The Hongkong and Shanghai Banking Corporation Limited

Incorporated in the Hongkong SAR with limited liability

HSBC Holdings plc

For the year ended 31 December	2019	201
For the year ended 31 December	US\$ m	201 US\$1
Net interest income	30.462	30,48
- interest income	54,695	49,60
- interest expense	(24,233)	(19,120
Net fee income	12,023	12,62
- fee income	15,439	16,04
- fee expense	(3,416)	(3,42
Net income from financial instruments held for trading or managed	(0)	(-/
on a fair value basis	10,231	9,53
Net income/(expense) from assets and liabilities of insurance	,	-,
businesses, including related dervatives, measured at fair value		
through profit or loss	3,478	(1,48
- Changes in fair value of long-term debt and related derivatives	90	(9
- Changes in fair value of other financial instruments mandatorily		
measured at fair value through profit or loss	812	69
Gains less losses from financial investments	335	21
Net insurance premium income	10,636	10,65
Other operating income/(expense)	2,957	96
Total operating income	71,024	63,58
Net insurance claims and benefits paid and movement in	71,024	00,00
liabilities to policyholders	(14,926)	(9,80
Net operating income before change in expected credit losses and	(11,000)	(-/
other credit impairment charges/Loan impairment charges and		
other credit risk provisions	56,098	53,78
Change in expected credit losses and other credit impairment charges	(2,756)	(1,76
Net operating income	53,342	52,01
Employee compensation and benefits	(18,002)	(17,37
General and administrative expenses	(13,828)	(15,35
Depreciation and impairment of property, plant and equipment and right-of-use assets	(2,100)	(1,119
Amortization and impairment of intangible assets	(1,070)	(81
Goodwill impairment of Global Private Banking - Europe	(7,349)	
Total operating expenses	(42,349)	(34,659
Operating profit	10,993	17,35
Share of profit in associates and joint ventures	2,354	2,53
Profit before tax	13,347	19,89
Tax expense	(4,639)	(4,86
Profit for the year	8,708	15,02
Attributable to:		
– ordinary shareholders of the parent company	5,969	12,60
– preference shareholders of the parent company	90	9
- other equity holders	1,324	1,02
- non-controlling interest	1,325	1,29
Profit for the year	8,708	15,02
Basic earnings per ordinary share	\$ 0.30	0.6
Diluted earnings per ordinary share	0.30	0.6

Consolidated Statement of Comprehensive Income	2010	2010
For the year ended 31 December	2019 US\$ m	2018 US\$ m
Profit for the year	8,708	15,025
Other comprehensive income/(expense)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
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 – expected credit losses recognised in the income statement	(365)	(95) (94)
- income taxes	(385)	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 – share for the year	21 21	(64)
Exchange differences	1,044	(7,156)
– other exchange differences – Income tax attributable to exchange differences	1,044	(7,156)
•		
Items that will not be reclassified subsequently to profit or loss: 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
Other comprehensive income/(expense) for the year, net of tax	1,017	(4,670
Total comprehensive income/(expense) for the year	9,725	10,355
Attributable to: – ordinary shareholders of the parent company	6,838	8,083
– ordinary shareholders of the parent company – preference shareholders of the parent company	90	90
- other equity holders	1,324	1,029
non-controlling interests	1,473	1,153
Total comprehensive income/(expenses) for the year	9,725	10,355

Total comprehensive income/(expenses) for the year	9,725	10,355	
Loans and advances to customers (net) - By business			
For the year ended 31 December	2019	2018	
	US\$ m	US\$ n	
Retail banking and wealth management	395,393	361,87	
Commercial Banking	346,060	333,16	
Global Banking and Markets	246,266	244,97	
Global Private Banking	47,593	39,21	
Other	1,431	2,46	
Total	1,036,743	981,690	

or the year ended 31 December	2019 US\$ m	2018 US\$ m
Profit before tax	13,347	19,890
Adjustments for non-cash items:		
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)
limination of exchange differences	(3,742)	4,930
Changes in operating assets and liabilities		
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	(2,267)	(3,417)
Net cash from operating activities	29,743	32,515
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 equiptment	(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
Net cash from investing activities	(35,318)	(16,646)
ssue 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)
Net cash from financing activities	(14,842)	(16,781)
Net increase/(decrease) in cash and cash equivalents	(20,417)	(912)
Cash and cash equivalents at 1 Jan	312,911	323,718
Exchange differences in respect of cash and cash equivalents	1,248	(9,895)
Cash and cash equivalents at 31 Dec Cash and cash equivalents comprise:	293,742	312,911
- 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
- roans and advances to banks of one month or less - 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
- cash conateral and net settlement accounts	(4,817)	(5,641)
- less: items in the course of transmission to other banks		

	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)	
– coporate 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)	
Total gross carrying amount on-balance sheet	1,729,873	(8,866)	1,645,418	(8,693)	
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)	
Total nominal amount off-balance sheet	620,243	(377)	615,526	(418)	
	2,350,116	(9,243)	2,260,944	(9,111)	

Summary of financial instruments to which the impairment requirments in IFRS 9 are applied

As at 31 December	2019	201
	US\$ m	US\$
Assets		
Cash and balances at central banks	154,099	162,84
Items in the course of collection from other banks	4,956	5,78
Hong Kong Government certificates of indebtedness	38,380	35,85
Trading assets	254,271	238,13
Financial assets designated and otherwise mandatorily measured at fair		,
value through profit or loss	43,627	41,11
Derivatives	242,995	207,82
Loans and advances to banks	69,203	72,16
Loans and advances to customers	1,036,743	981,69
Reverse repurchase agreements - non-trading	240,862	242,80
Financial investments	443,312	407,43
Prepayments, accrued income and other assets	136,680	110,57
Current tax assets	755	68
Interests in associates and joint ventures	24,474	22,40
Goodwill and intangible assets	20,163	24,35
Deferred tax assets	4,632	4,45
Total assets	-	
	2,715,152	2,558,12
Liabilities and equity		
Liabilities		
Hong Kong currency notes in circulation	38,380	35,85
Deposits by banks	59,022	56,33
Customer accounts	1,439,115	1,362,64
Repurchase agreements - non-trading	140,344	165,88
Items in the course of transmission to other banks	4,817	5,64
Trading liabilities	83,170	84,43
Financial liabilities designated at fair value	164,466	148,50
Derivatives	239,497	205,83
Debt securities in issue	104,555	85,34
Accruals, deferred income and other liabilities	118,156	97,38
Current tax liabilities	2,150	71
Liabilities under insurance contracts	97,439	87,33
Provisions	3,398	2,92
Deferred tax liabilities	3,375	2,61
Subordinated liabilities	24,600	22,43
Total liabilities	2,522,484	2,363,87
Equity		
Called up share capital	10,319	10,18
Share premium account	13,959	13,60
Other equity instruments	20,871	22,36
Other reserves	2,127	1,90
Retained earnings	136,679	138,19
Total shareholders' equity	183,955	186,25
Non-controlling interests	8,713	7,99
Total equity	192,668	194,24

Consolidated Balance Sheet

Customers Accounts - by Business		
For the year ended 31 December	2019	2018
	US\$ m	US\$ n
Retail banking and wealth management	689,283	640,92
Commercial Banking	386,522	357,59
Global Banking and Markets	292,284	290,91
Global Private Banking	62,943	64,65
Other	8,083	8,55
Total	1,439,115	1,362,64

Group Performance Ratios (%)						
As at 31 December	2019 As at 31 December	2018 As at 31 December				
Common equity tier 1 ratio	14.7	14.0				
Tier 1 ratio	17.6	16.6				
Total capital ratio	20.4	19.4				
Leverage ratio	5.3	5.5				
Return on average ordinary shareholder's equity	3.6	7.7				
Return on average tangible equity	8.4	8.6				

					C	ther Reserve	s			
	Called up share capital and share premium US\$ m	Other equity instruments US\$ m	Retained earnings US\$ m	Financial assets at FVOCI reserve US\$ m	Cash flow hedging reserve	Foreign exchange reserve US\$ m	Merger and other reserve US\$ m	Total share- holders' equity US\$ m	Non- controlling interests US\$ m	Tot equi US\$
At 1 Jan 2019	23,789	22,367	138,191	(1,532)	(206)	(26,133)	29,777	186,253	7,996	194,2
Profit for the year Other comprehensive income (net of tax)	Ξ	_	7,383 (1,759)	 1,424	 204	1,000	_	7,383 869	1,325 148	8,7 1,0
debt instruments at fair value through other comprehensive income equity instruments designated at fair value through	_	_	_	1,146	_	_	_	1,146	6	1,1
other comprehensive income	_	_	_	278		_		278	88	3
- cash flow hedges	_	_	_	_	204	_		204	2	2
- changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk - remeasurement of defined benefit asset/liability	_	=	(2,002) 5	_	_	=	_	(2,002) 5	_	(2,00
- share of other comprehensive income of associates and										
joint ventures	_	_	21	_		_		21	-	
- effects of hyperinflation	_	_	217	_			_	217		2
- exchange differences		_		_	_	1,000	_	1,000	44	1,0
Total comprehensive income for the year	_	_	5,624	1,424	204	1,000	_	8,252	1,473	9,7
Shares issued under employee remuneration and										
share plans	557	_	(495)	_	_	_	_	62	_	
Shares issued in lieu of dividends and amounts arising thereon	_	_	2,687	_	_	_	_	2,687	_	2,6
Dividends to shareholders			(11,683)			_	_	(11,683)	(777)	(12,4
Redemption of securities	_	(1,496)	(12)	_	_	_		(1,508)	_	(1,5
Transfers	_	_	2,475		_	_	(2,475)	_		
Cost of share-based payment arrangements	_	_	478		_	_	_	478	_	
Cancellation of shares	(68)	_	(1,000)				68	(1,000)		(1,0
Other movements	_	_	414		_	_	_	414	21	
At 31 December 2019	24,278	20,871	136,679	(108)	(2)	(25,133)	27,370	183,955	8,713	192,

Analysis of Financial Assets and Liabilities by Measurement Basis As at 31 December 2019								
	Amortised cost US\$ m	Fair value through profit or loss US\$ m	Fair value through other comphrehensive income US\$ m	Total 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	154,099 4,956 38,380 254,271			154,099 4,956 38,380 254,271				
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	69,203 1,036,743 240,862 443,312 136,680 755 24,474	43,627 242,995		43,627 242,995 69,203 1,036,743 240,862 443,312 136,680 755 24,474				
Goodwill and intangible assets Deferred tax assets	20,163 4,632	200 000		20,163 4,632				
Financial liabilities Hong Kong currency notes in circulation Deposits by banks	2,428,530 38,380 59,022	286,622	-	2,715,152 38,380 59,022				
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	1,439,115 140,344 4,817 239,497 104,555 118,156 27,139 3,398 3,375 24,600	83,170	164,466	1,439,115 140,344 4,817 83,170 164,466 239,497 104,555 118,156 2,150 97,439 3,398 3,375 24,600				
	2,274,848	83,170	164,466	2,522,484				

At 31 December 2019 24,278 20,871 136,679 (108) (2) (25,133)
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 rol

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 assesse 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

that management has appropriate internal controls over, financial reporting. Reviews and monitor the relationship with the external auditor and oversees its appointment, tenure, rotation, remuneration, independence and engagement for Non-Audit services. Oversees the work of Global Internal Audit and monitors and assesses the effectiveness, performance, resourcing, independence and standing

Group Risk Committee (GRC)

The GRC has non-executive responsibility for the oversight of enterprise risk management, risk governance and internal control systems. In its holistic view of risk in 2019, the Committee was supported by the FSVC, the Board sub-committee responsible for overseeing risks relating to financial crime and financial system abuse. In January 2020, the GRC assumed direct responsibility for financial crime risk oversight from the FSVC. The Committee's key responsibilities are overseeing and advises the Board on all risk related matters, including financial risks, non-financial risks and the effectiveness of the Group's conduct framework. Advise the Board on risk appetite-related matters, including the ICAAP and ILAAP, as well as recovery and resolution planning. Reviews the effectiveness of the Group's enterprise risk management framework and internal controls systems (other than internal financial controls overseen by the GAC). Undertake review and challenge of the Group's stress testing

Financial System Vulnerabilities Committee (FVSC)

The Committee provides oversight of matters relating to financial crime and financial system abuse, including anti-money laundering, sanctions, terrorist financing, proliferation financing and anti-bribery and corruption. It also provides advice to the Board on the Group's framework of controls and procedures that are designed to identify areas where HSBC and the financial system more broadly may become exposed to financial crime or system abuse.

Group Remuneration Committee

The Committee is responsible for setting the over-arching principles, parameters and governance framework of the Group's remuneration policy, and the remuneration of executive Directors and other senior Group employees. The Committee regularly reviews the Group's remuneration policy in the context of consistent and effective risk management and the regulatory requirements of multiple jurisdictions. No Directors are involved in deciding their own remuneration.

Internal Control

The Board is responsible for maintaining and reviewing the effectiveness of risk management and internal control systems, and for determining the aggregate level and types of risks the Group is willing to take in achieving its strategic objectives. To meet this requirement and to discharge its obligations under the FCA Handbook and the PRA Handbook, procedures have been designed for safeguarding assets against unauthorized use or disposal; for maintaining proper accounting records; and for ensuring the reliability and usefulness of financial information used within the business or for publication. These procedures can only provide reasonable assurance against material mis-statement, errors, losses or fraud.

Financial Reporting

The Group's financial reporting process is controlled using documented accounting policies and reporting formats, supported by detailed instructions and guidance on reporting requirements, issued to all reporting entities within HSBC in advance of each reporting period end. The submission of financial information from each reporting entity is subject to certification by the responsible financial officer, and analytical review procedures at reporting entity and Group levels.

Disclosure Committee

Chaired by the Group Chief Financial Officer, the Disclosure Committee supports the discharge of the Group's obligations under relevant legislation and regulation including the UK and Hong Kong listing rules, the Market Abuse Regulation and US Securities and Exchange Commission rules. In so doing, the Disclosure Committee is empowered to determine whether a new event or circumstance should be disclosed, including the form and timing of such disclosure, and review all material disclosures made or to be made by the Group.



		FITCH		MOOD			D & POOR'S
		RATING	OUTLOOK	RATING	OUTLOOK	RATING	OUTLOOK
The Hongkong and Shanghai Banking	Long Term/Senior	AA-	Stable	Aa3	Negative	AA-	Stable
Corporation Ltd							