

# 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             |  |
| <b>Total operating income</b>  | <b>63,587</b>   | <b>63,776</b>   |  |
| Net insurance claims and benefits paid and movement in liabilities to policyholders  | (9,807)         | (12,331)        |  |
| <b>Net operating income before change in expected credit losses and other credit impairment charges/Loan impairment charges and other credit risk provisions</b> | <b>53,780</b>   | <b>51,445</b>   |  |
| 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)         |  |
| <b>Net operating income</b>  | <b>52,013</b>   | <b>49,676</b>   |  |
| 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   | –               | –               |  |
| <b>Total operating expenses</b>  | <b>(34,659)</b> | <b>(34,884)</b> |  |
| <b>Operating profit</b>  | <b>17,354</b>   | <b>14,792</b>   |  |
| Share of profit in associates and joint ventures   | 2,536           | 2,375           |  |
| <b>Profit before tax</b>   | <b>19,890</b>   | <b>17,167</b>   |  |
| Tax expense  | (4,865)         | (5,288)         |  |
| <b>Profit for the year</b>   | <b>15,025</b>   | <b>11,879</b>   |  |
| 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           |  |
| <b>Profit for the year</b>   | <b>15,025</b>   | <b>11,879</b>   |  |
|  | \$              | \$              |  |
| Basic earnings per ordinary share  | 0.63            | 0.48            |  |
| Diluted earnings per ordinary share  | 0.63            | 0.48            |  |

| 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)   |                |               |  |
| <b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>                                  |                |               |  |
| Available-for-sale investments   | N/A            | 146           |  |
| – fair value gains   | N/A            | 1,227         |  |
| – fair value gains 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   | (64)           | (43)          |  |
| – 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           |  |
| <b>Items that will not be reclassified subsequently to profit or loss:</b>   |                |               |  |
| Remeasurement of defined benefit asset/liability   | (329)          | 2,419         |  |
| – before income taxes  | (368)          | 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           |  |
| <b>Other comprehensive income/(expense) for the year, net of tax</b>   | <b>(4,670)</b> | <b>9,383</b>  |  |
| <b>Total comprehensive income/(expense) for the year</b>   | <b>10,355</b>  | <b>21,262</b> |  |
| 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         |  |
| <b>Total comprehensive income/(expenses) for the year</b>  | <b>10,355</b>  | <b>21,262</b> |  |

| 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          |  |
| <b>Total</b>  | <b>981,696</b> | <b>928,841</b> |  |

| 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 share-holders' equity US\$ m | Non-controlling interests US\$ m | Total equity US\$ m |
|  |  |                                 |                          | Financial assets at FVOCI reserve 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)                                    | 18                               | (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)                               | –                                | (64)                |
| – effects of hyperinflation  | –  | –                               | 283                      | –  | –                                | –                               | –                               | 283                                | –                                | 283                 |
| – exchange differences   | –  | –                               | –                        | –  | –                                | (7,061)                         | –                               | (7,061)                            | (95)                             | (7,156)             |
| <b>Total comprehensive income for the year</b>   | <b>–</b>   | <b>–</b>                        | <b>16,492</b>            | <b>(245)</b>                             | <b>16</b>                        | <b>(7,061)</b>                  | <b>–</b>                        | <b>9,202</b>                       | <b>1,153</b>                     | <b>10,355</b>       |
| Shares issued under employee remuneration and share plans  | 721  | –                               | (610)                    | –  | –                                | –                               | –                               | 111                                | –                                | 111                 |
| Shares issued in lieu of dividends and amounts arising thereon   | –  | –                               | 1,494                    | –  | –                                | –                               | –                               | 1,494                              | –                                | 1,494               |
| Capital securities issued  | –  | 5,968                           | –                        | –  | –                                | –                               | –                               | 5,968                              | –                                | 5,968               |
| Dividends to shareholders  | –  | –                               | (11,547)                 | –  | –                                | –                               | –                               | (11,547)                           | (710)                            | (12,257)            |
| Redemption of securities   | –  | (5,851)                         | (237)                    | –  | –                                | –                               | –                               | (6,088)                            | –                                | (6,088)             |
| Transfers  | –  | –                               | (2,200)                  | –  | –                                | –                               | 2,200                           | –                                  | –                                | –                   |
| Cost of share-based payment arrangements   | –  | –                               | 450                      | –  | –                                | –                               | –                               | 450                                | –                                | 450                 |
| Cancellation of shares   | 2,731  | –                               | (4,998)                  | –  | –                                | –                               | 269                             | (1,998)                            | –                                | (1,998)             |
| Other movements  | –  | –                               | (67)                     | 84                                       | –                                | –                               | –                               | 17                                 | (27)                             | (10)                |
| <b>At 31 December 2018</b>   | <b>23,789</b>                                    | <b>22,367</b>                   | <b>138,191</b>           | <b>(1,532)</b>                           | <b>(206)</b>                     | <b>(26,133)</b>                 | <b>29,777</b>                   | <b>186,253</b>                     | <b>7,996</b>                     | <b>194,249</b>      |

The financial information summarised above has been extracted from HSBC Holdings plc annual report for the year ended 31 December 2018.

| Consolidated Statement of Cash Flows   |                 |                 |  |
|--|-----------------|-----------------|--|
| For the year ended 31 December   |                 |                 |  |
|  | 2018            | 2017            |  |
|  | US\$ m          | US\$ m          |  |
| <b>Profit before tax</b>   | <b>19,890</b>   | <b>17,167</b>   |  |
| <b>Adjustments for non-cash items:</b>   |                 |                 |  |
| 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)        |  |
| <b>Changes in operating assets and liabilities</b>                                       |                 |                 |  |
| 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)         |  |
| <b>Net cash from operating activities</b>  | <b>6,469</b>    | <b>(10,478)</b> |  |
| 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             |  |
| <b>Net cash from investing activities</b>  | <b>(16,341)</b> | <b>65,557</b>   |  |
| 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)         |  |
| <b>Net cash from financing activities</b>  | <b>(16,781)</b> | <b>(10,450)</b> |  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                              | <b>(26,653)</b> | <b>44,629</b>   |  |
| Cash and cash equivalents at 1 Jan   | 337,412         | 274,550         |  |
| Exchange differences in respect of cash and cash equivalents                             | (9,677)         | 18,233          |  |
| <b>Cash and cash equivalents at 31 Dec</b>   | <b>301,082</b>  | <b>337,412</b>  |  |
| <b>Cash and cash equivalents comprise:</b>   |                 |                 |  |
| – 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)         |  |
| <b>Cash and cash equivalents at 31 Dec</b>   | <b>301,082</b>  | <b>337,412</b>  |  |

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

| Consolidated Balance Sheet  |                  |                  |
|---|------------------|------------------|
| As at 31 December   | 2018             | 2017             |
|   | US\$ m           | US\$ m           |
| <b>Assets</b>   |                  |                  |
| 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           | 22,744           |
| Goodwill and intangible assets  | 24,357           | 23,453           |
| Deferred tax assets   | 4,450            | 4,676            |
| <b>Total assets</b>   | <b>2,558,124</b> | <b>2,521,771</b> |
| <b>Liabilities and equity</b>   |                  |                  |
| <b>Liabilities</b>  |                  |                  |
| 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           |
| <b>Total liabilities</b>  | <b>2,363,875</b> | <b>2,323,900</b> |
| <b>Equity</b>   |                  |                  |
| 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          |
| <b>Total shareholders' equity</b>   | <b>186,253</b>   | <b>190,250</b>   |
| Non-controlling interests   | 7,996            | 7,621            |
| <b>Total equity</b>   | <b>194,249</b>   | <b>197,871</b>   |
| <b>Total liabilities and equity</b>   | <b>2,558,124</b> | <b>2,521,771</b> |