HSBC HOLDINGS PLC
Form 6-K
May 05, 2015

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of

the Securities Exchange Act of 1934

For the month of May
HSBC Holdings plc

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

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

Form 20-F X Form 40-F ......

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

Yes....... No X

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

HSBC Holdings plc - Earnings Release

HSBC Holdings plc ('HSBC') will be conducting a trading update conference call with analysts and investors today to coincide with the publication of its Earnings Release. The trading update call will take place at 11.30am BST, and details of how to participate in the call and the live audio webcast can be found at www.hsbc.com/investor-relations.

Table of contents

Terms and abbreviations

1Q14 / 1Q15	First quarter of 2014/2015
4Q14	Fourth quarter of 2014
AML	Anti-money laundering
CET1	Common equity tier 1
CMB	Commercial Banking
CML	Consumer and Mortgage Lending in the US
CRD IV	Capital Requirements Directive IV
CRS	Card and Retail Services
FTEs	Full-time equivalent staff
FFVA	Funding fair value adjustment methodology on derivative contracts
GB&M	Global Banking and Markets
GPB	Global Private Banking
IFRSs	International Financial Reporting Standards
Industrial Bank	Industrial Bank Co. Limited
IRB	Internal ratings based
Jaws	The difference between the rate of growth of revenue and the rate of growth of costs
Legacy Credit	A portfolio of assets comprising Solitaire Funding Limited, securities investment conduits, asset-backed securities trading and correlation portfolios and derivative transactions entered into with monoline insurers
LGD	Loss given default

LICs	Loan impairment charges and other credit risk provision
MENA	Middle East and North Africa
NCOA	Non-credit obligation assets
Own credit spread	Fair value movements on our long-term debt designated at fair value resulting from changes in credit spread
PBT	Profit before tax
ppts	Percentage points
PRA	Prudential Regulation Authority (UK)
Principal RBWM	RBWM excluding the effects of the US run-off portfolio and the disposal of the CRS business in the US
RBWM	Retail Banking and Wealth Management
Revenue	Net operating income before LICs
RoRWA	Pre-tax Return on Risk Weighted Assets is calculated using an average of RWAs on a CRD IV end point basis
RWAs	Risk-weighted assets
STD	Standardised approach
$m/$bn	United States dollar millions/billions

Note to editors

HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from over 6,100 offices in 73 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of $2,670bn at 31 March 2015, HSBC is one of the world's largest banking and financial services organisations.

Highlights

· Reported PBT up 4% in the first quarter of 2015 ('1Q15') at $7,059m compared with $6,785m in the same period in 2014 ('1Q14').

· Adjusted PBT up $349m or 5% in 1Q15 at $6,892m, compared with $6,543m in 1Q14, primarily reflecting higher revenue of $661m and lower loan impairment charges of $136m, partly offset by higher operating expenses of $483m.

· Reported PBT of $7,059m is up by $5,328m compared with $1,731m in 4Q14. Adjusted PBT of $6,892m is up by $3,988m or 137% compared with $2,904m in 4Q14, led by higher revenue in GB&M following a challenging fourth quarter in 2014.

· Earnings per share and dividends per ordinary share for 1Q15 were $0.26 and $0.10, respectively, compared with $0.27 and $0.10 for the equivalent period in 2014.

· Return on average ordinary shareholders' equity (annualised) was 0.2ppts lower at 11.5%, compared with 11.7% for the equivalent period in 2014.

· Adjusted revenue of $15,406m was higher by $661m or 4% from 1Q14 driven by revenue growth in GB&M, including an 8% rise in Markets, in CMB primarily in Hong Kong and the UK, and in Principal RBWM.

· Adjusted operating expenses of $8,526m were up by $483m or 6% from 1Q14 due to higher staff costs, partly reflecting an increase in staff numbers in customer-facing roles and in Regulatory Programmes and Compliance, and increased marketing expenditure to support growth.

· Loans and advances to customers, excluding foreign exchange movements, increased by $17,353m from 31 December 2014.

· Capital - The CRD IV end point CET1 capital ratio was 11.2%, up from 11.1% at 31 December 2014.

· Leverage ratio - The leverage ratio was 4.9%, up from 4.8% at 31 December 2014.

	Three months ended 31 March		
	2015	2014	Change
	$m	$m	%
Financial highlights and key ratios			
Reported PBT	7,059	6,785	4
Adjusted PBT	6,892	6,543	5
Return on average ordinary shareholders' equity (annualised)	11.5%	11.7%	
Return on average tangible equity (annualised)	13.1%	13.7%	
Cost efficiency ratio (reported)	55.7%	55.7%	
Adjusted jaws	(1.5)%		

	At		
	31 March 2015	31 December 2014	Change
	%	%	ppts
Capital and balance sheet			
Advances to deposits ratio	72.5	72.2	0.3
Common equity tier 1 ratio (end point)1	11.2	11.1	
Common equity tier 1 ratio (transitional)1	11.2	10.9	

1 From 1 January 2015 the CRD IV transitional CET1 and end point CET1 capital ratios became aligned for HSBC Holdings plc due to the recognition of unrealised gains on investment property and available-for-sale securities.

Group Chief Executive, Stuart Gulliver, commented:

Our business recovered well in the first quarter following a difficult 4Q14. Global Banking & Markets had its usual strong start to the year, with a notable increase in year-on-year revenue in our Markets businesses. Commercial Banking continued to perform well, particularly in the UK and Hong Kong, and Principal Retail Banking & Wealth Management generated increased revenue. Loan impairment charges were significantly lower compared to the same period in 2014, particularly in Europe and North America.

Adjusted operating expenses increased, as expected. We continue to work on initiatives to deliver cost-savings over the remainder of 2015 and beyond.

We generated $4.6bn of capital from profit in the period which enabled us to fund the first interim dividend, strengthen the CET1 capital ratio, and support asset growth.

As previously announced, we will hold an Investor Update on 9 June.

Adjusted performance

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

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

· the income statements for prior periods at the average rates of exchange for Q1 2015; and

· the closing prior period balance sheets at the prevailing rates of exchange on 31 March 2015.

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

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

We use the term 'significant items' to collectively describe the group of individual adjustments which are excluded from reported results when arriving at adjusted performance. Significant items, which are detailed below, are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business.

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

Reconciliation of reported to adjusted PBT

	Three months ended 31 March	
	2015	2014
	$m	$m
Profit before tax		
Reported	7,059	6,785
Adjusting Items		
Currency translation		(336)
Significant items		
Own credit spread	(298)	(148)
Debit valuation adjustment on derivative contracts	(98)	(30)
Fair value movements on non-qualifying hedges	285	142
Loss on sale of several tranches of real estate secured accounts in the US	-	30
Releases arising from the ongoing review of compliance with the Consumer Credit Act in the UK	(12)	-

Gain on the partial sale of shareholding in Industrial Bank	(363)	-
Restructuring and other related costs	43	40
Regulatory provisions in GPB	139	-
UK customer redress programmes	137	83
Gain on sale arising from HSBC Latin America Holdings UK Limited's disposal of HSBC Bank (Colombia) S.A.	-	(18)
Trading results of Group disposals	-	(5)
Adjusted profit before tax	6,892	6,543

Adjusted PBT by global businesses and regions

	Three months ended 31 March	
	2015	2014
	$m	$m
By global business		
Retail Banking and Wealth Management	1,888	1,858
Commercial Banking	2,330	2,288
Global Banking and Markets	2,955	2,675
Global Private Banking	180	183
Other	(461)	(461)
	6,892	6,543
By geographical region		
Europe	1,789	1,548
Asia	3,942	3,710
Middle East and North Africa	458	493
North America	472	534
Latin America	231	258
	6,892	6,543

The tables on pages 24 to 28 reconcile the difference between reported and adjusted items by disclosing the impact of significant items and currency translation adjustments in 1Q15, 1Q14 and 4Q14 for each of our geographical segments and global businesses.

Financial performance commentary

1Q15 compared with 1Q14

· Reported PBT of $7.1bn in 1Q15 was $274m or 4% higher than in 1Q14 with adverse movements in foreign currency between the periods broadly offsetting the positive net movement in significant items.

· On an adjusted basis, PBT was $349m or 5% higher than in 1Q14. This was primarily driven by higher revenue and lower LICs, partly offset by higher operating expenses.

· Reported revenue was $15.9bn in 1Q15, broadly unchanged from 1Q14. Revenue in 1Q15 included a $363m gain on the partial sale of our shareholding in Industrial Bank and higher favourable fair value movements on our own debt designated at fair value resulting from changes in credit spreads of $298m compared with $148m in 1Q14. This was partly offset by adverse fair value movements on non-qualifying hedges of $285m in 1Q15 compared with $142m in 1Q14.

· On an adjusted basis, revenue of $15.4bn was $661m or 4% higher:

- in GB&M, total revenue was $0.4bn or 8% higher, driven by a rise in Balance Sheet Management, in part reflecting increased gains on disposal of available-for-sale debt securities. Revenue also rose in Foreign Exchange by $0.2bn, which benefited from increased volatility, as well as in Credit and Equities from increased client flows while Credit was also affected by favourable movements in credit spreads. We also recorded strong growth in Payments and Cash Management and Securities Services due to increased balances across both businesses. By contrast, there was a reduction in Rates reflecting difficult market conditions. In addition, there was lower revenue in Legacy Credit, as 1Q14 included higher revaluation gains, and in Principal Investments from reduced gains on disposal;

- in CMB, revenue rose by $0.2bn driven by Credit and Lending and Payments and Cash Management, primarily due to higher net interest income, mainly in Hong Kong and the UK. In Hong Kong, this reflected average balance sheet growth together with wider lending and deposit spreads and, in the UK, continued balance sheet growth. In addition, revenue also increased in the US, mainland China and Argentina, largely due to balance sheet growth;

- in RBWM, revenue was broadly unchanged. In our Principal RBWM business revenue increased by $0.2bn, mainly driven by higher revenues across all wealth management products, notably in Asia from Life Insurance Manufacturing, in part due to improved equity market performance, and Investment distribution. This was partly offset by lower personal lending revenues, mainly due to lower overdraft fees in the UK. In addition, revenue decreased in the US run-off portfolio, driven by lower average balances which in part reflected the impact of portfolio sales in 2014; and

- in GPB, revenue was broadly unchanged as lower revenue reflecting the managed reduction in client assets from our continued repositioning of the business was offset by higher revenue in Asia. We continued to grow the parts of the business that fit our desired model, attracting net new money of $3bn since the end of 2014, with over 40% from collaboration with other global businesses.

· Reported LICs of $0.6bn were $0.2bn lower than in 1Q14. On an adjusted basis, LICs were $0.1bn lower, primarily from reductions in North America and Europe:

- in North America LICs were lower, mainly in the CML portfolio reflecting reduced levels of new impaired loans and delinquency and a decrease in lending balances from the continued run-off and loan sales, partly offset by lower favourable market value adjustments of the underlying properties as improvements in housing market conditions were less pronounced in 1Q15 than in 1Q14; and

- in Europe, the decrease of $0.1bn was mainly in GB&M driven by lower individually assessed charges.

· Reported operating expenses in 1Q15 of $8.8bn were broadly unchanged from 1Q14. Operating expenses in 1Q15 included regulatory provisions in GPB of $139m and UK customer redress of $137m, up from $83m in 1Q14. The increase in significant items in 1Q15 was more than offset by favourable foreign currency movements between the periods.

· On an adjusted basis, operating expenses were $483m (6%) higher than in 1Q14. This was driven by higher staff costs, in part reflecting an increase in the number of customer-facing staff to support growth in RBWM, notably in Asia where we have invested in our branch network and contact centres, and in GB&M mainly relating to our

Payments and Cash Management business. Higher staff costs also reflected wage inflation, notably in Asia and Latin America, and an increase in Regulatory Programmes and Compliance expenditure. In addition, marketing costs increased as we delivered a high number of marketing campaigns to support growth in our business. In RBWM these included the Big Start initiatives related to personal lending products, mainly in our priority markets, and the re-launch of Advance in the UK and in the US.

· Adjusted jaws was negative 1.5% as adjusted revenue growth was more than offset by an increase in adjusted operating expenses.

· The effective tax rate of 19.3% was lower than the UK corporation tax rate of 20.25%. This reflected the recurring benefits from tax exempt income from government bonds held in a number of Group entities and the recognition of our share of post-tax profits of associates and joint ventures within our pre-tax income. The effective tax rate in 1Q14 was marginally lower at 18.8%.

· On 5 May 2015, the Board announced a first interim dividend for 2015 of $0.10 per ordinary share.

1Q15 compared with 4Q14

· Reported PBT was $5.3bn higher than in 4Q14. This partly reflected lower significant items including fines, settlements, UK customer redress and associated provisions.

· On an adjusted basis, PBT was $4.0bn or 137% higher than in 4Q14, reflecting higher revenue and lower operating expenses and LICs.

· Reported revenue of $15.9bn in 1Q15 was $1.6bn (11%) higher than in 4Q14. This included a 1Q15 gain on the partial sale of our shareholding in Industrial Bank of $363m, partly offset by lower favourable fair value movements on our own debt designated at fair value resulting from changes in credit spreads of $298m compared with $432m in 4Q14. On an adjusted basis, revenue was $1.8bn or 13% higher, driven by GB&M. This was mainly in our Markets businesses as 4Q14 was affected by a particularly challenging backdrop, notably for Credit and Rates, including a charge of $263m relating to the adoption of FFVA.

· Reported LICs were $0.7bn lower than in 4Q14 and $0.6bn lower on an adjusted basis. Adjusted LICs fell in the majority of our regions, notably in Europe ($0.3bn) mainly reflecting collective impairment releases in CMB and GB&M compared with charges in 4Q14. In Asia, LICs fell by $0.2bn mainly in GB&M reflecting net releases compared with charges in 4Q14 on a small number of exposures. In Latin America, LICs fell by $0.2bn, mainly driven by lower specific and collective impairments in CMB in Brazil.

· Operating expenses for 1Q15 were $3.0bn lower than in 4Q14 on a reported basis. This primarily reflected a number of significant items including settlements and provisions in connection with foreign exchange investigations of $809m in 4Q14 and lower UK customer redress charges of $137m in 1Q15 compared with $340m booked in 4Q14. On an adjusted basis, operating expenses were $1.6bn lower, primarily due to the UK bank levy recorded in 4Q14.

· The number of FTEs at the end of the quarter was 260,074, an increase of 2,471 on 31 December 2014, reflecting continued investment in our Regulatory Programme and Compliance, primarily within Global Standards, and business growth initiatives including Wealth Management.

Balance sheet commentary

· Reported loans and advances to customers decreased by $18bn during 1Q15, driven by adverse foreign exchange movements of $35bn. Excluding these movements, loans and advances to customers increased by $17bn, primarily in Europe, Asia and North America. In Europe, lending grew in GB&M from higher corporate overdraft balances and from an increase in short-term client financing. In addition, lending rose in CMB, notably term lending in the UK and Germany. In Asia, growth was driven by RBWM in Hong Kong, where we recorded increased short-term lending to support our customers' investment aspirations and higher mortgage balances. In North America, term lending to CMB and GB&M customers continued to grow.

· Reported customer accounts decreased by $32bn, or 2% during 1Q15 driven by adverse foreign exchange movements of $45bn. Excluding these movements, customer accounts increased by $13bn, with growth in North America, Europe and Asia. In North America, balances grew in GB&M from a rise in certificates of deposit and in RBWM following promotional campaigns. In Europe, balances increased in the UK in both RBWM, reflecting continued risk-averse sentiment from our customers, and in CMB from targeted deposit acquisition. In Asia, balances rose in RBWM, primarily relating to savings accounts, and in GB&M, although to a lesser extent. These increases were partly offset by reductions in CMB, notably in Hong Kong and mainland China, reflecting increased investment opportunities in the region.

· Other significant balance sheet movements in the quarter included an increase in derivative assets and liabilities, notably in Europe, reflecting continued shifts in major yield curves. Trading assets and liabilities also rose due to an increase in settlement balances in the quarter, the former including increases in equity securities in Europe, reflecting valuation movements.

Capital and risk-weighted assets

At 1Q15, the CRD IV end point CET1 capital ratio increased to 11.2% from 11.1% at 31 December 2014.

At 1Q15, under the PRA's implementation of CRD IV, HSBC's transitional CET1 and end point CET1 capital ratios became aligned due to the recognition of unrealised gains on investment property and available-for-sale securities from 1 January 2015. Transitional provisions however continue to apply for additional tier 1 and tier 2 capital; comparatives are shown accordingly for these.

Capital generation contributed $4.1bn to CRD IV end point CET1 capital, being profits attributable to shareholders of the parent company after regulatory adjustment for own credit spread, debit valuation adjustment, deconsolidation of insurance entities and net of the first interim dividend after planned scrip. This also included the benefit of a higher fourth interim dividend scrip take-up.

Foreign exchange movements reduced risk-weighted assets ('RWAs') by $26.6bn. After adjusting for the effect of foreign exchange movements, RWAs increased by $19.4bn, of which $3.4bn was credit risk RWA. The following comments describe the RWA movements, excluding foreign exchange translation effects.

Standardised credit risk

Credit risk standardised approach RWAs decreased by $9.5bn due to the partial disposal of our investment in Industrial Bank, in 'Other' global business.

IRB approach

Under the IRB approach, RWAs increased by $12.9bn; within this, business growth in CMB and GB&M in North America, Europe and Asia due to higher term lending to corporate customers increased RWAs by $9.4bn.

GB&M continued to dispose of securitisation positions, lowering RWAs by $3.8bn. This was partially offset by the application of a scaling factor to the securitisation positions risk-weighted at 1250%, increasing RWAs by $2.1bn in methodology and policy updates.

In CMB, selected portfolios in Europe were migrated from the advanced IRB approach to the foundation IRB approach, as a result of a change in permission, increasing RWAs by $1.7bn in model updates.

In RBWM US retail run-off portfolio RWAs reduced by $2.5bn due to the continued wind-down of the portfolio and favourable shifts in portfolio quality, as lower quality loans continue to run-off. In Principal RBWM, a change in the methodology in the calculation of defaulted mortgage exposures, in Europe, resulted in an increase in RWAs of $2.0bn which was offset in the capital ratio by a reduction in the capital deduction for expected loss. Additionally, lending growth in Asia and Europe increased RWAs by $1.0bn while improved credit quality reduced RWAs by $1.0bn.

Counterparty credit and market risk

Counterparty credit risk RWAs increased by $3.9bn mainly driven by organic growth and MTM movements.

Market risk RWAs increased by $12.1bn principally driven by an increase in incremental risk charge as a result of a macroeconomic hedge position.

Net interest margin

Net interest margin has remained broadly unchanged since both 1Q14 and 4Q14. We recorded reductions in gross yields on customer lending, notably in Europe, reflecting both movements in interest rates in continental Europe as well as lower yields on mortgages in the UK. Gross yields on customer lending also fell in North America and Latin America, both reflecting the effects of changes in the composition of their lending portfolios, as secured, lower-yielding balances made up a greater proportion of their portfolios. These movements were offset by increased yields on reverse repurchase agreements. Our overall cost of funds was unchanged.

Notes

· As previously disclosed, various tax administration, regulatory and law enforcement authorities around the world are conducting investigations and reviews of HSBC Private Bank (Suisse) SA ('HSBC Swiss Private Bank') in connection with allegations of tax evasion or tax fraud, money laundering and unlawful cross border banking solicitation. In the UK, the Financial Conduct Authority issued a request for information to HSBC Bank plc and HSBC Holdings plc in relation to HSBC Swiss Private Bank. In April 2015, HSBC Holdings plc was informed that it has been placed under formal criminal investigation by the French magistrates in connection with the conduct of HSBC Swiss Private Bank in 2006 and 2007 for alleged tax offences, and a €1bn bail was imposed. HSBC Holdings plc has appealed the magistrates' decision.

· A decision of the UK Supreme Court held that, judged on its own facts, non-disclosure of the amount of commissions payable in connection with the sale of payment protection insurance ('PPI') to a customer created an unfair relationship under the provisions of the UK Consumer Credit Act. HSBC is assessing any possible impact of such decision on its historical sales of PPI.

· 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 in the Annual Report and Accounts 2014.

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

Cautionary statement regarding forward-looking statements

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

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

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

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

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

· changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities; initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; 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; the costs, effects and outcomes of product regulatory reviews, actions or litigation, including any additional compliance requirements; 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 discretionary risk-weighted asset growth and 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 it uses; and our success in addressing operational, legal and regulatory, and litigation challenges, notably compliance with the Deferred Prosecution Agreements with US authorities.

For further information contact:

Investor Relations		Media Relations
UK	USA	Heidi Ashley
Tel: +44 (0) 20 7991 3643	Tel: +1 224 880 7979	Tel: +44 (0) 20 7992 2045
Hong Kong		Gareth Hewett
Tel: +852 2822 4908		Tel: +852 2822 4929

Summary consolidated income statement

	Quarter ended				
	31 Mar 2015 $m	31 Dec 2014 $m	30 Sep 2014 $m	30 Jun 2014 $m	31 Mar 2014 $m
Net interest income	8,274	8,547	8,753	8,684	8,721
Net fee income	3,684	3,718	4,062	4,131	4,046
Net trading income	2,583	1,190	2,295	995	2,280
Changes in fair value of long-term debt issued and related derivatives	290	32	38	235	203
Net income from other financial instruments designated at fair value	1,306	525	218	917	305
Net income from financial instruments designated at fair value	1,596	557	256	1,152	508
Gains less losses from financial investments	647	420	(31)	762	184
Dividend income	17	22	201	64	24
Net earned insurance premiums	2,979	2,605	3,179	3,001	3,136
Other operating income	338	270	323	210	328
Total operating income	20,118	17,329	19,038	18,999	19,227
Net insurance claims and benefits paid and movement in liabilities to policyholders	(4,226)	(3,023)	(3,263)	(3,716)	(3,343)
Net operating income before loan impairment charges and other credit risk provisions	15,892	14,306	15,775	15,283	15,884

Loan impairment charges and other credit risk provisions	(570)	(1,250)	(760)	(1,043)	(798)
Net operating income	15,322	13,056	15,015	14,240	15,086
Total operating expenses	(8,845)	(11,892)	(11,091)	(9,414)	(8,852)
Operating profit	6,477	1,164	3,924	4,826	6,234
Share of profit in associates and joint ventures	582	567	685	729	551
Profit before tax	7,059	1,731	4,609	5,555	6,785
Tax expense	(1,367)	(966)	(987)	(747)	(1,275)
Profit after tax	5,692	765	3,622	4,808	5,510
Profit attributable to shareholders of the parent company	5,259	511	3,431	4,535	5,211
Profit attributable to non-controlling interests	433	254	191	273	299
	$	$	$	$	$
Basic earnings per ordinary share	0.26	0.02	0.17	0.23	0.27
Diluted earnings per ordinary share	0.26	0.02	0.17	0.23	0.27
Dividend per ordinary share (in respect of the period)	0.10	0.20	0.10	0.10	0.10
	%	%	%	%	%
Return on average ordinary shareholders' equity (annualised)	11.5	0.8	7.2	9.8	11.7
Pre-tax return on average risk-weighted assets (annualised)1	2.4	0.6	1.5	1.8	2.3
Cost efficiency ratio	55.7	83.1	70.3	61.6	55.7

1 Return on average risk-weighted assets ('RWAs') is calculated using average RWAs on a CRD IV end point basis.

Summary consolidated balance sheet

	At 31 March 2015	At 31 December 2014	At 30 June 2014

	$m	$m	$m
ASSETS			
Cash and balances at central banks	133,025	129,957	132,137
Trading assets	334,261	304,193	347,106
Financial assets designated at fair value	28,181	29,037	31,823
Derivatives	378,815	345,008	269,839
Loans and advances to banks	116,267	112,149	127,387
Loans and advances to customers	956,225	974,660	1,047,241
Reverse repurchase agreements - non-trading	172,262	161,713	198,301
Financial investments	390,234	415,467	423,710
Other assets	160,454	161,955	176,049
Total assets	2,669,724	2,634,139	2,753,593
LIABILITIES AND EQUITY			
Liabilities			
Deposits by banks	78,410	77,426	92,764
Customer accounts	1,318,522	1,350,642	1,415,705
Repurchase agreements - non-trading	117,474	107,432	165,506
Trading liabilities	208,636	190,572	228,135
Financial liabilities designated at fair value	72,471	76,153	82,968
Derivatives	376,577	340,669	263,494
Debt securities in issue	105,380	95,947	96,397
Liabilities under insurance contracts	72,427	73,861	75,223
Other liabilities	123,333	121,459	134,679
Total liabilities	2,473,230	2,434,161	2,554,871
Equity			
Total shareholders' equity	187,137	190,447	190,281
Non-controlling interests	9,357	9,531	8,441
Total equity	196,494	199,978	198,722
Total liabilities and equity	2,669,724	2,634,139	2,753,593
Ratio of customer advances to customer accounts	72.5%	72.2%	74.0%

Capital

Capital and RWA movements by major driver - CRD IV end point basis

	Common equity tier 1 capital $bn	RWAs $bn

CRD IV end point basis at 1 January 2015	136.0	1,219.8
Capital generation	4.1	-
Profit for the period (including regulatory adjustments)	4.6	-
Of which $0.4bn gain on the partial sale of shareholding in Industrial Bank		
First interim dividend1, net of planned scrip	(1.7)	-
Higher 2014 fourth interim dividend scrip take-up	1.2	-
Further impact on the partial sale of shareholding in Industrial Bank	(1.4)	(9.4)
Asset growth	-	17.1
Traded risk	-	16.0
Management initiatives	-	(9.7)
Legacy reduction and run-off	-	(6.0)
RWA initiatives	-	(3.7)
Methodology change and model update	-	4.6
Foreign exchange translation differences2	(4.1)	(26.6)
Other movements	1.0	0.8
CRD IV end point basis at 31 March 2015	135.6	1,212.6

1 This includes dividends on ordinary shares, quarterly dividends on preference shares and coupons on capital securities, classified as equity.
2 The basis of presentation for foreign exchange translation differences has changed to reflect the total amount in CET1 capital. Previously this only included foreign exchange translation differences recognised in other comprehensive income.

Composition of regulatory capital

	At 31 March 2015	At 31 December 2014	At 30 June 2014
	$m	$m	$m
Common equity tier 1 capital on an end point basis			
Shareholders' equity per balance sheet1	187,137	190,447	190,281
Non-controlling interests	4,253	4,640	3,792
Regulatory adjustments to the accounting basis	(25,916)	(27,386)	(17,900)
Deductions	(29,844)	(31,748)	(34,616)
Common equity tier 1 capital on an end point basis	135,630	135,953	141,557
Tier 1 and tier 2 capital on a transitional basis			
Common equity tier 1 capital on an end point basis	135,630	135,953	141,557
Transitional adjustments	-	(2,753)	(1,487)
Unrealised gains arising from revaluation of property	-	(1,375)	(1,346)
Unrealised gains in available for sale reserves	-	(1,378)	(141)
Common equity tier 1 capital on a transitional basis	135,630	133,200	140,070
Other tier 1 capital before deductions	21,037	19,687	13,977
Deductions	(99)	(148)	(164)

Tier 1 capital on a transitional basis	156,568	152,739	153,883
Total qualifying tier 2 capital before deductions	34,396	38,213	39,197
Total deductions other than from tier 1 capital	(231)	(222)	(246)
Total regulatory capital on a transitional basis	190,733	190,730	192,834
Total risk-weighted assets	1,212,565	1,219,765	1,248,572
	%	%	%
Capital ratios			
CRD IV end point			
Common equity tier 1 ratio	11.2	11.1	11.3
CRD IV transitional			
Common equity tier 1 ratio	11.2	10.9	11.2
Tier 1 ratio	12.9	12.5	12.3
Total capital ratio	15.7	15.6	15.4

1 Includes externally verified profits for the period ended at the reporting date.

Risk-weighted assets

RWAs by risk type

	At 31 Mar 2015 $bn	At 31 Dec 2014 $bn	At 30 Jun 2014 $bn
Credit risk	932.1	955.3	966.0
Counterparty credit risk	94.6	90.7	101.4
Market risk	68.1	56.0	63.1
Operational risk	117.8	117.8	118.1
	1,212.6	1,219.8	1,248.6

RWAs by global businesses

	At 31 Mar 2015 $bn	At 31 Dec 2014 $bn	At 30 Jun 2014 $bn
Retail Banking and Wealth Management	202.6	205.1	223.0
Commercial Banking	427.0	432.4	424.9
Global Banking and Markets	526.2	516.1	537.3
Global Private Banking	20.1	20.8	22.1
Other	36.7	45.4	41.3

	1,212.6	1,219.8	1,248.6

RWAs by geographical regions

	At 31 Mar 2015 $bn	At 31 Dec 2014 $bn	At 30 Jun 2014 $bn
Total1	1,212.6	1,219.8	1,248.6
Europe	386.1	375.4	393.6
Asia	490.7	499.8	481.1
Middle East and North Africa	63.6	63.0	62.7
North America	224.4	221.4	236.9
Latin America	81.1	88.8	96.8

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

Credit risk exposure - RWAs by geographical region

	Europe $bn	Asia $bn	MENA $bn	North America $bn	Latin America $bn	Total $bn
IRB advanced approach	194.6	216.0	10.7	142.5	10.1	573.9
IRB foundation approach	16.5	-	4.2	-	-	20.7
Standardised approach	44.6	174.0	39.2	30.7	49.0	337.5
RWAs at 31 March 2015	255.7	390.0	54.1	173.2	59.1	932.1
IRB advanced approach	203.3	213.1	11.6	142.0	11.6	581.6
IRB foundation approach	12.8	-	4.0	-	-	16.8
Standardised approach	47.1	186.0	39.0	29.6	55.2	356.9
RWAs at 31 December 2014	263.2	399.1	54.6	171.6	66.8	955.3
IRB advanced approach	211.2	209.9	11.2	155.3	12.0	599.6
IRB foundation approach	11.4	-	4.1	-	-	15.5
Standardised approach	46.9	174.3	39.0	30.7	60.0	350.9
RWAs at 30 June 2014	269.5	384.2	54.3	186.0	72.0	966.0

Credit risk exposure - RWAs by global businesses

	Principal RBWM	RBWM	Total	CMB	GB&M	GPB	Other	Total

		(US run-off portfolio)	RBWM					
	$bn	$bn	$bn	$bn	$bn	$bn	$bn	$bn
IRB advanced approach	56.3	45.1	101.4	206.3	245.3	9.2	11.7	573.9
IRB foundation approach	-	-	-	12.8	6.6	0.1	1.2	20.7
Standardised approach	60.3	4.2						