

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	2018	2017
	US\$ m	US\$ m
Net interest income	30,489	28,176
– interest income	49,609	40,995
– interest expense	(19,120)	(12,819)
Net fee income	12,620	12,811
– fee income	16,044	15,853
– fee expense	(3,424)	(3,042)
Net income from financial instruments held for trading or managed on a fair value basis	9,531	8,426
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	(1,488)	2,836
– Changes in fair value of long-term debt and related derivatives	(97)	155
– Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	695	N/A
Gains less losses from financial investments	218	1,150
Dividend income	75	106
Net insurance premium income	10,659	9,779
Other operating income/(expense)	885	337
Total operating income	63,587	63,776
Net insurance claims and benefits paid and movement in liabilities to policyholders	(9,807)	(12,331)
Net operating income before change in expected credit losses and other credit impairment charges/Loan impairment charges and other credit risk provisions	53,780	51,445
Change in expected credit losses and other credit impairment charges	(1,767)	N/A
Loan impairment charges and other credit risk provisions	N/A	(1,769)
Net operating income	52,013	49,676
Employee compensation and benefits	(17,373)	(17,315)
General and administrative expenses	(15,353)	(15,707)
Depreciation and impairment of property, plant and equipment	(1,119)	(1,166)
Amortization and impairment of intangible assets	(814)	(696)
Goodwill impairment of Global Private Banking - Europe	–	–
Total operating expenses	(34,659)	(34,884)
Operating profit	17,354	14,792
Share of profit in associates and joint ventures	2,536	2,375
Profit before tax	19,890	17,167
Tax expense	(4,865)	(5,288)
Profit for the year	15,025	11,879
Attributable to:		
– ordinary shareholders of the parent company	12,608	9,683
– preference shareholders of the parent company	90	90
– other equity holders	1,029	1,025
– non-controlling interest	1,298	1,081
Profit for the year	15,025	11,879
	\$	\$
Basic earnings per ordinary share	0.63	0.48
Diluted earnings per ordinary share	0.63	0.48

Consolidated Statement of Cash Flows		
For the year ended 31 December	2018	2017
	US\$ m	US\$ m
Profit before tax	19,890	17,167
Adjustments for non-cash items:		
Depreciation and amortisation	1,933	1,862
Net (gain)/loss from investing activities	(126)	(1,152)
Share of profits in associates and joint ventures	(2,536)	(2,375)
(Gain)/loss on disposal of subsidiaries, businesses, associates and joint ventures	–	(79)
Change in expected credit losses gross of recoveries and other credit impairment charges	2,280	N/A
Loan impairment losses gross of recoveries and other credit risk provisions	N/A	2,603
Provisions including pensions	1,944	917
Share-based payment expense	450	500
Other non-cash items included in profit before tax	(1,303)	(381)
Elimination of exchange differences	7,299	(21,289)
Changes in operating assets and liabilities		
Change in net trading securities and derivatives	10,716	(10,901)
Change in loans and advances to banks and customers	(44,071)	(108,984)
Change in reverse repurchase agreements - non-trading	(40,499)	(37,281)
Change in financial assets designated and otherwise mandatorily measured at fair value	(1,515)	(5,303)
Change in other assets	4,047	(6,570)
Change in deposits by banks and customer accounts	(5,745)	102,211
Change in repurchase agreements - non-trading	35,882	41,044
Change in debt securities in issue	18,806	(1,369)
Change in financial liabilities designated at fair value	4,500	8,508
Change in other liabilities	(2,644)	13,514
Dividends received from associates	910	740
Contributions paid to defined benefit plans	(332)	(685)
Tax paid	(3,417)	(3,175)
Net cash from operating activities	6,469	(10,478)
Purchase of financial investments	(383,454)	(357,264)
Proceeds from the sale and maturity of financial investments	370,357	418,352
Net cash flows from the purchase and sale of property, plant and equipment	(1,196)	(1,167)
Net cash inflow from disposal of customer and loan portfolios	(204)	6,756
Net investment in intangible assets	(1,848)	(1,285)
Net cash flow on disposal of subsidiaries, businesses, associates and joint ventures	4	165
Net cash from investing activities	(16,341)	65,557
Issue of ordinary share capital and other equity instruments	6,001	5,196
Cancellation of shares	(1,998)	(3,000)
Net sales/(purchases) of own shares for market-making and investment purposes	133	(67)
Purchase of treasury shares	–	–
Redemption of preference shares and other equity instruments	(6,078)	–
Subordinated loan capital issued	–	–
Subordinated loan capital repaid	(4,077)	(3,574)
Dividends paid to shareholders of the parent company and non-controlling interests	(10,762)	(9,005)
Net cash from financing activities	(16,781)	(10,450)
Net increase/(decrease) in cash and cash equivalents	(26,653)	44,629
Cash and cash equivalents at 1 Jan	337,412	274,550
Exchange differences in respect of cash and cash equivalents	(9,677)	18,233
Cash and cash equivalents at 31 Dec	301,082	337,412
Cash and cash equivalents comprise:		
– Cash and balances at central banks	162,843	180,624
– items in the course of collection from other banks	5,787	6,628
– loans and advances to banks of one month or less	47,878	82,771
– reverse repurchase agreements with banks of one month or less	59,602	58,850
– treasury bills, other bills and certificates of deposit less than three months	30,613	15,389
– less: items in the course of transmission to other banks	(5,641)	(6,850)
Cash and cash equivalents at 31 Dec	301,082	337,412

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied		
	2018	2018
	As at 31 December	As at 1 January
	US\$ m	US\$ m
Allowance for ECL	(8,625)	(9,343)
Loans and advances to customers at amortised cost		
– personal	(2,947)	(3,047)
– corporate and commercial	(5,552)	(6,053)
– non-bank financial institutions	(126)	(243)
Loans and advances to banks at amortised cost	(13)	(23)
Other financial assets measured at amortised cost	(55)	(114)
– cash and balances at central banks	(2)	(3)
– items in the course of collection from other banks	–	–
– Hong Kong Government certificates of indebtedness	–	–
– reverse repurchase agreements – non-trading	(18)	(16)
– financial investments	(35)	(95)
– prepayments, accrued income and other assets	(8,693)	(9,480)
Total gross carrying amount on-balance sheet	(325)	(376)
Loans and other credit-related commitments		
– personal	(13)	(14)
– corporate and commercial	(305)	(355)
– non-bank financial institutions	(7)	(7)
Financial guarantees	(93)	(97)
– personal	(1)	(4)
– corporate and commercial	(85)	(89)
– non-bank financial institutions	(7)	(4)
Total nominal amount off-balance sheet	(418)	(473)
	(9,111)	(9,953)

Consolidated Balance Sheet		
As at 31 December	2018	2017
	US\$ m	US\$ m
Assets		
Cash and balances at central banks	162,843	180,624
Items in the course of collection from other banks	5,787	6,628
Hong Kong Government certificates of indebtedness	35,859	34,186
Trading assets	238,130	287,995
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	41,111	N/A
Financial assets designated at fair value	N/A	29,464
Derivatives	207,825	219,818
Loans and advances to banks	72,167	90,393
Loans and advances to customers	981,696	962,964
Reverse repurchase agreements - non-trading	242,804	201,553
Financial investments	407,433	389,076
Prepayments, accrued income and other assets	110,571	67,191
Current tax assets	684	1,006
Interests in associates and joint ventures	22,407	22,444
Goodwill and intangible assets	24,357	23,753
Deferred tax assets	4,450	4,676
Total assets	2,558,124	2,521,771
Liabilities and equity		
Liabilities		
Hong Kong currency notes in circulation	35,859	34,186
Deposits by banks	56,331	69,922
Customer accounts	1,362,643	1,364,462
Repurchase agreements - non-trading	165,884	130,002
Items in the course of transmission to other banks	5,641	6,850
Trading liabilities	84,431	184,361
Financial liabilities designated at fair value	148,505	94,429
Derivatives	205,835	216,821
Debt securities in issue	85,342	64,546
Accruals, deferred income and other liabilities	97,380	45,907
Current tax liabilities	718	928
Liabilities under insurance contracts	87,330	85,667
Provisions	2,920	4,011
Deferred tax liabilities	2,619	1,982
Subordinated liabilities	22,437	19,826
Total liabilities	2,363,875	2,323,900
Equity		
Called up share capital	10,180	10,160
Share premium account	13,609	10,177
Other equity instruments	22,367	22,250
Other reserves	1,906	7,664
Retained earnings	138,191	139,999
Total shareholders' equity	186,253	190,250
Non-controlling interests	7,996	7,621
Total equity	194,249	197,871
Total liabilities and equity	2,558,124	2,521,771

Customers Accounts - by Business		
For the year ended 31 December	2018	2017
	US\$ m	US\$ m
Retail banking and wealth management	640,924	639,592
Commercial Banking	357,596	362,908
Global Banking and Markets	290,914	283,943
Global Private Banking	64,658	66,512
Other	8,551	11,507
Total	1,362,643	1,364,462

Group Performance Ratios (%)		
	2019	2018
	As at 31 March	31 December
Common equity tier 1 ratio	14.3	14
Tier 1 ratio	17.3	16.6
Total capital ratio	20.2	19.4
Return on average ordinary shareholder's equity*	10.2	7.7
Return on average tangible equity*	10.6	8.6
Leverage ratio	5.4	5.5

*The 2019 return on average ordinary shareholder's equity and return on average tangible equity are calculated on an annualised basis.

Consolidated Statement of Comprehensive Income		
For the year ended 31 December	2018	2017
	US\$ m	US\$ m
Profit for the year	15,025	11,879
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Available-for-sale investments	N/A	146
– fair value gains	N/A	1,227
– fair value losses reclassified to the income statement	N/A	(1,033)
– amounts reclassified to the income statement in respect of impairment losses	N/A	93
– income taxes	N/A	(141)
Debt instruments at fair value through other comprehensive income	(243)	N/A
– fair value losses	(168)	N/A
– fair value gain transferred to the income statement on disposal	(95)	N/A
– expected credit losses recognised in the income statement	(94)	N/A
– income taxes	114	N/A
Cash flow hedges	19	(192)
– fair value losses	(267)	(1,046)
– fair value losses reclassified to the income statement	317	833
– income taxes and other movements	(31)	21
Share of other comprehensive income/(expense) of associates and joint ventures – share for the year	(64)	(43)
Exchange differences	(7,156)	(9,077)
– foreign exchange gains reclassified to income statement on disposal of a foreign operation	–	–
– other exchange differences	–	(8,939)
– Income tax attributable to exchange differences	(7,156)	138
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit asset/liability	(329)	2,419
– before income taxes	(388)	3,440
– income taxes	59	(1,021)
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	2,847	(2,024)
– before income taxes	3,606	(2,409)
– income taxes	(759)	385
Equity instruments designated at fair value through other comprehensive income	(27)	N/A
– fair value losses	(71)	N/A
– income taxes	44	N/A
Effects of hyperinflation	283	N/A
Other comprehensive income/(expense) for the year, net of tax	(4,670)	9,383
Total comprehensive income/(expense) for the year	10,355	21,262
Attributable to:		
– ordinary shareholders of the parent company	8,083	18,914
– preference shareholders of the parent company	90	90
– other equity holders	1,029	1,025
– non-controlling interests	1,153	1,233
Total comprehensive income/(expenses) for the year	10,355	21,262

Loans and advances to customers (net) - By business		
For the year ended 31 December	2018	2017
	US\$ m	US\$ m
Retail banking and wealth management	361,872	332,261
Commercial Banking	333,162	305,213
Global Banking and Markets	244,978	244,476
Global Private Banking	39,217	39,597
Corporate Centre	2,467	7,294
Total	981,696	928,841

Consolidated Statement of Changes in Equity for the year ended 31 December										
	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
				Financial assets at FVOCI US\$ m	Cash flow hedging reserve US\$ m	Foreign exchange reserve US\$ m	Merger and other reserve US\$ m			
As at 31 December 2017	20,337	22,250	139,999	(350)	(222)	(19,072)	27,308	190,250	7,621	197,871
Impact on transition to IFRS 9	–	–	(585)	(1,021)	–	–	–	(1,606)	(41)	(1,647)
At 1 Jan 2018	20,337	22,250	139,414	(1,371)	(222)	(19,072)	27,308	188,644	7,580	196,224
Profit for the year	–	–	13,727	–	–	–	–	13,727	1,298	15,025
Other comprehensive income (net of tax)	–	–	2,765	(245)	16	(7,061)	–	(4,525)	(145)	(4,670)
– debt instruments at fair value through other comprehensive income	–	–	–	(245)	–	–	–	(245)	2	(243)
– equity instruments designated at fair value through other comprehensive income	–	–	–	–	–	–	–	–	(27)	(27)
– cash flow hedges	–	–	–	–	16	–	–	16	3	19
– changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	–	–	2,847	–	–	–	–	2,847	–	2,847
– remeasurement of defined benefit asset/liability	–	–	(301)	–	–	–	–	(301)	(28)	(329)
– share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	–	–	(64)	(64)
– joint ventures	–	–	(84)	–	–	–	–	–	283	283
– effects of hyperinflation	–	–	–	–	–	(7,061)	–	(7,061)	(95)	(7,156)
– exchange differences	–									