

The Hongkong and Shanghai Banking Corporation Limited

Incorporated in the Hong Kong 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)
Amortisation 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
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
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
Personal		
– first lien residential mortgages	376,481	339,798
– other personal	278,173	249,778
	98,308	90,020
Corporate and commercial		
– manufacturing	522,248	465,827
– international trade and services	81,857	80,643
– commercial real estate	173,227	150,042
– other property-related	77,312	64,171
– government	64,335	55,638
– other commercial	11,728	8,442
	113,789	106,891
Financial		
– non-banking financial institutions	71,719	63,729
	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
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
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 As at 30 September	2017 As at 31 December
Common equity tier 1 ratio	14.3	14.5
Tier 1 ratio	17.3	16.4
Total capital ratio	20.7	18.3
Pre-tax return on average risk-weighted assets *	2.5	2.0
Return on average ordinary shareholders' equity *	9.0	5.9

*The 2018 pre-tax return on average risk-weighted assets and return on average ordinary shareholders' 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 share-holders' 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
Profit for the year	–	–	10,798	–	–	–	–	10,798	1,081
Other comprehensive income (net of tax)	–	–	328	131	(194)	8,966	–	9,231	152
– available-for-sale investments	–	–	–	131	–	–	–	131	15
– cash flow hedges	–	–	–	–	(194)	–	–	(194)	2
– changes in fair value of financial liabilities designated at fair value due to movement in own credit risk	–	–	(2,024)	–	–	–	–	(2,024)	–
– remeasurement of defined benefit asset/liability	–	–	2,395	–	–	–	–	2,395	24
– share of other comprehensive income of associates and joint ventures	–	–	(43)	–	–	–	–	(43)	–
– exchange differences	–	–	–	–	–	8,966	–	8,966	111
Total comprehensive income for the year	–	–	11,126	131	(194)	8,966	–	20,029	1,233
Shares issued under employee remuneration and share plans	622	–	(566)	–	–	–	–	56	–
Shares issued in lieu of dividends and amounts arising thereon	–	–	3,206	–	–	–	–	3,206	–
Capital securities issued	–	5,140	–	–	–	–	–	5,140	–
Dividends to shareholders	–	–	(11,551)	–	–	–	–	(11,551)	(660)
Cost of share-based payment arrangements	–	–	500	–	–	–	–	500	–
Cancellation of shares	(3,000)	–	–	–	–	–	–	(3,000)	–
Other movements	–	–	489	(4)	(1)	–	–	484	(144)
At 31 December 2017	20,337	22,250	139,999	(350)	(222)	(19,072)	27,308	190,250	7,621

The financial information summarised above has been extracted from HSBC Holdings plc annual report for the year ended 31 December 2017.

Analysis of Financial Assets and Liabilities by Measurement Basis							
As at 31 December 2017							
	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\$ m	Derivatives designated as hedging instruments US\$ m	Total US\$ m
Financial assets							
Cash and balances at Central Banks	–	–	–	–	180,624	–	180,624
Items in the course of collection from other banks	–	–	–	–	6,628	–	6,628
Hong Kong Government certificates of indebtedness	–	–	–	–	34,186	–	34,186
Trading assets	287,995	–	–	–	–	–	287,995
Financial assets designated at fair value	–	29,464	–	–	–	–	29,464
Derivatives	218,025	–	–	–	–	1,793	219,818
Loans and advances to banks	–	–	–	–	90,393	–	90,393
Loans and advances to customers	–	–	–	–	962,964	–	962,964
Reverse repurchase agreements - non-trading	–	–	–	–	201,553	–	201,553
Financial investments	–	–	52,919	336,157	–	–	389,076
Accrued income and other financial assets	–	–	–	–	119,070	–	119,070
	506,020	29,464	52,919	336,157	1,595,418	1,793	2,521,771
Financial liabilities							
Hong Kong currency notes in circulation	–	–	–	–	34,186	–	34,186
Deposits by banks	–	–	–	–	69,922	–	69,922
Customer accounts	–	–	–	–	1,364,462	–	1,364,462
Repurchase agreements - non-trading	–	–	–	–	130,002	–	130,002
Items in the course of transmission to other banks	–	–	–	–	6,850	–	6,850
Trading liabilities	184,361	–	–	–	–	–	184,361
Financial liabilities designated at fair value	–	94,429	–	–	–	–	94,429
Derivatives	212,926	–	–	–	–	3,895	216,821
Debt securities in issue	–	–	–	–	64,546	–	64,546
Accruals and other financial liabilities	–	–	–	–	138,495	–	138,495
Subordinated liabilities	–	–	–	–	19,826	–	19,826
	397,287	94,429	–	–	1,828,289	3,895	2,323,900