

HSBC HOLDINGS PLC  
Form 6-K  
May 03, 2016

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of  
the Securities Exchange Act of 1934

For the month of May

HSBC Holdings plc

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

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

Form 20-F  Form 40-F

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

Yes.....  No

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

3 May 2016

HSBC Holdings plc - Earnings Release

HSBC Holdings plc ('HSBC') will be conducting a trading update conference call with analysts and investors today to coincide with the publication of its Earnings Release. The call will take place at 08.15am BST. Details of how to participate in the call and the live audio webcast can be found at [www.hsbc.com/investor-relations](http://www.hsbc.com/investor-relations).

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## Terms and Abbreviations

|                  |   |
|------------------|---|
| 1Q16             | First quarter of 2016   |
| 1Q15             | First quarter of 2015   |
| 4Q15             | Fourth quarter of 2015  |
| BoCom            | Bank of Communications Co., Limited, one of China's largest banks   |
| CET1             | Common equity tier 1  |
| CMB              | Commercial Banking, a global business   |
| CML              | Consumer and Mortgage Lending (US)  |
| Costs-to-achieve | Transformation costs to deliver the cost reduction and productivity outcomes outlined in the Investor Update of June 2015 |
| CRD IV           | Capital Requirements Directive IV   |
| CRS              | Card and Retail Services  |
| DVA              | Debit valuation adjustment  |
| EBA              | European Banking Authority  |
| FCA              | Financial Conduct Authority (UK)  |
| FTEs             | Full-time equivalent staff  |
| FX               | Foreign Exchange  |
| GB&M             | Global Banking and Markets, a global business   |
| GPB              | Global Private Banking, a global business   |

|                   |  |
|-------------------|--|
| IFRSs             | International Financial Reporting Standards  |
| Industrial Bank   | Industrial Bank Co. Limited, a national joint-stock bank in mainland China in which Hang Seng Bank Limited has a shareholding  |
| IRB               | Internal ratings-based   |
| Jaws              | The difference between the rate of growth of revenue and the rate of growth of costs   |
| Legacy Credit     | A portfolio of assets comprising Solitaire Funding Limited, securities investment conduits, asset-backed securities trading and credit correlation portfolios and derivative transactions entered into directly with monoline insurers |
| LICs              | Loan impairment charges and other credit risk provisions   |
| MENA              | Middle East and North Africa   |
| NCOA              | Non-credit obligation assets   |
| Own credit spread | Fair value movements on our long-term debt designated at fair value resulting from changes in credit spread  |
| PBT               | Profit before tax  |
| PRA               | Prudential Regulation Authority (UK)   |
| Principal RBWM    | RBWM excluding the effects of the US run-off portfolio   |
| Revenue           | Net operating income before LICs   |
| RBWM              | Retail Banking and Wealth Management, a global business  |
| RoRWA             | Pre-tax Return on RWAs is calculated using an average of RWAs at quarter-ends  |
| RWAs              | Risk-weighted assets   |
| SME               | Small and medium-sized enterprise  |
| STD               | Standardised approach  |
| \$m/\$bn          | United States dollar millions/billions   |
| VaR               | Value at risk  |

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 \$2,596bn at 31 March 2016, HSBC is one of the world's largest banking and financial services organisations.

Highlights

1Q16 compared with 1Q15

- Reported PBT of \$6,106m in 1Q16, down by \$953m or 14%, a resilient performance despite challenging market conditions.
- Adjusted PBT of \$5,434m in 1Q16, down by \$1,162m or 18%.
- Adjusted revenue of \$13,914m, down by \$543m or 4% in challenging market conditions. This was mainly in GB&M (FX, Equities and Credit) and RBWM (life insurance manufacturing), partly offset by continued momentum in CMB.
- Adjusted LICs of \$1,161m, up by \$692m from higher specific charges across a number of countries.
- Adjusted operating expenses down \$76m or 1% at \$7,874m. Excluding the UK bank levy, operating expenses were broadly unchanged reflecting tight cost control and the continued impact of cost saving plans.

1Q16 compared with 4Q15

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- Reported PBT up by \$6,964m and adjusted PBT up by \$3,577m. Operating expenses excluding the bank levy down by \$236m and significantly lower LICs, down by \$450m.

### Dividends and capital

- Earnings per share in respect of 1Q16 were \$0.20 compared with \$0.26 for the equivalent period in 2015.
- Dividends per ordinary share in respect of 1Q16 were \$0.10 compared with \$0.10 for the equivalent period in 2015.
- CET1 ratio remained strong at 11.9%.
- Leverage ratio remained strong at 5.0%.
- Issued TLAC securities of \$10.5bn, the largest fund-raising by a bank since 2008.

|   | Quarter ended 31 March |             |             |
|---|------------------------|-------------|-------------|
|   | 2016<br>\$m            | 2015<br>\$m | Change<br>% |
| Financial highlights and key ratios                             |                        |             |             |
| Reported PBT  | 6,106                  | 7,059       | (14)        |
| Adjusted PBT  | 5,434                  | 6,596       | (18)        |
| Return on average ordinary shareholders' equity<br>(annualised) | 9.0%                   | 11.5%       |             |
| Adjusted jaws   | (2.8)%                 |             |             |

|   | At                  |                     |
|---|---------------------|---------------------|
|   | 31 Mar<br>2016<br>% | 31 Dec<br>2015<br>% |
| Capital and balance sheet               |                     |                     |
| Common equity tier 1 ratio <sup>1</sup> | 11.9                | 11.9                |
| Leverage ratio                          | 5.0                 | 5.0                 |
|   | \$m                 | \$m                 |
| Loans and advances to customers         | 920,139             | 924,454             |
| Customer accounts                       | 1,315,058           | 1,289,586           |
| Risk-weighted assets                    | 1,115,172           | 1,102,995           |

1 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.

Group Chief Executive Stuart Gulliver commented:

### Business performance

Our first quarter performance was resilient in tough market conditions that affected the entire banking sector. Profits were down against a very strong first quarter of 2015, but we increased market share in many of the product areas that are critical to our strategy.

Market uncertainty led to extreme levels of volatility in January and February, which affected our ability to generate revenue in our Markets and Wealth Management businesses. However, our diversified, universal-banking business model helped to cushion the impact through growth in other parts of the bank. Commercial Banking continued its momentum in spite of the slow-down in global trade, and we increased market share across our strategic trade corridors. We also grew revenue elsewhere in Retail Banking and Wealth Management, particularly from current and savings accounts in Hong Kong and the UK, and personal lending in Asia and Mexico.

A combination of tight cost management and the increasing impact of our cost-saving programmes reduced operating expenses relative to the fourth quarter of 2015.

Credit quality remains robust. As anticipated at our Annual Results in February, there were additional loan impairment charges in the quarter related to the oil and gas, and metals and mining sectors.

#### Strategy execution

Our targeted initiatives removed another \$15bn of risk-weighted assets in the first quarter. Risk-weighted assets increased overall due to an increase in corporate lending. Higher market volatility and some corporate credit downgrades also increased risk-weighted assets. We remain on track to hit our risk-weighted asset reduction target. All of our cost-reduction programmes are now under way and we have a good grip on operating expenses. We are confident of hitting our cost target by the end of 2017.

The technical body of the Brazilian Competition Agency has now recommended to its Board that the sale of our Brazil business be approved. We await a final decision from the Competition Agency. This is the final regulatory approval required prior to the completion of the transaction.

Our Asia businesses continue to gain momentum. We made important market share gains in debt capital markets, China M&A and syndicated lending in the first quarter, and had strong business wins on the back of our investment in Asia. We also extended our leadership in services related to renminbi internationalisation.

We maintain sharp focus on implementing the strategic actions from our Investor Update last June.

#### Adjusted performance

Adjusted performance 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 excluded from adjusted performance because management and investors would ordinarily identify and consider them separately in order to better understand the underlying trends in a business.

These items, which are detailed in the reconciliation of reported and adjusted profit before tax tables on page 7 and within the appendix, include:

- fines, penalties, customer redress and associated provisions, together with settlements and provisions relating to legal matters when their size or historical nature mean they warrant separate consideration;
- costs incurred to achieve the productivity and cost reduction targets outlined in the Investor Update of June 2015; and
- credit spread movements on our long-term debt designated at fair value.

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

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

- the income statements for prior periods at the average rates of exchange for 1Q16; and
- the closing prior period balance sheets at the prevailing rates of exchange on 31 March 2016.

No adjustment has been made to the exchange rates used to translate foreign currency denominated assets and liabilities into the functional currencies of any HSBC branches, subsidiaries, joint ventures or associates.

When reference is made to foreign currency translation differences in tables or commentaries, comparative data reported in the functional currencies of HSBC's operations have been translated at the appropriate exchange rates applied in the current period on the basis described above.

Reconciliation of reported to adjusted PBT

Quarter ended

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|   | 31 March |         |
|---|----------|---------|
|   | 2016     | 2015    |
|   | \$m      | \$m     |
| Revenue   |          |         |
| Reported  | 14,976   | 15,892  |
| Currency translation  |          | (949)   |
| Significant items   | (1,062)  | (486)   |
| - disposal costs of Brazilian operations  | 14       | -       |
| - DVA on derivative contracts   | (158)    | (98)    |
| - fair value movements on non-qualifying hedges   | 233      | 285     |
| - gain on the partial sale of shareholding in Industrial Bank                                   | -        | (363)   |
| - own credit spread   | (1,151)  | (298)   |
| - releases arising from the ongoing review of compliance with the Consumer Credit Act in the UK | -        | (12)    |
| Adjusted  | 13,914   | 14,457  |
| LICs  |          |         |
| Reported  | (1,161)  | (570)   |
| Currency translation  |          | 101     |
| Adjusted  | (1,161)  | (469)   |
| Operating expenses  |          |         |
| Reported  | (8,264)  | (8,845) |
| Currency translation  |          | 576     |
| Significant items   | 390      | 319     |
| - costs-to-achieve1   | 341      | -       |
| - costs to establish UK ring-fenced bank2   | 31       | -       |
| - disposal costs of Brazilian operations  | 17       | -       |
| - regulatory provisions in GPB  | 1        | 139     |
| - restructuring and other related costs   | -        | 43      |
| - UK customer redress programmes  | -        | 137     |
| Adjusted  | (7,874)  | (7,950) |
| Share of profit in associates and joint ventures  |          |         |
| Reported  | 555      | 582     |
| Currency translation  |          | (24)    |
| Adjusted  | 555      | 558     |
| Profit before tax   |          |         |
| Reported  | 6,106    | 7,059   |
| Currency translation  |          | (296)   |
| Significant items   | (672)    | (167)   |
| - revenue   | (1,062)  | (486)   |
| - operating expenses  | 390      | 319     |
| Adjusted  | 5,434    | 6,596   |

- 1 Transformation costs to deliver the cost reduction and productivity outcomes outlined in the Investor Update of June 2015.
- 2 From 1 July 2015, costs to establish the UK ring-fenced bank have been classified as a significant item.

## Adjusted PBT by global businesses and geographical regions

|                                      | Quarter ended |       |
|--------------------------------------|---------------|-------|
|                                      | 31 March      |       |
|                                      | 2016          | 2015  |
|                                      | \$m           | \$m   |
| By global business                   |               |       |
| Retail Banking and Wealth Management | 1,359         | 1,844 |
| Commercial Banking                   | 2,076         | 2,232 |
| Global Banking and Markets           | 2,000         | 2,787 |
| Global Private Banking               | 112           | 181   |
| Other                                | (113)         | (448) |
|                                      | 5,434         | 6,596 |
| By geographical region               |               |       |
| Europe                               | 1,033         | 1,690 |
| Asia                                 | 3,464         | 3,838 |
| Middle East and North Africa         | 513           | 450   |
| North America                        | 361           | 454   |
| Latin America                        | 63            | 164   |
|                                      | 5,434         | 6,596 |

The tables on pages 30 to 35 reconcile reported to adjusted results for each of our geographical regions and global businesses.

## Financial performance commentary

## 1Q16 compared with 1Q15 - Reported results

Reported PBT of \$6.1bn in 1Q16 was \$1.0bn or 14% lower than in 1Q15. This was despite favourable fair value movements on our own debt designated at fair value, which more than offset the adverse effect of foreign currency movements.

Excluding the effects of significant items and currency translation, profit before tax was down by \$1.2bn or 18% from 1Q15. We describe the drivers of our adjusted performance below.

Reported revenue of \$15.0bn in 1Q16 was \$0.9bn or 6% lower than in 1Q15 as the overall favourable movement in significant items of \$0.6bn was more than offset by the adverse effect of currency translation between the periods of \$0.9bn. Significant items included:

- higher favourable fair value movements on our own debt designated at fair value from changes in credit spreads of \$1.2bn in 1Q16, compared with \$0.3bn in 1Q15; partly offset by
- a \$0.4bn gain on the partial sale of our shareholding in Industrial Bank Co. Ltd in 1Q15.

Reported LICs of \$1.2bn were \$0.6bn higher than in 1Q15, reflecting increases across GB&M, CMB and RBWM, partly offset by the favourable effect of currency translation between the periods.

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Reported operating expenses of \$8.3bn were \$0.6bn or 7% lower than in 1Q15. This reduction in reported expenses was largely driven by the favourable effects of currency translation of \$0.6bn between the periods. Significant items increased by \$0.1bn and included one-off transformation costs to deliver cost reductions and productivity outcomes ('costs-to-achieve') of \$0.3bn in 1Q16.

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

### 1Q16 compared with 1Q15 - Adjusted results

On an adjusted basis, PBT of \$5.4bn was \$1.2bn or 18% lower than in 1Q15. This was primarily driven by lower revenue and higher LICs, whilst our operating expenses were broadly unchanged.

#### Movement in adjusted revenue compared with 1Q15 \$m

|                            | 1Q16   | 1Q15   | Var   | %      |
|----------------------------|--------|--------|-------|--------|
| Principal RBWM             | 5,071  | 5,341  | (270) | (5)    |
| RBWM run-off portfolio     | 237    | 302    | (65)  | (20)   |
| CMB                        | 3,623  | 3,556  | 67    | 2      |
| Client facing GB&M and BSM | 4,354  | 4,812  | (458) | (10)   |
| Legacy credit              | (39)   | 71     | (110) | (>100) |
| GPB                        | 487    | 574    | (87)  | (15)   |
| Other <sup>1</sup>         | 180    | (199)  | 379   | >100   |
|                            |        |        | -     |        |
| Total                      | 13,914 | 14,457 | (543) | (4)    |

1 Other includes Intersegment

Adjusted revenue of \$13.9bn was \$0.5bn or 4% lower, notably:

- in GB&M, total revenue was \$0.6bn or 12% lower than in 1Q15, driven partly by a decrease in our client facing business (down \$0.3bn or 7%). This was driven by Markets, notably in FX, Equities and Credit, due to market volatility which led to reduced client activity, particularly in the first two months of the year, with a partial recovery in March. Revenue increased in Rates due to favourable movements on credit spreads within structured liabilities. In addition, there was a \$0.2bn fall in revenue in Balance Sheet Management, in part due to lower gains on disposal of available-for-sale debt securities. In Legacy Credit, revenue was \$0.1bn lower, due to higher revaluation losses in 1Q16;
- in RBWM, revenue decreased by \$0.3bn or 6%, mainly in our Principal RBWM business, driven by lower revenue in life insurance manufacturing in both Europe and Asia due to adverse market updates as a result of stock market movements, and lower investment distribution revenue in Asia due to lower equity turnover. By contrast, current account and savings revenue increased reflecting growth in customer deposits in Hong Kong and the UK. In addition, there was growth in personal lending revenue, notably in Latin America and Asia, from increased balances, partly offset by spread compression. In our US run-off portfolio, revenue decreased by \$0.1bn reflecting lower average lending balances and the impact of portfolio sales; and
- in GPB, revenue fell by \$0.1bn or 15% driven by lower brokerage and trading activity in both Europe and Asia reflecting adverse market sentiment in unfavourable market conditions. However, in 1Q16 we continued to grow the parts of the business that fit our desired model, attracting net new money of \$4bn, notably in the UK, partly offset by net outflows in Hong Kong.

These factors were partially offset:

- in CMB, where revenue rose by \$0.1bn or 2% driven by higher average balances in Payments and Cash Management, notably in Hong Kong and the UK, and in Credit and Lending, primarily in the UK from continued loan growth. This was partly offset by lower revenue in Global Trade and Receivables Finance, notably in Asia, reflecting lower commodity prices and reduced demand; and



- in Other (as described on page 24) where revenue grew by \$0.4bn, primarily reflecting the fair value measurement and presentation of long-term debt issued by HSBC Holdings and related hedging instruments. This included higher favourable fair value movements relating to the economic hedging of interest and exchange rate risk on our long-term debt by long-term derivatives. In addition, there were lower adverse movements arising from intra-group adjustments in Other which were fully or partly offset within the global businesses.

LIC's trend 1Q15 to 1Q16 \$m

Click on the attached PDF to view chart

[http://www.rns-pdf.londonstockexchange.com/rns/9446W\\_2-2016-5-2.pdf](http://www.rns-pdf.londonstockexchange.com/rns/9446W_2-2016-5-2.pdf)

Personal    Wholesale    Other credit risk provisions

Adjusted LICs of \$1.2bn were \$0.7bn higher, reflecting increases in our GB&M, CMB and RBWM businesses:

- in GB&M (up \$0.3bn), we incurred individually assessed charges, notably in the oil and gas, and metals and mining sectors in 1Q16, compared with net releases in 1Q15. In addition, 1Q16 included impairments on available-for-sale debt securities, compared with a net release in 1Q15;
- in CMB (up \$0.2bn), our individually assessed charges increased in a small number of countries, notably in Brazil where economic conditions have deteriorated, as well as in Canada and Spain, mainly in the energy sector. In addition, there was an increase in collectively assessed charges in the UK; and
- in RBWM (up \$0.2bn), notably in Brazil and the UAE, due to a rise in delinquency rates following the deterioration of economic conditions. This also included an adjustment of \$0.1bn in our US run-off portfolio.

Operating expenses trend 1Q15 to 1Q16 \$m

Click on the attached PDF to view chart

[http://www.rns-pdf.londonstockexchange.com/rns/9446W\\_2-2016-5-2.pdf](http://www.rns-pdf.londonstockexchange.com/rns/9446W_2-2016-5-2.pdf)

Operating    Bank levy  
expenses  
trend

Adjusted operating expenses of \$7.9bn were \$0.1bn lower than in 1Q15. This reflected an increased credit relating to the prior year bank levy charge. Excluding this, costs were broadly unchanged.

Run-the-bank costs of \$7.2bn were broadly unchanged compared with 1Q15, despite inflationary pressures and continued investment for growth, notably in our branch network in Asia. This reflected lower performance-related costs in GB&M in Asia, Europe and the US, as well as the effect of our cost saving initiatives. These included simplified organisation structure and process optimisation within our lending, on-boarding and servicing platforms in CMB, and savings from our branch optimisation programme in RBWM.

Change-the-bank costs in 1Q16 were \$0.8bn, broadly in line with 1Q15.

Included within the above, our total expenditure on regulatory programmes and compliance, comprising both run-the-bank and change-the-bank elements, was \$0.7bn, up by \$0.1bn or 19% from 1Q15. This reflected the continued implementation of our Global Standards programme to enhance our financial crime risk controls and capabilities, and meet our external commitments.

Excluding investment in regulatory programmes and compliance, and the UK bank levy credit, adjusted operating expenses declined by 2% compared with 1Q15.

The number of employees expressed in FTEs at 31 March 2016 was 254,212, a decrease of 991 from 31 December 2015. This was driven by reductions across global businesses and global functions, offset by investment in compliance of 536 FTEs and costs-to-achieve FTEs of 1,357.

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Adjusted income from associates of \$0.6bn was broadly unchanged.

The effective tax rate for 1Q16 of 25.7% was higher than the 19.4% in 1Q15, principally due to the 8% surcharge on UK banking profits.

The Board announces a first interim dividend for 2016 of \$0.10 per ordinary share, further details of which are set out at the end of this release.

### 1Q16 compared with 4Q15 - Reported results

Reported PBT of \$6.1bn was \$7.0bn higher than in 4Q15. This was mainly due to a net favourable movement in significant items. This reflected:

- favourable fair value movements on our own debt designated at fair value of \$1.2bn compared with adverse movements of \$0.8bn in 4Q15; and
- lower costs to achieve, fines, settlements and UK customer redress (together lower by \$1.1bn).

In addition in 4Q15, we recognised a UK bank levy charge of \$1.5bn compared with a credit of \$106m in 1Q16 relating to the previous year's charge.

### 1Q16 compared with 4Q15 - Adjusted results

On an adjusted basis, PBT of \$5.4bn was \$3.6bn higher than in 4Q15, reflecting higher revenue and lower operating expenses and LICs.

Adjusted revenue of \$13.9bn increased by \$1.3bn or 10%, mainly due to higher revenue in GB&M of \$0.8bn and Other of \$0.4bn, partly offset by a decrease in RBWM of \$0.3bn:

- despite the market volatility which led to reduced client activity particularly in the first two months of the year, revenue in GB&M increased. In Markets, revenue rose by \$0.7bn, notably in Equities, Rates and Foreign Exchange, in part reflecting better client flows, notably from an improvement in the challenging market conditions seen in 4Q15;
- in Other, revenue rose, notably from favourable fair value movements of \$248m relating to the hedging of our long-term debt, compared with adverse movements of \$129m in 4Q15; however
- in RBWM, revenue fell. In Principal RBWM, revenue fell by \$0.3bn, notably driven by lower revenue in life insurance manufacturing in both Europe and Asia due to adverse market updates as a result of stock market movements. This was partly offset by an increase in current account and savings revenue, reflecting increased customer deposits in Hong Kong and the UK. In our US run-off portfolio, revenue fell by \$0.1bn as we continued to reduce the size of the balances in our US CML portfolio.

Adjusted LICs of \$1.2bn were \$0.5bn or 28% lower. The fall was mainly in CMB (down \$0.6bn) as 4Q15 included an increase in specific LICs in a small number of countries, largely reflecting local factors and collective LICs related to oil and gas.

Adjusted operating expenses of \$7.9bn were \$1.8bn lower, primarily due to the UK bank levy charge of \$1.5bn recorded in 4Q15. Excluding this charge adjusted operating expenses declined by \$0.2bn or 3%, partly reflecting the impact of our cost saving programmes.

### Balance sheet commentary compared with 31 December 2015

Total assets grew by \$186.0bn driven by increases in derivative and trading assets. Total customer lending fell by \$4.3bn, including the transfer of balances to 'Assets held for sale' in North America. Lending also fell in Asia from weakening demand in trade finance products. By contrast lending continued to rise in the UK in our CMB and GB&M businesses.

Customer accounts grew in RBWM and in our Payments and Cash Management business in GB&M.

Reported loans and advances to customers decreased by \$4.3bn during 1Q16 and included the following items:

- favourable currency translation movements of \$1.3bn; and
- a \$3.0bn increase in corporate overdraft balances in Europe that did not meet the criteria for netting, with a corresponding rise in customer accounts.

Excluding these factors, customer lending fell by \$8.6bn partly reflecting our strategic focus on reducing legacy portfolios. In North America this included a \$4.9bn transfer to 'Assets held for sale' of US first lien mortgage balances in RBWM, together with a transfer of commercial loans in GB&M of \$1.1bn. Balances also decreased in Asia by \$10.5bn, largely driven by trade lending in CMB, reflecting the effect of commodity prices and weakening demand. Lending in GB&M also fell reflecting weaker demand and repayments.

By contrast, lending balances grew in Europe by \$7.0bn from increased term lending in CMB and in GB&M, in Capital Financing. In addition, residential mortgage balances also increased mainly in the UK.

Reported customer accounts increased by \$25.5bn during 1Q16 and included the following items:

- adverse currency translation of \$0.2bn; and
- a \$3.0bn increase in corporate current account balances, in line with the increase in corporate overdrafts.

Excluding these factors, customer accounts grew by \$22.3bn with increases in Europe and Asia. Both regions recorded growth in GB&M, reflecting higher Payments and Cash Management balances, and in RBWM, primarily in Hong Kong and the UK.

Other significant balance sheet movements in the quarter included an increase in derivative assets and liabilities, notably in Europe, reflecting shifts in major yield curves. Trading assets and liabilities also increased, driven by higher settlement accounts with the former also affected by an increase in holdings of debt securities and a fall in the holdings of equity securities.

#### Net interest margin

Net interest margin decreased since 1Q15 and fell marginally since 4Q15. This was primarily due to the adverse effects of currency translation. Excluding this, net interest margin was broadly unchanged. Gross yields on customer lending remained under pressure, notably in mortgages and term lending in the UK, as well as from the continued run-off and sales in the US CML portfolio. However, the effects of this were largely offset by: a reduction in the cost of customer accounts in Asia, primarily from a portfolio shift towards current accounts from higher-cost savings accounts; and lower central bank rates in mainland China, Australia and India. In Latin America, we benefited from the effects of central bank rate rises

#### Notes

- Income statement comparisons, unless stated otherwise, are between the quarter ended 31 March 2015 and the quarter ended 31 March 2016. Balance sheet comparisons, unless otherwise stated, are between balances at 31 March 2016 and the corresponding balances at 31 December 2015.
- The financial information on which this Earnings Release is based, and the data set out in the appendix to this statement, are unaudited and have been prepared in accordance with HSBC's significant accounting policies as described on pages 347 to 358 of the Annual Report and Accounts 2015
- The Board has adopted a policy of paying quarterly interim dividends on the ordinary shares. Under this policy, it is intended to have a pattern of three equal interim dividends with a variable fourth interim dividend. Dividends are declared in US dollars and, at the election of the shareholder, paid in cash in one of, or in a combination of, US dollars, sterling and Hong Kong dollars or, subject to the Board's determination that a scrip dividend is to be offered in respect of that dividend, may be satisfied in whole or in part by the issue of new shares in lieu of a cash

dividend. Details of the first interim dividend for 2016 and the series A dollar preference share dividend are set out at the end of this release.

#### Cautionary statement regarding forward-looking statements

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

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

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

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These include, but are not limited to:

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

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operational, legal and regulatory, and litigation challenges, notably compliance with the Deferred Prosecution Agreement with US authorities.

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Summary consolidated income statement

|  | Quarter ended         |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | 30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
| Net interest income  | 7,913                 | 8,059                 | 8,028                 | 8,170                 | 8,274                 |
| Net fee income   | 3,197                 | 3,471                 | 3,509                 | 4,041                 | 3,684                 |
| Net trading income   | 2,836                 | 1,408                 | 2,742                 | 1,990                 | 2,583                 |
| Changes in fair value of long-term debt<br>issued  |                       |                       |                       |                       | 290                   |
| and related derivatives  | 690                   | (1,084)               | 623                   | 1,034                 |                       |
| Net income/(expense) from other financial<br>instruments designated at fair value          | 5                     | 834                   | (1,507)               | 36                    | 1,306                 |
| Net income/(expense) from financial<br>instruments designated at fair value                | 695                   | (250)                 | (884)                 | 1,070                 | 1,596                 |
| Gains less losses from financial<br>investments  | 192                   | 20                    | 174                   | 1,227                 | 647                   |
| Dividend income  | 28                    | 27                    | 28                    | 51                    | 17                    |
| Net earned insurance premiums  | 2,915                 | 2,255                 | 2,493                 | 2,628                 | 2,979                 |
| Other operating income/(expense)   | 172                   | (52)                  | 271                   | 498                   | 338                   |
| Total operating income   | 17,948                | 14,938                | 16,361                | 19,675                | 20,118                |
| Net insurance claims and benefits paid and<br>movement in liabilities to policyholders     | (2,972)               | (3,166)               | (1,276)               | (2,624)               | (4,226)               |
| Net operating income before loan<br>impairment charges<br>and other credit risk provisions | 14,976                | 11,772                | 15,085                | 17,051                | 15,892                |
| Loan impairment charges and other credit<br>risk provisions                                | (1,161)               | (1,644)               | (638)                 | (869)                 | (570)                 |
| Net operating income   | 13,815                | 10,128                | 14,447                | 16,182                | 15,322                |
| Total operating expenses   | (8,264)               | (11,542)              | (9,039)               | (10,342)              | (8,845)               |

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|  |         |         |       |         |         |
|--|---------|---------|-------|---------|---------|
| Operating profit/(loss)  | 5,551   | (1,414) | 5,408 | 5,840   | 6,477   |
| Share of profit in associates and joint ventures                 | 555     | 556     | 689   | 729     | 582     |
| Profit/(loss) before tax   | 6,106   | (858)   | 6,097 | 6,569   | 7,059   |
| Tax expense  | (1,571) | (230)   | (634) | (1,540) | (1,367) |
| Profit/(loss) after tax  | 4,535   | (1,088) | 5,463 | 5,029   | 5,692   |
| Profit/(loss) attributable to shareholders of the parent company | 4,301   | (1,325) | 5,229 | 4,359   | 5,259   |
| Profit attributable to non-controlling interests                 | 234     | 237     | 234   | 670     | 433     |
|  | \$      |         | \$    | \$      | \$      |
| Basic earnings per ordinary share                                | 0.20    | (0.07)  | 0.25  | 0.22    | 0.26    |
| Diluted earnings per ordinary share                              | 0.20    | (0.07)  | 0.25  | 0.22    | 0.26    |
| Dividend per ordinary share (in respect of the period)           | 0.10    | 0.21    | 0.10  | 0.10    | 0.10    |
|  | %       | %       | %     | %       | %       |
| Return on average ordinary shareholders' equity (annualised)     | 9.0     | (4.0)   | 10.9  | 9.7     | 11.5    |
| Pre-tax return on average risk-weighted assets (annualised)      | 2.2     | (0.3)   | 2.1   | 2.2     | 2.4     |
| Cost efficiency ratio  | 55.2    | 98.0    | 59.9  | 60.7    | 55.7    |

Summary consolidated balance sheet

|   | At          |             |
|---|-------------|-------------|
|   | 31 Mar 2016 | 31 Dec 2015 |
|   | \$m         | \$m         |
| <b>ASSETS</b>                               |             |             |
| Cash and balances at central banks          | 126,265     | 98,934      |
| Trading assets                              | 268,941     | 224,837     |
| Financial assets designated at fair value   | 23,957      | 23,852      |
| Derivatives                                 | 342,681     | 288,476     |
| Loans and advances to banks                 | 97,991      | 90,401      |
| Loans and advances to customers             | 920,139     | 924,454     |
| Reverse repurchase agreements - non-trading | 170,966     | 146,255     |
| Financial investments                       | 444,297     | 428,955     |
| Assets held for sale                        | 54,260      | 43,900      |
| Other assets                                | 146,169     | 139,592     |

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|   |                  |                  |
|---|------------------|------------------|
| Total assets  | 2,595,666        | 2,409,656        |
| <b>LIABILITIES AND EQUITY</b>                       |                  |                  |
| <b>Liabilities</b>                                  |                  |                  |
| Deposits by banks                                   | 68,760           | 54,371           |
| Customer accounts                                   | 1,315,058        | 1,289,586        |
| Repurchase agreements - non-trading                 | 93,934           | 80,400           |
| Trading liabilities                                 | 184,865          | 141,614          |
| Financial liabilities designated at fair value      | 73,433           | 66,408           |
| Derivatives   | 338,433          | 281,071          |
| Debt securities in issue                            | 99,093           | 88,949           |
| Liabilities under insurance contracts               | 72,694           | 69,938           |
| Liabilities of disposal groups held for sale        | 40,179           | 36,840           |
| Other liabilities                                   | 108,850          | 102,961          |
| <b>Total liabilities</b>                            | <b>2,395,299</b> | <b>2,212,138</b> |
| <b>Equity</b>                                       |                  |                  |
| Total shareholders' equity                          | 191,568          | 188,460          |
| Non-controlling interests                           | 8,799            | 9,058            |
| <b>Total equity</b>                                 | <b>200,367</b>   | <b>197,518</b>   |
| <b>Total equity and liabilities</b>                 | <b>2,595,666</b> | <b>2,409,656</b> |
|   | 70.0             | 71.7             |
| Ratio of customer advances to customer accounts     | %                | %                |
| <b>Capital</b>                                      |                  |                  |
| <b>Composition of regulatory capital</b>            |                  |                  |
|   | At               |                  |
|   | 31               | 31               |
|   | Mar              | Dec              |
|   | 2016             | 2015             |
|   | %                | %                |
| <b>Capital ratios</b>                               |                  |                  |
| Common equity tier 1 ratio <sup>1</sup>             | 11.9             | 11.9             |
| Tier 1 transitional ratio                           | 13.7             | 13.9             |
| Total transitional capital ratio                    | 16.8             | 17.2             |
|   | At               |                  |
|   | 31 Mar           | 31 Dec           |
|   | 2016             | 2015             |
|   | \$m              | \$m              |
| <b>Common equity tier 1 capital<sup>1</sup></b>     |                  |                  |
| Shareholders' equity per balance sheet <sup>2</sup> | 191,568          | 188,460          |
| Non-controlling interests                           | 3,632            | 3,519            |
| Regulatory adjustments to the accounting basis      | (32,636)         | (32,352)         |

|   |           |           |
|---|-----------|-----------|
| Deductions  | (29,694)  | (28,764)  |
| Common equity tier 1 capital <sup>1</sup>         | 132,870   | 130,863   |
| Tier 1 and tier 2 capital on a transitional basis |           |           |
| Other tier 1 capital before deductions            | 20,543    | 22,621    |
| Deductions  | (144)     | (181)     |
| Tier 1 capital on a transitional basis            | 153,269   | 153,303   |
| Total qualifying tier 2 capital before deductions | 34,160    | 36,852    |
| Total deductions other than from tier 1 capital   | (376)     | (322)     |
| Total regulatory capital on a transitional basis  | 187,053   | 189,833   |
| Total risk-weighted assets                        | 1,115,172 | 1,102,995 |

1 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. Transitional provisions, however, continue to apply for additional tier 1 and tier 2 capital; comparatives are shown accordingly for these.

2 Includes externally verified profits for the period ended 31 March 2016.

Our CET1 capital ratio remained strong at 11.9%.

Our CET1 capital increased by \$2.0bn, mainly from favourable foreign currency translation differences of \$1.0bn, and \$0.8bn of capital generation through profits net of dividends and scrip.

## RWAs

After foreign currency translation differences, RWAs increased in the quarter by \$6.6bn. This was primarily driven by book size movements which increased RWAs by \$11.8bn and deterioration of credit quality, increasing RWAs by \$8.9bn, partly offset by RWA initiatives, mainly in GB&M and CMB, which reduced RWAs by \$15.0bn.

The following comments describe RWA movements in the quarter, excluding foreign currency translation differences.

### RWA initiatives

The main drivers of these reductions were:

- \$6.6bn through the continued reduction in GB&M Legacy Credit and US run-off portfolios; and
- \$8.4bn as a result of reduced exposures, refined calculations and process improvements.

### Book size

Book size movements increased RWAs by \$11.8bn, principally from:

- increased corporate lending in GB&M and CMB in Europe and North America, increasing RWAs by \$5.8bn;
- a reduction in corporate and institution exposures in Asia across CMB and GB&M of \$5.6bn, of which \$3.9bn was accounted for by BoCom, our associate;
- financial market movements and client driven activity which increased market risk and counterparty credit risk by \$8.3bn; and
- sovereign RWAs across Europe, North America and Asia which increased by \$1.6bn.



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Book quality

Deterioration of credit quality across regions increased credit risk RWAs by \$8.9bn, mainly driven by:

- corporate downgrades in North America in the oil and gas sector, increasing RWAs by \$2.9bn;
- corporate downgrades in Asia and Europe increasing RWAs by \$3.8bn; and
- the downgrade of Brazil's internal credit rating, increasing RWAs by \$1.3bn.

Risk-weighted assets

RWA movement by geographical region by key driver

|                                       | Credit risk and operational risk |              |              |                       |                       | Market risk<br>\$bn | Total RWAs<br>\$bn |
|---------------------------------------|----------------------------------|--------------|--------------|-----------------------|-----------------------|---------------------|--------------------|
|                                       | Europe<br>\$bn                   | Asia<br>\$bn | MENA<br>\$bn | North America<br>\$bn | Latin America<br>\$bn |                     |                    |
| RW As at 1 January 2016               | 306.4                            | 437.8        | 59.4         | 185.0                 | 71.9                  | 42.5                | 1,103.0            |
| RWA movements                         |                                  |              |              |                       |                       |                     |                    |
| RWA initiatives                       | (8.9)                            | (1.4)        | (0.6)        | (4.7)                 | -                     | 0.6                 | (15.0)             |
| Foreign exchange movement             | (2.0)                            | 4.1          | (1.0)        | 1.9                   | 2.6                   | -                   | 5.6                |
| Acquisitions and disposals            | -                                | -            | -            | -                     | -                     | -                   | -                  |
| Book size <sup>1</sup>                | 8.9                              | (5.5)        | 0.9          | 5.2                   | (0.3)                 | 2.6                 | 11.8               |
| Book quality                          | 1.2                              | 2.9          | 0.2          | 3.1                   | 1.5                   | -                   | 8.9                |
| Model updates                         | (0.1)                            | -            | -            | (1.2)                 | -                     | -                   | (1.3)              |
| - portfolios moving onto IRB approach | (0.1)                            | -            | -            | -                     | -                     | -                   | (0.1)              |
| - new/updated models                  | -                                | -            | -            | (1.2)                 | -                     | -                   | (1.2)              |
| Methodology and policy                | 1.8                              | -            | -            | 0.1                   | 0.3                   | -                   | 2.2                |
| - internal updates                    | 1.8                              | -            | -            | 0.1                   | 0.3                   | -                   | 2.2                |
| - external updates - regulatory       | -                                | -            | -            | -                     | -                     | -                   | -                  |
| Total RWA movement                    | 0.9                              | 0.1          | (0.5)        | 4.4                   | 4.1                   | 3.2                 | 12.2               |
| RWAs at 31 March 2016                 | 307.3                            | 437.9        | 58.9         | 189.4                 | 76.0                  | 45.7                | 1,115.2            |

<sup>1</sup> Book size now includes market risk movements previously categorised as movements in risk levels.

RWA movement by global businesses by key driver

|                        | Credit risk and operational risk |                                |                    |             |              |             |               | Market risk<br>\$bn | Total RWAs<br>\$bn |
|------------------------|----------------------------------|--------------------------------|--------------------|-------------|--------------|-------------|---------------|---------------------|--------------------|
|                        | Principal RBWM<br>\$bn           | (US run-off portfolio)<br>\$bn | Total RBWM<br>\$bn | CMB<br>\$bn | GB&M<br>\$bn | GPB<br>\$bn | Other<br>\$bn |                     |                    |
| RWAs at 1 January 2016 | 150.1                            | 39.5                           | 189.6              | 421.0       | 398.4        | 19.3        | 32.2          | 42.5                | 1,103.0            |
| RWA movements          |                                  |                                |                    |             |              |             |               |                     |                    |
| RWA initiatives        | (0.1)                            | (1.6)                          | (1.7)              | (2.4)       | (11.5)       | -           | -             | 0.6                 | (15.0)             |
|                        | 1.1                              | -                              | 1.1                | 2.7         | 1.6          | -           | 0.2           | -                   | 5.6                |

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|                                       |       |       |       |       |       |       |       |      |         |
|---------------------------------------|-------|-------|-------|-------|-------|-------|-------|------|---------|
| Foreign exchange movement             |       |       |       |       |       |       |       |      |         |
| Acquisitions and disposals            | -     | -     | -     | -     | -     | -     | -     | -    | -       |
| Book size <sup>1</sup>                | 1.1   | -     | 1.1   | (1.6) | 9.3   | (0.3) | 0.7   | 2.6  | 11.8    |
| Book quality                          | -     | -     | -     | 2.5   | 6.2   | 0.3   | (0.1) | -    | 8.9     |
| Model updates                         | (1.2) | -     | (1.2) | -     | (0.1) | -     | -     | -    | (1.3)   |
| - portfolios moving onto IRB approach | -     | -     | -     | -     | (0.1) | -     | -     | -    | (0.1)   |
| - new/updated models                  | (1.2) | -     | (1.2) | -     | -     | -     | -     | -    | (1.2)   |
| Methodology and policy                | (0.8) | -     | (0.8) | (0.3) | 2.5   | -     | 0.8   | -    | 2.2     |
| - internal updates                    | (0.8) | -     | (0.8) | (0.3) | 2.5   | -     | 0.8   | -    | 2.2     |
| - external updates - regulatory       | -     | -     | -     | -     | -     | -     | -     | -    | -       |
| Total RWA movement                    | 0.1   | (1.6) | (1.5) | 0.9   | 8.0   | -     | 1.6   | 3.2  | 12.2    |
| RWAs at 31 March 2016                 | 150.2 | 37.9  | 188.1 | 421.9 | 406.4 | 19.3  | 33.8  | 45.7 | 1,115.2 |

<sup>1</sup> Book size now includes market risk movements previously categorised as movements in risk levels.

Leverage

Leverage ratio

| Ref1  | EU delegated act basis at |             |
|---|---------------------------|-------------|
|   | 31 Mar 2016               | 31 Dec 2015 |
|   | \$bn                      | \$bn        |
| Total assets per regulatory balance sheet                                   | 2,710                     | 2,528       |
| Adjustment to reverse netting of loans and deposits allowable under IFRSs   | 28                        | 32          |
| Reversal of accounting values including assets classified as held for sale: | (542)                     | (456)       |
| - derivatives   | (345)                     | (290)       |
| - repurchase agreement and securities finance                               | (197)                     | (166)       |
| Replaced with regulatory values:  | 355                       | 322         |
| - derivatives   | 150                       | 149         |
| - repurchase agreement and securities finance                               | 205                       | 173         |
| Addition of off-balance sheet commitments and guarantees                    | 311                       | 401         |
| Exclusion of items already deducted from the capital measure                | (35)                      | (33)        |
| 21 Exposure measure after regulatory adjustments                            | 2,827                     | 2,794       |
| 20 Tier 1 capital under CRD IV end point                                    | 142                       | 140         |

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|    |  |       |       |
|----|--|-------|-------|
| 22 | Leverage ratio   | 5.0%  | 5.0 % |
|    | Exposure measure after regulatory adjustments - quarterly average <sup>2</sup> | 2,813 |       |
|    | Leverage ratio - quarterly average <sup>2</sup>                                | 5.0%  |       |

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

2 Quarterly average is defined as the arithmetic mean of the values on the last day of each month in the quarter.

At 31 March 2016, our minimum leverage ratio requirement of 3% was supplemented with an additional leverage ratio buffer of 0.2% that translates to a value of \$6.2bn, and a countercyclical leverage ratio buffer which results in no capital impact. We comfortably exceed these leverage requirements.

Profit/(loss) before tax by global business and geographical region

|                                      | Quarter ended         |                       |                       |                       |                       |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                      | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | 30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
| By global business                   |                       |                       |                       |                       |                       |
| Retail Banking and Wealth Management | 1,133                 | 445                   | 1,160                 | 1,752                 | 1,610                 |
| Commercial Banking                   | 2,050                 | 1,224                 | 2,226                 | 2,229                 | 2,294                 |
| Global Banking and Markets           | 2,121                 | 1,015                 | 2,141                 | 1,713                 | 3,041                 |
| Global Private Banking               | 110                   | 83                    | 81                    | 115                   | 65                    |
| Other                                | 692                   | (3,625)               | 489                   | 760                   | 49                    |
|                                      | 6,106                 | (858)                 | 6,097                 | 6,569                 | 7,059                 |
| By geographical region               |                       |                       |                       |                       |                       |
| Europe                               | 1,688                 | (3,130)               | 1,568                 | 641                   | 1,564                 |
| Asia                                 | 3,530                 | 2,815                 | 3,548                 | 5,070                 | 4,330                 |
| Middle East and North Africa         | 519                   | 277                   | 359                   | 444                   | 457                   |
| North America                        | 364                   | (555)                 | 479                   | 213                   | 477                   |
| Latin America                        | 5                     | (265)                 | 143                   | 201                   | 231                   |
|                                      | 6,106                 | (858)                 | 6,097                 | 6,569                 | 7,059                 |

Summary information - global businesses

Retail Banking and Wealth Management

|  | Quarter ended         |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | 30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
| Net operating income before loan impairment charges and other credit risk provisions | 5,160                 | 5,604                 | 5,470                 | 6,531                 | 5,911                 |
| Loan impairment charges and other credit risk provisions                             | (581)                 | (543)                 | (462)                 | (474)                 | (460)                 |

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|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Net operating income                             | 4,579   | 5,061   | 5,008   | 6,057   | 5,451   |
| Total operating expenses                         | (3,532) | (4,712) | (3,954) | (4,426) | (3,928) |
| Operating profit                                 | 1,047   | 349     | 1,054   | 1,631   | 1,523   |
| Share of profit in associates and joint ventures | 86      | 96      | 106     | 121     | 87      |
| Profit before tax                                | 1,133   | 445     | 1,160   | 1,752   | 1,610   |
| Profit before tax related to:                    |         |         |         |         |         |
| - Principal RBWM                                 | 1,250   | 889     | 1,181   | 1,937   | 1,580   |
| - US run-off portfolio                           | (117)   | (444)   | (21)    | (185)   | 30      |
|  | %       | %       | %       | %       | %       |
| Cost efficiency ratio                            | 68.4    | 84.1    | 72.3    | 67.8    | 66.5    |
| Reported pre-tax RoRWA (annualised)              | 2.4     | 0.9     | 2.3     | 3.4     | 3.2     |
|  | \$m     | \$m     | \$m     | \$m     | \$m     |
| Adjusted profit before tax - Principal RBWM      | 1,335   | 1,408   | 1,305   | 1,812   | 1,718   |

Principal RBWM: management view of adjusted revenue

|  | Quarter ended |        |        |        |        |
|--|---------------|--------|--------|--------|--------|
|  | 31 Mar        | 31 Dec | 30 Sep | 30 Jun | 31 Mar |
|  | 2016          | 2015   | 2015   | 2015   | 2015   |
|  | \$m           | \$m    | \$m    | \$m    | \$m    |
| Current accounts, savings and deposits | 1,398         | 1,340  | 1,325  | 1,315  | 1,303  |
| Wealth products                        | 1,197         | 1,334  | 1,267  | 1,900  | 1,559  |
| Investment distribution <sup>1</sup>   | 739           | 689    | 825    | 1,048  | 851    |
| Life insurance manufacturing           | 215           | 388    | 188    | 578    | 449    |
| Asset Management                       | 243           | 257    | 254    | 274    | 258    |
| Personal lending                       | 2,325         | 2,323  | 2,340  | 2,338  | 2,312  |
| Mortgages                              | 682           | 702    | 690    | 681    | 684    |
| Credit cards                           | 895           | 888    | 913    | 924    | 912    |
| Other personal lending <sup>2</sup>    | 748           | 733    | 737    | 733    | 716    |
| Other <sup>3</sup>                     | 151           | 328    | 174    | 127    | 167    |
| Revenue                                | 5,071         | 5,325  | 5,106  | 5,680  | 5,341  |

1 'Investment distribution' includes Investments, which comprises mutual funds (HSBC manufactured and third party), structured products and securities trading, and Wealth insurance distribution, consisting of HSBC manufactured and third-party life, pension and investment insurance products.

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- 2 'Other personal lending' includes personal non-residential closed-end loans and personal overdrafts.  
 3 'Other' mainly includes the distribution and manufacturing (where applicable) of retail and credit protection insurance.

Commercial Banking

|  | Quarter ended         |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | 30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
| Net operating income before loan impairment charges and other credit risk provisions | 3,623                 | 3,634                 | 3,702                 | 3,748                 | 3,786                 |
| Loan impairment charges and other credit risk provisions                             | (390)                 | (1,013)               | (246)                 | (295)                 | (216)                 |
| Net operating income   | 3,233                 | 2,621                 | 3,456                 | 3,453                 | 3,570                 |
| Total operating expenses   | (1,524)               | (1,747)               | (1,676)               | (1,682)               | (1,639)               |
| Operating profit   | 1,709                 | 874                   | 1,780                 | 1,771                 | 1,931                 |
| Share of profit in associates and joint ventures                                     | 341                   | 350                   | 446                   | 458                   | 363                   |
| Profit before tax  | 2,050                 | 1,224                 | 2,226                 | 2,229                 | 2,294                 |
|  | %                     | %                     | %                     | %                     | %                     |
| Cost efficiency ratio  | 42.1                  | 48.1                  | 45.3                  | 44.9                  | 43.3                  |
| Reported pre-tax RoRWA (annualised)  | 2.0                   | 1.1                   | 2.0                   | 2.1                   | 2.2                   |

Management view of adjusted revenue

|   | Quarter ended         |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | 30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
| Global Trade and Receivables  |                       |                       |                       |                       |                       |
| Finance   | 543                   | 553                   | 597                   | 579                   | 581                   |
| Credit and Lending  | 1,412                 | 1,404                 | 1,440                 | 1,376                 | 1,351                 |
| Payments and Cash Management, current accounts and savings deposits | 1,159                 | 1,155                 | 1,134                 | 1,110                 | 1,092                 |
| Markets products, Insurance and Investments and Other               | 509                   | 435                   | 374                   | 474                   | 532                   |
| Revenue   | 3,623                 | 3,547                 | 3,545                 | 3,539                 | 3,556                 |

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The table above has been re-presented to reclassify certain cards revenue. In 1Q16, 'Payments and Cash Management' included cards revenue of \$36m previously included within 'Credit and Lending' (4Q15: \$42m, 3Q15: \$40m, 2Q15: \$39m, 1Q15: \$41m).

Global Banking and Markets

|  | Quarter ended |         |         |         |         |
|--|---------------|---------|---------|---------|---------|
|  | 31 Mar        | 31 Dec  | 30 Sep  | 30 Jun  | 31 Mar  |
|  | 2016          | 2015    | 2015    | 2015    | 2015    |
|  | \$m           | \$m     | \$m     | \$m     | \$m     |
| Net operating income before loan impairment charges and other credit risk provisions | 4,466         | 3,447   | 4,525   | 5,019   | 5,242   |
| Loan impairment (charges)/recoveries and other credit risk provisions                | (193)         | (90)    | 79      | (97)    | 108     |
| Net operating income   | 4,273         | 3,357   | 4,604   | 4,922   | 5,350   |
| Total operating expenses   | (2,278)       | (2,449) | (2,595) | (3,353) | (2,437) |
| Operating profit   | 1,995         | 908     | 2,009   | 1,569   | 2,913   |
| Share of profit in associates and joint ventures                                     | 126           | 107     | 132     | 144     | 128     |
| Profit before tax  | 2,121         | 1,015   | 2,141   | 1,713   | 3,041   |
|  | %             | %       | %       | %       | %       |
| Cost efficiency ratio  | 51.0          | 71.0    | 57.3    | 66.8    | 46.5    |
| Reported pre-tax RoRWA (annualised)  | 1.9           | 0.9     | 1.8     | 1.4     | 2.4     |

Management view of adjusted revenue

|                              | Quarter ended |        |        |        |        |
|------------------------------|---------------|--------|--------|--------|--------|
|                              | 31 Mar        | 31 Dec | 30 Sep | 30 Jun | 31 Mar |
|                              | 2016          | 2015   | 2015   | 2015   | 2015   |
|                              | \$m           | \$m    | \$m    | \$m    | \$m    |
| Markets                      | 1,726         | 1,005  | 1,432  | 2,042  | 2,122  |
| Legacy Credit                | (39)          | (27)   | (6)    | 26     | 70     |
| Credit                       | 159           | 90     | 74     | 223    | 252    |
| Rates                        | 546           | 255    | 356    | 503    | 452    |
| Foreign Exchange             | 757           | 557    | 660    | 684    | 889    |
| Equities                     | 303           | 130    | 348    | 606    | 459    |
| Capital Financing            | 875           | 893    | 962    | 927    | 873    |
| Payments and Cash Management | 465           | 452    | 425    | 418    | 433    |
| Securities Services          | 383           | 402    | 413    | 416    | 414    |

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| Global Trade and Receivables |      |      |      |     |      |
|------------------------------|------|------|------|-----|------|
| Finance                      | 176  | 163  | 177  | 175 | 171  |
| Balance Sheet Management     | 703  | 620  | 695  | 624 | 875  |
| Principal Investments        | 1    | 62   | 48   | 106 | 19   |
| Other <sup>1</sup>           | (13) | (38) | (50) | 24  | (24) |

|         |       |       |       |       |       |
|---------|-------|-------|-------|-------|-------|
| Revenue | 4,316 | 3,559 | 4,102 | 4,732 | 4,883 |
|---------|-------|-------|-------|-------|-------|

<sup>1</sup> 'Other' in GB&M includes net interest earned on free capital held in the global business not assigned to products and gains resulting from business disposals. Within the management view of total operating income, notional tax credits are allocated to the businesses to reflect the economic benefit generated by certain activities which is not reflected within operating income, for example notional credits on income earned from tax-exempt investments where the economic benefit of the activity is reflected in tax expense. In order to reflect the total operating income on an IFRSs basis, the offset to these tax credits are included within 'Other'.

Global Private Banking

|  | Quarter ended         |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | 30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
| Net operating income before loan impairment charges and other credit risk provisions | 487                   | 487                   | 508                   | 564                   | 613                   |
| Loan impairment charges and other credit risk provisions                             | -                     | (3)                   | (4)                   | (3)                   | (2)                   |
| Net operating income   | 487                   | 484                   | 504                   | 561                   | 611                   |
| Total operating expenses   | (379)                 | (405)                 | (426)                 | (450)                 | (551)                 |
| Operating profit   | 108                   | 79                    | 78                    | 111                   | 60                    |
| Share of profit in associates and joint ventures                                     | 2                     | 4                     | 3                     | 4                     | 5                     |
| Profit before tax  | 110                   | 83                    | 81                    | 115                   | 65                    |
|  | %                     | %                     | %                     | %                     | %                     |
| Cost efficiency ratio  | 77.8                  | 83.2                  | 83.9                  | 79.8                  | 89.9                  |
| Reported pre-tax RoRWA (annualised)  | 2.3                   | 1.7                   | 1.5                   | 2.2                   | 1.3                   |

Client assets<sup>1</sup> by geography

|  | Quarter ended          |                        |                        |                        |                        |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
|  | 31 Mar<br>2016<br>\$bn | 31 Dec<br>2015<br>\$bn | 30 Sep<br>2015<br>\$bn | 30 Jun<br>2015<br>\$bn | 31 Mar<br>2015<br>\$bn |

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|               |     |     |     |     |     |
|---------------|-----|-----|-----|-----|-----|
| Europe        | 163 | 168 | 170 | 179 | 178 |
| Asia          | 108 | 112 | 106 | 117 | 114 |
| North America | 62  | 61  | 62  | 64  | 65  |
| Latin America | 8   | 8   | 8   | 10  | 10  |
| Total         | 341 | 349 | 346 | 370 | 366 |

1 'Client assets' are translated at the rates of exchange applicable for their respective period-ends, with the effects of currency translation reported separately. The main components of client assets are funds under management, which are not reported on the Group's balance sheet and customer deposits, which are reported on the Group's balance sheet.

Client assets<sup>1</sup>

|                                     | Quarter ended          |                        |                        |                        |                        |
|-------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|                                     | 31 Mar<br>2016<br>\$bn | 31 Dec<br>2015<br>\$bn | 30 Sep<br>2015<br>\$bn | 30 Jun<br>2015<br>\$bn | 31 Mar<br>2015<br>\$bn |
| Opening balance                     | 349                    | 346                    | 370                    | 366                    | 365                    |
| Net new money                       | (5)                    | (1)                    | 3                      | -                      | (1)                    |
| Of which: areas targeted for growth | 4                      | 2                      | 6                      | 3                      | 3                      |
| Value change                        | (6)                    | 6                      | (14)                   | 1                      | 8                      |
| Exchange and other                  | 3                      | (2)                    | (12)                   | 3                      | (7)                    |
| Closing balance                     | 341                    | 349                    | 346                    | 370                    | 366                    |

1 'Client assets' are translated at the rates of exchange applicable for their respective period-ends, with the effects of currency translation reported separately. The main components of client assets are funds under management, which are not reported on the Group's balance sheet and customer deposits, which are reported on the Group's balance sheet.

Other<sup>1</sup>

|  | Quarter ended         |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | 30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
| Net operating income before loan impairment charges and other credit risk provisions         | 2,658                 | 377                   | 2,540                 | 2,856                 | 1,831                 |
| - of which effect of changes in own credit spread on the fair value of long-term debt issued | 1,151                 | (773)                 | 1,125                 | 352                   | 298                   |
| Loan impairment recoveries/(charges) and other credit risk provisions                        | 3                     | 5                     | (5)                   | -                     | -                     |



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|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Net operating income                                    | 2,661   | 382     | 2,535   | 2,856   | 1,831   |
| Total operating expenses                                | (1,969) | (4,006) | (2,048) | (2,098) | (1,781) |
| Operating profit/(loss)                                 | 692     | (3,624) | 487     | 758     | 50      |
| Share of profit/(loss) in associates and joint ventures | -       | (1)     | 2       | 2       | (1)     |
| Profit/(loss) before tax                                | 692     | (3,625) | 489     | 760     | 49      |

1 The main items reported under 'Other' are the results of HSBC's holding company and financing operations, which include net interest earned on free capital held centrally, operating costs incurred by the head office operations in providing stewardship and central management services to HSBC, along with the costs incurred by the Group

Service Centres and Shared Service Organisations and associated recoveries. The results also include unallocated investment activities, centrally held investment companies and certain property transactions. In addition, 'Other' also includes part of the movement in the fair value of long-term debt designated at fair value (the remainder of the Group's movement on own debt is included in GB&M).

Summary information - geographical regions  
Europe

|  | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | Quarter ended<br>30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
|--|-----------------------|-----------------------|--|-----------------------|-----------------------|
| Net operating income before loan impairment charges and other credit risk provisions | 5,765                 | 3,586                 | 6,003                                  | 5,850                 | 5,619                 |
| Loan impairment charges and other credit risk provisions                             | (169)                 | (339)                 | (63)                                   | (276)                 | (12)                  |
| Net operating income   | 5,596                 | 3,247                 | 5,940                                  | 5,574                 | 5,607                 |
| Total operating expenses   | (3,909)               | (6,379)               | (4,376)                                | (4,933)               | (4,045)               |
| Operating profit/(loss)  | 1,687                 | (3,132)               | 1,564                                  | 641                   | 1,562                 |
| Share of profit in associates and joint ventures                                     | 1                     | 2                     | 4                                      | -                     | 2                     |
| Profit/(loss) before tax   | 1,688                 | (3,130)               | 1,568                                  | 641                   | 1,564                 |
| Cost efficiency ratio  | 67.8                  | 177.9                 | 72.9                                   | 84.3                  | 72.0                  |
| Reported pre-tax RoRWA (annualised)  | 2.0                   | (3.6)                 | 1.7                                    | 0.7                   | 1.7                   |

Profit/(loss) before tax by global business

|                                      | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | Quarter ended<br>30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
|--------------------------------------|-----------------------|-----------------------|--|-----------------------|-----------------------|
| Retail Banking and Wealth Management | 222                   | 5                     | 326                                    | 602                   | 261                   |

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|                            |       |         |       |       |       |
|----------------------------|-------|---------|-------|-------|-------|
| Commercial Banking         | 566   | 374     | 658   | 634   | 653   |
| Global Banking and Markets | 350   | (111)   | 254   | (231) | 1,136 |
| Global Private Banking     | 20    | 28      | 9     | 20    | (43)  |
| Other                      | 530   | (3,426) | 321   | (384) | (443) |
| Profit/(loss) before tax   | 1,688 | (3,130) | 1,568 | 641   | 1,564 |

Reported and adjusted UK profit/(loss) before tax

|                                   | Quarter ended |         |        |        |        |
|-----------------------------------|---------------|---------|--------|--------|--------|
|                                   | 31 Mar        | 31 Dec  | 30 Sep | 30 Jun | 31 Mar |
|                                   | 2016          | 2015    | 2015   | 2015   | 2015   |
|                                   | \$m           | \$m     | \$m    | \$m    | \$m    |
| Reported profit/(loss) before tax | 1,587         | (3,081) | 1,356  | (40)   | 1,465  |
| Adjusted profit/(loss) before tax | 844           | (1,382) | 692    | 361    | 1,386  |

Asia

|  | Quarter ended |         |         |         |         |
|--|---------------|---------|---------|---------|---------|
|  | 31 Mar        | 31 Dec  | 30 Sep  | 30 Jun  | 31 Mar  |
|  | 2016          | 2015    | 2015    | 2015    | 2015    |
|  | \$m           | \$m     | \$m     | \$m     | \$m     |
| Net operating income before loan impairment charges and other credit risk provisions | 5,833         | 5,460   | 5,778   | 7,493   | 6,572   |
| Loan impairment charges and other credit risk provisions                             | (190)         | (328)   | (119)   | (151)   | (95)    |
| Net operating income   | 5,643         | 5,132   | 5,659   | 7,342   | 6,477   |
| Total operating expenses   | (2,543)       | (2,763) | (2,669) | (2,862) | (2,595) |
| Operating profit   | 3,100         | 2,369   | 2,990   | 4,480   | 3,882   |
| Share of profit in associates and joint ventures                                     | 430           | 446     | 558     | 590     | 448     |
| Profit before tax  | 3,530         | 2,815   | 3,548   | 5,070   | 4,330   |
| Cost efficiency ratio  | 43.6          | 50.6    | 46.2    | 38.2    | 39.5    |
| Reported pre-tax RoRWA (annualised)  | 3.1           | 2.4     | 2.9     | 4.2     | 3.5     |

Profit/(loss) before tax by global business

|                                      | Quarter ended |        |        |        |        |
|--------------------------------------|---------------|--------|--------|--------|--------|
|                                      | 31 Mar        | 31 Dec | 30 Sep | 30 Jun | 31 Mar |
|                                      | 2016          | 2015   | 2015   | 2015   | 2015   |
|                                      | \$m           | \$m    | \$m    | \$m    | \$m    |
| Retail Banking and Wealth Management | 1,021         | 954    | 901    | 1,292  | 1,239  |
| Commercial Banking                   | 1,143         | 885    | 1,219  | 1,224  | 1,180  |

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|                            |       |       |       |       |       |
|----------------------------|-------|-------|-------|-------|-------|
| Global Banking and Markets | 1,241 | 972   | 1,279 | 1,363 | 1,320 |
| Global Private Banking     | 66    | 43    | 53    | 71    | 85    |
| Other                      | 59    | (39)  | 96    | 1,120 | 506   |
| Profit before tax          | 3,530 | 2,815 | 3,548 | 5,070 | 4,330 |

Reported and adjusted Hong Kong profit before tax

|                            | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | Quarter ended<br>30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
|----------------------------|-----------------------|-----------------------|--|-----------------------|-----------------------|
| Reported profit before tax | 2,089                 | 1,756                 | 1,817                                  | 3,462                 | 2,771                 |
| Adjusted profit before tax | 2,086                 | 1,804                 | 1,798                                  | 2,441                 | 2,401                 |

Middle East and North Africa

|  | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | Quarter ended<br>30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
|--|-----------------------|-----------------------|--|-----------------------|-----------------------|
| Net operating income before loan<br>impairment charges<br>and other credit risk provisions | 702                   | 636                   | 640                                    | 650                   | 639                   |
| Loan impairment charges and<br>other credit risk provisions                                | (28)                  | (165)                 | (103)                                  | (22)                  | (9)                   |
| Net operating income   | 674                   | 471                   | 537                                    | 628                   | 630                   |
| Total operating expenses   | (280)                 | (303)                 | (307)                                  | (321)                 | (303)                 |
| Operating profit   | 394                   | 168                   | 230                                    | 307                   | 327                   |
| Share of profit in associates and<br>joint ventures  | 125                   | 109                   | 129                                    | 137                   | 130                   |
| Profit before tax  | 519                   | 277                   | 359                                    | 444                   | 457                   |
| Cost efficiency ratio  | 39.9%                 | 47.6%                 | 48.0%                                  | 49.4%                 | 47.4%                 |
| Reported pre-tax RoRWA<br>(annualised)   | 3.5                   | 1.8                   | 2.3                                    | 2.8                   | 2.9                   |

Profit/(loss) before tax by global business

|   | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | Quarter ended<br>30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
|---|-----------------------|-----------------------|--|-----------------------|-----------------------|
| Retail Banking and Wealth<br>Management | 86                    | 71                    | 29                                     | 81                    | 91                    |
| Commercial Banking                      | 160                   | 20                    | 115                                    | 126                   | 147                   |

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|                            |     |     |     |     |      |
|----------------------------|-----|-----|-----|-----|------|
| Global Banking and Markets | 275 | 191 | 212 | 243 | 227  |
| Global Private Banking     | 2   | 3   | 5   | 3   | 5    |
| Other                      | (4) | (8) | (2) | (9) | (13) |
| Profit before tax          | 519 | 277 | 359 | 444 | 457  |

North America

|  | Quarter ended         |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | 30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
| Net operating income before loan impairment charges and other credit risk provisions | 1,994                 | 1,592                 | 1,939                 | 2,138                 | 1,988                 |
| Loan impairment charges and other credit risk provisions                             | (328)                 | (327)                 | (64)                  | (74)                  | (79)                  |
| Net operating income   | 1,666                 | 1,265                 | 1,875                 | 2,064                 | 1,909                 |
| Total operating expenses   | (1,302)               | (1,819)               | (1,395)               | (1,852)               | (1,435)               |
| Operating profit/(loss)  | 364                   | (554)                 | 480                   | 212                   | 474                   |
| Share of profit/(loss) in associates and joint ventures                              | -                     | (1)                   | (1)                   | 1                     | 3                     |
| Profit/(loss) before tax   | 364                   | (555)                 | 479                   | 213                   | 477                   |
| Cost efficiency ratio  | 65.3                  | 114.3                 | 71.9                  | 86.6                  | 72.2                  |
| Reported pre-tax RoRWA (annualised)  | 0.8                   | (1.1)                 | 0.9                   | 0.4                   | 0.9                   |

Profit/(loss) before tax by global business

|                                      | Quarter ended         |                       |                       |                       |                       |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                      | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | 30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
| Retail Banking and Wealth Management | (87)                  | (477)                 | 4                     | (205)                 | 33                    |
| Principal RBWM                       | 30                    | (33)                  | 25                    | (20)                  | 3                     |
| Run-off portfolio                    | (117)                 | (444)                 | (21)                  | (185)                 | 30                    |
| Commercial Banking                   | 159                   | (22)                  | 172                   | 197                   | 226                   |
| Global Banking and Markets           | 125                   | 29                    | 208                   | 164                   | 192                   |
| Global Private Banking               | 19                    | 9                     | 13                    | 19                    | 18                    |
| Other                                | 148                   | (94)                  | 82                    | 38                    | 8                     |
| Profit/(loss) before tax             | 364                   | (555)                 | 479                   | 213                   | 477                   |

Latin America

|  | Quarter ended |        |        |        |        |
|--|---------------|--------|--------|--------|--------|
|  | 31 Mar        | 31 Dec | 30 Sep | 30 Jun | 31 Mar |

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|  | 2016<br>\$m | 2015<br>\$m | 2015<br>\$m | 2015<br>\$m | 2015<br>\$m |
|--|-------------|-------------|-------------|-------------|-------------|
| Net operating income before loan impairment charges and other credit risk provisions | 1,419       | 1,425       | 1,609       | 1,731       | 1,827       |
| Loan impairment charges and other credit risk provisions                             | (446)       | (485)       | (289)       | (346)       | (375)       |
| Net operating income   | 973         | 940         | 1,320       | 1,385       | 1,452       |
| Total operating expenses   | (967)       | (1,205)     | (1,176)     | (1,185)     | (1,220)     |
| Operating profit/(loss)  | 6           | (265)       | 144         | 200         | 232         |
| Share of (loss)/profit in associates and joint ventures                              | (1)         | -           | (1)         | 1           | (1)         |
| Profit/(loss) before tax   | 5           | (265)       | 143         | 201         | 231         |
| Cost efficiency ratio  | 68.1        | 84.6        | 73.1        | 68.5        | 66.8        |
| Reported pre-tax RoRWA (annualised)  | 0.0         | (1.4)       | 0.7         | 1.0         | 1.1         |

Profit/(loss) before tax by global business

|                                      | Quarter ended         |                       |                       |                       |                       |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                      | 31 Mar<br>2016<br>\$m | 31 Dec<br>2015<br>\$m | 30 Sep<br>2015<br>\$m | 30 Jun<br>2015<br>\$m | 31 Mar<br>2015<br>\$m |
| Retail Banking and Wealth Management | (109)                 | (108)                 | (100)                 | (18)                  | (14)                  |
| Commercial Banking                   | 22                    | (33)                  | 62                    | 48                    | 88                    |
| Global Banking and Markets           | 130                   | (66)                  | 188                   | 174                   | 166                   |
| Global Private Banking               | 3                     | -                     | 1                     | 2                     | -                     |
| Other                                | (41)                  | (58)                  | (8)                   | (5)                   | (9)                   |
| Profit/(loss) before tax             | 5                     | (265)                 | 143                   | 201                   | 231                   |

Appendix - selected information

Reconciliation of reported results to adjusted performance -

geographical regions

|                   | Quarter ended 31 March 2016 |             |             |                         |                         |              |           |                     |
|-------------------|-----------------------------|-------------|-------------|-------------------------|-------------------------|--------------|-----------|---------------------|
|                   | Europe<br>\$m               | Asia<br>\$m | MENA<br>\$m | North<br>America<br>\$m | Latin<br>America<br>\$m | Total<br>\$m | UK<br>\$m | Hong<br>Kong<br>\$m |
| Revenue           |                             |             |             |                         |                         |              |           |                     |
| Reported          | 5,765                       | 5,833       | 702         | 1,994                   | 1,419                   | 14,976       | 4,524     | 3,498               |
| Significant items | (973)                       | (69)        | (8)         | (52)                    | 40                      | (1,062)      | (986)     | (22)                |

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|  |         |         |       |         |       |         |         |         |
|--|---------|---------|-------|---------|-------|---------|---------|---------|
| - disposal costs of Brazilian operations                         | -       | -       | -     | -       | 14    | 14      | -       | -       |
| - DVA on derivative contracts                                    | (99)    | (64)    | -     | (22)    | 27    | (158)   | (86)    | (24)    |
| - fair value movements on non-qualifying hedges                  | 111     | 4       | -     | 119     | (1)   | 233     | 73      | 8       |
| - own credit spread  | (985)   | (9)     | (8)   | (149)   | -     | (1,151) | (973)   | (6)     |
| Adjusted1  | 4,792   | 5,764   | 694   | 1,942   | 1,459 | 13,914  | 3,538   | 3,476   |
| LICs Reported  | (169)   | (190)   | (28)  | (328)   | (446) | (1,161) | (89)    | (44)    |
| Adjusted   | (169)   | (190)   | (28)  | (328)   | (446) | (1,161) | (89)    | (44)    |
| Operating expenses Reported1                                     | (3,909) | (2,543) | (280) | (1,302) | (967) | (8,264) | (2,847) | (1,372) |
| Significant items  | 318     | 3       | 2     | 49      | 18    | 390     | 243     | 19      |
| - costs-to-achieve   | 286     | 3       | 2     | 49      | 1     | 341     | 212     | 19      |
| - costs to establish UK ring-fenced bank                         | 31      | -       | -     | -       | -     | 31      | 31      | -       |
| - disposal costs of Brazilian operations                         | -       | -       | -     | -       | 17    | 17      | -       | -       |
| - regulatory provisions in GBP                                   | 1       | -       | -     | -       | -     | 1       | -       | -       |
| Adjusted1  | (3,591) | (2,540) | (278) | (1,253) | (949) | (7,874) | (2,604) | (1,353) |
| Share of profit/(loss) in associates and joint ventures Reported | 1       | 430     | 125   | -       | (1)   | 555     | (1)     | 7       |
| Adjusted   | 1       | 430     | 125   | -       | (1)   | 555     | (1)     | 7       |
| Profit before tax Reported                                       | 1,688   | 3,530   | 519   | 364     | 5     | 6,106   | 1,587   | 2,089   |
| Significant items  | (655)   | (66)    | (6)   | (3)     | 58    | (672)   | (743)   | (3)     |
| - revenue  | (973)   | (69)    | (8)   | (52)    | 40    | (1,062) | (986)   | (22)    |
| - operating expenses   | 318     | 3       | 2     | 49      | 18    | 390     | 243     | 19      |
| Adjusted   | 1,033   | 3,464   | 513   | 361     | 63    | 5,434   | 844     | 2,086   |

1 Amounts are non-additive across geographical regions due to inter-company transactions within the Group.

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Reconciliation of reported results to adjusted performance - geographical regions (continued)

Quarter ended 31 December 2015

|  | Europe<br>\$m | Asia<br>\$m | MENA<br>\$m | North<br>America<br>\$m | Latin<br>America<br>\$m | Total<br>\$m | UK<br>\$m | Hong<br>Kong<br>\$m |
|--|---------------|-------------|-------------|-------------------------|-------------------------|--------------|-----------|---------------------|
| Revenue  |               |             |             |                         |                         |              |           |                     |
| Reported <sup>1</sup>  | 3,586         | 5,460       | 636         | 1,592                   | 1,425                   | 11,772       | 2,531     | 3,208               |
| Currency translation <sup>1</sup>  | (188)         | (30)        | (3)         | (9)                     | (125)                   | (346)        | (189)     | (9)                 |
| Significant items  | 847           | 56          | 2           | 217                     | 55                      | 1,177        | 834       | 14                  |
| - disposal costs of<br>Brazilian operations  | -             | -           | -           | -                       | 18                      | 18           | -         | -                   |
| - DVA on derivative<br>contracts   | 70            | 61          | 1           | 17                      | 37                      | 186          | 57        | 14                  |
| - fair value movements<br>on<br>non<br>-<br>qualifying hedges  | 3             | 1           | -           | (30)                    | -                       | (26)         | 8         | 3                   |
| - loss on sale of<br>several tranches of<br>real estate secured<br>accounts<br>in the US                         | -             | -           | -           | 214                     | -                       | 214          | -         | -                   |
| - own credit spread  | 762           | (6)         | 1           | 16                      | -                       | 773          | 757       | (3)                 |
| - provisions arising<br>from the<br>ongoing review of<br>compliance with<br>the Consumer<br>Credit Act in the UK | 12            | -           | -           | -                       | -                       | 12           | 12        | -                   |
| Adjusted <sup>1</sup>  | 4,245         | 5,486       | 635         | 1,800                   | 1,355                   | 12,603       | 3,176     | 3,213               |
| LICs   |               |             |             |                         |                         |              |           |                     |
| Reported   | (339)         | (328)       | (165)       | (327)                   | (485)                   | (1,644)      | (196)     | (36)                |
| Currency translation   | 10            | (1)         | -           | 3                       | 21                      | 33           | 11        | -                   |
| Adjusted   | (329)         | (329)       | (165)       | (324)                   | (464)                   | (1,611)      | (185)     | (36)                |
| Operating expenses   |               |             |             |                         |                         |              |           |                     |
| Reported <sup>1</sup>  | (6,379)       | (2,763)     | (303)       | (1,819)                 | (1,205)                 | (11,542)     | (5,420)   | (1,425)             |
| Currency translation <sup>1</sup>  | 167           | 18          | 2           | 7                       | 91                      | 276          | 172       | 4                   |
| Significant items  | 947           | 115         | 13          | 415                     | 95                      | 1,585        | 872       | 39                  |
| - costs-to-achieve   | 511           | 115         | 13          | 65                      | 39                      | 743          | 454       | 39                  |
| - costs to establish UK<br>ring-fenced bank  | 61            | -           | -           | -                       | -                       | 61           | 61        | -                   |

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|   |         |         |       |         |         |         |         |         |
|---|---------|---------|-------|---------|---------|---------|---------|---------|
| - disposal costs of Brazilian operations                      | -       | -       | -     | -       | 56      | 56      | -       | -       |
| - regulatory provisions in GBP                                | 18      | -       | -     | -       | -       | 18      | -       | -       |
| - settlements and provisions in connection with legal matters | 20      | -       | -     | 350     | -       | 370     | 20      | -       |
| - UK customer redress programmes                              | 337     | -       | -     | -       | -       | 337     | 337     | -       |
| Adjusted1   | (5,265) | (2,630) | (288) | (1,397) | (1,019) | (9,681) | (4,376) | (1,382) |
| Share of profit/(loss) in associates and joint ventures       |         |         |       |         |         |         |         |         |
| Reported  | 2       | 446     | 109   | (1)     | -       | 556     | 4       | 9       |
| Currency translation  | 1       | (10)    | (1)   | -       | -       | (10)    | (1)     | -       |
| Adjusted  | 3       | 436     | 108   | (1)     | -       | 546     | 3       | 9       |
| Profit/(loss) before tax                                      |         |         |       |         |         |         |         |         |
| Reported  | (3,130) | 2,815   | 277   | (555)   | (265)   | (858)   | (3,081) | 1,756   |
| Currency translation  | (10)    | (23)    | (2)   | 1       | (13)    | (47)    | (7)     | (5)     |
| Significant items   | 1,794   | 171     | 15    | 632     | 150     | 2,762   | 1,706   | 53      |
| - revenue   | 847     | 56      | 2     | 217     | 55      | 1,177   | 834     | 14      |
| - operating expenses  | 947     | 115     | 13    | 415     | 95      | 1,585   | 872     | 39      |
| Adjusted  | (1,346) | 2,963   | 290   | 78      | (128)   | 1,857   | (1,382) | 1,804   |

1 Amounts are non-additive across geographical regions due to inter-company transactions within the Group.

Reconciliation of reported results to adjusted performance - geographical regions (continued)

Quarter ended 31 March 2015

|   | Europe<br>\$m | Asia<br>\$m | MENA<br>\$m | North<br>America<br>\$m | Latin<br>America<br>\$m | Total<br>\$m | UK<br>\$m | Hong<br>Kong<br>\$m |
|---|---------------|-------------|-------------|-------------------------|-------------------------|--------------|-----------|---------------------|
| Revenue   |               |             |             |                         |                         |              |           |                     |
| Reported1                                       | 5,619         | 6,572       | 639         | 1,988                   | 1,827                   | 15,892       | 4,225     | 4,083               |
| Currency translation1                           | (286)         | (172)       | (11)        | (41)                    | (464)                   | (949)        | (214)     | (9)                 |
| Significant items                               | (84)          | (391)       | 1           | (7)                     | (5)                     | (486)        | (159)     | (366)               |
| - DVA on derivative contracts                   | (54)          | (27)        | -           | (12)                    | (5)                     | (98)         | (46)      | (7)                 |
| - fair value movements on non-qualifying hedges | 190           | (1)         | -           | 96                      | -                       | 285          | 120       | 3                   |
| - gain on the partial sale of                   | -             | (363)       | -           | -                       | -                       | (363)        | -         | (363)               |



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|  |         |         |       |         |         |         |         |         |
|--|---------|---------|-------|---------|---------|---------|---------|---------|
| shareholding in<br>Industrial Bank   |         |         |       |         |         |         |         |         |
| - own credit spread  | (208)   | -       | 1     | (91)    | -       | (298)   | (221)   | 1       |
| - releases arising from<br>the<br>ongoing review of<br>compliance with<br>the Consumer<br>Credit Act in the UK | (12)    | -       | -     | -       | -       | (12)    | (12)    | -       |
| Adjusted1  | 5,249   | 6,009   | 629   | 1,940   | 1,358   | 14,457  | 3,852   | 3,708   |
| LICs   |         |         |       |         |         |         |         |         |
| Reported   | (12)    | (95)    | (9)   | (79)    | (375)   | (570)   | 78      | (2)     |
| Currency translation   | 4       | 6       | 1     | 1       | 89      | 101     | (3)     | -       |
| Adjusted   | (8)     | (89)    | (8)   | (78)    | (286)   | (469)   | 75      | (2)     |
| Operating expenses   |         |         |       |         |         |         |         |         |
| Reported1  | (4,045) | (2,595) | (303) | (1,435) | (1,220) | (8,845) | (2,840) | (1,316) |
| Currency translation1  | 182     | 87      | 2     | 22      | 308     | 576     | 126     | 3       |
| Significant items  | 309     | 3       | -     | 2       | 5       | 319     | 170     | 2       |
| - regulatory provisions<br>in GBP  | 139     | -       | -     | -       | -       | 139     | -       | -       |
| - restructuring and<br>other related costs   | 33      | 3       | -     | 2       | 5       | 43      | 33      | 2       |
| - UK customer redress<br>programmes  | 137     | -       | -     | -       | -       | 137     | 137     | -       |
| Adjusted1  | (3,554) | (2,505) | (301) | (1,411) | (907)   | (7,950) | (2,544) | (1,311) |
| Share of profit/(loss)<br>in associates and<br>joint ventures  |         |         |       |         |         |         |         |         |
| Reported   | 2       | 448     | 130   | 3       | (1)     | 582     | 2       | 6       |
| Currency translation   | 1       | (25)    | -     | -       | -       | (24)    | 1       | -       |
| Adjusted   | 3       | 423     | 130   | 3       | (1)     | 558     | 3       | 6       |
| Profit/(loss) before tax   |         |         |       |         |         |         |         |         |
| Reported   | 1,564   | 4,330   | 457   | 477     | 231     | 7,059   | 1,465   | 2,771   |
| Currency translation   | (99)    | (104)   | (8)   | (18)    | (67)    | (296)   | (90)    | (6)     |
| Significant items  | 225     | (388)   | 1     | (5)     | -       | (167)   | 11      | (364)   |
| - revenue  | (84)    | (391)   | 1     | (7)     | (5)     | (486)   | (159)   | (366)   |
| - operating expenses   | 309     | 3       | -     | 2       | 5       | 319     | 170     | 2       |
| Adjusted   | 1,690   | 3,838   | 450   | 454     | 164     | 6,596   | 1,386   | 2,401   |

1 Amounts are non-additive across geographical regions due to inter-company transactions within the Group.

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Reconciliation of reported results to adjusted performance - global businesses

Quarter ended 31 March 2016

|  | RBWM<br>\$m | CMB<br>\$m | GB&M<br>\$m | GPB<br>\$m | Other<br>\$m | Total<br>\$m |
|--|-------------|------------|-------------|------------|--------------|--------------|
| Revenue  |             |            |             |            |              |              |
| Reported <sup>1</sup>                            | 5,160       | 3,623      | 4,466       | 487        | 2,658        | 14,976       |
| Significant items                                | 148         | -          | (150)       | -          | (1,060)      | (1,062)      |
| - disposal costs of Brazilian operations         | -           | -          | -           | -          | 14           | 14           |
| - DVA on derivative contracts                    | -           | -          | (158)       | -          | -            | (158)        |
| - fair value movements on non-qualifying hedges  | 148         | -          | 8           | -          | 77           | 233          |
| - own credit spread                              | -           | -          | -           | -          | (1,151)      | (1,151)      |
| Adjusted <sup>1</sup>                            | 5,308       | 3,623      | 4,316       | 487        | 1,598        | 13,914       |
| LICs   |             |            |             |            |              |              |
| Reported   | (581)       | (390)      | (193)       | -          | 3            | (1,161)      |
| Adjusted   | (581)       | (390)      | (193)       | -          | 3            | (1,161)      |
| Operating expenses                               |             |            |             |            |              |              |
| Reported <sup>1</sup>                            | (3,532)     | (1,524)    | (2,278)     | (379)      | (1,969)      | (8,264)      |
| Significant items                                | 78          | 26         | 29          | 2          | 255          | 390          |
| - costs-to-achieve                               | 66          | 23         | 30          | 2          | 220          | 341          |
| - costs to establish UK ring-fenced bank         | -           | -          | -           | -          | 31           | 31           |
| - disposal costs of Brazilian operations         | 12          | 3          | (1)         | -          | 3            | 17           |
| - regulatory provisions in GBP                   | -           | -          | -           | -          | 1            | 1            |
| Adjusted <sup>1</sup>                            | (3,454)     | (1,498)    | (2,249)     | (377)      | (1,714)      | (7,874)      |
| Share of profit in associates and joint ventures |             |            |             |            |              |              |
| Reported   | 86          | 341        | 126         | 2          | -            | 555          |
| Adjusted   | 86          | 341        | 126         | 2          | -            | 555          |
| Profit before tax                                |             |            |             |            |              |              |
| Reported   | 1,133       | 2,050      | 2,121       | 110        | 692          | 6,106        |
| Significant items                                | 226         | 26         | (121)       | 2          | (805)        | (672)        |
| - revenue  | 148         | -          | (150)       | -          | (1,060)      | (1,062)      |
| - operating expenses                             | 78          | 26         | 29          | 2          | 255          | 390          |
| Adjusted   | 1,359       | 2,076      | 2,000       | 112        | (113)        | 5,434        |

<sup>1</sup> Amounts are non-additive across global businesses due to inter-company transactions within the Group.

Reconciliation of reported results to adjusted performance - global businesses (continued)

Quarter ended 31 December 2015

|  | RBWM<br>\$m | CMB<br>\$m | GB&M<br>\$m | GPB<br>\$m | Other<br>\$m | Total<br>\$m |
|--|-------------|------------|-------------|------------|--------------|--------------|
|--|-------------|------------|-------------|------------|--------------|--------------|

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|  |         |         |         |       |         |          |
|--|---------|---------|---------|-------|---------|----------|
| Revenue  |         |         |         |       |         |          |
| Reported1  | 5,604   | 3,634   | 3,447   | 487   | 377     | 11,772   |
| Currency translation1  | (156)   | (104)   | (87)    | (4)   | (14)    | (346)    |
| Significant items  | 174     | 17      | 199     | (6)   | 793     | 1,177    |
| - disposal costs of Brazilian operations   | -       | -       | -       | -     | 18      | 18       |
| - DVA on derivative contracts  | -       | -       | 186     | -     | -       | 186      |
| - fair value movements on non-qualifying hedges  | (40)    | (1)     | 13      | -     | 2       | (26)     |
| - loss on sale of several tranches of real estate secured accounts in the US                                 | 214     | -       | -       | -     | -       | 214      |
| - own credit spread  | -       | -       | -       | -     | 773     | 773      |
| - provisions/(releases) arising from the ongoing review of compliance with the Consumer Credit Act in the UK | -       | 18      | -       | (6)   | -       | 12       |
| Adjusted1  | 5,622   | 3,547   | 3,559   | 477   | 1,156   | 12,603   |
| LICs   |         |         |         |       |         |          |
| Reported   | (543)   | (1,013) | (90)    | (3)   | 5       | (1,644)  |
| Currency translation   | 13      | 20      | 2       | (1)   | (1)     | 33       |
| Adjusted   | (530)   | (993)   | (88)    | (4)   | 4       | (1,611)  |
| Operating expenses   |         |         |         |       |         |          |
| Reported1  | (4,712) | (1,747) | (2,449) | (405) | (4,006) | (11,542) |
| Currency translation1  | 139     | 49      | 70      | 4     | 33      | 276      |
| Significant items  | 902     | 137     | 58      | 33    | 455     | 1,585    |
| - costs-to-achieve   | 142     | 150     | 49      | 15    | 387     | 743      |
| - costs to establish UK ring-fenced bank   | -       | -       | -       | -     | 61      | 61       |
| - disposal costs of Brazilian operations   | 32      | 10      | 8       | 1     | 5       | 56       |
| - regulatory provisions in GBP   | -       | -       | -       | 17    | 1       | 18       |
| - settlements and provisions in connection with legal matters  | 350     | -       | 20      | -     | -       | 370      |
| - UK customer redress programmes   | 378     | (23)    | (19)    | -     | 1       | 337      |
| Adjusted1  | (3,671) | (1,561) | (2,321) | (368) | (3,518) | (9,681)  |
| Share of profit/(loss) in associates and joint ventures  |         |         |         |       |         |          |
| Reported   | 96      | 350     | 107     | 4     | (1)     | 556      |
| Currency translation   | (1)     | (6)     | (2)     | (1)   | -       | (10)     |
| Adjusted   | 95      | 344     | 105     | 3     | (1)     | 546      |
| Profit/(loss) before tax   |         |         |         |       |         |          |
| Reported   | 445     | 1,224   | 1,015   | 83    | (3,625) | (858)    |
| Currency translation   | (5)     | (41)    | (17)    | (2)   | 18      | (47)     |
| Significant items  | 1,076   | 154     | 257     | 27    | 1,248   | 2,762    |

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|                      |       |       |       |     |         |       |
|----------------------|-------|-------|-------|-----|---------|-------|
| - revenue            | 174   | 17    | 199   | (6) | 793     | 1,177 |
| - operating expenses | 902   | 137   | 58    | 33  | 455     | 1,585 |
| Adjusted             | 1,516 | 1,337 | 1,255 | 108 | (2,359) | 1,857 |

1 Amounts are non-additive across global businesses due to inter-company transactions within the Group.

Reconciliation of reported results to adjusted performance - global businesses (continued)

Quarter ended 31 March 2015

|  | RBWM<br>\$m | CMB<br>\$m | GB&M<br>\$m | GPB<br>\$m | Other<br>\$m | Total<br>\$m |
|--|-------------|------------|-------------|------------|--------------|--------------|
| Revenue  |             |            |             |            |              |              |
| Reported <sup>1</sup>  | 5,911       | 3,786      | 5,242       | 613        | 1,831        | 15,892       |
| Currency translation <sup>1</sup>  | (438)       | (230)      | (269)       | (15)       | (49)         | (949)        |
| Significant items  | 170         | -          | (90)        | (24)       | (542)        | (486)        |
| - DVA on derivative contracts  | -           | -          | (98)        | -          | -            | (98)         |
| - fair value movements on non-qualifying hedges  | 158         | -          | 8           | -          | 119          | 285          |
| - gain on the partial sale of shareholding in Industrial Bank  | -           | -          | -           | -          | (363)        | (363)        |
| - own credit spread  | -           | -          | -           | -          | (298)        | (298)        |
| - provisions/(releases) arising from the ongoing review of compliance with the Consumer Credit Act in the UK | 12          | -          | -           | (24)       | -            | (12)         |
| Adjusted <sup>1</sup>  | 5,643       | 3,556      | 4,883       | 574        | 1,240        | 14,457       |
| LICs   |             |            |             |            |              |              |
| Reported   | (460)       | (216)      | 108         | (2)        | -            | (570)        |
| Currency translation   | 78          | 25         | (2)         | -          | -            | 101          |
| Adjusted   | (382)       | (191)      | 106         | (2)        | -            | (469)        |
| Operating expenses   |             |            |             |            |              |              |
| Reported <sup>1</sup>  | (3,928)     | (1,639)    | (2,437)     | (551)      | (1,781)      | (8,845)      |
| Currency translation <sup>1</sup>  | 332         | 112        | 107         | 18         | 59           | 576          |
| Significant items  | 95          | 49         | 4           | 139        | 32           | 319          |
| - regulatory provisions in GBP   | -           | -          | -           | 139        | -            | 139          |
| - restructuring and other related costs  | 5           | 2          | 4           | -          | 32           | 43           |
| - UK customer redress programmes   | 90          | 47         | -           | -          | -            | 137          |
| Adjusted <sup>1</sup>  | (3,501)     | (1,478)    | (2,326)     | (394)      | (1,690)      | (7,950)      |
| Share of profit/(loss) in associates and joint ventures  |             |            |             |            |              |              |
| Reported   | 87          | 363        | 128         | 5          | (1)          | 582          |
| Currency translation   | (3)         | (18)       | (4)         | (2)        | 3            | (24)         |

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|                          |       |       |       |      |       |       |
|--------------------------|-------|-------|-------|------|-------|-------|
| Adjusted                 | 84    | 345   | 124   | 3    | 2     | 558   |
| Profit/(loss) before tax |       |       |       |      |       |       |
| Reported                 | 1,610 | 2,294 | 3,041 | 65   | 49    | 7,059 |
| Currency translation     | (31)  | (111) | (168) | 1    | 13    | (296) |
| Significant items        | 265   | 49    | (86)  | 115  | (510) | (167) |
| - revenue                | 170   | -     | (90)  | (24) | (542) | (486) |
| - operating expenses     | 95    | 49    | 4     | 139  | 32    | 319   |
| Adjusted                 | 1,844 | 2,232 | 2,787 | 181  | (448) | 6,596 |

1 Amounts are non-additive across global businesses due to inter-company transactions within the Group.

Gross loans and advances by industry sector and by geographical region

|   | Europe  | Asia    | MENA   | North America | Latin America | Total     | As a % of total gross loans |
|---|---------|---------|--------|---------------|---------------|-----------|-----------------------------|
|   | \$m     | \$m     | \$m    | \$m           | \$m           | \$m       |                             |
| At 31 March 2016                                |         |         |        |               |               |           |                             |
| Personal  | 168,429 | 134,105 | 6,635  | 54,199        | 6,122         | 369,490   | 36.0                        |
| First lien residential mortgages                | 122,228 | 96,413  | 2,354  | 46,244        | 2,052         | 269,291   | 26.2                        |
| Other personal                                  | 46,201  | 37,692  | 4,281  | 7,955         | 4,070         | 100,199   | 9.8                         |
| Wholesale                                       |         |         |        |               |               |           |                             |
| Corporate and commercial                        | 198,326 | 204,101 | 22,500 | 64,547        | 11,728        | 501,202   | 48.8                        |
| - manufacturing                                 | 39,032  | 32,495  | 2,304  | 18,357        | 2,528         | 94,716    | 9.2                         |
| - international trade and services              | 67,791  | 68,811  | 9,617  | 11,769        | 2,686         | 160,674   | 15.7                        |
| - commercial real estate                        | 24,286  | 32,282  | 610    | 7,324         | 1,446         | 65,948    | 6.4                         |
| - other   |         |         |        |               |               |           |                             |
| property-related                                | 8,130   | 34,926  | 1,816  | 9,222         | 461           | 54,555    | 5.3                         |
| - government                                    | 2,811   | 940     | 1,697  | 356           | 722           | 6,526     | 0.6                         |
| - other commercial                              | 56,276  | 34,647  | 6,456  | 17,519        | 3,885         | 118,783   | 11.6                        |
| Financial                                       | 51,642  | 76,195  | 10,967 | 14,086        | 3,834         | 156,724   | 15.2                        |
| - non-bank financial institutions               | 33,157  | 14,213  | 2,446  | 8,145         | 754           | 58,715    | 5.7                         |
| - banks   | 18,485  | 61,982  | 8,521  | 5,941         | 3,080         | 98,009    | 9.5                         |
| Total wholesale                                 | 249,968 | 280,296 | 33,467 | 78,633        | 15,562        | 657,926   | 64.0                        |
| Total gross loans and advances at 31 March 2016 | 418,397 | 414,401 | 40,102 | 132,832       | 21,684        | 1,027,416 | 100.0                       |
| Percentage of total gross loans and advances    | 40.7 %  | 40.3 %  | 3.9 %  | 13.0 %        | 2.1 %         | 100.0 %   |                             |

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At 31 December 2015

|  |         |         |        |         |        |           |       |
|--|---------|---------|--------|---------|--------|-----------|-------|
| Personal                                     | 170,526 | 132,707 | 6,705  | 58,186  | 5,958  | 374,082   | 36.5  |
| First lien residential mortgages             | 125,544 | 94,606  | 2,258  | 50,117  | 1,986  | 274,511   | 26.8  |
| Other personal                               | 44,982  | 38,101  | 4,447  | 8,069   | 3,972  | 99,571    | 9.7   |
| Wholesale                                    |         |         |        |         |        |           |       |
| Corporate and commercial                     | 191,765 | 211,224 | 22,268 | 62,882  | 11,374 | 499,513   | 48.8  |
| - manufacturing                              | 39,003  | 34,272  | 2,504  | 17,507  | 2,572  | 95,858    | 9.4   |
| - international trade and services           | 62,667  | 72,199  | 9,552  | 11,505  | 3,096  | 159,019   | 15.5  |
| - commercial real estate                     | 26,256  | 32,371  | 690    | 7,032   | 1,577  | 67,926    | 6.7   |
| - other                                      |         |         |        |         |        |           |       |
| property-related                             | 7,323   | 35,206  | 1,908  | 8,982   | 45     | 53,464    | 5.2   |
| - government                                 | 3,653   | 1,132   | 1,695  | 203     | 772    | 7,455     | 0.7   |
| - other commercial                           | 52,863  | 36,044  | 5,919  | 17,653  | 3,312  | 115,791   | 11.3  |
| Financial                                    | 51,969  | 68,321  | 10,239 | 16,308  | 3,996  | 150,833   | 14.7  |
| - non-bank financial institutions            | 33,621  | 13,969  | 2,321  | 9,822   | 681    | 60,414    | 5.9   |
| - banks                                      | 18,348  | 54,352  | 7,918  | 6,486   | 3,315  | 90,419    | 8.8   |
| Total wholesale                              | 243,734 | 279,545 | 32,507 | 79,190  | 15,370 | 650,346   | 63.5  |
| Total gross loans and advances at            |         |         |        |         |        |           |       |
| 31 December 2015                             | 414,260 | 412,252 | 39,212 | 137,376 | 21,328 | 1,024,428 | 100.0 |
| Percentage of total gross loans and advances | 40.4 %  | 40.3 %  | 3.8 %  | 13.4 %  | 2.1 %  | 100.0 %   |       |

Capital

Reconciliation of regulatory capital from transitional to end point basis

|   | At          |             |
|---|-------------|-------------|
|   | 31 Mar 2016 | 31 Dec 2015 |
|   | \$m         | \$m         |
| Common equity tier 1 capital                            | 132,870     | 130,863     |
| Additional tier 1 capital on a transitional basis       | 20,399      | 22,440      |
| Grandfathered instruments:                              |             |             |
| Preference share premium                                | (870)       | (1,015)     |
| Preference share non-controlling interests              | (1,466)     | (1,711)     |
| Hybrid capital securities                               | (8,046)     | (9,088)     |
| Transitional provisions:                                |             |             |
| Allowable non-controlling interest in additional tier 1 | (726)       | (1,377)     |
| Unconsolidated investments                              | 84          | 121         |

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|  |          |          |
|--|----------|----------|
| Additional tier 1 capital end point basis      | 9,375    | 9,370    |
| Tier 1 capital on an end point basis           | 142,245  | 140,233  |
| Tier 2 capital on a transitional basis         | 33,784   | 36,530   |
| Grandfathered instruments:                     |          |          |
| Perpetual subordinated debt                    | (1,664)  | (1,941)  |
| Term subordinated debt                         | (16,314) | (19,034) |
| Transitional provisions:                       |          |          |
| Allowable non-controlling interest in tier 2   | 17       | 21       |
| Unconsolidated investments                     | (84)     | (121)    |
| Tier 2 capital on an end point basis           | 15,739   | 15,455   |
| Total regulatory capital on an end point basis | 157,984  | 155,688  |

Transitional own funds disclosure

| Ref1 | 31 Mar<br>2016<br>\$m   | CRD IV<br>prescribed<br>residual amount<br>\$m | Final<br>CRD IV<br>text<br>\$m |           |   |
|------|---|--|--------------------------------|-----------|---|
| 6    | Common equity tier 1 capital: before regulatory adjustments     | 169,449  | -                              | 169,449   |   |
| 28   | Total regulatory adjustments to common equity tier 1 (CET1)     | (36,579)                                       | -                              | (36,579)  |   |
| 29   | Common equity tier 1 (CET1) capital                             | 132,870  | -                              | 132,870   |   |
| 36   | Additional tier 1 capital: before regulatory adjustments        | 20,543   | (11,108)                       | 9,435     |   |
| 43   | Total regulatory adjustments to Additional tier 1 (AT1) capital | (144)  | 84                             | (60)      |   |
| 44   | Additional tier 1 (AT1) capital                                 | 20,399   | (11,024)                       | 9,375     |   |
| 45   | Tier 1 capital (T1 = CET1 + AT1)                                | 153,269  | (11,024)                       | 142,245   |   |
| 51   | Tier 2 (T2) capital before regulatory adjustments               | 34,160   | (17,961)                       | 16,199    |   |
| 57   | Total regulatory adjustments to T2 capital                      | (376)  | (84)                           | (460)     |   |
| 58   | Tier 2 (T2) capital   | 33,784   | (18,045)                       | 15,739    |   |
| 59   | Total capital (TC = T1 + T2)                                    | 187,053  | (29,069)                       | 157,984   |   |
| 60   | Total risk-weighted assets                                      | 1,115,172                                      | -                              | 1,115,172 |   |
|      | Capital ratios  |  |                                |           |   |
| 61   | Common equity tier 1  | 11.9   | %                              | 11.9      | % |
| 62   | Tier 1  | 13.7   | %                              | 12.8      | % |
| 63   | Total capital   | 16.8   | %                              | 14.2      | % |

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

Risk-weighted assets  
RWAs by risk type

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|                                  | RWAs at                |                        | Capital required <sup>1</sup> at |                        |
|----------------------------------|------------------------|------------------------|----------------------------------|------------------------|
|                                  | 31 Mar<br>2016<br>\$bn | 31 Dec<br>2015<br>\$bn | 31 Mar<br>2016<br>\$bn           | 31 Dec<br>2015<br>\$bn |
| Credit risk                      | 880.1                  | 875.9                  | 70.4                             | 70.1                   |
| Standardised approach            | 330.4                  | 332.7                  | 26.4                             | 26.6                   |
| IRB foundation approach          | 29.0                   | 27.4                   | 2.3                              | 2.2                    |
| IRB advanced approach            | 520.7                  | 515.8                  | 41.7                             | 41.3                   |
| Counterparty credit risk         | 74.0                   | 69.2                   | 5.9                              | 5.5                    |
| Standardised approach            | 20.6                   | 19.1                   | 1.6                              | 1.5                    |
| - CCR standardised approach      | 4.7                    | 4.7                    | 0.4                              | 0.4                    |
| - Credit valuation adjustment    | 13.7                   | 12.2                   | 1.0                              | 0.9                    |
| - Central counterparty           | 2.2                    | 2.2                    | 0.2                              | 0.2                    |
| Advanced approach                | 53.4                   | 50.1                   | 4.3                              | 4.0                    |
| - CCR IRB approach               | 49.9                   | 46.8                   | 4.0                              | 3.7                    |
| - Credit valuation adjustment    | 3.5                    | 3.3                    | 0.3                              | 0.3                    |
| Market risk                      | 45.7                   | 42.5                   | 3.7                              | 3.4                    |
| Internal model based             | 38.3                   | 34.9                   | 3.1                              | 2.8                    |
| - VaR                            | 7.1                    | 7.7                    | 0.6                              | 0.6                    |
| - Stressed VaR                   | 10.3                   | 9.8                    | 0.8                              | 0.8                    |
| - Incremental risk charge        | 12.3                   | 11.4                   | 1.0                              | 0.9                    |
| - Other VaR and stressed VaR     | 8.6                    | 6.0                    | 0.7                              | 0.5                    |
| Standardised approach            | 7.4                    | 7.6                    | 0.6                              | 0.6                    |
| - Interest rate positions risk   | 3.2                    | 3.0                    | 0.3                              | 0.3                    |
| - Foreign exchange position risk | 0.4                    | 0.6                    | -                                | -                      |
| - Equity position risk           | 1.2                    | 1.3                    | 0.1                              | 0.1                    |
| - Commodity position risk        | -                      | -                      | -                                | -                      |
| - Securitisation                 | 2.6                    | 2.6                    | 0.2                              | 0.2                    |
| - Options                        | -                      | 0.1                    | -                                | -                      |
| Operational risk                 | 115.4                  | 115.4                  | 9.2                              | 9.2                    |
|                                  | 1,115.2                | 1,103.0                | 89.2                             | 88.2                   |
| Of which:                        |                        |                        |                                  |                        |
| Run-off portfolios               |                        |                        |                                  |                        |
|                                  | 62.7                   | 69.3                   | 5.0                              | 5.6                    |
| - legacy credit in GB&M          | 24.8                   | 29.8                   | 2.0                              | 2.4                    |
| - US CML and Other               | 37.9                   | 39.5                   | 3.0                              | 3.2                    |

1 'Capital required' represents the Pillar 1 capital charge at 8% of RWAs.

RWAs by geographical region

|                           | Europe<br>\$bn | Asia<br>\$bn | MENA<br>\$bn | North<br>America<br>\$bn | Latin<br>America<br>\$bn | Total<br>\$bn |
|---------------------------|----------------|--------------|--------------|--------------------------|--------------------------|---------------|
| IRB approach              | 189.5          | 200.3        | 19.4         | 125.5                    | 15.0                     | 549.7         |
| - IRB advanced approach   | 170.4          | 200.3        | 9.5          | 125.5                    | 15.0                     | 520.7         |
| - IRB foundation approach | 19.1           | -            | 9.9          | -                        | -                        | 29.0          |
| Standardised approach     | 47.5           | 174.4        | 31.7         | 32.7                     | 44.1                     | 330.4         |
| NCCR                      | 237.0          | 374.7        | 51.1         | 158.2                    | 59.1                     | 880.1         |
| CCR                       | 35.4           | 16.1         | 1.6          | 17.1                     | 3.8                      | 74.0          |



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|                           |       |       |      |       |      |         |
|---------------------------|-------|-------|------|-------|------|---------|
| Market risk1              | 34.7  | 23.7  | 0.6  | 8.8   | 1.8  | 45.7    |
| Operational risk          | 34.9  | 47.1  | 6.2  | 14.1  | 13.1 | 115.4   |
| At 31 March 2016          | 342.0 | 461.6 | 59.5 | 198.2 | 77.8 | 1,115.2 |
| IRB approach              | 192.6 | 195.9 | 19.4 | 122.5 | 12.8 | 543.2   |
| - IRB advanced approach   | 175.1 | 195.9 | 9.5  | 122.5 | 12.8 | 515.8   |
| - IRB foundation approach | 17.5  | -     | 9.9  | -     | -    | 27.4    |
| Standardised approach     | 46.8  | 177.7 | 32.0 | 33.9  | 42.3 | 332.7   |
| NCCR                      | 239.4 | 373.6 | 51.4 | 156.4 | 55.1 | 875.9   |
| CCR                       | 32.1  | 17.1  | 1.8  | 14.6  | 3.6  | 69.2    |
| Market risk1              | 31.0  | 21.9  | 1.0  | 6.5   | 1.6  | 42.5    |
| Operational risk          | 34.9  | 47.1  | 6.2  | 14.1  | 13.1 | 115.4   |
| At 31 December 2015       | 337.4 | 459.7 | 60.4 | 191.6 | 73.4 | 1,103.0 |

1 RWAs are non-additive across geographical regions due to market risk diversification effects within the Group.  
RWAs by global business

|                           | Principal<br>RBWM<br>\$bn | US<br>run-off<br>portfolio<br>\$bn | Total<br>RBWM<br>\$bn | CMB<br>\$bn | GB&M<br>\$bn | GPB<br>\$bn | Other<br>\$bn | Total<br>\$bn |
|---------------------------|---------------------------|------------------------------------|-----------------------|-------------|--------------|-------------|---------------|---------------|
| IRB approach              | 58.5                      | 31.6                               | 90.1                  | 221.0       | 218.9        | 8.3         | 11.4          | 549.7         |
| - IRB advanced approach   | 58.5                      | 31.6                               | 90.1                  | 201.3       | 210.8        | 8.2         | 10.3          | 520.7         |
| - IRB foundation approach | -                         | -                                  | -                     | 19.7        | 8.1          | 0.1         | 1.1           | 29.0          |
| Standardised approach     | 58.2                      | 3.9                                | 62.1                  | 169.9       | 68.9         | 7.4         | 22.1          | 330.4         |
| NCCR                      | 116.7                     | 35.5                               | 152.2                 | 390.9       | 287.8        | 15.7        | 33.5          | 880.1         |
| CCR                       | -                         | -                                  | -                     | -           | 73.5         | 0.3         | 0.2           | 74.0          |
| Market risk1              | -                         | -                                  | -                     | -           | 45.4         | -           | 0.3           | 45.7          |
| Operational risk          | 33.5                      | 2.4                                | 35.9                  | 31.0        | 45.1         | 3.3         | 0.1           | 115.4         |
| At 31 March 2016          | 150.2                     | 37.9                               | 188.1                 | 421.9       | 451.8        | 19.3        | 34.1          | 1,115.2       |
| IRB advanced approach     | 59.0                      | 33.2                               | 92.2                  | 199.0       | 207.5        | 8.4         | 8.7           | 515.8         |
| IRB foundation approach   | -                         | -                                  | -                     | 19.0        | 7.3          | 0.1         | 1.0           | 27.4          |
| Standardised approach     | 57.6                      | 3.8                                | 61.4                  | 172.0       | 69.7         | 7.2         | 22.4          | 332.7         |
| NCCR                      | 116.6                     | 37.0                               | 153.6                 | 390.0       | 284.5        | 15.7        | 32.1          | 875.9         |
| CCR                       | -                         | -                                  | -                     | -           | 68.7         | 0.3         | 0.2           | 69.2          |
| Market risk1              | -                         | -                                  | -                     | -           | 42.2         | -           | 0.3           | 42.5          |
| Operational risk          | 33.5                      | 2.4                                | 35.9                  | 31.0        | 45.2         | 3.3         | -             | 115.4         |
| At 31 December 2015       | 150.1                     | 39.4                               | 189.5                 | 421.0       | 440.6        | 19.3        | 32.6          | 1,103.0       |

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

First interim dividend for 2016

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The Directors of HSBC Holdings plc have declared a first interim dividend of \$0.10 per ordinary share in respect of the year ending 31 December 2016 in accordance with their intention, as set out in the Annual Report and Accounts 2015

, to pay quarterly dividends on the ordinary shares in a pattern of three equal dividends with a variable fourth interim dividend. The ordinary shares will be quoted ex-dividend in London, Hong Kong, Paris and Bermuda on 19 May 2016. The American Depositary Shares will be quoted ex-dividend in New York on 18 May 2016. The dividend will be payable on 6 July 2016 to holders of record on 20 May 2016.

The first interim dividend will be payable on 6 July 2016 in cash in United States dollars, sterling or Hong Kong dollars, or a combination of these currencies, at the forward exchange rates quoted by HSBC Bank plc in London at or about 11.00am on 27 June 2016, or as a scrip dividend alternative. Particulars of these arrangements will be mailed to holders of ordinary shares on or about 3 June 2016 and elections will be required to be made by 23 June 2016.

Any person who has acquired ordinary shares registered on the Principal register in the United Kingdom, the Hong Kong Overseas Branch register or the Bermuda Overseas Branch register but who has not lodged the share transfer with the Principal Registrar, Hong Kong or Bermuda Overseas Branch Registrar should do so before 4.00pm local time on 20 May 2016 in order to receive the dividend.

Ordinary shares may not be removed to or from the Principal register in the United Kingdom, the Hong Kong Overseas Branch register or the Bermuda Overseas Branch register on 20 May 2016. Any person wishing to remove ordinary shares to or from each register must do so before 4.00pm local time on 19 May 2016.

The dividend will be payable on ordinary shares held through Euroclear France, the settlement and central depository system for Euronext Paris, on 6 July 2016 to the holders of record on 20 May 2016. The dividend will be payable by Euroclear France in cash, in euros, at the forward exchange rate quoted by HSBC France at or about 12.00pm on 27 June 2016, or as a scrip dividend. Particulars of these arrangements will be announced through Euronext Paris on 6 May, 27 May and 27 June 2016.

The dividend will be payable on American Depositary Shares, each of which represents five ordinary shares, on 6 July 2016 to holders of record on 20 May 2016. The dividend of \$0.50 per American Depositary Share will be payable by the depository in cash in US dollars or as a scrip dividend of new American Depositary Shares. Particulars of these arrangements will be mailed to holders on or about 3 June 2016 and elections will be required to be made by 17 June 2016. Alternatively, the cash dividend may be invested in additional American Depositary Shares for participants in the dividend reinvestment plan operated by the depository.

In order to be eligible to receive the dividend, American Depositary Shares must be registered on the books of the depository by close of business on 20 May 2016.

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

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

A non-cumulative fixed-rate dividend of 6.20% per annum is payable on the Series A Dollar Preference Shares on 15 March, 15 June, 15 September and 15 December 2016 for the quarter then ended at the sole and absolute discretion of the Board of HSBC Holdings plc. Accordingly, the Board of HSBC Holdings plc has declared a dividend of \$0.3875 per Series A American Depositary Share for the quarter ending 15 June 2016.

The dividend will be payable on 15 June 2016 to holders of record on 31 May 2016.

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Any person who has acquired Series A American Depositary Shares but who has not lodged the transfer documentation with the depository should do so before 12.00pm on 31 May 2016 in order to receive the dividend.

For and on behalf of

HSBC Holdings plc

Ben J S Mathews  
Group Company Secretary

The Board of Directors of HSBC Holdings plc as at the date of this announcement are: 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

Please click on the following link to view the HSBC Holdings plc Data Pack for Q1 2016:

[http://www.rns-pdf.londonstockexchange.com/rns/9446W\\_1-2016-5-2.pdf](http://www.rns-pdf.londonstockexchange.com/rns/9446W_1-2016-5-2.pdf)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HSBC Holdings plc

By:

Name: Ben J S Mathews

Title: Group Company Secretary

Date: 03 May 2016