

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 US\$ m	2018 US\$ m
Net interest income	30,462	30,489
- interest income	54,695	49,609
- interest expense	(24,233)	(19,120)
Net fee income	12,023	12,620
- fee income	15,439	16,044
- fee expense	(3,416)	(3,424)
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
Total operating income	71,024	63,587
Net insurance claims and benefits paid and movement in liabilities to policyholders	(14,926)	(9,807)
Net operating income before change in expected credit losses and other credit impairment charges/Loan impairment charges and other credit risk provisions	56,098	53,780
Change in expected credit losses and other credit impairment charges	(2,756)	(1,767)
Net operating income	53,342	52,013
Employee compensation and benefits	(18,002)	(17,373)
General and administrative expenses	(13,828)	(15,353)
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)	(814)
Goodwill impairment of Global Private Banking - Europe	(7,349)	-
Total operating expenses	(42,349)	(34,659)
Operating profit	10,993	17,354
Share of profit in associates and joint ventures	2,354	2,536
Profit before tax	13,347	19,890
Tax expense	(4,639)	(4,865)
Profit for the year	8,708	15,025
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
Profit for the year	8,708	15,025
	\$	\$
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 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	(365)	(95)
- expected credit losses recognised in the income statement	109	(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	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	-	-
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
- 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

Loans and advances to customers (net) - By business		
For the year ended 31 December	2019 US\$ m	2018 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
Total	1,036,743	981,696

Consolidated Statement of Cash Flows		
For 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)
Elimination 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 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
Net cash from investing activities	(35,318)	(16,646)
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)
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	293,742	312,911
Cash and cash equivalents comprise:		
- 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)
Cash and cash equivalents at 31 Dec	293,742	312,911

	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)
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)

Consolidated Balance Sheet		
As at 31 December	2019 US\$ m	2018 US\$ m
Assets		
Cash and balances at central banks	154,099	162,843
Items in the course of collection from other banks	4,956	5,787
Hong Kong Government certificates of indebtedness	38,380	35,859
Trading assets	254,271	238,130
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	43,627	41,111
Derivatives	242,995	207,825
Loans and advances to banks	69,203	72,167
Loans and advances to customers	1,036,743	981,696
Reverse repurchase agreements - non-trading	240,862	242,804
Financial investments	443,312	407,433
Prepayments, accrued income and other assets	136,680	110,571
Current tax assets	755	684
Interests in associates and joint ventures	24,474	22,407
Goodwill and intangible assets	20,163	24,357
Deferred tax assets	4,632	4,450
Total assets	2,715,152	2,558,124
Liabilities and equity		
Liabilities		
Hong Kong currency notes in circulation	38,380	35,859
Deposits by banks	59,022	56,331
Customer accounts	1,439,115	1,362,643
Repurchase agreements - non-trading	140,344	165,884
Items in the course of transmission to other banks	4,817	5,641
Trading liabilities	83,170	84,431
Financial liabilities designated at fair value	164,466	148,505
Derivatives	239,497	205,835
Debt securities in issue	104,555	85,342
Accruals, deferred income and other liabilities	118,156	97,380
Current tax liabilities	2,150	718
Liabilities under insurance contracts	97,439	87,330
Provisions	3,398	2,920
Deferred tax liabilities	3,375	2,619
Subordinated liabilities	24,600	22,437
Total liabilities	2,522,484	2,363,875
Equity		
Called up share capital	10,319	10,180
Share premium account	13,959	13,609
Other equity instruments	20,871	22,367
Other reserves	2,127	1,906
Retained earnings	136,679	138,191
Total shareholders' equity	183,955	186,253
Non-controlling interests	8,713	7,996
Total equity	192,668	194,249
Total liabilities and equity	2,715,152	2,558,124

Customers Accounts - by Business		
For the year ended 31 December	2019 US\$ m	2018 US\$ m
Retail banking and wealth management	689,283	640,924
Commercial Banking	386,522	357,596
Global Banking and Markets	292,284	290,914
Global Private Banking	62,943	64,658
Other	8,083	8,551
Total	1,439,115	1,362,643

Group Performance Ratios (%)		
	2020 As at 31 March	2018 As at 31 December
Common equity tier 1 ratio	14.6	14.0
Tier 1 ratio	17.4	16.6
Total capital ratio	20.3	19.4
Leverage ratio	5.3	5.5
Return on average ordinary shareholder's equity*	4.4	7.7
Return on average tangible equity*	4.2	8.6

*The 2020 return on average ordinary shareholder's equity and return on average tangible equity are calculated on an annualised basis.

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			
At 1 Jan 2019	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	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
Total comprehensive income for the year	-	-	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)	-						