

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 30 September | 2019 As at 31 December | 2018 As at 31 December |
| Common equity tier 1 ratio | 15.6 | 14.7 | 14.0 |
| Tier 1 ratio | 18.4 | 17.6 | 16.6 |
| Total capital ratio | 21.2 | 20.4 | 19.4 |
| Leverage ratio | 5.4 | 5.3 | 5.5 |
| Return on average ordinary shareholder's equity* | 2.7 | 3.6 | 7.7 |
| Return on average tangible equity* | 3.5 | 8.4 | 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 | | | | 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 | | | Total shareholders' equity 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 |
| 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 | — | | | | | | | | |