

HSBC HOLDINGS PLC
Form 6-K
October 29, 2018
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 October 2018

Commission File Number: 001-14930

HSBC Holdings plc

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

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

Form 20-F Form 40-F

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

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(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-.....).

This Report on Form 6-K with respect to our quarterly results for the three-month and nine-month period ended September 30, 2018 is hereby incorporated by reference in the following HSBC Holdings plc registration statements: Registration Statements on Form F-3 (Nos. 333-92024, 333-135007, 333-158065, 333-180288, 333-202420, 333-223191) and Registration Statement on Form F-4 (No. 333-126531).

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

29 October 2018

HSBC HOLDINGS PLC

3Q18 EARNINGS RELEASE – HIGHLIGHTS

Financial performance

Reported profit before tax for 9M18 of \$16.6bn was 12% higher than for 9M17, reflecting revenue growth in all of our global businesses, partly offset by higher operating expenses. Adjusted profit before tax of \$18.3bn was 4% higher than for 9M17, excluding the effects of foreign currency translation differences and movements in significant items.

Reported revenue for 9M18 of \$41.1bn was 5% higher, notably driven by a rise in deposit revenue across our global businesses, primarily in Asia, as we benefited from wider margins and grew our balances. These increases were partly offset by lower revenue in Corporate Centre. Adjusted revenue of \$41.4bn was 4% higher, excluding the effects of foreign currency translation differences and movements in significant items.

Reported operating expenses for 9M18 of \$25.5bn were 2% higher, primarily reflecting investments to grow the business and enhance our digital capabilities, and the effects of foreign currency translation differences, partly offset by a favourable movement in significant items. Adjusted operating expenses of \$24.1bn were 6% higher, excluding the effects of foreign currency translation differences and movements in significant items.

Adjusted jaws for 9M18 was negative 1.6%.

Reported profit before tax for 3Q18 of \$5.9bn was 28% higher than for 3Q17, reflecting strong revenue growth and lower operating expenses. Adjusted profit before tax of \$6.2bn was 16% higher, excluding the effects of foreign currency translation differences and movements in significant items.

Reported loans and advances to customers increased by \$8.0bn during 3Q18. Excluding foreign currency translation differences, loans and advances grew by \$14bn or 1% from 2Q18.

Capital base remained strong with a common equity tier 1 ('CET1') ratio of 14.3% and a CRD IV leverage ratio of 5.4%.

John Flint, Group Chief Executive, said:

“These are encouraging results that demonstrate the revenue potential of HSBC. We are doing what we said we would – delivering growth from areas of strength, and investing in the business while keeping a strong grip on costs. We remain committed to growing profits, generating value for shareholders and improving the service we offer our customers around the world.”

Financial highlights and key ratios

| | 9 months ended 30 | | | Quarter ended 30 | | |
|--|-------------------|--------|--------|------------------|-------|--------|
| | Sep | 2017 | Change | Sep | 2017 | Change |
| | \$m | \$m | % | \$m | \$m | % |
| Reported profit before tax | 16,634 | 14,863 | 12 | 5,922 | 4,620 | 28 |
| Adjusted profit before tax | 18,332 | 17,698 | 4 | 6,193 | 5,332 | 16 |
| | % | % | % | % | % | % |
| Return on average ordinary shareholders' equity (annualised) | 9.0 | 8.2 | 9.8 | 9.6 | 7.1 | 35.2 |
| Return on average tangible equity (annualised) | 10.1 | 9.3 | 8.6 | 10.9 | 8.2 | 32.9 |

Adjusted jaws (1.6 %)

We use adjusted performance to understand the underlying trends in the business. The main differences between reported and adjusted figures are foreign currency translation and significant items, which include litigation and regulatory items, offset by the non-recurrence of costs to achieve in 9M18.

Capital and balance sheet

At
30 Sep 30 Jun 31 Dec

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| | | 2018 | 2018 | 2017 |
|---------------------------------|-----------|-----------|-----------|-----------|
| | Footnotes | % | % | % |
| Common equity tier 1 ratio | 1 | 14.3 | 14.2 | 14.5 |
| Leverage ratio | 1 | 5.4 | 5.4 | 5.6 |
| | | \$m | \$m | \$m |
| Loans and advances to customers | | 981,460 | 973,443 | 962,964 |
| Customer accounts | | 1,345,375 | 1,356,307 | 1,364,462 |
| Risk-weighted assets | 1 | 862,652 | 865,467 | 871,337 |

¹ Calculated using the EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation. Figures at 31 December 2017 are reported under IAS 39.

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Earnings Release – 3Q18

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HSBC Holdings plc – Earnings Release

HSBC Holdings plc will be conducting a trading update conference call with analysts and investors today to coincide with the publication of its Earnings Release. The call will take place at 07.30am GMT. Details of how to participate in the call and the live audio webcast can be found at www.hsbc.com/investor-relations.

Note to editors

HSBC Holdings plc

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from approximately 3,800 offices in 66 countries and territories in our geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of \$2,603bn at 30 September 2018, HSBC is one of the world’s largest banking and financial services organisations.

2HSBC Holdings plc Earnings Release 3Q18

Review by John Flint, Group Chief Executive

Our June 2018 Strategy Update outlined how we intend to bring HSBC back to growth and create value for shareholders. We are starting to see progress. We grew both reported and adjusted profits significantly compared with 3Q17, thanks largely to strong revenue growth in our three main global businesses.

Retail Banking and Wealth Management and Commercial Banking built on the momentum generated in the first half of the year, with both using the benefits of past investment to grow lending and deposit balances. Adjusted revenue growth in Retail Banking and Wealth Management came primarily from current accounts, savings and deposits, particularly in Hong Kong. In Commercial Banking, all of our transaction banking businesses generated higher adjusted revenue, including a sixth consecutive quarter of double-digit year-on-year adjusted revenue growth in Global Liquidity and Cash Management.

Global Banking and Markets had a very good quarter on the back of our strength in transaction banking and Foreign Exchange. Our differentiated Global Banking and Markets business model continues to deliver for our clients, leverage our strengths and generate stable, balanced revenue returns for the Group.

The strong revenue environment continues to enable us to invest in growth and in the simplification of the organisation to make it easier for our customers to bank with us and for colleagues to do their jobs.

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Earnings Release – 3Q18

Adoption of IFRS 9 ‘Financial Instruments’

HSBC adopted the requirements of IFRS 9 on 1 January 2018, with the exception of the provisions relating to the presentation of gains and losses on financial liabilities designated at fair value, which were adopted from 1 January 2017. The adoption of IFRS 9 reduced our net assets at 1 January 2018 by \$1.6bn.

Under IFRS 9, the recognition and measurement of expected credit losses differs from the approach under IAS 39. The change in expected credit losses relating to financial assets under IFRS 9 is recorded in the income statement as the ‘change in expected credit losses and other credit impairment charges’ (‘ECL’). As prior periods have not been restated, changes in impairment of financial assets in the comparative periods remain in accordance with IAS 39 and are recorded in the income statement as ‘loan impairment charges and other credit risk provisions’ (‘LICs’) and are therefore not necessarily comparable to ECL recorded for the current period.

Further explanation of the impact of the implementation of IFRS 9 is provided in Note 1 on the Financial Statements on page 82 of the Interim Report 2018.

Adoption of IAS 29 ‘Financial Reporting in Hyperinflationary Economies’

From 1 July 2018, Argentina was deemed a hyperinflationary economy for accounting purposes.

The results of HSBC’s operations with a functional currency of the Argentine peso have been prepared in accordance with IAS 29 ‘Financial Reporting in Hyperinflationary Economies’ as if the economy had always been hyperinflationary. The results of those operations for the nine-month period ended 30 September 2018 are stated in terms of current purchasing power using the Índice de Precios al Consumidor at 30 September 2018 with the corresponding adjustment presented in 3Q18. In accordance with IAS 21 ‘The Effects of Changes in Foreign Exchange Rates’, the results have been translated and presented in US dollars at the prevailing rate of exchange on 30 September 2018, and the Group’s comparative information presented in US dollars with respect to the three-month and nine-month periods ended 30 September 2017 have not been restated.

The impact of applying IAS 29 and the hyperinflation provisions of IAS 21 in the current period was a decrease in the Group’s profit before tax of \$145m, comprising a decrease in revenue of \$304m, a decrease in ECL of \$20m, and a decrease in operating expenses of \$139m.

Adjusted performance

Adjusted performance is computed by adjusting reported results for the effects of foreign currency translation differences and significant items, which both distort period-on-period comparisons.

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

Foreign currency translation differences

Foreign currency translation differences reflect the movements of the US dollar against most major currencies. We exclude them to derive constant currency data, allowing us to assess balance sheet and income statement performance on a like-for-like basis and better understand the underlying trends in the business.

Foreign currency translation differences

Foreign currency translation differences for 9M18 and 3Q18 are computed by retranslating into US dollars for non-US dollar branches, subsidiaries, joint ventures and associates:

- the income statement for 9M17 at the average rates of exchange for 9M18;
- the income statement for quarterly periods at the average rates of exchange for 3Q18; and
- the closing prior period balance sheets at the prevailing rates of exchange on 30 September 2018.

No adjustment has been made to the exchange rates used to translate foreign currency denominated assets and liabilities into the functional currencies of any HSBC branches, subsidiaries, joint ventures or associates. The constant currency data of HSBC’s Argentinian subsidiaries has not been adjusted further for the impacts of hyperinflation.

When reference is made to foreign currency translation differences in tables or commentaries, comparative data

reported in the functional currencies of HSBC's operations have been translated at the appropriate exchange rates applied in the current period on the basis described above.

Significant items

'Significant items' refers collectively to the items that management and investors would ordinarily identify and consider separately to understand better the underlying trends in the business.

The tables on pages 37 to 47 detail the effects of significant items on each of our global business segments and geographical regions during 9M18, 3Q18 and the respective comparatives in 2017, as well as 2Q18.

Adjusted performance – foreign currency translation of significant items

The foreign currency translation differences related to significant items are presented as a separate component of significant items. This is considered a more meaningful presentation as it allows better comparison of period-on-period movements in performance.

Global business performance

The Group Chief Executive, supported by the rest of the Group Management Board ('GMB'), is considered to be the Chief Operating Decision Maker ('CODM') for the purposes of identifying the Group's reportable segments.

The Group Chief Executive and the rest of the GMB review operating activity on a number of bases, including by global business and geographical region. Global businesses are our reportable segments under IFRS 8 'Operating Segments'. Global business results are assessed by the CODM on the basis of adjusted performance, which removes the effects of significant items and currency translation from reported results. We therefore present these results on an adjusted basis as required by IFRSs.

A reconciliation of the Group's adjusted results to the Group's reported results is presented on page 5. Supplementary reconciliations of adjusted to reported results by global business are presented on pages 37 to 41 for information purposes.

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Management view of adjusted revenue

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

Reconciliation of reported and adjusted results

| | Footnotes | Nine months ended | | Quarter ended | | |
|--|-----------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 30 Sep 2018 \$m | 30 Sep 2017 \$m | 30 Sep 2018 \$m | 30 Jun 2018 \$m | 30 Sep 2017 \$m |
| Revenue | | | | | | |
| Reported | | 41,085 | 39,144 | 13,798 | 13,577 | 12,978 |
| Currency translation | | | 586 | | (360) | (314) |
| Significant items | | 291 | (52) |)43 | 111 | 54 |
| – customer redress programmes | | (46) |)3 | — | (46) |)3 |
| – disposals, acquisitions and investment in new businesses | | 142 | (353) |)— | 30 | 5 |
| – fair value movement on financial instruments | 1 | 195 | 290 | 43 | 124 | 45 |
| – currency translation of significant items | | | 8 | | 3 | 1 |
| Adjusted | | 41,376 | 39,678 | 13,841 | 13,328 | 12,718 |
| ECL/LICs | | | | | | |
| Reported | | (914) |)(1,111) |)(507) |)(237) |)(448) |
| Currency translation | | | 25 | | 22 | 19 |
| Adjusted | | (914) |)(1,086) |)(507) |)(215) |)(429) |
| Operating expenses | | | | | | |
| Reported | | (25,515) |)(24,989) |)(7,966) |)(8,166) |)(8,546) |
| Currency translation | | | (489) |) | 228 | 201 |
| Significant items | | 1,407 | 2,700 | 228 | 39 | 762 |
| – cost of structural reform | 2 | 300 | 289 | 89 | 85 | 109 |
| – costs to achieve | | — | 2,347 | — | — | 677 |
| – customer redress programmes | | 162 | 383 | 62 | 7 | 84 |
| – disposals, acquisitions and investment in new businesses | | 54 | 14 | 51 | 1 | 4 |
| – restructuring and other related costs | | 51 | — | 27 | 4 | — |
| – settlements and provisions in connection with legal and regulatory matters | | 840 | (426) |)(1) |)(56) |)(104) |
| – currency translation of significant items | | | 93 | | (2) |)(8) |
| Adjusted | | (24,108) |)(22,778) |)(7,738) |)(7,899) |)(7,583) |
| Share of profit in associates and joint ventures | | | | | | |
| Reported | | 1,978 | 1,819 | 597 | 783 | 636 |
| Currency translation | | | 65 | | (38) |)(10) |
| Adjusted | | 1,978 | 1,884 | 597 | 745 | 626 |
| Profit before tax | | | | | | |
| Reported | | 16,634 | 14,863 | 5,922 | 5,957 | 4,620 |
| Currency translation | | | 187 | | (148) |)(104) |
| Significant items | | 1,698 | 2,648 | 271 | 150 | 816 |
| – revenue | | 291 | (52) |)43 | 111 | 54 |
| – operating expenses | | 1,407 | 2,700 | 228 | 39 | 762 |
| Adjusted | | 18,332 | 17,698 | 6,193 | 5,959 | 5,332 |
| Loans and advances to customers (net) | | | | | | |
| Reported | | 981,460 | 945,168 | 981,460 | 973,443 | 945,168 |
| Currency translation | | | (20,174) |) | (6,358) |)(20,174) |

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| | | | | | |
|----------------------|-----------|-----------|-----------|-----------|-----------|
| Adjusted | 981,460 | 924,994 | 981,460 | 967,085 | 924,994 |
| Customer accounts | | | | | |
| Reported | 1,345,375 | 1,337,121 | 1,345,375 | 1,356,307 | 1,337,121 |
| Currency translation | | (24,114) | | (7,402) | (24,114) |
| Adjusted | 1,345,375 | 1,313,007 | 1,345,375 | 1,348,905 | 1,313,007 |

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

Comprises costs associated with the UK's exit from the European Union, costs to establish the UK ring-fenced bank 2 (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

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Earnings Release – 3Q18

Financial performance commentary

Distribution of results by global business

| | Nine months ended | | Quarter ended | | |
|--------------------------------------|-------------------|-------------|---------------|-------------|-------------|
| | 30 Sep 2018 | 30 Sep 2017 | 30 Sep 2018 | 30 Jun 2018 | 30 Sep 2017 |
| | \$m | \$m | \$m | \$m | \$m |
| Adjusted profit before tax | | | | | |
| Retail Banking and Wealth Management | 5,726 | 5,077 | 2,096 | 1,716 | 1,681 |
| Commercial Banking | 5,999 | 5,183 | 1,888 | 1,962 | 1,619 |
| Global Banking and Markets | 5,379 | 5,043 | 1,811 | 1,804 | 1,500 |
| Global Private Banking | 285 | 200 | 95 | 76 | 55 |
| Corporate Centre | 943 | 2,195 | 303 | 401 | 477 |
| Total | 18,332 | 17,698 | 6,193 | 5,959 | 5,332 |

Distribution of results by geographical region

| | Nine months ended | | Quarter ended | | |
|-----------------------------------|-------------------|-------------|---------------|-------------|-------------|
| | 30 Sep 2018 | 30 Sep 2017 | 30 Sep 2018 | 30 Jun 2018 | 30 Sep 2017 |
| | \$m | \$m | \$m | \$m | \$m |
| Reported profit/(loss) before tax | | | | | |
| Europe | 744 | 522 | 634 | 128 | (50) |
| Asia | 13,839 | 11,659 | 4,459 | 4,612 | 4,029 |
| Middle East and North Africa | 1,158 | 1,168 | 322 | 399 | 364 |
| North America | 509 | 1,080 | 467 | 638 | 127 |
| Latin America | 384 | 434 | 40 | 180 | 150 |
| Total | 16,634 | 14,863 | 5,922 | 5,957 | 4,620 |
| Adjusted profit before tax | | | | | |
| Europe | 1,372 | 2,638 | 908 | 191 | 536 |
| Asia | 13,810 | 12,176 | 4,450 | 4,523 | 3,953 |
| Middle East and North Africa | 1,157 | 1,177 | 323 | 398 | 361 |
| North America | 1,576 | 1,297 | 472 | 664 | 353 |
| Latin America | 417 | 410 | 40 | 183 | 129 |
| Total | 18,332 | 17,698 | 6,193 | 5,959 | 5,332 |

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

The tables on pages 37 to 47 reconcile reported to adjusted results for each of our global business segments and geographical regions.

Group

3Q18 compared with 3Q17 – reported results

Movement in reported profit before tax compared with 3Q17

| | Quarter ended | | Variance | |
|----------|---------------|-------------|---------------|------|
| | 30 Sep 2018 | 30 Sep 2017 | 3Q18 vs. 3Q17 | |
| | \$m | \$m | \$m | % |
| Revenue | 13,798 | 12,978 | 820 | 6 |
| ECL/LICs | (507) | (448) | (59) | (13) |

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| | | | | |
|---|----------|----------|-------|------|
| Operating expenses | (7,966) | (8,546) | 580 | 7 |
| Share of profit from associates and JVs | 597 | 636 | (39) | (6) |
| Profit before tax | 5,922 | 4,620 | 1,302 | 28 |

Reported profit before tax

Reported profit before tax of \$5.9bn in 3Q18 was \$1.3bn or 28% higher than in 3Q17. The increase included net favourable movements in significant items of \$0.5bn, which were partly offset by an adverse impact of foreign currency translation differences of \$0.1bn.

Excluding the effects of significant items and foreign currency translation differences, profit before tax rose by \$0.9bn or 16% as revenue growth of \$1.1bn was partly offset by a \$0.2bn increase in operating expenses.

Reported revenue

Reported revenue of \$13.8bn in 3Q18 was \$0.8bn or 6% higher than in 3Q17, reflecting growth in our RBWM, CMB and GB&M global businesses, partly offset by a reduction in Corporate Centre.

Foreign currency translation differences reduced revenue growth by \$0.3bn, while movements in significant items between the periods were minimal. Excluding foreign currency translation differences and significant items, revenue increased by \$1.1bn or 9%.

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Reported ECL/LICs

The reported change in expected credit losses and other credit impairment charges ('ECL') was \$0.5bn in 3Q18. This mainly related to charges in RBWM (\$0.3bn) and CMB (\$0.2bn). There were minimal net releases of ECL in GB&M, Corporate Centre and GPB.

In 3Q17, reported loan impairment charges and other credit risk provisions ('LICs') of \$0.4bn were mainly related to RBWM (\$0.2bn) and CMB (\$0.2bn), partly offset by net releases in Corporate Centre. The effect of foreign currency translation differences between the periods was minimal.

Reported operating expenses

Reported operating expenses of \$8.0bn were \$0.6bn or 7% lower than in 3Q17 and included a favourable movement in significant items of \$0.5bn and favourable currency translation differences of \$0.2bn.

The favourable movement in significant items included the non-recurrence of costs to achieve, which were \$0.7bn in 3Q17. This was partly offset by a lower net release related to settlements and provisions in connection with legal and regulatory matters (down \$0.1bn).

Excluding significant items and foreign currency translation differences, operating expenses increased by \$0.2bn or 2%.

Reported share of profit from associates and JVs

Reported income from associates of \$0.6bn decreased by \$39m or 6%. Excluding unfavourable foreign currency translation differences of \$10m, income from associates decreased by \$29m.

Third interim dividend for 2018

On 2 October 2018, the Board announced a third interim dividend for 2018 of \$0.10 per ordinary share.

Group

3Q18 compared with 3Q17 – adjusted results

Movement in adjusted profit before tax compared with 3Q17

| | Quarter ended | | | |
|---|----------------|----------------|------------------------------|------|
| | 30 Sep 2018 | 30 Sep 2017 | Variance 3Q18 vs. 3Q17 | |
| | \$m | \$m | \$m | % |
| Revenue | 13,841 | 12,718 | 1,123 | 9 |
| ECL/LICs | (507) | (429) | (78) | (18) |
| Operating expenses | (7,738) | (7,583) | (155) | (2) |
| Share of profit from associates and JVs | 597 | 626 | (29) | (5) |
| Profit before tax | 6,193 | 5,332 | 861 | 16 |

Adjusted profit before tax

On an adjusted basis, profit before tax of \$6.2bn was \$0.9bn or 16% higher than in 3Q17. This reflected revenue growth, which was partly offset by a rise in operating expenses. In addition, ECL in 3Q18 were \$0.5bn compared with LICs of \$0.4bn in 3Q17.

From 1 July 2018, Argentina was deemed a hyperinflationary economy for accounting purposes. The impact of applying IAS 29 'Financial Reporting in Hyperinflationary Economies' from 1 July 2018 and presenting in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates' resulted in a \$0.1bn decrease in profit before tax.

Adjusted revenue

Adjusted revenue of \$13.8bn was \$1.1bn or 9% higher than in 3Q17, driven by RBWM, CMB and GB&M, although revenue fell in Corporate Centre and was broadly unchanged in GPB.

In RBWM, revenue increased by \$0.7bn or 14%, driven by growth in Retail Banking, which benefited from wider margins and balance growth in current accounts, savings and deposits. However, personal lending revenue fell mainly due to mortgage spread compression, notably in Hong Kong and the UK. In Wealth Management, revenue was broadly unchanged as the increase in insurance manufacturing revenue was mostly offset by a decrease in investment distribution revenue, notably in Hong Kong.

In CMB, revenue increased by \$0.5bn or 15%, primarily in Global Liquidity and Cash Management ('GLCM') as we benefited from wider deposit margins, notably in Hong Kong, as well as growth in average balances across most

regions. In addition, revenue increased in Credit and Lending ('C&L'), reflecting balance sheet growth across all regions. In Global Trade and Receivables Finance ('GTRF'), revenue increased from growth in Asia and Europe. In GB&M, revenue increased by \$0.4bn or 10%. Strong growth in GLCM and Securities Services reflected interest rate rises and deposit balance growth, primarily in Hong Kong. Despite lower primary corporate issuances and reduced secondary client activity, revenue in Global Banking was broadly unchanged, while Global Markets revenue increased by 5%. In Global Banking, growth in lending balances was offset by lower event-driven business and narrower lending spreads. In Global Markets, revenue rose in Foreign Exchange, as we capitalised on higher volatility in emerging markets and increased client flow, and revenue in Credit increased from higher client activity. Revenue fell in Rates and Equities, reflecting reduced client flow and spread compression.

In GPB, revenue was broadly unchanged. Higher deposit revenue resulting from interest rate rises and growth in annuity fees from strong mandate flows were offset by the effects of our client repositioning actions, primarily in the US, and lower brokerage and trading revenues, mainly in Hong Kong due to a weaker market sentiment.

In Corporate Centre, we recorded negative adjusted revenue of \$0.3bn in 3Q18 compared with adjusted revenue of \$0.2bn in 3Q17. This reduction included the adverse effects of hyperinflation accounting in Argentina of \$0.3bn and adverse fair value movements in 3Q18, compared with favourable fair value movements in 3Q17, relating to the hedging of our long-term debt (down \$0.1bn). These factors were partly offset by higher revenue from our legacy credit portfolio (up \$45m), reflecting gains from asset sales in 3Q18.

Earnings Release – 3Q18

Adjusted ECL/LICs

Adjusted ECL of \$0.5bn in 3Q18 mainly related to charges in RBWM (\$0.3bn) and CMB (\$0.2bn). In RBWM, the charges were mainly in Mexico and the UK against unsecured lending balances, and to a lesser extent in Hong Kong, also against unsecured lending. In CMB, ECL were mainly against a small number of customers in Asia and in MENA, as well as charges reflecting the challenging economic conditions in Turkey.

The Group applied a charge in the period reflecting concerns over possible impacts of escalating tariffs and other trade restrictions, primarily in Hong Kong, across RBWM, CMB and GB&M.

In 3Q17, adjusted LICs of \$0.4bn related to charges in RBWM (\$0.2bn), mainly in Mexico, reflecting growth in unsecured lending together with an associated rise in delinquency.

Adjusted operating expenses

Adjusted operating expenses of \$7.7bn were \$0.2bn or 2% higher than in 3Q17. This reflected investments in business growth programmes mainly in RBWM and GB&M, and continued investment in digital across all global businesses.

The effects of hyperinflation accounting in Argentina resulted in a \$0.1bn decrease in adjusted operating expenses.

Adjusted share of profit from associates and JVs

Adjusted income from associates of \$0.6bn decreased by \$29m or 5%.

Group

9M18 compared with 9M17 – reported results

Movement in reported profit before tax compared with 9M17

| | Nine months ended | | | |
|---|-------------------|----------------|------------------------------|-----|
| | 30 Sep 2018 | 30 Sep 2017 | Variance 9M18 vs. 9M17 | |
| | \$m | \$m | \$m | % |
| Revenue | 41,085 | 39,144 | 1,941 | 5 |
| ECL/LICs | (914) | (1,111) | 197 | 18 |
| Operating expenses | (25,515) | (24,989) | (526) | (2) |
| Share of profit from associates and JVs | 1,978 | 1,819 | 159 | 9 |
| Profit before tax | 16,634 | 14,863 | 1,771 | 12 |

Reported profit before tax

Reported profit before tax of \$16.6bn in 9M18 was \$1.8bn or 12% higher than in 9M17. The increase included a net favourable movement in significant items of \$1.0bn and favourable foreign currency translation differences of \$0.2bn. Excluding these items, profit before tax increased by \$0.6bn to \$18.3bn.

Reported revenue

Reported revenue of \$41.1bn in 9M18 was \$1.9bn or 5% higher than in 9M17, which primarily reflected revenue growth in all global businesses, although revenue fell in Corporate Centre.

The increase in reported revenue included favourable foreign currency translation differences of \$0.6bn, partly offset by a net adverse movement in significant items of \$0.3bn.

Significant items included a net loss on disposals, acquisitions and investment in new businesses of \$0.1bn in 9M18, mainly relating to the early redemption of subordinated debt in the US. This compared with a net gain of \$0.4bn in 9M17, largely related to the disposal of our membership interest in Visa Inc.

This was partly offset by lower adverse fair value movements on financial instruments (up \$0.1bn).

Excluding significant items and currency translation differences, revenue increased by \$1.7bn or 4%.

Reported ECL/LICs

ECL were \$0.9bn in 9M18. These mainly related to charges of \$0.8bn in RBWM and \$0.3bn in CMB, partly offset by net releases of ECL in GB&M and Corporate Centre.

LICs in 9M17 were \$1.1bn and were mainly incurred in RBWM (\$0.8bn) and CMB (\$0.3bn). These charges were partly offset by a net release of \$0.1bn in Corporate Centre.

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

Reported operating expenses

Reported operating expenses of \$25.5bn were \$0.5bn or 2% higher than in 9M17. The increase included an adverse impact of foreign currency translation differences of \$0.5bn and a favourable movement in significant items of \$1.3bn, which included:

- the non-recurrence of costs to achieve, which were \$2.3bn in 9M17; and
- customer redress programme costs of \$0.2bn in 9M18, compared with \$0.4bn in 9M17.

These were partly offset by:

- settlements and provisions in connection with legal matters of \$0.8bn in 9M18. This compared with a net release of \$0.4bn in 9M17.

Excluding significant items and foreign currency translation differences, operating expenses increased by \$1.3bn or 6%.

Reported share of profit from associates and JVs

Reported income from associates of \$2.0bn was \$0.2bn or 9% higher than in 9M17, primarily reflecting an increase in income from Bank of Communications Co., Limited ('BoCom').

Excluding favourable foreign currency translation differences of \$0.1bn, income from associates increased by \$0.1bn.

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Tax expense

The effective tax rate for 9M18 of 22.3% was unchanged compared with 22.3% in 9M17. This reflected a decrease arising from a change in profit mix, modifications to the UK rules governing the utilisation of tax losses and a lower level of non-deductible customer redress expense, offset by the impact of higher non-deductible regulatory settlements and the effects of hyperinflation accounting with respect to Argentina.

Group

9M18 compared with 9M17 – adjusted results

Movement in adjusted profit before tax compared with 9M17

| | Nine months ended | | | |
|---|-------------------|----------------|------------------------------|-----|
| | 30 Sep 2018 | 30 Sep 2017 | Variance 9M18 vs. 9M17 | |
| | \$m | \$m | \$m | % |
| Revenue | 41,376 | 39,678 | 1,698 | 4 |
| ECL/LICs | (914) | (1,086) | 172 | 16 |
| Operating expenses | (24,108) | (22,778) | (1,330) | (6) |
| Share of profit from associates and JVs | 1,978 | 1,884 | 94 | 5 |
| Profit before tax | 18,332 | 17,698 | 634 | 4 |

Adjusted profit before tax

On an adjusted basis, profit before tax of \$18.3bn was \$0.6bn or 4% higher, reflecting strong revenue growth from our global businesses. Operating expenses rose, reflecting the ongoing impact of a number of investments to grow the business. In addition, ECL in 9M18 were \$0.9bn compared with LICs of \$1.1bn in 9M17.

The impact of applying IAS 29 'Financial Reporting in Hyperinflationary Economies' from 1 July 2018 and presenting in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates' resulted in a \$0.1bn reduction in profit before tax.

The growth in adjusted operating expenses exceeded the growth in adjusted revenue, resulting in negative adjusted jaws of 1.6%. The Group remains on track to achieve positive adjusted jaws for the full year based on our current operating plans, while noting the sensitivity of the impact on adjusted jaws of any differences between actual and currently expected revenue and cost growth during the final quarter of the year.

Adjusted revenue

Adjusted revenue of \$41.4bn increased by \$1.7bn or 4% compared with 9M17, reflecting strong revenue growth in all our global businesses, partly offset by lower revenue in Corporate Centre.

In RBWM, revenue increased by \$1.5bn or 10% with growth in both Retail Banking and Wealth Management. In Retail Banking, revenue increased in current accounts, savings and deposits, reflecting wider margins and balance growth, primarily in Hong Kong, the UK and Mexico. This was partly offset by lower personal lending revenue, reflecting mortgage spread compression, notably in Hong Kong, the US and the UK. In Wealth Management, higher investment distribution revenue, reflecting increased investor confidence, more than offset lower life insurance manufacturing revenue, which included a net adverse movement in market impacts.

In CMB, revenue increased by \$1.3bn or 13%, notably in GLCM as we benefited from wider deposit margins, primarily in Hong Kong, and growth in average balances, notably in the UK. In addition, revenue increased in C&L, notably in the UK and Hong Kong, driven by higher average balances.

In GB&M, revenue was \$0.4bn or 4% higher mainly due to strong growth in GLCM and Securities Services, reflecting interest rate rises and deposit balance growth, primarily in Asia. These increases were partly offset by lower revenue in Global Markets as revenue growth in Foreign Exchange was more than offset by reductions in Rates and Credit due to lower volatility and reduced client activity.

In GPB, revenue was \$0.1bn or 4% higher, mainly in Hong Kong from higher deposit revenue as we benefited from wider margins and from higher investment revenue, reflecting strong mandate flows. This increase was partly offset by lower revenue resulting from client repositioning.

These increases were partly offset:

•

In Corporate Centre, negative adjusted revenue of \$0.4bn in 9M18 compared with adjusted revenue of \$1.1bn in 9M17. This reduction included the adverse effects of hyperinflation accounting in Argentina of \$0.3bn, lower revenue in Central Treasury due to adverse fair value movements relating to the hedging of our long-term debt compared with favourable movements in 9M18, a reduction in Balance Sheet Management ('BSM') revenue and a loss arising from swap mark-to-market movements following a bond reclassification under IFRS 9 'Financial Instruments'. Revenue from our legacy portfolios also decreased, mainly driven by losses on portfolio disposals.

Adjusted ECL/LICs

Adjusted ECL of \$0.9bn were mainly related to charges in RBWM (\$0.8bn), notably in Mexico against our unsecured lending balances, and in the UK and Hong Kong, also against unsecured lending. The overall allowance for ECL remained broadly unchanged compared with 1 January 2018 as these new allowances broadly offset releases, mainly from write-offs.

In CMB, ECL of \$0.3bn were mainly in Turkey, the UAE and Mexico across multiple sectors, and in Asia there were charges against a small number of customers. These charges were partly offset by a net release in GB&M (\$0.1bn), mainly relating to a small number of clients in the US. There was also a net release of ECL in Corporate Centre (\$0.1bn) related to our legacy credit portfolio.

The Group applied a charge in the period reflecting concerns over possible impacts of escalating tariffs and other trade restrictions, primarily in Hong Kong, across RBWM, CMB and GB&M.

In 9M17, adjusted LICs of \$1.1bn mainly related to RBWM (\$0.8bn). These included LICs in Mexico, reflecting our strategic growth in unsecured lending and an associated rise in delinquency, and in the UK against unsecured lending. In CMB, LICs of \$0.3bn in 9M17 included charges in Hong Kong and MENA relating to a small number of customers across various sectors. These were partly offset by net releases in Canada and in the US.

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Adjusted operating expenses

Adjusted operating expenses of \$24.1bn were \$1.3bn or 6% higher. This primarily reflected an increase in investments to grow the business (\$0.6bn), notably in RBWM and GB&M. We also increased investment in both our digital capabilities across all of our global businesses (\$0.2bn), and in our productivity programmes (\$0.3bn), mainly in Technology and Operations. In addition, performance-related pay was \$0.2bn higher. The impact of our cost-saving efficiencies more than offset inflation.

We have maintained our momentum to grow the business, including:

• in RBWM, we have continued strong growth in new credit card accounts, notably in the US, Asia and the UK.

• Issuance of HSBC sole-branded credit cards in the Pearl River Delta continued to grow;

• in GB&M, we have made strategic hires in Global Markets and Global Banking, and continued to invest in the securities joint venture in mainland China; and

• in CMB, we have made relationship manager hires, primarily in Hong Kong and mainland China.

The number of employees expressed in full-time equivalent staff ('FTEs') at 30 September 2018 was 233,731, an increase of 5,044 from 31 December 2017. This was primarily driven by investments in business growth programmes across RBWM, GB&M and CMB, supported by Technology.

The effect of hyperinflation accounting in Argentina resulted in a \$0.1bn decrease in adjusted operating expenses.

Adjusted share of profit from associates and JVs

Adjusted share of income from associates of \$2.0bn was \$0.1bn or 5% higher than in 9M17, reflecting an increase in share of income from BoCom.

Retail Banking and Wealth Management

9M18 compared with 9M17 – adjusted results

Management view of adjusted revenue

| | Footnotes | Nine months ended | | | | Quarter ended | | |
|---|-----------|-------------------|-------------|------------------------|-------------|---------------|-------------|--|
| | | 30 Sep 2018 | 30 Sep 2017 | Variance 9M18 vs. 9M17 | 30 Sep 2018 | 30 Jun 2018 | 30 Sep 2017 | |
| | | \$m | \$m | \$m % | \$m | \$m | \$m | |
| Retail Banking | | 11,346 | 10,103 | 1,243 12 | 3,930 | 3,680 | 3,353 | |
| – current accounts, savings and deposits | | 6,216 | 4,637 | 1,579 34 | 2,326 | 1,995 | 1,568 | |
| – personal lending | | 5,130 | 5,466 | (336)(6) | 1,604 | 1,685 | 1,785 | |
| mortgages | | 1,522 | 1,799 | (277)(15) | 426 | 503 | 591 | |
| credit cards | | 2,162 | 2,231 | (69)(3) | 711 | 710 | 720 | |
| other personal lending | 2 | 1,446 | 1,436 | 10 1 | 467 | 472 | 474 | |
| Wealth Management | | 4,975 | 4,832 | 143 3 | 1,595 | 1,541 | 1,555 | |
| – investment distribution | 3 | 2,711 | 2,510 | 201 8 | 804 | 850 | 882 | |
| – life insurance manufacturing | | 1,448 | 1,529 | (81)(5) | 529 | 424 | 413 | |
| – asset management | | 816 | 793 | 23 3 | 262 | 267 | 260 | |
| Other | 4 | 504 | 397 | 107 27 | 235 | 62 | 141 | |
| Net operating income | 1 | 16,825 | 15,332 | 1,493 10 | 5,760 | 5,283 | 5,049 | |
| Adjusted RoRWA (%) | 5 | 6.3 | 5.9 | | 6.7 | 5.6 | 5.7 | |
| RoTE excluding significant items and UK bank levy (%) | 11 | 22.8 | 22.5 | | | | | |

For footnotes, see page 16.

Adjusted profit before tax of \$5.7bn was \$0.6bn or 13% higher, reflecting strong revenue growth in both Retail Banking and Wealth Management. This was partly offset by higher operating expenses (up \$0.8bn), which included investments in digital capabilities and investments to grow the business.

Adjusted revenue of \$16.8bn was \$1.5bn or 10% higher.

In Retail Banking (up \$1.2bn or 12%), the growth reflected:

higher revenue from current accounts, savings and deposits (up \$1.6bn or 34%), due to wider spreads and balance growth in Hong Kong, the UK and Mexico.

This was partly offset by:

lower personal lending revenue (down \$0.3bn or 6%), reflecting mortgage spread compression, notably in Hong Kong, the US and the UK, despite strong balance growth.

In Wealth Management (up \$0.1bn or 3%), the growth reflected:

higher investment distribution revenue (up \$0.2bn or 8%), mainly in Hong Kong, driven by increased investor confidence in the equity markets, higher mutual fund distribution and higher wealth insurance distribution; and life insurance manufacturing new sales growth, albeit this was more than offset by net adverse market impacts of \$0.4bn, which resulted in a net decrease in life insurance manufacturing revenue of \$0.1bn or 5%.

In 9M18, the credit quality of our loan portfolio remained stable. Adjusted ECL of \$0.8bn were mainly related to charges in Mexico and the UK, notably against unsecured lending as new allowances broadly offset write-offs.

In 9M17, adjusted LICs of \$0.8bn were mainly related to targeted unsecured lending growth in Mexico and increased allowances against mortgage and card exposures in the UK.

Adjusted operating expenses of \$10.3bn were \$0.8bn or 9% higher, primarily reflecting a \$0.6bn increase relating to investments. This included \$0.4bn of investments in digital capabilities and marketing to help deliver improved customer service, as well as investments to

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grow the business, particularly in the UK, Hong Kong, mainland China (including the Pearl River Delta) and the US. We also invested an additional \$0.2bn in staff to support front-line growth and technology initiatives, including in Hong Kong, the Pearl River Delta and Mexico.

Commercial Banking

9M18 compared with 9M17 – adjusted results

Management view of adjusted revenue

| | Footnotes | Nine months ended | | | Quarter ended | | |
|--|-----------|-------------------|-------------|------------------------|---------------|-------------|-------------|
| | | 30 Sep 2018 | 30 Sep 2017 | Variance 9M18 vs. 9M17 | 30 Sep 2018 | 30 Jun 2018 | 30 Sep 2017 |
| | | \$m | \$m | \$m % | \$m | \$m | \$m |
| Global Trade and Receivables Finance | | 1,411 | 1,380 | 31 2 | 468 | 466 | 455 |
| Credit and Lending | | 4,007 | 3,819 | 188 5 | 1,336 | 1,313 | 1,275 |
| Global Liquidity and Cash Management | | 4,277 | 3,536 | 741 21 | 1,485 | 1,408 | 1,202 |
| Markets products, Insurance and Investments, and Other | 6 | 1,494 | 1,158 | 336 29 | 461 | 461 | 339 |
| Net operating income | 1 | 11,189 | 9,893 | 1,296 13 | 3,750 | 3,648 | 3,271 |
| Adjusted RoRWA (%) | 5 | 2.6 | 2.4 | | 2.4 | 2.6 | 2.2 |
| RoTE excluding significant items and UK bank levy (%) | 11 | 14.5 | 14.2 | | | | |

For footnotes, see page 16.

Adjusted profit before tax of \$6.0bn was \$0.8bn or 16% higher as strong revenue growth was partly offset by higher operating expenses, while ECL remained stable.

Adjusted revenue was \$1.3bn or 13% higher, driven by increases in GLCM and C&L across all regions. Revenue also increased in Other products, notably in Asia and the UK, as well as in GTRF.

In GLCM, revenue increased by \$0.7bn or 21%, notably in Asia reflecting wider margins in Hong Kong and to a lesser extent in mainland China, as well as growth in average balances notably in the UK. Revenue was also higher in North America, which reflected wider margins and average balance sheet growth.

In C&L, revenue was \$0.2bn or 5% higher as we grew average balances, notably in the UK and Hong Kong, partly offset by the effects of margin compression.

In GTRF, revenue increased by \$31m or 2%, reflecting average balance sheet growth in Asia and the UK.

Adjusted ECL were \$0.3bn in 9M18 as charges in MENA, Asia and Latin America were partly offset by net releases in North America.

In 9M17, adjusted LICs of \$0.3bn, notably in Hong Kong and MENA across various sectors, were partly offset by net releases in North America.

Adjusted operating expenses of \$4.9bn were \$0.5bn or 11% higher, reflecting increased staff costs (up \$0.1bn), including performance-related pay, continued investment in digital capabilities (up \$0.1bn), regulatory and compliance costs, and inflation.

Global Banking and Markets

9M18 compared with 9M17 – adjusted results

Management view of adjusted revenue

| | Footnotes | Nine months ended | | | Quarter ended | | |
|------------------|-----------|-------------------|-------------|------------------------|---------------|-------------|-------------|
| | | 30 Sep 2018 | 30 Sep 2017 | Variance 9M18 vs. 9M17 | 30 Sep 2018 | 30 Jun 2018 | 30 Sep 2017 |
| | | \$m | \$m | \$m % | \$m | \$m | \$m |
| Global Markets | | 5,218 | 5,577 | (359)(6) | 1,744 | 1,567 | 1,657 |
| – FICC | | 4,229 | 4,550 | (321)(7) | 1,460 | 1,294 | 1,329 |
| Foreign Exchange | | 2,378 | 1,994 | 384 19 | 826 | 786 | 595 |

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| | | | | | | | | | |
|---|----|--------|--------|-------|------|-------|-------|-------|---|
| Rates | | 1,179 | 1,766 | (587) | (33) |)384 | 341 | 543 | |
| Credit | | 672 | 790 | (118) | (15) |)250 | 167 | 191 | |
| – Equities | | 989 | 1,027 | (38) | (4) |)284 | 273 | 328 | |
| Securities Services | | 1,479 | 1,310 | 169 | 13 | 498 | 486 | 435 | |
| Global Banking | | 2,968 | 2,966 | 2 | — | 908 | 1,027 | 928 | |
| Global Liquidity and Cash Management | | 1,951 | 1,622 | 329 | 20 | 677 | 623 | 552 | |
| Global Trade and Receivables Finance | | 550 | 540 | 10 | 2 | 191 | 175 | 170 | |
| Principal Investments | | 280 | 260 | 20 | 8 | 109 | 100 | 177 | |
| Credit and funding valuation adjustments | 7 | (5 |)(164 |)159 | 97 | 38 | 22 | (64 |) |
| Other | 8 | 8 | (109 |)117 | >100 | 19 | 2 | (45 |) |
| Net operating income | 1 | 12,449 | 12,002 | 447 | 4 | 4,184 | 4,002 | 3,810 | |
| Adjusted RoRWA (%) | 5 | 2.5 | 2.2 | | | 2.6 | 2.5 | 2.0 | |
| RoTE excluding significant items and UK bank levy (%) | 11 | 12.5 | 12.0 | | | | | | |

For footnotes, see page 16.

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Earnings Release – 3Q18

Adjusted profit before tax of \$5.4bn was \$0.3bn or 7% higher, reflecting increased revenue (up \$0.4bn) and a net release of ECL of \$0.1bn in 9M18 compared with LICs of \$0.1bn in 9M17. This was partly offset by higher operating expenses as we continued to invest in the business.

Adjusted revenue of \$12.4bn was \$0.4bn or 4% higher, which included a net favourable movement of \$0.2bn on credit and funding valuation adjustments.

We grew revenue across all our transaction banking products. GLCM rose by \$0.3bn or 20% and Securities Services by \$0.2bn or 13% as we grew average balances since 3Q17, reflecting continued momentum in winning customer mandates, and from higher interest rates, notably in Asia. GTRF revenue increased as we grew lending balances by 6% since 3Q17, although margins remained stable compared with 9M17.

Global Banking revenue was broadly unchanged as we continued to grow lending balances, partly offset by narrower spreads in Asia and Europe, and from lower capital markets and advisory fees.

Global Markets revenue decreased by \$0.4bn. In fixed income, Rates revenue fell by \$0.6bn and Credit fell by \$0.1bn, reflecting narrower margins and lower activity in emerging markets. By contrast, Foreign Exchange revenue grew by \$0.4bn or 19%, notably within emerging markets, as higher volatility resulted in increased client volumes.

In 9M18, a net release of ECL of \$0.1bn related to a small number of clients in the US, notably in the oil and gas sector. This more than offset charges in the UK against exposures in the retail and construction sectors.

In 9M17, adjusted LICs of \$0.1bn were primarily in the US, reflecting net charges against specific clients, notably in the oil and gas, and mining sectors.

Adjusted operating expenses of \$7.2bn were \$0.3bn or 4% higher, driven by higher regulatory costs, higher volume-related transaction costs and investments to grow the business. Our continued cost management, efficiency improvements and reductions of FTEs broadly offset the impact of inflation.

Global Private Banking

9M18 compared with 9M17 – adjusted results

Management view of adjusted revenue

| | Footnotes | Nine months ended | | Quarter ended | | | |
|---|-----------|-------------------|-------------|------------------------|-------------|-------------|-------------|
| | | 30 Sep 2018 | 30 Sep 2017 | Variance 9M18 vs. 9M17 | 30 Sep 2018 | 30 Jun 2018 | 30 Sep 2017 |
| | | \$m | \$m | \$m % | \$m | \$m | \$m |
| Investment revenue | | 555 | 537 | 18 3 | 166 | 177 | 172 |
| Lending | | 298 | 293 | 5 2 | 96 | 97 | 98 |
| Deposit | | 371 | 297 | 74 25 | 126 | 122 | 103 |
| Other | | 137 | 182 | (45)(25) | 44 | 47 | 61 |
| Net operating income | 1 | 1,361 | 1,309 | 52 4 | 432 | 443 | 434 |
| Adjusted RoRWA (%) | 5 | 2.3 | 1.7 | | 2.3 | 1.8 | 1.3 |
| RoTE excluding significant items and UK bank levy (%) | 11 | 10.9 | 6.0 | | | | |

For footnotes, see page 16.

Adjusted profit before tax of \$285m was \$85m or 43% higher, reflecting revenue growth and a net release of ECL, while operating expenses were broadly unchanged.

Adjusted revenue of \$1.4bn increased by \$52m or 4%, mainly in Hong Kong from higher deposit revenue as margins widened following interest rate rises, and from higher investment revenue from strong mandate flows. Other income decreased, notably as a result of client repositioning.

In 9M18, we attracted net new money inflows of \$11.5bn in key markets targeted for growth, of which more than 60% was from collaboration with our other global businesses. Net new money inflows were mainly in key geographies in Asia and Europe.

In 9M18, there was a net release of ECL of \$16m. This compared with LICs of \$17m in 9M17.

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Adjusted operating expenses of \$1.1bn were broadly unchanged, as an increase in staff costs was offset by lower costs following the wind-down of our operations in Monaco.

Corporate Centre

9M18 compared with 9M17 – adjusted results

Management view of adjusted revenue

| | Footnotes | Nine months ended | | | Quarter ended | | |
|------------------------|-----------|-------------------|-------------|------------------------|---------------|-------------|-------------|
| | | 30 Sep 2018 | 30 Sep 2017 | Variance 9M18 vs. 9M17 | 30 Sep 2018 | 30 Jun 2018 | 30 Sep 2017 |
| | | \$m | \$m | \$m % | \$m | \$m | \$m |
| Central Treasury | 9, 12 | 359 | 1,448 | (1,089)(75) | 111 | 249 | 481 |
| Legacy portfolios | 12 | (81) |)44 | (125)>(100) | 27 | (109) |)(18) |
| Other | 10, 12 | (726) |)(350) |)(376)>(100) | (423) |)(188) |)(309) |
| Net operating income 1 | | (448) |)1,142 | (1,590)>(100) | (285) |)(48) |)154 |

For footnotes, see page 16.

Adjusted profit before tax of \$0.9bn was \$1.3bn or 57% lower, mainly reflecting a reduction in revenue. The reduction in adjusted profit before tax included the net adverse effect of \$0.1bn from hyperinflation accounting in Argentina.

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We recorded negative adjusted revenue of \$0.4bn in 9M18 compared with adjusted revenue of \$1.1bn in 9M17. This reduction reflected lower revenue in Central Treasury and legacy credit portfolios, as well as a reduction in Other income.

In Central Treasury, revenue was \$1.1bn lower, reflecting:

- adverse fair value movements of \$0.2bn in 9M18, compared with favourable movements of \$0.2bn in 9M17, relating to the economic hedging of interest rate and exchange rate risk on our long-term debt with long-term derivatives;
- lower revenue in BSM (down \$0.3bn), mainly as a result of de-risking activities undertaken during 2017 in anticipation of interest rate rises, together with lower reinvestment yields and lower gains from available-for-sale ('AFS') disposals;

- higher interest expense on debt issued by HSBC Holdings plc (up \$0.3bn), driven by an increase in issuances and higher average cost of debt issued to meet regulatory requirements; and

- a \$0.2bn loss arising from adverse swap mark-to-market movements following a bond reclassification under IFRS 9 'Financial Instruments'.

Lower revenue from legacy portfolios (down \$0.1bn) reflected losses related to portfolio disposals.

Other income decreased by \$0.4bn, mainly due to the adverse effects of hyperinflation accounting in Argentina. In addition, the reduction reflected a change in the allocation of liquidity costs in anticipation of a change in regulatory environment.

A net release of adjusted ECL of \$0.1bn in 9M18 and the prior year's net LICs releases were both primarily related to our legacy credit portfolio.

Adjusted operating expenses of \$0.7bn decreased by \$0.2bn or 27% due to the favourable impact from hyperinflation accounting in Argentina and the lower costs in relation to the run-off of the Consumer and Mortgage Lending ('CML') portfolio, which was completed during 2017.

Adjusted income from associates of \$2.0bn increased by \$0.1bn or 4%.

Balance sheet commentary compared with 30 June 2018

At 30 September 2018, our total assets of \$2.6tn decreased by \$4.3bn on a reported basis. On a constant currency basis our total assets increased by \$11.0bn.

Our ratio of customer advances to customer accounts was 73%, up from 72%, reflecting targeted lending growth. On a reported basis, loans and advances to customers increased by \$8.0bn, and customer accounts decreased by \$10.9bn.

Loans and advances to customers

Reported loans and advances to customers grew by \$8.0bn or 1%, and included adverse foreign currency translation differences of \$6.4bn.

Excluding foreign currency translation differences and a reduction in corporate overdraft balances of \$0.8bn, which primarily related to GB&M customers in the UK that settled their overdraft and deposit balances on a net basis, loans and advances to customers grew by \$15.2bn.

This growth was primarily in Europe (up \$10.6bn), notably in UK mortgages (up \$4.0bn), reflecting our focus on broker-originated mortgages. We also grew balances in GB&M (up \$3.3bn) and in CMB (up \$2.4bn), reflecting higher term lending and overdraft balances, notably in the UK.

In North America, loans and advances to customers increased by \$1.5bn, primarily from increased term lending to CMB customers in the US, which reflects our strategic focus on growth in the US. In Latin America, we grew lending by \$1.4bn, notably in term lending in Mexico, mainly in GB&M.

Customer lending increased in Asia (up \$1.1bn). This included a rise in mortgage lending in Hong Kong (up \$2.3bn), which was consistent with our strategy to maintain our market share. Customer lending also increased in CMB (up \$1.1bn), reflecting higher term lending across the region from our continued strategic focus on growth in Asia. These increases were partly offset by lower lending in GPB in Hong Kong (down \$1.3bn), driven by reduced leverage due to weaker market sentiment. In GB&M, lending fell by \$0.9bn, notably in GTRF reflecting challenging market conditions.

Customer accounts

Customer accounts decreased by \$10.9bn or 1% on a reported basis, including adverse foreign currency translation differences of \$7.4bn.

Excluding foreign currency translation differences and a reduction in corporate current account balances of \$0.8bn, primarily relating to GB&M customers in the UK that settled their overdraft and deposit balances on a net basis, customer accounts decreased by \$2.7bn.

This decrease was notably in North America (down \$5.4bn), mainly in the US. This reflected a reduction in GB&M in the US (down \$3.1bn) from lower balances of interest- and non-interest-bearing demand deposits, along with lower savings deposits. CMB customer accounts fell (down \$2.7bn), mainly in the US and Bermuda.

In Asia, customer accounts decreased by \$2.7bn, reflecting lower customer demand and a reduction in short-term deposits from our corporate clients. These decreases were partly offset by growth in GPB (up \$1.4bn), driven by large inflows from a small number of individual customers.

Customer accounts in MENA were higher (up \$2.6bn), including an increase in the UAE in GB&M (up \$1.2bn), driven by a large deposit from a single customer.

Customer accounts also increased in Latin America (up \$1.7bn), notably in Argentina, reflecting higher savings and term deposits, and the impact of currency devaluation on foreign currency deposits booked on our Argentina balance sheet.

Risk-weighted assets

RWAs totalled \$862.7bn at 30 September 2018, a \$2.8bn decrease during the third quarter that included a reduction of \$5.4bn due to foreign currency translation differences. The \$2.6bn increase (excluding foreign currency translation differences) was primarily due to an increase in asset size of \$7.9bn less a decrease of \$5.0bn due to methodology and policy changes.

Earnings Release – 3Q18

Net interest margin

| | Nine months ended | | Year ended |
|---------------------------------|-------------------|----------------|----------------|
| | 30 Sep 2018 | 30 Sep 2017 | 31 Dec 2017 |
| | \$m | \$m | \$m |
| Net interest income | 22,780 | 20,904 | 28,176 |
| Average interest-earning assets | 1,827,337 | 1,711,493 | 1,726,120 |
| | % | % | % |
| Gross yield | 2.64 | 2.36 | 2.37 |
| Less: cost of funds | (1.13) | (0.87) | (0.88) |
| Net interest spread | 1.51 | 1.49 | 1.49 |
| Net interest margin | 1.67 | 1.63 | 1.63 |

The net interest margin in 9M18 was 1.67%, which was 4 basis points ('bps') higher compared with the year ended 2017. This was driven by a 27bps increase in gross yields, partly offset by a 25bps increase in the cost of funds, following interest rate rises during 9M18.

Gross yields benefited from rate rises in Hong Kong, the US and the UK, in particular term lending in Asia but also in most regions. Gross yields on surplus liquidity also increased in most regions, mainly on AFS securities. These benefits were partly offset by the completion of the run-off of our higher-yielding US CML portfolio in 2017 and the adverse effect from hyperinflation accounting in Argentina in 9M18.

The cost of funds rose by 25bps from the increased cost of customer accounts; this was driven by deposit accounts in Asia reflecting the rate rises in Hong Kong while deposit margins continued to improve. The cost of Group debt also rose, primarily relating to the higher cost of issuances of senior debt by HSBC Holdings plc.

Average interest-earning assets increased, driven by loan portfolio growth mainly in Asia and Europe. Surplus liquidity also increased in Europe to meet the liquidity requirements of the non-ring-fenced bank.

Compared with the first half of 2018, net interest margin in 9M18 rose by 1bp, reflecting higher gross yields, driven mainly by rising lending yields and increased yields on surplus liquidity in most regions. This was partly offset by a higher cost of funds, notably from increased cost of customer accounts in Asia.

Return on Equity and Return on Tangible Equity

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

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

For our global businesses, we provide RoTE excluding significant items and the UK bank levy which is more closely aligned to the basis on which the global business performance is assessed by the Chief Operating Decision Maker (further information on the basis of preparation for our global businesses is provided on page 30 of the Interim Report 2018).

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

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

Return on Equity and Return on Tangible Equity

| | Nine months ended | | Quarter ended | |
|--|-------------------|--------|---------------|--------|
| | 30 Sep | 30 Sep | 30 Sep | 30 Jun |

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| | 2018 | 2017 | 2018 | 2018 | 2017 |
|--|----------|----------|----------|----------|----------|
| | \$m | \$m | \$m | \$m | \$m |
| Profit | | | | | |
| Profit/(loss) attributable to the ordinary shareholders of the parent company | 11,071 | 9,957 | 3,899 | 4,087 | 2,958 |
| Increase in PVIF (net of tax) | (317) | (60) | (75) | (164) | 30 |
| Profit/(loss) attributable to the ordinary shareholders, excluding PVIF Significant items (net of tax) and bank levy | 10,754 | 9,897 | 3,824 | 3,923 | 2,988 |
| Profit attributable to the ordinary shareholders, excluding PVIF, significant items and UK bank levy | 1,602 | 1,855 | | | |
| Equity | | | | | |
| Average ordinary shareholders' equity | 12,356 | 11,752 | | | |
| Average ordinary shareholders' equity | 164,290 | 162,546 | 161,406 | 164,632 | 165,783 |
| Effect of goodwill, PVIF and other intangibles (net of deferred tax) | (22,037) | (20,466) | (22,036) | (22,093) | (21,091) |
| Average tangible equity | 142,253 | 142,080 | 139,370 | 142,539 | 144,692 |
| Fair value of own debt, DVA and other adjustments | 2,495 | 2,562 | | | |
| Average tangible equity excluding fair value of own debt, DVA and other adjustments | 144,748 | 144,642 | | | |
| | % | % | % | % | % |
| Ratio | | | | | |
| Return on equity | 9.0 | 8.2 | 9.6 | 10.0 | 7.1 |
| Return on tangible equity | 10.1 | 9.3 | 10.9 | 11.0 | 8.2 |
| Return on tangible equity excluding significant items and UK bank levy | 11.4 | 10.9 | | | |

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Return on tangible equity by global business

| | Nine months ended 30 Sep 2018 | | | | | |
|--|--|-----------------------|----------------------------------|------------------------------|---------------------|-----------|
| | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Corporate Centre | Total |
| | \$m | \$m | \$m | \$m | \$m | \$m |
| Profit before tax | 5,544 | 6,034 | 5,535 | 182 | (661) |)16,634 |
| Tax expense | (983) |)(1,272 |)(1,212 |)(28 |)(207 |)(3,702) |
| Profit after tax | 4,561 | 4,762 | 4,323 | 154 | (868) |)12,932 |
| Less attributable to: preference shareholders, other equity holders, non-controlling interests | (630) |)(642 |)(429 |)(19 |)(141 |)(1,861) |
| Profit attributable to ordinary shareholders of the parent company | 3,931 | 4,120 | 3,894 | 135 | (1,009) |)11,071 |
| Increase in PVIF (net of tax) | (300) |)(16 |)— | (1 |)— | (317) |
| Significant items (net of tax) and UK bank levy | 134 | (25 |)(110 |)81 | 1,522 | 1,602 |
| Balance Sheet Management allocation and other adjustments | 399 | 418 | 641 | 61 | (1,519) |)— |
| Profit attributable to ordinary shareholders, excluding PVIF, significant items and UK bank levy | 4,164 | 4,497 | 4,425 | 276 | (1,006) |)12,356 |
| Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments | 24,462 | 41,324 | 47,340 | 3,392 | 28,230 | 144,748 |
| Return on tangible equity excluding significant items and UK bank levy (%) | 22.8% | 14.5% | 12.5% | 10.9% | (4.8)% | 11.4% |
| | Nine months ended 30 Sep 2017 | | | | | |
| Profit before tax | 4,687 | 5,066 | 4,877 | 212 | 21 | 14,863 |
| Tax expense | (906) |)(1,220 |)(1,249 |)(49 |)114 | (3,310) |
| Profit after tax | 3,781 | 3,846 | 3,628 | 163 | 135 | 11,553 |
| Less attributable to: preference shareholders, other equity holders, non-controlling interests | (544) |)(508 |)(411 |)(17 |)(116 |)(1,596) |
| Profit attributable to ordinary shareholders of the parent company | 3,237 | 3,338 | 3,217 | 146 | 19 | 9,957 |
| Increase in PVIF (net of tax) | (56) |)(3 |)— | — | (1 |)(60) |
| Significant items (net of tax) and UK bank levy | 296 | 16 | 83 | (11 |)1,471 | 1,855 |
| Balance Sheet Management allocation and other adjustments | 482 | 508 | 689 | 79 | (1,758) |)— |
| | 3,959 | 3,859 | 3,989 | 214 | (269) |)11,752 |

| | | | | | | |
|---|--------|--------|--------|-------|--------|---------|
| Profit attributable to ordinary shareholders, excluding PVIF, significant items and bank levy | | | | | | |
| Average tangible shareholders' equity excluding fair value of own debt, DVA and other adjustments | 23,574 | 36,456 | 44,460 | 4,780 | 35,373 | 144,642 |
| Return on tangible equity excluding significant items and UK bank levy (%) | 22.5% | 14.2% | 12.0% | 6.0% | (1.0)% | 10.9% |

Events after the balance sheet date

On 26 October 2018, the High Court of Justice of England and Wales issued a judgment in a claim between Lloyds Banking Group Pension Trustees Limited as claimant and Lloyds Bank plc and others as defendants regarding the rights of female members of certain pension schemes to equality of treatment in relation to pension benefits. The judgment concluded that the claimant is under a duty to amend the schemes in order to equalise benefits for men and women in relation to guaranteed minimum pension benefits. The judgment also provided comments on the method to be adopted in order to equalise benefits, on the period during which a member can claim in respect of previously underpaid benefits, and on what should be done in relation to benefits that have been transferred into, and out of, the relevant schemes.

The issues determined by the judgment arise in relation to many other occupational pension schemes. The extent to which the judgment will increase the liabilities of the HSBC Bank (UK) Pension Scheme and reduce the net accounting surplus of \$8.1bn as at 30 September 2018 is under consideration. Any adjustment necessary will be recognised by the Group in the fourth quarter of 2018.

Notes

Income statement comparisons, unless stated otherwise, are between the quarter ended 30 September 2018 and the quarter ended 30 September 2017. Balance sheet comparisons, unless otherwise stated, are between balances at 30 September 2018 and the corresponding balances at 30 June 2018.

The financial information on which this Earnings Release is based, and the data set out in the appendix to this statement, are unaudited and have been prepared in accordance with HSBC's significant accounting policies as described on pages 188 to 194 of our Annual Report and Accounts 2017 and the new policies for financial instruments as described on pages 16 to 20 of our Report on Transition to IFRS 9 'Financial Instruments' 1 January 2018. Comparative periods have not been restated. IFRS 9 does not require restatement and the impact of other new policies is not material.

The Board has adopted a policy of paying quarterly interim dividends on ordinary shares. Under this policy, it is intended to have a pattern of three equal interim dividends with a variable fourth interim dividend. Dividends are declared in US dollars and, at the election of the shareholder, paid in cash in one of, or in a combination of, US dollars, sterling and Hong Kong dollars or, subject to the Board's determination that a scrip dividend is to be offered in respect of that dividend, may be satisfied in whole or in part by the issue of new shares in lieu of a cash dividend.

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Footnotes to financial performance commentary

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

2 ‘Other personal lending’ includes personal non-residential closed-end loans and personal overdrafts.

3 ‘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.

4 ‘Other’ mainly includes the distribution and manufacturing (where applicable) of retail and credit protection insurance.

5 Adjusted return on average risk-weighted assets (‘Adjusted RoRWA’) is used to measure the performance of RBWM, CMB, GB&M and GPB. Adjusted RoRWA is calculated using annualised profit before tax and reported average risk-weighted assets at constant currency adjusted for the effects of significant items.

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

7 From 1 January 2018, the qualifying components according to IFRS 7 ‘Financial Instruments: Disclosures’ of fair value movements relating to changes in credit spreads on structured liabilities, were recorded through other comprehensive income. The residual movements remain in credit and funding valuation adjustments, and comparatives have not been restated.

8 ‘Other’ in GB&M includes net interest earned on free capital held in the global business not assigned to products, allocated funding costs and gains resulting from business disposals. Within the management view of total operating income, notional tax credits are allocated to the businesses to reflect the economic benefit generated by certain activities that is not reflected within operating income, such as notional credits on income earned from tax-exempt investments where the economic benefit of the activity is reflected in tax expense. In order to reflect the total operating income on an IFRS basis, the offset to these tax credits is included within ‘Other’.

9 Central Treasury includes revenue relating to Balance Sheet Management (‘BSM’) of \$535m (2Q18: \$696m; 3Q17: \$568m), interest expense of \$340m (2Q18: \$288m; 3Q17: \$195m) and adverse valuation differences on issued long-term debt and associated swaps of \$15m (2Q18: adverse movements of \$124m; 3Q17: favourable movements of \$124m). Revenue relating to BSM includes other internal allocations, including notional tax credits 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 IFRS basis, the offset to these tax credits is included in other Central Treasury.

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

Return on average tangible equity (‘RoTE’) is calculated as Profit Attributable to Ordinary Shareholders (based on annualised Reported PBT, as adjusted for tax, insurance balances, certain capital securities and associates) divided by allocated Average Tangible Shareholders’ Equity. In 9M18, Group RoTE on this basis was 10.1%.

11 RoTE excluding significant items and the UK bank levy adjusts RoTE for the effects of significant items, the UK bank levy, tax and other items. This is the RoTE measure used at the global business level. In 9M18, Group RoTE excluding significant items and the UK bank levy was 11.4%.

The main reconciling item between Group RoTE and Group RoTE excluding significant items and the UK bank levy in 9M18 was significant items (+1.3% points).

12 ‘Interest expense’ within ‘Central Treasury’ has been re-presented to include only the cost of debt retained by HSBC Holdings plc. Other amounts previously included in ‘Interest expense’ are now within ‘Other’. ‘US run-off’ balances are now included in ‘Other’.

Cautionary statement regarding forward-looking statements

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

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

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

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement.

These include, but are not limited to:

changes in general economic conditions in the markets in which we operate, such as continuing or deepening recessions and fluctuations in employment beyond those factored into consensus forecasts; changes in foreign exchange rates and interest rates, including the accounting impact resulting from financial reporting in respect of hyperinflationary economies; volatility in equity markets; lack of liquidity in wholesale funding markets; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; consumer perception as to the continuing availability of credit and price competition in the market segments we serve; and deviations from the market and economic assumptions that form the basis for our ECL measurements;

changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities; initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; imposition of levies or taxes designed to change business mix and risk appetite; the conduct of business of financial institutions in serving their retail customers, corporate clients and counterparties; the standards of market conduct; the costs, effects and outcomes of product regulatory reviews, actions or litigation, including any additional compliance requirements; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; changes in bankruptcy legislation in the principal markets in which we operate and the consequences thereof; general changes in government policy that may significantly influence investor decisions; extraordinary government actions as a result of current market turmoil; other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for our products and services; and the effects of competition in the markets where we operate including increased competition from non-bank financial services companies, including securities firms; and

factors specific to HSBC, including our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques). Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models we use; our success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties we identify in the 'top and emerging risks' on pages 63 to 66 of the Annual Report and Accounts 2017 and on pages 16 and 17 of the Interim Report 2018.

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Summary consolidated income statement

| | Footnotes | Nine months ended | | Quarter ended | | |
|--|-----------|-------------------|-------------|---------------|-------------|-------------|
| | | 30 Sep 2018 | 30 Sep 2017 | 30 Sep 2018 | 30 Jun 2018 | 30 Sep 2017 |
| | | \$m | \$m | \$m | \$m | \$m |
| Net interest income | | 22,780 | 20,904 | 7,680 | 7,644 | 7,127 |
| Net fee income | | 9,793 | 9,746 | 3,026 | 3,260 | 3,255 |
| Net income from financial instruments held for trading or managed on a fair value basis | 2, 3 | 7,485 | 6,326 | 2,602 | 2,499 | 2,094 |
| Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | 2 | (44) |)2,210 | 178 | (67) |)711 |
| Changes in fair value of long-term debt and related derivatives | 3 | (129) |)270 | (3) |)136 |)66 |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | 2 | 541 | N/A | 196 | 228 | N/A |
| Gains less losses from financial investments | | 161 | 1,079 | 37 | 23 | 388 |
| Dividend income | | 56 | 89 | 15 | 32 | 40 |
| Net insurance premium income | | 8,488 | 7,462 | 2,712 | 2,698 | 2,651 |
| Other operating income/(expense) | | 513 | 416 | 154 | 318 | (110) |
| Total operating income | | 49,644 | 48,502 | 16,597 | 16,499 | 16,222 |
| Net insurance claims and benefits paid and movement in liabilities to policyholders | | (8,559) |)9,358 |)2,799 |)2,922 |)3,244 |
| Net operating income before change in expected credit losses and other credit impairment charges | | 41,085 | 39,144 | 13,798 | 13,577 | 12,978 |
| Change in expected credit losses and other credit impairment charges | | (914) |)N/A | (507) |)237 |)N/A |
| Loan impairment charges and other credit risk provisions | | N/A | (1,111) |)N/A | N/A | (448) |
| Net operating income | | 40,171 | 38,033 | 13,291 | 13,340 | 12,530 |
| Total operating expenses | | (25,515) | (24,989) | (7,966) | (8,166) | (8,546) |
| Operating profit | | 14,656 | 13,044 | 5,325 | 5,174 | 3,984 |
| Share of profit in associates and joint ventures | | 1,978 | 1,819 | 597 | 783 | 636 |
| Profit before tax | | 16,634 | 14,863 | 5,922 | 5,957 | 4,620 |
| Tax expense | | (3,702) | (3,310) | (1,406) | (1,279) | (1,115) |
| Profit after tax | | 12,932 | 11,553 | 4,516 | 4,678 | 3,505 |
| Attributable to: | | | | | | |
| – ordinary shareholders of the parent company | | 11,071 | 9,957 | 3,899 | 4,087 | 2,958 |
| – preference shareholders of the parent company | | 67 | 67 | 22 | 23 | 22 |
| – other equity holders | | 795 | 722 | 264 | 242 | 256 |
| – non-controlling interests | | 999 | 807 | 331 | 326 | 269 |
| Profit after tax | | 12,932 | 11,553 | 4,516 | 4,678 | 3,505 |
| | | \$ | \$ | \$ | \$ | \$ |
| Basic earnings per share | | 0.56 | 0.50 | 0.19 | 0.21 | 0.15 |
| Diluted earnings per share | | 0.55 | 0.50 | 0.19 | 0.21 | 0.15 |
| Dividend per ordinary share (in respect of the period) | | 0.30 | 0.30 | 0.10 | 0.10 | 0.10 |
| | | % | % | % | % | % |
| Return on average ordinary shareholders' equity (annualised) | | 9.0 | 8.2 | 9.6 | 10.0 | 7.1 |
| Return on average tangible equity (annualised) | | 10.1 | 9.3 | 10.9 | 11.0 | 8.2 |

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| | | | | | | |
|--|---|------|------|------|------|------|
| Return on average risk-weighted assets | 1 | 2.5 | 2.3 | 2.7 | 2.7 | 2.1 |
| Cost efficiency ratio | | 62.1 | 63.8 | 57.7 | 60.1 | 65.8 |

¹ Return on average risk-weighted assets is calculated using annualised profit before tax and reported average risk-weighted assets.

The classification and measurement requirements under IFRS 9, which was adopted from 1 January 2018, are based on an entity's assessment of both the business model for managing the assets and the contractual cash flow characteristics of the assets. The standard contains a classification for items measured mandatorily at fair value through profit or loss as a residual category. Given its residual nature, the presentation of the income statement has been updated to separately present items in this category which are of a dissimilar nature or function, in line with IAS 1 'Presentation of Financial Statements' requirements. Comparative data have been re-presented. There is no net impact on Total operating income.

³ Prior to 2018, foreign exchange exposure on some financial instruments designated at fair value was presented in the same line in the income statement as the underlying fair value movement on these instruments. In 2018, we have grouped the presentation of the entire effect of foreign exchange exposure in profit or loss and presented it within 'Net income from financial instruments held for trading or managed on a fair value basis'. Comparative data have been re-presented. There is no net impact on Total operating income and the impact on 'Changes in fair value of long-term debt and related derivatives' is \$(482)m in 9M17 and \$(206)m in 3Q17.

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Summary consolidated balance sheet

| | At | | | |
|---|------------------|------------------|-------------------|------------------|
| | 30 Sep | 30 Jun | 1 Jan | 31 Dec |
| | 2018 | 2018 | 2018 ¹ | 2017 |
| | \$m | \$m | \$m | \$m |
| Assets | | | | |
| Cash and balances at central banks | 166,843 | 189,842 | 180,621 | 180,624 |
| Trading assets | 254,484 | 247,892 | 254,410 | 287,995 |
| Financial assets designated and otherwise mandatorily measured at fair value through profit or loss | 40,354 | 40,678 | 39,746 | N/A |
| Financial assets designated at fair value | N/A | N/A | N/A | 29,464 |
| Derivatives | 216,137 | 227,972 | 219,818 | 219,818 |
| Loans and advances to banks | 84,214 | 83,924 | 82,559 | 90,393 |
| Loans and advances to customers | 981,460 | 973,443 | 949,737 | 962,964 |
| Reverse repurchase agreements – non-trading | 210,028 | 208,104 | 201,553 | 201,553 |
| Financial investments | 391,847 | 386,436 | 383,499 | 389,076 |
| Other assets | 257,668 | 249,023 | 206,487 | 159,884 |
| Total assets | 2,603,035 | 2,607,314 | 2,518,430 | 2,521,771 |
| Liabilities and Equity | | | | |
| Liabilities | | | | |
| Deposits by banks | 62,673 | 64,792 | 64,492 | 69,922 |
| Customer accounts | 1,345,375 | 1,356,307 | 1,360,227 | 1,364,462 |
| Repurchase agreements – non-trading | 164,429 | 158,295 | 130,002 | 130,002 |
| Trading liabilities | 80,512 | 83,845 | 80,864 | 184,361 |
| Financial liabilities designated at fair value | 156,850 | 151,985 | 144,006 | 94,429 |
| Derivatives | 209,400 | 222,961 | 216,821 | 216,821 |
| Debt securities in issue | 82,095 | 81,708 | 66,536 | 64,546 |
| Liabilities under insurance contracts | 87,979 | 86,918 | 85,598 | 85,667 |
| Other liabilities | 220,490 | 209,209 | 173,660 | 113,690 |
| Total liabilities | 2,409,803 | 2,416,020 | 2,322,206 | 2,323,900 |
| Equity | | | | |
| Total shareholders' equity | 185,351 | 183,607 | 188,644 | 190,250 |
| Non-controlling interests | 7,881 | 7,687 | 7,580 | 7,621 |
| Total equity | 193,232 | 191,294 | 196,224 | 197,871 |
| Total liabilities and equity | 2,603,035 | 2,607,314 | 2,518,430 | 2,521,771 |
| | % | % | % | % |
| Ratio of customer advances to customer accounts | 73.0 | 71.8 | 69.8 | 70.6 |

¹ Balances at 1 January 2018 have been prepared in accordance with accounting policies referred to on page 15. 31

¹ December 2017 balances have not been re-presented.

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Credit risk

For the new policies for financial instruments, see pages 16 to 21 of our Report on Transition to IFRS 9 ‘Financial Instruments’

1 January 2018.

Summary of credit risk

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

| | At 30 Sep 2018 | | At 1 Jan 2018 | | |
|--|-------------------------------|--------------------------------|-------------------------------|--------------------------------|---|
| | Gross carrying/nominal amount | Allowance for ECL ¹ | Gross carrying/nominal amount | Allowance for ECL ¹ | |
| | Footnotes \$m | \$m | \$m | \$m | |
| Loans and advances to customers at amortised cost | 989,942 | (8,482 |)959,080 | (9,343 |) |
| – personal | 385,967 | (2,837 |)375,069 | (3,047 |) |
| – corporate and commercial | 539,212 | (5,509 |)520,137 | (6,053 |) |
| – non-bank financial institutions | 64,763 | (136 |)63,874 | (243 |) |
| Loans and advances to banks at amortised cost | 84,229 | (15 |)82,582 | (23 |) |
| Other financial assets measured at amortised cost | 601,359 | (59 |)557,864 | (114 |) |
| – cash and balances at central banks | 166,846 | (3 |)180,624 | (3 |) |
| – items in the course of collection from other banks | 8,683 | — | 6,628 | — | |
| – Hong Kong Government certificates of indebtedness | 35,312 | — | 34,186 | — | |
| – reverse repurchase agreements – non-trading | 210,028 | — | 201,553 | — | |
| – financial investments | 63,113 | (15 |)59,539 | (16 |) |
| – prepayments, accrued income and other assets | 2 117,377 | (41 |)75,334 | (95 |) |
| Total gross carrying amount on balance sheet | 1,675,530 | (8,556 |)1,599,526 | (9,480 |) |
| Loans and other credit-related commitments | 590,843 | (325 |)548,354 | (376 |) |
| – personal | 205,847 | (9 |)196,093 | (14 |) |
| – corporate and commercial | 258,817 | (308 |)262,391 | (355 |) |
| – financial | 3 126,179 | (8 |)89,870 | (7 |) |
| Financial guarantee and similar contracts | 93,177 | (215 |)89,382 | (161 |) |
| – personal | 977 | (3 |)791 | (4 |) |
| – corporate and commercial | 77,030 | (204 |)78,102 | (153 |) |
| – financial | 15,170 | (8 |)10,489 | (4 |) |
| Total nominal amount off-balance sheet | 4 684,020 | (540 |)637,736 | (537 |) |
| | 2,359,550 | (9,096 |)2,237,262 | (10,017 |) |

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| | Fair value | Memorandum allowance for ECL ⁵ | Fair value | Memorandum allowance for ECL ⁵ |
|--|------------|---|------------|---|
| | \$m | \$m | \$m | \$m |
| Debt instruments measured at fair value through other comprehensive income ('FVOCI') | 326,971 | (103 |)322,163 | (184) |

¹ The total ECL is recognised in the loss allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognised as a provision.

² Includes only those financial instruments that are subject to the impairment requirements of IFRS 9. 'Prepayments, accrued income and other assets' as presented within the summary consolidated balance sheet on page 19 includes both financial and non-financial assets.

³ The 1 January 2018 nominal amount of loan and other credit-related commitments (financial) has been restated to include \$47bn related to unsettled non-trading reverse repurchase agreements. The associated allowance for ECL for these nominal amounts is nil.

⁴ Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

⁵ Debt instruments measured at FVOCI continue to be measured at fair value with the allowance for ECL as a memorandum item. Change in ECL is recognised in 'Change in expected credit losses and other credit impairment charges' in the income statement.

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

30 September 2018

| | Gross carrying/nominal amount ¹ | | | | | Allowance for ECL | | | | | ECL coverage % | | | | |
|---|--|---------|---------|-------------------|-----------|-------------------|---------|---------|-------------------|---------|----------------|---------|---------|-------------------|-------|
| | Stage 1 | Stage 2 | Stage 3 | POCI ² | Total | Stage 1 | Stage 2 | Stage 3 | POCI ² | Total | Stage 1 | Stage 2 | Stage 3 | POCI ² | Total |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | % | % | % | % | % |
| Loans and advances to customers at amortised cost | 904,836 | 71,052 | 13,732 | 322 | 989,942 | (1,336) | (1,940) | (5,003) | (203) | (8,482) | 0.1 | 2.7 | 36.4 | 63.0 | 0.9 |
| – personal | 364,939 | 16,512 | 4,516 | — | 385,967 | (602) | (1,140) | (1,095) | — | (2,837) | 0.2 | 6.9 | 24.2 | — | 0.7 |
| – corporate and commercial | 477,946 | 51,894 | 9,050 | 322 | 539,212 | (685) | (776) | (3,845) | (203) | (5,509) | 0.1 | 1.5 | 42.5 | 63.0 | 1.0 |
| – non-bank financial institutions | 61,951 | 2,646 | 166 | — | 64,763 | (49) | (24) | (63) | — | (136) | 0.1 | 0.9 | 38.0 | — | 0.2 |
| Loans and advances to banks at amortised cost | 83,504 | 710 | 15 | — | 84,229 | (11) | (1) | (3) | — | (15) | — | 0.1 | 20.0 | — | — |
| Other financial assets measured at amortised cost | 598,897 | 2,337 | 118 | 7 | 601,359 | (26) | (6) | (27) | — | (59) | — | 0.3 | 22.9 | — | — |
| Loan and other credit-related commitments | 568,672 | 21,547 | 612 | 12 | 590,843 | (117) | (108) | (100) | — | (325) | — | 0.5 | 16.3 | — | 0.1 |
| – personal | 204,054 | 1,601 | 192 | — | 205,847 | (9) | — | — | — | (9) | — | — | — | — | — |
| – corporate and commercial | 239,493 | 18,892 | 420 | 12 | 258,817 | (101) | (107) | (100) | — | (308) | — | 0.6 | 23.8 | — | 0.1 |
| – financial | 125,125 | 1,054 | — | — | 126,179 | (7) | (1) | — | — | (8) | — | 0.1 | — | — | — |
| Financial guarantee and similar contracts | 81,275 | 11,138 | 741 | 23 | 93,177 | (43) | (67) | (104) | (1) | (215) | 0.1 | 0.6 | 14.0 | 4.3 | 0.2 |
| – personal | 968 | 2 | 7 | — | 977 | (1) | — | (2) | — | (3) | 0.1 | — | 28.6 | — | 0.3 |
| – corporate and commercial | 65,564 | 10,744 | 699 | 23 | 77,030 | (37) | (65) | (101) | (1) | (204) | 0.1 | 0.6 | 14.4 | 4.3 | 0.3 |
| – financial | 14,743 | 392 | 35 | — | 15,170 | (5) | (2) | (1) | — | (8) | — | 0.5 | 2.9 | — | 0.1 |
| At 30 Sep 2018 | 2,237,184 | 106,784 | 15,218 | 364 | 2,359,550 | (1,533) | (2,122) | (5,237) | (204) | (9,096) | 0.1 | 2.0 | 34.4 | 56.0 | 0.4 |

Stage 2 days past due analysis at 30 September 2018

| | Gross carrying/nominal amount ¹ | Allowance for ECL | ECL coverage % |
|--|--|-------------------|----------------|
|--|--|-------------------|----------------|

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| | Stage 2 | Of which: 1 to 29 DPD ⁴ | Of which: 30 and > DPD ⁴ | Stage 2 | Of which: 1 to 29 DPD ⁴ | Of which: 30 and > DPD ⁴ | Stage 2 | Of which: 1 to 29 DPD ⁴ | Of which: 30 and > DPD ⁴ |
|---|---------|--|---|---------|--|---|---------|--|---|
| | \$m | \$m | \$m | \$m | \$m | \$m | % | % | % |
| Loans and advances to customers at amortised cost | 71,052 | 2,477 | 2,160 | (1,940) | (315) | (253) | 2.7 | 12.7 | 11.7 |
| – personal | 16,512 | 1,825 | 1,299 | (1,140) | (289) | (228) | 6.9 | 15.8 | 17.6 |
| – corporate and commercial | 51,894 | 629 | 851 | (776) | (26) | (25) | 1.5 | 4.1 | 2.9 |
| – non-bank financial institutions | 2,646 | 23 | 10 | (24) | — | — | 0.9 | — | — |
| Loans and advances to banks at amortised cost | 710 | — | — | (1) | — | — | 0.1 | — | — |
| Other financial assets measured at amortised cost | 2,337 | 35 | 80 | (6) | (1) | — | 0.3 | 2.9 | — |

For footnotes, see page 22.

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Summary of credit risk (excluding debt instruments measured at FVOCI) by stage distribution and ECL coverage by industry sector as at 1 January 2018

| | Gross carrying/nominal amount ¹ | | | | | Allowance for ECL | | | | | ECL coverage % | | | |
|---|--|---------|---------|-------------------|-----------|-------------------|---------|---------|-------------------|----------|----------------|---------|---------|-------------------|
| | Stage 1 | Stage 2 | Stage 3 | POCI ² | Total | Stage 1 | Stage 2 | Stage 3 | POCI ² | Total | Stage 1 | Stage 2 | Stage 3 | POCI ² |
| Footnote | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | % | % | % | % |
| Loans and advances to customers at amortised cost | 871,566 | 72,658 | 13,882 | 974 | 959,080 | (1,309) | (2,201) | (5,591) | (242) | (9,343) | 0.2 | 3.0 | 40.3 | 24.9 |
| – personal | 354,305 | 16,354 | 4,410 | — | 375,069 | (581) | (1,156) | (1,310) | — | (3,047) | 0.2 | 7.1 | 29.7 | — |
| – corporate and commercial | 456,837 | 53,262 | 9,064 | 974 | 520,137 | (701) | (1,037) | (4,073) | (242) | (6,053) | 0.2 | 1.9 | 44.9 | 24.9 |
| – non-bank financial institutions | 60,424 | 3,042 | 408 | — | 63,874 | (27) | (8) | (208) | — | (243) | — | 0.3 | 51.0 | — |
| Loans and advances to banks at amortised cost | 81,027 | 1,540 | 15 | — | 82,582 | (17) | (4) | (2) | — | (23) | — | 0.3 | 13.3 | — |
| Other financial assets measured at amortised cost | 556,185 | 1,517 | 155 | 7 | 557,864 | (28) | (4) | (82) | — | (114) | — | 0.3 | 52.9 | — |
| Loan and other credit-related commitments | 522,979 | 24,330 | 999 | 46 | 548,354 | (126) | (183) | (67) | — | (376) | — | 0.8 | 6.7 | — |
| – personal | 194,320 | 1,314 | 459 | — | 196,093 | (13) | (1) | — | — | (14) | — | 0.1 | — | — |
| – corporate and commercial | 240,854 | 20,951 | 540 | 46 | 262,391 | (108) | (180) | (67) | — | (355) | — | 0.9 | 12.4 | — |
| – financial 3 | 87,805 | 2,065 | — | — | 89,870 | (5) | (2) | — | — | (7) | — | 0.1 | — | — |
| Financial guarantee and similar contracts | 77,921 | 11,014 | 413 | 34 | 89,382 | (36) | (47) | (78) | — | (161) | — | 0.4 | 18.9 | — |
| – personal | 768 | 18 | 5 | — | 791 | — | (2) | (2) | — | (4) | — | 11.1 | 40.0 | — |
| – corporate and commercial | 67,596 | 10,064 | 408 | 34 | 78,102 | (35) | (44) | (74) | — | (153) | 0.1 | 0.4 | 18.1 | — |
| – financial | 9,557 | 932 | — | — | 10,489 | (1) | (1) | (2) | — | (4) | — | 0.1 | — | — |
| At 1 Jan 2018 | 2,109,678 | 111,059 | 15,464 | 1,061 | 2,237,262 | (1,516) | (2,439) | (5,820) | (242) | (10,017) | 0.1 | 2.2 | 37.6 | 22.9 |

Stage 2 days past due analysis at 1 January 2018

| | Gross carrying/nominal amount ¹ | Allowance for ECL | ECL coverage % |
|--|--|-------------------|----------------|
|--|--|-------------------|----------------|

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| | Stage 2 | Of which: 1 to 29 DPD ⁴ | Of which: 30 and > DPD ⁴ | Stage 2 | Of which: 1 to 29 DPD ⁴ | Of which: 30 and > DPD ⁴ | Stage 2 | Of which: 1 to 29 DPD ⁴ | Of which: 30 and > DPD ⁴ |
|---|---------|--|---|---------|--|---|---------|--|---|
| | \$m | \$m | \$m | \$m | \$m | \$m | % | % | % |
| Loans and advances to customers at amortised cost | 72,658 | 2,393 | 2,447 | (2,201) | (261) | (261) | 3.0 | 10.9 | 10.7 |
| – personal | 16,354 | 1,683 | 1,428 | (1,156) | (218) | (230) | 7.1 | 13.0 | 16.1 |
| – corporate and commercial | 53,262 | 684 | 977 | (1,037) | (42) | (31) | 1.9 | 6.1 | 3.2 |
| – non-bank financial institutions | 3,042 | 26 | 42 | (8) | (1) | — | 0.3 | 3.8 | — |
| Loans and advances to banks at amortised cost | 1,540 | 7 | 66 | (4) | (2) | — | 0.3 | 28.6 | — |
| Other financial assets measured at amortised cost | 1,517 | 133 | 46 | (4) | — | (1) | 0.3 | — | 2.2 |

1 Represents the maximum amount at risk should the contracts be fully drawn upon and clients default.

2 Purchased or originated credit-impaired ('POCI').

The 1 January 2018 nominal amount of loans and other credit-related commitments (financial) includes a restatement of \$47bn related to unsettled non-trading reverse repurchase agreements that were not reflected in our ³ 'Report on Transition to IFRS 9 'Financial Instruments'. The associated allowance for ECL for these nominal amounts is nil.

⁴ Days past due ('DPD'). Up-to-date accounts in Stage 2 are not shown in amounts presented above.

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

The following disclosure provides a reconciliation of the Group's gross carrying/nominal amount and allowances for loans and advances to banks and customers, including loan commitments and financial guarantees. The transfers of financial instruments represents the impact of stage transfers upon the gross carrying/nominal amount and associated allowance for ECL. The net remeasurement of ECL arising from stage transfers represents the increase in ECL due to these transfers. Net new lending comprises new originations, assets derecognised, further lending and repayments.

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

| | Non-credit impaired | | | | Credit impaired | | | | Total | |
|---|---|-----------------------------|---|-----------------------------|---|-----------------------------|--|-----------------------------|---|-----------------------------|
| | Stage 1 Gross carrying/ nominal amount \$m | | Stage 2 Gross carrying/ nominal amount \$m | | Stage 3 Gross carrying/ nominal amount \$m | | POCI Gross carrying/ nominal amount \$m | | Total Gross carrying/ nominal amount \$m | |
| | | Allowance for ECL \$m | | Allowance for ECL \$m | | Allowance for ECL \$m | | Allowance for ECL \$m | | Allowance for ECL \$m |
| At 1 Jan 2018 | 1,505,815 | (1,488) |)109,427 | (2,435) |)15,309 | (5,738) |)1,054 | (242) |)1,631,605 | (9,903) |
| Transfers of financial instruments: | | | | | | | | | | |
| – transfers from Stage 1 to Stage 2 | (66,179) |)194 | 66,179 | (194) |)— | — | — | — | — | — |
| – transfers from Stage 2 to Stage 1 | 57,041 | (779) |)(57,041 |)779 | — | — | — | — | — | — |
| – transfers to Stage 3 | (2,212) |)26 | (3,415 |)465 | 5,627 | (491) |)— | — | — | — |
| – transfers from Stage 3 | 353 | (42) |)1,156 | (72) |)(1,509 |)114 | — | — | — | — |
| Net remeasurement of ECL arising from transfer of stage | — | 503 | — | (490) |)— | (67) |)— | — | — | (54) |
| Net new lending and changes to risk parameters ¹ | 103,711 | (71) |)(9,409 | (241) |)(2,181 | (956) |)(542 |)(29 |)91,579 | (1,297) |
| Changes to model used for ECL calculation | — | — | — | — | — | — | — | — | — | — |
| Assets written off | — | — | — | — | (1,749) |)1,734 | (1) |)1 | (1,750) |)1,735 |
| Foreign exchange and other | (41,529) |)150 | (2,472 |)72 | (397 |)194 | (154 |)66 | (44,552) |)482 |
| At 30 Sep 2018 | 1,557,000 | (1,507 432) |)104,425 | (2,116 (731) |)15,100 | (5,210 (1,023) |)357 | (204 (29) |)1,676,882 | (9,037 (1,351) |

| | |
|-------------------------------------|---------|
| ECL release/(charge) for the period | |
| Recoveries | 373 |
| Others | (52) |
| Total ECL charge for the period | (1,030) |

1 The ECL impact of changes to risk parameters is estimated at \$0.4bn (release) for stage 1, \$0.8bn (charge) for stage 2, \$1.1bn (charge) for stage 3 and \$0.1bn (charge) for POCI.

| | At 30 Sep 2018 | | Nine months ended 30 Sep 2018 |
|--|-------------------------------|-------------------|-------------------------------|
| | Gross carrying/nominal amount | Allowance for ECL | ECL charge |
| | \$m | \$m | \$m |
| As above | 1,676,882 | (9,037) | (1,030) |
| Other financial assets measured at amortised cost | 601,359 | (59) |)27 |
| Non-trading reverse purchase agreement commitments | 81,309 | — | — |
| Summary of financial instruments to which the impairment requirements in IFRS 9 are applied/ Summary consolidated income statement | 2,359,550 | (9,096) | (1,003) |
| Debt instruments measured at FVOCI | 326,971 | (103) |)89 |
| Total allowance for ECL/total income statement ECL charge for the period | n/a | (9,199) | (914) |

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Personal lending

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

| | Gross carrying amount | | | | Allowance for ECL | | | |
|--|-----------------------|---------|---------|---------|-------------------|---------|---------|---------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| By portfolio | | | | | | | | |
| First lien residential mortgages | 277,895 | 8,787 | 3,049 | 289,731 | (38) | (69) | (438) | (545) |
| – of which: | | | | | | | | |
| interest only (including offset) | 29,733 | 1,148 | 214 | 31,095 | (4) | (12) | (66) | (82) |
| affordability (including US adjustable rate mortgages) | 14,541 | 2,652 | 539 | 17,732 | (3) | (6) | (8) | (17) |
| Other personal lending | 87,044 | 7,725 | 1,467 | 96,236 | (564) | (1,071) | (657) | (2,292) |
| – other | 64,558 | 3,927 | 995 | 69,480 | (238) | (405) | (414) | (1,057) |
| – credit cards | 19,998 | 3,648 | 401 | 24,047 | (323) | (651) | (226) | (1,200) |
| – second lien residential mortgages | 1,030 | 106 | 65 | 1,201 | (1) | (10) | (13) | (24) |
| – motor vehicle finance | 1,458 | 44 | 6 | 1,508 | (2) | (5) | (4) | (11) |
| At 30 Sep 2018 | 364,939 | 16,512 | 4,516 | 385,967 | (602) | (1,140) | (1,095) | (2,837) |
| By geography | | | | | | | | |
| Europe | 166,157 | 4,974 | 1,992 | 173,123 | (159) | (302) | (406) | (867) |
| – of which: UK | 138,236 | 3,837 | 1,364 | 143,437 | (147) | (275) | (217) | (639) |
| Asia | 150,844 | 5,398 | 688 | 156,930 | (189) | (397) | (185) | (771) |
| – of which: Hong Kong | 100,900 | 2,613 | 175 | 103,688 | (74) | (261) | (39) | (374) |
| MENA | 5,537 | 326 | 399 | 6,262 | (66) | (91) | (255) | (412) |
| North America | 36,984 | 4,804 | 1,184 | 42,972 | (25) | (85) | (138) | (248) |
| Latin America | 5,417 | 1,010 | 253 | 6,680 | (163) | (265) | (111) | (539) |
| At 30 Sep 2018 | 364,939 | 16,512 | 4,516 | 385,967 | (602) | (1,140) | (1,095) | (2,837) |

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Wholesale lending

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

| | Gross carrying amount | | | | | Allowance for ECL | | | | |
|--|-----------------------|---------|---------|------|---------|-------------------|---------|---------|-------|---------|
| | Stage 1 | Stage 2 | Stage 3 | POCI | Total | Stage 1 | Stage 2 | Stage 3 | POCI | Total |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Corporate and commercial | 477,946 | 51,894 | 9,050 | 322 | 539,212 | (685) | (776) | (3,845) | (203) | (5,509) |
| – agriculture, forestry and fishing | 5,431 | 1,164 | 240 | 1 | 6,836 | (15) | (20) | (116) | (1) | (152) |
| – mining and quarrying | 10,842 | 2,167 | 582 | 2 | 13,593 | (32) | (69) | (137) | (2) | (240) |
| – manufacture | 89,918 | 10,911 | 1,828 | 122 | 102,779 | (130) | (148) | (871) | (96) | (1,245) |
| – electricity, gas, steam and air-conditioning supply | 14,838 | 1,239 | 72 | 59 | 16,208 | (19) | (46) | (14) | (42) | (121) |
| – water supply, sewerage, waste management and remediation | 3,215 | 211 | 18 | — | 3,444 | (4) | (5) | (14) | — | (23) |
| – construction | 13,806 | 1,340 | 1,136 | 52 | 16,334 | (28) | (14) | (500) | (44) | (586) |
| – wholesale and retail trade, repair of motor vehicles and motorcycles | 82,118 | 15,530 | 1,767 | 34 | 99,449 | (110) | (186) | (935) | (14) | (1,245) |
| – transportation and storage | 23,019 | 2,000 | 413 | 41 | 25,473 | (30) | (41) | (73) | (2) | (146) |
| – accommodation and food | 18,641 | 2,478 | 268 | 3 | 21,390 | (41) | (40) | (82) | (1) | (164) |
| – publishing, audiovisual and broadcasting | 19,306 | 1,138 | 234 | 1 | 20,679 | (41) | (10) | (57) | — | (108) |
| – real estate | 113,615 | 6,798 | 1,118 | 1 | 121,532 | (91) | (64) | (558) | — | (713) |
| – professional, scientific and technical activities | 22,498 | 1,793 | 297 | — | 24,588 | (31) | (24) | (103) | — | (158) |
| – administrative and support services | 24,322 | 2,048 | 537 | 3 | 26,910 | (35) | (35) | (149) | (1) | (220) |
| – public administration and defence, compulsory social security | 1,183 | 43 | 8 | — | 1,234 | (1) | (3) | (5) | — | (9) |
| – education | 1,924 | 103 | 15 | — | 2,042 | (12) | (6) | (7) | — | (25) |
| – health and care | 5,391 | 598 | 190 | 1 | 6,180 | (10) | (16) | (58) | — | (84) |
| – arts, entertainment and recreation | 5,155 | 683 | 51 | 1 | 5,890 | (6) | (7) | (39) | — | (52) |
| – other services | 12,779 | 578 | 263 | 1 | 13,621 | (37) | (27) | (120) | — | (184) |
| – activities of households | 123 | 758 | 1 | — | 882 | — | — | — | — | — |
| – extra-territorial organisations and bodies activities | 919 | 12 | 12 | — | 943 | (6) | (2) | (7) | — | (15) |
| – government | 8,010 | 280 | — | — | 8,290 | (6) | (1) | — | — | (7) |
| – asset-backed securities | 893 | 22 | — | — | 915 | — | (12) | — | — | (12) |
| Non-bank financial institutions | 61,951 | 2,646 | 166 | — | 64,763 | (49) | (24) | (63) | — | (136) |

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| | | | | | | | | | | |
|--------------------------------|---------|--------|-------|-----|---------|-------|-------|---------|-------|---------|
| Loans and advances to banks | 83,504 | 710 | 15 | — | 84,229 | (11) | (1) | (3) | — | (15) |
| At 30 Sep 2018 | 623,401 | 55,250 | 9,231 | 322 | 688,204 | (745) | (801) | (3,911) | (203) | (5,660) |
| By geography | | | | | | | | | | |
| Europe | 200,687 | 20,634 | 4,829 | 140 | 226,290 | (372) | (442) | (1,579) | (100) | (2,493) |
| – of which: UK | 140,953 | 17,298 | 3,400 | 13 | 161,664 | (304) | (385) | (899) | (1) | (1,589) |
| Asia | 321,120 | 21,038 | 1,903 | 99 | 344,160 | (164) | (141) | (1,046) | (36) | (1,387) |
| – of which: Hong Kong | 198,127 | 11,963 | 857 | 70 | 211,017 | (80) | (76) | (436) | (35) | (627) |
| MENA | 25,188 | 4,406 | 1,726 | 54 | 31,374 | (67) | (103) | (994) | (48) | (1,212) |
| North America | 57,770 | 8,819 | 385 | — | 66,974 | (39) | (103) | (116) | — | (258) |
| Latin America | 18,636 | 353 | 388 | 29 | 19,406 | (103) | (12) | (176) | (19) | (310) |
| At 30 Sep 2018 | 623,401 | 55,250 | 9,231 | 322 | 688,204 | (745) | (801) | (3,911) | (203) | (5,660) |

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Earnings Release – 3Q18

Capital
Key metrics

| Ref* | | At | | | | | |
|------|--|-----------|-------------|-------------|-------------|------------|--------------------------|
| | | Footnotes | 30 Sep 2018 | 30 Jun 2018 | 31 Mar 2018 | 1 Jan 2018 | 31 Dec ¹ 2017 |
| | Available capital (\$bn) | 2 | | | | | |
| 1 | Common equity tier 1 ('CET1') capital | | 123.1 | 122.8 | 129.6 | 127.3 | 126.1 |
| 2 | CET1 capital as if IFRS 9 transitional arrangements had not been applied | | 122.1 | 121.8 | 128.6 | 126.3 | N/A |
| 3 | Tier 1 capital | | 149.3 | 147.1 | 157.1 | 152.1 | 151.0 |
| 4 | Tier 1 capital as if IFRS 9 transitional arrangements had not been applied | | 148.3 | 146.1 | 156.1 | 151.1 | N/A |
| 5 | Total capital | | 178.1 | 176.6 | 185.2 | 183.1 | 182.4 |
| 6 | Total capital as if IFRS 9 transitional arrangements had not been applied | | 177.1 | 175.6 | 184.2 | 182.1 | N/A |
| | Risk-weighted assets ('RWAs') (\$bn) | | | | | | |
| 7 | Total RWAs | | 862.7 | 865.5 | 894.4 | 872.1 | 871.3 |
| 8 | Total RWAs as if IFRS 9 transitional arrangements had not been applied | | 862.1 | 864.9 | 893.8 | 871.6 | N/A |
| | Capital ratios (%) | 2 | | | | | |
| 9 | CET1 | | 14.3 | 14.2 | 14.5 | 14.6 | 14.5 |
| 10 | CET1 as if IFRS 9 transitional arrangements had not been applied | | 14.2 | 14.1 | 14.4 | 14.5 | N/A |
| 11 | Tier 1 | | 17.3 | 17.0 | 17.6 | 17.4 | 17.3 |
| 12 | Tier 1 as if IFRS 9 transitional arrangements had not been applied | | 17.2 | 16.9 | 17.5 | 17.3 | N/A |
| 13 | Total capital | | 20.7 | 20.4 | 20.7 | 21.0 | 20.9 |
| 14 | Total capital as if IFRS 9 transitional arrangements had not been applied | | 20.6 | 20.3 | 20.6 | 20.9 | N/A |
| | Additional CET1 buffer requirements as a percentage of RWA (%) | | | | | | |
| | Capital conservation buffer requirement | | 1.88 | 1.88 | 1.88 | N/A | 1.25 |
| | Countercyclical buffer requirement | | 0.45 | 0.46 | 0.34 | N/A | 0.22 |
| | Bank G-SIB and/or D-SIB additional requirements | | 1.50 | 1.50 | 1.50 | N/A | 1.25 |
| | Total of bank CET1 specific buffer requirements | | 3.83 | 3.84 | 3.72 | N/A | 2.72 |
| | Total capital requirement (%) | | | | | | |
| | Total capital requirement | 3 | 11.5 | 11.5 | 11.5 | N/A | N/A |
| | CET1 available after meeting the bank's minimum capital requirements | 4 | 7.8 | 7.7 | 8.0 | N/A | 8.0 |
| | Leverage ratio | 5 | | | | | |
| 15 | Total leverage ratio exposure measure (\$bn) | | 2,676.4 | 2,664.1 | 2,707.9 | 2,556.4 | 2,557.1 |
| 16 | Leverage ratio (%) | | 5.4 | 5.4 | 5.6 | 5.6 | 5.6 |
| 17 | Leverage ratio as if IFRS 9 transitional arrangements had not been applied (%) | | 5.4 | 5.3 | 5.5 | 5.6 | N/A |
| | Liquidity Coverage Ratio ('LCR') | 6 | | | | | |
| | Total high-quality liquid assets (\$bn) | | 533.2 | 540.2 | 533.1 | N/A | 512.6 |
| | Total net cash outflow (\$bn) | | 334.1 | 341.7 | 338.5 | N/A | 359.9 |
| | LCR ratio (%) | 7 | 159.6 | 158.1 | 157.5 | N/A | 142.2 |

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

For footnotes, see page 30.

Own funds disclosure

| Ref* | | At | |
|------|--|----------------|----------------|
| | | 30 Sep 2018 | 30 Jun 2018 |
| | | \$m | \$m |
| 6 | Common equity tier 1 capital before regulatory adjustments | 154,773 | 156,069 |
| 28 | Total regulatory adjustments to common equity tier 1 | (31,637) | (33,312) |
| 29 | Common equity tier 1 capital | 123,136 | 122,757 |
| 36 | Additional tier 1 capital before regulatory adjustments | 26,223 | 24,388 |
| 43 | Total regulatory adjustments to additional tier 1 capital | (60) | (60) |
| 44 | Additional tier 1 capital | 26,163 | 24,328 |
| 45 | Tier 1 capital | 149,299 | 147,085 |
| 51 | Tier 2 capital before regulatory adjustments | 29,370 | 30,048 |
| 57 | Total regulatory adjustments to tier 2 capital | (521) | (523) |
| 58 | Tier 2 capital | 28,849 | 29,525 |
| 59 | Total capital | 178,148 | 176,610 |
| 60 | Total risk-weighted assets | 862,652 | 865,467 |
| | Capital ratios | % | % |
| 61 | Common equity tier 1 ratio | 14.3 | 14.2 |
| 62 | Tier 1 ratio | 17.3 | 17.0 |
| 63 | Total capital ratio | 20.7 | 20.4 |

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

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Capital

At 30 September 2018, our common equity tier 1 ('CET1') capital ratio increased to 14.3% from 14.2% at 30 June 2018.

CET1 capital increased in the quarter by \$0.3bn, mainly as a result of \$1.8bn of capital generation through profits, net of cash and scrip dividends.

This increase was partly offset by:

\$1.0bn of unfavourable foreign currency translation differences; and

a \$0.6bn decrease in FVOCI reserve and an increase in deduction for intangible assets.

Our 2018 Pillar 2A requirement, as per the Prudential Regulation Authority's ('PRA') Individual Capital Guidance based on a point in time assessment, is 2.9% of RWAs, of which 1.6% is met by CET1.

Leverage

Leverage ratio

| | | At | |
|-------|---|-----------------|-----------------|
| | | 30 Sep | 30 Jun |
| | | 2018 | 2018 |
| Ref* | | \$bn | \$bn |
| 20 | Tier 1 capital | 145.7 | 143.5 |
| 21 | Total leverage ratio exposure | 2,676.4 | 2,664.1 |
| | | % | % |
| 22 | Leverage ratio | 5.4 | 5.4 |
| EU-23 | Choice of transitional arrangements for the definition of the capital measure | Fully phased-in | Fully phased-in |
| | UK leverage ratio exposure – quarterly average | 2,448.3 | 2,467.4 |
| | | % | % |
| | UK leverage ratio – quarterly average | 5.9 | 5.9 |
| | UK leverage ratio – quarter end | 5.9 | 5.9 |

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

Our leverage ratio calculated in accordance with CRD IV was 5.4% at 30 September 2018, unchanged from 5.4% at 30 June 2018.

The Group's UK leverage ratio at 30 September 2018 was 5.9%. This measure excludes qualifying central bank balances from the calculation of exposure.

At 30 September 2018, our UK minimum leverage ratio requirement of 3.25% was supplemented by an additional leverage ratio buffer of 0.5% and a countercyclical leverage ratio buffer of 0.2%. These additional buffers translated into capital values of \$13.0bn and \$3.9bn respectively. We exceeded these leverage requirements.

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Risk-weighted assets
Overview of RWAs

| Ref* | 30 Sep | 30 | 30 Sep |
|---|--------|-------|----------------------------------|
| | 2018 | Jun | 2018 |
| | RWA | RWA | Capital requirement ⁸ |
| | \$bn | \$bn | \$bn |
| 1 Credit risk (excluding counterparty credit risk) | 632.6 | 634.3 | 50.6 |
| 2 – standardised approach | 127.4 | 128.4 | 10.2 |
| 3 – foundation Internal Ratings Based ('IRB') approach | 29.9 | 29.1 | 2.4 |
| 4 – advanced IRB approach | 475.3 | 476.8 | 38.0 |
| 6 Counterparty credit risk | 47.6 | 47.5 | 3.8 |
| 7 – mark-to-market | 25.0 | 24.8 | 2.0 |
| 10 – internal model method | 16.2 | 16.5 | 1.3 |
| 11 – risk exposure amount for contributions to the default fund of a central counterparty | 0.6 | 0.5 | — |
| 12 – credit valuation adjustment | 5.8 | 5.7 | 0.5 |
| 13 Settlement risk | 0.2 | 0.1 | — |
| 14 Securitisation exposures in the non-trading book | 9.0 | 9.0 | 0.7 |
| 15 – IRB ratings based method | 5.1 | 5.1 | 0.4 |
| 17 – IRB internal assessment approach | 1.6 | 1.6 | 0.1 |
| 18 – standardised approach | 2.3 | 2.3 | 0.2 |
| 19 Market risk | 34.9 | 37.0 | 2.8 |
| 20 – standardised approach | 5.1 | 5.5 | 0.4 |
| 21 – internal models approach | 29.8 | 31.5 | 2.4 |
| 23 Operational risk | 92.7 | 92.7 | 7.4 |
| 25 – standardised approach | 92.7 | 92.7 | 7.4 |
| 27 Amounts below the thresholds for deduction (subject to 250% risk weight) | 45.7 | 44.9 | 3.7 |
| 29 Total | 862.7 | 865.5 | 69.0 |

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

For footnotes, see page 30.

RWAs by global business

| | RBW | M | C | GB | M | GPB | Corporate Centre | Total |
|--------------------------|-------|-------|-------|------|-------|------|------------------|-------|
| | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn |
| Credit risk | 97.7 | 293.4 | 170.4 | 13.1 | 112.7 | | 687.3 | |
| Counterparty credit risk | — | — | 45.5 | 0.3 | 2.0 | | 47.8 | |
| Market risk | — | — | 30.8 | — | 4.1 | | 34.9 | |
| Operational risk | 27.3 | 23.7 | 30.8 | 2.9 | 8.0 | | 92.7 | |
| At 30 Sep 2018 | 125.0 | 317.1 | 277.5 | 16.3 | 126.8 | | 862.7 | |

RWAs by geographical region

| | Footnote | Europe | Asia | MENA | North America | Latin America | Total |
|--------------------------|----------|--------|-------|-------|---------------|---------------|-------|
| | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn |
| Credit risk | | 217.5 | 289.1 | 147.0 | 104.7 | 29.0 | 687.3 |
| Counterparty credit risk | | 27.6 | 9.4 | 1.1 | 8.3 | 1.4 | 47.8 |
| Market risk | 9 | 23.7 | 25.2 | 2.2 | 7.0 | 1.0 | 34.9 |

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| | | | | | | |
|------------------|-------|-------|------|-------|------|-------|
| Operational risk | 28.9 | 37.1 | 7.1 | 12.1 | 7.5 | 92.7 |
| At 30 Sep 2018 | 297.7 | 360.8 | 57.4 | 132.1 | 38.9 | 862.7 |

For footnote, see page 30.

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RWA movement by global business by key driver

Credit risk, counterparty credit risk and operational risk

| | RBWM | CMB | GB&M | GPB | Corporate Centre | Market risk | Total RWAs |
|----------------------------|-------|-------|-------|-------|------------------|-------------|------------|
| | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn |
| RWAs at 1 Jul 2018 | 124.1 | 315.1 | 251.3 | 17.0 | 121.0 | 37.0 | 865.5 |
| Asset size | 1.3 | 7.4 | (1.2) | (0.7) | 3.2 | (2.1) | 7.9 |
| Asset quality | (0.1) | (0.7) | (1.2) | — | (0.3) | — | (0.9) |
| Model updates | 0.6 | — | — | — | — | — | 0.6 |
| Methodology and policy | (0.2) | (3.3) | (0.9) | — | (0.6) | — | (5.0) |
| Foreign exchange movements | (0.7) | (2.8) | (1.3) | — | (0.6) | — | (5.4) |
| Total RWA movement | 0.9 | 2.0 | (4.6) | (0.7) | 1.7 | (2.1) | (2.8) |
| RWAs at 30 Sep 2018 | 125.0 | 317.1 | 246.7 | 16.3 | 122.7 | 34.9 | 862.7 |

RWA movement by geographical region by key driver

Credit risk, counterparty credit risk and operational risk

| | Europe | Asia | MENA | North America | Latin America | Market risk | Total RWAs |
|----------------------------|--------|-------|-------|---------------|---------------|-------------|------------|
| | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn | \$bn |
| RWAs at 1 Jul 2018 | 274.9 | 340.1 | 54.9 | 122.8 | 35.8 | 37.0 | 865.5 |
| Asset size | 4.2 | 0.9 | 1.1 | 1.2 | 2.6 | (2.1) | 7.9 |
| Asset quality | 0.1 | (1.9) | (0.3) | 0.8 | (0.2) | — | (0.9) |
| Model updates | 0.2 | 0.4 | — | — | — | — | 0.6 |
| Methodology and policy | (3.4) | (1.4) | (0.1) | (0.1) | — | — | (5.0) |
| Foreign exchange movements | (2.0) | (2.5) | (1.0) | (0.4) | (0.3) | — | (5.4) |
| Total RWA movement | (0.9) | (4.5) | (0.3) | 2.3 | 2.1 | (2.1) | (2.8) |
| RWAs at 30 Sep 2018 | 274.0 | 335.6 | 55.2 | 125.1 | 37.9 | 34.9 | 862.7 |

RWAs

RWAs decreased by \$2.8bn during the third quarter, including a decrease of \$5.4bn due to foreign currency translation differences. The \$2.6bn increase (excluding foreign currency translation differences) was primarily due to an increase in asset size of \$7.9bn less a decrease of \$5.0bn due to methodology and policy changes.

The following comments describe RWA movements for the three-month period to 30 September 2018, excluding foreign currency translation differences.

Asset size

Asset size movements were principally driven by growth in lending and trade receivables in CMB, which increased RWAs by \$7.4bn mainly in Europe, Asia and North America. The Corporate Centre increase of \$3.2bn included movement in other assets, and growth in BSM activities and securitisation positions.

This growth was partly offset by a \$2.1bn reduction in market risk due to lower holdings, lower volatility and changes in the mix of exposure.

Methodology and policy

The \$5.0bn decrease reported in internal updates derived from management initiatives, predominantly taking the form of improved collateral recognition.

RWA flow statements of credit risk exposures under IRB approach¹⁰

| Ref* | RWA | Capital requirement ⁸ |
|----------------------|-------|----------------------------------|
| | \$bn | \$bn |
| 1 RWAs at 1 Jul 2018 | 505.9 | 40.5 |
| 2 Asset size | 6.3 | 0.5 |

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| | | | |
|---|----------------------------|--------|--------|
| 3 | Asset quality | (0.5) | — |
| 4 | Model updates | 0.6 | — |
| 5 | Methodology and policy | (3.3) | (0.3) |
| 7 | Foreign exchange movements | (3.8) | (0.3) |
| 9 | RWAs at 30 Sep 2018 | 505.2 | 40.4 |

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

For footnotes, see page 30.

RWAs under the internal ratings based ('IRB') approach decreased by \$0.7bn in the third quarter of the year, including a decrease of \$3.8bn due to foreign currency translation differences.

The \$3.1bn increase in RWAs (excluding foreign currency translation differences) was mainly due to \$6.3bn growth principally in the corporate portfolio in Europe and North America. This was partly offset by \$3.3bn changes in methodology and policy, mainly taking the form of improved collateral recognition.

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RWA flow statements of counterparty credit risk exposures under the IMM

| Ref* | | RWA \$bn | Capital requirement ⁸ \$bn |
|------|---------------------|-------------|---|
| 1 | RWAs at 1 Jul 2018 | 20.9 | 1.7 |
| 2 | Asset size | (0.4) | — |
| 9 | RWAs at 30 Sep 2018 | 20.5 | 1.7 |

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

For footnotes, see page 30.

RWAs under the internal models method ('IMM') decreased by \$0.4bn, mainly as a result of lower exposures in Asia.

RWA flow statements of market risk exposures under the IMA

| Ref* | | VaR \$bn | Stressed VaR \$bn | IRC \$bn | Other \$bn | Total RWA \$bn | Capital requirement ⁸ \$bn |
|------|-------------------------|-------------|-------------------------|-------------|---------------|-------------------|---|
| 1 | RWAs at 1 Jul 2018 | 7.0 | 11.8 | 9.5 | 3.2 | 31.5 | 2.6 |
| 2 | Movement in risk levels | (0.1) | (1.1) | (0.9) | 0.4 | (1.7) | (0.2) |
| 8 | RWAs at 30 Sep 2018 | 6.9 | 10.7 | 8.6 | 3.6 | 29.8 | 2.4 |

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

For footnotes, see page 30.

RWAs under the internal models approach ('IMA') decreased by \$1.7bn due to:

• lower holdings and volatility, which decreased value at risk ('VaR') and stressed VaR by \$0.1bn and \$1.1bn respectively; and

• changes in the mix of exposure subject to incremental risk charge ('IRC'), which reduced RWAs by \$0.9bn.

Footnotes to capital, leverage and risk-weighted assets

1 Figures presented as reported under IAS 39 at 31 December 2017.

2 Capital figures and ratios are reported on the CRD IV transitional basis for additional tier 1 and tier 2 capital in accordance with articles 484-92 of the Capital Requirements Regulation.

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

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

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

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

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

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

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

10 Securitisation positions are not included in this table.

Summary information – global businesses

HSBC adjusted profit before tax

| | Nine months ended 30 Sep 2018 | | | | | |
|--|--|------------------------------|--|-------------------------------------|----------------------------|--------------|
| | Retail Banking and Wealth Management \$m | Commercial Banking \$m | Global Banking and Markets \$m | Global Private Banking \$m | Corporate Centre \$m | Total \$m |
| Net operating income/(expense) before change in expected credit losses and other credit impairment charges | 16,825 | 11,189 | 12,449 | 1,361 | (448) |)41,376 |
| of which: net interest income/(expense) | 11,764 | 7,892 | 3,827 | 668 | (1,417) |)22,734 |
| Change in expected credit losses and other credit impairment (charges)/recoveries | (838) |) (295) |) 90 | 16 | 113 | (914) |
| Net operating income/(expense) | 15,987 | 10,894 | 12,539 | 1,377 | (335) |)40,462 |
| Total operating expenses | (10,282) |) (4,895) |) (7,160) |) (1,092) |) (679) |) (24,108) |
| Operating profit/(loss) | 5,705 | 5,999 | 5,379 | 285 | (1,014) |)16,354 |
| Share of profit in associates and joint ventures | 21 | — | — | — | 1,957 | 1,978 |
| Adjusted profit before tax | 5,726 | 5,999 | 5,379 | 285 | 943 | 18,332 |
| | % | % | % | % | % | % |
| Share of HSBC's adjusted profit before tax | 31.2 | 32.7 | 29.3 | 1.6 | 5.1 | 100.0 |
| Adjusted cost efficiency ratio | 61.1 | 43.7 | 57.5 | 80.2 | (151.6) |)58.3 |
| | Nine months ended 30 Sep 2017 | | | | | |
| Net operating income before loan impairment charges and other credit risk provisions | 15,332 | 9,893 | 12,002 | 1,309 | 1,142 | 39,678 |
| of which: net interest income/(expense) | 10,414 | 6,720 | 3,454 | 615 | (131) |)21,072 |
| Loan impairment (charges)/recoveries and other credit risk provisions | (793) |) (286) |) (85) |) (17) |) 95 | (1,086) |
| Net operating income | 14,539 | 9,607 | 11,917 | 1,292 | 1,237 | 38,592 |
| Total operating expenses | (9,464) |) (4,424) |) (6,874) |) (1,092) |) (924) |) (22,778) |
| Operating profit | 5,075 | 5,183 | 5,043 | 200 | 313 | 15,814 |
| Share of profit in associates and joint ventures | 2 | — | — | — | 1,882 | 1,884 |
| Adjusted profit before tax | 5,077 | 5,183 | 5,043 | 200 | 2,195 | 17,698 |
| | % | % | % | % | % | % |
| Share of HSBC's adjusted profit before tax | 28.7 | 29.3 | 28.5 | 1.1 | 12.4 | 100.0 |
| Adjusted cost efficiency ratio | 61.7 | 44.7 | 57.3 | 83.4 | 80.9 | 57.4 |

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HSBC adjusted profit before tax (continued)

| | Quarter ended 30 Sep 2018 | | | | | |
|--|--|------------------------------|--|-------------------------------------|----------------------------|--------------|
| | Retail Banking and Wealth Management \$m | Commercial Banking \$m | Global Banking and Markets \$m | Global Private Banking \$m | Corporate Centre \$m | Total \$m |
| Net operating income/(expense) before change in expected credit losses and other credit impairment charges | 5,760 | 3,750 | 4,184 | 432 | (285) |) 13,841 |
| of which: net interest income/(expense) | 4,103 | 2,703 | 1,338 | 222 | (686) |) 7,680 |
| Change in expected credit losses and other credit impairment (charges)/recoveries | (295) |) (240) |) (7 |) 12 | 23 | (507) |
| Net operating income/(expense) | 5,465 | 3,510 | 4,177 | 444 | (262) |) 13,334 |
| Total operating expenses | (3,373) |) (1,622) |) (2,366 |) (349 |) (28 |) (7,738) |
| Operating profit/(loss) | 2,092 | 1,888 | 1,811 | 95 | (290) |) 5,596 |
| Share of profit in associates and joint ventures | 4 | — | — | — | 593 | 597 |
| Adjusted profit before tax | 2,096 | 1,888 | 1,811 | 95 | 303 | 6,193 |
| | % | % | % | % | % | % |
| Share of HSBC's adjusted profit before tax | 33.8 | 30.5 | 29.2 | 1.5 | 4.9 | 100.0 |
| Adjusted cost efficiency ratio | 58.6 | 43.3 | 56.5 | 80.8 | (9.8) |) 55.9 |
| | Quarter ended 30 June 2018 | | | | | |
| Net operating income/(expense) before loan impairment charges and other credit risk provisions | 5,283 | 3,648 | 4,002 | 443 | (48) |) 13,328 |
| of which: net interest income/(expense) | 3,787 | 2,608 | 1,270 | 220 | (452) |) 7,433 |
| Change in expected credit losses and other credit impairment (charges)/recoveries | (230) |) (108) |) 120 | 1 | 2 | (215) |
| Net operating income/(expense) | 5,053 | 3,540 | 4,122 | 444 | (46) |) 13,113 |
| Total operating expenses | (3,351) |) (1,578) |) (2,318) |) (368) |) (284) |) (7,899) |
| Operating profit/(loss) | 1,702 | 1,962 | 1,804 | 76 | (330) |) 5,214 |
| Share of profit in associates and joint ventures | 14 | — | — | — | 731 | 745 |
| Adjusted profit before tax | 1,716 | 1,962 | 1,804 | 76 | 401 | 5,959 |
| | % | % | % | % | % | % |
| Share of HSBC's adjusted profit before tax | 28.8 | 32.9 | 30.3 | 1.3 | 6.7 | 100.0 |
| Adjusted cost efficiency ratio | 63.4 | 43.3 | 57.9 | 83.1 | (591.7) |) 59.3 |
| | Quarter ended 30 Sep 2017 | | | | | |
| Net operating income before loan impairment charges and other credit risk provisions | 5,049 | 3,271 | 3,810 | 434 | 154 | 12,718 |
| of which: net interest income/(expense) | 3,494 | 2,297 | 1,147 | 208 | (234) |) 6,912 |
| Loan impairment (charges)/recoveries and other credit risk provisions | (228) |) (177) |) (45) |) (16) |) 37 | (429) |
| Net operating income | 4,821 | 3,094 | 3,765 | 418 | 191 | 12,289 |
| Total operating expenses | (3,153) |) (1,475) |) (2,265) |) (363) |) (327) |) (7,583) |
| Operating profit/(loss) | 1,668 | 1,619 | 1,500 | 55 | (136) |) 4,706 |
| Share of profit in associates and joint ventures | 13 | — | — | — | 613 | 626 |
| Adjusted profit before tax | 1,681 | 1,619 | 1,500 | 55 | 477 | 5,332 |
| | % | % | % | % | % | % |
| Share of HSBC's adjusted profit before tax | 31.5 | 30.4 | 28.1 | 1.0 | 8.9 | 100.0 |
| Adjusted cost efficiency ratio | 62.4 | 45.1 | 59.4 | 83.6 | 212.3 | 59.6 |

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Global Private Banking – reported client assets⁴

| | Quarter ended | | |
|--|----------------|----------------|----------------|
| | 30 Sep 2018 | 30 Jun 2018 | 30 Sep 2017 |
| | \$bn | \$bn | \$bn |
| Opening balance | 330 | 331 | 316 |
| Net new money | 2 | 3 | 3 |
| – of which: areas targeted for growth ² | 2 | 4 | 5 |
| Value change | (3) | (1) | 5 |
| Disposals | — | — | (1) |
| Exchange and other | (3) | (3) | 4 |
| Closing balance | 326 | 330 | 327 |

For footnotes, see page 36.

Global Private Banking – reported client assets
by geography⁴

| | Footnote | Quarter ended | | |
|-----------------|----------|----------------|----------------|----------------|
| | | 30 Sep 2018 | 30 Jun 2018 | 30 Sep 2017 |
| | | \$bn | \$bn | \$bn |
| Europe | | 158 | 161 | 158 |
| Asia | | 129 | 131 | 128 |
| North America | | 39 | 38 | 41 |
| Latin America | | — | — | — |
| Middle East | 5 | — | — | — |
| Closing balance | | 326 | 330 | 327 |

For footnotes, see page 36.

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

| | Footnotes | Nine months ended 30 Sep 2018 | | | | | | Total | |
|--|-----------|-------------------------------|--------|---------|---------------|---------------|------------------|----------|---|
| | | Europe | Asia | MENA | North America | Latin America | Intra-HSBC items | | |
| | | \$m | \$m | \$m | \$m | \$m | \$m | \$m | |
| Net interest income | | 5,212 | 11,976 | 1,332 | 2,632 | 1,450 | 178 | 22,780 | |
| Net fee income | | 3,086 | 4,477 | 463 | 1,397 | 370 | — | 9,793 | |
| Net income from financial instruments held for trading or managed on a fair value basis | 2, 3 | 3,048 | 3,070 | 197 | 651 | 523 | (4 |)7,485 | |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | 2 | (36 |)(14 |)— | — | 6 | — | (44 |) |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | 2 | 696 | (26 |)2 | 30 | 17 | (178 |)541 | |
| Other income/(expense) | 1, 3 | 1,702 | 2,418 | 25 | 442 | (247 |)(3,810 |)530 | |
| Net operating income before change in expected credit losses and other credit impairment charges | | 13,708 | 21,901 | 2,019 | 5,152 | 2,119 | (3,814 |)41,085 | |
| Change in expected credit losses and other credit impairment charges/(recoveries) | | (187 |)(405 |)(203 |)264 | (383 |)— | (914 |) |
| Net operating income | | 13,521 | 21,496 | 1,816 | 5,416 | 1,736 | (3,814 |)40,171 | |
| Total operating expenses | | (12,798) | (9,263 |)(1,009 |)(4,907 |)(1,352 |)3,814 | (25,515) | |
| Operating profit | | 723 | 12,233 | 807 | 509 | 384 | — | 14,656 | |
| Share of profit in associates and joint ventures | | 21 | 1,606 | 351 | — | — | — | 1,978 | |
| Profit before tax | | 744 | 13,839 | 1,158 | 509 | 384 | — | 16,634 | |
| | | % | % | % | % | % | | % | |
| Share of HSBC's profit before tax | | 4.5 | 83.2 | 6.9 | 3.1 | 2.3 | | 100.0 | |
| Cost efficiency ratio | | 93.4 | 42.3 | 50.0 | 95.2 | 63.8 | | 62.1 | |
| | | Nine months ended 30 Sep 2017 | | | | | | | |
| Net interest income | | 5,286 | 10,331 | 1,312 | 2,593 | 1,547 | (165 |)20,904 | |
| Net fee income | | 3,204 | 4,267 | 470 | 1,418 | 387 | — | 9,746 | |
| Net income from financial instruments held for trading or managed on a fair value basis | 2, 3 | 3,066 | 2,220 | 154 | 374 | 347 | 165 | 6,326 | |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | 2 | 587 | 1,576 | — | — | 47 | — | 2,210 | |
| Changes in fair value of other financial instruments mandatorily | 2 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |

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measured at fair value through profit or loss

| | | | | | | | | |
|--|------|----------|--------|---------|---------|---------|--------|----------|
| Other income/(expense) | 1, 3 | 1,294 | 1,043 | 86 | 530 | 54 | (3,049 |)(42) |
| Net operating income before loan impairment charges and other credit risk provisions | | 13,437 | 19,437 | 2,022 | 4,915 | 2,382 | (3,049 |)(39,144 |
| Loan impairment charges and other credit risk provisions | | (152 |)(544 |)(175 |)158 | (398 |)— | (1,111) |
| Net operating income | | 13,285 | 18,893 | 1,847 | 5,073 | 1,984 | (3,049 |)(38,033 |
| Total operating expenses | | (12,791) | (8,663 |)(1,037 |)(3,997 |)(1,550 |)3,049 | (24,989) |
| Operating profit | | 494 | 10,230 | 810 | 1,076 | 434 | — | 13,044 |
| Share of profit in associates and joint ventures | | 28 | 1,429 | 358 | 4 | — | — | 1,819 |
| Profit before tax | | 522 | 11,659 | 1,168 | 1,080 | 434 | — | 14,863 |
| | | % | % | % | % | % | | % |
| Share of HSBC's profit before tax | | 3.5 | 78.4 | 7.9 | 7.3 | 2.9 | | 100.0 |
| Cost efficiency ratio | | 95.2 | 44.6 | 51.3 | 81.3 | 65.1 | | 63.8 |

For footnotes, see page 36.

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

| | | Quarter ended 30 Sep 2018 | | | | | | | |
|--|------|---------------------------|---------|-------|---------------|---------------|------------------|---------|---|
| | | Europe | Asia | MENA | North America | Latin America | Intra-HSBC items | Total | |
| Footnotes | | \$m | \$m | \$m | \$m | \$m | \$m | \$m | |
| | | 1,685 | 4,155 | 468 | 885 | 411 | 76 | 7,680 | |
| | | 976 | 1,338 | 143 | 467 | 102 | — | 3,026 | |
| Net interest income | | | | | | | | | |
| Net fee income | | | | | | | | | |
| Net income from financial instruments held for trading or managed on a fair value basis | 2, 3 | 1,122 | 1,089 | 50 | 195 | 139 | 7 | 2,602 | |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | 2 | 105 | 65 | — | — | 8 | — | 178 | |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | 2 | 272 | (10) |)3 | 11 | 7 | (87 |)196 | |
| Other income/(expense) | 1, 3 | 677 | 752 | (1 |)182 | (144 |)(1,350 |)116 | |
| Net operating income before change in expected credit losses and other credit impairment charges | | 4,837 | 7,389 | 663 | 1,740 | 523 | (1,354 |)13,798 | |
| Change in expected credit losses and other credit impairment charges/(recoveries) | | — | (289 |)(100 |)30 | (148 |)— | (507 |) |
| Net operating income | | 4,837 | 7,100 | 563 | 1,770 | 375 | (1,354 |)13,291 | |
| Total operating expenses | | (4,206 |)(3,153 |)(323 |)(1,303 |)(335 |)1,354 | (7,966 |) |
| Operating profit | | 631 | 3,947 | 240 | 467 | 40 | — | 5,325 | |
| Share of profit in associates and joint ventures | | 3 | 512 | 82 | — | — | — | 597 | |
| Profit before tax | | 634 | 4,459 | 322 | 467 | 40 | — | 5,922 | |
| | | % | % | % | % | % | | % | |
| Share of HSBC's profit before tax | | 10.7 | 75.3 | 5.4 | 7.9 | 0.7 | | 100.0 | |
| Cost efficiency ratio | | 87.0 | 42.7 | 48.7 | 74.9 | 64.1 | | 57.7 | |
| | | Quarter ended 30 Jun 2018 | | | | | | | |
| | | 1,788 | 3,990 | 403 | 877 | 511 | 75 | 7,644 | |
| | | 1,023 | 1,461 | 163 | 486 | 127 | — | 3,260 | |
| Net interest income | | | | | | | | | |
| Net fee income | | | | | | | | | |
| Net income from financial instruments held for trading or managed on a fair value basis | 2, 3 | 771 | 1,025 | 105 | 244 | 263 | 91 | 2,499 | |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | 2 | 86 | (149 |)— | — | (4 |)— | (67 |) |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | 2 | 269 | 18 | (6 |)9 | 2 | (64 |)228 | |
| Other income/(expense) | 1, 3 | 464 | 860 | 15 | 171 | (100 |)(1,397 |)13 | |
| Net operating income before loan impairment charges and other credit | | 4,401 | 7,205 | 680 | 1,787 | 799 | (1,295 |)13,577 | |

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| | | | | | | | |
|---|----------|----------|--------|----------|--------|----------|----------|
| risk provisions | | | | | | | |
| Change in expected credit losses and other credit impairment charges/(recoveries) | (125) | (84) | (99) | 187 | (116) | — | (237) |
| Net operating income | 4,276 | 7,121 | 581 | 1,974 | 683 | (1,295) | 13,340 |
| Total operating expenses | (4,155) | (3,124) | (343) | (1,336) | (503) | 1,295 | (8,166) |
| Operating profit | 121 | 3,997 | 238 | 638 | 180 | — | 5,174 |
| Share of profit in associates and joint ventures | 7 | 615 | 161 | — | — | — | 783 |
| Profit before tax | 128 | 4,612 | 399 | 638 | 180 | — | 5,957 |
| | % | % | % | % | % | | % |
| Share of HSBC's profit before tax | 2.2 | 77.4 | 6.7 | 10.7 | 3.0 | | 100.0 |
| Cost efficiency ratio | 94.4 | 43.4 | 50.4 | 74.8 | 63.0 | | 60.1 |

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

| | Footnotes | Quarter ended 30 Sep 2017 | | | | | | Total |
|--|-----------|---------------------------|----------|--------|---------------|---------------|------------------|----------|
| | | Europe | Asia | MENA | North America | Latin America | Intra-HSBC items | |
| | | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Net interest income | | 1,816 | 3,566 | 454 | 823 | 537 | (69) |)7,127 |
| Net fee income | | 1,029 | 1,448 | 154 | 489 | 135 | — | 3,255 |
| Net income from financial instruments held for trading or managed on a fair value basis | 2, 3 | 1,055 | 703 | 36 | 101 | 130 | 69 | 2,094 |
| Net income from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss | 2 | 186 | 506 | — | — | 19 | — | 711 |
| Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss | 2 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Other income | 1, 3 | 448 | 428 | 16 | 6 | 12 | (1,119) |)(209) |
| Net operating income before loan impairment charges and other credit risk provisions | | 4,534 | 6,651 | 660 | 1,419 | 833 | (1,119) |)12,978 |
| Loan impairment charges and other credit risk provisions | | (171) |)(96) |)(53) |)21 | (149) |)— | (448) |
| Net operating income | | 4,363 | 6,555 | 607 | 1,440 | 684 | (1,119) |)12,530 |
| Total operating expenses | | (4,430) |)(3,023) |)(364) |)(1,314) |)(534) |)1,119 | (8,546) |
| Operating profit/(loss) | | (67) |)3,532 | 243 | 126 | 150 | — | 3,984 |
| Share of profit in associates and joint ventures | | 17 | 497 | 121 | 1 | — | — | 636 |
| Profit/(loss) before tax | | (50) |)4,029 | 364 | 127 | 150 | — | 4,620 |
| | | % | % | % | % | % | | % |
| Share of HSBC's profit before tax | | (1.1) |)87.3 | 7.9 | 2.7 | 3.2 | | 100.0 |
| Cost efficiency ratio | | 97.7 | 45.5 | 55.2 | 92.6 | 64.1 | | 65.8 |

Footnotes to summary information – global businesses and geographical regions

Other income in this context comprises where applicable changes in fair value of long-term debt and related derivatives, gains less losses from financial investments, dividend income, net insurance premium income and other operating income less net insurance claims and benefits paid and movement in liabilities to policyholders.

The classification and measurement requirements under IFRS 9, which was adopted from 1 January 2018, are based on an entity's assessment of both the business model for managing the assets and the contractual cash flow characteristics of the assets. The standard contains a classification for items measured mandatorily at fair value through profit or loss as a residual category. Given its residual nature, the presentation of the income statement has been updated to separately present items in this category which are of a dissimilar nature or function, in line with IAS 1 'Presentation of Financial Statements' requirements. Comparative data have been re-presented. There is no net impact on Total operating income.

3 Prior to 2018, foreign exchange exposure on some financial instruments designated at fair value was presented in the same line in the income statement as the underlying fair value movement on these instruments. In 2018, we have grouped the presentation of the entire effect of foreign exchange exposure in profit or loss and presented it within 'Net income from financial instruments held for trading or managed on a fair value basis'. Comparative data have

been re-presented. There is no net impact on Total operating income and the impact on 'Changes in fair value of long-term debt and related derivatives' is \$(482)m in 9M17 and \$(206)m in 3Q17.

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.

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

Appendix – selected information

Supplementary analysis of significant items by global business is presented below.

Reconciliation of reported and adjusted results – global businesses

| | Nine months ended 30 Sep 2018 | | | | | | Total |
|---|---|-----------------------|-------------------------------------|------------------------------|---------------------|--------|-----------|
| | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Corporate Centre | | |
| Footnotes | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Revenue | | | | | | | |
| Reported | | 16,818 | 11,235 | 12,522 | 1,361 | (851) |)41,085 |
| Significant items | 7 | 7 | (46) | (73) |)— | 403 | 291 |
| – customer redress programmes | | — | (46) |)— | — | — | (46) |
| – disposals, acquisitions and investment in new businesses | 7 | 7 | — | — | — | 135 | 142 |
| – fair value movement on financial instruments | 1 | — | — | (73) |)— | 268 | 195 |
| Adjusted | | 16,825 | 11,189 | 12,449 | 1,361 | (448) |)41,376 |
| Change in expected credit losses and other credit impairment (charges)/recoveries | | | | | | | |
| Reported | | (838) |)295 |)90 | 16 | 113 | (914) |
| Adjusted | | (838) |)295 |)90 | 16 | 113 | (914) |
| Operating expenses | | | | | | | |
| Reported | | (10,457) |)4,906 |)7,077 |)1,195 |)1,880 |)25,515) |
| Significant items | | 175 | 11 | (83) |)103 | 1,201 | 1,407 |
| – costs of structural reform | 2 | 3 | 5 | 27 | — | 265 | 300 |
| – customer redress programmes | | 156 | 6 | — | — | — | 162 |
| – disposals, acquisitions and investment in new businesses | | — | — | — | 54 | — | 54 |
| – restructuring and other related costs | | — | — | — | 7 | 44 | 51 |
| – settlements and provisions in connection with legal and regulatory matters | | 16 | — | (110) |)42 | 892 | 840 |
| Adjusted | | (10,282) |)4,895 |)7,160 |)1,092 |)679 |)24,108) |
| Share of profit in associates and joint ventures | | | | | | | |
| Reported | | 21 | — | — | — | 1,957 | 1,978 |
| Adjusted | | 21 | — | — | — | 1,957 | 1,978 |
| Profit/(loss) before tax | | | | | | | |
| Reported | | 5,544 | 6,034 | 5,535 | 182 | (661) |)16,634 |
| Significant items | | 182 | (35) | (156) |)103 | 1,604 | 1,698 |
| – revenue | | 7 | (46) | (73) |)— | 403 | 291 |
| – operating expenses | | 175 | 11 | (83) |)103 | 1,201 | 1,407 |
| Adjusted | | 5,726 | 5,999 | 5,379 | 285 | 943 | 18,332 |
| Loans and advances to customers (net) | | | | | | | |
| Reported | | 356,453 | 332,649 | 250,674 | 39,210 | 2,474 | 981,460 |
| Adjusted | | 356,453 | 332,649 | 250,674 | 39,210 | 2,474 | 981,460 |

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Customer accounts

| | | | | | | |
|----------|---------|---------|---------|--------|-------|-----------|
| Reported | 636,603 | 352,477 | 285,525 | 63,717 | 7,053 | 1,345,375 |
| Adjusted | 636,603 | 352,477 | 285,525 | 63,717 | 7,053 | 1,345,375 |

1 Includes fair value movements on non-qualifying hedges and DVA on derivative contracts.

Comprises costs associated with the UK's exit from the European Union, costs to establish the UK ring-fenced bank 2 (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

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

| | Nine months ended 30 Sep 2017 | | | | | | |
|--|-------------------------------|--|------------------------------|--|-------------------------------------|----------------------------|--------------|
| | Footnotes | Retail Banking and Wealth Management \$m | Commercial Banking \$m | Global Banking and Markets \$m | Global Private Banking \$m | Corporate Centre \$m | Total \$m |
| Revenue | | | | | | | |
| Reported | | 15,462 | 9,754 | 11,361 | 1,303 | 1,264 | 39,144 |
| Currency translation | | 106 | 139 | 287 | 27 | 27 | 586 |
| Significant items | | (236) |)— | 354 | (21) |)(149) |)(52) |
| – customer redress programmes | | 3 | — | — | — | — | 3 |
| – disposal, acquisitions and investment in new businesses | | (239) |)— | — | (20) |)(94) |)(353) |
| – fair value movement on financial instruments | 1 | — | — | 340 | — | (50) |)290 |
| – currency translation on significant items | | — | — | 14 | (1) |)(5) |)8 |
| Adjusted | | 15,332 | 9,893 | 12,002 | 1,309 | 1,142 | 39,678 |
| LICs | | | | | | | |
| Reported | | (794) |)(306) |)(86) |)(17) |)92 | (1,111) |
| Currency translation | | 1 | 20 | 1 | — | 3 | 25 |
| Adjusted | | (793) |)(286) |)(85) |)(17) |)95 | (1,086) |
| Operating expenses | | | | | | | |
| Reported | | (9,983) |)(4,382) |)(6,398) |)(1,074) |)(3,152) |)(24,989) |
| Currency translation | | (124) |)(63) |)(181) |)(24) |)(97) |)(489) |
| Significant items | | 643 | 21 | (295) |)6 | 2,325 | 2,700 |
| – costs of structural reform | 2 | — | — | 4 | — | 285 | 289 |
| – costs to achieve | | 224 | 20 | 143 | 5 | 1,955 | 2,347 |
| – customer redress programmes | | 383 | — | — | — | — | 383 |
| – disposals, acquisitions and investment in new businesses | | — | — | — | 1 | 13 | 14 |
| – settlements and provisions in connection with legal and regulatory matters | | — | — | (426) |)— | — | (426) |
| – currency translation on significant items | | 36 | 1 | (16) |)— | 72 | 93 |
| Adjusted | | (9,464) |)(4,424) |)(6,874) |)(1,092) |)(924) |)(22,778) |
| Share of profit in associates and joint ventures | | | | | | | |
| Reported | | 2 | — | — | — | 1,817 | 1,819 |
| Currency translation | | — | — | — | — | 65 | 65 |
| Adjusted | | 2 | — | — | — | 1,882 | 1,884 |
| Profit before tax | | | | | | | |
| Reported | | 4,687 | 5,066 | 4,877 | 212 | 21 | 14,863 |
| Currency translation | | (17) |)96 | 107 | 3 | (2) |)187 |
| Significant items | | 407 | 21 | 59 | (15) |)2,176 | 2,648 |
| – revenue | | (236) |)— | 354 | (21) |)(149) |)(52) |

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| | | | | | | |
|---------------------------------------|---------|---------|---------|--------|--------|------------|
| – operating expenses | 643 | 21 | (295 |)6 | 2,325 | 2,700 |
| Adjusted | 5,077 | 5,183 | 5,043 | 200 | 2,195 | 17,698 |
| Loans and advances to customers (net) | | | | | | |
| Reported | 337,012 | 316,409 | 245,504 | 39,116 | 7,127 | 945,168 |
| Currency translation | (7,782 |)(7,309 |)(4,673 |)(314 |)(96 |)(20,174) |
| Adjusted | 329,230 | 309,100 | 240,831 | 38,802 | 7,031 | 924,994 |
| Customer accounts | | | | | | |
| Reported | 628,917 | 351,495 | 273,281 | 67,794 | 15,634 | 1,337,121 |
| Currency translation | (11,272 |)(6,123 |)(5,796 |)(517 |)(406 |)(24,114) |
| Adjusted | 617,645 | 345,372 | 267,485 | 67,277 | 15,228 | 1,313,007 |

1 Includes fair value movements on non-qualifying hedges and DVA on derivative contracts.

Comprises costs associated with the UK's exit from the European Union, costs to establish the UK ring-fenced bank 2 (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

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Supplementary analysis of significant items by global business is presented below.

Reconciliation of reported and adjusted results – global businesses

| | Quarter ended 30 Sep 2018 | | | | | | Total |
|---|---------------------------|---|-----------------------|-------------------------------------|------------------------------|---------------------|-----------|
| | | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Corporate Centre | |
| | Footnotes | \$m | \$m | \$m | \$m | \$m | \$m |
| Revenue | | | | | | | |
| Reported | | 5,760 | 3,750 | 4,192 | 432 | (336) | 13,798 |
| Significant items | | — | — | (8) | — | 51 | 43 |
| – fair value movement on financial instruments | 1 | — | — | (8) | — | 51 | 43 |
| Adjusted | | 5,760 | 3,750 | 4,184 | 432 | (285) | 13,841 |
| Change in expected credit losses and other credit impairment (charges)/recoveries | | | | | | | |
| Reported | | (295) | (240) | (7) | 12 | 23 | (507) |
| Adjusted | | (295) | (240) | (7) | 12 | 23 | (507) |
| Operating expenses | | | | | | | |
| Reported | | (3,437) | (1,625) | (2,375) | (408) | (121) | (7,966) |
| Significant items | | 64 | 3 | 9 | 59 | 93 | 228 |
| – costs of structural reform | 2 | 2 | 3 | 11 | — | 73 | 89 |
| – customer redress programmes | | 62 | — | — | — | — | 62 |
| – disposals, acquisitions and investment in new businesses | | — | — | — | 51 | — | 51 |
| – restructuring and other related costs | | — | — | — | 7 | 20 | 27 |
| – settlements and provisions in connection with legal and regulatory matters | | — | — | (2) | 1 | — | (1) |
| Adjusted | | (3,373) | (1,622) | (2,366) | (349) | (28) | (7,738) |
| Share of profit in associates and joint ventures | | | | | | | |
| Reported | | 4 | — | — | — | 593 | 597 |
| Adjusted | | 4 | — | — | — | 593 | 597 |
| Profit before tax | | | | | | | |
| Reported | | 2,032 | 1,885 | 1,810 | 36 | 159 | 5,922 |
| Significant items | | 64 | 3 | 1 | 59 | 144 | 271 |
| – revenue | | — | — | (8) | — | 51 | 43 |
| – operating expenses | | 64 | 3 | 9 | 59 | 93 | 228 |
| Adjusted | | 2,096 | 1,888 | 1,811 | 95 | 303 | 6,193 |
| Loans and advances to customers (net) | | | | | | | |
| Reported | | 356,453 | 332,649 | 250,674 | 39,210 | 2,474 | 981,460 |
| Adjusted | | 356,453 | 332,649 | 250,674 | 39,210 | 2,474 | 981,460 |
| Customer accounts | | | | | | | |
| Reported | | 636,603 | 352,477 | 285,525 | 63,717 | 7,053 | 1,345,375 |
| Adjusted | | 636,603 | 352,477 | 285,525 | 63,717 | 7,053 | 1,345,375 |

1 Includes fair value movements on non-qualifying hedges and DVA on derivative contracts.

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Comprises costs associated with the UK's exit from the European Union, costs to establish the UK ring-fenced bank 2 (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

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

| | Quarter ended 30 Jun 2018 | | | | | | |
|--|---------------------------|--|------------------------------|--|-------------------------------------|----------------------------|--------------|
| | Footnotes | Retail Banking and Wealth Management \$m | Commercial Banking \$m | Global Banking and Markets \$m | Global Private Banking \$m | Corporate Centre \$m | Total \$m |
| Revenue | | | | | | | |
| Reported | | 5,389 | 3,786 | 4,152 | 447 | (197) |)13,577 |
| Currency translation | | (113) |)(94) |)(116) |)(4) |)(33) |)(360) |
| Significant items | | 7 | (44) |)(34) |)— | 182 | 111 |
| – customer redress programmes | | — | (46) |)— | — | — | (46) |
| – disposals, acquisitions and investment in new businesses | | 7 | — | — | — | 23 | 30 |
| – fair value movement on financial instruments | 1 | — | — | (35) |)— | 159 | 124 |
| – currency translation on significant items | | — | 2 | 1 | — | — | 3 |
| Adjusted | | 5,283 | 3,648 | 4,002 | 443 | (48) |)13,328 |
| ECL | | | | | | | |
| Reported | | (240) |)(119) |)119 | 1 | 2 | (237) |
| Currency translation | | 10 | 11 | 1 | — | — | 22 |
| Adjusted | | (230) |)(108) |)120 | 1 | 2 | (215) |
| Operating expenses | | | | | | | |
| Reported | | (3,447) |)(1,628) |)(2,315) |)(372) |)(404) |)(8,166) |
| Currency translation | | 95 | 43 | 63 | 3 | 24 | 228 |
| Significant items | | 1 | 7 | (66) |)1 | 96 | 39 |
| – costs of structural reform | 2 | — | 1 | 9 | — | 75 | 85 |
| – customer redress programmes | | 1 | 6 | — | — | — | 7 |
| – disposals, acquisitions and investment in new businesses | | — | — | — | 1 | — | 1 |
| – restructuring and other related costs | | — | — | — | — | 4 | 4 |
| – settlements and provisions in connection with legal and regulatory matters | | — | — | (75) |)— | 19 | (56) |
| – currency translation on significant items | | — | — | — | — | (2) |)(2) |
| Adjusted | | (3,351) |)(1,578) |)(2,318) |)(368) |)(284) |)(7,899) |
| Share of profit in associates and joint ventures | | | | | | | |
| Reported | | 14 | — | — | — | 769 | 783 |
| Currency translation | | — | — | — | — | (38) |)(38) |
| Adjusted | | 14 | — | — | — | 731 | 745 |
| Profit before tax | | | | | | | |
| Reported | | 1,716 | 2,039 | 1,956 | 76 | 170 | 5,957 |
| Currency translation | | (8) |)(40) |)(52) |)(1) |)(47) |)(148) |
| Significant items | | 8 | (37) |)(100) |)1 | 278 | 150 |

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| | | | | | | | | | | |
|---------------------------------------|---------|---------|--------|---------|--------|--------|-------|-----------|-----|---|
| – revenue | 7 | (44 |) | (34 |) | — | 182 | 111 | | |
| – operating expenses | 1 | 7 | | (66 |) | 1 | 96 | 39 | | |
| Adjusted | 1,716 | 1,962 | | 1,804 | | 76 | 401 | 5,959 | | |
| Loans and advances to customers (net) | | | | | | | | | | |
| Reported | 351,114 | 329,300 | | 250,058 | | 40,902 | 2,069 | 973,443 | | |
| Currency translation | (2,246 |) | (2,380 |) | (1,773 |) | 64 | (23 |) | |
| Adjusted | 348,868 | 326,920 | | 248,285 | | 40,966 | 2,046 | 967,085 | | |
| Customer accounts | | | | | | | | | | |
| Reported | 635,598 | 355,650 | | 291,711 | | 63,593 | 9,755 | 1,356,307 | | |
| Currency translation | (3,024 |) | (1,671 |) | (2,602 |) | (41 |) | (64 |) |
| Adjusted | 632,574 | 353,979 | | 289,109 | | 63,552 | 9,691 | 1,348,905 | | |

1 Includes fair value movements on non-qualifying hedges and DVA on derivative contracts.

Comprises costs associated with the UK's exit from the European Union, costs to establish the UK ring-fenced bank 2 (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

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

| Quarter ended 30 Sep 2017 | | | | | | |
|--|---|-----------------------|-------------------------------------|------------------------------|---------------------|----------|
| | Retail Banking and Wealth Management | Commercial Banking | Global Banking and Markets | Global Private Banking | Corporate Centre | Total |
| Footnotes | \$m | \$m | \$m | \$m | \$m | \$m |
| Revenue | | | | | | |
| Reported | 5,180 | 3,347 | 3,813 | 445 | 193 | 12,978 |
| Currency translation | (134) |)(76) |)(68) |)(3) |)(33) |)(314) |
| Significant items | 3 | — | 65 | (8) |)(6) |)54 |
| – customer redress programmes | 3 | — | — | — | — | 3 |
| – disposals, acquisitions and investment in new businesses | — | — | — | (8) |)13 | 5 |
| – fair value movement on financial instruments | 1 | — | 65 | — | (20) |)45 |
| – currency translation on significant items | — | — | — | — | 1 | 1 |
| Adjusted | 5,049 | 3,271 | 3,810 | 434 | 154 | 12,718 |
| LICs | | | | | | |
| Reported | (238) |)(188) |)(45) |)(16) |)39 | (448) |
| Currency translation | 10 | 11 | — | — | (2) |)19 |
| Adjusted | (228) |)(177) |)(45) |)(16) |)37 | (429) |
| Operating expenses | | | | | | |
| Reported | (3,366) |)(1,524) |)(2,243) |)(370) |)(1,043) |)(8,546) |
| Currency translation | 104 | 40 | 32 | 3 | 22 | 201 |
| Significant items | 109 | 9 | (54) |)4 | 694 | 762 |
| – costs of structural reform | 2 | — | 3 | — | 106 | 109 |
| – costs to achieve | 27 | 8 | 46 | 3 | 593 | 677 |
| – customer redress programmes | 84 | — | — | — | — | 84 |
| – disposals, acquisitions and investment in new businesses | — | — | — | 1 | 3 | 4 |
| – settlements and provisions in connection with legal and regulatory matters | — | — | (104) |)— | — | (104) |
| – currency translation on significant items | (2) |)1 | 1 | — | (8) |)(8) |
| Adjusted | (3,153) |)(1,475) |)(2,265) |)(363) |)(327) |)(7,583) |
| Share of profit in associates and joint ventures | | | | | | |
| Reported | 13 | — | — | — | 623 | 636 |
| Currency translation | — | — | — | — | (10) |)(10) |
| Adjusted | 13 | — | — | — | 613 | 626 |
| Profit/(loss) before tax | | | | | | |
| Reported | 1,589 | 1,635 | 1,525 | 59 | (188) |)4,620 |
| Currency translation | (20) |)(25) |)(36) |)— | (23) |)(104) |
| Significant items | 112 | 9 | 11 | (4) |)688 | 816 |
| – revenue | 3 | — | 65 | (8) |)(6) |)54 |
| – operating expenses | 109 | 9 | (54) |)4 | 694 | 762 |
| Adjusted | 1,681 | 1,619 | 1,500 | 55 | 477 | 5,332 |

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| | | | | | | |
|---------------------------------------|----------|---------|---------|--------|--------|-----------|
| Loans and advances to customers (net) | | | | | | |
| Reported | 337,012 | 316,409 | 245,504 | 39,116 | 7,127 | 945,168 |
| Currency translation | (7,782) | (7,309) | (4,673) | (314) | (96) | (20,174) |
| Adjusted | 329,230 | 309,100 | 240,831 | 38,802 | 7,031 | 924,994 |
| Customer accounts | | | | | | |
| Reported | 628,917 | 351,495 | 273,281 | 67,794 | 15,634 | 1,337,121 |
| Currency translation | (11,272) | (6,123) | (5,796) | (517) | (406) | (24,114) |
| Adjusted | 617,645 | 345,372 | 267,485 | 67,277 | 15,228 | 1,313,007 |

1 Includes fair value movements on non-qualifying hedges and DVA on derivative contracts.

2 Comprises costs associated with the UK's exit from the European Union, costs to establish the UK ring-fenced bank (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

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Reconciliation of reported and adjusted risk-weighted assets

At 30 Sep 2018

| | Retail Banking and Wealth Management \$bn | Commercial Banking \$bn | Global Banking and Markets \$bn | Global Private Banking \$bn | Corporate Centre \$bn | Total \$bn |
|----------------------|--|-------------------------------|---------------------------------------|-----------------------------------|-----------------------------|---------------|
| Risk-weighted assets | | | | | | |
| Reported | 125.0 | 317.1 | 277.5 | 16.3 | 126.8 | 862.7 |
| Disposals | — | — | — | — | (2.7) | (2.7) |
| – Brazil operations | — | — | — | — | (2.7) | (2.7) |
| Adjusted | 125.0 | 317.1 | 277.5 | 16.3 | 124.1 | 860.0 |

At 30 Jun 2018

| | | | | | | |
|----------------------|-------|-------|-------|------|-------|-------|
| Risk-weighted assets | | | | | | |
| Reported | 124.1 | 315.1 | 284.5 | 17.0 | 124.8 | 865.5 |
| Currency translation | (0.8) | (2.8) | (1.2) | — | (0.6) | (5.4) |
| Disposals | — | — | — | — | (2.7) | (2.7) |
| – Brazil operations | — | — | — | — | (2.7) | (2.7) |
| Adjusted | 123.3 | 312.3 | 283.3 | 17.0 | 121.5 | 857.4 |

At 30 Sep 2017

| | | | | | | |
|----------------------|-------|-------|-------|-------|-------|--------|
| Risk-weighted assets | | | | | | |
| Reported | 121.2 | 298.4 | 305.0 | 16.4 | 147.6 | 888.6 |
| Currency translation | (2.7) | (7.5) | (4.0) | (0.1) | (1.6) | (15.9) |
| Disposals | — | — | — | — | (5.2) | (5.2) |
| – Brazil operations | — | — | — | — | (5.2) | (5.2) |
| Adjusted | 118.5 | 290.9 | 301.0 | 16.3 | 140.8 | 867.5 |

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Reconciliation of reported and adjusted results – geographical regions

Nine months ended 30 Sep 2018

| | Footnotes | Europe \$m | Asia \$m | MENA \$m | North America \$m | Latin America \$m | Total \$m | UK \$m | Hong Kong \$m |
|--|-----------|---------------|-------------|-------------|--------------------------------|-------------------------|---------------|-----------|---------------------|
| Revenue | | | | | | | | | |
| Reported | 1 | 13,708 | 21,901 | 2,019 | 5,152 | 2,119 | 41,085 | 10,726 | 13,870 |
| Significant items | | 200 | (37) | (1) | 96 | 33 | 291 | 202 | 11 |
| – customer redress programmes | | (46) | — | — | — | — | (46) | (46) | — |
| – disposals, acquisitions and investment in new businesses | | — | — | — | 103 | 39 | 142 | — | — |
| – fair value movement on financial instruments | 2 | 246 | (37) | (1) | (7) | (6) | 195 | 248 | 11 |
| Adjusted | 1 | 13,908 | 21,864 | 2,018 | 5,248 | 2,152 | 41,376 | 10,928 | 13,881 |
| ECL | | | | | | | | | |
| Reported | | (187) | (405) | (203) | 264 | (383) | (914) | (112) | (112) |
| Adjusted | | (187) | (405) | (203) | 264 | (383) | (914) | (112) | (112) |
| Operating expenses | | | | | | | | | |
| Reported | 1 | (12,798) | (9,263) | (1,009) | (4,907) | (1,352) | (25,515) | (10,130) | (4,831) |
| Significant items | | 428 | 8 | — | 971 | — | 1,407 | 281 | 8 |
| – costs of structural reform | 3 | 295 | 5 | — | — | — | 300 | 253 | 5 |
| – customer redress programmes | | 162 | — | — | — | — | 162 | 162 | — |
| – disposals, acquisitions and investment in new businesses | | 54 | — | — | — | — | 54 | — | — |
| – restructuring and other related costs | | 40 | 3 | — | 8 | — | 51 | 32 | 3 |
| – settlements and provisions in connection with legal and regulatory matters | | (123) | — | — | 963 | — | 840 | (166) | — |
| Adjusted | 1 | (12,370) | (9,255) | (1,009) | (3,936) | (1,352) | (24,108) | (9,849) | (4,823) |
| Share of profit in associates and joint ventures | | | | | | | | | |
| Reported | | 21 | 1,606 | 351 | — | — | 1,978 | 21 | 26 |
| Adjusted | | 21 | 1,606 | 351 | — | — | 1,978 | 21 | 26 |
| Profit before tax | | | | | | | | | |
| Reported | | 744 | 13,839 | 1,158 | 509 | 384 | 16,634 | 505 | 8,953 |
| Significant items | | 628 | (29) | (1) | 1,067 | 33 | 1,698 | 483 | 19 |
| – revenue | | 200 | (37) | (1) | 96 | 33 | 291 | 202 | 11 |
| – operating expenses | | 428 | 8 | — | 971 | — | 1,407 | 281 | 8 |
| Adjusted | | 1,372 | 13,810 | 1,157 | 1,576 | 417 | 18,332 | 988 | 8,972 |
| Loans and advances to customers (net) | | | | | | | | | |
| Reported | | 380,496 | 444,168 | 28,968 | 106,522 | 21,306 | 981,460 | 295,398 | 284,956 |
| Adjusted | | 380,496 | 444,168 | 28,968 | 106,522 | 21,306 | 981,460 | 295,398 | 284,956 |
| Customer accounts | | | | | | | | | |
| Reported | | 502,369 | 651,772 | 35,997 | 131,078 | 24,159 | 1,345,375 | 398,920 | 478,214 |
| Adjusted | | 502,369 | 651,772 | 35,997 | 131,078 | 24,159 | 1,345,375 | 398,920 | 478,214 |
| | | | | | Mainland China Footnote \$m | US \$m | Mexico \$m | | |
| Revenue | | | | | | | | | |

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| | | | | |
|--|---|-------|-------|-------|
| Reported | | 1,458 | 2,422 | 1,109 |
| Significant items | | — | 97 | (4) |
| – disposals, acquisitions and investment in new businesses | | — | 103 | — |
| – fair value movements on financial instruments | 2 | — | (6) | (4) |
| Adjusted | | 1,458 | 2,519 | 1,105 |

1 Amounts are non-additive across geographical regions due to intra-Group transactions.

2 Includes fair value movements on non-qualifying hedges and DVA on derivative contracts.

3 Comprises costs associated with the UK's exit from the European Union, costs to establish the UK ring-fenced bank (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

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Reconciliation of reported and adjusted results – geographical regions (continued)

Nine months ended 30 Sep 2017

| | Footnotes | Europe \$m | Asia \$m | MENA \$m | North America \$m | Latin America \$m | Total \$m | UK \$m | Hong Kong \$m |
|--|-----------|---------------|-------------|-------------|-------------------------|-------------------------|--------------|-----------|---------------------|
| Revenue | | | | | | | | | |
| Reported | 1 | 13,437 | 19,437 | 2,022 | 4,915 | 2,382 | 39,144 | 10,027 | 12,119 |
| Currency translation | 1 | 885 | 12 | (51) |)16 | (252) |)586 | 649 | (80) |
| Significant items | | 35 | 3 | 1 | (96) |)5 | (52) |)31 | (63) |
| – customer redress programmes | | 3 | — | — | — | — | 3 | 3 | — |
| – disposals, acquisitions and investment in new businesses | | (98) |)126 |)— | (129) |)— | (353) |)78 |)126 |
| – fair value movement on financial instruments | 2 | 125 | 126 | 1 | 33 | 5 | 290 | 101 | 63 |
| – currency translation on significant items | | 5 | 3 | — | — | — | 8 | 5 | — |
| Adjusted | | 14,357 | 19,452 | 1,972 | 4,835 | 2,135 | 39,678 | 10,707 | 11,976 |
| LICs | | | | | | | | | |
| Reported | | (152) |)544 |)175 |)158 | (398) |)1,111 |)112 |)415 |
| Currency translation | 1 | 1 | 3 | 3 | 3 | 15 | 25 | 2 | 3 |
| Adjusted | | (151) |)541 |)172 |)161 | (383) |)1,086 |)110 |)412 |
| Operating expenses | | | | | | | | | |
| Reported | 1 | (12,791) |)8,663 |)1,037 |)3,997 |)1,550 |)24,989 |)10,201 |)4,534 |
| Currency translation | 1 | (691) |)22 |)38 | (10) |)172 | (489) |)525 |)30 |
| Significant items | | 1,885 | 457 | 18 | 304 | 36 | 2,700 | 1,753 | 215 |
| – costs of structural reform | 3 | 289 | — | — | — | — | 289 | 286 | — |
| – costs to achieve | | 1,539 | 456 | 21 | 293 | 38 | 2,347 | 1,421 | 217 |
| – customer redress programmes | | 383 | — | — | — | — | 383 | 383 | — |
| – disposals, acquisitions and investment in new businesses | 4 | — | — | — | 10 | — | 14 | — | — |
| – settlements and provisions in connection with legal and regulatory matters | | (426) |)— |)— |)— |)— | (426) |)426 |)— |
| – currency translation on significant items | | 96 | 1 | (3) |)1 | (2) |)93 | 89 | (2) |
| Adjusted | 1 | (11,597) |)8,228 |)981 |)3,703 |)1,342 |)22,778 |)8,973 |)4,289 |
| Share of profit in associates and joint ventures | | | | | | | | | |
| Reported | | 28 | 1,429 | 358 | 4 | — | 1,819 | 27 | — |
| Currency translation | 1 | 64 | — | — | — | — | 65 | 1 | — |
| Adjusted | | 29 | 1,493 | 358 | 4 | — | 1,884 | 28 | — |
| Profit/(loss) before tax | | | | | | | | | |
| Reported | | 522 | 11,659 | 1,168 | 1,080 | 434 | 14,863 | (259) |)7,170 |
| Currency translation | | 196 | 57 | (10) |)9 | (65) |)187 | 127 | (47) |
| Significant items | | 1,920 | 460 | 19 | 208 | 41 | 2,648 | 1,784 | 152 |
| – revenue | | 35 | 3 | 1 | (96) |)5 | (52) |)31 | (63) |
| – operating expenses | | 1,885 | 457 | 18 | 304 | 36 | 2,700 | 1,753 | 215 |
| Adjusted | | 2,638 | 12,176 | 1,177 | 1,297 | 410 | 17,698 | 1,652 | 7,275 |

| | | | | | | | | | |
|---------------------------------------|-----------|----------|----------|----------|----------|-----------|-----------|---------|--|
| Loans and advances to customers (net) | | | | | | | | | |
| Reported | 380,705 | 410,472 | 27,864 | 106,668 | 19,459 | 945,168 | 298,250 | 259,359 | |
| Currency translation | (9,350) | (5,284) | (1,638) | (1,468) | (2,434) | (20,174) | (7,900) | (417) | |
| Adjusted | 371,355 | 405,188 | 26,226 | 105,200 | 17,025 | 924,994 | 290,350 | 258,942 | |
| Customer accounts | | | | | | | | | |
| Reported | 489,899 | 647,667 | 34,272 | 143,819 | 21,464 | 1,337,121 | 389,076 | 473,004 | |
| Currency translation | (12,090) | (5,806) | (1,547) | (1,663) | (3,008) | (24,114) | (10,185) | (762) | |
| Adjusted | 477,809 | 641,861 | 32,725 | 142,156 | 18,456 | 1,313,007 | 378,891 | 472,242 | |

| | | Mainland China | US | Mexico |
|--|----------|----------------|--------|--------|
| | Footnote | \$m | \$m | \$m |
| Revenue | | | | |
| Reported | | 1,847 | 3,565 | 1,597 |
| Currency translation | | 84 | — | (20) |
| Significant items | | 2 | (101) | 5 |
| – disposals, acquisitions and investment in new businesses | | — | (129) | — |
| – fair value movements on financial instruments | 2 | 2 | 28 | 5 |
| – currency translation on significant items | | — | — | — |
| Adjusted | | 1,933 | 3,464 | 1,582 |

1 Amounts are non-additive across geographical regions due to intra-Group transactions.

2 Includes fair value movements on non-qualifying hedges and DVA on derivative contracts.

3 Comprises costs associated with the UK's exit from the European Union, costs to establish the UK ring-fenced bank (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

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Reconciliation of reported and adjusted results – geographical regions (continued)

Quarter ended 30 Sep 2018

| | Footnotes | Europe \$m | Asia \$m | MENA \$m | North America \$m | Latin America \$m | Total \$m | UK \$m | Hong Kong \$m |
|--|-----------|---------------|-------------|-------------|--------------------------------|-------------------------|---------------|-----------|---------------------|
| Revenue | | | | | | | | | |
| Reported | 1 | 4,837 | 7,389 | 663 | 1,740 | 523 | 13,798 | 3,913 | 4,715 |
| Significant items | | 59 | (17) |)1 | — | — | 43 | 59 | 4 |
| – fair value movement on financial instruments | 2 | 59 | (17) |)1 | — | — | 43 | 59 | 4 |
| Adjusted | 1 | 4,896 | 7,372 | 664 | 1,740 | 523 | 13,841 | 3,972 | 4,719 |
| ECL | | | | | | | | | |
| Reported | | — | (289) |)(100 |)30 | (148) |)(507 |)44 | (92) |
| Adjusted | | — | (289) |)(100 |)30 | (148) |)(507 |)44 | (92) |
| Operating expenses | | | | | | | | | |
| Reported | 1 | (4,206 |)(3,153 |)(323 |)(1,303 |)(335 |)(7,966 |)(3,362 |)(1,652) |
| Significant items | | 215 | 8 | — | 5 | — | 228 | 146 | 7 |
| – costs of structural reform | 3 | 86 | 3 | — | — | — | 89 | 75 | 3 |
| – customer redress programmes | | 62 | — | — | — | — | 62 | 62 | — |
| – disposals, acquisitions and investment in new businesses | | 51 | — | — | — | — | 51 | — | — |
| – restructuring and other related costs | | 19 | 3 | — | 5 | — | 27 | 11 | 3 |
| – settlements and provisions in connection with legal and regulatory matters | | (3 |)2 | — | — | — | (1 |)(2 |)1 |
| Adjusted | 1 | (3,991 |)(3,145 |)(323 |)(1,298 |)(335 |)(7,738 |)(3,216 |)(1,645) |
| Share of profit in associates and joint ventures | | | | | | | | | |
| Reported | | 3 | 512 | 82 | — | — | 597 | 3 | 6 |
| Adjusted | | 3 | 512 | 82 | — | — | 597 | 3 | 6 |
| Profit before tax | | | | | | | | | |
| Reported | | 634 | 4,459 | 322 | 467 | 40 | 5,922 | 598 | 2,977 |
| Significant items | | 274 | (9) |)1 | 5 | — | 271 | 205 | 11 |
| – revenue | | 59 | (17) |)1 | — | — | 43 | 59 | 4 |
| – operating expenses | | 215 | 8 | — | 5 | — | 228 | 146 | 7 |
| Adjusted | | 908 | 4,450 | 323 | 472 | 40 | 6,193 | 803 | 2,988 |
| Loans and advances to customers (net) | | | | | | | | | |
| Reported | | 380,496 | 444,168 | 28,968 | 106,522 | 21,306 | 981,460 | 295,398 | 284,956 |
| Adjusted | | 380,496 | 444,168 | 28,968 | 106,522 | 21,306 | 981,460 | 295,398 | 284,956 |
| Customer accounts | | | | | | | | | |
| Reported | | 502,369 | 651,772 | 35,997 | 131,078 | 24,159 | 1,345,375 | 398,920 | 478,214 |
| Adjusted | | 502,369 | 651,772 | 35,997 | 131,078 | 24,159 | 1,345,375 | 398,920 | 478,214 |
| | | | | | Mainland China Footnote \$m | US \$m | Mexico \$m | | |
| Revenue | | | | | | | | | |
| Reported | | | | | 814 | 1,284 | 550 | | |
| Significant items | | | | | 1 | 7 | (3 |) | |
| – disposals, acquisitions and investment in new businesses | | | | | — | 8 | — | | |

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| | | | | |
|---|---|-----|-------|------|
| – fair value movements on financial instruments | 2 | 1 | (1) | (3) |
| Adjusted | | 815 | 1,291 | 547 |

1 Amounts are non-additive across geographical regions due to intra-Group transactions.

2 Includes fair value movements on non-qualifying hedges and DVA on derivative contracts.

3 Comprises costs associated with the UK's exit from the European Union, costs to establish the UK ring-fenced bank (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

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Reconciliation of reported and adjusted results – geographical regions (continued)

Quarter ended 30 Jun 2018

| | Footnotes | Europe \$m | Asia \$m | MENA \$m | North America \$m | Latin America \$m | Total \$m | UK \$m | Hong Kong \$m |
|--|-----------|---------------|-------------|-------------|-------------------------|-------------------------|--------------|-----------|---------------------|
| Revenue | | | | | | | | | |
| Reported | 1 | 4,401 | 7,205 | 680 | 1,787 | 799 | 13,577 | 3,332 | 4,488 |
| Currency translation | 1 | (188) | (110) | (18) | (5) | (53) | (360) | (162) | 2 |
| Significant items | | 98 | (8) | (2) | 6 | 17 | 111 | 98 | 6 |
| – customer redress programmes | | (46) | — | — | — | — | (46) | (46) | — |
| – disposals, acquisitions and investment in new businesses | | — | — | — | 8 | 22 | 30 | — | — |
| – fair value movement on financial instruments | 2 | 141 | (8) | (2) | (2) | (5) | 124 | 141 | 6 |
| – currency translation on significant items | | 3 | — | — | — | — | 3 | 3 | — |
| Adjusted | 1 | 4,311 | 7,087 | 660 | 1,788 | 763 | 13,328 | 3,268 | 4,496 |
| ECL | | | | | | | | | |
| Reported | | (125) | (84) | (99) | 187 | (116) | (237) | (99) | (6) |
| Currency translation | | 4 | 4 | 8 | — | 6 | 22 | 4 | — |
| Adjusted | | (121) | (80) | (91) | 187 | (110) | (215) | (95) | (6) |
| Operating expenses | | | | | | | | | |
| Reported | 1 | (4,155) | (3,124) | (343) | (1,336) | (503) | (8,166) | (3,322) | (1,669) |
| Currency translation | 1 | 132 | 63 | 11 | 3 | 33 | 228 | 114 | (1) |
| Significant items | | 17 | — | — | 22 | — | 39 | (3) | 1 |
| – costs of structural reform | 3 | 84 | 1 | — | — | — | 85 | 66 | 1 |
| – customer redress programmes | | 7 | — | — | — | — | 7 | 7 | — |
| – disposals, acquisitions and investment in new businesses | | 1 | — | — | — | — | 1 | — | — |
| – restructuring and other related costs | | 1 | — | — | 3 | — | 4 | 1 | — |
| – settlements and provisions in connection with legal and regulatory matters | | (74) | (1) | — | 19 | — | (56) | (75) | — |
| – currency translation on significant items | | (2) | — | — | — | — | (2) | (2) | — |
| Adjusted | 1 | (4,006) | (3,061) | (332) | (1,311) | (470) | (7,899) | (3,211) | (1,669) |
| Share of profit in associates and joint ventures | | | | | | | | | |
| Reported | | 7 | 615 | 161 | — | — | 783 | 7 | 14 |
| Currency translation | | — | (38) | — | — | — | (38) | — | — |
| Adjusted | | 7 | 577 | 161 | — | — | 745 | 7 | 14 |
| Profit/(loss) before tax | | | | | | | | | |
| Reported | | 128 | 4,612 | 399 | 638 | 180 | 5,957 | (82) | 2,827 |
| Currency translation | | (52) | (81) | 1 | (2) | (14) | (148) | (44) | 1 |
| Significant items | | 115 | (8) | (2) | 28 | 17 | 150 | 95 | 7 |
| – revenue | | 98 | (8) | (2) | 6 | 17 | 111 | 98 | 6 |
| – operating expenses | | 17 | — | — | 22 | — | 39 | (3) | 1 |

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| | | | | | | | | |
|---------------------------------------|---------|---------|--------|---------|--------|-----------|---------|---------|
| Adjusted | 191 | 4,523 | 398 | 664 | 183 | 5,959 | (31 |)2,835 |
| Loans and advances to customers (net) | | | | | | | | |
| Reported | 374,264 | 445,692 | 29,106 | 104,361 | 20,020 | 973,443 | 290,469 | 283,265 |
| Currency translation | (3,517 |)(2,598 |)(805 |)675 | (113 |)(6,358 |)(3,256 |)826 |
| Adjusted | 370,747 | 443,094 | 28,301 | 105,036 | 19,907 | 967,085 | 287,213 | 284,091 |
| Customer accounts | | | | | | | | |
| Reported | 507,066 | 656,620 | 34,207 | 135,736 | 22,678 | 1,356,307 | 404,129 | 477,728 |
| Currency translation | (4,907 |)(2,142 |)(845 |)728 | (236 |)(7,402 |)(4,530 |)1,392 |
| Adjusted | 502,159 | 654,478 | 33,362 | 136,464 | 22,442 | 1,348,905 | 399,599 | 479,120 |

| | | Mainland China | US | Mexico |
|--|----------|----------------|-------|--------|
| | Footnote | \$m | \$m | \$m |
| Revenue | | | | |
| Reported | | 814 | 1,285 | 550 |
| Currency translation | | (50 |)— | 13 |
| Significant items | | — | 6 | (3 |
| – disposals, acquisitions and investment in new businesses | | — | 8 | — |
| – fair value movements on financial instruments | 2 | — | (2 |)(3 |
| – currency translation on significant items | | — | — | — |
| Adjusted | | 764 | 1,291 | 560 |

1 Amounts are non-additive across geographical regions due to intra-Group transactions.

2 Includes fair value movements on non-qualifying hedges and DVA on derivative contracts.

Comprises costs associated with the UK's exit from the European Union, costs to establish the UK ring-fenced bank 3 (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

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Reconciliation of reported and adjusted results – geographical regions (continued)

Quarter ended 30 Sep 2017

| | Footnotes | Europe \$m | Asia \$m | MENA \$m | North America \$m | Latin America \$m | Total \$m | UK \$m | Hong Kong \$m |
|--|-----------|---------------|-------------|-------------|-------------------------|-------------------------|--------------|-----------|---------------------|
| Revenue | | | | | | | | | |
| Reported | 1 | 4,534 | 6,651 | 660 | 1,419 | 833 | 12,978 | 3,468 | 4,160 |
| Currency translation | 1 | (28) | (107) | (35) | (16) | (139) | (314) | (14) | (16) |
| Significant items | | 32 | (120) | — | 142 | — | 54 | 33 | (119) |
| – customer redress programmes | | 3 | — | — | — | — | 3 | 3 | — |
| – disposals, acquisitions and investment in new businesses | | (8) | (126) | — | 139 | — | 5 | — | (126) |
| – fair value movement on financial instruments | 2 | 37 | 5 | — | 3 | — | 45 | 30 | 7 |
| – currency translation on significant items | | — | 1 | — | — | — | 1 | — | — |
| Adjusted | 1 | 4,538 | 6,424 | 625 | 1,545 | 694 | 12,718 | 3,487 | 4,025 |
| LICs | | | | | | | | | |
| Reported | | (171) | (96) | (53) | 21 | (149) | (448) | (144) | (27) |
| Currency translation | | — | 4 | 3 | — | 12 | 19 | — | — |
| Adjusted | | (171) | (92) | (50) | 21 | (137) | (429) | (144) | (27) |
| Operating expenses | | | | | | | | | |
| Reported | 1 | (4,430) | (3,023) | (364) | (1,314) | (534) | (8,546) | (3,542) | (1,584) |
| Currency translation | 1 | 24 | 59 | 25 | 9 | 95 | 201 | 10 | 6 |
| Significant items | | 558 | 98 | 4 | 91 | 11 | 762 | 521 | 48 |
| – costs of structural reform | 3 | 109 | — | — | — | — | 109 | 106 | — |
| – costs to achieve | | 467 | 101 | 6 | 90 | 13 | 677 | 435 | 49 |
| – customer redress programmes | | 84 | — | — | — | — | 84 | 84 | — |
| – disposals, acquisitions and investment in new business | | 2 | — | — | 2 | — | 4 | — | — |
| – settlements and provisions in connection with legal and regulatory matters | | (104) | — | — | — | — | (104) | (104) | — |
| – currency translation on significant items | | — | (3) | (2) | (1) | (2) | (8) | — | (1) |
| Adjusted | 1 | (3,848) | (2,866) | (335) | (1,214) | (428) | (7,583) | (3,011) | (1,530) |
| Share of profit in associates and joint ventures | | | | | | | | | |
| Reported | | 17 | 497 | 121 | 1 | — | 636 | 16 | 12 |
| Currency translation | | — | (10) | — | — | — | (10) | — | — |
| Adjusted | | 17 | 487 | 121 | 1 | — | 626 | 16 | 12 |
| Profit/(loss) before tax | | | | | | | | | |
| Reported | | (50) | 4,029 | 364 | 127 | 150 | 4,620 | (202) | 2,561 |
| Currency translation | | (4) | (54) | (7) | (7) | (32) | (104) | (4) | (10) |
| Significant items | | 590 | (22) | 4 | 233 | 11 | 816 | 554 | (71) |
| – revenue | | 32 | (120) | — | 142 | — | 54 | 33 | (119) |
| – operating expenses | | 558 | 98 | 4 | 91 | 11 | 762 | 521 | 48 |
| Adjusted | | 536 | 3,953 | 361 | 353 | 129 | 5,332 | 348 | 2,480 |
| Loans and advances to customers (net) | | | | | | | | | |

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| | | | | | | | | |
|----------------------|-----------|----------|----------|----------|----------|-----------|-----------|---------|
| Reported | 380,705 | 410,472 | 27,864 | 106,668 | 19,459 | 945,168 | 298,250 | 259,359 |
| Currency translation | (9,350) | (5,284) | (1,638) | (1,468) | (2,434) | (20,174) | (7,900) | (417) |
| Adjusted | 371,355 | 405,188 | 26,226 | 105,200 | 17,025 | 924,994 | 290,350 | 258,942 |
| Customer accounts | | | | | | | | |
| Reported | 489,899 | 647,667 | 34,272 | 143,819 | 21,464 | 1,337,121 | 389,076 | 473,004 |
| Currency translation | (12,090) | (5,806) | (1,547) | (1,663) | (3,008) | (24,114) | (10,185) | (762) |
| Adjusted | 477,809 | 641,861 | 32,725 | 142,156 | 18,456 | 1,313,007 | 378,891 | 472,242 |

| | | Mainland China | US | Mexico |
|--|----------|----------------|-------|--------|
| | Footnote | \$m | \$m | \$m |
| Revenue | | | | |
| Reported | | 623 | 940 | 585 |
| Currency translation | | (13 |)— | (35) |
| Significant items | | — | 143 | — |
| – disposals, acquisitions and investment in new businesses | | — | 140 | — |
| – fair value movements on financial instruments | 2 | — | 3 | — |
| – currency translation on significant items | | — | — | — |
| Adjusted | | 610 | 1,083 | 550 |

1 Amounts are non-additive across geographical regions due to intra-Group transactions.

2 Includes fair value movements on non-qualifying hedges and DVA on derivative contracts.

3 Comprises costs associated with the UK's exit from the European Union, costs to establish the UK ring-fenced bank (including the UK ServCo group) and costs associated with establishing an intermediate holding company in Hong Kong.

Earnings Release – 3Q18

Terms and abbreviations

| | |
|------------------|---|
| 3Q18 | Third quarter of 2018 |
| 2Q18 | Second quarter of 2018 |
| 3Q17 | Third quarter of 2017 |
| 9M18 | Nine months to 30 September 2018 |
| 9M17 | Nine months to 30 September 2017 |
| Adjusted RoRWA | Adjusted return on average risk-weighted assets |
| AFS | Available for sale |
| Bps | Basis points. One basis point is equal to one-hundredth of a percentage point |
| BSM | Balance Sheet Management |
| C&L | Credit and Lending |
| CET1 | Common equity tier 1 |
| CMB | Commercial Banking, a global business |
| CML | Consumer and Mortgage Lending (US) |
| CODM | Chief Operating Decision Maker |
| Corporate Centre | In December 2016, certain functions were combined to create a Corporate Centre. These include Balance Sheet Management, legacy businesses and interests in associates and joint ventures. The Corporate Centre also includes the results of our financing operations, central support costs with associated recoveries and the UK bank levy |
| Costs to achieve | Transformation costs to deliver the cost reduction and productivity outcomes outlined in the Investor Update in June 2015 |
| CRD IV | Capital Requirements Directive IV |
| D-SIB | Domestic systemically important bank |
| DPD | Days past due |
| DVA | Debit value adjustments |
| EBA | European Banking Authority |
| ECL | Expected credit losses and other credit impairment charges |
| FTEs | Full-time equivalent staff |
| FVOCI | Fair value through other comprehensive income |
| GB&M | Global Banking and Markets, a global business |
| GLCM | Global Liquidity and Cash Management |
| GMB | Group Management Board |
| GPB | Global Private Banking, a global business |
| Group | HSBC Holdings together with its subsidiary undertakings |
| G-SIB | Global systemically important bank |
| GTRF | Global Trade and Receivables Finance |
| IAS | International Accounting Standards |
| IFRSs | International Financial Reporting Standards |
| IMA | Internal Models Approach |
| IMM | Internal Model Method |
| IRB | Internal ratings based |
| IRC | Incremental risk charge |
| Jaws | |

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The difference between the rate of growth of revenue and the rate of growth of costs. Positive jaws is where the revenue growth rate exceeds the cost growth rate. We calculate this on an adjusted basis

| | |
|---------------|--|
| JV | Joint venture |
| LCR | Liquidity coverage ratio |
| Legacy credit | A portfolio of assets comprising Solitaire Funding Limited, securities investment conduits, asset-backed securities trading portfolios, credit correlation portfolios and derivative transactions entered into directly with monoline insurers |
| LICs | Loan impairment charges and other credit risk provisions |
| MENA | Middle East and North Africa |
| PBT | Profit before tax |
| POCI | Purchased or originated credit-impaired |
| PRA | Prudential Regulation Authority (UK) |
| RBWM | Retail Banking and Wealth Management, a global business |
| Revenue | Net operating income before ECL/LICs |
| RMBS | Residential mortgage-backed securities |
| RoE | Return on equity |
| RoTE | Return on average tangible equity |
| RWAs | Risk-weighted assets |
| ServCo group | Separately incorporated group of service companies planned in response to UK ring-fencing proposals |
| \$m/\$bn | United States dollar millions/billions |
| VaR | Value at risk |

Paste the following link into your web browser, to view the associated PDF document.

http://www.rns-pdf.londonstockexchange.com/rns/3947F_1-2018-10-28.pdf

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Earnings Release – 3Q18

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: /s/ Iain J Mackay

Name: Iain J Mackay

Title: Group Finance Director

Date: 29 October 2018

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