

The Hongkong and Shanghai Banking Corporation Limited

Incorporated in the Hongkong SAR with limited liability

HSBC Holdings plc

Consolidated Income Statement		
For the year ended 31 December	2017	2016
	US\$ m	US\$ m
Net interest income	28,176	29,813
– interest income	40,995	42,414
– interest expense	(12,819)	(12,601)
Net fee income	12,811	12,777
– fee income	15,853	15,669
– fee expense	(3,042)	(2,892)
Net trading income	7,719	9,452
– trading income excluding net interest income	6,098	8,066
– net interest income on trading activities	1,621	1,386
Net income/(expense) from financial instruments designated at fair value	3,698	(2,666)
– changes in fair value of long-term debt and related derivatives	672	(3,975)
– net income from other financial instruments designated at fair value	3,026	1,309
Gains less losses from financial investments	1,150	1,385
Dividend income	106	95
Net insurance premium income	9,779	9,951
Other operating income/(expense)	337	(971)
Total operating income	63,776	59,836
Net insurance claims and benefits paid and movement in liabilities to policyholders	(12,331)	(11,870)
Net operating income before loan impairment charges and other credit risk provisions	51,445	47,966
Loan impairment charges and other credit risk provisions	(1,769)	(3,400)
Net operating income	49,676	44,566
Employee compensation and benefits	(17,315)	(18,089)
General and administrative expenses	(15,707)	(16,473)
Depreciation and impairment of property, plant and equipment	(1,166)	(1,229)
Amortization and impairment of intangible assets	(696)	(777)
Goodwill impairment of Global Private Banking – Europe	–	(3,240)
Total operating expenses	(34,884)	(39,808)
Operating profit	14,792	4,758
Share of profit in associates and joint ventures	2,375	2,354
Profit before tax	17,167	7,112
Tax expense	(5,288)	(3,666)
Profit for the year	11,879	3,446
Attributable to:		
– ordinary shareholders of the parent company	9,683	1,299
– preference shareholders of the parent company	90	90
– other equity holders	1,025	1,090
– non-controlling interest	1,081	967
Profit for the year	11,879	3,446
	\$	\$
Basic earnings per ordinary share	0.48	0.07
Diluted earnings per ordinary share	0.48	0.07

Consolidated Statement of Comprehensive Income		
For the year ended 31 December	2017	2016
	US\$ m	US\$ m
Profit for the year	11,879	3,446
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Available-for-sale investments	146	(299)
– fair value gains/(losses)	1,227	475
– fair value gains reclassified to the income statement	(1,033)	(895)
– amounts reclassified to the income statement in respect of impairment losses	93	71
– income taxes	(141)	50
Cash flow hedges	(192)	(68)
– fair value (losses)/gains	(1,046)	(297)
– fair value losses/(gains) reclassified to the income statement	833	195
– income taxes	21	34
Share of other comprehensive income/(expense) of associates and joint ventures	(43)	54
– share for the year	(43)	54
Exchange differences	9,077	(8,092)
– foreign exchange gains reclassified to income statement on disposal of a foreign operation	–	1,894
– other exchange differences	8,939	(9,791)
– income tax attributable to exchange differences	138	(195)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability	2,419	7
– before income taxes	3,440	(84)
– income taxes	(1,021)	91
Changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	(2,024)	–
– before income taxes	(2,409)	–
– income taxes	385	–
Other comprehensive income for the year, net of tax	9,383	(8,398)
Total comprehensive income for the year	21,262	(4,952)
Attributable to:		
– ordinary shareholders of the parent company	18,914	(6,968)
– preference shareholders of the parent company	90	90
– other equity holders	1,025	1,090
– non-controlling interests	1,233	836
Total comprehensive income for the year	21,262	(4,952)

Loans and advances to other Customers		
For the year ended 31 December	2017	2016
	US\$ m	US\$ m
Gross Loan Receivables	970,448	869,354
(Less): Individual Impairment	(4,960)	(4,932)
Collective Impairment	(2,524)	(2,918)
Net loans and receivables including those designated at fair value through profit or loss	962,964	861,504
(Less) Loans and receivables designated at fair value through profit or loss	–	–
Net loans and receivables	962,964	861,504

Consolidated Statement of Cash Flows				
For the year ended 31 December	2017		2016	
	US\$ m	US\$ m	US\$ m	US\$ m
Profit before tax	17,167	7,112		
Adjustments for non-cash items:				
Depreciation, amortisation and impairment	1,862	5,212		
Net gain from investing activities	(1,152)	(1,215)		
Share of profits in associates and joint ventures	(2,375)	(2,354)		
(Gain)/loss on disposal of subsidiaries, businesses, associates and joint ventures	(79)	1,743		
Loan impairment losses gross of recoveries and other credit risk provisions	2,603	4,090		
Provisions including pensions	917	2,482		
Share-based payment expense	500	534		
Other non-cash items included in profit before tax	(381)	(207)		
Elimination of exchange differences	(21,289)	15,364		
Changes in operating assets and liabilities				
Change in net trading securities and derivatives	(10,901)	4,395		
Change in loans and advances to banks and customers	(108,984)	52,868		
Change in reverse repurchase agreements - non-trading	(37,281)	(13,138)		
Change in financial assets designated at fair value	(5,303)	(1,235)		
Change in other assets	(6,570)	(6,591)		
Change in deposits by banks and customer accounts	102,211	(8,918)		
Change in repurchase agreements - non-trading	41,044	8,558		
Change in debt securities in issue	(1,369)	(23,034)		
Change in financial liabilities designated at fair value	8,508	17,802		
Change in other liabilities	13,514	8,792		
Dividends received from associates	740	689		
Contributions paid to defined benefit plans	(685)	(726)		
Tax paid	(3,175)	(3,264)		
Net cash from operating activities	(10,478)	68,959		
Purchase of financial investments	(357,264)	(457,084)		
Proceeds from the sale and maturity of financial investments	418,352	430,085		
Net cash flows from the purchase and sale of property, plant and equipment	(1,167)	(1,151)		
Net cash inflow/(outflow) from disposal of customer and loan portfolios	6,756	9,194		
Net investment in intangible assets	(1,285)	(906)		
Net cash flow on disposal of subsidiaries, businesses, associates and joint ventures	165	4,802		
Net cash from investing activities	65,557	(15,060)		
Issue of ordinary share capital and other equity instruments	5,196	2,024		
Cancellation of shares	(3,000)	–		
Net sales/(purchases) of own shares for market-making and investment purposes	(67)	523		
Purchase of treasury shares	–	(2,510)		
Redemption of preference shares and other equity instruments	–	(1,825)		
Subordinated loan capital issued	–	2,622		
Subordinated loan capital repaid	(3,574)	(595)		
Dividends paid to shareholders of the parent company and non-controlling interests	(9,005)	(9,157)		
Net cash from financing activities	(10,450)	(8,918)		
Net increase/(decrease) in cash and cash equivalents	44,629	44,981		
Cash and cash equivalents at 1 Jan	274,550	243,863		
Exchange differences in respect of cash and cash equivalents	18,233	(14,294)		
Cash and cash equivalents at 31 Dec	337,412	274,550		

Movements in Individual and Collective Impairment during the period of Loans and Receivables to Other Customers				
For the year ended 31 December	2017		2016	
	US\$ m	US\$ m	US\$ m	US\$ m
Individual Impairment				
Opening Balance	4,932	5,402		
Charge to income statement	1,114	1,831		
Write-off during the year	(1,468)	(1,831)		
Recoveries of loans and advances previously written off	119	107		
Exchange and other movements	263	(577)		
Closing Balance	4,960	4,932		
Collective Impairment				
Opening Balance	2,918	4,153		
Charge to income statement	878	1,519		
Write-off during the year	(1,705)	(1,607)		
Recoveries of loans and advances previously written off	525	520		
Exchange and other movements	(92)	(1,667)		
Closing Balance	2,524	2,918		
Total Impairment	7,484	7,850		

Loans and advances to other customers - by Product				
For the year ended 31 December	2017		2016	
	US\$ m	US\$ m	US\$ m	US\$ m
Personal	376,481	339,798		
– first lien residential mortgages	278,173	249,778		
– other personal	98,308	90,020		
Corporate and commercial	522,248	465,827		
– manufacturing	81,857	80,643		
– international trade and services	173,227	150,042		
– commercial real estate	77,312	64,171		
– other property-related	64,335	55,638		
– government	11,728	8,442		
– other commercial	113,789	106,891		
Financial	71,719	63,729		
– non-banking financial institutions	71,719	63,729		
Total gross loans and receivables to customers	970,448	869,354		

Consolidated Balance Sheet				
As at 31 December	2017		2016	
	US\$ m	US\$ m	US\$ m	US\$ m
Assets				
Cash and balances at central banks	180,624	128,009		
Items in the course of collection from other banks	6,628	5,003		
Hong Kong Government certificates of indebtedness	34,186	31,228		
Trading assets	287,995	235,125		
Financial assets designated at fair value	29,464	24,756		
Derivatives	219,818	290,872		
Loans and advances to banks	90,393	88,126		
Loans and advances to customers	962,964	861,504		
Reverse repurchase agreements - non-trading	201,553	160,974		
Financial investments	389,076	436,797		
Prepayments, accrued income and other assets	67,191	63,909		
Current tax assets	1,006	1,145		
Interests in associates and joint ventures	22,744	20,029		
Goodwill and intangible assets	23,453	21,346		
Deferred tax assets	4,676	6,163		
Total assets at 31 December	2,521,771	2,374,986		
Liabilities and equity				
Liabilities				
Hong Kong currency notes in circulation	34,186	31,228		
Deposits by banks	69,922	59,939		
Customer accounts	1,364,462	1,272,386		
Repurchase agreements - non-trading	130,002	88,958		
Items in the course of transmission to other banks	6,850	5,977		
Trading liabilities	184,361	153,691		
Financial liabilities designated at fair value	94,429	86,832		
Derivatives	216,821	279,819		
Debt securities in issue	64,546	65,915		
Accruals, deferred income and other liabilities	45,907	44,291		
Current tax liabilities	928	719		
Liabilities under insurance contracts	85,667	75,273		
Provisions	4,011	4,773		
Deferred tax liabilities	1,982	1,623		
Subordinated liabilities	19,826	20,984		
Total liabilities at 31 December	2,323,900	2,192,408		
Equity				
Called up share capital	10,160	10,096		
Share premium account	10,177	12,619		
Other equity instruments	22,250	17,110		
Other reserves	7,664	(1,234)		
Retained earnings	139,999	136,795		
Total shareholders' equity	190,250	175,386		
Non-controlling interests	7,621	7,192		
Total equity at 31 December	197,871	182,578		
Total liabilities and equity at 31 December	2,521,771	2,374,986		

Due to Other Customers - by Product				
For the year ended 31 December	2017		2016	
	US\$ m	US\$ m	US\$ m	US\$ m
Retail banking and wealth management	639,592	590,502		
Commercial Banking	362,908	341,729		
Global Banking and Markets	283,943	256,095		
Global Private Banking	66,512	69,850		
Other	11,507	14,210		
Total	1,364,462	1,272,386		

Group Performance Ratios (%)				
	2018		2017	
	As at 30 June	As at 31 December	As at 30 June	As at 31 December
Common equity tier 1 ratio	14.2	14.5		
Tier 1 ratio	16.6	16.4		
Total capital ratio	19.8	18.3		
Pre-tax return on average risk-weighted assets*	2.5	2.0		
Return on average ordinary shareholder's equity*	8.7	5.9		

*The 2018 Pre-tax return on average risk-weighted assets and Return on average ordinary shareholder's equity are calculated on an annualised basis.

Consolidated Statement of Changes in Equity for the year ended 31 December 2017										
	Called-up share capital and share premium US\$ m	Other equity instruments US\$ m	Retained earnings US\$ m	Other Reserves			Total shareholders' equity US\$ m	Non-controlling interests US\$ m	Total equity 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
At 1 January 2017	22,715	17,110	136,795	(477)	(27)	(28,038)	27,308	175,386	7,192	182,578
Profit for the year	–	–	10,798	–	–	–	10,798	1,081	11,879	
Other comprehensive income (net of tax)	–	–	328	131	(194)	8,966	9,231	152		