

# 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			
	2019	2018	
	US\$ m	US\$ m	
Net interest income	30,462	30,489	
– interest income	54,695	49,609	
– interest expense	(24,233)	(19,120)	
Net fee income	15,439	15,044	
– fee income	(3,416)	(3,424)	
– fee expense			
Net income from financial instruments held for trading or managed on a fair value basis	10,231	9,531	
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	3,478	(1,488)	
– Changes in fair value of long-term debt and related derivatives	90	(97)	
– Changes in fair value of other financial instruments mandatorily measured at fair value through profit or loss	812	695	
Gains less losses from financial investments	335	218	
Net insurance premium income	10,636	10,659	
Other operating income/(expense)	2,957	960	
<b>Total operating income</b>	<b>71,024</b>	<b>63,587</b>	
Net insurance claims and benefits paid and movement in liabilities to policyholders	(14,926)	(9,807)	
<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>56,098</b>	<b>53,780</b>	
Change in expected credit losses and other credit impairment charges	(2,756)	(1,767)	
<b>Net operating income</b>	<b>53,342</b>	<b>52,013</b>	
Employee compensation and benefits	(13,828)	(15,353)	
General and administrative expenses	(2,100)	(1,119)	
Depreciation and impairment of property, plant and equipment and right-of-use assets	(1,070)	(814)	
Amortization and impairment of intangible assets	(7,349)	-	
Goodwill impairment of Global Private Banking - Europe	(42,349)	(34,659)	
<b>Operating profit</b>	<b>10,993</b>	<b>17,354</b>	
Share of profit in associates and joint ventures	2,354	2,536	
<b>Profit before tax</b>	<b>13,347</b>	<b>19,890</b>	
Tax expense	(4,639)	(4,865)	
<b>Profit for the year</b>	<b>8,708</b>	<b>15,025</b>	
Attributable to:			
– ordinary shareholders of the parent company	5,969	12,608	
– preference shareholders of the parent company	90	90	
– other equity holders	1,324	1,029	
– non-controlling interest	1,325	1,298	
<b>Profit for the year</b>	<b>8,708</b>	<b>15,025</b>	
Basic earnings per ordinary share	0.30	0.63	
Diluted earnings per ordinary share	0.30	0.63	

Consolidated Statement of Comprehensive Income			
For the year ended 31 December			
	2019	2018	
	US\$ m	US\$ m	
Profit for the year	8,708	15,025	
Other comprehensive income/(expense)			
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>			
Debt instruments at fair value through other comprehensive income	1,152	(243)	
– fair value losses	1,793	(168)	
– fair value gain transferred to the income statement on disposal	(365)	(95)	
– expected credit losses recognised in the income statement	109	(94)	
– income taxes	(389)	114	
Cash flow hedges	206	19	
– fair value losses	551	(267)	
– fair value losses reclassified to the income statement	(286)	317	
– income taxes and other movements	(59)	(31)	
Share of other comprehensive income/(expense) of associates and joint ventures	21	(64)	
– share for the year	21	(64)	
Exchange differences	1,044	(7,156)	
– other exchange differences	1,044	(7,156)	
– income tax attributable to exchange differences	—	—	
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Remeasurement of defined benefit asset/liability	13	(329)	
– before income taxes	(17)	(388)	
– income taxes	30	59	
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	(2,002)	2,847	
– before income taxes	(2,639)	3,606	
– income taxes	637	(759)	
Equity instruments designated at fair value through other comprehensive income	366	(27)	
– fair value losses	364	(71)	
– income taxes	2	44	
Effects of hyperinflation	217	283	
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<b>1,017</b>	<b>(4,670)</b>	
<b>Total comprehensive income/(expense) for the year</b>	<b>9,725</b>	<b>10,355</b>	
Attributable to:			
– ordinary shareholders of the parent company	6,838	8,083	
– preference shareholders of the parent company	90	90	
– other equity holders	1,324	1,029	
– non-controlling interests	1,473	1,153	
<b>Total comprehensive income/(expenses) for the year</b>	<b>9,725</b>	<b>10,355</b>	

Loans and advances to customers (net) - By business			
For the year ended 31 December			
	2019	2018	
	US\$ m	US\$ m	
Retail banking and wealth management	395,393	361,872	
Commercial Banking	346,060	333,162	
Global Banking and Markets	246,266	244,978	
Global Private Banking	47,593	39,217	
Other	1,431	2,467	
<b>Total</b>	<b>1,036,743</b>	<b>981,696</b>	

Consolidated Statement of Changes in Equity for the year ended 31 December										
	Called up share capital and share premium	Other equity instruments	Retained earnings	Other Reserves				Total share-holders' equity	Non-controlling interests	Total equity
				Financial assets at FVOCI	Cash flow hedging reserve	Foreign exchange reserve	Merger reserve			
	US\$ m	US\$ m	US\$ m	US\$ m	US\$ m	US\$ m	US\$ m	US\$ m	US\$ m	US\$ m
<b>At 1 Jan 2019</b>	23,789	22,367	138,191	(1,532)	(206)	(26,133)	29,777	186,253	7,996	194,249
Profit for the year	—	—	7,383	—	—	—	—	7,383	1,325	8,708
Other comprehensive income (net of tax)	—	—	(1,759)	1,424	204	1,000	—	869	148	1,017
– debt instruments at fair value through other comprehensive income	—	—	—	1,146	—	—	—	1,146	6	1,152
– equity instruments designated at fair value through other comprehensive income	—	—	—	278	—	—	—	278	88	366
– cash flow hedges	—	—	—	—	204	—	—	204	2	206
– changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	—	—	(2,002)	—	—	—	(2,002)	—	—	(2,002)
– remeasurement of defined benefit asset/liability	—	—	5	—	—	—	—	5	8	13
– share of other comprehensive income of associates and joint ventures	—	—	21	—	—	—	—	21	—	21
– effects of hyperinflation	—	—	217	—	—	—	—	217	—	217
– exchange differences	—	—	—	—	—	1,000	—	1,000	44	1,044
<b>Total comprehensive income for the year</b>	—	—	5,624	1,424	204	1,000	—	8,252	1,473	9,725
Shares issued under employee remuneration and share plans	557	—	(495)	—	—	—	—	62	—	62
Shares issued in lieu of dividends and amounts arising thereon	—	—	2,687	—	—	—	—	2,687	—	2,687
Dividends to shareholders	—	—	(11,683)	—	—	—	—	(11,683)	(777)	(12,460)
Redemption of securities	—	(1,496)	(12)	—	—	—	—	(1,508)	—	(1,508)
Transfers	—	—	2,475	—	—	—	(2,475)	—	—	—
Cost of share-based payment arrangements	—	—	478	—	—	—	—	478	—	478
Cancellation of shares	(68)	—	(1,000)	—	—	—	68	(1,000)	—	(1,000)
Other movements	—	—	414	—	—	—	—	414	21	435
<b>At 31 December 2019</b>	<b>24,278</b>	<b>20,871</b>	<b>136,679</b>	<b>(108)</b>	<b>(2)</b>	<b>(25,133)</b>	<b>27,370</b>	<b>183,955</b>	<b>8,713</b>	<b>192,668</b>

The financial information summarised above has been extracted from HSBC Holdings plc annual report for the year ended 31 December 2019.

## SUMMARY OF HSBC HOLDINGS PLC CORPORATE GOVERNANCE REPORT 2019

The information set out below and information incorporated by reference is a summary of the Corporate Governance Report of HSBC Holdings plc ('HSBC') contained on pages 156 to 220 of the Annual Report and Accounts 2019 (the 'Annual Report').

### The Board and its role

The Board aims to promote the Group's long-term success and deliver sustainable value to investors and other stakeholders, as well as encouraging a culture of risk awareness, openness and debate. Led by the Group Chairman, the Board sets the Group's strategy and risk appetite. It also approves capital and operating plans for achieving strategic objectives on the recommendation of management. The independent non-executive Directors hold management accountable and ensure the executive Directors are discharging their responsibilities properly.

### Powers of the Board

In exercising its duty to promote the success of the Group, the Board is responsible for overseeing the management of HSBC globally and, in so doing, may exercise its powers, subject to any relevant laws, regulations and HSBC's articles of association. Certain matters, including the review and approval of annual operating plans, risk appetite, performance targets, credit or market risk limits and any substantial change in balance sheet management policy, require Board approval before implementation. Acquisitions, disposals, investments, capital expenditure or realisation or creation of a new venture, which are above certain limits, also require prior Board approval.

### Nomination and Corporate Governance Committee

The primary responsibilities of the Committee include reviewing the composition of the Board and its committees, overseeing succession planning of executive Directors, non-executive Directors and other senior appointments and monitoring the Group's corporate governance framework. The Committee also makes recommendations to the Board on governance matters and best practice.

### Group Audit Committee (GAC)

The Committee's key responsibilities are to monitor and assess the integrity of the financial statements, formal announcements and regulatory information in relation to the Group's financial performance as well as significant accounting judgements. Reviews the effectiveness of, and ensures

Consolidated Statement of Cash Flows			
For the year ended 31 December			
	2019	2018	
	US\$ m	US\$ m	
<b>Profit before tax</b>	<b>13,347</b>	<b>19,890</b>	
<b>Adjustments for non-cash items:</b>			
Depreciation and amortisation	10,519	1,933	
Net (gain)/loss from investing activities	(399)	(126)	
Share of profits in associates and joint ventures	(2,354)	(2,536)	
(Gain)/loss on disposal of subsidiaries, businesses, associates and joint ventures	(929)	-	
Change in expected credit losses gross of recoveries and other credit impairment charges	3,012	2,280	
Provisions including pensions	2,423	1,944	
Share-based payment expense	478	450	
Other non-cash items included in profit before tax	(2,297)	(1,303)	
Elimination of exchange differences	(3,742)	4,930	
<b>Changes in operating assets and liabilities</b>			
Change in net trading securities and derivatives	(18,910)	20,855	
Change in loans and advances to banks and customers	(53,760)	(44,071)	
Change in reverse repurchase agreements - non-trading	(7,390)	(25,399)	
Change in financial assets designated and otherwise mandatorily measured at fair value	(2,308)	(1,515)	
Change in other assets	(21,863)	6,766	
Change in deposits by banks and customer accounts	79,163	(5,745)	
Change in repurchase agreements - non-trading	(25,540)	35,882	
Change in debt securities in issue	19,268	18,806	
Change in financial liabilities designated at fair value	20,068	4,500	
Change in other liabilities	23,124	(2,187)	
Dividends received from associates	633	910	
Contributions paid to defined benefit plans	(533)	(332)	
Tax paid	(2,767)	(3,417)	
<b>Net cash from operating activities</b>	<b>29,743</b>	<b>32,515</b>	
Purchase of financial investments	(445,907)	(399,458)	
Proceeds from the sale and maturity of financial investments	413,186	386,056	
Net cash flows from the purchase and sale of property, plant and equipment	(1,343)	(1,196)	
Net cash inflow from disposal of customer and loan portfolios	1,118	(204)	
Net investment in intangible assets	(2,289)	(1,848)	
Net cash flow on disposal of subsidiaries, businesses, associates and joint ventures	(83)	4	
<b>Net cash from investing activities</b>	<b>(35,318)</b>	<b>(16,646)</b>	
Issue of ordinary share capital and other equity instruments	-	6,001	
Cancellation of shares	(1,000)	(1,998)	
Net sales/(purchases) of own shares for market-making and investment purposes	141	133	
Redemption of preference shares and other equity instruments	-	(6,078)	
Subordinated loan capital repaid	(4,210)	(4,077)	
Dividends paid to shareholders of the parent company and non-controlling interests	(9,773)	(10,762)	
<b>Net cash from financing activities</b>	<b>(14,842)</b>	<b>(16,781)</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(20,417)</b>	<b>(912)</b>	
Cash and cash equivalents at 1 Jan	312,911	323,718	
Exchange differences in respect of cash and cash equivalents	1,248	(9,895)	
<b>Cash and cash equivalents at 31 Dec</b>	<b>293,742</b>	<b>312,911</b>	
<b>Cash and cash equivalents comprise:</b>			
– Cash and balances at central banks	154,099	162,843	
– items in the course of collection from other banks	4,956	5,787	
– loans and advances to banks of one month or less	41,626	39,460	
– reverse repurchase agreements with banks of one month or less	65,370	74,702	
– treasury bills, other bills and certificates of deposit less than three months	20,132	21,685	
– cash collateral and net settlement accounts	12,376	14,075	
– less: items in the course of transmission to other banks	(4,817)	(5,641)	
<b>Cash and cash equivalents at 31 Dec</b>	<b>293,742</b>	<b>312,911</b>	

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied				
	31 Dec 2019		At 31 Dec 2018	
	Gross carrying/ nominal amount US\$ m	Allowance for ECL US\$ m	Gross carrying/ nominal amount US\$ m	Allowance for ECL US\$ m
Loans and advances to customers at amortised cost	1,045,475	(8,732)	990,321	(8,625)
– personal	434,271	(3,134)	394,337	(2,947)
– corporate and commercial	540,499	(5,438)	534,577	(5,552)
– non-bank financial institutions	70,705	(160)	61,407	(126)
Loans and advances to banks at amortised cost	69,219	(16)	72,180	(13)
Other financial assets measured at amortised cost	615,179	(118)	582,917	(55)
– cash and balances at central banks	154,101	(2)	162,845	(2)
– items in the course of collection from other banks	4,956	—	5,787	—
– Hong Kong Government certificates of indebtedness	38,380	—	35,859	—
– reverse repurchase agreements - non-trading	240,862	—	242,804	—
– financial investments	85,788	(53)	62,684	(18)
– prepayments, accrued income and other assets	91,092	(63)	72,938	(35)
<b>Total gross carrying amount on-balance sheet</b>	<b>1,729,873</b>	<b>(8,866)</b>	<b>1,645,418</b>	<b>(8,693)</b>
Loans and other credit-related commitments	600,029	(329)	592,008	(325)
– personal	223,314	(15)	207,351	(13)
– corporate and commercial	278,524	(307)	271,022	(305)
– non-bank financial institutions	98,191	(7)	113,635	(7)
Financial guarantees	20,214	(48)	23,518	(93)
– personal	804	(1)	927	(1)
– corporate and commercial	14,804	(44)	17,355	(85)
– non-bank financial institutions	4,606	(3)	5,236	(7)
<b>Total nominal amount off-balance sheet</b>	<b>620,243</b>	<b>(377)</b>	<b>615,526</b>	<b>(418)</b>
<b>Total</b>	<b>2,350,116</b>	<b>(9,243)</b>	<b>2,260,944</b>	<b>(9,111)</b>

Consolidated Balance Sheet			
As at 31 December			
	2019	2018	
	US\$ m	US\$ m	
<b>Assets</b>			
Cash and balances at central banks	15		