer inflows due to competitive rates
- Growth in Europe of $12bn, from growth in CMB $5bn mainly in the UK RFB and increases in Global Markets in the UK

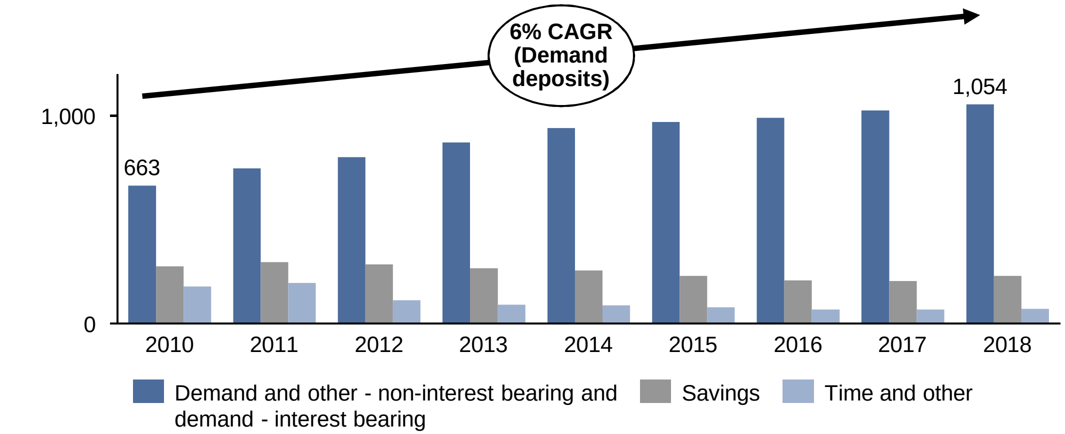
Customer accounts* increased by $49bn or 4% vs. 1.1.18:

- Growth in Europe of $29bn, targeted growth in GB&M to support funding in the NRFB, increases in CMB in the UK RFB and higher current account and savings balances in RBWM
- Growth in Asia of $18bn, notably RBWM ($10bn) and GB&M ($9bn) primarily in savings reflecting higher customer inflows due to competitive rates

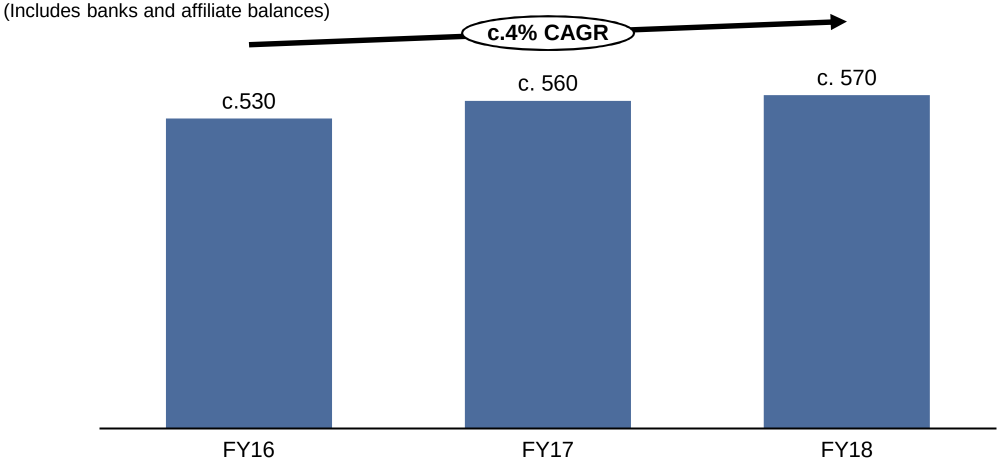


* excluding red-inked balances

Average Customer accounts[30], US$bn



Average GLCM deposits, US$bn
(Includes banks and affiliate balances)

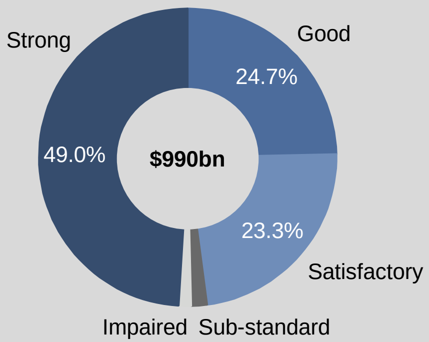


Balance sheet – asset quality

Gross loans and advances to Customers - $990bn

Total gross customer loans and advances to customers by credit quality classification

As at 31 December 2018



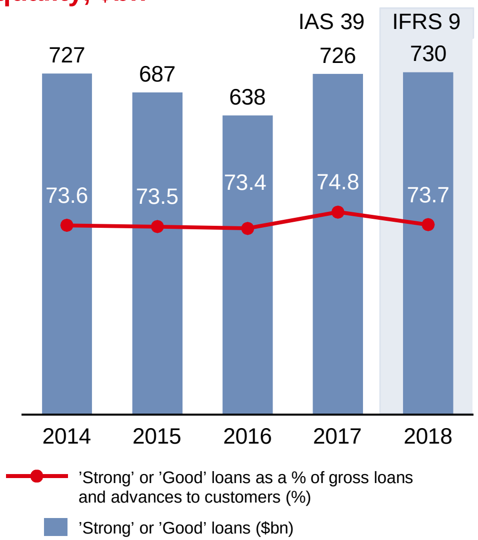
Total gross customer loans and advances to customers of $990bn

Increased by $31bn (3%) from 1 Jan 2018 on a reported basis.

Increased by $65bn or 7% from 1 Jan 2018, on a constant currency basis.

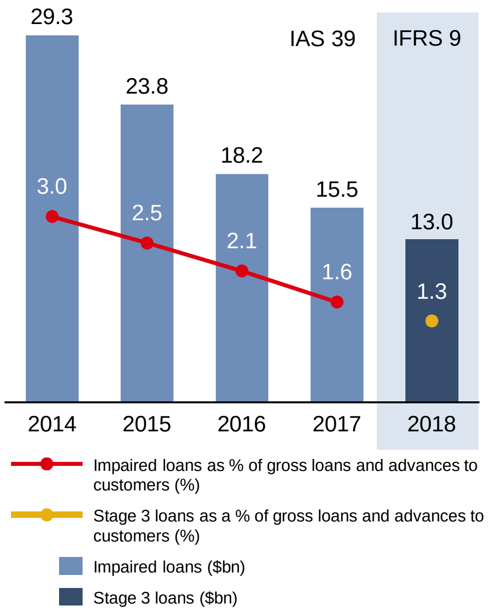
The effect of transitioning to IFRS 9 on 1.1.18 was a reduction in loans and advances to customers of $11bn from 31.12.17.

Loans and advances to customers of ‘Strong’ or ‘Good’ credit quality, $bn



c.74% of gross loans and advances to customers of ‘Strong’ or ‘Good’ credit quality, equivalent to external Investment Grade credit rating.

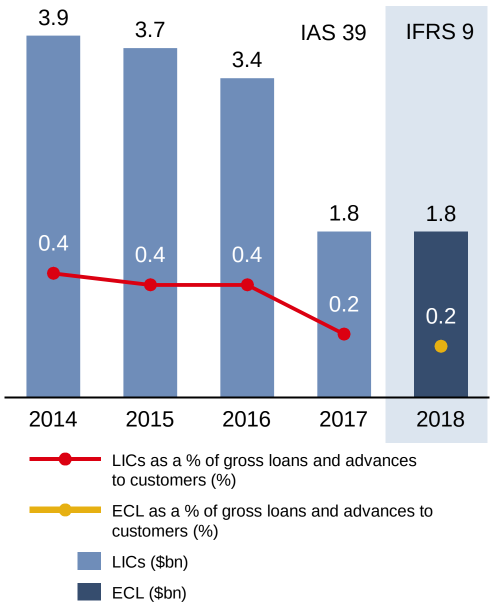
Stage 3 and impaired loans and advances to customers, $bn



Stage 3 loans as a % of gross loans and advances to customers was 1.3%.

The run down of CML loans to zero was a significant factor in the reduction of impaired loans.

Change in LICs/ECL, $bn

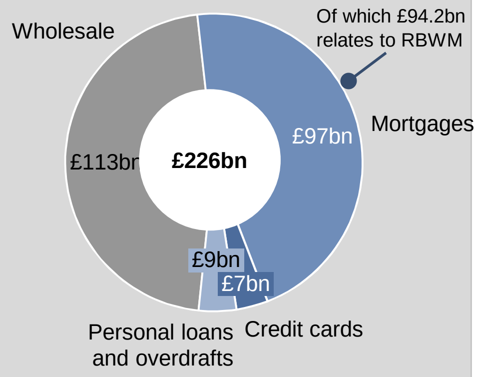


ECL charge of $1.8bn in FY18; ECL as a % of gross loans and advances to customers was 18bps.

UK customer advances

Total UK[39] gross customer advances - £226bn

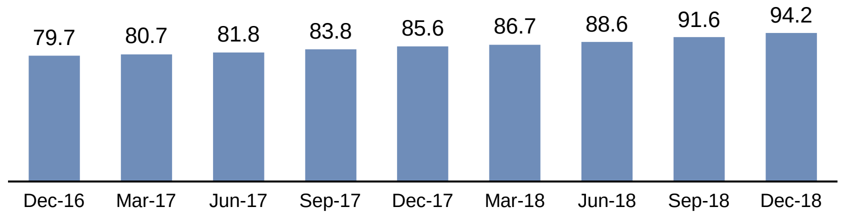
As at 31 Dec 2018



Total UK gross customer advances of £226bn ($290bn) represented 29% of the Group's gross customer advances:

- Continued mortgage growth whilst maintaining conservative loan-to-value (LTV) ratios
- Low levels of buy-to-let mortgages and mortgages on a standard variable rate (SVR)
- Low levels of delinquencies across mortgages and unsecured lending portfolios

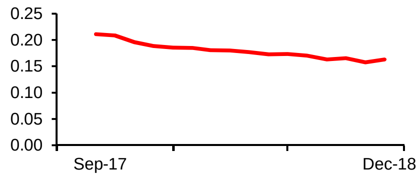
RBWM residential mortgages[40], £bn



By LTV

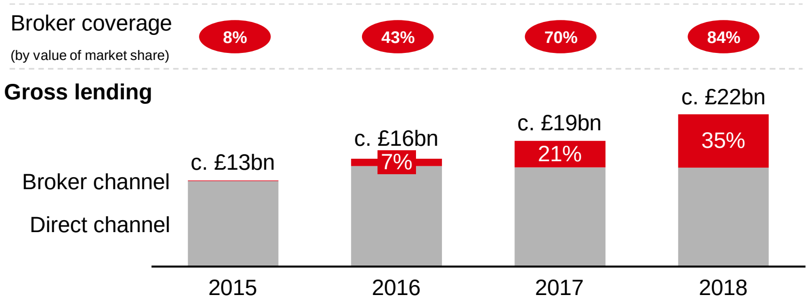
Less than 50%	£47.0bn
50% - < 60%	£15.4bn
60% - < 70%	£13.3bn
70% - < 80%	£11.4bn
80% - < 90%	£5.9bn
90% +	£1.2bn

90+ day delinquency trend, %

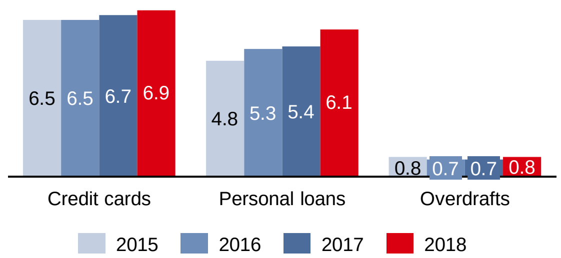


- c.28% of mortgage book is in Greater London
- Buy-to-let mortgages of £2.8bn
- Mortgages on a standard variable rate of £3.4bn
- Interest-only mortgages of £20bn[41]
- LTV ratios – 4Q18:
  - c50% of the book < 50% LTV
  - new originations average LTV of 65%;
  - average LTV of the total portfolio of 49%[42]

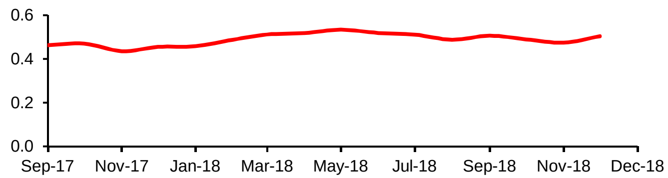
Expansion into the broker channel



RBWM unsecured lending[43], £bn



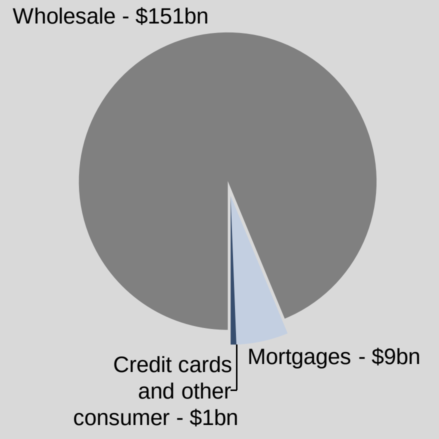
Credit cards: 90+ day delinquency trend, %

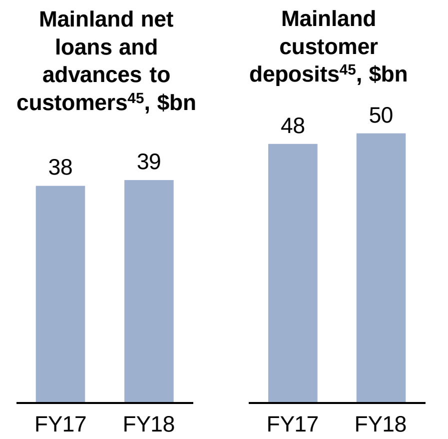


- 18% of outstanding credit card balances are on a 0% balance transfer offer
- HSBC does not provide a specific motor finance offering to consumers although standard personal loans may be used for this purpose

Mainland China drawn risk exposure[44]

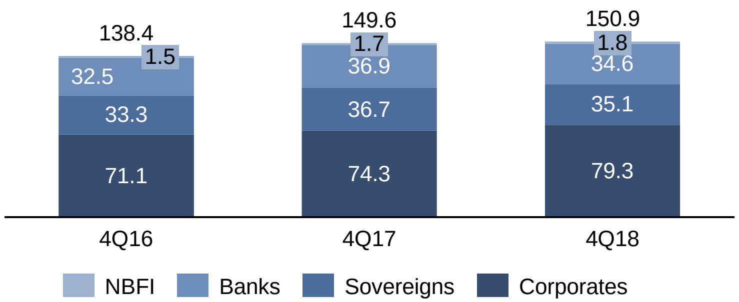
Total Mainland China drawn risk exposure of $161bn





- Total mainland China drawn risk exposure of $161bn
- Wholesale: $151bn (of which 51% is onshore); Retail: $10bn
- Gross loans and advances to customers of c.$39bn in mainland China (by country of booking, excluding Hong Kong and Taiwan)
- Stage 3 loan balances, days past due trends and losses remain low
- HSBC's onshore corporate lending market share is 0.14%; we are selective in our lending

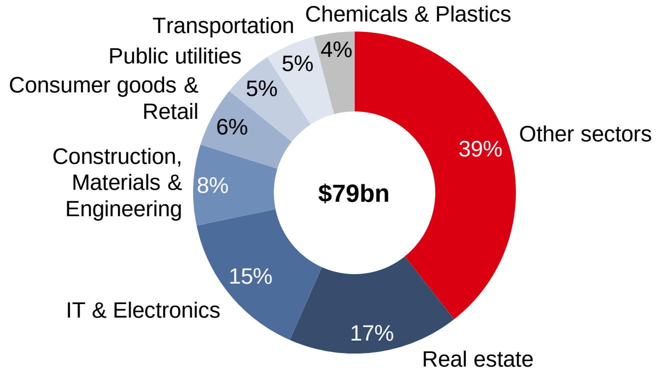
Wholesale analysis, bn



Wholesale lending by risk type:

CRRs	1-3	4-6	7-8	9+	Total
Sovereigns	35.1				35.1
Banks	34.3	0.3			34.6
NBFI	1.6	0.2			1.8
Corporates	51.5	27.3	0.2	0.3	79.3
Total	**122.5**	**27.9**	**0.2**	**0.3**	**150.9**

Corporate Lending by sector:



- c21% of lending is to Foreign Owned Enterprises, c35% of lending is to State Owned Enterprises, c43% to Private sector owned Enterprises
- Corporate real estate
  - 58% within CRR 1-3 (broadly equivalent to investment grade)
  - Highly selective, focusing on top tier developers with strong performance track records
  - Focused on Tier 1 and selected Tier 2 cities

Glossary

AIEA	Average interest earning assets
ASEAN	Association of Southeast Asian Nations
AUM	Assets under management
Bps	Basis points. One basis point is equal to one-hundredth of a percentage point
BSM	Balance Sheet Management
CET1	Common Equity Tier 1
Corporate Centre	In December 2016, certain functions were combined to create a Corporate Centre. These include Balance Sheet Management, legacy businesses and interests in associates and joint ventures. The Corporate Centre also includes the results of our financing operations, central support costs with associated recoveries and the UK bank levy
CMB	Commercial Banking, a global business
CML	Consumer and Mortgage Lending (US)
CRD IV	Capital Requirements Directive IV
CRR	Customer risk rating
CTA	Costs-to-Achieve: Transformation costs to deliver the cost reduction and productivity outcomes outlined in the Investor Update in June 2015
DCM	Debt Capital Markets
ECL	Expected credit losses and other credit impairment charges
ESG	Environmental, social and governance
FICC	Fixed Income, Currencies and Commodities
GB&M	Global Banking and Markets, a global business
GLCM	Global Liquidity and Cash Management
GPB	Global Private Banking, a global business
GTRF	Global Trade and Receivables Finance
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard

Jaws	The difference between the rate of growth of revenue and the rate of growth of costs. Positive jaws is where the revenue growth rate exceeds the cost growth rate. We calculate this on an adjusted basis
Legacy credit	A portfolio of assets comprising Solitaire Funding Limited, securities investment conduits, asset-backed securities trading portfolios, credit correlation portfolios and derivative transactions entered into directly with monoline insurers
LICs	Loan Impairment charges and other credit risk provisions
LTV	Loan to value
MENA	Middle East and North Africa
MREL	Minimum requirement for own funds and eligible liabilities
MTM	Mark-to-Market
NAV	Net Asset Value
NCI	Non-controlling interests
NRFB	Non ring-fenced bank
NII	Net interest income
NIM	Net interest margin
PBT	Profit before tax
POCI	Purchased or originated credit-impaired
PVIF	Present value of in-force insurance contracts
RBWM	Retail Banking and Wealth Management, a global business
HBUK (RFB)	Ring-fenced bank, established July 2018 as part of ring fenced bank legislation
RoE	Return on average ordinary shareholders' equity
RoTE	Return on average tangible equity
RWA	Risk-weighted asset
TNAV	Tangible net asset value

Footnotes

1. Commitment by 2025
2. HSBC completed the set up of its ring-fenced bank, HSBC UK Bank plc, on 1 July 2018; pro forma results are extracted from the HSBC UK Bank plc Annual Report and Accounts, used for 2017 and 1H18 to enable an understanding of year-on-year performance
3. Market share gains are as of 3Q18
4. HSBC North America Holdings (‘HNAH’) legal entity basis, excluding the adverse impact from the one time write down of deferred tax assets due to US Tax Reform. Including this adverse impact brings FY17 RoTE to -4.3%.
5. Top three rank or improvement by two ranks; measured by customer recommendation for RBWM and customer satisfaction for CMB amongst relevant competitors
   5a. Customer satisfaction metrics for Pearl River Delta will be available from 2019, therefore they have been excluded from the assessment. Surveys are based on a relevant and representative subset of the market. Data provided by Kantar
   5b. Customer satisfaction metrics for Pearl River Delta will be available from 2019 therefore they have been excluded from the assessment. In HK, Singapore, Malaysia, Mexico and UAE, 2017 CMB performance is based on the bank that the customer defines as their main bank, whereas 2018 CMB performance for these markets is based on the bank that the customer defines as the most important. Surveys are based on a relevant and representative subset of the market. Data provided by RFi Group, Kantar and another third party vendor.
6. Rating as measured by Sustainalytics (an external agency) against our peers and reported annually
7. FY17 jaws as reported in our FY17 Results
8. Uses average shares of 19,896m
9. Unless otherwise stated, risk-weighted assets and capital are calculated using (i) the CRD IV transitional arrangement as implemented in the UK by the Prudential Regulation Authority; and (ii) EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation. Figures at 31 December 2017 are reported under IAS 39
10. Leverage ratio is calculated using the CRD IV end-point basis for tier 1 capital
11. Excludes inter-regional eliminations
12. UK bank levy: 2Q17 included a charge of $17m, 4Q17 included a charge of $899m, 1Q18 includes a charge of $41m; 4Q18 includes a charge of $923m
13. Total includes POCI balances and related allowances
14. This includes profits attributable to preference shareholders and other equity holders
15. This includes dividends on ordinary shares, dividends on preference shares and coupons on capital securities, classified as equity
16. A targeted reported RoTE of 11% is broadly equivalent to a reported return on equity of 10%; assumes a Group CET1 ratio greater than 14%
17. Source: Hong Kong Insurance Authority Q3 2018 Statistics for Long Term Business. Annualised New Business Premium basis
18. For Wealth in Asia, distribution revenue includes GPB and the wealth portion of RBWM in Asia; manufacturing revenue includes insurance manufacturing and asset management in Asia
19. Source: Bank of England Mortgage data
20. Total US client revenue booked outside of the US (i.e. “outbound”) is up c.20% YoY across both GB&M and CMB
21. Source: Nilson Report 1138 (September 2018)
22. Both digital metrics include the following markets: the UK (excluding M&S and John Lewis Partnership customers), Hong Kong (excluding Hang Seng customers), Mexico, Malaysia, Singapore, UAE, China, Canada, Australia, the US, France, India, Indonesia, Turkey, Egypt, Argentina, and Taiwan. Digital sales also include M&S customers in the UK. Digitally active customers are defined as % of customers who have logged on to HSBC digital channels at least once in the last 90 days. % of sales include the sales of loans and deposits through digital channels.
23. Applies to relationship-managed clients; excludes Business Banking clients
24. This represents 43% of total transactions across the Group

Footnotes

25. 3Q18 as reported at 3Q18 Results; 2Q18 as reported at 2Q18 Results; 1Q18 as reported at 1Q18 Results; 4Q17 as reported at 4Q17 Results; 3Q17 as reported at 3Q17 Results; 2Q17 as reported at 2Q17 Results; 1Q17 as reported at 1Q17 Results
26. Where a quarterly trend is presented on the Income Statement, all comparatives are re-translated at average 4Q18 exchange rates
27. Where a quarterly trend is presented on the Balance sheet and Funds under management, all comparatives are re-translated at 31 Dec 2018 exchange rates
28. RoTE excluding significant items and UK bank levy
29. RWAs consist of current tax, deferred tax and operational risk
30. Source: Form 20-F; Average balances on a reported basis
31. Source: Bloomberg
32. Revenue/RWAs is calculated using annualised revenues and reported average risk-weighted assets
33. BSM profits and equity are allocated from the Corporate Centre to the Global Businesses
34. Tangible Equity is allocated to global businesses at a legal entity level, using RWAs, or a more suitable local approach, where appropriate
35. Includes associates, mainly BoCom and Saudi British Bank, as well as the equity relating to the US run-off and legacy credit portfolios
36. Includes dividends relating to preference shareholders and other equity holders. Ordinary dividend movements are with respect to the 3Q18 interim dividend (QTD movement), and 4Q17, 1Q18, 2Q18 and 3Q18 interim dividends (YTD movement).
37. Balances presented by quarter are on a constant currency basis. Reported equivalents for 'Loans and advances to customers' are as follows: 1Q17: $876bn, 2Q17: $920bn, 3Q17: $945bn, 4Q17: $963bn, 1Q18: $981bn, 2Q18: $973bn, 3Q18: $981.5bn, 4Q18: $982bn. Reported equivalents for 'Customer Accounts' are as follows: 1Q17: $1,273bn, 2Q17: $1,312bn, 3Q17: $1,337bn, 4Q17: $1,364bn, 1Q18: $1,380bn, 2Q18: $1,356bn; 3Q18: $1,345bn, 4Q18: $1,363bn
38. Red-inked balances relate to corporate customers in the UK, who settle their overdraft and deposit balances on a net basis. CMB red-inked balances 1Q17: $5bn, 2Q17: $5bn, 3Q17: $6bn, 4Q17: $5bn,1Q18: $6bn, 2Q18: $5bn, 3Q18: $5bn, 4Q18: $5bn; GB&M red-inked balances: 1Q17: $13bn, 2Q17: $15bn, 3Q17: $18bn, 4Q17: $19bn, 1Q18: $18bn, 2Q18: $19bn; 3Q18 $18bn, 4Q18: $16bn
39. Where the country of booking is the UK. This includes HSBC UK Bank plc (RFB) and also the UK geographic portion of HSBC Bank plc (NRFB)
40. Includes Channel Islands and Isle of Man. Includes first direct balances
41. Includes offset mortgages in first direct, endowment mortgages and other products
42. In 2018, the UK has moved from a simple average approach to a balance weighted average method in calculating the LTV ratio. This aligns the methodology to Hong Kong
43. Includes first direct, M&S and John Lewis Financial Services. Excludes Channel Islands and Isle of Man
44. Mainland China drawn risk exposure. Retail drawn exposures represent retail lending booked in mainland China; wholesale lending where the ultimate parent and beneficial owner is Chinese
45. On a constant currency basis

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Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts for the fiscal year ended 31 December 2017 filed with the Securities and Exchange Commission (the "SEC") on Form 20 F on 19 February 2018 (the "2017 Form 20-F), in our Interim Report for the six months ended 30 June 2018 furnished to the SEC on Form 6-K on 6 August 2018 (the "2018 Interim Report"), as well as in our Annual Report and Accounts for the fiscal year ended 31 December 2018 which we expect to file with the SEC on Form 20-F on 19 February 2019.

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 2017 Form 20-F, our 1Q 2018 Earnings Release furnished to the SEC on Form 6-K on 4 May 2018, the 2018 Interim Report, our 3Q 2018 Earnings Release furnished to the SEC on Form 6- K on 29 October 2018 and the corresponding Reconciliations of Non-GAAP Financial Measures document, each of which are available at www.hsbc.com.

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