

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 (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 (gains)/losses reclassified to the income statement	1,483	(758)
– income taxes	(1,044)	1,310
Share of other comprehensive income/(expense) of associates and joint ventures	(47)	(367)
– share for the year	47	(367)
Net finance income/(expenses) 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
Total 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 reserve 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		Total US\$ m
									US\$ m	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	4,965	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)	(120)
- cash flow hedges	-	-	-	2,919	-	-	-	2,919	34	2,953	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)	(1,219)
- Property revaluation	-	-	-	-	-	1	-	(317)	(317)	3	(314)
- Remeasurement of defined benefit asset/liability	-	-	-	-	-	-	-	47	47	-	47
- Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	1,604	1,604	-	1,604
- effects of hyperinflation	-	-	-	-	-	-	-	(364)	(364)	-	(364)
- insurance finance income/(expense) recognised in other comprehensive income	-	-	(79)	111	(211)	-	(7)	(186)	(186)	(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	(603)	1,393
Dividends to shareholders	-	-	-	-	-	-	(11,593)	(11,593)	(603)	(12,196)	(12,196)
Redemption of securities	-	(4,023)	-	-	-	-	20	(4,003)	-	(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.

Relationship between Board and Senior Management

The Board delegates day-to-day management of the business and implementation of strategy to the Group Chief Executive. The Group Chief Executive is supported in his day-to-day management of the Group by recommendations and advice from the Group Executive Committee ('GEC'), an executive forum that he chairs comprising members of senior management that include chief executive officers of the global businesses, regional chief executive officers and functional heads.

Nomination and Corporate Governance Committee

The Committee's key responsibilities include: overseeing and monitoring the corporate governance framework of the Group and ensuring that this is consistent with best practice; overseeing succession planning and leading the process for identifying and nominating candidates for appointment to the Board and its committees; and overseeing succession planning and development for the Group Executive Committee and other senior executives.

Group Audit Committee (GAC)

The Committee's key responsibilities include: monitoring and assessing 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; reviewing the effectiveness of, and ensuring that management has appropriate internal controls over, financial reporting; reviewing management's arrangements for compliance with prudential regulatory financial reporting; reviewing and monitoring the relationship with the external auditor and overseeing its appointment, tenure, rotation, remuneration, independence and engagement for non-audit services; overseeing the Group's policies, procedures and arrangements for capturing and responding to whistleblower concerns and ensuring they are operating effectively; and overseeing the work of Global Internal Audit and monitoring and assessing the effectiveness, performance, resourcing, independence and standing of the function.

Group Risk Committee (GRC)

The Committee's key responsibilities include: overseeing and advising the Board on all risk-related matters, including financial and non-financial risks; advising the Board on risk appetite-related matters, and key regulatory submissions; reviewing the effectiveness of the Group's risk management framework and internal controls systems (other than internal financial controls overseen by the GAC); reviewing and challenging the Group's stress testing exercises; and overseeing the Group's approach to conduct, fairness and preventing financial crime.

Consolidated Balance Sheet			
As at 31 December		31 Dec 2023	31 Dec 2022
		US\$ m	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			
Called up share capital		9,631	10,147
Share premium account		14,738	14,664
Other equity instruments		17,719	19,746
Other reserves		(8,907)	(9,133)
Retained earnings		152,148	142,409
Total shareholders' equity		185,329	177,833
Non-controlling interests		7,281	7,364
Total equity		192,610	185,197
Total liabilities and equity		3,038,677	2,949,286

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied	31 Dec 2023		At 31 Dec 2022	
	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	949,609	(11,074)	935,008	(11,447)
– personal	447,522	(2,867)	414,882	(2,870)
– corporate and commercial	427,655	(7,803)	453,202	(8,320)
– non-bank financial institutions	74,432	(404)	66,924	(257)
Loans and advances to banks at amortised cost	112,917	(15)	104,544	(69)
Other financial assets measured at amortised cost	960,271	(422)	954,934	(493)
Loans and other credit-related commitments	661,015	(367)	618,788	(386)
– personal	256,997	(25)	244,006	(27)
– corporate and commercial	267,878	(322)	269,187	(340)
– financial	136,140	(20)	105,595	(19)
Financial guarantees	17,009	(39)	18,783	(52)
– personal	1,119	-	1,135	-
– corporate and commercial	11,777	(36)	13,587	(50)
– financial	4,113	(3)	4,061	(2)
At 31 December 2023	2,700,821	(11,917)	2,632,057	(12,447)

Analysis of Financial Assets and Liabilities by Measurement Basis				
As at 31 December 2023				
	Amortised cost US\$ m	Fair value through profit or loss US\$ m	Fair value through other comprehensive income US\$ m	Total US\$ m
Financial assets				
Cash and balances at central banks	285,868	-	-	285,868
Items in the course of collection from other banks	6,342	-	-	6,342
Hong Kong Government certificates of indebtedness	42,024	-	-	42,024
Trading assets	-	289,159	-	289,159
Financial assets designated and otherwise mandatorily measured at fair value through profit or loss	-	110,643	-	110,643
Derivatives	-	229,714	-	229,714
Loans and advances to banks	112,902	-	-	