HSBC Holdings plc

Consolidated Income Statement		
For the year ended 31 December	2016	2015
	US\$ m	US\$ n
Net interest income	29,813	32,531
- interest income	42,414	47,189
- interest expense	(12,601)	(14,658
Net fee income	12,777	14,70
– fee income	15,669	18,010
– fee expense	(2,892)	(3,311
Net trading income	9,452	8,72
- trading income excluding net interest income	8,066	6,94
- net interest income on trading activities	1,386	1,775
Net income/(expense) from financial instruments designated at fair value	(2,666)	1,532
- changes in fair value of long-term debt and related derivatives	(3,975)	863
- net income from other financial instruments designated at fair value	1,309	669
Gains less losses from financial investments	1,385	2,068
Dividend income	95	123
Net insurance premium income	9,951	10,355
Other operating income/(expense)	(971)	1,055
Total operating income	59,836	71,092
Net insurance claims and benefits paid and movement in liabilities to policyholders	(11,870)	(11,292
Net operating income before loan impairment charges and other credit risk		
provisions	47,966	59,800
Loan impairment charges and other credit risk provisions	(3,400)	(3,721
Net operating income	44,566	56,079
Employee compensation and benefits	(18,089)	(19,900
General and administrative expenses	(16,473)	(17,662
Depreciation and impairment of property, plant and equipment	(1,229)	(1,269
Amortization and impairment of intangible assets	(777)	(937
Goodwill impairment of Global Private Banking – Europe	(3,240)	
Total operating expenses	(39,808)	(39,768
Operating profit	4,758	16,31
Share of profit in associates and joint ventures	2,354	2,550
Profit before tax	7,112	18,86
Tax expense	(3,666)	(3,771
Profit for the year	3,446	15,090
Attributable to:	1 200	10.57
 ordinary shareholders of the parent company preference shareholders of the parent company 	1,299 90	12,572
preference snareholders of the parent company other equity holders	1,090	860
- other equity noiders - non-controlling interest	967	1,574
Profit for the year	3,446	15,09
i tont for the year		
	\$	9
Basic earnings per ordinary share	0.07	0.65
Diluted earnings per ordinary share	0.07	0.64

Diluted earnings per ordinary share	0.07	0.63
Consolidated Statement of Comprehensive Income		
For the year ended 31 December	2016 US\$m	2015 US\$m
Profit for the year	3,446	15,096
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Available-for-sale investments - fair value gains/(losses) - fair value gains reclassified to the income statement - amounts reclassified to the income statement in respect of impairment losses - income taxes	(299) 475 (895) 71 50	(3,072) (1,231) (2,437) 127 469
Cash flow hedges – fair value (losses)/gains – fair value losses/(gains) reclassified to the income statement – income taxes	(68) (297) 195 34	(24) 704 (705) (23)
Share of other comprehensive income/(expense) of associates and joint ventures - share for the year - reclassified to income statement on disposal	54 54 	(9) (9) -
Exchange differences – foreign exchange gains reclassified to income statement on disposal of a foreign operation – other exchange differences – Income tax attributable to exchange differences	(8,092) 1,894 (9,791) (195)	(10,945) - (11,112) 167
Items that will not be reclassified subsequently to profit or loss: Remeasurement of defined benefit asset/liability – before income taxes – income taxes	7 (84) 91	101 130 (29)
Other comprehensive income for the year, net of tax	(8,398)	(13,949)
Total comprehensive income for the year	(4,952)	1,147
Attributable to: - ordinary shareholders of the parent company - preference shareholders of the parent company - other equity holders - non-controlling interests	(6,968) 90 1,090 836	(490) 90 860 687
Total comprehensive income for the year	(4,952)	1,147

Loans and advances to other Customers		
For the year ended 31 December	2016	2015
	US\$ m	US\$ m
Gross Loan Receivables	869,354	934,009
(Less): Individual Impairment	(4,932)	(5,402)
Collective Impairment	(2,918)	(4,153)
Net loans and receivables including those designated at fair value		
through profit or loss	861,504	924,454
Less) Loans and receivables designated at fair value through		
profit or loss	_	
Net loans and recivables	861,504	924,454

Consolidated Statement of Cash Flows		
For the year ended 31 December	2016	2015
	US \$ m	US \$ m
Profit before tax	7.112	18.867
Adjustments for non-cash items:	7,112	10,007
Adjustments for non-cash items: Depreciation, amortisation and impairment	5,212	2.181
Net gain from investing activities	(1,215)	(1,935)
		, , , , , ,
Share of profits in associates and joint ventures (Gain)/loss on disposal of subsidiaries, businesses, associates and joint ventures	(2,354) 1,743	(2,556)
*	4,090	4.546
Loan impairment losses gross of recoveries and other credit risk provisions Provisions including pensions	2,482	3,472
	534	757
Share-based payment expense		
Other non-cash items included in profit before tax	(207)	(191)
Elimination of exchange differences	15,364	18,308
Changes in operating assets and liabilities	4 207	24.204
Change in net trading securities and derivatives	4,395	24,384
Change in loans and advances to banks and customers	52,868	32,971
Change in reverse repurchase agreements - non-trading	(13,138)	(3,011)
Change in financial assets designated at fair value	(1,235)	2,394
Change in other assets	(6,591)	9,090
Change in deposits by banks and customer accounts	(8,918)	(65,907)
Change in repurchase agreements - non-trading	8,558	(26,481)
Change in debt securities in issue	(23,034)	960
Change in financial liabilities designated at fair value	17,802	(10,785)
Change in other liabilities	8,792	(4,549)
Dividends received from associates	689	879
Contributions paid to defined benefit plans	(726)	(664)
Tax paid	(3,264)	(3,852)
Net cash from operating activities	68,959	(1,122)
Purchase of financial investments	(457,084)	(438,376)
Proceeds from the sale and maturity of financial investments	430,085	399,636
Net cash flows from the purchase and sale of property, plant and equiptment	(1,151)	(1,249)
Net cash inflow/(outflow) from disposal of customer and loan portfolios	9,194	2,023
Net investment in intangible assets	(906)	(954)
Net cash flow on disposal of subsidiaries, businesses, associates and joint ventures	4,802	8
Net cash from investing activities	(15,060)	(38,912)
Issue of ordinary share capital and other equity instruments	2,024	3,727
Net sales/(purchases) of own shares for market-making and investment purposes	523	331
Purchase of treasury shares	(2,510)	-
Redemption of preference shares and other equity instruments	(1,825)	(463)
Subordinated loan capital issued	2,622	3,180
Subordinated loan capital repaid	(595)	(2,157)
Dividends paid to shareholders of the parent company and non-controlling interests	(9,157)	(8,195)
Net cash from financing activities	(8,918)	(3,577)
Net increase/(decreases) in cash and cash equivalents	44,981	(43,611)
Cash and cash equivalents at 1 Jan	243,863	301,301
Exchange differences in respect of cash and cash equivalents	(14,294)	(13,827)
Cash and cash equivalents at 31 Dec	274,550	243,863

Movements in Individual and Collective Impairment during the period of Loans and Receivables to Other Customers			
For the year ended 31 December	2016	2015	
	US\$ m	US\$ m	
Individual Impairment			
Opening Balance	5,402	6,195	
Charge to income statement	1,831	1,516	
Write-off during the year	(1,831)	(1,368)	
Recoveries of loans and advances previously written off	107	86	
Exchange and other movements	(577)	(1,027)	
Closing Balance	4,932	5,402	
Collective Impairment			
Opening Balance	4,153	6,142	
Charge to income statement	1,519	2,087	
Write-off during the year	(1,607)	(2,826)	
Recoveries of loans and advances previously written off	520	722	
Exchange and other movements	(1,667)	(1,972)	
Closing Balance	2,918	4,153	
Total Impairment	7,850	9,555	

Loans and advances to other customers - by Product	t	
For the year ended 31 December	2016	2015
	US\$ m	US\$ m
Personal	339,798	374,082
 first lien residential mortgages 	249,778	274,511
- other personal	90,020	99,571
Corporate and commercial	465,827	499,513
- manufacturing	80,643	95,858
 international trade and services 	150,042	159,019
- commercial real estate	64,171	67,926
 other property-related 	55,638	53,464
- government	8,442	7,455
- other commercial	106,891	115,791
Financial	63,729	60,414
-non-banking financial institutions	63,729	60,414
Total gross loans and receivables to customers	869,354	934,009

Consolidated Balance Sheet		
As at 31 December	2016	2015
	US \$ m	US \$ m
Assets		
Cash and balances at central banks	128,009	98,934
Items in the course of collection from other banks	5,003	5,768
Hong Kong Government certificates of indebtedness	31,228	28,410
Trading assets	235,125	224,837
Financial assets designated at fair value	24,756	23,852
Derivatives	290,872	288,476
Loans and advances to banks	88,126	90,401
Loans and advances to customers	861,504	924,454
Reverse repurchase agreements - non-trading	160,974	146,255
Financial investments	436,797	428,955
Assets held for sale	4,389	43,900
Prepayments, accrued income and other assets	59,520	54,398
Current tax assets	1,145	1,22
Interests in associates and joint ventures	20,029	19,139
Goodwill and intangible assets	21,346	24,60
Deferred tax assets	6,163	6,051
Total assets at 31 December	2,374,986	2,409,650
Liabilities and equity	2,074,500	2,103,000
Liabilities		
	21 229	29.414
Hong Kong currency notes in circulation Deposits by banks	31,228 59,939	28,410
		54,37
Customer accounts	1,272,386	1,289,586
Repurchase agreements - non-trading	88,958	80,400
Items in the course of transmission to other banks	5,977	5,638
Trading liabilities	153,691	141,614
Financial liabilities designated at fair value Derivatives	86,832	66,408
	279,819	281,07
Debt securities in issue	65,915	88,949
Liabilities of disposal groups held for sale	2,790	36,840
Accruals, deferred income and other liabilities Current tax liabilities	41,501	38,110 783
Liabilities under insurance contracts	719	
	75,273	69,93
Provisions Deferred tax liabilities	4,773	5,552
Subordinated liabilities	1,623	1,760
	20,984	22,70
Total liabilities at 31 December	2,192,408	2,212,138
Equity		
Called up share capital	10,096	9,842
Share premium account	12,619	12,42
Other equity instruments	17,110	15,112
Other reserves	(1,234)	7,109
Retained earnings	136,795	143,970
Total shareholders' equity	175,386	188,46
Non-controlling interests	7,192	9,058
Total equity at 31 December	182,578	197,51
Total liabilities and equity at 31 December	2,374,986	2,409,656

For the year ended 31 December	2016	201
	US\$ m	US\$ 1
Retail banking and wealth management	590,502	584,87
Commercial Banking	341,729	361,70
Global Banking and Markets	256,095	261,72
Global Private Banking	69,850	80,40
Other	14,210	88
Total	1,272,386	1,289,58

Group Performance Ratios (%)	2016 As at 31 December	2015 As at 31 December
Common equity tier 1 ratio	13.6	11.9
Total capital ratio	20.1	17.2
Pre-tax return on average risk-weighted assets	0.7	1.6
Return on average ordinary shareholder's equity	0.8	7.2

				Other Reserves						
	Called-up share capital and share premium US\$m	Other equity instruments US\$m	Retained earnings US\$m	Available- for-sale fair value reserve US\$m	Cash flow hedging reserve US\$m	Foreign exchange reserve US\$m	Merger reserve US\$m	Total share- holders' equity US\$m	Non- controlling interests US\$m	Total equity US\$m
At 1 January 2016 Profit for the year Other comprehensive income (net of tax)	22,263	15,112 -	143,976 2,479 59	(189) - (271)	34 - (61)	(20,044) - (7,994)	27,308 -	188,460 2,479 (8,267)	9,058 967 (131)	197,518 3,446 (8,398
 available-for-sale investments cash flow hedges remeasurement of defined benefit asset/liability 				(271)	(61)	- - -		(271) (61) 5	(28) (7) 2	(299)
 share of other comprehensive income of associates and joint ventures foreign exchange reclassified to income statement 	-	-	54	-	-	-	-	54	-	54
on disposal of a foreign operation – exchange differences	_	_	_	_	_	1,894 (9,888)	_	1,894 (9,888)	(98)	1,894 (9,986
Total comprehensive income for the year Shares issued under employee remuneration and	-	_	2,538	(271)	(61)	(7,994)	-	(5,788)	836	(4,952
share plans Shares issued in lieu of dividends and amounts arising	452	-	(425)	_	-	-	-	27	-	27
thereon Net increase in treasury shares		_	3,040 (2,510)	_	_	-	_	3,040 (2,510)	_	3,040 (2,510
Capital securities issued Dividends to shareholders		1,998	(11,279)	_	_	-	_	1,998 (11,279)	(919)	1,998
Cost of share-based payment arrangements Other movements		_	534 921	(17)	-	_ _	_	534 904	(1,783)	534 (879
At 31 December 2016	22,715	17,110	136,795	(477)	(27)	(28,038)	27,308	175,386	7,192	182,578

	7 8.9	at 31 Decembe					
	Held-for- trading- US\$m	Designated at fair value US\$m	Held-to- maturity securities US\$m	Available- for-sale securities US\$m	Financial assets and liabilities at amortised cost US\$	Derivatives designated as hedging instruments US\$m	Total US\$m
Financial assets Cash and balances at central banks					128,009		128,009
Items in the course of collection from other banks	_	_	_	_	5,003	-	5,003
Hong Kong Government certificates of indebtedness		_	_	_	31,228		31,228
Trading assets	235,125	_	_	_	51,226	_	235,125
Financial assets designated at fair value		24,756	_	_	_	_	24,756
Derivatives	287,657		_	_	_	3,215	290,872
Loans and advances to banks		_	-	-	88,126	_	88,126
Loans and advances to customers	_	_	-	-	861,504	-	861,504
Reverse repurchase agreements - non-trading	-	-	-	-	160,974	-	160,974
Financial investments	_	-	46,923	389,874	-	-	436,797
Accrued income and other financial assets	-	-	-	-	112,592	-	112,592
	522,782	24,756	46,923	389,874	1,387,436	3,215	2,374,986
Financial liabilities							
Hong Kong currency notes in circulation	-	-	_	-	31,228	-	31,228
Deposits by banks	-	-	-	-	59,939	-	59,939
Customer accounts	_	-	-	-	1,272,386	-	1,272,386
Repurchase agreements-non-trading	-	_	-	-	88,958	-	88,958
Items in the course of transmission to other banks		-	-	-	5,977	-	5,977
Trading liabilities	- 153,691	-	_	-	5,977 -	-	153,691
Trading liabilities Financial liabilities designated at fair value	_	- 86,832	_ _	- -	5,977 - -	-	153,691 86,832
Trading liabilities Financial liabilities designated at fair value Derivatives	153,691 - 274,770	86,832 -	- - -	- - -	- - -		153,691 86,832 279,819
Trading liabilities Financial liabilities designated at fair value Derivatives Debt securities in issue	_	86,832 - -	- - -	-	65,915	-	153,691 86,832 279,819 65,915
Trading liabilities Financial liabilities designated at fair value Derivatives	_	86,832 - -	- - -	- - -	- - -	-	153,691 86,832 279,819

Analysis of Financial Assets and Liabilities by Measurement Basi

SUMMARY OF HSBC HOLDINGS PLC CORPORATE GOVERNANCE REPORT 2016

Summary of HSBC Holdings plc Corporate Governance Report 2016

The information set out below and information incorporated by reference is a summary of the Corporate Governance Report of HSBC Holdings plc ('HSBC') contained on pages 132 to 146 of the Annual Report and Accounts 2016 (the 'Annual Report').

The Board aims to promote the Group's long-term success, deliver sustainable value to shareholders and promote a culture of openness and debate. Led by the Group Chairman, the Board sets the Group's strategy and risk appetite. It also approves capital and operating plans for achieving strategic objectives, on the recommendation of management.

The Board is responsible for overseeing the management of HSBC globally and, in so doing, may exercise its powers, subject to any relevant laws, regulations and HSBC Holdings' Articles of Association (the 'Articles of Association').

Although the Board delegates day-to-day management of the business and implementation of strategy to the Group Chief Executive, certain matters, including annual operating plans, risk appetite and performance targets, procedures for monitoring and control of operations, approval of credit or market risk limits, acquisitions, disposals, investments, capital expenditure or realisation or creation of a new venture, specified senior appointments and any substantial change in balance sheet management policy are reserved by the Board for approval.

Group Management Board (GMB)

The Group Management Board is a forum chaired by the Group Chief Executive to provide him with recommendations and advice, and assist him in his day-to-day management of HSBC and its subsidiaries as delegated by the Board. There are special meetings of the GMB that provide oversight of risk matters (the Risk Management Meeting, chaired by the Group Chief Risk Officer) and of Global Standards (the Global Standards Steering Meeting, chaired by the Group Head of

Group Audit Committee (GAC)

The Group Audit Committee has non-executive responsibility for matters relating to financial reporting, including Pillar 3 disclosures and internal control over financial reporting.

Group Risk Committee (GRC)

The Group Risk Committee has non-executive responsibility for the oversight of risk-related matters and the principal risks impacting the Group, risk governance and internal control systems (other than internal financial control systems). The GRC is updated on, but is not directly responsible for, overseeing risks relating to financial crime, cyber-crime and information security, anti-bribery and corruption, and culture and conduct.

The Committee is responsible for setting the over-arching principles, parameters and governance framework of the Group's remuneration policy, and the remuneration of executive Directors and other senior Group employees. The Committee regularly reviews the Group's remuneration policy in the context of consistent and effective risk management and the regulatory requirements of multiple jurisdictions. No Directors are involved in deciding their own remuneration.

Nomination Committee

The Nomination Committee has non-executive responsibility for leading the Board appointment process and for identifying and nominating potential candidates for appointment to the Board. The Committee is responsible for succession planning for both executive and non-executive Directors and membership of Board committees. The Nomination Committee regularly reviews the Board's structure, size and composition (including skills, knowledge, experience, independence and diversity). It recommends any changes to the Board.

Conduct and Values Committee

The Conduct and Values Committee has non-executive responsibility for oversight of culture and $conduct\ risk.\ It\ is\ responsible\ for\ HSBC's\ policies,\ procedures\ and\ standards\ and\ ensuring\ that\ the$ Group conducts business responsibly and consistently adheres to HSBC Values. The committee is

also responsible for Group policies and procedures for capturing and responding to whistleblowing

The Board is responsible for maintaining and reviewing the effectiveness of risk management and internal control systems, and for determining the aggregate level and types of risks the Group is willing to take in achieving its strategic objectives.

To meet this requirement and to discharge its obligations under the FCA Handbook and the PRA Handbook, procedures have been designed for safeguarding assets against unauthorised use or $disposal; for \ maintaining \ proper \ accounting \ records; and for \ ensuring \ the \ reliability \ and \ usefulness$ of financial information used within the business or for publication. These procedures can only provide reasonable assurance against material mis-statement, errors, losses or fraud.

Financial Reporting

The Group's financial reporting process is controlled using documented accounting policies and reporting formats, supported by detailed instructions and guidance on reporting requirements, issued to all reporting entities within HSBC in advance of each reporting period end. The submission of financial information from each reporting entity is subject to certification by the responsible financial officer, and analytical review procedures at reporting entity and Group levels.

Disclosure Committee

The Disclosure Committee, which is chaired by the Group Company Secretary, supports the discharge of the Group's obligations under relevant legislation and regulation including the UK and Hong Kong Listing Rules, the Market Abuse Regulation and SEC rules. In so doing the Committee is empowered to (i) determine whether a new event or circumstances should be disclosed, including the form and timing of such disclosure and (ii) review all material disclosures made or to be made by the Group. The integrity of disclosures is underpinned by structures and processes within the Global Finance and Global Risk functions that support rigorous analytical review of financial reporting and the maintenance of proper accounting records.

The Hongkong and Shanghai Banking Corporation Limited - Sri Lanka is a licensed commercial bank supervised by the Central Bank of Sri Lanka. Issued by The Hongkong and Shanghai Banking Corporation Limited - Sri Lanka.

STANDARD & POOR'S MOODY'S RATING OUTLOOK RATING OUTLOOK RATING OUTLOOK Long Term/Senior AA-Stable Negative HSBC Holdings plc

