

The Hongkong and Shanghai Banking Corporation Limited

Incorporated in the Hong Kong SAR with limited liability

HSBC Holdings plc

Consolidated Income Statement		
For the year ended 31 December	2023 US\$ m	2022 US\$ m Restated
Net interest income	35,796	30,377
- interest income	100,868	52,826
- interest expense	(65,072)	(22,449)
Net fee income	11,845	11,770
- fee income	15,616	15,124
- fee expense	(3,771)	(3,354)
Net income from financial instruments held for trading or managed on a fair value basis	16,661	10,278
Net income/(expense) from assets and liabilities of insurance businesses, including related derivatives, measured at fair value through profit or loss	7,887	(13,831)
Net insurance premium income	-	-
insurance finance (expense) / income	(7,809)	13,799
Insurance service result	1,078	809
Insurance revenue	2,259	1,377
Insurance service expense	(1,181)	(1,168)
Gain on acquisition	1,591	-
(Impairment)/reversal of impairment relating sale of over retail banking operation in France	150	(2,316)
Other operating (expense)/income	(1,141)	(266)
Total operating income	66,058	50,620
Net insurance claims and benefits paid and movement in liabilities to policyholders	-	-
Net operating income before change in expected credit losses and other credit impairment charges	66,058	50,620
Change in expected credit losses and other credit impairment charges	(3,447)	(3,584)
Net operating income	62,611	47,036
Employee compensation and benefits	(18,220)	(18,003)
General and administrative expenses	(10,383)	(10,848)
Depreciation and impairment of property, plant and equipment and right-of-use assets	(1,640)	(2,149)
Amortization and impairment of intangible assets	(1,827)	(1,701)
Goodwill impairment	-	-
Total operating expenses	(32,070)	(32,701)
Operating profit	30,541	14,335
Share of profit in associates and joint ventures	2,807	2,723
Impairment of interest in associate	(3,000)	-
Profit before tax	30,348	17,058
Tax expense	(5,789)	(809)
Profit for the year	24,559	16,249
Attributable to:		
- ordinary shareholders of the parent company	22,432	14,346
- preference shareholders of the parent company	-	-
- other equity holders	1,101	1,213
- non-controlling interest	1,026	690
Profit for the year	24,559	16,249
\$	\$	\$
Basic earnings per ordinary share	1.15	0.72
Diluted earnings per ordinary share	1.14	0.72

Consolidated Statement of Comprehensive Income		
For the year ended 31 December	2023 US\$ m	2022 US\$ m
Profit for the year	24,559	16,249
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	2,599	(7,232)
- fair value gains/(losses)	2,381	(9,618)
- fair value losses/(gains) transferred to the income statement on disposal	905	(18)
- expected credit recoveries / losses recognised in the income statement	59	56
- income taxes	(746)	2,348
Cash flow hedges	2,953	(3,655)
- fair value gains/(losses)	2,534	(4,207)
- fair value (gain)/losses reclassified to the income statement	1,463	(758)
- income taxes	(1,044)	1,310
Share of other comprehensive income/(expense) of associates and joint ventures - share for the year	(47)	(367)
Net finance income/(expense) from insurance contracts	(364)	1,775
- before income taxes	(491)	2,393
- income taxes	127	(618)
Exchange differences	(204)	(9,918)
Items that will not be reclassified subsequently to profit or loss:		
Fair value gains on property revaluation	1	280
Remeasurement of defined benefit asset/liability	(314)	(1,031)
- before income taxes	(413)	(1,723)
- income taxes	99	692
Changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	(1,219)	1,922
- before income taxes	(1,617)	2,573
- income taxes	398	(651)
Equity instruments designated at fair value through other comprehensive income	(120)	107
- fair value (gains)/losses	(120)	107
- income taxes	-	-
Effects of hyperinflation	1,604	877
Other comprehensive income/(expense) for the year, net of tax	4,983	(17,242)
Total comprehensive income/(expense) for the year	29,542	(993)
Attributable to:		
- ordinary shareholders of the parent company	27,397	(2,810)
- preference shareholders of the parent company	-	-
- other equity holders	1,101	1,213
- non-controlling interests	1,044	604
Total comprehensive income/(expenses) for the year	29,542	(993)

Loans and advances to customers (net) - By business		
For the year ended 31 December	2023 US\$ m	2022 US\$ m
Wealth and Personal Banking	454,878	423,553
Commercial Banking	309,422	308,094
Global Banking and Markets	173,966	192,852
Other	269	355
Total	938,535	924,854

Consolidated Statement of Changes in Equity											
	Called up share capital and share premium US\$ m	Other equity instruments US\$ m	Financial assets at FVOCI US\$ m	Cash flow hedging reserve US\$ m	Foreign exchange reserve US\$ m	Merger and other reserve US\$ m	Insurance finance reserve US\$ m	Retained earnings US\$ m	Total shareholders' equity US\$ m	Non-controlling interests US\$ m	Total equity US\$ m
At 1 Jan 2023	24,811	19,746	(7,038)	(3,808)	(32,575)	33,209	1,079	142,409	177,833	7,364	185,197
Profit for the year	-	-	-	-	-	1	-	23,533	23,533	1,026	24,559
Other comprehensive income (net of tax)	-	-	2,402	3,030	(211)	1	(371)	114	4,983	18	4,983
- debt instruments at fair value through other comprehensive income	-	-	2,574	-	-	-	-	2,574	25	2,599	
- equity instruments designated at fair value through other comprehensive income	-	-	(93)	-	-	-	-	(93)	(27)	(120)	
- cash flow hedges	-	-	-	2,919	-	-	-	2,919	34	2,953	
- changes in fair value of financial liabilities designated at fair value upon initial recognition arising from changes in own credit risk	-	-	-	-	-	-	(1,220)	(1,220)	1	(1,219)	
- Property revaluation	-	-	-	-	-	1	-	(317)	(317)	3	(314)
- Remeasurement of defined benefit asset/liability	-	-	-	-	-	-	-	1,604	1,604	-	1,604
- Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	47	47	-	47
- effects of hyperinflation	-	-	-	-	-	-	-	1,604	1,604	-	1,604
- insurance finance income/(expense) recognised in other comprehensive income	-	-	-	-	-	-	(364)	-	(364)	-	(364)
- exchange differences	-	-	(79)	111	(211)	-	(7)	(196)	(18)	(204)	
Total comprehensive income for the year	-	-	2,402	3,030	(211)	1	(371)	23,647	28,498	1,044	29,542
Shares issued under employee remuneration and share plans	79	-	-	-	-	-	-	(79)	-	-	-
Capital securities issued	-	1,996	-	-	-	-	-	1,996	-	-	1,996
Dividends to shareholders	-	-	-	-	-	-	(11,593)	(11,593)	(603)	(12,196)	
Redemption of securities	-	(4,023)	-	-	-	-	20	(4,003)	-	(4,003)	
Transfers	-	-	-	-	-	(5,130)	5,130	-	-	-	-
Cost of share based payment arrangements	-	-	-	-	-	-	482	482	-	482	
Share buy-back	-	-	-	-	-	-	(7,025)	(7,025)	-	(7,025)	
Cancellation of shares	(521)	-	-	-	-	521	-	-	-	-	
Other movements	-	-	1,129	(255)	(967)	-	77	(843)	(859)	(524)	(1,383)
At 31 December 2023	24,369	17,719	(3,507)	(1,033)	(33,753)	28,601	785	152,148	185,329	7,281	192,610

The financial information summarised above has been extracted from HSBC Holdings plc annual report for the year ended 31 December 2023.

SUMMARY OF HSBC HOLDINGS PLC CORPORATE GOVERNANCE REPORT - 2023

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 239 to 316 of the Annual Report and Accounts 2023 (the 'Annual Report').

The Board, its role, Director's responsibilities, attendance and power

The Board aims to promote the Group's long-term success and deliver sustainable value to shareholders and promote a culture of openness and debate. The Board, led by the Group Chairman, is responsible among other matters for promoting the Group's long term success and delivering sustainable value to shareholders; establishing and approving the Group's strategy and objectives and monitoring the alignment of the Group's purpose, strategy and values with the desired culture; setting the Group's risk appetite and monitoring the Group's risk profile; approving and monitoring capital and operating plans for achieving strategic objectives; including material transactions & considering and approving the Group's technology and environmental, social and governance strategies. Further, approving the appointment of Directors, including Board roles; reviewing the Group's overall corporate governance arrangements and providing entrepreneurial leadership of the Group within a framework of prudent and effective controls. The Board's powers are subject to relevant laws, regulations and HSBC's articles of association.

Operation of the Board

The Board is ordinarily scheduled to meet nine times a year. In 2023, the Board held 11 meetings. For further details, on attendance at those meetings, see page 249 of the Annual Report. In addition to formal Board meetings, the Board Oversight Sub-Group is called on an ad hoc basis where necessary. Such meetings are informal mechanism for a smaller group of Board members and management to discuss emerging issues and upcoming Board matters. The Board Oversight Sub-Group was not convened in 2023.

Board committees and working groups

The Board delegates oversight of certain audit, risk, remuneration, nomination and governance matters to its committees. The Chairman's Committee is convened to provide flexibility for the Board to consider ad hoc Board and routine matters between scheduled Board meetings. All Board members are invited to attend all Chairman's Committees. In addition to the Board committees, working groups are established to enhance Board governance.

Consolidated Statement of Cash Flows		
For the year ended 31 December	2023 US\$ m	2022 US\$ m Restated
Profit before tax	30,348	17,058
Adjustments for non-cash items:		
Depreciation and amortisation and impairment	3,466	3,850
Net loss/(gain) from investing activities	1,213	11
Share of profits in associates and joint ventures	(2,807)	(2,723)
Impairment of interest in associate	3,000	-
(Gain) - loss on acquisition/disposal of subsidiaries, businesses, associates and joint ventures	(1,775)	2,554
Change in expected credit losses gross of recoveries and other credit impairment charges	3,717	3,898
Provisions including pensions	266	638
Share-based payment expense	482	400
Other non-cash items included in profit before tax	(4,299)	(774)
Elimination of exchange differences	(10,678)	48,718
Changes in operating assets and liabilities		
Change in net trading securities and derivatives	(63,247)	20,166
Change in loans and advances to banks and customers	(14,145)	31,649
Change in reverse repurchase agreements - non-trading	(2,095)	(23,405)
Change in financial assets designated and otherwise mandatorily measured at fair value	(9,994)	14,164
Change in other assets	(10,254)	(12,158)
Change in deposits by banks and customer accounts	45,021	(91,194)
Change in repurchase agreements - non-trading	43,366	4,344
Change in debt securities in issue	11,945	12,518
Change in financial liabilities designated at fair value	10,097	(13,654)
Change in other liabilities	8,742	6,021
Dividends received from associates	1,067	944
Contributions paid to defined benefit plans	(208)	(194)
Tax paid	(4,117)	(2,776)
Net cash from operating activities	39,111	19,355
Purchase of financial investments	(563,561)	(511,097)
Proceeds from the sale and maturity of financial investments	504,174	492,624
Net cash flows from the purchase and sale of property, plant and equipment	(1,145)	(1,284)
Net cash flows from disposal of loan portfolios and customer accounts	623	(3,530)
Net investment in intangible assets	(2,550)	(3,125)
Net cash flow from (acquisition)/disposal of subsidiaries, businesses, associates and joint ventures	(453)	(989)
Net cash from investing activities	(62,912)	(27,401)
Issue of ordinary share capital and other equity instruments	1,996	-
Cancellation of shares	(5,812)	(2,285)
Net sales (purchases) of own shares for market-making and investment purposes	(614)	(91)
Net cash flow from change in stake of subsidiaries	(19)	(197)
Redemption of preference shares and other equity instruments	(4,003)	(2,266)
Subordinated loan capital issues	5,237	7,300
Subordinated loan capital repaid	(2,147)	(1,777)
Dividends paid to shareholders of the parent company and non-controlling interests	(12,196)	(6,970)
Net cash from financing activities	(17,558)	(6,286)
Net increase/(decrease) in cash and cash equivalents	(41,359)	(14,332)
Cash and cash equivalents at 1 Jan	521,671	574,032
Exchange differences in respect of cash and cash equivalents	10,621	(38,029)
Cash and cash equivalents at 31st Dec	490,933	521,671

Customers Accounts - by Business		
For the year ended 31 December	2023 US\$ m	2022 US\$ m
Wealth and personal banking	804,863	773,310
Commercial Banking	475,666	472,424
Global Banking and Markets	330,522	332,303
Other	596	458
Total	1,611,647	1,578,495

Group Performance Ratios (%)			
	2024 As at 31 st Mar	2023 As at 31 st December	2022 As at 31 st December
Common equity tier 1 ratio	15.2	14.8	14.2
Tier 1 ratio	17.3	16.9	16.6
Total capital ratio	20.7	20	19.3
Leverage ratio	5.7	5.6	5.8
Return on average ordinary shareholder's equity	24	13.6	8.7
Return on average tangible equity	26.1	14.6	9.9

Consolidated Balance Sheet		
As at 31 December	31 Dec 2023 US\$ m	31 Dec 2022 US\$ m Restated
Assets		
Cash and balances at central banks	285,868	327,002
Items in the course of collection from other banks	6,342	7,297
Hong Kong Government certificates of indebtedness	42,024	43,787
Trading assets	289,159	218,093
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	110,643	100,101
Derivatives	229,714	284,159
Loans and advances to banks	112,902	104,475
Loans and advances to customers	938,535	923,561
Reverse repurchase agreements - non-trading	252,217	253,754
Financial investments	442,763	364,726
Assets held for sale	114,134	115,919
Prepayments, accrued income and other assets	165,255	156,149
Current tax assets	1,536	1,230
Interests in associates and joint ventures	27,344	29,254
Goodwill and intangible assets	12,487	11,419
Deferred tax assets	7,754	8,360
Total assets	3,038,677	2,949,286
Liabilities		
Hong Kong currency notes in circulation	42,024	43,787
Deposits by banks	73,163	66,722
Customer accounts	1,611,647	1,570,303
Repurchase agreements - non-trading	172,100	127,747
Items in the course of transmission to other banks	7,295	7,864
Trading liabilities	73,150	72,353
Financial liabilities designated at fair value	141,426	127,321
Derivatives	234,772	285,762
Debt securities in issue	93,917	78,149
Liabilities of disposal groups held for sale	108,406	114,597
Accruals, deferred income and other liabilities	136,606	134,313
Current tax liabilities	2,777	1,135
Insurance contracts liabilities	120,851	108,816
Provisions	1,741	1,958
Deferred tax liabilities	1,238	972
Subordinated liabilities	24,954	22,290
Total liabilities	2,846,067	2,764,089
Equity		