

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 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 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	(7,156)	(8,939)	
– Income tax attributable to exchange differences	–	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 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	–	–	(7,061)	–	13,727	1,298	15,025
Other comprehensive income (net of tax)	–	–	2,765	(245)	16	–	–	(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)
Total comprehensive income for the year	–	–	16,492	(245)	16	(7,061)	–	9,202	1,153	10,355
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)
At 31 December 2018	23,789	22,367	138,191	(1,532)	(206)	(26,133)	29,777	186,253	7,996	194,249

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	
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 requirments in IFRS 9 are applied			
	2018	2018	
	As at 31 December	As at 1 January	
Allowance for ECL	US\$ m	Allowance for ECL US\$ m	
	(8,625)	(9,343)	
	(2,947)	(3,047)	
	(5,552)	(6,053)	
	(126)	(243)	
	(13)	(23)	
	(55)	(114)	
	(2)	(3)	
	–	–	
	–	–	
	–	–	
	(18)	(16)	
	(35)	(95)	
	(8,693)	(9,480)	
	(325)	(376)	
	(13)	(14)	
	(305)	(355)	
	(7)	(7)	
	(93)	(97)	
	(1)	(4)	
	(85)	(89)	
	(7)	(4)	
	(418)	(473)	
	(9,111)	(9,953)	

Other Reserves						Total shareholders' equity US\$ m	Non-controlling interests US\$ m	Total equity US\$ m	Financial assets Cash and balances at central banks Items in the course of collection from other banks Hong Kong Government certificates of indebtedness Trading assets Financial assets designated and otherwise mandatorily measured at fair value through profit or loss Derivatives Loans and advances to banks Loans and advances to customers Reverse repurchase agreements - non-trading Financial investments Prepayments, accrued income and other assets Current tax assets Interests in associates and joint ventures Goodwill and intangible assets Deferred tax assets Financial liabilities Hong Kong currency notes in circulation Deposits by banks Customer accounts Repurchase agreements-non-trading Items in the course of transmission to other banks Trading liabilities Financial liabilities designated at fair value Derivatives Debt securities in issue Accruals, deferred income and other liabilities Current tax liabilities Liabilities under insurance contracts Provisions Deferred tax liabilities Subordinated liabilities
Cash flow hedging reserve US\$ m	Foreign exchange reserve US\$ m	Merger and other reserve US\$ m							
(222)	(19,072)	27,308	190,250	7,821	197,871				
—	—	—	(1,608)	(41)	(1,647)				
(222)	(19,072)	27,308	188,644	7,580	196,224				
—	—	—	13,727	1,298	15,025				
16	(7,061)	—	(4,525)	(145)	(4,670)				
—	—	—	(245)	2	(243)				
—	—	—	—	(27)	(27)				
16	—	—	16	3	19				
—	—	—	2,847	—	2,847				
—	—	—	(301)	(28)	(329)				
—	—	—	(64)	—	(64)				
—	—	—	283	—	283				
—	(7,061)	—	(7,061)	(95)	(7,156)				
16	(7,061)	—	9,202	1,153	10,355				
—	—	—	111	—	111				
—	—	—	1,494	—	1,494				
—	—	—	5,968	—	5,968				
—	—	—	(11,547)	(710)	(12,257)				
—	—	—	(6,088)	—	(6,088)				
—	—	2,200	—	—	—				
—	—	—	450	—	450				
—	—	269	(1,998)	—	(1,998)				
—	—	—	17	(27)	(10)				
(206)	(26,133)	29,777	186,253	7,996	194,249				